



DAIKEN



DAIKEN GROUP REPORT 2022

Integrated Report

DAIKEN CORPORATION

Toward the future exceeding the functions of yesterday

Since its establishment, the Daiken Group has developed a multitude of products

by capitalizing on limited resources and listening to our customers' needs.

Today we have evolved into a company where our efforts have accrued to provide

first rate building materials and comfortable spaces for our customers.

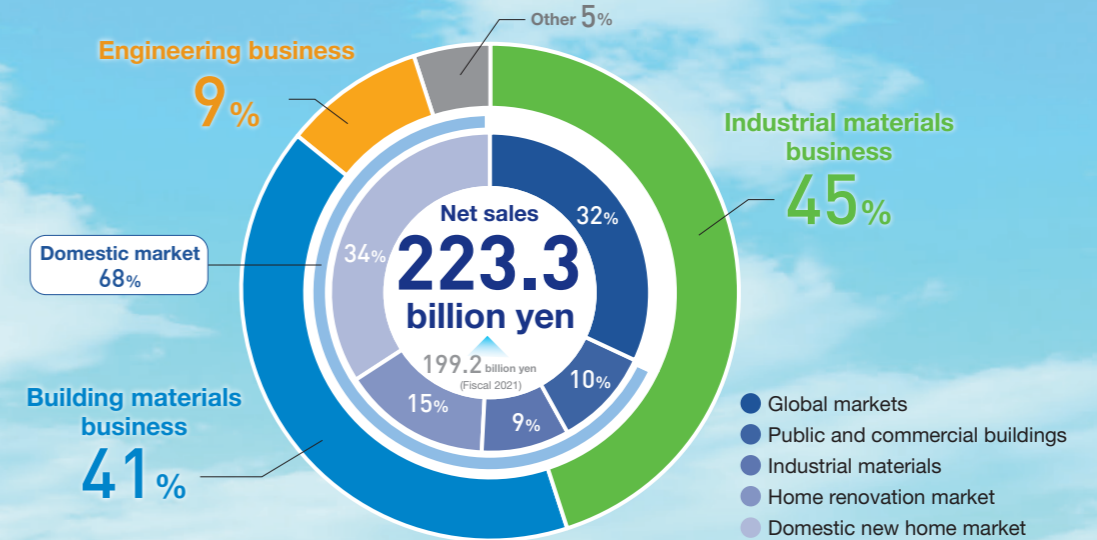
We will continue to strive towards a sustainable future where people can enjoy

pleasant living spaces and lead spiritually rich lifestyles.

In pursuit of new possibilities, we will transcend the past by developing

innovative functions towards a brighter tomorrow.

Sales Composition by Business and Market (Fiscal 2022)



Daiken Group in Figures (Fiscal 2022)



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Editorial Policy

The Daiken Group has issued the *Daiken Group Report* as an annual integrated report for stakeholders in order to enhance the understanding of our initiatives for the improvement of medium-term and long-term corporate value based on both financial and nonfinancial indicators. This report shows the progress of our strategies and stable stage change toward the realization of the long-term vision GP25 by publishing the summary of the past medium-term management plans, in addition to the medium-term management plan GP25 3rd Stage that started in FY 2023. We also improved the contents to specifically emphasize the vision to realize a recycling-oriented society and carbon neutrality through business under the Daiken global environment vision 2050 and Daiken sustainability basic policy that have been newly formulated.

Company Information

DAIKEN CORPORATION and the Daiken Group
*Environmental information differs in scope.

Eligible Period

Fiscal 2022 (April 1, 2021, to March 31, 2022)
*Some sections include information other than the above fiscal period.

Reference Guidelines

- International Integrated Reporting Council (IIRC): The International Integrated Reporting Framework
- ISO 26000

[Disclaimer regarding future prospects]

The forecasts and estimates in this report are based on information available at the time of the report's issuance. Plans and figures depicting the future do not imply a guarantee of actual outcomes.

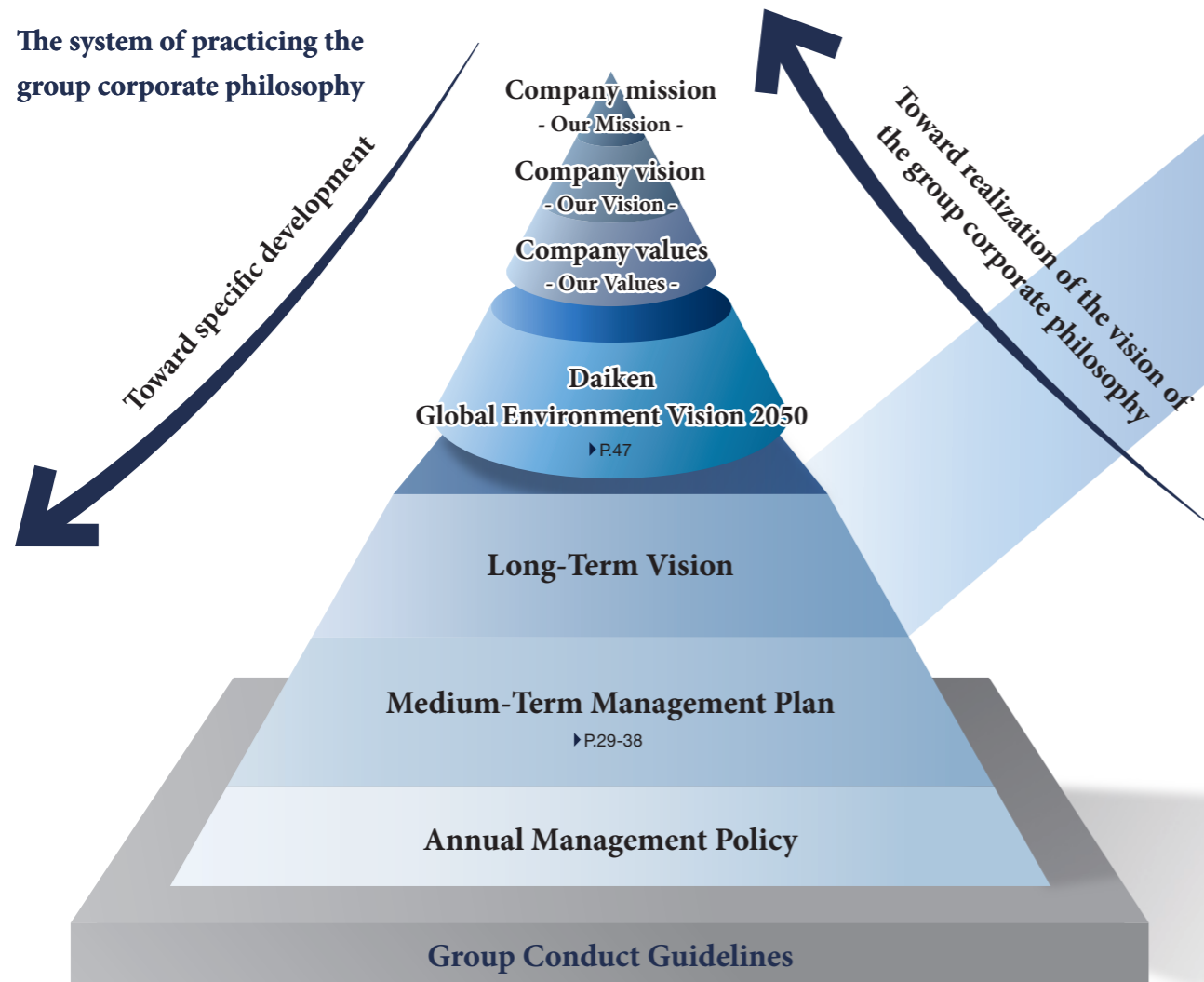
Daiken Group's Goal

To have a concept in common with all of the Group's employees and adjust the direction to move forward, the Daiken Group has established the group corporate philosophy, which consists of the three elements of the Company mission [Our Mission], Company vision [Our Vision], and Company values [Our Values]. We aim for the sustainable improvement of corporate value by deploying business activities toward the realization of this philosophy.

Group Corporate Philosophy

<p>Company mission</p> <p>Our Mission</p> <p>We will create a wonderful future with our technology, ideas, and passion.</p>	<p>Company vision</p> <p>Our Vision</p> <p>As a company respected by everyone, we will give the highest priority to harmonizing an affluent society with the environment by offering new value that exceeds people's expectations.</p>	<p>Company values</p> <p>Our Values</p> <p>We pledge the following:</p> <ul style="list-style-type: none"> • Ensure harmony between the environment, society, and people. • Be careful of safety, security, health, and comfort. • Courageously accept the challenges of new ideas. • Promptly respond to changes and opportunities. • Be sincere at all times.
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The system of practicing the group corporate philosophy



2025 Long-Term Vision GP25

Grow/Glow Plan 25

Grow

The Group will work to transform into an enterprise that meets the expectations of customers and markets while contributing to a better society.

Glow

The Group will work to become an enterprise that people rate highly for its attractive working environment and as a place where employees can work positively and enthusiastically.

Significance of Existence and Ambitions

- 1 Contribute to the building of a sustainable society by efficiently using limited resources
- 2 Enrich peoples' minds by creating more comfortable and secure spaces

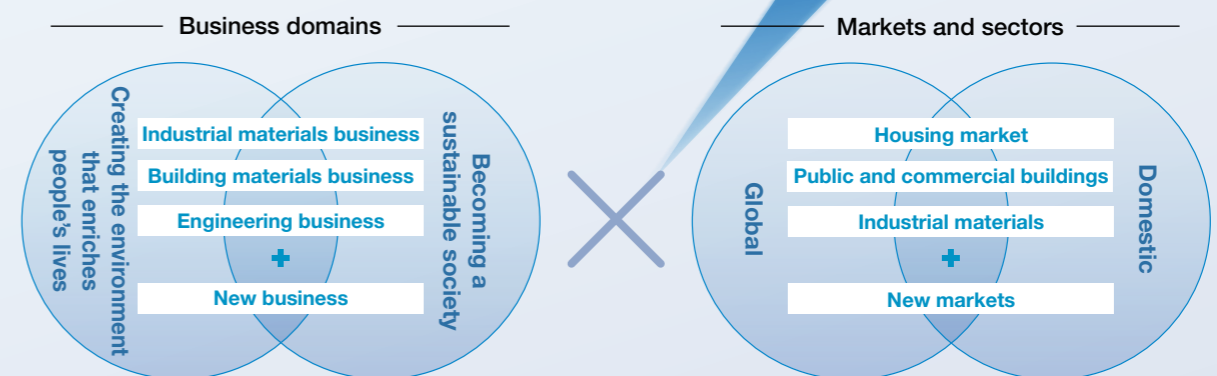
How we should be in 2025

- 1 Contribute to a recycling-oriented society through the development and spread of industrial materials utilizing sustainable resources, such as timber, in global markets
- 2 Create safe, secure, healthy, and comfortable spaces for everyone by proposing solutions that capture the user needs in the new normal era
- 3 A mechanism to support challenges is established, a culture that admires challenges is nourished, and challenges to new business domains is progressing
- 4 Realize the workplace environment where diverse human resources can comfortably work in fulfilling roles and impartial and transparent management supports the sustainable growth and the improvement of medium- to long-term corporate value

Business domains, markets, and sectors targeting Long-Term Vision GP25

- From the current image as a housing materials manufacturer to the following:
- Supply building materials and industrial materials for building materials as well as construction
 - Expand business areas from housing to public and commercial buildings, and industrial materials
 - Expand into global markets

Toward becoming an all-embracing company for building materials



Update of the long-term vision GP25

In formulating the medium-term management plan GP25 3rd Stage, we have updated how we should be in 2025 based on the change in business environment and reconfirmation of materiality in and after 2025.

Our Sustainability Goals

Amid the rising importance of responses to the issues surrounding sustainability, such as the social and global environment problems, to further clarify the image of sustainability that the Daiken Group aims for and enhance our initiatives in corporate management, we have revised and evolved the existing CSR basic policy and formulated the Daiken sustainability basic policy in June 2022. By increasing the linkage between the contribution to the sustainability of society and the global environment and the sustainability of our business more than ever, we will aim to form a virtuous cycle and sustainable corporate value improvement.

Daiken Sustainability Basic Policy

The Daiken Group will bring new value and smiles to the faces of our stakeholders, including employees, by contributing to the development of a prosperous and sustainable society and environment based on the group corporate philosophy. Furthermore, we aim to establish a solid management foundation for the long-term growth of the Daiken Group.

1 Contribute to the development of a sustainable society, global environment, and the economy

We will continuously review all activities and promote reforms as we contribute to the development of a prosperous and sustainable society and the global environment, while improving business sustainability.

2 Pursue sustainability as a business

The Daiken Group will maintain and even enhance its strength to build value, an essential driving force for transformation, by maximizing the value of human capital through enhanced job satisfaction and employee well-being, while strengthening engagement with stakeholders.

3 Aim to enhance business value in a sustainable manner

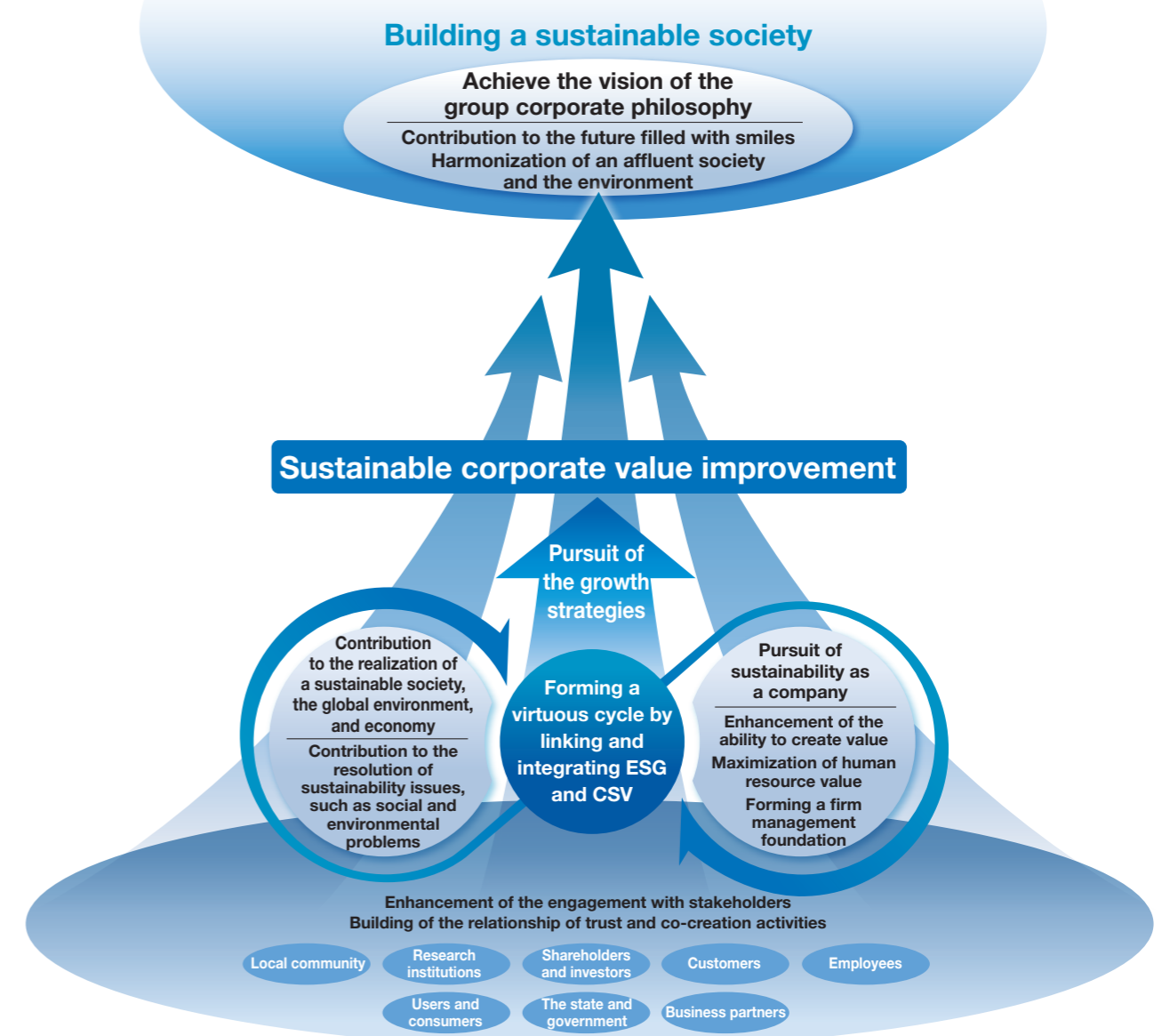
The Daiken Group aims to enhance corporate value in a sustainable manner through the two virtuous cycles of its contribution to a sustainable society, the global environment, and the economy and the pursuit of sustainability as a business.

Structure to promote sustainability

To enhance our group-based initiatives for sustainability, we have reorganized the existing CSR committee to the sustainability promotion committee since fiscal 2023.



Overall image of "Our Sustainability Goals"



Sustainability (ESG)-related policy system

To deploy initiatives for sustainability issues on a group-wide basis, the Daiken Group has established various policies with a focus on the important themes in each field of ESG.

	Field	Policy
	Sustainability (ESG and CSV)	Daiken Sustainability Basic Policy
E	Environment	Daiken Global Environment Vision 2050
	Product Quality and Safety	Basic Policy on Product Safety
S	Fair Transactions	Daiken Procurement Policy and Daiken CSR Procurement Standards Cartel and Big-rigging Prevention Standards
	Human Resource	Daiken Diversity Promotion Policy
		Daiken Workstyle Reform Promotion Policy
		Daiken Human Resource Development Policy
	Human Rights	Daiken Safety Basic Policy
Coexistence with Local Communities	Daiken Human Rights Policy	
G	Governance	Daiken Social Contribution Activity Policy
		Basic Policy on Corporate Governance
		Basic Policy on the Building of the Internal Control System Compliance Code of Conduct

Details of each policy are described on our sustainability website. <https://www.daiken.jp/company/csr/>



Representative Director, President

Masahori Okuda



Interview with Top Management

Accelerate the transformation to sustainability and improve the resilience of corporate management

Q Fiscal year (FY) 2022 was the final year of the medium-term management plan GP25 2nd Stage. What were the achievements and issues over the past three years?

In 2015, the 70th anniversary of the foundation of the company, we formulated the long-term vision, GP25 for 2025, 10 years after 2015, and announced our goal to become an all-embracing company for building materials. The reason behind the formulation of GP25 was that we were a housing materials manufacturer back then, and most of our sales came from products for the domestic new housing market; therefore, revising our business and market portfolio was a huge management challenge for us since new housing starts would decrease because of the declining population in the future. Thus, we decided to strive to become an all-embracing company for building materials by expanding our business domains from building materials to the supply of industrial materials and installation and construction. We also decided to make proposals not only for the new housing market but also for remodeling and renovation of public and commercial buildings with those industrial materials and expand into global markets.

FY 2022 was the final year of the medium-term management plan GP25 2nd Stage, the second phase of the plan to achieve the long-term vision by dividing the 10 years until FY 2026 into three phases. When we look back on the past three years when we promoted a variety of different measures to accelerate the growth strategies and enhance the management foundation as specified in the basic policy, we appreciate the fact that we made steady progress toward achieving the long-term vision and advanced the stage transition in the midst of unexpected changes in the environment due to the COVID-19 crisis.

[Long-Term Vision GP25](#) ▶P.4
[Medium-Term Management Plan GP25 2nd Stage](#) ▶P.30

We achieved good results, especially in the expansion into global markets, mainly the North American market. To expand into the North American housing market, which is the world's largest wooden housing market and about

four times larger than the Japanese market due to the number of housing starts and vast floor area and where continuous population growth is expected in the medium and long term, we merged and acquired a veneer plant in Canada and an LVL plant in the United States in FY 2020. Subsequently, the external environment provided a boost. A wood shock, which was a rise in wood product prices caused by a combination of strong demand due to the growing needs for suburban housing during the COVID-19 crisis and supply chain disruptions, has continued to date, and the North American business fully capitalized on that demand and significantly contributed to the company's profits. In addition, there was an increase in demand for MDF, the primary product in the industrial materials segment along with LVL in North America, as the base material for furniture and buildings. The overseas sales ratio in FY 2022 was 32%, a significant increase from the 6% in FY 2016 when the long-term vision was formulated.

[Results of the Strategies by Business Segment and Market](#) ▶P.31-32

In the domestic market, we were able to capture new opportunities related to the securing of workspaces and sound proofing because of the steady increase in demand for building materials for new houses and home renovations due to the growing needs for more comfortable living environments caused by staying at home and teleworking that had prevailed during the COVID-19 crisis. On the other hand, for public and commercial buildings, we failed to achieve the sales expansion target because of the rapid decrease in demand for building materials for accommodation facilities and commercial facilities caused by the COVID-19 crisis. Thus, we still have issues to solve. We have already started to make proposals tailored to the needs of the new normal by strengthening our sales structure for public and commercial buildings, and we will expand and improve the items that incorporated new ideas developed through collaborations with other companies. We expect that our proposals will bear fruit as the construction projects that were suspended or postponed resume. In the second half of FY 2022, the delay in the delivery of some products in the building materials business was caused by a greater-than-expected increase in orders



and maritime transportation disruptions; therefore, we had no choice but to limit the number of orders, which caused significant inconvenience to our customers and business partners. Though we no longer limit the number of orders, we realize the major impact that our supply chain has on the entire industry and will make every effort to prevent it from happening again.

Initiatives for Priority Markets

Global Markets ▶P.39-40

Public and Commercial Buildings ▶P.41-42

As for performance, we failed to achieve the final year sales target specified in GP25 2nd Stage. However, our operating profit was 17.3 billion yen, which far exceeded the target of 12 billion yen, and we exceeded all profit targets. We appreciate the fact that we were able to consistently accelerate our growth by achieving significant results as reflected in the major financial indicators of an ROE of 10.9%, an ROA of 10.5%, and an equity ratio of 41.7%.

In addition, as initiatives related to ESG and sustainability become increasingly more important each year, we have set nonfinancial goals and worked on them. As for the environment, we were able to decrease CO₂ emissions by 36%, exceeding the total domestic CO₂ emissions reduction goal of 26% (compared to FY 2014) and achieved the goals we set based on our original indicators to raise the level of our initiatives related to diversity. On the other hand, though the degree of penetration of the group corporate philosophy developed on governance improved by five points compared to FY 2018, we failed to achieve our goal of a ten-point increase. We will consistently work to disseminate the Group Corporate Philosophy by continuously implementing penetration programs so that all group employees can relate to the philosophy and perform their daily work according to it.

Medium-Term Management Plan GP25 2nd Stage ▶P.30

Medium-Term ESG Plan (Fiscal 2020-2022) ▶P.69

Q Material issues to cope with (materiality) were redefined when the new medium-term management plan GP25 3rd Stage was formulated.

What is the reason behind it?

Since we have four years left before the deadline for the achievement of the long-term vision GP25 formulated in 2015, we are receiving many inquiries from our investors about our next long-term vision following GP25. Though we have the option of launching our next long-term vision in advance, we would like to prioritize the completion of our initiatives to achieve our goal as set in GP25.

In 2020, the Japanese government announced its goal to achieve carbon neutrality by 2050. To further strengthen our initiatives to tackle environmental issues from a long-term perspective, we formulated the Daiken global environment vision 2050 (hereinafter called the "environment vision") in October 2021 and defined our

policy and long-term goals to achieve the three zeroes by 2050: net zero greenhouse gas emissions, zero final landfill disposal of waste, and zero use of natural lauan wood made from lauan trees found in Southeast Asia. Because we have grown by doing business with a focus on the effective use of limited resources, including wood resources, since the foundation of the company, sustainability is one of the strengths directly connected to our businesses. Though we set the bar high, we will make consistent efforts to achieve our goals throughout the entire value chain by setting greenhouse gas emission reduction goals for our overseas businesses since we set our goals only for our domestic businesses, including Scope 3 emissions as well.

Environmental Strategy ▶P.47-50

The external environment surrounding us has drastically changed because of the pandemic that we did not anticipate when we formulated the long-term vision GP25 in 2015, in addition to the higher geopolitical risks. With these changes and the issues we identified in the GP25 2nd Stage in mind, we need to formulate the GP25 3rd Stage as a concrete action plan to achieve our group corporate philosophy and environment vision. Therefore, we decided to review the megatrends and our strengths, looking ahead to 2035 beyond 2025, and to redefine materiality in terms of priority and the coping mechanism. Specifically, we identified three material issues: realization of resource circulation and a recycling-based society, user needs in the new normal, and human resource base diversification by improving the work environment and job satisfaction.

Risks and Opportunities/Materiality ▶P.21-22

Realization of resource circulation and a recycling-based society shows our determination to actively take part in the realization of resource circulation and contribute to resolving social and global environmental issues. We have always put the harmonization of an affluent society and the environment first and created values that exceeded the expectations of society by effectively using limited resources. As for wood resources, we have created products from raw materials as a manufacturer and then focused on establishing the circulation system so that as many waste materials as possible, such as timber taken from demolished buildings, would not be disposed of or incinerated and could be used as materials for an extended period of time. Though our key business is materials development, such as insulation boards made from timber taken from demolished buildings and MDF using offcuts from timber production as a main raw material, which demonstrates that we use timber with no waste, we are also advancing our initiatives to use woody fibers for soil improvement additive and as a wood culture medium to promote plant growth. As for mineral resources, we focused our attention on unused resources and worked to effectively use them. We have developed DAILITE, our original noncombustible, lightweight, high-strength material that uses volcanic ash as a raw material. We will pay attention not only to the wood resources that are



Human Resource Strategies ▶P.51-52

When we redefined those three material issues to cope with, we also updated how we should be in 2025 as set in the long-term vision and made it more specific, taking possible changes in the business environment in 2035 into consideration.

Long-Term Vision GP25 ▶P.4

Q What are the key points in the GP25 3rd Stage?

We formulated the GP25 3rd Stage using a backcasting method that started from the updated version of how we should be in 2025 and the goals set in our environment vision. The revision reflects our focus on sustainability more clearly than the GP25 2nd Stage. Because it is the final stage in establishing our company as an all-embracing company for building materials as specified in the long-term vision, we set two items in the basic policy: implementation of the growth strategies and enhancement of the management foundation centered on sustainability. We will advance our growth strategies with a focus on our contribution to a recycling-based society and the fulfillment of user needs in the new normal in tandem with materiality. As for the management foundation that supports the growth strategies, we will improve the resilience of corporate management in an uncertain business environment from the four perspectives of the human resource base, business foundation, financial foundation, and governance. We will accelerate our initiatives to pursue the sustainability of raw materials and promote DX for the business foundation. Since timber is one of the main raw materials that we use, sustainable procurement of timber leads directly to corporate sustainability. We will advance our initiatives to stop using lauan wood and aim to improve the level of sustainability of timber procurement in the medium and long term. In addition, we will not only advance investments in mission-critical systems and the rationalization and streamlining of the logistics system but also promote DX tailored to the new normal by using a variety of digital tools and enhancing digital marketing to strategically approach customers.

As for numerical targets, the objective will be to achieve 250 billion yen in sales, 15 billion yen in operating profit, and 10 billion yen in profit attributable to owners

Summary of the strategies of the new medium-term management plan GP25 3rd Stage

*If excluding the decrease in sales by 21.2 billion yen associated with the change in PWT in the U.S., which is our special subsidiary

Market	Domestic market				Global markets
	Domestic new home market	Home renovation market	Public and commercial buildings	Industrial materials	
	Securing of the revenue base (An increase in the share of new housing, shifting to housing stock and non-housing, and material utilization development)				Growth driver
Sales by Market	Sales: 223.3 → 250 billion yen (+26.6 billion yen) ↑ [+47.8 billion yen]* ↑				
	+5.1 billion yen ↑	+6.9 billion yen ↑	+13.8 billion yen ↑	+7.2 billion yen ↑	-5.6 billion yen ↓ [+15.6 billion yen]* ↑
Composition Ratio	34 → 32%	15 → 16%	10 → 15%	9 → 11%	32 → 27%
Market Environment	Gradually decreasing trend in domestic new housing starts Penetration of working at home and remote work	Distribution of secondhand housing and revitalization of condominium renovations	Changes in how an office space should be Redevelopment project Recovery in inbound demand	New/alternative utilization development (From plywood and plastics to wood fiberboard)	The U.S.A.: Medium- to long-term stable housing demand Southeast Asia: Recovery/growth
Execution of the Growth Strategy	Building materials business An increase in share by functional products that correspond to the needs of users in the new normal era Corresponding to remote work, improvement of the sound environment, and antiviral functions Expansion of the products that save construction time and work. Proposals of the improvement of the thermal environment Expansion of condominium renovations in the Tokyo metropolitan area. Expansion of the interior projects in the redevelopment projects Engineering business			Industrial materials business in North America Capacity expansion Consideration of the introduction of new products using the sales channels Industrial materials business: MDF Structural reform and capacity expansion Improvement of the ratio of the products with high added value	
Sales by Business	Industrial materials business +3.8 billion yen ↑ [+25 billion yen]* ↑ Building materials business +12 billion yen ↑ Engineering business +13.2 billion yen ↑			Industrial materials business in Japan Acquisition of alternative demand, capacity expansion, and development of new materials Building materials business Supply expansion to Europe and Asia	
Enhancement of the Management Foundation	Business Foundation Optimization of the logistics system Enhancement of cooperation in the group and optimization of the production system Operational efficiency and productivity improvement using digital technology and restructuring of the core system Pursuit of the sustainability of raw materials / Initiatives for eliminating the use of lauan wood (tropical natural wood) Reduction of greenhouse gas emissions in the supply chain				
	Human Resource Foundation Promotion of diversity and flexible work styles Optimization of the sales structure and personnel (Shift to the prioritized markets) / Prioritized market enhancement program				
	Financial Foundation Investments in growth and foundation enhancement, financial soundness, and cash flow allocation that optimizes the improvement of shareholder return				

of the parent in FY 2026, the final year of the GP25 2nd Stage, by tackling the rise in raw material costs caused by global inflation resulting from the rise in resource prices, along with structural reform and cost reduction efforts to maintain profitability as improved in the GP25 2nd Stage while taking into consideration the fact that the market prices of wood products in North America will be adjusted.

[The New Medium-Term Management Plan GP25 3rd Stage](#) ▶P.35-36

[Strategies by Business Segment and Market](#) ▶P.37-38

Q What kind of approach is taken concerning investments for future growth and management resource allocation?

We will continue active growth investments at the right time in the GP25 3rd Stage as well, taking into consideration the geopolitical risks, the rise in resource prices, and exchange rate movements. As for management resource allocation, we will set a strategic investment ceiling of 40 billion yen using the operating cash flow that is expected to reach approx. 70 billion yen in four years and the cash obtained by improving asset efficiency from the reduction of cross-shareholdings as capital and allocate it to growth investments as the top priority. The core element of growth

investments is reinforcement of the industrial materials business, our growth driver, overseas. As for areas, we will place greater importance on efficiency and focus on North America. Additionally, we will concentrate on Asia and Oceania with a focus on strengthening the MDF business. Furthermore, we will advance the investments necessary to strengthen our foundation, such as investments related to rationalization and streamlining of our domestic businesses and R&D/human resource/environmental investments, as our ESG investments. Since R&D is the core element of value creation, we underwent an organizational change in FY 2023 to shape new businesses for the next generation and strengthen the system of linking the intellectual property strategy to R&D. Furthermore, we intend to gradually raise R&D investments to about 2% of sales with a view to strengthening the development of technologies that enable global expansion. As for environmental investments, we increased the renewable energy utilization ratio to 50% in Japan by using wood biomass boilers that have synergies with the industrial materials business. We will consider introducing other types of renewable energy to reduce our greenhouse gas emissions both in Japan and overseas. In addition, as the effects of environmental investments cannot be measured only by returns, we will consider introducing internal carbon pricing. Forty billion



yen, which is our strategic investment ceiling, and 20 billion yen for ordinary investments in BCP and safety measures, for a total of 60 billion yen, will be allocated to investments for growth and foundation enhancement. At the same time, we will promote the penetration of ROIC (return on invested capital), the new internal management index the company has adopted, to pursue asset efficiency in the entire management.

As for shareholder returns over the four years of the GP25 3rd Stage, the company paid dividends with the goal of achieving a dividend payout ratio of 35% and DOE (dividend on equity) of 3.5% with a focus on the enhancement of returns linked to business performance and the stable payment of dividends that is unlikely to be influenced by short-term profit fluctuations. The company revised its policy so that shareholders who would stably continue holding shares in our company for a long period of time could sit down and invest in the company.

[Research and Development](#) ▶P.45-46
[Financial Strategies](#) ▶P.53-56

Q What are the key points in medium- to long-term value creation and the direction of management?

The key point in value creation is to harmonize the promotion of resource circulation, climate change mitigation, and coexistence with nature, the three themes specified in the environment vision, with our growth strategies.

The global environment is seriously deteriorating at the global level with problems of resource depletion, increasing waste, climate change, loss of biodiversity due to deforestation, and other issues. These are the urgent issues we need to work on. Daiken Corporation was founded immediately after the war with an eye to effectively using timber as valuable resources and contributing to society through postwar reconstruction. Since then, with the goal of using timber with no waste, Daiken focused on the advantages and disadvantages of timber as a sustainable resource and brought out its full potential as a material by developing technologies that can overcome its weak points and bring out the best in the resource. In that way, Daiken created new values for society. One of the biggest features and strengths is that Daiken has grown

through businesses that contribute to the sustainability of the global environment with a focus on wood resources.

When it comes to the initiatives to address environmental issues, Daiken tends to look at risks in terms of whether there is a tradeoff between business growth and such initiatives because costs precede in the short term. However, from a medium- to long-term perspective, tackling environmental issues provides new business opportunities that enable the company to create lasting value. We will achieve the stage transition to establish a new growth path by changing our perspective and turning a tradeoff into a trade-on and risks into opportunities.

As for the promotion of resource circulation, in addition to the unused resources of volcanic ash used in the aforementioned DAILITE, even resources that are disposed of today have the potential to generate unprecedented value through the use of company technologies. When it comes to the climate change mitigation, Daiken can contribute to carbon neutrality by establishing technologies to create new renewable materials that include cellulose nanofibers and by creating a new standard that can replace petrochemical resources. In addition, Daiken will strengthen its initiatives to make wood resource procurement, which is vital in our businesses, sustainable.

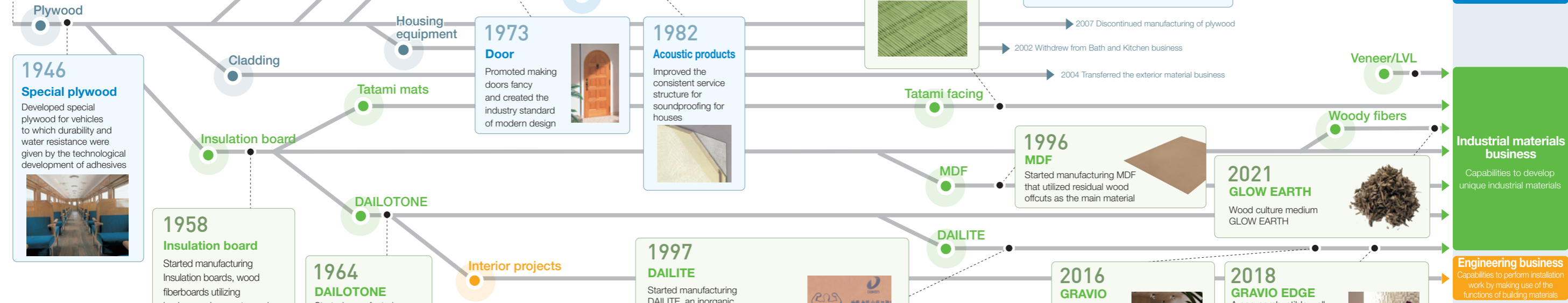
Linking the growth strategies to the environment vision is to link the sustainability of businesses to social and global environmental sustainability and then improve competitiveness and the resilience of corporate management. In order to do this, it is necessary to review and reestablish how the entire value chain should work from the perspective of sustainability, looking beyond R&D, raw material procurement, production activities at the plants, and the delivery of our products to our customers, their use, and their end of life. With these concerns in mind, we revised and evolved the traditional CSR basic policy and developed the Daiken sustainability basic policy. As an executive in charge of managing the company in times of uncertainty, I am determined to improve sustainable corporate value by bringing together the group's technologies, ideas, and passion and strongly promoting sustainability transformation (SX). We sincerely ask for your continued support.

