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Securities code: 8130
June 1, 2022

To Our Shareholders:

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

**CONVOCAION NOTICE OF
THE 70TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We would like to announce the 70th 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 Tuesday, June 21, 2022, Japan time.**

Thank you very much for your cooperation.

- 1. Date and Time:** June 22, 2022 (Wednesday) 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 70th term (April 1, 2021 to March 31, 2022) 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 70th term (April 1, 2021 to March 31, 2022)
 - Resolution matters:**
 - Proposal 1:** Appropriation of Surplus
 - Proposal 2:** Election of Two (2) Directors (Excluding Audit and Supervisory Committee Members)

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- If you plan to attend the Meeting, please submit the enclosed Voting Right Exercise Form to the receptionist at the Meeting.
 - Any amendments to the Reference Materials for the 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 22, 2022 (Wednesday) 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 21, 2022 (Tuesday) 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 21, 2022 (Tuesday) at 5:30 p.m.

If you have questions about the use of a PC or smartphone

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 Medium-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 FY2020 to FY2022, 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 ¥35.00 per common share of the Company.
The total amount of dividend will be ¥2,052,678,600.
The annual dividend for the current fiscal year amounted to ¥70.00 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 23, 2022.

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]	Shosuke Yasuda	Representative Director, President and CEO	13/13 100%
2	[Reelected]	Tatsuo Sukekawa	Director, Executive Officer in charge of administration (President's Office, General Affairs, Human Resources, Management Audit and Information System) and General Manager of the Finance and Accounting Department	10/10 100%

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	Shosuke Yasuda (March 2, 1950) [Reelected]	<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, and General Manager of the Interior Business Unit</p> <p>April 2016 Representative Director, President and CEO, and General Manager of the Interior Business Unit</p> <p>April 2019 Representative Director, President and CEO (To present)</p> <p>(Significant concurrent positions) Chairman of the Board of Directors of Koroseal Interior Products Holdings, Inc. Director of Goodrich Global Holdings Pte. Ltd.</p> <p>Reasons for nomination as candidate for Director After taking office as Representative Director and President of the Company in 2014, Mr. Shosuke Yasuda achieved the quantitative target of consolidated profit attributable to owners of parent of ¥6,300 million for FY2016 stipulated in the Medium-term Business Plan, which he played a central role in formulating. Subsequently, in the Medium-term Business Plan announced in 2017, he had advanced 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, he had laid the ground work for the growth in the future by expanding business geographically. In addition to expanding earnings through qualitative growth of core business and monetizing next-generation business based on resources of core business in the Medium-term Business Plan announced in May 2020, he is also focusing on achieving quantitative targets that have been set in relation to realizing social value, in order to solve the social issues raised in the SDGs. He 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 FY2021: 13/13</p>	104,700 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) [Reelected]	<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</p> <p>June 2021 Director, Executive Officer in charge of administration (President's Office, General Affairs, Human Resources, Management Audit and Information System) and General Manager of the Finance and Accounting Department (To present)</p>	7,500 shares
		<p>Reasons for nomination as candidate for Director</p> <p>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 realization of the Medium-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 continue to serve as a Director as a specialist in finance and accounting.</p> <p>Attendance to the Meeting of the Board of Directors held in FY2021: 10/10</p>	

- (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 policy with an insurance company as stipulated in Article 430-3, paragraph 1 of the Companies Act of Japan. 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. The Company plans to renew the insurance policy at the next renewal date with the same terms and conditions.

[Reference] Director Skills Matrix

Aiming to grow into a Space Creation Company, as for the experience and insight expected from Directors and Audit and Supervisory Committee Members, we have formulated a skills matrix based on the basic skills of management, which are “Corporate management,” “Finance/Accounting,” “Human resources/Legal affairs,” and “Sales/Marketing,” as well as based on the expertise in line with the Company’s businesses and experience and insight necessary for growth, which are “Materials business,” “Manufacturing/Quality,” “Interior materials business,” “Construction business,” “Global/Overseas business,” and “ESG/Sustainability.”

For the composition of the Board of Directors, we have established our own criteria for independence, taking into consideration the diversity of experience, insight, and abilities, etc. mentioned above, as well as emphasizing a high level of expertise and experience to provide frank and constructive advice on the Company’s management.

Currently, four of the seven Directors are independent Outside Directors, and in order to further strengthen the independence and objectivity of the oversight of the Board of Directors, we have introduced a governance system and management execution system that separate the oversight and execution of management.

Name					
	Current positions and responsibilities	Attribute	Tenure	Audit and Supervisory Committee Member	Nomination and Remuneration Committee Member
Shousuke Yasuda	Representative Director, President and CEO Nomination and Remuneration Committee Member	Executive	8 years		●
Tatsuo Sukekawa	Director, Executive Officer in charge of administration, and General Manager of the Finance and Accounting Department	Executive	1 year		
Masatoshi Hatori	Outside Director Audit and Supervisory Committee Member (Chairman) Nomination and Remuneration Committee Member	Outside Independent	7 years	◎ (Chairman)	●
Michiyo Hamada	Outside Director Audit and Supervisory Committee Member Nomination and Remuneration Committee Member (Chairman)	Outside Independent	7 years	●	◎ (Chairman)
Kenichi Udagawa	Outside Director Audit and Supervisory Committee Member Nomination and Remuneration Committee Member	Outside Independent	3 years	●	●
Osamu Terada	Outside Director Audit and Supervisory Committee Member Nomination and Remuneration Committee Member	Outside Independent	1 year	●	●
Shuji Sasaki	Director Full-Time Audit and Supervisory Committee Member	Non-Executive	3 years	●	

Name	Experience and insight expected from Directors										Attendance rate of Board of Directors' meetings
	Experience and insight for basis of management				Expertise in line with the Company's businesses and experience and insight necessary for growth						
	Corporate management	Finance/Accounting	Human resources/Legal affairs	Sales/Marketing	Materials business	Manufacturing/Quality	Interior materials business	Construction business	Global/Overseas business	ESG/Sustainability	
Shousuke Yasuda	●			●	●		●		●	●	13/13 100%
Tatsuo Sukekawa		●							●	●	10/10 100% *Took office on June 24, 2021
Masatoshi Hatori	●		●	●	●	●	●				13/13 100%
Michiyo Hamada			●						●	●	13/13 100%
Kenichi Udagawa	●				●	●			●		13/13 100%
Osamu Terada	●			●				●	●		10/10 100% *Took office on June 24, 2021
Shuji Sasaki				●			●				13/13 100%

[Reference] Career summary of Directors serving as Audit and Supervisory Committee Members

Career summary, positions and responsibilities in the Company of Directors serving as Audit and Supervisory Committee

Members are as follows:

Attribute	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	
[Outside] [Independent]	Masatoshi Hatori (July 24, 1946)	June 2003 June 2005 June 2006 April 2008 June 2010 June 2014 June 2015 June 2016 June 2018	Director of Kanegafuchi Chemical Industry Company Limited (current KANEKA CORPORATION) Executive Director of KANEKA CORPORATION Director and Managing Executive Officer of KANEKA CORPORATION Director and Senior Managing Executive Officer of KANEKA CORPORATION Executive Vice President and Representative Director of KANEKA CORPORATION Special Advisor of KANEKA CORPORATION Outside Director (Audit and Supervisory Committee Member) of the Company (To present) Advisor of KANEKA CORPORATION Retired from Advisor of KANEKA CORPORATION
[Outside] [Independent] [Female]	Michiyo Hamada (November 25, 1947)	April 1985 April 1999 April 2008 April 2009 June 2015	Law professor at Nagoya University Professor of Nagoya University Graduate School of Law President of Nagoya University School of Law Professor emeritus of Nagoya University (To present) Commissioner of Japan Fair Trade Commission Outside Director (Audit and Supervisory Committee Member) of the Company (To present) (Significant concurrent positions) Outside Board Member of AISIN CORPORATION (former Aisin Seiki Co., Ltd.) Outside Director of Toho Gas Co., Ltd.
[Outside] [Independent]	Kenichi Udagawa (April 5, 1949)	June 2004 June 2008 June 2009 March 2016 June 2018 June 2019 June 2019	Director of Tosoh Corporation Managing Director of Tosoh Corporation President of Tosoh Corporation Director and Corporate Advisor of Tosoh Corporation Honorary Advisor of Tosoh Corporation Retired from Honorary Advisor of Tosoh Corporation Outside Director (Audit and Supervisory Committee Member) of the Company (To present)
[Outside] [Independent]	Osamu Terada (April 7, 1953)	June 2005 June 2010 April 2013 June 2014 June 2020 June 2021 June 2021	Executive Officer of SHIMIZU CORPORATION Managing Officer of SHIMIZU CORPORATION Senior Managing Officer of SHIMIZU CORPORATION Executive Vice President and Representative Director of SHIMIZU CORPORATION Senior Advisor of SHIMIZU CORPORATION Retired from Senior Advisor of SHIMIZU CORPORATION Outside Director (Audit and Supervisory Committee Member) of the Company (To present)
[Non-Executive]	Shuji Sasaki (December 31, 1955)	March 1979 February 2012 June 2014 July 2014 April 2015 April 2016 April 2019 June 2019	Joined the Company General Manager of Okayama Branch Director and General Manager of Okayama Branch Director and General Manager of the Flooring Division and Marketing Department Director in charge of the Marketing and General Manager of the Flooring Division Director, Managing Executive Officer and General Manager of the Sales Division Director Director (Full-time Audit and Supervisory Committee Member) (To present)

