

# 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

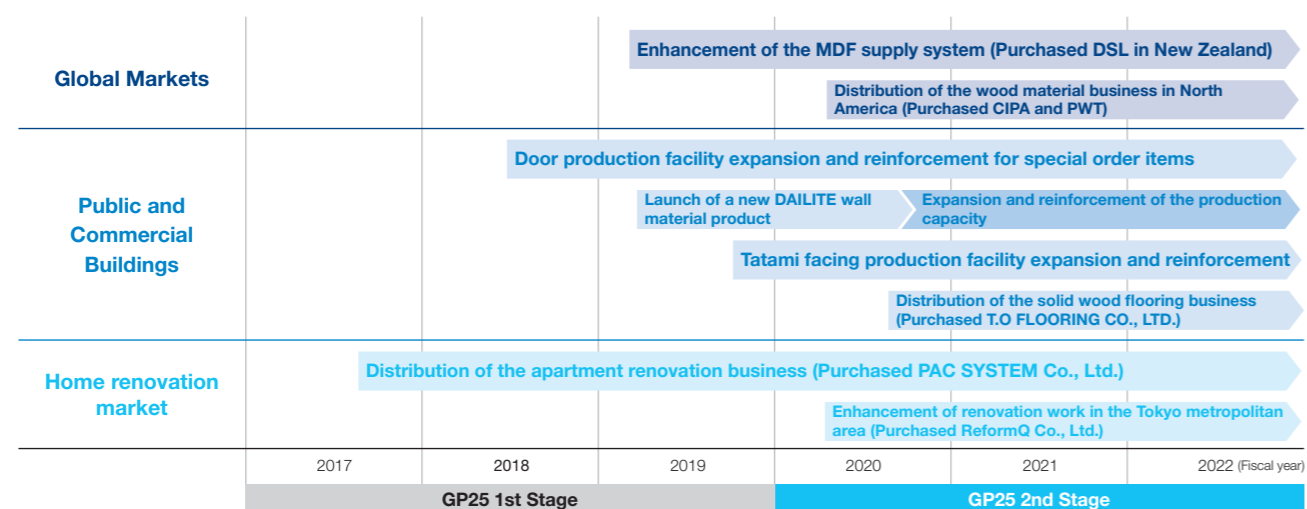
### Results achieved against management goals

	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.

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| <b>I. Accelerating growth strategies</b><br>Domestic: Review of the Business (Market) Portfolio<br>Global: Business expansion through proactive investments and entry into new markets | <b>II. Enhancement of the Management Foundation</b><br>1 Optimize our financial foundation<br>2 Restructure firm and flexible business infrastructure<br>3 Practice of ESG Management |
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### 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	<b>2,233</b>	2,250		
	Operating profit	83	87	<b>173</b>	120		
	Operating profit ratio	4.1%	4.4%	<b>7.8%</b>	5.3%		
	Profit attributable to owners of parent	54	56	<b>78</b>	70		
II. Enhancement of the Management Foundation	Financial Indicators	Efficiency	ROE	9.5%	9.1%	<b>10.9%</b>	10%
		ROA	5.5%	5.8%	<b>10.5%</b>	7%	
	Soundness	Shareholder equity ratio	32.7%	39.4%	<b>41.7%</b>	40%	
		Dividend payout ratio	33.4%	32.4%	<b>33.1%</b>	30% or more	
	Non-financial Indicators	E	Total domestic CO <sub>2</sub> emissions <sup>*1</sup>	(28%)	(35%)	<b>(36%)</b>	(26%)
			Total diversity index <sup>*2</sup>	+19pt	+19pt	<b>+30pt</b>	+20pt
		S	Serious quality accidents and violations	1	1	<b>0</b>	0
			G	Degree of penetration of the group corporate philosophy <sup>*3</sup>	+4pt	—	<b>+5pt</b>

\*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 CO<sub>2</sub> 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

