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# **Sangetsu Corporation**

## **Session for Briefing Financial Results in Q2 of FY 2024 (H1) and Management Strategies**

November 19, 2024

Yasumasa Kondo Representative Director, President and CEO

Securities code: 8130

(Prime Market of Tokyo Stock Exchange and Premier Market of  
Nagoya Stock Exchange)

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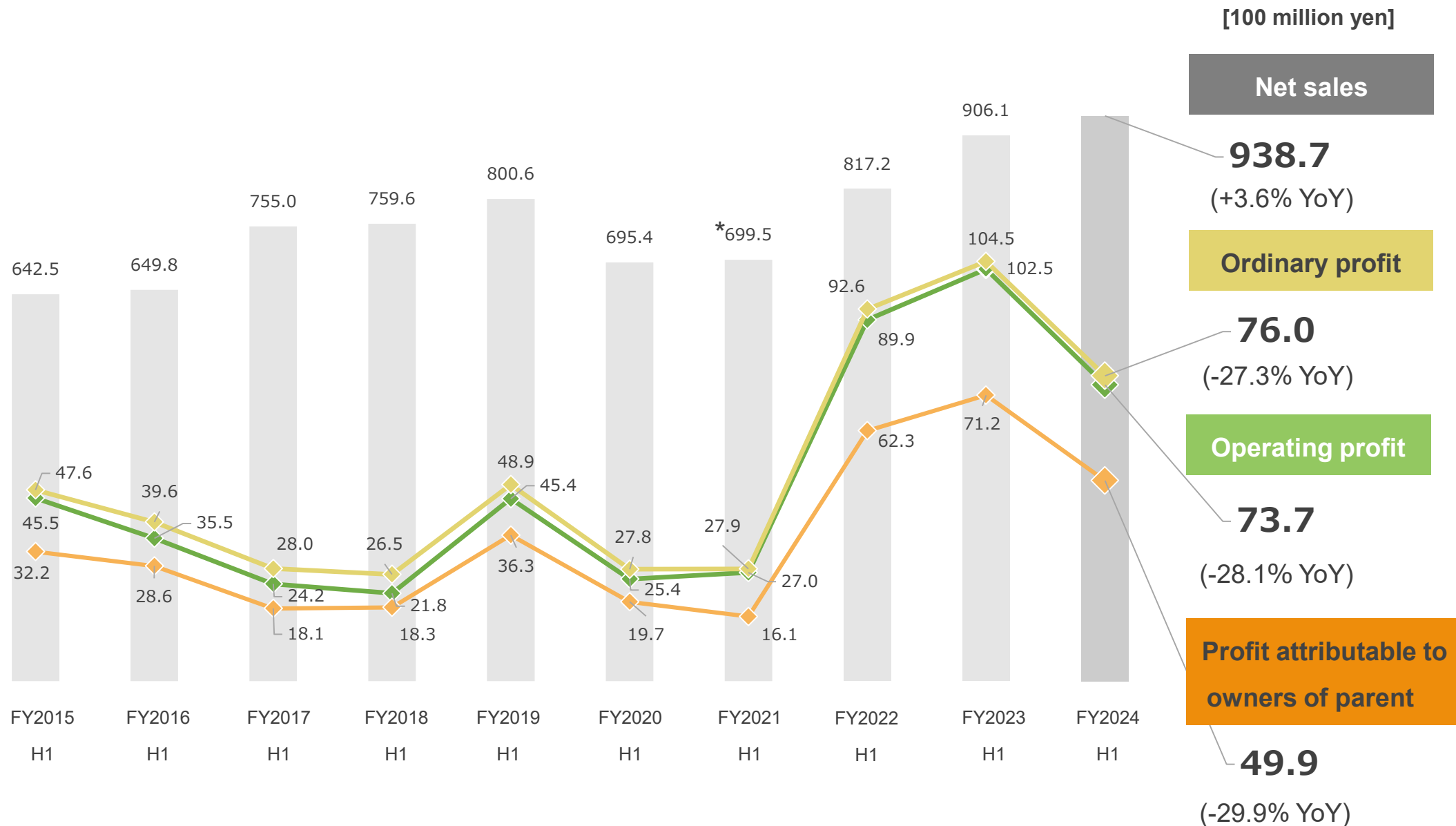
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# **1. Overview of results for FY2024 Q2 (H1)**

# Consolidated Profit-and-Loss Statement

	FY2023 H1	FY2024 H1 [100 million yen, %]			
	Results	Results	YoY	Forecasts for H1	Achievement rate
Net sales	906.1	<b>938.7</b>	+32.6 (+3.6%)	935.0	100.4%
Gross profit	289.2	<b>289.7</b>	+0.5 (+0.2%)	290.5	99.8%
(Margin)	(31.9%)	<b>(30.9%)</b>		(31.1%)	
SGA	186.6	<b>215.9</b>	+29.3 (+15.7%)	214.5	100.7%
Operating profit	102.5	<b>73.7</b>	-28.8 (-28.1%)	76.0	97.1%
(Margin)	(11.3%)	<b>(7.9%)</b>		(8.1%)	
Ordinary profit	104.5	<b>76.0</b>	-28.4 (-27.3%)	78.0	97.5%
Profit attributable to owners of parent	71.2	<b>49.9</b>	-21.2 (-29.9%)	52.0	96.1%

# Variations in Consolidated Net Sales, Operating Profit, Ordinary Profit, and Profit Attributable to Owners of Parent



# Key Points of Financial Results in FY2024 Q2(H1)

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## ■ Consolidated Results

- Net sales reached a record high in the interim results.  
Domestic Interior Segment and North American Business contributed to the increase in net sales year on year.
- Profit decreased year on year due to an increase in cost of sales in the Domestic Interior Segment and an increase in SG&A expenses throughout the Group.

## ■ Domestic Interior Segment

- Net sales increased year on year, despite a slower-than-expected market mainly for new housing. Sales volume for wallcoverings and floor materials fell below expectations.  
Net sales were in line with the plan due to the acceleration of sales promotion of Medium-sized products \*, a strategic product.
- Sales prices of products during the interim period remained almost unchanged.
- Cost increased due to increases in procurement costs, logistics costs, utility costs, etc. Gross profit per unit decreased year on year.
- SGA expenses (mainly personnel expenses) increased 10.2% year on year, but the progress was as planned.

# Key Points of Financial Results in FY2024 Q2(H1)

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## ■Domestic Exterior Segment

- Sungreen Co., Ltd., which is the core of this segment, posted a loss in operating profit due to a year-on-year decline in net sales due to market weakness.
- Increase in the number of new customers year on year due to sales expansion at two new brunch opened in the Kanto region and the effect of human capital expansion implemented in the previous year.

## ■Overseas Segment

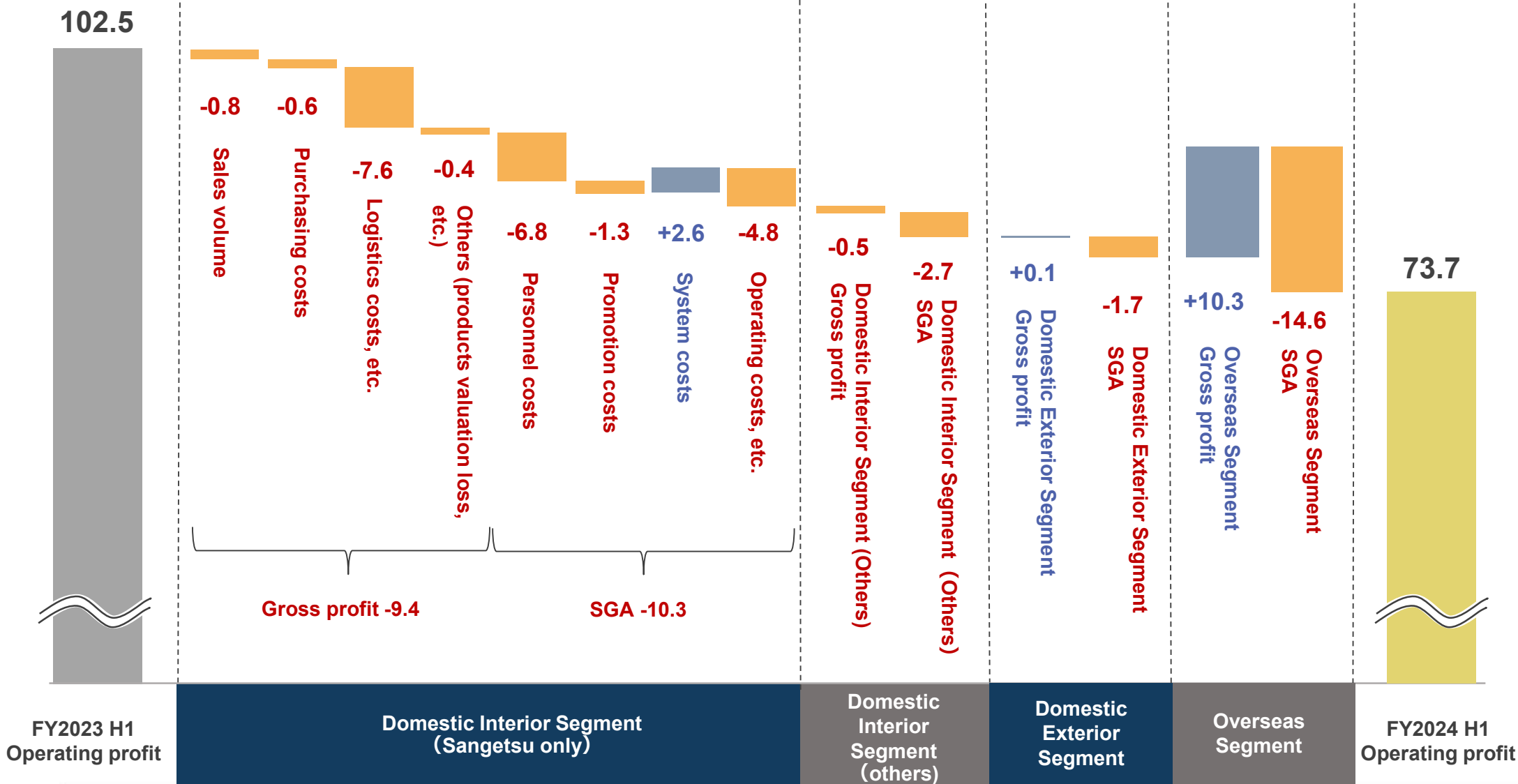
- While the North American Business continued to be profitable, losses continued in Southeast Asia, China and Hong Kong.

In addition, due to the recording of one-time expenses related to the acquisition of shares in D'Perception Pte. Ltd. in Singapore in Q1, the loss increased year on year.

- The North American Business continued to perform well.  
Continued profitability due to increased performance in fields other than the main hotel market (educational facilities, apartment buildings, etc.) and the effect of price revision of wallcoverings made in-house.
- In Southeast Asia, business performance in Malaysia and Vietnam was on an improvement trend from the previous fiscal year. However, in Singapore, which has a large business scale, operating loss increased due to a decline in net sales and the heavy burden of personnel expansion aimed at enhancing functions.
- In China, operating loss has been on an improving trend due to the ongoing development of the business base and customer development, despite the difficult market environment.

# Change in Consolidated Operating Profit (YoY :April-September)

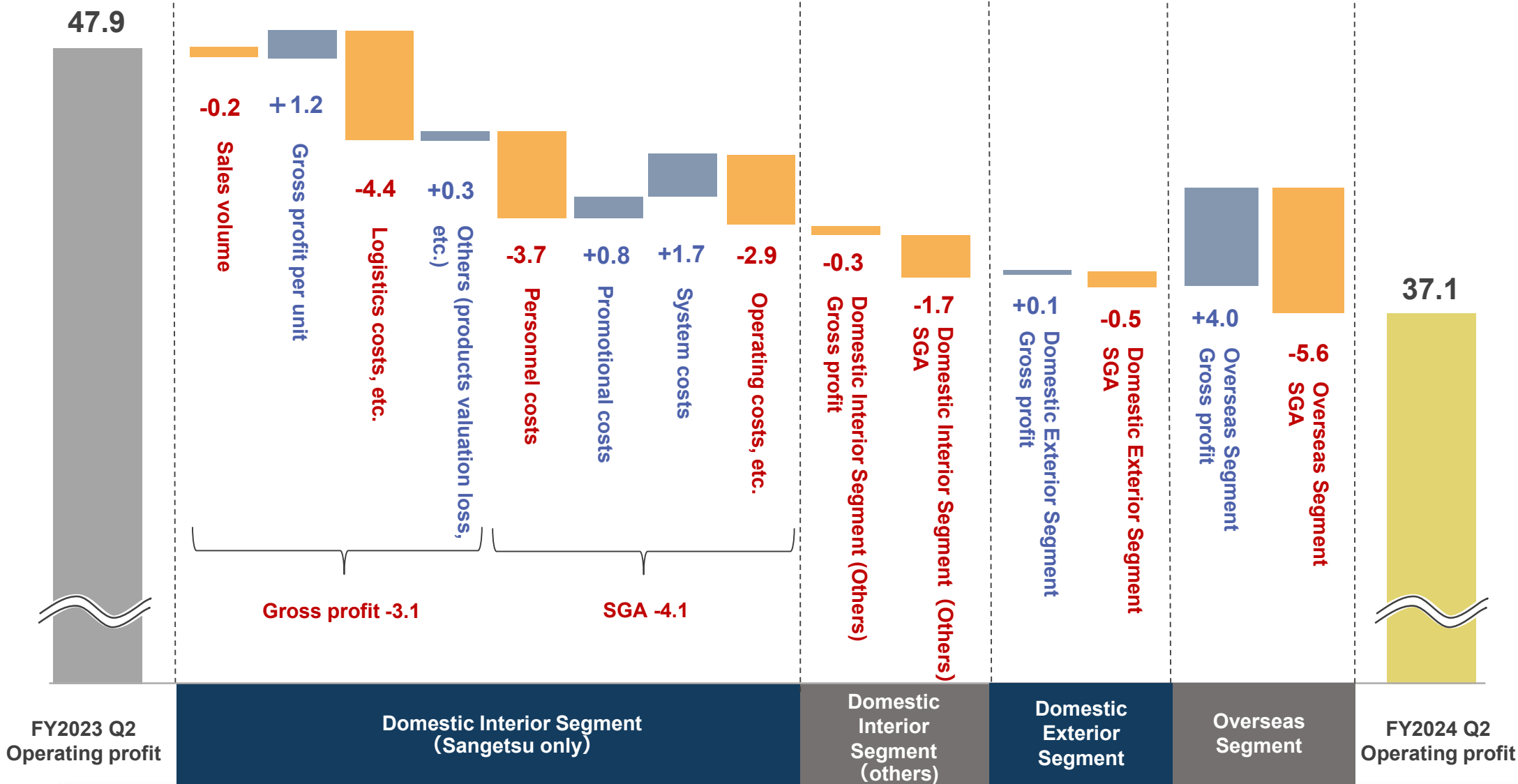
[100 million yen]





