

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



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DAIKEN CORPORATION

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Long-Term Vision GP25 (The Daiken Group's Goal for 2025)

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 peoples' minds by creating more comfortable and secure spaces

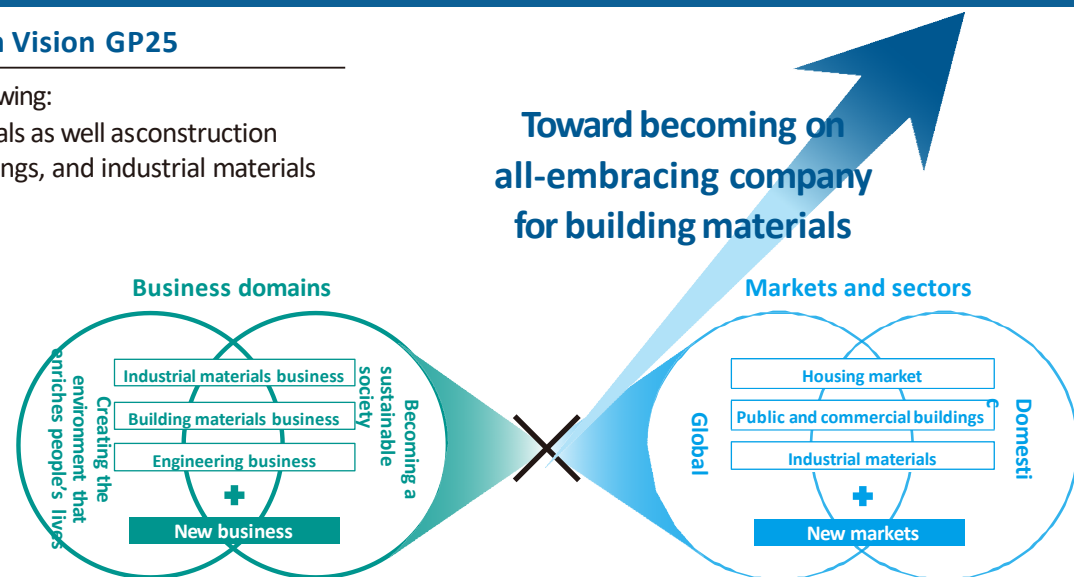
How we should be in 2025:

1. Leading global company for industrial materials, building materials, and engineering
2. Continue to challenge new business areas and grow the fourth pillar
3. Earn a great reputation among professionals for consumer-oriented product development, proposal capabilities, problem-solving skills, and organizational strength
4. Company culture that admires challenges, and system established to support challenges
5. Governance is strengthened to support sustainable growth and improvement of medium-to long-term corporate value

