

Medium-Term Management Plan

GP25 3rd Stage

(FY 2023-2026)

July 19, 2022

DAIKEN CORPORATION
(Security code: 7905)

Vision of the Daiken Group

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Group Corporate Philosophy

— Company mission —

[Our Mission]

We will create a wonderful future with our technology, ideas, and passion.

— Company vision —

[Our Vision]

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.

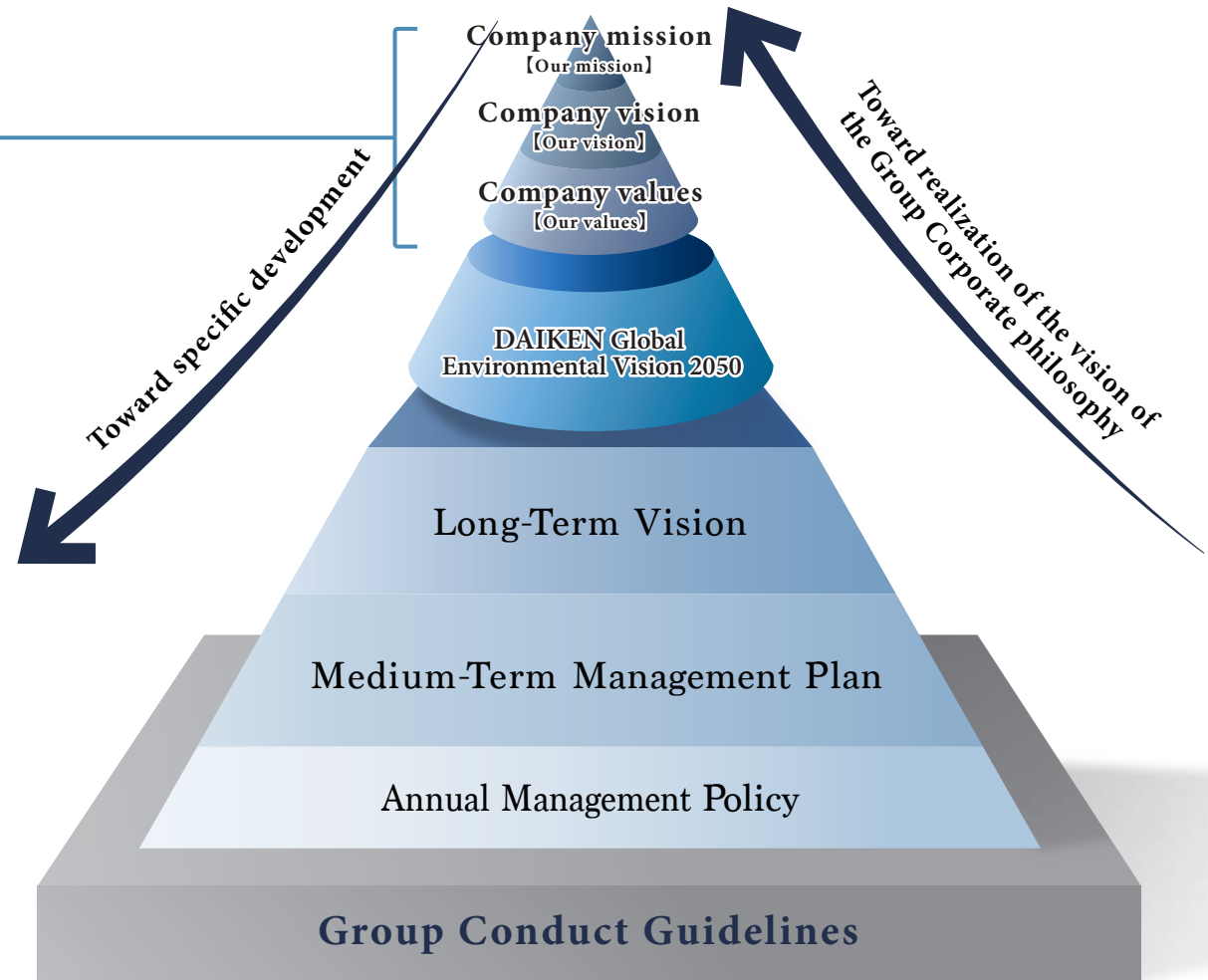
— Company values —

[Our Values]

We pledge the following:

- 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



| 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

1 Promotion of resource recycling

– Waste reduction and reuse of resources –

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.

2 Mitigation of climate change

– Realization of carbon neutrality –

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.

3 Coexistence with nature

– Conservation of biodiversity –

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.

Long-Term goals

1 100% waste recycling

- 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.

2 Net zero greenhouse gas emissions

- 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.

3 Reduce the impact on the natural environment

- Zero use of lauan wood.
- Appropriately manage chemical substances and reduce emissions.
- Promote the effective use of water resources.
- Reduce the use of plastics derived from fossil fuels.

Social Issues and Needs (External environment and trends)

Climate change and global warming
Loss of biodiversity

Forest conservation and regulations over illegal logging

Resource depletion, contest

The Japanese government's growth strategy

Green transformations (GX)

Construction of a housing circulation system toward a decarbonized society

Digital transformations (DX)

National land toughening and improvement of the next generation infrastructure

Realization of a tourism-oriented country

Threat of disease

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 overseas growing markets

Surging resource/energy prices

Growing geopolitical risk

Management ability that responds to the risks and opportunities and increases corporate value

Materiality

Building a Resource-Recycling and Recycle-Oriented Society



User Needs in the New Normal Era



Diverse Human Resource Foundation by Improving Comfort in Working and Job Satisfaction



2025 Long-Term Vision GP25

Grow / Glow Plan 25

Grow

The Group will work to transform into an enterprise that meets the expectations of customers and markets while contributing to a better society.

Glow

The Group will work to become an enterprise that people rate highly for its attractive working environment and as a place where employees can work positively and enthusiastically.

Significance of Existence and Ambitions

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

How We should be in 2025

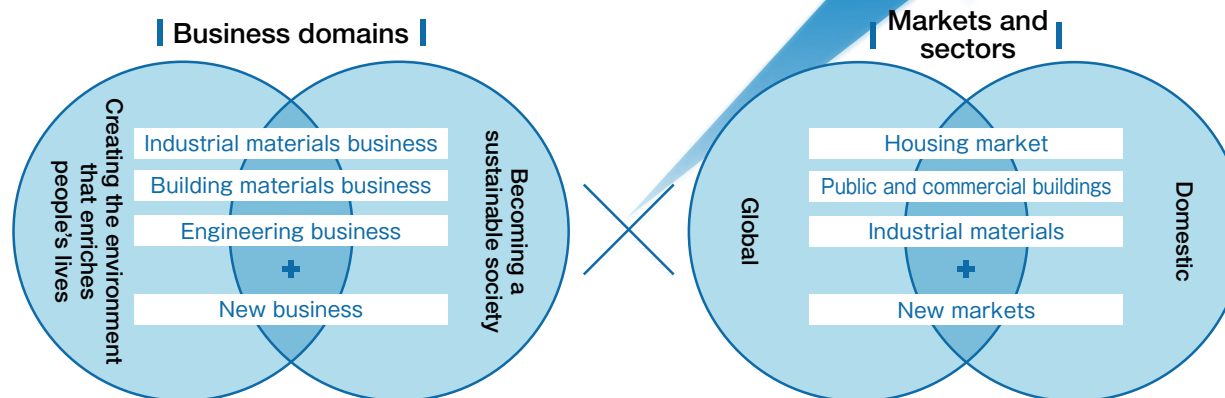
- 1 Contribute to a recycling-oriented society through the development and spread of industrial materials utilizing sustainable resources, such as wood, in global markets
- 2 Create safe, secure, healthy, and comfortable spaces for everyone by proposing solutions that capture the user needs in the new 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

Toward becoming an all-embracing company for building materials

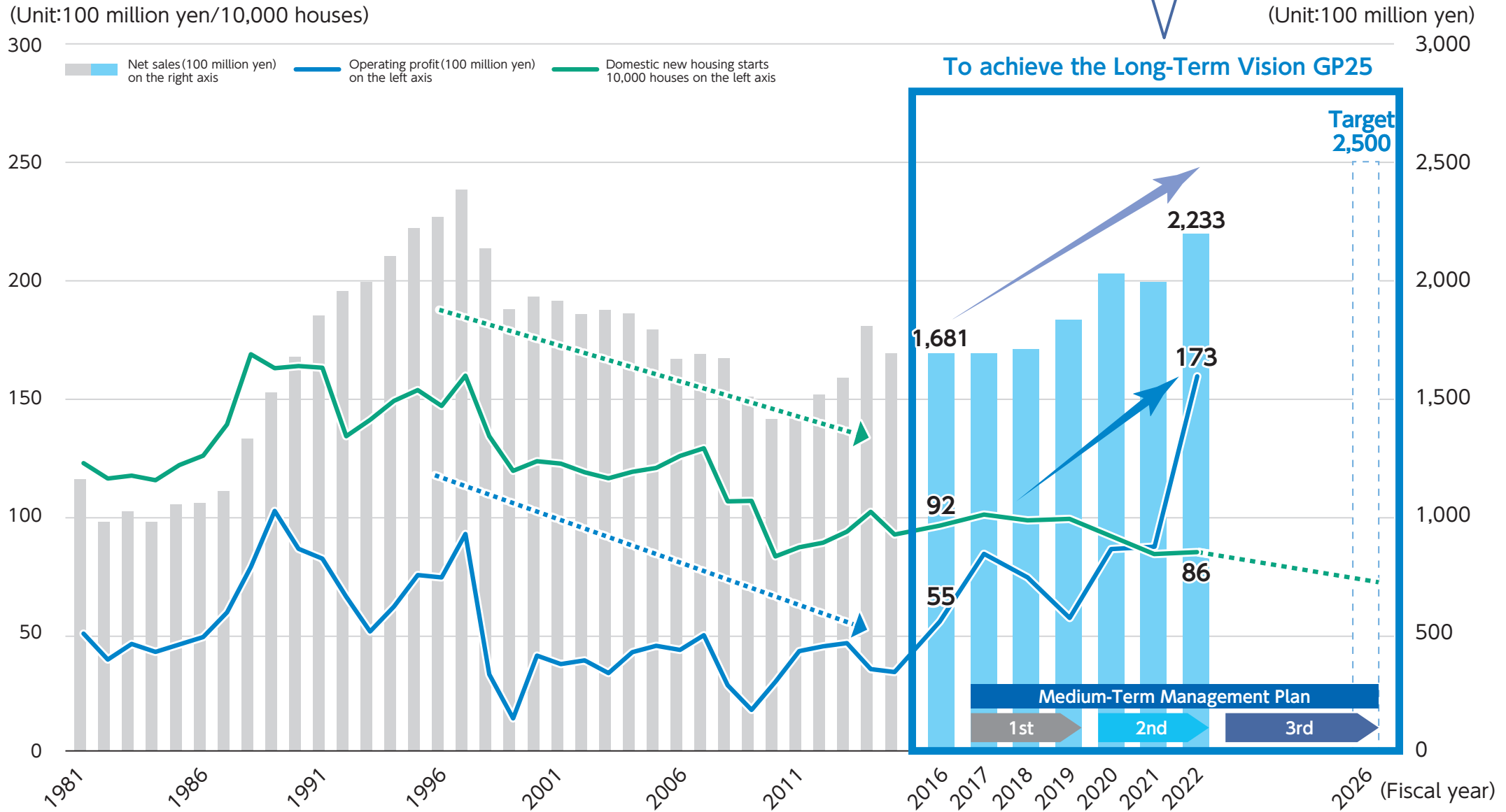
Business domains, markets, and sectors targeting Long-Term Vision GP25

