

## 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	<a href="https://www.sangetsu.co.jp/english/">https://www.sangetsu.co.jp/english/</a>

## Stock Information

Stock Information						
Share Price		Shares Outstanding		Total market cap	ROE Act.	Trading Unit
¥3,045		59,200,000 shares		¥180,264 million	11.4%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.	
¥155.00	5.1%	¥221.20	13.8x	¥1,923.28	1.6x	

\*The share price is the closing price on December 5. Each figure is from the financial results for the second quarter of the fiscal year ending March 2026. ROE and BPS are actual results for the previous fiscal year.

## 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 first half of the fiscal year ending March 2026 and other information of Sangetsu Corporation.

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

[<Reference2: Long-term Vision of Sangetsu Group \[DESIGN 2030\]>](#)

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## Key Points

- In the first half of the fiscal year ending March 2026, sales grew 5.3% year on year to 98.8 billion yen. Sales increased in all of the 3 segments, hitting a record high for the first half of a fiscal year. Operating income rose 10.9% year on year to 8.1 billion yen. In the domestic interior segment, operating income rose, as the augmentation of costs due to the fire accident at a supplier's factory (flooring material unit) and the rise in personnel expenses through the enhancement of human capital was offset by the effect of price revisions and the fortification of their product portfolio. The domestic exterior segment moved into the black, and the loss in the overseas segment shrank. Sales were almost in line with the forecast thanks to the growth of the overseas segment, and profit exceeded the forecast, mainly because the SG&A expenses in the domestic interior segment decreased.
- The earnings forecast for the fiscal year ending March 2026 has been left unchanged. Sales are expected to grow 4.8% year on year to 210 billion yen (the sales forecast in each segment has been revised, but the consolidated sales forecast has not been revised). Sales are forecast to increase in all of the 3 segments. Operating income is projected to rise 4.7% year on year to 19 billion yen. While the profit in the domestic interior segment is projected to decline mainly due to the fire accident at a supplier's factory, the profit growth in the domestic exterior segment and the overseas segment turning profitable will contribute. The expected annual dividend is 155.00 yen/share, up 5.00 yen/share from the previous fiscal year. The dividend amount will increase for the 12<sup>th</sup> consecutive fiscal year, and the expected payout ratio is 70.1%.
- We interviewed President Kondo about the points of the financial results in the first half of the fiscal year ending March 2026, the initiatives they will conduct from now on, his message toward shareholders and investors, etc. He said, "Our share price increased after strong performance in the fiscal years ended March 2023 and March 2024, but since then it has remained flat. As such, we fully recognize that our next growth strategy is under close scrutiny. We are currently formulating our next medium-term management plan, which will be announced in May 2026. Key points include expanding the existing interior product wholesale business within the stable domestic interior segment while exploring business development in peripheral fields; considering how to accelerate growth of the overseas segment, which has more room for growth than the Japanese market; and carefully assessing the best way to build a foundation for profit-generating growth in the domestic exterior segment and the comprehensive space business. We will also provide a detailed explanation of the personnel systems and investment plans that will support these initiatives. We would sincerely appreciate your continued support for our efforts."
- The progress rate as of the end of the first half of the fiscal year was 47.1% for sales and 43.1% for operating income. These rates are almost as usual, as their performance is better in the second half of each fiscal year. In the final fiscal year of the medium-term management plan (2023-2025) [BX 2025], we would like to pay attention to how much they can earn sales and profit by growing the sales of medium-sized products, whose presence is growing, recovering the sales of flooring materials by resuming supply after the fire accident, and appropriately controlling SG&A expenses in the domestic interior segment, which is projected to see a slight decrease in profit due to the downturn in domestic demand, especially in the housing market, and the effect of the fire at a supplier's factory.

## 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.

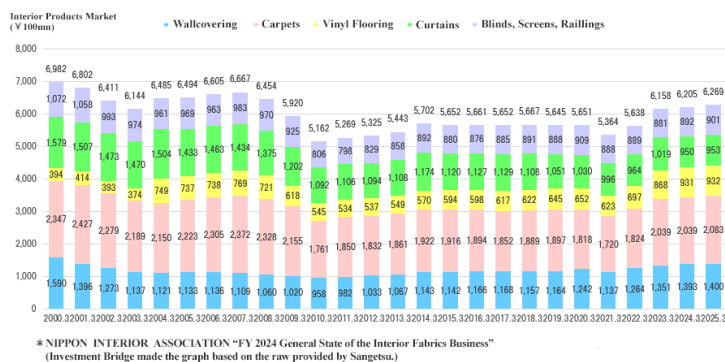
Purpose: meanings of existence	To create a space filled with peace of mind and hope, together with everyone
Dream: Vision to realize	A world where anyone can talk about tomorrow’s dream
Belief: Belief to cherish	The sincerity of each enterprise would become power to change our society.
Way: our stance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

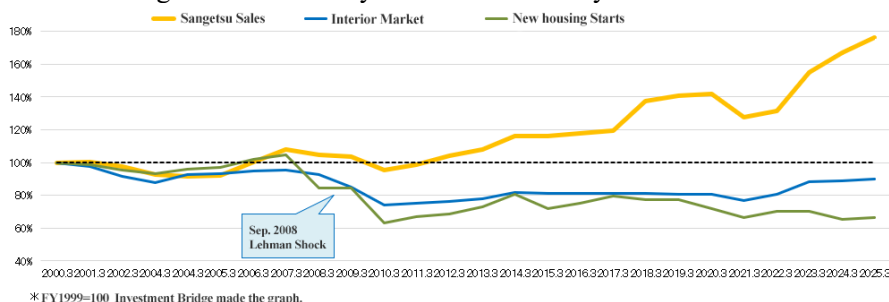
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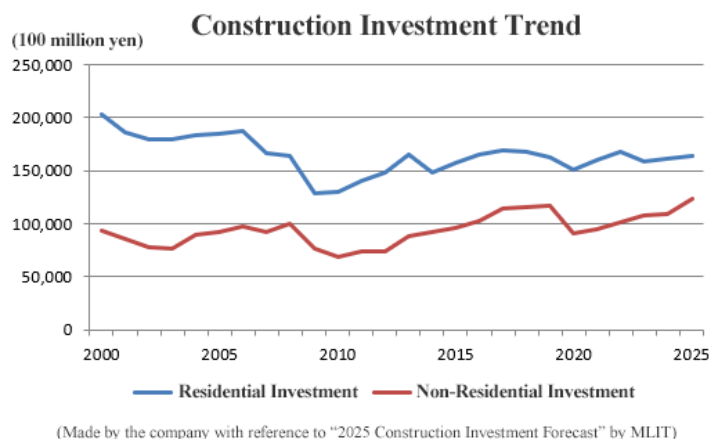
(Source: the company)

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.



According to "2025 Construction Investment Forecast" announced by the Ministry of Land, Infrastructure, Transport and Tourism, the investment in private housing construction remains flat, but the investment in private non-residential construction is expected to increase 12.9% year on year in FY 2025, showing a slightly bright outlook.

According to "Outlook for investment in construction based on a construction economy model" released by Research Institute of Construction and Economy on October 10, 2025, nominal private investment in non-housing construction increased steadily through fiscal year 2017, then dropped considerably by 22.2% in fiscal year 2020 due to the COVID-19 pandemic, but is expected to recover gradually after that. In fiscal year 2026, it is 12.4 trillion yen, much larger than 11.6 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

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private building repairs (renovations and repairs) are described as follows.

