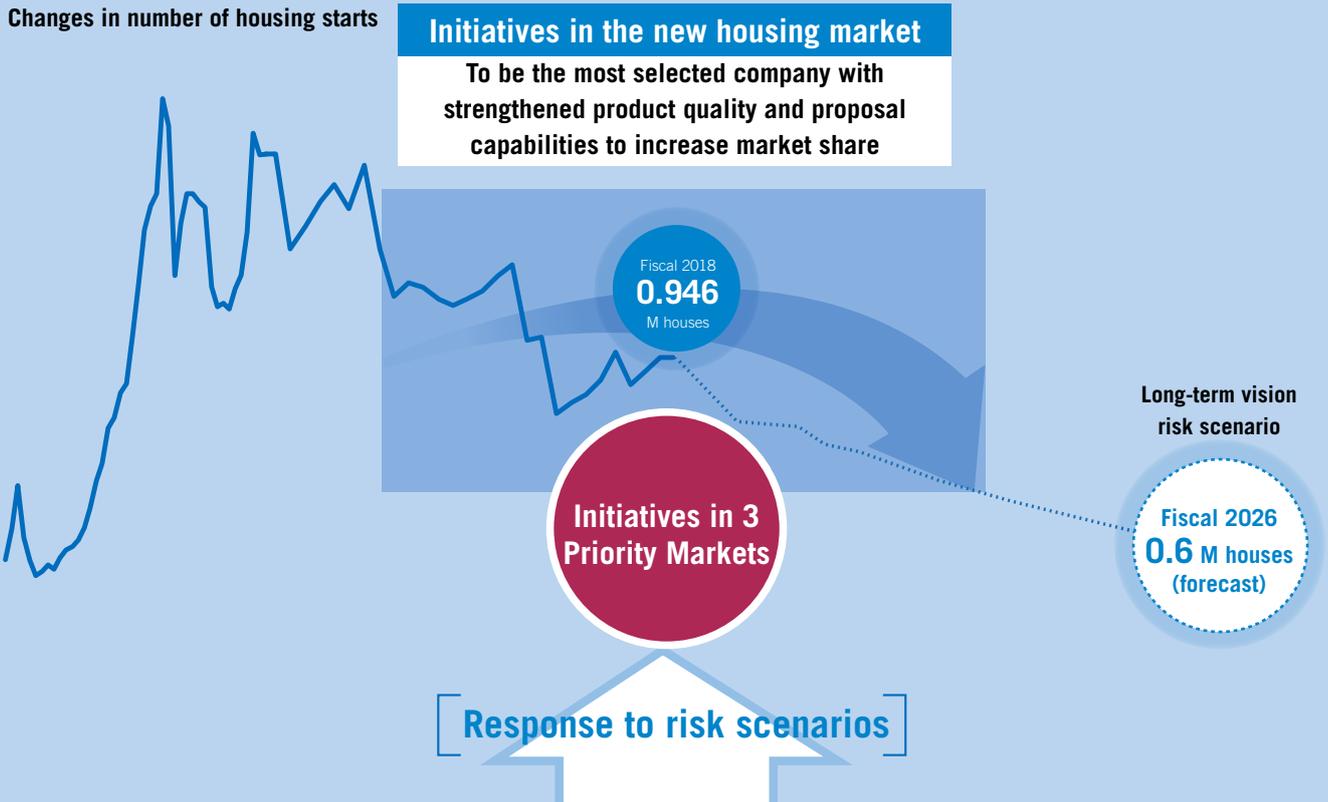


Initiatives in 3 Priority Markets

Social situation and market environment

The new housing market in Japan, which we saw as the major market for manufacturers of residential building materials, is dramatically affected by the declining birth rate and aging population and the decrease in population and the number of households. As a risk scenario for the long-term vision, we assume that the number of new housing starts will decrease from the current 0.9 million houses to 0.6 million houses by 2025.



Expanding in 3 priority markets

In order to accomplish further growth in such a market environment, we focus on three priority areas that we should continuously expand, the public and commercial buildings market, global markets, and home renovation market, during the GP25 1st Stage of the medium-term management plan (fiscal 2017 to 2019) as a first step toward realizing the long-term vision. Economic growth in Japan is expected to increase demand for robust construction related to the Tokyo Olympic and Paralympic Games and inbound growth, as well as renovation demand based on the stock-oriented housing policy. Abroad, economic growth in ASEAN member countries is expected. The Daiken Group will continue to capitalize on its unique strengths and promote initiatives to expand sales for the needs of these markets.

