

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

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.

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.

Shingo Ishizaki
Outside Director, Audit and Supervisory Committee Member



Yuko Asami
Outside Director, Audit and Supervisory Committee Member



Kiyoshi Mukohara
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.

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.