### Floor areas of facilities to be constructed

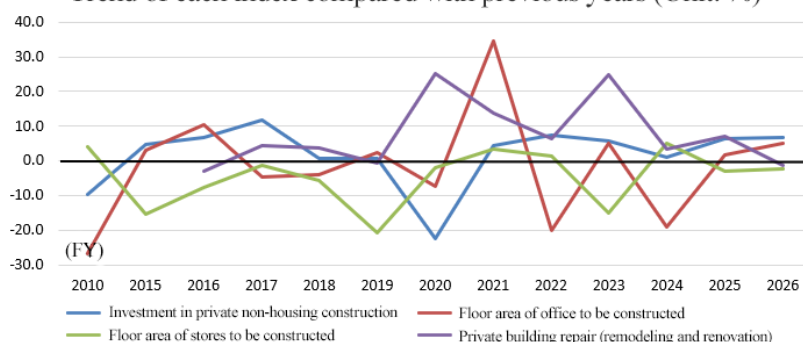
#### \*Offices

They said, “There is a risk of excessive office supply, but the demand for offices is expected to grow as employees are switching from telework to working at their office and returning to the urban center, so the total floor area of new offices whose construction has started is projected to increase slightly year on year in FY 2025. A large number of offices are forecast to be supplied in 2028 and 2029, so a year-on-year growth is expected in FY 2026.”

#### \*Stores

They said, “There is a stance of actively investing in construction, but the number of stores opened in large-scale retailers and total store area are decreasing. In addition, the total floor area of new stores whose construction has started is projected to decline slightly from the previous fiscal year in both FY 2025 and FY 2026, due to the downturn in consumer confidence caused by the rise in commodity prices, etc.”

Trend of each index compared with previous years (Unit: %)



\*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 October 2025).  
 As for investment in private non-housing construction figures, figures before 2022 are results, from 2023 and 2024 are expectation, from 2025 are forecast.  
 As for floor area, figures before 2024 are results, from 2025 are forecast.  
 Private building repairs have been posted since 2016. Figures before 2022 are results, from 2023 and 2024 are expectation, from 2025 are forecast.

### 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,” healthy performance is expected as “the number of orders for renovation and repair increased 3.0% year on year in the first quarter of fiscal year 2025, which indicates that the industry remains at a high level. In the residential field, the governmental campaign for saving energy in housing in 2025 produced favorable effects. In addition, steady investment can be expected through the shift from rebuilding plans to large-scale remodeling or renovation. In the non-residential field, healthy capital investment is expected, thanks to the labor saving for coping with the shortage of manpower, the investment in DX, the demand for investment in GX related to decarbonization, the reshoring of production sites due to the growth of interest in economic security, etc. In FY 2025, it is expected to remain high. In FY 2026, too, the high level since FY 2023 is projected to be maintained, but it is projected to decline slightly year on year.”

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.

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## ◎ 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	105,000	+0.2%	3,100	+3.3%	3.0%	18,590	10.7	1.0	2.1%
4206	Aica Kogyo Co., Ltd.	265,000	+6.6%	29,000	+5.8%	10.9%	228,388	11.6	1.2	10.1%
4224	LONSEAL Corporation	21,400	-0.2%	1,150	+32.2%	5.4%	8,445	10.5	0.4	0.1%
5956	TOSO COMPANY, LIMITED	23,500	+3.1%	600	-19.7%	2.6%	5,660	12.5	0.3	3.4%
7971	TOLI Corp.	111,000	+5.0%	5,100	+16.5%	4.6%	42,751	10.4	0.9	7.5%
7989	TACHIKAWA CORPORATION	42,800	+3.4%	4,400	+0.9%	10.3%	40,073	12.1	0.7	5.7%
<b>8130</b>	<b>Sangetsu Corporation</b>	<b>210,000</b>	<b>+4.8%</b>	<b>19,000</b>	<b>+4.7%</b>	<b>9.0%</b>	<b>180,264</b>	<b>13.8</b>	<b>1.6</b>	<b>11.4%</b>
9827	Lilycolor Co., Ltd.	36,800	+8.9%	1,000	+348.8%	2.7%	9,040	19.5	1.0	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 on December 5, 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.

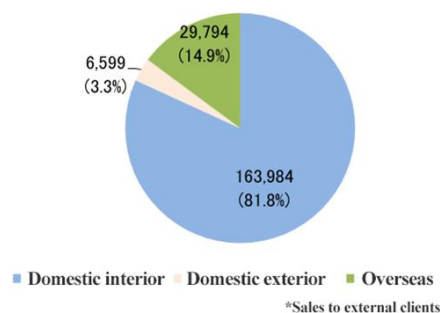
## [1-4 Business Description]

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 group companies. The overseas segment is operated by four group companies 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)



## ① “Domestic Interior Segment”

### ◎ Main Products

<b>Wallcoverings</b>	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.
<b>Cushion Sheet</b>	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.
<b>Vinyl Sheets</b>	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.



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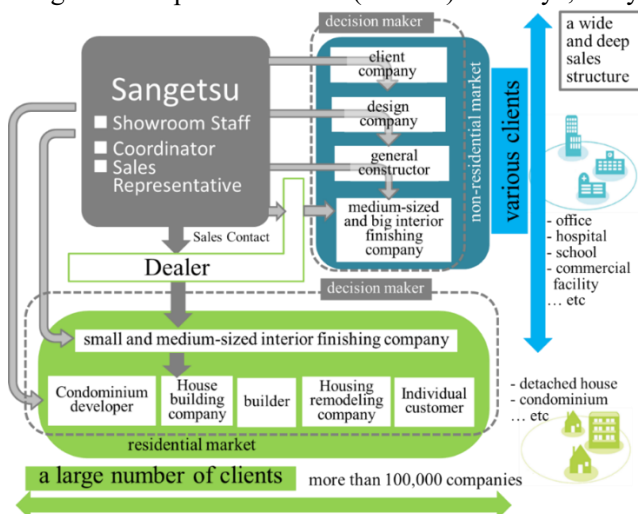


<b>PVC Tiles</b>	Tile formed PVC flooring which has a wide range of applications, is used in commercial facilities, educational institutions, detached houses and apartments. One feature is its high design, in which the materials used as motifs such as wood and stone are expressed through high-tech printing technology and precise embossing.
<b>Carpets</b>	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.
<b>Carpet Tiles</b>	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.
<b>Curtains</b>	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), architect office, design office, 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 (Sangetsu only) 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.

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### ◎ 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, and seven “regional logistics centers,” which store stocks for each region.

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 Kurosukikaku, Corporation, 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 group company 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 group company in 2005, sells and constructs doors, fences, terraces and other exterior products within Japan. In the medium-term management plan [BX 2025], 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 “Overseas 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 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 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
<b>ROE (%)</b>	<b>6.0</b>	<b>4.2</b>	<b>3.5</b>	<b>1.5</b>	<b>5.1</b>	<b>0.3</b>	<b>15.3</b>	<b>14.1</b>	<b>11.4</b>
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)

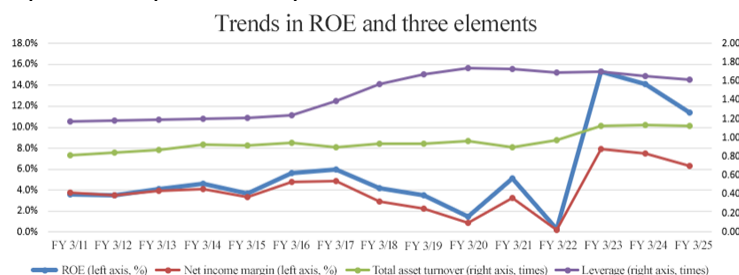
Leverage = (Total assets as of the end of the previous fiscal year + Average of total assets as of the fiscal year under review) ÷ (Equity capital as of the end of the previous fiscal year + Average of equity capital as of the end of the fiscal year under review)



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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%).

