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Securities code: 8130  
May 29, 2024

**To Our Shareholders:**

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

## **CONVOCATION NOTICE OF THE 72ND ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We are pleased to announce the 72nd Ordinary General Meeting of Shareholders (the “Meeting”) of Sangetsu Corporation (the “Company”) to be held as indicated below.

In convening this Meeting, the Company has electronically provided information contained in the reference materials for the general meeting of shareholders, etc. (the “matters subject to electronic provision”) and posted the information on the following websites. Please access any of these websites to review the information.

[The Company’s website]

[https://www.sangetsu.co.jp/company/ir/share\\_info/meeting.html](https://www.sangetsu.co.jp/company/ir/share_info/meeting.html) (in Japanese)

[Website for General Meeting of Shareholders Materials]

<https://d.sokai.jp/8130/teiji/> (in Japanese)

**If you do not attend the Meeting, you may exercise your voting rights via the Internet or in writing (by mail), and please refer to the Reference Materials for the General Meeting of Shareholders, and follow the guidance on page 3 to finish exercising your voting rights by 5:30 p.m. on Tuesday, June 18, 2024, Japan standard time.**

Thank you very much for your cooperation.

- 1. Date and Time:** June 19, 2024 (Wednesday) at 2:00 p.m. Japan standard time (Reception starts at 1:00 p.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 72nd term (April 1, 2023 to March 31, 2024) 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 72nd term (April 1, 2023 to March 31, 2024)
  - Resolution matters:**
    - Proposal 1:** Appropriation of Surplus
    - Proposal 2:** Election of Two (2) Directors (Excluding Audit and Supervisory Committee Members)
    - Proposal 3:** Election of Two (2) Directors Serving as Audit and Supervisory Committee Members

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- If you plan to attend the Meeting, please submit the enclosed Voting Right Exercise Form to the receptionist at the Meeting.
  - Any amendments to the matters subject to electronic provision will be announced in a notice to that effect and the matters before and after the amendments will be posted on each of the above websites.
  - Shareholders who have requested the delivery of paper documents will also receive a document that includes the matters subject to electronic provision.

## **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 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 18, 2024 (Tuesday) at 5:30 p.m. Japan standard time

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 19, 2024 (Wednesday) at 2:00 p.m. Japan standard time

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 18, 2024 (Tuesday) at 5:30 p.m. Japan standard time

**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

The Company proposes to appropriate surplus as follows.

Based on its Medium-term Business Plan (2023-2025) [BX 2025], the Company's basic policy of Shareholder Return Strategy is to maintain the shareholders' equity to the range of ¥95.0 billion to ¥105.0 billion as of the end of March 2026; dividends are the main source of shareholder returns, with a minimum annual dividend of ¥130 per share, with the aim of steadily increasing dividends; and share buybacks are also considered depending on market conditions. 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 ¥75.00 per common share of the Company.  
The total amount of dividend will be ¥4,403,744,700.  
The annual dividend for the current fiscal year amounted to ¥140.00 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 20, 2024.

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

The terms of office of two (2) Directors (excluding Audit and Supervisory Committee Members (here and elsewhere in this proposal)) will expire at the conclusion of this Meeting. Accordingly, the election of two (2) Directors is proposed.

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]	Yasumasa Kondo	Representative Director, President and CEO	10/10 100%
2	[Newly elected]	Fumio Takagi	Executive Officer, General Manager of Space Planning Division	—

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	Yasumasa Kondo (December 22, 1963)  [Reelected]	<p>April 1986      Joined Mitsubishi Corporation</p> <p>April 2010      Executive Officer of Mitsubishi Corporation Plastics Ltd. (Secondment)</p> <p>April 2013      General Manager of Synthetic Resin Department and Poly Vinyl Chloride Department of Mitsubishi Corporation</p> <p>April 2016      General Manager of Investment, Chemical Group CEO Office of Mitsubishi Corporation</p> <p>April 2017      Managing Executive Director of Chuo Kagaku Co., Ltd.</p> <p>April 2018      Representative Director, President of Chuo Kagaku Co., Ltd.</p> <p>December 2022      Joined the Company Executive Officer in charge of President's Office</p> <p>April 2023      Executive Officer in charge of administration and Cyber Security</p> <p>June 2023      Director, Executive Officer in charge of administration and Cyber Security</p> <p>July 2023      Director, Managing Executive Officer, General Manager of Corporate Division, Space Planning Division and Cyber Security</p> <p>April 2024      Representative Director, President and CEO (To present)</p> <p>Reasons for nomination as candidate for Director Mr. Yasumasa Kondo was engaged in chemical-related operations at a major trading company and was also previously involved in the management of a listed company (manufacturing) and has extensive knowledge and experience in overall corporate management. Since joining the Company, as an Executive Officer in charge of the President's Office and the Corporate Division, he has been overseeing planning and administrative operations. He took office as President and CEO on April 1, 2024, working to achieve the Company's Long-term Vision [DESIGN 2030] and Medium-term Business Plan (2023-2025) [BX 2025]. Given these experiences and achievements, the Company deemed that he is well qualified to continue to serve as a Director. Attendance to the Board of Directors' meetings held in FY2023: 10/10</p>	14,184 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	Fumio Takagi (April 6, 1973)  [Newly elected]	<p>April 1997      Joined the Company</p> <p>October 2009    General Manager of the Interior Design Office of Osaka Branch</p> <p>February 2013    General Manager of Interior Design Office of Tokyo Branch</p> <p>July 2014        Manager of the Promotion Section of the Marketing Division</p> <p>April 2017        General Manager of the New Market Development Office of the Interior Business Unit</p> <p>April 2018        Manager of the Corporate Planning Section of the President's Office</p> <p>April 2019        General Manager of the President's Office</p> <p>April 2020        General Manager of the President's Office and in charge of Design Strategy</p> <p>November 2020    General Manager of the President's Office, in charge of Design Strategy, and General Manager of the DX Promotion Office</p> <p>July 2023        Executive Officer, General Manager of Space Planning Division (To present)</p> <p>Reasons for nomination as candidate for Director Ms. Fumio Takagi has a wide range of experience in sales, design, promotion, DX, and corporate planning operations at the Company. After being engaged in formulating and planning management strategy as General Manager of the President's Office, she took office as General Manager of Space Planning Division in charge of product development, procurement and design strategy since July 2023. She has also engaged in formulating on corporate branding, corporate philosophy, Long-term Vision and Medium-term Business Plan, and is highly knowledgeable on the management of the Company. With her extensive knowledge and experience in the domestic interior business and the design industry, as well as the Company's circumstances, the Company deemed that she is well qualified to serve as a Director.</p>	6,264 shares

- (Notes)
1. There is no special interest between each candidate and the Company.
  2. The Company adopted an executive officer system as of April 1, 2016.
  3. Opinion of the Audit and Supervisory Committee related to the election of Directors  
With regard to the election of Directors other than the Audit and Supervisory Committee Members, the Nomination and Remuneration Committee attended by all Outside Directors serving as Audit and Supervisory Committee Members made a preliminary review. Subsequently, the Audit and Supervisory Committee determined that each candidate is appropriate and qualified to be entrusted with the enhancement of the medium- to long-term corporate value through deliberate considerations in light of such factors as their insight, experience, and capabilities.
  4. The Company has concluded a directors and officers liability insurance 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.

### Proposal 3: Election of Two (2) Directors Serving as Audit and Supervisory Committee Members

Directors serving as Audit and Supervisory Committee Members, Mr. Masatoshi Hatori and Mr. Shuji Sasaki will resign at the conclusion of this Meeting. Accordingly, the election of two (2) new Directors serving as Audit and Supervisory Committee Members is proposed.

The Company proposes that Ms. Aki Ogane, who is a candidate for Director serving as Audit and Supervisory Committee Member, to be a substitute for Director serving as Audit and Supervisory Committee Member, Mr. Masatoshi Hatori, and Mr. Yosuke Mine, who is a candidate for Director serving as Audit and Supervisory Committee Member, to be a substitute for Director serving as Audit and Supervisory Committee Member, Mr. Shuji Sasaki. Their term of office will expire when the term of office for the resigning Directors serving as Audit and Supervisory Committee Members ends, in accordance with the Articles of Incorporation of the Company.

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

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

Candidate No.	Attribute of candidate	Positions and responsibilities	Name		Attendance rate of Board of Directors' meetings	Attendance rate of Audit & Supervisory Committee meetings
1	[Newly elected]	Director (Audit and Supervisory Committee Member)	Aki Ogane	[Outside] [Independent] [Female]	—	—
2	[Newly elected]	Director (Full-Time Audit and Supervisory Committee Member)	Yosuke Mine		—	—



No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	<p data-bbox="360 611 512 667">Aki Ogane (May 23, 1963)</p> <p data-bbox="368 696 504 790">[Newly elected] [Outside] [Independent] [Female]</p>	<p data-bbox="580 239 1214 667"> April 1987      Joined The Sumitomo Bank, Ltd. (current Sumitomo Mitsui Banking Corporation)  April 2010      General Manager of Internal Control Department of Daiwa Netbank Establishment Preparation Co., Ltd. (Secondment)  April 2011      Director of Daiwa Next Bank, Ltd.  March 2012      Retired from Director of Daiwa Next Bank, Ltd.  March 2012      Senior Inspector and Audit Division of Sumitomo Mitsui Banking Corporation  March 2019      Retired from Sumitomo Mitsui Banking Corporation  September 2021      Director of OMA Co., Ltd.  June 2023      Retired from Director of OMA Co., Ltd. </p> <p data-bbox="580 674 1366 1160"> Reasons for nomination as candidate for Outside Director serving as Audit and Supervisory Committee Member  Ms. Aki Ogane joined a major bank as one of the first female employees in the career position after Equal Employment Opportunity Act came into effect. She has a wide range of work experience in capital markets, financing, location management, audit, etc. During her secondment (financial institution) from the bank, she has engaged in the management as a director. The Company has deemed that Ms. Ogane’s knowledge and experience on the finance/accounting, corporate management and other matters can be utilized in the management of the Company at the Board of Directors, and proposes to elect her as a Director serving as Audit and Supervisory Committee Member.  [Supplementary explanation to the independence]  Until March 2019, Ms. Aki Ogane worked at Sumitomo Mitsui Banking Corporation. However, over five years have passed since she resigned from said company. In addition, as of March 31, 2024, the Group’s borrowings from the bank were 1.17% of the Company’s consolidated total assets, and she therefore fulfills the Company’s Standards of Independence for Outside Directors and the Company has deemed that there are no issues regarding her independence. </p>	0 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	Yosuke Mine (December 10, 1959)  [Newly elected]	<p>April 1984      Joined the Company</p> <p>July 2014      General Manager of Chugoku-Shikoku Branch</p> <p>April 2016      Executive Officer and General Manager of Chugoku-Shikoku Branch</p> <p>April 2017      Executive Officer and Deputy General Manager of the Logistics Unit</p> <p>April 2019      Executive Officer and General Manager of the Logistics Unit</p> <p>July 2023      Managing Executive Officer and General Manager of Logistics Division</p> <p>April 2024      Managing Executive Officer in charge of Logistics Division (To present)</p>	17,750 shares
		<p>Reasons for nomination as candidate for Outside Director serving as Audit and Supervisory Committee Member</p> <p>Mr. Yosuke Mine has served in the wide range of fields including General Manager of Chugoku-Shikoku Branch and General Manager of Logistics Unit. He is well versed in the domestic interior business and the logistics industry, as well as the Company's circumstances, and has abundant practical knowledge and experience, including serving as director of a subsidiary. The Company has deemed that Mr. Mine is capable of raising the Company's management supervision and auditing functions to a higher level through the collection of daily information within the Company at the Audit and Supervisory Committee and regular hearings of business reports from the business departments, and proposes to elect him as a Director serving as Audit and Supervisory Committee Member. He is planned to serve as a full-time Audit and Supervisory Committee Member.</p>	

