

Bridge Report Sangetsu Corporation (8130)

 Shosuke Yasuda, President	Company	Sangetsu Corporation	
	Code No.	8130	
	Exchange	First Section, Tokyo and Nagoya Stock Exchanges	
	Industry	Wholesale (Commerce)	
	President	Shosuke Yasuda	
	HQ Address	1-4-1 Habashita, Nishi-ku, Nagoya-shi	
	Year-end	March end	
	URL	https://www.sangetsu.co.jp/english/ir/index.html	

— Stock Information —

Share Price	Shares Outstanding (excluding treasury shares)		Market Cap.	ROE (actual)	Trading Unit
¥2,304	63,832,788 shares		¥147,070 million	4.2%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (actual)	PBR (actual)
¥56.00	2.4%	¥72.06	32.0 x	¥1,648.48	1.4 x

* Stock price as of closing on June 7, 2018. Number of shares issued are from the end of the most recent quarter.

ROE and BPS are based on the previous year.

— Consolidated Earnings Trends —

(Unit: Million Yen)

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
March 2013	123,150	8,020	8,393	4,806	60.26	40.50
March 2014	131,978	8,952	9,475	5,459	71.65	37.50
March 2015	132,050	8,031	8,506	4,402	58.35	41.25
March 2016	133,972	9,112	9,463	6,393	89.92	47.50
March 2017	135,640	7,572	8,368	6,570	97.53	52.50
March 2018	156,390	5,033	5,698	4,514	68.97	55.50
March 2019 Est.	164,000	6,000	6,600	4,600	72.06	56.00

* DPS of March 2013 included a commemorative dividend of ¥3.

* Estimates are those of the Company. A 2-for-1 stock split was conducted on April 1, 2015. EPS and DPS are calculated retroactively considering the split.

*The definition for net income has been changed to net income attributable to parent company shareholders(abbreviated as parent net income).

This Bridge Report provides a review of the fiscal year March 2018 earnings overview and more.

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Key Points

•The sales for the fiscal year ended March 2018 were ¥156.3 billion, up 15.3% year on year. The sales of the interior and exterior businesses increased, and the sales of Koroseal, which was acquired in the previous term, and Fairtone, which was reorganized into a subsidiary, contributed. Gross profit rose 18.6% year on year, exceeding the growth rate of sales, and gross profit rate increased 0.8% year on year, but selling, general and administrative expenses augmented 30.8% year on year due to the selling, general and administrative expenses of the above 2 companies, the development of distribution facilities, the preparation for the reconstruction of mission-critical systems, the increases in personnel and distribution costs, the rise in goodwill amortization for new consolidated subsidiaries, etc. Then, operating income dropped 33.5% year on year.

•The sales for the fiscal year ending March 2019 are estimated to be ¥164 billion, up 4.9% year on year. Interior and exterior businesses are expected to see a steady growth. The company will consolidate Goodrich in the overseas business. Gross profit is projected to increase 9.3% year on year, exceeding the growth rate of sales, and gross profit rate is expected to rise 1.3%. Operating income, which will absorb the increase in the selling, general and administrative expenses including the selling, general and administrative expenses of Goodrich, and logistics costs is forecasted to be ¥6 billion, up 19.2% year on year. The dividend is estimated to be ¥56/share, up ¥0.5 year on year. The estimated payout ratio is 77.7%.

•Profit declined, but President Yasuda assesses that the company was able to invest sufficiently in necessary areas for future. The domestic market by no means has an easy business environment, but the company's share will continue to rise in future for sure under the situation where other companies are not able to invest sufficiently. On the other hand, we would like to pay attention to when the overseas business - i.e. Sangetsu (Shanghai), which is showing a steady performance; Koroseal, which performs supportive activities; and the newly acquired company Goodrich - will start contributing to profits.

1. Company Overview

Sangetsu Corporation is the largest among all Japanese trading companies specializing in wallcoverings, flooring materials, curtains and other interior decorating products. Being a trading firm, the Company also operates as a “fables company” that plans and develops interior decorating products. Sangetsu boasts of a business model that is able to produce stable earnings and top market share in its main product realms. The Company maintains a goal of raising ROE to above its cost of capital at an early stage as part of its midterm business plan.

The group is composed of seven companies including Sangetsu (Shanghai) Corporation, the company responsible for business in China, “Koroseal Interior Products Holdings, Inc.,” the United States company conducting sales of wallcovering materials for non-residential applications, Fairtone Co., Ltd., which seeks to grow orders on the back of increases in installation capabilities, Sungreen Co., Ltd., a dedicated distributor of exterior products, Yamada Shomei Lighting Co., Ltd., a planner, designer, manufacturer and distributor of lighting equipment, “Sangetsu Vosne Corporation,” specialized in curtain fabrics, and “Goodrich Global Holdings Pte. Ltd.,” the company selling interior materials in Southeast Asia.

<Corporate History>

Sangetsu was founded in 1849 under the original name of “Sangetsudo” to sell various traditional Japanese interior decorating products including scrolls, wall scrolls, folding screens, sliding doors, partitioning screens, and other products made of cloth and paper. Sangetsu Corporation was incorporated in 1953 by the founding family. From the latter half of the 1970s onwards, the business was expanded into Tokyo, Fukuoka, Osaka and other parts of Japan. In 1980, Sangetsu was listed on the Second Section of the Nagoya Stock Exchange, and later in 1996 its shares were also listed on the First Section of the Tokyo Stock Exchange. Currently, Sangetsu is expanding its operations into overseas markets and has



established itself as the largest total interior decorating product provider within Japan, with a widely recognized brand of interior products.

Shosuke Yasuda was appointed as the first President who is not from the founding family of Sangetsu in April 2014. He will direct the Company during its third stage of growth entitled “Our Third Founding Phase,” following on the heels of the original first phase of founding and the second phase when the company became a publicly listed corporation.

<Corporate Philosophy>

Sangetsu established a new corporate philosophy including a new brand philosophy in April 2016 that will enable it to take on the challenge of implementing reforms necessary to take it to its next stage of growth.

A new “brand philosophy” has been added to the “corporate creed,” “corporate mission,” and “Three Principles of Sangetsu” to create an expanded corporate philosophy.

<Corporate Creed>

Integrity

<Corporate Mission>

To contribute to society through interior design and strive to create daily culture of enrichment

<Three Principles of Sangetsu>

Creative Designs, High Reliable Quality, Fair Price

<Brand Philosophy>

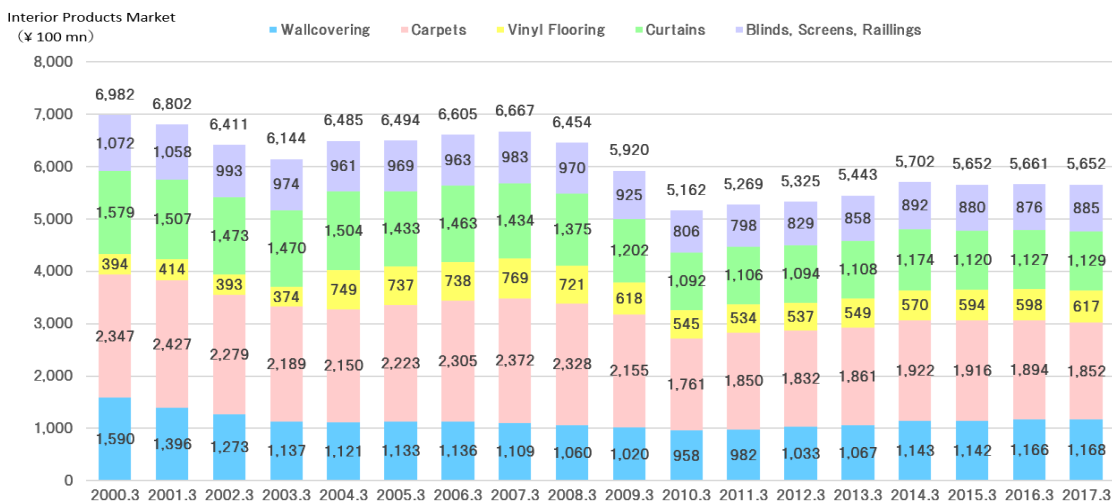
- Brand statement “Joy of Design”
- Brand purpose “We provide the joy of design to those who create new spaces.”

