


BRIDGE REPORT



 Yasumasa Kondo, President	Sangetsu Corporation (8130)
	sangetsu

Company Information

Market	TSE Prime Market, NSE Premier Market
Industry	Wholesale (Commerce)
Executive Director and President Executive officer	Yasumasa Kondo
HQ Address	1-4-1 Habashita, Nishi-ku, Nagoya-shi, Aichi-ken
Year-end	End of March
URL	https://www.sangetsu.co.jp/english/

Stock Information

Stock Information

Share Price	Shares Outstanding		Total market cap	ROE Act.	Trading Unit
¥2,895	59,200,000 shares		¥171,384 million	11.4%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥155.00	5.4%	¥221.20	13.1x	¥1,923.28	1.5x

*The share price is the closing price on June 19. Each figure is from the financial results for the fiscal year ended March 2025.

Earnings Trend

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2022 Act.	149,481	7,959	8,203	276	4.66	70.00
March 2023 Act.	176,022	20,280	20,690	14,005	238.71	105.00
March 2024 Act.	189,859	19,103	19,695	14,291	243.44	140.00
March 2025 Act.	200,378	18,174	18,606	12,567	213.90	150.00
March 2026 Est.	210,000	19,000	19,500	13,000	221.20	155.00

*Unit: million yen, yen. Estimates are those of the company. Net income is profit attributable to owners of the parent. Hereinafter the same shall apply.

This Bridge Report presents earnings results for the fiscal year ended March 2025 of Sangetsu Corporation, the progress of the Medium-term Management Plan (2023-2025) [BX 2025], and interview with President Yasumasa Kondo.

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Key Points

- In the fiscal year ended March 2025, sales grew 5.5% year on year to 200.3 billion yen, hitting a record high. Each business segment saw sales growth. Operating income dropped 4.9% year on year to 18.1 billion yen. Gross profit rose 5.8% year on year, but operating income dropped due to the 10.9% year-on-year increase in SG&A expenses, including personnel expenses for enhancing human capital. Despite the drop in profit, price revisions contributed to business performance more than assumed and the control of SG&A expenses, etc. were effective, so financial results exceeded the forecast.
- For the fiscal year ending March 2026, sales and profit are expected to grow. Sales are projected to rise 4.8% year on year to 210 billion yen and operating income is forecast to increase 4.5% year on year to 19 billion yen. Sales are expected to grow in all of three segments. Profit is projected to decline in the domestic interior segment. The annual dividend amount is expected to be 155.00 yen/share, up 5.00 yen/share year on year. The dividend amount will be increased for the 12th consecutive fiscal year, and the expected payout ratio is 70.1%.
- Some quantitative goals in the medium-term management plan (2023-2025) [BX 2025] have been revised. It is forecast that sales will exceed the goal, but the impact of the fire accident at a supplier's factory in the domestic interior segment and the failure to achieve the initial target profits in the domestic exterior segment and the overseas segment in the medium-term management plan are forecast to decrease profits. ROE will be affected by the profit lower than the forecast and the accumulation of equity capital, which is the denominator. The target CCC has been revised, as they took into account the reform of the commercial distribution system for maintaining a sound, sustainable supply chain, while marketing measures and supply chain management (SCM) are effective. Regarding the impact of the fire accident at a supplier's factory, the factory is expected to resume supply stepwise around the second quarter (July to September), but the recovery of sale will take some time. Its effect on sales in this fiscal year is forecast to be around 5 billion yen.
- We interviewed President Kondo about the status of each segment, the progress of the medium-term management plan (2023-2025) [BX 2025] etc. He said, "Unfortunately, we have downwardly revised the target profit for fiscal year ending March 2026, which is the final fiscal year of the medium-term management plan (2023-2025) [BX 2025] but, we will concentrate on the recovery of the domestic exterior business and the overseas business, in addition to the pursuit and reform of the domestic interior business, to improve performance as much as possible. We are still in the middle of evolving into a space creation company, but in fiscal year ended March 2025, the awareness of solution marketing increased, and we received more orders for comprehensive space creation projects around Japan. In addition, we established a comprehensive space business division on April 1, 2025, so we will accelerate this business trend. We will swiftly formulate concrete growth strategies for our existing and new businesses, and give explanations on their progress, etc. to shareholders and investors. We would appreciate your continued support for our endeavor."
- The roles of supply chain management (SCM), which is one of important measures in the medium-term management plan, will become more important for enterprises that handle a wide array of products like Sangetsu. They invited personnel who possess plenty of experience and know-how of SCM as executives in charge of SCM in January 2024, and started SCM in April 2024. This is steadily producing good effects on average inventory volume and amount and the number of replenishment orders. They plan to complete the final process for optimizing all logistics centers (LCs) and realizing optimal routing by 2026, to not only brush up their competitiveness, but also help rationalize the supply chain in the entire industry.

- We would like to pay attention to the progress of growth of the business in North America, which is the mainstay in the overseas segment and the recovery in Southeast Asia, China, and Hong Kong through the reform of the management structure in the short term, and the progress of growth of the comprehensive space business and the effect of SCM on profitability in the medium term.

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 “fabless company” that plans and develops interior decorating products except for some products. Sangetsu boasts of a business model that is able to produce stable earnings and top market share in its main product realms.

As of the end of March 2025, the group is composed of ten companies including “Sangetsu Okinawa Corporation,” which sells interior merchandise in the Okinawa area, “Sangetsu Vosne Corporation,” a distributor specializing in curtains “Sungreen Co., Ltd.,” a dedicated distributor of exterior products, “GOODRICH GLOBAL LIMITED,” the company responsible for business in China and Hong Kong, “KOROSEAL INTERIOR PRODUCTS HOLDINGS, INC.,” the United States company conducting sales of wallcovering materials for non-residential applications, “Goodrich Global Holdings Pte., Ltd.,” the company selling interior merchandise in Southeast Asia, “D’Perception Pte Ltd.,” which designs spaces and offers comprehensive construction services in Southeast Asia, mainly Singapore, and “Fairtone Co., Ltd.,” which seeks to grow orders on the back of enhanced installation capabilities, Japan’s largest manufacturer of vinyl wallcovering, “CREANATE Inc.,” “Kurosukikaku Corporation” which is a leading delivery firm in the Kyushu area. In April 2025, they acquired SDS Co., Ltd., which is a logistics company that has shipped and delivered the products of Sangetsu since before, as a group company.

[1-1 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, Osaka, Fukuoka 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 a large total interior decorating product provider.

In April 2022, through the restructuring of stock markets, the company got listed on the Prime Market of Tokyo Stock Exchange and the Premier Market of Nagoya Stock Exchange.

[1-2 Corporate Philosophy]

In Sangetsu Group’s Long-term Vision [DESIGN 2030],” which was formulated in 2020, the company set its ideal state as “a Space Creation Company.” However, as mentioned in Section Medium-term Management Plan (2023-2025) [BX 2025],” the company revised the long-term vision [DESIGN 2030] while considering the results until the fiscal year ended March 2023, the future environment surrounding the company, etc., and formulated a new Medium-term Management Plan [BX 2025] for long-term growth.

Accordingly, a task force composed of mainly employees of their group companies reviewed their corporate philosophies, and in January 2024, they set up new corporate philosophies: “Purpose,” the supreme concept, “Dream,” a vision to realize based on the purpose, “Belief,” a belief as an enterprise for realizing the purpose, and “Way,” employees’ stance with the aim of creating social value as an enterprise.

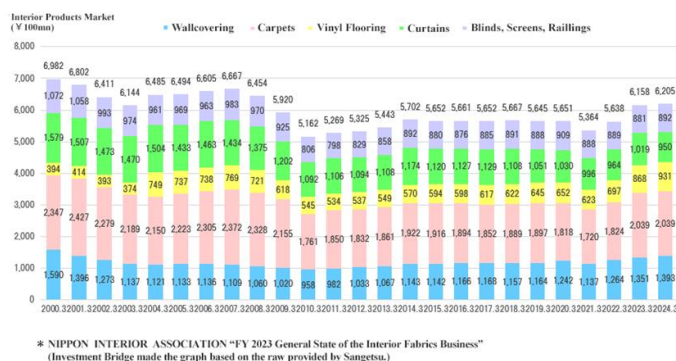
Purpose: meanings of existence	To create a space filled with peace of mind and hope, together with everyone
Dream: Vision to realize	A world where anyone can talk about tomorrow’s dream
Belief: Belief to cherish	The sincerity of each enterprise would become power to change our society.
Way: our stance	Freedom & fairness, ego & co-creation, and change & a leap forward

[1-3 Market Environment]

◎ Overview

The market environment for the main wallcoverings and flooring materials is strongly influenced by trends in the Japanese construction market. The domestic interior market is projected to decline in the long term, due to the decreases in new housing starts and area caused by the shrinkage of the population and changes in family composition.

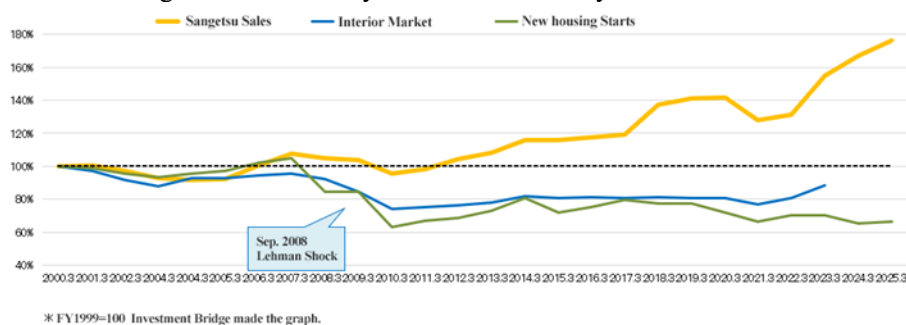
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(Source: the company)

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

The company's sales and trends in the domestic interior market have been largely linked to the number of new housing starts, but following the collapse of Lehman Brothers, while the overall market and new housing starts have remained at low levels, the company's sales have been at record highs continuously until March 2020. In the fiscal year ended March 2021, sales dropped for the first time in 11 fiscal years, due to the COVID-19, but sales grew in the fiscal year ended March 2022, and hit a record high in consecutive years until the fiscal year ended March 2025.



This is because they have developed new products, reformed logistics systems, enriched construction and manufacturing functions, and so on to brush up each function and improve their capability of proposing solutions, and then invested in the cultivation of the non-housing market other than private housing, and revised prices as a top enterprise in this industry.

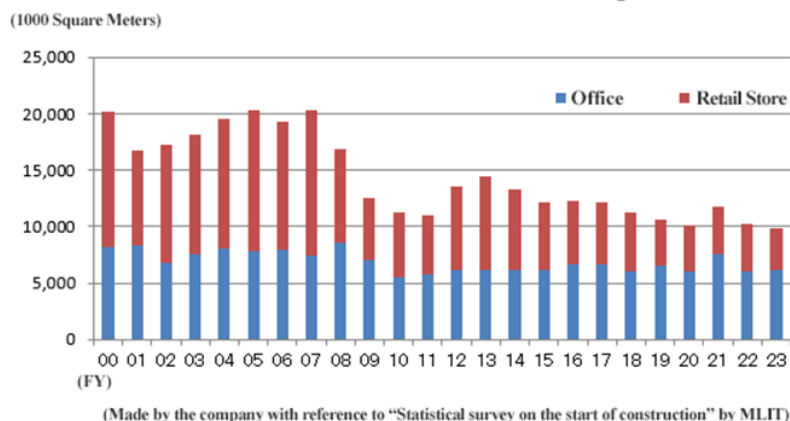


(Made by the company with reference to "2024 Construction Investment Forecast" by MLIT)

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New Constructed Office, Retail Store Floor Space Trend



According to the "2024 Construction Investment Forecast" released by MLIT, both private housing construction investment and private non-residential construction investment remain unchanged. Accordingly, it seems that they will not grow significantly.

In addition, according to the "statistical survey on the start of construction" by MLIT, the total floor area of offices and (newly built) stores also decreased after the bankruptcy of Lehman Brothers, and has been flat.

According to "Outlook for investment in construction based on a construction economy model" released by Research Institute of Construction and Economy on April 11, 2025, nominal private investment in non-housing construction increased steadily through fiscal year 2017, then dropped considerably by 22.3% in fiscal year 2020 due to the COVID-19 pandemic, but is expected to recover gradually after that. In fiscal year 2025, it is 10.98 trillion yen, much less than 11.06 trillion yen in fiscal year 2019 before the outbreak of the pandemic. The floor area of offices and stores whose construction have been started and private building repairs (renovations and repairs) are described as follows.

Floor areas of facilities to be constructed

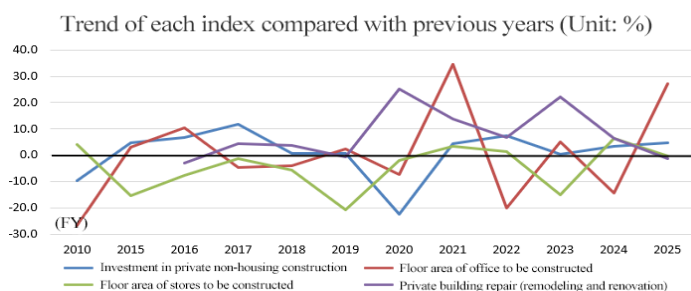
*Offices

In fiscal year 2021, floor area of new offices increased 34.6% from the previous fiscal year, showing a significant recovery from the previous fiscal year, in which their business was affected by the COVID-19 pandemic. However, in fiscal year 2022, floor area of new offices dropped considerably by 20.1% due to the recoil from that. Then, it dropped by double digits in fiscal year 2024, and is expected to rebound significantly and grow by double digits in fiscal year 2025.

They said, "In fiscal year 2024, the floor area of houses whose construction has started decreased year on year. In fiscal year 2025, it is expected to increase year on year, as the supply of new houses is projected to increase in 2028 and 2029."

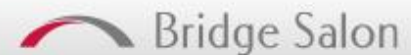
*Stores

The total floor area of stores whose construction has started decreased 20.5% in fiscal year 2019 and 2.0% in fiscal year 2020, rose 3.4% in fiscal year 2021 and 1.6% in fiscal year 2022, but declined 15.1% in fiscal year 2023. It is expected to increase 6.3% in fiscal year 2024 and decline 0.4% in fiscal year 2025. They said, "There is a sign of recovery of consumer spending, so the total floor area of stores whose construction has started is projected to rise year on year in fiscal year 2024 and be unchanged year on year in fiscal year 2025."



