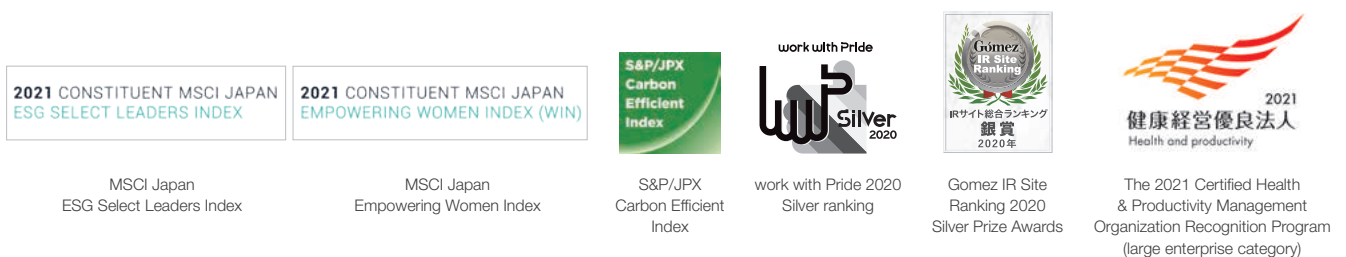




SANGETSU Report 2021

SANGETSU Integrated Report



SANGETSU Report 2021 Editorial Policy

The *SANGETSU Report* is an integrated report that has been published annually since 2015 to facilitate Sangetsu stakeholders' understanding of the Sangetsu Group's corporate value and medium- to long-term growth potential.

The 2021 report describes our activities to become a Space Creation Company and includes enhanced financial and non-financial information based on the opinions of our stakeholders referred to in our interviews of persons both inside and outside the company. In the editing process, we used the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC) as a reference. We sincerely hope that this report will help more people understand the Sangetsu Group.

- **Scope of Reporting Organizations**
Sangetsu Corporation and its consolidated subsidiaries
- **Period Covered**
April 1, 2020 to March 31, 2021
(includes some activities after the reporting period)
- **Date of Publication**
October 2021

Cautionary Statement with Respect to Forward-Looking Statements

All statements, including forward-looking statements, other than historical facts in this report are based on forecasts, expectations, assumptions, plans, understanding, evaluation, and other matters and are prepared using the information currently available to the Sangetsu Group. To calculate quantitative forecasts, a certain set of assumptions essential in forecasting is also used in addition to facts that have been confirmed and accurately understood in the past.

Joy of Design

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

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

The design that we pursue encompasses not only the design of products, 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.

We will transform into a Space Creation Company including comprehensive interior design from the perspective of the design of products, spaces, and experiences.



Corporate Philosophy

Sangetsu's corporate philosophy consists of: Company Creed, representing the timeless and unchanging spirit of Sangetsu since its founding; the Corporate Mission; and our Brand Concept.

| Company Creed |

Sincerity

Realizing what people expect with Sincerity is the starting point of our business. Sincerity is everlasting and unchanging Sangetsu original spirit.

| Corporate Mission |

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

| Brand Concept |

Joy of Design

We share joy of design with those who create new space.

The Long-term Vision of Sangetsu Group [DESIGN 2030]

The Entire Sangetsu Group Aims to Become a Space Creation Company.

Social Values Sangetsu Group Aims to Realize

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

Inclusive — An equal and healthy inclusive society

Sustainable — A sustainable society that protects the global environment

Enjoyable — A more affluent and enjoyable society

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Message from CEO

Designing a New Business Model in
Aiming for Improvement of Sustainable
Corporate Value

Shosuke Yasuda
President, CEO

How do you assess your financial results for fiscal 2020? Also, can you describe the progress you achieved during the first year of your Medium-term Management Plan?

In fiscal 2020, the spread of the novel coronavirus (COVID-19) had a huge impact on our operations. In particular, the market for renovations at restaurants, hotels, and offices in the non-residential sector was extremely harsh. Owing to these factors, both consolidated net sales and gross profit decreased for the first time in 11 fiscal years since fiscal 2009. Essentially, it is precisely in such a harsh market environment that we should be able to leverage our competitive advantages and business strengths. So we are seriously reflecting on our inability to fully utilize these capabilities.

Meanwhile, under our Medium-term Business Plan, we steadily implemented proactive measures just as in the past. These measures included establishing and integrating a new distribution base, the Kansai Logistics Center; opening the sangetsu Sample Books Recycling Center to reduce the environmental burden; acquiring the shares of and making into a subsidiary Wavelock Interior Co., Ltd., the largest vinyl wallpaper manufacturer in Japan; and launching the “KAGETOHIKARI” wallpaper and flooring collection in collaboration with architect Kengo Kuma.

On the other hand, I believe that our review of and improvements to our daily operations that serve as the basis of our business are still insufficient. We must strengthen our actual business foundation to fully utilize our proactive measures. Going forward, I believe that enhancing on-site improvement capabilities without being constrained by past precedents will be a primary issue for ensuring a business recovery.

Your overseas business is facing difficult circumstances. How will you undertake a review of your strategies?

The Sangetsu Group has designated its business activity area as the Pacific Rim region and is undertaking its overseas business in the three markets consisting of North America, China/Hong Kong, and Southeast Asia.

Koroseal Interior Products Holdings, Inc., which handles the North American market, is first of all reviewing costs and strengthening its sales structure to lower its break-even point. In the Chinese market, shares of Goodrich Global Hong Kong

have been transferred from Goodrich Global Holdings Pte., Ltd. to Sangetsu as part of current efforts to build a system directly managed by Sangetsu. In the Southeast Asian market handled by Goodrich Holdings of Singapore, we will concentrate management resources on the four countries of Singapore, Malaysia, Thailand, and Vietnam; identify product strategies and priority markets; and work to strengthen profitability.

In overseas markets, our main market to the present has been the hospitality market such as accommodation facilities. However, this market began to gradually stagnate even before the spread of COVID-19 and a shrinking of this market became clearer due to the impact of stay-at-home measures. In view of this, we are also shifting our business focus to markets where needs are increasing, namely healthcare markets such as nursing care and medical care as well as education-related markets.

Will you change your business style due to the impact of COVID-19?

COVID-19 has undoubtedly had an enormous impact on the market and has accelerated changes in social structures and people's lifestyles and values. Nonetheless, we are not considering significantly changing our policies in terms of what we must do to achieve further growth.

At the same time, however, we are strongly aware of the growing importance of digital business. For example, digital sample books can be used as alternatives to real physical sample books. There is already a growing awareness among American designers and design-affiliated persons that “inspiration is from digital and final decisions are from real samples.” Although digital sample books improve user convenience, as a company that has distributed hundreds of thousands of sample books and handles 12,000 items, we also believe that demonstrating our strengths on the basis of scale will become increasingly difficult.

That said, our business cannot exist in digital form alone. Even if some sample books become digital books, confirming colors and textures in a real physical format is ultimately essential for the final product selection. Moreover, wallpaper and flooring materials must be delivered to and installed at actual sites so needs for these real physical capabilities that we possess will not change. I believe that extensively strengthening these real capabilities while also utilizing digital formats will become extremely important.

Message from CEO

Toward becoming a Space Creation Company in 2030

What are your feelings in reflecting back on the seven years since you took over the duties of president?

Over the past seven years we have been reforming Sangetsu's actual business structure, and I feel that substantial aspects of this have changed considerably. In the future, I would like to ensure that the measures taken to the present lead to profits and that Sangetsu's transformation can be demonstrated in the market through its solid business results.

With the domestic construction market unlikely to grow significantly it might be difficult to achieve large and dramatic growth in the interior segment of the Japanese market, where we already command a high market share. Nevertheless, I believe we can still gradually increase quantity and share in the Japanese market and that improving our profitability in conjunction with this will enable growth over the medium term.

Our basic thinking is that the two pillars of our medium- to long-term growth strategy will be to promote the conversion of business models and expand and convert business formats in the Japanese market toward becoming a Space Creation Company as well as to improve profitability and expand the scale of our overseas businesses.

Since its establishment, Sangetsu has built its own business model that includes product development and delivery systems. In this sense, there are no other company models or precedents that can serve as a model. Therefore, to ensure we continue to grow as a company, we must continuously identify the services we should strengthen and design and build new business models that can create such services. The Space Creation Company we envision as the company we aim to become under the 2030 long-term vision involves shifting from our conventional business model of selling "products" to a new business model of proposing and selling "experiences" through space design. We will steadily build a business structure that can return value to all stakeholders by acquiring stronger and more proactive positions in the value chain and increasing profitability.

What are your strengths and competitive advantages as you transform into a Space Creation Company, which is your business model for the future?

Our first strength is our comprehensive design capabilities for designing and proposing entire spaces. We are promoting

the creation of a system that proposes comprehensive designs that starts with planning and designing the kinds of space we should propose to our customers and that also encompasses each product, space design, and installation.

Another strength is our delivery functions. We provide extremely detailed services whereby we can cut products into units as small as 10 cm and provide same-day delivery in response to orders from a wide range of customers that include interior contractors served by our distributors, installation sites nationwide, home builders, and general contractors. Another feature of our business is sales activities in collaboration with distributors. To improve the efficiency of sales activities, Sangetsu handles sales to business owners, general contractors, design offices, house builders, builders, and developers while entrusting distributors with sales to interior contractors, which is their strength.

In this way, we are strengthening important functions in space creation and are focusing on becoming a company whose business activities are "sales of materials and installation" and "sales of space" as key elements of our conversion to a Space Creation Company.

In addition, in the Space Creation Business, which is leading the conversion to this business model transformation, we will utilize the customer base, design capabilities, and installation capabilities cultivated to the present in our interior business and we are building a business structure that has comprehensive installation management capabilities with enhanced expertise. In 2020, we hired external human resources who have many years of experience at exterior companies to serve as Sangetsu's executive officer in charge of space creation and Sungreen Co., Ltd.'s General Manager, Space Creation Division. One of Sangetsu's unique strengths unmatched by any other company is its ability to make integrated proposals for exteriors and interiors. We are transforming our position in the market by transcending the boundaries of our business and strengthening proposal-based sales encompassing design across the entire Group.

What types of policies are you implementing in your sustainability activities?

On the environmental front, we place importance not only on reducing GHG emissions and resources at offices and warehouses during our business activities, but also on the following three points in particular. The first is to reduce GHG emissions, energy, and wood waste emitted from production

The “joy of design” to all stakeholders

plants. The second is to collect and recycle sample books. The third is to collect products actually installed in buildings. Our policy is to steadily proceed with these initiatives starting from areas close to our main business such as Group-wide initiatives that include overseas operations as well as collaboration with suppliers.

In social-related areas, we are focusing on supporting the refurbishment of child welfare facilities and promoting gender diversity. Child welfare facilities sometimes have difficulty in providing comfortable interior spaces due to budget problems. We believe that interior refurbishment support, whereby we use our products to create comfortable spaces for children, is a unique Sangetsu activity in which employees can proactively participate while utilizing the Company’s main business. In terms of gender diversity, promoting the active participation of diverse human resources is an indispensable initiative from the perspective of Sangetsu’s business format of proposing a wide range of interior spaces. Many women already play active roles in various workplaces at Sangetsu. I believe that changing to a more attractive workplace where everyone can utilize their individuality and deploy their strengths regardless of gender will enable a better and stronger company.

Please explain the ideas embodied in the brand statement “Joy of Design,” which is the basis of all your activities.

In our discussions of branding, I have placed value on “design” ever since I assumed the duties of president. This is a broad concept that encompasses not only the design of products, but that also includes the design of experiences and the design of our actual management itself. I want to place value on “design” not just in terms of product design but also for every aspect of our work. This strong feeling is embodied in our brand statement “Joy of Design.”

Five years have passed since the statement was formulated in 2016. During this time, I sense that “Joy of Design” has taken on an even broader meaning as the way we work and the ways we should work within the company evolve. Our original idea was to “provide the joy of design to those people who create space.” In recent years, we have expanded this idea to encompass the meaning that Sangetsu itself feels and savors the joy of design in the same manner as its customers and connects this to the value provided to customers.



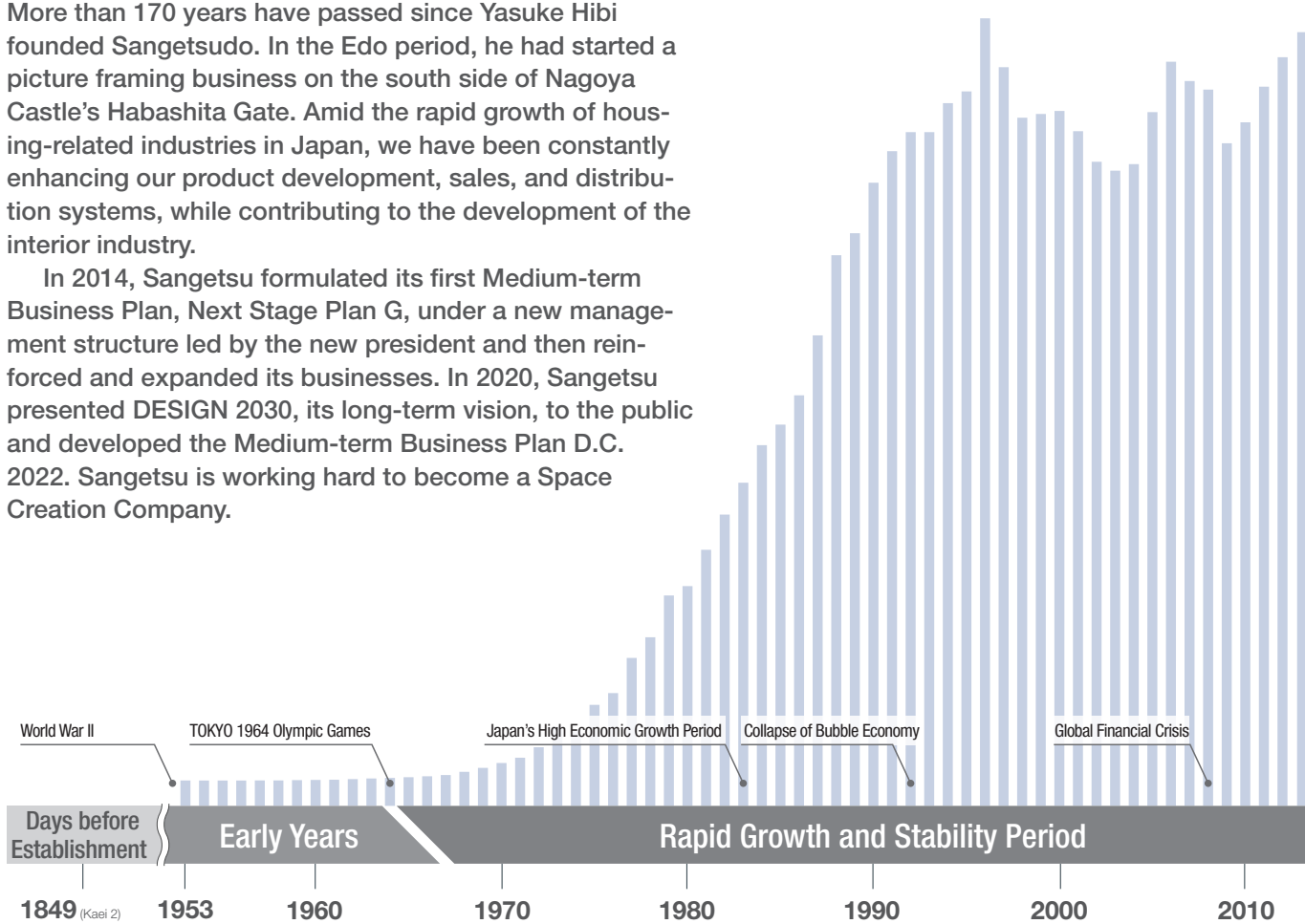
This idea is also linked to the three social values the Sangetsu Group aims to realize under its a long-term vision. These are “Inclusive,” which aims to create an inclusive society not only in Japan but throughout the world; “Sustainable,” which aims to realize a sustainable society; and “Enjoyable,” which encapsulates our desire to realize a richer society filled with joy. We will increase the value of our existence as a company by sharing the “joy of design” with all stakeholders and return this as social value.

Growth History


Contributing to fulfilling lives and growing together with the interior industry

Sangetsu's history runs hand in hand with the development of the Japanese construction and interior industries. More than 170 years have passed since Yasuke Hibi founded Sangetsudo. In the Edo period, he had started a picture framing business on the south side of Nagoya Castle's Habashita Gate. Amid the rapid growth of housing-related industries in Japan, we have been constantly enhancing our product development, sales, and distribution systems, while contributing to the development of the interior industry.


In 2014, Sangetsu formulated its first Medium-term Business Plan, Next Stage Plan G, under a new management structure led by the new president and then reinforced and expanded its businesses. In 2020, Sangetsu presented DESIGN 2030, its long-term vision, to the public and developed the Medium-term Business Plan D.C. 2022. Sangetsu is working hard to become a Space Creation Company.




| | | | | | | |
|--|--|--|--|--|---|---|
| <p>1849 Yasuke Hibi founds Sangetsudo, a picture framing business</p> | <p>1953 Establishes Sangetsudo Shoten Co., Ltd.</p> <p>1956 Enters wallcovering business</p> | <p>1965 Launches first original wallpaper "Elite"</p> | <p>1972 Showroom opened in Minami Aoyama, Tokyo</p> <p>1979 Enters flooring materials business</p> | <p>1981 Starts fabric sales</p> <p>1982 Starts carpet sales</p> <p>1986 Starts floor tile sales</p> <p>1988 Starts carpet tile sales</p> | <p>1994 Starts upholstery sales</p> <p>1995 Launches "REATEC" self-adhesive decorative film</p> <p>1996 Lists on the First Section of the Tokyo Stock Exchange</p> | <p>2000 Launches curtain recycling system</p> <p>2005 Makes Sungreen Co., Ltd. a subsidiary</p> |
|--|--|--|--|--|---|---|



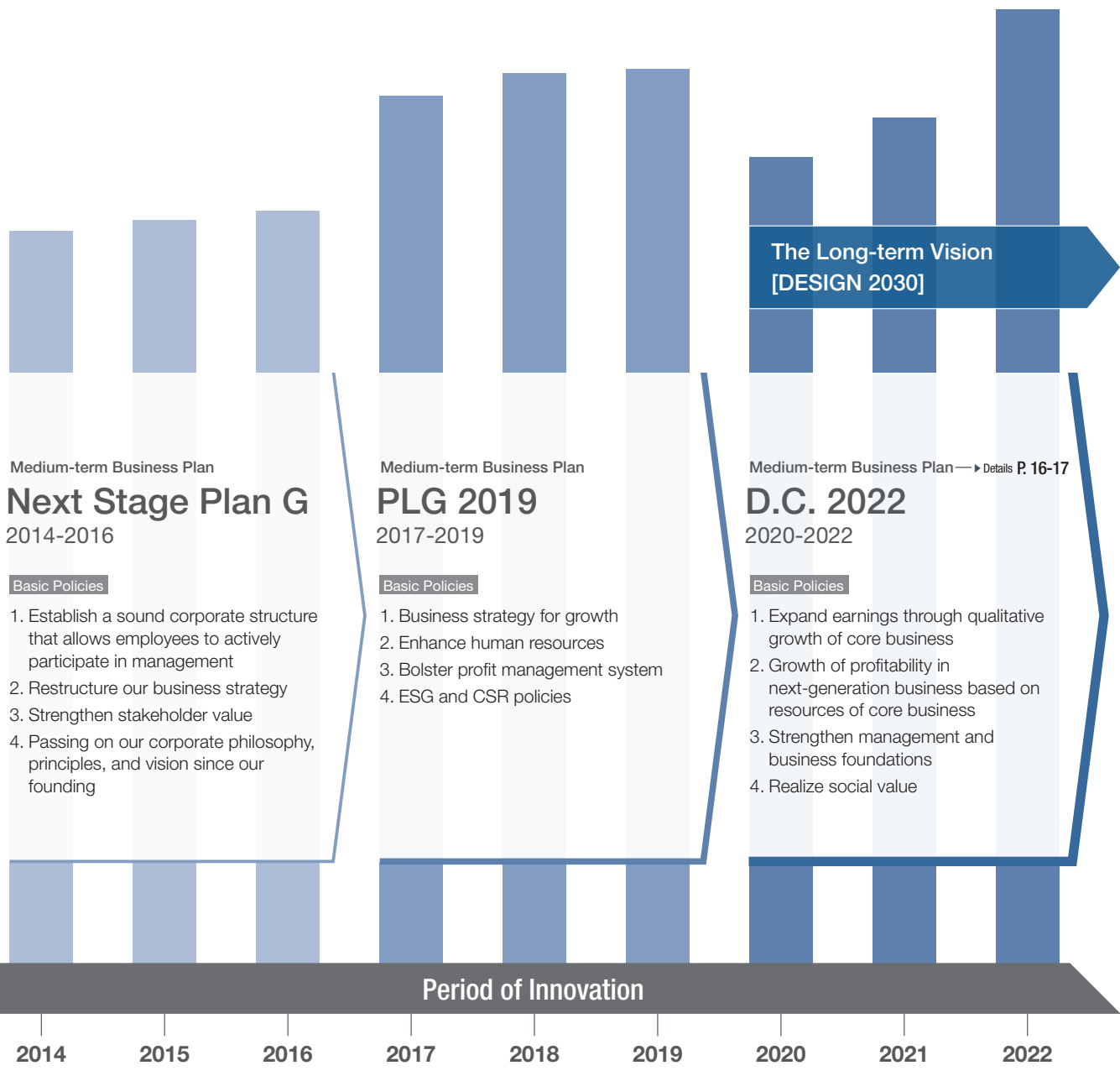
Sangetsudo Shoten Co., Ltd.



Minami Aoyama showroom



The sample book "82-83 Sungetsu Carpet"



2014
Shosuke Yasuda assumes presidency

2015
Relocates and reopens a renovated Tokyo Shinagawa Showroom
Establishes Nomination and Remuneration Committee
Transitions to a Company with an Audit & Supervisory Committee structure

2016
Establishes Chinese subsidiary Sangetsu (Shanghai) Corporation
Makes U.S. company Koroseal Interior Products Holdings, Inc. a subsidiary

2017
Makes Fairtone Co., Ltd. a subsidiary
Establishes Sangetsu Vosne Corporation
Makes Singapore-based Goodrich Global Holdings Pte., Ltd. a subsidiary

2018
Establishes Sangetsu Okinawa Co., Ltd.

2019
Enters EC business with "WARDROBE sangetsu"
Establishes Renovation Division (Currently Space Creation Division)

2020
Establishes Space Creation Business Unit in Sungreen Co., Ltd.

2021
Makes Wavelock Interior Co., Ltd. a subsidiary
Makes Goodrich Global Holdings Pte., Ltd. a wholly owned subsidiary
Kansai Logistics Center constructed to integrate two logistics hubs



sangetsu design site FLAGSHIP Shinagawa showroom



Koroseal Interior Products Holdings, Inc.



Goodrich Global Holdings Pte., Ltd.



Kansai Logistics Center

Sangetsu Group

Value Creation Process

The Sangetsu Group’s corporate philosophy is to contribute to society through interior design and strive to create a daily culture of enrichment by providing the “Joy of Design.” Amid a constantly changing external environment, we will review and refine our process of creating value in response to various social issues and needs in order to enhance the value provided to society.

Purpose

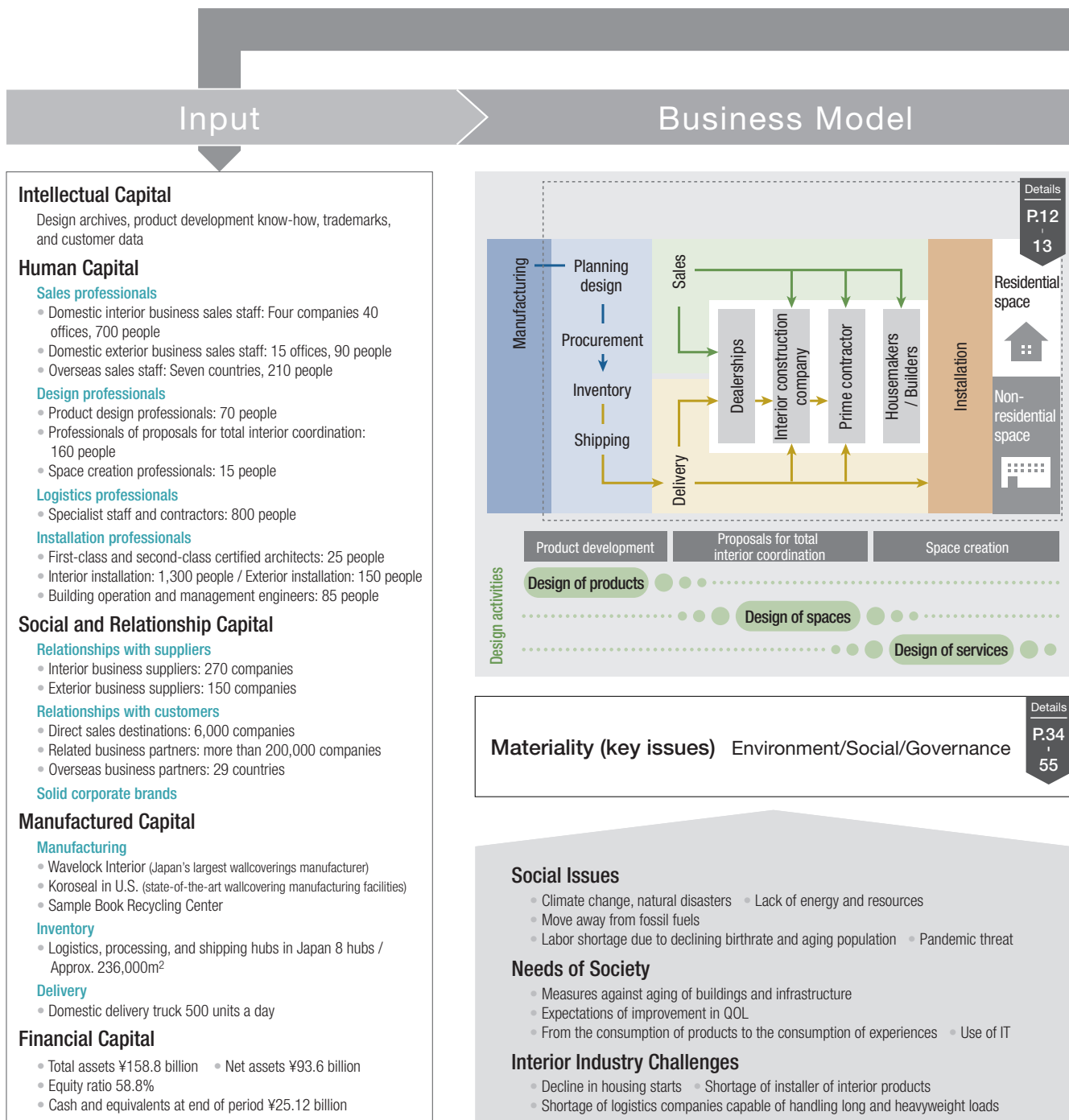
| Corporate Mission |

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

| Brand Concept |

Joy of Design

We share joy of design with those who create new space.



