



Sangetsu Corporation

Financial Results Briefing for the Fiscal Year Ending March 2021

May 28, 2021

Event Summary

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[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Shosuke Yasuda	President, CEO
	Tatsuo Sukekawa	Executive Officer in Charge of Administration, General Manager of Finance & Accounting Department

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Presentation

Niiyama: Thank you for waiting. Now we will hold the briefing for the financial results for the fiscal year ending March 2021 and the management strategy of Sangetsu Corporation.

Thank you very much for taking the time to join us today. My name is Niiyama from the General Affairs Department, and I will be serving as the moderator today.

As we hold this briefing as a web seminar, we may cause some inconvenience, but I would appreciate your understanding and cooperation.

I will explain the material for today. The document is available on our website here. You can obtain the financial results presentation materials in the IR Library on our IR website. Please access the site and check them out.

Next, I will explain today's schedule. First, President, CEO, Yasuda will explain the financial results and the management strategy, followed by a question-and-answer session.

Now, I would like to introduce today's speakers.

Shosuke Yasuda, President, CEO of Sangetsu Corporation.

Yasuda: Thank you very much.

Niiyama: Tatsuo Sukekawa, Executive Officer in charge of Administration and General Manager of Finance and Accounting Department.

Sukekawa: Thank you very much.

Niiyama: Well then, President, please start the presentation.

Yasuda: Thank you. Today's presentation materials are very large in volume, and due to time constraints, I would like to skip some parts. Today, I would like to spend more time on the latter half of the presentation, especially on the explanation of the management strategy.

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決算のPOINT

※カッコ内はいずれも前期比

- 連結売上高1,453億円（▲9.9%）、連結総利益476億円（▲10.0%）
コロナウイルス感染症拡大の影響大きく、
連結売上高・総利益ともに11期ぶり（2010年3月期以来）の減少
 - ・ インテリアセグメント売上高 8.4%減
 - ・ 海外セグメント売上高 24.1%減
 - ・ エクステリアセグメント売上高 9.1%減
 - ・ スペースクリエーションセグメント売上高 25.9%増
- 連結営業利益は67.0億円（▲27.7%）
- 連結純利益は、前期海外セグメントでの減損実施の反動により、
47.8億円と増益
- ROEは、4期ぶりに上昇5.1%

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First, I would like to provide an overview of the financial results for the previous fiscal year.

Here is a summary of the main points of the financial results. Consolidated net sales were JPY145.3 billion, down 9.9%. Gross profit was JPY47.6 billion, down 10%. This was the first time in 11 quarters that these figures decreased.

Of these, the largest decline was in the Overseas segment, down 24.1%. The Exterior and Interior segments are the same, with a decrease of 9 to 8%. On the other hand, sales in the Space Creation segment increased by 25.9%.

Operating income was JPY6.7 billion, a decrease of 27.7%.

Consolidated net income increased to JPY4,780 million, due to the absence of the significant impairment loss on the Koroseal business in the previous fiscal year.

ROE increased for the first time in 4 fiscal years to 5.1%.

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連結売上高・総利益の推移

売上高 11期ぶりの減収 (2010年/03月期以来)
 総利益 11期ぶりの減益 (2010年/03月期以来)



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I'll skip to page 7.

As I mentioned earlier, it was the lowest in FY2009 due to the impact of the Lehman's collapse, and since then it has been recovering and increasing, with both sales and gross profit increasing, but last year it decreased significantly.

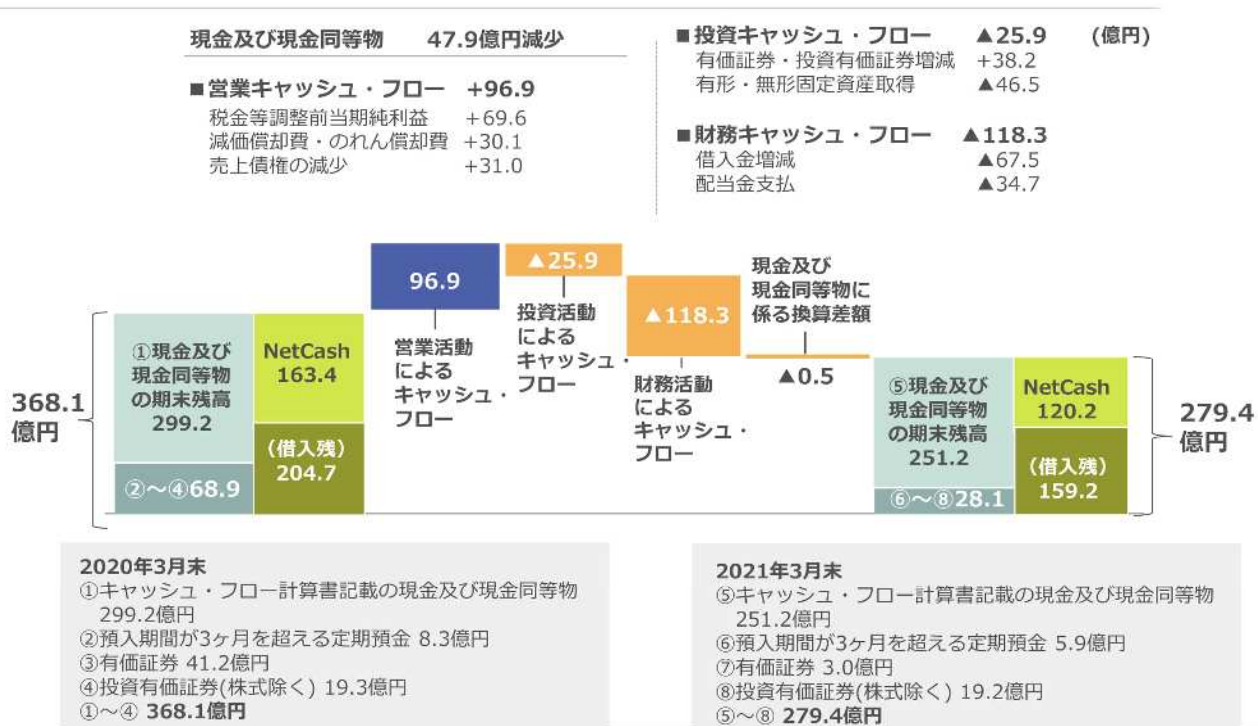
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連結キャッシュ・フロー計算書



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We will then explain the status of the cash, which is page 12.

In addition to cash and cash equivalents on the statement of cash flows, we also consider time deposits and highly liquid securities as cash equivalents, and manage them.

That amount was JPY36.81 billion at the end of March 2020. With an increase of JPY9.69 billion in operating cash flow, a decrease of JPY2.59 billion in investing activities, and JPY11.83 billion in financing activities during the previous fiscal year, the amount of cash equivalents at the end of March of the previous year was JPY27.94 billion.

In the past, we had planned to maintain this amount at JPY25 to JPY30 billion, but then we reduced it to JPY20 to JPY25 billion, but last year, in the midst of the expansion of the COVID-19 infections, we reviewed it again, and now we would like to maintain this amount at JPY25 to JPY30 billion for the time being.

In contrast, borrowings are JPY15.92 billion and NetCash is JPY12.02 billion. Although our goal is to achieve NetCash plus, we believe that NetCash is slightly higher.

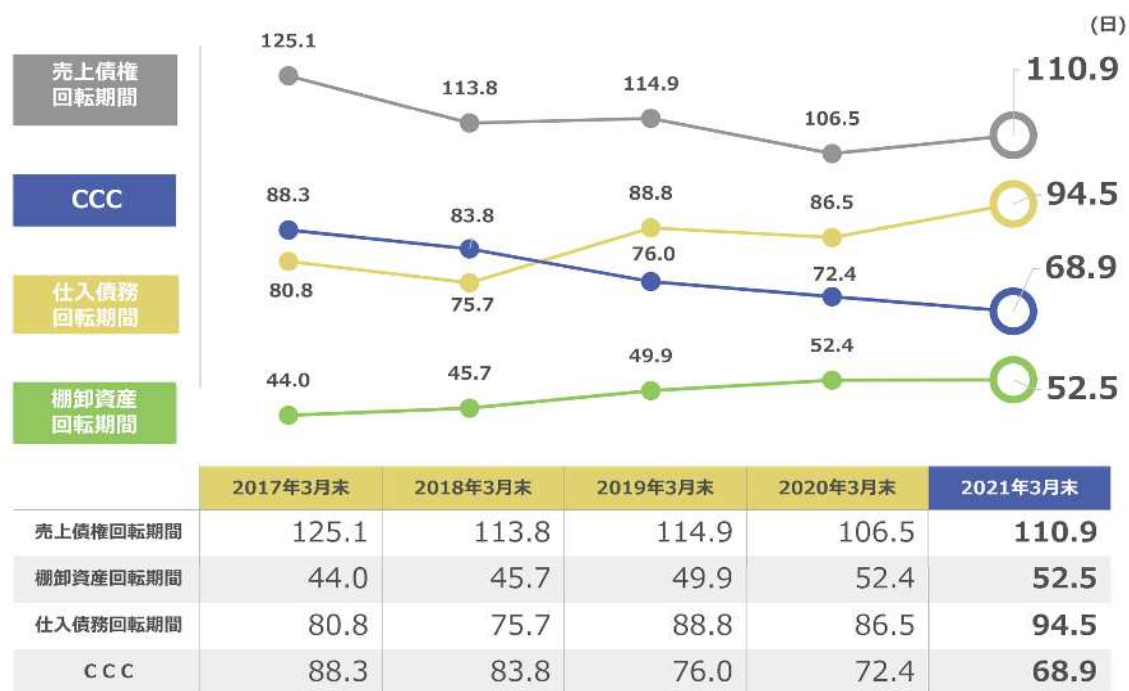
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連結Cash Conversion Cycle



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As for the cash conversion cycle, it further improved to 68.9 days due to the increased turnover period for trade payables to 94.5 days.

One major factor was a large drop in the monthly purchase volume itself, accompanied by the sharp decline in sales. This has a positive impact on the turnover period of trade payables. On the other hand, it has a negative impact on the turnover period of trade receivables, but it has improved to 68.9 days.