(Attached materials)

Business Report (April 1, 2021 to March 31, 2022)

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

(1) Business Progress and Results

During the fiscal year under review, while the Japanese economy continued to face critical conditions with COVID-19 prevention measures, including emergency and quasi-emergency declarations, economic activities showed a recovery trend along with the promotion of vaccinations and others. However, the future became more uncertain because of factors such as new coronavirus variants, rapid rises in raw material prices and limited supply, changes in financial and capital markets, and increased geopolitical risks including the situation in Ukraine.

In the Japanese construction market, which is closely related to the Company’s businesses, although the number of new housing starts and the floor area of newly built non-residential facilities indicate a positive trend from the previous year, a rapid increase in raw material prices and continuously high logistics costs have a further broad impact, and the business environment is still in a difficult-to-predict situation.

In these circumstances, the Group made efforts for the market-oriented development of products and sample books to develop and launch environmentally-sound products that help the realization of a decarbonized society, as well as products catering to increasingly deflationary markets. For overseas businesses, the Group rebuilt the organizational structure for Chinese and Southeast Asian markets. In December 2021, the Group opened the Kansai Branch Center Office in Osaka-shi to implement the “Space Creation Company” proposed in the Long-term Vision. On the other hand, against the backdrop of increased purchase prices associated with a further rapid rise in raw material prices after September, the Group announced additional price revisions for orders to be received on April 1, 2022 or later, which followed the product price revisions enforced in September 2021, in order to stably supply products, maintain the logistics service level, and ensure the sound development of the interior industry.

As a result of these efforts, consolidated financial results for the fiscal year under review recorded ¥149,481 million in net sales, ¥7,959 million in operating income, up 18.8% year on year, and ¥8,203 million in ordinary income, up 16.5% year on year. However, net income attributable to owners of the parent was ¥276 million, down 94.2% year on year, due to the impairment of intangible assets related to Koroseal Interior Products Holdings, Inc., a U.S. subsidiary of the Company.

The accounting standards including the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, the “Revenue Recognition Standard”) have been applied since the start of this fiscal year, and therefore the figures for this fiscal year represent the figures after the application of the Revenue Recognition Standard, etc. If the Revenue Recognition Standard, etc., were not applied, net sales would be ¥158,827 million (up 9.3% year on year).

(Reference) Consolidated Financial Highlights

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

Net sales	Operating income	Ordinary income	Net income (loss) attributable to owners of the parent
149,481	7,959	8,203	276
–	up 18.8%	up 16.5%	down 94.2%

(Interior segment) Net sales ¥123,042 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)

	69th term Fiscal year ended March 31, 2021	70th term Fiscal year ended March 31, 2022		
Net sales	111,794	Accounting Standard for Revenue Recognition	Applied	123,042
			Not applied	122,895
Operating income	7,082	9,097		

In the wall coverings division, benefiting from a recovery of new housing starts in the residential market, the sample book “SP” featuring mass-produced wallpaper drove sales. In the non-residential market, “FAITH,” a sample book for non-residential wall coverings, remains strong, and “REATEC,” an adhesive-attached decorative film launched in November 2021, is highly acclaimed in the market for its aesthetic design and its new low-priced series “BASIC WOOD” and contributed to sales. Although CREANATE Inc., a wall coverings manufacturer, had its equipment damaged which caused a delay in supplying some products, last-minute demand ahead of additional price revisions on April 1, 2022 generated an impact, and as a result, net sales of wall coverings were ¥62,337 million.

In the flooring materials division, boosted by a recovery in the non-residential renovation market, PVC sheets and carpet tiles for various facilities contributed to sales, and “Floor Tile,” which can be used in a wide range of applications in both the residential and non-residential sectors, kept a positive trend. In addition, “NT double eco,” environmentally friendly carpet tiles helping the realization of a decarbonized society, received high ratings from the market and drove adoption. Moreover, promotional activities and product development were implemented strategically, such as publishing “DT,” a sample book for elaborately designed carpet tiles, in January 2022. As a result, net sales of flooring materials were ¥44,881 million.

In the fabrics division, the contract market showed slow growth for some products, but in the residential market, sales were driven by “STRINGS,” a curtain sample book for high-end products, and “Simple Order,” a sample book that presents single prices to further make it easier for customers to choose. Additionally, “UP,” a sample book for upholstery, stayed robust mainly in the non-residential sector. In January 2022, “RB Collection,” a sample book for mechanical window coverings, was published to expand the lineup of mechanical products through its easy-to-understand layout and pricing. Sangetsu Vosne Corporation actively held events to sell optional items for condominiums. The e-commerce division also extended the range of original products designed specifically for e-commerce sites to strengthen the B to C business, redesigned websites to improve usability, and effectively implemented initiatives to attract customers, which resulted in increased sales. As a result, net sales of fabrics products, which are composed of curtains and upholstery, were ¥8,612 million.

Aside from this, with other business, which includes installation fees, adhesives, etc., recording net sales of ¥7,210 million, the Interior segment recorded net sales of ¥123,042 million and operating income of ¥9,097 million, up 28.5% year on year. If the Revenue Recognition Standard, etc., were not applied, net sales would be ¥122,895 million, up 9.9% year on year.

(Exterior segment) Net sales ¥5,823 million

Main business

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

(Millions of yen)

	69th term Fiscal year ended March 31, 2021	70th term Fiscal year ended March 31, 2022		
Net sales	14,626	Accounting Standard for Revenue Recognition	Applied	5,823
			Not applied	15,316
Operating income	417	541		

In the Exterior segment, a recovery in the market of new houses increased constructions for exterior residential structures, resulting in the sales of fences, carports, and others doing well. Additionally, last-minute demand ahead of additional price revisions in April 2022 for aluminum products also caused sales to grow. On the other hand, in the non-residential sector, despite a certain recovery in the number of properties, large-scale properties decreased. Under these conditions, to develop new business areas, the Company built an organizational system that can provide support from concept design to installation supervision, strengthened the organization for installation, and extended the business for planting and exterior structure constructions.

As a result, net sales of the exterior segment were ¥5,823 million, and operating income was ¥541 million, up 29.8% year on year. If the Revenue Recognition Standard, etc., were not applied, net sales would be ¥15,316 million, up 4.7% year on year.

(Overseas segment) Net sales ¥15,930 million

Main business

Manufacture of wallpaper products and sale of interior materials
(Millions of yen)

	69th term Fiscal year ended March 31, 2021	70th term Fiscal year ended March 31, 2022
Net sales	15,034	15,930
Operating income	(985)	(1,821)

In the Overseas segment, the results of overseas subsidiaries and associates over the period from January to December 2021 are included in results for the fiscal year under review.

In the North American market, although sales remained lower than the previous year until the first quarter, the construction market gradually recovered starting from the second quarter and new design products were launched, which led to a recovery trend. However, the segment recorded low revenues, owing to labor shortages causing turmoil at production sites and delayed price revisions that were made three times, in February, October, and December, to respond to a rapid increase in raw material prices and labor costs. In addition, the segment decided to retire handrails and other low-profit products in the wall protection division, recognized inventory valuation loss, and recorded the provision for quality warranties for some products.

In the Southeast Asian market, as new coronavirus variants spread, the countries imposed lockdown, and the tough conditions continued persistently. While the hospitality market, one of the main markets, shrank due to delayed or replanned construction projects, the segment made efforts to develop new markets with a growth trend, such as the health care and residential markets, and extended sales activities, including the renovation of showrooms in Singapore and Thailand (Bangkok). Additionally, the shares of Goodrich Global Dubai, which was responsible for the Middle Eastern market, were sold to a local partner to complete the withdrawal.