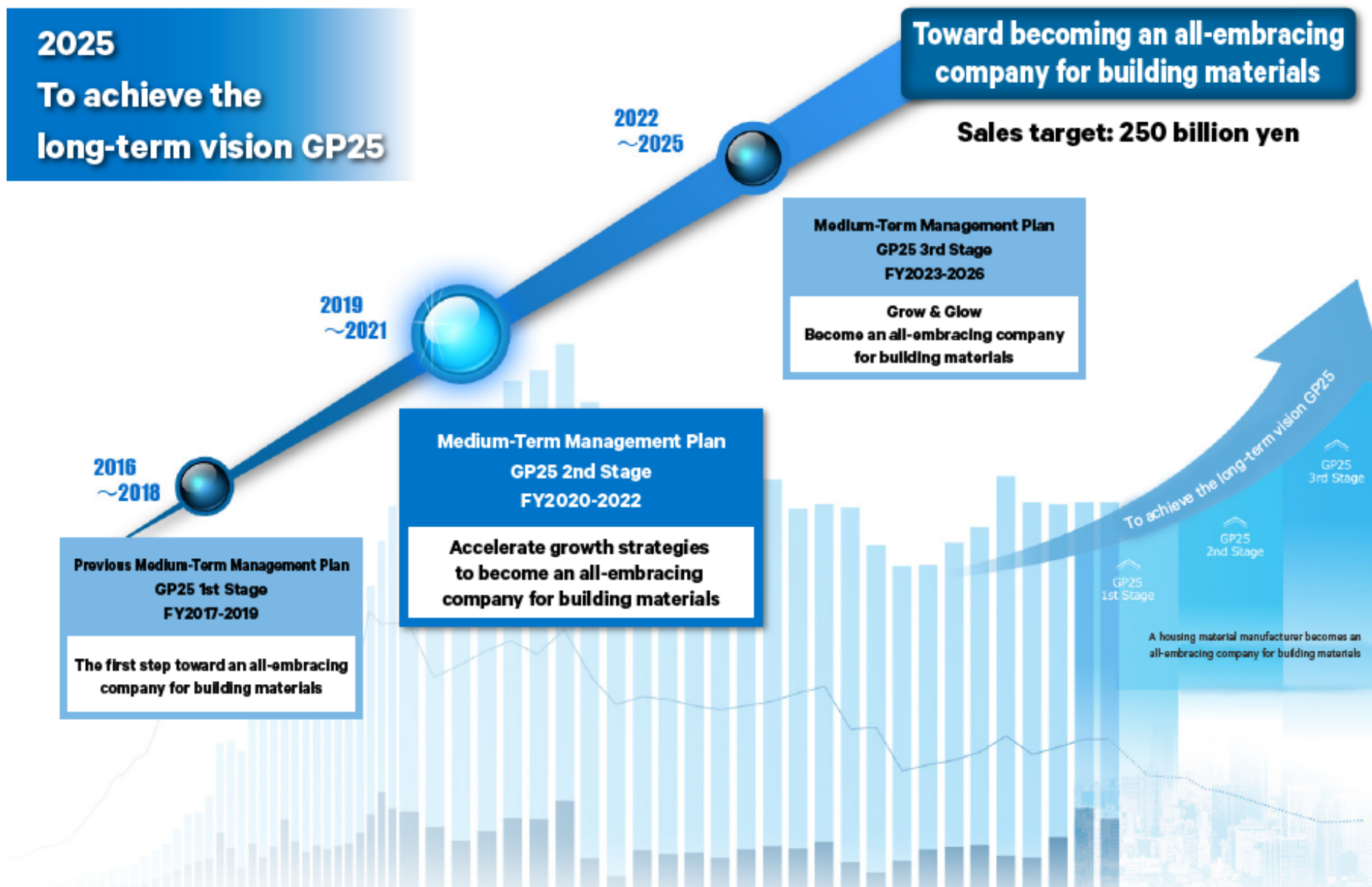
Business domains, markets, and sectors targeting Long-Term Vision GP25

