

Bridge Report OPTEX GROUP (6914)

 Toru Kobayashi Chairman and CEO	 Isamu Oguni President and COO	Company	OPTEX GROUP Co., Ltd.	
		Code No.	6914	
		Exchange	TSE 1st Section	
		Industry	Electric equipment (manufacturer)	
		Chairman	Toru Kobayashi	
		President	Isamu Oguni	
		HQ Address	5-8-12, Ogoto, Otsu, Shiga	
		Business Description	Holding company centered around OPTEX that manufactures and sells outdoor sensors, automatic door sensors and environment-related products. The company expands FA related business and Machine vision lightning business, too.	
		Year-end	December	
		URL	http://www.optex.co.jp/e/group/	

— Stock Information —

Share Price	Shares Outstanding		Market Cap.	ROE(actual)	Trading Unit
¥3,315	17,341,997shares		¥57.488billion	7.4%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (actual)	PBR (actual)
¥45.00	1.4%	¥144.15	23.0x	¥1,480.66	2.2x

* Stock price as of the close on May 9, 2017. Number of shares at the end of the most recent quarter excluding treasury shares.

ROE and BPS are from the last year-end.

— Consolidated Earnings Trends —

(Units: Million Yen)

Fiscal Year	Net Sales	Operating Profit	Ordinary Profit	Net Profit	EPS (¥)	Dividend (¥)
December 2010	17,395	1,705	1,761	981	59.30	30.00
December 2011	18,502	1,677	1,830	1,033	62.45	30.00
December 2012	20,699	1,398	1,680	825	49.88	30.00
December 2013	23,582	2,108	2,628	1,620	97.90	30.00
December 2014	25,678	2,558	3,043	1,897	114.68	35.00
December 2015	27,793	3,161	3,222	2,051	123.96	40.00
December 2016	31,027	3,015	3,086	1,809	109.33	45.00
December 2017 Est.	35,600	3,700	3,800	2,500	144.15	45.00

* Estimates are those of the Company. From the current fiscal year, the definition for net profit has been changed to net profit attributable to owners of parent.

This Bridge Report presents OPTEX GROUP's earnings results for the first quarter of fiscal year ending December 2017 and Medium-term Management Policy

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Key Points

- Sales for the first quarter of FY12/2017 were 9,145 million yen, up 38.9% yoy. Security-related and automatic door-related sales dropped due to the impact of the exchange rate, however the FA business performed well and the reorganization of CCS into a subsidiary made contributions as well. Domestic sales were 4,031 million yen, up 75.2% yoy, and overseas sales were 5,114 million yen, up 19.4%. SG&A expenses increased due to the reorganization into a subsidiary; however it was offset by the growth in sales and operating profit ended at 1,332 million yen, up 49.8% yoy. Increase in equity in earnings of affiliates and reduction in the foreign exchange loss led to an ordinary profit of 1,309 million yen, up 79.6% yoy.
- No changes to the business forecast. Sales for FY12/2017 are expected to be 35.6 billion yen, up 14.7% yoy. The security-related, automatic door-related, FA business and machine vision lighting business are forecasted to see a rise in sales. Operating profit is forecasted to be 3.7 billion yen, up 22.7% yoy, and the profit ratio is to rise as well. Dividend is scheduled to remain the same as the last term at 45 yen per share. Payout ratio is estimated to be 31.2%
- The sales growth rate, excluding the effects of the contributions of CCS, which was reorganized into a subsidiary last term, and the influence of the exchange rate, was 7.2%. Although it was not a major growth, the drop in sales and poor performance of Security and Automatic Door-related business in Japan recovered, which is an optimistic change. Progress rates for each business and overall business seem to be advancing as planned. Although uncertainty factors such as foreign exchange are inevitable, we would like to draw attention to the recovery of EMEA security-related sales, which has a high sales composition but continue to experience a decline in sales.

1. Company Overview

OPTEX GROUP Co., Ltd. is a holding company centered around OPTEX Co., Ltd. that manufactures and sells outdoor sensors (top share of 40% in the global market), automatic door sensors (30% share of the global market and 60% share of the domestic market) and environment-related products.