[Our Sustainability Goals](#) ▶P.5-6

Changes in Value Creation

Ever since foundation, The Daiken Group has been developing a wide variety of products to help customer's daily life through our technological innovations which always meet social issues and needs. The Group effectively uses all the strengths acquired in our history and aims to grow into a housing material manufacturer that becomes an all-embracing company for building materials and thus creates new value.

1945 Foundation



Foundation	Expansion	Growing	Selection and Concentration	New Challenge	Challenge to achieve the Long-Term Vision GP25
1941 C. Itoh & CO., Marubeni Shoten, Ltd., and Kishimoto Shoten, Ltd., have merged to form Sanko Kabushiki Kaisha, Ltd. 1944 Sanko Kabushiki Kaisha, Ltd., Kureha Cotton Spinning Co., Ltd., and Daido Boeki Kaisha, Ltd., merged to form Daiken Co., Ltd. 1945 Founded Daiken Mokuzai Kogyo Co., Ltd., at the Inami plant in Toyama acquiring all the business of the Forestry Department at Daiken Co., Ltd.	1954 Established Nagoya plant for manufacturing special plywood 1958 Built Okayama plant and started manufacturing insulation board	1967 Changed the company name to DAIKEN CORPORATION 1969 Established interior projects department 1970 Started manufacturing WPC flooring at the Nagoya plant Established Toyama plant for manufacturing special plywood 1977 Expanded insulation board business Built Takahagi plant 1984 Established an interior projects company, DAIKEN ENGINEERING CORPORATION 1987 Expanded flooring business Established Mie Daiken Co., Ltd. (currently, Mie plant)	1989 Started manufacturing housing products, such as doors and stairs, at the Inami plant Started manufacturing of cladding at the Takahagi plant 1994 Established DAIKEN SARAWAK SDN. BHD. in Malaysia for MDF manufacture 1995 Built interior doors production line at the Inami plant 1996 Implemented Tatami facing and DAILITE production lines at the Okayama plant 1999 Purchased an interior projects company, Koukou Sangyo Corporation 2000 Integrated the interior projects department into DAIKEN ENGINEERING CORPORATION 2002 Alliance with TOTO Ltd. and YKK AP Inc. for remodeling business Established DAIKEN Industries (Ningbo) Corporation 2005 Purchased MDF manufacturer in Malaysia Established DAIKEN MIRI SDN. BHD. 2009 Purchased MDF plant in New Zealand and established DAIKEN NEW ZEALAND LIMITED Integrated flooring business of the Nagoya plant in the Mie plant	2010 Alliance with Panasonic Corporation in production and procurement Purchased an interior projects company, Sankai Corporation 2012 Business and capital alliance with HOKUSHIN Co., Ltd., for MDF production and supply 2015 Established interior doors manufacturing company PT. DAIKEN DHARMA INDONESIA in Indonesia 2016 Purchased an apartment renovation company, PAC SYSTEM Co., Ltd.	2018 Purchased an MDF manufacturing company in New Zealand Established DAIKEN SOUTHLAND LIMITED Established Daiken R&D center Capital and business alliance with ITOCHU Corporation 2019 Purchased a veneer plant, CIPA Lumber Co., Ltd. in Canada and an LVL plant, PACIFIC WOODTECH CORPORATION in the U.S.A. Purchased a renovation company ReformQ Co., Ltd. Purchased T.O FLOORING CO., LTD., that works on solid wood flooring 2020 Started production at Nichinan Daiken Co., Ltd., a company that processes veneers for LVL

Daiken Group's Value Creation
Strategy for Value Creation
Foundation Supporting Value Creation
Data

Product Development Uses Strengths

The Daiken Group cultivated its technologies throughout a history of more than 75 years and continues to offer products that are valuable for society and customers.

Our diverse product lineup, with its excellent features, is used in a wide range of scenarios in houses and public and commercial facilities.

Industrial materials business

Developing and offering highly functional industrial materials

The Daiken Group offers various functional industrial materials having non-combustibility, anti-seismic, thermal insulation, sound insulation, humidity conditioning, and various other features required in our daily lives by making full use of wood and mineral resources from a sustainable perspective.

Daiken's Features and Strengths

Capabilities to develop unique industrial materials

	Overview	Features and Functions	Major Applications	
Effective use of wood materials	Insulation board Wooden fiberboard using construction demolition timber for main raw material and molded into a board 	<ul style="list-style-type: none"> Heat insulation Moisture conditioning Cushioning properties Lightweight 	Inner part of a tatami mat	Protection board
	MDF Wooden fiberboard using residual wood offcuts for main raw material and molded into a board 	<ul style="list-style-type: none"> Dimensional stability Surface smoothness Workability Water resistance 	Materials for flooring	Base materials for building and furniture (Substrate of door, storage, and window frame)
	Veneer/LVL Veneer: Cut from logs LVL: A fabricated wood product manufactured by laminating veneers all placed parallel in the fiber direction and gluing them together 	<ul style="list-style-type: none"> Dimensional stability High strength Workability 	I-Joist	Structural material
Effective use of mineral materials	Tatami facing Tatami facing made from straw twisted machine-made Japanese paper strings and a resin coating 	<ul style="list-style-type: none"> Light resistance Water repellent Moisture conditioning Color variations 	Tatami mats For houses For accommodation	
	DAILOTONE Mineral fiberboard molded into a board using slag wool as a byproduct of steel production 	<ul style="list-style-type: none"> Non-combustibility Lightweight Sound absorbing Workability 	Ceiling materials For houses For office	
	DAILITE An inorganic material molded into a board using an unused resource, Shirasu (volcanic ash), and slag wool 	<ul style="list-style-type: none"> Non-combustibility Lightweight High strength Workability Moisture permeability Insect repellent Antiseptic 	Wall base materials	Wall materials




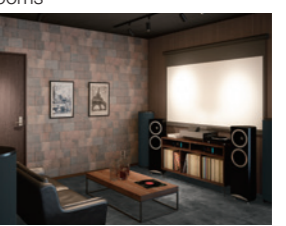

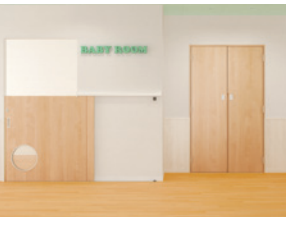


Building material business

Developing and providing building materials best suited for the interior of various buildings

The Daiken Group offers building materials that form spaces focusing on safety, peace of mind, health, and comfort to be used for housing, public spaces, and commercial facilities.

Daiken's Features and Strengths

Capability to develop building materials with high added value and capability to propose total plans for interior spaces

	Flooring	Door	Cabinet	Acoustic products
For houses	A flooring of ultimate beauty A lineup that is particular about surface texture and that offers scratch resistance, long-lasting beauty, good design, high function, and high performance. 	Great range of design and variations Interior door that is highly functional and easy to use and can be coordinated flexibly 	Storage improvement A complete lineup of cabinets equipped with abundant storage capacity that is space-saving and offers other features to fit individual spaces 	Space for enjoying sound A complete lineup to meet the sound environment and sound quality needs of a variety of venues, including home theaters, musical instrument practice rooms, and audio rooms 
For public spaces and commercial facilities	A flooring for heavy duty areas A complete line of flooring that can be used in heavy duty areas, including those made of natural wood resistant to damage, sound-proofing materials, and those that reduce the impact when a person falls 	Functional door suitable for facility applications Interior doors with particular functionality for nursing homes, kindergartens, childcare facilities, medical facilities, and stores 	Cabinets inspired by consideration to users Cabinets mitigate the various risks to users for comfort during use 	Creating a comfortable sound environment A complete lineup suitable for sound-proofing, echo reduction, and other specific purposes 

Engineering business

Total support for creation of spaces from the supply of building materials through installation work

The Daiken Group's major projects are interior construction for public spaces and commercial facilities, including schools, event venues, office buildings, and houses, to create spaces that optimize the performance of industrial and building materials.

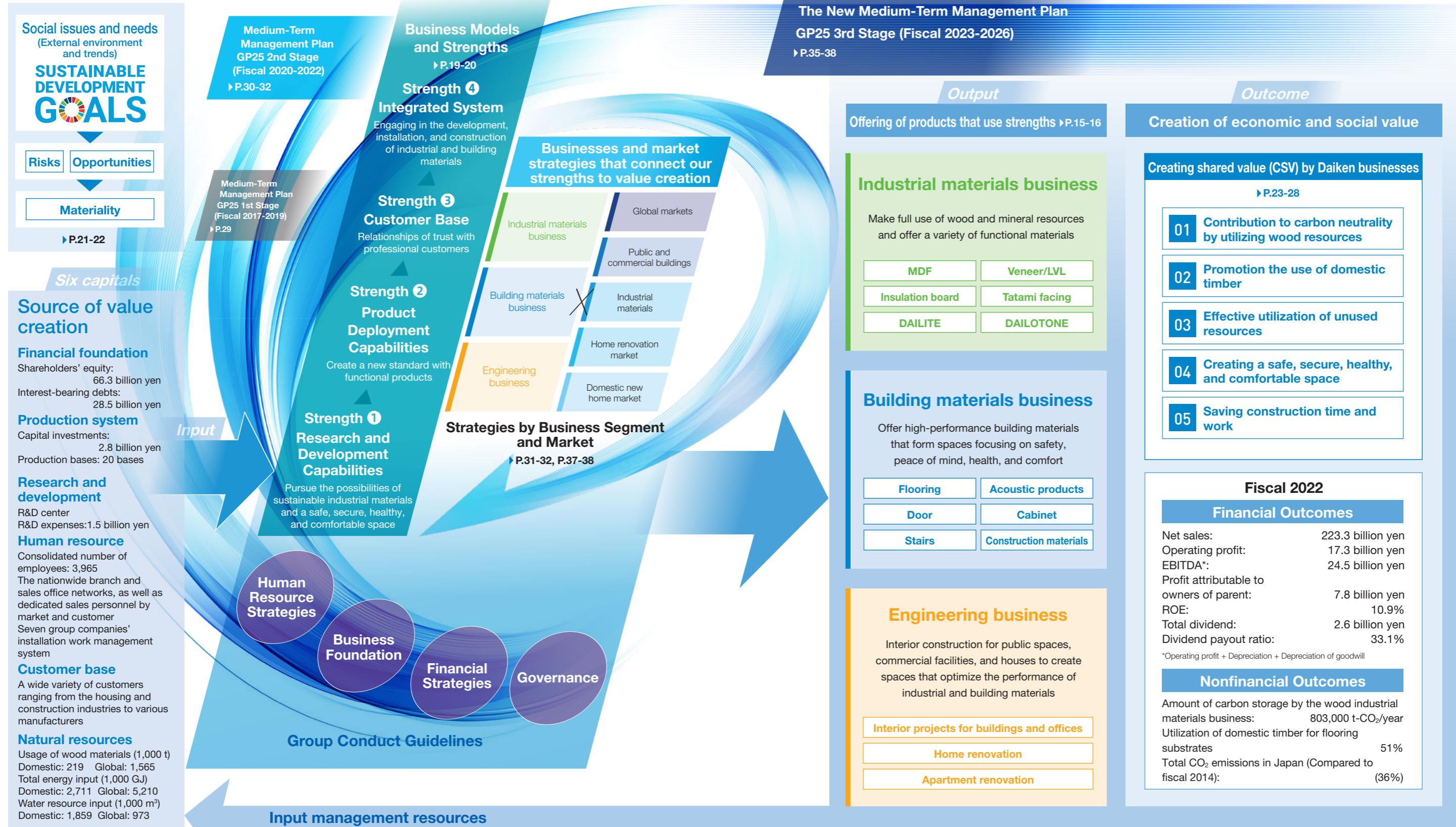
Daiken's Features and Strengths

Capabilities to perform installation work by making use of the functions of building materials

	Our project		
	 <p>Tokyo Metropolitan Government Building</p>	 <p>Kyoto Station Building</p>	 <p>Kansai University</p>

Process of Creating Value

The Daiken Group aims for the realization of a sustainable society and the creation of economic and social value by contributing to solving social issues, such as the Sustainable Development Goals (SDGs), through business activities that make use of our unique strengths.



*Fiscal 2022

Business Models and Strengths

The Daiken Group makes use of the four strengths of (1) research and development capabilities to pursue the possibilities of sustainable industrial materials and a safe, secure, healthy, and comfortable space; (2) product deployment capabilities to create industrial and building materials having various features; (3) a customer base that has long been built with a wide variety of professional customers; and (4) an integrated system to engage in the development of industrial and building materials as well as the installation work and construction for creating spaces and is committed to sustainable value creation.

Strength 4 Integrated System

Engaging in the development, installation, and construction of industrial and building materials

- Industrial and building materials do not function as is and the installation work and construction are required in order for them to deliver performance.
- Daiken not only sells products, such as industrial and building materials, but is engaged in the installation work, construction, and creation of spaces in the three domains of interior projects for office buildings and public facilities, home renovation work, and apartment renovation by cooperating with the group companies engaged in the installation work and construction.
- By consistently engaging in the industrial and building materials located in the upstream part as well as the installation work and construction to create spaces, our entire value chain can provide value.
- We link the needs obtained in the installation work and construction sites with the development of labor-friendly type products and techniques.

Slag wool DAILOTONE

Engineering business

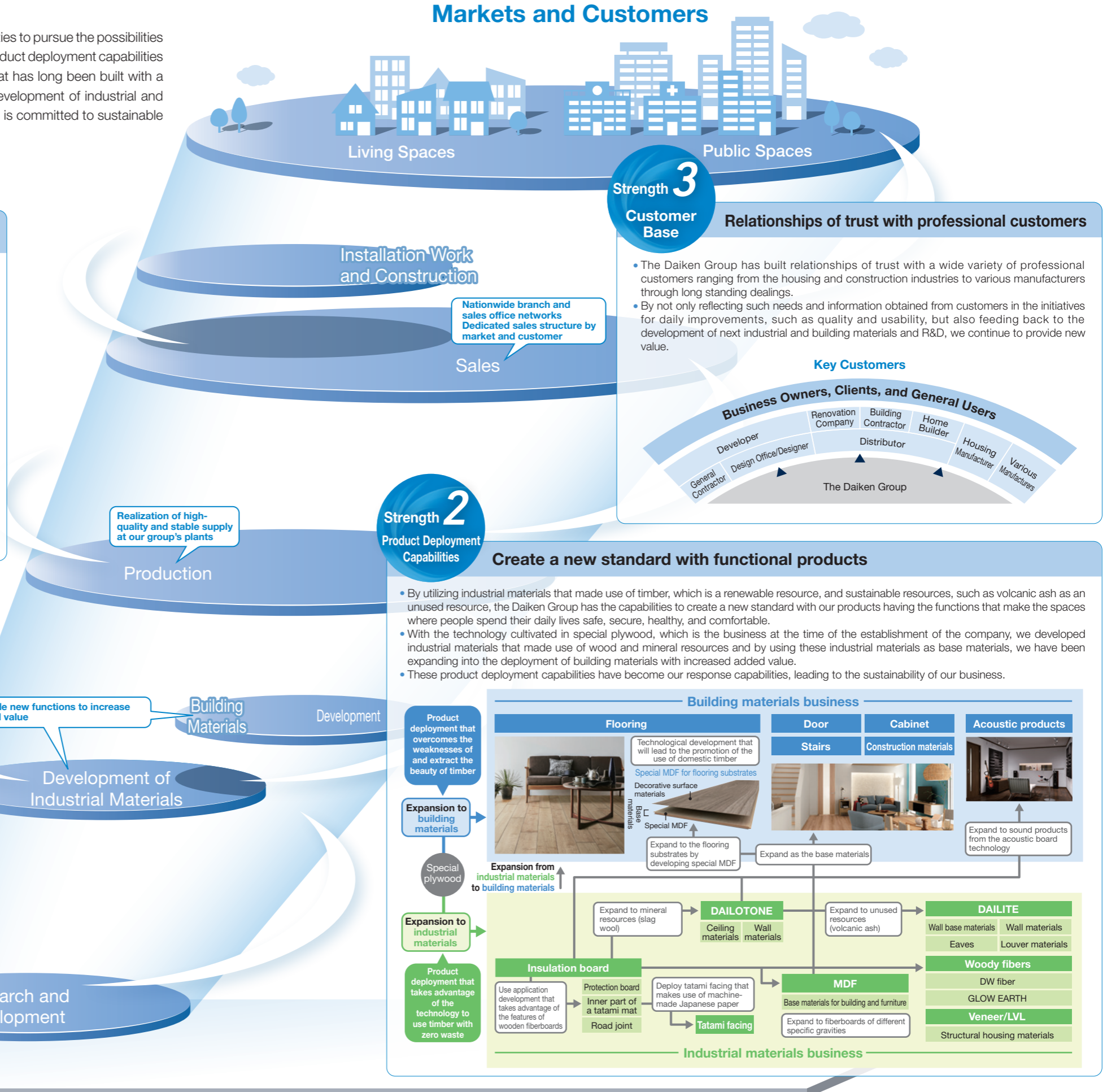
Strength 1 R&D capabilities

Pursue the possibilities of sustainable industrial materials and a safe, secure, healthy, and comfortable space

- Daiken Corporation was founded soon after the war with an eye toward the effective use of timber as precious resources and the contribution to society through postwar reconstruction.
- We conduct research and development based on the two ideas of (1) overcoming weaknesses and extracting the beauty of timber and (2) using timber with zero waste as the technology to effectively use timber.
- As the expansion of applications to something other than timber, we have also proceeded with the technological development to apply technology to handle wood fibers and utilize unused mineral resources.
- Furthermore, as the field to make use of materials and technologies we have created, we have been expanding the applications above into research and development to pursue spaces where people can spend the time safely, securely, healthfully, and comfortably.

Daiken R&D Center

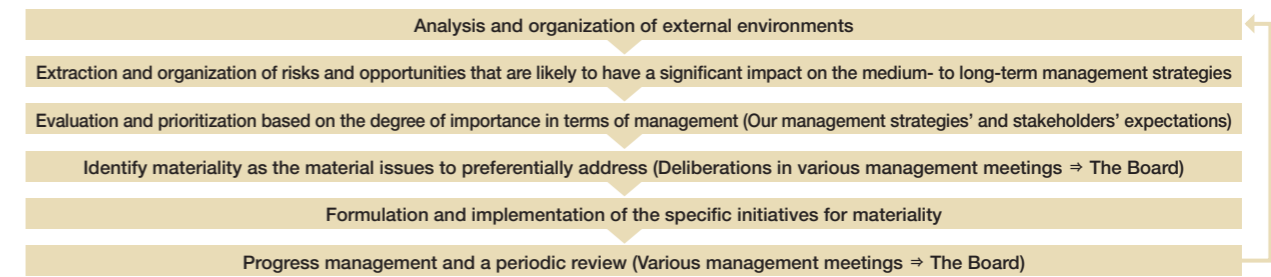
Markets and Customers



Risks, Opportunities and Materiality

In addition to the risks and opportunities that are likely to have a significant impact on the Daiken Group's medium- to long-term management strategies, we have identified materiality as the material issues to preferentially address based on such risks and opportunities as the following. In identifying such themes, we made decisions by the Board's resolutions through deliberations in various management meetings. We also link materiality to preferentially address the policies in the medium-term management plan and the focused measures and proceed with the initiatives after setting the goals.

Processes to Identify the Risks, Opportunities, and Materiality



Social Issues and Needs (External environment and trends)
<p>Climate change and global warming Loss of biodiversity</p> <p>Forest conservation and regulations over illegal logging</p>
<p>Depletion of/scramble for resources</p>
<p>The Japanese government's growth strategy</p> <p>Green Transformation (GX)</p> <p>Construction of a housing circulation system toward a decarbonized society</p> <p>Digital Transformation (DX)</p> <p>National land toughening and improvement of the next-generation infrastructure</p> <p>Realization of a tourism-oriented country</p>
<p>Threat of infectious diseases</p>
<p>Threat of natural disasters</p>
<p>Low birthrate and longevity in Japan</p> <p>A decrease in population and a decrease in the number of households</p> <p>Depopulation</p> <p>A decrease in productive-age population</p> <p>Acceleration of women's participation in society</p>
<p>A worldwide increase in population</p>
<p>Change in the security environment</p>
<p>Request for sustainable management</p>

Risks and Opportunities
Request for decarbonization
Difficulty in procuring woody resources
Needs for industrial materials using sustainable wood resources
Needs for shifting to alternative resources
Needs for spaces where the elderly and children can spend time with peace of mind
Regional revitalization and compact cities
Formation of a good housing stock
Resilient urban development and redevelopment projects
Recovery in inbound demand
New normal as a result of the COVID-19 crisis
Disruption of business activities and supply chains
Lack of human resources
Expansion of the opportunities where diverse human resources exercise their abilities
Needs for the development of products and techniques to supplement the lack of skilled construction workers
A decrease in the number of domestic new housing starts
Continuous expansion of demand for the high-quality living environment in the overseas growing markets
Surging resource/energy prices
Growing geopolitical risk
Management ability that responds to the risks and opportunities and increases corporate value

Materiality
<p>Building a Resource-Recycling and Recycle-Oriented Society</p>
<p>User Needs in the New Normal Era</p>
<p>Diverse Human Resource Foundation by Improving Comfort in Working and Job Satisfaction</p>

Initiatives for Materiality
<p>Creating Shared Value (CSV) by Daiken Business</p> <p>01 Contribution to carbon neutrality by utilizing wood resources ▶ P.23-24</p> <p>02 Promotion of the use of domestic timber ▶ P.25-26</p> <p>03 Effective utilization of unused resources ▶ P.26</p> <p>04 Creating a safe, secure, healthy, and comfortable space ▶ P.27-28</p> <p>05 Development of labor saving type products and techniques ▶ P.28</p>
<p>Environmental Strategy ▶ P.47-50</p>
<p>Human Resource Strategies ▶ P.51-52</p>

*Details of the risks associated with businesses are described in the securities report.

Creating Shared Value (CSV) by Daiken Business

01 Initiatives for materiality "Realization of a resource-recycling and recycle-oriented society" Contribution to carbon neutrality by utilizing wood resources



By pursuing the use of wood resources for materials, turn the living space into "The second forest"

Social issues and needs

While the countermeasures for climate change have become a pressing global issue, the importance of protecting and growing forests that have the functions to absorb CO₂ and store it as carbon to reduce greenhouse gas emissions and using wood resources as materials, in addition to energy saving and shifting to renewable energy, has been increasing.

Daiken's strengths and value creation

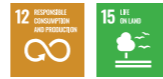
Daiken Corporation was founded with an eye toward the effective use of timber as precious resources and contribution to society. Since the foundation of the company, we have refined technologies to overcome the weaknesses of timber and use timber with zero waste and developed industrial and building materials offering a wide variety of functions. Trees function to absorb CO₂ during the growth process, to fix it as carbon, and to keep storing it by continuing to use them as materials. Since timber is a renewable resource, it can contribute to the realization of a sustainable society and carbon neutrality by creating the cycle to appropriately manage and use forests. By pursuing the sustainable use of wood resources from the three perspectives of (1) use of appropriately managed timber, (2) use of timber to protect forests, and (3) use of timber with zero waste, we continue to create social and economic value.

CO₂ C Fix and store as carbon



*Fiscal 2022
Calculated in accordance with the method of calculation in the "Guideline for Labeling of the Amount of Carbon Storage Concerning Timber Used in Buildings" by the Forestry Agency

02 Initiatives for materiality "Realization of a resource-recycling and recycle-oriented society"
Promotion of the use of domestic timber



Promote the use of domestic timber with special MDF that offers excellent water resistance

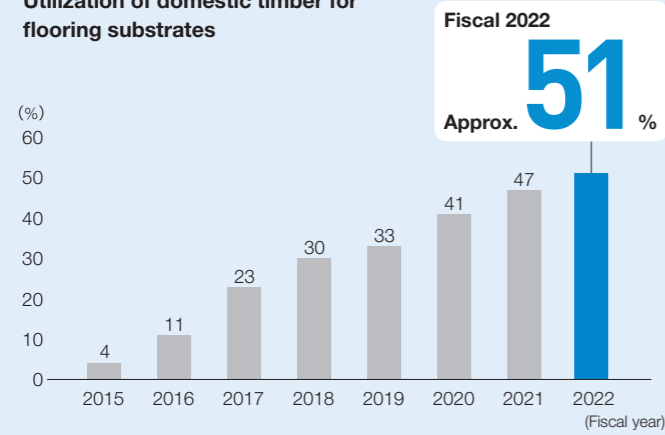
Social issues and needs

Japan is one of the world's most forested countries with about two-thirds of the land covered in forest. Therefore, domestic timber should be more actively used in order to foster healthy forests that fulfill various needs, such as absorbing CO₂ and prevention of landslides. The Japanese government is aiming to increase wood self-sufficiency to 50% by 2025.

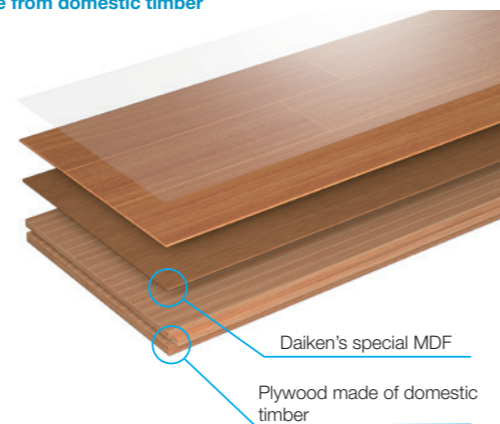
Daiken's strengths and value creation 1

The Daiken Group took advantage of the expertise cultivated as the leading flooring manufacturer and Daiken's unique MDF technology that offers excellent water resistance and surface smoothness, proceeded with the development of flooring substrates combined with domestic timber, and has made many improvements. Because of the shift, we newly promoted for our primary products in the fiscal 2022, utilization of domestic timber for flooring substrates, which was approx. 4% in the fiscal 2015, increased to approx. 51%. The group will continuously proceed with product development that will draw out the appeal of domestic timber and further promote the use of domestic timber.

Utilization of domestic timber for flooring substrates



Cross-section image of flooring substrates made from domestic timber



Expanding the scenes to utilize domestic timbers with the wood hardening technology

Daiken's strengths and value creation 2

With Daiken's unique WPC* technology to harden wood tissues by injecting plastics into and filling the tissues, it has become possible to offer flooring with excellent surface strength that uses domestic natural wood for decorative surface materials. Because many domestic tree species are soft materials, low durability in using them as flooring was an issue, but by taking advantage of this technology, we will expand the use of domestic timber while meeting the needs of using local materials.

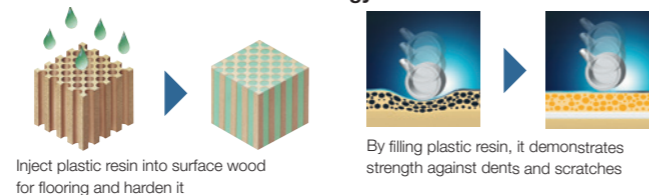
*WPC: The abbreviation for Wood Plastics Combination

Results of the commercialization of local materials with the WPC technology

23 prefectures



Mechanism of the WPC technology



New use application development of wood materials

Daiken's strengths and value creation 3

While exploring new possibilities of domestic timber, we developed the soil improvement additive DW fiber made of fibrillated timber offcuts and to which fulvic acid with plant growth-promoting effects is added and the wood culture medium GLOW EARTH that can create an optimal cultural environment by making factor substances that inhibit the growth of plants harmless under the conceived idea of using such domestic timber as wood fibers. These products realize the resource circulation that wood harvested in a forest becomes the culture medium, helps the growth of the next plants, and returns to the soil again and deployment to the fields of civil engineering and landscaping as well as the fields of agricultural and horticultural materials leads to new use application development of domestic timber.

DW fiber



GLOW EARTH



03 Initiatives for materiality "Realization of a resource-recycling and recycle-oriented society"
Effective utilization of unused resources



Expansion of the utilization of unused resources using non-combustible materials that offer excellent durability

Social issues and needs

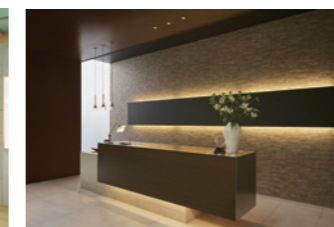
While everyday lives becoming more convenient and affluent, limited resources and energy on earth have been heavily consumed and there have been growing concerns about the depletion of natural resources. To respond to these issues, pursuit of sustainable production and consumption, such as effective utilization of renewable resources and unused resources and the reduction of waste, has become crucial.

Daiken's strengths and value creation

Daiken developed DAILITE, the world's first new industrial material using an unused resource, *shirasu* (volcanic ash) as the major raw material, which has the performance that could not be realized with conventional inorganic materials, such as lightweight, high strength, and fireproof, and started selling it in 1997. In the beginning, DAILITE was mainly used as a bearing surface material to enhance strength of houses but we now propose to use it as the non-combustible and well-designed wall materials and louver materials. By finding value in an unused resource and expanding the use applications, we contribute to the realization of a sustainable society.



Bearing cloth base material DAILITE MU



A non-combustible wall material with a deep curved design made of DAILITE base material GRAVIO EDGE



Shirasu, an unused resource available in the natural world

Creating Shared Value (CSV) by Daiken Business

04 Initiatives for the fulfillment of materiality, "User needs in the new normal era" Creating a safe, secure, healthy, and comfortable space



Creating a safe space to live together with the elderly

Social issues and needs

Japanese society is more rapidly aging than other developed countries and becoming a super-aging society with one in four people aged 65 or over. Amid concerns about social problems with elderly people providing care for elderly people, living spaces where people can live with peace of mind even when they get older are required.

Daiken's strengths and value creation ①

Based on our ideas and technologies for living spaces proven through our work, Daiken is committed to manufacturing from the perspective of all users, including elderly people, their families, and caregivers. In recent years, we have improved the mechanism that can finely respond to the needs that vary according to facilities, such as elderly facilities and houses that are considerate of home care, and have been deploying comprehensive product lines that are safe and have functionality.



Cases of adopting the building materials from the OMOIYARI SERIES for the living spaces where elderly people live



A wide sliding door that can be easily accessed by a wheelchair

Creating spaces where children can spend the time safely

Social issues and needs

With the increase in women's participation in society and in childcare facilities that increasingly grow in importance, it is imperative to create safer facilities and reduce nursery teachers' burden in addition to the problem of children on the waiting list due to the lack of facilities.

Daiken's strengths and value creation ②

We thoroughly examined the performance required for the area around a door in a childcare facility where the risk of injury is particularly high and developed the door dedicated to kindergartens and childcare facilities, while taking advantage of the expertise in door manufacturing cultivated from past houses and elderly facilities. We will support a wide variety of problem solutions required for childcare facilities, such as improvement of safety and comfort and further reduction in the nursery teachers' burden by using Daiken's unique technologies and diverse products.



OMOIYARI KIDS DOOR
A door that is considerate of children's safety



Won the KIDS DESIGN AWARD
*Designs to support comfortable raising of children
Ceiling sound absorbing pane KIN TONE

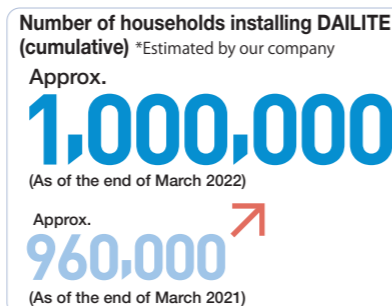
Seismic resistance / Strengthening of disaster prevention

Social issues and needs

Japan has been devastated by earthquakes many times, including the Great East Japan Earthquake. Large earthquakes, such as the Nankai trough earthquake, are predicted with high probability to occur in the future, and the Japanese government has set a target for seismic resistance ratios and promotes the seismic resistance and the strengthening of disaster prevention for houses and buildings.

Daiken's strengths and value creation ③

Daiken has contributed to improving the aseismic performance of Japanese wooden houses through the development of DAILITE, an inorganic bearing surface using mineral fibers and an unused resource, *shirasu* (volcanic ash) as the major raw materials. By deploying not only bearing surface materials but also a number of product lineups that offer excellent non-combustibility and fireproof property, we have been promoting the strengthening of disaster prevention. With our unique base materials, we will improve safety of various living spaces, such as wooden houses and public and commercial buildings.



DAILITE MS

Expansion of the antiviral products

Social issues and needs

With the pandemic outbreak of infectious disease, awareness of health and clean environments has been rapidly increasing and the needs for sanitary measures for and safety of living spaces and public spaces where people gather have been expanding.

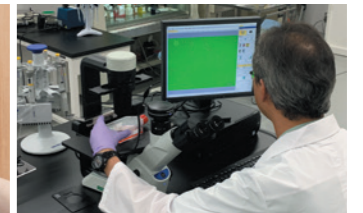
Daiken's strengths and value creation ④

We focused on the antiviral function in the wake of the outbreak of the novel influenza in 2009 and started working on its development in 2011. In the following year, we put the function to practical use as the antiviral function BIOTASK* ahead of the industry. We respond to the needs in the COVID-19 crisis, expand the product variations having the antiviral function, and proceed with the initiatives aimed at reviewing the antivirus mechanism and contributing to the reduction of the threat of virus.

*BIOTASK: Our unique name for the antiviral function (our registered trademark)



A product having the antiviral function



Microorganism measurement room in the R&D Center

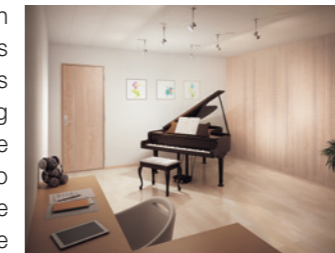
Improvement of the sound environment in living spaces

Social issues and needs

With the changes of the times, issues concerning sound in daily lives have become diversified. Particularly in the COVID-19 crisis, the needs for the prevention of sound leakage and reverberation have been rapidly increasing because of the increase in working at home and online meetings.

Daiken's strengths and value creation ⑤

In pursuing comfort of the living spaces, Daiken has been engaged in acoustic products since the 1980s and faced various sound issues. Since then, with the accumulation of technologies and know-how for 40 years, we not only develop products having soundproof and sound absorbing functions but also propose spaces to realize the optimal sound environment. In response to the fact that new issues concerning sound have recently become apparent in offices, stores, and medical facilities, we expand the product lineup that corresponds to the needs of each facility. Through the resolution of sound issues that significantly influence comfort, we will realize more comfortable living spaces.