Sangetsu endeavors to share the joy of creating new value through interior business with all of its stakeholders.

<Market Environment>

◎ Overview

The market environment for the main wallcoverings and flooring materials is strongly influenced by trends in the Japanese construction market. Declines in new housing start arising from declining population and changing family structures within Japan, and deflationary trends have depressed sales of the interior products market as shown in the graph below.



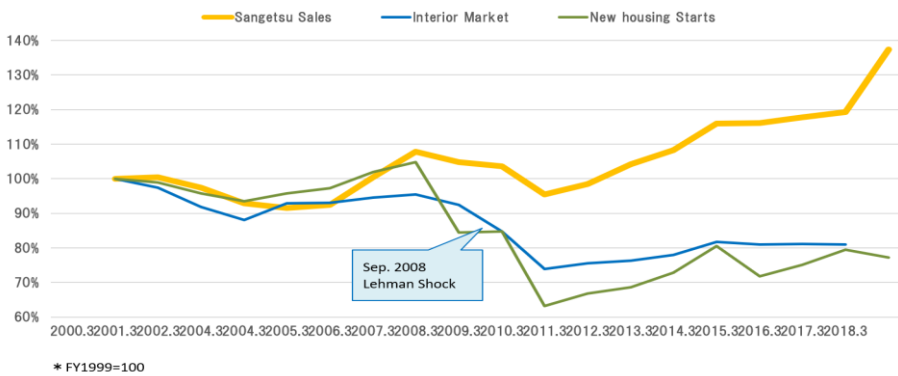
* Nippon Interior Fabrics Association "2017 General State of the Interior Fabrics Business and Market Size Determination"

(Source: Sangetsu)



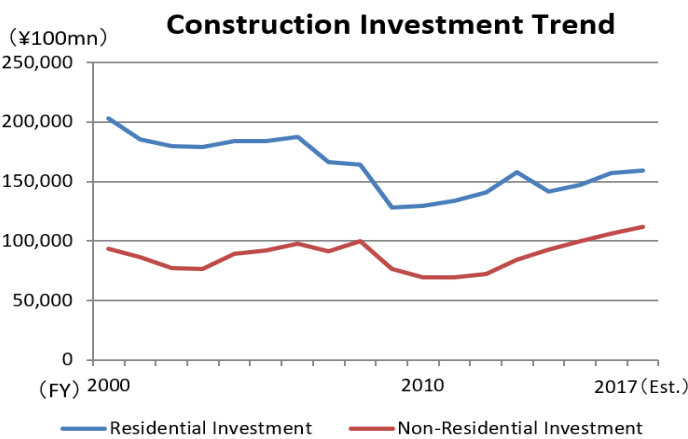
At the same time, the graph below shows the correlation between sales of Sangetsu relative to sales of the Japanese interior market and new housing starts (Ministry of Land, Infrastructure, Transport, and Tourism data).

The trends for both Sangetsu’s sales and the Japanese interior market have been closely linked to new housing starts. After the Lehman Brother’s Shock, however, this link has been overcome with Sangetsu’s sales reaching consecutive record highs despite the sluggish trends in new housing starts and the weak overall market.



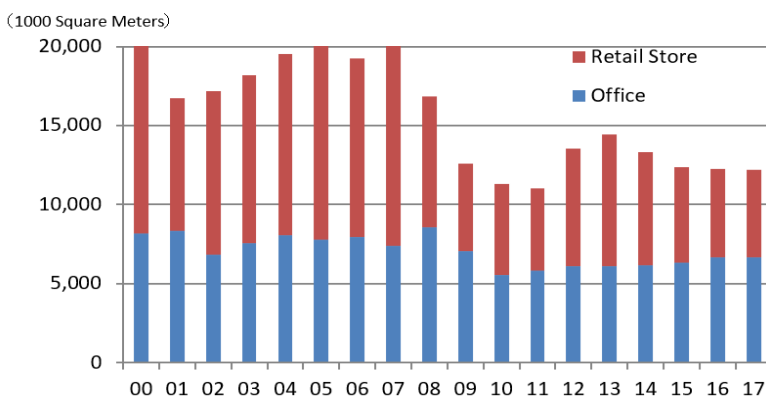
(Produced by Investment Bridge)

This strong recovery is attributed to Sangetsu’s efforts to cultivate business in the non-residential realm in addition to M&A and private housing.



(Source: Ministry of Land, Infrastructure, Transport and Tourism)

New Constructed Office, Retail Store Floor Space



(CY) (Ministry of Land, Infrastructure, Transport and Tourism "Construction Starts Data Report")

According to “Outlook for Investment in Construction” released by the Ministry of Land, Infrastructure, Transport and Tourism, the investments in private housing and non-housing constructions have been recovering since the bankruptcy of Lehman Brothers, but the estimated investment in private housing construction is still about 80% of the level in the year 2000, while the investment in private non-housing construction exceeds the level in the year 2000.

On the other hand, according to “Outlook for Investment in Construction based on a Construction Economy Model” released by Research Institute of Construction and Economy (on Jan. 26, 2018), the year-on-year growth rate of investment in private non-housing construction has been as healthy as 10.6% for fiscal year 2014, 7.4% (estimate) for fiscal year 2015, and 6.0% (estimate) for fiscal year 2016, but is forecasted to become as sluggish as 1.4% (estimate) for fiscal year 2017 and minus 1.2% (estimate) for fiscal year 2018.

The growth rate of the floor area of offices to be constructed is as healthy as 10.3% for fiscal year 2016 and 3.4% (estimate) for fiscal year 2017, but 0.0% (estimate) for fiscal year 2018. That of stores is as sluggish as -7.6% for fiscal year 2016, -1.3% (estimate) for fiscal year 2017, and -1.8% (estimate) for fiscal year 2018. As Tokyo Olympics and Paralympics are scheduled to be held in 2020, the demand for new construction and renewal in the private non-housing market is healthy, but there is a bottleneck due to the shortage of manpower, and there remain uncertainties.

◎ Competitors

In addition to Sangetsu, there are eight publicly traded competitors that operate in the interior decorating market.

(Units: Million Yen, Times)

Stock Code	Company	Sales	YY Change	Operating Income	Operating Margin	YY Change	Market Cap	PER	PBR	ROE
3501	Suminoe Textile Co., Ltd.	97,500	+1.5%	2,800	+115.8%	2.9%	2,167	14.5	0.7	7.3%
4206	Aica Kogyo Co., Ltd.	185,000	+13.0%	20,800	+8.9%	11.2%	268,651	20.0	2.2	10.1%
4215	C.I. TAKIRON Corporation	150,000	+1.5%	8,600	+2.8%	5.7%	69,308	11.6	1.0	9.6%
4224	Lonseal Corporation	21,000	+1.5%	1,650	-22.5%	7.9%	10,049	8.7	0.7	11.1%
5956	TOSO COMPANY, LIMITED	22,800	+1.5%	720	-9.5%	3.2%	5,921	12.6	0.5	4.4%
7971	TOLI Corp.	94,000	+3.0%	3,100	-12.0%	3.3%	22,269	10.6	0.6	7.2%
7989	TACHIKAWA CORPORATION	41,400	+3.2%	3,750	+2.9%	9.1%	26,600	11.4	0.8	7.0%
8130	Sangetsu Corporation	164,000	+4.9%	6,000	+19.2%	3.7%	145,091	31.5	1.4	4.2%
9827	Lilycolor Co., Ltd.	35,000	+5.8%	390	+273.4%	1.1%	3,036	25.3	0.5	-5.2%

* Estimates are from those of the respective companies.

