

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

As the roadmap toward the realization of the long-term vision GP25 that drew how we should be in 2025, the Daiken Group has set the medium-term management plan in three steps. In the medium-term management plan GP25 2nd Stage that started from fiscal 2020, we have set management goals for both the financial and non-financial aspects and have been developing measures with the policies of I “Accelerating growth strategies” and II “Enhancement of the management foundation” as key axes.

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

(¥100 million)

	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

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.

Enhancement of the overseas expansion of industrial materials business
Purchased an MDF plant in New Zealand



Expansion and improvement of the interior door series having the functions required by facility



Active use of renewable energy
Installation of additional biomass boilers



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



Medium-Term Management Plan GP25 3rd Stage (Fiscal 2023-2026)

Grow & Glow Become an all-embracing company for building materials

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

Progress against management goals

I. Accelerating growth strategies

	Results		Forecast	Goals
	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2022
Net sales	2,024	1,992	2,040	2,250
Operating profit	83	87	100	120
Operating profit ratio	4.1%	4.4%	4.9%	5.3%
Profit attributable to owners of parent	54	56	60	70

(¥100 million)

* Forecast on May, 14

II. Enhancement of the Management Foundation

Financial Indicators

		Results		Forecast	Goals
		Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2022
Efficiency	ROE	9.5%	9.1%	8.6%	10%
	ROA	5.5%	5.8%	6.0%	7%
Soundness	Shareholder equity ratio	32.7%	39.4%	41.0%	40%
Shareholder return	Dividend payout ratio	33.4%	32.4%	34.7%	30% or more

* Forecast on May, 14

Non-financial Indicators

		Results		Goals
		Fiscal 2020	Fiscal 2021	Fiscal 2022
E	Total Domestic CO ₂ Emissions ¹	(28%)	(35%)	(26%)
S	Total diversity index ²	+19pt	+19pt	+20pt
	Serious quality accidents and violations	1	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 2021 Summary

- In fiscal 2021, which was the second year of the medium-term management plan, the domestic market suffered harsh conditions due to the impact of the downturn associated with the consumption tax increase that lasted until the first half of the year, followed by the impact of the COVID-19 pandemic. On the other hand, in the global markets, revenues decreased as a whole. Although the two North American companies, which became group companies through M&As in fiscal 2020 could expand sales in the strong US housing market, they could not cover the decrease in revenues in the domestic market.
- Thereby, the ratio of sales in the global markets that are positioned as the priority markets increased to 23% from 18% in the previous fiscal year, and we could steadily proceed with the review of the business (market) portfolio upheld in the basic policy of the medium-term management plan.
- Regarding operating profit, we secured an increase in profits and achieved the highest profits since consolidation. It is the result of our commitment that we strived for streamlining, cost reductions, and a reduction of sales and general administrative expenses in addition to the fact that profits increased in the US market where sales were good, although profits decreased because of a decrease in revenues in the domestic market.
- For non-financial goals, total domestic CO₂ emissions decreased by 35% compared to fiscal 2014 due to the impact of a decrease of production, in addition to the stable operation of biomass boilers, and we could achieve the goal for fiscal 2022 ahead of schedule.