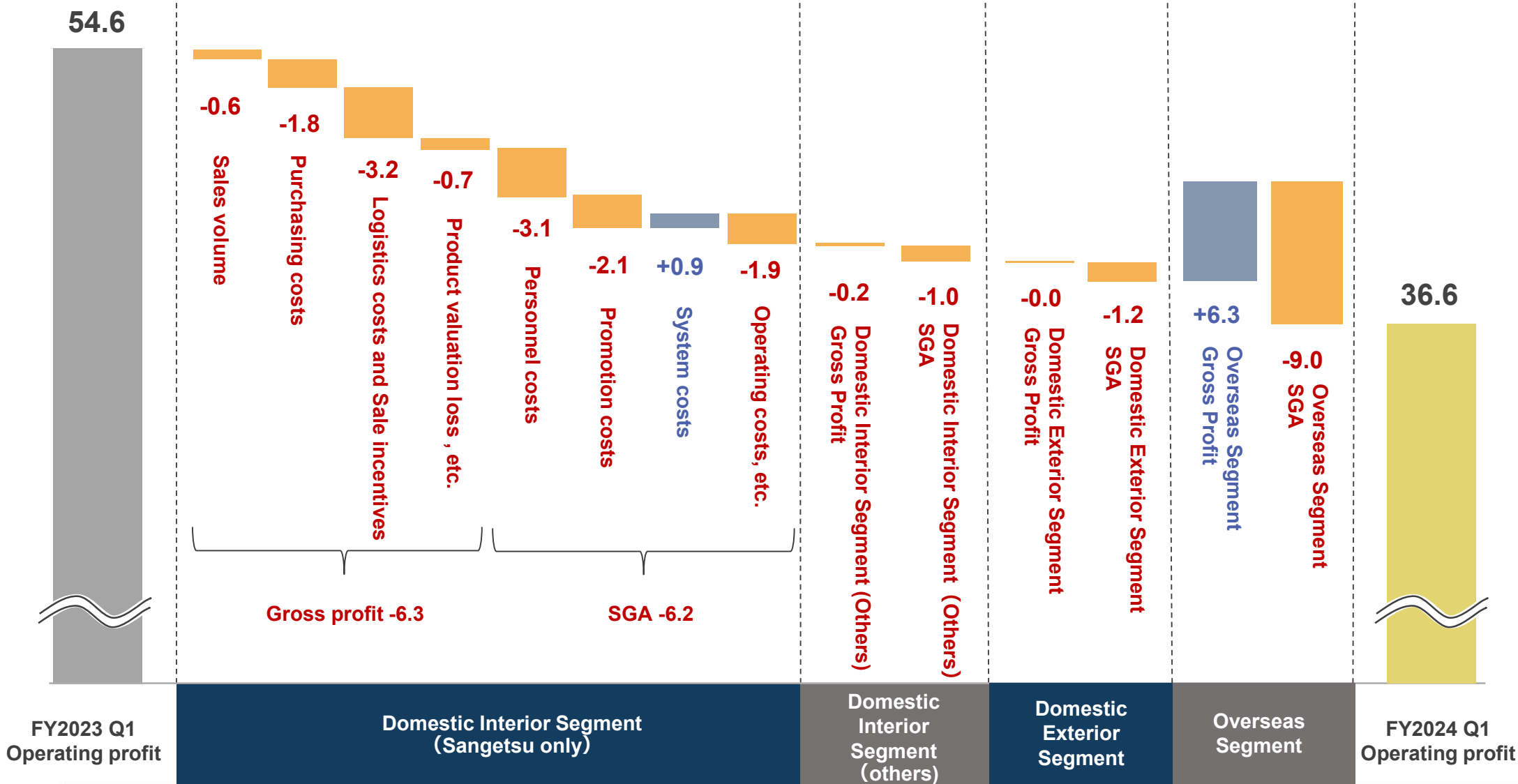
# Reference: Change in Consolidated Operating Profit (YoY :July-September)

[100 million yen]

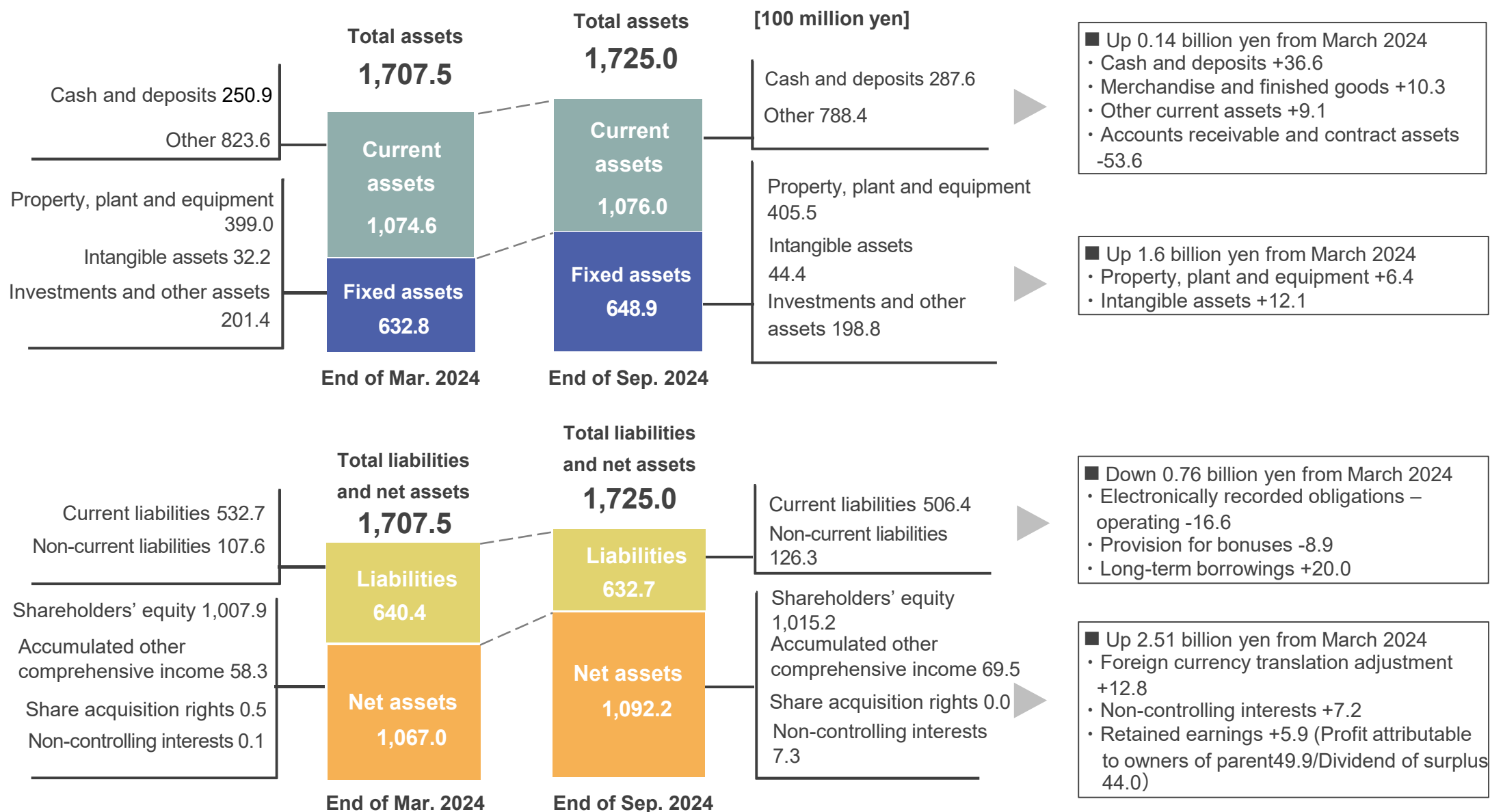


# Reference: Change in Consolidated Operating Profit (YoY :April-June)

[100 million yen]



# Consolidated Balance Sheet



# Consolidated Cash Flow Statement

## Cash and cash equivalents: Up 3.78 billion yen

[100 million yen]

### ■ Operating cash flow

**+100.1**

Decrease in accounts receivable  
Profit before income taxes  
Decrease in accounts payable  
Payment of income taxes

+88.1  
+75.7  
-25.2  
-25.0

### ■ Investment cash flow

**-41.4**

Acquisition of tangible and intangible fixed assets  
Expenditure for acquiring of shares of subsidiaries that  
would change the scope of consolidation

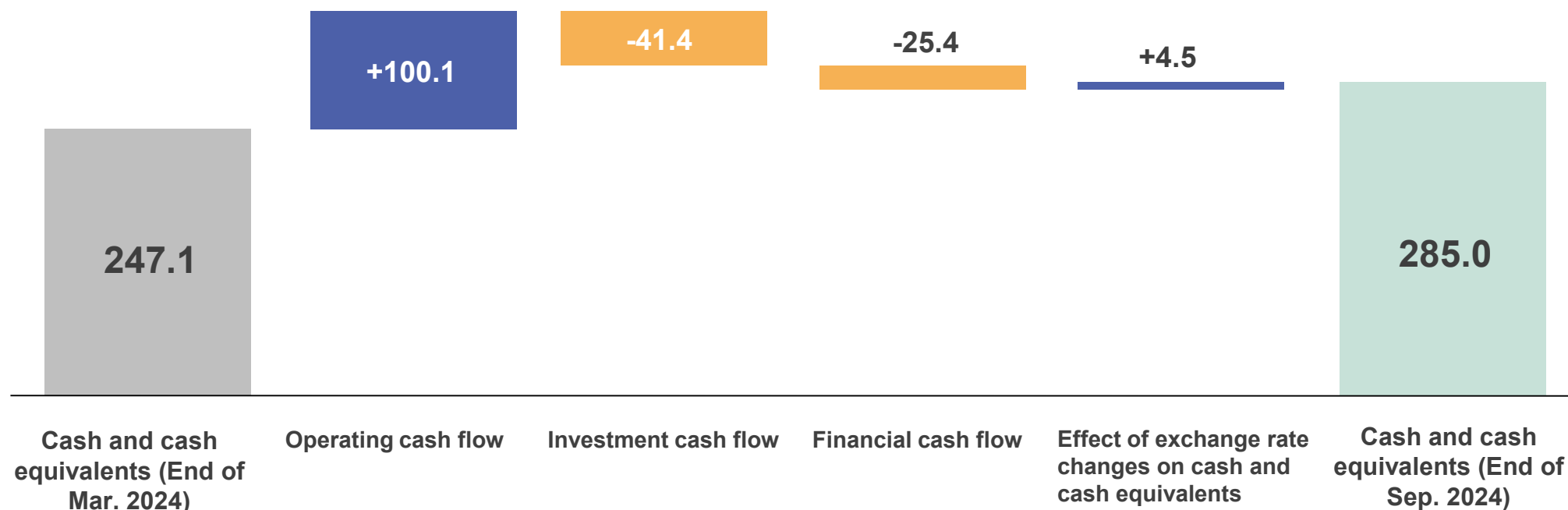
-26.0  
-18.1

### ■ Financial cash flow

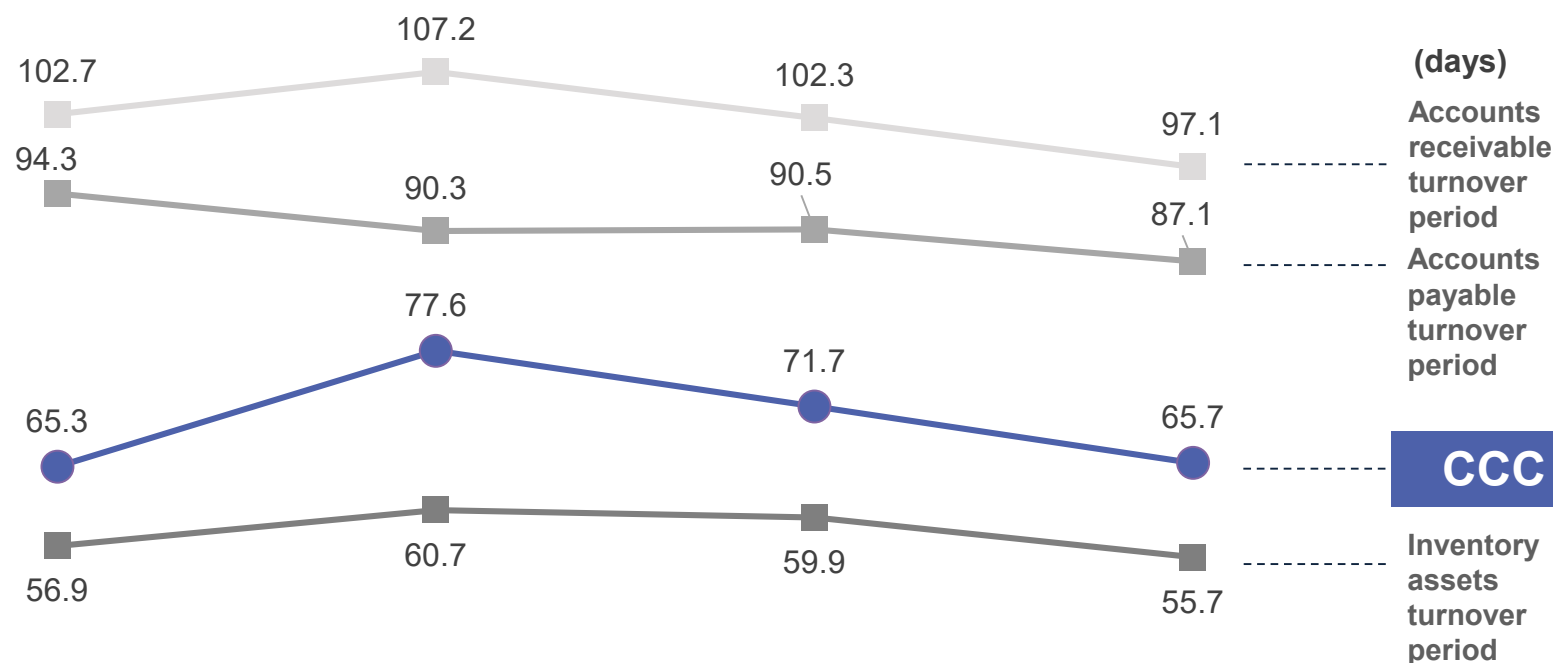
**-25.4**

Payment of dividends  
Change in debts

-43.9  
+20.0



# Consolidated Cash Conversion Cycle



	FY2021 Q2	FY2022 Q2	FY2023 Q2	FY2024 Q2
Accounts receivable turnover period	102.7	107.2	102.3	97.1
Accounts payable turnover period	94.3	90.3	90.5	87.1
Inventory assets turnover period	56.9	60.7	59.9	55.7
CCC	65.3	77.6	71.7	65.7