**[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] [Female]	Michiyo Hamada (November 25, 1947)	April 1985 Law professor at Nagoya University April 1999 Professor of Nagoya University Graduate School of Law April 2008 President of Nagoya University School of Law April 2009 Professor emeritus of Nagoya University (To present) Commissioner of Japan Fair Trade Commission June 2015 Outside Director (Audit and Supervisory Committee Member) of the Company (To present)  (Significant concurrent positions) Outside Board Member of AISIN CORPORATION Outside Director of Toho Gas Co., Ltd.
[Outside] [Independent]	Kenichi Udagawa (April 5, 1949)	June 2004 Director of Tosoh Corporation June 2008 Managing Director of Tosoh Corporation June 2009 President of Tosoh Corporation March 2016 Director and Corporate Advisor of Tosoh Corporation June 2018 Honorary Advisor of Tosoh Corporation June 2019 Retired from Honorary Advisor of Tosoh Corporation June 2019 Outside Director (Audit and Supervisory Committee Member) of the Company (To present)
[Outside] [Independent]	Osamu Terada (April 7, 1953)	June 2005 Executive Officer of SHIMIZU CORPORATION June 2010 Managing Officer of SHIMIZU CORPORATION April 2013 Senior Managing Officer of SHIMIZU CORPORATION June 2014 Executive Vice President and Representative Director of SHIMIZU CORPORATION June 2020 Senior Advisor of SHIMIZU CORPORATION June 2021 Retired from Senior Advisor of SHIMIZU CORPORATION June 2021 Outside Director (Audit and Supervisory Committee Member) of the Company (To present)

- (Notes) 1. There is no special interest between any of the candidates and the Company.
2. Ms. Aki Ogane is a candidate for Outside Directors.
3. Regarding the independence of candidates for Outside Directors  
The candidates for Outside Directors fulfill the Company's stipulated requirements (listed below) for independence of Outside Directors.
- (1) A person who does not fall under any of the following items at present
- 1) A shareholder holding 5% or more of the voting rights of the Company or executive thereof;
  - 2) An executive of a business partner whose transaction amount with the Company is equivalent to 2% or more of consolidated net sales of the Company or a subsidiary of such a business partner;
  - 3) An executive of a major lender to the Company (i.e., a lender with which the Group has an outstanding borrowings equivalent to 2% or more of the consolidated total assets of the Company at the end of the latest fiscal year);
  - 4) A certified public accountant who belongs to the Accounting Auditor of the Company;
  - 5) A consultant, an accounting specialist, or a legal specialist who receives money or other monetary benefits amounting to ¥10 million or more on an annual basis, separate from Director's remuneration from the Company (if the entity receiving such monetary benefits is an organization such as a corporation and association, a person who belongs to such an entity);
  - 6) An executive of an organization that has received a donation of ¥1 million or more on an annual basis from the Company; and
  - 7) A person who is a relative within the second degree of kinship of 1) through 6) above.
- (2) A person who does not fall under any of items 1) through 7) above at any time in the last three years
4. The Company has filed the relevant notifications with the Tokyo Stock Exchange (TSE) and Nagoya Stock Exchange (NSE), per the stipulations of each Exchange, that Ms. Michiyo Hamada, Mr. Kenichi Udagawa and Mr. Osamu Terada are Independent Officers. The Company also plans to file Ms. Aki Ogane as an Independent Officer. If the election of Ms. Ogane is approved, the Company plans for her appointment as an Independent Officer.
5. Under the provisions of Article 427, paragraph 1 of the Companies Act, the Company has concluded contracts for limitation of liability with Ms. Michiyo Hamada, Mr. Kenichi Udagawa and Mr. Osamu Terada as provided for in Article 423, paragraph 1 of the Companies Act. The maximum amount of the liability for damage based on said contracts is the amount prescribed in laws and regulations. If the election of Ms. Aki Ogane and Mr. Yosuke Mine is approved, the Company plans to conclude such agreement with them.
6. The Company has concluded a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, paragraph 1 of the Companies Act. The insurance policy covers damages that may arise when the insured persons assume liability for the execution of his or her duties or receive a claim related to the pursuit of such liability. If each candidate is elected and assumes the position of Director serving as Audit and Supervisory Committee Members, each candidate will be included as the insured under this insurance policy.
7. Aki Ogane's name in the family register is Aki Hayasaki.

**[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,” “Design,” “Logistics,” “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 (4) of the seven (7) Directors are independent outside directors. To strengthen the independent and objective oversight of the Board of Directors, the Company has introduced a governance and management execution structure that separates the “supervision” and “execution” of management.

The expertise and experience of the candidates for Directors proposed in Proposal 2 and Proposal 3 are as follows:

Name	Structure after Proposals 2 and 3 are approved at this General Meeting of Shareholders (planned)			Audit and Supervisory Committee Member	Nomination and Remuneration Committee Member
	Positions and responsibilities	Attribute	Tenure		
Yasumasa Kondo	Representative Director, President and CEO Nomination and Remuneration Committee Member	Executive	1 year		•
Fumio Takagi	Director Executive Officer General Manager of Space Planning Division	Executive	–		
Michiyo Hamada	Outside Director Audit and Supervisory Committee Member Nomination and Remuneration Committee Member (Chairman)	Outside Independent	9 years	•	◎ (Chairman)
Kenichi Udagawa	Outside Director Audit and Supervisory Committee Member Nomination and Remuneration Committee Member	Outside Independent	5 years	•	•
Osamu Terada	Outside Director Audit and Supervisory Committee Member Nomination and Remuneration Committee Member	Outside Independent	3 years	•	•
Aki Ogane	Outside Director Audit and Supervisory Committee Member Nomination and Remuneration Committee Member	Outside Independent	–	•	•
Yosuke Mine	Director Full-Time Audit and Supervisory Committee Member	Non-Executive	–	•	

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	Design	Logistics	Construction business	Global/Overseas business	ESG/Sustainability	
Yasumasa Kondo	•	•	•	•	•	•					•	•	(10/10) 100%
Fumio Takagi				•		•	•	•				•	–
Michiyo Hamada			•								•	•	(13/13) 100%
Kenichi Udagawa	•		•		•	•					•		(13/13) 100%
Osamu Terada	•			•						•	•	•	(13/13) 100%
Aki Ogane	•	•									•	•	–
Yosuke Mine	•			•			•		•			•	–



# Business Report

(April 1, 2023 to March 31, 2024)

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

### (1) Business Progress and Results

During the fiscal year under review, the Japanese economy showed a gradual recovery in domestic demand due to the normalization of economic activities from the easing of behavioral restrictions due to the reclassification of COVID-19 to a Category 5 infectious disease, among other factors. On the other hand, personal consumption stalled due to rising prices associated with soaring energy, electricity, and logistics costs, etc., with investment in housing, including owner-occupied housing and condominiums, remaining sluggish. In the overseas economy, personal consumption remained strong in the United States due to favorable employment conditions, while in China, although there was a pause in the worsening of business confidence, the overall economy lacked strength due to a sluggish real estate market and its wide variety of related industries. Regarding the future outlook, the business environment is expected to remain uncertain due to the economic slowdown caused by global monetary tightening, geopolitical risks, and concerns of a resurgence of inflation through higher import prices from exchange rates.

In the Japanese construction market, which has a direct impact on the Company’s business earnings, the number of new housing starts and area of new housing starts were sluggish in the housing market, mainly due to a surge in housing prices, which suppressed demand. On the other hand, in the non-housing market, although there were signs of recovery in some areas due to the normalization of economic activity, the market has yet to show strong momentum. Furthermore, rising labor and logistics costs across the industry as a whole, as well as the impact of high raw material prices, are exerting downward pressure on earnings and are expected to continue to be factors behind cost increases in the future.

In this business environment, the Group is preparing and promoting various proactive measures to achieve long-term growth based on the Long-Term Vision [DESIGN 2030], which was revised in May 2023. Under the Medium-term Business Plan [BX 2025] (BX: Business Transformation), which was announced at the same time, we have positioned the period from FY2023 to FY2025 as the “three years to prepare for the next leap forward,” and we will continue to expand infrastructure by strengthening our human and digital capital and enhance our ability to propose solutions by utilizing product, distribution, construction, and space design functions, and aim not only to expand existing main products and markets, but also to expand product lines with future growth potential and strengthen our sales strategy, expand business domain and geographic coverage in the exterior area, and strengthen our overseas business to improve profitability.

In July 2023, in order to steadily promote these measures, the Company implemented an organizational restructuring from the conventional “product axis” to a “regional axis,” launched the “Business Division” and “Overseas Business Division,” and reorganized the organizational structure into regional units that conduct business in Japan and overseas. Furthermore, the “Corporate Division,” “Logistics Division,” and “Space Planning Division (product development, procurement, space design, etc.)” were established to support functional aspects of the organization.

Shipment volumes of wallpaper, PVC sheets, etc., which are the Company’s mainstay products, generally remained strong and our market share steadily increased, although shipments were affected by the aforementioned overall trends in the Japanese market. In terms of quarterly trends, while the first quarter saw an increased demand in a rebound from the significant reactionary drop following the second price hike in the same period of the previous year, the second quarter saw a year-on-year decline in shipment volume due to the rush demand prior to the third price hike in the same period of the previous year. In the third quarter, as was the case in the first quarter, there was a swing-back demand increase from the reactionary decline after the third price hike in the same period of the previous year. In the fourth quarter, there was no year-on-year rebound increase or decrease, and the Company steadily expanded its market share despite the challenging situation in new housing starts compared to the same period of the previous year. On the price front, unit sales prices increased year-on-year through the first half of the year due to the effect of price hikes implemented in April and October 2022 but remained nearly the same year-on-year in the third quarter and thereafter. On the other hand, higher logistics and labor costs at suppliers and higher procurement costs due to the surge in the prices of some raw materials were the main reasons for the decline in gross profit. As measures for growth strategies based on the Medium-term Business Plan, we made moves to improve compensation, such as base salary increases, in April last year and also worked to expand the number of specialized personnel, including career hires, to promote the development of interior and exterior space proposals in cooperation with group companies and logistics and construction functions, etc., and to open and prepare for new value creation bases and so on for the Group. As a result, sales, general

expenses and administrative expenses increased, mainly on a non-consolidated basis. In the overseas segment, as with the progress through the third quarter, the China and Hong Kong business experienced a delayed recovery due to the sluggish real estate market and the Southeast Asia business was ahead of costs due to functional enhancement measures, mainly in Singapore, but the segment loss improved from the same period of the previous year due to a return to profitability of the North American business, which is the largest business in this segment.

As a result of these efforts, consolidated financial results for the fiscal year under review recorded ¥189,859 million in net sales, up 7.9% year on year, ¥19,103 million in operating income, down 5.8% year on year, ¥19,695 million in ordinary income, down 4.8% year on year and ¥14,291 million in net income attributable to owners of the parent, up 2.0% year on year.

The reporting segments have been changed to three as described in the next section, and comparisons with the previous fiscal year are based on the figures for the previous fiscal year, which have been reclassified into the new segments.