A soundproof room corresponding to playing a musical instrument



OTOTEN, a ceiling material for a soundproof room

05 Initiatives for the fulfillment of materiality, "User needs in the new normal era" Development of labor saving type products and techniques



Contributing to the anti-seismic ceiling by developing the labor-saving construction technique

Social issues and needs

A shortage of workers has become an aggravated problem in the construction industry. On the other hand, while the Building Standards Act revised after the Great East Japan Earthquake requires higher aseismic performance of the ceilings of large public buildings, there was an issue that it requires much time and labor in making existing ceiling anti-seismic.

Daiken's strengths and value creation

To particularly respond to the needs of making the ceilings of large public facilities anti-seismic after the Great East Japan Earthquake, Daiken developed a unique ceiling construction technique that makes it possible to make the ceiling anti-seismic with the saving construction time and work. With this construction technique, we reduced the construction time and labor by approx. 25% compared to making the conventional ceiling anti-seismic. We also developed a ceiling system exclusively for hallways, which will become the evacuation route at the time of disaster. We will aim to further realize the saving construction time and work for not only ceilings but also building materials for renovation from the perspective of a new construction technique.

Rate of reduction of construction time and labor compared to making the conventional ceiling anti-seismic:
*Estimated by our company

Approx. **25** %



Our own anti-seismic ceiling construction technique

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 set management goals for both the financial and nonfinancial aspects and developed 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

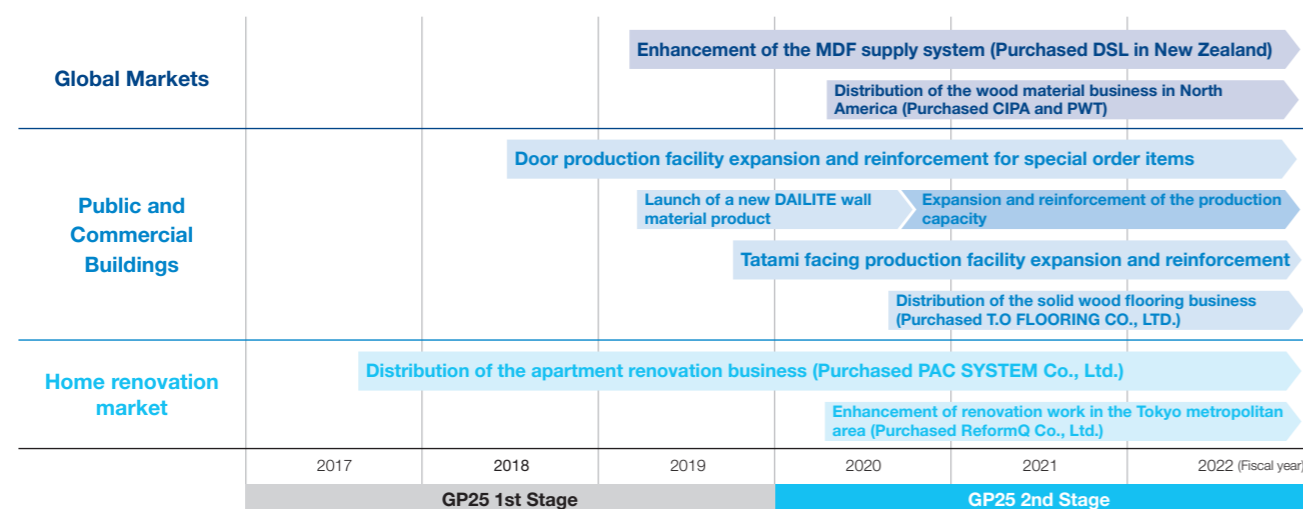
Results achieved against management goals

	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.

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

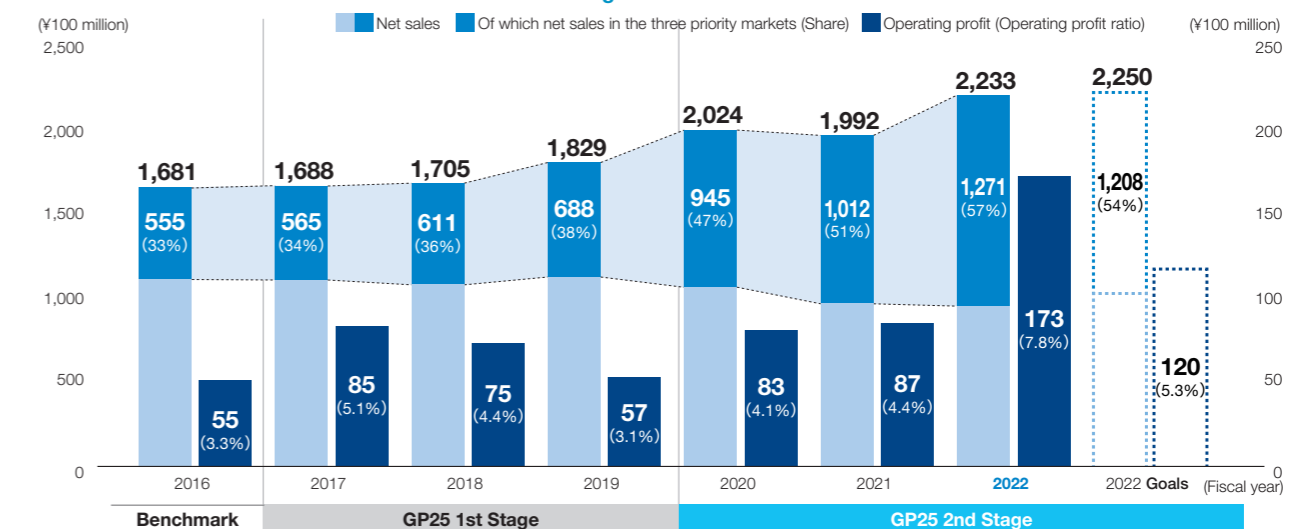
	Results			Goals			
	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2022			
I. Accelerating growth strategies	Net sales	2,024	1,992	2,233	2,250		
	Operating profit	83	87	173	120		
	Operating profit ratio	4.1%	4.4%	7.8%	5.3%		
	Profit attributable to owners of parent	54	56	78	70		
II. Enhancement of the Management 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%	
		Dividend payout ratio	33.4%	32.4%	33.1%	30% or more	
	Non-financial Indicators	E	Total domestic CO ₂ emissions ^{*1}	(28%)	(35%)	(36%)	(26%)
			Total diversity index ^{*2}	+19pt	+19pt	+30pt	+20pt
		S	Serious quality accidents and violations	1	1	0	0
			Degree of penetration of the group corporate philosophy ^{*3}	+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

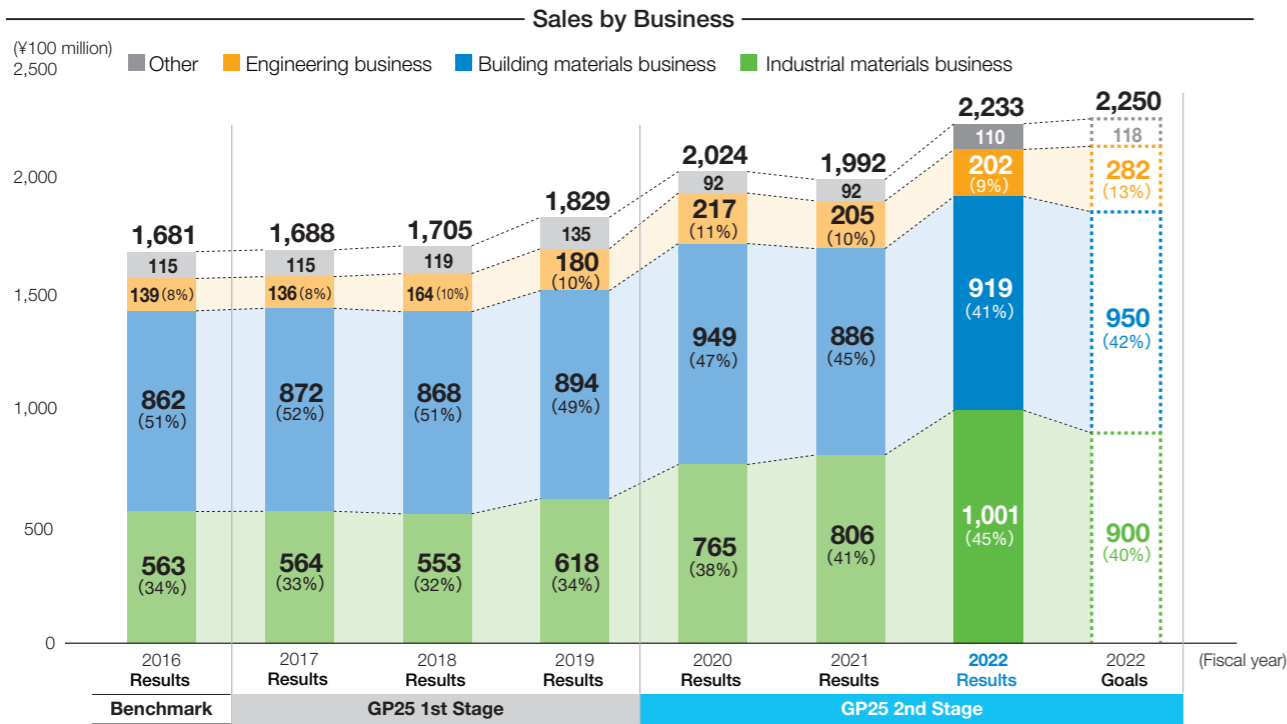
Achievements and issues

- 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 CO₂ 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



Strategies by Business Segment and Sales Result



GP25 2nd Stage (FY 2020-2022)

Strategies by Business Segment

Industrial materials business

Globally expand the markets and by taking advantage of sustainability and functionality, expand applications, and maximize the fixed asset efficiency

- Invest in the North American wood industrial materials business (LVL/veneer) and expand into the North American market
- Pursue optimization of the production system
- Accelerate application development centering on the resolution of social issues
 - Start the non-combustible business for wood materials
 - Consider commercialization of wood material use for the agricultural and gardening markets
 - Consider commercialization of new wood materials

Building materials business

By taking advantage of the industrial materials business, as well as functional and construction saving-type building materials, increase our share in the housing market and expand in the public and commercial building fields

- Further expand differentiated products that can keep getting chosen
- Expand the product/sales networks by actively utilizing M&A and external resources

Engineering business

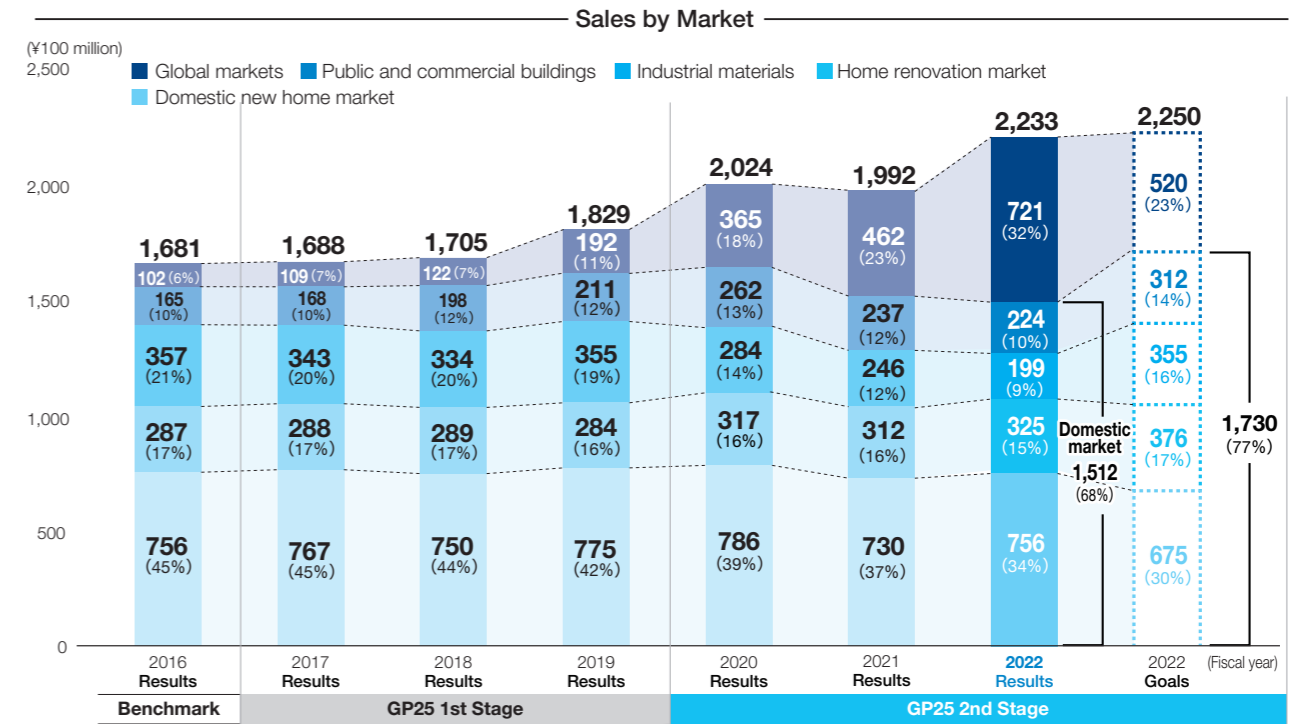
Expand the construction domains, areas, and order sources by M&A and cooperating with other companies

- Expand the construction company's business targeting the priority markets (public and commercial building, remodeling, and renovation)

Three-Year Summary (● Achievements and ▲ Issues)

- Expansion of business by purchasing two North American companies that are engaged in LVL and veneer
- Improvement of profitability through enhanced cooperation with the two North American companies and by introducing products with high added value
- Expansion of the non-combustible product lineup of DAILITE base materials
- Continuation and early completion of business structural reforms in the four group MDF plants
- Postponement of the judgment of commercialization of new wooden boards associated with the COVID-19 crisis and soaring construction costs
- Sales expansion of flooring centering on high design products that are our unique technology
- Introduction of new products that correspond to changing lifestyles during the COVID-19 crisis
- Enhancement of the BCP based on the delivery delays in the final fiscal year
- Sluggish orders received in the solid wood flooring business and delayed onset of synergy by purchasing companies
- Expansion of the sale of and increased profitability of apartment renovation business in the Tokyo metropolitan area
- Expansion of orders by enhancing cooperation with the ITOCHU Corporation Group
- Expansion of synergy between the sale of the industrial and building materials business products and the construction function
- Expansion and optimization of the construction domains (M&As not executed as planned due to the COVID-19 crisis)

Strategies by Market and Sales Results



GP25 2nd Stage (FY 2020-2022)

Strategies by Market

Global markets ▶P.39-40

Accelerate global expansion with a focus on the industrial materials business through aggressive investments

- Invest in the North American wood industrial materials business (LVL/veneer) and expand into the North American market
- Continuously expand wood materials with a focus on MDF
- Put the Chinese and Indonesian building materials businesses on a path toward stable growth and shift to the growth strategy

Public and commercial buildings ▶P.41-42

Expand investments, including M&A, and accelerate growth

- Expand the product lineup (The medical field will be the new focused target)
- Improve infrastructure for the expansion of the markets, such as logistics, correspondence of drawing, and the sales structure
- Expand the product and sales networks, including cooperation with other companies and M&A

Industrial materials

Cover the decrease in these for housing with application development and expand industrial materials business

- Focus on application development for the new markets and fields
- Promote the development of and search the applications of new materials and R&D products

Home renovation market ▶P.43-44

Expand in the renovation market from a perspective of development of functional products and methods

- Expand the renovated properties and renovation work in the Tokyo metropolitan area
- Focus on the expansion of the products for renovation, such as construction savings and waste savings

Domestic new home market

Restructure the sales structure in response to changes in the market and customer needs, and increase our share

- Continuously enhance the products and proposals from the perspective of functionality, such as soundproofing and construction work saving
- Enhance the collaborative system with key distribution companies as well as a system to make proposal to key customers

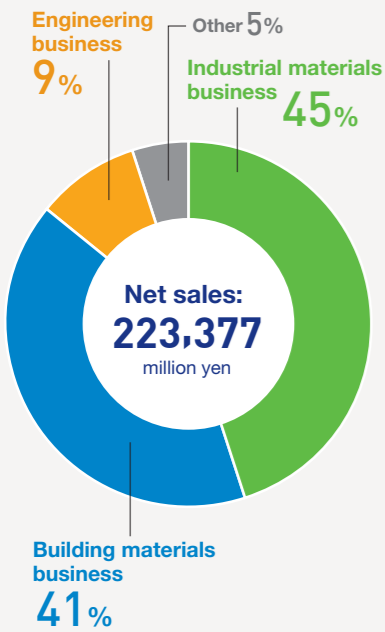
Three-Year Summary (● Achievements and ▲ Issues)

- Expansion centering on LVL in the American housing market on the background of a strong demand
- Expansion of the MDF sales channels for overseas countries
- An increase in door sales in the Indonesian plant due to the growth in demand from the UK
- Enhancement of the development of global human resources corresponding to the expansion of business operations
- An increase in the number of adoption of doors for elderly facilities, medical facilities, and offices
- Enhancement of the proposals with functional products, such as non-combustible, antivirus, and improvement of the sound environment
- Response to the decrease in demand in commercial and accommodation facilities associated with the rapid decrease in the number of overseas visitors to Japan and increased number of people staying at home
- Shift of the sales structure from the housing market and acceleration of the introduction of new products
- New deployment to the civil engineering, agriculture, and horticulture markets utilizing woody fibers
- Establishment of the technology for new wooden boards toward the substitution for lauan wood
- Review of the supply system based on the delivery delays
- Acceleration of the new application development in preparation for the decrease in demand in the future
- Development of labor-saving type products and enhancement of proposals for specialized remodeling companies
- Expansion of the apartment renovation and renovation work in the Tokyo metropolitan area
- Introduction of products that utilize the know-how on renovation work
- Optimization of the remodeling work system
- Expansion of sales to large production builders targeting first-time home buyers that are increasing their presence in the market
- Promotion to increase the use of domestically produced materials for flooring substrates
- A decrease in profitability associated with the change in the market structure
- Pursuit of the operational productivity improvement by promoting DX

Summary of Businesses

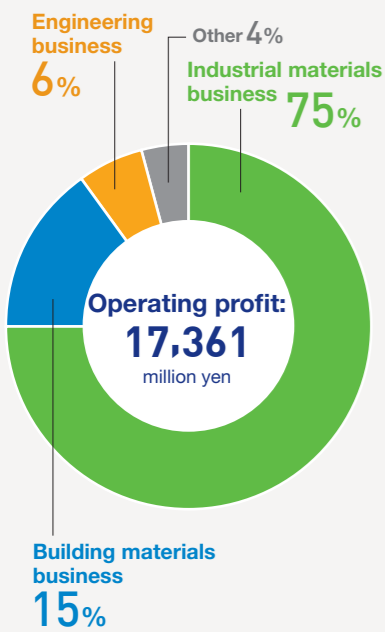
Sales Breakdown by Segment

(Fiscal 2022)

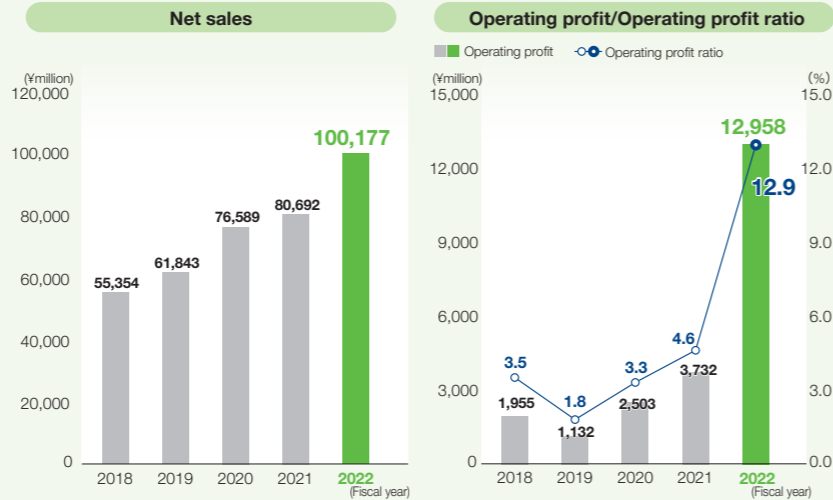


Operating Profit Breakdown by Segment

(Fiscal 2022)



Industrial materials business



Results in Fiscal 2022

Net sales in the industrial materials business in fiscal 2022 decreased because of the sale of a domestic MDF sales subsidiary, but because of the increase in MDF sales in the global market, the increase in LVL sales in the U.S. housing market, the increase in sales of materials for tatami mats in the domestic new home market and the renovation market, and the increase in DAILITE sales for public and commercial buildings, revenues increased. Regarding operating profit, in addition to the effect of increased revenues above, as we proceeded with rationalization, cost reduction, and incorporation of the increases in raw material prices and marine transportation costs into selling prices, as the market prices of wood products hovered at the high level on the background of strong housing demand in the U.S., and as we strived to expand the sales of the products with high added value, such as antiseptic LVL and high-strength LVL, revenues increased. As a result of the above, net sales amounted to 100,177 million yen (up 24.1% year-on-year) and operating profit amounted to 12,958 million yen (up 247.2% year-on-year).

Production Plants

- Okayama Plant
- Takahagi Plant

Subsidiaries part of the Group

- Dai-tac Corporation
- Aizu Daiken Corporation
- Nichinan Daiken Co., Ltd.
- Eco Techno Co., Ltd.
- DAIKEN NEW ZEALAND LIMITED (New Zealand)
- DAIKEN SOUTHLAND LIMITED (New Zealand)
- DAIKEN SARAWAK SDN. BHD. (Malaysia)
- DAIKEN MIRI SDN. BHD. (Malaysia)
- CIPA Lumber Co., Ltd. (Canada)
- PACIFIC WOODTECH CORPORATION (USA)

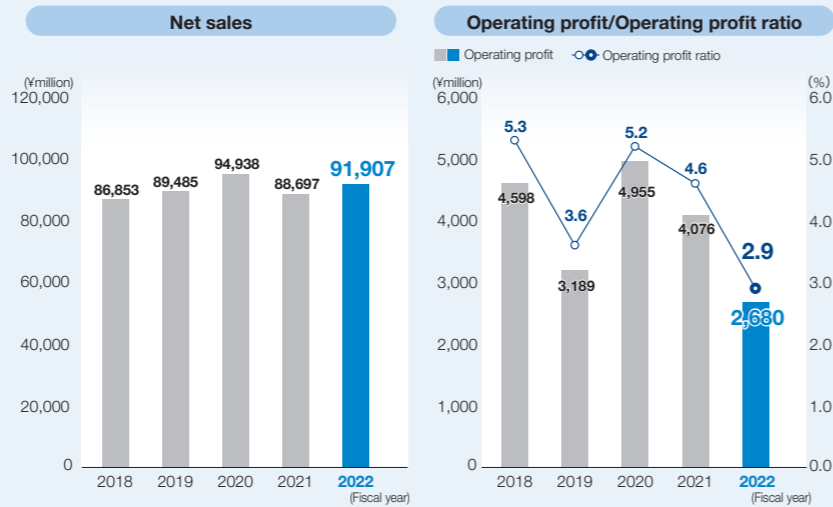
Nikkei Architecture Rankings of the Building Materials and Equipment Manufacturers that the Readers Want to Adopt in 2021



Second place in the Inorganic Bearing Surface Category

A questionnaire survey for the readers in regard to their intention to adopt building materials and equipment manufacturers' products
The November 25, 2021 issue

Building materials business



Results in Fiscal 2022

Net sales in the building materials business in fiscal 2022 suffered from the influence of the decrease in sales due to door and flooring delivery delays and a limitation on orders received during the fourth quarter consolidated accounting period, but as we increased the sales of flooring, doors, and sound products for the new home market, renovation market, and public and commercial buildings during the third quarter consolidated accounting period, revenues increased. Regarding operating profit, although we proceeded with rationalization, cost reduction, and incorporation into the selling prices for the increases in raw material prices, such as plywood, we also suffered from the influence of decreased revenues during the fourth quarter consolidated accounting period due to delivery delays and a limitation on orders received, we could not absorb them, and revenues decreased. As a result of the above, net sales amounted to 91,907 million yen (up 3.6% year-on-year) and operating profit amounted to 2,680 million yen (down 34.3% year-on-year).

Production Plants

- Inami Plant
- Mie Plant

Subsidiaries part of the Group

- Daifit Co., Ltd.
- Dai-wood Corporation
- Setouchi Kakoh Co., Ltd.
- Toyama Juki Co., Ltd.
- T.O FLOORING CO., LTD.
- DAIKEN Industries (Ningbo) Corporation (China)
- DAIKEN (Shanghai) Corporation (China)
- PT. DAIKEN DHARMA INDONESIA (Indonesia)

Nikkei Architecture Rankings of the Building Materials and Equipment Manufacturers that the Readers Want to Adopt in 2021



First place in the Composite Flooring Category

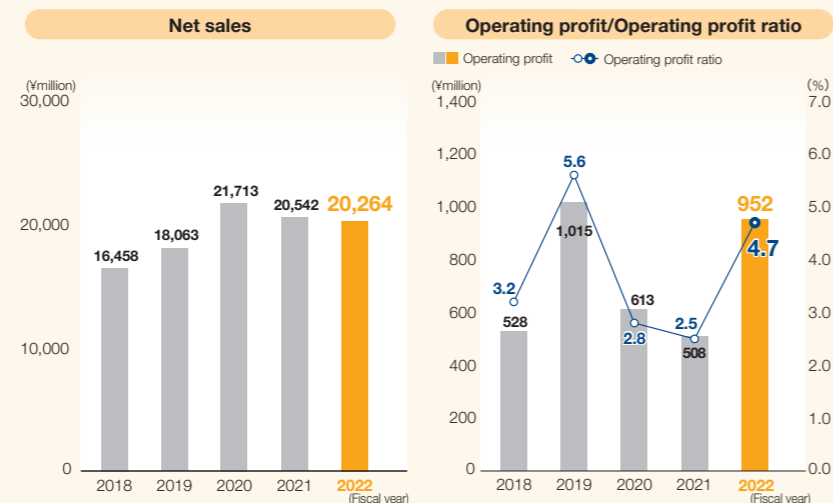
A questionnaire survey for the readers in regard to their intention to adopt building materials and equipment manufacturers' products
The November 25, 2021 issue



Second place in the Home Interior Door Category

A questionnaire survey for the readers in regard to their intention to adopt building materials and equipment manufacturers' products
The November 25, 2021 issue

Engineering Business



Results in Fiscal 2022

Regarding net sales in the engineering business in fiscal 2022, because of the decrease in interior projects for office buildings, revenues decreased. Regarding operating profit, as apartment renovation we engaged in the Tokyo metropolitan area was favorable, profitability improved, and revenues increased. As a result of the above, net sales amounted to 20,264 million yen (down 1.4% year-on-year) and operating profit amounted to 952 million yen (up 87.5% year-on-year).

Subsidiaries part of the Group

- DAIKEN ENGINEERING CORPORATION
- Koukou Sangyo Corporation
- Sankei Corporation
- Smileup Corporation
- ReformQ Co., Ltd.
- PAC SYSTEM Co., Ltd.
- T.O FLOORING CO., LTD. (construction)

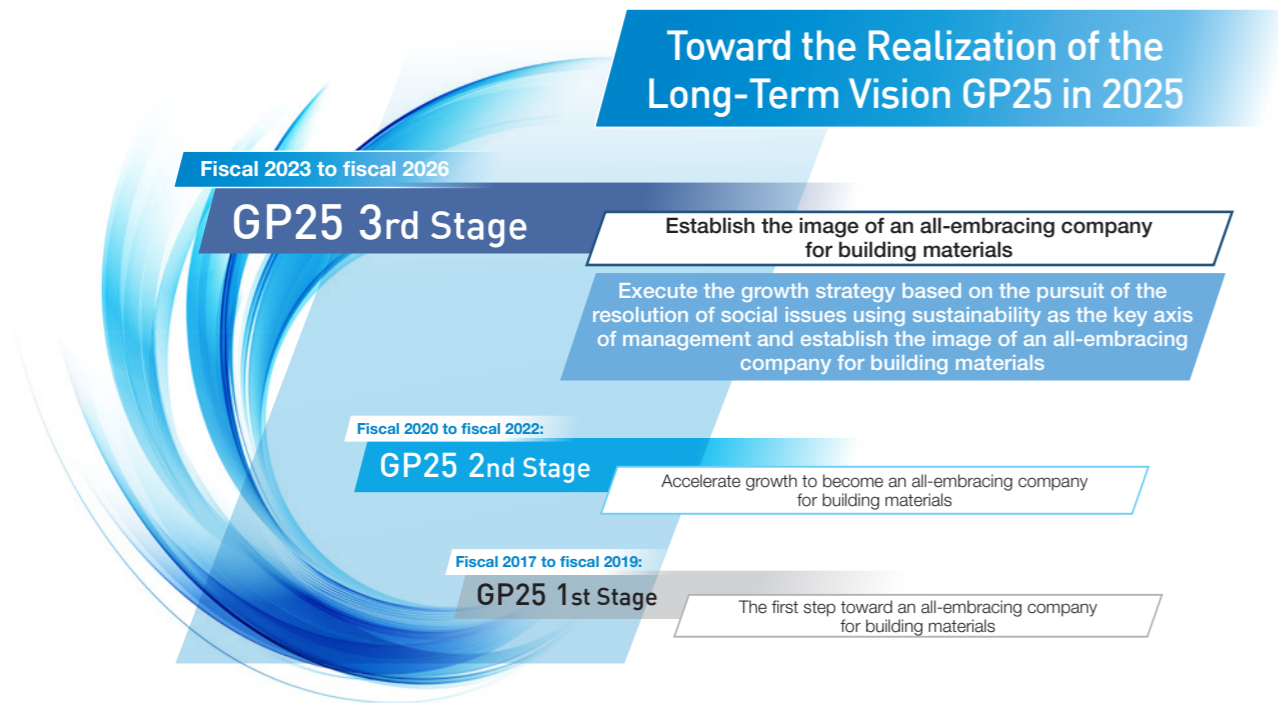


Our apartment renovation project

The New Medium-Term Management Plan GP25 3rd Stage

Positioning of the New Medium-Term Management Plan

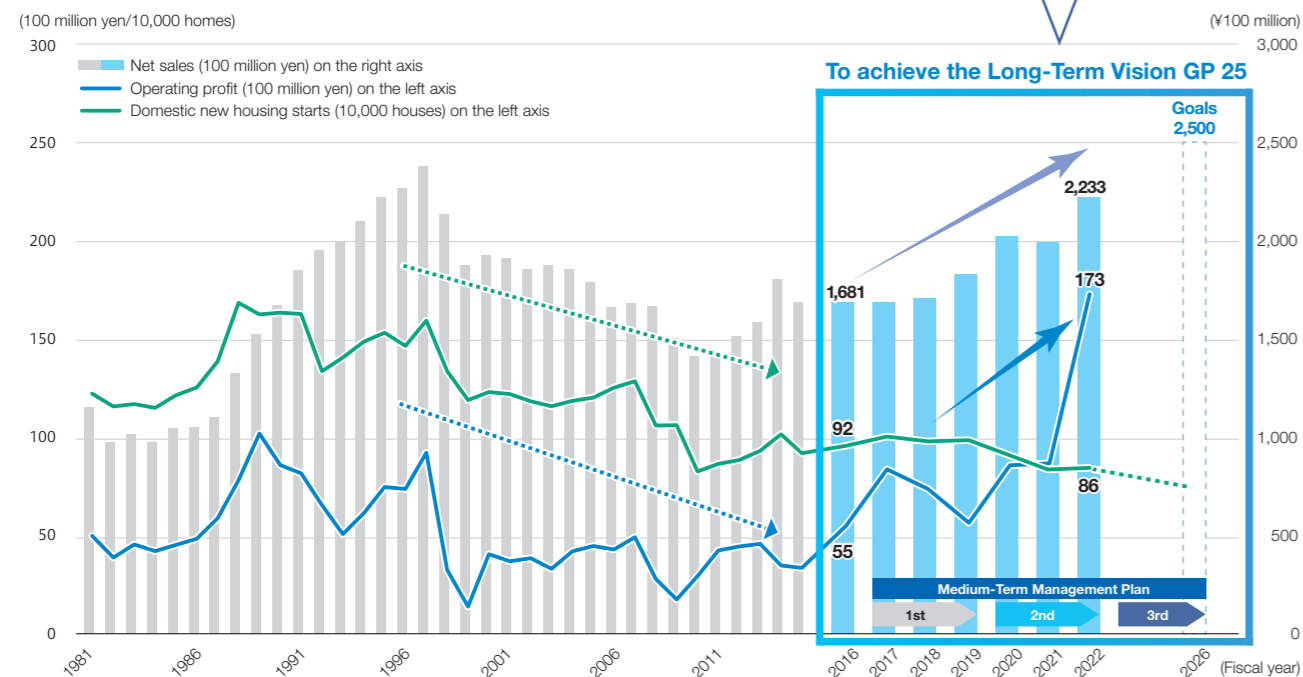
Toward the Realization of the Long-Term Vision GP25 in 2025



Growth trajectory targeted in the Long-Term Vision GP25

While a decrease in domestic new housing starts is expected in the future, we will aim at expanding the global market, public and commercial buildings, and the home renovation market that we position as the priority markets, in addition to the increase in our share in the new home market. By proactively investing our management resources in these priority markets, we will proceed with the reform to become a company that will keep growing even in the situation of decreased domestic new housing starts.

