



Bridge Report KENKO Mayonnaise Co., Ltd. (2915)

 President Takashi Sumii	Company	KENKO Mayonnaise Co., Ltd.	
	Code No.	2915	
	Exchange	TSE 1 st Section	
	Industry	Foodstuff (manufacturing)	
	President	Takashi Sumii	
	Address	3-8-13, Takaido Higashi, Suginami-ku, Tokyo	
	Business Description	KENKO's corporate philosophy is "contributing to the world by providing quality foods." It developed Japan's first "long-life salad," a product with an extended shelf life. Salads make up more than 40% of the company's total sales. It aims to have usual salad become a main cast of their consumers' meal .	
	Year-end	March	
URL	http://www.kenkomayo.co.jp/en		

— Stock Information —

Share price	Number of shares issued (excluding treasury shares)		Total market cap	ROE (Actual)	Trading unit
¥3,970	16,475,559 shares		¥65,408 million	9.7%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥37.00	0.9%	¥174.80	22.7 times	¥1,880.61	2.1 times

*The share price is the closing price on July 9. The number of shares issued was obtained by subtracting the number of treasury shares from the number of outstanding shares as of the end of the latest quarter.

— Earnings Trends —

(Unit: Million yen or yen)

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
Mar. 2015 (Actual)	60,327	3,001	2,776	1,642	115.57	23.00
Mar. 2016 (Actual)	66,933	3,436	3,426	2,085	146.76	28.00
Mar. 2017 (Actual)	70,812	3,987	4,017	2,867	194.88	37.00
Mar. 2018 (Actual)	72,759	4,173	4,149	2,877	174.65	37.00
Mar. 2019 (Forecast)	77,000	4,100	4,150	2,880	174.80	37.00

*The forecasted values were provided by the company. From the term ended Mar. 2016, net income is profit attributable to owners of the parent. Hereinafter the same applies.

KENKO Mayonnaise Co., Ltd. is the pioneer in developing long-life salads, and is listed on the First Section of the TSE. This report will provide a profile of the company, list the results of its medium-term management plan, and report its future endeavors.

1. Company Overview
2. Results of the medium-term management plan "KENKO Five Code 2015-2017" (FY3/16 – FY3/18)
3. Fiscal Year March 2018 Earnings Results
4. Fiscal Year March 2019 Earnings Estimates
5. Outline of the new medium-term management plan "KENKO Value Action – Creating Value" (FY3/19 – FY3/21)
6. Conclusions

Key Points

- The sales in FY3/18 were up 2.7%, and ordinary income increased by 3.3% year on year. Sales grew for salads and delicatessen, processed eggs, and mayonnaise and dressings. This term marks the 7th consecutive period of sales growth, and the 6th consecutive period with record sales. There was particularly high growth for Atsuyaki-Tamago (Japanese style rolled omelet) and Japanese-style dishes targeted at convenience stores. In terms of profit, the cost of procuring potatoes and other vegetables rose due to poor weather conditions, etc., but this was offset by advantages related to major ingredients, and the company achieved record profits for the 3rd consecutive term. The term-end dividend is to be 19 yen/share, which when combined with the interim dividend amounts to a total annual dividend of 37 yen/share (21.2% payout ratio).
- The sales in FY3/19 are forecasted to rise 5.8% year on year, with a slight increase in ordinary income. Due to new factories beginning operation at two of the company's subsidiaries, it is expected to see steady growth in the delicatessen-related business as well as the seasoning and processed foods business, which will increase 16.4% and 3.9% respectively. By the end of the term, new lines are also expected to begin operating at the Nishi-Nihon and Shizuoka Fujisan factories. Expenses incurred from setting up these four factories will be offset by increased sales volumes resulting in greater sales. The total annual dividend is to be 37 yen/share.
- The company's new medium-term management plan, "KENKO Value Action – Creating Value," aims to achieve sales of 85 billion yen and an ordinary income of 4.6 billion yen by FY3/21. In the new plan, the basic policy is to manage CSV (Creating Shared Value). The company intends to make CSV the foundation of its management, in order to address five themes: local contribution, environment and resources, supply chains, solutions, and work style. In addition, it will promote three business strategies: (1) Creating business with customers, (2) Production system to "create, respond and expand", and (3) Promoting salad dishes to the world. Based on these themes, in addition to reaching financial goals, the company also plans to focus on business activities that create value for both society and companies.

1. Company Overview

KENKO Mayonnaise Co., Ltd. is a commercial food manufacturer focusing on salads. The company started out specializing in the commercial manufacture of mayonnaise, and using mayonnaise and dressings as its foundation, expanded business to include salads, delicatessen, and processed egg products. Utilizing its consolidated subsidiaries, the company also handles fresh delicatessen for mass retailers. It developed the "Long-life Salad," which boasts an extended shelf life, for the first time in Japan as well as special salads using unconventional ingredients such as burdock and pumpkin. As a pioneer in its industry, KENKO has held the top market share for long-life salad since the product's release. It is ranked 2nd in mayonnaise and dressings, and 3rd in the omelet market. (company estimate based on Fuji Economics' "Food Marketing Handbook").

In addition to KENKO Mayonnaise Co., Ltd., the company group contains 7 consolidated subsidiaries, 10 factories, and PT.Intan Kenkomayo Indonesia, an equity-method affiliate based in Indonesia. The company manufactures and sells products such as mayonnaise, dressings, and processed eggs (seasoning and processed foods business), and its consolidated subsidiaries sell fresh delicatessen, etc. to mass retailers. (delicatessen-related business). The company's production bases are located in Atsugi, Yamanashi, Gotenba, Shizuoka Fujisan, Nishi-Nihon (Kyoto), Kobe, and Nishi-Kobe.

【Company Philosophy (Taken from the company's website)】

"Contributing to the world by providing quality foods"

Our company philosophy indicates the degree of the position of our company group in society. The philosophy has been amended to "contributing to the world by providing good food" (previously 'good food products'). This is because, our activities have been widely expanded thanks to internet as they involve more community activities such as information distribution and food education to local residents rather than only implementing food manufacturing. We continue to contribute to our society through providing various food, service and information on food.

【The Group's Business Philosophy (Taken from the company's website)】

“Body and Mind (mind/body/soul) and Environment”

The group's Business Philosophy shows the passion of our company group based on the company philosophy. We care about the mental and physical aspects as well as the souls of our consumers and other people concerned with our business, who are loyal to our products. Also we devote ourselves to work on environmental issues affecting earth, where the source of our soul (food) grows.

【The Group's Management Policy (Taken from the company's website)】

“To become No.1 Salad Company,” “To provide the number one quality products/services in Japan”

The group's Management Policy directs a goal of our company group according to the group's business philosophy. Our goal is to have usual salad become a main cast of our consumers' meal. Moreover, with ‘salad’ as a key driver to promote the market, we conduct business activities that always relate to salad in attempt to establish a new cuisine genre with Salad. In addition, we are aware of our responsibility to provide food products that are safe, reliable and high quality. To achieve that, we at KENKO Mayonnaise Co., Ltd continue to put our best efforts to create higher quality services.

【Business contents】

The company's business segments consist of the seasoning and processed foods business, which manufactures and sells salads, delicatessen, processed eggs, mayonnaise and dressings; the delicatessen-related business, which is handled by consolidated subsidiaries and deals with the manufacture and sale of fresh delicatessen (salad and foodstuffs with a shelf life of 1-2 days) as well as contract manufacturing within the company group; and others which are the shop business (Salad Cafe) and overseas business.