(Reference) Consolidated Financial Highlights

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

<b>Net sales</b>	<b>Operating income</b>	<b>Ordinary income</b>	<b>Net income attributable to owners of the parent</b>
189,859	19,103	19,695	14,291
up 7.9%	down 5.8%	down 4.8%	up 2.0%



**(Domestic Interior segment) Net sales ¥159,157 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)

	71st term Fiscal year ended March 31, 2023	72nd term Fiscal year ended March 31, 2024
Net sales	147,962	159,157
Operating income	21,102	19,489

For the Domestic Interior segment, in order to realize the Group's aim of becoming a "Space Creation Company," the business divisions, which are organized by five regional axes: Northern Japan, Kanto, Chubu, Western Japan, and Kyushu act as a hub and work in collaboration with the divisions responsible for products, logistics, construction, and space design functions, and are steadily formulating and implementing business strategies in consideration of the characteristics and needs of the customers and market environment in each region. With regard to the construction function, we newly established the "Construction Unit" in the business division to strengthen our efforts in general interior installation including surface construction, and to address a variety of construction-related issues, such as looking into measures to handle the shortage of craftspeople, which is a major challenge facing the construction industry. In the logistics division, with an eye on the 2024 logistics issue, we have strengthened supply chain management, established a meticulous delivery system by region including inter-base transportation, and expanded "Service Crews," which are designed to provide delivery services.

In the space planning division, in addition to the expansion of space proposal activities in each region by the Planning and Development Unit, the Product Unit published "REATEC," an adhesive-attached decorative film sample book and "UP," a chair upholstery sample book, and worked with business units to penetrate the market for "FINE," a residential wallpaper sample book that was published in the fiscal year under review, "NT700" and "DT," a carpet tile sample book, and "Floor Tile," a vinyl floor tile sample book, etc. In addition to these activities, the strengthening of each function, a focus of the Company's for some time, was also successful, and sales of REATEC, glass films, chair upholstery, floor tiles, carpet tiles, and other products, which we have positioned as "Medium-sized products" and for which we project share and market expansion in the medium-term Business Plan, remained strong. As a result, the Domestic Interior segment recorded net sales of ¥159,157 million (up 7.6% year on year) and operating income of ¥19,489 million (down 7.6% year on year). Furthermore, the Wall Covering Unit recorded net sales of ¥77,236 million (up 6.4% year on year), the Flooring Unit recorded net sales of ¥56,356 million (up 9.3% year on year), the Fabrics Unit recorded net sales of ¥9,505 million (up 0.7% year on year), and others including design fees and construction recorded net sales of ¥16,058 million (up 11.8% year on year).

**(Domestic Exterior segment) Net sales ¥6,462 million**

## Main business

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

(Millions of yen)

	71st term Fiscal year ended March 31, 2023	72nd term Fiscal year ended March 31, 2024
Net sales	6,293	6,462
Operating income	450	(77)

For the Domestic Exterior segment, the overall exterior market remained in a difficult situation due to the sluggish number of new housing starts. Under such circumstances, the number of orders received increased as a result of marketing efforts to propose housing and non-housing renovation properties, as well as projects other than the new housing market, including public works. Not only sales of existing products, we also made steady progress in our efforts to offer proposals that include exterior space design and construction, as well as joint proposals for exteriors and interiors through collaboration with the Group company Sungreen Co., Ltd., and in addition to sales activities targeting design firms and

general contractors, promoted collaboration for the development of original exterior products. On the other hand, sales, general, and administrative expenses increased due to expansion of the workforce and hiring of specialized personnel and associated overhead costs based on growth strategies, as well as upfront investments related to measures for geographic expansion into the Kanto area.

As a result, net sales of the exterior segment were ¥6,462 million (up 2.7% year on year), and operating loss was ¥77 million (operating income of ¥450 million for the previous fiscal year).

**(Overseas segment) Net sales ¥24,292 million**

Main business

Manufacture of wallpaper products and sale of interior materials

(Millions of yen)

	71st term Fiscal year ended March 31, 2023	72nd term Fiscal year ended March 31, 2024
Net sales	21,783	24,292
Operating income	(1,273)	(311)

In the Overseas segment, the results of overseas subsidiaries and associates over the period from January to December 2023 are included in results for the fiscal year under review.

In the North American market, in addition to an increase in orders for medium- and large-scale properties due to a recovery in demand in the hotel segment, the Company's main market, sales of high unit-price products, including self-manufactured wallpaper, remained strong. In the profit aspect, the Company achieved a return to profitability in operating income for the full year, based on improved production efficiency resulting from increased production volume and cost reductions achieved through withdrawal from unprofitable products, which was implemented in the previous fiscal year.

In the Southeast Asian market, although there are disparities among countries, sales grew, with Thailand and Vietnam at the forefront, amid a general recovery trend in construction demand, especially in the hotel segment. Under such circumstances, we continued to work on market penetration of the "goodwall SEED," a sample book for overseas markets produced by CREANATE Inc., a Group wallpaper manufacturer, and on improving the brand image of our products and services through renewal of the website. Furthermore, as part of the functional development of space creation, we have promoted the strengthening of the foundation of each function in line with country-specific conditions, including efforts to reinforce the organizational structure through the appropriate allocation of human resources.

The market trends in China and Hong Kong remained difficult, particularly in the housing sector, from a sluggish real estate market and declining consumer confidence due to the worsening employment environment. Under such circumstances, to build a more stable and solid business foundation, we worked to expand customer and sales channels, develop a market-specific sales structure, strengthen our space design proposal function by hiring designers, and review the shipping system.

As a result, net sales of the Overseas segment were ¥24,292 million (up 11.5% year on year), and operating loss was ¥311 million (operating loss of ¥1,273 million for the previous fiscal year).

### **Efforts toward Sustainability**

In order to fulfill corporate social responsibility through our corporate activities, the Sangetsu Group has positioned sustainability initiatives as one of our top priorities in an aim to achieve a sustainable society and company. In January 2024, the Group announced a new corporate philosophy with a view to creating social value as a company, and set the Purpose for why we exist as “With all people we collaborate to create peaceful and inspirational spaces.” The Group has also newly defined the Dream as the vision we realize for the future, the Belief as our firm corporate belief, and the Way as the attitude of employees. With this establishment, the Group redefined “Inclusive, Sustainable, and Enjoyable” in the Long-term Vision [DESIGN 2030]. The Group will continue to promote the business and sustainable activities, aiming for a world where everyone can achieve their dreams together for a better tomorrow.

As some of our efforts related to the environment, the mass-produced wallpaper sample book “SP,” published in June 2023, included the industry’s first products using an environmentally friendly, non-fluorine water repellent (PFC-free). In addition, in the carpet tile sample book “NT700” and “DT,” published in November, and the chair upholstery sample book “UP,” published in February 2024, the Company expanded the range of low environmental-impact products that use yarn and other recycled materials. A large number of low environmental-impact products that can contribute to a decarbonized society and water resource conservation are available in wall coverings, floor coverings, and fabrics, with products that can achieve a sustainable society under development. To reduce the environmental impact of business activities, we have set goals for reducing GHG emissions, reducing energy consumption, and increasing the recycling rate (effective utilization rate). In efforts to reduce GHG emissions, we started the self-distribution of electricity generated by a solar power facility at our logistics facility in Inazawa-shi, Aichi Prefecture, to our Headquarters and Chubu Branch in Nagoya-shi, Aichi Prefecture. Through such efforts, we will contribute to carbon neutrality and the circular economy.

As some of our efforts in social contribution, we implemented continuous activities in which employees can proactively participate, such as support for the interior renovation of children’s care homes, which we have implemented since 2014, cooperation with NPOs that support children in developing countries, and participation in industry-university collaborative projects. In addition, we have begun providing continuous support to four NPOs that are working on resolving social issues related to children in need of assistance and housing, as well as providing assistance for humanitarian crises caused by disasters and conflicts, including support for recovery from earthquake damage in the Kingdom of Morocco and support for recovery from damage caused by the Noto Peninsula Earthquake. Furthermore, we are expanding our efforts not only independently but also with external stakeholders, for example, as a gold sponsor of the “HERALBONY Art Prize 2024,” which presents awards to works of art by artists with disabilities around the world.

As some of our efforts in human capital, based on the quantitative targets in the social value section of the Medium-term Business Plan, the Company is implementing such measures as the promotion of health management and the active promotion of female managers, and each division and branch office is working to create a workplace environment in which employees can work comfortably and safely regardless of gender or age. Specifically, at the PARCs Sangetsu Group Creative Hub in Hibiya, Tokyo, which was opened as a new value creation base, we are promoting initiatives that lead to the “Well-being” of both employees and visitors.

Currently, we have obtained preliminary certification under the “WELL Building Standard™ v2” and will continue our efforts to obtain Gold level certification. Furthermore, in recognition of our long-term efforts for “an enthusiastic workplace promoting health throughout life where employees can enjoy working” based on our basic Health and Productivity Management Policy, we have been certified as a “KENKO Investment for Health 2024” for the fifth consecutive year and the sixth time in total. In terms of “diversity, equity and inclusion,” the Company received Gold certification for the first time in the “PRIDE Index 2023,” an LGBTQ+ assessment standard, in recognition of its efforts to hold series of seminars to deepen understanding of LGBTQ+ individuals and to introduce a “same-sex partnership system.”

The Company Group will continue to work on resolving social issues through space creation, the core of its business, and aims at the goal of “with all people we collaborate to create peaceful and inspirational spaces” by continuing to create economic and social value.

## **(2) Capital Investments**

During the fiscal year under review, the Group as a whole made ¥5,061 million in capital investment, including investments to establish the PARCs Sangetsu Group Creative Hub as the Group’s new hub for value creation in the Domestic interior segment, as well as additional investments to establish a new plant to ensure a sustainable and stable supply of wallpaper, etc.

### **(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, heightened geopolitical risks and the continued surge in prices of energy resources and some raw materials that are partly caused by the impact of foreign exchange rates are expected to continue. In addition, amid expanding financial unpredictability and uncertainty toward an economic outlook resulting from monetary tightening in a number of countries, when political confusion in advanced countries is added to this, there is concern that the real economy will be significantly affected as well.

For the Japanese construction markets, which are closely related to the Company's businesses, the residential market is expected to remain sluggish, especially in terms of the number of new housing starts, due to suppressed housing demand resulting from rising construction costs, etc. In the non-housing market, while new construction demand is also weak, a recovery of hotels and lodging facilities due to inbound demand, as the restart of economic activity and a growing market mainly for office renovations in the Tokyo metropolitan area are expected.

On the cost front, the Company expects to be affected by the continued cost increases due to the surge in labor, logistics, and some raw materials prices, and also plans to incur expenses for strategic investments including strengthening the space design proposal and space material supply functions that make up space creation, inventory, delivery, and logistics functions, and construction functions. In addition, we aim to generate profits starting the next fiscal year and onward in the overseas business, which has thus far continued to incur operating losses.

In North America, the market environment is expected to remain strong, especially in the mainstay hotel segment, and we will continue to capture demand by introducing space proposals and strategic products, and by implementing measures to strengthen our short lead-time supply capabilities and construction, etc. Meanwhile, in Southeast Asia, the Company will promote reorganization of M&A and its sales structure, as well as strengthen its space creation function to meet country-specific needs and enhance its competitive advantage. In the Chinese and Hong Kong markets, where construction plans are being delayed or canceled due to the sluggish real estate market and declining consumer confidence, we will rebuild the business structure while carefully assessing future market growth potential and the business direction of the Group as a whole.

Under such circumstances, for the full-year consolidated business results forecast, the Group expects to record net sales of ¥196.0 billion (up 3.2% year on year), operating income of ¥16.0 billion (down 16.2% year on year), ordinary income of ¥16.5 billion (down 16.2% year on year), and net income attributable to owners of the parent of ¥11.0 billion (down 23.0% 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.

Since the establishment of the new organization in 2014 as the third foundation, the Group has been working to develop and strengthen its business foundation and enhance and expand its functions and service capabilities to achieve sustainable growth.