OPTEX GROUP holds subsidiaries including OPTEX FA CO., LTD., which deals with FA related sensing business, CCS Inc. which holds the global top share in the LED lighting business for image processing, RAYTEC LIMITED (UK), which has attained the largest global share (about 50 %) for supplemental lights for CCTV, and FIBER SENSYS INC. (US), which deals with optical fiber intrusion detection systems.

OPTEX CO., LTD.	Development and sales of products and systems using sensing technologies
OPTEX FA CO., LTD.	Development, manufacturing and sales of photoelectric sensors, image inspection systems, measuring instruments
CCS Inc.	Development, manufacturing, and sale of LED lighting devices and systems for image processing
SICK OPTEX CO., LTD.	Development of general-purpose photoelectric sensors. A joint venture of SICK AG (Germany) and OPTEX FA CO., LTD.
GIKEN TRASTEM CO., LTD.	Development, manufacturing and sales of people counting systems, customer traffic counting/management systems
ZENIC INC.	Contracted development of IC and LSI for image processing, and design and sales of FA systems
O'PAL OPTEX CO., LTD.	Management of membership sports clubs and environmental hands-on learning programs.
FIBER SENSYS INC. (US)	Development, manufacturing and sales of fiber-optic intrusion detection systems
FARSIGHT SECURITY SERVICES LTD. (UK)	Security company providing remote video surveillance services
RAYTEC LIMITED. (UK)	Development, manufacturing and sales of supplemental lighting for surveillance cameras

【Business Description】

The Company's business is composed of its main Sensing Solution (SS) business (security-related business, automatic door-related business, and EMS-related business), Factory Automation (FA) business (sensor for industrial machine), Machine vision lighting (MVL) business (LED lighting device and system for image processing), and Other business (operation of sport clubs). (The names and segment changed when the Company changed its system to a holding company.)

Segment		Feature
SS Business	Security-related	Main products include various indoor and outdoor sensors, wireless security systems and LED lighting control systems, etc. For outdoor sensors, the company has the leading share in the global market. Recently, it focuses on development of the automobile detection sensor using microwave technologies.
	Automatic door-related	The company developed the world's first automatic door sensor using infrared rays. Main products are automatic door opening/closing sensors, shutter sensors for factories, wireless touch switches, etc.
	EMS-related	Electronic manufacturing service in Chinese factory
	Others	Manufacturing/marketing of measuring instruments, Transportation safety products, Customer traffic counting/management systems, developing/marketing of image processing-related products
FA Business		Main products include photoelectric sensors used for quality control and automation of production lines, displacement sensors, image sensors, LED lights, etc. In Japan, these products are provided to a wide range of industries such as food or pharmaceutical for quality control of production lines. In Europe, its products are sold broadly through its technological partner SICK AG (Germany) that has the largest share in industrial sensor market. Also, its house-brand products have been launched in Asia and North America.
MVL Business		The company has a significant share in the LED lighting business for image processing. The company offers solutions using the natural light LED developed by the company, which boasts the best color rendering property in the field.
Others		Operating sports clubs

【Advantages :Diversified Technologies/Expertise on Sensing and Unique Sensing Algorithm】

To produce stable and reliable sensors, it is essential to build on a number of elemental technologies and expertise, as well as 'algorithms' to control physical changes. The company takes advantage of its technologies/expertise suitable for intended applications and its unique sensing algorithm to secure the largest share in global market.

