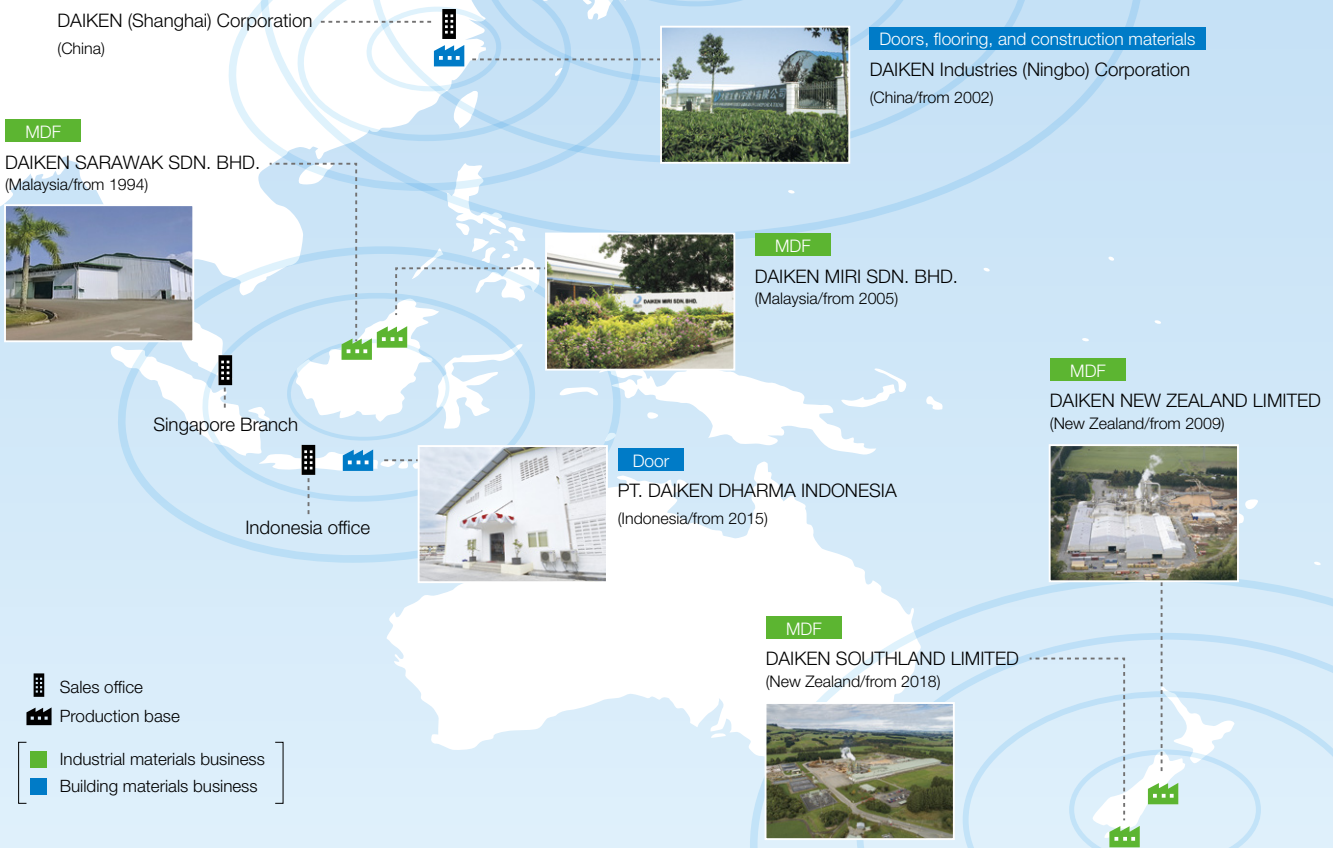
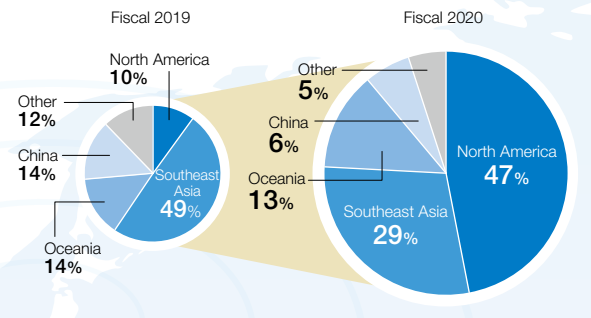