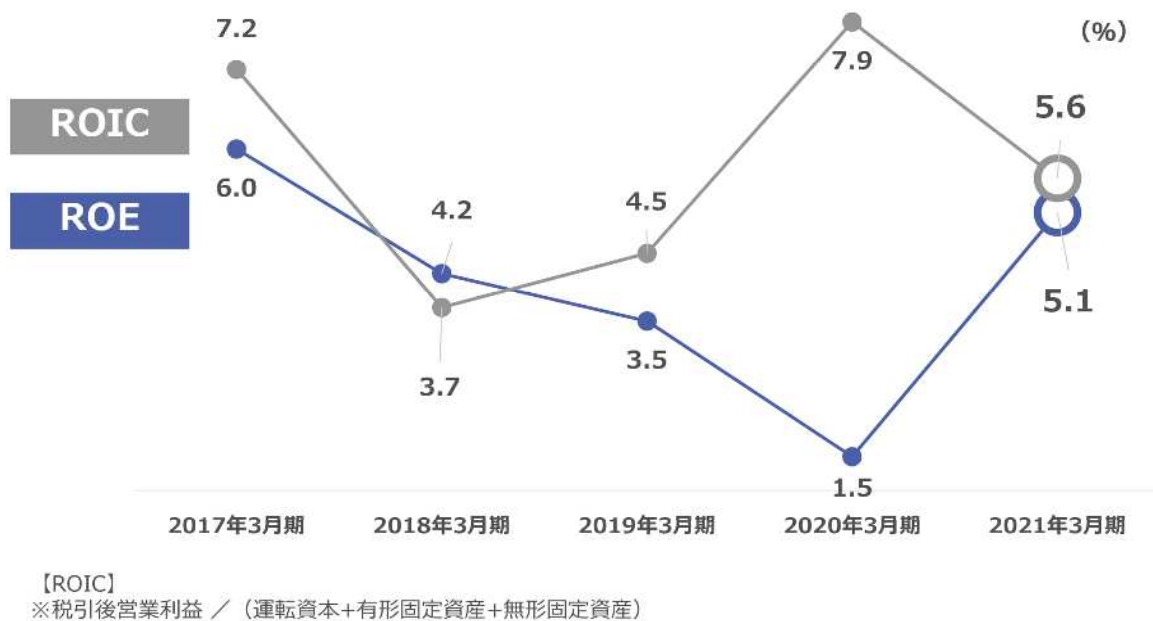
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連結ROE・ROIC



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Next, ROE and ROIC.

As I mentioned earlier, our ROE has returned to 5.1% from 6% in FY2016.

ROIC decreased to 5.6% due to the decrease in consolidated operating income.

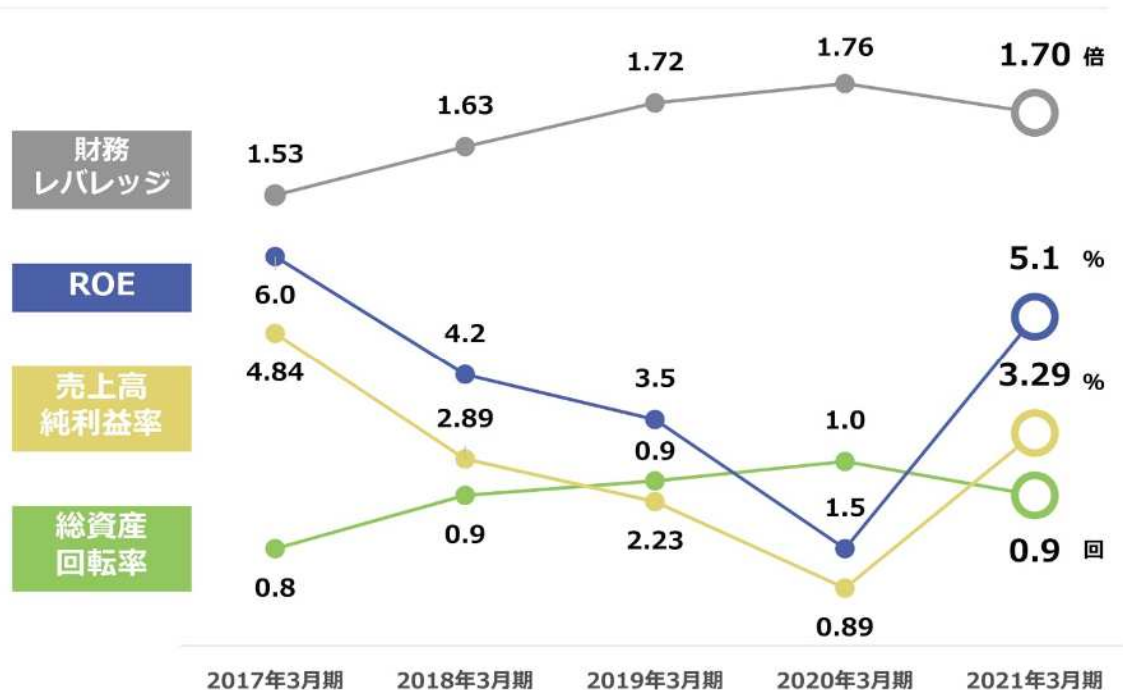
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連結ROE・関連指標



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This is the breakdown of ROE.

The net profit to sales ratio was 3.29%, which is a recovery from 0.89% in the fiscal year before the last.

However, in our mid-term management plan, we have set a target of achieving 9% ROE in the next fiscal year, FY2022. In order to achieve this goal, we believe it is important to further improve the net profit margin and the total asset turnover ratio.

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決算のPOINT

- 市場全体としては金額ベース9.5~10%の縮小に対して、わが社インテリアセグメント売上高は▲8.4%。壁紙・床材を中心にシェア増加。
- 住宅・非住宅 × 新築・リニューアルの4分野では、新築住宅が大幅減少の中、壁装材廉価品需要は底固さ見せる。（中高価格帯からの需要の異動）
- オンラインを活用した商品セミナーやインテリアコンサルテーションの実施、WEBサイトの情報拡充、テレワークなどコロナ禍に対応した営業・販促活動を維持

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Next, I'll explain the situation by segment.

In terms of the interior design segment in the Japanese market, we believe that the market as a whole has shrunk by 9.5% to 10% on a value basis, but our sales in the Interior segment declined by 8.4%. We are afraid that our business results have been disappointing as we have seen the same decline as the market.

However, our market share increased slightly, especially for wallpaper and flooring materials, and as a result, the decline was small.

One thing worth mentioning is that among the 4 areas of residential, non-residential, new construction, and renovation, demand for low-priced wall materials, which are largely used in new housing units and are referred to as mass-produced products, remained firm, even though the number of new housing units declined significantly.

The shift from mid- to high-priced products to low- and low-priced products has been continuing in recent years, but last year this trend progressed even further.

We are also actively conducting online product seminars and other activities.

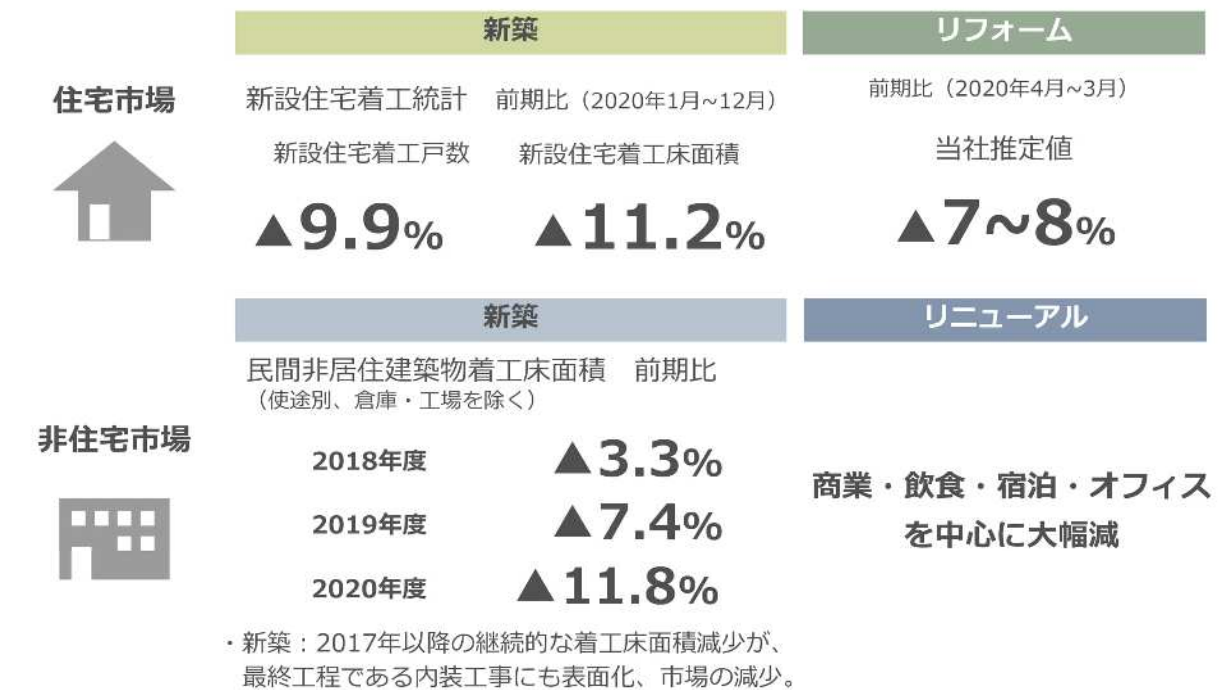
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インテリアセグメント 国内建設市場の状況



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This is the situation for this entire market.

I'll divide the market into residential, non-residential, new construction, renovation, and renewal.

Looking at the construction start period, which has an impact on interior design, the number of housing starts decreased by 9.9%, and the floor space decreased by an even greater 11.2%.

We estimate that the residential remodeling market has decreased by 7% to 8%.

Non-residential market, new construction.

Since FY2018, the decline in the floor space of non-residential building starts, excluding warehouses and factories, has been increasing every year. As a result, interior decoration work has been decreasing year by year. I would like to say that this is not the COVID-19 pandemic effect, but rather a trend in the market as a whole.

On the other hand, the renewal of non-residential buildings, such as mainly commercial, restaurant, lodging, and office buildings, has decreased significantly. In a nutshell, I would say that it has dropped by about 20% to 30%. Looking at the cargo movement of various commodities, we believe that the price has dropped that much.

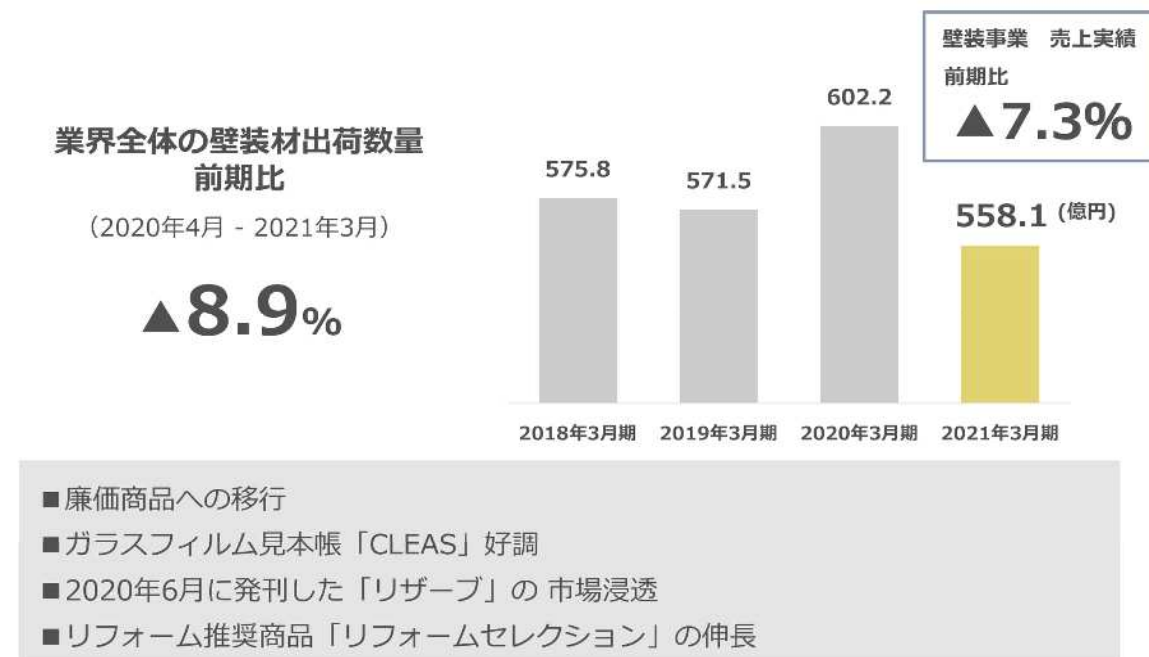
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インテリアセグメント 壁装材売上状況



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Let me explain this by product.

