

These documents have been translated from Japanese originals for reference purposes only. In the event of any discrepancy between these translated documents and the Japanese originals, the originals shall prevail. Sangetsu Corporation assumes no responsibility for these translations or for direct, indirect or any other forms of damages arising from the translations.

Securities code: 8130
June 3, 2021

To Our Shareholders:

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

**CONVOCATION NOTICE OF
THE 69TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We would like to announce the 69th Ordinary General Meeting of Shareholders (the “Meeting”) of Sangetsu Corporation (the “Company”) to be held as indicated below.

To prevent the spread of the novel coronavirus disease (COVID-19) at the Meeting, we ask shareholders to exercise their voting rights beforehand if possible, either in writing or by electronic means (the Internet, etc.). When exercising your voting rights by one of these methods, **please refer to the Reference Materials for the General Meeting of Shareholders below, and follow the guidance on page 2 to finish exercising your voting rights by 5:30 p.m. on Wednesday, June 23, 2021, Japan time.**

Thank you very much for your cooperation.

- 1. Date and Time:** June 24, 2021 (Thursday) at 10:00 a.m. Japan time (Reception starts at 9:00 a.m.)
- 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 69th term (April 1, 2020 to March 31, 2021) 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 69th term (April 1, 2020 to March 31, 2021)
 - 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

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

Instructions Concerning the Exercise of Voting Rights

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

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

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

By attending the shareholders' meeting

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

Date and Time: June 24, 2021 (Thursday) at 10:00 a.m.

By exercising voting rights in writing (by mail)

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

Exercise due date: To be received no later than June 23, 2021 (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 23, 2021 (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 General Meeting of Shareholders

Proposal 1: Appropriation of Surplus

We propose to appropriate surplus as follows.

Based on its Mid-term Business Plan (2020-2022) “D.C. 2022,” the Company’s Shareholder Return Strategy is to achieve a total return ratio of almost 100% over the three years from fiscal 2020 to fiscal 2022, and to make decisions concerning dividends once it has identified the impact of COVID-19 on business performance, in accordance with the basic policy of steadily increasing dividends. Based on this policy, the Company intends to carry out appropriation of surplus for the current period as follows in order to recognize the continuing support of shareholders, in light of business results in the current period, future business development and other such considerations.

Matters concerning the year-end dividend

- 1) Type of dividend assets: We will pay in cash.
- 2) Matters concerning assignment of dividend assets and amounts thereof
We propose the year-end dividend of ¥29.00 per common share of the Company.
The total amount of dividend will be ¥1,749,096,082.
The annual dividend for the current fiscal year amounted to ¥58.00 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 25, 2021.

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

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

The candidates for Directors are as follows:

Candidate No.	Attribute of candidate	Name	Current positions and responsibilities	Attendance rate of Board of Directors' meetings
1	[Reelected]	Shousuke Yasuda	Representative Director, President and CEO	14/14 100%
2	[Newly elected]	Tatsuo Sukekawa	Executive Officer in charge of administration (President's Office, General Affairs, Human Resources, Management Audit and Information System) and General Manager of the Finance and Accounting Department	—

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	<p>Shousuke Yasuda (March 2, 1950)</p> <p>[Reelected]</p>	<p>April 2004 Executive Vice President and Division COO, Functional Chemicals Division of Mitsubishi Corporation</p> <p>April 2008 Executive Vice President and General Manager of Chubu Branch of Mitsubishi Corporation</p> <p>April 2012 Executive Vice President of Mitsubishi Corporation</p> <p>June 2012 Director of the Company</p> <p>April 2014 Representative Director and President</p> <p>July 2014 Representative Director and President, General Manager of the Interior Division</p> <p>April 2016 Representative Director, President and CEO, and General Manager of the Interior Division</p> <p>April 2019 Representative Director, President and CEO (To present)</p> <p>(Significant concurrent positions)</p> <p>Chairman of the Board of Directors of Koroseal Interior Products Holdings, Inc.</p> <p>Director of Goodrich Global Holdings Pte. Ltd.</p> <p>Reasons for nomination as candidate for Director</p> <p>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 for FY2016 stipulated in the Mid-term Business Plan, which he played a central role in formulating. Subsequently, in the Mid-term Business Plan announced in 2017, the Company has been advancing a business strategy for realizing sustainable growth of the existing businesses by strengthening functions through methods such as reforming sales structure and redistributing logistics centers. At the same time, it has been laying the ground work for the growth in the future by expanding business geographically through acquiring overseas companies, establishing local subsidiaries, and the like. In addition to expanding earnings through qualitative growth of core business and growth of profitability in next-generation businesses based on resources of the core businesses in the Mid-term Business Plan announced in May 2020, the Company is also focusing on achieving quantitative targets that it has set in relation to achieving social value, as it looks to solve the social issues raised in the SDGs. The Company also implemented capital policy such as a financial policy to improve capital efficiency, an active shareholder return policy, and a capital allocation policy since he assumed office. 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 FY2020: 14/14</p>	94,700 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	Tatsuo Sukekawa (May 11, 1952) [Newly elected]	<p>April 1975 Joined Mitsubishi Corporation</p> <p>November 1996 General Manager of the General Affairs and Accounting Department, Beijing Office of Mitsubishi Corporation</p> <p>December 2004 Vice President & Director and General Manager of the Finance and Accounting Department of Mitsubishi Company (Thailand) Ltd. (Secondment)</p> <p>May 2009 Senior Managing Director and General Manager of the Administration Division of SAN-ESU INC. (Secondment)</p> <p>April 2012 Senior Managing Director and General Manager of the Corporate Division of MC FOODS LIMITED (Secondment)</p> <p>April 2015 General Manager of the Finance and Accounting Department of the Company</p> <p>April 2021 Executive Officer in charge of administration (President's Office, General Affairs, Human Resources, Management Audit and Information System) and General Manager of the Finance and Accounting Department (To present)</p> <p>Reasons for nomination as candidate for Director Having worked for many years on finance and accounting operations in Japan and overseas as well as corporate management overseas in his previous positions (at a major trading company), Mr. Tatsuo Sukekawa has abundant knowledge and experience. Since joining the Company, he has engaged in improving ROE and CCC with effective measures to procure funds and allocate capital, in Japan and overseas, as General Manager of the Finance and Accounting Department. Since 2021, in addition to his efforts in finance and accounting, as the Executive Officer in charge of department of management including General Affairs, Human Resources and Information System, he has been supporting the achievement of the Mid-term Business Plan and the Long-term Vision, mainly with regard to social value. Given these experiences and achievements, the Company deemed that he is well qualified to serve as a Director as a specialist in finance and accounting, an area that was lacking from the skill matrix of the Board of Directors of the Company.</p>	5,000 shares

- (Notes)
1. There is no special interest between each candidate and the Company.
 2. The Company adopted an executive officer system as of April 1, 2016.
 3. Opinion of the Audit and Supervisory Committee related to the election of Directors
With regard to the election of Directors other than the Audit and Supervisory Committee Members, the Nomination and Remuneration Committee attended by all Outside Directors serving as Audit and Supervisory Committee Members made a preliminary review. Subsequently, the Audit and Supervisory Committee determined that each candidate is appropriate and qualified to be entrusted with the enhancement of the medium- to long-term corporate value through deliberate considerations in light of such factors as their insight, experience, and capabilities.
 4. The Company has concluded a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, paragraph 1 of the Companies Act. The insurance policy covers damages that may arise when the insured assumes liability for the execution of his or her duties or receives a claim related to the pursuit of such liability. If each candidate is elected and assumes the position of Director, each candidate will be included as the insured under this insurance policy.

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. Accordingly, the election of five (5) Directors serving as 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 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)	Masatoshi Hatori [Outside] [Independent]	14/14 100%	12/12 100%
2	[Reelected]	Director (Audit and Supervisory Committee Member)	Michiyo Hamada [Outside] [Independent] [Female]	14/14 100%	12/12 100%
3	[Reelected]	Director (Audit and Supervisory Committee Member)	Kenichi Udagawa [Outside] [Independent]	14/14 100%	12/12 100%
4	[Newly elected]	Director (Audit and Supervisory Committee Member)	Osamu Terada [Outside] [Independent]	—	—
5	[Reelected]	Director (Full-time Audit and Supervisory Committee Member)	Shuji Sasaki	14/14 100%	12/12 100%

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held																
1	<p data-bbox="347 696 528 752">Masatoshi Hatori (July 24, 1946)</p> <p data-bbox="363 779 512 860">[Reelected] [Outside] [Independent]</p>	<table border="0"> <tr> <td data-bbox="580 239 687 262">June 2003</td> <td data-bbox="788 239 1214 320">Director of Kanegafuchi Chemical Industry Company Limited (current KANEKA CORPORATION)</td> </tr> <tr> <td data-bbox="580 327 687 349">June 2005</td> <td data-bbox="788 327 1102 371">Executive Director of KANEKA CORPORATION</td> </tr> <tr> <td data-bbox="580 378 687 400">June 2006</td> <td data-bbox="788 378 1193 432">Director and Managing Executive Officer of KANEKA CORPORATION</td> </tr> <tr> <td data-bbox="580 439 687 461">April 2008</td> <td data-bbox="788 439 1182 483">Director and Senior Managing Executive Officer of KANEKA CORPORATION</td> </tr> <tr> <td data-bbox="580 490 687 512">June 2010</td> <td data-bbox="788 490 1150 571">Executive Vice President and Representative Director of KANEKA CORPORATION</td> </tr> <tr> <td data-bbox="580 577 687 600">June 2014</td> <td data-bbox="788 577 1070 622">Special Advisor of KANEKA CORPORATION</td> </tr> <tr> <td data-bbox="580 629 687 651">June 2015</td> <td data-bbox="788 629 1193 710">Outside Director (Audit and Supervisory Committee Member) of the Company (To present)</td> </tr> <tr> <td data-bbox="580 716 687 739">June 2017</td> <td data-bbox="788 716 1209 770">Retired from Special Advisor of KANEKA CORPORATION</td> </tr> </table> <p data-bbox="580 777 1374 1099">Reasons for nomination as candidate for Outside Director serving as Audit and Supervisory Committee Member 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 data-bbox="580 1133 1358 1317">[Supplementary explanation to the independence] From March 2000 to March 2003, Mr. Masatoshi Hatori served as the Representative Director & President of FUSOGOSEI Co., Ltd., a business partner of the Company. However, over 18 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>	June 2003	Director of Kanegafuchi Chemical Industry Company Limited (current KANEKA CORPORATION)	June 2005	Executive Director of KANEKA CORPORATION	June 2006	Director and Managing Executive Officer of KANEKA CORPORATION	April 2008	Director and Senior Managing Executive Officer of KANEKA CORPORATION	June 2010	Executive Vice President and Representative Director of KANEKA CORPORATION	June 2014	Special Advisor of KANEKA CORPORATION	June 2015	Outside Director (Audit and Supervisory Committee Member) of the Company (To present)	June 2017	Retired from Special Advisor of KANEKA CORPORATION	0 shares
June 2003	Director of Kanegafuchi Chemical Industry Company Limited (current KANEKA CORPORATION)																		
June 2005	Executive Director of KANEKA CORPORATION																		
June 2006	Director and Managing Executive Officer of KANEKA CORPORATION																		
April 2008	Director and Senior Managing Executive Officer of KANEKA CORPORATION																		
June 2010	Executive Vice President and Representative Director of KANEKA CORPORATION																		
June 2014	Special Advisor of KANEKA CORPORATION																		
June 2015	Outside Director (Audit and Supervisory Committee Member) of the Company (To present)																		
June 2017	Retired from Special Advisor of KANEKA CORPORATION																		