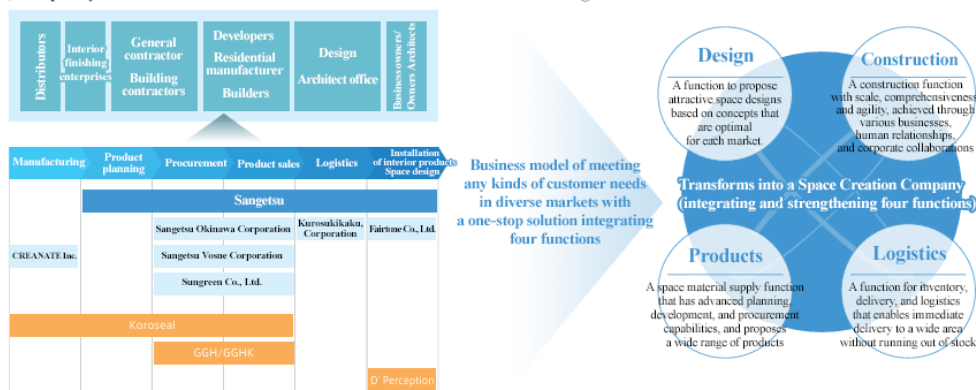


### [1-7 Competitive Advantage]

Since its founding in 1849, the Sangetsu Group has built more than 170 years of operating history and established itself as a pioneer in Japan's interior industry. Over this period, it has developed an integrated value chain encompassing product planning and development, logistics, and sales, enabling end-to-end control of its business operations.

Leveraging its strengths in "outstanding product competitiveness supported by originality, design, functionality, quality, and stable supply," "a resilient supply chain," "a nationwide, finely tuned sales network," and "a strong commitment to addressing social issues," the Sangetsu Group is reinforcing its solution-driven business model, based on four core functions: design, products, logistics, and construction, with the aim to transform itself into a space creation company.

#### Multiple layers of clients in various fields for the selection of architectural designs



(Taken from the integrated report "SANGETSU REPORT 2025")

The overview of the four functions is as follows.

#### (1) Function to propose spatial designs

As societal change accelerates and values continue to diversify, the importance of spatial design for satisfying diverse needs is rising year by year. To address this trend, the Sangetsu Group is strengthening its ability to deliver comprehensive spatial design solutions that extend beyond conventional product proposals. In addition to coordinating interior materials such as wallcoverings, flooring materials, and fabrics, the Sangetsu Group provides holistic solutions covering design, construction, and exterior elements, to contribute to solving social issues. To offer high-quality solutions, the Sangetsu Group is reinforcing its capabilities in spatial design, architectural planning, and construction. By proactively recruiting specialize talent and training personnel, they have established design teams capable of responding flexibly across a wide spectrum of domains, ranging from residential to non-residential projects, new construction to renovation, and interior to exterior spaces.

<Major resources, etc. (FY 2024)>

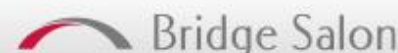
Space design professionals: about 105 employees
Domestic interior marketing: 40 offices
Domestic exterior marketing: 17 offices
Overseas marketing bases: 7 areas

#### (2) Function to provide space materials

##### ① Product Planning and Development

The Sangetsu Group entered the wallcovering business at a time when the concept of interior design had not yet become

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widespread in Japan. Since then, it has played a pioneering role in creating both a market and demand domestically, expanding its business by leveraging strong, market-responsive product planning and development capabilities. While they develop products based on customer and market needs to supply new out-of-the-box products, they increase personnel for product design, collaborate with external and overseas designers, and have about 12,000 kinds of products in stock. As they enhance the development of core products, including wallcoverings, flooring materials, and fabrics, the sales of mid-sized products (with high added value), such as REATEC (adhesive decorative films), glass films, carpet tiles, PVC tiles, and upholstery, are steadily growing, as they concentrate on these products while expecting growth.

## ② Manufacturing and procurement

The interior and exterior products, which are used at the final stage of construction, require advanced design for making each space colorful and a stable, swift supply system, with which products hardly go out of stock. In order to stably supply diverse products which our company handles, it is indispensable to have relationships with around 270 suppliers in the interior business and around 150 suppliers in the exterior business. In order to cement the cooperation with suppliers, they are optimizing supply chain management (SCM) for developing a sustainable, stable supply system. Regarding wallcoverings, which are their core products, they are striving to secure the capability of supplying them and streamlining business operations by cementing the cooperation with the group company CREANATE Inc., a leading wallpaper maker in Japan, and establishing an integrated system for manufacturing and sale. In order to realize both stable supply and diverse product development, they are improving the level of quality control. They stably supply products trusted by customers, by establishing a dedicated division to improve quality design and assessment precision in product development and establishing a high quality control system in cooperation with suppliers.

### < Major resources, etc. (FY 2024)>

Product design professionals	90 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 segment, the company ships approx. 60,000 products and 40,000 samples per day. The systems for quickly 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.

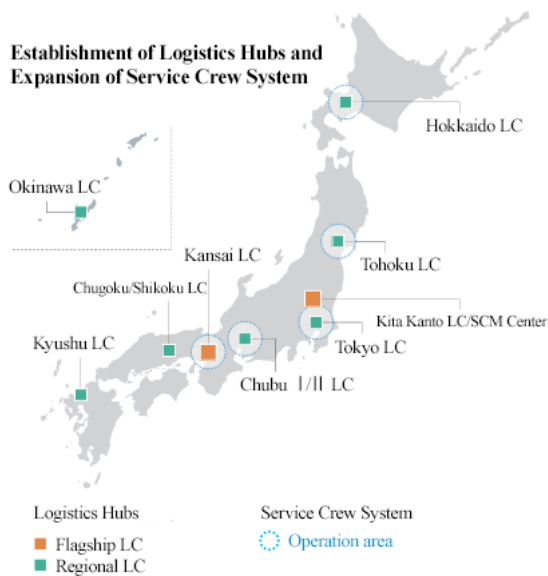
As logistics bases, the company has established two flagship logistics centers (LCs), which function to back up inventory in each region and serve as an inventory base in each area, and 7 local LCs, which serve as an inventory base in each area. The Sangetsu Group is advancing the establishment of a supply chain management center to further improve company-wide inventory efficiency.

To deal with social issues, such as the shortage of workers and the aging population, and establish a comfortable working environment for women, they pursue thoroughgoing automation and labor saving, and apply them to logistics centers around Japan. For delivery systems, they are enriching the in-house last-mile delivery service “Service Crew-bin” as a measure for brushing up the capability of proposing solutions. They make efforts to improve the level of their delivery service, by increasing staff considerably, expanding the area where they can deliver products, redeveloping a system for transportation between bases, and streamlining operations by integrating existing delivery services. They further recruit and train logistics workers, improve organizational strengths by thoroughly conducting appropriate labor management and appointing safety control staff in the administration division, enhance logistics functions, and concentrate on initiatives for improving the quality of delivery and safety.

### < Major resources, etc. (FY 2024)>

Logistics personnel and contractors responsible for warehouse operations:	approx. 1,000 people
Flagship/regional LCs:	9 locations

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(Taken from the integrated report “SANGETSU REPORT 2025” 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 of the company group. In cooperation with Fairtone Co., Ltd., which conducts interior finishing and joined the Sangetsu Group in 2017, and HEKISOU Co., Ltd., which joined the Sangetsu Group in 2021, they strive to improve the interior finishing function in the entire corporate group. In order to hone not only the capability of interior finishing, which has been conducted by mainly the company, but also comprehensive construction skills for embodying an entire space from the viewpoint of business owners, they are increasing engineers in charge of price estimation, procurement, and construction supervision, while establishing bases for safety control and dealing with legal regulations and strengthening the capabilities of designing products and proposing solutions.

