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Securities code: 8130
June 4, 2020

To Our Shareholders:

Shousuke Yasuda,
Representative Director, President
and CEO
Sangetsu Corporation
1-4-1 Habashita,
Nishi-ku, Nagoya, Japan

**CONVOCAION NOTICE OF
THE 68TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We would like to announce the 68th Ordinary General Meeting of Shareholders (the “Meeting”) of Sangetsu Corporation (the “Company”) to be held as indicated below.

To prevent the spread of the novel coronavirus disease (COVID-19) at the Meeting, we ask shareholders to exercise their voting rights beforehand if possible, either in writing or by electronic means (the Internet, etc.). When exercising your voting rights by one of these methods, **please refer to the Reference Materials for the General Meeting of Shareholders below, and follow the guidance on page 2 to finish exercising your voting rights by 5:30 p.m. on Wednesday, June 24, 2020, Japan time.**

Thank you very much for your cooperation.

- 1. Date and Time:** June 25, 2020 (Thursday) at 10:00 a.m. Japan time (Reception starts at 9:00 a.m.)
Please note that the start time is different from last year.
- 2. Place:** Hall, 6th floor of the Main Building of the Company’s Head Office,
1-4-1 Habashita, Nishi-ku, Nagoya, Japan
- 3. Meeting Agenda:**
 - Report matters:**
 1. The Business Report and the Consolidated Financial Statements for the 68th term (April 1, 2019 to March 31, 2020) and the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee
 2. Non-consolidated Financial Statements for the 68th term (April 1, 2019 to March 31, 2020)
 - Resolution matters:**
 - Proposal 1:** Appropriation of Surplus
 - Proposal 2:** Partial Amendments to the Articles of Incorporation
 - Proposal 3:** Election of Two (2) Directors (excluding Audit and Supervisory Committee Members)

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- If you plan to attend the Meeting, please submit the enclosed Voting Right Exercise Form to the receptionist at the Meeting.
 - Any amendments to the Reference Materials for the Ordinary General Meeting of Shareholders, Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements will be posted on the Company’s website (URL: <https://www.sangetsu.co.jp/english/ir>).

Instructions Concerning the Exercise of Voting Rights

The exercise of voting rights in the Ordinary General Meeting of Shareholders is the important right of all shareholders with votes.

Please review the Reference Materials for the General Meeting of Shareholders on the following pages and exercise your voting rights.

You may exercise your voting rights by one of the following three methods:

By attending the shareholders' meeting

If you plan to attend the Meeting, please submit the enclosed Voting Right Exercise Form to the receptionist at the Meeting.

Date and Time: June 25, 2020 (Thursday) at 10:00 a.m.

By exercising voting rights in writing (by mail)

Please indicate your approval or disapproval to each of the proposals on the Voting Right Exercise Form and return it to the Company.

Exercise due date: To be received no later than June 24, 2020 (Wednesday) at 5:30 p.m.

By exercising voting rights via the Internet

Follow the on-screen instructions to indicate your approval or disapproval to each of the proposals.

Exercise due date: No later than June 24, 2020 (Wednesday) at 5:30 p.m.

**If you have questions about the use of a PC, smartphone or cellular phone
for exercising voting rights via the Internet, please contact:**

(Help Desk) Transfer Agent Department, Mitsubishi UFJ Trust and Banking Corporation

Phone: 0120-173-027 (from 9:00 a.m. to 9:00 p.m., toll free, only in Japan)

Institutional investors may use the electronic voting rights execution platform operated by the Investor Communications Japan (ICJ) Inc.

Reference Materials for the Ordinary General Meeting of Shareholders

Proposal 1: Appropriation of Surplus

We propose to appropriate surplus as follows.

Based on its Mid-term Business Plan (2017-2019) “PLG 2019,” the Company’s Shareholder Return Strategy is to achieve a total return ratio of over 100% on a consolidated basis over the three years from fiscal 2017 to fiscal 2019, and to maintain a stable increase in dividends in accordance with the basic policy of steadily increasing dividends over the long term. Based on this policy, the Company intends to carry out appropriation of surplus for the current period as follows in order to recognize the continuing support of shareholders, in light of business results in the current period, future business development and other such considerations.

Matters concerning the year-end dividend

- 1) Type of dividend assets: We will pay in cash.
- 2) Matters concerning assignment of dividend assets and amounts thereof
We propose the year-end dividend of ¥29.00 per common share of the Company.
The total amount of dividend will be ¥1,756,395,324.
The annual dividend for the current fiscal year amounted to ¥57.50 per share including the amount of interim dividend.
- 3) Effective date of distribution of surplus
We propose the effective date of dividend to be June 26, 2020.

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

- (1) The Company has engaged in reforming the corporate governance through the Mid-term Business Plan (2014-2016) “Next Stage Plan G” and the Mid-term Business Plan (2017-2019) “PLG 2019.” In the course of this process, the Company transformed itself to a company with an Audit and Supervisory Committee in 2015 and adopted an executive officer system in 2016. Further, the Company has strengthened governance through maintaining the number of Directors serving as Audit and Supervisory Committee Members at five (5), while reducing the number of Executive Directors from six (6) in 2015 to two (2) at present. Based on the results of these initiatives in recent years, the Company proposes the following amendments 1) ~ 3) to the Articles of Incorporation.
- 1) Given that the executive officer system has taken root, the Company is going to terminate the appointment of Directors with special title, namely Director and Chairman, Director and President, Director and Vice-President, Senior Managing Director and Managing Director, and accordingly delete or amend relevant provisions. (See the proposed amendments at Article 14, Article 15, Article 23-2).
 - 2) The Company is going to reduce the fixed number of Executive Directors in consideration of the current number of such Directors. (See the proposed amendment at Article 19.)
 - 3) The Company is going to add an article on Executive Officer to clarify its election and other matters. (See the proposed amendment at Article 29.)
- (2) The Company proposes to add and organize items in the purpose of the Company in consideration of its future business development. (See the proposed amendment at Article 2.)
- (3) The Company proposes to renumber the articles and items in line with the additions and deletions of provisions.

2. The proposed amendments

The proposed amendments are as follows.

(Underlined sentences indicate amendments.)

Current Articles of Incorporation	Proposed Amendments
<p>(Purpose)</p> <p>Article 2: The Company is organized for the purpose of engaging in the following business activities.</p> <ol style="list-style-type: none"> 1. Sale, export and import of wallcovering materials 2. Sale, export and import of window decorations such as curtains and blinds, etc. 3. Sale, export and import of carpets 4. Sale, export and import of flooring materials such as plastic-based flooring materials and wooden flooring materials 5. to 12. (Omitted) 13. <u>Sale of materials for fusuma (paper-covered sliding doors and partitions)</u> 14. through 17. (Omitted) <p>(Convener)</p> <p>Article 14: A general meeting of shareholders shall be convened by <u>Director and President</u> based on the resolution adopted at a meeting of the Board of Directors, unless otherwise set forth in by laws and regulations.</p>	<p>(Purpose)</p> <p>Article 2: The Company is organized for the purpose of engaging in the following business activities.</p> <ol style="list-style-type: none"> 1. <u>Manufacturing</u>, sale, export and import of wallcovering materials 2. <u>Manufacturing</u>, sale, export and import of window decorations such as curtains and blinds, etc. 3. <u>Manufacturing</u>, sale, export and import of carpets 4. <u>Manufacturing</u>, sale, export and import of flooring materials such as plastic-based flooring materials and wooden flooring materials 5. to 12. (Unchanged) (Deleted) 13. to 16. (Unchanged) 17. <u>Design of architecture and supervision of construction works</u> <p>(Convener)</p> <p>Article 14: A general meeting of shareholders shall be convened by <u>Representative Director</u> based on the resolution adopted at a meeting of the Board of Directors, unless otherwise set forth in by laws and regulations.</p>

Current Articles of Incorporation	Proposed Amendments
<p>(Chairperson) Article 15: A general meeting of shareholders shall be chaired by <u>Director and President</u>. In the event that <u>Director and President</u> suffers an accident, another Director, in the order previously determined by the Board of Directors, shall take his or her place.</p> <p>(Number of Directors) Article 19: The number of Directors (excluding Directors serving as Audit and Supervisory Committee Members) of the Company shall not be more than <u>ten (10)</u>. 2) (Omitted)</p> <p>(Representative Director <u>and Directors with Special Title</u>) Article 23: (Texts omitted) 2) <u>The Board of Directors may elect one (1) Director and Chairman, one (1) Director and President, one (1) Director and Vice-President, and several Senior Managing Directors and Managing Directors.</u></p> <p>(Newly established)</p> <p>Article <u>29</u> to Article <u>36</u>: (Omitted)</p>	<p>(Chairperson) Article 15: A general meeting of shareholders shall be chaired by <u>Representative Director</u>. In the event that <u>Representative Director</u> suffers an accident, another Director, in the order previously determined by the Board of Directors, shall take his or her place.</p> <p>(Number of Directors) Article 19: The number of Directors (excluding Directors serving as Audit and Supervisory Committee Members) of the Company shall not be more than <u>four (4)</u>. 2) (Unchanged)</p> <p>(Representative Director) Article 23: (Unchanged) (Deleted)</p> <p>(Executive Officer) <u>Article 29: The Company may appoint Executive Officers by resolution of the Board of Directors and delegate the execution of operations to them.</u> 2) <u>Matters related to Executive Officers shall be administered in accordance with the Regulations for Executive Officers provided by the Board of Directors in addition to the provisions in the Articles of Incorporation.</u></p> <p>Article <u>30</u> to Article <u>37</u>: (Unchanged)</p>

Proposal 3: Election of Two (2) Directors (excluding Audit and Supervisory Committee Members)

The two (2) Directors (excluding Audit and Supervisory Committee Members (here and elsewhere in this proposal)) shall complete their terms of office at the closing of this General Meeting of Shareholders. Accordingly, the election of two (2) Directors shall be requested.

