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Securities code: 8130

May 30, 2019

To Our Shareholders:

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

**CONVOCAION NOTICE OF
THE 67TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 67th Ordinary General Meeting of Shareholders (the “Meeting”) of Sangetsu Corporation (the “Company”) to be held as indicated below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or by electronic means (the Internet, etc.). Please refer to Reference Materials for the Ordinary General Meeting of Shareholders on the following pages and exercise your voting rights no later than 5:30 p.m. on Wednesday, June 19, 2019 in accordance with the instructions given on page 2.

Thank you very much for your cooperation.

- 1. Date and Time:** June 20, 2019 (Thursday) at 2:00 p.m. (Reception starts at 1:00 p.m.)
Please note that the start time is different from that of previous years.
- 2. Place:** Hall, 6th floor of the Main Building of the Company’s Head Office,
1-4-1 Habashita, Nishi-ku, Nagoya, Japan
- 3. Meeting Agenda:**
 - Report matters:**
 1. The Business Report and the Consolidated Financial Statements for the 67th term (April 1, 2018 to March 31, 2019) and the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee
 2. Non-consolidated Financial Statements for the 67th term (April 1, 2018 to March 31, 2019)
 - Resolution matters:**
 - Proposal 1:** Appropriation of Surplus
 - Proposal 2:** Election of Two (2) Directors (excluding Audit and Supervisory Committee Members)
 - Proposal 3:** Election of Five (5) Directors Serving as Audit and Supervisory Committee Members

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

Instructions Concerning the Exercise of Voting Rights

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

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

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

By attending the shareholders' meeting

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

Date and Time: June 20, 2019 (Thursday) at 2:00 p.m.

By exercising voting rights in writing (by mail)

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

Exercise due date: To be received no later than June 19, 2019 (Wednesday) at 5:30 p.m.

By exercising voting rights via the Internet

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

Exercise due date: No later than June 19, 2019 (Wednesday) at 5:30 p.m.

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

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

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

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

Reference Materials for the Ordinary General Meeting of Shareholders

Proposal 1: Appropriation of Surplus

We propose to appropriate surplus as follows.

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

Matters concerning the year-end dividend

- 1) Type of dividend assets: We will pay in cash.
- 2) Matters concerning assignment of dividend assets and amounts thereof
We propose the year-end dividend of ¥28.50 per common share of the Company.
The total amount of dividend will be ¥1,752,136,338.
The annual dividend for the current fiscal year amounted to ¥56.50 per share including the amount of interim dividend.
- 3) Effective date of distribution of surplus
We propose the effective date of dividend to be June 21, 2019.

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

The five (5) Directors (excluding Audit and Supervisory Committee Members (here and elsewhere in this proposal)) shall complete their terms of office at the closing of this General Meeting of Shareholders. Accordingly, the election of two (2) Directors shall be requested.

The candidates for Directors are as follows:

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

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	Shousuke Yasuda (March 2, 1950) [Reelected]	<p> April 2004 Executive Vice President and Division COO, Functional Chemicals Division, Mitsubishi Corporation April 2008 Executive Vice President and General Manager of Chubu Branch, Mitsubishi Corporation April 2012 Executive Vice President, Mitsubishi Corporation June 2012 Director, the Company April 2014 Representative Director and President July 2014 Representative Director and President, General Manager of the Interior Division April 2016 Representative Director, President and CEO, and General Manager of the Interior Division April 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. </p> <p> Reasons for nomination as candidate for Director After taking office as Representative Director and President of the Company in 2014, Mr. Shousuke Yasuda led the transition of the Company from over 60 years of management centered on the founding family and achieved the quantitative target of consolidated net income of ¥6,300 million stipulated in the Mid-term Business Plan, which he played a central role in formulating. Subsequently, the Company is now entering the third and final year of the Mid-term Business Plan announced in 2017. Amid this, the Company has been strengthening functions through methods such as reforming sales structure and redistributing logistics centers, advancing a business strategy for realizing sustainable growth, and expanding business geographically by acquiring overseas companies, establishing local subsidiaries, and the like. The Company is also implementing capital policy such as a financial policy to improve capital efficiency, a shareholder return policy that aims to maintain the total return ratio on the consolidated basis above 100% over three years, and a capital allocation policy. Given these experiences and achievements, the Company deemed that he is well qualified to continue to serve as a Director. Attendance to the Meeting of the Board of Directors held in FY2018: 13/13 </p>	75,000 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	Kenji Ito (November 1, 1958) [Reelected]	<p>June 2001 General Manager of Legal Department, TOYOTA INDUSTRIES CORPORATION</p> <p>June 2006 General Manager of Safety and Health, and Environment Departments, TOYOTA INDUSTRIES CORPORATION</p> <p>January 2008 General Manager of Safety and Health Promotion Department, TOYOTA INDUSTRIES CORPORATION</p> <p>March 2009 Standing Director of TOYOTA INDUSTRIES HEALTH INSURANCE SOCIETY (Secondment)</p> <p>July 2010 General Manager of Audit & Supervisory Board Office, TOYOTA INDUSTRIES CORPORATION</p> <p>July 2014 General Manager of the Management Audit Department, the Company</p> <p>April 2016 Executive Officer in charge of General Affairs and Human Resources and General Manager of the Management Audit Department</p> <p>June 2016 Director, Executive Officer in charge of General Affairs and Human Resources and General Manager of the Management Audit Department</p> <p>April 2017 Director, Executive Officer in charge of General Affairs, Human Resources, Management Audit and Information System and General Manager of the President's Office (To present)</p> <p>(Significant concurrent positions) Auditor of Sangetsu (Shanghai) Corporation</p> <p>Reasons for nomination as candidate for Director Having worked for many years on legal affairs and auditing in his previous positions, Mr. Kenji Ito has abundant knowledge and experience. Since joining the Company, he has engaged in promoting compliance and corporate governance reform as General Manager of the Management Audit Department. Since 2017, in addition to his efforts in legal affairs and auditing, as the Director in charge of department of management including General Affairs, Human Resources and Information System, he has been supporting the enhancement and expansion of the Company's business foundation, including by promoting ESG and CSR and building a new core system. Given these experiences and achievements, the Company deemed that he is well qualified to continue to serve as a Director.</p> <p>Attendance to the Meeting of the Board of Directors held in FY2018: 13/13</p>	12,200 shares

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

Proposal 3: Election of Five (5) Directors Serving as Audit and Supervisory Committee Members

The five (5) Directors serving as Audit and Supervisory Committee Members shall complete their terms of office at the closing of this General Meeting of Shareholders. Consequently, the election of five (5) Directors who are Audit and Supervisory Committee Members shall be requested.

The agreement of the Audit and Supervisory Committee has been received for this proposal.

The candidates for Directors serving as the Audit and Supervisory Committee Members are as follows:

Candidate No.	Attribute of candidate	Positions and responsibilities	Name	Attendance rate of Board of Directors' meetings	Attendance rate of Audit & Supervisory Committee meetings
1	[Reelected]	Director (Audit and Supervisory Committee Member)	Kunihiro Nasu [Outside] [Independent]	13/13 100%	12/12 100%
2	[Reelected]	Director (Audit and Supervisory Committee Member)	Masatoshi Hatori [Outside] [Independent]	13/13 100%	12/12 100%
3	[Reelected]	Director (Audit and Supervisory Committee Member)	Michiyo Hamada [Outside] [Independent] [Female]	13/13 100%	12/12 100%
4	[Newly elected]	Director (Audit and Supervisory Committee Member)	Kenichi Udagawa [Outside] [Independent]	–	–
5	[Newly elected]	Director (Full-time Audit and Supervisory Committee Member)	Shuji Sasaki	13/13 100% *Attended as an Executive Director	–

No.	Name (Date of birth)	Career summary, positions, and significant concurrent positions	Number of shares of the Company held
1	<p>Kunihiro Nasu (June 5, 1944)</p> <p>[Reelected] [Outside] [Independent]</p>	<p>April 1969 Registered with the Nagoya Bar Association (current Aichi Bar Association) (To present)</p> <p>October 1975 Established Nasu Kunihiro Horitsu Jimusho (To present)</p> <p>April 1999 Chairperson of the Nagoya Bar Association</p> <p>July 2003 Chairperson of the Aichi Prefectural Personnel Commission</p> <p>June 2007 Audit & Supervisory Board Member of the Company</p> <p>June 2015 Outside Director (Audit and Supervisory Committee Member) of the Company (To present)</p> <p>(Significant concurrent positions)</p> <p>Attorney</p> <p>Outside Audit and Supervisory Board Member of Central Japan Railway Company</p>	0 shares
<p>Reasons for nomination as candidate for Outside Director serving as Audit and Supervisory Committee Member</p> <p>Mr. Kunihiro Nasu possesses a wealth of experience and keen, specialist insight as an attorney. In addition to actively providing opinions on corporate law at Board of Directors' meetings and the like, he also plays a role in the supervision and auditing of management. The Company has deemed that Mr. Nasu's insight can continue to be utilized in company management and requests that he be elected as an Outside Director serving as Audit and Supervisory Committee Member.</p>			
2	<p>Masatoshi Hatori (July 24, 1946)</p> <p>[Reelected] [Outside] [Independent]</p>	<p>June 2003 Director of Kanegafuchi Chemical Industry Company Limited (current KANEKA CORPORATION)</p> <p>June 2005 Executive Director of KANEKA CORPORATION</p> <p>June 2006 Director and Managing Executive Officer of KANEKA CORPORATION</p> <p>April 2008 Director and Senior Managing Executive Officer of KANEKA CORPORATION</p> <p>June 2010 Executive Vice President and Representative Director of KANEKA CORPORATION</p> <p>June 2014 Special Advisor of KANEKA CORPORATION</p> <p>June 2015 Outside Director (Audit and Supervisory Committee Member) of the Company (To present)</p>	0 shares
<p>Reasons for nomination as candidate for Outside Director serving as Audit and Supervisory Committee Member</p> <p>Mr. Masatoshi Hatori possesses a wealth of experience and keen, specialist insight related to not only various materials businesses, but also processing business as an individual with experience as a representative director of a listed company (materials manufacturer). In addition to actively providing opinions on corporate management and opinions regarding materials in products handled by the Company at Board of Directors' meetings and the like, he also plays a role in the supervision and auditing of management. The Company has deemed that Mr. Hatori's insight can continue to be utilized in company management and requests that he be elected as an Outside Director serving as Audit and Supervisory Committee Member.</p> <p>[Supplementary explanation to the independence]</p> <p>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 16 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.</p>			

