Annual Securities Report

for the 74th fiscal year, from April 1,2025 to March 31,2026

1-4-1, Habashita, Nishi-ku, Nagoya, Aichi, Japan

Sangetsu Corporation

Cover

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Company name	株式会社サンゲツ
Company name in English	Sangetsu Corporation
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I. Overview of Business

1. Management policy, management environment, issues to be addressed, etc.

The Group's management policy, management environment, and issues to be addressed, etc. are as follows.

Please note that matters concerning the future in this article were determined by the Group as of the end of the fiscal year ended March 31, 2026.

(1) Objective indicators for determining the status of achievement of management policies and management targets

1 The Group's identity

Since Yasuke Hibi established "Sangetsudo" as a framing business in 1849, the Group has expanded its business domains ahead of the times, starting with traditional interior fittings such as fusuma and shoji, moving on to interior materials including wallpaper, and evolving into a company that provides "Total interior." Underlying the remarkable growth achieved during the period of rapid economic expansion was a strong desire to "contribute to the development of society by improving Japanese interiors and enriching people's lives through our business," as well as a frontier spirit that constantly pursued new challenges. These have been continuously carried forward to this day as the origin of Sangetsu. The foundation of this has been "INTEGRITY," which has been the core value since Sangetsu's founding and has served as our Company Creed since 1960. We incorporated this Company Creed into the Corporate Philosophy when we formulated the Corporate Philosophy in 2024. However, since our founding, "INTEGRITY" has been the Sangetsu's identity, connecting all employees and stakeholders. In conjunction with the start of the "Medium-term Business Plan 2029," we have once again adopted "INTEGRITY" as our Company Creed. Moving forward, under this Company Creed, each and every employee will maintain high ethics and act in accordance with their own beliefs to realize our Corporate Philosophy.

2 Transition of value creation

The Group has expanded its business with wholesale of interior products as its core business. Net sales, which amounted to ¥100 million in 1960, reached ¥130 billion in 1997, achieving high growth. In addition to the value mentioned earlier, this rapid growth was supported by the presence of our "core." Based on the strengths of "Total interior," which integrates materials, design, logistics, and construction to provide solution proposals, we have established a solid position in the market through initiatives such as the "business model" that develops sample books as strategic marketing tools, and the "supply infrastructure" that supports space creation backed by a high-quality and meticulous supply chain. At the same time, by proposing "lifestyles" such as interior materials including wallpaper and space coordination mainly through sample books and showrooms, we have established the "Sangetsu brand" that brings new value to spaces, enriching people's sensibilities and daily lives.

As domestic construction investment has peaked out and the market has matured, since the 2000s we have expanded into new domains such as exteriors and overseas businesses while further deepening our core interior business. We have actively pursued investments in business infrastructures such as logistics and IT, expanded into the manufacturing and construction fields, and strengthened "human capital," which is the foundation of value creation. By such infrastructure development, expansion of business domains, and strengthening of solution proposal capabilities, we enhanced our profitability and achieved significant growth in consolidated operating profit.

On the other hand, looking back at the previous Medium-term Business Plan [BX 2025], while the interior business achieved steady growth and profitability improved overseas, the space solutions and exterior businesses did not reach the growth speed originally anticipated, partly due to issues arising from their respective characteristics. We recognize that developing a new core business that will generate revenue following the interior business is a key issue for the future.

3 Toward the start of the "Medium-term Business Plan 2029"

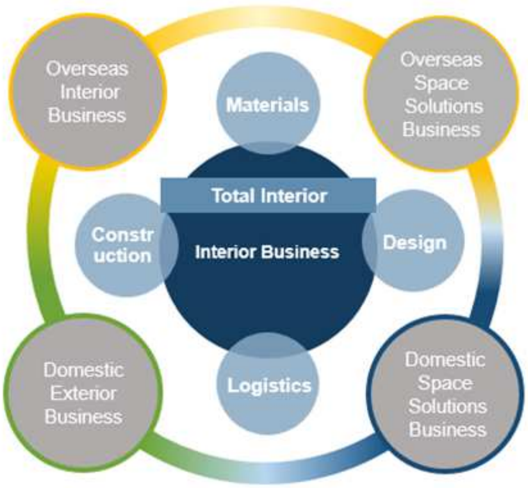
While constraints such as the shrinking domestic market and labor shortages are intensifying, opportunities for new value creation are expanding due to the diversification of values in daily life and technological progress. Based on such recognition, in the "Medium-term Business Plan 2029," which is starting from the fiscal year ending March 31, 2027, the Company will return to its core once again and vigorously pursue strategies aimed at sustainable growth.

By further evolving the Group's core "Total Interior," we aim to contribute to the realization of diverse lifestyles by stimulating people's sensibilities through spaces, going beyond just providing products. We have defined our corporate vision as "Shaping Culture from interiors through Materials and Design." With pride for the role we have played to this day in enhancing the value of the industry, we will continue to be an entity that continues to create the culture of the next way of living.

In this plan, we have set "Transformation, Challenge and the Driving of Innovation" as our slogan. We will build a more robust earnings base of our core interior business through the expansion of product portfolio and collaboration with partner companies. In overseas markets as well, we will accelerate growth in North America and Asia, centered on the interior business. In addition, we position the space solutions and exterior businesses as expansion areas that leverage the strengths we have cultivated in the interior business, and we will steadily nurture them as medium- to long-term growth businesses while maximizing group synergies.

By continuing to refine our unique core "Total Interior," the Group will achieve both economic and social value, and strive to further enhance its corporate value.

<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.**

4 “Medium-term Business Plan 2029” (Fiscal Year Ending March 31, 2027 to Fiscal Year Ending March 31, 2030)

1) Basic Policy

(i) 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.

(ii) Nurturing 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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 31, 2030)

Consolidated

Consolidated Net Sales	¥250.0 billion
Consolidated Operating Profit	¥25.0 billion
Consolidated Net Profit	¥17.0 billion
ROE	14.0%
ROIC	11.0%

By Segment

Domestic Interior Segment	Net Sales	¥188.0 billion
	Operating Profit	¥21.5 billion
Domestic Exterior Segment	Net Sales	¥7.8 billion
	Operating Profit	¥0.5 billion
Overseas Segment	Net Sales	¥54.2 billion
	Operating Profit	¥3.0 billion
Total	Net Sales	¥250.0 billion
	Operating Profit	¥25.0 billion

3) Financial Strategy

(i) Fund Allocation Plan and Investment Policy

Fund generation	
Operating CF	¥73.0 to ¥77.0 billion
Utilization of interest-bearing debt and asset reduction	¥7.0 to ¥23.0 billion

Fund allocation	
Growth investment	¥45.0 to ¥55.0 billion
Shareholder return	¥35.0 to ¥45.0 billion

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.

(ii) Shareholder Return Policy

Realize further improvement in cash generation capabilities and aim to improve capital profitability through capital controls 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

(i) 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

(ii) 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

(iii) 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 neutrality
		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 scope has been changed from “including managers in staff positions” to “managers in line positions only” effective from the “Medium-term Business Plan 2029”)

For the review of the previous Medium-term Business Plan (2023–2025) [BX 2025] and the details of the “Medium-term Business Plan 2029,” an explanatory video, a transcript, and documents are available on the Company’s website.

・https://www.sangetsu.co.jp/company/ir/library/briefing_report.html (an explanatory video in Japanese)

・https://www.sangetsu.co.jp/english/ir/library/briefing_report.html (a transcript and documents in English)

5 Partial revision of the Long-term Vision

In formulating the Group’s growth strategy for the “Medium-term Business Plan 2029,” 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 ¥250.0 billion and consolidated operating profit of ¥25.0 billion for the fiscal year ending March 31, 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.

(2) Management strategies, management environment, priority business and financial issues to be addressed

The management environment surrounding the Group 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.

Under these circumstances, the Group will continue to strengthen the interior business as its core and work to build a more robust earnings base through the expansion of product portfolio and collaboration with partner companies in the four-year “Medium-term Business Plan 2029” outlined in the above-mentioned “(1) Objective indicators for determining the status of achievement of management policies and management targets.” 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. The most important infrastructures supporting these business operations are human capital and digital capital. We will strive to maximize capital efficiency by strengthening the human resource foundation to drive sustainable growth and business strategy, and by enhancing profitability through digital transformation. Through

“Transformation, Challenge and the Driving of Innovation,” the Group will achieve both economic and social value and attain sustainable and strong growth.

For the fiscal year ending March 31, 2027, we forecast net sales of ¥213,000 million (up 3.2% year on year), operating profit of ¥19,000 million (down 2.1% year on year), ordinary profit of ¥19,200 million (down 4.7% year on year), and profit attributable to owners of parent of ¥13,500 million (down 7.8% year on year). The above forecasts are based on information available as of the filing date of this document, and actual results may differ from these forecasts due to various factors in the future. Additionally, uncertainties such as soaring energy prices resulting from the escalating tensions in the Middle East and heightened geopolitical risks, difficulties in procuring raw materials due to supply chain disruptions, and rising raw material prices have not been factored into those performance forecasts, as it is currently difficult to reasonably estimate their impact. We may revise the performance forecasts once it becomes possible to reasonably estimate their impact.

2. Approach and initiatives for sustainability

The Group's approach and initiatives for sustainability are as follows.

Please note that matters concerning the future in this article were determined by the Group as of the end of the fiscal year ended March 31, 2026.

1. Basic approach and initiatives for overall sustainability

The Group has achieved sustainable growth not only by expanding the lineup of interior products such as wallpaper, flooring materials, and fabrics, but also by focusing on "Total Interior" as its core, which integrates materials, design, logistics, and construction to provide solution proposals. Currently, we are pursuing the sustainable growth of both society and the company by further refining these strengths and achieving both "economic value creation" through businesses and "social value creation" through the resolution of social issues. By actively utilizing the economic value created to create the next social value, and sustaining this cycle, we will systematically and proactively promote corporate activities that resolve social issues, and aim for further enhancement of corporate value.

(1) Governance

The Group has established a management system to manage and promote the effective supervision and execution roles related to sustainability issues to achieve sustainable growth. This system aims to ensure the disciplined implementation of sustainability measures from a medium- to long-term perspective based on each strategy formulated to realize the Corporate Philosophy.

The key elements of the management and sustainability strategy of the Company include the "Long-term Vision," "Medium-term Business Plan," "materiality," and "risk management" and these elements function as an integrated and interconnected system. We have established the "Long-term Vision" to define the Group's vision in 10 years, and formulated the "Medium-term Business Plan," which is linked to this vision and adjusted in response to the progress of strategies and measures, as well as changes in the business environment, with the aim of steadily executing the growth strategy. "Materiality" refers to the material issues that should be addressed through corporate management and business activities in order to realize a sustainable society. "Risk management" serves as the foundation for corporate management and business activities. With regard to these four elements, the relevant responsible departments conduct PDCA cycles while also sharing information and coordinating with one another.

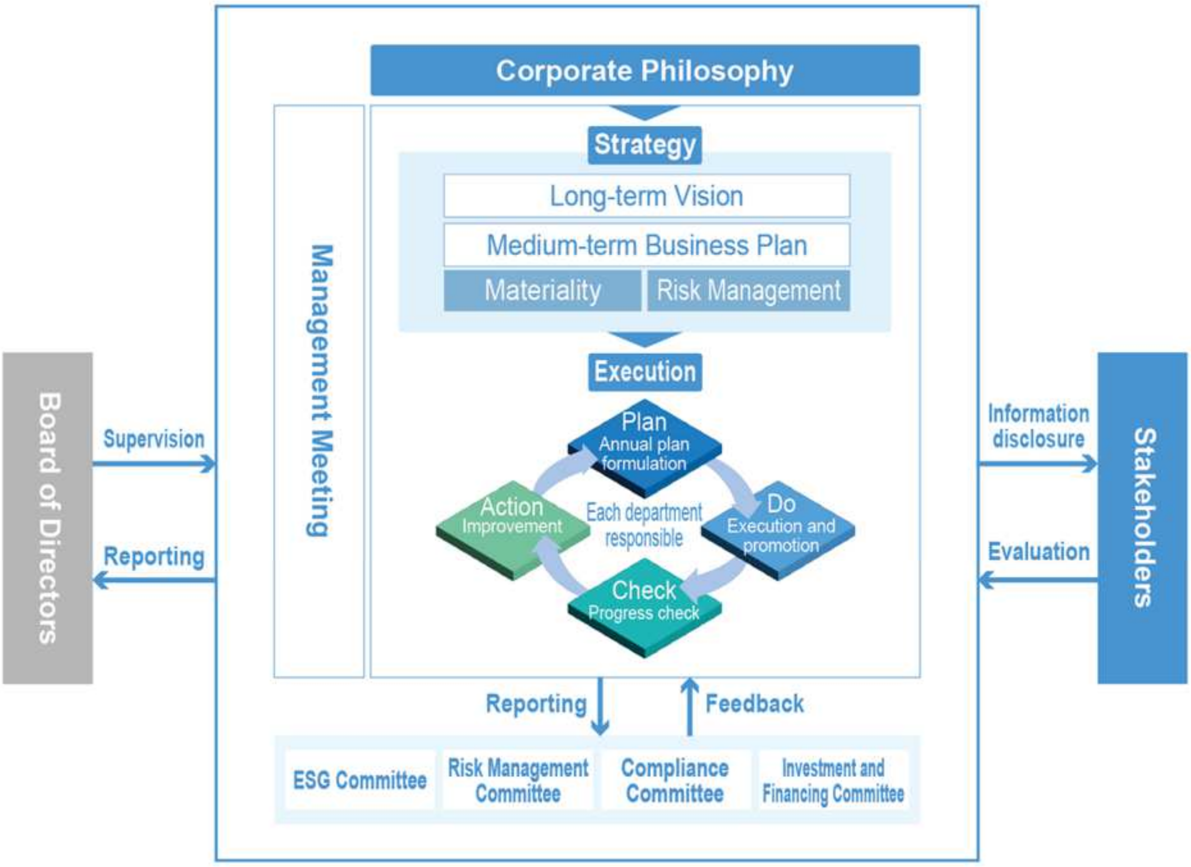
Progress and issues related to initiatives are discussed and deliberated mainly at the Management Meeting attended by all Executive Officers, and the formulation of action plans, follow-up activities, and initiatives for new projects are conducted. We have established a system whereby, in sustainability measures, for materiality, which is particularly important, we regularly report to the ESG Committee; for risk management, we regularly report to the Risk Management Committee; and for compliance, we regularly report to the Compliance Committee. Through these committees, we deepen discussions and receive feedback. This enables us to improve initiative details and processes with coordination across all elements, and work to resolve issues based on higher standards.

The above activities and results are reported to the Board of Directors, which supervises their progress. In addition, the Company actively discloses information to stakeholders, including shareholders and investors, collects and analyzes their evaluations, and feeds them back into the company to incorporate diverse perspectives into management and foster an internal awareness for improving and expanding the disclosure of information.

To address sustainability issues and achieve sustainable growth in corporate value, we have identified "Sustainability/ESG" as one of the key skills required for Directors. For details on the Director skills matrix, refer to "II. Information about the Reporting Company, 2. Status of corporate governance, etc., (2) Status of Officers" (in Japanese).

Through the above management system, the Group addresses sustainability issues and strives to achieve sustainable growth.

Management system related to sustainability



■ Corporate bodies that handle sustainability-related matters

<Board of Directors>

The Board of Directors of the Company passes resolutions on matters required by laws and regulations and on matters requiring important corporate decisions, as well as deliberates on and determines management strategies. Although all or part of the decision-making regarding execution of business operations has been delegated to the Representative Director, the Board of Directors monitors the progress of these delegated matters. Meetings are held at least once a month to finalize sustainability policies and business plans, as well as to supervise and provide advice on their execution status and management risks and opportunities.

Recent report to the Board of Directors regarding sustainability (FY2025)

- Review of materiality
- New Medium-term Business Plan
- ESG Committee status report

<Management Meeting>

The Company has established the Management Meeting as a supporting body that conducts necessary deliberations regarding the execution of business and assists in decision-making. The Management Meeting is composed of Executive Officers, Division Managers, and Full-Time Audit and Supervisory Committee Members. In principle, it is held once a month, and deliberations on medium to long term strategies, such as the Long-term Vision and Medium-term Business Plan, as well as confirmation of progress, are also treated as major agenda items.

<ESG Committee>

The Company has established the ESG Committee as a body to determine initiatives related to materiality and manage their progress. The committee promotes activities through six subcommittees (Governance, Human Capital, Social Capital, Social Contribution Activities, Environment, and DX) with the issues identified in ISO 26000 as the core focus of its activities. Each subcommittee is made up of a wide range of members, including not only the department responsible for the issue but also the Corporate, Logistics, Business, Product, and Global Business Divisions, as well as organizations directly reporting to the President & CEO, in order to increase the diversity of discussions. The ESG Committee sets initiative targets for each materiality and incorporates them into the business plans of each of the internal divisions that actually carry out operations. In addition, progress is managed through quarterly reporting on the status of the initiatives by the subcommittees, and discussions are held to resolve issues. In terms of organizational structure, the Committee is operated with the President & CEO serving as the chairperson, the Executive Officer in charge serving as the chief responsible person, and the inside Directors who are also Audit and Supervisory Committee Members also in attendance.

Reporting of the ESG Committee’s activities to the Board of Directors involves a mechanism for reporting twice a year, and the minutes of ESG Committee meetings are also distributed to outside Directors. In this way, ESG activities are being carried out under the strong supervision of the Board of Directors.

<Risk Management Committee>

The Company has established the Risk Management Committee as one of the committees related to corporate governance to regularly identify risks in business activities, identify major risks, and strengthen risk management systems. The management items of this committee also include other risks related to sustainability, including materiality, and we are conducting more multifaceted management from each perspective. For details on the management details of this committee, please refer to “3. Business risks.”

<Compliance Committee>

The Company has established the Compliance Committee, for which the President & CEO has ultimate responsibility, as a body to make decisions regarding initiatives related to compliance and to manage their progress. The Committee meets quarterly, at which they deliberate on the formulation of the annual compliance program, review its progress, and discuss other important issues related to compliance. The results of these activities are reported to the Board of Directors every six months, enabling management to understand the status of compliance and further enhance compliance awareness.

<Investment and Financing Committee>

In April 2025, the Company established the Investment and Financing Committee, which deliberates and follows up from various perspectives on investment and financing projects that are important for the growth strategy of the Group. Prior to the Management Meeting and the Board of Directors, the Committee serves as a body that thoroughly examines the strategic significance, economic feasibility, and risks of each investment and financing project, and deliberates on the feasibility of the projects.

(2) Strategy

The Group has specified materiality to achieve our Corporate Philosophy and a sustainable society, and has established specific initiatives and targets by incorporating them into its medium- to long-term growth strategy. In FY2025, we reviewed materiality in light of the new Corporate Philosophy formulated the previous year and changes in the business environment. By sharing the newly established materiality with all stakeholders, including employees, and working together under a shared understanding to resolve issues, we aim to achieve our targets, and enhance corporate value.

Materiality specification process

Materiality and risks / opportunities (extract)

Category	Materiality		Risks	Opportunities
Resolving social issues	A safe and comfortable society for everyone	Creating innovations that respond to changes in social structure	・Declining competitive strength due to delayed adaptation to changing market needs ・Delays in collecting returns on R&D investments and development failures	・Exploring new markets and expanding market share through the development of labor-saving, high-performance products ・Increasing sales revenue through new proposals responding to the declining birthrate, aging population, and work-style reforms
	Achieving a sustainable global environment	Contributing to carbon neutrality	For information on risks and opportunities related to this materiality, please refer to “2. Approach and initiatives for natural capital, I. Approach and initiatives for climate change, (2) Strategy, ■Risks and opportunities.”	
		Contributing to a circular economy	For information on risks and opportunities related to this materiality, please refer to “2. Approach and initiatives for natural capital, II. Approach and initiatives for resource recycling, (2) Strategy, ■Risks and opportunities.”	
Sustainable growth of the Sangetsu Group	Strengthening our business foundation	Achieving innovation in quality management	・Costs for recalling products incurred due to serious product defects or complaints, and loss of public trust ・Suspension of business operations and a significant adverse impact on financial performance due to quality fraud, etc.	・Improving customer satisfaction and brand trust through the strengthening of the company-wide quality management system ・Reducing manufacturing and response costs by lowering the defect rates
		Enhancing supply chain management	・Supply chain disruptions and delivery delays caused by natural disasters, geopolitical risks, etc. ・Rising logistics costs due to changes in the logistics industry (such as the 2024 problem)	・Strengthening cost competitiveness by maintaining optimal inventory levels and improving the efficiency of the logistics network ・Improving the ability to ensure a stable supply in times of emergency through the establishment of a resilient supply chain
	Accelerating human capital management	Development and active utilization of human resources	・Stagnation in medium- to long-term business growth due to a shortage of leaders and specialized human resources who will drive the next generation of management ・Skill obsolescence among employees due to a lack of sufficient investment in training	・Strengthening the capacity to create innovation across the entire organization through strategic human resource development ・Securing and retaining valuable human resources by providing employees with opportunities for growth, and maintaining the sustainable corporate competitiveness

Category	Materiality		Risks	Opportunities
Sustainable growth of the Sangetsu Group	Achieving an organization with integrity and transparency	Ensuring thorough compliance	・Legal sanctions, loss of social trust, and adverse effects on business performance resulting from violations of laws and regulations or misconduct ・Failure to adequately address the complex legal regulations of various countries associated with global expansion	・Protecting and enhancing the corporate brand through thorough compliance with laws and regulations based on high ethics ・Earning the solid trust of business partners and society through the maintenance of fair trading practices

(3) Risk management

The Company implements the PDCA cycle to improve the materiality listed in "(2) Strategy" through the activities of the ESG Committee. The initiatives of each subcommittee are evaluated through reviews by the ESG Committee four times a year, providing for continuous improvement and the revision and addition of issues.

In addition, the Company has established the Risk Management Committee as one of the committees related to corporate governance to regularly identify risks in business activities, identify major risks, and strengthen risk management systems. The management items of this Committee also include other risks related to sustainability, including materiality, and we are conducting more multifaceted management from each perspective. For details, please refer to "3. Business risks."

(4) Metrics and targets

As for metrics and targets related to sustainability, quantitative targets have been set in the "Medium-term Business Plan 2029," which will begin in the fiscal year ending March 31, 2027. Please refer to "1. Management policy, management environment, issues to be addressed, etc., (1) Objective indicators for determining the status of achievement of management policies and management targets, 4. "Medium-term Business Plan 2029" (Fiscal Year Ending March 31, 2027 to Fiscal Year Ending March 31, 2030)."

The metrics, targets, and results related to sustainability under the previous Medium-term Business Plan (2023–2025) [BX 2025] are as follows.

Category	Metrics	Scope	FY2025 targets	FY2025 results
Global environment *1	GHG emissions (Scope1&2)	Consol-idated	28% reduction (Compared to FY2021)	28.5% reduction
		Non-consol-idated	60% reduction (Compared to FY2018)	66.9% reduction
	Energy consumption	Non-consol-idated	6% reduction (Compared to FY2018)	25.5% reduction
	Recycling rate (effective utilization rate)	Non-consol-idated	90% or higher	80.8%
Human Capital	Ratio of non-smokers	Non-consol-idated	85% or higher	80.0%
	Investment in human capital	Non-consol-idated	¥0.7 billion in 3 years	¥0.71 billion
	No. of mid-career workers hired	Non-consol-idated	60 to 80 in 3 years	110 Persons

Category	Metrics	Scope	FY2025 targets	FY2025 results
Human Capital	Engagement score	Non-consol-idated	58.0 (A)	59.4 (A)
	Ratio of female managers*2	Non-consol-idated	25% or higher (as of April 1, 2026)	24.2%
	Ratio of employees with disabilities	Non-consol-idated	4.0% or higher (as of March 31, 2026)	3.7%
	Ratio of males taking childcare leave*3	Non-consol-idated	2 weeks or longer: 100%	100%
Social Capital	Renovation of children's care homes	Consol-idated	50 cases / year	47 cases / year
	Matching gift	Consol-idated	18,000S-mile	18,503S-mile
	Costs for social contribution, including donation to external groups	Consol-idated	We target to spend around 0.3-0.5% of annual ordinary profit for social contribution activities. In case of donation, we plan to donate to specific groups continuously.	0.2%

*1 The results are preliminary figures. The official figures will be disclosed on the Company's website at a later date.

*2 Calculations are based on the figures as of April 1 to take into account the timing of personnel changes.

*3 The ratio of males taking childcare leave for two weeks or more includes those who plan to take leave until their child turns one year old.

In addition to the metrics set out in the Medium-term Business Plan, we have also established detailed KPIs for each category of the environment (E), social (S), and governance (G) to manage our progress. Please see our website for further details.

"Materiality (Material issues)" Metrics and targets of materiality

https://www.sangetsu.co.jp/company/sustainability/materiality.html

2. Approach and initiatives for natural capital

The Company's business activities are closely connected to natural capital, such as wood resources used in the production of our main product, wallpaper, and fossil fuels in the manufacturing, distribution, and construction processes. We recognize that the conservation and restoration of natural capital is a critical key issue. In addition, in the construction industry, which is closely related to the Company's business, there is a growing need to select products that contribute to CO2 emissions reduction and resource recycling when selecting procurement items at the design stage. We recognize that addressing this issue is essential for improving long-term corporate value.

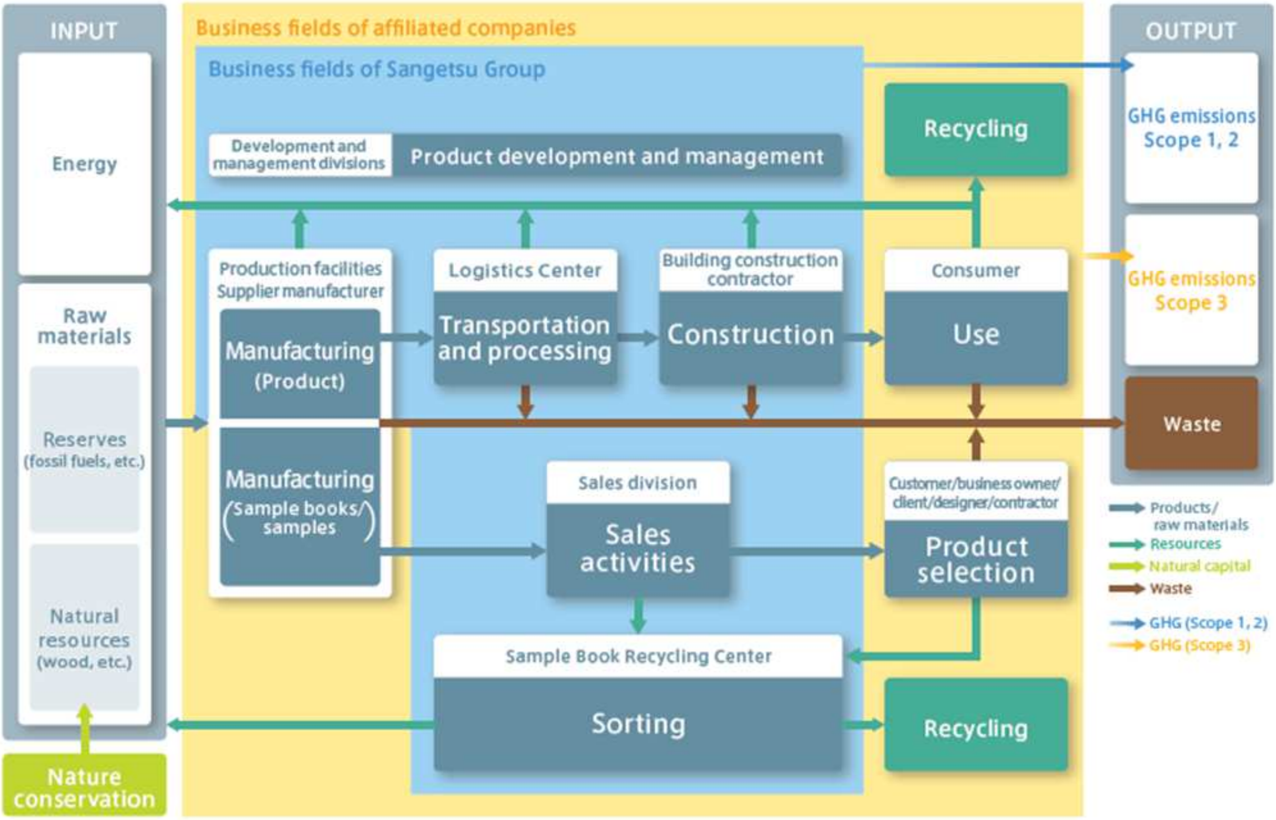
The Company is implementing various measures to address issues related to natural capital, focusing on "climate change," "resource recycling," and "coexistence with nature." Because these are mutually influenced, it is important to implement them in an integrated manner to avoid trade-offs between individual measures (e.g., deforestation resulting from the installation of solar power systems) and to generate synergistic effects.

Environmental issues are urgent challenges, and the Company will continue to strive to resolve these issues across the entire supply chain from product planning and development to manufacturing, procurement, proposals, delivery, construction, and disposal.

■ Status of environmental impact

As a company committed to providing better living spaces, the Company regards environmental conservation as a key responsibility. In addition to reducing the environmental impact of our business activities, we collaborate with our Group companies and affiliated companies to contribute to the realization of a sustainable society. We appropriately manage and utilize energy and raw materials in the production of our products and sample books. For wallpaper, we promote responsible sourcing through the use of sustainable natural resources, such as FSC-certified wood. Furthermore, we aim to minimize greenhouse gas ("GHG") emissions and waste generated at each stage, from manufacturing to transportation, processing, construction, and usage. We achieve this by expanding the use of renewable energy, establishing and strengthening systems for collecting and recycling offcuts generated in each process, and developing eco-friendly products, thereby mitigating our environmental impact.

Environmental impact map

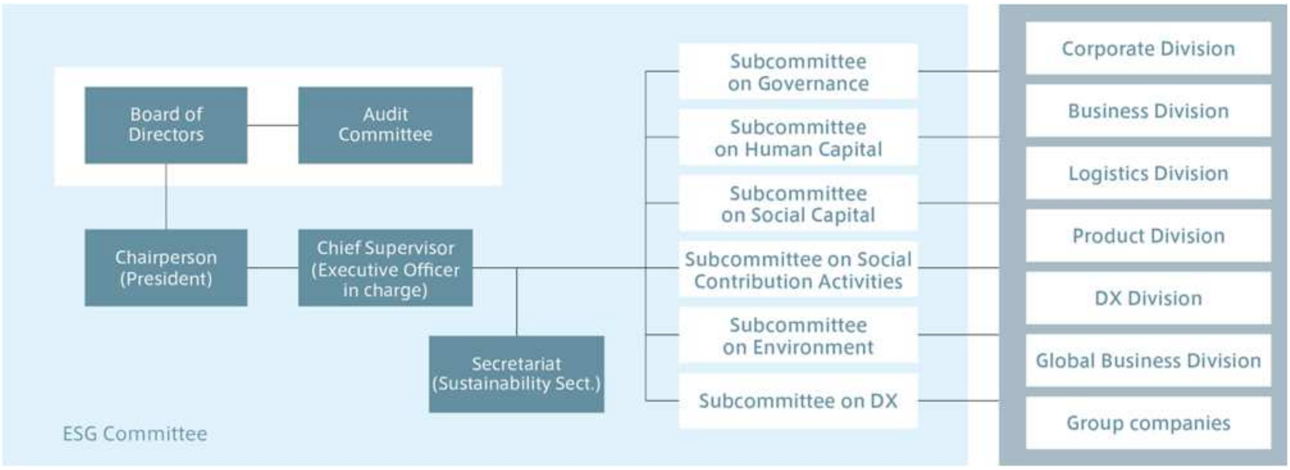


■ Governance concerning natural capital

The Subcommittee on Environment, which has been established under the ESG Committee chaired by the President & CEO, is responsible for addressing natural capital and is promoting initiatives regarding climate change and resource recycling. The Subcommittee on Environment consists of members from a variety of departments, including the Sustainability Sect., which is responsible for planning and formulating environmental measures, the General Affairs Department, which is responsible for managing facilities and vehicles that use energy, the product units responsible for product development, the Logistics Division that operates the logistics centers, and the Business Division, which is responsible for sales. In response to materiality such as “Contributing to carbon neutrality,” the Subcommittee has set targets for achieving carbon neutrality for the non-consolidated Company by FY2029, and a 55% reduction (compared to FY2021) for the consolidated Group by FY2029, and is working on measures such as formulating reduction plans and considering and implementing measures. The progress of these initiatives is reviewed quarterly, and the Board of Directors manages and supervises the progress status twice a year. The Board of Directors has set “Sustainability/ESG” as a required skill for Directors and has established a system to ensure that supervisory functions related to the environment, including climate change, are effectively exercised.

In addition, the Company has obtained certification under the international standard ISO 14001. Under the leadership of an ISO management officer and a secretariat, who oversee the environmental management system, we are promoting ongoing environmental activities at each business location.

ESG Committee structure



I. Approach and initiatives for climate change

Climate change due to global warming is having various effects on society and ecosystems. We believe that reducing GHG emissions, the main cause of this change, is the social responsibility of companies.

GHG emissions associated with the Group's business activities consist mainly of natural gas, city gas and kerosene used in factories, offices and warehouses, gasoline and diesel used in company vehicles, etc. (Scope 1), and GHG originating from electricity (Scope 2). In order to reduce GHG emissions, we believe that it is necessary to use energy effectively, with as little waste as possible. In addition, since Scope 3 emissions account for 90% or more of the Group's total GHG emissions, it is essential that we implement reduction measures across the entire supply chain. In particular, we are working to refine our emissions and set targets to reduce emissions in Category 1 (purchased products and services), which accounts for 80% or more of the total.

(1) Governance

For information on governance regarding climate change, please refer to "2. Approach and initiatives for natural capital, Governance for natural capital."

