

Mid-term Business Plan, 2014 - 2016

Next Stage Plan G



Stock Code: 8130

Preparing for a New Stage

1849 Established as private business
“Sangetsu – Do”

“Our First Phase”
(about 100 years)

1953 Re-established as a
corporation
SANGETSU CO., LTD

“Our Second Phase”
(about 60 years)

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“Our Third Founding Phase”

- In the approximate 100 years from 1849 till 1953 of “Our First Phase” since Our Company was founded, we operated as a family owned business.
- In the following approximate 60 years of “Our Second Phase” after our transition to become a corporation in 1953, we developed the interior products business and became a leading supplier of interior products in Japan under the strong leadership of the Hibi Family.
- In “Our Third Founding Phase”, which started along with the current Mid-term Business Plan, Sangetsu committed itself to achieving further strong growth as a real listed company with the active participation of all of its employees.

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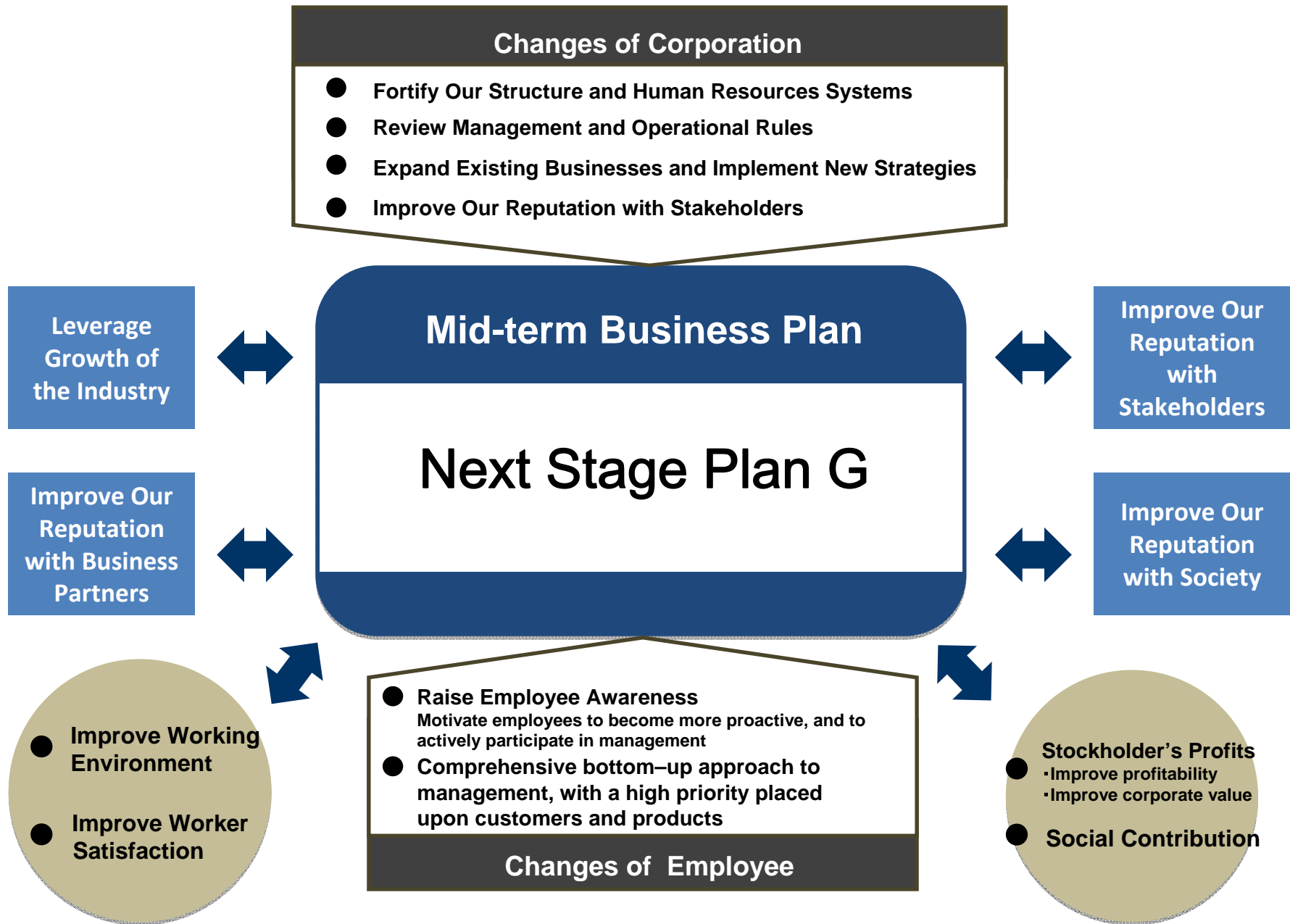
Next Stage Plan G

In the 3 Years of Our Plan, We Seek to



- **Restructure and Fortify Our Corporate Structure**
- **Invest and Prepare for the Future Growth**
- **Innovate and Create Our Next Stage**

