

**DAIKEN**

# DAIKEN GROUP REPORT 2023



**DAIKEN CORPORATION**

# Toward the future exceeding the functions of yesterday

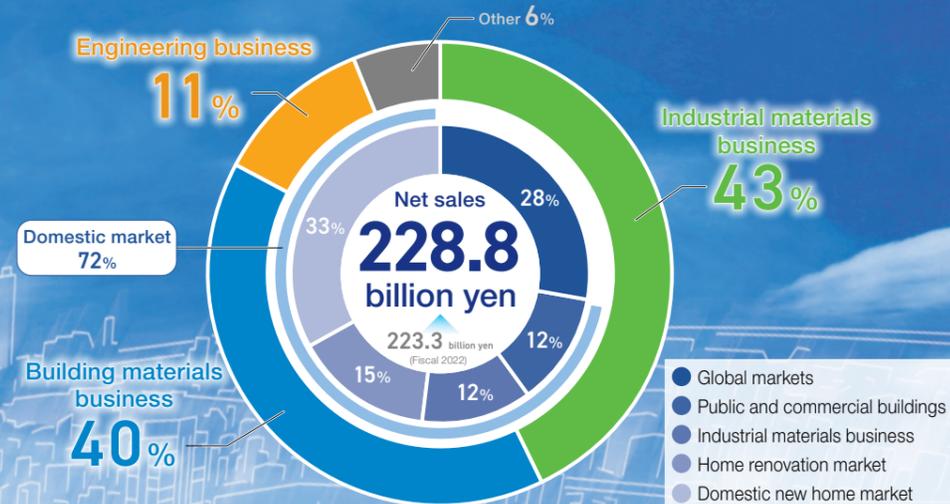
Since its establishment, the Daiken Group has developed a multitude of products by capitalizing on limited resources and listening to our customers' needs.

Today we have evolved into a company where our efforts have accrued to provide first rate building materials and comfortable spaces for our customers.

We will continue to strive towards a sustainable future where people can enjoy pleasant living spaces and lead spiritually rich lifestyles.

In pursuit of new possibilities, we will transcend the past by developing innovative functions towards a brighter tomorrow.

## Sales composition by business and market (Fiscal 2023)



## Daiken group in figures (Fiscal 2023)



**Company information**  
 DAIKEN CORPORATION and the Daiken Group  
 \*Environmental information differs in scope.

**Reference guidelines**  
 ● IFRS International Integrated Reporting Framework  
 ● ISO 26000

**[Disclaimer regarding future prospects]**

The forecasts and estimates in this report are based on information available at the time of the report's issuance. Plans and figures depicting the future do not imply a guarantee of actual outcomes.

**Eligible period**

Fiscal 2023 (April 1, 2022, to March 31, 2023)  
 \*Some sections include information other than the above fiscal period.

### Editorial policy

The Daiken Group has issued the Daiken Group Report as an annual integrated report for stakeholders in order to enhance the understanding of our initiatives for the improvement of medium-term and long-term corporate value based on both financial and nonfinancial indicators. This report specifically shows the first-year progress of the medium-term management plan GP25 3rd Stage, which is the final step toward realization of the long-term vision GP25 and introduces our initiatives toward realization of the growth strategy based on the pursuit of the resolution of social issues by using sustainability as the key axis.

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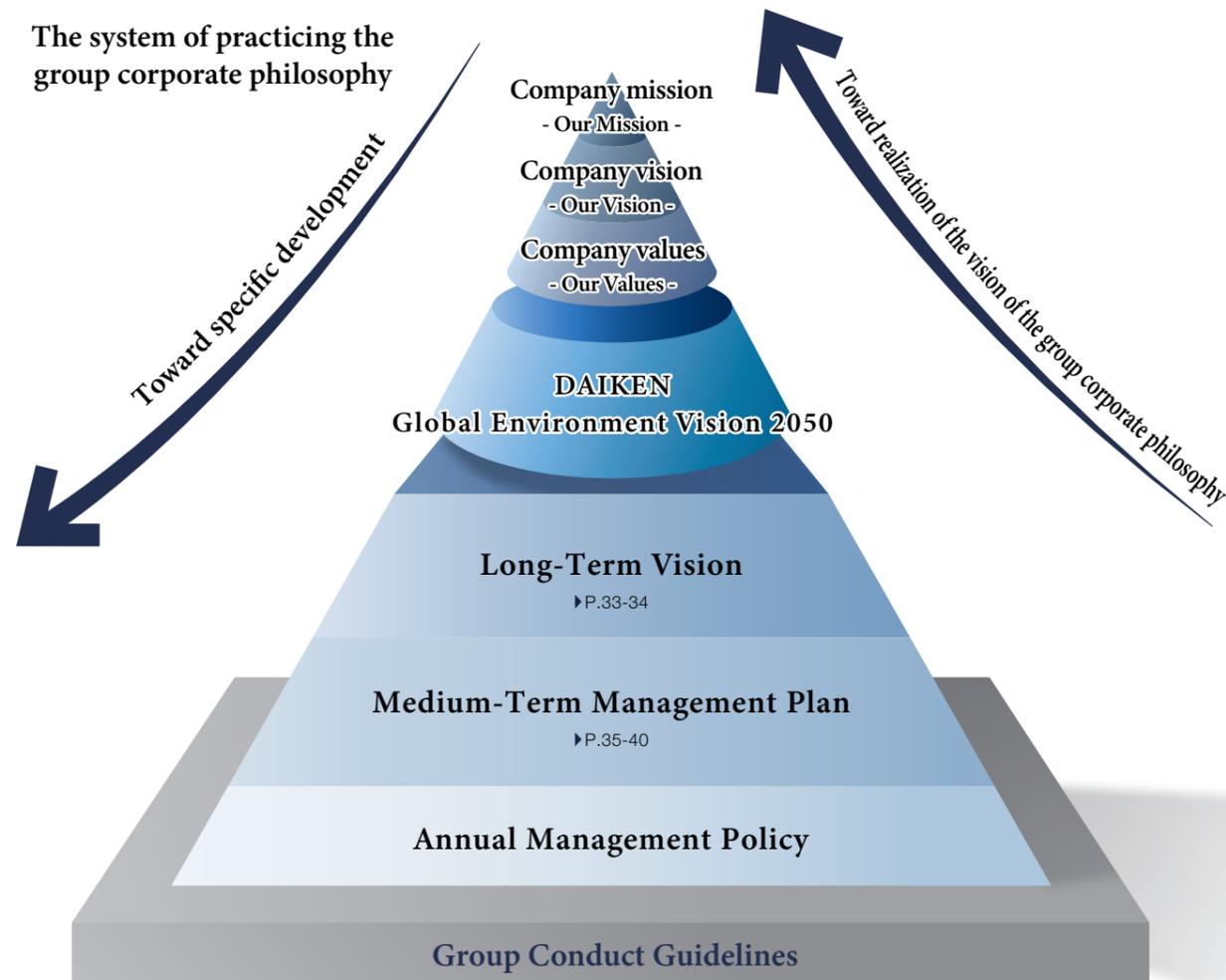
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# Daiken Group's Goal

To have a concept in common with all of the Group's employees and adjust the direction to move forward, the Daiken Group has established the group corporate philosophy, which consists of the three elements of the Company mission [Our Mission], Company vision [Our Vision], and Company values [Our Values]. We aim for the sustainable improvement of corporate value by deploying business activities toward the realization of this philosophy.



The system of practicing the group corporate philosophy

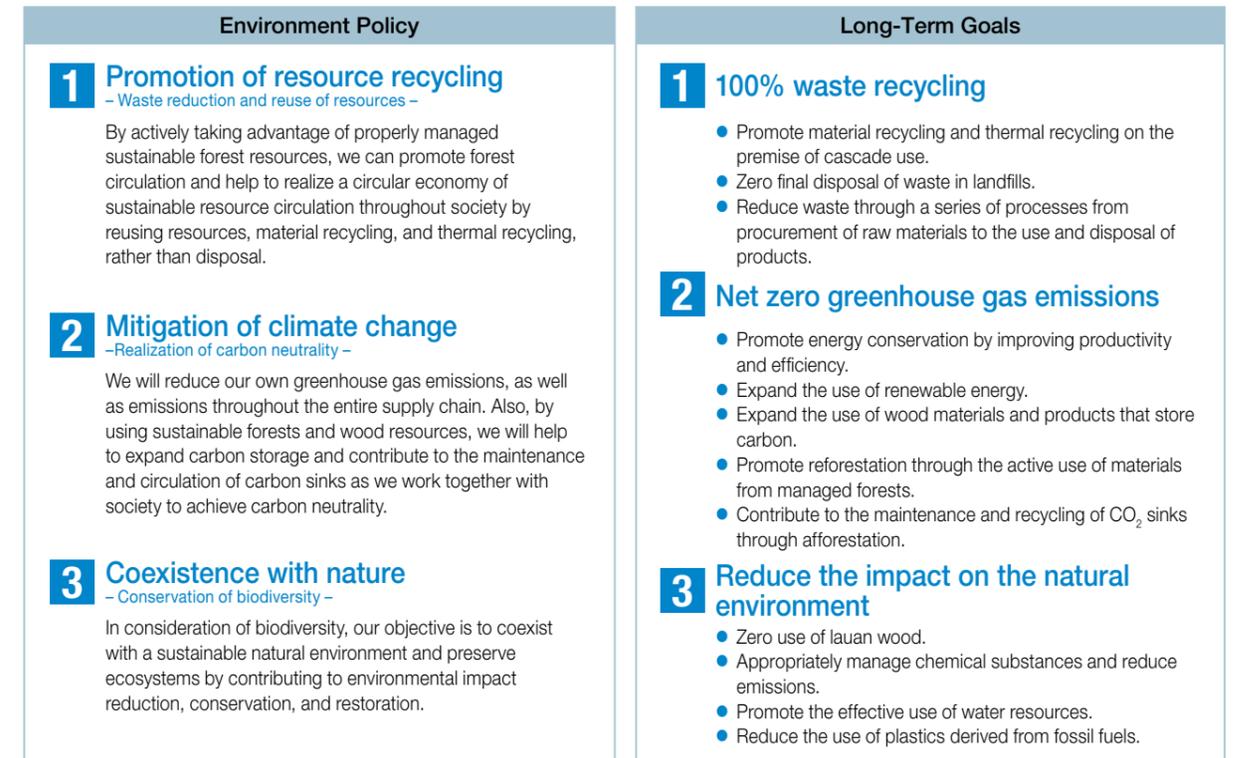


## DAIKEN Global Environmental Vision 2050

Vision

### For a future full of smile

The overall aim of the Daiken Group is to realize a sustainable society towards 2050 by promoting resource recycling, mitigating climate change, and coexisting with nature.



## Group Conduct Guidelines

- 1 Improve customer satisfaction and trust by anticipating changes in the needs of society and supply safe, secure, healthy, comfortable, and attractive products, technologies, and services
- 2 Compete fairly, transparently, freely, and appropriately
- 3 Communicate extensively with society and our shareholders, actively and fairly disclose information, and enhance the transparency of corporate activities
- 4 Create a safe, dynamic workplace, respect human rights and diversity, and recognize the will of the employees
- 5 Actively tackle environmental issues through corporate activities, we will contribute to the embodiment of a sustainable society that is friendly to the Earth and people
- 6 Positively contribute to society and respect the cultures and customs of each country
- 7 Maintain high ethical standards and comply with the laws of each country
- 8 Always demonstrate the spirit of challenge, inquiry, and achievement
- 9 We will improve our abilities, motivate others, and grow together as a team
- 10 Top management will implement the corporate philosophy and code of conduct, disseminate both throughout the group, and ensure that employees observe the mission, vision, and values of the company

# Our Sustainability Goals

Amid the rising importance of responses to the issues surrounding sustainability, such as the social and global environment problems, to further clarify the image of sustainability that the Daiken Group aims for and enhance our initiatives in corporate management, we have revised and evolved the existing CSR basic policy and formulated the Daiken sustainability basic policy in June 2022. By increasing the linkage between the contribution to the sustainability of society and the global environment and the sustainability of our business more than ever, we will aim to form a virtuous cycle and sustainable corporate value improvement.

## Daiken Sustainability Basic Policy

The Daiken Group will bring new value and smiles to the faces of our stakeholders, including employees, by contributing to the development of a prosperous and sustainable society and environment based on the group corporate philosophy. Furthermore, we aim to establish a solid management foundation for the long-term growth of the Daiken Group.

### 1 Contribute to the development of a sustainable society, global environment, and the economy

We will continuously review all activities and promote reforms as we contribute to the development of a prosperous and sustainable society and the global environment, while improving business sustainability.

### 2 Pursue sustainability as a business

The Daiken Group will maintain and even enhance its strength to build value, an essential driving force for transformation, by maximizing the value of human capital through enhanced job satisfaction and employee well-being, while strengthening engagement with stakeholders.

### 3 Aim to enhance business value in a sustainable manner

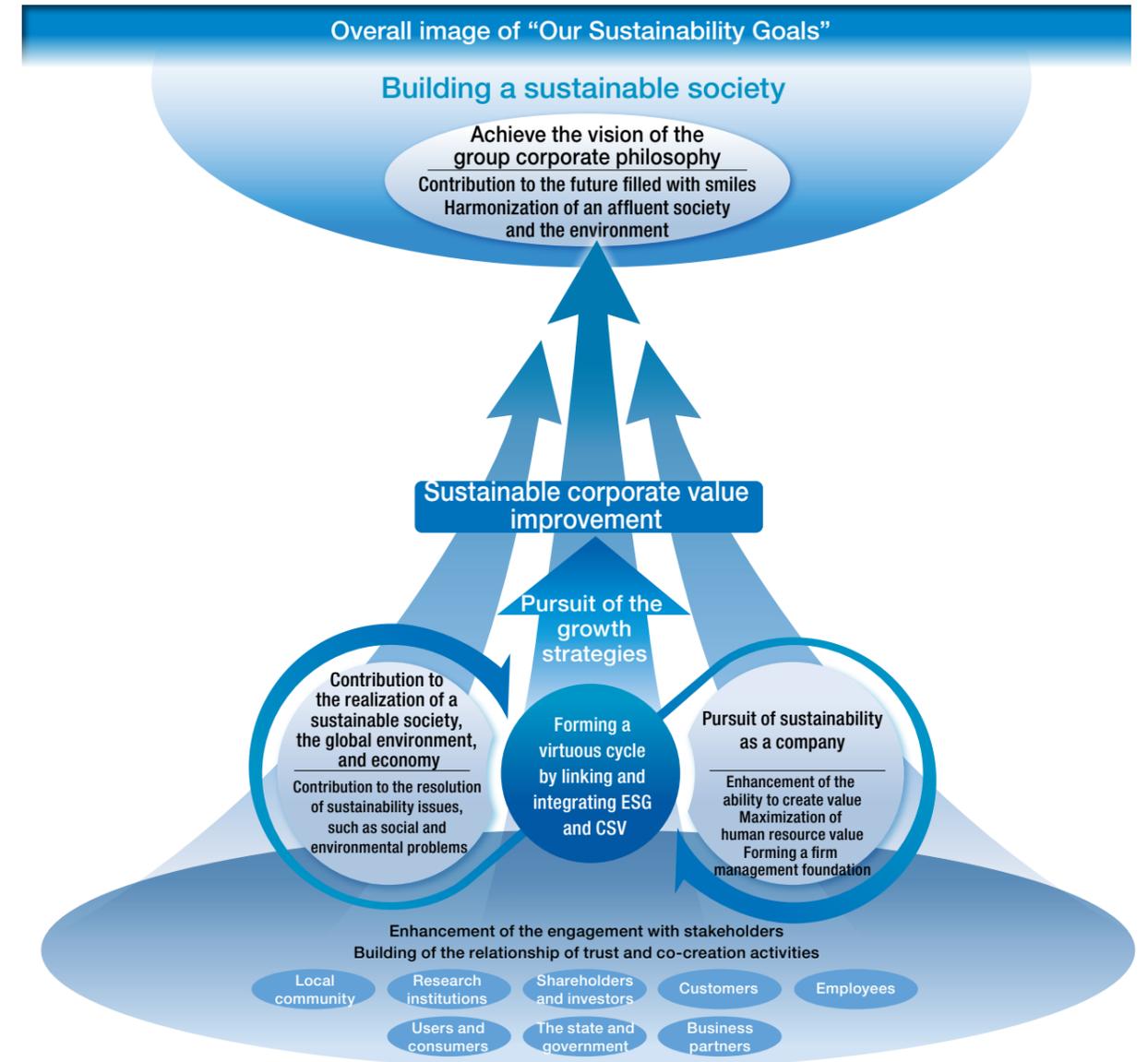
The Daiken Group aims to enhance corporate value in a sustainable manner through the two virtuous cycles of its contribution to a sustainable society, the global environment, and the economy and the pursuit of sustainability as a business.

## Structure to promote sustainability

To enhance our group-based initiatives for sustainability, we have reorganized the existing CSR committee to the sustainability promotion committee since fiscal 2023.



## Overall image of "Our Sustainability Goals"



## Sustainability (ESG)-related policy system

To deploy initiatives for sustainability issues on a group-wide basis, the Daiken Group has established various policies with a focus on the important themes in each field of ESG.

	Field	Policy
	Sustainability (ESG and CSV)	Daiken Sustainability Basic Policy
E	Environment	DAIKEN Global Environmental Vision 2050
	Product quality and safety	Basic Policy on Product Safety
S	Fair transactions	Daiken Procurement Policy and Daiken CSR Procurement Standards Cartel and Bid-rigging Prevention Standards
	Human resource	Daiken Diversity Promotion Policy
		Daiken Workstyle Reform Promotion Policy
		Daiken Human Resource Development Policy
	Human rights	Daiken Health and Productivity Management Daiken Occupational Safety and Health Policy
	Coexistence with local communities	Daiken Human Rights Policy Daiken Social Contribution Activity Policy
G	Governance	Basic Policy on Corporate Governance
		Basic Policy on the Building of the Internal Control System
		Compliance Code of Conduct

Details of each policy are described on our sustainability website. <https://www.daiken.jp/sustainability/>



Representative Director, President

*Masanori Okuda*

## Interview with Top Management

# Establishing Our Image as a Comprehensive Building Materials Company through Strategic Investments in Sustainable Growth

**Q** The first year of the GP25 3rd Stage, which marked the conclusion of our long-term vision GP25, has concluded. Could you please elaborate on the main focus of the GP25 3rd Stage?

In 2015, we established our long-term vision, GP25, under the overarching company vision of transitioning from a housing materials manufacturer to a comprehensive building materials enterprise. Since then, we've been executing a medium-term management plan, dividing the 10-year roadmap into three phases.

The first phase, initiated in fiscal year (FY) 2017, focused on taking the initial steps toward becoming a comprehensive building materials company. We worked on strengthening our existing businesses and laying the groundwork for new ventures as the key to growth. The second phase, starting in FY 2020, aimed to accelerate our growth strategies to achieve our company vision. During this phase, we aggressively pursued growth strategies overseas, reviewed our domestic business portfolio, and bolstered our management foundation.

FY 2023 marked the commencement of the GP25 3rd Stage, the final step after six years of dedicated effort. Over the subsequent four years of this phase, we are implementing a variety of initiatives to firmly establish ourselves as a comprehensive building materials company.

[Long-Term Vision GP25](#) ▶ P.33

[Progress of the Medium-Term Management Plan](#) ▶ P.35

In summary, the past year was marked by challenges stemming from continuous and significant shifts in the business landscape due to a variety of different factors. In February 2022, while the COVID-19 pandemic had yet to end, the Russian invasion of Ukraine led to soaring prices of raw materials, fuels, and rapid

inflation. The business environment remains uncertain, compounded by rising interest rates in Europe and the United States and the challenges faced by US financial institutions.

In light of these circumstances, we believe one of Daiken Corporation's strengths lies in our consistent commitment, since our inception in 1945, to develop businesses that contribute to the realization of a sustainable society. In 1958, we began manufacturing insulation boards—wood fiberboards using renewable wood materials from waste wood chips as the primary material. Used for the inner parts of tatami mats, this product not only stores carbon by utilizing wood raw materials but also provides society with heat insulation, humidity control, cushioning properties, and lightweight products, enhancing its value. When we first introduced this product, climate change concerns and demands for decarbonization were not as pronounced as they are today, so we did not emphasize its carbon storage capacity. However, the concept of utilizing valuable resources with zero waste had already taken root within Daiken Corporation and has persisted to this day.

As global markets increasingly prioritize environmental value, the ideas and technologies developed by Daiken Corporation for efficient resource utilization now align with societal demands, forming a solid foundation for exponential growth. When we conceived the GP25 3rd Stage, our guiding principle was to achieve sustainable growth while addressing societal challenges through sustainability, a core strength of our organization. This principle extends beyond the GP25 3rd Stage because we are committed to conducting our business with a forward-looking perspective and because we are convinced that sustainable growth contributes not only to our own sustainability but also to the betterment of society.

[Medium-Term Management Plan GP25 3rd Stage](#) ▶ P.37

## Interview with Top Management

### Q | How do you view FY 2023 in light of the market trends for the fiscal year?

In FY 2023, new housing starts in Japan remained relatively stable at 861,000, showing no significant decline despite the ongoing COVID-19 crisis. Specifically, while privately owned housing starts experienced a downward trend during this fiscal year, rental housing starts remained robust, and house starts in subdivisions remained at similar levels to the previous year. Although Japan does not anticipate a significant surge in housing starts due to its declining population, we aim to increase our market share by capitalizing on our strengths as a company offering a wide range of environmentally friendly products. This strategic direction aligns with the broader societal shift toward sustainable products that contribute to decarbonization. Conversely, changes in societies' perspectives regarding spending time at home, catalyzed by increased teleworking during the COVID-19 pandemic, have driven elevated demand for a variety of products in the home renovation market. Issues of sound, odor, and humidity, which were previously overlooked or not considered seriously, have come to the forefront. This diversification of user needs is expected to continue, representing a lasting trend rather than a temporary reaction. According to surveys, the domestic home renovation market is valued at 6–7 trillion yen. We are committed to proposing superior products and spaces that cater to the evolving demands of citizens to seize growth opportunities effectively.

[Initiatives for Priority Markets: Home Renovation Market](#) ▶ P.47

In the realm of public and commercial buildings, the government has been at the forefront of promoting timber use since the implementation of the Act on the Promotion of Use of Wood in Public Buildings in 2010. Initiatives of incorporating timber into public school construction have gained traction. According to the Ministry of Education, Culture, Sports, Science and Technology, over 70% of new public school buildings in FY 2022 utilized timber. It has been observed that the use of wood in school buildings alleviates children's stress, enhances concentration, and fosters an appreciation of local forests and nature. We anticipate that further encouragement of timber use in construction will create new business opportunities. Moreover, we have been emphasizing the utilization of local materials for flooring and wall materials with a focus on local production for local consumption. We have also proposed solutions for creating pleasant spaces using a variety of different functional building materials for interior finishing in multiple sectors. Additionally, the office building market has witnessed continuous growth driven by numerous redevelopment projects in Tokyo and Osaka despite concerns about labor shortages.

[Initiatives for Priority Markets: Public and Commercial Buildings](#) ▶ P.45

In the global arena, housing starts experienced a decline in FY 2023 due to rising interest rates. However, in FY 2022, North

America significantly contributed to our company's profits as it stands as the world's largest market for timber housing. The wood price shock, resulting in price increases for LVL and veneers, saw a downward trend in the latter half of FY 2023. Notably, Pacific Woodtech Corporation (PWT), a US-based company specializing in LVL production, transitioned from a consolidated subsidiary to an equity method affiliate in August 2022 as it increased its capital for business expansion. Consequently, the percentage of global sales for FY 2023 decreased by four points compared to the previous fiscal year, landing at 28.3%. However, we remain committed to positioning global markets as a growth driver. Our strategy includes expanding sales outlets for the Indonesian door business in both the existing UK market and the broader European market. For MDF, a primary product in our industrial materials business, manufactured in Malaysia and New Zealand, we successfully passed on cost increases to selling prices while executing structural reforms to enhance profitability.

[Initiatives for Priority Markets: Global Markets](#) ▶ P.41

Given this dynamic market landscape, FY 2023 posed a series of challenges as previously mentioned. We encountered hurdles, such as sales declines resulting from delayed product deliveries and order restrictions in the building materials business during the fourth quarter of FY 2022. Additionally, the soaring raw material prices drove up our costs. Unfortunately, we lagged behind in implementing cost rationalization measures, cost reduction efforts, and pass-through in the rise of costs. Consequently, while sales reached 228.8 billion yen, marking a 2.4% increase compared to the previous fiscal year, our operating profit declined by 43.2% to 9.8 billion yen, and ordinary profit dropped by 30.5% to 13 billion yen. However, because of extraordinary income resulting from the change in PWT's status, profit attributable to the owners of the parent company reached 10.3 billion yen, a 31.2% increase from the previous fiscal year.

### Q | What were the challenges encountered in the first year of the medium-term management plan that remain unresolved, and how do you intend to address them? What accomplishments were achieved in the first year?

The most significant challenge we face is falling behind in our efforts to reform our business structure and enhance profitability. In the previous year, we adopted a reactive approach, responding to immediate challenges at the expense of our long-term strategic goals. We must acknowledge that we did not allocate sufficient resources to develop new product applications and identify new customers, despite knowing the importance of these endeavors. In a rapidly evolving business environment, we must proactively implement measures even when facing uncertainties.

Consequently, we initiated structural changes in April 2023, establishing a more flexible and adaptable system to respond promptly to market dynamics by strengthening our marketing and



planning functions. We also introduced the Comfort Business Division to foster an integrated approach to manufacturing, sales, and construction, thereby accelerating the implementation of a new business model primarily targeting public and commercial buildings.

On a positive note, our efforts in open innovation and collaborating with other companies have yielded substantial results. Through a co-creation consortium focused on the future of office spaces, we've developed innovative solutions by integrating our sound-absorbing panels with the technologies of partner companies. Another notable initiative is the MINNA NO ECO SAIEN, a vegetable garden system introduced as a new venture within our organization. This system enables the cultivation of vegetables in open urban spaces, a concept that has gained considerable traction. It transforms previously unused rooftops into green spaces, contributing to increased greenery in urban areas. Our wood culture medium, GLOW EARTH, is also incorporated into this garden, further enhancing our environmental footprint. These initiatives are challenging as they extend beyond our traditional housing domain, involving considerations for public and commercial buildings. However, they are instrumental in establishing our identity as a comprehensive building materials company.

[Strategies by Business Segment and Market](#) ▶ P.39

### Q | Could you elaborate on the rationale behind prioritizing sustainability as a key pillar of management and its impact on Daiken Corporation's corporate value?

In the domestic market, the population witnessed a decline of approximately 780,000 individuals in 2022, while the number of individuals engaged in construction work continues to dwindle because of aging and demographic shifts. In response to this significant trend, our strategic shift toward becoming a comprehensive building materials company is not only natural but essential. We have broadened our business horizons from the new home market to the home renovation market and from the housing market to encompassing public and commercial buildings. Moreover, we have expanded our focus from the domestic market

to embrace global markets.

What sets us apart from our competitors is our unique blend of selling industrial and building materials products while actively engaging in construction—a strength of our organization. By participating in this multifaceted business, encompassing industrial materials and engineering in non-housing sectors, we consistently identify markets that continue to thrive despite demographic shifts. We firmly believe that our strategic direction, as outlined in the long-term vision GP25 since 2015, remains accurate and forward-thinking.

While I previously emphasized Daiken Corporation's strength in sustainable ideas and technologies, we promote sustainability through wood materials. For example, DAILOTONE, a material used in ceilings, is crafted from slag wool, a byproduct of steel production, and developed to capitalize on the non-combustibility and sound-absorbing properties of underutilized mineral resources. Japan, being a volcanic country, possesses abundant volcanic ash that often goes unused. We've harnessed this resource, along with the slag wool used in DAILOTONE, to create DAILITE—a material that is not only noncombustible but also serves as an insect repellent, antiseptic, and high-strength wall material for residential and office settings.

Looking at the global landscape, we recognize an array of risks, from geopolitical challenges like the Ukraine conflict to the factors of rising resource and energy prices, inflation, and currency fluctuations. However, the individual's growing awareness of the Sustainable Development Goals (SDGs) in response to climate change and the pursuit of a recycling-oriented society is a growing trend. While our predecessors laid the groundwork for a unique portfolio of eco-friendly products, we consider our commitment to efficient resource utilization, passed down through the generations, as one of our greatest strengths for the years ahead.