(2) Strategy

■ Adopted scenario

In order to respond to the uncertain future impacts of climate change, the Company has conducted scenario analysis as recommended by the TCFD. In selecting scenarios, in order to broadly consider the impacts of climate change, we selected the "1.5°C scenario," in which transition risks are highest due to the introduction of climate policies, and the "4°C scenario," in which physical risks increase without the introduction of climate policies under fossil fuel-dependent development. In addition, the scope of business was defined as Sangetsu's non-consolidated Domestic Interior Segment, which comprises 80% of the Group's sales, and the analysis time frame was set until 2030, which is the target period of the Long-term Vision [DESIGN 2030].

Going forward, we will work to further expand the scope of business, improve the comprehensiveness of risks and opportunities, and refine scenario analysis.

Estimated rise in temperature	Adopted scenario	Reason for adoption	Scope of business	Analysis time frame
1.5°C	SSP1-1.9	This scenario is consistent with Japan's 2050 net-zero (1.5°C target) target, which constitutes the majority of the Group's business, and involves high transition risks.	Sangetsu's non-consolidated Domestic Interior Segment ・ Wall coverings ・ Flooring materials ・ Fabric	Until 2030
4°C	SSP5-8.5	In order to assume the most extreme situation, the scenario with the greatest physical impact was adopted.		

SSP: Shared Socioeconomic Pathways

■ Risks and opportunities

Item		Description	Financial impact*	
			1.5℃	4℃
Transition risks	Legal regulations	◆ GHG emission regulations ・ Expansion of carbon tax will increase costs according to GHG emissions.	Low	
	Market	◆ Changes in consumer behavior ・ The expansion of ethical consumption that considers the environment will reduce the need for products with high CO2 emissions during production and low energy conservation during use, resulting in a decrease in sales.	Moderate	
		◆ Increase in purchase costs ・ Purchase costs will increase due to the impact of the introduction of a carbon tax on suppliers and increased development costs for decarbonized products.	High	
		◆ Increase in offset costs ・ Offset costs will increase as demand for carbon credits and power certificates rises toward the achievement of carbon neutrality by individual companies.	Low	
Physical risks	Acute	◆ Suspension of supply functions ・ Intensifying natural disasters such as typhoons and sudden heavy rains (flooding, inundation, strong winds) may prevent us from delivering products on schedule.		Low
		◆ Increases in repair costs for owned facilities and costs for BCP measures ・ Intensifying natural disasters such as typhoons and sudden heavy rains (flooding, inundation, strong winds) will cause damage to owned facilities and increase the cost of repairs. ・ Costs for BCP measures, such as repairing owned facilities in preparation for intensifying natural disasters and ensuring that other bases can cover for a base whose supply functions are suspended, will increase.		Low
Opportunities	Products	◆ Increase in sales of environmentally friendly products ・ Orders from customers aiming to reduce Scope 3 emissions and those with high environmental awareness will increase by expanding the lineup of CO2-free products during production.	High	

* Degree of financial impact (operating profit): Low (less than ¥1 billion), Moderate (¥1 billion to less than ¥6 billion), High (¥6 billion or more)

■ Results of scenario analysis

In the future, regardless of which scenario analyzed this time becomes a reality, we will implement measures derived from the analysis results to respond to the situation and achieve sustainable growth.

Scenario	Analysis results	Measures
1.5℃	・ It was found that the risk of increased purchase costs due to the introduction of a carbon tax is significant, and that the impact of sales losses for products with high environmental impact during production and use due to changes in consumer behavior is also significant. ・ On the other hand, it was estimated that the impact of increased sales due to the expansion of the lineup of environmentally friendly products will be significant.	・ Promotion of initiatives for energy conservation and energy generation ・ Reduction of GHG emissions in collaboration with suppliers ・ Expanding sales of environmentally friendly products
4℃	・ It was estimated that there are risks of supply disruptions and increases in costs for repairing owned facilities and BCP measures due to typhoons and sudden heavy rains caused by rising temperatures, although these risks are small.	・ Establishment of BCP system (Implementation of disaster countermeasures for buildings, strengthening risk management in the supply chain including diversification of raw material suppliers)

(3) Risk management

The Company identifies climate change as materiality and implements the PDCA cycle to improve them through the activities of the ESG Committee. The initiatives of each subcommittee are evaluated through reviews by the ESG Committee four times a year, providing for continuous improvement and the revision and addition of issues.

In addition, the Company has established the Risk Management Committee as one of the committees related to corporate governance to regularly identify risks in business activities, identify major risks, and strengthen risk management systems. Climate change risk is treated as a main risk in the risk management systems. For details, please refer to “3. Business risks.”

(4) Metrics and targets

The Company has set quantitative targets for reducing the environmental impact of business activities (Scope 1 & 2) and has been working to achieve them. The targets and trends in results up until FY2025 are as follows.

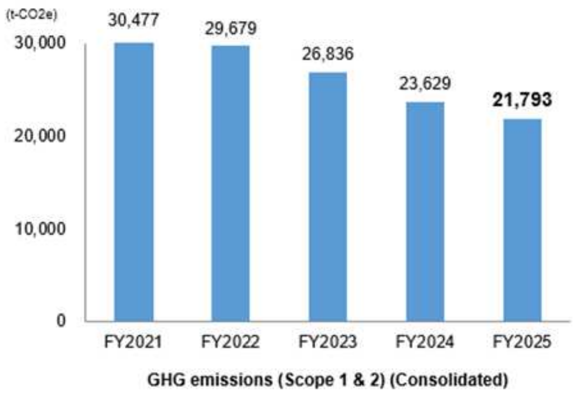
Target

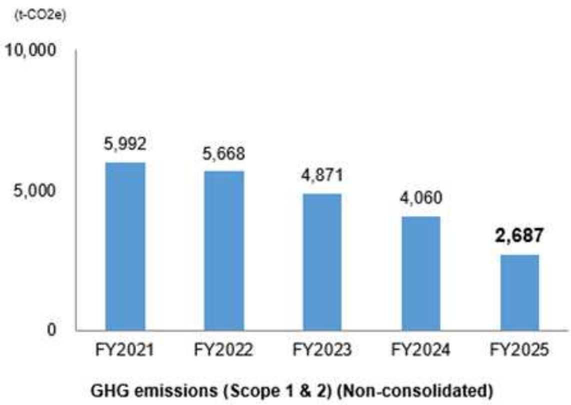
Metrics	Reason for selection	Scope	FY2025 Targets	FY2029 Targets
GHG emissions (Scope 1 & 2)	・To mitigate the future financial impact of tightening regulations, such as the introduction of a carbon tax and the emissions trading system ・Because climate change is identified as materiality, and these are the most significant metrics for objectively and quantitatively measuring progress on related initiatives	Consol-idated	28% reduction (Compared to FY2021)	55% reduction (Compared to FY2021)
		Non-consol-idated	60% reduction (Compared to FY2018)	Carbon neutrality
Energy consumption	・To enhance the business’s resilience against soaring and fluctuating energy prices ・Because we determined that cost reductions through improved efficient energy use would directly contribute to strengthening the medium- to long-term earnings base	Consol-idated	4% reduction (Compared to FY2021)	–
		Non-consol-idated	6% reduction (Compared to FY2018)	–

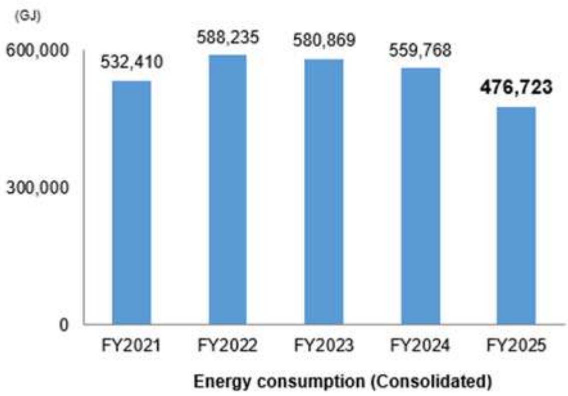
Trends in results

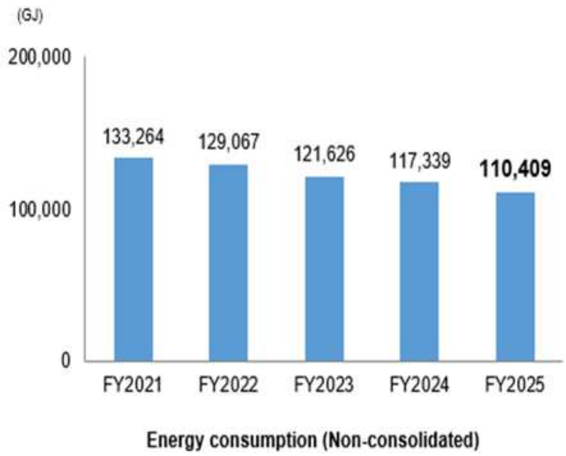
Metrics	Unit	Scope	FY2021	FY2022	FY2023	FY2024	FY2025*
GHG emissions (Scope 1 & 2)	t-CO2e	Consol-idated	30,477	29,679	26,836	23,629	21,793
		Non-consol-idated	5,992	5,668	4,871	4,060	2,687
Energy consumption	GJ	Consol-idated	532,410	588,235	580,869	559,768	476,723
		Non-consol-idated	133,264	129,067	121,626	117,339	110,409

* FY2025 results are preliminary figures. Official figures will be disclosed on the Company's website after third-party certification has been obtained.









For details on the Company's climate change initiatives and results, please refer to the Company's website.
https://www.sangetsu.co.jp/company/sustainability/environment/climatechange.html

II. Approach and initiatives for resource recycling

As the pace of resource consumption accelerates following global population growth and economic development, initiatives for resource recycling in order to mitigate the risk of resource depletion are becoming increasingly important. While continuing existing measures to minimize waste and emissions, the Company is further strengthening initiatives for resource recycling, such as promoting the use of recycled materials and expanding environmentally friendly products that are easy to recycle.

Polyvinyl chloride (PVC), one of the main materials used in the Company's products, offers excellent workability, durability, and economic feasibility, and is widely used in the construction industry. However, it is difficult to recycle as it is used in composite materials. The recycling of PVC is an issue not only for the Company but also for the entire industry, and going forward, we will promote initiatives to resolve it in cooperation with material manufacturers and recycling operators.

(1) Governance

For information on governance regarding resource recycling, please refer to “2. Approach and initiatives for natural capital, Governance for natural capital.”

(2) Strategy

■ Risks and opportunities

Category	Risks	Opportunities
Merchandise	・ Pressure on earnings due to restrictions on the use and soaring procurement costs of fossil-based materials such as plastics, main raw materials. ・ Decline in competitiveness due to delays in responding to social and customer demands for environmentally friendly products	・ Increase in sales and improvement of brand value through the expansion of lineup of environmentally friendly products that incorporate the active use of recycled materials and design for recycling ・ Create new business opportunities through co-creation with materials manufacturers and companies in other industries
Waste	・ Loss of business opportunities and damage to brand image due to the inability to expand the use of recycling methods with a lower environmental impact (such as material recycling*) ・ If a waste disposal contractor engages in improper disposal practices, such as illegal dumping, this may result in damage to the brand image and additional disposal costs incurred due to the waste generator’s liability.	・ Establish a stable and efficient resource recycling system and reduce disposal costs by utilizing the wide-area certification system and establishing an in-house collection system for items such as carpet tiles and curtains ・ Create new environmental value through material recycling and upcycling of waste as new resources

* Material recycling: A recycling method in which waste material is reused as material for the same or a different product.

■ Recycling of sample books

The Company’s sample book is an important business tool that enables customers to efficiently select from approximately 12,000 diverse products. However, approximately 1.5 million copies are published annually, and used sample books are disposed of in various locations without being recycled. As a solution to this environmental impact, we are recycling sample books. At the “Sample Book Recycling Centers” established in March 2021, we sort sample books, which contain a variety of materials, and process resource recycling as materials recycling. The number of sample books recycled in FY2025 was approximately 100,000. In addition, the centers employ people with disabilities as workers in recycling of sample books, thereby supporting them to play an active role in a workplace. Going forward, we will promote collaboration with related business operators to further improve work efficiency and promote material recycling of paper and PVC.

■ Curtain recycling

The Company is working to reduce environmental impact throughout the entire product lifecycle in order to mitigate the risk of resource depletion and realize a circular society. For “Curtain recycling,” the core of this initiative, we launched the “Sangetsu Curtain Eco Project” in 2000 and have established a nationwide collection system for the used Company’s curtains. Furthermore, to further advance this initiative, we have collaborated with TEIJIN FRONTIER CO., LTD. to launch the “Horizontal Recycling System” that uses chemical recycling to transform disused polyester curtains and surplus inventory into new curtains. By establishing a supply chain that spans from collection to recycling and then to the sale of new products, we will achieve “curtain-to-curtain” horizontal recycling, which has long been considered difficult in the interior industry, and further promote the resource recycling.

(3) Risk management

The Company identifies resource recycling as materiality and implements the PDCA cycle to improve them through the activities of the ESG Committee. The initiatives of each subcommittee are evaluated through reviews by the ESG Committee four times a year, providing for continuous improvement and the revision and addition of issues.

(4) Metrics and targets

The Company has set quantitative targets related to resource recycling and is working to achieve them. The targets and trends in results up until FY2025 are as follows.

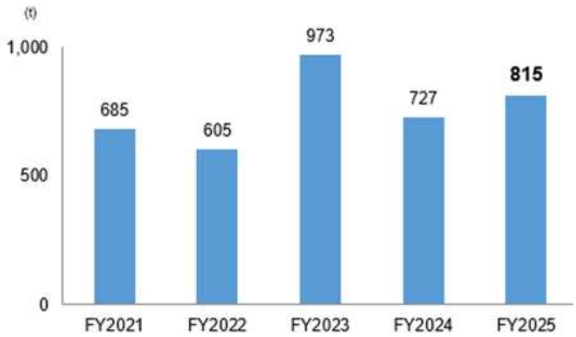
Target

Metrics	Reason for selection	Scope	FY2025 Targets
Volume of disposed waste (simple incineration and landfill disposal)	• Because it serves as a management metric to directly understand the efficiency of raw material usage and the occurrence of losses in the manufacturing process, and to optimize resource utilization	Non-consolidated	4% reduction (compared to FY2021)
Recycling rate (effective utilization rate)	• Because it functions as a key metric to measure the progress of the transition from a linear to a circular business model by quantitatively understanding the recycling status of resources scheduled for disposal	Non-consolidated	90% or higher

Trends in results

Metrics	Unit	Scope	FY2021	FY2022	FY2023	FY2024	FY2025
Volume of disposed waste (simple incineration and landfill disposal)	t	Non-consolidated	685	605	973	727	815
Recycling rate (effective utilization rate)	%	Non-consolidated	81.7	83.7	74.5	82.5	80.8

* FY2025 results are preliminary figures. The official figures will be disclosed on the Company's website around September as final figures.



Total volume of disposed waste (simple incineration and landfill disposal) (Non-consolidated)

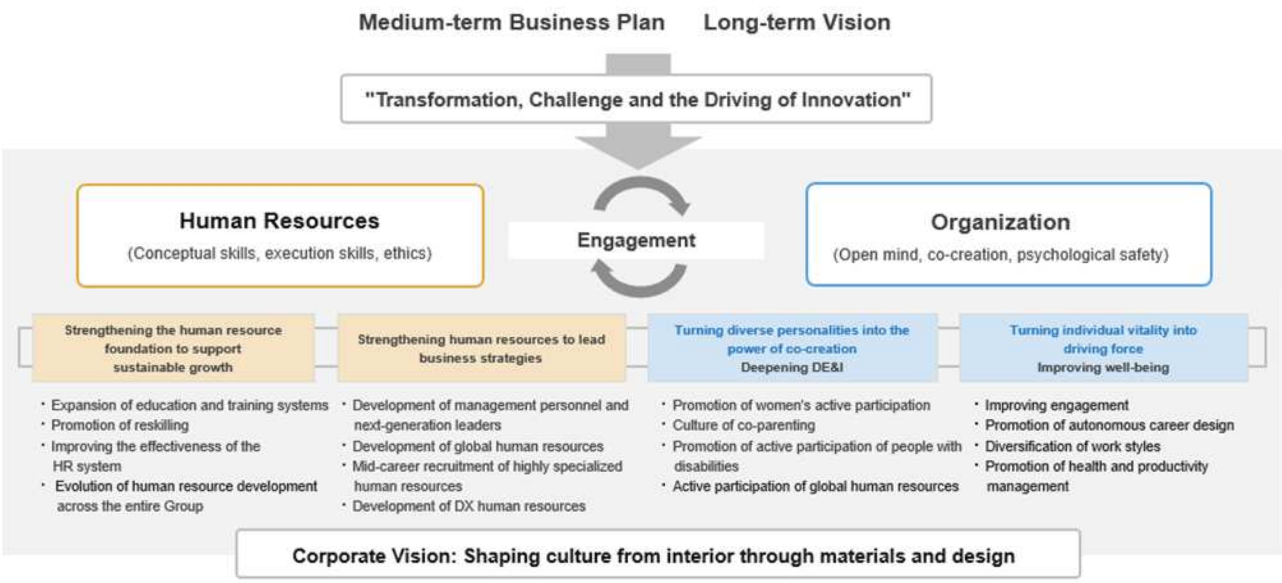
Recycling rate (Non-consolidated)

3. Approach and initiatives for human capital

The Group has positioned “strengthening human capital” as an important measure to realize the Corporate Vision “Shaping Culture from interiors through Materials and Design.” In order to realize and accelerate “Transformation, Challenge and the Driving of Innovation,” set forth in the “Medium-term Business Plan 2029,” we are implementing proactive investments in human resources and human resource measures linked to our management strategy, and are working to strengthen the human resource foundation across the entire Group.

The Company is promoting the strengthening of human capital through two wheels, which are the development of “human resources,” who possess “conceptual skills, execution skills, and ethics” and act autonomously, and the creation of an “organization” where “open mind, co-creation, and psychological safety” are ensured. By linking them through improved “engagement,” we aim to maximize the potential of both individuals and the organization.

Specifically, in terms of human resources, we strive to “Strengthen the human resource foundation to support sustainable growth” and “Strengthen human resources to lead business strategies,” while in terms of organizational structure, we have set “Deepen DE&I” and “Improve well-being” as key themes. By steadily executing concrete measures based on these themes and monitoring progress through KPIs, we aim to achieve sustainable growth in corporate value.



(1) Governance

Initiatives for human capital are mainly implemented by the Human Resources Department and the role of human resources staff by organization. This situation is continuously monitored and evaluated by the Subcommittee on Human Capital of the ESG Committee, which is centered on the Board of Directors and the President & CEO. For information on the ESG Committee structure, please refer to the ESG Committee structure in “2. Approach and initiatives for natural capital, Governance for natural capital.”

(2) Strategy

Based on the basic approach stated at the beginning of “3. Approach and initiatives for human capital,” the “Medium-term Business Plan 2029” identifies “Human Capital” as one of the six basic policies aimed at pursuing “Transformation, Challenge and the Driving of Innovation.”

Measures in the “Medium-term Business Plan 2029”

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. Nurturing 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.

1) Human resource development

Human resource development policy

We respect employees who take on the challenge of self-improvement and provide opportunities for growth, active participation, and self-actualization.

・ Provide educational opportunities that promote employees’ life planning and growth

・ By expanding promotions and granting them earlier, employees will gain experience in the field and future managers and executives will be developed

・ We assign personnel in a planned manner so they gain experience in a variety of roles and generate vitality

(i) Mid-career recruits

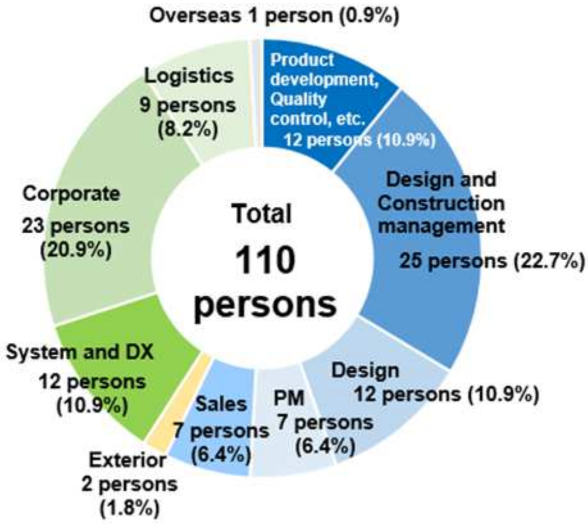
The Group believes that personnel with highly specialized skills are essential to achieve sustainable and steady growth. We recognize that there are two types of specialization: external knowledge that should be actively incorporated, and knowledge of the industry, business flow, and merchandise that is cultivated through long experience within the Group. Both of these are essential capabilities. By enhancing the specialization of both external and existing talent and supporting their active participation, we are fostering a corporate culture that promotes innovation and transformation of business models, and strengthening a culture and climate in which employees change their own work and take on new challenges. In addition, the HR system reforms implemented in FY2022 have established a system that enables treatment based on job duties not only for “management-type” employees who possess organizational management capabilities and management skills, but also for “professional-type” employees who demonstrate highly specialized capabilities. This system contributes to the development of specialized human resources within the Company and the acquisition of highly specialized human resources in the mid-career recruits market.

Currently, the Company has 1,345 full-time employees (as of March 31, 2026), and 53 new graduates were hired on April 1, 2026 for general and logistics positions. Regarding mid-career recruits, 49, 39, and 22 employees were recruited in FY2023, FY2024, and FY2025, respectively, for a three-year total of 110 employees to the target total number of recruitment 60 to 80 employees in three years (FY2023–FY2025) set forth in the previous Medium-term Business Plan [BX2025]. We are expanding the mid-career recruits across a wide range of fields, primarily for professionals specializing in the space solutions business, including design, construction management, and space designers, as job openings, as well as in product development and quality control, information systems and DX, corporate, and logistics.

・ Progress of career recruiting (non-consolidated)

* Number of resignations refers to the number of mid-career recruits who have resigned.

・ Ratio of mid-career recruits by division (non-consolidated)



* Scope: Mid-career recruits joining in FY2023 and beyond

(ii) Assignment of human resources staff by organization

In promoting "improving human capital value," it is important not only to implement measures such as sharing values, reforming personnel systems, and hiring mid-career employees, but also to create an environment in which these measures can function and each employee is highly motivated and able to maximize their capabilities. By assigning human resources staff to each organization to perform detailed human resources management for all aspects of career design, including education and training, assignment, and transfers, from FY2023, and by providing career design support and the appropriate assignment of personnel based on an understanding of each employee, we aim not only to reform the culture and mindset of the entire organization, but also to create new business opportunities.

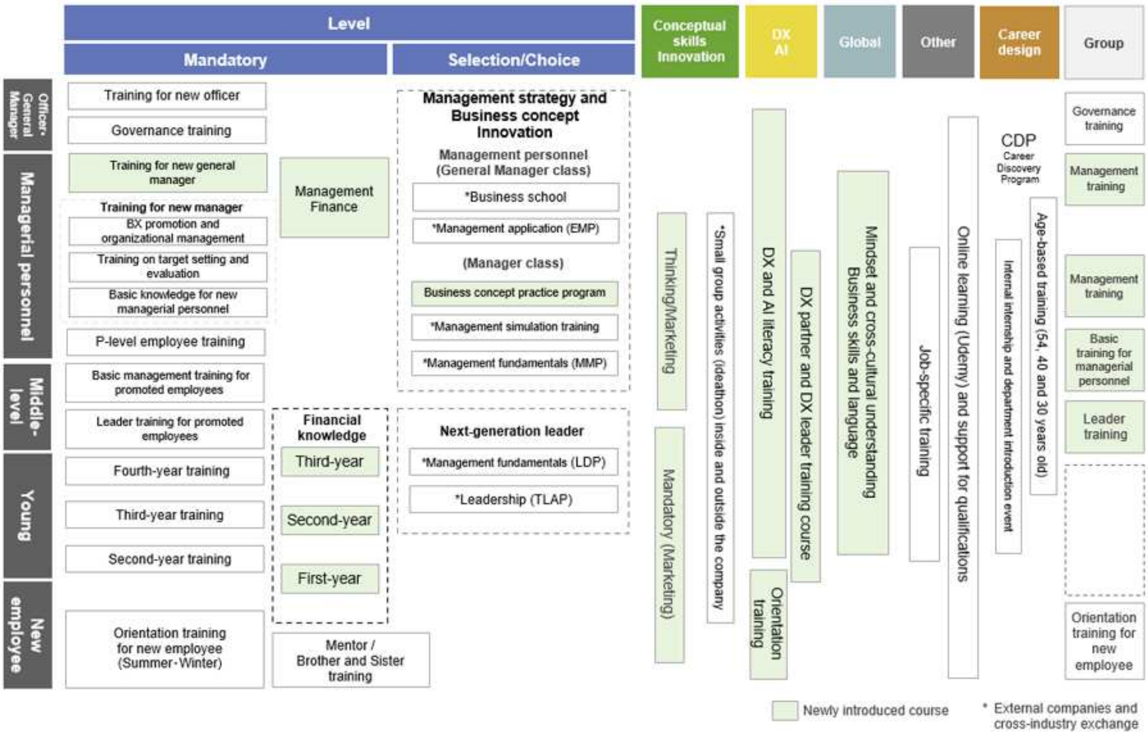
(iii) Expansion of education and training

Regarding the expansion of education and training, we provide level-based training aimed at strengthening conceptual skills and execution skills, as well as training tailored to specific topics such as DX human resource development, fostering a corporate culture that creates innovation, career design, and strengthening expertise by job type, in order to support employees to increase their motivation to grow. From FY2023, we have significantly increased selective training and opportunities for cross-industry exchange in order to develop management personnel and next-generation leaders. In addition, we continued to conduct digital skills training using the online learning tool "Udemy Business" and expanded education and training programs aimed at improving the digital and generative AI literacy of all employees.

We are also implementing specific measures to develop human resources who will drive "Transformation, Challenge and the Driving of Innovation," the slogan of the "Medium-term Business Plan 2029." As small group activities designed to cultivate the ability to create new value, we held workshops aimed at proposing new business and ideathons jointly with companies from other industries. Approximately 50 people participated in these activities during FY2025. Furthermore, we plan to introduce a "Business Concept Implementation Program" in the future, where employees will develop solutions to address the company's business issues and present them to management. Through these initiatives, we are working to foster a corporate culture that enables us to achieve self-transformation without relying on past successes and to realize sustainable business growth.

In addition to improving individual capabilities and fostering a corporate culture through such education and training, the "internal internship" program, which we have been implementing since FY2023 to enhance employee motivation and foster career ownership, had approximately 125 participants in FY2025. We actively provide opportunities to consider career goals, the skills and challenges necessary to achieve them, and support career self-management.

Education system diagram



2) Developing the internal environment (Diversity, equity, and inclusion)

Sangetsu Group Basic Policy on Diversity, Equity & Inclusion

As the domestic and international external environment surrounding the Sangetsu Group continues to change rapidly, it is essential to provide a wide range of functions or merchandise, and highly specialized services to meet the diversifying sectors of demand, regions, and customers in order to build a strong business foundation and achieve sustainable development.

The Sangetsu Group will utilize the individuality of each employee as diversity, regardless of their gender, age, nationality, race, religion, disability, gender identity, or sexual orientation, and will promote the creation of a culture and enhancement of systems that encourage continued challenges and innovation.

We have placed "Diversity, Equity & Inclusion," which connects new perspectives and ideas based on differences in backgrounds, sensibilities, and values to rich creativity, at the core of our management, and are working on it as an important measure to achieve growth while capturing the demands of an increasingly diversifying market.

(i) Supporting the active participation of diverse human resources

As part of our management strategy, we are taking various steps to utilize the diversity of our employees, with the aim of maximizing the motivation and capabilities of each employee and bringing new value creation to the organization. As part of our efforts to support the active participation of diverse human resources, we have implemented various systems that allow for flexible working styles, and we are also working to improve working conditions and implement trial employment programs in each organization for the employment of people with disabilities. The ratio of employees with disabilities is 3.7% (as of March 31, 2026), which exceeds the statutory rate of 2.5%. The Company will continue to actively pursue initiatives based on the measures mentioned above.

In addition to hiring new graduates, we are also working to strengthen human capital in information systems, logistics, and the Corporate Division, as well as conducting mid-career recruits for space designers and construction engineers to expand business domains.

(ii) Supporting the active participation of women

In the implementation of our strategic personnel system reforms, we are implementing a voluntary action plan based on the Act on the Promotion of Women's Active Engagement in Professional Life. With the aim of creating an organization where female employees can thrive and utilize their strengths, and a system to support this, we have appointed a DE&I promotion officer within the Human Resources Department and are implementing various measures to achieve this target. We have promoted DE&I in line with a two-year action plan starting from FY2026, with the aim of utilizing the knowledge, experience, and expertise of employees across the organization, regardless of gender.

Action plan based on the Act on the Promotion of Women's Active Engagement in Professional Life (FY2026-2027)

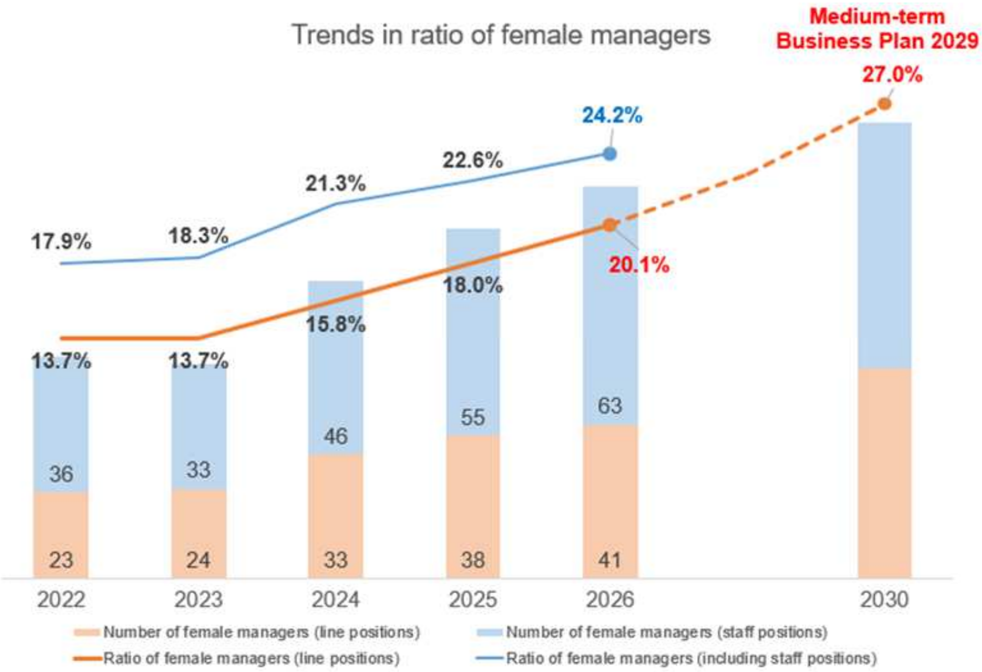
Purpose	To realize an organization where female employees can continue working for a long time, utilize their strengths, and thrive, and a culture that supports this
Plan period	Two years from April 1, 2026 to March 31, 2028
Target (1) (quantitative)	The ratio of women in management positions reaches 22%
Target (2) (quantitative)	The ratio of males taking childcare leave for those who wish to take it reaches 100% or higher

Measures

Career formation support	・ Systematic development of selected employees (interviews, assignments, training, etc.) ・ Conversation with role models ・ Attending decision-making meetings
Elimination of the gender gap	・ Assignments with no gender gap ・ For males taking childcare leave, we aim for a 100% usage rate among those who wish to take it, and we encourage and spread awareness of taking at least two weeks of leave. If taking the leave is difficult, we promote its use by providing detailed explanations such as taking the leave in installments.
Development of working environment	・ Consideration of expanding the reduced work hours system ・ Introduction of a region-specific general employee system

・ Ratio of female managers (non-consolidated)

Regarding the definition of ratio of female managers, the Company has changed the scope from "including managers in staff positions" to "managers in line positions only" effective from the "Medium-term Business Plan 2029" and has set a target of achieving a ratio of female managers in line positions at least 27.0% by April 1, 2030. The ratio as of April 1, 2026, is 20.1%.

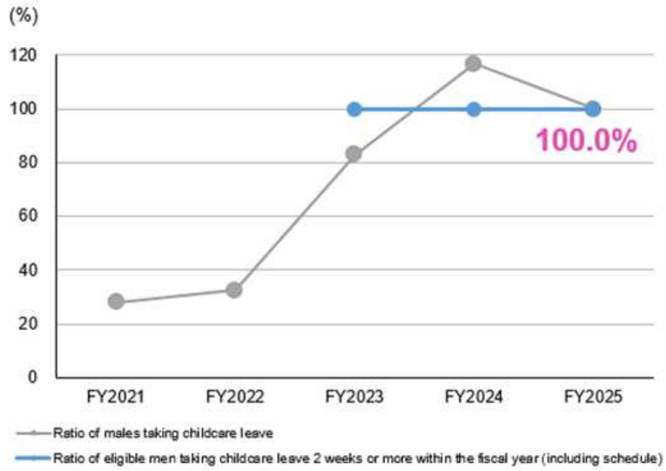


* Calculations are based on figures as of April 1 each year to take into account the timing of personnel changes.

・ Ratio of males taking childcare leave (non-consolidated)

We encourage male employees to take childcare leave in order to create an environment in which everyone can balance work and childcare regardless of gender, and to establish a system for supporting co-parenting across the company and departments. Ratio of females taking childcare leave has consistently been 100%. During the period covered by the previous Medium-term Business Plan [BX 2025], we set a target of 100% for ratio of males taking childcare leave (for two weeks or more), and with the ratio reaching 100% in FY2025, we were able to achieve this target in all three years of the Plan. We will continue to strengthen this initiative going forward.

Meanwhile, the ratio of males taking childcare leave of two weeks or more, which is set as a quantitative target in the Medium-term Business Plan, is calculated, including those who plan to take childcare leave until their child turns one year old. Although the calculation method for the ratio of males taking childcare leave based on the definition set by the Ministry of Health, Labor and Welfare differs from that used for the Company's quantitative targets, this ratio also achieved 100% in FY2025.



