

DAIKEN

DAIKEN GROUP REPORT 2024

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GROUP
REPORT

2024

DAIKEN



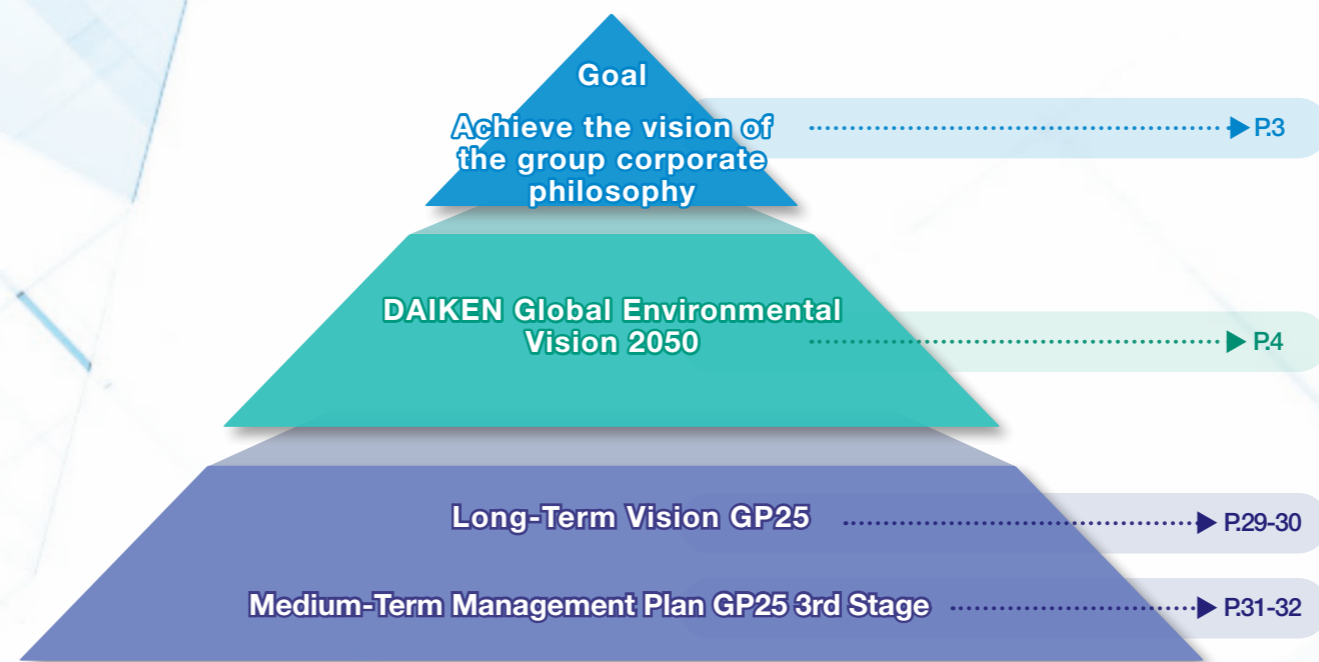
DAIKEN CORPORATION

Head Office
14F Nakanoshima Festival Tower West,
3-2-4 Nakanoshima, Kita-ku, Osaka-shi 530-8210
<https://www.daiken-ad.com/en/>

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DAIKEN CORPORATION

Daiken Group's Value Creation



OUTCOME

Creation of economic value
Financial outcomes

Creation of social value
Creating shared value (CSV) by Daiken businesses

Five foundations that support Daiken

Human resource foundation

— Number of employees —
Consolidated 3,627

— Amount invested in human resources —
47,23 million yen

▶ P.47-50

Production foundation

— Number of production bases —
20 bases
(13 bases in Japan and 7 overseas bases)

— Manufacturing human resources —
2,619

— Capital investment spending —
3,802 million yen

▶ P.55-56

R&D foundation

— R&D expenses —
1,687 million yen

— Development human resources —
130

▶ P.43-44

Customer base

— Number of business partners —
853 companies

*Excluding the business partners of Kyota Kougyo Co., Ltd., Karuteru Corporation, and CIPA Lumber Co., Ltd.

— Number of sales departments —
26 sales departments
(23 sales departments in Japan and 3 overseas sales departments)

Financial foundation

— Net sales —
210,642 million yen

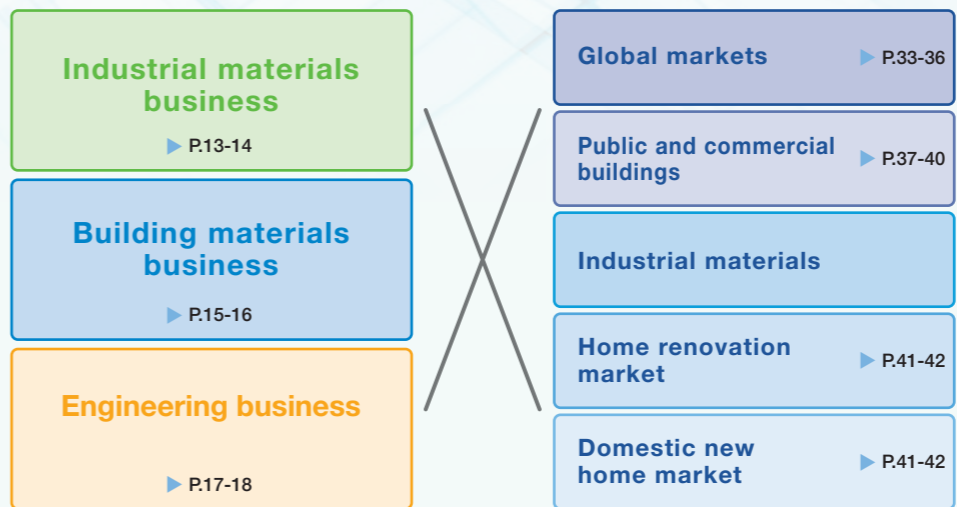
— Operating profit —
5,938 million yen

— Shareholder equity ratio —
47.1%

INPUT

OUTPUT

Business/market strategies that use strengths



Re-input management resources

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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 its initiatives for the improvement of medium-term and long-term corporate value. This report shows the progress of the medium-term management plan GP25 3rd Stage, which is the final step toward the realization of the long-term vision GP25 and introduces the initiatives toward the realization of the growth strategy based on the pursuit of the resolution of social issues by using sustainability as the key axis.

Company information

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

Eligible period

Fiscal 2024 (April 1, 2023, to March 31, 2024)
*Some sections include information other than the above fiscal period.

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.

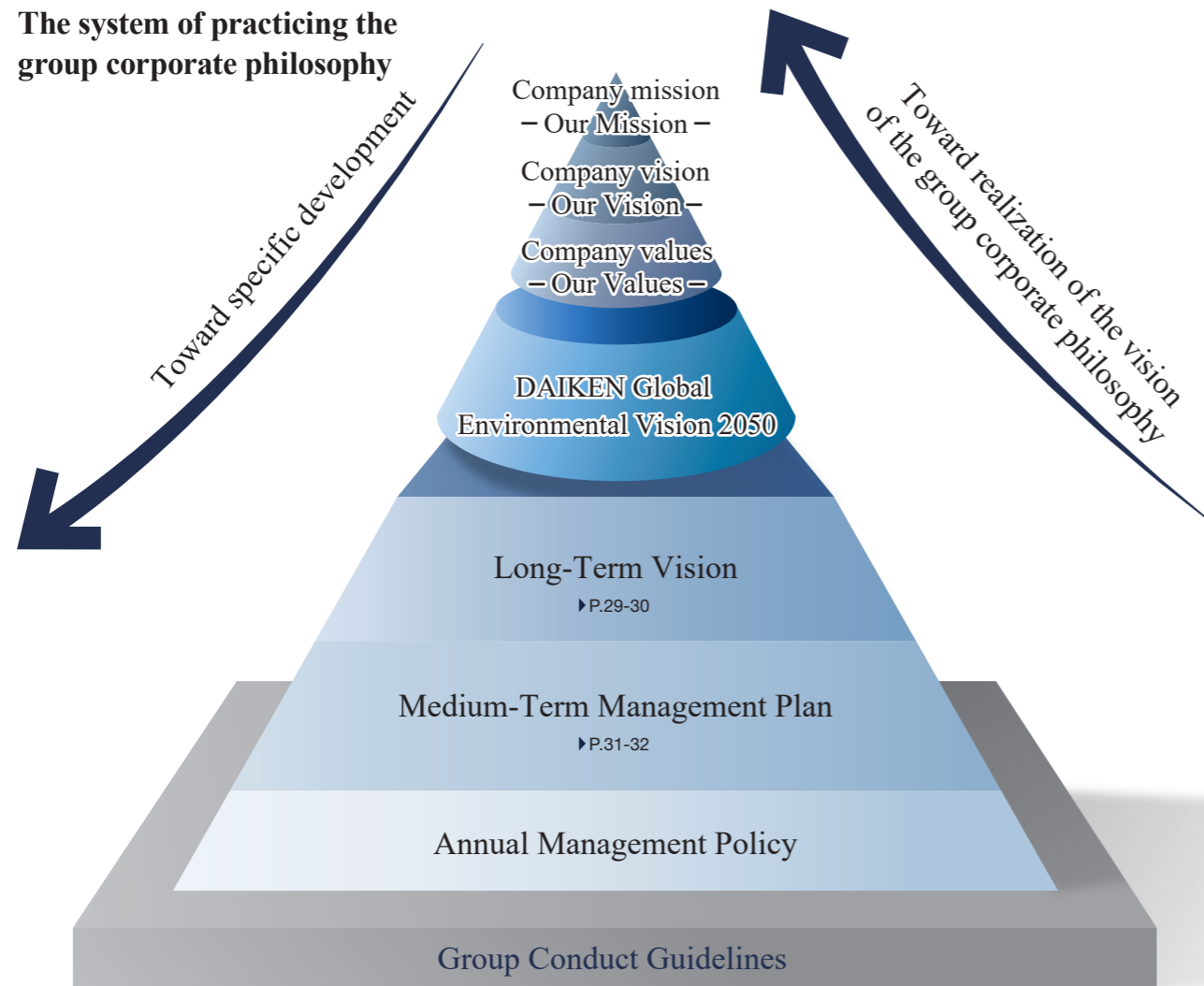
Daiken Group's Goal

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.

Group Corporate Philosophy

Company mission	Company vision	Company values
Our Mission	Our Vision	Our Values
We will create a wonderful future with our technology, ideas, and passion.	As a company respected by everyone, we will give the highest priority to harmonizing an affluent society with the environment by offering new value that exceeds people's expectations.	We pledge the following: <ul style="list-style-type: none"> ● Ensure harmony between the environment, society, and people. ● Be careful of safety, security, health, and comfort. ● Courageously accept the challenges of new ideas. ● Promptly respond to changes and opportunities. ● Be sincere at all times.

The system of practicing the group corporate philosophy



DAIKEN Global Environmental Vision 2050

Vision

For a future full of smiles

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.

Environmental Policy	Long-Term Goals
<p>1 Promotion of resource recycling - Waste reduction and reuse of resources -</p> <p>By actively taking advantage of properly managed sustainable forest resources, we can promote forest circulation and help to realize a circular economy of sustainable resource circulation throughout society by reusing resources, material recycling, and thermal recycling, rather than disposal.</p>	<p>1 100% waste recycling</p> <ul style="list-style-type: none"> ● Promote material recycling and thermal recycling on the premise of cascade use ● Zero final disposal of waste in landfills ● Reduce waste through a series of processes from procurement of raw materials to the use and disposal of products
<p>2 Mitigation of climate change - Realization of carbon neutrality -</p> <p>We will reduce our own greenhouse gas emissions, as well as emissions throughout the entire supply chain. Also, by using sustainable forests and wood resources, we will help to expand carbon storage and contribute to the maintenance and circulation of carbon sinks as we work together with society to achieve carbon neutrality.</p>	<p>2 Net zero greenhouse gas emissions</p> <ul style="list-style-type: none"> ● Promote energy conservation by improving productivity and efficiency ● Expand the use of renewable energy ● Expand the use of wood materials and products that store carbon ● Promote reforestation through the active use of materials from managed forests ● Contribute to the maintenance and recycling of CO₂ sinks through afforestation
<p>3 Coexistence with nature - Conservation of biodiversity -</p> <p>In consideration of biodiversity, our objective is to coexist with a sustainable natural environment and preserve ecosystems by contributing to environmental impact reduction, conservation, and restoration.</p>	<p>3 Reduce the impact on the natural environment</p> <ul style="list-style-type: none"> ● Zero use of luan wood ● Appropriately manage chemical substances and reduce emissions ● Promote the effective use of water resources ● Reduce the use of plastics derived from fossil fuels

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, 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

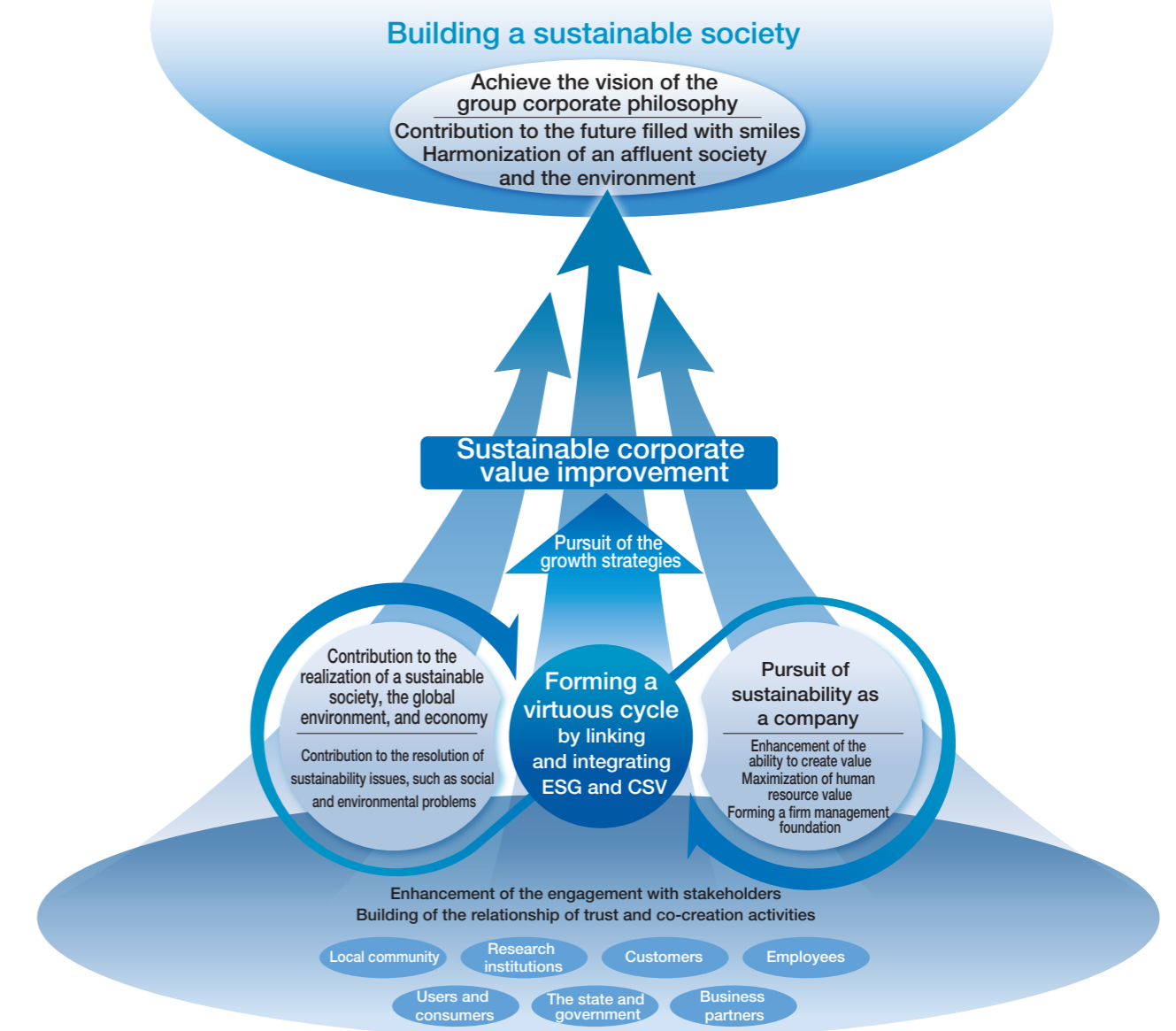
The Daiken Group aims to enhance corporate value in a sustainable manner through the two virtuous cycles of its contribution to a sustainable society, the global environment, and the economy and the pursuit of sustainability as a business.

Structure to promote sustainability

The Daiken Group has established the Sustainability Promotion Committee in which the president serves as the chairperson and developed the structure to promote sustainability on a company-wide basis 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 Daiken Health and Productivity Management Daiken Occupational Safety and Health Policy
	Human rights	Daiken Human Rights Policy
	Coexistence with local communities	Daiken Social Contribution Activity Policy
	G	Governance

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



Interview with Top Management

Strengthen Our Foundations Further and Demonstrate Prominent Presence in the Domestic Building Materials Market

Masanori Okuda,
Representative Director and President CEO

Q How changed the business environment surrounding the company in the fiscal year ending March 31, 2024?

Looking back at the business environment over the past year, the impact of the shrinking working-age population on the domestic housing market became clear in terms of a decline in construction and building capacity. Housing prices remained high due to rising material and construction costs, while real wages growth was weak, affecting consumers' appetite in buying homes. As a result, in FY 2024, the number of new housing started dropping by 60,000 units, from 860,000 to 800,000. The shrinking trend in the new housing market is increasingly apparent; owner-occupied homes have decreased for two consecutive years and previously strong sectors such as condominiums and rental properties have now started to decline. We expect this trend to continue going forward.

As to the public and commercial sector, various construction projects, mainly for offices, have started in the metropolitan areas of Tokyo, Osaka, and Nagoya, and

demand for interior construction work has been on the rise. Yet, rising material prices and labor costs have squeezed the profits in the construction.

Shifting our focus overseas, the U.S. housing market has been stagnant due to the continued high interest rates while signs of recovery are emerging this year. The market price of MDF, widely used as a building material and base material for furniture, has remained at a low level due to the sluggish global construction demand.

Q How do you assess the company's performance under such environment?

FY 2024 was the second year of "GP25 3rd Stage (FY 2023 - FY 2026)", our mid-term management plan, which is the final phase of our 10-year vision GP25 towards FY 2026. Through implementation of various initiatives to meet our targets, domestically, revenue and profits from the engineering business increased in line with rising demand for construction. Although the building materials business faced

profit pressures from rising variable costs especially in the first half of the fiscal year, thanks to understanding and support of our customers, gradual implementation of price adjustments allowed us to recover the profits in the second half.

While our overseas business was a strong contributor until the previous fiscal year, the sluggish North American housing market and Pacific Woodtech Corporation (PWT) ceasing consolidated (and becoming an equity-method affiliate) in August 2022, as well as declining profitability of our main material business, MDF, impacted our performance. As a result, for the fiscal year ending March 2024, revenue decreased by 8% year-on-year to 210.6 billion yen, operating profit dropped by 40% to 5.9 billion yen, and net profit attributable to the shareholder fell by 61% to 3.9 billion yen.

▶ P.31-32 Progress of the Medium-Term Management Plan GP25 3rd Stage

Q What challenges do you foresee for the fiscal year ending March 2025?

For the fiscal year ending March 31, 2025, we must address two key changes in the business environment: logistics and construction. The "2024 problem" stemming from the stricter regulation on overtime limits for workers in Japan's logistics and construction sectors is the key factor behind these changes. In logistics, since it will not be easy to operate large-scale deliveries across Japan's north-south stretch as we've done so far, we need to efficiently deliver building materials—challenging due to their size and shape—while managing rising costs. Alongside ongoing logistics system reforms, optimizing our production system to synchronize with logistics reform is critical, too.

In construction, the labor shortage, driven by stricter overtime regulations and an aging workforce, presents another challenge. To meet the strong demand for construction, we will take comprehensive steps to improve working conditions and workspace environment not just for our eight construction-related group companies but also for our partner companies.

▶ P.18 Construction System in the Engineering Business

Q What efforts will the company focus on for the fiscal year ending March 31, 2025?

In response to the two key changes in the business environment mentioned earlier, our goal is not just to sell products but also to deliver experiences through one-stop services that include both design and construction.

We offer a wide range of industrial and building materials with advanced features that address issues like sound, air, and odor in the living environment, helping us stand out in the industry. Additionally, our expertise in measuring and designing the effectiveness of industrial and building materials in different spaces, along with our knowledge of optimizing their placement, are significant strengths. Given the increasing demand for these capabilities in places like offices, clinics, and accommodation facilities, we aim to go beyond selling products. We will also enhance our spatial design and construction proposals to fully leverage the functions of our building materials.

For instance, there is growing interest in improving acoustic environments, whether in residential or commercial spaces, especially as remote meeting has become standard since the COVID-19 pandemic. We've been developing, manufacturing, and selling acoustic sound-absorbing ceilings and soundproof doors—primarily for residential use—since 1982. We are now applying the technology and expertise we've accumulated to the non-residential sector and have initiated a new business focused on acoustic environment solutions to meet demands for improved sound environments in offices and other spaces. This January, we decided to build an acoustic experiment facility at our Okayama factory as a new hub for acoustic design, to further enhance our R&D and technological capabilities.

▶ P.44 New development center for acoustic products

In January 2024, the Noto Peninsula Earthquake occurred. We offer our deepest condolences to the families of those who lost their lives and extend our heartfelt sympathy to everyone affected by the disaster. The devastation caused by this earthquake has reminded us of the critical importance of housing safety and security, and prompted us to reflect on the company's role in society.

With natural disasters occurring frequently in Japan, there is growing public concern about seismic performance and building safety. We confirmed that facilities using Daiken's hybrid ceilings remained intact during the earthquake despite the overall damage to the buildings. This has reinforced the value of the products supported by our technological expertise, with a focus on creating "safe and secure spaces" to a broad range of customers. Additionally, we have heard that evacuation centers, such as gymnasiums where disaster victims are housed, often lack adequate heating and cooling systems, or, even if present, may have uneven temperature control. Our company offers a system that utilizes radiant heat to deliver an even air-conditioning effect throughout the entire space, and as the declining birthrate leads to the consolidation and closure of schools and the review of gymnasiums and other facilities progresses, we will strengthen our proposals for buildings that can also be used as evacuation shelters.

▶ P.37-40 Public and Commercial Buildings

In April 2024, we launched the "Building and Interior Solutions Division" as an organization dedicated to creating value-added spaces. This new division will leverage not only the materials and products ("mono") offered by our group but also consulting services that focus on functionality ("koto"), along with design and construction capabilities. We will reinforce our proposals to enhance the value of spaces where people gather by fully utilizing these resources.

Interview with Top Management

Q Daiken Corporation recently became a subsidiary of ITOCHU Corporation Group. Could you elaborate on how this happened and what changes it will bring in the future?

Our relationship with ITOCHU Corporation dates back to our founding. On September 26, 1945, Daiken Corporation was established when the forestry division of Daiken Sangyo Co., Ltd.—originally founded by ITOCHU Corporation, Marubeni Corporation and Kureha Boseki—was spun off. Over the past 78 years, Daiken and ITOCHU have collaborated on numerous projects, primarily overseas, as partners that mutually enhance each other's corporate value, steadily achieving results along the way. Given this history, we renewed our capital and business alliance with ITOCHU



Corporation in 2018. The following year, we incorporated two companies into our group: CIPA Lumber Co., Ltd. (CIPA), a Canadian veneer plant, and PWT, a U.S. LVL manufacturer—both previously wholly owned subsidiaries of ITOCHU Corporation.

With Japan's domestic housing market shrinking year after year, we are shifting our focus toward renovations and nonresidential public and commercial buildings in Japan. To grow globally, where markets are expected to expand, we believe that strengthening our relationship with ITOCHU will allow us to make swift and informed decisions, leveraging ITOCHU's deep expertise of global markets and their wealth of human resources. Beyond the North American acquisitions previously mentioned, we are exploring new business opportunities with ITOCHU, including potential mergers and acquisitions. Domestically, we aim to leverage ITOCHU's robust real estate network and customer base to boost sales of our existing products and services, while also expanding into adjacent businesses such as consulting, design and interior construction to promote the creation of comfortable spaces.