SANGETSU's Vision

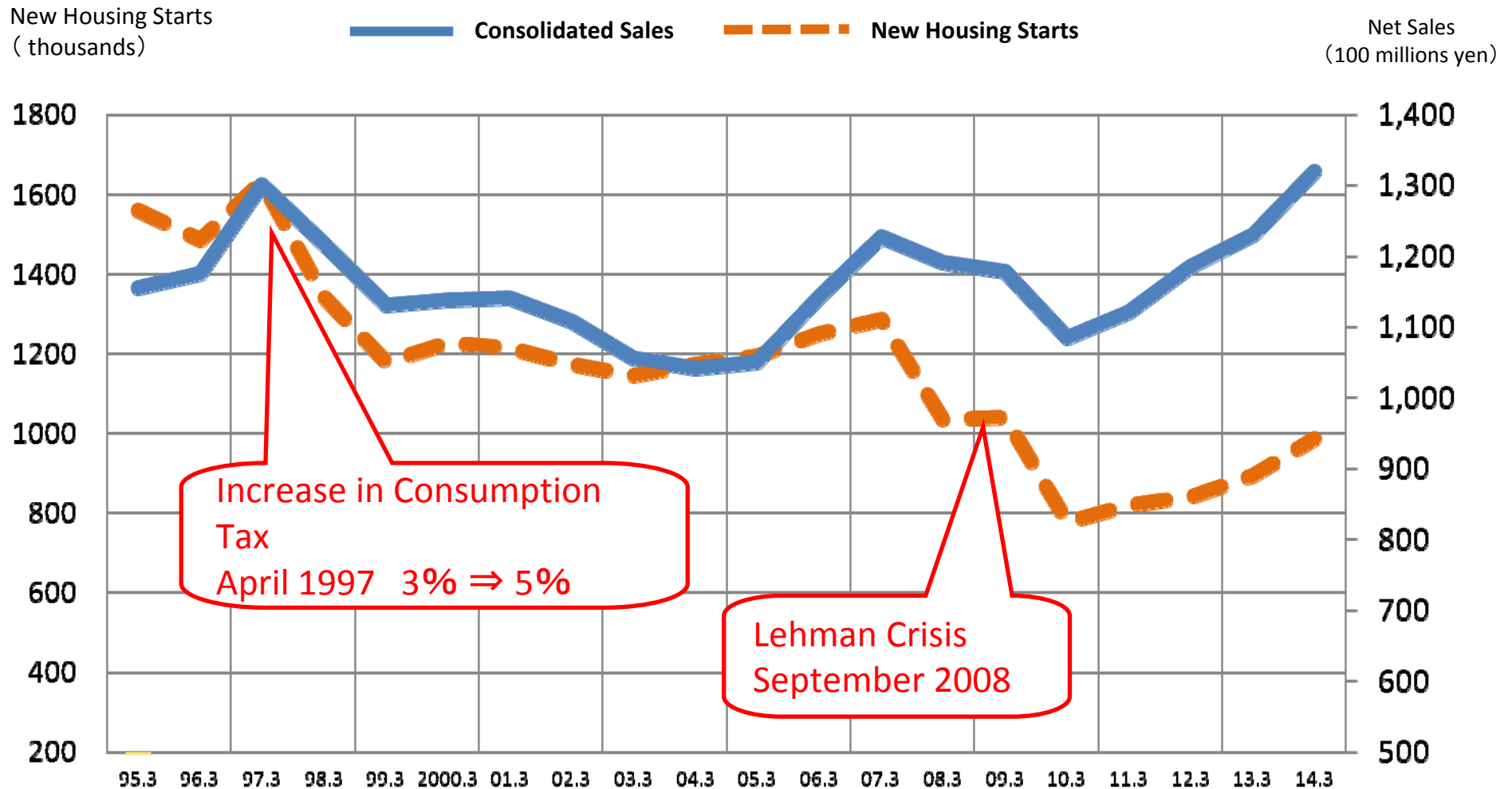


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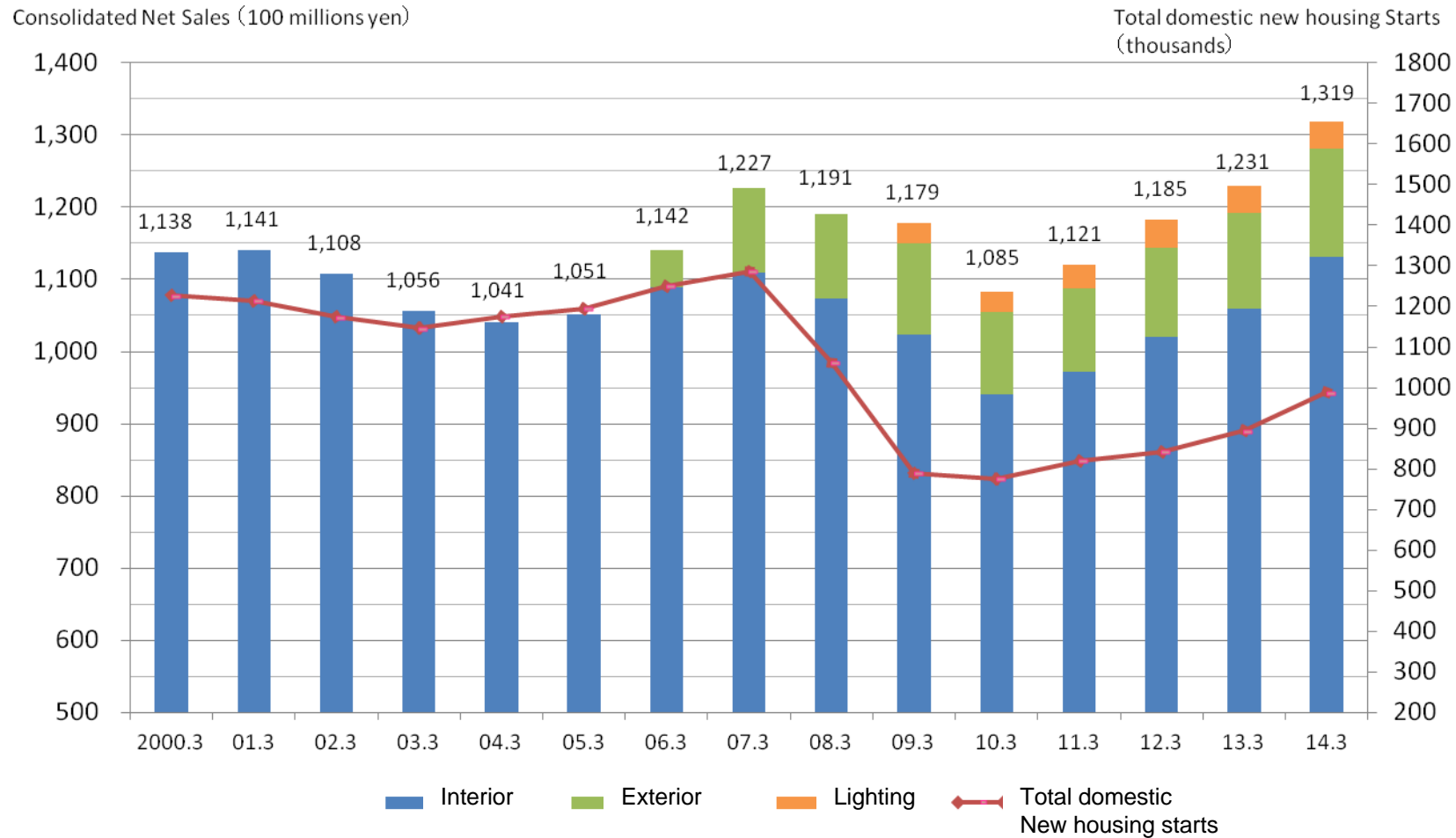
Part 1: Past and Present Conditions

① Consolidated Net Sales and New Housing Starts



Our sales had been closely linked to domestic new housing starts until 2004. After 