* Market capitalization, PER and PBR are based upon the closing share price of each stock on May 28, 2018.

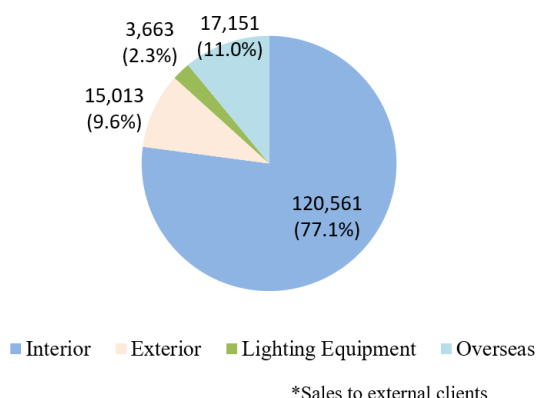
*ROE is based on the previous year.

<Business Description>

The main businesses include planning, development, and sales of wallcoverings, flooring materials, curtains, upholstery and other interior products. Sangetsu boasts of a “fabless operation” and does not maintain any manufacturing facilities, but its capabilities exceed that of typical trading firms, and all of the products it sells are planned, designed and developed in-house. Sangetsu also provides exterior products and lighting fixtures through its subsidiary. In addition, the company has been expanding its business overseas through 3 consolidated subsidiaries including Goodrich, which has become its consolidated subsidiary in the current fiscal year ending March 2019.



Sales by Business Segment
(FY3/18, Unit: ¥mn)



① “Interior Business”

(FY3/18: Sales and Operating Income of ¥120.561 and ¥5.752 Billion)

◎ Main Products

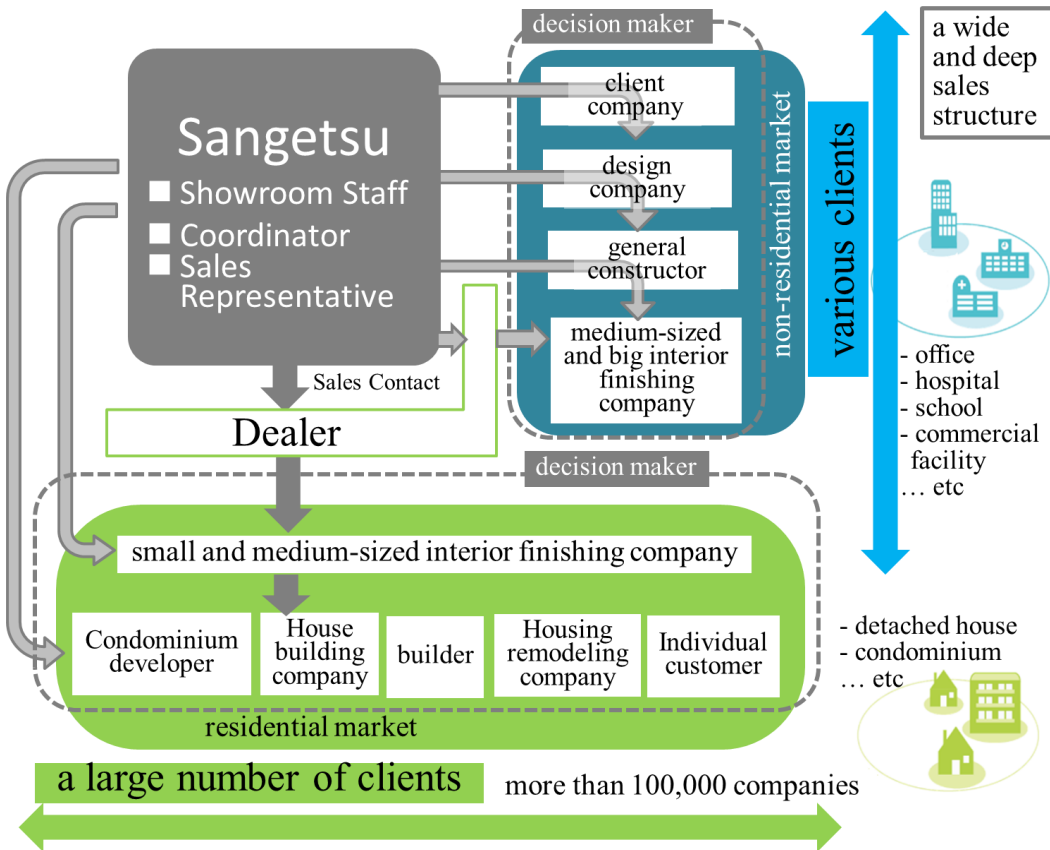
Wallcoverings	Sangetsu’s main product, used in a wide range of residential and non-residential applications. High functionality products have become popular in recent years that are resistant to staining, odor absorbing, and scratch resistant. Also, wallcoverings with colorful designs are being used to decorate all or part of walls in homes to add an accent to interiors, and collaboration with rental property management companies being promoted for the development of products to raise the value addition of rental properties.
Cushion Vinyl Sheet	Sheet formed flooring materials that are used in both residential and retail store applications, and commonly used in apartments and condominiums. They boast of wood grain, stone, and a wide range of other motif designs and have cushioning function for use in a wide range of applications.
Vinyl Sheets	Sheet formed flooring materials used in commercial applications including medical and welfare institutions, and educational institutions. This product boasts of high levels of safety and hygiene, and is designed to reduce maintenance costs by being easy to keep clean. It also has been designed with the environment in mind and helps to reduce the environmental burden.
PVC Floorings	Sheet formed flooring materials used in medical and welfare institutions, and educational institutions. Uniquely manufactured with design patterns printed on entire flooring materials so patterns will continue to show even after being worn down. They do not require wax for easy maintenance, and thereby reducing maintenance costs and environmental burden.
Luxury Vinyl Tiles	Tile formed vinyl flooring materials used in a wide range of applications including apartments, condominiums, educational institutions, and commercial facilities. Manufactured with wood and stone motifs, with highly detailed embossed printing processes used to show highly detailed designs.
Carpets, Carpet Tiles	Textile flooring materials used in a wide range of applications including ryokans (i.e. Japanese inns), hotels, residential and office facilities. Multiple colorful designs with high functionality, formed in 50-centimeter square tile sections for easy installation and superior maintenance.
Curtains	All of the curtains sold by Sangetsu are custom made and boast of the ability to create unique designs and custom sizes of curtains to match room decorations in which they are used. In addition to highly fashionable designs and heavy materials, mirror-like insulating characteristic lace curtains, which make it difficult to see inside from the outside and reduce the amount of heat transferred into the rooms, have also become popular.

Sangetsu boasts a diverse product lineup with about 12,000 different products in total. There are about 4,200 different wallcovering products alone. Sample books are updated every two years (those for curtains are updated every three years), with an existing product replacement rate for wallcoverings of 30% to 40%, which compares with a 35% to 40% rate or lower for its competitors.

Replacement of existing products is not a simple task. Disposal of outdated products leads to producing wastes, but keeping a sample book up-to-date is necessary to enhance customer satisfaction. The ability of Sangetsu to maintain a balance between efficiency and freshness is one of its strengths that was gained through its energetic engagement and long-cultivated know-hows.

◎Marketing Structure

In addition to the headquarters located in Nagoya, Sangetsu maintains 8 regional offices and 53 marketing offices throughout Japan, with 9 of these marketing offices also hosting showrooms.