As we look ahead to 2035 and beyond, extending beyond the final fiscal year of 2026, we have identified three priority areas, known as material issues, in the formulation of the GP25 3rd Stage. These include the realization of resource circulation and a recycling-oriented society, the alignment of our offerings with user needs in the new normal, and the diversification of our human resource base

# Interview with Top Management

Overview of the Deployment of Daiken Sustainability Transformation (SX)				
		Medium-term perspective (Key measures toward FY 2026)	Long-term perspective (Key measures toward FY 2031 - 2051)	
Response to sustainability issues	Maximization of growth (Maximize growth by trade-on business)	<b>Capturing the opportunity for sales expansion</b>	<b>Contribution to carbon neutrality by utilizing wood resources</b> <ul style="list-style-type: none"> <li>Capturing alternative demand for plastic molding materials by the use application development of the insulation board and MDF</li> <li>Capturing alternative demand for tropical natural wood plywood by the use application development of the insulation board and MDF</li> <li>Launch of new wooden board business utilizing domestic materials</li> <li>Establishment of the production of MDF using the adhesive derived from post-fossil fuel and the mass-production technology</li> <li>Development of decorative surface materials/paints derived from post-fossil fuel and establishment of the product specifications</li> </ul>	
		<b>Reduction of existing costs</b>	<b>Reduction of the input of raw wood materials by low-density MDF</b> <ul style="list-style-type: none"> <li>Establishment of the technology to make low-density MDF and introduction of it to the market</li> </ul> <b>Reduction of environmental burden in the supply chain</b> <ul style="list-style-type: none"> <li>Reduction in the use of water resources in the production processes (4% reduction compared to FY 2022)</li> <li>Reduction of waste in the production processes (15% reduction in final waste volume disposed of in landfills in the production bases in Japan and overseas compared FY 2022)</li> </ul>	
	Minimization of risks (Minimization of the expected risks)	<b>Avoidance of the risk of reduction in sales</b>	<b>Promotion of CSR procurement</b> <ul style="list-style-type: none"> <li>Execution of the CSR survey to the suppliers in Japan and overseas (the execution rate at 100%) and an improvement approach to the companies that did not achieve the standards</li> </ul> <b>Human rights due diligence</b> <ul style="list-style-type: none"> <li>Identification of and response to the risks in the value chain</li> </ul> <b>Review of the business portfolio by introducing internal carbon pricing</b> <ul style="list-style-type: none"> <li>Incorporation of it into new investments and the existing business evaluation processes and setting of the standards for withdrawal/exit business</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of flooring substrates by the new wooden boards utilizing domestic materials (Alternative to tropical natural wood plywood)</li> <li>Expansion of the sale of MDF using the adhesive derived from post-fossil fuel</li> <li>Expansion of the sale of the building materials using the decorative surface materials/paints derived from post-fossil fuel</li> </ul> <ul style="list-style-type: none"> <li>Expansion of the sale of the low-density MDF</li> </ul> <ul style="list-style-type: none"> <li>Reduction in the use of water resources in the production processes</li> <li>Reduction of waste in the production processes (2050: Zero final disposal of industrial waste in landfills)</li> </ul>
		<b>Avoidance of the risk to increase costs</b>	<b>Promotion of the use of sustainable timber</b> <ul style="list-style-type: none"> <li>Improvement of the usage of certified wood</li> <li>Expansion of self-managed plantations (Increase by 100% compared to FY 2022)</li> <li>Reduction of the use of tropical natural wood plywood for flooring substrates (50% reduction in use compared to FY 2022)</li> </ul> <b>Promotion of the recycling of sales products</b> <ul style="list-style-type: none"> <li>Establishment of the insulation board collection and recycling scheme</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance of the CSR survey execution rate at 100% and execution of the continuous review of survey items</li> <li>Continuous execution of the execution process</li> <li>Selection/execution of the business to withdraw based on the standards</li> </ul> <ul style="list-style-type: none"> <li>Improvement of the usage of certified wood</li> <li>Expansion of the self-managed plantations</li> <li>Reduction in the use of tropical natural wood plywood for flooring substrates (Zero usage in 2050)</li> </ul> <ul style="list-style-type: none"> <li>Expansion of the operation of the insulation board collection and recycling scheme</li> </ul>

by improving the work environment and job satisfaction. These sustainability goals are outlined in the Daiken sustainability basic policy. We firmly believe that aligning our efforts with the realization of a sustainable society, environment, and economy, while maintaining sustainability as a fundamental aspect of our company, will foster a virtuous circle that enhances our corporate value, ensuring these elements are like interlinked pillars.

[Risks, Opportunities, and Materiality](#) ▶ P.25  
[Our Sustainability Goals](#) ▶ P.5

As part of our medium- to long-term growth strategy, we have established priority measures and target values for sustainability challenges. These measures align with both maximizing growth and minimizing risks. We are embarking on a journey of sustainability transformation (SX) in both the medium and long term. By categorizing a variety of initiatives related to the environment and business activities through the perspective of SX, and sharing the implementation roadmap within the organization, we expect to improve their effectiveness.

Concerning our environmental strategy, we have set long-term

goals within the Daiken global environment vision 2050 articulated in October 2021. These goals include achieving the Three Zeros: net-zero greenhouse gas emissions, zero landfill disposal of waste, and zero use of natural lauan wood. To drive these initiatives, we have established the Sustainability Promotion Committee, which I chair, to oversee and monitor our progress. Particular attention is directed towards the theme of "coexistence with nature," encompassing the elimination of natural lauan wood usage. We are committed to preventing deforestation while upholding the rights of local residents and forestry communities. In parallel, we are enhancing our information disclosure practices in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

In May 2023, we successfully developed technology for manufacturing MDF using wood-derived adhesives. This innovation paves the way for the production of MDF exclusively composed of natural materials, eliminating the need for adhesives derived from fossil fuels. Leveraging this technology will enable us to differentiate our products from competitors, transitioning our company from a technology creator to one that focuses on product circulation, thus



advancing the sustainability of both our organization and society.

[Environmental Strategies](#) ▶ P.51

## Q | What approach does Daiken Corporation take to strengthen its human resources foundation, a critical management resource, and governance in the pursuit of an enhanced management foundation?

To establish a robust business foundation capable of supporting our medium- to long-term growth, we are leveraging all our resources, including our people, assets, financial capital, and the extensive technological expertise and know-how cultivated over the years. Given that our strengths, including technological prowess, creativity, and know-how, are primarily a product of our human resources, our investment in our workforce is paramount. Our immediate priorities involve securing and developing sales engineers who play a pivotal role in driving sales within the public and commercial building market, a strategic focus area. Additionally, we recognize the significance of global human resources who facilitate our expansion into international markets, as well as research and development (R&D) personnel, indispensable for the creation of new value propositions. These are the urgent human resources-related challenges that demand our attention.

At the same time, we are dedicated to reinforcing our organizational strengths by ensuring a workforce of diverse experiences and backgrounds. This includes actively embracing flexible work styles and fostering a culture of diversity, all of which have gained prominence in light of the COVID-19 crisis. We are particularly proactive in encouraging male employees to avail parental leave, promoting gender equality within the organization. Furthermore, we are harnessing digital technologies to enhance the quality of our products, optimize employee assignments, and empower our workforce to realize their full potential in creative endeavors.

Permeating our corporate philosophy throughout the organization is a process that cannot be rushed. It requires the

cultivation of a corporate culture that embraces this philosophy over time. As the president, I am personally spearheading the promotion of this cycle of information, close scrutiny of our corporate philosophy, open dialog, and recognition of employee achievements that embody our corporate philosophy. I believe that engaging in meaningful conversations with employees is a pathway to revitalizing our organization, particularly through the empowerment of our younger workforce.

[Human Resource Strategies](#) ▶ P.55

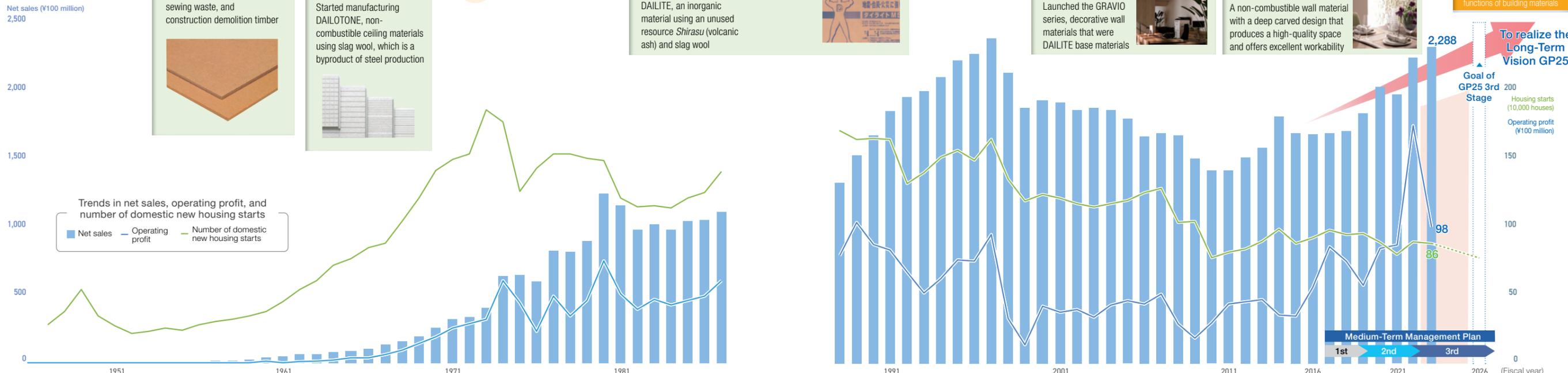
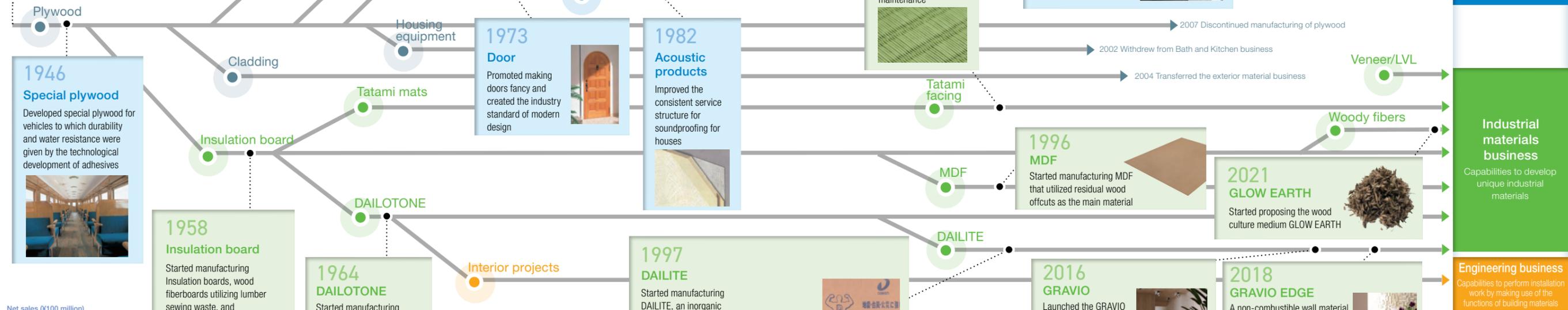
## Q | Finally, could you please share a message with our stakeholders?

In today's rapidly evolving business landscape, marked by heightened uncertainty, stakeholder engagement has assumed greater significance than ever before. We recognize the vital role played by stakeholder engagement, which involves the transparent sharing of our initiatives, gathering diverse opinions, and incorporating feedback into our management strategies. We are committed to intensifying our efforts to disseminate information and engage in ongoing dialogs with stakeholders who offer varied perspectives. This encompasses our sustainable growth strategy and its progress, as well as our sustainability endeavors, which are integral to our organization. We humbly seek the continued support of all our stakeholders in our journey forward.

# Changes in Value Creation

Ever since foundation, The Daiken Group has been developing a wide variety of products to help customer's daily life through our technological innovations which always meet social issues and needs. The Group effectively uses all the strengths acquired in our history and aims to grow into a housing material manufacturer that becomes an all-embracing company for building materials and thus creates new value.

## 1945 Foundation



Year	Category	Event
1941	Foundation	C. Itoh & CO., Marubeni Shoten, Ltd., and Kishimoto Shoten, Ltd., have merged to form Sanko Kabushiki Kaisha, Ltd.
1944	Expansion	Sanko Kabushiki Kaisha, Ltd., Kureha Cotton Spinning Co., Ltd., and Daido Boeki Kaisha, Ltd., merged to form Daiken Co., Ltd.
1945	Foundation	Founded Daiken Mokuzai Kogyo Co., Ltd., at the Inami plant in Toyama acquiring all the business of the Forestry Department at Daiken Co., Ltd.
1954	Expansion	Established Nagoya plant for manufacturing special plywood
1958	Expansion	Built Okayama plant and started manufacturing insulation board
1967	Growing	Changed the company name to DAIKEN CORPORATION
1969	Growing	Established interior projects department
1970	Growing	Started manufacturing WPC flooring at the Nagoya plant Established Toyama plant for manufacturing special plywood
1977	Growing	Expanded insulation board business Built Takahagi plant
1984	Growing	Established an interior projects company, DAIKEN ENGINEERING CORPORATION
1987	Growing	Expanded flooring business Established Mie Daiken Co., Ltd. (currently, Mie plant)
1989	Growing	Started manufacturing housing products, such as doors and stairs, at the Inami plant Started manufacturing of cladding at the Takahagi plant
1994	Growing	Established DAIKEN SARAWAK SDN. BHD. in Malaysia for MDF manufacture
1995	Growing	Built interior doors production line at the Inami plant
1996	Selection and Concentration	Implemented Tatami facing and DAILITE production lines at the Okayama plant
1999	Selection and Concentration	Purchased an interior projects company, Koukou Sangyo Corporation
2000	Selection and Concentration	Integrated the interior projects department into DAIKEN ENGINEERING CORPORATION
2002	Selection and Concentration	Alliance with TOTO Ltd. and YKK AP Inc. for remodeling business Established DAIKEN Industries (Ningbo) Corporation
2005	Selection and Concentration	Purchased MDF manufacturer in Malaysia Established DAIKEN MIRI SDN. BHD.
2009	Selection and Concentration	Purchased MDF plant in New Zealand and established DAIKEN NEW ZEALAND LIMITED Integrated flooring business of the Nagoya plant in the Mie plant
2010	New Challenge	Alliance with Panasonic Corporation in production and procurement Purchased an interior projects company, Sankei Corporation
2012	New Challenge	Business and capital alliance with HOKUSHIN Co., Ltd., for MDF production and supply
2015	New Challenge	Established interior doors manufacturing company PT. DAIKEN DHARMA INDONESIA in Indonesia
2016	New Challenge	Purchased an apartment renovation company, PAC SYSTEM Co., Ltd.
2018	Challenge to Achieve the Long-Term Vision GP25	Purchased an MDF manufacturing company in New Zealand Established DAIKEN SOUTHLAND LIMITED Established Daiken R&D center Capital and business alliance with ITOCHU Corporation
2019	Challenge to Achieve the Long-Term Vision GP25	Purchased a veneer plant, CIPA Lumber Co., Ltd. in Canada and an LVL plant, Pacific Woodtech Corporation in the U.S.A. Purchased a renovation company ReformQ Co., Ltd. Purchased T.O FLOORING CO., LTD., that works on solid wood flooring
2020	Challenge to Achieve the Long-Term Vision GP25	Started production at Nichinan Daiken Co., Ltd., a company that processes veneers for LVL
2022	Challenge to Achieve the Long-Term Vision GP25	With the capital increase, Pacific Woodtech Corporation, which used to be a consolidated subsidiary, became an equity method affiliate

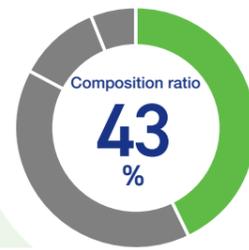
# Three Businesses Use Strengths

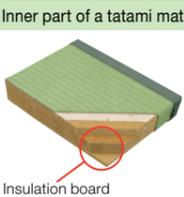
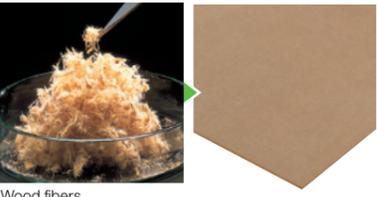
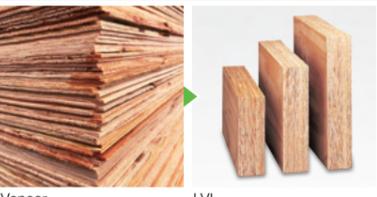
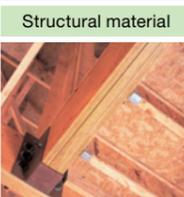
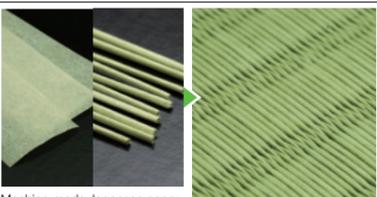
## Industrial Materials Business

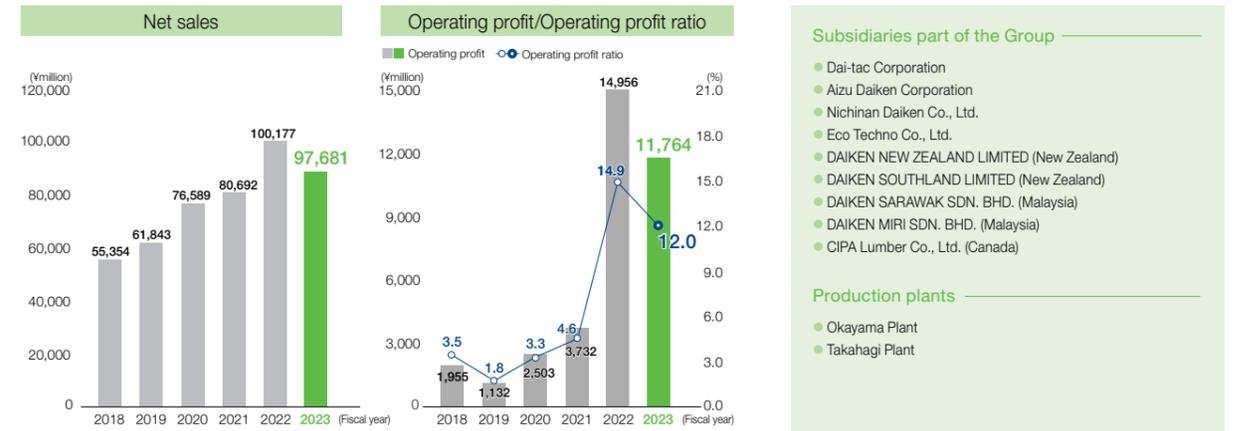
### Developing and offering highly functional industrial materials

The Daiken Group offers various functional industrial materials having non-combustibility, anti-seismic, thermal insulation, sound insulation, humidity conditioning, and various other features required in our daily lives by making full use of wood and mineral resources from a sustainable perspective.

Sales composition ratio



	Overview	Features and functions	Major applications
Effective use of wood materials	<b>Insulation board</b> Wooden fiberboard using construction demolition timber for main raw material and molded into a board 	<ul style="list-style-type: none"> <li>Heat insulation</li> <li>Moisture conditioning</li> <li>Cushioning properties</li> <li>Lightweight</li> </ul>	<b>Inner part of a tatami mat</b>  <b>Protection board</b> 
	<b>MDF</b> Wooden fiberboard using residual wood offcuts for main raw material and molded into a board 	<ul style="list-style-type: none"> <li>Dimensional stability</li> <li>Surface smoothness</li> <li>Workability</li> <li>Water resistance</li> </ul>	<b>Materials for flooring</b>  <b>Base materials for building and furniture</b> (Substrate of door, storage, and window frame) 
	<b>Veneer/LVL</b> <b>Veneer:</b> Cut from logs <b>LVL:</b> A fabricated wood product manufactured by laminating veneers all placed parallel in the fiber direction and gluing them together 	<ul style="list-style-type: none"> <li>Dimensional stability</li> <li>High strength</li> <li>Workability</li> </ul>	<b>I-Joist</b>  <b>Structural material</b> 
	<b>Tatami facing</b> Tatami facing made from straw twisted machine-made Japanese paper strings and a resin coating 	<ul style="list-style-type: none"> <li>Light resistance</li> <li>Water repellent</li> <li>Moisture conditioning</li> <li>Color variations</li> </ul>	<b>Tatami mats</b>  For houses For accommodation
	<b>DAILOTONE</b> Mineral fiberboard molded into a board using slag wool as a byproduct of steel production 	<ul style="list-style-type: none"> <li>Non-combustibility</li> <li>Lightweight</li> <li>Sound absorbing</li> <li>Workability</li> </ul>	<b>Ceiling materials</b>  For houses For office
Effective use of mineral materials	<b>DAILITE</b> An inorganic material molded into a board using an unused resource, Shirasu (volcanic ash), and slag wool 	<ul style="list-style-type: none"> <li>Non-combustibility</li> <li>Lightweight</li> <li>High strength</li> <li>Workability</li> <li>Moisture permeability</li> <li>Termite repellency</li> <li>Antiseptic</li> </ul>	<b>Wall base materials</b>  Base material for house external walls <b>Wall materials</b>  Non-combustible wall material



- Subsidiaries part of the Group**
- Dai-tac Corporation
  - Aizu Daiken Corporation
  - Nichinan Daiken Co., Ltd.
  - Eco Techno Co., Ltd.
  - DAIKEN NEW ZEALAND LIMITED (New Zealand)
  - DAIKEN SOUTHLAND LIMITED (New Zealand)
  - DAIKEN SARAWAK SDN. BHD. (Malaysia)
  - DAIKEN MIRI SDN. BHD. (Malaysia)
  - CIPA Lumber Co., Ltd. (Canada)
- Production plants**
- Okayama Plant
  - Takahagi Plant

### Results in fiscal 2023

Net sales in the industrial materials business in fiscal 2023 decreased because of the decreased revenues associated with the exclusion of PWT from consolidation after August 1, 2022, in addition to the impact of CIPA's decreased revenues due to the decline in the market prices of wood products in North America, although the sales prices of MDF rose in Japan and overseas and the sales of DAILITE for the domestic housing market and public and commercial buildings increased.

Regarding operating profit, in addition to the impact of decreased revenues associated with the exclusion of PWT from consolidation, we proceeded with incorporation of the increases in raw material prices into selling prices; however, we could not fully absorb for the raw material price increases, and revenues decreased. As a result of the above, net sales amounted to 97.681 billion yen (down 2.5% year-on-year) and operating profit amounted to 11.764 billion yen (down 21.3% year-on-year).

\* To evaluate each business segment more appropriately, we changed the method since fiscal 2023 in which costs directly related to the reporting segments among the costs for the general administrative departments, such as the Head Office, have been allocated to each reporting segment, and the costs that are not directly related have been booked as the company-wide costs. Figures in fiscal 2022 are written as the figures rearranged after changing the method.



**Akihito Kawahara**  
 Operating Officer  
 Division Manager  
 MDF Division

In FY 2023, we were able to improve profits by implementing structural reform of the plants and by promoting a cost pass-through as a price leader in the industry while all variable costs increased because of the energy problem caused by geopolitical risks, hikes in the prices of wood resources, and the marine logistics disruption. We expect that the economic environment will remain uncertain in FY 2024. Our businesses will be affected by cost increases caused by hikes in energy costs and the price of wood resources. As the share of renewable energy in global power generation increases, I think it will be difficult to procure wood resources. The MDF Business Division aims to create a cycle of using and protecting forests by reforesting our plantations in

order to create a sustainable society and turn it into a business. In terms of sales and marketing, we will work on three new challenges—the development of new applications, development of new customers/markets, and planning of new businesses—with courage to prevent MDF from becoming a commodity. In addition, we will strive to secure excellent human resources at home and abroad and develop people with a global mindset who can work actively overseas by providing training to young employees. The wooden board business that includes MDF is a sustainable business as timber fixes the CO<sub>2</sub> it absorbs, is used as a building material, and is recycled as waste material. We would like to pursue the stable procurement, quality, and sale as our contribution to society.



**Minoru Endo**  
 Executive Officer  
 Division Manager  
 Eco Division

The Eco Division manufactures four materials in Japan: insulation boards made from wood, tatami facing, DAILITE made from minerals, and DAILOSTONE. Though insulation boards are now used mainly as base materials for tatami mats and protection boards on construction sites, we are developing new applications as an alternative to plastic and plywood because they use recycled chips and help the environment by fixing carbon for a long period of time. Because the tatami facing that uses machine-made Japanese paper as the raw material is highly durable and easy to maintain, we will strive to strengthen proposals to commercial and accommodation facilities to use it and actively promote the special quality of living with tatami mats as well as their tradition and new value. Because

DAILITE not only can be used as a bearing surface material that supports the strength of wooden housing but is also noncombustible and workable, we have developed the louvers and eaves taking advantage of DAILITE's properties, and sales are growing as they are being introduced in public and commercial buildings. In addition, the ceiling material DAILOSTONE is increasingly used not only in buildings and stores but also in housing because its sound absorbing property helps improve the sound environment inside rooms and has gained recognition in the COVID-19 crisis. We will continue to propose new spatial value by taking advantage of the strength of having a number of sustainable, functional materials.

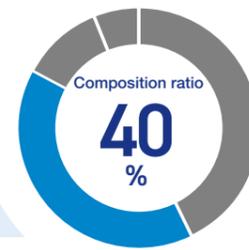
# Three Businesses Use Strengths

## Building Materials Business

Developing and providing building materials best suited for the interior of various buildings

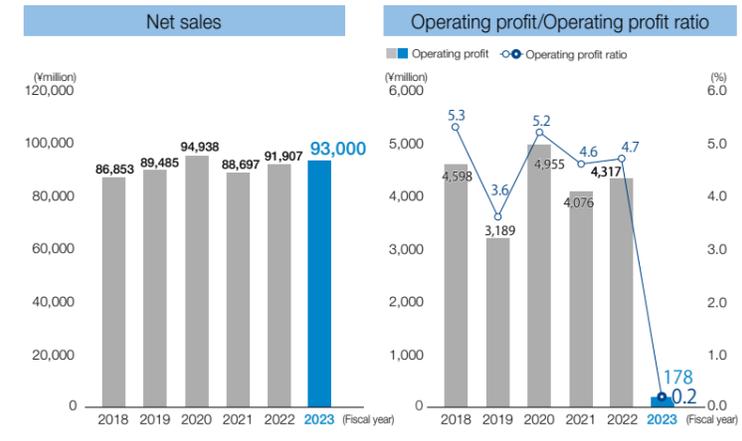
The Daiken Group offers building materials that form spaces focusing on safety, peace of mind, health, and comfort to be used for housing, public spaces, and commercial facilities.

Sales composition ratio



Flooring	Door	Cabinet	Acoustic products
<p><b>A flooring of ultimate beauty</b></p> <p>A lineup that is particular about surface texture and that offers scratch resistance, long-lasting beauty, good design, high function, and high performance</p>	<p><b>Great range of design and variations</b></p> <p>Interior door that is highly functional and easy to use and can be coordinated flexibly</p>	<p><b>Storage improvement</b></p> <p>A complete lineup of cabinets equipped with abundant storage capacity that is space-saving and offers other features to fit individual spaces</p>	<p><b>Space for enjoying sound</b></p> <p>A complete lineup to meet the sound environment and sound quality needs of a variety of venues, including home theaters, musical instrument practice rooms, and audio rooms</p>
<p><b>A flooring for heavy duty areas</b></p> <p>A complete line of flooring that can be used in heavy duty areas, including those made of natural wood resistant to damage, sound-proofing materials, and those that reduce the impact when a person falls</p>	<p><b>Functional door suitable for facility applications</b></p> <p>Interior doors with particular functionality for nursing homes, kindergartens, childcare facilities, medical facilities, and stores</p>	<p><b>Cabinets inspired by consideration to users</b></p> <p>Cabinets mitigate the various risks to users for comfort during use</p>	<p><b>Creating a comfortable sound environment</b></p> <p>A complete lineup suitable for sound-proofing, echo reduction, and other specific purposes</p>

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- Subsidiaries part of the Group**
- Daift Co., Ltd.
  - Dai-wood Corporation
  - Setouchi Kakoh Co., Ltd.
  - Toyama Juki Co., Ltd.
  - T.O FLOORING CO., LTD.
  - DAIKEN Industries (Ningbo) Corporation (China)
  - DAIKEN (Shanghai) Corporation (China)
  - PT. DAIKEN DHARMA INDONESIA (Indonesia)
- Production plants**
- Inami Plant
  - Mie Plant

**Results in fiscal 2023**

Regarding net sales in the building materials business in fiscal 2023, needs for the improvement of the sound environment, such as soundproofing and sound insulation, grew on the background of the penetration of new normal lifestyles, such as the rapid increase in online meetings and teleworking that have become popular, revenues increased in the acoustic products for which we enhanced proposal activities and as net sales were back on course for recovery from the impact of the decreased sales due to door delivery delays, and a limitation on orders for part of flooring occurred during the fourth quarter consolidated accounting period, revenues increased. Regarding operating profit, although we could finally pull out of the situation of going into the red until the third quarter consolidated cumulative accounting period by proceeding with incorporation of the increases in raw material prices, such as plywood, into selling prices as we revised the list prices from the April 2022 shipment, revenues significantly decreased. As a result of the above, net sales amounted to 93,000 million yen (up 1.2% year-on-year) and operating profit amounted to 0.178 billion yen (down 95.9% year-on-year).

\* To evaluate each business segment more appropriately, we changed the method since fiscal 2023 in which costs directly related to the reporting segments among the costs for the general administrative departments, such as the Head Office, have been allocated to each reporting segment, and the costs that are not directly related have been booked as the company-wide costs. Figures in fiscal 2022 are written as the figures rearranged after changing the method.

**Toshinori Kamimoto**  
Operating Officer  
Division Manager  
Administration Division Interior Products

We manufacture flooring, the primary product of the building materials business, at the five plants of our group and four partner companies. For public and commercial buildings, which are the priority market, we launched a new heavy-duty WPC flooring and reinforced the production process in FY 2023. As a result, stores started introducing the product, and we were able to expand sales of flooring materials for public and commercial buildings. We expanded the product lineup for the home renovation market by bringing the soundproof flooring material for apartments with high design quality to the market. As part of the efforts to reduce the environmental load, we promote the use of recycled resources, such as plantation timber and domestic timber, for base flooring materials. Materials that use recycled resources now account for approximately 85% of the materials used for

flooring base materials, and about 45% of which is domestic timber. In addition, we have been manufacturing flooring using local materials from Japan for seven years. Since we started this effort, we have manufactured flooring with local materials from 28 prefectures, and the flooring has been adopted in 87 properties. The flooring is highly regarded by our customers because of the use of local materials.

We will strive to use recycled resources only for base flooring materials and will consider adopting resources of biological origin for decorative surface materials and paints. We will also strive to develop the flooring business while improving environmental friendliness by enhancing our efforts to manufacture flooring with local materials and by contributing to the increased use of domestic timber.

**Masaru Morikawa**  
Operating Officer  
Division Manager  
Home Furnishings Division

The Home Furnishings Division offers doors, construction materials, and a variety of case goods. In FY 2023, the future remained uncertain from the procurement perspective because of the disruption of the international supply chain caused by the COVID-19 pandemic, the prolonged conflict in the Ukraine, and the disaster that hit wooden board suppliers along with hikes in resource prices in Japan. Under such circumstances, we actively worked to find new suppliers after taking the risks into account and tried to ensure a stable supply of our products. The strength of the Home Furnishings Division is that we create new value by assembling existing members and technologies. For example, though there are a wide variety of products in the catalog, we can take custom orders for most of

those products, make adjustments on the order of millimeters, and quickly deliver custom-made products. We take advantage of this strength when renovating houses that cannot be done with standard-size products and by providing products for public and commercial buildings, such as nursing facilities, kindergartens, and nurseries. As doors and case goods are something people touch every day, we pay attention to every detail of our products and incorporate the unique features developed from our experience and the know-how that we have accumulated. We would like to carefully communicate the value of our products by explaining how they contribute to our clients' efforts and how they can make lives safe and comfortable.