No.	Name (Date of birth)	Career summary, positions, and significant concurrent positions	Number of shares of the Company held
3	Michiyo Hamada (November 25, 1947) [Reelected] [Outside] [Independent] [Female]	<p>April 1985 Law professor at Nagoya University</p> <p>April 1999 Professor of Nagoya University Graduate School of Law</p> <p>April 2008 President of Nagoya University School of Law</p> <p>April 2009 Professor emeritus of Nagoya University (To present) Commissioner of Japan Fair Trade Commission</p> <p>June 2015 Outside Director (Audit and Supervisory Committee Member) of the Company (To present)</p> <p>(Significant concurrent positions) Outside Board Member of Aisin Seiki Co., Ltd. Outside Audit & Supervisory Board Member of Toho Gas Co., Ltd. Outside Auditor of the Metropolitan Expressway Company Limited</p>	0 shares
		<p>Reasons for nomination as candidate for Outside Director serving as Audit and Supervisory Committee Member</p> <p>Ms. Michiyo Hamada possesses a wealth of experience and keen, specialist insight as a scholar of corporate law and ex-commissioner of the Japan Fair Trade Commission. In addition to actively providing opinions on corporate law and opinions regarding the Company's efforts to promote women's participation and advancement in the workplace at Board of Directors' meetings and the like, she also plays a role in the supervision and auditing of management. The Company has deemed that Ms. Hamada's insight can continue to be utilized in company management and requests that she be elected as an Outside Director serving as Audit and Supervisory Committee Member.</p>	
4	Kenichi Udagawa (April 5, 1949) [Newly elected] [Outside] [Independent]	<p>June 2004 Director of Tosoh Corporation</p> <p>June 2008 Managing Director of Tosoh Corporation</p> <p>June 2009 President of Tosoh Corporation</p> <p>March 2016 Director and Corporate Adviser of Tosoh Corporation</p> <p>June 2018 Honorary Adviser of Tosoh Corporation</p> <p>June 2019 Retiring Honorary Adviser of Tosoh Corporation (scheduled)</p> <p>(Significant concurrent positions) Outside Director of The Yamaguchi Bank, Ltd.</p>	0 shares
		<p>Reasons for nomination as candidate for Outside Director serving as Audit and Supervisory Committee Member</p> <p>Mr. Kenichi Udagawa has contributed to the establishment and expansion of various overseas businesses in a listed company. In addition, he possesses a wealth of experience and keen, specialist insight as an individual with experience as a representative director. The Company has deemed that Mr. Udagawa's insight on overall corporate management and overseas business operation can be utilized in corporate management at the Board of Directors' meetings and the like, and thereby requests that he be elected as an Outside Director serving as Audit and Supervisory Committee Member.</p> <p>[Supplementary explanation to the independence] Since 2016, Mr. Kenichi Udagawa has been serving as Outside Director of The Yamaguchi Bank, Ltd. which is under the corporate umbrella of the Yamaguchi Financial Group. No transactions are carried out between the Company and The Yamaguchi Bank, Ltd.</p>	

No.	Name (Date of birth)	Career summary, positions, and significant concurrent positions	Number of shares of the Company held
5	Shuji Sasaki (December 31, 1955) [Newly elected]	<p>March 1979 Joined the Company</p> <p>February 2012 General Manager of Okayama Branch</p> <p>June 2014 Director and General Manager of Okayama Branch</p> <p>July 2014 Director and General Manager of the Flooring Division and Marketing Department</p> <p>April 2015 Director in charge of the Marketing and General Manager of the Flooring Division</p> <p>April 2016 Director, Managing Executive Officer and General Manager of the Sales Division</p> <p>April 2019 Director (To present)</p> <p>Reasons for nomination as candidate for Director serving as Audit and Supervisory Committee Member Mr. Shuji Sasaki has worked in a wide range of areas as General Manager of the Marketing Department, Flooring Division, and Sales Division. He is well versed in the domestic interior industry and the Company's circumstances, and has abundant practical knowledge and experience. In regard to the gathering information on daily operations within the company and listening to regular business reports from the departments executing business at Audit and Supervisory Committee meetings, and his activities as Audit and Supervisory Committee Member (including individual reports, conversations with the departments, information regarding employees and inside the company, and dialogue with shareholders outside the Company and investors) the Company has deemed that Mr. Shuji Sasaki is capable of elevating the functions of supervision and auditing of the Company's management to even higher levels, and hereby requests that he be elected as an Outside Director serving as Audit and Supervisory Committee Member. If elected, he will fulfill the role of Full-time Audit and Supervisory Committee Member.</p>	32,514 shares

- (Notes)
1. There is no special interest between each candidate and the Company.
 2. Mr. Kunihiro Nasu, Mr. Masatoshi Hatori, Ms. Michiyo Hamada, and Mr. Kenichi Udagawa are candidates for Outside Directors.
 3. Regarding the independence of candidates for Outside Directors
The candidates for Outside Directors fulfill the Company's stipulated requirements (listed below) for independence of Outside Directors.
 - (1) A person who does not fall under any of the following items at present
 - 1) A shareholder holding 5% or more of the voting rights of the Company or executive thereof;
 - 2) An executive of a business partner whose transaction amount with the Company is equivalent to 2% or more of consolidated net sales of the Company or a subsidiary of such a business partner;
 - 3) An executive of a major lender to the Company (i.e., a lender with which the Group has an outstanding borrowings equivalent to 2% or more of the consolidated total assets of the Company at the end of the latest fiscal year);
 - 4) A certified public accountant who belongs to the Accounting Auditor of the Company;
 - 5) A consultant, an accounting specialist, or a legal specialist who receives money or other monetary benefits amounting to ¥10 million or more on an annual basis, separate from Director's remuneration from the Company (if the entity receiving such monetary benefits is an organization such as a corporation and association, a person who belongs to such an entity);
 - 6) An executive of an organization that has received a donation of ¥1 million or more on an annual basis from the Company; and
 - 7) A person who is a relative within the second degree of kinship of 1) through 6) above.
 - (2) A person who does not fall under any of items 1) through 7) above at any time in the last three years
 4. Mr. Kunihiro Nasu, Mr. Masatoshi Hatori, and Ms. Michiyo Hamada are currently serving as Outside Directors who are Audit and Supervisory Committee Members of the Company and their terms of office will be four years at the closing of this General Meeting of Shareholders.
 5. The Company has filed the relevant notifications with the Tokyo Stock Exchange (TSE) and Nagoya Stock Exchange (NSE), per the stipulations of each Exchange, that Mr. Kunihiro Nasu, Mr. Masatoshi Hatori, and Ms. Michiyo Hamada are Independent Officers. The Company also plans to file notifications with the TSE and NSE that Mr. Kenichi Udagawa is an Independent Officer. If the reelection of each candidate is approved, the Company plans for his/her appointment as an Independent Officer to continue.
 6. Under the provisions of Article 427, paragraph 1 of the Companies Act, the Company has concluded contracts for limitation of liability with Mr. Kunihiro Nasu, Mr. Masatoshi Hatori, and Ms. Michiyo Hamada as provided for in Article 423, paragraph 1 of the Companies Act. The maximum amount of the liability for damage based on said contracts is the amount prescribed in laws and regulations and if the reelection of each candidate is approved, the Company plans to renew the respective agreements with each one of them. If Mr. Kenichi Udagawa and Mr. Shuji Sasaki are elected, the Company also plans to conclude the respective agreements with each one of them.

(Attached materials)

Business Report (April 1, 2018 to March 31, 2019)

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

(1) Business Progress and Results

During the fiscal year under review, the Japanese economy was on a moderate recovery trend amid continued improvements in corporate earnings and the employment and household income environment, despite lacking strength in some areas. However, the outlook remains unclear as to how certain issues in overseas economies, such as the prolongation of trade issues between the US and China, the slowdown of the Chinese economy, and political uncertainty in Europe, will impact the Japanese economy and to what extent, and adequate attention must continue to be paid to these issues. Looking at the construction market, which is closely connected to the Company’s business, the non-residential sector saw markets for lodging facilities and stores and commercial facilities remain firm, supported by factors including urban redevelopment and the establishment of infrastructure for the Tokyo Olympics. On the other hand, the floor area of newly built facilities in the medical and welfare sectors continued to decrease. In the residential sector, there were signs of recovery in regard to owned houses and residential houses for sales, but rental housing declined, and the number of new housing starts remained roughly level.