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

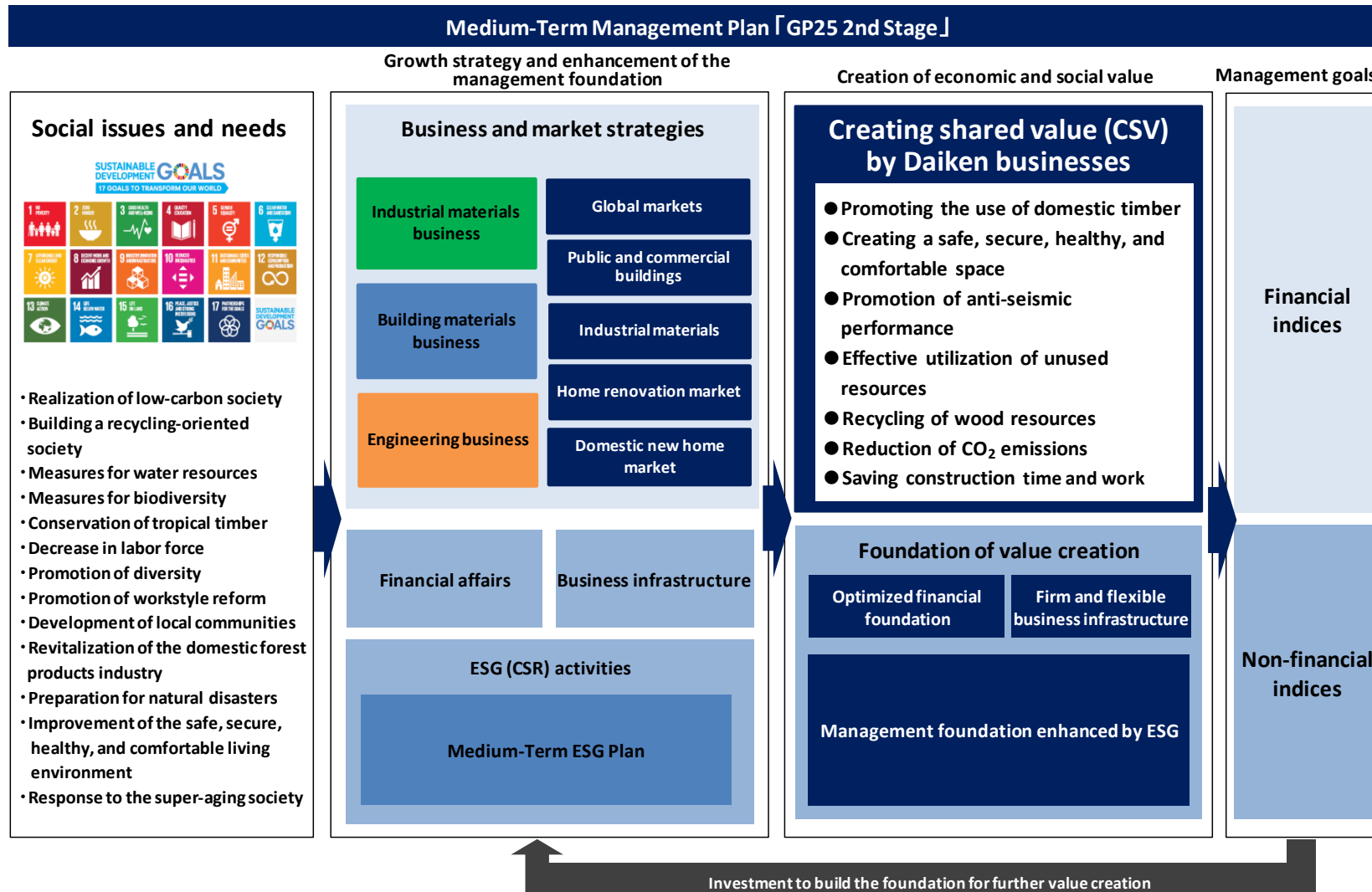


Positioning of the Medium-Term Management Plan GP25 2nd Stage



Process of Creating Value

- By pursuing the resolution of social issues through business activities, we aim to create economic and social value.
- Strengthen the business foundation from three perspectives of financial soundness that supports business operations, the business infrastructure and ESG.



Status of the Achievement of the Management Goals

- We achieved the sales and net profit goals and we continued to distribute earnings to shareholders based on the policy of a dividend payout ratio of at least 30%
- There was an operating profit for two consecutive years following the consolidation, including record-high earnings, but unable to be profitable in the plan's final fiscal year
- Regarding sales for three priority markets, sales of global markets reached the goals. We could not achieve the goals in the public and commercial building despite higher sales for three consecutive fiscal years. The home renovation market did not reach the goals.