Noise abatement technology	<ul style="list-style-type: none"> •Hardware design to minimize various noises •Conduct a number of environmental assessments based on its own standard, and launch products that pass the assessments.
Sophisticated optical design	<ul style="list-style-type: none"> •Make use of optical simulation to achieve high-density areas eliminating blind spots. •Packaging technologies to enable downsizing
Compliant to public standards for reliability	<ul style="list-style-type: none"> •Adapted and compliant to any global standards •Adapted and compliant to industry standards and guidelines (CE marking, EN standard [TUV certified], ANSI, JIS, etc.)
Environment friendly design	<ul style="list-style-type: none"> •By identifying 15 restricted-use materials and 10 self-control materials, the company succeeded in excluding toxic substances in all products. •Compliant to RoHS directive, lead-free solder alloy •Design to minimize the effect from CO2 when in use
Secure & safe control	<ul style="list-style-type: none"> •Adopt self-diagnosis functions in emergency or in failure to prevent system outage, and fail-safe devices for sensors

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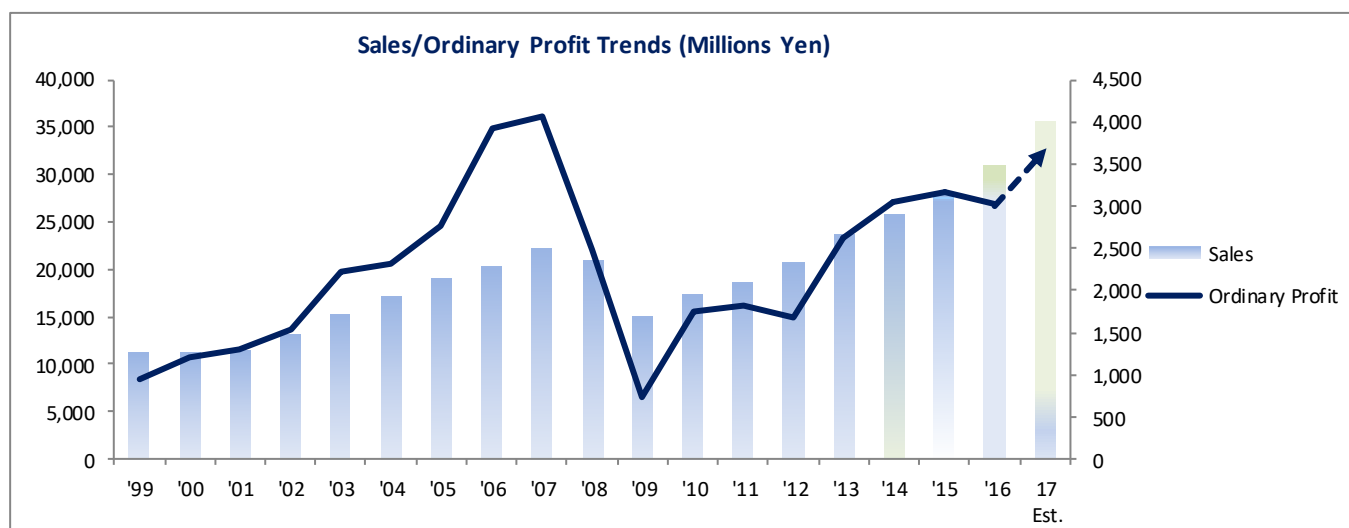


	<ul style="list-style-type: none"> • Propose preventive maintenance measures to maintain functions
Unique sensing algorithm	<ul style="list-style-type: none"> • Unique algorithm to eliminate the impact of noise ineliminable by hardware, detect, scan and analyze only the intended events • Various automatic correction functions to maintain performance in the field

【History】

OPTEX was established in 1979 and developed the world's first automatic door sensors using infrared rays in the following year. Back then, most of the automatic doors were using pressure sensitive rubber mats, which contained sensors, and sensors using infrared rays were very innovative. The company also showed unrivaled abilities in product maintenance and implementation, and captured the top share in the automatic door sensors market in only three years since its inception (currently, about 60% share in the domestic market). The company expanded operations and listed on the over-the-counter market (equal to listing on JASDAQ) in 1991. Then it listed on the second section of Tokyo Stock Exchange in 2001 and moved to its first section in 2003.

Recently, it has been working on enhancement of solutions based on image processing technologies and high-end security systems. In 2008, it acquired ZENIC INC., which specialized in contracted development of IC/LSI for image processing systems. Furthermore, it acquired FIBER SENSYS INC. (US) in 2010 and RAYTEC LIMITED (UK) in 2012 respectively. In May 2016, the company reorganized CCS Inc. (6669, JASDAQ), which has the largest share in the global industrial LED lighting field, into a subsidiary. On Jan. 1, 2017, the company shifted to the holding company system, with the aim of advancing to next-generation management and pursuing group synergy.



