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To whom it may concern

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## Notice Regarding the Formulation of the "Medium-term Business Plan 2029" (Fiscal Year Ending March 2027 to Fiscal Year Ending March 2030)

The Sangetsu Group hereby announces that it has formulated a new four-year "Medium-term Business Plan 2029" (Fiscal Year Ending March 2027 to Fiscal Year Ending March 2030), with FY2029 as the final year, as follows.

### I. Toward the Start of the "Medium-term Business Plan 2029"

In 2020, the Company announced its Long-term Vision [DESIGN 2030] and set forth its corporate vision of "transforming from an interior products company into a Space Creation Company," and has been working to expand its business domains and upgrade the value it provides. In the Medium-term Business Plan [BX 2025] announced in 2023, we promoted the evolution of our proposal capabilities and the expansion of our business foundation through the strengthening of human capital and digital capital. During these three years, the mainstay interior business achieved steady growth and profitability improved overseas. On the other hand, the space solutions and exterior businesses did not reach the growth speed originally anticipated, partly due to issues arising from their respective characteristics.

The external environment surrounding the Company is changing significantly. While constraints such as the shrinking domestic market and labor shortages are intensifying, opportunities for new value creation are expanding due to the diversification of values in daily life, the increasing complexity of social issues, technological progress, and potential in overseas markets. Based on this recognition of the environment, in the "Medium-term Business Plan 2029," the Company will return to its core once again and shift its course toward a growth strategy starting from its strengths.

The Company's core lies in "Total Interior," which goes beyond expanding the lineup of interior products to integrate materials, design, logistics, and construction to provide solution proposals. Based on this strength, we have brought new value to spaces and enriched people's sensibilities and lives. Going forward, by further evolving this core, we will contribute to the realization of diverse lifestyles by stimulating people's sensibilities through spaces, going beyond just providing products. Based on this, we have defined our corporate vision as "Shaping Culture from interiors through Materials and Design."

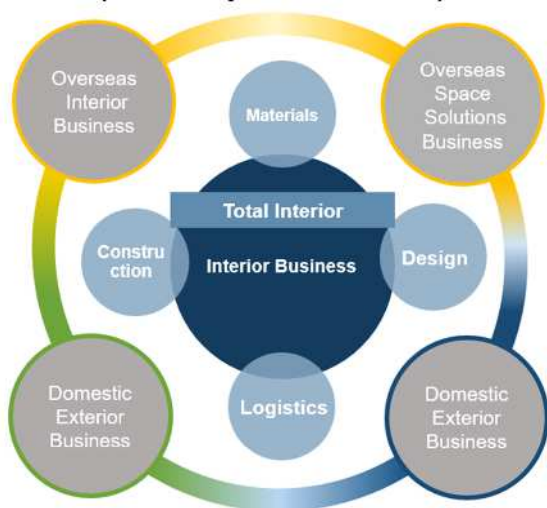
The Company has long advocated being "a Lifestyle and Culture Design Company." To this day, we have played a role in enhancing the value of interiors themselves and the industry as a whole through "lifestyles" such as interior materials including wallpaper and space coordination, a "business model" that develops

sample books as strategic marketing tools, and "supply infrastructure" that supports space creation backed by quality and a meticulous supply chain. We always want to be an entity that continues to create the culture of the next way of living.

At the same time as defining our corporate vision, we will once again uphold our corporate credo, "Integrity." The year before last, when formulating our Corporate Philosophy, we decided to incorporate our original corporate credo, "Integrity," into the Corporate Philosophy. However, since our founding in 1849, "Integrity" has been the DNA of our Company, connecting all employees and stakeholders, and it is our identity and the starting point to which we must always return. In conjunction with the start of the "Medium-term Business Plan 2029," we have established "INTEGRITY" as our corporate credo, and all employees will act with integrity and ethics, remaining true to their beliefs.

In the "Medium-term Business Plan 2029," we have set "Transformation, Challenge and the Driving of Innovation" as our slogan. We will continue to strengthen the interior business as the core of our growth and build a more robust earnings base through the expansion of product domains and collaboration with partner companies. In overseas markets as well, we will accelerate growth in North America and Asia, centered on the interior business. We position the space solutions and exterior businesses as expansion areas that horizontally deploy our strengths in interior products, and we will steadily nurture them as medium- to long-term growth businesses while maximizing synergies. By continuing to refine our core of "Total Interior," we will achieve both economic and social value and attain sustainable and strong growth.

