

Results of Operations for the Fiscal Year Ended March 31, 2023 (Fiscal 2023)



May 23, 2023

DAIKEN CORPORATION

(Security code:7905)

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Main Points of the Presentation of Financial Results for Fiscal 2023

Main Points of the Presentation of Financial Results for Fiscal 2023

◇ Result for Fiscal 2023 ◇

- ◆ **Net sales** and **profit** attributable to owners of parent **hit new highs**.
- ◆ Operating profit and ordinary profit dropped, due to the soaring cost of raw materials and other goods. Efforts to incorporate the costs into selling prices failed to cover the increase.
- ◆ Annual dividends will be **the highest ever at 110 yen** per share, up 10 yen from the previous fiscal year.

◇ Forecast for Fiscal 2024 ◇

- ◆ Accelerate the global expansion of wood materials and step up proposals of solutions from a perspective of improving the value of spaces in an attempt to increase net sales.
- ◆ In view of the deterioration of the cost environment, operating profit, ordinary profit and profit attributable to owners of parent are forecast to decline.
- ◆ The annual dividend forecast is **120 yen** per share, **up 10 yen** from the preceding fiscal year, on the basis of a DOE of 3.5%.

◇ Business Targets of the Medium-Term Management Plan GP25 3rd Stage ◇

- ◆ The business targets set in the the medium-term management plan, GP25 3rd Stage, **have been maintained**. They are **net sales of 250.0 billion yen, operating profit of 15.0 billion yen, and profit attributable to owners of parent of 10.0 billion yen**.
- ◆ The 60.0 billion yen investment plan, including strategic investment of 40.0 billion yen, has been delayed. To catch up to the schedule, the Company will invest as necessary in the continued growth of business and the transformation of its business portfolio.

Fiscal 2023

Financial Results

Fiscal 2023 Market Environment

Domestic home market

◆ Housing starts fell slightly. The continued weakness of demand for owner-built homes was covered by demand for built-for-sale homes and rental properties. Housing starts dropped 0.6%. They were almost flat from the previous fiscal year. While demand for owner-built homes remained weak, rental properties were in high demand, and built-for-sale homes demand stayed at the level of the previous year even though it slowed in the second half. Renovation demand was solid.

| (Unit: 10,000) | January to December | | | | | | April to March | | | | | |
|------------------------|---------------------|------------|------|------------|------|------------|----------------|------------|------|------------|------|------------|
| | 2020 | YoY change | 2021 | YoY change | 2022 | YoY change | 2020 | YoY change | 2021 | YoY change | 2022 | YoY change |
| Housing starts (total) | 81.5 | -9.9% | 85.6 | +5.0% | 86.0 | +0.5% | 81.2 | -8.1% | 86.6 | +6.6% | 86.1 | -0.6% |
| Owner-built homes | 26.1 | -9.6% | 28.6 | +9.4% | 23.5 | -17.8% | 26.3 | -7.1% | 28.1 | +6.9% | 24.8 | -11.7% |
| Rental properties | 30.7 | -10.4% | 32.1 | +4.8% | 34.5 | +7.5% | 30.3 | -9.4% | 33.1 | +9.2% | 34.7 | +4.8% |
| Built-for sale homes | 13.1 | -11.4% | 14.1 | +7.9% | 14.6 | +3.5% | 12.9 | -11.5% | 14.4 | +11.4% | 14.4 | - |

Public and commercial buildings (non-housing sector)

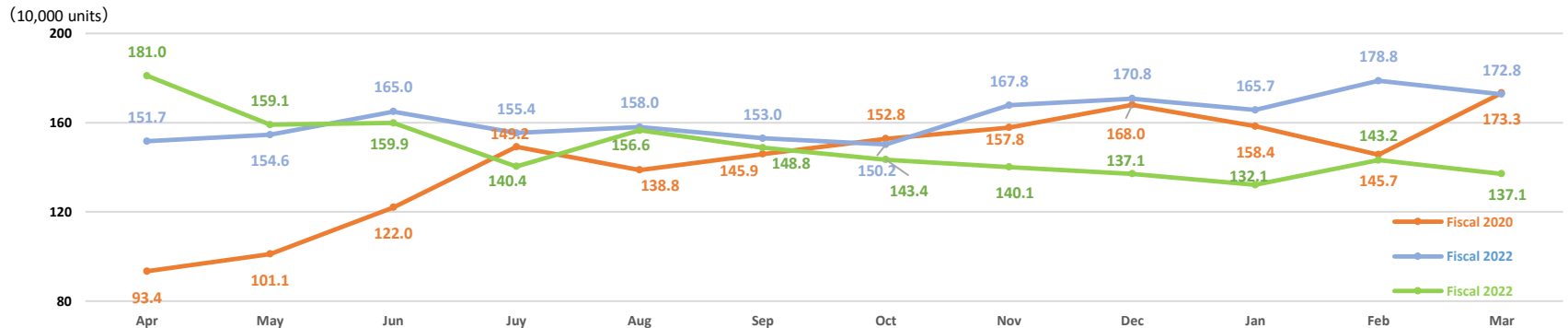
◆ Demand for interior finishing work for office and other buildings recovered due to the resumption of a range of construction projects.

MDF market

◆ In the first half of the fiscal year, demand was solid as inquiries increased. In the second half, demand for applications of furniture and building materials dropped mainly in North America. The demand-supply balance is loosening.

U.S. home market

◆ Housing starts decreased due to rising interest rates. The selling prices of LVL and veneer have been in an adjustment phase since the second half of 3Q.



Fiscal 2023 Financial Results

Net sales Net sales increased, due mainly to the increasing selling prices of MDF, rallying demand for interior finishing work for office and other buildings and brisk sales of renovations for condominiums in the Tokyo metropolitan area despite a negative factor associated with the exclusion of U.S.-based PWT from consolidation.

Operating profit Ordinary profit Profit figures dropped. In response to the increasing cost of raw materials and other goods, the Company worked to incorporate them into its selling prices in addition to streamlining and cost reduction. However, the efforts failed to cover the surging costs.

