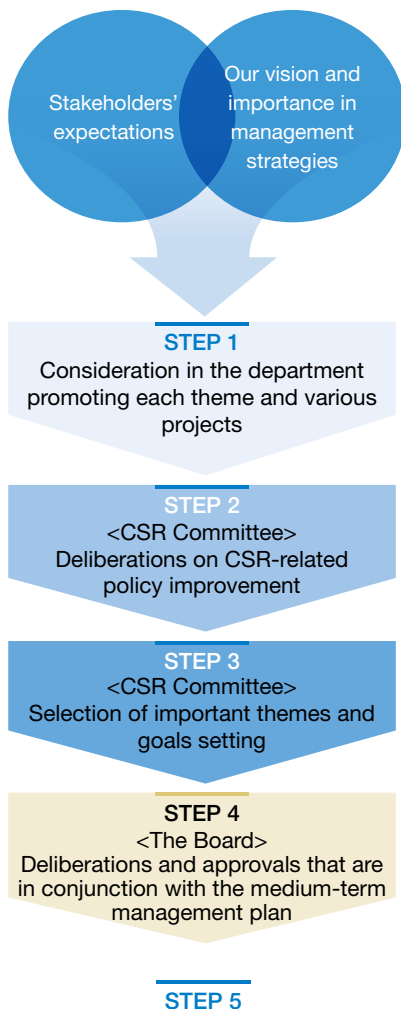


## Practice of ESG Management

In formulating the medium-term management plan GP25 2nd Stage, we determined the important themes (materiality) concerning ESG in achieving management strategies through deliberations in various projects and the CSR committee as based on the expectations from stakeholders, our vision, and values that we consider important. For each theme, we set specific goals toward fiscal 2022, which is the final fiscal year of the medium-term management plan, will proceed with our efforts, and lead to the enhancement of the management foundation. To further improve the linkage, we set important items in each ESG theme as the nonfinancial management goals for the medium-term management plan GP25 2nd Stage.

### Process to Identify Important Themes (Materiality)



### Structure to Promote CSR (ESG)



### CSR (ESG)-Related Policy Structure

	Field	Policy	
	CSR (ESG)	CSR Basic Policy	
E	Environment	Daiken Group Environment Policy	
	Product Quality and Safety	Basic Policy on Product Safety	
S	Fair Transactions	Daiken Procurement Policy Group Conduct Guidelines (Item 2)	
	Human Resources	Daiken Diversity Promotion Policy Daiken Workstyle Reform Promotion Policy Daiken Human Resource Development Policy	
		Human Rights	Daiken Safety Basic Policy Daiken Human Rights Policy
		Coexistence with Local Communities	Daiken Social Contribution Activity Policy
	G	Governance	Basic Policy on Corporate Governance Basic Policy on the Building of the Internal Control System

### Selected important themes (Materiality)

Field	Area and Theme	Focused Points in Management Strategies	
E Environment	Realization of low-carbon society	Aggressive approach to greenhouse gas reductions	
	Contribution for a recycling-oriented society	Pursuit of the material and thermal recycle of woody resources	
	Reduction of environmental burden	Reduction of environmental burden in business processes	
	Consideration of biodiversity	Promoting the use of domestic timber	
	Environment management	Continuous improvement of the environmental management system	
S Social	Product Quality and Safety	Quality and technological capabilities to keep responding to confidence	
	Fair Transactions	Promotion of CSR procurement Ensuring fair competition and transactions	
	Human Resources	Promotion of diversity Promotion of workstyle reform Enhancement of the human resources development Enhancement of the occupational safety and health	Fusion of diverse skills and ideas Pursuit of highly productive job performance Development of human resources who will play roles in the new market expansion and medium- to long-term growth Improvement of safe working environments that will become the foundation of success
		Human Rights	Promotion of support for human rights that is significant from a global perspective
	Coexistence with Local Communities	Establishment of stable business foundation supported by local communities	
G Governance	Enhancement of the governance system	All employees share the group corporate philosophy and realize the growth strategies	
	Promotion of risk management	Reconstruction of the supply system that the market will keep choosing	
	Strict compliance	A high sense of ethics that will be trusted by the markets	