*Made by the company according to "Outlook for Investment Construction based on a Construction Economy Model" released by Research Institute of Construction and Economy (in April 2025).
As for investment in private non-housing construction figures, figures before 2021 are results, from 2022 and 2023 are expectation, from 2024 are forecast.
As for floor area, figures before 2023 are results, from 2024 are forecast.
Private building repairs have been posted since 2016. Figures before 2021 are results, from 2022 and 2023 are expectation, from 2024 are forecast.

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Private building repair (remodeling and renovation)

According to the “survey on the remodeling and renovation of buildings conducted by the Ministry of Land, Infrastructure, Transport and Tourism,” “the number of orders for renovation and repair decreased 0.2% year on year in the third quarter of fiscal year 2024, which indicates that the industry is healthy. In the residential field, steady investment is expected to be continued, due to the effects of the governmental campaign for saving energy at houses and the shift from rebuilding plans to large-scale remodeling or reform plans. In the non-residential field, too, steady investment is expected to be continued, due to the needs for the renovation of hotels for meeting the demand from foreign visitors to Japan, the energy saving measures at offices and production facilities, and addition of high value. Accordingly, year-on-year growth is expected in fiscal year 2024. In fiscal year 2025, year-on-year decrease is projected after the significant growth from fiscal year 2023, but significant investment will be continued.”

Like this, private investment in non-housing construction is projected to be unstable yet healthy, after the decline due to the COVID-19 pandemic. Moreover, there is steady demand for renovations in the non-residential market, so Sangetsu is trying to capture demand mainly through the corporate sales division, which was established through the organizational reform in April 2025. They are also making efforts to develop Overseas Segment, pursuing further growth by reinforcing the advantages they have over other companies.

◎ Competitors

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

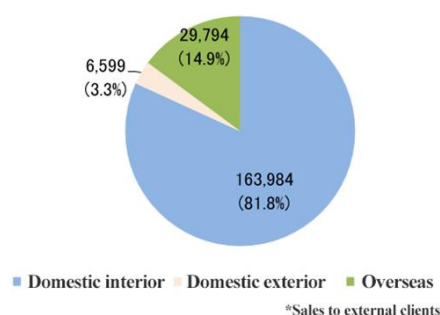
Stock Code	Company	Net Sales	YY Change of Net Sales	Operating Income	YY Change of Operating Income	Operating Income Margin	Total Market Cap	PER	PBR	ROE
3501	SUMINOE	103,700	+0.2%	2,900	-12.1%	2.8%	17,284	15.8	0.5	2.9%
4206	Aica Kogyo Co., Ltd.	265,000	+6.6%	29,000	+5.8%	10.9%	245,759	12.5	1.3	10.1%
4224	LONSEAL Corporation	21,400	-0.2%	1,150	+32.2%	5.4%	7,215	9.0	0.4	0.1%
5956	TOSO COMPANY, LIMITED	23,500	+3.1%	600	-19.7%	2.6%	5,250	11.6	0.3	3.4%
7971	TOLI Corp.	108,000	+2.2%	4,000	-8.6%	3.7%	30,305	9.5	0.6	7.5%
7989	TACHIKAWA CORPORATION	42,800	+3.4%	4,400	+0.9%	10.3%	32,764	10.9	0.6	5.7%
8130	Sangetsu Corporation	210,000	+4.8%	19,000	+4.5%	9.0%	171,384	13.1	1.5	11.4%
9827	Lilycolor Co., Ltd.	36,800	+8.9%	1,000	+348.8%	2.7%	8,015	17.3	0.9	0.7%

*Unit: million yen, times. Estimates are from those of the respective companies this term. Total market capitalization, PER and PBR are based upon the closing share price of each stock in June 19, 2025. The number of outstanding shares of each company that was used for calculation includes the number of treasury shares, and was taken from the latest brief report on financial results of each company, like EPS and BPS. ROE is based on the previous fiscal year.

[1-4 Business Description]

The main businesses include planning, development, and sales of wallcoverings, flooring materials, curtains, upholstery and other interior products. Although Sangetsu is fabless except for some products, it is not a typical trading firm as most of the products it sells are planned, designed and developed in-house. Sangetsu also provides domestic exterior products through its subsidiary. The Overseas Segment is operated by four subsidiaries located in the U.S., Singapore, and China/Hong Kong. The company is using three business segments: "Domestic Interior," "Domestic Exterior," and "Overseas" Segments.

Sales by Business Segment
(FY3/25, Unit: ¥1mn)



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① “Domestic Interior Segment”

◎ Main Products

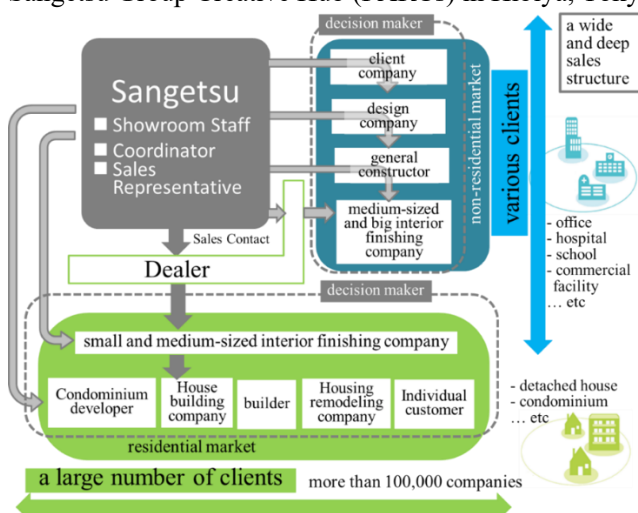
Wallcoverings	Sangetsu's main product, used in a wide range of residential and non-residential applications. High functionality products have become popular in recent years that are resistant to staining, odor absorbing, and scratch resistant. The product lineup also includes antivirus wallcovering. Also, “Accent Wall” a wallcovering with colorful designs being used to decorate one full wall or a part of a wall in homes, adds an appeal to the living space, and is increasingly adopted in general residences and rental residences.
Cushion Sheet	Vinyl
Vinyl Sheets	Sheet formed flooring materials that are commonly used in apartments and condominiums. They boast of wood grain, stone, and a wide range of other motif designs and have functionality and cushioning properties for use in a wide range of applications.
PVC Tiles	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, thanks to the excellent maintenance properties, such as the unnecessary of waxing. It also has been designed with the environment in mind and helps to reduce the environmental burden.
Carpets	Tile formed PVC flooring which has a wide range of applications, is used in commercial facilities, educational institutions, detached houses and apartments. One feature is its high design, in which the materials used as motifs such as wood and stone are expressed through high-tech printing technology and precise embossing.
Carpet Tiles	Textile flooring materials used in a wide range of applications including ryokans (i.e. Japanese inns), hotels, residential and commercial facilities. Manufactured with variety of designs and high functionality. It also proposes original designs to each property.
Curtains	Tile-like carpets used for mainly offices, hotels, commercial and educational facilities, etc. whose dominant size is 50 cm square. It excels in its feature of easy installation and superior maintenance.
	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 4,300 different wallcovering products alone. Sample books are updated approximately every 3 years (those for curtains are updated every 3-4 years), with an existing product replacement rate for wallcoverings of 30% to 40%. Disposal of outdated products leads to producing wastes, but because keeping a sample book up-to-date is necessary to enhance customer satisfaction, the company has maintained a balance between efficiency and freshness through the company's energetic engagement and long-cultivated know-how.

◎ Sales Structure

In addition to the headquarters located in Nagoya, Sangetsu maintains 9 regional offices, and about 50 sales offices throughout Japan, with 8 of these sales offices also hosting showrooms as important sales offices. In March 2024, they opened PARCs Sangetsu Group Creative Hub (PARCs) in Hibiya, Tokyo, as a new base for value creation.



(Source: the company)

The interior finishing process (figure shown above) 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. By the time the residence or building is completed, a large number of players such as the client (facility owner), design office, design office, general contractor, subcontractor, residential manufacturer, etc. are involved, and the interior is finally selected from design and function. In many cases, decision making starts upstream.

Therefore, Sangetsu conducts public relations and advertising for its products through its sample books, showrooms, and others. In addition to these “passive” sales activities, Sangetsu also conducts “proactive” sales of its products through its 700 sales staff which belongs to its corporate sales division, etc. to provide and gather information, and propose products to clients. Sangetsu's main sales efforts are conducted through agents (some sell directly), so the number of customers is not known, but the total number of customers is estimated to amount to several tens of thousands nationwide.

◎ Distribution Structure/Delivery System

With the aim of streamlining logistics, they are developing a logistics system. They have two “flagship logistics centers,” which store stocks for each region and to backup broader areas, six “regional logistics centers,” which store stocks for each region, and two “satellite centers,” which are more community-based.

Most 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 is 1% in average. 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 about 270 supplier companies.

As for delivery, the company is improving its own delivery system, to cope with the increase of logistics costs.

Following the establishment of a local delivery system in Tohoku, they are establishing local delivery systems one after another throughout Japan, while developing networks for delivering heavy objects and supplies to construction sites. In September 2022, the company acquired “Cloth Kikaku Ltd.,” which delivers products throughout Kyushu. In April 2025, they acquired SDS Co., Ltd., a logistics company that has been entrusted by Sangetsu with shipment and delivery since before, as a group company, to improve the delivery service in the Honshu (main island) and Kyushu regions.

◎ Comprehensive Space Business

In April 2025, they established the comprehensive space business division in the business department, integrating the functions for space design, management of design and construction, and marketing for comprehensive space projects. In addition, it oversees the subsidiary Fairtone Co., Ltd. Based on these capabilities of designing the entire space, managing construction, and finishing its interior, it aims to strengthen comprehensive construction skills and construction management capabilities, including corporate soft power, such as abilities to design spaces, come up with new ideas, make concepts, give proposals, and give consultation services, as well as woodworking, lighting, and electricity, to create and provide optimal spaces for clients.

② “Domestic Exterior Segment”

Sungreen Co., Ltd., which was turned into a subsidiary in 2005, sells and constructs doors, fences, terraces and other exterior products within Japan. In the new medium-term management plan, the company will concentrate on the expansion of its business area in the Tokyo Metropolitan Area and the improvement of its capability of proposing interior and exterior spaces together and so on.

③ “Domestic Exterior Segment”

This segment is centered on KOROSEAL INTERIOR PRODUCTS HOLDINGS, INC. in North American, Goodrich Global Holdings Pte., Ltd., and D'Perception Pte. Ltd. in Southeast Asia, and GOODRICH GLOBAL LIMITED in China/Hong Kong.

[1-5 Capital policy and return to shareholders]

According to the new Medium-term Management Plan [BX 2025], their capital policies are “to have a net worth of 95-105 billion yen at the end of March 2026,” “to return profit to shareholders mainly by paying dividends and aim to keep increasing the dividend amount while setting the lower limit of the annual dividend amount at 130 yen/share,” and “to consider the acquisition of treasury shares according to the market situation.”

The equity capital as of the end of March 2025 stood at 113 billion yen, exceeding the upper limit, due to the rise in accumulated other comprehensive income thanks to the unrealized gain from shares they hold through the rise in share prices. They are discussing future policies in order to realize business administration for keeping a good balance between strategic

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investment for sustainable, progressive growth and shareholder return.

[1-6 ROE Analysis]

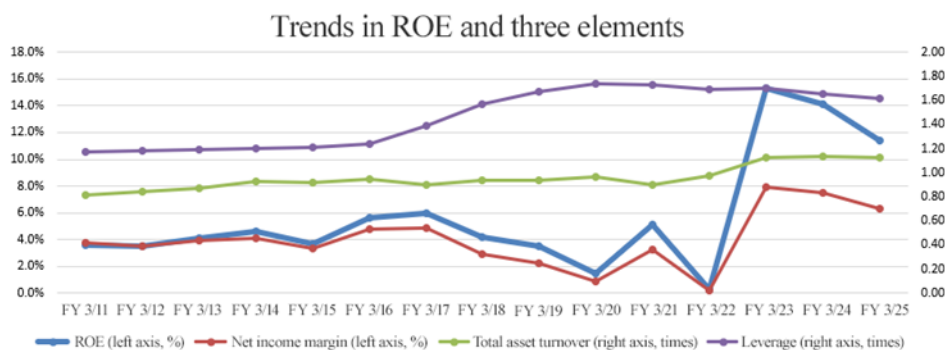
	FY 3/17	FY 3/18	FY 3/19	FY 3/20	FY 3/21	FY 3/22	FY 3/23	FY 3/24	FY 3/25
ROE (%)	6.0	4.2	3.5	1.5	5.1	0.3	15.3	14.1	11.4
Net income margin (%)	4.84	2.89	2.23	0.89	3.29	0.19	7.96	7.53	6.27
Total asset turnover [times]	0.88	0.91	0.94	0.96	0.90	1.01	1.13	1.13	1.13
Leverage [times]	1.41	1.60	1.67	1.74	1.73	1.69	1.70	1.66	1.61

*Net income margin = Net income attributable to owners of the parent ÷ Net sales

Total asset turnover = Net sales ÷ (Total assets as of the end of the previous fiscal year + Average of total assets as of the fiscal year under review)

Leverage = (Total assets as of the end of the previous fiscal year + Average of total assets as of the fiscal year under review) ÷ (Equity capital as of the end of the previous fiscal year + Average of equity capital as of the end of the fiscal year under review)

In fiscal year ended March 2025, ROE declined due to the drop in net income margin, but exceeded the minimum level (8%) required of Japanese enterprises. It also exceeds the cost of shareholders' equity recognized by the company (6-8%).