In order to continue to achieve enhances in corporate value that are both long-term and future-oriented in an uncertain and rapidly-changing environment, the Company has reviewed the Sangetsu Group Long-term Vision [DESIGN 2030] and announced new Medium-term Business Plan (2023-2025) [BX 2025] in May 2023. In the second year of this Medium-term Business Plan, which is a step toward achieving the Long-term Vision, we aim to achieve strong and sustainable growth and further enhance corporate value by steadily strengthening each of our functions based on these policies.

## **Sangetsu Group’s Long-term Vision [DESIGN 2030]**

### **“Philosophy of the Sangetsu group”**

#### **Purpose: Significance of existence**

With all people we collaborate to create peaceful and inspirational spaces

#### **Dream: The vision we realize for the future**

A world where everyone can achieve their dreams together for a better tomorrow

#### **Belief: Our firm corporate belief**

Corporate integrity is the foundation to change society

#### **Way: The attitude of employees—the vision we realize for the future**

Openness and Fairness, Creativity and Collaboration, Challenge and Transformation

### **Brand Statement**

Joy of Design

## **1. Corporate Vision**

The Entire Sangetsu Group Aims to Become a “Space Creation Company”

We will utilize design capabilities and creativity based on human and digital capital to organically integrate four functions, which are

- Attractive space design proposals based on the best concept for each market Corporate integrity is the foundation to change society.
- Space material provision that proposes a wide range of products with advanced planning, development, and procurement capabilities
- Inventory, shipping, and logistics that enable immediate delivery over a wide area without running out of stock
- Swift, large-scale, integrated construction through a variety of businesses, personal relationships, and corporate partnerships and transform into a company that provides high value in space creation globally.

## **2. Approach for Achieving the Long-term Vision**

### **Basic of management**

- Design-driven management  
Enhance brand value and transform business through design

### **Management/Business foundation**

- Diverse human capital  
An organization where diverse professionals with on-site capabilities fulfill an active role
- Cooperation and utilization for digital capital  
Use DATA to increase the efficiency of business and transform business

### **Main function**

- Providing solutions  
Business that organically integrates functions of space design, products, delivery, logistics, and construction to provide solutions

### **Business area**

- Asia and North America  
Strong business in Asia and North America, and global expansion

### **Corporate Vision**

- From an interior products company to a creative concept partner based on design, human resources, data, and services.

### **“Social Values Sangetsu Group Aims to Realize”**

- Inclusive: A safe and comfortable society for everyone inclusive  
Sustainable: A sustainable society to maintain the global environment  
Enjoyable: A more affluent and enjoyable society

The Sangetsu Group is committed to solving social issues through space creation, the core of our business, toward the realization of a sustainable society and a world where people everywhere can talk about their dreams for a brighter future.

### 3. Quantitative target

FY2029

Consolidated net sales	¥250.0 billion
Consolidated operating income	¥27.0 billion

#### **“Toward a Space Creation Company and Beyond”**

We have confirmed the potential and effectiveness of this new business model through the efforts to transform ourselves into a Space Creation Company since 2020. At the same time, we recognized the need to envision longer-term business development beyond being a Space Creation Company to achieve further economic and social value. One of these possibilities is “space operations.” As a Space Creation Company, in order to propose and provide a variety of spaces, it is necessary to consider and envision how people spend their time in such spaces. In other words, space creation involves thinking about what kind of space to provide and how people can utilize the space, which is closely related to consideration of how spatial operations are carried out. In this sense, we believe there is potential that lies beyond the space creation business and will continue to consider the possibility of expanding in the space operation business.

## **Medium-term Business Plan (2023-2025) [BX 2025] \* BX = Business Transformation**

### 1. Basic Policy

Strengthen and expand solution capabilities to enhance the value of space creation, transform into a Space Creation Company with strong profitability and growth potential, expand products, and expand exterior and overseas businesses, in addition to business expansion in major products and markets.

In addition, the Group will also consider the possibility of a space operation business in order to develop a business that will allow for further long-term growth.

### 2. Measures

#### 1) Expansion, advancement and support for activities of human capital

- Assignment of human resources staff by organization
- Significant increase in career hiring with diversity and expansion of hiring of new graduates
- Expansion of education and training to strengthen expertise and business building capabilities
- Improvement of compensation and working environment
- Improvement of the ratio of non-regular employees and promotion of diversity

#### 2) Accumulation, analysis and utilization of digital capital

- Renovation of core systems for business model transformation
- Promotion of the use of information and data for value chain transformation, including space design proposals
- Improvement of efficiency and certainty of sales and logistics through the use of commercial and logistics data in collaboration with agents
- Improvement of business operations and promotion of digitalization of on-site operations

#### 3) Enhancement of solution providing capabilities

- Strengthening of the ability to offer specialized space design and space proposals for each market
- Expansion, enhancement, and strengthening of branding of handling products
- Establishment and strengthening of product procurement system
- Geographic / functional expansion and strengthening of the logistics system
- Establishment of a large-scale and flexible interior installation capability and installation management system

#### 4) Exterior Business and Overseas Business

- Geographic and scale expansion, and enhancement of the exterior business
- Strengthening of product and space design capabilities, establishment of a quick-delivery supply system, strengthening of installation support capabilities, and establishment of a sales system that is attentive to market needs in order to shift to space creation business in overseas business

#### 5) Enhancement of social value

- Reduction of consolidated and non-consolidated GHG (Scope 1 & 2) emissions
- Identification of GHG (Scope 3) emissions and clarification of reduction measures
- Strengthening of development of low-environmental-impact products
- Promotion of recycling, including expansion of sample book recycling centers
- Promotion of diversity, equity and inclusion
- Promotion of activities to improve the living environment of children's homes
- Continuous support for children in need, developing countries, and refugees

### 3. Capital policy

#### 1) Shareholder return policy

- Maintain the equity to the range of ¥95.0 billion to ¥105.0 billion as of the end of March 2026
- Dividends are the main source of shareholder returns, with a minimum annual dividend of 130 yen per share, with the aim of steadily increasing dividends.
- Share buybacks are also considered depending on market conditions.

2) Fund allocation plan

Fund generation during the Medium-term Business Plan		Fund allocation	
Cash equivalents at the beginning of the Plan	¥27.0 billion	Investment for growth	¥20.0 to ¥25.0 billion
Operating cash flow	¥47.0 to ¥51.0 billion	Return to shareholders	¥25.0 to ¥35.0 billion
Increase (decrease) of borrowings	¥(8.0) to ¥6.0 billion	Cash equivalents at the ending of the Plan	¥20.0 to ¥25.0 billion

4. Quantitative target (targets for FY2025)

1) Economic value

(1) Consolidated net sales	¥195.0 billion
(2) Consolidated operating income	¥20.5 billion
(3) Consolidated net income	¥14.5 billion
(4) ROE	14.0%
(5) ROIC	14.0%
(6) CCC	65 days

2) Social value

(i) Global environment

Reducing environmental impact in business activities (Scope 1 & 2)

GHG emissions	Consolidated	28% reduction from FY2021
GHG emissions	Non-consolidated	60% reduction from FY2018
Energy consumption	Non-consolidated	6% reduction from FY2018
Recycling rate (effective utilization rate)	Non-consolidated	At least 90%

(ii) Human capital

Employee health and skill development, and transformation of corporate culture

Non-smoking rate	Non-consolidated	At least 85%
Human capital investment	Non-consolidated	Total of ¥700 million in three years
Number of career recruits	Non-consolidated	Total of 60 to 80 persons in three years
Rewarding Index (“Job satisfaction affirmation rate” in the employee awareness survey)	Non-consolidated	At least 77%

Promotion of diversity, equity and inclusion

Ratio of female managers	Non-consolidated	At least 25% (as of April 2026)
Ratio of employees with disabilities	Non-consolidated	At least 4% (as of March 31, 2026)
Ratio of male taking maternity leave	Non-consolidated	More than two weeks 100%.

(iii) Social capital

Community engagement

Space creation in children’s home renovations	Consolidated	50 per year
Matching gift	Consolidated	18,000 S-mile (*)
Social contribution activity expenses, including donations to outside organizations	Consolidated	Targeting 0.3 to 0.5% of annual ordinary income, donations are to be made to specific organizations on an ongoing basis.

\*The “Sangetsu Group Matching Gift Program,” aiming to promote social contribution activities, provides employees with smile points (S-mile) for their engagement in such social contribution activities that are converted into monetary donations to organizations such as NPOs, etc. supported by the Company. Standard activities are individual activities outside the



company such as support for welfare facilities, support for disaster victims, international exchanges, community activities, youth education, NPO support, etc., in addition to company-initiated activities in the “Sangetsu Group volunteer club,” as well as work for support of these activities to ensure that employees nationwide can participate regardless of region.

#### Other Issues to Address

- 1) In the Southeast Asian market, the Group’s business in the past has mainly focused on sales of European and U.S. products to the hotel-related construction market, but the business has been losing competitive advantage with the existing business model due to the declining competitiveness of European and U.S. products in the Asian market.

In response to this situation, in order to secure stable earnings in the Asian market and achieve business growth, the Company are working to strength the functions by establishing design and installation department, while CREANATE Inc., a Group company, is working to develop and sell competitive products for the Asian market and to review the sales structures and promote an inventory and sales policy to expand small and medium-size transactions for the residential market and non-residential market. On the other hand, business in China and Hong Kong remained severe, with construction plans delayed or canceled due to a sluggish real estate market and declining consumer confidence caused by the worsening employment environment. While keeping a close eye on such market trends, we are in the process of strengthening our design proposals and other functions and rebuilding our business structure, while assessing future market growth potential and competitive advantages for our business.

- 2) In the Japanese market, there has been a quality problem with wall coverings from a specific supplier, and with that we have established a Customer Service Office and will continue to implement repair measures for the residences and facilities where the products are installed, in cooperation with the supplier. The costs associated with these repairs have been borne entirely by the supplier, resulting in no loss being recorded by the Company.

**(5) Changes in Assets and Income (Loss)**

(Millions of yen, except for per share amounts)

Item	69th term Fiscal year ended March 31, 2021	70th term Fiscal year ended March 31, 2022	71st term Fiscal year ended March 31, 2023	72nd term Fiscal year ended March 31, 2024
Net sales	145,316	149,481	176,022	189,859
Ordinary income (loss)	7,042	8,203	20,690	19,695
Net income (loss) attributable to owners of the parent	4,780	276	14,005	14,291
Net income (loss) per share (Yen)	78.97	4.66	238.71	243.44
Diluted net income (loss) per share (Yen)	78.92	4.65	238.55	243.30
Total assets	158,665	147,943	164,454	170,750
Net assets	93,749	88,326	95,825	106,709
Net assets per share (Yen)	1,547.92	1,497.21	1,631.57	1,816.16

- 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 the 70th term, and therefore the figures for the 70th term and thereafter represent the figures after the application of the said accounting standard, etc.