Sales of wall materials, which is the most important product in our Interior segment, are as follows. According to the figures released by the Japan Wallcoverings Association, the statistical trend is that the level decreased by 8.9% last year.

In contrast, our actual sales of wall materials decreased by 7.3%. This is a difference of 1.6%, but since the unit price has decreased, we believe that our market share has increased by more than 1.6%.

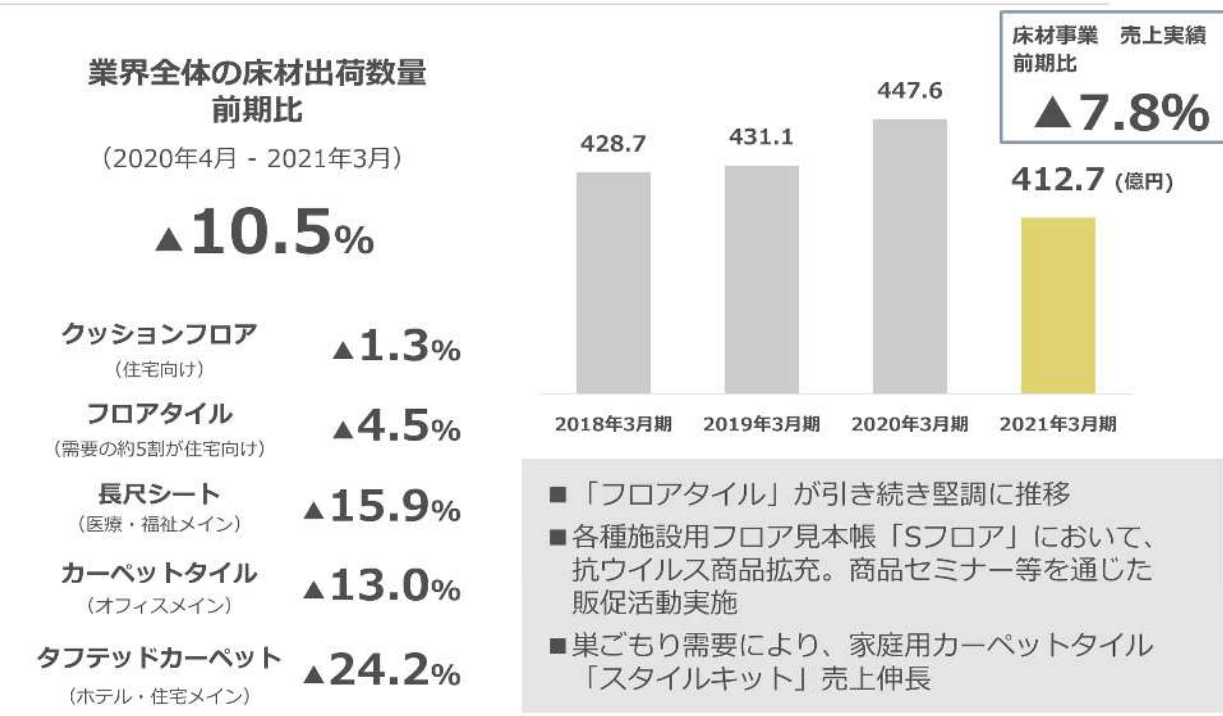
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インテリアセグメント 床材売上状況



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Next is the flooring material.

There are various types of flooring materials, and according to the announcement, the decline in the shipment of cushion flooring and floor tiles, which are widely used in houses, was not so large, but the decline in the shipment of products used in medical and welfare facilities and offices was more than 10%.

The overall decrease was 10.5%. In contrast, although this is also a comparison of volume and sales, our sales of flooring materials decreased by 7.8%.

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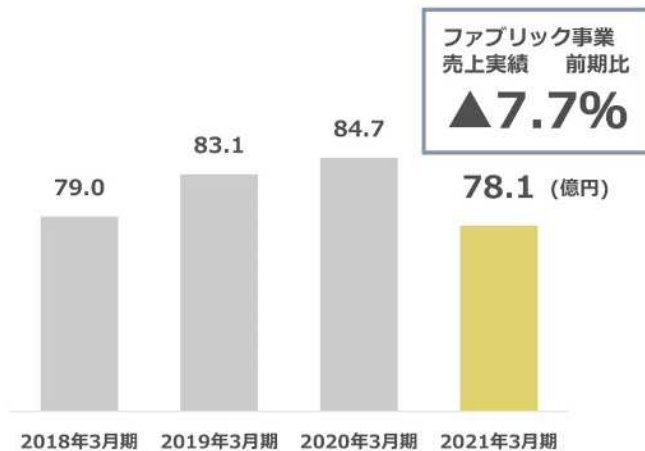
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インテリアセグメント ファブリック売上状況



椅子生地見本帳「2020-2023 UP」UP108・UP393



- 住宅向けカーテン見本帳新「AC」が売上を牽引
- 椅子生地見本帳「UP」、各種施設向けカーテン見本帳「コントラクトカーテン」の市場浸透
- 抗ウイルス商品において、医療施設に加え官公庁・教育施設等に採用の幅が広がる

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Next, we will look at sales of fabrics used for curtains, etc.

Sales of fabrics decreased by 7.7%.

In the field of fabrics, we do not have comparable statistical figures, so we cannot make any comments on that. However, looking at the sales of other companies in the same industry, we believe that the 7.7% decline in sales was larger than the overall market.

We believe that the lack of new sample books has had an impact, but we believe that the fabric market needs to be further improved.

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決算のPOINT

(連結累計期間は2020年1月～2020年12月)

■北米市場：Koroseal社

1-3月期はコロナウイルス感染症の影響はほぼ無かったが、4-6月期に大幅落ち込み、その後回復基調。スクラップ率削減・人員削減等のコストダウン努力により、大幅な営業損失の拡大は阻止。商品開発業務の困難化により新商品開発が遅延。

■東南アジア市場

東南アジアでは、主要マーケットであるホスピタリティ市場への影響が大きく、厳しい状況。1-3月期の旧正月とコロナ拡大による大幅な落ち込みが7-9月期に回復も感染拡大の影響により10-12月期に再度市場縮小。マレーシア・シンガポールでの人員削減を実行。

■中国・香港市場

1-3月期の大幅縮小より市場は回復したが、ホスピタリティ市場の回復は未だ。中国での人員削減を実行。

This shows the Overseas segment.

In the North American market, the first quarter of last year, from January to March, was almost unaffected by the COVID-19 pandemic, but the second quarter saw a large drop, and the market has since been recovering.

In the midst of this situation, we have prevented the operating loss from further expanding by making cost reduction efforts such as reducing the scrap ratio and cutting personnel.

On the other hand, the Southeast Asian market.

In the Southeast Asian market, the impact on the hospitality market, which has been our main market, has been significant and the situation continues to be severe. In particular, the January-March period saw a large drop due to the effects of the Chinese New Year and the COVID-19 pandemic, and although the market subsequently recovered, it suffered another contraction in the fourth quarter.

In Malaysia and Singapore, we reduced the number of employees at affiliated companies.

The markets in China and Hong Kong.

In the January-March period, especially the housing sector saw a recovery despite the significant impact of the COVID-19 disaster, but the hospitality market, which is the main market for Goodrich China and Goodrich Hong Kong, has yet to recover. In China, we also carried out a major workforce reduction.

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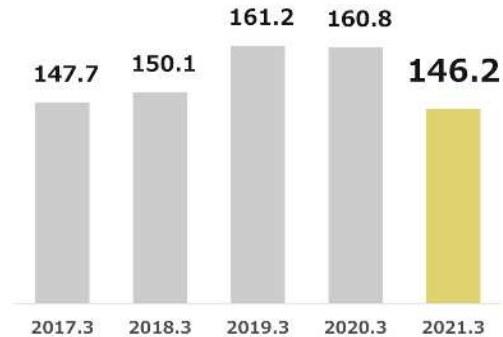
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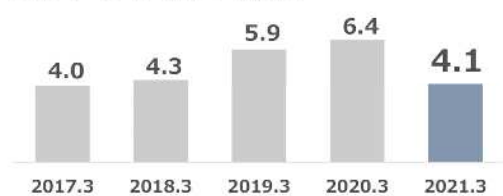
セグメント別状況

エクステリアセグメント

売上高（億円）



セグメント利益（億円）



サングリーン

- 公共工事をはじめとする非住宅物件が大幅に減少、主力商材である門扉やフェンスの売上に影響。
- 巣ごもり需要の拡大に伴い、物置や宅配ポスト等が堅調に推移。EC販売店やホームセンター向けの売上が拡大。
- 施工機能強化のためのアライアンス先との取り組み強化。
- スペースクリエーション事業基盤整備等費用増。

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As for the Exterior segment, the situation is the same as the Interior as I mentioned earlier.

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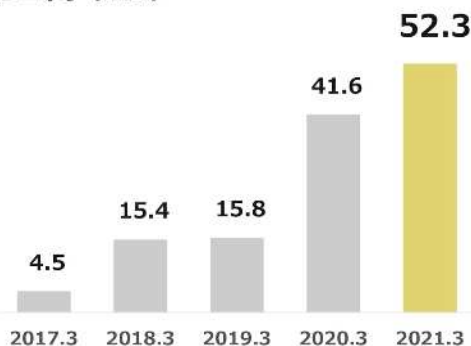
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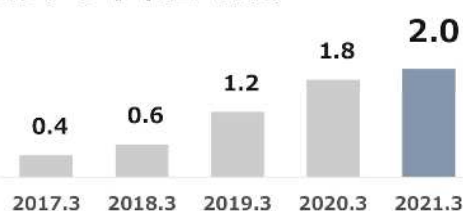
セグメント別状況

スペースクリエーションセグメント

売上高（億円）



セグメント利益（億円）



フェアトーン

- 非住宅新築の内装仕上工事はコロナの影響も限定的、ほぼ計画通りの進捗。
- ホテル・オフィスをはじめとする総合内装改修工事は減少。
- サンゲツ中部支社との連携により新規顧客・受注獲得。

サンゲツスペースクリエーション事業部

- 営業活動の拡大に向けた組織や人材、アライアンスの整備進展。

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This shows the Space Creation segment.

This includes the 2 businesses of Fairtone, a group company, and the Space Creation Division of Sangetsu.