To become a company that will keep growing even in the situation of decreased domestic new housing starts



Basic Policy

I. Execution of the Growth Strategy ~Key to the Resolution of Social Issues (CSV)~

Contribution to a Recycling-Oriented Society

Accelerate the development of industrial materials using wood resources and waste where recycling is managed and the deployment to the global market through utilization development

Satisfaction of User Needs in the New Normal Era

For user needs that seek for further improved safety, security, health, and comfort in all kinds of spaces, enhance our solution proposal capabilities that take advantage of having diverse products (industrial materials and building materials), the spatial evaluation and analytical functions, and the construction function

II. Enhancement of the Management Foundation with Sustainability as the Key Axis

Human Resource Foundation

- Creating the workplace environment and culture where diverse human resources can be active
- Human resource development that supports the growth and can respond to changes
- Establishment of the system and mechanism that admire and support challenges
- Building of the balanced human resource foundation

Business Foundation

- Simultaneous pursuit of the reduction of environmental burden and risk management in the supply chain
- Restructure firm and flexible business infrastructure
- Optimization of the business portfolio (Selection and concentration)
- Ensuring quality, which is the source of provided value
- Offensive/defensive digital strategy
- Building of an efficient and optimal logistics system

Financial Foundation

- Aggressive investments for growth
- Building of the solid financial foundation that supports growth

Governance

- Impartial and highly transparent management that supports the improvement of corporate value
- Improvement of the stakeholder engagement by enhancing the dissemination of information and improving dialogues

Management Goals

I. Execution of the Growth Strategy

	Benchmark Fiscal 2016 Results	GP25 1st Stage Fiscal 2019 Results	GP25 2nd Stage Fiscal 2022 Results	GP25 3rd Stage Fiscal 2026 Goals	Increase/Decrease	
					As compared to 2nd Stage Result	As compared to Benchmark
Net sales	1,681	1,829	2,233	2,500	+266	+818
Domestic market	1,579	1,637	1,512	1,835	+322	+255
Global markets	102	192	721	665	(56)	+562
Operating profit	55	57	173	150	(23)	+94
Operating profit ratio	3.3%	3.1%	7.8%	6%	(1.8pt)	+2.7pt
Profit attributable to owners of parent	39	44	78	100	+21	+60

II. Enhancement of the Management Foundation

Financial Indicators			Nonfinancial Indicators		
		Fiscal 2026 Goals	Fiscal 2026 Goals		
Capital efficiency	ROE	10% or more	E	Total greenhouse gas emissions in Japan and overseas ¹	(10%)
	ROIC	8% or more		Total diversity index 3rd Stage ²	+30pt
Financial soundness	Shareholder equity ratio	40% or more	S	Serious quality incident/violation ³	0
	Debt equity ratio	0.5 times or less		Employee satisfaction ⁴	60pt
Shareholder return	Dividend payout ratio	35%	G	Serious compliance violations ³	0
	Dividend on equity ratio	3.5%			

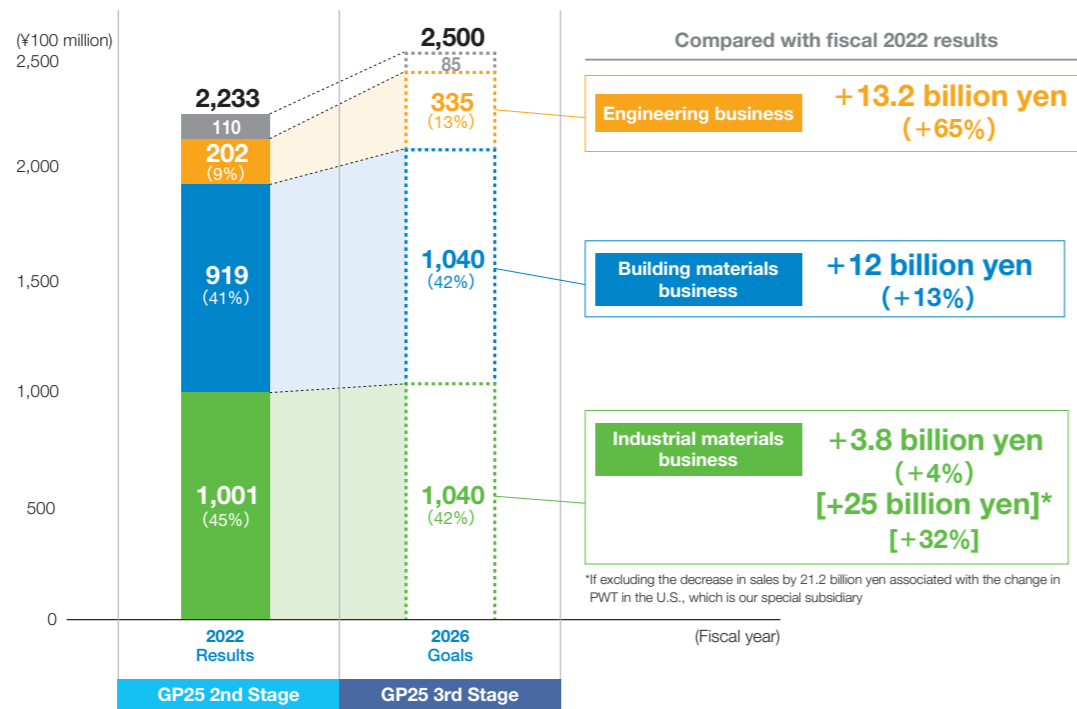
¹ Scope1+2 as compared to fiscal 2022

² Our unique indices that indexed diversity-related items, such as the female manager ratio, compared with FY 2022. Seven items concerning the calculation method have been reset as the Diversity Composite Index 3rd Stage in the medium-term management plan GP25 3rd Stage in FY 2023

³ During the Medium-Term Management Plan period

⁴ Our own indices in which employees' actual feeling for satisfaction / job satisfaction in the workplace were indexed

Strategies by Business and Sales Goals



GP25 3rd Stage (FY 2023–2026)

Strategies by Business Segment

Industrial materials business

- Contribute to the resolution of social issues in the global markets through the development of industrial materials that use sustainable resources and the sales expansion
- Execution of the business structural reform toward the profitability improvement

Value Creation

- Utilization development that will expand the possibility of industrial materials and acquisition of alternative demand from the perspective of sustainability
- Enhancement of the appeal of and sales expansion of the products for public and commercial buildings, such as noncombustible products and materials for tatami mats

Building materials business

- Expansion of the functional building materials that meet the user needs in the new normal era and enhancement of the proposal capabilities
- Improvement of profitability by improving productivity using digital technology and operational efficiency

Value Creation

- Promotion of the development of functional building materials that create "Safe, secure, healthy, and comfortable spaces for everyone"
- Enhancement of the solution proposals that use functional building materials through the performance measurement and evaluation of spaces, such as the sound environment and thermal environment

Engineering business

- Pursuit of the synergy between the products in the industrial materials and building materials businesses and the construction function
- Expansion of the construction areas that meet the spatial needs in the new normal era

Value Creation

- To provide new spatial value by improving the sound and thermal environments that take advantage of the group's product appeal, we will proceed with the expansion of the construction areas and the improvement of our technological capabilities and enhance our integrated order-taking system for industrial materials and construction
- Support for the development of construction techniques and product development incorporating the short construction period and saving construction time and work by using our construction network

Transformation of Business Activities

- Optimization of the production system by enhancing cooperation in the group

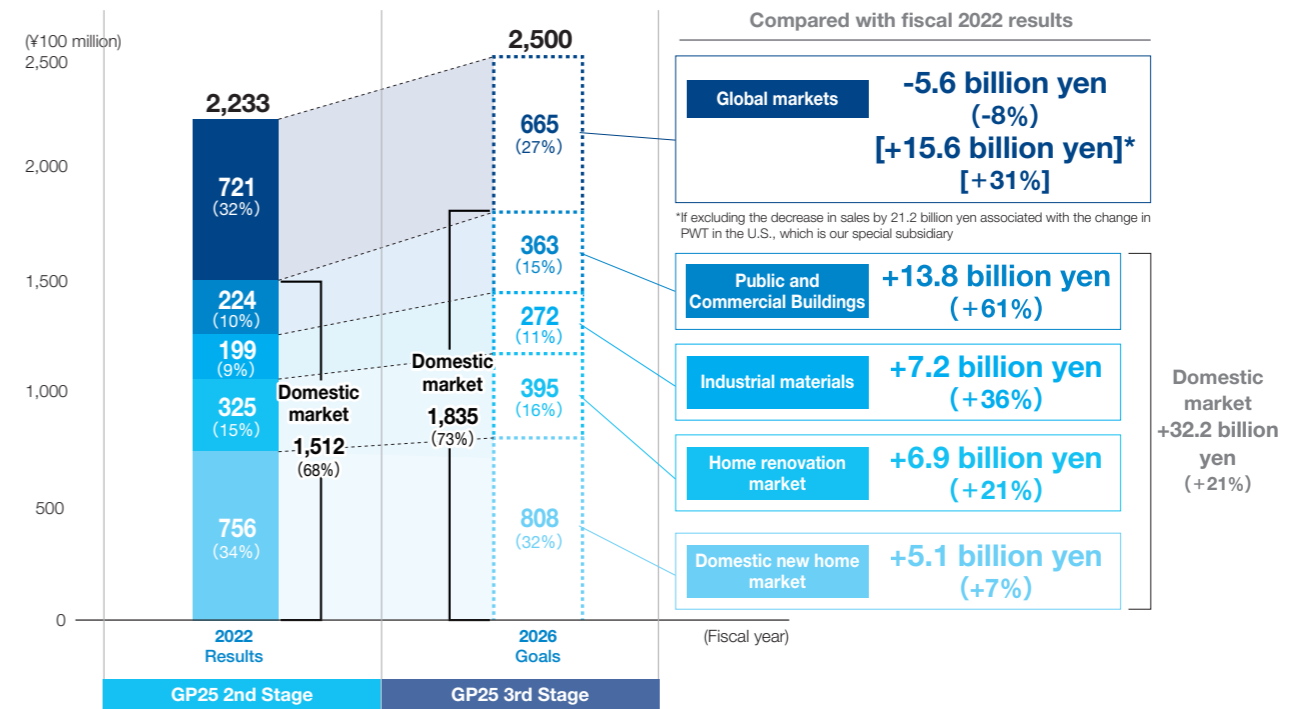
- Optimization of the business portfolio through ROIC by business
- Pursuit of sustainability of raw materials
- Reduction of greenhouse gas emissions in the supply chain
- Reduction and recycling of waste in production and sales, and after sales (Circular economy)

- Restructuring and optimization of the production bases centered on logistics

- Efficiency of business activities that use digital technology

- Improvement of order-taking and construction contract volume per person that uses human resource development and digital technology

Strategies by Market and Sales Goals



GP25 3rd Stage (FY 2023–2026)

Strategies by Market

Global markets

Accelerate the further exploration of the global markets through penetration of industrial material and building material products that use sustainable resources

- Stable supply of sustainable industrial materials for the North American market and investment of management resources to deploy business in new markets
- Fully use and expand our production and sales channel in the Asia/Oceania region and enhance the industrial material and building material supply system for the areas of demand, such as North America, China, and Europe
- Accelerate the shift to managed and sustainable wood resources (certified materials and plantation timber) in procuring raw wood materials and focus on the development and penetration of the industrial materials that use such resources
- Human resource development to accelerate the expansion into the global markets and enhancement of the marketing capabilities to determine new markets and targets

Public and commercial buildings

Growth acceleration by expanding and improving functional building materials that meet user needs in the new normal era and by enhancing proposal capabilities

- Expansion and improvement of the functional building materials that create safe, secure, healthy, and comfortable spaces in order to respond to the user needs associated with the penetration of new lifestyles, purchasing styles, and work styles
- Focus on solution proposals that use functional building materials through the performance measurement and evaluation of spaces
- Marketing activities by co-creation activities and agile development
- Improvement of the integrated order-taking system for industrial materials and construction toward the provision of new spatial value by improving the sound environment and thermal environment
- Efficiency of sales activities and enhancement of proposal capabilities that use the digital methods

Industrial materials

Exploration of new markets and new areas by developing new industrial materials with the advantages of sustainability and environmental burden reduction

- Challenge a new market and a new area, such as agriculture, by making knowledge on wood materials into a strength
- Accelerate co-creation activities with diverse companies not only in R&D but also in all kinds of business activities
- An increase in the share of housing use and expansion of industrial use by using industrial materials using sustainable resources as a weapon
- Expansion of the use that will solve customers' issues by taking advantage of diverse industrial materials using sustainable resources as raw materials, products, and functions

Home renovation market

Expand and improve functional building materials that meet the user needs in the new normal era and establish and penetrate the construction technique models that meet demand for the condominium renovation construction, such as the short construction period, saving construction time and work, and waste reduction

- Improvement of the functional building materials that create safe, secure, healthy, and comfortable spaces to meet the needs of clients associated with the penetration of new lifestyles
- Expand the products specifically for the market by developing construction techniques and products for condominium renovations and enhancing proposals
- Enhancement of the supply system, including logistics, in the renovation market and enhancement of cooperation with TDY and prioritized distribution
- Supply of the purchased and reselling properties in response to the expansion of demand for housing in the Tokyo metropolitan area and expansion and improvement of the renovation construction system

Domestic new home market

Development of differentiated products that promptly meet user needs and an increase in the share by enhancing proposals in order to minimize the impact of shrinking of the market Improvement of the efficient proposals and order-taking system that effectively uses digital technology

- Development of key items that meet the new clients' needs in the new normal era and enhancement of proposals
- Efficiency of the sales and order-taking system by introducing digital technology and outsourcing
- Assured order taking and supply by restructuring the sales structure according to demand

Initiatives for Priority Markets Global Markets

In addition to the sales of MDF produced in Malaysia and New Zealand, the industrial materials business in the global markets expands the sales by the North American wood materials with a focus on the veneers and LVL produced in Canada and the USA. The building materials business has been deploying interior doors in China, which has a huge market size, and Indonesia, where housing demand expansion is expected.

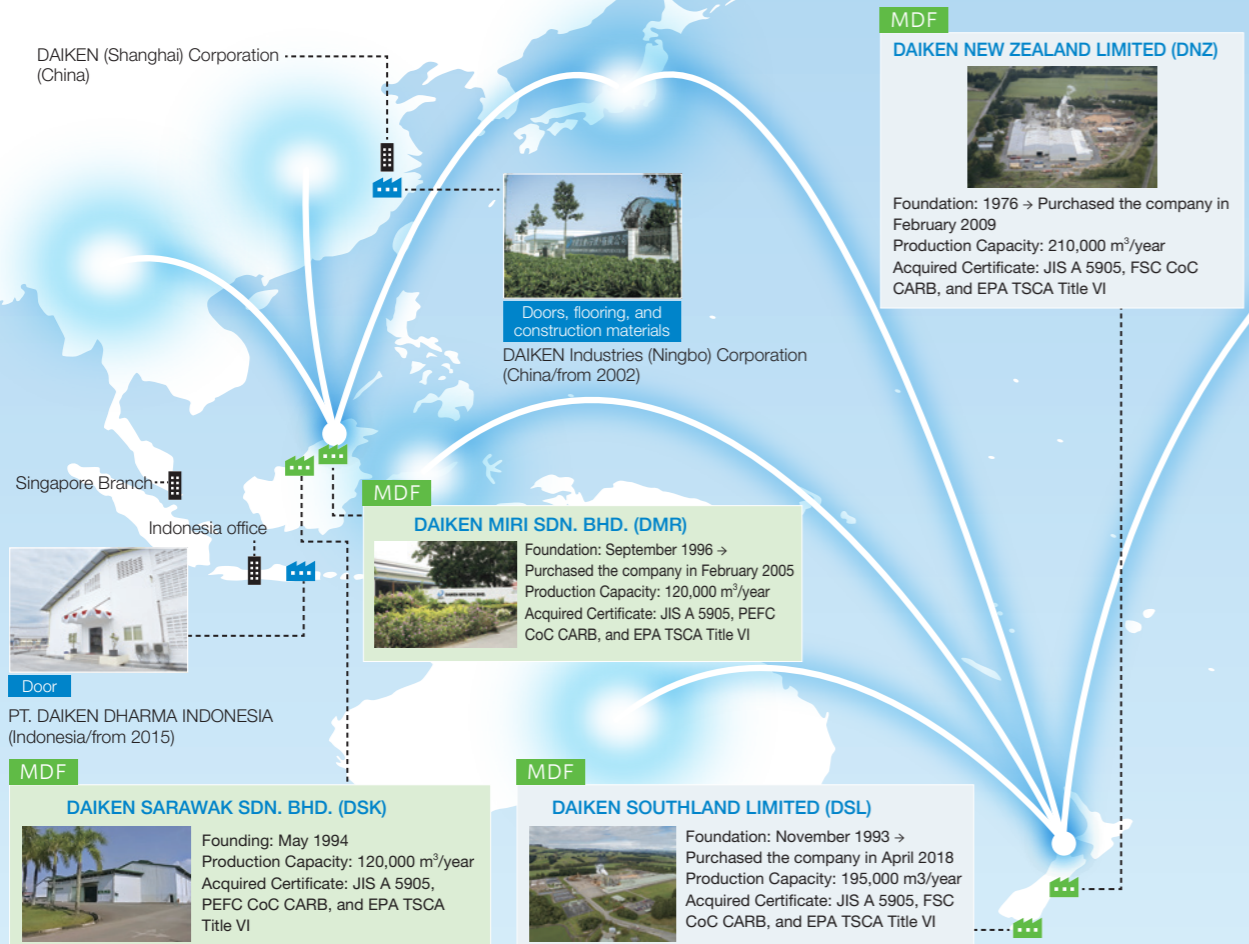
Development by MDF

With the system of four plants in the two countries of Malaysia and New Zealand, we are engaged in the production of MDF for which wood offcuts from timber are effectively used. By taking advantage of tree species and the characteristics of the production lines and cooperation, we will promote the distribution of products having new value and the further expansion of the sales channels in global markets.

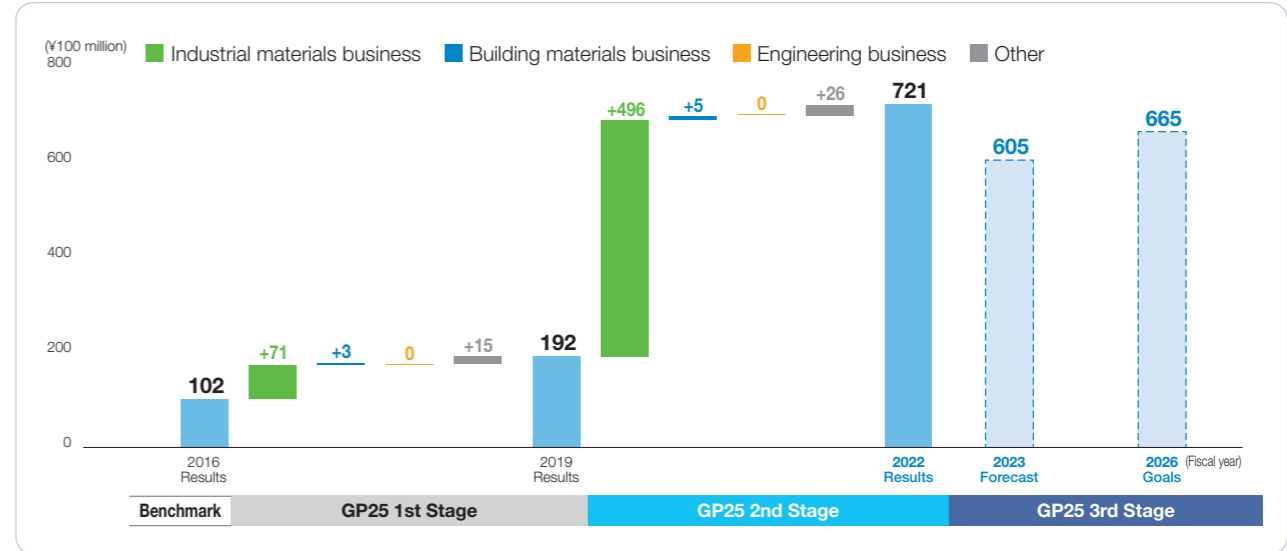
Malaysia	New Zealand
Tree species: Hardwood	Tree species: Softwood
Brown-colored MDF that effectively uses wood offcuts from the plywood/lumber plants in Malaysia. It is used for the flooring substrates that require excellent water resistance and dimensional stability.	White-colored MDF that uses plantation Pinus radiata timber in New Zealand. It is used for the base materials for furniture and building materials that require lightness and smooth surface.
Characteristics DSK is a mother plant for MDF, which produces high value-added special MDF, etc. They are in the two-plant system with DMR after M&A in 2005. They developed MDF that uses 100% plantation acacia timber and proceed with the distribution of new applications.	Characteristics MDF that is globally recognized with the CUSTOMWOOD brand. In addition to the product development that corresponds to the customer needs, such as ultra-lightweight MDF, DNZ and DSL take advantage of their respective characteristics of the production lines and optimize their production items.

Tree planting activity in Malaysia

Toward the realization of stable procurement, we started acacia tree planting in Sarawak, Malaysia, from 2002, and the cumulative afforestation area is 9,500 ha or more. With a view to increasing the ratio of plantation timber, which is the wood material used for MDF, from the current ratio of approximately 50% to 100% in fiscal 2026, we will conduct sustainable raw material procurement.



Global Markets: Trends in Net Sales



Veneer

CIPA Lumber Co., Ltd. (CIPA)
 Foundation: April 1968 → Purchased the company in June 2019
 Location: Canada (Delta, British Columbia)
 Business Lineup: Veneer manufacturing and sales

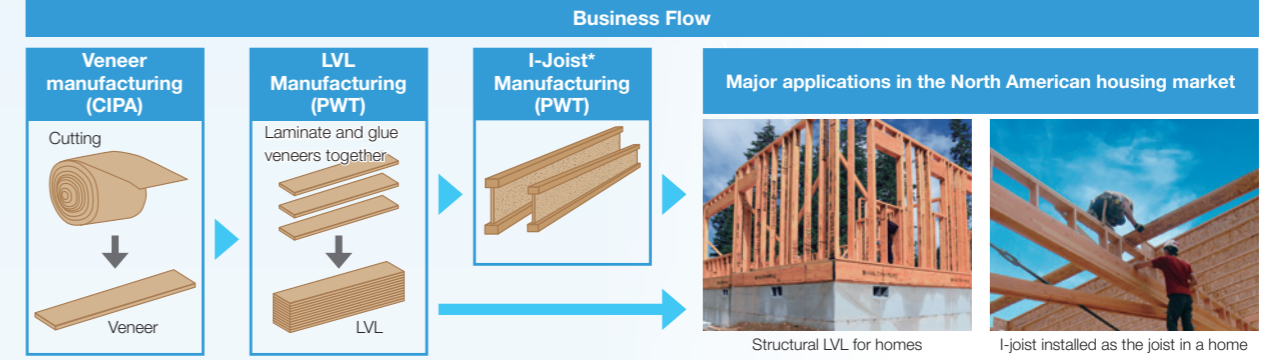
LVL

PACIFIC WOODTECH CORPORATION (PWT)
 Foundation: January 1998 → Purchased the company in June 2019
 Location: The U.S.A. (Burlington, Washington)
 Business Lineup: Structural LVL and I-Joist manufacturing and sales

On June 22, 2022, PWT announced the agreement on acquisition of the housing structural material manufacturing business (Engineered Wood Products Business) from Louisiana Pacific and the capital increase plan, which was accepted by Itochu Corporation, with the acquisition. The company was transferred from a consolidated subsidiary to an equity method affiliate on August 2022.

Expansion with wood materials in North America

We will proceed with the expansion into the world's largest wooden housing market with the North American wood industrial materials business by CIPA, a Canadian veneer plant that we jointly invested in with ITOCHU Corporation who is in a relationship of capital alliance and PWT, an American LVL plant, as a key axis.



*I-Joist: A structural material, which is a composite material of Oriented Strand Board (OSB: a structural wooden board made by laying thin rectangular wood pieces cut from raw wood upon one another in such a way that the surface layer and core layer cross at right angles in the fiber direction and are then compressed at high temperature), LVL, and timber.

Public and Commercial Buildings

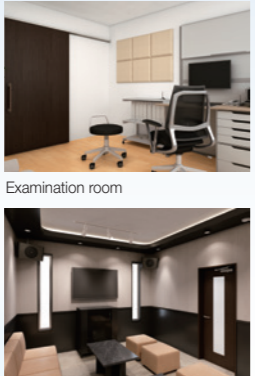
We take advantage of our unique technologies and expertise in safety, durability, non-combustibility, as well as the provision of a comfortable sound environment that we have cultivated as a housing material manufacturer in order to proceed with proposals for spaces by product series that offer the functions required by each public facility and commercial building.

Proposals for spaces with the product series by facility and function

Acoustic products

Sound absorbing **Sound insulation**

Arrange sound vibrations and provide a comfortable sound environment according to the facility characteristics



Examination room
Kindergartens and childcare facilities

Ceiling materials

Non-combustibility **Aseismic performance** **Lightweight** **Sound absorbing** **Moisture conditioning**

Ceiling with aseismic performance and moisture conditioning that realizes a safe, secure, and comfortable space



An anti-seismic ceiling construction technique
Sound absorbing and moisture conditioning ceiling material

A ceiling system exclusively for hallways

Improvement of the sound environment in offices

With the building materials that focus on sound control, such as ceiling materials that suppress sound vibrations and sound-proof doors with a high level of sound insulation, we realize the sound environment in offices suitable for new ways of working.




The 40th anniversary of acoustic product business

Our acoustic product business marked its 40th anniversary in April 2022. At first, we started with proposals of sound-proof products for houses and by taking advantage of the technologies and know-how on sound cultivated in the past, we now respond to demand for potential sound issues in public and commercial buildings. On the occasion of the 40th anniversary, we expanded and improved content on sound on our website and are actively deploying promotions toward the further expansion in public and commercial buildings.



Proposals of spaces made with antiviral building materials

We respond to the rising needs of the antiviral function and expand the product lineup that enables the proposals for the entire space.




Door

Safety **Durability** **Easy maintenance**

Doors that pursue safety and durability according to use scenes



Doors for public and commercial facilities

OMOIYARI Series



Doors for kindergartens and childcare facilities
Doors for elderly facilities

Wall materials

Non-combustibility **Workability** **Design**

Non-combustible and well-designed walls that decorate spaces



Non-combustible wall material
Designed wall materials

Flooring/Solid wood flooring

Scratch resistance **Sound insulation** **Safety**

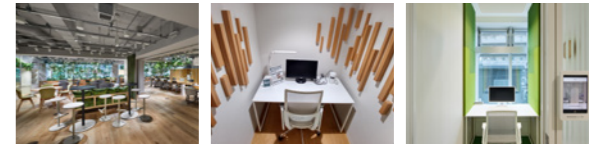
Flooring that produces wood spaces while utilizing local timber



Flooring that can be used in heavy duty areas
Solid wood flooring for gymnasiums and classrooms

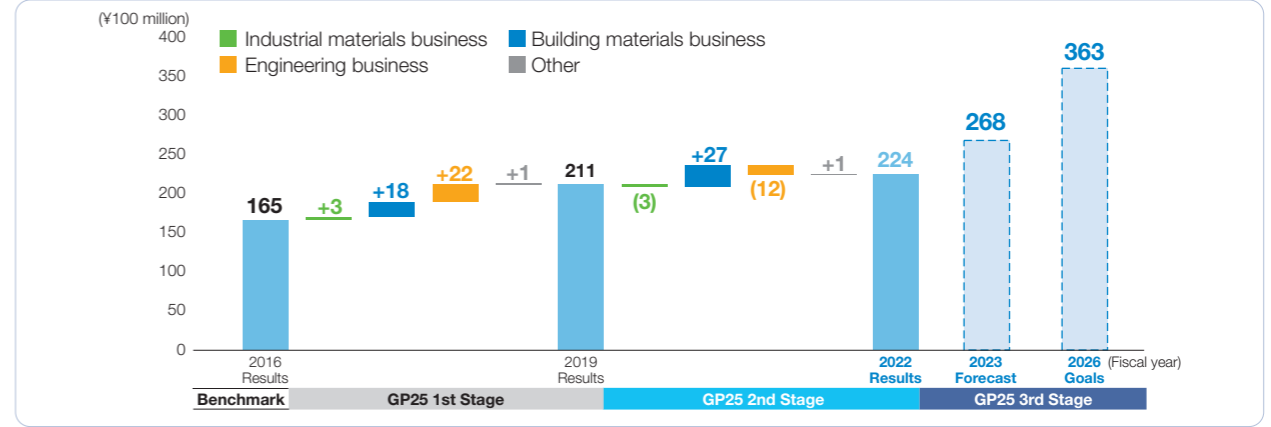
Participation in point 0, a co-creation consortium with other companies

While demand for offices changes with the current diversification of work styles, we have been participating in point 0 since 2021, which operates a co-creation consortium with other companies, with a view to enhancing proposal capabilities in public and commercial building. At a co-working space point 0 marunouchi, we have been working on a demonstration experiment toward the proposal of a new office, such as an improvement proposal of the comfortable sound environment, using wood in interior finishing of the office.



Co-working space
Demonstration experiment to use wood in interior finishing
Case of the introduction of sound environment improvement

Public and Commercial Buildings: Trends in Net Sales



Enhancement of the Distribution of Non-combustible Products

We realize spaces having a unified design with non-combustible products, such as walls, ceilings, eaves, and louver materials.



Tatami mats

Easy maintenance **Durability** **Color variations** **Water repellent**

Tatami mats made from wash paper have a great range of design and are best suited for modern spaces



Accommodation facilities
Commercial facilities

Promoting the use of domestic or local timber

We proactively use domestic timber, such as Japanese cedar and cypress, which were difficult to use in public and commercial buildings, in a wide range of parts, such as wall and ceiling materials, by using our unique technologies.



Home Renovation Market

We have built a system where the entire group can meet a wide variety of needs for renovation through a great range of product lineups for renovation as follows: (1) Proposals for spaces in the TDY Collaboration Showroom, (2) cooperation with the engineering business that handles construction, and (3) product development and manufacturing from the perspective of the construction site. By further enhancing cooperation in the group and promptly responding to the changes of the times and market needs, we will expand in the entire home renovation market.

Integrated system by the group's cooperation

Labor-Saving Type Products that Realize Renovation in a Short Time



Proposals Corresponding to the Changing Lifestyles during the COVID-19 Crisis

While working at home has become common and the time spent at home has increased because of the COVID-19 pandemic, the needs of wanting to realize more convenient and comfortable spaces have been growing. In response to such market needs, we have enhanced the development of products that secure a workspace with the labor-saving technique and correspond to the improvement of sound problems, such as sound leakage and reverberation.



The Group's Construction System in the Home Renovation Market

Renovation

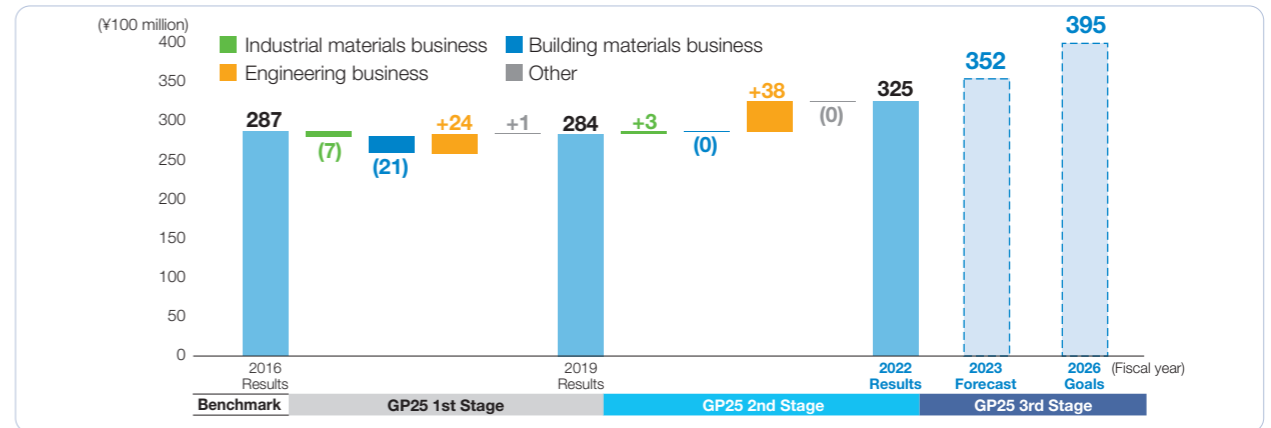
- Smileup Corporation
- ReformQ Co., Ltd.

Apartment Renovation

- PAC SYSTEM Co., Ltd.



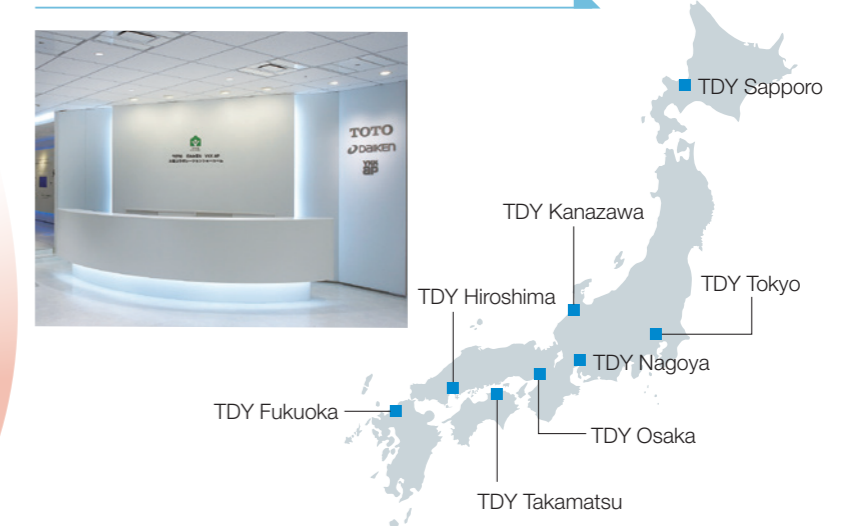
Home Renovation Market: Trends in Net Sales



Enhancement of Renovation Proposals that Take Advantage of the Strength of the TDY Alliance that Marked Its 20th Anniversary

In February 2022, the TDY alliance formed by the three companies TOTO Ltd., Daiken, and YKK AP Inc. (hereinafter referred to as "TDY") marked its 20th anniversary. We have been cooperating with each other in product planning and development, as well as the sales support system, since 2002 and following the change in the consumer trend from things (products) to events (ways of living), we have proposed value of new life in line with the times, such as shifting to proposals with lifestyles as the starting point, instead of products being the start point. Collaboration showrooms jointly operated by the three companies have been deployed in eight sites in Japan.

TDY Collaboration Showroom



In fiscal 2023, we further enhanced renovation proposals that take advantage of the TDY cooperation, such as holding TDY's first online event TDY Remodeling Expo, as a plan to propose the value of remodeling and will expand in the home renovation market.

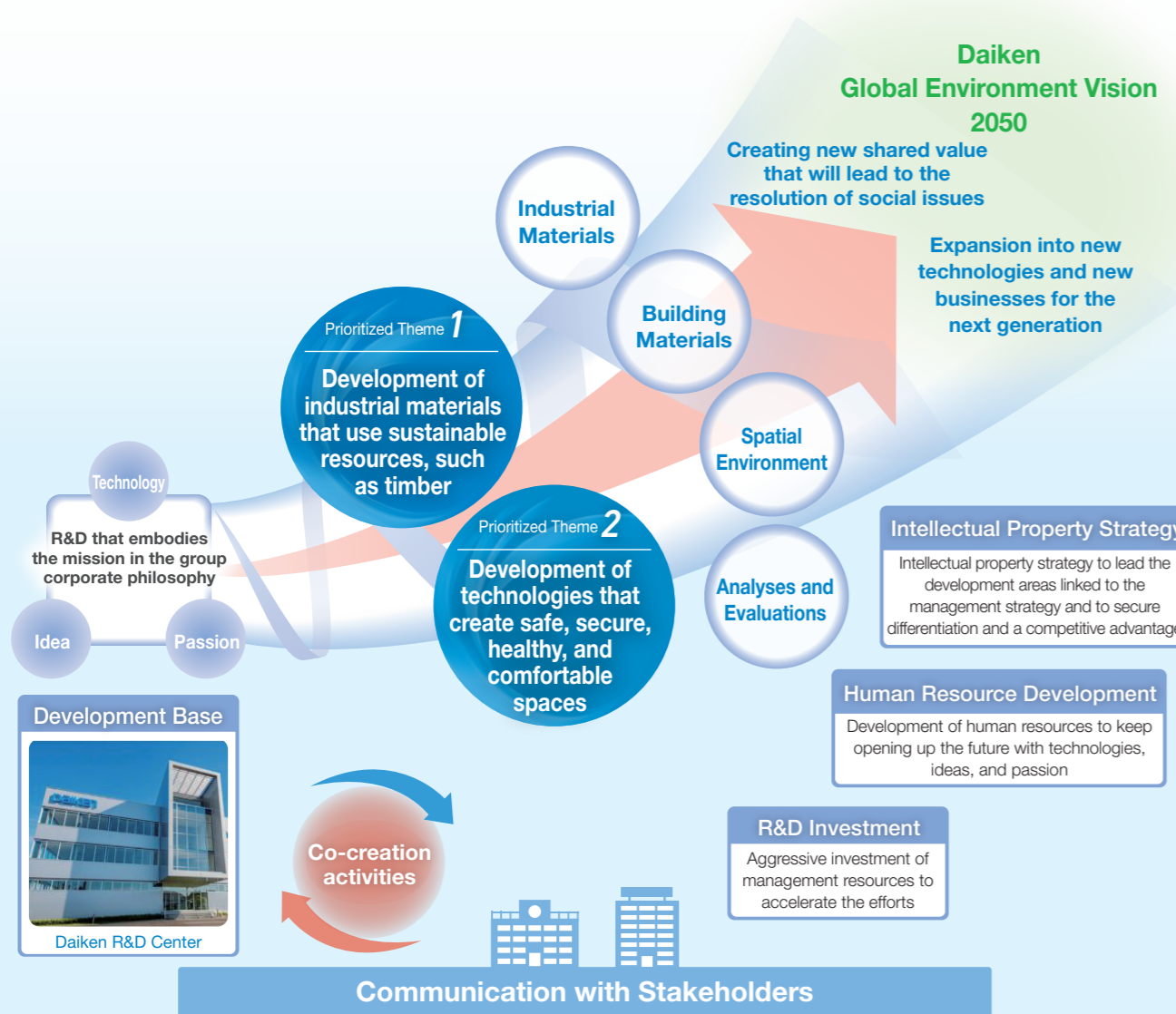


Research and Development

The Daiken Group has positioned development of industrial materials using sustainable resources, such as timber, and technological development to create safe, secure, healthy, and comfortable spaces centering on the R&D center as the priority themes and has been proceeding with research and development aimed at creating new shared value that will lead to the resolution of social issues and expansion into new technologies and new businesses for the next generation. In addition, to speed up the far-sighted research and development and expand the domains, we proactively put effort into the co-creation activities with various stakeholders.