Net Profit Net profit rose after the posting of a gain on change in equity of 4.1 billion yen as extraordinary income due to changes in PWT.

| (Unit: million yen) | Fiscal 2021 (Result) | Fiscal 2022 (Result) | Fiscal 2023 (Result) | YoY change | | Fiscal 2022 (Forecast on Oct. 27) | Vs. results |
|---|-------------------------|-------------------------|-------------------------|------------|--------|---|------------------|
| | | | | Amount | % | | |
| Net sales | 199,210 | 223,377 | 228,826 | +5,448 | +2.4% | 234,000 | -5,174 |
| Operating profit | 8,779 | 17,361 | 9,856 | -7,504 | -43.2% | 13,000 | -3,144 |
| Operating profit ratio | 4.4% | 7.8% | 4.3% | -3.5pt | - | 5.6% | -1.3pt |
| Ordinary profit | 9,935 | 18,725 | 13,008 | -5,716 | -30.5% | 15,500 | -2,492 |
| Profit attributable to owners of parent | 5,620 | 7,872 | 10,325 | +2,452 | +31.2% | 11,000 | -675 |
| Earning per share (yen) | 215.83 | 302.18 | 396.10 | +93.92 | - | 421.97 | -25.87 |
| Dividend per share (yen) | 70 | 100 | 110 | +10 | - | 110 | - |
| Dividend payout ratio | 32.4% | 33.1% | 27.8% * 46.1% | - | - | 26.1% * 41.6% | +1.7% * +4.5% |
| DOE (%) | 2.9% | 3.6% | 3.6% | ±0.0pt | - | 3.5% | +0.1pt |
| ROE (%) | 9.1% | 10.9% | 12.9% | - | - | 13.6% | -0.7pt |

Fiscal 2023 Business Segment Results

Industrial Materials Business

Net sales tumbled following the exclusion of U.S.-based PWT from consolidation and a decrease in the sales of Canada-based CIPA due to the decreasing market prices of wood-material products in the United States despite the increase of MDF selling prices in Japan and overseas and the growth in Dai-Lite sales for housing and for public and commercial buildings. Operating profit was down due to the decrease in sales. The incorporation of increased costs into selling prices failed to cover the rising costs.

Building Materials Business

Net sales increased following a recovery from the delivery delays in 4Q of the previous fiscal year. Operating profit had been negative for nine months, but efforts to streamline, reduce costs and incorporate rising costs of raw materials into selling prices in response to the cost increase enabled the business to move beyond this.

Engineering Business

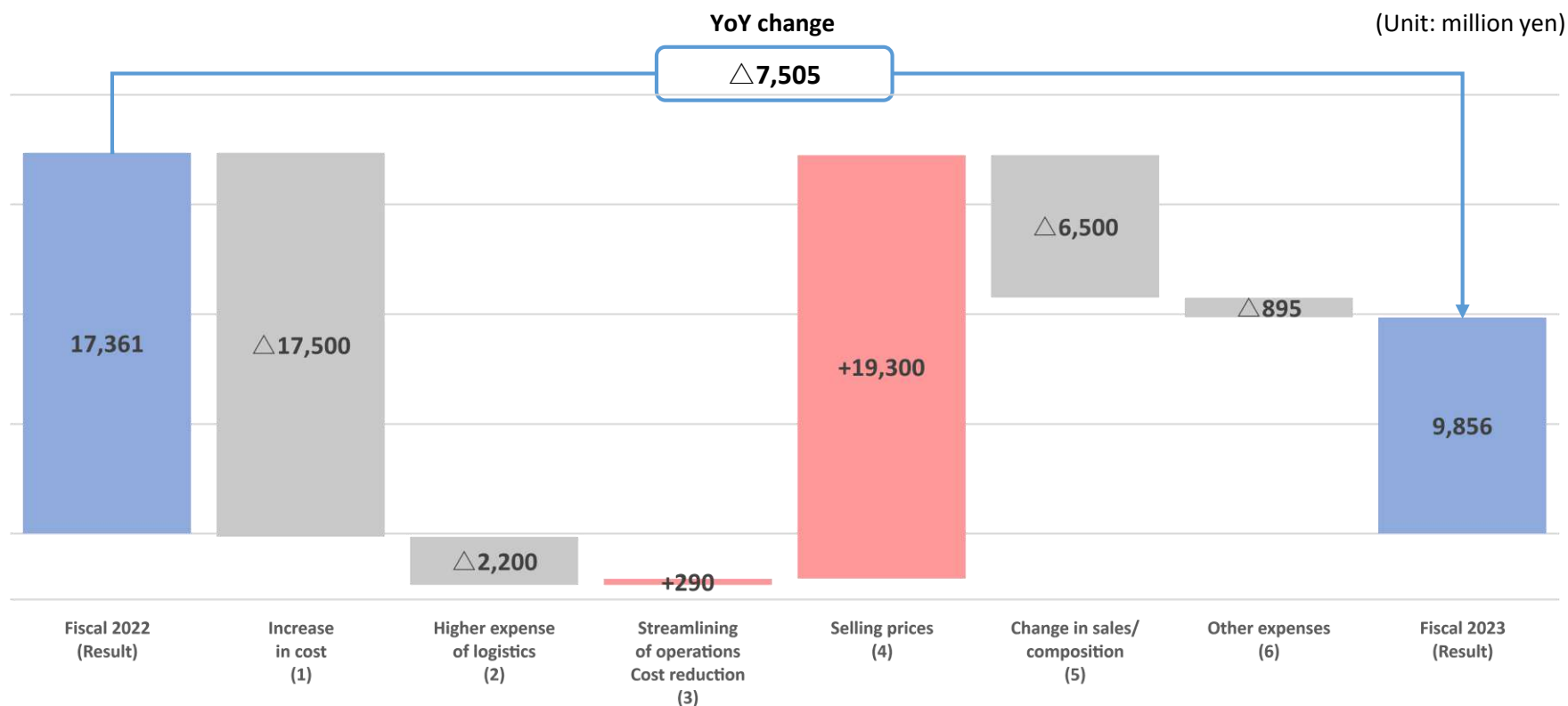
Net sales increased, mainly reflecting a recovery in demand for interior finishing work for office and other buildings, and the strong results of condominium renovations in the Tokyo metropolitan area. However, operating profit decreased mainly due to rising costs for construction materials and labor.