2005, our sales has started to diverge upward from domestic new housing starts, which decreased a step further.

② Details of Consolidated Sales by Segment



2005.9 ... Acquisition of Sungreen Co.,Ltd (Exterior Business)

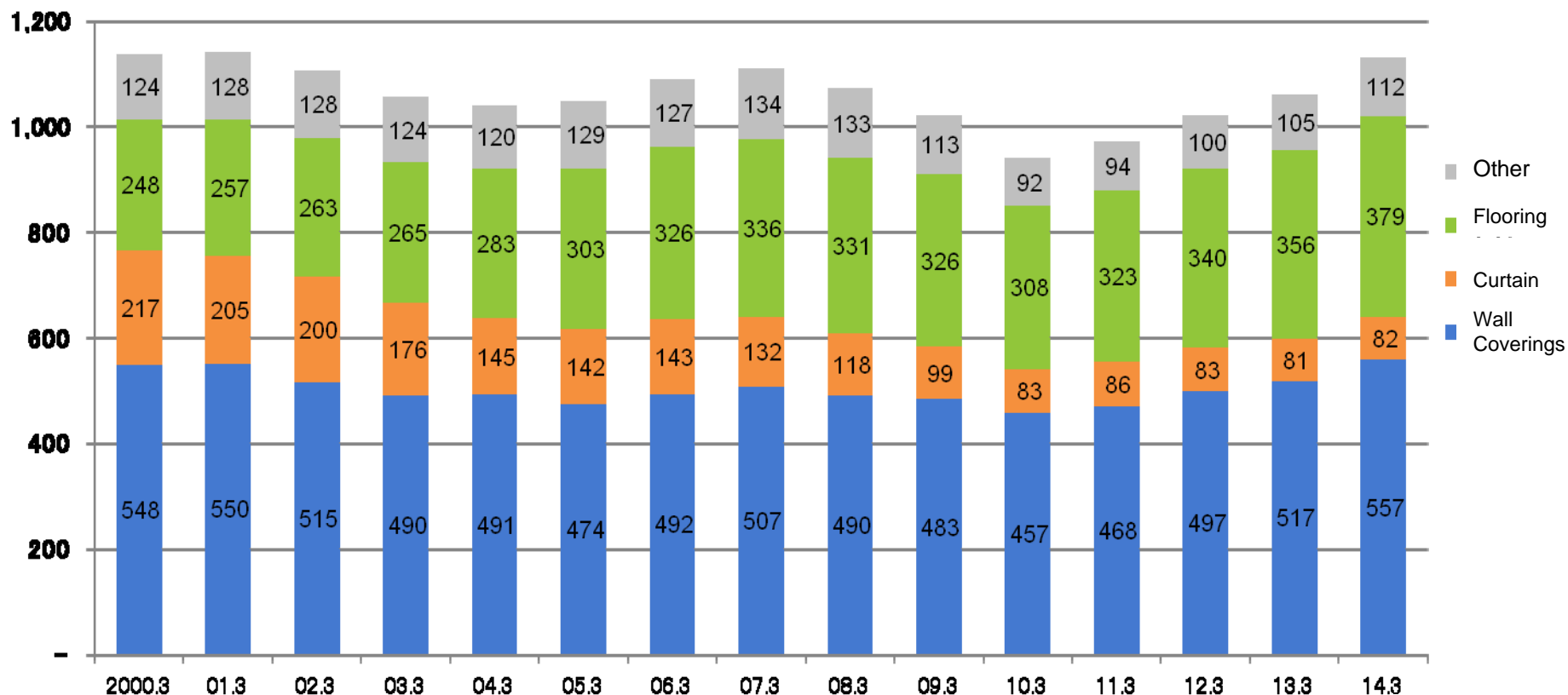
2008.7 ... Acquisition of Yamada-Shomei Co.,Ltd (Lighting Business)