<Major resources, (FY 2024)>

First and second-class architects: 40 people
Building operation and management engineers: 112 people

## 2. 1H of Fiscal Year ending March 2026 Earnings Results

### [2-1 Earnings Results]

	FY 3/25 1H	Ratio to sales	FY 3/26 1H	Ratio to sales	YoY	Ratio to forecast
Net Sales	93,878	100.0%	98,892	100.0%	+5.3%	-0.1%
Gross profit	28,977	30.9%	30,621	31.0%	+5.7%	-0.3%
SGA	21,598	23.0%	22,435	22.7%	+3.9%	-3.7%
Operating Income	7,379	7.9%	8,185	8.3%	+10.9%	+10.6%
Ordinary Income	7,607	8.1%	8,526	8.6%	+12.1%	+11.5%
Interim net Income	4,995	5.3%	6,313	6.4%	+26.4%	+23.8%

\*Unit: million yen. Interim net income is profit attributable to owners of the parent.

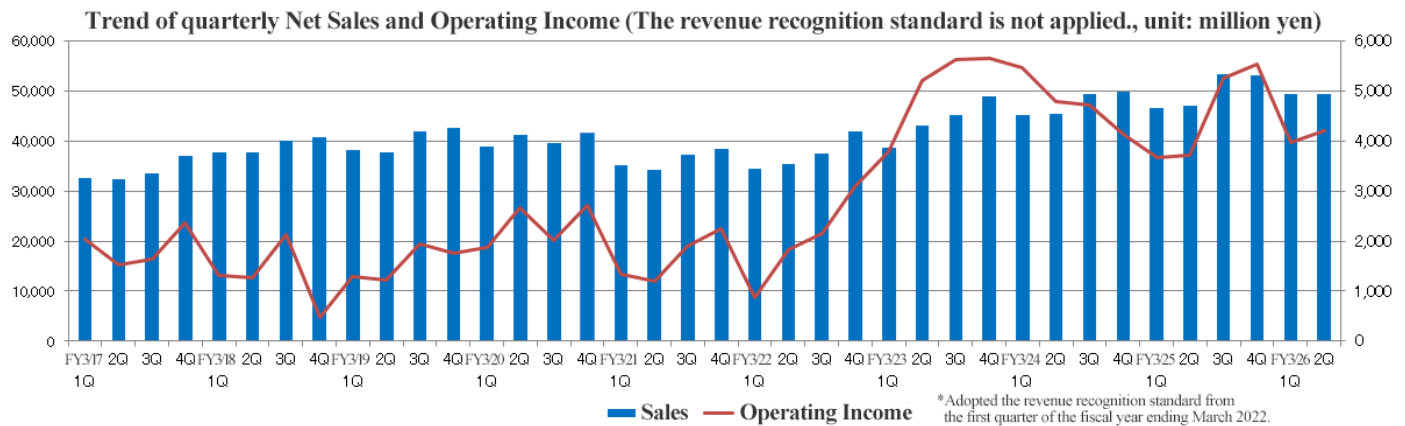
### Increased in both sales and profit with sales reached record highs for the first half of the fiscal year.

Sales grew 5.3% year on year to 98.8 billion yen. Sales increased in all of the 3 segments, hitting a record high for the first half of a fiscal year. Operating income rose 10.9% year on year to 8.1 billion yen. In the domestic interior segment, operating income rose, as the augmentation of costs due to the fire accident at a supplier's factory (flooring material unit) and the rise in personnel expenses through the enhancement of human capital was offset by the effect of price revisions and the fortification of their product portfolio. The domestic exterior segment moved into the black, and the loss in the overseas segment shrank.

## BRIDGE REPORT



Sales were almost in line with the forecast thanks to the growth of the overseas segment, and profit exceeded the forecast, mainly because the SG&A expenses in the domestic interior segment decreased.



## [2-2 Business Segment Trends]

	FY 3/25 1H	FY 3/26 1H	YoY
Net Sales			
Domestic Interior Segment	77,810	78,010	+0.3%
Wallcovering Unit	37,768	39,349	+4.2%
Flooring Materials Unit	27,736	25,863	-6.8%
Fabrics Unit	4,466	4,827	+8.1%
Construction and others	7,838	7,970	+1.7%
Domestic Exterior Segment	3,139	3,380	+7.7%
Overseas Segment	12,938	17,502	+35.3%
Adjustments	-10	-0	-
<b>Total</b>	<b>93,878</b>	<b>98,892</b>	<b>+5.3%</b>
Operating Income			
Domestic Interior Segment	8,008	8,253	+3.1%
Domestic Exterior Segment	-40	36	-
Overseas Segment	-589	-106	-
Adjustments	1	1	-
<b>Total</b>	<b>7,379</b>	<b>8,185</b>	<b>+10.9%</b>

\*Unit: million yen.

### ① Domestic Interior Segment

Sales and profit increased year on year. Despite a challenging environment, they strengthened functions including products, design, logistics, and construction, while promoting collaboration across these areas to deliver proposals for solutions tailored to market, regional, and customer needs. They absorbed rising costs through price adjustments and increased sales of mid-sized products. Although wallpaper sales volume declined year on year, they believe the impact of price revisions implemented ahead of competitors on their market share has been limited.

#### (Products)

They focused on expanding their lineup of products with low environmental impact and developing new products to meet the growing demand for eco-friendly and labor-saving solutions. In the second quarter (July-September), they published the sample books for the high-grade wallcovering category, such as "Texture & Material" and "Brand & Pattern," as well as the curtain sample book "Contract Curtains vol. 11" for various facilities. The sales of mid-sized products (high value-added products) such as REATEC (adhesive decorative films), mid/high-priced carpet tiles, PVC tiles, and upholstery remained healthy.

#### (Logistics)

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They are promoting continuous improvement activities as a core function of SCM to build an efficient and competitive structure. In the fiscal year ending March 2025, they began enhancing SCM through a company-wide cross-functional organization, focusing on improvements in procurement logistics and labor-saving measures at logistics sites. In collaboration with SDS Co., Ltd., which became a group company in April 2025, and Kurosukikaku, Corporation, responsible for logistics in the Kyushu region, they are working to further strengthen their logistics capabilities.

**(Manufacturing)**

CREANATE Inc., a group company and wallcovering manufacturer, opened a new factory in Hiroshima Prefecture in October 2025. By establishing a production base in western Japan in addition to existing sites in eastern Japan (Iwate and Chiba Prefectures), they have built an optimized three-site production system that ensures stable supply backed by high quality and competitiveness.

**(Comprehensive Space Business Division)**

Established in April 2025, this division handles the entire process, including business planning, spatial design and architecture, construction, sales, marketing, and project management. Leveraging the group's originality and expertise, including its extensive network across diverse markets and its comprehensive interior product portfolio, the division aims to propose and deliver value.

Due to the impact of a fire accident at a supplier's factory, sales of some flooring materials mainly for non-residential and apartment buildings declined, and they recorded an impairment loss on discontinued products from old sample books in the first quarter (April–June). In the second quarter (July–September), they fully resumed the sale of non-residential flooring materials that had been on order suspension, and recovery has generally progressed as expected.

**② Domestic Exterior Segment**

Sales and profit increased year on year (achieving profitability). This segment has recorded profits on a quarterly basis since the third quarter of the fiscal year ended March 2025.