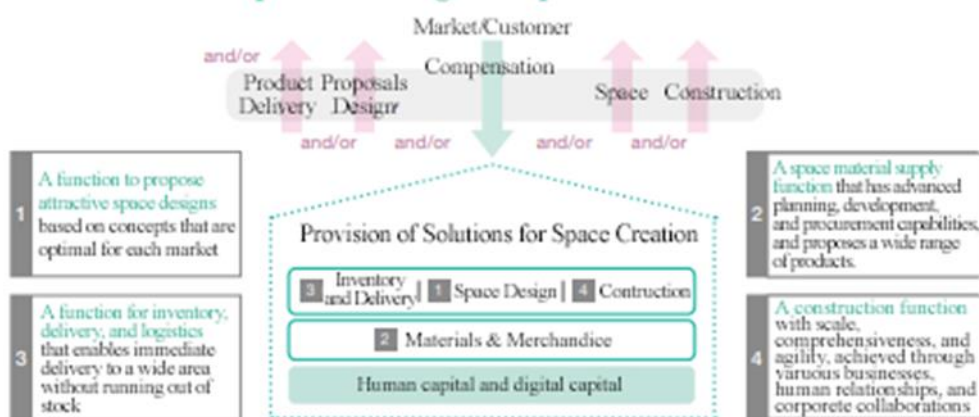


[1-7 Competitive Advantage]

A business model that integrates manufacturing and sales (function to manufacture some wallcoverings among our products), covering the entire value chain with continuous and complex functions, consisting of “the function to propose attractive space designs,” “the function to provide materials for creating spaces,” “the function to store, deliver, and distribute products,” and “the function to conduct interior finishing,” is the source of the Sangetsu Group's strong competitive advantage that cannot be imitated by other companies. Sangetsu Group's growth driver is to propose solutions to problems by integrating and combining these functions.

The outline and features of each function are as follows.

Ideal state as a space creating enterprise



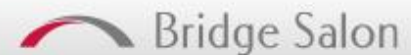
(Taken from the integrated report “SANGETSU REPORT 2024”)

(1) Function to propose spatial designs

While the economic value of experiences is getting higher through the diversification of lifestyles, the increase of flexibility of workstyles, etc., the necessity to design spaces is growing year by year.

The Sangetsu Group fuses interior and exterior designs based on the capability of proposing coordinates, which has been nurtured in the domestic interior business, and utilizes its ability to comprehensively propose spaces, including various

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products, such as furniture and lamps, which add color to scenes, in business.

In order to offer accurate and high-quality solutions to meet the needs of each customer, the company is increasing personnel for spatial design by recruiting external personnel and proactively improving the spatial design capability by developing the skills of internal personnel. The company employs designers in a broad range of fields, including housing, non-housing, new construction, renovation, interior, and exterior designs.

Proposing spatial designs is the source of added value. As people pursue comfort in their living, its importance is expected to increase, so the entire corporate group will keep improving its designing capability.

<Major resources, etc. (FY 2024)>

Space design professionals: about 86 employees
Domestic interior marketing: 40 offices
Domestic exterior marketing: 19 offices
Overseas marketing bases: 7 areas

(2) Function to provide space materials

Interior and exterior products are the final stage of the construction process, and as products that design spaces, they require high design quality and a prompt, stable supply system that prevents product shortages.

In addition to developing products that meet market-driven customer needs, the company group is also striving to improve its product design capabilities by expanding its product design staff and working with outside and overseas designers in order to supply the market with new products that are not bound by conventional ideas.

About 12,000 kinds of products are always in stock, and the company supplies about 1.5 million sample books to the market every year. In order to stably supply such diverse products, it is indispensable to maintain the relationships with about 270 companies for the interior business and about 150 companies for the exterior business. The company is developing and manufacturing a wide array of products with various business partners.

Regarding wallcoverings, which are core products, the company acquired Koroseal, a North American company, and CREANATE Inc. (former name: Wavelock Interior), which boasts the largest production number of wallcoverings in Japan, as a group company in November 2016 and March 2021, respectively, and is striving to strengthen and streamline its business based on the integrated system for manufacturing and selling products. The company implements measures for establishing a sustainable, stable supply system by cementing the alliance and cooperation with suppliers.

In addition, the company engages in design development based on the collaboration among group companies, including the product development based on the cooperation among the product development department of Sangetsu, overseas group companies and CREANATE, which manufactures products, and will continue the group-wide development and provision of products to meet the needs of the market while taking advantage of the strengths of each company.

<Major resources, etc. (FY 2024)>

Product design professionals 70 members
Suppliers
Domestic interior segment: approx. 270 companies
Domestic exterior segment: approx. 150 companies
Largest wallcovering manufacturing facility in Japan (CREANATE)
State-of-the-art wallcovering manufacturing equipment (Koroseal)

(3) Function to store, deliver, and distribute products

In the domestic interior business, the company ships 60,000 products and 40,000 samples per day. The systems for shipping and delivering products around Japan without fail contribute significantly to the flexible response to changes in deadlines for interior finishing and smooth discussions on interior designs and specifications.

As logistics bases, the company has established two flagship logistics centers (LCs), which function to back up inventory in each region by using a huge space and serve as an inventory base in each area, and 6 local LCs, which serve as an inventory base in each area, and is also proceeding with the establishment of satellite centers for developing more meticulous delivery networks. At Kansai LC, which was newly established and integrated in January 2021, the company plans to automate operations and save labor thoroughly in order to cope with the recent issues of the shortage of manpower and the aging population and develop a working environment where women, too, can work comfortably, and apply this model to other LCs around Japan.

Regarding delivery systems, the company is developing delivery systems for transporting and delivering products to each construction site and to each installation place in order to realize a last-mile service. The number of service crew members who offer various delivery-related services was 39 as of the end of fiscal year 2023, and the company plans to increase them around Japan, to maintain or improve the quality of delivery.

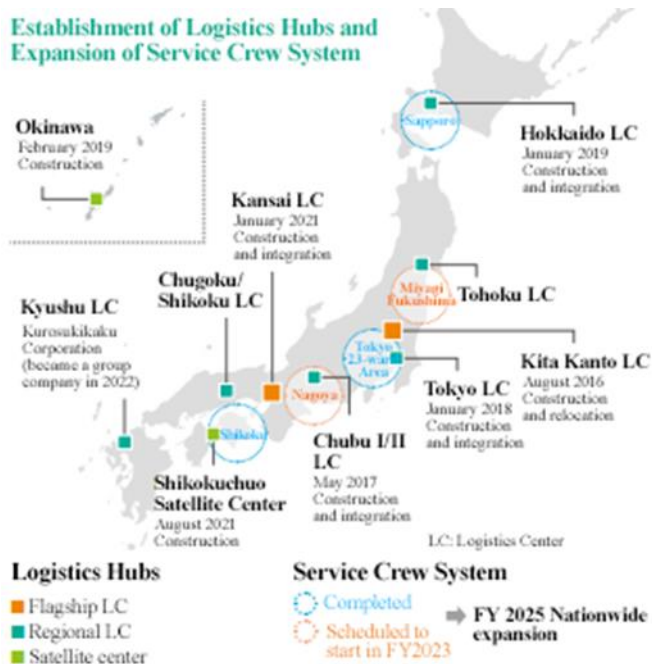
The company will enhance its logistics functions by improving its service level further and develop sustainable systems.

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<Major resources, etc. (FY 2024)>

Specialist staff and contractors responsible for warehouse operations: approx. 800 people
Flagship/regional LCs: 10 hubs, 236,000 m ²
Domestic delivery trucks: approx. 500 trucks/day
Service crew: 44 workers



(Taken from the integrated report “SANGETSU REPORT 2024” of Sangetsu)

(4) Interior finishing function

Interior finishing is an essential means for embodying a design, but the shortage of manpower in the construction industry is a serious challenge. It is conducted by a contractor, a subcontractor, or a second-tier subcontractor. The company had been conducting it as a second-tier subcontractor (assisting interior decorators). In the medium-term management plan “Next Stage Plan G” announced in 2014, the company aimed to improve its installation capability as a priority measure and has positioned it as an important function in the subsequent medium-term management plans. While utilizing the functions of Fairtone (acquired as a group company in 2017) and HEKISOU (acquired as a group company in 2021), which engage in installation work, the company is striving to maximize the installation function of the entire corporate group.

The organizational restructuring in July 2023 has improved not only the capacity of interior finishing, which has been dealt with by Sangetsu so far, but also the comprehensive interior design capacity for embodying the entire space at a position close to a business owner, establishing a system for undertaking tasks a primary contractor and a subcontractor. Fairtone established a Quality Control Section for improving the quality of wallcovering work, and improved the quality of all functions, including supervision quality, process management, and cost control. In April 2024, they established Construction Unit, which controls the group-wide system and foundation for installation works. In April 2025, they established the “comprehensive space business division” in the business department in charge of marketing, integrating the functions for space design, management of design and construction, and marketing for comprehensive space projects.

The company will continue to recruit qualified installation supervisors and expand the network of firms that possess the ability to install products nationwide, in order to enhance the interior finishing capability (number of installation engineers) and the installation management capability and the comprehensive installation capability, which are important for undertaking tasks as a primary contractor or subcontractor, and then improve the functions based on the cooperation among group companies.

<Major resources, (FY 2024)>

First and second-class architects: 30 people
Building operation and management engineers: 95 people

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2. Fiscal Year ended March 2025 Earnings Results

[2-1 Earnings Results]

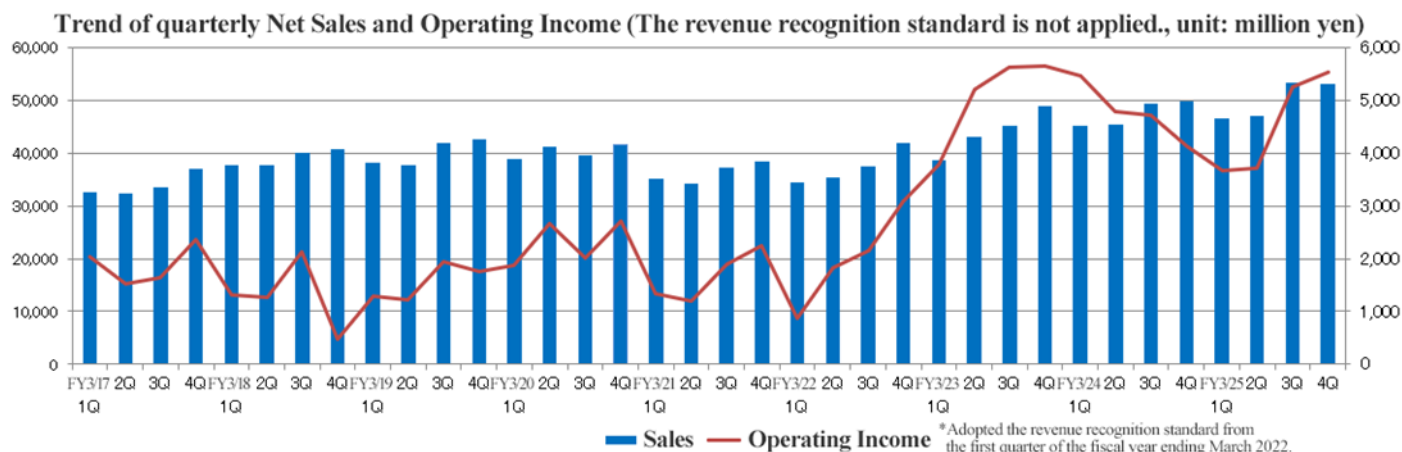
	FY 3/24	Ratio to sales	FY 3/25	Ratio to sales	YoY	Ratio to forecast
Net Sales	189,859	100.0%	200,378	100.0%	+5.5%	+2.2%
Gross profit	58,959	31.1%	62,373	31.1%	+5.8%	+3.1%
SGA	39,856	21.0%	44,198	22.1%	+10.9%	-0.7%
Operating Income	19,103	10.1%	18,174	9.1%	-4.9%	+13.6%
Ordinary Income	19,695	10.4%	18,606	9.3%	-5.5%	+12.8%
Net Income	14,291	7.5%	12,567	6.3%	-12.1%	+14.3%

*Unit: million yen. Net income is profit attributable to owners of the parent.

Operating income declined as increased sales did not absorb the increase in cost of sales and SG&A expenses. Sales reached record highs.

Sales grew 5.5% year on year to 200.3 billion yen, hitting a record high. Each business segment saw sales growth.

Operating income dropped 4.9% year on year to 18.1 billion yen. Gross profit rose 5.8% year on year. Operating income dropped due to the 10.9% year-on-year increase in SG&A expenses, including personnel expenses for enhancing human capital. Despite the drop in profit, the effects of price revisions and control of SG&A expenses, etc. were effective, so financial results exceeded the forecast.



Regarding quarterly performance, sales were large in the fourth quarter (January to March), and operating income grew quarter on quarter, and remains large.

[2-2 Business Segment Trends]

	FY 3/24	FY 3/25	YoY	Ratio to forecast
Net Sales				
Domestic Interior Segment	159,157	163,986	+3.0%	+1.7%
Wallcovering Unit	77,236	78,644	+1.8%	-
Flooring Materials Unit	56,356	57,377	+1.8%	-
Fabrics Unit	9,505	9,609	+1.1%	-
Construction and others	16,058	18,354	+14.3%	-
Domestic Exterior Segment	6,462	6,611	+2.3%	+5.0%
Overseas Segment	24,292	29,794	+22.6%	+4.5%
Adjustments	-53	-13	-	-
Total	189,859	200,378	+5.5%	+2.2%
Operating Income				
Domestic Interior Segment	19,489	18,940	-2.8%	+13.1%
Domestic Exterior Segment	-77	17	-	-
Overseas Segment	-311	-785	-	-

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Adjustments	2	2	-	-
Total	19,103	18,174	-4.9%	+13.6%

*Unit: million yen.

① Domestic Interior Segment

Sales grew, but profit declined year on year.

Amid the harsh external environment in which housing starts and floor area of new houses under construction decreased, their activities of proposing solutions that provide their products, designs, and logistics/installation functions in a combined manner according to the needs of the market, regions, and customers were effective, and products suited for meeting needs sold well. In addition, they revised prices in December 2024, while considering the augmentation of costs for procurement, distribution, labor, utilities, etc. and new prices were adopted widely and steadily. Wallcoverings, which are their core products, saw a reactionary drop in sales quantities in the fourth quarter, after the rush demand before the price hike. On the other hand, their analysis indicates that its impact on the market share is limited when compared with the shipments of wallcoverings in this industry.