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The Long-term Vision of the Sangetsu Group [DESIGN 2030]

The Entire Sangetsu Group Aims to Become a Space Creation Company.

The Social Values the Sangetsu Group Aims to Realize

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

- Inclusive** — An equal and healthy inclusive society
- Sustainable** — A sustainable society that protects the global environment
- Enjoyable** — A more affluent and enjoyable society

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Medium-term Business Plan (2020-2022) [Design & Creation D.C. 2022]

Basic Policies

1. Expand earnings through qualitative growth of core business
2. Growth of profitability in next-generation business based on resources of core business
3. Strengthen management and business foundations
4. Realize social value

Output

Outcome

Interior Segment

Developing, proposing, and delivering the optimal interior products for space creation

- Approx. 12,000 original products offering superior design, functionality, and ease of installation
- Issued 1.5 million sample books annually
- Proposal sales to all customers in the value chain
- Proposals for total interior coordination by design professionals
- Items always in stock, minimum sales unit of 10 cm, and same-day shipment
Daily product shipments 60,000/day
Number of samples 40,000/day

Space Creation Segment

Imagining spaces, proposing designs, and creating them

- Design and proposal of services
- Overall space design for interior and exterior
- Comprehensive construction capabilities to implement various design plans
- An installation network spread nationwide (Japan)

Exterior Segment

Providing and installing all kinds of exterior products

- Providing exterior space designs through a broad product portfolio
- All-inclusive exterior product lineup
- Providing installation services

Overseas Segment

Manufacturing wallcoverings and sourcing them to provide optimal products to North America and Asia

- Manufacturing and distribution of wallcoverings and digitally printed wallcoverings in North America
- Providing high-quality designs in the Pacific Rim

Details
P.20
27

Positive

Creation of Economic Value Fiscal year ended March 2021

| | |
|---|----------------|
| Consolidated net sales | ¥145.3 billion |
| Operating income | ¥6.7 billion |
| ROE | 5.12% |
| Domestic market shares | |
| • Wallcoverings | 50% |
| • Flooring materials | 30–50% |
| • Fabrics | 23% |
| Overseas market share | |
| • Non-residential wallcoverings market share in North America | 20% |

Consistently profitable since establishment in 1953

Dividend increases for seven consecutive years

Total return ratio 82.4%

Creation of Social Value

| | |
|---|-----------------|
| ESG ratings | |
| • MSCI | SCORE 5.2 (AA) |
| • FTSE | SCORE 2.9 |
| E | |
| • GHG emissions | 23.2% reduction |
| S | |
| • Management positions held by women | 17% |
| • Child welfare facilities that received renovation support | 20/year |
| • Continuing to hold Sangetsu Wallpaper Design Awards | |
| G | |
| • Full compliance with Japan's Corporate Governance Code | Full compliance |

Negative

130,000 copies of out-of-date sample books collected annually
GHG emissions in the supply chain 400,000 t-CO₂

Transforming the Business Model

Sangetsu is transforming its business model to become a Space Creation Company. We are developing robust business structures through expanding and transforming business categories centered on the interior business by leveraging the Group's long-established unique strengths.

Transforming the business model to become a Space Creation Company

We are striving to transform ourselves into a Space Creation Company, which is the principal goal defined in the Long-term vision [DESIGN 2030]. By doing so, we will achieve further growth from business development centering around sales of interior products. Through this initiative, we intend to create a new business model to sell space designs, products, and installation/construction services for space creation in a comprehensive manner by leveraging the entire range of functions required, from design to logistics and installation/construction. The new model deals with the space as a whole, which involves more than simply handling individual component items. Therefore, it will be vitally important to pay greater attention to the activities that will take place in target spaces and plan proposals accordingly. Toward this end, we are making group-wide efforts to build and refine business structures that underpin extensive proposal activities, and integrating designs for products, spaces, and experiences.

Expanding and transforming business categories based on unique strengths

Sangetsu is a fables company with no manufacturing capabilities of its own. As such, we have previously developed business through forging cooperative relationships with many manufacturers to create a diverse spectrum of attractive products, with a focus on the interior business. We have also built solid customer service functions to fine tune proposals to various individual needs. Also, our "just-in-time" logistics services enable stable supply of the right item at the right time in the right amount, while ensuring that there are no stock shortages.

The Group has solidified its presence in Japan's interior market by pursuing the above business model based on its strong capabilities in product development, sales and proposals, as well as inventory control, shipping, and delivery. In order to obtain a larger market share in the future, it is essential to enhance services and functions while taking advantage of the Group's long-established unique strengths.

Establishing a business model for integrated processes from manufacturing to sales to cover the entire value chain

To enable the entire Sangetsu Group to achieve further growth, we are aiming to transform our business model from a service provider centered on sales to dealerships and product logistics to a comprehensive space-related solution provider that covers the entire value chain.

One key to the above transformation lies in manufacturing, a function that has previously been excluded from our operations as a fables company. We will change this approach and prepare in-house manufacturing lines to cater to product characteristics more effectively. At the same time, we will refine our design capabilities to satisfy market needs by demonstrating originality and creativity in planning and design. Also, sales activities are an essential area to boost. Utilizing collaborative relationships with dealerships, we will more aggressively approach interior contractors and reach out further to housing manufacturers, architects, and business owners. To this end, it is imperative to go beyond simply planning the coordination of general products and focus more on presenting overall space design proposals.

In addition, we will build nationwide transportation and construction/installation service networks as a key means to support sales activities.

Acquiring Wavelock Interior, Japan's largest wallcoverings manufacturer, to facilitate integrated processes from manufacturing to sales

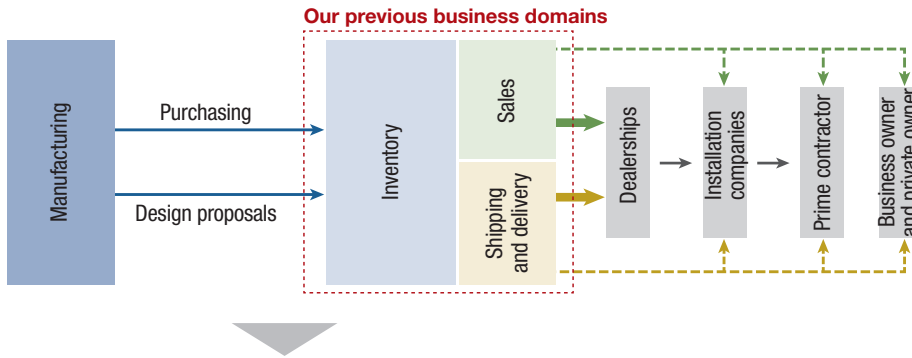
In October 2015, as part of a medium- to long-term strategy for enhancing production capacity, Sangetsu acquired shares in Wavelock Holdings Co., Ltd., the parent company of Japan's largest wallcoverings manufacturer Wavelock Interior Co., Ltd. In March 2021, we acquired 51% of the shares of Wavelock Interior to make it a subsidiary to secure more stable and strategic procurement of wallcoverings. Wavelock Interior is our major wallcoverings supplier, and it delivers nearly 30% of our entire procurement of the product. Given this, the acquisition of the company is strategically important for boosting our competitive advantage and ensuring sufficient supply to expand the wallcoverings business. At the same time, it will facilitate integrated processes from manufacturing to sales, thus enabling streamlined operations.

What is a Space Creation Company?

Developing business to sell space designs, products, and installation/construction services for space creation in a comprehensive manner by leveraging the entire range of functions required from design to logistics and installation/construction

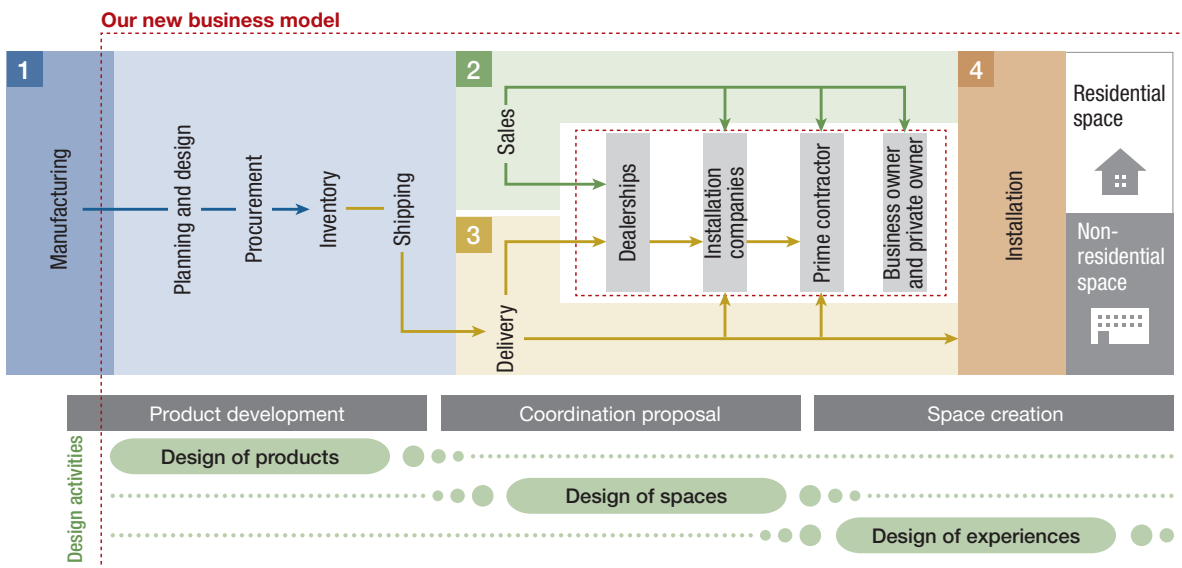
Our previous business model

Service provider centered on sales to dealerships and product logistics



Our new business model

Comprehensive solution provider that covers the entire value chain for integrated processes from manufacturing to sales, leveraging capabilities for manufacturing, planning/design, sales, delivery, installation, and data utilization



Four strong functional areas to support design activities

1 | Manufacturing, Planning and Design, Procurement 2 | Sales and Proposals

Capabilities to develop a diverse spectrum of products in cooperation with many manufacturers and to manufacture products in-house. Flexible procurement operations to ensure sufficient supply and broad product lineups.

Sales capabilities to respond to a large number of, and different types of, multi-layer market needs. Proposal capabilities for planning, design, and total coordination for the space as a whole, in addition to sales of products and installation services.

3 | Inventory, Shipping, Delivery

Capabilities for advanced inventory control through utilizing our know-how and data, and quick and efficient warehouse processing to handle small-lot, bulk, and other types of orders. Nationwide logistics networks offering fine-tuned services.

4 | Installation/Construction

Nationwide networks of installation and installation/construction services, enabled by group-wide engagement. Comprehensive capabilities to implement various design plans in the target space.



The Long-term Vision of Sangetsu Group [DESIGN 2030]

The Sangetsu Group has formulated [DESIGN 2030] as its long-term vision that defines the Group's ideal state and serves as a guide for realizing sustainable growth in the future.

The Entire Sangetsu Group
Aims to Become a

“Space Creation Company”

[Business environment]

Expansion of the economic
value of experiences

Diversification in personal tastes

From ownership to use and experiences

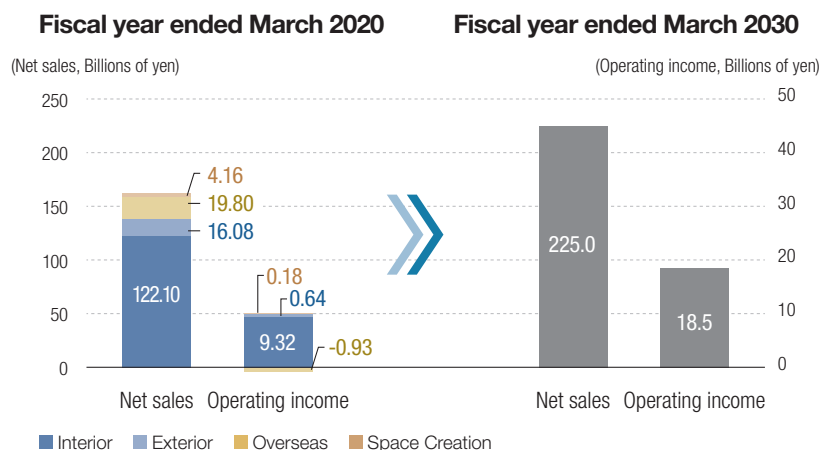
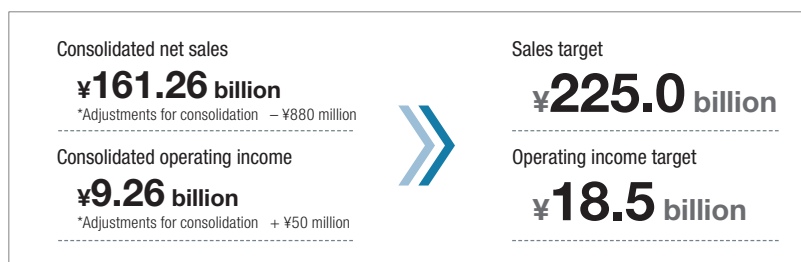
Focusing on the quality of life

Peace of mind, safety, and health

Rapid penetration of digital technologies
in personal life

Desire for interpersonal connections

Fiscal Year Ended March 2030 Consolidated Net Sales and Operating Income Targets



Approach for Achieving the Long-term Vision [DESIGN 2030]

| | | |
|---|--|--|
| Basis of Management | Design-driven management Enhance brand value and transform business through design | Applicable SDGs |
| Management and Business Foundations | Diverse professionals An organization where diverse professionals with on-site capabilities fulfill an active role Cooperation and utilization for business-related data Use DATA to increase the efficiency of business and transform business | |
| Main Function | Complete shift to service-oriented sales business Business in which services are the source of added value | |
| Business Area | Asia and North America Strong business in Asia and North America, and global expansion | |
| Corporate Vision | From an interior products company to a creative concept partner based on design, human resources, data, and services. (Bringing our clients' visions to life through the joy of design) A global Space Creation Company based on design, human resources, DATA, and services | |
| <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="border: 2px solid blue; border-radius: 15px; padding: 5px; background-color: #e6f2ff;">Achieving social value</div> <div style="font-size: 2em;"><<<</div> <div style="border: 2px solid blue; border-radius: 15px; padding: 5px; background-color: #e6f2ff;">Creating an inclusive, sustainable, and enjoyable society</div> </div> | | |

Our Direction

The Social Values the Sangetsu Group Aims to Realize

Inclusive

An equal and healthy inclusive society



Not only hunger and poverty but education for children and disparity of living environments are worldwide issues as well.

The Sangetsu Group will contribute to realizing an equal and healthy inclusive society, where diversity of gender will be respected, through the creation of healthy and comfortable spaces.



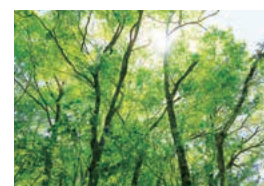
Sustainable

The global environmental protection with sustainable society



While climate change and sea and soil contamination are becoming serious, vacant housing and buildings are increasing, due to an aging and decreasing population.

The Sangetsu Group will minimize our environmental footprint of the supply chain as a whole and will contribute to realizing a sustainable society that will protect the global environment, through creation of spaces usable for the long term and utilization of stock buildings.



Enjoyable

A more affluent and enjoyable society



Regardless of the differences in nationality, gender, religion, disability, and sexual orientation, a safe and reliable working environment with equal employment opportunities is being demanded. In such a working environment, it is required to sustain economic growth per capita through working efficiently.

The Sangetsu Group will contribute to realizing a more enjoyable society by promoting equal, safe, and efficient ways of working, which respect human rights, through the creation of spaces appropriate to various cultures and living.



Medium-term Business Plan (2020–2022) [D.C. 2022]*

The Medium-term Business Plan (2020–2022) [D.C. 2022] was formulated to provide a first step toward realizing the Long-term Vision [DESIGN 2030]. [D.C. 2022] has set forth the four basic policies to promote the transformation into a Space Creation Company.

* D.C. = Design & Creation

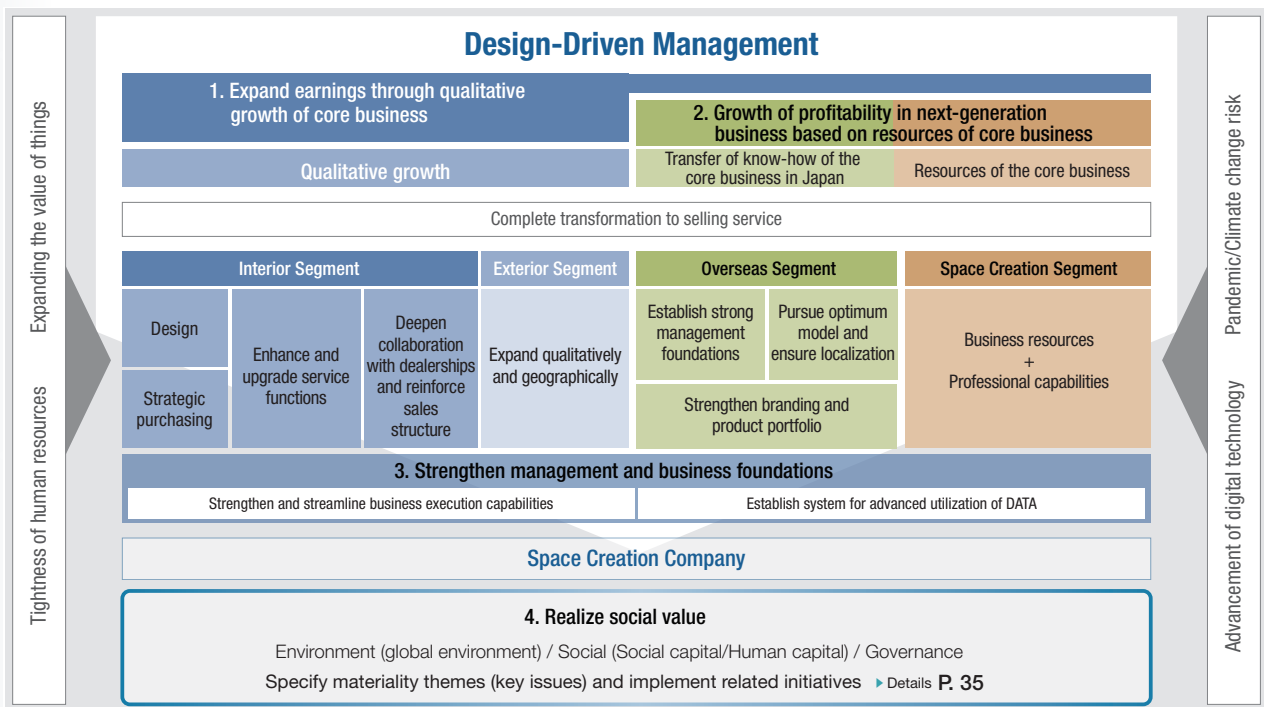
Basic Policies

1. Expand earnings through qualitative growth of core business
2. Growth of profitability in next-generation business based on resources of core business
3. Strengthen management and business foundations
4. Realize social value



D.C. 2022
Design & Creation

We will promote design-driven management as a means to enhance brand value and transform business through design. This approach is centered on expanding earnings through qualitative growth of our core business and growth of profitability in next-generation businesses based on the resources of our core business in order to drive further growth in the future. Also, together with strengthening management and business foundations to enable business transformation to create a Space Creation Company, we will aim to realize social value as well as economic value.



Progress in Fiscal 2020

Fiscal 2020 was the first year of the Medium-term Business Plan. During that time, we strove to expand earnings of our core business, with a particular focus on the Interior Segment, through reinforcing design capabilities, pursuing strategic procurement, and enhancing and upgrading service functions. Additionally, in the Overseas Segment, we reorganized business structures and promoted group-wide cooperation to help expand the Space Creation business.

Reinforcement of Design Capabilities [▶Details P. 22](#)

We promoted design development projects for space creation in collaboration with architects and design firms inside and outside of Japan. One such major project was for joint development of wallcoverings and flooring materials with Japanese architect Kengo Kuma. The resulting products were placed on the market under the brand name of “KAGETOHIKARI,” an industrial creation aimed at expressing ancient Japanese aesthetics. Among them was “SHITSURAHU,” a wallcoverings series characterized by ingenious use of Japan’s traditional materials. The series won the iF DESIGN AWARD 2021, a world-renowned design award. Among other collaborative achievements was “ENGLISH DESIGN AGENCY (EDA),” an upholstery collection developed jointly with the UK-based Sanderson Design Group. The new collection resulted from inventive arrangement efforts based on resources from traditional British design archives to create products that would appeal to today’s consumers.



Strategic Procurement [▶Details P. 12](#)

We acquired 51% of the shares of Wavelock Interior Co., Ltd., Japan’s largest manufacturer of vinyl wallpaper, making the company a subsidiary. The acquisition will strengthen our wallcoverings business by increasing our competitive edge and ensuring a stable supply of products. It will also facilitate integrated processes from manufacturing to sales to enable streamlined operations and expanded earnings. In addition, we are bolstering alliances with other manufacturers in pursuit of strategic procurement aimed at even stronger business.

Enhancement and Upgrade of Our Service Functions [▶Details P. 18](#)

Our logistics functions, an essential business infrastructure, have been upgraded. We have consolidated the previous logistics bases located separately in the Kansai region to undertake strategic warehousing, shipping, and delivery operations. We reorganized those functions into the newly established Kansai Logistics Center. Equipped with automation and labor-saving features, the Center serves as the warehouse for all of western Japan, as well as a regional delivery hub in Kansai.

Business Restructuring in the Overseas Segment [▶Details P. 26](#)

In the face of severe business conditions due to the prolonged economic slowdown as a result of COVID-19, we implemented business restructuring plans to reinforce our management structure. Specifically, we acquired 100% ownership of Goodrich Global Holdings Pte., Ltd., headquartered in Singapore, and then bought shares held by the company in Goodrich Hong Kong, the company’s Chinese operation. We are building a management structure that allows us to directly participate in the management of Goodrich Hong Kong along with Sangetsu (Shanghai) Corporation. This represents cooperative marketing strategies based on geographical segregation, assigning Goodrich Global Holdings to Southeast Asia and Sangetsu to China, to enable the two partners to pursue respective regional initiatives.

Expanding the Space Creation Business [▶Details P. 24](#)

The Space Creation business was initially targeted at the non-residential renovation market. It is now expanding its business field to residential markets, such as condominiums, and the Exterior Segment. Human capital is also being increased to support this expansion. We will strengthen group-wide efforts to enhance and expand the Space Creation business.

Opening the Sample Book Recycling Center [▶Details P. 45](#)

Sangetsu publishes an average total of 1.5 million sample book copies every year. These books are revised every couple of years, resulting in a huge number of copies requiring disposal as industrial waste, leading to increased environmental impact. To address this issue, we have set up the Sample Book Recycling Center to scrap and sort collected out-of-date sample books. We will step up the related activities, expanding collection capacity and the collection area while promoting material recycling to further reduce environmental impact.

Special Feature

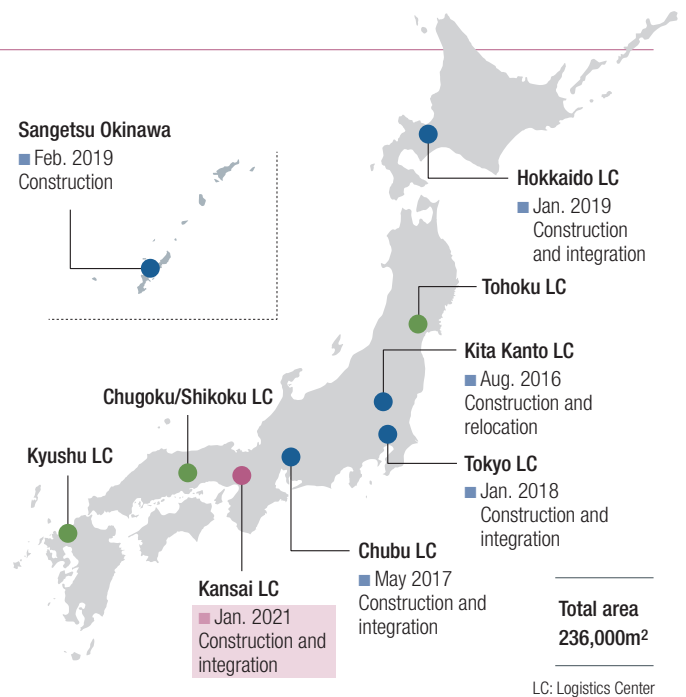
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Logistics Strategy for the Reinforcement of Service Functions

Sangetsu is reinforcing its service functions such as the inventory, in-warehouse processing, and delivery functions of its Logistics Department that are some of the functions to be augmented to “expand earnings through the qualitative growth of core business.” Special Feature 1 explains the idea behind the reinforcement of logistics functions and the specific measures to achieve our objectives.