| | (Unit: million yen) | | Fiscal 2022 (Result) | | Fiscal 2023 (Result) | | Fiscal 2023 (Result) | |
|--------------------------------------|---------------------|------------------|-------------------------|---------------|-------------------------|------------------|-------------------------|---------------|
| | Net sales | Operating profit | Net sales | YoY change | | Operating profit | YoY change | |
| | | | | Amount | % | | Amount | % |
| Industrial Materials Business | 100,177 | 14,956 | 97,681 | -2,495 | -2.5% | 11,764 | -3,191 | -21.3% |
| Building Materials Business | 91,907 | 4,317 | 93,000 | +1,092 | +1.2% | 178 | -4,138 | -95.9% |
| Engineering Business | 20,264 | 952 | 24,756 | +4,492 | +22.2% | 912 | -39 | -4.2% |
| Others | 11,028 | 798 | 13,387 | +2,359 | +21.4% | 1,012 | +214 | +26.8% |
| Adjustment amount * | - | -3,663 | - | - | - | -4,011 | -348 | - |
| Total | 223,377 | 17,361 | 228,826 | +5,448 | +2.4% | 9,856 | -7,504 | -43.2% |

* Starting from fiscal 2023, to evaluate business performance more appropriately by segment, the Company has decided to adopt the method of allocating expenses related to general administration departments of the headquarters and other facilities to the respective reportable segments to the extent that such expenses are directly related to reportable segments, while posting those that are not related directly as corporate expenses. The figures for fiscal 2023 reflect the new method.

Fiscal 2023 Changes in Operating Profit

- (1) Higher costs: Rises in the prices of wood raw materials, adhesives and other petrochemical products
- (2) Higher logistics expenses: Rises in sea shipping costs and in storage costs due to the increase of MDF in stock
- (3) Streamlining and cost reduction: Reviews of items to be purchased and reduction of overseas energy costs
- (4) Selling prices: High market prices of wood-material products in the United States in the first half Cost increases were incorporated into local MDF selling prices
- (5) Change in sales and composition: Decrease in sales as a result of changes in PWT from August
- (6) Other expenses: Increase in expenses, partly reflecting trade fair for sales promotion, investment in human resources, and improvement of treatment



Fiscal 2023 Market Category Sales

| (Unit: million yen) Upper: sales Lower: composition | Fiscal 2021 (Result) | Fiscal 2022 (Result) | Fiscal 2023 (Result) | YoY change | |
|--|-------------------------|-------------------------|-------------------------|----------------|---------------|
| | | | | Amount | % |
| Global markets | 46,254 | 72,116 | 64,692 | -7,425 | -10.3% |
| | 23.2% | 32.3% | 28.3% | - | - |
| Public and commercial buildings | 23,709 | 22,485 | 28,120 | +5,634 | +25.1% |
| | 11.9% | 10.1% | 12.3% | - | - |
| Industrial materials | 24,622 | 19,985 | 26,265 | +6,279 | +31.4% |
| | 12.4% | 8.9% | 11.5% | - | - |
| Home renovation market | 31,266 | 32,533 | 34,189 | +1,656 | +5.1% |
| | 15.7% | 14.6% | 14.9% | - | - |
| Domestic new home market | 73,008 | 75,667 | 75,269 | -398 | -0.5% |
| | 36.6% | 33.9% | 32.9% | - | - |
| Others | 351 | 588 | 291 | -297 | -50.5% |
| | 0.2% | 0.3% | 0.1% | - | - |
| Domestic market | 152,956 | 151,261 | 164,134 | +12,874 | +8.5% |
| | 76.8% | 67.7% | 71.7% | - | - |
| Total | 199,210 | 223,377 | 228,826 | +5,448 | +2.4% |
| | 100.0% | 100.0% | 100.0% | - | - |

Fiscal 2023 Business Segment Performance in Three Priority Markets

(Unit: million yen)



Fiscal 2024

Forecast

Fiscal 2024 Market Environment Forecast

Domestic home market

- ◆ Demand for build-for-sale homes, rental properties and renovation will support the demand although demand for owner-built homes will remain weak amid the deterioration of consumer sentiment following soaring goods prices.

Public and commercial buildings (non-housing sector)

- ◆ Demand for interior finishing work for office and other buildings will grow as construction projects resume.
- ◆ Demand for commercial facilities and hotels is expected to recover in line with the rallying inbound tourist demand.

MDF market

- ◆ The MDF demand-supply balance is expected to remain loose due partly to shrinking demand for furniture and building materials applications.

U.S. home market

- ◆ Housing starts are forecast to shift to a recovery from the major plunge in the second half of the previous fiscal year due to the prices of houses staying high and rising interest rates due to latent demand based on population growth and the shortage of houses in stock.
- ◆ Market prices of wood-material products are also expected to depart from the adjustment phase.

Cost of raw materials and logistics

- ◆ While there are signs that prices of wood materials may weaken, the costs of petrochemical products and energy are likely to climb with the ongoing war in Ukraine, surging prices of resources, worldwide inflation and other factors.