In the Chinese and Hong Kong markets, strict COVID-19 prevention measures continued during the fiscal year under review, including the zero-COVID policy that set limits on human mobility to prevent the spread, but the limits on markets were looser than in other Asian countries, and this promoted delivery to some large-scale properties and luxury homes, which led to increased sales. In October, Sangetsu (Shanghai) Corporation, which was a subsidiary of the Company, and Goodrich Global China, which was a subsidiary of Goodrich Global Limited (located in Hong Kong) and a sub-subsidiary of the Company, have been integrated and reorganized as Sangetsu Goodrich China to streamline businesses and enhance earnings power.

As a result, net sales of the Overseas segment were ¥15,930 million, up 6.0% year on year, and operating loss was ¥1,821 million (operating loss of ¥985 million for the previous fiscal year).

Koroseal Interior Products Holdings, Inc. had performance lower than initially planned, as the market shrank rapidly due to the spread of COVID-19, and rising raw material prices and labor costs affected the supply. Without a good prospect for the rapid recovery of the market, the Group rethought the business plan and thus recorded ¥5,593 million in impairment loss on trademark right of Koroseal Interior Products Holdings, Inc. as an extraordinary loss.

Status of Main Intangible Assets in the Overseas segment

The Company acquired all the shares of Koroseal Interior Products Holdings, Inc., a U.S. company engaging in production and sales of wall covering products, in November 2016, making it into a consolidated subsidiary. The status of intangible assets at the end of the fiscal year under review (March 31, 2022) after the aforementioned impairment is as follows.

Related to Acquisition of Shares of *Koroseal Interior Products Holdings, Inc.*

(Millions of yen)

Consolidated balance sheet	Amortization period	Previous fiscal year	Current fiscal year			
		Consolidated balance sheet amount	Amortization amount	Impairment loss amount	Consolidated balance sheet amount	Remaining amortization period
Trademark right	Not amortized	5,474	–	5,593	230	Not amortized
Intangible assets Other (Technology assets)	13 years	493	58	–	487	8 years
Total	–	5,967	58	5,593	717	–

- Notes: 1. In addition to the above, there have been changes due to exchange rate fluctuations.
 2. At the end of the fiscal year under review (March 31, 2022), the Company recorded ¥59 million in deferred tax liabilities related to trademark right, and ¥125 million in deferred tax liabilities related to intangible assets other (technology assets).

(Space creation segment) Net sales ¥6,579 million

Main business

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

(Millions of yen)

	69th term Fiscal year ended March 31, 2021	70th term Fiscal year ended March 31, 2022
Net sales	5,239	6,579
Operating income	201	139

In the installation department of the Space creation segment, despite a temporary decrease in constructions due to the COVID-19 quasi-emergency measures, sales did well, benefiting from a gradual recovery trend in the construction market and many constructions restarting at the end of the fiscal year, which is a season of high demand. Working with the Company in sales activities, the segment made efforts not only for the office market, which is its main market, but also for expanding the business to various areas, including large-scale renovation of condominiums, and established a sales management system more focused on profitability.

The design department also continued sales activities by utilizing the customer base from the interior business to attract customers stably and develop new markets. Especially in January 2022 and later, many constructions that were ordered through previous sales activities have been completed, resulting in sales growth.

As a result, net sales of the Space creation segment were ¥6,579 million, up 25.6% year on year, but operating income was ¥139 million, down 30.8% year on year, due to an increase in selling, general and administrative expenses.

Efforts toward Sustainability

To incorporate the ideas of sustainability into business operations and contribute to realizing a sustainable society through business activities, the Group proposes the realization of a society that is “Inclusive, Sustainable, and Enjoyable” in the Long-term Vision 【 DESIGN 2030 】 and takes various actions.

As efforts in business activities during the fiscal year under review, the “sangetsu Sample Book Recycling Center,” opened in March 2021, promotes material recycling for the Company’s sample books. For product development, the Company launched “NT double eco,” carpet tiles using 100% recycled threads that are made by recycling waste materials from fishing nets and carpets. As efforts for human capital focusing on health and productivity management, the Company provides support for employees to return to work after leave or to balance work and nursing care. The Company has been selected as a Certified Health & Productivity Management Organization by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi for three consecutive years.

On the other hand, as social participation activities, the Company continuously supports the interior renovation of children’s nursing homes. Amid the COVID-19 pandemic, the renovations were performed with sufficient infection prevention measures, which resulted in the number of renovated

homes reaching 33 in the fiscal year under review, and the total number from 2014 reaching 132. Additionally, to more actively contribute to the realization of a sustainable society as a company, the Company declared its support for the Task Force on Climate-related Financial Disclosures (TCFD) in October 2021 and signed United Nations Global Compact in January 2022. As a result of these steady efforts, the Company has been selected as a constituent of the FTSE Blossom Japan Sector Relative Index, which is an ESG index created by FTSE Russell, in March 2022. The Group continues to intensify its effort to realize a sustainable society and seeks to be a company that can share the enjoyment of new value creation with all stakeholders.

(2) Capital Investments

During the fiscal year under review, the Group as a whole made ¥2,264 million in capital investment, including opening the Kansai Branch Center Office in Osaka-shi to implement “Space Creation Company” proposed in the Long-term Vision, renovating other branches, and setting up some facilities for rent.

(3) Financing

The capital investment was covered by the Group’s own funds, and the Group did not procure financing by capital increase or bond issue in the fiscal year under review.

(4) Issues to Address

With regard to the future outlook, economic activities with COVID-19 are expected to be normal. However, the extent of the impact still varies widely across regions, for example, China imposed strict lockdowns, and virus variants and some other factors are difficult to predict. Therefore, business operations and personal consumption are expected to be affected continuously in the future. In addition, with increased geopolitical risks including the situation in Ukraine, it is definitely unclear how they can affect global economics and politics.

Under these conditions, the Group has focused on reinforcement from a medium- and long-term perspective to persistently increase corporate value.

For the Japanese construction markets, which are closely related to the Company’s businesses, the residential market is expected to be on a flat trend after the end of the increasing trend boosted by a recovery from the COVID-19 pandemic. In the non-residential market, despite positive factors, such as the renovation market to be activated with restarted economic activities, the impact of COVID-19 continues and makes it difficult for the market to grow strongly. Additionally, with announcements about raising raw material prices, difficult conditions for costing and procurement are expected to continue.

In the Japanese market, we extended the services and capabilities to increase sales and improve profitability. The Interior segment, which is one of the major segments, launched products designed to meet the needs of different target markets and strengthens the sales organizations, such as the Non-residential Business Department, Residential Business Department, and Market Development Department, considering characteristics of specific regions, customers, and markets to increase sales. Additionally, price revisions were made on September 21, 2021 and further revisions on April 1, 2022, which is expected to result in improved profitability. The Exterior segment and the Space creation segment focused on reinforcing installation resources, space design capabilities, estimation functions, and others to develop strength in making spatial proposals across interiors and exteriors and expand the business. This can help the segments steadily increase sales.

For the overseas markets, in North America, raw material prices are increasingly rising, and it is unceasingly difficult to secure human resources. Although we tenaciously work on streamlining production, saving SGA and other expenses, and enhancing the business structure, it is still expected to take time for the markets to recover. The impact of COVID-19 has subsided in the Southeast Asian market, but the Chinese and Hong Kong markets are unpredictable. As the business structure is fully established in Asia, we will make further efforts to enhance human resources, organizations, and product appeal.

As the last year of the Medium-term Business Plan (2020-2022) 【 D.C. 2022 】 , we will steadily implement initiatives to realize economic value and social value.

As a result, for the full-year consolidated business results forecast, the Group expects to record net sales of ¥159.0 billion, up 6.4% year on year, operating income of ¥10.0 billion, up 25.6% year on year, ordinary income of ¥10.7 billion, up 30.4% year on year, and net income attributable to owners of the parent of ¥7.0 billion, up 2,431.1% year on year. 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 Medium-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

* The Accounting Standard for Revenue Recognition, etc., are not applied to the amounts above.

Medium-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

* The Accounting Standard for Revenue Recognition, etc., are not applied to the amounts above.
 - (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): Carbon neutral (target for fiscal year ending March 31, 2031)*
 - 2) Energy consumption: 4.0% reduction (from FY2018)
 - 3) Total waste emissions: 4.0% reduction (from FY2018)
 - 4) Recycling rate: At least 83.0%

* The original targets were revised, and the new targets were announced on May 28, 2021.
 - (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 80.0%
 - 2) Promote diversity & inclusion
 - Ratio of female managers: At least 20.0%
 - Ratio of employees with disabilities: At least 4.0%
 - (iii) Social capital
 - Space creation in children's home renovations: 30 per year
 - Active employee participation in matching gift: 13,000 S-mile*

* The original targets were revised, and the new targets were announced on May 17, 2021.
 - (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 Medium-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

 - The capital allocation, which had been undetermined, was decided in May 2021 as the three-year business results outlook became clearer.