**【BX 2025】**  
Target 65 days

# Net Sales and Operating Profit of Each Segment

	FY2023 H1	FY2024 H1 [100 million yen, %]			
	Results	Results	YoY	Forecasts for H1	Achievement rate
<b>Domestic Interior Net sales</b>	763.4	<b>778.1</b>	+14.6 (+1.9%)	780.0	99.8%
Wallcoverings Unit	375.2	<b>377.6</b>	+2.4 (+0.6%)	-	-
Flooring Materials Unit	267.0	<b>277.3</b>	+10.3 (+3.9%)	-	-
Fabrics Unit	45.1	<b>44.6</b>	-0.5 (-1.1%)	-	-
Construction and others	75.9	<b>78.3</b>	+2.4 (+3.2%)	-	-
<b>Operating profit</b>	103.0	<b>80.0</b>	-22.9 (-22.3%)	78.9	101.5%
<b>Domestic Exterior Net sales</b>	32.1	<b>31.3</b>	-0.7 (-2.4%)	30.0	104.6%
<b>Operating profit</b>	1.1	<b>-0.4</b>	-1.5 (-)	0.1	-
<b>Overseas Net sales</b>	110.6	<b>129.3</b>	+18.6 (+16.9%)	125.0	103.5%
<b>Operating profit</b>	-1.5	<b>-5.8</b>	-4.3 (-)	-3.0	-
Adjustment of transactions between segments (Net sales)	-0.1	<b>-0.1</b>	+0.0(-)	-	-
Adjustment of transactions between segments (Operating profit)	0.0	<b>0.0</b>	-0.0(-0.0%)	-	-
<b>Consolidated Net sales</b>	906.1	<b>938.7</b>	+32.6 (+3.6%)	935.0	100.4%
<b>Consolidated Operating profit</b>	102.5	<b>73.7</b>	-28.8 (-28.1%)	76.0	97.1%

# Domestic Interior Segment: Situation of the Domestic Construction Market

## Residential market



### New construction

Statistics of new housing starts YoY

New housing starts

Floor area of new housing

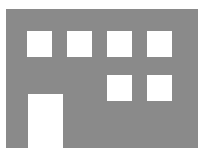
Jan. to Sep. 2024	<b>-3.7%</b>	Jan. to Sep. 2024	<b>-6.4%</b>
Apr. to Sep. 2024	<b>-0.8%</b>	Apr. to Sep. 2024	<b>-3.5%</b>

### New construction

Floor area of private non-residual buildings YoY  
(for each purpose of use; excluding warehouses and factories)

<b>FY2024</b> (Apr. to Sep.)	<b>-4.4%</b>
<b>FY2023</b>	<b>-9.0%</b>
<b>FY2022</b>	<b>-6.5%</b>
<b>FY2021</b>	<b>+4.2%</b>

## Non-residential market



### Remodeling

MLIT survey on the remodeling and renovation of buildings  
(Amount of orders) YoY (Apr. to Jun. 2024)

<b>Total in the residential market</b>	<b>+4.3%</b>
<b>Detached houses</b>	<b>+1.3%</b>
<b>Apartment buildings</b>	<b>+10.6%</b>

### Renovation

Survey on the remodeling and renovation of buildings  
(Amount of orders) YoY (Apr. to Jun. 2024)

<b>Total in the non-residential market</b>	<b>+13.8%</b>
<b>Offices</b>	<b>-11.8%</b>
<b>Restaurants</b>	<b>+33.0%</b>
<b>Sale of goods</b>	<b>-5.9%</b>
<b>Medical care</b>	<b>-34.1%</b>
<b>Accommodation</b>	<b>+9.9%</b>
<b>Welfare</b>	<b>+28.6%</b>

# Domestic Interior Segment: Net Sales of Wallcoverings and Flooring Materials

## Wallcoverings

FY2024 1H  
Sales of wallcoverings

**37.76** billion yen  
(+0.6% YoY)

Our shipment  
quantity  
(Apr-Sep 2024)

**-0.9%** YoY

## Flooring materials

FY2024 1H  
Sales of flooring materials

**27.73** billion yen  
(+3.9% YoY)

Our shipment  
quantity  
(Apr-Aug 2024)

**-0.5%** YoY

Shipment quantity of wallcoverings  
in the entire industry\*

(Apr-Sep 2024)

**-4.3%** YoY

Source: JAPAN WALLCOVERINGS ASSOCIATION

Shipment quantity of flooring  
materials in the entire industry

(Apr-Aug 2024)

**+0.3%** YoY

Sources: NIPPON INTERIOR ASSOCIATION (vinyl chloride flooring materials)  
and Japan Industrial Association for Carpets (fibrous flooring materials)

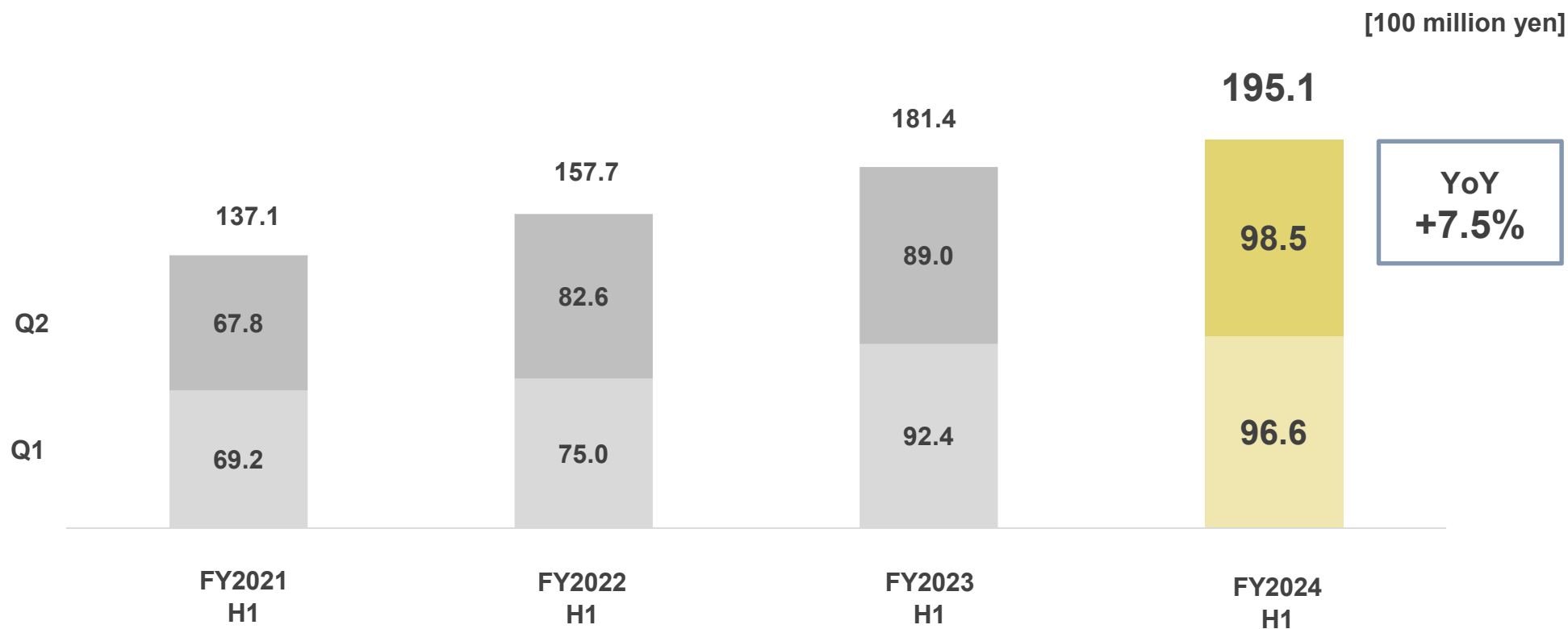
\*Calculated from data on wallcoverings (vinyl chloride resin and plastic ones).



# Domestic Interior Segment: Sales Status of Medium-sized Products

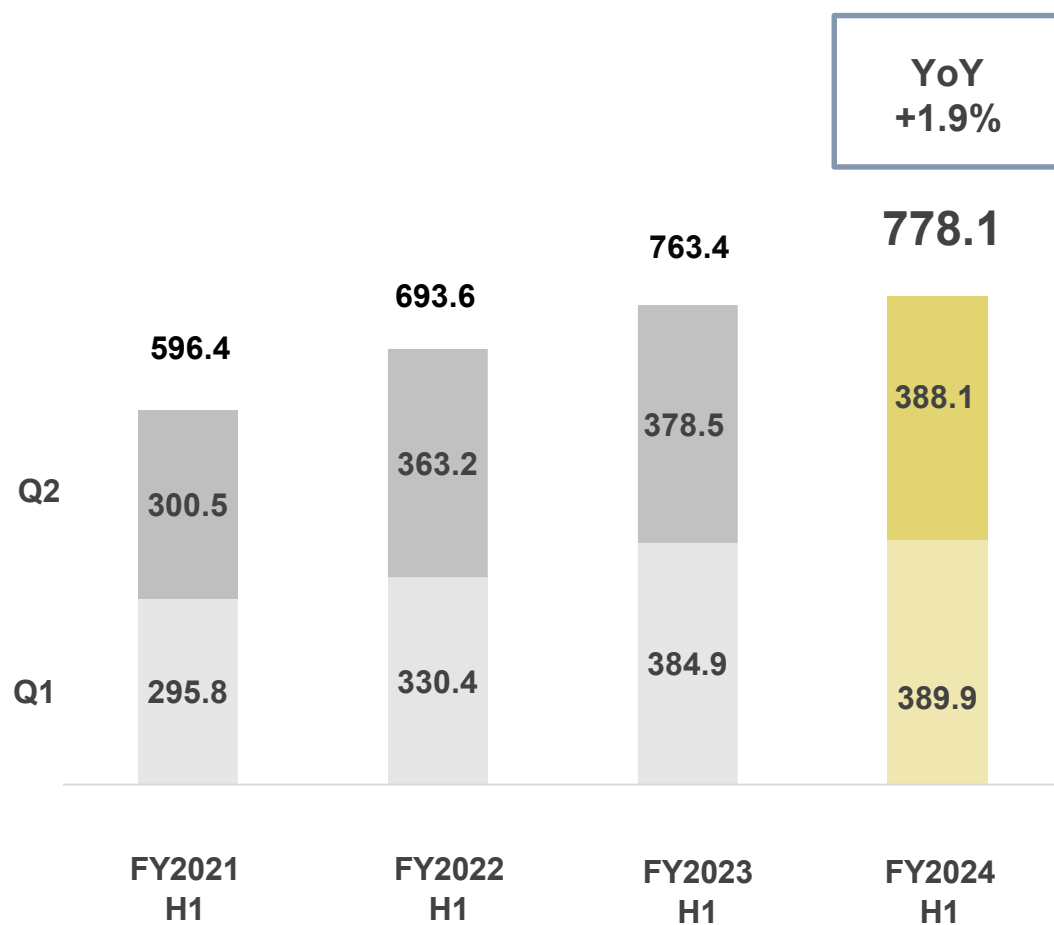
## Medium-sized Products

Total sales of REATEC (adhesive-attached decorative film) , glass film, carpet tiles, floor tiles, chair- upholstery, which are viewed as “Medium-sized Products” which are strategical in the current medium-term business plan

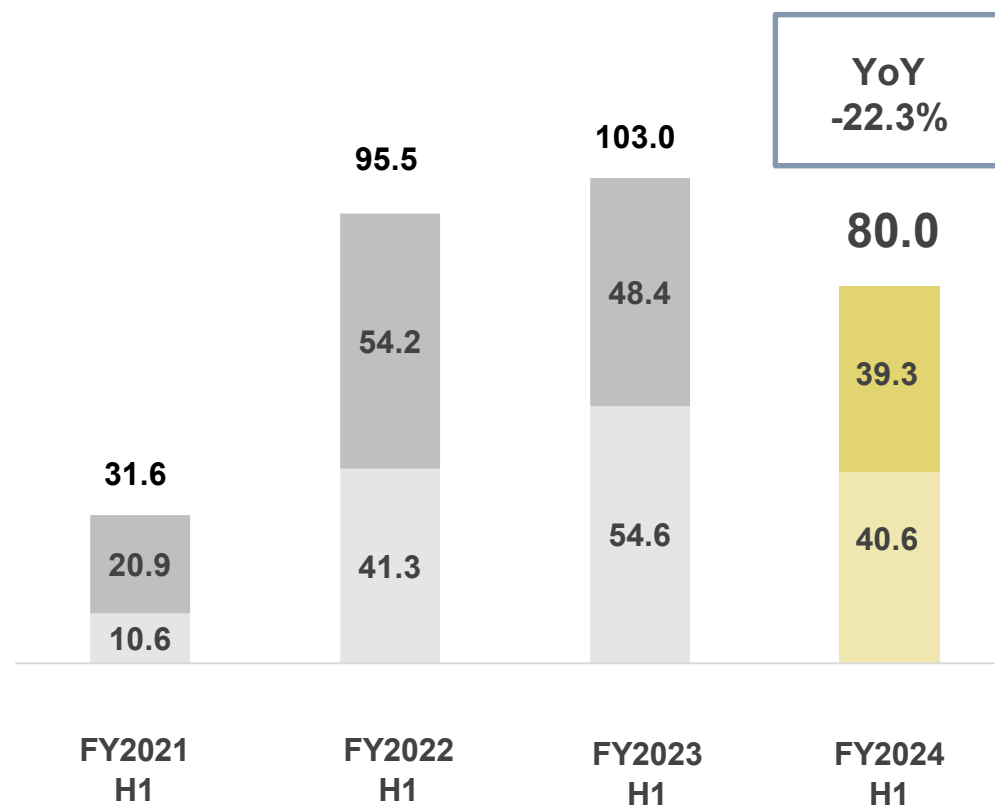


# Domestic Interior Segment

Net sales [100 million yen]