Fiscal 2024 Forecast

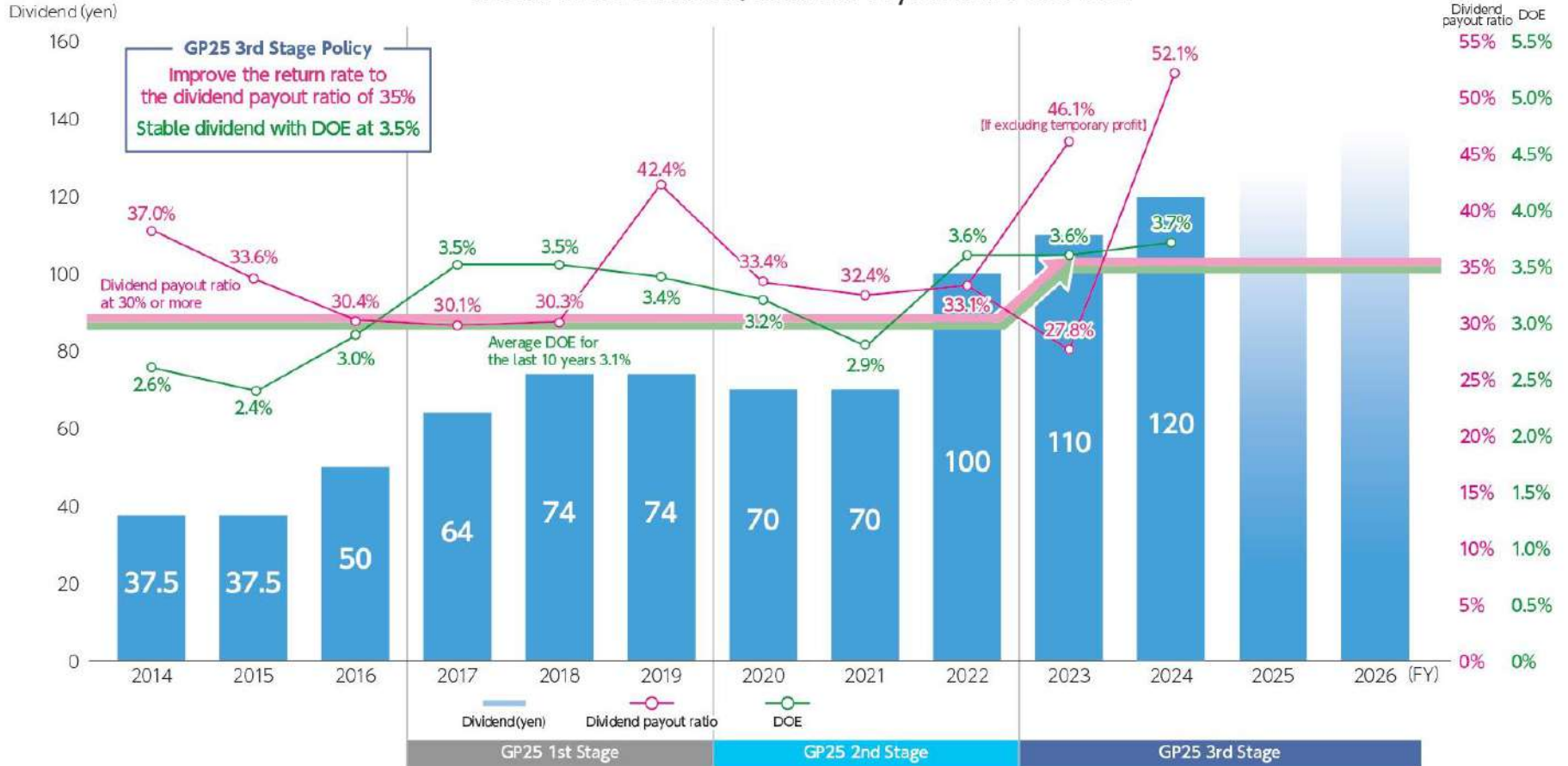
| (Unit: million yen) | Fiscal 2020 (Result) | Fiscal 2021 (Result) | Fiscal 2022 (Result) | Fiscal 2023 (Forecast) | YoY change | |
|---|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|---------------------|--------|
| | | | | | Amount | % |
| Net sales | 199,210 | 223,377 | 228,826 | 235,000 | +6,174 | +2.7% |
| Operating profit | 8,779 | 17,361 | 9,856 | 8,000 | -1,856 | -18.8% |
| Operating profit ratio | 4.4% | 7.8% | 4.3% | 3.4% | -0.9pt | - |
| Ordinary profit | 9,935 | 18,725 | 13,008 | 10,900 | -2,108 | -16.2% |
| Profit attributable to owners of parent | 5,620 | 7,872 | 10,325 | 6,000 | -4,325 | -41.9% |
| Earning per share (yen) | 215.83 | 302.18 | 396.10 | 230.13 | -165.97 | - |
| Dividend per share (yen) | 70 Interim: 30 Year-end: 40 | 100 Interim: 45 Year-end: 55 | 110 Interim: 50 Year-end: 60 | 120 Interim: 60 Year-end: 60 | +10 | - |
| Dividend payout ratio | 32.4% | 33.1% | 27.8% * 46.1% | 52.1% | +24.3pt (+6.0pt) | - |
| DOE (%) | 2.9% | 3.6% | 3.6% | 3.7% | +0.1pt | - |
| ROE (%) | 9.1% | 10.9% | 12.9% | 7.2% | -5.7pt | - |

Shareholder Returns and Dividends

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

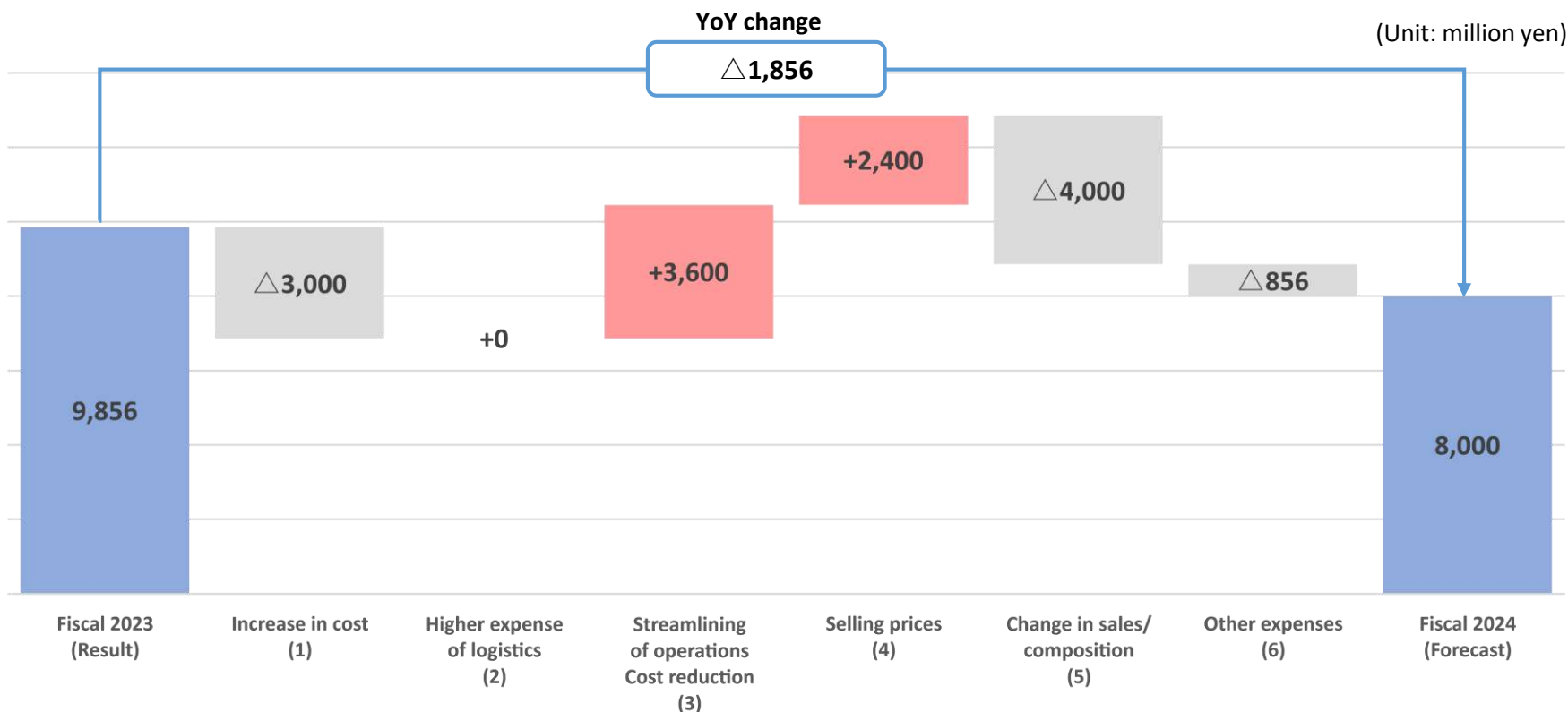
- Shareholder return in the Medium-Term Management Plan GP25 3rd Stage for four years (FY 2023–2026) puts emphasis on the improvement of profit return linked with the results of operations and the maintenance of a stable dividend that is less affected by the short-term profit fluctuation and we implement 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