The candidates for Directors are as follows:

Candidate No.	Attribute of candidate	Name	Current positions and responsibilities	Attendance rate of Board of Directors' meetings
1	[Reelected]	Shousuke Yasuda	Representative Director, President and CEO	13/13 100%
2	[Reelected]	Kenji Ito	Director, Executive Officer in charge of administration (President's Office, General Affairs, Human Resources, Management Audit and Information System)	13/13 100%

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	Shousuke Yasuda (March 2, 1950) [Reelected]	<p>April 2004 Executive Vice President and Division COO, Functional Chemicals Division, Mitsubishi Corporation</p> <p>April 2008 Executive Vice President and General Manager of Chubu Branch, Mitsubishi Corporation</p> <p>April 2012 Executive Vice President, Mitsubishi Corporation</p> <p>June 2012 Director, the Company</p> <p>April 2014 Representative Director and President</p> <p>July 2014 Representative Director and President, General Manager of the Interior Division</p> <p>April 2016 Representative Director, President and CEO, and General Manager of the Interior Division</p> <p>April 2019 Representative Director, President and CEO (To present)</p> <p>(Significant concurrent positions)</p> <p>Chairman of the Board of Directors of Koroseal Interior Products Holdings, Inc.</p> <p>Director of Goodrich Global Holdings Pte. Ltd.</p> <p>Reasons for nomination as candidate for Director After taking office as Representative Director and President of the Company in 2014, Mr. Shousuke Yasuda led the transition of the Company from over 60 years of management centered on the founding family and achieved the quantitative target of consolidated net income of ¥6,300 million stipulated in the Mid-term Business Plan, which he played a central role in formulating. Subsequently, in the Mid-term Business Plan announced in 2017, the Company has been advancing a business strategy for realizing sustainable growth of the existing businesses by strengthening functions through methods such as reforming sales structure and redistributing logistics centers. At the same time, it has been laying the ground work for the growth in the future by expanding business geographically through acquiring overseas companies, establishing local subsidiaries, and the like. The Company also implemented capital policy such as a financial policy to improve capital efficiency, a shareholder return policy that aims to maintain the total return ratio on the consolidated basis above 100% over three years, and a capital allocation policy. Given these experiences and achievements, the Company deemed that he is well qualified to continue to serve as a Director.</p> <p>Attendance to the Meeting of the Board of Directors held in FY2019: 13/13</p>	84,700 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	Kenji Ito (November 1, 1958) [Reelected]	<p>June 2001 General Manager of Legal Department, TOYOTA INDUSTRIES CORPORATION</p> <p>June 2006 General Manager of Safety and Health, and Environment Departments, TOYOTA INDUSTRIES CORPORATION</p> <p>January 2008 General Manager of Safety and Health Promotion Department, TOYOTA INDUSTRIES CORPORATION</p> <p>March 2009 Standing Director of TOYOTA INDUSTRIES HEALTH INSURANCE SOCIETY (Secondment)</p> <p>July 2010 General Manager of Audit & Supervisory Board Office, TOYOTA INDUSTRIES CORPORATION</p> <p>July 2014 General Manager of the Management Audit Department, the Company</p> <p>April 2016 Executive Officer in charge of General Affairs and Human Resources and General Manager of the Management Audit Department</p> <p>June 2016 Director, Executive Officer in charge of General Affairs and Human Resources and General Manager of the Management Audit Department</p> <p>April 2017 Director, Executive Officer in charge of General Affairs, Human Resources, Management Audit and Information System and General Manager of the President's Office</p> <p>April 2020 Director, Executive Officer in charge of administration (President's Office, General Affairs, Human Resources, Management Audit and Information System) (To present)</p> <p>(Significant concurrent positions) Auditor of Sangetsu (Shanghai) Corporation</p> <p>Reasons for nomination as candidate for Director Having worked for many years on legal affairs and auditing in his previous positions, Mr. Kenji Ito has abundant knowledge and experience. Since joining the Company, he has engaged in promoting compliance and corporate governance reform as General Manager of the Management Audit Department. Since 2017, in addition to his efforts in legal affairs and auditing, as the Director in charge of department of management including General Affairs, Human Resources and Information System, he has been supporting the enhancement and expansion of the Company's business foundation, including by promoting ESG and CSR and building a new core system. Given these experiences and achievements, the Company deemed that he is well qualified to continue to serve as a Director.</p> <p>Attendance to the Meeting of the Board of Directors held in FY2019: 13/13</p>	14,500 shares

- (Notes)
1. There is no special interest between each candidate and the Company.
 2. The Company adopted an executive officer system as of April 1, 2016.
 3. Opinion of the Audit and Supervisory Committee related to the election of Directors
With regard to the election of Directors other than the Audit and Supervisory Committee Members, the Nomination and Remuneration Committee attended by all Outside Directors serving as Audit and Supervisory Committee Members made a preliminary review. Subsequently, the Audit and Supervisory Committee determined that each candidate is appropriate and qualified to be entrusted with the enhancement of the medium- to long-term corporate value through deliberate considerations in light of such factors as their insight, experience, and capabilities.

(Attached materials)

Business Report (April 1, 2019 to March 31, 2020)

1. Overview of the Sangetsu Group (the “Group”)

(1) Business Progress and Results

During the fiscal year under review, the Japanese economy was initially on a moderate recovery trend amid continued improvements in corporate earnings and the employment and household income environment. However, from January 2020 onwards, the impact of COVID-19 led to a rapid retreat from inbound tourism and cooling consumer sentiment, while social unease grew more severe due to the spread of the infection, leaving concerns over a global slowdown in economic activity. In the construction market, which is closely connected to the Company’s businesses, the non-residential sector was firmly supported by demand for urban redevelopment projects and infrastructure upgrades, among others. However, the residential sector saw the number of new housing starts decline year on year, while the renovation market showed a decline after the consumption tax hike and so forth. Overall, the market environment continued to be adverse.

Under these conditions, the Group advanced the implementation of a growth strategy based on its Mid-term Business Plan (2017–2019) “PLG2019.” In the domestic Interior Business segment, the Group published a series of sample books, including “Floor Tile,” which features PVC floor tiles, “FAITH,” which features non-combustible-certified wallpapers, “CLEAS,” which features glass film, and “UP,” which features chair upholstery fabric, expanding the product line up to enable extensive use in commercial facilities, offices, and lodging facilities. Moreover, as for Overseas segment, the Group established Vietnam-based Sangetsu Goodrich Vietnam Co., Ltd. on March 4, 2020, strengthening its business in Southeast Asia and Indochina. As a result of these efforts, consolidated financial results for the fiscal year under review recorded ¥161,265 million in net sales, up 0.5% year on year, ¥9,268 million in operating income, up 57.2% year on year, and ¥9,844 million in ordinary income, up 46.9% year on year. However, profit attributable to owners of parent was ¥1,432 million, down 60.0% year on year, due to the impairment of goodwill and intangible assets related to Koroseal Interior Products Holdings, Inc., a U.S. subsidiary of the Company.

The Company transferred all the shares of its consolidated subsidiary Yamada Shomei Lighting Co., Ltd., with the beginning of the fiscal year under review as the deemed date of sale and excluded that company, which had operated the lighting equipment segment, from the scope of consolidation. In conjunction with this, the Company removed the lighting equipment segment from its reportable segments starting from the fiscal year under review.

(Reference) Consolidated Financial Highlights

(Millions of yen; percentages indicate year-on-year changes)

Net sales	Operating income	Ordinary income	Profit (loss) attributable to owners of parent
161,265	9,268	9,844	1,432
up 0.5%	up 57.2%	up 46.9%	down 60.0%

(Interior segment) Net sales ¥125,688 million

Main business

Planning and sales of interior products such as wall coverings, flooring, and fabrics; interior finishing and design, construction business, etc.

(Millions of yen)

	67th term Fiscal year ended March 31, 2019	68th term Fiscal year ended March 31, 2020
Net sales	119,508	125,688
Operating income	6,174	9,518

In the wall coverings division, expansion of the product line up focused on the functional products in “SP,” a sample book featuring mass produced wallpaper published in June 2019, paid off, and sales increased amid a tough market environment characterized by market deflation and contraction of the residential and renovation markets in the second half. In addition, the sample books “FAITH,” which features non-combustible-certified wallpapers, and “CLEAS,” which features glass film, published in January 2020 benefited from office renovation demand resulting from pursuit of work style reform, and penetrated the market. As a result, net sales of wall coverings were ¥60,194 million, up 5.3% year on year.

In the flooring division, the sample book “Floor Tile,” which features PVC floor tiles, published in October 2019 drove sales, and deliveries of product series that replicate a wide variety of wood or stone materials increased in particular. In addition, in the office renovation market and commercial and lodging facilities, products such as the “DT Series” of high quality carpet tiles and the “NT-700 Series” of well-designed carpet tiles in an affordable price range were well received by the market, and sales increased. As a result, net sales of flooring were ¥44,694 million, up 3.7% year on year.

In the fabrics division, the product line up following the Scandinavian style and modern trends in “AC,” the curtain sample book published in May 2019, performed well, and sales increased. In addition, the sample book “UP,” featuring chair upholstery fabric published in January 2020, advanced market recognition of “Aqua Clean,” which can be easily cleaned using only water, in addition to being well received for its well-designed textiles and PVC leather products in solid colors with a focus on texture and enhanced functionality. As a result, net sales of fabrics products, which are composed of curtains and upholstery, were ¥8,463 million, up 1.8% year on year.

Aside from this, with other business, which includes installation fees, adhesives, etc., recording net sales of ¥12,336 million, up 12.9% year on year, the Interior segment recorded net sales of ¥125,688 million, up 5.2% year on year, and operating income of ¥9,518 million, up 54.2% year on year.

(Exterior segment) Net sales ¥16,082 million

Main business

Sale of exterior products including doors, fences, carports, terraces, etc.

(Millions of yen)

	67th term Fiscal year ended March 31, 2019	68th term Fiscal year ended March 31, 2020
Net sales	16,121	16,082
Operating income	594	642

Sungreen Co., Ltd., which operates the Exterior segment, faced a challenging market environment, which included a fall in sales of high value-added products such as garden rooms and wooden decks after the increase in the rate of consumption tax in addition to the end of repair and restoration projects associated with natural disasters in the second half in comparison with a strong first half. In these circumstances, the Group made efforts to enhance profitability by increasing market share in areas where new bases have been established, acquiring large-scale properties, promoting sales of high value-added products, and reviewing freight rates for heavy goods. As a result, net sales of the exterior segment were ¥16,082 million, down 0.2% year on year, and operating income was ¥642 million, up 8.2% year on year.

(Overseas segment) Net sales ¥19,804 million

Main business

Manufacture of wallpaper products and sale of interior materials

(Millions of yen)

	67th term Fiscal year ended March 31, 2019	68th term Fiscal year ended March 31, 2020
Net sales	20,920	19,804
Operating income	(960)	(932)

Koroseal Interior Products Holding, Inc., which targets the North American market, worked to strengthen own-brand products, including commencing operation of new wallpaper production facilities, revising product color variations, and appointing new designers, based on the management system which was revamped in July 2019.

In challenging circumstances characterized by a decline in sales in reaction to large-scale properties delivered in the previous fiscal year, Sangetsu (Shanghai) Corporation, which targets the Chinese market, aimed to reinforce and stabilize the sales base in the local market with a focus on Shanghai and worked to win new customers and develop sales channels through more targeted sales activities. Goodrich Global Holdings Pte., Ltd., which operates business in the Southeast Asian market, worked to boost inventory capability in each area and enhance product line up in order to respond to market changes such as diversification of competitors and price consciousness.

Nevertheless, the management environment was increasingly difficult, characterized by a downturn in the hotel market, which is the main target in North America, and intensification of price competition due to deflation in the Chinese and Southeast Asian markets. As a result, net sales of the Overseas segment were ¥19,804 million, down 5.3% year on year, and operating loss was ¥932 million (operating loss of ¥960 million for the previous fiscal year).

In addition, business performance at Koroseal Interior Products Holdings, Inc. remained lower than initially planned, leading to the revision of the business plan. As a result, the Group recorded ¥5,948 million in impairment loss on goodwill incurred on the acquisition of shares and intangible assets as an extraordinary loss.

Status of Goodwill and Intangible Assets in the Overseas segment

The Company acquired all the shares of Koroseal Interior Products Holdings, Inc., a U.S. company engaging in production and sales of wallcovering products, in November 2016, and also acquired 70% of the shares of Goodrich Global Holdings Pte., Ltd., a Singapore-based company engaging in sales of interior finishing materials, in December 2017, making each company into a consolidated subsidiary. The Company carried out purchase price allocation on the dates of the business combinations associated with the share acquisitions and recorded the individually identifiable goodwill and intangible assets.