We will also be promoting more active exchanges of human resources. We aim not only to improve operational efficiency by securing and strengthening our global and digital talents—who are expected to play an increasingly important role—but to drive innovation through greater diversity and help us build a more dynamic and resilient organization. We believe that

Background of the transition to becoming a wholly owned subsidiary of ITOCHU Corporation

1941	C. Itoh & Co., Marubeni Shoten, Ltd. (currently, Marubeni Corporation), and Kishimoto Shoten, Ltd. have merged to form Sanko Kabushiki Kaisha, Ltd.
1944	Sanko Kabushiki Kaisha, Ltd., Kureha Cotton Spinning Co., Ltd. (currently, Toyobo Co., Ltd.), and Daido Boeki Kaisha, Ltd. merged to form Daiken Co., Ltd.
1945	Founded Daiken Mokuzai Kogyo Co., Ltd., at the Inami factory in Toyama acquiring all the business of the Forestry Department at Daiken Co., Ltd.
2018	Capital and business alliance with ITOCHU Corporation

2023 Became a wholly owned subsidiary of ITOCHU Corporation aimed at further improving both companies' corporate value

Purpose of the transition to becoming a wholly owned subsidiary of ITOCHU Corporation

Global market deployment

- Deployment of housing-related business in North America
- Acceleration of the expansion strategy, such as M&A with the background of global network and financial power

Public and commercial buildings field

- Expansion of the sales of the existing businesses
- Expansion of the scope of business to the adjacent businesses, such as the consulting service for business owners and spatial design

Enhancement of the human resource foundation

- Activation of the exchange of human resources
- Sharing of mutual knowledge and know-how
- Realization of the diversity of human resources

this exchange will provide opportunities for employees eager to take on new challenges. Our goal is to grow our business, enhance job satisfaction and motivation of our employees, and make our presence known throughout the building materials industry.

With our becoming a wholly owned subsidiary on December 21st of last year, we concluded our 74-year history as a publicly listed company, which started in May 1949. I would like to take this opportunity to once again express my deepest gratitude to all of you who have supported our company as shareholders over the years. When making this significant decision, I personally communicated the details to various stakeholders, including our customers and business partners. I am grateful that many of you have understood and supported our decision.

Now that we are part of the ITOCHU Group, we will build on our existing strengths and proactively evolve to deliver even greater value. Also, we aim to enhance the trust our stakeholders place in us, while deepening our collaboration with business partners and customers to drive forward to new levels of success.

▶ P.11-12 [Changes in Value Creation](#)

Q Any shift from sustainability, which has been a key pillar of management?

Our company has always, and will continue to, prioritize sustainability as a core focus of our business, with the goal of continuously enhancing corporate value. Our strength lies in the expertise we've developed over decades—using timber with zero waste, creating innovative industrial and building materials, and constantly pursuing new ways to be more environmentally responsible. Our key strengths lie in our innovative thinking, unique perspectives, and technical capabilities, all driven by a commitment to sustainability. We aim to strengthen our contribution to decarbonization by adhering to the "Daiken Sustainability Policy" established in 2022. This includes using quantitative data to measure the CO₂ fixation effect of wood resources to support our customers' decarbonization efforts.

▶ P.5-6 [Our Sustainability Goals](#)



As an example of our work with wood resources, our insulation boards made from construction demolition timber have been in production for 66 years and are widely used in tatami mats and construction site protection. However, there is significant potential for new applications and proposals that leverage their environmental advantage. Other examples include wood-derived adhesives used in MDF replacing conventional fossil fuel-based adhesives, and "low-density" technology to achieve reduction of raw materials usage and logistics burden, without sacrificing the high performance.

▶ P.44 [Development of Materials from Sustainable Resources](#)

Q Lastly, please address all your stakeholders with a few words?

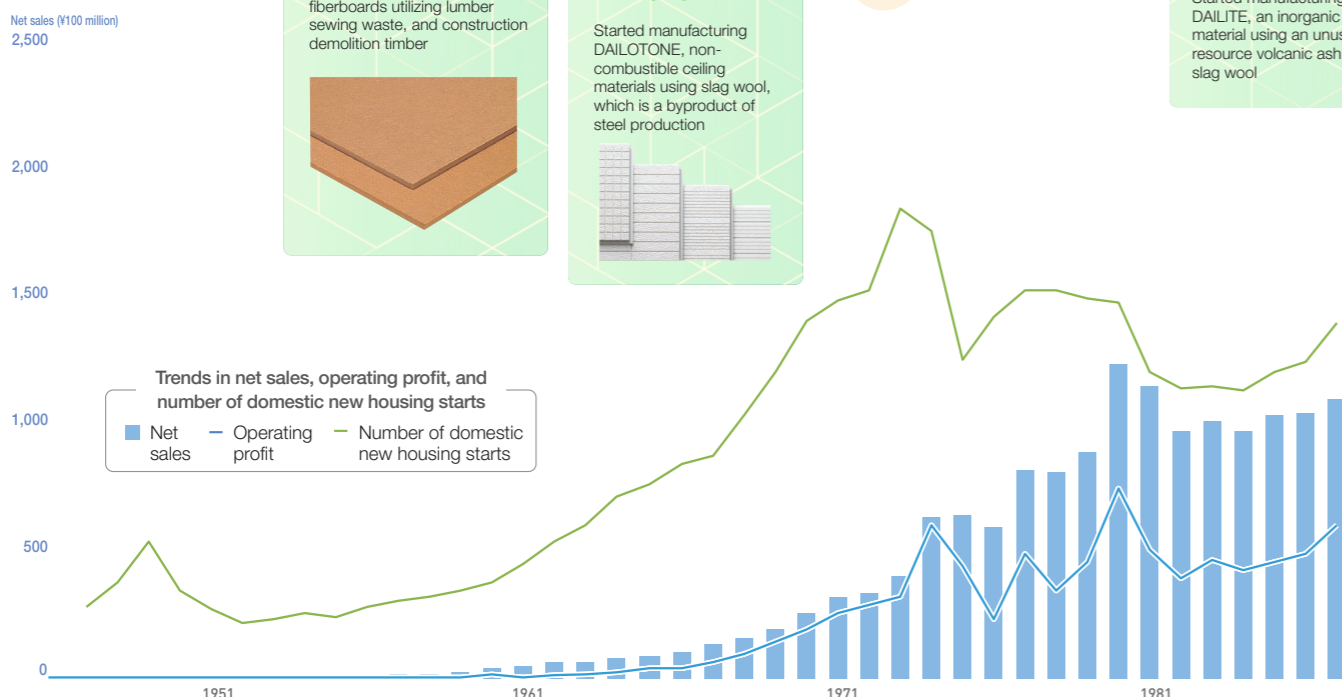
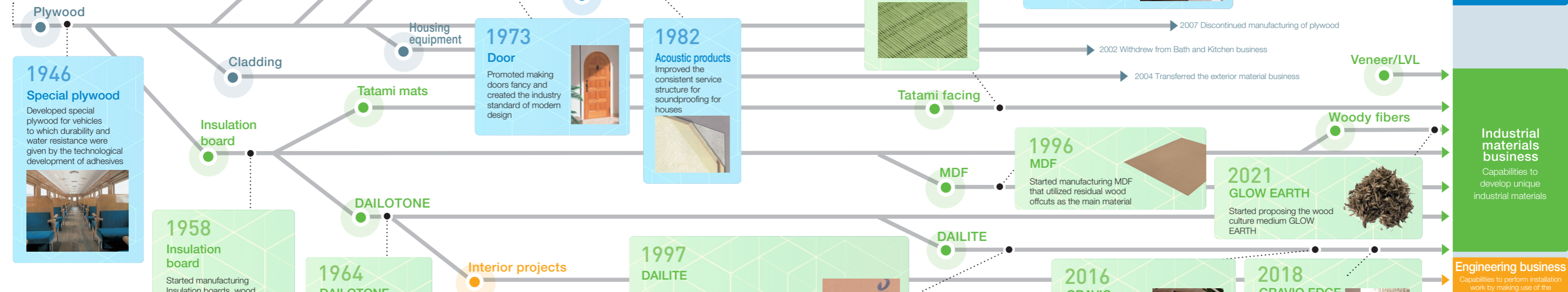
The business environment surrounding our company is changing drastically and rapidly; we are committed to developing products ("monozukuri") and creating value-added experiences ("kotozukuri") that meet these evolving needs. In driving these initiatives forward, being a wholly owned subsidiary of ITOCHU Corporation grants us access to a wide range of ITOCHU's resources, which is a unique strength that other companies may not have.

We have two years left to achieve our long-term vision, GP25. The fiscal year ending in March 2025 will be crucial for the conclusion of the long-term vision GP25. Since we first formulated 'GP25,' both internal and external environments have changed significantly. In the domestic housing market, we are shifting from new construction to renovations and remodeling, as well as expanding into non-residential areas such as public and/or commercial projects. By leveraging the solid foundation we've built in industrial materials, building materials, and engineering, we aim to drive sustainable growth both in Japan and globally. We remain committed to providing new value that exceeds our stakeholders' expectations and humbly ask for your continued support.

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 that 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



History of the Daiken Group	Foundation	Expansion	Growing	Selection and Concentration	New Challenge	Challenge to achieve the long-term vision GP25		
	1941 C. Itoh & CO., Marubeni Shoten, Ltd., and Kishimoto Shoten, Ltd., have merged to form Sanko Kabushiki Kaisha, Ltd. 1944 Sanko Kabushiki Kaisha, Ltd., Kureha Cotton Spinning Co., Ltd., and Daido Boeki Kaisha, Ltd., merged to form Daiken Co., Ltd. 1945 Founded Daiken Mokuzai Kogyo Co., Ltd., at the Inami factory in Toyama acquiring all the business of the Forestry Department at Daiken Co., Ltd.	1954 Established Nagoya factory for manufacturing special plywood 1958 Built Okayama factory and started manufacturing insulation board	1967 Changed the company name to DAIKEN CORPORATION 1969 Established interior projects department 1970 ● Started manufacturing WPC flooring at the Nagoya factory ● Established Toyama factory for manufacturing special plywood	1977 Expanded insulation board business Built Takahagi factory 1984 Established an interior projects company, DAIKEN ENGINEERING CORPORATION 1987 Expanded flooring business Established Mie Daiken Co., Ltd. (currently, Mie factory)	1989 ● Started manufacturing housing products, such as doors and stairs, at the Inami factory ● Started manufacturing of cladding at the Takahagi factory 1994 Established DAIKEN SARAWAK SDN. BHD. in Malaysia for MDF manufacture 1995 Built interior doors production line at the Inami factory	1996 Implemented Tatami facing and DAILITE production lines at the Okayama factory 1999 Purchased an interior projects company, Koukou Sangyo Corporation 2000 Integrated the interior projects department into DAIKEN ENGINEERING CORPORATION 2002 ● Alliance with TOTO Ltd. and YKK AP Inc. for remodeling business 2005 Purchased MDF manufacturer in Malaysia Established DAIKEN MIRI SDN. BHD. 2009 ● Purchased MDF factory in New Zealand and established DAIKEN NEW ZEALAND LIMITED ● Integrated flooring business of the Nagoya factory in the Mie factory 2010 ● Alliance with Panasonic Corporation in production and procurement ● Purchased an interior projects company, Sankei Corporation 2012 Business and capital alliance with HOKUSHIN Co., Ltd., for MDF production and supply	2015 Established interior doors manufacturing company PT. DAIKEN DHARMA INDONESIA in Indonesia 2016 Purchased an apartment renovation company, PAC SYSTEM Co., Ltd. 2018 ● Purchased MDF manufacturing company in New Zealand ● Established DAIKEN SOUTHLAND LIMITED ● Established Daiken R&D center ● Capital and business alliance with ITOCHU Corporation	2019 ● Purchased a veneer factory, CIPA Lumber Co., Ltd. in Canada and an LVL factory, Pacific Woodtech Corporation in the U.S.A. ● Purchased a renovation company ReformQ Co., Ltd. 2022 ● With the capital increase, Pacific Woodtech Corporation, which used to be a consolidated subsidiary, became an equity method affiliate 2023 ● Purchased system cabinet manufacturing and construction companies, Karuteru Corporation and Staff Corporation ● Purchased an air-conditioning equipment installation company, Kiyota Kougyo Co., Ltd. ● Became a wholly owned subsidiary of ITOCHU Corporation and delisted

Daiken Group's Value Creation Strategy for Value Creation Data

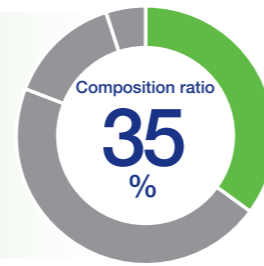
Three Businesses Use Strengths

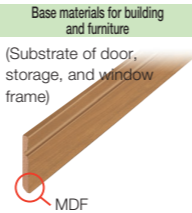

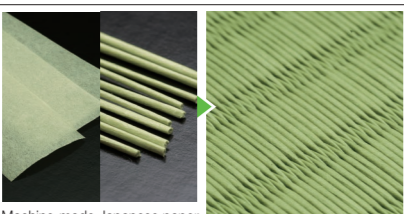
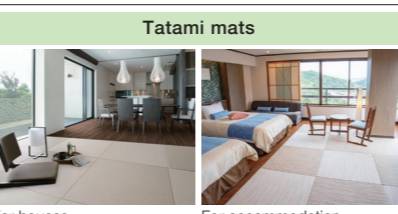
Industrial Materials Business

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

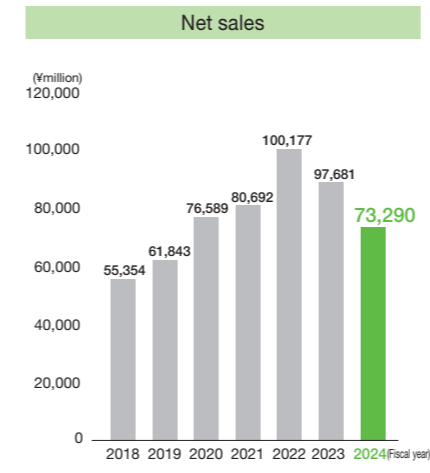


	Overview	Features and functions	Major applications
Effective use of wood materials	Insulation board Wooden fiberboard using construction demolition timber for main raw material and molded into a board 	<ul style="list-style-type: none"> Heat insulation Moisture conditioning Cushioning properties Lightweight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

Second place in the inorganic bearing surface category
 A questionnaire survey for the readers in regard to their intention to adopt building materials and equipment manufacturers' products
 The November 23, 2023 issue

Domestic MDF share
No.1
(Estimated by our company)

Domestic insulation board share
No.1
(Estimated by our company)



	Details of the major business
Production factories	Okayama factory: Manufacturing of DAILITE/DAILOTONE/insulation board
	Takahagi factory: Manufacturing of insulation board
Subsidiaries part of the Group	Dai-tac Corporation: Manufacturing of Tatami facing
	Aizu Daiken Corporation: Manufacturing of Tatami facing
	Nichinan Daiken Co., Ltd.: Processing of preservative termite repelling LVL veneers
	Eco Techno Co., Ltd.: Processing of waste wood
	DAIKEN NEW ZEALAND LIMITED (New Zealand): Manufacturing of softwood MDF
	DAIKEN SOUTHLAND LIMITED (New Zealand): Manufacturing of softwood MDF
	DAIKEN SARAWAK SDN. BHD. (Malaysia): Manufacturing of hardwood MDF
	DAIKEN MIRI SDN. BHD. (Malaysia): Manufacturing of hardwood MDF
CIPA Lumber Co., Ltd. (Canada): Manufacturing of veneer	

- Strategies by business segment**
- 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
- Verifications toward the start of the environment-conscious MDF production
- 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 louvre materials and eaves
- Promotion of the structural business reform at the four MDF factories

Takahisa Honda
 Operating Officer,
 Division Manager of the MDF Business Department



Minoru Endo
 Executive Officer,
 Division Manager of the Eco-Products Business Department



The MDF Business Department operates with a global production system having two factories in Malaysia and two in New Zealand. We supply products not only to Japan but to markets around the world. In FY 2024, we faced a challenging business environment characterized by persistently high crude oil prices, a global downturn in the MDF market, and the impact of a weak yen. In response to these challenges, we focused on cost reduction efforts and structural reforms. In 2024, we will begin commercial production of PEFC(Programme for the Endorsement of Forest Certification)-certified MDF in Malaysia for the first time. Combined with the use of FSC(Forest Stewardship Council)-certified timber in New Zealand, we promote increasing the utilization of plantation wood and certified timber. Looking ahead, our department is committed to developing new applications of MDF and innovating materials to meet the needs of future generations. As part of our sustainability efforts, we are already developing environmentally friendly MDF, such as wood-based adhesives and low-density products that require fewer raw materials while maintaining the same performance as regular MDF. With our commitment to the stable production and supply of eco-friendly MDF, we aim to inspire more customers to adopt our solutions and strengthen our position as a leading manufacturer in the wood materials industry. MDF, which can be produced using small-diameter wood and residual offcuts that might otherwise go to waste, plays a crucial role due to its carbon fixation effect. As we move forward, we remain committed to addressing global social issues, taking on new challenges, and contributing from a broader, global perspective.

The Eco-Products Business Department manufactures a variety of materials, including insulation boards, DAILITE, DAILOTONE, and tatami facings, using underutilized and renewable resources. Last year, we faced emerging geopolitical risks and significant fluctuations in exchange rates, which prompted us to prioritize improving the material procurement environment to ensure stable operations. In this dynamic environment, we continue to innovate by offering new products that enhance the spatial value, drawing on Daiken Corporation's expertise in designing industrial and building materials for floors, walls, and ceilings. For example, DAILOTONE, as a base material for ceiling products, has been gaining traction in the housing market by offering features that improve comfort in living spaces, such as sound-absorbing, deodorization, and humidity control properties. Similarly, DAILITE is increasingly adopted for decorative boards, eaves, and louvers, thanks to its non-flammable properties. In FY 2024, we introduced a new product that combines recycled aluminum from the Tokaido Shinkansen trains with Daiken Corporation's DAILITE. This innovative product contributes to the circular economy and offers a unique blend of design and safety, particularly for public and commercial spaces that require non-flammable materials. Additionally, with anticipated inbound demand for tatami mats, our innovative tatami facing, made from traditional Japanese paper crafted with our proprietary machine technology, offer both scratch resistance and water repellency. Through these innovations, we promote the richness and comfort of featuring tatami mats in modern living spaces, contributing to preserve and develop Japanese cultural traditions.

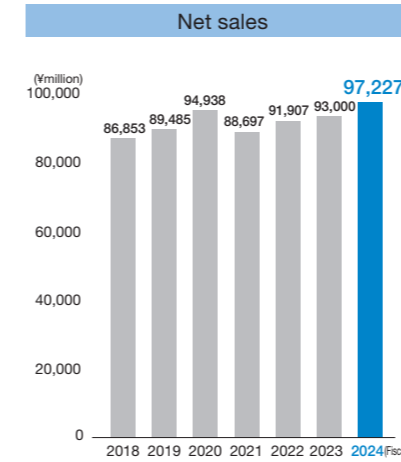
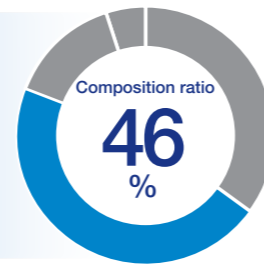
Three Businesses Use Strengths

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



Details of the major business	
Production factories	● Inami factory..... Manufacturing of interior doors/fixture components/special decorative board
	● Mie factory..... Manufacturing of wood flooring/floor heating for general housing
Subsidiaries part of the Group	● Daifit Co., Ltd. Manufacturing of soundproof direct flooring and direct flooring used in heavy load areas for general housing
	● Dai-wood Corporation..... Manufacturing of WPC flooring/moulding for entrances
	● Setouchi Kakoh Co., Ltd..... Manufacturing of wood flooring/floor heating for general housing
	● Toyama Juki Co., Ltd..... Manufacturing of entrance cabinets/integrated storage furniture/moulding
	● DAIKEN (Shanghai) Corporation (China)..... Manufacturing of integrated storage furniture
	● PT. DAIKEN DHARMA INDONESIA (Indonesia)..... Manufacturing of interior doors

	Flooring	Door	Cabinet	Acoustic products
For houses	A flooring of ultimate beauty A lineup that is particular about surface texture and that offers scratch resistance, long-lasting beauty, good design, high function, and high performance	Great range of design and variations Interior door that is highly functional and easy to use and can be coordinated flexibly	Solution for storage improvement A complete lineup of cabinets equipped with abundant storage capacity that is space-saving and offers other features to fit individual spaces	Space for enjoying sound 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

	Flooring	Door	Cabinet	Acoustic products
For public spaces and commercial facilities	A flooring for heavy load areas A complete line of flooring that can be used in heavy load areas, including those made of natural wood resistant to damage, sound-proofing materials, and those that reduce the impact when a person falls	Functional door suitable for facility applications Interior doors with particular functionality for nursing homes, kindergartens, childcare facilities, medical facilities, and stores	Cabinets inspired by consideration to users Cabinets mitigate the various risks to users for comfort during use	Creating a comfortable sound environment A complete lineup suitable for sound-proofing, echo reduction, and other specific purposes



First place in the composite flooring category
 A questionnaire survey for the readers in regard to their intention to adopt building materials and equipment manufacturers' products
 The November 23, 2023 issue



First place in the home interior door category
 A questionnaire survey for the readers in regard to their intention to adopt building materials and equipment manufacturers' products
 The November 23, 2023 issue



- Strategies by business segment**
- 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

- Proposals for products with the aseismic performance that are committed to the rise of the awareness of disaster prevention
- Sales expansion of products that contribute to the improvement of Quality of Life
- Cost reduction by renewing part of the product series
- Development/launch of sustainable products by open innovation

Toshinori Kamimoto
 Operating Officer, Division Manager of the Interior Products Business Department

The Interior Products Business Department primarily focuses on producing and supplying flooring, one of the main product lines in our building materials business. In FY 2024, with a significant decline in new housing starts, we put priority on the need to develop new products tailored for public and commercial facilities. OA floors and tile flooring are commonly used in these spaces today, and wood flooring has seen limited adoption. However, awareness is growing that wood can enhance well-being through its comfort and hedonic value, driving an increase in demand for wood finishes in office and commercial interiors. We have also seen success in our wood flooring products made from locally sourced timber in Japan. Over the past eight years, these products have been adopted in 102 facilities across 30 prefectures, in public and commercial spaces. These flooring solutions are well appreciated not only for supporting local forestry industries but also for fostering a sense of connection between users and the facilities. To meet the rising demand for wood in interior, we are committed to developing new products while focusing on enhancing the spatial value that wood brings. As part of our environmental commitment, we are dedicated to creating sustainable products with reduced environmental impact. This includes the active use of eco-friendly materials, such as MDF and insulation boards for flooring bases, and bio-based materials for decorative surfaces. We are also working to minimize the use of petrochemical-based raw materials in our manufacturing processes. Moving forward, we will continue to develop our flooring business with a focus on both sustainability and enhancing the value of the spaces we create.

Masaru Morikawa
 Operating Officer, Division Manager of the Home Furnishings Business Department

The Home Furnishings Business Department produces a wide range of products, including doors, fittings, storage solutions, and stair components for residential, public, and commercial facilities. In FY 2024, we faced significant challenges due to soaring costs for imported raw materials, driven by global inflation and sharp exchange rate fluctuations. To address these pressures, we reviewed product specifications and streamlined our procurement processes to better adapt to the evolving business environment. Looking ahead to FY 2025, we must also address the so-called "2024 problem" where stricter overtime regulations in Japan's logistics industry will come into effect. These regulations will particularly affect the transportation of building materials, which are cumbersome and costly to transport due to their size and weight. To ensure stable product supply to our customers, we are focusing on reducing the logistical burden by pre-sorting delivery destinations at the time of factory shipment and reducing the product weight. Additionally, optimizing packaging to increase loading efficiency and improving delivery processes will support our efforts toward sustainable management. Moving forward, we aim to build an optimal supply chain that accounts for product logistics. One of the Home Furnishings Business Department's greatest strengths is our ability to combine existing materials and technologies to create entirely new value. Our ability to accommodate custom orders with millimeter-level precision and to deliver products quickly have earned us the trust of a diverse customer base, from homeowners to operators of public and commercial facilities. Since these are products that people interact with daily, we remain dedicated to delivering high-quality, functional solutions that enhance the comfort and quality of life for end users.