Initiatives for Priority Markets

Global markets

The industrial materials business added LVL as a new product to the overseas sales of MDF for Southeast Asia, Oceania, and China as produced by the four-plant system in Malaysia and New Zealand, and started to roll out in the North American market, which is the world's largest wooden housing market. The building materials business has been expanding the sales of interior doors in China, which has a huge market size, and Indonesia, where housing demand expansion is expected to continue.

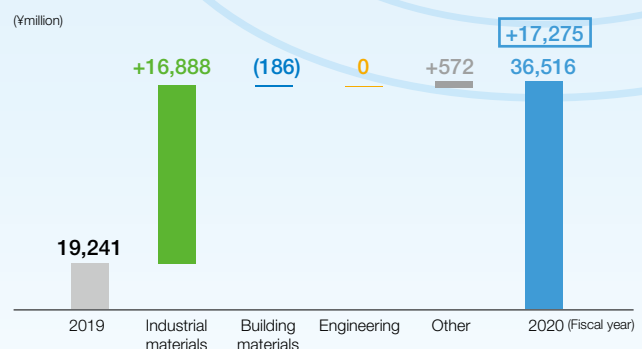
Sales Breakdown by Foreign Geographic Area



Results in Fiscal 2020

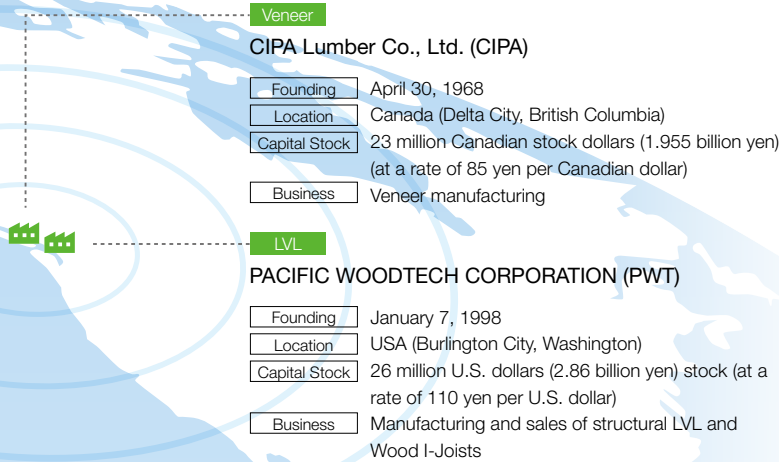
Net sales in the global markets in fiscal 2020 amounted to ¥36.516 billion (up 89.8% year-on-year). In the industrial materials business, the MDF market condition worsened because of the decrease in overseas demand in Asia, and we had a hard time in overseas sales, but the new consolidation of the two North American companies made a contribution, and revenues significantly increased by ¥16.888 billion. On the other hand, in the building materials business, orders for doors grew at a sluggish pace in China and Indonesia, and revenues decreased by ¥186 million. In other segments, because of the increase in inquiries about the stocking and selling of various industrial materials that we handle to expand sales in the future, revenues increased by ¥572 million.