【Specific Growth Factors since 2005】

- Acquisition of Sungreen Co., Ltd (Exterior Business) in 2005, Yamada-Shomei Co., Ltd. (Lighting business) in 2008.
- In the interior business segment, sales growth in residential renovation and sales expansion in the non-residential field, which was derived from new product development.

③ Details of Sales by Interior Business Segment Products

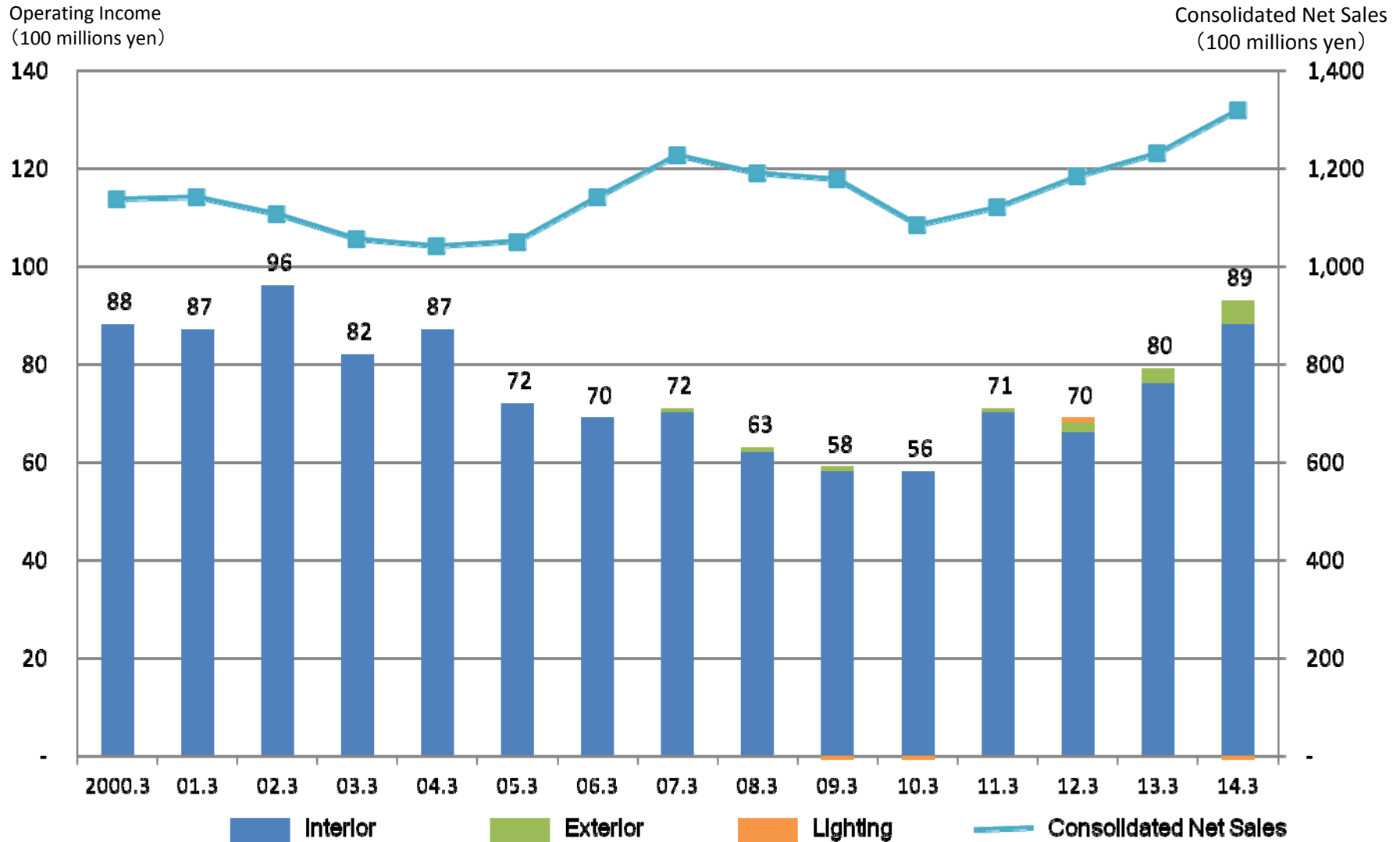
(100 millions yen)



