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Supplementary Materials for Financial Results as of September 30, 2024 FY2024 Q2(H1)

November 8, 2024
Sangetsu Corporation
Securities code: 8130
(Prime Market of Tokyo Stock Exchange
and Premier Market of Nagoya Stock Exchange)

Points of Financial Results in FY2024 Q2(H1)

■ Consolidated Results

- Net sales reached a record high in the interim results. Domestic Interior Segment and North American, China & Hong Kong Business contributed to the increase in net sales year on year.
- Profit decreased year on year due to an increase in cost of sales in the Domestic Interior Segment and an increase in SGA expenses throughout the Group.

■ Domestic Interior Segment

- Net sales increased year on year, despite a slower-than-expected market mainly for new housing. Sales volume for wallcoverings and floor materials fell below expectations. Net sales were in line with the plan due to the acceleration of sales promotion of Medium-size products *, a strategic product.
- Sales prices of products during the interim period remained almost unchanged.
- Cost increased due to increases in procurement costs, logistics costs, utility costs, etc. Gross profit per unit decreased year on year.
- SGA expenses (mainly personnel expenses) increased 10.2% year on year, but the progress was as planned.

Points of Financial Results in FY2024 Q2(H1)

■ Domestic Exterior Segment

- Sungreen Co., Ltd., which is the core of this segment, posted a loss in operating profit due to a year-on-year decline in net sales due to market weakness.
- Increase in the number of new customers year on year due to sales expansion at two new brunch opened in the Kanto region and the effect of human capital expansion implemented in the previous year.

■ Overseas Segment

- While the North American Business continued to be profitable, losses continued in Southeast Asia, China and Hong Kong.
In addition, due to the recording of one-time expenses related to the acquisition of shares in D'Perception Pte. Ltd. in Singapore in Q1, the loss increased year on year.
- The North American Business continued to perform well.
Continued profitability due to increased performance in fields other than the main hotel market (educational facilities, apartment buildings, etc.) and the effect of price revision of wallcoverings made in-house.
- In Southeast Asia, business performance in Malaysia and Vietnam was on an improvement trend from the previous fiscal year. However, in Singapore, which has a large business scale, operating loss increased due to a decline in net sales and the heavy burden of personnel expansion aimed at enhancing functions.
- In China and Hong Kong, operating loss narrowed due to the ongoing development of the business base and customer development, despite the difficult market environment.

Overview of Consolidated Results; Profit-and-loss Statement

	FY2023 H1	FY2024 H1			
	Results	Results	YoY	Forecasts for H1	Achievement rate
Net sales	906.1	938.7	+32.6 (+3.6%)	935.0	100.4%
Gross profit	289.2	289.7	+0.5 (+0.2%)	290.5	99.8%
(Margin)	(31.9%)	(30.9%)		(31.1%)	
SGA	186.6	215.9	+29.3 (+15.7%)	214.5	100.7%
Operating profit	102.5	73.7	-28.8 (-28.1%)	76.0	97.1%
(Margin)	(11.3%)	(7.9%)		(8.1%)	
Ordinary profit	104.5	76.0	-28.4 (-27.3%)	78.0	97.5%
Profit attributable to owners of parent	71.2	49.9	-21.2 (-29.9%)	52.0	96.1%

Variations in Consolidated Net Sales, Operating Profit, Ordinary Profit, and Profit Attributable to Owners of Parent