Medium-Term ESG Plan (Fiscal 2020–2022)

Field	Theme	Target	Progress in Fiscal 2020
E Environment	Greenhouse gas emissions reduction <sup>1</sup>	Total greenhouse gas emissions in Japan Fiscal 2022: 26% reduction (As compared to fiscal 2014)	25% reduction (compared to fiscal 2014) Executed reduction measures, such as production rationalization, etc.
	Promotion of the use of renewable energy	Renewable energy utilization ratio: 50% or more	50% Maintained the target level through the stable operation of biomass boilers
	Promotion of carbon fixation	Amount of carbon fixation by the wood industrial materials business 1,100,000 t-CO <sub>2</sub> /year	1,031,000 t-CO <sub>2</sub> /year +3% year-on-year through the increase in production of MDF
	Promotion of recycle and conversion of waste into valuables	Final disposal rate (ratio of volume disposed of in landfill outside the company): 5% or below	7.2% Improved by 0.4 pt year-on-year by promoting the material use of waste
	Promotion of effective use of water resources	Water resource input: 3% reduction (As compared to fiscal 2019)	4% reduction Reduced by the water-saving measures, such as recycling of wastewater from production processes
	Appropriate management and reduction of chemical substances	Release amount of substances subject to the PRTR law: 70% reduction (As compared to fiscal 2019)	0.4% increase A reduction toward the achievement of the target is planned in the next fiscal year by changing to the substitute materials
	Procure wood in a biodiversity friendly way	Utilization of domestic timber for base materials for flooring: 45%	41% +8 pt year-on-year by promoting the switch from tropical timber plywood
	Strengthen environmental risk management	Number of environmental accidents and violations: 0 (Those with administrative guidance or penal charge)	0 (continued) Maintained 0 cases by operating and continuously improving the environmental management system
S Social	Enhancement of the quality control structure <sup>1</sup>	Serious product accidents: 0 Product safety and quality improvement education execution rate: 100% Product audit implementation cover rate: 100%	1 100% 75% (postponed the plan due to the COVID-19)
	Fair Transactions	Rate of acquisition of the agreement on the CSR procurement standards at home and abroad: 100% Serious violations of the Anti-Monopoly Act and Subcontract Act: 0	Japan: Acquisition completed 100% Global: Collected information to start the development 0 (continued)
	Promotion of diversity <sup>1</sup>	Total diversity index <sup>2</sup> : +20 pt	+19 pt because of the promotion of taking childcare leave among female employees
	Promotion of workstyle reform	Total work time reduction rate: 3% Rate of taking annual paid leave: 70% Employee satisfaction <sup>3</sup> : +5 pt	1.4% reduction 64.9% (+11 pt year-on-year) 55.4 pt (benchmark setting in the first survey)
	Enhancement of the human resources development	Job separation rate within three years: Within 15% Young employees' career plan training attendance rate: 100% Focused market enhancement program attendance rate: 50% Management staff training program attendance rate: 70%	18.9% Executed follow-up training for young employees 100% Started to hold medium- to long-term career training 18% Executed basic training by product 42%
	Enhancement of the occupational safety and health	Serious disaster: 0 Plant mutual safety diagnosis execution rate: 100%	0 (continued) Executed the employee capability surveys at two plants in Japan by the external experts
	Human rights promotion activities	Human rights enlightenment training attendance rate: 100% Supervisor harassment training execution rate: 100%	Information collection to set the training menus 100%
	Social contribution activities by cooperating with local communities	Holding of the event planned by cooperating with local communities: Once a year in each group production base	A total of 126 events held in 17 bases among 20 bases at home and abroad
G Governance	Enhancement of the governance system <sup>1</sup>	Group corporate philosophy penetration program execution rate: 100% Degree of penetration of the group corporate philosophy <sup>4</sup> : +10 pt	100% +4 pt (Benchmark: 52 pt)
	Promotion of risk management	System BCP 3-year proactive measure completion rate: 100% Procurement BCP 3-year proactive measure completion rate: 100%	40% Started to deploy the project toward the resolution of issues Executed re-evaluation, including the secondary suppliers
	Strict compliance	Serious compliance violations: 0 Compliance consciousness degree <sup>5</sup> : +5 pt	0 (continued) 61 pt (benchmark setting in the first survey)