Comparison of interior products between FY2000 and FY2014

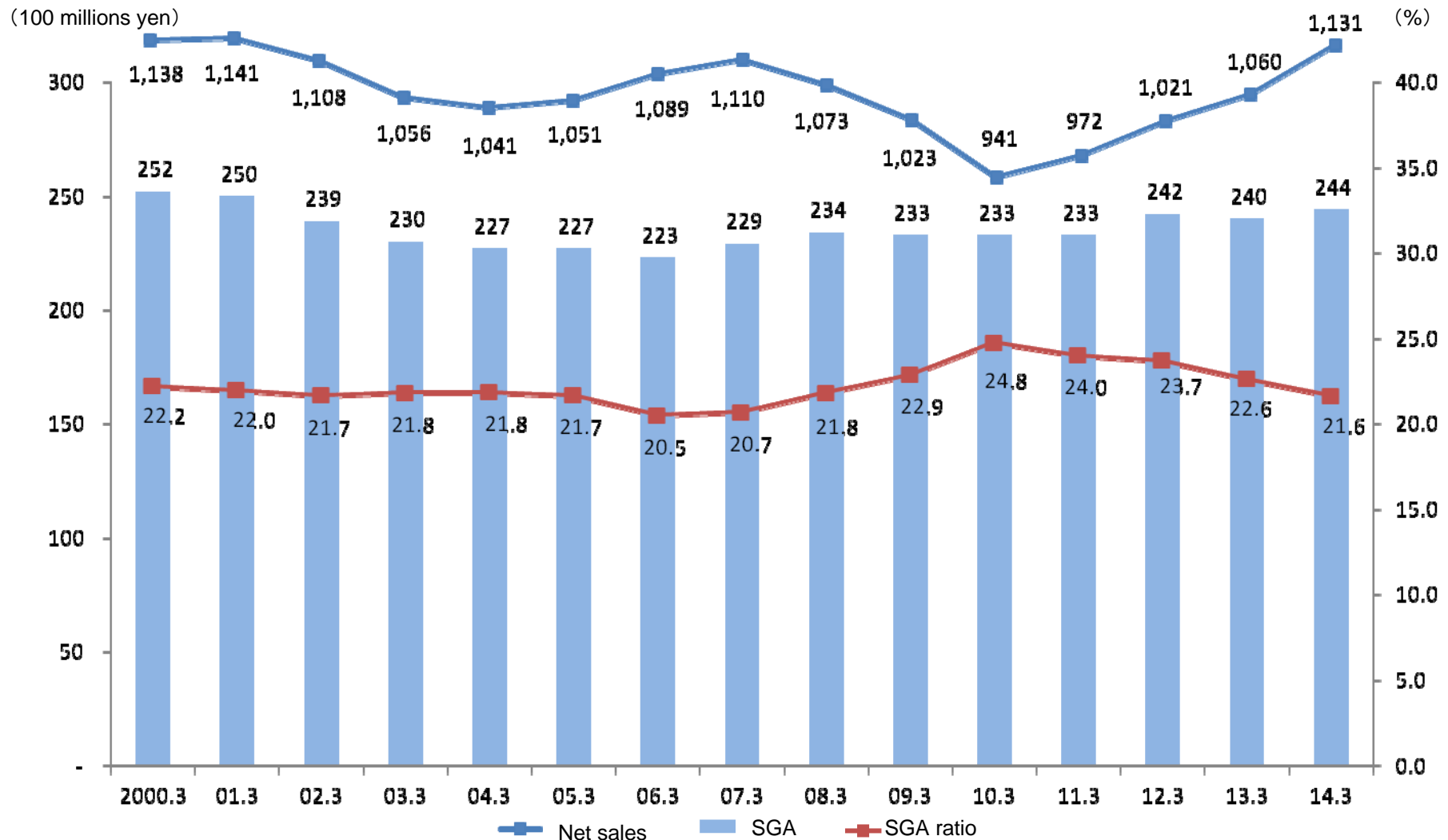
- Wall coverings remained mostly flat
(The market has been contracting but our market share has been increasing)
- Sales of curtain fabric has declined from ¥21.7 to ¥8.2 billion
- Flooring sales has expanded from ¥24.8 to ¥37.9 billion
(Flooring business benefits from exposure to non-residential applications)