**(6) Principal Subsidiaries and Associates (As of March 31, 2024)**

Company name	Capital	Equity ownership (%)	Main business
Sungreen Co., Ltd.	¥130 million	100	Sale and installation of exterior products
Fairtone Co., Ltd.	¥35 million	100	Interior finishing and design and interior general construction
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	100	Manufacturing and sale of wallpaper and sale of interior-related products
Cross Kikaku, Co., Ltd.	¥7 million	100	Delivery and management of interior-related products
Koroseal Interior Products Holdings, Inc.	US\$54,142 thousand	100	Manufacturing and sale of wall coverings
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

(7) Principal Business Offices (As of March 31, 2024)

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), PARCs Sangetsu Group Creative Hub / Tokyo Branch (Chiyoda-ku), Nishi-Kanto Branch (Yokohama-shi), Chubu Branch (Nagoya-shi), Kansai Branch (Osaka-shi), Chugoku-Shikoku Branch (Hiroshima-shi), Kyushu Branch (Fukuoka-shi)
Branch offices/ Sales offices	Hokuriku Branch Office (Kanazawa-shi), Shikoku Sales Office (Takamatsu-shi), Kita-Tohoku Sales Office (Morioka-shi), Fukushima Sales Office (Koriyama-shi), Gunma Sales Office (Maebashi-shi), Tochigi Sales Office (Utsunomiya-shi), Niigata Sales Office, Ibaraki Sales Office (Tsukuba-shi), Nagano Sales Office, FIELDS Sangetsu Group Design & Development Center (Shinagawa-ku), Higashi-Kanto Sales Office (Chiba-shi), Tama Sales Office (Tachikawa-shi), Atsugi 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/english/companyprofile/overview.html>)
- Please see here for nationwide showrooms. (<https://www.sangetsu.co.jp/english/showroom/>)

2) Principal subsidiaries

Company name	Headquarters	Offices
Sungreen Co., Ltd.	Nagoya-shi, Aichi	Headquarters, Nagoya Branch Office and 16 other branch offices
Fairtone Co., Ltd.	Chuo-ku, Tokyo	Headquarters, Chubu Sales Office (Nagoya-shi) and 3 other sales offices
Sangetsu Vosne Corporation	Shinagawa-ku, Tokyo	Headquarters, Nagoya Sales Office and 6 other sales offices
Sangetsu Okinawa Corporation	Ginowan-shi, Okinawa	Headquarters
CREANATE Inc.	Shinagawa-ku, Tokyo	Headquarters, Narita Plant, Ichinoseki Plant
Cross Kikaku, Co., Ltd.	Kasuya-gun, Fukuoka	Headquarters, Hakata Sales Office (Fukuoka-shi)
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

**(8) Employees (As of March 31, 2024)**

## 1) The Group

Segment	Number of employees	Change from previous fiscal year-end
Domestic interior	1,681	Increase of 38
[of which Sangetsu Corporation]	[1,229]	[Increase of 39]
[of which Fairtone Co., Ltd.]	[108]	[Increase of 11]
[of which Sangetsu Vosne Corporation]	[49]	[Increase of 8]
[of which Sangetsu Okinawa Corporation]	[18]	[Decrease of 1]
[of which CREANATE Inc.]	[201]	[Decrease of 11]
[of which Cross Kikaku, Co., Ltd.]	[76]	[Decrease of 8]
Domestic exterior	225	Increase of 34
Overseas	739	Increase of 26
[of which Sangetsu Corporation]	[9]	[Increase of 2]
[of which Koroseal Interior Products Holdings, Inc.]	[430]	[Decrease of 1]
[of which Goodrich Global Holdings Pte., Ltd.]	[218]	[Increase of 22]
[of which Goodrich Global Limited]	[82]	[Increase of 3]
Total	2,645	Increase of 98

Note: The segment classification has been changed from the current fiscal year. As for the comparison with the previous fiscal year, the figures for the previous fiscal year have been reclassified to the revised segment classification.

## 2) The Company

Number of employees	Change from previous fiscal year-end	Average age	Average years of service
1,238	Increase of 41	37.7 years old	15.7 years

**(9) Status of Principal Borrowings (As of March 31, 2024)**

Lender	Balance of borrowing (Millions of yen)
The Bank of Kyoto, Ltd.	2,711
Sumitomo Mitsui Banking Corporation	2,000
THE SHIGA BANK, LTD.	1,000

## 2. Status of the Company

### (1) Status of Shares (As of March 31, 2024)

- 1) **Total Number of Authorized Shares** 290,000,000 shares
- 2) **Total Number of Issued Shares** 59,200,000 shares
- 3) **Number of Shareholders** 18,584 persons  
(of which 10,228 are shareholders holding at least one unit of shares)

### 4) Major Shareholders (Top 10)

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,366,000	14.24
Custody Bank of Japan, Ltd. (Trust Account)	2,204,300	3.75
Tomohiro Yoshida	1,775,800	3.02
Touzou Hibi	1,719,492	2.92
Yoshio Hibi	1,708,588	2.90
Masae Miwa	1,699,228	2.89
Sangetsu Kyoei-kai	1,657,580	2.82
The Ogaki Kyoritsu Bank, Ltd.	1,514,372	2.57
Sumitomo Realty & Development Co., Ltd.	1,170,000	1.99
Mayumi Hibi	1,160,734	1.97

Note: The Company holds 483,404 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)	11,350	2

Note: Details of the Company's share remuneration are described in "2. Status of the Company, (3) Company Officers, 3) Remuneration System and Remuneration Plan for the Company's Directors and Executive Officers" of the Business Report.

## (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
2nd series share acquisition right (June 18, 2015)	145 units	Common shares 14,500 shares	¥177,900 (Note)	¥1 per share	From July 13, 2015 to July 12, 2045
3rd series share acquisition right (June 23, 2016)	167 units	Common shares 16,700 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
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, 2024)

Position	Name	Areas of responsibility within the Company and significant concurrent positions
Representative Director, President and CEO	Shosuke Yasuda	
Director, Managing Executive Officer	Yasumasa Kondo	General Manager of the Corporate Division and in charge of Space Planning Division
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.
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 Company bears 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.
  7. Effective April 1, 2024, Mr. Shosuke Yasuda was appointed as Director, and Mr. Yasumasa Kondo was appointed as Representative Director, President and CEO.

## 2) Amount of Remuneration, etc. to Directors in FY 2023

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)	138	58	59	20	3
Directors (Audit and Supervisory Committee Members)	64	64	–	–	5
[Of which, Outside Directors]	[43]	[43]	[–]	[–]	[4]
Total	203	122	59	20	8
[Of which, Outside Directors]	[43]	[43]	[–]	[–]	[4]

- Notes: 1. Above amount of remuneration does not include amount equivalent to salaries of those who are also company employees.  
2. Non-monetary remuneration, etc. is restricted share remuneration and the amount recorded as an expense in the fiscal year under review is shown.  
3. The system of counselors/advisors was terminated. However, Mr. Touzou Hibi, a member of the founding family, serves as a part-time, unpaid special advisor.  
4. The amounts in the table above include remuneration for one Director (excluding Audit and Supervisory Committee Members) who retired as of the end of the 71st General Meeting of Shareholders held on June 21, 2023.

## 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"> <li>• Standard base remuneration = ¥15.6 million / year</li> <li>• 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</li> <li>• Multiplier per position for each Executive Officer (base remuneration) (see Graph 1 on page 37)</li> <li>• 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.</li> <li>• Fixed remuneration is paid each month during their terms of office.</li> </ul>
<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"> <li>• Standard amount per Executive Officer (see Table 3 on page 34)</li> <li>• Multiplier per position for each Executive Officer (performance-based remuneration) (see Graph 1 on page 37)</li> <li>• Performance-based remuneration is paid once per year on the day after the General Meeting of Shareholders after the end of each fiscal year.</li> <li>• Performance-based remuneration is not paid if consolidated net income is below a certain level.</li> </ul>
<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"> <li>• Standard number of shares for Executive Officers = 2,000 shares</li> <li>• Multiplier per position for each Executive Officer (restricted share remuneration) (see Graph 1 on page 37)</li> <li>• 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.</li> <li>• The number of shares to be granted is determined in accordance with position, and the shares are granted while the individual is in office.</li> </ul>

#### 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 [BX 2025], the Company has set an ROE target of 14.0%. The Company has set the amount of consolidated net income required to achieve this ROE target based on shareholders' equity of ¥100.0 billion during the period of the Medium-term Business Plan (2023-2025), 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)
¥5.0 billion or less (ROE: 5.0% or less)	¥0
Over ¥5.0 billion and not over ¥10.0 billion (ROE: over 5.0% and not over 10.0%)	$(X - ¥5.0 \text{ billion}) \times 0.17\%$
Over ¥10.0 billion and not over ¥14.0 billion (ROE: over 10.0% and not over 14.0%)	$(¥10.0 \text{ billion} - ¥5.0 \text{ billion}) \times 0.17\%$ $+ (X - ¥10.0 \text{ billion}) \times 0.14\%$
Over ¥14.0 billion and not over ¥18.0 billion (ROE: over 14.0% and not over 18.0%)	$(¥10.0 \text{ billion} - ¥5.0 \text{ billion}) \times 0.17\%$ $+ (¥14.0 \text{ billion} - ¥10.0 \text{ billion}) \times 0.14\%$ $+ (X - ¥14.0 \text{ billion}) \times 0.10\%$

(Note)\*ROE for each level of consolidated net income calculated based on shareholders' equity = ¥100.0 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 ¥14.29 billion.

(Table 4)

	Consolidated net income		Ratio of performance-based remuneration to total remuneration
	Forecasts	Results	
71st term (fiscal year ended March 31, 2023)	(Note 1) ¥7.0 billion	¥14.00 billion	(Note 2) 52-55%
	¥13.5 billion		
72nd term (fiscal year ended March 31, 2024)	(Note 3) ¥10.5 billion	¥14.29 billion	(Note 4) 39-42%
	¥14.6 billion		

Notes: 1. This amount was publicly announced on May 13, 2022. Furthermore, the amount was revised upward to ¥13.5 billion on February 10, 2023.

2. This ratio is calculated based on the latest share price (closing price as of May 1, 2023).

3. This amount was publicly announced on May 12, 2023. Furthermore, the amount was revised upward to ¥14.6 billion on February 9, 2024.

4. This ratio is calculated based on the latest share price (closing price as of April 26, 2024).

#### 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)
	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"> <li>• Contents of the remuneration plan</li> <li>• Maximum amount: within ¥400 million (annually)</li> </ul>	<ul style="list-style-type: none"> <li>• Contents of the remuneration plan</li> <li>• 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)</li> </ul>	<ul style="list-style-type: none"> <li>• Contents of the remuneration plan</li> <li>• Within ¥80 million (annually)</li> </ul>
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.