* Ratio of males taking childcare leave (including childcare leave at the time of birth):

Number of male employees who took childcare leave during the fiscal year ÷ Number of male employees whose spouses gave birth during the fiscal year

The ratio may exceed 100% in some cases, as male employees whose spouses gave birth in previous fiscal years may take childcare leave in the current fiscal year.

3) Developing the internal environment (review of work styles)

Policy regarding work styles

At Sangetsu we respect the diversity, personality, and individuality of each employee, operate a personnel system that allows each employee to maximize their capabilities, and ensure a safe and comfortable working environment.

(i) Supporting the balance between work and family

We support employees to provide childcare and nursing care in order to develop an employment environment in which employees can fully utilize their capabilities, and contribute to the development of the next generation. We foster a culture of shared parenting through a variety of measures, such as holding seminars on nursing care, providing subsidies for the cost of babysitting and childcare for sick children, corporate partnerships with private childcare centers, and hosting children's open days to promote understanding towards those employees with children and encourage communication within the home, and support the balance between work and family life.

Childcare and nursing care support system

Pregnancy and birth	During childcare leave	Raising children	Nursing care
Pregnancy and maternity leave	・ Childcare leave support program (Meeting with superior, child raising support seminar) ・ Made childcare leave partially paid leave	・ Reduced work hours for child raising system (Until the child starts 2nd year of elementary school) ・ Corporate partnerships with private childcare centers ・ Subsidy for childcare services for sick children ・ Subsidy system for babysitters ・ Flextime system ・ System to use paid leave in hourly units ・ Remote working system	・ Nursing care leave (Statutory period + extension of up to 1 year) ・ Flextime system ・ System to use paid leave in hourly units ・ Remote working system

Action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children (FY2026-2027)

Purpose	Developing an employment environment where every employee can fully utilize their abilities by creating a comfortable work environment that allows each employee to balance work and childcare
Plan period	Two years from April 1, 2026 to March 31, 2028
Target (1) (quantitative)	The ratio of males taking childcare leave for those who wish to take it reaches 100% or higher
Target (2) (quantitative)	Reduce statutory overtime and statutory holiday work hours for full-time workers to less than 21 hours

(ii) Diversity of work styles

We are implementing various measures to improve and strengthen our labor management, with the aim to create a “rewarding” workplace where employees can work with enthusiasm. In addition to spreading flexible working systems such as flextime and remote working, we are working to improve the work environment by reviewing existing systems as appropriate, including introducing a paid leave system for new hires that grants paid leave from the month of joining and converting part of menstrual leave to paid leave in FY2025. In addition, we plan to introduce a region-specific general employee system in FY2027. By establishing a system that allows employees to move freely between national roles and region-specific roles without limiting their career advancement, and by creating a company where employees can shape their careers while working in ways suitable for their life stages, we aim to both elevate the overall capabilities of our employees and strengthen our recruiting competitiveness in the years to come.

Additionally, the “PARCs Sangetsu Group Creative Hub” in Hibiya, Tokyo, which was opened as a base for creating new value for the Sangetsu Group, is not only expanding the business by consolidating group functions, but is also promoting initiatives that lead to the “wellbeing” of employees and visitors, and has received the Gold rank certification under the “WELL Building Standard™ v2 (WELL certification).”

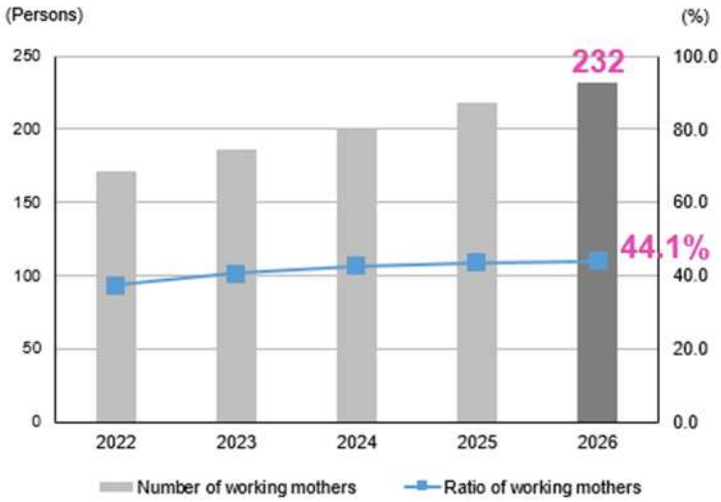
Measures to create a comfortable working environment

Flexibility of work styles	A range of systems are in place that are easy to use depending on the type of duties and work environment, such as flextime with no core time, working from home, staggered working hours, and a paid leave system based on hourly units. Introduction of a paid leave system for new hires that grants paid leave from the month of joining. Strengthening a comfortable working environment for women by converting part of menstrual leave to paid leave.
Prevention of overwork	Visualizing working hours through PC logs, setting times that PCs will automatically shut down, and visualizing work status using an attendance management app in Google Appsheet. Public health nurses check in with employees working long hours.

Office environment	A comfortable office environment is being developed by implementing a complete smoking ban during standard working hours, promoting flexible seating work style, and establishing communication areas.

・ Ratio of working mothers (as of March 31 each year) (non-consolidated)

We are promoting the creation of systems and environment that enable employees to continue working while raising children. Since 2022, the definition of a working mother has been changed from “all female employees with children” to “female employees with children under the age of 18.”



* Ratio of working mothers: number of working mothers ÷ number of full-time female employees

4) Developing the internal environment (health management)

Health management policy

To work and live a healthy life “so that employees can work with enthusiasm”

・ Improving mental and physical health (employees and their families)

We will work to improve our systems for promoting mental and physical health and engage in activities to maintain and improve health.

・ For a more enriched life

We will contribute to creating happiness for employees, their families, and the entire local community through health management.

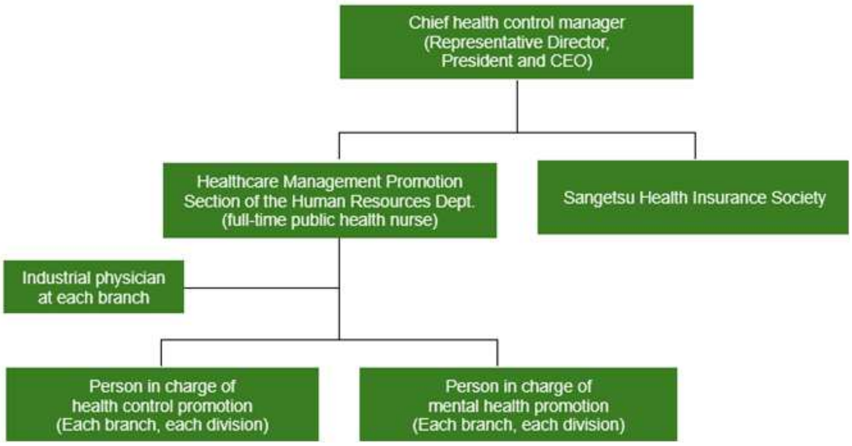
・ Creating a comfortable work environment

Securing a comfortable work environment that is safe, healthy, and easy to work in.

One of the five principles of the Sangetsu Group Corporate Ethics Charter is “so that employees can work with enthusiasm.” We respect the diversity, personality, and individuality of our employees, and are committed to operating an appropriate personnel system that allows each employee to maximize their capabilities as a central figure in the company’s management, as well as ensuring a comfortable work environment that is safe, healthy, and easy to work in. We will continue to strive to maintain and improve the health of our employees by ensuring a comfortable work environment that is safe, healthy, and easy to work in and by improving our system for promoting physical and mental health.

Health management promotion system

The Representative Director, President & CEO is the person chiefly responsible for health management, and the health management promotion staff and public health nurses in the Healthcare Management Promotion Section of the Human Resources Department are at the center of developing activities to maintain and improve the health of employees in cooperation with health management promotion staff and industrial physicians at each business location, in order to create a comfortable working environment and promote physical and mental health.



Specific initiatives

The Company has been developing a comfortable work environment that is safe, healthy, and easy to work so that employees can work with enthusiasm, and enhancing our system for promoting physical and mental health. Starting with the establishment of the Sangetsu Health Insurance Society in 2019 and the creation of the Healthcare Management Promotion Section of the Human Resources Department in 2020, we have been working to strengthen the health measures and collaborative health projects stated below. These activities have been evaluated and we have been certified as a KENKO Investment for Health Outstanding Organization (large enterprise category) for seven consecutive years since 2020.

Strengthening collaborative health	Implementing stress checks for all employees
	Fully subsidize health checkups (including for breast cancer, cervical cancer, and prostate cancer)
	Full subsidization of gastroscopy tests
	Implementing a dental checkup subsidy program
	Subsidies for brain checkups, lung CT scan, 70% subsidy on costs
	Implementing a complete smoking ban during standard working hours and support for smoking cessation programs
	Holding health events, seminars, and disseminating information
Support for balancing treatment and work	Advanced Cancer Care Compensation Program
	Fringe benefit system for high-cost medical expenses
	Expanding flexible working systems such as flextime, remote working, and a paid leave system based on hourly units

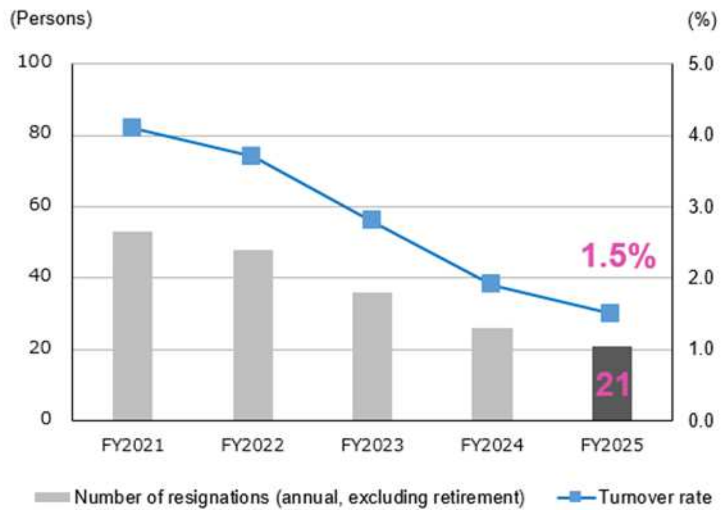
In addition, we are promoting health management by setting quantitative targets for metrics such as the rate of abnormal findings in periodic health checkups and the rate of employees receiving cancer screening. Please see our website for further information.

Health management

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

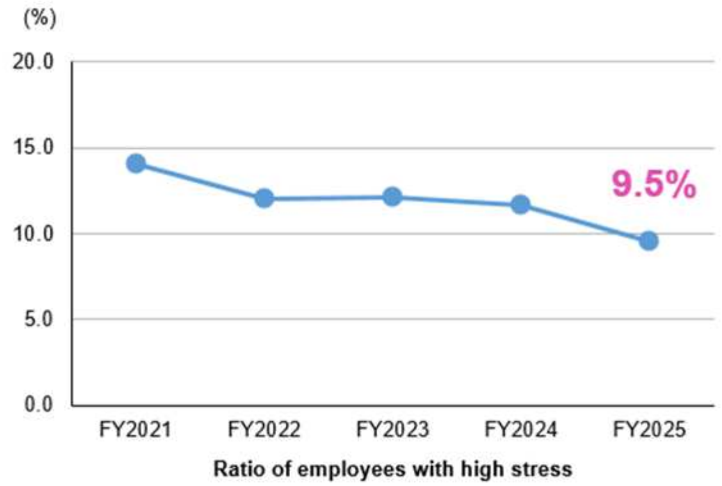
- Other reference metrics (non-consolidated)
  - Number of resignations (annual, excluding retirement) / turnover rate

We respect the human rights of each employee, prohibit discrimination and harassment, and are striving to create a fair and bright workplace. We are promoting the creation of a work environment where employees can maintain their physical and mental health, and have maintained a low turnover rate over the past five years.



・ Stress check participation rate and results (ratio of employees with high stress)

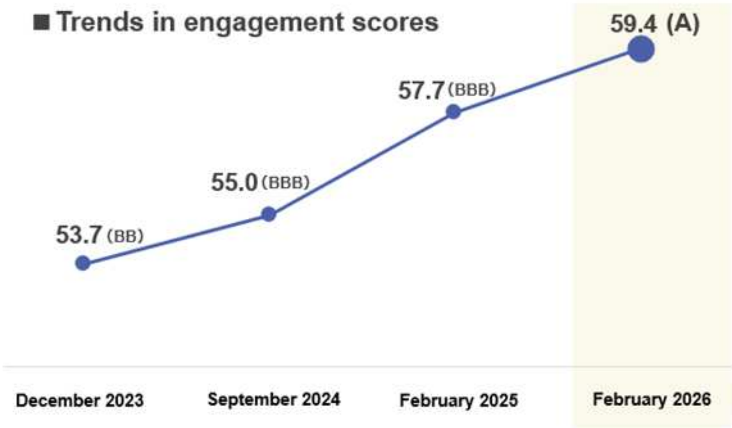
The ratio of employees with high stress had remained above 10% until now, but in FY2025, it fell below 10% for the first time since the stress check began. We will continue to work on developing a labor environment and promoting thoughtful health management measures, striving to improve the work environment and prevent mental health issues.



5) Engagement (initiatives to foster corporate culture)

We believe that for a company to grow, it is essential that employees understand and empathize with the company's direction and are highly engaged in their work. We conduct an engagement survey targeted at all employees, analyze the results, and reflect them in reforms to our organization, systems, culture, etc. In particular, we pay close attention to metrics related to employee engagement as a key management issue. When the previous Medium-term Business Plan [BX 2025] was first formulated, the employee awareness survey was set as a metric. In order to clarify the components of engagement by visualizing the data and to implement specific improvement measures based on the survey results, we have introduced a new "engagement survey" in FY2023 and accordingly changed the metric in the previous Medium-term Business Plan [BX 2025] to the "engagement score." The target for FY2025 was to raise the engagement score two levels from "BB (score 52.0 or above)" achieved in FY2023 to "A (score 58.0 or above)." In the February 2026 survey, we recorded a score of 59.4 and achieved our target of an "A rating."

In addition, communication across management, employees, departments, positions, generations, and regions is essential for fostering engagement. The Company considers it a key management issue to "foster a corporate culture in which human resources, who are the foundation of the organization, can fully demonstrate their abilities and potential and engage in co-creation beyond the framework of departments, Group companies, etc." We are communicating this message through various opportunities. As part of these efforts, we have launched "KONDO's talk," a communication content that conveys the President & CEO's thoughts on social trends and topics within the Group. We also strive to share awareness and vision with employees through various dialogue opportunities, such as dialogue meetings with employees and social gatherings for new and mid-career employees.



(3) Risk management

The Company identifies materialities and implements the PDCA cycle to improve them through the activities of the ESG Committee. The initiatives of each subcommittee are evaluated through reviews by the ESG Committee four times a year, providing for continuous improvement and the revision and addition of issues.

In particular, the Subcommittee on Human Capital, which addresses themes related to human capital, has identified the following issues: (1) human resource development and support for active participation, (2) improving employee engagement, and (3) promoting diversity, equity, and inclusion. In the identification of these issues, guidelines set by organizations such as the GRI and SASB were referred to and the ESG issues that are particularly relevant to the Company were identified and evaluated based on their importance to society and long-term investors, as well as their impact on the sustainable growth of our business. The progress of materiality including human capital is reviewed by the ESG Committee on a quarterly basis.

(4) Metrics and targets

As for metrics and targets related to human capital, quantitative targets have been set in the "Medium-term Business Plan 2029," which has begun in the fiscal year ending March 31, 2027. Please refer to "1. Management policy, management environment, issues to be addressed, etc., (1) Objective indicators for determining the status of achievement of management policies and management targets, 4. "Medium-term Business Plan 2029" (Fiscal Year Ending March 31, 2027 to Fiscal Year Ending March 31, 2030)."

The metrics, targets, and results related to human capital under the previous Medium-term Business Plan (2023–2025) [BX 2025] are listed in "1. Basic approach and initiatives for overall sustainability, (4) Metrics and targets."

3. Business risks

The matters recorded in the annual securities report concerning the overview of business, financial information, etc. include the following key risks that are recognized by the management as having the potential to exert a material impact on the financial position, operating results, and cash flows of consolidated companies.

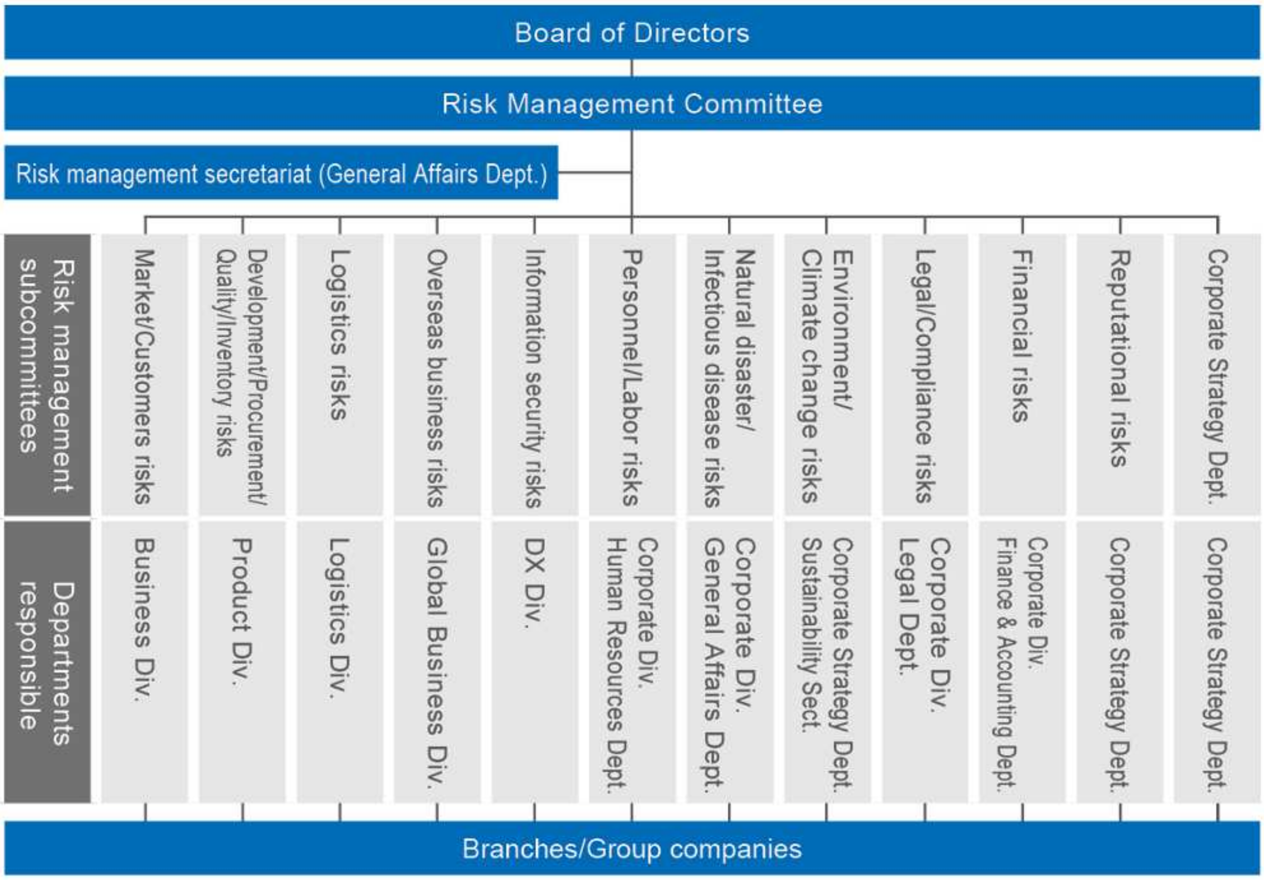
Please note that matters concerning the future in this article were determined by the Group as of the end of the fiscal year ended March 31, 2026.

1. Approach to risk management and risk management system

The Group strives to maximize corporate value and minimize the impact on management and operations by responding appropriately and promptly to various risks.

The Company's risk management system is managed by the Risk Management Committee, for which the President & CEO has ultimate responsibility. We strive to maintain and enhance the corporate value of the entire Group, minimize the impact of risks when they arise, and manage through PDCA cycle various risks that may affect the Company's activities and employees. The Risk Management Committee meets once every quarter to establish basic policies and systems for overall risk management and has functions such as forming task forces as necessary. Activity status is reported to the Board of Directors once every six months, and management has established a system that enables it to make business decisions based on an accurate understanding of existing risks. We have identified risks that need to be continuously monitored and addressed from various perspectives, from those that are already partially apparent to those that are not yet apparent. Each risk management subcommittee identifies foreseeable risks, evaluates them using mapping, and clarifies the risks that require priority measures.

<Organization chart>



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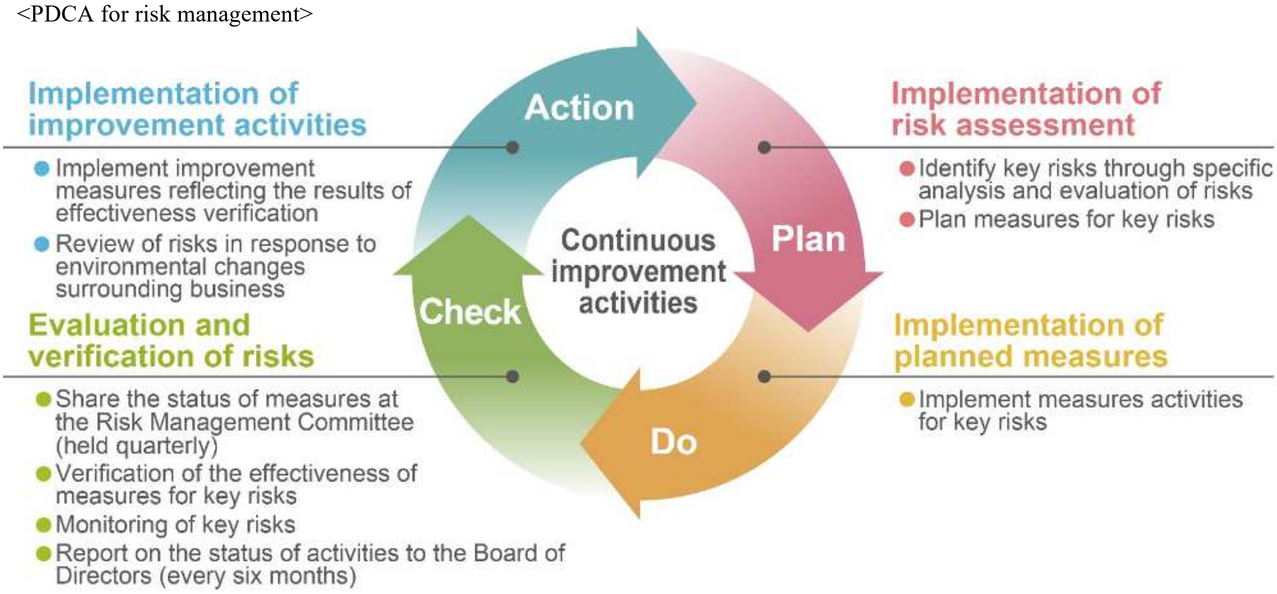


2. Major risks of the Group

<Strategy and external environmental risks>

(1) Business environment

(Description of risk)

The Group operates its business through the Domestic Interior Segment, which in addition to planning and selling interior products such as wall coverings, flooring materials, and fabrics (curtains and upholstery) and manufacturing wallpaper, also conducts design and construction of various facilities and office spaces; the Domestic Exterior Segment, which sells exterior products such as gates, fences, and carports, and conducts design and construction of exterior spaces; and the Overseas Segment, which manufactures and sells interior products in North America, Southeast Asia, China and Hong Kong, and conducts design and construction in Southeast Asia. Since these businesses are dependent on construction demand, there is a risk of losing business opportunities due to factors such as the overall trends of the national economy, government policies regarding housing, changes in the tax system, and a decrease in the number of new residential and non-residential construction starts due to a declining population.

(Measures against risk)

In the main domestic market, we do not expect to see significant growth in new construction and renovation in the residential and non-residential sectors in the future due to the declining birthrate and aging population. Against the backdrop of such business environment, the Group has formulated its “Medium-term Business Plan 2029,” with the fiscal year ending March 2027 as its first year. In the interior business, even as the domestic market shrinks, we will focus on fields with growth potential. At the same time, we will work to optimize the product mix and supply chain, strengthen manufacturing capabilities, and enhance the corporate brand. By increasing our competitive advantage and profitability, we aim to build a more robust earnings base. In addition, 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. In overseas as well, with a focus on interior, we will further accelerate growth in North America while shifting our focus toward growth in Southeast Asia, China, and Hong Kong. We position them as growth drivers for the entire group and will work to further strengthen profitability. In addition, we will also focus on exploring and creating next-generation businesses that will become future sources of revenue in the existing and adjacent domains of the Group, including interior.

(2) Instability in the international situation

(Description of risk)

Due to global supply chain disruptions caused by the escalating tensions in the Middle East, benchmark prices for petrochemical raw materials such as crude oil and naphtha have risen significantly. Accordingly, concerns have arisen regarding the domestic supply of petrochemical products, and our contract manufacturers are beginning to experience difficulties in procuring raw materials. If this situation prolongs, there is a risk of supply reductions or restrictions, as well as delivery delays, for our main products, including wall coverings, flooring materials, and fabrics. Furthermore, in addition to soaring raw material prices, rising manufacturing and logistics costs have become a serious issue. Since it is difficult to absorb these cost increases and maintain our current service levels through our own efforts alone, we have decided to revise our transaction prices. In the future, if further surges in raw material prices occur, or if demand changes due to price revisions, it may impact the Company’s business performance and financial condition.

(Measures against risk)

The Company strives to gather information through cooperation with business partners and focuses on identifying potential impacts at an early stage by closely monitoring the international situation. We will make the stable supply of products our top priority and, by leveraging our procurement and inventory capabilities, strive to minimize the impact of supply restrictions and delivery delays on our customers. While we will make our own efforts such as ongoing cost reductions to address rising raw material prices and logistics costs, given the current situation where it is difficult to maintain our current service levels, we have decided to revise transaction prices by approximately 18% to 30% for major products including wall coverings, flooring materials, fabrics, exterior, supplementary materials, and adhesives, effective for orders received on or after July 1, 2026. This measure will allow us to appropriately pass on the increased costs to our prices, thereby ensuring the continuity of our business and a stable supply system. Going forward, we will continue to take prompt and appropriate measures in response to changing circumstances, such as further surges in raw material prices, to minimize the impact on our business operations.

(3) Environment and climate change

(Description of risk)

Amid growing interest in the risks of environment and climate change, the Paris Agreement was adopted by the United Nations in 2015, and the Sustainable Development Goals (SDGs) were adopted at the UN Summit held in the same year, which marked progress in the setting of goals targeted at 2030. Furthermore, with the publication of international standards by the International Sustainability Standards Board (ISSB) and the incorporation of the disclosure standards established by the Sustainability Standards Board of Japan (SSBJ) into domestic law, significant progress has been made in standardizing the disclosure of non-financial information, and sustainability has become a prerequisite for investment in capital markets.

Amid these dramatic changes in regulations and market changes related to environment and climate change, the Group recognizes as significant risks not only the risk of not being able to reduce greenhouse gas (“GHG”) emissions from our business activities, but also the tightening of regulations on polyvinyl chloride (PVC), particularly in Europe and the United States, and shifts in customer needs driven by growing environmental awareness.

Specifically, there are concerns that the failure to reduce GHG emissions across the entire supply chain will result in increases in carbon tax burden and purchase costs. Additionally, if we fail to respond in a timely manner to regulations on chemicals such as PVC, or if we do not sufficiently enhance environmentally friendly products, our failure to meet market needs may lead to a decline in social trust and a loss of business opportunities, which could have a material impact on the Group’s operating results, financial condition, etc.

(Measures against risk)

In response to environment and climate change risks, we have established an Environment/Climate Change Risk Subcommittee under the Risk Management Committee that is chaired by the President & CEO, and are building an organizational management system. Under this Environment/Climate Change Risk Subcommittee, each risk related to climate change is analyzed along the lines of transition risks, such as legal regulations and market, and physical risks, such as acute and chronic risks. The Product Division, Logistics Division, Business Division, and Corporate Division are working closely together to set specific management indicators and monitor and respond to risks.

In addition, in the Sangetsu Group Long-term Vision [DESIGN 2030], the Group sets out the realization of a sustainable society that protects the global environment, and sets FY2029 GHG emission targets for our business activities (Scope 1 & 2) of carbon neutrality (net zero emissions) in the non-consolidated company and a 55% reduction for the entire Group (compared to FY2021). We are striving to reduce GHG emissions through energy conservation activities at production sites with high GHG emissions and the introduction of renewable energy. In terms of products, we are advancing the development of environmentally friendly products and establishing a sales system for them by strengthening cooperation with the Product Division, formulating development plans for environmentally friendly products, and exploring the implementation of an “environmental label” based on our own standards.

Going forward, we will strengthen engagement with suppliers to reduce GHG emissions across the entire supply chain and promote the expansion of sales of environmentally friendly products that meet customer needs in order to respond to environment and climate change risks.

(4) Overseas business activities

(Description of risk)

The Group conducts business mainly in North America, China, Hong Kong, and Southeast Asian countries. If the following events or circumstances were to occur, they may significantly impact the Group’s operating results and financial position.

・ The spread of an infectious disease, political instability, uncertainty about economic trends, differences in religion, culture or business practices, war or civil strife, terrorism, restrictions on investment, overseas remittances, imports and exports, etc.

・ In accordance with accounting standards for impairment of non-current assets, the future cash flows, etc. of assets are calculated and impairment losses are recognized and measured periodically, resulting in the recording of impairment losses on non-current assets.

・ The business of a Group company with a manufacturing division experiences extreme fluctuations in the purchase prices of raw materials and merchandise due to a sharp rise in crude oil or mineral prices, etc.

・ A sharp increase in transportation costs from Japan and when overseas Group companies procure merchandise from overseas.

・ Reputational risks arise due to prolonged product complaints and quality issues, etc.

・ We are unable to secure management personnel of the Company and those in local areas to manage overseas Group companies.

(Measures against risk)

The Group strives to prevent and minimize overseas business risks by implementing the following measures.

・ Proactively creating an environment within the Group that is prepared for emergencies, including by collecting information on issues that could become political or economic obstacles and formulation of a BCP for unforeseen circumstances.

・ Established a system for managing businesses after investment.

- If the cost of raw materials etc. rises sharply, we will implement appropriate price revision while assessing the market and competitive situation. We closely monitor not only our suppliers, but also crude oil prices and price fluctuations among raw material manufacturers, and are constantly preparing to gather information in order to make appropriate decisions regarding purchase price negotiations and sales price revisions.
- We select the most efficient transportation method and charge appropriate shipping fees to our customers.
- We are working to establish a system that thoroughly manages quality control in each country and prevents complaints before they arise.
- We are developing young personnel who will take on overseas business in the medium to long term, as well as developing local management personnel who will be responsible for growing business, developing and maintaining organizational structures for transformation, and expanding profitability.

<Operational risk>

(5) Quality control

(Description of risk)

The Group plans, develops, and sells attractive wall coverings, flooring materials, fabrics, and other interior products that are essential elements in living spaces, based on an accurate understanding of customer needs, with the aim of "With all people we collaborate to create peaceful and inspirational spaces." Except for some products, manufacturing is carried out by external manufacturers of our suppliers, and we receive product supplies from them. However, ensuring product quality is the very "value" that customers require for products, and it forms the foundation for improving reliability as a brand manufacturer, enhancing customer satisfaction, strengthening competitiveness, and increasing corporate value.

In addition, for interior products that will be used over a medium term period, it is also important to ensure quality over a long period of time, including changes over time. If serious quality issues or customer complaints arise due to insufficient testing during product development or deficiencies in the manufacturing process, or if products of a quality that differs from the original design are released to the market, this may impact the Group's business performance and financial condition due to damage to the brand image and the incurrence of compensation costs.

(Measures against risk)

We have defined the product design review process as Design Review (DR-A/B/C) and have established and operated a system in which multiple persons in charge verify and check each stage of development. When developing new products, we utilize the "Quality Requirements Confirmation Sheet" that comprehensively lists items to be verified during the quality verification stage. At DR-A, we identify verification items; at DR-B, we confirm quality and functionality, as well as legal requirements; and at DR-C, we report the verification results. We strictly operate the rule that products will not be launched on the market until quality verification is complete. After a product is launched on the market, when quality complaints arise, we hold a countermeasure meeting to analyze and share examples of deficiencies, thereby implementing measures to prevent similar risks from occurring in other products.

We also regularly monitor the occurrence of quality complaints and conduct audits of suppliers' factories as necessary. Furthermore, for outsourced manufacturing, we clarify quality standards, outsource the manufacture of products in accordance with quality control standards, and to maintain and improve quality, we manage changes in the four elements that occur at the manufacturing site: "Man" "Machine" "Material" "Method," and have established a system to evaluate the impact of these changes on product quality through prior reporting and implement appropriate measures to prevent quality issues before they occur.

(6) Stable procurement and stable supply

(Description of risk)

The Group conducts sales and marketing activities for the mainstay products we handle including wallcoverings and flooring material by distributing sample books which contain samples of merchandise. As our industry is strongly required to maintain a stable supply throughout the validity period of sample books, any interruption in the supply of products, including those caused by production problems, disruptions in raw material procurement or soaring prices due to geopolitical risks, or the bankruptcy or withdrawal of suppliers or processors, as well as other unforeseen factors, may impact the Group's business performance and financial condition.

(Measures against risk)

In order to ensure the stable procurement of products from manufacturers, we inspect the manufacturers' factories and check that their manufacturing processes are appropriate before purchasing, and in the event that procurement becomes difficult, we are developing an environment as a backup system, such as ensuring sufficient inventory of major merchandise and preparing alternative merchandise.