Under these conditions, the Group advanced the implementation of a growth strategy based on its Mid-term Business Plan (2017–2019) “PLG2019.” It has been working to strengthen business activities rooted in each region, relocating its Hokkaido Branch and Logistics Center in December 2018, developing bases and branches that were becoming too old or cramped, and establishing a logistics base at Sangetsu Okinawa Co., Ltd. in February 2019. It has also been advancing the improvement of its delivery networks and product price revisions in order to respond to the continuing rise of materials, labor, and logistics costs. In addition to these, Goodrich Global Holdings Pte. Ltd., which was acquired in December 2017, has been added to the scope of consolidated business results, increasing net sales and selling, general and administrative expenses. As a result of these efforts, consolidated financial results for the fiscal year under review recorded ¥160,422 million in net sales, up 2.6% year on year, ¥5,895 million in operating income, up 17.1% year on year, and ¥6,699 million in ordinary income, up 17.6% year on year. However, profit attributable to owners of parent was ¥3,579 million, down 20.7% year on year, due to the impairment of intangible assets related to Koroseal Interior Products Holdings, Inc., a U.S. subsidiary of the Company.

(Reference) Consolidated Financial Highlights

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

Net sales	Operating income	Ordinary income	Profit (loss) attributable to owners of parent
160,422	5,895	6,699	3,579
up 2.6%	up 17.1%	up 17.6%	down 20.7%

(Interior Business) Net sales ¥119,508 million

Main business

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

(Millions of yen)

	66th term Fiscal year ended March 31, 2018	67th term Fiscal year ended March 31, 2019
Net sales	120,852	119,508
Operating income	5,752	6,174

In the wall coverings division, sales of the sample book “FAITH,” which features non-combustible-certified wallpapers for use in non-residential properties, remained firm due to continued demand created by the Tokyo Olympics and urban redevelopment, particularly in the Tokyo metropolitan area. The Film Sales Division established in April 2018 was successful in carrying out specialized product sales, leading to sales growth for “Reatec,” an adhesive-mounted decorative film, and “Glass Film.” However, temporarily slowed market penetration of “RéSERVE 1000” and “REFORM Selection,” which were launched in June, and a decline in the number of rental housing resulted in net sales of wall coverings of ¥57,155 million, down 0.8% year on year.

In the flooring division, supported by demand in office environment renovations due to the promotion of work style reform and demand driven by foreigners visiting Japan, sales of Carpet Tile-NT/DT, fiber-based floorings launched in October, grew in the office and hotel markets. Sales were then further driven by the continuing expansion in the residential market and market for PVC floor tiles in commercial facilities. On the other hand, the market’s shrinking trend in the medical and welfare sectors also had an impact. As a result, net sales of flooring were ¥43,116 million, up 0.6% year on year.

In the fabrics division, “STRINGS” the sample books which feature curtains for residential use, and “Simple Order” which pursues easiness to select products by one price policy, continued to drive sales. Also, Sangetsu Vosne Corporation, a company specializing in curtain sales, established a sales network containing the four major cities of Tokyo, Osaka, Nagoya, and Fukuoka, strengthening specialized sales activities in the residential sector. As a result, net sales of fabrics products, which are composed of curtains and upholstery, were ¥8,311 million, up 5.1% year on year.

Aside from this, with other business, which includes installation fees, etc., recording net sales of ¥10,924 million, down 12.5% year on year, the Interior Business segment recorded net sales of ¥119,508 million, down 1.1% year on year, and operating income of ¥6,174 million, up 7.3% year on year.

(Exterior Business) Net sales ¥16,121 million

Main business

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

(Millions of yen)

	66th term Fiscal year ended March 31, 2018	67th term Fiscal year ended March 31, 2019
Net sales	15,013	16,121
Operating income	439	594

Sungreen Co., Ltd., which operates the exterior business, received an increase in restoration works due to the occurrence of a natural disaster such as typhoon in the second quarter, and saw significant growth in sales of fences and storage sheds. In addition, as for the public buildings, reinforcement works for the existing concrete block walls and a demand for replacement to fences increased, due to the rising awareness for the safety. The addition of last-minute demand in the fourth quarter created by price revisions by some manufacturers resulted in a market boom. In regard to sales management structure, there was a focus on revising follow-up structure, such as the establishment of the Toyohashi Branch, and reinforcing construction capabilities. As a result, net sales of the exterior business were ¥16,121 million, up 7.4% year on year, and operating income was ¥594 million, up 35.0% year on year.

(Lighting Equipment Business) Net sales ¥4,227 million

Main business

Sale of lighting equipment, etc.

(Millions of yen)

	66th term Fiscal year ended March 31, 2018	67th term Fiscal year ended March 31, 2019
Net sales	3,663	4,227
Operating income	(137)	65

At Yamada Shomei Lighting Co., Ltd., which operates the lighting equipment business, while competition grew fiercer due to new competitors entering the market, price reductions, and other factors, the contract market remained firm backed by the demand driven by foreigners visiting Japan and created by the Tokyo Olympics. Against this backdrop, Yamada Shomei Lighting Co., Ltd. demonstrated the value that its design ability and proposal-making capabilities offer in the customization sector, an area in which it is particularly strong, and grew sales to hotels and accommodation facilities. It also reinforced specification sales activities through methods such as increasing the number of sales development supervisors. As a result, sales of the lighting equipment business were ¥4,227 million, up 15.4% year on year, and operating income amounted to ¥65 million (operating loss of ¥137 million for the previous fiscal year).

(Overseas Business) Net sales ¥20,920 million

Main business

Manufacture of wallpaper products and sale of interior materials

(Millions of yen)

	66th term Fiscal year ended March 31, 2018	67th term Fiscal year ended March 31, 2019
Net sales	17,151	20,920
Operating income	(870)	(960)

At Koroseal Interior Products Holdings, Inc., which targets the North American market, sales were driven by digital printing, particularly in the hotel and commercial markets, and products by European wall covering manufacturer VESCOM, which Koroseal acquired the distribution rights for in September, contributed to sales. The company also engaged in structural reforms aimed at improving revenues, such as reinforcing its management-level workforce. Sangetsu (Shanghai) Corporation, which targets the Chinese market, achieved firm sales of wall coverings in the residential sector and flooring in medical, welfare, and commercial sectors, and in November it established a showroom in Shanghai. The Company also collaborated with Goodrich Global Holdings Pte. Ltd., which operates business in the China and Southeast Asian market, and worked on creating group synergies in the countries and areas other than China.

On the other hand, selling, general and administrative expenses such as labor costs and sales tool costs at Koroseal Interior Products Holdings, Inc., increased. As a result, net sales of the overseas business were ¥20,920 million, up 22.0% year on year, and operating loss was ¥960 million (operating loss of ¥870 million for the previous fiscal year).

(2) Capital Investments

During the fiscal year under review, the Group as a whole made capital investments of ¥2,336 million primarily to develop bases and branches that were becoming too old or cramped. This includes the reinforcement of the factory production lines in the Overseas Business and the development of a new core system and relocation of the Hokkaido Branch and Logistics Center in the Interior Business segment.

(3) Financing

During the fiscal year under review, the Group procured financing of US\$12 million to secure funds to make a loan to Koroseal. After taking into account exchange rate risk, a loan was made to Koroseal on the same day as the date of borrowing from the bank.

(4) Issues to Address

Future outlook remains unclear as to how issues such as the prolongation of trade issues between the US and China, the slowdown of the Chinese economy, and political uncertainty in Europe, will impact the Japanese economy and to what extent, and adequate attention must continue to be paid to these issues. Regarding the construction market, which is closely connected to the Company's business, firm demand for construction is forecast to continue due to the Tokyo Olympics and redevelopment of the Tokyo metropolitan area, but due to factors such as a slowdown in the growth of new housing starts, labor shortages in the construction industry, and sudden rises in raw material and transportation costs, the current severe and difficult-to-predict economic environment is expected to continue.

In such a market environment, the Company announced Mid-term Business Plan (2017-2019) "PLG 2019" in May 2017. Under this three-year business plan, the Company will strengthen consolidated management throughout the Group and strive to further enhance its corporate value. We will also steadily implement capital strategies aimed at improving our reputation with stakeholders and aim to achieve ROE levels of 8-10%. The measures for achieving these goals are as follows.

1) Business strategies for growth

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

- (i) Realize stable growth in revenue through functionality enhancement and the expansion of activities in the value chain in the Japanese market, which is the stable and basic source of revenue
- (ii) Strengthen activities in overseas markets with high growth potential and implement business expansion in terms of geographic coverage as well as products and functions
- (iii) Build planning and procurement capabilities for products to be placed in the global markets in response to the globalization of design and the globalization of manufacturers
- (iv) Strengthen the consolidated management system to produce total synergy effect through the integrated management of subsidiaries and affiliates engaging in local businesses, those providing certain functions, and those operating in specialized markets
- (v) Implement changes in business operation models on a trial basis for the development of the next Mid-term Business Plan

2) Strengthening of human resources

- (i) Development of professionals
- (ii) Thorough application of the merit system
- (iii) Promotion of diversity
- (iv) Work style reform
- (v) Promotion of corporate health

3) Enhancement of the profit management system

- (i) Reduction and tighter management of selling, general and administrative expenses
- (ii) Introduction of CCC management to all Group companies
- (iii) Clarification and progress management of management indicators at each Sangetsu division and branch

4) ESG/CSR policies

- (i) Environment
Measure the environmental load of the business of the Sangetsu Group as a whole and build a system to promote the prevention of global warming and sustainable resource recycling
- (ii) Society
 - Support the empowerment of diverse employees working at all Group companies as well as the employment of socially disadvantaged persons
 - Promote social responsibility in the supply chain
 - Expand activities for social contribution led by employees
- (iii) Governance
 - Maintain and increase the transparency of corporate governance and ensure compliance

5) Capital policy

- (i) Financial policy to improve capital efficiency

The Group will aim to reduce shareholders' equity to the range of ¥105.0 billion to ¥100.0 billion by continuing the acquisition of treasury shares and stable dividend increases while taking into consideration the prevailing capital market environment.