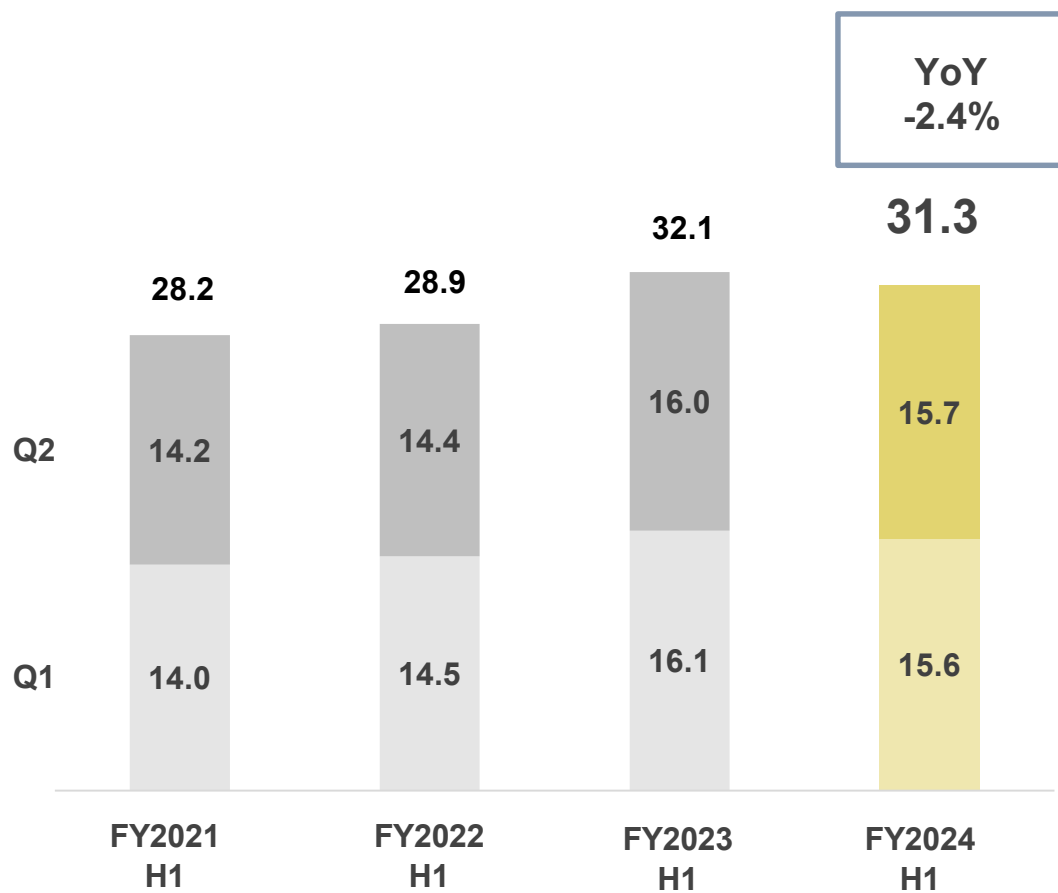


Operating profit [100 million yen]



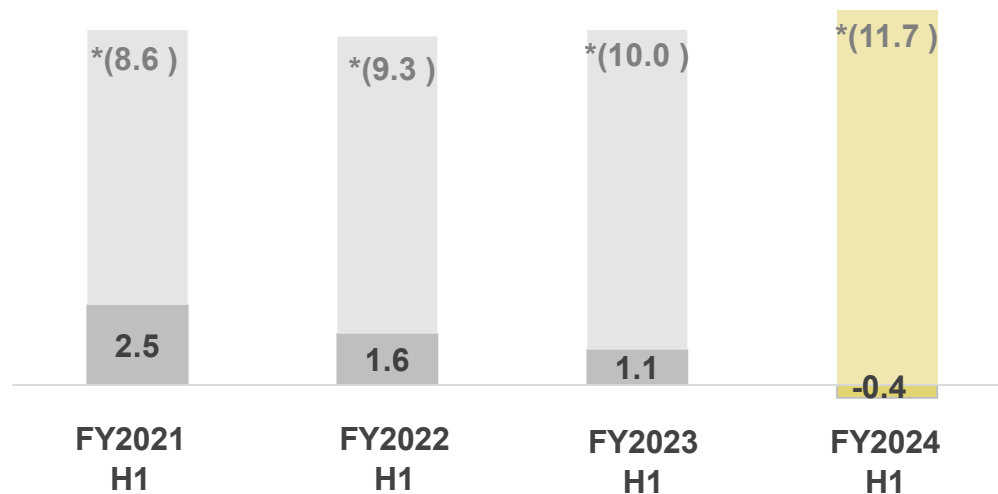
# Domestic Exterior Segment

Net sales [100 million yen]



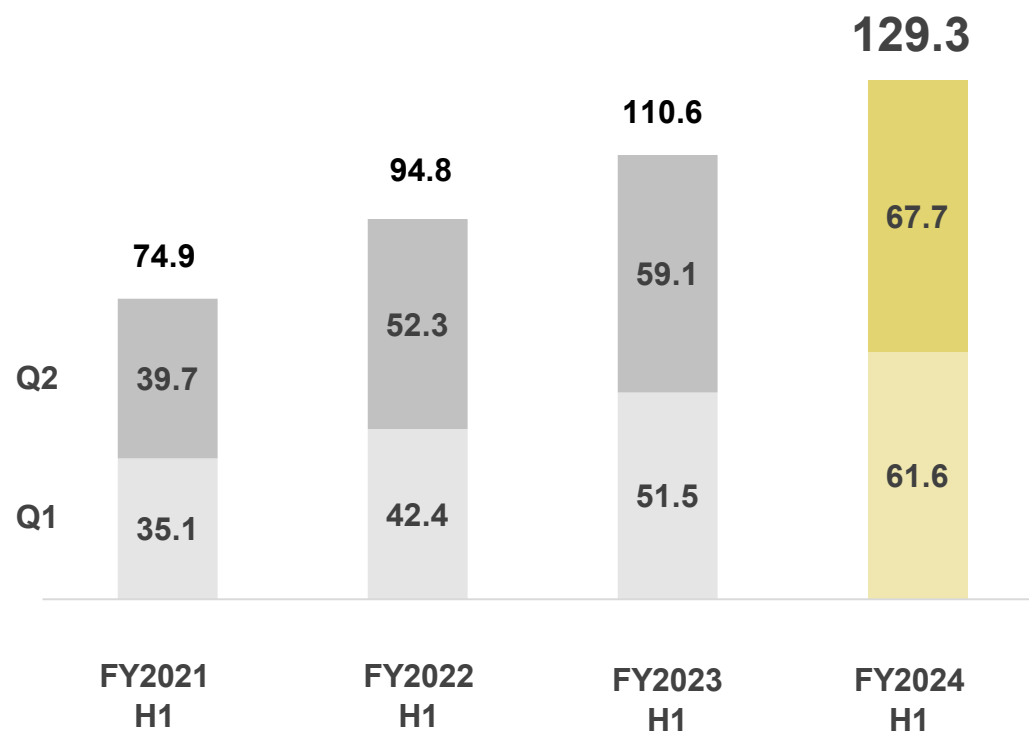
Operating profit [100 million yen]

\*The parenthesis represents SG&A.



# Overseas Segment

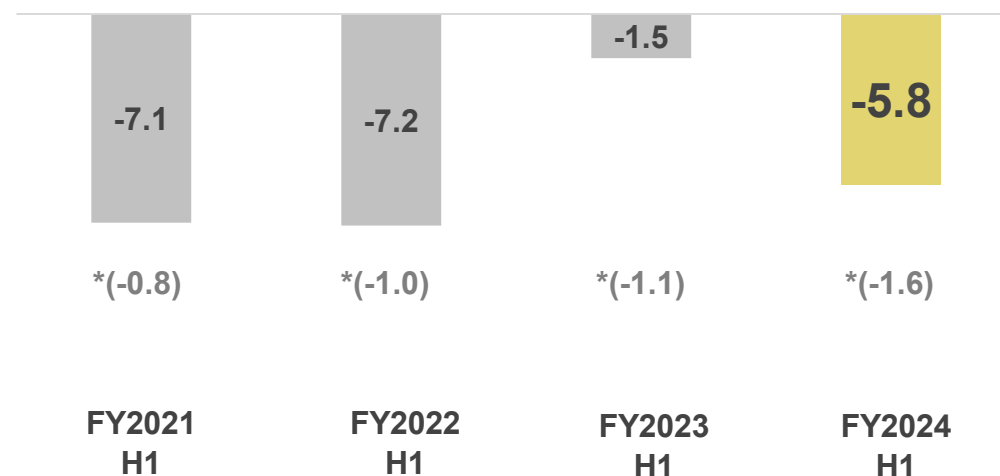
Net sales [100 million yen]



(Cumulative consolidated period: Jan. to Jun. 2024)

Operating profit [100 million yen]

\*The parenthesis represents the profit/loss of the overseas business unit (for reference).



Since the fiscal year ended Mar. 2024, the profit/loss of the overseas business unit of Sangetsu Corporation has been included in the overseas segment instead of the domestic interior segment.

For the comparison with the past, the above chart shows the results of the inclusion of the profit/loss of the overseas business unit (former overseas business section) in the period from FY2021 to FY2022 for reference.

## **2. Earnings forecasts for FY2024**

# Key Points of the Forecast for FY2024

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## ■ Market Environment

### Japanese market

- Housing market is weakening year on year. In particular, new housing is expected to be tougher than initial forecasts.
- In the non-housing market, new construction is expected to be weak, but renewal is expected to be firm compared to the housing market.

### Overseas market

- In the North American business, which is the largest business in the overseas segment, the main hotel market is expected to remain firm.
- In China, the construction market has been sluggish for a long time and the situation has continued to be difficult due to the withdrawal of Japanese companies.
- There are signs of a slowdown in the overall construction market in Southeast Asia.

## ■ Raw Material Cost

- Raw material manufacturers raised prices in the first half of this fiscal year against the backdrop of high crude oil prices, weak yen, and rising logistics and personnel costs.  
In addition, due to increases in logistics and utility costs, our company decided that it would not be able to absorb the increase through its own efforts. Therefore, in August 2024, we announced a revision of the product transaction price (scheduled to begin with orders received on December 1), and negotiations are underway.

# Key Points of the Forecast for FY2024

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## ■ Full-Year Outlook

Market conditions are expected to continue to be more severe than initially anticipated.

In this market environment, the following measures will be implemented during the current fiscal year and the full-year forecast will remain unchanged.

- Implementation of revision of commodity transaction prices (scheduled from December 1 orders).
- Strategic and efficient control of SGA expenses.
- Promote growth strategies such as expanding human capital and strengthening IT infrastructure in North America.
- Development and sales expansion of products in fields where growth is expected (construction saving, environmental consideration, etc.).

# Consolidated Earnings Forecasts for FY2024

Announced on May 10, 2024 (No changes)

	FY2023	FY2024 [100 million yen, %]				
	Full-year	Full-year		H1		
	Results	Forecasts	YoY	Forecasts	Results	Full year Progress rate
<b>Net sales</b>	1,898.5	1,960.0	+61.4 (+3.2%)	935.0	938.7	47.9%
<b>Gross profit</b>	589.5	605.0	+15.4 (+2.6%)	290.5	289.7	47.9%
<b>(Margin)</b>	(31.1%)	(30.9%)		(31.1%)	(30.9%)	
<b>SGA</b>	398.5	445.0	+46.4 (+11.7%)	214.5	215.9	48.5%
<b>Operating profit</b>	191.0	160.0	-31.0 (-16.2%)	76.0	73.7	46.1%
<b>(Margin)</b>	(10.1%)	(8.2%)		(8.1%)	(7.9%)	
<b>Ordinary profit</b>	196.9	165.0	-31.9 (-16.2%)	78.0	76.0	46.1%
<b>Profit attributable to owners of the parent</b>	142.9	110.0	-32.9 (-23.0%)	52.0	49.9	45.4%

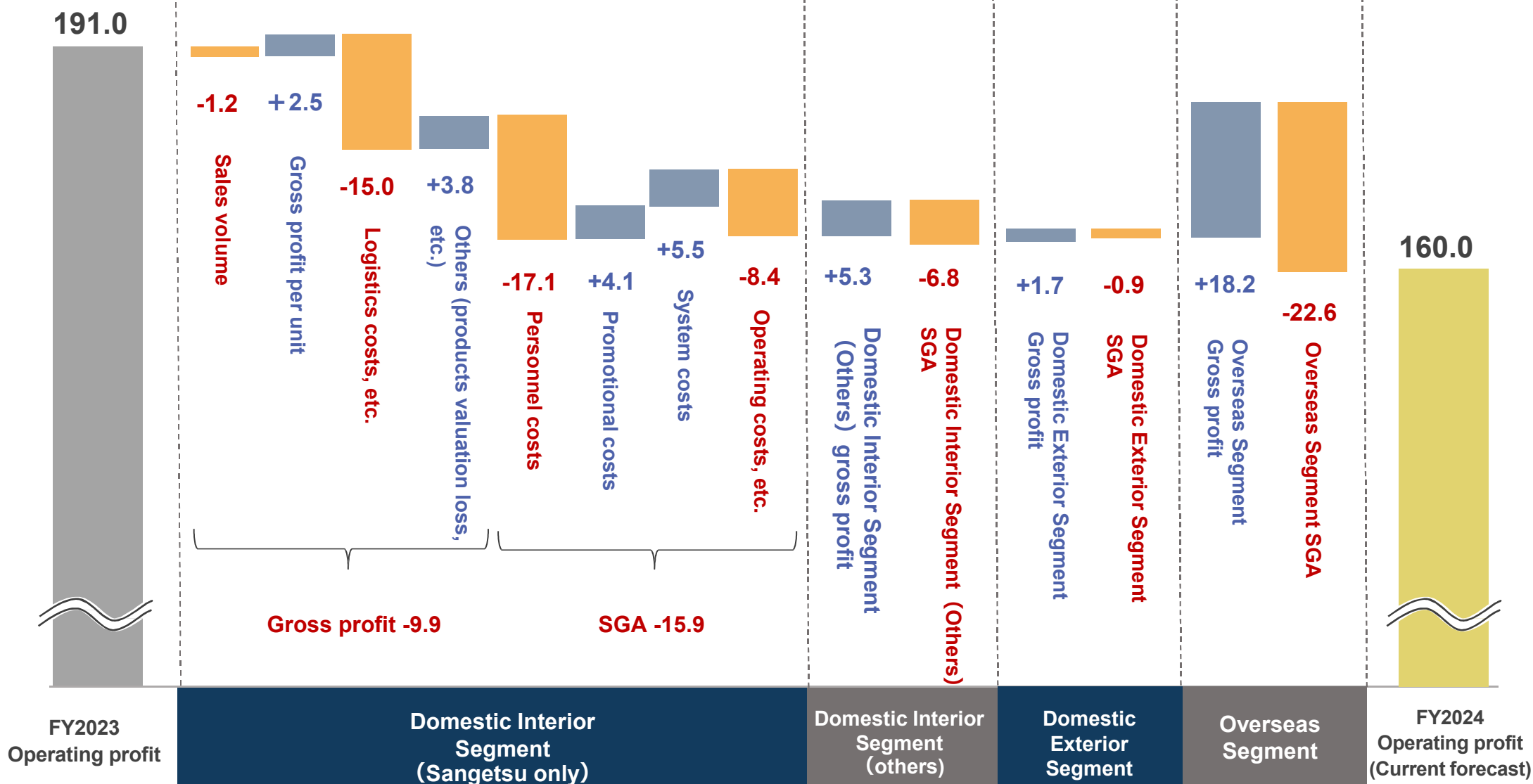


# Earnings Forecasts For Each Segment

		FY2023		FY2024						[100 million yen, %]
		H2	Full-year	H2			Full-year			
		Results		Initial Forecasts	Revised Forecasts	Revised Forecast YoY	Initial Forecasts	Revised Forecasts	Revised Forecast YoY	
Domestic Interior	Net sales	828.1	1,591.5	830.0	833.8	+5.7 (+0.7%)	1,610.0	1,612.0	+20.4 (+1.3%)	
	Operating profit	91.8	194.8	83.6	87.4	-4.4 (-4.8%)	162.5	167.5	-27.3 (-14.1%)	
Domestic Exterior	Net sales	32.4	64.6	33.0	31.6	-0.8 (-2.7%)	63.0	63.0	-1.6 (-2.5%)	
	Operating profit	-1.8	-0.7	0.4	0.4	+2.2 (-)	0.5	0.0	+0.7 (-)	
Overseas	Net sales	132.2	242.9	162.0	155.6	+23.3 (+17.7%)	287.0	285.0	+42.0 (+17.3%)	
	Operating profit	-1.5	-3.1	0.0	-1.6	-0.0 (-)	-3.0	-7.5	-4.3 (-)	
Adjustment of transactions between segments	Net sales	-0.3	-0.5	-	-	-	-	-	-	
	Operating profit	0.0	0.0	-	-	-	-	-	-	
Total	Net sales	992.4	1,898.5	1,025.0	1,021.2	+28.7 (+2.9%)	1,960.0	1,960.0	+61.4 (+3.2%)	
	Operating profit	88.4	191.0	84.0	86.2	-2.2 (-2.5%)	160.0	160.0	-31.0 (-16.2%)	