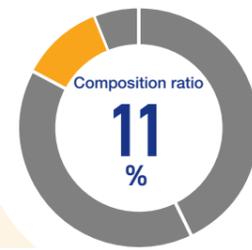
# Three Businesses Use Strengths

## Engineering Business

Total support for creation of spaces from the supply of building materials through installation work

The Daiken Group's major projects are interior construction for public spaces and commercial facilities, including schools, event venues, office buildings, and houses, to create spaces that optimize the performance of industrial and building materials.

Sales composition ratio



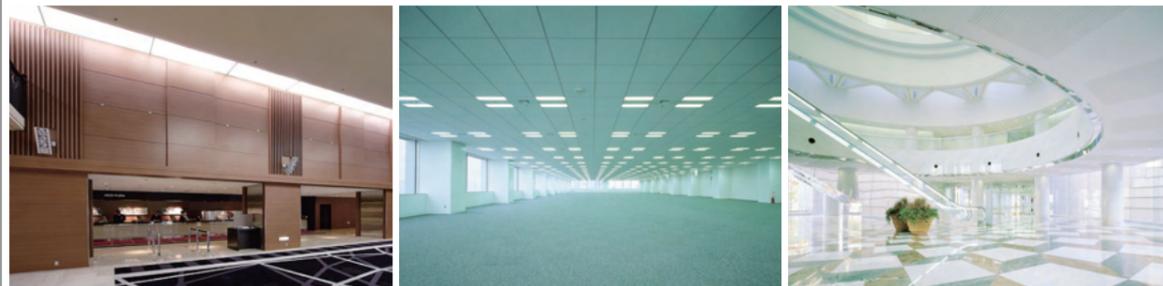
### Public and commercial properties



Tokyo Metropolitan Government Building (Tokyo)

Kyoto Station Building (Kyoto)

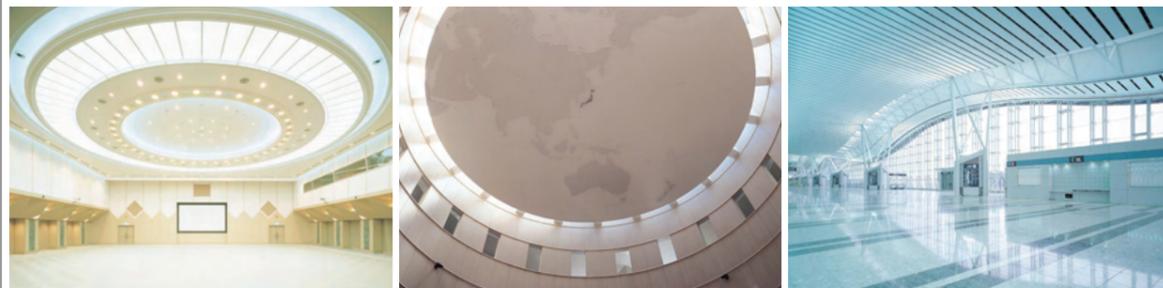
Kansai University (Osaka)



Hotel Nikko Osaka (Osaka)

Marunouchi North Exit Building (Tokyo)

World Business Garden (Chiba)

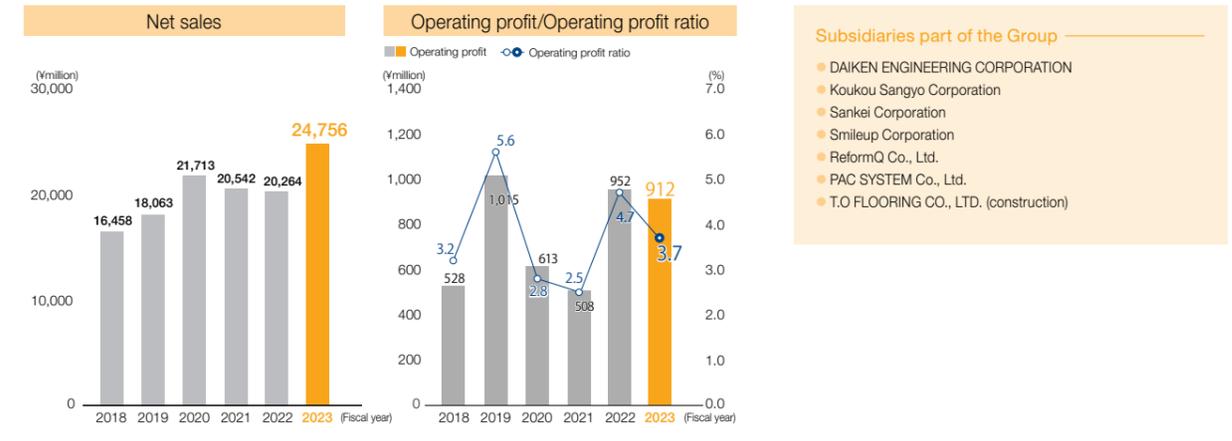


Rinku Gate Tower Building (Osaka)

Tokiwa University (Ibaraki)

Sendai International Airport (Miyagi)

### Apartment renovation



- Subsidiaries part of the Group
- DAIKEN ENGINEERING CORPORATION
  - Koukou Sangyo Corporation
  - Sankei Corporation
  - Smileup Corporation
  - ReformQ Co., Ltd.
  - PAC SYSTEM Co., Ltd.
  - T.O FLOORING CO., LTD. (construction)

**Results in fiscal 2023**

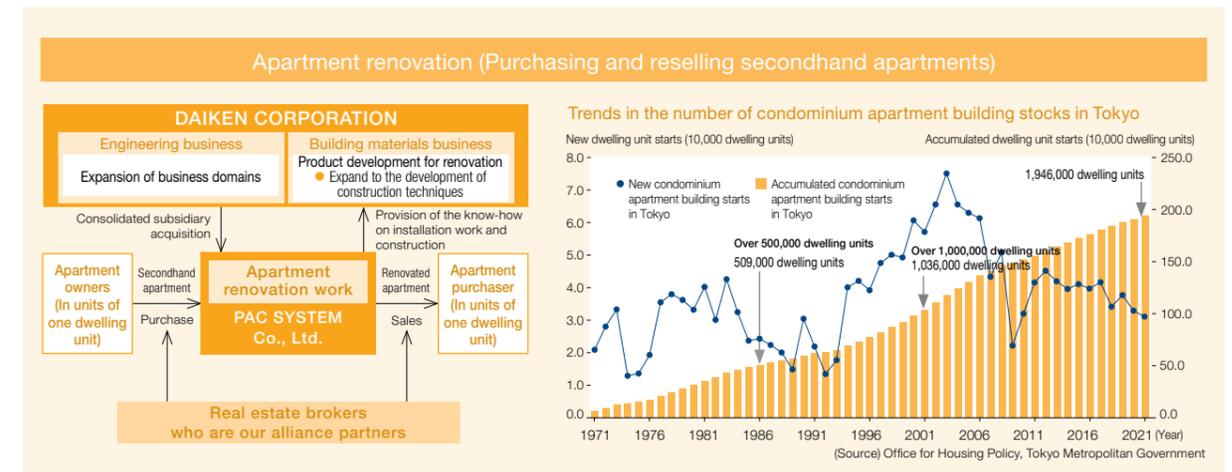
Regarding net sales in the engineering business in fiscal 2023, as the demand for interior projects for office buildings and other facilities recovered and apartment renovation that we engaged in the Tokyo metropolitan area was favorable, revenues increased. Regarding operating profit, because construction material prices and labor costs increased, revenues decreased. As a result of the above, net sales amounted to 24,756 million yen (up 22.2% year-on-year) and operating profit amounted to 0.912 billion yen (down 4.2% year-on-year).

\* To evaluate each business segment more appropriately, we changed the method since fiscal 2023 in which costs directly related to the reporting segments among the costs for the general administrative departments, such as the Head Office, have been allocated to each reporting segment, and the costs that are not directly related have been booked as the company-wide costs. Figures in fiscal 2022 are written as the figures rearranged after changing the method.

**Naoto Teraoka**  
Operating Officer  
Division Manager  
Engineering Business Division

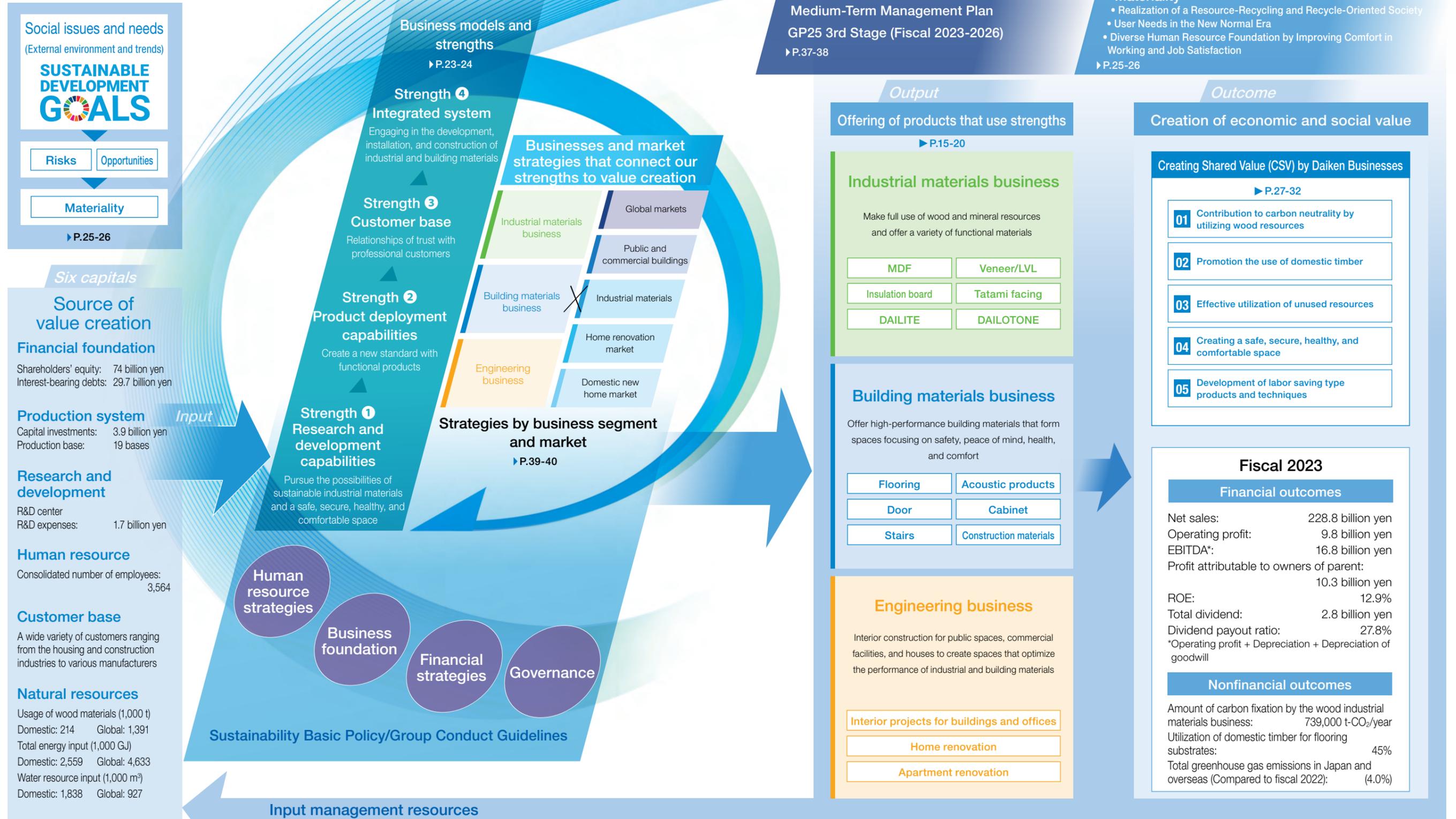
In the engineering business, seven group companies specialize in installation and construction. They are mainly involved in three businesses: interior projects for offices, home renovation projects, and apartment renovations in the Tokyo metropolitan area. For the interior projects for offices, we have accepted an increased number of orders for interior finish projects for buildings, such as ceilings and walls, mainly in the Tokyo metropolitan area and the Kansai region since construction projects have resumed and are underway after the Tokyo Olympic Games. Because of the international events to be held in Japan, such as the World Expo 2025 in Osaka, it is expected that the construction industry as a whole will grow at an annual average rate of 1.2% from FY 2023 to FY 2026. While construction is in high demand, the shortage of site supervisors and construction technicians is a significant issue, so whether we can allocate these workers efficiently is an important factor in ensuring profitability. The Daiken Group has established relationships of trust with many construction contractors and strengthened

cooperation through business activities for more than half a century. We will continue to focus on the establishment of a more robust, optimal installation and construction system. For apartment renovations in the Tokyo metropolitan area, as renovating conveniently-located second-hand apartments to increase their value and live in them has become popular because of the continued hike in the prices of new apartments, we have expanded our operations with PAC System Co., Ltd., which became a group company in 2016, playing a central role, to meet these needs. To improve the design and quality as well as the profitability of renovation projects, we are developing construction methods and products that help shorten construction periods and reduce construction noise while cooperating with the division in charge of product development. As the division in charge of the business that is part of the strength of the Daiken Group, a corporate group that not only manufactures and sells industrial materials and building materials but also creates spaces utilizing them, we will strive to further strengthen our business.



# Process of Creating Value

The Daiken Group aims for the realization of a sustainable society and the creation of economic and social value by contributing to solving social issues, such as the Sustainable Development Goals (SDGs), through business activities that make use of our unique strengths.



\*Fiscal 2023

# Business Models and Strengths

The Daiken Group makes use of the four strengths of (1) research and development capabilities to pursue the possibilities of sustainable industrial materials and a safe, secure, healthy, and comfortable space; (2) product deployment capabilities to create industrial and building materials having various features; (3) a customer base that has long been built with a wide variety of professional customers; and (4) an integrated system to engage in the development of industrial and building materials as well as the installation work and construction for creating spaces and is committed to sustainable value creation.



## Strength 1 Research and development capabilities

### Pursue the possibilities of sustainable industrial materials and a safe, secure, healthy, and comfortable space

- Daiken Corporation was founded soon after the war with an eye toward the effective use of timber as precious resources and the contribution to society through postwar reconstruction.
- We conduct research and development based on the two ideas of (1) overcoming weaknesses and extracting the beauty of timber and (2) using timber with zero waste as the technology to effectively use timber.
- As the expansion of applications to something other than timber, we have also proceeded with the technological development to apply technology to handle wood fibers and utilize unused mineral resources.
- Furthermore, as the field to make use of materials and technologies we have created, we have been expanding the applications above into research and development to pursue spaces where people can spend the time safely, securely, healthfully, and comfortably.

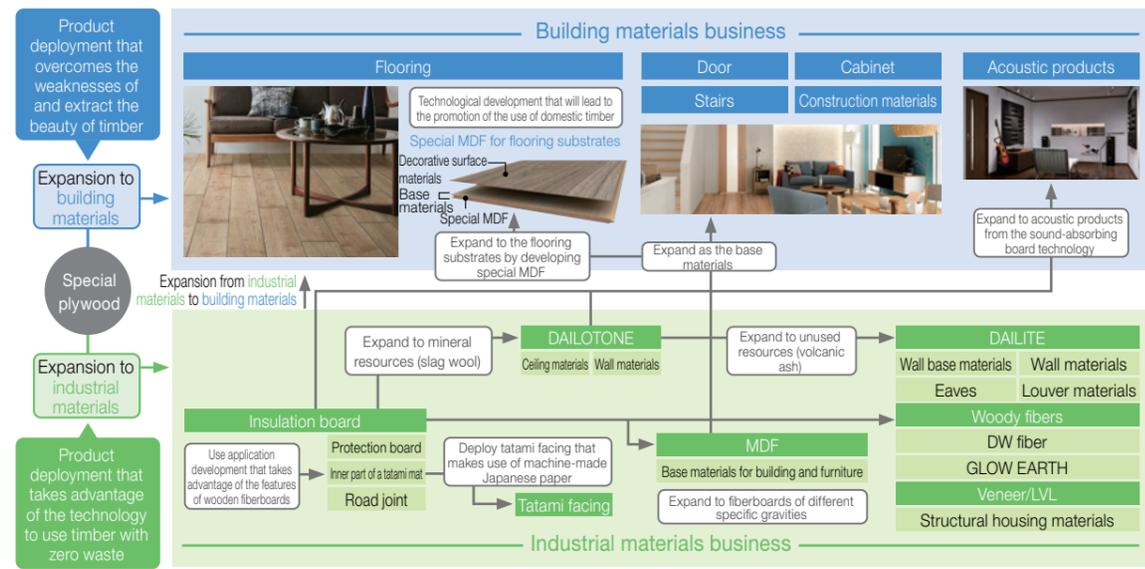


Daiken R&D Center

## Strength 2 Product deployment capabilities

### Create a new standard with functional products

- By utilizing industrial materials that made use of timber, which is a renewable resource, and sustainable resources, such as volcanic ash as an unused resource, the Daiken Group has the capabilities to create a new standard with our products having the functions that make the spaces where people spend their daily lives safe, secure, healthy, and comfortable.
- With the technology cultivated in special plywood, which is the business at the time of the establishment of the company, we developed industrial materials that made use of wood and mineral resources and by using these industrial materials as base materials, we have been expanding into the deployment of building materials with increased added value.
- These product deployment capabilities have become our response capabilities, leading to the sustainability of our business.



## Strength 3 Customer base

### Relationships of trust with professional customers

- The Daiken Group has built relationships of trust with a wide variety of professional customers ranging from the housing and construction industries to various manufacturers through long standing dealings.
- By not only reflecting such needs and information obtained from customers in the initiatives for daily improvements, such as quality and usability, but also feeding back to the development of next industrial and building materials and R&D, we continue to provide new value.

#### Key customers



## Strength 4 Integrated system

### Engaging in the development, installation, and construction of industrial and building materials

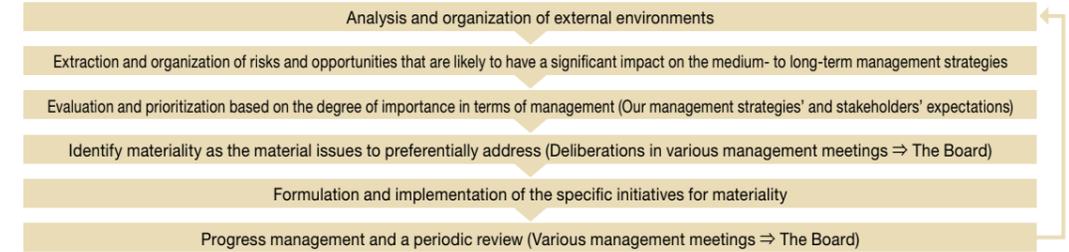
- Industrial and building materials do not function as is and the installation work and construction are required in order for them to deliver performance.
- Daiken not only sells products, such as industrial and building materials, but is engaged in the installation work, construction, and creation of spaces in the three domains of interior projects for office buildings and public facilities, home renovation work, and apartment renovation by cooperating with the group companies engaged in the installation work and construction.
- By consistently engaging in the industrial and building materials located in the upstream part as well as the installation work and construction to create spaces, our entire value chain can provide value.
- We link the needs obtained in the installation work and construction sites with the development of labor-friendly type products and techniques.



# Risks, Opportunities and Materiality

In addition to the risks and opportunities that are likely to have a significant impact on the Daiken Group's medium- to long-term management strategies, we have identified materiality as the material issues to preferentially address based on such risks and opportunities as the following. In identifying such themes, we made decisions by the Board's resolutions through deliberations in various management meetings. We also link materiality to preferentially address the policies in the medium-term management plan and the focused measures and proceed with the initiatives after setting the goals.

## Processes to identify the risks, opportunities, and materiality



### Social issues and needs (External environment and trends)

- Climate change and global warming  
Loss of biodiversity  
Forest conservation and regulations over illegal logging
- Depletion of/scramble for resources
- The Japanese government's growth strategy
  - Green Transformation (GX)
  - Construction of a housing circulation system toward a decarbonized society
  - Digital Transformation (DX)
  - National land toughening and improvement of the next-generation infrastructure
  - Realization of a tourism-oriented country
- Threat of infectious diseases
- Threat of natural disasters
- Low birthrate and longevity in Japan
  - A decrease in population and a decrease in the number of households
  - Depopulation
  - A decrease in productive-age population
  - Acceleration of women's participation in society
- A worldwide increase in population
- Change in the security environment
- Request for sustainable management

### Risks and opportunities

- Request for decarbonization
- Difficulty in procuring woody resources
- Needs for industrial materials using sustainable wood resources
- Needs for shifting to alternative resources
- Needs for spaces where the elderly and children can spend time with peace of mind
- Regional revitalization and compact cities
- Formation of a good housing stock
- Resilient urban development and redevelopment projects
- Recovery in inbound demand
- New normal as a result of the COVID-19 crisis
- Disruption of business activities and supply chains
- Lack of human resources
- Expansion of the opportunities where diverse human resources exercise their abilities
- Needs for the development of products and techniques to supplement the lack of skilled construction workers
- A decrease in the number of domestic new housing starts
- Continuous expansion of demand for the high-quality living environment in the global growing markets
- Surging resource/energy prices
- Growing geopolitical risk
- Management ability that responds to the risks and opportunities and increases corporate value

### Materiality

- Realization of a Resource-Recycling and Recycle-Oriented Society
  - 6 CLEAN WATER AND SANITATION
  - 7 AFFORDABLE AND CLEAN ENERGY
  - 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
  - 13 CLIMATE ACTION
  - 14 LIFE BELOW WATER
  - 15 LIFE ON LAND
- User Needs in the New Normal Era
  - 3 GOOD HEALTH AND WELL-BEING
  - 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
  - 11 SUSTAINABLE CITIES AND COMMUNITIES
  - 17 PARTNERSHIPS FOR THE GOALS
- Diverse Human Resource Foundation by Improving Comfort in Working and Job Satisfaction
  - 3 GOOD HEALTH AND WELL-BEING
  - 5 GENDER EQUALITY
  - 8 DECENT WORK AND ECONOMIC GROWTH
  - 10 REDUCED INEQUALITIES
  - 17 PARTNERSHIPS FOR THE GOALS

### Initiatives for materiality

#### Creating Shared Value (CSV) by Daiken Businesses

- Contribution to carbon neutrality by utilizing wood resources  
▶ P.27-28
- Promotion the use of domestic timber  
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\*Details of the risks associated with businesses are described in the securities report.

# Creating Shared Value (CSV) by Daiken Business

## 01 Initiatives for materiality "Realization of a Resource-Recycling and Recycle-Oriented Society" Contribution to carbon neutrality by utilizing wood resources



By pursuing the use of wood resources for materials, turn the living space into "The second forest"

### Social issues and needs

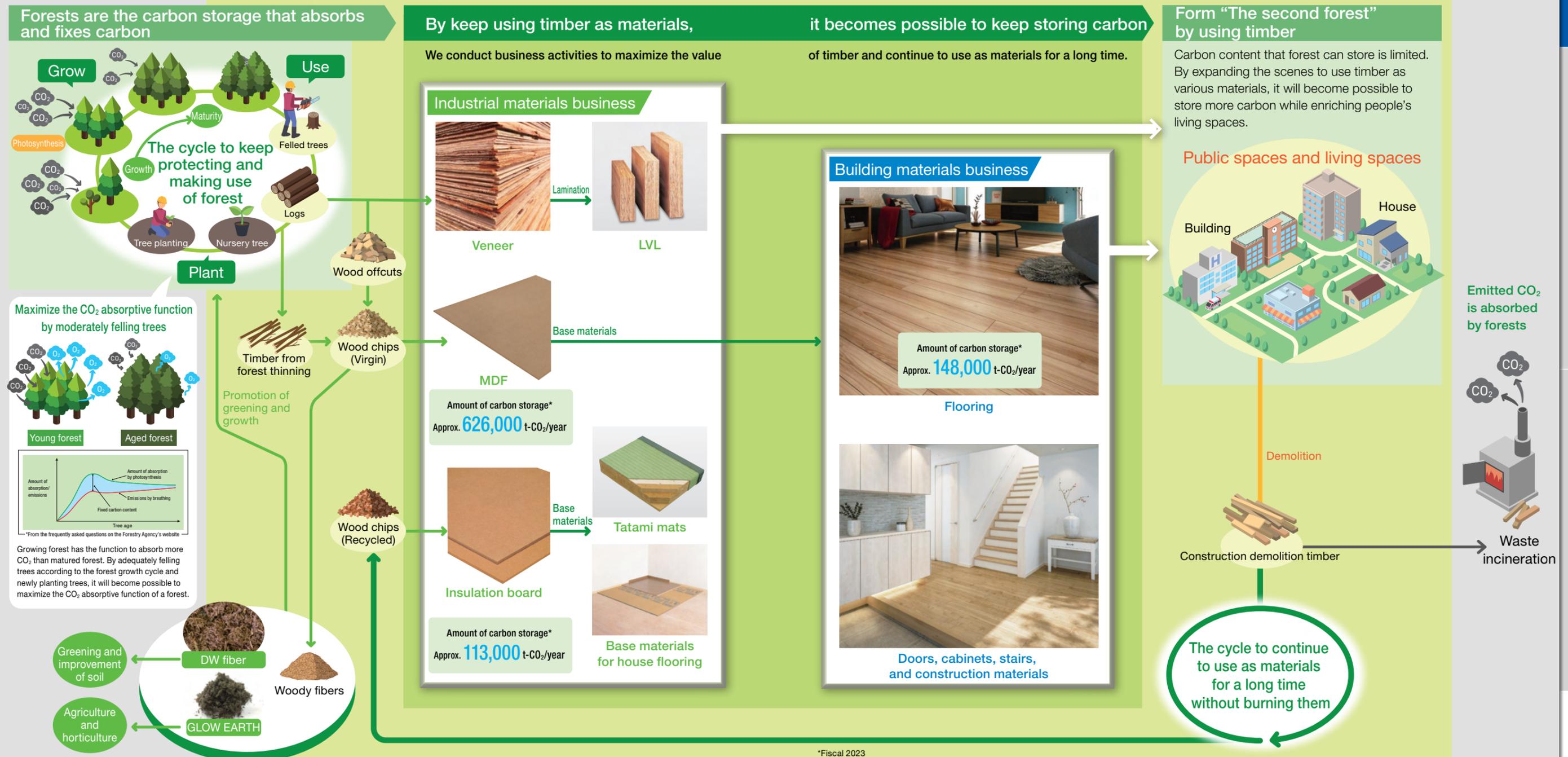
While the countermeasures for climate change have become a pressing global issue, the importance of protecting and growing forests that have the functions to absorb CO<sub>2</sub> and store it as carbon to reduce greenhouse gas emissions and using wood resources as materials, in addition to energy saving and shifting to renewable energy, has been increasing.

### Daiken's strengths and value creation

Daiken Corporation was founded with an eye toward the effective use of timber as precious resources and contribution to society. Since the foundation of the company, we have refined technologies to overcome the weaknesses of timber and use timber with zero waste and developed industrial and building materials offering a wide variety of functions. Trees function to absorb CO<sub>2</sub> during the growth process, to fix it as carbon, and to keep storing it by continuing to use them as materials. Since timber is a renewable resource, it can contribute to the realization of a sustainable society and carbon neutrality by creating the cycle to appropriately manage and use forests. By pursuing the sustainable use of wood resources from the three perspectives of (1) use of appropriately managed timber, (2) use of timber to protect forests, and (3) use of timber with zero waste, we continue to create social and economic value.

## CO<sub>2</sub> C Fix and store as carbon

CO<sub>2</sub>



# Creating Shared Value (CSV) by Daiken Business

## 02 Initiatives for materiality “Realization of a Resource-Recycling and Recycle-Oriented Society” Promotion of the use of domestic timber



### Social issues and needs

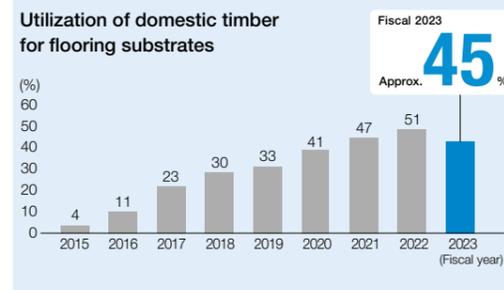
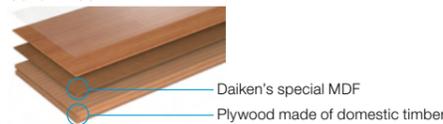
Japan is one of the world's most forested countries with about two-thirds of the land covered in forest. Therefore, domestic timber should be more actively used in order to foster healthy forests that fulfill various needs, such as absorbing CO<sub>2</sub> and prevention of landslides. The Japanese government is aiming to increase wood self-sufficiency to 50% by 2025.

### Promote the use of domestic timber with special MDF that offers excellent water resistance

#### Daiken's strengths and value creation ①

The Daiken Group took advantage of the expertise cultivated as the leading flooring manufacturer and Daiken's unique MDF technology that offers excellent water resistance and surface smoothness, proceeded with the development of flooring substrates combined with domestic timber, and has made many improvements. In fiscal 2023, while the timber procuring environment has become worse globally and as we strived to stably supply products by reviewing the procurement balance of plantation timber and domestic timber, the usage rate of domestic timber decreased to 45%, but we will continuously proceed with product development that will draw out the appeal of domestic timber.

Cross-section image of flooring substrates made from domestic timber



### Expanding the scenes to utilize domestic timbers with the wood hardening technology

#### Daiken's strengths and value creation ②

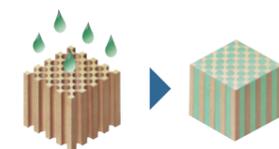
With Daiken's unique WPC\* technology to harden wood tissues by injecting plastics into and filling the tissues, it has become possible to offer flooring with excellent surface strength that uses domestic natural wood for decorative surface materials. Because many domestic tree species are soft materials, low durability in using them as flooring was an issue, but by taking advantage of this technology, we will expand the use of domestic timber while meeting the needs of using local materials.

\*WPC: The abbreviation for Wood Plastics Combination

Results of the commercialization of local materials with the WPC technology  
**28** prefectures



WPC flooring



Inject plastic resin into surface wood for flooring and harden it



By filling plastic resin, it demonstrates strength against dents and scratches

### New use application development of wood materials

#### Daiken's strengths and value creation ③

While exploring new possibilities of domestic timber, we developed the soil improvement additive DW fiber made of fibrillated timber offcuts and to which fulvic acid with plant growth-promoting effects is added and the wood culture medium GLOW EARTH that can create an optimal cultural environment by making factor substances that inhibit the growth of plants harmless under the conceived idea of using such domestic timber as wood fibers. These products realize the resource circulation that wood harvested in a forest becomes the culture medium, helps the growth of the next plants, and returns to the soil again and deployment to the fields of civil engineering and landscaping as well as the fields of agricultural and horticultural materials leads to new use application development of domestic timber.