<Conceptual Diagram of the Corporate Vision>



### Shaping Culture from interiors through Materials and Design

Starting with the Japanese craft of hyogu, seen in fusuma and shoji, Sangetsu has evolved to enhance the value of spaces. Today, we integrate a wide range of interior products with our expertise in materials, design, logistics, and construction.

We will continue to shape how people experience spaces and foster **new cultures for the future.**

- Domestic Interior Segment
- Interior Business  
• Space Solution Business
- Domestic Exterior Segment
- Exterior Business
- Overseas Segment
- Overseas Interior Business  
• Overseas Space Solutions Business

## II. Review of the Previous Medium-term Business Plan [BX 2025] (FY2023-2025)

### 1. Quantitative Review

#### (1) Economic Value

(Unit: ¥ million)

|   | FY2022    | FY2023    | FY2024    | FY2025    | FY2025 Plan<br>(Revised May 2025) | FY2025 Plan<br>(Formulated May 2023) |
|---|-----------|-----------|-----------|-----------|-----------------------------------|--------------------------------------|
| Net Sales                                   | 176,022   | 189,859   | 200,378   | 206,441   | 210,000                           | 195,000                              |
| Gross Profit                                | 56,374    | 58,959    | 62,373    | 64,729    | -                                 | -                                    |
| SG&A expenses                               | 36,094    | 39,856    | 44,232    | 45,321    | -                                 | -                                    |
| Operating Profit                            | 20,280    | 19,103    | 18,140    | 19,408    | 19,000                            | 20,500                               |
| Ordinary Profit                             | 20,690    | 19,695    | 18,572    | 20,152    | -                                 | -                                    |
| Profit attributable to owners of the parent | 14,005    | 14,291    | 12,550    | 14,642    | 13,000                            | 14,500                               |
| ROE   | 15.3%     | 14.1%     | 11.4%     | 12.5%     | 11.5%                             | 14.0%                                |
| ROIC  | 16.5%     | 14.8%     | 13.6%     | 13.7%     | 14.0%                             | 14.0%                                |
| CCC   | 77.1 days | 71.5 days | 72.0 days | 79.4 days | 70.0 days                         | 65.0 days                            |

#### (2) Social Value

##### ① Global Environment

|   | Scope            | FY2025 Targets            | Results*                    |
|---|------------------|---------------------------|-----------------------------|
| GHG Emissions                               | Non-consolidated | 60% reduction from FY2018 | 66.9% reduction from FY2018 |
|   | Consolidated     | 28% reduction from FY2021 | 28.5% reduction from FY2021 |
| Energy Consumption                          | Non-consolidated | 6% reduction from FY2018  | 25.5% reduction from FY2018 |
| Recycling Rate (effective utilization rate) | Non-consolidated | 90% or higher             | 80.8%                       |

\*Results are preliminary figures. Official figures will be disclosed on the Company's website after third-party certification has been obtained.

##### ② Human Capital

|  | Scope            | FY2025 Targets          | Results  |
|--|------------------|-------------------------|----------|
| Engagement Score                               | Non-consolidated | 58.0 (A)                | 59.4 (A) |
| Ratio of Female Managers                       | Non-consolidated | 25.0% or higher         | 24.2%    |
| Ratio of Employees with Disabilities           | Non-consolidated | 4.0% or higher          | 3.7%     |
| Ratio of Male Employees Taking Childcare Leave | Non-consolidated | 2 weeks or longer: 100% | 100%     |

##### ③ Social Capital

|                                     | Scope        | FY2025 Targets | Results       |
|-------------------------------------|--------------|----------------|---------------|
| Renovation of Children's Care Homes | Consolidated | 50 cases/year  | 47 cases/year |

### (3) Capital Policy

#### Capital Policy

| FY2025 Targets  | Results  |
|---|--|
| Equity of 95.0 billion yen to 105.0 billion yen as of the end of March 2026 | Equity of 121.5 billion yen                    |
| Minimum annual dividend of 130 yen per share<br>Stable dividend increases   | Annual dividend of 155 yen per share (planned) |