Capital allocation policy during the Medium-term Business Plan (2020-2022) 【 D.C. 2022 】

Fund generation and procurement

Cash equivalents as of the end of March 2020*	¥36.8 billion
+	
Operating cash flow over three years	¥28.0 to 30.0 billion
+	
Three-year borrowings	(¥5.0-10.0) billion

* Cash & deposits and marketable securities other than stocks

Fund allocation

Investment for growth*	¥20.0 to 26.0 billion
+	
Return to shareholders	¥17.0 to 19.0 billion
+	
Cash as of the end of March 2023	¥25.0 to 30.0 billion

*M&A, minor investment (alliance strengthening), capital investment (logistics, DX, etc.)

Other Issues to Address

- 1) Koroseal Interior Products Holdings, Inc., which was acquired in November 2016, recorded low revenues as the market shrank rapidly due to the spread of COVID-19, and rising raw material prices and labor costs affected the supply. To increase the subsidiary's revenue, we will effectively implement profitability improvement measures, including revising prices mainly for small- or medium-amount trades, extending the sales of the subsidiary's own products, retiring low-profit products and reducing workforce for such products, and adding high-profit products.
- 2) In the Chinese and Hong Kong markets and the Southeast Asian market, as the organizational structure is fully established, we will reorganize the portfolio of products, build a sales structure for the new portfolio, and strengthen the workforce.
- 3) The Japanese market also continuously experiences rise in raw material prices and purchase prices and increases in packaging material, labor, and other costs, and the increased costs need to be reflected in selling prices.
- 4) In the Japanese market, as for the quality issue arising from wall coverings purchased from a particular supplier, we will establish a customer service office 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.

(5) Changes in Assets and Income (Loss)

(Millions of yen, except for per share amounts)

Item	67th term Fiscal year ended March 31, 2019	68th term Fiscal year ended March 31, 2020	69th term Fiscal year ended March 31, 2021	70th term Fiscal year ended March 31, 2022
Net sales	160,422	161,265	145,316	149,481
Ordinary income (loss)	6,699	9,844	7,042	8,203
Net income (loss) attributable to owners of the parent	3,579	1,432	4,780	276
Net income (loss) per share (Yen)	57.28	23.56	78.97	4.66
Diluted net income (loss) per share (Yen)	57.16	23.52	78.92	4.65
Total assets	170,875	164,101	158,665	147,943
Net assets	100,143	94,217	93,749	88,326
Net assets per share (Yen)	1,612.59	1,539.56	1,547.92	1,497.21

- 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 69th term reflect material changes in the initial allocation of acquisition costs because the tentative accounting treatment of business combinations was finalized.
3. The accounting standards including the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) have been applied since the start of this fiscal year, and therefore the figures for this fiscal year represent the figures after the application of the said accounting standard, etc.

(6) Principal Subsidiaries and Affiliates (As of March 31, 2022)

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 Corporation	¥100 million	100	Sale of interior materials
CREANATE Inc.	¥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\$10,474 thousand	100	Sale of interior materials
Goodrich Global Limited	HK\$1,000 thousand	100	Sale of interior materials

- Notes: 1. Goodrich Global Limited, which was a subsidiary of Goodrich Global Holdings Pte., Ltd. has been a subsidiary of the Company since February 2021. Sangetsu (Shanghai) Corporation, which was a subsidiary of the Company, and Goodrich Global China, which was a subsidiary of Goodrich Global Limited and a sub-subsidiary of the Company, have been integrated as Sangetsu Goodrich China and started operation from October 2021.
2. Wavelock Interior Co., Ltd. was renamed CREANATE Inc. on January 1, 2022.

(7) Principal Business Offices (As of March 31, 2022)

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 (Osaka-shi), Chugoku-Shikoku Branch (Hiroshima-shi), Kyushu Branch (Fukuoka-shi)
Branch offices/ Sales offices	Yokohama Branch Office, Hokuriku Branch Office (Kanazawa-shi), Shikoku Sales Office (Takamatsu-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), 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/company/companyprofile/office.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.	Chuo-ku, Tokyo	Headquarters, Chubu Sales Office (Nagoya) and 2 other sales offices
Sangetsu Vosne Corporation	Shinagawa-ku, Tokyo	Headquarters, Nagoya Sales Office, Kansai Sales Office, Kyushu Sales Office
Sangetsu Okinawa Corporation	Ginowan-shi, Okinawa	Headquarters
CREANATE Inc.	Shinagawa-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
Goodrich Global Limited	Hong Kong	Headquarters

Notes: 1. Goodrich Global Limited, which was a subsidiary of Goodrich Global Holdings Pte., Ltd. has been a subsidiary of the Company since February 2021. Sangetsu (Shanghai) Corporation, which was a subsidiary of the Company, and Goodrich Global China, which was a subsidiary of Goodrich Global Limited and a sub-subsiary of the Company, have been integrated as Sangetsu Goodrich China and started operation from October 2021.

2. Wavelock Interior Co., Ltd. was renamed CREANATE Inc. on January 1, 2022.

(8) Employees (As of March 31, 2022)

1) The Group

Segment	Number of employees	Change from previous fiscal year-end
Interior	1,436	Increase of 27
[of which Sangetsu Corporation]	[1,182]	[Increase of 6]
[of which Sangetsu Vosne Corporation]	[34]	[Increase of 11]
[of which Sangetsu Okinawa Corporation]	[19]	[Increase of 2]
[of which CREANATE Inc.]	[201]	[Increase of 8]
Exterior	173	Increase of 7
Overseas	745	Increase of 43
[of which Koroseal Interior Products Holdings, Inc.]	[481]	[Increase of 24]
[of which Goodrich Global Holdings Pte., Ltd.]	[187]	[Decrease of 58]
[of which Goodrich Global Limited]	[77]	[Increase of 77]
Space creation	99	Increase of 26
[of which Sangetsu Corporation]	[12]	[Increase of 3]
[of which Fairtone Co., Ltd.]	[87]	[Increase of 23]
Total	2,453	Increase of 103

Notes: 1. Goodrich Global Limited, which was a subsidiary of Goodrich Global Holdings Pte., Ltd. has been a subsidiary of the Company since February 2021. Sangetsu (Shanghai) Corporation, which was a subsidiary of the Company, and Goodrich Global China, which was a subsidiary of Goodrich Global Limited and a sub-sub-subsidiary of the Company, have been integrated as Sangetsu Goodrich China and started operation from October 2021.

2. Wavelock Interior Co., Ltd. was renamed CREANATE Inc. on January 1, 2022.

2) The Company

Number of employees	Change from previous fiscal year-end	Average age	Average years of service
1,194	Increase of 9	37.2 years old	15.8 years

(9) Status of Principal Borrowings (As of March 31, 2022)

Lender	Balance of borrowing (Millions of yen)
MUFG Bank, Ltd.	7,000
THE SHIGA BANK, LTD.	734
Sumitomo Mitsui Banking Corporation	734
The Norinchukin Bank	367

2. Status of the Company

(1) Status of Shares (As of March 31, 2022)

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

2) Total Number of Issued Shares 59,200,000 shares

Note: The total number of issued shares decreased by 1,950,000 shares (to 59,200,000 shares) due to retirement of treasury shares carried out on May 31, 2021, August 31, 2021, October 29, 2021, and March 31, 2022.

3) Number of Shareholders 5,511 persons

4) Major Shareholders (Top 10)

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,891,300	13.45
Northern Trust Co. (AVFC) Re Silchester International Investors International Value Equity Trust	2,926,100	4.98
MUFG Bank, Ltd.	2,082,700	3.55
Custody Bank of Japan, Ltd. (Trust Account)	2,082,100	3.55
The Ogaki Kyoritsu Bank, Ltd.	2,064,372	3.51
Touzou Hibi	1,773,492	3.02
Yoshio Hibi	1,708,588	2.91
Masae Miwa	1,699,228	2.89
Sangetsu Kyoei-kai	1,575,980	2.68
Northern Trust Co. (AVFC) Re U.S. Tax Exempted Pension Funds	1,468,119	2.50

Note: The Company holds 552,040 treasury shares, and shareholding ratio is calculated after deducting the amount of treasury shares.