- (ii) Shareholder return policy during the term of the Mid-term Business Plan
- Maintain the total return ratio on the consolidated basis above 100% during the term of the Mid-term Business Plan (3 years)
 - Maintain stable dividend increases under the basic policy of stable dividend increases over the long-term period
 - Acquire treasury shares flexibly depending on the conditions in the stock market

Other Issues to Address

- 1) Koroseal Interior Products Holdings, Inc., which was acquired in November 2016, recorded revenues lower than originally planned. In order to improve revenues, we will steadily advance improvement measures such as reinforcement of management structure, improvement of product appeal, expansion of sales volumes, and reinforcement of cost-competitiveness by starting to use new equipment.
- 2) As for the quality issue arising from wall coverings purchased from a particular supplier, we will establish a customer service center and perform necessary repairs in coordination with said supplier on an ongoing basis at the residences, facilities, etc., of the customers at which said products were installed. The cost of such repairs is fully borne by the supplier and no loss is recorded by the Company in relation to these repairs.

For the coming fiscal year, therefore, the Group is forecast to record net sales of ¥163.0 billion, operating profit of ¥8.0 billion, ordinary profit of ¥8.3 billion, and profit attributable to owners of parent of ¥5.7 billion.

(5) Changes in Assets and Income (Loss)

(Millions of yen, except for per share amounts)

Item	64th term Fiscal year ended March 31, 2016	65th term Fiscal year ended March 31, 2017	66th term Fiscal year ended March 31, 2018	67th term Fiscal year ended March 31, 2019
Net sales	133,972	135,640	156,390	160,422
Ordinary income (loss)	9,463	8,368	5,698	6,699
Profit (loss) attributable to owners of parent	6,393	6,570	4,514	3,579
Net income (loss) per share (Yen)	89.92	97.53	68.97	57.28
Diluted net income (loss) per share (Yen)	89.81	97.40	68.85	57.16
Total assets	139,220	169,344	171,419	170,875
Net assets	108,517	110,458	106,360	100,143
Net assets per share (Yen)	1,587.86	1,646.42	1,648.71	1,612.59

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

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

(6) Principal Subsidiaries and Affiliates (As of March 31, 2019)

Company name	Capital	Equity ownership (%)	Main business
Sungreen Co., Ltd.	¥130 million	100	Sale of exterior products
Yamada Shomei Lighting Co., Ltd.	¥243 million	100	Sale of lighting equipment
Fairtone Co., Ltd.	¥35 million	100	Interior finishing and design and construction business
Sangetsu Vosne Corporation	¥100 million	100	Sale and planning of interior fabric products

Company name	Capital	Equity ownership (%)	Main business
Sangetsu Okinawa Co., Ltd.	¥100 million	100	Sale of interior materials
Koroseal Interior Products Holdings, Inc.	US\$136,725 thousand	100	Manufacturing and sale of wallpaper products
Goodrich Global Holdings Pte. Ltd.	SG\$11,004 thousand	70	Sale of interior materials
Sangetsu (Shanghai) Corporation	RMB13,000 thousand	100	Sale of interior materials
Wavelock Holdings Co., Ltd.	¥2,185 million	25.9	Manufacturing and sale of wallpaper products and synthetic fiber netting products, etc.

Notes: 1. Wavelock Holdings Co., Ltd. is an equity-method affiliate of the Company.
2. On June 6, 2018, the Company established Sangetsu Okinawa Co., Ltd. as a wholly-owned subsidiary and it started operations on October 1 of the same year.
3. On April 5, 2019, all shares of a consolidated subsidiary Yamada Shomei Lighting Co., Ltd. were transferred to ODELIC CO., LTD.

(7) Principal Business (As of March 31, 2019)

1) The Company

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

2) Principal subsidiaries

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

Notes: 1. On June 6, 2018, the Company established Sangetsu Okinawa Co., Ltd. as a wholly-owned subsidiary and it started operations on October 1 of the same year.
2. On April 5, 2019, all shares of a consolidated subsidiary Yamada Shomei Lighting Co., Ltd. were transferred to ODELIC CO., LTD.

(8) Employees (As of March 31, 2019)

1) The Group

Segment	Number of employees	Change from previous fiscal year-end
Interior Business	1,237	Increase of 3
[of which Sangetsu Corporation]	[1,167]	[Decrease of 38]
[of which Fairtone Co., Ltd.]	[33]	[Increase of 18]
[of which Sangetsu Vosne Corporation]	[20]	[Increase of 6]
[of which Sangetsu Okinawa Co., Ltd.]	[17]	[Increase of 17]
Exterior Business	156	Increase of 5
Lighting Equipment Business	105	Decrease of 2
Overseas Business	836	Decrease of 29
[of which Koroseal Interior Products Holdings, Inc.]	[553]	[Decrease of 29]
[of which Goodrich Global Holdings Pte. Ltd.]	[274]	[Decrease of 5]
[of which Sangetsu (Shanghai) Corporation]	[9]	[Increase of 5]
Total	2,334	Decrease of 23

Note: In line with the transfer of all shares of a consolidated subsidiary Yamada Shomei Lighting Co., Ltd., "Lighting Equipment Business" will be removed from the above segments from the next fiscal year onward.

2) The Company

Number of employees	Change from previous fiscal year-end	Average age	Average years of service
1,167	Decrease of 38	36.7 years old	15.5 years

(9) Status of Principal Borrowings (As of March 31, 2019)

Lender	Balance of borrowing (Millions of yen)
Syndicated loan (Note 1)	11,099
Syndicated loan (Note 2)	4,994
Mizuho Bank, Ltd.	1,300
Sumitomo Mitsui Banking Corporation	865
THE SHIGA BANK, LTD.	665
MUFG Bank, Ltd.	300
Sumitomo Mitsui Trust Bank, Limited	200

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

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

2. Status of the Company

(1) Status of Shares (As of March 31, 2019)

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

2) Total Number of Issued Shares 62,850,000 shares

Note: The total number of issued shares decreased by 3,200,000 shares (to 62,850,000 shares) due to retirement of treasury shares carried out on May 31, 2018, September 28, 2018 and February 28, 2019.

3) Number of Shareholders 4,234 persons

4) Major Shareholders (Top 10)

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
Northern Trust Co. (AVFC) Re Silchester International Investors International Value Equity Trust	4,090,900	6.65
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,517,100	5.72
Northern Trust Co. (AVFC) Re U.S. Tax Exempted Pension Funds	2,151,500	3.49
Japan Trustee Services Bank, Ltd. (Trust Account)	2,128,800	3.46
MUFG Bank, Ltd.	2,082,700	3.38
The Ogaki Kyoritsu Bank, Ltd.	2,064,372	3.35
Yuichi Hibi	1,885,154	3.06
Touzou Hibi	1,863,492	3.03
Masae Miwa	1,780,640	2.89
Yoshio Hibi	1,780,000	2.89

Note: The Company holds 1,371,532 treasury shares, and shareholding ratio is calculated after deducting the amount of treasury shares.

5) Other important matters concerning stock

i. Acquisition of treasury shares

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

Date of resolution by the Board of Directors	Period of acquisition	Number of shares acquired (shares)	Total value of acquired shares
January 12, 2018 and March 9, 2018	From April 1, 2018 to April 27, 2018	311,100	¥696 million
May 11, 2018	From May 14, 2018 to August 20, 2018	1,000,000	¥2,195 million
September 14, 2018	From September 18, 2018 to January 21, 2019	1,000,000	¥2,093 million
February 5, 2019	From February 6, 2019 to March 31, 2019	144,200	¥297 million
Total		2,455,300	¥5,282 million

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

ii. Retirement of treasury shares

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

Date of resolution by the Board of Directors	Date of retirement	Number of shares canceled (shares)	Total value of shares cancelled
May 11, 2018	May 31, 2018	1,200,000	¥2,522 million
September 14, 2018	September 28, 2018	1,000,000	¥2,125 million
February 5, 2019	February 28, 2019	1,000,000	¥2,109 million
Total		3,200,000	¥6,756 million

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

(2) Status of Share Acquisition Right

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

Name (Date of resolution for issue)	Number of share acquisition rights	Class and number of shares to be issued upon exercise of the share acquisition rights	Amount to be paid for share acquisition rights per unit	Amount of property contributed upon exercise of the share acquisition rights	Exercise period
1st series share acquisition right (May 12, 2015)	6,225 units	Common shares 622,500 shares	¥400	¥1,839 per share	From July 1, 2017 to June 16, 2022
2nd series share acquisition right (June 18, 2015)	173 units	Common shares 17,300 shares	¥177,900 (Note)	¥1 per share	From July 13, 2015 to July 12, 2045
3rd series share acquisition right (June 23, 2016)	242 units	Common shares 24,200 shares	¥180,200 (Note)	¥1 per share	From July 11, 2016 to July 10, 2046
4th series share acquisition right (July 14, 2017)	5,979 units	Common shares 597,900 shares	¥1,300	¥1,972 per share	From July 1, 2020 to August 9, 2024

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

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

Name (Date of resolution for issue)	Number of share acquisition rights	Class and number of shares to be issued upon exercise of the share acquisition rights	Number of Directors holding the share acquisition rights
1st series share acquisition right (May 12, 2015)	270 units	Common shares 27,000 shares	3 persons
2nd series share acquisition right (June 18, 2015)	173 units	Common shares 173,000 shares	3 persons
3rd series share acquisition right (June 23, 2016)	217 units	Common shares 217,000 shares	5 persons
4th series share acquisition right (July 14, 2017)	570 units	Common shares 570,000 shares	5 persons