Despite a challenging business environment, including sluggish new housing starts, sales have grown. This growth stems from higher selling prices, strong demand for aesthetically appealing carports and security-enhancing gates, stable order intake at two new sites opened in the Kanto region in 2024, as well as the recruitment of specialized personnel for exterior design and construction, strengthened sales activities, and expansion of construction/installation services. Additionally, effective control of selling, general, and administrative expenses led to a reduction in SG&A costs.

**③ Overseas Segment**

Year-on-year increase in sales and profit (loss reduction)

The results of overseas affiliates in the period from January to June 2025 have been included in the results in the consolidated cumulative period of the first half of the fiscal year ending March 2026.

**<North America (The U.S. and Canada)>**

The strengthening of the management foundation and business infrastructure has progressed further, and each initiative is making steady progress. Expansion has continued not only in the hotel market, but also in other sectors such as offices and commercial facilities, driving sales growth. Although personnel expenses including performance-based bonuses have increased, higher sales and productivity improvements at manufacturing sites have offset these costs, resulting in a year-on-year increase in profit.

**<Southeast Asia>**

The profitability of the interior product wholesale business, which deteriorated in the fiscal year ended March 2025, has significantly improved due to structural reforms, including a revamp of the management system, and turned positive in the second quarter (April–June). Although D'Perception, a company engaged in design and construction that became a group company in July 2024, contributed to sales, but remained unprofitable, highlighting the need to strengthen its corporate structure.

**<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. Performance improved year on year, as they received more orders by implementing a strategy for each client and each market, revised their remuneration system, and rationalized costs.



## BRIDGE REPORT

**[2-3 Financial standing]****◎ Main BS**

	End of Mar.25	End of Sep.25	Increase/ Decrease		End of Mar.25	End of Sep.25	Increase/ Decrease
Current Assets	117,011	113,272	-3,738	Current Liabilities	58,276	44,499	-13,777
Cash, Equivalents	33,727	33,392	-335	Payables	33,612	29,440	-4,172
Receivables	58,879	54,602	-4,277	Short-Term Debt	9,607	2,567	-7,040
Marketable Securities	300	300	0	Noncurrent Liabilities	11,836	21,903	+10,066
Inventories	22,433	23,222	+789	Long-Term Debt	3,177	13,531	+10,354
Noncurrent Assets	66,912	69,249	+2,337	Total Liabilities	70,113	66,402	-3,710
Tangible Assets	41,665	42,335	+669	Net Assets	113,810	116,119	+2,309
Intangible Assets	4,354	5,060	+705	Retained earnings	74,538	76,443	+1,905
Investments, Others	20,892	21,853	+961	Treasury Stock	-698	-663	+35
Total Assets	183,923	182,522	-1,401	Total Liabilities, Net Assets	183,923	182,522	-1,401
				Capital Adequacy Ratio	61.4%	63.2%	+1.8pt

\*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 decreased 1.4 billion yen from the end of the previous fiscal year to 182.5 billion yen, as cash & deposits and accounts receivable, etc. decreased.

Total liabilities decreased 3.7 billion yen from the end of the previous fiscal year to 66.4 billion yen, due to a reduction in accounts payable.

Net assets grew 2.3 billion yen from the end of the previous fiscal year to 116.1 billion yen, due to an increase in retained earnings, etc. As a result, capital-to-asset increased 1.8 points from the end of the previous term to 63.2%. Interest-bearing debt increased 3.3 billion yen from the end of the previous term to 16 billion yen.

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

At its new manufacturing site, CREANATE Inc., a wallcovering manufacturer, is also promoting the reduction of environmental impact. By establishing production bases not only in eastern Japan, but also in western Japan, the company expects to significantly shorten the distance for raw material procurement and product delivery, thereby reducing GHG emissions associated with transportation. Plans also include improving energy efficiency by switching the main fuel from heavy oil to liquefied natural gas (LNG). Furthermore, the company is accelerating product development aimed at addressing social issues, such as contributing to a decarbonized society and water resource conservation, by offering a wide range of environmentally friendly products in its sample books.

**② Human capital**

Sangetsu endorsed the "IKUKYU.PJT" project by Sekisui House, Ltd., which promotes awareness of paternity leave. Aligning with "Paternity Leave Awareness Day" on September 19, Sangetsu issued a news release highlighting its initiatives to encourage male employees to take childcare leave. The company is actively sharing information to foster an environment where all employees regardless of gender can balance work and parenting, and to realize "co-parenting," in which entire companies and departments support child-rearing. As a non-consolidated achievement, Sangetsu met the target set in its medium-term management plan [BX 2025] in fiscal 2024, having all male employees take at least two weeks of childcare leave.

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### ③ Social Contribution

Since 2014, the company has been actively engaged in social contribution initiatives, including support for renovating children's welfare facilities and new collaborations with educational institutions such as industry-academia collaboration projects. Among these efforts, the social contribution activity "Bilibilimpics & Eco Photo Frame Making" received the 19th Kids Design Award\*. This unique experience-based event involves turning the sorting of sample books containing chips of interior materials such as wallcoverings, flooring materials, and fabrics into a competition, and then using the removed sample chips to create photo frames. The purpose of the activity is to raise awareness of the importance of recycling, spark interest in interior design, and nurture children's creativity. This marks the company's first Kids Design Award in a non-product category.

\*Kids Design Award (Organized by Kids Design Association)

This award recognizes outstanding products, services, spaces, activities, and research that address social issues related to children and child-rearing. It honors works that fulfill the objectives of "ensuring children live safely without worry," "helping children develop sensitivity and creativity," and "creating a society in which it is easy to have and raise children."

## 3. Fiscal Year ending March 2026 Earnings Forecasts

### [3-1 Earnings Forecasts]

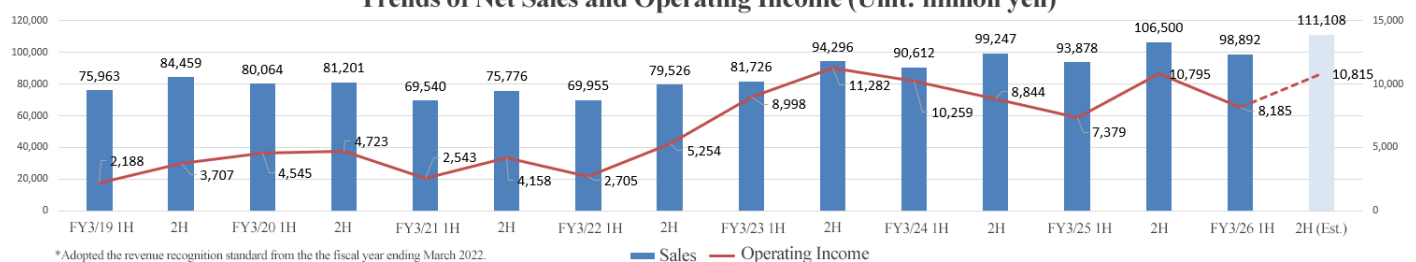
	FY 3/25	Ratio to sales	FY 3/26 (Est.)	Ratio to sales	YoY	Progress rate
Net Sales	200,378	100.0%	210,000	100.0%	+4.8%	47.1%
Gross profit	62,373	31.1%	65,800	31.3%	+5.5%	46.5%
SGA	44,198	22.1%	46,800	22.3%	+5.8%	47.9%
Operating Income	18,174	9.1%	19,000	9.0%	+4.7%	43.1%
Ordinary Income	18,606	9.3%	19,500	9.3%	+5.0%	43.7%
Net Income	12,567	6.3%	13,000	6.2%	+3.6%	48.6%

\*Unit: million yen.

