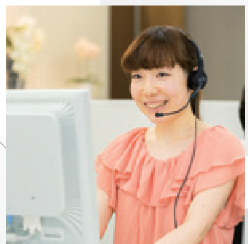
sangetsu

SANGETSU REPORT 2017



Interior Design Archive*

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■ Editorial Policy	Sangetsu Report 2017 provides both financial and non-financial information so that key stakeholders can more clearly understand Sangetsu's corporate value and mid- to long-term growth potential.
■ Boundary of Reporting Organizations	Sangetsu Corporation and its consolidated subsidiaries
■ Period Covered	April 1, 2016 to March 31, 2017 (includes some activities after the reporting period)
■ Date of Publication	July 2017

Note on Forward-looking Statements

The SANGETSU REPORT contains the current plans, outlook and strategies of Sangetsu Corporation including information that is not historical fact but forecasts of future business performance, representing assumptions and judgment based on the information currently available. Readers are therefore cautioned to refrain from relying completely on these forecasts alone. Actual business performance may differ from these forecasts due to the prevailing economic environment surrounding the company and to fluctuations in demand and foreign exchange rates.

Furthermore, the SANGETSU REPORT is not intended to promote investment. The company assumes no responsibility whatsoever for any damage caused by the use of this information. Please keep in mind that any investment decisions must be based on your own judgment.

*This archive was established to encourage reflecting on the history of Sangetsu and its unwavering commitment to its founding principles and corporate creed. Housed in a space on the same floor as the directors' offices, the exhibit includes past catalogs, a chronology, photo panels and an explanation of how a design drawing becomes wallcovering using actual materials. The archive is not open to the public.

Corporate Philosophy

A timeless and unchanging Sangetsu origin combined with the company's reasons for existence, corporate mission, the Three Principles of Sangetsu, and our brand concept constitute Sangetsu's corporate philosophy.

Company Creed	Corporate Mission	Three Principles of Sangetsu
Sincerity	To contribute to society through interior design and strive to create a daily culture of enrichment.	Creative Designs, Highly Reliable Quality, Fair Market Prices

Brand Concept

Brand Statement

Joy of Design

Brand Purpose

We provide the joy of design to those who create new spaces.

Joy of Design

We share the joy of design with those who create new spaces.

The joy of fulfilling your dream at home.
The joy of envisioning and realizing unconventional commercial spaces and facilities.

In our role of bringing that joy, we ourselves must contemplate the nature of design.

The design that we pursue encompasses not only the design of objects, such as the aesthetics and functions of the products themselves, but the design of spaces that set the context for the thinking and activities of people within those spaces.
With these two design perspectives, we will continue to propose creating spaces that include a total design for the interior.
Furthermore, in our efforts to realize such designs, we will value our collaboration with outside partners in addition to expanding the foundation of our business and making our operations more sophisticated.

Joy of Design

Sangetsu, together with the creators, users and others related to interior products, will share the joy of creating new value.

Our Story

Exploring New Horizons as a Comprehensive Interior Design Brand that Brings the World Together

Our history extends back to Sangetsudo, a picture framing business founded by Yasuke Hibi during the Kaei Period (1848–1854), when Tokyo was still called Edo. Sangetsudo continued to create traditional Japanese interior products, such as scrolls, hanging scrolls, fusuma (papered sliding doors) and folding screens. It was about a hundred years later when the company began handling wallcoverings, which has since become our core product. This shift in business was far ahead of the time, when the word “interior” had not yet become familiar among people in Japan.

In 1966, Yoshiaki Hibi, the president at that time, was impressed by the advanced European concept of interior design, which provided a sense of joy and relaxation in daily life. His passion for improving the quality of Japanese interior designs became the starting point for today’s Sangetsu, which aspires to offer total coordination that creates a sense of unity in living spaces. Throughout a period of dramatic change, the company established its “fabless management” style that requires flexible thinking, planning and development of its products by responding sensitively to the needs of the times. From wallcoverings, the company steadily expanded its product range to include flooring materials, curtains and upholstery, leading up to the celebration of its 60th anniversary in 2013. Over the years, Sangetsu has contributed to the development of Japan’s interior design business by establishing a nationwide sales system and logistics network.

In 2014, Shosuke Yasuda became president, assuming the executive management role from Yuichi Hibi. This marked the transition from management centered on the founding family to a new framework commensurate with Sangetsu’s status as a listed company, in which employees actively participate in management. That same year, we announced the “Mid-term

HISTORY

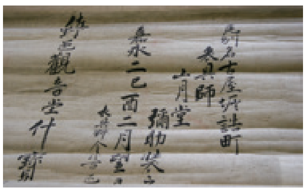
Growth in Sales

FY1954 30 million yen

FY1960 100 million yen

FY1976 12.74 billion yen

- 1849 (Kaei 2) Yasuke Hibi founded Sangetsudo.
- 1953 Sangetsudo Shoten Co., Ltd. established in April with capital of 2.5 million yen.
- 1956 Started wallcovering sales.
- 1960 Released first wallcovering sample book.
- 1964 Started nationwide marketing.
- 1966 Company name changed from Sangetsudo Shoten Co., Ltd. to Sangetsudo Co., Ltd.
- 1970 Company renamed Sangetsu Co., Ltd.
- 1972 Opened Tokyo sales office and showroom.
- 1979 Released first PVC floor sheet sample book.
- 1980 Company listed on the Second Section of the Nagoya Stock Exchange.



Signature of Yasuke Hibi on the back of a painting of the Buddha in Nirvana, dated 1849.

Company flag

Minami Aoyama Showroom

Early Years

Founding and Growth Period

Rapid

FY2016

Sales (record high)	135.64 billion yen
Net income (record high)	6.57 billion yen

Business Plan (2014–2016): Next Stage Plan G" with the goal of transforming the company into a resilient, growing enterprise, and announced our new brand concept, "Joy of Design." Seeking to provide the joy of design to a broader population, we launched a series of new initiatives, including full-scale mobilization outside Japan and reconstruction of our IT and logistics systems. As a result, we reported record sales and income in fiscal 2016, thereby creating a powerful impression of the new Sangetsu at home and abroad.

In May 2017 we announced the "Mid-term Business Plan (2017–2019): PLG 2019." Keeping alive the passion for creation that has been handed down to us since our founding, we will steadily advance our strategies for achieving solid growth and explore new horizons as a comprehensive interior design brand that brings the world together.

Mid-term Business Plan (2017–2019) PLG 2019

Develop a corporate group with a solid market base in Japan and abroad that provides diverse products and functions with a high level of expertise.

Personal	Professionals with a high level of expertise, powerful relationships with external organizations
Local	Solid position in every regional market
Global	Products and designs that connect regional markets globally

Mid-term Business Plan (2014–2016) Next Stage Plan G

1981 Released first curtain sample book.

1982 Released first carpet sample book.

1994 Released first upholstery sample book.

1996 Company was listed on the First Section of the Tokyo Stock Exchange.

2013 60th anniversary of the company founding.
Shosuke Yasuda assumed the presidency.

2014 Announced "Mid-term Business Plan (2014–2016): Next Stage Plan G."
Announced new brand concept, "Joy of Design."

2016 Established Chinese subsidiary Sangetsu (Shanghai) Corporation in April.
Acquired U.S. company Koroseal Interior Products Holdings, Inc. in November.

Sample book "Sangetsu Carpet, 82-83"

Sangetsu Shinagawa Showroom opened in July 2015

Chubu Logistics Center II (Inazawa City, Aichi Prefecture) began operations in May 2017.

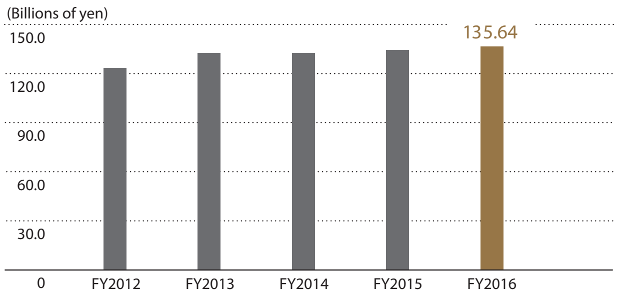
Growth and Stability Period

Transformation Period

Financial and Non-financial Highlights

Sales

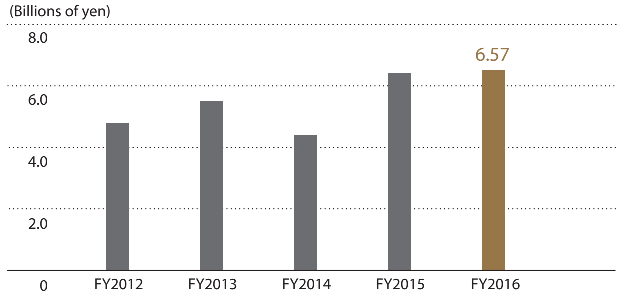
135.64 billion yen



Sales rose in the Interior, Exterior and Lighting Businesses due to consistent product development and sales activities that actively incorporated market needs. Total sales also increased for the seventh consecutive year, extending the series of record highs.

Net income attributable to parent company shareholders

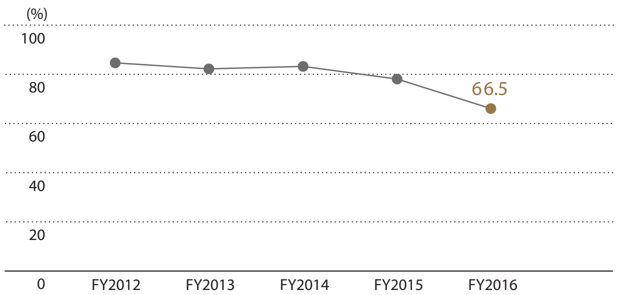
6.57 billion yen



Operating income declined due to an increase in strategic expenditures under the Mid-term Business Plan. However, the company reviewed its strategically held shares and reported a gain on sales of securities. As a result, net income rose for the second consecutive year, extending the series of record highs.

Equity ratio

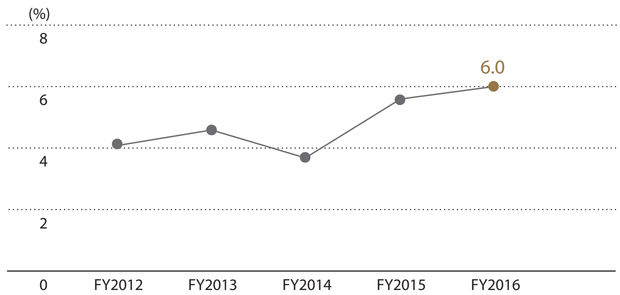
66.5 %



With respect to total assets as of the end of the current fiscal year, both current assets and noncurrent assets increased from the end of the previous fiscal year. The increase in total liabilities over this same period was mainly attributable to an increase in electronically-recorded obligations - operating, due to changes in the payment method for long-term debt and payables. Total assets also rose compared to the end of the previous fiscal year.

Return on equity (ROE)

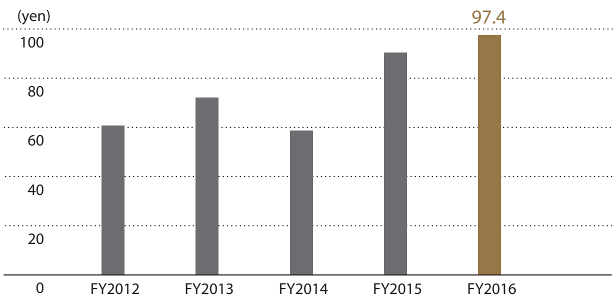
6.0 %



ROE in fiscal 2016 improved from fiscal 2013 as the company reduced its capital by raising dividends and buying back shares. On the other hand, operating income fell as implementation of the Mid-term Business Plan led to increases in tangible assets and intangible assets, resulting in a decline in return on invested capital (ROIC).

Net income per share

97.4 yen

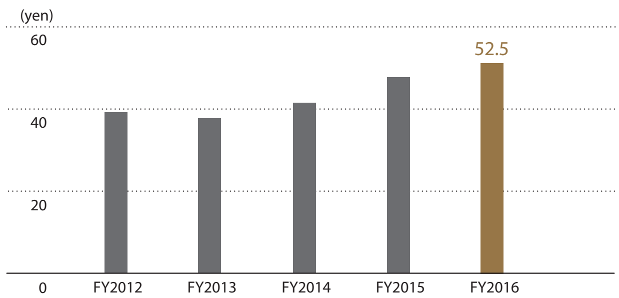


Net income per share rose as net income extended its record-breaking performance and as the company implemented share buybacks based on its shareholder return strategy under the Mid-term Business Plan.

- A share split was carried out at the rate of two shares per common share on April 1, 2015. Net income per share, net assets per share and dividend per share have been calculated assuming that the share split was carried out at the beginning of fiscal 2011.
- Net income per share for fiscal 2015 has been calculated based on the average number of shares adjusted for dilution (not available before fiscal 2014).

Dividend per share (annual)

52.5 yen



With respect to profit distribution, the company is seeking to sustainably expand its shareholder return strategy over the mid to long term, based on its capital policy under the Mid-term Business Plan. Accordingly, the company will pay an interim dividend of 25.0 yen per share and a full year dividend of 27.5 yen per share, which is an increase of 2.5 yen per share compared with initial forecasts and an increase of 5.0 yen per share from the previous fiscal year.

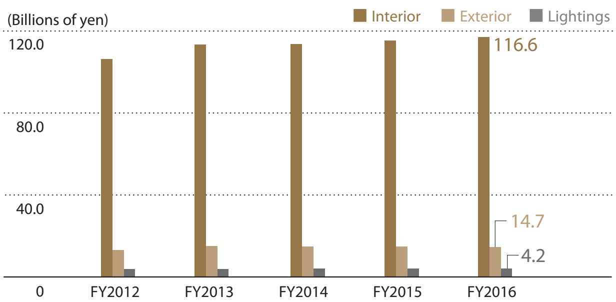
- A share split was carried out at the rate of two shares per common share on April 1, 2015. Net income per share, net assets per share and dividend per share have been calculated assuming that the share split was carried out at the beginning of fiscal 2011.

Segment information

Interior Business 116.6 billion yen

Exterior Business 14.7 billion yen

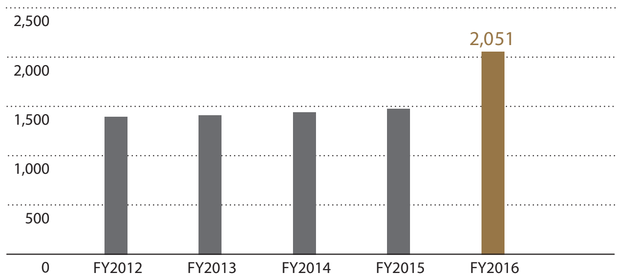
Lighting Business 4.2 billion yen



In the Interior Business, the rise in sales was led by flooring materials, as hotel and office renovations continued at a steady pace. In the Exterior Business, sales rose as we enhanced our lineup of spatial design products. Sales also rose in the Lighting Business as our products were adopted for non-residential projects and as the number of projects in the greater metropolitan market continuously increased.

Number of employees

2,051



Koroseal Interior Products Holdings, Inc., a major U.S. manufacturer of wallcovering materials, joined the Group in November 2016. In January 2017, Fairtone Co., Ltd., a Japanese interior furnishing company, joined the Group as a consolidated subsidiary. As a result, the number of employees increased by 577 from the previous fiscal year.

Shosuke Yasuda
President and CEO

Establishing a solid market position in Japan and overseas by offering diverse products, functions and advanced expertise.

Market Environment Surrounding Sangetsu and Recognition of Issues

Looking back on fiscal 2016, in the Japanese housing market, which is closely related to the company's business, new housing starts grew at a higher-than-expected rate of 6.4% on the year. This rise was due to an increase in rental housing and consequently had a limited impact on raising net sales. In the Japanese non-housing market, while activity remained low-key in the wake of the downturn in new construction starts of commercial buildings from 2014 to 2015, there was an increase in renovation works. As a result, net sales in the wallcovering business as a whole remained little changed, while sales in the flooring materials business rose. Under these circumstances, the Sangetsu Group entered the final year of the Mid-term Business Plan (2014-2016) "Next Stage Plan G," steadily expanding the existing businesses and promoting growth strategies by taking actions that included the establishment of overseas bases for meeting the needs of a growing global market.