④ Operating Income by Business Segment



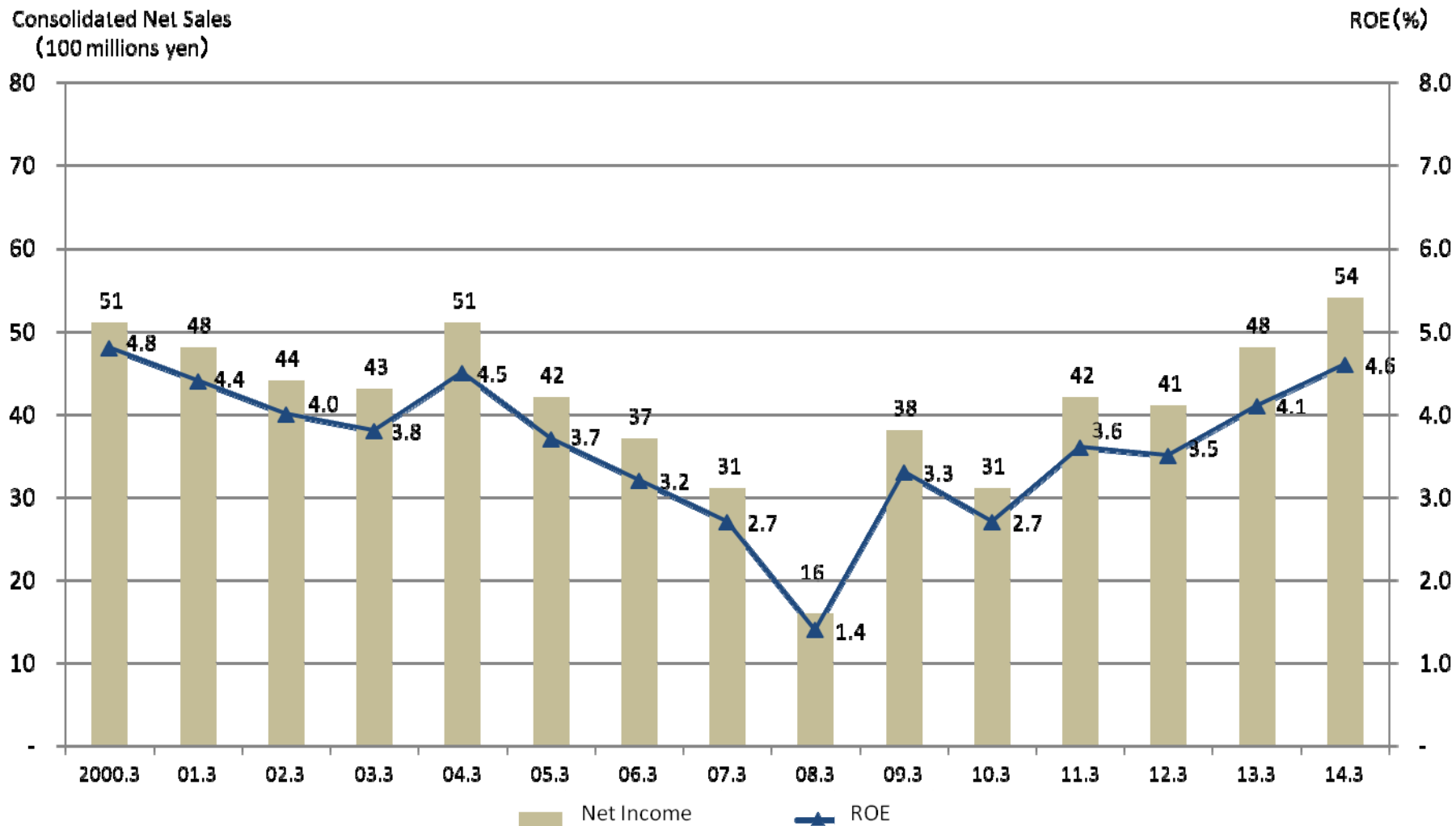
Exterior and lighting segments contribution to sales was considerable, but their contribution to operating income was limited.

⑤ Non-Consolidated SGA



SANGETSU's non-consolidated SGA has basically trended sideways since FY2000. SGA to sales ratio has decreased during the past five years due to increases in sales. While we focused upon reducing SGA, issues arising from aging logistic facilities, offices and other corporate facilities and lack of investments in human resources have surfaced.

⑥ Consolidated Net Income and ROE



In FY2014, net income rose to ¥5.459 billion, which is the highest level of profits in the last 15 years. However, ROE ratio rose only slightly to 4.6%.

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Part 2: Basic Policy and Specific Strategies

Mid-term Business Plan, Basic Policy

Reconstruction of Our Corporate Structure

- New investments, replacement of logistics, office facilities
- Renewal of our IT system
- Investment in human resources

Fortification of Our Interior Business

- Expand sales in the realm of renovation (Residential / Non-residential)
- Enhance product lineup in the non-residential realm
- Fortify the flooring product lineup
- Restructure the curtain fabrics business

Focus on New Business Sectors

- Expand businesses into neighboring business realms
- Improve profitability of our consolidated group

Global Expansion

- Develop businesses in overseas markets

Mid-term Business Plan, Specific Strategies

1) Facilitate a Corporate Structure to Allow Active Participation by Employees

- A. Review of our corporate structure
- B. Introduce new HR system and rules
- C. Review of organization operational rules
- D. Renew our IT systems