Sales composition ratios for FY3/18 were 82.6% (82.6% in FY3/17), 15.6% (15.6%), and 1.8% (1.7%), respectively. By product type, salads account for 44.6% (43.7% in FY3/17), eggs 28.8% (28.7%), mayonnaise and dressings 24.4% (24.8%), and others 2.2% (2.8%). By field of sale, convenience stores account for 28.3% (27.9% in FY3/17), dining out such as fast food and family restaurants 26.1% (27.4%), mass retailers such as supermarkets 21.9% (20.0%), manufactured bread 13.5% (14.4%), school lunch services 4.6% (4.8%), and others, such as co-op and commercial cash & carry 5.6% (5.5%).

Seasoning and processed foods business

1 Salads and delicatessen (long-life salad, fresh salad, Japanese dishes, etc.)

KENKO was the first in Japan to develop a salad with an extended shelf life. It is also the first to introduce “burdock salad” and “pumpkin salad” to the world. This long-life salad is a brand called “FDF® (Fashion Delica Foods®),” and is used in restaurants, bakeries, convenience stores, etc. As the industry's first manufacturer and seller of long-life salad, the company takes pride in being the market leader and holding the top market share, and it is continuously striving to develop new products.

Potato salad gratin
bread



【Menu example】
KENKO Refined
Potato Salad



Makunouchi-bento
(variety box lunch)
style rice-ball salad



【Menu example】
Wasai Bansai®
Kinpira-Gobo



Cheese fondue penne
gratin



【Menu example】
Cheese Fondue
Filling



Fried chicken with
a light onion sauce



【Menu example】
Onion Base for
Salads



(Images above and below taken from the company's website)

2 Processed Eggs (fresh eggs, omelets, Kinshi-Tamago)

The company produces all kinds of processed egg products, such as egg salad to be used in sandwiches and snack breads, Atsuyaki-Tamago (Japanese style rolled omelet) for lunch boxes, Kinshi-Tamago (narrowly stripped cooked eggs) used for cold Chinese noodles, and boiled eggs for Oden soup. In April 2014, the Shizuoka Fujisan egg baking factory began operation. The factory is equipped with an integrated manufacturing line that takes raw eggs with eggshell all the way to finished products.

Creamy eggs & napolitan



【Menu example】
Easy-microwave Creamy Eggs

Atsuyaki-Tamago sandwich



【Menu example】
Souzaitei® Thick Omelet

3 Mayonnaise & Dressings (mayonnaise, dressings, cooking sauces, etc.)

This is KENKO's main business. Since the company's foundation, the company has developed many types of mayonnaise and dressings to meet the demands of professional clients as a commercial manufacturer. Some examples include solidified dice-shape sauces developed for use in frozen foods, and mayonnaise-flavored powder which can be sprinkled on snacks such as potato chips.

Green salad with egg



【Menu example】
KENKO OUFUU Mayonnaise



Grilled salad with bacon and summer vegetables



【Menu example】
Triple Balance Non Oil Onion



Green salad



【Menu example】
Herb and Vegetable Dressing



Delicatessen-related business, etc.

This business handles the manufacture and sale of fresh delicatessen (daily salads, ready-to-eat foods) for supermarkets and mass retailers. For the main product, potato salad, the company constantly strives to make the most of its ingredients by rotating production areas and offering seasonal varieties, in order to consistently deliver high quality products.

Others

Salad Cafe business

This is the only business in the KENKO mayonnaise company group to have direct contact with customers. Utilizing both the Web and its actual shops, the company relays information to customers, and in turn, customers are able to voice their opinions. There are currently 16 shops, located in places such as supermarkets and department stores found at major railway terminals, as well as within station buildings themselves.

Overseas business

The company exports goods to more than 30 different countries and regions. Demand is expected to rise even further in Indonesia, which has the largest population in Southeast Asia and whose food culture is becoming more diverse due to rapid economic growth. As such, in 2012, the company established PT.Intan Kenkomayo Indonesia. A production facility was completed in 2013, establishing a system for local manufacturing and sales. In 2015, the Vancouver Research Office was established in Canada as a base for collecting food-related information, particularly in North America and Europe. As a market-oriented company, KENKO intends to promptly identify new food cultures and take actions based on this information.

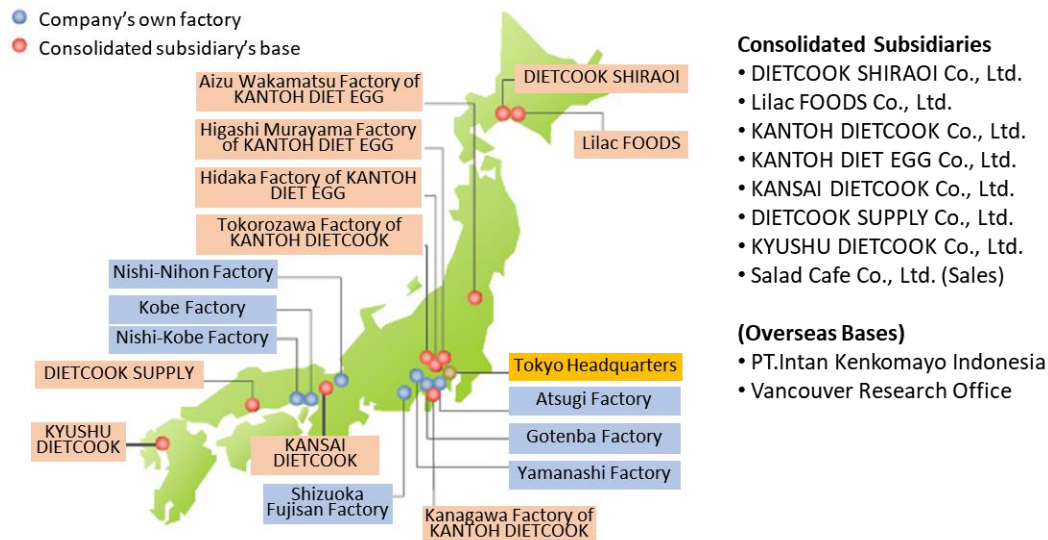
*Overseas businesses are not included in sales because they are affiliates which are accounted for by the equity method.

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Manufacturing and sales network (Japan: 7 company-managed factories, and 10 factories managed by 7 consolidated subsidiaries)

In Japan, there are 7 company-managed factories and 10 factories managed by 7 consolidated subsidiaries. The company builds production systems that are closely tied to the region, and one of its strengths is its ability to meet the needs of clients by providing freshness, variable quantities, and customer-specific service.



(Source: The company)

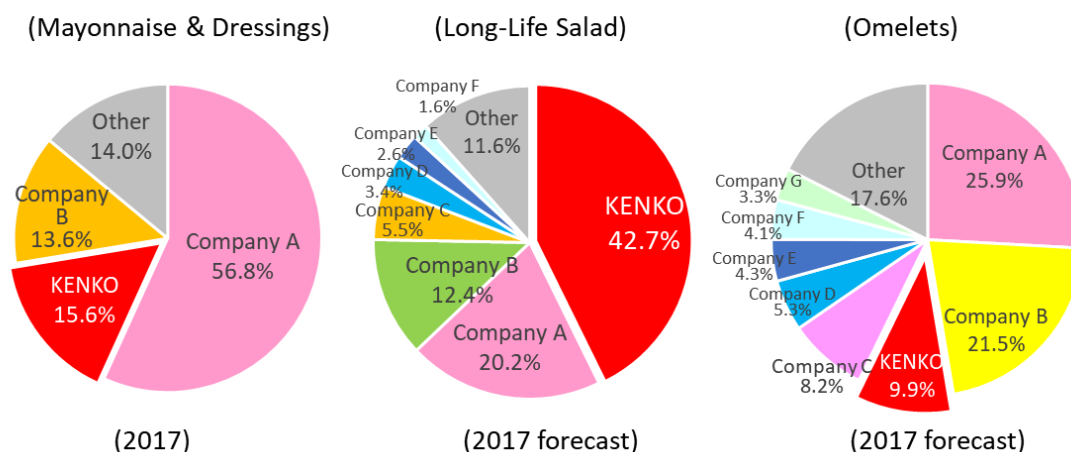
【Positioning (Source: The company)】

The size of the mayonnaise and dressings market (2017 forecast) is 441 thousand tons by sales volume (up 1.2% year on year), and 202.3 billion yen by sales amount (up 1.0% year on year). According to the company's data, which is based on the "Beverage & Food Statistics Monthly" published by Nikkan Keizai Tsushin, at 15.6% the company is ranked 2nd in Japan in terms of production volume (1st 56.8%, 3rd 13.6%).