The Group company, CREANATE Inc., is the largest manufacturer of wallpaper in Japan. As we expand the wallcoverings business, we believe that further development will be possible not only through strengthening our competitiveness and securing volume, but also through improving business efficiency by establishing an integrated manufacturing and sales system, and recognize that maintaining stable factory operation and a stable supply of merchandise is an issue that the entire Group must address. With the launch of new plant in Hiroshima Prefecture in October 2025, by establishing a production system with two bases in eastern Japan and one base in western Japan, and introducing state-of-the-art machines with high production efficiency, we are working to build a more resilient supply chain and strengthen our stable supply system.

On the other hand, we recognize the bankruptcy or closure of suppliers and associated processors, changes in the business environment, and understanding the actual state of suppliers' CSR practices as important ongoing issues. To address these issues, we are striving to strengthen our understanding of the actual situation through CSR surveys and on-site inspections, and to ensure thorough management. We are also focusing our efforts on building a more refined procurement management system, including the further expansion of alternative production systems.

(7) Design and construction business

(Description of risk)

The Group not only sells interior design materials and exterior materials, but also designs and proposes space designs that utilize these materials, and even operates the business of installation work. In the design and installation business, the business activities must be conducted in accordance with various laws and regulations, including the Construction Business Act, and there are risks to business continuity and reputation if we are judged to have committed a violation, and issues that the shortage of specialized human resources for space solutions construction and certified skilled workers for picture mounting is becoming apparent.

(Measures against risk)

In order to build and expand highly profitable businesses, we are strengthening the construction management system of the entire Group, centered on the “Space Solutions Group,” which is comprehensively responsible for everything from business planning to construction and project management in the field of space creation. Specifically, by obtaining a special construction business license, we will establish a system capable of accepting orders for large-scale construction and all types of construction work. Additionally, by utilizing a new system scheduled to be operational during FY2026, we will strive to ensure thorough profit management and management of legally required documentation for each project. In addition to recruiting and developing specialized human resources and securing certified skilled workers for picture mounting, etc., we have established an effective management system from both legal and operational perspectives, including taking out various liability insurance policies to minimize financial losses in the event of unforeseen circumstances.

(8) Logistics function

(Description of risk)

The Group operates businesses that involve receiving goods from suppliers, stocking them, and shipping and delivering them. While maintaining a delivery network throughout Japan is one of our strengths in business continuity, we recognize that the “2030 logistics problem,” in which there are concerns that approximately 30 percent of shipments may become undeliverable due to a driver shortage caused by severe decline in birth rates and aging population, is a risk that could make it difficult to maintain the stability of the Company’s delivery system. Furthermore, in addition to the risk of supply disruptions caused by the suspension of operations at transportation companies following serious accidents, it has become essential to respond appropriately to changes in the logistics environment and strengthen operational safety management. This includes the risk of legal violations and penalties resulting from failure to comply with obligations as a specified consignor under the revised “Logistics Efficiency Act,” which enacted in April 2026, as well as the risk that, starting in January 2026, specific transportation consignment has become subject to regulations under the Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators.

(Measures against risk)

By internalizing logistics functions in a wide area within the Group, we aim to strengthen sustainable logistics functions, including reducing environmental impact, and to build and advance a delivery system that is more responsive to individual regions and a more effective and efficient logistics system that includes procurement logistics. Following the acquisition of Cloth Kikaku, Corporation in September 2022 (converted to a stock corporation in April 2023), we acquired SDS Corporation, a logistics company, as a group company in April 2025. As a countermeasure to the 2030 logistics problem, we are strengthening the securing of alternative options in the event of unforeseen circumstances, as well as the maintenance and operation of backup systems to prevent disruptions in the supply of products.

Furthermore, in response to the revised “Logistics Efficiency Act,” we are proceeding with the appointment of a chief logistics officer, a requirement for specified consignors, and the formulation of medium- to long-term plans. In practical terms, we are not only promoting labor-saving and systematization of cargo handling operations such as loading and unloading through the introduction of cargo handling equipment, but also enhancing compliance with decision criteria such as reducing waiting time for cargo and handling times and improving load ratios. We will strive to achieve both thorough compliance, including responses to the Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators, and efficient operations. Furthermore, even in high-risk environments such as nighttime deliveries, we thoroughly enforce safety management across both our company and our partner companies, and we are continuously working to strengthen operational safety management to prevent serious accidents.

(9) Securing human resources

(Description of risk)

We recognize that securing diverse and capable human resources who can execute the management strategy is essential for the Group to achieve sustainable growth and enhance corporate value over the medium to long term. However, due to the declining labor force population and the increasing fluidity of the labor market in Japan, competition for the acquisition of human resources beyond industry and type of business is intensifying. If we are unable to recruit and develop the human resources the Group needs as planned, or if existing excellent human resources leave the companies, there are risks that the execution of business plans will be delayed, which may impact the Group’s operating results and financial position.

(Measures against risk)

In order to realize and accelerate “Transformation, Challenge and the Driving of Innovation,” set forth in the “Medium-term Business Plan 2029,” the Group is implementing human resource measures linked to our management strategy, and are working to strengthen the human resource foundation.

We are working to strengthen both “human resources” and “organization,” and have positioned four initiatives as priority measures: Strengthen the human resource foundation to support sustainable growth, Strengthen human resources to lead business strategies, Deepen DE&I, and Improve well-being.

As for specific initiatives related to “human resources,” we are working to steadily develop and secure human resources by expanding education and training systems and enhancing the effectiveness of HR system. We are also developing management personnel and global human resources and recruiting highly specialized human resources as priority areas. Meanwhile, in terms of “organization,” we are working to turn diversity into the power of co-creation by promoting the women’s active participation, fostering a culture of co-parenting, and supporting the active participation of people with disabilities. We are also expanding diverse work styles, promoting autonomous career design, and promoting health management to create a work environment where diverse human resources can maximize their potential and continue to take on new challenges with peace of mind.

In addition, we are striving to maximize performance through promoting detailed human resource management and optimal staffing by the assignment of HR personnel to each organization, which has been ongoing since FY2023, and improving organizational issues utilizing engagement surveys. At the same time, we are working on risk management by confirming the progress of recruitment plans, the results of engagement surveys, trends in employee turnover rates, and the progress of various human capital KPIs, including the ratio of female managers in line positions.

(10) Credit management

(Description of risk)

The Group provides credit to business counterparties and if a counterparty’s financial condition deteriorates due to changes in social and economic conditions or unforeseen circumstances, making it difficult to collect receivables, the Group may incur losses due to bad debts, which may impact the Group’s business performance. We are taking the following measures against these risks, strengthening our credit management system to prevent losses due to uncollectible receivables, and striving to avoid losses due to bad debts.

(Measures against risk)

・ Appropriate implementation of credit management regulations
・ Annual update of credit limits based on the credit standing of counterparties
・ Regular checking of the business conditions of important counterparties and their financial statements
・ Review of business terms with a view to future developments with counterparties
・ Timely monitoring of debt collection status
・ Review of the turnover period of accounts receivable
・ Setting of allowance for doubtful accounts in our accounting for counterparties with credit concerns
・ Strengthening management of counterparties with credit concerns and providing sales support
・ Implementing credit protection measures such as collateral, guarantees, and trade credit insurance according to the credit status of counterparties

<Hazard risk>

(11) BCP for natural disasters, etc.

(Description of risk)

The Group’s facilities related to merchandise development, manufacturing, procurement, logistics, sales, and services are spread throughout Japan and overseas (North America, China, Hong Kong, and Southeast Asian countries). In addition to infrastructure outages and damage to buildings and facilities caused by natural disasters such as earthquakes, floods, storms and heavy snow, any functional failure of information systems or damage to data could lead to operational shutdowns or delays in logistics and service provisions. This may impact the Group’s operating results and financial condition.

(Measures against risk)

In order to minimize the impact of natural disasters, etc. on our business activities, the Group has formulated a Business Continuity Plan (BCP) for times of disaster. The Plan prioritizes ensuring safety of all Group employees and conducting thorough and prompt safety confirmation in the event of an emergency, and clearly outlines initial response procedures in emergencies, reporting methods, and the establishment and roles of the response headquarters. In addition, we enhance the effectiveness of the Plan through regular drills and equipment inspections, and we review the Plan annually based on the latest disaster risk assessments. Furthermore, in addition to establishing a backup system for information systems, we have established a system that enables product procurement and delivery from alternative locations in the event that our suppliers or the Group’s business locations are affected by a disaster, in order to maintain the stable procurement and supply of merchandise.

(12) Information security

(Description of risk)

The Group makes significant investments in order to appropriately manage the various confidential information, including personal information, collected through its business activities. In addition, we take maximum precautions to prevent system problems or external leaks of information when operating, introducing, or updating such systems. However, there is a risk of damage from external computer viruses or hacking, the breakdown of computers or network equipment, system failures due to software defects, business suspension due to partial damage to systems caused by a disaster, and incidents such as information leaks to outside parties, and the occurrence of such unexpected problems could damage the trust from society and result in significant expenses, which may impact the Group's business performance and financial condition.

(Measures against risk)

The Company appointed an executive officer in charge of cybersecurity and established a Cybersecurity Management Office. The officer in charge of cybersecurity leads the Cybersecurity Committee, which includes the President & CEO and responsible persons from each department. The committee identifies information security issues every six months and discusses countermeasures.

In addition, we have established a CSIRT (Computer Security Incident Response Team) to manage incidents across the entire Group and are working to increase the number of employees with security certifications.

As specific measures against risk, we are implementing the following initiatives.

・ We are promoting the migration of servers and network equipment to the cloud environment or data centers and the use of such where appropriate.

・ As measures against unauthorized external access and malware, we have introduced the use of intrusion detection and monitoring services and security software. We are also continuously working to enhance the authentication strength.

・ We have established a system for immediate response to unauthorized access by malware, etc. that could affect IT systems, and we also have developed a framework that enables us to respond swiftly in cooperation with the SOC (Security Operations Center).

・ We regularly conduct employee education and training about information security (the importance of protecting confidential information, including personal information, and managing information). By combining new employee orientation with ongoing practical training programs, we strive to enhance the security capabilities of the entire organization.

・ We have redundancy in place for important system equipment.

・ We have taken out cybersecurity insurance.

・ We have enacted personal information protection regulations in accordance with the revised Act on the Protection of Personal Information.

<Legal and compliance risk>

(13) Legal restrictions and intellectual property

(Description of risk)

In the course of conducting its business activities, the Group is subject to a wide range of legal regulations covering areas such as product liability, intellectual property, the environment, and labor. Therefore, if there are unexpected amendments to laws and regulations, this may impose constraints on our business operations and impact the Group's operating results.

Furthermore, regarding intellectual property, we strive to develop products with excellent design and functionality under the brand statement of "Joy of Design." However, we cannot completely eliminate the risk that other companies may manufacture similar products. Furthermore, if a third party alleges infringement of intellectual property rights and files a lawsuit, the Group may incur losses such as litigation expenses and losses such as compensation for damages, which could impact its operating results and financial condition.

(Measures against risk)

The Group is taking the following various measures to reduce these risks.

・ We also consider compliance to be a minimum requirement for business activities, and maintain a system that allows us to monitor domestic and international laws and regulations at all times and respond promptly to legal requirements. At the same time, we strive to ensure that compliance awareness is thoroughly instilled in the entire Group through the establishment of management systems and the strengthening of employee education.

・ We are working to create, protect, and utilize intellectual property by actively filing applications for and obtaining rights to patents, designs, and trademarks related to our business. In addition, we constantly monitor the competitors' intellectual property information, share the latest updates internally, and conduct thorough preliminary research and verification prior to the launch of new products.

・ We have established a close cooperation system with external experts such as patent attorneys and lawyers and we have prepared to immediately take measures upon the occurrence of any risks.

4. Management analysis of financial position, operating results, and cash flows

An overview of the financial position, operating results and cash flows (hereinafter referred to as “operating results, etc.”) of the Group (the Company and its consolidated subsidiaries) for the fiscal year ended March 31, 2026 and the details of recognition as well as analysis and considerations regarding the status of operating results, etc. of the Group, from management’s perspective are as follows.

Please note that matters concerning the future in this article were determined as of the end of the fiscal year ended March 31, 2026.

In addition, during the fiscal year ended March 31, 2026, the Company finalized the provisional accounting treatment for business combinations. Therefore, for the purpose of comparison and analysis with the previous fiscal year, the figures used reflect the significant revisions to the initial allocation of acquisition costs resulting from the finalization of the provisional accounting treatment.

(1) Financial position

(Assets)

At the end of the fiscal year ended March 31, 2026, current assets were ¥118,020 million, an increase of ¥1,009 million from the previous year. This was mainly due to an increase in cash and deposits of ¥1,686 million. Non-current assets were ¥70,886 million, an increase of ¥3,974 million from the previous year. This was mainly due to increases in property, plant and equipment of ¥634 million, intangible assets of ¥606 million, and investments and other assets of ¥2,732 million.

As a result, total assets were ¥188,907 million, an increase of ¥4,983 million from the previous year.

(Liabilities)

At the end of the fiscal year ended March 31, 2026, current liabilities were ¥45,011 million, a decrease of ¥13,264 million from the previous year. This was mainly due to decreases in short-term borrowings of ¥8,732 million and electronically recorded obligations - operating of ¥4,700 million. Non-current liabilities were ¥21,635 million, an increase of ¥9,798 million from the previous year. This was mainly due to an increase in long-term borrowings of ¥10,000 million.

As a result, total liabilities were ¥66,647 million, a decrease of ¥3,466 million from the previous year.

(Net assets)

At the end of the fiscal year ended March 31, 2026, total net assets were ¥122,259 million, an increase of ¥8,449 million from the previous year. This was mainly due to increases in retained earnings of ¥5,678 million (profit attributable to owners of parent of ¥14,642 million and dividends of surplus of ¥8,964 million) and valuation difference on available-for-sale securities of ¥1,855 million.

As a result, the equity ratio is 64.3% (61.4% as of March 31, 2025).

(2) Purchasing and sales status

(i) Purchasing

Purchases by segment for the fiscal year ended March 31, 2026 are as follows.

Segment name		Fiscal year ended March 31, 2026	Year-on-year comparison (%)
Domestic Interior	(Millions of yen)	115,975	99.1
Domestic Exterior	(Millions of yen)	4,932	115.3
Overseas	(Millions of yen)	20,676	118.2
Adjusted amount	(Millions of yen)	(7)	–
Total	(Millions of yen)	141,576	102.0

Note: Inter-segment transactions are offset and eliminated in the adjusted amount column.

(ii) Sales

Sales by segment for the fiscal year ended March 31, 2026 are as follows.

Segment name		Fiscal year ended March 31, 2026	Year-on-year comparison (%)
Domestic Interior	(Millions of yen)	164,106	100.1
Domestic Exterior	(Millions of yen)	7,310	110.6
Overseas	(Millions of yen)	35,029	117.6
Adjusted amount	(Millions of yen)	(5)	–
Total	(Millions of yen)	206,441	103.0

Notes: 1. Inter-segment transactions are offset and eliminated in the adjusted amount column.

2. There are no major business partners to whom more than 10% of total sales are made.

(3) Details of analysis and considerations regarding the status of operating results, etc., from management's perspective

(i) Details of recognition, analysis, and considerations regarding the status of operating results, etc.

During the fiscal year under review (from April 1, 2025 to March 31, 2026), the business environment surrounding the Group in Japan showed a moderate economic recovery trend as consumer spending and capital investment improved amid solid corporate earnings. In North America, although there is uncertainty regarding trade policies, price trends, and the employment environment, the economy gradually expanded. In Asia, while domestic demand was solid in Southeast Asia, it lacked strength depending on the country or region, and in China, economic recovery has been delayed due to the prolonged real estate recession. In addition to U.S. trade policy and fluctuations in financial and capital markets, it is necessary to pay attention to downward risks to the economy both domestically and internationally, such as soaring energy prices and supply chain disruptions associated with the tense situation in the Middle East.

In the Japanese construction market, particularly in the residential market, a reactionary drop following the last-minute demand ahead of the revision of the Building Standards Act and the Building Energy Efficiency Act implemented in April 2025 together with persistently high construction costs caused the number of new housing starts and floor area to fall below the previous year's level and remained weak. In the non-housing market, although new construction starts and floor area for hotels and other facilities increased, those for offices, warehouses/factories, medical/welfare facilities, etc., fell below the previous year's level and remained weak. On the other hand, the renovation and renewal market remained solid, and according to the Building Reform and Renewal Survey announced by the Ministry of Land, Infrastructure, Transport and Tourism, the most recent (October-December 2025) orders received in both the residential and non-residential markets showed an increasing trend year on year.

In this business environment, based on the Long-term Vision [DESIGN 2030] and the Medium-term Business Plan (2023-2025) [BX 2025], we worked to expand our business domain and enhance our provided value, and through the enhancement of human capital and digital capital, we promoted the evolution of our proposal capabilities and the expansion of our business foundation.

As a result of these efforts, consolidated financial results for the fiscal year under review recorded ¥206,441 million in net sales, up 3.0% year on year, ¥19,408 million in operating profit, up 7.0% year on year, ¥20,152 million in ordinary profit, up 8.5% year on year and ¥14,642 million in profit attributable to owners of parent, up 16.7% year on year.

The following are the business results in each operating segment.

(Domestic Interior Segment)

The businesses belonging to the Domestic Interior segment are the interior business and the space solutions business.

In the interior business, we are promoting the strengthening of various functions such as materials, design, logistics, and construction, as well as the strengthening of our solution proposal capabilities through their collaboration.

In product development, we focused on expanding our lineup of products that meet market needs and contribute to solving social issues, such as environmental consideration and construction efficiency. In the fourth quarter, we issued the sample book for "INNO PANEL®," a new building material that significantly shortens the construction process, and decided to handle products of BOLON, a Swedish flooring manufacturer boasting high brand power in the global high-end market, in Japan (scheduled to go on sale in phases from FY2026), thereby strengthening our product lineup. Additionally, our wallpaper "ELEMENTUM™" received the "iF Design Award 2026" for the third consecutive year and fifth time overall, demonstrating that our design and quality are highly evaluated in the market and industry.

In supply chain management ("SCM"), we are promoting further functional enhancement and efficiency in logistics, which is its core function. Amid structural cost increases against the background of constraints in the logistics industry, we are promoting cross-group initiatives, such as deepening inter-departmental collaboration, strengthening the management foundation of group logistics companies, and improving productivity through the introduction of labor-saving equipment, aiming to strengthen our competitiveness by advancing SCM.

In manufacturing, CREANATE Inc., a group company and the largest wallpaper manufacturer in Japan, began operations at its new factory in Hiroshima Prefecture in October 2025. By establishing a production system with two bases in eastern Japan and one base in western Japan, and introducing state-of-the-art machines with high production efficiency, we will strengthen the resilience of our supply chain and our stable supply system.

In the space solutions business, we are aiming to provide highly unique value while creating synergies with the coordination functions for interior products and the sales network and customer base of the interior business. Net sales are growing steadily, including at Fairtone Co., Ltd., a group company.

Regarding net sales, although sales volume declined due to weak domestic demand and supply constraints for certain flooring materials resulting from a fire at a supplier's factory in December 2024, net sales remained at the same level as the previous year, driven by the penetration of price revisions, improvements in the product portfolio, and increased performance at domestic group companies. Additionally, regarding profits, we have achieved plans for all profits below operating profit through enhanced solution proposing capabilities resulting from strengthened cross-functional cooperation and effective control of selling, general, and administrative expenses.

As a result, the Domestic Interior segment recorded net sales of ¥164,106 million (up 0.1% year on year) and operating profit of ¥19,333 million (up 2.1% year on year). Furthermore, the Wall Covering Unit recorded net sales of ¥79,949 million (up 1.7% year on year), the Flooring Unit recorded net sales of ¥55,614 million (down 3.1% year on year), the Fabrics Unit recorded net sales of ¥10,125 million (up 5.4% year on year), and others including design fees and construction recorded net sales of ¥18,417 million (up 0.3% year on year).

In the interior business in the Domestic Interior segment, given that growth in the domestic construction market is expected to be limited going forward, we will focus on markets and fields where new growth potential is becoming apparent. By identifying the specific needs of each market and field and strengthening our ability to propose solutions, we aim to enhance competitive advantage and increase market presence. In addition, we will redefine the Company's product portfolio into "mainstay products," "strategic products," and "new initiative products" and continue to aim to improve profitability by optimizing the product mix. Furthermore, in the space solutions business, we have recruited highly specialized human resources as executive officers to address business models that differ from those of the interior business. We are working to build a more effective business structure and aim to create synergies with the interior business, primarily through sales activities and our customer base, to develop this business into one of its core earnings bases.

(Domestic Exterior Segment)

The business belonging to the Domestic Exterior segment is the exterior business.

In this segment, as with the Domestic Interior segment, severe business conditions continued, such as a decline in new housing starts. Under such circumstances, Sungreen Co., Ltd., a core group company, saw its business performance continue to show an improving trend due to a rise in the sales prices of exterior products, the expansion of non-residential project orders in the Tokai region, its mainstay market and an increase in sales in the Kanto region, where it is focusing on strengthening its bases.

As a result, net sales of the Domestic Exterior segment were ¥7,310 million (up 10.6% year on year), and operating profit was ¥118 million (up 586.7% year on year).

In the exterior business, recognizing that the strategic cooperation between the Company and Sungreen Co., Ltd. has been insufficient to date, we aim to grow this business into one of its core earnings bases by expanding various functions, including products, construction, logistics, and space proposals, and by strengthening our ability to propose solutions. In addition, in January 2026, we released the original catalog of Sungreen Co., Ltd., which includes the exterior products the Company launched in July 2025, exclusively in the Kanto region ahead of its general release, and we are working to enhance competitive advantages by leveraging the comprehensive strengths of the Group.

(Overseas Segment)

In the Overseas segment, the results of overseas subsidiaries and associates over the period from January to December 2025 are included in results for the fiscal year under review.

The businesses belonging to the Overseas segment are the overseas interior business and the overseas space solutions business.

In the overseas interior business, in North America (the United States and Canada), internal improvements such as the strengthening of management foundations and business infrastructure progressed, and sales strategies were successful, resulting in an increase in both sales and profit year-on-year. In Southeast Asia, performance improved through structural reforms including the renewal of the management system, and appropriate sales policies in each country, achieving a turnaround to profitability for the full year. In China and Hong Kong, the business environment remains severe against the background of a downturn in the real estate market and a decline in consumer sentiment due to the deterioration of the employment environment. However, by renewing and slimming down the management system, and proceeding with the selection of destinations for management resources, including the implementation of strategies aligned with customers and the market, the amount of loss narrowed year-on-year.

In the overseas space solutions business, D'Perception Pte Ltd, which handles design and construction and became a group company in July 2024, contributed to the sales increase of the entire region, but due to a decline in profitability and the occurrence of one-time additional costs associated with delays in the construction period of large-scale projects, it recorded an operating loss.

As a result, net sales of the Overseas segment were ¥35,029 million (up 17.6% year on year). Regarding operating profit/loss, it was driven by the strong performance of the North America business, and the turnaround to profitability of the overseas interior business in Southeast Asia also contributed to this. On the other hand, the recording of one-time losses in the overseas space solutions business in Southeast Asia served as a downward factor, and operating loss was ¥46 million (compared to an operating loss of ¥820 million in the previous fiscal year, including one-time expenses related to the acquisition of shares of D'Perception Pte Ltd in the first quarter of the previous fiscal year).

In the overseas interior business, while North America is expected to remain the mainstay, we aim to make overseas operations a trigger for the Group's overall growth by shifting toward a growth trajectory in Southeast Asia and by restructuring the business foundation and improving profitability in China and Hong Kong. Additionally, in the overseas space solutions business, we will transition to an organization-driven management and aim for a flat organization and a steady earnings base.

(ii) Analysis and review of the status of cash flows, and information on capital resources and liquidity of funds

As of the end of the fiscal year under review, cash and cash equivalents ("funds") totaled ¥35,010 million, an increase of ¥1,565 million compared to the previous year.

Cash flow positions and the factors thereof, and the details of their analysis and consideration are as follows.

(Cash flows from operating activities)

Funds provided by operating activities were ¥14,320 million (¥19,260 million provided in the previous fiscal year). This was mainly due to profit before income taxes of ¥20,800 million, depreciation of ¥4,325 million, a decrease in trade payables of ¥5,125 million, and income taxes paid of ¥5,710 million.

The reason for obtaining funds in operating cash flow was the steady recognition of profits as planned. Although there was a temporary outflow of funds, primarily due to a reduction in trade payables resulting from measures to optimize transaction terms aimed at maintaining and building a sound and sustainable supply chain, the steady generation of profits from the core businesses sufficiently offset this negative impact, resulting in a positive net operating cash flow.

(Cash flows from investing activities)

Funds used in investment activities were ¥4,625 million (¥6,873 million used in the previous fiscal year). This was mainly due to purchase of property, plant and equipment of ¥3,415 million and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥834 million.

Based on the growth strategies outlined in Long-term Vision [DESIGN 2030] and the Medium-term Business Plan (2023–2025) [BX 2025], and under a policy of steadily making forward-looking growth investments, we have made capital investments toward the operation of a new factory at CREANATE Inc. to ensure a sustainable and stable supply of wallpaper, and have also executed growth investments such as the acquisition of shares in SDS Corporation, a logistics company.

(Cash flows from financing activities)

Funds used in financing activities were ¥8,261 million (¥3,980 million used in the previous fiscal year). This was mainly due to proceeds from borrowing funds of ¥10,343 million, repayments of borrowings of ¥9,092 million, and dividends paid of ¥8,955 million.

The payment of dividends is being increased in a stable manner in accordance with the capital policy in the Medium-term Business Plan (2023–2025) [BX 2025].

The review of the three-year capital policy and fund allocation under the Medium-term Business Plan (2023–2025) [BX 2025] is as follows.

Regarding shareholder returns, we plan to pay annual dividends of 155 yen per share for the fiscal year ended March 31, 2026, which is expected to mark the 12th consecutive year of dividend increases. In addition to the increase in shareholders' equity resulting from accumulated profits from its core businesses, accumulated other comprehensive income also increased, resulting in equity exceeding the planned level.

Additionally, regarding capital allocation, while we generated cumulative operating cash flow of ¥46.39 billion over the three-year period, growth investments including M&A fell short of the plan, and shareholder returns remained at the lower end of the planned range. As a result, the balance of cash and cash equivalents as of March 31, 2026 was ¥35.71 billion, significantly exceeding the plan. Under the "Medium-term Business Plan 2029" (fiscal year ending March 31, 2027 to fiscal year ending March 31, 2030), we plan to work on restructuring the capital structure in accordance with progress in earnings power.

Capital policy

FY2025 Target	Results
Equity of ¥95.0 billion to ¥105.0 billion as of March 31, 2026	Equity of ¥121.5 billion
Minimum annual dividend of 130 yen per share Stable dividend increases	Annual dividend of 155 yen per share (planned)

3-Year Shareholder Return Results

Purchase of treasury shares	Not implemented
Dividend	¥26.14 billion (planned)

Fund Allocation Plan

Fund generation	Target	Results
Cash and cash equivalents held (End of March 2023)	–	¥27.00 billion
Operating CF	¥47.0 to ¥51.0 billion	¥46.39 billion
Change in debts	¥(8.0) to ¥6.0 billion	¥3.56 billion
Income from asset reduction, etc.	–	¥2.20 billion

Fund allocation	Target	Results
Growth investment	¥20.0 to ¥25.0 billion	¥18.05 billion
Shareholder return	¥25.0 to ¥35.0 billion	¥25.40 billion
Cash and cash equivalents held (End of March 2026)	¥20.0 to ¥25.0 billion	¥35.71 billion

The four-year financial strategies in the "Medium-term Business Plan 2029" are as described in "1. Management policy, management environment, issues to be addressed, etc., (1) Objective indicators for determining the status of achievement of management policies and management targets, 4. "Medium-term Business Plan 2029" (Fiscal Year Ending March 31, 2027 to Fiscal Year Ending March 31, 2030)."

As measures to achieve management that consciously considers the cost of capital and stock prices, we will work to expand earnings through business portfolio transformation, optimize capital through financial strategies, and reduce the cost of capital by strengthening the management foundation. Through these efforts, we aim to maintain and improve the return on capital, which exceeds the cost of capital, thereby expanding the equity spread.

Regarding ROE, which is a prerequisite for improving PBR, we will raise it from 12.5% for the fiscal year ended March 31, 2026 to 14.0% by the fiscal year ending March 31, 2030, the final year of the "Medium-term Business Plan 2029." To improve ROE, we plan to enhance profit-generating capabilities through the execution of business strategies to achieve a consolidated operating profit margin of 10%. In addition to shareholders' returns, which include aiming to increase dividends by setting annual dividends per share of 155 yen at the minimum and targeting a dividend payout ratio of 60% or higher, we intend to implement flexible capital controls through the purchase of treasury shares. Regarding PER, which reflects market valuation, we will work to suppress cost of capital and foster expectations of sustainable growth by steadily implementing the measures outlined above.

By advancing such initiatives and generating returns that consistently exceed the cost of equity, which is approximately 6% to 8%, we will achieve a sustained improvement in PBR.

In terms of fund allocation, we aim to actively pursue growth investments to achieve a ROE of 14.0% for the fiscal year ending March 31, 2030 and to optimize capital structure. Regarding the source of funds, we will aim to maximize operating cash flow by expanding earnings, while flexibly utilizing external borrowing according to capital needs for growth investments.

(4) Objective indicators for determining the status of achievement of management policies, management strategies, and management targets

The Group considers ROE (return on equity) to be an important management metric. Part of quantitative targets in the Medium-term Business Plan (2023-2025) [BX 2025] were revised as announced on May 14, 2025. We had implemented growth strategies with the aim of achieving a ROE of 11.5% in FY2025, which is the final fiscal year of the plan. The result as of March 31, 2026 was 12.5%, and we achieved our target. Although net sales reached a record high in an increasingly severe business environment, they fell short of the target. However, this was primarily due to the fact that, in addition to securing stable profits in the Domestic Interior segment, the profitability of the Overseas segment improved significantly, resulting in profits at each stage exceeding the plan. However, the ROE target of 14.0% set when formulating the Medium-term Business Plan (2023–2025) [BX 2025] in May 2023 was not achieved, leaving issues regarding return on equity.

In addition, regarding the CCC (Cash Conversion Cycle), the actual figure as of March 31, 2026 was 79.4 days, compared to the target of 70.0 days, and we were unable to achieve the target. Trade receivable turnover period and inventory turnover period are steadily improving through efforts on the sales field and the further development of supply chain management. On the other hand, trade payable turnover period has shortened primarily due to measures taken to optimize transaction terms aimed at maintaining and building a sound and sustainable supply chain. As a result, the CCC did not reach the target.

Review of Medium-term Business Plan (2023–2025) [BX 2025]

	Fiscal year ended March 31, 2023 Results	Fiscal year ended March 31, 2024 Results	Fiscal year ended March 31, 2025 Results	Fiscal year ended March 31, 2026 Results	Fiscal year ended March 31, 2026 Plan (revised in May 2025)	Fiscal year ended March 31, 2026 Plan (formulated in May 2023)
Consolidated net sales	¥176,022 million	¥189,859 million	¥200,378 million	¥206,441 million	¥210,000 million	¥195,000 million
Consolidated operating profit	¥20,280 million	¥19,103 million	¥18,140 million	¥19,408 million	¥19,000 million	¥20,500 million
Consolidated net profit	¥14,005 million	¥14,291 million	¥12,550 million	¥14,642 million	¥13,000 million	¥14,500 million
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

The Group aims to achieve consolidated net sales of ¥250.0 billion, consolidated operating profit of ¥25.0 billion, consolidated net profit of ¥17.0 billion, ROE of 14.0%, and ROIC of 11.0%, as the quantitative targets for FY2029 contained in the "Medium-term Business Plan 2029." Regarding ROE, we aim to achieve a rate of 14.0% by strengthening the earnings power of core businesses to drive growth in net sales and profits, combined with appropriate capital controls. Meanwhile, we anticipate a temporary decline in ROIC from current levels. This is due to the implementation of strategic growth investments and an increase in on-balance-sheet assets resulting from the new lease accounting standards, which will be applied effective from the beginning of the fiscal year ending March 31, 2028. We recognize these as temporary effects associated with upfront investments for future growth and changes in accounting standards, and that they will contribute to improving capital efficiency over the medium to long term.

The quantitative targets stated above do not take into account the impact of rising various costs due to the escalating tensions in the Middle East or the effects of the Company's price revisions, as it is difficult to reasonably estimate these factors at this time. Going forward, we plan to review the quantitative targets as necessary once it becomes possible to reasonably calculate the relevant impact.

5. Material contracts, etc.

There are no items to report.

6. Research and development activities

The Group’s research and development activities in its core domestic business focus on the planning and development of approximately 12,000 products, including wall coverings, flooring materials, and fabrics, that form the foundation of the Company’s brand. Through approximately 30 major sample books, in which we renew about one-third of the products annually, we continuously promote “market-driven” development that anticipates market needs. The status of research and development activities by segment for the fiscal year under review is as follows.

(1) Domestic Interior Segment

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. We are working to maximize added value by strengthening cooperation across the entire supply chain from product planning and development to manufacturing and procurement, and extending to the space solutions business responsible for design and construction.

(i) Promoting innovation and addressing social issues

While focusing on the development of environmentally friendly products centered on “energy conservation,” “resource conservation,” and “long life,” we are accelerating the development of new initiative products that contribute to solving social issues such as climate change and labor shortages. In addition, through open innovation, we are strengthening collaborations with global brands and partners from other industries, and are taking on the challenge of developing products that create new value through both materials and technology.

During the fiscal year under review, we launched “INNO PANEL®,” a new building material that integrates wallpaper and drywall, addressing social issues such as labor shortages and time constraints the construction industry faces. This product was developed by combining the technologies of the Company, Yoshino Gypsum Co., Ltd., and Fujipream Corporation. By supplementing construction processes traditionally performed on-site with this product, we aim to reduce on-site labor through “construction efficiency,” thereby contributing to improved productivity and sustainability in the construction industry.