In the current medium-term management plan, they position REATEC (adhesive decorative films), glass films, carpet tiles, PVC Tiles, and upholstery as strategic products (defined as medium-sized products by the company), which are expected to increase their market shares and expand the market. The sales of these products grew 8.8% year on year, showing favorable performance.

Regarding the logistics function, they enhanced “service crew” for delivering products by themselves, redeveloped a delivery system in each region, and adopted a unit load system for saving power and labor, in order to realize more effective and efficient logistics for procurement, transportation between warehouses, and distribution. In April 2025, they acquired SDS Co., Ltd., which is a logistics company that has shipped and delivered the products of Sangetsu since before, as a group company. From now on, they will make efforts to improve the logistics function by optimizing and streamlining logistics for procurement and distribution.

Regarding the comprehensive proposals for spaces, they have enhanced activities of giving proposals based on the knowledge of mid-career hires and their original know-how and business foundation, receiving more orders and creating and expanding opportunities to sell products based on the proposals.

Regarding product development, they published new sample books based on market needs, enhanced product brands in cooperation with external organizations, to add high value, and participated in exhibitions and design contests, including “Sangetsu Design Award 2024,” which was hosted by the company, to popularize their products in the market. In order to ensure the stable provision of products and services for securing safety and peace of mind, they have accelerated initiatives for strengthening the quality control system, optimizing the supply chain, etc. As a result of these initiatives, “Day and Night Science Museum,” a wallcovering developed in collaboration with National Museum of Nature and Science, received “iF Design Award 2025” at the internationally prestigious “iF Design Award.”

In the wake of the fire accident at a supplier’s factory in December 2024, they suspended the receipt of orders for some flooring materials in February 2025, and it started affecting business performance in the fourth quarter of fiscal year ended March 2025. Its impact has been taken into account in the forecast for fiscal year ending March 2026.

② Domestic Exterior Segment

Sales and profit grew year on year (moving into the black).

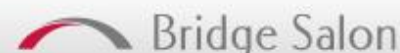
Due to the sluggish housing starts in the primary market, the entire exterior market remained severe. The sales of Sungreen Co., Ltd. increased, as the sales of two branches in the Kanto region, which were established for geographical business expansion, grew more than forecast, the price revisions of major makers were reflected in selling prices, and there was rush demand before the revisions to prices of products. In the business of proposing outdoor space design and construction, marketing activities for expanding sales channels and the construction domain expanded, leading to the increase of orders received. They are also proceeding with the initiatives for creating new added value and improving competitive advantages based on the cooperation with the comprehensive space business division of Sangetsu.

③ Overseas Segment

Sales grew mainly in North America, but operating loss increased due to the sluggish performance in Singapore and the augmentation of SG&A expenses, including personnel expenses and temporary expenses for acquiring the shares of D’Perception Pte. Ltd. in Singapore (mainly in the first quarter of the fiscal year ending March 2025).

The results of overseas affiliates in the period from January to December 2024 have been included in the results in the consolidated cumulative period of the fiscal year ended March 2025.

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<North America>

While the sales of wallcoverings manufactured in house grew in the hotel domain, which is the mainstay, and sales quantities of strategic products in other domains increased, sales increased mainly thanks to the revisions to the prices of wallcoverings manufactured in house. Although manufacturing costs for maintaining quality and personnel expenses, including performance-linked bonuses, augmented, profit rose thanks to the sales growth and the improvement in the ratio of defective products.

<Southeast Asia>

Sales in this region increased thanks to the performance of D'Perception, which was acquired as a group company in July 2024 for the purpose of inducing synergy with the distribution business they have operated since before, and whose business domain is space design and comprehensive construction, and the sales growth of the distribution business in Malaysia and Thailand. In Singapore, which is the primary market, the impact of the decrease of orders received was so significant that annual deficit augmented from the previous fiscal year, but through cost optimization, deficit shrank between the third and fourth quarters. In order to improve earnings, they refurbished the management structure in each region until April 2025.

<China and Hong Kong >

The severe situation is lingering, as consumer confidence declined due to the downturn of the real estate market and the worsening of the employment environment. Operating loss augmented in the fourth quarter due to temporary expenses for monetization, but they are striving to increase sales by refurbishing the management system and increasing customers and sales channels in Hong Kong and rationalize costs by reforming the organizational structure.

[2-3 Financial standing]**◎ Main BS**

	End of Mar.24	End of Mar.25	Increase/ Decrease		End of Mar.24	End of Mar.25	Increase/ Decrease
Current Assets	107,463	117,011	+9,548	Current Liabilities	53,273	58,276	+5,003
Cash, Equivalents	25,096	33,727	+8,631	Payables	32,762	33,612	+850
Receivables	59,247	58,878	-369	Short-Term Debt	6,233	9,607	+3,374
Marketable Securities	300	300	0	Noncurrent Liabilities	10,767	11,800	+1,033
Inventories	21,787	22,433	+646	Long-Term Debt	1,251	3,177	+1,926
Noncurrent Assets	63,287	66,848	+3,561	Total Liabilities	64,040	70,077	+6,037
Tangible Assets	39,909	41,665	+1,756	Net Assets	106,709	113,781	+7,072
Intangible Assets	3,228	4,290	+1,062	Retained earnings	70,799	74,555	+3,756
Investments, Others	20,149	20,892	+743	Treasury Stock	-791	-698	+93
Total Assets	170,750	183,859	+13,109	Total Liabilities, Net Assets	170,750	183,859	+13,109
				Capital Adequacy Ratio	62.5%	61.5%	-1.0pt

*Unit: million yen. Accounts receivable is the sum of notes and accounts receivable-trade, contract assets, and electronically recorded monetary claims. Accounts payable is the sum of notes and accounts receivable-trade, contract liabilities, and electronically recorded liabilities. Debt includes lease obligations.

Total assets increased 13.1 billion yen from the end of the previous fiscal year to 183.8 billion yen, as cash equivalents, tangible Assets, and intangible assets, etc. grew.

Total liabilities decreased 6 billion yen from the end of the previous fiscal year to 70 billion yen, as debts, etc. augmented.

Net assets grew 7 billion yen from the end of the previous fiscal year to 113.7 billion yen, due to an increase in retained earnings, etc. As a result, capital-to-asset decreased 1.0 points from the end of the previous term to 61.5%. Long- and short-term debt increased 5.3 billion yen from the end of the previous term to 12.7 billion yen.

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**[2-4 Topics]****◎ Initiatives for sustainability****① The environment**

Considering the development of environmentally friendly products as one of important challenges, they released “biocloth,” a wallcovering developed by using a plant-derived plasticizer and a fluorine-free water repellant to reduce environmental burdens while maintaining the workability of conventional vinyl coated wallpaper, and received Good Design Award in FY 2024. They have accelerated the initiatives for solving social issues, such as the inclusion of environmentally friendly products, which would contribute to decarbonization and preservation of water resources, in each sample book. These initiatives expanded in not only the interior field, but also the exterior field, and in March 2025, they announced the collaborative development of “Forest Wood,” an artificial wooden deck 100% made of recycled materials, which would contribute to the reduction of environmental burdens of the entire supply chain, based on the partnership with the Misawa Homes Group. Regarding the goal of reducing GHG emissions set in the medium-term management plan [BX 2025] the initiatives involving the entire supply chain have progressed steadily, they started generating electric power from renewable energy and consuming it by themselves and reducing wasteful energy consumption when using equipment in cooperation with CREANATE Inc., a group company manufacturing vinyl wallpaper.

② Human capital

“PARCs,” which is a new base for creating value, obtained the gold rank in “WELL Building Standard™ v2,” a global evaluation indicator for structures focused on the health and wellbeing of people. The long-term initiatives under the policy for health-oriented business administration: “to enable employees to work lively and healthily and lead a healthy life” were highly evaluated, so the company was recognized as an excellent corporation that conducts health-oriented business administration for the 6th consecutive year and for the seventh time in 2025. Regarding the initiatives for “diversity, equity & inclusion,” their initiatives under the basic policy of diversity, equity & inclusion were highly evaluated, so they received the highest grade “Gold” in “PRIDE Indicator 2024,” which evaluates the efforts for LGBTQ+, for the second consecutive year.

③ Social Contribution

They continue activities in which group companies and employees participate voluntarily, such as the support for renovation of orphanages, which started in 2014, the cooperation with NPOs that give aid to children in developing countries, the participation in collaborative projects between industry and academia, and a co-creation project aimed at solving social issues through “spaces” in cooperation with NOMURA Co., Ltd.

3. Fiscal Year ending March 2026 Earnings Forecasts**[3-1 Earnings Forecasts]**

	FY 3/25	Ratio to sales	FY 3/26 (Est.)	Ratio to sales	YoY
Net Sales	200,378	100.0%	210,000	100.0%	+4.8%
Gross profit	62,373	31.1%	65,800	31.3%	+5.5%
SGA	44,198	22.1%	46,800	22.3%	+5.9%
Operating Income	18,174	9.1%	19,000	9.0%	+4.5%
Ordinary Income	18,606	9.3%	19,500	9.3%	+4.8%
Net Income	12,567	6.3%	13,000	6.2%	+3.4%

*Unit: million yen.

The company forecasts an increase in both sales and profit.

Sales are projected to rise 4.8% year on year to 210 billion yen and operating income is forecast to increase 4.5% year on year to 19 billion yen.

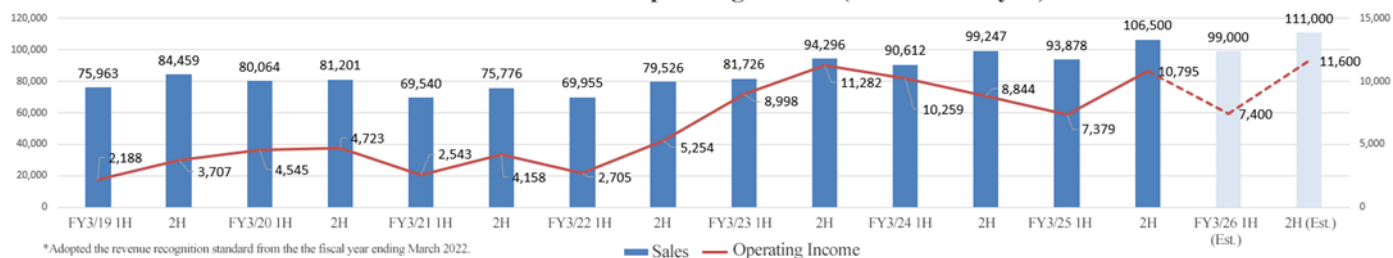
Sales are expected to grow in all of three segments. Profit is projected to decline in the domestic interior segment due to the impact of the fire accident at a supplier's factory.

The annual dividend amount is expected to be 155.00 yen/share, up 5.00 yen/share year on year. The dividend amount will be increased for the 12th consecutive fiscal year, and the expected payout ratio is 70.1%.

BRIDGE REPORT



Trends of Net Sales and Operating Income (Unit: million yen)



[3-2 Business Segment Trends]

	FY 3/25	FY 3/26 (Est.)	YoY
Net Sales			
Domestic Interior Segment	163,986	166,700	+1.7%
Domestic Exterior Segment	6,611	7,600	+14.9%
Overseas Segment	29,794	35,700	+19.8%
Adjustment	-13	-	-
Total	200,378	210,000	+4.8%
Operating Income			
Domestic Interior Segment	18,940	18,850	-0.5%
Domestic Exterior Segment	17	50	+190.6%
Overseas Segment	-785	100	-
Adjustment	2	-	-
Total	18,174	19,000	+4.5%

*Unit: million yen.

(1) Domestic Interior Segment

Sales are expected to grow, but profit is projected to drop.

It is assumed that mainly the new housing market will weaken. Although sales quantities are declining, they will strive to expand the market share of each product. The impact of continuous augmentation of SG&A expenses, mainly procurement and personnel expenses, is forecast to keep growing this fiscal year, too, but they plan to cover it with the price revision conducted in December 2024.

Due to the impact of the fire accident at a supplier's factory in December 2024, they suspended the receipt of orders for some flooring materials in February 2025, but they redeveloped a supply system by manufacturing alternate products, and plan to resume sale stepwise around the second quarter (July to September). Its effect on annual sales in this fiscal year is forecast to be around 5 billion yen.

Trends of Sales and Operating Income in the Domestic Interior Segment (Unit: million yen)



(2) Domestic Exterior Segment

Sales and profit are projected to rise.

They have refurbished the management structure, in order to strengthen the business of distributing exterior products, which is their core business. The entire corporate group will work on the strengthening of the exterior business, by developing unique exterior products and promoting sales based on the marketing network of Sangetsu.

BRIDGE REPORT

Trends of Sales and Operating Income in the Domestic Exterior Segment
(Unit: million yen)

(3) Overseas Segment

Sales are expected to grow, and profit is projected to be posted.

The business in North America, where they receive a healthy number of orders, is forecast to keep contributing to overall performance. They aim to move into the black, as D'Perception, which designs and creates spaces, will contribute to annual results, temporary expenses posted in the previous fiscal year will disappear, and the refurbished management structure in Southeast Asia and China will improve business performance.

Trends of Sales and Operating Income in the Overseas Segment
(Unit: million yen)

4. Progress of Medium-term Management Plan (2023-2025) [BX 2025]

[4-1 Revisions to Targets in the Medium-term Management Plan]

Revisions have been made to some quantitative targets in the medium-term management plan.

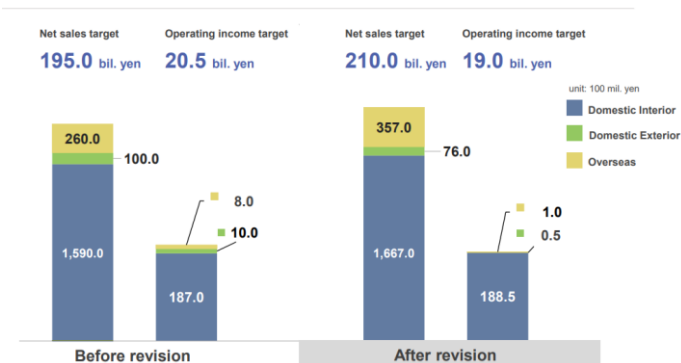
Although sales are expected to exceed the target, all kinds of profits are projected to drop due to the impact of the fire accident at a factory of a supplier in the domestic interior segment, and because initial targets in the domestic exterior segment and the overseas segment have not been achieved. ROE is affected not only by the decline in profit, but also the accumulation of equity capital, which is the denominator. While on-site marketing initiatives and SCM (supply chain management) have been effective with regard to CCC, figures have been revised, taking into account revisions to distribution channels to maintain a sound and sustainable supply chain, etc.