(Unit: 100 million yen)

		Result	Goal
		Fiscal 2016	Fiscal 2019
Management goals	Net sales	1,681	1,800
	Operating profit	55	70
	Ordinary profit	52	70
	Profit attributable to owners of parent	39	43
	ROE	9.8%	8%
	Dividend payout ratio (%)	30.4%	30% or more

Result		
Fiscal 2017	Fiscal 2018	Fiscal 2019
1,688	1,705	1,829
85	75	57
90	87	68
51	58	44
11.7%	11.7%	7.8%
30.1%	30.3%	42.4%

Net sales for three priority markets	Public and commercial buildings	166	285
	Global markets	96	143
	Home renovation market	283	299
	Total	545	727

168	199	211
110	123	192
288	290	284
566	612	687

Basic Policy

Basic policy

Based on firm management foundation, 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

Japan: Review of the business (market) portfolio

Global: Expand the business through aggressive 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

Management Goals

Management goals

I. Accelerating growth strategies

(Unit: 100 million yen)	Fiscal 2019 Result	Fiscal 2020 (forecast)	Fiscal 2022 Target	Increase/ Decrease
Net sales	1,829	2,100	2,250	+421
Domestic market	1,637	1,720	1,730	+93
Global market	192	380	520	+328
Operating profit	57	104	120	+63
Operating profit ratio	3.1%	5.0%	5.3%	+2.2pt
Profit attributable to owners of parent	44	60	70	+26

II. Enhancement of the management foundation

Financial indices (Fiscal 2022)		
Efficiency	ROE	10%
	ROA	7%
Soundness	Shareholder equity ratio	40%
Shareholder return	Dividend payout ratio (%)	30% or more

Non-financial indices (Fiscal 2022)		
E	Total CO ₂ emissions in Japan ^{*1}	-26%
S	Total diversity index ^{*2}	+20 pt
	Serious quality accidents and violations	0
G	Degree of penetration of the Group Corporate Philosophy ^{*3}	+10 pt

*1: Compared to fiscal 2014

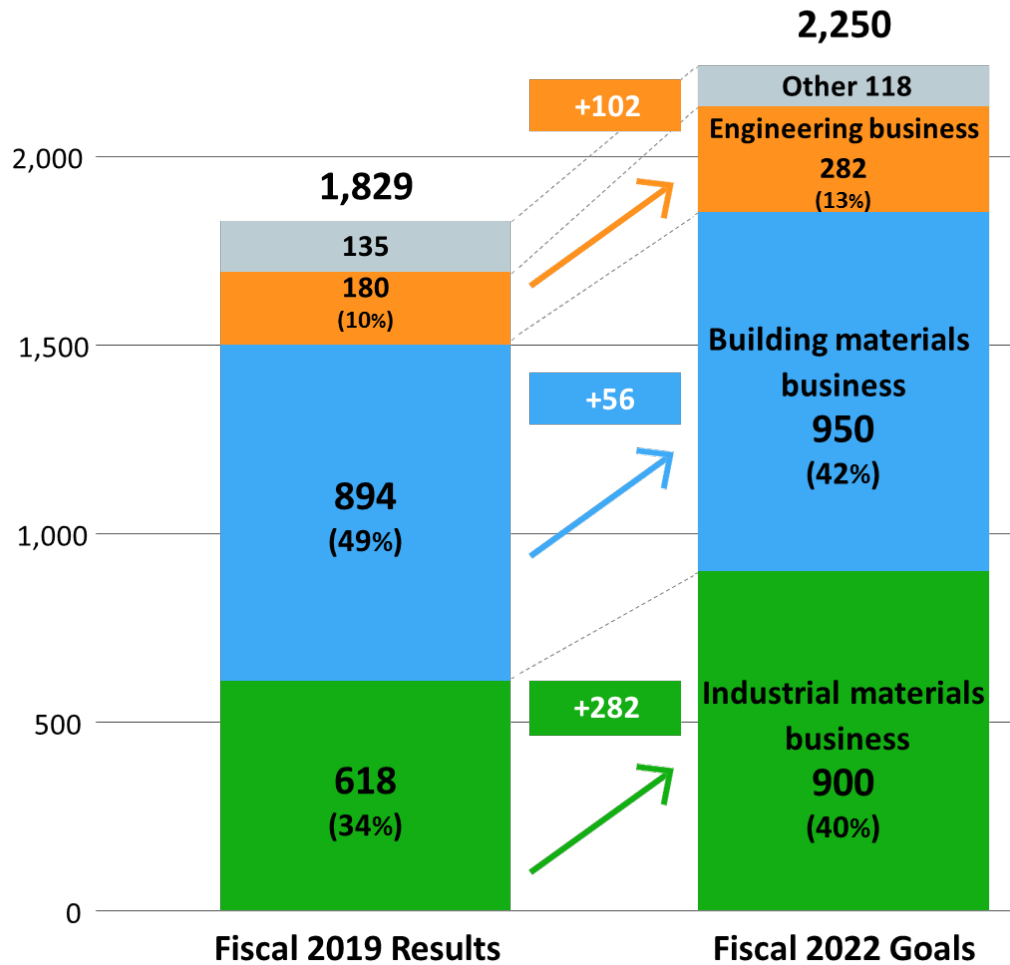
*2: Our own indices in which the eight diversity items, such as the female manager ratio, were indexed as compared to fiscal 2019