Restructuring of Logistics Centers

We ship an average of about 60,000 merchandise items per day. The issues being faced by the logistics industry have come to the fore, including the increase of the cost of shipping and trend toward avoiding heavy cargo. To maintain and further improve the quality of delivery services despite these circumstances, the reinforcement of the Logistics Department’s service functions, such as inventory, in-warehouse processing, and delivery functions, is essential. To achieve this, since 2016 we have been restructuring logistics operations, starting with the Kita-Kanto Logistics Center. In January 2021 the Kansai Logistics Center was built, integrating several hubs. This signaled the near completion of the restructuring of the key logistics centers that are core to delivery services. Going forward, we will continue to arrange hubs around Japan to ensure more finely tuned delivery services.



Features of the Kansai Logistics Center

In January 2021, the Kansai Logistics Center was constructed, integrating the two hubs in Amagasaki, Hyogo and Higashiosaka, Osaka. The logistics center is in a good location close to the highway to enable trunk transport that fully covers Japan and the city of Osaka which is the key delivery area. The area of the warehouse is 36,300 m², or about 1.6 times larger than the previous warehouse, and its volume is about two times larger.

Approximately 12,000 merchandise items stored, covering all products, as a hub for West Japan

The logistics center stores about 12,000 merchandise items covering all products such as wallcoverings, flooring materials, and fabrics. It is also a hub for storing inventory to be shipped to other places in Kansai and West Japan. The goal is to ensure



Automated Guided Vehicle (AGV)

efficient inventory management and functions as an import/export hub for international transactions to improve services.

Introduction of new equipment, reducing the amount of labor required and furthering automation

The Kansai Logistics Center is fully automated, enabling a reduction of the amount of labor necessary to address the recent issue of a labor force that is insufficient and aging while also increasing efficiency through the integration of hubs.

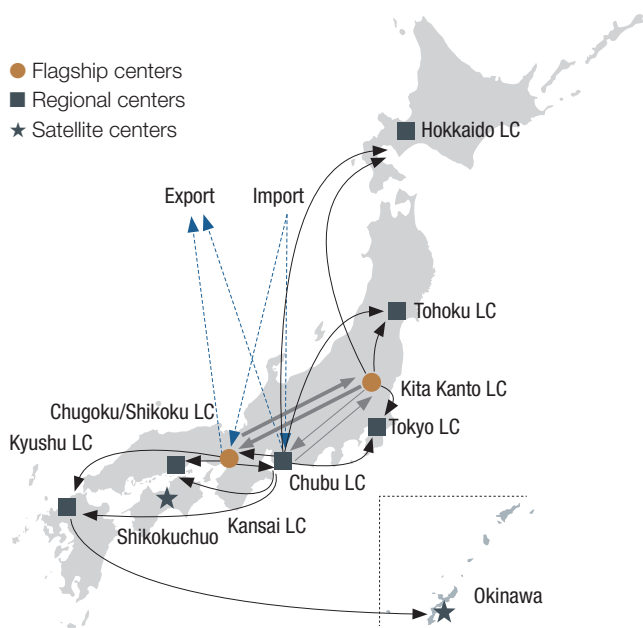
The logistics center first introduced GTP, an autonomous delivery robot. It delivers shelves of wallcoverings to a shipping location. Shippers do not have to come to the shelves to pick up merchandise. The robot saves time and reduces the physical burdens on workers. The Automated Guided Vehicle (AGV) delivers products that would be transported via lift trucks. Other robots include automated packing machines and automated vinyl floor sheet cutting machines. These measures at the logistics center have enabled a reduction in the required labor by approximately 25%.

Improvement and Sophistication of Logistics Functions

The construction of the Kansai Logistics Center has completed the restructuring of large logistics centers. We will clarify the roles of the hubs around Japan and improve and develop our logistics functions.

Clarification of the roles of the hubs

To construct a more finely tuned delivery system and maintain a stable inventory, we will clarify the roles of the hubs around Japan to encourage organic coordination. For this, we will classify the hubs into three categories, namely flagship centers, regional centers, and satellite centers, to increase the efficiency of the logistics system and improve services.



Flagship center

Supplies merchandise to each LC and acts as a regional delivery hub

Regional center

A regional delivery hub

Satellite center

A hub handling deliveries to locations distant from an inventory hub



Shikokuchuo Satellite Center
Opened in August 2021

Insourcing of business and recruitment and development of professional human resources

To maintain and improve the finely tuned shipping and delivery system that is our strength, we insource an array of businesses including warehouse operations and recruit and develop professional human resources specialized in logistics. To accomplish this, the logistics position program has been established to enable employees to gain technical knowledge and skills.

Specifically, a technical skill sheet is prepared to guide employees in their study of technical knowledge and skills, and the skills and abilities that are required of each employee are visualized for each level and function. A buddy system has been set up for new employees so they are able to learn from their superiors how to handle tasks, how to maintain a good attitude at work, and receive advice for resolving social or work problems.



Control delivery to control business

Yosuke Mine
Executive Officer
General Manager,
Logistics Division



We believe that delivery capabilities are most effective when customers select merchandise. These capabilities allow us to deliver the desired quantity of the chosen merchandise to the desired place at the desired time. However, we have not been able to respond at the level we aim for capable of delivering products to every customer site at all times due to an insufficient system. While key hubs are being restructured, we will improve our satellite centers and construct a more finely tuned delivery system. In addition, we will introduce new systems such as the transport management system* to improve services.

Under its philosophy, “Control Delivery to Control Business,” Sangetsu will continue to adjust and improve its logistics functions.

* The transport management system comprehensively manages the transportation and delivery of merchandise from shipment at a logistics center to its destination.

Business strategy

Interior Segment

We are arranging and enhancing the development system to meet market needs based on our mainstay products comprised of wallcoverings, flooring materials, and fabrics such as curtains and upholstery, which are widely used in residential and non-residential sectors.



Realization of product development with new concepts through the enhancement of design capabilities

Yoshiaki Kaneko Executive Officer
General Manager, Interior Business Unit

Our strengths lie in our provision of a one-stop service covering everything from planning and manufacturing to installation with our full lineup of original interior products. Our goal is to provide more progressive services than competitors through the combination of design proposals, logistics, and installation with a broad range of products.

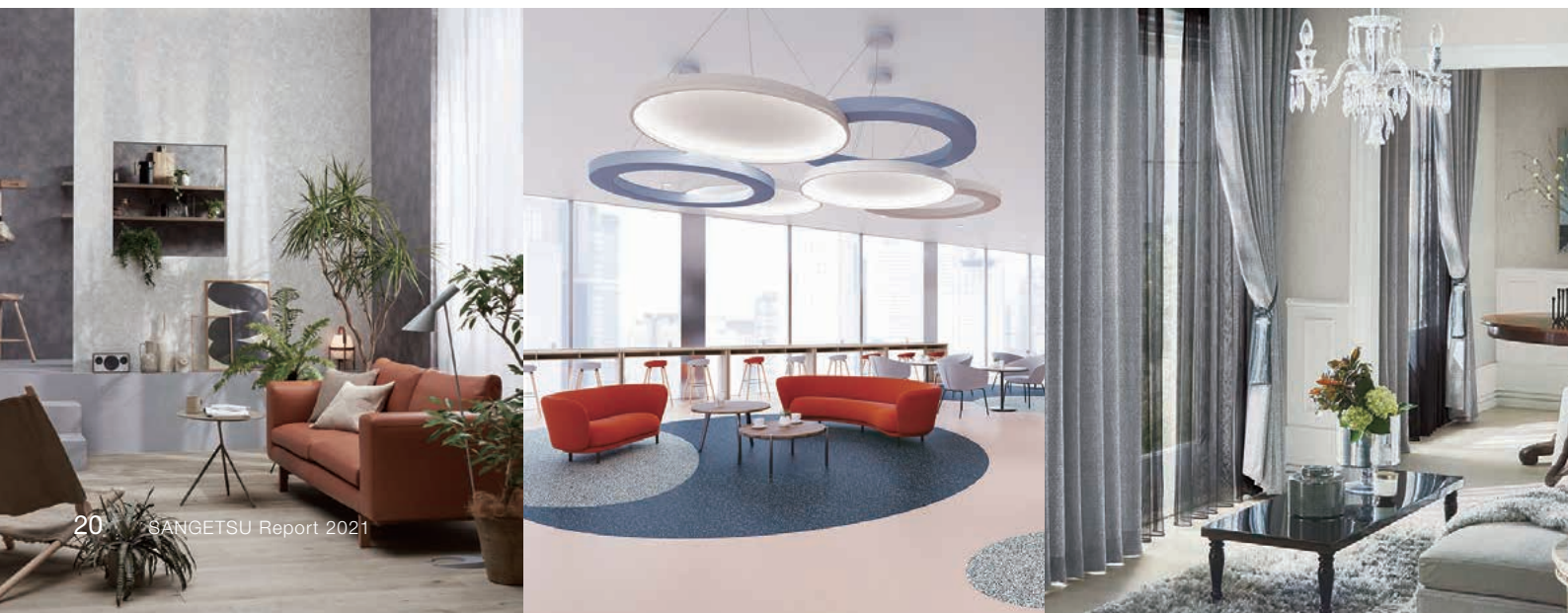
The Medium-term Business Plan includes the enhancement of design capabilities and strategic procurement, which are very important measures in the Interior Segment that plays a central role in the business activities of the Sangetsu Group.

To enhance our design capabilities, we seek out internal and external product development talent. In addition, we collect design inspiration from domestic and international exhibitions and jointly develop products with renowned architects and designers for the commercialization of many different products based on new, experiential design concepts.

Regarding strategic procurement, we acquired Wavelock Interior Co., Ltd., Japan's largest vinyl wallcoverings

manufacturer, in March 2021 to help secure a stable supply and increase efficiency through the integration of manufacturing and distribution. We also reinforced our alliances with our business partners, including our suppliers, to strengthen our value chain.

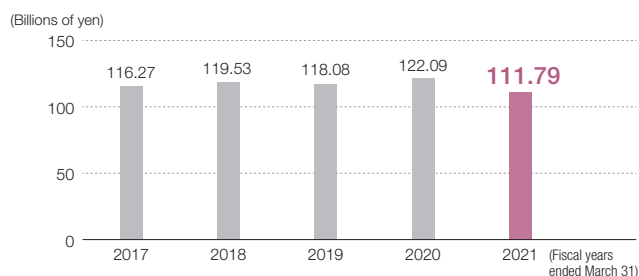
During the fiscal year ended March 31, 2021 (fiscal 2020) we leveraged the Internet to share information and hold seminars due to the COVID-19 pandemic. We are planning to create opportunities to more effectively communicate the appeal of Sangetsu through the proposal of interior decoration ideas and the showcasing of trends in addition to the introduction of products. For example, real products and virtual images can be used concurrently to enable customers to experience the value of interior design that includes additional elements such as lighting and furniture that we do not handle. We are also able to effectively communicate the benefits of aftersales maintenance to customers. Eventually, we would like to contribute to on-site support as well as the support of end users.



Overview of fiscal 2020

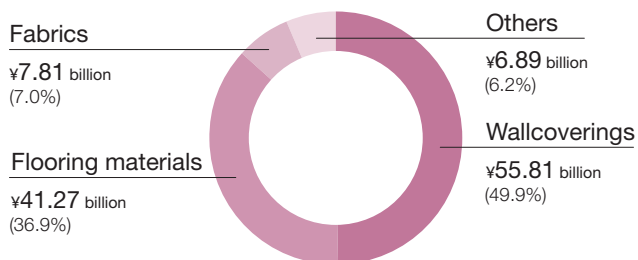
Demand for interior goods is shrinking 9.5% to 10% in the Japanese market partly due to the COVID-19 pandemic. The Interior Segment recorded net sales of ¥111.794 billion, down 8.4% year on year, while increasing market share mainly in wallcoverings and flooring materials.

Interior Segment net sales ¥111.79 billion
(Sales composition ratio 76.9%)

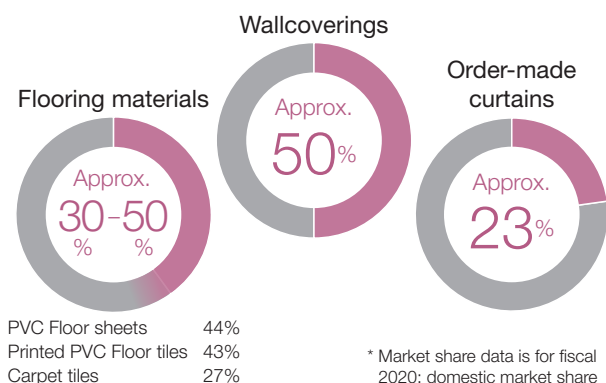


* After adjustment of sales in the Interior Segment and the Space Creation Segment up to fiscal 2019

Sales composition ratio of the Interior Segment (Fiscal 2020)



Sangetsu's market shares



* Market share data is for fiscal 2020; domestic market share based on Sangetsu estimates

Wall Coverings Division

In the wall coverings division, as the impact of COVID-19 resulted in a subdued market, the "RéSERVE 1000" and "REFORM Selection" home wallpaper sample books drove sales thanks to signs of rising demand in certain sectors of the rental housing and housing reform markets. Additionally, sales of "CLEAS," the sample book of glass films, remained strong, while sales of antiviral products saw robust sales growth on the back of rising demand for products that give consumers peace of mind and safety. Overall, however, net sales of wallcoverings were ¥55.814 billion, down 7.3% year on year, impacted by the decline in new housing starts and market contraction centered on hotels and commercial facilities.

Flooring Division

Sales were robust for "Floor Tile," which can be used in a wide range of applications in both the residential and non-residential sectors, while "H Floor," a cushioned floor sample book published in September 2020, further penetrated the market. "S Floor," a flooring sample book for various types of facilities that was published in November 2020, also demonstrated strong growth among certain types of products centered on antiviral products and was well received despite the adverse market environment.

In addition, in the office renovation market, products such as the "NT-350 Series" and "NT-700 Series" of well-designed carpet tiles in an affordable price range were well received. However, market conditions had yet to fully recover, and as such, net sales of flooring materials were ¥41.271 billion, down 7.8% year on year.

Fabrics Division

In the residential market, "AC," the curtain sample book, drove sales, and the sample book "UP" featuring chair upholstery fabric and the sample book published in September 2020, "Contract Curtains," geared toward various types of facilities, performed well as it penetrated the market. In particular, the usage of curtains with antiviral and antibacterial properties expanded to include public and educational facilities, in addition to their existing usage in medical and welfare facilities. However, net sales of fabrics products, which are composed of curtains and upholstery, were ¥7.816 billion, down 7.7% year on year, as a result of the impact of market deflation and self-imposed restrictions and downsizing of sales activities, including promotional events.

TOPICS

Launch of the KAGETOHIKARI collection, a collaboration between Kengo Kuma and Sangetsu

The KAGETOHIKARI collection was launched in April 2021. It is a collaboration with world-renowned architect Kengo Kuma.

The collection is inspired by the beauty Kengo Kuma discovered in shades and shadow, and the designs were also inspired by onomatopoeia. Hopefully, users can freely create interior spaces inspired by the technique of onomatopoeia that different people perceive differently.

This is our first project involving the product development of wallcoverings and flooring materials based on the same theme. This activity is the embodiment of the Sangetsu brand concept that shares the joy of design with those who create new space. We will continue to develop products that express the “Joy of Design” from diverse perspectives.



SHITSURAH I wins international design award

The SHITSURAH I wallcoverings based on traditional Japanese beauty won the iF DESIGN AWARD 2021*, an internationally authoritative design award.

The SHITSURAH I series of wallcoverings is designed to adapt to today's interior decorating using the traditional skills and techniques of Japan and old, traditional Japanese materials including washi (Japanese paper), metal leaf, textiles, and paper textiles. It expresses Japanese-style hospitality, comforts people, and brings fascinating indoor spaces into being, whether oriental or occidental.



* The international design awards are held in Frankfurt, Germany, every year, organized by iF International Forum Design GmbH. With its long history dating back to 1954 it has been one of the most recognized global design awards.



Business strategy

Exterior Segment

We provide doors, fences, carports, and garden related products for residences as well as exterior merchandise for various types of facilities to propose enriched lifestyles for people.



Engaging in expansion of business activities without being limited to existing position

Hirofumi Takeda President
Sungreen Co., Ltd.

Taking charge of the Exterior Segment, Sungreen is changing its position by expanding its business activities in the value chain in addition to wholesaling specialized in exterior products, which is its mainstay existing business. We will work to create interior spaces with higher value added as a member of a Space Creation Company by continuing to extend our area of operations to the Kanto area and improving our

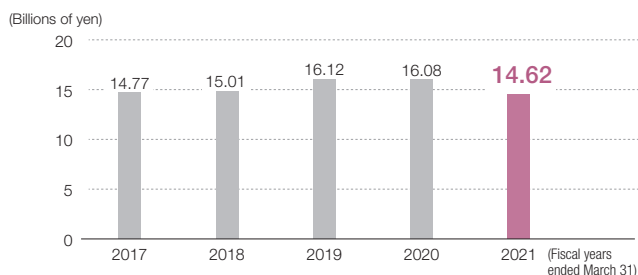
construction capabilities and proposal capabilities for the design of interior spaces.

We will continue to develop sales capabilities, earning power, and organizational power and increase our existential value as a corporation to ensure high quality work and transform into a truly strong company.

Overview of fiscal 2020

Regarding the situation around the Exterior Segment in fiscal 2020, public construction and other non-residential property construction declined, and sales of mainstay housing-related products, for example, fences, doors, and carports, struggled, as the market as a whole continued to stagnate. On the other hand, growing demand related to staying-at-home resulted in robust sales of mailboxes, storage sheds, wooden decks, and other products, while sales at home improvement retailers and e-commerce stores also grew significantly. As a result, net sales of the Exterior Segment were ¥14.626 billion, down 9.1% year on year.

Exterior Segment net sales **¥14.62** billion
(Sales composition ratio 10.0%)



Business strategy

Space Creation Segment

As a driving force in becoming a Space Creation Company, we engage in highly technical business activities and propose interior spaces using the resources that we have cultivated in the interior business.



Proposing new value for diverse spaces

Kazunori Miyamoto
Executive Officer in charge of Space Creation
Director of Sungreen Co., Ltd. and
General Manager of Space Creation Business Unit

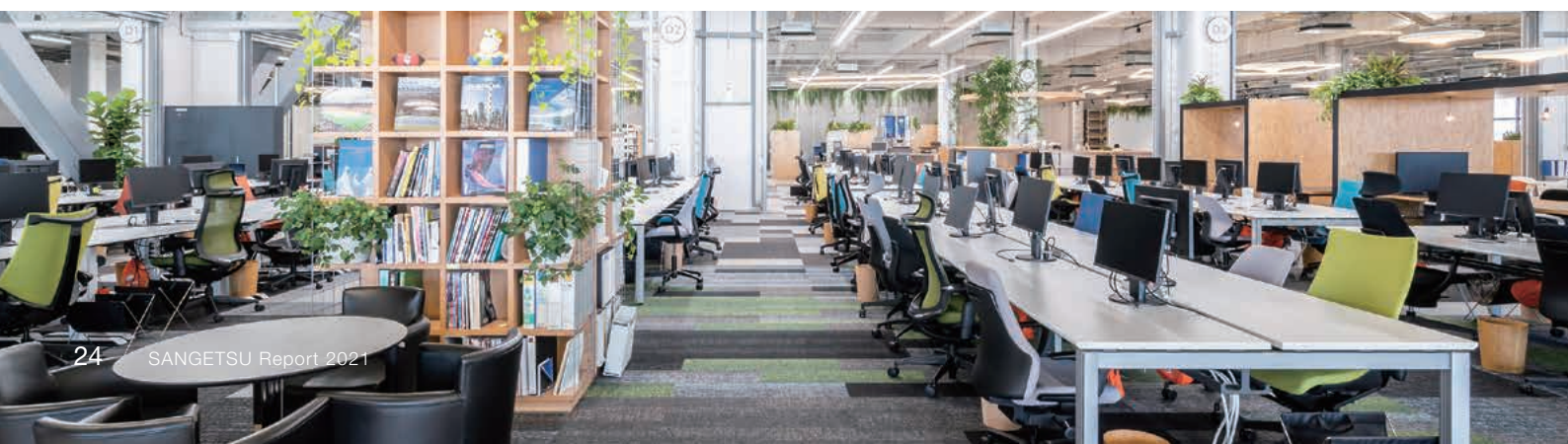
Established in fiscal 2020, the Space Creation Segment is comprised of the Space Creation Division of Sangetsu and Fairtone Co., Ltd. which provides interior finishing services. We aim to grow the space creation business as a whole using our customer base and the design and construction capabilities that we have cultivated and by improving our consulting and installation/construction management capabilities.

Sangetsu's Space Creation Division provides one-stop services from design to installation/construction management in the non-residential sector's renovation market, planning the concepts that meet customer needs and designing optimal spaces.

Our strengths cultivated through many years of interior product sales lie in our product development and proposal capabilities for interior and exterior coordination. In addition, our approach of integrating interiors and exteriors and our space design proposal capabilities enable us to create high value-added spaces in ways that stand out from our competitors. We are reinforcing our consulting capabilities by proactively recruiting outside talent and enhancing our proposal activities based on our robust customer base.

Design is more than what the term literally means to us. We believe that design involves the proposal of new value in living and working environments. Specifically, we create beauty through design and also aim to influence people's bodies and minds by, for instance, adding indoor plants in offices. In this way, we propose experiential designs for people through interior design.

The pandemic has changed our business environment. Offices are changing with work style reforms and more people working from home. Old buildings are being converted into shared offices and rental apartment buildings. Well-designed lifestyle hotels are being built one after another. These changes mean there are certainly more business opportunities for us. Taking this opportunity for business expansion, we will employ more staff for design and installation/construction management and enable them to develop their skills to build a system that is ready for increasing demand. We will step up efforts within the Group to proactively approach existing customers to whom we have only sold interior products to accurately understand their policies and thinking on design so that we are able to capture the essence of their needs when creating proposals.





Enhancing construction capabilities as a Space Creation Company

Shigenobu Maki President
Fairtone Co., Ltd.

As the core organization of a Space Creation Company, we are the interior contractor providing one-stop services that satisfy diverse needs by bringing together the Group's design capabilities, technical construction capabilities, and project management capabilities.

The Sangetsu Group is working to be a Space Creation Company. To realize this, we identify the increasingly diverse and sophisticated needs for space creation, create spaces, and propose and realize experiential design to enhance and reinforce our construction functions.

Our construction capabilities, one of our strengths, are based on our network of professional technicians from construction associations around Japan and our field-proven

technical construction capabilities. We are ready to engage in construction projects ensuring high quality.

We directly are involved in multiple businesses relating to projects to meet diverse needs in new construction and renovation mainly for offices, commercial and hospitality facilities, and healthcare and welfare facilities in the non-residential sector, leveraging the strong synergies created through the use of the resources of Sangetsu's core businesses.

We are devoted to creating spaces that provide unprecedented value, joy, and inspiration to people as a Space Creation Company.

Overview of fiscal 2020

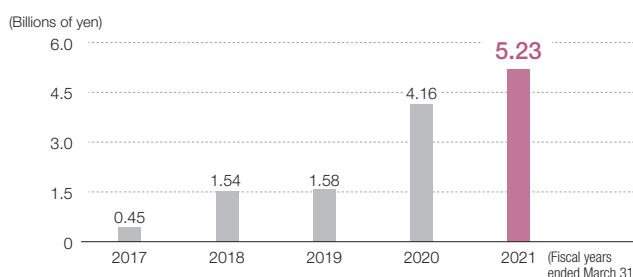
In the Space Creation Division Unit, the impact of COVID-19 led to the cancellation and delay of office renovation projects. However, demand has arisen in relation to the conversion of properties from hotels to office buildings, and there has been new demand for the renovation of tenant spaces based on work style reforms. Further, the company has endeavored to strengthen its human resources and alliances capable of addressing this demand.

Fairtone Co., Ltd., which takes the lead in the Group's construction activities, showed a favorable growth in sales, partly due to measures to strengthen client relationships, sales activities in cooperation with Sangetsu, and the limited impact of COVID-19 on the non-residential interior finishing business for new builds. Conversely, in the renovation business, which is centered on hotel and office projects, the amount of construction declined, and circumstances became adverse, particularly following the declaration of the second

state of emergency in Japan. Amid these conditions, Fairtone Co., Ltd. has endeavored to acquire new customers and secure construction orders through collaboration with Sangetsu.

As a result, net sales of the Space Creation segment were ¥5.239 billion, up 25.9% year on year.

Space Creation Segment net sales ¥5.23 billion
(Sales composition ratio 13.6%)



Business strategy

Overseas Segment

Our overseas offices lead the business of manufacturing and selling interior products such as wallcoverings and flooring materials in their regions. We are pursuing the business models appropriate for each individual market to develop global businesses.



Making effective use of the Sangetsu Group's resources to display our unique presence in overseas markets.