【ROE analysis】

	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16
ROE(%)	6.0%	4.6%	8.2%	8.6%	8.7%	7.4%
Net Profit Margin	5.58%	3.99%	6.87%	7.39%	7.38%	5.83%
Total Assets Turnover	0.85times	0.91times	0.92times	0.89times	0.91times	0.91times
Leverage	1.27x	1.28x	1.30x	1.31x	1.30x	1.41x

OPTEX GROUP' s ROE in FY12/16 was 7.4% and less than 8% for the first time in 4 terms.

The Company sets a goal of ROE of 10% or more as an important management index and aims for recovery to more than 8%.

2. First Quarter of Fiscal Year December 2017 Earnings Results

(1) Earnings Results

(Units: Million Yen)

	FY 12/16 1Q	Share	FY 12/17 1Q	Share	YoY change
Sales	6,584	100.0%	9,145	100.0%	+38.9%
Gross Profit	3,659	55.6%	5,138	56.2%	+40.4%
SG&A	2,769	42.1%	3,806	41.6%	+37.5%
Operating Profit	889	13.5%	1,332	14.6%	+49.8%
Ordinary Profit	728	11.1%	1,309	14.3%	+79.6%
Current Net Profit	475	7.2%	844	9.2%	+77.7%

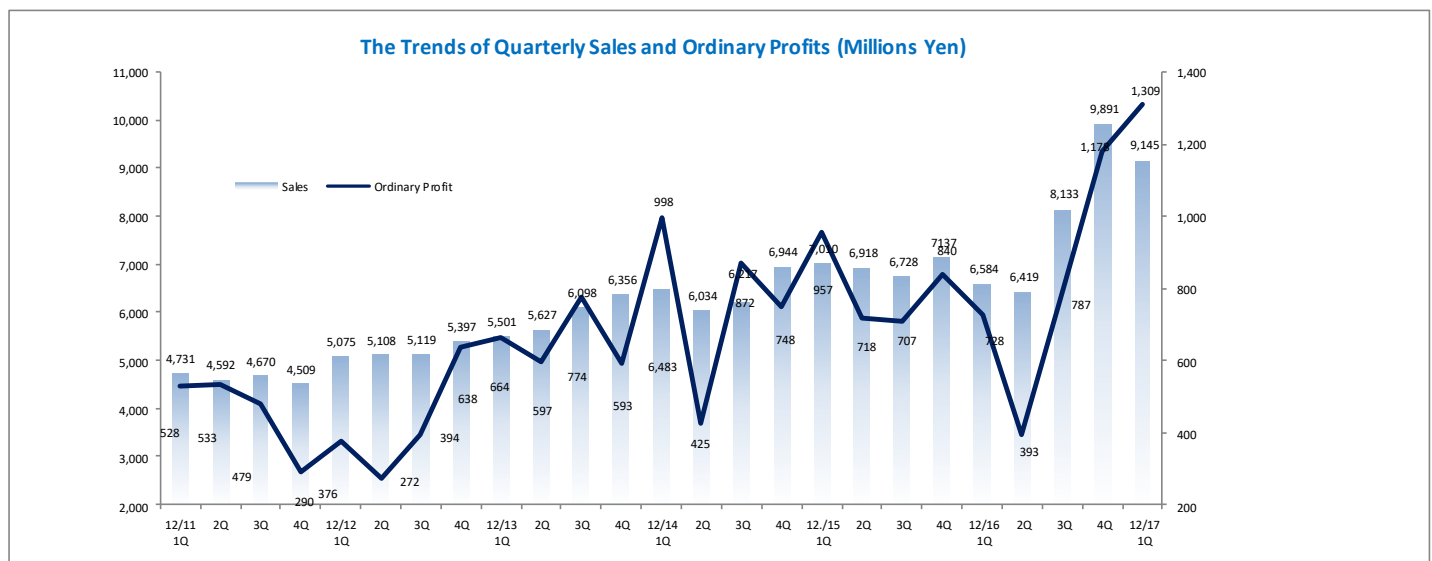
Double-digit rise in sales and profit due to the impact of M&A and strong FA.