Fiscal 2024 Forecast of Changes in Operating Profit

- (1) Higher costs: Rises in the prices of wood raw materials, adhesives and other petrochemical products
- (2) Higher logistics expenses: A rise in domestic expenses will be offset by a fall in global expenses.
- (3) Streamlining and cost reduction: Costs will be reduced by a decrease in the prices of raw materials.
- (4) Selling prices: Rises in energy costs are expected to be incorporated into selling prices.
- (5) Change in sales and composition: The decline of sales resulting from the changes in PWT in August in the previous fiscal year will have an impact.
- (6) Other expenses: Increase in expenses, partly reflecting trade fair for sales promotion, investment in human resources, and improvement of treatment



Fiscal 2024 Business Segment Results Forecast

Industrial Materials Business

Rising costs will be incorporated into selling prices mainly in Japan. However, the exclusion of PWT from consolidation has such a significant impact that net sales will fall 14.6 billion yen or 15.0% year on year.

Building Materials Business

Net sales will increase 14.6 billion yen or 15.7% year on year, following a recovery from delivery delays and the limitations on the acceptance of orders and because of the incorporation of rising costs into selling prices.

Engineering Business

Net sales will increase 2.2 billion yen or 9.1% year on year, reflecting increasing demand for interior finishing work for office and other buildings.

| (Unit: million yen) | Fiscal 2020 (Result) | Fiscal 2021 (Result) | Fiscal 2022 (Result) | Fiscal 2023 (Forecast) | YoY change | |
|-------------------------------|-------------------------|-------------------------|-------------------------|---------------------------|------------|------------|
| | | | | | Amount | YoY change |
| Industrial Materials Business | 80,692 | 100,177 | 97,681 | 83,000 | -14,681 | -15.0% |
| Building Materials Business | 88,697 | 91,907 | 93,000 | 107,600 | +14,600 | +15.7% |
| Engineering Business | 20,542 | 20,264 | 24,756 | 27,000 | +2,244 | +9.1% |
| Others | 9,277 | 11,028 | 13,387 | 17,400 | +4,013 | +30.0% |
| Total | 199,210 | 223,377 | 228,826 | 235,000 | +6,174 | +2.7% |

Fiscal 2024 Market Category Sales Forecast

| (Unit: million yen) Upper: sales Lower: composition | Fiscal 2020 (Result) | Fiscal 2021 (Result) | Fiscal 2022 (Result) | Fiscal 2023 (Forecast) | YoY change | |
|--|-------------------------|-------------------------|-------------------------|---------------------------|----------------|---------------|
| | | | | | Amount | % |
| Global markets | 46,254 | 72,116 | 64,692 | 55,000 | -9,692 | -15.0% |
| | 23.2% | 32.3% | 28.3% | 23.4% | -4.9pt | - |
| Public and commercial buildings | 23,709 | 22,485 | 28,120 | 31,000 | +2,880 | +10.2% |
| | 11.9% | 10.1% | 12.3% | 13.2% | +0.9pt | - |
| Industrial materials | 24,622 | 19,985 | 26,265 | 24,000 | -2,265 | -8.6% |
| | 12.4% | 8.9% | 11.5% | 10.2% | -1.3pt | - |
| Home renovation market | 31,266 | 32,533 | 34,189 | 40,000 | +5,811 | +17.0% |
| | 15.7% | 14.6% | 14.9% | 17.0% | +2.1pt | - |
| Domestic new home market | 73,008 | 75,667 | 75,269 | 85,000 | +9,731 | +12.9% |
| | 36.6% | 33.9% | 32.9% | 36.2% | +3.3pt | - |
| Others | 351 | 588 | 291 | 0 | -291 | - |
| | 0.2% | 0.3% | 0.1% | 0.0% | -0.1pt | - |
| Domestic market | 152,956 | 151,261 | 164,134 | 180,000 | +15,865 | +9.7% |
| | 76.8% | 67.7% | 71.7% | 76.6% | +4.9pt | - |
| Total | 199,210 | 223,377 | 228,826 | 235,000 | +6,173 | +2.7% |
| | 100.0% | 100.0% | 100.0% | 100.0% | - | - |

Fiscal 2024 Forecast for Business Segment Performance in Three Priority Markets

(Unit: million yen)



Progress against the Medium-Term Management Plan

GP25 3rd Stage

Progress against the Medium-Term Management Plan

GP25 3rd Stage

- ◆ Firmly maintain the business targets set in the medium-term management plan and carry out individual measures in accordance with the basic policy
- ◆ Implement the 60.0 billion yen investment plan including a strategic investment of 40.0 billion yen
- ◆ Embark on a structural reform of both manufacturing and sales in domestic businesses with the aim of increasing profitability
- ◆ Establish a Comfort Business Control Division to build an integrated system for manufacturing, sales and construction and accelerate the expansion of new business models mainly focused on public and commercial buildings