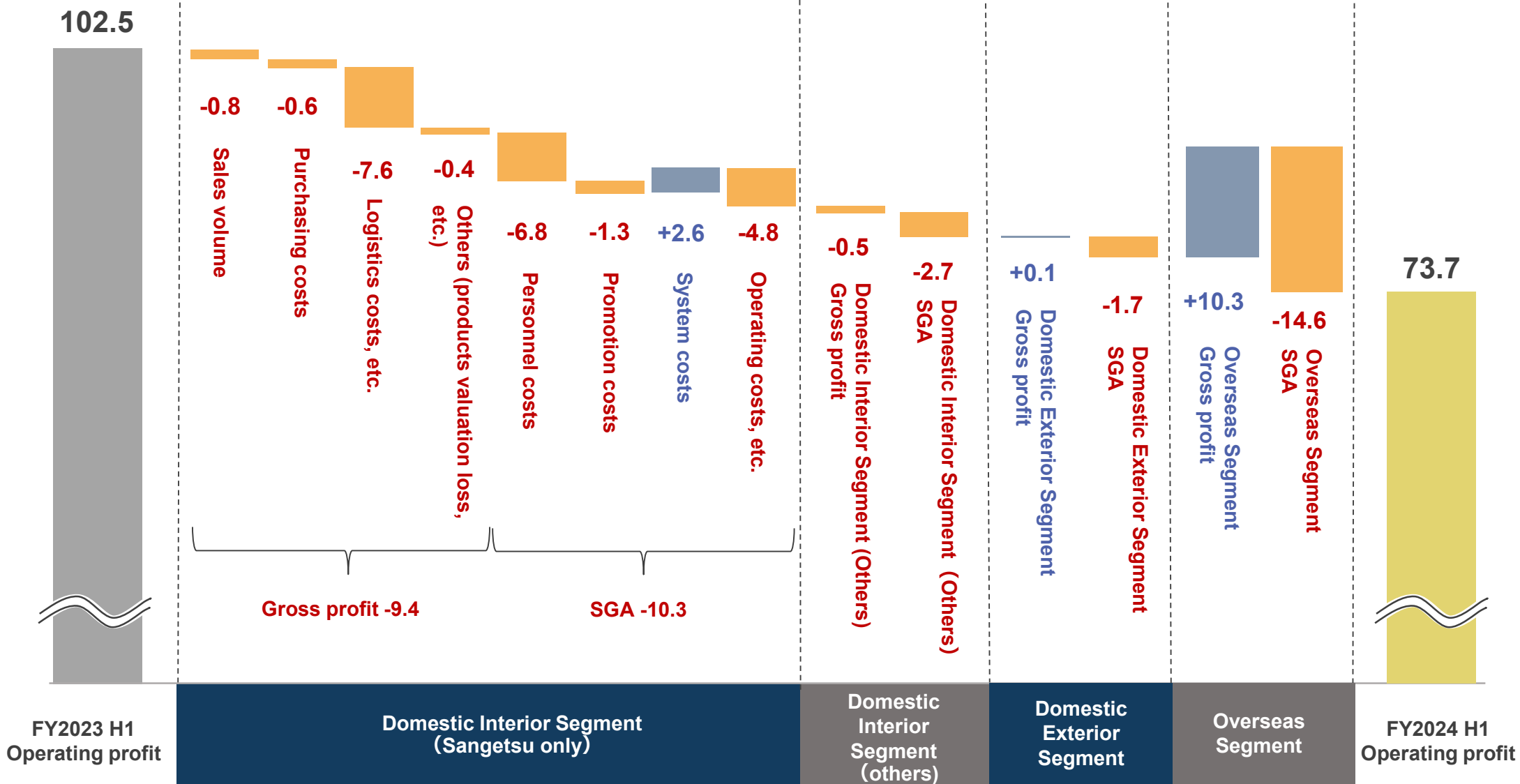


Net Sales and Operating Profit of Each Segment

	FY2023 H1	FY2024 H1 [100 million yen, %]			
	Results	Results	YoY	Forecasts for H1	Achievement rate
Domestic Interior net sales	763.4	778.1	+14.6 (+1.9%)	780.0	99.8%
Wallcoverings Unit	375.2	377.6	+2.4 (+0.6%)	-	-
Flooring Materials Unit	267.0	277.3	+10.3 (+3.9%)	-	-
Fabrics Unit	45.1	44.6	-0.5 (-1.1%)	-	-
Construction and others	75.9	78.3	+2.4 (+3.2%)	-	-
Operating profit	103.0	80.0	-22.9 (-22.3%)	78.9	101.5%
Domestic Exterior net sales	32.1	31.3	-0.7 (-2.4%)	30.0	104.6%
Operating profit	1.1	-0.4	-1.5 (-)	0.1	-
Overseas net sales	110.6	129.3	+18.6 (+16.9%)	125.0	103.5%
Operating profit	-1.5	-5.8	-4.3 (-)	-3.0	-
Adjustment of transactions between segments (net sales)	-0.1	-0.1	+0.0(-)	-	-
Adjustment of transactions between segments (operating profit)	0.0	0.0	-0.0(-0.0%)	-	-
Consolidated net sales	906.1	938.7	+32.6 (+3.6%)	935.0	100.4%
Consolidated operating profit	102.5	73.7	-28.8 (-28.1%)	76.0	97.1%