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	<p>Michiyo Hamada (November 25, 1947)</p> <p>[Reelected] [Outside] [Independent] [Female]</p>	<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. (current AISIN CORPORATION) Outside Director of Toho Gas Co., Ltd. Outside Auditor of the Metropolitan Expressway Company Limited</p> <p>Reasons for nomination as candidate for Outside Director serving as Audit and Supervisory Committee Member 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>	0 shares
3	<p>Kenichi Udagawa (April 5, 1949)</p> <p>[Reelected] [Outside] [Independent]</p>	<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 Advisor of Tosoh Corporation</p> <p>June 2018 Honorary Advisor of Tosoh Corporation</p> <p>June 2019 Retired from Honorary Advisor of Tosoh Corporation</p> <p>June 2019 Outside Director (Audit and Supervisory Committee Member) of the Company (To present)</p> <p>Reasons for nomination as candidate for Outside Director serving as Audit and Supervisory Committee Member Mr. Kenichi Udagawa has contributed to the establishment and expansion of various overseas businesses in a listed company, and possesses a wealth of experience and keen, specialist insight as an individual with experience as a representative director. In addition to actively providing opinions on overall corporate management and opinions regarding the Company's overseas business operation 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. Udagawa's insight can continue to 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>	0 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
4	Osamu Terada (April 7, 1953) [Newly elected] [Outside] [Independent]	<p>June 2005 Executive Officer of SHIMIZU CORPORATION</p> <p>June 2010 Managing Officer of SHIMIZU CORPORATION</p> <p>April 2013 Senior Managing Officer of SHIMIZU CORPORATION</p> <p>June 2014 Executive Vice President and Representative Director of SHIMIZU CORPORATION</p> <p>June 2020 Senior Advisor of SHIMIZU CORPORATION</p> <p>June 2021 Retiring Senior Advisor of SHIMIZU CORPORATION (scheduled) (To present)</p> <p>Reasons for nomination as candidate for Outside Director serving as Audit and Supervisory Committee Member Mr. Osamu Terada has contributed to the expansion of the construction business in Japan at a listed company (a major construction 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. Terada's insight on overall corporate management and overall construction industry 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] Mr. Osamu Terada served as Director of SHIMIZU CORPORATION until June 2020. However, the amount of transactions between the Company and SHIMIZU CORPORATION is less than 0.002% of the Company's consolidated net sales for fiscal 2020 and he fulfills the Company's Standards of Independence for Outside Directors. The Company therefore has deemed that there are no issues regarding his independence.</p>	0 shares
5	Shuji Sasaki (December 31, 1955) [Reelected]	<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</p> <p>June 2019 Director (Full-time Audit and Supervisory Committee Member) (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 Sales Division and the like. He is well versed in the domestic interior industry and the Company's circumstances, and has abundant practical knowledge and experience. In addition to 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, he also plays a role in the supervision and auditing of management. The Company has deemed that Mr. Sasaki's insight can continue to be utilized in company management and requests that he be elected as a Director serving as Audit and Supervisory Committee Member.</p>	32,514 shares

- (Notes) 1. There is no special interest between each candidate and the Company.
2. Mr. Masatoshi Hatori, Ms. Michiyo Hamada, Mr. Kenichi Udagawa, and Mr. Osamu Terada 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. Masatoshi Hatori, Ms. Michiyo Hamada, and Mr. Kenichi Udagawa are currently serving as Outside Directors who are Audit and Supervisory Committee Members of the Company and their terms of office will be six years for Mr. Masatoshi Hatori and Ms. Michiyo Hamada, two years for Mr. Kenichi Udagawa 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. Masatoshi Hatori, Ms. Michiyo Hamada and Mr. Kenichi Udagawa are Independent Officers. The Company also plans to file notifications with the TSE and NSE that Mr. Osamu Terada 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. Masatoshi Hatori, Ms. Michiyo Hamada, Mr. Kenichi Udagawa and Mr. Shuji Sasaki 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. Osamu Terada is elected, the Company also plans to conclude the agreement with him.
 7. The Company has concluded a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, paragraph 1 of the Companies Act. The insurance policy covers damages that may arise when the insured persons assume liability for the execution of his or her duties or receive a claim related to the pursuit of such liability. If each candidate is elected and assumes the position of Director serving as Audit and Supervisory Committee Members, each candidate will be included as the insured under this insurance policy.

[Reference] Diversity of Directors

The candidates for Directors proposed in Proposal 2 and Proposal 3 have the following expert knowledge and experience.

Name	Expertise						
	Corporate management	Sales/ Marketing	Product manufacturing/ Technology	Finance and accounting	Human resources/ Legal affairs	International experience	Diversity
Shousuke Yasuda Representative Director, President and CEO	●	●				●	
Tatsuo Sukekawa Director, Executive Officer in charge of administration and General Manager of the Finance and Accounting Department				●		●	
Masatoshi Hatori Outside Director, Audit and Supervisory Committee Member	●	●			●		
Michiyo Hamada Outside Director, Audit and Supervisory Committee Member					●	●	● (Female)
Kenichi Udagawa Outside Director, Audit and Supervisory Committee Member	●		●			●	
Osamu Terada Outside Director, Audit and Supervisory Committee Member	●	●	●				
Shuji Sasaki Director, Full-time Audit and Supervisory Committee Member		●					

(Attached materials)

Business Report (April 1, 2020 to March 31, 2021)

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

(1) Business Progress and Results

During the fiscal year under review, adverse conditions continued in the Japanese economy, owing to the global spread and prolonging of the impact of COVID-19 and the accompanying stagnation in economic activity. Although there were signs of partial recovery in exports and production when economic activities resumed following the lifting of the declaration of a state of emergency at the end of May 2020, the outlook has become increasingly unclear, including the declaration of another state of emergency in January as a result of the renewed spread of COVID-19 since the end of 2020.

In the construction market, which is closely connected to the Company’s businesses, conditions were adverse, particularly in the non-residential sector, as consumer sentiment worsened and fears of economic stagnation led to general contraction across the market, despite signs of demand in certain sectors related to a growing preference for detached houses in suburban areas in line with the spread of teleworking and more time spent at home, demand related to staying at home, and demand accompanying workstyle reform based on the needs of the age of living with COVID-19.

In this market environment, while implementing measures to prevent infection that placed the greatest priority on the safety of customers and employees, the Group maintained a stable supply of products and at the same time focused its efforts on active sales and marketing, including holding online product seminars and consultations related to home decor. Furthermore, the Company also implemented business activities aimed at responding to new demand, namely enhancing its range of antiviral products. In addition, the Group advanced the implementation of initiatives based on its Mid-term Business Plan (2020–2022) “D.C. 2022,” which was announced in May 2020, in order to grow sustainably under the adverse conditions. The Company also worked to reduce its environmental impact by moving and opening a new logistics center, the “Kansai Logistics Center,” in January 2021, which achieved reductions in labor and power consumption, and opening the “sangetsu Sample Book Recycling Center” as an initiative aimed at creating social value. In addition, in March, the Company acquired shares in Wavelock Interior Co., Ltd., the largest manufacturer of vinyl wallpaper in Japan, as part of efforts to strengthen its ability to procure products on a long-term, stable basis. Moreover, in the Overseas Business, the Company worked to rebuild management systems and sales bases in Southeast Asia. As a result of these efforts, consolidated financial results for the fiscal year under review recorded ¥145,316 million in net sales, down 9.9% year on year, ¥6,701 million in operating income, down 27.7% year on year, and ¥7,042 million in ordinary income, down 28.5% year on year. However, profit attributable to owners of parent increased significantly to ¥4,780 million, up 233.8% year on year, due to the impairment of goodwill and intangible assets related to Koroseal Interior Products Holdings, Inc., a U.S. subsidiary of the Company, in the previous fiscal year.

Furthermore, from the fiscal year under review, reporting segments were changed to the four segments described in the following paragraphs. Figures for change from the previous fiscal year reflect the segment classification after the change.

(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
145,316	6,701	7,042	4,780
down 9.9%	down 27.7%	down 28.5%	up 233.8%

(Interior segment) Net sales ¥111,794 million

Main business

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

(Millions of yen)

	68th term Fiscal year ended March 31, 2020	69th term Fiscal year ended March 31, 2021
Net sales	122,092	111,794
Operating income	9,324	7,082

In the wall coverings division, as the impact of COVID-19 resulted in a subdued market, the “RéSERVE 1000” and “REFORM Selection” home wallpaper sample books drove sales thanks to signs of rising demand in certain sectors of the rental housing and housing reform markets in the fourth quarter. Additionally, sales of “CLEAS,” the sample book of glass films, remained strong, while sales of antiviral products saw robust sales growth on the back of rising demand for products that give consumers peace of mind and safety. Overall, however, net sales of wall coverings were ¥55,814 million, down 7.3% year on year, impacted by the decline in new housing starts and market contraction centered on hotels and commercial facilities.

In the flooring division, sales were robust for “Floor Tile,” which can be used in a wide range of applications in both the residential and non-residential sectors, while “H Floor,” a cushioned floor sample book published in September 2020, further penetrated the market. “S Floor,” a flooring sample book for various types of facility that was published in November 2020, also demonstrated strong growth among certain types of product centered on antiviral products, and was well received despite the adverse market environment. In addition, in the office renovation market, products such as the “NT-350 Series” and “NT-700 Series” of well-designed carpet tiles in an affordable price range were well adopted. However, market conditions had yet to fully recover, and as such, net sales of flooring were ¥41,271 million, down 7.8% year on year.

In the fabrics division, in the residential market, “AC,” the curtain sample book, drove sales, and the sample book “UP,” featuring chair upholstery fabric and the sample book published in September 2020, “Contract Curtains,” geared toward various types of facilities, performed well as they penetrated the market. In particular, the usage of curtains with antiviral and antibacterial properties expanded to include public and educational facilities, in addition to their existing usage in medical and welfare facilities. However, net sales of fabrics products, which are composed of curtains and upholstery, were ¥7,816 million, down 7.7% year on year, as a result of the impact of market deflation and self-imposed restrictions and downsizing of sales activities, including promotional events.

Aside from this, with other business, which includes installation fees, adhesives, etc., recording net sales of ¥6,892 million, down 20.2% year on year, the Interior segment recorded net sales of ¥111,794 million, down 8.4% year on year, and operating income of ¥7,082 million, down 24.1% year on year.