<sup>1</sup>: Set as the nonfinancial management goals in the medium-term management plan

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

<sup>3</sup>: Our own indices in which employees' actual feeling for satisfaction and job satisfaction in the workplace were indexed as compared to fiscal 2020

<sup>4</sup>: Our own indices in which employees' understanding, sharing, and practice of the group corporate philosophy were indexed as compared to fiscal 2018

<sup>5</sup>: Our own indices to measure employees' compliance consciousness degree from the perspectives of legal compliance, a sense of ethics, structure, and corporate culture as compared to fiscal 2020

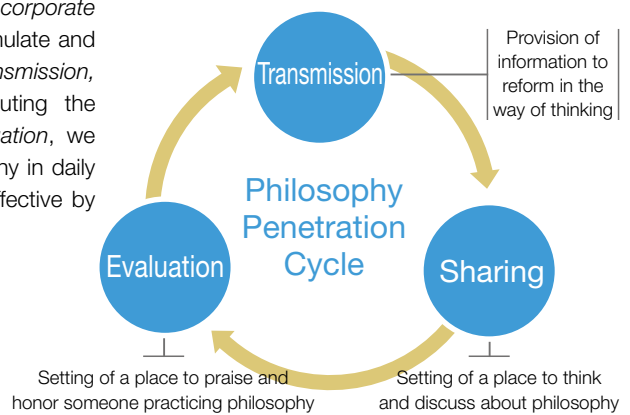
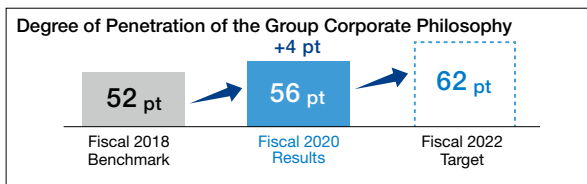


## Initiatives toward the Penetration of the Group Corporate Philosophy


While globalization and diversification of human resources progress, in order to realize the further growth as a company, it is important that all employees share the *common mission, company vision, and values that we consider important* and align the direction to go. So, our group aimed for the enhancement of management based on the sustainable improvement of corporate value and philosophy, evolved the past management philosophy in April 2017, and established the group corporate philosophy. To realize the growth strategies particularly drawn in the long-term vision and medium-term management plan, it is imperative that all group employees practice the vision upheld in the group corporate philosophy, such as *technology, ideas, and passion, challenges of new ideas, and prompt responses to changes and opportunities*, and move into action. Under these viewpoints, we set the *degree of penetration of the group corporate philosophy* as a nonfinancial management goal in the medium-term management plan GP25 2nd Stage that started in fiscal 2020 and have been proceeding with the initiatives to improve the degrees of penetration and practice.

### Deployment of the Measures to Penetrate the Group Corporate Philosophy

Based on the results of the *Survey on the Penetration of the group corporate philosophy* that is implemented to the group's employees, we formulate and execute the penetration measures from the three perspectives of *transmission, sharing, and evaluation*. By repeating and continuously executing the *philosophy penetration cycle* of *transmission, sharing, and evaluation*, we promote the penetration, such as the specific practice of philosophy in daily operations, and conduct a review to make the measures more effective by monitoring the degree of penetration on a regular basis.