An Increase or Decrease in Net Sales in the Global Markets by Segment



Development into North American Wood Industrial Materials Business

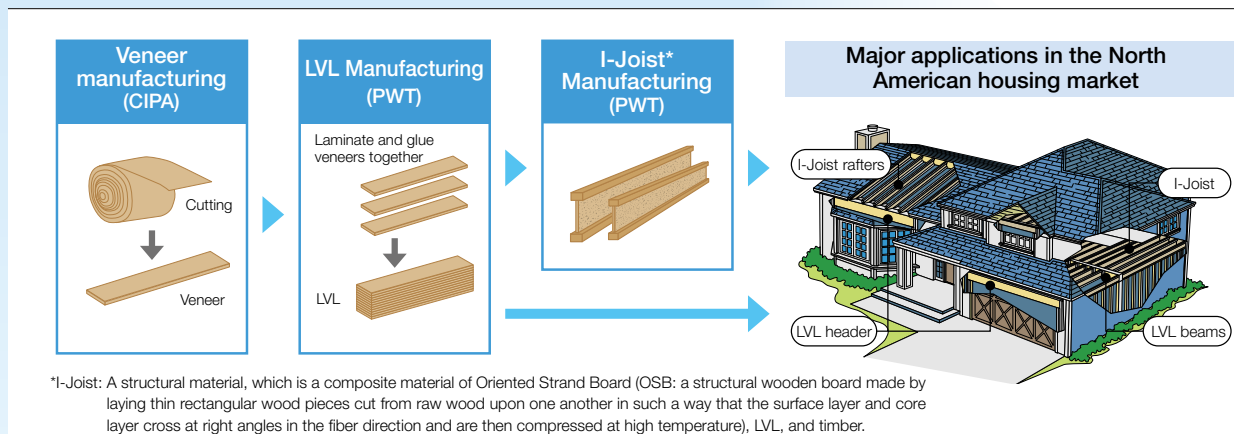
In June 2019, we completed the purchase of a veneer plant CIPA in Canada, and an LVL plant PWT in the USA, both of which are consolidated subsidiaries of ITOCHU Corporation with which we have a capital and business alliance. We started developing the wood industrial materials business in North America and expanded into the North American market, which is the world's largest wooden housing market.



Significance of Acquisition

1 Expansion into global markets	While the new housing market in Japan is expected to shrink, we will expand into global markets that we positioned as focused markets in the long-term vision.
2 Entry into the world's largest wooden housing market	By purchasing two companies that manufacture and have sales networks for LVL, which is essential as a structural material for wooden houses in the USA, we will enter into the North American market, which is the world's largest wooden housing market that supplies approx. 1.5 times more houses compared to Japan and a growing market where the population is expected to increase by 2 million annually.
3 Pursuit of synergy that takes advantage of the capability to develop industrial materials	Our business model incorporates technology and added value industrial materials. Daiken will further expand into the North American market by deploying this business model. By capturing the market with industrial materials as an axis, we will aim for new application deployment.

Business Flow



Future Development

1 Enhancement of the supply system through cooperation between the two companies	We will enhance the BCP for procurement of wood that is the main raw material and newly establish a warehouse having the increased quality control level at a site adjoined to PWT's LVL manufacturing plant. We will build a system to supply veneers manufactured by CIPA in a more timely manner and enhance cooperation between the two companies.
2 Expansion of the sales of items with high added value	We will proceed with the proposals for items with high added value (antiseptic, insect-repelling LVL, and high-strength beam member) and expand sales.
3 Cooperation with R&D	We will accelerate cooperation with the Daiken R&D Center in Japan and proceed with the development of LVL with new functions.

Public and commercial buildings

We take advantage of our unique technologies and know-how, such as safety, durability, non-combustibility, and provision of a comfortable sound environment that we have cultivated as a housing material manufacturer and proceed with proposals for spaces by product series with the functions required by each facility in public and commercial buildings. In November 2019, we purchased T.O FLOORING CO., LTD., and added solid wood flooring that we have not traditionally handled in our lineup. Furthermore, we will take advantage of our strengths of handling not only the sales of flooring but also construction and further expand into public and commercial buildings.