As a result, consolidated performance for the term was as follows: net sales rose by 1.2% year on year to 135.640 billion yen; operating profit fell by 16.9% year on year to 7.572 billion yen; ordinary income decreased by 11.6% year on year to 8.368 billion yen, and net income attributable to parent company shareholders rose by 2.8% year on year to 6.570 billion yen.

As for the future outlook, robust inbound consumption and the upcoming Tokyo Olympic Games are expected to lead to an increase in the Japanese non-housing market through the construction of hotels and commercial facilities, while new housing starts are expected to trend downwards in Japan. We will continue to closely monitor economic trends such as material prices and consumer sentiment.

Reviewing the Mid-term Business Plan (2014-2016) "Next Stage Plan G"

In our previous Mid-term Business Plan, we designated fiscal 2014 to fiscal 2016 as a preparation period for future growth and focused on developing our business platform. We also sought to transform the company as well as the mindset of employees by implementing initiatives for building a solid foundation as a resilient, growing company. Apart from developing our overseas operations as a regional strategy, we also pursued functional strategies such as establishing new subsidiaries, acquiring companies and investing in leading interior construction companies. We were consequently able to reconstruct our business strategy to incorporate a broader market and lay the foundations for growth.

However, we still need to tackle several tasks. Capital efficiency remains at a low level, and in order to truly boost up our profitability and achieve growth, we must seek greater functional strength and establish a position of power in the value chain. We also need to consistently work on changing the mindset of our employees toward realizing their responsibility for evolving the company. Squarely facing the facts, I believe there is a pressing need to clearly envision the path for the Sangetsu Group's further growth.

Launching the Mid-term Business Plan (2017-2019) "PLG 2019"

To achieve growth for the Sangetsu Group, we launched our new Mid-term Business Plan (2017-2019) "PLG 2019" in 2017 based on the core concept of "PLG: Personal, Local, Global."

Sangetsu does not have its own production facilities and I believe that given this business structure, the "Personal" element, in terms of personal knowledge, capabilities, personality, passion and approach, will significantly impact our business. This element is also important in the sense that our businesses rely on the relationships we forge with each individual partner outside the company. On the other hand, our work related to interior construction is characterized by the powerful role played by local elements. We must therefore engage in work that is rooted in "Local" needs in each of the regions in order to capture a significant and formidable market position. To this end, we absolutely must provide functional strength through the teamwork of our entire organization, in addition to the "Personal" element.

Furthermore, for the Sangetsu Group to succeed as a growing concern, we must turn our eyes to markets outside Japan and engage in "Global" work. During fiscal 2016, we completed our preparations for a full-scale entry into overseas markets through initiatives such as the acquisition of a U.S. company and establishment of a subsidiary in China. I believe we can develop higher value when individual employees in each region play their part with a high degree of expertise and forge "Personal" relationships, systematically boost up our "Local" positions, and connect the markets in each country with "Global" products and design.

In accordance with these concepts, we have given top priority to the policy of "consolidated management—integrated management of the Group" in the Mid-term Business Plan (2017-2019) "PLG 2019." In our growth strategy, we will develop a consolidated management structure for generating broad synergies by integrating the management of affiliated companies in the areas of regional operations, functionality and specialized markets. To sustain this structure, we will seek to strengthen our human resources by cultivating professionals with diverse expertise. Moreover, we will strive to expand geographically while enhancing functionality across the entire spectrum of our interior materials business, from product planning to sales.

Our quantitative goal is to increase ROE to between 8% and 10% by 2019. With a firm resolution to steadily accomplish this goal, the Sangetsu Group will make a united effort to further strengthen the effectiveness of its revenue management system.

Each and every employee of the Sangetsu Group will take ownership of the initiatives laid out in the Mid-term Business Plan (2017-2019) "PLG 2019" and forge ahead by placing top priority on raising the meaning and value of their own work as well as that of their families, business partners, society as a whole and shareholders.

Sangetsu Group CSR Activities

Today enterprises must actively engage in addressing social issues, as evident in the Sustainable Development Goals (SDGs) adopted by the UN General Assembly in 2015 and the COP 21 Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC).

As a company that strives to "create a daily culture of enrichment," squarely addressing social issues and contributing to their resolution is a major concern of the Sangetsu Group. As part of our initiative, we took the first steps toward launching our new CSR activities in 2016 by creating the CSR Promotion Section in April and the CSR Committee in August. We also set up subcommittees for the five CSR Areas of "Business Practices and Consumer Issues," "Corporate Governance," "Human Rights and Working Environment," "Environmental Protection" and "Social Contribution Activities," thus establishing a CSR promotion framework to support agile actions Group-wide. Furthermore, I assumed the chairmanship of the CSR Committee in April 2017 and strengthened the functions of each subcommittee.

In addition, we incorporated the "ESG and CSR Policy" into the Mid-term Business Plan (2017-2019) "PLG 2019" as a key initiative and designated quantitative and qualitative goals for the five CSR Areas. Under the plan, we intend to enhance our CSR activities for realizing a sustainable society. Also, we will continue supporting the refurbishment of child welfare facilities as a contribution to society through our business and as an activity in which individual employees voluntarily participate. We will reinforce our CSR activities so that we can meet society's expectations and in turn enhance the corporate value of the Sangetsu Group as a whole.

Future of the Sangetsu Group

In April 2016, Sangetsu announced its new brand concept, "Joy of Design." Our mission is to provide full support to everyone who seeks to create new spaces, from professional users to ordinary customers, so they can experience the "Joy of Design." To fulfill this mission, it is important that each employee strives to actively participate in management and enhance their "Personal" strengths, to boost up our "Local" position based on that awareness, and to develop new "Global" businesses. I am convinced that the future of the Sangetsu Group depends upon these efforts.

Marking the start of a new phase, 2017 is when the Sangetsu Group will begin focusing on steadily implementing the Mid-term Business Plan (2017-2019) "PLG 2019" to enhance our corporate value while striving to bring joy to all our stakeholders.

Mid-term Business Plan (2017-2019) "PLG 2019"

Goal for 2019 (final year)

ROE 8–10%

Basic Policy

Geographically expanding and enhancing the functionality of the interior materials business (planning, procurement, logistics, sales)

Please see page 13 for our Five Key Areas of Initiatives.

Supplementary Goals

Net Sales	165–175 billion yen
Net Income	8–10 billion yen
Owned Capital	100–105 billion yen
Cash Conversion Cycle	60–75 days

Reviewing the "Mid-term Business Plan (2014–2016): Next Stage Plan G"

The "Mid-term Business Plan (2014–2016): Next Stage Plan G" was launched in 2014 to mark our Third Founding Phase. We will look back on the three-year period, in which every employee played a lead role in bringing about change by creating value to build a resilient company that continues to grow.

Next Stage Plan G

Four Basic Initiatives

1. Establish a sound corporate structure that allows employees to actively participate in management
2. Restructure our business strategy
3. Strengthen stakeholder value
4. Passing on our corporate philosophy, principles, and vision since our founding

	Quantitative Goals	Fiscal 2016 Results
Net sales	140.0 billion yen	135.6 billion yen
Net income	6.3 billion yen	6.5 billion yen

Results of Next Stage Plan G and Remaining Issues

Basic Initiatives	Results	Remaining Issues
1 Establish a sound corporate structure that allows employees to actively participate in management	· Established logistics centers, offices, showrooms and other facilities; revised and enhanced organizational systems and rules.	· Introduce new SAP mission-critical system · Logistics system for West Japan · Enhance capabilities and raise employee awareness
2 Restructure our business strategy	· Strengthened product development, alliance with suppliers, organizational structure, construction work, branding and other areas · Established a subsidiary in China and acquired U.S. company Koroseal	· Develop a consolidated management system · Enhance profitability of overseas businesses
3 Strengthen stakeholder value	· Enhanced shareholder return strategy · Social contribution activities based on employee initiative	· Formulate and implement clear environmental policy
4 Passing on our corporate philosophy, principles, and vision since our founding	· Formulated brand concept, "Joy of Design" · Opened Interior Design Archive	· Consistently pass on corporate principles
Quantitative Goals	· Achieved record-high income a year ahead of schedule in fiscal 2015 · Improved cash conversion cycle	· Achieve initial net sales goal of 140 billion yen · Increase in SGA due to implementation of initiatives under the Mid-term Management Plan · Issues remaining with turnover periods for accounts receivables and inventory

Review of Initiatives

1 Establish a Sound Corporate Structure that Allows Employees to Actively Participate in Management

Review of Our Corporate Structure

We established a new organizational structure centered on business divisions to promote planning and implementation of strategies with a higher level of expertise, as well as market-driven product development. The designation of operating income as the organizational goal of the Interior Business Unit has raised awareness of revenue management. Collaboration between the Interior Business Unit and each sales department will require further strengthening.

Introduction of New HR System and Rules

We firmly established performance-based assessments by ensuring speedy and transparent promotions and introducing a merit-based personnel and compensation system. Now we must seek operational improvements to the system, such as enhancing the managerial capabilities of the appraiser and unifying assessment criteria. With respect to reforming working styles, such as reducing overtime work hours and promoting the use of annual paid vacation, disparities remain between departments and require a consistent company-wide effort.

Review and Clarification of Organization Operational Rules

We have been delegating authority that had been concentrated in top management and clarified the relevant rules. We also revised the rules governing the Board of Directors and streamlined matters that require a resolution to speed up decision making.

Furthermore, we reviewed the structure of the Risk Management Committee and established the Quality Control Section and Legal Section to strengthen our system for managing credit exposure, quality and regulatory requirements.

Restructuring of the IT System and Streamlining of the Management Accounting System

We began to fundamentally restructure our IT system from the existing mission-critical system (ACOS). We will construct a management accounting system based on the mission-critical system (SAP) and introduce WMS for the logistics system and Salesforce for sales-related operations to expand the scope of utilization through collaboration among the systems. We will seek to bring the systems online as quickly as possible under the new Mid-term Business Plan.

2 Business Strategy Reconstruction

Product Development

We advanced our market-driven product development by bringing in a new outside designer and listening to people both inside and outside the company toward strengthening our ties with the market. We sought to enhance our designing capabilities by launching a new brand "process#100," and received the Good Design Award for our wallcovering and flooring material.

Alliances with Suppliers

We strengthened our alliances with leading suppliers through measures including a minority investment in Wavelock Holdings Co., Ltd., a major supplier of wallcoverings. In addition, we reinforced our procurement capability by reviewing and expanding our supplier base inside and outside Japan through measures such as selecting the manufacturer with top production capacity in Japan as a new business partner.

Installation Capability

The participation of Fairtone Co., Ltd. in the Group ultimately enhanced our management capability for installation work, enabling us to establish a system for receiving orders according to different areas of demand. In the future, we will consider bolstering our partnerships through capital participation in major installation companies.

Development of Overseas Business

We set up the Overseas Business Division in July 2014 and designated China, the United States and Southeast Asia as our priority strategic regions. In April 2016, we established Sangetsu (Shanghai) Corporation and acquired the U.S. company Koroseal Interior Products Holdings, Inc. in November, thereby constructing a platform for executing our strategies.

3 Strengthen Stakeholder Value

Capital Strategy and IR Strategy

As our capital strategy, we sought to enhance capital efficiency to raise our ROE while buying back owned shares and increasing dividends to ensure a sustained level of returns over the medium to long term. Our average comprehensive shareholder return for the three-year period from fiscal 2014 to fiscal 2016 was 157.4%, exceeding our target of 100% or more over the three-year period.

Social Contribution Activity

We set up the Sangetsu Volunteer Club (SVC) to promote activities in each region by collaborating with organizations, such as the National Children's Welfare Facilities Association, and refurbished 21* child welfare facilities throughout Japan. We will further expand the scope of our activities by organizing programs based on measures such as employee participation.

*As of March 2017

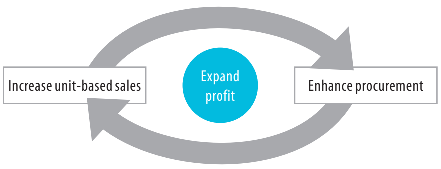
Environmental Management

We set up an environmental subcommittee under the CSR Committee and proceeded with environmental branding. Together with the Interior Business Unit, the subcommittee is strengthening our drive to develop products that comply with environmental branding.

4 Passing on Our Corporate Philosophy, Principles, and Vision Since Our Founding

In addition to the timeless and unchanging Sangetsu origin of "Sincerity," corporate mission, and the Three Principles of Sangetsu, we formulated the new brand concept "Joy of Design" in April 2016. These statements represent the corporate philosophy and reason for existence that we will strive to practice and pass on.

Sangetsu' Trajectory of Growth and New Direction



While we accomplished a lot that will lead to corporate growth by implementing the "Next Stage Plan G," it is clear to us that unresolved issues remain. To ensure sustained creation of corporate value, we will cast our eyes on a wider market and discern changes in the business environment as we forge ahead to transform the Sangetsu Group as a whole.

		Region	Position in value chain	Product and sales method	Suppliers
Sangetsu Second Stage 1953–2014	Trajectory of our period of growth To the early 1990s	Tokai region → Nationwide	Limited B to B positioning (mainly through dealerships)	Wallcoverings, flooring materials, fabric → Total interior business model	Numerous Japanese manufacturers
	Tasks in the period of stability To the late 1990s	Nationwide expansion → Dissolution of frontiers	Diversified and direct markets Expansion in B to C market	Demerits of "Total/Comprehensive" business model Sales to support dealerships and interior construction companies	Intensified competition in the Japanese market Transformation of overseas manufacturers into major concerns
Sangetsu Third Stage 2014 onwards	Shift to a new management system	Expanding into wider overseas markets	Seeking a position with greater depth and scope	Pursuit of expertise and comprehensive capabilities	Stronger alliances with leading manufacturers in Japan and overseas

Strategies and Outline of the New "Mid-term Business Plan (2017–2019): PLG 2019"

The Sangetsu Group formulated the "Mid-term Business Plan (2017–2019): PLG 2019," seeking to further enhance corporate value as a company that contributes to the creation of an affluent lifestyle and society.

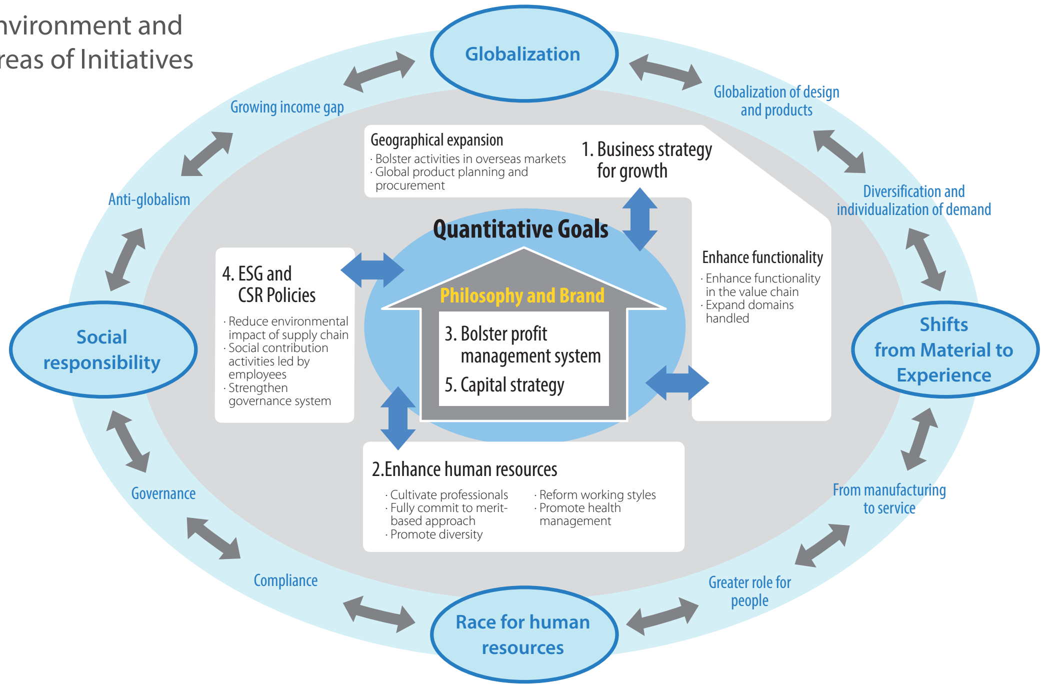
Mid-term Business Plan (2017–2019): PLG 2019

We seek to build a corporate group with a solid market position in Japan and overseas by offering diverse products and functions as well as advanced expertise.