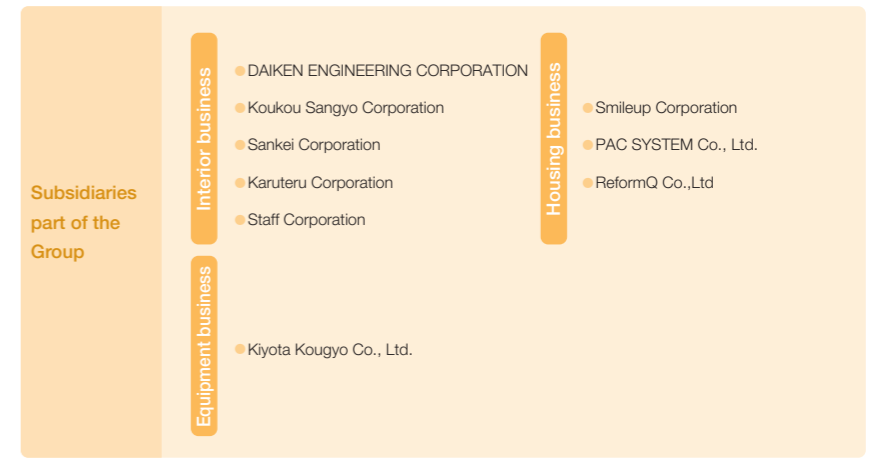
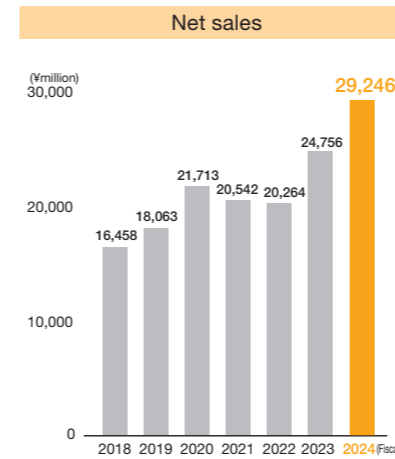
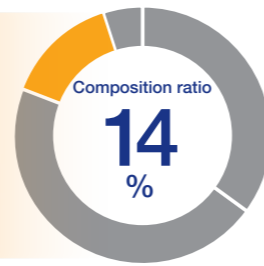
Three Businesses Use Strengths

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.

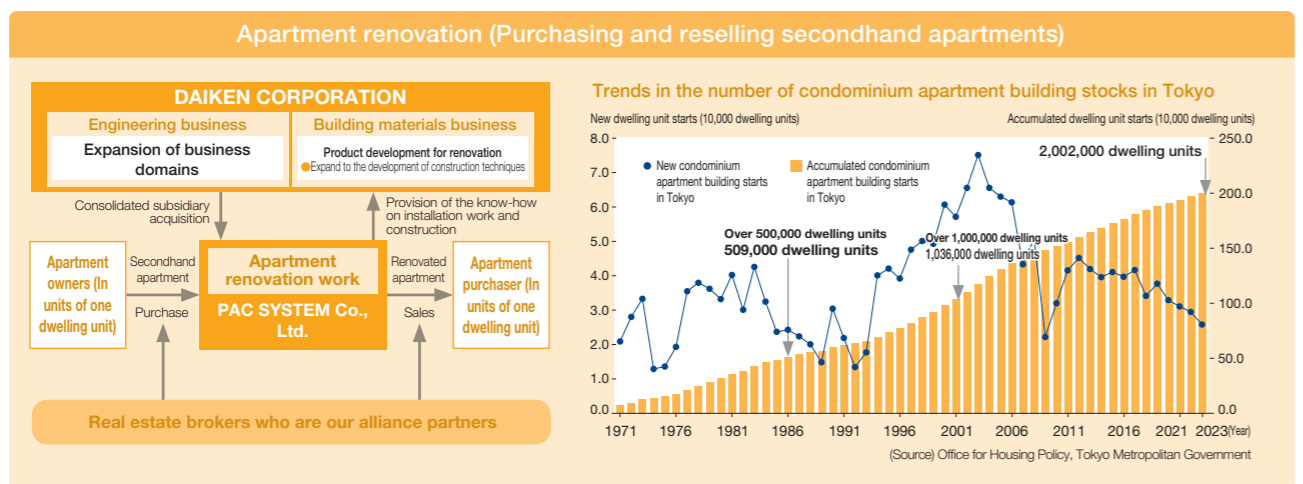
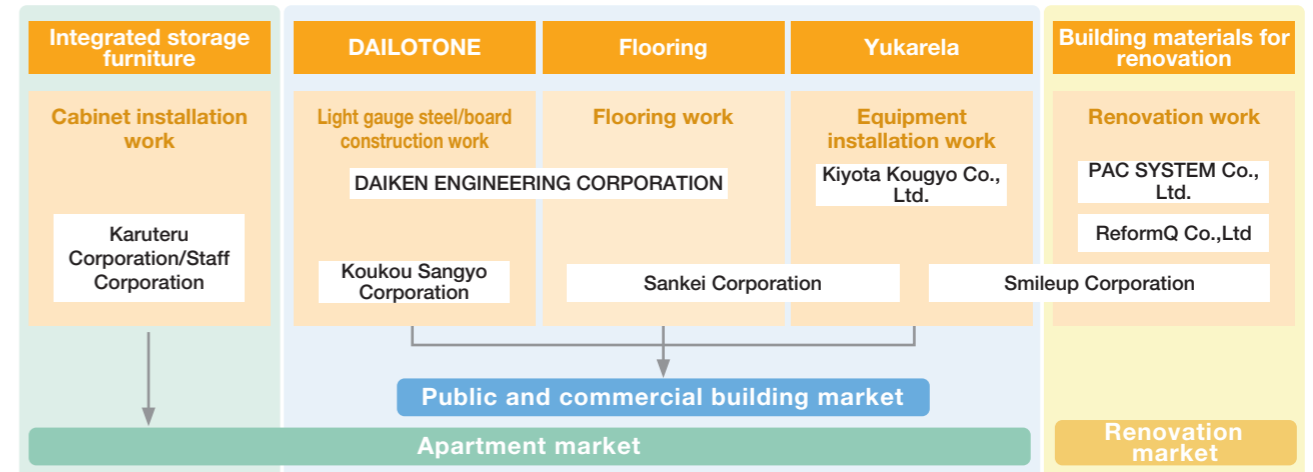
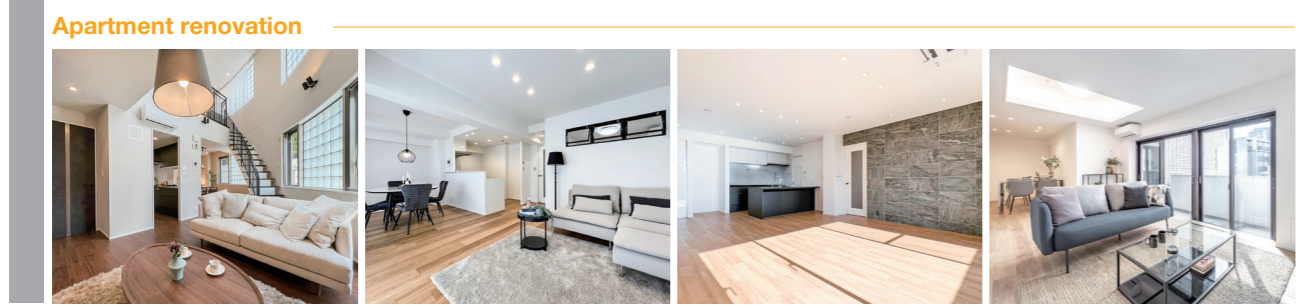
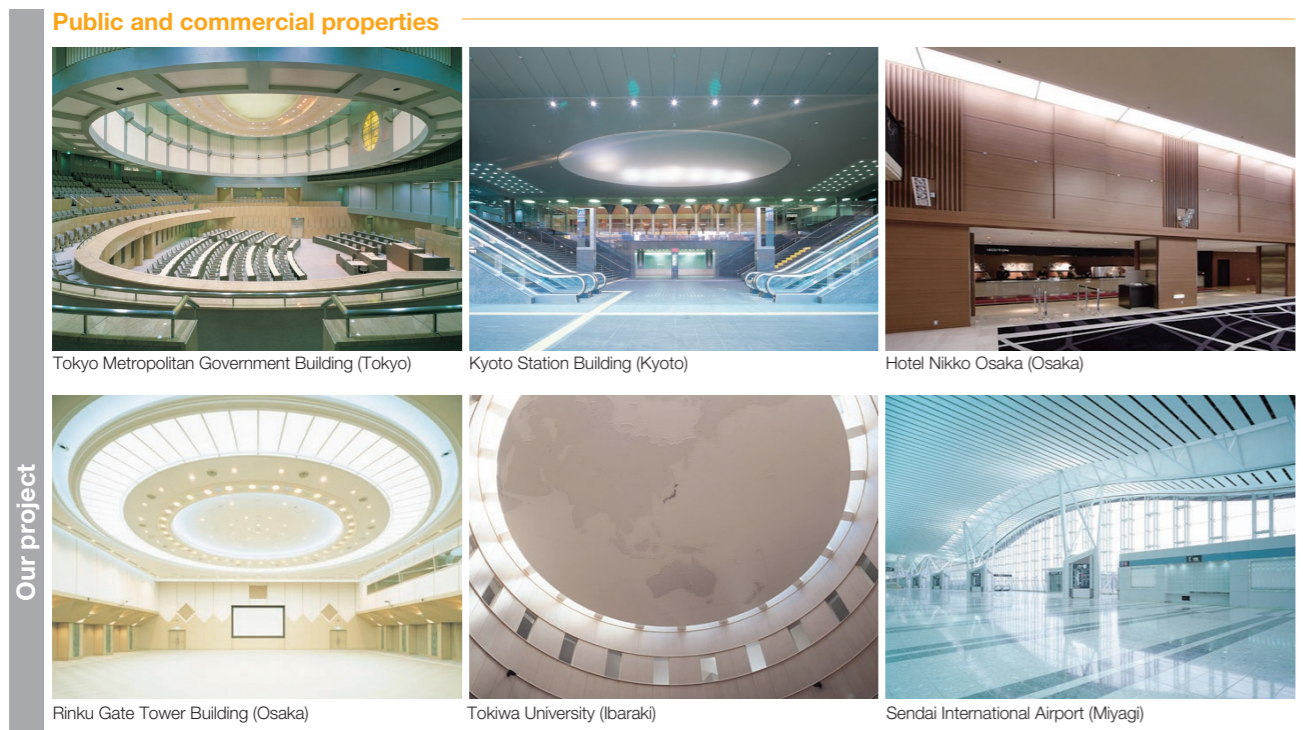
Sales composition ratio



Strategies by business segment

- 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**
- Expansion of construction areas that take advantage of the group's product appeal and enhancement of receiving material orders together with construction 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
 - Purchases of multiple construction companies to expand our receiving material orders together with construction system for industrial materials and construction



Naoto Teraoka
Operating Officer,
General Manager of the
Engineering Business
Supervisory Department

In our Engineering Business, we focus on three key areas: interior projects for public and commercial facilities and accommodations, home renovation and condominium renovations.

In FY 2024, we saw a surge in construction, particularly in large commercial facilities and office buildings across the Tokyo metropolitan area. Looking ahead, we expect demand for construction to remain strong throughout Japan, especially in the Kansai region, where major projects like the Osaka Expo and an integrated resort (IR) are planned. However, the construction industry is facing a severe labor shortage due to the "2024 problem," which involves new regulations limiting overtime work and enforcing two days off per week. These changes may cause extend construction timelines and increase labor costs, posing challenges to the industry.

In the housing market, demand for pre-owned apartments in prime locations remains robust as the prices of newly constructed units soar. PAC System Co., Ltd., a subsidiary focused on selling renovated condominiums in the Tokyo metropolitan area, has been performing well and is emerging as a new pillar of our business. To address these market dynamics, we aim to create better living spaces by offering high-design, value-added products. We continue to develop products and construction methods that reduce labor, shorten project timelines, and minimize noise. Starting this fiscal year, we are launching a new initiative to develop a unique business model focused on improving the acoustic and thermal environments of spaces. By establishing a comprehensive, responsible construction system that covers everything from spatial planning and design to consulting, and development of materials to installation, our engineering business will work as one team to enhance the value of spaces where people gather."

Business Models and Strengths

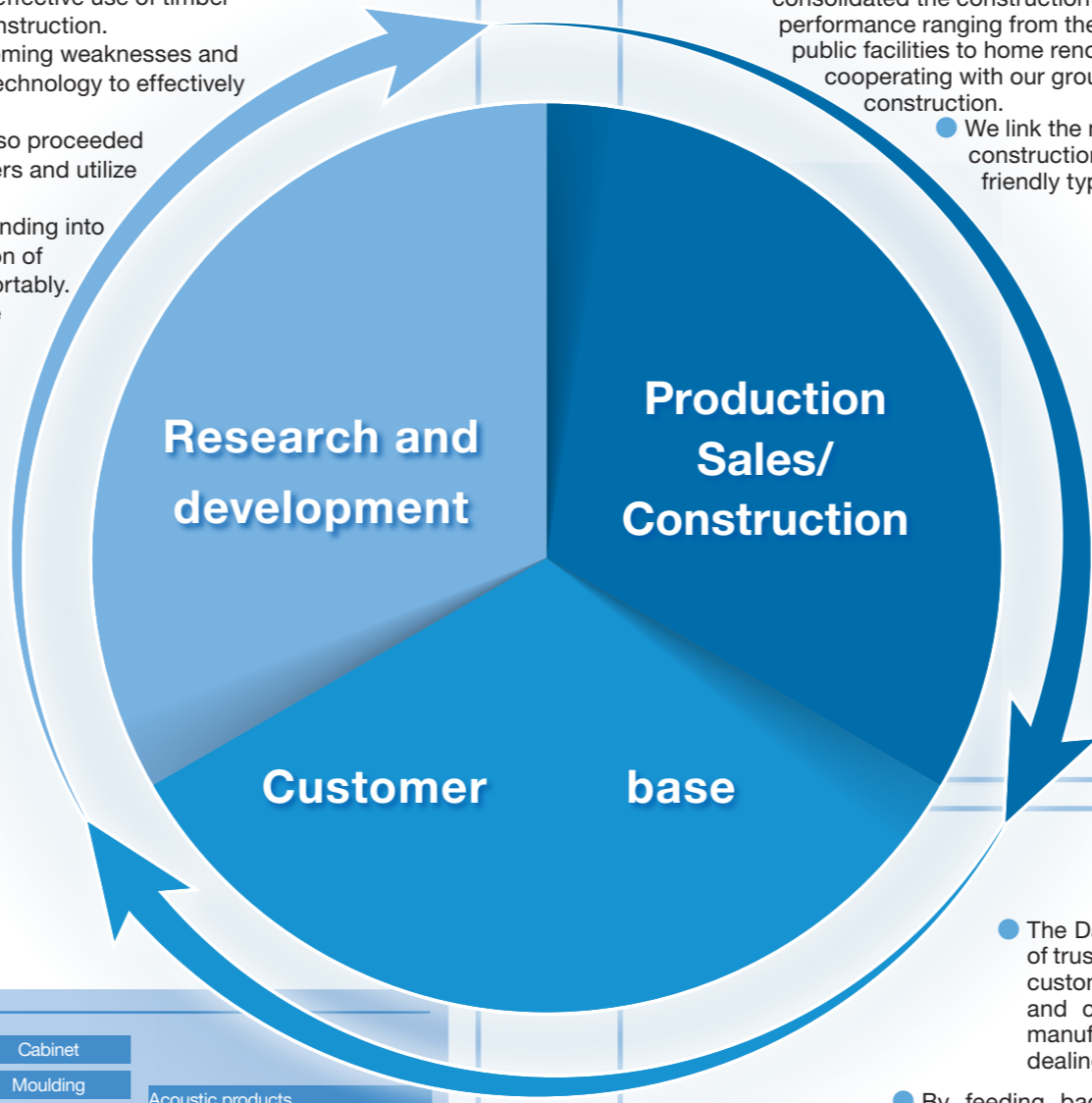
The Daiken Group takes advantage of the integrated system that implements research and development and a process from production to sale and construction of sustainable industrial materials and highly functional products on a group-wide basis as well as the customer base that has long been built with professional business partners and is committed to sustainable value creation.

Our Competitiveness Integrated

Development of sustainable industrial and materials highly functional products

- 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.
- By using these sustainable resources as base materials, we have been expanding into the deployment of building materials with increased added value and creation of spaces where people can spend time safely, securely, healthfully, and comfortably.
- A wide variety of product deployment capabilities has become our response capabilities for changes, leading to the sustainability of our business.

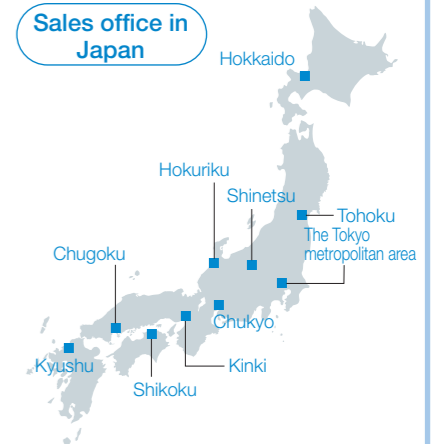
▶ P.43-44 Research and Development



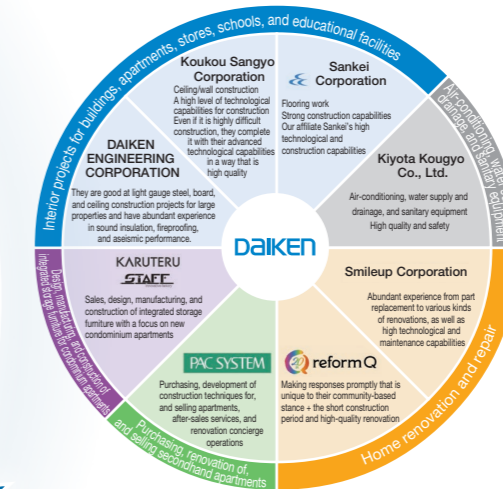
by the System

Engaging in the production, installation, and construction

- We provide products to a wide variety of markets by the production system toward the realization of high-quality and the stable supply at our group's plants and our sales network deployed at home and abroad.
- We not only sell industrial materials and building materials but have also consolidated the construction system that maximizes product performance ranging from the interior projects for office buildings and public facilities to home renovation and apartment renovation by cooperating with our group companies in charge of installation and construction.
- We link the needs obtained in the installation work and construction sites with the development of labor-friendly type products and techniques.

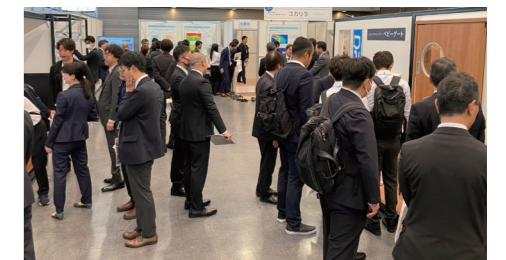


Installation/construction company

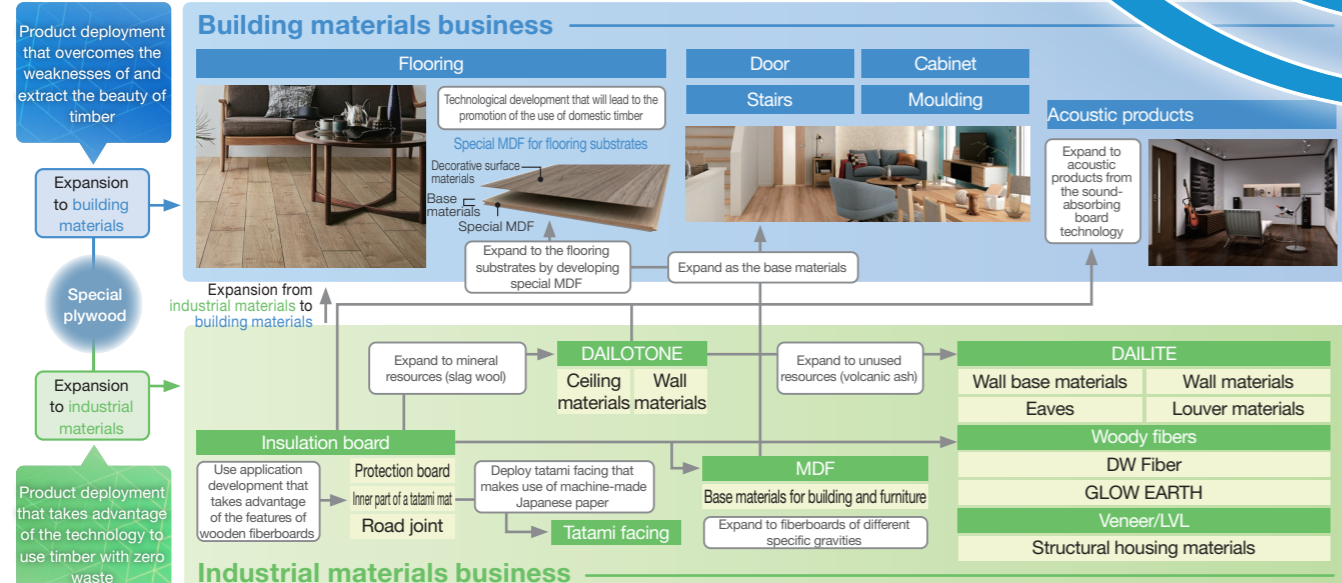
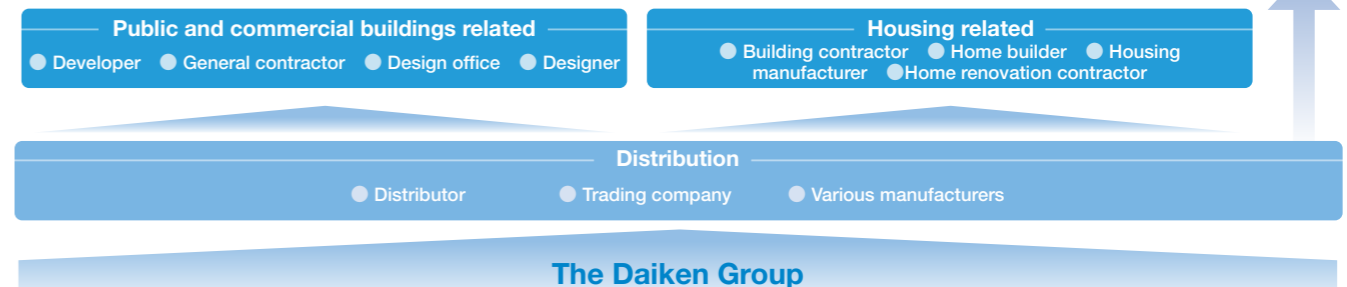


Relationships of trust with professional customers

- 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 feeding back the requests and information provision from these customers to the development of the next industrial/building materials, we will continue to provide new value.



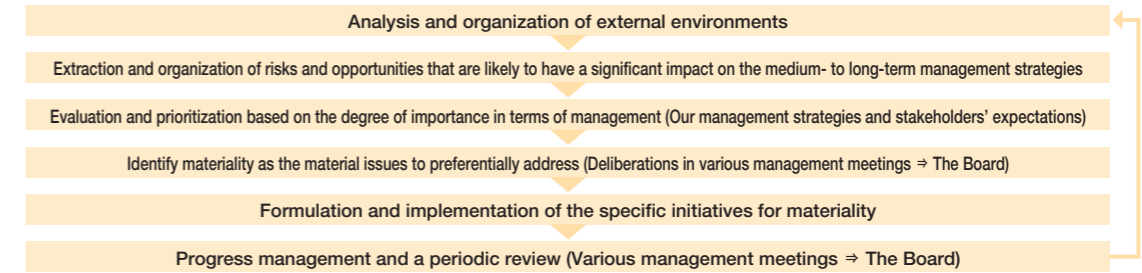
Business owners, Clients, and General users



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

- Expansion of the possibilities of wood materials
▶ P.23-25
- Effective utilization of unused resources
▶ P.26
- Contribution to well-being
▶ P.26-27
- Challenge to creating new shared value
▶ P.28
- Simultaneous pursuit of security and labor saving
▶ P.28

- Research and Development
▶ P.43-44
- Environmental Strategies
▶ P.45-46
- Human Resource Strategies
▶ P.47-50

*Details of the risks associated with businesses are described in the securities report.