#### GLOW EARTH



Wood culture medium GLOW EARTH



Use case in a vegetable garden



GLOW EARTH

#### DW fiber



Soil improvement additive DW fiber



Case of greening a slope surface by DW fiber



Case of greening a slope surface by DW fiber

## 03 Initiatives for materiality “Realization of a Resource-Recycling and Recycle-Oriented Society” Effective utilization of unused resources



### Social issues and needs

While everyday lives becoming more convenient and affluent, limited resources and energy on earth have been heavily consumed and there have been growing concerns about the depletion of natural resources. To respond to these issues, pursuit of sustainable production and consumption, such as effective utilization of renewable resources and unused resources and the reduction of waste, has become crucial.

### Expansion of the utilization of unused resources using non-combustible materials that offer excellent durability

#### Daiken's strengths and value creation

Daiken developed DAILITE, the world's first new industrial material using an unused resource, *shirasu* (volcanic ash) as the major raw material, which has the performance that could not be realized with conventional inorganic materials, such as lightweight, high strength, and fireproof, and started selling it in 1997. In the beginning, DAILITE was mainly used as a bearing surface material to enhance strength of houses but we now propose to use it as the non-combustible and well-designed wall materials and louver materials. By finding value in an unused resource and expanding the use applications, we contribute to the realization of a sustainable society.



A noncombustible wall material with a deep curved design made of DAILITE base material GRAVIO EDGE



A noncombustible construction material made of DAILITE base material GRAVIO LOUVER



Shirasu, an unused resource available in the natural world



## 04 Initiatives for the fulfillment of materiality, “User Needs in the New Normal Era” Creating a safe, secure, healthy, and comfortable space



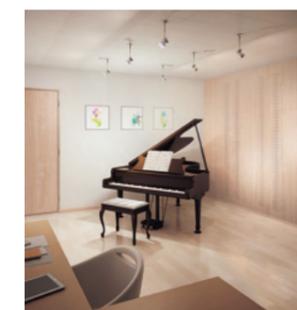
### Improvement of the sound environment in living spaces

#### Social issues and needs

With the changes of the times, issues concerning sound in daily lives have become diversified. Particularly in the COVID-19 crisis, the needs for the prevention of sound leakage and reverberation have been rapidly increasing because of the increase in working at home and online meetings.

#### Daiken's strengths and value creation ①

In pursuing comfort of the living spaces, Daiken has been engaged in acoustic products since the 1980s and faced various sound issues. Since then, with the accumulation of technologies and know-how for 40 years, we not only develop products having soundproof and sound absorbing functions but also propose spaces to realize the optimal sound environment. In response to the fact that new issues concerning sound have recently become apparent in offices, stores, and medical facilities, we expand the product lineup that corresponds to the needs of each facility. Through the resolution of sound issues that significantly influence comfort, we will realize more comfortable living spaces.



A soundproof room corresponding to playing a musical instrument



A ceiling material for a soundproof room OTOTEN

# Creating Shared Value (CSV) by Daiken Business

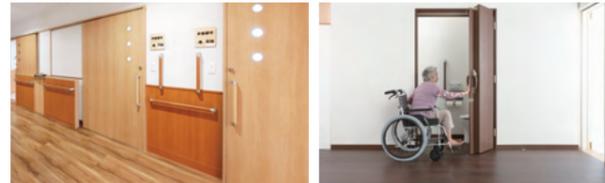
## Creating a safe space to live together with the elderly

### Social issues and needs

Japanese society is more rapidly aging than other developed countries and becoming a super aging population with one in four people aged 65 or over. Amid concerns about social problems with elderly people providing care for elderly people, living spaces where people can live with peace of mind even when they get older are required.

### Daiken's strengths and value creation ②

Based on our ideas and technologies for living spaces proven through our work, Daiken is committed to manufacturing from the perspective of all users, including elderly people, their families, and caregivers. In recent years, we have improved the mechanism that can finely respond to the needs that vary according to facilities, such as elderly facilities and houses that are considerate of home care, and have been deploying comprehensive product lines that are safe and have functionality.



Cases of adopting the building materials from the OMOIYARI SERIES for the living spaces where elderly people live

A wide sliding door that can be easily accessed by a wheelchair

## Creating spaces where children can spend the time safely

### Social issues and needs

With the increase in women's participation in society and in childcare facilities that increasingly grow in importance, it is imperative to create safer facilities and reduce nursery teachers' burden in addition to the problem of children on the waiting list due to the lack of facilities.

### Daiken's strengths and value creation ③

We thoroughly examined the performance required for the area around a door in a childcare facility where the risk of injury is particularly high and developed the door dedicated to kindergartens and childcare facilities, while taking advantage of the expertise in door manufacturing cultivated from past houses and elderly facilities. We will support a wide variety of problem solutions required for childcare facilities, such as improvement of safety and comfort and further reduction in the nursery teachers' burden by using Daiken's unique technologies and diverse products.



OMOIYARI KIDS DOOR  
A door that is considerate of children's safety

**Won the KIDS DESIGN AWARD**  
\*Designs to support comfortable raising of children

Ceiling sound absorbing pane KIN TONE

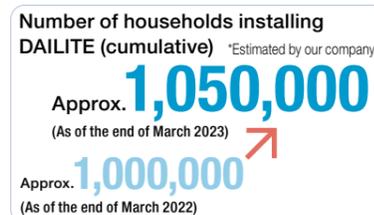
## Seismic resistance / Strengthening of disaster prevention

### Social issues and needs

Japan has been devastated by earthquakes many times, including the Great East Japan Earthquake. Large earthquakes, such as the Nankai trough earthquake, are predicted with high probability to occur in the future, and the Japanese government has set a goal for seismic resistance ratios and promotes the seismic resistance and the strengthening of disaster prevention for houses and buildings.

### Daiken's strengths and value creation ④

Daiken has contributed to improving the aseismic performance of Japanese wooden houses through the development of DAILITE, an inorganic bearing surface using mineral fibers and an unused resource, shirasu (volcanic ash) as the major raw materials. By deploying not only bearing surface materials but also a number of product lineups that offer excellent non-combustibility and fireproof property, we have been promoting the strengthening of disaster prevention. With our unique base materials, we will improve safety of various living spaces, such as wooden houses and public and commercial buildings.



## Expansion of the antiviral products

### Social issues and needs

With the pandemic outbreak of infectious disease, awareness of health and clean environments has been rapidly increasing and the needs for sanitary measures for and safety of living spaces and public spaces where people gather have been expanding.

### Daiken's strengths and value creation ⑤

We focused on the antiviral function in the wake of the outbreak of the novel influenza in 2009 and started working on its development in 2011. In the following year, we put the function to practical use as the antiviral function BIOTASK\* ahead of the industry. We respond to the needs in the COVID-19 crisis, expand the product variations having the antiviral function, and proceed with the initiatives aimed at reviewing the antiviral mechanism and contributing to the reduction of the threat of virus.

\*BIOTASK: Our unique name for the antiviral function (our registered trademark)



A product having the antiviral function

Microorganism measurement room in the R&D Center

## Creation of communication spaces filled with greenery

### Social issues and needs

As lifestyles has been changed due to COVID-19 crisis, people started to pay attention to home vegetable gardening, which can be enjoyed outdoors while avoiding crowds, but problem is that there are shortage of rental farms in urban area. As a solution to this problem, roof vegetable gardens becomes more popular. However, there is another issue that properties suitable for such gardens are limited, since the garden soil is so heavy that it could be over the load capacity of building.

### Daiken's strengths and value creation ⑥

We started promoting the new vegetable garden system from April 2023. This system enable people to grow vegetables easily on roof of buildings by using our product, GLOW EARTH. GLOW EARTH is a wood culture medium made in Japan, it is lighter than soil, not easy to get hands dirty, and it can be disposed as combustible waste. We will aim to create open-communication spaces filled with greenery by promoting this system.



Roof vegetable garden (Image)

Wood culture medium GLOW EARTH

05

05 Initiatives for the fulfillment of materiality, "User Needs in the New Normal Era"

## Development of labor saving type products and techniques



## Contributing to the anti-seismic ceiling by developing the labor-saving construction technique

### Social issues and needs

A shortage of workers has become an aggravated problem in the construction industry. On the other hand, while the Building Standards Act revised after the Great East Japan Earthquake requires higher aseismic performance of the ceilings of large public buildings, there was an issue that it requires much time and labor in making existing ceiling anti-seismic.

### Daiken's strengths and value creation

To particularly respond to the needs of making the ceilings of large public buildings anti-seismic after the Great East Japan Earthquake, Daiken developed a unique ceiling construction technique that makes it possible to make the ceiling anti-seismic while saving construction time and work. With this construction technique, we reduced the construction time and labor by approx. 25% compared to making the conventional ceiling anti-seismic. We also developed a ceiling system exclusively for hallways, which will become the evacuation route at the time of disaster.

We will aim to further realize the saving construction time and work for not only ceilings but also building materials for renovation from the perspective of a new construction technique.

Rate of reduction of construction time and labor compared to making the conventional ceiling anti-seismic: \*Estimated by our company

Approx. **25** %



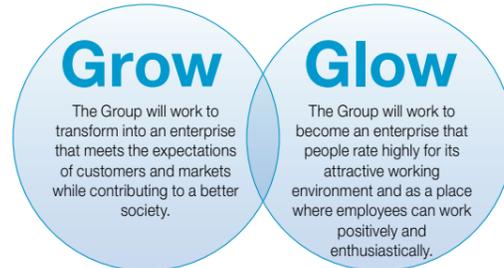
Our own anti-seismic ceiling construction technique

# Long-Term Vision GP25

In 2015, for the 70th anniversary of the foundation of the company, the Daiken Group formulated the long-term vision GP25 (Grow/Glow Plan 25) aimed for 2025, 10 years after 2015.

In the long-term vision GP25, growing from housing materials to an all-embracing company for building materials through the further enhancement and expansion of current businesses and the expansion of the new market was upheld as our vision (company vision). As the roadmap toward the realization of the long-term vision, the Daiken Group set the medium-term management plan in three steps and been deploying business activities.

## 2025 Long-Term Vision GP25 Grow/Glow Plan 25



### Significance of existence and ambitions

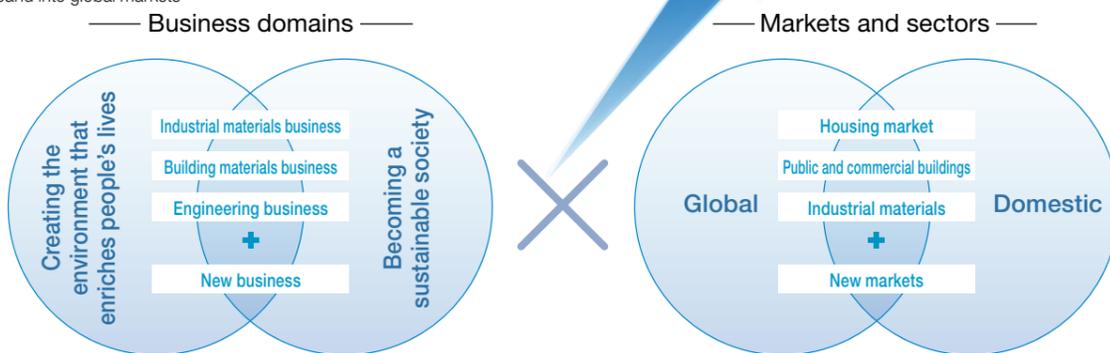
- 1 Contribute to the building of a sustainable society by efficiently using limited resources
- 2 Enrich peoples' minds by creating more comfortable and secure spaces

### How we should be in 2025

- 1 Contribute to a recycling-oriented society through the development and spread of industrial materials utilizing sustainable resources, such as timber, in global markets
- 2 Create safe, secure, healthy, and comfortable spaces for everyone by proposing solutions that capture the user needs in the new normal era
- 3 A mechanism to support challenges is established, a culture that admires challenges is nourished, and challenges to new business domains is progressing
- 4 Realize the workplace environment where diverse human resources can comfortably work in fulfilling roles and impartial and transparent management supports the sustainable growth and the improvement of medium- to long-term corporate value

### Business domains, markets, and sectors targeting Long-Term Vision GP25

- From the current image as a housing materials manufacturer to the following:
- Supply building materials and industrial materials for building materials as well as construction
  - Expand business areas from housing to public and commercial buildings, and industrial materials
  - Expand into global markets

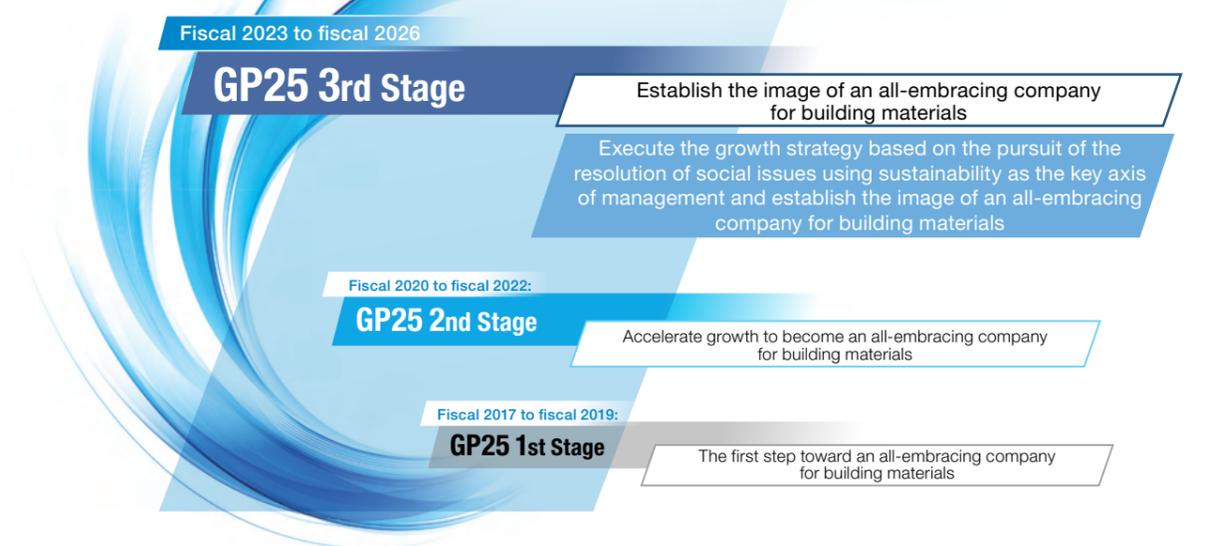


### Update of the long-term vision GP25

In formulating the medium-term management plan GP25 3rd Stage, we have updated how we should be in 2025 based on the change in business environment and reconfirmation of materiality in and after 2025.

## The medium-term management plan toward realization of the long-term vision

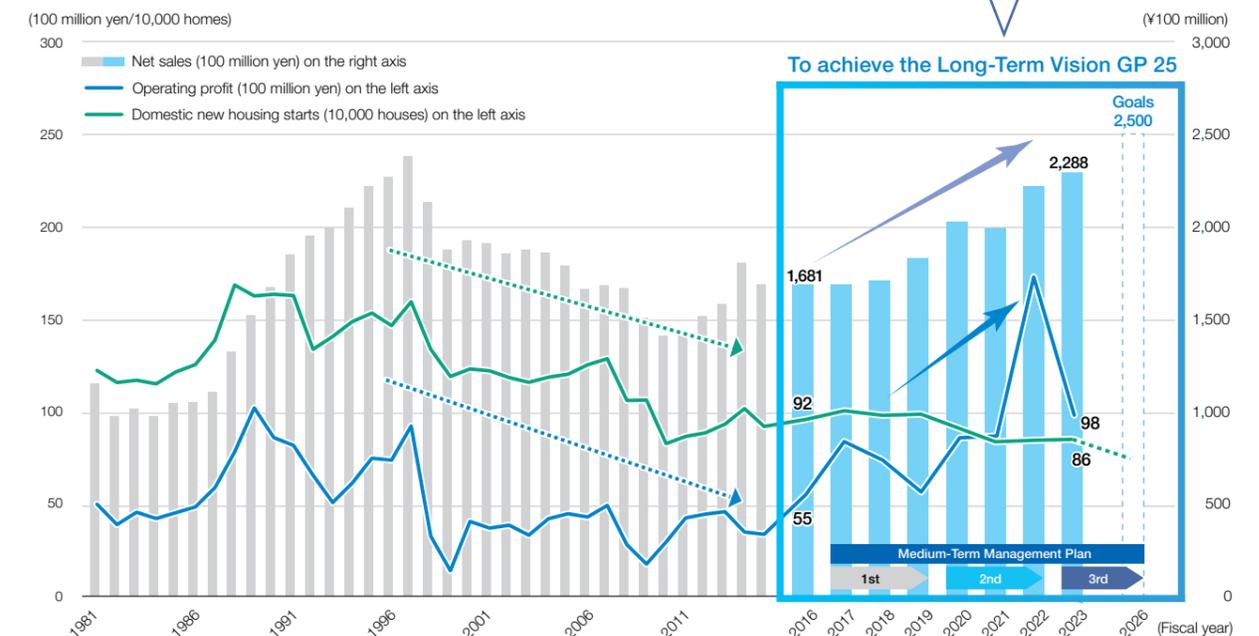
### Toward the realization of the Long-Term Vision GP25 in 2025



### Growth trajectory targeted in the Long-Term Vision GP25

While a decrease in domestic new housing starts is expected in the future, we will aim at expanding the global market, public and commercial buildings, and the home renovation market that we position as the priority markets, in addition to the increase in our share in the new home market. By proactively investing our management resources in these priority markets, we will proceed with the reform to become a company that will keep growing even in the situation of decreased domestic new housing starts.

To become a company that will keep growing even in the situation of decreased domestic new housing starts



# Progress of the Medium-Term Management Plan Toward Realization of the Long-Term Vision

In the medium-term management plan GP25 1st Stage (fiscal 2017 to 2019) that started from fiscal 2017, we started working on the further enhancement of current businesses and the development of the foundations for new businesses as the key to growth in order to take the first step toward an all-embracing company for building materials. GP25 2nd Stage (fiscal 2020 to 2022) that started from fiscal 2020 was positioned as the step to accelerate the growth strategy toward an all-embracing company for building materials, and we proceeded with the execution of proactive investments with a focus on the global market, the review of the domestic business portfolio, and the enhancement of the management foundation.

## 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 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

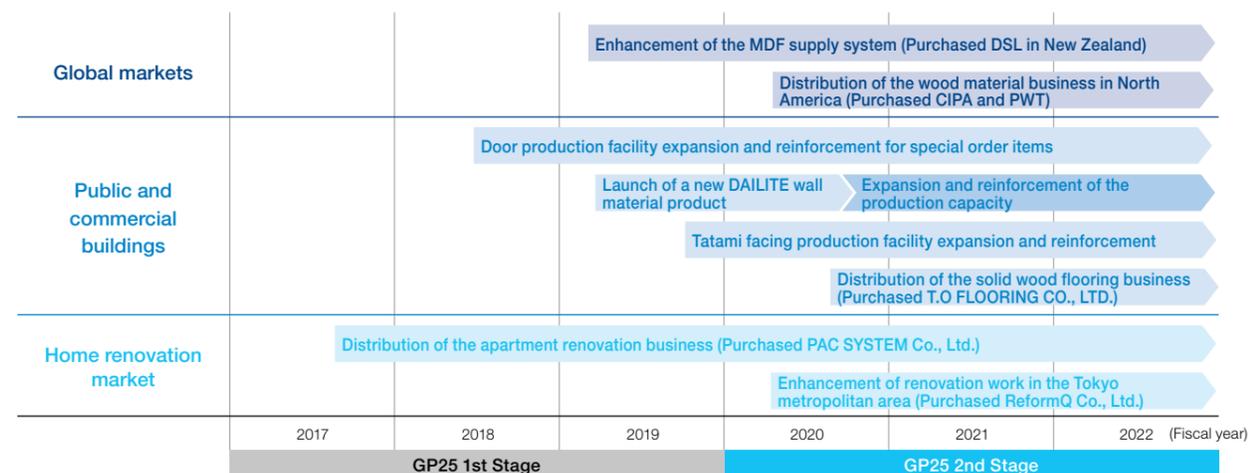
### Results achieved against management goals

	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.

#### I. Accelerating growth strategies

- Domestic: Review of the Business (Market) Portfolio
- Global: Business expansion through proactive investments and entry into new markets

#### II. Enhancement of the management foundation

- Optimize our financial foundation
- Restructure firm and flexible business infrastructure
- Practice of ESG Management

### Results achieved against management goals

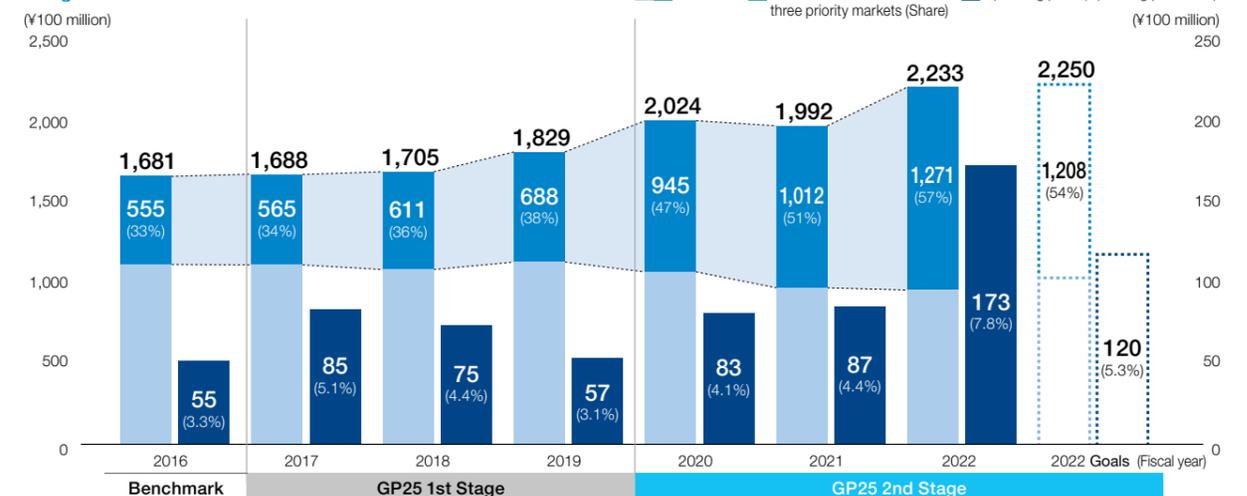
	Results			Goals			
	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2022			
I. Accelerating growth strategies	Net sales	2,024	1,992	2,233	2,250		
	Operating profit	83	87	173	120		
	Operating profit ratio	4.1%	4.4%	7.8%	5.3%		
	Profit attributable to owners of parent	54	56	78	70		
II. Enhancement of the management foundation	Financial indicators	Efficiency	ROE	9.5%	9.1%	10.9%	10%
		ROA	5.5%	5.8%	10.5%	7%	
	Soundness	Shareholder equity ratio	32.7%	39.4%	41.7%	40%	
		Shareholder return	Dividend payout ratio	33.4%	32.4%	33.1%	30% or more
	Nonfinancial indicators	E	Total domestic CO <sub>2</sub> emissions <sup>1</sup>	(28%)	(35%)	(36%)	(26%)
		S	Total diversity index <sup>2</sup>	+19pt	+19pt	+30pt	+20pt
			Serious quality accidents and violations	1	1	0	0
		G	Degree of penetration of the group corporate philosophy <sup>3</sup>	+4pt	—	+5pt	+10pt

<sup>1</sup>: Compared to fiscal 2014  
<sup>2</sup>: Our own indices in which the eight diversity items, such as the female manager ratio, were indexed as compared to fiscal 2019  
<sup>3</sup>: 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



# 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

<p><b>Human resource foundation</b></p> <ul style="list-style-type: none"> <li>●Creating the workplace environment and culture where diverse human resources can be active</li> <li>●Human resource development that supports the growth and can respond to changes</li> <li>●Establishment of the system and mechanism that admire and support challenges</li> <li>●Building of the balanced human resource foundation</li> </ul>	<p><b>Business foundation</b></p> <ul style="list-style-type: none"> <li>●Simultaneous pursuit of the reduction of environmental burden and risk management in the supply chain</li> <li>●Restructure firm and flexible business infrastructure</li> <li>●Optimization of the business portfolio (Selection and concentration)</li> <li>●Ensuring quality, which is the source of provided value</li> <li>●Offensive/defensive digital strategy</li> <li>●Building of an efficient and optimal logistics system</li> </ul>
<p><b>Financial foundation</b></p> <ul style="list-style-type: none"> <li>●Aggressive investments for growth</li> <li>●Building of the solid financial foundation that supports growth</li> </ul>	<p><b>Governance</b></p> <ul style="list-style-type: none"> <li>●Impartial and highly transparent management that supports the improvement of corporate value</li> <li>●Improvement of the stakeholder engagement by enhancing the dissemination of information and improving dialogues</li> </ul>

## 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	Distribution of secondhand housing and revitalization of condominium renovations	Changes in how an office space should be used Redevelopment project	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				Industrial materials business in North America
Sales by 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				Capacity expansion Consideration of the introduction of new products using the sales channels
Industrial materials business	Expansion of the products that save construction time and work Proposals of the improvement of the thermal environment				Industrial materials business: MDF Structural reform and capacity expansion Improvement of the ratio of the products with high added value
Building materials business	Expansion of condominium renovations in the Tokyo metropolitan area Expansion of the interior projects in the redevelopment projects				
Engineering business	Engineering business				Building materials business Supply expansion to Europe and Asia
	Industrial materials business in Japan				
	Acquisition of alternative demand, capacity expansion, and development of new materials				
Enhancement of the management foundation	Optimization of the logistics 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 <sup>1</sup>	(36%)	(4.0%)	(10%)
	Total diversity index <sup>2</sup>	+30pt	+18.3pt	+30pt
S	Serious quality incident/violation <sup>3</sup>	0	0	0
	Employee satisfaction <sup>4</sup>	54.6pt	54.4pt	60pt
G	Serious compliance violations <sup>3</sup>	0	1	0

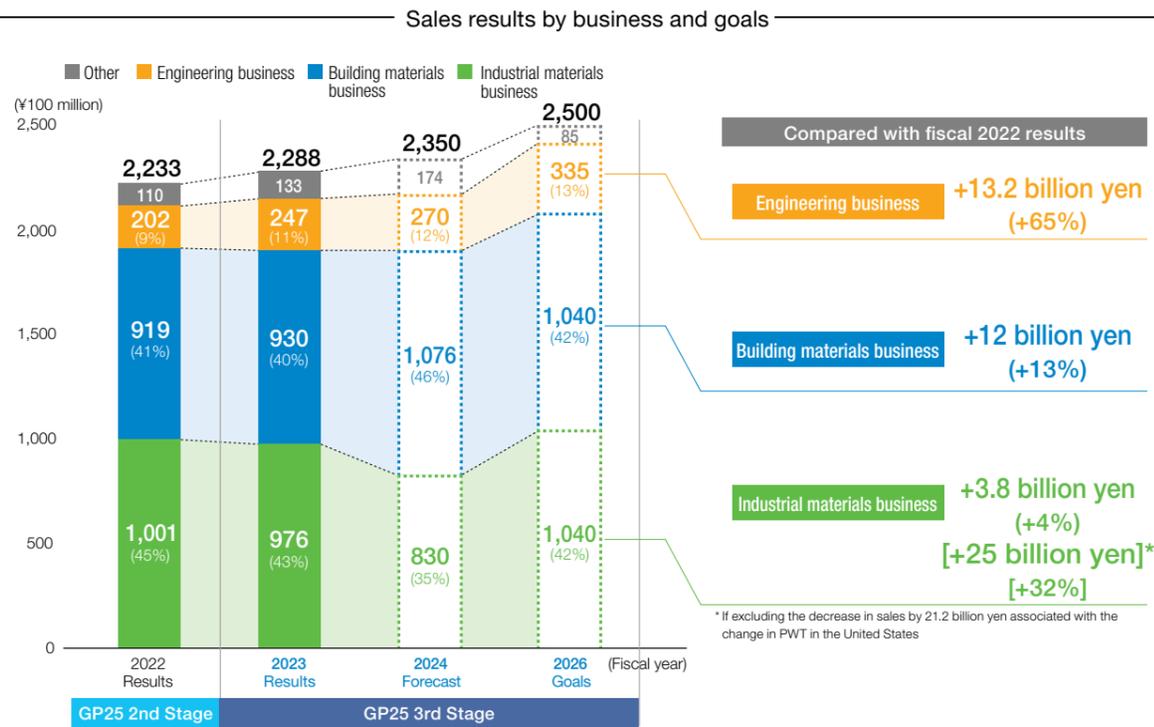
<sup>1</sup>: Fiscal 2022 results included the total emissions in Japan and overseas (Scope 1+2) compared to fiscal 2014. Fiscal 2023 results and fiscal 2026 goals included the total emissions in Japan and overseas (Scope 1+2) compared to fiscal 2022.  
<sup>2</sup>: Our own indices in which diversity-related 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.  
<sup>3</sup>: During the medium-term management plan period  
<sup>4</sup>: 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.