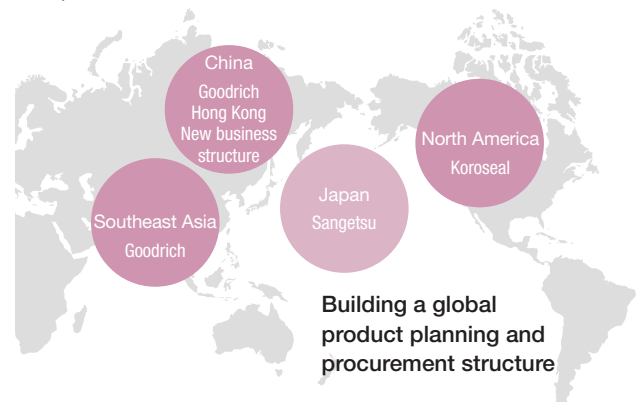
Kengo Minebe General Manager of Overseas Business Division

Our Overseas Segment targets the Pacific Rim as its business area, with a view toward North America, Southeast Asia, and China roughly divided into three major markets, and operates its businesses based on four regions, the three previously mentioned and Japan. We define our regional divisions and responsibility structure by operating in the North American market through Koroseal Interior Products Holdings, Inc.; operating in the Southeast Asian market through Goodrich Global Holdings Pte., Ltd.; and in the Chinese market, including Hong Kong, directly through the Overseas Business Division of Sangetsu. We will develop and implement strategies best suited for each region. We recognize that overseas markets are important amid concerns regarding the shrinkage of the Japanese market for interior materials. We are positioning the establishment of our unique presence in the overseas market using the resources that Sangetsu has developed in Japan as an important strategy.

In terms of our product strategy, we must differentiate our products from the competition in each region, develop strategically competitive products, and establish a unique position for ourselves that will continue into the future for the Sangetsu Group companies to continue to compete globally. The keys to this goal are country-specific strategies and the Group's shared strategy. The country-specific strategies

include market strategies based on the economies and cultures of the individual countries and the development of unique products with advantages. The Group's shared strategy is to implement product strategies to effectively supply the Japanese brand, Sangetsu, to overseas markets.

At the same time, one of the major functions of the domestic business, the logistics function, has yet to be developed adequately in the overseas business, and we will be building logistics strategies to enable us to outperform the competition.



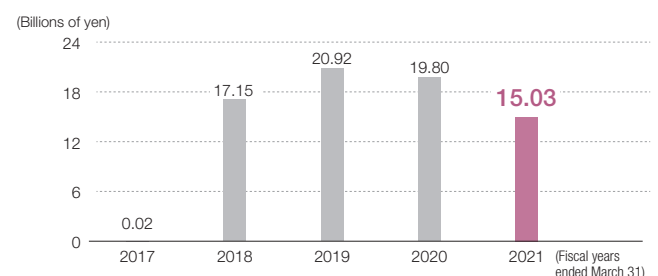
* The new business structure (China): A new organization combining Sangetsu (Shanghai) Corporation and Goodrich Global Wujiang Limited

Overview of fiscal 2020

Net sales in the Overseas Segment for fiscal 2020 came to ¥15.034 billion, down 24.1% year on year. While the business environment in the overseas market was affected severely by the COVID-19 pandemic, we maintained sales activities online and strived to reduce costs mainly through greater productive efficiency and personnel restructuring.

* In the Overseas Segment, the results of overseas subsidiaries and affiliated companies over the period from January to December 2020 are included in results for the above in the fiscal year review.

Overseas Segment net sales **¥15.03** billion
(Sales composition ratio 10.3%)





Growing to be a sustainable and resilient company that will significantly contribute to the Group's performance over the next several years

Victor Paul Chief Executive Officer
Koroseal Interior Products Holdings, Inc.

Koroseal Interior Products Holdings, Inc. ("Koroseal") is the only comprehensive supplier involved in everything from manufacturing to the distribution and sale of interior products in North America. Metro Wallcoverings ("Metro"), a subsidiary of Koroseal operating in Canada, has a dominant share of the local market as a sales agency of wallcoverings.

The COVID-19 pandemic and city-wide lockdowns posed challenges throughout fiscal 2020. We carried out outdoor promotion activities to reduce the loss of business opportunities and strived to increase productivity by operating new wallpaper production facilities and reduce costs through personnel restructuring. Sales of REATEC, a self-adhesive decorative film product made by Sangetsu, increased by meeting needs for the reduction of construction periods and costs and environmental consideration as a result of our long-accumulated sales activities.

However, regarding the hospitality market, which constitutes the mainstay market for Sangetsu products, recovery to its pre-COVID-19 level is expected to take several years. Even in this unstable environment, Koroseal will continue its efforts and steadily implement the strategies laid out in its medium-term business plan. We are pursuing all opportunities for sales growth through the continuous development of new designs and will maximize the efficiency of our operations while ensuring market relevance. Our goal is to be a sustainable and resilient company that will contribute significantly to the Group's performance over the next several years.



Koroseal (Ohio, USA)



Expanding the market using the strength of our top position in the industry and taking on the challenge of reforms

Yasushi Furukawa Chief Executive Officer
Goodrich Global Holdings Pte., Ltd.

Based in Singapore, Goodrich has sales networks throughout Southeast Asia and exerts its strengths in the hospitality market, primarily selling high-end products from the United States and Europe. Not many competitors are able to offer total interior packages including wallpapers, curtains, and flooring materials, and Goodrich is said to be recognized as the industry leader.

The COVID-19 pandemic severely affected the hospitality industry during fiscal 2020, and a number of construction projects were canceled or postponed, resulting in an inevitable decrease in sales and profitability.

Even amid these conditions, Sangetsu made Goodrich a wholly owned subsidiary, began restructuring our business in China, as well as established new companies in Vietnam and Thailand as part of our efforts to improve management strategies to further strengthen our Southeast Asian

networks. We believe the interior market in Southeast Asia is still in a growth phase in which an improvement in product quality and the future growth of demand can be fully expected. Therefore, we will take our utmost efforts to improve our product range and sales strategies to expand this market.

While the business conditions in fiscal 2021 remain extremely difficult, we will steadily implement each strategy and take on the challenge of reforms to ensure the recovery of our financial performance.



Goodrich (Changi, Singapore)

Financial Strategies

The consolidated results of the Sangetsu Group have been stable and positive since its shares were listed on the stock exchange in 1980. We will promote the continued improvement of capital efficiency based on ROE and ROIC, create stable cash flow, and continuously improve our cash conversion cycle (CCC) with the goal of maintaining stable earnings.

Medium-term Business Plan (2020-2022) “D.C. 2022” capital policy

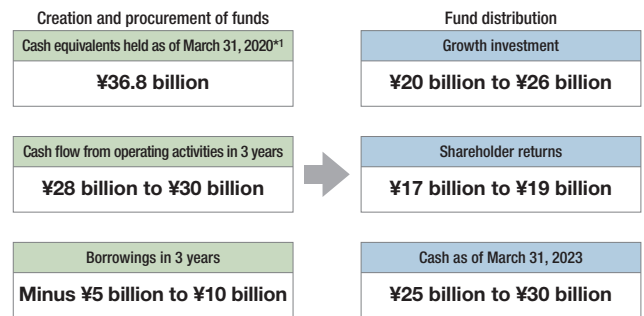
During our new Medium-term Business Plan, we will implement the following capital policies while monitoring the impact of the COVID-19 pandemic on our earnings and conditions in capital markets.

1. We will maintain equity in the range of ¥90.0 billion to ¥95.0 billion
2. We will maintain a total shareholder return ratio of approximately 100% over three years.
3. We will make decisions regarding dividends and share buybacks in consideration of the impact of COVID-19 on the business results under the basic policy of maintaining stable dividend increases.

Continued increase of capital efficiency based on ROE and ROIC

We will invest in the growth of our business to expand earnings through qualitative growth of core business and further realize profitability in next-generation business based on resources of core business as actions that are included as basic policies of the Medium-term Business Plan. Meanwhile, we will maintain the equity capital and cash necessary to ensure the security of our business and implement a shareholder return policy of raising the total shareholder return ratio to nearly 100% in three years from the fiscal year ended March 31, 2021 (fiscal 2020) to fiscal 2022. To this end, we plan to reduce our equity capital, which was approximately ¥110 billion at the beginning of the previous Medium-term

Capital distribution plan



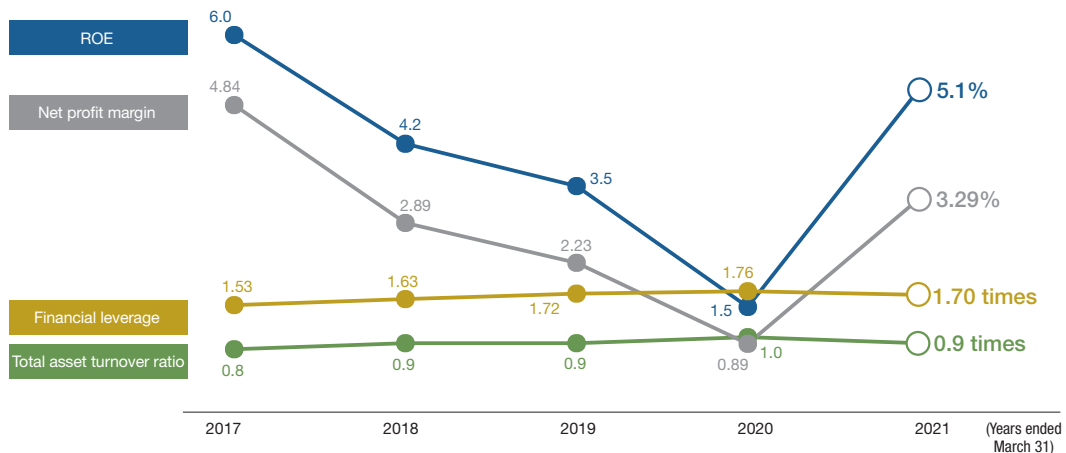
*1 Cash and deposits and securities other than stocks

Business Plan, to between ¥90 and ¥95 billion. Equity capital in the fiscal 2020 reached ¥93.3 billion.

In addition, we set ROE and ROIC targets of 9.0% and are working to increase the earning power of the entire Group and steadily implement growth strategies. ROE decreased from 6.0% four years ago to 1.5% in the fiscal 2019 due to such factors as an increase in SG&A expenses to strengthen the foundation of the business and achieve sustainable growth, investment related to logistics, and an impairment in the Overseas segment in fiscal 2019. However, ROE recovered to 5.1% in fiscal 2020.

Meanwhile, ROIC decreased from 7.9% in fiscal 2019 to 5.6% due to a fall in operating income. Among the components of ROE, the net profit margin recovered to 3.29%; however, further improvement is necessary, including an improvement in total asset turnover.

Trends in ROE related indicators



Creation of stable cash flow

We consider the cash and cash equivalents in our statements of cash flows, the time deposits with a deposit term of more than three months, and high-liquidity securities to be cash equivalents.

Cash equivalents as of March 31, 2020, amounted to ¥36.81 billion. During the fiscal 2021, cash flows from operating activities increased ¥9.69 billion, in which ¥2.59 billion was used for investing activities, and there was a ¥11.83 billion decrease due to financing activities. As a result, cash equivalents as of March 31, 2021 stood at ¥27.94 billion. We plan to maintain this balance within a range between ¥25 to ¥30 billion for some time.

Continuous reduction of the cash conversion cycle (CCC)

CCC, which is an indicator of working capital efficiency, improved to 68.9 days thanks to the extension of the payable turnover period to 94.5 days.

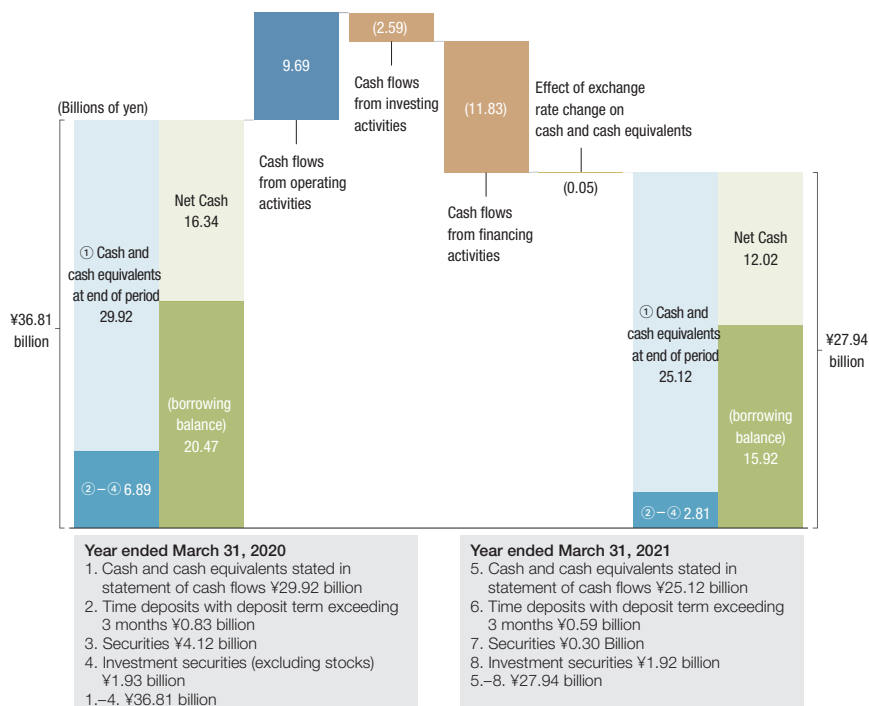
Factors such as continuous negotiations with suppliers and an extension of the payable turnover period due to a decrease in the amount of goods purchased as a result of a fall in net sales contributed to the improvement.

Enhancement of shareholder return policy sustainable over the medium and long term

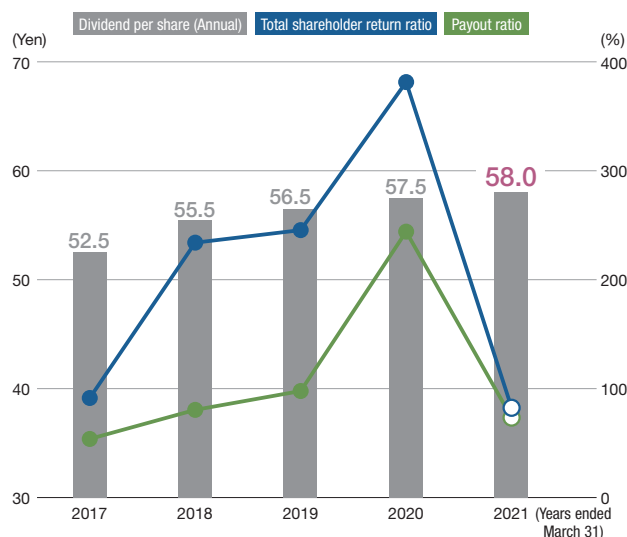
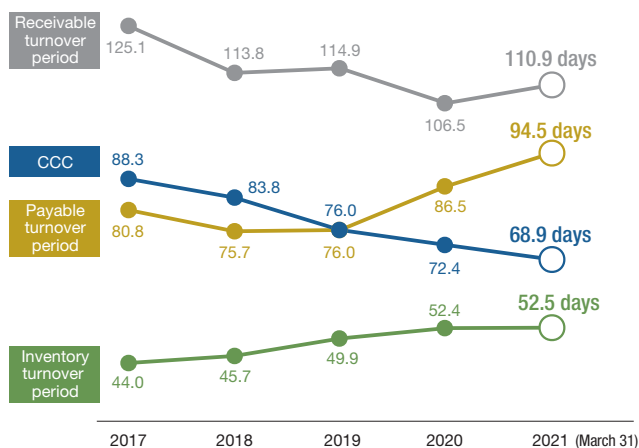
We will enhance our shareholder return policy, which is sustainable over the medium and long term, with the goal of

achieving a total shareholder return ratio of nearly 100% as a three-year total. Based on this policy, the year-end dividend for the fiscal year ended March 31, 2021 was ¥29 per share and the annual dividend combined with the interim dividend of ¥29 per share was ¥58 per share. This dividend marks the achievement of a dividend increase for the seventh consecutive year, and the total dividends paid amounted to ¥3.5 billion. The payout ratio was 73.4%, and the total shareholder return ratio, including the purchase of treasury shares, was 82.4%.

Trends in cash flow from March 31, 2020 to March 31, 2021

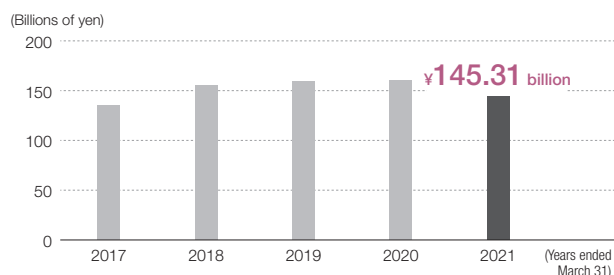


Trends in CCC by item



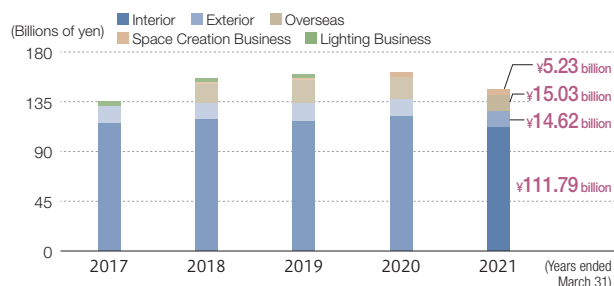
Financial Highlights

Consolidated Net Sales



Net sales had continuously increased since the fiscal year ended March 31, 2010. However, they decreased 9.9% year on year in the fiscal year under review, the first decrease in 11 years.

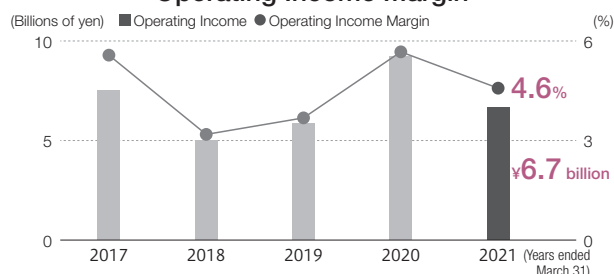
Segment Information



Net sales in the Overseas Segment fell significantly, 24.1% year on year. Net sales in the Interior Segment and Exterior Segment both decreased 8% to 9%. Meanwhile, net sales in the Space Creation Segment increased 25.9% year on year.

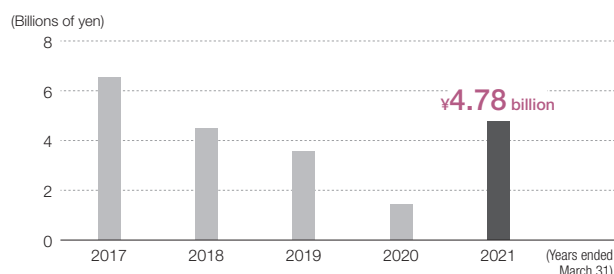
* In the fiscal year ended March 31, 2021 (fiscal 2020) we changed our business segments to the above four segments, and retroactively reclassified the results in and before fiscal 2019 into the four new segments.

Consolidated Operating Income/ Operating Income Margin



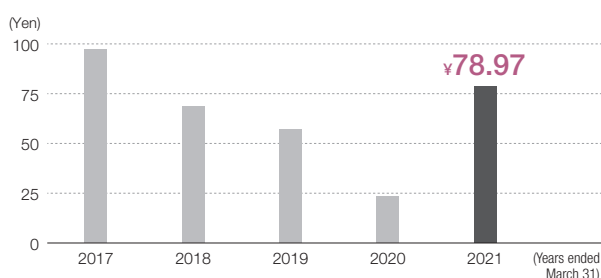
Operating income and the operating income margin decreased 27.7% and 1.1 percentage points year on year, respectively, due to prior investment based on the Medium-term Business Plan and a decline in net sales.

Profit Attributable to Owners of Parent



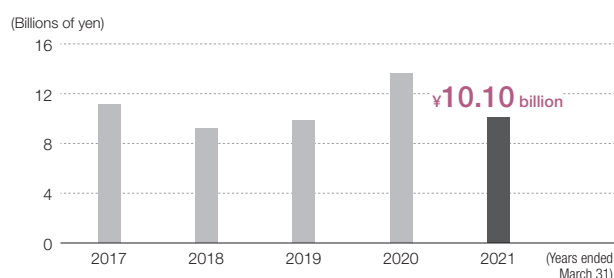
Profit attributable to owners of parent rebounded 233.8% from the previous year, when the result included intangible assets and goodwill impairment losses associated with U.S.-based subsidiary Koroseal Interior Products Holdings, Inc.

Net Income per Share



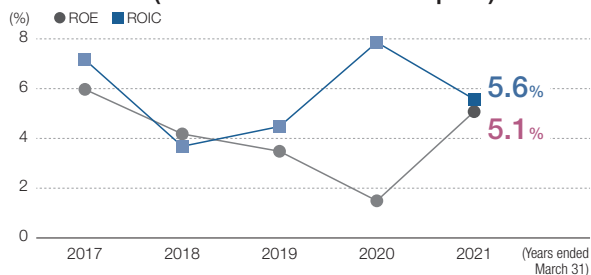
Net income per share rose ¥55.41 from the previous fiscal year as a result of the purchase of treasury shares based on our capital policy and an increase in net income.

EBITDA



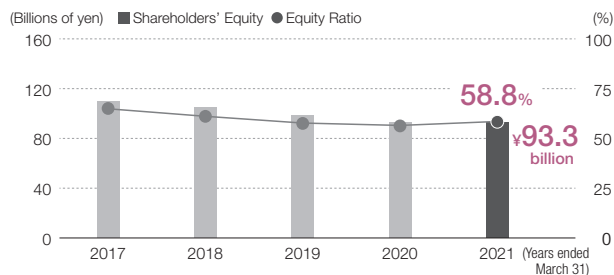
EBITDA decreased from ¥13.67 billion in the previous fiscal year due to a decline in amortization of goodwill and a decline in net sales.

ROE (Return on Equity)/ ROIC (Return on Invested Capital)



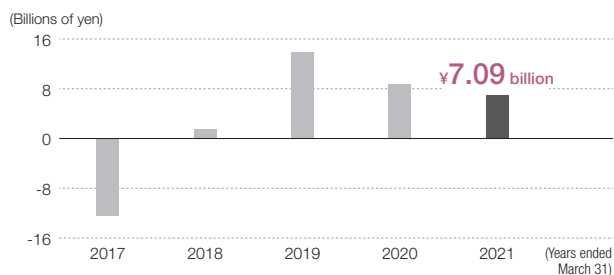
ROE rose for the first time in four years. ROIC decreased 2.3 percentage points due to a decline in operating income.

Shareholders' Equity/Equity Ratio



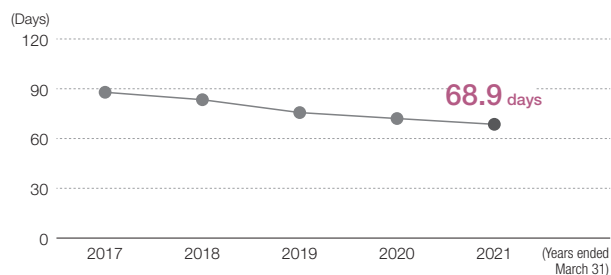
Equity is maintained between ¥90.0 billion and ¥95.0 billion based on the capital policy laid out in the Medium-term Business Plan (2020-2022) "D.C. 2022." As a result, the equity ratio remains at approximately 60%.

Free Cash Flow



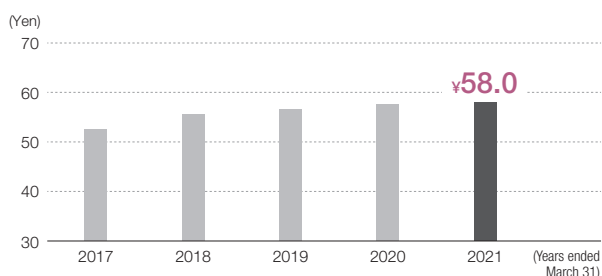
Cash inflow from operating activities was ¥9.69 billion and cash outflow from investment activities was ¥2.59 billion. As a result, free cash flow decreased ¥1.69 billion from the previous fiscal year.

CCC (Cash Conversion Cycle)



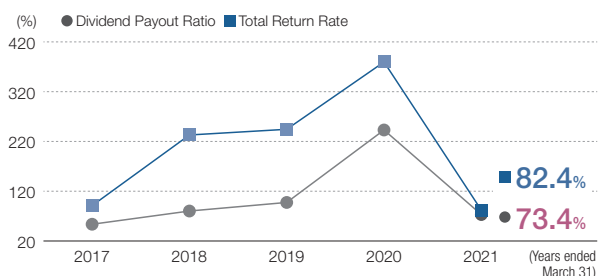
In addition to ongoing negotiations with suppliers, an extension of the accounts payable turnover period due to a decrease in the amount of goods purchased as a result of a decrease in net sales contributed to the improvement of the CCC.

Dividend per Share (Annual)



Regarding profit distribution, the annual dividend including the ¥29.0 per-share interim dividend was ¥58.0 per share, to fulfill our basic policy of sustainably increasing shareholder returns over the medium and long term. This represents a dividend increase for the seventh consecutive year.