(Source: Sangetsu)

The downstream interior finishing process includes the final delivery of products, booking of sales, and receipt of cash. The main customers are interior construction companies and interior and building material shops that are serviced through dealers. Furthermore, public relations and advertising for products at the start of the process are also very important.

Therefore, Sangetsu conducts public relations and advertising for its products through its sample books, showrooms, and others. In addition to these “passive” marketing activities, Sangetsu also conducts “proactive” marketing of its products through its Contract Sales Department and its 450 marketing staff to provide and gather information, and propose products to clients.

While the main marketing efforts are conducted through dealers, Sangetsu also conducts direct marketing to customers in the Nagoya and surrounding Chubu area, and the number of its directly accessed customer totals 6,000 in these regions alone. While the number of customers dealt with through dealers is not known, the total number of customers is estimated to amount to several tens of thousands nationwide.

◎ Distribution Structure

Sangetsu maintains a network of 12 distribution centers nationwide. Most all products are normally stocked at the Company's distribution centers in Tokyo, Nagoya, Osaka and Fukuoka, with the number of products shipped from these centers surpassing 60,000 per day and the out-of-stock ratio amounting to a low 0.14% (about 70 products) per day.

Sangetsu seldom asks their clients for backordering because the out-of-stocks are covered by surrounding distribution centers immediately.

Sangetsu's nationwide distribution network makes "Just-in-Time" provision of products to match the interior construction schedules of its clients possible. Products are sourced from a wide range of over 100 supplier companies.

② "Exterior Business"**(FY3/18 Sales and Operating Income of ¥15.013 Billion and ¥439 Million)**

Sungreen Co., Ltd., which was turned into a subsidiary in 2005, sells doors, fences, terraces and other exterior products within Japan.

③ "Lighting Business"**(FY3/18 Sales and Operating Income of ¥3.663 Billion and ¥ -137 Million)**

Yamada Shomei Lighting Co., Ltd., which was turned into a subsidiary in 2008, sells down lights, z-lights and other general lighting fixtures within Japan.

④ Overseas business**(FY3/18 Sales and Operating Income of ¥17.151 Billion and ¥ -870 Million)**

The business strategy set in the Medium Term Business Plan (2017-2019) "PLG 2019" is to conduct consolidated business administration while focusing on the overseas market. Accordingly, this segment was established in the 1st quarter of fiscal year ending Mar. 2018. It comprises 3 companies, i.e., Koroseal Interior Products Holdings, Inc. acquired in November 2016, Sangetsu (Shanghai) Textile Co., Ltd. established in April 2016, and Goodrich Global Holdings Pte. Ltd. acquired in December 2017.

<ROE Analysis>

	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
ROE (%)	3.5	4.1	4.6	3.7	5.6	6.0	4.2
Net Income to Sales Ratio (%)	3.50	3.90	4.14	3.33	4.77	4.84	2.89
Asset Turnover Ratio (x)	0.84	0.88	0.93	0.91	0.95	0.88	0.92
Leverage (x)	1.18	1.19	1.20	1.21	1.24	1.41	1.58

The new Medium Term Business Plan calls for the quantitative target for return on equity of between 8% and 10% to be achieved by fiscal year ending March 2020.

In addition to reducing owned capital based on the capital policy, efforts to improve profitability are to be made.

<Characteristics and Strengths>**① Business Model Capable of Yielding Stable Earnings**

Sangetsu is a pioneer in the realm of "fabless operation" with no in-house manufacturing facilities and therefore has lower fixed expense burdens because they do not have to carry facilities for the manufacturing process. Besides, the Company boasts of over 12,000 products, sourced from over 100 suppliers, supplied to several tens of thousands of customers, which diversifies risk in many ways. Moreover, while Sangetsu may be considered as an economically sensitive company as its business and earnings performances are closely linked to trends in the construction market, the Company has never seen losses since its founding.

② “Creating,” “Proposing,” “Providing” “Creating”

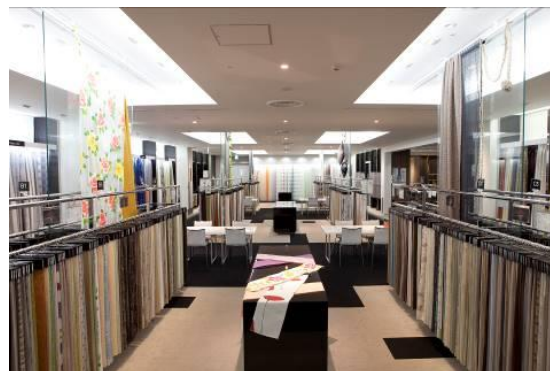
While the actual manufacturing of products is not conducted in-house, Sangetsu performs the planning, design and development process internally. The Company launched its original wallcoverings for the first time in 1965. Since the establishment of its fundamental values in 1973, Sangetsu has continuously made active investments for “unique designs,” one of the three principles of the Company. 25 in-house designers develop new and original versions of products based upon numerous basic designs. The cultivation of designers responsible for various products is done through participation in foreign exhibitions, communication with marketing staff, and discussions with outside design consultants as part of their on-the-job training. Furthermore, Sangetsu maintains a policy of actively taking the perceptions and opinions of younger designers and staff into consideration. Sangetsu also boasts of an overwhelming number of products of about 13,000 that far exceeds the number of products of its competitors. In addition, the Company conducts revisions of its products on a regular basis every 2 to 3 years with more than 30 types of sample books, which surpass by far those of its competitors.



(Source: Sangetsu)

“Proposal based sales marketing”

Nearly one third of all employees or about 450 staffs work in marketing functions at Sangetsu, the largest marketing function within the industry. These marketing staffs are assigned to 61 offices located throughout Japan and conduct proposal-based marketing to clients. Sangetsu also staffs its 9 showrooms with 45 employees. In addition, about 40 interior designers create design boards that combine samples of various products for customers to use when choosing interior products. This high level of proposal-based marketing capability is unmatched within the industry and sets Sangetsu apart from its competitors.



(Source Sangetsu)

“Distribution system”

As mentioned earlier in this report, Sangetsu normally maintains inventories of all of its products so that they can be provided on a “Just-in-Time” basis using their nationwide distribution network. However, the Company is required to conduct speedy processing techniques as product orders are placed so that loss rates can be limited to avoid the maintenance of excess inventories and reduced efficiencies. Generally, wallcoverings are produced in rolls as long as 50 meters, and Sangetsu cuts these rolls into shorter segments when orders are placed for shipment. The remaining segments of wallcoverings are then cut to match other orders to eliminate losses. This type of custom-made cutting technology has been cultivated over the long years of experience in the interior decorating business and is an important factor that differentiates Sangetsu from its competitors.



(Source Sangetsu)

2. Fiscal Year March 2018 Earnings Overview

(1) Earnings Overview

(Units: ¥mn)

	FY3/17	Share	FY3/18	Share	YY Change	Divergence from Initial Est.	Divergence from Revised Est.
Sales	135,640	100.0%	156,390	100.0%	+15.3%	+0.3%	+0.3%
Gross Income	40,104	29.6%	47,572	30.4%	+18.6%	-2.9%	-0.9%
SG&A	32,532	24.0%	42,538	27.2%	+30.8%	+2.7%	+1.5%
Operating Income	7,572	5.6%	5,033	3.2%	-33.5%	-33.8%	-17.5%
Ordinary Income	8,368	6.2%	5,698	3.6%	-31.9%	-29.7%	-16.2%
Net Income	6,570	4.8%	4,514	2.9%	-31.3%	-17.9%	+0.3%

Sales increased, but profit declined due to the augmentation of selling, general and administrative expenses.

Profit fell below the revised estimate.