# Strategies by Business Segment and Market

## Strategies by business segment and progress



### Strategies by business segment

#### Industrial materials business

- Contribute to the resolution of social issues in the global markets through the development of industrial materials that use sustainable resources and the sales expansion
- Execution of the business structural reform toward the profitability improvement

**Value creation**

- Utilization development that will expand the possibility of industrial materials and acquisition of alternative demand from the perspective of sustainability
- Enhancement of the appeal of and sales expansion of the products for public and commercial buildings, such as noncombustible products and materials for tatami mats

- With the capital increase aimed at expanding business, PWT, which used to be a consolidated subsidiary, became an equity method affiliate
- Promotion of the business structural reforms in the four group MDF plants
- Promotion of the development of environment-conscious MDF
- Promotion of the new application development of wood materials, such as insulation boards and MDF
- Sales expansion of non-combustible decorative materials made of DAILITE base material, including louver materials and eaves

#### Building materials business

- Expansion of the functional building materials that meet the user needs in the new normal era and enhancement of the proposal capabilities
- Improvement of profitability by improving productivity using digital technology and operational efficiency

**Value creation**

- Promotion of the development of functional building materials that create "Safe, secure, healthy, and comfortable spaces for everyone"
- Enhancement of the solution proposals that use functional building materials through the performance measurement and evaluation of spaces, such as the sound environment and thermal environment

- Release of the products that give consideration to the aspect of good hygiene and the products that are ahead of design trends
- Enhancement of the proposals of acoustic products that marked 40th anniversary since the business commencement
- Review of the structure of some product series in terms of the BCP and for efficiency by reducing product numbers
- Enhancement of procurement management with a focus on raw wood materials, such as the launch of the new supplier

#### Engineering business

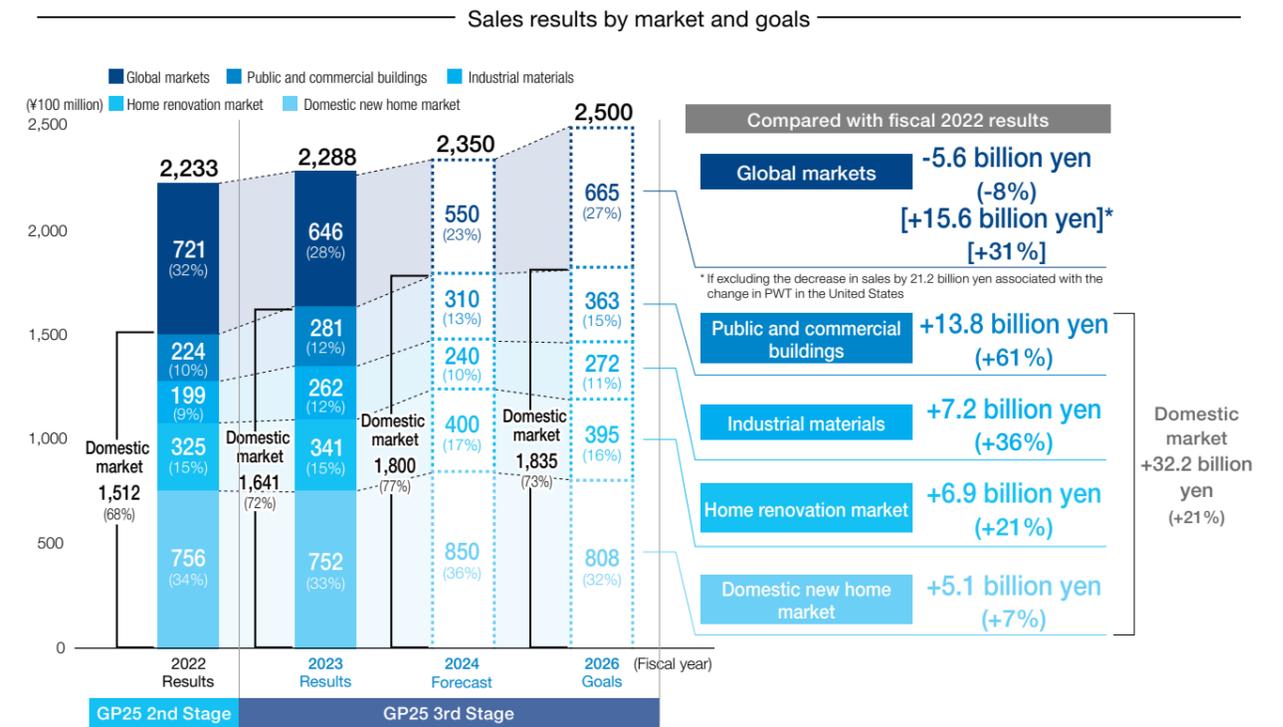
- Pursuit of the synergy between the products in the industrial materials and building materials businesses and the construction function
- Expansion of the construction areas that meet the spatial needs in the new normal era

**Value creation**

- To provide new spatial value by improving the sound and thermal environments that take advantage of the group's product appeal, we will proceed with the expansion of the construction areas and the improvement of our technological capabilities and enhance our integrated order-taking system for industrial materials and construction
- Support for the development of construction techniques and product development incorporating the short construction period and saving construction time and work by using our construction network

- Expansion of the sale of and increased profitability of apartment renovation business in the Tokyo metropolitan area
- Expansion of orders for interior projects by resuming various redevelopment projects with a focus on the large metropolitan areas
- Expansion of orders for soundproofing and orders from kindergartens and childcare facilities in order to increase profitability

## Strategies by market and progress



### Strategies by market

**Global markets**

Accelerate the further exploration of the global markets through penetration of industrial material and building material products that use sustainable resources

- Timely MDF selling price pass-through in response to soaring costs
- Implementation of the market survey toward the deployment of new wood industrial materials for the North American market
- Expansion of the Indonesian plant-made door sales channels in the European market
- Promotion of the initiatives toward the stable procurement of wood materials

**Public and commercial buildings**

Growth acceleration by expanding and improving functional building materials that meet user needs in the new normal era and by enhancing proposal capabilities

- Promotion of the development of new products through co-creation with other companies and new proposal methods
- Acquisition of touch points with customers utilizing digital tools, inside sales, proposal meetings, etc.
- Enhancement of the proposals by functional products, such as noncombustible, acoustic products, tatami materials, and flooring using local materials
- Expansion of orders for interior projects for office buildings etc.
- Planning of well-being working environments and spaces that pursue workers' health and comfort

**Industrial materials**

Exploration of new markets and new areas by developing new industrial materials with the advantages of sustainability and environmental burden reduction

- Expansion and reinforcement of manufacturing facilities associated with the expansion of adoption of wood culture medium GLOW EARTH for the agriculture and horticulture markets
- Launch of the vegetable garden system business in which vegetables can be easily grown on the roof of buildings
- Expansion of the handling of new products (plywood made of plantation timber, LVS, etc.)

**Home renovation market**

Expand and improve functional building materials that meet the user needs in the new normal era and establish and penetrate the construction technique models that meet demand for the condominium renovation construction, such as the short construction period, saving construction time and work, and waste reduction

- Development of the products that stylishly produce spaces and are ahead of design trends
- Expansion of the apartment renovation and renovation work in the Tokyo metropolitan area
- Enhancement of the renovation proposals from the lifestyle perspective that utilize the website and showrooms
- Introduction of manufacturing facilities for flooring exclusively for renovations and launching products

**Domestic new home market**

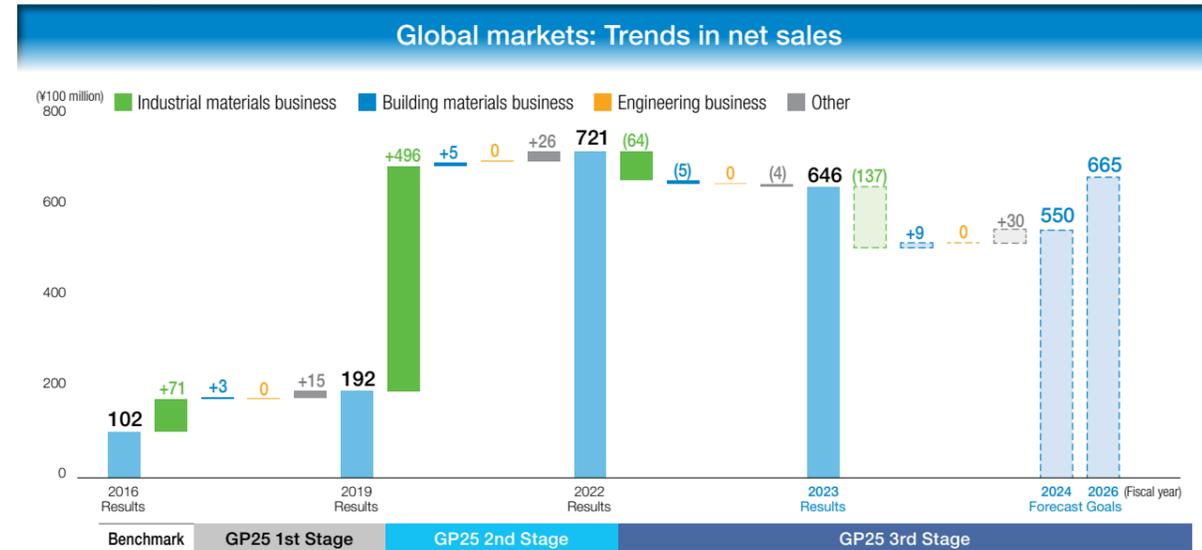
Development of differentiated products that promptly meet user needs and an increase in the share by enhancing proposals in order to minimize the impact of shrinking of the market improvement of the efficient proposals and order-taking system that effectively uses digital technology

- Enhancement of the proposals for products and spaces corresponding to the change in user needs
- Enhancement of the ability to disseminate information utilizing digital tools
- Sales expansion of DAILITONE healthy and comfortable ceiling materials by the proposals from the perspective of functionality
- Recovery from the impact of door delivery delays and a limitation on part of the orders for flooring

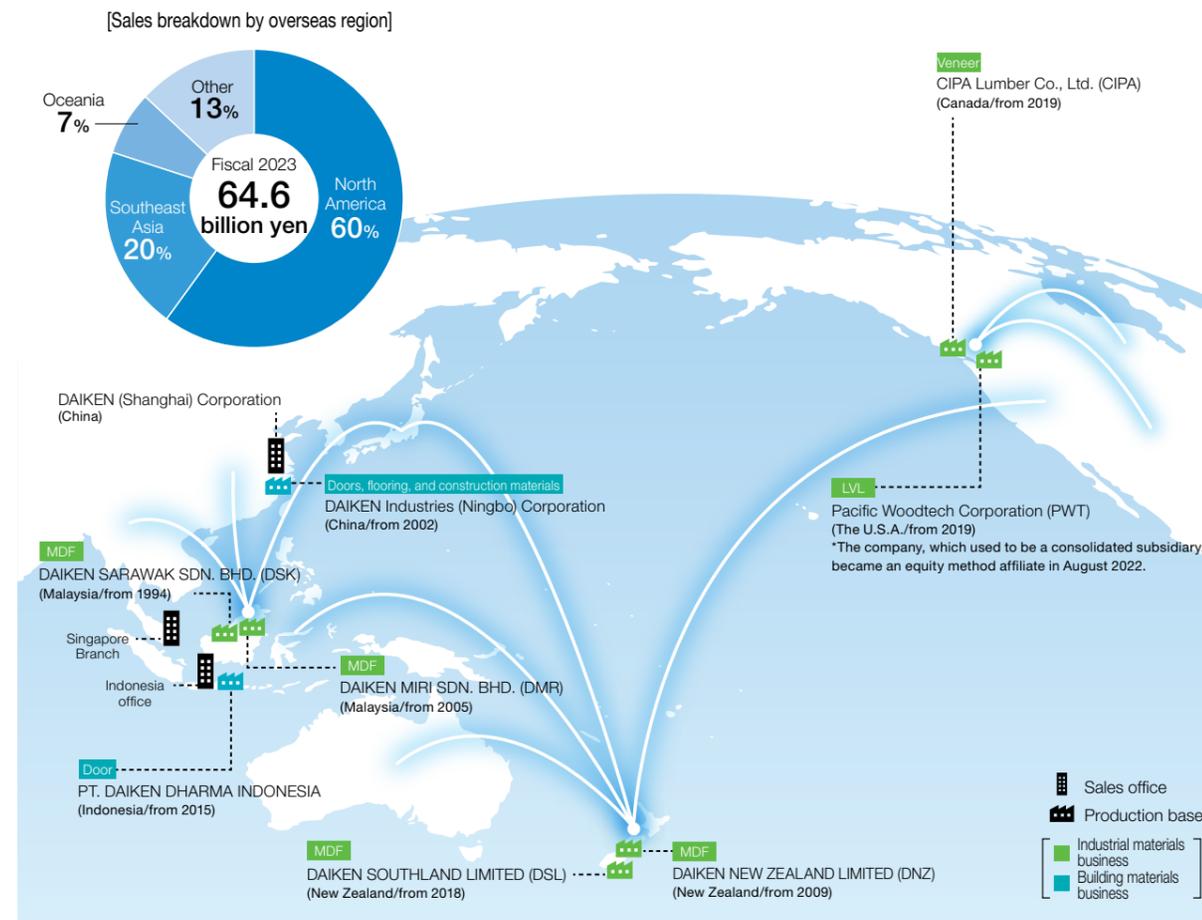
# Initiatives for Priority Markets

## 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



## 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	New Zealand
<b>Tree species: Hardwood</b>	<b>Tree species: Softwood</b>
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.	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.
<b>Characteristics</b> 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.	<b>Characteristics</b> 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

**MDF sales breakdown by region (Fiscal 2023)**

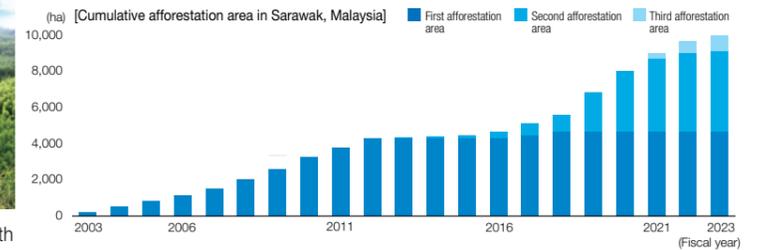
- Domestic: 59%
- Global: 41%
  - Asia: 23%
  - Oceania: 10%
  - The U.S.A.: 8%

\*Including the portion consumed by our company

Production Base	Foundation	Production Capacity	Acquired Certificate
DAIKEN SARAWAK SDN. BHD. (DSK)	May 1994	120,000 m <sup>3</sup> /year	JIS A 5905, PEFC CoC, CARB, and EPA TSCA Title VI
DAIKEN MIRI SDN. BHD. (DMR)	September 1996 → Purchased the company in February 2005	110,000 m <sup>3</sup> /year	JIS A 5905, PEFC CoC, CARB, and EPA TSCA Title VI
DAIKEN NEW ZEALAND LIMITED (DNZ)	1976 → Purchased the company in February 2009	107,000 m <sup>3</sup> /year	JIS A 5905, FSC CoC, CARB, and EPA TSCA Title VI
DAIKEN SOUTHLAND LIMITED (DSL)	November 1993 → Purchased the company in April 2018	195,000 m <sup>3</sup> /year	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

- Profitability improvement by optimizing the production system**  
By optimizing production items that take advantage of the characteristics of the respective bases, improve profitability.
- Enhancement of the new use application development/proposals**  
Enhance the new use application development and proposals that correspond to the demand as the alternative materials to plywood and plastics.
- Further pursuit of the sustainability of raw materials**  
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.

### Veneer

#### CIPA Lumber Co., Ltd. (CIPA)

Foundation: April 1968 → Purchased the company in June 2019  
 Location: Canada (Delta, British Columbia)  
 Business lineup: Veneer manufacturing and sales



### LVL

#### Pacific Woodtech Corporation (PWT)

Foundation: January 1998 → Purchased the company in June 2019 → Became an equity method affiliate in August 2022  
 Location: The U.S.A. (Burlington, Washington)  
 Business lineup: Structural LVL and I-Joist manufacturing and sales



### 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.

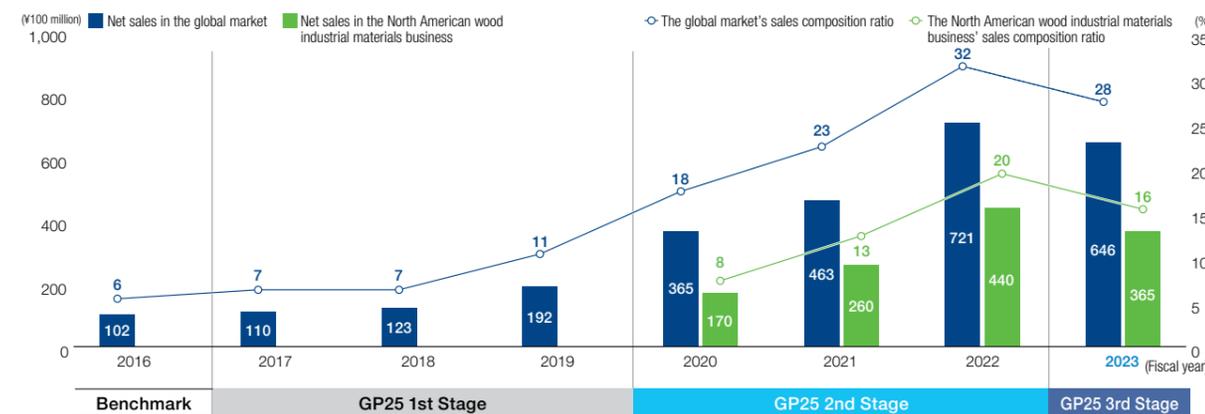
### The world's largest wooden housing market

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.

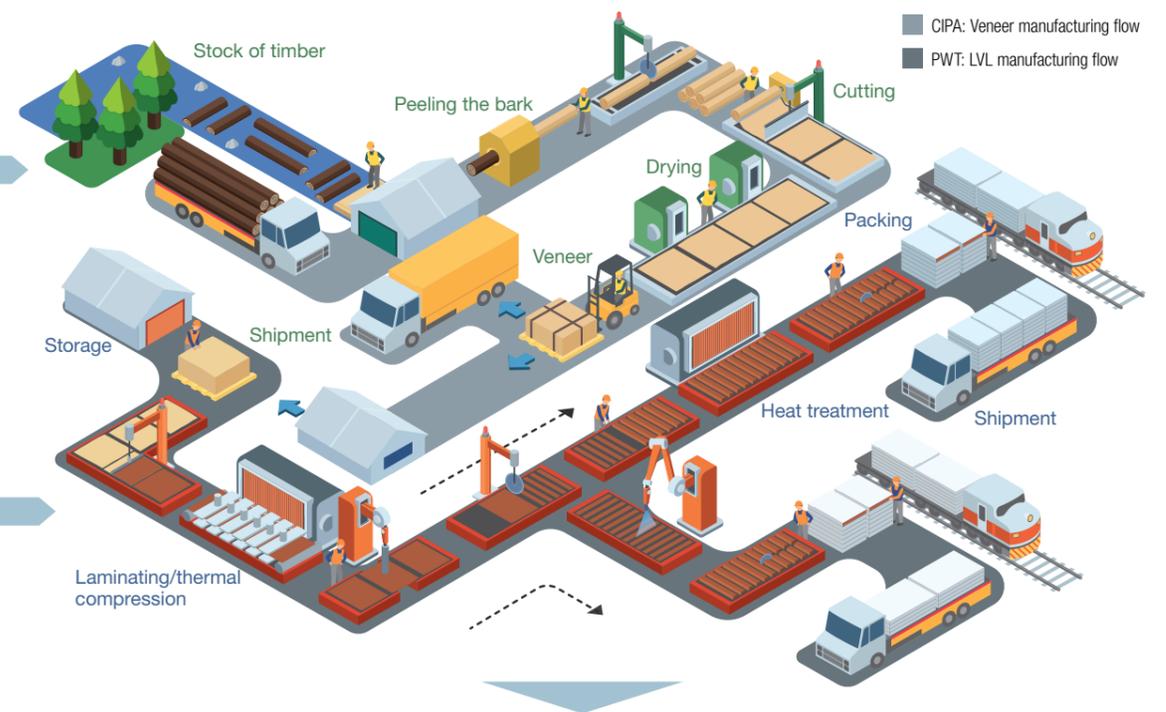
Trends in housing starts in the United States and Japan



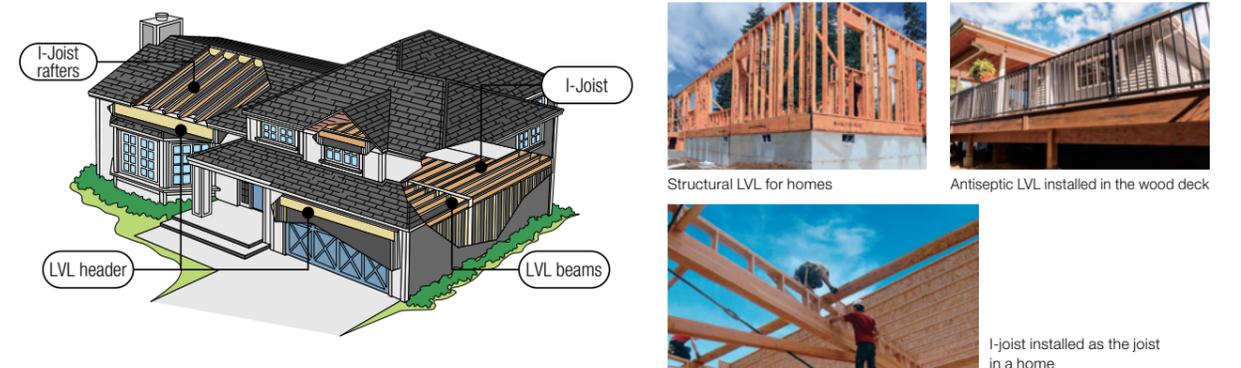
### Expansion in the global market with a focus on the North American wood industrial materials business



### Business flow



### Major applications



### 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

1 Enhancement of the cooperation between CIPA and PWT	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.
2 CIPA's profitability improvement	By proceeding with stable procurement of raw wood and improving production efficiency, further improve profitability.
3 Expansion into new products	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.

# Public and Commercial Buildings

We take advantage of our unique technologies and expertise in safety, durability, non-combustibility, as well as the provision of a comfortable sound environment that we have cultivated as a housing material manufacturer in order to proceed with proposals for spaces by product series that offer the functions required by each public facility and commercial building.

## Proposals for spaces with the product series by facility and function

### Acoustic products

**Sound absorbing | Sound insulation**

Arrange sound vibrations and provide a comfortable sound environment according to the facility characteristics



Examination room



Kindergartens and childcare facilities



Karaoke room

### Ceiling materials

**Non-combustibility | Aseismic performance | Lightweight | Sound absorbing | Moisture conditioning**

Ceiling with aseismic performance and moisture conditioning that realizes a safe, secure, and comfortable space



An anti-seismic ceiling construction technique



A ceiling system exclusively for hallways



Sound absorbing and moisture conditioning ceiling material

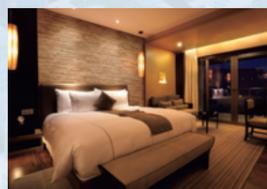
### Wall materials

**Non-combustibility | Workability | Design**

Non-combustible and well-designed walls that decorate spaces



Non-combustible wall material



Designed wall materials

### Enhancement of the distribution of non-combustible products

We realize spaces having a unified design with non-combustible products, such as walls, ceilings, eaves, and louver materials.

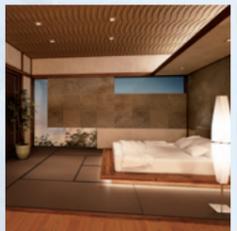



### Tatami mats

**Easy maintenance | Durability | Color variations**

**Water repellent**

Tatami mats made from washi paper have a great range of design and are best suited for modern spaces



Accommodation facilities



Commercial facilities

### Flooring

**Scratch resistance | Sound insulation | Safety**

Flooring that produces wood spaces while utilizing local materials



Sheet decorative flooring that can be used in heavy duty areas



WPC soundproofing flooring that can be used in heavy duty areas

### Promoting the use of domestic or local materials

We proactively use domestic timber, such as Japanese cedar and cypress, which were difficult to use in public and commercial buildings, in a wide range of parts, such as flooring and wall materials, by using our unique technologies.




### Improvement of the sound environment in offices

With the building materials that focus on sound control, such as ceiling materials that suppress sound vibrations and soundproof doors with a high level of sound insulation, we realize the sound environment in offices suitable for new ways of working.



### The 40th anniversary of acoustic product business

Our acoustic product business marked its 40th anniversary in April 2022. At first, we started with proposals of soundproof products for houses and by taking advantage of the technologies and know-how on sound cultivated in the past, we now conduct proposal activities for potential sound issues in public and commercial buildings. On the occasion of the 40th anniversary, we expanded and improved content on sound on our website and are actively deploying promotions toward the further expansion in public and commercial buildings.



### Proposals of spaces made with antiviral building materials

We respond to the rising needs of the antiviral function and expand the product lineup that enables the proposals for the entire space.



### Door

**Safety | Durability | Easy maintenance**

Doors that pursue safety and durability according to use scenes



Doors for public and commercial facilities

OMOIYARI Series



Doors for kindergartens and childcare facilities



Doors for elderly facilities

### Participation in point 0, a co-creation consortium with other companies

While demand for offices changes with the current diversification of work styles, we have been participating in point 0 since 2021, which operates a co-creation consortium with other companies, with a view to enhancing proposal capabilities in public and commercial building. At a co-working space point 0 marunouchi, we have been working on a demonstration experiment toward the proposal of a new office, such as an improvement proposal of the comfortable sound environment, using wood in interior finishing of the office.



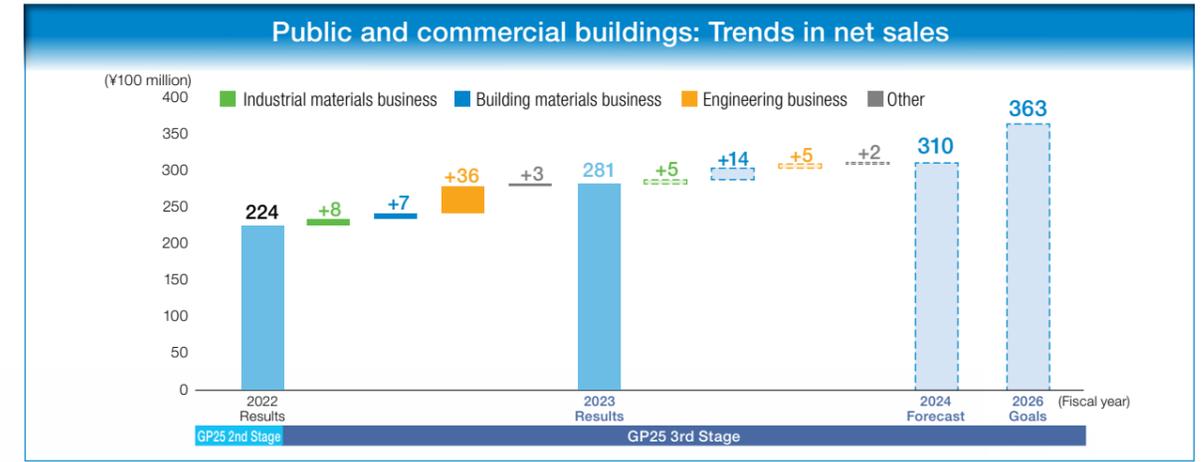
Co-working space



Demonstration experiment to use wood in interior finishing



Case of the introduction of sound environment improvement

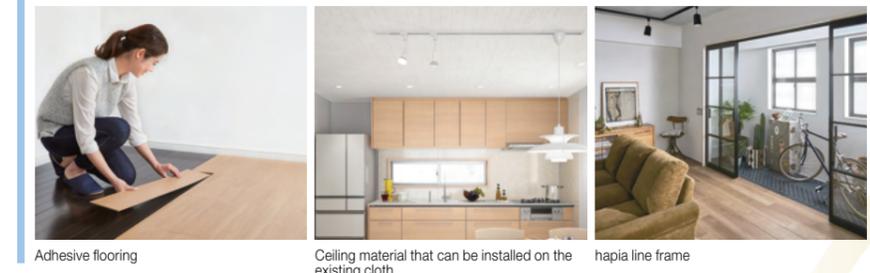


# Home Renovation Market

We have built a system where the entire group can meet a wide variety of needs for renovation through a great range of product lineups for renovation as follows: (1) Proposals for spaces in the TDY Collaboration Showroom, (2) cooperation with the engineering business that handles construction, and (3) product development and manufacturing from the perspective of the construction site. By further enhancing cooperation in the group and promptly responding to the changes of the times and market needs, we will expand in the entire home renovation market.

## Integrated system by the Daiken Group's cooperation

### Labor-saving type products that realize renovation in a short time



### Proposals that correspond to the changes in lifestyles and new trends

Regarding renovated properties, the trend-conscious spatial taste is favored and there are growing needs of wanting to realize more convenient and comfortable spaces according to new lifestyles, such as the popularization of working at home due to the coexistence with COVID-19 and the increase in time to be spent at home. In response to such market needs, we enhanced the development of products that stylishly produce spaces based on the popular black color as well as the products that secure a workspace with the labor-saving technique and correspond to the improvement of sound problems, such as sound leakage and reverberation.



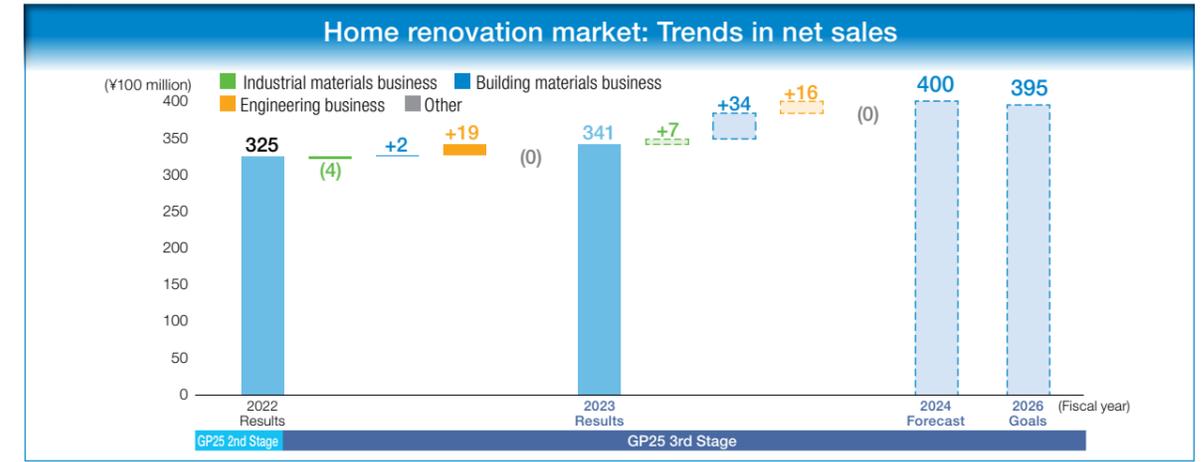
### The sound-proofing type was added to the sheet decorative flooring where the stereoscopic effect won popularity

Newly developed the MDF base material from the aspects of environmental friendliness and stable procurement

We added materials exclusively for apartment renovations to the lineup that won popularity from the market as flooring with a three-dimensional design and excellent functionality and launched it in October 2022. The MDF base material that we newly developed is used as the base material for this product from the perspective of environmental friendliness and stable procurement. We contribute to sustainability and proceed with the proposals as the high design sheet decorative flooring, which no other companies have, for the apartment renovation market where higher quality and distinctive spaces are favored.