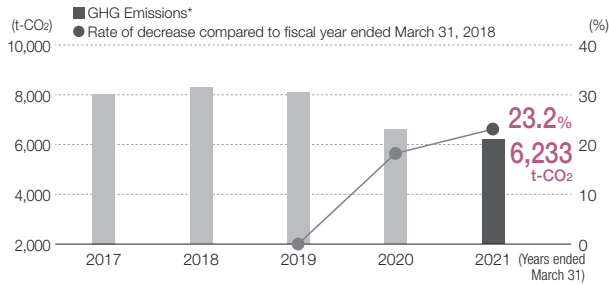
Dividend Payout Ratio / Total Return Rate



Our basic policy for profit distribution is to raise the total shareholder return ratio to nearly 100% for the three-year total from fiscal 2020 to fiscal 2022. The dividend payout ratio was 73.4% and the total shareholder return ratio, including the purchase of treasury shares, was 82.4%.

Non-financial Highlights (Non-Consolidated)

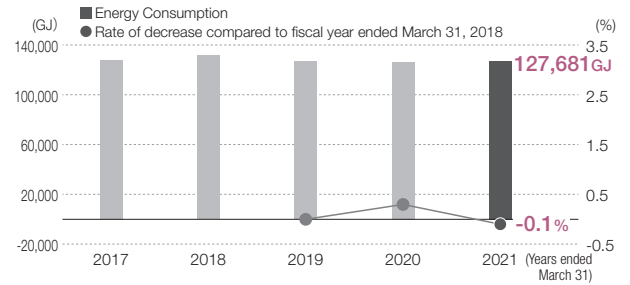
GHG Emissions



*GHG emissions use actual emission factors.

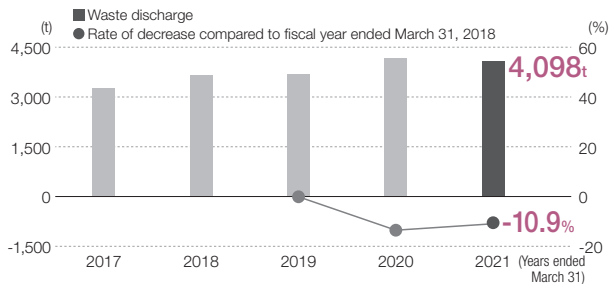
We are striving to reduce our greenhouse gas (GHG) emissions and also working with our suppliers, as we believe it is important to reduce emissions from product manufacturing.

Energy Consumption



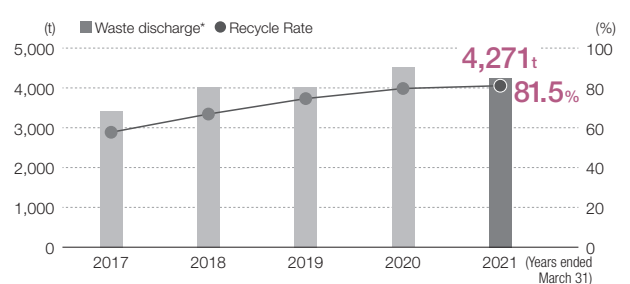
We are working to reduce energy consumption at our offices and warehouses. One measure we are engaged in is the replacement of our business-use vehicles with hybrid vehicles.

Waste Discharge



We visualize and sort the industrial waste discharged in the course of our operations and sell waste materials to reduce the amount of waste and the expenses incurred when discharging waste.

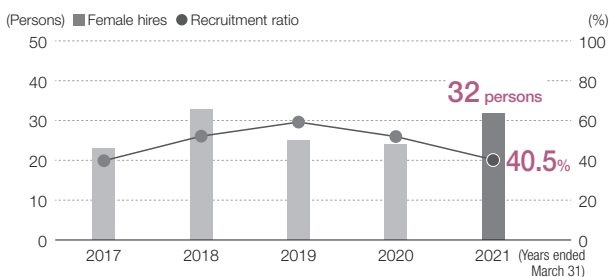
Recycling Rate



* Excluding waste with value

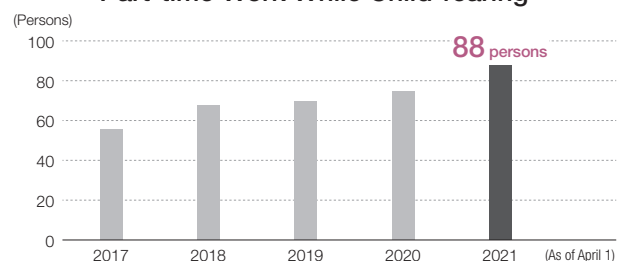
We are promoting resource circulation through efforts such as the reduction of waste and the improvement of disposal methods based on the reduce, reuse, recycle model (the 3 Rs). We have also begun recycling of our sample books.

Female Hires / Recruitment Ratio



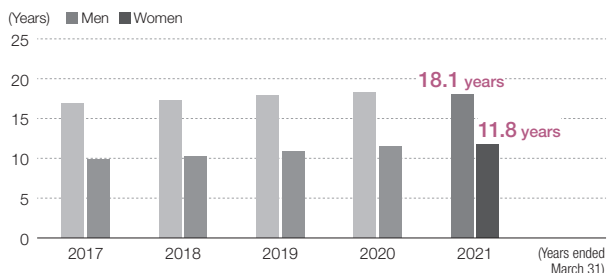
In our strategic personnel system reforms, we developed organizations and systems to enable women to exert their strengths and, as a result, we have been able to proactively recruit women to fill more than 48% of positions on average over the last five years (the ratio decreased in fiscal 2020 due to an increase in personnel recruited for the Logistics Center).

Employees Engaged in Temporary Part-time Work While Child-rearing



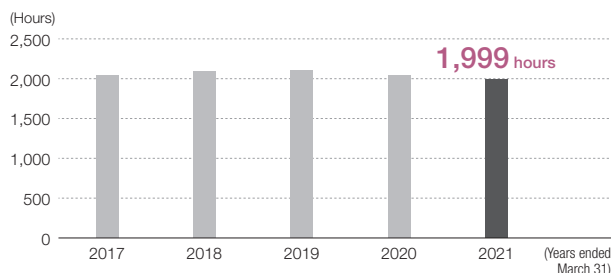
We promote systems and an environment enabling employees raising children to continue working. A rising number of employees utilize the temporary part-time work system while child-rearing, which is part of the employment environment we created to support a balance between work and home life.

Average Length of Service



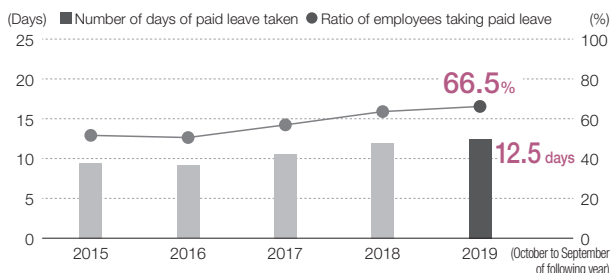
We aim to become a company that is rewarding, challenging, and motivating to work at for each and every employee. As one indication of the success of these efforts, the average number of years employed has steadily grown among both men and women.

Average Total Work Hours (Annual)



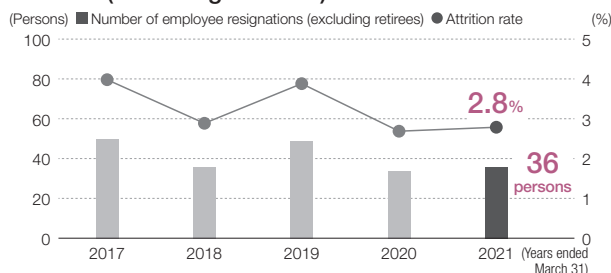
We develop a work environment that enables our employees to fully exert their abilities and work to reduce overtime.

Average Number of Paid Leave Days Taken



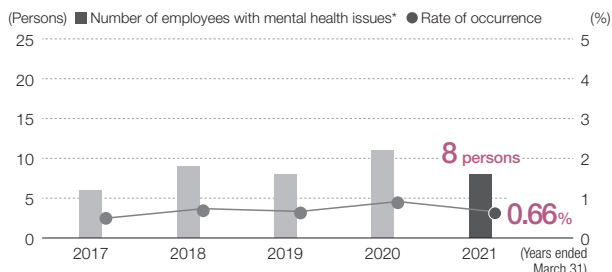
Besides promoting the establishment of a proper work-life balance, implementing work-style reforms and reducing overtime, we are encouraging employees to take paid leave.

Number of Employee Resignations (Excluding Retirees) / Attrition Rate



We respect the human rights of each and every employee, prohibit unreasonable discrimination and harassment, and strive to create a fair and upbeat workplace. We promote the creation of workplace environments that maintain physical and mental health, resulting in the attrition rate over the last five years remaining at 4% or less.

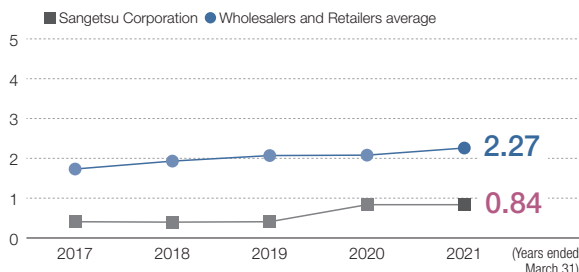
Number of Employees with Mental Health Issues / Rate of Occurrence



* Employees continuously absent for more than one month due to mental health issues

We have established a health management policy and are working to develop a comfortable work environment and promote physical and mental health in cooperation with occupational health physicians and public health nurses. We ensure that all of our employees have stress checks in September every year, and the public health nurses encourage employees under heavy stress to consult with a specialist.

Frequency Rate of Work-related Accidents



We conduct emergency drills and focus particularly on the safety and health education of our employees. As a result, our rate of work-related accidents is substantially below the industry average.

ESG Management

The Sangetsu Group regards ESG (environment, social, governance) activities that are based on the concept of CSR (corporate social responsibility) as the practical application of its corporate philosophy and undertakes activities for realizing a sustainable society together with its stakeholders.



A Message from the Director Responsible

Aiming to be a company that employees can be proud of and that is respected by society

Tatsuo Sukekawa Director, Executive Officer in charge of administration and General Manager of the Finance and Accounting Department

Sangetsu has prescribed its basic CSR policy in accordance with its corporate philosophy system, identified materiality related to ESG issues in step with its long-term vision, and is undertaking activities toward realizing a sustainable society.

On the environmental side, we are working to develop environmentally friendly products amid growing needs for environmental conservation in the construction industry. Sangetsu is also proactively taking the lead in activities that encourage the participation of the entire industry. These include collecting and recycling sample books and collaborating with suppliers to reduce GHG emissions throughout the supply chain.

In social-related areas, as befitting a company that handles interior products, Sangetsu is supporting the refurbishment of child welfare facilities. Employees making their utmost efforts while interacting with residents of local

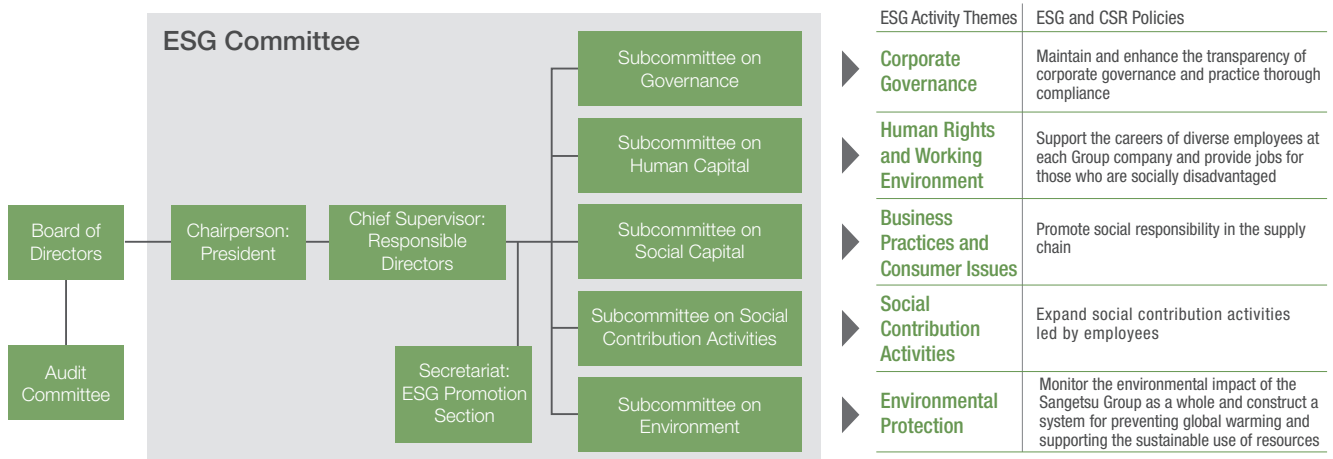
communities also raises employees' motivation. Moreover, active participation of diverse human resources is essential in Sangetsu's business in which abundant sensibilities in the form of "design" is crucial. Sangetsu is working to create an environment where women can work comfortably and is enhancing systems while supporting women who take on the challenge of becoming executives and managers.

Management-related discussions are actively held at the Board of Directors. Outside Directors proactively make recommendations from expert viewpoints and Sangetsu believes that its governance functions at an extremely high level in terms of the effectiveness of the Board of Directors.

With the aim of being a company that its employees can be proud of and that is respected by society in the future as well, Sangetsu will firmly ascertain its reason of being and work to further permeate ESG within the Group.

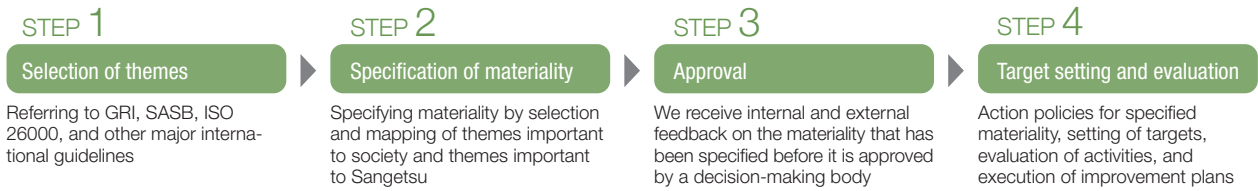
ESG Management System

Sangetsu established a new CSR Promotion Section in April 2016, and in April 2017 a CSR Committee was established to oversee CSR activities across the entire Company, with the Company President acting as Committee Chairperson. Recognizing the need to respond appropriately to the various international guidelines relating to ESG, five subcommittees have been established within the CSR Committee and from November 2020, the name was changed to the ESG Committee, which undertakes practical CSR management and implements measures aimed at addressing social issues.

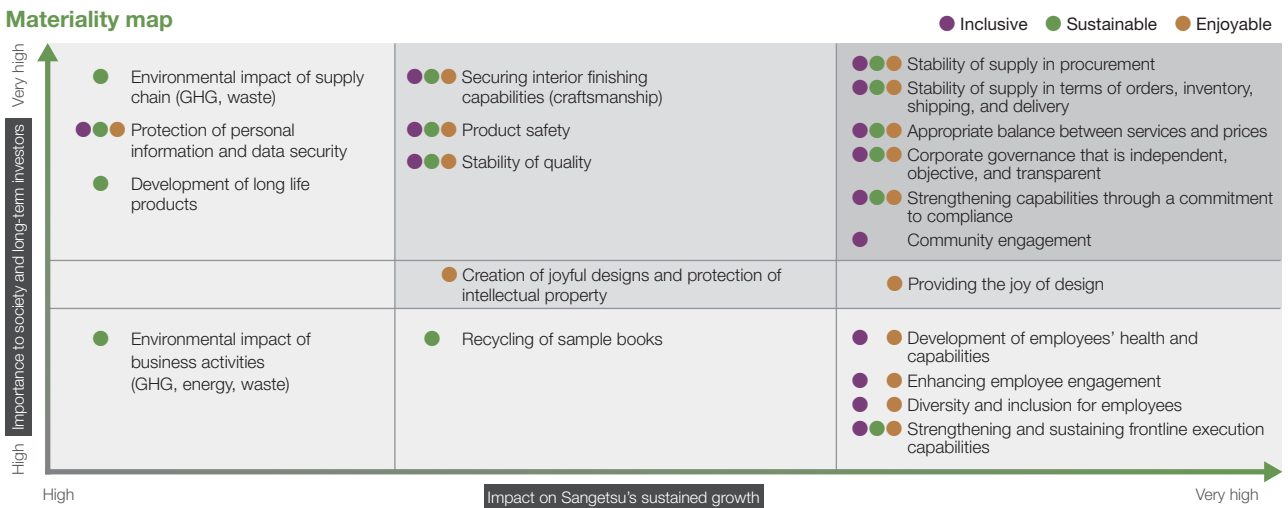


Specification of materiality related to ESG issues in the Sangetsu Group

The Sangetsu Group has specified materiality based on the importance to society and long-term investors and the impact on the sustainable growth of its businesses after considering society's requirements and key themes for our industry. These themes are also important items in the realization of our long-term vision and are tracked in a plan, do, check, act (PDCA) cycle that is linked to business plans.



Long-term vision and materiality themes



Efforts toward Sustainability

| ESG items | Materiality (key issues) | Long-term vision | | | SDGs of relevance |
|---------------------|---|------------------|-------------|-----------|-------------------|
| | | Inclusive | Sustainable | Enjoyable | |
| E Environment | Environmental impact of business activities (GHG, energy, waste) | | ● | | |
| | Environmental impact of supply chain (GHG, waste) | | ● | | |
| | Development of long life products | | ● | | |
| | Recycling of sample books | | ● | | |
| S Social capital | Product safety | ● | ● | ● | |
| | Stability of quality | ● | ● | ● | |
| | Stability of supply in procurement | ● | ● | ● | |
| | Stability of supply in terms of orders, inventory, shipping, and delivery | ● | ● | ● | |
| | Community engagement | ● | | | |
| | Protection of personal information and data security | ● | ● | ● | |
| | Securing interior finishing capabilities (craftsmanship) | ● | ● | ● | |
| | Creation of joyful designs and protection of intellectual property | | | ● | |
| | Providing the joy of design | | | ● | |
| | Appropriate balance between services and prices | ● | ● | ● | |
| Human capital | Development of employees' health and capabilities | ● | | ● | |
| | Enhancing employee engagement | ● | | ● | |
| | Diversity and inclusion for employees | ● | | ● | |
| | Strengthening and sustaining frontline execution capabilities | ● | ● | ● | |
| G Governance | Corporate governance that is independent, objective, and transparent | ● | ● | ● | |
| | Strengthening capabilities through a commitment to compliance | ● | ● | ● | |

[Social] Human Rights and Diverse Work Styles

Sangetsu respects the diversity, character, and individuality of employees; ensures sound operations to enable each employee to perform at his or her full potential while playing a meaningful role in the Company's operations; and provides a safe and comfortable working environment.

Applicable SDGs



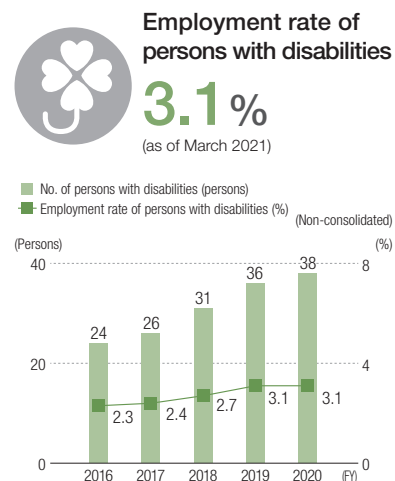
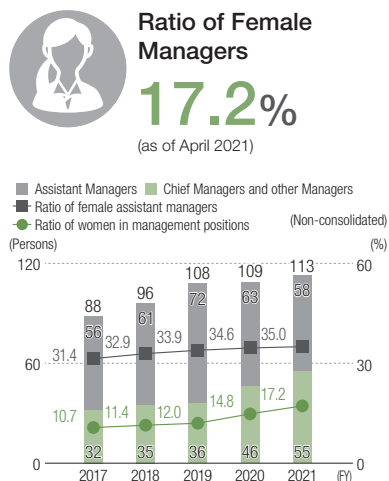
ESG and CSR Policies

Support the careers of diverse employees at each Group company and provide jobs for those who are socially disadvantaged.

Fiscal 2020 Targets/Specific Measures

- Proactively recruit non-Japanese employees and outside expert talent.
- Promote the expansion of job types for persons with disabilities so that they account for at least 4% of the workforce in fiscal 2022.
- Maintain positive working environments and develop programs for maintaining and improving employee health.
- Recruit and provide support to female managers. Raise the ratio of female managers to 20% by 2022.

Five-year change



The Sangetsu Group Human Rights Policy

The Sangetsu Group Human Rights Policy outlines the Sangetsu Group's stance toward respect for human rights and our commitment to accountability regarding this matter. Other documents setting out our measures in regard to human rights protection, such as the Sangetsu Group Corporate Ethics Charter and Sangetsu Group Compliance Code of Conduct, are drawn up in accordance with this policy. Our main goals include strengthening safety, hygiene and employee health in the workplace, prohibition of discrimination and harassment, improvement of diversity, appropriate management of employee salaries and working hours, work-life balance maintenance, and ensuring proper handling of personal information.

Efforts to encourage diversity

As expressed in the Sangetsu Group Basic Policy on Diversity, we respect the individuality of each employee and we believe that the promotion of diversity, which enhances the growth of the Group and our employees, is an important management strategy for the creation of new value.

Support for women's participation and advancement

As part of the strategic reform of our personnel system, we are implementing a voluntary action plan based on Japan's Act on Promotion of Women's Participation and Advancement in the Workplace. We are putting in place the organizational structure and supporting systems needed to enable female employees to effectively utilize their strengths and capabilities, appointed a Diversity Promotion Officer within our Personnel Department, and are implementing various measures to realize our goals accordingly. Our objective is to ensure that our organization can fully utilize the know-how, experience, and specialist expertise of all employees regardless of gender.

LGBTQ initiatives

We are undertaking efforts both internally and externally to raise awareness of our efforts to cultivate a corporate ethos that effectively leverages the diversity of our workforce, embodied by the unique personalities of each employee regardless of their age, gender, nationality, ethnicity, religion, disability, sexual orientation, or other characteristics. We encourage employees to continue to challenge themselves and take the initiative while also expanding the scope of related measures in line with the Sangetsu Group Human Rights Policy and the Sangetsu Group Basic Policy on Diversity. In this context, we have established a helpline to proactively support LGBTQ*1 individuals and support their self-expression through statements including the use of the ally sticker*2.

Efforts in health and productivity management

Sangetsu established its health and productivity management policy "for employees to work enthusiastically" to enable employees to enjoy working. Efforts to achieve this include the establishment of organizations for health and productivity management such as the Sangetsu health insurance society and special units, as well as continuing to hold a variety of events. In recognition of these efforts, we were selected by the 2021 Certified Health & Productivity Management Organizations Recognition Program (large enterprise category) for the second consecutive year. We were also given a promotion of cancer prevention partner award in recognition of our Advanced Cancer Treatment Reimbursement System and our continued advocacy, including seminars to help people work during cancer treatment.

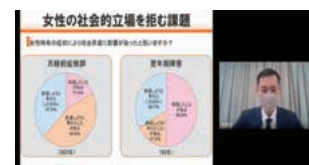


TOPICS

Seminar supporting women's health and success

An online seminar was held to improve managers understanding of female-specific health issues to create an environment where all employees can enjoy working.

Some participants commented that the seminar enabled them to once again realize the necessity of managers to be aware of health issues in order to enable women to formulate a career plan and succeed.



TOPICS

PRIDE index silver ranking awarded for three consecutive years

The voluntary association work with Pride (wwP) was awarded a silver ranking by the PRIDE index for three consecutive years. The index is an indicator recognizing LGBTQ-friendly workplaces beyond the framework of companies or organizations.



*1 LGBTQ (lesbian, gay, bisexual, transgender, questioning) is an abbreviation for a number of sexual orientations. Q, or questioning, refers to persons who are uncertain of, have not decided, or are trying to identify their gender or sexual orientation.

*2 An ally is a person proactively supporting LGBTQ individuals.

[Social] **Fair Business Practices and Consumer Issues**

By collaborating with our suppliers on the basis of mutual trust, we are able to provide customers with appealing products that they can use with safety and peace of mind. This helps improve the brand power of Sangetsu over the entire supply chain.

Applicable SDGs



ESG and CSR Policies

Promoting social responsibility in the supply chain

Promoting fair transactions

We aim to fulfill our social responsibilities through sound business activities based on mutual trust and cooperation with suppliers while giving consideration to the environment, safety, human rights, and other issues. Accordingly, we have developed the Sangetsu CSR Procurement Policy and Sangetsu SCR Guidelines for Business Partners to put in place a system for enhancing actions for quality, the environment, and CSR in the supply chain. The latter has been developed for all products and materials bearing our brand name (including products sold on a dealership basis).

Fiscal 2020 Targets/Specific Measures

- Survey for domestic suppliers
- Percentage of suppliers awarded a “B” rating: 70% in fiscal 2022
- Survey for overseas suppliers and results analysis
- Develop products that meet customer needs and provide solutions to their problems.

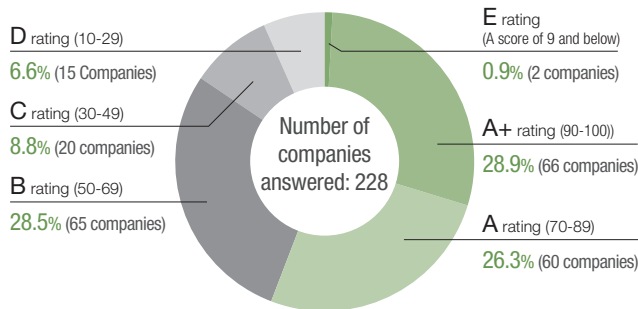
While many of our products are manufactured by suppliers, we are continuing to promote CSR activities throughout the supply chain to ensure high quality in the manufacture of products that meet environmental and social needs.