(Unit: 100 million yen)

| | GP25 1st Stage Fiscal 2019 Result | GP25 2nd Stage Fiscal 2022 Result | GP25 3rd Stage Fiscal 2023 Result | GP25 3rd Stage Fiscal 2024 Forecast | GP25 3rd Stage Fiscal 2026 Goals |
|---|---|---|---|---|--|
| Net sales | 1,829 | 2,233 | 2,288 | 2,350 | 2,500 |
| Domestic market | 1,637 | 1,512 | 1,641 | 1,800 | 1,835 |
| Global market | 192 | 721 | 646 | 550 | 665 |
| Operating profit | 57 | 173 | 98 | 80 | 150 |
| Operating profit ratio | 3.1% | 7.8% | 4.3% | 3.4% | 6.0% |
| Profit attributable to owners of parent | 44 | 78 | 103 | 60 | 100 |

ESG Topics

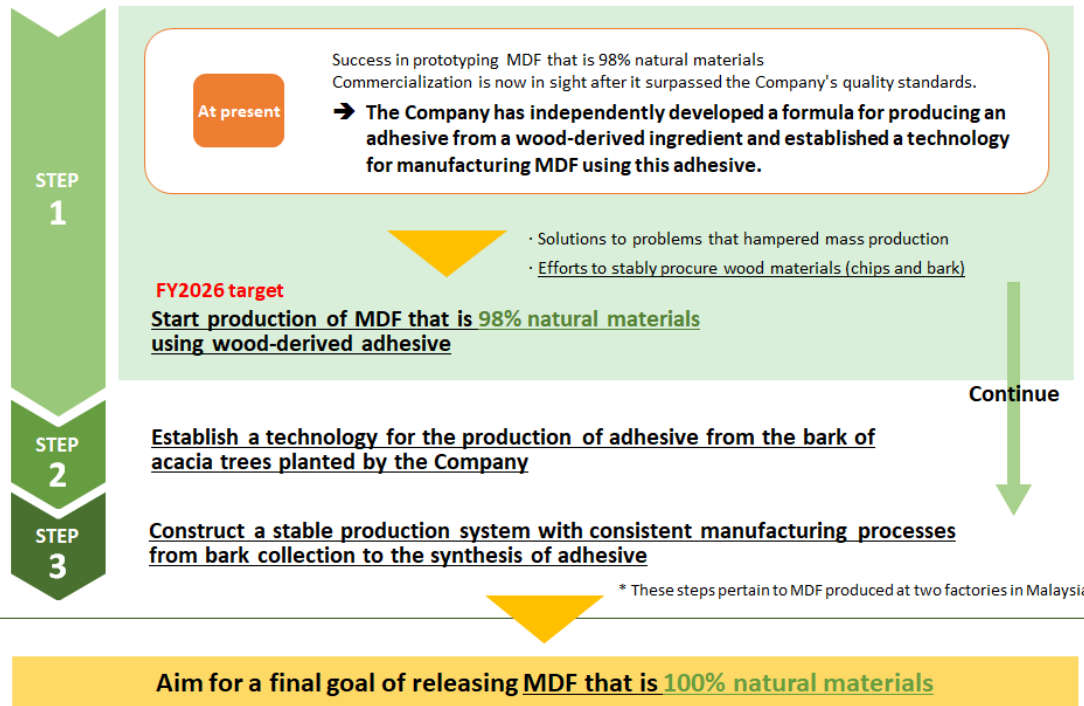
Establishment of an MDF Manufacturing Method Using a Wood-Derived Adhesive

■ Outline and Purpose ■

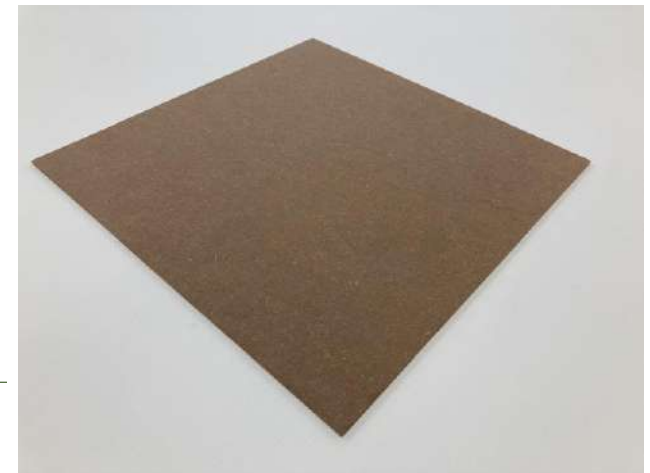
- ◆ Switch the adhesive used in MDF from the adhesive derived from fossil fuels, which it is feared will be exhausted in the future, to an adhesive derived from wood, which can be regrown and which has low environmental impact, in an aim to introduce environmentally-friendly MDF to the market.
- ◆ Create a sustainable society and a sustainable global environment and increase the sustainability of business.
- ◆ Ensure differentiation from competitors' MDF in terms of environmental superiority in order to increase competitiveness.

Steps for the development of environmentally friendly MDF using natural materials

Existing MDF: **Approximately 85% natural materials**
(using adhesives and other materials derived from petrochemicals)



An MDF prototype with a wood-derived adhesive



Financial Information

Fiscal 2023 Consolidated Balance Sheet (Major components)

| (Unit: million yen) | Fiscal 2020 (Result) | Fiscal 2021 (Result) | Fiscal 2022 (Result) | YoY change Amount |
|---|-------------------------|-------------------------|-------------------------|----------------------|
| Cash and deposits | 17,433 | 22,881 | 19,574 | -3,307 |
| Notes and accounts receivable - trade | 38,454 | 40,318 | 46,119 | +5,800 |
| Inventories | 29,525 | 34,488 | 36,331 | +1,842 |
| Other current assets | 2,460 | 4,729 | 5,372 | +643 |
| Total current assets | 87,748 | 102,286 | 107,236 | +4,950 |
| Property, plant and equipment | 50,915 | 49,451 | 39,765 | -9,685 |
| Intangible assets | 15,002 | 14,972 | 13,506 | -1,465 |
| Investments and other assets | 18,835 | 16,654 | 25,280 | +8,626 |
| Total assets | 172,553 | 183,391 | 185,797 | +2,405 |
| Notes and accounts payable - trade | 23,435 | 27,651 | 27,835 | +183 |
| Interest-bearing debt | 35,508 | 28,500 | 29,700 | +1,200 |
| Other current/non-current liabilities | 36,838 | 36,677 | 35,943 | +734 |
| Total liabilities | 95,781 | 92,828 | 93,478 | +650 |
| Total shareholders' equity | 60,877 | 66,395 | 74,009 | +7,614 |
| Total net assets | 76,771 | 90,563 | 92,318 | +1,755 |
| Total liabilities and net assets | 172,553 | 183,391 | 185,797 | +2,405 |
| ROA Ratio of ordinary profit to total assets | - | 76,487 | 83,523 | +7,036 |
| Shareholders' equity ratio | 39.4% | 41.7% | 45.0% | +3.3pt |
| Debt-equity ratio (multiple) | 0.52 | 0.37 | 0.36 | - |