Regarding the impact of the fire accident at a factory of a supplier, the company plans to gradually restart sale around the second quarter (July to September) as mentioned above. However, they assume that certain time will be required for recovery, forecasting the impact on sales to be approximately 5 billion yen.

FY 2026 Financial Targets

	Before revision	After revision
Consolidated Net Sales	195.0 bil. yen	210.0 bil. Yen
Consolidated Operating Profit	20.5 bil. yen	19.0 bil. yen
Consolidated net income	14.5 bil. yen	13.0 bil. yen
ROE	14.0%	11.5%
ROIC	14.0%	14.0%
CCC	65 days	70 days

Differences From When Medium-Term Business Plan Was Formulated



(Source: the company)

[4-2 Status of Each Business]

(1) Domestic Interior Segment

The market for the sale of products that constitute the robust foundation for performance in this segment is forecast to be bearish, due to the drop in housing starts, etc. However, the company expects further growth of products such as REATEC (adhesive decorative films), glass films, carpet tiles, PVC Tiles and upholstery, which are viewed as strategical products as the market share could be boosted and the market is likely to expand.

The company surmises that the comprehensive space business, which was launched in 2019, has potential for growth in the medium/long term. However, the business model of the Domestic Interior Business, which is based on products, is completely different from the comprehensive space business. Consequently, the company perceived an urgent need to build business foundations suitable for a specialized business model, and founded comprehensive space business division, which handles the whole process, including planning, design, construction, marketing, and product management, in April 2025.

An elevation in awareness concerning solution-based marketing was seen in fiscal 2024, boosting the number of orders received for comprehensive space projects throughout Japan. This trend will be further accelerated by the establishment of the aforementioned business division.

In the past two years, the company forged ahead with recruiting specialized mid-career workers, demanding a high degree of professionalism. They intend to cultivate this business into one of future revenue pillars through such specialized personnel, Sangetsu's domestic sale network, and collaboration with the Singaporean company D'Perception, which became a group company.

(2) Domestic Exterior Segment

The company has been engaging in the Logistics Business, which is the mainstay, and the comprehensive space business, and enhancing the sales structure in the Kanto region since 2023. Amid the severe external environment, such as the sluggish growth of housing starts, upfront costs arose and quantitative targets have not been reached. Consequently, the business was in deficit in the fiscal year ended March 2024, and broke even in the fiscal year ended March 2025.

The management structure of Sungreen Co., Ltd., too, underwent a reform in April 2025. The company is working on expanding the product line-up to enhance the Logistics Business, which is the core business, and building a form of business which will make an effective use of Sungreen's strengths in the comprehensive space business.

As the cooperation with Sangetsu is indispensable for the growth of Sungreen, they will promote a new growth strategy based on joint proposals involving both companies.

(3) Overseas Segment

① North America

Performance has remarkably improved in the past two years, and the hotel market, which is the primary market, is expected to grow from 2025.

There has been a progress in improving productivity, such as defect rate, contributing to profit.

Circumstances in the U.S., such as mutual tariffs, will have a significant impact, but at this point, the company believes that the market is suitable for investments in growth.

② Asia

The company engages in two types of business – distribution business, which they have been developing in China and Hong Kong as well as Southeast Asia since 2017, and space design and comprehensive construction businesses, which they joined in Singapore in 2024.

Regarding the distribution business in China and Hong Kong as well as Southeast Asia, the company is working on management reform, aiming for the transformation into a leaner corporate structure not only in China and Hong Kong, where the business environment is severe due to recession in the real estate field, etc., but also in Southeast Asia.

Many subsidiaries in the overseas business, including those in North America, were acquired as a result of M&A. Design, materials, relevant regulations, etc. vary broadly from region to region in the interior industry. In addition, specific corporate cultures and corporate climates distinctively remain at each company, and Sangetsu recognizes the importance of respecting such kind of originality and autonomy at each of these overseas group companies in order to forge ahead with a radical reform of the management system.

As a result, they have been gradually reforming the management structure at each Asian company to rebuild foundations and achieve a shift to a structure for generating revenues from October 2024, following the example of North America, where the management led by American employees has started to effectively function.

Regarding the space design and comprehensive construction businesses, which were launched in Singapore in July 2024, progress is being made according to objectives in the original plan as they acquired D'Perception as a subsidiary. Sangetsu will focus on improving the corporate value of the company itself and inducing synergy.

[4-3 Development of Each Policy]

(1) Organizational changes

Sangetsu made significant organizational changes on April 1, 2025.

① They built a structure for a more substantial and concrete operation of the overseas, exterior and comprehensive space business, in response to the pressing need for fostering a business that will generate revenues following the domestic interior segment.

② Believing that human capital and digital capital need to become two drivers that support the growth and reform of the group to spur on the company's advancement, Sangetsu founded DX section, which will utilize digital capital to improve top-line growth and enhance competitiveness.

③ They founded Innovation Strategy Section as a new department for enhancing the capability to propose solutions and competitiveness, eyeing the possibility of cooperation with the corporate division, which is in charge of sales and marketing, and the space planning division, which is in charge of product development and promotion.

④ They appointed staff in charge of promoting consolidated management, investment in growth and elevation of profitability as a step toward resolving important issues across all companies to facilitate reform, growth and value creation. Furthermore, they established a Business Creation Promotion Section in 2024 as they thought that achieving sustainable growth in the long term with the current business model and assets only would be difficult, but now they believe that it is necessary for all companies and all departments, not only the Business Creation Promotion Section, to work on exploring and creating new businesses.

(2) Progress of five measures

The company stated five measures in the medium-term management plan (2023-2025) [BX 2025] – “1. to expand and improve human capital, and support the activities of personnel,” “2. to accumulate, analyze and utilize digital capital,” “3. to brush up the capability to provide solutions,” “4. to pursue the exterior business and the overseas business” and “5. to improve social value.”

The progress of major initiatives related to these measures is outlined below.

① Expand and improve human capital, and support the activities of personnel

The company's policy lies in strategic recruitment of mid-career hires in order to reinforce functions and roles which are missing or insufficient when it comes to accomplishing reform, growth and value creation.

The engagement score shows signs of improvement, and the company will keep building corporate climate and a workplace environment that allows all employees to engage in reform and challenges with courage, placing importance on openness and transparency.

② Accumulate, analyze and utilize digital capital

The company has been working on the enhancement of SCM (supply chain management) since 2024. As distribution encompassing a wide variety of items is the original and main business of the company, they emphasize the importance of SCM, which enhances competitiveness by unifying all functions, instead of viewing logistics, procurement and system as separate elements. A supply chain works only when all relevant functions come together, and it is necessary to actualize not only strengths of separate functions, but also the strength of the chain itself.

They have been making improvements under a supervising executive since April 2024 with the objectives of “inventory optimization,” “enhancing procurement planning and streamlining suppliers' processes through collaboration,” “increasing profit through cost reduction” and “increasing orders and sales by improving the delivery service level.” By upgrading and expanding logic and automatic replenishment flow, they have improved average inventory volume, average inventory amount and the number of instructions for replenishment by around 5% respectively, showing good results steadily. The effects of the inventory optimization and streamlining of business operations have been recognized at all LCs (logistics centers).

The process is divided into steps ranging from Step 1 to Step 4. Step 1, aiming for the calculation of optimal inventory (demand forecast), standardization of the replenishment process, and a stable inventory control for each LC has been completed. The company is currently forging ahead with Step 2, which aims for the optimization of Sangetsu's overall inventory and streamlining of suppliers' processes. They plan to start working on Step 3, striving to improve productivity of the work at logistics centers and optimize placement within centers, in the second quarter of the fiscal year ending March 2026 (July to September).

By 2026, they will complete the final Step 4, aiming for the optimization of all LCs and optimal routing, achieving optimization that takes into account the overall supply chain in the industry, including external suppliers and purchasers.

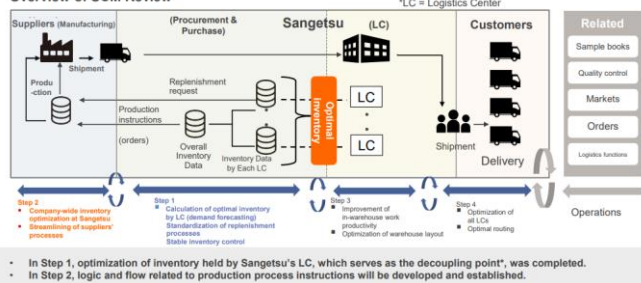
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■ Efforts to Strengthen Supply Chain Management

- Purposes**
- Optimization of inventory
 - Enhance procurement planning and streamline suppliers' processes through collaboration
 - Profit increase through cost reduction
 - Increase orders and sales by improving the delivery service level

Overview of SCM Review



Assumed Schedule

Completion is expected in 2026. Step 1 is complete. Step 2 involves establishing logic and flows for production process instructions and promoting company-wide inventory optimization.

	2024			2025			2026
Scope	4	7	10	1	4	7	10
	Step 1 (complete)			Step 2			Step 3

Current Progress & Results Impact of Step 1 Improvements

Compared to previous levels		Enhanced and expanded logic and automatic replenishment flows improved and optimized average inventory volume/value and the number of replenishment instructions. Inventory optimization and operational efficiency improvements confirmed across all LCs.
Average Inventory Volume (M/day)	-5.3%	
Average Inventory Value (yen/day)	-4.2%	
Number of Replenishment Orders (times/day)	-6.6%	

Scope: Products listed in sample books (wallcoverings, flooring materials, fabrics)
 *Discontinued items and custom orders excluded

(Source: the company)

③ Brush up the solution-providing capability

As a step toward enhancing the logistics function, which is one of the company's powerful competitive advantages, Sangetsu acquired SDS Co., Ltd. as a wholly-owned subsidiary in April 2025.

(Outline of SDS Co., Ltd.)

Founded in November 2024. This company has been operating logistics business in a broad area from Tohoku to Kyushu. Established as a spin-off from panasia Co., Ltd., which has handled shipment and delivery at Sangetsu's logistics centers.

(Objective and background of acquiring the company as a wholly-owned subsidiary)

Sangetsu believes that geographical and functional expansion and reinforcement of their logistics system will significantly contribute to the sustainability of their business. The acquisition of SDS, a highly important partner company, will enable them to have the in-house logistics function over a broad area within Sangetsu Group, and deal with labor shortage and reorganization in the logistics industry. Moreover, they believe that they will be able to build and upgrade an even smoother and more precise delivery system for each region, and more effective and efficient logistics system including procurement, while reinforcing sustainable logistics function, including the reduction of environmental burdens.

They will steadily forge ahead with PMI, elevate the productivity and profitability of the company itself, and aim to create synergy with Kurosukikaku Corporation, the other Sangetsu Group logistics company, in the near future.

[4-4 Capital Policy]

Cash allocation remains unchanged. In the fiscal year ended March 2025, the ability to generate cash flow from operating activities improved owing to initiatives in the domestic interior segment and the reinforcement of SCM. As the same level is projected for the fiscal year ending March 2026 for most part, the company assumes that the total cash flow from operating activities will reach the initial forecast.

Cash outflow is also expected to reach the level set out in the plan for most part, as the investments in the new Higashi-Hiroshima plant of Creanite, a group company manufacturing wallcovering, acquisition of shares of the logistics company SDS, and growth investments such as investment in facilities and M&A are projected to fall within the range between 6 billion yen and 13 billion yen.

Equity capital increased by almost 7 billion yen more than expected. In addition to shareholders' equity, this increase was caused by unrealized gain on held shares, which arose due to higher stock prices that had not been expected at the time of formulating the medium-term management plan, and total adjustments related to retirement benefits brought about by a rise in interest rates. These factors led to an accumulation of other comprehensive income.

5. Interview with President Kondo

We asked President Kondo about the status of each segment, the progress of the medium-term management plan (2023-2025) [BX 2025], etc.

Q: Based on the financial results for the fiscal year ended March 2025, please explain the status of each segment.

◎ Domestic Interior Segment

Although the business environment continues to be challenging, our comprehensive capabilities combining products, design, logistics, installation, and other functions, which are our competitive advantages, have been highly valued, and we have been able to steadily increase net sales. Among these, the increase rate in revenue of medium-sized products, which are positioned

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as strategic products, was 8.8%, exceeding the increase rates in revenues of consolidated and domestic interior products. Our representative product, Reatec, is an adhesive decorative PVC film. Although its material is not novel, we have planned and designed the product and worked with manufacturers to enhance its functionality, and sales are steadily expanding. We aim to expand sales not only in Japan, but also globally. Going forward, we will continue to proactively develop and propose new products that accurately meet market needs and address social challenges.

◎ Domestic Exterior Segment

Due to upfront investments, such as hiring human resources for the development of the comprehensive space business and opening a new business base in the Kanto region, we recorded a loss in the fiscal year ending March 2024 and nearly reached a breakeven point in the fiscal year ending March 2025.

Going forward, in addition to deepening our core distribution business and developing new products such as our own brand products, collaboration with Sangetsu will be key in our newly launched comprehensive space business. We are reforming our management team and are planning a turnaround in performance.

◎ Overseas

In North America, performance has been strong not only in the core hotel domain, but also in other domains. Under the leadership of our CEO, appointed three years ago, solid and appropriate management has been implemented, and we are accelerating our growth strategy as we make progress in improving production and sales.

Meanwhile, in Southeast Asia, despite strong performance in Malaysia, Thailand, and Vietnam, sales in our core market, Singapore, declined, and the loss increased. In the interior industry, it is necessary to develop our business model while respecting the business practices and needs of each region; however, we determined that we had been lacking such a perspective until now, and in April 2025, we reorganized our management structure by appointing a Singaporean national as president. Moving forward, we will work to rebuild our business foundation and strengthen our profitability.

The market environment in China and Hong Kong continues to be challenging. As in Southeast Asia, we will review our organizational structure and streamline our operations to achieve an early recovery.

Q: Next, I would like to ask about the progress of the Medium-Term Management Plan (2023-2025) [BX 2025]. The figures in the plan have been revised.