The size of the Long-life Salad market (2017 forecast) is 120 thousand tons by sales volume, and more than 61.4 billion yen by sales amount. As the pioneer of long-life salad, the company's market share is 42.7%, a good deal greater than that of the second highest share (2nd 20.2%, 3rd 12.4%).

The size of the omelet market (2017 forecast) is roughly 85.5 thousand tons by sales volume, and more than 61.05 billion yen by sales amount. The company has the 3rd highest market share in the industry at 9.9% (1st 25.9%). Moving forward, it aims to expand its market share.

Industry Share (2017)



(Source: The company)

【Social and environmental activities】

The company engages in environmental management, food education, and contribution to the local community and society, as social and environmental activities.

Environmental management: The company recycles more than 85% of food waste

The Environmental Management Committee formulates environmental goals and plans, grasps the environmental management situation and carries out measures for conservation of the environment, and conducts screenings for zero emissions. The company's factories, Tokyo headquarters, and sales bases, as well as the Environmental Management Promotion Committees at four of its affiliated companies are all engaged in activities to manage compliance, such as waste reduction, energy conservation, working toward zero emissions, and adhering to environmental laws. By removing moisture through desiccation and recycling food into animal feed and fertilizers, the company was able to recycle food waste by more than 85%, with the exception of a few factories. It also made efforts to recycle other waste materials such as plastics and metals, achieving a waste recycling rate of over 90% in FY3/08 and zero emissions at all company factories in FY3/09. The company's affiliates (subsidiaries) also began initiatives in FY3/16, with the goal of achieving zero emissions across the entire company group.

Food Education

KENKO conducts comprehensive dietary education, including cooking classes and seminars on nutrition and eating habits (participants are asked beforehand about what they would like to learn, their worries, etc., and meetings are held to decide the themes, based on the responses). What began as food education for a neighborhood elementary school in 2007 has now grown to include child care institutions, neighborhood apartments, local social welfare services, etc.

Contribution to the local community and society

The company began sponsoring activities in 2006, mainly for events held near the headquarters, which is located in Suginami-ku. The company currently participates in these events and donates its products, and also conducts sponsorship and donations for events at its own factories and affiliate locations. Since 2007, the company has supported the activities of the Japanese national food bank Second Harvest, and in addition to making product donations, it also volunteers in preparing and handing out food on a regular basis. The company has also been on the council of the non-profit organization "United Nations WFP Association (World Food Program) since September 2005, and is contributing to international society by participating in the organization's activities. KENKO has also made a number of other contributions to the community, including fundraising in 2006 for the "Horn of Africa Hunger Relief Campaign" and again in 2007 for the "School Lunch Program/campaign" (for four years up to 2010), funding emergency relief for a drought in the Sahel region of Western Africa in June 2012, fundraising for emergency relief after the typhoon in the Philippines, fundraising for emergency relief for Ebola, and fundraising for an additional School Lunch Program/campaign.

【History】

The company was established in March 1958, and in September 1961 began commercially manufacturing and selling "KENKO mayonnaise AS." The company name was changed to KENKO-Mayonnaise Co., Ltd. in June 1966, and again to KENKO Mayonnaise Co., Ltd. in June 1992. It expanded business to include processed, ready-to-eat foods and processed eggs for salads and delicatessen in order to keep up with the expanding restaurant and prepared foods market. In October 1977, the company released the industry's first long-life salad (Fashion Delica Foods). In December 1986, the company pioneered the fiber boom with original product strategies such as the sale of burdock salad.

The company's stock was registered at the Japan Securities Dealers Association (currently the TSE JASDAQ market) in November 1994. Since then, the company has expanded its domestic production and sales networks. In August 2005, the company established Salad Cafe Co., Ltd. with the aim of using information on trends to develop products and relay information to consumers. The company was listed on Section 2 of the TSE in March 2011, and in March of the following year it was moved to Section 1 of the TSE. KENKO is also carrying out development overseas. In July 2012, PT. Intan Kenkomayo Indonesia was founded in Jakarta, Indonesia, and in July 2015, the Vancouver Research Office was established in Vancouver, Canada.

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1958	Mar.	The company is founded
1961	Sept.	The company begins commercially manufacturing and selling "KENKO Mayonnaise AS"
1966	Jun.	Company name changed to KENKO-Mayonnaise Co., Ltd.
1977	Oct.	The industry's first long-life salad, "Fashion Delica Foods," is launched
1986	Dec.	The company begins commercial sale of Burdock salad
1994	Nov.	Company stock is registered at the Japan Securities Dealers Association (Currently TSE JASDAQ)
2005	Aug.	Salad Cafe Co., Ltd. is established
2011	Mar.	The company is listed on the 2 nd section of the TSE
2012	Mar.	The company is moved to the 1 st section of the TSE
	Jul.	PT. Intan Kenkomayo Indonesia is established in Jakarta, Indonesia
2015	Jul.	The Vancouver Research Office is established in Vancouver, Canada

Achievement of steady sales expansion, profit margin improvement, and financial soundness by promoting the medium-term management plan

The new medium-term management plan "KENKO Value Action" that started in FY 3/19 is the 6th medium-term management plan counting from "KRP 520" (the period from FY 3/05 to FY 3/06), in which the company worked on reforming business. In FY 3/04, there were unprofitable businesses, etc., with sales amounting to 49.2 billion yen, ordinary income amounting to 1.04 billion yen, interest-bearing debt exceeding 11 billion yen. Also, the equity ratio did not reach 20%. "KRP 520" (rebuilding period) started to aim for returning to the established growth trajectory. KRP stands for "Kenko Revival Plan," 520 is the target sales of 50 billion yen, ordinary income of 2 billion yen. The company was striving to stabilize purchasing prices of eggs and salad oils within market conditions, to withdraw from unprofitable businesses, as well as to sell real estate and reducing interest-bearing debt at a rapid pace. As a result, the company achieved sales and profit targets within two years. As expected, earnings fell at the time of the Lehman shock, and there was a disruption caused by the Great East Japan Earthquake, but "DASH SALAD" + "C - 08" (development period), "KVR" (muscular organization) while strengthening its mid-term business plan with "Medium-Term Management Plan IV 2012-2014" and "KENKO Five Code 2015 – 2017," the company has improved profitability while increasing sales, and realized financial soundness. The Nishi-Nihon Factory was completed in October 2007, and the Shizuoka Fujisan Factory was completed in April 2014. Progress has been made to improve and strengthen the production system and now the company is planning to expand the Shizuoka Fujisan Factory and the Nishi-Nihon Factory for further improvement and to build a new production center based on the establishment of DIETCOOK SHIRAOI Co., Ltd. and KANTOH DIETCOOK Kanagawa Plant Co., Ltd.