### No change to earnings forecasts. The company forecasts an increase in both sales and profit.

The earnings forecast has been left unchanged. Sales are expected to grow 4.8% year on year to 210 billion yen (the sales forecast in each segment has been revised, but the consolidated sales forecast has not been revised). Sales are forecast to increase in all of the 3 segments. Operating income is projected to rise 4.7% year on year to 19 billion yen. While the profit in the domestic interior segment is projected to decline mainly due to the fire accident at a supplier's factory, the profit growth in the domestic exterior segment and the overseas segment turning profitable will contribute. The expected annual dividend is 155.00 yen/share, up 5.00 yen/share from the previous fiscal year. The dividend amount will increase for the 12th consecutive fiscal year, and the expected payout ratio is 70.1%.

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



\*Adopted the revenue recognition standard from the fiscal year ending March 2022.

\*Prepared by Investment Bridge Inc. by using figures (unit: million yen) from the company's financial results.

## BRIDGE REPORT

**[3-2 Business Segment Trends]**

	FY 3/25	FY 3/26 (Est.)	YoY	Revision rate	Progress rate
Net Sales					
Domestic Interior Segment	163,986	166,000	+1.2%	-0.4%	47.0%
Domestic Exterior Segment	6,611	7,250	+9.6%	-4.6%	46.6%
Overseas Segment	29,794	36,750	+23.3%	+2.9%	47.6%
Adjustment	-13	-	-	-	-
Total	200,378	210,000	+4.8%	0.0%	47.1%
Operating Income					
Domestic Interior Segment	18,940	18,850	-0.5%	0.0%	43.8%
Domestic Exterior Segment	17	50	+190.6%	0.0%	74.0%
Overseas Segment	-785	100	-	0.0%	-
Adjustment	2	-	-	-	-
Total	18,174	19,000	+4.7%	0.0%	43.1%

\*Unit: million yen.

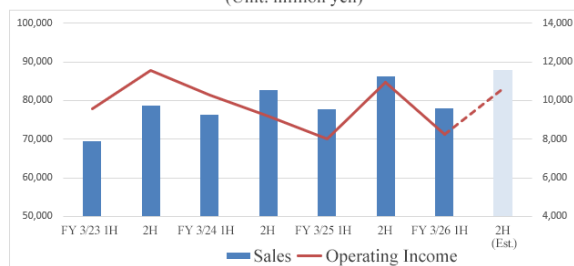
**(1) Domestic Interior Segment**

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 in July, they resumed supply in a stepwise manner, and plan to resume the supply of almost all products by the end of 2025. Its effect on annual sales in this fiscal year is forecast to bottom out in the first half and to be around 5 billion yen.

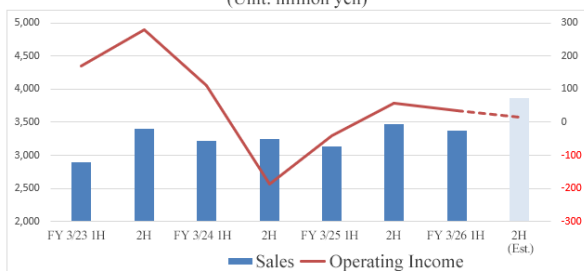
Trends of Sales and Operating Income in the Domestic Interior Segment  
(Unit: million yen)

**(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.

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



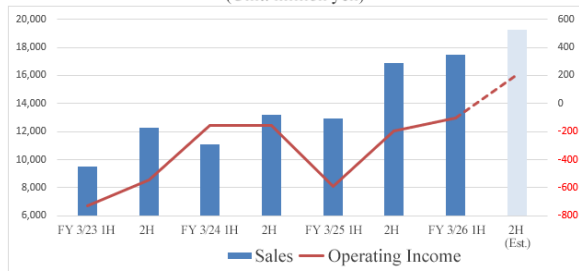
## BRIDGE REPORT

**(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 sales, 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)

**[3-3 Progress and Key Topics of the Medium-term Management Plan (2023–2025) [BX 2025]]****(1) Strengthening the Consolidated Management of the Sangetsu Group**

The presence of group companies is growing. In the first half of the fiscal year ending March 2026, group companies accounted for 31.9% of total sales and 10.5% of operating income. This is a steady increase over the past 3 years from the first half of the fiscal year ending March 2023, when the ratios were 25.2% and 0.3%, respectively.

To further enhance the corporate value of the entire group, Sangetsu plans to provide even stronger support for improving the management capabilities of its group companies.

For the overseas segment, growth in North America, reduced losses in Southeast Asia (with the interior product wholesale business turning profitable in the second quarter (April-June) of the fiscal year ending March 2026), and narrowing losses in China and Hong Kong are expected to lead to a full-year turnaround to profitability for the overseas segment in the fiscal year ending March 2026.

**(2) Initiatives to Strengthen Supply Chain Management (SCM)**

As a company whose original, core business is the wholesale of a wide range of products, Sangetsu believes that logistics, procurement, and systems should not be treated as separate functions in SCM and these functions must work together to strengthen competitiveness. A supply chain only works when all functions work together, leveraging not just individual strengths, but the strength of the entire chain. Although Sangetsu is considered an industry leader in this area, it recognizes that there is still significant room for improvement compared to other industries.

The process is divided into steps ranging from Step 1 to Step 4. In Step 1, where they aim to calculate appropriate inventory at each logistics center (based on demand forecasts), standardize the replenishment process, and achieve stable inventory control, Sangetsu has completed the optimization of inventory held at its logistics centers, which are the decoupling points\*. The company is currently forging ahead with Step 2, which aims for the optimization of Sangetsu's overall inventory and streamlining of suppliers' processes and expects the project to be completed during the fiscal year ending March 2026. 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 fiscal year ending March 2027. After that, 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.

Through the advancement and expansion of logic and automated replenishment flows in Step 1 and parts of Step 2, improvements have been seen in average inventory volume, average inventory value, and the number of replenishment orders. Progress is being made toward achieving optimal inventory across all logistics centers by controlling order points and order quantities based on demand forecasts.

\* Decoupling Point

The decision point in the manufacturing process for switching between make-to-stock and make-to-order production

## BRIDGE REPORT

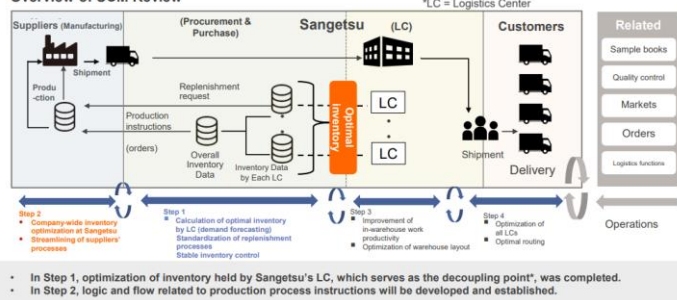


## ■ Efforts to Strengthen Supply Chain Management

## Purposes

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

## Overview of SCM Review



## Assumed Schedule

Completion is expected within fiscal year 2026. Step1 is complete. Currently ongoing Step 2 involves establishing logic and flows for production process instructions and promoting company-wide inventory optimization. They will proceed to Step 3, as the next fiscal year will draw closer.

	2024	2025				2026				
Scope	3	4-6	7-9	9-12	1-3	4-6	7-9	10-12	1-3	
	Step1	Step2				Step3~				

## Current Progress &amp; Results

Impact of Step 1 (partially Step 2) Improvements

## Compared to previous levels

Average Inventory Volume (M/day)	-10.0%
Average Inventory Value (yen/day)	-6.8%
Number of Replenishment Orders (times/day)	-4.8%

The average inventory volume/amount and the number of orders for replenishment have improved continuously. They are realizing optimal inventory at every LC\* by controlling ordering points and order quantities based on demand forecasts.