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



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



An aerial photograph of a city, likely Tokyo, showing a wide river (the Arakawa River) flowing through the center. The city is densely packed with buildings, and several multi-lane highways and bridges cross the river. The sky is clear and blue, suggesting a bright day.

DAIKEN

Medium-Term Management Plan

GP25 3rd Stage

(FY 2023-2026)

Medium-Term Management Plan GP25 2nd Stage (Fiscal 2020–2022)

Accelerate growth to become an all-embracing company for building materials

Basic policy

Based on firm basis for business management, pursue the resolution of social issues through our business, thereby accelerating growth strategies toward becoming an all-embracing company for building materials.

I. Accelerating growth strategies

Domestic: Review of the business (market) portfolio

Global: Business expansion through proactive investments and entry into new markets

II. Enhancement of the management foundation

- 1 Optimize our financial foundation
- 2 Restructure firm and flexible business infrastructure
- 3 Practice of ESG management

Business targets and results

(100 million yen)

I. Accelerating growth strategies

	GP25 1st Stage	GP25 2nd Stage			
	Fiscal 2019 Result	Fiscal 2022 Result	Amount	Fiscal 2022 Target	Difference from the target
Net sales	1,829	2,233	+404	2,250	-16
Operating profit	57	173	+116	120	Achieved +53
Operating profit ratio	3.1%	7.8%	+4.6pt	5.3%	Achieved +2.4pt
Profit attributable to owners of parent	44	78	+34	70	Achieved +8

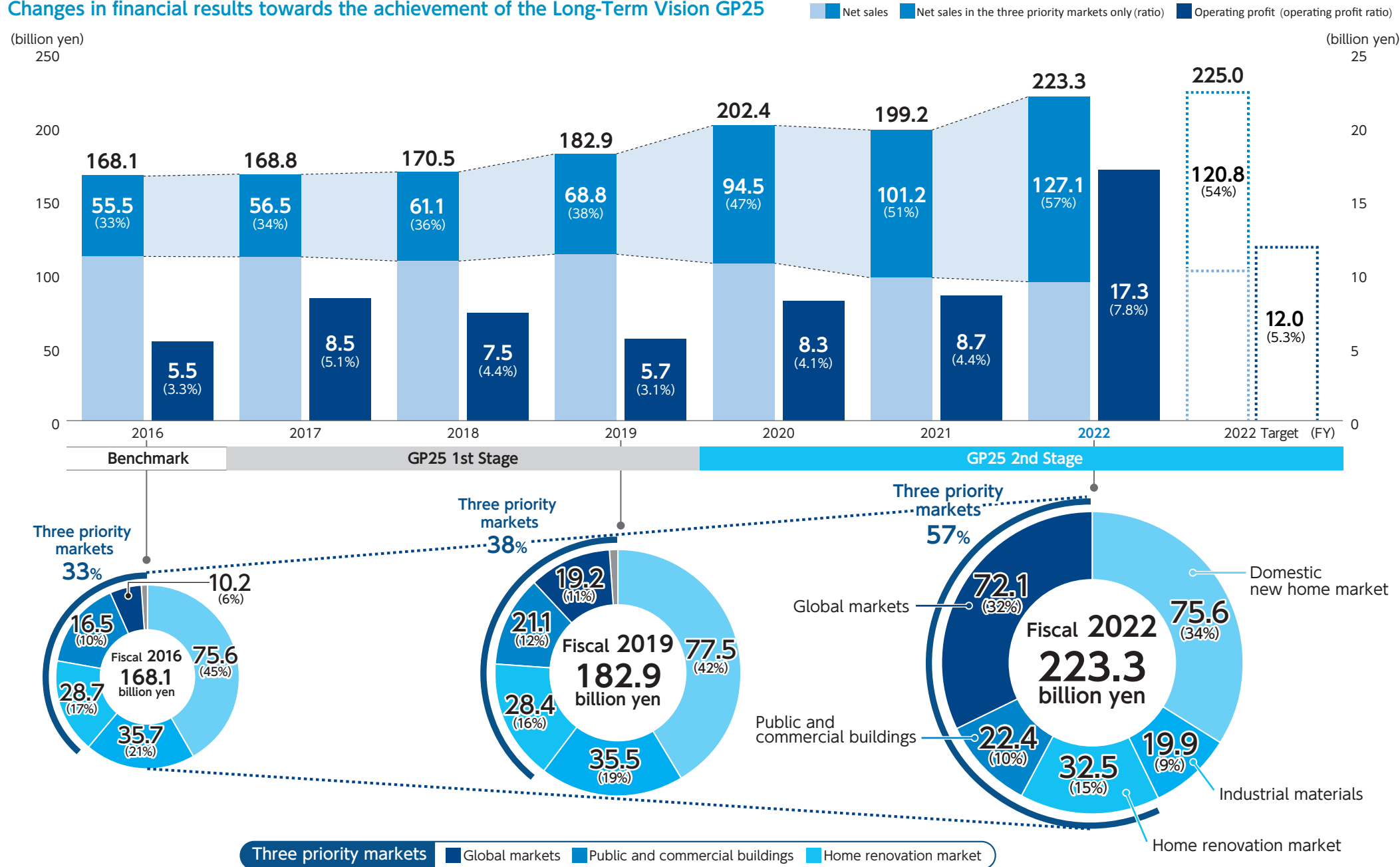
II. Enhancement of the management foundation

Financial Indicators	Efficiency	ROE	7.8%	10.9%	+3.1pt	10%	Achieved +0.9pt
		ROA	4.5%	10.5%	+6.0pt	7%	Achieved +3.5pt
	Soundness	Shareholders' equity ratio	36.8%	41.7%	+4.9pt	40%	Achieved +1.7pt
		Shareholder Returns	Payout Ratio	42.4%	33.1%	-9.3pt	30% or more
Non Financial Indicators	E	Total CO ₂ emissions in Japan *1	-	-36%	-	-26%	Achieved +10pt
	S	Total diversity index*2	-	+30pt	-	+20pt	Achieved +10pt
		Serious quality incident/violation	-	2 cases*4	-	0	2 cases*4
G	Degree of penetration of the group corporate philosophy ※3	-	+5pt	-	+10pt	-5pt	

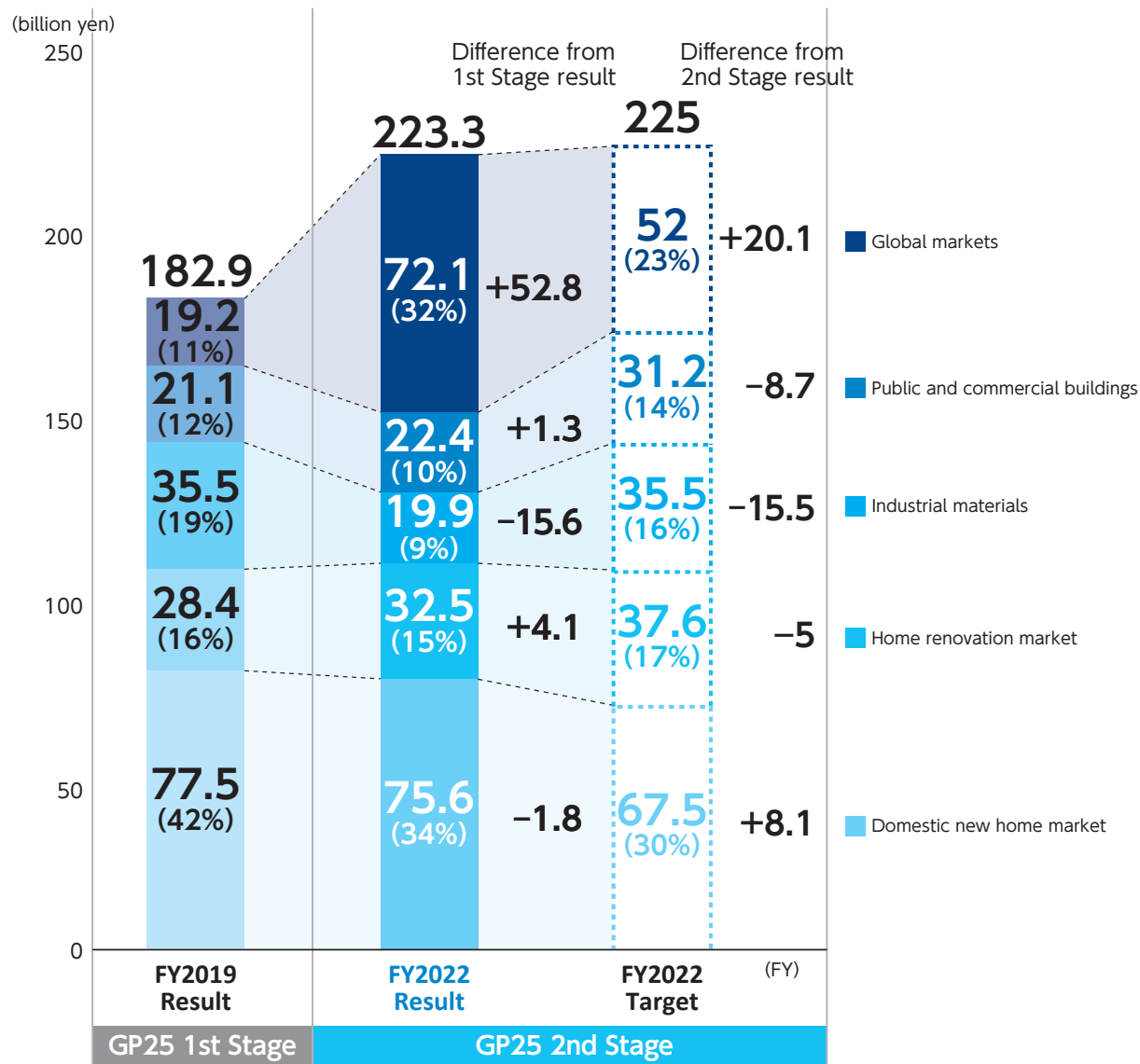
*1 As compared to fiscal 2014. *2 Our own indices in which the eight diversity items, such as the female manager ratio, were indexed as compared to fiscal 2019.