Trends in Sales and Profit (million yen)														
	FY3/05	FY3/06	FY3/07	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Net sales	49,812	50,079	50,317	53,075	53,193	51,101	50,629	51,878	54,533	57,301	60,327	66,933	70,812	72,759
Gross profit	12,966	13,953	14,095	13,280	12,295	14,348	14,092	13,624	14,904	14,770	15,718	17,244	18,378	18,922
SG&A	11,352	11,393	11,476	11,673	11,318	11,397	11,319	11,480	12,126	12,342	12,717	13,807	14,391	14,748
Operating income	1,614	2,560	2,619	1,606	977	2,951	2,773	2,144	2,778	2,428	3,001	3,436	3,987	4,173
Ordinary income	1,418	2,533	2,534	1,529	920	2,853	2,681	2,073	2,574	2,258	2,776	3,426	4,017	4,149
Net income	140	1,322	1,714	710	300	1,446	1,319	1,029	1,409	1,265	1,642	2,085	2,867	2,877
Ordinary margin	2.8%	5.1%	5.0%	2.9%	1.7%	5.6%	5.3%	4.0%	4.7%	3.9%	4.6%	5.1%	5.7%	5.7%
Financial position (million yen)														
Total assets	27,543	25,636	28,654	29,678	29,538	29,775	30,753	30,404	33,998	39,686	39,448	42,306	51,442	64,877
Net assets	5,002	6,526	8,109	9,622	9,593	10,916	12,711	13,492	14,801	15,810	17,967	19,311	28,456	30,984
Interest-bearing debt	11,379	7,791	7,783	6,862	7,338	5,748	5,239	2,720	4,178	5,029	4,193	3,573	2,409	8,296
Trends in ROE														
ROE	-	22.9%	23.4%	8.0%	3.1%	14.1%	11.2%	7.9%	10.0%	8.3%	9.6%	11.2%	12.0%	9.68%
Net income margin	-	2.6%	3.4%	1.3%	0.6%	2.8%	2.6%	2.0%	2.6%	2.2%	2.7%	3.1%	4.0%	3.95%
Total asset turnover	-	1.88	1.85	1.82	1.80	1.72	1.67	1.70	1.69	1.56	1.52	1.64	1.51	1.25
Leverage	-	4.61	3.71	3.29	3.08	2.89	2.56	2.33	2.28	2.41	2.34	2.19	1.96	1.96

2. Achievement of the medium-term management plan "KENKO Five Code 2015-2017"

The medium-term management plan, "KENKO Five Code 2015-2017," which was launched in April 2015 in order to aim for further leaps, ended in March 2018. In "KENKO Five Code 2015-2017," the company utilized three strategies; (1) Establishing our position as the "Leading Company in Salads," (2) Further evolving "Salad Cuisine," and (3) Strengthening the management platform to proactively promote expansion into global markets, and achieved certain results under "5 management indices"; "Globalization," "Innovation," "Best practice," "Knowledge management," and "Communication (Branding)."

Three strategies and outcomes**(1) Establishing our position as the "Leading Company in Salads"**

The company worked on strengthening product brands and developing products that fit the market needs (convenience, loss reduction, health / healthy consciousness, high added value, deliciousness of the materials, etc.), and achieved results with salads, delicatessen and processed egg products. As for salads and delicatessen, sales of the new brand of Japanese-style dishes, "Wasai Bansai," expanded approximately 2.1 times in FY3/18 compared with the previous fiscal year, and the products based on food materials also expanded mainly for food-service industries. With regard to processed egg products, the sales of "Souzaitei®" (a series of thick omelet and omelet rolls) manufactured by Shizuoka Fujisan Factory, which was highly evaluated for its taste and quality, increased by 11%. In addition to the package change in FY3/17, extension of expiration date, and the renewal effect focusing on its soup stock, "Souzaitei®" also worked on inventing menus and new methods of usage, and achieved results. Regarding mayonnaise and dressings, it launched a series of non-oil dressing, "Triple Balance" series, that realized low calorie, low sugar and reduced salt in October 2016, and the series also promoted the small form strategy.

(2) Further evolving "Salad Cuisine"

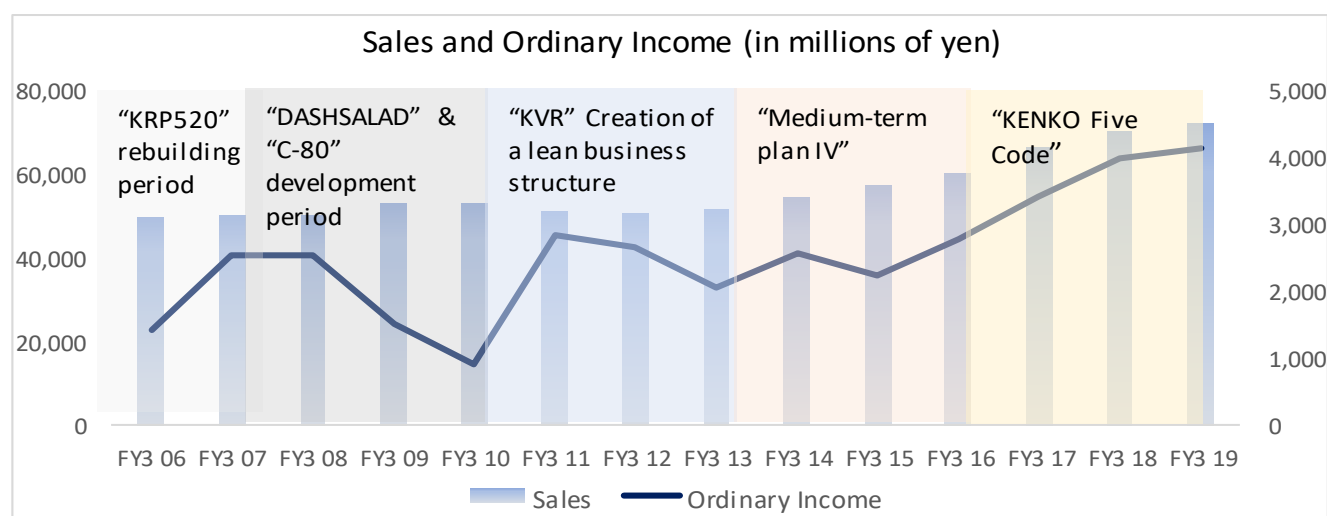
In order to promote "salad dishes" and enhance the brand image, the company put up seasonal recipes, recipes created by people from diverse business fields (about 3,100 recipes posted in total at the end of March 2018), and trends on its website (the number of accesses has become doubled). The company also carried out various campaigns and events through SNS, promoted salad dishes at Salad Cafe, and strengthened the proposal of "Japanese salad." In addition, the company also worked on steady activities such as holding cooking classes for consumers (59 times in 3 years), study and presentation (the 2nd Open Symposium "Salad and Health") in seminars sponsored by Salad Science (KENKO Mayonnaise), making the comprehensive partnership agreement with Tokyo University of Agriculture, and holding the "Study Course of Genetic Resource Development of Potatoes" in Obihiro University of Agriculture and Veterinary Medicine.