Survey for suppliers

We have been conducting a survey for suppliers with respect to compliance with the CSR Guidelines since 2017. This survey evaluated each company in relation to CSR activities, including compliance with laws and social norms, ensuring that corporate activities are fair and equitable, and concern for human rights and labor health and safety issues, as well as other matters. By providing feedback on the survey results to suppliers and encouraging them to make improvements, we are working to enhance awareness of CSR-related procurement throughout the supply chain as a whole.

Domestic and overseas supplier assessment rating (Non-consolidated)



VOICE

Based on trust relationships built over 30 years

FUSOGOSEI Co., Ltd.

Mr. Tomomi Tsukagoshi
Director
General Manager of
Manufacturing
Control Department



Mr. Osamu Kimura
Director
General Manager of
Sales Management
Department



We are a manufacturer of interior products including flooring materials, wallcoverings, and other interior products for construction. We have engaged in contract production of many products for over 30 years, satisfying the level of design and quality required by Sangetsu and using our platemaking technique that is our strength. Truly, we have grown together with Sangetsu.

Concerning environmental and social issues, we have contributed to the community, for instance, by reducing waste with reference to Sangetsu's ESG activities and CSR-conscious procurement. In January 2021, the Kuki Facility introduced a cogeneration system. It generates about 60% of the electricity consumed by the facility and reduces CO₂ by about 30%. Enabling autonomous operation with a built-in storage battery, the system plays the role of providing an emergency power supply in the case of disasters based on an agreement that has been concluded with the city of Kuki to cooperate in accepting those who have the difficulty returning home in case of disaster.

Based on established relationships of trust, we will undertake efforts to raise quality and advance sustainability.

Enhancing customer service

In spite of less opportunities to provide interior trends and our products at actual exhibitions and events, we are offering services corresponding to the “new normal” given changes in the environment.

Communications with partners and customers

We hold a national meeting with sales agencies every year. It gives us an opportunity to report performance, share a medium-term management plan and a scenario for strategic growth in cooperation with sales agencies, and help sales agencies socialize. The meeting was held online in fiscal 2021, after being inevitably cancelled due to the pandemic in fiscal 2020



Opening of Sangetsu Space Creation Park

Sangetsu Space Creation Park proposes interior design ideas to meet the needs of various facilities such as healthcare and hospitality with the concept “Give colors and solutions to your creativity and imagination.” It showcases a full lineup of interior products including new items.



Introduction of Sangetsu Official Instagram account

We have established an official Instagram account linked with the existing official corporate website. We recognize that information sourced from social media can have a great impact on consumers with more people using smartphones today. Our page offers useful information for selecting interior elements.



[Social] **Community Involvement**

In order to contribute toward the enrichment of society, Sangetsu has adopted a proactive stance toward participation in the community, with the main focus on activities to contribute to the enrichment of society through our business, as well as through volunteer activities and the hard work of each and every employee.

Applicable SDGs



ESG and CSR Policies

Expand social contribution activities led by employees

Fiscal 2020 Targets/Specific Measures

- Support the renovation of child welfare facilities 20 or more projects per year
- Proactive participation in social contribution activities
- 2022 Sangetsu Matching Gift Program 13,000 S-miles
- Implementing activities to provide support for children in developing countries

Track record of social contribution activities by Sangetsu Volunteer Club from fiscal 2016 to fiscal 2021

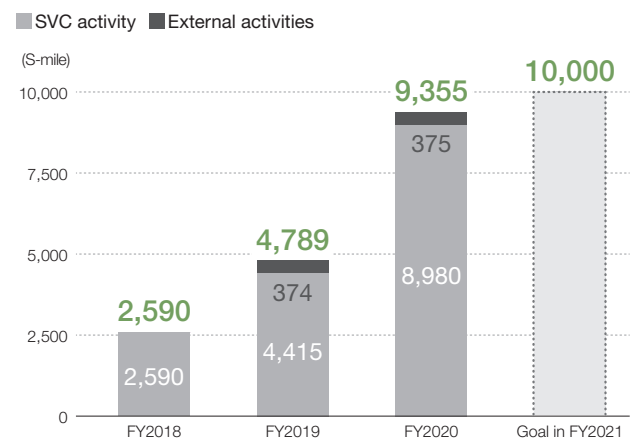
| FY | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 (Plan) |
|--------------------------------|------|------|------|------|------|-------------|
| Number of facility renovations | 12 | 19 | 20 | 18 | 20 | 25 |
| Number of other activities* | 10 | 10 | 8 | 13 | 3 | — |

* Volunteering at marathon races, biodiversity activities, and cases of disaster, etc.

Efforts in promoting social contribution activities by employees

The Sangetsu Matching Gift Program is implemented with the goal of promoting social contribution activities. Under this program, Sangetsu gives employees “S-mile” points in recognition of their social contribution activities. “S-mile” points are converted into money and donated to NPOs and other entities that Sangetsu supports. The activities to which the program applies include not only Sangetsu Volunteer Club activities, in which the company plays a leading role, but also individual employees’ activities in relation to support for external social welfare facilities, support for people affected by natural disasters, international exchange activities, community activities, educational activities for young people, and NPO support activities. We are supporting these activities so that employees throughout Japan can proactively participate in such activities regardless of location.

Sangetsu Matching Gift Program



Support to the next generation through interior

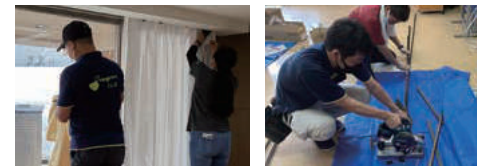
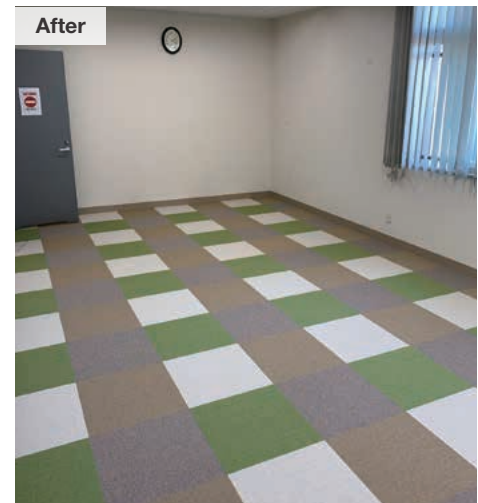
Supporting the renovation of child welfare facilities

Through our business activities, we are implementing activities to provide support for the interior renovation of child welfare facilities throughout Japan so that the children can enjoy a more comfortable living environment. Renovations were carried out at 20 facilities in fiscal 2020.



Accumulated number from April 2014 to March 2021

Chunichi Aoba Gakuen Aoba Kan



Supporting the next generation through food aid

Food donations to support children via employee cafeteria

Sangetsu is participating in the Table For Two program in which part of the payment for cafeteria meals is donated to help pay for school meals for children in Africa and Asia. If you skip a small side dish to reduce your calorie intake when eating at the employee cafeteria, you will be able to donate ¥20, which provides a school meal for a child. We offered Mafé with the aroma of peanut butter that was developed with local food as an inspiration in 2020 to celebrate the donation of 20,000 meals in total. We were certified as a Gold Supporter and received a certificate of appreciation for our



Supporter logo

activities, having contributed donations for 21,803 meals in total by fiscal 2020.

In addition, all employees joined the Onigiri Action as in the previous year. The employees posted photos of onigiri (rice balls) on social media and a dedicated site. The number of posted photos reached 1,765, thereby realizing donations of 8,825 school meals.



> TABLE FOR TWO <https://www.tablefor2.org/>

Support to the persons with disabilities through design

Artworks of artists with disabilities employed for wallcoverings

“HIGH GRAFICA” wallcoverings based on digital printing employs and sells artworks by artists with disabilities belonging to Able Art Company.

Able Art Company mediates the licensing of designs created by artists with disabilities to create work for them by distributing their works in the community.

Inspired by our commitment to diversity, we have adopted these attractive designs, which embody free artistic expression, to support the artists.



Night Zoo
Mika Kamijo

Environment

Safeguarding the Global Environment

Sangetsu's business operations are closely linked to the global environment, and accordingly, our company as a matter of course has a corporate responsibility with respect to protecting the environment. Besides working to reduce the environmental footprint of our own business activities, we are also striving to build a better and more environmentally friendly living environment.

Applicable SDGs



ESG and CSR Policies

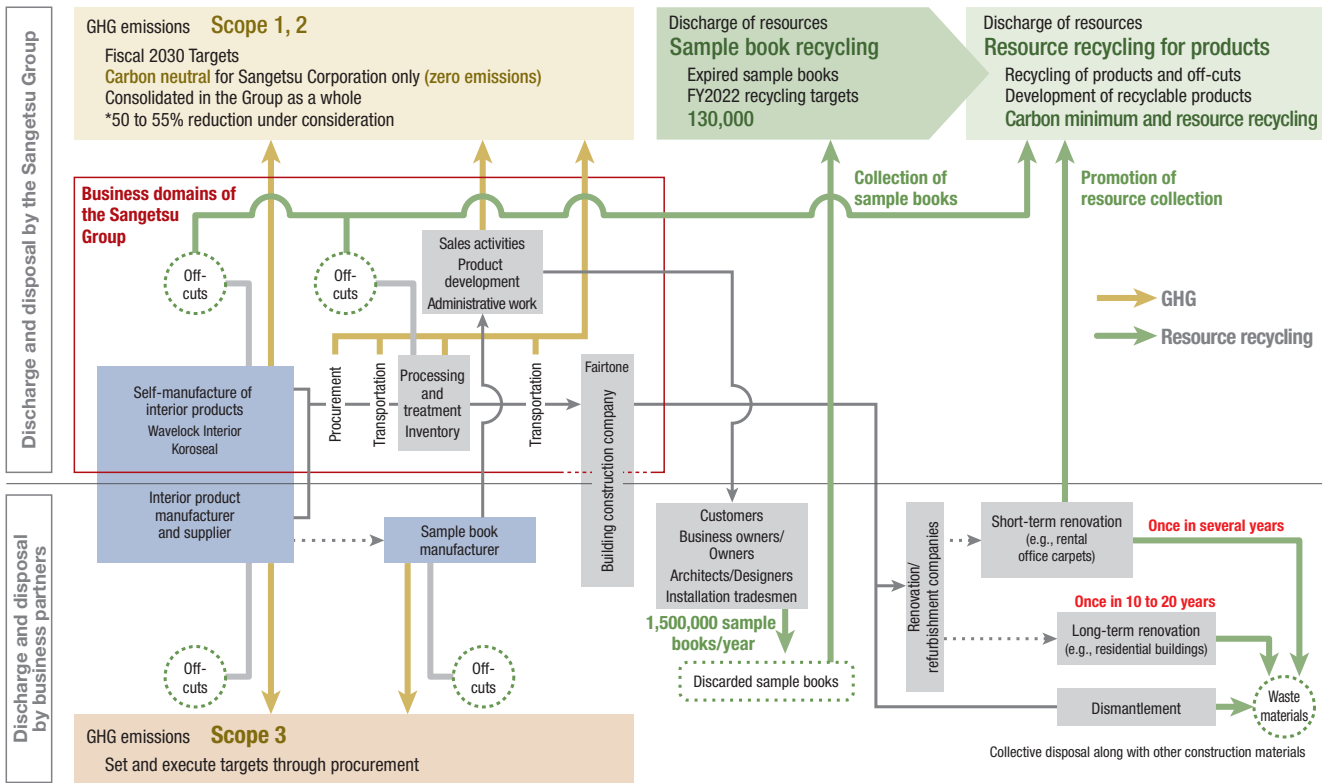
Monitor the environmental impact of the Sangetsu Group as a whole and construct a system for preventing global warming and supporting the sustainable use of resources.

Fiscal 2020 Targets/Specific Measures

- Reduction of greenhouse gas (GHG) emissions in Scope 1 and 2 by 5% (compared with fiscal 2018)..... Reduction by 30% in fiscal 2022 (compared with fiscal 2018), realization of carbon neutral by fiscal 2030
- Reduction of energy consumption by 2% (compared with fiscal 2018) ... Reduction by 4% in fiscal 2022 (compared with fiscal 2018)
- Reduction in volume of waste by 2% (compared with fiscal 2018) Reduction by 4% in fiscal 2022 (compared with fiscal 2018)
- Rise in the recycling rate to 81% 83% in fiscal 2022
- Enhancement of eco-friendly products • Management of chemical and water use

Environmental footprint surrounding Sangetsu

An environmental footprint occurs in diverse places and situations as part of business activities, encompassing suppliers, business partners, and after-use situations as well as various internal processes. Understanding the environmental footprint in various scopes, we are making efforts to reduce our impact on the environment.



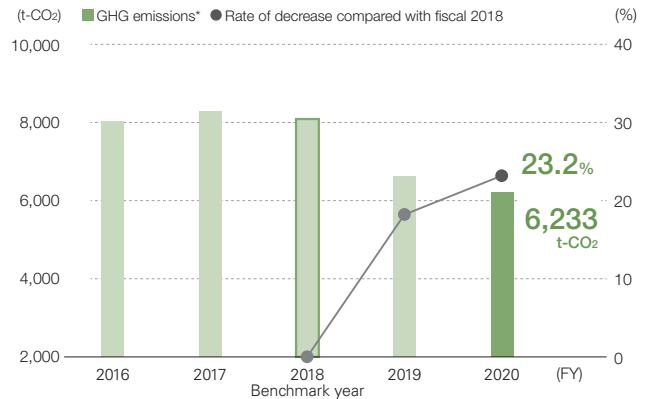
Scope 1: Direct discharge of greenhouse gases by business operators themselves (combustion of fuels and industrial processes)
 Scope 2: Indirect discharge accompanied by use of electricity, heat, and steam supplied by others
 Scope 3: Indirect discharge other than Scope 1 and 2 (discharge by others in connection with the activities of business operators)

GHG emissions

We are taking steps to reduce GHG emissions to curb climate change. GHG emissions (Scope 1 and 2) in our business activities stood at 6,233 t-CO₂ in fiscal 2020, down 23.2% from fiscal 2018.

To reduce GHG emissions, we are saving energy with our internal equipment, creating energy through solar power generation, and procuring electric power with a low emission factor.

Additionally, in consideration of the Japanese government's declaration of its intent for Japan to be carbon neutral by 2050, we aim to effectively materialize zero emissions, or become carbon neutral, by fiscal 2030 for a further reduction of GHG emissions.



*GHG emissions use actual emission factors.

Reduction of GHG Emissions and Energy Consumption

Energy saving and creation at equipment and facilities

We are switching all company cars (mainly, hybrid vehicles) to green/fuel-efficient cars. During fiscal 2020, we changed 296 vehicles, accounting for about 63% of our fleet. The replacement will be completed during fiscal 2022.

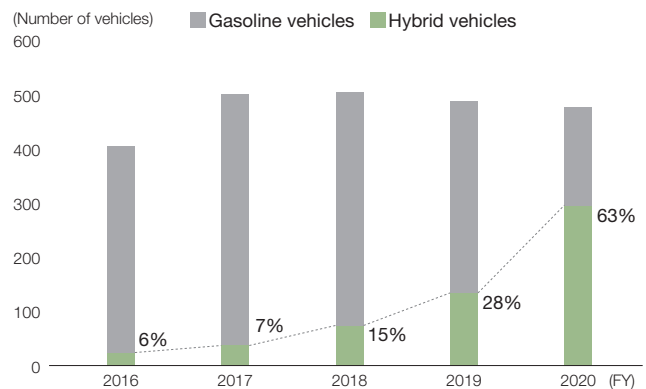
We installed solar panels covering an area of 2,170 m² on the rooftop of the Chubu Logistics Center I in Inazawa City, Aichi, in 2014 to make effective use of natural energy. In fiscal 2020, we reduced our environmental footprint by generating 508,251 kWh corresponding to the annual electricity consumption of 166 general households, and sold the generated electricity to a power company through a feed-in tariff scheme.

Change of power company

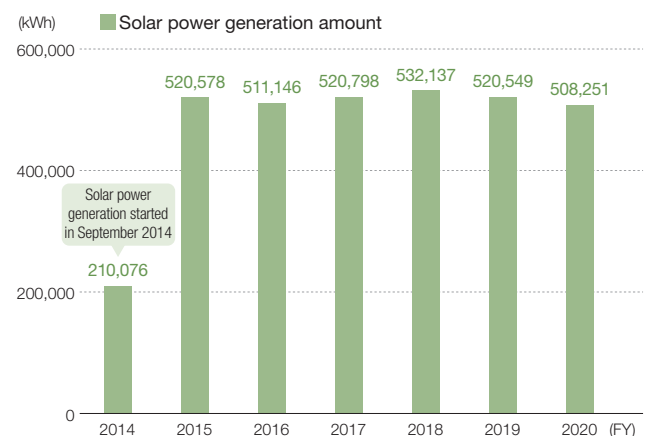
The use of electricity accounts for about 70% of GHG emissions for Scope 1 and 2. We believe that purchasing electricity with lower GHG emissions is one means to reduce GHG emissions, in addition to reducing electricity consumption.

Starting January 2016, we have changed our power company to one with a lower CO₂ emission factor at hubs that consume more electric power. We will continue to switch our power source to one with less emissions, such as renewable energy.

Ratios of hybrid vehicles



Renewable energy power generation amount



Special Feature

2

Efforts in Reducing Environmental Footprint

For “Achieving social value” that is included in our long-term vision, we are trying to reduce our environmental footprint in our business activities. As a leading initiative, Special Feature 2 looks at “understanding and reducing our environmental footprint in the supply chain” and “increasing the collection and recycling of sample books.”

Understanding and Reducing Our Environmental Footprint in the Supply Chain

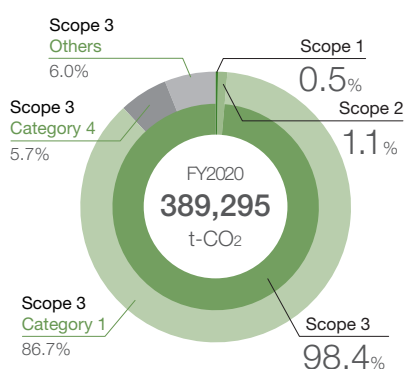
Collaboration with suppliers essential for the reduction of GHG emissions

To prevent global warming, we have Scope 1 and 2 emissions, with medium- and long-term targets to reduce greenhouse gas (GHS) emissions. However, looking at the overall supply chain, Scope 3 emissions account for more than 90%, while Scope 1 and 2 emissions represented a very small part. Therefore, we need to cooperate with suppliers as well as undertake our own internal efforts to significantly minimize GHS emissions in Sangetsu’s business in general. In this context, we started sending a survey to suppliers to understand their status quo in fiscal 2020, following calculation of Scope 3 emissions which started in 2017. We will continue working with our suppliers to reduce GHG emissions.

Promoting eco-friendly procurement in further collaboration with suppliers

The calculation of GHG emissions in Category 1 of Scope 3 uses a multiple of the purchase amount by emission factor. In addition to the calculation method, we introduced a method based on energy data at each supplier. On a per unit sales basis, the old calculation method does not incorporate each supplier’s efforts in reducing GHG emissions, such as introducing energy-saving equipment, since the calculation results increase in proportion to purchase prices. As a result, the environmental performance of suppliers will be accurately understood, and the true state of GHG emissions will be evident if calculation methods are reviewed and if calculations are based on the energy data of each supplier.

We will help create a sustainable society by further collaborating with suppliers in reducing GHG emissions in procurement.



- Scope 1: Direct discharge of greenhouse gases by business operators themselves (combustion of fuels and industrial processes)
- Scope 2: Indirect discharge accompanied by use of electricity, heat, and steam supplied by others
- Scope 3: Indirect discharge other than Scope 1 and 2 (discharge by others in connection with the activities of business operators)
- Category1: Purchased goods and services
- Category4: Upstream transportation and distribution

VOICE

First progressive efforts in the interior industry unprecedented in Japan

Our services include the understanding of GHG emissions in the supply chain; setting of emission reduction targets and execution of reduction activities; emissions management by reflecting outcomes of activities; and disclosure of such efforts and outcomes.

For Sangetsu’s latest survey, we calculated and analyzed survey data to find out the actual state of Category 1 of Scope 3. In Japan, a survey of this kind targeting 126 suppliers had no precedent in Japan, serving as the first and progressive attempt in the interior industry. I am looking forward very much to seeing if it will lead to the dissemination of GHG emissions reduction in the entire business world as well as the supply chain.



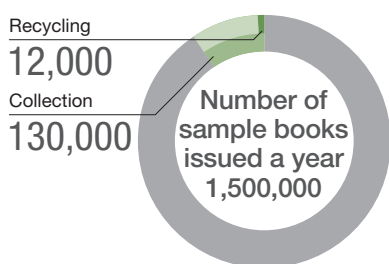
Mr. Shuichiro Suzuki
President
Waste Box Co., Ltd.

Increase in Collection and Recycling of Sample Books

Establishing a more organized system

For years, Sangetsu has provided a diverse array of products for customers through sample books, which are an important business tool. However, 1.5 million sample books are issued every year, and in reality, most of them are disposed of as industrial waste. While reducing our environmental footprint, we regard the collection and recycling of sample books as a major issue. We have discussed how we can establish a more organized system.

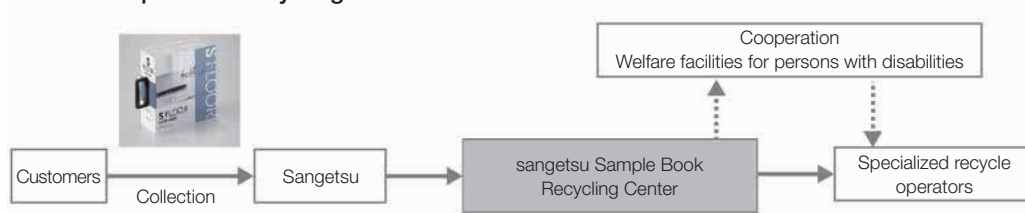
Number of used sample books collected and recycled in fiscal 2020



Setup of Sample Book Recycling Center

In March 2021, the sangetsu Sample Book Recycling Center was set up to decompose used sample books collected by salespersons and recycle the resources, centering on material recycling. For now, the center is continuously improving the productivity of processing. The recycling target is 50,000 sample books for fiscal 2021 and 130,000 samples books for fiscal 2022. Four persons with disabilities work at the sangetsu Sample Book Recycling Center. It is expected to serve as a model for the promotion of diversity. We will create an environment where persons with disabilities can work successfully and demonstrate their capabilities by incorporating the opinions and proposals of the center staff.

Flow of sample book recycling



Establishing a sustainable activity

While more digital catalogs are used for viewing on websites, customers are still eager to look at actual interior products to actually check the texture and color before they make their final selection. I cannot imagine our business will be able to do away with sample books. Therefore, I believe it is very important for our business to have our own process of collecting and recycling used sample books.

The operation of the sangetsu Sample Book Recycling Center is a new initiative. We are making improvements one by one, responding to the opinions of members. Employment and Livelihood Support Centers for Persons with Disabilities Throughout the country and Japan Association of Employers of Persons with Disabilities kindly gave us advice when we opened the center. By referring to this advice and the opinions of staff, we will ensure a smoother and more efficient operation.

VOICE



Shinichiro Tabata
General Affairs Department,
ESG Promotion Section

Board of Directors



Directors (as of June 24, 2021)

1 Shosuke Yasuda
 Representative Director, President and CEO
 Nomination and Remuneration Committee Member



Apr. 2004 Executive Vice President and Division COO, Functional Chemicals Division, Mitsubishi Corporation
 Apr. 2008 Executive Vice President and General Manager of Chubu Branch, Mitsubishi Corporation
 Apr. 2012 Executive Vice President, Mitsubishi Corporation
 Jun. 2012 Director, the Company
 Apr. 2014 Representative Director and President
 Jul. 2014 Representative Director and President, General Manager of the Interior Division
 Apr. 2016 Representative Director, President and CEO, and General Manager of the Interior Division
 Apr. 2019 Representative Director, President and CEO (To present)

(Significant concurrent positions)
 Chairman of the Board of Directors of Koroseal Interior Products Holdings, Inc.
 Director of Goodrich Global Holdings Pte. Ltd.

2 Tatsuo Sukekawa
 Director, Executive Officer in charge of administration (President's Office, General Affairs, Human Resources, Management Audit and Information System) and General Manager of the Finance and Accounting Department **Newly elected**



Apr. 1975 Joined Mitsubishi Corporation
 Nov. 1996 General Manager of the General Affairs and Accounting Department, Beijing Office of Mitsubishi Corporation
 Dec. 2004 Vice President & Director and General Manager of the Finance and Accounting Department of Mitsubishi Company (Thailand) Ltd. (Secondment)
 May 2009 Senior Managing Director and General Manager of the Administration Division of SAN-ESU INC. (Secondment)
 Apr. 2012 Senior Managing Director and General Manager of the Corporate Division of MC FOODS LIMITED (Secondment)
 Apr. 2015 General Manager of the Finance and Accounting Department of the Company
 Apr. 2021 Director, Executive Officer in charge of administration (President's Office, General Affairs, Human Resources, Management Audit and Information System) and General Manager of the Finance and Accounting Department
 Jun. 2021 Executive Officer in charge of administration (President's Office, General Affairs, Human Resources, Management Audit and Information System) and General Manager of the Finance and Accounting Department (To present)

3 Masatoshi Hatori

Outside Director
Chairman of the Audit Committee*
Nomination and Remuneration Committee Member

Outside
Independent



Jun. 2003 Director of Kanegafuchi Chemical Industry Company Limited (current KANEKA CORPORATION)
Jun. 2005 Executive Director of KANEKA CORPORATION
Jun. 2006 Director and Managing Executive Officer of KANEKA CORPORATION
Apr. 2008 Director and Senior Managing Executive Officer of KANEKA CORPORATION
Jun. 2010 Executive Vice President and Representative Director of KANEKA CORPORATION
Jun. 2014 Special Advisor of KANEKA CORPORATION
Jun. 2015 Outside Director (Audit Committee Member) of the Company (To present)

(Supplementary explanation to the independence)

*From March 2000 to March 2003, Mr. Masatoshi Hatori served as the Representative Director & President of FUSOGOSEI Co., Ltd., a business partner of the Company. However, over 17 years have passed since he resigned from said company and he therefore fulfills the Company's Standards of Independence for Outside Directors and the Company has deemed that there are no issues regarding his independence.