Personal Local Global '2019

Personal	Local	Global
Professionals with high levels of expertise, powerful relationships with external human resources	Solid position in each regional market	Products and designs that connect regional markets

External Environment and Five Key Areas of Initiatives

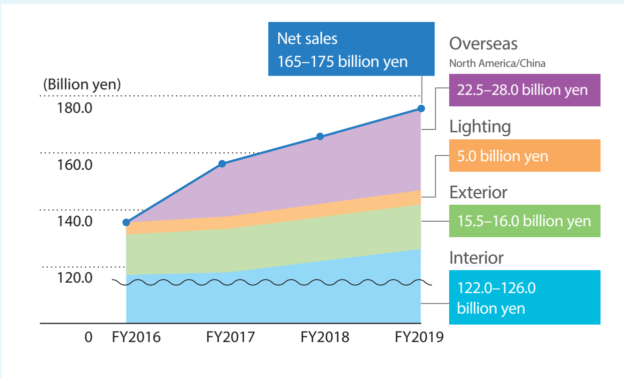


Goals for Fiscal 2019 (Final Year)

ROE 8–10%

Supplementary Goals

Net Sales	165–175 billion yen
Net Income	8–10 billion yen
Owned Capital	105–100 billion yen
Cash Conversion Cycle	75–60 days



Five Key Areas of Initiatives

1 Business Strategy for Growth

Basic Policy

Geographical expansion and functionality enhancement of the interior materials business (planning, procurement, logistics and sales)

1. Realize stable profit growth by enhancing functionality in the value chain and expanding domains handled in the Japanese market, a stable and basic source of profit.
2. Strengthen activities in overseas markets with growth potential, pursue geographical expansion and enhance products and functionality.
3. Global utilization between local bases (construct a planning and procurement system for global products in response to globalization of design and manufacturers).
4. Strengthen the consolidated management structure for generating comprehensive synergies by implementing integrated management of affiliated companies in the areas of regional operations, functionality and specialized markets.
5. Continue experimenting with business model transformation in anticipation of the next mid-term business plan.

2 Enhance Human Resources

Enhancing human resources is a key strategy for the Sangetsu Group. We will seek to cultivate professionals, with a clear awareness of the issues and a company-wide perspective, who can raise the capabilities of the entire Group.

Measures for cultivating professionals	(1) Cultivate professionals
	(2) Fully commit to merit-based approach
	(3) Promote diversity
	(4) Reform working styles
	(5) Promote health management

3 Bolster Profit Management System

To optimize SGA and increase operating profit, we will bolster our profit management system through the following measures.

Focus areas	(1) Reduction in SGA and thorough management · Assign a Chief Cost Controller · Establish SGA management method · Reduce total number of employees (Sangetsu Corporation) · Reduce nonessential costs
	(2) Set targets for ROE and cash conversion cycle on a consolidated basis and monitor progress
	(3) Introduce cash conversion cycle in each Group company
	(4) Organize dialogue between the Interior Business Unit and branch offices on targets for cash conversion cycle based on operating profit
	(5) Set net sales and total income targets for each branch office based on their respective number of employees

5 Capital Strategy

Financial Policy for Enhancing Capital Efficiency

We intend to reduce owned capital to between 105 billion and 100 billion yen by continuing to buy back owned shares and paying stable dividends while closely following circumstances in the capital markets.

Shareholder Return Strategy for the Period Covered by the Mid-term Business Plan

· Comprehensive shareholder return of 100% or more over the entire three-year period
· Maintain stable increase in dividends based on the Basic Policy of steadily increasing dividends over the long term
· Buy back treasury shares by responding flexibly to market conditions

4 ESG and CSR Policies

The Sangetsu Group has positioned its ESG and CSR Policies as a priority initiative and will seek to instill awareness throughout the Group to practice management premised on sustainability.

	Responsible Subcommittee	Mid-term Policy	Activities
Environment	Environment	Monitor the environmental impact of the Sangetsu Group as a whole and construct a system for preventing global warming and encouraging the sustainable use of resources.	· Systematically reduce GHG emissions, energy consumption and waste and promote recycling in every business activity. · Monitor GHG emissions from the Sangetsu Group's business activities and create plans for ultimately achieving zero emissions.
Social	Environmental Protection and Human Rights and Working Environment	Support the careers of diverse employees at each Group company and help provide jobs for socially disadvantaged people.	· Provide equal opportunity to diverse employees regardless of their employment status and maintain favorable working environments and develop programs for maintaining and improving employee health. · Promote respect for human rights and diversity in step with the globalization of the Sangetsu Group. · Raise the ratio of female managers to 15% or higher in Japanese operations by 2020. · Promote expansion in job positions for persons with disabilities and raise employment ratio from the current 2.3% to 3.0%.
	Business Practices and Consumer Issues	Promote social responsibility in the supply chain.	· Formulate procurement guidelines and conduct surveys for improving the entire supply chain from suppliers to installation. · Develop products that meet customer needs and provide solutions to their problems.
	Social Contribution Activities	Expand social contribution activities led by employees.	· Support refurbishment of child welfare facilities in Japan (20 or more projects per year). · Create a system that enables employees to participate in social contribution activities using free time during weekdays and carry out matching donations by the company according to the amount of employees' social contribution activities.
Governance	Corporate Governance	Maintain and enhance transparency of corporate governance and practice thorough compliance.	· Maintain full compliance with the Corporate Governance Code and seek further improvements in content. · Enhance opportunities for communicating with stakeholders (shareholders, investors, business partners, employees and others). · Ensure Group-wide compliance, including thorough adherence to fair competition, prevention of bribery and protection of intellectual property.

Value Creation at Sangetsu

Sangetsu's corporate mission is to contribute to society through interior design and strive to create a daily culture of enrichment. Our brand concept reflects our aspiration to provide the "Joy of Design" to those who create new spaces, and we will strive to generate social value through our commitment to the Three Principles of Sangetsu – Creative Designs, Highly Reliable Quality and Fair Market Prices.

Corporate Philosophy

Company Creed

Sincerity

Corporate Mission

To contribute to society through interior design and strive to create a daily culture of enrichment.

Three Principles of Sangetsu

Creative Designs
Highly Reliable Quality
Fair Market Prices

Brand Concept

Brand Statement

Joy of Design

Global Issues

- Climate change
- Growing income inequality
- Falling birthrate and aging population
- Natural disasters
- Energy resources

Input Capital

- Strong financial foundation
- Expanded logistics center
- Trusted brand
- Professionals with high expertise
- Stable customer base
- Green products

Business Model

Business Areas > P.16

Interior Business | Exterior Business

Creation

We enhance the value of the Sangetsu brand by creating high-quality interior materials and ensuring a consistently stable supply of products.

Proposal

We offer the joy of designing spaces through our diverse lineup of products and total interior proposals.

Delivery

We deliver products with the added value of accuracy with speed using our "JUST IN TIME" logistics system.

Mid-term Business Plan (2017–2019): PLG 2019

Business strategy for growth | Enhance human resources

Corporate Governance > P.36

A timeless and unchanging Sangetsu origin combined with the corporate creed, corporate mission, Three Principles of Sangetsu and our brand concept constitute Sangetsu's corporate philosophy.

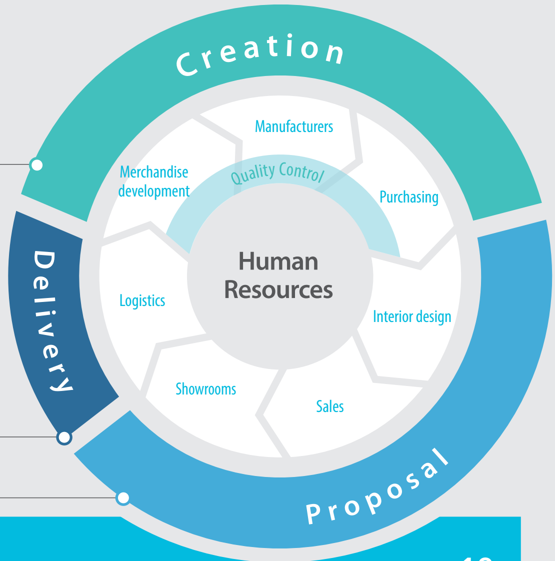
Brand Purpose

We provide the joy of design to those who create new spaces.

Value Creation

> P.20

Lighting Business | New overseas business



> P.12

Bolster profit management system | ESG and CSR Policies | Capital strategy

CSR Management > P.24

Creating a daily culture of enrichment through interior design

Value Creation through Business

- Providing the joy of designing spaces
- High-quality products and finely-tuned services

Value Creation for Stakeholders

- Providing safe and secure residential spaces
- Ensuring long-term stability for the management foundation and profit returns
- Pleasant workplaces where diversity is respected
- Preserving the global environment by reducing our environmental impact
- Business activities based on public trust and understanding

Sangetsu's Business

Interior Business

Sangetsu Corporation

In the Interior Business, which consists of wallcoverings, flooring materials and fabrics, we continue to pursue strategies for generating synergies across the Group through collaboration with the Exterior and Lighting Businesses. Simultaneously, we strive to bolster strategies for market-driven product development and sales.

Wallcoverings

Focus on Market-Driven Product Development

Our main "2016-2018 RéSERVE" sample book was considerably updated and has been favorably received for its new editorial style, which presents particular lifestyles aligned with five themes, two of which are "Children" and "Pets." We also released "2017-2019 FAITH," a new sample book showing products that satisfy non-combustibility standards for non-residential customers, such as hotels and offices, in an ongoing effort to give form to ideas that are responsive to market needs.

Flooring Materials

Taking Innovations in Diverse Areas

We sought to meet the demand for new construction and office renovations, in addition to non-residential areas such as commercial facilities and lodging facilities. At the same time we focused on expanding sales in the residential market by releasing our new "H-FLOOR" sample book, featuring vinyl floor sheets that can be widely used in both residences and facilities, and the "S-FLOOR" sample book, presenting highly functional vinyl floor sheets for various facilities. Also, we launched "NONSKID," a vinyl floor sheet for condominium hallways and balconies, and the new product "STYLE KIT" carpet tiles which can be installed easily for use.

Fabrics (Curtains and Upholstery)

Exploring New Sales Channels

In October 2016, we released "CONTRACT CURTAIN Vol. 9," a sample book consisting of flame-retardant curtain fabrics for each facility. Newly added to this lineup is "KAITEKI FR*," our popular multifunctional sheer fabrics providing thermal insulation, heat reduction, UV cut and energy-saving features. Moreover, we released the "UP" comprehensive sample book for upholstery in September. We are seeking new sales channels by targeting furniture manufacturers and architectural design offices.

*Joint development project between Sangetsu Corporation and Teijin Frontier Co., Ltd.

Interior Business

Sales ratio 86%

Sales 116.656 billion yen Up 1.3% year on year

Operating profit 7.150 billion yen Down 19.4% year on year

Wallcoverings

Sales ratio 48%

Sales 56.394 billion yen Up 0.1% year on year

Flooring Materials

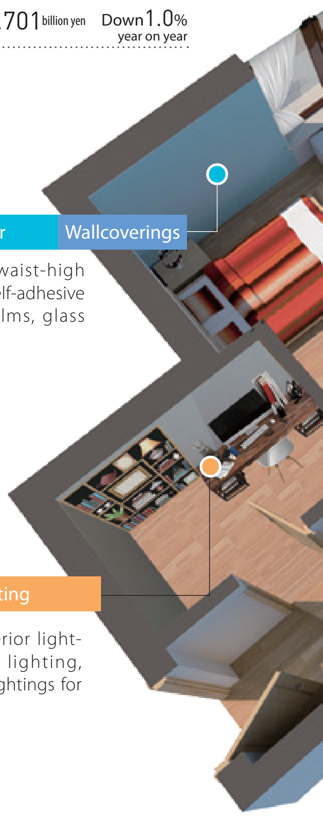
Sales ratio 35%

Sales 41.377 billion yen Up 2.3% year on year

Fabrics

Sales ratio 7%

Sales 7.701 billion yen Down 1.0% year on year

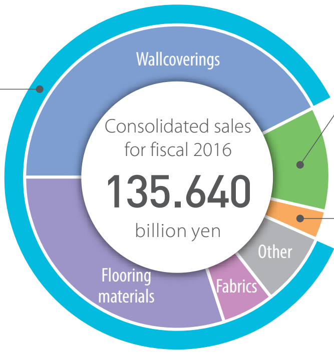


Interior | Wallcoverings

Wallpapers, waist-high wall sheets, self-adhesive decorative films, glass films, etc.

Lighting

Z Lights, interior lighting, exterior lighting, commercial lightings for facilities, etc.



Exterior Business

Sales ratio **11** %

Sales	14.778 billion yen	Up 0.4% year on year
Operating profit	402 billion yen	Up 9.6% year on year

Lighting Business

Sales ratio **3** %

Sales	4.239 billion yen	Up 2.3% year on year
Operating profit	23 billion yen	

Exterior Business

Sungreen Co., Ltd.

Reconstruction of Sales Management System Completed

Sungreen Co., Ltd., which manages the Exterior Business, restructured its sales management system and installation capabilities while also bolstering the system in order to generate synergies with the Interior Business. In addition, the company responded to the growing need for products used in designing garden spaces by expanding its lineup, which resulted in a steady rise in sales.

Lighting Business

Yamada Shomei Lighting Co., Ltd.

Expanded Orders from Hospitality and Public Facilities

Yamada Shomei Lighting Co., Ltd., responsible for the Lighting Business, received more orders from hospitality and public facilities as it continued with its specialized solution marketing, which commenced in fiscal 2015. It also shares information with Sangetsu Corporation, particularly for sales activities targeting corporate customers, in an effort to reinforce our sales team by synergy effect.

Feature 01 | Enhancing the Value Chain

The Three Strengths of Sangetsu

The three strengths of Sangetsu – Creation, Proposal and Delivery – are integrated across the entire value chain to generate synergies and provide value. We focus on enhancing our value chain so that we can provide more "Joy of Design."

Creation

Product Development

The Product Development Team plans and develops new products to meet the diverse needs of the times based on information gathered by the Sales Business Unit and the Marketing Department, and information gained directly through visits to overseas exhibitions and market research. The team is also responsible for sample books and planning for their distribution. We maintain a rich product lineup and update our 30 sample books once every couple years to reflect changing market needs and trends.

Manufacturers

Sangetsu quickly produces a varied array of products by consigning production to manufacturers. We also work with raw material producers and suppliers to develop products that offer excellent functionality and quality design to meet diverse lifestyles. We are also reinforcing our value chain to deliver safe, high-quality products.

Purchasing

The Purchasing Section is responsible for making production plans and inventory management in response to sales conditions. We strive to manage our inventory effectively to avoid shortages and excess inventory, thereby ensuring a stable supply of products at all times. Our goal under the Mid-term Business Plan is to strengthen our profit management system, and we are implementing cash conversion cycle management throughout the Group. We also work daily toward improving product quality by frequently consulting with manufacturers.