(3) Strengthening the management platform to proactively promote expansion into global markets

As a result of activities that aim for globalization such as raw material procurement, development, production, sales and information gathering, the company achieved good results by expanding its export, and made progress in business in Indonesia. In addition, in July 2015, it opened a research office "Vancouver Research Office" in Vancouver, Canada, as an information gathering base. As for export sales, the company worked on developing products that fit the needs of each country, such as gluten-free products and ones without monosodium glutamate, and as a result of exporting to 39 countries and regions, sales in FY 3/18 were 1.7 times more than those in FY 3/15. In the Indonesian business, the introduction of products for business use to Japanese companies advanced due to the expansion of local mayonnaise market and culture. "Vancouver Research Office" focuses on collecting various information such as ingredients, cooking methods, and trends. The company is planning on commercializing these by sharing them inside the company.

[Achieved objectives for consolidated ordinary margin and ROE]

The company mentioned 4 financial objectives: 75 billion yen in consolidated sales; a consolidated ordinary margin of 5% or more; maintaining an 8% ROE or more; and an equity ratio of 50%. Due to inclement weather (persisting rain and large typhoons), sales were sluggish over the summer and fall seasons and remained at 72.7 billion yen, however thanks to maintaining prices, the company met its objectives in terms of the consolidated ordinary margin (5.7%) and ROE (9.7%). Because the fiscal year ended on a holiday, settlement of accounts receivable and accounts payable was pushed back. As a result, the equity ratio was 47.8%, falling just short of the objective. However, when accounting for the effects of the delayed account settlement, the actual equity ratio was 49.1%.



3. Fiscal Year March 2018 Earnings Results

(1) Consolidated Earnings

(unit: million yen)

	FY 3/17	Ratio to sales	FY 3/18	Ratio to sales	YOY	Revised forecast as of 3Q	Difference from the forecast
Sales	70,812	100.0%	72,759	100.0%	+2.7%	72,700	+0.1%
Gross profit	18,378	26.0%	18,922	26.0%	+3.0%	-	-
SG&A expenses	14,391	20.3%	14,748	20.3%	+2.5%	-	-
Operating income	3,987	5.6%	4,173	5.7%	+4.7%	4,080	+2.3%
Ordinary income	4,017	5.7%	4,149	5.7%	+3.3%	4,100	+1.2%
Net income	2,867	4.0%	2,877	4.0%	+0.4%	2,870	+0.2%

※ Some data is calculated by Investment Bridge, and some data contained within this report may vary from actual results. (Applies to all data in this report)

There were increases in sales for the 7th consecutive term, record high sales for the 6th consecutive term, and record high profits for the 3rd consecutive term.

Sales were 72,759 million yen, up 2.7% year on year. The sales for the seasoning and processed foods business were 60,139 million yen, up 2.8% year on year; and the sales for the delicatessen-related business were 11,327 million yen, up 2.4% year on year. Sales also increased across the board for salads, delicatessen, processed eggs, and mayonnaise & dressings, with particularly high growth for Atsuyaki-Tamago and Japanese dishes targeted at convenience stores (CVS).

In terms of profits, although the cost of procuring vegetables rose due to unfavorable weather, this was offset by increases in productivity and advantages related to major ingredients (which together amounted to a 229 million yen gain in profit), and the company maintained its gross margin from the previous term. Combined with sales growth of 187 million yen, the company was also able to absorb the increase in SG&A expenses (mainly increase of 265 million yen in fixed costs due to bolstering personnel and investing in IT, etc.), and operating income rose 4.7% year on year to 4,173 million yen. Ordinary income grew 3.3% year on year to 4,149 million yen, despite a decline in non-operating profit due to recoil from appropriating funds for the reversal of other allowance and equity in losses of affiliates.

The company was in line with revised estimates stated in the financial results for the 3rd quarter. As for initial estimates, sales (which were forecasted to be 75 billion yen) took a downward turn due to continued heavy rain and typhoons during the summer and fall of the previous year, but profits reached initial estimates as a result of efforts to maintain sales prices. Other initial estimates were operating income: 4,080 million yen, ordinary income: 4,100 million yen, and net income: 2,870 million yen).

Bridge Report



Sales by product type

(unit: million yen)

	3/14	Composi tion ratio	3/15	Compositi on ratio	3/16	Compositi on ratio	3/17	Compositi on ratio	3/18	Compositio n ratio
Salads	25,453	44.4%	27,258	45.2%	30,496	45.6%	31,443	44.4%	32,458	44.6%
Eggs	17,092	29.8%	16,772	27.8%	18,055	27.0%	20,322	28.7%	20,964	28.8%
Mayonnaise & dressings	13,690	23.9%	15,190	25.2%	17,064	25.5%	17,577	24.8%	17,777	24.4%
Others	1,066	1.9%	1,107	1.8%	1,318	2.0%	1,470	2.1%	1,560	2.2%

Sales by field

(unit: million yen)

	3/14	Composit ion ratio	3/15	Compositi on ratio	3/16	Compositi on ratio	3/17	Compositi on ratio	3/18	Compositi on ratio
CVS	10,543	18.4%	11,402	18.9%	17,202	25.7%	19,757	27.9%	20,591	28.3%
Dining out	16,158	28.2%	16,107	26.7%	17,403	26.0%	19,402	27.4%	18,990	26.1%
Mass retail	12,892	22.5%	13,996	23.2%	13,654	20.4%	14,162	20.0%	15,934	21.9%
Bread	8,194	14.3%	8,566	14.2%	9,705	14.5%	10,197	14.4%	9,822	13.5%
Lunch services	3,152	5.5%	3,378	5.6%	3,213	4.8%	3,399	4.8%	3,347	4.6%
Others	6,360	11.1%	6,877	11.4%	5,756	8.6%	3,895	5.5%	4,075	5.6%

(unit: million yen)

Factors in growth/decline of ordinary income

FY3/17 Ordinary income	4,017
Sales growth	+187
Production efficiency	+229
Changes in material prices	-19
Increases in fixed expenses, etc.	-265
FY3/18 Ordinary income	4,149

(2) Trends by business

(unit: million yen)

	FY3/17	Composition ratio & Profit margin	FY3/18	Composition ratio & Profit margin	YOY
Salads & Delicatessen	19,685	27.8%	20,347	28.0%	+3.4%
Processed eggs	19,860	28.0%	20,520	28.2%	+3.3%
Mayonnaise & Dressings	17,576	24.8%	17,777	24.4%	+1.1%
Others	1,390	2.0%	1,495	2.1%	+7.6%
Seasoning and processed foods business	58,511	82.6%	60,139	82.7%	+2.8%
Delicatessen-related business, etc.	11,062	15.6%	11,327	15.6%	+2.4%
Others	1,238	1.7%	1,292	1.8%	+4.3%
Consolidated sales	70,812	100.0%	72,759	100.0%	+2.7%
Seasoning and processed foods business	3,012	5.1%	3,400	5.7%	+12.8%
Delicatessen-related business, etc.	1,023	9.2%	811	7.2%	-20.7%
Others	-31	-	-98	-	-
Adjustments	11	-	36	-	-
Consolidated ordinary income	4,017	5.7%	4,149	5.7%	+3.3%

Bridge Report



Seasoning and processed foods business (salads, delicatessen, processed eggs, mayonnaise, dressings, and others)

Sales were 60,139 million yen, up 2.8% year on year. Sales volume rose by 2.7%, and the unit sales price fell 0.6 yen/kg. Salad and delicatessen sales grew 3.4% and sales volume in weight by 3.6% year on year. Potato salad, the main product, had increased sales to convenience stores and restaurants, and the “Wasai Bansai” series, which increased its product lineup, also performed well. The company also began selling vermicelli and macaroni salads for restaurant use. Processed egg sales rose 3.3%, and sales volume in weight by 4.3% year on year. Focusing on sales to convenience stores, the company furthered the use of egg salad for sandwiches and ready-to-eat bread, Atsuyaki-Tamago for sandwiches and lunch boxes, and Kinshi-Tamago for noodles. Mayonnaise & dressing sales were up 1.1% year on year, and sales volume in weight increased by 0.6%. Sales of small dressing packets targeted at convenience stores were higher than the previous term, and sales of sauce for chicken nuggets as well as 500 ml dressing containers to fast food restaurants also grew. Exports of mayonnaise and dressings increased.