(ii) Strengthening the research and development structure

Under the “Medium-term Business Plan 2029,” which begins in the fiscal year ending March 31, 2027, we plan to increase investment in R&D to strengthen the innovation and manufacturing function mentioned above. In April 2026, we reorganized the former Space Planning Division into the “Product Division” in order to establish a product management system that integrates the management of all processes from development to manufacturing, sales, and logistics. Through these measures, we intend to further strengthen the foundation of the interior business and promote the cross-functional development of new products and services.

(iii) Enhancement of the quality management system

We have taken the fire accident that occurred at a supplier’s factory in December 2024 very seriously. As part of the organizational restructuring in April 2025, we established a new “Quality Management Department” to further strengthen the quality management system, and we are currently working to reformulate quality evaluation standards and rebuild the quality assurance system for our partner companies.

(2) Domestic Exterior Segment

This segment does not conduct research and development activities.

(3) Overseas Segment

We are promoting product planning suited to the market characteristics of various regions, such as North America and Southeast Asia, while mutually utilizing the functions and expertise possessed by Group companies to advance product development from a global perspective.

As a result, total research and development expenses for the Group as a whole for the fiscal year under review recorded ¥889 million. Of this amount, ¥549 million was incurred in the Domestic Interior Segment and ¥339 million in the Overseas Segment.

II. Information about the Reporting Company

1. Dividend policy

The Company's basic policy is to realize further improvement in cash generation capabilities and aim to improve capital profitability through capital control via stable dividend increases and treasury stock acquisitions. Specifically, based on the shareholder return policy set forth in our newly formulated "Medium-term Business Plan 2029" (fiscal year ending March 31, 2027 through fiscal year ending March 31, 2030), as of the date of this submission, 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. We plan to allocate retained earnings to growth investments that contribute to profit generation and to infrastructure investments that support sustainable growth.

In addition, the Company's basic policy on dividend payments is to pay dividends twice a year in the form of interim dividends and year-end dividends.

The decision-making bodies for these dividends of surplus are the General Meeting of Shareholders for year-end dividends and the Board of Directors for interim dividends.

Regarding dividends for the fiscal year ended March 31, 2026, based on the capital policy of the previous Medium-term Business Plan (2023–2025) [BX 2025], we plan to set the year-end dividend at 77.5 yen per share in accordance with the existing policy of steadily increasing dividends with a minimum annual dividend of 130 yen per share. Combined with the interim dividend of 77.5 yen per share, the annual dividend is expected to be 155 yen per share.

The Company's Articles of Incorporation stipulate that "interim dividends may be paid by resolution of the Board of Directors, with September 30th of each year as the record date."

Dividends of surplus for the fiscal year under review were as follows.

Date of resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Resolution at the Board of Directors meeting held on November 7, 2025	4,556	77.50
Resolution at the General Meeting of Shareholders held on June 24, 2026 (scheduled) (Note)	4,556	77.50

Note: This is a year-end dividend with a record date of March 31, 2026, and is scheduled to be submitted as an agenda item (resolution matter) at the Ordinary General Meeting of Shareholders scheduled to be held on June 24, 2026.

2. Status of corporate governance, etc.

(1) Overview of corporate governance

(i) Basic policy regarding corporate governance

We are aiming to build good relationships with all of our stakeholders and grow sustainably in order to increase our corporate value.

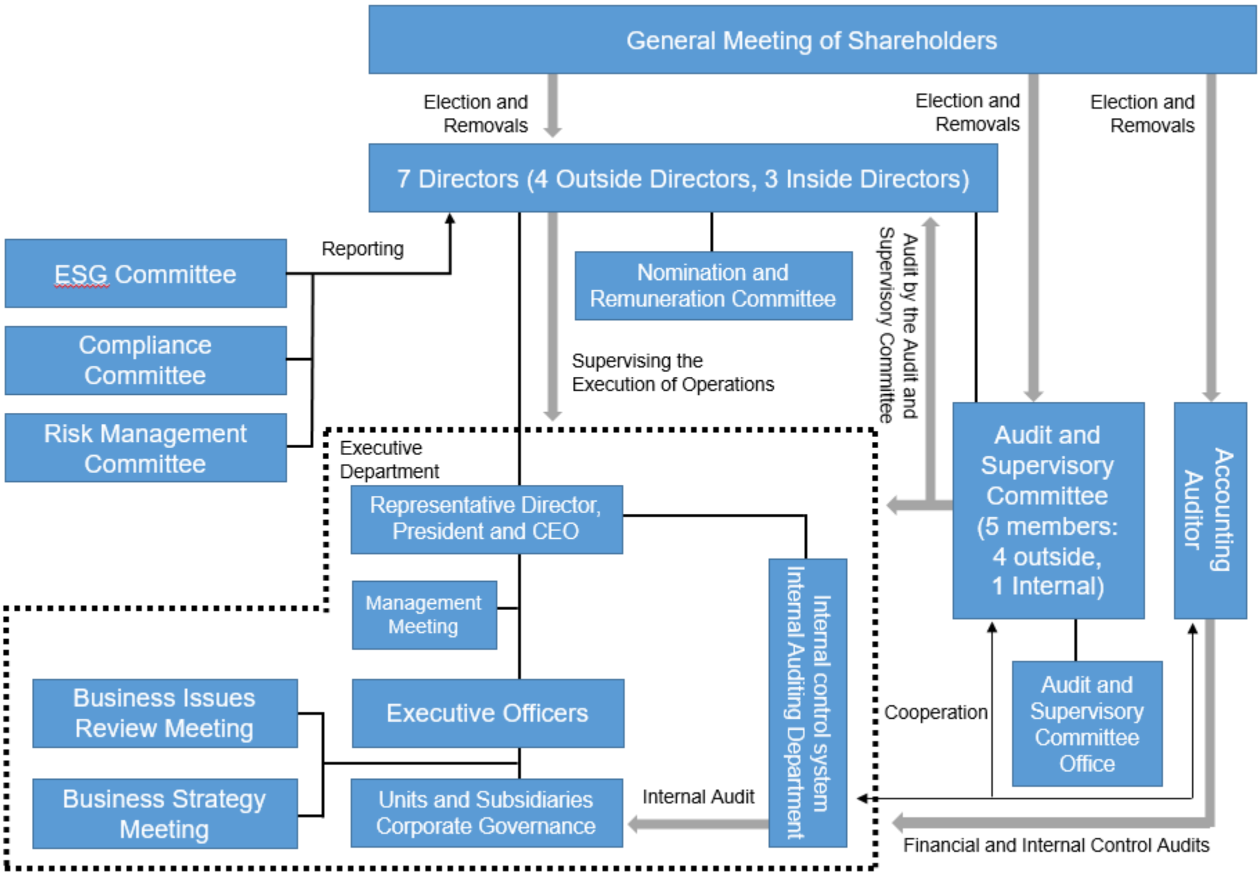
To achieve this, we recognize that strengthening corporate governance based on the transparency, speed, and efficiency of management is an important management issue.

The Company is transitioning to a company with an audit and supervisory committee with the aim of strengthening the auditing and supervisory functions of the Board of Directors by having outside directors participate in management.

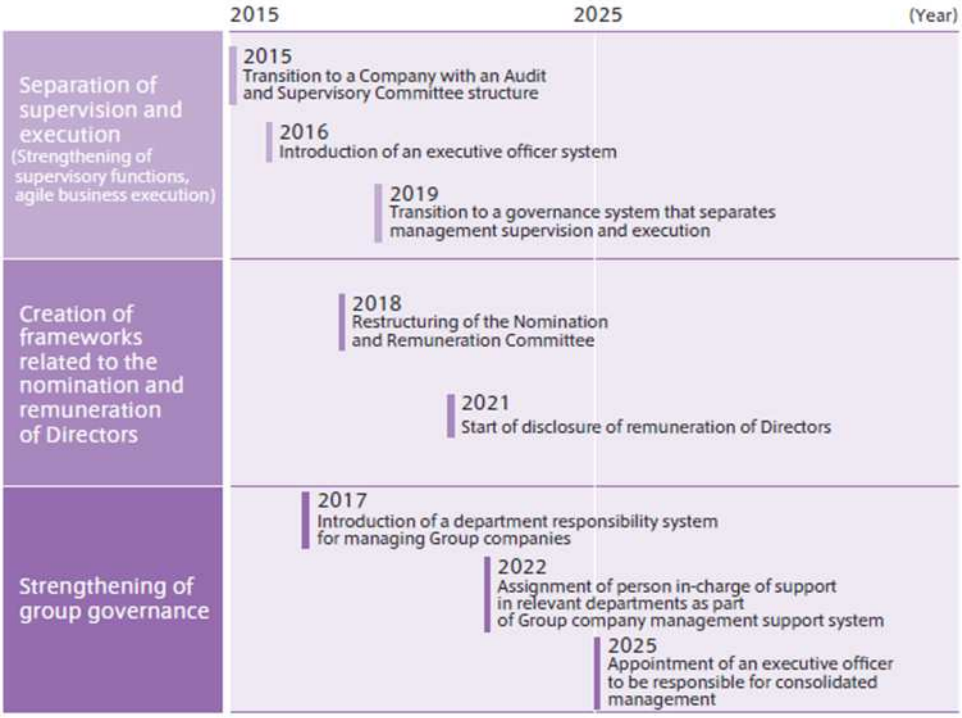
We are striving to further increase our corporate value under this governance structure.

(ii) Summary of system of corporate governance and reasons for adopting the system

a. Diagram of company organization and internal control system



b. Changes in strengthening governance structure



c. Summary of the system of corporate governance

As of the filing date of this report (June 16, 2026), our corporate governance structure consists of a Board of Directors, an Audit and Supervisory Committee, and an Accounting Auditor; there are seven Directors (including five Audit and Supervisory Committee Members), four of whom are Outside Directors who are also Audit and Supervisory Committee Members.

(1) Board of Directors and Nomination and Remuneration Committee

Our Board of Directors consists of seven members: Representative Director, President and CEO Yasumasa Kondo, Director Managing Executive Officer Yutaka Matsuo, Outside Director Michiyo Hamada, Outside Director Kenichi Udagawa, Outside Director Osamu Terada, Outside Director Aki Ogane, and Director Yosuke Mine, and is chaired by the Representative Director, President and CEO Yasumasa Kondo.

In principle, the Board of Directors meets once a month to share company management information in a timely manner and implements appropriate measures. Directors who are Executive Officers and other Executive Officers carry out their duties in accordance with laws and regulations, the Articles of Incorporation, the Board of Directors regulations, and other internal company rules. Regarding the execution of duties by Directors who are Executive Officers and other Executive Officers, the Representative Director, President and CEO proposes the allocation of duties to each individual, which is approved by the Board of Directors. The appointment and remuneration of Directors who are Executive Officers and Executive Officers are decided by the Board of Directors after deliberation by the Nomination and Remuneration Committee, an internal organization of the Board of Directors. In addition, the Nomination and Remuneration Committee deliberates matters such as the formulation of a succession plan for the CEO and an objective system regarding the remuneration of management. The Nomination and Remuneration Committee is composed of all Outside Directors who are Audit and Supervisory Committee Members and the Representative Director, President & CEO, and the chair of the Nomination and Remuneration Committee is Outside Director Michiyo Hamada.

In the fiscal year under review, the Company convened 13 meetings of the Board of Directors and 13 meetings of the Nomination and Remuneration Committee, and the status of attendance and activities of each Director is as follows.

Activity status of the Board of Directors

Name	Full-Time / Outside	Attendance Status (13 meetings in total)
Yasumasa Kondo	Full-Time	13
Yutaka Matsuo	Full-Time	10
Fumio Takagi	Full-Time	3
Michiyo Hamada	Outside	13
Kenichi Udagawa	Outside	13
Osamu Terada	Outside	13
Aki Ogane	Outside	13
Yosuke Mine	Full-Time	13

Notes: Attendance status for Yutaka Matsuo is for meetings held since his assumption of office on June 18, 2025.
Fumio Takagi retired as of the 73rd Ordinary General Meeting of Shareholders held on June 18, 2025.

Main discussion topics at Board of Directors meetings

Discussion topics	Specific details of discussion
Internal governance and risk management	The basic policy regarding the internal control system, the status of internal control activities, and the status of activities of various committees aimed at responding to individual risks recognized by the Company (Risk Management Committee, Compliance Committee), compliance survey results, cybersecurity-related initiatives, and other matters were reported on and discussed, and the status of internal control activities and the operational status of risk management within the Group were deliberated.
ESG management	Based on the Company’s ESG and CSR Policies, the review of materiality was deliberated and the ESG Committee’s activities and the initiatives it has considered and implemented were reported to and discussed at the Board of Directors in order to strengthen monitoring and supervision by the Board of Directors.
Formulation of the next Medium-term Business Plan	Ahead of the formulation of the next Medium-term Business Plan, the previous Medium-term Business Plan [BX2025] was reviewed, and discussion was held regarding strengths and challenges that would be the source of the Company’s growth strategies, as well as the redefinition of the corporate image that the Company aspired to achieve. The Board of Directors engaged in formulating an effective plan under a rapidly changing business environment.
Effectiveness of the Board of Directors	In order to enhance the transparency and efficiency of the Board of Directors, discussions were held on the operational policies and structure of the Board of Directors based on the results of the evaluation of the effectiveness of the Board of Directors, and efforts were made to accelerate the decision-making process.
Investment plan	With the aim of optimizing resource allocation for sustainable growth, the approval process for investment plans was enhanced and management on a consolidated basis was strengthened. In addition, with regard to the CRE strategy, deliberations were held regarding reorganization of site functions, countermeasures for aging facilities, and improving the profitability of the Company’s assets.
Organization system and personnel system reform	Discussions were held on reorganization for the execution of growth strategies and the management execution system, as well as discussions on the introduction of region-specific general positions, initiatives for human resource development and revision of the evaluation system for realizing “Transformation, Challenge” and “the Driving of Innovation.”
Supervision of status of Group companies	Discussions were held on management structures and strategies for the sustainable growth of Group companies. In particular, based on on-site audit reports from Audit and Supervisory Committee Members, management issues and risk response measures were discussed for overseas Group companies, and the Board of Directors exercised oversight and supervision.

Evaluation of the effectiveness of the Board of Directors

As part of the Company’s efforts to ensure the effectiveness of the Board of Directors in terms of its decision-making, supervision, and meeting management, each director performs an annual self-evaluation of the Board of Directors, after which an analysis and evaluation of the effectiveness of the Board of Directors as a whole is conducted. The evaluation items cover a wide range of areas, from the composition of the Board of Directors to the content and quality of discussions and the dialogue with stakeholders.

For the FY2025 evaluation, a questionnaire survey was conducted with all directors in May 2026, and the evaluation results were deliberated at Board of Directors meetings. Going forward, the Company will strive to raise the level of effectiveness of the Board of Directors even further.

The main evaluation items for FY2025 included an evaluation of the role, responsibilities, composition, and operation of the Board of Directors, an evaluation of the role of Outside Directors, and an evaluation of the Nomination and Remuneration Committee.

Activity status of the Nomination and Remuneration Committee

Name	Full-Time / Outside	Attendance Status (13 meetings in total)	Specific details of discussion
Michiyo Hamada	Outside	13	・Consideration of the composition of the Board of Directors ・Consideration of candidates for Director ・Consideration of new organizational structure and personnel based on growth strategy ・Consideration of medium-long term candidates for Executive Officer and key personnel ・Consideration of the mandatory retirement age of Executive Officers ・Evaluation of Executive Officers and review of the rules
Kenichi Udagawa	Outside	13	
Osamu Terada	Outside	13	
Aki Ogane	Outside	13	
Yasumasa Kondo	Full-Time	13	

Succession plan

The Company is overseeing the succession planning for the CEO and other positions and its implementation status based on the Company's management philosophy and specific management strategies, and is discussing it in light of criteria such as personality and popularity, insight, business execution capabilities, management perspective, and awareness of participation in management. Regarding the nomination of key personnel and Executive Officers, the Nomination and Remuneration Committee deliberates on the succession plan for the CEO and other positions (including steps such as succession plans, required qualifications, and candidate selection), the process and background leading to the selection of a successor CEO, and the proposal for the dismissal of the CEO and the process and background leading to such proposal, and provides explanations and proposals to the Board of Directors as necessary.

Nurturing of successors

As for nurturing, we utilize internal selection systems such as leadership development training and senior management (candidates for Executive Officers) training as a pool of human resources with promising future potential. In addition, when considering candidates for Executive Officers and senior management, we have established a system that provides many opportunities to directly understand the personalities and ways of thinking of candidates for succession through measures such as having Outside Directors participate in important meetings other than the Board of Directors meetings and conducting individual interviews with senior management employees regarding future management. This system is utilized in discussions within the Nomination and Remuneration Committee.

Important matters regarding nurturing successors

- Consideration of the medium-long term succession plan for the CEO
- Review of the appropriate conditions and qualifications required of the CEO
- Consideration of medium-long term candidates for Executive Officer and key personnel
- Diversification of the opportunities to check the progress of nurturing a successor within a certain time frame

(2) Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of Outside Director Michiyo Hamada, Outside Director Kenichi Udagawa, Outside Director Osamu Terada, Outside Director Aki Ogane, and Director Yosuke Mine, and is chaired by Outside Director Kenichi Udagawa.

The Audit and Supervisory Committee's Audit Report is discussed and prepared by the Audit and Supervisory Committee after receiving reports from each Member. As part of our efforts to strengthen the function of the Audit and Supervisory Committee, we have established an Audit and Supervisory Committee Office and appointed one full-time Audit and Supervisory Committee Member, as well as one full-time staff member and one part-time staff member, to ensure close cooperation with the Auditing Section and Internal Control Section, which are the sections responsible for internal auditing.

The status of the Audit and Supervisory Committee's activities during the fiscal year under review is as described in "(3) Information about audits - (a) Information about audits by the Audit and Supervisory Committee" (in Japanese).

d. Reasons for adopting the corporate governance system

The Company is a company with an audit and supervisory committee, and has appointed five directors (four of whom are Outside Directors) to serve as Audit and Supervisory Committee Members. The Audit and Supervisory Committee Members who are responsible for the auditing function have been given voting rights as Directors at Board of Directors meetings, which will lead to the strengthening of the audit and supervisory functions. Further, the Company has determined that by making all of the independent outside directors, who are rare human resources, members of the Board of Directors, we can increase the ratio of Outside Directors on the Board of Directors, such that improvement of management transparency and management discussions that take into account the perspectives of shareholders can be expected.

Additionally, we have introduced an executive officer system to further grow the Group and strengthen the corporate governance structure. By separating management decision-making and supervisory functions from business execution functions, we aim to clarify the responsibilities for execution and expedite the execution of business operations.

(iii) Other matters regarding corporate governance

a. Status of the development of internal control systems

The Company's Board of Directors has determined basic policies regarding the establishment of an internal control system, and is conducting appropriate corporate activities as follows.

I. System to Ensure the Propriety of the Business Operations

1. System to ensure that Directors, Executive Officers, and employees execute their duties in compliance with relevant laws and regulations and the Articles of Incorporation of the Company
   (1) The Company shall establish the Sangetsu Group Human Rights Policy, Sangetsu Group Corporate Ethics Charter, and Sangetsu Group Compliance Code of Conduct as a code of conduct to ensure conduct of Directors, Executive Officers and employees is in compliance with laws and regulations, the Articles of Incorporation and societal norms, and develop and consolidate regulations relating to compliance.
   (2) The Company shall establish a compliance committee, for which the President and CEO has ultimate responsibility, as a body to deliberate significant matters relating to the promotion of compliance.
   (3) The Company shall nominate an Executive Officer to be in charge of compliance in order to supervise compliance activities on a cross-Group basis.
   (4) Head of each department shall be responsible for maintaining and improving the system for the promotion of compliance with laws and regulations, and internal rules in the relevant department. Furthermore, compliance leaders who promote compliance activities shall be appointed in each branch and department.
   (5) The Audit Office, set up in the Management Audit Department shall conduct internal audit on the propriety of operation.
   (6) The Internal Control Section, set up in the Management Audit Department, shall work to promote and enhance internal control in order to secure propriety and reliability in financial reporting.
   (7) The Company shall establish a helpline, where employees and others may report compliance problems, and designate a contact within the company and an external law office to be in charge of such matters. Furthermore, the Company shall prohibit any adverse treatment based on the fact that such a report has been made by the person.
2. System to store and control information related to execution of duties by Directors and Executive Officers
   (1) The Company shall record information related to the execution of duties by Directors and Executive Officers in documents or by electronic media, and retain and manage this information in accordance with its rules on the retention of documentary records.
   (2) The aforementioned documents and other materials related to the execution of duties by Directors and Executive Officers shall be kept available for inspection and copying at the request of the Audit and Supervisory Committee Members designated by the Audit and Supervisory Committee.
3. Rules and other systems for managing risk of loss
   (1) The Company shall establish Risk Management Rules, etc. with the aim of management of and response to various risks surrounding the Company.
   (2) The Company shall establish a risk management committee, for which the President and CEO has ultimate responsibility, as a body to oversee the Group-wide risk management.
   (3) The Company shall nominate an Executive Officer to be in charge of risk in order to supervise risk management activities of all Group companies.
   (4) The Company shall establish risk management subcommittees in response to various risks, and appoint persons in charge for each subcommittee. Each risk management subcommittee shall deliberate issues on and countermeasures against risk in charge, and respond to them responsibly.

4. System to ensure that Directors and Executive Officers execute their duties efficiently
(1) With the aim of the agile business operations and clarification of operating responsibilities by separating decision-making and supervisory functions in the management from executive functions, the Company shall adopt an executive officer system.
(2) The Company shall hold regular meetings of the Board of Directors once a month in principle, and matters such as deliberations and decisions on important items related to the management policies and strategies shall be handled at these meetings.
(3) The Board of Directors may, in accordance with the Articles of Incorporation and Board of Directors regulations, delegate all or part of decisions on important business execution issues to Representative Director. The important business execution issues delegated to Directors shall be deliberated at the Management Meeting, comprised of Executive Officers and others.
(4) Executive Officers shall take charge of and execute their duties in accordance with the Rules on Division of Duties and Rules on Authority regarding Duties.
(5) The Company shall formulate the management plan from a medium- to long-term perspective regularly. In order to realize the management plan, budgets with companywide goals for each fiscal year shall be set and each department shall execute detailed plan aimed at the goals.
(6) The Group-wide meeting, comprised of Executive Officers, heads of departments and others, shall be convened regularly to share information on the implementation of the management plan and monitor its progress.

5. System relating to the Sangetsu Group comprising the Company and its subsidiaries
(1) System concerning the reporting of matters to the Company related to the execution of duties performed by Directors of subsidiaries
Subsidiary and Associates Management Regulations and Standards for Matters at Subsidiaries and Associates Requiring Approval and Reporting shall be established, and a system shall be put in place for reporting to the Company of the diverse matters occurring at subsidiaries. The Company shall introduce a department-in-charge system for the management of its subsidiaries.
(2) Rules and other systems for managing risk of loss at subsidiaries
Risk Management Regulations, Business Investment Risk Management Regulations, Subsidiary and Associates Management Regulations, and Standards for Matters at Subsidiaries and Associates Requiring Approval and Reporting and other rules shall be established, and a system shall be put in place for the Company to manage the diverse risks, including the occurrence of loss, at subsidiaries.
In addition, monthly reports shall be made to the Company's Board of Directors in order to manage the various risks. Furthermore, regulations handling risks shall be put in place by subsidiaries themselves, thereby adding to the system for risk management.
(3) System to ensure that subsidiary Directors execute their duties efficiently
Subsidiary and Associates Management Regulations and Standards for Matters at Subsidiaries and Associates Requiring Approval and Reporting shall be established, and a system shall be put in place to ensure that subsidiary Directors are able to execute their duties efficiently. In addition, rules on the division of duties shall be put in place by subsidiaries themselves for the distribution of work responsibilities in order to allow the efficient execution of duties.
(4) System to ensure that subsidiary Directors and employees execute their duties in compliance with relevant laws and regulations and the Articles of Incorporation of the Company
The Company shall establish the Sangetsu Group Human Rights Policy, Sangetsu Group Corporate Ethics Charter, and Sangetsu Group Compliance Code of Conduct in order to maintain and improve the overall compliance framework of the Group. In addition, the Company shall establish a helpline with a designated external law office available also for employees at subsidiaries to contact with reports.

II. Systems to Assist Execution of Duties by the Audit and Supervisory Committee

1. Matters relating to employees who assist in the duties of the Audit and Supervisory Committee
(1) In order to assist the Audit and Supervisory Committee, the Company shall establish the Audit and Supervisory Committee Office with employees who serve dedicated and concurrently with their other posts.
(2) Assignments, transfers, and evaluations for employees belonging to the Audit and Supervisory Committee Office require the consent of Audit and Supervisory Committee to ensure the independence from Directors (excluding Audit and Supervisory Committee Members (here and elsewhere in II)) and Executive Officers.
(3) Employees belonging to the Audit and Supervisory Committee Office assist in the duties of Audit and Supervisory Committee under the direction of Audit and Supervisory Committee.
(4) Employees belonging to the Audit and Supervisory Committee Office shall not be subject to instructions and orders from Directors and Executive Officers concerning the duties to assist Audit and Supervisory Committee. Employees belonging to the Audit and Supervisory Committee Office who serve concurrently with other posts shall carry out the instructions given by Audit and Supervisory Committee Members as top priority.

2. Systems relating to the reporting to the Audit and Supervisory Committee
(1) Audit and Supervisory Committee Members shall receive reports regularly from Directors and Executive Officers on the status of execution of duties in charge at the Board of Directors. In addition, Audit and Supervisory Committee Members shall receive reports regularly on the status of the Boards of Directors of subsidiaries from Directors and Auditors dispatched to the Company's subsidiaries.
(2) Directors and Executive Officers shall, in the event of situations that may cause significant damage to the Company, swiftly report such matters to Audit and Supervisory Committee personally or through the heads of relevant departments.
(3) Audit and Supervisory Committee Members designated by Audit and Supervisory Committee shall attend important meetings, examine records, minutes, or other documents related to the execution of business, and request as necessary explanations from Directors, Executive Officers, or employees.

(4) Audit and Supervisory Committee Members designated by Audit and Supervisory Committee shall visit subsidiaries, and examine records, minutes, or other documents related to the execution of business, and request as necessary explanations from subsidiary Directors or employees.
(5) Officers and employees of the Group may report compliance problems directly to Audit and Supervisory Committee or its members without using the Company's helpline. In such case, the Company prohibits any adverse treatment based on the fact that such a report has been made by the person.

3. Items concerning policies for handling of expenses and debts arising from the execution of duties by the Audit and Supervisory Committee
(1) All expenses necessary for the duties of Audit and Supervisory Committee shall be recorded in an independent budget every fiscal period and processed promptly based on expense payment standards.
(2) Audit and Supervisory Committee, on its own initiative, may use external experts, etc., where necessary, and the Company shall then bear those expenses.

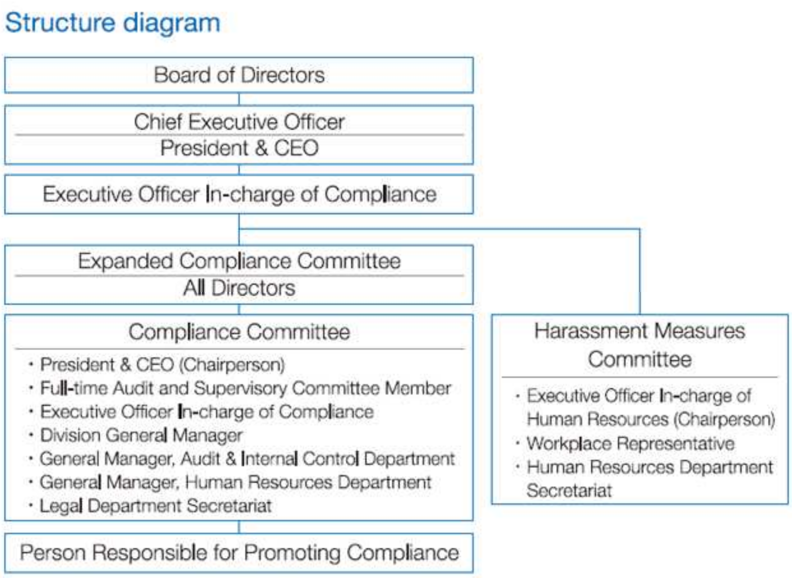
4. Other Systems to ensure that Audit and Supervisory Committee execute their audits effectively
(1) With the aim of effective audit execution, Audit and Supervisory Committee shall cooperate with the internal audit department and internal control department.
(2) Audit and Supervisory Committee shall formulate the policy and plan for audit annually and report them to the Board of Directors.
(3) In order to enhance auditing effectiveness, Audit and Supervisory Committee shall receive reports on the status of responses to issues identified in the audits at the Board of Directors meetings or on other occasions, and give feedback to them.
(4) Audit and Supervisory Committee shall exchange information regularly on matters including audits with President and CEO and Accounting Auditor.

b. Basic approach to the exclusion of antisocial forces and the status of implementation

・ The Group does not maintain any relationships whatsoever with antisocial forces, will respond resolutely to any unreasonable demands made by antisocial forces, and will resolutely sever and eliminate any relationships with antisocial forces.
Furthermore, in accordance with the spirit of the Sangetsu Group Compliance Code of Conduct and the Risk Management Regulations, the Risk Management Committee will oversee the response, ensure smooth communication of information within the Company, and respond in coordination with relevant departments and adviser lawyers.
Also, we regularly collect necessary information through coordination with the Aichi Prefectural Police, local police stations, and other relevant government agencies, as well as by coordinating with external specialist organizations, such as by registering with the Aichi Prefecture Corporate Defense Council.

c. Establishment and operational status of compliance system

・ The Compliance Committee has been held four times in the fiscal year ended March 31, 2026, where they reviewed the compliance program from its formulation to its revision using the PDCA cycle, and discussed measures to prevent harassment.
・ During the fiscal year ended March 31, 2026, there were 14 consultations (one of which was an external report) through the helpline, and each case was responded to appropriately.
・ Basic compliance trainings were provided to both new managers and new employees respectively.



d. Establishment and operational status of risk management system

・ The Risk Management Committee is composed of a total of 12 subcommittees, including eight subcommittees (market and customer risk, development, procurement and quality risk, logistics and inventory risk, overseas business risk, human resources and labor risk, natural disasters and infectious diseases risk, information security risk, and environment and climate change risk), as well as four additional subcommittees (legal and compliance risk, reputation risk, management strategy risk, and financial risk).

- The Risk Management Committee met four times during the fiscal year ended March 31, 2026, and each subcommittee assessed the assumed risks, examined their importance, and then reported on the progress of countermeasures and the results of discussions regarding achievements and issues.
- The Committee is also revising the evaluation standards for risk assessment, and tightening the risk assessment standards (refining numerical values) with the aim of creating a system that enables early management intervention.
- In the above risk management, the Company has clarified important risks based on frequency, probability and impact, and defined risks of business disruption due to ransomware attacks, product quality maintenance, and delivery risks as the most important management risks. In order to strengthen effective BCP schemes, the Company has conducted a tabletop drill simulating a large-scale system failure (ransomware infection) and reviewed the organizational chart of the emergency response headquarters as well as the current BCP and disaster response manuals.
- Regarding communication methods with each location in the event of an emergency, the Company has introduced the safety confirmation system “e-Innovation” to domestic group companies (excluding some) and conducted joint drills.

As for risk management system as of the filling date of this report, please refer to “1. Approach to risk management and risk management system in 3 Business risks.”

(iv) Overview of limited liability agreements

The Company has concluded an agreement with each non-executive Director as per the provisions of Article 427, paragraph 1 of the Companies Act of Japan, limiting their liability for compensation for damage under Article 423, paragraph 1 of the Companies Act of Japan. These agreements limit the amount of their liability for compensation for damage to the minimum legally stipulated amounts.

(v) Overview of a directors and officers liability insurance policy

The Company has concluded a directors and officers liability insurance policy with an insurance company, as stipulated in Article 430-3, paragraph 1 of the Companies Act of Japan. The insured persons of this insurance policy include Directors and Executive Officers of the Company and Officers of the subsidiaries, and the Company bears all insurance premiums. This insurance policy covers compensation for damages to be borne by the insured persons in the event of claims made during the term of the policy against them regarding the execution of their duties. However, measures are taken so that the properness of the performance of duties by officers, etc., is not impaired by excluding damage caused as a result of any conduct committed while knowing that the conduct is in violation of laws and regulations from the scope of compensation.

(vi) Maximum number of directors

The Company’s Articles of Incorporation stipulate that the number of Directors (excluding those who are Audit and Supervisory Committee Members) shall be four or less, and the number of Directors who are Audit and Supervisory Committee Members shall be eight or less.

(vii) Requirements for resolutions regarding the appointment of directors

The Company’s Articles of Incorporation stipulate that resolutions to elect Directors shall be made by a majority vote at a shareholders’ meeting attended by shareholders holding at least one-third of the total voting rights of shareholders who are able to exercise voting rights.

In addition, the Articles of Incorporation stipulate that resolutions for the appointment of directors shall not be based on cumulative voting.

(viii) Exemption of Directors from liability

The Company provides in its Articles of Incorporation that, pursuant to the provisions of Article 426, paragraph (1) of the Companies Act, it may exempt Directors (including former Directors) from liability as set forth in Article 423, paragraph (1) of the said Act within the limits stipulated by laws and regulations based on a resolution of the Board of Directors. The purpose of this is to enable Directors to sufficiently fulfill the roles expected of them in carrying out their duties.

(ix) Decision-making body for the acquisition of treasury shares

Pursuant to Article 165, Paragraph (2) of the Companies Act, the Company’s Articles of Incorporation stipulate that the Company may acquire treasury shares through market transactions, etc., by resolution of the Board of Directors. The purpose of this is to enable a flexible capital policy by giving the Board of Directors the authority to acquire treasury shares.

