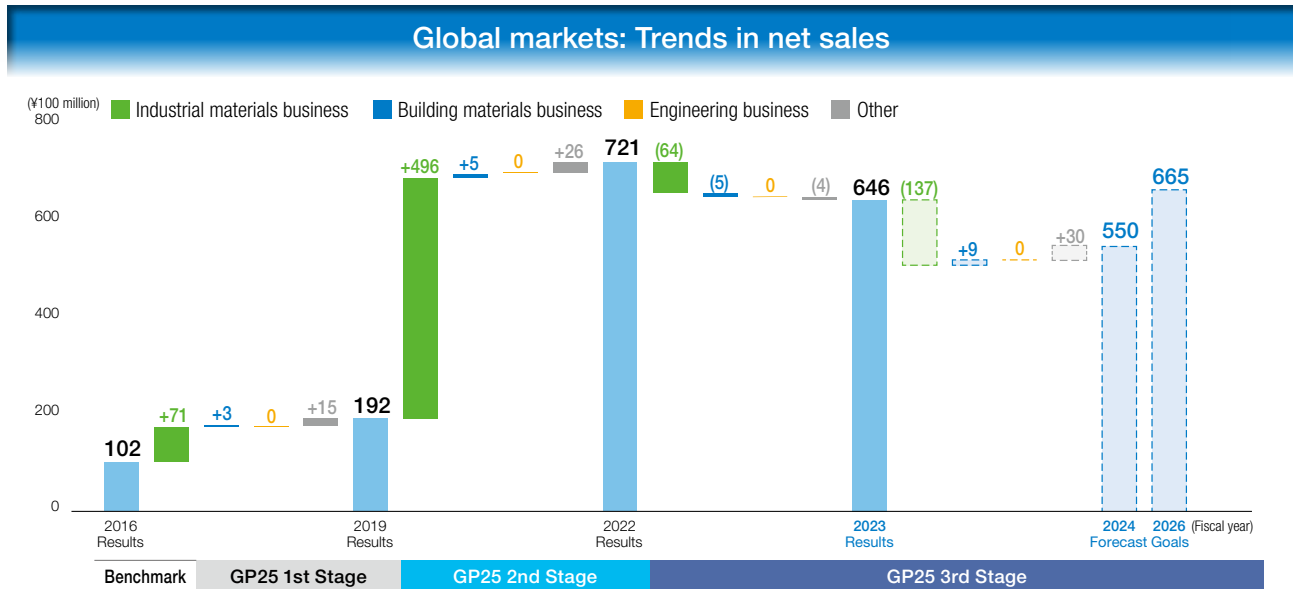


Initiatives for Priority Markets

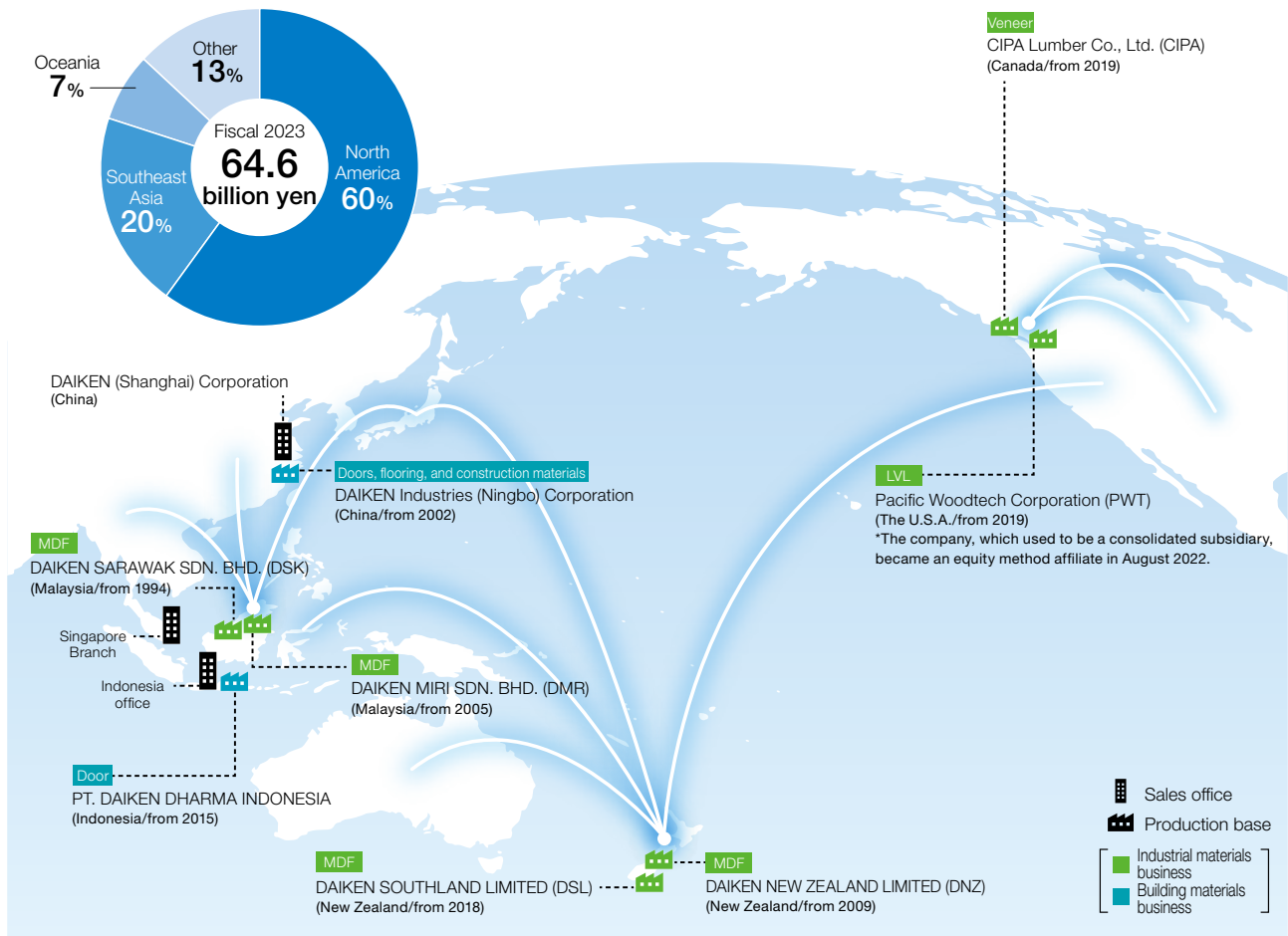
Global Markets

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.



Overseas bases/Sales breakdown by overseas region

[Sales breakdown by overseas region]



Development by MDF

Product characteristics

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

Tree species: Hardwood

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.

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.



New Zealand

Tree species: Softwood

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

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.