# Change in Annual Consolidated Operating Profit(Forecast)

[100 million yen]



# **3. Progress of Medium-term Business Plan (2023-2025) 【BX 2025】 - Business Strategy -**

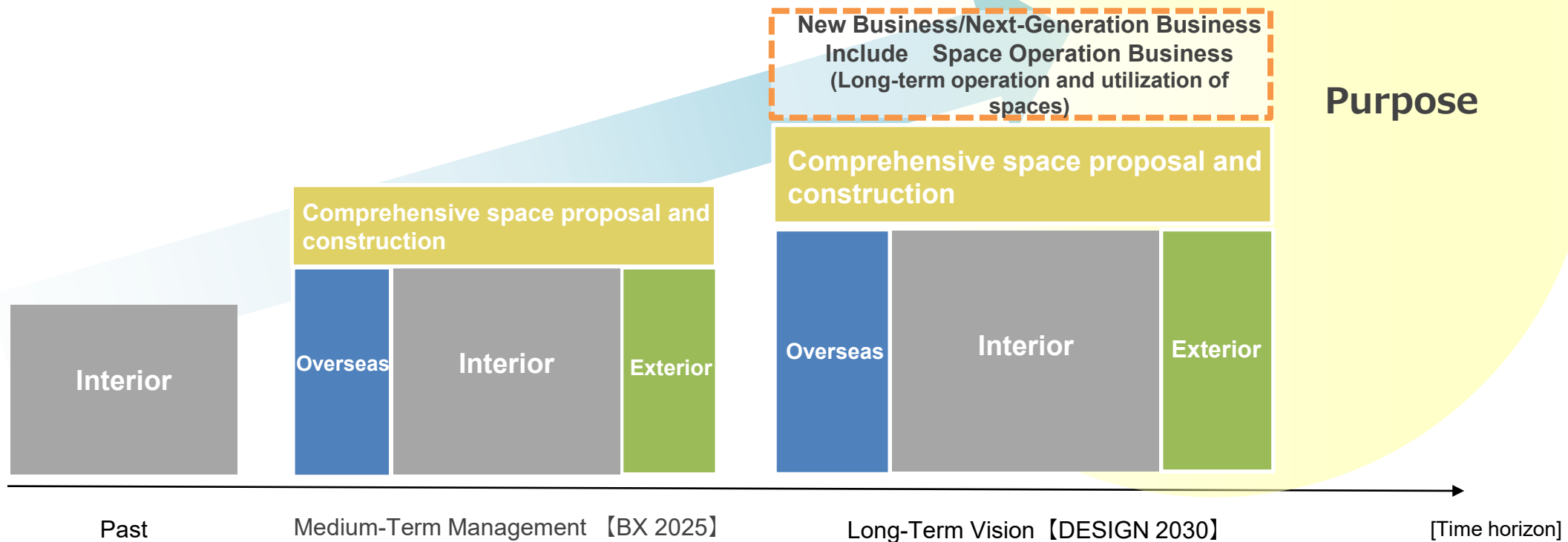
# Envisioned Expansion of Revenues

[So far]

An enterprise that creates and sells interior design materials based on its capabilities of designing, planning and developing products and competitiveness

[Ideal state]

To expand our domain and functions based on the current business base, and create profitable businesses



## **Medium-term Business Plan (2023-2025) 【 BX 2025 】**

### **Three years to prepare for the next leap forward**

#### **Basic policy**

**To strengthen and expand our ability to provide solutions that enhance the value of space creation, transforming our company into a space creation company with strong earnings power and growth potential, expanding our business in key products and markets, as well as expanding our product lineup, exterior business, and overseas business.**

**In addition, we will consider the possibility of a space operation business in order to develop a business that will enable further long-term growth.**

# Medium-term Business Plan 【BX 2025】 Measures

---

**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**

**5**

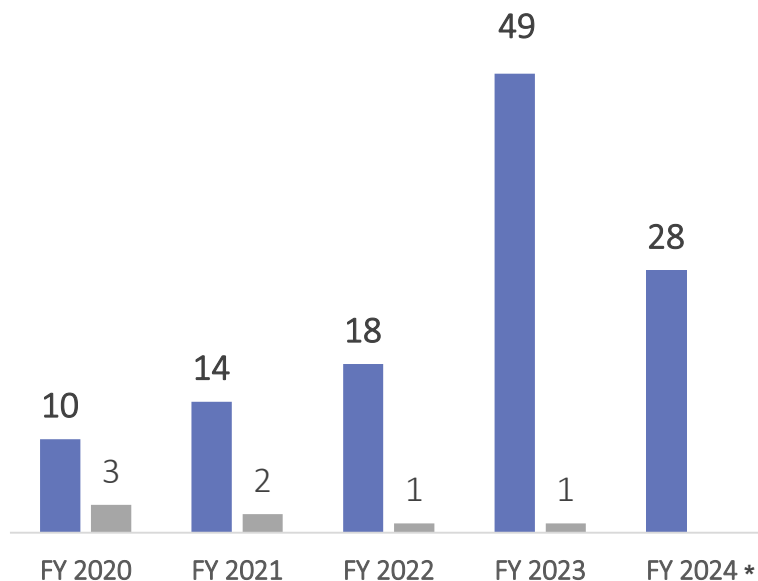
**Enhancing social value**

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

## Progress of recruitment of mid-career workers

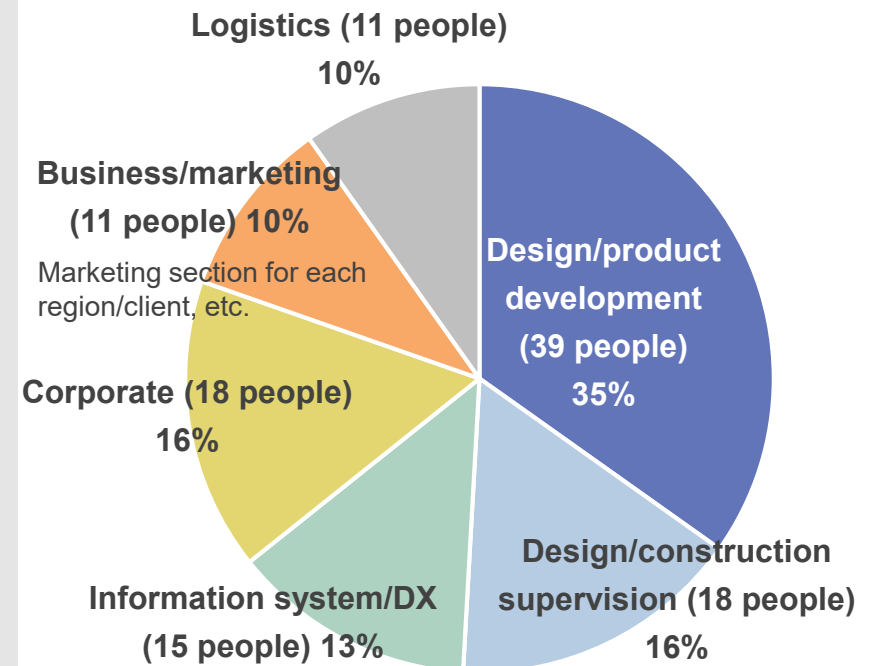
### Number of recruited people

■ Number of new employees ■ Number of retired employees  
(including full-time employees)



\*The number in FY 2024 is as of Sep. 2024.

### Composition of recruited people by occupation



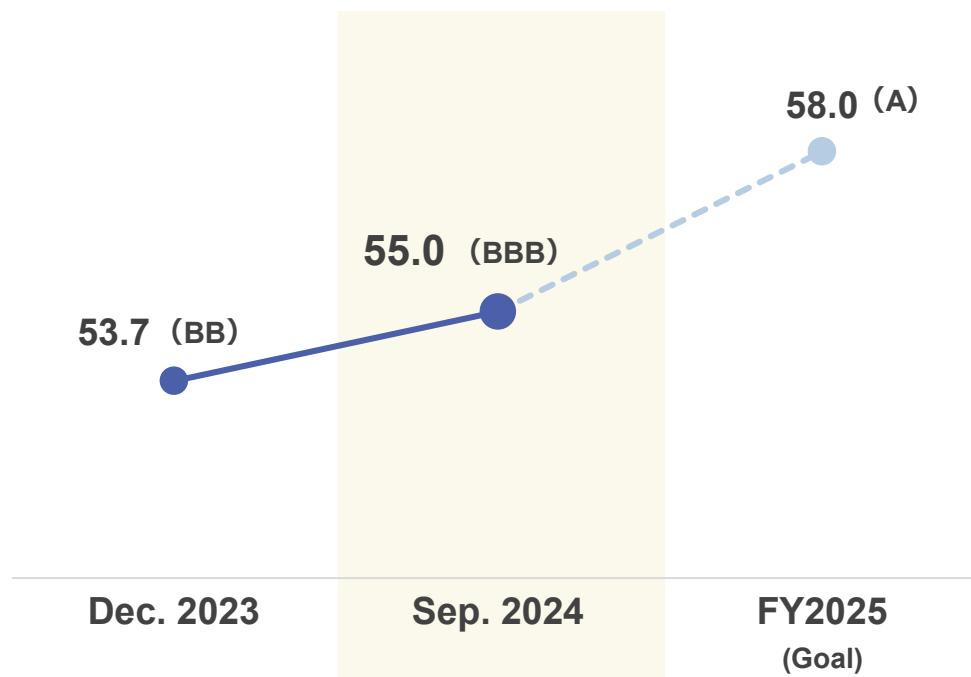
\*Subjects: The number of employees who joined our company in FY 2020 or later, excluding retired employees

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

## Improvement of employees' engagement

### ■ Variation in engagement score \*

\*Score based on "Motivation Cloud," a service provided by Link and Motivation Inc.



### Purpose of the engagement survey

- To clarify factors in engagement by visualizing data
- To grasp the current situation of each organization and implement concrete improvement measures based on the results of surveys
- To brush up the management skills of section heads

### ■ Progress

The quantitative goal for FY 2025 is a deviation score of 58.0 (A). As of September 2024, the score was 55.0 (BBB), showing an improvement from the previous score: 53.7 (BB). By analyzing the overall trend and the trend of each item, each organization, each task level, and each generation, we will utilize data more effectively and aim to achieve goals.



## 2. Accumulation, analysis, and utilization of digital capital

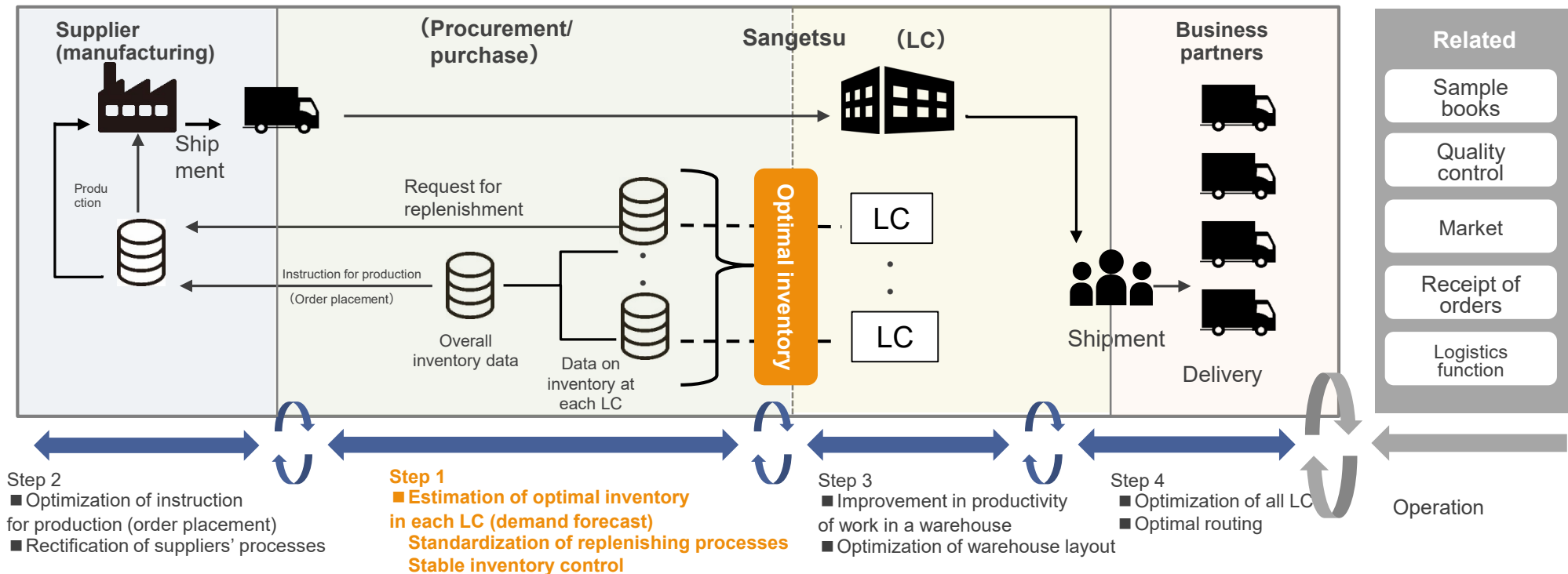
To streamline and ensure marketing and distribution by utilizing data on commercial distribution and logistics

### Measures for improving supply chain management

#### ■ Objectives

- Inventory rationalization
- Rectification of suppliers' processes through the upgrade of functions of procurement plans and cooperation
- Improvement in profit through cost reduction
- To increase orders received and sales by increasing the level of delivery services

#### ■ Entire picture of the reform of SCM



Step 1, we are designing the logic for estimating optimal inventory and automatic replenishing workflow, with the aim of “optimizing inventory at Sangetsu LCs,” which is the most important element in the supply chain.