(Exterior segment) Net sales ¥14,626 million

Main business

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

(Millions of yen)

	68th term Fiscal year ended March 31, 2020	69th term Fiscal year ended March 31, 2021
Net sales	16,082	14,626
Operating income	642	417

At Sungreen Co., Ltd., which operates the Exterior segment, public construction and other non-residential property construction declined and sales of mainstay housing-related products, i.e. fences, doors and carports, struggled, as the market as a whole continued to stagnate. On the other hand, growing demand related to staying at home resulted in robust sales of mailboxes, storage sheds, wooden decks, and other products, while sales at home centers and e-commerce stores also grew significantly. In addition, as part of measures to strengthen installation capabilities, one of the measures in the Mid-term Business Plan, the Company focused on enhancing construction capabilities in existing

sectors, while also making efforts to find new alliance partners to enable it to broaden its construction capabilities to cover exterior structures and civil engineering projects.

As a result, net sales of the exterior segment were ¥14,626 million, down 9.1% year on year, and operating income was ¥417 million, down 35.1% year on year.

(Overseas segment) Net sales ¥15,034 million

Main business

Manufacture of wallpaper products and sale of interior materials

(Millions of yen)

	68th term Fiscal year ended March 31, 2020	69th term Fiscal year ended March 31, 2021
Net sales	19,804	15,034
Operating income	(932)	(985)

In the Overseas segment, the results of overseas subsidiaries and associates over the period from January to December 2020 are included in results for the fiscal year under review.

At Koroseal Interior Products Holding, Inc., which targets the North American market, adverse conditions continued as a result of the impact of the spread of COVID-19 and accompanying lockdowns. Under these conditions, the Company strove to reduce lost sales opportunities, including holding sales and PR activities outdoors as a measure to prevent infection. At the same time, the Company also endeavored to enhance productivity by commencing operation of new wallpaper production facilities and reduce costs by revising personnel systems. In addition, sales of Sangetsu “Reatec,” an adhesive-mounted decorative film, grew thanks to a contribution from existing sales activities, as well as measures to capture demand related to shortening construction timelines, cutting costs, and reducing environmental impact.

Sangetsu (Shanghai) Corporation, which targets the Chinese market, endeavored to resume and take a more active stance toward sales activities, as the Chinese economy and the construction market as a whole trended toward recovery. As a result, deliveries of wall coverings and flooring for office properties and other applications performed well and sales grew, particularly from October onward. In addition, the Company also entered into a collaboration with Goodrich Global Holdings Pte., Ltd. in China, and prepared to restructure its businesses in China and build a new organizational structure.

At Goodrich Global Holdings Pte., Ltd., which operates business in the Southeast Asian market, despite differences in conditions in different countries, there were many cancellations, delays, etc. to construction projects as stagnation in economic activities significantly impacted the hospitality market, this subsidiary’s main market. In these circumstances, the Company enhanced its sales structures at local subsidiaries in Vietnam and Thailand that were newly established in 2020, while also building bases and management systems tailored to markets in each country, including developing sample books suited to the needs of each country.

As a result, net sales of the Overseas segment were ¥15,034 million, down 24.1% year on year, and operating loss was ¥985 million (operating loss of ¥932 million for the previous fiscal year).

(Space creation segment) Net sales ¥5,239 million

Main business

Interior-finishing construction business, general interior installation, and design, installation, and installation management

(Millions of yen)

	68th term Fiscal year ended March 31, 2020	69th term Fiscal year ended March 31, 2021
Net sales	4,162	5,239
Operating income	185	201

The Space creation segment, which was newly added as a segment from the fiscal year under review, consists of Fairtone Co., Ltd., which operates the interior-finishing construction business, and the Space Creation Business Unit of the Company.

At Fairtone Co., Ltd., progress was generally in line with targets, partly thanks to the contribution of measures to strengthen relationships with clients and sales activities in coordination with Sangetsu, as well as the fact that the impact of COVID-19 on the non-residential interior finishing business for new builds was limited. On the other hand, in the renovation business, which is centered on hotel and office projects, a sector that was significantly impacted by COVID-19, the amount of construction declined and circumstances turned adverse, particularly following the second declaration of a state of emergency. In these conditions, Fairtone Co., Ltd. endeavored to acquire new customers and secure construction orders through collaboration with Sangetsu.

The Space Creation Business Unit of the Company was also affected by these circumstances, resulting in cancellations, delays, etc. to office renovation construction projects. On the other hand, demand arose in relation to converting properties from hotels to office buildings, as well as new demand for renovating tenant spaces based on workstyle reform, and the Company endeavored to strengthen human resources and alliances capable of addressing this demand.

As a result, net sales of the Space creation segment were ¥5,239 million, up 25.9% year on year, and operating income was ¥201 million, up 8.8% year on year.

(2) Capital Investments

During the fiscal year under review, the Group as a whole made ¥4,671 million in capital investment, including moving and opening the “Kansai Logistics Center” as a new logistics center for the Company that achieved reductions in labor and power consumption, as well as the acquisition of factories at subsidiaries in the Interior segment, and construction of new branches in the Exterior segment.

(3) Financing

During the fiscal year under review, the Group procured financing of ¥7.0 billion as partial repayment funds for a syndicated loan executed in December 2016.

(4) Issues to Address

With regard to the future outlook, the management environment is expected to continue to be challenging due to the slowdown in economic and production activity resulting from the continued COVID-19 pandemic and other unpredictable risks. The construction market, which is closely related to the Group’s business, is also expected to require time for a full recovery in the market, due to a slowdown in building demand in Japan and overseas. On the other hand, prices of PVC, plasticizers, and other materials are increasing in line with rapidly rising prices in global commodity markets, and there are active efforts to pass these price increases through to prices for interior materials. In addition, even under these conditions, the Company intends to actively publish sample books, which will serve as a foundation for its businesses over the medium term.

For the full-year consolidated business results forecast, the Group calculated the impact on each of its businesses based on sales forecasts for each market sector and expects to record net sales of ¥152.5 billion, operation income of ¥6.6 billion, ordinary income of ¥6.8 billion, and profit attributable to owners of parent of ¥4.3 billion. In addition, the Group has also applied accounting standards including the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) from the start of the fiscal year ending March 31, 2022, and therefore consolidated earnings forecasts represent amounts after the application of these accounting standards, etc. The assumptions on which these forecasts are based may change significantly depending on a variety of factors, and should the need arise to revise the business results forecasts, the Group will disclose any such revisions promptly.

In order to achieve enhances in corporate value that are both long-term and future-oriented in an uncertain and rapidly-changing environment, we will steadily implement initiatives based on the Sangetsu Group Long-term Vision “DESIGN 2030” and the three-year Mid-term Business Plan (2020 – 2022) “D.C. 2022,” the first step toward achieving the vision, and will pursue sustainable growth.

Sangetsu Group’s Long-term Vision “DESIGN 2030”

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

“Vision for 2030”

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

“Approach to Achieving the Long-term Vision”

Basis of Management

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

Management and Business Foundations

- Diverse professional human resources
An organization where diverse professional human resources with onsite capabilities play active roles
- Link and utilize business related data
Use DATA to streamline and transform business

Main Function

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

Business Area

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

Corporate Vision

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

“Social Value the Sangetsu Group Aims to Realize”

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

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

Quantitative target

FY2029

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

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

1. Expand earnings through qualitative growth of core business
Interior segment
 - (1) Strengthen design capabilities in an evolutionary manner and pursue strategic procurement
 - (2) Enhance and upgrade service functions
 - (3) Deepen collaboration with agencies and reinforce sales system**Exterior segment**
 - (4) Expand Exterior business qualitatively and geographically
2. Generate earnings in next-generation business based on resources of core business
Overseas segment

In each country overseas

 - (1) Establish strong management foundations
 - (2) Pursue optimum model and ensure localization
 - (3) Strengthen branding and product portfolio**Space creation segment**
 - (4) Develop space creation business by enhancing professional capabilities
3. Strengthen management and business foundations
 - (1) Strengthen and streamline business execution capabilities
 - (2) Establish system for advanced utilization of DATA
4. Realize social value
 - (1) Global environment: Reduce impact on global environment
 - (2) Human capital: Organization where diverse human resources play active roles
 - (3) Social capital: Enhance security, safety, and attractiveness of supply chain
Participate in the community
 - (4) Governance: Strengthen corporate governance
5. Quantitative target (KPI)
 - (1) Economic value
Targets for fiscal year ending March 31, 2023
 - Consolidated net sales: ¥172.0 billion
 - Consolidated operating income: ¥12.0 billion
 - Consolidated net income: ¥8.5 billion
 - ROE: 9.0%
 - ROIC: 9.0%
 - CCC (cash conversion cycle): 65 days

- (2) Social value
- Targets for fiscal year ending March 31, 2023
- (i) Global environment
- Reduce environmental impact in business activities (Scope 1 and 2)
- 1) GHG emissions (Scope 1 and 2): 30% reduction (from FY2018) *target for fiscal year ending March 31, 2031
 - 2) Energy consumption: 4% reduction (from FY2018)
 - 3) Total waste emissions: 4% reduction (from FY2018)
 - 4) Recycling rate: At least 83%
- (ii) Human capital
- 1) Promote employee health and skills
 - Improve rates of specific health guidance provision, cancer screening, findings, and metabolic syndrome
 - Non-smoking rate: At least 80%
 - 2) Promote diversity & inclusion
 - Ratio of female managers: At least 20%
 - Ratio of employees with disabilities: At least 4%
- (iii) Social capital
- Space creation in children's home renovations: 30 per year
 - Active employee participation in matching gift: 7,000 S-mile
- (3) Capital policy
- Capital policy
- Maintain the equity to the range of ¥90.0 billion to ¥95.0 billion
 - Maintain the total return ratio of almost 100% during the term of the Mid-term Business Plan (3 years)
 - The Company will assess the impact of COVID-19 on business results and make decisions on share buybacks and dividends as needed, giving consideration to stable increases in dividends.
- Capital allocation policy
- Undetermined
 - To be determined once three-year business results outlook is clear

Other Issues to Address

- 1) Koroseal Interior Products Holdings, Inc., which was acquired in November 2016, recorded revenues lower than originally planned. In order to improve revenues, we will steadily advance improvement measures such as reinforcement of management structure, improvement of product appeal, expansion of sales volumes, and reinforcement of cost-competitiveness by starting to use new equipment. In addition, at Goodrich Global Holdings Pte., Ltd., which the Company acquired in December 2017, we will improve our capital structure and build management systems for each country, as a measure to counter the stagnation in earnings caused by the delayed response to market changes, while also actively expanding our sales capabilities, including further expansion into Vietnam.
- 2) As for the quality issue arising from wall coverings purchased from a particular supplier, we will establish a customer service center and perform necessary repairs in coordination with said supplier on an ongoing basis at the residences, facilities, etc., of the customers at which said products were installed. The cost of such repairs is fully borne by the supplier and no loss is recorded by the Company in relation to these repairs.
- 3) The spread and prolongation of COVID-19 has created significant turmoil in the market, causing sales to decline, and it is difficult to forecast the future. It is expected that this impact will continue for longer, and at the same time, it is highly probable that the market sector will change considerably after the outbreak subsides, and it will be necessary to address such changes steadily.