Enhancement of the Development of Non-combustible Products

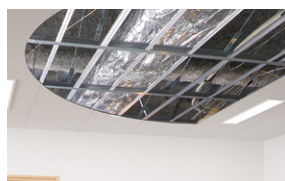
We realize spaces having a unified design with non-combustible products, such as walls, ceilings, eaves, and lower materials.

Proposals for Spaces with the Product Series by Facility and Function

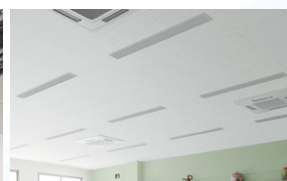
Ceiling materials

- Non-combustibility
- Aseismic performance
- Lightweight
- Sound absorbing
- Moisture conditioning

Ceiling with aseismic performance and moisture conditioning that realizes a safe, secure, and comfortable space



An anti-seismic ceiling construction technique



Sound absorbing and moisture conditioning ceiling material

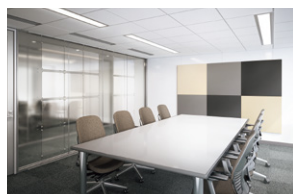
Sound Products

- Sound absorbing
- Sound insulation

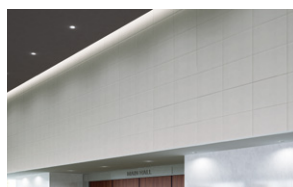
Arrange sound vibrations and provide a comfortable sound environment according to the facility characteristics



Sound absorbing panel for ceiling



Sound absorbing panel



Non-combustible sound absorbing wall material



Door

- Safety
- Durability
- Easy maintenance

Doors that pursue safety and durability according to use scenes



Doors for kindergartens and childcare facilities



Doors for elderly facilities

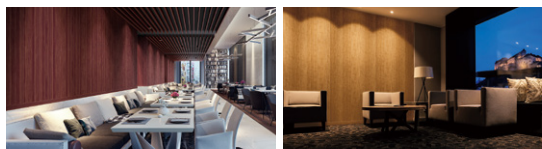


Doors for public and commercial facilities

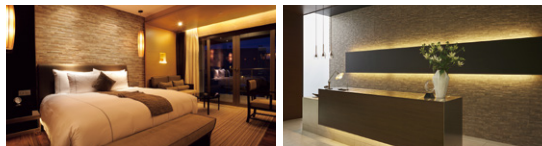
Wall materials

Non-combustibility Workability Design

Non-combustible and well-designed walls that decorate spaces



Non-combustible wall materials

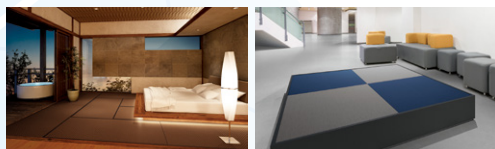


Designed wall materials

Tatami mats

Easy maintenance Durability Water repellent
Color variations

Tatami mats made from washi paper have a great range of design and are best suited for modern spaces



Accommodation facilities

Commercial facilities

Flooring

Damage resistance Sound insulation Safety

Floorings that produce wood spaces while utilizing local timber



Flooring that can be used in heavy duty areas

Flooring that reduces the impact when a person falls

Solid Wood Flooring

Floorings that provide a feeling of the tree's warmth and are best suited for nature-oriented facilities



Solid wood flooring that can be used in heavy duty areas



Solid wood flooring for gymnasiums and classrooms

Purchased T.O FLOORING CO., LTD.

Toward the start of the business deployment for solid wood flooring with high needs in educational facilities, such as schools, we purchased T.O FLOORING CO., LTD., in November 2019.

Significance of Acquisition

- Expansion into public and commercial buildings**
- Enhancement of proposal capabilities by expanding the product lineup**
- Synergy with engineering business**

While the new housing market in Japan is expected to shrink, we will expand into non-housing public and commercial buildings that we positioned as the focused market in the long-term vision, particularly for educational facilities, such as schools, that have strong needs for solid wood flooring.