VOICE

Shiro Saito
Manager, Quality Control Section
Interior Business Unit

Reinforcing Our Quality Management System with an Eye on the Future

As a company that consigns production to manufacturers, reinforcing the quality management system across the value chain is an urgent issue for Sangetsu. The Quality Control Section was established in 2014 to stabilize product quality and reduce customer complaints. We have worked since to forge stronger alliances with suppliers by promoting feedback on product safety and security through measures such as a 25-item auditing standard. We also bolstered our own quality management system by installing nearly 40 types of inspection equipment at the Chubu Logistics Center II, our major logistics base. In the future, we will accelerate the pace of quality enhancement by quickly evaluating new technologies and prototypes from various perspectives. Our three-year effort to establish a sturdy foundation for quality management is about to bear fruit, and I am confident that our products will become even safer and more secure in the years ahead.

Proposal

Showroom

Sangetsu operates nine showrooms nationwide where visitors can enjoy seeing, selecting and matching up products. Along with an extensive assortment of samples, the hands-on displays allow for comparison of product functionality, and a simulation system helps customers select interior products that suit their needs. At showrooms with seminar spaces, we regularly hold seminars as another opportunity to experience our products.

Sales and Sales Promotion

Our sales approach is to go beyond simply providing products to proposing comprehensive plans for spaces. This approach encompasses the entire flow of commerce, from upstream to downstream, so that interior materials can be proposed to satisfy the desires of customers, including cost considerations. The Sales Promotion Team is primarily responsible for receiving orders but also responds to product-related inquiries.

Delivery

Logistics

Interior finishing, which is the final stage of construction, must be completed within a designated time, so the key is on-time delivery. In our effort to ensure "just-in-time logistics," Sangetsu maintains 12 logistics centers across Japan and a system capable of shipping approximately 60,000 items per day. We pay due consideration for safety and deliver our products to customers with accuracy and reliability.

VOICE

Developing Products that Generate Excitement among Employees

Under the previous mid-term business plan, we have been working under the theme of market-driven product development. Our new approach to product development embodies our "Joy of Design" brand concept, selecting new outside designers to enhance product design, setting up design groups focused on different demand areas and strengthening our ties with the market by listening to opinions inside and outside the company. Looking ahead, we will seek to accelerate the pace of collaborations with affiliated companies in Japan and overseas toward our goal of demonstrating a combination of local and global capabilities. As part of our strategies for overseas markets, we are currently developing a project based on the wa-modern (traditional + modern) style, which is becoming more popular in Europe and elsewhere. Moreover, we are presenting this style as new value under the Sangetsu brand. I aim to build a stronger brand by creating products that generate excitement among employees.

Yoshiaki Kaneko
Director, Executive Officer
Deputy General Manager, Interior Business Unit, and General Manager, Logistics Unit

Feature 02 | Geographical Expansion and Functionality Enhancement of the Interior Materials Business

Expanding Sangetsu's Business Strategies in Japan and the World

Since 2014 the Sangetsu Group has been aggressively seeking to expand its sales and procurement capabilities in Japan and overseas as part of its growth strategy.

In 2015 we formed a capital and business alliance with Wavelock Holdings Co., Ltd., whose subsidiaries include a leading wallpaper manufacturer in Japan, and it followed up with more implementations of the strategy in 2016. In April 2016, we established Sangetsu (Shanghai) Corporation as a wholly-owned subsidiary to launch our business in China. Also, we gained a foothold for developing our business model in the United States through acquisition of Koroseal Interior Products Holdings, Inc., a major manufacturer of wallcoverings, in November. In January 2017, we turned Fairtone Co., Ltd., an interior construction company that belongs to the Toyobo Co., Ltd. Group, into a subsidiary, thereby bolstering the construction capability of our existing business.

In the years ahead, each Group company will strive to expand their existing businesses and develop new ones. At the same time, we will explore ways to generate powerful synergies for the entire Group.

Strengthening Consolidated Management Functions

The Sangetsu Group will rigorously implement its consolidated management functions through the following measures to enhance the Group's corporate value.

- ◆ Supervise department system
  Maximize synergies, take responsibility for profit management
- ◆ Monitor and support systems in administrative departments
  Demonstrate specialized functions of administrative departments
- ◆ Create the Consolidated Management Section
  Overall management, check-and-balance function

Our Businesses in Japan

| Nagoya City, Aichi Prefecture |

Sungreen Co. Ltd.

Trading company specializing in the exterior business. Joined our Group in 2005. Currently expanding its trading area from Tokai region to the Kanto region while also developing synergies with the Interior Business Unit.

| Chiyoda-ku, Tokyo |

Yamada Shomei Lighting Co., Ltd.

Specializing in lighting equipment, this manufacturer developed "Z Light," the first flexible-arm light sold in Japan. It has been generating considerable synergies under the "Total Interior" concept since joining the Group in 2008.

| Suita City, Osaka Prefecture |

Fairtone Co., Ltd.

Became a subsidiary in January 2017 and is a core Group member in the drive to establish a nationwide interior construction system as part of the strategy to expand Sangetsu businesses.

| Shinagawa-ku, Tokyo |

Sangetsu Vosne Corporation

A wholly-owned subsidiary of Sangetsu Corporation, which launched its brand on May 1, 2017. It will develop a sales system exclusively for curtains, requiring a high level of expertise.

| Chuo-ku, Tokyo | (equity method affiliate)

Wavelock Holdings Co., Ltd.

Signed a capital and business alliance in October 2015, becoming a company accounted for under the equity method. Sangetsu intends to enhance its competitiveness through strong cooperation with Wavelock Holding's wholly-owned subsidiary, Wavelock Interior Co., Ltd.

Overseas Business

Ohio, U.S.A.

Koroseal Interior Products Holdings, Inc.

Koroseal Interior Products Holdings, Inc. is a manufacturer and distributor of commercial wallcovering materials with one of the largest shares in that U.S. market segment, which is expanding steadily. The company was originally established as the PVC polymer division of B.F. Goodrich Company in 1956 and began producing commercial vinyl wallcoverings. Since becoming independent as RJF International Corporation, it has been growing significantly over the years by expanding both our sales force and product portfolio and through acquisitions of key companies and brands. In 2014 its interior products division was purchased by an affiliate of Peak Rock Capital, which established Koroseal Interior Products. In November 2016, the company became a wholly-owned consolidated subsidiary of Sangetsu Corporation.

Koroseal's broad range of product portfolios include commercial wallcoverings, dry erase presentation surfaces and wall protection systems. In 2015 the company expanded its manufacturing and distribution capabilities by completing the build out of a new 28,000 square meter state-of-the-art "super facility" in Louisville, Kentucky. This facility has significant capacity for growth as well as strategic and operational advantages. The move included the addition of an in-house digital printing capability to enhance their custom digitally printed products and a leadership position in this growing market.

Koroseal's strength lies in wallcoverings, and it boasts a distribution capability that extends from the upstream to downstream market segments, with approximately 130 employees in the United States and Canada. The business model of Koroseal and that of the Sangetsu Group in Japan share a number of commonalities, and our combination is expected to generate synergies for the Interior Business as a whole. In the coming years, we will maintain close communication with Koroseal as we explore possibilities for expanding the Sangetsu Group's business globally, including increased offerings in the United States through Koroseal.

VOICE

There are strong similarities and synergies between the businesses of Sangetsu, the Japanese interior market leader, and Koroseal, with a solid share of the North American market. Two companies are currently working together in several areas of focus to drive synergies by utilizing elements of Sangetsu's portfolio and vice-versa and provide even greater value for our customers. We are also collaborating on an international strategy to help both companies achieve greater market share outside of North America and Japan, respectively. As a combined company, Sangetsu and Koroseal can utilize their leading positions across the Pacific to achieve even greater heights together. I am convinced that this multi-national partnership is well positioned for long-term growth.

Richard W. Runkel
Koroseal Interior Products Holdings, Inc.
President & Chief Executive Officer

Shanghai City, People's Republic of China

Sangetsu (Shanghai) Corporation

We established Sangetsu (Shanghai) Corporation in China as a wholly-owned local subsidiary in April 2016. Currently it is pursuing a business model in China similar to the model we use in Japan. Additionally, it is developing sample books exclusively for Asia and providing the combined functions of inventory, delivery and construction.

Paint is the predominant method of finishing walls in China and the Asian region in general, with wallcoverings used on only 10% to 15% of walls. However, the scope of this market is estimated to be more than 2.5 times greater than Japan's, at 1.74 billion square meters, and demand for wallcoverings is expected to steadily rise with the modernization of lifestyles.

Looking ahead, we will target the high-end market and carry out sales activities with a focus on local developers, general contractors, design offices and interior installation companies. With China as a launch pad, we will work toward expanding the Sangetsu brand to other regions, including Southeast Asia.

VOICE

In recent years, rising living standards in China have heightened interest in interior design and more people are enjoying the consumer experience. Shanghai is an important base for our overseas expansion, and our growth is essential for business development. We will continue to collaborate with Sangetsu as we closely monitor market trends to reinforce our sales activities and establish Sangetsu (Shanghai) as a total interior brand in China.

Xu Chuang
General Manager Sangetsu (Shanghai) Corporation

Feature 03 | Enhancing Products and Functionality Ample Delivery Track Record

Infinite Possibilities of the Total Interior Concept

Sangetsu responds to the diverse lifestyles and needs of customers by offering an assortment of interior materials such as wallcoverings, flooring materials and curtains. Moreover, it recommends product combinations toward creating beautiful, comfortable spaces for a variety of residential and facility purposes. Looking ahead, we will expand these offerings overseas in our pursuit of infinite possibilities under our total interior concept.

CASE > 01 Saitama Children's Medical Center

Medical Care and Welfare Facilities

Total Proposal Adopted by a Medical Site Providing Advanced Pediatric Care for the Local Community

Saitama Children's Medical Center is a general hospital specializing in pediatric care. It relocated to the Saitama New Urban Center in December 2016, and new facilities, including an emergency and critical care center as well as intensive care units, were incorporated to provide advanced medical care. A broad range of Sangetsu products were selected for the facilities, such as wallcoverings, flooring materials and curtains. Furthermore, we provided our ODEN PUR to the neonatal intensive care unit (NICU). This single-layered long sheet, used as a flooring material, is highly resistant to wear and dynamic load and also easy to maintain. Its color variations serve to secure passages and allow for the division of space, so not only is it well designed and highly functional.

Neonatal Intensive Care Unit (NICU)

Name	:	Saitama Children's Medical Center (Saitama City, Saitama Prefecture)
Completion	:	December 2016
Client	:	Saitama Prefecture
Design	:	Kume Sekkei Co., Ltd.
Construction	:	Shimizu Corporation

Photo: SS Inc. Tokyo Office

CASE > 02 Kobe Bay Sheraton Hotel & Towers

Hotel

Customized Design Attuned to Spaces Offering Japanese-Style Hospitality

Sheraton is an international hotel chain operating more than 400 first-rate hotels in 75 countries. The Kobe Bay Sheraton Hotel & Towers, with a unique Japanese style, suits the port town of Kobe, where foreign and Japanese cultures come together. For its renovation project, we have been providing special order carpets and upholstery continually since 2014. Our carpets were selected for the third- and fourth-floor foyers of the main building and the annex building's fourth floor in 2016. We have received favorable feedback from the clients for their design, created with Japanese-style hospitality in mind.

Third-floor foyer in main building

Name	:	Kobe Bay Sheraton Hotel & Towers (Kobe City, Hyogo Prefecture)
Completion	:	December 2016
Client	:	Hotel New Awaji Co., Ltd.
Design	:	Ishii Architect Office Co., Ltd.

Photo: SS Inc. Osaka Office

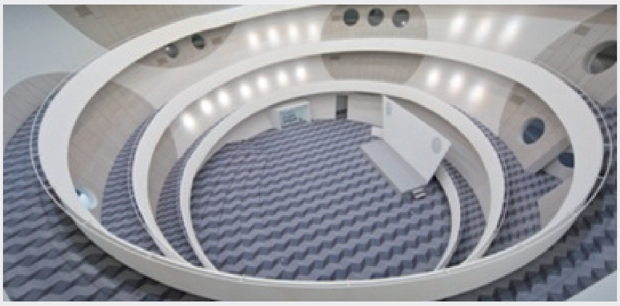
CASE > 03

Nakanishi Inc. New Head Office and R&D Center

Office

Custom-Designed Carpet Tiles for a Company Building that Will Target New Growth

Nakanishi Inc., a manufacturer specializing in proprietary ultra-high-speed rotation technology, possesses the top share of the global market for dental care. In March 2014, the new head office and R&D center were completed, including head office functions that allow for efficient operations, R&D and showrooms. The building includes Sangetsu's custom-designed carpet tiles and upholstery. The tiles, laid in a unique, progressive space, befit Nakanishi's aspirations to take dental care to the next level. And we sought to express that with the customized GRAFICA carpet tiles, which have clear colorations and are suitable for creating floors as designed.



Center Court

Name	:	Nakanishi Inc. new head office building and R&D center (Kanuma City, Tochigi Prefecture)
Completion	:	March 2017
Client	:	Nakanishi Inc.
Design and Supervision	:	Atsushi Kitagawara Architects Inc.
Construction	:	Maeda Corporation

Photo: Yu Ino

CASE > 04

Aeon Mall Nagakute

Commercial Facility

Large-Scale Shopping Mall Blends with Lush Townscape

Aeon Mall Nagakute, which celebrated its grand opening in December 2016, is a new type of shopping mall based on their design concept of "everyone's tree adding color to the forest town." The building blends into the abundant nature of the Nagakute townscape and is a place where locals can relax among the imagery of a forest and trees, incorporated into its interior design. Sangetsu's floor and carpet tiles were used for this project. The floor surface consists of carpet tiles in natural green and beige hues, and gives the impression of sunshine coming through branches while matching the surrounding plant-themed design.

Atrium at the center of the mall

Name	:	Aeon Mall Nagakute (Nagakute City, Aichi Prefecture)
Completion	:	December 2016
Client	:	Aeon Mall Co., Ltd.
Design and Supervision	:	Kajima Corporation
Environmental design	:	Mash Corporation

Mash Corporation

CSR at Sangetsu

The Sangetsu Group recognizes CSR activities as being synonymous with practicing its corporate philosophy and engages in activities for creating a sustainable society with a variety of stakeholders.

CSR Management

Sangetsu Group Corporate Ethics Charter

A company is a public entity acting within society that seeks to earn profit through sound business activities and offer returns to support vigorous development and society as a whole. With this understanding, the Sangetsu Group works to enrich living environments and contribute to society by providing products and services of value.

The Group will uphold the following principles as it pursues its business activities regardless of location: demonstrating respect for basic human rights; complying with the letter and spirit of all laws, regulations and international rules; and taking action to realize sustainable development on its own initiative, guided by its social conscience.

1 To Remain a Trusted Company

We will enhance the brand value of the Sangetsu Group and earn customer satisfaction and trust by developing and providing creative, high-quality designs, for comfortable and rich living spaces, and products and services, with due consideration for safety and the protection of personal information and customer data.

2 To Fulfill our Corporate Social Responsibility

We will communicate with various constituencies in society, including customers, business partners, shareholders and investors, residents of local communities, and employees, and disclose corporate information in an appropriate and fair manner. Also, we will engage in activities that benefit society as an upstanding corporate citizen.

Furthermore, we will comply with laws, regulations and other rules, engage in fair, transparent and free competition, conduct business appropriately, and maintain sound and normal relations with political representatives and governments. At the same time, we will avoid any involvement with antisocial forces or groups that pose a threat to the order, safety or security of civil society.

3 To Provide a Lively Workplace for Employees

We will respect the diversity, personality and individuality of employees. Also, we will properly manage a personnel system that allows each employee to demonstrate their abilities and play a lead role in corporate management while securing a safe, healthy and pleasant working environment.

4 To Protect the Global Environment

We will be proactive and lead the way with the awareness that efforts to address global environmental issues constitute an essential element of the existence and activities of any company.