Sales were 9,145 million yen, up 38.9% yoy. Security-related and automatic door-related sales dropped due to the impact of the exchange rate (minus 255 million yen), however the FA business performed favorably (OPTEX FA: plus 300 million yen) and the reorganization of CCS into a subsidiary (plus 2.3 billion yen) made contributions as well. Domestic sales were 4,031 million yen, up 75.2% yoy, and overseas sales were 5,114 million yen, up 19.4%.

SG&A expenses increased due to the reorganization into a subsidiary, however it was offset by the growth in sales and operating profit ended at 1,332 million yen, up 49.8% yoy (exchange rate had an influence of a 135 million yen deficit).

Increase in equity in earnings of affiliates and reduction in the foreign exchange loss led to an ordinary profit of 1,309 million yen, up 79.6% yoy.

Quarterly Financial Results



◎Average FX rate

	FY12/16 1Q	FY12/17 1Q
USD	115.48	113.64
GBP	165.29	140.80
EURO	127.22	121.08

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(2) Earnings by Segment

① Sales/Profit by Segment

(Units: Million Yen)

	FY12/16 1Q	Share	FY12/17 1Q	Share	YoY change
SS Business	5,201	79.0%	5,111	55.9%	-1.7%
FA Business	1,379	20.9%	1,686	18.4%	+22.3%
MVL Business	-	-	2,343	25.6%	-
Others	3	0.0%	4	0.0%	+33.3%
Sales	6,584	100.0%	9,145	100.0%	+38.9%
SS Business	800	15.4%	740	14.5%	-7.5%
FA Business	102	7.4%	254	15.1%	+149.0%
MVL Business	-	-	356	15.2%	-
Others	-14	-	-13	-	-
Adjustment	0	-	-5	-	-
Operating Profit	889	13.5%	1,332	14.6%	+49.8%

*Shares for operating profits are sales to profit margin.

② Trend in each segment and each region

(Units: Million Yen)

	FY12/16 1Q	Share	FY12/17 1Q	Share	YoY change
Security					
Japan	598	17.6%	606	18.1%	+1.3%
AMERICAs	638	18.7%	635	18.9%	-0.5%
EMEA	1,895	55.6%	1,707	50.9%	-9.9%
Asia	276	8.1%	408	12.2%	+47.8%
Total	3,407	100.0%	3,356	100.0%	-1.5%
Automatic door					
Japan	535	49.1%	548	52.8%	+2.4%
AMERICAs	284	26.1%	263	25.3%	-7.4%
EMEA	243	22.3%	203	19.6%	-16.5%
Asia	27	2.5%	24	2.3%	-11.1%
Total	1,089	100.0%	1,038	100.0%	-4.7%
FA					
Japan	682	49.5%	793	47.0%	+16.3%
AMERICAs	29	2.1%	24	1.4%	-17.2%
EMEA	471	34.2%	578	34.3%	+22.7%
Asia	197	14.3%	291	17.3%	+47.7%
Total	1,379	100.0%	1,686	100.0%	+22.3%
MVL					
Japan	-	-	1,558	66.5%	-
AMERICAs	-	-	201	8.6%	-
EMEA	-	-	231	9.9%	-
Asia	-	-	353	15.1%	-
Total	-	-	2,343	100.0%	-

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◎SS Business

(Security-related)

Japan: Sales of outdoor security sensors targeted at security companies were robust.

AMERICAS: Secured a large quantity of orders for new products in North America. Sales of outdoor security sensors targeted at important facilities performed well, however due to the impact of exchange rates, they remained at the same level.

EMEA: Although sales of outdoor security sensors targeted at important facilities and outdoor residential sensors for Southern Europe were strong, overall sales declined due to the influence of exchange rates.