*3: Our own indices in which employees' understanding, sharing, and practice of the Group Corporate Philosophy were indexed as compared to fiscal 2018

Strategies and Goals by Business Segment

■ Business segment sales

(100 million yen)
2,500



Industrial materials business

Globally expand the markets and applications by taking advantage of sustainability and functionality and maximize the fixed asset efficiency

- Invest in the North American wood industrial materials business (LVL/veneer) and expand into the North American market
- Pursue optimization of the production system
- Accelerate application development centering on the resolution of social issues
- Start the non-combustible business for wood materials
- Consider commercialization of wood material use for the agricultural and gardening markets
- Consider commercialization of new wood materials

Building materials business

By taking advantage of the industrial materials business and functional and construction saving-type building materials, increase our share in the housing market and expand in the public and commercial building fields

- Further expand the differentiated products that can keep getting chosen
- Expand the product/sales networks by fully utilizing M&A and external resources

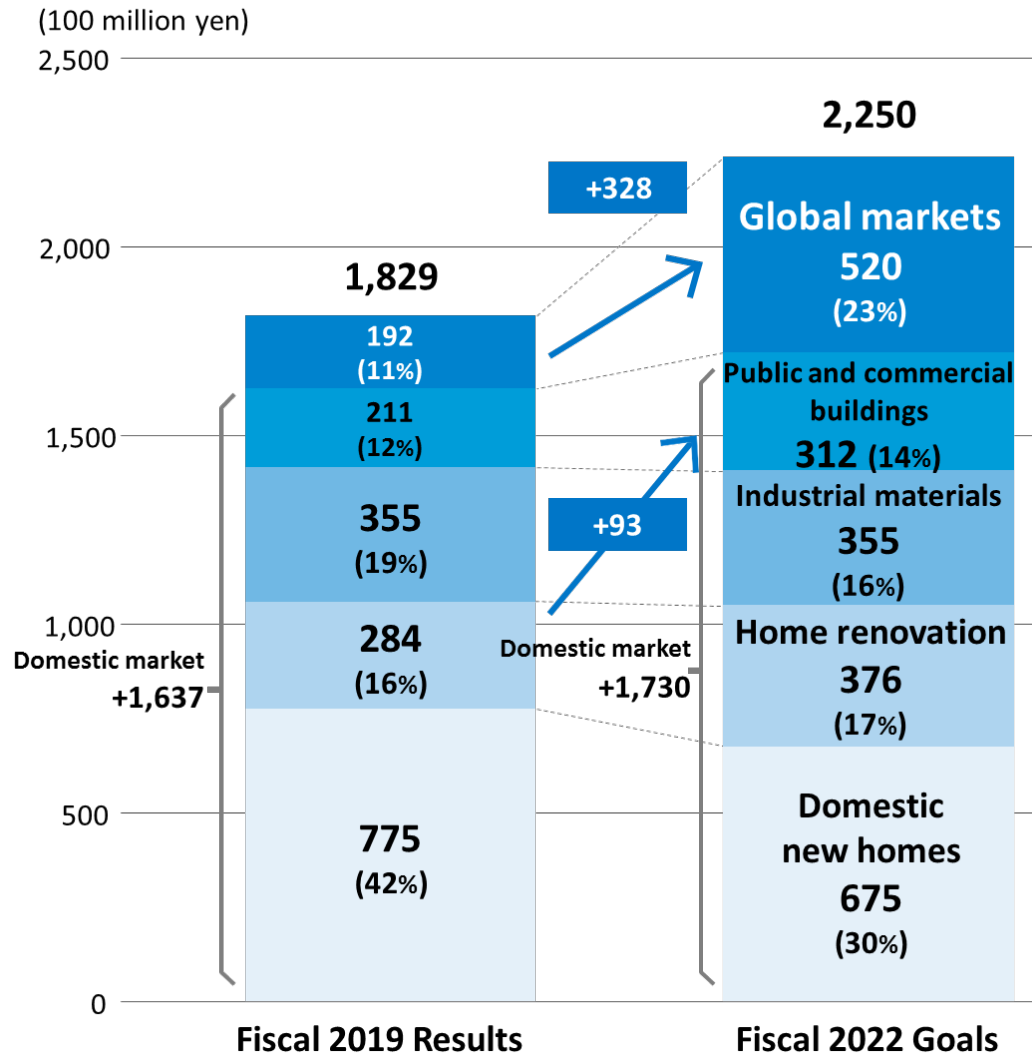
Engineering business

Expand construction domains, areas and sources of orders by using M&A and cooperation with other companies

- Expand the construction company's business targeting the priority markets (public and commercial buildings, remodeling, and renovation)

Market Strategies and Goals

■ Sales by market



Global markets

Accelerate global expansion with a focus on the industrial materials business through aggressive investments

Invest in the North American wood industrial materials business (LVL/veneer) and expand into the North American market
Continuously expand wood industrial materials with a focus on MDF
Put the Chinese and Indonesian building materials businesses on a path toward stable growth and shift to the growth strategy

Public and commercial buildings

Expand investments including M&A and accelerate growth

Expand the product lineup (The medical field will be the new focused target)
Improve infrastructure for the expansion of the markets, such as logistics, correspondence of drawings, and the sales structure.
Expand the product and sales networks, including cooperation with other companies and M&A

Industrial materials

Cover the decrease in these for housing with application development and expand industrial materials business

Focus on application development for the new markets and fields
Promote the development of and search the applications of new materials and R&D products

Home renovation market

Expand in the renovation market from a perspective of development of functional products and methods

Expand the renovated properties and renovation work in the Tokyo metropolitan area
Focus on the expansion of the products for renovation, such as construction savings and waste savings

Domestic new home market

Restructure the sales structure in response to changes in the market and customer needs, and increase our share

Continuously enhance the products and proposals from the perspective of functionality, such as soundproofing and construction work saving.
Enhance the collaborative system with key distribution companies as well as a system to make proposal to key customers

Domestic market

Enhancement of the Management Foundation

To steadily push ahead with the growth strategy, enhance of the management foundation from the three perspectives of financial soundness, business infrastructure, and ESG.