Most of the sales comes from Fairtone. When we acquired Fairtone in FY2016, sales were less than JPY1 billion, but since then sales have been steadily increasing.

One major factor in this is partly due to the transfer of Sangetsu's construction-related sales and construction-related work to Fairtone, in addition to the steady growth in sales.

On the other hand, the Space Creation Division of Sangetsu, in the last fiscal year, greatly focused on developing the foundation of the business, such as strengthening design and construction capabilities, which didn't make much contribution to sales. The cost was effective, resulting in a negative profit.

This is the summary of our business results for the previous FY2020.

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2022年3月期 連結業績予想（概要）

	収益認識基準適用：有	収益認識基準適用：無
1 売上高	1,525億円	1,555億円 <small>前期比 (+7.0%)</small>
2 営業利益	66億円 <small>前期比 (▲1.5%)</small>	—
3 経常利益	68億円 <small>(▲3.4%)</small>	—
4 当期純利益	43億円 <small>(▲10.0%)</small>	—

「収益認識に関する会計基準」の適用について

2022年3月期より、「収益認識に関する会計基準」（企業会計基準第29号）等を適用。当該基準適用による2022年3月期の売上高・総利益・販売費および一般管理費への影響額は各スライドに記載。営業利益以下への影響は軽微のため記載を省略しております。

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Next, I would like to explain our business forecast for the current fiscal year.

In terms of net sales, after applying the revenue recognition standard, we forecast net sales of JPY152.5 billion, operating income of JPY6.6 billion, ordinary income of JPY6.8 billion, and net income of JPY4.3 billion.

On a consolidated basis, we are forecasting net sales of JPY155.5 billion, up 7% from the previous fiscal year on an as-is basis without applying the revenue recognition standard.

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連結業績予想の前提・背景

■ インテリアセグメント

- ・日本国内インテリア市場は2019年度比4%減まで回復を前提
(2020年度は2019年度比9.5~10%減)
- ・塩ビ・可塑剤・ナイロン等の原材料価格上昇による、壁装材・床材仕入価格上昇見込む。
- ・仕入価格上昇、物流関連投資コスト等増の転嫁、収益改善のための販売価格の修正は検討中であり、見込まず。
- ・新関西ロジセンター本格スタートに伴うコスト増、見本帳発刊増により、販管費大幅増(約21億円)。

■ エクステリア・スペースクリエーションセグメント

- ・エクステリア市場全体はインテリア市場全体と同様見通しも、スペースクリエーションセグメントの事業拡大を見込む。

■ 海外セグメント

- ・米国建設市場は大幅改善予想も、内装工事に至る時間差により本年度での改善は限定的。
- ・東南アジア市場は、4月以降に新型コロナウイルス感染症が再拡大。
各国でロックダウン再発令等続き、ワクチンの普及遅れもあり、回復見通せず。
- ・中国・香港市場はHospitality市場の改修需要が回復せず、Goodrich中国・香港は厳しい状況。

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I would like to explain the assumptions and background of this full-year earnings forecast. Please see page 30.

As for the Interior segment, we assume that the Japanese domestic interior design market will recover to a 4% decrease compared to FY2019. As I mentioned earlier, we saw a decrease of 9.5% to 10% in FY2020, compared to FY2019, but our forecast is based on the assumption that this will recover to a 4% decrease.

Since the beginning of the year, prices of raw materials such as PVC, plasticizers, and nylon, which are used in wallpaper and flooring materials, have been rising. This has resulted in requests and negotiations from our suppliers to increase their purchase prices, and we expect a certain level of increase in purchase prices and our cost of sales.

On the other hand, in addition to this increase of purchase prices, in recent years, we have made various major investments in logistics, and costs have increased as well. It is important to pass on the increase in purchase prices, logistics-related costs, and other costs. We also believe that we need to improve our profitability through this.

We are now seriously considering the price revision for this purpose, but have not yet made a decision, so the price revision is not included in this forecast.

As for SG&A expenses, etc., the new Kansai Logistics Center has started full-scale operations. In addition, SG&A expenses, including other expenses, are expected to increase significantly due to the successive publication of sample books this fiscal year.

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In the Exterior segment, the market conditions are expected to be the same as in the Interior segment, but we have assumed that the Space Creation segment will continue to expand its business and that the Space Creation Division of Sangetsu will also expand its sales.

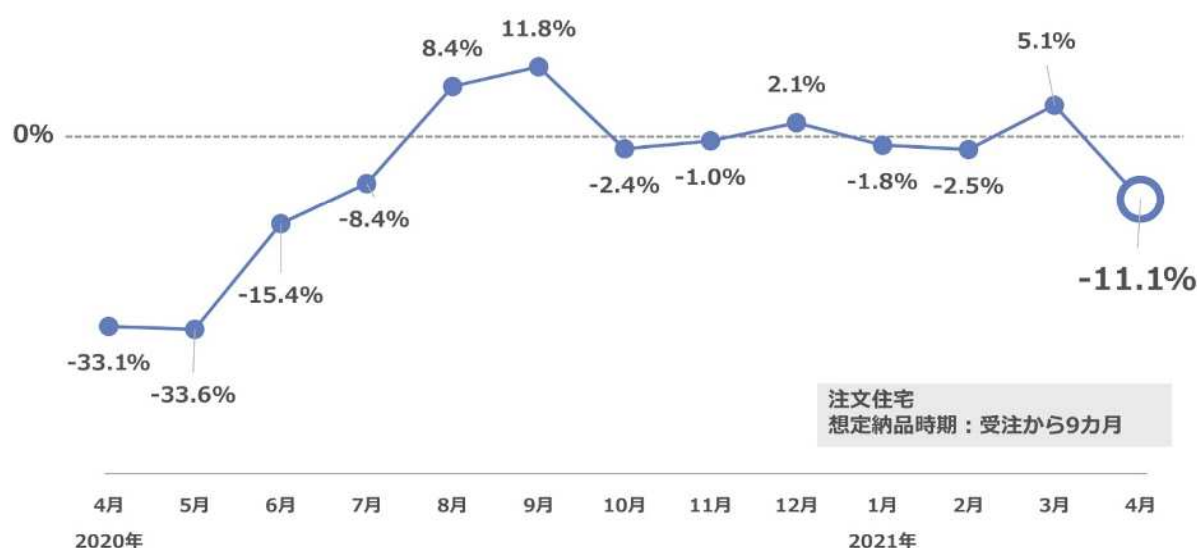
With regard to the Overseas segment, although the US construction market is expected to improve significantly, it will still take some time for this improvement to become apparent. In addition, due to the time lag leading up to the interior construction, improvements in the current fiscal year will be limited.

In Southeast Asian markets, the COVID-19 infections will spread again after April. And with lockdowns continuing to be re-imposed in many countries, as well as delays in vaccination, there is no prospect of recovery.

In the Chinese and Hong Kong markets, demand for renovations in the hospitality market has not recovered. As a result, we expect Goodrich's business in China and Hong Kong to remain in a tough situation.

(参考) 国内住宅市場／新築 注文住宅

注文住宅 ハウスメーカー受注速報値 (2019年度同月比)



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I'll briefly explain the situation of the custom-built houses.

This shows received orders for custom-built houses from 10 house builders. At the end of last year, there was a significant recovery but, in April, the figure was negative again, compared to FY2019.

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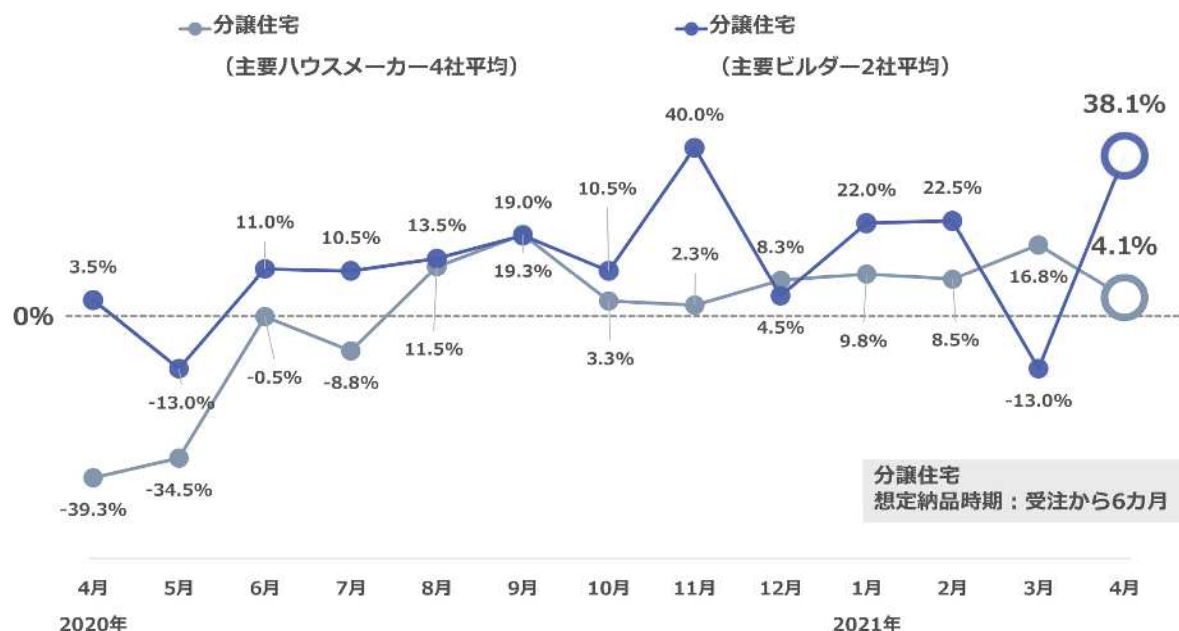
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(参考) 国内住宅市場／新築 分譲住宅

分譲住宅 ハウスメーカー・ビルダー受注速報値 (2019年度同月比)



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In the area of housing for sale, the recovery has been quicker than in the area of custom-built homes, but it seems to be experiencing ups and downs.

Looking at this data alone, the situation seems to have improved considerably. However, of the 800,000-odd housing starts annually, only about 10% are for sale or custom-built housing, so it is not that we are making the assumption totally based on this.