*3 Our own indices in which employees' understanding, sharing and practice of the group corporate philosophy were indexed as compared to fiscal 2018. *4 1 case respectively in FY 2020 and FY 2021, and 0 cases in FY 2022

Changes in financial results towards the achievement of the Long-Term Vision GP25



Changes in net sales by market



Achievements

Expansion in global markets positioned as growth drivers

-While housing starts in Japan were expected to decrease, CIPA Lumber Co. Ltd. of Canada and PACIFIC WOODTECH CORPORATION of the U.S., which engage in the wood material business, were made Group companies, and expansion into the North American market began, as part of efforts to expand into global markets that are positioned as growth drivers. Profitability was improved by surely tapping into the brisk demand in the U.S. housing market.

Achievement of business targets

-The wood material business in North America drove the overall business performance, resulting in the achievement of business targets excluding net sales, such as operating profit, operating profit ratio, profit attributable to owners of parent, ROE, and shareholders' equity ratio.

Issues

Expansion yet to be achieved in public and commercial buildings in Japan

-Sales from commercial building and hotel construction did not increase as expected, reflecting the rapid decline of in-bound demand and a rise in the number of people voluntarily refraining from going out during the COVID-19 pandemic.

-There were delays in the shift of salespeople and the enhancement of products for expansion as the housing market remained stronger than initially anticipated.

Delivery delays in the final fiscal year

-In the period leading to 2H of fiscal 2022, there were delays in the delivery of certain products in the Building Materials Business, which reflected delays in the arrival of raw materials because of an unexpectedly strong increase in orders received in Japan and the disruption of sea transportation. This forced Daiken to limit the acceptance of orders.

Toward the Realization of the Long-Term Visions GP25 in 2025

Fiscal 2023-2026

GP25 3rd Stage

Establish the image of an all-embracing company for building materials

Execute the growth strategy based on the pursuit of the resolution of social issues using sustainability as the key axis of management and establish the image of an all-embracing company for building materials

Fiscal 2020-2022

GP25 2nd Stage

Accelerate growth to become an all-embracing company for building materials

Fiscal 2017-2019

GP25 1st Stage

The first step toward an all-embracing company for building materials

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

Meet the user needs in the new normal era

For the needs of users who seek further improved safety, security, health, and comfort in all kinds of spaces, enhance solution proposal capabilities that leverage the strengths of diverse products (industrial materials and building materials), spatial assessments, analytical functions, and construction functions

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
- Restructuring of the 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

I. Execution of growth strategies

(100 million yen)

	Benchmark Fiscal 2016 Result	GP25 1st Stage Fiscal 2019 Result	GP25 2nd Stage Fiscal 2022 Result	GP25 3rd Stage Fiscal 2026 Goals	Amount	
					As compared to 2nd Stage Result	As compared to Benchmark
Net sales	1,681	1,829	2,233	2,500	+266	+818
Domestic market	1,579	1,637	1,512	1,835	+322	+255
Global market	102	192	721	665	-56	+562
Operating profit	55	57	173	150	-23	+94
Operating profit ratio	3.3%	3.1%	7.8%	6%	-1.8pt	+2.7pt
Profit attributable to owners of parent	39	44	78	100	+21	+60

II. Enhancement of the Management Foundation

Financial Indicators

		Fiscal 2026 Goals
Capital efficiency	ROE	10% or more
	ROIC	8% or more
Financial soundness	Shareholder equity ratio	40% or more
	Debt equity ratio	0.5 times or less
Shareholder return	Dividend payout ratio	35%
	Dividend on equity ratio	3.5%

Non-financial Indicators

		Fiscal 2026 Goals
E	Total greenhouse gas emissions in Japan and overseas*1	-10%
S	Total diversity index 3rd Stage*2	+30pt
	Serious quality incident/violation*3	0
G	Employee satisfaction*4	60pt
	Serious compliance violations*3	0

*1 Scope1+2 as compared to fiscal 2022

*2 Our unique indices that indexed diversity-related items, such as the female manager ratio, compared with FY 2022. Seven items concerning the calculation method have been reset as the Diversity Composite Index 3rd Stage in the medium-term management plan GP25 3rd Stage in FY 2023

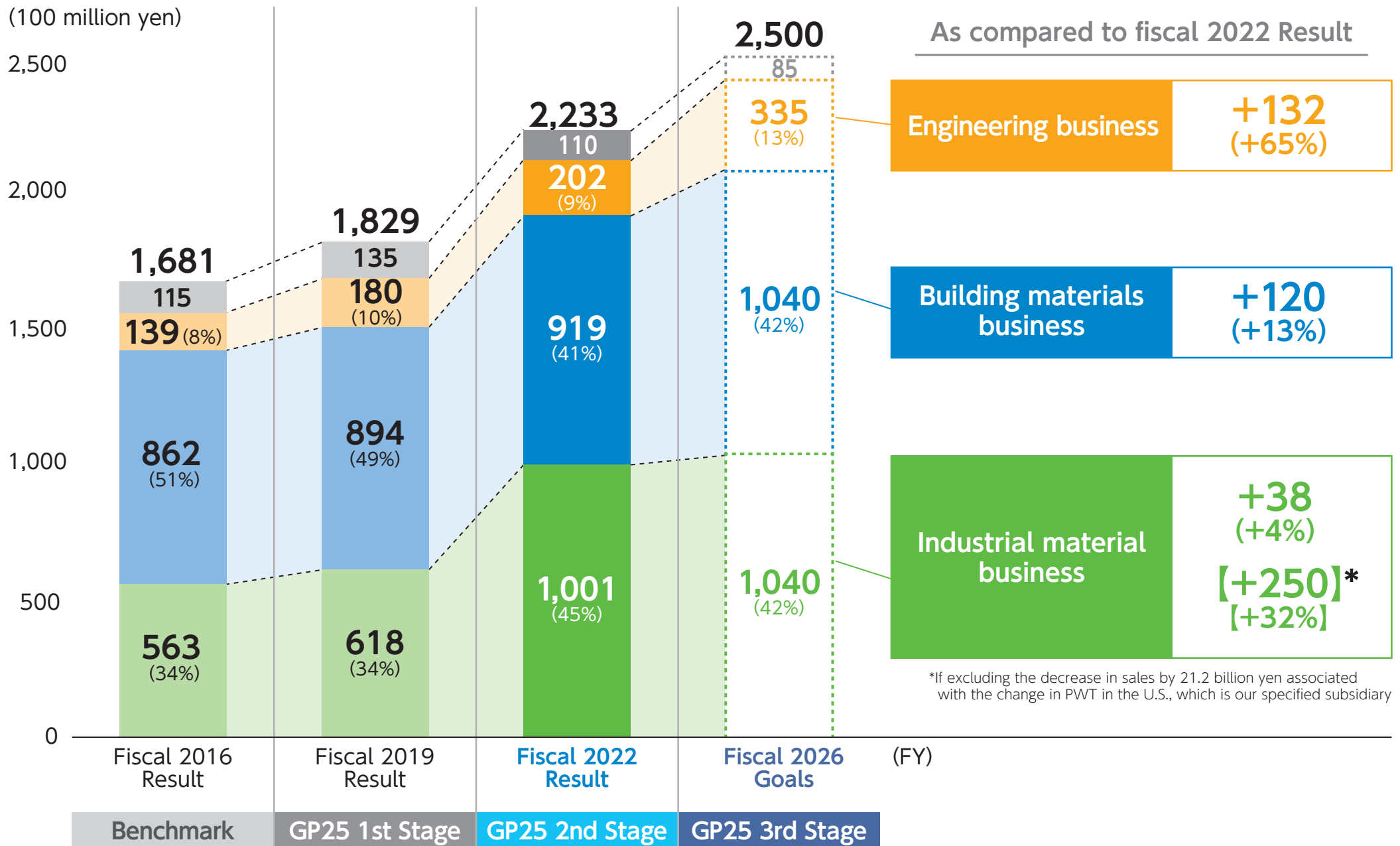
*3 During the Medium-Term Management Plan period *4 Our own indices in which employees' actual feeling for satisfaction / job satisfaction in the workplace were indexed

Summary of the Strategies

*If excluding the decrease in sales by 21.2 billion yen associated with the change in PWT in the U.S., which is our specified subsidiary