(5) Changes in Assets and Income (Loss)

(Millions of yen, except for per share amounts)

Item	66th term Fiscal year ended March 31, 2018	67th term Fiscal year ended March 31, 2019	68th term Fiscal year ended March 31, 2020	69th term Fiscal year ended March 31, 2021
Net sales	156,390	160,422	161,265	145,316
Ordinary income (loss)	5,698	6,699	9,844	7,042
Profit (loss) attributable to owners of parent	4,514	3,579	1,432	4,780
Net income (loss) per share (Yen)	68.97	57.28	23.56	78.97
Diluted net income (loss) per share (Yen)	68.85	57.16	23.52	78.92
Total assets	171,419	170,875	164,101	158,826
Net assets	106,360	100,143	94,217	93,660
Net assets per share (Yen)	1,648.71	1,612.59	1,539.56	1,547.92

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 66th term 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, 2021)

Company name	Capital	Equity ownership (%)	Main business
Sungreen Co., Ltd.	¥130 million	100	Sale of exterior products
Fairtone Co., Ltd.	¥35 million	100	Interior finishing and design and construction business
Sangetsu Vosne Corporation	¥100 million	100	Sale and planning of interior fabric products
Sangetsu Okinawa Co., Ltd.	¥100 million	100	Sale of interior materials
Wavelock Interior Co., Ltd.	¥100 million	51	Manufacturing and sale of wallpaper and sale of products related to daily necessities
Koroseal Interior Products Holdings, Inc.	US\$137,736 thousand	100	Manufacturing and sale of wallpaper products
Goodrich Global Holdings Pte., Ltd.	SG\$11,004 thousand	100	Sale of interior materials
Sangetsu (Shanghai) Corporation	RMB13,000 thousand	100	Sale of interior materials

Notes: 1. Wavelock Interior Co., Ltd. became a subsidiary of the Company by acquisition of 51.0% of shares from Wavelock Holdings Co., Ltd. as of March 31, 2021. In addition, in the fiscal year under review, Wavelock Holdings Co., Ltd. ceased to be an equity-method affiliate, in line with the dissolution of its capital and business alliance with the Company, and the partial sale of its shares.

2. Goodrich Global Holdings Pte., Ltd. became a wholly owned subsidiary of the Company by the acquisition of additional shares as of January 15, 2021.

(7) Principal Business (As of March 31, 2021)

1) The Company

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

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

2) Principal subsidiaries

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

Note: Wavelock Interior Co., Ltd. became a subsidiary of the Company by acquisition of 51.0% of shares from Wavelock Holdings Co., Ltd. as of March 31, 2021.

(8) Employees (As of March 31, 2021)

1) The Group

Segment	Number of employees	Change from previous fiscal year-end
Interior	1,409	Increase of 215
[of which Sangetsu Corporation]	[1,176]	[Increase of 22]
[of which Sangetsu Vosne Corporation]	[23]	[Decrease of 2]
[of which Sangetsu Okinawa Co., Ltd.]	[17]	[Increase of 2]
[of which Wavelock Interior Co.,Ltd.]	[193]	[Increase of 193]
Exterior	166	Increase of 4
Overseas	711	Decrease of 108
[of which Koroseal Interior Products Holdings, Inc.]	[457]	[Decrease of 83]
[of which Goodrich Global Holdings Pte., Ltd.]	[245]	[Decrease of 25]
[of which Sangetsu (Shanghai) Corporation]	[9]	[No change]
Space creation	73	Increase of 7
[of which Sangetsu Corporation]	[9]	[Increase of 2]
[of which Fairtone Co., Ltd.]	[64]	[Increase of 5]
Total	2,359	Increase of 118

Notes: 1. From the fiscal year under review, reporting segments were changed to the four segments described in the following paragraphs. Figures for change from the previous fiscal year reflect the segment classification after the change.

2. Wavelock Interior Co., Ltd. became a subsidiary of the Company by acquisition of 51.0% of shares from Wavelock Holdings Co., Ltd. as of March 31, 2021.

2) The Company

Number of employees	Change from previous fiscal year-end	Average age	Average years of service
1,185	Increase of 24	37.0 years old	15.8 years

(9) Status of Principal Borrowings (As of March 31, 2021)

Lender	Balance of borrowing (Millions of yen)
MUFG Bank, Ltd.	7,000
Syndicated loan (Note)	4,981
Mizuho Bank, Ltd.	1,000
Sumitomo Mitsui Banking Corporation	774
THE SHIGA BANK, LTD.	664
The Norinchukin Bank	332

Note: 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, 2021)

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

2) Total Number of Issued Shares 61,150,000 shares

Note: The total number of issued shares decreased by 600,000 shares (to 61,150,000 shares) due to retirement of treasury shares carried out on June 30, 2020.

3) Number of Shareholders 4,771 persons

4) Major Shareholders (Top 10)

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,170,400	6.91
Northern Trust Co. (AVFC) Re Silchester International Investors International Value Equity Trust	3,191,600	5.29
Custody Bank of Japan, Ltd. (Trust Account)	2,176,600	3.60
MUFG Bank, Ltd.	2,082,700	3.45
The Ogaki Kyoritsu Bank, Ltd.	2,064,372	3.42
Yuichi Hibi	1,834,354	3.04
Touzou Hibi	1,803,492	2.99
Yoshio Hibi	1,800,000	2.98
Masae Miwa	1,790,640	2.96
Northern Trust Co. (AVFC) Re U.S. Tax Exempted Pension Funds	1,767,000	2.92

Notes: 1. The Company holds 836,342 treasury shares, and shareholding ratio is calculated after deducting the amount of treasury shares.

2. Japan Trustee Services Bank, Ltd. merged with JTC Holdings, Ltd. and Trust & Custody Services Bank, Ltd., and changed its trade name to Custody Bank of Japan, Ltd. on July 27, 2020.

5) Status of Shares Granted to the Company's Officers in Consideration of the Performance of Duties during the Current Fiscal Year

	Number of shares (shares)	Number of eligible beneficiaries
Directors (excluding Outside Directors and Audit and Supervisory Committee Members)	12,500	2

Note: Details of the Company's share remuneration are described in "3) Remuneration System and Remuneration Plan for the Company's Directors and Executive Officers" on page 24 of the Business Report.

6) 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
December 11, 2020	From December 14, 2020 to March 16, 2021	279,600	¥432 million
Total		279,600	¥432 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 canceled
June 15, 2020	June 30, 2020	600,000	¥1,236 million
Total		600,000	¥1,236 million

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

(2) Status of Share Acquisition Right

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

Name (Date of resolution for issue)	Number of share acquisition rights	Class and number of shares to be issued upon exercise of the share acquisition rights	Amount to be paid for share acquisition rights per unit	Amount of property contributed upon exercise of the share acquisition rights	Exercise period
1st series share acquisition right (May 12, 2015)	4,994 units	Common shares 499,400 shares	¥400	¥1,839 per share	From July 1, 2017 to June 16, 2022
2nd series share acquisition right (June 18, 2015)	173 units	Common shares 17,300 shares	¥177,900 (Note 1)	¥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)	¥1 per share	From July 11, 2016 to July 10, 2046

Note: 1. 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. The 4th series share acquisition rights expired because consolidated net income was below ¥8,000 million in the fiscal year ended March 31, 2020, which was an exercise condition.

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

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

Note: The 4th series share acquisition rights expired because consolidated net income was below ¥8,000 million in the fiscal year ended March 31, 2020, which was an exercise condition.

(3) Company Officers

1) Directors (As of March 31, 2021)

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

- Notes:
- Directors serving as Audit and Supervisory Committee Members Mr. Kunihiro Nasu, Mr. Masatoshi Hatori, Ms. Michiyo Hamada and Mr. Kenichi Udagawa are Outside Directors.
 - Outside Directors have been elected from among experts in diverse areas, such as business, legal, and accounting to ensure diversity in the Board of Directors as a whole.
 - The Company has designated Audit and Supervisory Committee Members Mr. Kunihiro Nasu, Mr. Masatoshi Hatori, Ms. Michiyo Hamada, and Mr. Kenichi Udagawa as Independent Officers stipulated by Tokyo Stock Exchange (TSE) and Nagoya Stock Exchange (NSE), and filed the relevant notification with the TSE and NSE.
 - The Company elected Mr. Shuji Sasaki as a full-time Audit and Supervisory Committee Member from among five Audit and Supervisory Committee Members. The reason for election of the full-time Audit and Supervisory Committee Member is to enhance the effectiveness of the deliberation and activities at the Audit and Supervisory Committee, by means of collecting information on a daily basis, receiving regular operational reports from executive departments and share information from persons who conduct site visits as their duties among all Audit and Supervisory Committee Members.
 - 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.
 - Mr. Kenji Ito assumed the position of Senior Advisor in charge of Legal Affairs on April 1, 2021.

2) Amount of Remuneration, etc. to Directors in FY 2020

Title	Amount of remuneration, etc. (Millions of yen)	Amount of remuneration by type (Millions of yen)			Number of eligible officers (Persons)
		Base remuneration	Performance-based remuneration, etc.	Non-monetary remuneration, etc.	
Directors (excluding Audit and Supervisory Committee Members)	87	51	11	23	2
Directors (Audit and Supervisory Committee Members)	63	63	–	–	5
[Of which, Outside Directors]	[42]	[42]	[–]	[–]	[4]
Total	150	115	11	23	7
[Of which, Outside Directors]	[42]	[42]	[–]	[–]	[4]

- Notes: 1. Above amount of remuneration does not include amount equivalent to salaries of those who are also company employees.
 2. Non-monetary remuneration, etc. is restricted share remuneration and the amount recorded as an expense in the fiscal year under review is shown.
 3. The system of counselors/advisors was terminated. However, Mr. Touzou Hibi, a member of the founding family, serves as a part-time, unpaid special advisor.

3) Remuneration System and Remuneration Plan for the Company's Directors and Executive Officers

i) Remuneration system

As shown in Table 1, remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) who hold concurrent positions as Executive Officers and Executive Officers consists of three main elements: (1) base remuneration (an amount determined based on a coefficient between 0.85 and 1.25 that is determined following an evaluation of each individual's contribution to the Company's businesses in each fiscal year by the Nomination and Remuneration Committee), (2) performance-based remuneration (linked to the level of achievement of return on equity (ROE) in each fiscal year), and (3) restricted share remuneration (a long-term incentive).

Remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) who do not hold concurrent positions as Executive Officers and Directors serving as Audit and Supervisory Committee Members consists only of base remuneration.