Asia: Sales of outdoor security sensors to distributors in South Korea and Australia were favorable.

(Automatic Door-related)

Japan: Sales of automatic door sensors and shutter sensors for factories performed well.

AMERICAS: Sales of automatic door sensors to major North American clients dropped year-on-year.

EMEA: Sales of automatic door sensors to major European clients decreased year-on-year.

◎FA Business

Japan: Sales of semiconductors, rechargeable batteries, flat panel displays, electronic components, LED lights for quality testing for the food industry, image sensors, and displacement sensors were favorable.

EMEA: Sales of displacement sensors were strong due to sales promotional activities towards OEM suppliers.

Asia: Sales of displacement sensors mainly for the smartphone industry were strong due to the capital investment boom to save manpower in China.

◎MVL Business

Japan: Opportunities to receive orders increased due to the expansion of solutions and improvements to proposals.

AMERICAS: As a result of progressive business activities in North America, new transactions and sales to existing clients increased.

EMEA: An upswing in the semiconductor market in Europe led to strong sales to major clients.

Asia: Sales were strong in Singapore, Malaysia and Thailand.

(3) Financial Conditions

◎Major BS

	FY 12/16	FY 12/17 1Q		FY 12/16	FY 12/17 1Q
Cash Deposits	10,000	10,168	Account Payable	1,630	2,113
Accounts Receivable	7,838	8,411	Short-term Debt	1,833	1,654
Inventory Assets	5,044	5,290	Current Liabilities	5,704	6,076
Current Assets	24,833	25,711	Long-term Debt	160	118
Property, Plant and Equipment	4,275	4,233	Net Defined Benefit Liability	1,085	1,105
Intangible Assets	4,414	4,272	Fixed Liabilities	3,322	3,205
Investments, Others	4,158	4,048	Liabilities	9,026	9,281
Fixed Assets	12,847	12,554	Net assets	28,654	28,984
Total Assets	37,681	38,265	Total liabilities, net assets	37,681	38,265
			Equity ratio	65.0%	68.8%

Current assets grew 878 million yen due to the increase in trade receivables from increased sales and inventory assets. A drop in intangible assets led to noncurrent assets decreasing by 293 million yen and total assets rising 584 million yen to 38,265 million yen.

Total liabilities were 9,281 million yen, up 255 million yen yoy, due to increased trade payables.

Due to the strong yen, the foreign currency translation adjustment was a deficit and the non-controlling shareholders' interest fell, however capital surplus and retained earnings increased. As a result, net assets rose to 28,984 million yen, up 330 million yen yoy.

As a result, equity ratio increased by 3.8% from 65.0% at the end of the previous term to 68.8%.

3. Fiscal Year December 2017 Earnings Estimates**(1) Full-year earnings forecast**

(Unit: millions yen)

	FY 12/16 Actual	Share	FY 12/17 Est.	Share	YoY change	To 2Q Progress	To Full-term Progress
Sales	31,027	100.0%	35,600	100.0%	+14.7%	53.2%	25.7%
Operating Profit	3,015	9.7%	3,700	10.4%	+22.7%	83.3%	36.0%
Ordinary Profit	3,086	9.9%	3,800	10.7%	+23.1%	79.3%	34.4%
Net Profit	1,809	5.8%	2,500	7.0%	+38.2%	80.4%	33.8%

No change to earnings estimates. Double-digit growth of sales and profits in all business segments

There is no change to the earnings estimates. Sales are estimated to increase 14.7% yoy to 35.6 billion yen. All business segments including Security-related business, Automatic door-related business, FA business and Machine vision lighting business are expected to increase sales. Sales from CCS Inc. and Gardasoft Vision will contribute to the growth throughout the fiscal year.

Operating profit is estimated to increase 22.7% yoy to 3.7 billion yen. Operating profit margin is also projected to increase.

The dividend amount is estimated to be 45 yen/share, the same level as the previous term. Payout ratio is projected to be 31.2%.

