

GP25 2nd Stage

II. Enhancement of the Management Foundation

As the basic policy that supports the growth strategies to achieve the medium-term management plan GP25 2nd Stage, we uphold the enhancement of the management foundation. To make the foundation robust to steadily push ahead with the growth strategies, we will enhance from the three perspectives of *optimize our financial foundation, restructure firm and flexible business infrastructure, and the practice of ESG management.*

I. Accelerating growth strategies

Strategies by Business

Strategies by Market

Establishment of the Foundation to Steadily Push Ahead with the Growth Strategies

II. Enhancement of the Management Foundation

Restructure Firm and Flexible Business Infrastructure

To be a company that will be continually chosen, establish IT, logistics, and supply systems that are strategic and optimal from medium- and long-term perspectives and restructure firm and flexible business infrastructure.

Optimize our financial foundation

To support investments toward the growth and enhancement of the foundation, place emphasis on efficiency and soundness and optimize our financial position.

Practice of ESG Management

Toward the enhancement of the management foundation that supports the growth strategy, practice sustainable ESG management centering on the medium-term ESG plan.

Progress in Fiscal 2020

- Re-examination of problems in the first half of the year, incorporating the perspectives of external experts and customers
- Drafting of the medium- to long-term IT and logistics concept by the company-wide project
- Re-examination of the raw material procurement BCP

- Issuance of green bonds that will be financing arrangements by ESG evaluation
- Reduction of cross-shareholdings
- Optimization of our cash position by utilizing the commitment line

- Improvement of the domestic timber ratio in base materials for flooring
- Progress of the initiatives for diversity (progress of the measures to promote the taking of childcare leave among male employees, and implementation of the next-generation sales recommendation project)
- Execution of the group corporate philosophy penetration program

Future Measures

- Transition to the execution phase of the IT and logistics medium- to long-term strategy
- Start the reform program through the three processes of orders received, logistics, and system infrastructure
- Promotion of logistics with good standing

- Continuous reduction of cross-shareholdings
- Enhancement of BS management by business
- Optimal financial arrangements

- Response to the scope 3 of greenhouse gas emissions
- Promotion of flexible workstyles
- Continuous execution of the group corporate philosophy penetration measures

Restructure Firm and Flexible Business Infrastructure

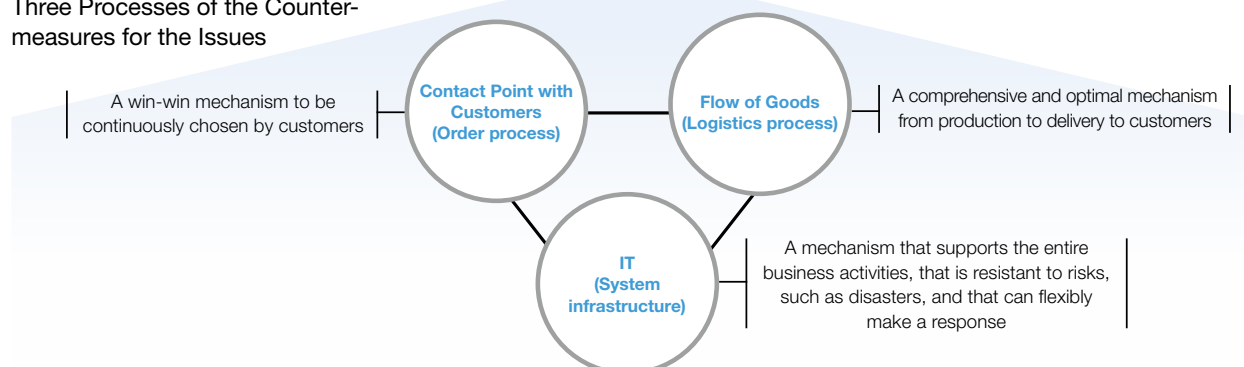
We caused customers so much trouble because of the problems with the system and raw material procurement that occurred in fiscal 2019. We make sure that we will avoid this kind of situation and proceed with the initiatives for expanding into new markets as upheld in the long-term vision and restructuring the firm and flexible business infrastructure that will support our management foundation in the medium to long term.

Initiatives toward the Realization of the IT and Logistics Medium- to Long-Term Strategy

For system problems, in fiscal 2020, we started from the thorough investigations of the incidents. Under the company-wide project of which the Representative Director is the leader, we conducted hearing surveys by soliciting cooperation from our customers for whom we actually caused trouble, in addition to external experts' knowledge. From the latter half of the fiscal year, we have organized the extracted issues into the following three perspectives: the ordering process, the logistic process, and IT system infrastructure, which sustain the entire process. Then, we proceeded to consider more detailed measures by each process at the on-site level. In fiscal 2021, we will transition to the execution phase in order to build countermeasures as the actual mechanism. We aim to build up the system that will lead to enhancing relationships with our customers from the medium to long-term perspectives, by reforming work styles of not only our employees but also our partner logistics providers, and relating the concept of manufacturing at plants that are connected in a series of events.



Three Processes of the Countermeasures for the Issues



Initiatives toward the Enhancement of the Raw Material Procurement BCP

Based on the experience in the Great East Japan Earthquake and in addition to the BCP responses in our group's production and business bases, we have continuously worked to make improvements for the procurement of raw materials, which are essential for the stable supply of products, such as multiple purchases and product development assuming the change of the specification to replacement goods, while eliciting cooperation from suppliers. Furthermore, in fiscal 2020, by applying a lesson learned from the trouble in procuring slag wool that occurred in the previous fiscal year, we implemented re-examinations of the BCP concerning procurement items, such as raw materials, and put effort into the enhancement of our responses in all manufacturing divisions. Regarding the items that are particularly difficult to procure from those other than specific suppliers, we re-examined the inventory levels assuming an emergency and increased inventory quantities while considering the balance with asset efficiency. As a result of these preparations, we appropriately responded to the delay in supplying procurement items from China due to the effects of the spread of the COVID-19 from February to March 2020 and continued the stable supply to our customers during the busy time toward the end of the period.

Raw Material Procurement BCP Enhancement Process