### Initiatives in Fiscal 2020

Transmission	Sharing	Evaluation
<p><b>Continuous Transmission by the Top Management</b></p> <p>In the distribution of videos of the company-wide department manager meeting and on the anniversary of foundation, the President himself transmits his thoughts on the corporate philosophy as a message. The top management always has <i>technology, ideas, and passion</i> upheld in philosophy and is committed to take the initiative in putting into practice toward the creation of corporate culture to take on a challenge.</p>  <p>Transmission by the top management</p> <p><b>Publication of <i>Rinen Jissen Otasuke Book (Book Helpful for Practicing Philosophy)</i></b></p> <p>As a result of the First Survey on the Degree of Penetration of the group corporate philosophy, while the degree of employees' sympathy for philosophy was high, there was an issue extracted that what the action based on philosophy is has not been sufficiently shared. Following the survey results, <i>Rinen Jissen Otasuke Book (Book Helpful For Practicing Philosophy)</i> that introduced the specific examples of practical actions that employee could easily recall the connection between daily operations and philosophy was published. By transmitting the specific methods that philosophy can be applied to daily operations through the practical episodes featured in the booklet, we will promote the penetration of philosophy.</p> 	<p><b>Philosophy Sharing Workshop</b></p> <p>With a view to being aware of the group corporate philosophy and creating an opportunity to review one's own behavior, we have held Philosophy Sharing Workshop in the training for each rank that is for young/middle level employees and new managers from fiscal 2019. They check the group corporate philosophy and group conduct guidelines with their behavior in their daily operations and discuss/share their behavior and situations where they practice philosophy. Outputs in the workshop are reflected on the episodes featured in <i>Rinen Jissen Otasuke Book (Book Helpful For Practicing Philosophy)</i> to be utilized as cases that encourage the understanding of the connection between more familiar behavior and philosophy.</p>  <p>Philosophy sharing workshop</p>	<p><b>Holding of the Daiken Award</b></p> <p>In December 2019, with a view to thinking about "What is the behavior that practices the group corporate philosophy?" creating an opportunity to have discussions, and encouraging the understanding of the group corporate philosophy, we held Daiken Award. This is intended for all group employees and is to collect the cases that practice the philosophy in daily operations, and when we collected the cases from the groups formed by various volunteers regardless of their affiliations, 70 teams or 389 employees participated. Through the participation in the Award, the place where they discuss philosophy expanded. By recognizing and internally sharing good cases, we will accelerate a virtuous cycle of the penetration of the group corporate philosophy.</p>  <p>The place of technical and historical tradition at the Okayama Plant that won the Daiken Award</p>

| E |

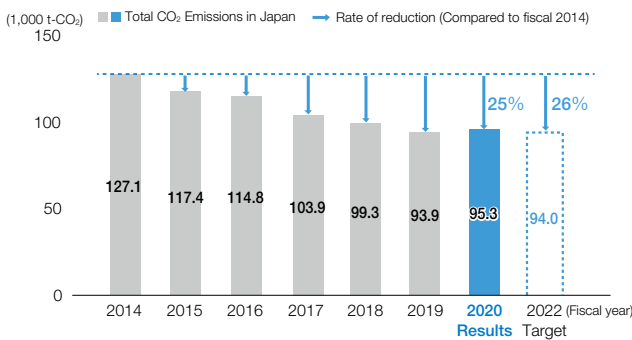
Initiatives toward the CO<sub>2</sub> Emissions Reduction

As a response to the worldwide climate change risks, the Japanese government upholds the target of reducing greenhouse gas emissions by 26% (compared to fiscal 2014) by fiscal 2031 based on the Paris Agreement. To positively contribute to this target, our company positioned the reduction of CO<sub>2</sub> emissions in our business activities as the highest priority issue, accelerated the target that we initially aimed to achieve in the final fiscal year (fiscal 2026) of the long-term vision GP25, and set the target to achieve it in fiscal 2022, which is the final fiscal year of the medium-term management plan GP25 2nd Stage.