Policy

- Development of new technology for the resolution of social issues, business expansion by aggressively using co-creation (open innovation), and the creation of new business toward the new generation
- Nourishment of a culture that admires and supports challenges by creating a mechanism to be able to challenge new business areas



Development of Technologies

Prioritized Theme 1

Development of industrial materials that use sustainable resources, such as timber

Daiken has been accelerating not only the research and development of industrial and building materials that effectively use timber but also the research and development aimed at challenging a new area without being bound by conventional ideas and the initiatives toward commercialization. Above all, as part of the initiatives for the high-degree application of timber, we have been proceeding with the development of technology to utilize cellulose nanofibers (CNF) that are fibrillated timber at the nano-level under the joint research with a university and collaboration with a company. If we can establish the technology to use CNF that has strength and workability, it will become possible to expand into the domain where plastics, metals, and other materials have been conventionally used. With this, the possibility as a product from a new perspective in the market and area that our group aims to expand into will widen and we will be able to significantly contribute to the realization of a sustainable society.

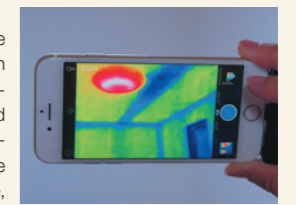


Strength test

Prioritized Theme 2

Development of technologies that create safe, secure, healthy, and comfortable spaces

In addition to the pursuit of the possibilities of industrial materials, we have been proceeding with research and development to give a new function to industrial and building materials. We grasp the spatial environment based on the assay evaluation technology, delve into it from the perspectives of the temperature, humidity, and sound environment that are essential when people spend time comfortably, and at the same time, we conduct assay evaluations toward making responses to harmful substances, such as asbestos and formaldehyde. While further saving of energy in buildings is required toward the realization of a decarbonized society, we also have been focusing on research projects concerning temperature and humidity to simultaneously pursue the comfortableness of livelihood and the reduction of consumption energy by the functions of industrial and building materials. While performance that people require for spatial environment changes with times, by always thinking what performance will be necessary in the future and proceeding with technology development of functional building materials, we will realize the creation of a safe, secure, healthy, and comfortable space.



Thermal image measurement

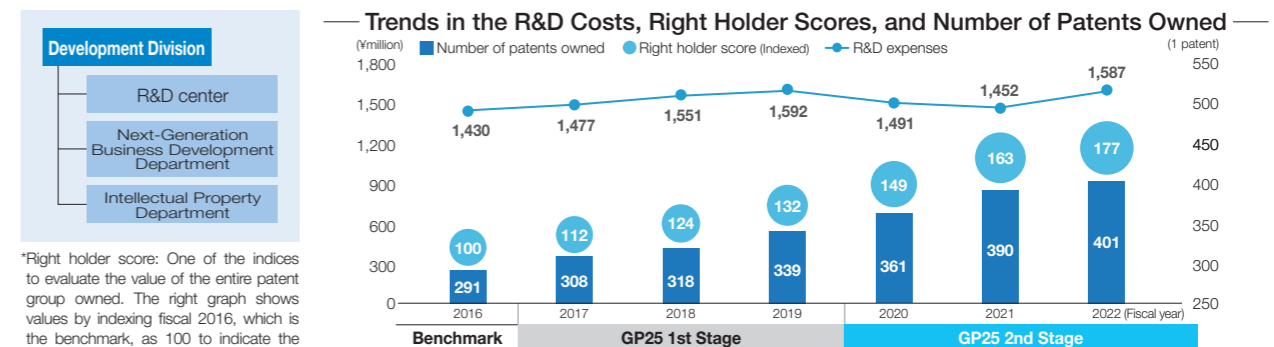
R&D Theme

The R&D Center works on Ecology and Improvements in the Quality of Space in four sectors and promotes R&D that will contribute to a sustainable society.

<h3>Industrial Materials</h3> <p>Further improvement of the existing industrial materials and development of industrial materials that will become a key to capturing new markets</p> <ul style="list-style-type: none"> ● High functionality of the wooden boards and inorganic boards ● Wood building material utilization development in the new field ● Technology development to use unused resources ● R&D of industrial materials for new markets other than building materials 	<h3>Building Materials</h3> <p>Development of new secure and safe building materials that will be needed by society in the future</p> <ul style="list-style-type: none"> ● Development of environment-conscious building materials ● Development of high functional paints and painting technology ● Development of new construction technique for building materials ● Adding a high value to wood building materials
<h3>Spatial Environment</h3> <p>Development of spaces and building materials that will realize a comfortable life</p> <ul style="list-style-type: none"> ● Development of energy-saving and indoor environment improvement technologies ● Analysis by simulation of the thermal, humidity, and cross-ventilation environment 	<h3>Analyses and Evaluations</h3> <p>Various measurements and analyses of spaces and building materials using the expertise cultivated in R&D</p> <ul style="list-style-type: none"> ● Measurement of air quality ● Sound insulation performance evaluation ● Building materials' heat generation test ● Asbestos analysis

Organizational structure toward the enhancement of intellectual property strategies and investment of management resources

In starting the new medium-term management plan GP25 3rd Stage from fiscal 2023, we have newly established the development division toward the acceleration of the initiatives for new businesses, new technology development, and product development. R&D center, which is the core of technology development, and next-generation business development department, which is responsible for crystallization of new businesses toward the next generation are under the division and to increase the linkage with the intellectual property strategies, we departmentalized the intellectual property department and enhanced our organizational structure. To make the research and development capabilities, which are the sources of Daiken Group's strength, robust, we proactively invest management resources and lead to the medium- to long-term corporate value improvement.



*Right holder score: One of the indices to evaluate the value of the entire patent group owned. The right graph shows values by indexing fiscal 2016, which is the benchmark, as 100 to indicate the changes over the years. Created by using Patent Result Co., Ltd.'s Biz Cruncher.

Environmental Strategy

Initiatives toward the realization of the Daiken Global Environment Vision 2050

In October 2021, we formulated the Daiken global environment vision 2050, in which the Daiken Group's attitude for the long-term initiatives, policies, and goals for environmental issues are established. We aim to contribute to the realization of a sustainable society from the three perspectives of the promoting resource recycling, mitigating climate change, and coexisting with nature and will put effort into the resolution of social issues, such as environmental issues.

Daiken Global Environment Vision 2050

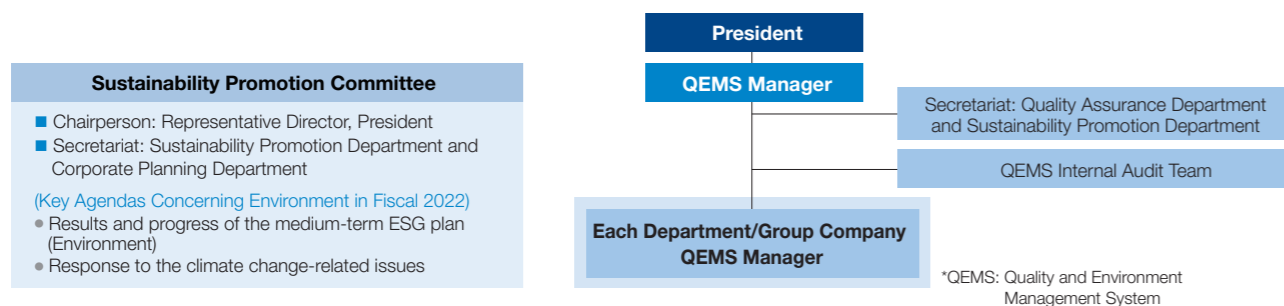
Vision

For a future full of smile

The overall aim of the Daiken Group is to realize a sustainable society towards 2050 by promoting resource recycling, mitigating climate change, and coexisting with nature.

Environment Policy	Long-Term Goals
<p>1 Promotion of resource recycling – Waste reduction and reuse of resources –</p> <p>By actively taking advantage of properly managed sustainable forest resources, we can promote forest circulation and help to realize a circular economy of sustainable resource circulation throughout society by reusing resources, material recycling, and thermal recycling, rather than disposal.</p>	<p>1 100% waste recycling</p> <ul style="list-style-type: none"> Promote material recycling and thermal recycling on the premise of cascade use. Zero final disposal of waste in landfills. Reduce waste through a series of processes from procurement of raw materials to the use and disposal of products.
<p>2 Mitigation of climate change – Realization of carbon neutrality –</p> <p>We will reduce our own greenhouse gas emissions, as well as emissions throughout the entire supply chain. Also, by using sustainable forests and wood resources, we will help to expand carbon storage and contribute to the maintenance and circulation of carbon sinks as we work together with society to achieve carbon neutrality.</p>	<p>2 Net zero greenhouse gas emissions</p> <ul style="list-style-type: none"> Promote energy conservation by improving productivity and efficiency. Expand the use of renewable energy. Expand the use of wood materials and products that store carbon. Promote reforestation through the active use of materials from managed forests. Contribute to the maintenance and recycling of CO₂ sinks through afforestation.
<p>3 Coexistence with nature – Conservation of biodiversity –</p> <p>In consideration of biodiversity, our objective is to coexist with a sustainable natural environment and preserve ecosystems by contributing to environmental impact reduction, conservation, and restoration.</p>	<p>3 Reduce the impact on the natural environment</p> <ul style="list-style-type: none"> Zero use of lauan wood. Appropriately manage chemical substances and reduce emissions. Promote the effective use of water resources. Reduce the use of plastics derived from fossil fuels.

Structure to promote Environment Management



ISO 14001 Certificate Acquisition Status (As of the end of March 2022)

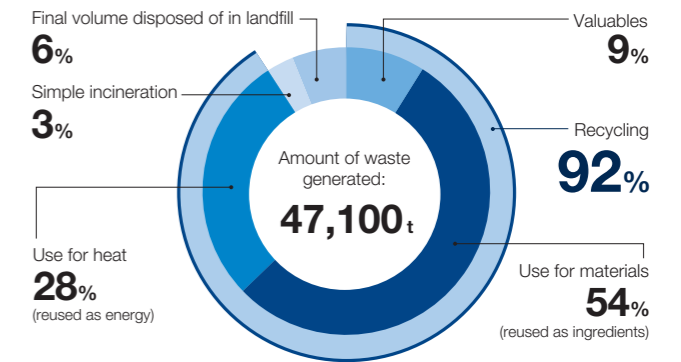
(1) The percentage of the offices that acquired the certificate in all offices in Japan: 91.1% (Based on the consolidated number of employees) 37 offices and plants at 9 companies	(2) The percentage of the offices that acquired the certificate in all overseas offices: 54.1% (Based on the consolidated number of employees) 5 offices and plants at 5 companies
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1 Promotion of Resource Recycling

Recycling of waste materials

The Daiken Group aims to realize a recycling-oriented society and puts effort into recycling waste, such as reusing the defectives generated in the manufacturing process as product materials to the extent possible, and using those as fuel for production, if not suitable for material itself. During the previous medium-term management plan period, by promoting the initiatives to increase the use of waste for materials, in addition to the promotion of use as fuel for production by stably operating biomass boilers, we improved the percentage of final volume disposed of in landfill by approximately 2 points compared to fiscal 2019. In the new medium-term management plan, we have newly set the goal to reduce the final waste volume disposed of in landfill by 15% compared to fiscal 2022 in the group production bases at home and abroad and will put effort into the further improvement of the recycling rate.

Amount of Waste Generated and Breakdown of Waste Processing (Fiscal 2022)



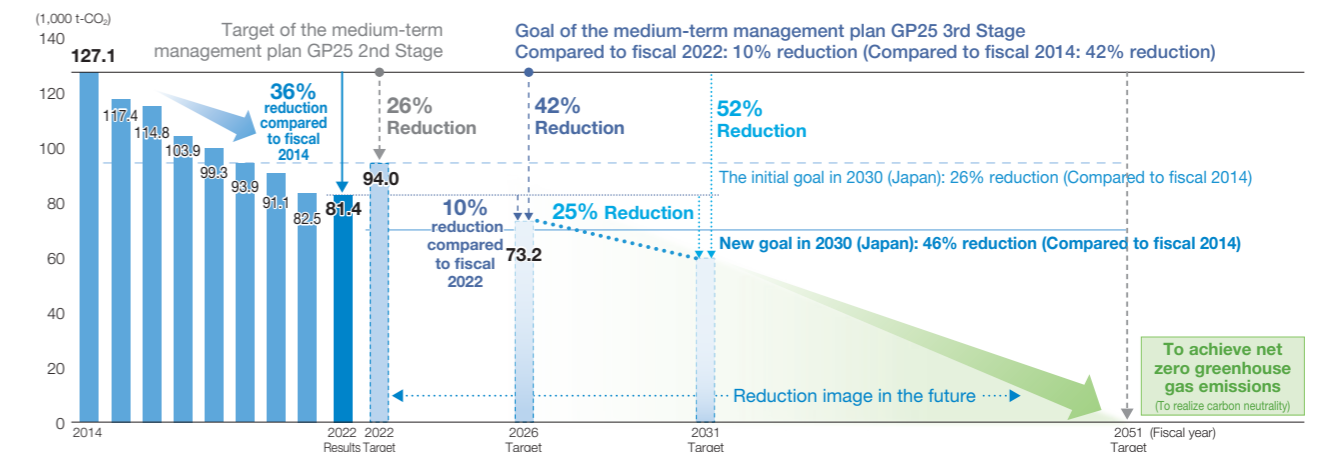
Note) Recycling rate = Amount of recycled resources / Amount of waste generated x 100 (%)
Amount of recycled resources = Valuable + Use for materials + Use for heat

2 Mitigation of Climate Change

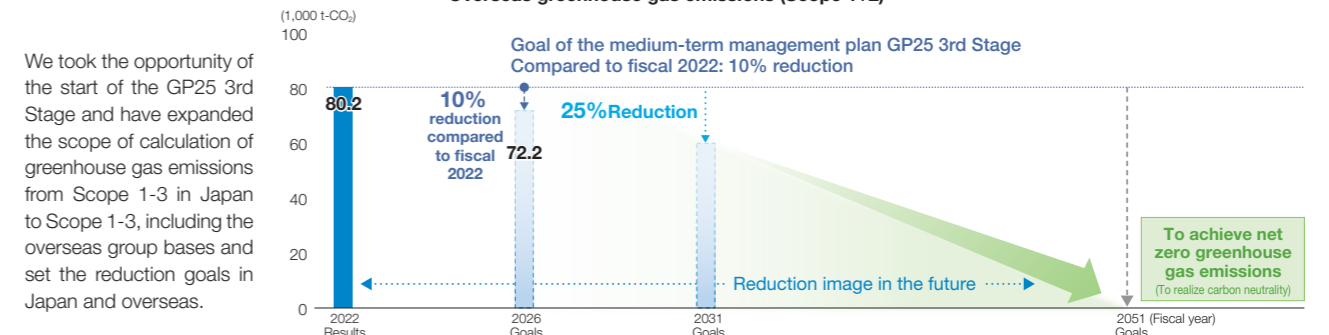
Initiatives for the reduction of greenhouse gas emissions linked to the business activities

Under the idea of effectively using timber that has the functions to fix and store carbon as a material for a longer period of time, the Daiken Group has been implementing initiatives for the reduction of greenhouse gas emissions linked to the business activities by using wood chips derived from residual wood offcuts and construction waste materials as raw materials. In the previous medium-term management plan, we could achieve a 36% reduction against the reduction goal of the total CO₂ emissions in Japan at a 26% reduction compared to fiscal 2014, thanks to the effects of using renewable energy and productivity improvement. In addition, in the new medium-term management plan, we expanded the scope of calculation to our overseas bases, instead of only in Japan, and upheld the goal of a 10% reduction compared to fiscal 2022. With an eye toward the medium and longer term, as the goals in fiscal 2031, we set a 52% reduction in our domestic group bases that surpasses the goal of a 46% reduction by fiscal 2031 compared to fiscal 2014 upheld by the Japanese government and a 25% reduction compared to fiscal 2022 in our overseas group bases, and will aim for the realization of carbon neutrality upheld in the Daiken global environment vision 2050.

Greenhouse gas emissions in Japan (Scope 1+2)



Overseas greenhouse gas emissions (Scope 1+2)



We took the opportunity of the start of the GP25 3rd Stage and have expanded the scope of calculation of greenhouse gas emissions from Scope 1-3 in Japan to Scope 1-3, including the overseas group bases and set the reduction goals in Japan and overseas.

Future Initiatives toward Reduction

- Pursuit of the productivity improvement and efficiency in production bases
- Expansion of the use of renewable energy and consideration of purchasing green electricity
- Consideration of the introduction of internal carbon pricing for investment decisions
- Consideration of fuel conversion based on technology development, price trends, and negative emissions (collection and storage of CO₂)

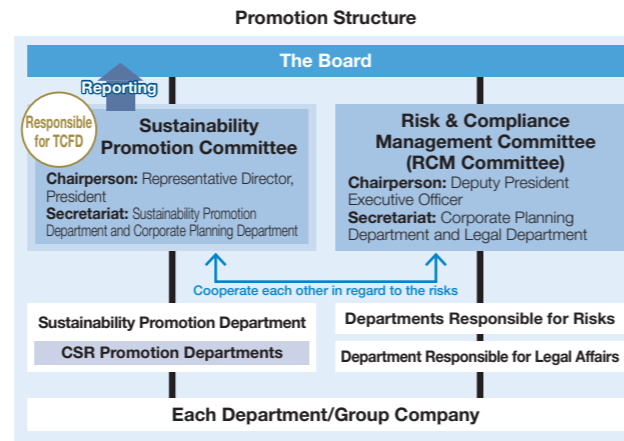
Response to TCFD

Under the Daiken global environment vision 2050, which indicates the long-term direction of the initiatives for the environment, the Daiken Group expressed an agreement on the recommendation by the TCFD (Task Force on Climate-related Financial Disclosures) in October 2021. We acknowledge that environmental responses, such as climate change, are one of the important management issues that lead to the risks and opportunities in business and disclose information on governance, strategies, risk management, and indices and goals, which are the disclosure items recommended by the TCFD.

Governance

In the sustainability promotion committee in which the representative director and president is the chairperson, we identify important climate-related risks and opportunities, disseminate them to each department and group company, and appropriately conduct management. Regarding risks, as we established the risk and compliance management committee (hereinafter referred as the "RCM committee") in which the deputy president and executive officer is the chairperson and disseminate them to each department and group company, the sustainability promotion committee is responsible for the responses to the climate-related risks and opportunities and has been proceeding with the responses by cooperating with the RCM committee. These results are regularly reported to the Board.

From now on, through the promotion of the Daiken global environment vision 2050, we will analyze the risks and opportunities to be brought to the Daiken Group's businesses and value chains, as well as the financial impacts associated with them, incorporate them into the management strategies, and disclose information.



Strategy

We grasped the risks and opportunities related to the Daiken Group's businesses in regard to the climate change and organized important risks and opportunities.

We organized them based on the results of the risks that had been sorted out, evaluated, and responded by the RCM committee.

As the next step, we will serially implement scenario analyses from the risks and opportunities that are judged to have a significant impact on business, conduct impact evaluations, apply the results of scenario analyses, and lead to the formulation of countermeasures and development of plans.

Risks

Transition Risks (Risks associated with transition to a low-carbon economy)

- Difficulty in obtaining wood chips (product raw materials and fuels) by promoting biomass power generation
- Responses to the regulations on products and materials
- Procurement risks and an increase in costs due to the shift to environmentally friendly raw materials and materials
- An increase in costs associated with the responses for decarbonization of the existing production facilities (Capital investments etc.)
- An increase in procurement costs due to the timber price hike (Regulations for tree trimming etc.)

Physical Risks (Risks associated with physical changes due to climate change)

- Damage on and shutdown of production and sales bases due to natural disasters and delays in member procurement, shipment, and delivery due to disruption of the logistics network
- Delays in goods deliveries due to suppliers and logistics warehouses being affected by natural disasters
- An increase in investments due to the BCP measures
- An increase in insurance premiums for damage caused by natural disasters

Opportunities

Resilience

- Improvement of the reliability of the supply chain by revitalizing investments for BCP measures

Products, Services, and Markets

- Formation of the markets for and expansion of demand for energy-saving products and environmentally friendly products (New wood industrial materials etc.)
- Mitigation of climate change and expansion of the sale of adaptive products (Expansion of the sale of timber products from the perspective of carbon storage)
- Improvement of corporate value by newly developing and commercializing environmentally friendly products by taking advantage of our strengths of the technologies to use timber

Resource Efficiency

- Appeal to customers by recycling raw materials (Improvement of corporate value)
- A decrease in costs by efficient transportation
- Appeal to customers by increasing the usage of recycled materials (Improvement of corporate value)
- An increase in demand due to the establishment of the production processes that do not emit greenhouse gases

Risk Management

Climate change is one of the important external risks and we acknowledge that it is the risk to be addressed by the entire company. We enhance the effectiveness by the sustainability promotion committee and the RCM committee cooperating with each other and proceeding with it in the environment management system and the company-wide risk management system. We will put effort into the improvement of processes to further evaluate the climate-related risks.

Indices and Goals

We have set Mitigation of climate change – Realization of carbon neutrality – as a pillar in the environment policy of the Daiken global environment vision 2050 and aim for net zero greenhouse gas emissions as a long-term goal toward 2050. Toward the reduction of greenhouse gases that have a significant impact on climate change, we have back-casted from how we should be in 2050 and set and proactively put effort into the following goals in order to contribute the countermeasures against climate change in the medium-term management plan GP25 3rd Stage (fiscal 2023–2026).

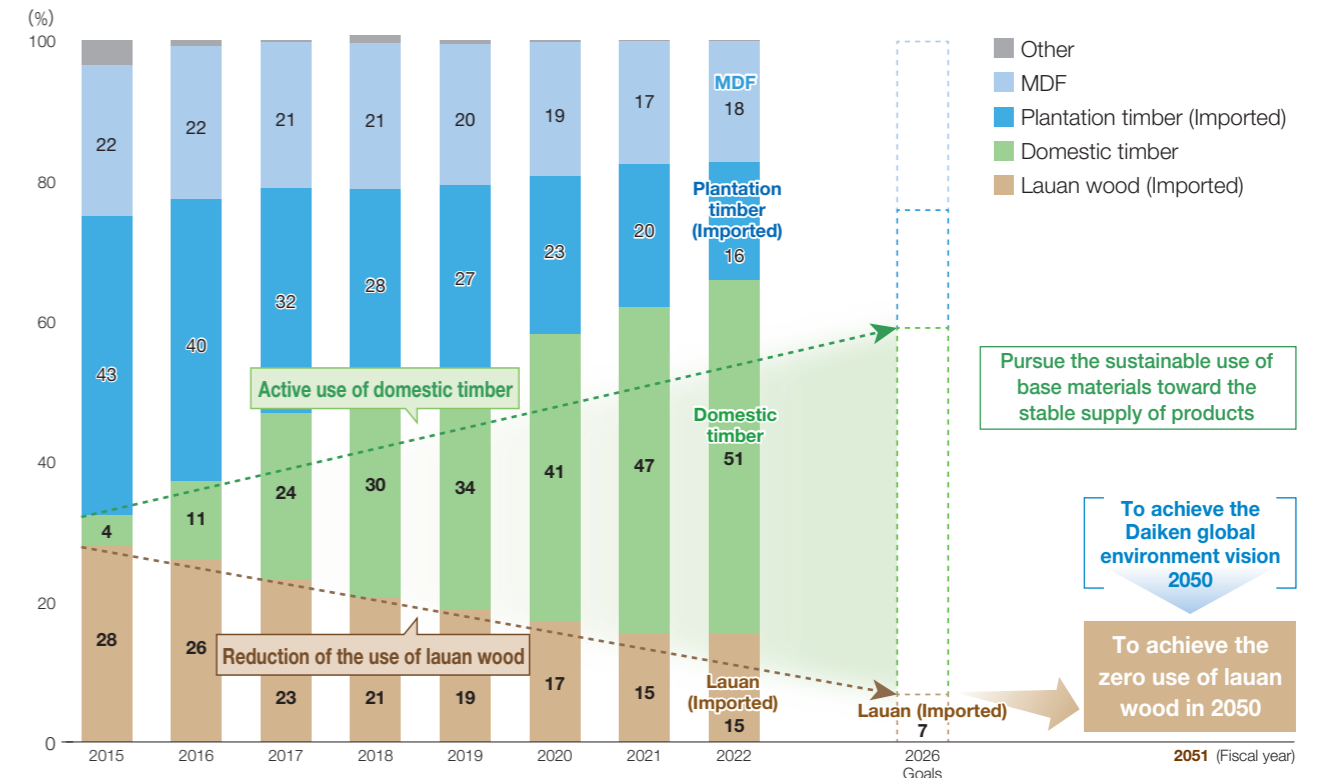
Fiscal 2026 Goals	Greenhouse gas	Gross emissions in Japan and overseas (Scope 1+2)	10% reduction (As compared to fiscal 2022)	Renewable energy utilization ratio	Japan: 50% or more
		Gross emissions in Japan and overseas (Scope 3)	6% reduction (As compared to fiscal 2022)		Overseas: 40% or more

3 Symbiosis with Nature

Initiatives toward zero usage of lauan wood

With a view to reducing the risks of stable timber procurement and currency exchange fluctuations, in addition to the reduction of environmental burden, we have been proceeding with the switch from natural lauan wood (tropical natural wood) to plantation timber, MDF, and domestic timber to be used for flooring substrates produced by our company. As a result, we have reduced the percentage of use of lauan wood, which was approximately 28% in fiscal 2015, to approximately 15% in fiscal 2022. From fiscal 2023, we also started the initiatives for the reduction by 50% compared to fiscal 2022 that was newly set as the goal toward fiscal 2026. We further envision beyond that and will further put effort into technological development toward Zero use of lauan wood in 2050 upheld as how we should be in the Daiken global environment vision 2050.

Ratio of Flooring Substrates



Special MDF that will realize the reduction of the usage of lauan wood

On the background where we were able to use plywood made of domestic timber as the flooring substrates, there is our unique special MDF. As much of domestic timber is mostly soft tree species, such as Japanese cedar, it was not suitable to be used as flooring substrates. So, we uniquely developed special MDF that has performance required for flooring substrates, such as surface smoothness and water resistance, and by laminating with plywood made of domestic timber, we have been improving the usage of domestic timber for flooring substrates. Moreover, as this special MDF made it possible for commercialization of flooring substrates using not only domestic timber but also plantation timber, the switching from lauan wood has been significantly accelerated.

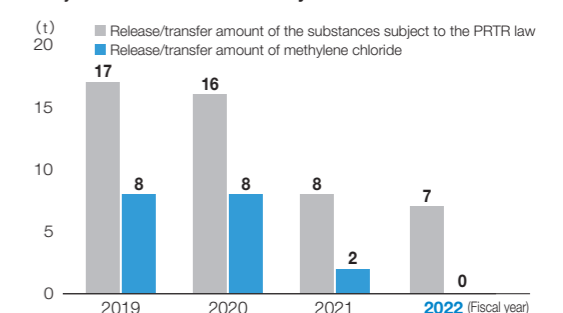
Cross-section image of flooring made from domestic timber



Initiatives for the reduction of chemical substances

The Daiken Group had upheld the appropriate management and reduction of chemical substances in the medium-term ESG plan (fiscal 2020–2022) as a theme and had set the goal to reduce the amount of substances released subject to the PRTR law by 70% in the final fiscal year as compared to fiscal 2019. The release amount and transfer amount of substances subject to the PRTR law in fiscal 2022 decreased by 59% compared to fiscal 2019, but we could not achieve the goal; however, regarding methylene chloride, we made significant reductions as the establishment of technology for the product specification change was completed in October 2020 and totally abolish the use in production processes in our group. We will continually put effort into the reduction of other target substances and promote the reduction of environmental burden in the entire group.

Trend of the Release/Transfer Amount of the Substances Subject to the PRTR Law/Methylene Chloride



*As the substances subject to reporting by the PRTR regulations have been newly specified, the release amount and transfer amount were revised retroactively.

Human Resource Strategies

In order for our employees to be able to feel happy to be the members of our group, the Daiken Group has been promoting the initiatives from the perspectives of the promotion of diversity, workstyle reform, human resource development, and promotion of health management. By continuously deploying the measures from four perspectives, we will lead to producing the favorable cycle, maximizing human resource value by improving individual performance, and improving the entire group's corporate value.



Promotion of Health and Productivity Management

Implementation of the measures that preserve and promote the employees' mental and physical health

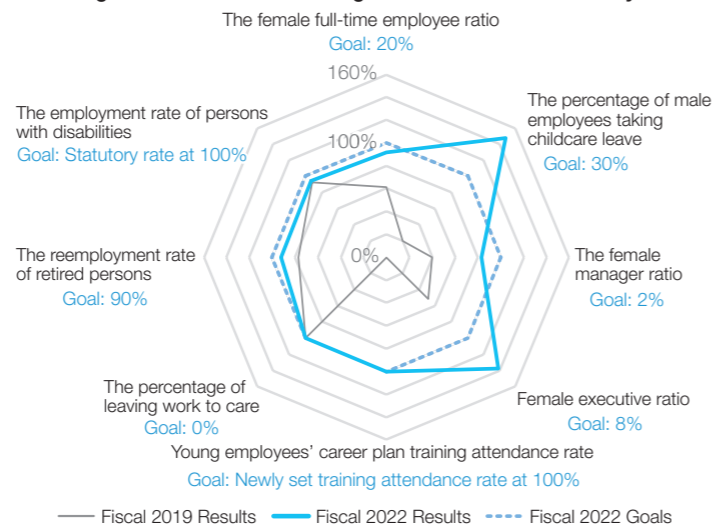
Based on the idea that our employees' health is the essential foundation for the group's sustainable growth and development, we try to improve every employee's awareness of health and have started the initiatives toward the preservation and improvement of mental and physical health. In 2021, we formulated Daiken health management policy and have been putting effort into the improvement of health measures for both aspects of mind and body since then, such as the payment of the health promotion allowance, quit smoking challenge to encourage our employees to quit smoking, and the distribution of health videos. In March 2022, we were certified as the Health & Productivity Management Outstanding Organizations 2022 (Large-Scale Company Category) in the Health & Productivity Management Outstanding Organization Certification System selected by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi. We will continuously put effort into setting indices to measure the effects of measures and actively providing support and create a virtuous cycle of the productivity improvement and company growth.



Goal management by our unique indices toward the steady promotion of diversity

To steadily promote the initiatives for the promotion of diversity in a balanced way, we have set the total diversity index from the medium-term management plan GP25 2nd Stage in which the eight diversity items were indexed as our own indices and manage the goals. The total index in fiscal 2022 increased by 30 points from fiscal 2019, which is a benchmark, and surpassed a 20-point increase, which was the goal in the final fiscal year. In particular, the fact that the percentage of taking paternity leave* significantly improved contributed, and the results of the initiatives toward the improvement of the percentage of taking such leave emerged, such as the issuance of a guidebook to lead to disseminating the system and refreshing awareness and e-mail newsletters for eligible persons. From fiscal 2023, we changed part of the items to set goals that are more in line with the issues under the present circumstances and have been continuing to promote the initiatives as the total diversity index 3rd Stage.

The Degree of Attainment of the Eight Items in the Total Diversity Index

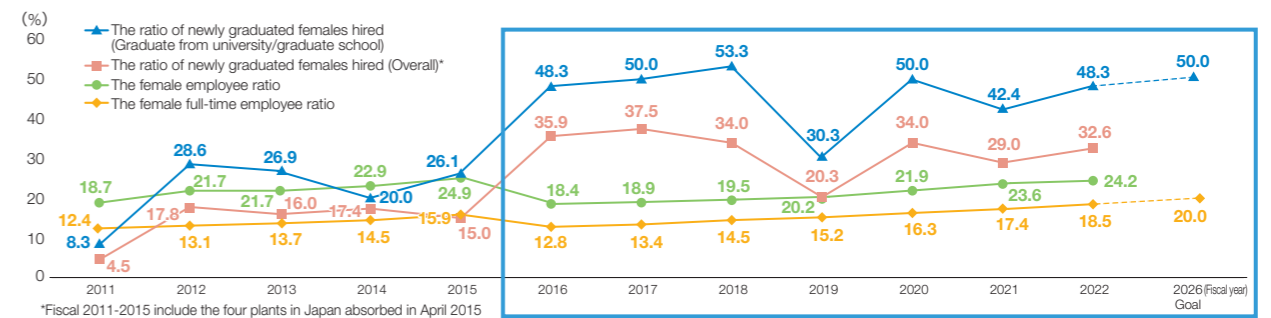


*The percentage of male employees taking childcare leave in the total diversity index is calculated based on the three-year total value to measure the progression rate over the years.

Initiatives that link diversity promotion and work style reform

As shift to more flexible work styles without being bound by the conventional ideas is necessary in order for human resources who have diverse values to fully exercise their abilities, we link the diversity promotion and the workstyle reform and have been integrally promoting the initiatives, such as the formulation of the policy and system, refreshing awareness, and education and training for upskilling. Particularly in recent years, with a view to further improving corporate value in the medium- to long-term, we have been deploying a number of measures to facilitate the active roles of female employees. As a result, the percentage of newly graduated females hired, which was approximately 8% in fiscal 2011, increased to approximately 46% on average of seven years after formulating GP25, and the ratio of female employees has been increasing year after year. These initiatives lead not only to the active roles of female employees but also to the building of the foundation for the work-style reform and for employees who will be in various life events to more flexibly work with enthusiasm. We will proceed with the creation of workplaces where diverse human resources can maximally utilize their abilities from the medium- to long-term perspective.