5 To Earn Society's Trust and Support

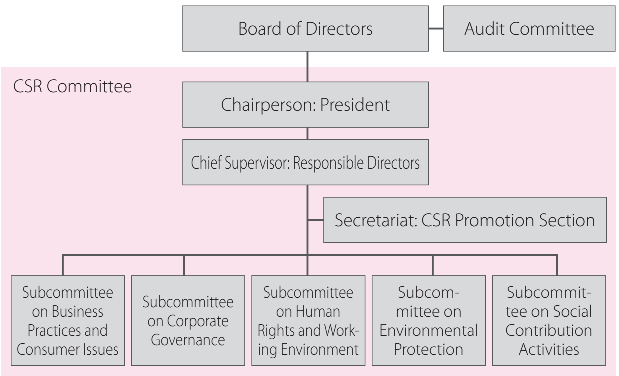
The Sangetsu Group's top management will lead by example, fully aware of its responsibility to realize the spirit of this charter and ensure that it is thoroughly understood company-wide. It will also constantly monitor feedback from both inside and outside the company to establish an effective corporate system and ensure thorough compliance.

In the event of a violation of this charter, the executive manager will demonstrate personal responsibility in the eyes of the company and the public for taking the initiative in resolving issues and will endeavor to determine their cause and prevent recurrence. The executive manager will also fulfill the duties of promptly disclosing accurate information to the public and of accountability, clarifying the authority and responsibility with regard to the issue, while implementing rigorous measures including those related to the executive office.

CSR Management System

To fulfill its corporate social responsibility, Sangetsu set up the CSR Promotion Section in April 2016, as well as the CSR Committee in April 2017 to supervise the CSR activities of the entire company. Five subcommittees corresponding to the CSR guidelines were also established. We will continue to effectively implement CSR management and promote initiatives for addressing social issues.

◆ CSR Management System



Contribution to Sustainable Development Goals

The Sustainable Development Goals (SDGs) were adopted by the UN General Assembly in September 2015. These comprise 17 goals and 169 targets for realizing a sustainable world and require that not only countries but also enterprises play an active role. The Sangetsu Group will seek to contribute to achieving the goals through its business activities while also fulfilling its responsibility to society.

As a group aspiring to create a daily culture of enrichment, Sangetsu will particularly focus on Goal 11: Sustainable cities and communities.

Major Goals of Our ESG and CSR Policy

	Subcommittee	Mid-term Policies	Major Goals
Environment	Environmental Protection	Monitor the environmental impact of the Sangetsu Group as a whole and construct a system for preventing global warming and supporting the sustainable use of resources	Reduce greenhouse gas (GHG) emissions per unit of sales by 35% in fiscal 2019 compared to levels in fiscal 2010, etc.
Social	Human Rights and Working Environment	Support the careers of diverse employees at each Group company and provide jobs for those who are socially disadvantaged	Raise the ratio of female managers in Japanese operations to 15% or more and the employment ratio of persons with disabilities to 3.0% or more by 2020
	Business Practice and Consumer Issues	Promote social responsibility in the supply chain	Conduct a CSR procurement survey in fiscal 2019 covering 90% of the supply chain with respect to the amount purchased
	Social Contribution Activities	Expand social contribution activities led by employees	Support 20 or more refurbishment projects for child welfare facilities in Japan each year
Governance	Corporate Governance	Maintain and enhance the transparency of corporate governance and practice thorough compliance	Maintain full compliance with the Corporate Governance Code and seek improvements, and organize 10 or more dialogue events each year

Together with Customers

Providing Safe Products

We are continuously raising quality with full attention to improvement in product safety under Sangetsu's Quality Policy. In order to offer quality that exceeds customer expectations, we practice strict quality management based on our quality management standards.

In fiscal 2016 we sought to maintain and enhance product quality by increasing the number of technical staff to reinforce our management system and by conducting stringent reviews at each stage of the product development process. We deliver safe, reliable products by managing a consistent process encompassing product planning, development, design, production and delivery.

Offering Information with the Customer's Perspective

Sangetsu provides information in various formats and through a range of channels to help customers make their ideas more concrete for the purpose of facilitating coordinated interior design that satisfies their requirements. Our website provides access to digital books and also introduces interior decorations suitable for preferred lifestyles. In our wallcovering sample book "RéSERVE 2016-2018" we included feature articles with useful information for creating living spaces. And in our showrooms we installed My Photo Simulators that enable customers who bring photographs of a room to experiment with different interior configurations. We also hold information sessions to introduce products as well as interior coordination seminars as needed.

Reflecting Onsite Feedback in Product Development

We are working to better reflect onsite feedback from outside partners and others in our product development in an effort to broadly publicize our newly designated 0brand concept, "Joy of Design." Each Interior Business division periodically holds meetings with the aim of increasing recognition of our brand concept. These are attended by sales staff from the frontlines of the market and those responsible for interior design. Moreover, applying a completely new approach to manufacturing, we obtain advice on products under development from architectural design offices and renowned designers. Always sensitive to customer preferences and market trends, we aspire to give shape to "Joy of Design" by placing value on the perspectives offered to us by professionals and the passion of creators involved in our product development processes.

Launching the "Bring Down the Wall for Wallpaper" Design Awards

In February 2017, we announced the launch of the Sangetsu Wallpaper Design Awards 2017 to welcome a broad range of new ideas for wallpaper. We offered awards and prizes, totaling 2.1 million yen, and this includes a 1 million yen grand prize premised on the commercialization of a winning design. We hope to revitalize the world of interiors with ideas from a wide range of business fields, such as interiors and architecture, and discovering young talent who can make a mark in Japan and around the world.

WEB Sangetsu Wallpaper Design Awards 2017
http://www.sangetsu-award.jp/index_en.html

VOICE

Risa Misawa
Director,
Nikken Space Design

Valued Partner Expanding Design Possibilities

Without materials an interior designer cannot produce results. And when we present an idea to clients, their satisfaction arises only when they can see images incorporating actual materials. So, Sangetsu's rich and varied sample books represent an essential part of our jobs.

During my student years I worked part-time at Sangetsu, where I was involved in creating sample books. And so I'm particularly pleased to now be using them in my work. Over the past few years I have occasionally offered advice on product development from the standpoint of someone who makes recommendations to customers. And it has been clear to me that Sangetsu is increasingly applying "Joy of Design" while also maintaining high quality. Finding materials that incorporate new technologies and the latest trends is exciting, as is following the progression in the sample books, allowing designers to develop their sensibilities. I want to continue seeing the satisfaction on the faces of clients with Sangetsu, as a valued partner in expanding the possibilities of design.

Together with Business Partners

Promoting Fair Transactions

Our business partners are key stakeholders with whom Sangetsu has worked and grown together over the years. We intend to fulfill our social responsibilities through sound business activities based on our mutual trust and collaboration with business partners. At the same time, we will pay due consideration to the environment, safety and human rights. To better accomplish these ends, in October 2016 we began formulating the Sangetsu CSR Procurement Policy as well as the Sangetsu CSR Procurement Guidelines, which covers procurement activities for all products sold under the Sangetsu brand, including those sold through distributors, and materials. We will distribute the guidelines to Group companies and major business partners in fiscal 2017 and work with them to ensure thorough compliance.

In addition, we will promote fair transactions by asking business partners to participate in the Sangetsu CSR Procurement Survey and providing onsite guidance as necessary in an effort to contribute to the creation of a sustainable society.

Working Together with Suppliers (Manufacturers) to Reinforce Quality Management

Working together with our suppliers is indispensable to the provision of safe, high-quality products to customers. Sangetsu's product development and purchasing staff review suppliers on a multilateral basis using an evaluation checklist based on our own standards to encourage improvements in their factory operations for enhanced product quality. From the standpoint of securing stable supply, we sought in fiscal 2016 to enhance the level of quality management at our suppliers by compiling a list of criteria for evaluating the factories of candidate suppliers in Japan as well as overseas.

That year we also built a testing facility at the Chubu Logistics Center II with an environmental testing lab and installed the most advanced inspection equipment as part of our drive to strengthen quality management. The facility provides us with a suitable quality management environment, as we consign production to manufacturers. It also allows us to conduct sampling inspections to check the quality of each product, monitor physical properties in product development stages and analyze customer complaints.

Environmental testing lab

Communication with Business Partners

We visit the offices and manufacturing plants of our suppliers to directly hear about their situations and challenges so we can gain a deeper understanding of their needs.

We convene an annual gathering for representatives of dealerships, who are among our most important stakeholders. These events provided valuable opportunities for us to share our business reports, Mid-term Business Plan and strategic growth scenario in cooperation with the dealerships, while also encouraging attendees to exchange information.

VOICE

Together with Sangetsu to Expand Production Capacity and Achieve Further Growth

Our partnership with Sangetsu spans more than three decades, and we are now an OEM supplier of carpet tiles for various buildings, primarily offices and public spaces. Sangetsu has always taken great care to adopt the perspective of customers while we apply the utmost care in making each product as another means of serving our customers.

Demand over the past few years has continued to rise, and after repeatedly discussing the future outlook and market needs with Sangetsu, we invested three billion yen into building a new plant in Shiga Prefecture. In addition to boosting production capacity, we seek to rigorously enforce quality management and reduce costs by automating operations, while paying due consideration to the surrounding environment. Additionally, we will communicate even more with Sangetsu as we aspire to continue growing on the strength of our solid relationship of mutual trust.

Yukio Imazu
Managing Director,
General Manager of Sales
Japan Carpet Co., Ltd.

Together with Shareholders

Basic Policy on Capital Strategy

- Achieve high ROE levels that exceed the cost of capital at an early stage and higher ROE (8%–10%) in the medium to long term.
- Improve capital efficiency through the effective use of working capital and other assets while securing reserves for stability and growth.
- Fortify the shareholder returns strategy to ensure a sustained level of returns over the medium to long term.

Communication with Shareholders and Investors

To achieve sound relationships with shareholders and investors, Sangetsu ensures appropriate and fair disclosure of business information while actively communicating through IR activities. The company shares performance and business information, material from financial results briefings, stock information and other business data in a timely manner through the IR pages of the company website and constantly seeks to improve disclosure. To provide invaluable opportunities for direct dialogue with analysts and institutional investors, Sangetsu holds financial results briefings twice a year. In fiscal 2016, around 70 investors attended these briefings. Sangetsu also conducts one-on-one meetings, pays individual visits and holds small meetings at its showrooms as well as briefings for individual investors, which are attended by the president. We actively exchange opinions and incorporate the feedback we receive into management. As part of the Mid-Year Shareholder Report for the fiscal year ending March 2017, we conducted a survey of our shareholders and collected more than 400 responses. We have closely reviewed the survey results and intend to reflect them in our business management and capital strategy.

Financial results briefing

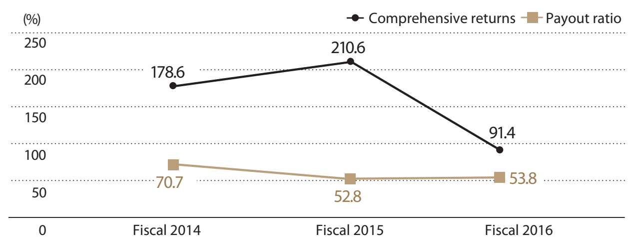
Sangetsu View　Carrying Out Our Shareholder Return Strategy

To ensure medium- to long-term return to shareholders in a changing capital market and to improve the company's standing among stakeholders under the Mid-term Business Plan, the company has announced and is implementing a new capital strategy. Attention to efficiency in balance sheets and capital cost now has higher priority than stable dividend payment and stability. The company sought to improve capital efficiency in fiscal 2016 by implementing a total of 2.5 billion yen in share buybacks, bringing consolidated comprehensive shareholder return to 91.4%. We will continue to implement our capital strategy under the new Mid-term Business Plan to achieve our goal of 8% to 10% ROE.

Capital Strategy under the Mid-term Business Plan (2014–2016): Next Stage Plan G

- Raise consolidated comprehensive shareholder returns to an average over 100% for the three years from fiscal 2014 to 2016.
- Strive to reduce treasury capital by 10.0 billion yen to 20.0 billion yen in 3 to 5 years starting in the latter half of fiscal 2014, with an eye to market conditions.
- Flexibly acquire treasury stock, consider and implement dividend increases to improve medium- to long-term shareholder returns.

◆ Shareholder returns　Three-year average for comprehensive shareholder returns **157.4%**



	Fiscal 2014	Fiscal 2015	Fiscal 2016	Three-year total
Consolidated net income	4.4 billion yen	6.39 billion yen	6.57 billion yen	–
Total dividends	3.07 billion yen	3.32 billion yen	3.52 billion yen	9.91 billion yen
(dividend per share)	(41.25 yen/ share)	(47.5 yen/ share)	(52.5 yen/ share)	–
Amount of treasury stock acquisition	4.78 billion yen	10.14 billion yen	2.5 billion yen	17.42 billion yen
Comprehensive return	7.85 billion yen	13.46 billion yen	6.0 billion yen	27.31 billion yen
Change in number of shares issued	74,100,000 shares (March 2015)	69,170,000 shares (March 2016)	68,070,000 shares (March 2017)	–
Change in owned capital	118.75 billion yen	108.51 billion yen	108.89 billion yen	–
EPS	58.4 yen	89.8 yen	97.5 yen	–

*The company implemented a 2-for-1 stock split on April 1, 2015. Figures prior to that date are indicated on the basis of the stock split.

Stakeholders

Together with Employees

Personnel Department Policy

Personnel Department Policy

Sangetsu respects the diversity, character and individuality of employees, ensures sound operations to enable each employee to perform at their full potential, and provides a safe and pleasant working environment.

Personnel System Reform

Sangetsu has been reforming our personnel system as a priority initiative aimed at building a corporate structure that allows employees to participate in management, and we have been introducing new measures since April 2015.

Our Approach to Personnel System Reform

Premise

- The purpose of the personnel system reform is to enable the company to build a structure that encourages employees to consider and participate in business management.
- We will emphasize unconventional abilities and ideas that complement the transformation of our operations and organization.
- While retaining the flat organizational structure that has well served Sangetsu, we will also seek to actively nurture future directors and executive candidates by accelerating the pace of assignments and promotions to higher positions.
- While maintaining Japanese-style personnel management, we will also place greater emphasis on individual contributions to the organization.

Our Approach

Hybrid System Combining Standards of Ability and Occupational Position

While adhering to the existing system of qualifications and job grading, we will strive to create a balance between a treatment based on short-term missions and another based on medium- to long-term skill development.

◆ Direction of personnel system reform

Building a Structure that allows employees to participate in management

Maintain and increase employees' sense of reassurance	Realize sound management	Enhance employee motivation
Maintain and increase employees' sense of security so that they can imagine their future and advance their careers	· Enhanced system for the numbers of graduated allocations of staff planned for 2025 · Improved salary system to raise employee awareness of the company's profit and expansion	· Proactive assignment of human resources · Improve how we treat human resources and fairly remunerate for one's efforts

Human Resource Development

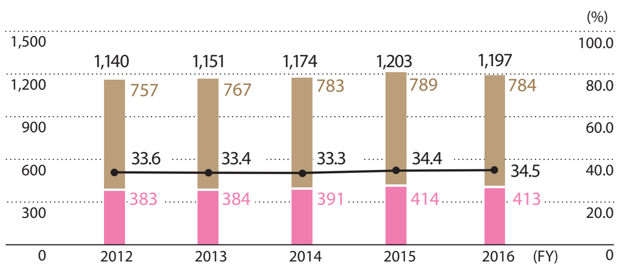
Human Resource Development Policy

In accordance with the "Mid-term Business Plan (2017–2019): PLG 2019," Sangetsu respects employees who are striving for self-improvement and provides them with places to grow, act and fully demonstrate all their capabilities.