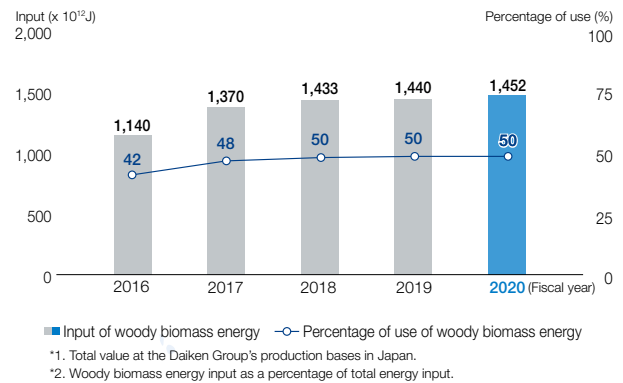
Utilization of Renewable Energy that is Linked to the Business Activities

Regarding MDF and insulation boards that are the primary products in the industrial materials business, we use residual wood chips derived from wood offcuts and construction waste as primary raw materials based on the idea to pursue using timber as a material to the extent possible. Furthermore, we use wood chips, which cannot be used as product raw materials, as fuel for woody biomass boilers as the necessary heat source in the manufacturing process. Likewise in the building materials business that manufactures doors and flooring materials by processing wood materials, offcuts and wood powder generated in the manufacturing process are used as fuel. Our group puts effort into reducing CO<sub>2</sub> emissions by using renewable energy linked to these business activities. Woody biomass boilers (13 units) have been introduced to 9 bases out of 12 production bases in Japan, such as the Okayama plant and the Takahagi plant, which are the primary plants for the industrial materials business. By striving for stable operation, we increase the renewable energy ratio to 50%, which leads to the reduction of CO<sub>2</sub> emissions.

Total CO<sub>2</sub> Emissions in Japan



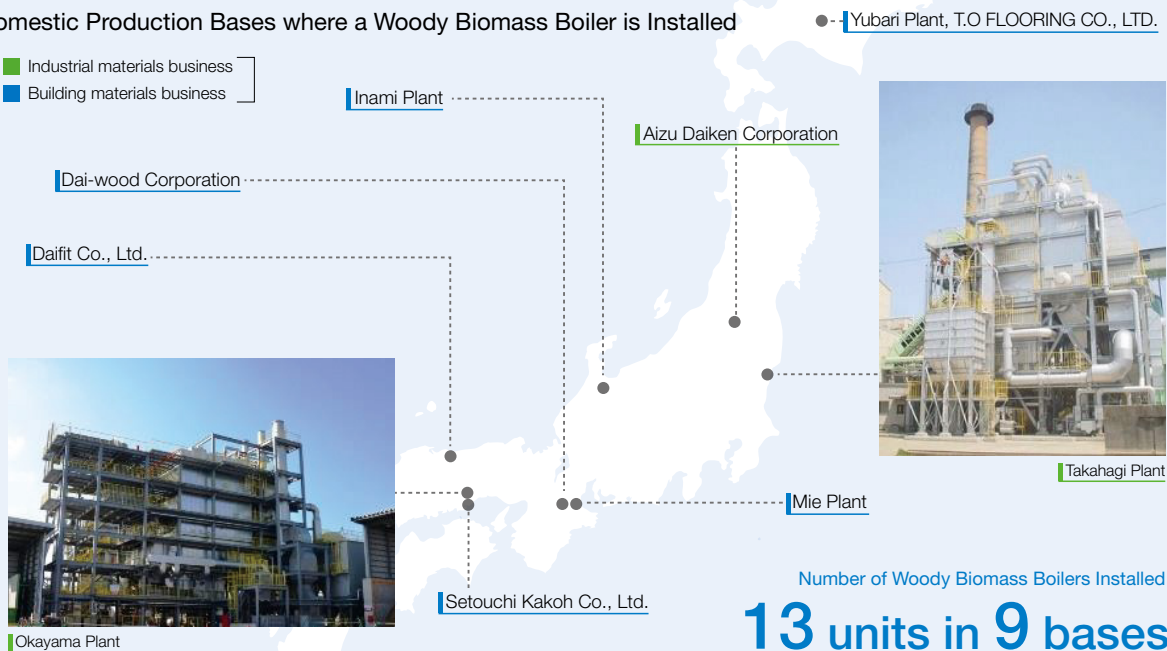
Input of Woody Biomass Energy/Percentage of Use<sup>1,2</sup>



<sup>1</sup>. Total value at the Daiken Group's production bases in Japan.  
<sup>2</sup>. Woody biomass energy input as a percentage of total energy input.