Production base

DAIKEN SARAWAK SDN. BHD. (DSK)



Foundation: May 1994
Production capacity: 120,000 m³/year
Acquired certificate: JIS A 5905, PEFC CoC
CARB, and EPA TSCA Title VI

DAIKEN MIRI SDN. BHD. (DMR)



Foundation: September 1996 → Purchased the company in February 2005
Production capacity: 110,000 m³/year
Acquired certificate: JIS A 5905, PEFC CoC
CARB, and EPA TSCA Title VI

DAIKEN NEW ZEALAND LIMITED (DNZ)

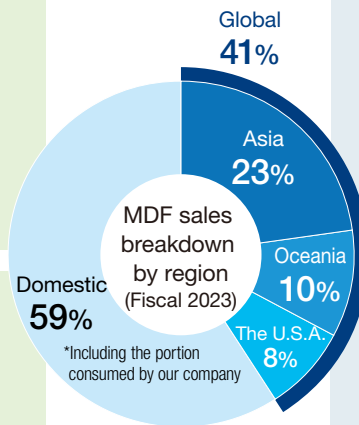


Foundation: 1976 → Purchased the company in February 2009
Production capacity: 107,000 m³/year
Acquired certificate: JIS A 5905, FSC CoC
CARB, and EPA TSCA Title VI

DAIKEN SOUTHLAND LIMITED (DSL)