4 Michiyo Hamada

Outside Director
Audit Committee Member
Chairman of the Nomination and Remuneration Committee

Outside
Independent
Female



Apr. 1985 Law professor at Nagoya University
Apr. 1999 Professor of Nagoya University Graduate School of Law
Apr. 2008 President of Nagoya University School of Law
Apr. 2009 Professor emeritus of Nagoya University (To present)
Commissioner of Japan Fair Trade Commission
Jun. 2015 Outside Director (Audit Committee Member) of the Company (To present)

(Significant concurrent positions)

Outside Director of Aisin Seiki Co., Ltd.
Outside Audit & Supervisory Board Member of Toho Gas Co., Ltd.
Outside Auditor of the Metropolitan Expressway Company Limited

5 Kenichi Udagawa

Outside Director
Audit Committee Member
Nomination and Remuneration Committee Member

Outside
Independent



Jun. 2004 Director of Tosoh Corporation
Jun. 2008 Managing Director of Tosoh Corporation
Jun. 2009 President of Tosoh Corporation
Mar. 2016 Director and Corporate Adviser of Tosoh Corporation
Jun. 2018 Honorary Adviser of Tosoh Corporation
Jun. 2019 Outside Director (Audit Committee Member) of the Company (To present)

6 Osamu Terada

Outside Director
Audit Committee Member
Nomination and Remuneration Committee Member

Newly elected
Outside
Independent



Jun. 2005 Executive Officer of SHIMIZU CORPORATION
Jun. 2010 Managing Officer of SHIMIZU CORPORATION
Apr. 2013 Senior Managing Officer of SHIMIZU CORPORATION
Jun. 2014 Executive Vice President and Representative Director of SHIMIZU CORPORATION
Jun. 2020 Senior Advisor of SHIMIZU CORPORATION
Jun. 2021 Outside Director (Audit Committee Member) of the Company (To present)

7 Shuji Sasaki

Director
Audit Committee Member



Mar. 1979 Joined the Company
Feb. 2012 General Manager of Okayama Branch
Jun. 2014 Director and General Manager of Okayama Branch
Jul. 2014 Director and General Manager of the Flooring Division and Marketing Department
Apr. 2015 Director in charge of the Marketing and General Manager of the Flooring Division
Apr. 2016 Director, Managing Executive Officer and General Manager of the Sales Division
Apr. 2019 Director
Jun. 2019 Director (Audit Committee Member) of the Company (To present)

Expertise and Activity of Directors

| Title and Name | Area of expertise | | | | | | | Attendance at Board Meetings in Fiscal 2020 |
|--|----------------------|---------------------|--------------------------------------|--------------------------|-----------------------------------|----------|------------|--|
| | Corporate management | Sales and marketing | Product development and technologies | Financial and accounting | Human resources and legal affairs | Overseas | Diversity | |
| 1 Representative Director, President and CEO Shosuke Yasuda | ✓ | ✓ | | | | ✓ | | 100% attendance rate (14 out of 14 Board Meetings) |
| 2 Director, Executive Officer in charge of administration and General Manager of the Finance and Accounting Department Tatsuo Sukekawa | | | | ✓ | | ✓ | | — |
| 3 Outside Director, Audit Committee Member Masatoshi Hatori | ✓ | ✓ | | | ✓ | | | 100% attendance rate (14 out of 14 Board Meetings) |
| 4 Outside Director, Audit Committee Member Michiyo Hamada | | | | | ✓ | ✓ | ✓ (Female) | 100% attendance rate (14 out of 14 Board Meetings) |
| 5 Outside Director, Audit Committee Member Kenichi Udagawa | ✓ | | ✓ | | | ✓ | | 100% attendance rate (14 out of 14 Board Meetings) |
| 6 Outside Director, Audit Committee Member Osamu Terada | ✓ | ✓ | ✓ | | | | | — |
| 7 Director, Audit Committee Member Shuji Sasaki | | ✓ | | | | | | 100% attendance rate (14 out of 14 Board Meetings) |

Executive Officers and Senior General Managers (as of April 1, 2021)

| | |
|---|--------------------|
| President and CEO | Shosuke Yasuda |
| Senior Executive Officer, Sales Business Unit | Yasutomu Yoshikawa |
| Director, Executive Officer in charge of administration and General Manager of the Finance and Accounting Department | Tatsuo Sukekawa |
| Executive Officer, General Manager of Interior Business Unit | Yoshiaki Kaneko |
| Executive Officer, General Manager of Logistics Division | Yosuke Mine |
| Executive Officer in charge of certain businesses and President of Sangetsu Vosne Corporation | Takashi Morita |
| Executive Officer in charge of Space Creation Director of Sungreen Co., Ltd. and General Manager of Space Creation Business Unit | Kazunori Miyamoto |

| | |
|---|-------------------|
| Senior General Manager, Chief Branch Manager of Kyushu Branch | Satoshi Miyata |
| Senior General Manager, CEO of Sangetsu Goodrich (Thailand) Co., Ltd. | Mikio Otsuka |
| Senior General Manager, Chief Branch Manager of Tokyo Branch | Hirohisa Nakagawa |
| Senior General Manager, President of Fairtone Co., Ltd. | Shigenobu Maki |
| Senior General Manager, Chief Branch Manager CHUBU Branch and General Manager, Contract Sales Department CHUBU Branch | Eiji Yamashita |
| Senior General Manager, Chief Branch Manager of Kansai Branch | Yutaka Matsuo |

Corporate Governance

Our basic approach to corporate governance

Sangetsu's Company Creed is "Sincerity," and we aim to enhance corporate value by building good relationships with all stakeholders and developing these relationships in a sustainable manner. We realize that, to achieve this goal, we need to position the strengthening of corporate governance with the transparency, speed, and efficiency of management as its foundations—as a key management issue. Sangetsu has transitioned to become a company with an Audit Committee, with the aim of strengthening the auditing and supervisory functions with respect to the Board of Directors by having outside directors participate in management. We are striving to achieve the further enhancement of corporate value on the basis of this governance system.

Corporate governance system

Starting from June 2019, Sangetsu strengthened its corporate governance system by enhancing the oversight function of the Board of Directors through the appointment of two directors concurrently serving as executive officers and five Audit Committee members (of which four are independent outside directors).

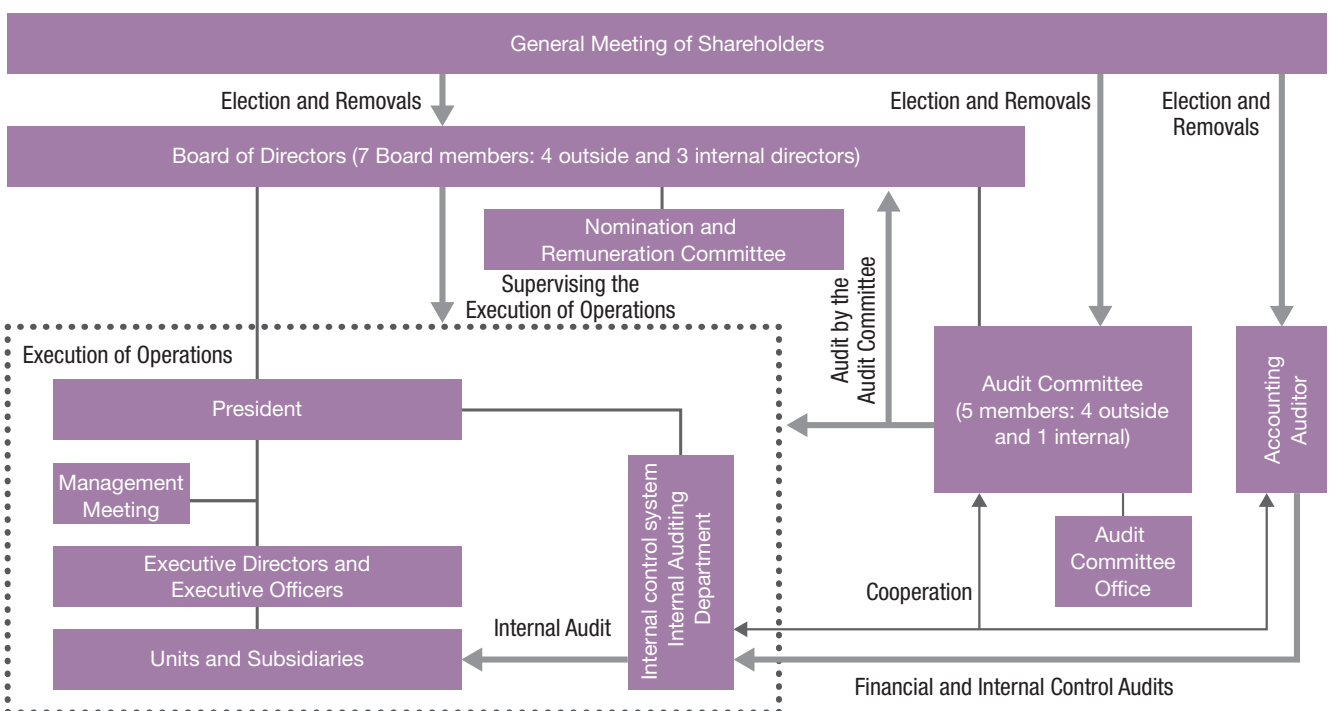
Under this system, we will seek to revitalize discussions from the point of view shareholders and also strengthen the audit and supervisory functions over the execution of the Company's operations. Furthermore, the term for the accounting auditor has been limited, in principle, to a maximum of 10 years with the intention of ensuring and maintaining greater independence and proper external audits. The Company has thus established a system for enhancing the transparency of its corporate management.

Board of Directors

The Company's Board of Directors consists of four outside directors and three internal directors and meets once a month.

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.

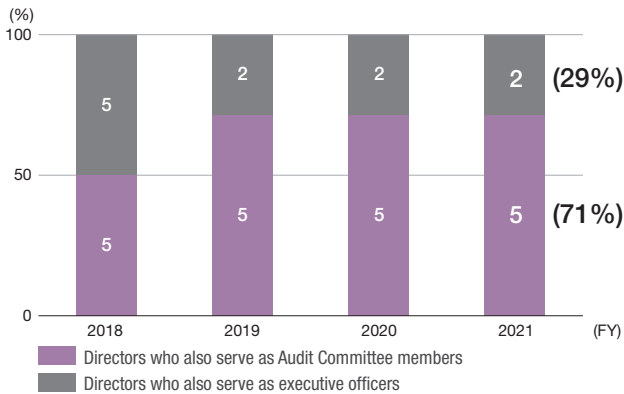
Framework of the corporate governance system



Audit Committee

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

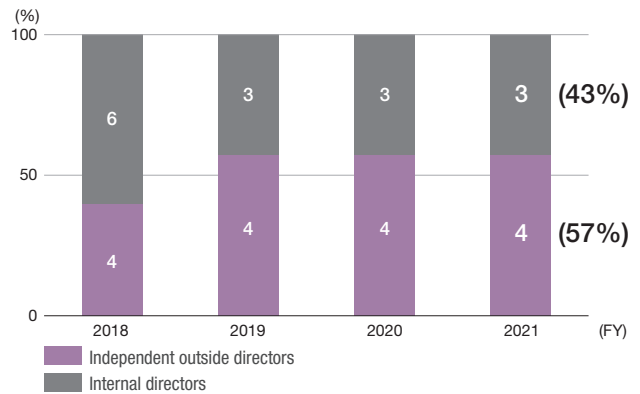
While the Audit Committee relies mainly on audits utilizing the internal control system, members also conduct direct onsite audits of business sites inside and outside Japan. The committee seeks to strengthen the effectiveness of its audits by gathering and sharing valuable information through the periodic exchange of views with the President, reports presented by executive officers and employees, and liaison



meetings of audit committee members at affiliated companies.

Separation of the supervisory and executive functions in management

In order to strengthen the independent, objective oversight of the Board of Directors, Sangetsu has adopted a new corporate governance system and management execution system that separates the supervisory and executive functions of management.

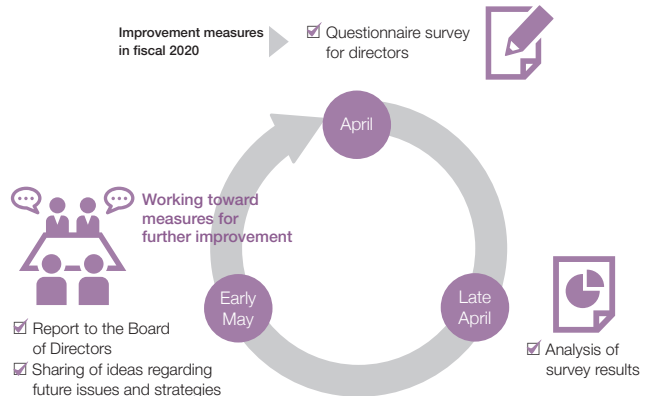


Assessing the effectiveness of the Board of Directors

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.

A questionnaire survey was administered to all directors in fiscal 2020 (implemented in April 2021). After approval by the Board of Directors, the assessment results were disclosed in the Company's Corporate Governance Report.

Method used to evaluate the effectiveness of the Board of Directors in fiscal 2020



Main assessment items and results

- The composition of the Board of Directors was generally well-balanced, but some consideration was needed in the area of accounting and finance.
- The scope of delegation of authority to the representative director was clearly specified and deemed appropriate.
- The Board of Directors is making the proper decisions at the appropriate timing.
- The Board of Directors engaged in free, open, and constructive discussion, and the quality of discussion of individual motions was high.
- The supervision of business execution of the Board of Directors was appropriate.
- There have been some measures taken to improve the operating method of the Board of Directors, but there is still room for improvement.

Corporate Governance

Seminars and other activities for directors

To promote compliance management, the Company provides directors and management executives with opportunities to participate in internal and external seminars. Expenses for participating in programs hosted by third-party organizations are borne by the Company. To aid independent outside 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.

Standards of independence for outside directors

For appointing outside directors, Sangetsu applies its own Standards of Independence in addition to independence criteria defined by the Companies Act of Japan and Tokyo Stock Exchange. The Company also requires professional qualifications representing advanced expertise and a wealth of experience to provide candid and constructive advice on company management.

Standards of independence

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'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 or more in monetary or other benefits from Sangetsu Corporation in addition to remuneration paid by Sangetsu as well as in the event the recipient of such benefits is a corporation or organization or any individual who belongs to such a corporation or organization;
- (6) an executive officer of an organization that receives an annual sum of ¥1 million 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.

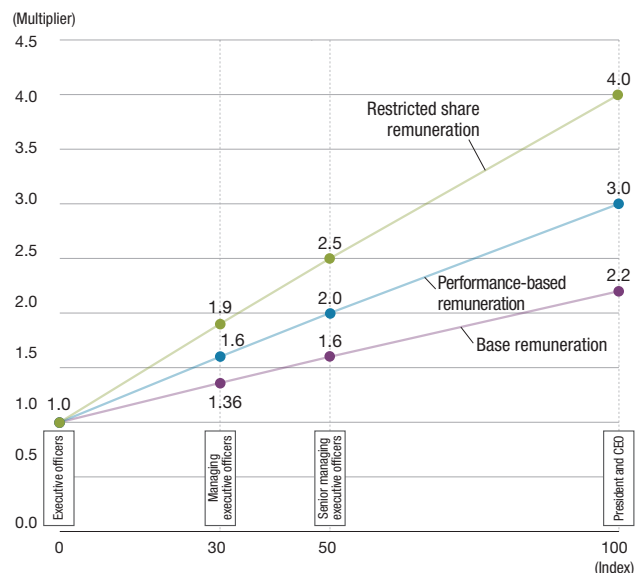
Highly transparent compensation system linked to performance and shareholder value

Sangetsu's compensation system for executive officers and directors consists of three types: (1) base remuneration; (2) performance-based remuneration; and (3) restricted share remuneration. Directors who do not hold a concurrent position as executive officer and directors who concurrently serve as Audit Committee Members receive only base remuneration.

The amount of base remuneration for directors who hold a concurrent position executive officers is calculated for each person using a coefficient determined within a range between 0.85 and 1.25 based on evaluations of the person's contribution to the Company's business in the relevant fiscal year by the Nomination and Remuneration Committee. Performance-based remuneration is linked to business earnings and return on equity (ROE), which is an indicator of capital efficiency, looking to improve capital efficiency on an annual basis. Restricted share remuneration is defined as an incentive to increase shareholder value and continuously improve corporate value, and the number of shares applicable during the current Medium-term Business Plan period is determined for the above purpose. The following shows the calculation formula for each remuneration type.

The multiplication scheme is designed so as to increase the proportion of performance-based remuneration and restricted share remuneration as executive rank rises.

Graph 1
Multipliers for each executive level (by remuneration type)



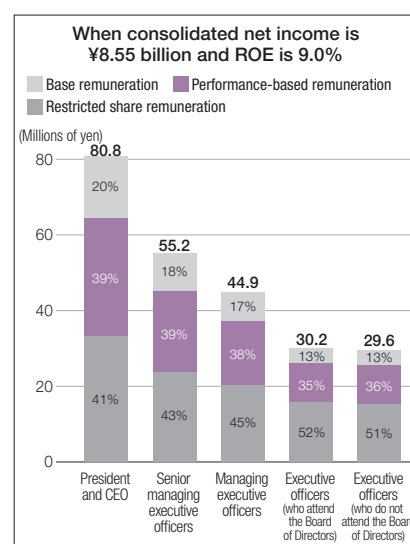
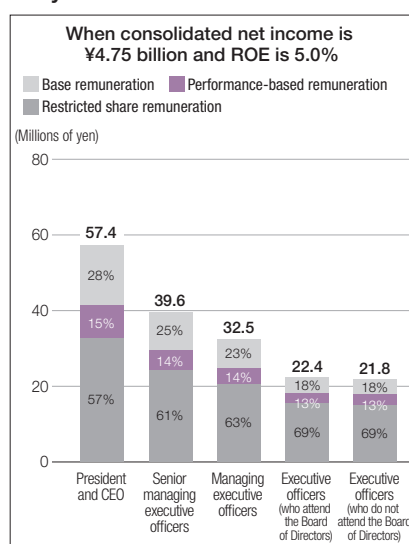
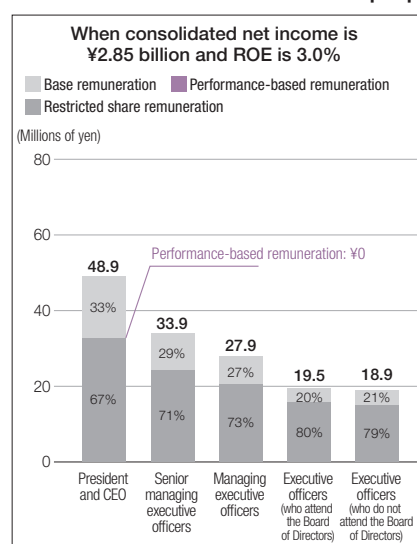
| Remuneration type | Details | Formula |
|--------------------------------|--|---|
| Base remuneration | Determined for each person based on performance and contribution to the Company's business in the relevant fiscal year, evaluated by the Nomination and Remuneration Committee | (Formula) Base remuneration = Standard base remuneration × multiplier per position × contribution evaluation coefficient • Standard base remuneration = ¥15 million / year • Multiplier per position for each executive officer (base remuneration) (see Graph 1) • Contribution evaluation coefficient = Determined within a range of 0.85 to 1.25 depending on the evaluation of the level of contribution in the relevant fiscal year |
| Performance-based remuneration | Determined based on consolidated net income | (Formula) Performance-based remuneration = Standard amount per executive officer × multiplier per position • Standard amount per executive officer (see Table 1) • Multiplier per position for each executive officer (performance-based remuneration) (see Graph 1) |
| Restricted share remuneration | Method of determining the number of shares applicable during the Medium-term Business Plan period | (Formula) Restricted share remuneration (number of shares) = Standard number of shares for executive officers × multiplier per position • Standard number of shares for executive officers = 2,500 shares • Multiplier per position for each executive officer (restricted share remuneration) (see Graph 1) |

Table 1 Standard amount per Executive Officer

| Consolidated net income (ROE)* | Standard amount (X = Consolidated net income) |
|---|---|
| ¥2.85 billion or less (ROE: 3.0% or less) | ¥0 |
| Over ¥2.85 billion and not over ¥4.75 billion (ROE: over 3.0% and not over 5.0%) | $(X - ¥2.85 \text{ billion}) \times 0.15\%$ |
| Over ¥4.75 billion and not over ¥7.6 billion (ROE: over 5.0% and not over 8.0%) | $(¥4.75 \text{ billion} - ¥2.85 \text{ billion}) \times 0.15\% + (X - ¥4.75 \text{ billion}) \times 0.20\%$ |
| Over ¥7.6 billion (ROE: over 8.0%) | $(¥4.75 \text{ billion} - ¥2.85 \text{ billion}) \times 0.15\% + (¥7.6 \text{ billion} - ¥4.75 \text{ billion}) \times 0.20\% + (X - ¥7.6 \text{ billion}) \times 0.22\%$ |

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

Amount of remuneration and its proportion by title



Message from an Outside Director

Responsible for Strengthening Governance toward the Realization of the “Our Aspired Company Image”

Masatoshi Hatori Outside Director and
Chairperson of Audit Committee



I have served as an outside director and Audit Committee member since 2015. Over these past several years since assuming my position, Sangetsu has continuously undergone major changes.

Under the strong leadership of the management team centered on our founder, we created a unique interior company backed by tremendous support from the market. We changed to a new management team in fiscal 2014, and we are reforming our business model because the domestic market could no longer be expected to expand significantly.

First of all, we are rebuilding our core system and enhancing other infrastructure such as logistics-related facilities. In tandem, we revised our organization and personnel evaluation system to strengthen our human resources development. Furthermore, we are expanding our business domains (sectors and geographic regions) based on the assumption that we cannot achieve development just by strengthening our existing businesses. Also, as our long-term vision looking ahead to 2030, we aim to transform into a Space Creation Company.

Even when looking at each individual project, it is clear these are all high hurdles. We have continually allocated enormous management resources and have moved forward based on the ideas that “transformation brings a sense of speed” and “people and organizations grow through business practices while we run forward.”

Given Sangetsu’s background of digging even more

deeply into its existing domestic businesses and achieving results, I think that shareholders, business partners, and other stakeholders are surprised at the speed of our reforms while also having expectations. However, not everything is proceeding smoothly according to plans for these reforms and we have also encountered unforeseen events and frictions with related parties. Important matters, including matters associated with these reforms, are shared at the Board of Directors in a timely manner and discussions and deliberations on these matters are undertaken from a broad perspective thanks to the diversity of board members. Besides receiving quarterly reports from the Accounting Auditor, we also exchange opinions in a timely and in-depth manner. I believe that institutional and operational preparations have been made to overcome large risks, both in terms of promoting speedy reforms and the governance that supports these reforms.

We have clearly drawn up our “aspired company image” and the “social value” we aim for realizing this image. As an outside director, I believe that risk-perception capabilities in a variety of situations are essential for realizing our aspired company image. For this reason, a practical perspective is indispensable. Although we have experienced disappointing circumstances over the past one year due to COVID-19, I wish to deepen communication both inside and outside the company, including with shareholders and institutional investors.

Compliance

Our approach to compliance

Sangetsu has positioned compliance as a vitally important aspect of our corporate operations, and we are working to strengthen our compliance measures. Whenever a compliance-related issue emerges, we take prompt corrective action. We strive to make effective use of the reporting (whistleblowing) system and other means to identify any problems, issues, or obstacles within the Company that may hinder the thoroughness of compliance, and we work diligently on a company-wide basis to implement improvements.

Compliance promotion structure

Sangetsu has established a Compliance Committee for which the CEO takes ultimate responsibility where important issues in promoting compliance are deliberated.

The Compliance Committee convenes once per quarter and formulates the annual compliance program, confirms progress, orders revisions, and deliberates on other important issues related to the promotion of compliance.

These activities are reported semiannually at the meetings of the Board of Directors, enabling management to understand the status of compliance and leading to further awareness of compliance.

Establishment of helplines

Sangetsu has set up helplines for whistleblowing and consultations, which can be used by all employees regardless of employment status, including employees of Sangetsu subsidiaries within Japan. In addition to contact windows for whistleblowing and consultations regarding internal matters, we have established external contact windows with members of the Audit Committee as well as external legal counsel. We investigate all reported matters and take corrective action as needed based on the results of such investigations.

Parentheses indicate the number of cases reported via external contact points.

| | Compliance contact point | Harassment contact point |
|--------|--------------------------|--------------------------|
| FY2018 | 0 | 8 (2) |
| FY2019 | 5 (1) | 10 (3) |
| FY2020 | 4 (0) | 7 (1) |

- There were no cases of major legal breaches reported to the helplines in fiscal 2020.
- All reported cases were investigated.

* Excludes reports submitted anonymously in which detailed information could not be provided.

Corrective actions taken in response to the results of investigations

- The following dispositions are taken with regard to whistleblowers when disciplinary actions or other dispositions are required.
- Depending on the case, the whistleblower will be transferred to another department within the Company.
- If necessary, interviews will be conducted with the relevant departments and improvements to operational flow proposed.