For the fiscal year ending March 2026, we have revised our previous targets of 195 billion yen in net sales and 20.5 billion yen in operating income to 210 billion yen in net sales and 19 billion yen in operating income.

Although net sales were revised upward, operating income was revised downward, mainly because domestic exterior and overseas sales fell below the assumptions made when the medium-term plan was formulated. In the domestic interior business, we expect the effect of price revision to permeate, but due to the impact of a fire accident at a supplier, we expect profit to remain at the same level as in the fiscal year ended March 2025.

In order to exceed the target, we believe that, in addition to further expanding sales of medium-sized products in the domestic interior segment, the key will be how much we can raise the level of sales in domestic exterior and overseas segments.

Q: Regarding the comprehensive space business, the comprehensive space business division was established. Please tell us about its objective.

In our long-term vision [DESIGN 2030], we set a goal to “become a space creation company” and launched the space creation division in 2019, however, the division did not deliver the expected results. Therefore, we decided to dissolve this division in 2023 and integrate it into the domestic interior segment by incorporating it into each sales organization for interior products. However, through a detailed review of the business structure and discussions with internal and external stakeholders, we reached the conclusion that the marketing and sales operations of interior products and the comprehensive space business have completely different business models, including related laws and regulations. As a result, we determined that the two businesses should be separated and established the comprehensive space business division on April 1. We plan to steadily build business expertise and risk management capabilities to strengthen profitability.

Q: It seems that there has been clear progress in SCM (Supply Chain Management) and logistics, so could you please describe this as well?

Supply chain management is an important function for every industry and every company, but particularly for businesses that handle a wide variety of products like our company, its role is even more significant.

Supply chain management links various functions such as information systems, procurement, order management, inventory, logistics, and payment collection into a chain and aims to optimize these functions through integrated management. Although we have enhanced individual functions to date, the strength as a chain has not been sufficient.

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In order to accelerate our company's future transformation and growth, we determined that strengthening supply chain management is essential. In January 2024, we appointed an expert as a director in charge, and in April 2024, we began working on concrete measures.

Currently, the average inventory volume, average inventory amount, and the number of replenishment orders at our logistics centers (LCs) around Japan have each improved by approximately 5%, and we are beginning to see steady results.

Going forward, by 2026, we intend to complete the final phase of optimizing all LCs and implement optimal routing, which will not only strengthen our company's competitiveness, but also contribute to the optimization of the supply chain across the industry, including external stakeholders such as suppliers and retailers.

In April 2025, we acquired SDS Co., Ltd. as a wholly owned subsidiary to strengthen logistics functions.

The company operates logistics businesses in a wide range of areas from Tohoku to Kyushu and was established through a partial transfer of business from Panasia Logi Co., Ltd., which had been in charge of shipping and delivery for the company's logistic centers.

By making SDS, a company that already plays an important role in our logistics function, into a subsidiary and conducting its operations in house, we believe that we will be able to secure human resources and build and enhance an effective and efficient logistics system.

Q: Thank you very much. Now, please conclude with a message to shareholders and investors.

After assuming the position of president in April 2024, I have been promoting fact-finding, such as understanding the on-site situation, identifying issues, and responding to changes in the business environment, and from April 2025, we have been accelerating concrete measures for transformation and growth, including organizational restructuring. Unfortunately, we have decided to revise down our profit target for the fiscal year ending March 2026, the final year of our medium-term management plan [BX 2025]; however, we will strive to increase it as much as possible by focusing on deepening and transforming our domestic interior business and reorganizing our domestic exterior and overseas businesses.

The “Space Creation Company” set forth in our long-term vision [DESIGN 2030] is to steadily implement the pursuit and transformation of our four core businesses (domestic interior, overseas, domestic exterior, and comprehensive space) and to seek and create new businesses, we will continue to provide timely and transparent explanations on the progress of these efforts and others to shareholders and investors.

We would appreciate your continued support in our endeavors.

6. Conclusions

The roles of SCM, which is one of important measures in the medium-term management plan, will become more important for enterprises that handle a wide array of products like Sangetsu. They invited personnel who possess plenty of experience and know-how of SCM as executives in charge of SCM in January 2024, and started SCM construction in April 2024. This is steadily producing good effects on average inventory volume and amount and the number of replenishment orders. They plan to complete the final process for optimizing all logistics centers (LCs) and realizing optimal routing by 2026, to not only brush up their competitiveness, but also help rationalize the supply chain in the entire industry.

We would like to pay attention to the progress of growth of the business in North America, which is the mainstay in the overseas business and the recovery in Southeast Asia, China, and Hong Kong through the reform of the management structure in the short term, and the progress of growth of the comprehensive space business and the effect of SCM on profitability in the medium term.

<Reference1: Medium-term Management Plan (2023-2025) [BX 2025]>

On May 12, 2023, the Sangetsu Group reviewed its long-term vision [DESIGN 2030] for the year 2030, which was announced in May 2020, and formulated a three-year Medium-term Management Plan (2023-2025) [BX 2025] which will end in fiscal year 2025.

[Background to the Revision of the Long-Term Vision and the Formulation of the New Medium-term Management Plan]

In May 2020, Sangetsu Group announced its long-term vision [DESIGN 2030] as well as its Medium-term Management Plan (fiscal year 2020 - fiscal year 2022) [D.C. 2022] and has steadily implemented separate measures based on four basic policies. As a result, the company has been able to significantly exceed the profitability targets for sales and profits set in the long-term vision [DESIGN 2030]. During these three years, the market declined significantly due to the COVID-19 pandemic, and Koroseal in the United States recorded a large impairment loss, which also affected the company. However, the company perceives that its business foundation and profitability have greatly expanded and strengthened.

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On the other hand, the global economy has recovered from the impact of the COVID-19 pandemic, but it is still facing increasing unpredictability and uncertainty due to widening inequalities, growing geopolitical instability, the growing urgency to address global warming, and financial instability.

In light of these circumstances, the corporate group has once again reviewed its long-term vision [DESIGN 2030] and formulated a new Medium-term Management Plan [BX 2025] to achieve long-term growth.

In January 2024, a task force composed of mainly group employees reviewed the corporate philosophy.

[Review of the previous Medium-term Management Plan (2020-2022)] [D.C. 2022]

(1) Results: Implemented measures and outcomes

1. To expand earnings through qualitative growth of core business	<ul style="list-style-type: none"> • Strengthened the product portfolio by launching products with low environmental burdens, increasing low-priced products, etc. • Established a strategic procurement system, through the acquisition of CREANATE Inc. and decisions on new factory construction • Enhanced a community-based sales structure and improved the customer acquisition ability through development of a nationwide customer follow-up system • Established a flagship logistics center, which is a large-scale inventory hub, operated regional satellite logistics centers, and developed a nationwide distribution network • Expanded the sale of curtains to customers
2. To secure profitability in next-generation business based on resources of core business	<ul style="list-style-type: none"> • Strengthening of spatial design and construction management capabilities in both interior and exterior fields • Improvement in the renovation capability through the acquisition of HEKISOU Co., Ltd., a leading construction company in the Tohoku region • Reorganization of the business structure in Southeast Asia, China, and Hong Kong
3. To strengthen management and business foundations	<ul style="list-style-type: none"> • Adoption of a job-based personnel system, a salary system for managerial positions
4. To improve revenues through three price revisions	-

(2) Results: Quantitative Results

(1) Financial Indicators

	FY 3/23	Reference: Record high	[D.C. 2022]Target	[DESIGN 2030]Target
Net Sales	1,760.2	1,612 (FY 2019)	1,620	2,250*
EBITDA	246.8	140 (FY 1996)	-	-
Operating Income	202.8	125 (FY 1996)	120	185
Net Income	140.0	65 (FY 2016)	85	-

*Unit: hundred million yen

*The sales target before the revision of [DESIGN 2030] was set without the application of accounting standards for revenue recognition.

Under the new structure launched in fiscal year 2014, the investments made under the two Medium-term Management Plans "Next stage Plan G" and "PLG 2019" created positive results in [D.C. 2022], and the company achieved improved profitability based on the strengthening of its business foundation and service functions.

Operating income exceeded the long-term target of [DESIGN 2030] of 18.5 billion yen.

	FY 3/23	[D.C. 2022]Target
ROIC	16.5%	9.0%
ROE	15.3%	9.0%
CCC	77.1 days	65 days

All targets were achieved except for CCC, which fell short of its target due to the lengthening of the accounts payable turnover

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period and inventory turnover period.

② Non-financial Indicators

Targets for the global environment, human capital, and social capital were achieved as follows.

GHG emission reduction targets in Scopes 1 and 2 were achieved.

(1) Global environment

- Scopes 1 & 2 GHG emissions reduction Target 30% → 30.1% **Achieved**
- Reduction of energy consumption Target 4% → 3.5% **Not achieved**
- Reduction of total waste disposal Target 4% → 9.55% increase **Not achieved**
- Recycling rate Target: 83% → 86.4% **Achieved**
- Establishment of a new sample book recycling center
- Recycling results in FY 2022: 77,262 books

(2) Human capital

- Employment of people with disabilities Target 4% → 3.91% **Not achieved**
- Non-smoking rate Target: 82% → 81.1% **Not achieved**
- Ratio of female managers Target: 20% → 20.1% **Achieved** (*Assumed figure after the transfer on July 1, 2023)

(3) Social capital

- Renovation of orphanages Target: 30 projects/year → 55 projects/year **Achieved**
- Matching gift Target: 13,000 S-miles → 15,129 S-miles **Achieved**

(Source: the company)

③ Capital Policy and Shareholder Returns

*Shareholders' equity

The goal was to maintain shareholders' equity in the range of 90-95 billion yen, while it was 93.24 billion yen as of the end of March 2020, but it slightly went beyond the range, standing at 95.74 billion yen at the end of March 2023.

*Fund Allocation

The company planned to allocate "20-26 billion yen" for growth investment, but the actual amount was 15.86 billion yen, falling short of the target by 5-10 billion yen.

*Shareholder Returns

Total shareholder return over the three-year period was 16.92 billion yen. Total return ratio was 88.8% compared to the policy of approximately 100%.

(3) Recognition of Issues

After completing the previous Medium-term Management Plan [D.C. 2022], the following issues have been recognized.

◎ Direct external environment

- * Stagnation of sales volume of existing mainstay products, such as wallpaper, which has a high market share in the Japanese market
- * Aging of renovation workers and the manifestation of insufficient renovation capabilities
- * Problems with logistics in small-lot and heavy-lift deliveries in 2024
- * Continuous increases in raw material, distribution, and labor costs
- * Demand for recycled and other products with low environmental burdens in the general-purpose price range

◎ Internal issues

- * Limited products they deal in
- * Brand development capability to support unique product design capabilities
- * Establishment of a system to integrate management of products, logistics, construction, sales, and administration
- * Specialized capabilities in spatial design, renovation management, estimation, procurement, and proposal
- * Exterior business limited by geography and scale
- * Overseas operating companies' ability to propose space designs, supply products in a short period of time, support renovation, and design products
- * Increase in SG&A expenses due to implementation of business transformation
- * Employees' mindset change, employee engagement, compliance, and increase of non-regular employees
- * Low investment in human capital, including education and training.

[Review of Long-Term Vision [DESIGN 2030]]

The long-term vision [DESIGN 2030] sets the goal of "Sangetsu Group becoming a Space Creation Company," and clearly states the approach to be taken to transform the company into a Space Creation Company.

While there is no change in the basic concept or strategy that forms the basis of the plan, the wording of the approach to achieving the long-term vision has been partially changed in light of the progress made in terms of measures and earnings during the period of the previous Medium-term Management Plan, to clarify the image of a Space Creation Company, and to examine the business beyond that point. Also, the earnings target of the long-term vision [DESIGN 2030] was achieved in the fiscal year 2022 financial results, a new quantitative target was set.

(1) Changes in “Approach toward Becoming a Space Creation Company”

The wording of the “Approach toward Becoming a Space Creation Company” announced in May 2020 shall be changed as follows:

	Old	New
Management and Business Foundations	Diverse professionals	Diverse human capital
	Linkage and utilization of business-related data	Cooperation and utilization of digital capital
Main Function	Complete shift to service-oriented sales business Business in which services generate added value	Providing solutions Business that organically integrates functions of space design, products, delivery, logistics, and construction to provide solutions



(Source: the company)

(2) Clarification of the desired image of a Space Creation Company

The company will clarify the image of the Space Creation Company that the company aims to become in the long-term vision [DESIGN 2030] as follows:

“An enterprise that provides high value globally in space creation based on its capability of offering solutions by organically integrating four functions with their designing skills and creativity based on human capital and digital capital”

<Four Functions>

- * A function to propose attractive space designs based on concepts that are optimal for each market
- * A space material supply function with advanced planning, development, and procurement capabilities, to propose a wide range of products
- * A function for inventory, delivery, and logistics, which enables fast delivery to a wide area without stockout.
- * A renovation function with scale, comprehensiveness, and agility, achieved through various businesses, human relationships, and corporate collaboration

(3) Strategy for further growth: Strengthening solution providing capability

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In addition to strengthening the platform as a Space Creation Company, the Sangetsu Group will develop a growth strategy in further products, fields, and regions.

The company will focus on enhancing solution offering capability for spatial design, material supply, logistics, delivery, and construction.

Specifically, the company will work on "maintaining and improving the revenues from major products and businesses," "strengthening medium-sized products," "developing new markets with new products," "strengthening the exterior field," and "expanding overseas business" from [BX 2025] with a view to [DESIGN 2030].