2) Restructure Our Business Strategy

- A. Expand our existing businesses
- B. Promote new growth strategies

3) Improve Our Reputation with Stakeholders

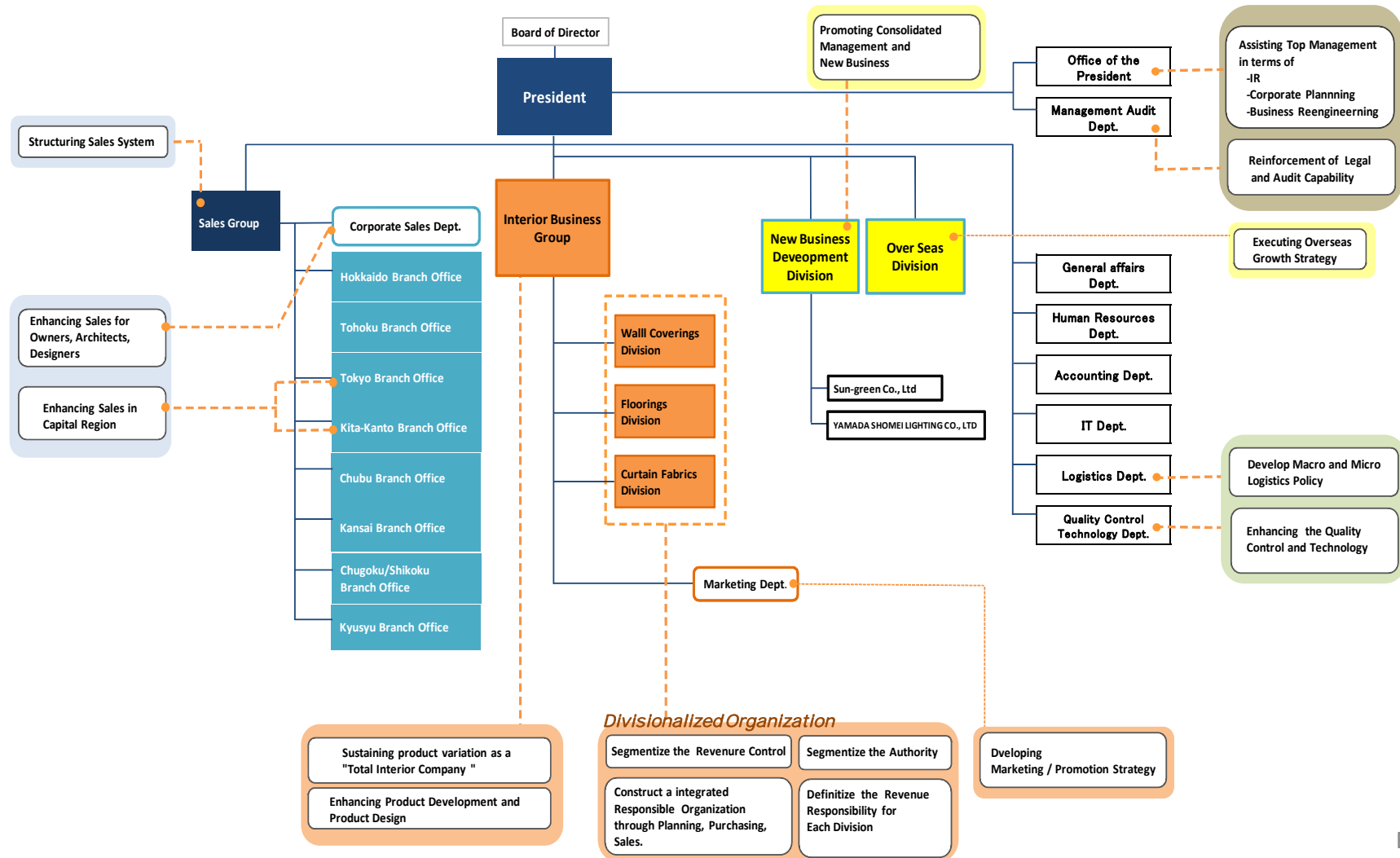
- A. Review our capital policy and IR strategies
- B. Focus upon corporate social responsibility activities
- C. Promote environmental management

4) Succeed to Our Corporate Philosophy and Principles

Mid-term Business Plan, Specific Strategies:

1) Facilitate a Corporate Structure to Allow Active Participation by Employees

A. Review of our corporate structure and its aim



■ Mid-term Business Plan, Specific Strategies

1) Facilitate a Corporate Structure to Allow Active Participation by Employees

B. Introduce new HR system and rules

- Implement reforms of the assessment and promotion systems
- Introduction of new compensation systems
- Increase workplace diversity by promoting female employees in a wider range of job applications
- Expand recruitment of experienced personnel and midcareer hires
- Fortify training and education

■ Mid-term Business Plan, Specific Strategies

1) Facilitate a Corporate Structure to Allow Active Participation by Employees

C. Review and Clarify Organization Operational Rules

- Establish clear organizational goals
- Reconstruct the budget system
- Review of regulation of authority
- Fortify risk management