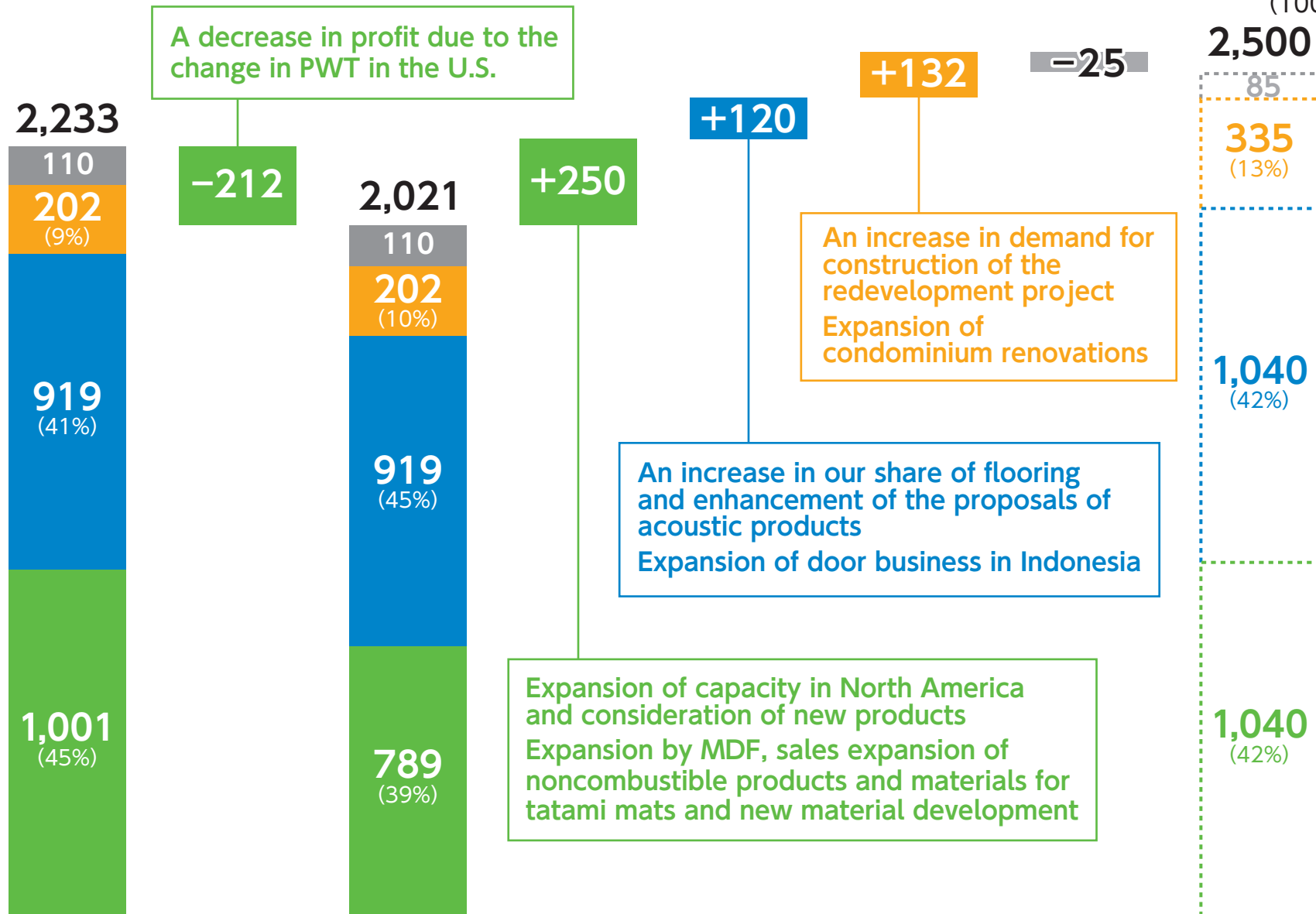
Market	Domestic Market				Global markets	
	Domestic new home market	Home renovation market	Public and commercial buildings	Industrial materials		
	Securing of the revenue base (An increase in the share of new housing, shifting to housing stock and non-housing, and material utilization development)				Growth Driver	
Sales by Market	Sales: 223.3 → 250 billion yen (+26.6 billion yen) ↑				[+47.8 billion yen]* ↑	
	+5.1 billion yen ↑	+6.9 billion yen ↑	+13.8 billion yen ↑	+7.2 billion yen ↑	-5.6 billion yen ↓ [+15.6 billion yen]* ↑	
Composition Ratio	34 → 32%	15 → 16%	10 → 15%	9 → 11%	32 → 27%	
Market Environment	Gradually decreasing trend in domestic new housing starts Penetration of working at home and remote work	Distribution of secondhand housing and revitalization of condominium renovations	Changes in how an office space should be Redevelopment project Recovery in inbound demand	New/alternative utilization development (From plywood and plastics to wood fiberboard)	The U.S.A. Medium- to long-term stable housing demand Southeast Asia: Recovery/growth	
Execution of the Growth Strategy	Building materials business				Industrial materials business in North America	
Sales by Business	An increase in share by functional products that correspond to the needs of users in the new normal era Corresponding to working at home/remote work, improvement of the sound environment, and antiviral functions				Capacity expansion Consideration of the introduction of new products using the sales channels	
Industrial materials business	Expansion of the products that save construction time and work Proposals of the improvement of the thermal environment				Industrial materials business :MDF Structural reform and capacity expansion Improvement of the ratio of the products with high added value	
+3.8 billion yen ↑ [+25 billion yen]* ↑	Expansion of condominium renovations in the Tokyo metropolitan area Expansion of the interior projects in the redevelopment projects					
Building materials business	Engineering business				Building materials business Supply expansion to Europe and Asia	
+12 billion yen ↑	Industrial materials business in Japan Acquisition of alternative demand, capacity expansion, and development of new materials					
Engineering business	Acquisition of alternative demand, capacity expansion, and development of new materials					
+13.2 billion yen ↑						
Enhancement of the Management Foundation	Business 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 sustainability of raw materials / Initiatives for breaking away from the use of lauan materials / Reduction of greenhouse gas emissions in the supply chains					
Human Resource Base	Promotion of diversity and flexible work styles / Optimization of the sales structure and personnel (Shift to the prioritized markets) / Prioritized market enhancement program					
Financial Foundation	Investments in growth and foundation enhancement, financial soundness, and cash flow allocation that optimizes the improvement of shareholder return					

Sales Goals by Business Segment



Sales Goals by Business Segment Breakdown of the Changes

(100 million yen)



Fiscal 2022 Result

Excluding the special factor
(change in PWT in the U.S.)

Fiscal 2022 Result
(Excluding the special factor)

Industrial material business

Building materials business

Engineering business

Other

Fiscal 2026 Goals

GP25 3rd Stage (FY 2023-2026)