(Table 1)

	Director (excluding Director serving as Audit and Supervisory Committee Member) who holds concurrent position as Executive Officer and Executive Officer	Director (excluding Director serving as Audit and Supervisory Committee Member) who does not hold concurrent position as Executive Officer	Director serving as Audit and Supervisory Committee Member
Base remuneration	✓	✓	✓
Performance-based remuneration	✓	–	–
Restricted share remuneration	✓	–	–

ii) Remuneration plan

The details of each type of remuneration, etc. are as shown in Table 2.

(Table 2)

Base remuneration	<p>For base remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) who hold concurrent positions as Executive Officers and Executive Officers, the Nomination and Remuneration Committee evaluates the results of each individual and their contribution to the Company's businesses in the relevant fiscal year and determines a coefficient between 0.85 and 1.25 based on that evaluation. Base remuneration is then calculated by multiplying that evaluation coefficient and a multiplier for each position by the standard base remuneration, with a calculation method as follows.</p> <p>(Formula) $\text{Base remuneration} = \text{Standard base remuneration} \times \text{contribution evaluation coefficient} \times \text{multiplier per position}$</p> <ul style="list-style-type: none"> • Standard base remuneration = ¥15 million / year • Contribution evaluation coefficient = Determined within a range of 0.85 to 1.25 depending on the evaluation of the level of contribution in the relevant fiscal year • Multiplier per position for each Executive Officer (base remuneration) (see Graph 1 on page 29) • Amounts to be paid to Directors (excluding Directors serving as Audit and Supervisory Committee Members) who do not hold concurrent positions as Executive Officers and Directors serving as Audit and Supervisory Committee Members are determined individually, in accordance with responsibilities, etc. • Fixed remuneration is paid each month during their terms of office.
-------------------	---

Performance-based remuneration	<p>Performance-based bonuses for Directors (excluding Directors serving as Audit and Supervisory Committee Members) who hold concurrent positions as Executive Officers and Executive Officers are linked to consolidated net income in the relevant fiscal year, and their objective is to enhance capital efficiency on a single fiscal year basis. The calculation method for the amount of performance-based remuneration is as follows.</p> <p>(Formula) <u>Performance-based remuneration = Standard amount per Executive Officer × multiplier per position</u></p> <ul style="list-style-type: none"> • Standard amount per Executive Officer (see Table 3 on page 26) • Multiplier per position for each Executive Officer (performance-based remuneration) (see Graph 1 on page 29) • Performance-based remuneration is paid once per year on the day after the General Meeting of Shareholders after the end of each fiscal year. • Performance-based remuneration is not paid if consolidated net income is below a certain level.
Restricted share remuneration	<p>For restricted share remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) who hold concurrent positions as Executive Officers and Executive Officers, a number of shares applicable to the period of the current Mid-term Business Plan is determined and paid, with the objective of promoting shared values with shareholders and clarifying incentives to sustainably enhance corporate value. Restricted shares for each position (the number of shares) are determined by multiplying the standard number of shares for Executive Officers by a multiplier per position, and the calculation method thereof is as follows.</p> <p>(Formula) <u>Restricted share remuneration (number of shares) = Standard number of shares for Executive Officers × multiplier per position</u></p> <ul style="list-style-type: none"> • Standard number of shares for Executive Officers = 2,500 shares • Multiplier per position for each Executive Officer (restricted share remuneration) (see Graph 1 on page 29) • The transfer restriction period will last for 30 years from the day of allotment, and transfer restrictions will be removed subject to the recipient retiring from the position of both Director and Executive Officer owing to the expiration of his or her term of office or other legitimate reason, etc. • The number of shares to be granted is determined in accordance with position, and the shares are granted while the individual is in office.

4) Performance-based Remuneration, etc.

i) Details of performance indicator

Consolidated net income is used as the indicator.

ii) Reasons for selecting the performance indicator

A target for return on equity (ROE) has been set as a key indicator of the efficiency of the Company's businesses, and therefore the consolidated net income that is required to achieve that target is used as an indicator.

iii) Performance-based remuneration calculation method

As one of the quantitative targets in the Mid-term Business Plan "D.C. 2022," the Company has set an ROE target of 9.0%. The Company has set the amount of consolidated net income required to achieve this ROE target based on shareholders' equity of ¥95.0 billion during the period of the Mid-term Business Plan (2020-2022), and calculates a base value in accordance with the level of achievement of consolidated net income versus the target in each fiscal year, using the formula in Table 3. This base value is then multiplied by a multiplier per position determined in accordance with the individual's position during the relevant fiscal year, and the resulting amount is paid as performance-based remuneration.

(Table 3)

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

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

iv) Results related to performance indicator

As shown in Table 4, consolidated net income in the fiscal year under review, which is used as a performance indicator, amounted to ¥4.78 billion.

(Table 4)

	Consolidated net income		Ratio of performance-based remuneration to total remuneration
	Forecasts	Results	
68th term (fiscal year ended March 31, 2020)	¥5.7 billion	¥1.43 billion	0%
69th term (fiscal year ended March 31, 2021)	(Note 1) ¥2.3 billion	¥4.78 billion	(Note 2) 13-15%
	¥4.5 billion		

Notes: 1. This amount was publicly announced on May 19, 2020. Furthermore, the amount was revised upward to ¥4.5 billion on February 3, 2021.

2. This ratio is calculated based on the most recent share price (closing price as of May 11, 2021).

5) Summary of Non-monetary Remuneration, etc.

The Company grants restricted shares to Directors (excluding Directors serving as Audit and Supervisory Committee Members) who hold concurrent positions as Executive Officers and Executive Officers as non-monetary remuneration. Conditions at the time of allotment, etc. are as described in "3) Remuneration System and Remuneration Plan for the Company's Directors and Executive Officers." In addition, the status of delivery in the fiscal year under review is provided in "2. (1) 5) Status of Shares Granted to the Company's Officers in Consideration of the Performance of Duties during the Current Fiscal Year."

6) Resolutions related to Remuneration, etc. for Directors at the General Meetings of Shareholders

Approval was granted as follows at the 63rd Ordinary General Meeting of Shareholders and the 65th Ordinary General Meeting of Shareholders.

Payment recipient	Directors (excluding Audit and Supervisory Committee Members)		Directors (Audit and Supervisory Committee Members)
Remuneration content	Base remuneration and performance-based remuneration	Restricted share remuneration	Base remuneration
Resolution at General Meeting of Shareholders	63rd Ordinary General Meeting of Shareholders held on June 18, 2015	65th Ordinary General Meeting of Shareholders held on June 23, 2017	63rd Ordinary General Meeting of Shareholders held on June 18, 2015
Summary of the resolution	<ul style="list-style-type: none"> • Contents of the remuneration plan • Maximum amount: within ¥400 million (annually) 	<ul style="list-style-type: none"> • Contents of the remuneration plan • Within ¥120 million (annually; separate to the ¥400 million on the left) and within 60,000 shares of the common stock of the Company for the total number of shares to be issued or disposed of (annually) 	<ul style="list-style-type: none"> • Contents of the remuneration plan • Within ¥80 million (annually)
Number of eligible Directors (as of the resolution)	6	5	5

7) Policies for Determining the Content of Individual Remuneration, etc. for Directors

- i) Method of determining policies for determining the content of individual remuneration, etc. for Directors

The Company passed a resolution concerning policies for determining the content of individual remuneration, etc. for Directors (excluding Directors serving as Audit and Supervisory Committee Members) at a meeting of the Board of Directors. Before making this resolution, the Board of Directors consulted the Nomination and Remuneration Committee about the content of the resolution and received its response.

- ii) Summary of content of policies for making decisions

- (a) Basic policy

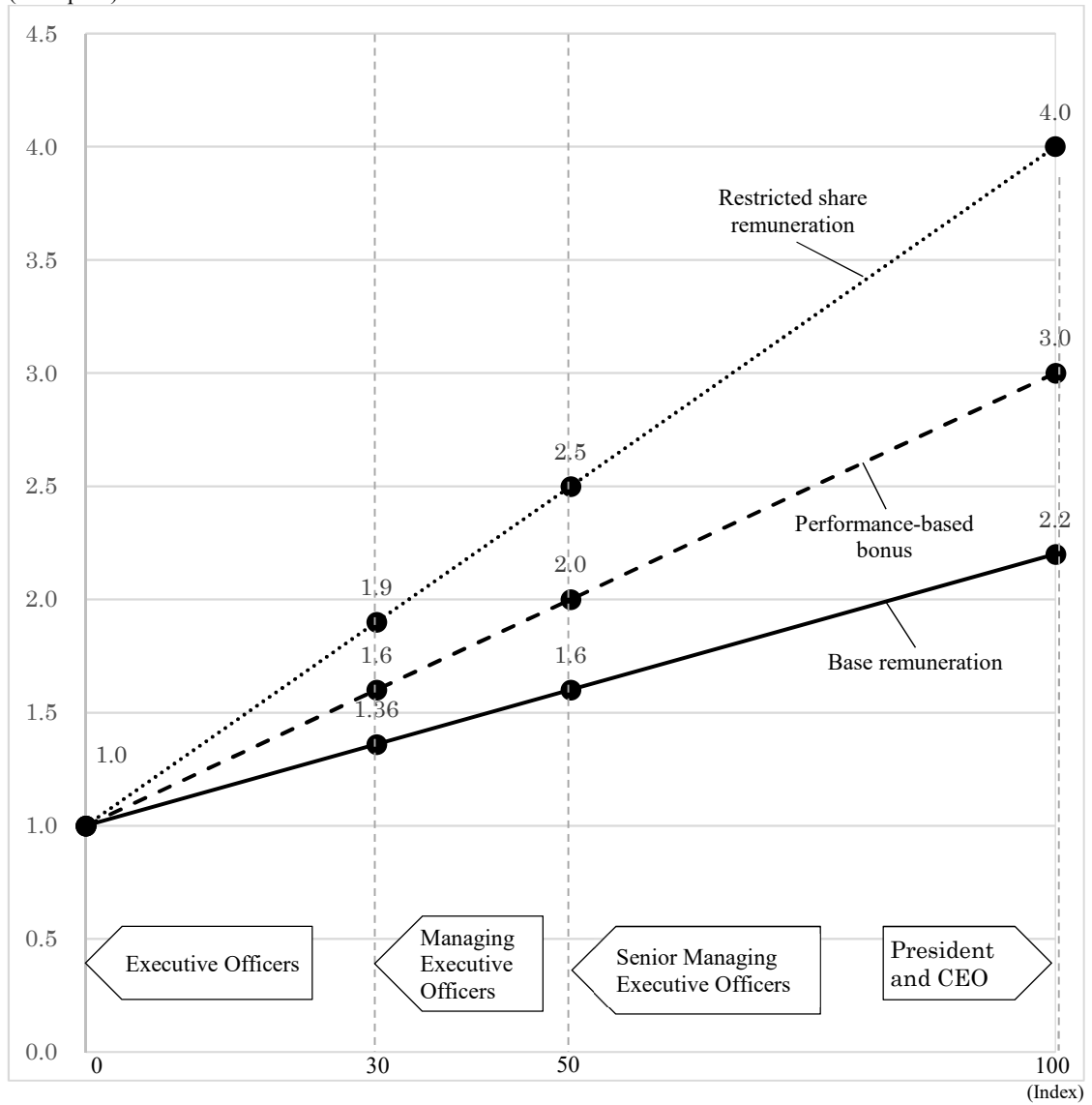
The Board of Directors determines the amount of remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) who hold concurrent positions as Executive Officers and Executive Officers following deliberations by the Nomination and Remuneration Committee, which consists of Audit and Supervisory Committee Members, while also being subject to regular monitoring through the submission of remuneration proposals to the Nomination and Remuneration Committee. The Nomination and Remuneration Committee engages in careful analysis of remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) who hold concurrent positions as Executive Officers and Executive Officers, from the perspective of whether it is appropriate for each individual's role, responsibilities, performance, and results, and whether it serves as an appropriate motivation to enhance corporate value. Remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) who do not hold concurrent positions as Executive Officers consists only of base remuneration.