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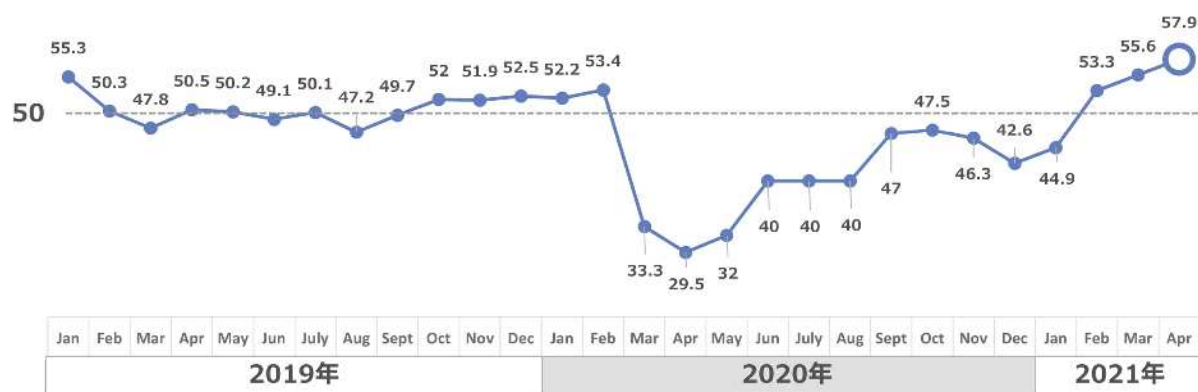
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(参考) 米国 非住宅市場

非住宅建設ABI指標の推移

非住宅建設ABI指標（Architecture Billings Index）とは、The American Institute of Architects(米国建築家協会：AIA)が発表する指標で、非住宅部門（ホテル、オフィスビル、学校、病院など）の建築活動の先行指標。米国の建築家への調査に基づき算出され、**9～12カ月後**の建築活動を示す先行指標とされ、50を分岐点に上回れば建築活動の拡大、下回ると縮小を示す。



新型コロナウイルス感染症の影響により2020年3月より急激に悪化。
4月をボトムに徐々に回復傾向も、海外事業（北米市場）の回復は、7月以降を予想。

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On the other hand, here is the situation in North America.

The Architecture Billings Index, an indicator of non-residential construction activity in the next 9 to 12 months, fell sharply in March last year and has recovered slightly since June. Last month's index was 57.9, which is the highest since FY2019.

Although the economy has improved significantly in line with the recovery of the US economy, we believe that it will take some time for this to have an impact on US demand.

The above is the explanation of the assumptions and background of this fiscal year's business forecast.

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成長戦略における基本的な考え方

1. 主力の日本市場でインテリアセグメントの数量・シェアの拡大による飛躍的成長は困難
2. 日本市場で数量・シェアを漸次的に拡大し得る強い事業体制の確立を実行
(値上げをしても数量・シェアを逸失しない体制づくり)
3. 価格修正により、収益の改善を実行
4. 一方、中長期的に日本市場での業態の拡大・転換、海外市場での事業収益化、拡大を実現

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Today, I would like to take more time to explain about our management strategies.

I would like to reiterate the medium-term management plan, D.C. 2020, which was announced in May last year, and explain its progress.

First of all, we are looking at our growth strategies from a management perspective, as summarized here today.

In the Japanese market, where our mainstay Interior segment, the pillar of our earnings, is based. In the Japanese market, including residential, non-residential, new construction, renewal, and renovation, it is difficult to expect significant growth in the volume of this market.

In addition, since we already hold more than 50% of the market share for some products, our basic understanding is that it will be difficult for Sangetsu as a whole to achieve dramatic growth by expanding its volume and share in the Japanese market.

However, we must establish a strong business structure that will enable us to gradually increase our volume and market share in the Japanese market. We believe that this is still possible and must be done.

In a sense, I may be slightly backward-looking, but it is extremely important to create a system that does not lose volume or market share even if we raise prices.

Along with this gradual increase in volume and market share, we are going to raise prices. At the same time, we will improve profitability by passing on the increase in SG&A expenses as well as the increase in purchase prices.

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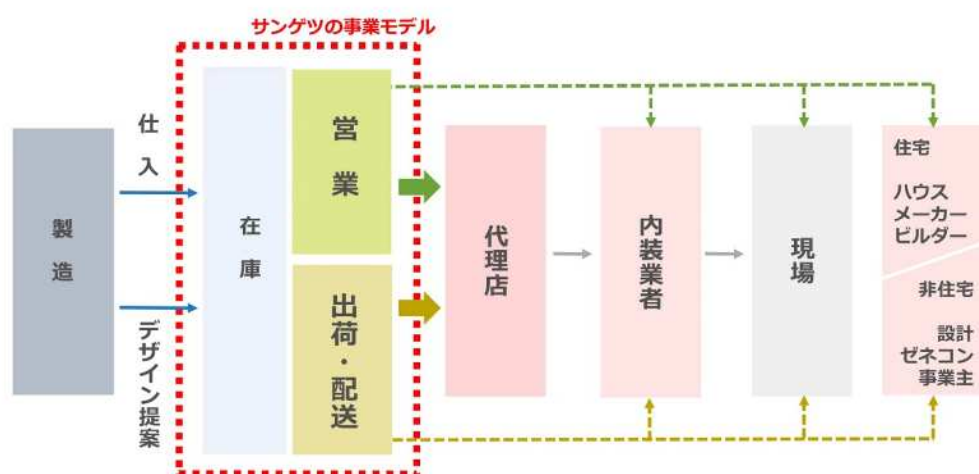
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We believe that this will be sufficient to expand the profitability of the Interior segment in the domestic market. We believe that it is possible to expand this in the medium term, but we have to admit that there is a certain limit to the growth from the long-term perspective.

Therefore, in order to achieve medium- to long-term growth, we must expand and transform our business model in the Japanese market. And also, we must monetize and expand our business in overseas markets. This is very important in the long term. I would like to reiterate that this is the basic idea behind our growth strategy.

インテリア事業 ビジネスモデルの転換

過去のビジネスモデル ⇒ 市場の理解？



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I would like to explain this further, especially as a business in the Interior segment.

We are often referred to as an interior trading company in the stock market, and in a sense, this may be the market's understanding of us. Also, it would not be wrong to say that this was, in a sense, the business model in the past.

In other words, the business model of Sangetsu is to receive design proposals from manufacturers. Then choose a product from there. And then we buy it, stock it, and process it. Our sales activities are centered on our distributors, and we also conduct sales activities to interior decorators, house builders, general contractors, and business owners. Even so, we conduct our sales activities, mainly through distributors, and ship and deliver products mainly to them.

In a sense, this was understood to be the business model of Sangetsu. It would not be an exaggeration to say that this has been the business model for our company as well.

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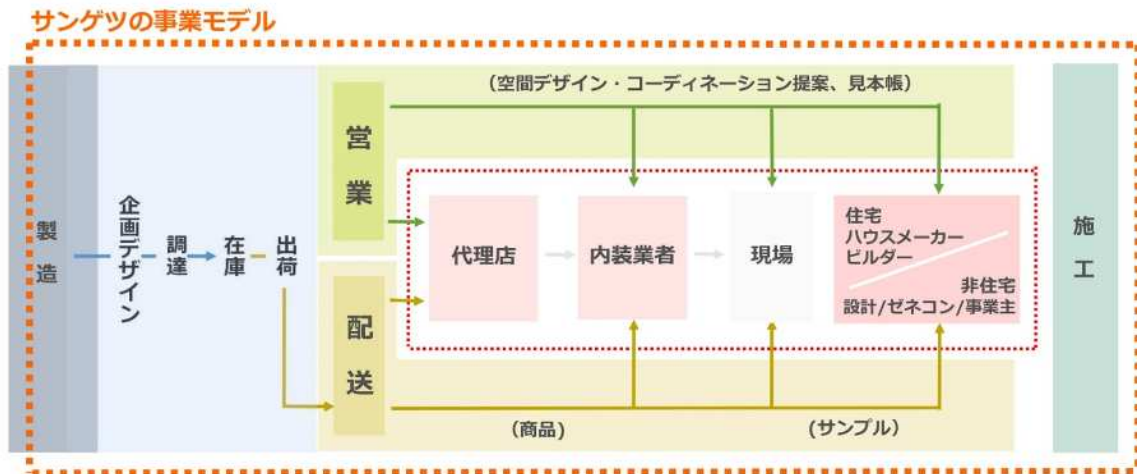
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インテリア事業 ビジネスモデルの転換

目指すモデル： Value Chain全体を、
企画・デザイン・営業・配送・施工・データでカバーする
製販一体ビジネスモデル



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However, this, shown in page 37, is the business model that we are currently pursuing.

In other words, it is a business model of integrated production and sales that covers the entire value chain, including product planning, design, sales, delivery, installation, and the data obtained from all of these.

In other words, for the manufacturing part, we purchase from many suppliers, including some of our own manufacturing, and we take the lead in planning and design. Let me first tell you about sales activities before explaining stocking and shipping. It is important for us to conduct sales activities in cooperation with our distributors.

Although our distributors are mainly engaged in sales activities to interior decorators, their sales activities alone are insufficient for sales activities to house builders, builders, non-residential business owners, general contractors, and design companies. Therefore, our sales activities will be more focused on strengthening sales activities to related companies beyond our distributors.

I believe that when doing so, design, coordination, and proposals are becoming more important rather than sales activities.

In terms of delivery, we have also repositioned ourselves to build a detailed delivery system throughout the country, together with the delivery capabilities of our distributors.

In addition, interior materials need to be finalized and constructed. In terms of construction, we will strengthen our own construction capabilities as they become even more rare in the future.

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In this way, we will cover the entire value chain in a comprehensive manner. We are now implementing a variety of measures to build such a business model.

長期ビジョン【 DESIGN 2030 】

Sangetsu Group 長期ビジョン 【 DESIGN 2030 】

サンゲツグループは
スペースクリエーション企業 へ

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On the other hand, we have explained in our long-term vision that the Sangetsu Group aims to become a space creation company.

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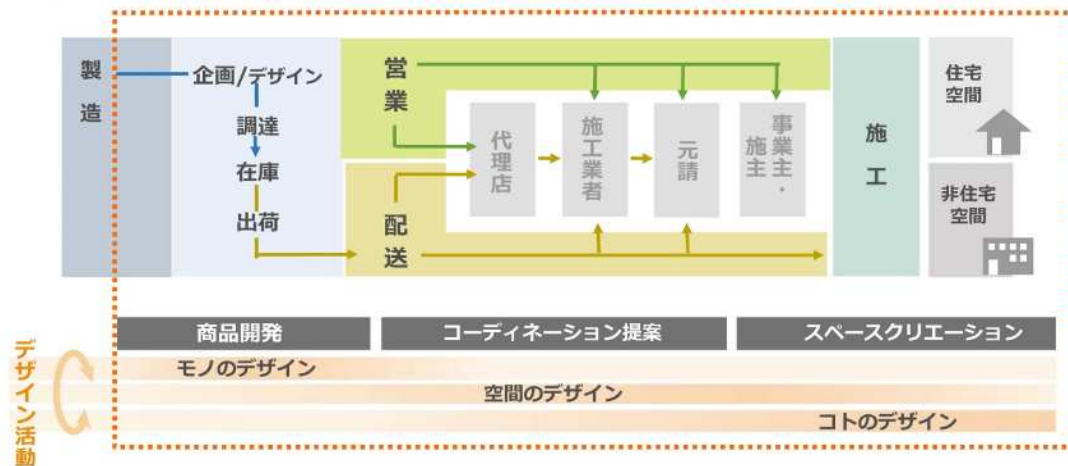
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長期ビジョン【 DESIGN 2030 】

スペースクリエーション企業とは

サンゲツグループ事業モデル



上記の機能、特に空間創造に重要なデザイン・配送・施工機能を活用し、
「材料・施工の販売」と「空間の販売」を事業活動とする企業

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So what is a space creation company?

This is a diagram of the value chain, with residential and non-residential spaces added to the end of it. We believe that design and construction will play a major role here as well.