(x) Decision-making body for interim dividends

Pursuant to Article 454, Paragraph (5) of the Companies Act, the Company’s Articles of Incorporation stipulate that interim dividends may be paid by resolution of the Board of Directors, with September 30th of each year as the record date. The purpose of this is to ensure the timely return of profits to shareholders.

(xi) Special resolution requirements for general meetings of shareholders

Regarding the requirements for special resolutions at general meetings of shareholders as defined in Article 309, Paragraph (2) of the Companies Act, the Company’s Articles of Incorporation stipulate such resolutions shall be made by at least two-thirds majority vote at a meeting attended by shareholders holding at least one-third of the total voting rights of shareholders who are able to exercise voting rights. The purpose of this is to ensure the smooth running of general meetings of shareholders by relaxing the quorum required for special resolutions at such meetings.

(xii) Basic Policy on Control of the Stock Company

The Company has not established a basic policy regarding the entity that controls decisions regarding the financial and business policies of the corporation pursuant to Article 118, Paragraph (3) of the Enforcement Regulations of the Companies Act.

(xiii) Status of other initiatives to improve corporate governance

The Company aims to build relationships of trust with shareholders and investors through constructive dialogue in order to enhance corporate value over the medium to long term. To achieve this, we believe it is important to reflect in our management not only the perspectives of our customers and business partners, but also the perspectives and expectations of market participants. We have established a system to analyze management and stock price indicators, including the Tokyo Stock Price Index (TOPIX) and comparisons with industry peers, and share and discuss opinions obtained from IR and SR interviews and surveys of shareholders at meetings of the Board of Directors, the Management Meeting, and regular meetings with each division. Based on this feedback, we are expanding our information disclosure and promoting management improvements and business portfolio transformation with an awareness of capital efficiency. Moreover, based on our disclosure policy, in addition to disclosing information required by laws and regulations, we are also increasing management transparency by enhancing voluntary disclosures to deepen understanding of the Company’s value creation story.

*The disclosure policy is available on the Company’s website.

https://www.sangetsu.co.jp/english/ir/management/policy.html

a. Enhancement of information disclosure

We promptly disclose information in both Japanese and English and strive to expand our English language disclosure, based on a policy of providing fair, timely, and appropriate disclosure to shareholders and investors in Japan and overseas. In our IR materials, such as financial results materials, we expand our quantitative information, while continuously updating our “value creation story” tied to our Corporate Philosophy through integrated reports, etc. We also make use of objective corporate reports prepared by external organizations, and publish presentation meeting videos and transcription articles as we work to increase the accessibility of our information.

<Main disclosure expansion and improvement items in FY2025>

・ Increased transparency of earnings forecasts: We enhanced quantitative disclosure of the outlook and results for risk factors (impact of the fire incident at a major supplier), and disclosure of regional results in the Overseas Segment.
・ Increase specificity of “management conscious of cost of capital and stock price”: We organized and analyzed feedback obtained through IR and SR meetings regarding perceptions of our cost of shareholders’ equity and issues to be addressed to improve PBR, and updated and disclosed current status analysis and issues, as well as policy on initiatives going forward for expanding the equity spread (ROE - cost of shareholders’ equity).

We continue to receive opinions and requests from shareholders and investors sincerely, and strive to provide disclosure that helps to increase the expected growth rate and control the cost of capital.

b. Structure for dialogue and specific initiatives

We have built a structure for close cooperation between divisions, such as the Finance and Accounting Department and the ESG Promotion Section, centered on the Corporate Strategy Department (the Public Relations and IR Section, and the Corporate Planning Section), which reports directly to the President & CEO, to conduct highly effective dialogues. In addition, we ensure opportunities for direct dialogue with top management by having the Representative Director, President & CEO, each Executive Officer in charge, and other officers attend and participate in meetings depending on the theme of the dialogue.

<Main themes of dialogue, and matters for internal feedback>

・ Progress of the Medium-term Business Plan [BX 2025] and direction of growth strategies toward the next Medium-term Business Plan
・ Strengthening earning capability in the Domestic Interior Segment (in terms of efficiency and cash flow)
・ Recognition of the cost of capital and direction of initiatives to address ROE and PER with a view to increasing PBR
・ Cash allocation for realizing optimal capital composition and shareholder return policy
・ Business model transformation into the “Space Creation Company” and clarity of competitive advantages
・ Link to economic value of non-financial KPIs, such as human capital investment and social participation
・ Approach and suitability of performance-linked indicators in the officer remuneration system.

<FY2025 Dialogue status>

Description	Respondents	Participants	Number of times
General Meeting of Shareholders	Representative Director, President & CEO, Directors, Outside Directors (Audit and Supervisory Committee Members), Executive Officers	Shareholders	1 time
Company information session	Representative Director, President & CEO, Directors, Outside Directors (Audit and Supervisory Committee Members), Executive Officers	Shareholders (mainly Individuals)	1 time
Financial results and management strategy briefing	Representative Director, President & CEO, Executive Officers, etc.	Analysts and institutional investors	2 times
IR and SR interview	Representative Director, President & CEO, Executive Officers, etc.	Analysts, institutional investors and shareholders	Approximately 95 times

(2) Share ownership

(i) Policy and concept of the classification of investment shares

The Company does not hold shares for pure investment purposes.

(ii) Investment shares whose purpose of holding is other than for pure investment

a. Method for inspecting the holding policy and the rationality of ownership, and the details of inspections by the Board of Directors and the like concerning the propriety of the ownership of individual issues

Based on our business strategy, we make comprehensive judgments from the perspective of companies with which we should newly strengthen our relationships and companies with which we should continue to strengthen our relationships as business partners, and then decide on the strategically held shares that will be held over the medium to long term. The Company reviews the costs and returns associated with holding shares every year, and if it determines that holding the shares is no longer meaningful in the medium to long term, it has a policy to sell the shares, and reports this to the Board of Directors.

In addition, when a company, whose shares we hold as shares held for purposes other than pure investment, offers to sell shares of the Company, the Company will not take any action to prevent the sale.

b. Number of issues and balance sheet amount

	Number of issues (Issue name)	Total amount of balance sheet amount (millions of yen)
Unlisted shares	7	45
Shares other than unlisted shares	13	10,048

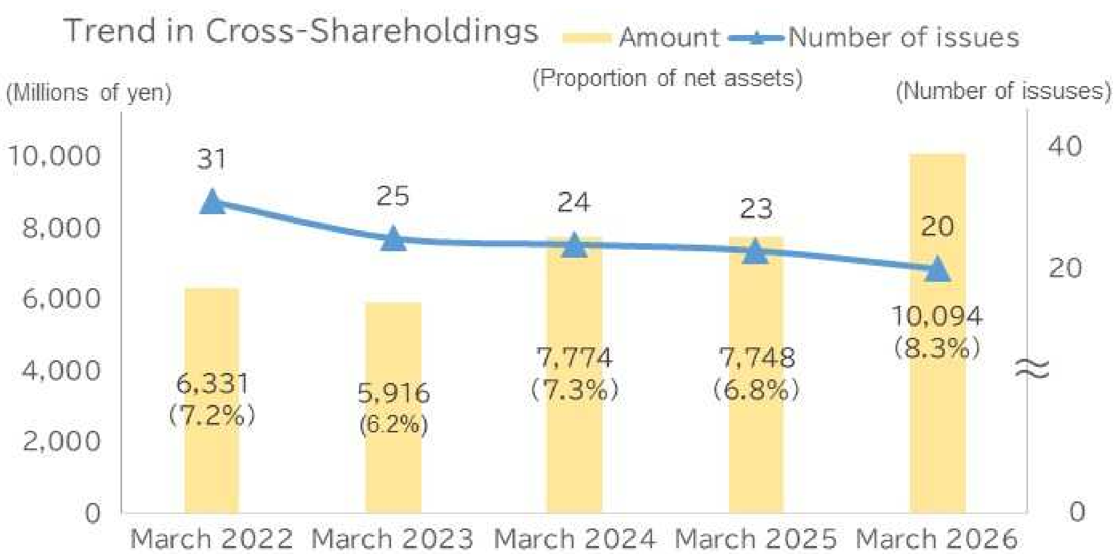
(Issues whose number of shares increased in the fiscal year under review)

	Number of issues (Issue name)	Total acquisition costs associated with increase in number of shares (millions of yen)	Reason for increase in number of shares
Unlisted shares	–	–	–
Shares other than unlisted shares	1	1	Shares acquired through the shareholding association

Note: The changes due to a stock split are not reflected in the issues whose number of shares increased.

(Issues whose number of shares decreased in the fiscal year under review)

	Number of issues (Issue name)	Total sale value associated with decrease in number of shares (millions of yen)
Unlisted shares	1	21
Shares other than unlisted shares	3	194



c. Information about the numbers of specified investment shares by issue, balance sheet amounts, etc.

Specified investment shares

Issue	Fiscal year ended March 31, 2026 Number of shares (shares) Balance sheet amount (millions of yen)	Fiscal year ended March 31, 2025 Number of shares (shares) Balance sheet amount (millions of yen)	Purpose of holding, overview of business alliance, etc., quantitative effect of holding, and reason for increase in number of shares	Holding of the Company's shares
Sumitomo Realty & Development Co., Ltd.	816,000	408,000	(Purpose of holding) Sales promotion of the Company's merchandise (Quantitative effect of holding) (Note 2) (Reason for increase in shares) Increase resulting from stock split	No
	3,583	2,281		
Resorttrust, Inc.	1,731,040	1,731,040	(Purpose of holding) Sales promotion of the Company's merchandise (Quantitative effect of holding) (Note 2)	Yes
	3,004	2,512		
Mitsubishi UFJ Financial Group, Inc.	920,150	957,150	As a result of examining the rationality of holding the shares, we plan to sell a portion of them.	No
	2,392	1,924		
MEIKO CONSTRUCTION CO., LTD.	225,643	225,643	(Purpose of holding) Sales promotion of the Company's merchandise (Quantitative effect of holding) (Note 2)	Yes
	391	292		
Daito Trust Construction Co., Ltd.	104,433	20,813	(Purpose of holding) Sales promotion of the Company's merchandise (Quantitative effect of holding) (Note 2) (Reason for increase in shares) Acquisition through the shareholding association and increase resulting from stock split	No
	384	318		
Starts Corporation Inc.	15,000	15,000	(Purpose of holding) Sales promotion of the Company's merchandise (Quantitative effect of holding) (Note 2)	No
	71	58		
DYNIC CORPORATION	66,000	66,000	(Purpose of holding) Strengthen the relationship with the supplier (Quantitative effect of holding) (Note 2)	Yes
	69	49		
KYOWA LEATHER CLOTH CO., LTD.	60,000	60,000	(Purpose of holding) Strengthen the relationship with the supplier (Quantitative effect of holding) (Note 2)	No
	56	42		
Dai-ichi Life Holdings, Inc. (Note 3)	22,400	22,400	As a result of examining the rationality of holding the shares, we plan to sell them.	Yes
	31	25		
Misonoza Theatrical Corporation	18,000	18,000	As a result of examining the rationality of holding the shares, we plan to sell them.	No
	28	30		
TOKEN CORPORATION	2,000	2,000	(Purpose of holding) Sales promotion of the Company's merchandise (Quantitative effect of holding) (Note 2)	Yes
	26	25		
AVANTIA CO., LTD.	7,200	7,200	(Purpose of holding) Sales promotion of the Company's merchandise (Quantitative effect of holding) (Note 2)	No
	5	5		
Lonseal Corporation	1,303	1,303	(Purpose of holding) Strengthen the relationship with the supplier (Quantitative effect of holding) (Note 2)	Yes
	2	2		
The Bank of Nagoya, Ltd.	–	9,458	–	No
	–	74		
The Ogaki Kyoritsu Bank, Ltd.	–	11,300	–	Yes
	–	26		

Notes:
1. A dash "–" indicates that the issue is not held.
2. As it is difficult to provide a description of the quantitative effect of the holdings, the method used to verify the rationality of the holdings has been described. The Company reviews the significance of strategically held shares each fiscal year and confirms that all shares which we continue to hold are held for purposes that are in line with our holding policy.
3. On April 1, 2026, Dai-ichi Life Holdings, Inc. changed its name to Daiichi Life Group, Inc.

(iii) Investment shares whose purpose of holding is for pure investment

No items to report

III. Financial Information

1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements

(1) The consolidated financial statements of the Company are prepared in accordance with the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976; hereinafter the "Regulations on Consolidated Financial Statements").

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; hereinafter the "Regulations on Non-consolidated Financial Statements").
As the Company falls under the category of a company filing financial statements prepared in accordance with special provisions, the non-consolidated financial statements of the Company are prepared in accordance with Article 127 of the Regulations for Non-consolidated Financial Statements.

2. Auditing and attestation

The consolidated and the non-consolidated financial statements for the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026) were audited by Deloitte Touche Tohmatsu LLC, pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

3. Particular efforts to secure the appropriateness of the consolidated financial statements

The Company makes particular efforts to secure the appropriateness of its consolidated financial statements. Specifically, the Company has joined the Financial Accounting Standards Foundation (FASF), participates in seminars hosted by the Foundation, as well as training sessions hosted by auditing firms, etc., in order to appropriately grasp the content of accounting standards, etc., and to develop a system that enables it to respond appropriately to changes in accounting standards, etc.

1. Consolidated Financial Statements and Other Information

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	*2 33,727	*2 35,414
Notes receivable - trade	4,781	1,504
Accounts receivable - trade	26,430	27,746
Contract assets	3,833	3,660
Electronically recorded monetary claims - operating	23,834	26,006
Securities	300	300
Merchandise and finished goods	19,300	18,952
Work in process	185	398
Raw materials and supplies	2,948	2,462
Other	2,118	2,011
Allowance for doubtful accounts	(449)	(435)
Total current assets	117,011	118,020
Non-current assets		
Property, plant and equipment		
Buildings and structures	35,264	36,596
Accumulated depreciation	(21,953)	(22,873)
Buildings and structures, net	13,310	13,723
Machinery, equipment and vehicles	19,591	24,082
Accumulated depreciation	(14,497)	(15,874)
Machinery, equipment and vehicles, net	5,093	8,208
Tools, furniture and fixtures	6,230	6,521
Accumulated depreciation	(5,224)	(5,376)
Tools, furniture and fixtures, net	1,005	1,145
Land	16,361	16,286
Leased assets	3,407	4,032
Accumulated depreciation	(1,879)	(2,012)
Leased assets, net	1,528	2,019
Construction in progress	4,366	916
Total property, plant and equipment	41,665	42,300
Intangible assets		
Software	1,644	1,744
Goodwill	1,691	2,366
Other	1,018	849
Total intangible assets	4,354	4,961
Investments and other assets		
Investment securities	*1 8,203	*1 10,744
Investment property	4,945	4,975
Guarantee deposits	2,088	2,149
Retirement benefit asset	1,218	2,739
Deferred tax assets	3,196	1,940
Other	1,252	1,088
Allowance for doubtful accounts	(12)	(13)
Total investments and other assets	20,892	23,624
Total non-current assets	66,912	70,886
Total assets	183,923	188,907

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,157	17,884
Contract liabilities	1,515	1,399
Electronically recorded obligations - operating	13,940	9,240
Short-term borrowings	9,098	365
Lease liabilities	509	555
Income taxes payable	3,045	3,772
Provision for bonuses	3,972	4,393
Provision for bonuses for directors (and other officers)	95	93
Provision for product warranties	174	166
Other	7,767	7,141
Total current liabilities	58,276	45,011
Non-current liabilities		
Long-term borrowings	2,000	12,000
Lease liabilities	1,177	1,611
Deferred tax liabilities	290	292
Retirement benefit liability	5,547	5,125
Asset retirement obligations	1,697	1,735
Other	1,123	869
Total non-current liabilities	11,836	21,635
Total liabilities	70,113	66,647
Net assets		
Shareholders' equity		
Share capital	13,616	13,616
Capital surplus	17,218	17,247
Retained earnings	74,538	80,216
Treasury shares	(698)	(663)
Total shareholders' equity	104,674	110,416
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,628	5,483
Foreign currency translation adjustment	2,084	2,179
Remeasurements of defined benefit plans	2,626	3,470
Total accumulated other comprehensive income	8,338	11,133
Share acquisition rights	4	4
Non-controlling interests	791	706
Total net assets	113,810	122,259
Total liabilities and net assets	183,923	188,907

(ii) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net sales	*1 200,378	*1 206,441
Cost of sales	*2 138,005	*2 141,711
Gross profit	62,373	64,729
Selling, general and administrative expenses		
Sample books expenses	3,402	3,318
Provision of allowance for doubtful accounts	24	13
Salaries and allowances	16,567	17,449
Provision for bonuses	3,103	3,225
Provision for bonuses for directors (and other officers)	95	93
Retirement benefit expenses	792	613
Provision for product warranties	(79)	(8)
Other	*2 20,327	*2 20,615
Selling, general and administrative expenses	44,232	45,321
Operating profit	18,140	19,408
Non-operating income		
Interest income	90	203
Dividend income	193	224
Rental income from real estate	429	433
Other	229	374
Total non-operating income	943	1,235
Non-operating expenses		
Interest expenses	244	287
Rental expenses on real estate	109	133
Loss on valuation of interest rate swaps	64	37
Foreign exchange losses	75	11
Other	17	19
Total non-operating expenses	511	490
Ordinary profit	18,572	20,152
Extraordinary income		
Gain on sale of non-current assets	*3 3	*3 3
Gain on sale of investment securities	41	126
Subsidy income	*6 223	*6 408
Gain on liquidation of subsidiaries and associates	—	*7 7
Gain on termination of retirement benefit plan	—	*8 283
Total extraordinary income	267	829
Extraordinary losses		
Loss on sale of non-current assets	*4 3	*4 11
Loss on retirement of non-current assets	*5 40	*5 37
Loss on sale of investment securities	41	2
Loss on valuation of investment securities	—	83
Impairment losses	94	45
Total extraordinary losses	179	181
Profit before income taxes	18,661	20,800
Income taxes - current	5,852	6,387
Income taxes - deferred	250	(125)
Total income taxes	6,103	6,261
Profit	12,557	14,539
Profit (loss) attributable to non-controlling interests	7	(103)
Profit attributable to owners of parent	12,550	14,642

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Profit	12,557	14,539
Other comprehensive income		
Valuation difference on available-for-sale securities	322	1,855
Deferred gains or losses on hedges	20	—
Foreign currency translation adjustment	822	123
Remeasurements of defined benefit plans, net of tax	1,313	844
Total other comprehensive income	* 2,478	* 2,822
Comprehensive income	15,036	17,361
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,041	17,436
Comprehensive income attributable to non-controlling interests	(5)	(74)

(iii) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,616	17,175	70,799	(791)	100,799
Changes during period					
Dividends of surplus			(8,811)		(8,811)
Profit attributable to owners of parent			12,550		12,550
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		39		47	86
Exercise of share acquisition rights		4		46	51
Net changes in items other than shareholders' equity					
Total changes during period	—	43	3,739	92	3,875
Balance at end of period	13,616	17,218	74,538	(698)	104,674

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	3,305	(20)	1,241	1,312	5,839	55	14	106,709
Changes during period								
Dividends of surplus								(8,811)
Profit attributable to owners of parent								12,550
Purchase of treasury shares								(1)
Disposal of treasury shares								86
Exercise of share acquisition rights								51
Net changes in items other than shareholders' equity	322	20	843	1,313	2,499	(51)	776	3,225
Total changes during period	322	20	843	1,313	2,499	(51)	776	7,100
Balance at end of period	3,628	—	2,084	2,626	8,338	4	791	113,810

Fiscal year ended March 31, 2026

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,616	17,218	74,538	(698)	104,674
Changes during period					
Dividends of surplus			(8,964)		(8,964)
Profit attributable to owners of parent			14,642		14,642
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		28		35	64
Exercise of share acquisition rights					—
Net changes in items other than shareholders' equity					
Total changes during period	—	28	5,678	34	5,741
Balance at end of period	13,616	17,247	80,216	(663)	110,416

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	3,628	—	2,084	2,626	8,338	4	791	113,810
Changes during period								
Dividends of surplus								(8,964)
Profit attributable to owners of parent								14,642
Purchase of treasury shares								(0)
Disposal of treasury shares								64
Exercise of share acquisition rights								—
Net changes in items other than shareholders' equity	1,855	—	94	844	2,794	—	(85)	2,708
Total changes during period	1,855	—	94	844	2,794	—	(85)	8,449
Balance at end of period	5,483	—	2,179	3,470	11,133	4	706	122,259

(iv) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash flows from operating activities		
Profit before income taxes	18,661	20,800
Depreciation	3,221	4,325
Impairment losses	94	45
Amortization of goodwill	227	334
Increase (decrease) in allowance for doubtful accounts	(5)	(23)
Increase (decrease) in provision for bonuses	303	418
Increase (decrease) in provision for bonuses for directors (and other officers)	(39)	(2)
Increase (decrease) in retirement benefit liability	(105)	(588)
Increase (decrease) in provision for product warranties	(232)	(7)
Interest and dividend income	(284)	(427)
Real estate rent	(429)	(433)
Interest expenses	244	287
Loss (gain) on sale of investment securities	0	(124)
Loss (gain) on liquidation of subsidiaries and associates	—	(7)
Subsidy income	(223)	(408)
Decrease (increase) in accounts receivable - trade, and contract assets	3,751	379
Decrease (increase) in inventories	(265)	578
Increase (decrease) in trade payables	(1,154)	(5,125)
Decrease (increase) in consumption taxes refund receivable	(300)	265
Increase (decrease) in accrued consumption taxes	176	67
Other, net	889	(877)
Subtotal	24,528	19,479
Interest and dividends received	286	431
Subsidies received	223	408
Interest paid	(237)	(288)
Income taxes paid	(5,541)	(5,710)
Net cash provided by (used in) operating activities	19,260	14,320
Cash flows from investing activities		
Payments into time deposits	(147)	(138)
Proceeds from withdrawal of time deposits	457	36
Purchase of securities	(300)	(300)
Proceeds from redemption of securities	300	300
Purchase of property, plant and equipment	(4,741)	(3,415)
Proceeds from sale of property, plant and equipment	13	14
Purchase of intangible assets	(720)	(734)
Purchase of investment securities	(90)	(16)
Proceeds from sale of investment securities	611	215
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (1,817)	*2 (834)
Purchase of insurance funds	(207)	(0)
Proceeds from cancellation of insurance funds	200	1
Payments for rental of investment property	(38)	(69)
Proceeds from rental of investment property	429	433
Payments of guarantee deposits	(185)	(56)
Proceeds from refund of guarantee deposits	49	14
Purchase of long-term prepaid expenses	(671)	(55)
Other, net	(13)	(17)
Net cash provided by (used in) investing activities	(6,873)	(4,625)

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash flows from financing activities		
Proceeds from short-term borrowings	26,596	343
Repayments of short-term borrowings	(23,208)	(9,092)
Proceeds from long-term borrowings	2,000	10,000
Repayments of finance lease liabilities	(564)	(552)
Purchase of treasury shares	(1)	(0)
Dividends paid	(8,802)	(8,955)
Other, net	0	(4)
Net cash provided by (used in) financing activities	(3,980)	(8,261)
Effect of exchange rate change on cash and cash equivalents	321	131
Net increase (decrease) in cash and cash equivalents	8,727	1,565
Cash and cash equivalents at beginning of period	24,717	33,445
Cash and cash equivalents at end of period	*1 33,445	*1 35,010

Notes to consolidated financial statements

Significant matters forming the basis for preparation of consolidated financial statements

1. Scope of consolidation

   Number of consolidated subsidiaries: 30

   Names of major consolidated subsidiaries

   Sungreen Co., Ltd.

   Fairtone Co., Ltd.

   Sangetsu Vosne Corporation

   Sangetsu Okinawa Corporation

   CREANATE Inc.

   Cloth Kikaku Corporation

   SDS Corporation

   KOROSEAL INTERIOR PRODUCTS HOLDINGS, INC.

   Goodrich Global Holdings Pte. Ltd.

   GOODRICH GLOBAL LIMITED

   D'Perception Pte Ltd

   In the fiscal year ended March 31, 2025, SDS Corporation, of which all shares were acquired, and the newly established Sangetsu Goodrich Next (Thailand) Co., Ltd. have been included in the scope of consolidation.

   Additionally, Goodrich Global (E.M.) Sdn Bhd has been excluded from the scope of consolidation due to its liquidation.

2. Application of the equity method

   (1) Number of associates accounted for using equity method: –

   (2) Names of associates not accounted for by the equity method

   Hakata Soko Co., Ltd

   (Reason why not accounted for by the equity method)

   Associates are excluded from the scope of application of the equity method, because such exclusion has only an immaterial effect on the consolidated financial statements in terms of each company's profit or loss (amount corresponding to the Company's ownership interest) and retained earnings (amount corresponding to the Company's ownership interest), and they have no significance as a whole.

3. Fiscal year, etc. of consolidated subsidiaries

   Of the Company's consolidated subsidiaries, KOROSEAL INTERIOR PRODUCTS HOLDINGS, INC., Goodrich Global Holdings Pte. Ltd., GOODRICH GLOBAL LIMITED, D'Perception Pte Ltd and 18 other overseas subsidiaries have a fiscal year ending December 31. The financial statements as of that date are used in the preparation of the consolidated financial statements, and any significant transactions occurring between the fiscal year-end date and the consolidated fiscal year-end date are adjusted as necessary for consolidation. The fiscal year-end of the other 8 domestic consolidated subsidiaries is the same as the consolidated fiscal year-end date.

4. Accounting policies

   (1) Standards and methods for valuation of important assets

   (i) Securities

   Available-for-sale securities

   Securities other than shares, etc. without market value

   Stated at fair value (valuation differences are directly recorded in shareholders' equity, and the cost of securities sold is computed based on the moving average method)

   Shares, etc. without market prices

   Stated at cost using the moving average method.

   (ii) Derivatives

   Mainly stated at fair value

   (iii) Inventory

   Mainly stated at cost using the moving average method (carrying amounts on the balance sheet are subject to the book value reduction method based on decreased profitability)

(2) Depreciation or amortization method for important depreciable or amortizable assets

(i) Property, plant and equipment (excluding leased assets)

The declining balance method is applied. However, for consolidated subsidiaries in Japan, the straight-line method is used for buildings (excluding facilities) acquired on or after April 1, 1998, and for facilities attached to buildings and for structures acquired on or after April 1, 2016. Also, the straight-line method is used by consolidated subsidiaries outside Japan.

Major useful lives are as follows.

Buildings and structures	2–50 years
Machinery, equipment and vehicles	2–25 years

(ii) Intangible assets (excluding leased assets)

The straight-line method is applied.

Software for internal use is amortized over its estimated useful life (5 years).

(iii) Leased assets

Leased assets related to finance lease transactions that transfer ownership

The same depreciation method applied to non-current assets owned by the Company is applied.

Leased assets related to finance lease transactions that do not transfer ownership

Depreciation is calculated using the straight-line method, with the lease period being the useful life and the residual value being zero.

For foreign consolidated subsidiaries that apply IFRS, IFRS 16 “Leases” is applied and, in principle, all leases of lessees are recorded as assets and liabilities on the balance sheet, and capitalized right-of-use assets are depreciated using the straight-line method.

For foreign consolidated subsidiaries that apply Generally Accepted Accounting Principles (U.S. GAAP), U.S. GAAP ASC Topic 842 “Leases” is applied and, in principle, all leases of lessees are recorded as assets and liabilities on the balance sheet, and are depreciated over the lease term using the depreciation method under U.S. GAAP.

(3) Standards for recording significant provisions and allowances

(i) Allowance for doubtful accounts

To prepare for credit losses on receivables, loans, etc., an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.

(ii) Provision for product warranties

For certain products, goods, etc. found to be defective, etc. after sale, the Company records the estimated amount that may be claimed against the Company for claims, etc. arising from such defects.

(iii) Provision for bonuses

To provide for the payment of bonuses to employees, of the estimated amount of bonuses to be paid, the amount estimated to cover the bonus payment for services rendered by employees during the fiscal year ended March 31, 2026 is provided.

(iv) Provision for bonuses for directors (and other officers)

To provide for the payment of bonuses to directors, an amount accrued for the fiscal year ended March 31, 2026 is recorded based on the calculation method determined by the Company.

(4) Accounting methods for retirement benefits

(i) Method of attributing expected retirement benefits to periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the fiscal year ended March 31, 2026 on a benefit formula basis.

(ii) Method of amortizing actuarial gains and losses and past service cost

Past service cost is amortized using the straight-line method over a certain number of years (mainly 10 years) within the average remaining service years of employees when incurred.

Actuarial gains and losses are amortized using the straight-line method over a certain number of years (mainly 10 years) within the average remaining service years of employees when incurred in each fiscal year, from the fiscal year following the accrual of each gain or loss.

(iii) Adoption of simplified method by smaller firms, etc.

Certain consolidated subsidiaries apply a simplified method for calculating retirement benefit liability and retirement benefit expenses, using the amount payable at the end of the fiscal year as the retirement benefit obligation.

(5) Basis for recognizing significant revenue and expenses

The principal performance obligations of the Company and its consolidated subsidiaries related to revenue from contracts with customers and the usual times at which such performance obligations are satisfied (the usual times at which revenue is recognized) are as follows.

(i) Sale of merchandise and finished goods

The Company and its consolidated subsidiaries are mainly engaged in the manufacture and sale of wallcoverings, flooring materials, fabrics, and other interior materials, as well as exterior products. At the point in time that control of these merchandise and finished goods is transferred to the customer, revenue is recognized at the amount expected to be received in exchange for the goods and products. However, for domestic sales of merchandise and finished goods, if a normal period of time will elapse between the shipment of the merchandise and finished goods and the transfer of control to the customer, the Company applies the alternative treatment prescribed in paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, and recognizes revenue at the time of shipment. With respect to the sale of certain interior and exterior merchandise, the Company and its consolidated subsidiaries do not carry inventory and have determined that they are acting as agents in transactions because their performance obligation is to arrange for the merchandise to be provided by other parties. For transactions deemed to qualify as agent transactions, the Company recognizes as revenue the net amount received in exchange for merchandise provided by another party, less the amount paid to such other party. The transaction price is calculated based on the price agreed with the customer minus sales commission, etc. Consideration for transactions is received within approximately 6 months from the satisfaction of the performance obligation and does not include a significant financial component.

(ii) Installation contracts

The Company and some of its consolidated subsidiaries may enter into installation contracts with customers for the installation of interior materials and similar work. For such contracts, the Company recognizes revenue based on the degree of progress made in satisfying the performance obligation over a specified period of time. Progress is measured by comparing the cost of installation work incurred at the end of the period with the estimated cost of installation work to complete the project. However, for certain transactions with very short installation periods, such revenue is recognized when the performance obligation is fully satisfied. The promised consideration is paid within approximately 6 months from the satisfaction of the performance obligation and does not include a significant financial component.

(6) Accounting policy for translation of significant foreign currency assets or liabilities into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated fiscal year-end date, and translation differences are accounted for as profit or loss. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the spot exchange rate prevailing as of the fiscal year-end date, and their revenue and expenses are translated into Japanese yen at the average exchange rate during the period. Translation differences for net assets are included in foreign currency translation adjustment.

(7) Method and period for amortization of goodwill

Goodwill and an amount equivalent to goodwill is amortized over a reasonably estimated period (within 10 years) during which the effect will be realized, and then equally amortized over the relevant period. However, small amount items are amortized in full at the time they are incurred.

(8) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows are comprised of cash in hand, demand deposits, and short-term investments with maturities or redemption dates of three months or less from the acquisition date that are highly liquid, readily convertible into cash, and are exposed to only an insignificant risk of fluctuations in value.

New accounting standards not yet applied

1. Accounting Standard for Leases, etc.

- On September 13, 2024, the ASBJ issued “Accounting Standard for Leases” (ASBJ Statement No. 34)
- On September 13, 2024, the ASBJ issued “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33) , etc.

(1) Overview

As part of the efforts to align Japanese accounting standards with international standards, the Accounting Standards Board of Japan (ASBJ) conducted a review, in light of the international accounting standards, to develop accounting standards for leases that recognize assets and liabilities with respect to all leases of the lessee. While the basic policy is to adopt the single lessee accounting model of IFRS 16 as the base, the ASBJ announced the accounting standard for leases, etc. that are intended to be simple and highly convenient and that basically do not require adjustments even when the provisions of IFRS 16 are applied to non-consolidated financial statements, by adopting only the key provisions rather than all provisions of IFRS 16.

In terms of the accounting treatment for allocating expenses related to leases by the lessee, the single lessee accounting model is applied as done under IFRS 16 where depreciation associated with a right-of-use asset and interest equivalent amount associated with a lease liability are recorded for all leases regardless of whether they are finance or operating leases.

(2) Scheduled effective date

This will be applied from the beginning of the fiscal year ending March 31, 2028.

(3) Effect of application of relevant accounting standards

The effect of application of the “Accounting Standard for Leases” and other related standards on consolidated financial statements is currently under evaluation.

2. Accounting Standard for Subsequent Events, etc.

- On January 9, 2026, the ASBJ issued “Accounting Standard for Subsequent Events” (ASBJ Statement No. 41)
- On January 9, 2026, the ASBJ issued “Implementation Guidance on Accounting Standard for Subsequent Events” (ASBJ Guidance No. 35)

(1) Overview

The “Accounting Standard for Subsequent Events” and other related standards prescribe the accounting treatment and disclosure concerning subsequent events. The priority issue was to establish a comprehensive accounting standard dealing with the definition, accounting treatment, and disclosure, etc., of subsequent events. Based on the basic policy of transferring the accounting-related provisions set forth in the Auditing and Assurance Standards Board Practical Guideline No. 1 for Auditing Standards Committee Statement No. 560, “Auditing Treatment of Subsequent Events” issued by the Japanese Institute of Certified Public Accountants (JICPA) to the Accounting Standards Board of Japan (ASBJ) while adopting them in principle, the ASBJ revised expressions, clarified the evaluation period for subsequent events, and newly required notes regarding the approval for issuance of financial statements.

(2) Scheduled effective date

This will be applied from the beginning of the fiscal year ending March 31, 2028.