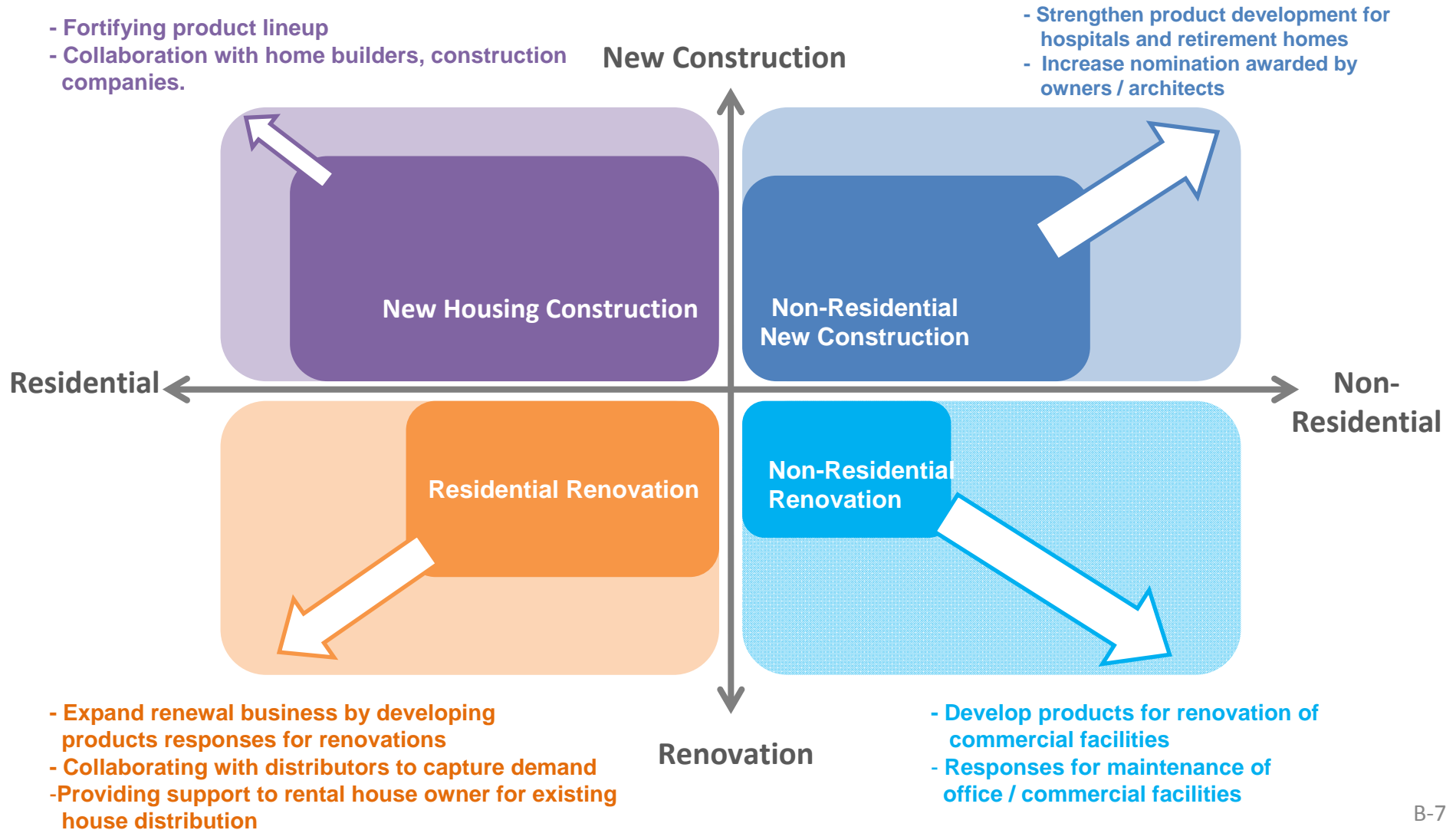
D. Renew Our IT Systems

Mid-term Business Plan, Specific Strategies

2) Restructure Our Business Strategy

A. Expand Our Existing Interior Business

【Marketing Strategy and Policy of Each Business Field】



■ Mid-term Business Plan, Specific Strategies

2) Restructure Our Business Strategy

B. Promote New Growth Strategies

a. New Business

- Extract synergies from and improve the profitability of our **Group** by establishing optimized consolidated management strategies
- Interior / exterior business; expanding product range into neighboring realms

b. Global Business

- Expanding overseas sales of PVC wall coverings and REATEC (Self-Adhesive decorative film)
- Cultivate global markets using original products targeting those markets

■ Mid-term Business Plan, Specific Strategies

3) Improve Our Reputation with Stakeholders

A. Review Our Capital Policy and IR Strategies

- Review our capital policy
- Improve transparency, fortify IR activities

B. Focus upon corporate social responsibility activities

- Encourage employees to promote activities that contribute to society

C. Promote Environmental Management

- Development products that are environmentally friendly
- Improve our environmental branding strategy
- Disclose information on environmental activities

Mid-term Business Plan, Specific Strategies

4) Succeed to Our Corporate Philosophy and Principles

【Corporate Philosophy: Integrity】

【 The 3 Principles of SANGETSU】



**Innovative
Designs**

**Highly
Reliable
Quality**

**Fair
Pricing**

Our goal is to contribute to society and to enrich the lives of people through the provision of innovative and high quality interior products.

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Part 3: Quantitative Targets

FY2014-2016 Quantitative Targets

The quantitative targets for FY2016, which is the last year of our current Mid-term Business Plan “Next Stage Plan G,” are stated below.

FY2016 Targets (Consolidated)

Sales: ¥ 140 Billion

Net Income: ¥ 6.3 Billion

Seek to **achieve record high profits**, while making **anticipatory investments to facilitate a business structure** to achieve future growth.

Targets for FY2017-2019

Based upon our current Mid-term Business Plan “ Next Stage Plan G”, we will pursue the following objectives in the next Three Year Mid-term Business Plan from FY2017-2019 (Ending FY3/20)

- Maximize earnings through new business cultivation, global business deployment, and synergy extraction from Group Companies
- Steadily expand interior business earnings
- Introduce a new capital policy

We seek to achieve

ROE: 8%–10%

in FY2019