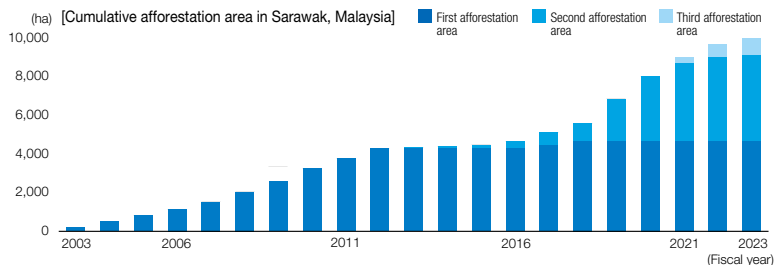


Foundation: November 1993 → Purchased the company in April 2018
Production capacity: 195,000 m³/year
Acquired certificate: JIS A 5905, FSC CoC
CARB, and EPA TSCA Title VI



Tree planting activity in Malaysia

Toward the realization of stable procurement of wood materials, we started acacia tree planting in Sarawak, Malaysia, in 2002, and the cumulative afforestation area is 9,800 ha or more. DSK aims to increase the plantation timber ratio in the wood materials used for MDF to 100% by fiscal 2026, strives to enhance the plantation timber growth management, and proceeds with the expansion of afforestation sites.



Future development

- 1 Profitability improvement by optimizing the production system
- 2 Enhancement of the new use application development/proposals
- 3 Further pursuit of the sustainability of raw materials

By optimizing production items that take advantage of the characteristics of the respective bases, improve profitability.

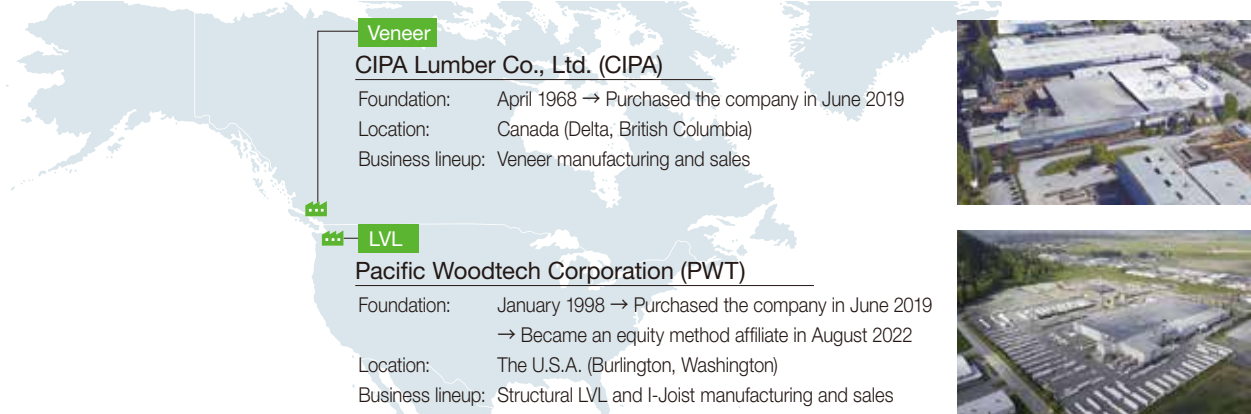
Enhance the new use application development and proposals that correspond to the demand as the alternative materials to plywood and plastics.

In addition to the expansion of their afforestation sites and improvement of the certified material ratio, pursue sustainability of raw materials by developing new technologies.

Initiatives for Priority Markets Global Markets

Expansion with wood materials in North America

With the acquisition of CIPA, which is a veneer plant in Canada, and PWT, which is an LVL plant in the United States, in June 2019, we officially started to expand into the American market, which is the world's largest wooden housing market. In August 2022, PWT acquired the housing structural material manufacturing business with a focus on the business of manufacturing and selling LVL from Louisiana Pacific, and the size of the business expanded significantly. With the capital increase aimed at acquiring the business, PWT, which used to be a consolidated subsidiary, became an equity method affiliate but they will continue enhancing the cooperation with CIPA and further expand the North American wood industrial materials business by taking advantage of the Daiken Group's technological capabilities cultivated in Japan and proceeding with the deployment of more value-added products on the basis of LVL manufacturing/sales networks expanded throughout the United States.