In the sense of selling products such as wallpaper and flooring materials, we are talking about the design of things. When strengthening the design of products, it is also very important to think about the design of space, in terms of what kind of space we will design, what kind of space we will propose, and what kind of space we will use the wallpaper and flooring materials in.

Furthermore, when we design and construct a space, it is important for us to propose various activities that will take place in that space.

In other words, we believe that in design activities, the design of things, the design of spaces, and the design of the products are the 3 essential elements.

Including these design capability and construction capability, as shown below, there are various functions in the entire value chain, and we will utilize these design, delivery, and construction functions, which are particularly important for creating space, in the sales of materials and construction.

In addition, we will add value here. We must strengthen our position. And sell the space itself.

A company that aims to achieve these 2 goals. We think of this as a space creation company.

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例) 肉卸から総合サービス業へ

過去のモデル モノの販売

- 各種の肉を仕入れて小売肉店に配送・卸売。
一部の地域では直接販売も



スペース クリエーション のモデル

- (自社牧場を保有。) 顧客に最適なレシピとともに最善のタイミングで肉をお届け、調理サービスも提供し、調理料金は別途徴収
- ホームパーティ等で飾り付け・食事・飲み物等を一括請け負い。
肉を一切使用しないヴィーガンパーティもOK



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This is also quite difficult, so let's look at another example.

It is difficult to say whether this is really an appropriate example or not, but I would like to use the example of a meat wholesaler turning into a comprehensive service company here.

As I mentioned earlier, the model in the past was to purchase various types of meat, i.e. pork, beef, chicken, lamb, and various other meats, and deliver them to retailers for wholesale. In some areas, we were also selling directly to consumers.

We called ourselves "total interior design," but in a sense, we may have been a total meat wholesaler.

The space creation model that we are currently working towards is divided into 2 categories.

In the field of meats, it has its own farms. In other words, if the most important meat is beef, the Company owns its own beef ranch but purchases other meats from other sources.

Based on such products, we deliver the meat at the best time for cooking, along with the best recipe for each customer. And in some cases, if necessary, cooking services are also provided, charging not only for the meat but also for the cooking. It may sell only meat, but it will also provide cooking services if needed. This is a case in point.

On the other hand, while these functions may be the same, it can go further and take care of everything from decorations to food and drinks at home parties, and receive compensation for that contract.

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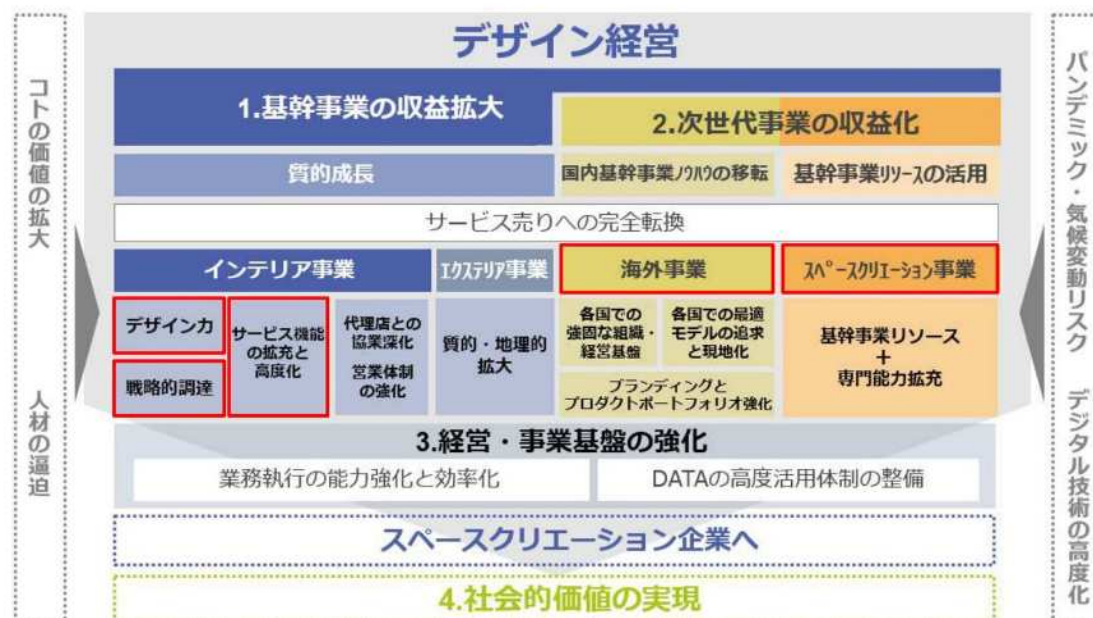
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We sometimes will provide the same functionality for a vegan party with no meat at all, but we would receive compensation for this in a different way.

中期経営計画（2020-2022）【D.C.2022】

中期経営計画全体図



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This is the overall picture of the medium-term management plan announced last year, which includes measures to realize the things I just mentioned.

Today, I would like to explain each of the points circled in red.

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I. 基幹事業の収益拡大

1. デザイン力の発展的強化

国内外の建築家・デザイン会社とのコラボレーションによる空間創造をベースとしたデザイン開発

■ 著名建築家とのコラボレーション

- ・「KAGETOHIKARI」カゲトヒカリ
隈研吾氏との共同開発



KAGETOHIKARI
カゲトヒカリ

■ 海外デザイン会社との連携

- ・ Sanderson Design Group
共同ブランドEDA 第2弾見本帳発売

■ 国際デザインアワード受賞

- ・ 壁紙「SHITSURAHİ」シリーズにて、
「iF DESIGN AWARD 2021」を受賞。

※iF DESIGN AWARD

ドイツのiFインターナショナル・フォーラム・デザイン主催。1954年からの長い歴史を誇り、世界で最も認知されているデザインアワードの一つ。



SHITSURAHİ
室礼

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The first one is to develop and strengthen our design capabilities in order to expand the earnings of our core businesses.

As for the design capability, as I mentioned earlier, in order to improve the design of wallpaper and flooring materials, we need to strengthen the design capability of things. And it will be important to strengthen the design capability of the space.

In April, we announced a new series of wallpaper and flooring collection called KAGETOHIKARI, which was developed in collaboration with Kengo Kuma.

We had various discussions with Kengo Kuma on this matter based on Junichiro Tanizaki's essay, Ineiraisan, which led to the development of this product called KAGETOHIKARI.

In the meantime, we have released the second edition of EDA, a wallpaper, fabric, and chair fabric design swatch book that we have been developing for several years with Sanderson Design Group, an important design company in the UK. This has also been highly evaluated by the market participants.

In addition, at the iF DESIGN AWARD, which is held annually in Frankfurt, Germany, we were the first interior material to win this year's award for our SHITSURAHİ series of wallpaper.

Through these efforts, we hope to improve our design capabilities and strengthen our skills.

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I. 基幹事業の収益拡大

2. 戦略的調達への推進

ビニル壁紙製造メーカー国内最大手 ウェーブロックインテリアの買収による製販一体化

ウェーブロックインテリア会社概要

設立	2006年4月
事業内容	壁紙の製造・販売
資本金	1億円
売上高	91.7億円（2021年3月期）
従業員数	195名
工場拠点	一関工場、成田工場

量産壁紙における国内最高効率の生産設備を保有

- ・ 株式取得実行日：2021年3月31日
- ・ 株式保有割合：51%
- ・ 取得金額：23.9億円
- ・ 近い将来の100%株式取得合意済



成田工場



一関工場

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At the same time, we have been promoting strategic procurement as part of our mid-term management plan, and at the end of March this year, we acquired a 51% stake of Wavelock Interior.

We have already reached an agreement with Wavelock Holdings, the owner of Wave Rock Interior, to acquire 100% of the shares of Wave Rock Interior in the near future.

Wavelock Interior has the most efficient production facilities in Japan for mass-produced wallpaper, which is the low-cost version of the wallpaper I mentioned earlier.

About 650 million meters of wallpaper are manufactured and sold annually, of which about two-thirds is mass-produced wallpaper. Wavelock Interior has the largest share of the mass-produced wallpaper market, which is two-thirds of the total, and possesses the most efficient production facilities in Japan.

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I. 基幹事業の収益拡大

2. 戦略的調達推進

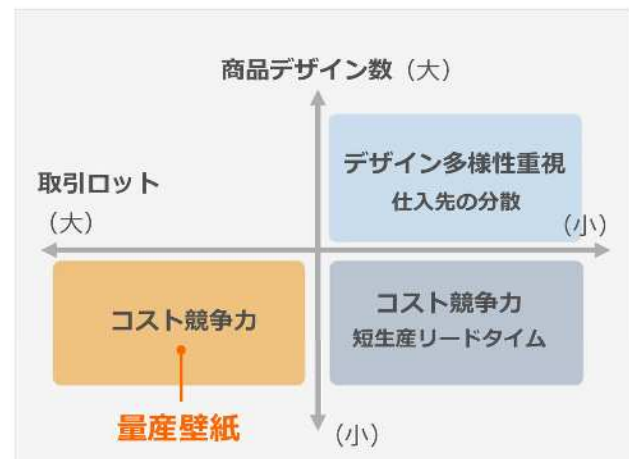
【背景】

1. デフレ市場での量産壁紙の需要増
2. 一部壁紙製造メーカーの撤退
3. 量産壁紙需給バランスのタイト化

【目的】

1. 安定供給の確保
2. 生産利益の取り込み
3. 製販一体による効率化

商品群（見本帳別）特性に応じた調達政策



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In terms of the background of this, as I mentioned, the market is experiencing deflation, and demand for low-cost mass-produced wallpaper is increasing from high-end products.

In addition to the lack of competitive manufacturers that can produce mass-produced wallpaper, as well as other factors, some wallpaper manufacturers have withdrawn from the market. Last year, some manufacturers went bankrupt.

Against this backdrop, the supply-demand balance for mass-produced wallpaper is becoming tighter.

Against this backdrop, we can improve efficiency, especially in manufacturing by ensuring a stable supply of mass-produced wallpaper, working to improve the profit margin of mass-produced wallpaper production in a tighter balance, and also integrating production and sales. We would like to work on production profit after improving this efficiency.

As shown in these 4 quadrants, we purchase and sell 12,000 products. In terms of wallpaper, we sell more than 3,000 items, of which about 150 are mass-produced wallpapers of various kinds. With these 150 items, we are selling about two-thirds of our wallpaper sales as well. This is a big task for us.

In other words, cost competitiveness is important for products with small numbers of item and large transaction lots, and since our sales functions have a large impact on manufacturing, we would like to take more strategic moves in this area.

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I. 基幹事業の収益拡大

3. サービス機能の拡充と高度化

■ 新関西ロジスティクスセンター（LC）稼働開始

- ・稼働開始日：2021年1月
- ・物件所在地：大阪府大阪市淀川区加島
- ・建物構造：地上4階建
- ・床面積：約13,000坪

旧尼崎LC、東大阪LCを廃止

倉庫坪数全国合計
66,000坪



71,400坪
(東京ドーム5個分)

「自動化・省人化・省力化」を実現

- ・最新マテハンの導入により約25%の人的作業を削減
GTP：商品棚を作業者の下に運ぶ無人搬送ロボット
AGV：無人搬送車 他



西日本を中心とした基幹物流拠点 ➡ 配送体制の更なる効率化へ

移転後の自社所有の旧尼崎LC、中部LCⅢは賃貸化（収益貢献2022年より）

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It also aims for the expansion and upgrading of service functions.