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 "2. Status of the Company, (2) Company Officers, 3) Remuneration System and Remuneration Plan for the Company's Directors and Executive Officers" 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 of Japan 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
May 12, 2021	From May 13, 2021 to August 3, 2021	500,000	¥784 million
August 3, 2021	From August 11, 2021 to October 5, 2021	500,000	¥798 million
October 8, 2021	From October 11, 2021 to January 13, 2022	695,000	¥1,103 million
Total		1,695,000	¥2,687 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 of Japan, retired treasury shares as follows.

Date of resolution by the Board of Directors	Date of retirement	Number of shares canceled (shares)	Total value of shares cancelled
May 12, 2021	May 31, 2021	250,000	¥462 million
August 3, 2021	August 31, 2021	500,000	¥860 million
October 8, 2021	October 29, 2021	500,000	¥834 million
March 11, 2022	March 31, 2022	700,000	¥1,150 million
Total		1,950,000	¥3,308 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 per share	From July 13, 2015 to July 12, 2045
3rd series share acquisition right (June 23, 2016)	217 units	Common shares 21,700 shares	¥180,200 (Note)	¥1 per share	From July 11, 2016 to July 10, 2046

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

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

Name (Date of resolution for issue)	Number of share acquisition rights	Class and number of shares to be issued upon exercise of the share acquisition rights	Number of Directors holding the share acquisition rights
1st series share acquisition right (May 12, 2015)	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)	104 units	Common shares 10,400 shares	1 person

(3) Company Officers

1) Directors (As of March 31, 2022)

Position	Name	Areas of responsibility within the Company and significant concurrent positions
Representative Director, President and CEO	Shosuke Yasuda	
Director, Executive Officer	Tatsuo Sukekawa	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
Director (Audit and Supervisory Committee Member)	Masatoshi Hatori	
Director (Audit and Supervisory Committee Member)	Michiyo Hamada	Outside Board Member of 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 (Audit and Supervisory Committee Member)	Osamu Terada	
Director (Full-time Audit and Supervisory Committee Member)	Shuji Sasaki	

- Notes:
1. Directors serving as Audit and Supervisory Committee Members Mr. Masatoshi Hatori, Ms. Michiyo Hamada, Mr. Kenichi Udagawa, and Mr. Osamu Terada are Outside Directors.
 2. 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.
 3. The Company has designated Audit and Supervisory Committee Members Mr. Masatoshi Hatori, Ms. Michiyo Hamada, Mr. Kenichi Udagawa, and Mr. Osamu Terada as Independent Officers stipulated by Tokyo Stock Exchange (TSE) and Nagoya Stock Exchange (NSE), and filed the relevant notification with the TSE and NSE.
 4. The Company elected Mr. 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.
 5. The Company has concluded an agreement with each of five Audit and Supervisory Committee Members as per Article 427, paragraph 1 of the Companies Act of Japan, limiting their liability for compensation for damage under Article 423, paragraph 1 of the Companies Act of Japan. These agreements limit the amount of their liability for compensation for damage to the minimum legally stipulated amounts.
 6. The Company has concluded a directors and officers liability insurance policy with an insurance company, as stipulated in Article 430-3, paragraph 1 of the Companies Act of Japan. The insured persons of this insurance policy include Directors and Executive Officers of the Company and Officers of the subsidiaries, and the insured persons bear about 10 percent of all insurance premiums. This insurance policy covers compensation for damages to be borne by the insured persons in the event of claims made during the term of the policy against them regarding the execution of their duties. However, measures are taken so that the properness of the performance of duties by officers, etc., is not impaired by excluding damage caused as a result of any conduct committed while knowing that the conduct is in violation of laws and regulations from the scope of compensation.

2) Amount of Remuneration, etc. to Directors in FY 2021

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)	80	64	–	16	3
Directors (Audit and Supervisory Committee Members)	63	63	–	–	6
[Of which, Outside Directors]	[43]	[43]	[–]	[–]	[5]
Total	144	128	–	16	9
[Of which, Outside Directors]	[43]	[43]	[–]	[–]	[5]

- Notes: 1. Above amount of remuneration does not include amount equivalent to salaries of those who are also company employees.
2. The performance-based remuneration of Directors (excluding Audit and Supervisory Committee Members) during the fiscal year under review is ¥0 because an indicator, consolidated net income in the relevant fiscal year, does not exceed ¥2.85 billion (ROE does not exceed 3.0%).
3. Non-monetary remuneration, etc. is restricted share remuneration and the amount recorded as an expense in the fiscal year under review is shown.
4. 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.
5. The amounts in the table above include remuneration for one Director (excluding Audit and Supervisory Committee Members) and one Outside Director (Audit and Supervisory Committee Member) who retired as of the end of the 69th General Meeting of Shareholders held on June 24, 2021.

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)

<p>Base remuneration</p>	<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)</p> <p><u>Base remuneration = Standard base remuneration × contribution evaluation coefficient × multiplier per position</u></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.
<p>Performance-based remuneration</p>	<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)</p> <p><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.
<p>Restricted share remuneration</p>	<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 Medium-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)</p> <p><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 Medium-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 Medium-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 ¥0.27 billion.

(Table 4)

	Consolidated net income		Ratio of performance-based remuneration to total remuneration
	Forecasts	Results	
69th term (fiscal year ended March 31, 2021)	(Note 1) ¥2.3 billion	¥4.78 billion	(Note 2) 13-15%
	¥4.5 billion		
70th term (fiscal year ended March 31, 2022)	¥4.5 billion	¥0.27 billion	0%

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 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

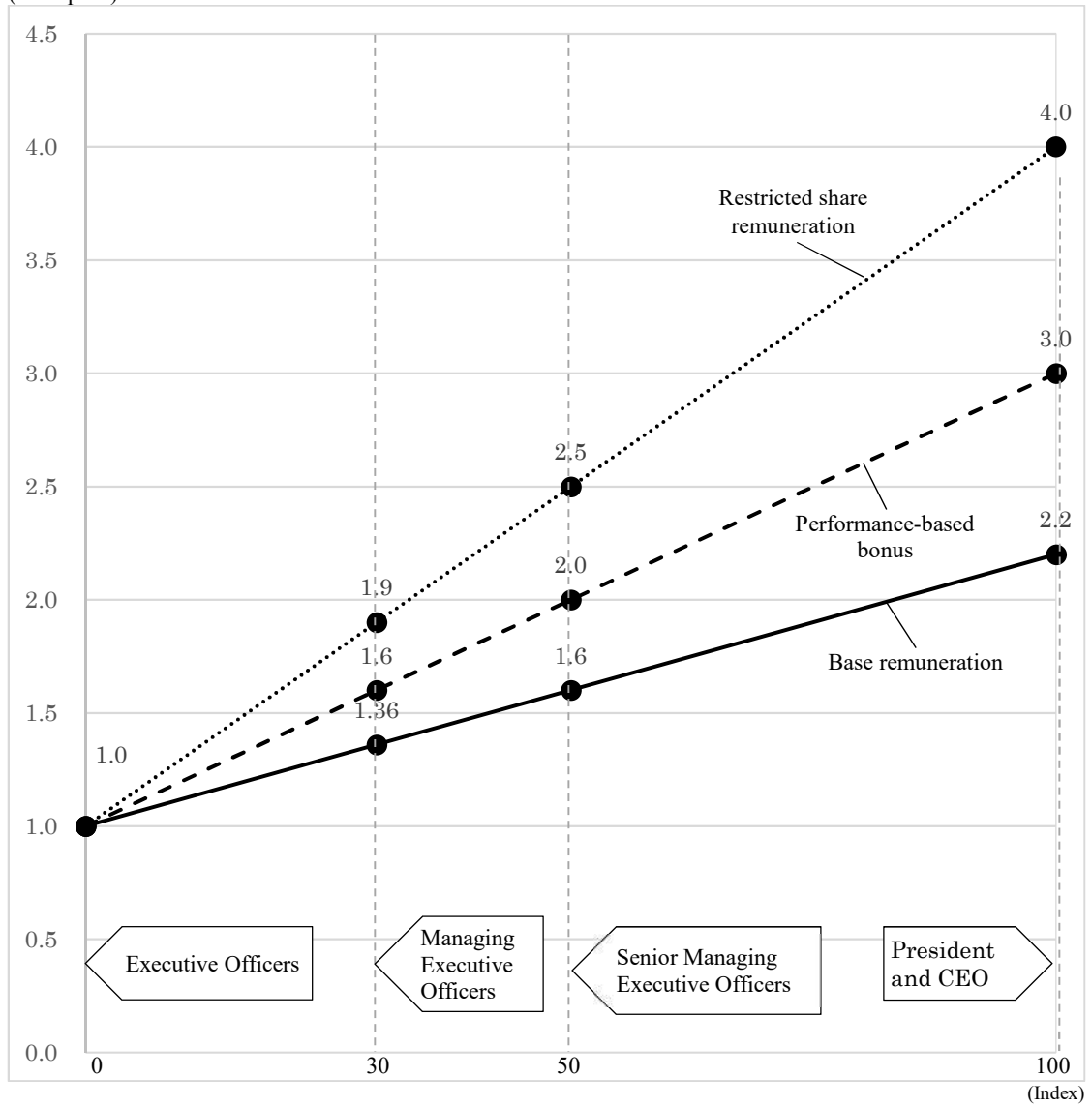
The Board of Directors determines the amount of remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) who hold concurrent positions as Executive Officers and Executive Officers following deliberations by the Nomination and Remuneration Committee, which consists 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.

