

Progress of the Medium-Term Management Plan GP25 3rd Stage

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

Summary of the strategies of the 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 United States

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 Acquisition of alternative demand, capacity expansion, and development of new materials				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 ↑				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				

Management goals

I. Execution of the growth strategy

(¥100 million)

	GP25 2nd Stage	GP25 3rd Stage		
	Fiscal 2022 results	Fiscal 2023 results	Fiscal 2024 forecast	Fiscal 2026 goals
Net sales	2,233	2,288	2,350	2,500
Domestic market	1,512	1,641	1,800	1,835
Global markets	721	646	550	665
Operating profit	173	98	80	150
Operating profit ratio	7.8%	4.3%	3.4%	6%
Profit attributable to owners of parent	78	103	60	100

II. Enhancement of the management foundation

Financial indicators

		GP25 2nd Stage	GP25 3rd Stage		
		Fiscal 2022 results	Fiscal 2023 results	Fiscal 2024 forecast	Fiscal 2026 goals
Capital efficiency	ROE	10.9%	12.9%	7.1%	10% or more
	ROIC	11.1%	6.1%	-	8% or more
Financial soundness	Shareholder equity ratio	41.7%	45.0%	-	40% or more
	D/E ratio	0.37 times	0.36 times	-	0.5 times or less
Shareholder return	Dividend payout ratio	33.1%	27.8%	52.1%	35%
	DOE (Dividend on equity ratio)	3.6%	3.6%	3.7%	3.5%

Nonfinancial indicators

		GP25 2nd Stage	GP25 3rd Stage	
		Fiscal 2022 results	Fiscal 2023 results	Fiscal 2026 goals
E	Total greenhouse gas emissions in Japan and overseas ¹	(36%)	(4.0%)	(10%)
	Total diversity index ²	+30pt	+18.3pt	+30pt
S	Serious quality incident/violation ³	0	0	0
	Employee satisfaction ⁴	54.6pt	54.4pt	60pt
G	Serious compliance violations ³	0	1	0

¹: Fiscal 2022 results included the total emissions in Japan and overseas (Scope 1+2) compared to fiscal 2014. Fiscal 2023 results and fiscal 2026 goals included the total emissions in Japan and overseas (Scope 1+2) compared to fiscal 2022.

²: Our own indices in which diversity-related items, such as the female manager ratio, were indexed. Fiscal 2022 results were compared to fiscal 2019 and fiscal 2023 results and fiscal 2026 goals were compared to fiscal 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

Achievements and issues in fiscal 2023

- Net sales reached a record high due to the MDF sales price revision and the recovery in demand for interior projects and as we posted an extraordinary gain associated with the change in equity of the subsidiary, profit attributable to owners of parent hit a record high as well.
- On the other hand, operating profit, decreased because we could not fully absorb the increase of raw materials cost, even though we passed on costs to selling price.
- Although we made some progress in the development of the new product through co-creation with other companies and the launch of the vegetable garden system, we were forced to take follow-up action and defensive action against an increase in costs from beginning to end. It caused a delay in new action, such as the development of new applications for materials, new customers and new promotions.
- Regarding the progress of nonfinancial goals, our affiliate company, Sankei Corporation, has committed serious compliance violation and received administrative punishment from Osaka Prefecture due to the violation of the Construction Industry Act in their construction management operation in interior project. We take this issue seriously, we will enhance the checking system and provide a thorough compliance education to all DAIKEN Group member to avoid same issue occurring again.