3) Status of the share acquisition rights granted to employees of the Company during the current fiscal year

Name (Date of resolution for issue)	Number of share acquisition rights	Class and number of shares to be issued upon exercise of the share acquisition rights	Number of <u>employees</u> of the Company holding the share acquisition rights
4th series share acquisition right (July 14, 2017)	5,459 units	Common shares 545,900 shares	223 persons

(3) Company Officers

1) Directors (As of March 31, 2019)

Position	Name	Areas of responsibility within the Company and significant concurrent positions
Representative Director, President and CEO	Shousuke Yasuda	General Manager of the Interior Division
Director, Managing Executive Officer	Shuji Sasaki	General Manager of the Sales Division
Director, Executive Officer	Yasutomo Yoshikawa	Deputy General Manager of the Sales Division and General Manager of Tokyo Branch
Director, Executive Officer	Kenji Ito	In charge of General Affairs, Human Resources, Management Audit and Information System, and General Manager of the President's Office
Director, Executive Officer	Yoshiaki Kaneko	General Manager of the Logistics Department and Vice General Manager of the Interior Division
Director (Audit and Supervisory Committee Member)	Kunihiro Nasu	Attorney Outside Audit and Supervisory Board Member of Central Japan Railway Company
Director (Audit and Supervisory Committee Member)	Tamotsu Kokado	Advisor of MUFG Bank, Ltd. Outside Audit & Supervisory Board Member of Toho Gas Co., Ltd. Outside Director of AT-Group Co., Ltd. Outside Director of CHUKYO TV. BROADCASTING CO., LTD. Outside Audit & Supervisory Board Member of Okuma Corporation
Director (Audit and Supervisory Committee Member)	Masatoshi Hatori	
Director (Audit and Supervisory Committee Member)	Michiyo Hamada	Outside Director of Aisin Seiki Co., Ltd. Outside Audit & Supervisory Board Member of Toho Gas Co., Ltd. Outside Auditor of Metropolitan Expressway Company Limited
Director (Full-time Audit and Supervisory Committee Member)	Takashi Tajima	

- Notes: 1. Directors serving as Audit and Supervisory Committee Members Mr. Kunihiro Nasu, Mr. Tamotsu Kokado, Mr. Masatoshi Hatori and Ms. Michiyo Hamada are Outside Directors.
2. Outside Directors have been elected from among experts in diverse areas, such as business, legal, accounting, and public administration to ensure diversity in the Board of Directors as a whole.
3. The Company has designated Audit and Supervisory Committee Members Mr. Kunihiro Nasu, Mr. Tamotsu Kokado, Mr. Masatoshi Hatori, and Ms. Michiyo Hamada as Independent Officers as stipulated by Tokyo Stock Exchange (TSE) and Nagoya Stock Exchange (NSE), and filed the relevant notification with the TSE and NSE.
4. The Company elected Mr. Takashi Tajima as a full-time Audit and Supervisory Committee Member from among five Audit and Supervisory Committee Members. The reason for election of the full-time Audit and Supervisory Committee Member is to enhance the effectiveness of the deliberation and activities at the Audit and Supervisory Committee, by means of collecting information on a daily basis, receiving regular operational reports from executive departments and share information from persons who conduct site visits as their duties among all Audit and Supervisory Committee Members.
5. The Company has concluded an agreement with each of five Audit and Supervisory Committee Members as per Article 427, paragraph 1 of the Companies Act, limiting their liability for compensation

for damage under Article 423, paragraph 1 of the Companies Act. These agreements limit the amount of their liability for compensation for damage to the minimum legally stipulated amounts.

6. The new execution system as of April 1, 2019 was as follows.
 - (1) Mr. Shousuke Yasuda left his concurrent position of General Manager of the Interior Division.
 - (2) Mr. Shuji Sasaki left his position of Executive Officer, and his nomination as a candidate for Director serving as Audit and Supervisory Committee Member is being proposed at the Ordinary General Meeting of Shareholders to be held on June 20, 2019.
 - (3) Mr. Yasutomo Yoshikawa assumed the position of Managing Executive Officer and General Manager of the Sales Division.
 - (4) Mr. Yoshiaki Kaneko assumed the position of Executive Officer and General Manager of the Interior Division.

2) Amount of Remuneration, etc. to Directors in FY 2018

Title	Number of payees (Persons)	Amount of remuneration (Millions of yen)
Directors (excluding Audit and Supervisory Committee Members)	5	131
Directors (Audit and Supervisory Committee Members)	5	61
(Of which, Outside Directors)	(4)	(40)
Total	10	193
(Of which, Outside Directors)	(4)	(40)

- Notes:
1. Above amount of remuneration does not include amount equivalent to salaries of those who are also company employees.
 2. Maximum total amount of remuneration for Directors (excluding Audit and Supervisory Committee Members) is set at ¥400 million or below per year at the 63rd Ordinary General Meeting of Shareholders held on June 18, 2015. In addition to this, the amount of remuneration to be granted as restricted shares is set ¥120 million or below per year at the 65th Ordinary General Meeting of Shareholders held on June 23, 2017.
The Audit & Supervisory Committee, through a process of deliberation on the remuneration, etc. for Directors other than Audit and Supervisory Committee Members at the Nomination and Remuneration Committee, at which all Audit & Supervisory Committee Members participate, has given careful consideration to the viewpoints of whether remuneration, etc. for Representative Director, President and CEO, and other Executive Directors is appropriate for their positions, responsibilities and achievements in terms of the amount, and serves as proper incentive for the corporate value enhancement. As a result, the Audit and Supervisory Committee judged that the contents of remuneration, etc. are appropriate.
 3. Maximum total amount of Audit and Supervisory Committee Members' remuneration is set at ¥80 million or below per year and shall be comprised of only a fixed base remuneration that does not fluctuate with performance as determined at the 63rd Ordinary General Meeting of Shareholders held on June 18, 2015. It is considered appropriate for Directors who are members of the Audit and Supervisory Committee.
 4. Above amount of remuneration includes the following amounts as expenses for the current fiscal year related to the restricted share remuneration.
 - Five Directors (excluding Audit and Supervisory Committee Members); ¥25 million
 5. The system of counselors/advisors was terminated. However, the founders Mr. Yuichi Hibi and Mr. Touzou Hibi serve as part-time, unpaid special advisors.

3) Outside Officers

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

Title	Name	Significant concurrent positions	Relationship with the Company
Outside Director (Audit and Supervisory Committee Member)	Kunihiro Nasu	Outside Audit and Supervisory Board Member of Central Japan Railway Company	There are no special interests between Central Japan Railway Company and the Company.
Outside Director (Audit and Supervisory Committee Member)	Tamotsu Kokado	Advisor of MUFG Bank, Ltd.	Although MUFG Bank, Ltd. holds shares of the Company and engages in banking transactions with the Company, there are no special interests between the two entities, as the Bank is not major shareholder of the Company.
		Outside Audit & Supervisory Board Member of Toho Gas Co., Ltd.	There are no special interests between Toho Gas Co., Ltd. and the Company.
		Outside Director of AT-Group Co., Ltd.	There are no special interests between AT-Group Co., Ltd. and the Company.
		Outside Director of CHUKYO TV. BROADCASTING CO., LTD.	There are no special interests between CHUKYO TV. BROADCASTING CO., LTD. and the Company.
		Outside Audit & Supervisory Board Member of Okuma Corporation	There are no special interests between Okuma Corporation and the Company.
Outside Director (Audit and Supervisory Committee Member)	Michiyo Hamada	Outside Director of Aisin Seiki Co., Ltd.	There are no special interests between Aisin Seiki Co., Ltd. and the Company.
		Outside Audit & Supervisory Board Member of Toho Gas Co., Ltd.	There are no special interests between Toho Gas Co., Ltd. and the Company.
		Outside Auditor of the Metropolitan Expressway Company Limited	There are no special interests between Metropolitan Expressway Company Limited and the Company.

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

iv) Main activities

Title	Name	Main activities
Outside Director (Audit and Supervisory Committee Member)	Kunihiro Nasu	Participated in all 13 Board of Directors' meetings and in all 12 Audit and Supervisory Committee meetings held in FY 2018; provided expert opinions, mainly as an experienced attorney, as necessary.
Outside Director (Audit and Supervisory Committee Member)	Tamotsu Kokado	Participated in all 13 Board of Directors' meetings and in all 12 Audit and Supervisory Committee meetings held in FY 2018; provided opinions, mainly as an experienced corporate manager at a city bank, as necessary.
Outside Director (Audit and Supervisory Committee Member)	Masatoshi Hatori	Participated in all 13 Board of Directors' meetings, in all 12 Audit and Supervisory Committee meetings held in FY 2018; provided opinions, mainly as an experienced corporate manager, as necessary.
Outside Director (Audit and Supervisory Committee Member)	Michiyo Hamada	Participated in all 13 Board of Directors' meetings, in all 12 Audit and Supervisory Committee meetings held in FY 2018; provided expert opinions, mainly as a jurist who specializes in Companies Act and a former Commissioner of Japan Fair Trade Commission, as necessary.

(4) Accounting Auditor

1) Accounting Auditor's Name

PricewaterhouseCoopers Aarata LLC

2) Accounting Auditor's Compensation, etc.