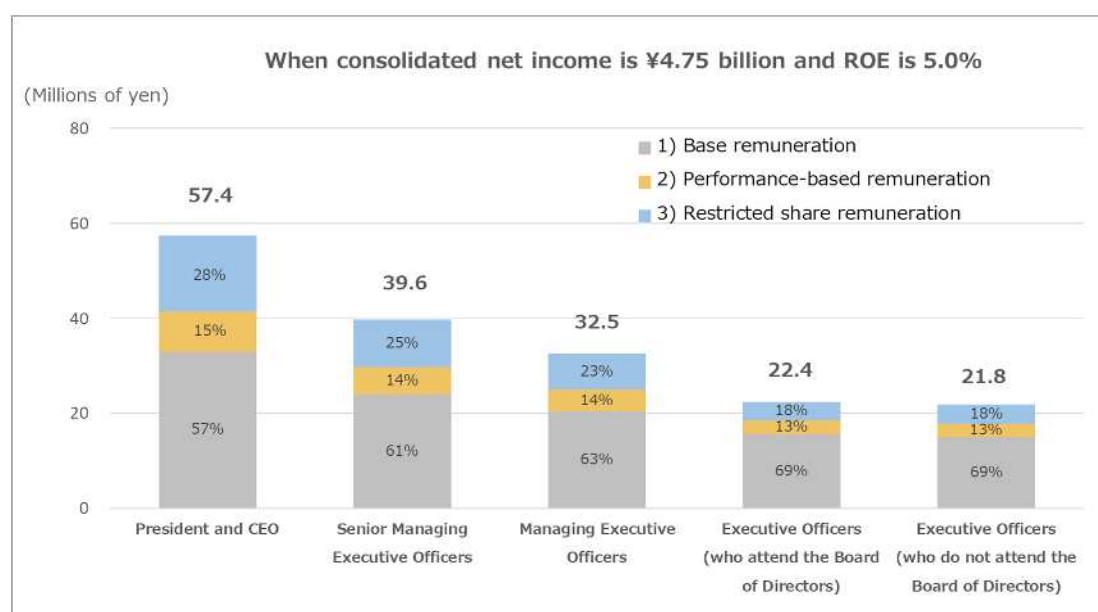
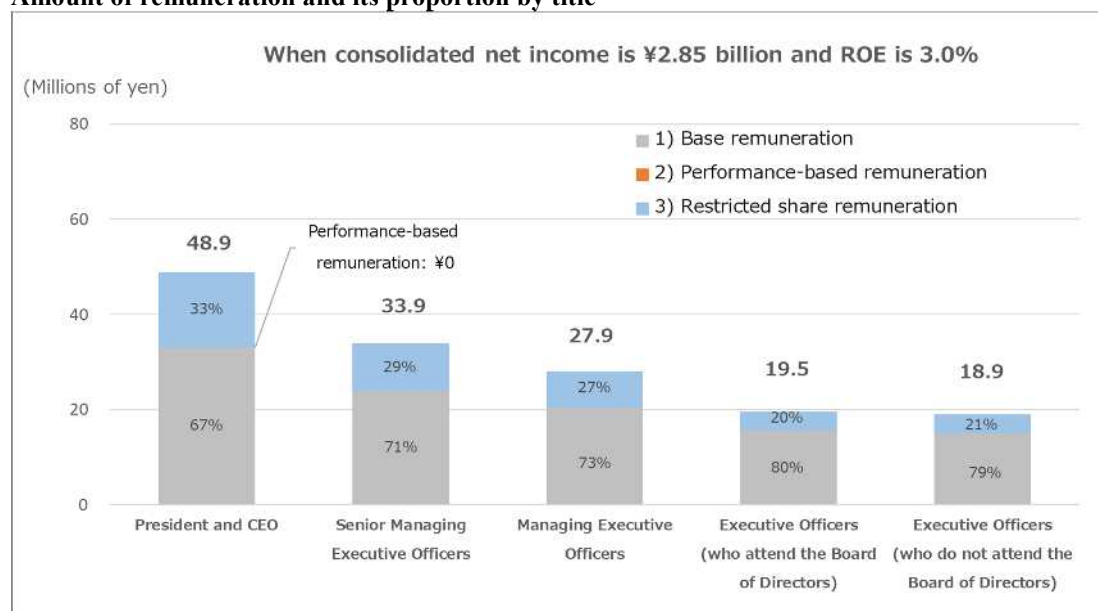
(Graph 1)
Multipliers for each executive level (by remuneration type)
 (Multiplier)

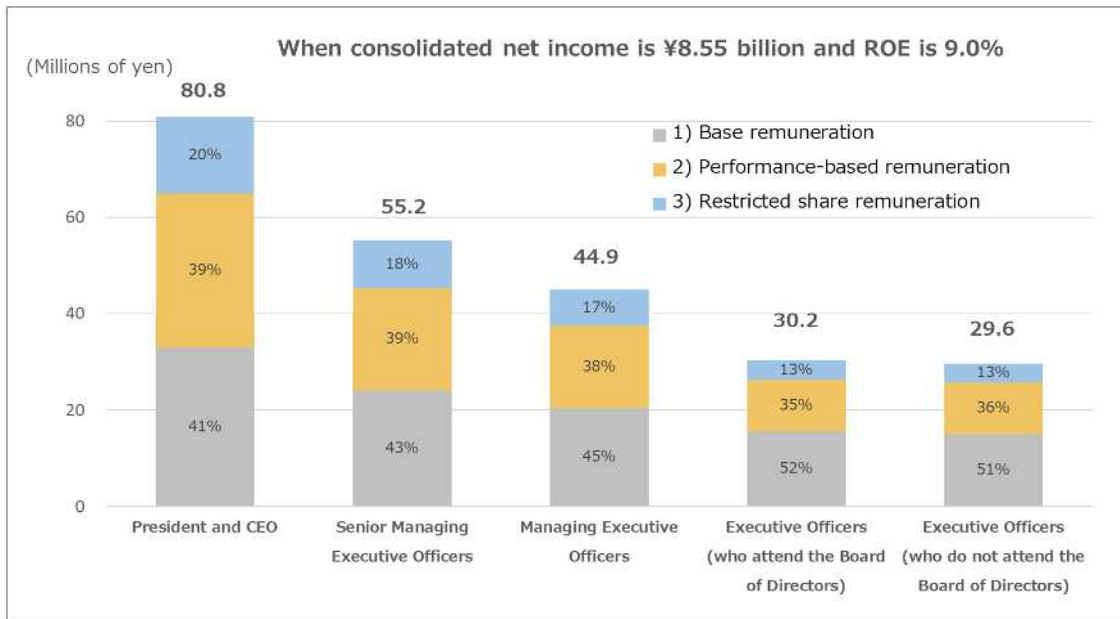


The amount of remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) who hold concurrent positions as Executive Officers and Executive Officers, and its proportion differs depending on the evaluation of each individual's level of contribution, the Company's 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)	Michiyo Hamada	Outside Board Member of AISIN CORPORATION	There are no special interests between AISIN CORPORATION 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)	Masatoshi Hatori	Participated in all 13 Board of Directors' meetings, in all 14 Audit and Supervisory Committee meetings held in FY2021; 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 13 Board of Directors' meetings, in all 14 Audit and Supervisory Committee meetings held in FY2021; 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 13 Board of Directors' meetings, in all 14 Audit and Supervisory Committee meetings held in FY2021; 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.
Outside Director (Audit and Supervisory Committee Member)	Osamu Terada	Participated in all 10 Board of Directors' meetings, in all 10 Audit and Supervisory Committee meetings held in FY2021 since appointment on June 24, 2021; contributed to the expansion of the construction business in Japan at a listed company (a major construction 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 overall construction industry at the Board of Directors' meetings and the like.