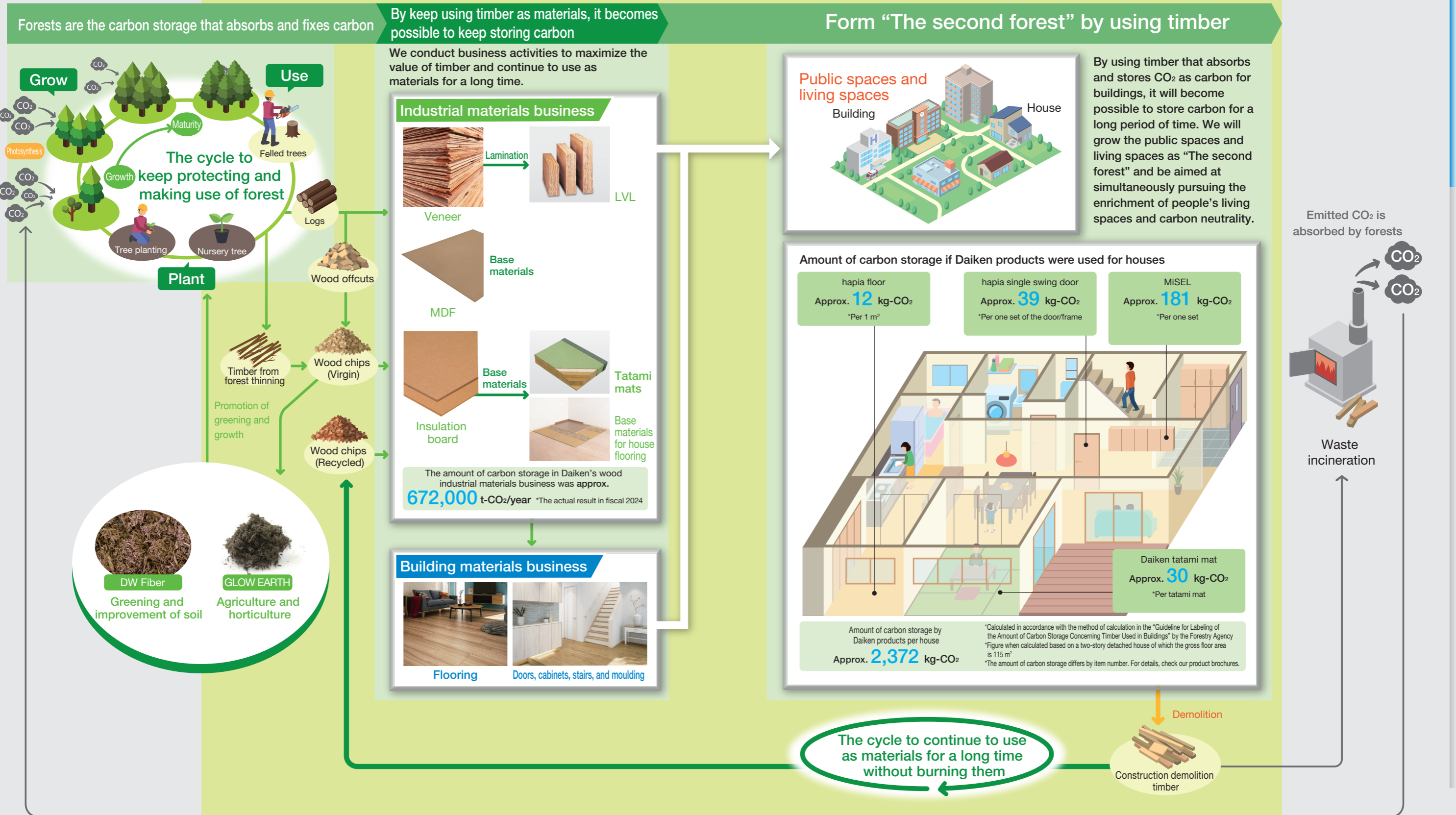
Creating Shared Value (CSV) by Daiken Business

1 Expansion of the possibilities of wood materials

Social issues and needs → Utilize wood resources and contribute to carbon neutrality

CO₂ C Fix and store as carbon

CO₂



Creating Shared Value (CSV) by Daiken Business

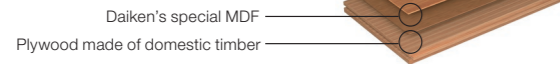
Social issues and needs

Proactively use domestic timber and keep forests to be healthy

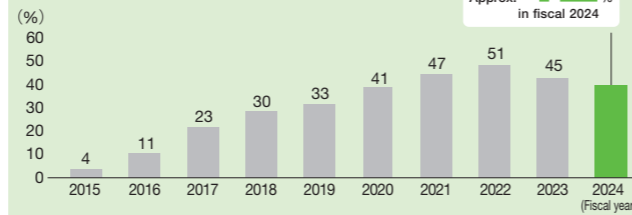
Promote the use of domestic timber with special MDF that offers excellent water resistance

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. Use of domestic timber in fiscal 2024 decreased to 42% because of the change in base materials for primary products; however, we will continue to proceed with product development that will draw out the appeal of domestic timber and promote the use.

Cross-section image of flooring substrates made from domestic timber



Utilization of domestic timber for flooring substrates



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

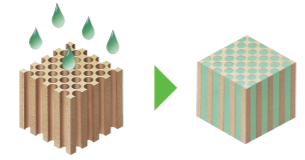
With Daiken's unique WPC* technology to harden wood tissues by injecting plastics into and filling the tissues, it has become possible to offer flooring that uses domestic natural wood for decorative surface materials with excellent surface strength. Because many domestic tree species are soft materials, 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

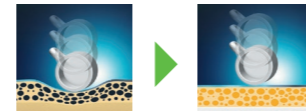
Results of the commercialization of local materials with the WPC technology
30 prefectures



WPC flooring




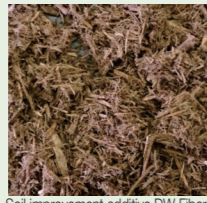



Inject plastic resin into surface wood for flooring and harden it



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

New use application development of wood materials

Under the conceived idea of using domestic timber as wood fibers, we used wood fibers made of fibrillated unused materials and timber offcuts and developed DW Fiber and GROW EARTH as the organic soil improvement additive and horticulture materials. These products will contribute to our initiatives for the conservation of healthy forests and carbon neutrality as the environment-conscious materials that 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.

	DW Fiber	GLOW EARTH
Characteristics	<ol style="list-style-type: none"> It is lightweight and has good workability Plant activation by adding fulvic acid It is hard to fly apart and excellent in durability 	<ol style="list-style-type: none"> It can be processed as combustible trash It is lightweight and can be used on the roof of a building It can be cultured alone by suppressing the growth inhibitors
Application	<p>Outdoor facilities, mulching in landscape gardening, and soil improvement (to be used for civil engineering work)</p>  	<p>Rooftop planters and flower growing Vegetable garden spaces (Vegetables) Balcony/room cultivation</p>   

As the new method to use open spaces in urban areas, we commercialized the vegetable garden system using GROW EARTH in April 2023. We provide one-stop support for the planning and management of urban vegetable gardens and contribute to the improvement of the value of buildings by creating wellness spaces.



MINNA NO ECO SAIEN system <https://www.daiken.jp/ecofarm/>

2 Effective utilization of unused resources

Social issues and needs

Utilization of unused resources toward the sustainable production

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

Daiken developed DAILITE, the world's first new industrial material using an unused resource, 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.



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



A noncombustible moulding made of DAILITE base material GRAVIO LOUVER



Volcanic ash, an unused resource available in the natural world



3 Contribution to well-being

Social issues and needs

Proposal for comfortable spaces that realize physical and mental well-being and a fulfilling life

Creating spaces where everyone can spend time with peace of mind

With our product lineup that can finely respond to the needs of users, such as elderly facilities and houses in which home care is conducted, we provide living spaces where people can spend time with peace of mind even when they get older. In addition, by taking advantage of the know-how on the development of these products and deploying the product group for kindergartens and childcare facilities where safety and comfort are further required, we will support the resolution of various issues required in each facility.



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



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



A door that is considerate of children's safety

Won the KIDS DESIGN AWARD

*Designs to support comfortable raising of children



Ceiling sound absorbing panel

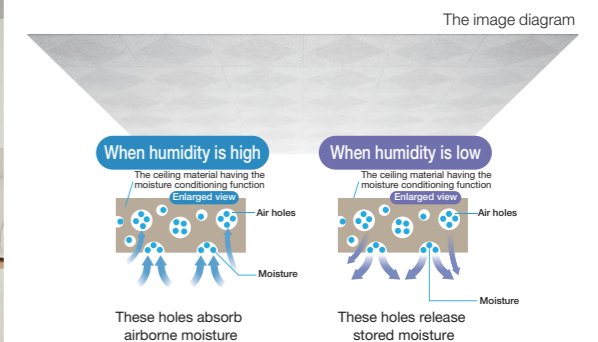


Proposal of the comfortable living environment

Because of the high airtightness associated with the improvement of the energy-saving level in houses, problems of humidity, odors, and sound have become apparent. As the response to such indoor problems, we propose the ceiling material with humidity control/deodorant/sound absorbing performance. It realizes three-dimensional design where shade and shadow stand out compared to general wallpaper-covered ceilings. It also has moisture conditioning performance, deodorant performance, and sound absorbing performance to suppress the echo of unpleasant sounds and healthily and comfortably produces the entire space.



Ceiling material with humidity control/deodorant/sound absorbing performance

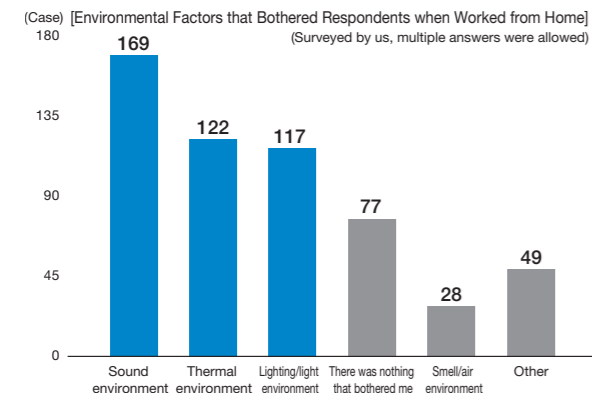


An indoor drying comparison experiment <https://www.daiken.jp/buildingmaterials/ceiling/cleartone/case02/roomdrying.html>

Creating Shared Value (CSV) by Daiken Business

Improvement of Quality of Life through sound

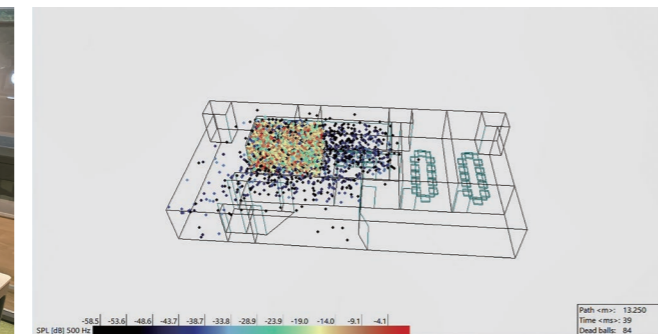
In pursuing comfort of the living spaces, Daiken has been engaged in acoustic products since the 1980s and faced various sound issues. Since then, with the accumulation of technologies and know-how on sound research for 40 years, we not only develop products having soundproof and sound absorbing functions but also propose spaces to realize the optimal sound environment. By a wide variety of our products and proposal capabilities, such as full-fledged sound creation aimed at the high soundproof function and high-quality sound vibrations for playing a musical instrument or a theater room as well as soundproofing work to solve the problems of sound and the speaking voice in living spaces, such as a living room and a bedroom, we aim at realizing a comfortable living environment.



New issues on sound have recently become apparent in offices, stores, and medical institutions. As one of the new business models, we have started activities toward the building of the structure to be able to make responses all in one, through the process from start to complete, such as design, planning, and consulting that will contribute to improvement of Quality of Life, as well as product development, procurement, manufacturing, and receiving material orders together with construction with the improvement of sound environment in mainly public and commercial buildings being the main axis. We expanded consulting for the sound environment, which had mainly addressed the noise problems that became apparent after constructing a building in the past, to the buildings before construction and set project managers who have technological knowledge on architecture as our new proposal targets. Accordingly, we can deploy our business fields, which remained in measurement/improvement proposals and material sales, to proposals of experience, such as consulting for the sound environment. We also explore new methods concerning the techniques to make proposals, such as using simulation software that can visually check the expanse of sound and sound insulation performance.



Installation of a product that suppresses reverberating sound in a meeting room

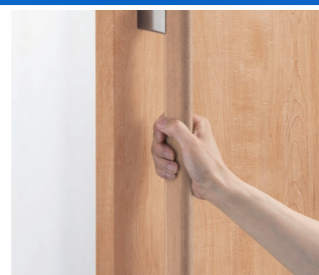


A simulation system to visually check the expanse of sound

Expansion of the antiviral products

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 antiviral function BIOTASK* to practical use ahead of the industry. In and after 2020, in time with the needs for virus countermeasures in the COVID-19 crisis, we have expanded and improved the product group having the antiviral function with a focus on the products for facilities where a high level of hygiene management is required, such as elderly facilities, kindergartens and childcare facilities, and clinics. We will proceed with the research toward further technological development and the initiatives aimed at contributing to the reduction of virus threats.

*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

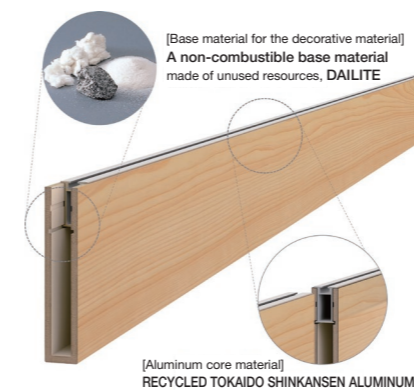
4 Challenge to creating new shared value

Social issues and needs

Building of a new business model through sustainable products

Waste reduction by upcycling

As a new initiative toward the realization of a sustainable society, we cooperated with JR Central and JR Tokai Corporation and jointly developed the GRAVIO LOUVER US series (RECYCLED TOKAIDO SHINKANSEN ALUMINUM is used for the core material), which is an interior building material to sterically produce ceilings for station buildings and stores, made of aluminum recycled from Tokaido Shinkansen's decommissioned cars. As the energy necessary at the time of manufacturing RECYCLED TOKAIDO SHINKANSEN ALUMINUM can be reduced compared to newly producing aluminum, CO₂ emissions can be reduced by 97%, and it is a material that will lead to reducing the environmental load. Regarding the louver that we jointly developed this time, recycled Shinkansen aluminum is used for the core material for fixing to the ceiling and an eco-material, DAILITE, effectively using an unused resource, volcanic ash, and slag wool, which is a byproduct of steel production, is used for the base material for the decorative material. In addition to a highly sustainable product for which environment-conscious materials were combined, since local materials can be used for surface wood, it will contribute to the revitalization of local economy and forestry. While coexisting with local communities in the future, we will proactively proceed with the development of products that can contribute to the realization of circular economy by reusing resources as materials without disposing them.



An image of the construction on the ceiling of the station building



*The logo of RECYCLED TOKAIDO SHINKANSEN ALUMINUM is JR Tokai Corporation's registered trademark.

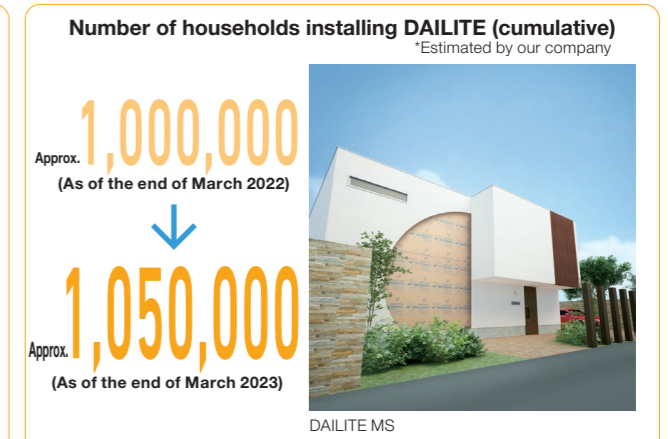
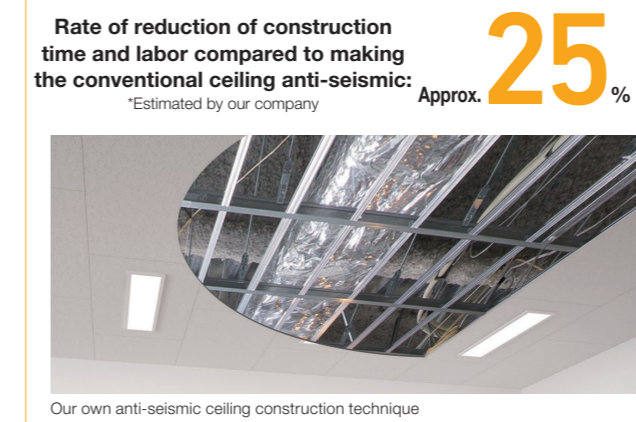
5 Simultaneous pursuit of security and labor saving

Social issues and needs

Simultaneously realize a shortage of artisans/ securing of the safety of buildings

Shortening of construction periods and enhancement of disaster prevention by the development of labor-saving type products and techniques

To respond to the needs of making the ceilings of large public buildings anti-seismic because of the revision of the Building Standards Act 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 aimed at simultaneously pursuing the improvement of the safety and construction speed while a shortage of artisans engaged in construction is expected, we reduced the construction time and labor by approx. 25% compared to making the conventional ceiling anti-seismic. We also contribute to the enhancement of disaster prevention in Japan that is prone to disasters with our product development capabilities, such as the development of a ceiling system exclusively for hallways, which will become the evacuation route at the time of disaster, and the improvement of the aseismic performance of wooden houses by DAILITE, a bearing surface for wooden houses.



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 has 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

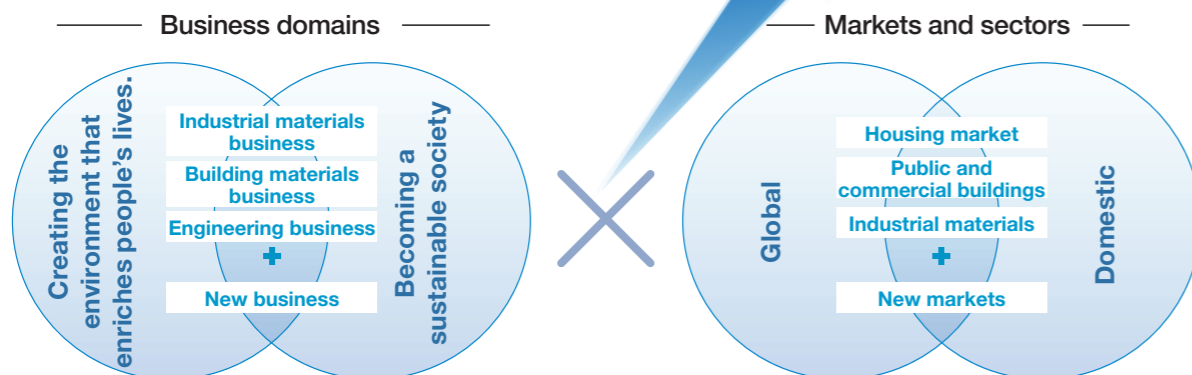
How we should be in 2025

- 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

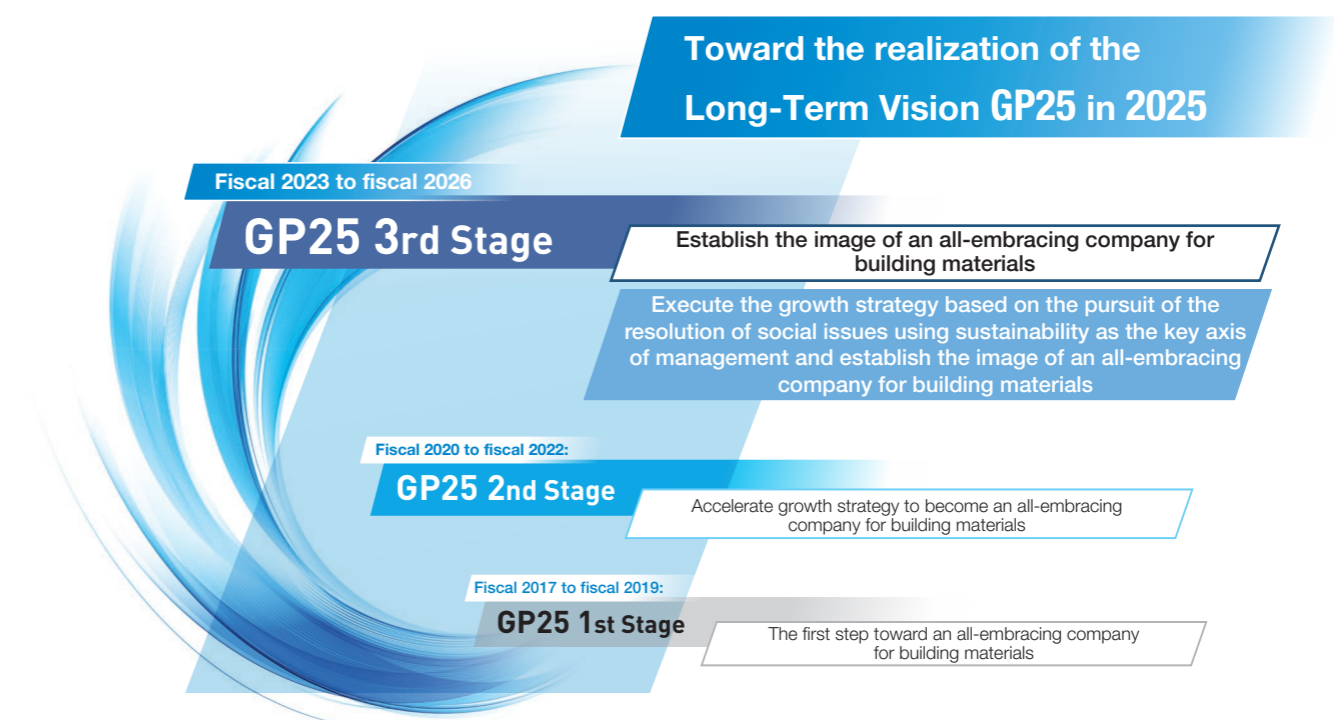
Business domains, markets, and sectors targeting Long-Term Vision GP25

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



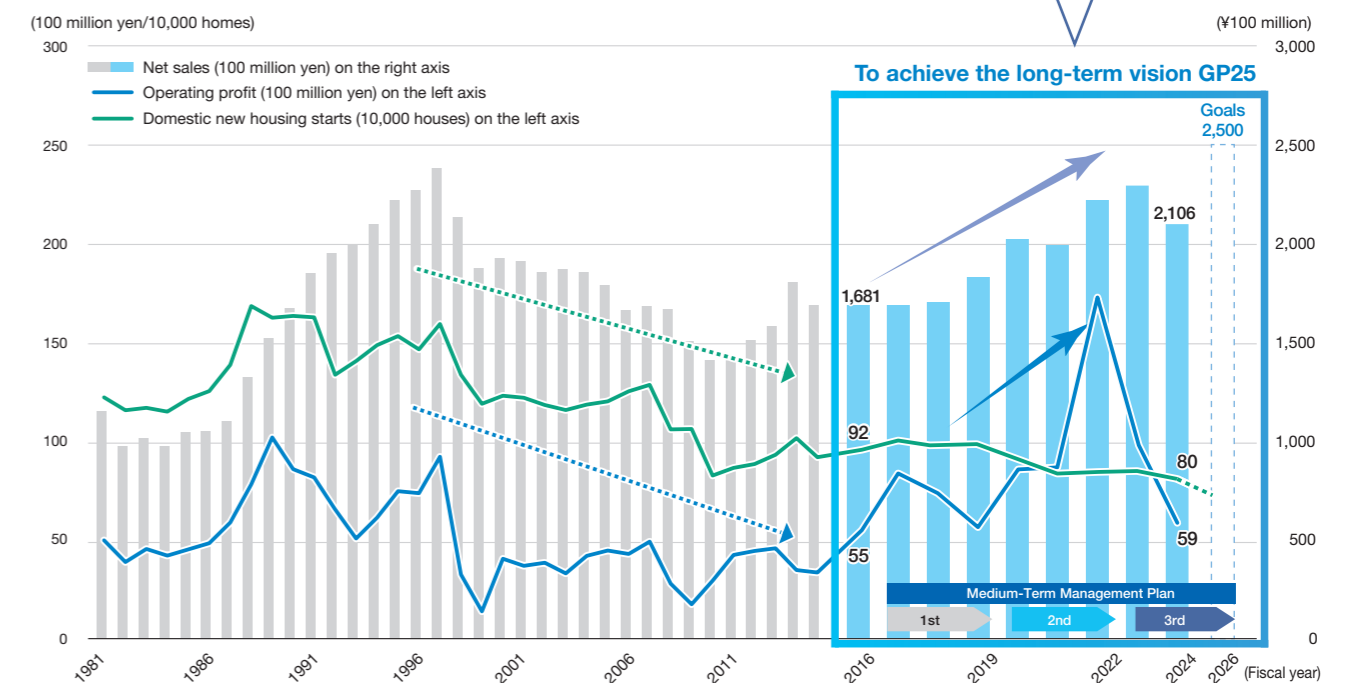
The medium-term management plan toward realization of the long-term vision



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 GP25 3rd Stage

Basic policy

I. Execution of the growth strategy ~Key to the resolution of social issues (CSV)~

Contribution to a recycling-oriented society

Accelerate the development of industrial materials using wood resources and waste where recycling is managed and the deployment to the global market through utilization development.