Realized three-dimensional finishing (Patented)

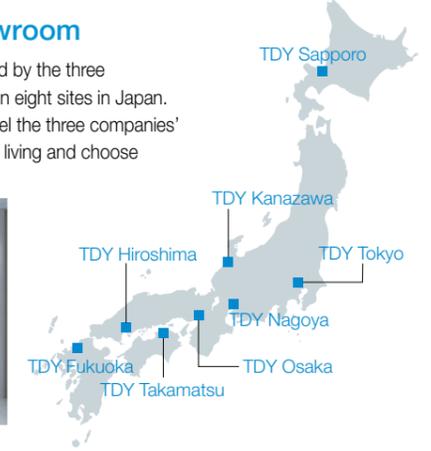


### Enhancement of renovation proposals by the three-company alliance with TOTO and YKK AP

With a view to enhancing proposals for spaces for remodeling and providing comfortable and satisfactory living spaces that are beyond customer expectations, TOTO, Daiken, and YKK AP (hereinafter referred to as "TDY") formed the business alliance in product planning and development, as well as the sales support system in 2002. Following the change in the consumption trend from things (products) to events (ways of living), we have proposed the value of new life in line with the times, such as shifting to proposals with lifestyles as the starting point, instead of products being the starting point.

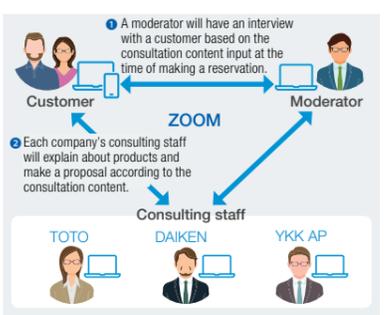
### TDY Collaboration Showroom

Collaboration showrooms jointly operated by the three companies of TDY have been deployed in eight sites in Japan. By having customers look, touch, and feel the three companies' products, they can develop the image of living and choose products with satisfaction.



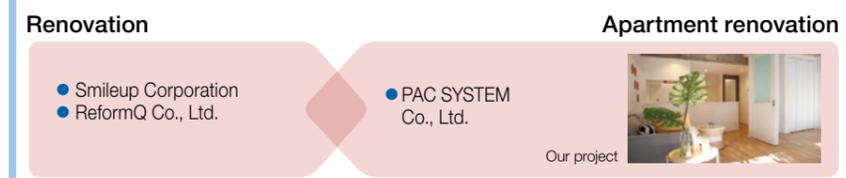
### Established the Online Renovation Consultation Center

We established the Online Renovation Consultation Center in which exclusive staff from the three companies of TDY widely respond online to the problems and concerns in proceeding with renovation in October 2022. They not only introduce products that are optimal for renovation but also respond to a wide variety of problems for customers to be able to proceed to the next step of renovation with peace of mind, such as how to proceed with the renovation, introduction of contractors, and other factors.



The image diagram of the Online Renovation Consultation Center

### The Daiken Group's construction system in the home renovation market



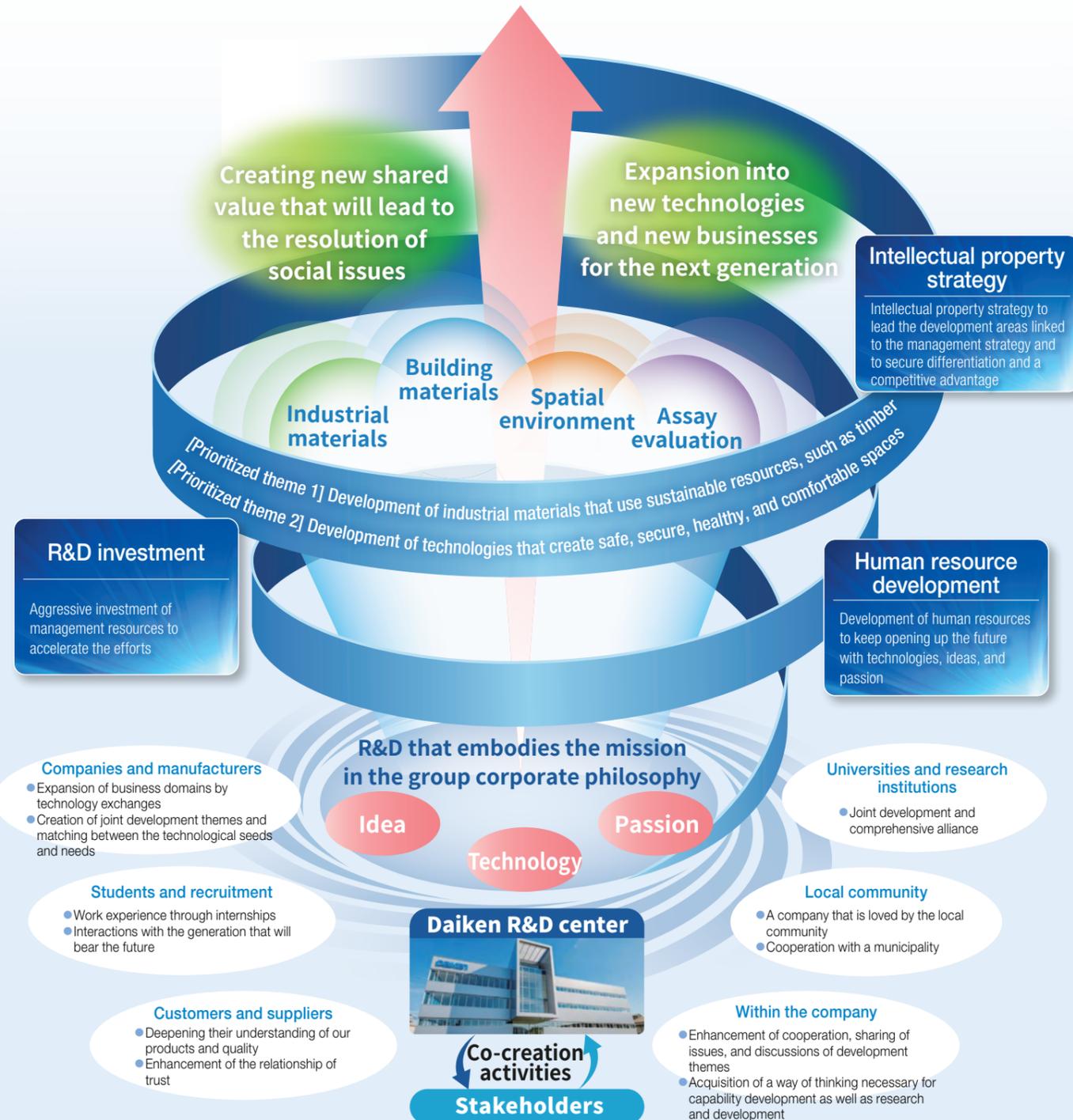
# Research and Development

The Daiken Group has positioned development of industrial materials using sustainable resources, such as timber, and technological development to create safe, secure, healthy, and comfortable spaces centering on the R&D center as the priority themes and has been proceeding with research and development aimed at creating new shared value that will lead to the resolution of social issues and expansion into new technologies and new businesses for the next generation. In addition, to speed up the far-sighted research and development and expand the domains, we proactively put effort into the co-creation activities with various stakeholders.

**Policy**

- Development of new technology for the resolution of social issues, business expansion by aggressively using co-creation (open innovation), and the creation of new business toward the new generation
- Nourishment of a culture that admires and supports challenges by creating a mechanism to be able to challenge new business areas

## Future full of smile



## Development of technologies

**Prioritized theme 1**

### Development of industrial materials that use sustainable resources, such as timber

We put effort into the development of technologies for industrial materials and building materials that effectively use timber with no waste. As a challenge in a new field, we have been proceeding with the development of technology to utilize cellulose nanofibers (CNF) that are fibrillated timber at the nano-level. CNF has the characteristics that wood fibers used for the wooden fiberboard do not have, which leads to the new approach to the environmentally friendly new use application. In addition, as a new challenge in the existing business, we have been proceeding with the initiatives toward the establishment of the production technology for the ultimate environment conscious MDF (medium density fiberboard) for which adhesives using the raw materials for petrochemical products are not used at all. This time, we succeeded at MDF prototype manufacturing using the adhesive made of the wood-derived component, which is the first step. We will enhance the initiatives for research and development that will contribute to environmental friendliness and the SDGs with a focus on the technologies for the effectively use and recycling of wood resources.



Prototype MDF that used a wood-derived adhesive

**Prioritized theme 2**

### Development of technologies that create safe, secure, healthy, and comfortable spaces

In addition to the pursuit of the possibilities of industrial materials, we have been proceeding with research and development to give a new function to industrial and building materials. We grasp the spatial environment based on the assay evaluation technology, delve into it from the perspectives of the temperature, humidity, and sound environment that are essential when people spend time comfortably, and at the same time, we conduct assay evaluations toward making responses to harmful substances, such as asbestos and formaldehyde. While further saving of energy in buildings is required toward the realization of a decarbonized society, we also have been focusing on research projects concerning temperature and humidity to simultaneously pursue the comfortableness of livelihood and the reduction of consumption energy by the functions of industrial and building materials. While performance that people require for spatial environment changes with times, by always thinking what performance will be necessary in the future and proceeding with technology development of functional building materials, we will realize the creation of a safe, secure, healthy, and comfortable space.



Thermal image measurement

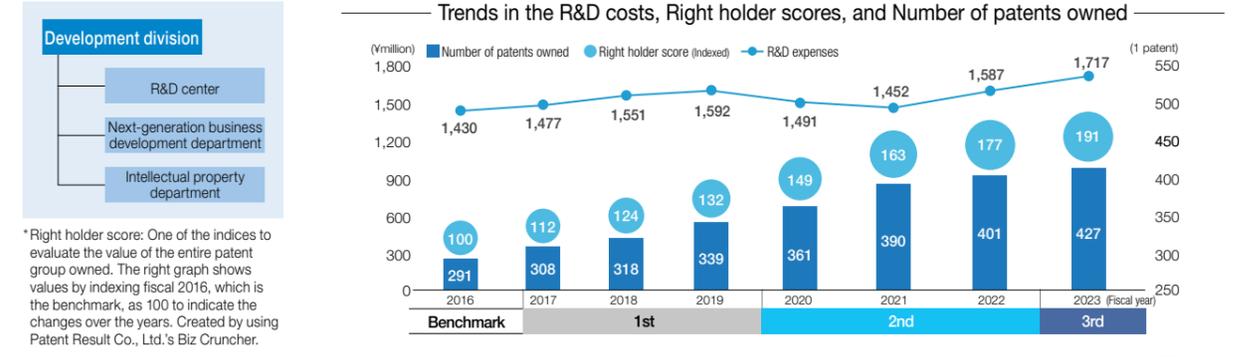
## R&D theme

The R&D Center works on Ecology and Improvements in the Quality of Space in four sectors and promotes R&D that will contribute to a sustainable society.

<p><b>Industrial materials</b></p> <p><b>Further improvement of the existing industrial materials and development of industrial materials that will become a key to capturing new markets</b></p> <ul style="list-style-type: none"> <li>• High functionality of the wooden boards and inorganic boards</li> <li>• Technology development to use unused resources</li> <li>• Wood building material utilization development in the new field</li> <li>• R&amp;D of industrial materials for new markets other than building materials</li> </ul>	<p><b>Building materials</b></p> <p><b>Development of new secure and safe building materials that will be needed by society in the future</b></p> <ul style="list-style-type: none"> <li>• Development of environment-conscious building materials</li> <li>• Development of high functional paints and painting technology</li> <li>• Development of new construction technique for building materials</li> <li>• Adding a high value to wood building materials</li> </ul>
<p><b>Spatial environment</b></p> <p><b>Development of spaces and building materials that will realize a comfortable life</b></p> <ul style="list-style-type: none"> <li>• Development of energy-saving and indoor environment improvement technologies</li> <li>• Analysis by simulation of the thermal, humidity, and cross-ventilation environment</li> </ul>	<p><b>Assay and evaluation</b></p> <p><b>Various measurements and analyses of spaces and building materials using the expertise cultivated in R&amp;D</b></p> <ul style="list-style-type: none"> <li>• Measurement of air quality</li> <li>• Building materials' heat generation test</li> <li>• Sound insulation performance evaluation</li> <li>• Asbestos analysis</li> </ul>

## Organizational structure toward the enhancement of intellectual property strategies and investment of management resources

In starting the medium-term plan GP25 3rd Stage in April 2022, we newly established the development division toward the acceleration of the initiatives for new businesses and by placing the R&D center, which is the core of technology development, the next-generation business development department, which is responsible for crystallization of new businesses toward the next generation, and the intellectual property department, which executes intellectual property strategies to make business and development strategies more effective, under the division, we enhanced our organizational structure. In fiscal 2023, various technological challenges were conducted under the new structure and a new technological bud came out. To make the research and development capabilities, which are the sources of the Daiken Group's strength, robust, we proactively continue to invest management resources and lead to the medium- to long-term corporate value improvement.



# Environmental Strategies

## Initiatives toward the realization of the Daiken Global Environment Vision 2050

In October 2021, we formulated the Daiken global environment vision 2050, in which the Daiken Group's attitude for the long-term initiatives, policies, and goals for environmental issues are established. We aim to contribute to the realization of a sustainable society from the three perspectives of the promoting resource recycling, mitigating climate change, and coexisting with nature and will put effort into the resolution of social issues, such as environmental issues.

## DAIKEN Global Environmental Vision 2050

### Vision

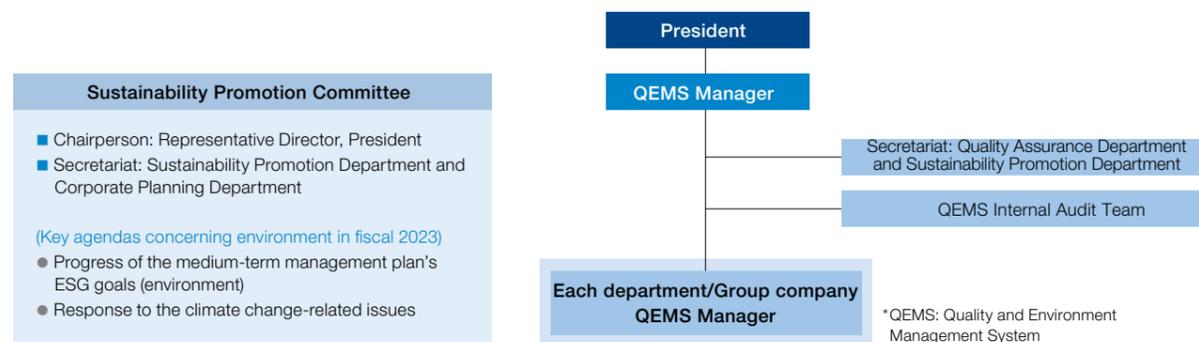
### For a future full of smile

The overall aim of the Daiken Group is to realize a sustainable society towards 2050 by promoting resource recycling, mitigating climate change, and coexisting with nature.

### Policy and the long-term goals upheld in the Global Environment Vision 2050

Environment Policy	Long-Term Goals
<b>1 Promotion of resource recycling</b> – Waste reduction and reuse of resources –	<b>100% waste recycling</b>
<b>2 Mitigation of climate change</b> – Realization of carbon neutrality –	<b>Net zero greenhouse gas emissions</b>
<b>3 Coexistence with nature</b> – Conservation of biodiversity –	<b>Reduce the impact on the natural environment</b>

### Structure to promote environment management



### ISO 14001 certificate acquisition status (As of the end of March 2023)

(1) The percentage of the offices that acquired the certificate in all offices in Japan: 90.8% (Based on the consolidated number of employees)	(2) The percentage of the offices that acquired the certificate in all overseas offices: 71.2% (Based on the consolidated number of employees)
44 offices and plants at 9 companies	5 offices and plants at 5 companies

## 1 Promotion of resource recycling

### Reduction of final disposal of waste in landfills

The Daiken Group aims to realize a recycling-oriented society and puts effort into recycling waste, such as reusing the defectives generated in the manufacturing process as product raw materials to the extent possible, and using those as fuel for production, if not suitable for raw material itself. In fiscal 2023, we promoted initiatives to increase the use of waste for materials in addition to the use as fuel for production by stably operating biomass boilers. On the other hand, the final waste volume disposed of in landfill that is set as one of the medium-term management plan's ESG goals (goal in fiscal 2026: 15% reduction compared to fiscal 2022) went sideways from the results in the previous fiscal year and as a result, there is an issue left unsolved. Toward the achievement of the goal, we will put effort into the further consideration and execution of the recycling measures.

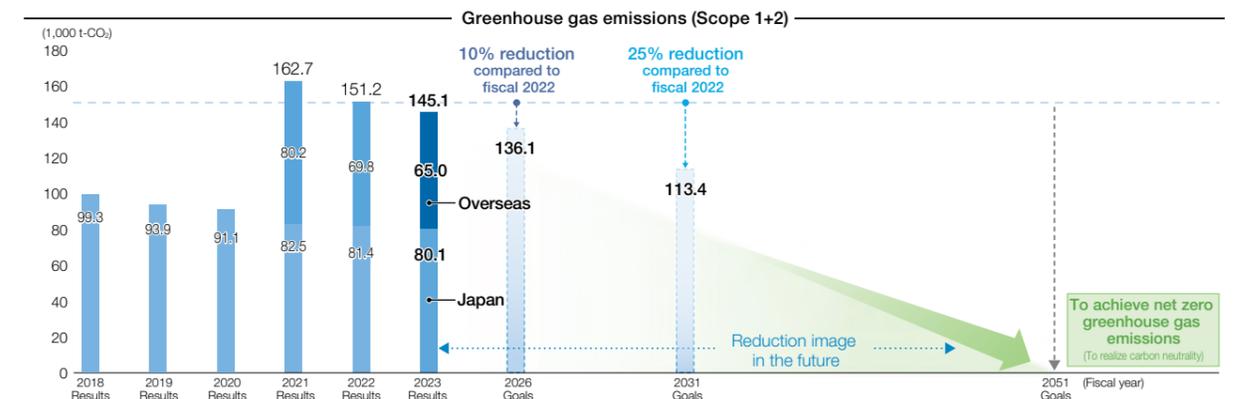


\*Amount of recycled resources = Valuable + Use for materials + Use for heat

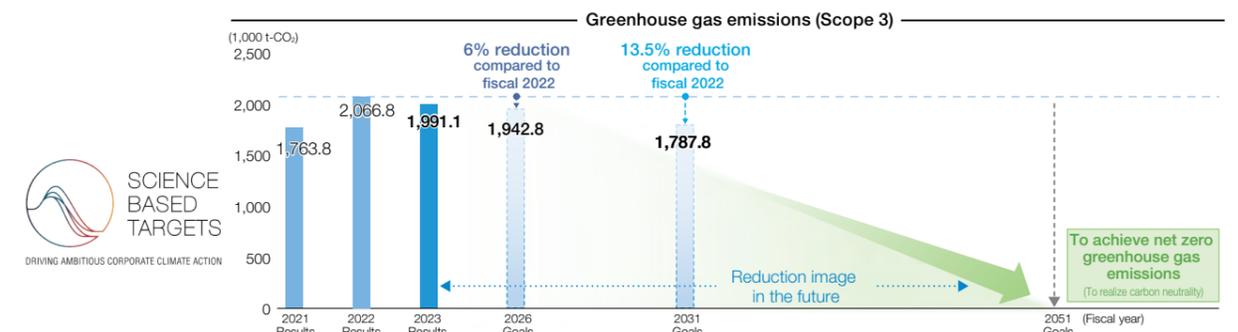
## 2 Mitigation of climate change

### Initiatives for the reduction of greenhouse gas emissions linked to the business activities

As milestones toward the realization of carbon neutrality upheld in the Daiken global environment vision 2050, the Daiken Group has set the greenhouse gas emission reduction goals by fiscal 2026 and by fiscal 2031. Regarding the goal by fiscal 2026, 10% reduction (Scope 1+2) compared to fiscal 2022 and 6% reduction (Scope 3) compared to fiscal 2022 have been upheld as one of the medium-term management plan's ESG goals. In the goal by fiscal 2031, 25% reduction (Scope 1+2) compared to fiscal 2022 and 13.5% reduction (Scope 3) compared to fiscal 2022 have been upheld, and we obtained the certification of the Science Based Targets initiative, which is an international initiative, in June 2023 as the goal was science-backed Well Below 2°C, which is consistent with the levels required by the Paris Agreement. In fiscal 2023, with the impact of the rationalization of the production bases and the fluctuation of the electric power supplier's emission factor, in addition to the utilization of renewable energy, energy-saving activities, and promotion of the initiatives for productivity improvement, Scope 1+2 was 4% reduction compared to fiscal 2022, and Scope 3 was 3.7% reduction compared to fiscal 2022. We will continue the initiatives for the reduction aimed at realizing carbon neutrality.



Note 1: Overseas group bases' emissions have been combined since fiscal 2021 results.  
 Note 2: For the values in and after fiscal 2022, the reviewed calculation method has been used as we obtained the SBT certification. In addition, values exclude Pacific Woodtech Corporation's results as the company became an equity method affiliate from a consolidated subsidiary in August 2022.



Note 1: Combined figures of the emissions in Japan and overseas  
 Note 2: For the values in and after fiscal 2022, the reviewed calculation method has been used as we obtained the SBT certification. In addition, values exclude Pacific Woodtech Corporation's results as the company became an equity method affiliate from a consolidated subsidiary in August 2022.

### Future initiatives toward reduction

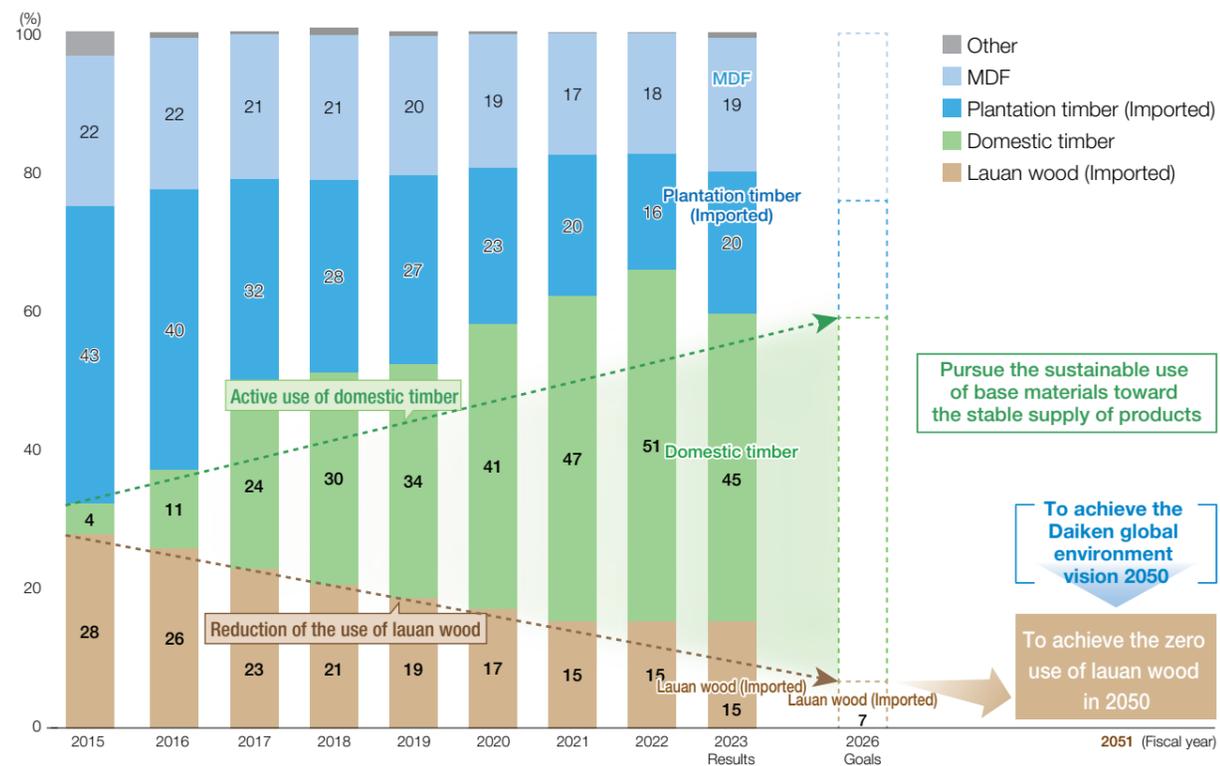
- Pursuit of the productivity improvement and efficiency in production bases
- Expansion of the use of renewable energy and consideration of purchasing green electricity
- Consideration of the introduction of internal carbon pricing for investment decisions
- Consideration of fuel conversion based on technology development, price trends, and negative emissions (collection and storage of CO<sub>2</sub>)

### 3 Coexistence with nature

#### Initiatives toward zero usage of lauan wood

For the purpose of the reduction of the risks of stable timber procurement and currency exchange fluctuations, in addition to the reduction of environmental burden, we have been proceeding with the switch from natural lauan wood (tropical natural wood) to plantation timber, MDF, and domestic timber to be used for flooring substrates produced by the Daiken Group. In fiscal 2023, regarding the floors for apartments for which lauan plywood base materials are used, we introduced a new product of the MDF base material; however, because the launch was in the second half of the fiscal year, it will be in and after fiscal 2024 when the new product will be reflected in the figures as the reduction effect. While the timber procurement environment worsens on a global scale, as we strived for stable supply of products by reviewing the procurement balance between plantation timber and domestic timber, the usage of domestic timber resulted in a decrease to 45%. The timber procurement environment continues to be in a tough situation but toward the achievement of the usage of lauan wood for flooring substrates to reduce by 50% compared to fiscal 2022, which was set as one of the medium-term management plan's ESG goals, and zero use of lauan wood beyond the ESG goal, which is upheld in the Daiken global environment vision 2050, we will further put effort into the development of technologies while optimizing the balance among plantation timber, MDF, and domestic timber and their stable procurement.

Ratio of flooring substrates

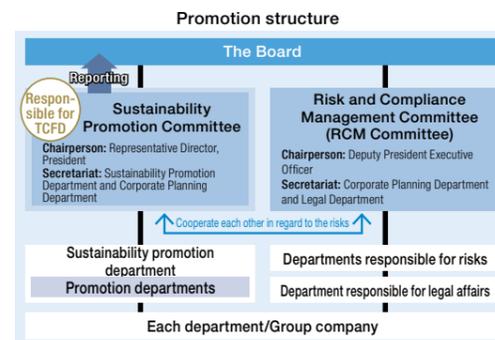


#### Response to TCFD

Under the Daiken global environment vision 2050, which indicates the long-term direction of the initiatives for the environment, the Daiken Group expressed an agreement on the recommendation by the TCFD (Task Force on Climate-related Financial Disclosures) in October 2021. We acknowledge that environmental responses, such as climate change, are one of the important management issues that lead to the risks and opportunities in business and disclose information on governance, strategies, risk management, and indices and goals, which are the disclosure items recommended by the TCFD.

#### Governance

In the sustainability promotion committee in which the representative director and president is the chairperson, we identify important climate change-related risks and opportunities, disseminate them to each department and group company, and appropriately conduct management. Regarding risks, as we established the risk and compliance management committee (hereinafter referred to as the "RCM committee") in which the deputy president and executive officer is the chairperson and disseminate them to each department and group company, the sustainability promotion committee is responsible for the responses to the climate change-related risks and opportunities and has been proceeding with the responses by cooperating with the RCM committee. These results are regularly reported to the Board. From now on, through the continuous promotion of the Daiken global environment vision 2050, we will analyze the risks and opportunities to be brought to the Daiken Group's businesses and value chains by climate change, as well as the financial impacts associated with them, incorporate them into the management strategies, and disclose information.



We grasped the risks and opportunities related to the Daiken Group's businesses in regard to the climate change and organized important risks and opportunities. We organized them based on the results of the risks that had been sorted out, evaluated, and responded by the RCM committee. In fiscal 2023, we referred to the 2°C (1.5°C) scenario and the 4°C scenario based on the TCFD recommendation and conducted our group's business activities and impact evaluations. We will apply the results of scenario analyses and lead to the formulation of countermeasures and development of plans.