WEB Sangetsu Education and Training System (Japanese only)
www.sangetsu.co.jp/recruit/educational/index.html

Personnel-related Data (Sangetsu Corporation)

◆ Number of full-time employees (as of March 31 of each year)



◆ Number of employees taking childcare leave

FY	2012	2013	2014	2015	2016
Number of employees who took childcare leave	16	21	16	32	39

◆ Average number of paid vacation days taken (from October to September of the following year)

FY	2012	2013	2014	2015 (Forecast)	2016 (Target)
Average number of paid vacation days taken	5.1	9.6	9.5	11	12

◆ Number of employees on temporary part-time work while child-rearing

FY	2012	2013	2014	2015	2016
Number of employees on temporary part-time work while child-rearing	25	32	44	41	56

◆ Employment rate of persons with disabilities (as of June 1 of each year)

FY	2012	2013	2014	2015	2016
Number of employees with disabilities	21	20	22	22	24
Employment rate of persons with disabilities (%)	2.18	2.09	2.24	2.12	2.26
Legal employment rate (%)	1.80	1.80	2.00	2.00	2.00

Promoting Diversity

Promoting the Voluntary Action Plan

Sangetsu is implementing "Sangetsu Positive Action" through strategic personnel system reform. With the goal of having a corporate culture where women are encouraged to continue to work for many years, utilize their strengths and flourish, we have been taking action led by the diversity promotion team in the Personnel Department. In fiscal 2017, we are focusing on the three priority themes shown below to attain our goal of creating a corporate culture that enables the company to utilize the knowledge, experience and expertise of our employees, regardless of gender.

Priority Themes for Fiscal 2017	(1) Formulate a career development plan and set goals for each department
	(2) Introduce selective training
	(3) Review work styles

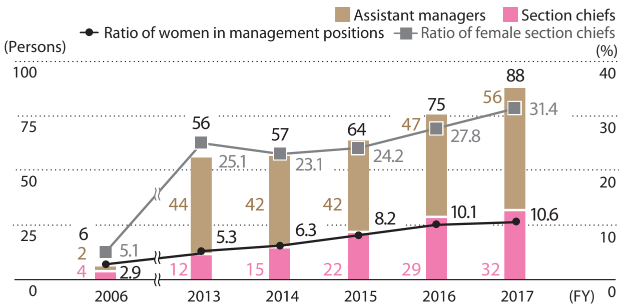
◆ Measures

Working group for reviewing work styles (Stage I)	Set up a working group primarily comprising women to determine the needs with respect to retention and successful career development, and provide opportunities to present their recommendations
Diversity management training	Organize diversity management training for managers
Seminar to support balancing work and childcare	Hold a seminar on the mental aspects of balancing childcare and work and use supportive programs intended for employees on childcare leave, reinstated employees and their spouses

◆ Action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace

Purpose	To realize a corporate culture where women are encouraged to continue to work for many years, utilize their strengths and flourish
Plan duration	Three-year period from April 1, 2016 to March 31, 2019
Quantitative goals	· Attained the goal of raising the ratio of female assistant managers to 30% or more by 2017 · Raise the ratio of female managers to 15% or more by 2020
Content	(1) Formulate an overall medium-term career development plan for both men and women, including provisions for widening job areas for women and make assignments intended to actively promote women to managerial positions. (2) Establish new programs and revise existing programs designed to support balancing work and family. (3) Create guidebooks and organize seminars and training to strengthen employee awareness.

◆ Ratio of female managers: goals and current status (as of April 1 of each year)



*The ratio of women in management positions (10.6%, 32 persons) is expected to fall short of the goal (11.6%, 34 persons) → Shift priority from establishing systems to assignments and career development.

*Goal attained for section manager level (31.4%, 56 persons, as of April 1, 2017)

Promoting Successful Careers for Diverse Human Resources

Sangetsu seeks to gain a competitive advantage by harnessing diversity to generate new value and is engaged in various initiatives designed to enable each employee to demonstrate their initiative and capabilities for the benefit of the organization. We are establishing systems for promoting successful careers for our diverse human resources, including our "Return to Work" system that supports reemployment and transition to full employee status for former employees, initiatives for hiring persons with disabilities and consideration for LGBT.

VOICE

Ayako Asaka
Section Chief, No. 1 Sales Section
Yokohama branch,
Tokyo branch office

Hoping to Show My Way of Balancing Work and Family as a Female Employee

As a mother of a child in elementary school, maintaining the work-life balance is important. To achieve this, I get help from people. When my child's sudden illness or school events restrict my working hours, I ask my family, supervisor and colleagues to cover for me in my absence. Also, I frequently use childcare support programs and nursing services for sick children.

Over the past few years, Sangetsu has made outstanding progress in establishing systems for changing work styles. Being able to use these systems without feeling unnecessary reservations or hesitation has been a major change. Yet it's also true that within the company there is a tendency to pay too much attention to female employees with children, so I believe we're only on the threshold of making real changes in awareness. I want to be able to demonstrate my own personal way of balancing work and family as a female employee so that young women in the company can continue to work over the long term with a positive attitude.

Stakeholders

◆Reemployment of retired employees (as of April 1 of each year)

FY	2013	2014	2015	2016	2017
Number of reemployed retired persons	16	19	19	22	25

Promoting the Work-Life Balance

Supporting a Sound Balance Between Work and Family

We have set the following goals to create a working environment where employees can fully demonstrate their capabilities and thereby contribute to the development of the next generation in the community. In fiscal 2016, we sought to manage our systems to better meet the needs of employees, through measures such as extending the period of temporary part-time work while child-rearing to the start of the second year of elementary school, which is longer than the legally mandated period.

Goal 1: Create a working environment that promotes parental leave and returning to work.

Goal 2: Implement measures to reduce overtime work hours and promote use of annual paid vacation.

Goal 3: Conduct Children's Visiting Day*.

*Company visits by children of employees

Childcare and Nursing Care Support System

Pregnancy and childbirth	During parental leave	Childcare	Nursing care
Maternity leave before and after childbirth	Program for supporting employees on parental leave (including an interview with a supervisor and childcare support seminar)	· Staggered working hours while child-rearing · Temporary part-time work while child-rearing (up to start of second year of elementary school) Subsidy for expenditures on day care service for sick children	Nursing care leave (legal period + extendable by maximum of 1 year)

Creating a Pleasant Working Environment

We are promoting our efforts to ensure that the working environment is pleasant and sound for employees, enabling them to maintain their mental and physical health. We respect the human rights of each employee and prohibit discrimination and harassment to create a fair and cheerful working environment.

Initiatives for Industrial Safety and Hygiene

As part of our measures to prepare against earthquakes and other natural disasters that could occur in Japan, we formulated a business continuity plan in 2013 and secured emergency supplies such as drinking water, food and toilets. We conduct disaster prevention drills, AED training and reporting drills using personal safety confirmation services. Moreover, we are taking action to prevent automobile accidents by installing telematics in all company vehicles and gradually installing rear-view monitors. Additionally, we seek to prevent dangerous driving by holding individualized instruction on traffic violations.

Changing the Way We Work

To enhance productivity by changing the way we work, Sangetsu is reviewing its work and systems as an organization while seeking to improve its labor management. In fiscal 2016, we conducted a trial flexible working hour system in the sales department, which showed positive results for employees working normal hours. Consequently, the system was fully introduced in fiscal 2017. This change was led by a working group reviewing work styles, set up in June 2016 with nine female members. Apart from that, we are considering a system of in-house interns and a career consultation desk, based on workplace recommendations, which are driving changes in the way we work. We plan to expand the scope of these measures in fiscal 2017.

Sangetsu View

Dialogue Between the President and Employees

To create a worker-friendly environment with an open atmosphere, Sangetsu places great value on offering opportunities for cross-organizational communication. As part of this, President Yasuda has visited offices around Japan to participate in Open Discussion Meetings with employees. In fiscal 2016, 39 meetings were held between November 21 and December 22. During each dialogue, discussions took place on the accomplishments and remaining issues of the "Mid-term Business Plan (2014–2016): Next Stage Plan G," and on how Sangetsu could contribute more to society and overcome its medium- to long-term challenges. The meetings provided opportunities for cultivating a shared awareness across the company and raised employee motivation. Sangetsu will continue to develop workplace environments that emphasize two-way communication.

Together with the Environment

Environmental Policy

Basic Concept

Sangetsu has a role and responsibility to realize an affluent life by providing more comfortable living spaces. The business activities of Sangetsu are closely related to the environment. Thus, efforts to preserve the environment in the course of these activities are an obvious responsibility of the company. From this perspective, Sangetsu is striving to reduce the environmental load of its business operations, while giving greater consideration to preserving the global environment, in order to create a better living environment.

Our Approach

1. Implement an environmental management system with appropriate environmental objectives and goals as well as continuous improvement to safeguard corporate operations and protect the global environment.
2. Comply with legislation related to environmental preservation.
3. Avoid the use of substances that adversely affect the environment; reduce waste, encourage recycling, and conserve energy and resources, in all stages of development, manufacturing, distribution, and use and disposal of products.
4. Improve employee understanding and awareness of the company's environmental policy and environmental management activities. Widely disseminate this environmental policy to relevant personnel and request their understanding and cooperation.
5. Publically disclose this environmental policy.

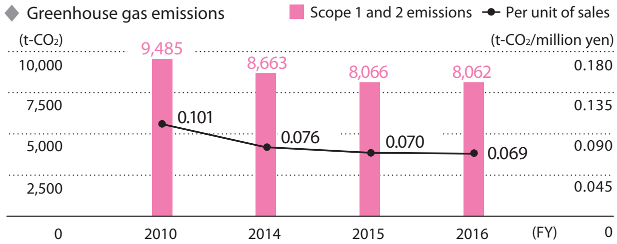
Preventing Global Warming

Sangetsu is doing its part to prevent global warming by reducing its greenhouse gas (GHG) emissions.

Total GHG emissions for fiscal 2016 were 8,062 t-CO_2, a decrease of 31% from fiscal 2010 in terms of emissions per unit of sales. Concrete measures include systematic improvements to facilities and installation of solar panels.

Meanwhile, we have been replacing company vehicles used by executives with hybrid models. In fiscal 2016 we replaced 42 cars, which account for 55% of the total vehicle fleet targeted for replacement, and we plan to complete the transition of all targeted vehicles by fiscal 2022. Also, we have equipped all company vehicles with GPS-based telematics for eco-driving. As a result, we were able to improve fuel efficiency by approximately 20% after we began implementing these measures in 2014, thereby contributing to reducing CO_2 emissions.

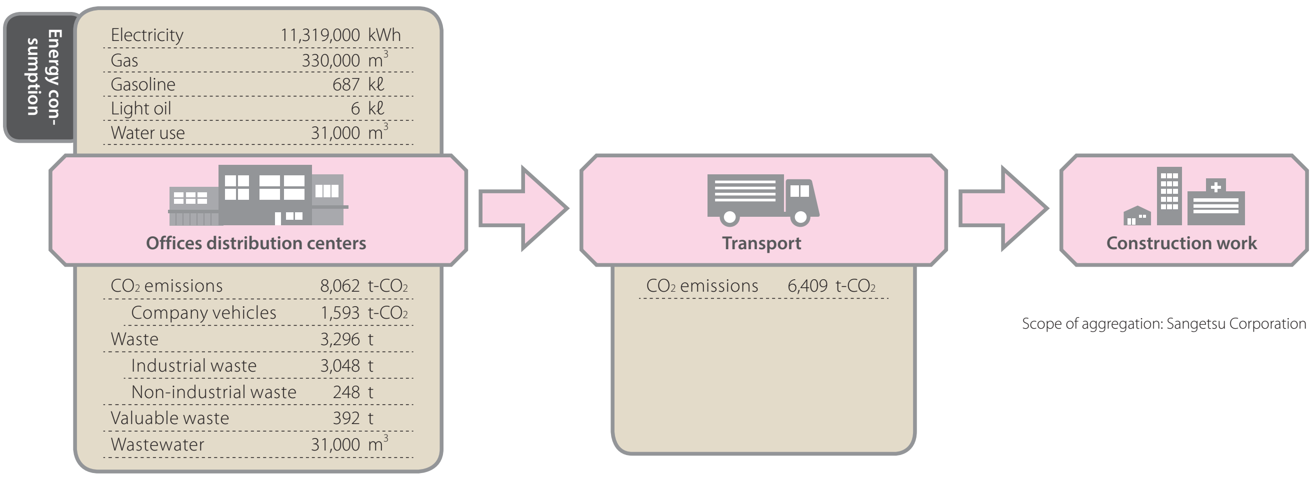
◆ Greenhouse gas emissions



1. To improve accuracy, past figures have been retroactively revised.
2. Volume of greenhouse gas emissions has been calculated using the actual emission factor.
3. Calculations are for Scope 1 and 2 emissions (Scope 1: emissions caused by Sangetsu's business activities and direct emissions due to consumption of fuel; Scope 2: indirect emissions due to consumption of purchased electricity and heat).

Identifying Our Environmental Load

Sangetsu believes that identifying the environmental load caused by its business activities constitutes the first step of environmental management. The following table summarizes the overall environment load generated by our offices, distribution centers and transport activities in fiscal 2016.



Scope of aggregation: Sangetsu Corporation

Realizing a Recycling-Based Society

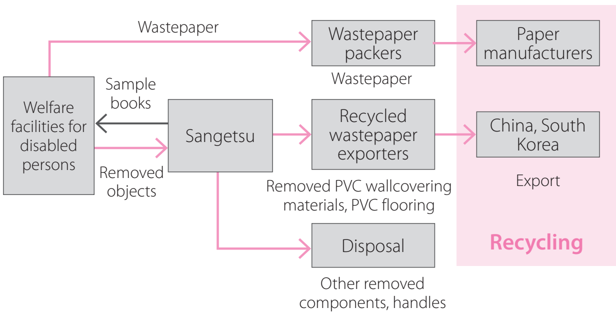
Initiatives for a Recycling-Based Society

Sangetsu engages in 3R (reduce, reuse and recycle) activities for effectively using finite natural resources. We set up a subcommittee on environmental protection in fiscal 2016 and intend to strengthen our efforts for reducing and recycling waste toward our goal of achieving zero emissions in 2050.

Initiative for Recycling Used Sample Books through Self-reliance Support for Disabled Persons

Sample books are a mixture of paper and PVC, and about 93% of the material can be recycled after sorting. The Chubu Branch and the Chugoku-Shikoku Branch are outsourcing the sorting process to welfare facilities for disabled persons. Sangetsu intends to achieve both resource recycling and self-reliance support for disabled persons through this activity.

◆ Recycling flow of sample books



Environmental Protection through Products

Sangetsu products are environmentally friendly in the ways they are used. We are contributing to improving both the global environment and living environments through the development and sale of green products while categorizing them under the four +1 categories.

1 Energy saving
Reducing heat loss, mostly through windows and floor surfaces, contributes to energy conservation.

2 Resource conservation
Reducing the amount of raw materials used to manufacture products contributes to resource conservation.

3 Long life
Prolonging product life to stretch the installation-to replacement cycle reduces environmental impact over the entire lifecycle.

4 Indoor environment
Recognizing that improving indoor environments is an important environmental response, the company provides products that improve these spaces.

+ Protecting biodiversity
Many of the company's products are made with petrochemicals, primarily vinyl chloride, which has good processability when it comes to making products based on various designs. We contribute to the conservation of biodiversity through the development and provision of high-quality products that have a natural feel and reproduce the beauty of nature without impacting natural resources such as by endangering wildlife or felling rare species of trees.

Sangetsu View Chubu Logistics Center Equipped with Solar Panels

Effective Use of Natural Energy Sources

The Chubu Logistics Center in Inazawa City, Aichi Prefecture, is effectively using a natural energy source to generate electricity with solar panels on its roof, spanning 2,170 m^2.

Sangetsu will strive to protect the local natural environment and pass down finite resources to the next generation through the use of facilities for environmental protection.

Together with Society

Sangetsu's Social Contribution System

At Sangetsu we want to grow with the local community so that we can contribute to the creation of an affluent society. As we sought to establish our social contribution system, we considered ways we could contribute to society. We decided that our activities are meant to serve society through our business and based on the voluntary participation and sweat equity of each employee. In fiscal 2016, the Social Contribution Committee met twice, in the first and second half of the year, to share information on the status of activities conducted by each branch office.