Note: Outside Director Michiyo Hamada serves as a chairman of the Nomination and Remuneration Committee, and Outside Directors Masatoshi Hatori, Kenichi Udagawa and Osamu Terada serve as members of the Nomination and Remuneration Committee. Michiyo Hamada, Masatoshi Hatori, and Kenichi Udagawa participated in all 11 Nomination and Remuneration Committee meetings held in FY2021, and Osamu Terada participated in all nine Nomination and Remuneration Committee meetings held in FY2021 since appointment on June 24, 2021. They 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	78
Total amount of cash and other property benefits payable by the Company and its subsidiaries to Accounting Auditor	78

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 of Japan 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 of Japan, 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 of Japan 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 six 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.
 - Training on the antimonopoly law was conducted for sales managers.
 - Subcontract Act training was conducted for newly assigned employees at Interior Business Unit.
 - Basic compliance trainings were provided to both new managers and new employees respectively.
- 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, disaster, environment 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 discussed to mitigate the risk 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 seven 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 one time, and written resolution has been made one time 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
 - Business Issue Review Meetings were held 10 times in the current fiscal year as venues to discuss business and operational issues.
 - Considering the situation where rising raw material prices lead to an increase in purchase prices and the increase is reflected in selling prices, the Company clarified preconditions for budgeting and promoted the progress management for the preconditions.
- 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 14 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, 2021 - March 31, 2022)

Consolidated Balance Sheet

(As of March 31, 2022)

(Millions of yen)

Item	70th term As of March 31, 2022	(Reference) 69th term As of March 31, 2021	Item	70th term As of March 31, 2022	(Reference) 69th term As of March 31, 2021
ASSETS			LIABILITIES		
Current assets	87,525	89,469	Current liabilities	40,758	43,765
Cash and deposits	18,347	25,719	Notes and accounts payable - trade	13,810	12,755
Notes and accounts receivable - trade	-	30,735	Contract liabilities	1,240	-
Notes receivable - trade	9,111	-	Electronically recorded obligations - operating	12,741	13,871
Accounts receivable - trade	24,743	-	Short-term loans payable	862	1,169
Contract assets	293	-	Current portion of long-term loans payable	1,101	6,092
Electronically recorded monetary claims - operating	16,028	14,248	Lease obligations	114	140
Securities	300	300	Income taxes payable	2,777	1,435
Merchandise and finished goods	14,700	14,267	Provision for bonuses	1,983	1,794
Work in process	179	345	Provision for directors' bonuses	-	29
Raw materials and supplies	2,843	2,497	Provision for product warranties	460	455
Other	1,448	1,861	Other	5,666	6,021
Allowance for doubtful accounts	(471)	(506)	Non-current liabilities	18,857	21,151
Non-current assets	60,417	69,196	Long-term loans payable	7,734	8,660
Property, plant and equipment	35,285	40,516	Lease obligations	284	82
Buildings and structures	11,729	12,472	Deferred tax liabilities	395	1,773
Machinery, equipment and vehicles	5,613	5,850	Provision for directors' retirement benefits	20	34
Tools, furniture and fixtures	877	838	Net defined benefit liability	8,671	8,959
Land	16,435	20,634	Asset retirement obligations	1,144	1,053
Leased assets	513	328	Long-term accounts payable - other	1	2
Construction in progress	116	391	Other	604	584
Intangible assets	4,058	10,030	Total liabilities	59,616	64,916
Software	1,794	2,354	NET ASSETS		
Goodwill	1,474	1,591	Shareholders' equity	87,019	93,196
Trademark right	232	5,476	Capital stock	13,616	13,616
Other	556	607	Capital surplus	19,773	19,773
Investments and other assets	21,073	18,649	Retained earnings	54,537	61,387
Investment securities	8,656	10,502	Treasury shares	(907)	(1,579)
Investment property	5,421	-	Accumulated other comprehensive income	788	163
Guarantee deposits	1,504	1,411	Valuation difference on available-for-sale securities	1,258	1,849
Deferred tax assets	4,425	5,165	Deferred gains or losses on hedges	6	0
Other	1,171	1,685	Foreign currency translation adjustment	567	(120)
Allowance for doubtful accounts	(106)	(114)	Remeasurements of defined benefit plans	(1,043)	(1,564)
Total assets	147,943	158,665	Share acquisition rights	71	76
			Non-controlling interests	446	311
			Total net assets	88,326	93,749
			Total liabilities and net assets	147,943	158,665

Consolidated Statement of Income

(April 1, 2021 - March 31, 2022)

	(Millions of yen)	
Item	70th term (April 1, 2021 - March 31, 2022)	(Reference) 69th term (April 1, 2020 - March 31, 2021)
Net sales	149,481	145,316
Cost of sales	109,519	97,676
Gross profit	39,962	47,640
Selling, general and administrative expenses	32,002	40,938
Operating income	7,959	6,701
Non-operating income	544	497
Interest and dividend income	212	161
Rental income from real estate	155	30
Share of profit of entities accounted for using equity method	-	82
Other	176	222
Non-operating expenses	300	156
Interest expenses	89	100
Rental expenses on real estate	135	1
Foreign exchange losses	23	31
Commission for purchase of treasury shares	4	0
Share of loss of entities accounted for using equity method	10	-
Other	36	22
Ordinary income	8,203	7,042
Extraordinary income	980	288
Gain on sales of non-current assets	82	13
Gain on sales of investment securities	543	-
Subsidy income	90	267
Settlement income	250	-
Other	13	7
Extraordinary losses	5,676	367
Loss on sales and retirement of non-current assets	75	75
Loss on sales of shares of subsidiaries and associates	7	233
Impairment loss	5,593	57
Other	0	1
Income before income taxes	3,506	6,963
Income taxes - current	4,013	2,415
Income taxes - deferred	(917)	(135)
Net income	410	4,683
Profit (loss) attributable to non-controlling interests	133	(97)
Profit attributable to owners of parent	276	4,780

Consolidated Statement of Changes in Equity

(April 1, 2021 - March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	13,616	19,773	61,387	(1,579)	93,196
Cumulative effect of changes in accounting policies			14		14
Restated balance reflecting changes in accounting policies	13,616	19,773	61,401	(1,579)	93,211
Changes of items during period					
Dividends of surplus			(3,828)		(3,828)
Profit attributable to owners of parent			276		276
Purchase of treasury shares				(2,688)	(2,688)
Disposal of treasury shares			(4)	48	43
Retirement of treasury shares			(3,308)	3,308	-
Exercise of share acquisition rights			0	4	4
Purchase of shares of consolidated subsidiaries					-
Change in scope of consolidation					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	(6,864)	672	(6,192)
Balance at end of current period	13,616	19,773	54,537	(907)	87,019

	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	1,849	0	(120)	(1,564)	163	76	311	93,749
Cumulative effect of changes in accounting policies								14
Restated balance reflecting changes in accounting policies	1,849	0	(120)	(1,564)	163	76	311	93,763
Changes of items during period								
Dividends of surplus								(3,828)
Profit attributable to owners of parent								276
Purchase of treasury shares								(2,688)
Disposal of treasury shares								43
Retirement of treasury shares								-
Exercise of share acquisition rights								4
Purchase of shares of consolidated subsidiaries								-
Change in scope of consolidation								-
Net changes of items other than shareholders' equity	(590)	5	688	520	624	(4)	134	755
Total changes of items during period	(590)	5	688	520	624	(4)	134	(5,437)
Balance at end of current period	1,258	6	567	(1,043)	788	71	446	88,326

(Reference) 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
Cumulative effect of changes in accounting policies					
Restated balance reflecting changes in accounting policies	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
Cumulative effect of changes in accounting policies								
Restated balance reflecting changes in accounting policies	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)	(577)	363
Total changes of items during period	1,357	(22)	(324)	(61)	948	(7)	(577)	(468)
Balance at end of current period	1,849	0	(120)	(1,564)	163	76	311	93,749

Non-consolidated Financial Statements

(April 1, 2021 - March 31, 2022)

Non-consolidated Balance Sheet

(As of March 31, 2022)

(Millions of yen)