The sales were ¥156.3 billion, up 15.3% year on year. The sales of the interior and exterior businesses increased, and the sales of Koroseal, which was acquired in the previous term, and Fairtone, which was reorganized into a subsidiary, contributed. Gross profit rose 18.6% year on year, exceeding the growth rate of sales, and gross profit rate increased 0.8% year on year, but selling, general and administrative expenses augmented 30.8% year on year due to the selling, general and administrative expenses of the above 2 companies, the development of distribution facilities, the preparation for the reconstruction of mission-critical systems, the increases in personnel and distribution costs, the rise in goodwill amortization for new consolidated subsidiaries, etc. Then, operating income dropped 33.5% year on year.

(2) Business Segment Trends

(Units: ¥mn)

	FY3/17	Share	FY3/18	Share	YY Change	Divergence from Initial Est.	Divergence from Revised Est.
Sales							
Interior	116,686	86.0%	120,852	77.3%	+3.6%	+0.9%	+0.5%
Wallcoverings	56,420	41.6%	57,588	36.8%	+2.1%		
Flooring Materials	41,370	30.5%	42,877	27.4%	+3.6%		
Fabric Materials	7,700	5.7%	7,907	5.1%	+2.7%		
Others	11,183	8.2%	12,478	8.0%	+11.6%		
Exterior	14,778	10.9%	15,013	9.6%	+1.6%	+0.1%	+0.1%
Lighting	4,239	3.1%	3,663	2.3%	-13.6%	-17.7%	-11.7%
Overseas	19	0.0%	17,151	11.0%	-	+2.4%	+0.9%
Adjustments	-82	-	-291	-	-		
Total	135,640	100.0%	156,390	100.0%	15.3%	+0.3%	+0.3%
Operating Income							
Interior	7,176	6.1%	5,752	4.8%	-19.8%	-8.7%	+0.9%
Exterior	402	2.7%	439	2.9%	+9.3%	-0.2%	-2.2%
Lighting	23	0.5%	-137	-	-	-	-
Overseas	-26	-	-870	-	-	-	-
Adjustments	-3	-	-150	-	-		
Total	7,572	5.6%	5,033	3.2%	-33.5%	-33.8%	-17.5%

* Share of operating income is the same as the operating income margin. The fabric materials category of sales includes both curtains and upholstery.

Since an overseas business segment has been added, increasing the number of segments to 4, the results for the term ended Mar. 2017 are indicated based on the new segment classification.

① Interior Business

Sales grew, while profit dropped.

<Wallcovering Materials>

Sales increased. "FAITH," a sample book of certified fireproof wallcoverings for non-residential buildings, was healthy and sales of "Reatec," a self-adhesive PVC decorative film, and "Glass film" were successfully strengthened for contract items mainly in the metropolitan area.

<Flooring Materials>

Sales increased. Due to the sluggish growth of new housing construction, the performance of cushion vinyl sheets for residence remained at the same level as the previous year, however, sales of cushion vinyl tiles remained healthy for commercial facilities, and highly maintainable cushion vinyl sheets for facilities performed well as a result of refurbishment demands for educational, medical and welfare facilities.

<Fabric Materials>

Sales increased. "STRINGS" and "Simple Order," which are the sample books of curtains for residence, published in July 2017, contributed to sales. In addition, performance of curtains for client facilities was healthy, as the company carried out specialized marketing activities for the focus market.

<Others>

Sales increased. The performance of Fairtone Co., Ltd, which operates the installation system, and the fees for installation work are included.

② Exterior Business

Sales and profit increased.

The company executed the consolidation and abolishment of sales bases in accordance with the regional strategy, and further strengthened the maintenance and installation skills of the existing selling management system. While the sales of carports and large garages increased, the company focused on handling more products and sales promotion of the products that met the increasing demand for gardening exteriors such as exterior lightings, artificial wood decks, and delivery boxes.

③ Lighting Business

Sales and profit decreased.

With the overall lighting market solidly growing due to the boom in construction and renewal arising from such as inbound and demand for energy conservation, the company focused on strengthening the contract marketing that has been continuing for a while and marketing activities in collaboration with Sangetsu. In addition, the company worked on joint development of lighting with major construction firms and worked to strengthen selling skills and product capabilities. On the other hand, competition was severe due to the entry of other companies and price reduction, which resulted in the operating loss again.

④ Overseas Business

Koroseal, which targets the North American market, carried out its business activities relating to “REATEC,” a self-adhesive PVC decorative film, in a wider area and expanded the sales channel of hotel properties, etc. However, profit was low due to the increase in manufacturing cost because of the high scrap rate, etc., and the increase in the selling, general and administrative expenses resulting from the change of accounting method for sample book costs to a more conservative one, i.e., immediate amortization after the launch, which was previously being amortized after 4 years. As for Sangetsu (Shanghai), which targets the Chinese market, changes in specifications from the conventional mortar-covered walls to wallcoverings served as a spur, as the adoption of wallcoverings to large apartment houses progressed, and as a result of efforts to expand handled products such as adopting flooring materials for medical and commercial related facilities, it achieved a surplus in a single fiscal year.

The operating loss of the overseas business before goodwill amortization was 205 million yen.

(3) Financial Conditions, Cash Flow, etc.**◎ Summarized Balance Sheet**

(Units: ¥mn)

	End 3/17	End 3/18		End 3/17	End 3/18
Current Assets	95,148	95,787	Current Liabilities	32,684	34,275
Cash, Equivalents	25,945	22,482	Payables	22,910	24,081
Receivables	48,491	49,805	Noncurrent Liabilities	26,200	30,573
Marketable Securities	1,800	2,003	Long-Term Debt	12,719	17,404
Inventories	16,304	16,961	Total Liabilities	58,885	64,848
Noncurrent Assets	74,195	75,207	Net Assets	110,458	106,146
Tangible Assets	35,685	36,627	Shareholders' Equity	108,775	103,012
Intangible Assets	20,471	20,177	Treasury Stock	-2,023	-4,577
Investments, Others	18,038	18,402	Total Liabilities, Net Assets	169,344	170,995
Total Assets	169,344	170,995	Capital Adequacy Ratio	65.2%	61.5%

Cash and deposits decreased, but current assets increased ¥600 million from the end of the previous term due to the increase in trade receivables and inventories. Total assets increased ¥1.6 billion to ¥170.9 billion, as noncurrent assets increased ¥1 billion from the end of the previous term due to the increase in tangible assets, etc. Current liabilities increased ¥1.5 billion from the end of the previous term. Total liabilities increased ¥5.9 billion to ¥64.8 billion, as noncurrent liabilities increased ¥4.3 billion with the increase in long-term borrowings, etc. As retained earnings decreased and treasury stock increased, net assets decreased ¥4.3 billion from the end of the previous term to ¥103 billion. Capital

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adequacy ratio dropped 3.7% from 65.2% at the end of the previous term to 61.5%.

◎Cash Flow

(Units: ¥mn)

	FY3/17	FY3/18	YY Change
Operating Cash Flow	10,072	9,264	-808
Investing Cash Flow	-22,392	-7,235	+15,157
Free Cash Flow	-12,320	2,029	+14,349
Financing Cash Flow	7,533	-4,785	-12,318
Cash, Equivalents	23,199	19,955	-3,244

Free CF improved as expenses declined due to the acquisition of stock of the subsidiary companies.

Financing CF became negative due to the increase of acquisition of treasury shares. The cash position degraded.

◎CCC

(Unit: day)

	End of Mar. 2016	End of Mar. 2017	End of Mar. 2018
Receivables turnover	124.2	125.1	113.8
Inventory assets turnover	39.8	44.0	45.8
Payables turnover	61.9	80.8	79.9
CCC	102.1	88.3	79.7

Inventory assets turnover increased, but receivables turnover declined. Accordingly, CCC continued to shrink.