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

(Source: the company)

## (3) Expansion and Advancement of and Support for Human Capital

In a wide range of roles, such as design and product development, design and construction management, information systems and DX, corporate functions, sales, and logistics, the company has actively pursued mid-career recruitment, hiring 49 people in FY 2023 and 39 people in FY 2024. While career hiring will continue, the focus must shift from quantity to quality.

As of September 2025, the engagement score reached 58.7 (A), showing an improvement from the previous 57.7 (BBB) and achieving the target of 58.0 (A) for the fiscal year ending March 2026. However, while they pursue "Accelerating Transformation and Growth," employees' low expectations toward "transformation activities" remain a challenge. The company plans to monitor this through surveys and maintain a healthy sense of urgency.

## (4) Establishment and Enhancement of Product Procurement Systems

In October 2025, CREANATE Inc., Japan's largest manufacturer of vinyl wallpaper, began operations at its new plant in Higashi-Hiroshima. Domestic manufacturers of mass-produced products characterized by fewer varieties and higher shipment volumes than general wallpaper continue to maintain high operating rates, which is expected to significantly contribute to building a sustainable and stable supply system.

The plant was designed with a strong focus on reducing environmental impact and creating a comfortable working environment. Sangetsu Group plans to leverage this key manufacturing function effectively to reduce procurement costs and enhance competitiveness through group synergies in product development and manufacturing.

## (5) Measures to Achieve Management Focused on Capital Cost and Stock Price

Our current understanding and initiatives regarding capital cost, PER (Price Earnings Ratio), PBR (Price-to-Book Ratio), etc. are as follows.

## ① Capital Cost, ROE, and ROIC

The capital cost estimated using CAPM is slightly below 6.0%, but considering market expectations such as equity earnings yield and feedback from investor interviews, the company recognizes that capital cost is around 8.0%. Over the past five fiscal years (FY 3/21–FY 3/25), the average ROE has been 9.2%, and ROIC has been 11.5%. Although this exceeds the capital cost of approximately 8.0% and equity spread is positive, the company believes that further enhancement of corporate value requires achieving returns through investments for growth with a clear time horizon, along with continuous and appropriate capital management.

## ② PER, PBR

PER has been in the 13x range since profitability improved in the fiscal year ended March 2023. While PBR has also remained above 1.0x, stock price is stagnant, and both PER and PBR have been largely flat. Although EPS has increased due to improved profitability, the rise in share price has been modest, and PER, which reflects growth expectations, remains low.

## ③ Initiatives

## \* Cash Allocation

Under the medium-term management plan [BX 2025], the company expects a cumulative cash inflow of 47–57 billion yen over the three years until the fiscal year ending March 2026. The latest forecast calls for an operating cash flow of approximately 50 billion yen and an increase in borrowings of about 3 billion yen.

Cash outflow is projected to be approximately 19 to 26 billion yen for investment for growth and approximately 25.4 billion yen for shareholder returns (excluding share buybacks). Major investments for growth in the fiscal year ending March 2026 are expected to amount to approximately 6 to 13 billion yen, including the construction of CREANATE Higashi-Hiroshima



new plant and the integration of SDS into the group.

**\* Shareholder Returns**

For the fiscal year ending March 2026, an interim dividend of 77.5 yen per share and a year-end dividend of 77.5 yen per share are projected. This represents an increase of 5 yen per share from the previous fiscal year, marking the 12th consecutive year of dividend growth. The projected dividend payout ratio is 70.1%.

#### **4. Interview with President Kondo**

We interviewed President Kondo about the key points of the financial results in the first half of the fiscal year ending March 2026, future initiatives, and his message to shareholders and investors.

**Q: Could you tell us about the performance of each business segment in the first half of the fiscal year ending March 2026?**

Overall, the results matched our expectations.

In the domestic interior segment, business was affected by a fire at a supplier's factory, but for the most part, we were able to resume supply and sales as planned. Our core wallpaper products saw a decrease in sales quantities in the first half, partly due to implementing price revisions before our competitors in December 2024. However, the product functionality enhancements we have continued to promote have been well received, and we were able to maintain a high market share. In addition, the sales composition ratio of high value-added medium-sized products has expanded to 25%. As a result, while domestic demand was weaker than anticipated, the domestic interior segment proved its resilience.

The domestic exterior segment has continued to record modest profitability each quarter since the third quarter of the fiscal year ending March 2025. Although the business environment remains challenging, sales contributions from the two locations opened in the Kanto region during the previous fiscal year have exceeded expectations, and by firmly controlling costs, we have the business turn profitable year on year. We are launching a growth strategy to generate profits in a more stable and sustainable manner.

In the overseas segment, profits in North America have expanded thanks to the steady progress of initiatives such as further strengthening the management foundation and business infrastructure. I recently had an in-depth discussion with the president of Koroseal, and found their growth strategy going forward to be highly ambitious. Sangetsu intends to fully support these efforts.

The interior product wholesale business in Southeast Asia, which underwent a management reform, turned profitable in the second quarter (April–June 2025). We will continue efforts to accelerate this positive trend. D'Perception, a company involved in design and construction, received orders for large-scale hotel projects in addition to its core office business, leading to a significant increase in sales. However, costs were incurred upfront, resulting in a loss in the first half. We expect that they will return to profitability in the second half. Meanwhile, the bases in China and Hong Kong have reformed their management structure, with operational improvements being led by local staff. The business environment is extremely challenging, particularly in real estate, but we aim to achieve rapid improvements in profitability by increasing Sangetsu's support in areas such as product development.

**Q: What are Sangetsu's unique strengths and competitive advantages regarding high value-added medium-sized products?**

A good example would be REATEC, one of our main medium-sized products. It is a self-adhesive decorative film with superior quality and technical capability. Combined with our finely-tuned sales network, its market share has been steadily increasing. REATEC is expected to grow not only in the Japanese market, but also overseas, so we will strengthen overseas marketing efforts in order to position it as a global product.

**Q: Group companies are contributing increasingly more to sales and profits. Could you tell us about future initiatives regarding this matter?**

As our business scale and business domains expand, strengthening the business foundations and earning power of each group company and strengthening consolidated management of the Sangetsu Group as a whole will be vital for enhancing corporate value going forward.

Our relationship with group companies goes beyond that between a parent company and subsidiary. We respect their autonomy and independence as individual companies, and we will support each company in improving their capabilities. Our group companies operate business in a wide range of industries such as manufacturing, construction, logistics, and wholesale. We will provide the maximum support in any aspect each company needs, including dispatching personnel if necessary.

**Q: In your medium-term management plan, you list “strengthening human capital” as a key theme. What is the current progress and what challenges remain?**

Because our business domain has expanded and the number of group companies has increased, we have been actively hiring mid-career staff in addition to new graduates for the past few years. There are still many aspects in which we can grow stronger as a company, and many new businesses to pursue, so we will continue to recruit highly skilled professionals while advancing the skills and capabilities of our existing employees.

For example, we feel like there is still room for improvement in our training programs. The business environment is changing dramatically, and we are reviewing the content and structure of training programs based on employees’ roles to ensure that they will acquire necessary skills and capabilities.

**Q: CREANATE’s Higashi-Hiroshima plant has been completed. How do you plan to effectively utilize your manufacturing capabilities going forward?**

Wallcoverings can be broadly divided into two categories, mass-produced ones and high value-added general ones. CREANATE is particularly strong in mass-produced wallcoverings. Domestic supply and demand for mass-produced wallcoverings are very tight across the entire industry, so the main objective of Higashi-Hiroshima plant is to work with Ichinoseki plant in Iwate Prefecture to build a sustainable and stable supply system for competitive products. The third plant Narita plant mainly produces general wallcoverings. CREANATE is the only domestic manufacturer within the Sangetsu Group, and Sangetsu will collaborate with them to promote the development of innovative and high value-added products. This includes not only wallpapers, but also products that address market and customer needs as well as social challenges.