(4) Expansion into Space Operation Business as the next step beyond a Space Creation Company

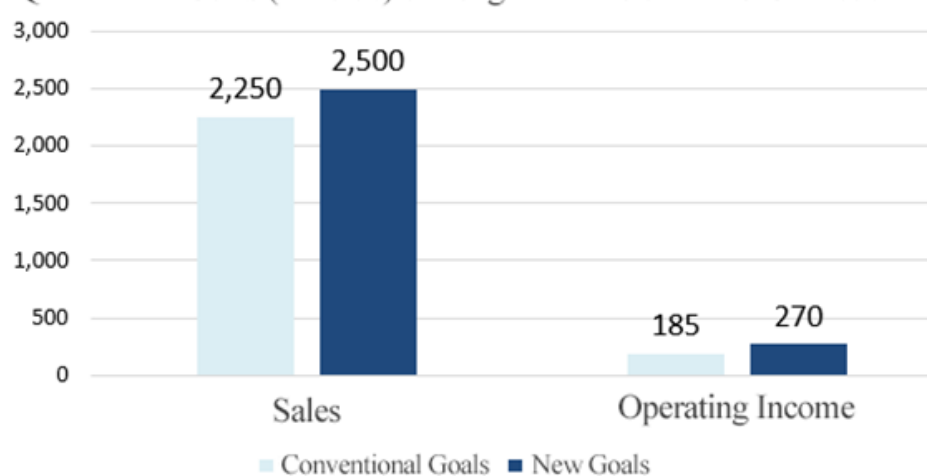
While the company has confirmed the expansion of its revenue base and the stability of its earnings by converting into a Space Creation Company, it has also recognized the need to further develop its business beyond being a Space Creation Company in order to achieve even greater growth.

As a Space Creation Company, the company designs, proposes, and provides spaces that bring joy and comfort to people, and they need to think about and envision how people spend their time in these spaces. In other words, space creation means thinking about what kind of space to provide and how people will use the space, and the company believes that this is connected to considering how the operation of the space will be carried out.

In this sense, the company believes that beyond the space creation business, there is the possibility of a Space Operation Business, and it intends to study the possibility of developing into a Space Operation Business that combines the "space axis" with the "time axis."

(5) New Quantitative Goals

Quantitative Goals (FY 3/30) of Long-Term Vision "DESIGN 2030"



(Source: the company)

The Sangetsu Group will promote [BX 2025] from this fiscal year to achieve the goal in the fiscal year ending in March 2030, and aim to expand into the Space Operation Business from a long-term perspective.

[Outline of Medium-term Management Plan [BX 2025]]

(1) Basic policy

[BX 2025] is positioned as a three-year period to prepare for the next leap forward, based on the aforementioned "recognition of issues" and to "improve the solution providing capability as a strategy for further growth."

<Basic Policy>

To transform into a Space Creation Company with strong profitability and growth potential by strengthening and expanding solution offering capability that enhance the value of space creation.

In addition to business expansion in major products and markets, the company will expand its product lineup, exterior business, and overseas business.

In order to operate businesses that will enable further long-term growth, the company will examine the possibility of a Space

Operation Business.

<New Organizational Structure>

In order to thoroughly implement this basic policy and strengthen and expand the company's solution offering capability, the company has changed its business divisions from a product-based structure to a business unit structure divided by region.

(2) Measures

The company has identified the following five areas: (1) supporting expansion, advancement, and active utilization of human capital; (2) accumulation, analysis, and utilization of digital capital; (3) strengthening the ability to provide solutions; (4) exterior and overseas businesses; and (5) enhancing social value.

① Supporting expansion, advancement, and active utilization of human capital

The company considers the strengthening of human capital to be the most important challenge, and is taking the following specific initiatives:

- * Assignment of HR personnel for each organization
- * Significant increase of diverse career hires and expansion of new graduate hiring
- * Expansion of education and training for strengthening expertise and business development capability
- * Improvement of remuneration and the working environment
- * Improvement of the ratio of non-regular employees and promotion of diversity

- To provide detailed support to each employee, the company has assigned HR personnel in charge of each organizational unit, rather than having a centralized HR department.

- The Sangetsu Corporation plans to hire 60-80 new employees over the next three years in areas such as space design, renovation engineering, information systems, logistics, and corporate departments. The number of hired employees were 49 in fiscal year 2023 and 39 in fiscal year 2024.

- The Sangetsu Corporation's average annual income in fiscal year 2024 was 7,895,000 yen, indicating an upward trend.

- According to the results of the regular questionnaire survey targeted at employees, the number of employees who feel that their jobs are worthwhile had been decreasing since fiscal year 2019, but it started improving in fiscal year 2023, thanks to various measures for improvement. In addition, the number of employees who sense the corporate culture that puts importance on endeavors is increasing.

Regarding job satisfaction in the past, the company believes that the shift from individual-based evaluation and compensation to team-based evaluation and compensation for sales employees, who make up the majority of the workforce, has contributed to the decline. However, the company notes that perceptions are changing due to the improvements in treatment mentioned above.

② Accumulation, analysis, and utilization of digital capital

Specific measures are as follows:

- * Renovation of core systems for business model transformation
- * Promotion of information and data utilization for value chain transformation, including space design proposals
- * Improvement in efficiency and reliability of marketing and logistics through the utilization of sales and logistics data in collaboration with distributors
- * Improvement in business operations and digitalization of on-site operations

The most critical challenge is "Improvement in efficiency and reliability of marketing and logistics through the utilization of sales and logistics data in collaboration with distributors."

Currently, information and data are fragmented within the company's long value chain, and there is no integration between order data and logistics data. Therefore, it is difficult to track the locations of shipped goods.

To address this challenge, the company plans to link the data to improve transaction reliability and logistics efficiency. Additionally, the company plans to provide added value to consumers by supporting digital product selection.

③ Strengthening the ability to provide solutions

Specific measures are as follows:

- * Strengthening of space design and space proposal offering capability specialized for each market
- * To expand and upgrade the product lineup and strengthen brand development
- * Improvement and reinforcement of the product procurement system
- * To expand and strengthen the logistics system geographically and functionally
- * To establish large-scale swift interior decoration capability and construction management systems

- Sangetsu Corporation expects to increase the number of employees specializing in space design and planning, from 37 in fiscal year 2019 to 86 in fiscal year 2023 to 120 in fiscal year 2025. The company aims to increase the number of engineers in charge of estimation, procurement, and construction management from 0 in fiscal year 2019 to 5 in fiscal year 2023 to 25 in fiscal year 2025.

- The company is expanding its product lineup to include new items such as ceramics and exterior goods. The company is also working to strengthen its product design and brand development capabilities by introducing a new collection, "MORRIS CHRONICLES," which blends the William Morris design archives with modern lifestyles.

- The company tries to differentiate not only by product but also by strengthening functions and is expanding and strengthening its logistics capabilities, by expanding its same-day delivery network to distant areas, delivering heavy items, and providing a service function that can lift and distribute goods between floors.

The company is also expanding the number of staff members in charge of product delivery. In fiscal year 2023, the service is provided in Sapporo, Tohoku, the 23 cities of Tokyo, Chubu, Chugoku-Shikoku, and Kyushu, but the company plans to expand nationwide in fiscal year 2025.

- In addition, the company plans to increase the number of construction management engineers (13 first-class construction management engineers and 79 second-class construction management engineers in fiscal year 2022) and construction engineers (1,250 construction engineers in fiscal year 2022) in order to strengthen its interior finishing capability and construction management systems, and to strengthen cooperation between Sangetsu and Fairtone.

④ Exterior and Overseas Businesses

Specific measures are as follows:

- * To expand and upgrade the exterior business geographically and in scale.
- * To strengthen product and space design capabilities, the company will establish a quick-delivery supply system, strengthen renovation support capabilities, and build a sales system tailored to the market in order to shift to a space creation business in overseas operations.

- The exterior business has approx. 30.0% share of the market in the Chubu region, but its share in the Kanto region and nationwide is low at about 2.0% and 5.0%, respectively. Therefore, the company will strengthen cooperation between the interior and exterior businesses. The company will use its interior design business base to boost sales activities in the exterior business, strengthen its ability to make proposals through collaboration between interior and exterior space design, and improve its renovation system.

- In overseas business, the company aims to strengthen its business in North America. The North American wallpaper market is small compared to the Japanese market, at about 1/30 of the volume, but the unit price is more than 10 times that of the Japanese market. In addition to product competitiveness, Sangetsu will improve the functions in which it excels in order to increase its share of the North American market, which currently stands at about a little less than 20%, and thereby efficiently expand earnings.

⑤ Enhancing social value

The company will promote the following measures regarding the environment and society.

<Environment>

- * Reduction of consolidated and non-consolidated GHG (Scope 1 & 2) emissions
- * To identify GHG (Scope 3) emissions and clarify measures to reduce emissions
- * To strengthen the development of products with low environmental burden

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- * To promote recycling, including expansion of sample book recycling centers

- The GHG (Scopes 1 & 2) emissions reduction targets are "28% reduction (consolidated) in fiscal year 2026 (compared to fiscal year 2021), 60% reduction (non-consolidated) (compared to fiscal year 2018)" and "55% reduction (consolidated) in fiscal year 2030 (compared to fiscal year 2021), realization of carbon neutrality (non-consolidated)".

In addition to aiming to achieve carbon neutrality at the group's non-manufacturing companies, the company will promote initiatives to reduce its environmental impact, such as switching from heavy oil to liquefied natural gas (LNG) at its wallpaper manufacturing company CREANATE's new factory in Hiroshima.

<Society>

- * Promoting diversity/equity, and inclusion
- * Promoting activities to improve the living environment of children in foster care facilities
- * Continuous support for children in need, developing countries, and refugees

- The ratio of female managers in Sangetsu Corporation increased from 18.3% as of April 1, 2023 to 22.8% as of April 1, 2025 to 25.0% at the beginning of fiscal year 2025, while the ratio of employees with disabilities declined from 3.9% in fiscal year 2022 to 3.2% in fiscal year 2024. The company plans to increase the ratio of employees with disabilities to 4.0% or higher in fiscal year 2025.

(3) Capital Policy**① Shareholder Return Policy**

- * To achieve shareholders' equity of 95 to 105 billion yen as of March 31, 2026.
- * The main source of shareholder returns will be dividends, with the aim of steadily increasing the annual dividend per share to a minimum of 130 yen per share.
- * Consideration will be given to share buybacks depending on market conditions.

They plan to increase dividends for the 12th consecutive year in fiscal year ending March 2026.

② Funds allocation plan

The company plans to create and procure funds with cash and cash equivalents of 27 billion yen at the end of March 2023, an operating cash flow of 47-51 billion yen over the next three years, and a net change in borrowings of -8 to 6 billion yen over the next three years.

Based on this, the company plans to allocate 20-25 billion yen for growth investments and 25-35 billion yen for shareholder returns.

The major capital expenditures will be 8 billion yen for the CREANATE Hiroshima factory and 1.8 billion yen for logistics investments.

The company expects to have cash and cash equivalents of 20-25 billion yen at the end of March 2026.

(4) Quantitative Targets (KPI)**① Economic Value**

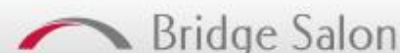
As mentioned above, some quantitative goals have been revised. Sales are expected to exceed the goal, but profit is forecast to be affected by the impact of the fire accident at a supplier's factory in the domestic interior segment and the failure to fall below the initial profit target in the domestic exterior and overseas segments. ROE will be affected by the decline in profit and the accumulation of equity capital, which is the denominator. The target CCC has been set, as they took into account the reform of the commercial distribution system for maintaining a sound, sustainable supply chain, while marketing measures and supply chain management (SCM) are effective.

◎ Key Indicators

	FY 3/23	FY 3/26
Consolidated Net sales	1,760.2	2,100.0
Consolidated Operating income	202.8	190.0
Consolidated Net income	140.0	130.0
ROE	15.3%	11.5%
ROIC	16.5%	14.0%
CCC	77.1 days	70.0 days

*Unit: hundred million yen

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◎ Targets in each segment

	FY 3/23	FY 3/26
Net sales	1,760.2	2,100.0
Domestic Interior	1,479.8	1,667.0
Domestic Exterior	62.9	76.0
Overseas	217.5	57.0
Operating Income	202.8	190.0
Domestic Interior	210.9	188.5
Domestic Exterior	4.5	0.5
Overseas	-12.6	1.0

*Unit: hundred million yen

② Social Value

◎ Global Environment

<Reduction of environmental impact in business activities (Scopes 1 & 2)>

GHG emissions	Consolidated: 28% reduction (compared to FY 2021) Non-consolidated: 60% reduction (compared to FY 2018)
Energy consumption	Non-consolidated: 6.0% reduction (compared to FY 2018)
Recycling rate (effective utilization rate)	Non-consolidated: 90.0% or higher

◎ Human capital

<Health and skill development of employees, reform of corporate culture>

Non-smoking rate	85% or higher
Human capital investment	A total of 700 million yen over 3 years
Number of career hires	A total of 60-80 for 3 years
Engagement score*	58.0 (A)

*Non-consolidated goal. For estimating engagement score, they have been using the score in "Motivation Cloud," a service provided by Link and Motivation Inc., since fiscal year 2023.

<Promotion of Diversity/Equity and Inclusion>

Ratio of female managers	25.0% or higher (as of April 2026)
Ratio of employees with disabilities	4.0% or higher (as of March 31, 2026)
Percentage of male employees who took childcare leave	More than 2 weeks: 100%

*All figures are on a non-consolidated basis.

③ Social capital

<Participation in Communities>

Cost of renovation activities for children's foster care facilities	50 cases per year (consolidated)
Matching gift	Consolidated: 18,000 S-mile (*)
Social contribution activities including donations to external organizations	Consolidated: Donations are carried out continuously for specific organizations, allocating 0.3-0.5% of annual ordinary income.

*S-mile

"Sangetsu Group Matching Gift Program" is aimed at promoting social contribution activities. The program counts employees' social contribution activities and awards smile points (S-mile) based on the activity content. The points are converted into money and donated to NPOs and other organizations supported by the company.

Activities that meet the criteria include not only activities conducted by the company's volunteer club, but also personal activities such as support for welfare facilities, disaster victims, international exchange, community activities, youth education, and NPO support. The company supports activities so that employees nationwide can actively participate regardless of region.

<Reference2: Long-term Vision of Sangetsu Group [DESIGN 2030]>

<Long-term Vision of Sangetsu Group [DESIGN 2030]>

(1) Outline

From 2014, when former president Mr. Yasuda, who is not from the founding family for the first time, was appointed as president, he has made various reforms to the management structure, governance structure, the way of working, communication with the outside, etc. and as a result, the company has transformed and profoundly changed.

However, as for businesses per se, the business model of selling interior materials has not changed, and the company recognizes the need to reform this business model itself.

In order to do this, the company made its vision clear and recognizes the need to continue to steadily implement different strategies while keeping in mind its future goals, thus set Long-term Vision of Sangetsu Group [DESIGN 2030] in May 2020.