Changes in presentation

<u>Consolidated statements of cash flows</u>

“Payments for rental of investment property” previously included in “Other, net,” under “Cash flows from investing activities” has been presented separately in the fiscal year ended March 31, 2026, because its significance increased in terms of monetary amount. To reflect these changes in presentation, the consolidated financial statements for the fiscal year ended March 31, 2025 have been reclassified.

As a result, (51) million yen presented in “Other, net,” under “Cash flows from investing activities” in the consolidated statement of cash flows for the fiscal year ended March 31, 2025 has been reclassified to “Payments for rental of investment property” of (38) million yen and “Other, net,” of (13) million yen.

Consolidated balance sheet

*1 Items pertaining to non-consolidated subsidiaries and affiliates are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Investment securities (shares)	37	37

*2 Collateralized assets

Collateralized assets are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash and deposits	72	166

3 Contingent liabilities

(repair work)

The Company conducts repair work for defects that have occurred in some of its merchandise. Although some repair work is performed on behalf of manufacturers, many uncertainties exist in regard to the proportion of repair work carried out, making it difficult to reasonably estimate the total amount to be paid by the Company for repair work.

4 Notes receivable - trade endorsed, electronically recorded monetary claims - operating discount, and electronically recorded monetary claims - operating endorsed

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Notes receivable - trade endorsed	2	—
Electronically recorded monetary claims - operating discount	8	10
Electronically recorded monetary claims - operating endorsed	12	11

Consolidated statement of income

*1 Revenue from contracts with customers

Revenues from contracts with customers are not presented separately from other revenue. The amount of revenue from contracts with customers is presented in “Notes to consolidated financial statements (revenue recognition), 1. Breakdown of revenue from contracts with customers.”

*2 Total research and development expenses included in general and administrative expenses and current manufacturing costs

(Millions of yen)

Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
677	889

*3 Breakdown of gain on sale of non-current assets

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Machinery, equipment and vehicles	3	3
Tools, furniture and fixtures	0	0
Total	3	3

*4 Breakdown of loss on sale of non-current assets

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Buildings and structures	–	6
Machinery, equipment and vehicles	3	1
Tools, furniture and fixtures	–	3
Total	3	11

*5 Breakdown of loss on retirement of non-current assets

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Buildings and structures	7	12
Machinery, equipment and vehicles	6	0
Tools, furniture and fixtures	9	4
Software	6	13
Other	11	7
Total	40	37

*6 Subsidy income

Fiscal year ended March 31, 2025

This is a subsidy related to the FY2023 'Advanced Demonstration Project for Logistics Efficiency Improvement (Advanced Demonstration Project for Logistics Efficiency Improvement for Shippers)'.

Fiscal year ended March 31, 2026

These are grants and subsidies provided by governments or local authorities in relation to the impact of COVID-19.

*7 Gain on liquidation of subsidiaries and associates

Fiscal year ended March 31, 2025

No items to report

Fiscal year ended March 31, 2026

This follows the completion of the liquidation of our consolidated subsidiary, Goodrich Global (E.M.) Sdn Bhd.

*8 Gain on termination of retirement benefit plan

Fiscal year ended March 31, 2025

No items to report

Fiscal year ended March 31, 2026

This follows the partial termination of the retirement benefit plan of our consolidated subsidiary, KOROSEAL INTERIOR PRODUCTS HOLDINGS, INC.

Consolidated statement of comprehensive income

* Reclassification adjustments and income taxes and tax effects relating to other comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Valuation difference on available-for-sale securities:		
Amount accrued in the current fiscal year	538	2,827
Reclassification adjustment	0	(126)
Before income taxes and tax effects adjustment	538	2,700
Income taxes and tax effects	(215)	(845)
Valuation difference on available-for-sale securities	322	1,855
Deferred gains or losses on hedges:		
Amount accrued in the current fiscal year	—	—
Reclassification adjustment	29	—
Before income taxes and tax effects adjustment	29	—
Income taxes and tax effects	(8)	—
Deferred gains or losses on hedges	20	—
Foreign currency translation adjustment:		
Amount accrued in the current fiscal year	822	123
Reclassification adjustment	—	—
Before income taxes and tax effects adjustment	822	123
Income taxes and tax effects	—	—
Foreign currency translation adjustment	822	123
Remeasurements of defined benefit plans, net of tax:		
Amount accrued in the current fiscal year	1,500	1,776
Reclassification adjustment	101	(345)
Before income taxes and tax effects adjustment	1,601	1,430
Income taxes and tax effects	(287)	(586)
Remeasurements of defined benefit plans, net of tax	1,313	844
Total other comprehensive income	2,478	2,822

Note: During the fiscal year ended March 31, 2026, the provisional accounting treatment for the business combination was finalized. The amounts for the fiscal year ended March 31, 2025 reflect a significant revision to the initial allocation of acquisition costs resulting from the finalization of the provisional accounting treatment.

Consolidated statement of changes in equity

Fiscal year ended March 31, 2025

1. Class and total number of issued shares, and class and number of treasury shares

(Shares)

	Number of shares at beginning of the fiscal year	Increase in number of shares	Decrease in number of shares	Number of shares at end of the fiscal year
Issued shares				
Common shares	59,200,000	–	–	59,200,000
Total	59,200,000	–	–	59,200,000
Treasury shares				
Common shares (See Notes 1, 2)	483,404	4,039	57,450	429,993
Total	483,404	4,039	57,450	429,993

Notes: 1. The increase of 4,039 shares in the number of treasury shares of common shares is due to the gratuitous acquisition of 3,610 restricted shares and the purchase of 429 odd-lot shares.

2. The decrease of 57,450 shares in the number of treasury shares of common shares is due to the disposal of 28,750 shares as restricted share remuneration and the exercise of 28,700 share acquisition rights.

2. Share acquisition rights and treasury share acquisition rights

Title	Breakdown of share acquisition rights	Class of shares to be issued upon exercise of share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights				Balance at the end of the fiscal year (millions of yen)
			Beginning of the fiscal year	Increase in the fiscal year	Decrease in the fiscal year	End of the fiscal year	
Reporting company (parent company)	Share acquisition rights as stock options	–	–	–	–	–	4
Total		–	–	–	–	–	4

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 19, 2024	Common shares	4,403	75.0	March 31, 2024	June 20, 2024
Board of Directors meeting held on November 8, 2024	Common shares	4,407	75.0	September 30, 2024	December 2, 2024

(2) Dividends with an effective date falling in the following fiscal year, among distributions with record dates belonging to the fiscal year ended March 31, 2025

Resolution	Class of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 18, 2025	Common shares	4,407	Retained earnings	75.0	March 31, 2025	June 19, 2025

Fiscal year ended March 31, 2026

1. Class and total number of issued shares, and class and number of treasury shares

(Shares)

	Number of shares at beginning of the fiscal year	Increase in number of shares	Decrease in number of shares	Number of shares at end of the fiscal year
Issued shares				
Common shares	59,200,000	–	–	59,200,000
Total	59,200,000	–	–	59,200,000
Treasury shares				
Common shares (See Notes 1, 2)	429,993	305	22,000	408,298
Total	429,993	305	22,000	408,298

Notes: 1. The increase of 305 shares in the number of treasury shares of common shares is due to the purchase of odd-lot shares.
2. The decrease of 22,000 shares in the number of treasury shares of common shares is due to the disposal of shares as restricted share remuneration.

2. Share acquisition rights and treasury share acquisition rights

Title	Breakdown of share acquisition rights	Class of shares to be issued upon exercise of share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights				Balance at the end of the fiscal year (millions of yen)
			Beginning of the fiscal year	Increase in the fiscal year	Decrease in the fiscal year	End of the fiscal year	
Reporting company (parent company)	Share acquisition rights as stock options	–	–	–	–	–	4
Total		–	–	–	–	–	4

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 18, 2025	Common shares	4,407	75.0	March 31, 2025	June 19, 2025
Board of Directors meeting held on November 7, 2025	Common shares	4,556	77.5	September 30, 2025	December 1, 2025

(2) Dividends with an effective date falling in the following fiscal year, among distributions with record dates belonging to the fiscal year ended March 31, 2026

The following matters are submitted as agenda items (resolution items) for the Ordinary General Meeting of Shareholders to be held on June 24, 2026.

Resolution	Class of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 24, 2026	Common shares	4,556	Retained earnings	77.5	March 31, 2026	June 25, 2026

Consolidated statement of cash flows

*1 Reconciliation of closing balance of cash and cash equivalents and the related account on the consolidated balance sheet

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash and deposits	33,727	35,414
Time deposits with maturity over 3 months	(282)	(403)
Cash and cash equivalents	33,445	35,010

*2 Major components of assets and liabilities of consolidated subsidiaries acquired by purchase of shares

Fiscal year ended March 31, 2025

The breakdown of the assets and liabilities at the time of initial consolidation of D'Perception Pte Ltd and its 8 subsidiaries through the purchase of shares as well as the relationship between the acquisition cost of shares and the expenditures for the acquisition (net) are as follows.

	(Millions of yen)
Current assets	4,077
Non-current assets	388
Goodwill	770
Current liabilities	(1,800)
Non-current liabilities	(62)
Foreign currency translation adjustment	(8)
Non-controlling interests	(780)
Acquisition cost	2,583
Cash and cash equivalents	(766)
Net: Expenditures for the acquisition	1,817

Notes: During the fiscal year ended March 31, 2026, the provisional accounting treatment for the business combination was finalized. The amounts for the fiscal year ended March 31, 2025 reflect a significant revision to the initial allocation of acquisition costs resulting from the finalization of the provisional accounting treatment.

Fiscal year ended March 31, 2026

The breakdown of the assets and liabilities at the time of initial consolidation of SDS Corporation through the purchase of shares as well as the relationship between the acquisition cost of shares and the expenditures for the acquisition (net) are as follows.

	(Millions of yen)
Current assets	420
Non-current assets	185
Goodwill	981
Current liabilities	(481)
Non-current liabilities	(105)
Acquisition cost	1,000
Cash and cash equivalents	(165)
Net: Expenditures for the acquisition	834

Leases

1. Finance lease transactions (as lessee)
   (1) Finance lease transactions that transfer ownership
   The information is omitted as it is immaterial.
   (2) Finance lease transactions that do not transfer ownership
   The information is omitted as it is immaterial.

2. Operating lease transactions (as lessee)
   Future minimum lease payments under non-cancellable operating leases.

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Due within one year	1,944	1,766
Due after one year	7,442	7,195
Total	9,387	8,962

Note: Overseas consolidated subsidiaries have adopted the IFRS 16 “Leases” and U.S. GAAP ASC Topic 842 “Leases” guidelines, and lease transactions for which assets and liabilities are recorded on the consolidated balance sheet are not included.

Financial instruments

1. Status of financial instruments
   (1) Policy on financial instruments
   The Group’s policy is to procure funds through bank loans. In addition, the Group works to achieve appropriate cash management through effective use of the Group Cash Management Service (CMS). The Company’s policy is to use derivatives to reduce the risk of future fluctuations in foreign currency exchange rates and interest rates, and not to engage in speculative transactions.
   (2) Details and risks of financial instruments, and the risk management system
   Trade receivables, such as notes and accounts receivable - trade and electronically recorded monetary claims- operating, are exposed to customer credit risk. With respect to this risk, the Group manages due dates and outstanding balances for each transaction partner, and periodically reviews the credit status of transaction partner.
   Securities and investment securities mainly comprise shares of companies with which the Group has a business relationship, and are exposed to the risk of market price movements. Securities and investment securities are managed by the Finance and Accounting Dept. on a monthly basis based on internal regulations, and the market value and balance are reported to the General Manager of the Finance and Accounting Dept.
   Trade payables such as notes and accounts payable- trade, electronically recorded obligations- operating, and income taxes payable are all due within one year. Trade payables are exposed to liquidity risk, but within the Group, this risk is managed by having each company prepare a monthly cash flow plan, etc.
   Borrowings are mainly used for capital investments of subsidiaries and as working capital for the Company. Borrowings are exposed to liquidity risk, but this is managed through the use of the Group CMS and other methods.
   (3) Supplementary explanation of fair value, etc. of financial instruments
   Since the calculation of the fair value of financial instruments takes into account variable factors, the value may fluctuate if different assumptions are adopted.

2. Fair value, etc. of financial instruments

The amounts recorded on the consolidated balance sheet, fair values, and the differences between them are as follows.

Fiscal year ended March 31, 2025

(Millions of yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
Securities and investment securities (*2)	8,389	8,389	–
Total assets	8,389	8,389	–
Long-term borrowings	2,000	1,930	(69)
Total liabilities	2,000	1,930	(69)
Derivative transactions (*3)	(349)	(349)	–

Fiscal year ended March 31, 2026

(Millions of yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
Securities and investment securities (*2)	10,961	10,961	–
Total assets	10,961	10,961	–
Long-term borrowings	12,000	11,188	(811)
Total liabilities	12,000	11,188	(811)
Derivative transactions (*3)	(159)	(159)	–

(*1) "Cash and deposits," "Notes receivable - trade," "Accounts receivable - trade," "Electronically recorded monetary claims - operating," "Notes and accounts payable - trade," "Electronically recorded obligations - operating," "Income taxes payable," and "Short-term borrowings" have been omitted, as these are settled in a short period of time, and their carrying amounts therefore approximate fair value.

(*2) Shares, etc. without market prices are not included in "Securities and investment securities." The carrying amount of these financial instruments on the consolidated balance sheet is as follows.

(Millions of yen)

Title	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Unlisted shares	114	83

(*3) Net receivables and payables arising from derivatives are presented on a net basis, and value of a net payable after totaling of receivables and payables is shown in parentheses.

Notes: 1. Expected redemption amounts of monetary claims and securities with a maturity after the consolidated fiscal year-end date

Fiscal year ended March 31, 2025

(Millions of yen)

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	After 10 years
Cash and deposits	33,727	–	–	–
Notes receivable - trade	4,781	–	–	–
Accounts receivable - trade	26,430	–	–	–
Electronically recorded monetary claims - operating	23,834	–	–	–
Securities and investment securities				
Held-to-maturity bonds				
(1) Government bonds, local government bonds, etc.	–	–	–	–
(2) Corporate bonds	–	–	–	–
Available-for-sale securities with a maturity				
(1) Bonds (foreign government and corporate bonds)	–	–	–	–
(2) Other	300	–	–	–
Total	89,074	–	–	–

Fiscal year ended March 31, 2026

(Millions of yen)

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	After 10 years
Cash and deposits	35,414	–	–	–
Notes receivable - trade	1,504	–	–	–
Accounts receivable - trade	27,746	–	–	–
Electronically recorded monetary claims - operating	26,006	–	–	–
Securities and investment securities				
Held-to-maturity bonds				
(1) Government bonds, local government bonds, etc.	–	–	–	–
(2) Corporate bonds	–	–	–	–
Available-for-sale securities with a maturity				
(1) Bonds (foreign government and corporate bonds)	–	–	–	–
(2) Other	300	–	–	–
Total	90,971	–	–	–

2. Scheduled repayment amounts of short-term borrowings and long-term borrowings after the consolidated fiscal year-end date

Fiscal year ended March 31, 2025

(Millions of yen)

	Within 1 year	After 1 year within 2 years	After 2 years within 3 years	After 3 years within 4 years	After 4 years within 5 years	Over 5 years
Short-term borrowings	9,098	–	–	–	–	–
Long-term borrowings	–	–	–	2,000	–	–
Total	9,098	–	–	2,000	–	–

Fiscal year ended March 31, 2026

(Millions of yen)

	Within 1 year	After 1 year within 2 years	After 2 years within 3 years	After 3 years within 4 years	After 4 years within 5 years	Over 5 years
Short-term borrowings	365	–	–	–	–	–
Long-term borrowings	–	–	2,000	–	10,000	–
Total	365	–	2,000	–	10,000	–

3. Breakdown of financial instruments by level of fair value

The fair value of financial instruments is classified into the following three levels based on the observability and significance of the inputs used to measure fair value.

Level 1 fair value: Fair values measured using observable inputs that are market prices formed in active markets for the assets or liabilities for which fair value is to be measured

Level 2 fair value: Fair values measured using observable inputs other than those used to calculate Level 1 fair value

Level 3 fair value: Fair values measured using unobservable inputs

When multiple inputs that have a significant impact on the measurement of fair value are used, the fair value is categorized to the level with the lowest priority in the measurement of fair value among the levels to which each input belongs.

(1) Financial instruments carried on the consolidated balance sheet at fair value

Fiscal year ended March 31, 2025

(Millions of yen)

Title	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Shares	8,012	–	–	8,012
Other	–	377	–	377
Total assets	8,012	377	–	8,389
Derivative transactions				
Interest rates and currency	–	349	–	349
Total liabilities	–	349	–	349

Fiscal year ended March 31, 2026

(Millions of yen)

Title	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Shares	10,661	–	–	10,661
Other	–	300	–	300
Total assets	10,661	300	–	10,961
Derivative transactions				
Interest rates and currency	–	159	–	159
Total liabilities	–	159	–	159

(2) Financial instruments apart from those carried on the consolidated balance sheet at fair value

Fiscal year ended March 31, 2025

(Millions of yen)

Title	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	–	1,930	–	1,930
Total liabilities	–	1,930	–	1,930

Fiscal year ended March 31, 2026

(Millions of yen)

Title	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	–	11,188	–	11,188
Total liabilities	–	11,188	–	11,188

Note: Explanation of the valuation techniques and inputs used to calculate fair value

Securities and investment securities

Shares are listed and valued using stock exchange prices. Because listed shares are traded in active markets, their fair value is classified as Level 1. All other items are mainly negotiable certificates of deposit, which are settled within a short period of time and therefore have fair value approximately equal to the carrying amount. On the other hand, as these are not recognized as quoted prices in active markets, their fair value is classified as Level 2 fair value.

Derivative transactions

Fair value is calculated based on the prices presented by financial institutions, etc. and is classified as Level 2 fair value.

Long-term borrowings

All long-term borrowings are with fixed interest rates. These are calculated based on the present value of the total principal and interest, discounted at the interest rate assumed for a similar new loan, and are classified as Level 2 fair value.

Securities

1. Available-for-sale securities

Fiscal year ended March 31, 2025

(Millions of yen)

	Category	Amount recorded on the consolidated balance sheet	Acquisition cost	Difference
Securities whose amount recorded on the consolidated balance sheets exceeds acquisition cost	(1) Shares	7,964	2,641	5,323
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	7,964	2,641	5,323
Securities whose amount recorded on the consolidated balance sheets does not exceed acquisition cost	(1) Shares	47	78	(30)
	(2) Bonds	–	–	–
	(3) Other	377	377	–
	Subtotal	424	455	(30)
Total		8,389	3,096	5,292

Note 1: "Acquisition cost" in the table represents the carrying amount after impairment losses.
Note 2: Unlisted stocks with no market value (amount recorded on consolidated balance sheet: 76 million yen) are not included in "Available-for-sale securities" in the table above.

Fiscal year ended March 31, 2026

(Millions of yen)

	Category	Amount recorded on the consolidated balance sheet	Acquisition cost	Difference
Securities whose amount recorded on the consolidated balance sheets exceeds acquisition cost	(1) Shares	10,610	2,590	8,020
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	10,610	2,590	8,020
Securities whose amount recorded on the consolidated balance sheets does not exceed acquisition cost	(1) Shares	50	77	(27)
	(2) Bonds	–	–	–
	(3) Other	300	300	–
	Subtotal	350	377	(27)
Total		10,961	2,968	7,993

Note 1: "Acquisition cost" in the table represents the carrying amount after impairment losses.
Note 2: Unlisted stocks with no market value (amount recorded on consolidated balance sheet: 45 million yen) are not included in "Available-for-sale securities" in the table above.

2. Available-for-sale securities sold

Fiscal year ended March 31, 2025

(Millions of yen)

Category	Sale price	Total gain on sale	Total loss on sale
(1) Shares	553	41	41
(2) Bonds	–	–	–
(3) Other	–	–	–
Total	553	41	41

Fiscal year ended March 31, 2026

(Millions of yen)

Category	Sale price	Total gain on sale	Total loss on sale
(1) Shares	215	126	2
(2) Bonds	–	–	–
(3) Other	–	–	–
Total	215	126	2

Derivative transactions

Derivatives of which hedge accounting is not applied

(1) Currency-related

Fiscal year ended March 31, 2025

(Millions of yen)

Categories	Transaction type	Notional amount	Due after one year	Fair value	Gains (losses) on valuation
Transactions other than market transactions	Currency swaps Receive-Yen and Pay-U.S.dollar	2,450	–	(285)	(285)
Total		2,450	–	(285)	(285)

Fiscal year ended March 31, 2026

(Millions of yen)

Categories	Transaction type	Notional amount	Due after one year	Fair value	Gains (losses) on valuation
Transactions other than market transactions	Currency swaps Receive-Yen and Pay-U.S.dollar	2,181	–	(56)	(56)
Total		2,181	–	(56)	(56)

(2) Interest rates

Fiscal year ended March 31, 2025

(Millions of yen)

Categories	Transaction type	Notional amount	Due after one year	Fair value	Gains (losses) on valuation
Transactions other than market transactions	Interest rate swaps				
	Receive fixed and pay fixed	7,000	7,000	(56)	(56)
	Receive fixed and pay floating	500	500	(8)	(8)
Total		7,500	7,500	(64)	(64)

Fiscal year ended March 31, 2026

(Millions of yen)

Categories	Transaction type	Notional amount	Due after one year	Fair value	Gains (losses) on valuation
Transactions other than market transactions	Interest rate swaps				
	Receive fixed and pay fixed	7,000	7,000	(89)	(89)
	Receive fixed and pay floating	500	500	(12)	(12)
Total		7,500	7,500	(102)	(102)

Retirement benefits

1. Overview of retirement benefit plans adopted

   The Company has both a lump-sum retirement benefit plan and a corporate pension plan as defined benefit plans, and as of April 1, 2016, a portion of the lump-sum retirement benefit plan was transferred to a defined contribution pension plan. Some other consolidated subsidiaries have a lump-sum retirement benefit plan or a corporate pension plan as defined benefit plans.

   For lump-sum retirement benefit plans and corporate pension plans that certain consolidated subsidiaries have, retirement benefit liability and retirement benefit expenses are recorded by the simplified method.

   Certain consolidated subsidiaries transferred a portion of their lump-sum retirement benefit plans to defined contribution pension plans as of October 1, 2022.

   During the fiscal year ended March 31, 2026, KOROSEAL INTERIOR PRODUCTS HOLDINGS, INC., a consolidated subsidiary of the Company, partially terminated (settled) its retirement benefit plan. In connection with this partial termination, the Company recorded an extraordinary income (gain on termination of retirement benefit plan) of 283 million yen, primarily due to the recognition of unrecognized actuarial differences from prior years in profit or loss. The procedures for the termination of the plan are scheduled to be completed in the fiscal year ended March 31, 2027.

2. Defined benefit plans

   (1) Changes in retirement benefit obligations (excluding plans to which the simplified method is applied)

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Balance of retirement benefit obligations at beginning of period	16,365	15,689
Service cost	519	454
Interest cost	420	492
Actuarial gains and losses accrued	(1,448)	(1,389)
Retirement benefits paid	(751)	(799)
Decrease due to partial termination of the retirement benefit plan	—	(2,035)
Foreign currency translation adjustment	583	(152)
Balance of retirement benefit obligations at end of period	15,689	12,258

   (2) Changes in plan assets (excluding plans to which the simplified method is applied)

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Balance of plan assets at beginning of period	11,122	12,087
Expected return on plan assets	522	546
Actuarial gains and losses accrued	20	409
Contribution from employer	458	444
Retirement benefits paid	(538)	(568)
Decrease due to partial termination of the retirement benefit plan	—	(2,035)
Foreign currency translation adjustment	502	(139)
Balance of plan assets at end of period	12,087	10,743

   (3) Changes in retirement benefit liability for plans using the simplified method

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Retirement benefit liability at beginning of period	704	726
Retirement benefit expenses	75	81
Retirement benefits paid	(47)	(35)
Decrease due to transfer to defined contribution pension plan	(5)	(4)
Increase due to business combinations	—	101
Retirement benefit liability at end of period	726	870

(4) Reconciliation between ending balance of retirement benefit obligations and plan assets, and retirement benefit liability/asset recorded in the consolidated balance sheet

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Retirement benefit obligations of funded plans	11,027	7,996
Plan assets	(12,087)	(10,743)
	(1,059)	(2,747)
Retirement benefit obligations of unfunded plans	5,388	5,133
Net amount of liabilities and assets recorded in the consolidated balance sheet	4,329	2,385
Retirement benefit liability	5,547	5,125
Retirement benefit assets	(1,218)	(2,739)
Net amount of liabilities and assets recorded in the consolidated balance sheet	4,329	2,385

Note: Includes plans to which the simplified method was applied.

(5) Amounts of retirement benefit expenses and their components

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Service cost	519	454
Interest cost	420	492
Expected return on plan assets	(522)	(546)
Amortization of actuarial gains and losses	84	(78)
Amortization of past service cost	16	16
Retirement benefit expenses calculated using the simplified method	75	81
Retirement benefit expenses for defined benefit plans	595	419

(6) Remeasurements of defined benefit plans, net of tax

The components of remeasurements of defined benefit plans, net of tax (before deduction of income taxes and tax effects) are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Past service cost	16	16
Actuarial gains and losses	1,585	1,414
Total	1,601	1,430

(7) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before deduction of income taxes and tax effects) are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Unrecognized past service cost	16	—
Unrecognized actuarial gains and losses	(3,472)	(4,886)
Total	(3,456)	(4,886)

(8) Plan assets

(i) Major components of plan assets

The ratio of each major category to total plan assets is as follows:

(%)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Shares	46	23
Bonds	27	21
General account	10	11
Other	17	45
Total	100	100

(ii) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company takes into account current and expected allocation of plan assets, and current and expected long-term return rate on various types of assets constituting plan assets.

(9) Actuarial assumptions

Major actuarial assumptions

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Discount rate	2.2 to 5.4%	3.3 to 5.2%
Long-term expected rate of return	3.0 to 7.0%	3.0 to 7.0%
Expected rate of salary increase	1.6 to 10.2%	1.6 to 10.3%

3. Other matters regarding retirement benefits

The amount of assets transferred from the lump-sum retirement benefit plan to the defined contribution pension plan was 21 million yen, and while the transfer was scheduled over four years, it was completed during the fiscal year ended March 31, 2026. The untransferred amount of 4 million yen at the end of the fiscal year ended March 31, 2025 was included in “accounts payable - other” (“Other” in current liabilities), but there is no untransferred amount at the end of the fiscal year ended March 31, 2026.

4. Defined contribution plans

Required contributions to the defined contribution plan by the Company and its consolidated subsidiaries were 328 million yen in the fiscal year ended March 31, 2025 and 324 million yen in the fiscal year ended March 31, 2026.

Share options, etc.

1. Amount of expenses related to share options and account name

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Selling, general and administrative expenses	87	–

2. Details, volume, and changes of share options
   (1) Details of share options

	June 23, 2016 Resolution of Board of Directors Share options
Category and number of grantees	Directors of the Company (excluding Audit and Supervisory Committee Members) 5 Directors Executive Officers of the Company 2 Executive Officers
Number of share options by type of share (Note 1)	Common shares 26,700 shares
Date of grant	July 11, 2016
Vesting conditions	(Note 2)
Applicable work period	Not determined.
Exercise period	From July 11, 2016 to July 10, 2046

Note: 1. Figures shown are after conversion into number of shares.
2. The conditions for exercising of share options are as follows:
(1) The holder of share options may exercise such rights only in full and only within the exercise period in the table, during the period from the day following the loss of their position as a director of the Company until the day after 10 days have elapsed (if the 10th day falls on a holiday, until the previous business day).
(2) Notwithstanding the provision in (1) above, if a merger agreement under which the Company becomes a dissolving company, or a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary, is approved at a general meeting of shareholders (or by a resolution of the board of directors if approval at a general meeting of shareholders is not required), the holder may exercise share options only within 30 days from the day following such approval.
(3) If the holder of share options dies, their heir(s) may exercise the rights.
(4) If, as a result of exercising these share options, the total number of issued shares of the Company would exceed the number of authorized shares at that time, share options cannot be exercised.
(5) Share options cannot be exercised in fractions of less than one whole right.

(2) Volume and changes of share options

Share options that existed during the fiscal year ended March 31, 2026 are included, and number of stock options has been converted into number of shares.

(i) Number of share options

	June 23, 2016 Resolution of Board of Directors Share options
Before vesting (shares)	
Fiscal year ended March 31, 2025	–
Granted	–
Lapsed	–
Vested	–
Not yet vested	–
After vesting (shares)	
Fiscal year ended March 31, 2025	2,500
Vested	–
Exercised	–
Lapsed	–
Unexercised balance	2,500

(ii) Unit price information

	June 23, 2016 Resolution of Board of Directors Share options
Exercise price (Yen)	1
Average share price upon exercise (Yen)	–
Fair value on date of grant (Yen)	1,802

3. Method for estimating the number of stock options vested

As it is difficult, in principle, to reasonably estimate the number of share options that will be forfeited in the future, the number here reflects only share options that have actually been forfeited.

Tax effect accounting

1. Breakdown of deferred tax assets and deferred tax liabilities by cause

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Deferred tax assets		
Allowance for doubtful accounts	50	47
Accrued enterprise tax	197	239
Provision for bonuses	1,028	1,124
Provision for product warranties	14	11
Retirement benefit liability	1,343	1,615
Depreciation excess	593	625
Investment securities	484	469
Tax loss carryforwards (Note 3)	2,823	2,950
Other	2,232	2,146
Subtotal of deferred tax assets	8,768	9,229
Valuation allowance for tax loss carryforwards (Note 3)	(2,823)	(2,950)
Valuation allowance for future deductible temporary differences, etc.	(732)	(694)
Valuation allowance subtotal (Note 1)	(3,556)	(3,645)
Total of deferred tax assets	5,211	5,584
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,678)	(2,523)
Retirement benefit asset	–	(862)
Intangible assets	(143)	(107)
Other	(484)	(442)
Total of deferred tax liabilities	(2,306)	(3,936)
Net deferred tax assets	2,905	1,647

Notes:
1. The main change in valuation allowance was an increase in the valuation allowance related to tax loss carryforwards.
2. During the current consolidated fiscal year, the Company finalized the provisional accounting treatment for business combinations, and the figures for the previous consolidated fiscal year reflect a significant revision to the initial allocation of acquisition cost due to the finalization of the provisional accounting treatment.
3. Tax loss carryforwards and their deferred tax asset by carryforwards expiration date

Fiscal year ended March 31, 2025

(Millions of yen)

	Within 1 year	After 1 year within 2 years	After 2 years within 3 years	After 3 years within 4 years	After 4 years within 5 years	Over 5 years	Total
Tax loss carryforwards (*1)	43	44	24	15	55	2,639	2,823
Valuation allowance	(43)	(44)	(24)	(15)	(55)	(2,639)	(2,823)
Deferred tax assets	–	–	–	–	–	–	–

(*1) Tax loss carryforwards are calculated by multiplying the statutory effective tax rate.

Fiscal year ended March 31, 2026

(Millions of yen)

	Within 1 year	After 1 year within 2 years	After 2 years within 3 years	After 3 years within 4 years	After 4 years within 5 years	Over 5 years	Total
Tax loss carryforwards (*2)	56	51	49	45	24	2,723	2,950
Valuation allowance	(56)	(51)	(49)	(45)	(24)	(2,723)	(2,950)
Deferred tax assets	–	–	–	–	–	–	–

(*2) Tax loss carryforwards are calculated by multiplying the statutory effective tax rate.

2. When there is a significant difference between the statutory effective tax rate and the effective income tax rate after application of tax-effect accounting, the main components of this difference

(%)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Statutory effective tax rate	30.60	Notes have been omitted because the difference between the statutory effective tax rate and the effective income tax rate after application of tax-effect accounting is 5% or less of the statutory effective tax rate.
(Adjustments)		
Entertainment and other expenses that are never tax deductible	0.27	
Income not taxable permanently, such as dividend income	(0.25)	
Per capita inhabitant tax	0.52	
Tax credits	(1.43)	
Changes in deferred tax assets at the end of the fiscal year due to changes in tax rates	(0.25)	
Differences in tax rates of foreign subsidiaries	0.27	
Amortization of goodwill	0.37	
Consolidation adjustments related to costs for acquiring subsidiaries	0.42	
Changes in valuation allowance	0.77	
Other	1.42	
Effective income tax rate after application of tax-effect accounting	32.71	

Notes: During the current consolidated fiscal year, the Company finalized the provisional accounting treatment for business combinations, and the figures for the previous consolidated fiscal year reflect a significant revision to the initial allocation of acquisition cost due to the finalization of the provisional accounting treatment.

Business combinations

Business combination through acquisition

1. Outline of the business combination

   (1) Name of the acquired company and description of its business

   Name of the acquired company: SDS Corporation

   Business description: General motor truck transportation business (transportation of products and materials)

   (2) Main reasons for the business combination

   Strengthening supply chain management, centered on logistics, is one of the most important issues for our Group. In addition to our in-house logistics, by internalizing logistics functions spanning a wide area within the Group, we aim to further enhance logistics functions and strengthen our competitiveness. By realizing a reduction in environmental impact, a detailed delivery system tailored to each region, and efficiency in procurement logistics, we will build a sustainable logistics system, which will lead to the enhancement of our Group's corporate value.

   (3) Date of the business combination

   April 1, 2025

   (4) Legal form of the business combination

   Acquisition of shares in cash

   (5) Name of the company after the business combination

   No change

   (6) Percentage of voting rights acquired

   100%

   (7) Main grounds for determining the acquiring company

   Due to the Company’s acquisition of shares in exchange for cash.

2. Period of financial results of the acquired company included in the consolidated financial statements

   Period from April 1, 2025 to March 31, 2026 is included.

3. Acquisition cost of the acquired company and breakdown of consideration by type

(Millions of yen)

Consideration for the acquisition:	Cash and deposits	1,000
Acquisition cost:		1,000

4. Description and amount of major acquisition-related costs

   Advisory fees, etc.: 10 million yen

5. Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

   (1) Amount of goodwill incurred

   981 million yen

   (2) Reasons for the goodwill incurred

   Goodwill was incurred from expected excess earnings power arising from future business development.