(2) Full-year earnings forecast

(Unit: millions yen)

	FY 12/15	FY 12/16	FY 12/17 (Est.)	YoY change	To 2Q Progress	To Full-term Progress
SS business (Security-related)	14,208	12,398	13,415	+8.2%	50.9%	25.0%
SS business (Automatic door-related)	4,386	4,136	4,311	+4.2%	50.8%	24.1%
FA business	5,648	6,149	6,458	+5.0%	53.4%	26.1%
MVL business	-	5,023	8,100	-	60.1%	28.9%

*The earnings of CCS Inc. in MVL business have contributed since the third quarter the fiscal year December 2016.

◎SS Business**(Security-related business)**

Japan: The Company will strengthen the sales of “disaster prevention lighting” products. It will also increase the number of new transactions by promoting sales targeting public agencies.

AMERICAS: The Company will ensure to acquire transactions for “large important facilities”. It will also expand the sales of outdoor security sensors for energy-saving and low cost houses.

EMEA: The Company will firmly maintain the market share of outdoor security sensors. It will launch new products related to outdoor security sensors for the residential market targeting Southern Europe.

Asia: It will strengthen the sales of machine security sensor targeting Southeast Asia.

(Automatic door-related business)

Japan: The Company will provide a wide range of product lineup that is in compliance with new safety regulations. It will also launch high value-added products equipped with an image sensor.

AMERICAS: The Company will launch new products that are in compliance with new safety regulations which will come into effect. OEM sales of its core sensors to major customers in North America will start.

EMEA: Same as AMERICAS, the Company will launch new OEM devices for major customers in Europe. It will increase product lines that are in compliance with EN regulations.

◎FA business

Japan: The Company will focus on expanding sales of displacement sensors, fiber sensors, and LED lighting targeting the electronics industry.

EMEA: The Company will focus on expanding the business in Europe by supplying displacement sensors to OEM and strengthening

sales promotion.

Asia: The Company will increase the number of sales offices and strengthen the sales network to fortify its position in the Chinese market.

◎Machine vision lightning business

Japan: The Company will further strengthen the capacities of solutions using lens, camera, etc. It will elevate the level of proposals to the customers and strive to be different from the competitors.

AMERICAS: The Company will strengthen the local support system and strengthen the capacities to respond to growing number of custom-orders. It will focus on business expansion in Mexico.

EMEA: The Company will aggressively visit customers to increase new and existing customers. It will strengthen its sales capacities and increase the number of custom-order sales.

Asia: The Company will find sales agents that are influential in China. It will find new markets in Malaysia, Thailand and Vietnam.

4. Future Growth Strategy

From this fiscal year, the Company transitioned to a holding company system. It aims at creating “the new” by boldly depicting the future and acting with speed. Its main growth strategies, “Visual Verification” and “Factory Automation” are considered 2 pillars of the strategies.

①Growth Strategy

◎Visual Verification

There is an issue with detecting abnormality just by a sensor from an accuracy point of view (e.g. triggering the false alarm). For example, in UK, the police rushes to the site only after the sensor detects abnormality and a camera image is confirmed. In the USA, there is a false alarm fine system for the police in place in some states.

Furthermore, not only for residential use, the need for high-end visual verification is increasing in the emerging countries where infrastructure development for important facilities is accelerating amid frequent terrorist attacks in the world.

In response to the expansion of the needs for visual verification, it is expected that the global surveillance camera market centered around the network security cameras will grow at an annual rate of 15% by 2018.

The Company Group will collaborate with a major global security manufacturer to develop, launch and sell products equipped with a “sensor” to detect, “camera” to shoot images, and “wireless” function to send the information digitally in the residential market.

In the high-end market, it will promote sales of new solutions for “outdoor security” which they occupy the top share in the global market under the concept of “Internet of Sensing Solution (IoS)”.

◎Factory automation

In the field of Factory Automation (FA), the Company will pursue a synergy effect of “Sensor business” of OPTEX FA and “Machine vision lighting business” of CCS.