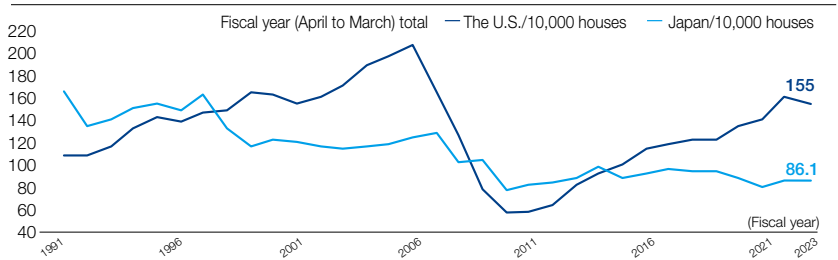
Significance of group structure

1 Expansion in the global market	While shrinking of the new housing market in Japan is expected, expand into the global market, which is positioned as the prioritized market in the long-term vision.
2 Expansion into the world's largest wooden housing market	Expand into the North American market, which is the world's largest wooden housing market supplying about twice as many houses as Japan and the growing market where population is expected to increase by 2 million or more annually.
3 Pursuit of synergy that takes advantage of the capabilities to develop industrial materials	Further expand by deploying the business model expanded by infusing technology in industrial materials and increasing added value in the North American market. In addition, aim for the new use application development by capturing the market with a focus on industrial materials.

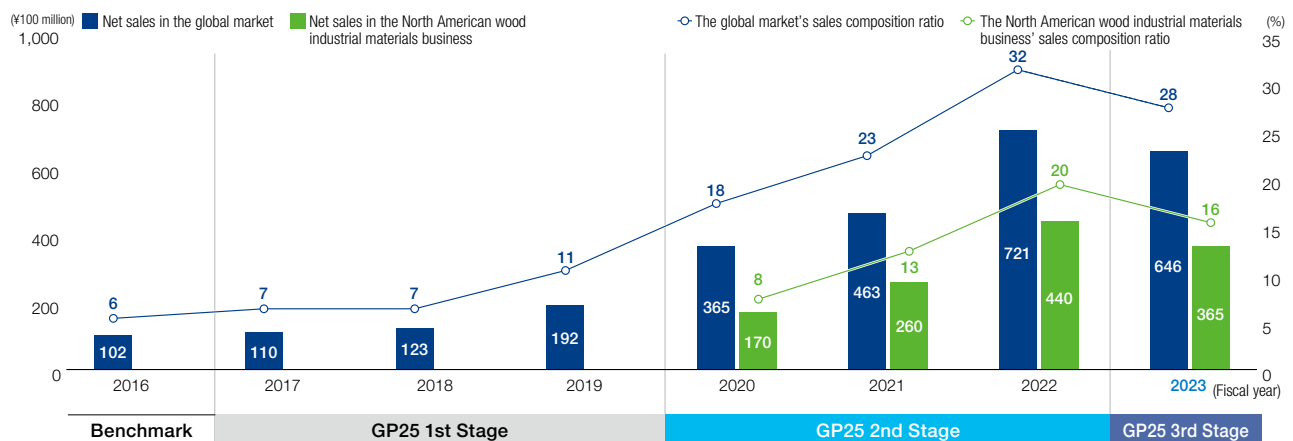
The world's largest wooden housing market

The number of housing starts in the most recent fiscal 2023 in the United States, which is the world's largest wooden housing market, was about 1.55 million, and the number decreased from the previous fiscal year from the impact of housing prices remaining high and the policy interest rate increase, but the market size is still about 1.8 times larger than that of Japan. Regarding the future market trends, on the background of the lack of housing stock after the bankruptcy of Lehman Brothers and an increase in the home ownership rate among millennials, in addition to the medium-to long-term population increase due to the immigration policy, steady housing demand is expected.