Trends in the Ratio of Newly Graduated Females Hired and the Ratio of Female Employees Hired



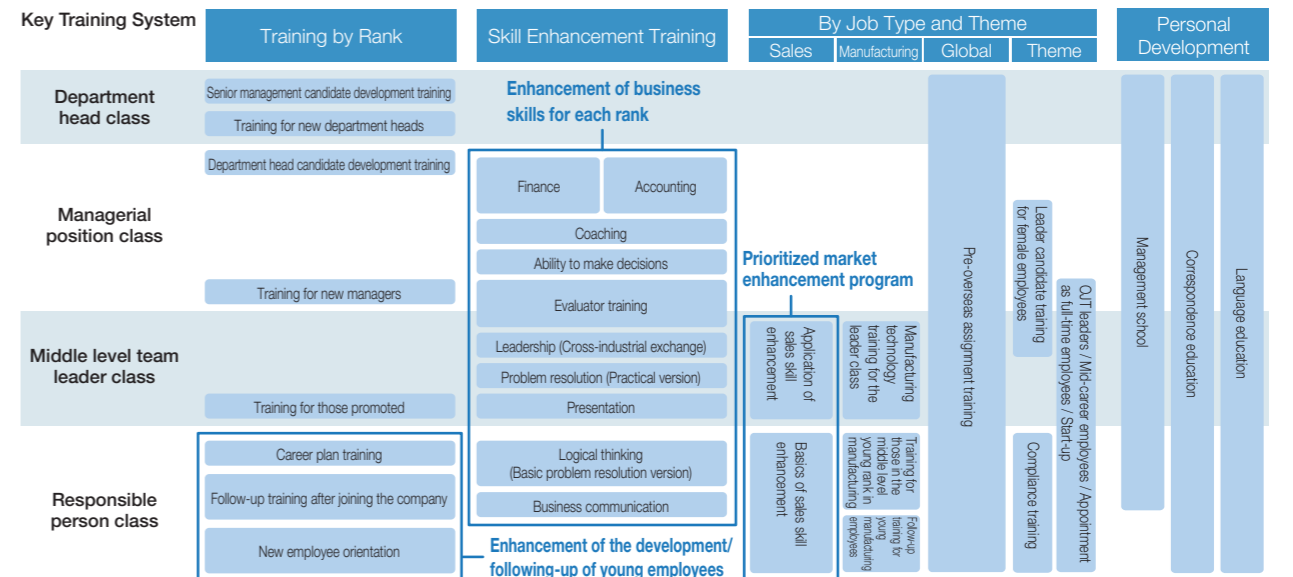
Past Key Initiatives

	Formulation of GP25	GP25 1st Stage	GP25 2nd Stage	GP25 3rd Stage
Policy/System	Established the Workstyle Reform Promotion Office	Workstyle Reform Promotion Policy	Comeback System*	
	Started automatic PC shutdown	Diversity Promotion Policy		
	Introduced the hourly paid leave system	Total Diversity Index goal setting		
		Trial of working at home	Full-Time Work at Home System	Staggered Working Hours System
Refreshing Awareness	Workstyle Reform Declaration	Harassment Prevention Workshop for Department Heads	Diversity Exchange Meeting	Diversity Management Training
	Ikuboss declarations	Harassment Prevention Training		
		Diversity Management Training		
Upskilling	Female Exchange Meeting - Deployed it to the contract employees	- Deployed it by job type	Communication Exchange Meeting	
		Next-Generation Sales Recommendation Project		
Support of the Combination	Three-way meeting at the time of maternity leave and childcare leave	Training for female leader candidates	Seminar to support the combination of work and childcare	
		Explanation meeting for the system to support the combination of work and childcare	Seminar to support the combination of work and long-term care	

*Comeback System: A common name for the system to reemploy voluntarily retired persons as full-time employees

Realization of the growth strategy and development of human resource for the next generation

Believing that cultivating autonomy in our employees is a key for our further growth and persistent corporate value improvement, we have provided various training opportunities for our employees to acquire the skills or knowledge needed for each service year, rank, and job type. From the new medium-term management plan GP25 3rd Stage, we newly established the skill enhancement training and have been enhancing capabilities required for each rank. Moreover, to develop human resources who can be active in the three markets that are positioned as priority markets toward the realization of the long-term vision, we will proactively invest in human resource development with a focus on the priority market enhancement program.



Investment for Growth and Enhancement of the Foundation

GP25 2nd Stage

- Medium-Term Management Plan (Three-Year) Target
- 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, and lead to the improvement and efficiency of productivity

Strategic Investments

Global North American business: 200
Industrial materials business: 100 (¥100 million)

Domestic New business: 30
Expanding market: 30
Infrastructure: 40

- Research and development
- Operational efficiency system
- Ordering and order receiving/logistic systems

Results from Fiscal 2020 to Fiscal 2022 (Three years)

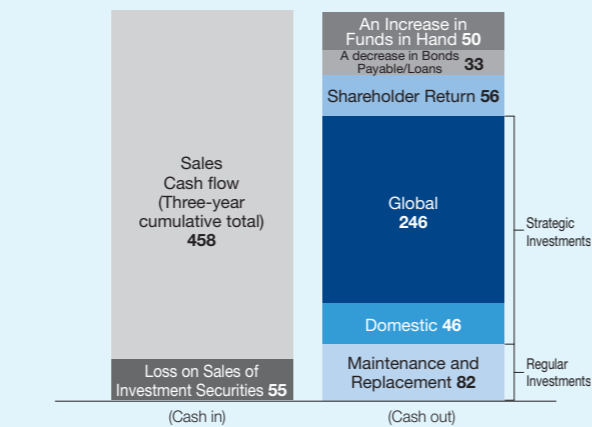
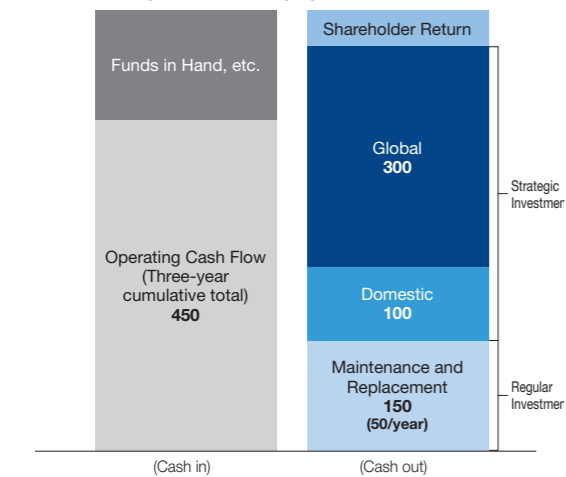
- Aggressive investments in the three markets that are positioned as focused markets in the long-term vision GP25
- Stringent selection by evaluating the investment effect based on the consistency and synergy with the growth strategies, as well as the capital cost (We responded to the uncertainty of the COVID-19 crisis and reduced investments in fiscal 2021.)
- Expansion of IT investments toward the improvement of efficiency and productivity

Strategic Investments

Global M&A of wood industrial materials business in North America
Enhancement of cooperation in the business group after M&A in North America and productivity improvement
Productivity improvement of the MDF business: 246

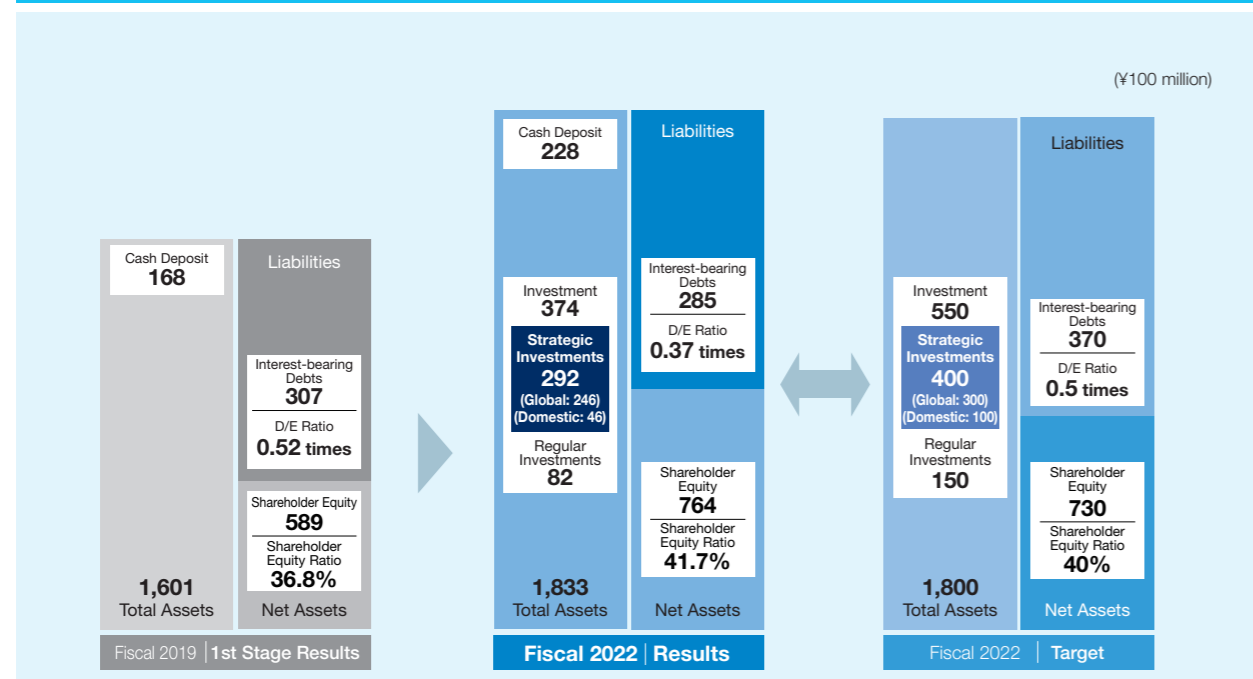
Domestic M&A of solid wood flooring business and renovation business
Productivity improvement of industrial materials business and building materials business
Investment in the IT system: 46

*M&A investments include interest-bearing debt of the acquiring company, but not cash or deposits.



Target Balance Sheet

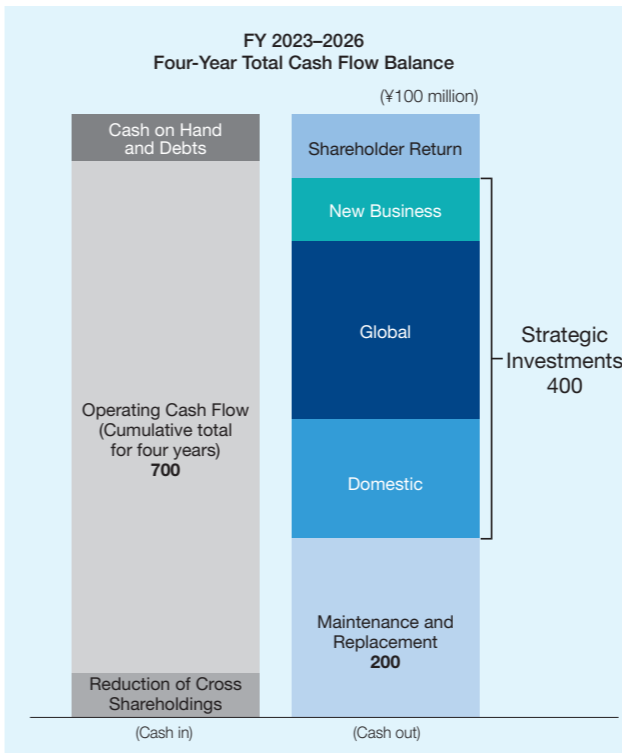
GP25 2nd Stage



GP25 3rd Stage

Medium-Term Management Plan (Four-Year) Goals

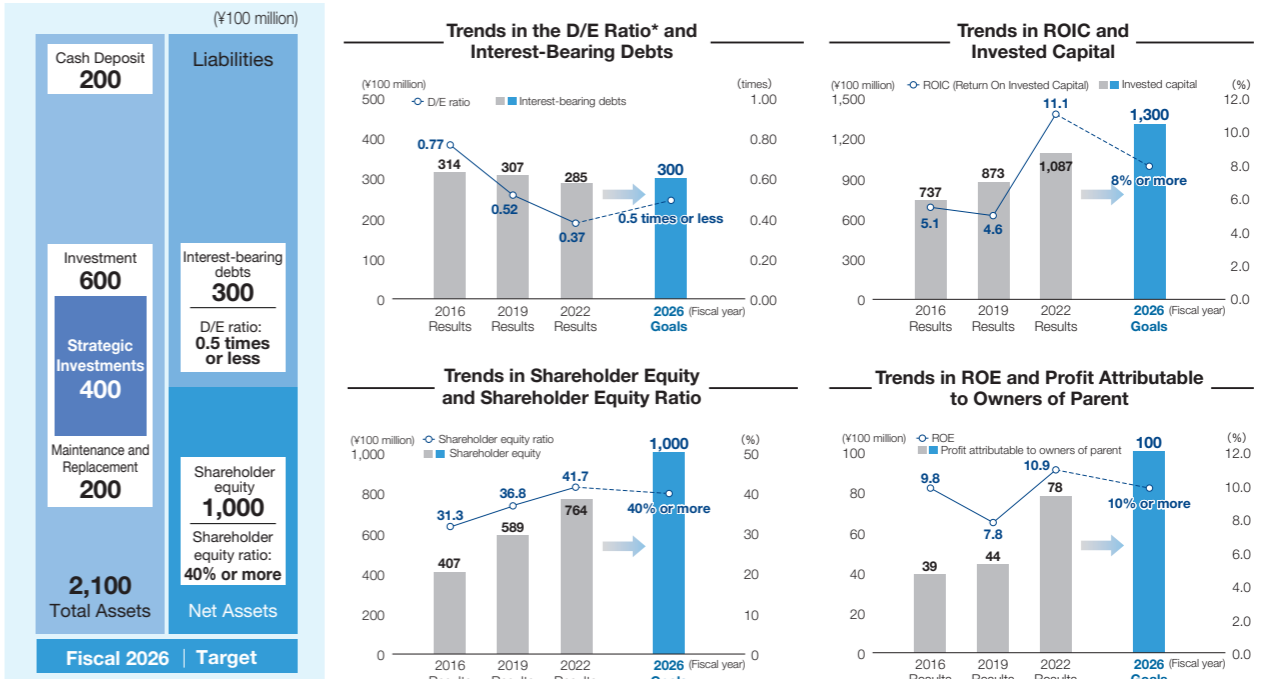
- Continue the aggressive investment stance that gives consideration to the risk and return as well as the capital cost toward the realization of the long-term vision GP25
- Implement the cash allocation to optimize the aggressive investments for the growth strategy and enhancement of the foundation, financial soundness, and the improvement of the shareholder return



Overview of the Key Strategic Investments

- Common**
- Enhancement of the R&D structure (Development of new industrial materials and measurement of the spatial environment)
 - Expansion into new business areas (Including M&A)
 - Reduction of environmental burden in the production activities
- Global**
- Expansion and improvement of the supply and sales structure for the areas of high demand
 - Development of new industrial materials and expansion into new markets and areas
- Domestic**
- Restructuring of the product supply network according to demand
 - Enhancement of the order-taking system for materials and construction to improve spatial performance
 - Reform of the ordering system and operational efficiency

GP25 3rd Stage



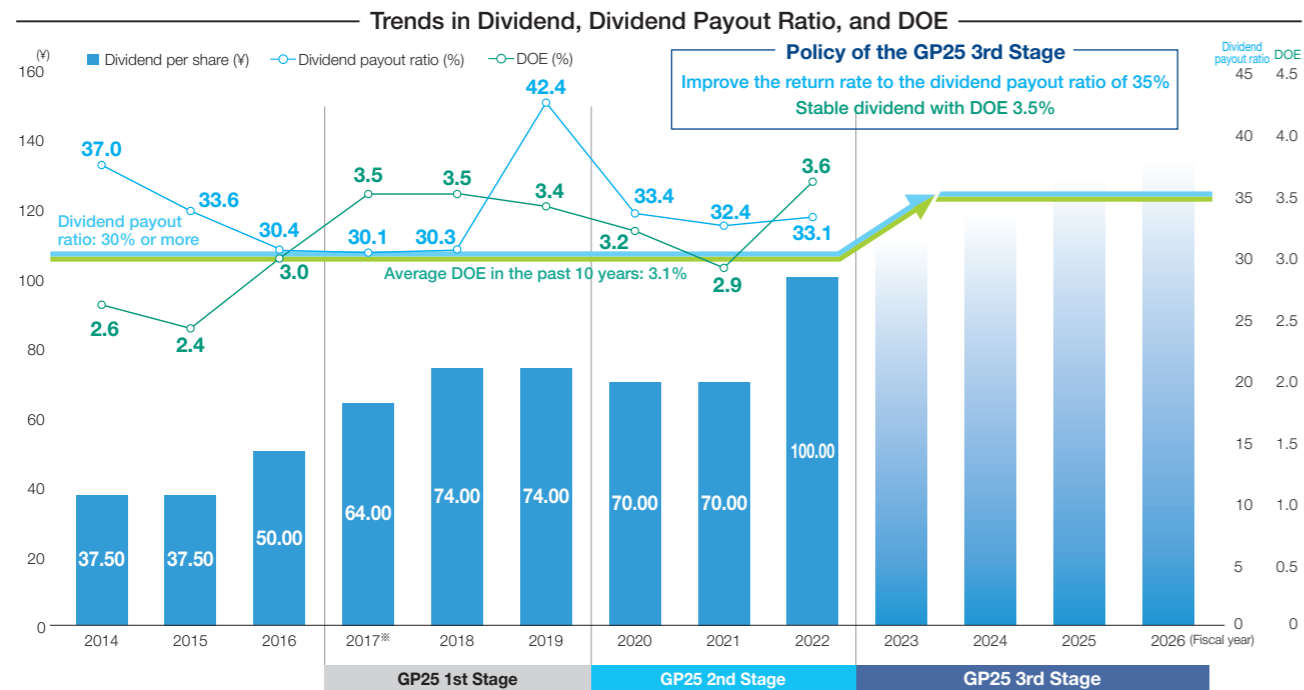
Capital Policy/Shareholder Return

Basic policies for capital and shareholder distributions

- Our capital policy is based on striving for effective management that places emphasis on return on equity (ROE) while being aware of the capital cost and improving corporate value by improving shareholder return and optimizing the balance between financial soundness and strategic investments.
- For shareholder return, while aiming for the distribution of earnings linked with results of operation, strive to maintain a stable dividend.
- 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.

Shareholder Return Policy in the Medium-Term Management Plan GP25 3rd Stage

- Shareholder return in the medium-term management plan GP25 3rd Stage for four years (FY 2023–2026) puts emphasis on the improvement of profit return linked with the results of operations and the maintenance of a stable dividend that is less affected by the short-term profit fluctuation and we implement the dividend payment with goals of the dividend payout ratio at 35% and DOE (Dividend On Equity ratio) at 3.5%.



*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.

Initiatives for reduction of cross-shareholdings

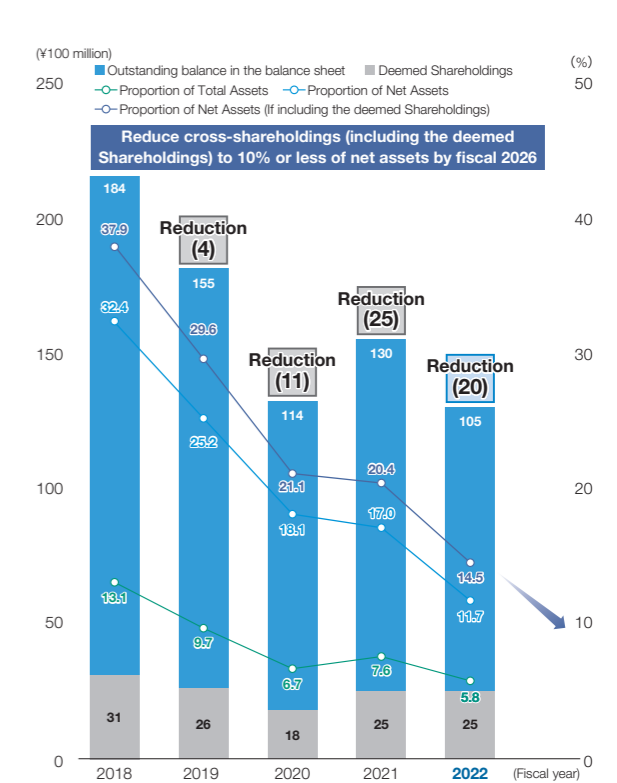
Policy for Cross-Shareholdings

- Regarding the shares held for the purpose other than the investment purpose (cross-shareholdings), targeting the companies with which synergy creation can be expected by maintaining and enhancing the business alliance or business relationship shall be the basic policy and shares that are judged to be insufficient in terms of the significance of holding shall be serially sold.
- To verify the effect and the rationality that are in line with the holding purpose, scrutinize whether or not the benefits and risks associated with holding are commensurate with the cost of capital from the qualitative and quantitative aspects and conduct a review by reporting the annual review results to the Board.
- Regarding the voting right, exercise the voting right on the assumption of contributing to the improvement of our corporate value.
- When exercising the voting right, comprehensively make a judgment from the perspective of the medium- to long-term improvement of our and the investment destination company's corporate value, instead of uniformly judging pros and cons based on the quantitative standards.

Trends in Cross-Shareholdings

(¥100 million)

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	
Outstanding balance in the balance sheet	Listed	183	154	112	129	104
	Unlisted	1	1	1	1	1
	Total	184	155	114	130	105
Deemed Shareholdings	31	26	18	25	25	
Total of the outstanding balance in the balance sheet and deemed Shareholdings	216	182	133	156	131	
Sale Value	0	(4)	(11)	(25)	(20)	
Acquisition Cost	0	0	0	0	0	
Reduction	0	(4)	(11)	(25)	(19)	
Number of Stock Names	Listed	25	24	19	18	17
	Unlisted	25	24	24	22	23
	Deemed Shareholdings	3	3	3	2	2
	Total	53	51	46	42	42
	Decrease	0	(2)	(6)	(4)	(1)
	Increase	1	0	1	0	1
Reduction	1	(2)	(5)	(4)	0	
Total Assets	1,407	1,601	1,706	1,725	1,833	
Proportion of Total Assets	13.1%	9.7%	6.7%	7.6%	5.8%	
Net Assets	569	617	629	767	905	
Proportion of Net Assets	32.4%	25.2%	18.1%	17.0%	11.7%	
Proportion of Net Assets (if including the deemed Shareholdings)	37.9%	29.6%	21.1%	20.4%	14.5%	



Message from the executive officer in charge of business management



Implementation of the financial measures suitable for the realization of the growth strategies

Tetsuo Harima
Message from the executive officer in charge of business management

The improved capability to generate cash advanced the reinforcement of the financial structure.

Over the three years of the previous medium-term management plan GP25 2nd Stage, we identified the Target Balance Sheet and then implemented a variety of different measures to implement more balance sheet-based management. We achieved improvement of the ability to generate cash and the steady reduction of cross-shareholdings. As for improvement of the capability to generate cash, operating cash flow increased to approximately 45 billion yen, a 1.5-fold increase from the accumulated total of approximately 30 billion yen during the three-year period of the GP25 1st Stage until FY 2019. In addition, since we consistently worked to reduce cross-shareholdings as one of the most important management challenges, the proportion of cross-shareholdings (including deemed holdings) to net assets decreased to less than 15% in FY 2022 compared to the approximately 30% in FY 2019. As a result, in FY 2022, the final year of the GP25 2nd Stage, we are proud to have significantly advanced the reinforcement of the financial structure by achieving all the targets set in the 2nd Stage with an ROE of 10.9%, an ROA of 10.5%, an equity ratio of 41.7%, and a D/E ratio of 0.37.

Firmly maintaining the basic stance with a focus on growth investments

On the other hand, there remains an issue. We failed to make investments exactly as planned, and the actual total investment was 37.4 billion yen compared to the original plan to invest 55 billion yen in total. We have to say that we could have done better and had to carefully select where to invest, even though we experienced a huge impact from the uncertainties, the restrictions on activities, and the inflation resulting from the rise in resource prices in the COVID-19 crisis. However, we have not discarded our active investment policy. In the new four-year medium-term management plan GP25 3rd Stage that starts in FY 2023, we will steadily advance growth investments that are essential to achieving the long-term vision based on the capability to generate cash and the financial structure that were strengthened in the 2nd Stage. Specifically, we expect the total investment over the four years of the 3rd Stage to be 60 billion yen, which includes strategic investments of 40 billion yen while the operating cash flow is expected to be 70 billion yen over the term. We will allocate capital to optimize financial soundness, improve shareholder returns, and make growth investments as our top priority.

Aiming for an A rating* by implementing the financial strategies of 3rd Stage

As for growth investments, we will pursue efficient investments to strengthen the industrial materials business overseas with a focus on the return on invested capital (ROIC) that has been set as a new management goal and make investments to reinforce the business foundation and reduce greenhouse gas emissions with a focus on sustainability. As for financial soundness, our goal is to achieve an equity ratio of 40% and above and a D/E ratio of 0.5 and below, as well as flexibly make use of financial leverage. In addition, we will improve shareholder returns in the 3rd Stage with the goal of achieving a dividend payout ratio of 35% and DOE (dividend on equity) of 3.5%. We will continue working to reduce cross-shareholdings as we did in the 2nd Stage with a specific numerical target of decreasing the proportion of cross-shareholdings, including deemed holdings, to net assets to 10% or below. By implementing these well-balanced financial strategies, we will obtain A long-term issuer rating* as early as possible.

*BBB+ long-term issuer rating assigned by Japan Credit Rating Agency, Ltd., (JCR) as of June 30, 2022

Interview with the Outside Directors

Six questions for the outside directors

Q1
As an outside director, what do you think are the strengths and weaknesses of the Daiken Corporation?

Q1

Shingo Ishizaki
Outside Director, Audit and Supervisory Committee Member



I think our domestic customer base is significantly strong. In addition, it is safe to say that the integrated system from the development of materials and building materials to the work of installation and construction is sufficiently feasible and one of the greatest strengths of the company. However, I think the company should conduct R&D activities more tailored to customer needs. As for the product deployment capabilities, I would like the company to improve its supply chain and use the power of IT brought about by DX in its strategies.

Q2
What were the achievements and issues in the previous medium-term management plan GP25 2nd Stage?

Q2

I think the greatest achievement in the previous medium-term management plan was that the company expanded its businesses through active investments overseas and developed new markets while revising the domestic business portfolio. However, Daiken Corporation's reputation in the stock market has not improved even though the company has been optimizing its financial foundation. In terms of communication with investors through IR, I think the company is not making sufficient efforts. I believe that the company needs to take the beginning of the period of the new medium-term management plan as an opportunity to start actively communicating with investors and inform them of its medium- to long-term management strategies and competitiveness.

Q3
What were the particular points of discussion when formulating the new medium-term management plan GP25 3rd Stage?

Q3

Though the company aims to establish its image as an all-embracing company for building materials, it needs to actually become one with substance. Though I recognize the efforts based on the pursuit of resolving social issues by achieving the SDGs, the company should pay closer attention to its purpose (the raison d'être as a company) to practice corporate philosophy so that the philosophy can appeal to the reason and emotions of people working for it. I also think that the company should develop and explain its business strategies to this end in detail from global and technological perspectives.

Q4
What roles do you think you should play to achieve the new medium-term management plan GP25 3rd Stage?

Q4

Global expansion and M&A are vital to Daiken Corporation's growth strategies. I would like to become more actively involved in the calculation of fair acquisition prices, the identification of the variety of risk factors, and the implementation of PMI after acquisition by using the expertise that I developed while involved in investment banking operations.

Q5
The skills matrix has been disclosed and two new directors have been appointed. What points did you pay attention to as a member of the Governance Committee when selecting them?

Q5

When I participated in the selection process, I paid close attention to selecting human resources with the skill to manage all domestic businesses and integrate globalization, M&A strategies, and DX strategies, which are necessary to implement the new medium-term management plan and can contribute to the improvement of our corporate value. Though it is difficult to select an outside director because we cannot evaluate the candidates based on their whole careers, I had several interviews with the executives to get to know them better and focused on ensuring fairness, objectivity, and transparency.

Q6
As for long-term corporate management, what points would you like to focus on and discuss in depth at the Board meetings?

Q6

To make the company better, we should fully discuss at the Board meetings the future direction of the company and its response to the needs of each stakeholder. It is important for us to aim to become a company that exceeds the conventional perception of an excellent global company and optimize all the values we provide to society instead of simply pursuing profits. These are challenging goals. However, by discussing them at the Board meetings and optimizing risk-taking and the financial foundation, we can make a significant change and promote the achievement of the SDGs.

Yuko Asami
Outside Director, Audit and Supervisory Committee Member



Daiken Corporation has two strengths: strong technological capabilities and excellent human resources. In particular, technological capabilities enable the company and its businesses to contribute to the achievement of the SDGs and offer a distinct advantage to the company in this era when sustainability is important. On the other hand, Daiken Corporation's weakness is that it does not fully use its R&D capabilities, the origin of its strong technological capabilities. It is necessary to properly allocate management resources in order to use the R&D capabilities to develop new businesses and improve competitiveness.

I'd like to discuss the two issues confronting the company. The first issue is a lack of coordination and connection between the domestic businesses and overseas businesses. Instead of simply expanding the size of the businesses, the company needs to implement measures to establish organic relationships between the domestic and overseas divisions and continuously review the business model from a company-wide perspective. The second issue is the delay in promoting diversity. Though the company seems willing to address diversity, it needs to take the beginning of the period of the new medium-term management plan as an opportunity to implement drastic measures.

The points of particular focus are (1) the launch of new materials through R&D and new technologies, (2) contributions to the achievement of the SDGs through the businesses, (3) expansion of overseas businesses, (4) promotion of human resource diversity, and (5) the promotion of DX. Though these points have been incorporated into the policies, we need to pay closer attention to determine whether effective measures are implemented and that management resources are properly allocated as we promote the new medium-term management plan.

The role I would like to play and focus on as of the new fiscal year is to listen to the opinions of employees. Though we failed to implement sufficient measures as a result of the limitations caused by the COVID-19 crisis, I would like to listen to the opinions of midlevel managers, employees at a plant, R&D personnel, and female employees, in particular, that we cannot listen to at the Board meetings and use those opinions to invigorate Daiken Corporation.

There remain issues in terms of the diversity of the Board of directors. Though we went through a generational change by welcoming the new members to the Board of directors, the level of the management strategies has not significantly improved with the new Board of directors. When we hold discussions in Governance Committee meetings, I realize how hard it is to train successors. The current management must pay attention to establishing the next-generation board instead of remaining satisfied with the current Board.

(1) Human resource diversity, (2) R&D, and (3) management resource allocation. (1) To make Daiken Corporation's technological capabilities, one of our strengths, sustainable, we need to achieve diversity so that the human resources that support them can tolerate the risks. (2) In order to create revenue streams and value from a long-term perspective, it is essential to launch sustainable materials. Though the company already has many R&D topics with great potential, it is necessary to invest management resources in order to accelerate commercialization. (3) Long-term revenue streams and value cannot be created unless the company expands overseas on the basis of its technological capabilities with coordination and synergy. With this in mind, I would like to deepen our discussions on how to develop our business portfolio and allocate management resources.

Kiyoshi Mukohara
Outside Director, Audit and Supervisory Committee Member



Though Daiken Corporation's strengths can be summarized into R&D capabilities, product deployment capabilities, customer base, and its integrated system, the partnership with ITOCHU Corporation with which the company has formed a capital and business alliance is another component that further improves these four main strengths. ITOCHU Corporation's network in the North American market offers a major advantage to the company, especially because it aims to strengthen its overseas businesses. Daiken Corporation's weakness is its delay in DX. Human resources are essential to accelerate DX. I would like to discuss this matter in depth at the Board meetings in order to strengthen the DX efforts by linking them to the medium- to long-term human resource strategy.

Though the company achieved all of its management goals, except the sales target, I think it is largely attributable to market conditions in which the prices of US wood products, in particular, remained at a high level. On the other hand, the company ended up facing a difficult situation in terms of revenue because the company fell behind in encouraging the selling price pass-through in response to the abrupt rise in raw material prices in Japan and coordination between manufacturing and sales and between domestic and global offices was disrupted in the final year. I think there remains an issue as to the ability to flexibly respond to significant changes in the economic environment.

We mainly discussed growth strategies and ESG. However, we failed to take into consideration the abrupt changes in the economic environment, such as the emergence of geopolitical risks, in our initial discussion; the growth strategies that we discussed simply incorporated the same course of action as before. This failure delayed the announcement of the new medium-term management plan, and we responded by holding discussions again. However, since the world may drastically change in the future, we need to consider a wider range of risk factors and hold discussions at the Board meetings.

In relation to the weakness of the company that I mentioned earlier, in other words, the delay in DX, the company needs to quickly advance the sophistication of its human resource strategy and deepen the discussions on developing an executive succession plan. I'd like to contribute to the implementation and achievement of the plan by using my experience in management.

In order to deepen our discussions on the succession plan, we need to link it to the sophistication of the company-wide human resource strategy. I have to say we have not thoroughly discussed this matter. As for the skills matrix, the first version was developed and disclosed in November 2021. However, we have completed it. We need to improve our skills matrix as quickly as possible by linking it to the human resource strategy and deepening our discussions at Governance Committee meetings and the Board meetings.

It is said that the world is probably at a historical turning point. First, I'd like to hold discussions from a perspective that focuses on the economy and society for the medium- to long-term future, instead of continuing our discussions as we have. The important topics to discuss are (1) the promotion of DX in the truest sense of the word that leads to drastic business reform, (2) reinforcement of the human resource strategy, and (3) sophistication of a global perspective that may be more important and offer a major advantage to Daiken Corporation in the future. We need to strengthen our (2) human resource strategy, in particular, from the perspective of investment in and the development of human resources. Finally, I think the most important part of a company is its human resources.

