

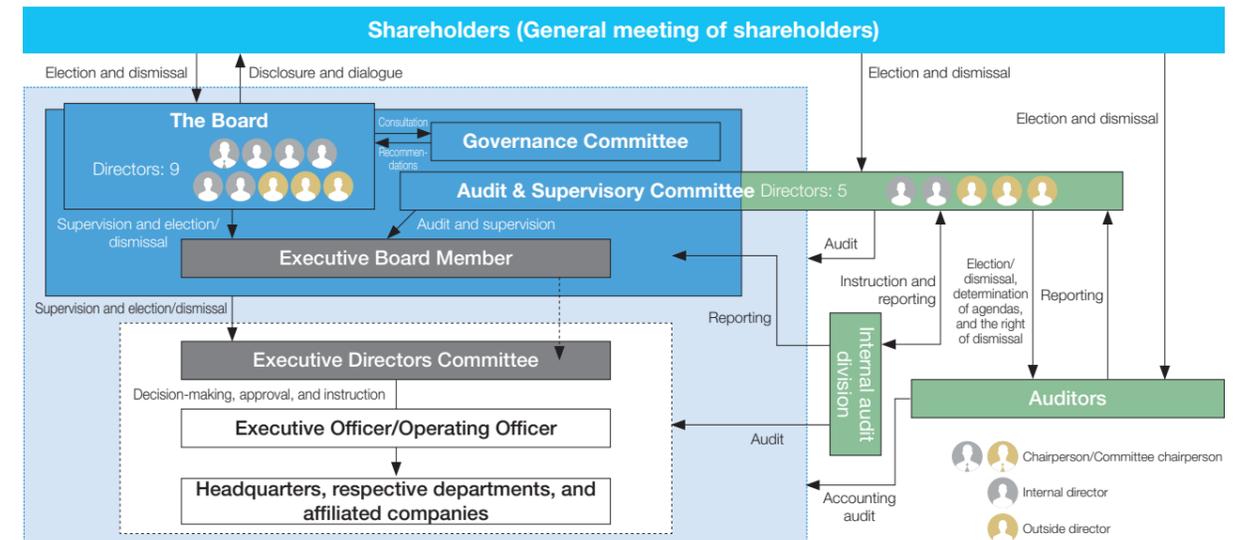
Key initiatives for the enhancement of corporate governance

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 system 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

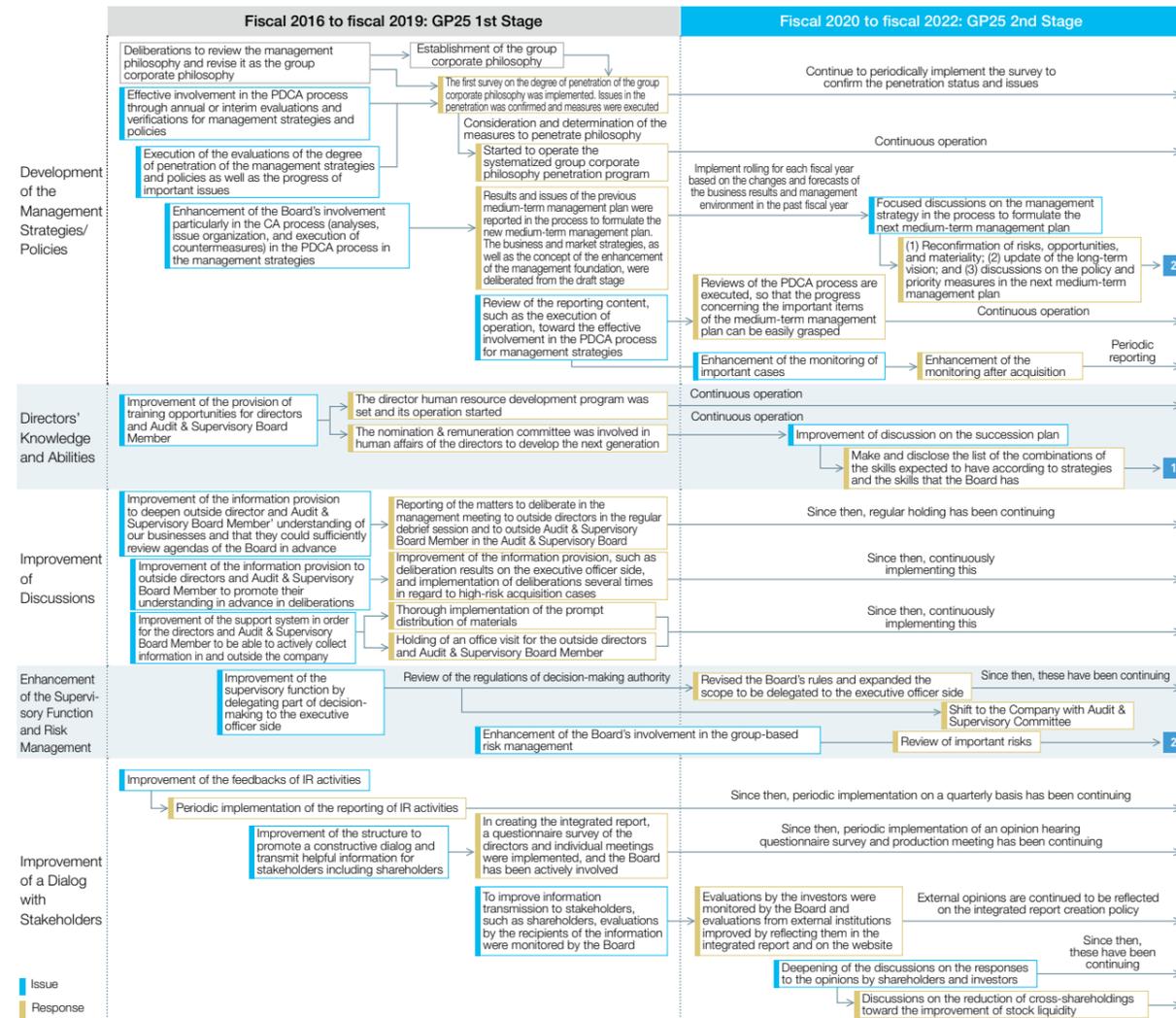
Departments Responsible for Risks **Department Responsible for Legal Affairs**