   (3) Method and period of amortization

   Goodwill will be amortized on a straight-line basis over 10 years.

6. Assets received and liabilities assumed on the date of business combination and their breakdown

(Millions of yen)

Current assets	420
Non-current assets	185
Total assets	605
Current liabilities	481
Non-current liabilities	105
Total liabilities	587

(Finalization of provisional accounting treatment related to business combinations)

Regarding the business combination with D'Perception Pte Ltd conducted on July 1, 2024, provisional accounting treatment was applied in the previous consolidated fiscal year, but it was finalized in the current consolidated fiscal year.

Accompanying the finalization of this provisional accounting treatment, a significant revision to the initial allocation of the acquisition cost has been reflected in the comparative information included in the consolidated financial statements for the current consolidated fiscal year.

As a result, the provisionally calculated amount of goodwill of 904 million yen decreased by 134 million yen due to the finalization of the accounting treatment, resulting in 770 million yen.

Furthermore, primarily in the previous consolidated fiscal year, "Other" under intangible assets increased by 208 million yen, "Goodwill" decreased by 144 million yen, "Deferred tax liabilities" under non-current liabilities increased by 35 million yen, and "Non-controlling interests" under net assets increased by 46 million yen.

In the consolidated statements of income for the previous consolidated fiscal year, selling, general and administrative expenses increased by 34 million yen, and operating profit, ordinary profit, and profit before income taxes each decreased by 34 million yen, profit decreased by 27 million yen, and profit attributable to owners of parent decreased by 17 million yen.

Rental and other investment property

The Group owns warehouses and other facilities for lease (including land) in Hyogo Prefecture and other areas. Net rental income from these leased properties in the fiscal year ended March 31, 2025 was 320 million yen (net rental income was recorded under non-operating income, and net rental expenses were recorded under non-operating expenses). Net rental income from these leased properties in the fiscal year ended March 31, 2026 was 299 million yen (net rental income was recorded under non-operating income, and net rental expenses were recorded under non-operating expenses).

Carrying amounts in the consolidated balance sheet, increase or decrease and fair values of the rental and other investment property during the period are as follows:

(Millions of yen)

		Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Amount recorded on the consolidated balance sheet			
	Balance at beginning of period	5,037	5,057
	Increase (decrease) during period	19	(59)
	Balance at end of period	5,057	4,998
Fair value at end of period		7,815	7,815

Notes:
1. The consolidated balance sheet amount is the acquisition cost less accumulated depreciation and accumulated impairment losses.
2. Regarding the amount of increase or decrease during the period, the increase in the fiscal year ended March 31, 2025 was transfers from business assets to rental properties (89 million yen), the decrease in the fiscal year ended March 31, 2025 was depreciation (70 million yen). The main decrease in the fiscal year ended March 31, 2026 was depreciation (64 million yen).
3. The fair value on the consolidated closing date represents the amount based on real estate appraisal by external real estate appraisers for major properties, and for other properties, it is based on an adjusted amount using a certain appraisal amount or an index considered to appropriately reflect the market price.

Revenue recognition

1. Breakdown of revenue from contracts with customers

Fiscal year ended March 31, 2025

(Millions of yen)

	Reportable segment			Total
	Domestic Interior	Domestic Exterior	Overseas	
Goods transferred at a point in time	152,911	6,599	25,228	184,738
Goods transferred over a period of time	11,073	–	4,566	15,639
Revenue from contracts with customers	163,984	6,599	29,794	200,378
Other revenue	–	–	–	–
Sales to external customers	163,984	6,599	29,794	200,378

Fiscal year ended March 31, 2026

(Millions of yen)

	Reportable segment			Total
	Domestic Interior	Domestic Exterior	Overseas	
Goods transferred at a point in time	152,166	7,309	26,331	185,807
Goods transferred over a period of time	11,935	–	8,698	20,633
Revenue from contracts with customers	164,102	7,309	35,029	206,441
Other revenue	–	–	–	–
Sales to external customers	164,102	7,309	35,029	206,441

2. Information that provides a basis for understanding revenue from contracts with customers

This is as described in "Notes to consolidated financial statements - Significant matters forming the basis for preparation of consolidated financial statements - 4. Accounting policies - (5) Basis for recognizing significant revenue and expenses."

3. Information on the relationship between the satisfaction of performance obligations based on contracts with customers and cash flow arising from these contracts, and information on the amount and timing of revenue expected to be recognized in future fiscal years from contracts existing at the end of the fiscal year ended March 31, 2026

(1) Balance of contract assets and contract liabilities

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Receivables from contracts with customers (balance at beginning of period)	59,013	55,046
Receivables from contracts with customers (balance at end of period)	55,046	55,257
Contract assets (balance at beginning of period)	235	3,833
Contract assets (balance at end of period)	3,833	3,660
Contract liabilities (balance at beginning of period)	1,208	1,515
Contract liabilities (balance at end of period)	1,515	1,399

Notes:
1. Contract liabilities primarily consist of advances received from customers. Contract liabilities are reversed as revenue is recognized.
2. The amount of revenue recognized during the fiscal year ended March 31, 2026 included in the balance of contract liabilities as of the beginning of the period was 1,515 million yen.

(2) Transaction prices allocated to remaining performance obligations

In noting the transaction prices allocated to remaining performance obligations, the Company and its consolidated subsidiaries apply an expedient practical method and do not include contracts with an initially expected contract term of one year or less. The total amount of transaction price allocated to remaining performance obligations, and the expected timing of revenue recognition, are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Within 1 year	1,763	1,956
After 1 year, within 2 years	11	31
After 2 years, within 3 years	6	3
Over 3 years	6	－
Total	1,788	1,991

Segment information, etc.

Segment information

1. Overview of reportable segments

   The Group's reportable segments are components of the Group for which separate financial information is available. These are subject to periodic review by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.
   The merchandise and services handled by each of the Group's operating companies differ. The Domestic Interior Segment is handled by the Company itself, as well as Fairtone Co., Ltd., Sangetsu Vosne Corporation, Sangetsu Okinawa Corporation, CREANATE Inc., Cloth Kikaku Corporation, and SDS Corporation, while the Domestic Exterior Segment is handled by Sungreen Co., Ltd. and the Overseas Segment is handled by KOROSEAL INTERIOR PRODUCTS HOLDINGS, INC., Goodrich Global Holdings Pte. Ltd., GOODRICH GLOBAL LIMITED and D'Perception Pte Ltd. Across the Group, each company shares necessary information and cooperates on sales while formulating individual strategies and conducting business activities. The Company's Board of Directors makes decisions and evaluates business performance based on the reports of business results and financial information received from each operating company.
   The Domestic Interior Segment is engaged in planning, manufacturing, and sales of wallcoverings, flooring materials, fabrics (curtains and upholstery), and other interior design materials (Interior Business), as well as business activities involved in overall space creation, from design to construction (Space Solutions Business). The Domestic Exterior Segment is engaged in the sale of exterior products such as gates, fences, and carports, as well as providing design proposals and construction for outdoor spaces (Exterior Business), while the Overseas Segment is engaged in planning, manufacturing, and sales of interior design materials (Overseas Interior Business), and business activities involved in space design and comprehensive construction overseas (Overseas Space Solutions Business).

2. Method for calculating amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment

   The accounting method for the operating segments that are reportable is largely the same as described in "Significant matters forming the basis for preparation of consolidated financial statements."
   Profits or losses of the reportable segments are figures based on operating profit.
   Intersegment revenue or transfers are based on actual market price.

3. Information on amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment
   Fiscal year ended March 31, 2025

(Millions of yen)

	Domestic Interior	Domestic Exterior	Overseas	Total	Adjusted amount (Note 1)	Amount recorded on the consolidated financial statements (Note 2)
Net sales						
Sales to external customers	163,984	6,599	29,794	200,378	–	200,378
Intersegment net sales or transfers	1	12	–	13	(13)	–
Total	163,986	6,611	29,794	200,392	(13)	200,378
Segment profit (loss)	18,940	17	(820)	18,137	2	18,140
Segment assets	175,481	7,936	22,652	206,070	(22,147)	183,923
Other items						
Depreciation	2,452	52	719	3,224	(2)	3,221
Amortization of goodwill	162	–	64	227	–	227
Impairment losses	–	16	78	94	–	94
Increase in property, plant and equipment and intangible assets	5,593	214	341	6,149	(15)	6,134

Notes:
1. All adjustments of segment profits (losses) , segment assets, and other items are performed by eliminating transactions among segments.
2. Segment profits (losses) are adjusted to operating profit in the consolidated statement of income.
3. Depreciation and increases in property, plant and equipment and intangible assets include long-term prepaid expenses and depreciation related to these expenses.

4. During the current consolidated fiscal year, the Company finalized the provisional accounting treatment for business combinations, and the figures for the Overseas Segment reflect the details of the finalization of the provisional accounting treatment.

Fiscal year ended March 31, 2026

(Millions of yen)

	Domestic Interior	Domestic Exterior	Overseas	Total	Adjusted amount (Note 1)	Amount recorded on the consolidated financial statements (Note 2)
Net sales						
Sales to external customers	164,102	7,309	35,029	206,441	–	206,441
Intersegment net sales or transfers	4	0	–	5	(5)	–
Total	164,106	7,310	35,029	206,446	(5)	206,441
Segment profit (loss)	19,333	118	(46)	19,405	3	19,408
Segment assets	179,415	8,592	19,791	207,798	(18,891)	188,907
Other items						
Depreciation	3,465	57	805	4,328	(2)	4,325
Amortization of goodwill	261	–	73	334	–	334
Impairment losses	–	–	45	45	–	45
Increase in property, plant and equipment and intangible assets	3,748	6	461	4,216	(10)	4,205

Notes: 1. All adjustments of segment profits (losses) , segment assets, and other items are performed by eliminating transactions among segments.

2. Segment profits (losses) are adjusted to operating profit in the consolidated statement of income.

3. Depreciation and increases in property, plant and equipment and intangible assets include long-term prepaid expenses and depreciation related to these expenses.

Related information

Fiscal year ended March 31, 2025

1. Information about products and services

   The information is omitted because the same information is disclosed in "Segment information."

2. Information about geographical areas

   (1) Net sales (Millions of yen)

Japan	North America	Singapore	China	Other	Total
170,590	20,995	4,916	730	3,145	200,378

Note: Net sales is classified by country or region based on customers' locations.

   (2) Property, plant and equipment (Millions of yen)

Japan	North America	Other	Total
37,270	3,978	416	41,665

3. Information about main customers

   Of sales to external customers, there are no sales to major customers that account for 10% or more of net sales in the consolidated statement of income.

Fiscal year ended March 31, 2026

1. Information about products and services

   The information is omitted because the same information is disclosed in "Segment information."

2. Information about geographical areas

   (1) Net sales (Millions of yen)

Japan	North America	Singapore	China	Other	Total
171,425	22,029	8,848	582	3,554	206,441

Note: Net sales is classified by country or region based on customers' locations.

   (2) Property, plant and equipment (Millions of yen)

Japan	North America	Other	Total
37,648	4,176	475	42,300

3. Information about main customers

   Of sales to external customers, there are no sales to major customers that account for 10% or more of net sales in the consolidated statement of income.

Information about impairment losses of non-current assets by reportable segment

Fiscal year ended March 31, 2025

(Millions of yen)

	Domestic Interior	Domestic Exterior	Overseas	Company-wide, elimination	Total
Impairment losses	－	16	78	－	94

Fiscal year ended March 31, 2026

(Millions of yen)

	Domestic Interior	Domestic Exterior	Overseas	Company-wide, elimination	Total
Impairment losses	–	–	45	–	45

Information about amortization and unamortized balance of goodwill by reportable segment

Fiscal year ended March 31, 2025

(Millions of yen)

	Domestic Interior	Domestic Exterior	Overseas	Company-wide, elimination	Total
Amortization in the fiscal year	162	–	64	–	227
Balance as of March 31, 2025	983	–	707	–	1,691

Notes: During the fiscal year ended March 31, 2026, the provisional accounting treatment for the business combination was finalized. The amounts for the fiscal year ended March 31, 2025 reflect a significant revision to the initial allocation of acquisition costs resulting from the finalization of the provisional accounting treatment.

Fiscal year ended March 31, 2026

(Millions of yen)

	Domestic Interior	Domestic Exterior	Overseas	Company-wide, elimination	Total
Amortization in the fiscal year	261	–	73	–	334
Balance as of March 31, 2026	1,704	–	661	–	2,366

Information about gain on bargain purchase by reportable segment

No items to report

Related party information

Fiscal year ended March 31, 2025

The information is omitted as it is immaterial.

Fiscal year ended March 31, 2026

The information is omitted as it is immaterial.

Per share information

(Yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net assets per share	1,922.98	2,067.46
Earnings per share	213.60	249.08
Diluted earnings per share	213.57	249.07

Notes: 1. Net assets per share, earnings per share and diluted earnings per share for the previous fiscal year are calculated based on the amount after reflecting a significant revision to the initial allocation of acquisition costs resulting from the finalization of the provisional accounting treatment described in "Notes to Consolidated Financial Statements (Business Combinations)."

2. The bases for calculating net assets per share are as follows:

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Total of net assets (millions of yen)	113,810	122,259
Amount to be deducted from total amount of net assets (millions of yen)	796	710
(of which share acquisition rights (millions of yen))	(4)	(4)
(of which non-controlling interests (millions of yen))	(791)	(706)
End of period net assets related to common shares (millions of yen)	113,013	121,549
Number of common shares used to calculate net assets per share at the end of the fiscal year (thousands of shares)	58,770	58,791

3. The bases for calculating earnings per share and diluted earnings per share are as follows:

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Earnings per share		
Profit attributable to owners of parent (millions of yen)	12,550	14,642
Amount not attributable to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent pertaining to common shares (millions of yen)	12,550	14,642
Average number of common shares during the period (thousands of shares)	58,756	58,785
Diluted earnings per share		
Adjusted amount of profit attributable to owners of parent (millions of yen)	–	–
Increase in common shares (thousands of shares)	8	2
(of which share acquisition rights (thousands of shares))	(8)	(2)

Significant subsequent events

No items to report

(v) Annexed consolidated detailed schedules

Consolidated detailed schedule of corporate bonds

No items to report

Consolidated detailed schedule of borrowings

Title	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (%)	Payment due
Short-term borrowings	9,098	365	2.61	—
Current portion of long-term borrowings	—	—	—	—
Current portion of lease obligations	509	555	—	—
Long-term borrowings (excluding current portion)	2,000	12,000	0.93	2028–2030
Lease obligations (excluding current portion)	1,177	1,611	—	2027–2047
Other interest-bearing liabilities	—	—	—	—
Total	12,785	14,532	—	—

Notes:
1. "Average interest rate" of borrowings represents the weighted average interest rate with respect to the ending balance.
2. The average interest rate on lease obligations is not stated because lease obligations are recorded on the consolidated balance sheets at the amount before deducting the amount equivalent to interest included in the total lease payments.
3. The repayment schedule of long-term borrowings and lease obligations (excluding current portion) within five years after the consolidated fiscal year-end date is as follows:

(Millions of yen)

	After 1 year within 2 years	After 2 years within 3 years	After 3 years within 4 years	After 4 years within 5 years
Long-term borrowings	—	2,000	—	10,000
Lease obligations	455	337	259	107

Consolidated detailed schedule of asset retirement obligations

Since the amount of asset retirement obligations at the beginning and the end of the fiscal year ended March 31, 2026 is 1% or less of the total amount of liabilities and net assets at the beginning and the end of the fiscal year ended March 31, 2026, the information is omitted pursuant to the provisions of Article 92-2 of the Regulations on Consolidated Financial Statements.

(2) Other

Quarterly information for the fiscal year ended March 31, 2026

Cumulative period	Six months ended September 30, 2025	Fiscal year ended March 31, 2026
Net sales (Millions of yen)	98,892	206,441
Profit before income taxes (Millions of yen)	8,954	20,800
Profit attributable to owners of parent (Millions of yen)	6,313	14,642
Earnings per share (Yen)	107.40	249.08

2. Non-consolidated Financial Statements and Other Information

(1) Non-consolidated Financial Statements

(i) Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	25,243	26,301
Notes receivable - trade	4,244	1,253
Electronically recorded monetary claims - operating	*1 23,316	*1 25,268
Accounts receivable - trade	*1 18,867	*1 19,564
Contract assets	244	720
Securities	300	300
Merchandise and finished goods	15,557	15,559
Raw materials and supplies	1,677	1,540
Short-term loans receivable from subsidiaries and associates	7,499	6,848
Other	*1 1,150	*1 1,210
Allowance for doubtful accounts	(44)	(27)
Total current assets	98,056	98,539
Non-current assets		
Property, plant and equipment		
Buildings	8,326	7,917
Structures	118	109
Machinery and equipment	2,182	1,969
Vehicles	98	111
Tools, furniture and fixtures	765	849
Land	13,320	13,242
Leased assets	1	1
Construction in progress	16	35
Total property, plant and equipment	24,830	24,236
Intangible assets		
Software	1,306	1,404
Other	70	69
Total intangible assets	1,376	1,474
Investments and other assets		
Investment securities	7,825	10,094
Shares of subsidiaries and associates	14,702	15,450
Long-term loans receivable from subsidiaries and associates	7,400	8,470
Investment property	4,945	4,975
Deferred tax assets	3,347	2,579
Insurance funds	306	306
Guarantee deposits	1,815	1,844
Other	823	676
Allowance for doubtful accounts	(11)	(10)
Total investments and other assets	41,155	44,388
Total non-current assets	67,362	70,099
Total assets	165,419	168,638

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Electronically recorded obligations - operating	*1 13,333	*1 9,705
Accounts payable - trade	*1 11,059	*1 11,368
Contract liabilities	58	83
Short-term borrowings	9,098	—
Short-term borrowings from subsidiaries and associates	2,744	3,185
Lease liabilities	0	0
Accounts payable - other	*1 2,906	*1 2,979
Income taxes payable	2,791	3,133
Provision for bonuses	2,843	2,961
Provision for bonuses for directors (and other officers)	95	93
Provision for product warranties	112	100
Other	1,935	2,006
Total current liabilities	46,978	35,618
Non-current liabilities		
Long-term borrowings	2,000	12,000
Lease liabilities	1	0
Provision for retirement benefits	6,077	6,018
Asset retirement obligations	1,609	1,625
Long-term deposits received	713	724
Other	349	102
Total non-current liabilities	10,751	20,471
Total liabilities	57,729	56,089
Net assets		
Shareholders' equity		
Share capital	13,616	13,616
Capital surplus		
Legal capital surplus	20,005	20,005
Other capital surplus	68	96
Total capital surplus	20,074	20,102
Retained earnings		
Legal retained earnings	3,404	3,404
Other retained earnings	67,752	70,868
General reserve	45,000	45,000
Retained earnings brought forward	22,752	25,868
Total retained earnings	71,156	74,272
Treasury shares	(698)	(663)
Total shareholders' equity	104,148	107,327
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,536	5,216
Total valuation and translation adjustments	3,536	5,216
Share acquisition rights	4	4
Total net assets	107,689	112,548
Total liabilities and net assets	165,419	168,638

(ii) Non-consolidated Statement of Income

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net sales	*1 155,410	*1 155,545
Cost of sales	*1 112,465	*1 112,140
Gross profit	42,944	43,405
Selling, general and administrative expenses		
Sample books expenses	2,632	2,535
Provision of allowance for doubtful accounts	(56)	(17)
Salaries and allowances	7,410	7,620
Provision for bonuses	2,843	2,961
Provision for bonuses for directors (and other officers)	95	93
Retirement benefit expenses	511	462
Provision for product warranties	(34)	(12)
Rent expenses	1,606	1,680
Depreciation	1,016	1,078
Other	9,925	9,860
Total selling, general and administrative expenses	25,950	26,261
Operating profit	16,994	17,143
Non-operating income		
Interest and dividend income	*1 471	*1 421
Rental income from real estate	429	433
Other	94	178
Total non-operating income	995	1,033
Non-operating expenses		
Interest expenses	*1 228	*1 287
Foreign exchange losses	51	—
Rental expenses on real estate	109	133
Loss on valuation of interest rate swaps	64	37
Other	6	6
Total non-operating expenses	460	465
Ordinary profit	17,528	17,712
Extraordinary income		
Gain on sale of non-current assets	*2 0	*2 1
Gain on sale of investment securities	41	126
Subsidy income	*5 223	—
Total extraordinary income	264	128
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	*6 1,081	*6 261
Loss on sale of non-current assets	*3 3	*3 0
Loss on retirement of non-current assets	*4 16	*4 17
Loss on sale of investment securities	41	2
Loss on valuation of investment securities	—	83
Total extraordinary losses	1,142	365
Profit before income taxes	16,650	17,474
Income taxes - current	5,177	5,390
Income taxes - deferred	3	4
Total income taxes	5,181	5,394
Profit	11,469	12,080

(iii) Non-consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at beginning of period	13,616	20,005	24	20,030	3,404	45,000	20,094	68,498	(791)	101,353
Changes during period										
Dividends of surplus							(8,811)	(8,811)		(8,811)
Profit							11,469	11,469		11,469
Purchase of treasury shares									(1)	(1)
Disposal of treasury shares			39	39					47	86
Exercise of share acquisition rights			4	4					46	51
Net changes in items other than shareholders' equity										
Total changes during period	—	—	43	43	—	—	2,658	2,658	92	2,794
Balance at end of period	13,616	20,005	68	20,074	3,404	45,000	22,752	71,156	(698)	104,148

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	3,218	(20)	3,197	55	104,607
Changes during period					
Dividends of surplus					(8,811)
Profit					11,469
Purchase of treasury shares					(1)
Disposal of treasury shares					86
Exercise of share acquisition rights					51
Net changes in items other than shareholders' equity	318	20	339	(51)	287
Total changes during period	318	20	339	(51)	3,082
Balance at end of period	3,536	—	3,536	4	107,689

Fiscal year ended March 31, 2026

(Millions of yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings				Treasury shares	Total sharehold ers' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at beginning of period	13,616	20,005	68	20,074	3,404	45,000	22,752	71,156	(698)	104,148
Changes during period										
Dividends of surplus							(8,964)	(8,964)		(8,964)
Profit							12,080	12,080		12,080
Purchase of treasury shares									(0)	(0)
Disposal of treasury shares			28	28					35	64
Exercise of share acquisition rights										—
Net changes in items other than shareholders' equity										
Total changes during period	—	—	28	28	—	—	3,115	3,115	34	3,179
Balance at end of period	13,616	20,005	96	20,102	3,404	45,000	25,868	74,272	(663)	107,327

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	3,536	—	3,536	4	107,689
Changes during period					
Dividends of surplus					(8,964)
Profit					12,080
Purchase of treasury shares					(0)
Disposal of treasury shares					64
Exercise of share acquisition rights					—
Net changes in items other than shareholders' equity	1,679	—	1,679	—	1,679
Total changes during period	1,679	—	1,679	—	4,858
Balance at end of period	5,216	—	5,216	4	112,548

Notes to non-consolidated financial statements

Significant accounting policies

1. Standards and methods for valuation of securities

   Shares of subsidiaries and affiliates are stated at cost determined by the moving average method.

   Available-for-sale securities

   Items other than stocks, etc., which do not have a market price, are stated at fair value (valuation differences are directly recorded in shareholders' equity, and the cost of securities sold is computed based on the moving average method).

   Shares with no market price are stated at cost determined by the moving average method.

2. Standards and methods for valuation of derivatives

   Mainly stated at fair value

3. Standards and methods for valuation of inventory

   Mainly stated at cost using the moving average method (carrying amounts on the balance sheet are subject to the book value reduction method based on decreased profitability)

4. Depreciation or amortization method for non-current assets

   (1) Property, plant and equipment (excluding leased assets)

   The declining balance method is applied.

   Major useful lives are as follows.

Buildings	15–50 years
Machinery and equipment	12–17 years

   (2) Intangible assets (excluding leased assets)

   The straight-line method is applied.

   Software for internal use is amortized over its estimated useful life (5 years).

   (3) Leased assets

   Leased assets related to finance lease transactions that transfer ownership

   The same depreciation method applied to non-current assets owned by the Company is applied.

   Leased assets related to finance lease transactions that do not transfer ownership

   Depreciation is calculated using the straight-line method, with the lease period being the useful life and the residual value being zero.

5. Accounting policy for translation of foreign currency assets or liabilities into Japanese yen

   Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the closing date, and translation differences are accounted for as profit or loss.

6. Standards for recording provisions and allowances

   (1) Allowance for doubtful accounts

   To prepare for credit losses on receivables, loans, etc., an estimated uncollectable amount is provided at the amount estimated by using the historical rate of credit loss for general receivables, and based on individual consideration of collectability for specific receivables such as highly doubtful receivables.

   (2) Provision for product warranties

   For certain products, goods, etc. found to be defective, etc. after sale, the Company records the estimated amount that may be claimed against the Company for claims, etc. arising from such defects.

   (3) Provision for bonuses

   To provide for payment of bonuses to employees, of the estimated amount of bonuses to be paid, the amount estimated to cover the bonus payment for services rendered by employees during the fiscal year under review is provided.

   (4) Provision for bonuses for directors (and other officers)

   To provide for the payment of bonuses to directors, an amount accrued for the fiscal year under review is recorded based on the calculation method determined by the Company.

   (5) Provision for retirement benefits

   To prepare for retirement benefits for employees, a provision is recorded based on the estimated amounts of retirement benefit obligation and plan assets at the end of the fiscal year under review.

   (i) Method of attributing expected retirement benefits to periods

   In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the fiscal year under review on a benefit formula basis.

   (ii) Method of amortizing actuarial gains and losses and past service cost

   Past service cost is amortized using the straight-line method over a certain number of years (10 years) within the average remaining service years of employees when incurred.

   Actuarial gains and losses are amortized using the straight-line method over a certain period within the average remaining service years (10 years) of employees when incurred in each fiscal year, from the fiscal year following the accrual of each gain or loss.

7. Basis for recognizing revenue and expenses

The principal performance obligations of the Company related to revenue from contracts with customers and the usual times at which such performance obligations are satisfied (the usual times at which revenue is recognized) are as follows.

(1) Sale of merchandise

The Company is mainly engaged in the sale of wallcoverings, flooring materials, fabrics, and other interior materials. At the point in time that control of this merchandise is transferred to the customer, revenue is recognized at the amount expected to be received in exchange for the merchandise. However, for domestic sales of merchandise, if a normal period of time will elapse between the shipment of the merchandise and the transfer of control to the customer, the Company applies the alternative treatment prescribed in paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, and recognizes revenue at the time of shipment. With respect to the sale of certain interior merchandise, the Company does not carry inventory and has determined that it is acting as an agent in transactions because its performance obligation is to arrange for the merchandise to be provided by other parties. For transactions deemed to qualify as agent transactions, the Company recognizes as revenue the net amount received in exchange for merchandise provided by another party, less the amount paid to such other party. The transaction price is calculated based on the price agreed with the customer minus sales commission, etc. Consideration for transactions is received within approximately 6 months from the satisfaction of the performance obligation and does not include a significant financial component.

(2) Installation contracts

The Company may enter into installation contracts with customers for the installation of interior materials and similar work. For such contracts, the Company recognizes revenue based on the degree of progress made in satisfying the performance obligation over a specified period of time. Progress is measured by comparing the cost of installation work incurred at the end of the period to the estimated cost of installation work to complete the project. However, for certain transactions with very short installation periods, such revenue is recognized when the performance obligation is fully satisfied. The promised consideration is paid within approximately 6 months from the satisfaction of the performance obligation and does not include a significant financial component.

8. Significant matters forming the basis for preparation of other financial statements

Accounting processing for retirement benefits

The method of accounting for unrecognized actuarial gains and losses and unrecognized past service cost related to retirement benefits differs from the method of accounting for these items in the consolidated financial statements.

Non-consolidated balance sheets

*1 Monetary claims and obligations with subsidiaries and associates (excluding those indicated elsewhere)

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Short-term monetary claims	1,510	1,504
Short-term monetary obligations	4,786	5,781

2 Contingent liabilities

(repair work)

The Company conducts repair work for defects that have occurred in some of its merchandise. Although some repair work is performed on behalf of manufacturers, many uncertainties exist in regard to the proportion of repair work carried out, making it difficult to reasonably estimate the total amount to be paid by the Company for repair work.

Non-consolidated statements of income

*1 Transactions with subsidiaries and associates

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Amount of operating transactions		
Net sales	3,645	3,809
Purchase amount	13,035	17,132
Transactions from non-operating transactions	285	154

*2 Breakdown of gain on sale of non-current assets

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Machinery and equipment	—	0
Vehicles	0	1
Tools, furniture and fixtures	—	0
Total	0	1

*3 Breakdown of loss on sale of non-current assets

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Machinery and equipment	—	0
Vehicles	3	—
Total	3	0

*4 Breakdown of loss on retirement of non-current assets

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Buildings	3	4
Structures	—	0
Machinery and equipment	4	0
Vehicles	0	0
Tools, furniture and fixtures	8	3
Software	—	1
Rights fees	0	1
Other	—	5
Total	16	17

*5 Subsidy income

Fiscal year ended March 31, 2025

This is a subsidy related to the FY2023 'Advanced Demonstration Project for Logistics Efficiency Improvement (Advanced Demonstration Project for Logistics Efficiency Improvement for Shippers)'.

Fiscal year ended March 31, 2026

No items to report

*6 Loss on valuation of investments in subsidiaries and affiliates

Fiscal year ended March 31, 2025

The loss on valuation of shares of subsidiaries and associates represents a loss pertaining to Goodrich Global Pte. Ltd., one of our consolidated subsidiaries. At the end of the current fiscal year, as the financial performance and financial position of Goodrich Global Pte. Ltd. have significantly deteriorated, resulting in a substantial decline in the intrinsic value of its shares, we have recognized a loss on valuation of shares of subsidiaries and associates based on its intrinsic value, after assessing the possibility of future recovery. Notwithstanding, this loss on valuation of shares of subsidiaries and associates is eliminated in the consolidated financial statements and therefore has no impact on the consolidated financial statements.

Fiscal year ended March 31, 2026

The loss on valuation of shares of subsidiaries and associates represents a loss pertaining to GOODRICH GLOBAL LIMITED, one of our consolidated subsidiaries. At the end of the current fiscal year, as the financial performance and financial position of GOODRICH GLOBAL LIMITED have significantly deteriorated, resulting in a substantial decline in the intrinsic value of its shares, we have recognized a loss on valuation of shares of subsidiaries and associates based on its intrinsic value, after assessing the possibility of future recovery. Notwithstanding, this loss on valuation of shares of subsidiaries and associates is eliminated in the consolidated financial statements and therefore has no impact on the consolidated financial statements.

Securities

Subsidiary and affiliate company shares

Amount of shares, etc. without market prices recorded on the non-consolidated balance sheets

(Millions of yen)

Title	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
(1) Shares of subsidiaries	14,664	15,413
(2) Shares of affiliate companies	37	37
Total	14,702	15,450

Tax effect accounting

1. Breakdown of deferred tax assets and deferred tax liabilities by cause

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Deferred tax assets		
Loss on valuation of goods	251	224
Provision for bonuses	869	932
Allowance for doubtful accounts	17	12
Depreciation	591	602
Loss on valuation of shares of subsidiaries and associates	5,308	5,390
Provision for retirement benefits	1,912	1,895
Investment securities	480	465
Other	1,499	1,476
Subtotal of deferred tax assets	10,929	10,999
Valuation allowance	(5,628)	(5,728)
Total of deferred tax assets	5,301	5,270
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,620)	(2,383)
Other	(333)	(307)
Total of deferred tax liabilities	(1,953)	(2,690)
Net deferred tax assets	3,347	2,579

2. When there is a significant difference between the statutory effective tax rate and the effective income tax rate after application of tax-effect accounting, the main components of this difference

For the previous fiscal year and the current fiscal year, notes have been omitted because the difference between the statutory effective tax rate and the effective income tax rate after application of tax-effect accounting is 5% or less of the statutory effective tax rate.

Business combinations

Business combination through acquisition

This information is omitted because the information is the same as that stated in the "Notes to consolidated financial statements (Business combinations)"

Revenue recognition

Information providing a basis for understanding revenue from contracts with customers is described in "Notes to non-consolidated financial statements (Significant accounting policies) - 7. Basis for recognizing revenue and expenses."

Significant subsequent events

No items to report

(iv) Supplemental schedules

Schedule of property, plant and equipment

(Millions of yen)

Title	Type of assets	Balance at beginning of period	Increase in the fiscal year under review	Decrease in the fiscal year under review	Amortization in the fiscal year	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	27,239	313	167	707	27,385	19,467
	Structures	832	6	33	15	806	696
	Machinery and equipment	9,356	217	187	430	9,386	7,417
	Vehicles	475	73	20	60	528	416
	Tools, furniture and fixtures	3,758	362	223	274	3,897	3,047
	Land	13,320	–	77	–	13,242	–
	Leased assets	4	–	–	0	4	3
	Construction in progress	16	25	6	–	35	–
	Total	55,005	999	718	1,487	55,286	31,049
Intangible assets	Software	6,281	615	91	433	6,805	5,400
	Other	76	–	–	0	76	6
	Total	6,357	615	91	433	6,881	5,407
Investments and other assets	Investment property	8,041	179	2	64	8,218	3,242
	Total	8,041	179	2	64	8,218	3,242

Notes: Balance at beginning of period and balance at end of period are stated based on acquisition cost.

Schedule of provisions

(Millions of yen)

Item	Balance at beginning of period	Increase in the fiscal year under review	Decrease in the fiscal year under review	Balance at end of period
Allowance for doubtful accounts	56	6	24	38
Provision for product warranties	112	–	11	100
Provision for bonuses	2,843	2,961	2,843	2,961
Provision for bonuses for directors (and other officers)	95	93	95	93

(2) Details of major assets and liabilities

This information is omitted because the Company prepares the consolidated financial statements.

(3) Other

No items to report