Industrial materials business

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

Creating Shared Value

- 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

Building materials business

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

Creating Shared Value

- 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

Engineering business

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

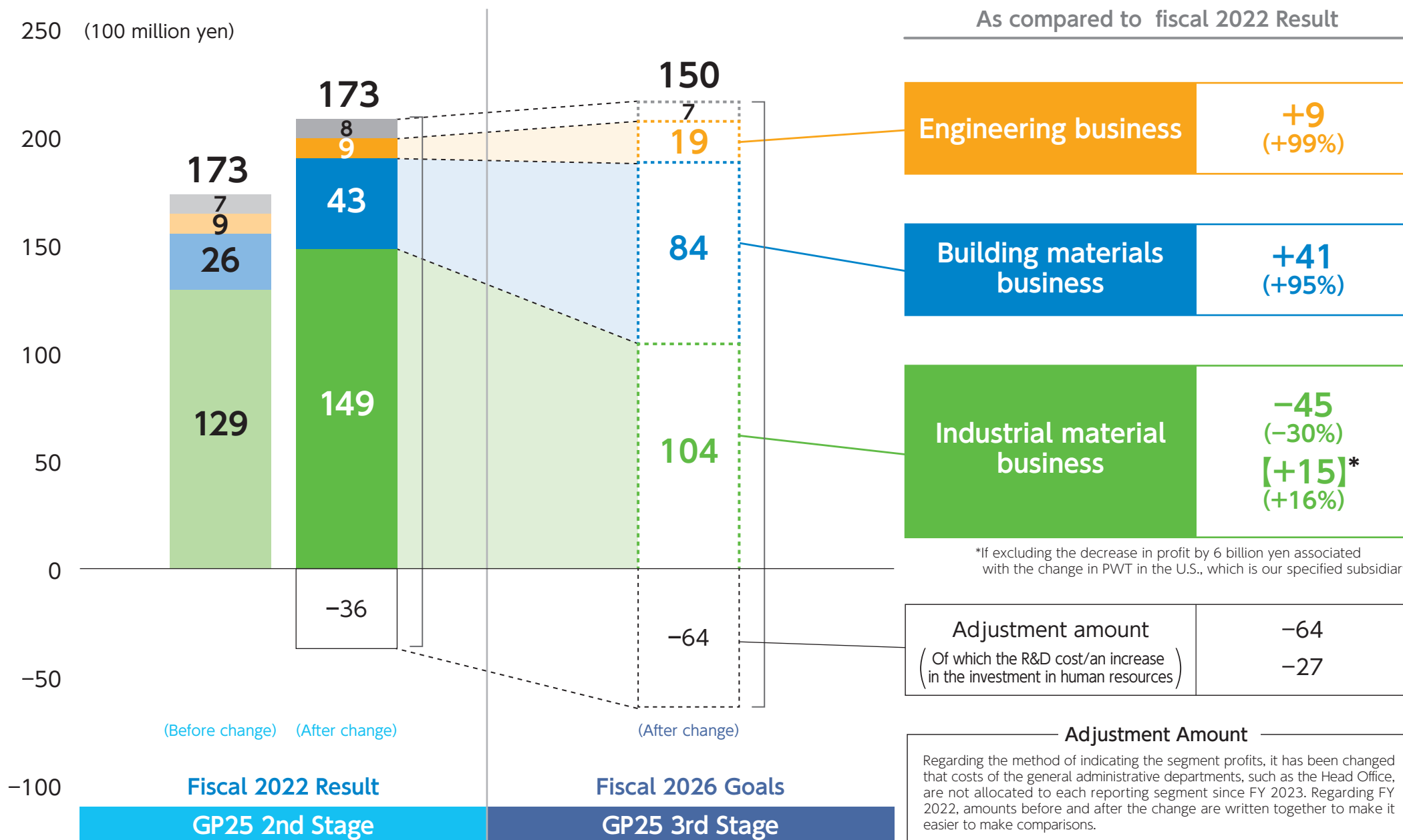
Creating Shared Value

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

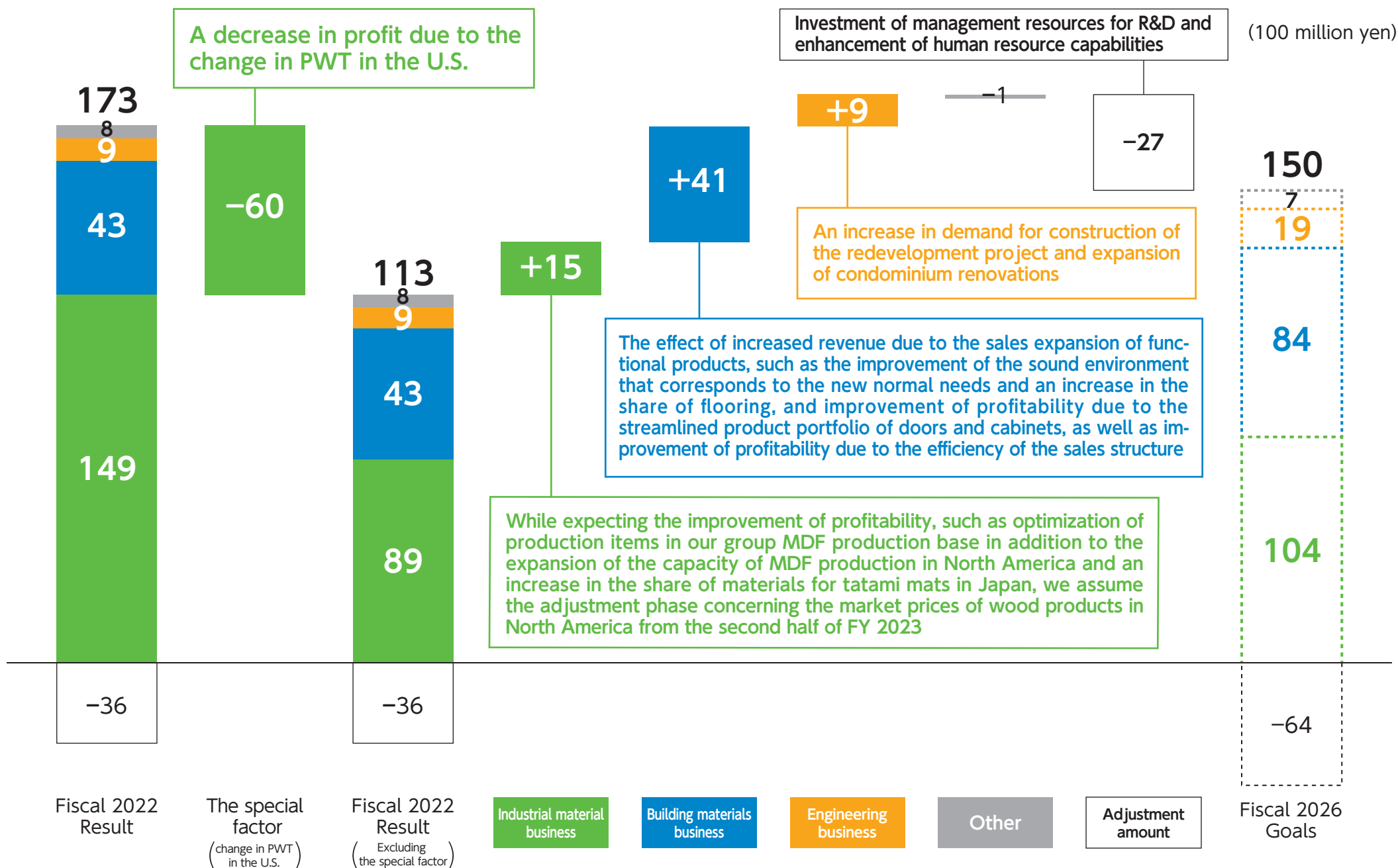
Transformation of Business Activities

- Optimization of the production system by enhancing cooperation in the group
- Optimization of the business portfolio through ROIC by business
- Pursuit of sustainability of raw materials
- Reduction of greenhouse gas emissions in the supply chain
- Reduction and recycling of waste in production and sales, and after sales (Circular economy)
- Restructuring and optimization of the production bases centered on logistics
- Efficiency of business activities that use digital technology
- Improvement of order-taking and construction contract volume per person that uses human resource development and digital technology

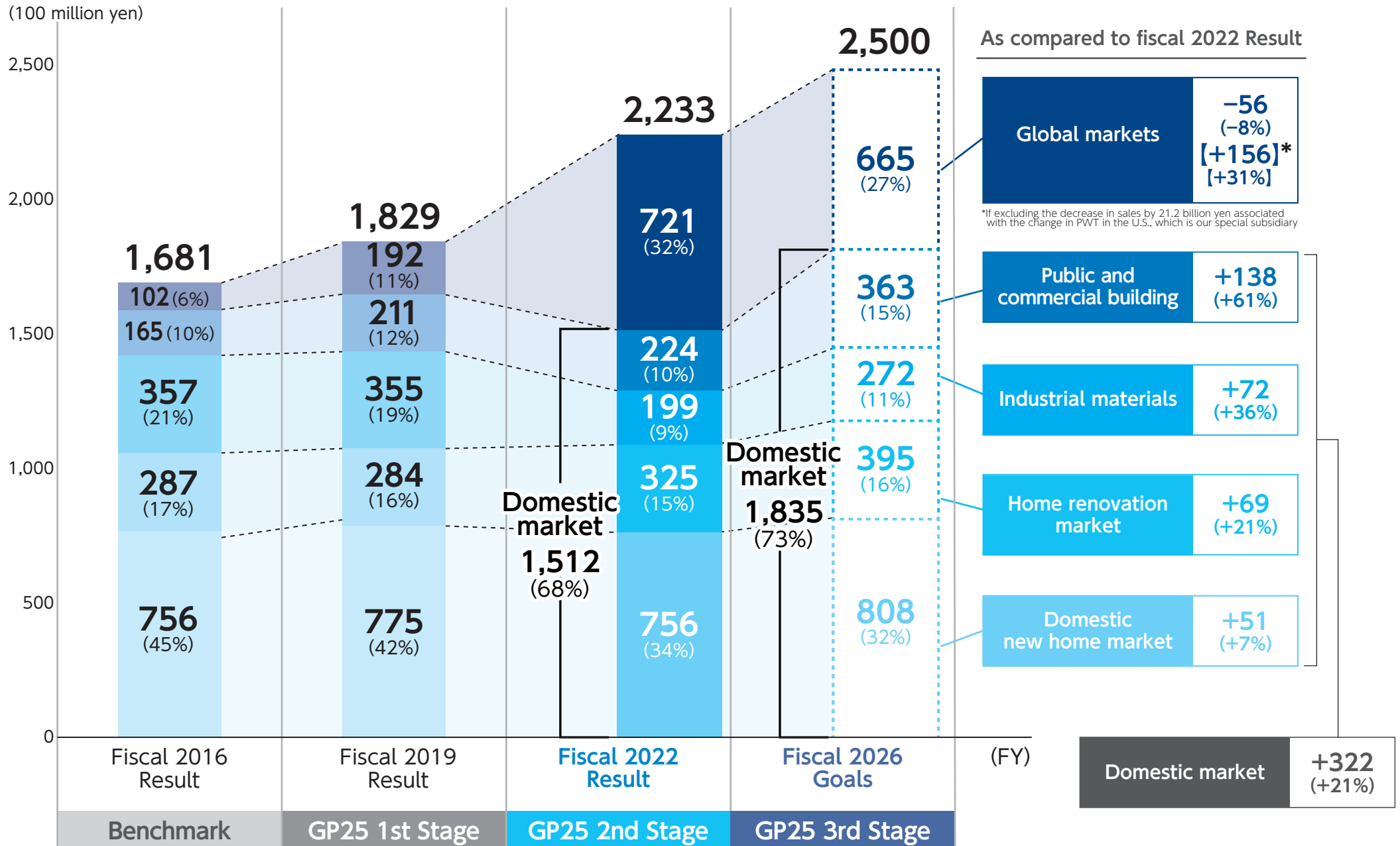
Profit Goals by Business Segment



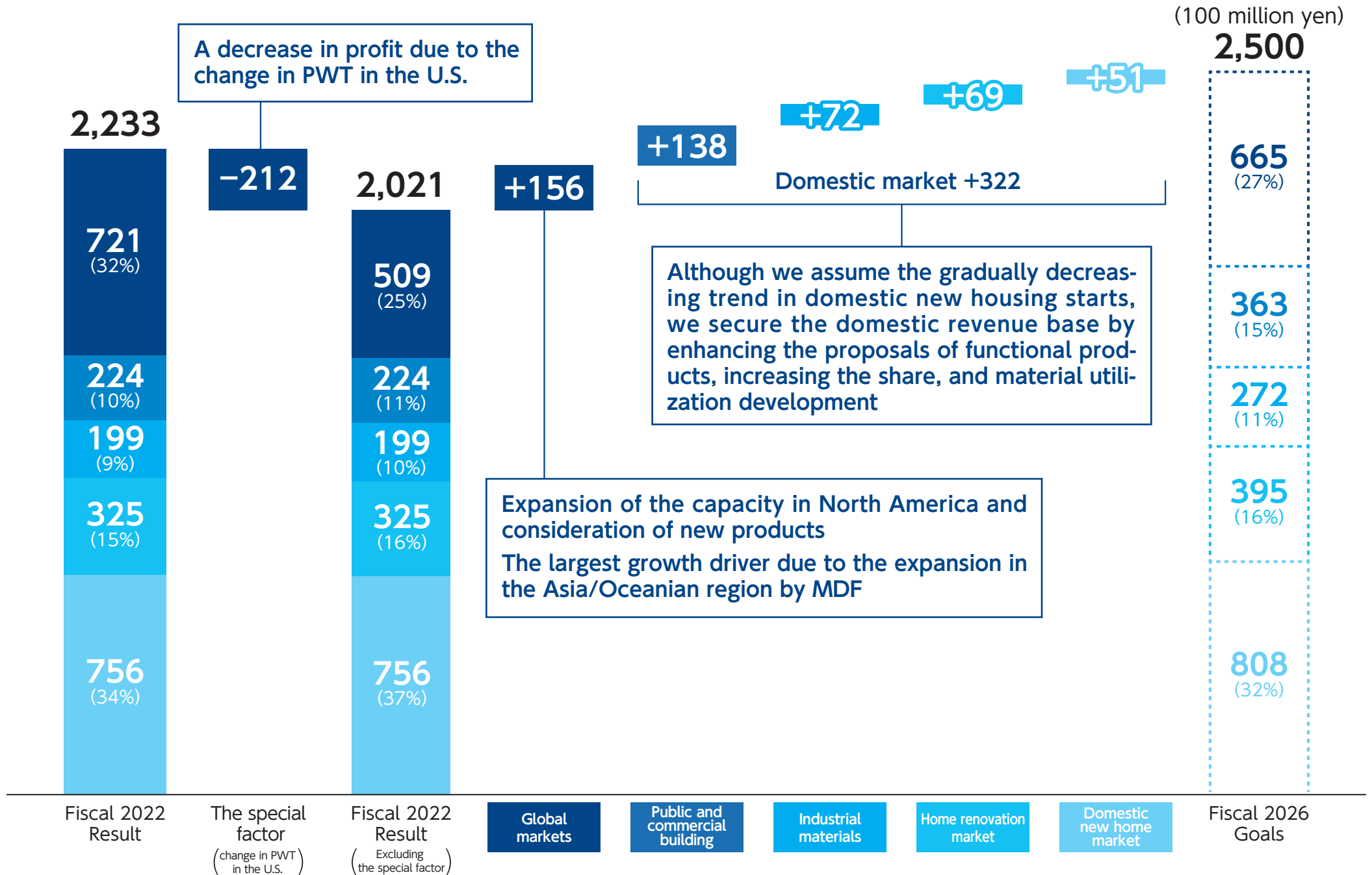
Profit Goals by Business Segment Breakdown of the Changes