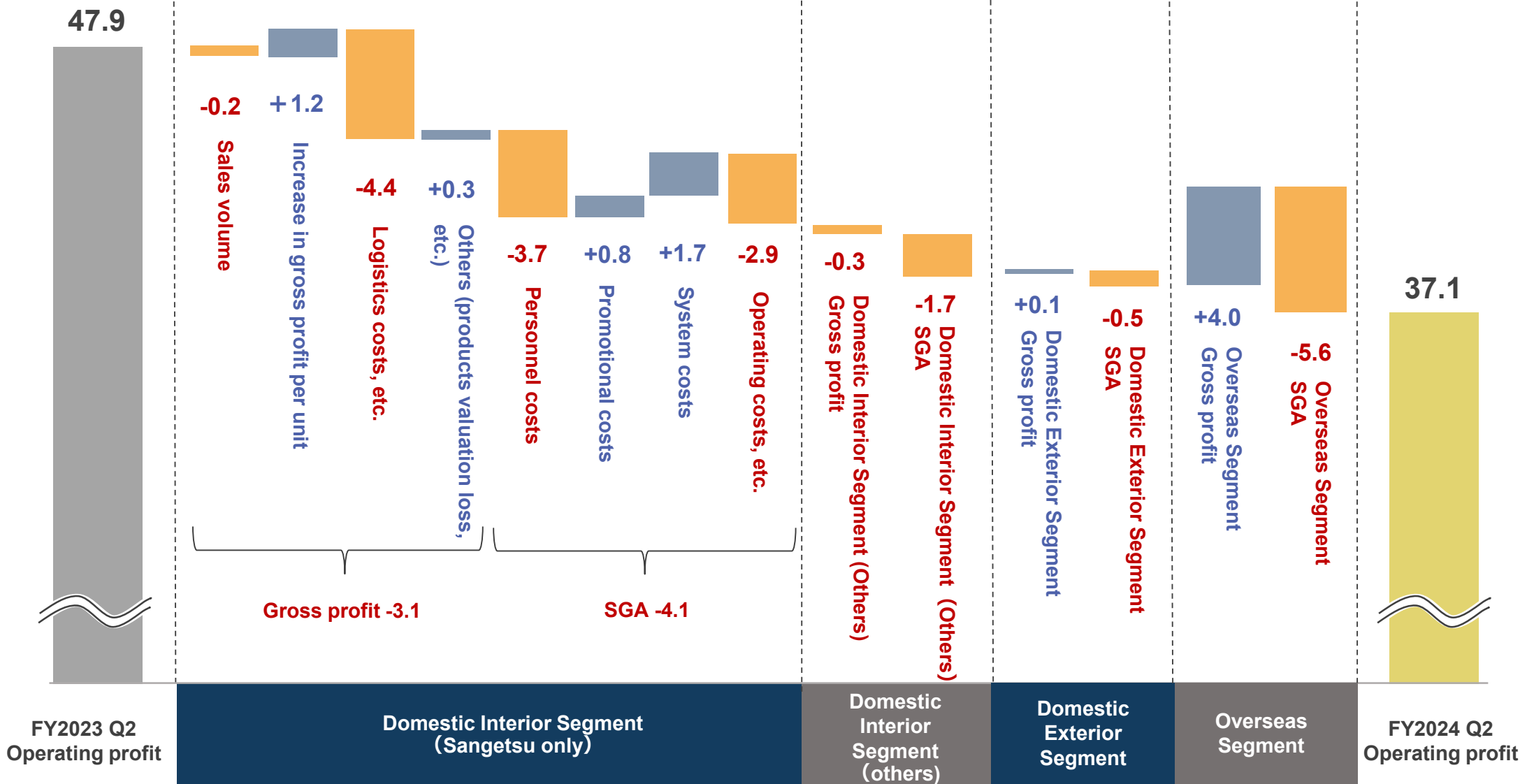
Change in Consolidated Operating Profit (YoY :April-September)

[100 million yen]