In the area of logistics, we opened a new logistics center in the Kansai region in January of this year. We have prepared a video on this, and I would like you to watch the video.

Video: In order to achieve sustainable growth, Sangetsu has been redeveloping its logistics functions since 2016. In the area of base development, starting with the Kita Kanto Logistics Center, we have established or integrated bases throughout Japan, including Chubu, Tokyo, Hokkaido, and Okinawa.

In 2021, the Kansai Logistics Center was newly established, integrating the bases in Amagasaki and Higashi Osaka. The Kansai Logistics Center has not only improved efficiency by consolidating bases, but has also achieved thorough automation, manpower saving, and labor saving in order to cope with the recent problem of labor shortage and aging population.

The Kansai Logistics Center was built in Kashima, Yodogawa-ku, Osaka City, which is conveniently located near an expressway to enable trunk line transportation not only within Osaka City, the main delivery destination, but also throughout Japan.

The building is a 4-story structure with a warehouse area of more than 11,000 tsubo, about 1.6 times that of the previous warehouse. The volume has been greatly expanded, almost doubling in size.

[Inaudible] GTP is a facility in which robots automatically transport special shelves to picking stations. In the past, workers had to go to the complementary shelves to get the products, but with the introduction of GTP, workers can perform the shipping operation without moving.

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After the products are cut according to the quantity ordered by the customer, the remaining products are returned to the original shelves, which is a series of operations. Sangetsu has established a unique system to eliminate the loss of transportation time by having up to 4 shelves waiting at each picking station.

[Inaudible] The AGV is one of the first automated material handling systems used by the Kansai Logistics Center. When a customer comes to pick up a product, the product must be transported to the pickup room on the first floor, but if the product cannot be placed on the belt conveyor, the worker must transport it with a cart or forklift.

This is why we have adopted AGVs, or Automated Guided Vehicles. By reading the QR code on the floor, the system unattendedly transports products picked up on the third floor to the pickup room on the first floor, and products picked up on the first floor to the delivery area on the third floor. Calling the elevators and opening and closing the doors are also fully automated, eliminating the need for workers to leave their posts for transport, leading to increased efficiency.

In order to keep up with the changing times and improve our services to our customers, Sangetsu has opened this Kansai Logistics Center, utilizing the latest facilities and our accumulated logistics know-how.

Sangetsu will continue to live up to the trust of customers by realizing the delivery of the required quantity at the required time without running out of stock.

Yasuda: Thank you very much. The former logistics center in Amagasaki and the Chubu Logistics Center III in Nagoya, became become vacant after the relocation to the new Kansai Logistics Center, and so we will lease them. This will start contributing to our earnings in the next fiscal year.

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Ⅱ. 次世代事業の収益化

1. 海外セグメント

■ 北米市場 Koroseal社

1. デザインポートフォリオの改善と効率化

・ 自社製造壁紙への集中

2. 新商品・デザインの発売

3. マーケティングの全面的見直しと改善

4. 幹部の交代



新設備での製造による新商品発売
(2021年1月)

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Next, I would like to talk about Overseas business.

In North America, we will continue to implement our existing policies.

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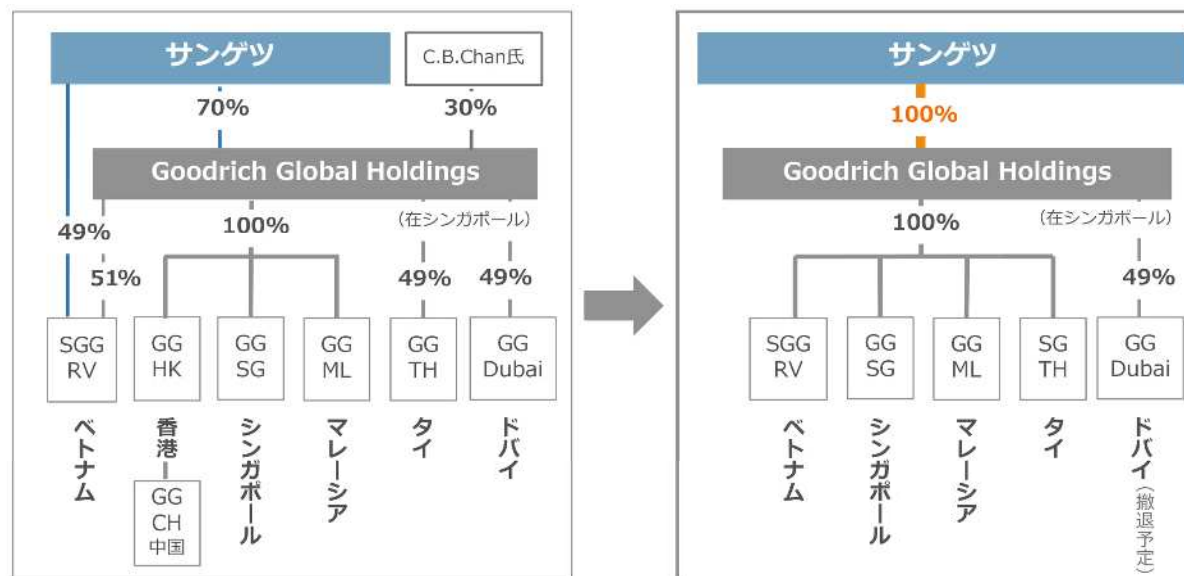
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Ⅱ. 次世代事業の収益化

1. 海外セグメント

中国・東南アジア市場での事業体制再編



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I would like to briefly explain the reorganization of our business structure in Southeast Asia and China.

The left side of the chart shows the existing structure, and we acquired Goodrich Global Holdings in FY2017. At that time, we owned 70% of the Holdings, and the founder owned 30%, and the Holdings owned various companies. In particular, the Global Holdings in Singapore owned a Hong Kong subsidiary, which managed a subsidiary in China, but we are currently reorganizing this structure.

At the same time, we established a subsidiary in Vietnam following Singapore and Malaysia, and we have decided to withdraw from the existing 49% stake by creating a separate 100% subsidiary in Singapore and Thailand. We also have a subsidiary in Dubai, but we are planning to withdraw from Dubai.

In other words, Global Holdings in Singapore will conduct solid business activities in the Indochina Peninsula as its business base.

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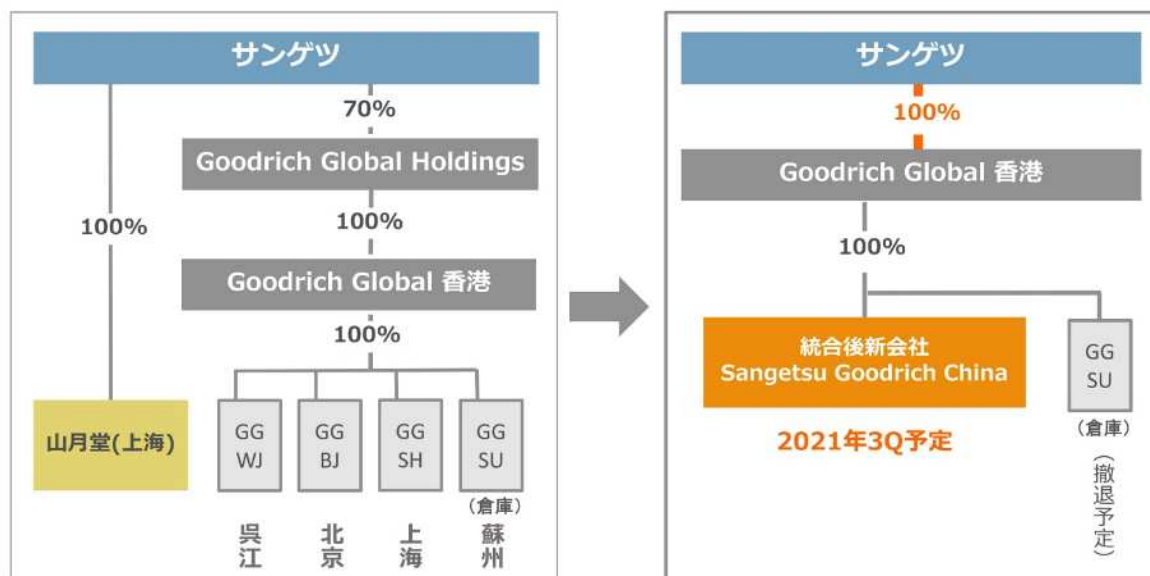
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Ⅱ. 次世代事業の収益化

1. 海外セグメント

中国市場での事業体制再編



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In regard with China, as I mentioned earlier, Hong Kong was under Singapore, and the Chinese companies were under Singapore.

In addition to this, we established Sangetsudo (Shanghai) in Hong Kong as a direct subsidiary of Sangetsu. On top of that, we will merge our business in China and the business of Sangetsudo (Shanghai). We are planning to integrate them in the third quarter of this year.

We have a company holding a warehouse in Suzhou, but we are planning to sell the warehouse as well and withdraw from the business.

By streamlining our business structure, we hope to strengthen our business in each country with greater focus.

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Ⅱ. 次世代事業の収益化

2. 専門能力拡充によるスペースクリエーション事業の展開

■ サンゲツグループ全体での連携

1. 専門人材の採用・アライアンス強化による体制整備

デザイナー、現場管理者の中途採用、工事対応範囲の拡大

2. サングリーン：スペースクリエーション事業本部新設

専門商社（卸売）からの転換。
バリューチェーンにおけるより強いポジションへ

3. サンゲツグループ内の協業

サンゲツグループスペースクリエーション担当役員を任命

内装：サンゲツ

外装：サングリーン

の連携によるエクステリア&インテリアの空間提案営業

同一物件への内装・外装提案例



内装：サンゲツ



外装：サングリーン

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This explains the Space Creation business.

As I mentioned earlier, we are strengthening the business structure of the Space Creation Division, and at the same time, Sungreen, which is engaged in exterior design, has established the Space Creation Business Headquarters, where we are strengthening designers, construction management, and other personnel.

As for us, since Sangetsu is in charge of interior and Sungreen is in charge of exterior, we are already proposing a unified design for interior and exterior and aiming to receive orders for both interior and exterior.

Last year, we hired a mid-career executive to be in charge of space creation, and we will continue to strengthen our space creation business through interior and exterior design.

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株主還元実績 配当金の推移

配当金の推移

一株当たり配当額推移（円）



→ 安定増配 7期連続増配予定

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Next, I would like to explain our capital policy.

For the current fiscal year, we plan to pay a dividend of JPY58.5, an increase of JPY50 over the previous fiscal year.