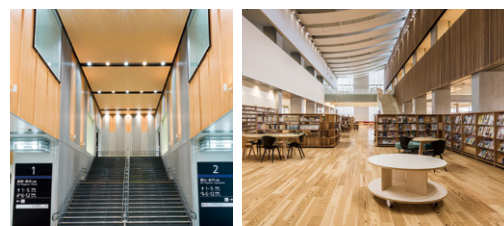
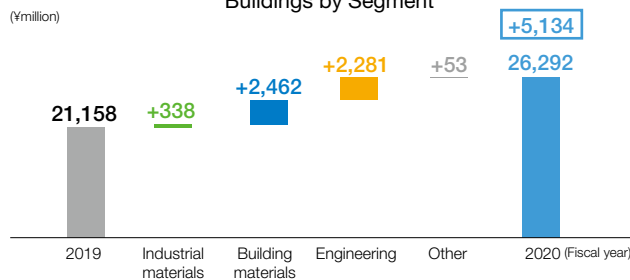
Our company has the leading share in flooring for houses and will add solid wood flooring that were the only materials we have not handled in our product lineup and will realize seamless proposal activities by utilizing the sales capabilities of our company to deploy businesses nationwide. By adding solid wood flooring, we will also lead to increased orders for the entire interior spaces, such as walls, ceilings, and doors, centering on solid wood flooring.

By engaging in not only the sales of flooring but also construction and by responding to not only new properties but also renewal construction for existing properties, we will expand into both aspects of materials and construction.

Results in Fiscal 2020

Net sales in public and commercial buildings in fiscal 2020 amounted to ¥26.292 billion (up 24.3% year-on-year) In the industrial materials business, tatami mats that used machine-made Japanese paper and are excellent in maintenance have been widely adopted in accommodation and commercial facilities, and revenues increased by ¥338 million. In the building materials business, orders for products with the functions required by facilities, such as doors and flooring for elderly facilities, kindergartens, and childcare facilities, increased, and revenues increased by ¥2.462 billion. In the engineering business, by purchasing T.O FLOORING CO., LTD., which is engaged in the solid wood flooring business, in addition to increased orders for interior finishing work, such as office buildings, revenues increased by ¥2.281 billion.

An Increase or Decrease in Net Sales in Public and Commercial Buildings by Segment