Satisfaction of user needs in the new normal era

For user needs that seek for further improved safety, security, health, and comfort in all kinds of spaces, enhance our solution proposal capabilities that take advantage of having diverse products (industrial materials and building materials), the spatial evaluation and analytical functions, and the construction function.

II. Enhancement of the management foundation with sustainability as the key axis

Human resource foundation

- Creating the workplace environment and culture where diverse human resources can be active
- Human resource development that supports the growth and can respond to changes
- Establishment of the system and mechanism that admire and support challenges
- Building of the balanced human resource foundation

Business foundation

- Simultaneous pursuit of the reduction of environmental burden and risk management in the supply chain
- Restructure firm and flexible business infrastructure
- Optimization of the business portfolio (Selection and concentration)
- Ensuring quality, which is the source of provided value
- Offensive/defensive digital strategy
- Building of an efficient and optimal logistics system

Financial foundation

- Aggressive investments for growth
- Building of the solid financial foundation that supports growth

Governance

- Impartial and highly transparent management that supports the improvement of corporate value
- Improvement of the stakeholder engagement by enhancing the dissemination of information and improving dialogues

Summary of the strategies of the medium-term management plan GP25 3rd stage

*If excluding the decrease in sales by 21.2 billion yen associated with the change in PWT in the United States

Market	Domestic market				Global markets
	Domestic new home market	Home renovation market	Public and commercial buildings	Industrial materials	
	Securing of the revenue base (An increase in the share of new housing, shifting to housing stock and non-housing, and material utilization development)				Growth driver
Sales by market	Net sales Fiscal 2022 223.3 → Fiscal 2026 250 billion yen (+26.6 billion yen) ↑ [+47.8 billion yen]* ↑				
Composition ratio	+5.1 billion yen ↑	+6.9 billion yen ↑	+13.8 billion yen ↑	+7.2 billion yen ↑	-5.6 billion yen ↓ [+15.6 billion yen]* ↑
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 Redevelopment project Recovery in demand from inbound tourists	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 growth strategies	Building materials business				Industrial materials business in North America
	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
	Expansion of the products that save construction time and work		Proposals of the improvement of the thermal environment		Industrial materials business: MDF
	Expansion of condominium renovations in the Tokyo metropolitan area		Expansion of the interior projects in the redevelopment projects		Structural reform and capacity expansion Improvement of the ratio of the products with high added value
	Engineering business				
	Industrial materials business in Japan				Building materials business
	Acquisition of alternative demand, capacity expansion, and development of new materials				Supply expansion to Europe and Asia
Enhancement of the management foundation	Optimization of the logistics system		Enhancement of cooperation in the group and optimization of the production system		
	Operational efficiency and productivity improvement using digital technology and restructuring of the core system				
	Pursuit of the sustainability of raw materials / Initiatives for eliminating the use of lauan wood (tropical natural wood) Reduction of greenhouse gas emissions in the supply chain				
	Promotion of diversity and flexible work styles				
Human resource foundation	Optimization of the sales structure and personnel (Shift to the prioritized markets) / Prioritized market enhancement program				
Financial foundation	Investments in growth and foundation enhancement and cash flow allocation that optimizes financial soundness				

Management goals

I. Execution of growth strategies

	GP25 3rd Stage		
	Fiscal 2023 results	Fiscal 2024 results	Fiscal 2026 goals
Net sales	2,288	2,106	2,500
Domestic market	1,641	1,654	1,835
Global markets	646	453	665
Operating profit	98	59	150
Operating profit ratio	4.3%	2.8%	6%
Profit attributable to owners of parent	103	39	100

II. Enhancement of the management foundation

Financial indicators

	GP25 3rd Stage			
	Fiscal 2023 results	Fiscal 2024 results	Fiscal 2026 goals	
Financial soundness	Shareholder equity ratio	45.0%	47.1%	40% or more
	D/E ratio	0.36 times	0.32 times	0.5 times or less

Nonfinancial indicators

	GP25 3rd Stage			
	Fiscal 2023 results	Fiscal 2024 results	Fiscal 2026 goals	
E	Total greenhouse gas emissions in Japan and overseas ¹	(4.0%)	(15.8%)	(10%)
	Total diversity index ²	+18.3pt	+25.9pt	+30pt
S	Serious quality incident/violation ³	0	0	0
	Employee satisfaction ⁴	54.4pt	57.4pt	60pt
G	Serious compliance violations ³	1	0	0

¹: Fiscal 2023 and fiscal 2024 results and fiscal 2026 goals included the total emissions in Japan and overseas (Scope 1+2) compared to fiscal 2022

²: Our own indices in which diversity-related items, such as the female manager ratio, were indexed. 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.

Fiscal 2023 and fiscal 2024 results and fiscal 2026 goals were indexed as compared to fiscal 2022

³: During the medium-term management plan period ⁴: Our own indices in which employees' actual feeling for satisfaction / job satisfaction in the workplace were indexed

Achievements and issues in fiscal 2024

- Although demand for interior projects, such as office buildings, continued and the apartment renovation market remained robust, net sales decreased because of the decreased demand for wood materials on a global basis, and profit also decreased because of the soaring industrial materials prices, decreased sales of MDF, and exclusion of PWT from consolidation.
- Regarding the domestic market, as the revision of the sales prices in and after the second half penetrated and we could make sales at fair prices, we were able to restore profitability. Regarding the global markets, as demand for furniture and building materials decreased and housing demand in North America came to a temporary standstill, MDF and LVL sales prices were sluggish, and revenues and profit decreased.
- We acquired the shares of Karuteru Corporation, which deploys the sales of materials and construction of integrated storage furniture with a focus on apartments in the Tokyo metropolitan area and Kiyota Kougyo Co., Ltd., which is an air-conditioning equipment installation company, and secured a foothold in building a new business model to make one-stop responses for design proposals, material supply, construction, and after-sales services.

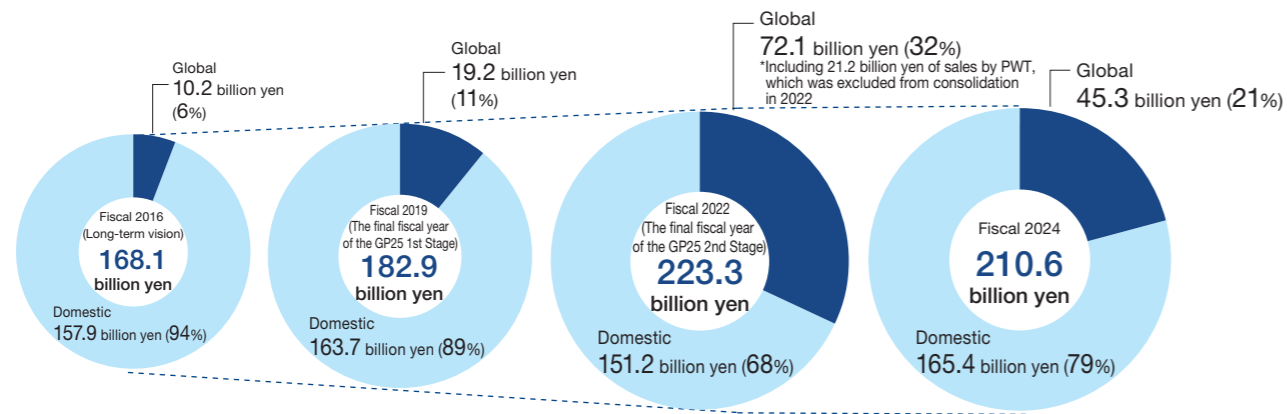
Information on the medium-term management plan GP25 1st Stage is published on our website. <https://www.daiken.jp/about/mediumterm1st.html>

Information on the medium-term management plan GP25 2nd Stage is published on our website. <https://www.daiken.jp/about/mediumterm2nd.html>

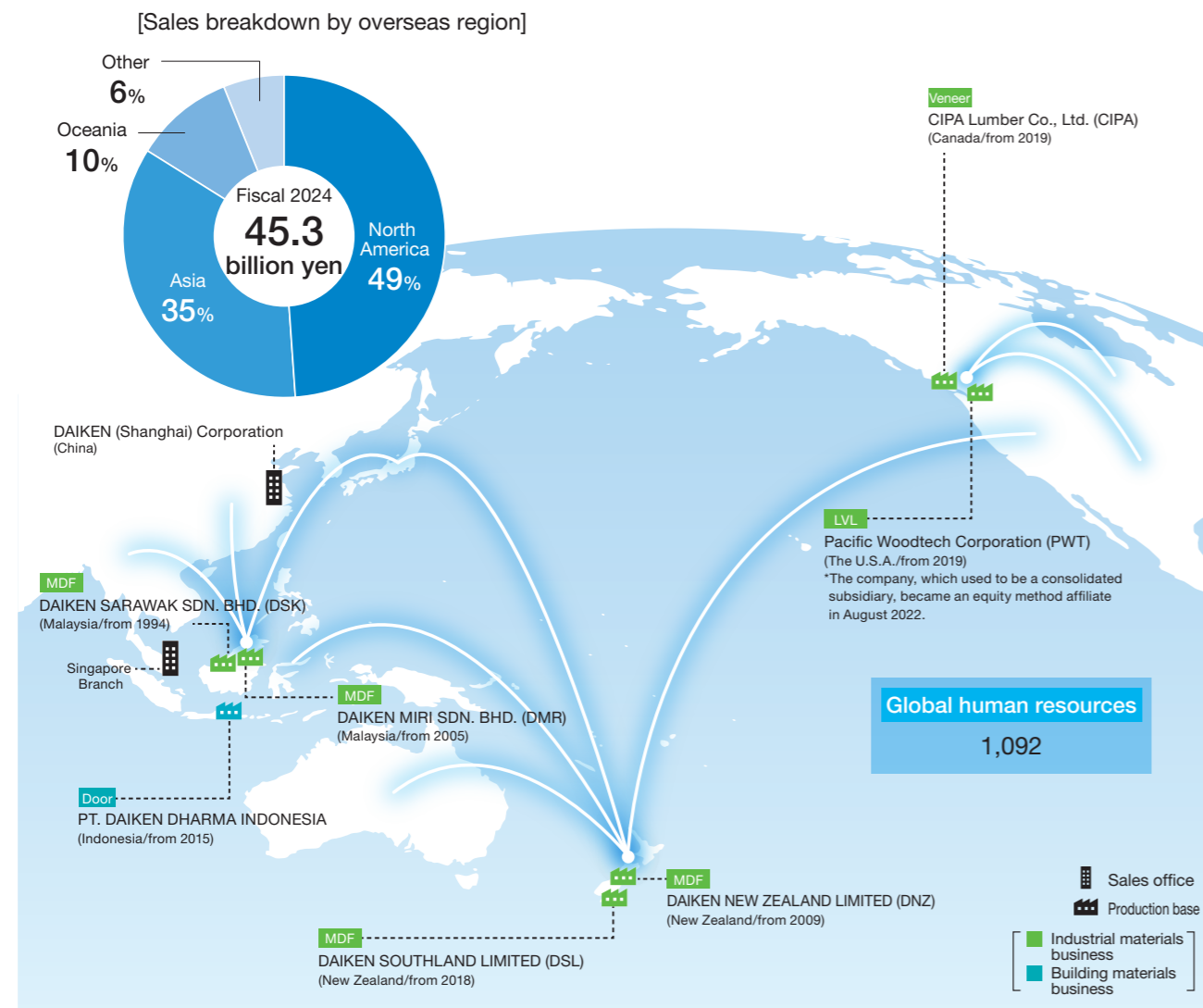
Global Markets

In addition to the sales of MDF produced in Malaysia and New Zealand, the industrial materials business in the global markets expands the production and sales of wood materials with a focus on veneers and LVL in Canada and the USA. The building materials business has been deploying mainly interior doors in China, which has a huge market size, and Indonesia, where housing demand expansion is expected.

Trends in domestic/global sales ratios



Overseas bases



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 added value and the further expansion of the sales channels in global markets.

Malaysia

Tree species: Hardwood, TEKWOOD

■ Excellent dimensional stability

Since the change in dimension is small and warpage is hard to occur even at high temperature/high humidity, it is widely used for cabinets and fittings.

■ Excellent water resistance

Since swelling when absorbed water or moisture is small, it can be used for window frames (sash window frames) and floor base boards, which require water resistance and moisture resistance.

■ Utilization of unused resources and stable procurement of raw materials

In addition to the utilization of unused resources, such as offcuts from lumper/plywood plants, we promote the use of plantation timber (acacia).

New Zealand

Tree species: Softwood, CUSTOMWOOD/DSL MDF

■ Light-colored surface that hardly has an influence on surface decoration

It is characterized by hardly having an influence on the decorative surface even if laminating a sheet where the base material can be seen through.

■ Smooth surface

The surface that takes advantage of long wood fibers is smooth and suitable for lamination and painting.

■ Utilization of unused resources and stable procurement of raw materials

New Zealand, where the plant is located, is rich in softwood that were planted in a planned manner, and by using these softwood as the main raw materials, we stably procure raw materials.



Production base

DAIKEN SARAWAK SDN. BHD. (DSK)

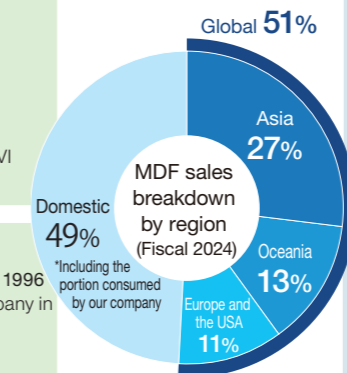


Founding: May 1994
Annual production capacity: 120,000 m³
Acquired Certificate: JIS A 5905, PEFC CoC CARB, EPA TSCA Title VI

DAIKEN MIRI SDN. BHD. (DMR)



Founding: September 1996
→ Purchased the company in February 2005
Annual production capacity: 120,000 m³
Acquired Certificate: JIS A 5905, PEFC CoC CARB, EPA TSCA Title VI



DAIKEN NEW ZEALAND LIMITED (DNZ)



Founding: 1976
→ Purchased the company in February 2009
Annual production capacity: 110,000 m³
Acquired Certificate: JIS A 5905, FSC CoC CARB, EPA TSCA Title VI

DAIKEN SOUTHLAND LIMITED (DSL)



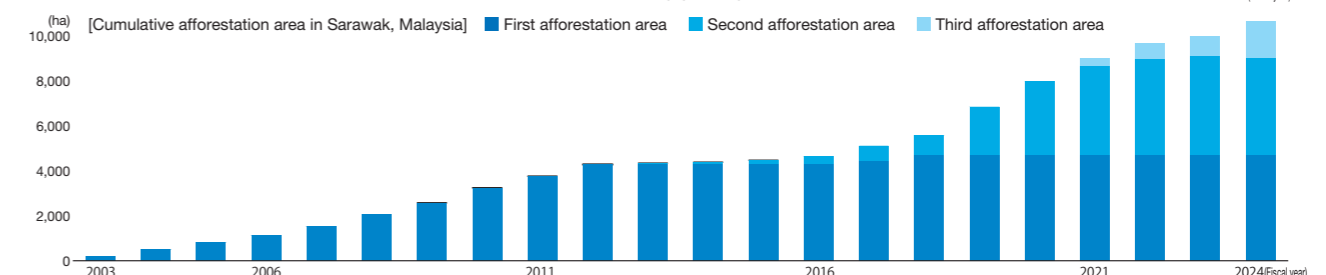
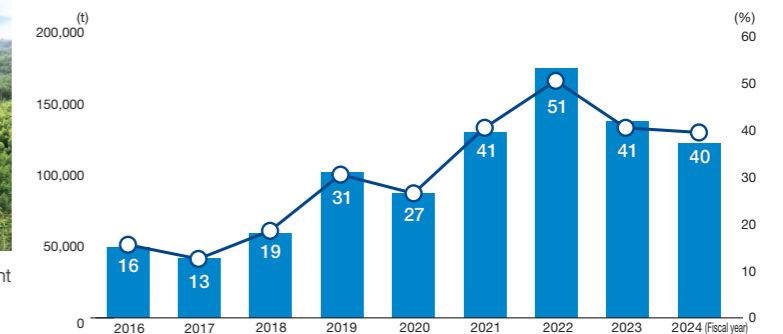
Founding: November 1993
→ Purchased the company in April 2018
Annual production capacity: 200,000 m³
Acquired Certificate: JIS A 5905, FSC CoC CARB, EPA TSCA Title VI

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 10,500 ha or more. Regarding the MDF manufactured in Malaysia, we aim at increasing the plantation timber ratio in wood materials to 100% by fiscal 2026 (plantation timber ratio in fiscal 2024 is 40%) and proceed with the plantation timber growth management and the expansion of afforestation sites.



[Trends in the plantation timber ratio in Malaysia] ■ Total amount used ○ Ratio



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)

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



LVL

Pacific Woodtech Corporation (PWT)

Founding: 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



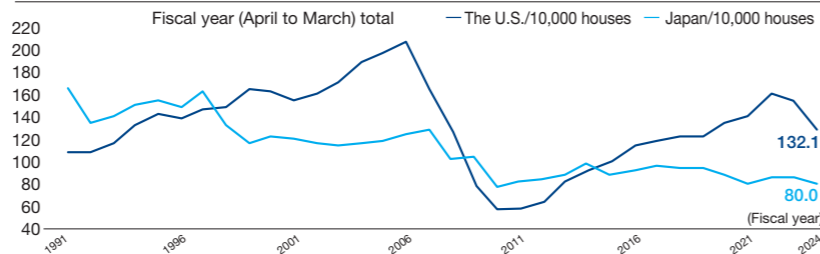
Significance of group structure

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.

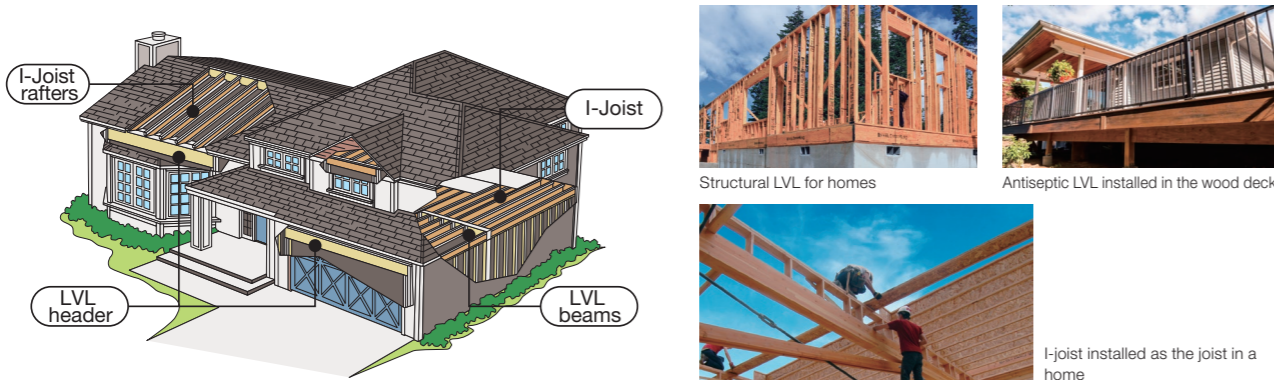
The world's largest wooden housing market

The number of housing that started in fiscal 2024 in the United States, which is the world's largest wooden housing market, was about 1.32 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 1.6 times larger than that of Japan. Regarding future market trends, although there are uncertainties, such as the interest-rate trend, 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.