The status of goodwill and intangible assets in the Overseas segment at the end of the fiscal year under review (March 31, 2020) was as follows.

1. Related to Acquisition of Shares of *Koroseal Interior Products Holdings, Inc.*

(Millions of yen)

Consolidated balance sheet	Amortization period	Previous fiscal year	Current fiscal year			
		Consolidated balance sheet amount	Amortization amount	Impairment loss amount	Consolidated balance sheet amount	Remaining amortization period
Goodwill	10 years	4,621	567	3,972	–	Amortized
Trademark right	Not amortized	5,871	–	–	5,794	Not amortized
Intangible assets Other (Client-related assets)	21 years	2,109	109	1,962	–	Amortized
Intangible assets Other (Technology assets)	13 years	720	64	14	632	10 years
Total	–	13,322	740	5,948	6,427	–

- Notes: 1. In addition to the above, there have been changes due to exchange rate fluctuations.
2. At the end of the fiscal year under review (March 31, 2020), the Company recorded ¥1,495 million in deferred tax liabilities related to trademark right, and ¥163 million in deferred tax liabilities related to intangible assets other (technology assets).

2. Related to Acquisition of Shares of *Goodrich Global Holdings Pte., Ltd.*

(Millions of yen)

Consolidated balance sheet	Amortization period	Previous fiscal year	Current fiscal year			
		Consolidated balance sheet amount	Amortization amount	Impairment loss amount	Consolidated balance sheet amount	Remaining amortization period
Goodwill	10 years	45	4	–	40	8 years
Total	–	45	4	–	40	–

Note: In addition to the above, there have been changes due to exchange rate fluctuations.

(2) Capital Investments

During the fiscal year under review, the Group as a whole made ¥2,200 million in capital investment, including additional development related to core systems, in the Interior segment, large-scale factories in the Overseas segment and acquisition of land for the establishment of new branches in the Exterior segment.

(3) Financing

During the fiscal year under review, the Group procured financing of US\$1 million as funds related to capital investment at Koroseal. After taking into account exchange rate risk, a loan was made to Koroseal on the same day as the date of borrowing from the bank.

(4) Issues to Address

With regard to the future outlook, the management environment is expected to become increasingly challenging due to the slowdown in economic and production activity and fall in consumption resulting from the COVID-19 pandemic and other unpredictable risks. The construction market, which is closely related to the Group's business, is expected to face a slowdown in building demand in Japan and overseas and the risk of delays in product supply due to supply chain stagnation. The Group intends to release the various sample books for interior materials, which are the mainstay of its business, according to plan.

In such a market environment, for the full-year consolidated business results forecast, the Group calculated the impact on each of its businesses based on sales forecasts for each market sector and expects to record net sales of ¥135.0 billion, down 16.3% year on year, operation income of ¥4.2 billion, down 54.7% year on year, ordinary income of ¥4.5 billion, down 54.3% year on year, and profit

attributable to owners of parent of ¥2.3 billion, up 60.6% year on year. The assumptions on which these forecasts are based may change significantly depending on a variety of factors, and should the need arise to revise the business results forecasts, the Group will disclose any such revisions promptly. Over the past six years since 2014, the Group has been working to transform its business in line with its two Mid-term Business Plans: “Next Stage Plan G” and “PLG2019.” However, in order to implement transformation and pursue sustainable growth in an uncertain and rapidly-changing environment based on the re-clarification of the long-term vision, we formulated “DESIGN 2030,” the Sangetsu Group Long-term Vision, and “D.C. 2022,” the three-year Mid-term Business Plan (2020 – 2022), as the first step toward achieving the vision, and will implement the plan steadily.

Long-term Vision “DESIGN 2030”

Company creed: “Sincerity”
 Brand statement: “Joy of Design”

“Vision for 2030”

The Sangetsu Group will become a “Space creation company.”

“Approach to Achieving the Long-term Vision”

Basis of Management

- Design management
 Enhance brand value and transform business based on design

Management and Business Foundations

- Diverse professional human resources
 An organization where diverse professional human resources with onsite capabilities play active roles
- Practice digital transformation (DX)
 Use DATA to streamline and transform business

Main Function

- Complete transformation to selling service
 Business with service as the source of value added

Business Area

- Pacific Rim region
 Strong business in each country in the Pacific Rim region and global expansion

Corporate Vision

- From an interior decorating company to a space creation company
 A global space creation company based on design, human resources, DATA, and service

“Social Value the Sangetsu Group Aims to Realize”

The Sangetsu Group aims to contribute to the realization of a society that is:

Inclusive: an equal and healthy inclusive society
 Sustainable: a sustainable society that protects the global environment
 Enjoyable: a more affluent and enjoyable society

Quantitative target

FY2029

Consolidated net sales	¥225.0 billion
Consolidated operating income	¥18.5 billion

Mid-term Business Plan (2020-2022) “D.C. 2022” * D.C. = Design & Creation

1. Expand earnings through qualitative growth of core business

Interior segment

- (1) Strengthen design capabilities in an evolutionary manner and pursue strategic procurement
- (2) Enhance and upgrade service functions
- (3) Deepen collaboration with agencies and reinforce sales system

Exterior segment

- (4) Expand Exterior business qualitatively and geographically

2. Generate earnings in next-generation business based on resources of core business

Overseas segment

In each country overseas

- (1) Establish strong management foundations

- (2) Pursue optimum model and ensure localization
- (3) Strengthen branding and product portfolio
- Space creation segment**
- (4) Develop space creation business by enhancing professional capabilities
- 3. Strengthen management and business foundations
 - (1) Strengthen and streamline business execution capabilities
 - (2) Establish system for advanced utilization of DATA
- 4. Realize social value
 - (1) Global environment: Reduce impact on global environment
 - (2) Human capital: Organization where diverse human resources play active roles
 - (3) Social capital: Enhance security, safety, and attractiveness of supply chain
 - Participate in the community
 - (4) Governance: Strengthen corporate governance
- 5. Quantitative target (KPI)
 - (1) Economic value
 - Targets for fiscal year ending March 31, 2023
 - Consolidated net sales: ¥172.0 billion
 - Consolidated operating income: ¥12.0 billion
 - Consolidated net income: ¥8.5 billion
 - ROE: 9.0%
 - ROIC: 9.0%
 - CCC (cash conversion cycle): 65 days
 - (2) Social value
 - Targets for fiscal year ending March 31, 2023
 - (i) Global environment
 - Reduce environmental impact in business activities (Scope 1 and 2)
 - 1) GHG emissions (Scope 1 and 2): 30% reduction (from FY2018) *target for fiscal year ending March 31, 2031
 - 2) Energy consumption: 4% reduction (from FY2018)
 - 3) Total waste emissions: 4% reduction (from FY2018)
 - 4) Recycling rate: At least 83%
 - (ii) Human capital
 - 1) Promote employee health and skills
 - Improve rates of specific health guidance provision, cancer screening, findings, and metabolic syndrome
 - (*plan to set targets after August 2020 when health insurance association data is available)
 - Non-smoking rate: At least 80%
 - 2) Promote diversity & inclusion
 - Ratio of female managers: At least 20%
 - Ratio of employees with disabilities: At least 4%
 - (iii) Social capital
 - Space creation in children's home renovations: 30 per year
 - Active employee participation in matching gift: 7,000 S-mile
 - (iv) Endorse international initiatives
 - United Nations Global Compact
 - (3) Capital policy
 - Capital policy
 - Maintain the equity to the range of ¥90.0 billion to ¥95.0 billion
 - Maintain the return ratio on the total amount basis 100% during the term of the Mid-term Business Plan (3 years)
 - The Company will assess the impact of COVID-19 on business results and make decisions on share buybacks and dividends as needed, giving consideration to stable increases in dividends.
 - Capital allocation policy
 - Undetermined
 - To be determined once three-year business results outlook is clear

Other Issues to Address

- 1) Koroseal Interior Products Holdings, Inc., which was acquired in November 2016, recorded revenues lower than originally planned. In order to improve revenues, we will steadily advance improvement measures such as reinforcement of management structure, improvement of product

appeal, expansion of sales volumes, and reinforcement of cost-competitiveness by starting to use new equipment.

- 2) As for the quality issue arising from wall coverings purchased from a particular supplier, we will establish a customer service center and perform necessary repairs in coordination with said supplier on an ongoing basis at the residences, facilities, etc., of the customers at which said products were installed. The cost of such repairs is fully borne by the supplier and no loss is recorded by the Company in relation to these repairs.
- 3) The spread of COVID-19 has created significant turmoil in the market, causing sales to decline, and it is difficult to forecast the future. In addition, it has been observed there is a possibility of a second and third wave of infections even after the initial outbreak has subsided. It is highly probable that the market sector will change considerably after the outbreak subsides, and it will be necessary to address such changes steadily.

(5) Changes in Assets and Income (Loss)

(Millions of yen, except for per share amounts)

Item	65th term Fiscal year ended March 31, 2017	66th term Fiscal year ended March 31, 2018	67th term Fiscal year ended March 31, 2019	68th term Fiscal year ended March 31, 2020
Net sales	135,640	156,390	160,422	161,265
Ordinary income (loss)	8,368	5,698	6,699	9,844
Profit (loss) attributable to owners of parent	6,570	4,514	3,579	1,432
Net income (loss) per share (Yen)	97.53	68.97	57.28	23.56
Diluted net income (loss) per share (Yen)	97.40	68.85	57.16	23.52
Total assets	169,344	171,419	170,875	164,101
Net assets	110,458	106,360	100,143	94,217
Net assets per share (Yen)	1,646.42	1,648.71	1,612.59	1,539.56

Notes: 1. Net income (loss) per share is calculated using the average number of shares issued during the fiscal year (excluding treasury shares). Net assets per share is calculated using the number of shares issued as of the end of the fiscal year (excluding treasury shares).

2. The figures for the 65th and 66th terms reflect material changes in the initial allocation of acquisition costs because the tentative accounting treatment of business combinations was finalized.

(6) Principal Subsidiaries and Affiliates (As of March 31, 2020)

Company name	Capital	Equity ownership (%)	Main business
Sungreen Co., Ltd.	¥130 million	100	Sale of exterior products
Fairtone Co., Ltd.	¥35 million	100	Interior finishing and design and construction business
Sangetsu Vosne Corporation	¥100 million	100	Sale and planning of interior fabric products
Sangetsu Okinawa Co., Ltd.	¥100 million	100	Sale of interior materials
Koroseal Interior Products Holdings, Inc.	US\$137,736 thousand	100	Manufacturing and sale of wallpaper products
Goodrich Global Holdings Pte., Ltd.	SG\$11,004 thousand	70	Sale of interior materials
Sangetsu (Shanghai) Corporation	RMB13,000 thousand	100	Sale of interior materials
Wavelock Holdings Co., Ltd.	¥2,185 million	25.9	Manufacturing and sale of wallpaper products and synthetic fiber netting products, etc.

Notes: 1. Wavelock Holdings Co., Ltd. is an equity-method affiliate of the Company.

2. As all shares of a consolidated subsidiary Yamada Shomei Lighting Co., Ltd. were transferred to ODELIC CO., LTD on April 5, 2019, it has been excluded from the table above.

3. The Company established Sangetsu Goodrich Vietnam Co., Ltd. as a local subsidiary in the Socialist Republic of Vietnam on March 4, 2020 in a joint investment with Goodrich Global Holdings Pte., Ltd., and it commenced business on April 1, 2020.