Optimize our financial foundation

To support investments toward the growth and enhancement of the foundation, place emphasis on efficiency and soundness and optimize our financial position

Enhancement of the management foundation

Practice of ESG management

Toward the enhancement of the management foundation that supports the growth strategy, practice sustainable ESG management centering on the Medium-term ESG plan

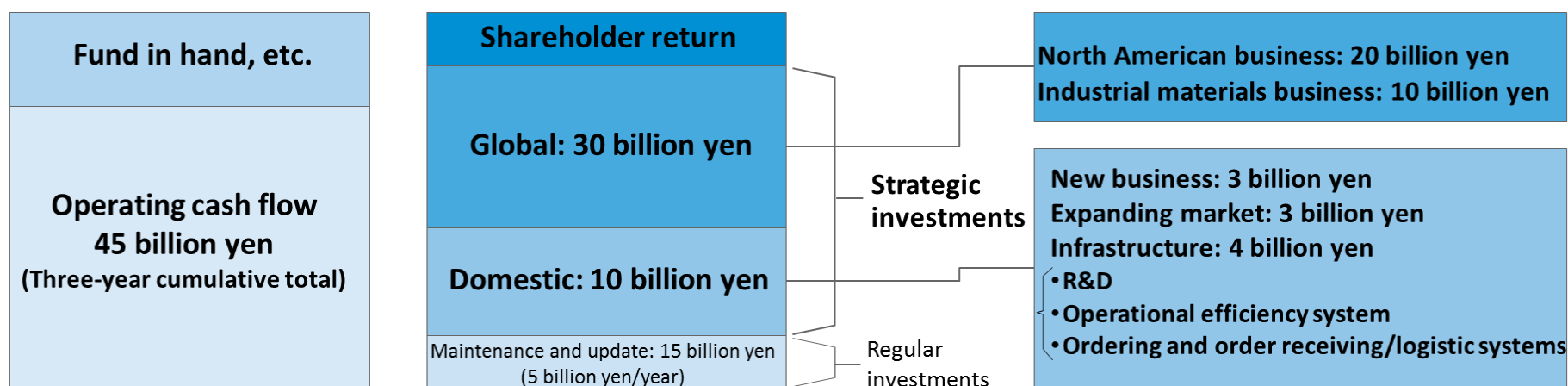
Restructure firm and flexible business infrastructure

To be a company that will be continually chosen, establish IT, logistics, and supply systems that are strategic and optimal from medium- and long-term perspectives and restructure firm and flexible business infrastructure

Investments Toward the Enhancement of Growth and Foundation, and Optimize Our Financial Basis

Investments toward the enhancement of growth and foundation

- Make it a top priority to implement growth investments toward the realization of the long-term vision GP25
- Select investments by reflecting risk and return as well as the cost of capital
- Aggressively utilize advanced technologies such as AI and IoT, to lead for improvements in efficiency and productivity



Optimize our financial foundation

Efficiency goal

- ROA: 7%
- ROE: 10%
- Improvement of the fixed asset turnover ratio (Reduction in inefficient assets and stringent selection of capital investment)
- Improvement of the working capital turnover ratio (Inventory optimization that gives consideration to BCP)