| | |
|-----------------------------------|---------------|
| ◆ Inventories | -9,685 |
| <Major factors> | |
| Buildings and structures | -3,095 |
| Machinery, equipment and vehicles | -4,658 |
| Land | -1,314 |

| | |
|--|---------------|
| ◆ Property, plant and equipment | +8,626 |
| <Major factors> | |
| Investment securities | +7,901 |
| Retirement benefit asset | +429 |

| | |
|--------------------------------|---------------|
| ◆ Interest-bearing debt | +1,200 |
| <Major factors> | |
| Short-term borrowings | +5,268 |
| Bonds payable within one year | -8,000 |
| Long-term borrowings | +1,139 |

Fiscal 2023 Consolidated Statement of Income (Information about non-operating profit (expenses) and extraordinary income (losses))

| (Unit: million yen) | Fiscal 2020 (Result) | Fiscal 2021 (Result) | Fiscal 2022 (Result) | YoY change |
|--|-------------------------|-------------------------|-------------------------|------------|
| Net sales | 199,210 | 223,377 | 228,826 | +5,448 |
| Gross profit | 50,881 | 63,167 | 58,427 | -4,740 |
| SG&A expenses | 42,102 | 45,805 | 48,570 | +2,764 |
| Operating profit | 8,779 | 17,361 | 9,856 | -7,504 |
| Non-operating profit (expenses) | 1,156 | 1,363 | 3,151 | +1,788 |
| Ordinary profit | 9,935 | 18,725 | 13,008 | -5,716 |
| Extraordinary income (losses) | 1,035 | -461 | 5,513 | +5,975 |
| Profit before income taxes | 10,970 | 18,264 | 18,522 | +258 |
| Total income taxes | 3,687 | 5,188 | 4,009 | -1,178 |
| Profit | 7,283 | 13,076 | 14,513 | +1,437 |
| Profit attributable to non- controlling interests | 1,662 | 5,203 | 4,187 | -1,015 |
| Profit attributable to owners of parent | 5,620 | 7,872 | 10,325 | +2,452 |

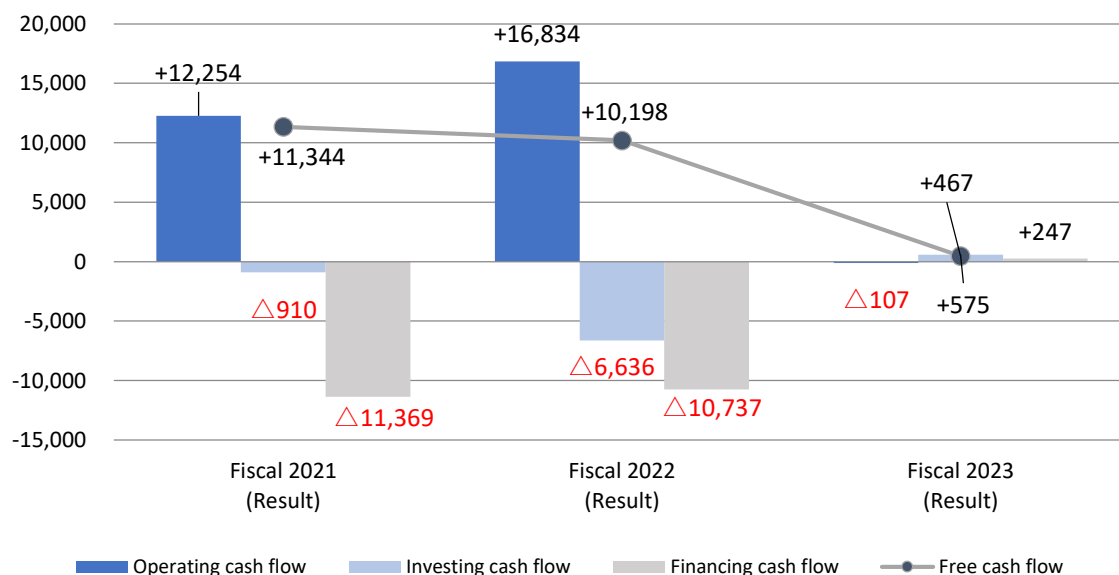
| Average exchange rate (yen) | Fiscal 2020 (Result) | Fiscal 2021 (Result) | Fiscal 2022 (Result) | YoY change |
|--------------------------------|-------------------------|-------------------------|-------------------------|------------|
| USD | 106.02 | 112.35 | 137.35 | +25.00 |
| CAD | 30.24 | 89.59 | 102.34 | +12.75 |
| NZD | 71.09 | 78.22 | 84.34 | +6.12 |
| MYR | 25.39 | 26.89 | 30.41 | +3.52 |

| ◆ Non-operating profit (expenses) +1,788 | |
|---|--------|
| <Major factors> | |
| Share of profit of entities accounted for using equity method | +1,868 |
| Income on emission rights | -405 |
| Increase in interest income | +248 |
| Increase in interest expenses | -72 |
| Foreign exchange gains | -42 |
| Increase in dividend income | +39 |

| ◆ Extraordinary income (losses) +5,975 | |
|--|--------|
| <Major factors> | |
| Gain on change in equity | +4,104 |
| Gain on sale of non-current assets | +487 |
| Gain on sale of investment securities | +256 |
| Extra payments for early retirement | -228 |

Fiscal 2023 Consolidated Statement of Cash Flows(Major components)

| (Unit: million yen) | Fiscal 2020 (Result) | Fiscal 2021 (Result) | Fiscal 2022 (Result) |
|---|-------------------------|-------------------------|-------------------------|
| Operating cash flow | +12,254 | +16,834 | -107 |
| Investing cash flow | -910 | -6,636 | +575 |
| Free cash flow | +11,344 | +10,198 | +468 |
| Financing cash flow | -11,369 | -10,737 | +247 |
| Cash and cash equivalents at end of period | 17,433 | 17,407 | 15,936 |
| Capital expenditures | 3,697 | 2,864 | 3,924 |
| Depreciation | 5,563 | 5,546 | 5,192 |