(7) Principal Business (As of March 31, 2020)

1) The Company

Headquarters	1-4-1 Habashita, Nishi-ku, Nagoya, Japan
Branches	Hokkaido Branch (Sapporo-shi), Tohoku Branch (Sendai-shi), Kita-Kanto Branch (Saitama-shi), Tokyo Branch (Shinagawa-ku), Chubu Branch (Nagoya-shi), Kansai Branch (Amagasaki-shi), Chugoku-Shikoku Branch (Hiroshima-shi), Kyushu Branch (Fukuoka-shi)
Branch offices/ Sales offices	Yokohama Branch Office, Hokuiku Branch Office (Kanazawa-shi), Kita-Tohoku Sales Office (Morioka-shi), Fukushima Sales Office (Koriyama-shi), Higashi-Kanto Sales Office (Chiba-shi), Tama Sales Office (Tachikawa-shi), Atsugi Sales Office, Maebashi Sales Office, Utsunomiya Sales Office, Niigata Sales Office, Mito Sales Office, Nagano Sales Office, Gifu Sales Office, Okazaki Sales Office, Shizuoka Sales Office, Kyoto Sales Office, Kobe Sales Office, Higashi-Osaka Sales Office, Minami-Osaka Sales Office (Sakai-shi), Okayama Sales Office (Hayashima-cho), Shikoku Sales Office (Takamatsu-shi), Kita-Kyushu Sales Office, Kumamoto Sales Office, Minami-Kyushu Sales Office (Kagoshima-shi)

Note: On July 1, 2019, the Chugoku-Shikoku Branch was integrated with the Hiroshima Sales Office and relocated from Hayashima-cho, Okayama Prefecture to Hiroshima-shi, Hiroshima Prefecture. Distribution bases have continued to work with the Okayama Sales Office.

- Please see here for more details about business sites. (<https://www.sangetsu.co.jp/english/company/overview.html>)
- Please see here for nationwide showrooms. (<https://www.sangetsu.co.jp/english/showroom/>)

2) Principal subsidiaries

Company name	Headquarters	Offices
Sungreen Co., Ltd.	Nagoya-shi, Aichi	Headquarters, Nagoya Branch Office and 14 other branch offices
Fairtone Co., Ltd.	Suita-shi, Osaka	Headquarters, Tokyo Sales Office, Chubu Sales Office (Nagoya)
Sangetsu Vosne Corporation	Shinagawa-ku, Tokyo	Headquarters, Nagoya Sales Office, Kansai Sales Office, Kyushu Sales Office
Sangetsu Okinawa Co., Ltd.	Ginowan-shi, Okinawa	Headquarters
Koroseal Interior Products Holdings, Inc.	U.S. (Ohio)	Headquarters, Louisville Plant (Kentucky)
Goodrich Global Holdings Pte., Ltd.	Singapore	Headquarters
Sangetsu (Shanghai) Corporation	China (Shanghai)	Headquarters

- Notes: 1. As all shares of a consolidated subsidiary Yamada Shomei Lighting Co., Ltd. were transferred to ODELIC CO., LTD on April 5, 2019, it has been excluded from the table above.
2. The Company established Sangetsu Goodrich Vietnam Co., Ltd. as a local subsidiary in the Socialist Republic of Vietnam on March 4, 2020 in a joint investment with Goodrich Global Holdings Pte., Ltd., and it commenced business on April 1, 2020.

(8) Employees (As of March 31, 2020)

1) The Group

Segment	Number of employees	Change from previous fiscal year-end
Interior	1,260	Increase of 23
[of which Sangetsu Corporation]	[1,161]	[Decrease of 6]
[of which Fairtone Co., Ltd.]	[59]	[Increase of 26]
[of which Sangetsu Vosne Corporation]	[25]	[Increase of 5]
[of which Sangetsu Okinawa Co., Ltd.]	[15]	[Decrease of 2]
Exterior	162	Increase of 6
Overseas	819	Decrease of 17
[of which Koroseal Interior Products Holdings, Inc.]	[540]	[Decrease of 13]
[of which Goodrich Global Holdings Pte., Ltd.]	[270]	[Decrease of 4]
[of which Sangetsu (Shanghai) Corporation]	[9]	[No change]
Total	2,241	Increase of 12

Note: As all shares of a consolidated subsidiary Yamada Shomei Lighting Co., Ltd. were transferred to ODELIC CO., LTD on April 5, 2019, the lighting equipment segment has been excluded from the table above.

2) The Company

Number of employees	Change from previous fiscal year-end	Average age	Average years of service
1,161	Decrease of 6	37.0 years old	15.8 years

(9) Status of Principal Borrowings (As of March 31, 2020)

Lender	Balance of borrowing (Millions of yen)
Syndicated loan (Note 1)	10,883
Syndicated loan (Note 2)	4,897
Mizuho Bank, Ltd.	1,150
Sumitomo Mitsui Banking Corporation	861
THE SHIGA BANK, LTD.	652
The Norinchukin Bank	326
MUFG Bank, Ltd.	150
Sumitomo Mitsui Trust Bank, Limited	100

Notes: 1. The syndicated loan is joint-financing from Mizuho Bank, Ltd. as the lead manager as well as eight other banks.

2. The syndicated loan is joint-financing from Sumitomo Mitsui Trust Bank, Limited as the lead manager as well as three other banks.

2. Status of the Company

(1) Status of Shares (As of March 31, 2020)

1) Total Number of Authorized Shares 290,000,000 shares

2) Total Number of Issued Shares 61,750,000 shares

Note: The total number of issued shares decreased by 1,100,000 shares (to 61,750,000 shares) due to retirement of treasury shares carried out on July 31, 2019 and January 31, 2020.

3) Number of Shareholders 4,462 persons

4) Major Shareholders (Top 10)

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,764,900	6.21
Northern Trust Co. (AVFC) Re Silchester International Investors International Value Equity Trust	3,334,300	5.50
Japan Trustee Services Bank, Ltd. (Trust Account)	2,189,800	3.61
MUFG Bank, Ltd.	2,082,700	3.43
The Ogaki Kyoritsu Bank, Ltd.	2,064,372	3.40
Yuichi Hibi	1,845,154	3.04
Touzou Hibi	1,833,492	3.02
Yoshio Hibi	1,800,000	2.97
Masae Miwa	1,790,640	2.95
Northern Trust Co. (AVFC) Re U.S. Tax Exempted Pension Funds	1,731,800	2.85

Note: The Company holds 1,184,644 treasury shares, and shareholding ratio is calculated after deducting the amount of treasury shares.

5) Other important matters concerning stock

i. Acquisition of treasury shares

The Company, under the provisions of Article 156 of the Companies Act applied pursuant to Article 165, paragraph 3 of the said Act following the deemed replacement of terms, acquired treasury shares as follows.

Date of resolution by the Board of Directors	Period of acquisition	Number of shares acquired (shares)	Total value of acquired shares
February 5, 2019	From April 1, 2019 to June 21, 2019	487,900	¥1,004 million
August 2, 2019	From August 5, 2019 to December 23, 2019	491,400	¥970 million
Total		979,300	¥1,975 million

Note: The class of all acquired shares is common share.

ii. Retirement of treasury shares

The Company, under the provisions of Article 178 of the Companies Act, retired treasury shares as follows.

Date of resolution by the Board of Directors	Date of retirement	Number of shares canceled (shares)	Total value of shares cancelled
July 12, 2019	July 31, 2019	600,000	¥1,256 million
January 17, 2020	January 31, 2020	500,000	¥1,030 million
Total		1,100,000	¥2,286 million

Note: The class of all retired shares is common share.

(2) Status of Share Acquisition Right

1) Status of the share acquisition rights as of the end of the current fiscal year

Name (Date of resolution for issue)	Number of share acquisition rights	Class and number of shares to be issued upon exercise of the share acquisition rights	Amount to be paid for share acquisition rights per unit	Amount of property contributed upon exercise of the share acquisition rights	Exercise period
1st series share acquisition right (May 12, 2015)	4,994 units	Common shares 499,400 shares	¥400	¥1,839 per share	From July 1, 2017 to June 16, 2022
2nd series share acquisition right (June 18, 2015)	173 units	Common shares 17,300 shares	¥177,900 (Note)	¥1 per share	From July 13, 2015 to July 12, 2045
3rd series share acquisition right (June 23, 2016)	242 units	Common shares 24,200 shares	¥180,200 (Note)	¥1 per share	From July 11, 2016 to July 10, 2046
4th series share acquisition right (July 14, 2017)	5,834 units	Common shares 583,400 shares	¥1,300	¥1,972 per share	From July 1, 2020 to August 9, 2024

Note: Monetary remuneration in the amount equivalent to the total amount payable for the share acquisition rights shall be paid to the officers to whom the share acquisition rights are allotted, and this monetary remuneration shall be offset against the total amount payable for the allocated share acquisition rights.

2) Status of the share acquisition rights held by Directors (excluding Audit and Supervisory Committee Members) of the Company as of the end of the current fiscal year

Name (Date of resolution for issue)	Number of share acquisition rights	Class and number of shares to be issued upon exercise of the share acquisition rights	Number of Directors holding the share acquisition rights
1st series share acquisition right (May 12, 2015)	200 units	Common shares 20,000 shares	1 person
2nd series share acquisition right (June 18, 2015)	117 units	Common shares 11,700 shares	1 person
3rd series share acquisition right (June 23, 2016)	129 units	Common shares 12,900 shares	2 persons
4th series share acquisition right (July 14, 2017)	280 units	Common shares 28,000 shares	2 persons

(3) Company Officers

1) Directors (As of March 31, 2020)

Position	Name	Areas of responsibility within the Company and significant concurrent positions
Representative Director, President and CEO	Shousuke Yasuda	
Director, Executive Officer	Kenji Ito	In charge of General Affairs, Human Resources, Management Audit and Information System, and General Manager of the President's Office
Director (Audit and Supervisory Committee Member)	Kunihiro Nasu	Attorney Outside Audit and Supervisory Board Member of Central Japan Railway Company
Director (Audit and Supervisory Committee Member)	Masatoshi Hatori	
Director (Audit and Supervisory Committee Member)	Michiyo Hamada	Outside Director of Aisin Seiki Co., Ltd. Outside Audit & Supervisory Board Member of Toho Gas Co., Ltd. Outside Auditor of Metropolitan Expressway Company Limited
Director (Audit and Supervisory Committee Member)	Kenichi Udagawa	Outside Director of The Yamaguchi Bank, Ltd.
Director (Full-time Audit and Supervisory Committee Member)	Shuji Sasaki	

- Notes:
1. Directors serving as Audit and Supervisory Committee Members Mr. Kunihiro Nasu, Mr. Masatoshi Hatori, Ms. Michiyo Hamada and Mr. Kenichi Udagawa are Outside Directors.
 2. Outside Directors have been elected from among experts in diverse areas, such as business, legal, and accounting to ensure diversity in the Board of Directors as a whole.
 3. The Company has designated Audit and Supervisory Committee Members Mr. Kunihiro Nasu, Mr. Masatoshi Hatori Ms. Michiyo Hamada, and Mr. Kenichi Udagawa as Independent Officers stipulated by Tokyo Stock Exchange (TSE) and Nagoya Stock Exchange (NSE), and filed the relevant notification with the TSE and NSE.
 4. The Company elected Mr. Shuji Sasaki as a full-time Audit and Supervisory Committee Member from among five Audit and Supervisory Committee Members. The reason for election of the full-time Audit and Supervisory Committee Member is to enhance the effectiveness of the deliberation and activities at the Audit and Supervisory Committee, by means of collecting information on a daily basis, receiving regular operational reports from executive departments and share information from persons who conduct site visits as their duties among all Audit and Supervisory Committee Members.
 5. The Company has concluded an agreement with each of five Audit and Supervisory Committee Members as per Article 427, paragraph 1 of the Companies Act, limiting their liability for compensation for damage under Article 423, paragraph 1 of the Companies Act. These agreements limit the amount of their liability for compensation for damage to the minimum legally stipulated amounts.
 6. Mr. Kenji Ito assumed the position of Executive Officer in charge of administration (President's Office, General Affairs, Human Resources, Management Audit and Information System) on April 1, 2020.