Delicatessen-related business, etc. (Daily salads, ready-to-eat foods, contract manufacturing within the company group)

Sales were 11,327 million yen, up 2.4% year on year. Products for sale in supermarkets that contained seafood (squid, crab, mentaiko, and others), as well as newly adopted products that topped with other products (such as ham on pasta) contributed to the increased sales. Seasonal items and products containing rape blossoms also performed well.

Others (Shop business ‘Salad Cafe,’ overseas businesses)

Sales were 1,292 million yen, up 4.3% year on year. Leafy salads such as green salad and coleslaw maintained popularity in the Kanto region, as did the regular assortment of long-sellers such as fruit salad, potato salad, and burdock in the Kansai region. In addition, the flagship store “Shinjuku Odakyu Department Store Salad Cafe” was re-branded as “SAROUND.”

(3) Financial position and cash flow

Financial position

(unit: million yen)

	Mar. 2017	Mar. 2018		Mar. 2017	Mar. 2018
Cash and deposits	13,779	13,072	Trade payables	8,751	10,765
Trade receivables	11,436	13,566	Other payables, Long-term accounts payable	7,651	10,592
Inventories	2,817	2,976	Interest-bearing debts	2,409	8,296
Current assets	29,196	30,443	Liabilities	22,985	33,893
Property, plant and equipment	18,469	30,466	Net assets	28,456	30,984
Noncurrent assets	22,245	34,434	Total liabilities, Net assets	51,442	64,877

Total assets at the end of the term were 64,877 million yen, up 13,435 million yen from the end of the previous term. This is because noncurrent assets increased mainly in construction in progress (from 8 million yen to 8,543 million yen) due to making progress towards the new production base concept (launch of Shizuoka Fujisan Factory, Nishi-Nihon Factory, DIETCOOK SHIRAOI Co., Ltd., Kanagawa Factory of KANTOH DIETCOOK Co., Ltd.), and settlement of accounts receivable and accounts payable was pushed back because the fiscal year ended on a holiday for financial institutions.

Operating CF was a surplus of 4,950 million yen (a surplus of 4,692 million yen in the previous term), but due to the investment in plants and equipment mentioned above, investing CF was a deficit of 11,811 million yen (a deficit of 3,929 million yen in the previous term). The company obtained the necessary funds by using cash reserves (gained through public stock offerings in FY3/17) and increasing long-term loans.

4. Fiscal Year March 2019 Earnings Estimates

(1) Consolidated earnings forecast

(unit: million yen)

	FY 3/18 Actual	Ratio to sales	FY 3/19 Forecast	Ratio to sales	YOY
Sales	72,759	100.0%	77,000	100.0%	+5.8%
Operating income	4,173	5.7%	4,100	5.3%	-1.8%
Ordinary income	4,149	5.7%	4,150	5.4%	+0.0%
Net income	2,877	4.0%	2,880	3.7%	+0.1%

The company aims to maintain the previous term's standard of profit by offsetting setup costs for 4 factories with increased sales

Sales are forecasted to rise 5.8% year on year to 77.0 billion yen. With the addition of DIETCOOK SHIRAOI Co., Ltd. (which began operations in April 2018) and the Kanagawa Factory of KANTOH DIETCOOK (which began operations in June 2018), sales for the delicatessen-related business will grow by 16.4% year on year. The seasoning and processed foods business is also expected to perform well, with sales growth of 3.9%.

Ordinary income is expected to increase slightly year on year to 4,150 million yen. In addition to starting operations at the new subsidiary factory mentioned above, new production lines will also be in operation by the end of the term at the Shizuoka Fujisan factory (expected in Feb. 2019) and Nishi-Nihon factory (expected in Mar. 2019). The company anticipates a 667 million yen increase in revenue, but takes into account the influence of start-up costs for 4 factories and improvements in production efficiency (204 million yen), fluctuations in raw material prices (299 million yen), and increases in fixed costs such as securing and training human resources (163 million yen). Although operating income is expected to decrease by 1.8% year on year to 4.1 billion yen, ordinary income should rise slightly from FY3/18 due to improvements in profit and loss management at Indonesia-based affiliate companies accounted for under the equity method. Depreciation expenses will fall somewhere between 2,300 and 2,400 million yen, roughly a 600 million yen increase from 1,745 million yen in the previous term (In FY3/20, the company estimates depreciation expenses to be slightly less than 3 billion yen, but production capacity is likely to improve continuously).

Factors in growth/decline of ordinary income

(unit: million yen)

FY3/18 Ordinary income	4,149
Sales growth	+667
Production efficiency	-204
Changes in material prices	-299
Increases in fixed expenses, etc.	-163
FY3/19 Ordinary income (forecast)	4,150

(2) Forecast and activities by business

(unit: million yen)

	FY3/18 Actual	Composition ratio	FY3/19 Forecast	Composition ratio	YOY
Salads & Delicatessen	20,347	28.0%	21,604	28.1%	+6.2%
Processed eggs	20,520	28.2%	21,214	27.6%	+3.4%
Mayonnaise & Dressings	17,777	24.4%	18,132	23.5%	+2.0%
Others	1,495	2.1%	1,556	2.0%	+4.1%
Seasoning and processed foods business	60,139	82.7%	62,506	81.2%	+3.9%
Delicatessen-related business, etc.	11,327	15.6%	13,183	17.1%	+16.4%
Others	1,292	1.8%	1,310	1.7%	+1.3%
Consolidated Sales	72,759	100.0%	77,000	100.0%	+5.8%

In the seasoning and processed foods business, the company will work on popularizing and expanding product series. For salads and delicatessen, this includes Japanese dishes, such as the "Wasai Bansai®" series, and ingredients, such as frozen potato. For processed egg products, this includes basic products such as egg salad, as well as the "Souzaitei®" series. Finally, for mayonnaise and dressings, efforts will focus on the "Triple Balance" series and small-sized products. In addition to the above, the company will also promote product development for changing markets.

In the delicatessen-related business, the company will expand sales by creating menus to meet increasingly diverse needs. For example, at supermarkets, needs are increasing for new product variations that are also capable of being the main dish. In addition, as a sales strategy geared towards the ready-to-eat foods market, it will capture the increasing demand by developing new products and menus, conducting sales promotions, and strengthening ties with KENKO Mayonnaise itself.

Also, a new factory began operation at DIETCOOK SHIRAOI Co., Ltd. in April 2018, strengthening the supply capacity in Hokkaido for daily salads, delicatessen, frozen foods, potato-based products, and long-life salads for restaurants. The Kanagawa Factory of KANTOH DIETCOOK, which supplies fresh delicatessen and Japanese dishes, etc. for supermarkets in the Tokyo metropolitan area on a daily basis, began operation in June (contributions from the new production lines completed in March 2018 at the Shizuoka Fujisan and Nishi-Nihon factories will take place starting from the next term).

Additionally, the company plans to use "Salad Cafe" to promote Japanese-style salads, and in response to an increase in inquiries about the Japanese-style salads, it will increase the range of Japanese-style salads available in stores, including those that mainly sell staple foods. It will also focus on spreading information about salads to general consumers by through its website and SNS.