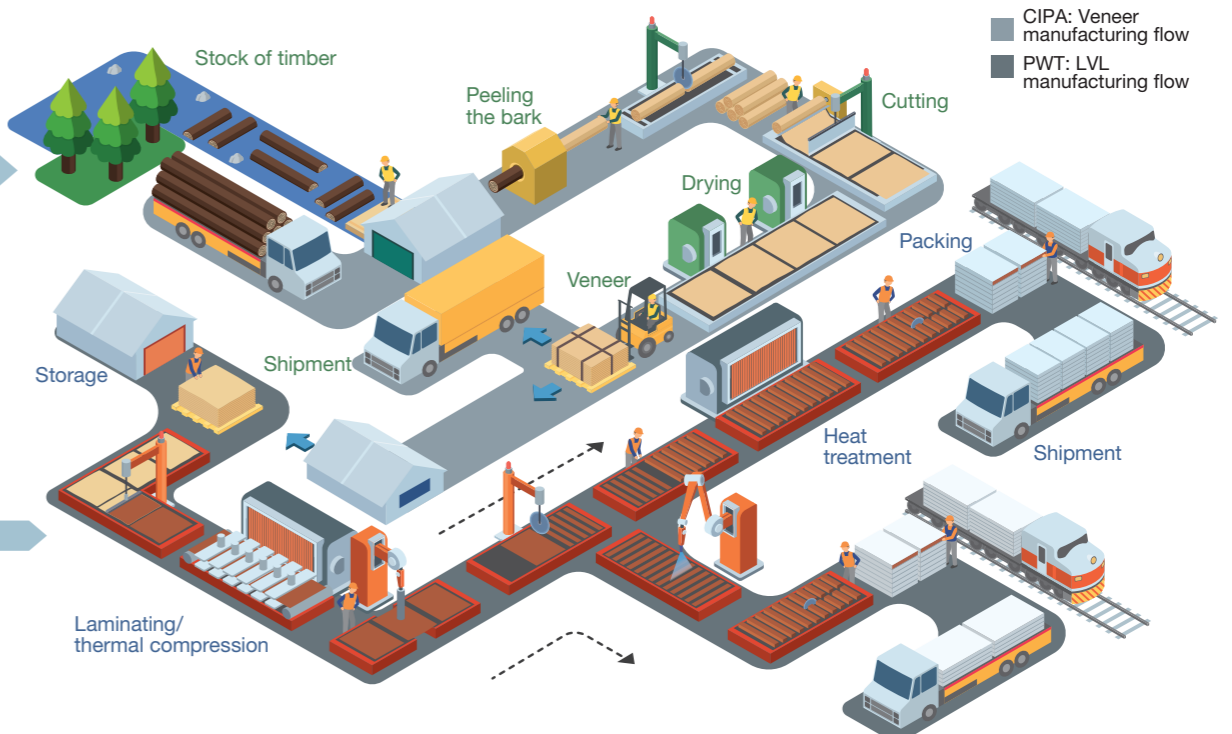
Trends in housing starts in the United States and Japan



Major applications



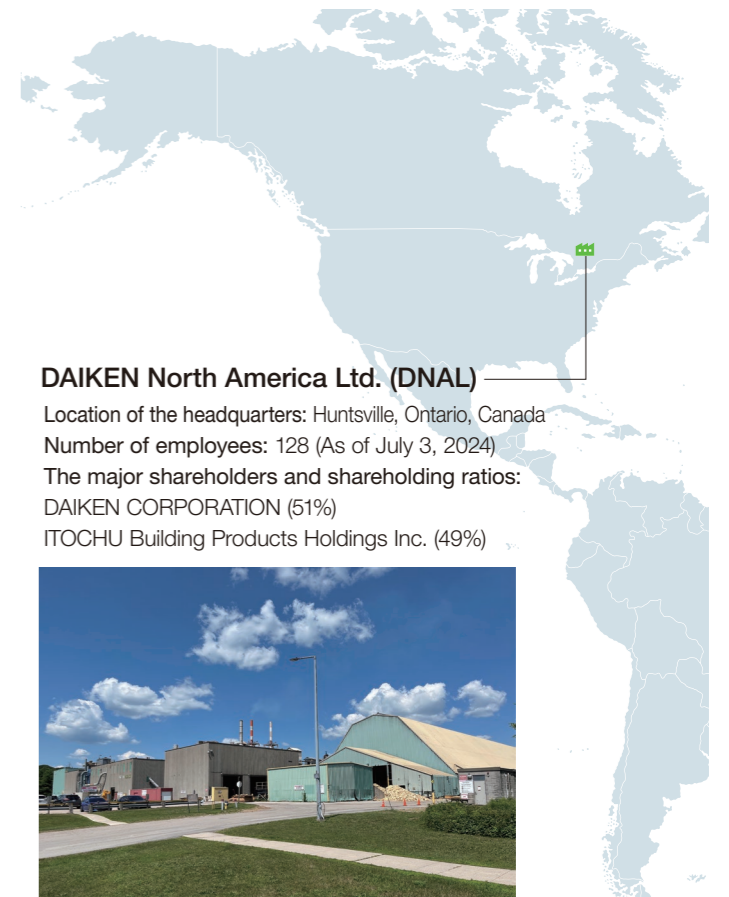
Business flow



Initiatives toward the commercialization of the new wood boards

In July 2024, we purchased Panolam Industry Ltd., which manufactures melamine faced chipboard* in Huntsville, Ontario, Canada, under the umbrella of a laminate product manufacturer in the U.S., Panolam Industries International Inc., by acquiring 51% of the company's shares (the current trade name is DAIKEN North America Ltd. (DNAL)). We position the global markets as the priority markets to expand in the long-term vision GP25 and have been proceeding with the business expansion while cooperating with ITOCHU Corporation. Among such markets, as the demand for wood materials is large in the North American area that has the world's largest wooden housing market, we have focused on the supply of MDF and manufacturing and sales of LVL, and purchase of DNAL this time will further act as a steppingstone to business expansion. DNAL not only manufactures and sells melamine faced chipboard but will also be used as the manufacturing base of the new wood boards that we have proceeded with the development. The new wood board has excellent performance required as the veneer, such as the excellent dimensional stability, stiffness, and smooth and homogenous tonal surface texture, and is an environment-conscious product that we assume the local production for local consumption, which will make it possible to sustainably recycle timber. We set the start of production of new wood boards in fiscal 2027 as the near-term goal and will proceed with the expansion of the North American business, including the melamine faced chipboard.

*A decorative board made through the low-pressure and heat-press molding of the decorative surface layer (impregnated paper) that melamine resin was impregnated to the decorative paper (titanium paper) and the wood board (particle board)



DAIKEN North America Ltd. (DNAL)

Location of the headquarters: Huntsville, Ontario, Canada
 Number of employees: 128 (As of July 3, 2024)
 The major shareholders and shareholding ratios:
 DAIKEN CORPORATION (51%)
 ITOCHU Building Products Holdings Inc. (49%)



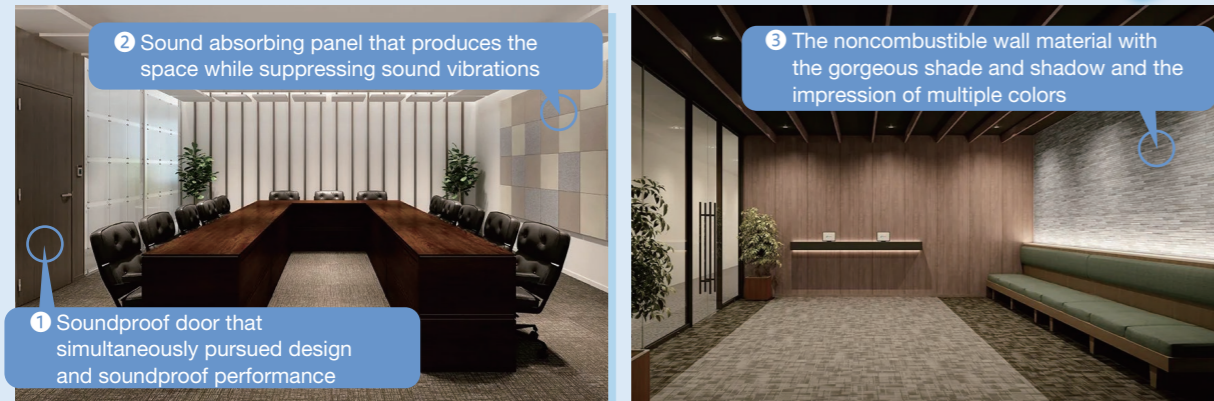
DAIKEN North America Ltd. that we purchased this time

Public and Commercial Buildings

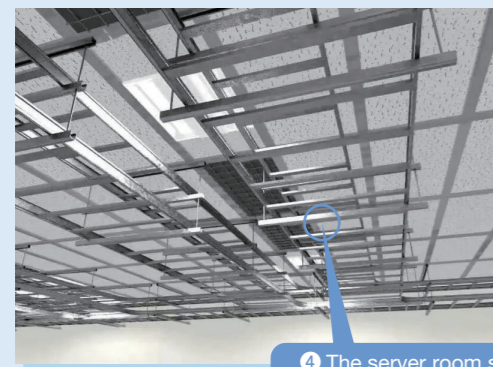
We take advantage of our unique technologies and expertise in safety, durability, non-combustibility, as well as the provision of a comfortable sound environment that we have cultivated as a housing material manufacturer in order to proceed with proposals for spaces by product series that offer the functions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

Offices

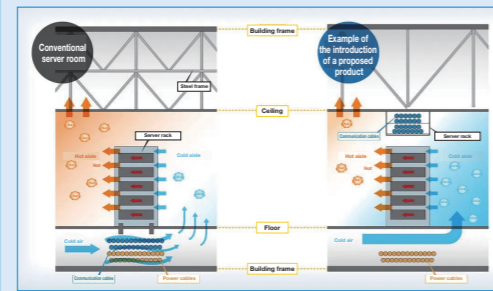
With the diversification of workstyles, office spaces have become not only the places to conduct business but also the places for which the elements of comfort in working, such as the improvement of comfortableness, safety, and productivity, are held to be important. We aim at creating comfortable and pleasant offices to work through the proposals of the needs of the sound environment and communication spaces that are specific to offices.



An office to create with DAIKEN <https://www.daiken.jp/qr/bm/office/>



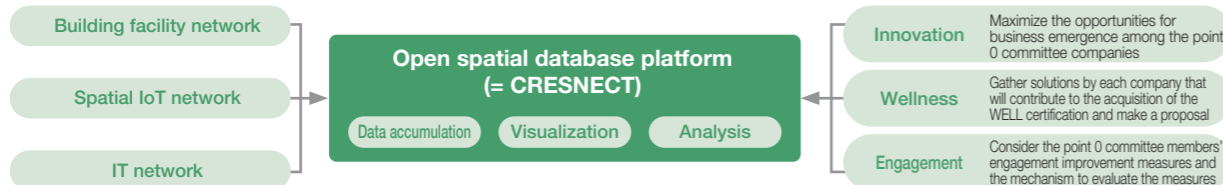
4 The server room system ceiling that realizes robustness with excellent durability and aseismic performance



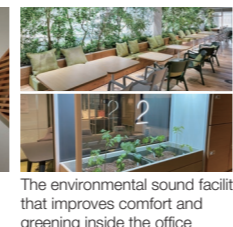
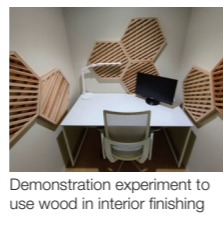
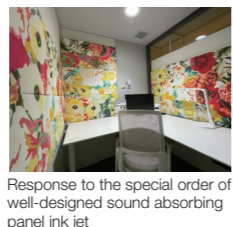
The server room system ceiling <https://www.daiken.jp/qr/bm/serverroomsystemtenjo/>

Initiatives for the improvement of the sound environment and the use of wood in interior finishing in point 0, a co-creation consortium with other companies

We focus on well-being in point 0 marunouchi, which is operated by point 0, and are conducting demonstration experiments toward the creation of office spaces that will lead to the improvement of the comfortable sound environment as well as the improvement of spatial value by using wood in interior finishing. In addition, at the co-creation consortium, point 0, IoT network infrastructure and data held by the participating companies are shared on the platform, aimed at creating new value with the keywords of efficiency/comfort, creation, and health.



Toward the realization of the development of spatial solutions for the workspaces that will improve productivity and comfort, such as the development of well-designed OFF TONE Magnet Panel that combined the printing technology and our sound absorbing panel, verification of the effects of the sound environment improvement and productivity improvement by using wood in interior finishing, and consideration of the office facilities that will contribute to the improvement of workers' comfort and health based on the idea of well-being, we will accelerate the process from planning to development and sales.



Accommodation facilities

While the number of accommodation facilities, such as hotels, inns, and private lodging, has been increasing with the increase in demand from inbound tourists, spaces with hospitality are required more than ever. We contribute to the improvement of lodger satisfaction by simultaneously pursuing the interior decoration nature that produces the atmosphere of the facility and the functionality that solves sound problems unique to accommodation facilities.



An accommodation facility to create with DAIKEN <https://www.daiken.jp/qr/bm/hotel.html>

Hard to sunburn	Hard to get dirty
<p>It was exposed to ultraviolet light to the extent that is equivalent to about two years, but it did not fade in color.</p>	<p>Even after spilling soy sauce and leaving it for 20 minutes, it hardly got stained because of its water-repellent property.</p>
It is hard to get moldy	It is resistant to scratches
<p>Even after 14 days since culturing molds, generation of molds occurred slightly.</p>	<p>Its surface is hard to wear out, and frays and scuffing occurred slightly.</p>

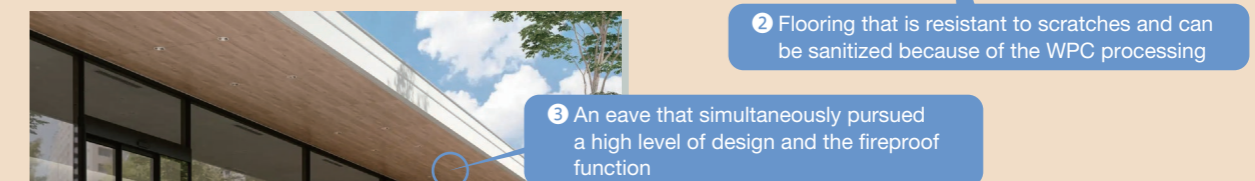
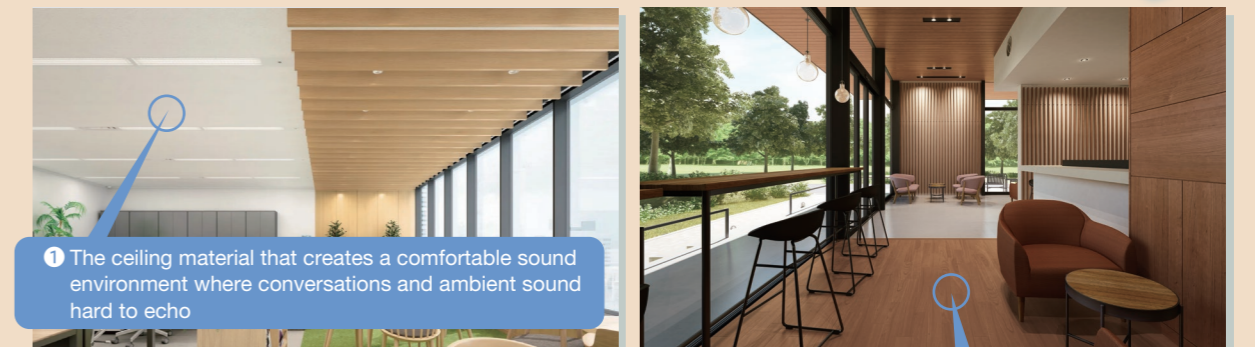


3 Tatami mats that suppress the change in color and generation of molds and keep comfortableness

DAIKEN Japanese paper tatami mat <https://www.daiken.jp/qr/bm/tatami/>

Commercial facilities

At commercial facilities used by a large number of unspecified people, ease of cleaning and maintainability in the facilities, in addition to the high level of interior design, are regarded as important. We help produce hybrid spaces where facility users can comfortably spend time and operators can keep and maintain cleanliness.



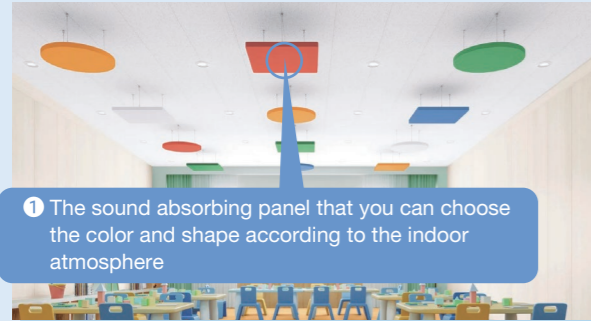
3 An eave that simultaneously pursued a high level of design and the fireproof function

A public facility to create with DAIKEN <https://www.daiken.jp/qr/bm/commercial.html>

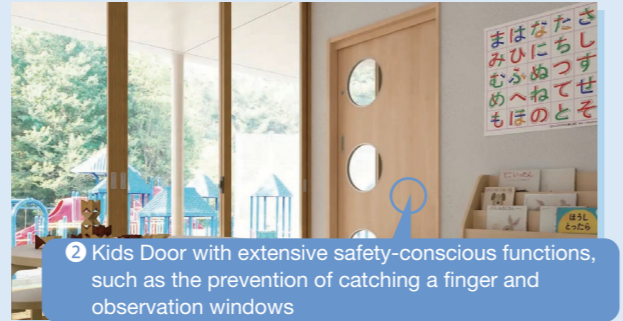
Public and Commercial Buildings

Kindergartens and childcare facilities

There are rooms in kindergarten buildings to be used for a wide variety of purposes, such as the nursery room and playroom. We solve the issues required in designing kindergarten buildings with our diverse products, such as kids door, that reduces the risk of getting injured and flooring that is resistant to scratches and dirt, and contribute to creating facilities where kindergarten and nursery school children and teachers can use with peace of mind.



1 The sound absorbing panel that you can choose the color and shape according to the indoor atmosphere

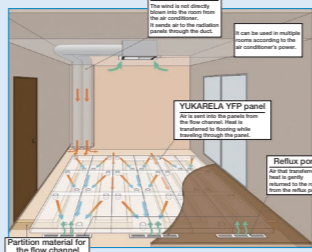


2 Kids Door with extensive safety-conscious functions, such as the prevention of catching a finger and observation windows

Products for kindergartens and childcare facilities <https://www.daiken.jp/qr/bm/childergarten/>



3 The cooling and heating system that hardly causes temperature unevenness and kicks up dust



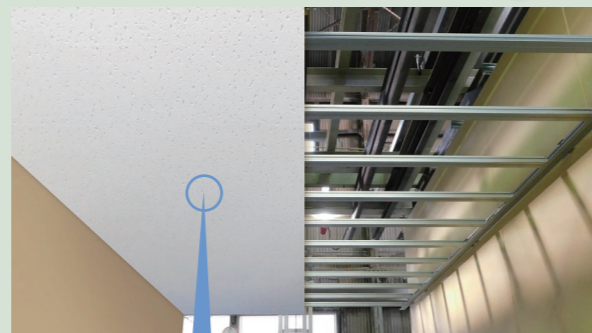
YUKARELA, a floor radiant cooling and heating system <https://www.daiken.jp/qr/bm/flooring/yukarira/>

Educational/public facilities

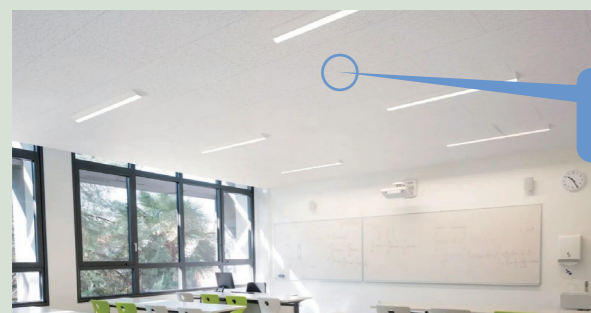
Educational/public facilities where local people gather require safety performance, such as aseismic performance, and building construction on which inclusive design is reflected in order for everyone to be able to easily use. We also support the construction of buildings as symbols of the local communities that users can become familiar with or have an emotional attachment through the adoption of building materials and design that use local materials.



1 Flooring that realizes the use of local materials with the WPC technology



2 The system ceiling for hallways that keeps people safe in the event of an emergency



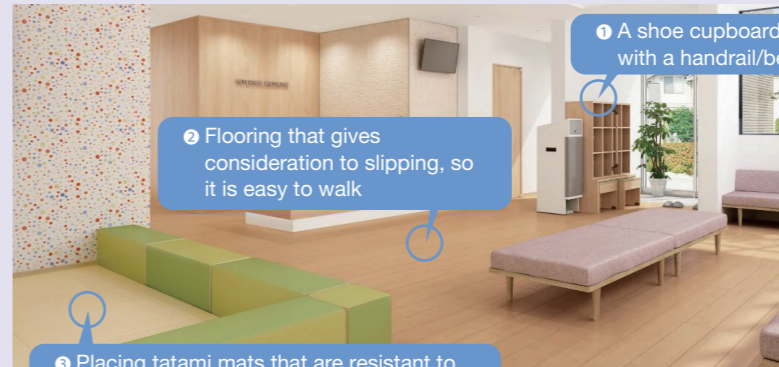
3 Sound absorbing ceiling board for educational facilities that enables people to easily hear a speaker's voice

School/educational facilities to create with DAIKEN <https://www.daiken.jp/qr/bm/school.html>

A public facility to create with DAIKEN <https://www.daiken.jp/qr/bm/public.html>

Medical facilities

Clinics and medical offices are places where those having health problems visit and spaces to be able to support an uneasy mental state is required. Not only cleanliness and hygiene measures but also improvement of the sound environment to make sure that sensitive conversations will not be leaked attract attention.



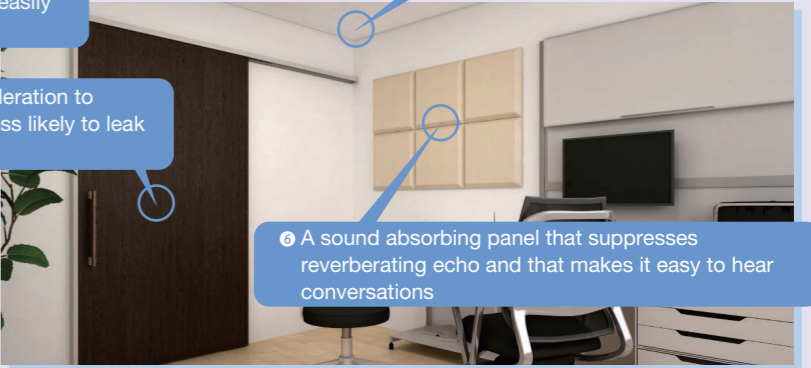
1 A shoe cupboard that comes with a handrail/bench

2 Flooring that gives consideration to slipping, so it is easy to walk

3 Placing tatami mats that are resistant to dirt and scratches and that can be easily installed

4 The ceiling material with high smell reduction effect

5 An overhang door that gives consideration to speeches and privacy and that is less likely to leak sound



6 A sound absorbing panel that suppresses reverberating echo and that makes it easy to hear conversations

Information on the products for medical facilities <https://www.daiken.jp/qr/bm/medicalfacilities/>

Elderly facilities

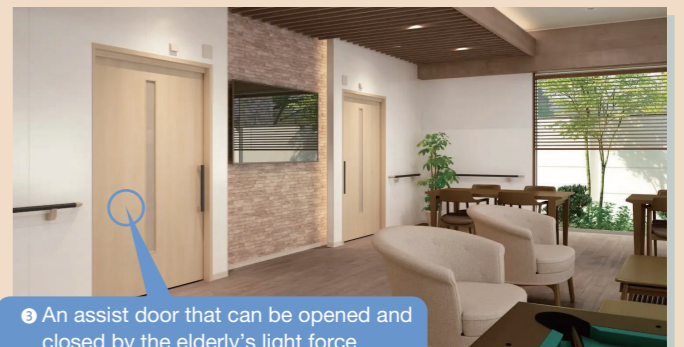
At facilities where the elderly live, building materials that are different from those used for general houses, such as fall prevention and measures against infectious diseases, are required. We address the issues of the facilities with our functional products that give consideration to the safety of users, such as a door having a wide frontage where wheelchair access is assumed and a handrail that helps walking.



1 A space-saving wide sliding door that secures a wide frontage



2 A handrail to which antiviral treatment is given as a measure against infectious diseases



3 An assist door that can be opened and closed by the elderly's light force

Elderly facility design portal <https://www.daiken.jp/qr/bm/elderlyfacility/>

Domestic Housing Market

New homes

As a leading housing material manufacturer, we have a great range of product lineups that support a wide variety of lifestyles. Ranging from the series of products to totally coordinate the entire space to well-designed products that fulfill the lives that people are particular about, we take advantage of our product deployment capabilities to meet the needs of those who live and propose valuable space creation.

Information on the products for housing <https://www.daiken.jp/qr/bm/housing/>

Flooring

Flooring accounts for the majority of a room and is a building material that will be the core of interior finishing. To be able to make proposals tailored to the point of use and users, we have lineups offering diverse functions, colors, and designs.



Door

For a door that separates spaces, not only its design but also the standpoints of its opening and closing properties and sound insulation properties are important. We offer ease of living with many variations ranging from the opening and closing method to the daylighting section and a door handle.



Tatami mats

Tatami mats made from straw twisted machine-made Japanese paper strings and that recreated the hand feeling and texture close to rush grass. They are excellent in abrasion resistance, water resistance, and contamination resistance compared to tatami mats made from rush grass and produce a comfortable Japanese space.



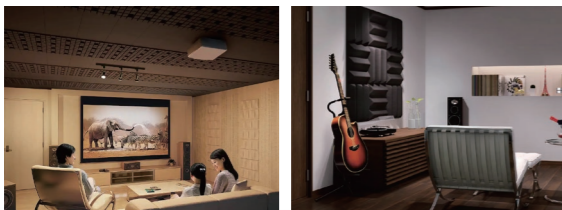
Cabinet

With our proposals for cabinets that combine a space and things, we can organize rooms while supporting one's lifestyle. We realize design as the interior and functionality that maximally utilize a limited space.



Acoustic products

We have a good selection of products that correspond to a wide variety of acoustic needs ranging from a soundproof room to the improvement of the daily sound environment. We take advantage of the expertise on our acoustic product business of 40 years and contribute to the resolution of sound problems.



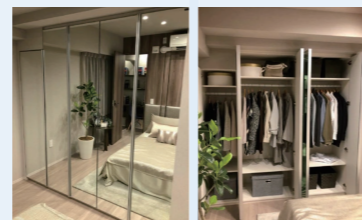
Wall materials/Ceiling materials

In wall and ceiling materials for which wallpapers are mainly used in general houses, we differentiate ourselves with the functions, such as moisture conditioning, deodorization, and sound absorption, and realize comfortable spaces.