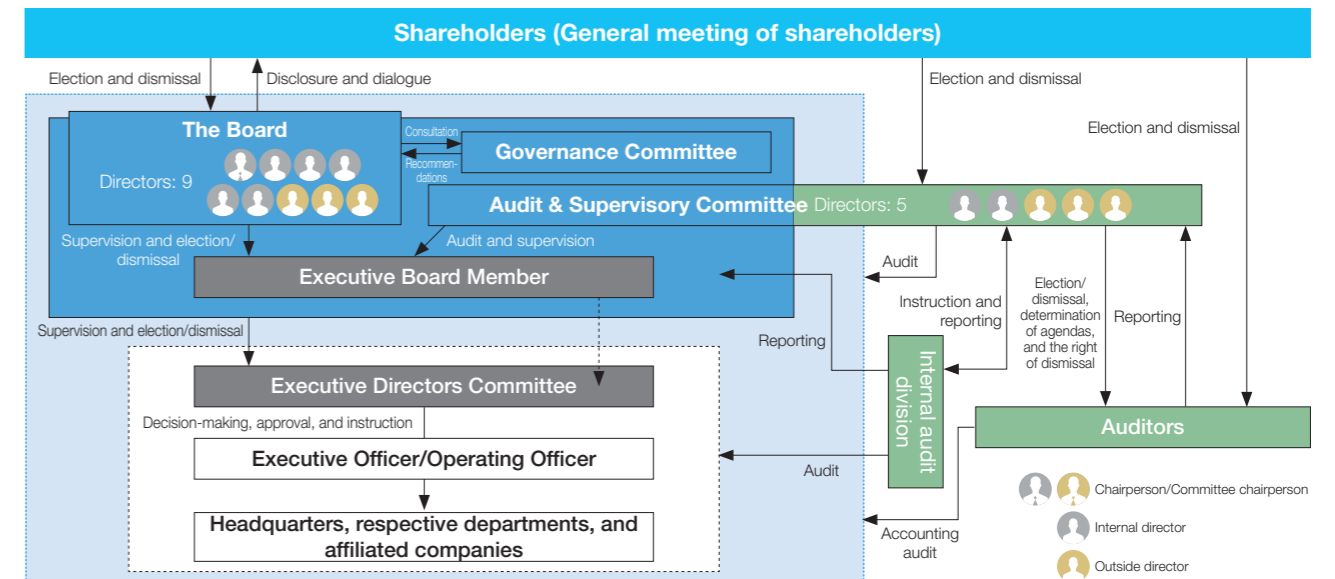
Key initiatives for the enhancement of corporate governance

2002	Made the shift to the chief executive officer system	2019	Reduced the number of directors from 9 to 7 (outside directors: 2/7)
2003	The compliance committee was established.	2020	Outside directors increased from 2 to 3 (outside directors: 3/8)
2008	Reorganized to the risk & compliance management committee for reinforcement.	2021	Enhanced the Board's supervisory function and made a shift to the Company with Audit & Supervisory Committee for the purpose of acceleration and efficiency of business execution. A female outside director was selected (outside directors: 3/9)
2010	Reduced the number of directors from 11 to 9.	2022	Clarified the Executive Officer system's management responsibilities and roles and introduced the Operating Officer. Revised the executive remuneration system and improved the remuneration system for the directors who are the Audit & Supervisory Committee Member. Integrated the nomination & remuneration committee and the Corporate Governance Committee and reorganized to the Governance Committee.
2011	An outside director was selected (outside directors: 1/9)		
2012	The term for directors was reduced from two years to one year.		
2015	Outside directors increased from 1 to 2 (Outside directors: 2/9) The basic policy on corporate governance was established. The nomination and remuneration committee and the Corporate Governance Committee were established.		
2016	The effectiveness evaluation of the Board was started.		
2017	Evolved the conventional management philosophy and corporate code of conduct and established the group corporate philosophy and the group conduct guidelines.		
2018	A female outside Audit & Supervisory Board Member was selected. Introduced the transfer restricted stock-based compensation system.		

Response status of the Corporate Governance Code revised in 2021

Key revised point		Response status	
Dialogues with investors / information disclosure	Electronic platform for exercising the voting right	Comply	Implemented from the general meeting of shareholders for the fiscal year ended March 2022.
	Disclosure of the English version	Comply	English versions of the summary of financial results, financial result explanatory materials, notice of the general meeting of shareholders (agenda part), integrated report, and corporate governance report were disclosed. We will proceed with the consideration of future improvements as needed.
	Outside directors' involvement in dialogs	Comply	In November 2021, we revised the policy for the improvement and maintenance of the systema and initiatives for the promotion of dialogues with shareholders and clearly stated the outside directors' active involvement in IR activities.
Fulfillment of the Board's function	Proportion of the Independent outside directors: 1/3 or More	Comply	In and after June 2020, the system in which the ratio of the independent outside directors is 1/3 or more has been kept.
	Effectiveness of the nomination and remuneration committee	Comply	The Advisory committee in which the chairperson and majority of the members are outside directors was established in 2015 (Governance Committee from June 2021), and its operation has been continuing.
	Disclosure of the combination of skills that the Board has	Comply	We started to disclose it on our website in November 2021. We published it in the convocation notice for the general meeting of shareholders for the fiscal year ended March 2022.
Sustainability issues	Basic policy for the initiatives for sustainability was formulated by the Board	Comply	Toward the realization of the group corporate philosophy that expressly stated the contribution to the realization of a sustainable society, the Daiken global environment vision 2050, and the Daiken sustainability basic policy, we set the priority themes concerning ESG and goal values in the medium-term management plan and have been promoting specific initiatives.
	Disclosure of the initiatives for sustainability	Comply	We have been continuing the active disclosure in the integrated report and on our website.
	Information disclosure based on the TCFD	Comply	We linked with the Daiken global environment vision 2050 in which we committed to contributing to carbon neutrality in 2050 and expressed an agreement on the TCFD in October 2021. Based on the TCFD's recommended disclosure items, we started disclosing governance, strategies, risk management, and indices and goals. In the future, we will conduct scenario analyses and financial impact analyses and strive to formulate countermeasures and plans, incorporate them in the management strategy, and improve information disclosure.

Corporate Governance Framework



Monitoring, supervising, and important decision-making **Auditing** **Business execution and decision-making** **Business execution**

Term Director (Except for the director who is an Audit and Supervisory Committee Member) : 1 year Directors who are the Audit and Supervisory Board Member: 2 years

Governance Committee (Committee chairperson and majority of the Member are independent outside directors)

(Consultation matters from the Board)

- Proposal for election and dismissal of the director in the general meeting of shareholders and election and dismissal of the Executive Officer
- Plan for the successors of the directors and executive officers
- Remuneration for directors* and executive officers, the method of evaluation, and remuneration calculation standards, etc.
- Evaluation of the effectiveness of the entire Board
- Establishment, revision, and abolition of the policy and rules on procedures, etc. for the governance system
- Establishment, change, and abolition of the procedures, etc. for a transaction between related parties
- Analysis and countermeasures if opposition votes exceeded the standard in the resolution of the general meeting of shareholders
- Necessity and rationality, etc. when examining the capital policy that damages the common benefit of the shareholders

*Except for the directors who are Audit & Supervisory Committee Member

- Number of committee meetings convened in fiscal 2022: 7 times
- Consultation matters from the Board
 - Proposal for the election of directors
 - Amounts of remuneration for directors
 - The method of the effectiveness evaluation of the Board and the results of the evaluation
 - Review of the corporate governance structure and policy
 - Response and disclosure content based on the revised Corporate Governance Code
 - The concept of the skills matrix and the disclosing method

Points of the Structure

- The Governance Committee has been established that gives advice and makes recommendations on particularly important matters, such as the nomination of and remuneration for directors and executive officers, improvement of the effectiveness of the entire Board, and the building of the governance structure, to the Board in response to the Board's consultation.
- The Governance Committee has the structure that the committee chairperson and a majority of the members are independent outside directors. It is clearly stated in the basic policy concerning corporate governance that the Governance Committee's deliberation and recommendation details should be respected as much as possible in the Board.
- By setting up the internal audit division as an organization directly controlled by the Audit and Supervisory Committee, the structure enhances the audit function.

Executive Officer They make and execute decisions on management under authority and responsibility delegated from the Board and Executive Directors Committee and play the role of promoting our company's growth and reform from the perspective of the total company optimization as the strategic function.

Operating Officer They undertake business operation in their responsible businesses and domains and execute operations toward the realization of reform and growth. They are positioned to develop the next-generation leaders.

Structure to promote sustainability **Sustainability Promotion Committee*** *The CSR committee was reorganized to the sustainability promotion committee in April 2022. Details are published on page 5.

System to Promote Risk Management and Compliance

The Board

Executive Directors Committee

Risk and Compliance Management Committee
Building of the group-wide risk management and compliance systems and overall management of the promotion plans

Risk and Compliance Management Committee
Chairperson: Deputy President Executive Officer
Secretariat: Corporate Planning Department and Legal Department

- Number of committee meetings convened in fiscal 2022: 4 times
- Key deliberation items

Risk Management	Compliance
<ul style="list-style-type: none"> • Consideration of the important risk measures and analysis/evaluation of the influence degree • Revision of the Disaster Countermeasure BCP Manual • Disclosure of the risks associated with businesses 	<ul style="list-style-type: none"> • Results of the Survey on the compliance consciousness degree • Personal information management status • Operation of the whistle-blowing system in the overseas bases

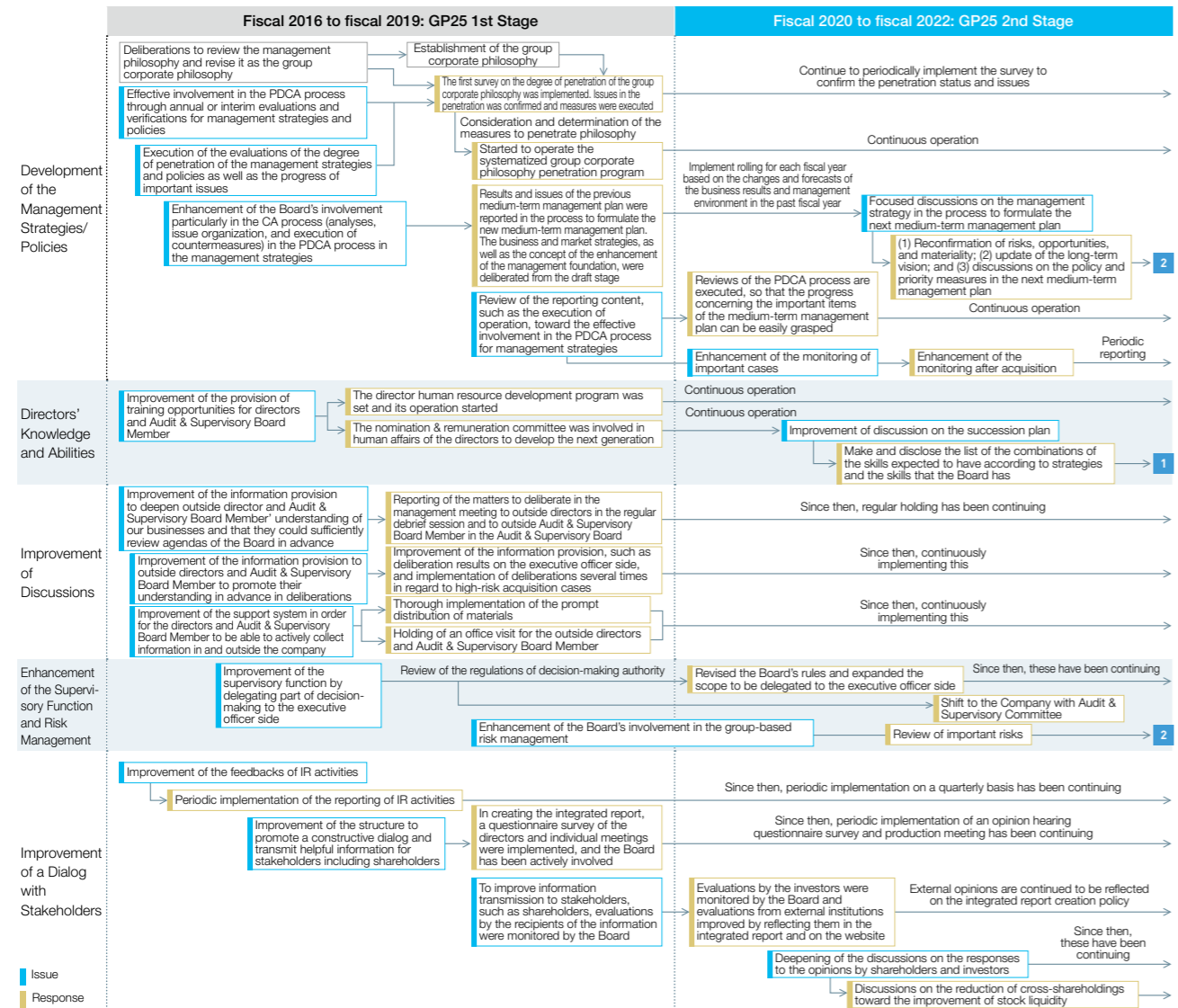
Departments Responsible for Risks Department Responsible for Legal Affairs

Each Department/Group Company

The effectiveness evaluation of the Board

To increase the effectiveness of the Board and to improve corporate value, the Daiken Group has implemented the effectiveness evaluation of the Board once a year since the end of fiscal 2016. Based on the self-assessment by all directors and deliberations at the Governance Committee in which the chairperson and majority of the members are independent outside directors, the effectiveness of important decision-making in management and proper business execution has been conformed to be sufficiently secured. The issues to work on for more effective the Board operations have been extracted, and they have been continuously putting effort into the improvement of responses.

Key issues and responses



Results of the evaluation in fiscal 2022 and responses to future issues

The Board's effectiveness evaluation implemented in fiscal 2022 evaluated that its sufficient effectiveness, which was equal to or surpassed that of the previous fiscal year, has been secured as they steadily executed the responses to the issues recognized in the previous fiscal year and proceeded with the improvement measures. Particularly regarding their involvement in the PDCA process in executing and verifying management strategies, such as the ex-post evaluation of the important investment case and the monitoring of the progress status, it has been confirmed that the Board effectively fulfilled their functions and sufficiently functioned in regard to the role to be involved in the governance structure by the Governance Committee. To further improve the effectiveness of the Board, we will proceed with the responses to the following issues.

- 1 Further discussions on the president candidate development plan and succession of the Board to secure sustainability of the functions of the management and the Board**
- 2 Continuation of the discussions on the realization of the long-term vision and the important issues, including the following three themes, with a view to realizing sustainable corporate value beyond the vision.**
 - 1) Human resource development toward the securing of diversity and human resource strategies including the improvement of the internal environment
 - 2) Internal control and risk management in the entire group
 - 3) Response to sustainability issues

Executive Remuneration

Policy of Executive Remuneration

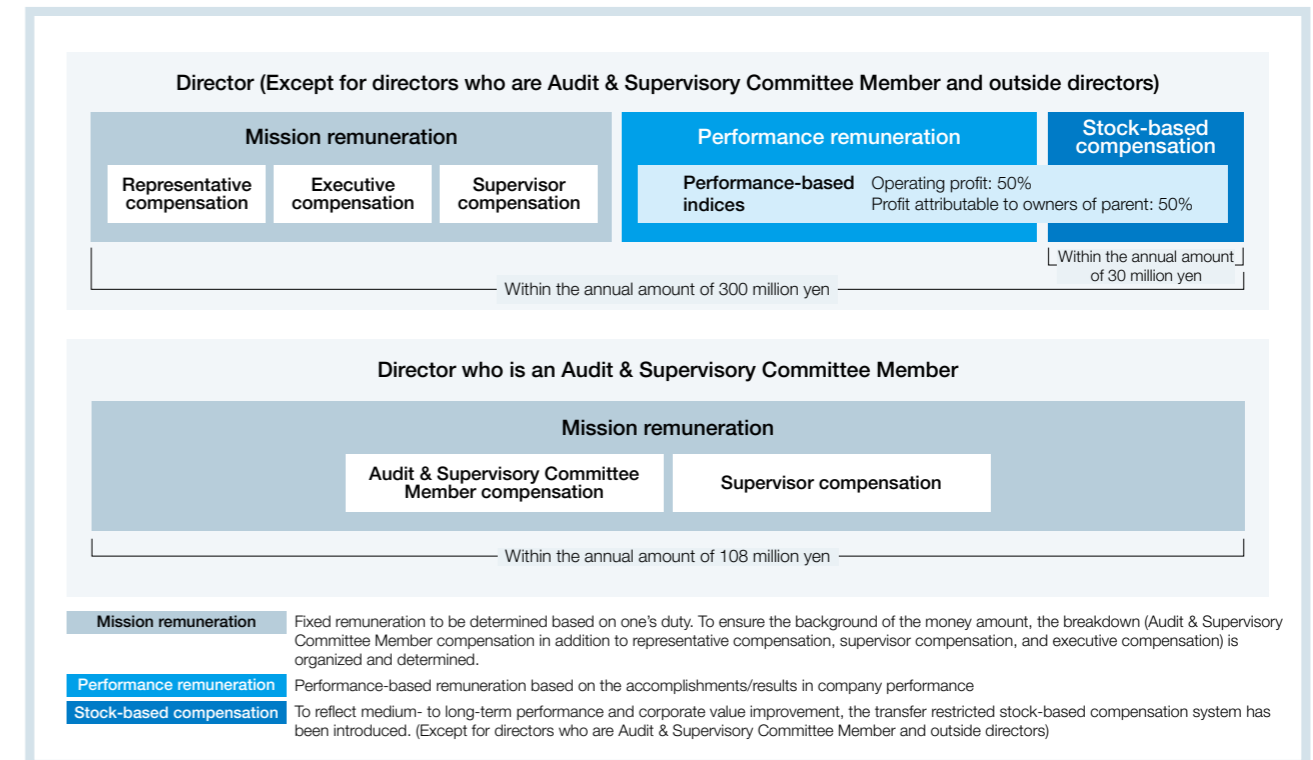
1. The remuneration system shall be based on the practice of the group corporate philosophy.
2. The remuneration system shall be designed reflecting the long-term vision GP25 and the medium-term management plan, prevent too great an emphasis on short-term inclinations, and motivate the improvement of medium- to long-term corporate value.
3. The standards and system of remuneration shall be effective enough to secure excellent human resources to whom we can entrust our future.
4. The procedure for determining remuneration shall be transparent, fair, and objective to achieve the responsibilities of explanations to all stakeholders including shareholders, investors, and employees.

Procedure

The Board has the authority to make decisions on the policy concerning the amounts and the method of calculating executive remuneration, and the authority is delegated to the Board of representative directors by a Board resolution. The reason for delegation was because we judged that the Board of representative directors would be suited to evaluate each director's responsible division while taking into consideration the entire company's business performance, etc. In determining remuneration, to secure transparency, fairness, and objectivity, remuneration is determined by the Board of representative directors after deliberations and recommendations by the Governance Committee.

Composition

Executive remuneration is composed of mission remuneration as fixed remuneration, performance remuneration as the performance-based remuneration, and stock-based compensation. The proportion of the performance-based remuneration in the remuneration for the directors (except for the director who is an Audit and Supervisory Committee Member and outside director) is around 40% and is designed to fluctuate according to performance.



Executive remuneration for the fiscal year ended March 2022

The total amount of remuneration to each executive classification, the total amount of remuneration by type, and number of target executives are as follows.

Executive Classification	Total Amount of Remunerations, etc. (1 million yen)	Total Amount of Remunerations, etc. by Type (1 million yen)				Number of Target Executives
		Mission remuneration	Performance remuneration	Stock-based compensation	Stock-based compensation	
Retirement Benefits ¹	200	98	92	8	-	5
Director (Audit & Supervisory Committee Member) ²	36	36	-	-	-	2
Audit & Supervisory Board Member ³	10	10	-	-	-	2
Outside Directors and Audit & Supervisory Board Member	42	42	-	-	-	8

¹: Except for directors who are Audit and Supervisory Committee Member and outside directors ²: Except for outside directors
³: Except for outside directors (Our company has been shifted from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee as of June 25, 2021.)

Message from the newly appointed directors



Koshin Nomura
Representative Director,
Managing Executive
Officer
Responsible for Domestic
Business and New
Domestic Business

Since joining the company, I have worked mainly in the fields of manufacturing and development. I have been involved in the development of new applications for materials and the expansion of the lineup of building materials products as an employee in charge of development in the manufacturing division, and I have been involved in management as president of the building materials plant, which was a separate company spun off from the company back then. My experience participating in the establishment of the door business to change the focus of the main business from plywood, which was the business when the company was founded, and working at the building materials plant specialized in doors and flooring in China as a manufacturing manager to expand operations was notably memorable partly because it happened when the company was at a turning point. In order for us to continue growing into the future and increase our corporate values, the change of business in response to the market environment and the acceleration of overseas expansion are unavoidable management challenges. The change of business requires the power of unity to bring together wisdom by sharing the purpose of launching a new business and the issues to overcome with the group. On the other hand, overseas expansion requires the courage to try to win trust while discovering the strengths and weaknesses of the company in countries with cultures different from ours. I'd like to lead the company as a director and set the direction for improvement of corporate values by utilizing the experience I have built up in my career.

In addition, I'm aware that the greatest strength we have in order to overcome these management challenges is the technological capabilities we developed based on social issues and customer needs. The technical development for advanced applications of timber, in particular, reflects the company's DNA since its foundation and has the potential to serve as a sustainable source of value creation that will lead to the resolution of social issues, such as the contribution to carbon neutrality. The board of directors will not only optimize the business portfolio and lead the discussions on the long-term R&D vision but also focus on developing a corporate culture that encourages young employees to be enthusiastic about development and makes them feel the joy of taking on challenges using the company's technological capabilities.



Takeshi Nagata
Director, Managing
Executive Officer
Responsible for Overseas
Business and New
Overseas Business

Since joining my previous company, I have been consistently involved in the timber industry for approximately 30 years, and I have experience in a variety of operations throughout the entire value chain from procurement to sales and the processing of wooden boards. I lived and worked overseas, mainly in Southeast Asia and Oceania, for 14 years during this period. After taking a post at the overseas business group of Daiken Corporation in 2015, I focused on expanding overseas businesses with the launch of the door business in Indonesia in 2016 and the acquisition of the MDF plant in New Zealand in 2018 to contribute to the reinforcement of the overseas businesses, which are specified as the growth driver in the long-term vision.

Currently, the North American wood industrial materials business we established through M&A in 2019 significantly contributes to the performance of our overseas businesses. However, another strength we have with our overseas businesses is MDF. We have established a solid customer base and sales network that now enables us to sell the products we manufacture using the manufacturing technologies we have accumulated through the development of the businesses for a quarter of a century and the development capabilities that reflect both manufacturer's and user's perspectives in Japan, Asia, and North America. In addition, I'm confident that expanding the industrial materials business, which effectively uses timber, will contribute to the realization of a recycling-based society and carbon neutrality because trees fix the CO₂ they absorb as they grow as carbon. Wood will turn into high value-added materials, such as MDF and LVL, and such materials can be stored for several decades. We would like to share such social values with our customers and improve our corporate values by increasing the profitability of our overseas businesses.

As the newly appointed director, I'm aware that my most important mission is to balance the implementation of the overseas growth strategies and risk management. While focusing on the aforementioned North American business and MDF in the growth strategies and aiming to improve internal control to optimize the balance between the transfer of authority and management at the overseas locations for risk management, I'd like to focus on developing human resources that can work actively overseas into the future because human resources that work at and manage our overseas locations are essential.

Skills Matrix

To optimize the combination of the skills that the directors have and to make it the Board that will contribute to the medium- to long-term corporate value improvement, we have created the Board members' skills matrix. For the main items of expertise and experience, the Company has set core skills for conducting fair and highly transparent management, such as corporate management, ESG, finance and accounting, risk management, and compliance, etc.; skills of high importance as a construction materials manufacturer based in Japan, such as domestic business strategy and DX; and skills related to manufacturing technology in factories at the cutting edge of manufacturing and related to R&D, the source of the Company's medium- to long-term competitive advantage. The Company has also set global business strategy and DX for strengthening its position in overseas markets, which is of particularly high importance for realizing the management strategy set out in the long-term vision. The skills matrix is also created for the executive officers and operating officers from the perspective of the development of successors who will play roles in the next-generation management, and we strive to build the optimal management structure.

Name	Position in Our Company	Main expertise / Experience					
		Corporate management / ESG	Finance and accounting	Risk management, compliance and legal	Domestic business strategy and DX	Global business strategy and DX	Manufacturing technology and R&D
Masanori Okuda	Representative Director, President	●	●	●	●	●	●
Koshin Nomura	Representative Director, Managing Executive Officer	●	●	●	●	●	●
Takeshi Nagata	Director, Managing Executive Officer	●			●	●	●
Masatoshi Maki	Director	●			●	●	
Takashi Aihara	Director, Audit and Supervisory Committee Member (Full-time)	●		●			
Takashi Terubayashi	Director, Audit and Supervisory Committee Member (Full-time)	●	●		●		
Shingo Ishizaki <small>Outside Independent</small>	Outside Director, Audit and Supervisory Committee Member	●	●	●			
Yuko Asami <small>Outside Independent</small>	Outside Director, Audit and Supervisory Committee Member		●	●			
Kiyoshi Mukohara <small>Outside Independent</small>	Outside Director, Audit and Supervisory Committee Member	●	●		●		

Reasons for appointment of outside directors as audit and supervisory committee members

Name	Reasons for Appointment
Shingo Ishizaki	Has been engaged in investment bank operations at securities companies for many years, and possesses abundant financial expertise acquired through said experience. Expected to play supervisory and advisory roles in the execution of duties by directors, from a specialized perspective based on the said expertise, especially in financial accounting, thereby contributing to the increased governance of our company.
Yuko Asami	Is a professor at the Faculty of Economics, Gakushuin University, and has served as a committee member for the Ministry of Finance, the Financial Services Agency, and other organizations demonstrating adequate expertise in finance and accounting. Expected to play supervisory and advisory roles in the execution of duties by directors from a specialized perspective based on the said expertise, especially in corporate accounting, thereby contributing to the increased governance of our company. Has no experience of engagement in corporate management other than serving as an outside director but is considered capable of properly executing the duties of an outside director for the reasons above.
Kiyoshi Mukohara	Has been engaged in the management of financial institutions for many years and possesses abundant financial and managerial expertise acquired through the said experience. Expected to play supervisory and advisory roles in the execution of duties by directors from a specialized perspective based on the said expertise, especially in corporate management, thereby contributing to the increased governance of our company. History of working at Sumitomo Mitsui Trust Bank, Limited, a major lender of Daiken Corporation, but resigned as a director of the lender for seven years.

*1: The three directors above satisfy the criteria for independence assessment specified by the company and have been registered in compliance with the regulations of the Tokyo Stock Exchange.

*2: The three directors above are members of the Governance Committee and have been engaged, from an objective and neutral standpoint, in the selection of directors for the company and the determination of executive remuneration and governance structure.

*Attendance at the Board and the Audit and Supervisory Committee is the status in fiscal 2022.
*The number of shares owned is the number as of the end of March 2022.

Director (Except for the director who is an audit and supervisory committee member)



Masanori Okuda
Representative Director, President

Governance

- Attendance at the Board: 12/13 (92%)
- Number of shares owned: 47,020

Apr. 1974 Joined the Company
Apr. 2007 Executive Officer
General Manager of Tobu Juken Sales Control
Apr. 2008 Senior Executive Officer
General Manager of Juken Sales Control and General Manager of Tobu Sales Control
June 2008 Director, Senior Executive Officer
Apr. 2009 Director, Managing Executive Officer
Tokyo Representative and General Manager of Juken Sales Control
Apr. 2010 General Manager of Juken Sales
June 2011 General Manager of Sales, Manager of New Development Sales, and General Manager of the Tokyo Office
Apr. 2012 Director, Senior Managing Executive Officer
General Manager of the Tokyo Office
June 2013 Representative Director, Senior Managing Director, and Senior Managing Executive Officer
Oct. 2013 General Manager of Procurement Innovation and General Manager of the Tokyo Office
Apr. 2014 Representative Director, Representative President and Executive Officer
June 2018 Representative Director, President (present)



Koshin Nomura
Representative Director,
Managing Executive Officer

- Number of shares owned: 8,500

Apr. 1983 Joined the Company
Apr. 2006 Manager of DAIKEN Industries (Ningbo) Corporation
Apr. 2011 Manager of Building Products Development Department of the Company
Apr. 2013 Division Manager of Interior Products
Apr. 2015 Executive Officer
Deputy General Manager of Products Head Office and Division Manager of Building Products
Apr. 2016 Deputy General Manager of Products Head Office and Department
Manager of New Business Development
Apr. 2017 Senior Executive Officer
Manager of Finance and Accounting Department
Apr. 2018 Manager of Corporate Planning Department
Apr. 2019 General Manager of General Development and IT・Logistics
Apr. 2020 Managing Executive Officer
General Manager of Domestic Manufacturing
Apr. 2021 General Manager of Domestic Manufacturing and Division Manager of Home Furnishings
Apr. 2022 Responsible for Domestic Business and New Domestic Business
General Manager of the Tokyo Office (present)
June 2022 Representative Director, Managing Executive Officer (present)



Takeshi Nagata
Director, Managing Executive
Officer

- Number of shares owned: 8,930

Apr. 1985 Joined ITOCHU Corporation
Jan. 2006 Acting Manager of Wood Material and Building Material Department and Chief of Wood Building Materials Section
Feb. 2009 Senior Executive Director of DAIKEN NEW ZEALAND LIMITED (Stationed in Christchurch)
June 2012 PT. ITOCHU Indonesia (Stationed in Jakarta)
Apr. 2014 Acting Manager of Wood Products & Materials Department of ITOCHU Corporation
July 2014 Acting Manager of Wood Products & Materials Department, and Planning and Administration Department, ICT, General Products & Realty Company
Apr. 2015 Deputy General Manager of Overseas Business Group of the company
Mar. 2017 Retired from ITOCHU Corporation
Apr. 2017 Executive Officer of the Company
General Manager of Overseas Business Group and Department Manager of Overseas Business Planning
June 2017 Outside Director of HOKUSHIN Co., Ltd. (present)
Apr. 2019 Senior Executive Officer of the Company
General Manager of Overseas Business
Apr. 2020 Deputy General Manager of Overseas Business Headquarters and General Manager of MDF Business Division
Apr. 2021 General Manager of Overseas Business, Manager of Asia Business Department, and Manager of North America Business Department
Apr. 2022 Managing Executive Officer
Responsible for Overseas Business and New Overseas Business
Manager of North America Business Department (present)
June 2022 Director, Managing Executive Officer (present)



Masatoshi Maki
Director

- Number of shares owned: 0

Apr. 1987 Joined ITOCHU Corporation
Apr. 2000 Chief of Construction Section 2 of Construction & Realty Department
Apr. 2005 Acting Manager of Construction & Realty Department
Apr. 2006 Acting Manager of Construction & Realty Department No. 1
Apr. 2009 General Manager of Construction & Realty Department No. 2
Apr. 2011 Director of China Construction & Realty Division (Stationed in Shanghai), ITOCHU SHANGHAI LTD.
Apr. 2013 Director of China ICT, General Products & Realty Group (Stationed in Shanghai), ITOCHU SHANGHAI LTD.
Apr. 2014 Deputy Chief Operating Officer of Construction, Realty & Financial Business Division
Apr. 2015 Deputy Chief Operating Officer of Construction, Realty & Logistics Division
Apr. 2016 Chief Operating Officer of Construction, Realty & Logistics Business Division
Apr. 2019 Executive Officer (present)
Chief Operating Officer of Construction & Real Estate Division
Apr. 2022 President of General Products & Realty Company (present)
June 2022 Director of the Company (present)

Director who is an audit and supervisory committee member



Takashi Aihara
Director, Audit & Supervisory
Committee Member (Full-time)

- Attendance at the Board: 13/13 (100%)
- Attendance at the Audit & Supervisory Committee: 10/10 (100%)
- Number of shares owned: 11,960

Apr. 2001 Professor of School and Graduate School of Law and Politics, KWANSEI GAKUIN UNIVERSITY
Aug. 2003 Director and Manager of IR Planning of Takara Printing Co., Ltd.
Mar. 2006 Outside Audit & Supervisory Board Member of Urban Life Co., Ltd.
Aug. 2006 Director and Executive Officer responsible for IR business development of Takara Printing Co., Ltd.
Feb. 2008 Registered lawyer (present)
June 2010 Outside Audit & Supervisory Board Member of the Company
Jan. 2011 Member of the Ninth Tender Monitoring Committee of Ministry of Finance
Apr. 2011 Member of the Committee of Monitoring Mint Contracts (Independent Administrative Institution)
June 2011 Outside Director of the Company
June 2017 Representative Director, Senior Managing Director, and Senior Managing Executive Officer
June 2018 Representative Director, Senior Managing Executive Officer
Apr. 2021 Responsible for the Head Office and crisis management (present)
June 2021 Director, Audit & Supervisory Committee Member (full-time) (present)



Takashi Terubayashi
Director, Audit & Supervisory
Committee Member (Full-time)

- Attendance at the Board: 13/13 (100%)
- Attendance at the Audit & Supervisory Committee: 10/10 (100%)
- Number of shares owned: 14,610

Apr. 1980 Joined the Company
Apr. 2011 Executive Officer
Apr. 2012 Senior Executive Officer
Manager of General Affairs and HR and Manager of the Secretarial Office
Apr. 2013 Managing Executive Officer
Manager of Management Planning Department and Manager of the Secretarial Office
June 2013 Director, Managing Executive Officer
Apr. 2014 Manager of Management Planning Department, Manager of the New Business Development Office, and Manager of the Secretarial Office
Apr. 2015 Manager of Finance and Accounting
Apr. 2017 Director, Senior Managing Executive Officer
June 2017 Representative Director, Senior Managing Director, and Senior Managing Executive Officer
June 2018 Representative Director, Senior Managing Executive Officer
June 2019 Audit & Supervisory Board Member
June 2021 Director, Audit & Supervisory Committee Member (full-time) (present)



Shingo Ishizaki
Outside Director, Audit &
Supervisory Committee Member

Independent
Governance Committee Chairperson

- Attendance at the Board: 13/13 (100%)
- Attendance at the Audit & Supervisory Committee: 10/10 (100%)
- Number of shares owned: 0

Apr. 1979 Joined Yamaichi Securities Co., Ltd.
Apr. 1998 Joined Merrill Lynch Japan Securities Co., Ltd.
July 2001 Joined UFJ Capital Markets Securities Co., Ltd. (present Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
Oct. 2004 Joined Mizuho Securities Co., Ltd.
Executive Manager of Investment Banking Group
Apr. 2009 Managing Executive Officer and Kansai Investment Banking Group Leader
Apr. 2010 Managing Executive Officer and Kansai and Western Japan Investment Banking Group Leader
June 2015 Special Adviser of Sekisui House, Ltd.
Special Adviser of Sekisui Plastics Co., Ltd.
Apr. 2018 President and Representative Director of SI Management Co., Ltd. (present)
June 2019 Outside Audit & Supervisory Board Member of the Company
June 2020 Outside Director of the Company
Apr. 2021 Adviser of Asahi Broadcasting Group Holdings Corporation (present)
June 2021 Outside Director, Audit & Supervisory Committee Member of the Company (present)



Yuko Asami
Outside Director, Audit &
Supervisory Committee Member

Independent
Governance

- Attendance at the Board: 13/13 (100%)
- Attendance at the Audit & Supervisory Committee: 10/10 (100%)
- Number of shares owned: 0

Apr. 2000 Full-time instructor, Faculty of Economics, Gakushuin University
Feb. 2002 Member of performance report project, Accounting Standards Board of Japan
Apr. 2003 Assistant Professor, Faculty of Economics, Gakushuin University
Apr. 2008 Professor, Faculty of Economics, Gakushuin University (present)
Feb. 2010 Member of the Evaluation Committee for the Incorporated Administrative Agency (Independent administrative institution), Ministry of Finance
Acting chairman of the working group of the Organization for Small and Medium Enterprises and Regional Innovation of the same committee
Temporary member of the Business Accounting Council, Financial Services Agency
Apr. 2012 Member of the advisory committee of economics, subcommittee of the establishment of the university, council of the establishment of the university and incorporated educational institution, Ministry of Education, Culture, Sports, Science and Technology
Apr. 2014 Vice President, Gakushuin University
June 2018 Outside Audit & Supervisory Board Member of the Company
Apr. 2019 Chairperson and Professor, Graduate School of Management, Gakushuin University (present)
June 2019 Member of the Certified Public Accountants and Auditing Oversight Board, Financial Services Agency (present)
Member of Standards Advisory Council, Financial Accounting Standards Foundation (present)
Dec. 2019 Japan Society for the Promotion of Science, Member of the Committee on Grants-in-Aid for Scientific Research (present)
Jan. 2020 Examiner of Certified Public Tax Accountant Examination, National Tax Agency (present)
Sep. 2020 Auditor of Ibaraki University (present)
June 2021 Outside Director, Audit & Supervisory Committee Member of the Company (present)



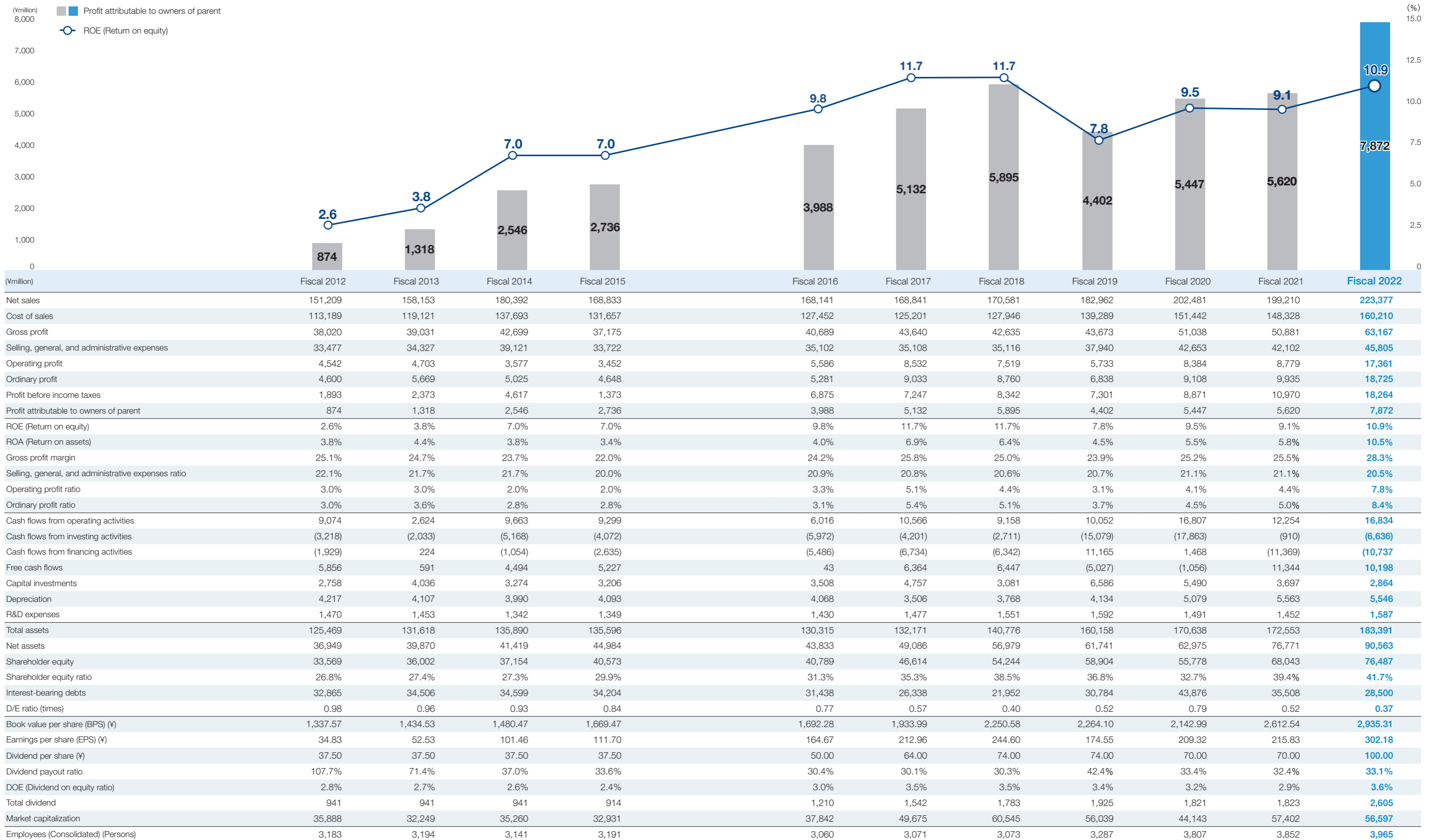
Kiyoshi Mukohara
Outside Director, Audit &
Supervisory Committee Member

Independent
Governance

- Attendance at the Board: 13/13 (100%)
- Attendance at the Audit & Supervisory Committee: 10/10 (100%)
- Number of shares owned: 0

Apr. 1975 Joined The Sumitomo Trust and Banking Company, Limited (present Sumitomo Mitsui Trust Bank, Limited)
June 2006 Director and Managing Executive Officer
June 2008 Representative Director and Senior Managing Executive Officer
Apr. 2011 Representative Director and Deputy President Executive Officer
Representative Director and Deputy President of SUMITOMO MITSUI TRUST HOLDINGS, INC.
Apr. 2012 Representative Director, Deputy Chairman of Sumitomo Mitsui Trust Bank, Limited
Representative Director of SUMITOMO MITSUI TRUST HOLDINGS, INC.
Apr. 2015 Corporate Advisor of Sumitomo Mitsui Trust Bank, Limited
June 2015 Retired from Director of SUMITOMO MITSUI TRUST HOLDINGS, INC.
June 2016 Outside Audit & Supervisory Board Member of Rengo Co., Ltd.
Apr. 2018 Executive Advisor of Sumitomo Mitsui Trust Bank, Limited
Mar. 2019 Advisor of Sumitomo Mitsui Trust Research Institute Co., Ltd. (present)
June 2020 Outside Audit & Supervisory Board Member of the Company
June 2021 Outside Director, Audit & Supervisory Committee Member of the Company (present)

Eleven-Year Financial Summary



(Note) 1. 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.

