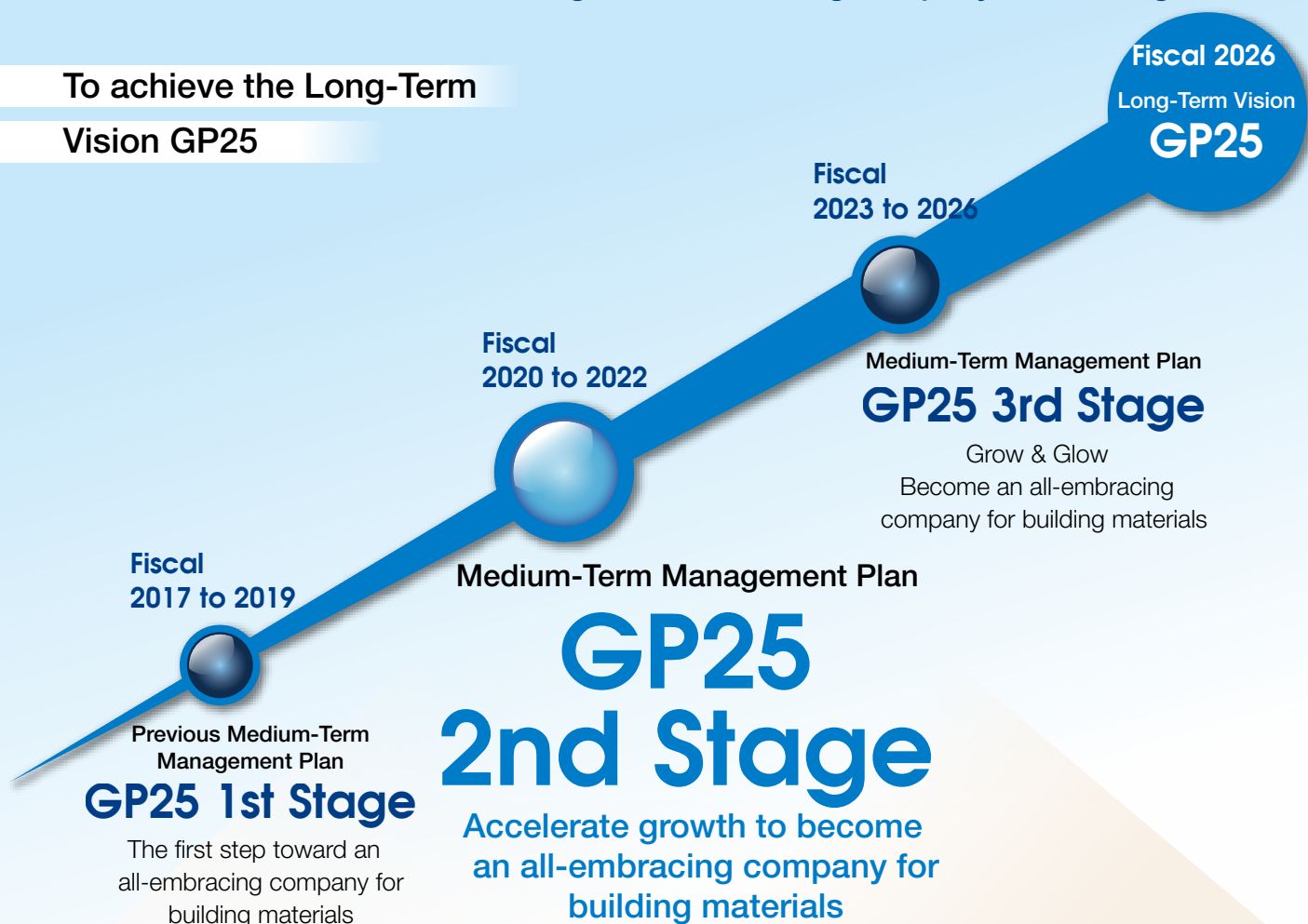


Development of the Medium-Term Management Plan GP25 2nd Stage

As the roadmap toward the realization of the long-term vision GP25 that drew how we should be in 2025, the medium-term management plan GP25 2nd Stage that started in fiscal 2020 has set management goals for both the financial and nonfinancial aspects and has been developing measures with the policies of I. “Accelerating growth strategies” and II. “Enhancement of the management foundation” as key axes. We will keep on challenging of becoming an all-embracing company for building materials as our corporate image in the long-term vision.

Toward becoming an all-embracing company for building materials

To achieve the Long-Term Vision GP25



Basic Policy of the Medium-Term Management Plan GP25 2nd Stage

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 ▶P25 >

Global: Business expansion through proactive investments and entry into new markets ▶P29 >

II. Enhancement of the Management Foundation

1 Optimize our financial foundation ▶P39 >

2 Restructure firm and flexible business infrastructure ▶P38 >

3 Practice of ESG Management ▶P41 >

Management Goals and Progress

I. Accelerating growth strategies

(¥100 million)

	Results Fiscal 2019	Results Fiscal 2020	Increase/Decrease	Goals Fiscal 2022
Net sales	1,829	2,024	+195	2,250
Of which the domestic market	1,637	1,659	+22	1,730
Public and commercial buildings	211	262	+51	312
Home renovation market	284	317	+33	376
Of which the global market	192	365	+172	520
Operating profit	57	83	+26	120
Operating profit ratio	3.1%	4.1%	+1.0pt	5.3%
Profit	44	54	+10	70

II. Enhancement of the Management Foundation

Financial affairs

		Results Fiscal 2019	Results Fiscal 2020	Increase/Decrease	Goals Fiscal 2022
Efficiency	ROE	7.8%	9.5%	+1.7pt	10%
	ROA	4.5%	5.5%	+1.0pt	7%
Soundness	Shareholder equity ratio	36.8%	32.7%	(4.1pt)	40%
Shareholder return	Dividend payout ratio	42.4%	33.4%	(9.0pt)	30% or more

Nonfinancial Indicators

		Results Fiscal 2020	Goals Fiscal 2022
E	Total CO ₂ emissions in Japan ¹	(25%)	(26%)
S	Total diversity index ²	+19pt	+20pt
	Serious quality accidents and violations	1	0
G	Degree of penetration of the Group Corporate Philosophy ³	+4pt	+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

Fiscal 2020 Summary

- In fiscal 2020, which was the first year of the medium-term management plan, while a decreasing trend in new housing starts was expected after the consumption tax increase in October 2019, we proactively made investments toward the acceleration of our growth strategies, such as implementing M&A to expand our share in the global markets, public and commercial buildings, and the home renovation market, all of which are positioned as the focused markets.
- Because we could expand our building materials business in the both markets of the housing market and non-housing public and commercial buildings, in addition to the new consolidation effects by M&A, our net sales reached a record high since consolidation.
- Regarding our operating profit, profits increased because of the successful streamlining and cost reduction that we worked on for increases in the costs of the raw material prices and the logistics costs, in addition to the profit contribution from M&A. Thus, we raised the level as the first step toward the achievement of management goals of the medium-term management plan.
- For the nonfinancial goals, we reduced the total CO₂ emissions in Japan by 25% compared to fiscal 2014 by trying to stably operate the biomass boilers and increasing the degree of penetration of the group corporate philosophy by steadily developing the penetration program, and promoted the initiatives toward the *enhancement of the management foundation* with the medium-term ESG plan as the key axis.