Purchase of Karuteru Corporation

In October 2023, we acquired all shares of Karuteru Corporation, which is an industrial materials and construction sales company for integrated storage furniture, and the company became our consolidated subsidiary. Karuteru Corporation boasts of high performance in industrial materials and construction sales for integrated storage furniture in the apartment market in the Tokyo metropolitan area and operates the uniquely developed system that consistently manages order taking, design, manufacturing, and construction and their high price competitiveness realized by streamlining operations and reducing fixed costs is a great advantage. We enhance our proposal capabilities by the total space creation, including our products other than cabinets, such as fittings, floors, walls, and ceilings in addition to the industrial materials and construction sales scheme that is a characteristic of Karuteru Corporation.



Renovation

In properties to be renovated, building materials that will improve the current home are required and the needs for the reflection of interior trends and added value of functionality have been growing.

Information on the products for renovation <https://www.daiken.jp/qr/reform/>

New spatial demand because of the change in lifestyles

As lifestyles change, functions required for living change as well. Secure the storage space according to a child's age and secure rich living spaces for the entire family by the storage plan that contributes to storage education*, such as studying in a living room. By our proposals for various workspaces according to the room situations, such as a bedroom and a study room, we can organize a comfortable working environment for working at home.



*Storage education are the words that combined storage and childrearing/education/cultivation aimed for both adults and children to learn and nurture the ability to live happily through tidying up, which is advocated by the JAPAN SHUNO LICENSING ASSOCIATION, a general incorporated association.

Renovation that coordinates housing from ideal living

With a wide array of colors and the lineup of building materials to be able to totally coordinate inside a room, we realize the interior in one's own style with a theme. With the apartment renovation that review housing from living, you will be able to fulfill a utilitarian space that has design as well as traffic lines and durability.



High design products that realize spatial design

In the building materials for renovation for which upgrading of living is required, high design is important as well. We have a good selection, such as a flooring material of which we are particular about the surface texture and that realizes a three-dimensional design, and GRAVIO EDGE, which produces a sense of luxury by its natural shade and shadow that cannot be expressed by general wallpaper or painting, contributing to creating high-quality spaces.

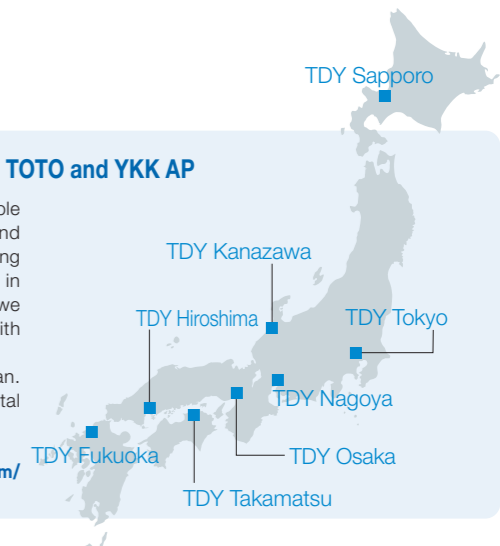


GRAVIO EDGE

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 (Sales of Products) to events (Sales of Solutions), 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. Collaboration showrooms jointly operated by TDY have been deployed in eight sites in Japan. We exhibit the three companies' products in a one-stop manner and propose the total concept of living ranging from interior finishing to plumbing and exterior finishing.

TDY renovation information site <https://www.daiken.jp/reform/>



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.

Research theme

The R&D center promotes research and development that contribute to the resolution of social issues and a sustainable society from the standpoints of ecology and qualitative improvement of spaces.

Industrial materials

Improvement of the existing industrial materials and development of industrial materials that will become the key to capturing new markets

- Technology development to use unused resources
- Development of industrial materials with low environmental load and introduction of them to the market
- R&D of industrial materials for new markets other than building materials

Building materials

Development of new secure and safe building materials that will be needed by society in the future

- Development of labor-saving type building materials and techniques
- Development of building materials that simultaneously pursued design and performance
- Reduction of CO₂ in the entire product lifecycle, including manufacturing, transportation, and construction

Spatial environment

Creation of spaces that will realize a comfortable life

- Analysis by simulation of the thermal, humidity, and cross-ventilation environment
- Development of energy-saving and indoor environment improvement technologies
- Research to reduce virus and molds

Assay evaluation

Various measurements and analyses using the expertise cultivated in R&D

- Measurement of air quality
- Sound insulation performance evaluation
- Building materials' heat generation test
- Asbestos analysis



Acquired the WELL Performance Rating for the first time in Japan

The R&D center acquired the WELL Performance Rating (WPR) in April 2024. This certification is the rating system specialized in indoor environmental quality in buildings, which was derived from the WELL Certification that measures and evaluates various functions that have an influence on people's health and well-being (physically, mentally, and socially well), and consists of the six perspectives of indoor air quality, water quality management, lighting measurement, thermal condition, acoustic performance, and experience by residents. The R&D center that acquired the certification this time is also used as the place of demonstration experiments on the solutions for the spatial environment that we appeal, and we could deepen our knowledge of the measurement of environmental performance in the actual offices.

By employees working in the well-being workplace environment, we will further improve our research and development capabilities and opportunities to create ideas and strive to develop products and services that grasp the customer and social needs in advance.



Prioritized theme 1 Development of industrial materials that use sustainable resources, such as timber (Development of environment-conscious MDF)

Daiken Corporation has put effort into the development of technologies for industrial materials and building materials that effectively use timber with no waste since its establishment. 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 challenge in the existing business, we have been proceeding with the initiatives toward the establishment of the production technology for the environment-conscious MDF (medium density fiberboard) for which adhesives using the petrochemical raw materials are not used at all. In fiscal 2023, we succeeded at MDF prototype manufacturing using the adhesive made of the wood-derived component and have currently been proceeding with the stable procurement of raw materials toward the start of manufacturing in fiscal 2026. Eventually, we will use plantation timber and aim to develop and launch MDF exclusively composed of natural materials. 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.

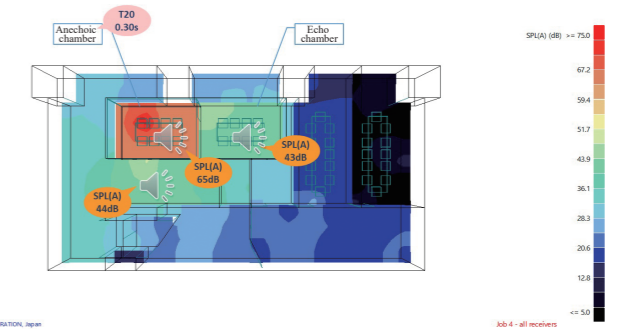


Prioritized theme 2 Development of technologies that create safe, secure, healthy, and comfortable spaces (new sound design and development base)

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. In anticipation of the rollout in October 2025, construction of the acoustic experiment building, which will become a new development base for acoustic design, has been decided. We will conduct functional and performance experiments and evaluations, such as high-precision measurements based on the Japan Industrial Standards and analytical predictions of sound absorbing performance, soundproof performance, and floor impact sound. The concept of the sound environmental solution business to propose the improvement of the sound environment, such as offices, by taking advantage of our strengths in the development, manufacturing, and sales of architectural acoustic products that we have continued for over 40 years since 1982 and will proceed with the further expansion of the acoustic business at this development base as the core facility.



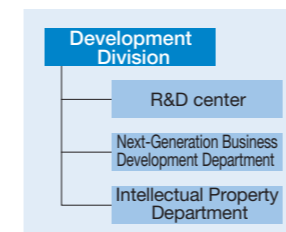
Okayama Factory



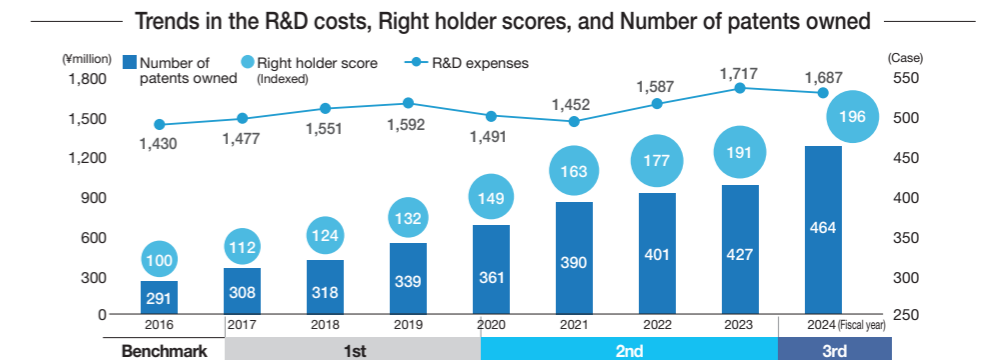
The sound environment measurement system

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. Currently, various technological challenges have been conducted under the new structure and a new technological bud has come 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.



*Right holder score: One of the indices to evaluate the value of the entire patent group owned. The right graph shows values by indexing fiscal 2016, which is the benchmark, as 100 to indicate the changes over the years. Created by using Patent Result Co., Ltd.'s Biz Cruncher.



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.

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 for fiscal 2031 compared to fiscal 2022. Regarding the goal for fiscal 2026, 10% reduction (Scope 1+2) and 6% reduction (Scope 3) have been upheld as one of the medium-term management plan's ESG goals. For fiscal 2031, 25% reduction (Scope 1+2) and 13.5% reduction (Scope 3) have been upheld as the goals, and we have obtained certification from 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 2024, 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 a 15.8% reduction, and Scope 3 was a 16.1% reduction, which exceeded the target values in fiscal 2026. We will continue the initiatives for the reduction aimed at realizing carbon neutrality.

Mitigation of climate change

—Realization of carbon neutrality—



Promotion of resource recycling

—Waste reduction and reuse of resources—



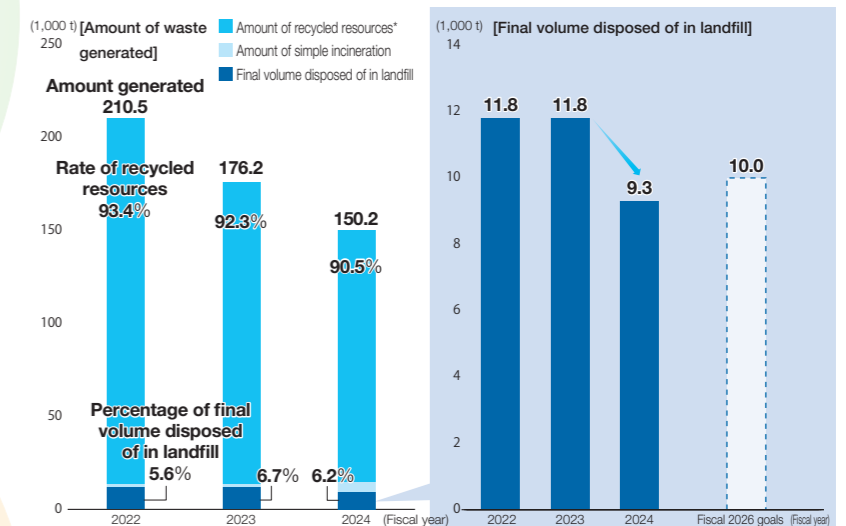
Coexistence with nature

—Conservation of biodiversity—

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 2024, we promoted material recycling, such as using it for soil improvement, and as a result, we achieved the final disposal of waste in landfills that is set as one of the medium-term management plan's ESG goals (goal in fiscal 2026: a 15% reduction compared to fiscal 2022). To be able to maintain the goal achievement, we will continuously work on the reduction toward the fiscal 2026, which is the final fiscal year of the goals.

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

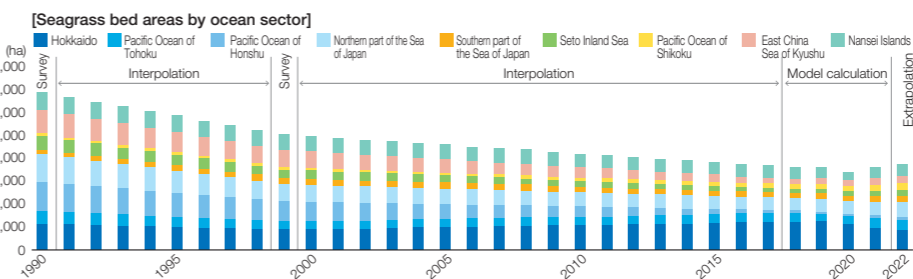


New initiatives toward the regeneration of marine ecosystem

Whereas carbon that terrestrial plants, such as forests and green in cities, absorb is called green carbon, carbon taken up in the sea by marine organisms, such as seaweed (eelgrass), seagrass, and phytoplankton, is called blue carbon, which have recently been drawing attention as a new option for carbon sink. The blue carbon ecosystem is known to bring co-benefits (synergistic benefits), such as the supply of fishery resources, water purification, and fostering of livelihood culture, and among them since seagrass beds provide hiding places and egg-laying sites to various living organisms, they play very important role from the perspective of biodiversity; however, because of the change in the marine environment due to global warming, the problem of rocky-shore denudation* has come to the surface on a global scale. For this issue, the Daiken Group takes advantage of the technologies to use unused resources

and the development of industrial materials cultivated in the existing businesses and has started research and development of marine resources that will lead to the regeneration of seagrass beds. We have contributed to the reduction of the environmental load from the perspective of carbon fixation by utilizing timber and by challenging the new field of the improvement of the marine environment, we look ahead to further creating shared value that will exceed carbon neutrality in 2050. While cooperating with local municipalities, research institutions, and companies, we will proceed with the initiatives and aim at realizing a regenerative society, such as regional revitalization through the maintenance of diversity of the marine ecosystem and conservation activities.

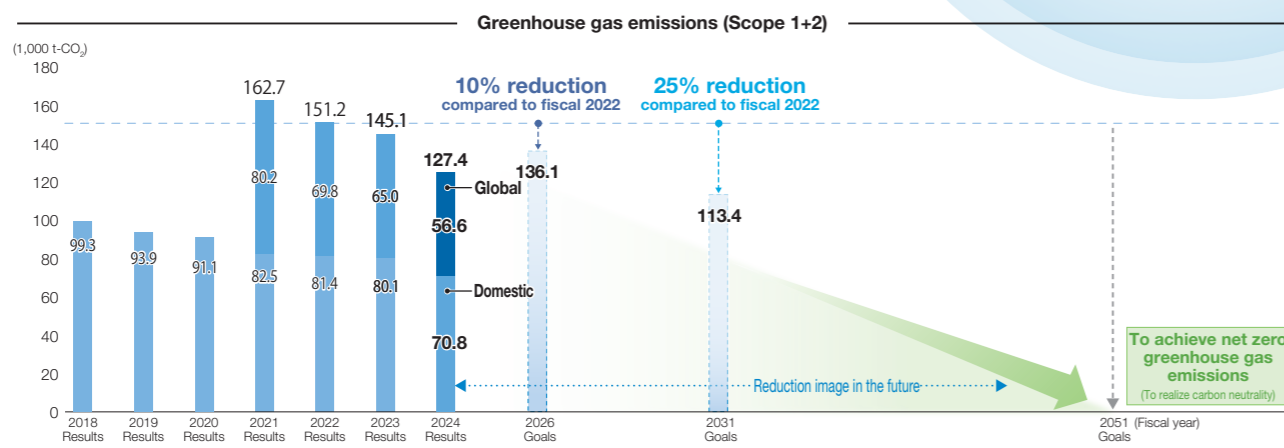
*Rocky-shore denudation: A phenomenon that seagrass communities (seagrass beds) are in the poor vegetation state that exceed the range of seasonal prevalence or some secular change in reefs and bounding stone areas in neritic waters



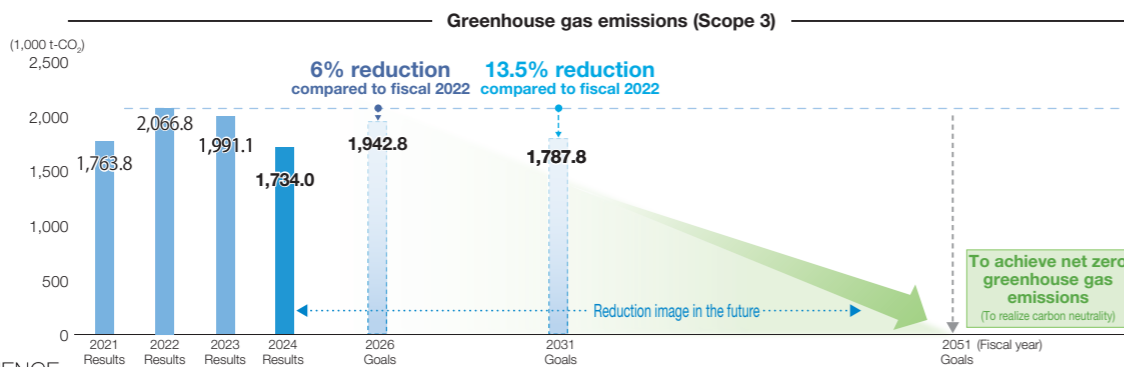
Source: Quoted from the Calculation Method for Seagrass Beds (seaweed and seagrass) in the Inventory in Japan (Ministry of the Environment)
URL : <https://www.env.go.jp/content/000203000.pdf>



Taking platform in the event outside the company photo: miyography



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.



For more information on the environmental data <https://www.daiken.jp/sustainability/esgdata.html>

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.



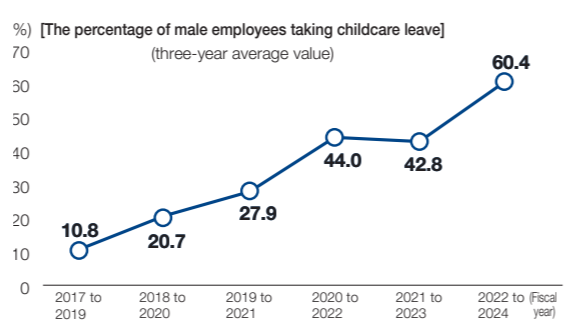
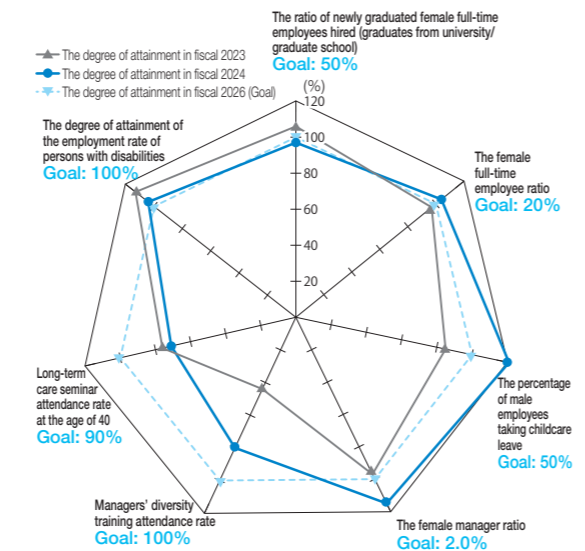
Promotion of diversity

Aim to support life stages and for diverse human resources to take active roles

To steadily implement the initiatives for the promotion of diversity, we have set the total diversity index from the medium-term management plan GP25 2nd stage in which the seven diversity items were indexed as our own indices and have been promoting the initiatives. ▶ P.53-54 ESG Goals

In particular, the percentage of male employees taking childcare leave exceeded 50%, which was the goal in fiscal 2026 in the entire group and reached 60.4% (results in fiscal 2024) because of the effect of internally informing it through the distribution of the leaflet (mean value of the number of days taken: 11 days). Combined with the initiatives that we have promoted, such as the ratio of female full-time employees hired, this is leading to the groundwork for employees who reach various life events regardless of gender to more flexibly work.

We also hold the Daiken Kids Day that the employees' children visit the workplace as the opportunity for the employees' families to deepen their understanding, foster the creation of an atmosphere in the workplace that values the pleasant working environment and families, and put effort into re-acknowledging the work-life balance.



Diversity Promotion Policy <https://www.daiken.jp/sustainability/social/diversity.html>

Workstyle reform

Creating the pleasant workplace toward the realization of the work-life balance

We promote the workstyle reform to make employees feel happy to be the members of the group. Thus, we will enhance the individual employees' performance and the group's power and continue to create new shared value.

Optimization of working hours

In addition to the setting of the no overtime day and putting the light out all at once at 8:00 p.m. in offices that we have put effort into and by implementing the automatic computer shutdown from 7:30 p.m. to 7:00 a.m. on the next morning since 2017, we have been maintaining appropriate working hours. In addition, regarding the individual overtime situations, including managers, we prevent long working hours by managing the progress status and make use of it for optimization and promotion of the efficiency of work allocation.

Improvement of flexible workstyles

By enhancing each and every employee's autonomy and realizing the workstyles without being bound by time and space constraints, we will improve the work-life balance.

Work at home	Work in the office and at home
Full-time work at home	In principle, work at home without coming to the office
Staggered work shift	Being able to set the opening time at 30-minute intervals from 7:00 to 10:30 a.m.
Satellite office	Being able to use the contracted satellite-type shared office
Flexibly leaving office	Set 15 minutes before the closing time as the time to flexibly leaving office and be able to freely leave office as soon as one's work is done

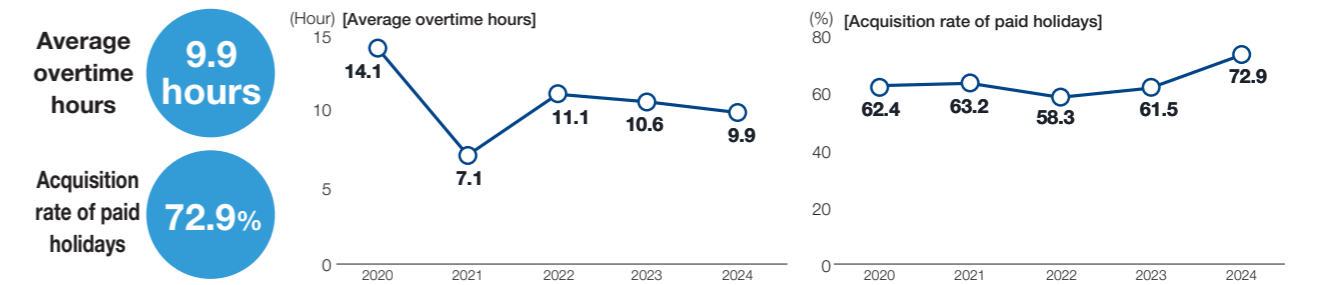
Improvement of the leave systems (Major leave systems)

To realize the employees' healthy and efficient workstyles, we have improved the systems to be able to take sufficient leave.

The paid leave system on a half day or an hourly basis	Being able to take paid leave on a half day or an hourly basis
The system to take annual paid leave consecutively	The system to take two-day or three-day consecutive leave once in the half-year period
Refreshment leave	20 years of service.....Within three consecutive days 30 years of service.....Within five consecutive days (A travel voucher worth 100,000 yen will be given)
Volunteer leave	Up to five days of leave per person will be given in one year
Fertility treatment leave	Up to 10 days of leave per person will be given in one year
Menstrual leave	The system to have an absence by reporting it if it is severely difficult for a female employee to work on a day of menstruation period

Results in fiscal 2024

Trends in results



Workstyle Reform Promotion Policy <https://www.daiken.jp/sustainability/social/workingreform.html>

Health and Productivity Management

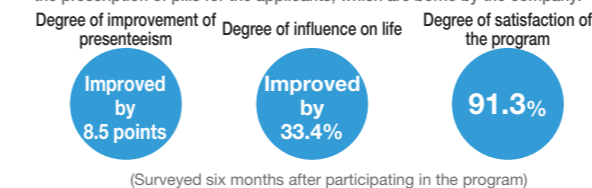
Initiatives toward the preservation and promotion of mental and physical health

Based on the idea that our employees' health is the essential foundation for the group's sustainable growth and development, we try to improve our employees' awareness of health and have started the initiatives toward the preservation and improvement of mental and physical health. We formulated the Daiken health and productivity management policy in 2021 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, the introduction of the Femtech* program that approaches health issues specific to women, such as menstruation/PMS, consultations on fertility treatment, and the implementation of a walking event and health seminars led by the company. In March 2024, we were certified as the Health & Productivity Management Outstanding Organization (Large-Scale Company Category) jointly selected by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi. We will continuously put effort into setting indices to measure the effects of measures and actively providing support for our employees who are willing to conduct health-promoting activities and create a virtuous cycle of the productivity improvement and company growth.