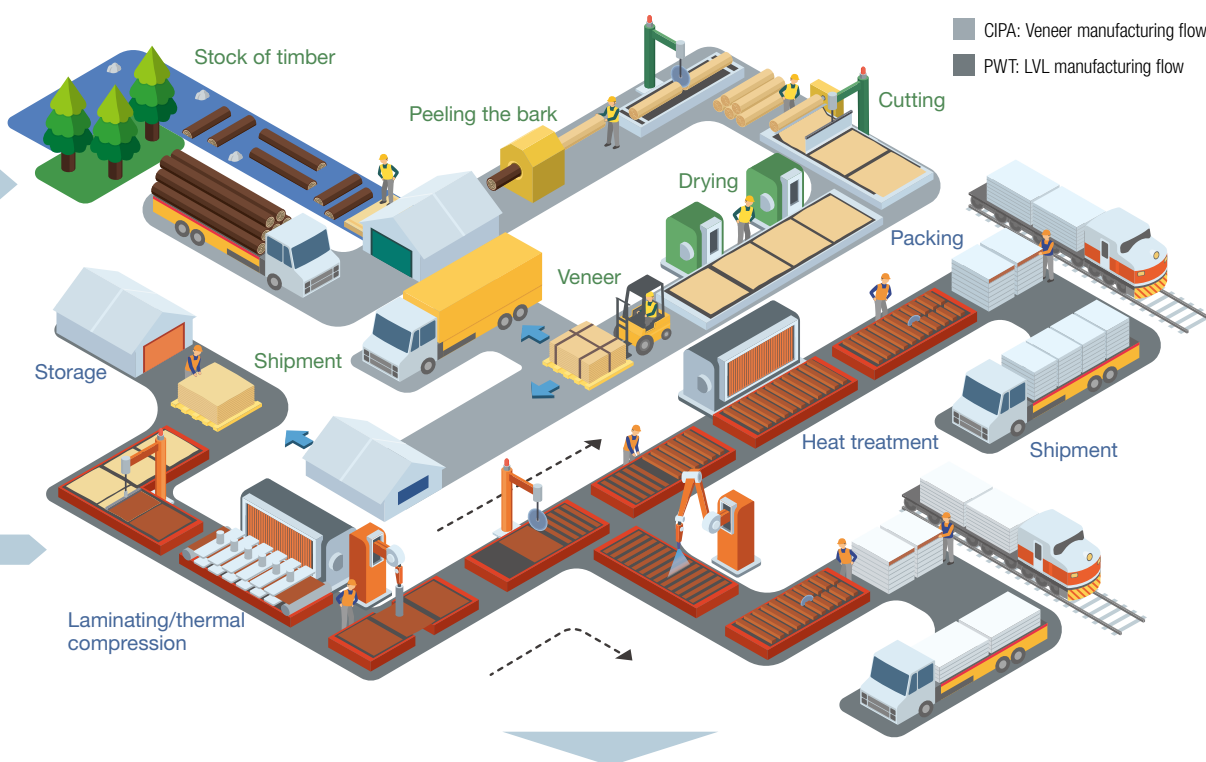
Trends in housing starts in the United States and Japan



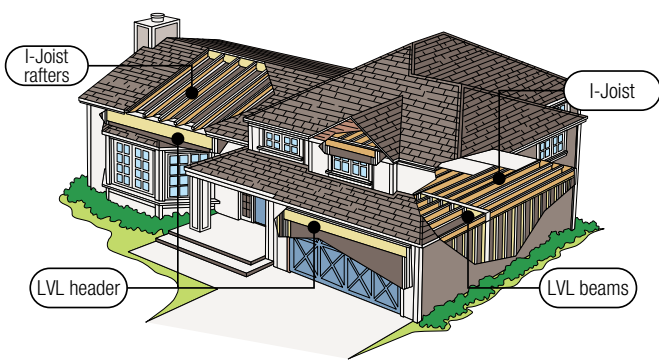
Expansion in the global market with a focus on the North American wood industrial materials business



Business flow



Major applications



Structural LVL for homes



Antiseptic LVL installed in the wood deck



I-joist installed as the joist in a home

New use application development/development of high value-added products

In addition to regular LVL to be used for posts of houses, etc. and I-Joist, which is a composite material of OSB and LVL, we introduced LVL as new products to address new needs by increasing added value, such as *billet beams*, which is high-strength LVL made by further laminating LVL to enhance strength, and treated, which is antiseptic LVL processed to make it hard to decay, and proceed with sales expansion.

Future development

<p>① Enhancement of the cooperation between CIPA and PWT</p>	<p>Make an investment in CIPA toward the expansion and reinforcement of the veneer production capacity and increase the supply quantity to PWT, which expanded the LVL production scale.</p>
<p>② CIPA's profitability improvement</p>	<p>By proceeding with stable procurement of raw wood and improving production efficiency, further improve profitability.</p>
<p>③ Expansion into new products</p>	<p>Utilize the sales channels and local networks for veneer and LVL and proceed with the consideration of expansion into new products where synergy can be expected.</p>