3. Fiscal Year March 2019 Earnings Estimates

(1) Earnings Estimates

(Units: ¥mn)

	FY3/18	Share	FY3/19 Est.	Share	YYChange
Sales	156,390	100.0%	164,000	100.0%	+4.9%
Gross Income	47,572	30.4%	52,000	31.7%	+9.3%
SG&A	42,538	27.2%	46,000	28.0%	+8.1%
Operating Income	5,033	3.2%	6,000	3.7%	+19.2%
Ordinary Income	5,698	3.6%	6,600	4.0%	+15.8%
Net Income	4,514	2.9%	4,600	2.8%	+1.9%

*Estimates are those of the Company

Sales and profit to increase, profitability to rise too.

Sales are estimated to be ¥164 billion, up 4.9% year on year. Interior and exterior businesses are expected to see a steady growth. The company will consolidate Goodrich in the overseas business.

Gross profit is projected to increase 9.3% year on year, exceeding the growth rate of sales, and gross profit rate is expected to rise 1.3%. Operating income, which will absorb the augmentation of selling, general and administrative expenses including the selling, general and administrative expenses of Goodrich and logistics costs, is forecasted to be ¥6 billion, up 19.2% year on year. The dividend is estimated to be ¥56/share, up ¥0.5 year on year. The estimated payout ratio is 77.7%.

(2) Business Segment Trends

(Units: ¥mn)

	FY3/18	Share	FY3/19 Est.	Share	YY Change
Sales					
Interior	1,208.5	77.3%	1,230.0	75.0%	+1.8%
Exterior	150.1	9.6%	152.0	9.3%	+1.2%
Lighting	36.6	2.3%	36.5	2.2%	-0.4%
Overseas	171.5	11.0%	225.5	13.8%	+31.5%
Adjustment	-2.9	-	-4.0	-	-
Sales, Total	1,563.9	100.0%	1,640.0	100.0%	+4.9%
Operating Income					
Interior	57.5	4.8%	62.5	5.1%	+8.7%
Exterior	4.3	2.9%	4.0	2.6%	-8.9%
Lighting	-1.3	-	-1.2	-	-
Overseas	-8.7	-	-5.3	-	-
Adjustment	-1.5	-	-	-	-
Operating Income, Total	50.3	3.2%	60.0	3.7%	+19.2%

* Overseas: Sangetsu (Shanghai), Koroceal. Share of operating income is the same as operating income margin.

◎Interior Business

The company will carry out measures to absorb increased distribution costs and improve earnings by collecting transportation expenses for route delivery and increasing its delivery service.

◎Lighting Business

A drastic support is required.

The company will review the sales system by breaking away from its dependency on new products and improving the balance between its products and general-purpose products, in addition to reviewing of product mix, and reduction of manufacturing costs and improvement in inventory turnover with a significant cutdown on the number of products

◎Overseas Business

Koroceal will focus on the sales of Sangetsu products such as REATEC, which it has already been working on, and Japanese-made wallcoverings (woven fabrics and paper cloths). In addition, it will reduce the manufacturing cost, integrate two factories into Louisville and introduce a new facility.

In Sangetsu (Shanghai), which is going well, the company will strengthen the personnel and customer facing for both Japanese and Chinese firms. The company aims to realize cumulative surplus earlier than planned. In the Southeast Asian market, the company will dispatch employees from Sangetsu to Goodrich and start working in cooperation on the product and sales side.

4. Progress of the Medium Term Business Plan “PLG 2019”

The Plan holds “geographical expansion and functional enhancement of interior business (planning, procurement, distribution, sale)” as its basic policy and states 5 basic measures such as “business strategy for growth” and “strengthening human resources.” Its main progress is as follows.

(Functional enhancement)

◎Logistics

The company started the operation of Chubu Logistics Center II in May 2017, and a logistics center in Tokyo in January 2018. In addition, the company has decided to move and integrate Hokkaido Logistics Center into a new facility in January 2019.

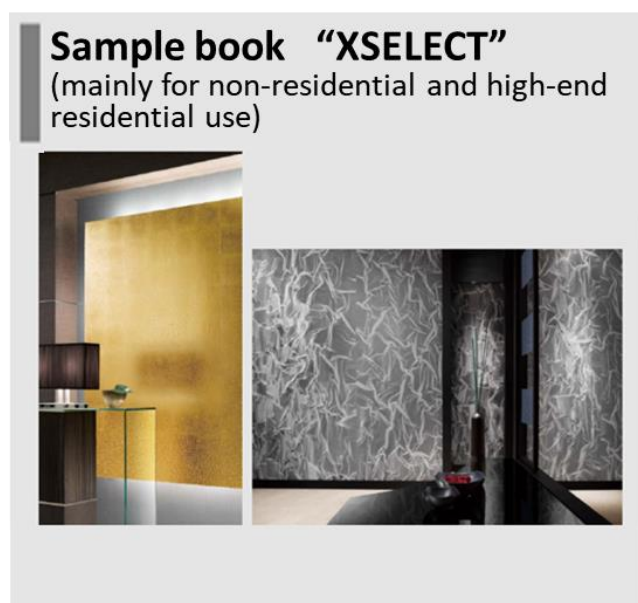
The company will continue to work for optimization of supply chain by improving customer service with shorter delivery time, increasing efficiency in delivery through integration and establishment of logistics facilities in the metropolitan area, increasing work efficiency by changing the positions of inventories, optimization of purchase through transportation between the bases.

◎Selling System

Although it was centered around the regional axis in the past, the company has established a selling system (3D Selling System) with 3 axes combining markets and products. In addition, the company had a centralized desk for taking orders and customer inquiries in the past, but the company decided that each branch office would deal with them as it was necessary to get into closer contact with customers and local regions.

Also, the company will establish Sangetsu Okinawa in June 2018, considering a steady market expansion in future.

◎Focus on high value-added products



The company published a sample book “XSELECT” for mainly non-residential and high-end residential use, and “HAMPSHIRE GARDENS—EDA—” for mainly residential use.

“XSELECT,” a sample book for wallcovering materials, selects and records the wallcoverings of Japanese material born from traditional Japanese technologies such as foils and Japanese papers, and global brand wallcoverings of excellent design, and meets the needs for higher quality, design and inbound demands.

The sample book “HAMPSHIRE GARDENS—EDA—,” which has the coordination of “fabric” and “wallcovering” as its theme, offers “EDA,” an original brand of Sangetsu, based on the design archive of a British-based company Walker Greenbank.

(Geographical Expansion)

◎Acquired Goodrich, which engaged in selling of interior materials in Singapore

As introduced in the previous report, the company acquired more than half of the stocks of Goodrich Global Holdings Pte. Ltd. that sells interior materials in Singapore on December 20th, 2017, making it a consolidated subsidiary. Acquisition cost was 29.2 million Singapore Dollars (Approx. 2.5 billion yen).

Goodrich has its headquarters in Singapore and possesses 12 offices and galleries to showcase products in 6 countries mainly in Southeast Asia. It deals in interior products such as wallcovering, fabric and carpet and holds the largest share

in interior material market of Southeast Asia.

In addition, with the largest number of sales personnel in the industry, it has established a selling system covering people from decision makers of interior material specifications such as designers to business owners and constructors. Also, its network with customers that it built in the market over 30 years since its incorporation in 1983 is its strength.

The sales of Goodrich for the fiscal year ended July 2017 was 57 million Singapore Dollars (approx. 4.8 billion yen).

This acquisition will allow the company to expand its sales network covering Southeast Asia in addition to the Japanese market, the US market and the Chinese market, and the company believes that it will greatly contribute to the enhancement of the corporate value of the entire Sangetsu Group.

(Strengthening Human Resources)

◎Publishing a group report “Harmony”

The company started publishing “Harmony,” a group report for all employees, in December 2017.