(3) Dividend policy and returns to shareholders

The company plans to pay an interim dividend of 18 yen/share and a term-end dividend of 19 yen/share, for a total of 37 yen/share (21.2% payout ratio). As it grows and develops in the future, the company intends to create a higher standard of stable dividends while accounting for the 20% payout ratio on a consolidated basis and taking the continuity of the dividend into consideration.

5. New medium-term management plan "KENKO Value Action -Creation of Value-" (FY 3/19 - FY 3/21)

【Business Environment and the KENKO Mayonnaise Group's Vision】

The company believes that a favorable business environment will continue for the time being based on these factors; the increase of single-person households, the social progress of women, home meal replacements and tendency to dine out due to the aging society and decreasing birthrate, the simplification of cooking due to lack of manpower, the diversification of meals and increasing added value which come from the growing awareness of health consciousness and food security and safety, etc., in addition to the expansion and popularization of Japanese food and dishes on account of the increasing number of foreigners in Japan. Under these circumstances, with the corporate philosophy of "contributing to the world by providing quality foods," the company will improve its corporate value by continuing to grow and develop as a "No.1 salad company."

【Basic policy and five themes】

The company will promote corporate activities that create value for both society and company with its basic policy, CSV Management (Creating Shared Value). In order to carry out the CSV management, it has five themes; (1) local contribution, (2) environment and resources, (3) supply chains, (4) solutions, and (5) work style.

- 1 As for **local contribution**, the company will work on promoting local production and consumption, and utilizing local special products in order to become the No. 1 company contributing to society. In addition, it will promote recruitment activities of local human resources, and contribution activities such as joint management and training to maintain agricultural production activities.
- 2 As for **environment and resources**, the company will work on reforming physical distribution to aim for reducing CO₂ emissions, reducing raw material and product losses, and reviewing packaging materials, in order to make the usage of resources and energy more efficient.
- 3 As for **supply chains**, the company will shorten the time required to provide service to the final consumers from the production area by shortening supply chains and reforming business activities.
- 4 As for **solutions**, the company will work on commercialization of technology and services. Specifically, it will promote development of products and menus, hold cooking classes and workshops, provide recipe assets (website), and carry out consulting of menu development, etc. In addition, it will improve knowledge and technology related to quality assurance in order to lead it to further progress of customer support system, introduction of HACCP, and support for inspection and sanitation guidance, etc.
- 5 As for **work style**, the company will improve the satisfaction of employees by making the workplace comfortable for working, enhancing the human resources development and training system, and reviewing the personnel evaluation system, etc.

【Target and three business strategies】

As a numerical target, the company has set the achievement of net sales of 85 billion yen and ordinary income of 4.6 billion yen in FY 3/21. Along with the CSV management, in order to achieve the goals, it will promote three business strategies: (1) creating business with customers, (2) production system to "create, respond and expand", and (3) promoting salad dishes to the world.

(1) Creating business with customers

The company will create new value with solutions. To do so, it will work on developing products that fit market needs, expanding business areas, and solving issues in different businesses and fields. With regard to the development of products that fit the market needs, the company will focus on improving potato-based products and frozen potatoes and polishing Japanese ready-to-eat food ("Wasai Bansai"), and FDF (Fashion Delica Foods) in addition to high added value products ("Kenko refine") for salad and delicatessen. As for the processed egg product, it will focus on basic products such as egg salad and boiled eggs, and series of thick omelet and omelet rolls (Souzaitei). As for mayonnaise and dressings, health-oriented ("Triple Balance") and those in small containers, etc. will be focused on.

The company will also expand the business area by proposing new value to the market through product supply including effective usage for raw materials that were discarded up to now (yield) due to its materials, forms and purpose of use, and work on solving problems in different businesses (salads, ready-to-eat meals, processed egg products, mayonnaise and dressings) and different fields (19 fields such as family restaurants, izakaya restaurants, convenience stores, delicatessen, mass retailers, bakery) with product branding, sales enhancement, and new menu proposals, etc.

In addition to the above, the company has set the theme, "salad dish and health," and will provide new value to customers with accumulated strength of technology, development and information.

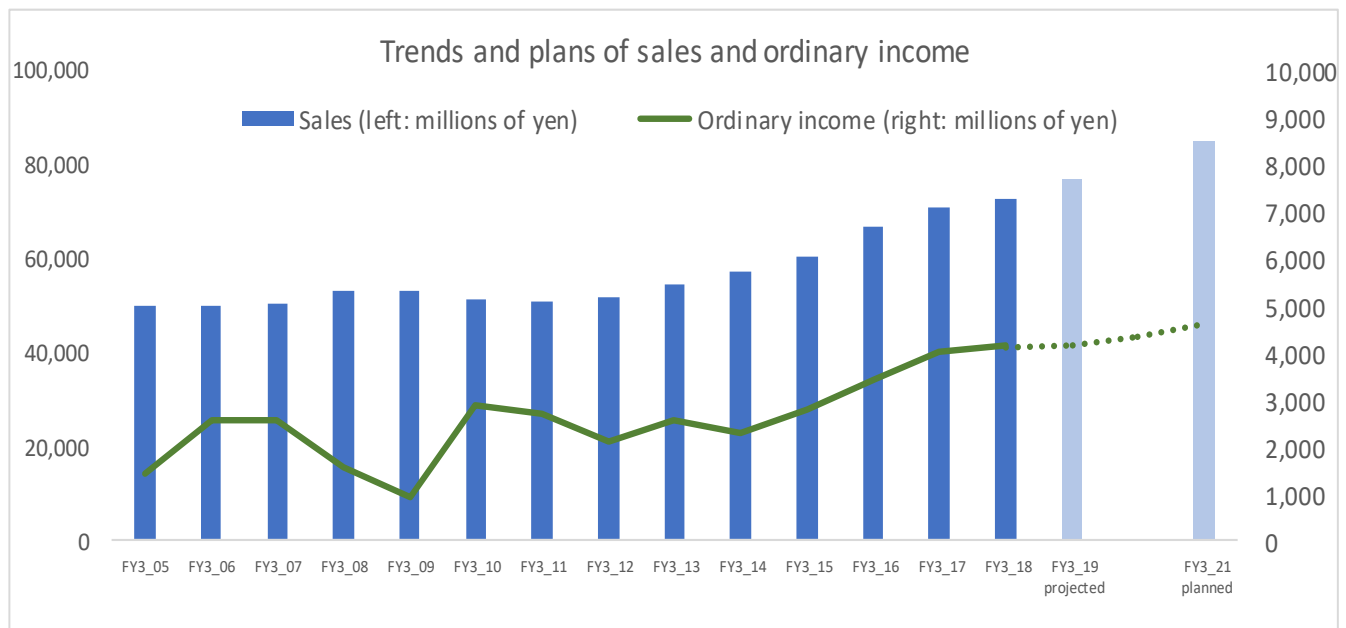
(2) Production system to "create, respond, and expand"

KENKO Mayonnaise, consolidated subsidiaries, and Salad Cafe will be a triple unit, and they will "create" new products with new technologies and new equipment, respond to requests of customers such as various products in small quantity, and expand by establishing new plants and facilities (expansion of production capacity, equalization, centralized kitchens, etc.) to suffice various needs of the commercial market. As stated above, currently 4 plants are being expanded or built, and in the first quarter, the new factories of DIETCOOK SHIRAOI Co., Ltd. and KANTOH DIETCOOK Co., Ltd. started operation, and in the fourth quarter, Shizuoka Fujisan Factory and a new line of Nishi-Nihon Factory will be in operation (March of the same year).