Sales Goals by Market



Sales Goals by Market Breakdown of the Changes



GP25 3rd Stage (FY 2023-2026)

Global

Global markets

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

- Stable supply of sustainable industrial materials for the North American market and investment of management resources to deploy business in new markets
- Fully use and expand our production and sales channel in the Asia/Oceania region and enhance the industrial material and building material supply system for the areas of demand, such as North America, China, and Europe
- Accelerate the shift to managed and sustainable wood resources (certified materials and plantation timber) in procuring raw wood materials and focus on the development and penetration of the industrial materials that use such resources
- Human resource development to accelerate the expansion into the global markets and enhancement of the marketing capabilities to determine new markets and targets

Domestic

Public and commercial buildings

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

- Expansion and improvement of the functional building materials that create safe, secure, healthy, and comfortable spaces in order to respond to the user needs associated with the penetration of new lifestyles, purchasing styles, and work styles
- Focus on solution proposals that use functional building materials through the performance measurement and evaluation of spaces
- Marketing activities by co-creation activities and agile development
- Improvement of the integrated order-taking system for industrial materials and construction toward the provision of new spatial value by improving the sound environment and thermal environment
- Efficiency of sales activities and enhancement of proposal capabilities that use the digital methods

Industrial materials

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

- Challenge a new market and a new area, such as agriculture, by making knowledge on wood materials into a strength
- Accelerate co-creation activities with diverse companies not only in R&D but also in all kinds of business activities
- An increase in the share of housing use and expansion of industrial use by using industrial materials using sustainable resources as a weapon
- Expansion of the use that will solve customers' issues by taking advantage of diverse industrial materials using sustainable resources as raw materials, products, and functions

Home renovation market

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

- Improvement of the functional building materials that create safe, secure, healthy, and comfortable spaces to meet the needs of clients associated with the penetration of new lifestyles
- Expand the products specifically for the market by developing construction techniques and products for condominium renovations and enhancing proposals
- Enhancement of the supply system, including logistics, in the renovation market and enhancement of cooperation with TDY and prioritized distribution
- Supply of the purchased and reselling properties in response to the expansion of demand for housing in the Tokyo metropolitan area and expansion and improvement of the renovation construction system

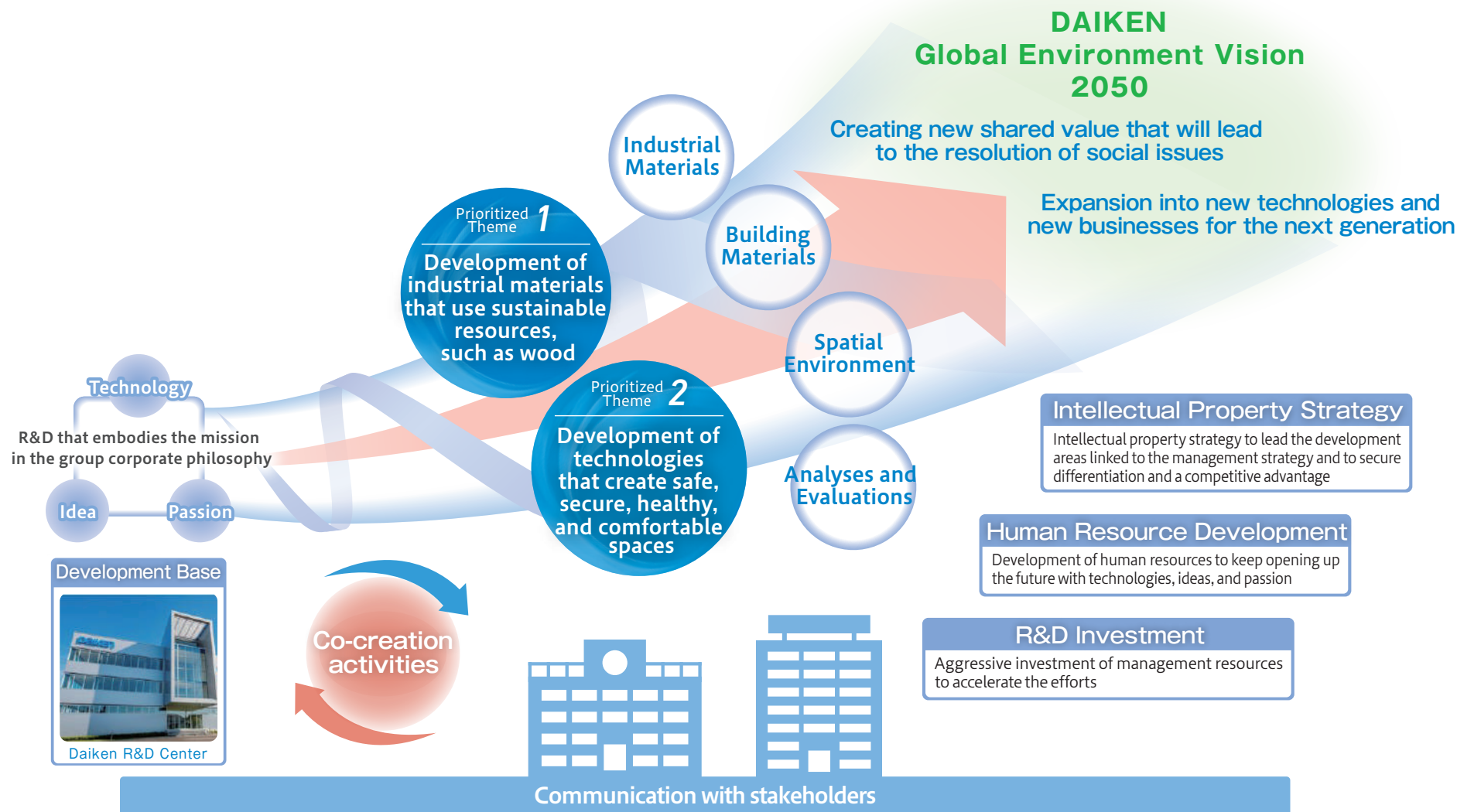
Domestic new home market

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

- Development of key items that meet the new clients' needs in the new normal era and enhancement of proposals
- Efficiency of the sales and order-taking system by introducing digital technology and outsourcing
- Assured order taking and supply by restructuring the sales structure according to demand

| Policy |

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



Policy

- Aim to become a company where by employees with diverse values and capabilities contributing to sustainable growth and medium- to long-term corporate value improvement while improving their capabilities and job satisfaction based on the growth strategy and individual intention, they can feel happy to be members of the Daiken Group.