**Q: Thank you. Finally, what message would you like to give to shareholders and investors?**

Our share price increased after strong performance in the fiscal years ending March 2023 and March 2024, but since then it has remained flat.

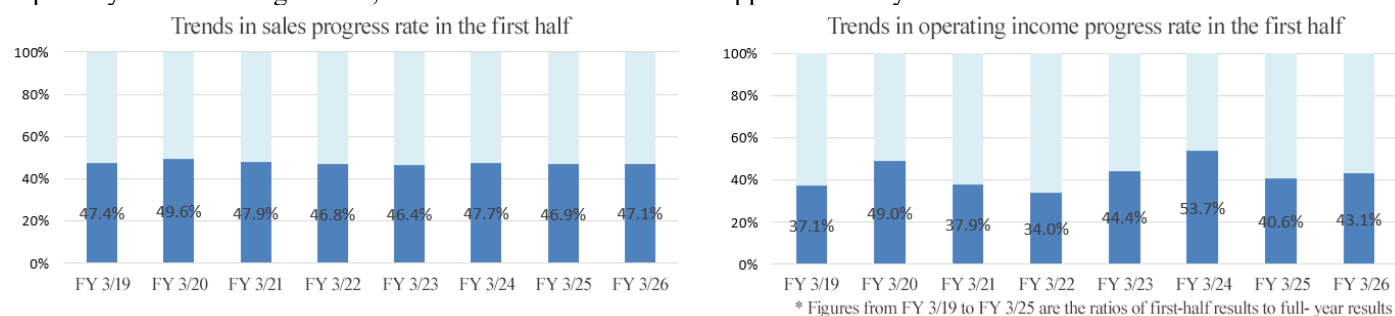
As such, we fully recognize that our next growth strategy is under close scrutiny.

We are currently formulating our next medium-term management plan, which will be announced in May 2026. Key points include expanding the existing interior product wholesale business within the stable domestic interior segment while exploring business development in peripheral fields; considering how to accelerate growth of the overseas segment, which has more room for growth than the Japanese market; and carefully assessing the best way to build a foundation for profit-generating growth in the domestic exterior segment and the comprehensive space business. We will also provide a detailed explanation of the personnel systems and investment plans that will support these initiatives.

We would sincerely appreciate your continued support for our efforts.

## 5. Conclusions

The progress rate as of the end of the first half of the fiscal year was 47.1% for sales and 43.1% for operating income. These rates are almost as usual, as their performance is better in the second half of each fiscal year. In the final fiscal year of the medium-term management plan (2023-2025) [BX 2025], we would like to pay attention to how much they can earn sales and profit by growing the sales of medium-sized products (high value-added products), whose presence is growing, recovering the sales of flooring materials by resuming supply after the fire accident, and appropriately controlling SG&A expenses in the domestic interior segment, which is projected to see a slight decrease in profit due to the downturn in domestic demand, especially in the housing market, and the effect of the fire at a supplier's factory.



### <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.

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

## BRIDGE REPORT

**(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	<b>Complete shift to service-oriented sales business</b>  Business in which services generate added value	<b>Providing solutions</b>  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>

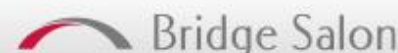
- \* A function to propose attractive space designs based on concepts that are optimal for each market
- \* A space material supply function with advanced planning, development, and procurement capabilities, to propose a wide range of products
- \* A function for inventory, delivery, and logistics, which 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

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.

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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

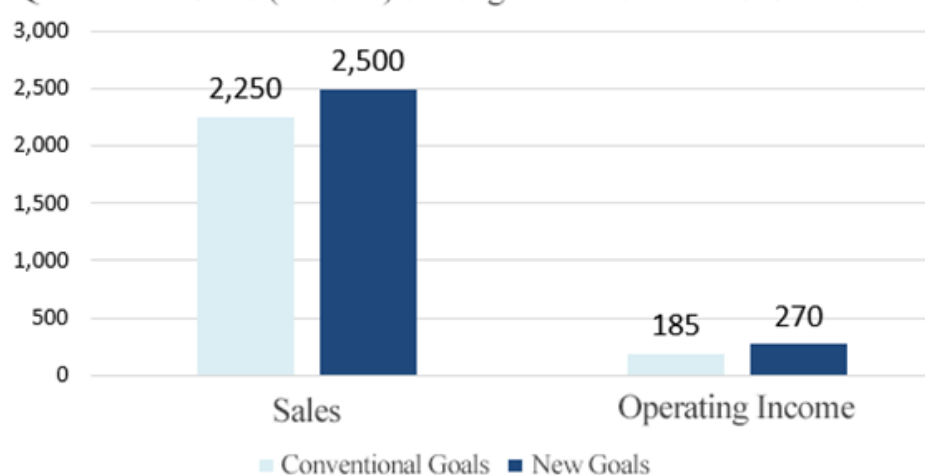
While the company has confirmed the expansion of its revenue base and the stability of its earnings by converting into a Space Creation Company, it has also recognized the need to further develop its business beyond being a Space Creation Company in order to achieve even greater growth.

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.

**BRIDGE REPORT**

## &lt;New Organizational Structure&gt;

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.

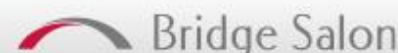
### ⑤ Enhancing social value

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

## BRIDGE REPORT



- 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.

## &lt;Society&gt;

- \* 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



## BRIDGE REPORT



## ◎ Targets in each segment

	FY 3/23	FY 3/26
Net sales	1,760.2	2,100.0
Domestic Interior	1,479.8	1,660.0
Domestic Exterior	62.9	72.5
Overseas	217.5	367.5
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

&lt;Reduction of environmental impact in business activities (Scopes 1 &amp; 2)&gt;

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

&lt;Health and skill development of employees, reform of corporate culture&gt;

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.

&lt;Promotion of Diversity/Equity and Inclusion&gt;

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

&lt;Participation in Communities&gt;

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.”

<b>An equal and healthy inclusive society</b>  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.	
<b>The global environmental protection with sustainable society</b>  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.	
<b>A more affluent and enjoyable society</b>  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"> <li>- 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. (<a href="https://www.sangetsu.co.jp/company/sustainability/social/divercity_policy.html">https://www.sangetsu.co.jp/company/sustainability/social/divercity_policy.html</a>)</li> <li>- 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.</li> <li>- 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.</li> <li>(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 &amp; 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+.</li> <li>- 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</li> </ul>
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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](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](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>(<a href="https://www.sangetsu.co.jp/company/sustainability/environment/risk.html">https://www.sangetsu.co.jp/company/sustainability/environment/risk.html</a>)</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"> <li>- 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.</li> <li>- Our company has established the Publicity and IR Section of the Corporate Strategy Office for rational communication with our shareholders and swift IR activities.</li> <li>- 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.</li> <li>- 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.</li> <li>- 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.</li> <li>- 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.)</li> <li>- 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.</li> <li>- Our company creates an integrated report for every fiscal year and publishes such reports both in Japanese and in English through our website. (<a href="https://www.sangetsu.co.jp/company/ir/library/report.html">https://www.sangetsu.co.jp/company/ir/library/report.html</a>)</li> <li>- 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.</li> <li>- 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.</li> <li>- 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.</li> </ul>

## BRIDGE REPORT



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