## 2. Accumulation, analysis, and utilization of digital capital

To streamline and ensure marketing and distribution by utilizing data on commercial distribution and logistics

### ■ Assumed schedule

It is assumed that the project will be completed in 2026. Currently, we are sophisticating and enriching the “logic for estimating optimal inventory and automatic replenishing workflow” mainly for Kansai LC as Step 1.

	2024			2025				2026
	4	7	10	1	4	7	10	1
Scope	Step1			Step2			Step3~	

### ■ Current progress and outcomes

Effect of improvement in inventory of wallcoverings at Kansai LC

Comparison with before	
Average inventory volume (M/day)	-10.1%
Average inventory amount (yen/day)	-10.2%
No. of orders for replenishment per day	-28.7%

Subjects: all wallcoverings produced by our company (excluding customized ones and discontinued ones)  
Period: July 8 to September 13

Through the sophistication and enrichment of the logic and automatic replenishing workflow, **average inventory volume/amount and the number of orders for replenishment decreased.** The effects of inventory optimization and business operation streamlining were exerted at subject LCs. From now on, we will expand the scope, and rationalize inventory in the entire corporate group, including suppliers.

### 3. Strengthening the ability to provide solutions

To strengthen the capabilities of designing and proposing spaces for each market

## Expansion of comprehensive space proposal and construction business

The number of projects for “comprehensive space proposal and construction ” in addition to the formulating and designing spatial concepts, supervising construction, and selling products has increased steadily.

### Number of projects entrusted to us

**First half of 2024**

**No. of projects entrusted to us:  
about 130**

**【For reference】**

The number of projects entrusted to us in the second half of 2024 is about 61.



\*including the entrusted projects in which construction has not started as of the end of October.

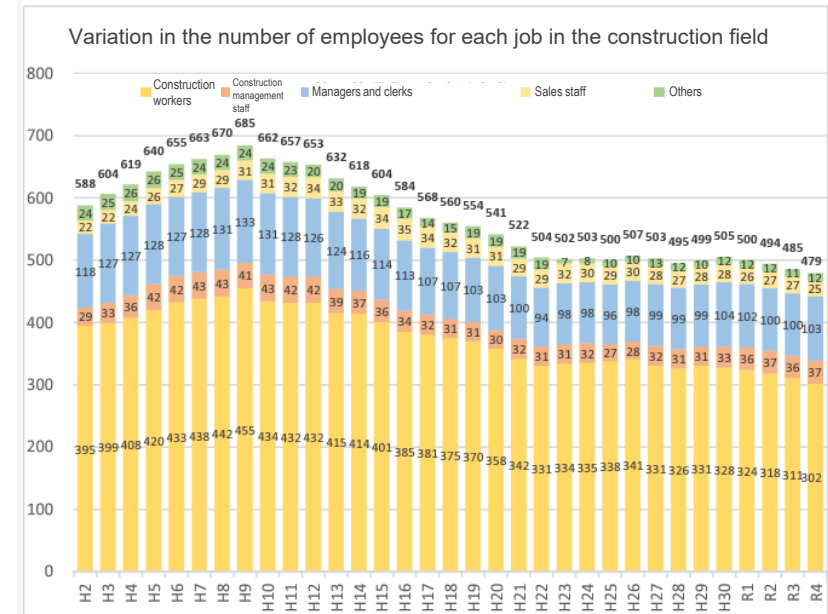
### 3. Strengthening the Ability to Provide Solutions

To increase and upgrade products and enhance brand development

#### To develop products while considering issues in this field

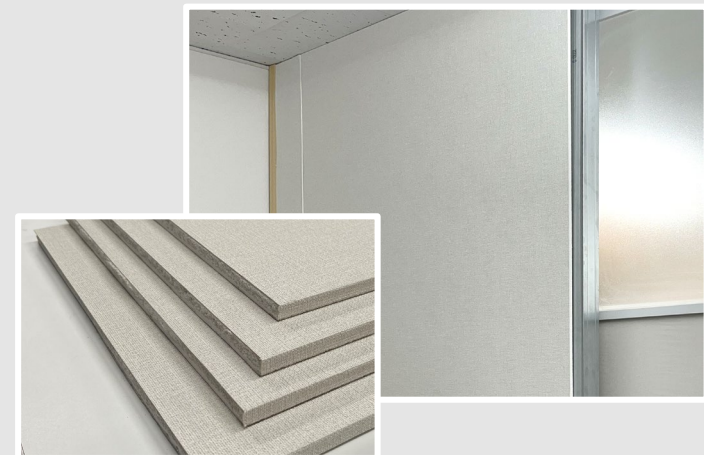
In the construction industry, there emerged problems, such as the shortage of manpower and the aging workforce. While the number of workers is decreasing, the ratio of construction workers aged 29 years or younger has dropped to 11.7%. This is a serious problem.

\*Source: "Current situation of the construction industry and problems with the industry"



While methods for coping with the shortage of manpower are being researched in the entire industry, **we are discussing the development of products, such as wallcoverings and flooring materials, for reducing labor.** We will develop and promote products in growing fields while considering social issues, including **the cooperation with enterprises in other fields and the care for the environment, as social interest and needs for it are growing.**

Wallcovering panels for saving labor (under development)

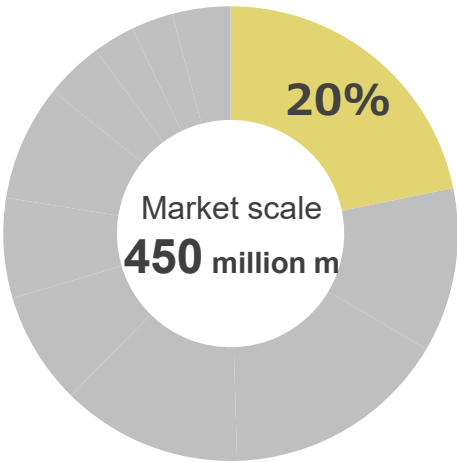
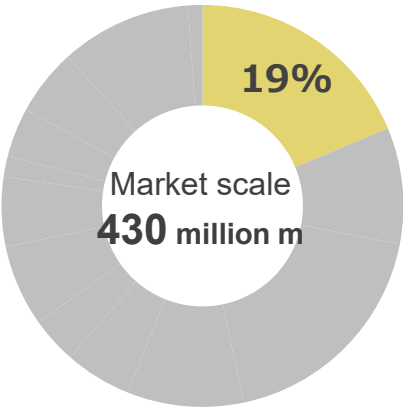
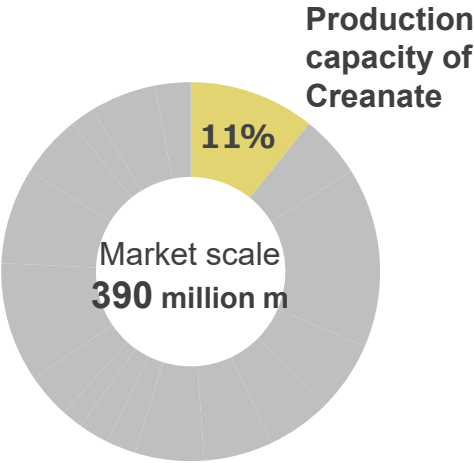


3. Strengthening the Ability to Provide Solutions

Establishment and strengthening of a system for procuring products

Regarding the restructuring of the market of mass production of vinyl chloride wallcoverings

While the mass production market sees the growth of demand, the number of manufacturers has decreased to **13**.





### 3. Strengthening the Ability to Provide Solutions

#### Establishment and strengthening of a system for procuring products

#### Progress of a new factory of CREANATE Inc., in eastern Hiroshima

##### ■ Purposes of the construction of the new factory

- To establish a stable supply system in a sustainable manner
- To reduce environmental burdens
- To develop a comfortable labor environment
- To cut down on procurement costs, and induce synergy among group companies in product development and manufacturing

##### ■ Progress of construction/operation of the new factory

- Completion of the building: July 2024
- Operation to be started in the fall of 2025
- Equipment investment amount: About 9.5 billion yen



We are installing manufacturing equipment one after another.

We will conduct operation tests, and start manufacturing and sale in 2025 or later.

We will enhance our manufacturing capacity and strengthen our stable supply system, while considering the stability of operation.

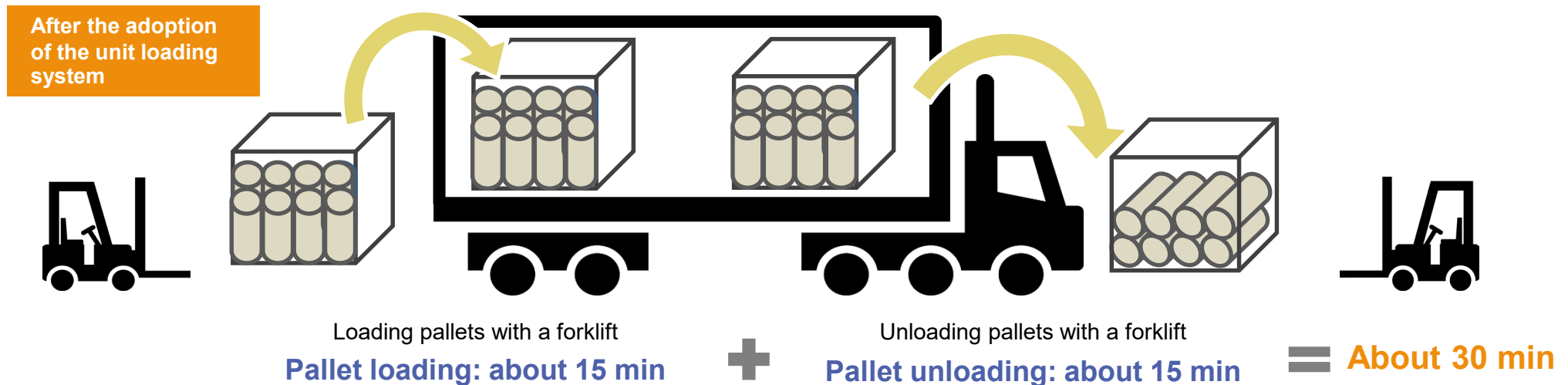
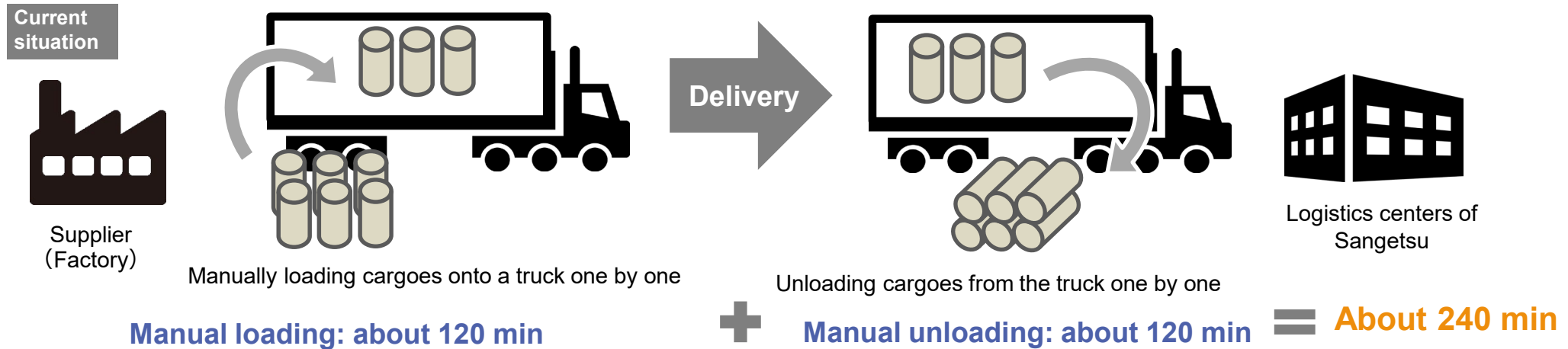
In addition, we will strive to strengthen the SCM system in cooperation with raw material manufacturers and the logistics section of Sangetsu.

### 3. Strengthening the Ability to Provide Solutions

To strengthen and expand our logistics system geographically and functionally

## To adopt a unit loading system, for coping with the logistics problem in 2024

Recognized as an enterprise that support “the advanced demonstration project for streamlining distribution processes” of the Ministry of Economy, Trade and Industry

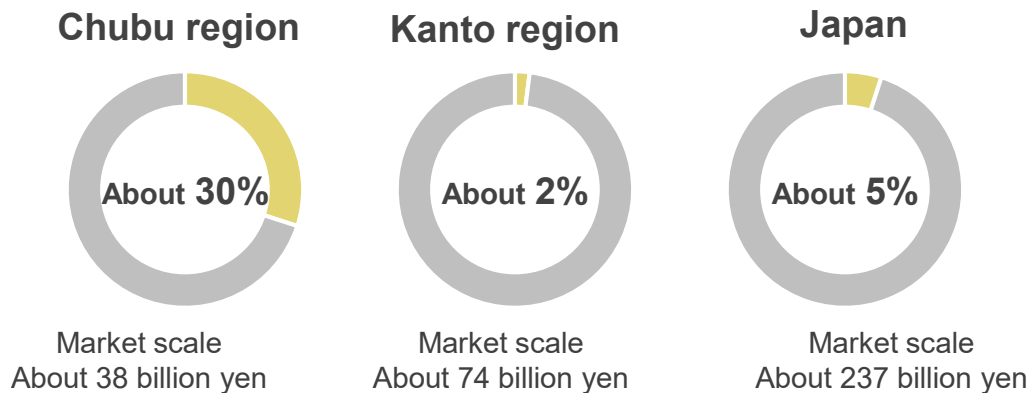


## 4. Exterior and Overseas Businesses

### Domestic Exterior Segment

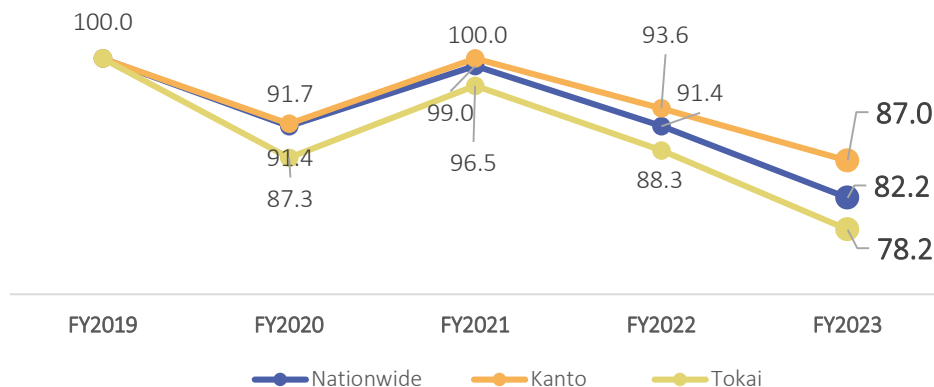
## To improve competitive advantages through business expansion in each region

### ■ Market share of Sungreen in each region (estimated by the company)



➡ **The sales of newly opened 2 branches in Kanto exceeded the forecasts.**

### ■ Housing starts (detached houses and condominium units) \*



### Competitive environment

- In the business of wholesale of exterior goods, mainly community-based players have established a trading area.

