

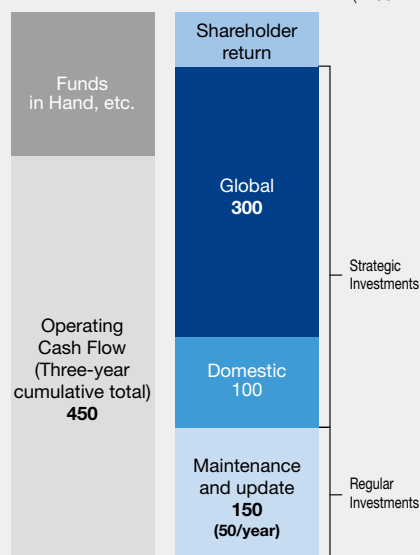
Optimize our financial foundation

Investments Toward the Enhancement of Growth and Foundation

Medium-Term Management Plan (Three-Year) Goals

- Make it a top priority implement growth investments toward the realization of the long-term vision GP25
- Select investments by reflecting risk and return as well as the cost of capital
- Aggressively utilize advanced technologies such as AI and IoT, to lead for improvements in efficiency and productivity

(¥100 million)



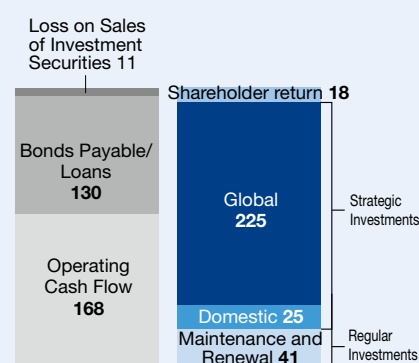
Strategic Investments

- Global** North American business: 20 billion yen
Industrial materials business: 10 billion yen
- Domestic** New business: 3 billion yen Expanding market: 3 billion yen
Infrastructure: 4 billion yen
- R&D
 - Operational efficiency system
 - Ordering and order receiving/logistic systems

Fiscal 2020 Results

- Aggressive investments in the three markets that are positioned as focused markets in the long-term vision
- Stringent selection by evaluating the investment effect based on the consistency and synergy with the growth strategies as well as the capital cost
- Expansion of IT investments toward the improvement of efficiency and productivity

(¥100 million)



Strategic Investments

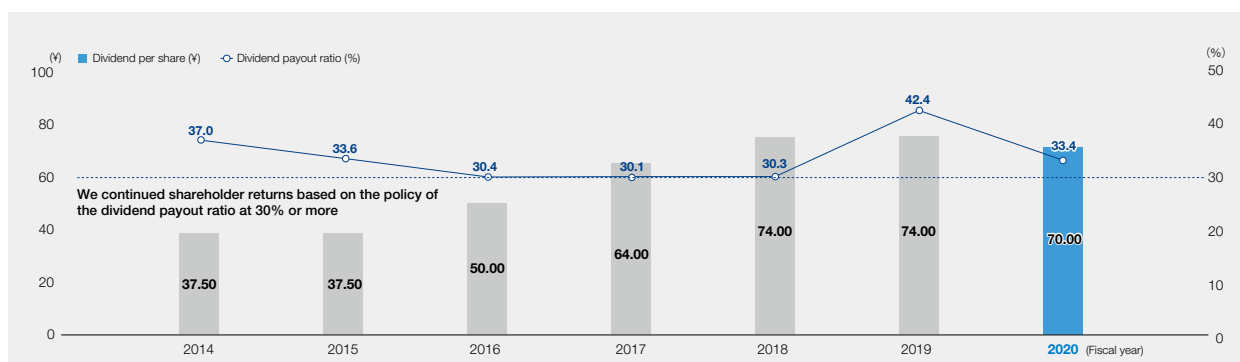
- Global** M&A of wood industrial materials business in North America: 22.5 billion yen
Productivity improvement of the MDF business: 2.5 billion yen
- Domestic** M&A of solid wood flooring business and renovation business: 2.5 billion yen
Productivity improvement of building materials business and IT system: 2.5 billion yen
- *M&A investments include interest-bearing debt of the acquiring company, but not cash or deposits.