2) Amount of Remuneration, etc. to Directors in FY 2019

Title	Number of payees (Persons)	Amount of remuneration (Millions of yen)
Directors (excluding Audit and Supervisory Committee Members)	5	103
Directors (Audit and Supervisory Committee Members)	7	62
[Of which, Outside Directors]	[5]	[42]
Total	12	166
[Of which, Outside Directors]	[5]	[42]

- Notes:
1. Above amount of remuneration does not include amount equivalent to salaries of those who are also company employees.
 2. Maximum total amount of remuneration for Directors (excluding Audit and Supervisory Committee Members) is set at ¥400 million or below per year at the 63rd Ordinary General Meeting of Shareholders held on June 18, 2015. In addition to this, the amount of remuneration to be granted as

restricted shares is set ¥120 million or below per year at the 65th Ordinary General Meeting of Shareholders held on June 23, 2017.

The Audit & Supervisory Committee, through a process of deliberation on the remuneration, etc. for Directors other than Audit and Supervisory Committee Members at the Nomination and Remuneration Committee, at which all Outside Directors serving as Audit and Supervisory Committee Member participate, has given careful consideration to the viewpoints of whether remuneration, etc. for Representative Director, President and CEO, and other Executive Directors is appropriate for their positions, responsibilities and achievements in terms of the amount, and serves as proper incentive for the corporate value enhancement. As a result, the Audit and Supervisory Committee judged that the contents of remuneration, etc. are appropriate.

3. Maximum total amount of Audit and Supervisory Committee Members' remuneration is set at ¥80 million or below per year and shall be comprised of only a fixed base remuneration that does not fluctuate with performance as determined at the 63rd Ordinary General Meeting of Shareholders held on June 18, 2015. It is considered appropriate for Directors who are members of the Audit and Supervisory Committee.
4. Above amount of remuneration includes the following amounts as expenses for the current fiscal year related to the restricted share remuneration.
 - Three Directors (excluding Audit and Supervisory Committee Members); ¥38 million
5. The system of counselors/advisors was terminated. However, the founders Mr. Yuichi Hibi and Mr. Touzou Hibi serve as part-time, unpaid special advisors.
6. The above number of payees and amount of remuneration, etc. includes two Directors (excludes Audit and Supervisory Committee Members) who were transferred as executive officers, one Director who was transferred as Director (Audit and Supervisory Committee Member), and two Directors (Audit and Supervisory Committee Members) who retired at the closing of the 67th Ordinary General Meeting of Shareholders held on June 20, 2019. The number as of the end of the fiscal year under review (March 31, 2020) is two Directors (excluding Audit and Supervisory Committee Members) and five Directors (Audit and Supervisory Committee Members).

Overview of Remuneration System for Directors Concurrently Serving as Executive Officers and Executive Officers

The Company's remuneration system consists of (1) base remuneration, (2) performance-based bonus, and (3) restricted share remuneration. Internal Directors not concurrently serving as Executive Officers and Outside Directors receive base remuneration only. The system was introduced in fiscal 2017 but has been partially revised starting in fiscal 2020 with the objective of creating a stronger link of remuneration with business performance and the share price.

(Table 1)

	Executive Officer	Internal Director (not concurrently serving as Executive Officer)	Outside Director
Base remuneration	✓	✓	✓
Performance-based bonus	✓	-	-
Restricted share remuneration	✓	-	-

The Nomination and Remuneration Committee assesses contribution to business performance in the previous fiscal year and multiplies the base remuneration by the contribution evaluation index ranging from 0.85 to 1.25 as shown in Table 2. The amount of base remuneration for Executive Officers is as shown in Table 2. The amount for each Executive Officer with a special position is the amount for Executive Officers times a multiplier, which is as shown in Graph 1.

(Table 2)

	Annual base remuneration	Contribution evaluation index	Minimum	Maximum
Executive Officer	¥15 million		0.85	1.25

Performance-based bonus is determined according to consolidated net income (ROE), which is an indicator of improvement in business profit and capital efficiency. The amount for Executive Officers is calculated as shown in Table 3. The amount for Executive Officers with special positions is the amount for Executive Officers times a multiplier, which is as shown in Graph 1.

(Table 3)

Consolidated net income (ROE)*	Amount of performance-linked bonus for Executive Officers (X = Consolidated net income)
¥2.85 billion or less (ROE: 3.0% or less)	¥0
Over ¥2.85 billion and not over ¥4.75 billion (ROE: over 3.0% and not over 5.0%)	$(X - ¥2.85 \text{ billion}) \times 0.15\%$
Over ¥4.75 billion and not over ¥7.6 billion (ROE: over 5.0% and not over 8.0%)	$(¥4.75 \text{ billion} - ¥2.85 \text{ billion}) \times 0.15\%$ $+ (X - ¥4.75 \text{ billion}) \times 0.20\%$
Over ¥7.6 billion (ROE: over 8.0%)	$(¥4.75 \text{ billion} - ¥2.85 \text{ billion}) \times 0.15\%$ $+ (¥7.6 \text{ billion} - ¥4.75 \text{ billion}) \times 0.20\%$ $+ (X - ¥7.6 \text{ billion}) \times 0.22\%$

(Note)*ROE for each level of consolidated net income calculated based on shareholders' equity = ¥95.0 billion.

Restricted share remuneration is intended to create an awareness of enhancing business performance and corporate value over the medium- to long-term that is shared with shareholders. The number of shares for each Executive Officer with a special position is the number of shares for Executive Officers times a multiplier, which is as shown in Graph 1.

(Table 4)

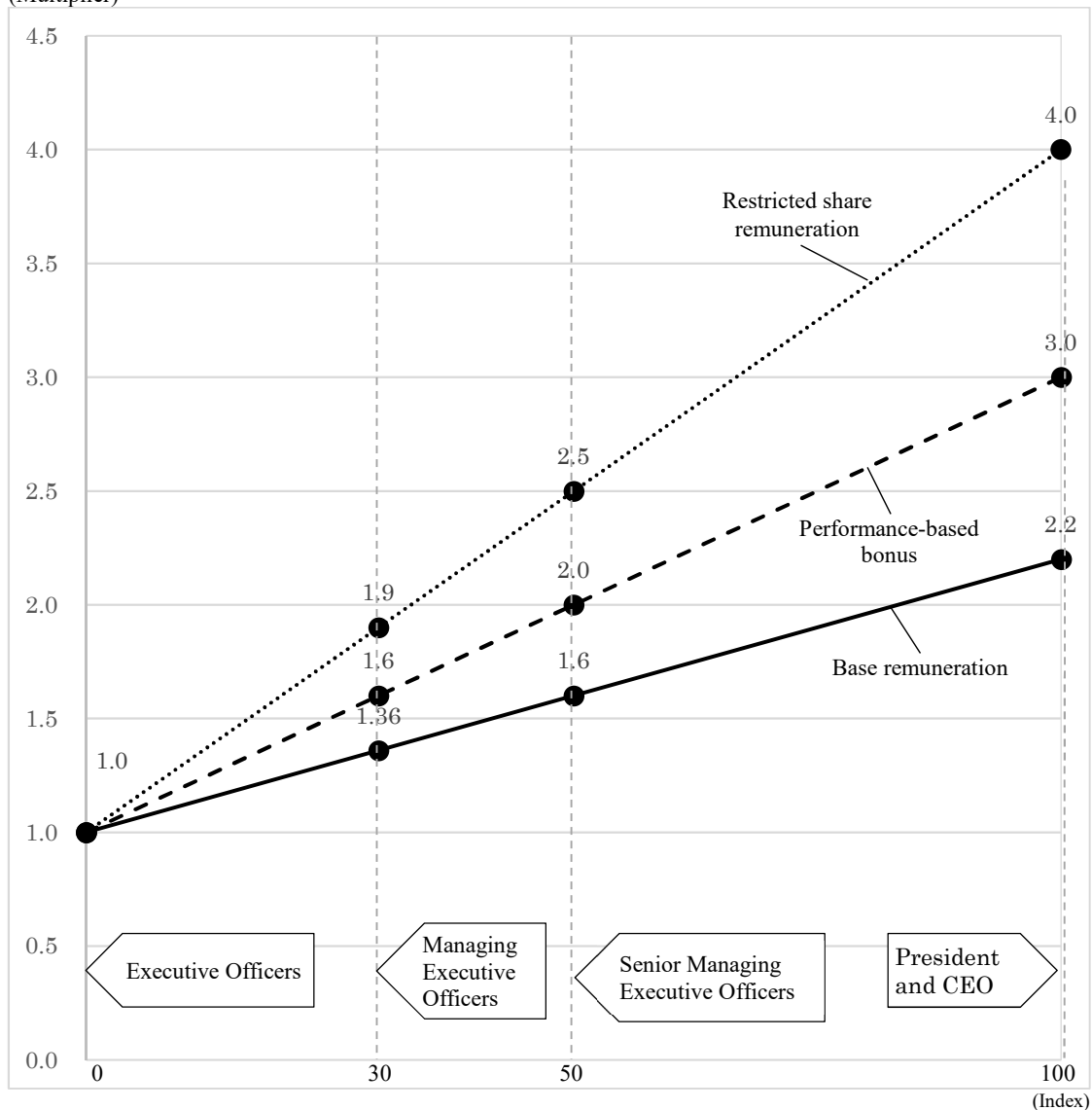
Executive Officer	Number of shares
	2,500 shares

The multiplier for each position is set so that the percentage of performance-based bonus and restricted share remuneration increases as the position becomes more senior.

(Graph 1)

Correlation Chart for Remuneration of Each Officer

(Multiplier)



The percentage compositions of remuneration for Directors concurrently serving as Executive Officers and Executive Officers are as shown below.

(Table 5)

Consolidated net income: ¥2.85 billion (ROE: 3%)

	Base remuneration	Performance-based bonus	Restricted share remuneration
President and CEO	68%	0%	32%
Senior Managing Executive Officers	71%	0%	29%
Managing Executive Officers	74%	0%	26%
Executive Officer	80%	0%	20%

Consolidated net income: ¥4.75 billion (ROE: 5%)

	Base remuneration	Performance-based bonus	Restricted share remuneration
President and CEO	58%	15%	27%
Senior Managing Executive Officers	61%	15%	24%
Managing Executive Officers	63%	14%	23%
Executive Officer	69%	13%	18%

Consolidated net income: ¥7.6 billion (ROE: 8%)

	Base remuneration	Performance-based bonus	Restricted share remuneration
President and CEO	45%	35%	20%
Senior Managing Executive Officers	47%	34%	19%
Managing Executive Officers	49%	33%	18%
Executive Officer	55%	31%	14%

The percentages shown in Table 5 were calculated using consolidated net income (ROE) based on shareholders' equity of ¥9.50 billion and the most recent share price (closing price on May 18, 2020). The above percentages will change depending on the Company's performance and stock market conditions.