Soundness goal

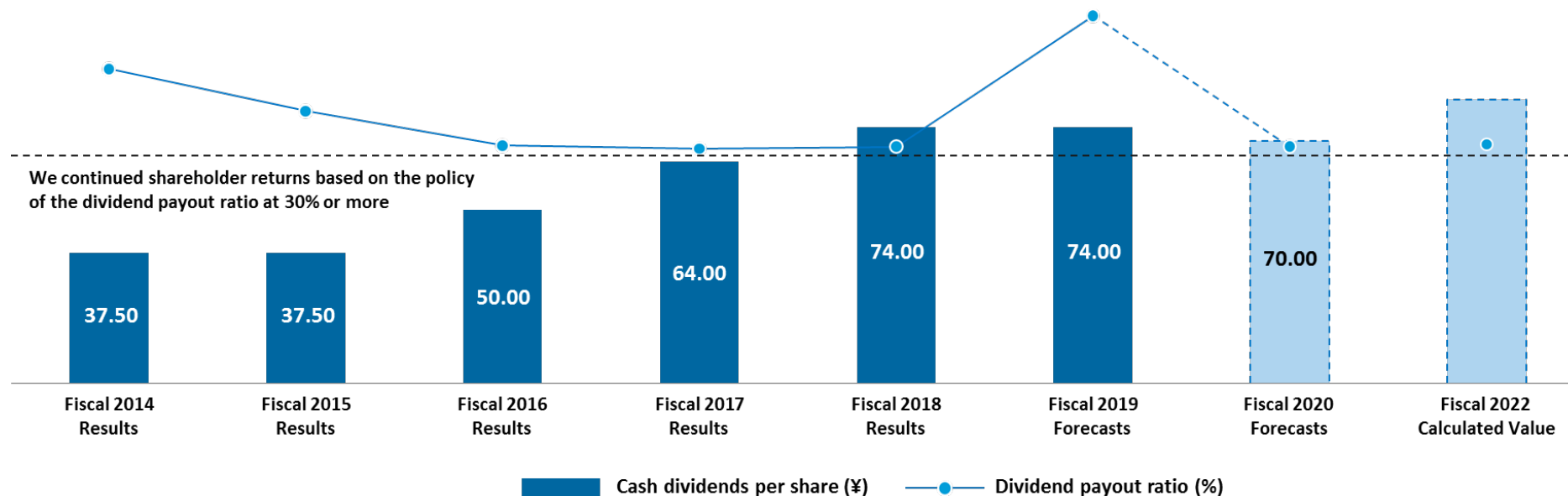
- Shareholder equity ratio: 40%
- D/E ratio: 0.5 times
- Balance sheet management to maintain the optimum balance
- Procurement of funds for investment that will support growth

Capital Policy/Shareholder Return

Basic policies for capital and shareholder distributions

- By striving for efficient management that places emphasis on ROE, improving shareholder return, and optimizing the balance between financial soundness and strategic investment, improve corporate value.
- For shareholder distributions, the goal is a dividend payout ratio of at least 30% while maintaining a stable dividend and aiming for the distribution of earnings linked with results of operations.
- Decisions about the repurchase of stock will be made based on the current level of capital, the market environment and other applicable considerations.

Shareholders' equity will be effectively used for the improvement of production, sales and construction systems as well as for new businesses, global operations and other activities in order to achieve medium- and long-term growth and build a solid foundation for business operations.



Practice of ESG Management

To accomplish the goals of the medium-term management plan GP25 2nd stage, the medium-term ESG plan was formulated to include critical items for building a stronger business foundation. Daiken has set goals toward the medium-term plan's final fiscal year, and is dedicated to working in a unified fashion by further improving linkage.

Key themes and goals in the Medium-Term ESG Plan (fiscal 2020-2022)



Greenhouse gas emissions reduction

Total greenhouse gas emissions in Japan
Fiscal 2022: 26% reduction (As compared to fiscal 2014)

Promotion of carbon fixation

Amount of carbon fixation by the wood material business:
1,100,000 t-CO₂/year

Promotion of the use of renewable energy

Renewable energy utilization ratio: 50% or more

Procure wood in a biodiversity friendly way

Utilization ratio of the domestic timber for floor base materials
: 45%



Enhancement of the quality control structure

Serious product accident: 0
Product audit implementation cover ratio: 100%

Promotion of workstyle reform

Rate of taking annual paid leave: 70%

Promotion of diversity

Indexation of the eight diversity items,
such as the female manager ratio: +20 pt

Reinforcing human resources development

Young employees' career plan training attendance rate: 100%
Management staff training program attendance rate: 70%



Enhancement of the governance system

Degree of penetration of the Group Corporate Philosophy: +10 pt
Group Corporate Philosophy penetration program execution rate
: 100%

Promotion of risk management

Procurement and system BCP 3-year proactive measure
completion rate: 100%

Thorough compliance

Serious compliance violations: 0

Toward the future going beyond the functions of yesterday

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