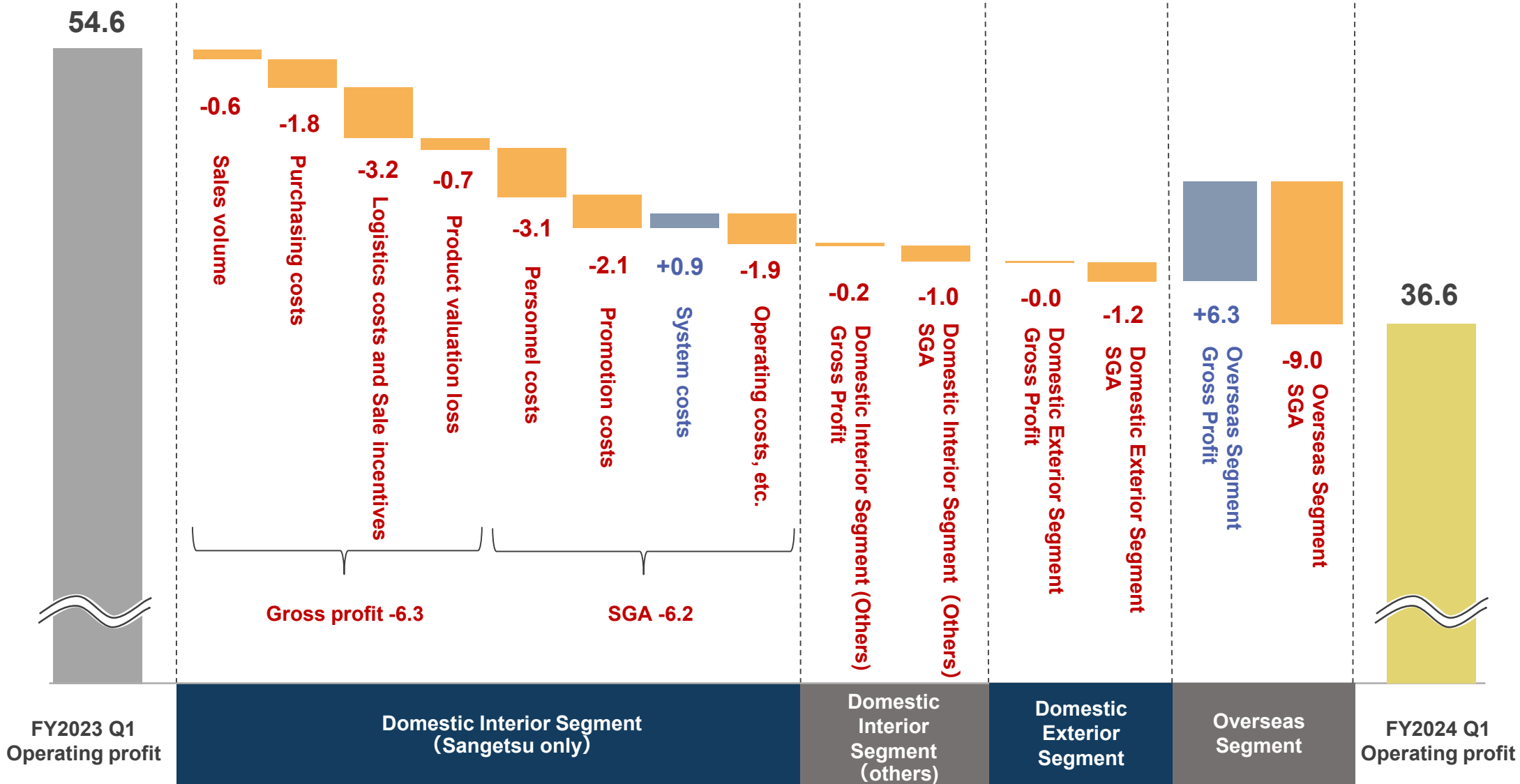
Change in Consolidated Operating Profit (YoY :July-September)

[100 million yen]



Change in Consolidated Operating Profit (YoY :April-June)

[100 million yen]



Key Points of the Forecast for FY2024

■Market Environment

Japanese market

- Housing market is weakening year on year. In particular, new housing is expected to be tougher than initial forecasts.
- In the non-housing market, new construction is expected to be weak, but renewal is expected to be firm compared to the housing market.

Overseas market

- In the North American business, which is the largest business in the overseas segment, the main hotel market is expected to remain firm.

■Raw Material Cost

- Raw material manufacturers raised prices in the first half of this fiscal year against the backdrop of high crude oil prices, weak yen, and rising logistics and personnel costs. In addition, due to increases in logistics and utility costs, our company decided that it would not be able to absorb the increase through its own efforts. Therefore, in August 2024, we announced a revision of the product transaction price (scheduled to begin with orders received on December 1), and negotiations are underway.

Key Points of the Forecast for FY2024

■ Full-Year Outlook

Market conditions are expected to continue to be more severe than initially anticipated.

In this market environment, the following measures will be implemented during the current fiscal year and the full-year forecast will remain unchanged.

- Development and sales expansion of products in fields where growth is expected (construction saving, environmental consideration, etc.).
- Strategic and efficient control of SGA expenses.
- Implementation of revision of commodity transaction prices (scheduled from December 1 orders).
- Promote growth strategies such as expanding human capital and strengthening IT infrastructure in North America.