	Amount payable (Millions of yen)
Amount of Accounting Auditor's Compensation, etc. payable by the Company for the current fiscal year	65
Total amount of cash and other property benefits payable by the Company and its subsidiaries to Accounting Auditor	65

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

3) Reason for Audit and Supervisory Committee Consenting to Compensation, etc. of Accounting Auditor

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

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

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

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

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

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

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

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

<p>I System to Ensure the Propriety of the Business Operations</p> <p>1. System to ensure that Directors, Executive Officers and employees execute their duties in compliance with relevant laws and regulations and the Articles of Incorporation of the Company</p> <p>(1) The Company shall establish the Sangetsu Group Corporate Charter and Compliance Code of Conduct as a code of conduct to ensure conduct of Directors, Executive Officers and employees is in compliance with laws and regulations, the Articles of Incorporation and societal norms, and develop and consolidate regulations relating to compliance.</p> <p>(2) The Company shall establish a compliance committee, for which the President has ultimate responsibility, as a body to deliberate significant matters relating to the promotion of compliance.</p> <p>(3) The Company shall nominate a Director and Executive Officer to be in charge of compliance in order to supervise compliance activities on a cross-Group basis.</p> <p>(4) Head of each department shall be responsible for maintaining and improving the system for the promotion of compliance with laws and regulations, and internal rules in the relevant department. Furthermore, compliance leaders who promote compliance activities shall be appointed in each branch and department.</p> <p>(5) The Audit Office, set up in the Management Audit Department shall conduct internal audit on the propriety of operation.</p> <p>(6) The Internal Control Section, set up in the Management Audit Department, shall work to promote and enhance internal control in order to secure propriety and reliability in financial reporting.</p> <p>(7) The Company shall establish a helpline, where employees and others may report compliance problems, and designate a contact within the company and an external law office to be in charge of such matters. Furthermore, the Company shall prohibit any adverse treatment based on the fact that such a report has been made by the person.</p>

2. System to store and control information related to execution of duties by Directors and Executive Officers
 - (1) The Company shall record information related to the execution of duties by Directors and Executive Officers in documents or by electronic media, and retain and manage this information in accordance with its rules on the retention of documentary records.
 - (2) The aforementioned documents and other materials related to the execution of duties by Directors and Executive Officers shall be kept available for inspection and copying at the request of the Audit and Supervisory Committee Members designated by the Audit and Supervisory Committee.
3. Rules and other systems for managing risk of loss
 - (1) The Company shall establish Risk Management Rules, etc. with the aim of management of and response to various risks surrounding the Company.
 - (2) The Company shall establish a risk management committee, for which the President has ultimate responsibility, as a body to oversee the Group-wide risk management.
 - (3) The Company shall nominate a Director and Executive Officer to be in charge of risk in order to supervise risk management activities of all Group companies.
 - (4) The Company shall establish risk management subcommittees in response to various risks, and appoint persons in charge for each subcommittee. Each risk management subcommittee shall deliberate issues on and countermeasures against risk in charge, and responds to them responsibly.
4. System to ensure that Directors and Executive Officers execute their duties efficiently
 - (1) With the aim of the agile business operations and clarification of operating responsibilities by separating decision-making and supervisory functions in the management from executive functions, the Company shall adopt an executive officer system.
 - (2) The Company shall hold regular meetings of the Board of Directors once a month in principle, and matters such as deliberations and decisions on important items related to the management policies and strategies shall be handled at these meetings.
 - (3) The Board of Directors may, in accordance with the Articles of Incorporation and Board of Directors regulations, delegate all or part of decisions on important business execution issues to Representative Director. The important business execution issues delegated to Directors shall be deliberated at the Management Meeting, comprised of Executive Directors, Executive Officers and others.
 - (4) Executive Directors and Executive Officers shall take charge of and execute their duties in accordance with the Rules on Division of Duties and Rules on Authority regarding Duties.
 - (5) The Company shall formulate the management plan from a medium- to long-term perspective regularly. In order to realize the management plan, budgets with companywide goals for each fiscal year shall be set and each department shall execute detailed plan aimed at the goals.
 - (6) The Group-wide meeting, comprised of Executive Directors and Executive Officers as well as heads of departments, shall be convened regularly to share information on the implementation of the management plan and monitor its progress.

5. System relating to the Sangetsu Group comprising the Company and its subsidiaries

- (1) System concerning the reporting of matters to the Company related to the execution of duties performed by Directors of subsidiaries

Subsidiary and Affiliates Management Regulations and Standards for Matters at Subsidiaries and Affiliates Requiring Approval and Reporting shall be established, and a system shall be put in place for reporting to the Company of the diverse matters occurring at subsidiaries. The Company shall introduce a department-in-charge system for the management of its subsidiaries.

- (2) Rules and other systems for managing risk of loss at subsidiaries

Risk Management Regulations, Business Investment Risk Management Regulations, Subsidiary and Affiliates Management Regulations and Standards for Matters at Subsidiaries and Affiliates Requiring Approval and Reporting and other rules shall be established, and a system shall be put in place for the Company to manage the diverse risks, including the occurrence of loss, at subsidiaries.

In addition, monthly reports shall be made to the Company's Board of Directors in order to manage the various risks. Furthermore, regulations handling risks shall be put in place by subsidiaries themselves, thereby adding to the system for risk management.

- (3) System to ensure that subsidiary Directors execute their duties efficiently

Subsidiary and Affiliates Management Regulations and Standards for Matters at Subsidiaries and Affiliates Requiring Approval and Reporting shall be established, and a system shall be put in place to ensure that subsidiary Directors are able to execute their duties efficiently. In addition, rules on the division of duties shall be put in place by subsidiaries themselves for the distribution of work responsibilities in order to allow the efficient execution of duties.

- (4) System to ensure that subsidiary Directors and employees execute their duties in compliance with relevant laws and regulations and the Articles of Incorporation of the Company

The Company shall establish the Sangetsu Group Corporate Charter and Compliance Code of Conduct in order to maintain and improve the overall compliance framework of the Group. In addition, the Company shall establish a helpline with a designated external law office available also for employees at subsidiaries to contact with reports.

II Systems to Assist Execution of Duties by the Audit and Supervisory Committee

1. Matters relating to employees who assist in the duties of the Audit and Supervisory Committee

- (1) In order to assist the Audit and Supervisory Committee, the Company shall establish the Audit and Supervisory Committee Department with employees who serve dedicated and concurrently with their other posts.

- (2) Assignments, transfers and evaluations for employees belonging to the Audit and Supervisory Committee Department require the consent of Audit and Supervisory Committee to ensure the independence from Executive Directors.

- (3) Employees belonging to the Audit and Supervisory Committee Department assist in the duties of Audit and Supervisory Committee under the direction of Audit and Supervisory Committee.

- (4) Employees belonging to the Audit and Supervisory Committee Department shall not be subject to instructions and orders from Executive Directors and Executive Officers concerning the duties to assist Audit and Supervisory Committee. Employees belonging to the Audit and Supervisory Committee Department who serve concurrently with other posts shall carry out the instructions given by Audit and Supervisory Committee Members as top priority.

2. Systems relating to the reporting to the Audit and Supervisory Committee
 - (1) Audit and Supervisory Committee Members shall receive reports regularly from Executive Directors on the status of execution of duties in charge at the Board of Directors. In addition, Audit and Supervisory Committee Members shall receive reports regularly on the status of the Boards of Directors of subsidiaries from Directors and Auditors dispatched to the Company's subsidiaries.
 - (2) Executive Directors and Executive Officers shall, in the event of situations that may cause significant damage to the Company, swiftly report such matters to Audit and Supervisory Committee personally or through the heads of relevant departments.
 - (3) Audit and Supervisory Committee Members designated by Audit and Supervisory Committee shall attend important meetings, examine records, minutes, or other documents related to the execution of business, and request as necessary explanations from Executive Directors, Executive Officers or employees.
 - (4) Audit and Supervisory Committee Members designated by Audit and Supervisory Committee shall visit subsidiaries, and examine records, minutes, or other documents related to the execution of business, and request as necessary explanations from subsidiary Directors or employees.
 - (5) Officers and employees of the Group may report compliance problems directly to Audit and Supervisory Committee or its members without using the Company's helpline. In such case, the Company prohibits any adverse treatment based on the fact that such a report has been made by the person.
3. Items concerning policies for handling of expenses and debts arising from the execution of duties by the Audit and Supervisory Committee
 - (1) All expenses necessary for the duties of Audit and Supervisory Committee shall be recorded in an independent budget every fiscal period and processed promptly based on expense payment standards.
 - (2) Audit and Supervisory Committee, on its own initiative, may use external experts, etc., where necessary, and the Company shall then bear those expenses.
4. Other Systems to ensure that Audit and Supervisory Committee execute their audits effectively
 - (1) With the aim of effective audit execution, Audit and Supervisory Committee shall cooperate with the internal audit department and internal control department.
 - (2) Audit and Supervisory Committee shall formulate the policy and plan for audit annually and report them to the Board of Directors.
 - (3) In order to enhance auditing effectiveness, Audit and Supervisory Committee shall receive reports on the status of responses to issues identified in the audits at the Board of Directors meetings or on other occasions, and give feedback to them.
 - (4) Audit and Supervisory Committee shall exchange information regularly on matters including audits with President and Accounting Auditor.