3) Outside Officers

- i) Significant concurrent positions as executives of other organizations and the Company's relation thereto
No items to report
- ii) Significant concurrent positions as outside officers of other organizations and the Company's relation thereto

Title	Name	Significant concurrent positions	Relationship with the Company
Outside Director (Audit and Supervisory Committee Member)	Kunihiro Nasu	Outside Audit and Supervisory Board Member of Central Japan Railway Company	There are no special interests between Central Japan Railway Company and the Company.
Outside Director (Audit and Supervisory Committee Member)	Michiyo Hamada	Outside Director of Aisin Seiki Co., Ltd.	There are no special interests between Aisin Seiki Co., Ltd. and the Company.
		Outside Audit & Supervisory Board Member of Toho Gas Co., Ltd.	There are no special interests between Toho Gas Co., Ltd. and the Company.
		Outside Auditor of the Metropolitan Expressway Company Limited	There are no special interests between the Metropolitan Expressway Company Limited and the Company.
Outside Director (Audit and Supervisory Committee Member)	Kenichi Udagawa	Outside Director of The Yamaguchi Bank, Ltd.	There are no special interests between The Yamaguchi Bank, Ltd. and the Company.

- iii) Kinship with the Company or specified affiliated business operator of the Company
No items to report

iv) Main activities

Title	Name	Main activities
Outside Director (Audit and Supervisory Committee Member)	Kunihiro Nasu	Participated in all 13 Board of Directors' meetings and in all 13 Audit and Supervisory Committee meetings held in FY 2019; provided expert opinions, mainly as an experienced attorney, as necessary.
Outside Director (Audit and Supervisory Committee Member)	Tamotsu Kokado	Participated in all 3 Board of Directors' meetings, in 3 of 4 Audit and Supervisory Committee meetings held in FY2019 before retirement on June 20, 2019; provided opinions, mainly as an experienced corporate manager at a city bank, as necessary.
Outside Director (Audit and Supervisory Committee Member)	Masatoshi Hatori	Participated in all 13 Board of Directors' meetings, in all 13 Audit and Supervisory Committee meetings held in FY 2019; provided opinions, mainly as an experienced corporate manager, as necessary.
Outside Director (Audit and Supervisory Committee Member)	Michiyo Hamada	Participated in all 13 Board of Directors' meetings, in all 13 Audit and Supervisory Committee meetings held in FY 2019; provided expert opinions, mainly as a jurist who specializes in Companies Act and a former Commissioner of Japan Fair Trade Commission, as necessary.
Outside Director (Audit and Supervisory Committee Member)	Kenichi Udagawa	Participated in all 10 Board of Directors' meetings, in all 9 Audit and Supervisory Committee meetings held in FY2019 since appointment on June 20, 2019; provided highly specialized opinions, mainly as an experienced corporate manager, as necessary.

(4) Accounting Auditor

1) Accounting Auditor's Name

PricewaterhouseCoopers Aarata LLC

2) Accounting Auditor's Compensation, etc.

	Amount payable (Millions of yen)
Amount of Accounting Auditor's Compensation, etc. payable by the Company for the current fiscal year	73
Total amount of cash and other property benefits payable by the Company and its subsidiaries to Accounting Auditor	73

Notes: 1. The audit contract between the Company and Accounting Auditor does not clearly distinguish between compensation, etc. paid for the audit conducted in accordance with the Companies Act and compensation, etc. paid for the audit conducted in accordance with the Financial Instruments and Exchange Act. It is practically impossible to make such a distinction. Accordingly, the amount specified above is the aggregate amount of compensation, etc. for these two types of audits.

2. The Audit and Supervisory Committee has received explanations from the Accounting Auditor. Then the Committee has made the requisite investigation into the appropriateness of the Accounting Auditor's details of audit plans for the current fiscal year, including the number of days of and personnel allotment for auditing, the validation and evaluation of audit result for the previous fiscal year, the appropriateness of audit execution by the Accounting Auditor, and the calculation basis for their estimated compensation. As a result of these deliberations, it has concluded that these are appropriate and it consented to the amount of the compensation, etc. of the Accounting Auditor.

3) Non-auditing Services

The non-auditing services for which the Company has paid compensation to the accounting auditors are the advisory services related to overseas consolidated subsidiaries.

4) Policy Regarding Determination of Termination or Nonrenewal of Appointment of Accounting Auditors

When it is deemed that the Accounting Auditor falls into the categories stipulated under each item of Article 340, paragraph 1 of the Companies Act, the Accounting Auditor will be dismissed based on the unanimous agreement of the Audit and Supervisory Committee Members. In this event, the Audit and Supervisory Committee Member appointed by the Audit and Supervisory Committee shall report the fact of the dismissal of the Accounting Auditor and the reasons for it to the first Ordinary General Meeting of Shareholders to be convened following the dismissal. With regard to the continuation of the audit by the Accounting Auditor, the Audit and Supervisory Committee determines the appropriateness of the audit by the Accounting Auditor every fiscal year in accordance with the given evaluation criteria, and the maximum term of office of the Accounting Auditor is set as ten years in principle, as the Committee's policy. Based on these internal rules, the Audit and Supervisory

Committee determines proposals related to the nonrenewal of appointment and submit it to the Ordinary General Meeting of Shareholders as necessary.

(5) System to Ensure the Propriety of the Business Operations and Operational Status of the System

1) Decisions and Resolutions related to System to Ensure the Propriety of the Business Operations

The “System to Ensure the Propriety of the Business Operations (Basic Policy on the Company’s System for Internal Control)” of the Company was established at the meeting of the Board of Directors held on May 11, 2006 and has been revised five times since then in response to, among others, changes in the Regulation for Enforcement of the Companies Act and the shift to a company with an Audit and Supervisory Committee.

Date of Board of Directors held	Outline of contents of resolutions
April 1, 2015	In accordance with the revised Regulation for Enforcement of the Companies Act, revisions related to 1. System to Ensure the Propriety of the Business Operations of the Sangetsu Group and 2. Systems to Assist Audits and other items have been made.
July 10, 2015	In line with the transition to a company with an Audit and Supervisory Committee, revisions have been made in accordance with the Companies Act and Regulation for Enforcement of the Companies Act.
March 11, 2016	Prior to the adoption of an executive officer system, the addition of the objective of adoption of the system and other necessary revisions have been made.
April 14, 2017	In conjunction with the introduction of a department-in-charge system by the Company for the management of its subsidiaries, necessary changes were made.
April 12, 2019	The Nomination and Remuneration Advisory Committee has been renamed as the Nomination and Remuneration Committee and necessary changes have been made in conjunction with the revision of its role and positioning.

The latest version of “Basic Policy on the Company’s System for Internal Control” is as follows:

<p>I System to Ensure the Propriety of the Business Operations</p> <p>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</p> <p>(1) The Company shall establish the Sangetsu Group Corporate Charter and 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.</p> <p>(2) The Company shall establish a compliance committee, for which the President has ultimate responsibility, as a body to deliberate significant matters relating to the promotion of compliance.</p> <p>(3) The Company shall nominate a Director and Executive Officer to be in charge of compliance in order to supervise compliance activities on a cross-Group basis.</p> <p>(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.</p> <p>(5) The Audit Office, set up in the Management Audit Department shall conduct internal audit on the propriety of operation.</p> <p>(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.</p> <p>(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.</p>

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 has ultimate responsibility, as a body to oversee the Group-wide risk management.
 - (3) The Company shall nominate a Director and 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 responds 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 Directors, Executive Officers and others.
 - (4) Executive Directors and 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 Directors and Executive Officers as well as heads of departments, 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 Affiliates Management Regulations and Standards for Matters at Subsidiaries and Affiliates 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 Affiliates Management Regulations and Standards for Matters at Subsidiaries and Affiliates 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 Affiliates Management Regulations and Standards for Matters at Subsidiaries and Affiliates 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 Corporate Charter and 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 Department 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 Department require the consent of Audit and Supervisory Committee to ensure the independence from Executive Directors.
 - (3) Employees belonging to the Audit and Supervisory Committee Department 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 Department shall not be subject to instructions and orders from Executive Directors and Executive Officers concerning the duties to assist Audit and Supervisory Committee. Employees belonging to the Audit and Supervisory Committee Department 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 Executive Directors 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) Executive 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 Executive 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 Accounting Auditor.

2) Outline of Operational status of System to Ensure the Propriety of the Business Operations

- i) Operational status of compliance system
 - The Compliance Committee has been held four times in the current fiscal year, where they formulated the compliance program for the year and promoted initiatives such as checking its progress, instruction for its revisions and, other compliance activities.
 - Corporate governance training was conducted for employees in managerial positions.
 - Subcontract Act training was conducted for newly assigned employees at Interior Division.
 - Basic compliance training was provided to both new managers and new employees.
- ii) Operational status of risk management system
 - The Company has established eight subcommittees (sales and credit risk, logistics risk, product development risk, inventory and purchase risk, overseas business risk, labor management risk, environment, disaster and other risk, and information security risk) under the Risk Management Committee.
 - The Risk Management Committee has been held four times in the current fiscal year, where they examined countermeasures against the potential risks discussed at each subcommittee.
 - The risk management system is operated aiming to achieve the status in which the control levels of each risk are identified and effectively managed.
 - In response to the COVID-19 risk, which arose during fiscal 2019, the Company established the COVID-19 Task Force headed by the President and developed systems adapted for business risk, such as the promotion of working from home based on active utilization of teleworking, the maintenance of shipping and distribution systems at logistics centers, including in emergencies, and collaboration with suppliers to maintain supply chains.
- iii) Operational status of system for effective business execution
 - The Company introduced an executive officer system effective April 1, 2016 to speed up business execution and clarify executive responsibilities, and the Management Meeting, which consists mainly of Executive Officers, has been held 7 times in the current fiscal year.
 - The regular meeting of the Board of Directors has been held 12 times and the extraordinary meeting of the Board of Directors has been held one time in the current fiscal year.
 - The Company revised the Board of Directors regulations, so the President is able to delegate the execution of business to the Executive Officers in addition to the Executive Directors.
 - The Board of Directors delegated the following matters of the important business execution issues to Representative Director in the current fiscal year:
 - 1) Establishment, change and abolition of branches and other significant organizations
 - 2) Decision on the basic policy related to employee hiring, salaries and bonuses
 - 3) Approval of the draft for annual budgets
 - In the final year in the Mid-term Business Plan “PLG 2019,” the Company formulated the annual budget, company policy, important measures and operation plan, and reviewed the progress of operation quarterly.
 - Business Issue Review Meetings were held seven times as venues to discuss business and operational issues.
 - In order to ensure that the three-year Mid-term Business Plan is implemented in accordance with management cycles, the relationship between each division’s mid-term plan and plan for the fiscal year have been clarified, second-year reviews have been held, and measures for the third year of the plan have been formulated.
- iv) Operational status of the Group
 - Under the department-in-charge system introduced on April 1, 2017, for each subsidiary and affiliate, the department in charge of its management has been designated to strengthen the consolidated management of the Sangetsu Group.
- v) Operational status of Audit and Supervisory Committee
 - The Audit and Supervisory Committee meeting has been held 13 times in the current fiscal year.