◆ Sangetsu's social contribution initiatives

Regional contributions	(1) Support for refurbishment and craft workshops using Sangetsu merchandise at child welfare facilities throughout Japan (2) Neighborhood cleaning, inviting elementary and junior high school students on field trips to experience the workplace (3) Social contribution through sports (4) Blood donations in collaboration with the Japanese Red Cross Society
Assistance to disaster-affected areas	(1) Volunteer activities in affected areas (2) Donations of funds and goods to disaster-affected areas (e.g., sending carpets to gymnasiums and other facilities that serve as evacuation shelters)
Environment and energy conservation	(1) Installation of a solar power generating system (Chubu Logistics Center)
Fundraising and donations	(1) Donations to hospitals
Social and cultural activities	(1) Donations for culture, social welfare, education, etc.

◆ FY2014–2016 social contribution activities by the Sangetsu Volunteer Club (all Group companies)

FY	2014	2015	2016
Refurbishment of facilities (cases)	1	8	12
Other activities (cases)	0	6	7

Social Contribution through Our Core Business

Sangetsu contributes in a variety of ways through its core business, with clear roles and responsibilities for enriching daily life by providing comfortable living spaces.

Supporting the Refurbishment of Child Welfare Facilities

Sangetsu has focused its efforts on activities to support the refurbishment of child welfare facilities in Japan. This is so more people can enjoy comfortable living spaces created using our interior materials, such as wallcoverings, flooring materials, curtains and upholstery, as well as our interior construction technology. We continue to collaborate with the National Children's Welfare Facilities Association and other groups, and since 2014 we have carried out refurbishments at 21 facilities nationwide as of March 2017.

Other Social Contribution Activities

Social Contribution through Sports

In November 2016, Sangetsu employees at the Kita Kanto Branch volunteered to help organize the Second Saitama International Marathon. This major event doubled as a competition for selecting the Japanese national team and provided an excellent opportunity for contributing to the region through sports.


Commemorative medals ready for runners at the finish line

Volunteer Activities in Earthquake Affected Areas

To support the reconstruction effort in the aftermath of the Kumamoto Earthquake, 65 employees from our Kyushu, Kansai and Chugoku-Shikoku branches volunteered for a total of 13 days between May and July 2016. They helped remove rubble and move displaced furniture and tombstones. In addition, Sangetsu donated about 1,600 square meters of carpet roll ends and 180 single tatami-sized carpets to evacuation centers. Looking ahead, we will continue to determine what we can do as an enterprise and actively support the reconstruction work.

Activities in Fiscal 2017

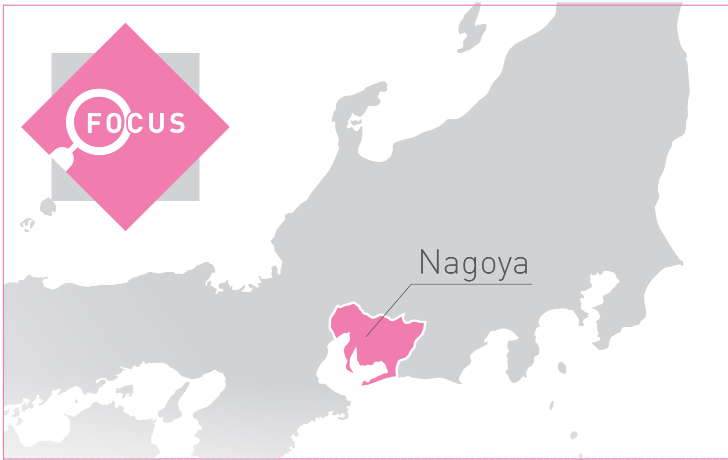
(1) Continue to support the refurbishment of welfare facilities, centered on child welfare facilities, as means for contributing through our Interior Business.

(2) Create programs that encourage employees to participate in social contribution activities in their free time on weekdays.

(3) Develop a system of matching donations by the company to supplement the value of employee social contribution activities.

◆ Number of Sangetsu Volunteer Club projects (all Group companies)

FY	2017 (Planned)
Refurbishment of facilities	20
Other projects	10



Supporting the Refurbishment of Child Welfare Facilities across Japan with Our Products

Social Contribution Activities through the Sangetsu Volunteer Club

Supporting the refurbishment of child welfare facilities with our products constitutes a core social contribution made through the Sangetsu Volunteer Club (SVC), through which employees take the initiative. Facility staff and children have expressed their gratitude by, for example, describing how warm their feet feel on the new carpet and how beautifully decorated walls can cheer up their spirit.

| Activity Outline |

Renovation of Child Welfare Facility

Period: July and August 2016
Place: Seiko Home (Nakamura-ku, Nagoya City)

Many child welfare facilities are seeking to improve living environments for children by rebuilding or renovating their spaces. However, due to lack of funding and other hurdles, many of these places are not yet comfortable enough.

Our two-tiered renovation involved replacing the wallcoverings and the curtains. Lavatories and an office doubling as the night duty room got new wallcoverings, and we also repapered sliding doors and screens. We hung new curtains in the living and common rooms. And blue, yellow and green curtains were put up in the boys', girls' and a common room, respectively, together with clean white lace curtains, to brighten these spaces. Seeing the renovated rooms brought smiles to the staff and children, who gratefully welcomed the changes. Also, Sangetsu received a letter of appreciation from the City of Nagoya in February 2017 for the work.

Replacing curtains

Receiving a letter of appreciation from Nagoya City

Corporate Governance

Corporate Governance System

The company became a Company with Audit Committee in June 2015 and has pursued solid internal control by enhancing the effectiveness of its audit and supervision and utilizing the internal audit department when conducting audits.

To achieve further growth for the Group and to reinforce its corporate governance system, the company introduced an executive officer system on April 1, 2016, as a means for accelerating the execution of operations and clarifying executive responsibilities by separating management decision making and supervision from operational execution.

The Audit Committee consists of five members who hold voting rights as members of the board but are not directly responsible for the execution of operations and four of them are external directors. This system is expected to revitalize discussions from the shareholders' point of view and also strengthen the audit and supervisory functions over the execution of the company's operations. Furthermore, the term for the accounting auditor, who tends to be reappointed, has been limited to a maximum of ten years with the intention of ensuring and maintaining greater independence and appropriate external audits. The company has thus established a system for enhancing the transparency of its corporate management.

The Sangetsu Group has also sought to enhance its corporate value by establishing or revising relevant rules, such as those for managing business investment risks. It also established a system for bolstering consolidated management in April 2017 by introducing a system that assigns oversight to the supervising divisions at affiliated companies and creating the Consolidated Management Section.

Board of Directors

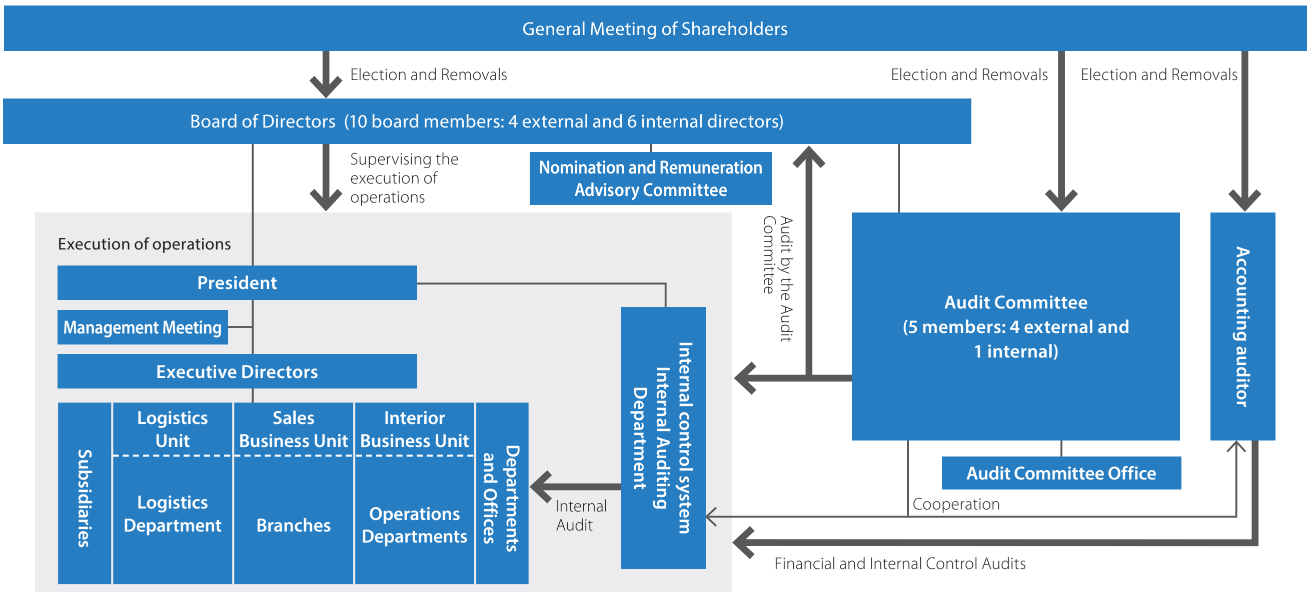
The company's Board of Directors consists of four external directors and six internal directors and meets once a month to share timely and appropriate information on corporate management and to implement management strategies for restructuring the business base. In accordance with the Articles of Incorporation, all or part of the decision making responsibilities regarding the execution of certain operations have been delegated from the Board of Directors to the representative director (president) to speed up the decision making process. The Board of Directors monitors the progress of matters delegated to the representative director.

Audit Committee

The Audit Committee consists of four external directors and one full-time director.

The Audit Committee has access to information that would be beneficial for undertaking an effective audit, in the form of regular reports presented to the Board of Directors and regular exchange of views with the president and accounting auditor. The Audit Committee also works closely with the internal auditing department and internal control department and provides timely feedback on findings from its auditing and other activities to the Board of Directors and others to strengthen the effectiveness of its audits.

◆ Corporate governance



Kunihiro Nasu
External Director, Audit and Supervisory Committee Member

Established the Nasu Kunihiro Horitsu Jimusho law firm in 1975. Named Chairperson of the Nagoya Bar Association (currently Aichi Bar Association) in 1999. Appointed Auditor of Sangetsu Corporation in 2007, appointed External Director (Audit and Supervisory Committee Member) in 2015.

Masatoshi Hatori
External Director, Audit and Supervisory Committee Member

Appointed Director of Kanegafuchi Chemical Industry Co., Ltd. (currently Kaneka Corporation) in 2003, appointed Executive Vice President and Representative Director in 2010, Special Advisor since 2016. Appointed External Director (Audit and Supervisory Committee Member) of Sangetsu Corporation in 2016.

Advancing Our Transformation Further with a Solid Governance System

The Role of External Directors at Sangetsu

● **Nasu** The major premise of our role is to supervise the status of execution by executive directors from the standpoint of ensuring the interests of shareholders and other stakeholders. In addition, we are required to provide advice as specialists in our respective fields, such as management, law and finance, and, as members of the Audit and Supervisory Committee, we also perform audit functions, formerly handled by auditors.

● **Hatori** We also provide an external viewpoint based on shareholder interests. Due to our position, we are provided with information that has been screened to a certain extent. But that will only result in our making similar decisions. I believe that we are valueless without our own sources of information enabling us to make decisions from the different perspective of executive directors.

Discussions by the Board of Directors

● **Hatori** Currently, the Board of Directors is balanced equally, comprising five executive directors and five members of the Audit and Supervisory Committee, of which four are external directors. I believe President Yasuda designed the system to reflect the emphasis he places on ensuring robust governance functions in seeking continuous growth for Sangetsu.

● **Nasu** The opinions voiced by external directors comprise a considerable part of the discussions, and there have been many instances in which executive directors were questioned by members of the Audit and Supervisory Committee. I believe there is always room for discussion on any matter, even after a consensus on the issue has been reached within the company.

Looking Back on the Mid-term Business Plan (2014-2016) Next Stage Plan G

● **Hatori** During this three-year period, we sought to reorganize and strengthen the company's business structure for the future by focusing on management reform, regardless of the pressure it placed on short-term business performance. President Yasuda had expressed his hope of quantifying the plan's progress to the greatest extent possible, and of having all directors share responsibility for the issues and engage in the management process. We responded accordingly by offering our candid opinions.

● **Nasu** President Yasuda also made an effort outside the board meetings to hone the management strategy by individually meeting with external directors for the purpose of exchanging views and discussing issues. In that sense, we can say that President Yasuda has been steadily implementing the Mid-term Management Plan by fully reflecting what the external directors have discussed.

Expectations for Sangetsu's Future

● **Nasu** In short, I hope the company will enhance its IR activities to create more materials that appeal to stakeholders in the mid to long term. Moreover, by placing top priority on compliance in all its operations, we can expect Sangetsu to further expand within the larger CSR framework and achieve greater maturity as a company.

● **Hatori** Sangetsu is very close to flawlessness perfection in terms of the design of its governance system. However, it now faces the task of consistent management of this system while ensuring its effectiveness. I expect the company will demonstrate an even greater capacity for action based on this solid governance system so as to attain its goal of enhancing corporate value even further.

Strengthening the Corporate Governance System

Standards of Independence for External Directors

In addition to satisfying independence criteria, as defined by the Companies Act of Japan and listed stock exchanges, Sangetsu Corporation appoints external directors that possess the advanced expertise and wealth of experience required to provide candid and constructive advice on company management. The Standards of Independence applied to external directors are as follows.

1. Individuals for whom none of the following currently applies:
(1) a shareholder who owns more than 5% of the voting rights of Sangetsu Corporation or an executive officer of the shareholder;
(2) an executive officer of a company whose transactions with Sangetsu Corporation exceed 2% of Sangetsu Corporation's consolidated sales or a subsidiary of said company;
(3) an executive officer of a major lender of Sangetsu Corporation, whose lending to the Sangetsu Group exceeds 2% of Sangetsu's consolidated total assets as of the most recent fiscal year end;
(4) a certified public accountant who belongs to Sangetsu Corporation's accounting auditor;
(5) a consultant, accounting expert, or legal expert who receives an annual sum of 10 million yen or more in monetary or other benefits from Sangetsu Corporation in addition to remuneration paid by Sangetsu. In the event the recipient of such benefits is a corporation or organization, any individual who belongs to such a corporation or organization;
(6) an executive officer of an organization that receives an annual sum of 10 million yen or more in donations from Sangetsu Corporation;
(7) a second-degree relative of an individual who falls under any of the above-mentioned (1) to (6); and
2. an individual for whom none of the above-mentioned (1) to (7) applied at any point in the past three years.

Self-assessment by the Board of Directors

Once a year, each director conducts a self-assessment of the Board of Directors, which is followed by an analysis and assessment of the effectiveness of the board as a whole. The survey covered a broad range of assessment criteria, from the composition of the board to the quality of discussions and dialogue with stakeholders.

The company conducted a survey of all directors in fiscal 2016, between December 2016 and February 2017. The results of the main assessment criteria verified that the board was composed of a balanced group of members in terms of their respective expertise, diversity and scope and that they have done their utmost to realize the objectives of the Mid-term Management Plan Next Stage Plan G. The results also showed that constructive discussions were being held during the board meetings, in an uninhibited and vigorous atmosphere, with quality discussions taking place on each issue, providing sufficient supervision of operational execution. On the other hand, the survey also revealed that insufficient effort had been made to reflect the opinions of stakeholders in the meetings, including a lack of dialogue between external directors and stakeholders. The Board of Directors will continue to conduct self-assessments while we strive to enhance its effectiveness while drawing from the assessment results.

Policy for Determining the Remuneration of Directors

We established the Nomination & Remuneration Advisory Committee, which consists of the president, the director of personnel and Audit Committee members. The committee will deliberate on the effectiveness of appointments and appraisal of management including executive directors, the compensation system for directors and level of compensation, thereby ensuring transparency and objectivity with respect to executive appointments and compensation.

In 2015 the company changed its system of compensation for executive directors from the traditional policy of paying a fixed sum as basic compensation to a structure comprising (1) basic compensation (monthly), (2) performance-linked compensation, and (3) stock-based compensation through stock options. Furthermore, the company replaced stock options with restricted stock in fiscal 2017, thereby creating a structure comprising (1) basic compensation, (2) performance-linked compensation (bonuses), and (3) restricted stock. Meanwhile, directors who are members of the Audit Committee receive only basic compensation that is not linked to performance.