Domestic Production Bases where a Woody Biomass Boiler is Installed

- Industrial materials business
- Building materials business



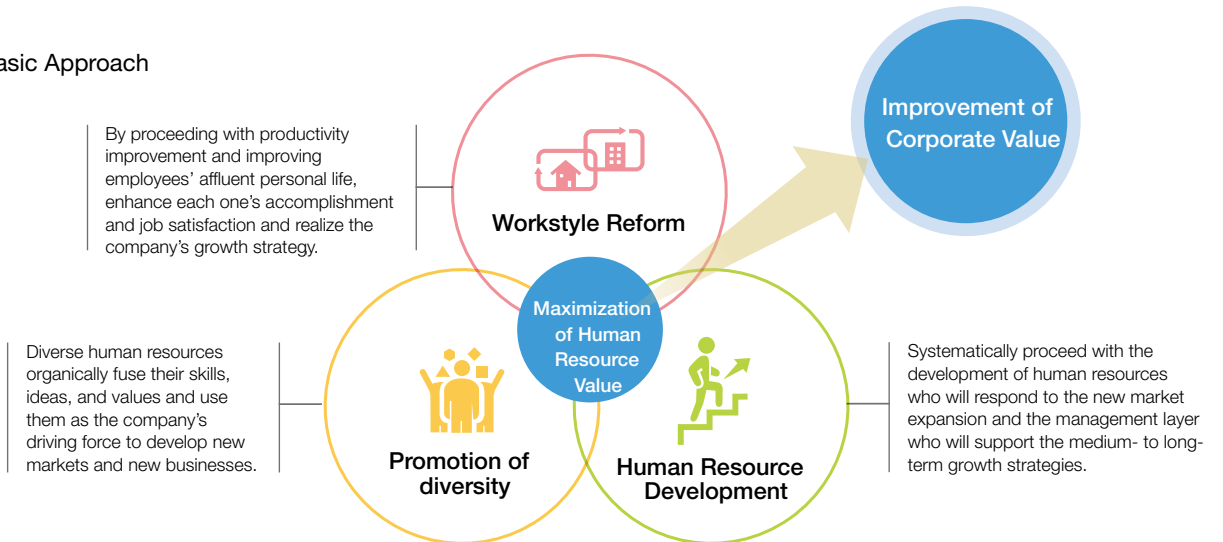
Number of Woody Biomass Boilers Installed  
**13 units in 9 bases**

| S |

Maximization of Human Resource Value

To realize the growth strategies upheld in the medium-term management plan GP25 2nd Stage, promotion of diversity that fuses skills, ideas, and values of diverse human resources is imperative. Based on this perspective, we set the Total Diversity Index, which incorporated eight items, such as the female manager ratio and the rate of taking childcare leave among male employees, as the nonfinancial management goal. To steadily proceed with the promotion of diversity and increase human resource value, we need to link workstyle reform to create the highly productive working environment and human resource development where each and every employee continually increases their levels. Based on this idea, our group generates the virtuous cycle by integrally promoting the three elements of *promotion of diversity*, *workstyle reform*, and *human resource development* and proceed with the maximization of human resource value by improving individual performance and furthermore, the initiatives to improve our corporate value.

Basic Approach



With the next-generation sales recommendation project being the point of origin, promote the creation of a working environment where anyone can exercise their skills

**Tetsuo Harima**  
Representative Director,  
Senior Managing Executive Officer

1 The Purpose of Launching the Next-Generation Sales Recommendation Project

We set the practice of ESG management as one of the pillars of the basic policy in the medium-term management plan GP25 2nd Stage. A company is composed of people, and it is essential in realizing the growth strategies and achieving the goals that all group employees are active and take on a challenge, and nothing can be discussed without human resources. In that sense, human resources play a key role in the S of ESG, and we set KPIs to measure the level of achievement of the respective three elements of *promotion of diversity*, *workstyle reform*, and *human resource development* in the medium-term ESG plan that is linked to the medium-term management plan and proceed with the initiatives toward the achievement of the goals. In the first year of the medium-term management plan, we launched the Next-Generation Sales Recommendation Project as a new initiative to maximize human resource value.