Capital Policy/Shareholder Return

Basic policies for capital and shareholder distributions

- By striving for efficient management that places emphasis on ROE, improving shareholder return, and optimizing the balance between financial soundness and strategic investment, improve corporate value.
- For shareholder distributions, the goal is a dividend payout ratio of at least 30% while maintaining a stable dividend and aiming for the distribution of earnings linked with results of operations.
- Decisions about the repurchase of stock will be made based on the current level of capital, the market environment and other applicable considerations.
- Shareholders' equity will be effectively used for the improvement of production, sales and construction systems as well as for new businesses, global operations and other activities in order to achieve medium- and long-term growth and build a solid foundation for business operations.

Trends in the Dividend and Dividend Payout Ratio



(Note) The company consolidated shares at a rate of one share per five as of October 1, 2016. The past figures were also consolidated retrospectively for ease of comparison.

Target Financial Indices

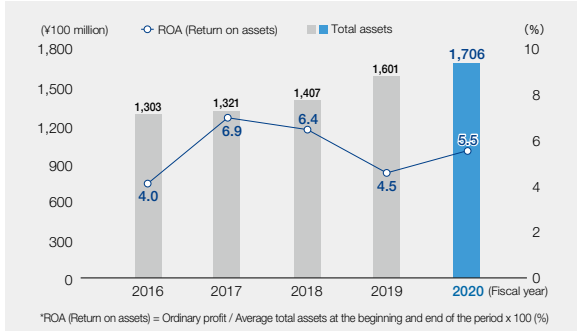
Efficiency Goal

ROA: **7%**

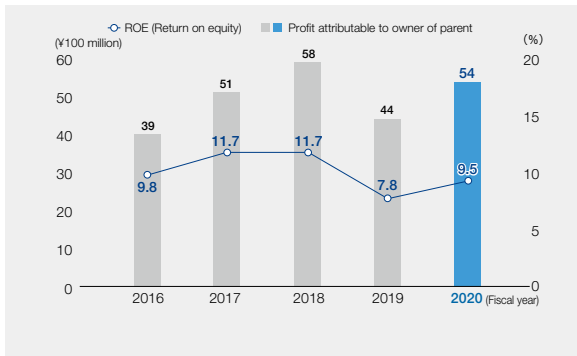
ROE: **10%**

- Improvement of the fixed asset turnover ratio (Reduction in inefficient assets and stringent selection of capital investment)
- Improvement of the working capital turnover ratio (Inventory optimization that gives consideration to BCP)

Trends in ROA* and Total Assets



Trends in ROE and Profit Attributable to Owners of Parent



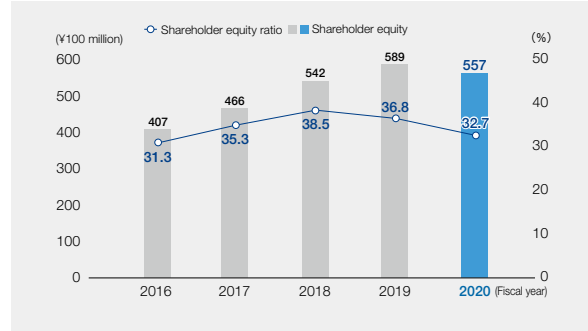
Soundness Goal

Shareholder equity ratio: **40%**

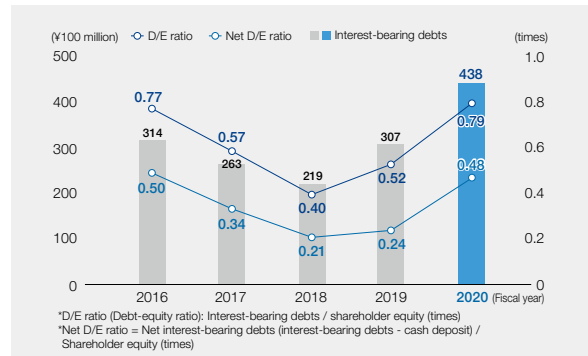
D/E ratio: **0.5** times

- Balance sheet management to maintain the optimum balance
- Procurement of funds for investment that will support growth

Trends in Shareholder Equity and Shareholder Equity Ratio



Trends in the D/E Ratio and Interest-Bearing Debts



Target Balance Sheet

As we executed M&A toward expansion into the focused market, such as the wood industrial materials business in North America, the D/E ratio increased from 0.52-fold to 0.79-fold and the shareholder equity ratio decreased from 36.8% to 32.7%, and the indices indicating financial soundness decreased, but by the steady accumulation of the operating cash flow and pursuit of asset efficiency, we aim for the D/E ratio to be 0.5-fold and the shareholder equity ratio to be 40%, which are upheld as the financial indices in the medium-term management plan as we promote optimal BS management.