### Strategies

#### ① Expansion of commercial areas

To established selling bases in regions where demand for exterior goods is high.

#### ② To prevent our products from becoming mere commodities

- Development of original products in the entire Sangetsu group
- The entire Sangetsu group will propose spaces and enhance the capability of installing our products, to approach markets other than the housing market.



## 4. Exterior and Overseas Businesses

### Overseas Segment

#### **North America: To strengthen our customer services utilizing the advantage of having both the functions of manufacturing and sale**

With regard to the manufacturing function, we reduced the waste in product production and shortened the lead time from order receipt to product delivery. In general, it takes 3-4 weeks to deliver products, but we reduced the lead time to around 1 week for core products. We will conduct PR activities in the market with the selling function, and strengthen customer services as the forte of Koroseal, which has both the manufacturing and selling functions.



#### **Southeast Asia: To expand our business by acquiring D'Perception Pte. Ltd. as a group company**

In terms of the amount of orders for construction received in Singapore, the ratio between the governmental and private sectors was about 6 : 4. D'Perception Pte. Ltd. excels at proposing and building spaces mainly for offices in the public and private sectors, and receives orders in a well-balanced manner, with the ratio between the public and private sectors being 5 : 5. The company also handles properties handled by Central Provident Fund and Urban Redevelopment Authority, which are public facilities. We will brush up the capability of offering comprehensive services throughout Asia based on the cooperation with Goodrich, by utilizing the company's capabilities of proposing and building spaces.



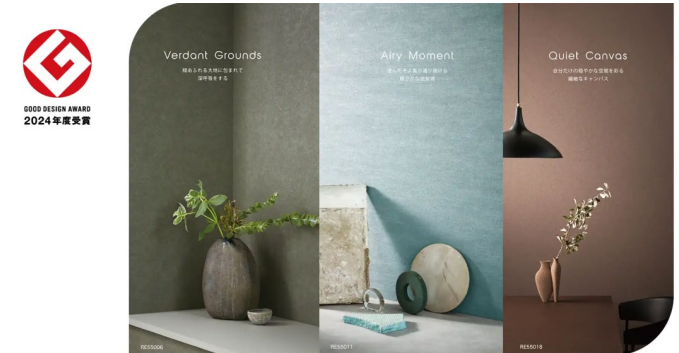
## 5. Enhancing Social Value

### Environment: Development of products with low environmental burdens

**We received the Good Design Award in FY 2024 for the environmentally-friendly wallcovering “biocloth,” for which we selected textures and colors rigorously.**

By using a plant-derived plasticizer as a raw material, we saved oil resources. In addition, by using a fluorine-less water repellent, we contributed to the reduction of environmental burdens.

This is also characterized by colors in the motif of nature.



### Society: Social contribution activities, including the donation to external groups

**We have renovated an orphanage in cooperation with Habitat for Humanity Japan.**

We supported the repair of the orphanage in cooperation with Habitat for Humanity Japan, which is one of the four groups we keep supporting.

Since 2014, our company has been supporting the renovation for offering comfortable living spaces to children, completing 260 such projects.



Our employees, too, participate in the volunteer project.

# **4 . Progress of Medium-term Business Plan (2023-2025) 【BX 2025】 - Quantitative Goals - (Action to Implement Management that is Conscious of Cost of Capital and Stock Price)**

# Medium-term Business Plan Quantitative Target (KPIs)

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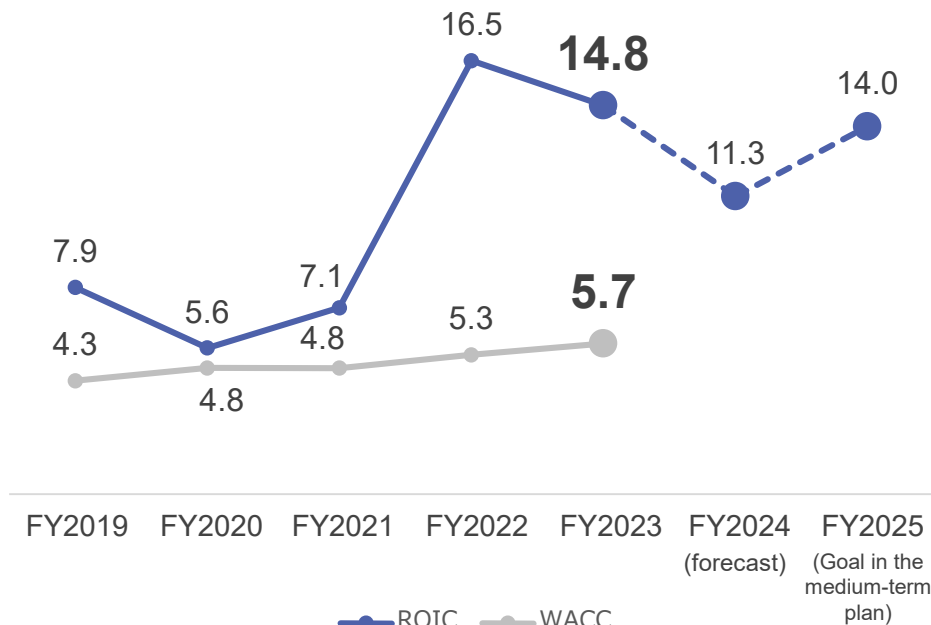
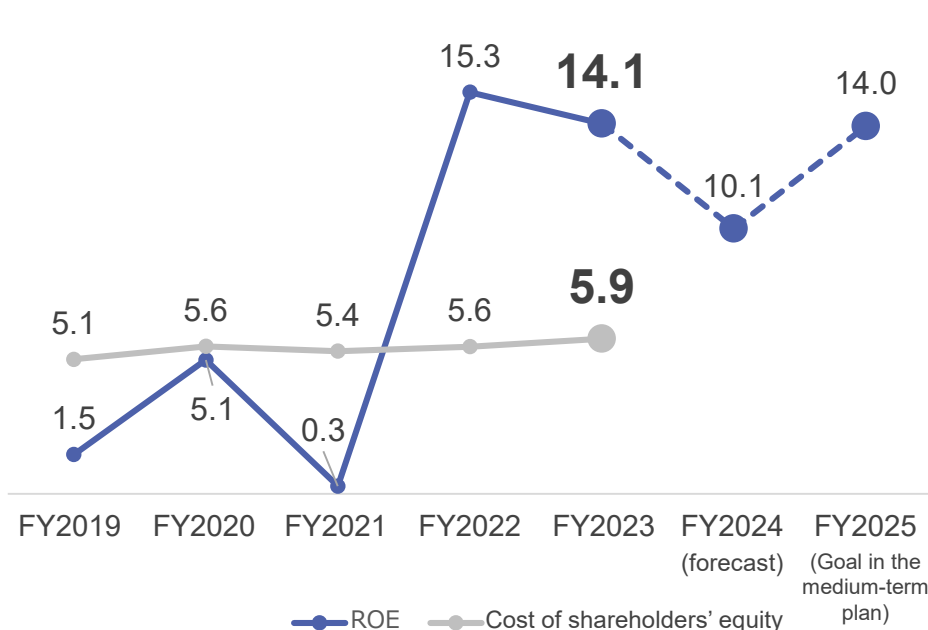
## Targets for FY2025

• Consolidated Net Sales	195 billion yen
• Consolidated Operating Profit	20.5 billion yen
• Consolidated Profit	14.5 billion yen
• ROE	14.0%
• ROIC	14.0%
• CCC	65 days

# Analysis of the Current Situation: Capital Profitability and Costs

■ ROE and Cost of Shareholders' equity (unit: %)

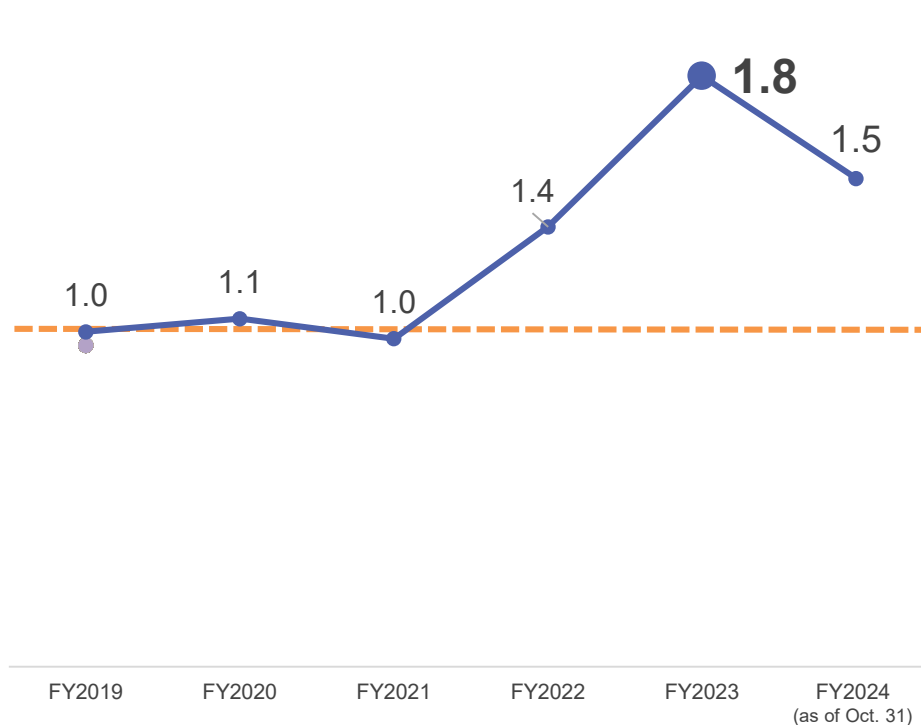
■ ROIC and WACC (unit: %)



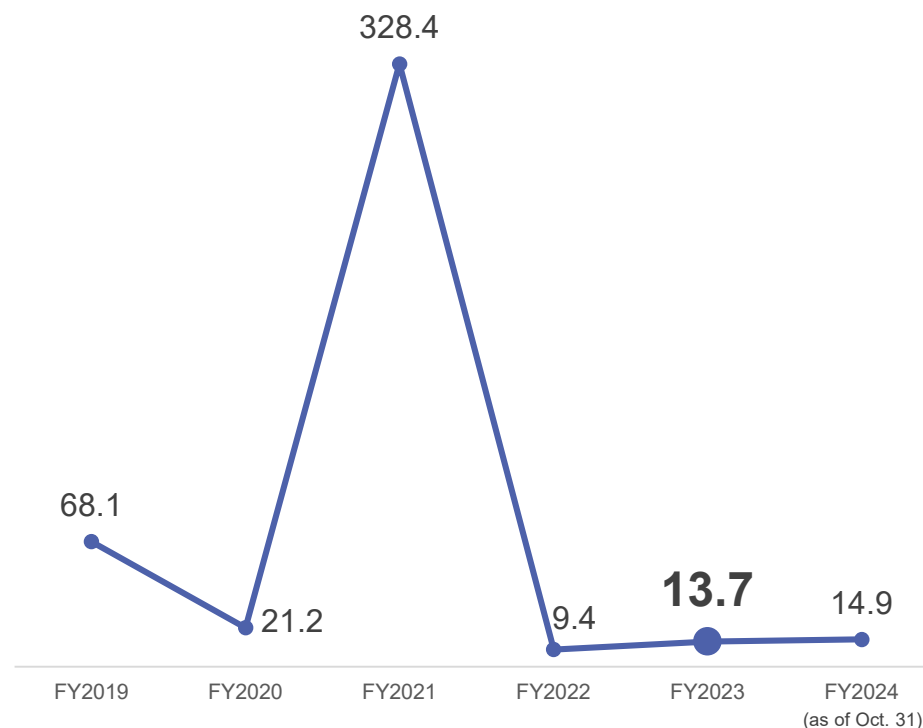
- Based on the CAPM, the ratio of capital cost is estimated to be less than 6%, while yield on shares, which represents market expectation, is estimated to be around 7-8%.
  - The cost of shareholders' equity accounts for 5.5%, while the average ROE in the past 5 years (FY2019 to FY2023) was 7.3%.
- WACC is 5.0%, while the average ROIC in the past 5 years (FY2019 to FY2023) was 10.4%.
- We recognize that it is necessary to maintain or expand revenues in a sustainable manner.