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

- i) Operational status of compliance system
 - The Compliance Committee has been held four times in the current fiscal year, where they formulated the compliance program for the year and promoted initiatives such as checking its progress, instruction for its revisions and, other compliance activities.
 - Antimonopoly Act training was conducted for employees in managerial positions.
 - Subcontract Act training was conducted for staff in charge of purchasing at each division.
 - Basic compliance training was provided to both new managers and new employees.
 - The Company reviewed its helpline program and revised the compliance reporting regulations.
- ii) Operational status of risk management system
 - The Company has established eight subcommittees (sales and credit risk, logistics risk, product development risk, inventory and purchase risk, overseas business risk, labor management risk, environment, disaster and other risk, and information security risk) under the Risk Management Committee.
 - The Risk Management Committee has been held four times in the current fiscal year, where they examined countermeasures against the potential risks discussed at each subcommittee.
 - The risk management system is operated aiming to achieve the status in which the control levels of each risk are identified and effectively managed.
- iii) Operational status of system for effective business execution
 - The Company introduced an executive officer system effective April 1, 2016 to speed up business execution and clarify executive responsibilities, and the Management Meeting, which consists mainly of Executive Officers, has been held 11 times in the current fiscal year.
 - The regular meeting of the Board of Directors has been held 12 times and the extraordinary meetings of the Board of Directors has been held one time in the current fiscal year.
 - Business Investment Risk Management Regulations have been revised and as investments in new and existing businesses involve differing degrees of risk, the decision-making standards in management planning documents for each of these have been separated.
 - The Board of Directors delegated the following matters of the important business execution issues to Representative Director in the current fiscal year:
 - 1) Establishment, change and abolition of branches and other significant organizations
 - 2) Decision on the basic policy related to employee hiring, salaries and bonuses
 - 3) Approval of the draft for annual budgets
 - In the second year in the Mid-term Business Plan “PLG 2019,” the Company formulated the annual budget, company policy, important measures and operation plan, and reviewed the progress of operation quarterly.
 - Business Issue Review Meetings were held seven times as venues to discuss business and operational issues.
 - In order to ensure that the three-year Mid-term Business Plan is implemented in accordance with management cycles, the relationship between each division’s mid-term plan and plan for the fiscal year have been clarified, start-of-year reviews have been held, and measures for the second year of the plan have been formulated.
- iv) Operational status of the Group
 - Under the department-in-charge system introduced on April 1, 2017, for each subsidiary and affiliate, the department in charge of its management has been designated to strengthen the consolidated management of the Sangetsu Group.
- v) Operational status of Audit and Supervisory Committee
 - The Audit and Supervisory Committee meeting has been held 12 times in the current fiscal year.

(6) Basic Policy on Control of the Company

There are no items to report.

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

Consolidated Financial Statements

(April 1, 2018 - March 31, 2019)

Consolidated Balance Sheet

(As of March 31, 2019)

(Millions of yen)

		(Reference) 66th term As of March 31, 2018			(Reference) 66th term As of March 31, 2018
Item	67th term As of March 31, 2019		Item	67th term As of March 31, 2019	
ASSETS			LIABILITIES		
Current assets	97,674	94,955	Current liabilities	39,389	34,275
Cash and deposits	27,220	22,482	Notes and accounts payable - trade	13,978	14,391
Notes and accounts receivable - trade	37,927	38,289	Electronically recorded obligations - operating	12,544	9,690
Electronically recorded monetary claims - operating	12,577	11,516	Short-term loans payable	1,298	547
Securities	300	2,003	Current portion of long-term loans payable	500	500
Merchandise and finished goods	14,597	14,330	Lease obligations	87	153
Work in process	377	215	Income taxes payable	1,632	963
Raw materials and supplies	2,357	2,750	Provision for bonuses	1,313	1,249
Other	2,820	3,827	Provision for directors' bonuses	7	25
Allowance for doubtful accounts	(503)	(461)	Provision for product warranties	1,041	753
Non-current assets	73,200	76,463	Other	6,984	6,001
Property, plant and equipment	35,688	36,928	Non-current liabilities	31,342	30,783
Buildings and structures	11,943	12,511	Long-term loans payable	18,925	17,404
Machinery, equipment and vehicles	3,140	3,597	Lease obligations	103	155
Land	19,313	19,360	Provision for directors' retirement benefits	116	109
Leased assets	329	385	Net defined benefit liability	8,108	7,724
Construction in progress	66	38	Asset retirement obligations	665	631
Other	896	1,034	Long-term accounts payable - other	2	125
Intangible assets	16,686	19,739	Deferred tax liabilities	2,492	2,990
Software	3,138	3,086	Other	928	1,640
Goodwill	4,680	6,135	Total liabilities	70,732	65,058
Trademark right	5,873	5,980	NET ASSETS		
Leased assets	3	6	Shareholders' equity	97,897	103,012
Other	2,989	4,530	Capital stock	13,616	13,616
Investments and other assets	20,825	19,796	Capital surplus	20,000	20,005
Investment securities	12,237	11,662	Retained earnings	67,171	73,967
Long-term loans receivable	10	10	Treasury shares	(2,889)	(4,577)
Deferred tax assets	4,185	3,742	Accumulated other comprehensive income	1,241	2,229
Other	4,499	4,463	Valuation difference on available-for-sale securities	2,303	2,768
Allowance for doubtful accounts	(106)	(82)	Deferred gains or losses on hedges	103	100
			Foreign currency translation adjustment	416	843
			Remeasurements of defined benefit plans	(1,582)	(1,482)
			Share acquisition rights	84	84
			Non-controlling interests	919	1,033
			Total net assets	100,143	106,360
Total assets	170,875	171,419	Total liabilities and net assets	170,875	171,419

Consolidated Statement of Income

(April 1, 2018 - March 31, 2019)

	(Millions of yen)	
Item	67th term (April 1, 2018 - March 31, 2019)	(Reference) 66th term (April 1, 2017 - March 31, 2018)
Net sales	160,422	156,390
Cost of sales	109,702	108,818
Gross profit	50,720	47,572
Selling, general and administrative expenses	44,824	42,538
Operating income	5,895	5,033
Non-operating income	985	784
Interest and dividend income	189	202
Share of profit of entities accounted for using equity method	364	394
Other	430	187
Non-operating expenses	180	120
Interest expenses	102	56
Foreign exchange losses	46	13
Commission for purchase of treasury shares	8	19
Financing expenses	-	10
Other	22	20
Ordinary income	6,699	5,698
Extraordinary income	16	75
Gain on sales of non-current assets	11	19
Gain on sales of investment securities	4	56
Other	0	-
Extraordinary losses	1,428	198
Loss on sales and retirement of non-current assets	153	108
Impairment loss	1,245	89
Other	29	-
Income before income taxes	5,287	5,575
Income taxes - current	2,548	2,819
Income taxes - deferred	(774)	(1,758)
Net income	3,513	4,514
Profit (loss) attributable to non-controlling interests	(66)	-
Profit attributable to owners of parent	3,579	4,514

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

(Millions of yen)

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

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,768	100	843	(1,482)	2,229	84	1,033	106,360
Cumulative effect of changes in accounting policies							(3)	(63)
Restated balance reflecting changes in accounting policies	2,768	100	843	(1,482)	2,229	84	1,030	106,297
Changes of items during period								
Dividends of surplus								(3,540)
Profit attributable to owners of parent								3,579
Purchase of treasury shares								(5,282)
Disposal of treasury shares								49
Retirement of treasury shares								-
Exercise of share acquisition rights								139
Net changes of items other than shareholders' equity	(464)	2	(426)	(99)	(988)	(0)	(111)	(1,099)
Total changes of items during period	(464)	2	(426)	(99)	(988)	(0)	(111)	(6,154)
Balance at end of current period	2,303	103	416	(1,582)	1,241	84	919	100,143

(Reference) Consolidated Statement of Changes in Equity
(April 1, 2017 - March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	13,616	20,005	77,177	(2,023)	108,775
Cumulative effect of changes in accounting policies			(58)		(58)
Restated balance reflecting changes in accounting policies	13,616	20,005	77,118	(2,023)	108,716
Changes of items during period					
Dividends of surplus			(3,643)		(3,643)
Profit attributable to owners of parent			4,514		4,514
Purchase of treasury shares				(6,976)	(6,976)
Disposal of treasury shares			(0)	49	48
Retirement of treasury shares			(3,993)	3,993	–
Exercise of share acquisition rights			(27)	379	352
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	(3,150)	(2,553)	(5,704)
Balance at end of current period	13,616	20,005	73,967	(4,577)	103,012

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,000	30	1,310	(1,745)	1,596	87	–	110,458
Cumulative effect of changes in accounting policies								(58)
Restated balance reflecting changes in accounting policies	2,000	30	1,310	(1,745)	1,596	87	–	110,399
Changes of items during period								
Dividends of surplus								(3,643)
Profit attributable to owners of parent								4,514
Purchase of treasury shares								(6,976)
Disposal of treasury shares								48
Retirement of treasury shares								–
Exercise of share acquisition rights								352
Net changes of items other than shareholders' equity	767	70	(466)	262	633	(2)	1,033	1,665
Total changes of items during period	767	70	(466)	262	633	(2)	1,033	(4,039)
Balance at end of current period	2,768	100	843	(1,482)	2,229	84	1,033	106,360

Non-consolidated Financial Statements

(April 1, 2018 - March 31, 2019)

Non-consolidated Balance Sheet

(As of March 31, 2019)

(Millions of yen)