(6) Basic Policy on Control of the Company

There are no items to report.

Note: Monetary amounts and numbers of shares provided in this business report are presented with fractional units discarded.

Consolidated Financial Statements

(April 1, 2019 - March 31, 2020)

Consolidated Balance Sheet

(As of March 31, 2020)

(Millions of yen)

Item	68th term As of March 31, 2020	(Reference) 67th term As of March 31, 2019	Item	68th term As of March 31, 2020	(Reference) 67th term As of March 31, 2019
ASSETS			LIABILITIES		
Current assets	100,591	97,674	Current liabilities	50,701	39,389
Cash and deposits	30,756	27,220	Notes and accounts payable - trade	12,235	13,978
Notes and accounts receivable - trade	34,751	37,927	Electronically recorded obligations - operating	13,583	12,544
Electronically recorded monetary claims - operating	12,318	12,577	Short-term loans payable	1,457	1,298
Securities	4,125	300	Current portion of long-term loans payable	11,383	500
Merchandise and finished goods	15,083	14,597	Lease obligations	180	87
Work in process	481	377	Income taxes payable	2,283	1,632
Raw materials and supplies	1,938	2,357	Provision for bonuses	1,960	1,313
Other	1,616	2,820	Provision for directors' bonuses	-	7
Allowance for doubtful accounts	(481)	(503)	Provision for product warranties	663	1,041
Non-current assets	63,509	73,200	Asset retirement obligations	28	-
Property, plant and equipment	35,673	35,688	Other	6,925	6,984
Buildings and structures	11,006	11,943	Non-current liabilities	19,182	31,342
Machinery, equipment and vehicles	3,373	3,140	Long-term loans payable	7,638	18,925
Tools, furniture and fixtures	717	896	Lease obligations	144	103
Land	19,418	19,313	Deferred tax liabilities	1,878	2,492
Leased assets	472	329	Provision for directors' retirement benefits	28	116
Construction in progress	684	66	Net defined benefit liability	8,183	8,108
Intangible assets	9,233	16,686	Asset retirement obligations	630	665
Software	2,647	3,138	Long-term accounts payable - other	2	2
Goodwill	40	4,680	Other	676	928
Trademark right	5,797	5,873	Total liabilities	69,883	70,732
Other	747	2,992	NET ASSETS		
Investments and other assets	18,603	20,825	Shareholders' equity	94,028	97,897
Investment securities	10,222	12,237	Capital stock	13,616	13,616
Long-term loans receivable	10	10	Capital surplus	20,000	20,000
Deferred tax assets	4,938	4,185	Retained earnings	62,853	67,171
Other	3,481	4,499	Treasury shares	(2,440)	(2,889)
Allowance for doubtful accounts	(49)	(106)	Accumulated other comprehensive income	(784)	1,241
			Valuation difference on available-for-sale securities	492	2,303
			Deferred gains or losses on hedges	22	103
			Foreign currency translation adjustment	204	416
			Remeasurements of defined benefit plans	(1,503)	(1,582)
			Share acquisition rights	83	84
			Non-controlling interests	889	919
			Total net assets	94,217	100,143
Total assets	164,101	170,875	Total liabilities and net assets	164,101	170,875

Consolidated Statement of Income

(April 1, 2019 - March 31, 2020)

	(Millions of yen)	
Item	68th term (April 1, 2019 - March 31, 2020)	(Reference) 67th term (April 1, 2018 - March 31, 2019)
Net sales	161,265	160,422
Cost of sales	108,340	109,702
Gross profit	52,925	50,720
Selling, general and administrative expenses	43,656	44,824
Operating income	9,268	5,895
Non-operating income	751	985
Interest and dividend income	154	189
Share of profit of entities accounted for using equity method	296	364
Other	300	430
Non-operating expenses	176	180
Interest expenses	116	102
Foreign exchange losses	15	46
Commission for purchase of treasury shares	5	8
Other	39	22
Ordinary income	9,844	6,699
Extraordinary income	166	16
Gain on sales of non-current assets	0	11
Gain on sales of investment securities	2	4
Gain on sales of shares of subsidiaries and associates	162	-
Other	0	0
Extraordinary losses	6,035	1,428
Loss on sales and retirement of non-current assets	84	153
Impairment loss	5,948	1,245
Other	2	29
Income before income taxes	3,974	5,287
Income taxes - current	3,416	2,548
Income taxes - deferred	(855)	(774)
Net income	1,412	3,513
Loss attributable to non-controlling interests	(19)	(66)
Profit attributable to owners of parent	1,432	3,579

Consolidated Statement of Changes in Equity
(April 1, 2019 - March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	13,616	20,000	67,171	(2,889)	97,897
Cumulative effect of changes in accounting policies					
Restated balance reflecting changes in accounting policies	13,616	20,000	67,171	(2,889)	97,897
Changes of items during period					
Dividends of surplus			(3,482)		(3,482)
Profit attributable to owners of parent			1,432		1,432
Purchase of treasury shares				(1,976)	(1,976)
Disposal of treasury shares			0	48	48
Retirement of treasury shares			(2,286)	2,286	-
Exercise of share acquisition rights			(9)	90	80
Change in scope of consolidation			27		27
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	(4,318)	449	(3,869)
Balance at end of current period	13,616	20,000	62,853	(2,440)	94,028

	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 current period	2,303	103	416	(1,582)	1,241	84	919	100,143
Cumulative effect of changes in accounting policies								
Restated balance reflecting changes in accounting policies	2,303	103	416	(1,582)	1,241	84	919	100,143
Changes of items during period								
Dividends of surplus								(3,482)
Profit attributable to owners of parent								1,432
Purchase of treasury shares								(1,976)
Disposal of treasury shares								48
Retirement of treasury shares								-
Exercise of share acquisition rights								80
Change in scope of consolidation								27
Net changes of items other than shareholders' equity	(1,811)	(81)	(212)	78	(2,026)	(0)	(30)	(2,057)
Total changes of items during period	(1,811)	(81)	(212)	78	(2,026)	(0)	(30)	(5,926)
Balance at end of current period	492	22	204	(1,503)	(784)	83	889	94,217

(Reference) Consolidated Statement of Changes in Equity
(April 1, 2018 - March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	13,616	20,005	73,967	(4,577)	103,012
Cumulative effect of changes in accounting policies			(59)		(59)
Restated balance reflecting changes in accounting policies	13,616	20,005	73,907	(4,577)	102,952
Changes of items during period					
Dividends of surplus			(3,540)		(3,540)
Profit attributable to owners of parent			3,579		3,579
Purchase of treasury shares				(5,282)	(5,282)
Disposal of treasury shares		(5)	1	53	49
Retirement of treasury shares			(6,756)	6,756	-
Exercise of share acquisition rights			(20)	160	139
Change in scope of consolidation					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(5)	(6,736)	1,687	(5,054)
Balance at end of current period	13,616	20,000	67,171	(2,889)	97,897

	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 current period	2,768	100	843	(1,482)	2,229	84	1,033	106,360
Cumulative effect of changes in accounting policies							(3)	(63)
Restated balance reflecting changes in accounting policies	2,768	100	843	(1,482)	2,229	84	1,030	106,297
Changes of items during period								
Dividends of surplus								(3,540)
Profit attributable to owners of parent								3,579
Purchase of treasury shares								(5,282)
Disposal of treasury shares								49
Retirement of treasury shares								-
Exercise of share acquisition rights								139
Change in scope of consolidation								-
Net changes of items other than shareholders' equity	(464)	2	(426)	(99)	(988)	(0)	(111)	(1,099)
Total changes of items during period	(464)	2	(426)	(99)	(988)	(0)	(111)	(6,154)
Balance at end of current period	2,303	103	416	(1,582)	1,241	84	919	100,143

Non-consolidated Financial Statements

(April 1, 2019 - March 31, 2020)

Non-consolidated Balance Sheet

(As of March 31, 2020)

(Millions of yen)

		(Reference)			(Reference)
Item	68th term As of March 31, 2020	67th term As of March 31, 2019	Item	68th term As of March 31, 2020	67th term As of March 31, 2019
ASSETS			LIABILITIES		
Current assets	86,470	80,687	Current liabilities	41,564	28,493
Cash and deposits	25,828	21,877	Electronically recorded obligations - operating	11,922	10,543
Notes receivable - trade	11,923	13,696	Accounts payable - trade	8,823	9,379
Electronically recorded monetary claims operating	12,365	12,306	Current portion of long-term loans payable	11,383	500
Accounts receivable - trade	16,218	16,177	Lease obligations	29	29
Securities	3,999	300	Accounts payable - other	2,411	3,109
Merchandise and finished goods	12,347	11,890	Income taxes payable	2,024	1,359
Work in process	374	228	Provision for bonuses	1,591	1,196
Raw materials and supplies	1,242	1,385	Provision for directors' bonuses	-	7
Loans receivable	1,020	576	Provision for product warranties	663	1,041
Other	1,273	2,391	Asset retirement obligations	28	-
Allowance for doubtful accounts	(123)	(140)	Other	2,687	1,327
Non-current assets	61,460	72,927	Non-current liabilities	13,856	25,003
Property, plant and equipment	30,415	31,707	Long-term loans payable	7,638	18,925
Buildings	9,606	10,385	Lease obligations	23	52
Structures	211	241	Provision for retirement benefits	4,905	4,484
Machinery and equipment	1,838	2,189	Asset retirement obligations	630	652
Vehicles	18	42	Currency swap	168	269
Tools, furniture and fixtures	577	640	Long-term accounts payable - other	0	0
Land	18,099	18,099	Long-term deposits received	490	619
Leased assets	48	75	Total liabilities	55,420	53,496
Construction in progress	14	33	NET ASSETS		
Intangible assets	2,593	3,100	Shareholders' equity	91,902	97,665
Software	2,522	3,029	Capital stock	13,616	13,616
Other	70	70	Capital surplus	20,005	20,005
Investments and other assets	28,452	38,118	Legal capital surplus	20,005	20,005
Investment securities	7,062	9,256	Retained earnings	60,721	66,933
Shares of subsidiaries and associates	14,077	22,167	Legal retained earnings	3,404	3,404
Long-term loans receivable	1,644	1,561	Other retained earnings	57,317	63,529
Deferred tax assets	2,779	2,067	General reserve	60,400	60,400
Insurance funds	1,271	1,309	Retained earnings brought forward	(3,082)	3,129
Guarantee deposits	1,047	1,049	Treasury shares	(2,440)	(2,889)
Other	595	786	Valuation and translation adjustments	524	2,368
Allowance for doubtful accounts	(26)	(80)	Valuation difference on available-for-sale securities	501	2,264
Total assets	147,930	153,615	Deferred gains or losses on hedges	22	103
			Share acquisition rights	83	84
			Total net assets	92,510	100,118
			Total liabilities and net assets	147,930	153,615

Non-consolidated Statement of Income

(April 1, 2019 - March 31, 2020)