Consolidated Earnings Forecasts for FY2024

Announced on May 10, 2024(No changes)

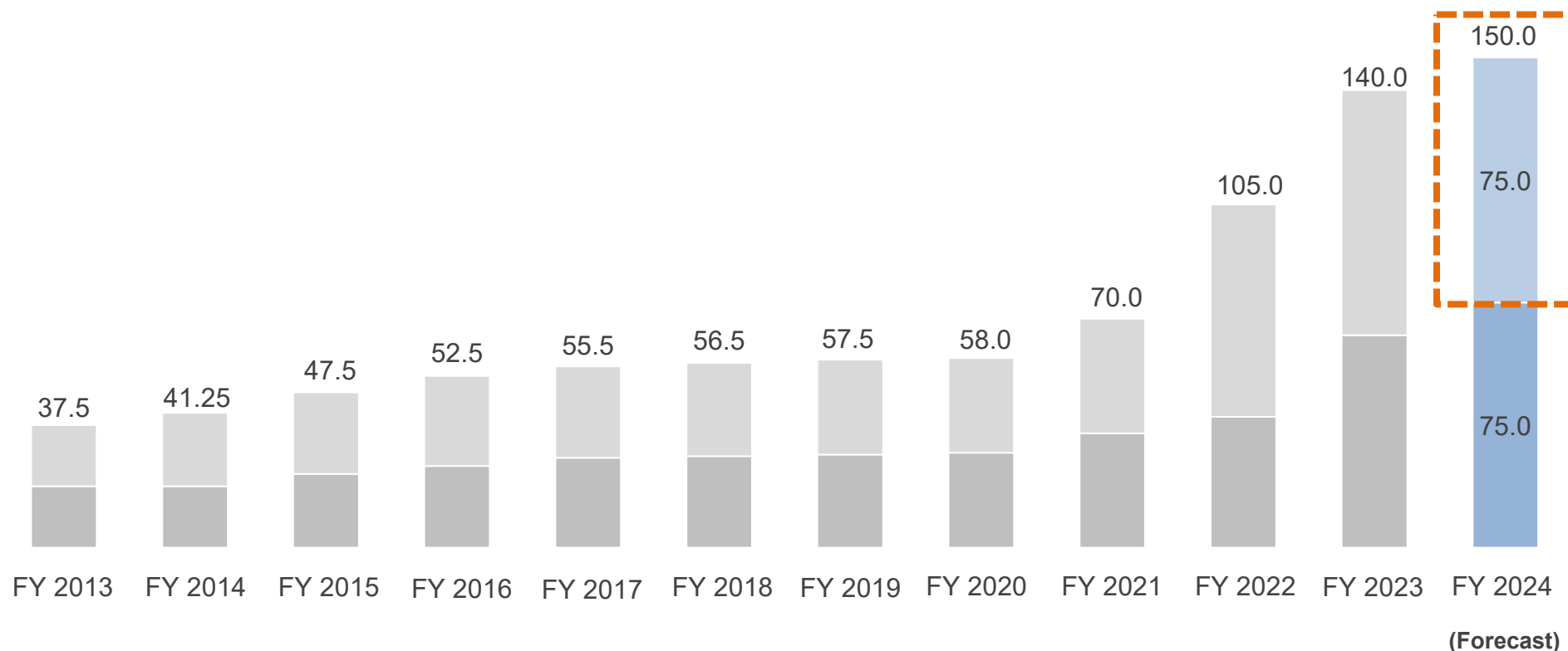
	FY2023	FY2024				
	Full-year	Full-year		H1		
	Results	Forecasts	YoY	Forecasts	Results	Full year Progress rate
Net sales	1,898.5	1,960.0	+61.4 (+3.2%)	935.0	938.7	47.9%
Gross profit	589.5	605.0	+15.4 (+2.6%)	290.5	289.7	47.9%
(Margin)	(31.1%)	(30.9%)		(31.1%)	(30.9%)	
SGA	398.5	445.0	+46.4 (+11.7%)	214.5	215.9	48.5%
Operating profit	191.0	160.0	-31.0 (-16.2%)	76.0	73.7	46.1%
(Margin)	(10.1%)	(8.2%)		(8.1%)	(7.9%)	
Ordinary profit	196.9	165.0	-31.9 (-16.2%)	78.0	76.0	46.1%
Profit attributable to owners of the parent	142.9	110.0	-32.9 (-23.0%)	52.0	49.9	45.4%

Results and Forecast of Shareholder Return

Changes in Dividend Per Share

Announced on May 10, 2024 (No changes)

(yen)



FY 2024 interim dividend of 75.0 yen/share, year-end dividend of 75.0 yen/share (Forecast) (+10.0 yen YoY) Dividend growth forecast for 11 consecutive years.

Notes for the Future Outlook

This material includes Information that Falls Under Future related Descriptions. The descriptions of items other than the past and present facts are the descriptions about future forecasts. These descriptions about future forecasts are based on our assumptions and judgment considering currently available information, which include known or unknown risks, uncertainties, and other factors, so they may be affected by such factors.

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