		(Reference) 69th term As of March 31, 2021			(Reference) 69th term As of March 31, 2021
Item	70th term As of March 31, 2022		Item	70th term As of March 31, 2022	
ASSETS			LIABILITIES		
Current assets	73,856	75,616	Current liabilities	32,023	33,606
Cash and deposits	11,537	19,235	Electronically recorded obligations - operating	12,460	11,662
Notes receivable - trade	8,001	8,330	Accounts payable - trade	10,230	8,924
Electronically recorded monetary claims - operating	15,973	14,318	Contract liabilities	273	-
Accounts receivable - trade	18,671	15,664	Current portion of long-term loans payable	1,101	6,092
Contract assets	275	-	Lease obligations	1	22
Securities	300	300	Accounts payable - other	2,234	2,371
Merchandise and finished goods	12,191	11,430	Income taxes payable	2,449	1,105
Work in process	0	95	Provision for bonuses	1,508	1,354
Raw materials and supplies	1,795	1,684	Provision for directors' bonuses	-	29
Short-term loans receivable from subsidiaries and associates	4,231	3,229	Provision for product warranties	208	455
Other	1,018	1,476	Other	1,553	1,588
Allowance for doubtful accounts	(141)	(147)	Non-current liabilities	14,999	15,523
Non-current assets	59,635	68,458	Long-term loans payable	7,734	8,660
Property, plant and equipment	26,481	31,859	Lease obligations	3	5
Buildings	8,797	9,727	Provision for retirement benefits	5,561	5,285
Structures	169	185	Asset retirement obligations	1,096	1,004
Machinery and equipment	2,799	2,869	Currency swap	-	18
Vehicles	131	159	Long-term accounts payable - other	-	0
Tools, furniture and fixtures	617	621	Long-term deposits received	604	549
Land	13,917	18,099	Total liabilities	47,022	49,130
Leased assets	4	25	NET ASSETS		
Construction in progress	44	171	Shareholders' equity	85,157	93,047
Intangible assets	1,776	2,290	Capital stock	13,616	13,616
Software	1,706	2,220	Capital surplus	20,005	20,005
Other	69	70	Legal capital surplus	20,005	20,005
Investments and other assets	31,377	34,308	Retained earnings	52,442	61,005
Investment securities	8,226	10,032	Legal retained earnings	3,404	3,404
Shares of subsidiaries and associates	9,702	16,644	Other retained earnings	49,038	57,601
Long-term loans receivable from subsidiaries and associates	4,361	2,565	General reserve	50,000	50,000
Investment property	5,059	-	Retained earnings brought forward	(961)	7,601
Deferred tax assets	3,323	2,613	Treasury shares	(907)	(1,579)
Insurance funds	641	741	Valuation and translation adjustments	1,240	1,820
Guarantee deposits	1,353	1,263	Valuation difference on available-for-sale securities	1,234	1,820
Other	488	560	Deferred gains or losses on hedges	6	0
Allowance for doubtful accounts	(1,780)	(113)	Share acquisition rights	71	76
Total assets	133,492	144,074	Total net assets	86,470	94,944
			Total liabilities and net assets	133,492	144,074

Non-consolidated Statement of Income (April 1, 2021 - March 31, 2022)

	(Millions of yen)	
Item	70th term (April 1, 2021 - March 31, 2022)	(Reference) 69th term (April 1, 2020 - March 31, 2021)
Net sales	120,891	111,255
Cost of sales	91,608	73,134
Gross profit	29,283	38,121
Selling, general and administrative expenses	20,663	31,121
Operating income	8,620	7,000
Non-operating income	656	430
Interest and dividend income	442	286
Rental income from real estate	122	8
Other	90	134
Non-operating expenses	214	90
Interest expenses	68	70
Commission for purchase of treasury shares	4	0
Foreign exchange losses	14	5
Rental expenses on real estate	110	1
Other	16	12
Ordinary income	9,062	7,339
Extraordinary income	823	81
Gain on sales of non-current assets	4	9
Gain on sales of investment securities	543	-
Gain on sales of shares of subsidiaries and associates	25	8
Subsidy income	0	55
Settlement income	250	-
Other	-	7
Extraordinary losses	8,580	139
Loss on valuation of shares of subsidiaries and associates	6,849	66
Loss on sales and retirement of non-current assets	52	70
Loss on sales of investment securities	-	1
Loss on sales of shares of subsidiaries and associates	4	0
Provision of allowance for doubtful accounts	1,674	-
Income before income taxes	1,305	7,281
Income taxes - current	3,506	2,298
Income taxes - deferred	(764)	(65)
Net income (loss)	(1,436)	5,049

Non-consolidated Statement of Changes in Equity
(April 1, 2021 - March 31, 2022)

(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	50,000	7,601	61,005	(1,579)	93,047
Cumulative effect of changes in accounting policies						14	14		14
Restated balance reflecting changes in accounting policies	13,616	20,005	20,005	3,404	50,000	7,615	61,019	(1,579)	93,062
Changes of items during period									
Dividends of surplus						(3,828)	(3,828)		(3,828)
Net loss						(1,436)	(1,436)		(1,436)
Purchase of treasury shares								(2,688)	(2,688)
Disposal of treasury shares						(4)	(4)	48	43
Retirement of treasury shares						(3,308)	(3,308)	3,308	–
Exercise of share acquisition rights						0	0	4	4
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	(8,577)	(8,577)	672	(7,904)
Balance at end of current period	13,616	20,005	20,005	3,404	50,000	(961)	52,442	(907)	85,157

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	1,820	0	1,820	76	94,944
Cumulative effect of changes in accounting policies					14
Restated balance reflecting changes in accounting policies	1,820	0	1,820	76	94,959
Changes of items during period					
Dividends of surplus					(3,828)
Net loss					(1,436)
Purchase of treasury shares					(2,688)
Disposal of treasury shares					43
Retirement of treasury shares					–
Exercise of share acquisition rights					4
Net changes of items other than shareholders' equity	(585)	5	(579)	(4)	(584)
Total changes of items during period	(585)	5	(579)	(4)	(8,489)
Balance at end of current period	1,234	6	1,240	71	86,470

(Reference) 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
Cumulative effect of changes in accounting policies									-
Restated balance reflecting changes in accounting policies	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	-
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
Cumulative effect of changes in accounting policies					-
Restated balance reflecting changes in accounting policies	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					-
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

(English Translation)

Accounting Auditor's audit report on the Consolidated Financial Statements

Independent Auditor's Report

May 23, 2022

To the Board of Directors
Sangetsu Corporation

PricewaterhouseCoopers Aarata LLC
Nagoya Office

Kousaku Kawahara, CPA
Designated Limited Liability Partner,
Engagement Partner
Yasuhiro Nakajima, 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, 2021 to March 31, 2022.

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.

Other Content

Other content is the Business Report and its supplementary schedules. It is responsibility of management to prepare and present the other content. Moreover, the responsibility of the Audit and Supervisory Committee is to supervise the execution of duties of directors in maintaining and operating the reporting process of the other content.

The other content is not within the scope of our audit opinion on the consolidated financial statements. We do not state an opinion regarding the other content.

Our responsibility for auditing the consolidated financial statements is to read through the other content and consider whether there is any material discrepancy between the other content and the consolidated financial statements or the knowledge that we have acquired in the course of the audit. In addition, we are also responsible for paying attention with regard to any signs of other material misstatements outside of such material discrepancies.

We are required to report the fact if we judge there to be a material misstatement in the other content based on the work we carry out.

There were no items to be reported by us with regard to the other content.

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 23, 2022

To the Board of Directors
Sangetsu Corporation

PricewaterhouseCoopers Aarata LLC
Nagoya Office

Kousaku Kawahara, CPA
Designated Limited Liability Partner,
Engagement Partner
Yasuhiro Nakajima, 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 70th fiscal term from April 1, 2021 to March 31, 2022.

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.

Other Content

Other content is the Business Report and its supplementary schedules. It is responsibility of management to prepare and present the other content. Moreover, the responsibility of the Audit and Supervisory Committee is to supervise the execution of duties of directors in maintaining and operating the reporting process of the other content.

The other content is not within the scope of our audit opinion on the non-consolidated financial statements, etc. We do not state an opinion regarding the other content.

Our responsibility for auditing the non-consolidated financial statements, etc. is to read through the other content and consider whether there is any material discrepancy between the other content and the non-consolidated financial statements, etc. or the knowledge that we have acquired in the course of the audit. In addition, we are also responsible for paying attention with regard to any signs of other material misstatements outside of such material discrepancies.

We are required to report the fact if we judge there to be a material misstatement in the other content based on the work we carry out.

There were no items to be reported by us with regard to the other content.

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 70th fiscal term from April 1, 2021 to March 31, 2022. 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 of Japan 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, Executive Officers, 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 23, 2022

Audit and Supervisory Committee, Sangetsu Corporation

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	Osamu Terada
Audit and Supervisory Committee Member (full-time)	Shuji Sasaki

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