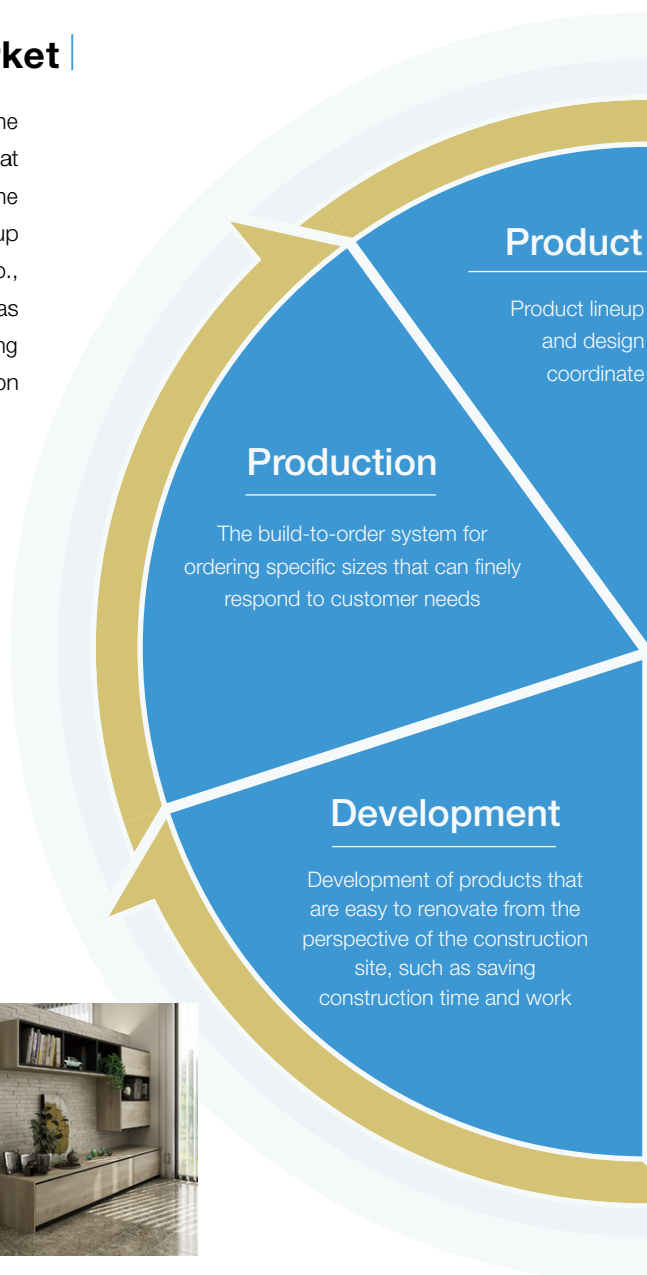
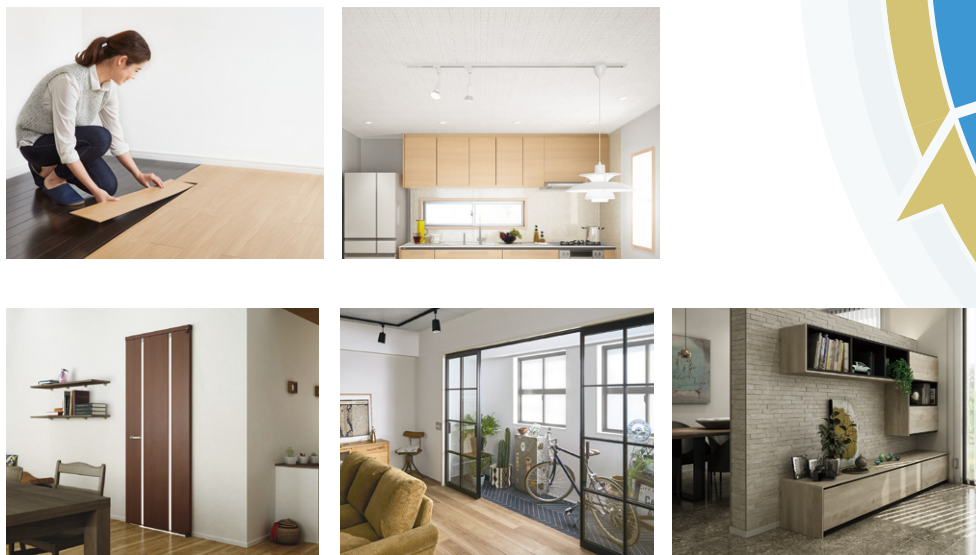
Promoting the use of domestic or local timber

We proactively use domestic timber, such as Japanese cedar and cypress, which were difficult to use in public and commercial buildings, in a wide range of parts, such as wall and ceiling materials, by using our unique technologies.

Home renovation market

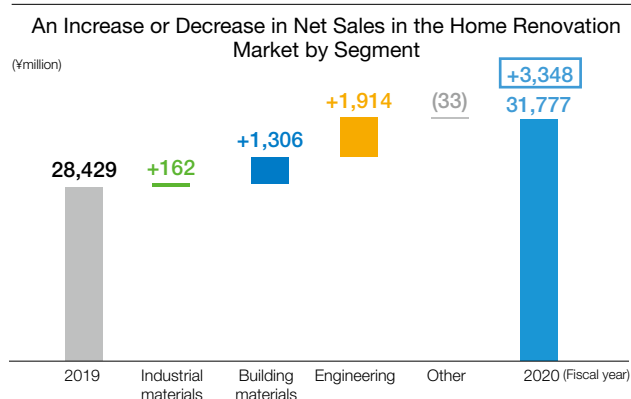
Through a great range of product lineups for renovation, proposals for spaces in the TDY Collaboration Showroom, cooperation with the engineering business that handles construction, and product development and manufacturing from the perspective of the construction site, we have built a system where the entire group can meet a wide variety of needs for renovation. With the purchase of ReformQ Co., Ltd., in July 2019, we will further enhance cooperation within the group, such as expanding the renovation work system in the Tokyo metropolitan area and promoting the development of construction saving-type products by utilizing know-how on construction, and expand into the entire home renovation market.