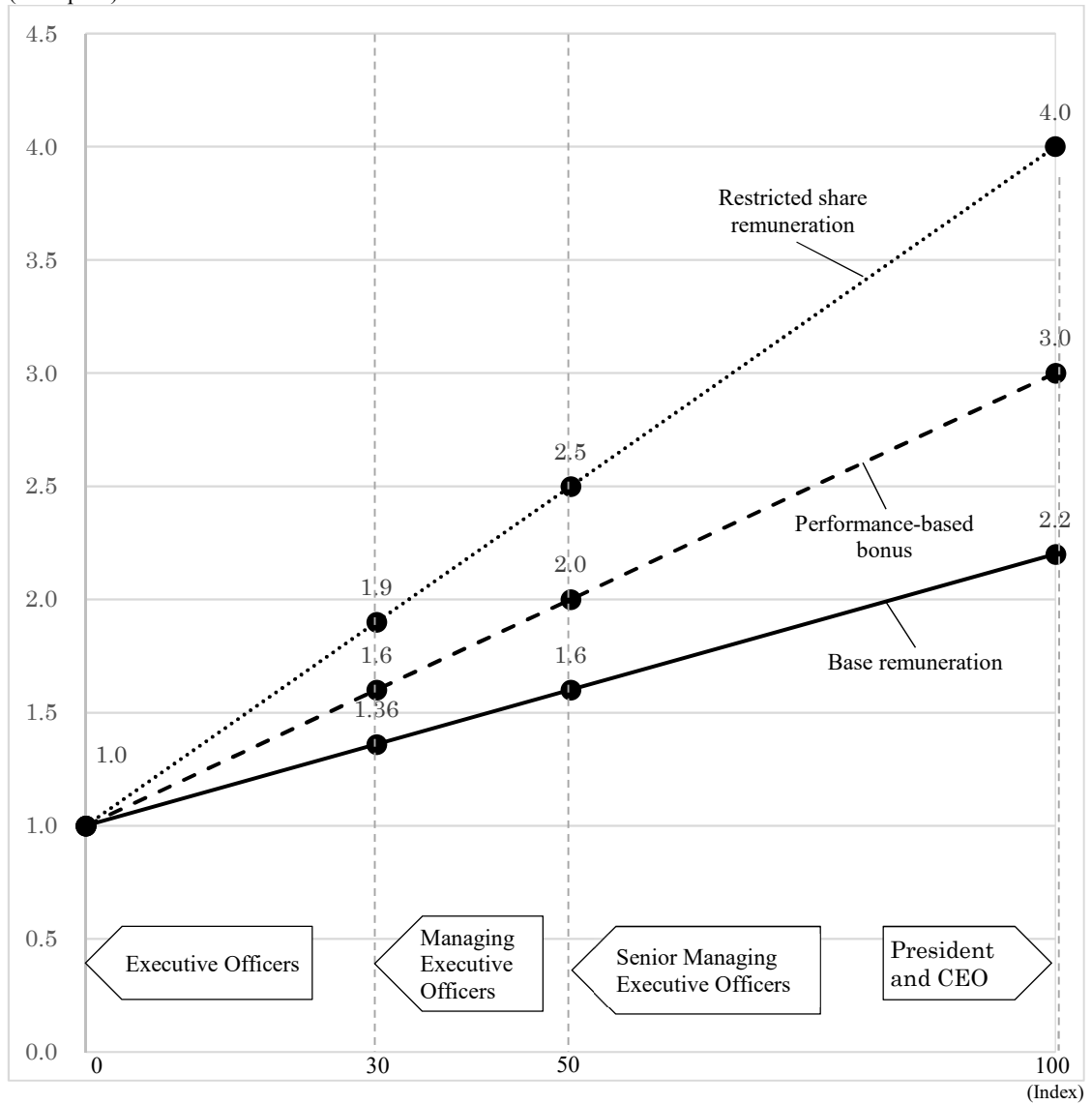
- (b) Policies regarding the determination of base remuneration, etc. for individuals

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.

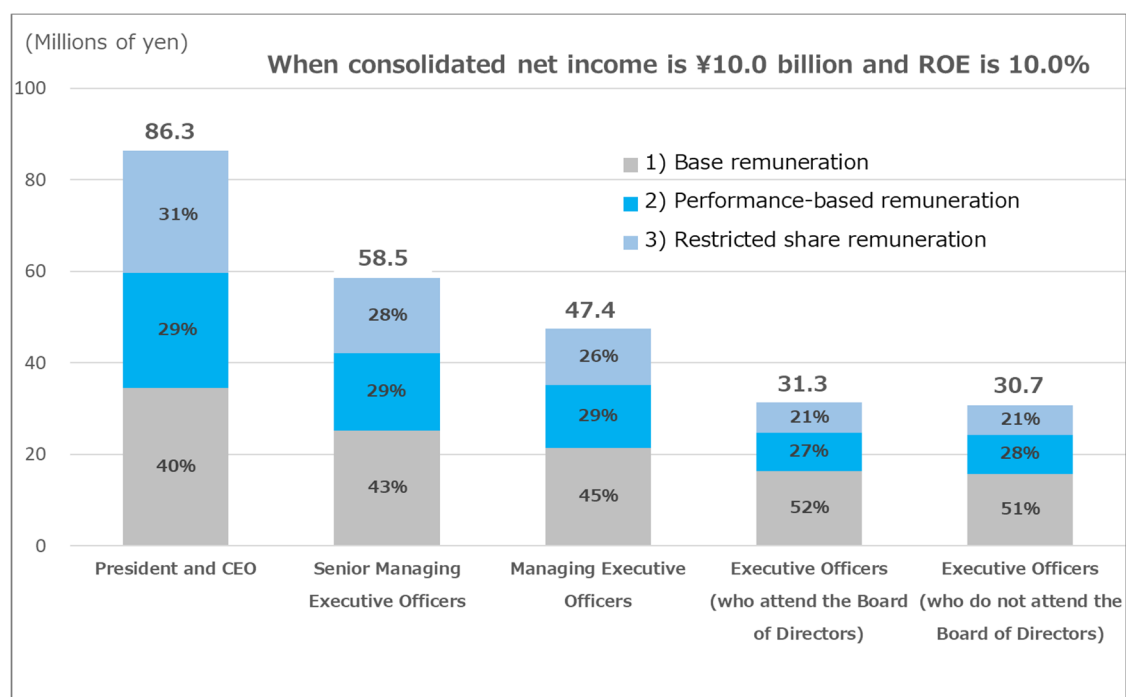
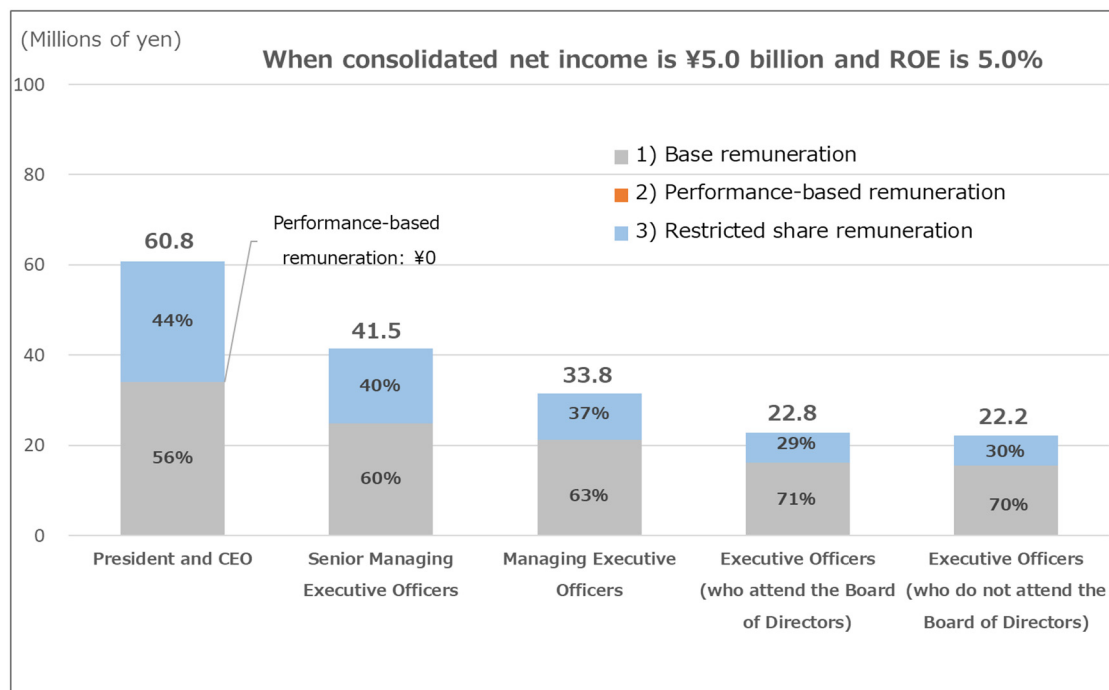
(Graph 1)  
**Multipliers for each executive level (by remuneration type)**  
(Multiplier)

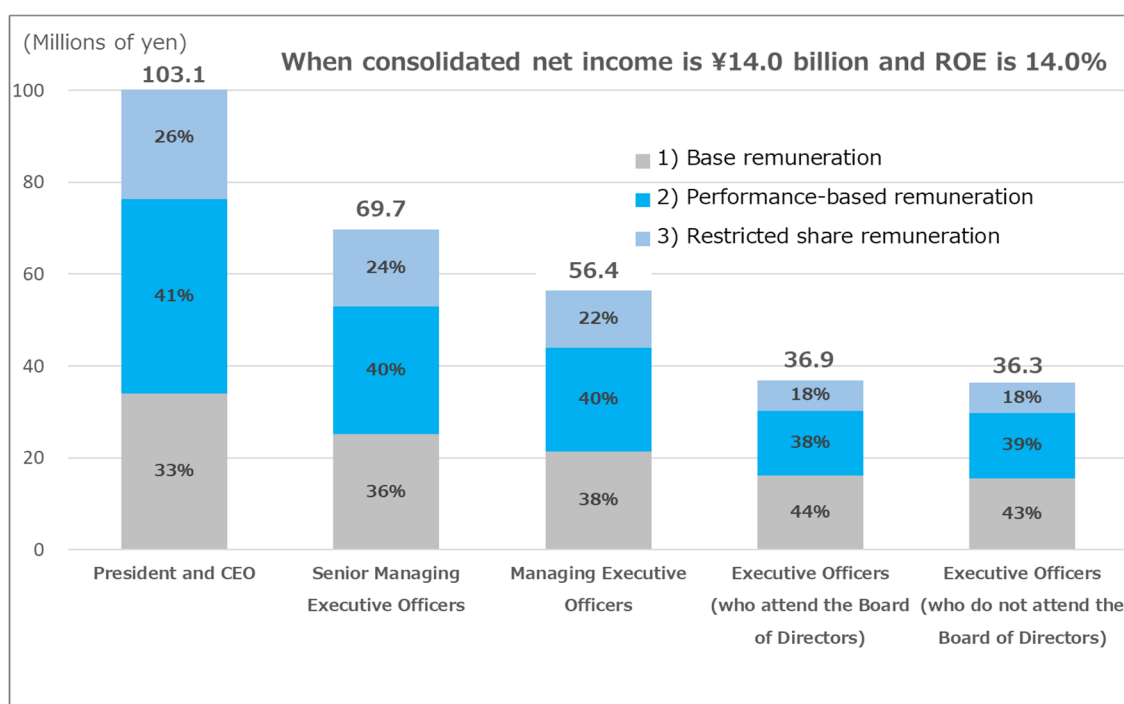


The amount of remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) who hold concurrent positions as Executive Officers and Executive Officers, and its proportion differs depending on the evaluation of each individual's level of contribution, the Company's 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 ¥5.0 billion (5.0%), ¥10.0 billion (10.0%), and ¥14.0 billion (14.0%) 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 relationships between AISIN CORPORATION and the Company.
		Outside Director of Toho Gas Co., Ltd.	There are no special relationships between Toho Gas Co., Ltd. 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 FY2023; 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 FY2023; 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 FY2023; 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 13 Board of Directors' meetings, in all 14 Audit and Supervisory Committee meetings held in FY2023; 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, Kenichi Udagawa and Osamu Terada participated in all 16 Nomination and Remuneration Committee meetings held in FY2023. 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

Deloitte Touche Tohmatsu LLC

Note: PricewaterhouseCoopers Aarata LLC (current PricewaterhouseCoopers Japan LLC), the former Accounting Auditor of the Company, has retired as of the closing of the 71st Ordinary General Meeting of Shareholders held on June 21, 2023.

##### 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	60
Total amount of cash and other property benefits payable by the Company and its subsidiaries to Accounting Auditor	60

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. Some of the Company's significant overseas subsidiaries are audited by certified public accountants or auditing firms other than the Company's Accounting Auditor (including those who have qualifications equivalent to these qualifications in foreign countries).

##### 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 Associates Management Regulations and Standards for Matters at Subsidiaries and Associates 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 Associates Management Regulations and Standards for Matters at Subsidiaries and Associates 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 Associates Management Regulations and Standards for Matters at Subsidiaries and Associates Requiring Approval and Reporting shall be established, and a system shall be put in place to ensure that subsidiary Directors are able to execute their duties efficiently. In addition, rules on the division of duties shall be put in place by subsidiaries themselves for the distribution of work responsibilities in order to allow the efficient execution of duties.
  - (4) System to ensure that subsidiary Directors and employees execute their duties in compliance with relevant laws and regulations and the Articles of Incorporation of the Company  
 The Company shall establish the Sangetsu Group Human Rights Policy, Sangetsu Group Corporate Charter and Compliance Code of Conduct in order to maintain and improve the overall compliance framework of the Group. In addition, the Company shall establish a helpline with a designated external law office available also for employees at subsidiaries to contact with reports.