Corruption prevention and bribery prohibition initiatives

Based on the Sangetsu Group Compliance Code of Conduct, we have drawn up our own Bribery Prevention Rules and have put in place a system for organization-wide measures to prevent bribery. Some of our overseas subsidiaries have formulated their own corporate codes of conduct based on the Sangetsu Group Compliance Code of Conduct in line with local laws and practices.

Compliance education

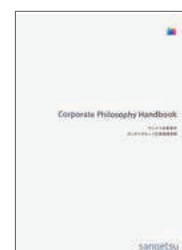
Sangetsu's Compliance Program, which is drawn up on the basis of Company policy, is implemented throughout the year in cooperation with all Sangetsu Group companies. With the aim of building a sound organizational framework that ensures thorough compliance, we implement the regular dissemination of related information through compliance newsletters and provision of training for all employees. Recognizing the need for ongoing improvement through utilization of the plan, do, check, act (PDCA) cycle, at the end of each fiscal year we review the Compliance Program on the basis of the year's activities and any issues that have come to light during the activity implementation process, and then make any necessary adjustments.

Compliance training in fiscal 2020

| Topic | Period | Participants |
|-----------------|----------------------|---|
| Compliance | April | 70 new graduates |
| | July | 13 newly assigned managers |
| | September | 16 managers |
| | September – December | 12 persons seconded overseas |
| | November – February | 22 Group companies |
| | December | 30 executive staff |
| Subcontract Act | November | 19 Interior Business Unit staff members |
| Design Act | March | 66 Space Creation Business Unit staff members, etc. |

Corporate Philosophy Handbook

The Corporate Philosophy Handbook, which covers compliance and other aspects of corporate ethics, is distributed to all employees of Sangetsu subsidiaries within Japan. The aim is for the Handbook to serve as a guideline for employees which they can refer to repeatedly.



Compliance Newsletter

The Compliance Newsletter is distributed regularly by Sangetsu's internal mail system. The aim is to realize an ongoing enhancement of employees' compliance awareness by incorporating topical information into the newsletter.



Risk Management

Risk management system

Sangetsu has established a Company-wide Risk Management Committee, headed by the Company President. Besides striving to maintain and enhance the corporate value of the Sangetsu Group as a whole and to minimize the impact of risks as they emerge, the committee also implements risk management with respect to various types of risk that could affect the Company's activities or its employees. The Company-wide Risk Management Committee meets on a quarterly basis; in addition to formulating the basic policy, systems, etc., for risk management as a whole, the committee also has the function of organizing task forces when necessary, etc. The committee reports on the status of its activities to the Board of Directors once every six months, thereby enabling the Company's senior management to accurately monitor current risks and make appropriate managerial decisions. In addition, we have sought to bolster consolidated management by establishing rules for managing business investment risks. We have clarified the definition of a business investment risk to build a system for managing risks under consolidated management.

Risk assessment

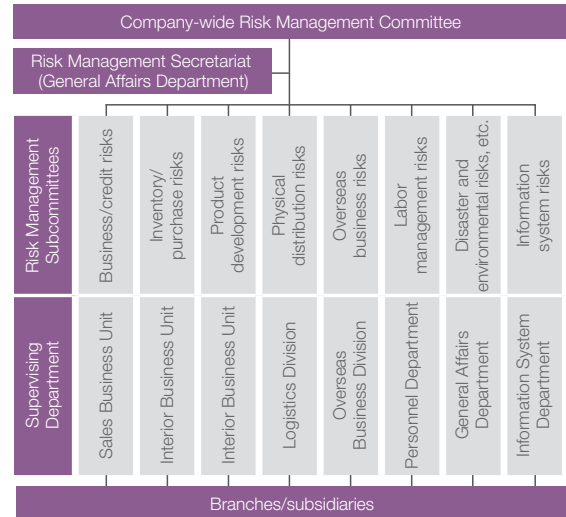
To effectively reduce risks, Sangetsu has been conducting risk assessment with the guidance of a risk assessment map. Based on the risks identified by each Risk Management Subcommittee, the frequency and probability of occurrence, impact, and level of control are mapped to identify key risks and points 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.

In the beginning of fiscal 2020, we added response to the risk of infections to disaster and environmental risks.

Business continuity plan (BCP)

Sangetsu has ensured that all employees are aware of our 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 is 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.

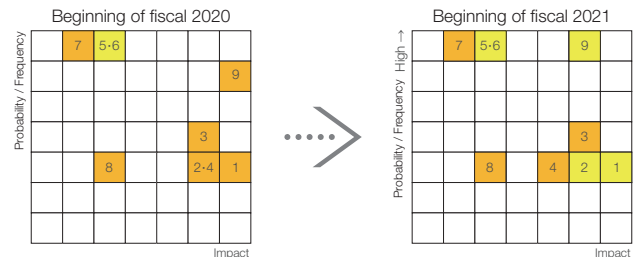
Fiscal 2021 risk management system diagram



Risk Management Subcommittees

Risk Management Subcommittees are formed through the designation of a supervising department for each category of risk, with a membership comprising relevant managers and a Subcommittee head.

Example of risk assessment map: disaster and environmental risks, etc.



Control level

- Yellow: Preventive and response measures are clearly in place, but ineffective aspects remain.
- Orange: Preventive and response measures are only partially in place.

| Number | Category | Risk factors/concerns |
|--------|-------------------------|--|
| 1 | Earthquake, fire | Enhancement and familiarization of BCP functions |
| 2 | | Ensuring the safety of employees (1): safety confirmation system |
| 3 | | Ensuring the safety of employees (2): evacuation drills |
| 4 | | Ensuring the safety of employees (3): emergency contact procedures |
| 5 | Vehicle accidents | Appropriate safety features |
| 6 | | Traffic safety education |
| 7 | Occupational accident | Workplace accident |
| 8 | Environment | Corporate reputation damaged due to inadequate environmental consideration |
| 9 | Anti-infection measures | Measures against infection-related risks |

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.

Ensuring the Safety and Peace of Mind of All Stakeholders

Sangetsu is implementing various measures against the novel coronavirus (COVID-19) pandemic, giving first priority to the safety and peace of mind of all our stakeholders, including customers, business partners, and employees.

In order to continue performing its mission as a provider of interior finishing services, the end process of construction, even under challenging conditions, the Company strives to remain adequately equipped to accept and process orders and ship them across the country smoothly, ensuring that there are no stock shortages.

Anti-COVID-19 Measures at Sangetsu

Action guidelines established by the Personnel Department and General Affairs Department

In March 2020, in response to the government's calls for actions to prevent infection, Sangetsu announced the company's stance and created policies on commuting/telecommuting options as well as behavioral guidelines for infection control. Since then, we have revised these policies and guidelines, paying close attention to the spread of infection and adopting stricter steps than were requested by the government and public health centers.

When infection cases were identified in the Company and affiliated companies, we immediately carried out stronger control measures than were instructed by the public health center and continued business while giving first priority to the safety of customers and employees.

Enforcing distributed workplace operations

In order to continuously serve its role in the construction sector, at an early stage Sangetsu began to prepare a distributed workplace setting based on the BCP. This was to ensure a sufficient supply of products (purchase functions of business divisions), accept customer orders (order processing and related functions at branches), and store and ship products (warehousing operations at logistics centers).

Specifically, the plan is to distribute workplaces to allow members of the same section to work away from each other, looking to reduce the risk of infection spreading within the Company, even if a case of infection is found in any of the workplaces, thereby ensuring continued business operations. To lower the risk of infection affecting overall logistics operations, each logistics center has introduced team-based and area-based staffing systems for all personnel, including for partner companies.

To support the above-described operations, an appropriate IT environment has been prepared through providing additional mobile PCs and smartphones and expanding network capacity. Also, internal meetings are now held online across the organization, while accordingly minimizing in-person sessions.

New Social Value Created amid the COVID-19 Crisis

Online consultation from the showroom

While the COVID-19 pandemic expands around the world, we have begun to provide online consultation services to customers who do not visit our showrooms for various reasons, such as infection concerns, difficulties in taking a trip to the relevant location, and easy access to service from home. Specialists from showrooms offer consultation and advice on coordination and other issues.



Green Housing Point eligible products

The Green Housing Point program represents an economic stimulus incentive provided by the government to address loss of business resulting from the COVID-19 situation. The program, which grants points to purchasers of housing-related products and services (including for retrofitting) specified as satisfying the "new normal" and disaster prevention standards, is designed to serve two purposes, specifically achieving a green society and economic recovery led by private sector demand through promoting investment in housing.

From Sangetsu's lineup, antibacterial and antiviral wallcoverings and antiviral vinyl-coated flooring materials are eligible for the program. We will continue working to contribute to the housing business while ensuring the safety and peace of mind of customers amid the pandemic.

10 Year Consolidated Financial Summary

| | | 2012/03 | 2013/03 | 2014/04 | 2015/03 |
|-----------------------|---|----------|----------|----------|----------|
| Profit and Loss | Net sales | 118,518 | 123,150 | 131,978 | 132,050 |
| | Gross profit | 33,775 | 34,536 | 36,055 | 37,510 |
| | Operating income | 7,095 | 8,020 | 8,952 | 8,031 |
| | Ordinary income | 7,180 | 8,393 | 9,475 | 8,506 |
| | Profit attributable to owners of parent | 4,151 | 4,806 | 5,459 | 4,402 |
| | Free cash flow | 213 | 7,902 | 2,401 | 10,899 |
| | Operating cash flow | 422 | 4,311 | 7,878 | 4,765 |
| | Investing cash flow | (209) | 3,591 | (5,477) | 6,134 |
| | Financing cash flow | (3,198) | (7,506) | (3,025) | (7,692) |
| Financial Condition | Total assets | 142,247 | 139,205 | 145,903 | 143,076 |
| | Net assets | 119,409 | 117,672 | 119,887 | 118,758 |
| | Interest-bearing debt | 200 | 168 | 116 | 93 |
| Per Share Information | Net income per share (Yen) | 51.73 | 60.26 | 71.65 | 58.35 |
| | Net assets per share (Yen) | 1,488.05 | 1,544.27 | 1,573.35 | 1,625.21 |
| | Dividend per share (Yen) | 37.50 | 39.00 | 37.50 | 41.25 |
| Financial Indicators | Return on assets (ROA) (%) | 5.1 | 6.0 | 6.6 | 5.9 |
| | Return on equity (ROE) (%) | 3.5 | 4.1 | 4.6 | 3.7 |
| | Return on invested capital (ROIC) (%) | — | — | — | — |
| | Equity ratio (%) | 83.9 | 84.5 | 82.2 | 83.0 |
| | Consolidated payout ratio (%) | 72.5 | 64.7 | 52.3 | 70.7 |
| Cash Conversion Cycle | Cash conversion cycle | 114.9 | 118.9 | 107.8 | 114.4 |
| | Receivable turnover period (Days) | 134.8 | 127.1 | 126.5 | 124.2 |
| | Inventory turnover period (Days) | 37.1 | 41.8 | 36.4 | 40.7 |
| | Payable turnover period (Days) | 57.0 | 50.0 | 55.1 | 50.4 |

◆ Medium-term Business Plan (2014–2016) “Next Stage Plan G”

| Basic initiatives | | Results | Remaining issues |
|-------------------|---|--|---|
| 1 | Establish a sound corporate structure that allows employees to actively participate in management | <ul style="list-style-type: none"> Established logistics centers, offices, showrooms, and other facilities; revised and enhanced organizational systems and rules | <ul style="list-style-type: none"> Introduce new SAP mission-critical system Logistics system for West Japan Enhance capabilities and raise employee awareness |
| 2 | Restructure our business strategy | <ul style="list-style-type: none"> Strengthened product development, alliance with suppliers, organizational structure, construction work, branding, and other areas Established a subsidiary in China and acquired U.S. company Korosea | <ul style="list-style-type: none"> Develop a consolidated management system Enhance profitability of overseas businesses |
| 3 | Strengthen stakeholder value | <ul style="list-style-type: none"> Enhanced shareholder return strategy Social contribution activities based on employee initiative | <ul style="list-style-type: none"> Formulate and implement clear environmental policy |
| 4 | Passing on our corporate philosophy, principles, and vision since our founding | <ul style="list-style-type: none"> Formulated brand concept, “Joy of Design” Opened Interior Design Archive | <ul style="list-style-type: none"> Consistently pass on corporate principles |
| 5 | Quantitative achievements | <ul style="list-style-type: none"> Achieved record high profits one year ahead of schedule in fiscal 2015 CCC improvements | <ul style="list-style-type: none"> The initial sales target of ¥140.0 billion has not been reached SG&A expenses increased due to the implementation of the medium-term business plan Accounts payable and inventory turnover period still remain issues |

(Millions of yen)

| 2016/03 | 2017/03 | 2018/03 | 2019/03 | 2020/03 | 2021/03 | 2022/03 (Forecast) |
|----------|----------|----------|----------|----------|----------|--------------------|
| 133,972 | 135,640 | 156,390 | 160,422 | 161,265 | 145,316 | 152,500 |
| 39,527 | 40,104 | 47,572 | 50,720 | 52,925 | 47,640 | 50,500 |
| 9,112 | 7,572 | 5,033 | 5,895 | 9,268 | 6,701 | 6,600 |
| 9,463 | 8,368 | 5,698 | 6,699 | 9,844 | 7,042 | 6,800 |
| 6,393 | 6,570 | 4,514 | 3,579 | 1,432 | 4,780 | 4,300 |
| 25,988 | (12,320) | 1,464 | 14,019 | 8,788 | 7,095 | — |
| 10,834 | 10,072 | 7,196 | 10,370 | 13,804 | 9,694 | — |
| 15,154 | (22,392) | (5,732) | 3,649 | (5,016) | (2,599) | — |
| (13,528) | 7,533 | (4,831) | (7,196) | (5,476) | (11,836) | — |
| 139,220 | 169,344 | 171,419 | 170,875 | 164,101 | 158,826 | — |
| 108,517 | 110,458 | 106,360 | 100,143 | 94,217 | 93,660 | — |
| 3 | 14,187 | 18,759 | 20,913 | 20,802 | 16,143 | — |
| 89.92 | 97.53 | 68.97 | 57.28 | 23.56 | 78.97 | 71.29 |
| 1,587.86 | 1,646.42 | 1,648.71 | 1,612.59 | 1,539.56 | 1,547.92 | — |
| 47.50 | 52.50 | 55.50 | 56.50 | 57.50 | 58.00 | 58.50 |
| 6.7 | 5.4 | 3.3 | 3.9 | 5.9 | 4.4 | — |
| 5.6 | 6.0 | 4.2 | 3.5 | 1.5 | 5.1 | — |
| 8.7 | 7.2 | 3.7 | 4.5 | 7.9 | 5.6 | — |
| 77.9 | 65.2 | 61.4 | 58.0 | 56.8 | 58.8 | — |
| 52.8 | 53.8 | 80.5 | 98.6 | 244.1 | 73.4 | 82.1 |
| 102.1 | 88.3 | 83.8 | 76.0 | 72.4 | 68.9 | — |
| 124.2 | 125.1 | 113.8 | 114.9 | 106.5 | 110.9 | — |
| 39.8 | 44.0 | 45.7 | 49.9 | 52.4 | 52.5 | — |
| 61.9 | 80.8 | 75.7 | 88.8 | 86.5 | 94.5 | — |

*A share split was carried out at the rate of two shares per common share on April 1, 2015.
Per share indicators show figures adjusted based on the current number of shares.

◆Medium-term Business Plan (2017–2019) “PLG 2019”

| Basic initiatives | Results | Remaining issues |
|------------------------------------|---|---|
| 1 Business strategy for growth | <ul style="list-style-type: none"> Strengthening relationship with domestic and overseas designers, architects, and suppliers Strengthening market domains, products, and regional specific sales organization Improving efficiency in order-taking operations, integrating order-taking and sales organizations Strengthening logistics facilities and delivery structure Strengthening and expanding construction capabilities (Fairtone Co., Ltd.) Establishment of Space Creation Business Unit Start of operation of new enterprise system Acquisition of Goodrich Global Holdings Pte., Ltd., and implementation of measures to improve the management of Koroseal Interior Products Holdings, Inc. | <ul style="list-style-type: none"> Plateau in the Japanese market Limitations to significant growth under current business model Need to strengthen alliances with suppliers amid growing competition Sustainability of sales function and limitations of function Lack of established overseas markets Underutilization of digital technologies and data Impact of the COVID-19 pandemic and market changes after infections recede |
| 2 Enhance human resources | <ul style="list-style-type: none"> Enhancing training and education, planned job rotations enhancing meritocracy Introducing logistics position program and an interior advisor program Work style reform / teleworking / super-flex time / establishment of health insurance society | <ul style="list-style-type: none"> Need to further develop consulting and proposal skills Awareness gaps among employees |
| 3 Bolster profit management system | <ul style="list-style-type: none"> Intensifying management of operating income targets and CCC targets Sale of all stock of Yamada Shomei Lighting Co., Ltd.; reorganization of group management structure | <ul style="list-style-type: none"> Profit growth |
| 4 ESG and CSR policies | <ul style="list-style-type: none"> Scope 1 & 2 GHG emissions Reduction target 35% → 45.3% Achieved Hiring of disabled persons Target 3% → 3.13% Achieved Full compliance with “Corporate Governance Code” | <ul style="list-style-type: none"> Lack of diversity Disclosure of metrics for the achievement of social value |
| 5 Capital strategy | <ul style="list-style-type: none"> Shareholders' equity ¥110.37 billion (end-March 2017) → ¥93.24 billion (end-March 2020) Three-year total shareholder return ratio 260.5% Total shareholder return ¥24.81 billion | |

ESG Data (Non-Consolidated)

| | Indicator | Unit | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2022 Targets |
|---|--|-------------------|---------|---------|---------|--------------|---|---|
| E [Environment] | GHG emissions | t-CO ₂ | 8,062 | 8,306 | 8,118 | 6,638 | 6,233 | 5,683 (30% reduction by FY2030) |
| | Energy consumption | GJ | 128,666 | 132,292 | 127,535 | 127,178 | 127,681 | 122,434 (4% reduction) |
| | Waste | t | 3,296 | 3,688 | 3,695 | 4,195 | 4,098 | 3,547 (4% reduction) |
| | Recycling rate | % | 58.0 | 67.2 | 75.0 | 80.1 | 81.5 | 83.0 |
| S [Social] | Number of employees (consolidated basis) (as of March 31 of each year) | Persons | 2,051 | 2,357 | 2,334 | 2,241 | 2,359 | |
| | Number of employees (as of March 31 of each year) | Persons | 1,190 | 1,205 | 1,167 | 1,161 | 1,185 | |
| | Men | Persons | 777 | 776 | 740 | 725 | 733 | |
| | Women | Persons | 413 | 429 | 427 | 436 | 452 | |
| | Average age (as of March 31 of each year) | Age | 35.5 | 35.9 | 36.7 | 37.0 | 37.0 | |
| | Men | Age | 37.9 | 38.4 | 39.2 | 39.4 | 39.2 | |
| | Women | Age | 30.8 | 31.5 | 32.2 | 32.8 | 33.3 | |
| | Average length of service (as of March 31 of each year) | Years | 14.5 | 14.9 | 15.5 | 15.8 | 15.8 | |
| | Men | Years | 17.0 | 17.4 | 18.0 | 18.3 | 18.1 | |
| | Women | Years | 9.9 | 10.3 | 10.9 | 11.5 | 11.8 | |
| | New hires (total) | Persons | 57 | 63 | 42 | 46 | 79 | |
| | Men | Persons | 34 | 30 | 17 | 22 | 47 | |
| | Women | Persons | 23 | 33 | 25 | 24 | 32 | |
| | Attrition rate of employees with less than three years of service | % | 19.2 | 17.5 | 5.4 | *15.9 | *1.4 | |
| | Men | % | 13.3 | 20.7 | 14.3 | *20.0 | *0 | |
| | Women | % | 27.3 | 14.3 | 0 | *12.5 | *3.6 | |
| | Mid-career employee recruitment ratio | % | 9 | 10 | 12 | 4 | 11 | |
| | Ratio of female managers (as of April 1 of each year) | % | 10.1 | 10.7 | 11.4 | 12.0 | 14.8 / ^{FY2021} 17.2 | 20 |
| | Number of employees taking childcare leave | Persons | 39 | 45 | 42 | 42 | 57 | |
| | Number of employees on temporary part-time work while child-rearing (as of April 1 of each year) | Persons | 41 | 56 | 68 | 70 | 75 / ^{FY2021} 88 | |
| Average total work hours | Hours | 2,051 | 2,100 | 2,110 | 2,048 | 1,999 | | |
| Average number of paid vacation days taken (October to September of following year) | Days | 9.2 | 10.6 | 12.0 | 12.5 | — | | |
| Employment rate of persons with disabilities (as of March 31 of each year) | % | 2.3 | 2.4 | 2.7 | 3.1 | 3.1 | 4.0 | |
| Frequency rate of work-related accidents | | 0.41 | 0.40 | 0.41 | 0.84 | 0.84 | | |
| Severity rate of work-related accidents | | 0.0008 | 0.0063 | 0.0004 | 0.004 | 0.003 | | |
| Social contribution activities of Sangetsu Volunteer Club | Cases | 22 | 29 | 28 | 31 | 23 | | |
| Child welfare facilities | Cases | 12 | 19 | 20 | 18 | 20 | 30 | |
| Other activities | Cases | 10 | 10 | 8 | 13 | 3 | | |
| G [Governance] | Number of Directors (as of June 30 of each year) | Persons | 10 | 10 | 10 | 7 | 7 / ^{FY2021} 7 | |
| | Outside Directors | Persons | 4 | 4 | 4 | 4 | 4 | |
| | Female Directors | Persons | 1 | 1 | 1 | 1 | 1 | |
| | Ratio of Outside Directors | % | 40.0 | 40.0 | 40.0 | 57.1 | 57.1 / ^{FY2021} 57.1 | |
| | Number of compliance training participants | Persons | 113 | 663 | 170 | 108 | 248 | 250 |

*FY 2016, 2017, 2018 data represents 3 years of service or less.

Corporate Profile

■ Company Outline (as of March 31, 2021)

| | |
|-------------------------|---|
| 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-shi, Aichi 451-8575, Japan |
| Capital | ¥13,616 million |
| Net Sales | ¥145.3 billion (consolidated) |
| Number of Employees | 2,359 (consolidated) |
| Main Business | Planning, development, manufacture, sales, and installation of interior decorating products Sales and installation of exterior decorating products Planning, design, construction supervision, and installation of facilities, office spaces, and other |
| 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, Kyushu |
| Branches and Sales Offices | Kita-Tohoku, Fukushima, Higashi-Kanto, Tama, Yokohama, Atsugi, Gunma, Tochigi, Niigata, Ibaraki, Nagano, Gifu, Okazaki, Hokuriku, Shizuoka, Kyoto, Kobe, Higashi-Osaka, Minami-Osaka, Okayama, Shikoku, Kita-Kyushu, Kumamoto, Minami-Kyushu and other locations |
| Group Companies Domestic | Sungreen Co., Ltd., Fairtone Co., Ltd., Sangetsu Vosne Corporation, Sangetsu Okinawa Co., Ltd., Wavelock Interior Co., Ltd. |
| Overseas | Koroseal Interior Products Holdings, Inc., Goodrich Global Holdings Pte., Ltd., Goodrich Global Limited |

Stock Information

■ Status of Shares (as of March 31, 2021)

| | |
|---|-------------|
| Total Number of Authorized Shares | 290,000,000 |
| Total Number of Shares Issued and Outstanding | 61,150,000 |
| Number of Shareholders | 4,771 |

■ Status of Principal Shareholders (as of March 31, 2021)

| Shareholder name | Number of shares held (shares) | Shareholding ratio (%) |
|--|--------------------------------|------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 4,170,400 | 6.91 |
| NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST | 3,191,600 | 5.29 |
| Custody Bank of Japan, Ltd. (Trust Account) | 2,176,600 | 3.60 |
| MUFG Bank, Ltd. | 2,082,700 | 3.45 |
| The Ogaki Kyoritsu Bank, Ltd. | 2,064,372 | 3.42 |
| Yuichi Hibi | 1,834,354 | 3.04 |
| Touzou Hibi | 1,803,492 | 2.99 |
| Yoshio Hibi | 1,800,000 | 2.98 |
| Masae Miwa | 1,790,640 | 2.96 |
| NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS | 1,767,000 | 2.92 |

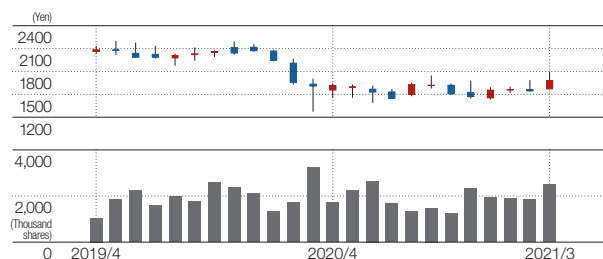
1. Sangetsu owns 836,342 shares of treasury stock but does not include itself in the list of principal shareholders.
2. Percentage of ownership is calculated after deducting treasury stock.
3. Japan Trustee Services Bank, Ltd. merged with JTC Holdings, Ltd. and Trust & Custody Services Bank, Ltd. and changed its trade name to Custody Bank of Japan, Ltd. on July 27, 2020.

■ Stock Information

| | |
|--|---|
| Fiscal Year | 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 in Japan) |
| Method of Public Notice | URL: https://www.sangetsu.co.jp/ (Japanese only) 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 Shimbun newspaper. |

- * Address changes, requests for buy back 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 Corporation

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

<https://www.sangetsu.co.jp/english/>