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株主還元実績 2021年3月期

自己株式取得の状況		
取得期間	取得株式総数	取得総額
2020年12月14日～2021年3月16日	27.96万株	4.3億円
合計	27.96万株	4.3億円

配当金		
中間配当（12月支払）	期末配当（6月支払）	配当金総額
17.5億円	17.4億円（予）	35.0億円
29.0円／株	29.0円／株（予）	

株主還元総額	総還元性向
39.3億円	82.4 %

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As for total return, in the last fiscal year, the Company repurchased 279,600 shares of treasury stock, for a total shareholder return of JPY3.93 billion. The total return ratio was 82.4%.

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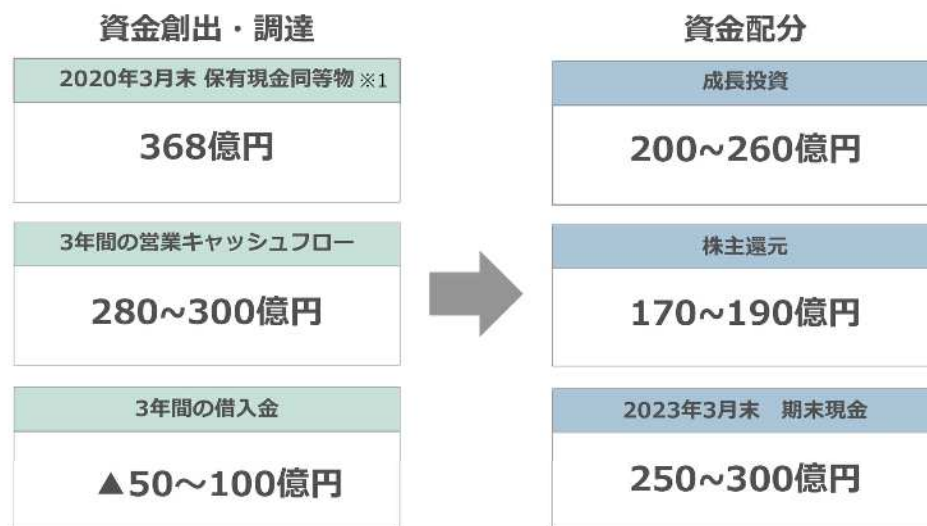
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資本政策 資本配分

資本配分計画



※1 現預金と株式以外の有価証券

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Since we did not announce the capital allocation plan last year, I would like to announce the 3-year capital allocation plan for FY2020, FY2021, and FY2022, which will be covered by the medium-term management plan.

At the end of March 2020, before the start of the mid-term management plan, we had JPY36.8 billion in cash equivalents in the sense I mentioned earlier. Our goal is to generate JPY28 to JPY30 billion in operating cash flow over the next 3 years.

In contrast, the allocation of funds is JPY20 to JPY26 billion for growth investment. JPY17 to JPY19 billion for shareholder returns. We would like to hold JPY25 to JPY30 billion as year-end cash equivalents.

As a result, we plan to reduce our debt by about JPY5 billion in cases where there is little demand for funds, and increase our debt by about JPY10 billion in cases where there is a large demand for funds.

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サンゲツグループが実現を目指す社会的価値

サンゲツグループは、

Inclusive	(インクルーシブ)	みんなで
Sustainable	(サステイナブル)	いつまでも
Enjoyable	(エンjoyイアブル)	楽しさあふれる

社会の実現に貢献します。



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Lastly, I would like to talk about ESG initiatives.

As a social value, we explain both internally and externally, the realization of a society that is inclusive, sustainable, and enjoyable.

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1. 地球環境への負荷低減 GHG排出量

当初 2030年目標		修正 2030年目標	
	サンゲツ単体	サンゲツ単体	グループ連結
SCOPE 1 & 2	30%減 (2018年度比)	カーボンニュートラル (排出ゼロ)	※検討中 50~55%減
SCOPE 3	—	目標設定を検討	

カーボンニュートラル実現 4つのステップ

- ① 省エネ：あらゆる環境負荷設備（照明、空調、営業車、ロジ動力）の省エネ更新
- ② 創エネ：太陽光発電設備の設置
- ③ 再エネ：再生可能エネルギーで発電された電力の購入
- ④ オフセット：CO2排出権の購入

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In this context, in response to the new trends in GHG emissions, we are currently studying the possibility of revising or amending the targets we announced last year.

On a standalone basis, we are aiming for zero carbon neutrality by 2030.

As for the Group as a whole, since the wallpaper manufacturer Wavelock Interior joined the Group at the end of March, we are currently examining the extent of the decline in 2030, and hope to make an announcement soon.

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1. 地球環境への負荷低減

見本帳リサイクルセンター開設

2021年3月開設

1. マテリアルリサイクルによる環境負荷低減

数年で廃棄となる見本帳を発行する責任として
回収・リサイクルを拡大し、環境負荷を下げる

2. 障がい者の活躍支援によるダイバーシティの推進

リサイクル目標：2021年度：5万冊／年
2022年度：13万冊／年

【見本帳リサイクルのフロー】



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On the other hand, as for the environmental impact of our business activities as a whole, we believe that the 1.5 million sample books that we publish annually have a large impact. We consider the collection and recycling of these sample books to be an important issue.

In March of this year, we opened a sample book recycling center in Nagoya, and we hope to expand the number of books collected by having people with disabilities work here in various ways.

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2. 人的資本

健康経営推進室 設立（2020年4月）

安全・健康・快適で働きやすい職場環境の確保
心身の健康づくりに向けた推進体制の充実

厚生労働省委託事業「がん対策推進パートナー賞」受賞

2020年度「がん対策推進企業アクション」にて
「がん対策推進パートナー賞（治療と仕事の両立部門）」を受賞
仕事と治療の両立に関するセミナーの開催等を通じ、
安心感のある職場づくりに取り組んでいる点が評価



PRIDE指標 シルバー認定を3年連続取得

任意団体work with PrideによるLGBTQへの取り組み評価指標
「PRIDE指標2020」で、3年連続シルバー認定を取得



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Lastly, as we are committed to health management, we received the Partner Award for the Promotion of Cancer Control.

In addition, as recognition for our LGBTQ initiatives, and we received a Silver ranking in the PRIDE index for the third consecutive year.

This is all from me. Thank you very much.

Niiyama: Thank you very much.

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Question & Answer

Niiyama: I would now like to take your questions.

Thank you, Mr. Hosoi. So, Mr. Hosoi, please let us have your question.

Hosoi: I'm Hosoi, from Tokai Tokyo Research Institute. I have 2 questions.

For one thing, the COVID-19 pandemic has changed our lifestyles in many ways. Under these circumstances, do you have any new ideas, or do you feel that the pandemic has inspired you to change your business model in any way? This is the first one.

The other one concerns the Overseas business, Koroseal in North America. I have the impression that it is taking some time to improve. Please comment on what more you think needs to be done to improve from here.

These are my 2 questions.

Yasuda: First of all, you would like to know if there are any major changes that we will make in our business based on changes in lifestyles during the pandemic.

To be frank, I don't think it will change that much. Although we have accelerated various initiatives including mass production, we do not consider them tremendous changes.

On the other hand, due to so-called stay-at-home demand, there has been a slight increase in sales over the Internet or B-to-C type products, including curtains and other products.

We believe that B-to-B is the basis of our work, but we also think that we need to strengthen our B-to-C business, considering the various product capabilities derived from B-to-B, so we will start a new business soon.

As for ecommerce business, which we started about 3 years ago, we would like to expand this business by adding adhesive wallpaper and other products to our product line in addition to curtains.

You asked about Overseas business, especially Koroseal in North America. As for Koroseal, the first and foremost thing is to lower the breakeven point. We believe that this is important, and we are making various cost reductions.

This cost reduction has been advanced by this pandemic. Compared to the breakeven point that I had previously considered, this breakeven point has been lowered.

However, in order to reach and surpass the breakeven point quickly, I believe that the most important thing now is the wallpaper, which is the main product in Koroseal. We are handling types of wallpaper: wallpaper that we buy from other companies and wallpaper that we manufacture ourselves. And we must increase the volume of wallpaper manufactured in-house. To do this, we need to improve the capabilities of products and design of our own wallpaper. We see this as very important.

At the same time, we need to strengthen our sales system, and I think it is very important that the 2 areas of sales marketing and product development will show a tight rotation within the Company. The pandemic prevents us from visiting there, so I feel like I'm perplexed, but I would like to make steady progress on this.

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That is all.

Hosoi: Thank you very much.

Niiyama: Thank you very much.

Next, Mr. Kubo is raising his hand. Mr. Kubo, please go ahead.

Kubo: This is Kubo from PGIM Japan. Thank you for your explanation.

I would like to ask you 2 questions about domestic interiors.

First of all, the President explained about the change in business model in terms of management strategy. What is the current progress status of the business model conversion? You just started off and is there still a lot of potential? Or are you already halfway there and making good progress?

I would also like to know if there are any particular issues that the president is feeling in terms of changing the business model. This is the first point.

The second point is about mass-produced wallpaper. If you shift to low-priced products under deflation, it is generally understood that the profit margin will be squeezed, but is it correct that the profit margin will not decline due to your own cost reduction efforts? That's the second point.

Thank you.

Yasuda: Regarding the first point, the degree of progress in changing the business model, there is still a long way to go. I'm not sure what kind of words I should use to express, though.

As I explained earlier, one is sales force. It's not just about the sales force for the distributors, but also about the sales force for customers beyond the distributors. You have to negotiate the price with the distributor, for example. We can't go directly to their customers and negotiate the price, so we need other functions to provide sales force there.

For example, in addition to explaining the products, we also propose spaces, as I have repeatedly said. We visit house builders and suggest new coordination and recommend products to be used for it. The builder also sells the product to individual customers, promoting the coordination. There are many things to be done.

As for delivery, we are now working to cover from Hokkaido to Kyushu, but if you ask me if we are halfway there, I don't think we are quite there yet.

In terms of construction, the current mid-term plan calls for 1,000 to 1,500 construction workers, but even 1,500 workers are still not enough. With 1,500 employees, we are the largest company in Japan in terms of construction force, but I believe that we are still not there yet. In that sense, we believe that we are still less than halfway there.

On the other hand, about mass-produced wallpaper. You are asking me if the expansion of low-priced products will reduce profitability. In a way, it is true that the volume of mid- to high-priced products will decrease and that the volume of low-priced products will increase.

Since I became the President, we have achieved 2 price revisions. We have made 2 revisions, one in June 2014 and the other in October 2018. As a result, the profitability and gross profit margin of the mid- to high-price range has naturally improved, but the profitability and profit margin of the low-priced, mass-produced wallpaper has also improved.

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In other words, it is possible to raise overall profitability despite lowered prices, if we improve profit margins not only by adjusting selling prices, but also by improving efficiency in purchasing. As I explained at the beginning of this briefing, this is the reason why our total profit has increased for 10 consecutive fiscal years.

That's all.

Kubo: Thank you very much.

Niiyama: Thank you very much, Mr. Kubo.

It seems that there are no other questions. Now, it is the closing time, I would like to finish the question-and-answer session here.

This concludes the briefing for the financial results for the fiscal year ending March, 2021 and the management strategy.

Thank you very much for participating in our briefing today. If you have any other questions later, please contact the Public and Investor Relations Section.

Thank you very much for your time today.

Yasuda: Thank you very much.

[END]

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