

# Progress of the Medium-Term Management Plan Toward Realization of the Long-Term Vision

In the medium-term management plan GP25 1st Stage (fiscal 2017 to 2019) that started from fiscal 2017, we started working on the further enhancement of current businesses and the development of the foundations for new businesses as the key to growth in order to take the first step toward an all-embracing company for building materials. GP25 2nd Stage (fiscal 2020 to 2022) that started from fiscal 2020 was positioned as the step to accelerate the growth strategy toward an all-embracing company for building materials, and we proceeded with the execution of proactive investments with a focus on the global market, the review of the domestic business portfolio, and the enhancement of the management foundation.

## Medium-Term Management Plan **GP25 1st Stage** (Fiscal 2017-2019)

The first step toward an all-embracing company for building materials

### Basic policy

- Endeavor to further strengthen current businesses and develop the foundations for new businesses as the key to growth
- Proactively develop environmental-related technologies for ecological materials, energy savings, and domestic wood utilization
- Actively introduce management resources to the priority markets of public and commercial buildings and global markets
- Maximize the synergy of manufacturer and engineering to enhance profitability
- Create a work environment where employees can work with enthusiasm and foster the human resources who will play important roles in the future
- Define diversity is as one of the management strategies, and the ability delivered by a variety of human resources is to be the engine of growth
- Strengthen governance to enhance corporate value over the medium and long term

### Results achieved against management goals

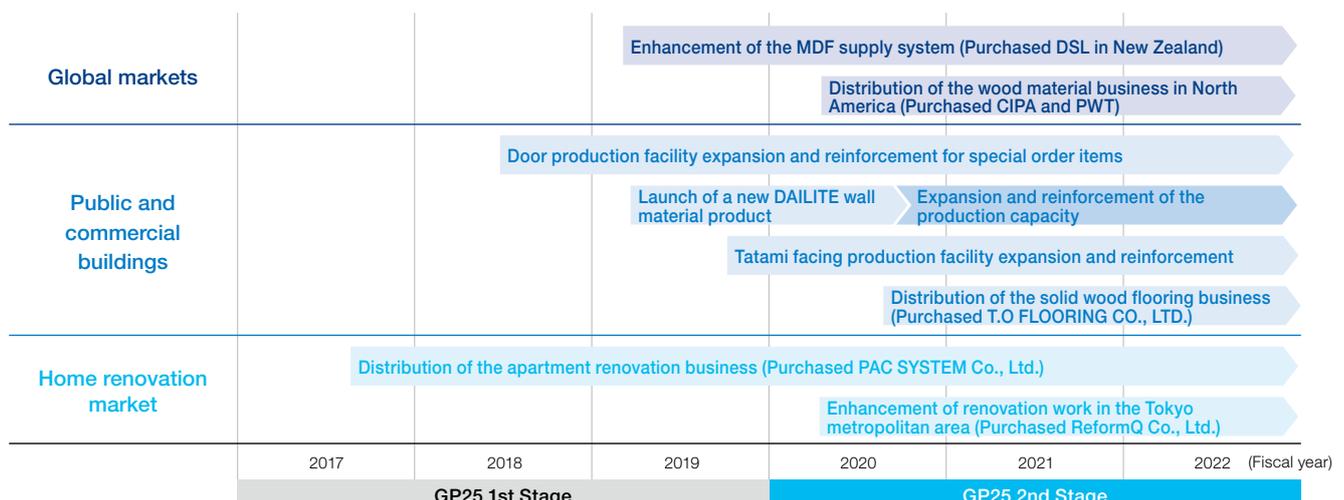
	Benchmark		Results		Goals
	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2019
Net sales	1,681	1,688	1,705	1,829	1,800
Operating profit	55	85	75	57	70
Ordinary profit	52	90	87	68	70
Profit attributable to owners of parent	39	51	58	44	43
ROE	9.8%	11.7%	11.7%	7.8%	8%
Dividend payout ratio	30.4%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

(¥100 million)

### Achievements and issues

- 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.

### 3 investments toward the expansion in the priority markets



## Medium-Term Management Plan GP25 2nd Stage (Fiscal 2020-2022)

Accelerate growth to become an all-embracing company for building materials

### Basic policy

Based on firm management foundation, pursue the resolution of social issues through our business, thereby accelerating our growth strategies toward becoming an all-embracing company for building materials.

#### I. Accelerating growth strategies

Domestic: Review of the Business (Market) Portfolio  
 Global: Business expansion through proactive investments and entry into new markets

#### II. Enhancement of the management foundation

- 1 Optimize our financial foundation
- 2 Restructure firm and flexible business infrastructure
- 3 Practice of ESG Management

### Results achieved against management goals

		Results			Goals			
		Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2022			
I. Accelerating growth strategies	Net sales	2,024	1,992	2,233	2,250			
	Operating profit	83	87	173	120			
	Operating profit ratio	4.1%	4.4%	7.8%	5.3%			
	Profit attributable to owners of parent	54	56	78	70			
II. Enhancement of the management foundation	Financial indicators	Efficiency	ROE	9.5%	9.1%	10.9%	10%	
			ROA	5.5%	5.8%	10.5%	7%	
		Soundness	Shareholder equity ratio	32.7%	39.4%	41.7%	40%	
			Shareholder return	Dividend payout ratio	33.4%	32.4%	33.1%	30% or more
	Nonfinancial indicators	E	Total domestic CO <sub>2</sub> emissions <sup>1</sup>	(28%)	(35%)	(36%)	(26%)	
		S	Total diversity index <sup>2</sup>	+19pt	+19pt	+30pt	+20pt	
			Serious quality accidents and violations	1	1	0	0	
		G	Degree of penetration of the group corporate philosophy <sup>3</sup>		+4pt	—	+5pt	+10pt

\*1: Compared to fiscal 2014

\*2: Our own indices in which the eight diversity items, such as the female manager ratio, were indexed as compared to fiscal 2019

\*3: Our own indices in which employees' understanding, sharing, and practice of the group corporate philosophy were indexed as compared to fiscal 2018

### Achievements and issues

- Toward the expansion in the global markets positioned as the growth driver, wood industrial materials business by the two North American companies, which became group companies through M&As in fiscal 2020 significantly led the overall performance and we achieved all of the management goals excluding net sales, such as the profit goal and financial indices.
- While expansion in the global markets progressed, construction demand, such as accommodation facilities and commercial facilities, rapidly decreased because of the impact of the COVID-19 crisis in Japan, and we could not achieve the expansion goal in the public and commercial buildings.
- Toward the second half of fiscal 2022, because of the combination of a higher-than-expected increase in orders in Japan and delayed arrival of raw materials caused by the disruption of marine transportation, a delivery delay occurred in part of the products in building materials business. We were in the situation where we had no choice but to impose a limitation on orders received and issues remained in the BCP of the entire supply chain.
- As for the nonfinancial goals, in addition to the achievement of the total domestic CO<sub>2</sub> reduction goal by utilizing renewable energy linked to business activities, we could significantly surpass and achieve the initial goal concerning the total diversity index, which is our own index, because of the promotion of taking paternity leave.

### Trends in performance toward the realization of the Long-Term Vision GP25