◆ Operating cash flow **-107**

<Major factors>

| | |
|---|---------|
| Profit before income taxes | +18,522 |
| Gain on change in equity | -4,104 |
| Gain on sale of investment securities | -1,455 |
| Depreciation | +5,192 |
| Amortization of goodwill | +1,810 |
| Share of profit of entities accounted for using equity method | -1,914 |
| Changes in trade receivables/payables | -4,975 |
| Changes in inventories | -6,472 |
| Income taxes paid | -4,626 |

◆ Investing cash flow **+575**

<Major factors>

| | |
|---|--------|
| Purchase of property, plant and equipment | -2,879 |
| Other investment | -1,747 |
| Sales of property, plant and equipment | +1,081 |
| Sales of investment securities | +2,149 |
| Increase in time deposits | +1,986 |

◆ Financing cash flow **+247**

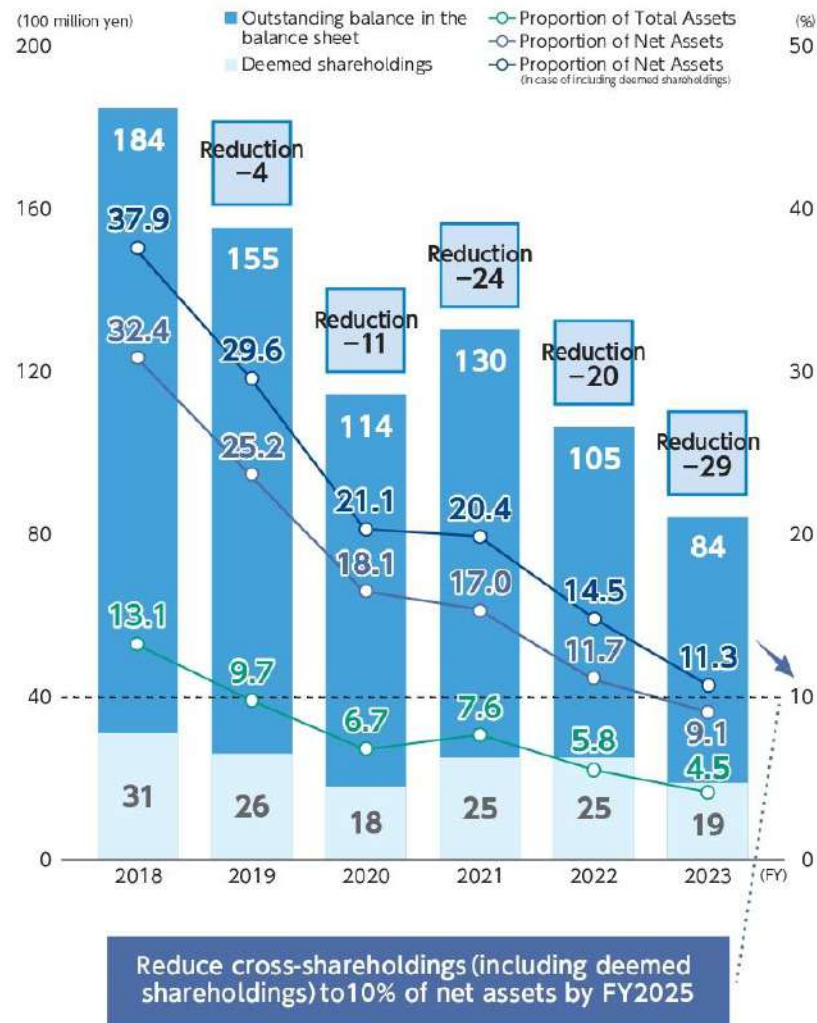
<Major factors>

| | |
|---|---------|
| Redemption of bonds | -8,000 |
| Increase in long- and short-term borrowings | +20,380 |
| Dividends paid | -2,736 |
| Dividends paid (to non-controlling) | -6,437 |

Initiatives for Reduction of Cross-Shareholdings

Trends in Cross-Shareholdings

| | | (100 million yen) | | | | | |
|---|----------------------|-------------------|--------|--------|--------|--------|--------|
| | | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
| Outstanding balance in the balance sheet | Listed | 183 | 154 | 112 | 129 | 104 | 82 |
| | Unlisted | 1 | 1 | 1 | 1 | 1 | 1 |
| | Total | 184 | 155 | 114 | 130 | 105 | 84 |
| Deemed shareholdings | | 31 | 26 | 18 | 25 | 25 | 19 |
| Outstanding balance in the balance sheet and Deemed shareholdings | | 216 | 182 | 133 | 156 | 131 | 104 |
| Sale Value | | 0 | -4 | -11 | -25 | -20 | -29 |
| Acquisition Cost | | 0 | 0 | 0 | 0 | 0 | 0 |
| Reduction | | 0 | -4 | -11 | -25 | -19 | -29 |
| Number of Stock Names | Listed | 25 | 24 | 19 | 18 | 17 | 17 |
| | Unlisted | 25 | 24 | 24 | 22 | 23 | 24 |
| | Deemed shareholdings | 3 | 3 | 3 | 2 | 2 | 2 |
| | Total | 53 | 51 | 46 | 42 | 42 | 43 |
| | Decrease | 0 | -2 | -6 | -4 | -1 | +0 |
| | Increase | 1 | 0 | 1 | 0 | 1 | 1 |
| | Reduction | 1 | -2 | -5 | -4 | 0 | 0 |
| Total Assets | | 1,407 | 1,601 | 1,706 | 1,725 | 1,833 | 1,857 |
| Proportion of Total Assets | | 13.1% | 9.7% | 6.7% | 7.6% | 5.8% | 4.5% |
| Net Assets | | 569 | 617 | 629 | 767 | 905 | 923 |
| Proportion of Net Assets | | 32.4% | 25.2% | 18.1% | 17.0% | 11.7% | 9.1% |
| Proportion of Net Assets (In case of including deemed shareholdings) | | 37.9% | 29.6% | 21.1% | 20.4% | 14.5% | 11.3% |



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