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

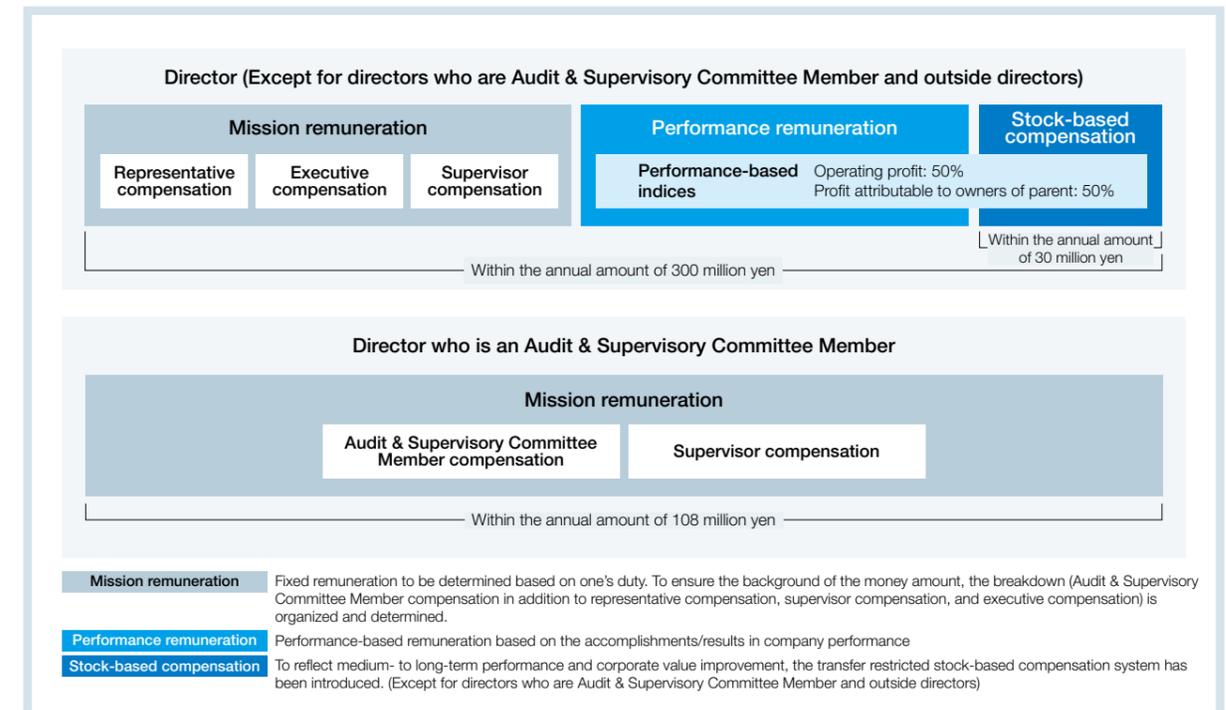
1. The remuneration system shall be based on the practice of the group corporate philosophy.
2. The remuneration system shall be designed reflecting the long-term vision GP25 and the medium-term management plan, prevent too great an emphasis on short-term inclinations, and motivate the improvement of 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.