- (b) Policies regarding the determination of base remuneration, etc. for individuals

For the amount of remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) who hold concurrent positions as Executive Officers and Executive Officers, each individual's level of contribution is evaluated, taking into consideration the individual's position, performance, and other factors. For Directors (excluding Directors serving as Audit and Supervisory Committee Members) who do not hold concurrent positions as Executive Officers an amount to paid to each individual is determined in accordance with their responsibilities, etc.

- (c) Policies related to the determination of the details of performance indicators and amount of remuneration for performance-based remuneration, etc. as well as the calculation method thereof
Taking consolidated net income in the relevant fiscal year as an indicator, an amount obtained by calculating a base value with a formula and multiplying this amount by a multiplier per position, in accordance with each Executive Officer's position in the relevant fiscal year, is paid to Directors (excluding Directors serving as Audit and Supervisory Committee Members) who hold concurrent positions as Executive Officers and Executive Officers as performance-based remuneration.
- (d) Policies related to the determination of the content and amount or number of shares for non-monetary remuneration, etc. and the calculation method thereof
With the objective of promoting shared values with shareholders and clarifying incentives to sustainably enhance corporate value, restricted shares (with a transfer restriction period of 30 years from the day of allotment; transfer restrictions will be removed subject to the recipient retiring from the position of both Director and Executive Officer owing to the expiration of his or her term of office or other legitimate reason, etc.) are granted to Directors (excluding Directors serving as Audit and Supervisory Committee Members) who hold concurrent positions as Executive Officers and Executive Officers as non-monetary remuneration, and the number of shares to be granted is determined in accordance with position.
- (e) Policies regarding the determination of the ratio of each type of remuneration, etc.
Individual remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) who hold concurrent positions as Executive Officers and Executive Officers is the amount and number of shares multiplied by a multiplier, which is as shown in Graph 1. The multiplier for each position is set such that the percentage of performance-based remuneration and restricted share remuneration increases as the position becomes more senior.

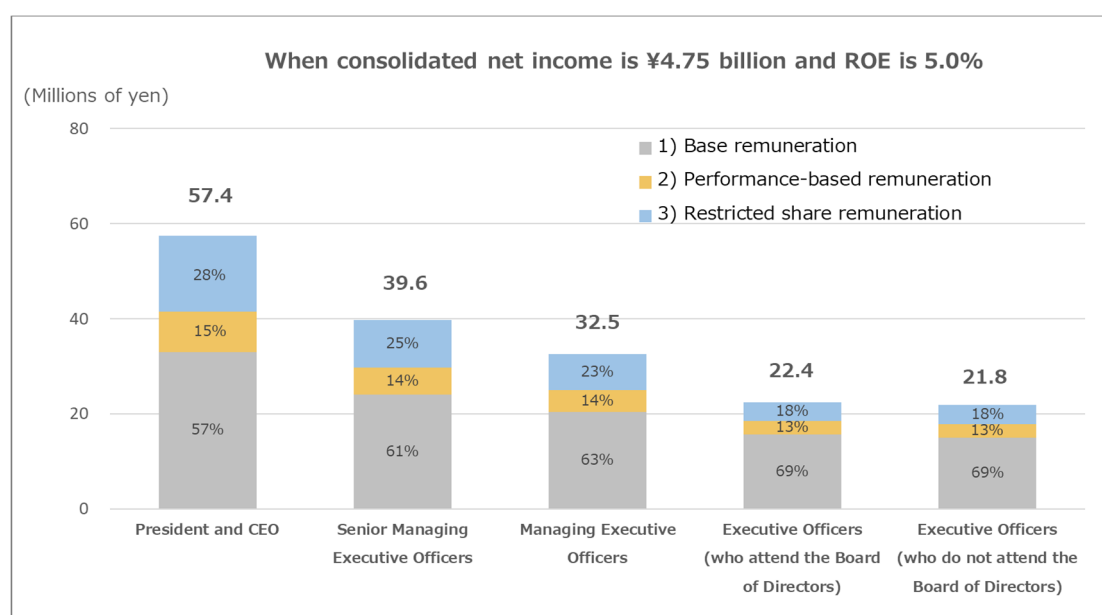
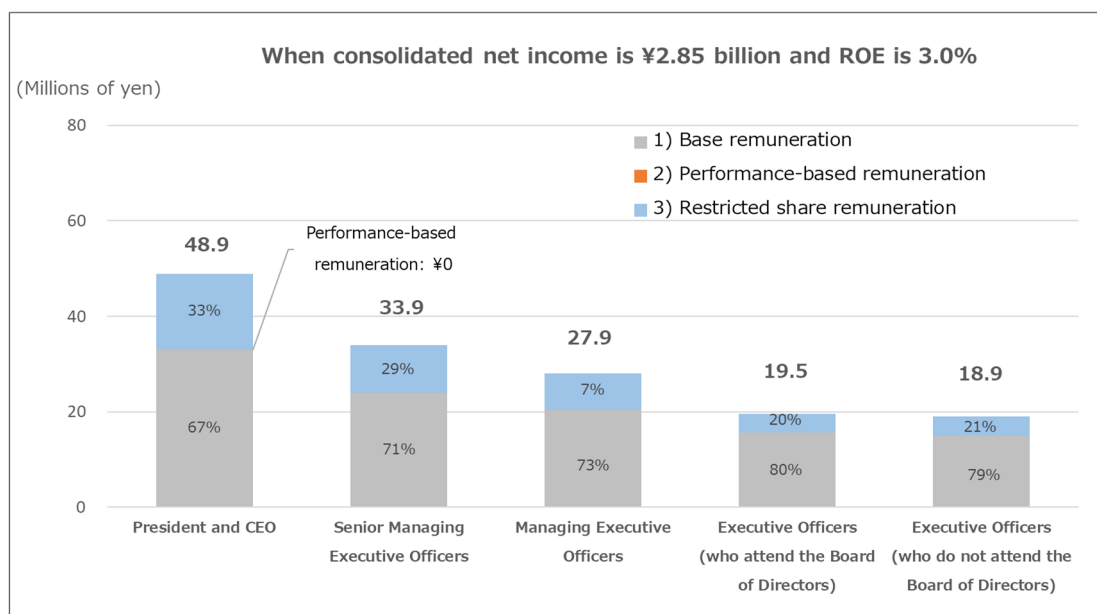
(Graph 1)
Multipliers for each executive level (by remuneration type)
 (Multiplier)

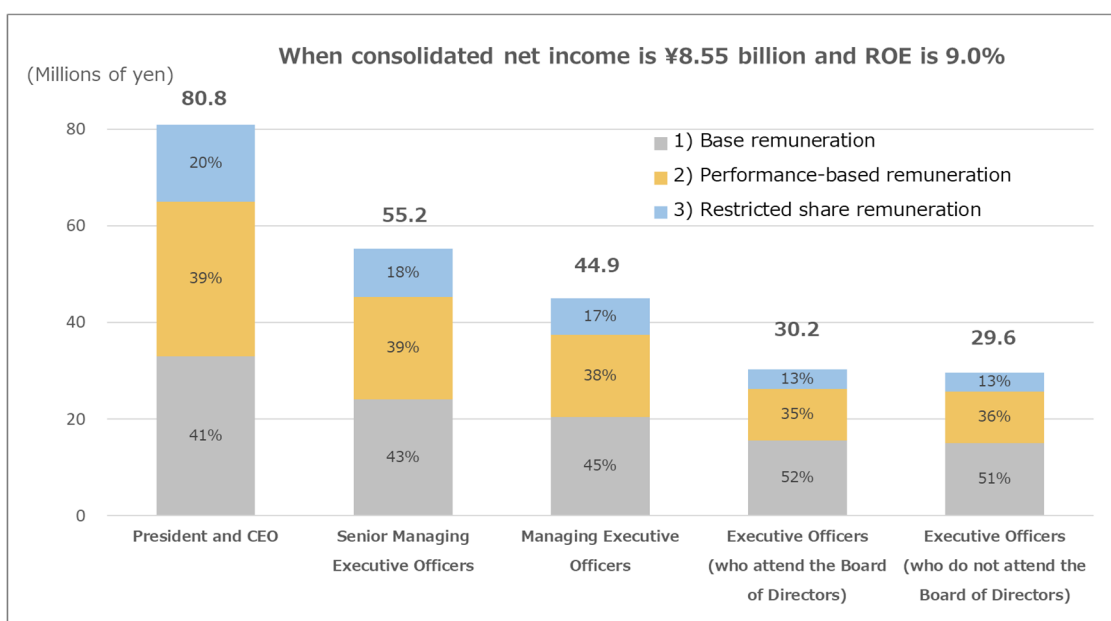


The amount of remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) who hold concurrent positions as Executive Officers and Executive Officers, and its proportion differs depending on the evaluation of each individual's level of contribution, the Company's business performance in the relevant fiscal year (consolidated net income (ROE)), which is used as a performance indicator, and each individual's position in the relevant fiscal year. Amounts when consolidated net income (ROE) is ¥2.85 billion (3.0%), ¥4.75 billion (5.0%), and ¥8.55 billion (9.0%) are as shown in Graph 2.

(Graph 2)

Amount of remuneration and its proportion by title





(f) Policies regarding the determination of the timing of granting remuneration, etc. and its conditions

Policies regarding the determination of the timing and conditions of each type of remuneration are as follows.