Seminars for Directors

Each year, the company holds a compliance seminar for directors with lectures by outside experts, and it encourages directors to attend outside seminars. To aid independent external directors in raising their awareness of the state of operational execution, the company conducts onsite inspection tours and provides opportunities for exchanging views with management, in addition to orientation sessions at the time of their appointment.

Board of Directors

Kenji Ito
Director,
Executive Officer

Michiyo Hamada
External Director,
Audit and
Supervisory Committee Member

Masatoshi Hatori
External Director,
Audit and
Supervisory Committee Member

Takashi Tajima
Director,
Audit and
Supervisory Committee Member

Yoshikai Kaneko
Director,
Executive Officer

Shuji Sasaki
Director,
Managing Executive OfficerOfficer

Kunihiro Nasu
External Director,
Audit and
Supervisory Committee Member

Shosuke Yasuda
President,
CEO

Tamotsu Kokado
External Director,
Audit and
Supervisory Committee Member

Yasutomo Toshikawa
Director,
Executive Officer

Compliance

Compliance

Under the Sangetsu Group Compliance Code of Conduct, the company has set up a compliance committee and helplines for reporting and consultation. Each department has appointed a person responsible for compliance in order to maintain a system complete with rules, laws, regulations and corporate guidelines and to create an open environment.

Implementing the Compliance Program

Sangetsu formulates the Compliance Program under its corporate fiscal policy and implements it throughout the year in a concerted effort with Group companies to establish a sound organizational structure that is fully committed to compliance. Seeking continuous improvement by following a PDCA cycle, Sangetsu verified and reviewed its Compliance Program based on its activities in fiscal 2016 and the issues that were identified while these activities were taking place.

Content of Compliance Activities

- Distribution of Compliance and Safety Newsletter (18 issuesin fiscal 2016)
- Publication of Corporate Philosophy Handbook
- Study groups based on the Corporate Philosophy Handbook
- Compliance training on the Antimonopoly Act (7 sessions in fiscal 2016)
- Compliance training (19 sessions in fiscal 2016)
- Compliance committee meetings (4 meetings in fiscal 2016)
- Revision of Rules on Reporting Compliance Violations

Study group for the Corporate Philosophy Handbook

Publication of the Corporate Philosophy Handbook

In September 2016 we published the Corporate Philosophy Handbook and distributed it to all employees to ensure that they can gain a thorough understanding of corporate ethics issues, including compliance. The handbook contains the Sangetsu Corporate Philosophy, Sangetsu Group Corporate Ethics Charter, and six chapters of the Sangetsu Group Compliance Code of Conduct. It is intended as a reference tool, providing guidance to employees in the course of their work.

Setting up Helplines

Sangetsu has set up helplines in and outside the company for reporting and consultation. The company is striving to prevent employees from being burdened with problems or anxiety about compliance and to ensure early detection and improvement of violations. We included an explanation of the helplines on the final page of the Corporate Philosophy Handbook and also established internal rules enabling individuals to report directly to Audit Committee members in an effort to facilitate reporting.

Onsite Inspection by the Japan Fair Trade Commission

In May 2015 the company was subject to an onsite inspection by the Japan Fair Trade Commission on suspicion of violating the Antimonopoly Act.

In March 2017 the commission announced that it had issued a cease and desist order and a penalty payment order against companies that sell wall coverings in violation of the Antimonopoly Act. Sangetsu, however, applied for leniency on the surcharge payment, which was duly accepted, and so the company was not subject to either order.

We have considered this matter with utmost seriousness and sincerity and are seeking to prevent a recurrence as we strive to recover the public trust by publishing an internal handbook on fair competition laws and through compliance training on the Antimonopoly Act in April 2017. These actions will further strengthen and solidify our commitment to the establishment of our compliance system and related employee education.

Risk Management

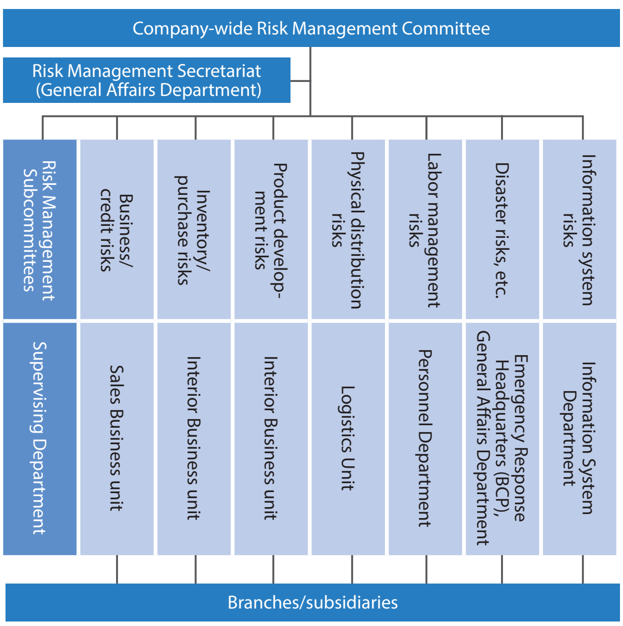
Risk Management System

We have established a risk management system for handling various risks on a company-wide basis to identify in advance any risks that may affect our activities or employees so that we can maximize the corporate value of the Sangetsu Group as a whole and minimize the impact on our management and operations by responding appropriately if such risks materialize.

The Company-wide Risk Management Committee chaired by the president meets once every quarter. Its functions include setting basic policy for management of all risks, monitoring progress made by the Risk Management Subcommittees, which are directly responsible for managing risks, and organizing task forces as necessary. The Risk Management Subcommittees are grouped according to the type of risk, with a supervising department assigned to each, and comprise the head of the department and heads of subcommittees. The Company-wide Risk Management Committee reports on its activities to the Board of Directors every six months, enabling management to accurately understand existing risks and make management decisions.

In addition, we sought to bolster consolidated management by establishing rules for managing business investment risks. We clarified the definition of a business investment risk to build a system for managing risks under consolidated management.

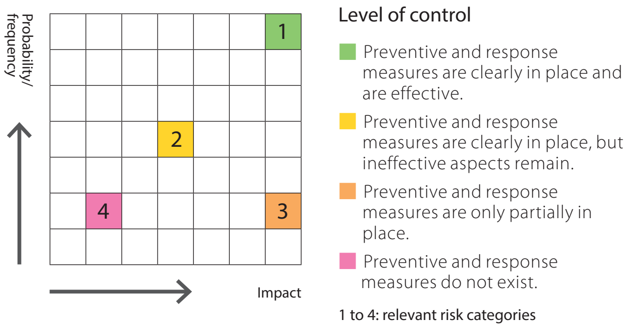
◆ Risk management system diagram



Risk Assessment

To effectively reduce risks, Sangetsu has been conducting risk assessment with the guidance of a risk assessment map. Based on the risks identified by each Risk Management Subcommittee, the frequency and probability of occurrence, impact and level of control are mapped to identify key risks and points at which risk response is inadequate. Results of the assessment are monitored by the Company-wide Risk Management Committee to ensure that each risk is managed appropriately and effectively according to its level of control.

◆ Risk Assessment Map



BCP (Business Continuity Plan)

Sangetsu has ensured that all employees are aware of its BCP and implements disaster drills for all employees and at showrooms in anticipation of a contingency. We are working to strengthen our capability in the event of a disaster to set up the Emergency Response Headquarters and prepare it to swiftly execute actions. This headquarters is led by the president as the director-general and responsible for confirming the safety of employees and the restoration of business operations.

The BCP is reviewed each year to strengthen our response in line with changes in the social environment.

BCP Objectives

- First, ensure the safety of company employees, their families and other people.
- Second, safeguard the company's assets and prevent the expansion of damage.
- Third, quickly initiate disaster-relief efforts for the continuation of the business and its operations.

Company Information

Corporate Profile

Company Outline (as of March 31, 2017)

Company Name	Sangetsu Corporation
Date of Establishment	April 21, 1953 (founded around 1849, during the Edo Period)
President and CEO	Shosuke Yasuda
Address	1-4-1 Habashita, Nishi-ku, Nagoya, Aichi 451-8575, Japan
Capital	13,616.1 million yen
Net Sales	135.6 billion yen (consolidated)
Number of Employees	2,051 (consolidated)
Main Business	Planning, development and sales of interior decorating products, including wallcoverings, flooring materials, curtains and upholstery
Stock Exchange Listings	First sections of the Tokyo and Nagoya Stock Exchanges (Code: 8130)

Offices

Headquarters	Nagoya
Branch Offices	Hokkaido, Tohoku, Kita-Kanto, Tokyo, Chubu, Kansai, Chugoku-Shikoku and Kyushu
Branches and Sales Offices	Kita-Tohoku, Fukushima, Higashi-Kanto, Tama, Yokohama, Atsugi, Maebashi, Utsunomiya, Niigata, Mito, Nagano, Gifu, Okazaki, Hokuriku, Shizuoka, Kyoto, Kobe, Higashi-Osaka, Minami-Osaka, Hiroshima, Shikoku, Kita-Kyushu, Kumamoto and Minami-Kyushu, Okinawa, and other locations
Consolidated Subsidiaries*	Sungreen Co., Ltd. (Nagoya, Japan), Yamada Shomei Lighting Co., Ltd. (Tokyo, Japan), Fairtone Co., Ltd., Koroseal Interior Products Holdings, Inc., Sangetsudo (Shanghai) Interior Limited
Affiliate	Wavelock Holdings Co., Ltd.

*On April 5, 2017, the fully-owned subsidiary Sangetsu Vosne Corporation was established as a sales company specializing in curtains.

Stock Information

Principal Shareholders (as of March 31, 2017)

Total Number of Authorized Shares	290,000,000
Total Number of Shares Issued and Outstanding	68,070,000
Number of Shareholders	4,888

Status of Principal Shareholders (as of March 31, 2017)

Name of Shareholder	Number of Shares Held	Percentage of Ownership*
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	4,978,700	7.42
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,013,900	4.49
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,618,700	3.90
Japan Trustee Services Bank, Ltd. (Trust Account)	2,204,200	3.28
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,082,700	3.10
The Ogaki Kyoritsu Bank, Ltd.	2,064,372	3.07
Yuichi Hibi	2,025,154	3.02
Touzo Hibi	1,943,492	2.89
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	1,765,100	2.63
Masae Miwa	1,710,640	2.55

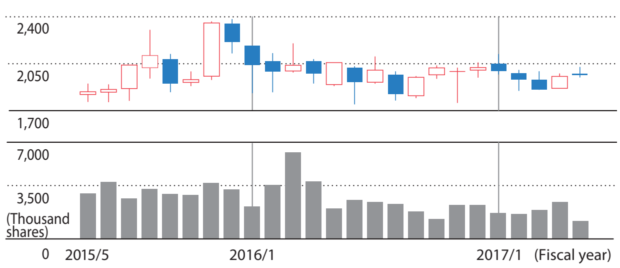
*Percentage of ownership is calculated after deducting treasury stock.

Stock Information

Fiscal Year	From April 1 to March 31 of the following year
Record Date for Dividend Payment	Year-end: March 31 Interim: September 30
Annual General Shareholders' Meeting	June
Shareholder Registry Administrator and Account Management Institution for Special Accounts	Mitsubishi UFJ Trust and Banking Corporation Contact: 7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081 Transfer Agent Department, Mitsubishi UFJ Trust and Banking Corporation Tel: 0120-232-711 (toll-free)
Method of Public Notice	URL: https://www.sangetsu.co.jp/english/ In the event that an electronic public notice cannot be posted due to accidents or circumstances beyond the company's control, the notice will be placed in the *Nihon Keizai newspaper.*

*Address changes, requests for buyback of fractional shares and other services are in principle handled by the institutions managing shareholder accounts, such as brokerages. Shareholders should direct their inquiries to the brokerage or other institution managing their accounts. Note that the shareholder registry administrator (Mitsubishi UFJ Trust and Banking Corporation) cannot handle these requests.
*Inquiries concerning various services related to shares registered in special accounts should be directed to Mitsubishi UFJ Trust and Banking Corporation, which is the institution managing the accounts. Mitsubishi UFJ Trust and Banking Corporation will also accept inquiries at its branch offices throughout Japan.
*Unpaid dividends will be paid out by the head office and local branches of Mitsubishi UFJ Trust and Banking Corporation.

Stock Price and Trading Volume



Sangetsu's Information Media

Financial Information	Non-Financial Information

Integrated Report: Sangetsu Report
https://www.sangetsu.co.jp/english/ir/library/libary_02.html

IR Website

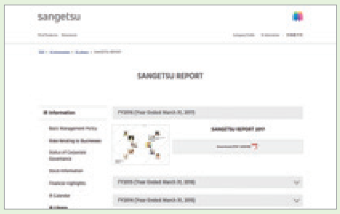
We provide various information, including the latest investment-related news and stock information for shareholders and investors, on a timely basis.

WEB www.sangetsu.co.jp/english/ir/

Annual Securities Report (Yuka Shoken Hokokusho)
www.sangetsu.co.jp/ir/library/securities_report.html (in Japanese only)

CSR Website

We provide detailed information on the Sangetsu Group's CSR activities for all stakeholders.



WEB www.sangetsu.co.jp/images/english/ir/library/pdf/sangetsu-report2017-en.pdf

Corporate Governance Report
www.sangetsu.co.jp/csr/governance/report.html (in Japanese only)

Sangetsu Showrooms

SANGETSU Sendai showroom

SANGETSU Kanazawa showroom

SANGETSU Okinawa showroom

In 2016 we opened new showrooms in Sendai, Kanazawa and Okinawa.

sangetsu design site

FLAGSHIP SANGETSU Shinagawa showroom

Shinagawa Grand Central Tower 4F, 2-16-4
Konan, Minato-ku, Tokyo 108-0075, Japan
Tel: +81-570-055-134
Fax: +81-3-5463-6744

SANGETSU Nagoya showroom

1-4-1 Habashita, Nishi-ku,
Nagoya City, Aichi 451-8575, Japan
Tel: +81-570-055-135
Fax: +81-52-564-3229

SANGETSU Osaka showroom

HERBIS OSAKA 4F, 2-5-25 Umeda, Kita-ku,
Osaka City, Osaka 530-0001, Japan
Tel: +81-570-055-136
Fax: +81-6-6347-9811

SANGETSU Fukuoka showroom

1-11-11 Higashinaka, Hakata-ku, Fukuoka
City, Fukuoka 812-0892, Japan
Tel: +81-570-055-137
Fax: +81-92-441-9503

sangetsu design studio

SANGETSU Sendai showroom

98-1, Rokuchonome-Minami,
Wakabayashi-ku, Sendai City,
Miyagi 984-0031, Japan
Tel: +81-22-287-3922
Fax: +81-22-253-6806

SANGETSU Kanazawa showroom

2-101 Otomo, Kanazawa City
Ishikawa 920-8205, Japan
Tel: +81-76-238-1411
Fax: +81-76-238-1412

SANGETSU Okayama showroom

836 Yao, Hayashima-cho,
Tsukubo-gun, Okayama
701-0301, Japan
Tel: +81-86-292-5708
Fax: +81-86-292-3322

SANGETSU Hiroshima showroom

2-28 Funairinakamachi,
Naka-ku,
Hiroshima City, Hiroshima
730-0842, Japan
Tel: +81-82-233-3815
Fax: +81-82-233-3501

SANGETSU Okinawa showroom

LEQUIOS SQUARE UCHIDOMARI 2F,
215 Ojana, Ginowan City, Okinawa
901-2225, Japan
Tel: +81-98-890-3788
Fax: +81-98-890-3789

Sangetsu Corporation

President's Office, Public & Investor Relations Section
CSR Promotion Section

1-4-1 Habashita, Nishi-ku, Nagoya City,
Aichi 451-8575, Japan

http://www.sangetsu.co.jp