	Factory/Consolidated Subsidiary	Main products	Start of Operations	Estimated increase in production capacity after completion
Expanded Facilities	Shizuoka Fujisan Factory	Cooked egg products (Atsuyaki-Tamago, Kinshi-Tamago, etc.)	February 2019 (estimated)	Processed egg products, approximately 3,020 tons/year
	Nishi-Nihon Factory	Long-life salad (small-sized potato salads, etc)	March 2019 (estimated)	Salad and delicatessen, approximately 4,300 tons/year
Newly Established	DIETCOOK SHIRAOI Co., Ltd.	Daily fresh delicatessen and Japanese dishes (for the Hokkaido area), frozen foods (potato-based products, etc.)	April 2018	Salads and delicatessen, approximately 3,000 tons/year
	Kanagawa Factory of KANTOH DIETCOOK Co., Ltd.	Daily fresh delicatessen and Japanese dishes (for the Kanto area)	June 2018	Salads and delicatessen, approximately 6 billion yen in sales per year

(3) Promoting salad dishes to the world

The company will focus on communication aiming for globalization and proposals and expansion of salad dishes through export sales. As for proposals and expansion of salad dishes through export sales, it will make detailed proposals and countermeasures for each region. Also, the company will work on developing globally compatible products by developing products and menus that meet the taste and trend of the world, creating products with the awareness of inbound demand, and providing products that fit the needs of the area (Indonesia), etc. Regarding communication with a vision of globalization, it will focus on distributing salad dishes through overseas exhibitions and websites, investigating and discovering new trends and ingredients by utilizing the Vancouver Research Office, and developing global human resources, as well as discussing new projects such as engineering guidance, joint development, and cooperation.



6. Conclusions

In the first half of FY3/19, sales are forecasted to rise 4.3%, but ordinary income will fall by 3.9% year on year. In the second half sales will rise by 7.4% and ordinary income by 4.3% year on year, assuming operation of the two new subsidiary factories will be on track. The forecast for FY3/19 seems to be conservative, given a great deal of consideration +to the impact that fluctuations in raw material prices will have on business performance, but states that operations at the new factories will be on track soon, therefore we would like to pay attention to how much sales and profits will increase compared with the initial forecasts. At the end of this term, two KENKO Mayonnaise factories will begin operations, and are expected to make a full contribution from the next term. With social advances for women, and an increasing number of single households, it can be assumed that the market for prepared foods will continue to expand. We believe that if operations at the new factories get on track early enough this term and begin producing results, prospects for the next term will become even brighter, and that there will be an even greater chance of achieving the new “KENKO Value Action” medium-term management plan.

Growth Factors	Concerns
<ul style="list-style-type: none"> • Expansion of the restaurant and prepared foods market • Meeting needs for simplification due to restaurant labor shortages • Overseas Expansion 	<ul style="list-style-type: none"> • Reduced population in Japan • Slow growth of convenience stores • Setting up the four factories • Overseas Expansion

Reference: Regarding Corporate Governance

◎ Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory board
Directors	8 directors, including 2 outside ones
Auditors	5 auditors, including 3 outside ones

◎ Corporate Governance Report (For details, visit <http://www2.tse.or.jp/disc/29150/100920180712480642.html>)

Updated on Jul. 13, 2018

Basic Policies

In order to fulfill our social responsibilities and remain a trusted company, we are committed to not only complying with laws and regulations but also strengthening and developing our management foundation. We believe that continuity forms the foundation of corporate governance. We also strive to be an open corporation by building an even more thorough system of governance, and by improving the transparency of our corporate activities with the timely and appropriate disclosure of information.

- (1) Ensure rights and equality for shareholders
- (2) Collaborate appropriately with non-shareholding stakeholders
- (3) Properly disclose information and ensure transparency
- (4) Oversee responsibilities of the Board of Directors
- (5) Create a dialogue with shareholders

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

Principle 1-4 Strategically held shares

1. Principles behind strategically held shares

With regard to the holding of shares of an operating company, it is anticipated that it will lead to business expansion and profit strengthening by further enhancing relationships with shareholding interests, and as a policy we hold shares that can collect investment funds due to its cash flow increase effect. With respect to shares of financial partners, we hold shares that we believe will facilitate the procurement of funds for the Group's growth and stabilization of the financial base.

2. Exercising policy of voting rights pertaining to strategically held shares

Our principles are to lead to business expansion and profitability enhancement by maintaining a smooth relationship with business partners and strengthening further relationships, which are the holding objective, by becoming a stable medium-term and long-term shareholder. We will review and decide on each proposal on the basis of avoiding damage to the corporate value of our company and the investee company. Also, if it is judged that the draft is significantly deviated from the current operating results and financial condition, and if it is judged to be inappropriate, we will decide to exercise the voting right as a shareholder after proceeding with the dialogue through the department in charge.

Principle 3-1 Improving the disclosure of information

- (1) We disclose our management philosophy, management strategy, and management plan on the company website.

[Http://www.kenkomayo.co.jp/company/philosophy](http://www.kenkomayo.co.jp/company/philosophy)

[Http://www.kenkomayo.co.jp/ir/policy/managementplan](http://www.kenkomayo.co.jp/ir/policy/managementplan)

- (2) The basic policies and concepts behind our corporate governance are stated in this report, section 1: "Basic policies."

- (3) Determination policy and procedures for remuneration of directors.

Remuneration of full-time directors consists of fixed compensation and performance-linked compensation is determined based on medium-to-long term performance and evaluations. Outside directors will be given fixed remuneration only. The deciding procedure is determined by the Board of Directors based on advice from unaffiliated independent outside directors.

- (4) Nomination policy and procedures for candidates for director and corporate auditor positions.

Based on our policy of comprehensively evaluating and judging the experience, knowledge, expertise, etc. for candidates who can judge as appropriate, the decision procedure is decided by the Board of Directors based on the advice of independent outside directors. As for corporate auditors, based on the advice from the outside directors, we will make decisions at Board of Directors meetings with the consent of the Board of Corporate Auditors.

- (5) Reasons for appointing individual candidates for directors and corporate auditors are as described in the appendix of this report.

Principle 5-1 Policy regarding constructive dialogue with shareholders

We emphasize constructive dialogue with shareholders. We strive to create dialogues through a variety of opportunities, particularly by senior executives. The head of the Corporate Planning Division, who is also responsible for IR, oversees departments related to IR activities, such as the Corporate Planning Office, the Finance and Accounting Headquarters, and the General and Judicial Affairs Headquarters, and works to form an integrated link between them.

At the Corporate Planning Office, we actively accept IR interviews from investors in the form of telephone interviews and small meetings, etc., and financial results briefings are conducted twice per year by the president and IR directors. The IR directors report these results to executives twice each month at progress meetings. As for dialogue with investors, we carefully manage insider information by centering the topic on our business contents and the growth strategies outlined in our medium-term management plan. The silent period takes place from the time accounts are closed to the time financial statements are announced.

Bridge Report



This report is intended solely for informational purposes, and is not intended as a solicitation to invest in the shares of this company. The information and opinions contained within this report are based on data made publicly available by the Company, and comes from sources that we judge to be reliable. However we cannot guarantee the accuracy or completeness of the data. This report is not a guarantee of the accuracy, completeness or validity of said information and or opinions, nor do we bear any responsibility for the same. All rights pertaining to this report belong to Investment Bridge Co., Ltd., which may change the contents thereof at any time without prior notice. All investment decisions are the responsibility of the individual and should be made only after proper consideration.

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