	(Millions of yen)	
Item	68th term (April 1, 2019 - March 31, 2020)	(Reference) 67th term (April 1, 2018 - March 31, 2019)
Net sales	121,521	117,945
Cost of sales	79,790	79,153
Gross profit	41,731	38,792
Selling, general and administrative expenses	32,498	32,693
Operating income	9,233	6,099
Non-operating income	955	750
Interest and dividend income	706	542
Other	248	207
Non-operating expenses	85	55
Interest expenses	54	27
Commission for purchase of treasury shares	5	8
Foreign exchange losses	0	6
Other	24	13
Ordinary income	10,103	6,794
Extraordinary income	3	5
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	2	4
Other	0	0
Extraordinary losses	7,723	200
Loss on valuation of shares of subsidiaries and associates	7,623	-
Loss on sales and retirement of non-current assets	14	135
Loss on sales of shares of subsidiaries and associates	86	-
Impairment loss	-	35
Other	-	29
Income before income taxes	2,382	6,599
Income taxes - current	3,061	2,315
Income taxes - deferred	(245)	(311)
Net income (loss)	(433)	4,596

Non-consolidated Statement of Changes in Equity
(April 1, 2019 - March 31, 2020)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surpluses		Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	13,616	20,005	20,005	3,404	60,400	3,129	66,933	(2,889)	97,665
Changes of items during period									
Dividends of surplus						(3,482)	(3,482)		(3,482)
Net income (loss)						(433)	(433)		(433)
Purchase of treasury shares								(1,976)	(1,976)
Disposal of treasury shares						0	0	48	48
Retirement of treasury shares						(2,286)	(2,286)	2,286	-
Exercise of share acquisition rights						(9)	(9)	90	80
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	-	(6,212)	(6,212)	449	(5,763)
Balance at end of current period	13,616	20,005	20,005	3,404	60,400	(3,082)	60,721	(2,440)	91,902

	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 current period	2,264	103	2,368	84	100,118
Changes of items during period					
Dividends of surplus					(3,482)
Net income (loss)					(433)
Purchase of treasury shares					(1,976)
Disposal of treasury shares					48
Retirement of treasury shares					-
Exercise of share acquisition rights					80
Net changes of items other than shareholders' equity	(1,762)	(81)	(1,843)	(0)	(1,844)
Total changes of items during period	(1,762)	(81)	(1,843)	(0)	(7,607)
Balance at end of current period	501	22	524	83	92,510

(Reference) Non-consolidated Statement of Changes in Equity
(April 1, 2018 - March 31, 2019)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surpluses		Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	13,616	20,005	20,005	3,404	60,400	8,849	72,653	(4,577)	101,697
Changes of items during period									
Dividends of surplus						(3,540)	(3,540)		(3,540)
Net income						4,596	4,596		4,596
Purchase of treasury shares								(5,282)	(5,282)
Disposal of treasury shares						1	1	53	54
Retirement of treasury shares						(6,756)	(6,756)	6,756	-
Exercise of share acquisition rights						(20)	(20)	160	139
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	-	(5,720)	(5,720)	1,687	(4,032)
Balance at end of current period	13,616	20,005	20,005	3,404	60,400	3,129	66,933	(2,889)	97,665

	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 current period	2,690	100	2,790	84	104,573
Changes of items during period					
Dividends of surplus					(3,540)
Net income					4,596
Purchase of treasury shares					(5,282)
Disposal of treasury shares					54
Retirement of treasury shares					-
Exercise of share acquisition rights					139
Net changes of items other than shareholders' equity	(425)	2	(422)	(0)	(423)
Total changes of items during period	(425)	2	(422)	(0)	(4,455)
Balance at end of current period	2,264	103	2,368	84	100,118

(English Translation)

Accounting Auditor's audit report on the Consolidated Financial Statements

Independent Auditor's Report

May 19, 2020

To the Board of Directors
Sangetsu Corporation

PricewaterhouseCoopers Aarata LLC
Nagoya Office

Eiichi Yamanaka, CPA
Designated Limited Liability Partner,
Engagement Partner
Tomohiro Nishimura, CPA
Designated Limited Liability Partner,
Engagement Partner

Opinion

Pursuant to Article 444, paragraph 4 of the Companies Act of Japan, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements of Sangetsu Corporation (the "Company") for the fiscal term from April 1, 2019 to March 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and financial performance of the corporate group, which consisted of the Company and its consolidated subsidiaries for the fiscal term of the consolidated financial statements, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the regulations on professional ethics in Japan, and we have fulfilled our other ethical responsibilities as the auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements on the going concern basis of accounting and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for overseeing the execution of duties by the Directors in designing and operating the financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to express an opinion on the consolidated financial statements in our auditor's report from an independent standpoint based on our audit by obtaining reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decision-making of users of the consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we perform the following by exercising professional judgment and maintaining professional skepticism throughout the audit.

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks. The procedures selected and applied depend on the auditors' judgment. Further, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the internal control.
- We evaluate the appropriateness of accounting policies and their method of application adopted by management, as well as the reasonableness of accounting estimates made by management and adequacy of related disclosures.
- We conclude on the appropriateness of management's use of the going concern basis of accounting to prepare the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the going concern basis of accounting. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the notes to consolidated financial statements or, if such disclosures are inadequate, to express a qualified opinion with an exceptive item on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the related disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- We obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit on the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the audit, significant audit findings including any significant deficiencies in internal control that we identify during our audit, and any other matters required by the auditing standards.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the regulations on professional ethics in Japan regarding independence, and to communicate with the Audit and Supervisory Committee all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards to eliminate or mitigate factors that may hinder our independence.

Conflict of Interest

We or the engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

- End of Report -

(English Translation)

Accounting Auditor's audit report on the Non-consolidated Financial Statements

Independent Auditor's Report

May 19, 2020

To the Board of Directors
Sangetsu Corporation

PricewaterhouseCoopers Aarata LLC
Nagoya Office

Eiichi Yamanaka, CPA
Designated Limited Liability Partner,
Engagement Partner
Tomohiro Nishimura, CPA
Designated Limited Liability Partner,
Engagement Partner

Opinion

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act of Japan, we have audited the non-consolidated financial statements, that is, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements, and the supplementary schedules (hereinafter, collectively, the “non-consolidated financial statements, etc.”) of Sangetsu Corporation (the “Company”) for the 68th fiscal term from April 1, 2019 to March 31, 2020.

In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position and financial performance of the Company for the fiscal term of the non-consolidated financial statements, etc., in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, etc.* section of our report. We are independent of the Company in accordance with the regulations on professional ethics in Japan, and we have fulfilled our other ethical responsibilities as the auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit and Supervisory Committee for the Non-consolidated Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements, etc. in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc. on the going concern basis of accounting and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for overseeing the execution of duties by the Directors in designing and operating the financial reporting process.

Auditors' Responsibilities for the Audit of the Non-consolidated Financial Statements, etc.

Our responsibility is to express an opinion on the non-consolidated financial statements, etc. in our auditor's report from an independent standpoint based on our audit by obtaining reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate they could reasonably be expected to influence the decision-making of users of the non-consolidated financial statements, etc.

As part of an audit in accordance with auditing standards generally accepted in Japan, we perform the following by exercising professional judgment and maintaining professional skepticism throughout the audit.

- We identify and assess the risks of material misstatement of the non-consolidated financial statements, etc. whether due to fraud or error, and then design and perform audit procedures responsive to those risks. The procedures selected and applied depend on the auditors' judgment. Further, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the non-consolidated financial statements, etc. is not expressing an opinion on the effectiveness of the internal control.
- We evaluate the appropriateness of accounting policies and their method of application adopted by management, as well as the reasonableness of accounting estimates made by management and adequacy of related disclosures.
- We conclude on the appropriateness of management's use of the going concern basis of accounting to prepare the non-consolidated financial statements, etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the going concern basis of accounting. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the notes to non-consolidated financial statements, etc. or, if such disclosures are inadequate, to express a qualified opinion with an exceptive item on the non-consolidated financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the non-consolidated financial statements, etc., including the related disclosures, and whether the non-consolidated financial statements, etc. represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the audit, significant audit findings including any significant deficiencies in internal control that we identify during our audit, and any other matters required by the auditing standards.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the regulations on professional ethics in Japan regarding independence, and to communicate with the Audit and Supervisory Committee all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards to eliminate or mitigate factors that may hinder our independence.

Conflict of Interest

We or the engagement partners have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

- End of Report -

(English Translation)

The Audit and Supervisory Committee's audit report

Audit Report

The Audit and Supervisory Committee has audited the execution of duties by Directors for the 68th fiscal term from April 1, 2019 to March 31, 2020. The Committee hereby reports the method and result thereof as follows:

1. Summary of Auditing Methods

Regarding the content of the resolution of the Board of Directors relating to matters stipulated in Article 399-13, paragraph 1, item 1 (b) and (c) of the Companies Act and the status of the system being developed pursuant to such resolutions (internal control system), the Audit and Supervisory Committee periodically received reports from the Directors, employees and other personnel concerning the establishment and operation of such system, sought explanations as necessary, and expressed opinions. In addition, the Committee Members carried out audits according to the following method:

1) In accordance with the auditing standards for Audit and Supervisory Committee determined by the Audit and Supervisory Committee, and in compliance with auditing policies and the division of duties, each Audit and Supervisory Committee Member worked in coordination with the internal audit division and attended the important meetings to receive reports regarding execution of duties from the Directors and employees, and requested explanations as necessary. Each Audit and Supervisory Committee Member also inspected the approved documents and examined the status of operations and conditions of assets at the head office, principal branches, and sales offices. Audit and Supervisory Committee Members communicated and shared information with the directors and auditors, etc. of the subsidiaries and received from the subsidiaries their business reports as necessary.

2) Audit and Supervisory Committee Members monitored and verified that the Accounting Auditor maintains independence and conduct the audits appropriately. Each Audit and Supervisory Committee Member also received reports on the status of the execution of duties from Accounting Auditor and requested explanations as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Regulation on Corporate Accounting in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005)) from the Accounting Auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the Business Report and the supplementary schedules thereto, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements) and the supplementary schedules thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements) for the fiscal term ended March 31, 2020.

2. Results of Audit

(1) Results of Audit of Business Report and Other Relevant Documents

- 1) The business report and supplementary schedules present fairly the financial condition of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- 2) Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws and regulations, nor of the Articles of Incorporation of the Company.
- 3) The resolution of the Board of Directors regarding the internal control system is fair and reasonable. As for the construction and operation of this internal control system, improvements continue to be made, and there are no matters requiring additional comment regarding the contents of the business report on such internal control system and the execution of duties by Directors.

(2) Results of Audit of Non-consolidated Financial Statements and Supplementary Schedules

The auditing methods and results of the Accounting Auditor, PricewaterhouseCoopers Aarata LLC, are fair and reasonable.

(3) Results of Audit of Consolidated Financial Statements

The auditing methods and results of the Accounting Auditor, PricewaterhouseCoopers Aarata LLC, are fair and reasonable.

May 19, 2020

Audit and Supervisory Committee, Sangetsu Corporation

Audit and Supervisory Committee Member	Kunihiro Nasu
Audit and Supervisory Committee Member	Masatoshi Hatori
Audit and Supervisory Committee Member	Michiyo Hamada
Audit and Supervisory Committee Member	Kenichi Udagawa
Audit and Supervisory Committee Member (full-time)	Shuji Sasaki

(Note) Audit and Supervisory Committee Members Kunihiro Nasu, Masatoshi Hatori, Michiyo Hamada, and Kenichi Udagawa are Outside Directors under the provisions of item 15 of Article 2 and paragraph 6 of Article 331 of the Companies Act.