# Analysis of the Current Situation: Market Evaluation

■ PBR (price-book value ratio) (unit: times)



■ PER (price-to-earnings ratio) (unit: times)



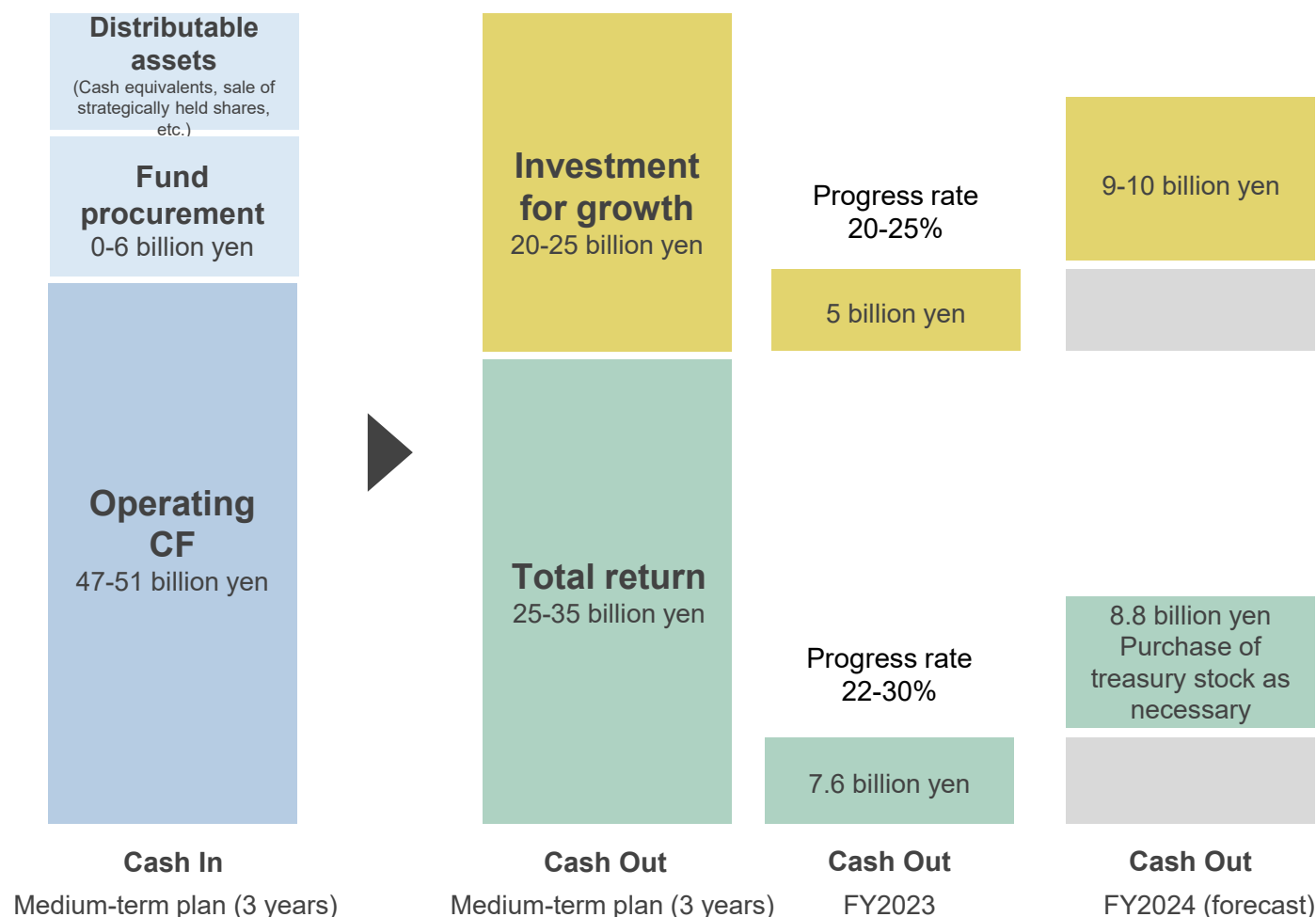
- PBR has been 1.0 or over, as we kept increasing the dividend amount and acquired treasury shares, decreasing equity capital, and improved profitability, increasing share price. Recently, PBR has been around 1.5.

- PER increased stably after the improvement in profitability. It temporarily exceeded 16.0, but it has been recently stable, being around 15.0.

# Capital Policy

## Allocation of funds in the current Medium-term Business Plan period (FY2023 to FY2025)

Progress is almost in line with the fund allocation plan in the Medium-term Business Plan 【BX 2025】



### ■ Major investment targets in FY 2024

- Related to the factory of CREANATE Inc., a wallcovering manufacturer, in eastern Hiroshima
- Acquisition of shares of D'Perception Pte. Ltd.

### ■ Forecast shareholder return for FY2024

- Dividend per share: 150 yen (up 10 yen from the previous fiscal year)
- To consider the acquisition of treasury shares according to the market situation

# Capital Policy

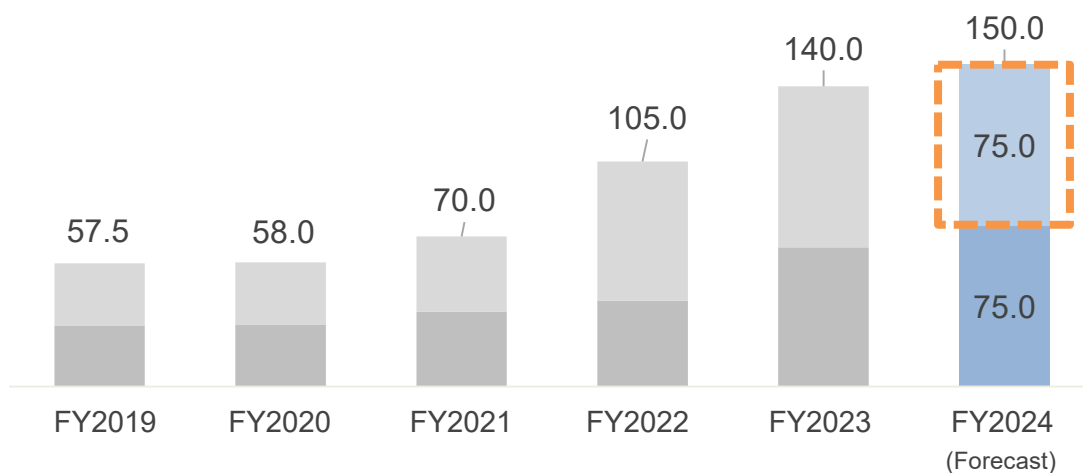
## Shareholder return policy for the current medium-term plan period (FY2023 to FY2025)

- To realize an equity capital of 95-105 billion yen at the end of March 2026
- To return profits to shareholders mainly by paying dividends, and stably increase the dividend amount with the lower limit of annual dividend per share being 130 yen
- To consider the acquisition of treasury shares according to the market situation

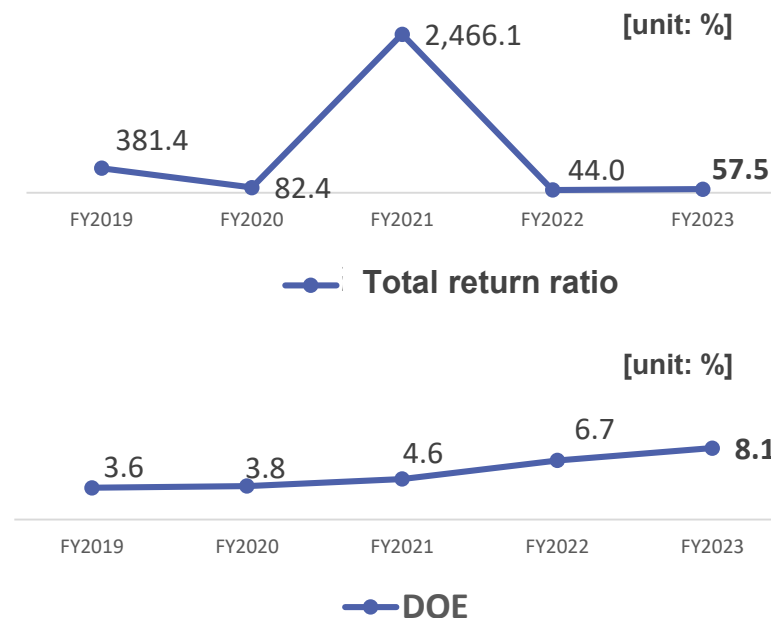


### ■ Variation in dividend per share

[unit: yen]



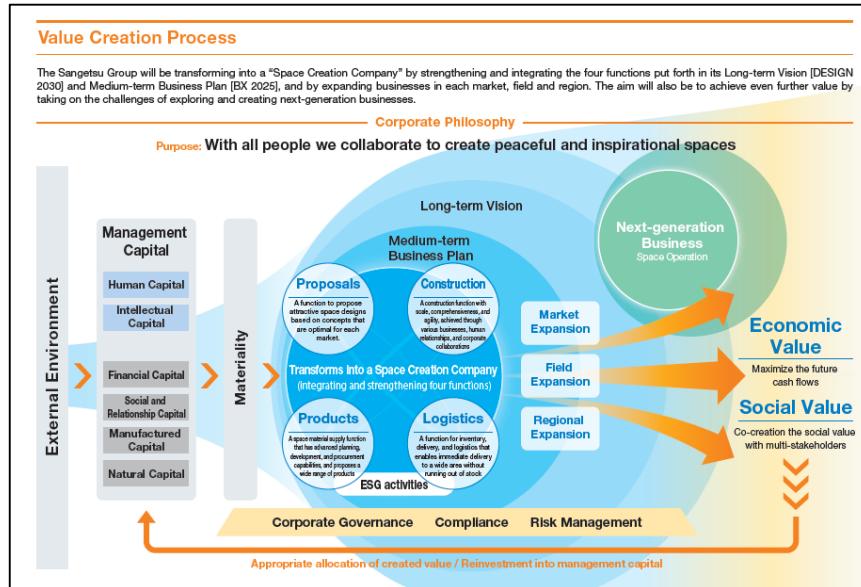
### ■ Indicators for reference





# Promotion of Sustainability-oriented Business Administration and Dialogue

## ■ Corporate activities for sustainable development

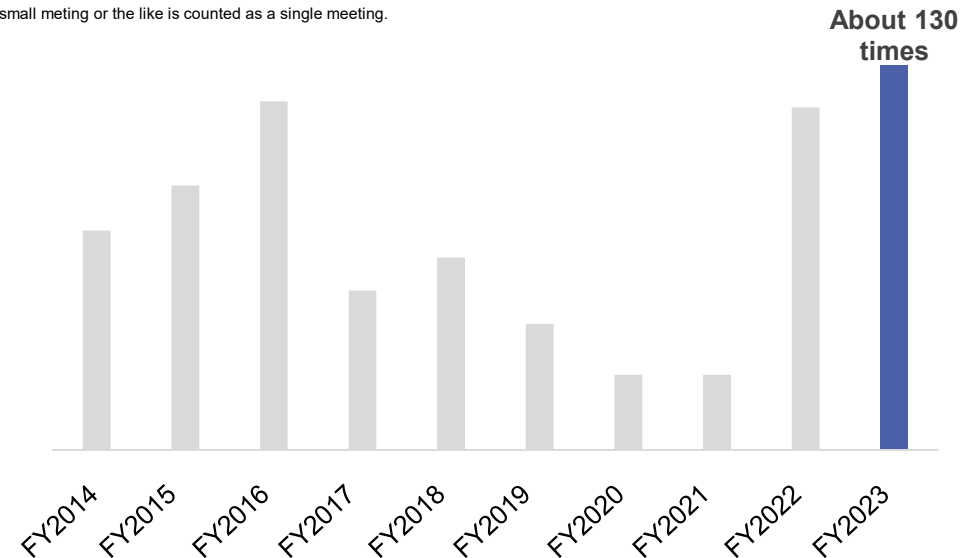


- To formulate a new corporate philosophy with the aim of creating economic or social value
- To review material issues in response to changes in the business environment
- To maintain or improve the effectiveness of corporate governance

## ■ Constructive dialogue with shareholders/investors

### Variation in the number of meetings with institutional investors or analysts per year

\*Each small meeting or the like is counted as a single meeting.



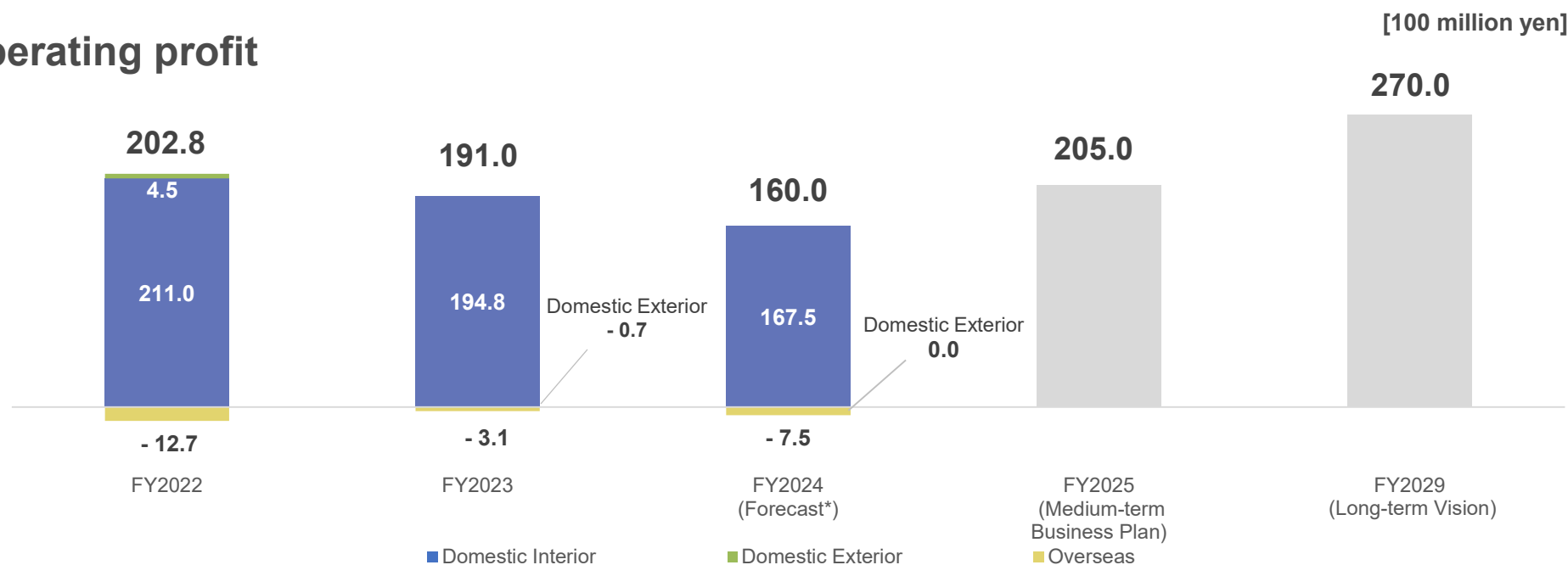
- To hold a briefing session for shareholders once a year
- Dialogue between analysts/institutional investors and outside directors in Dec. 2023
- To enhance in-house feedback  
 (not only reporting to directors and executive officers, but also sharing the opinions of investors and others with section chiefs and group companies)
- Disclosure of more English documents  
 (Simultaneous disclosure of brief reports on financial results and supplementary material, disclosure of part of Annual Securities Report in English, etc.)

# To Realize Business Administration Conscious of Capital Cost and Share Price

## Recognition of issues through the dialogues with shareholders and investors

- Sustainable advance of domestic interior business in Japan, and the strengthening of profitability of domestic exterior business, overseas business, and the business of comprehensive space proposals, and construction
- More disclosure of growth strategies for evolving into “Space Creation Company,” their progress, and results
- To keep discussing “optimal balance sheets” and “allocation of managerial resources” according to business reform

### ■ Operating profit



## Notes for the Future Outlook

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This material includes Information that Falls Under Future related Descriptions. The descriptions of items other than the past and present facts are the descriptions about future forecasts. These descriptions about future forecasts are based on our assumptions and judgment considering currently available information, which include known or unknown risks, uncertainties, and other factors, so they may be affected by such factors.

# Joy of Design