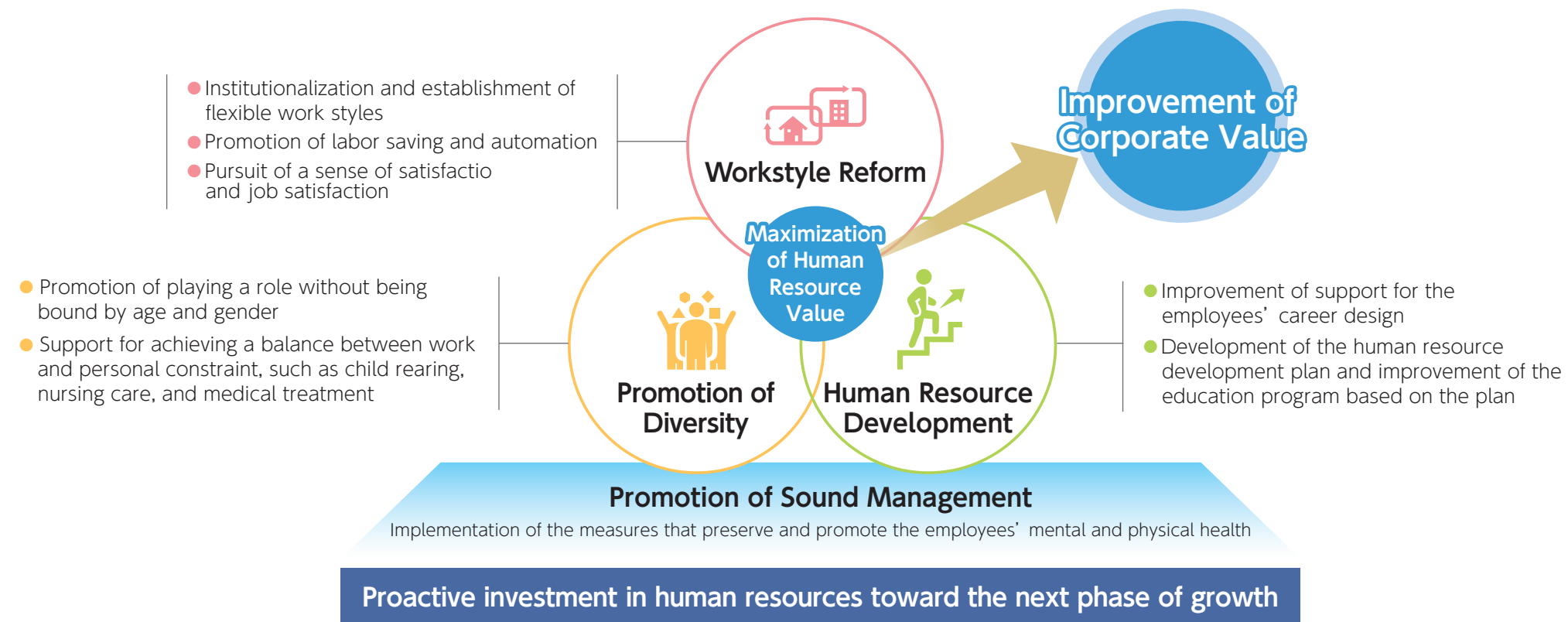
Mission

1. Creating the workplace environment and culture where diverse human resources can be active

2. Human resource development that supports the growth and can respond to changes

3. Establishment of the system and mechanism that admire and support challenges

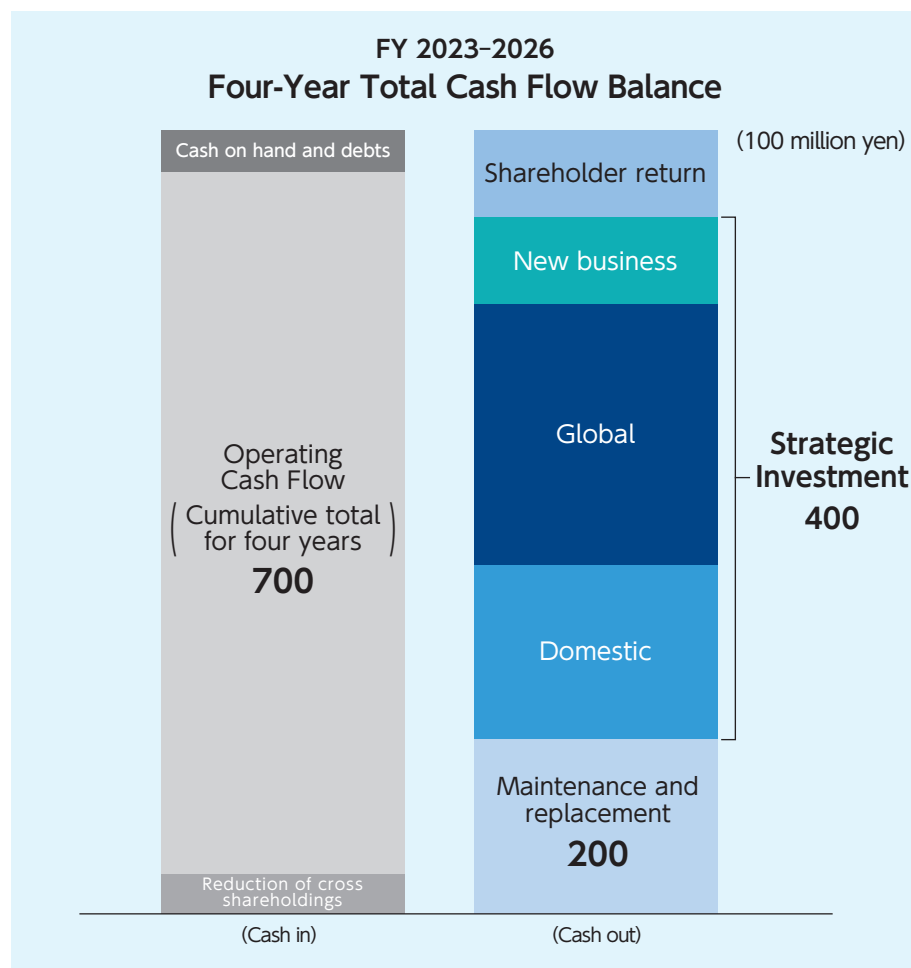
4. Building of the balanced human resource foundation



GP25 3rd Stage (FY 2023-2026)

Medium-Term Management Plan (Four-Year) Goals

- Continue the aggressive investment stance that gives consideration to the risk and return as well as the capital cost toward the realization of the long-term vision GP25
- Implement the cash allocation to optimize the aggressive investments for the growth strategy and enhancement of the foundation, financial soundness, and the improvement of the shareholder return



Overview of the Key Strategic Investments

Common

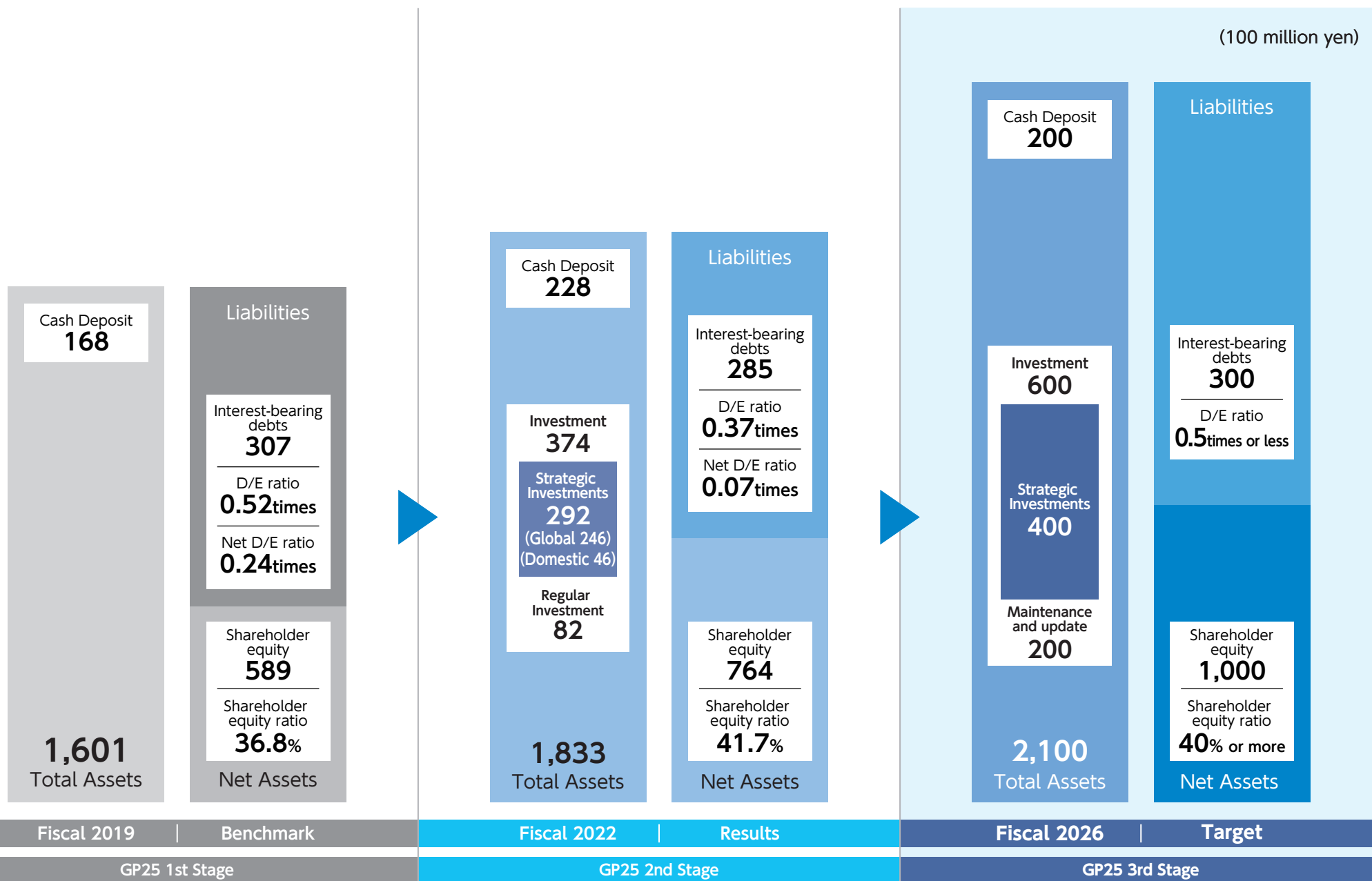
- Enhancement of the R&D structure (Development of new industrial materials and measurement of the spatial environment)
- Expansion into new business areas, including M&A
- Reduction of environmental burden in business activities

Global

- Expansion and improvement of the supply and sales structure for the areas of high demand
- Development of new industrial materials and expansion into new markets and areas