#### Preconditions of scenario analyses

- Assumed period**
  - Short term: Fiscal 2026 (Final fiscal year of GP25)
  - Medium term: Fiscal 2031 (Fiscal year of the SBT goal)
  - Long term: Fiscal 2051 (Fiscal year of the Daiken global environment vision 2050 goals)
- Scope**
  - Domestic market (Physical risks are for domestic production bases)
- Overview of the scenario setting**
  - The 2°C (1.5°C) scenario**: The scenario to be able to suppress the earth's average temperature rise to 2°C (1.5°C) compared to the level before the Industrial Revolution as the introduction of policies and regulations, as well as market changes, rapidly progress toward carbon neutrality in 2050. *\*Major external scenarios referred: RCP2.6, IEA WEO, etc.*
  - The 4°C scenario**: The earth's average temperature rise will be 4°C compared to the level before the Industrial Revolution as the policies, regulations, and social initiatives toward the reduction of CO<sub>2</sub> emissions will not progress. The scenario where the impact of climate change, such as a disaster, will become extensive. *\*Major external scenarios referred: RCP8.5, IEA WEO, etc.*
- Impact**
  - Large: 5 billion yen or more, Medium: 500 million yen or more and less than 5 billion yen, and Small: less than 500 million yen

#### Risks and opportunities of the climate change

Classification	Item	Scenario	Time axis	Impact	Countermeasure	
Transition risks	Policy/Regulation	2°C (1.5°C)	Short term - long term	Large	<ul style="list-style-type: none"> <li>Expansion of suppliers (New supplier acquisition)</li> <li>Sales expansion by newly developing and commercializing environmentally friendly products</li> <li>Conversion to the materials with less market fluctuations</li> </ul>	
	Market (Changes in customer requests)				<ul style="list-style-type: none"> <li>Responses to certified materials, carbon footprint, etc.</li> <li>Sales expansion by newly developing and commercializing environmentally friendly products</li> </ul>	
	Energy saving/Decarbonization regulations				<ul style="list-style-type: none"> <li>Sales expansion by newly developing and commercializing environmentally friendly products</li> <li>Capital investments using subsidies</li> <li>Pursuit of the productivity improvement and efficiency in production bases</li> </ul>	
Physical risk	Frequent occurrence of a typhoon/Heavy rain	4°C	Short term - long term	Large	<ul style="list-style-type: none"> <li>Enhancement of the BCP measures for production and sales bases</li> <li>Responses made by insurance for damage caused by natural disasters</li> <li>Enhancement of the BCP measures for suppliers and logistics warehouses</li> </ul>	
	An increase in the average temperature				Small	<ul style="list-style-type: none"> <li>Promotion of the operation to suppress power consumption</li> </ul>
Opportunities	Resource efficiency	2°C (1.5°C)	Short term - long term	Large	<ul style="list-style-type: none"> <li>Improvement of corporate value by enhancing the system for resource circulation and expansion of environmentally friendly products</li> <li>Improvement of corporate value by enhancing the system for resource circulation and expansion of environmentally friendly products</li> </ul>	
					Medium	<ul style="list-style-type: none"> <li>Optimization of transportation by using digital technology</li> <li>Pursuit of the productivity improvement and efficiency in production bases</li> <li>Shift to renewable energy, fuel conversion, etc.</li> </ul>
						Large
	Products, services, and markets			Small	<ul style="list-style-type: none"> <li>Review of the product design criteria based on circular economy, carbon footprint, etc.</li> </ul>	
				Resilience	Large	<ul style="list-style-type: none"> <li>Expansion of the environmentally friendly products</li> <li>Appeal of the technology to use timber</li> </ul>
Small	<ul style="list-style-type: none"> <li>Enhancement of the BCP measures</li> </ul>					

#### Risk management

Climate change is one of the important external risks and we acknowledge that it is the risk to be addressed by the entire company. We enhance the effectiveness by the sustainability promotion committee and the RCM committee cooperating with each other and proceeding with it in the environment management system and the company-wide risk management system. We will put effort into the improvement of processes to further evaluate the climate change-related risks.

#### Indices and goals

We have set Mitigation of climate change – Realization of carbon neutrality – as a pillar in the environment policy of the Daiken global environment vision 2050 and aim for net zero greenhouse gas emissions as a long-term goal toward 2050. Toward the reduction of greenhouse gases that have a significant impact on climate change, we used backcasting from how we should be in 2050 and set and proactively put effort into the fiscal 2026 goals in the ESG goals of the medium-term management plan GP25 3rd Stage. In addition, we have set the reduction plan and goals in fiscal 2031 as the medium-term goal and have been certified by the SBT initiative in June 2023.

Fiscal 2026 goals (Goal of GP25 3rd Stage)	Greenhouse gas	10% reduction (As compared to fiscal 2022)	Fiscal 2031 goals (SBT Goals)	Greenhouse gas	25% reduction (As compared to fiscal 2022)
	Gross emissions in Japan and overseas (Scope 1+2)			Gross emissions in Japan and overseas (Scope 1+2)	
	Gross emissions in Japan and overseas (Scope 3)	6% reduction (As compared to fiscal 2022)		Gross emissions in Japan and overseas (Scope 3)	13.5% reduction (As compared to fiscal 2022)

# Human Resource Strategies

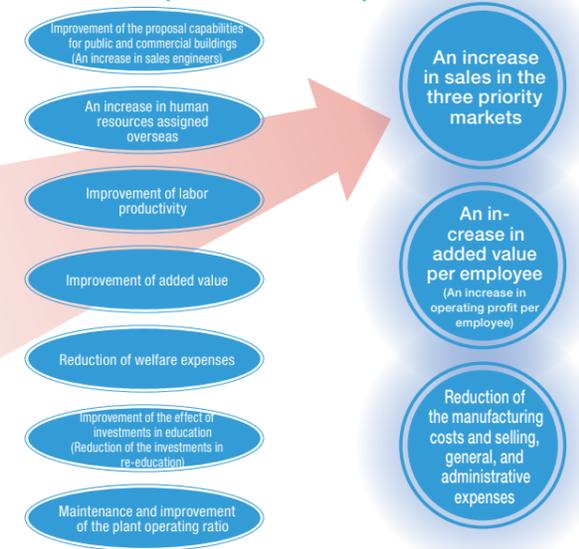
Based on the group corporate philosophy and its practice system, the Daiken Group has upheld the development of autonomous human resources that support the growth and can respond to changes (human resource development policy) and the pursuit of an organization in which human resources fully exercise their abilities, mutually inspire each other, and grow/challenge (internal environmental improvement policy) as the policies and has been promoting the initiatives from the perspectives of the promotion of diversity, workstyle reform, human resource development, health and productivity management, and challenge-oriented corporate culture. By continuously deploying the measures from five perspectives, we will lead to producing the favorable cycle, maximizing human resource value by improving individual performance, and improving the entire group's corporate value.



## Priority measures and goals in the Medium-Term Management Plan GP25 3rd Stage

Theme	Priority measures	Fiscal 2026 goals/KPIs
Promotion of diversity	Total diversity index 3rd Stage	+30 pt (As compared to fiscal 2022)
	The ratio of female employees hired (New graduate nationwide course)	50%
	The female full-time employee ratio	20%
	The percentage of male employees taking childcare leave (Three-year average)	50%
	The female manager ratio	2%
	Long-term care seminar attendance rate	90%/year
	Diversity training attendance rate (Managers)	100%
	The degree of attainment of the employment rate of persons with disabilities	100%
	Personnel composition by age (Difference by generation)	Within the difference of 10 pt
	The rate of receiving health promotion allowance	80%
Promotion of health management	Health score (Exercise, rest, and nutrition)	20 pt
	Presenteeism loss rate	25%
	Total work time reduction rate	3% reduction (As compared to fiscal 2022)
Promotion of workstyle reform	Rate of taking annual paid leave	70%
	Employee satisfaction	60 pt
	Job separation rate within three years	Within 15%
Reinforcing human resources development	Young employees' career plan training attendance rate	100%
	Attendance rate for the prioritized market enhancement program	50%
	Attendance rate for training for management staff training program	80%
Enhancement of the occupational safety and health	Serious disaster	0
	Plant mutual safety diagnosis execution rate	100%
Enhancement of the governance system	Female executive ratio (Director)	10% or more
	Degree of penetration of the group corporate philosophy	60 points or more

## Toward the realization of management strategies and improvement of corporate value



## Health management Initiatives toward the preservation and promotion of mental and physical health

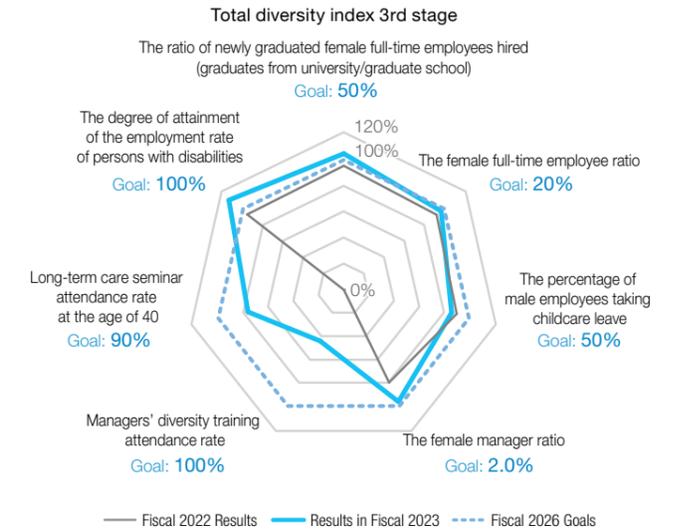
Based on the idea that our employees' health is the essential foundation for the group's sustainable growth and development, we try to improve every employee's awareness of health and have started the initiatives toward the preservation and improvement of mental and physical health. In 2021, we formulated the Daiken health management policy and have been putting effort into the improvement of health measures for both aspects of mind and body since then, such as the payment of the health promotion allowance, quit smoking challenge to encourage our employees to quit smoking, the distribution of health videos, the introduction of the Femtech program that approaches the health issues specific to women, such as menstruation/PMS, consultations on fertility treatment, and the implementation of a walking event led by the company. In March 2023, we were certified as the Health & Productivity Management Outstanding Organizations (Large-Scale Company Category) selected by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi for the second straight year. We will continuously put effort into setting indices to measure the effects of measures and actively providing support and create a virtuous cycle of the productivity improvement and company growth.



## Promotion of diversity Goal management by our unique indices toward the steady promotion of diversity

To steadily promote the initiatives for the promotion of diversity in a balanced way, we have set the total diversity index from the medium-term management plan GP25 2nd stage in which the eight diversity items were indexed as our own indices and manage the goals. From fiscal 2023, we newly added newly graduated females hired, managers' diversity training attendance rate, and long-term care seminar attendance rate to the indices and have been promoting the initiatives as the total diversity index 3rd stage. The total index in fiscal 2023 resulted in surpassing the goal value and certain results were recognized for the diversity-related initiatives, such as the introduction of the Femtech program.

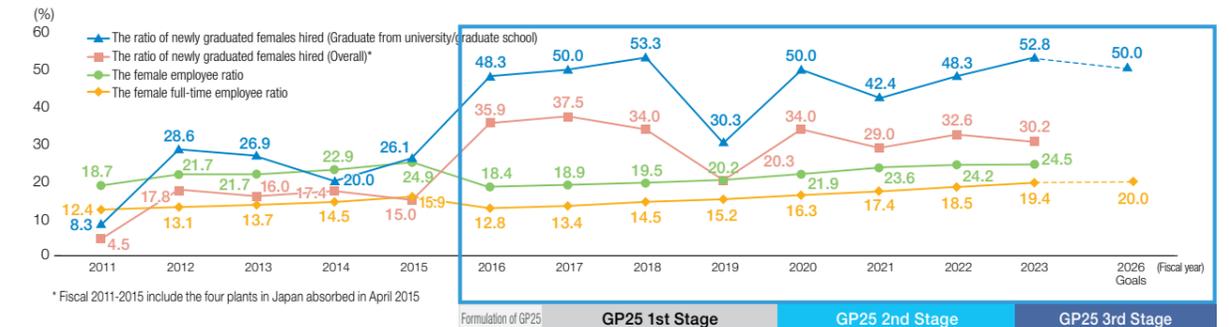
\*The percentage of male employees taking childcare leave\* in the total diversity index is calculated based on the three-year total value to measure the progression rate over the years.



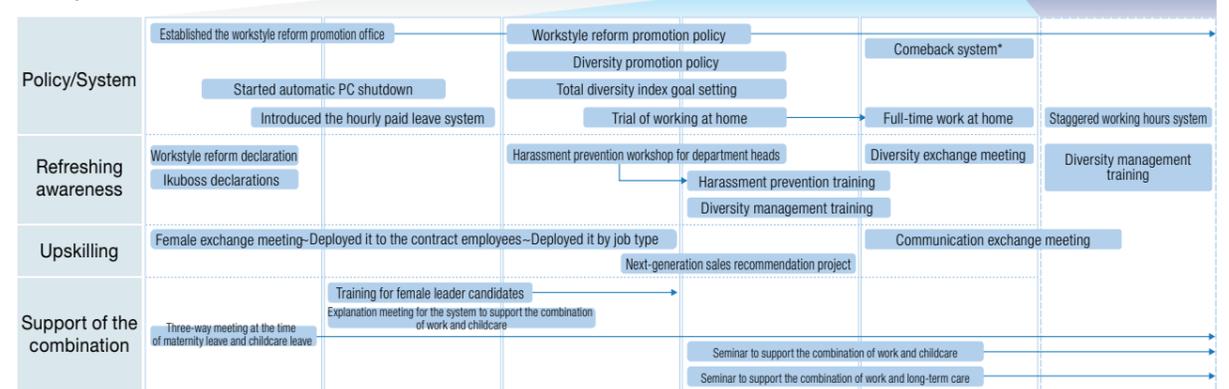
## Workstyle reform Deployed the measures to facilitate the active roles of female employees

As shift to more flexible work styles without being bound by the conventional ideas is necessary in order for human resources who have diverse values to fully exercise their abilities, we link the diversity promotion and the workstyle reform and have been integrally promoting the initiatives, such as the formulation of the policy and system, refreshing awareness, and education and training for upskilling. Particularly in recent years, with a view to further improving corporate value in the medium- to long-term, we have been deploying a number of measures to facilitate the active roles of female employees. As a result, the percentage of newly graduated females hired, which was approximately 8% in fiscal 2011, increased to approximately 46.9% on average of eight years after formulating GP25, and the ratio of female employees has been increasing year after year. These initiatives lead not only to the active roles of female employees but also to the building of the foundation for the workstyle reform and for employees who will be in various life events to more flexibly work with enthusiasm. We will proceed with the creation of workplaces where diverse human resources can maximally utilize their abilities from the medium- to long-term perspective.

### Trends in the ratio of newly graduated females hired and the ratio of female employees hired



### Past key initiatives



\*Comeback System: A common name for the system to reemploy voluntarily retired persons as full-time employees

# Human Resource Strategies

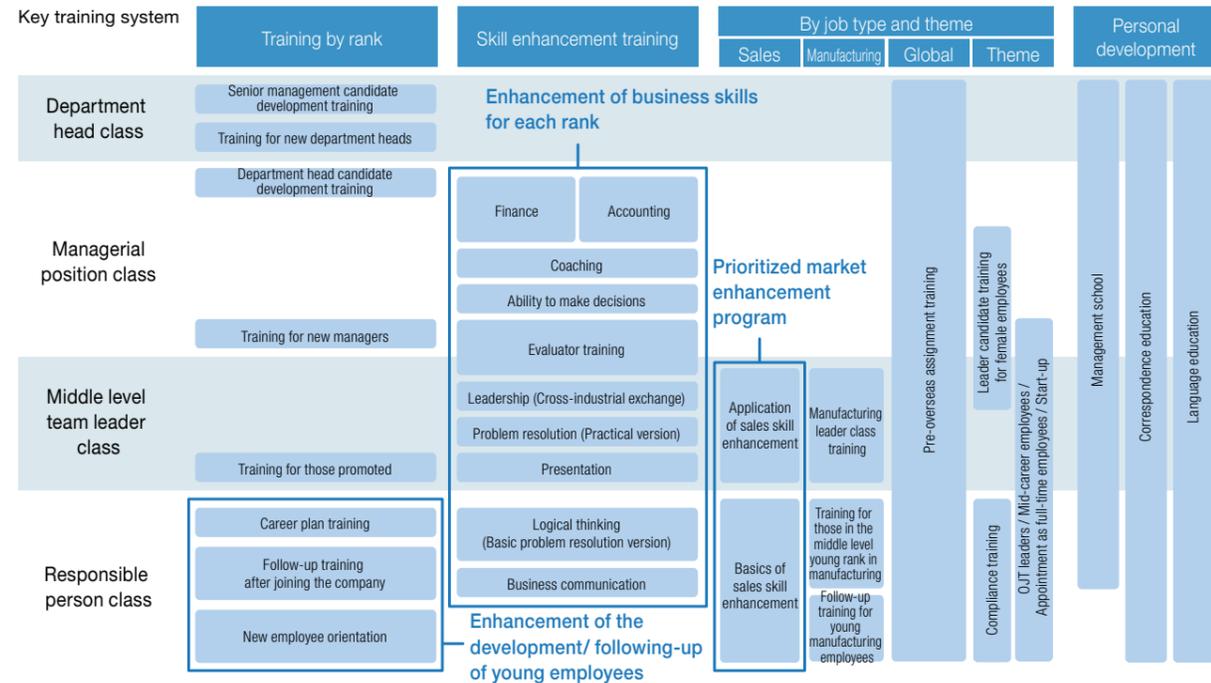


## Realization of the growth strategy and development of human resource for the next generation

Believing that cultivating autonomy in our employees is a key for our further growth and persistent corporate value improvement, we have provided various training opportunities for our employees to acquire the skills or knowledge needed for each service year, rank, and job type. From the medium-term management plan GP25 3rd Stage, we newly established the skill enhancement training and have been enhancing capabilities required for each rank. Moreover, to develop human resources who can be active in the three markets that are positioned as priority markets toward the realization of the long-term vision, we will proactively invest in human resource development with a focus on the priority market enhancement program. Furthermore, toward the realization of the challenges to new business domains and the creation of values that exceed the expectations, we believe that the attitude and action to challenge new things are essential and put effort into the improvement of various systems that admire and support challenges. In the internal venture system to solicit business ideas from employees, commercialization of the vegetable garden system selected as the first case was decided, and its full-fledged proposals has started in April 2023.

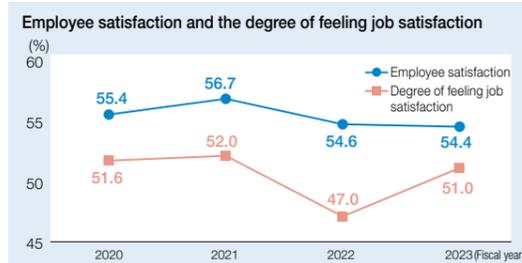
### Three pillars of the Daiken Human Resource Development Policy

- 1. Provision of learning opportunities** Active provision of learning and growth opportunities to meet the expectations of stakeholders through business and contribute to society
- 2. Support for career development** Support for career development from the medium- to long-term perspective that respects individuality
- 3. Revitalization of OJT and formation of a culture of learning independently** Nourishment of an organizational culture to continue refining themselves and can grow together by motivating surrounding people



### Implementation of the employee satisfaction survey

We set the employee satisfaction survey as our own index in the medium-term ESG plan from fiscal 2020 and have been managing the goals. In addition, we quantify the degree of feeling job satisfaction through the annual survey and by grasping the employees' view of work and the anxiety factors concerning work, we make use of them for the creation of rewarding workplaces and aim at improving satisfaction for all workplaces. While the employee satisfaction survey in fiscal 2023 was 54.4%, down 0.2 points from the previous fiscal year, the degree of feeling job satisfaction was 51%, up 4.0 points from the previous fiscal year. We analyze the survey results from various angles, such as work contents, the amount of work, and personal relationships at workplaces, reflect them in the future human resource strategy and measures, and aim to improve both indices.

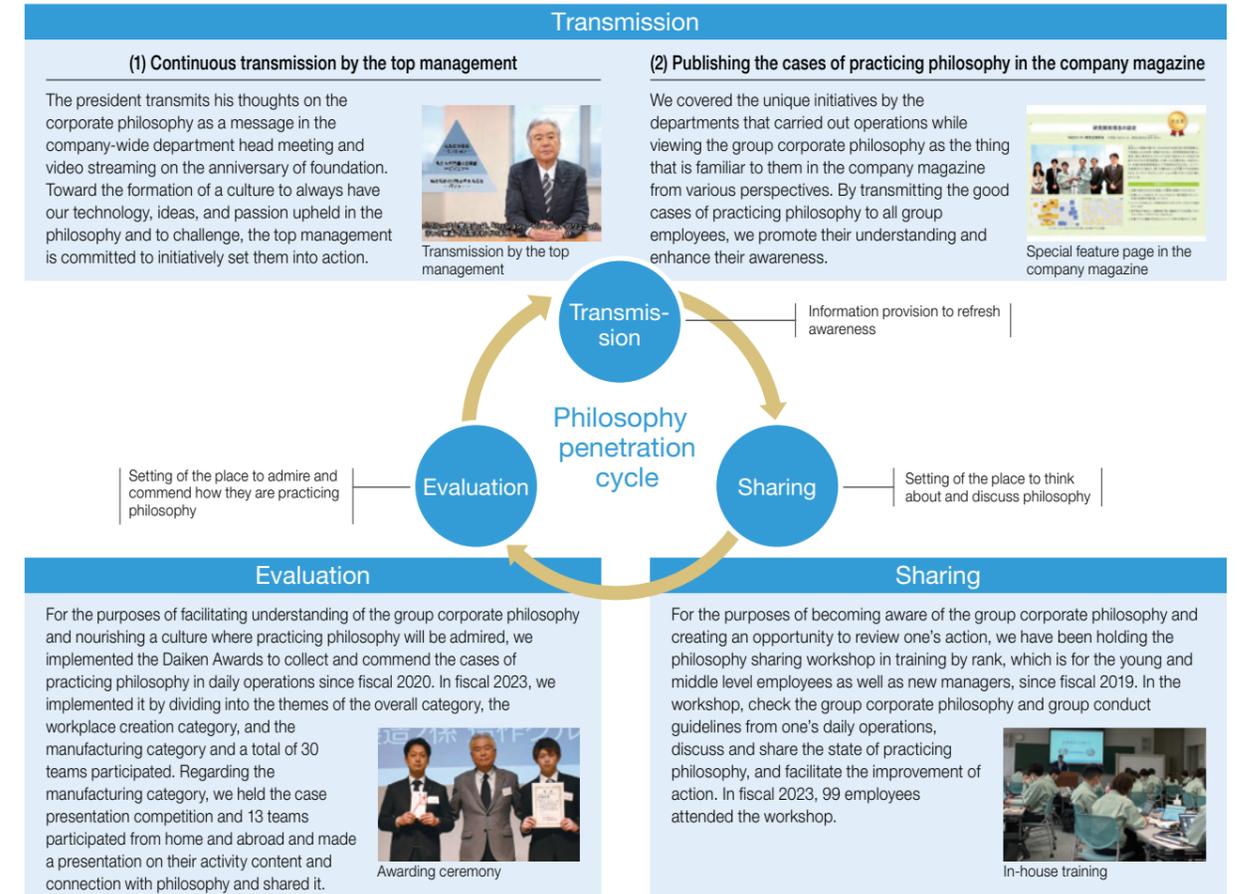


## Initiatives toward the penetration of the group corporate philosophy

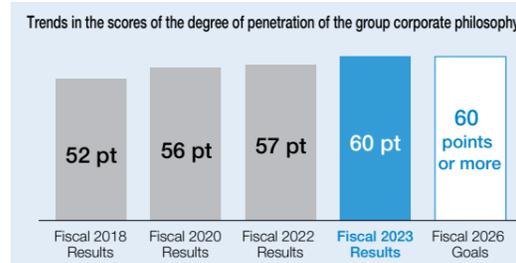
While globalization and diversification of human resources progress, in order to realize the further growth as a company, it has become important to share the common mission, company vision to aim for, and values to cherish with all employees and adjust the direction to move forward. So, our group aims at improving sustainable corporate value and enhancing management based on the philosophy, evolved the past management philosophy in April 2017, and established the group corporate philosophy. To particularly realize the growth strategies as specified in the long-term vision and medium-term management plan, it is essential for all the group's employees to practice and put the vision upheld in the group corporate philosophy, such as technology, ideas, and passion, new challenges, and agile action that captures changes and opportunities, into action. Based on such thoughts, we set the degree of penetration of the group corporate philosophy as an important theme from the perspective of ESG since fiscal 2020 and have been proceeding with the initiatives to improve the degrees of penetration and practice.

### Initiatives in fiscal 2023

Based on the results of the survey on the degree of penetration of the group corporate philosophy implemented to the group's employees, we deploy the penetration measures from the three perspectives of transmission, sharing, and evaluation. By continuously following the philosophy penetration cycle of transmission, sharing, and evaluation, we promote the penetration of the philosophy in daily operations, regularly monitor the degree of penetration, and review for further effective measures.



### Implementation of the survey on the degree of penetration of the group corporate philosophy



We implemented the survey on the degree of penetration of the group corporate philosophy once in two years since fiscal 2018, but to more diligently understand the changes in the employees' awareness and consider and implement the penetration measures to respond to such changes, we have changed to implement it once a year since fiscal 2023. The score in fiscal 2023 was 60 points, up 3 points from the previous year and cleared 60 points or more, which is the goal in fiscal 2026, the final fiscal year of the medium-term management plan GP 25 3rd Stage. In particular, it was assumed that the deployment of the penetration measures in units of department through the department head policy book significantly contributed, and we will promote the initiatives toward the further improvement of the degree of penetration, such as the continuation of the penetration activities per department, and the enhancement of the transmission and sharing of good cases.

# Directors (As of June 23, 2023)

## Director (Except for the director who is an Audit and Supervisory Committee member)



**Masanori Okuda**  
Representative Director, President

Governance

- Attendance at the Board: 15/15 (100%)
- Number of shares owned: 55,060

Apr. 1974 Joined the Company  
Apr. 2007 Executive Officer  
General Manager of Tobu Juken Sales Control  
Apr. 2008 Senior Executive Officer  
General Manager of Juken Sales Control and General Manager of Tobu Sales Control  
June 2008 Director, Senior Executive Officer  
Apr. 2009 Director, Managing Executive Officer  
Tokyo Representative and General Manager of Juken Sales Control  
Apr. 2010 General Manager of Juken Sales  
Apr. 2011 General Manager of Sales, Manager of New Development Sales, and General Manager of the Tokyo Office  
Apr. 2012 Director, Senior Managing Executive Officer  
General Manager of the Tokyo Office  
June 2013 Representative Director, Senior Managing Director, and Senior Managing Executive Officer  
Oct. 2013 General Manager of Procurement Innovation and General Manager of the Tokyo Office  
Apr. 2014 Representative Director, Representative President and Executive Officer  
June 2018 Representative Director, President (present)



**Koshin Nomura**  
Representative Director, Senior Managing Executive Officer

Governance

- Attendance at the Board: 10/10 (100%)
- Number of shares owned: 10,230

Apr. 1983 Joined the Company  
Apr. 2006 Manager of DAIKEN Industries (Ningbo) Corporation  
Apr. 2011 Manager of Building Products Development Department of the Company  
Apr. 2013 Division Manager of Interior Products  
Apr. 2015 Executive Officer  
Deputy General Manager of Products Head Office and Division Manager of Building Products  
Apr. 2016 Deputy General Manager of Products Head Office and Department Manager of New Business Development  
Apr. 2017 Senior Executive Officer  
Apr. 2018 Manager of Finance and Accounting  
Apr. 2019 Manager of Corporate Planning Department  
Apr. 2019 General Manager of General Development and IT - Logistics  
Apr. 2020 Managing Executive Officer  
General Manager of Domestic Manufacturing  
Apr. 2021 General Manager of Domestic Manufacturing and Division Manager of Home Furnishings  
Apr. 2022 Responsible for Domestic Business and New Domestic Business  
June 2022 Representative Director, Managing Executive Officer  
Apr. 2023 Representative Director, Senior Managing Executive Officer (present)  
Responsible for information management and public relations on information (present)  
June 2023 Responsible for the information systems (present)



**Takeshi Nagata**  
Director, Senior Managing Executive Officer

Governance

- Attendance at the Board: 10/10 (100%)
- Number of shares owned: 12,100

Apr. 1985 Joined ITOCHU Corporation  
Jan. 2006 Acting Manager of Wood Material and Building Material Department and Chief of Wood Building Materials Section  
June 2012 Senior Executive Director of DAIKEN NEW ZEALAND LIMITED (Stationed in Christchurch)  
Apr. 2012 PT. ITOCHU Indonesia (Stationed in Jakarta)  
Apr. 2014 Acting Manager of Wood Products & Materials Department of ITOCHU Corporation  
July 2014 Acting Manager of Wood Products & Materials Department, and Planning and Administration Department, ICT, General Products & Realty Company  
Apr. 2015 Deputy General Manager of Overseas Business Group of the company  
Mar. 2017 Retired from ITOCHU Corporation  
Apr. 2017 Executive Officer of the Company  
General Manager of Overseas Business Group and Department Manager of Overseas Business Planning  
June 2017 Outside Director of HOKUSHIN Co., Ltd. (present)  
Apr. 2019 Senior Executive Officer of the Company  
General Manager of Overseas Business  
Apr. 2020 Deputy General Manager of Overseas Business Headquarters and General Manager of MDF Business Division  
Apr. 2021 General Manager of Overseas Business, Manager of Asia Business Department, and Manager of North America Business Department  
Apr. 2022 Managing Executive Officer  
Responsible for Overseas Business and New Overseas Business  
Business Manager of North America Business Department (present)  
June 2022 Director, Managing Executive Officer  
Apr. 2023 Director, Senior Managing Executive Officer (present)



**Masatoshi Maki**  
Director

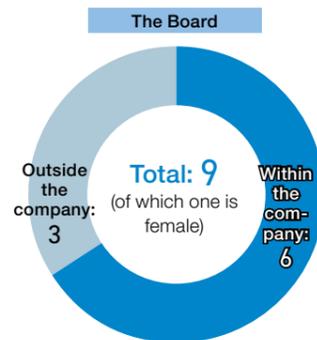
Governance

- Attendance at the Board: 9/10 (90%)
- Number of shares owned: 0

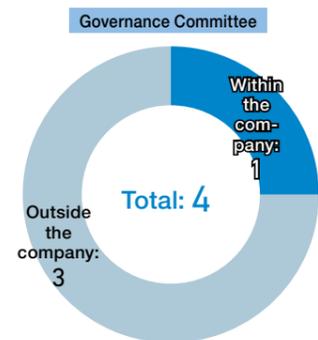
Apr. 1987 Joined ITOCHU Corporation  
Apr. 2000 Chief of Construction Section 2 of Construction & Realty Department  
Apr. 2005 Acting Manager of Construction & Realty Department  
Apr. 2006 Acting Manager of Construction & Realty Department No. 1  
Apr. 2009 General Manager of Construction & Realty Department No. 2  
Apr. 2011 Director of China Construction & Realty Division (Stationed in Shanghai), ITOCHU SHANGHAI LTD.  
Apr. 2013 Director of China ICT, General Products & Realty Group (Stationed in Shanghai), ITOCHU SHANGHAI LTD.  
Apr. 2014 Deputy Chief Operating Officer of Construction, Realty & Financial Business Division  
Apr. 2015 Deputy Chief Operating Officer of Construction, Realty & Logistics Division  
Apr. 2016 Chief Operating Officer of Construction, Realty & Logistics Business Division  
Apr. 2019 Executive Officer (present) Chief Operating Officer of Construction & Real Estate Division  
Apr. 2022 President of General Products & Realty Company (present)  
June 2022 Director of the Company (present)

