

# Previous Medium-Term Management Plan Looking Back on GP25 1st Stage

In fiscal 2019, we completed the final fiscal year of the medium-term management plan GP25 1st Stage, which was the first step toward the realization of a long-term vision GP25. While steadily proceeding with the establishment of the foundation that we aimed as the 1st Stage, there were still some issues remained in the business infrastructure. We will make use of the foundation we established in the 1st Stage, lead the issues to innovative changes, and make progress toward the next stage of growth.

## Summary of the previous medium-term management plan GP25 1st stage (fiscal 2017-2019)

- As for the management goals, we achieved the goals in terms of net sales and net profit.
- As for operating profit, we increased profitability over the past three years and achieved the goal for two consecutive years; however, issues had come to the surface in raw material procurement and the ordering and order receiving system, and we could not achieve the goal in the final fiscal year and issues remained in the business infrastructure.
- We actively made investments, such as M&A to enhance industrial materials business, expansion of the product lineup by launching products on a large scale, establishment of the R&D center, and the addition of the biomass boiler, and steadily executed measures to lead to the next stage of growth.
- Regarding shareholder return, we followed the policy of the dividend payout ratio at 30% or more and improved shareholder return.

## Status of achievement of management goals

(¥100 million)

Management goals	Benchmark		Result		
	Fiscal 2016	Fiscal 2019	Fiscal 2017	Fiscal 2018	Fiscal 2019
Net sales	1,681	1,800	1,688	1,705	1,829
Operating profit	55	70	85	75	57
Ordinary profit	52	70	90	87	68
Profit attributable to owners of parent	39	43	51	58	44
ROE	9.8%	8%	11.7%	11.7%	7.8%
Dividend payout ratio	30.4%	30% or more	30.1%	30.3%	42.4%

## Topics in GP25 1st stage

Launched GRAVIO EDGE, a new flagship product to reinforce wall materials

In June, 2018, to enhance our proposal capabilities for interior spaces, we launched GRAVIO EDGE, a deep carved-style non-combustible wall material using our unique non-combustible material Dai-Lite as part of wall materials business. This material will produce a high-quality space as accent walls in living rooms and bedrooms in houses, entrance halls of public and commercial facilities.



Added the woody biomass boiler that actively uses renewable energy

In July 2016, we aimed to reduce environmental burden in the production process and added a biomass boiler in the Okayama plant, which was in the largest scale in our company. By shifting from LNG (natural gas) that had been used to woody biomass energy, which is renewable energy, greenhouse gas emissions (CO<sub>2</sub>) have been reduced.



Established Daiken R&D center, which is the place for co-creation toward the realization of the long-term vision

In October 2018, we established the Daiken R&D center on the premises of the Okayama plant as the R&D base. For our unique R&D and as the place for co-creation to create technologies with various external partners, we will strengthen and accelerate R&D capabilities toward the realization of the long-term vision GP25.



## Status of the efforts on the focused three markets (results and issues)

In preparation for the decrease in new housing starts in the future and to transform into the management structure that is insulated from the influence of the decrease, we set the public and commercial building field, global market, and home renovation market as the three priority markets and have made progress in efforts for expansion.

(¥100 million)

Net sales for three priority markets	Benchmark		Result		
	Fiscal 2016	Fiscal 2019	Fiscal 2017	Fiscal 2018	Fiscal 2019
Public and commercial buildings	166	285	168	199	211
Global market	96	143	110	123	192
Home renovation market	283	299	288	290	284
Total	545	727	566	612	687

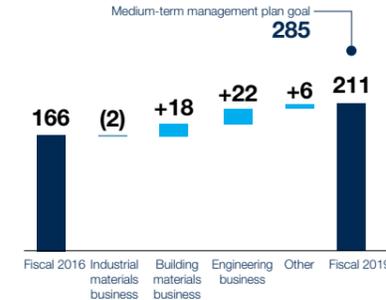
### Public and commercial buildings

#### Results

- Expansion of the product lineup including the new flagship wall material product
- Proposals of making use of the showrooms for professional users and development of the activities to incorporate specifications
- New development into solid wood flooring through business alliance

#### Issues

- Non-achievement of the expansion of construction areas and capabilities
- Delay in shifting sales from the housing market



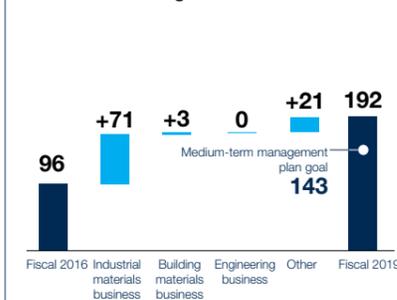
### Global market

#### Results

- Enhancement of the supply system and expansion of sales channels by adding the MDF plant in New Zealand in our group
- Increase in industrial materials sales by developing sales channels
- Making a decision on the investment in the North American industrial materials business

#### Issues

- Sluggish growth of building materials business in China and Indonesia
- Development of management human resources in the global market



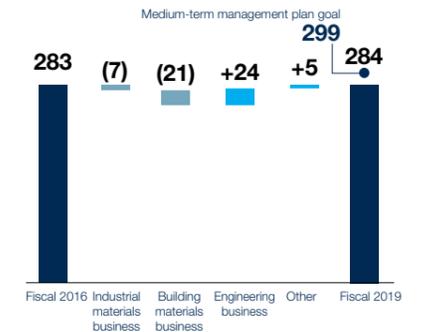
### Home renovation market

#### Results

- Condominium renovation business deployment (Cooperation with the product development for renovation)
- Improvement of the eight-base system for the TDY collaborated showrooms that cover major cities

#### Issues

- Expansion of the products for renovation and brand power



Expansion of the interior door series with the functions required for each facility

In addition to the improvement of the product for elderly facilities, we actively introduced new products, such as the door for kindergartens and childcare facilities, and for commercial stores to which functions required for each facility, such as safety and durability, are given and broadened the range of our proposals.



Enhancement of overseas industrial materials business deployment

Addition of the MDF plant in New Zealand in our group

In April, 2018, we added DAIKEN SOUTHLAND LIMITED in New Zealand in our group, which was the fourth base as our group's MDF plant. By enhancing the supply system and expanding sales channels to the global market in addition to synergy with DAIKEN NEW ZEALAND LIMITED, which is an MDF plant in the country, we further improved the presence of MDF business, which is a core of industrial materials business.



Appealed attractiveness of remodeling in a large-scale fair

TDY Remodeling Collection 2018 was held

In May, 2018, we took advantage of the alliance with TOTO Ltd. and YKK AP Inc. and held a large-scale TDY Remodeling Collection 2018 at Makuhari Messe in order for people to experience attractiveness of remodeling. By combining the fairs concurrently held in the collaborated showrooms across Japan by the three companies of TDY, a total of approx. 50,000 persons visited.