Construction Saving-Type Products that Realize Renovation in a Short Time



Results in Fiscal 2020

Net sales in the home renovation market in fiscal 2020 amounted to ¥31.777 billion (up 11.8% year-on-year). Particularly in the building materials business, sales increased for all interior building materials, such as flooring and doors, because of the building materials sales expansion for specialized remodeling companies, and revenues increased by ¥1.306 billion. In the engineering business, because we purchased ReformQ Co., Ltd., in July 2019, which widely deploys the renovation business mainly in Tokyo, and enhanced our material and construction order-receiving system in the Tokyo metropolitan area, revenues increased by ¥1.914 billion.



Lineup

with functions
to totally
a space

Proposal

A one-stop proposal for a space by
the TDY alliance that customers can
easily imagine the value

Installation Work and Construction

Provide a completed space that
maximally brings out product
value

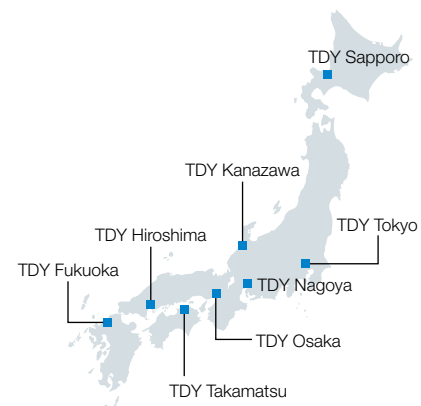
TDY Collaboration Showroom Deployment



Toward the enhancement of our capability to propose remodeling, three companies of TOTO Ltd., Daiken, and YKK AP Inc. that have been in an alliance relationship since 2002 operate collaboration showrooms at eight sites in Japan.



TDY Collaboration Showrooms



The Group's Construction System in the Home Renovation Market

Renovation

- DAIKEN HOME & SERVICE CORPORATION
- Smileup Corporation
- ReformQ Co., Ltd.

Apartment Renovation

- PAC SYSTEM Co., Ltd.

Purchased ReformQ Co., Ltd.

In July 2019, as a measure toward expansion into the home renovation market, we purchased ReformQ Co., Ltd., with its widespread renovation business in the Tokyo metropolitan area.

Significance of Acquisition

<p>1 Enhancement of the renovation work capability in the Tokyo metropolitan area</p>	<p>Toward expansion into the home renovation market that is positioned as the focused market in the long-term vision, we will enhance our renovation work capability in the Tokyo metropolitan area where the market size is particularly large.</p>
<p>2 Area development and expansion of orders received through intergroup cooperation</p>	<p>Through cooperation with DAIKEN HOME & SERVICE CORPORATION, a renovation company in the group that conducts business mainly in the Kansai and Chukyo areas, we will enhance our renovation work system to cover the three major metropolitan areas and expand the orders received by cooperating with PAC SYSTEM Co., Ltd., which conducts the apartment renovation business in the Tokyo metropolitan area.</p>
<p>3 Sharing of know-how with the development of construction saving-type products</p>	<p>By sharing know-how on the installation work and construction sites acquired through our group companies engaged in remodeling and apartment renovation with the product development department at DAIKEN CORPORATION, we will develop construction saving-type products for remodeling and renovation.</p>



Our project