Opportunities and demands in 3 Priority Markets

Public and commercial buildings

- Tokyo Olympics and Paralympic Games
- Growth in inbound and tourism fields
- Regional revitalization, compact city
- Childcare shortage issues
- Super-aged society

Global markets

- Economic development in emerging countries in Asia
- Growing needs for improved living environment
- Advancement of Japanese companies
- Sustainable materials and construction materials

Home renovation market

- Stock-oriented housing policy
- Preparation for home care
- Development of various ways of living
- Unoccupied property solutions
- Expansion of the market for secondhand houses

Initiatives in 3 Priority Markets

Public and Commercial Buildings

Market environment and business strategies

The construction demands for public spaces and commercial facilities are expected to remain robust; the Tokyo Olympic and Paralympic Games, metropolitan area re-development projects, increased construction of accommodation facilities for inbound growth, increased demand for nursing facilities due to the advent of the super-aging society, redevelopment of medical and educational facilities associated with regional revitalization or compact cities, and increased construction of childcare facilities to solve the childcare shortage issues mainly in the Tokyo metropolitan area. In addition, the Act on the Promotion of the Utilization of Wood in Public Buildings was established by the Japanese government and is boosting the use of timber materials for buildings. In consideration of these market environments, we continue to expand sales using our proposal capabilities based on our unique materials and the technologies that we have built as a housing material manufacturer, such as safe, secure, healthy, and comfortable living environments, non-combustible materials, domestic wood, and tatami mats with superior maintenance using machine-made Japanese Washi paper. We also utilize our capabilities to perform installation work for office building interior construction in our engineering business.

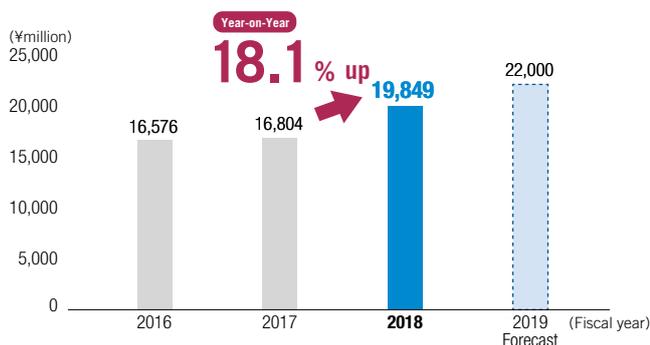
Daiken's strengths

- Non-combustible wall materials and anti-seismic ceilings required by public spaces and commercial facilities
- Tatami mats with durability and superior maintenance using Daiken-specific machine-made Japanese Washi paper
- WPC flooring processing technology to enhance scratch resistance and durability to overcome the weakness of domestic wood (e.g., cedar, cypress), which is soft and easily scratched
- Capabilities to develop new materials meeting the requirements of nursing homes, kindergartens, and childcare facilities
- Make-to-order manufacturing system for custom order minimum of just one door
- Capabilities to perform installation work by Daiken's engineering business with a proven track record providing interior finishing work for office buildings and public and commercial facilities
- Acoustics consultancy to make comfortable acoustic environments in meeting rooms and halls

Results for fiscal 2018 »

In fiscal 2018, the revenues in the public and commercial buildings market were ¥19,849 million (up 18.1 % year-on-year). The revenues of the industrial materials business increased by ¥425 million because of the growth of the market for our unique tatami mats with superior maintenance for accommodation and commercial facilities. The revenues of the building materials business increased by ¥820 million because of an increase in orders for flooring suitable for shoes for public facilities, including schools and libraries, commercial facilities, including shops and hotels, and orders of doors for nursing homes, kindergartens, and childcare facilities. Furthermore, the revenues of the engineering business significantly increased by ¥1,992 million because of an increase in interior construction orders for office buildings. Sales in the public and commercial buildings market were growing in all three business segments.

Changes in net sales in public and commercial buildings



Forecast for fiscal 2019 »

For fiscal 2019, the public and commercial buildings market is projected to have net sales of ¥22,000 million, which is an increase of 10.8% from fiscal 2018. In addition to the initiatives that we implemented in fiscal 2018, we will promote customer approaches with our new products, including the deeply embossed non-combustible wall material Gravio Edge, using Dai-Lite as the base material, launched in June 2018. In particular, we aim to increase sales by proposing our functional building materials that can meet the requirements of nursing homes, medical service facilities, kindergartens, childcare facilities, and accommodations.



Deeply embossed non-combustible wall material, Gravio Edge

Initiatives in 3 Priority Markets

Global Markets

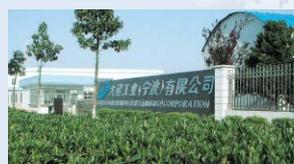
Market environment and business strategies

For the industrial materials business, we will strengthen global sales of the MDF manufactured in plants located in New Zealand and Malaysia while the need for sustainable materials is rising because of global warming and the depletion of tropical timber resources. For the building materials business, the quality of the living environment is improving in China where there is a huge market. The expansion of housing demand is expected to continue in ASEAN member countries. We will continue to provide our products, manufactured in plants located in China and Indonesia, which meet local needs using our development skills and technologies that we have cultivated as a Japanese housing material manufacturer.