2. For more information about our financial statements, please refer to our securities report posted on our website. <https://www.daiken.jp/company/tr/document/>

3. Free cash flows = Cash flows from operating activities + Cash flows from investing activities

4. Debt-equity ratio = Interest-bearing debts / shareholder equity (times)

5. DOE (Dividend on equity ratio) Annual dividend amount / Average shareholder equity at the beginning and end of the period x 100 (%)

ESG Goals

Results of the Medium-Term ESG Plan (Fiscal 2020-2022)

Field	Theme	Goals	Results	Status of Achievement	
E Environment	Greenhouse gas emissions reduction¹	Total greenhouse gas emissions in Japan Fiscal 2022: 26% reduction (As compared to fiscal 2014)	36% reduction (As compared to fiscal 2014) Achieved the goal by renewing to energy-saving facilities and the reduction measures, such as production rationalization	●	
	Promotion of the use of renewable energy	Renewable energy utilization ratio: 50% or more	50% Maintained the target level through the stable operation of biomass boilers	●	
	Promotion of carbon fixation	Amount of carbon fixation by the wood industrial materials business (MDF and insulation board) 1,100,000 t-CO ₂ /year	1,044,000 t-CO ₂ /year Although it increased compared to fiscal 2019 through the increase in production of MDF production, the goal could not be achieved	×	
	Promotion of recycle and conversion of waste into valuables	Final disposal rate (ratio of volume disposed of in landfill outside the company): 5% or below	5.8% Although it improved by 1.8 points compared to fiscal 2019 by promoting the material use of waste, the goal could not be achieved	×	
	Promotion of effective use of water resources	Water resource input: 3% reduction (As compared to fiscal 2019) (Group production bases in Japan)	4% reduction (As compared to fiscal 2019) Achieved the goal by improving the production processes, such as the loss in using water when starting production processes each time	●	
	Appropriate management and reduction of chemical substances	Release/transfer amount of the substances subject to the PRTR law: 70% reduction (As compared to fiscal 2019)	59% reduction (As compared to fiscal 2019) Although reduction of methylene chloride progressed as the establishment of technology for the product specification change completed, the goal could not be achieved	×	
	Procure wood in a biodiversity friendly way	Utilization of domestic timber for flooring substrates: 45%	51% Achieved the goal by promoting the switch from lauan wood	●	
	Strengthen environmental risk management	Number of environmental accidents and violations: 0 (Those with administrative guidance or penal charge)	0 (continued) Maintained 0 cases by operating and continuously improving the environmental management system	●	
	S Social	Enhancement of the quality control structure¹	Serious product accidents: 0 Product safety and quality improvement education execution rate: 100% Product audit implementation cover rate: 100%	One case respectively in FY 2020 and FY 2021, and 0 cases in FY 2022 100% 100%	×
		Fair transactions	Rate of acquisition of the agreement on the CSR procurement standards at home and abroad: 100% Serious violations of the Anti-Monopoly Act and Subcontract Act: 0	Japan: 98% Progressed in the suppliers of the new consolidated subsidiaries Global: Preparations for the trial survey to suppliers completed 0 (continued)	×
Promotion of diversity¹		Total diversity index ² : +20 pt (As compared to fiscal 2019)	+30 pt (As compared to fiscal 2019) Achieved the goal as taking childcare leave among male employees progressed	●	
Promotion of workstyle reform		Total work time reduction rate: 3% (As compared to fiscal 2019) Rate of taking annual paid leave: 70% Employee satisfaction ³ : +5 pt (As compared to fiscal 2020)	3.5% reduction (As compared to fiscal 2019) 61.4% -0.8 pt (As compared to fiscal 2020)	● × ×	
Reinforcing human resources development		Job separation rate within three years: Within 15% Young employees' career plan training attendance rate: 100% Attendance rate for the prioritized market enhancement program: 50% Management staff training program attendance rate: 70%	15.4% 100% 42% 55.8%	× ● ▲ ▲	
Enhancement of the occupational safety and health		Serious disaster: 0 Plant mutual safety diagnosis execution rate: 100%	0 (continued) Although diagnosis by visiting the plants was suspended, online information sharing by the safety supervisor was enhanced	● ▲	
Human rights promotion activities		Human rights enlightenment training attendance rate: 100% Supervisor harassment training execution rate: 100%	96% 100%	▲ ●	
Social contribution activities by cooperating with local communities		Holding of the event planned by cooperating with local communities: Once a year (Each group production bases)	A total of 62 events held in 18 bases among 20 bases at home and abroad	▲	
G Governance		Enhancement of the governance system¹	Group corporate philosophy penetration program execution rate: 100% Degree of penetration of the group corporate philosophy ⁴ : +10 pt (As compared to fiscal 2018)	80% Newly established and operating the collection of cases of practicing philosophy and the good case awards program +5 pt (As compared to fiscal 2018)	▲ ×
		Promotion of risk management	System BCP 3-year proactive measure completion rate: 100% Procurement BCP 3-year proactive measure completion rate: 100%	100% Grasping and evaluation of risks completed, and responses have been continuing	●
	Strict compliance	Serious compliance violations: 0 Compliance consciousness degree ⁵ : +5 pt (As compared to fiscal 2020)	0 (continued) +3.1 pt (As compared to fiscal 2020)	● ×	

Status of achievement: ● Achieved × Not achieved ▲ The impact of postponement and suspension due to the restricted activities in the COVID-19 crisis

¹: Set as the non-financial management goals in the medium-term management plan
²: Our own indices in which diversity-related items, such as the female manager ratio, were indexed. Total Diversity Index 3rd Stage is used in and after fiscal 2023 and items related to the method of calculation are reviewed and reset
³: Our own index based on the survey using the employees' sense of satisfaction and pleasant workplaces as evaluation axes
⁴: Our own indices in which employees' understanding, sharing, and practice of the group corporate philosophy were indexed
⁵: Own indices to measure employees' compliance consciousness degree from the perspectives of legal compliance, a sense of ethics, structure, and corporate culture

ESG Goals (Fiscal 2023-2026)

We integrated the past medium-term ESG plan and the medium-term management plan in fiscal 2023 and set the important themes to work on from the perspective of ESG and goal values as the ESG goals.

Field	Theme	Goal (Fiscal 2026)
E Environment	Promotion of recycle and conversion of waste into valuables	Reduction of the final waste landfilling treatment amount (production departments in Japan and overseas) 15% reduction (Compared to fiscal 2022)
	Greenhouse gas emissions reduction	Total greenhouse gas emissions in Japan and overseas (Scope1+2) Total greenhouse gas emissions in Japan and overseas(Scope3) 10% reduction (As compared to fiscal 2022) 6% reduction (As compared to fiscal 2022)
	Promotion of the use of renewable energy	Renewable energy utilization ratio Japan: 50% or more Overseas: 40% or more
	Expansion of the amount of carbon storage by using timber	Amount of carbon storage by the wood industrial materials business (MDF and insulation board) 1,100,000 t-CO ₂ /year
	Procure wood in a biodiversity friendly way	Lauan usage rate in flooring substrates 50% reduction (Compared to fiscal 2022)
	Appropriate management and reduction of chemical substances	Release/transfer amount of the substances subject to the PRTR law 70% reduction (Compared to fiscal 2022)
	Promotion of effective use of water resources	Water resource input (Group production bases in Japan and overseas) 4% reduction (Compared to fiscal 2022)
	Reduction of the use of plastics derived from fossil fuels	Reduction of the use of plastic containers and packaging 4% reduction (Compared to fiscal 2022)
	Strengthen environmental risk management	Number of environmental accidents and violations at home and abroad (Those with administrative guidance and penal charge) 0
	S Social	Enhancement of the quality control structure
Promotion of CSR procurement		The rate of the CSR survey implementation in Japan and overseas 100%
Ensuring fair competition and transactions		Serious violations of the Anti-Monopoly Act and Subcontract Act Planning and holding of the enlightenment activities by division and job type 0 20 times/year
Promotion of diversity		Total diversity index 3rd Stage ² +30 pt (As compared to fiscal 2022) The ratio of female employees hired (New graduate nationwide course) The female full-time employee ratio The percentage of male employees taking childcare leave The female manager ratio Long-term care seminar attendance rate Diversity training attendance rate (Managers) The degree of attainment of the employment rate of persons with disabilities Personnel composition by age (Difference by generation) 50% 20% 50% 2% 90%/year 100% 100% Within the difference of 10 pt
Promotion of health management		The rate of receiving health promotion allowance Health score (Exercise, rest, and nutrition) Presenteeism loss rate 80% 20 pt 25%
Promotion of workstyle reform		Total work time reduction rate Rate of taking annual paid leave Employee satisfaction ³ 3% 70% 60pt
Reinforcing human resources development		Job separation rate within three years Young employees' career plan training attendance rate Attendance rate for the prioritized market enhancement program Management skill training attendance rate Within 15% 100% 50% 80%
Enhancement of the occupational safety and health		Serious disaster Plant mutual safety diagnosis execution rate 0 100%
Human rights promotion activities		Human rights enlightenment training attendance rate Supervisor harassment training attendance rate 100% 100%
Social contribution activities by cooperating with local communities		Holding of the event planned by cooperating with local communities (Each group production bases) 1 times/year
G Governance	Enhancement of the governance system	Female executive ratio (Director) Degree of penetration of the group corporate philosophy ⁴ 10% or more 60 pt or more
	Improvement of a dialog with stakeholders	Establishment of the index for the engagement with customers and business partners and the method, and setting of the goal Number of sessions on our IR site Implementation in fiscal 2023 200% (As compared to fiscal 2022)
	Strict compliance	Serious compliance violations Compliance consciousness degree ⁵ 0 +5 pt (As compared to fiscal 2022)

E Environment

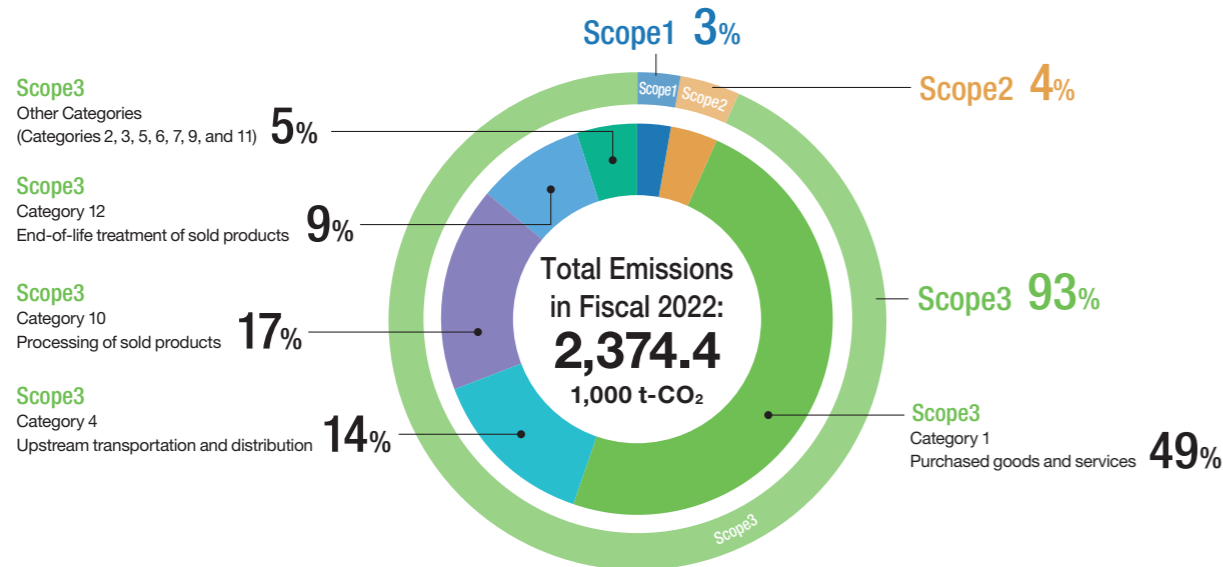
		Scope	Unit	2018	2019	2020	2021	2022
Total energy input		Group production bases in Japan	1,000 GJ (Heat quantity equivalent)	2,888	2,874	2,914	2,667	2,711
Percentage of renewable energy			%	50	50	50	50	50
Effective use of water resources	Quantity of water intake		1,000 m ³	2,041	1,943	1,865	1,799	1,859
	Discharge of drainage			1,572	1,455	1,381	1,331	1,408
Waste, etc.	Amount generated		1,000 t	48.8	48.6	47.5	43.7	47.1
	Percentage of final volume disposed of in landfill		%	7.5	7.6	7.2	5.9	5.8
Chemical substances (Substances subject to the PRTR law)	Emissions/Transfer volume		t	15	17	16	8	7
Number of environmental accidents and violations (Those with administrative guidance or penal charge)			Case	0	0	0	0	0

Greenhouse Gas Emissions

		Scope	Unit	2018	2019	2020	2021	2022
Scope 1 Total	Group consolidation ¹		1,000 t-CO ₂	-	-	-	73.5	73.7
	Japan	Group consolidation in Japan		36.1	35.4	35.4	31.2	32.9
	Overseas	Overseas group consolidation ¹		-	-	-	42.3	40.8
Scope 2 Total	Group consolidation ¹			-	-	-	89.2	87.9
	Japan	Group consolidation in Japan		63.2	58.6	55.7	51.3	48.5
	Overseas	Overseas group consolidation ¹		-	-	-	38.0	39.4
Scope 3 ^{2 and 3} Total	Group consolidation ¹			-	-	-	1,763.8	2,212.9
	Japan	Group consolidation in Japan ⁴		-	1,077.7	1,120.6	1,008.5	1,082.1
Scope 1+2 Total	Group consolidation ¹			-	-	-	162.7	161.5
	Japan	Group consolidation in Japan		99.3	93.9	91.1	82.5	81.4
Scope 1+2+3 Total	Group consolidation ¹		-	-	-	1,926.5	2,374.4	
	Japan	Group consolidation in Japan ⁴	-	1,171.7	1,211.8	1,091.0	1,163.4	

*1. Except for Singapore Branch, Indonesia Office, Vietnam Office, and Daiken (Shanghai) Corporation among the overseas group bases
 *2. Conform to the Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain by the Ministry of Environment and Ministry of Economy, Trade and Industry.
 *3. Excluding some of the bases and activities with small emissions and a small impact on the entire supply chain's emissions.
 *4. Including emissions by procuring materials from the overseas group companies.

Greenhouse Gas Emissions Composition Ratio in Fiscal 2022 (Group consolidation)



S Social

Number of employees

		Scope	Unit	2018	2019	2020	2021	2022	
Number of employees (Consolidated)		Group consolidation	Persons	3,073	3,287	3,807	3,852	3,965	
Domestic				2,248	2,268	2,411	2,449	2,461	
Global				825	1,019	1,396	1,403	1,504	
Average age		Non-consolidated	Age	41.4	41.6	41.6	41.6	41.9	
Female				37.7	38.6	38.8	38.8	39.2	
Male				42.2	42.4	42.4	42.4	42.8	
Average length of service				Year	17.7	17.7	17.5	17.6	17.7
Female					11.5	11.6	11.6	11.4	11.7
Male					19.3	19.3	19.2	19.4	19.6

Voluntary job separation ratio

Voluntary job separation ratio (Full-time employees)	Non-consolidated	%	2.0	2.2	1.9	1.3	2.3
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Women's active participation

The female employee ratio	Non-consolidated	%	19.5	20.2	21.9	23.6	24.2
The ratio of female employees hired			34.0	20.3	34.0	29.0	32.6
The female manager ratio (positions equivalent to section chief or higher)			0.62	1.04	1.23	1.62	1.63

Childcare leave

Number of employees taking childcare leave	Non-consolidated	Persons	5	12	28	17	37
Male			0	7	20	7	24
Female			5	5	8	10	13
The rate of returning to work from childcare leave		%	100	100	100	100	100

Employment of the persons with disabilities

The employment rate of persons with disabilities	Non-consolidated	%	1.80	2.03	1.95	1.96	2.14
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Annual paid leave

Acquisition of paid holidays	Non-consolidated	%	49.8	53.9	64.9	65.8	61.4
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CSR procurement

The rate of acquisition of the agreement on the CSR procurement standards	Group consolidation in Japan ¹	%	100	100	100	100	98
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Occupational Safety

The Rate of lost-worktime injuries	Group production bases in Japan	-	0.82	1.22	0	1.65	2.06
The plant mutual safety diagnosis execution rate			%	100	100	100	100
Workplace fatality	Non-consolidated	Persons	0	0	0	0	0
			Contractor	0	0	0	0

Employee satisfaction

Employee satisfaction ³	Group consolidation in Japan ¹	pt	-	-	55.4	56.7	54.6
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*1. Four production bases in Japan in fiscal 2018 and the group production bases in Japan from fiscal 2019 to 2021
 *2. Although diagnosis by visiting the plants was suspended due to the COVID-19 pandemic, online information sharing by the safety supervisor was enhanced
 *3. Employee satisfaction: Our own index based on the survey using the employees' sense of satisfaction and pleasant workplaces as evaluation axes
 *4. Except for T.O FLOORING Co., Ltd.

G Governance

Director composition

		Scope	Unit	2018	2019	2020	2021	2022
Number of directors		Non-consolidated	Persons	9	9	7	8	9
Number of outside directors				2	2	2	3	3

*The number of persons are the figures as of the end of June in each fiscal year

Status of the board convened

Number of the audit & supervisory board convened	Non-consolidated	Times	12	15	13	12	13
Attendance rate of outside directors			%	95	100	100	100

Compliance

Number of participants in compliance training	Group consolidation in Japan	Total/persons	3,276	863	1,337	1,471	3,951
Number of whistle-blowing		Case	1	6	14	8	12

More detailed information is published on our website. <https://www.daiken.jp/company/ir/document/esgdata.html>

Stock Information (As of March 31, 2022)

Stock Information

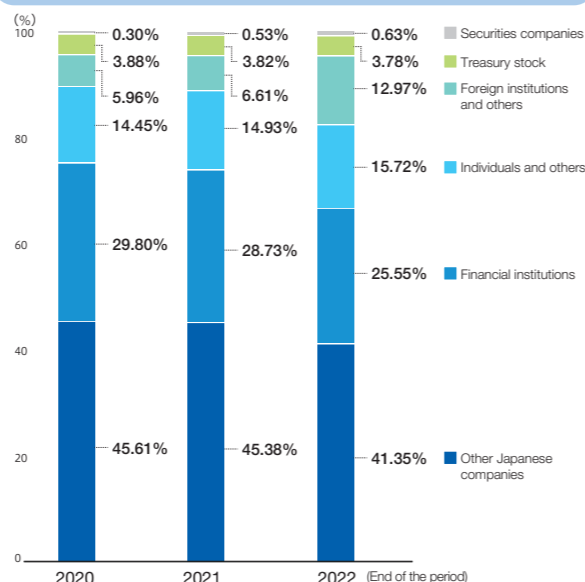
Total number of authorized shares	79,643,600
Total number of shares issued	27,080,043
Number of shareholders	4,490
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited

Major Shareholders

Name	Number of Shares	Ownership Ratio (%)
ITOCHU Corporation	9,475,300	36.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,253,800	8.6
Sumitomo Mitsui Banking Corporation	986,980	3.8
SUMITOMO LIFE INSURANCE COMPANY	931,200	3.6
DAIKEN CORPORATION Trading-Partner Shareholding Association	824,600	3.2
DAIKEN CORPORATION Employee Shareholding Association	729,539	2.8
Custody Bank of Japan, Ltd. (Trust Account)	614,400	2.4
Nippon Life Insurance Company	545,669	2.1
The Norinchukin Bank	463,667	1.8
JUTEC Corporation	376,390	1.4

Note 1: Daiken Corporation is in possession of 1,022,456 treasury shares. However, the Company is excluded from the above list of major shareholders.
 Note 2: The ownership ratio is calculated excluding the treasury stock.

Breakdown of shares by type of shareholder



Total Shareholder Return

	(Fiscal year)				
	2018	2019	2020	2021	2022
DAIKEN CORPORATION (%)	125.5	111.7	92.9	120.9	124.2
Including dividend	115.9	110.0	99.6	141.5	144.3

Note 1: Total shareholder return: This expresses the total investment return for a shareholder that combines the amount of the stock price increase and dividend.
 Note 2: Figures in the table above are calculated using the calculation formula by the Cabinet Office and are the values as of the end of each fiscal year from fiscal 2018 to fiscal 2022.

Trend of Stock Price/Market Capitalization/PER/PBR (For last 10 years)



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
High (¥)	1,450	1,530	1,635	2,050	2,349	3,150	2,844	2,291	2,379	2,545
Low (¥)	830	1,135	1,180	1,130	1,918	1,950	1,747	1,316	1,523	1,905
Stock price at the end of the period (¥)	1,285	1,405	1,355	1,570	2,061	2,512	2,154	1,696	2,204	2,172
PER (times)	24.46	13.85	12.13	9.53	9.68	10.27	12.34	8.10	10.21	7.19
PBR (times)	0.90	0.95	0.81	0.93	1.07	1.12	0.95	0.79	0.84	0.74

Note 1: Market capitalization = Stock price at the end of the period (Total number of shares issued - Number of treasury shares at the end of the period)
 Note 2: PER (price earnings ratio) = Stock price at the end of the period / Net income per share (times)
 Note 3: PBR (price book-value ratio) = Stock price at the end of the period / Net assets per share (times)
 Note 4: 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.

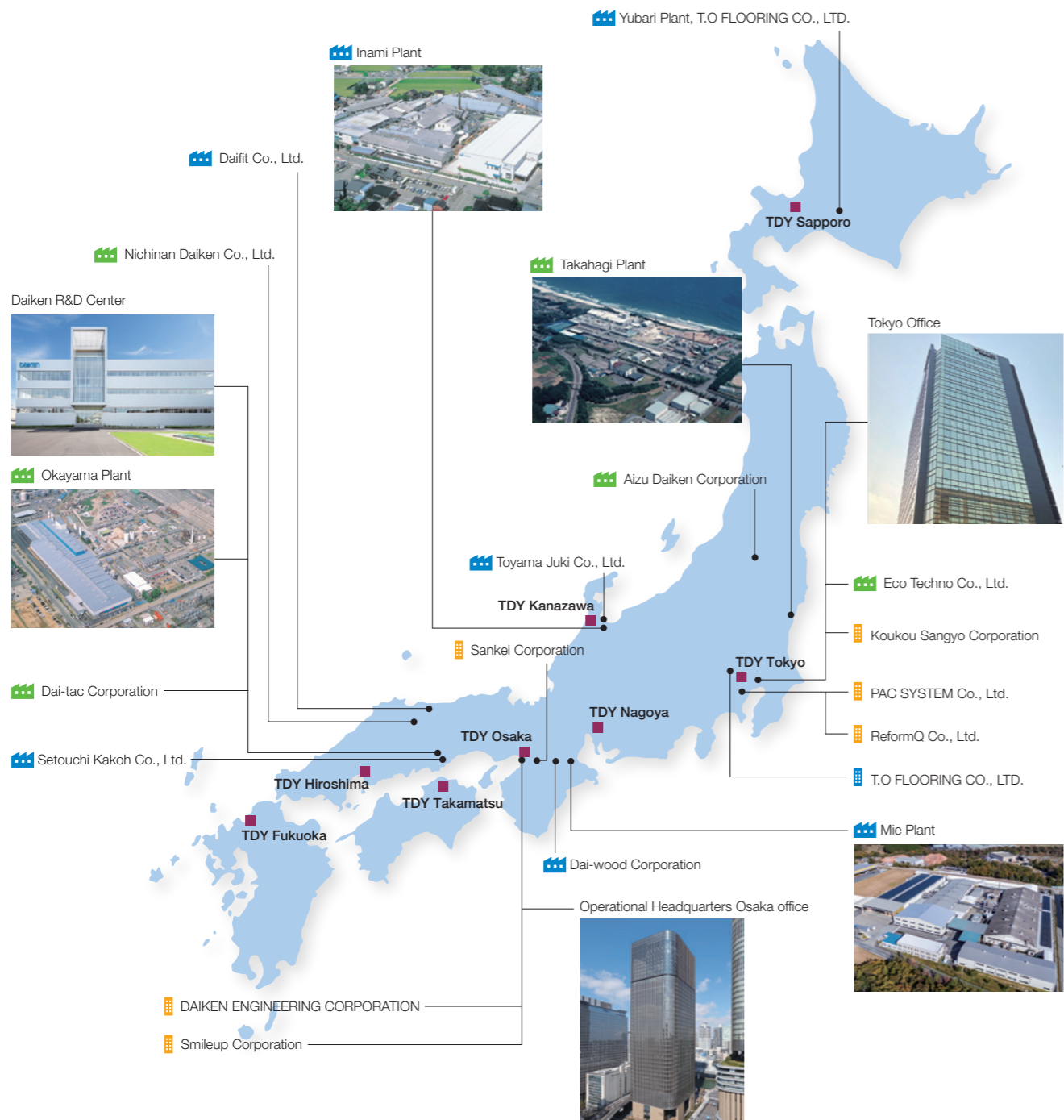
Glossary

Term	Description
Internal carbon pricing	The internal carbon price set in a company. A mechanism to promote investments in and countermeasures for low carbon, such as the reductions in carbon dioxide emissions, the incentive for the promotion of energy saving, refreshing awareness in a company, and the policy for investment decision-making.
Circular economy	Economic activities to create added value through servitization while minimizing resource input and consumption and effectively using stocks, in addition to the initiatives for the conventional 3Rs (Reduce, Reuse, and Recycle) (Circular economy). This is to aim for maximization of the value of resources and products, minimizing resource consumption, and inhibiting the generation of waste.
Thermal recycling	It is to not only simply conduct waste incineration processing but collect and use energy generated at the time of incineration. The Daiken Group uses wood chips, which cannot be used as product raw materials, and offcuts and wood power generated in the working process as fuel for woody biomass boilers as the necessary heat source in the manufacturing process.
Sustainability transformation (SX)	The strategic policy for companies to place emphasis on Sustainability in the environment with growing uncertainties, to simultaneously pursue the company's profitability and ESG (environment, society, and governance), to transform the concept of management and the concept of a dialogue with investors. This was recommended in the Study Group on Approaches to Making More Substantial the Dialogues for Creation of Sustainable Corporate Value by the Ministry of Economy, Trade and Industry in August 2020.
Cellulose nanofibers (CNF)	Fibers made by thinning cellulose, which is a type of prime constituent of cell walls extracted from timber, to the width of about 15 nanometers (nanometer is one millionth of a millimeter). The abbreviation for Cellulose Nano Fiber, which is also called CNF.
Solution proposal	The words are often used in the sense of resolving a customer's issue by combining the existing products or creating a program other than the product. Product development tailored to the needs, instead of only the existing products, for trouble that a customer has and proposals for spaces that utilize simulations aimed at the environmental improvement for the spaces are such proposals.
Veneer	A thin plate of timber (thin plate with thickness of 2-4 mm: veneer) cut in manner of rotary cutting of a log. It is used for manufacturing LVL and plywood as well as decorative surface materials for furniture and building materials.
New normal	It refers to the state where there is a huge change occurred in society, conditions cannot be returned to the previous state before the change occurred, and new common sense is established (new normal). The Daiken Group positioned the responses to new normal, such as the changes in society, lifestyles, and consciousness, in and after 2020 on the background of the worldwide spread of COVID-19 as materiality, User Needs in the New Normal Era.
Presenteeism	The state where an employee is not absent and it does not appear in managing attendance, but productivity decreased for health reasons. In promoting health management, the Daiken Group has set the Presenteeism Loss Rate as one of the ESG goals as the index to measure the effect of each measure.
Material recycling	It is to collect waste generated from used products and production processes, process it in a way that it can be easily used, and use it as a material or raw material for new products. Based on the idea of the pursuit of using timber as a material to the extent possible, the Daiken Group uses wood chips from offcuts and demolished houses as primary raw materials for MDF and insulation boards that are the primary products.
Lauan wood (Natural Tropical Species)	Natural hardwood timber in Southeast Asia. It has high workability and is used for plywood, substrate of furniture.
CSV	The abbreviation for Creating Shared Value. An approach to create both the economic value and social value by the company responding to social needs (resolution of social issues). It is the concept advocated by Professor Michael Porter who is an American management scholar. The Daiken Group defined it as finding solutions to social issues through the provision of common values capitalizing on Daiken's uniqueness and has been enhancing it to increase the linkage with the growth strategy.
LVL	The abbreviation for Laminated Veneer Lumber. A fabricated wood product manufactured by laminating veneers cut from a log all parallelized in the fiber direction and gluing them together. It is used for posts and beams of houses, frame materials for furniture, staircase sets, and frames/substrates of doors.
MDF	The abbreviation for Medium Density Fiberboard. Wooden fiberboard using residual wood offcuts for main raw material and pressed into a board. It is used for flooring substrates, substrates of doors, cabinets, and furniture.
WPC Processing Technology	WPC = The abbreviation for Wood Plastics Combination. Our unique technology to harden wood tissues by injecting plastics into and filling the tissues. By processing surface wood for flooring, it demonstrates strength against dents and scratches.

Company Information (As of July 01, 2022)

Company Name	DAIKEN CORPORATION	Registered Head Office	1-1, Inami, Nanto City, Toyama, Japan
Founding	September 26, 1945	Operational Headquarters Osaka office	3-2-4 Nakanoshima, Kita-ku, Osaka, Japan
Capital Stock	15.3 billion yen	Tokyo Office	3-12-8 Sotokanda, Chiyoda-ku, Tokyo, Japan
Stock exchange listings	The Prime Market of the Tokyo Stock Exchange	Major Sales Offices	Sapporo, Sendai, Tokyo, Saitama, Niigata, Nagoya, Kanazawa, Osaka, Hiroshima, Takamatsu, Fukuoka, and Singapore
Security code	7905	Production Plants	Inami Plant (Nanto City, Toyama Prefecture) Okayama Plant (Okayama City) Takahagi Plant (Takahagi City, Ibaraki Prefecture) Mie Plant (Tsu City)
Setting day	March 31		
General Meeting of Shareholders	June		

Japan



■ Subsidiaries part of the Group
 ■ Production base
 ■ Industrial materials business
 ■ Building materials business
 ■ Engineering business

TDY Collaboration Showroom

You can see products from three TDY companies in the same place: Daiken's floorings, interior building materials such as doors, TOTO's kitchens and bathrooms, and YKK AP's windows and exteriors.

Overseas



DAIKEN

DAIKEN CORPORATION

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