OPTEX FA's strengths lie in their R&D capabilities to produce high quality products at low prices, their global expansion capabilities in selling products to over 60 countries in cooperation with the best in the world -- SICK AG, and fables management which enables them to specialize in R & D and marketing and achieve high profitability.

Meanwhile, CCS possesses the top lighting solution capabilities which is backed by their extensive knowhow, top world's market share at 30%, and leading manufacturing capabilities.

In selling and presenting offers, by combining the strengths of both companies, they will be able to present complete proposals of high-value added products, jointly increase new clients, and proceed in making new solution proposals.

In addition, they aim to speed up development and production, improve quality, and optimize manufacturing via streamlining development which would include joint fundraising.

OPTEX FA aims to utilize synergy in the group to not only increase new customers in the food, pharmaceutical and cosmetic industry -- their main clientele -- but also in the electrical, electronics, semiconductor and automobile industry and expand their business.

CCS will expand their solutions for customers into not only lighting, but also cameras, lens, and systems to distinguish themselves from their competition. They aim to further increase their market share.

② Management benchmarks and performance goals

The management benchmarks for the OPTEX GROUP are “Sales growth rate of over 15%”, “Operating profit margin of over 15%” and “ROE of over 10%”.

To raise the operating profit margin, the Company will continuously work on reducing costs and minimize the influence of foreign exchange by raising domestic sales ratio and expanding overseas manufacturing system.

The goals of the Company for 2019 are sales of 50 billion yen and operating profit of 7.5 billion yen.

M&A and business collaboration are also under consideration to expand its business.

5. Conclusions

The sales growth rate, excluding the effects of the contributions of CCS, which was reorganized into a subsidiary last term, and the exchange rate, was 7.2%.

Although it was not a major growth, the drop in sales and poor performance of Security and Automatic Door-related business in Japan recovered, which is an optimistic change. The progress rates for each business and overall business seem to be advancing as planned.

Although uncertainty factors such as foreign exchange are inevitable, we would like to draw attention to the recovery of EMEA security-related sales, which has a high sales composition but continue to experience a decline in sales.

<Reference : Regarding Corporate Governance>

◎ Organization type, and the composition of directors and corporate auditors

Organization type	Company with audit and supervisory committee
Directors	9 directors, including 3 external ones

◎ Corporate Governance Report

The latest revision date: April 10, 2017

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

Principle	Reason for non-compliance
【Supplementary Principle 1-2-4 Electronic Voting Right】	We will continue to consider offering electronic voting right after taking into account the future shareholder distribution and cost effectiveness.
【Supplementary Principle 1-2-5 Attendance of the shareholders who hold shares under the name of a trust bank or the like at a general meeting of shareholders】	The company recognizes the shareholders who hold a voting right registered in the list of shareholders as the shareholders who can exercise a voting right, but does not allow those who have shares under the name of a trust bank or the like to exercise a voting right or the like. However, considering the trend and situation of virtual shareholders, the company will have discussions with trust banks, etc.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principle	Items to be disclosed
【Principle 1-4 the so-called strategically held shares】	The company will hold shares after the deliberation and resolution by the board of directors, only when the shareholding is considered to contribute to the cementing of transaction relations and the improvement of corporate value under the business strategies of the company and its corporate group. Every year, the board of directors discusses the meanings of the holding of the shares, and if it is judged that the reasonable value of the shareholding is insufficient, the company will sell the shares while considering the market trend, etc. As for the exercise of the voting rights of shares the company holds, there are no specific standards, but each bill will be discussed, and dealt with based on comprehensive judgment.
【Principle 5-1 Policy for the constructive dialogues with shareholders】	The company has the publicity and IR sections, and makes efforts to explain its managerial policy and situation in an understandable manner, so that it can talk with shareholders proactively and constructively. In addition, IR staff and officers hold briefing sessions for institutional and individual investors as planned, and respond to the request for an interview from institutional investors. In addition, each annual meeting of shareholders is held on Saturday, so that a broad range of shareholders can attend, and after the meeting, the company holds a briefing session and a convivial party for shareholders, so that they can understand the policy of the company.

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