#### 3-Year Shareholder Return Results

|                |                             |
|----------------|-----------------------------|
| Share Buybacks | Not implemented             |
| Dividend       | 26.14 billion yen (planned) |

#### Fund Allocation Plan

| Fund generation                                    | (Unit: ¥ billion) |         |
|--|-------------------|---------|
|  | Target            | Results |
| Cash and cash equivalents held (End of March 2023) | -                 | 27.00   |
| Operating CF                                       | 47 to 51          | 46.39   |
| Change in debts                                    | -8 to 6           | 3.56    |
| Income from asset reduction, etc.                  | -                 | 2.20    |

| (Unit: ¥ billion)                                  |                   |         |
|--|-------------------|---------|
| Fund allocation                                    | (Unit: ¥ billion) |         |
|  | Target            | Results |
| Growth investment                                  | 20 to 25          | 18.05   |
| Shareholder return                                 | 25 to 35          | 25.40   |
| Cash and cash equivalents held (End of March 2026) | 20 to 25          | 35.71   |

## 2. Business Environment and Internal Issues

### Business Environment

- Shrinking Japanese market
- Structural and serious labor supply-demand gap
- Rising interest rates and inflation
- Rising geopolitical risks and supply chain instability due to the impact of the weak yen
- Diversification of market needs and social issues
- Growth of overseas markets
- Rapid progress of AI
- Practice of sustainable management

### Internal Issues

- Business model and business portfolio
  - ↳ Dependence on Domestic Interior for most of the revenue
  - ↳ Having yet to develop businesses that will become revenue sources following interior products
- Innovative materials and product development (manufacturing function)
- Profitability of the space solutions business and exterior business
- Corporate brand
- Operational efficiency and productivity
- Effective utilization of data resources
- Development of human resources responsible for strategic decision-making, promoting transformation, and demonstrating leadership
- Development of management talent and global talent

### III. "Medium-term Business Plan 2029" (Fiscal Year Ending March 2027 to Fiscal Year Ending March 2030)

#### 1. Basic Policy

##### (1) Strengthening the Interior Business

As a comprehensive interior company, we will promote the advancement of our business by accelerating the development of products that respond to market needs and social issues, expanding the range of materials that constitute spaces, strengthening solution proposal capabilities including design, and transforming our business model.

##### (2) Cultivating the Space Solutions Business and Exterior Business

Leveraging synergies with the Interior Business, we will establish a business foundation including Group companies and cultivate these into core businesses of the Sangetsu Group.

##### (3) Growth of the Overseas Business

In the Overseas Business, which we position as a catalyst for growth, we will aim for a dramatic improvement in profitability by accelerating collaboration and co-creation within the Sangetsu Group while respecting the uniqueness and autonomy of each region and Group company.

##### (4) Exploration and Creation of Next-generation Businesses

We will explore and create next-generation businesses that will become future sources of revenue in the existing and adjacent domains of the Sangetsu Group, including interior design.

##### (5) Human Capital

In order to realize and accelerate "transformation and challenge" and "creation of innovation," we will execute a human resources strategy linked to our management strategy and strengthen the human resource base of the Sangetsu Group.

##### (6) Digital Capital

We will evolve digital capital into strategic capital that maximizes profitability and capital efficiency, practice data-driven management by making full use of accumulated digital capital, and promote DX (Digital Transformation) that generates solid financial value.

#### 2. Management Indicators (Fiscal year ending March 2030)

##### Consolidated

|                               |                 |
|-------------------------------|-----------------|
| Consolidated Net Sales        | 250 billion yen |
| Consolidated Operating Profit | 25 billion yen  |
| Consolidated Net Profit       | 17 billion yen  |
| ROE                           | 14.0%           |
| ROIC                          | 11.0%           |

##### By Segment

|                           |                  |                  |
|---------------------------|------------------|------------------|
| Domestic Interior Segment | Net Sales        | 188 billion yen  |
|                           | Operating Profit | 21.5 billion yen |
| Domestic Exterior Segment | Net Sales        | 7.8 billion yen  |
|                           | Operating Profit | 0.5 billion yen  |
| Overseas Segment          | Net Sales        | 54.2 billion yen |
|                           | Operating Profit | 3 billion yen    |
| Total                     | Net Sales        | 250 billion yen  |
|                           | Operating Profit | 25 billion yen   |