## Overview of various organizations (As of June 23, 2023)

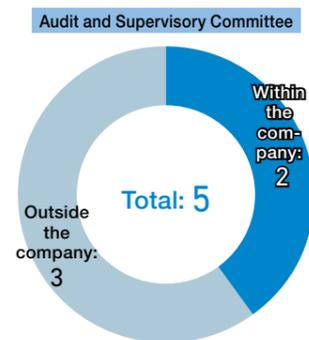
### Organization form



Chairperson of the Board  
Representative Director, President  
**Masanori Okuda**



Chairperson of the Governance Committee  
Outside Director  
**Shingo Ishizaki**



## Director who is an Audit and Supervisory Committee member



**Takashi Terubayashi**  
Director, Audit and Supervisory Committee Member (Full-time)

Governance

- Attendance at the Board: 15/15 (100%)
- Attendance at the Audit and Supervisory Committee: 14/14 (100%)
- Number of shares owned: 15,210

Apr. 1980 Joined the Company  
Apr. 2011 Executive Officer  
Apr. 2012 Senior Executive Officer Manager of General Affairs and HR and Manager of the Secretarial Office  
Apr. 2013 Managing Executive Officer Manager of Management Planning Department and Manager of the Secretarial Office  
June 2013 Director, Managing Executive Officer  
Apr. 2014 Manager of Management Planning Department, Manager of the New Business Development Office, and Manager of the Secretarial Office  
Apr. 2015 Manager of Finance and Accounting  
Apr. 2017 Director, Senior Managing Executive Officer  
June 2017 Representative Director, Senior Managing Director, and Senior Managing Executive Officer  
June 2018 Representative Director, Senior Managing Executive Officer  
June 2019 Audit & Supervisory Board Member  
June 2021 Director, Audit and Supervisory Committee Member (full-time) (present)



**Tomoaki Iinuma**  
Director, Audit and Supervisory Committee Member (Full-time)

Governance

- Number of shares owned: 7,321

Apr. 1983 Joined the Company  
Apr. 2008 Head of Design Institute  
Apr. 2013 Deputy Division Manager of Home Furnishings and Manager of Building Products Development Department  
Apr. 2014 Division Manager of Home Furnishings and Manager of Building Products Development Department  
Apr. 2015 Factory Manager of Inami Plant  
Apr. 2016 Executive Officer  
Division Manager of Building Products and Factory Manager of Inami Plant  
Oct. 2016 Division Manager of Building Products, Factory Manager of Inami Plant, and Manager of Design Department  
Apr. 2018 Senior Executive Officer  
Manager of General Affairs and HR  
Apr. 2020 Managing Executive Officer  
Manager of General Affairs and General Manager of HR and IT - Logistics  
Apr. 2021 General Manager of Administration  
Apr. 2023 Senior Advisor of Administration (present)  
June 2023 Director, Audit and Supervisory Committee Member (full-time) (present)



**Shingo Ishizaki**  
Outside Director, Audit and Supervisory Committee Member

Independent

Governance Committee Chairperson

- Attendance at the Board: 15/15 (100%)
- Attendance at the Audit and Supervisory Committee: 14/14 (100%)
- Number of shares owned: 0

Apr. 1979 Joined Yamaichi Securities Co., Ltd.  
Apr. 1998 Joined Merrill Lynch Japan Securities Co., Ltd. (present BofA Securities Japan Co., Ltd.)  
July 2001 Joined Ufj Capital Markets Securities Co., Ltd. (present Mitsubishi Ufj Morgan Stanley Securities Co., Ltd.)  
Oct. 2004 Joined Mizuho Securities Co., Ltd.  
Executive Manager of Investment Banking Group  
Managing Executive Officer and Kansai Investment Banking Group Leader  
Apr. 2009 Managing Executive Officer and Kansai and Western Japan Investment Banking Group Leader  
Apr. 2010 Special Adviser of Sekisui House, Ltd.  
Apr. 2015 Special Adviser of Sekisui Plastics Co., Ltd.  
President and Representative Director of SI Management Co., Ltd. (present)  
Apr. 2018 President and Representative Director of SI Management Co., Ltd. (present)  
June 2019 Outside Audit & Supervisory Board Member of the Company  
June 2020 Outside Director of the Company  
Apr. 2021 Adviser of Asahi Broadcasting Group Holdings Corporation (present)  
June 2021 Outside Director, Audit and Supervisory Committee Member of the Company (present)



**Yuko Asami**  
Outside Director, Audit and Supervisory Committee Member

Independent

Governance

- Attendance at the Board: 14/15 (93%)
- Attendance at the Audit and Supervisory Committee: 13/14 (93%)
- Number of shares owned: 0

Apr. 2000 Full-time instructor, Faculty of Economics, Gakushuin University  
Feb. 2002 Member of performance report project, Accounting Standards Board of Japan  
Apr. 2003 Assistant Professor, Faculty of Economics, Gakushuin University  
Apr. 2008 Professor, Faculty of Economics, Gakushuin University (present)  
Feb. 2010 Member of the Evaluation Committee for the Incorporated Administrative Agency (independent administrative institution), Ministry of Finance Acting chairman of the working group of the Organization for Small and Medium Enterprises and Regional Innovation of the same committee  
Temporary member of the Business Accounting Council, Financial Services Agency  
Apr. 2012 Member of the advisory committee of economics, subcommittee of the establishment of the university, council of the establishment of the university and incorporated educational institution, Ministry of Education, Culture, Sports, Science and Technology  
Apr. 2014 Vice President, Gakushuin University  
June 2018 Outside Audit & Supervisory Board Member of the Company  
Apr. 2019 Chairperson and Professor, Graduate School of Management, Gakushuin University (present)  
June 2019 Member of the Certified Public Accountants and Auditing Oversight Board, Financial Services Agency (present)  
Member of Corporate Accounting Standards Advisory Council, Financial Accounting Standards Foundation (present)  
Dec. 2019 Japan Society for the Promotion of Science, Member of the Committee on Grants-in-Aid for Scientific Research  
Jan. 2020 Examiner of Certified Public Tax Accountant Examination, National Tax Agency  
Sep. 2020 Auditor of Ibaraki University (present)  
June 2021 Outside Director, Audit and Supervisory Committee Member of the Company (present)  
Dec. 2022 Outside Director, Audit and Supervisory Committee Member of SPRIX Inc. (present)  
June 2023 Temporary member of the Business Accounting Council, Financial Services Agency (present)  
Councilor of the Japan Industrial Management & Accounting Institute (present)



**Kiyoshi Mukohara**  
Outside Director, Audit and Supervisory Committee Member

Independent

Governance

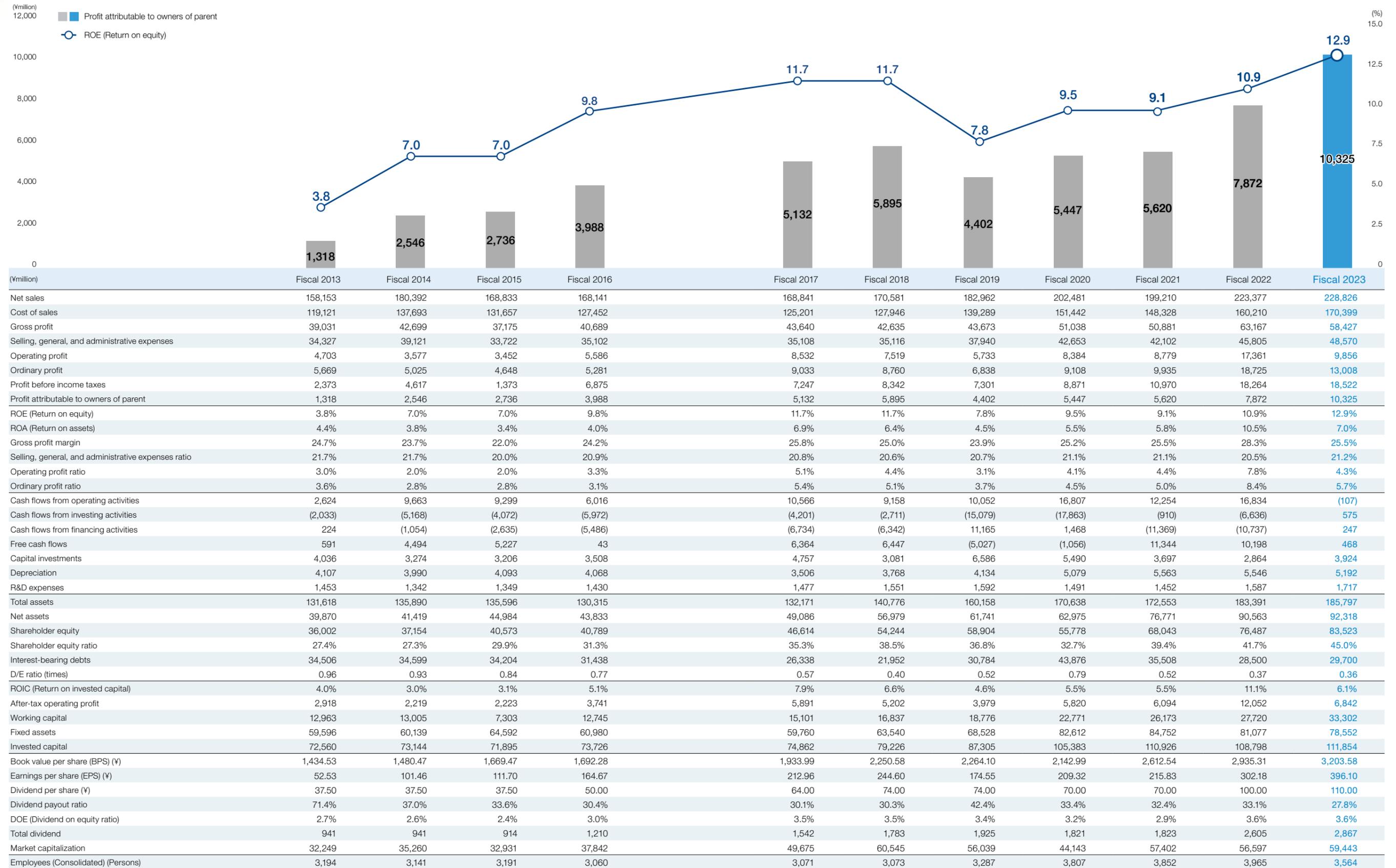
- Attendance at the Board: 15/15 (100%)
- Attendance at the Audit and Supervisory Committee: 13/14 (93%)
- Number of shares owned: 0

Apr. 1975 Joined The Sumitomo Trust and Banking Company, Limited (present Sumitomo Mitsui Trust Bank, Limited)  
June 2006 Director and Managing Executive Officer  
June 2008 Representative Director and Senior Managing Executive Officer  
Apr. 2011 Representative Director and Deputy President Executive Officer  
Representative Director and Deputy President of SUMITOMO MITSUI TRUST HOLDINGS, INC.  
Apr. 2012 Representative Director, Deputy Chairman of Sumitomo Mitsui Trust Bank, Limited  
Representative Director of SUMITOMO MITSUI TRUST HOLDINGS, INC.  
Apr. 2015 Corporate Advisor of Sumitomo Mitsui Trust Bank, Limited  
June 2015 Retired from Director of SUMITOMO MITSUI TRUST HOLDINGS, INC.  
June 2016 Outside Audit & Supervisory Board Member of Rengo Co., Ltd.  
Apr. 2018 Executive Advisor of Sumitomo Mitsui Trust Bank, Limited  
Mar. 2019 Advisor of Sumitomo Mitsui Trust Research Institute Co., Ltd. (present)  
June 2020 Outside Audit & Supervisory Board Member of the Company  
June 2021 Outside Director, Audit and Supervisory Committee Member of the Company (present)

## Reasons for appointment of the Outside Director

Name	Reasons for appointment
<b>Shingo Ishizaki</b>	Mr. Shingo Ishizaki has been engaged in investment bank operations at securities companies for many years, and possesses abundant financial expertise acquired through the said experience. Expected to play supervisory and advisory roles for 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.
<b>Yuko Asami</b>	Ms. 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 for 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.
<b>Kiyoshi Mukohara</b>	Mr. 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 for 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.

## Eleven-Year Financial Summary



(Note) 1. The company consolidated shares at a rate of one share per five as of October 1, 2016. The past figures were also consolidated retrospectively for ease of comparison. 2. For more information  
3. Free cash flows = Cash flows from operating activities + Cash flows from investing activities 4. Debt-equity ratio = Interest-bearing debts / shareholder equity (times) 5. DOE (Dividend on

about our financial statements, please refer to our securities report posted on our website. <https://www.daiken.jp/ir/>  
equity ratio) = Annual dividend amount / Average shareholder equity at the beginning and end of the period x 100 (%)

## ESG Goals

We integrated the past medium-term ESG plan and the medium-term management plan in fiscal 2023 and set the important themes to work on from the perspective of ESG and goal values as the ESG goals.

ESG goals (Fiscal 2023-2026)			
Field	Theme	Goal (Fiscal 2026)	
E Environment	Promotion of recycle and conversion of waste into valuables	Reduction of the final waste landfilling treatment amount (production departments in Japan and overseas)	15% reduction (As compared to fiscal 2022)
	Greenhouse gas emissions reduction <sup>1</sup>	Total greenhouse gas emissions in Japan and overseas (Scope1+2)	10% reduction (As compared to fiscal 2022)
		Total greenhouse gas emissions in Japan and overseas (Scope3)	6% reduction (As compared to fiscal 2022)
	Promotion of the use of renewable energy	Renewable energy utilization ratio	Japan: 50% or more Overseas: 40% or more
	Expansion of the amount of carbon storage by using timber	Amount of carbon storage by the wood industrial materials business (MDF and insulation board)	1,100,000 t-CO <sub>2</sub> /year
	Procure wood in a biodiversity friendly way	Lauan usage rate in flooring substrates	50% reduction (As compared to fiscal 2022)
	Appropriate management and reduction of chemical substances	Release/transfer amount of the substances subject to the PRTR law	70% reduction (As compared to fiscal 2022)
	Promote the effective use of water resources	Water resource input (Group production bases in Japan and overseas)	4% reduction (As compared to fiscal 2022)
	Reduction of the use of plastics derived from fossil fuels	Reduction of the use of plastic containers and packaging	4% reduction (As compared to fiscal 2022)
	Strengthen environmental risk management	Number of environmental accidents and violations at home and abroad (Those with administrative guidance and penal charge)	0
S Social	Enhancement of the quality control structure <sup>1</sup>	Number of accidents caused by design in the new product developed Manufacturing and product audit implementation cover rate Product safety and quality improvement education execution rate	0 100% 100%
	Promotion of CSR procurement	The rate of the CSR survey implementation	100%
	Ensuring fair competition and transactions	Serious violations of the Anti-Monopoly Act and Subcontract Act Planning and holding of the enlightenment activities by division and job type	0 20 times/year
	Promotion of diversity <sup>1</sup>	Total diversity index 3rd Stage <sup>2</sup>	+30 pt (As compared to fiscal 2022)
		The ratio of female employees hired (New graduate nationwide course)	50%
		The female full-time employee ratio	20%
		The percentage of male employees taking childcare leave (Three-year average)	50%
		The female manager ratio	2%
		Long-term care seminar attendance rate	90%/year
		Diversity training attendance rate (Managers)	100%
The degree of attainment of the employment rate of persons with disabilities	100%		
Personnel composition by age (Difference by generation)	Within the difference of 10 pt		
Promotion of health and productivity management	The rate of receiving health promotion allowance Health score (Exercise, rest, and nutrition) Presenteeism loss rate	80% 20 pt 25%	
Promotion of workstyle reform <sup>1</sup>	Total work time reduction rate Rate of taking annual paid leave Employee satisfaction <sup>3</sup>	3% reduction (As compared to fiscal 2022) 70% 60 pt	
Reinforcing human resources development	Job separation rate within three years Young employees' career plan training attendance rate Attendance rate for the priority market enhancement program Attendance rate for training for management staff training program	Within 15% 100% 50% 80%	
Enhancement of the occupational safety and health	Serious disaster Plant mutual safety diagnosis execution rate	0 100%	
Human rights promotion activities	Human rights enlightenment training attendance rate Supervisor harassment training attendance rate	100% 100%	
Social contribution activities by cooperating with local communities	Holding of the event planned by cooperating with local communities (Each group production bases)	1 times/year	
G Governance	Enhancement of the governance system	Female executive ratio (Director) Degree of penetration of the group corporate philosophy <sup>4</sup>	10% or more 60 points or more
	Improvement of a dialog with stakeholders	Establishment of the index for the engagement with customers and business partners and the method, and setting of the goal Degree of empathy for our philosophy and activities by customers Holding of the policy explanation meeting for suppliers Number of page views on our IR site	Implementation in fiscal 2023 90% 1 times/year 200% (As compared to fiscal 2022)
	Strict compliance <sup>1</sup>	Serious compliance violations	0
		Compliance consciousness degree <sup>5</sup>	+5 pt (As compared to fiscal 2022)

## Fiscal 2023: Progress status

Results	
0.4% reduction	
4.0% reduction Energy-saving activities, productivity improvement, and other events had an impact 3.7% reduction Change in the sales mix and rationalization of the production bases had an impact	
Japan: 49% Overseas: 39%	
739,400 t-CO <sub>2</sub> /year	Decreased from the impact of the fluctuation of the MDF production volume
2.7% increase	
27.3% reduction Reduced because of the discontinuation of the products that used the target substances	
2.4% reduction Reduced because of the introduction of the seal water collection equipment and an increase in the recycling amount	
4.7% reduction Fluctuation of the production volume had an impact	
0	
0 100% 100%	
84%	Implemented by expanding the survey scope
0 27 times	
+18.3 pt	
52.8% 19.4% 42.7% 1.9% 68.6% 43.7% 113%	The employment rate of persons with disabilities: 2.6%
Difference of 6.0 points	
76.4% 16.4 pt 28.1%	Started approaching the health issues specific to women
0.94% reduction Reduced because of the increase in paid leave taken and other factors	
62.8% 54.4 pt	
15.9% 100% 58% 75%	
0 Japan: 100% Overseas: Canceled because of the impact of COVID-19	
100% 100%	
A total of 87 events held in 18 bases among 19 bases at home and abroad	
11.1% 60 pt	
The index on the left was set The index on the left was set 135.7%	Continuously implemented the expansion of the website content
One case (Violation of the Construction Industry Act in the construction management operation concerning the interior project by our affiliated company) (1.29 pt)	

## Comments from the Manager of the Management Strategy Division responsible for the Sustainability Promotion Department



**Katsuhisa Morino**  
Managing Executive Officer

The Daiken Group aims to contribute to the development of an affluent society and environment that lead to a better future through business and thus intends to achieve long-term growth under the Daiken sustainability basic policy. In the medium-term management plan GP25 3rd Stage launched in FY 2023, the basic policy is to enhance the management foundation by positioning sustainability as a key pillar of management while implementing a growth strategy (CSV) that helps resolve social issues. Especially for the important items related to ESG, we set the management index and the goals to achieve by FY 2026 as ESG goals. In addition, the environmental objectives of ESG goals are positioned as milestones in the Daiken global environment vision 2050, which sets the long-term direction of the environmental initiatives.

As for the achievements in FY 2023, in the environmental aspect, we fell behind in working on the rate of utilization of lauan wood for base flooring materials and the amount of carbon stored in the wood materials business due to the delay in product development and the decrease in MDF production caused by the streamlining of the production bases; however, we got a good start toward the achievement of the goals for reducing water resources by introducing equipment and emissions and the transfer of PRTR substances by discontinuing products that use PRTR substances. In the social aspect, we worked to introduce the proper approaches to female-specific health problems and implement diversity management training to maximize the value of human resources while making sure that we educate employees by continuously providing training on the improvements of product safety and quality and fair trade. On the other hand, from the governance aspect, a major compliance violation was identified. We take it very seriously as a matter to reflect on and will make group-wide efforts to prevent repeat violations by providing a more thorough compliance education program.

We will carefully analyze our progress in the first year of the medium-term management plan, implement the appropriate measures, and maintain the focus on the comprehensive initiative for business activities and ESG activities with the aim of realizing the group corporate philosophy and achieving a sustainable society by doing so.

<sup>1</sup>: Set as the non-financial management goals in the medium-term management plan  
<sup>2</sup>: Our own indices in which diversity-related items, such as the female manager ratio, were indexed. Total Diversity Index 3rd Stage is used in and after fiscal 2023 and items related to the method of calculation are reviewed and reset  
<sup>3</sup>: Our own index based on the survey using the employees' sense of satisfaction and pleasant workplaces as evaluation axes  
<sup>4</sup>: Our own indices in which employees' understanding, sharing, and practice of the group corporate philosophy were indexed  
<sup>5</sup>: Own indices to measure employees' compliance consciousness degree from the perspectives of legal compliance, a sense of ethics, structure, and corporate culture

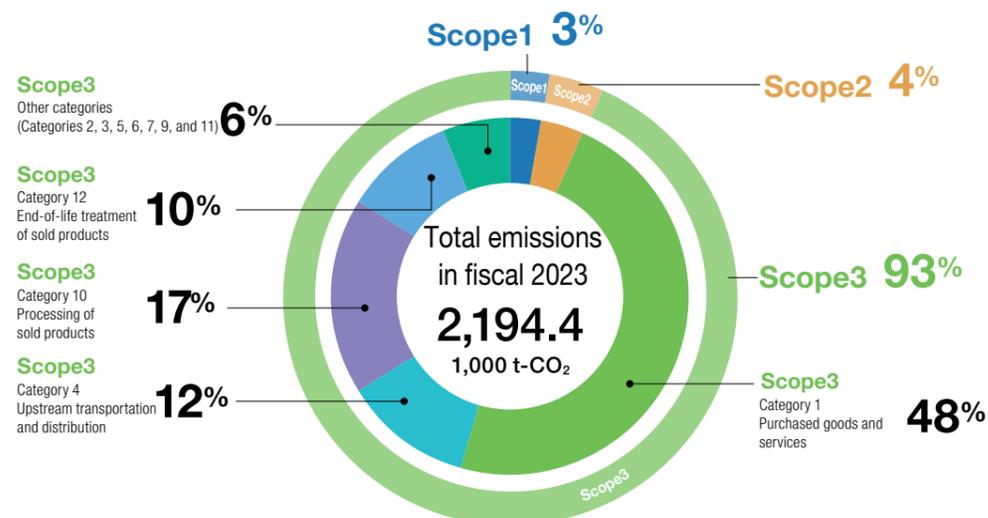
## ESG Data

## E Environment

		Scope	Unit	2019	2020	2021	2022	2023	
Total energy input	Group production bases in Japan	1,000 GJ (Heat quantity equivalent)		2,874	2,914	2,667	2,711	2,559	
	Group production bases in overseas			-	-	5,032	5,210 (4,980)	4,633 (4,552)	
Percentage of renewable energy	Group production bases in Japan	%		50	50	50	50	49	
	Group production bases in overseas			-	-	36	37 (39)	38 (39)	
Effective use of water resources	Quantity of water intake	1,000 m <sup>3</sup>		1,943	1,865	1,799	1,859	1,838	
				Group production bases in overseas	-	-	754	973	927
				Group production bases	-	-	2,553	2,832	2,765
	Discharge of drainage	1,000 m <sup>3</sup>		1,455	1,381	1,331	1,408	1,356	
				Group production bases in overseas	-	-	367	362	335
				Group production bases	-	-	1,698	1,770	1,691
Waste (Production bases)	Amount generated	1,000 t		48.6	47.5	43.7	47.1	45.8	
				Group production bases in overseas	-	-	126.5	163.4	130.4
				Group production bases	-	-	170.2	210.5	176.2
	Percentage of final volume disposed of in landfill	%		7.6	7.2	5.9	5.8	5.6	
				Group production bases in overseas	-	-	5.1	5.6	7.1
				Group production bases	-	-	5.3	5.6	6.7
PRTR	Emissions/Transfer volume	Group production bases in Japan	t	17	16	8	7	5	
Number of environmental accidents and violations		Group production bases in Japan	Case	0	0	0	0	0	
Greenhouse gas emissions	Scope 1 (Direct emissions)	Group consolidation	1,000 t-CO <sub>2</sub>	-	-	73.5	73.7 (73.5)	70.0★ (70.0)	
	Scope 2 (Indirect emissions)			-	-	89.2	87.9 (77.6)	78.7★ (75.1)	
	Scope 3 Total			-	-	1,763.8	2,212.9 (2,066.8)	2,045.7 (1,991.1)	
	Scope 1+2 Total			-	-	162.7	161.5 (151.2)	148.7★ (145.1)	
	Scope 1+2+3 Total			-	-	1,926.5	2,374.5 (2,217.9)	2,194.4 (2,136.2)	

\* Values in ( ) are the values to which the revision of the calculation method associated with the obtaining of the SBT certification and the exclusion of the results of Pacific Woodtech Corporation, which became an equity method affiliate from a consolidated subsidiary in August 2022 were reflected.  
 \* Values with the ★ mark obtained third-party certification.  
 \* Scope 3 conforms to the Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain by the Ministry of Environment and Ministry of Economy, Trade and Industry. Also, excluding some of the bases and activities with small emissions and a small impact on the entire supply chain's emissions.

## Greenhouse gas emissions composition ratio in fiscal 2023 (Group consolidation)



## S Social

## Number of employees

		Scope	Unit	2019	2020	2021	2022	2023
Number of employees (Consolidated)		Group consolidation	Persons	3,287	3,807	3,852	3,965	3,564
Domestic				2,268	2,411	2,449	2,461	2,446
Global				1,019	1,396	1,403	1,504	1,118
Average age		Non-consolidated	Age	41.6	41.6	41.6	41.9	42.1
Female				38.6	38.8	38.8	39.2	39.5
Male				42.4	42.4	42.4	42.8	43.0
Average length of service		Non-consolidated	Year	17.7	17.5	17.6	17.7	17.7
Female				11.6	11.6	11.4	11.7	12.1
Male				19.3	19.2	19.4	19.6	19.5

## Voluntary job separation ratio

Voluntary job separation ratio (Full-time employees)	Non-consolidated	Unit	2019	2020	2021	2022	2023
		%	2.2	1.9	1.3	2.3	2.6

## Women's active participation

Item	Non-consolidated	Unit	2019	2020	2021	2022	2023
The female employee ratio		%	20.2	21.9	23.6	24.2	24.5
The ratio of female employees hired		%	20.3	34.0	29.0	32.6	30.2
The female manager ratio (positions equivalent to section chief or higher)		%	1.04	1.23	1.62	1.63	1.90

## Childcare leave

Item	Non-consolidated	Unit	2019	2020	2021	2022	2023
Number of employees taking childcare leave		Persons	12	28	17	37	30
Male		Persons	7	20	7	24	16
Female		Persons	5	8	10	13	14
The rate of returning to work from childcare leave		%	100	100	100	100	100

## Employment of the persons with disabilities

The employment rate of persons with disabilities	Non-consolidated	Unit	2019	2020	2021	2022	2023
		%	2.03	1.95	1.96	2.14	2.61

## Annual paid leave

Acquisition of paid holidays*	Non-consolidated	Unit	2019	2020	2021	2022	2023
		%	53.9	64.9	65.8	61.4	62.8

\*Our company allows hourly annual paid leave, and the acquisition of paid holidays includes hourly leave

## CSR procurement

CSR procurement survey execution rate	Group consolidation*	Unit	2019	2020	2021	2022	2023
		%	100	100	100	98	84

\*Results of the group consolidation in Japan before fiscal 2022. Results of the group consolidation by combining Japan and overseas from fiscal 2023

## Occupational safety

Item	Employees	Contractor	Group production bases in Japan	2019	2020	2021	2022	2023
The Rate of lost-worktime injuries				1.23	0	1.65	2.46	1.24
				-	-	-	-	4.98
Plant mutual safety diagnosis execution rate			%	100	100	100	-*	100
Workplace fatality	Employees	Non-consolidated	Persons	0	0	0	0	0
	Contractor	Non-consolidated	Persons	0	0	0	0	0

\*Although diagnosis by visiting the plants was suspended due to the COVID-19 pandemic, online information sharing by the safety supervisor was enhanced

## Employee satisfaction

Employee satisfaction <sup>1</sup>	Group consolidation in Japan <sup>2</sup>	Unit	2019	2020	2021	2022	2023
		pt	-	55.4	56.7	54.6	54.4

<sup>1</sup> Employee satisfaction: Our own index based on the survey using the employees' sense of satisfaction and pleasant workplaces as evaluation axes

<sup>2</sup> Except for T.O FLOORING Co., Ltd.

## G Governance

## Director composition

		Scope	Unit	2019	2020	2021	2022	2023
Number of directors		Non-consolidated	Persons	9	7	8	9	9
Number of outside directors				2	2	3	3	3

\*The number of persons are the figures as of the end of June in each fiscal year

## Status of the board convened

Item	Non-consolidated	Unit	2019	2020	2021	2022	2023
Number of the audit & supervisory board convened		Times	15	13	12	13	15
Attendance rate of outside directors		%	100	100	100	100	98

## Compliance

Item	Group consolidation in Japan	Total/persons	2019	2020	2021	2022	2023
Number of participants in compliance training		Case	863	1,337	1,471	3,951	2,107
Number of whistle-blowing		Case	6	14	8	12	15

More detailed information is published on our website. <https://www.daiken.jp/sustainability/esgdata.html>

# Company Information (As of March 31, 2023)

## Japan



<b>Company Name</b>	DAIKEN CORPORATION	<b>Registered Head Office</b>	1-1 Inami, Nanto City, Toyama, Japan
<b>Founding</b>	September 26, 1945	<b>Operational Headquarters Osaka office</b>	3-2-4 Nakanoshima, Kita-ku, Osaka, Japan
<b>Capital Stock</b>	15.3 billion yen	<b>Tokyo Office</b>	3-12-8 Sotokanda, Chiyoda-ku, Tokyo, Japan
<b>Stock exchange listings</b>	The Prime Market of the Tokyo Stock Exchange	<b>Major Sales Offices</b>	Sapporo, Sendai, Tokyo, Saitama, Niigata, Nagoya, Kanazawa, Osaka, Hiroshima, Takamatsu, Fukuoka, and Singapore
<b>Security code</b>	7905	<b>Production Plants</b>	Inami Plant (Nanto City, Toyama Prefecture) Okayama Plant (Okayama City) Takahagi Plant (Takahagi City, Ibaraki Prefecture) Mie Plant (Tsu City)
<b>Setting day</b>	March 31		
<b>General Meeting of Shareholders</b>	June		

## Overseas



# DAIKEN

## DAIKEN CORPORATION

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