“Harmony,” published in both Japanese and English, aims to diffuse and share the corporate philosophy such as “Corporate Creed: Integrity,” promote the understanding of the Medium Term Business Plan “PLG 2019,” deepen the mutual understanding amongst the group and link everyone’s work to the world.

◎Implementation of Work Style Reforms

In addition to introducing a flextime system to realize a flexible way of working, the company also began a trial of telework that uses ICT to work at home or nearby companies' bases, regardless of location or time. The company is also working on improving the training system, promoting diversity and healthy management.

Currently, the ratio of women in managerial positions is 11.4% for the section manager or above and 32.9% for the section chief or above, but the company is expanding the place of activity by appointing women to section manager for management planning section, public relations and IR section and general affairs section.

In addition, with regard to health management, the company has been recognized as a corporate excellent in health management in “White 500(*) 2017 edition.” The company is implementing initiatives for health management such as prohibiting smoking in the company premises and checking the stress level of all employees.

※White 500: authorized corporates from the large-scale corporates category that includes large-scales companies and medical corporations, amongst the “corporates excellent in health management,” a certification system established by Ministry of Economy, Trade and Industry in 2016,

(Strengthening the Earnings Management System)

◎Management of selling, general and administrative expenses

The company is working on strengthening Chief Cost Controller.

While strengthening the earnings management system from the viewpoints of “Reduction: Alternatives to Other Means,”

“Utilization: Equipment and Human Resources,” “Transfer: Transportation Fee, product

, Facilities Cost, Various Expenses,” the company will look 10 or 20 years ahead and surely implement necessary measures.

(Capital Policies)

The Medium Term Business Plan states reduction in owned capital to 105-100 billion yen through acquisition of treasury stock and stable increase in dividends, total consolidated return ratio of over 100% for 3 years, continuity of stable increase in dividends and flexible acquisition of treasury stock, etc., and the company acquired 3.4206 million treasury stocks worth 6.975 billion yen in the previous term.

The total return amount was 10.562 billion yen by totaling it with annual dividend of 3.587 billion yen, and consolidated total return ratio was 234.0%.

5. Interview with President Yasuda

We interviewed President Yasuda about the recent circumstances, progress of the Medium Term Business Plan “PLG 2019”, etc.

Q: “What is your evaluation of the fiscal year ended March 2018?”

A: “Profit decreased but we were able to invest sufficiently for structural improvement and functional enhancement. As a result, market share has certainly expanded.”

Despite a decline in profit due to the increase in selling, general and administrative expenses, it was planned from the beginning of the term, and we were able to invest sufficiently for improving the structure and strengthening functions of the company including firming up distribution bases and preparing for restructuring the core system

As a result, looking at figures published by other companies and the industry's figures, we believe that we could steadily expand our market share in key products such as wallcoverings and flooring materials.

On the other hand, figures clarified the challenges for the current term such as Koroseal struggling beyond expectations, Yamada Shomei Lighting, which turned profitable in the term before the previous term, incurring loss again, measures to cope with rising raw material and logistics costs.

Q: “Then how do you plan to deal with those challenges?”

A: “Koroseal will review the production system and Yamada Shomei Lighting will proceed with radical leverage. Regarding the cost rise, we will strive to gain an understanding of customers and markets concerning collection of transportation expenses and price hike of the products. ”

For Koroseal, it is necessary to review the production system in order to reduce costs and improve profitability, and therefore, we will integrate the two existing factories into one location and discontinue the old machines and use the latest digital printing machines.

Also, we will actively introduce Japanese style wallcoverings such as woven fabric, foil and paper cloth which are highly evaluated in the US market.

We are holding meetings with Koroseal every two months and we are steadily building mutual understanding and relationships of trust, so we will make efforts to contribute not only to sales but also to profits from this term.

Meanwhile, Yamada Shomei Lighting needs a drastic reform.

We will proceed with thoroughly reducing the number of products, reducing the manufacturing costs, reviewing the sales structure, etc.

In addition to starting to collect transportation expenses in some part from February, we are planning to raise the product price for the first time since 2014 to cope with the rise in costs, mainly logistics costs.

We have been investing a certain amount from the previous term and promoting establishment and disposal of logistics facilities, and it is important for people to understand that these will lead to improvement of service to customers such as shortening of delivery time due to increased efficiency.

Q: “What kind of initiatives will you take to create synergies with Goodrich, which you acquired this time? Please also tell us about the situation of the Chinese business.”

A: “Goodrich will utilize the Group's procurement capabilities and build a marketing structure to make the development of residence and non-residence in the huge ASEAN market possible. Sangetsu (Shanghai) which is going strong aims to sweep the early cumulative loss deficit.”

Goodrich has bases in 12 cities in 6 countries of ASEAN, including Singapore, and has the largest share in the interior materials sales market. It has strengths especially in the hotel industry, as its largest base is about 180 sales staff, which is more than half of all employees.

However, we think that sales per person is relatively low, and we can raise it further.

As Goodrich has not actively developed other markets and only focused on the hotel industry apparently, we can make use of our group's product procurement capabilities including our company and Koroseal and establish a marketing system to make the development of residence and non-residence in the huge ASEAN market possible.

Sangetsu (Shanghai) achieved a single-year surplus in the previous term and has begun contributing to profit at a faster pace than expected.

There are two factors behind its success. First, the size of the Chinese market is huge after all. In marketing activities, we have been able to capture various projects, and steadily receiving orders for both residential and non-residential buildings. Second factor is our company's product power. Competitiveness of Japanese products trained under deflation has become a major weapon for winning orders.

Personnel is also continuing to increase, and we are aiming at the earliest possible cleanup of the cumulative loss deficit.

6. Conclusions

Profits declined but President Yasuda assesses that the company was able to invest sufficiently in necessary areas for future.

Domestic market, by no means, has an easy business environment, but the company's share will continue to rise in future for sure under the situation where other companies are not able to invest sufficiently.

On the other hand, we would like to pay attention to when the overseas business, i.e., Sangetsu (Shanghai), that is showing a steady performance, and Koroseal, which performs supportive activities and the newly acquired company, Goodrich, will start contributing to profits.

<Reference 1: Medium Term Business Plan "PLG 2019" (2017-2019) Overview>

◎Vision

Based upon the "Corporate Creed: Integrity" and "Brand Philosophy: Joy of Design", Sangetsu has created its Medium Term Business Plan "PLG 2019" with the goal of establishing strong roots within both the Japanese and overseas markets by leveraging the Group's "diversified product lineup and highly specialized knowledge."

"P" stands for personal and reflects the highly professional employees that helps it to link to people outside of the Company.

"L" stands for local and refers to the strong positioning in local markets.

"G" stands for global and represents Sangetsu's global lineup of products and designs.

◎ Targets for the Final Year of "PLG 2019"

Target	ROE: 8~10%
Associated Targets	<ul style="list-style-type: none"> • Sales: ¥165.0~¥175.0 billion • Net Income: ¥8.0~¥10.0 billion • Capital: ¥105.0~¥100.0 billion • CCC: 75~60 days

In line with the previous Medium Term Business Plan, Sangetsu will focus upon raising its capital efficiency as a common goal shared with all of its stakeholders. The details of its sales targets are outlined below.

Interior Business	¥122.0~¥126.0 billion
Exterior Business	¥15.5~¥16.0 billion
Lighting Business	¥5.0 billion
Overseas Business (NA, China, SE Asia)	¥22.5~¥28.0 billion
Total Sales	¥165.0~¥175.0 billion

◎Themes

As a basic policy, Sangetsu has identified the following measures as part of its strategy of “strengthening the function and expanding geographic sales of the interior materials business (planning, procurement, logistics, sales).”