Domestic

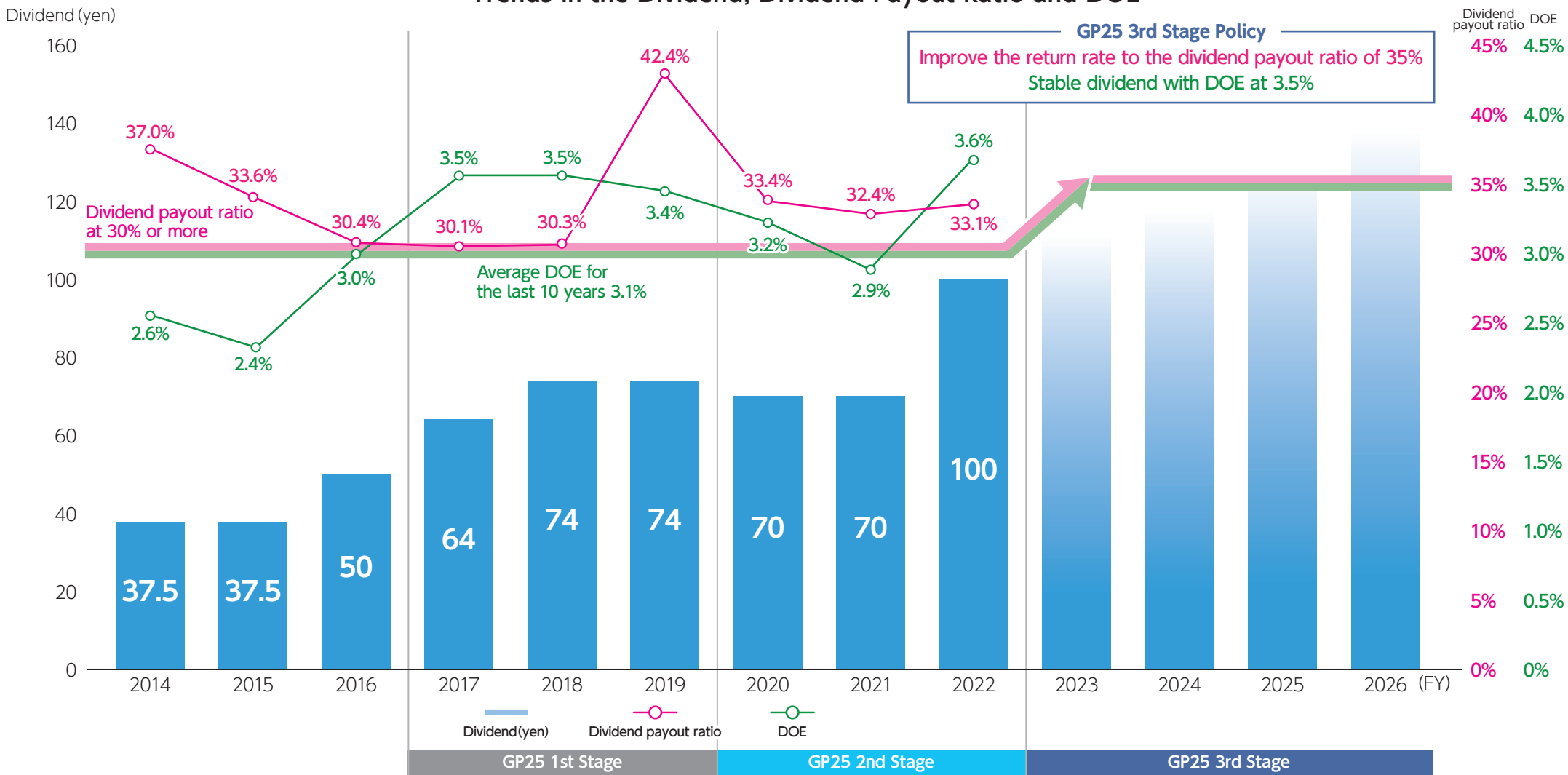
- Restructuring of the product supply network according to demand
- Enhancement of the order-taking system for materials and construction to improve spatial performance
- Reform of the ordering system and operational efficiency



Shareholder Return Policy in the Medium-Term Management Plan GP25 3rd Stage

- Shareholder return in the Medium-Term Management Plan GP25 3rd Stage for four years (FY 2023–2026) puts emphasis on the improvement of profit return linked with the results of operations and the maintenance of a stable dividend that is less affected by the short-term profit fluctuation and we implement the dividend payment with goals of the dividend payout ratio at 35% and DOE (Dividend On Equity ratio) at 3.5%.

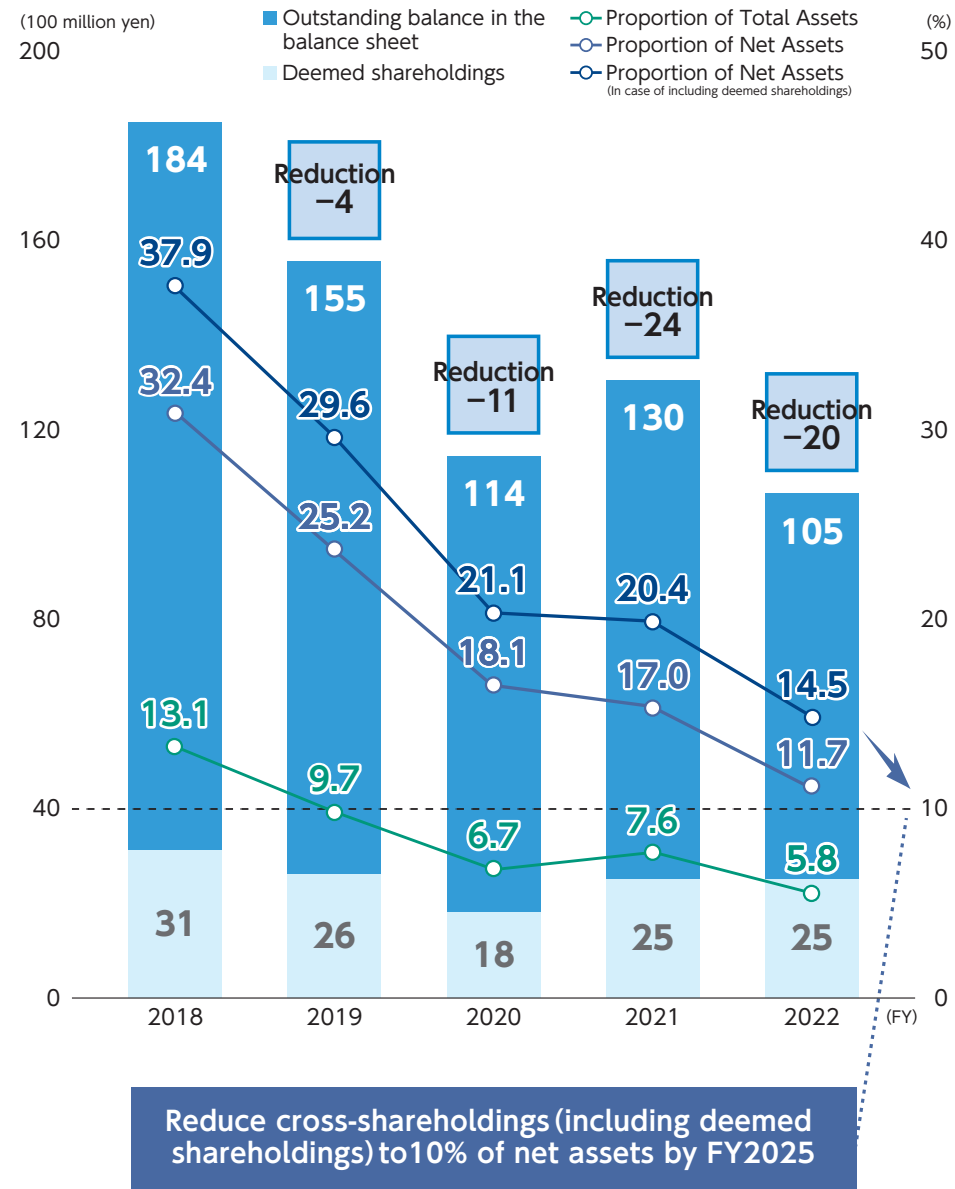
Trends in the Dividend, Dividend Payout Ratio and DOE



Trends in Cross-Shareholdings

(100 million yen)

		FY2018	FY2019	FY2020	FY2021	FY2022
Outstanding balance in the balance sheet	Listed	183	154	112	129	104
	Unlisted	1	1	1	1	1
	Total	184	155	114	130	105
Deemed shareholdings		31	26	18	25	25
Outstanding balance in the balance sheet and Deemed shareholdings		216	182	133	156	131
Sale Value		0	-4	-11	-25	-20
Acquisition Cost		0	0	0	0	0
Reduction		0	-4	-11	-25	-19
Number of Stock Names	Listed	25	24	19	18	17
	Unlisted	25	24	24	22	23
	Deemed shareholdings	3	3	3	2	2
	Total	53	51	46	42	42
	Decrease	0	-2	-6	-4	-1
	Increase	1	0	1	0	1
	Reduction	1	-2	-5	-4	0
Total Assets		1,407	1,601	1,706	1,725	1,833
Proportion of Total Assets		13.1%	9.7%	6.7%	7.6%	5.8%
Net Assets		569	617	629	767	905
Proportion of Net Assets		32.4%	25.2%	18.1%	17.0%	11.7%
Proportion of Net Assets (In case of including deemed shareholdings)		37.9%	29.6%	21.1%	20.4%	14.5%



We have set the important themes that we work on from the ESG perspective and the goals toward FY 2026 as the ESG goals in the Medium-Term Management Plan GP25 3rd Stage. Key important themes, target values, and prioritized measures are as follows.

	Important themes	Goals in Fiscal 2026	Prioritized measures
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) by 15%	Expansion of the recycling use by segregation
	Greenhouse gas emissions reduction	Total greenhouse gas emissions in Japan and overseas (Scope1+2) 10% reduction (As compared to fiscal 2022)	Productivity improvement, reduction of losses, and rationalization of the production processes Additional introduction of the renewable energy equipment
		Total greenhouse gas emissions in Japan and overseas (Scope3) 6% reduction (As compared to fiscal 2022)	Promotion of the development of/replacement with the materials with less greenhouse gas emissions and enhancement of cooperation with suppliers
	Procure wood in a biodiversity friendly way	Lauan usage rate in flooring base materials 50% reduction (As compared to fiscal 2022)	Changing the product specifications from lauan to ecological base materials
S Social	Promotion of diversity	Total diversity index 3rd Stage*1 +30pt (As compared to fiscal 2022)	Institutionalization to support diverse work styles and values, education and enlightenment, and development and execution of continuous measures, such as recruitment and appointment
	Promotion of health management	Health score (Exercise, rest, and nutrition) 20pt	Continuous implementation of health measures
	Reinforcing human resources development	Attendance rate for the prioritized market enhancement program 50%	Building and implementation of the prioritized market enhancement program
G Governance	Enhancement of the Governance System	Degree of penetration of the group corporate philosophy*2 60pt or more	Continuous implementation of the group corporate philosophy penetration survey and implementation of measures based on the analyses
		Female executive ratio 10% or more	Promotion of diversity and gender equality on the Board of Directors

*1 Our unique indices that indexed diversity-related items, such as the female manager ratio, compared with FY 2022. Seven items concerning the calculation method have been reset as the Diversity Composite Index 3rd Stage in the medium-term management plan GP25 3rd Stage in FY 2023

*2 Our own indices in which employees' understanding, sharing and practice of the group corporate philosophy were indexed.

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