[DESIGN 2030] stands for designing the ideal state of the company in 2030.

The respective letters of “DESIGN” represent the initials of various policies the company aims to follow.

The Long-term Vision of Sangetsu Group

【 DESIGN 2030 】

Designing “how we should be” in Year of 2030

D : DESIGN	I : INFORMATION
DATA	INTERNATIONAL
E : ENVIRONMENT	G : GLOBAL
EMPLOYEE	GOVERNANCE
S : SPACE CREATION	N : NETWORK
SOCIAL	
SERVICE	
STAFF	

(Source: the company)

(2) Revision of the long-term vision [DESIGN 2030]

In the long-term vision [DESIGN 2030], they set the goal of “transforming the Sangetsu Group into a space creation company” and clearly stated their approach for transforming into a space creation company, to put it into practice.

There is no change in their basic policy or strategy, but considering the progress of measures and earnings during the period of the previous medium-term management plan, the company partially revised the description of the approach, clearly stated the image of a space creation company, and discussed their future businesses, while setting new quantitative goals, because the target revenue set in the long-term vision [DESIGN 2030] was achieved in the results for fiscal year 2022.

① Goal: “Space Creation Company”

Based on the company’s expertise in design, sales, and distribution of its current things and products, it will conceptualize and design new spaces, develop its ability to make proposals, and aim to be a company that creates new spaces.

At the time of the above revision, the company confirmed the expansion of the revenue base and the stability of revenues through the transformation into a space creation company, and recognized the necessity to expand business further without sticking to the form of the space creation company, in order to achieve further growth.

② Steps for the long-term vision

To achieve the long-term vision, the company will set the basic management policy as “Design-driven management” and aim to improve its brand value and transform its business with designs. Further, it will recognize “Diverse human capital” and “Cooperation and utilization of digital capital” as the business and management base in order to be “an organization where diverse professionals with on-site capabilities fulfill an active role” and also “use DATA to increase the efficiency of business and transform business.”

The company aims to “Providing solutions” by organically integrating functions for space design, products, delivery, logistics and construction.

Moreover, the business area will be the Pacific Rim region primarily in Japan, North America, Southeast Asia, and China.

Thanks to this approach, the business will shift directions to a “Space Creation Company” while working towards creating social value.

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(Source: the company)

③ Design-driven management

The concept of Design-driven management is as below.

“Sangetsu Group will aim to increase the value we can provide through designing to transform our business.

Not only pursuing the beauty, function and coordination of products and spaces themselves, we will conceptualize, design and propose the interaction of people and space by considering the way people spend time, live, experience and act.

In addition to designing entities and space, we will increase our brand value by designing and proposing experiences, and will aim to transform, from the company that sells things, into the company that creates spaces, and proposes and realizes matters.”

④ Social value for which the company strives

The company sets its goals for social values as “contributing to achieving an inclusive, sustainable, and enjoyable society.” Moreover, it sets SDGs for each of the “Inclusive,” “Sustainable,” and “Enjoyable.”

An equal and healthy inclusive society Sangetsu Group will contribute to realize an equal, healthy and inclusive society, where diversity of gender will be respected, through creation of healthy and comfortable spaces.	
The global environmental protection with sustainable society Sangetsu Group will minimize our environmental footprint of the supply chain as a whole and will contribute to realize a sustainable society that will protect the global environment, through creation of spaces usable for the long term and utilization of stock buildings.	
A more affluent and enjoyable society Sangetsu Group will contribute to realize a more enjoyable society by promoting equal, safe, reassuring and efficient ways of working which respect human rights, through creation of spaces appropriate to various cultures and living.	

Regarding the third aspect: “enjoyable,” based on the basic concept of SDGs: “to not leave anyone behind,” the company considered its businesses and took one step further setting realizing more prosperous and more enjoyable society as one of the social values it will provide.

<Reference3: Regarding Corporate Governance>

◎ Organization type and the composition of directors

Organization type	Company with audit and supervisory committee
Directors	7 directors, including 4 outside ones (4 independent executives)
Audit and supervisory committee member	5 members, including 4 outside ones (4 independent executives)

◎ Corporate Governance Report

Last update date: June 19, 2025

<Basic Concept>

We aim to foster good relationships with all stakeholders to improve our corporate value and grow sustainably.

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.

Our company has been reorganizing to a company with an audit committee, with the aim of strengthening the auditing and supervising functions of the board of directors, by having outside directors join the management.

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

<Reason for Non-Compliance with the Principles of the Corporate Governance Code>

Our company follows all principles of the Corporate Governance Code.

<Disclosures Based on the Principle of the Corporate Governance Code (excerpts)>

Principles	Disclosure contents
Principle 1-4 So-called strategically held shares	<p>1. Policy on strategically held shares and details of the review of the appropriateness of shareholding</p> <p>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.</p> <p>With regard to holding shares, each year we will check the associated cost and returns, and if it is determined that holding the shares has no strategic value in the medium-and long-term, we will sell the shares, and conduct operations based on that decision. The Board of Directors' decision and a disclosure of the shares we decide to continue holding will appear in the "Shareholding status" column of the securities report.</p> <p>In addition, if a company whose shares are strategically held by our company offers to sell shares of our company, we will not conduct any activities that would hinder said sale.</p> <p>2. Attitude toward exercise of voting rights</p> <p>We will keep an open dialogue and communicate through various channels, while respecting the management policies of companies that we invest in. We will make a comprehensive judgment based on company's stance on shareholder returns and improving corporate value in the medium-to long-term, their corporate governance policies, and CSR activities. We will also separately examine whether holding the shares of the company is constructive to our goals and whether it will lead to improving the corporate value of the company we invest in.</p>
<p>[Principle 2-4 Ensuring Diversity, including Active Participation of Women]</p> <p>Supplementary Principle 2-4-1 Ensuring diversity in promotion to core human resources</p>	<p>(1) Our attitude toward ensuring diversity</p> <p>Pursuing the Sangetsu Group Human Rights Policy and the Sangetsu Group Basic Policy on Diversity, our company fosters a corporate culture that continues taking on challenges and innovating and enriches programs and systems by considering the individuality of each one of our employees as diversity regardless of gender, age, nationality, race, religion, disability, gender identity, sexual orientation, etc.</p> <p>(2) Our voluntary and measurable goals for ensuring diversity, and our current progress of ensuring diversity</p>

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<p>Supplementary Principle 3-1-3</p>	<ul style="list-style-type: none"> - Promotion of women to managerial positions The percentage of female full-time employees in our company is increasing year by year, which is currently 37.7%, thanks to our efforts to create a workplace environment in which our employees can work comfortably regardless of gender, such as enrichment of the work-life balance support system. In addition, female employees account for 43.0% of our employees in the positions of leadership (those at the section chief level or more senior levels) and 22.8% of our employees in managerial positions. In addition, in order to support women in flourishing, we support career development for female employees and their superiors, conduct training for improving supporting skills, and hold health seminars for supporting women in flourishing. The medium-term management plan [BX 2025] includes the goal of increasing the ratio of female managers to 25% by 2026, and the variation in the past 5 years has been disclosed in our website. (https://www.sangetsu.co.jp/company/sustainability/social/divercity_policy.html) - Promotion of career hires to managerial positions We have employed career workers proactively since 2016 in order to secure human resources with expertise in such fields as management, information systems, and design. Three of our eight executive officers are career hires. We actively promote career hiring as well as in-house training of specialized and professional personnel, and hire several people for management positions every year. In addition, personnel hired for non-managerial positions are promoted to managerial positions in a fair manner like other full-time employees. We offer our career hires training and in-company communication after employment in order to help them get used to working in our company and actively participate in our business operations. - Promotion of foreign nationals to managerial positions Although the major target market of Sangetsu Corporation alone is the Japanese market, the Sangetsu Group began to employ foreign nationals in 2015 when the Sangetsu Group started the overseas business. We will promote these human resources to managerial positions equally, regardless of nationality, based on their capabilities and business performance. In our group companies engaging in the overseas business, foreign nationals account for about 60% of the employees in the positions of officers that play the central roles in the business. (3) Our policies on human resources development for ensuring diversity, policies on internal environment development, and their progress Considering diversity management, which leads new perspectives and ideas brought by different backgrounds, sensibilities, and senses of values to enriched creativity, as the core of our business management, we are making efforts in this regard as an important policy toward sustainable growth while handling diversifying market demand. The goals for diversity & inclusion are to employ more people with disabilities, support female employees in the promotion to managerial posts, and encourage male employees to take childcare leave. Other efforts of our company include improvement of the rate of paid holidays taken by our employees, reduction in long working hours, and approaches related to LGBTQ+. - Our initiatives toward sustainability Our long-term vision, [DESIGN 2030], includes 10 of the 17 goals of the SDGs as our corporate group's objectives. In addition, one of the basic policies of our medium-term management plan, [BX 2025], is Quantitative targets for social value. Specifically, we (1) set concrete target values regarding reduction in environmental impact, (2) facilitate our understanding of environmental impact in the supply chain (and will use it as one of the criteria for making judgment about our procurement activities in the future), (3) develop highly durable, long-life products and low environmental impact products, and (4) recycle our
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books of samples. With regard to the item (4), we opened the Sangetsu Sample Books Recycling Center in March 2021 and have operated it since then.

- Investment in human capital

Our company aims to run a personnel system that respects the diversity, personality, and individuality of our employees and allows each of them to demonstrate their abilities to the fullest extent as the leading role in business management, and we disclose information on the relevant systems on our website.

(https://www.sangetsu.co.jp/company/sustainability/social/divercity_policy.html)

Investments in human capital include employee training, skills development, the increase of employee work engagement, and the creation of a comfortable working environment, all of which we are proactively implementing. In particular, the current medium-term management plan [BX 2025] includes the strengthening of human capital as one of major measures, and a plan to invest 700 million yen in 3 years, to expand and sophisticate human capital and support personnel in flourishing. As concrete measures, we engage in the recruitment of more mid-career workers and new graduates, the enrichment of education and training for supporting employees in flourishing, engagement surveys, the revision of personnel systems, the improvement of treatment of employees, etc.

Furthermore, we have followed our health and productivity management policy "For employees to work enthusiastically so that they can work and live healthily," and have been committed to maintaining and building up our employees' health by ensuring a safe, healthy, comfortable, and friendly workplace environment in which our employees can work with vigor and enriching programs and systems aimed at promoting their physical and mental health. We disclose information related to these activities on our website.

(https://www.sangetsu.co.jp/company/sustainability/social/health_management.html)

- Investment in intellectual property

Under our long-term vision, [DESIGN 2030], we have made "design management" the basis of our management, aiming to enhance brand value and transform our business through design. In order to realize design management, we are promoting to strengthen our ability to propose product and space designs through greater recruitment and training of design personnel. The legal affairs department, which was established in July 2023, is strengthening its function to handle intellectual property in addition to the function to deal with legal affairs, and aims to improve brand value by creating, protecting, and utilizing intellectual property rights. Additionally, the company offers appropriate rewards for employees' inventions in accordance with in-house regulations on the handling of employees' inventions, thereby promoting the creation of intellectual property.

- Impact of climate change on our business activities

Risks and opportunities from climate change are described in the financial statements issued in June 2025. In addition, on pages 50-55 of the Integrated Report issued in September 2024, we provide a summary of the environmental impact of our business activities regarding natural capital. The report describes our efforts to reduce the burden on the environment in our business activities and supply chain as a whole. On our website, we use many graphs and tables to explain our "Climate Change Perspective and Key Issues".

(<https://www.sangetsu.co.jp/company/sustainability/environment/climatechange.html>)

Furthermore, we agree with the TCFD in October 2021, and disclose the four TCFD disclosure elements (Strategy, Governance, Risk Management, and Indicators and Targets) on our website. Risk management is explained in a table on the "Risks and Opportunities from Climate Change" section of the website.

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	<p>(https://www.sangetsu.co.jp/company/sustainability/environment/risk.html)</p> <p>Additionally, in fiscal year 2022, the Risk Management Committee, chaired by the president, established a "Climate Change Risk Subcommittee" to review and re-examine the identification and handling of risks and opportunities through a more organized management system to address and monitor such issues.</p> <p>From now on, we will conduct scenario analysis, grasp financial impact, and improve the quality and quantity of information we disclose.</p>
Principle 5-1 Policy on constructive communication with shareholders	<ul style="list-style-type: none"> - Our Chief Executive Officer himself supervises our investor relations activities and takes part in IR interviews and financial results briefings. Our company proactively communicates with investors through such means as direct explanations to overseas investors. In addition, we regularly hold meetings between our Audit and Supervisory Committee members, including all of the outside directors, and institutional investors. - Our company has established the Publicity and IR Section of the Corporate Strategy Office for rational communication with our shareholders and swift IR activities. - The Chief Executive Officer, the executive in charge, and the Publicity and IR Section of the Corporate Strategy Office carry out interviews with both Japanese and overseas institutional investors, and analysts, upon their request. - Although the IR department specializes in handling IR activities, other departments such as the headquarters of each business, the Finance and Accounting Department, and the Corporate Planning Division, Corporate Strategy Office cooperate with the IR department to provide information with higher effectiveness. - Besides announcement of financial statements, we proactively disclose information by holding multifarious events for institutional investors, such as financial results briefings, explanatory meetings on management strategies, and guided tours of our logistics centers, while, for individual investors, participating in IR events held by stock exchanges targeting individual investors, contributing articles to stock information magazines, and enriching our website. - Since 2017, we have held company briefings for shareholders at our Shinagawa showroom. This has created opportunities to introduce our company to mainly individual shareholders in the Kanto region. Directors attend this briefing session, and the president and executive officers described the company. (Not implemented from fiscal year 2020 to fiscal year 2022 to prevent the spread of COVID-19.) - Our company discloses the explanatory material that we used in various events and meetings and pictures of our dialogue with the stakeholders, and posts English versions of these materials 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. (https://www.sangetsu.co.jp/company/ir/library/report.html) - 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 and the disclosure of videos of financial results briefings and shareholders' meetings. - Our company responsibly utilizes opinions obtained from interaction with our shareholders and investors for administrative improvement through The Public Relations and IR Department. The information is shared with business unit managers on a quarterly basis to enhance information disclosure and improve corporate value. - 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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