- Base remuneration is paid monthly as fixed monetary remuneration while the individual is in office.
- Performance-based remuneration is paid once per year on the day after the General Meeting of Shareholders after the end of each fiscal year.
- For restricted share remuneration, a number of shares according to each individual's position, determined by resolution of the Board following deliberation among the Nomination and Remuneration Committee, is granted to eligible Directors (excluding Directors serving as Audit and Supervisory Committee Members) who hold concurrent positions as Executive Officers and Executive Officers during their time in office. Transfer restrictions are removed subject to the recipient retiring from the position of both Director and Executive Officer owing to the expiration of his or her term of office or other legitimate reason, etc.

iii) Reasons the Board of Directors has judged that the content of individual remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) during the fiscal year under review complies with these policies for making decisions

With regard to the individual remuneration, etc. of Directors (excluding Directors serving as Audit and Supervisory Committee Members) during the fiscal year under review, the Board of Directors has confirmed that the methods of determining the content of remuneration, etc. and the content of remuneration, etc. determined are consistent with the policies for making decisions resolved by the Board of Directors, and it has also confirmed that the response of the Nomination and Remuneration Committee has been respected. As such, the Board of Directors has judged that individual remuneration, etc. for Directors (excluding Directors serving as Audit and Supervisory Committee Members) in the fiscal year under review complies with these policies on making decisions.

8) Outside Officers

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

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

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

iv) Main activities

Title	Name	Summary of duties performed by Outside Directors in relation to their expected duties
Outside Director (Audit and Supervisory Committee Member)	Kunihiro Nasu	Participated in all 14 Board of Directors' meetings and in all 12 Audit and Supervisory Committee meetings held in FY2020; provided expert opinions which is valuable for the Company's management, mainly as an experienced attorney.
Outside Director (Audit and Supervisory Committee Member)	Masatoshi Hatori	Participated in all 14 Board of Directors' meetings, in all 12 Audit and Supervisory Committee meetings held in FY2020; possesses a wealth of experience and keen, specialist insight related to not only various materials businesses, but also the processing business as an individual with experience as a representative director of a listed company; and provided opinions on overall corporate management and materials in products handled by the Company at Board of Directors' meetings and the like.
Outside Director (Audit and Supervisory Committee Member)	Michiyo Hamada	Participated in all 14 Board of Directors' meetings, in all 12 Audit and Supervisory Committee meetings held in FY2020; possesses a wealth of experience and keen, specialist insight as a scholar of corporate law and ex-commissioner of the Japan Fair Trade Commission; and provided opinions on corporate law and the Company's efforts to promote women's participation and advancement in the workplace at Board of Directors' meetings and the like.
Outside Director (Audit and Supervisory Committee Member)	Kenichi Udagawa	Participated in all 14 Board of Directors' meetings, in all 12 Audit and Supervisory Committee meetings held in FY2020; contributed to the establishment and expansion of various overseas businesses at a listed company; possesses a wealth of experience and keen, specialist insight as an individual with experience as a representative director; and provided opinions on overall corporate management and the Company's overseas business operation at Board of Directors' meetings and the like.

Note: Outside Director Kunihiro Nasu serves as a chairman of the Nomination and Remuneration Committee, and Outside Directors Masatoshi Hatori, Michiyo Hamada and Kenichi Udagawa serve as members of the Nomination and Remuneration Committee. Four of them participated in all 10 Nomination and Remuneration Committee meetings held in FY2020, and fulfilled an important role by deliberating the nomination and remuneration of Directors, etc. and providing reports to the Board of Directors.

(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	70
Total amount of cash and other property benefits payable by the Company and its subsidiaries to Accounting Auditor	70

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

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

3) Non-auditing Services

There were no non-auditing services performed in the fiscal year under review.

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 six 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.
April 9, 2021	In conjunction with revisions as a result of the separation of management supervision functions and business execution functions, necessary changes were made.

The latest version of "Basic Policy on the Company's System for Internal Control" is as follows:

- I System to Ensure the Propriety of the Business Operations
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
 - (1) The Company shall establish the Sangetsu Group Human Rights Policy, 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.
 - (2) The Company shall establish a compliance committee, for which the President and CEO has ultimate responsibility, as a body to deliberate significant matters relating to the promotion of compliance.
 - (3) The Company shall nominate an Executive Officer to be in charge of compliance in order to supervise compliance activities on a cross-Group basis.
 - (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.
 - (5) The Audit Office, set up in the Management Audit Department shall conduct internal audit on the propriety of operation.
 - (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.
 - (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.
 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 and CEO has ultimate responsibility, as a body to oversee the Group-wide risk management.
 - (3) The Company shall nominate an 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 Officers and others.
 - (4) 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 Officers, heads of departments and others, 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 Human Rights Policy, 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 Directors (excluding Audit and Supervisory Committee Members (here and elsewhere in II)) and Executive Officers.
 - (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 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 Directors and Executive Officers 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) 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 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 CEO 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.
 - Compliance training was conducted for employees in managerial positions.
 - Subcontract Act training was conducted for newly assigned employees at Interior Division and others.
 - Basic compliance training was provided to both new managers and new employees.
- ii) Operational status of risk management system
 - The Company has established eight subcommittees (sales and credit risk, logistics risk, product development risk, inventory and purchase risk, overseas business risk, labor management risk, environment, disaster and other risk, and information security risk) under the Risk Management Committee.
 - The Risk Management Committee has been held four times in the current fiscal year, where they examined countermeasures against the potential risks discussed at each subcommittee.
 - The risk management system is operated aiming to achieve the status in which the control levels of each risk are identified and effectively managed.
 - In response to the COVID-19 risk, the Company, led by the COVID-19 Task Force headed by the President and CEO implemented measures adapted for business risk, such as the promotion of working from home based on active utilization of teleworking, the maintenance of shipping and distribution systems at logistics centers, including in emergencies, and collaboration with suppliers to maintain supply chains.
 - In addition to management of the above risks, the Company also identified eight pressing management risks. Of these, the Company positioned the “stable supply of products” as the greatest risk, and each subcommittee began discussions from their standpoint aimed at identifying the causes of risks that would lead to the Company not receiving a “stable supply of products” and risks that would lead to the Company not being able to offer a “stable supply of products,” as well as creating backup systems.
- iii) Operational status of system for effective business execution
 - The Company introduced an executive officer system effective April 1, 2016 to speed up business execution and clarify executive responsibilities, and the Management Meeting, which consists mainly of Executive Officers, has been held 7 times in the current fiscal year.
 - The regular meeting of the Board of Directors has been held 12 times, the extraordinary meeting of the Board of Directors has been held two times, and written resolution has been made two times in the current fiscal year.
 - 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
 - The Company reviewed the previous Mid-term Business Plan “PLG 2019,” and then formulated the Long-term Vision “DESIGN 2030” and the new Mid-term Business Plan “D.C. 2022.” In addition, the Company also determined Mid-term Business Plans for each division and Group company, based on “D.C. 2022.”
 - Business Issue Review Meetings were held nine times in the current fiscal year as venues to discuss business and operational issues.
 - The Company formulated the annual budget, important measures, and operation plan based on “D.C. 2022” and the Mid-term Business Plans for each division. For budgets, the Company managed results on a monthly, quarterly, semiannual, and full-year basis, and the progress of each measure in the Mid-term Business Plan was also managed at Business Issue Review Meetings. For important measures and the operation plan, progress was managed based on quarterly reports requested from each department.
- 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, 2020 - March 31, 2021)

Consolidated Balance Sheet

(As of March 31, 2021)

(Millions of yen)

		(Reference)			(Reference)
Item	69th term As of March 31, 2021	68th term As of March 31, 2020	Item	69th term As of March 31, 2021	68th term As of March 31, 2020
ASSETS			LIABILITIES		
Current assets	89,469	100,591	Current liabilities	43,790	50,701
Cash and deposits	25,719	30,756	Notes and accounts payable - trade	12,755	12,235
Notes and accounts receivable - trade	30,735	34,751	Electronically recorded obligations - operating	13,871	13,583
Electronically recorded monetary claims - operating	14,248	12,318	Short-term loans payable	1,169	1,457
Securities	300	4,125	Current portion of long-term loans payable	6,092	11,383
Merchandise and finished goods	14,267	15,083	Lease obligations	140	180
Work in process	345	481	Income taxes payable	1,439	2,283
Raw materials and supplies	2,497	1,938	Provision for bonuses	1,794	1,960
Other	1,861	1,616	Provision for directors' bonuses	29	-
Allowance for doubtful accounts	(506)	(481)	Provision for product warranties	455	663
Non-current assets	69,356	63,509	Asset retirement obligations	-	28
Property, plant and equipment	40,516	35,673	Other	6,042	6,925
Buildings and structures	12,472	11,006	Non-current liabilities	21,375	19,182
Machinery, equipment and vehicles	5,850	3,373	Long-term loans payable	8,660	7,638
Tools, furniture and fixtures	838	717	Lease obligations	82	144
Land	20,634	19,418	Deferred tax liabilities	1,773	1,878
Leased assets	328	472	Provision for directors' retirement benefits	34	28
Construction in progress	391	684	Net defined benefit liability	9,184	8,183
Intangible assets	10,122	9,233	Asset retirement obligations	1,053	630
Software	2,354	2,647	Long-term accounts payable - other	2	2
Goodwill	1,684	40	Other	584	676
Trademark right	5,476	5,797	Total liabilities	65,165	69,883
Other	607	747	NET ASSETS		
Investments and other assets	18,717	18,603	Shareholders' equity	93,196	94,028
Investment securities	10,502	10,222	Capital stock	13,616	13,616
Long-term loans receivable	-	10	Capital surplus	19,773	20,000
Deferred tax assets	5,233	4,938	Retained earnings	61,387	62,853
Other	3,097	3,481	Treasury shares	(1,579)	(2,440)
Allowance for doubtful accounts	(114)	(49)	Accumulated other comprehensive income	163	(784)
			Valuation difference on available-for-sale securities	1,849	492
			Deferred gains or losses on hedges	0	22
			Foreign currency translation adjustment	(120)	204
			Remeasurements of defined benefit plans	(1,564)	(1,503)
			Share acquisition rights	76	83
			Non-controlling interests	223	889
			Total net assets	93,660	94,217
Total assets	158,826	164,101	Total liabilities and net assets	158,826	164,101

Consolidated Statement of Income

(April 1, 2020 - March 31, 2021)

	(Millions of yen)	
Item	69th term (April 1, 2020 - March 31, 2021)	(Reference) 68th term (April 1, 2019 - March 31, 2020)
Net sales	145,316	161,265
Cost of sales	97,676	108,340
Gross profit	47,640	52,925
Selling, general and administrative expenses	40,938	43,656
Operating income	6,701	9,268
Non-operating income	497	751
Interest and dividend income	161	154
Share of profit of entities accounted for using equity method	82	296
Other	252	300
Non-operating expenses	156	176
Interest expenses	100	116
Foreign exchange losses	31	15
Commission for purchase of treasury shares	0	5
Other	23	39
Ordinary income	7,042	9,844
Extraordinary income	288	166
Gain on sales of non-current assets	13	0
Gain on sales of investment securities	-	2
Gain on sales of shares of subsidiaries and associates	-	162
Subsidy income	267	-
Other	7	0
Extraordinary losses	367	6,035
Loss on sales and retirement of non-current assets	75	84
Loss on sales of shares of subsidiaries and associates	233	-
Impairment loss	57	5,948
Other	1	2
Income before income taxes	6,963	3,974
Income taxes - current	2,415	3,416
Income taxes - deferred	(135)	(855)
Net income	4,683	1,412
Loss attributable to non-controlling interests	(97)	(19)
Profit attributable to owners of parent	4,780	1,432