### 3. Financial Strategy

#### (1) Fund Allocation Plan and Investment Policy

| Fund generation  |                          | Fund allocation    |                          |
|--|--------------------------|--------------------|--------------------------|
| Operating CF   | 73.0 to 77.0 billion yen | Growth investment  | 45.0 to 55.0 billion yen |
| Utilization of interest-bearing debt and asset reduction | 7.0 to 23.0 billion yen  | Shareholder return | 35.0 to 45.0 billion yen |

#### Strategic Investment

- R&D  
Establish R&D bases to strengthen the development of new materials and new products.  
Strengthen alliances with partner companies.
- Corporate Branding  
Strengthen marketing and promotion functions to communicate the corporate vision of " Shaping Culture from interiors through Materials and Design" to society as a whole.
- M&A and New Businesses  
Expand product portfolio in the interior business.  
Examine business opportunities in areas adjacent to the interior business and business opportunities associated with industry reorganization.  
Expand business domains and scale overseas, starting with North America.

#### (2) Shareholder Return Policy

Realize further improvement in cash generation capabilities and aim to improve capital profitability through capital control via stable dividend increases and treasury stock acquisitions.

- Shareholder returns are based on stable dividends, aiming for dividend increases with a minimum annual dividend of 155 yen per share and a target dividend payout ratio of 60% or more.
- Consider the acquisition of treasury stock as appropriate, taking into account market conditions, capital efficiency, growth investments, and other factors.

### 4. Management Foundation

#### (1) Human Capital

Strengthen the human resource foundation of the Sangetsu Group by executing a human resource strategy linked to the management strategy in order to realize and accelerate "Transformation, Challenge and the Driving of Innovation."

- Strengthen the human resource foundation to support sustainable growth
- Strengthen human resources to lead business strategies
- Deepen DE&I
- Improve well-being

#### (2) Digital capital

We will evolve digital capital into strategic capital that maximizes profitability and capital efficiency, practice data-driven management by making full use of accumulated digital capital, and promote DX (digital transformation) that creates solid financial value.

- Top-line growth and bottom-line expansion through automation of business processes

- Strengthening the profit structure through SCM sophistication
- Development of business styles based on generative AI and agentic AI
- Modernization and operation of cybersecurity frameworks

### (3) Sustainability

While balancing corporate social responsibility with sound corporate management, we will contribute to the realization of a sustainable society through our corporate activities.

#### DE&I

|  |                  |      |
|--|------------------|------|
| Ratio of Female Managers*                      | Non-consolidated | 27%  |
| Ratio of Male Employees Taking Childcare Leave | Non-consolidated | 100% |

#### Community engagement

|                                     |              |               |
|-------------------------------------|--------------|---------------|
| Renovation of Children's Care Homes | Consolidated | 50 cases/year |
|-------------------------------------|--------------|---------------|

#### Global environmental conservation

(climate change, resource recycling, and reduction of environmental impact through products)

|  |   |                  |  |
|--|---|------------------|--|
| Decarbonization                                | Reduction of GHG Emissions (Scopes 1 & 2) | Non-consolidated | Carbon neutral                                 |
|  |   | Consolidated     | 55% reduction compared to FY2021               |
|  | Reduction of GHG Emissions (Scope 3)      | Consolidated     | Supplier GHG emission reduction                |
| Resource recycling                             |   | Non-consolidated | Promotion of sample book recycling             |
| Reducing environmental impact through products |   | Non-consolidated | Expansion of environmentally friendly products |

\* Ratio of female managers in line positions (The indicator was changed from the ratio of female staff managers effective from the "Medium-term Business Plan 2029")

## IV. Partial revision of the Long-term Vision

In formulating the Group's growth strategy for this Medium-term Business Plan, we will revise the following two points of the Long-term Vision [DESIGN 2030] announced in 2020, taking into account recent changes in the business environment and the characteristics, potential, and issues of each business the Company faces.

- (1) The corporate vision we aim for will be "Shaping Culture from interiors through Materials and Design."
- (2) As quantitative targets, we set consolidated net sales of 250 billion yen and consolidated operating profit of 25 billion yen for the fiscal year ending March 2030.

The Group aims to be "Shaping Culture from interiors through Materials and Design," and will work on "Transformation, Challenge and the Driving of Innovation" to accelerate its growth strategy and strive toward enhancing corporate value.

End