- II Systems to Assist Execution of Duties by the Audit and Supervisory Committee
1. Matters relating to employees who assist in the duties of the Audit and Supervisory Committee
    - (1) In order to assist the Audit and Supervisory Committee, the Company shall establish the Audit and Supervisory Committee Department with employees who serve dedicated and concurrently with their other posts.
    - (2) Assignments, transfers and evaluations for employees belonging to the Audit and Supervisory Committee Department require the consent of Audit and Supervisory Committee to ensure the independence from Directors (excluding Audit and Supervisory Committee Members (here and elsewhere in II)) and Executive Officers.
    - (3) Employees belonging to the Audit and Supervisory Committee Department assist in the duties of Audit and Supervisory Committee under the direction of Audit and Supervisory Committee.
    - (4) Employees belonging to the Audit and Supervisory Committee Department shall not be subject to instructions and orders from Directors and Executive Officers concerning the duties to assist Audit and Supervisory Committee. Employees belonging to the Audit and Supervisory Committee Department who serve concurrently with other posts shall carry out the instructions given by Audit and Supervisory Committee Members as top priority.
  2. Systems relating to the reporting to the Audit and Supervisory Committee
    - (1) Audit and Supervisory Committee Members shall receive reports regularly from Directors and Executive Officers on the status of execution of duties in charge at the Board of Directors. In addition, Audit and Supervisory Committee Members shall receive reports regularly on the status of the Boards of Directors of subsidiaries from Directors and Auditors dispatched to the Company's subsidiaries.
    - (2) Directors and Executive Officers shall, in the event of situations that may cause significant damage to the Company, swiftly report such matters to Audit and Supervisory Committee personally or through the heads of relevant departments.
    - (3) Audit and Supervisory Committee Members designated by Audit and Supervisory Committee shall attend important meetings, examine records, minutes, or other documents related to the execution of business, and request as necessary explanations from Directors, Executive Officers or employees.
    - (4) Audit and Supervisory Committee Members designated by Audit and Supervisory Committee shall visit subsidiaries, and examine records, minutes, or other documents related to the execution of business, and request as necessary explanations from subsidiary Directors or employees.
    - (5) Officers and employees of the Group may report compliance problems directly to Audit and Supervisory Committee or its members without using the Company's helpline. In such case, the Company prohibits any adverse treatment based on the fact that such a report has been made by the person.
  3. Items concerning policies for handling of expenses and debts arising from the execution of duties by the Audit and Supervisory Committee
    - (1) All expenses necessary for the duties of Audit and Supervisory Committee shall be recorded in an independent budget every fiscal period and processed promptly based on expense payment standards.
    - (2) Audit and Supervisory Committee, on its own initiative, may use external experts, etc., where necessary, and the Company shall then bear those expenses.
  4. Other Systems to ensure that Audit and Supervisory Committee execute their audits effectively
    - (1) With the aim of effective audit execution, Audit and Supervisory Committee shall cooperate with the internal audit department and internal control department.
    - (2) Audit and Supervisory Committee shall formulate the policy and plan for audit annually and report them to the Board of Directors.
    - (3) In order to enhance auditing effectiveness, Audit and Supervisory Committee shall receive reports on the status of responses to issues identified in the audits at the Board of Directors meetings or on other occasions, and give feedback to them.
    - (4) Audit and Supervisory Committee shall exchange information regularly on matters including audits with President and CEO and Accounting Auditor.

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

- i) Operational status of compliance system
  - The Compliance Committee has been held four times in the current fiscal year, where they formulated the compliance program for the year and promoted initiatives such as checking its progress, instruction for its revisions, and other compliance activities.
  - Subcontract Act training was provided to newly assigned employees at Space Planning Division.
  - 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 risk, logistics risk, product development, inventory and purchase risk, overseas business risk, human risk, environment and disaster risk, information security risk, and climate change 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.
  - At the time of the organizational reorganization in July 2023, the Company ensured to take over the role of the Risk Management Committee. In addition, the Company defined large-scale quality complaint risks and cyber security risks as the most important, clarified countermeasures for each risk item, and discussions were held in the related departments to review the risk items.
  - The Noto Peninsula Earthquake was the first response after reviewing the BCP rules, such as information sharing using chat, and the Company is currently examining the issues found in this response to make further revisions to the operations.
- 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 10 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 two times in the current fiscal year.
  - The Company formulated a Medium-term Business Plan and performed and managed the updates for each measure.
  - The Company made changes to the organizational structure to build a stronger business foundation for sustainable growth.
  - 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.
  - The Company appointed an Executive Officer in charge of digital capital to strengthen the executive functions.
  - The Company clarified preconditions for budgeting, managed the progress for the preconditions, and discussed the achievement of the budget at each meeting.
- iv) Operational status of the Group
  - Under the department-in-charge system introduced on April 1, 2017, for each subsidiary and associate, 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.

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



## Consolidated Financial Statements

(April 1, 2023 - March 31, 2024)

### Consolidated Balance Sheet

(As of March 31, 2024)

(Millions of yen)

		(Reference)			(Reference)
Item	72nd term As of March 31, 2024	71st term As of March 31, 2023	Item	72nd term As of March 31, 2024	71st term As of March 31, 2023
<b>ASSETS</b>			<b>LIABILITIES</b>		
<b>Current assets</b>	<b>107,463</b>	<b>104,843</b>	<b>Current liabilities</b>	<b>53,273</b>	<b>56,565</b>
Cash and deposits	25,096	24,817	Notes and accounts payable - trade	16,131	15,410
Notes receivable - trade	8,526	9,812	Contract liabilities	1,208	1,026
Accounts receivable - trade	26,186	26,671	Electronically recorded obligations - operating	15,423	14,420
Contract assets	235	214	Short-term loans payable	5,711	801
Electronically recorded monetary claims - operating	24,300	19,512	Current portion of long-term loans payable	-	7,801
Securities	300	300	Lease obligations	522	439
Merchandise and finished goods	18,380	18,166	Income taxes payable	2,681	5,734
Work in process	278	256	Provision for bonuses	3,602	3,175
Raw materials and supplies	3,129	2,503	Provision for directors' bonuses	134	267
Other	1,446	3,075	Provision for product warranties	389	532
Allowance for doubtful accounts	(416)	(487)	Other	7,468	6,956
<b>Non-current assets</b>	<b>63,287</b>	<b>59,610</b>	<b>Non-current liabilities</b>	<b>10,767</b>	<b>12,063</b>
<b>Property, plant and equipment</b>	<b>39,909</b>	<b>36,825</b>	Lease obligations	1,251	1,413
Buildings and structures	11,262	10,601	Deferred tax liabilities	256	269
Machinery, equipment and vehicles	5,039	5,219	Provision for directors' retirement benefits	-	26
Tools, furniture and fixtures	929	797	Net defined benefit liability	6,495	8,525
Land	16,468	16,634	Asset retirement obligations	1,784	1,153
Leased assets	1,678	1,777	Other	979	675
Construction in progress	4,530	1,794			
<b>Intangible assets</b>	<b>3,228</b>	<b>3,512</b>	<b>Total liabilities</b>	<b>64,040</b>	<b>68,629</b>
Software	1,247	1,340	<b>NET ASSETS</b>		
Goodwill	1,173	1,340	<b>Shareholders' equity</b>	<b>100,799</b>	<b>94,056</b>
Other	807	831	<b>Capital stock</b>	<b>13,616</b>	<b>13,616</b>
<b>Investments and other assets</b>	<b>20,149</b>	<b>19,273</b>	<b>Capital surplus</b>	<b>17,175</b>	<b>17,150</b>
Investment securities	8,128	6,182	<b>Retained earnings</b>	<b>70,799</b>	<b>64,138</b>
Investment property	4,888	4,968	<b>Treasury shares</b>	<b>(791)</b>	<b>(849)</b>
Guarantee deposits	1,894	1,855	<b>Accumulated other comprehensive income</b>	<b>5,839</b>	<b>1,685</b>
Retirement benefit asset	548	-	<b>Valuation difference on available-for-sale securities</b>	<b>3,305</b>	<b>1,269</b>
Deferred tax assets	3,978	5,229	<b>Deferred gains or losses on hedges</b>	<b>(20)</b>	<b>(39)</b>
Other	729	1,153	<b>Foreign currency translation adjustment</b>	<b>1,241</b>	<b>1,157</b>
Allowance for doubtful accounts	(17)	(116)	<b>Remeasurements of defined benefit plans</b>	<b>1,312</b>	<b>(702)</b>
			<b>Share acquisition rights</b>	<b>55</b>	<b>69</b>
			<b>Non-controlling interests</b>	<b>14</b>	<b>13</b>
			<b>Total net assets</b>	<b>106,709</b>	<b>95,825</b>
<b>Total assets</b>	<b>170,750</b>	<b>164,454</b>	<b>Total liabilities and net assets</b>	<b>170,750</b>	<b>164,454</b>

## Consolidated Statement of Income

(April 1, 2023 - March 31, 2024)

	(Millions of yen)	
Item	72nd term (April 1, 2023 - March 31, 2024)	(Reference) 71st term (April 1, 2022 - March 31, 2023)
<b>Net sales</b>	<b>189,859</b>	<b>176,022</b>
<b>Cost of sales</b>	<b>130,899</b>	<b>119,647</b>
<b>Gross profit</b>	<b>58,959</b>	<b>56,374</b>
<b>Selling, general and administrative expenses</b>	<b>39,856</b>	<b>36,094</b>
<b>Operating income</b>	<b>19,103</b>	<b>20,280</b>
<b>Non-operating income</b>	<b>1,078</b>	<b>876</b>
Interest and dividend income	313	213
Rental income from real estate	429	450
Share of profit of entities accounted for using equity method	-	0
Other	336	211
<b>Non-operating expenses</b>	<b>486</b>	<b>466</b>
Interest expenses	269	214
Rental expenses on real estate	119	147
Foreign exchange losses	65	83
Other	32	20
<b>Ordinary income</b>	<b>19,695</b>	<b>20,690</b>
<b>Extraordinary income</b>	<b>691</b>	<b>216</b>
Gain on sales of non-current assets	11	5
Gain on sales of investment securities	227	52
Gain on sales of shares of subsidiaries and associates	-	128
Subsidy income	392	10
Gain on liquidation of subsidiaries and associates	59	-
Other	-	19
<b>Extraordinary losses</b>	<b>270</b>	<b>464</b>
Loss on sales and retirement of non-current assets	30	11
Loss on sales of investment securities	59	148
Loss on valuation of investment securities	11	-
Impairment loss	166	303
Other	2	-
<b>Income before income taxes</b>	<b>20,116</b>	<b>20,442</b>
Income taxes - current	6,149	7,436
Income taxes - deferred	(324)	(998)
<b>Net income</b>	<b>14,291</b>	<b>14,005</b>
<b>Profit attributable to owners of parent</b>	<b>14,291</b>	<b>14,005</b>

## Consolidated Statement of Changes in Equity

(April 1, 2023 - March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	13,616	17,150	64,138	(849)	94,056
Changes of items during period					
Dividends of surplus			(7,630)		(7,630)
Profit attributable to owners of parent			14,291		14,291
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		23		46	70
Exercise of share acquisition rights		1		12	13
Purchase of shares of consolidated subsidiaries					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	24	6,660	58	6,743
Balance at end of current period	13,616	17,175	70,799	(791)	100,799