(1) Business Strategy for Growth

① Realizing Stable Growth in Earnings through Expansion and Strengthening of the Value Chain Activities Realm in Japan as a Fundamental and Stable Source of Revenues

Sangetsu will promote “development and procurement of materials and raw materials through alliances with superior suppliers within and outside of Japan”, “strengthen interior coordinator proposal and installation capability”, “fortify alliances and cooperation with dealers” and “conduct reviews of internal sales structure”.

② Strengthen Activities in Overseas Markets with High Growth Potential, Fortify Product Lineup and Functionality to Promote Geographic Expansion

Local logistic and sales structures will be strengthened in important markets including North America, Asia and others.

③ Create a Global Product Planning, Procurement Structure to Promote Global Designs, Cultivate Global Product

Sangetsu will strengthen cooperation with local facilities in Japan, United States and China for the implementation of “cooperation between Sangetsu globally and superior overseas product manufacturers” and “efforts to promote joint marketing of products and deployment of European and Japanese designs”.

④ Strengthen Consolidated Management Structure to Pursue Comprehensive Synergies, Integrated Management of Affiliates Responsible for Special Markets, Functions and Geographic Regions

A management structure system will be introduced to maximize business synergies and conduct clearly controlled earnings management, and to act as a surveillance support structure for the overall Group.

A consolidated management division will be newly established with authority to oversee the entire Group.

In addition, regularly scheduled monitoring and communications will be introduced to increase the overall effectiveness of the Group.

⑤ Business Format Conversion Trials to be Conducted with a View to the New Medium Term Business Plan

In order to pursue synergies and leverage business resources and the characteristics of each Group company, Sangetsu will conduct trials and promote business format conversion.

(2) Strengthen Human Resources

In order to cultivate real professionals, all of the Sangetsu Group companies will implement measures to 1) cultivate professional human resources, 2) conduct strict adherence to performance, 3) promote diversity, 4) reform work styles and 5) maintain a healthy management structure.

(3) Strengthen the Earnings Management Structure

① Strict Control, Reduction of Sales, General and Administrative Expenses

A chief cost controller will be appointed, and sales, general and administrative expense control methodologies will be facilitated. Also, the total number of staff of the parent company Sangetsu will be reduced.

② CCC Management Will be Introduced for All Group Companies

Targets for return on equity and CCC management through Dupont analysis on a consolidated basis will be promoted.

③ Sangetsu to Clearly Define and Promote Management Benchmarks for Each Business, Company

Targets for sales and gross income by employee will be established for each of the Group companies.

(4) (ESG/CSR Policies)

① E: Environment

☆The Sangetsu Group will assess the environmental burden of its overall businesses to create a structure that seeks to achieve sustainability and prevent global warming.

- A plan to achieve CO2 zero emissions will be created.

② S: Society

☆Provide support to workers including those who are socially vulnerable to foster diversity of each Group company.

- Retain women in 15% of all management positions (Actual 10.6% as of FY3/17).
- Retain workers with disabilities as 3% of the total workforce (Currently 2.3%).

☆Promote Corporate Social Responsibility in Supply Chain Function

☆Expand Societal Contribution Activities of Employees

- Provide support for interiors of childcare welfare facilities (Target: Over 20 facilities per year)

③ G: Governance

☆Strict implementation of compliance, maintain and improve transparency of corporate governance activities

- Improve communications with shareholders, investors, employees, business partners and all other stakeholders

(5) Capital Policy

① Financial Policy for Improvement of Capital Efficiency

Sangetsu will continue to conduct share buybacks and stable increases in dividend payments with a goal of reducing its net worth to between ¥100.0 and ¥105.0 billion (¥110.3billion as of FY3/17) with a view to conditions within the capital markets.

② Shareholder Return Policy of the Medium Term Business Plan

- Achieve over 100% total consolidated shareholder return ratio over a three year period
- Conduct stable increases in dividends over the long term
- Conduct share buybacks flexibly and in response to stock market conditions

We provide details of our capital procurement and capital allocation below.

Capital Creation, Sourcing	
Cash, Equivalents as of End FY3/17	¥30.0 billion
Operating CF (Medium Term Plan)	¥31.0~¥38.0 billion
Debt (Medium Term Plan)	¥0~¥22.0 billion
Total	¥61.0~¥90.0 billion

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Capital Allocation	
LT Investments	¥10.0~¥25.0 billion
Shareholder Returns	¥25.0~¥33.0 billion
Term End Cash, Equivalents	¥25.0~¥30.0 billion
Total	¥60.0~¥88.0 billion

<Reference 2: Regarding Corporate Governance>

◎ Organization type and the composition of directors

Organization type	Company with audit and supervisory committee
Directors	10 directors, including 4 external ones

◎ Corporate Governance Report

Last modified: July 5, 2017.

<Basic policy>

Our corporate creed is “Integrity,” and we aim to foster good relationships with all stakeholders to improve our corporate value and grow stably on a long-term basis.

To attain these goals, we consider that it is essential to improve our corporate governance based on the transparency, swiftness, and efficiency of business administration.

In June 2015, our company was reorganized from a company with the board of auditors to a company with an audit committee, with the aim of animating discussions from the viewpoint of shareholders by strengthening the auditing and supervising functions of the board of directors and increasing the ratio of outside directors.

Under this governance system, we will make efforts to further improve our corporate value.

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

The company implements each principle of the Corporate Governance Code.

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

Principles	Disclosure contents
【Principle 1-4 So-called strategically held shares】	<p>1. Our company believes that cooperative relationships with a multitude of companies are essential in the processes of manufacturing, development, sale, construction, and distribution of our products in order to constantly expand our Interior Business and Housing-related Business. We make decisions on shares to strategically hold for the medium- to long-term by comprehensively judging from various perspectives, considering companies with which we should newly forge relationships and companies with which we should continue to strengthen relationships as our clients for business strategies. In our company, strategically held shares are discussed and reviewed every year at a meeting of the board of directors.</p> <p>2. Attitude toward exercise of voting rights Our company respects the management policy of every company which we invest in and exercises our voting rights as needed after having interaction and communication through a wide range of channels and making comprehensive judgment as to various aspects including medium- to long-term improvement of such companies, their attitude to shareholder return, and their efforts at corporate governance and CSR.</p>
【Principle 5-1 Policy on constructive communication with shareholders】	<p>Aiming to establish good relationships with shareholders by encouraging constructive communication with them and striving for information disclosure and interaction with high transparency, our company proactively performs IR activities as follows:</p> <ul style="list-style-type: none"> • In our company, the Chief Executive Officer manages the implementation of IR activities.

- Our company has established the Public Relations and IR Department for rational communication with our shareholders and swift IR activities.
- The Chief Executive Officer, the executive in charge, and the Public Relations and IR Department carry out interviews with both Japanese and overseas institutional investors, and analysts, upon their request.
- Although the Public Relations and IR Department is primarily in charge of IR activities, other departments including the Finance and Accounting Department, Management Audit Department, and General Affairs Department cooperate with the Public Relations and IR Department to provide information with higher effectiveness.
- Our company announces our financial statements, arranges financial results briefings for investors, and participates in IR events for individual investors hosted by stock exchanges and the like to hold explanatory meetings.
- Our company publishes on our website explanatory material we used at the above-mentioned events and the like (the English-version of such material is also published as needed).
- Our company creates an integrated report for every fiscal year and publishes such reports both in Japanese and in English through our website.
- Our company conducts activities which contribute to enhancement of our shareholders' understanding about various items, including our management strategy, business environment, business progress, and financial information, through direct communication and material published on our website.
- Our company responsibly utilizes opinions obtained from interaction with our shareholders and investors for administrative improvement through The Public Relations and IR Department.
- Our company properly deals with the management of insider information in accordance with the regulations for the management of insider trading (regulations for the prevention of insider trading), by assiduously managing unpublished material facts.

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