		(Reference) 66th term As of March 31, 2018			(Reference) 66th term As of March 31, 2018
Item	67th term As of March 31, 2019		Item	67th term As of March 31, 2019	
ASSETS			LIABILITIES		
Current assets	80,687	79,227	Current liabilities	28,493	24,598
Cash and deposits	21,877	18,336	Electronically recorded obligations - operating	10,543	8,332
Notes receivable - trade	13,696	15,146	Accounts payable - trade	9,379	9,480
Electronically recorded monetary claims operating	12,306	11,286	Current portion of long-term loans payable	500	500
Accounts receivable - trade	16,177	16,090	Lease obligations	29	29
Securities	300	2,003	Accounts payable - other	3,109	2,360
Merchandise and finished goods	11,890	11,156	Income taxes payable	1,359	795
Work in process	228	65	Provision for bonuses	1,196	1,141
Raw materials and supplies	1,385	1,974	Provision for directors' bonuses	7	25
Advance payments - trade	149	86	Provision for product warranties	1,041	753
Other	2,817	3,286	Other	1,327	1,180
Allowance for doubtful accounts	(140)	(206)	Non-current liabilities	25,003	23,711
Non-current assets	72,927	73,655	Long-term loans payable	18,925	17,404
Property, plant and equipment	31,707	32,602	Lease obligations	52	82
Buildings	10,385	10,794	Provision for retirement benefits	4,484	3,884
Structures	241	274	Asset retirement obligations	652	618
Machinery and equipment	2,189	2,437	Currency swap	269	961
Vehicles	42	60	Long-term accounts payable - other	0	123
Tools, furniture and fixtures	640	813	Long-term deposits received	619	636
Land	18,099	18,118	Total liabilities	53,496	48,309
Leased assets	75	103	NET ASSETS		
Construction in progress	33	1	Shareholders' equity	97,665	101,697
Intangible assets	3,100	3,048	Capital stock	13,616	13,616
Software	3,029	2,976	Capital surplus	20,005	20,005
Other	70	71	Legal capital surplus	20,005	20,005
Investments and other assets	38,118	38,003	Retained earnings	66,933	72,653
Investment securities	9,256	9,734	Legal retained earnings	3,404	3,404
Shares of subsidiaries and associates	22,167	22,068	Other retained earnings	63,529	69,249
Long-term loans receivable	1,561	756	General reserve	60,400	60,400
Deferred tax assets	2,067	1,708	Retained earnings brought forward	3,129	8,849
Insurance funds	1,309	1,812	Treasury shares	(2,889)	(4,577)
Guarantee deposits	1,049	1,204	Valuation and translation adjustments	2,368	2,790
Other	786	783	Valuation difference on available-for-sale securities	2,264	2,690
Allowance for doubtful accounts	(80)	(63)	Deferred gains or losses on hedges	103	100
			Share acquisition rights	84	84
Total assets	153,615	152,882	Total net assets	100,118	104,573
			Total liabilities and net assets	153,615	152,882

Non-consolidated Statement of Income

(April 1, 2018 - March 31, 2019)

	(Millions of yen)	
Item	67th term (April 1, 2018 - March 31, 2019)	(Reference) 66th term (April 1, 2017 - March 31, 2018)
Net sales	117,945	119,530
Cost of sales	79,153	81,713
Gross profit	38,792	37,817
Selling, general and administrative expenses	32,693	32,118
Operating income	6,099	5,698
Non-operating income	750	672
Interest and dividend income	542	500
Other	207	171
Non-operating expenses	55	54
Interest expenses	27	1
Commission for purchase of treasury shares	8	19
Financing expenses	-	10
Foreign exchange losses	6	13
Other	13	10
Ordinary income	6,794	6,317
Extraordinary income	5	56
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	4	56
Other	0	0
Extraordinary losses	200	132
Loss on sales and retirement of non-current assets	135	50
Impairment loss	35	79
Other	29	2
Income before income taxes	6,599	6,241
Income taxes - current	2,315	2,123
Income taxes - deferred	(311)	(206)
Net income	4,596	4,325

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

(Millions of yen)

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

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	2,690	100	2,790	84	104,573
Changes of items during period					
Dividends of surplus					(3,540)
Net income					4,596
Purchase of treasury shares					(5,282)
Disposal of treasury shares					54
Retirement of treasury shares					-
Exercise of share acquisition rights					139
Net changes of items other than shareholders' equity	(425)	2	(422)	(0)	(423)
Total changes of items during period	(425)	2	(422)	(0)	(4,455)
Balance at end of current period	2,264	103	2,368	84	100,118

(Reference) Non-consolidated Statement of Changes in Equity
(April 1, 2017 - March 31, 2018)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surpluses		Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	13,616	20,005	20,005	3,404	60,400	12,189	75,993	(2,023)	107,591
Changes of items during period									
Dividends of surplus						(3,643)	(3,643)		(3,643)
Net income						4,325	4,325		4,325
Purchase of treasury shares								(6,976)	(6,976)
Disposal of treasury shares						(0)	(0)	49	48
Retirement of treasury shares						(3,993)	(3,993)	3,993	-
Exercise of share acquisition rights						(27)	(27)	379	352
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	-	(3,339)	(3,339)	(2,553)	(5,893)
Balance at end of current period	13,616	20,005	20,005	3,404	60,400	8,849	72,653	(4,577)	101,697

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	1,941	30	1,972	87	109,651
Changes of items during period					
Dividends of surplus					(3,643)
Net income					4,325
Purchase of treasury shares					(6,976)
Disposal of treasury shares					48
Retirement of treasury shares					-
Exercise of share acquisition rights					352
Net changes of items other than shareholders' equity	748	70	818	(2)	815
Total changes of items during period	748	70	818	(2)	(5,077)
Balance at end of current period	2,690	100	2,790	84	104,573

(English Translation)

Accounting Auditor's audit report on the Consolidated Financial Statements

Independent Auditor's Report

May 22, 2019

To the Board of Directors
Sangetsu Corporation

PricewaterhouseCoopers Aarata LLC

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

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements of Sangetsu Corporation (the "Company") for the fiscal term from April 1, 2018 to March 31, 2019.

The responsibility of management concerning the consolidated financial statements

The responsibility of management is to prepare consolidated financial statements in accordance with business accounting standards generally accepted in Japan and present appropriate accounting information. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of consolidated financial statements free of material misstatement due to fraud or error and the presentation of appropriate accounting information.

The responsibility of independent auditors

Our responsibility is to express an opinion independently on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement.

In audits, procedures are conducted in order to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. Audit procedures are chosen and applied in accordance with our judgment, based on the risk assessment of material misstatement in the consolidated financial statements due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of internal controls. However, we examine internal controls related to the preparation of consolidated financial statements and the appropriate presentation in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances. An audit includes assessing the accounting policies used, its application method and estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

Audit opinion

In our opinion, the above consolidated financial statements fairly present, in every material aspect, the financial position and results of operations of the Group consisting of the Company and its consolidated subsidiaries for the relevant term of the consolidated financial statements, in accordance with the business accounting standards generally accepted in Japan.

Interests in the Company

Our firm and engagement partners have no interest in the Company which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Notice to Readers:

The original consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to consolidated financial statements, are written in Japanese.

(English Translation)

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

Independent Auditor's Report

May 22, 2019

To the Board of Directors
Sangetsu Corporation

PricewaterhouseCoopers Aarata LLC

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

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act, we have audited the non-consolidated financial statements, that is, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements, and the supplementary schedules of Sangetsu Corporation (the "Company") for the 67th fiscal term from April 1, 2018 to March 31, 2019.

The responsibility of management concerning the non-consolidated financial statements, etc.

The responsibility of management is to prepare non-consolidated financial statements and the supplementary schedules in accordance with business accounting standards generally accepted in Japan and present appropriate accounting information. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of non-consolidated financial statements, and the supplementary schedules, free of material misstatement due to fraud or error and the presentation of appropriate accounting information.

The responsibility of independent auditors

Our responsibility is to express an opinion independently on the non-consolidated financial statements and the supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the non-consolidated financial statements and the supplementary schedules are free of material misstatement.

In audits, procedures are conducted in order to obtain audit evidence supporting the amounts and disclosures in the non-consolidated financial statements and the supplementary schedules. Audit procedures are chosen and applied in accordance with our judgment, based on the risk assessment of material misstatement in the non-consolidated financial statements, and the supplementary schedules, due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of internal controls. However, we examine internal controls related to the preparation of non-consolidated financial statements, and the supplementary schedules, and the appropriate presentation in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances. An audit includes assessing the accounting policies used, its application method and estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the supplementary schedules.

We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

Audit opinion

In our opinion, the above non-consolidated financial statements and supplementary schedules fairly present, in every material aspect, the financial position and results of operations of the Company for the relevant term of the non-consolidated financial statements and the supplementary schedules, in accordance with the business accounting standards generally accepted in Japan.

Interests in the Company

Our firm and engagement partners have no interest in the Company which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Notice to Readers:

The original non-consolidated financial statements, which consist of the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity and the notes to non-consolidated financial statements, and the supplementary schedules thereof, are written in Japanese.

(English Translation)

The Audit and Supervisory Committee's audit report

Audit Report

The Audit and Supervisory Committee has audited the execution of duties by Directors for the 67th fiscal term from April 1, 2018 to March 31, 2019. The Committee hereby reports the method and result thereof as follows:

1. Summary of Auditing Methods

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

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

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

In accordance with the procedures mentioned above, we reviewed the Business Report and the supplementary schedules thereto, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements) and the supplementary schedules thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements) for the fiscal term ended March 31, 2019.

2. Results of Audit

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

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

May 22, 2019

Audit and Supervisory Committee, Sangetsu Corporation

Audit and Supervisory Committee Member	Kunihiro Nasu
Audit and Supervisory Committee Member	Tamotsu Kokado
Audit and Supervisory Committee Member	Masatoshi Hatori
Audit and Supervisory Committee Member	Michiyo Hamada
Audit and Supervisory Committee Member (full-time)	Takashi Tajima

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