*Femtech...it is a made-up word for which female and technology were combined and is a product or service that can solve health issues that women have with technology.

Results of the Femtech program questionnaire survey in fiscal 2024

Through the Femtech program, we implement online medical examinations and the prescription of pills for the applicants, which are borne by the company.



Health and Productivity Management <https://www.daiken.jp/sustainability/social/health.html>

Major factors of being certified as the Health & Productivity Management Outstanding Organization

- Implementation of a company-wide walking event using a walking app.
- Operation of the Femtech program
- Payment of the health promotion allowance (Initiatives for the measures against quitting smoking)



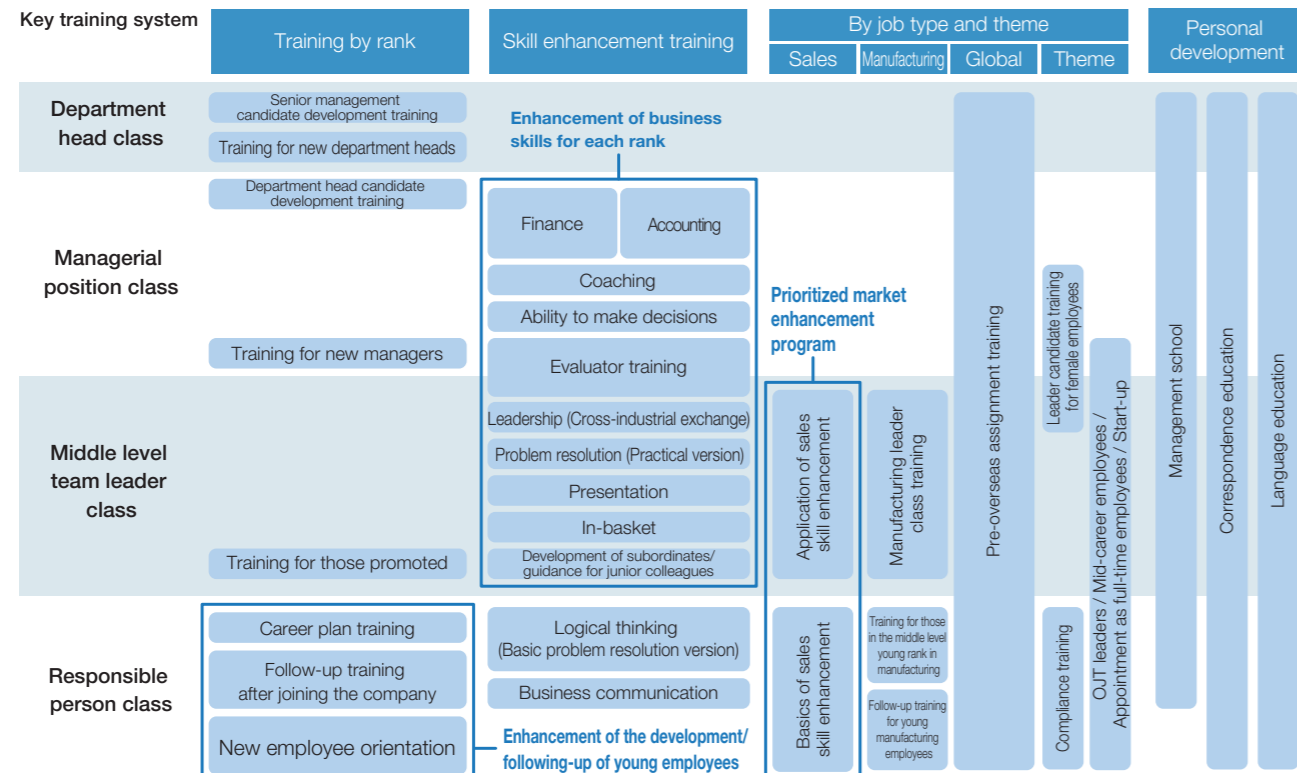
Human Resource Strategies



Development of human resources who will bear the next generation

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

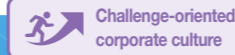


Believing that cultivating autonomy in our employees* is a key for our further growth and persistent corporate value improvement, we have provided various training opportunities for our employees to acquire the skills or knowledge needed for each service year, rank, and job type. From the medium-term management plan GP25 3rd Stage, we newly established skill enhancement training under the theme of the development of IT human resources that support the offensive and defensive strategies and the enhancement of the skills required for the expanding markets and the enhancement of the management foundation, in addition to the existing education and training, and have been enhancing the capabilities required for each rank. In addition, we have determined the fields to focus on education, encourage (1) IT literacy education and acquisition of the related qualifications for the development of IT human resources, (2) language education and acquisition of the related qualifications toward the expansion of the overseas business, and (3) acquisition of the related qualifications toward the expansion of the engineering business, as well as proactively invest in the human resource development, such as paying 20,000 yen as the financial incentive for qualification acquisition to the employees who have acquired the qualifications designated by our company. The number of participation cases in these human resource foundation enhancement programs is 816, and a culture for our employees who will bear the next generation to voluntarily learn is fostered.

*Autonomous human resources...Human resources who personally learn and think (inquiry), confront difficulty (challenge), and produce results (accomplish).



Human Resource Development Policy <https://www.daiken.jp/sustainability/social/talent.html>



Fostering of the challenge culture toward the further growth

Toward the achievement of the medium-term management plan GP25 3rd Stage, we aim to realize the challenges to new business domains and the creation of values that exceed the expectations and put effort into the improvement of the various systems that support employees' challenges. The internal venture system to solicit business ideas started in fiscal 2022 and full-fledged proposals on the vegetable garden system approved for commercialization as the first case started in fiscal 2024. We explore new business domains that are unprecedented, such as management of a vegetable garden with abundant greens in an open space on the rooftop of a condominium or building in the urban area, and enhance our initiatives to turn them into a growing business in the future. In addition, for further enrichment of the internal venture system, we support employees' challenges, such as holding a workshop to generate ideas, and promote creation of the challenge-oriented culture.

Initiatives toward the penetration of corporate philosophy

Initiatives in fiscal 2024

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. [▶ P.3 Corporate Philosophy](#)

(1) Continuous transmission by the top management

The president transmits his thoughts on the corporate philosophy as a message in the company-wide department head meeting and video streaming on the anniversary of foundation. Toward the formation of a culture to always have our technology, ideas, and passion upheld in the philosophy and to challenge, the top management is committed to initiatively set them into action.



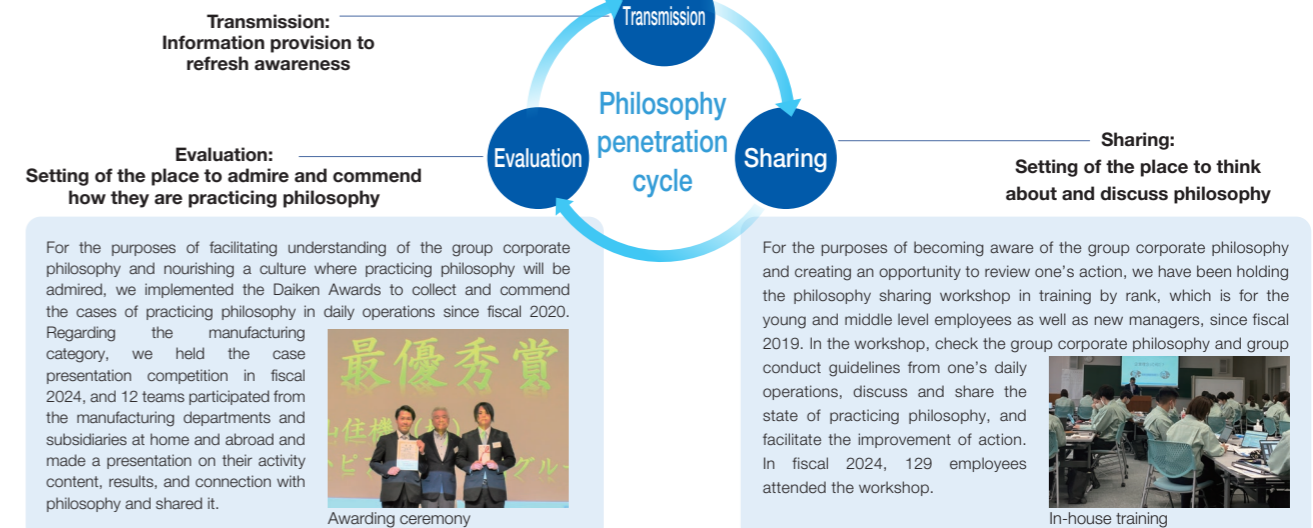
Transmission by the top management

(2) Publishing the cases of practicing philosophy in the company magazine

We covered the unique initiatives by the departments that carried out operations while viewing the group corporate philosophy as the thing that is familiar to them in the company magazine from various perspectives. By transmitting the good cases of practicing philosophy to all group employees through the company magazine, we promote their understanding and enhance their awareness.



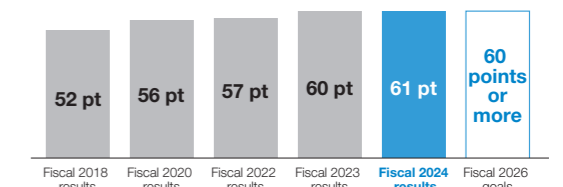
Special feature page in the company magazine



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

We have implemented the survey on the degree of penetration of the group corporate philosophy since fiscal 2018 and have been considering and promoting the penetration measures based on the changes in our employees' awareness of the group corporate philosophy. The score in fiscal 2024 was 61 points, up 1 point from the previous fiscal year, and cleared 60 points, which is the goal in fiscal 2026, the final year of the GP25 3rd Stage, for the second straight year. In addition to the deployment of the penetration measures on a company-wide basis, deployment of the penetration measures in units of department where the department heads served as the leaders was considered to contribute, and we will continuously promote the initiatives toward the improvement of the degree of penetration of the corporate philosophy.

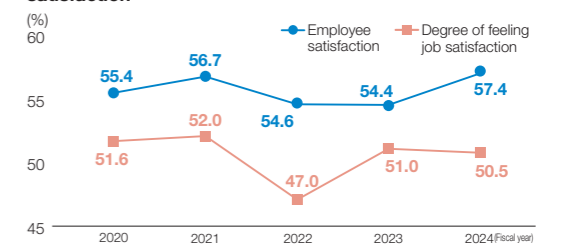
Trends in the scores of the degree of penetration of the group corporate philosophy



Implementation of the employee satisfaction survey

We have been implementing the surveys on employee satisfaction and the degree of feeling job satisfaction since fiscal 2020. By grasping the employees' view of work and motivation/anxiety factors, we make use of them for the creation of rewarding workplaces and aim at improving satisfaction for all workplaces. While employee satisfaction in fiscal 2024 was 57.4%, up 3.0 points from the previous fiscal year, the degree of feeling job satisfaction was 50.5%, down 0.5 points. We analyzed the survey results from various angles, such as work contents, the amount of work, and the workplace environment, will reflect them in the future human resource strategy and measures and aim to improve both indices.

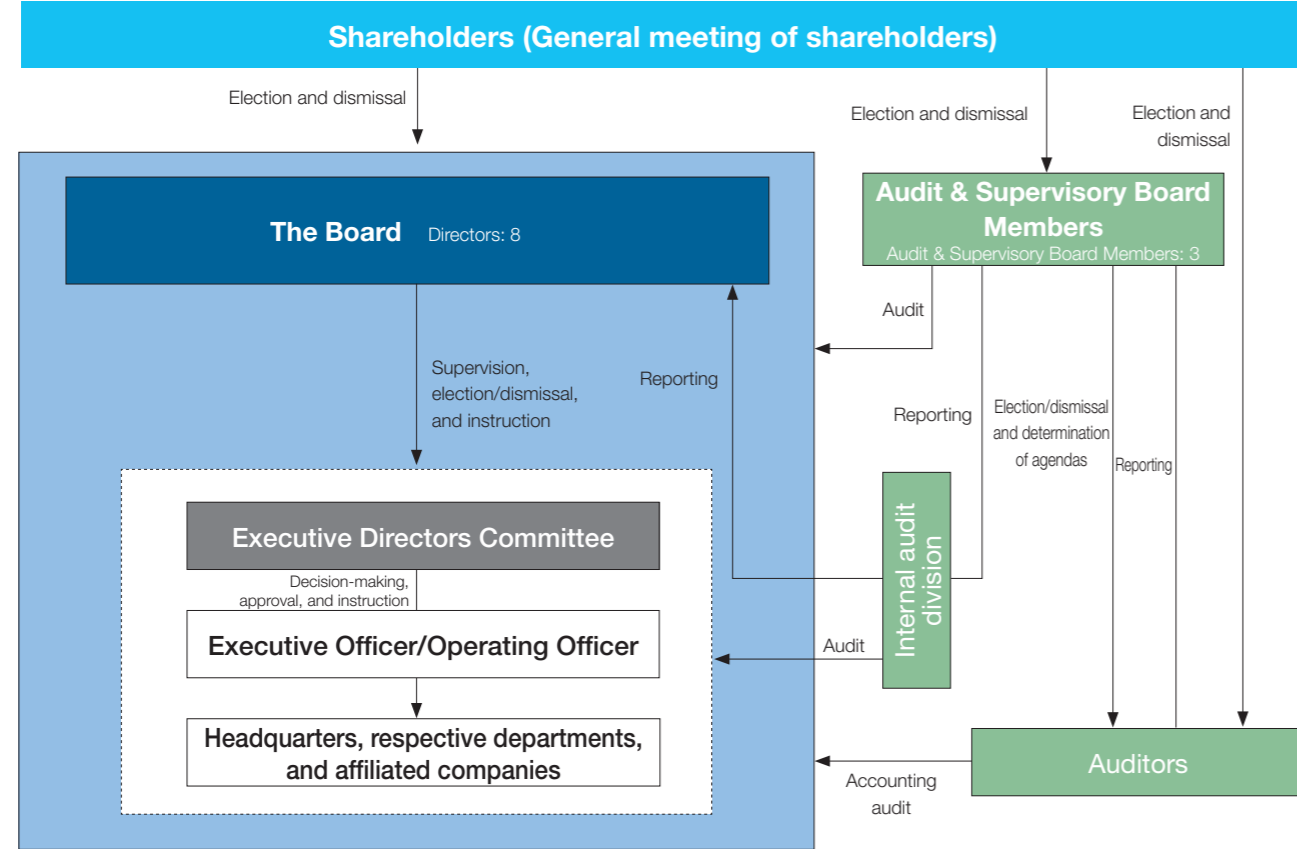
Employee satisfaction and the degree of feeling job satisfaction



Corporate Governance

Corporate governance framework

(As of June 3, 2024)



Executive Officers They make and execute decisions on management under authority and responsibility delegated from the Board and Executive Directors Committee and play the role of promoting our company's growth and reform from the perspective of the total company optimization as the strategic function.

Operating officers They undertake business operation in their responsible businesses and domains and execute operations toward the realization of reform and growth. They are positioned to develop the next-generation leaders.

Structure to promote sustainability Sustainability Promotion Committee*

*The CSR committee was reorganized to the sustainability promotion committee in April 2022. Details are published on page 5.

System to Promote Risk Management and Compliance



List of Directors

(As of June 3, 2024)

Directors		Executive Officers	
Representative Director	Masanori Okuda	President & CEO	Masanori Okuda
Representative Director	Tadahiro Kiyosu	Senior Managing Executive Officer & COO	Tadahiro Kiyosu
Director	Takeshi Nagata	Senior Managing Executive Officer	Takeshi Nagata
Director	Masatoshi Maki	Managing Executive Officer	Hideki Gohara
Director	Hideki Gohara	Managing Executive Officer & CFO	Katsuhisa Morino
Director	Katsuhisa Morino	Managing Executive Officer	Kouji Ueda
Director	Tetsuji Kawakami	Managing Executive Officer	Masaki Kaneda
Director	Takashi Ozawa	Executive Officer	Kei Ito
		Executive Officer	Minoru Endo
		Executive Officer	Tomoyo Sawada
		Executive Officer & CAO	Tetsuji Kawakami
		Executive Officer	Naoto Teraoka
		Executive Officer	Nobuyuki Koroyasu
		Executive Officer & CSO	Atsushi Kumamaru

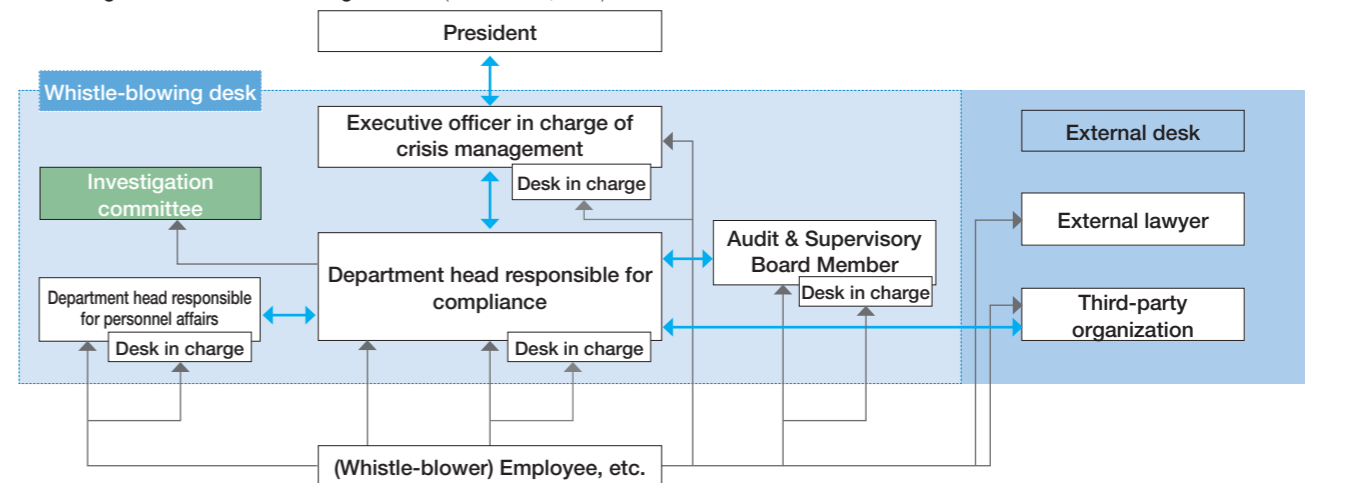
Audit & Supervisory Board Members

Audit & Supervisory Board Member (Full-Time)	Koshin Nomura
Audit & Supervisory Board Member (Full-Time)	Masahiro Ito
Audit & Supervisory Board Member	Tetsuya Sebe

Whistle-blowing structure

The Daiken Group has improved the whistle-blowing structure in April 2013 to appropriately process whistleblowing and consultations on organizational or personal fraudulent acts from the directors and employees (including temporary/contracted employees, dispatched workers, and part-timers), been ensuring the prevention, early detection, and correction of fraudulent acts, and been striving to enhance compliance management. Our whistle-blowing structure is as follows.

The diagram of the whistle-blowing structure (As of June 3, 2024)



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 ¹	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 ₂ /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)
	Reduce the use of plastics derived from fossil fuels	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 ¹	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 ¹	Total diversity index 3rd Stage ²	+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 Diversity training attendance rate (Managers) The degree of attainment of the employment rate of persons with disabilities	90%/year 100% 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 ¹	Total work time reduction rate Rate of taking annual paid leave Employee satisfaction ³	3% (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 base)	1 time/year	
G Governance	Enhancement of the Governance System	Female executive ratio (Director) Degree of penetration of the group corporate philosophy ⁴	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	Implementation in fiscal 2023 90% 1 time/year
	Strict compliance ⁵	Serious compliance violations Compliance consciousness degree ⁵	0 +5 pt (As compared to fiscal 2022)

Fiscal 2024: Progress status

Fiscal 2024 results
21.2% reduction Reduced by promoting material recycling, such as the use for soil improvement
15.8% reduction Reduced by the energy-saving activities and productivity improvement
16.1% reduction Reduced by rationalization of production bases
Japan: 50% Overseas: 36%
672,100 t-CO ₂ /year
8.9% increase
7.0% reduction Increased because group companies newly joined
5.1% reduction
2.2% reduction: Reduced by promoting weight saving
1 Product raw materials partially leaked into a river by the overseas plant
0
100% 100% Training for new employees and dissemination of information to all employees
The survey has not been implemented because the survey slip is currently in the process of revision
0
25 times Training, such as the Compliance Code of Conduct
+25.9pt 48.5% 21% 60% The percentage improved because of the legal revision and the expansion of the system
2% 64% 80% 104%
Difference of 3.2 pt
75.3% 16.2 pt Implementation of a walking event and a seminar on sleeping
28.8%
2.0% 70.7% 57.4 pt Goal setting in each organization and new implementation of training
11.6% Continuous implementation of the follow-up training up to the third year after joining the company
100% 55% 81%
0
Japan: 100% Overseas: 50% Creation of the diagnosis format and the resumption of safety diagnosis
100% 100%
A total of 93 events held in 17 bases among 19 bases at home and abroad
11.1% 61 pt
87% The meeting was held once
+1.32 pt Continuous implementation of training

Initiatives for human rights

The Daiken Group formulated the Daiken Human Rights Policy in 2019 and proceeded with initiatives for respecting human rights. Based on the announcement of the Guidelines on Respecting Human Rights in Responsible Supply Chain by the Ministry of Economy, Trade and Industry in September 2022, we have been proceeding with the revision of our human rights policy and the review and enhancement of the initiatives, such as human rights due diligence.



For suppliers, elements, such as human rights and labor, were included in addition to the items of fair transactions and the environment in the CSR Procurement Standards that stipulated the matters required for suppliers from the perspective of sustainability. We share and cooperate with suppliers based on these standards and aim for and put effort into respecting human rights in the entire supply chain.

Daiken CSR Procurement Standards

- 1 | Respect for human rights
- 2 | Compliance with laws and regulations
- 3 | Labor
- 4 | Fair transactions
- 5 | Quality/safety
- 6 | The environment
- 7 | Governance
- 8 | Management of information
- 9 | Supply chains
- 10 | Coexistence with society

Cases of our initiatives

Information provision at the exchange meeting with our business partners

For the purpose of the enhancement of the relationships with our business partners, we hold exchange meetings with our business partners for domestic business and explain our ways of thinking about our group's management policy and the environment. In fiscal 2025, we provided information on human rights.



Participated in the Declaration of Partnership Building

We were agreeable to the gist of the Committee for Promotion of Partnership Building for Opening the Future, which is promoted by the Cabinet Office and Small and Medium Enterprise Agency, and have formulated and registered the [Declaration of Partnership Building] aimed at building new partnerships by proceeding with the cooperation as well as coexistence and co-prosperity with our suppliers in the supply chain and business operators that are creating value.



¹: Set as the non-financial management goals in the medium-term management plan
²: 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
³: Our own indices in which employees' actual feeling for satisfaction / job satisfaction in the workplace were indexed
⁴: Our own indices in which employees' understanding, sharing, and practice of the group corporate philosophy were indexed
⁵: Our own indices to measure employees' compliance consciousness degree from the perspectives of legal compliance, a sense of ethics, structure, and corporate culture

Company Information (As of March 31, 2024)

Company Name	DAIKEN CORPORATION	Registered Head Office	1-1 Inami, Nanto City, Toyama, Japan
Founding	September 26, 1945	Operational Headquarters Osaka Office	3-2-4 Nakanoshima, Kita-ku, Osaka, Japan
Setting day	March 31	Tokyo Office	3-12-8 Sotokanda, Chiyoda-ku, Tokyo, Japan
General Meeting of Shareholders	June	Major sales offices	Sapporo, Sendai, Tokyo, Saitama, Niigata, Nagoya, Kanazawa, Osaka, Hiroshima, Takamatsu, Fukuoka, and Singapore
		Production Plants	Inami Plant (Nanto City, Toyama Prefecture) Okayama Plant (Okayama City) Takahagi Plant (Takahagi City, Ibaraki Prefecture) Mie Plant (Tsu City)

Domestic



■ Subsidiaries part of the Group
 ■ Production base
 ■ Industrial materials business
 ■ Building materials business
 ■ Engineering business

TDY Collaboration Showroom
 You can see products from three TDY companies in the same place: Daiken's floorings, interior building materials such as doors, TOTO's kitchens and bathrooms, and YKK AP's windows and exteriors.

Global