Consolidated Statement of Changes in Equity

(April 1, 2020 - March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	13,616	20,000	62,853	(2,440)	94,028
Changes of items during period					
Dividends of surplus			(3,513)		(3,513)
Profit attributable to owners of parent			4,780		4,780
Purchase of treasury shares				(433)	(433)
Disposal of treasury shares			(15)	58	42
Retirement of treasury shares			(1,236)	1,236	–
Exercise of share acquisition rights					–
Purchase of shares of consolidated subsidiaries		(226)			(226)
Change in scope of consolidation			(1,480)		(1,480)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(226)	(1,466)	860	(832)
Balance at end of current period	13,616	19,773	61,387	(1,579)	93,196

	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	492	22	204	(1,503)	(784)	83	889	94,217
Changes of items during period								
Dividends of surplus								(3,513)
Profit attributable to owners of parent								4,780
Purchase of treasury shares								(433)
Disposal of treasury shares								42
Retirement of treasury shares								–
Exercise of share acquisition rights								–
Purchase of shares of consolidated subsidiaries								(226)
Change in scope of consolidation								(1,480)
Net changes of items other than shareholders' equity	1,357	(22)	(324)	(61)	948	(7)	(665)	275
Total changes of items during period	1,357	(22)	(324)	(61)	948	(7)	(665)	(556)
Balance at end of current period	1,849	0	(120)	(1,564)	163	76	223	93,660

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

(Millions of yen)

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

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,303	103	416	(1,582)	1,241	84	919	100,143
Changes of items during period								
Dividends of surplus								(3,482)
Profit attributable to owners of parent								1,432
Purchase of treasury shares								(1,976)
Disposal of treasury shares								48
Retirement of treasury shares								-
Exercise of share acquisition rights								80
Purchase of shares of consolidated subsidiaries								-
Change in scope of consolidation								27
Net changes of items other than shareholders' equity	(1,811)	(81)	(212)	78	(2,026)	(0)	(30)	(2,057)
Total changes of items during period	(1,811)	(81)	(212)	78	(2,026)	(0)	(30)	(5,926)
Balance at end of current period	492	22	204	(1,503)	(784)	83	889	94,217

Non-consolidated Financial Statements

(April 1, 2020 - March 31, 2021)

Non-consolidated Balance Sheet

(As of March 31, 2021)

(Millions of yen)

Item	69th term As of March 31, 2021	(Reference) 68th term As of March 31, 2020	Item	69th term As of March 31, 2021	(Reference) 68th term As of March 31, 2020
ASSETS			LIABILITIES		
Current assets	75,616	86,470	Current liabilities	33,606	41,564
Cash and deposits	19,235	25,828	Electronically recorded obligations - operating	11,662	11,922
Notes receivable - trade	8,330	11,923	Accounts payable - trade	8,924	8,823
Electronically recorded monetary claims operating	14,318	12,365	Current portion of long-term loans payable	6,092	11,383
Accounts receivable - trade	15,664	16,218	Lease obligations	22	29
Securities	300	3,999	Accounts payable - other	2,371	2,411
Merchandise and finished goods	11,430	12,347	Income taxes payable	1,105	2,024
Work in process	95	374	Provision for bonuses	1,354	1,591
Raw materials and supplies	1,684	1,242	Provision for directors' bonuses	29	-
Loans receivable	3,239	1,020	Provision for product warranties	455	663
Other	1,466	1,273	Asset retirement obligations	-	28
Allowance for doubtful accounts	(147)	(123)	Other	1,588	2,687
Non-current assets	68,458	61,460	Non-current liabilities	15,523	13,856
Property, plant and equipment	31,859	30,415	Long-term loans payable	8,660	7,638
Buildings	9,727	9,606	Lease obligations	5	23
Structures	185	211	Provision for retirement benefits	5,285	4,905
Machinery and equipment	2,869	1,838	Asset retirement obligations	1,004	630
Vehicles	159	18	Currency swap	18	168
Tools, furniture and fixtures	621	577	Long-term accounts payable - other	0	0
Land	18,099	18,099	Long-term deposits received	549	490
Leased assets	25	48	Total liabilities	49,130	55,420
Construction in progress	171	14	NET ASSETS		
Intangible assets	2,290	2,593	Shareholders' equity	93,047	91,902
Software	2,220	2,522	Capital stock	13,616	13,616
Other	70	70	Capital surplus	20,005	20,005
Investments and other assets	34,308	28,452	Legal capital surplus	20,005	20,005
Investment securities	10,032	7,062	Retained earnings	61,005	60,721
Shares of subsidiaries and associates	16,644	14,077	Legal retained earnings	3,404	3,404
Long-term loans receivable	2,565	1,644	Other retained earnings	57,601	57,317
Deferred tax assets	2,613	2,779	General reserve	50,000	60,400
Insurance funds	741	1,271	Retained earnings brought forward	7,601	(3,082)
Guarantee deposits	1,263	1,047	Treasury shares	(1,579)	(2,440)
Other	560	595	Valuation and translation adjustments	1,820	524
Allowance for doubtful accounts	(113)	(26)	Valuation difference on available-for-sale securities	1,820	501
			Deferred gains or losses on hedges	0	22
			Share acquisition rights	76	83
Total assets	144,074	147,930	Total net assets	94,944	92,510
			Total liabilities and net assets	144,074	147,930

Non-consolidated Statement of Income

(April 1, 2020 - March 31, 2021)

	(Millions of yen)	
Item	69th term (April 1, 2020 - March 31, 2021)	(Reference) 68th term (April 1, 2019 - March 31, 2020)
Net sales	111,255	121,521
Cost of sales	73,134	79,790
Gross profit	38,121	41,731
Selling, general and administrative expenses	31,121	32,498
Operating income	7,000	9,233
Non-operating income	430	955
Interest and dividend income	286	706
Other	143	248
Non-operating expenses	90	85
Interest expenses	70	54
Commission for purchase of treasury shares	0	5
Foreign exchange losses	5	0
Other	13	24
Ordinary income	7,339	10,103
Extraordinary income	81	3
Gain on sales of non-current assets	9	0
Gain on sales of investment securities	-	2
Gain on sales of shares of subsidiaries and associates	8	-
Subsidy income	55	-
Other	7	0
Extraordinary losses	139	7,723
Loss on valuation of shares of subsidiaries and associates	66	7,623
Loss on sales and retirement of non-current assets	70	14
Loss on sales of investment securities	1	-
Loss on sales of shares of subsidiaries and associates	0	86
Income before income taxes	7,281	2,382
Income taxes - current	2,298	3,061
Income taxes - deferred	(65)	(245)
Net income (loss)	5,049	(433)

Non-consolidated Statement of Changes in Equity
(April 1, 2020 - March 31, 2021)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surpluses		Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	13,616	20,005	20,005	3,404	60,400	(3,082)	60,721	(2,440)	91,902
Changes of items during period									
Dividends of surplus						(3,513)	(3,513)		(3,513)
Reversal of general reserve					(10,400)	10,400	-		-
Net income						5,049	5,049		5,049
Purchase of treasury shares								(433)	(433)
Disposal of treasury shares						(15)	(15)	58	42
Retirement of treasury shares						(1,236)	(1,236)	1,236	-
Exercise of share acquisition rights									-
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	(10,400)	10,684	284	860	1,145
Balance at end of current period	13,616	20,005	20,005	3,404	50,000	7,601	61,005	(1,579)	93,047

	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	501	22	524	83	92,510
Changes of items during period					
Dividends of surplus					(3,513)
Reversal of general reserve					-
Net income					5,049
Purchase of treasury shares					(433)
Disposal of treasury shares					42
Retirement of treasury shares					-
Exercise of share acquisition rights					-
Net changes of items other than shareholders' equity	1,318	(22)	1,296	(7)	1,288
Total changes of items during period	1,318	(22)	1,296	(7)	2,433
Balance at end of current period	1,820	0	1,820	76	94,944

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

(Millions of yen)

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

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	2,264	103	2,368	84	100,118
Changes of items during period					
Dividends of surplus					(3,482)
Net loss					(433)
Purchase of treasury shares					(1,976)
Disposal of treasury shares					48
Retirement of treasury shares					-
Exercise of share acquisition rights					80
Net changes of items other than shareholders' equity	(1,762)	(81)	(1,843)	(0)	(1,844)
Total changes of items during period	(1,762)	(81)	(1,843)	(0)	(7,607)
Balance at end of current period	501	22	524	83	92,510

(English Translation)

Accounting Auditor's audit report on the Consolidated Financial Statements

Independent Auditor's Report

May 19, 2021

To the Board of Directors
Sangetsu Corporation

PricewaterhouseCoopers Aarata LLC
Nagoya Office

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

Opinion

Pursuant to Article 444, paragraph 4 of the Companies Act of Japan, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements of Sangetsu Corporation (the "Company") for the fiscal term from April 1, 2020 to March 31, 2021.

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

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

Conflict of Interest

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

- End of Report -

(English Translation)

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

Independent Auditor's Report

May 19, 2021

To the Board of Directors
Sangetsu Corporation

PricewaterhouseCoopers Aarata LLC
Nagoya Office

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

Opinion

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act of Japan, we have audited the non-consolidated financial statements, that is, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements, and the supplementary schedules (hereinafter, collectively, the "non-consolidated financial statements, etc.") of Sangetsu Corporation (the "Company") for the 69th fiscal term from April 1, 2020 to March 31, 2021.

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

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

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

Conflict of Interest

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

- End of Report -

(English Translation)

The Audit and Supervisory Committee's audit report

Audit Report

The Audit and Supervisory Committee has audited the execution of duties by Directors for the 69th fiscal term from April 1, 2020 to March 31, 2021. 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, while utilizing methods that used telephone lines, the Internet, etc., each Audit and Supervisory Committee Member worked in coordination with the internal audit division and attended the important meetings to receive reports regarding execution of duties from the Directors and employees, and requested explanations as necessary. Each Audit and Supervisory Committee Member also inspected the approved documents and examined the status of operations and conditions of assets at the head office, principal branches, and sales offices. Audit and Supervisory Committee Members communicated and shared information with the directors and auditors, etc. of the subsidiaries and received from the subsidiaries their business reports as necessary.

2) Audit and Supervisory Committee Members monitored and verified that the Accounting Auditor maintains independence and conduct the audits appropriately. Each Audit and Supervisory Committee Member also received reports on the status of the execution of duties from Accounting Auditor and requested explanations as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Regulation on Corporate Accounting in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005)) from the Accounting Auditor and requested explanations as necessary. Furthermore, we also consulted with PricewaterhouseCoopers Aarata LLC regarding key matters to be considered in audits, received reports from PricewaterhouseCoopers Aarata LLC on the status of their audit, 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, 2021.

2. Results of Audit

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

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

May 19, 2021

Audit and Supervisory Committee, Sangetsu Corporation

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

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