Daiken's strengths

- Four manufacturing plants in Malaysia and New Zealand produce the MDF with different species and performance
- Establishment of plantation projects in Malaysia and tree utilization technology
- Global distributor network for export sales of ceiling material, Dai-Lotone
- High-performance building materials used in the Japanese housing markets and the technological capabilities to produce them
- Production sites in China and Indonesia using Japanese quality production and construction technologies

Daiken Group Global Network



Daiken Industries (Ningbo) Corporation (China)



PT. Daiken Dharma Indonesia (Indonesia)

Daiken (Shanghai) Corporation (China)

Singapore branch



Daiken Southland Limited (New Zealand)



Daiken Miri Sdn Bhd. (Malaysia)



Daiken Sarawak Sdn Bhd. (Malaysia)



Daiken New Zealand Limited (New Zealand)

Results for fiscal 2018 >>

In fiscal 2018, the revenues in the global markets were ¥12,278 million (up 11.9% year-on-year). The revenues of the industrial materials business increased by ¥91 million because of global sales of MDF remaining strong in North America and Southeast Asia. The revenues of the building materials business increased by ¥429 million with the contribution of the growth of floor materials exports to China and other countries. For other global markets, the revenues increased by ¥781 million because of the increasing inquiries about distribution of our industrial materials through new sales channels having an understanding of local needs.

Changes in net sales in global markets



Forecast for fiscal 2019 >>

For fiscal 2019, the global markets are projected to have net sales of ¥18,000 million, which is an increase of 46.6% from fiscal 2018. For the industrial materials business, we aim for early maximization of the synergies with the MDF plant in New Zealand, Daiken Southland Limited, which joined the Daiken Group in April 2018. We expect the global sales channels for their MDF will expand by our taking over the commercial rights. Although, we have already established the largest market share in Japan, we will enhance our presence in the global markets for MDF. For the building materials business, we plan to enhance sales by strengthening sales in China and by expanding the export of flooring materials from Japan.

Initiatives in 3 Priority Markets

Home Renovation Market

Market environment and business strategies

In Japan, the birth rate is declining, and population aging is continuing, so the number of households is expected to peak in 2023. In contrast, the stock of dwellings is expected to exceed the number of households and cause unoccupied property issues. Based on these changes in the demographic and social environments, the Japanese government has changed the housing policy from building new housing to more effectively use existing dwelling stocks. In addition, the Basic Act for Housing, which was prescribed by the Ministry of Land, Infrastructure and Transport, states that revitalization of existing housing and renovation are key measures. Also, the act established the target for the expansion of the home renovation market from ¥6.8 trillion in fiscal 2017 to ¥12 trillion in fiscal 2026 and introduced a government subsidy system to support renovation projects. In these market environments, the Daiken Group will introduce the excellence of renovation and creation of new value and create new demands with our comprehensive product lines of interior materials for floors, walls, and doors, and the TDY alliance partnership. We will also grow the sales for housing and apartment renovation by exerting the synergies of our engineering business.

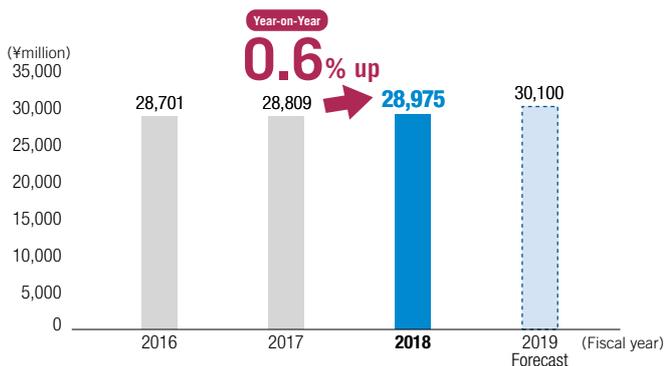
Daiken's strengths

- Product lines and the proposal capabilities to offer total coordination of interior materials
- Comprehensive alliance with TOTO and YKK AP for remodeling
- TDY collaboration showroom deployed in eight major cities in Japan to offer a one-stop service for new space creation
- Short construction period suitable for renovation, product development capabilities with reduced construction work
- Make-to-order manufacturing system for custom order minimum of just one door
- Make-to-order manufacturing system for materials and construction by collaboration with group companies working on renovation

Results for fiscal 2018 >>

In fiscal 2018, the revenues in the home renovation market were ¥28,975 million (up 0.6% year-on-year). The entire Group struggled to grow our sales in the severity of this market and the new housing market. The revenues of the industrial materials business decreased by ¥557 million because of declining demand for tatami mats and the revenues of the building materials business decreased by ¥647 million because of the overall slowing down of sales of interior building materials such as flooring and doors, etc. On the other hand, the revenues of the engineering business increased by ¥1,184 million. The apartment renovation sales made by Pac System Co., Ltd., having joined the Daiken Group in October 2016, contributed to fiscal 2018. As a result, we could maintain the overall revenues in the home renovation market at the same level as the previous year.

Changes in net sales in home renovation market



Forecast for fiscal 2019 >>

For fiscal 2019, the home renovation market is projected to have net sales of ¥30,100 million an increase of 3.9% from fiscal 2018. The Daiken Group will promote the introduction of our renovation products, including the new product launched in June 2018, and we will introduce the excellence of renovation and creation of new value for our customers, and stimulate new demand given the opportunities at the large-scale exhibition, TDY Remodeling Collection 2018, jointly held by our partners TOTO and YKK AP in May 2018.



TDY Remodeling Collection 2018