	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	1,269	(39)	1,157	(702)	1,685	69	13	95,825
Changes of items during period								
Dividends of surplus								(7,630)
Profit attributable to owners of parent								14,291
Purchase of treasury shares								(1)
Disposal of treasury shares								70
Exercise of share acquisition rights								13
Purchase of shares of consolidated subsidiaries								-
Net changes of items other than shareholders' equity	2,036	19	83	2,015	4,153	(13)	1	4,141
Total changes of items during period	2,036	19	83	2,015	4,153	(13)	1	10,884
Balance at end of current period	3,305	(20)	1,241	1,312	5,839	55	14	106,709

**(Reference) Consolidated Statement of Changes in Equity**  
(April 1, 2022 - March 31, 2023)

(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	54,537	(907)	87,019
Changes of items during period					
Dividends of surplus			(4,399)		(4,399)
Profit attributable to owners of parent			14,005		14,005
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(3)	57	54
Exercise of share acquisition rights					-
Purchase of shares of consolidated subsidiaries		(2,622)			(2,622)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(2,622)	9,601	57	7,036
Balance at end of current period	13,616	17,150	64,138	(849)	94,056

	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	1,258	6	567	(1,043)	788	71	446	88,326
Changes of items during period								
Dividends of surplus								(4,399)
Profit attributable to owners of parent								14,005
Purchase of treasury shares								(0)
Disposal of treasury shares								54
Exercise of share acquisition rights								-
Purchase of shares of consolidated subsidiaries								(2,622)
Net changes of items other than shareholders' equity	11	(45)	589	341	896	(1)	(432)	461
Total changes of items during period	11	(45)	589	341	896	(1)	(432)	7,498
Balance at end of current period	1,269	(39)	1,157	(702)	1,685	69	13	95,825

## Non-consolidated Financial Statements

(April 1, 2023 - March 31, 2024)

### Non-consolidated Balance Sheet

(As of March 31, 2024)

(Millions of yen)

Item	72nd term As of March 31, 2024	(Reference) 71st term As of March 31, 2023	Item	72nd term As of March 31, 2024	(Reference) 71st term As of March 31, 2023
<b>ASSETS</b>			<b>LIABILITIES</b>		
<b>Current assets</b>	<b>90,617</b>	<b>90,402</b>	<b>Current liabilities</b>	<b>43,829</b>	<b>47,644</b>
Cash and deposits	16,346	16,630	Electronically recorded obligations - operating	15,084	14,178
Notes receivable - trade	7,714	8,863	Accounts payable - trade	11,437	11,304
Electronically recorded monetary claims - operating	23,906	19,257	Contract liabilities	53	59
Accounts receivable - trade	19,753	20,128	Short-term loans payable	5,711	801
Contract assets	81	68	Short-term loans payable from subsidiaries and associates	1,348	-
Securities	300	300	Current portion of long-term loans payable	-	7,801
Merchandise and finished goods	14,958	14,707	Lease obligations	0	0
Work in process	20	6	Accounts payable - other	3,396	2,426
Raw materials and supplies	2,102	1,346	Income taxes payable	2,148	5,326
Short-term loans receivable from subsidiaries and associates	4,600	6,545	Provision for bonuses	2,743	2,546
Other	935	2,682	Provision for directors' bonuses	134	267
Allowance for doubtful accounts	(100)	(134)	Provision for product warranties	140	155
<b>Non-current assets</b>	<b>66,544</b>	<b>61,678</b>	Other	1,631	2,777
<b>Property, plant and equipment</b>	<b>25,544</b>	<b>25,113</b>	<b>Non-current liabilities</b>	<b>8,725</b>	<b>7,601</b>
Buildings	8,802	8,197	Lease obligations	1	2
Structures	129	146	Provision for retirement benefits	6,054	5,832
Machinery and equipment	2,241	2,385	Asset retirement obligations	1,699	1,104
Vehicles	135	113	Currency swap	303	16
Tools, furniture and fixtures	753	606	Long-term deposits received	665	645
Land	13,447	13,613	<b>Total liabilities</b>	<b>52,554</b>	<b>55,245</b>
Leased assets	2	3	<b>NET ASSETS</b>		
Construction in progress	31	48	<b>Shareholders' equity</b>	<b>101,353</b>	<b>95,566</b>
<b>Intangible assets</b>	<b>1,174</b>	<b>1,347</b>	<b>Capital stock</b>	<b>13,616</b>	<b>13,616</b>
Software	1,103	1,276	<b>Capital surplus</b>	<b>20,030</b>	<b>20,005</b>
Other	70	71	Legal capital surplus	20,005	20,005
<b>Investments and other assets</b>	<b>39,825</b>	<b>35,217</b>	Other capital surplus	24	-
Investment securities	7,775	5,916	<b>Retained earnings</b>	<b>68,498</b>	<b>62,793</b>
Shares of subsidiaries and associates	12,941	12,523	Legal retained earnings	3,404	3,404
Long-term loans receivable from subsidiaries and associates	8,336	6,195	Other retained earnings	65,094	59,389
Investment property	4,888	4,968	General reserve	45,000	45,000
Deferred tax assets	3,567	4,066	Retained earnings brought forward	20,094	14,389
Insurance funds	299	641	<b>Treasury shares</b>	<b>(791)</b>	<b>(849)</b>
Guarantee deposits	1,674	1,688	<b>Valuation and translation adjustments</b>	<b>3,197</b>	<b>1,199</b>
Other	354	439	<b>Valuation difference on available-for-sale securities</b>	<b>3,218</b>	<b>1,238</b>
Allowance for doubtful accounts	(11)	(1,223)	<b>Deferred gains or losses on hedges</b>	<b>(20)</b>	<b>(39)</b>
<b>Total assets</b>	<b>157,162</b>	<b>152,081</b>	<b>Share acquisition rights</b>	<b>55</b>	<b>69</b>
			<b>Total net assets</b>	<b>104,607</b>	<b>96,835</b>
			<b>Total liabilities and net assets</b>	<b>157,162</b>	<b>152,081</b>

## Non-consolidated Statement of Income (April 1, 2023 - March 31, 2024)

	(Millions of yen)	
Item	72nd term (April 1, 2023 - March 31, 2024)	(Reference) 71st term (April 1, 2022 - March 31, 2023)
<b>Net sales</b>	<b>150,528</b>	<b>140,052</b>
<b>Cost of sales</b>	<b>108,639</b>	<b>97,812</b>
<b>Gross profit</b>	<b>41,889</b>	<b>42,239</b>
<b>Selling, general and administrative expenses</b>	<b>24,490</b>	<b>22,513</b>
<b>Operating income</b>	<b>17,399</b>	<b>19,726</b>
<b>Non-operating income</b>	<b>1,320</b>	<b>1,300</b>
Interest and dividend income	802	792
Rental income from real estate	427	428
Other	90	80
<b>Non-operating expenses</b>	<b>436</b>	<b>337</b>
Interest expenses	241	157
Foreign exchange losses	70	42
Rental expenses on real estate	119	128
Other	5	8
<b>Ordinary income</b>	<b>18,283</b>	<b>20,690</b>
<b>Extraordinary income</b>	<b>428</b>	<b>616</b>
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	227	52
Reversal of allowance for doubtful accounts	-	561
Gain on liquidation of subsidiaries and associates	199	-
Other	-	1
<b>Extraordinary losses</b>	<b>252</b>	<b>458</b>
Loss on retirement of non-current assets	14	6
Loss on sales of investment securities	59	148
Loss on valuation of investment securities	11	-
Impairment loss	165	303
<b>Income before income taxes</b>	<b>18,458</b>	<b>20,848</b>
Income taxes - current	5,337	6,785
Income taxes - deferred	(213)	(691)
<b>Net income</b>	<b>13,335</b>	<b>14,754</b>

**Non-consolidated Statement of Changes in Equity**  
(April 1, 2023 - March 31, 2024)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	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	45,000	14,389	62,793	(849)	95,566
Changes of items during period										
Dividends of surplus							(7,630)	(7,630)		(7,630)
Reversal of general reserve										–
Net income							13,335	13,335		13,335
Purchase of treasury shares									(1)	(1)
Disposal of treasury shares			23	23					46	70
Exercise of share acquisition rights			1	1					12	13
Net changes of items other than shareholders' equity										
Total changes of items during period	–	–	24	24	–	–	5,704	5,704	58	5,787
Balance at end of current period	13,616	20,005	24	20,030	3,404	45,000	20,094	68,498	(791)	101,353

	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	1,238	(39)	1,199	69	96,835
Changes of items during period					
Dividends of surplus					(7,630)
Reversal of general reserve					–
Net income					13,335
Purchase of treasury shares					(1)
Disposal of treasury shares					70
Exercise of share acquisition rights					13
Net changes of items other than shareholders' equity	1,979	19	1,998	(13)	1,984
Total changes of items during period	1,979	19	1,998	(13)	7,772
Balance at end of current period	3,218	(20)	3,197	55	104,607

**(Reference) Non-consolidated Statement of Changes in Equity**  
(April 1, 2022 - March 31, 2023)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	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	(961)	52,442	(907)	85,157
Changes of items during period										
Dividends of surplus							(4,399)	(4,399)		(4,399)
Reversal of general reserve						(5,000)	5,000	–		–
Net income							14,754	14,754		14,754
Purchase of treasury shares									(0)	(0)
Disposal of treasury shares							(3)	(3)	57	54
Exercise of share acquisition rights										–
Net changes of items other than shareholders' equity										
Total changes of items during period	–	–	–	–	–	(5,000)	15,351	10,351	57	10,409
Balance at end of current period	13,616	20,005	–	20,005	3,404	45,000	14,389	62,793	(849)	95,566

	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	1,234	6	1,240	71	86,470
Changes of items during period					
Dividends of surplus					(4,399)
Reversal of general reserve					–
Net income					14,754
Purchase of treasury shares					(0)
Disposal of treasury shares					54
Exercise of share acquisition rights					–
Net changes of items other than shareholders' equity	3	(45)	(41)	(1)	(43)
Total changes of items during period	3	(45)	(41)	(1)	10,365
Balance at end of current period	1,238	(39)	1,199	69	96,835



(English Translation)

Accounting Auditor's audit report on the Consolidated Financial Statements

**Independent Auditor's Report**

May 10, 2024

To the Board of Directors  
Sangetsu Corporation

Deloitte Touche Tohmatsu LLC  
Nagoya Office

Akinori Masumi, CPA  
Designated Limited Liability Partner,  
Engagement Partner  
Yae Sugiura, 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, 2023 to March 31, 2024.

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, as well as the details of any measures taken to eliminate factors that might hinder our independence or related safeguards applied to mitigate them to an acceptable level.

#### *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 10, 2024

To the Board of Directors  
Sangetsu Corporation

Deloitte Touche Tohmatsu LLC  
Nagoya Office

Akinori Masumi, CPA  
Designated Limited Liability Partner,  
Engagement Partner  
Yae Sugiura, 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 72nd fiscal term from April 1, 2023 to March 31, 2024.

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, as well as the details of any measures taken to eliminate factors that might hinder our independence or related safeguards applied to mitigate them to an acceptable level.

#### *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 72nd fiscal term from April 1, 2023 to March 31, 2024. 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, November 16, 2021)) from the Accounting Auditor and requested explanations as necessary. Furthermore, we also consulted with Deloitte Touche Tohmatsu LLC regarding key matters to be considered in audits, received reports from Deloitte Touche Tohmatsu 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, 2024.

## 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, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

### (3) Results of Audit of Consolidated Financial Statements

The auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

May 10, 2024

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.