Characteristics of this project are that it makes a clear departure from the conventional projects in which executive officers and department heads are the members and that it takes the bottom-up form consisting of female sales employees. This is the one developed from the exchange meeting for female employees, which was just for opinion exchanges and sharing of problems, and is for them to clarify the issues to work on toward the realization of the ideal state while reflecting on their operations at their workplaces and lead to the recommendations to management executives toward the resolution of such issues. Therefore, the process of this project can be said to be the miniature version of the initiatives toward the maximization of human resource value to increase their levels while linking the three elements of *promotion of diversity*, *workstyle reform*, and *human resource development*.



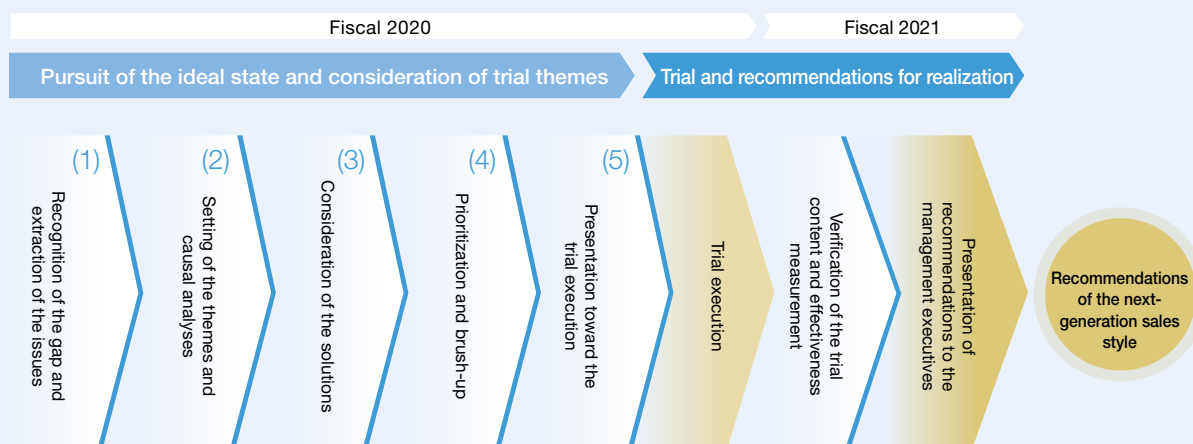
## 2 Initiatives in the Project

In fiscal 2020, after launching the project, female sales employees formed three teams and executed a trial project after going through group works and discussions for a total of five times in six months. As the first step, they started drawing their next-generation sales styles, their ideal state that they aimed for. After that, they went through (1) recognition of the gap with the present status and extraction of issues, (2) setting of themes and causal analyses, (3) consideration of solutions, and (4) prioritization and brush-up and then, (5) they made presentations toward the implementation of the trial project, and after approval, they took it to their actual workplaces and started it. Particularly in extracting issues, we conducted hearings with their superiors and questionnaire surveys in the respective

workplaces to prevent the viewpoints from being biased.

In the process to consider solutions, we incorporated ideas and methods to lead to more workable recommendations, such as using an issue-solving model learned in the external lecture to be able to plan effective measures. Members who participated in the project participated in it while performing their tasks, but the attitude of making efforts with their strong will and independence that “We will reform our company” was fostered and cooperation and relationship of trust among the members were created through discussions and group works, and I can say that the initiatives could also produce a profound effect at the different level from recommendations that are the project’s deliverables.

### Steps of Initiatives in the Next-Generation Sales Recommendation Project



## 3 Future Development

At present, these are the initiatives at the workplace level in the sales division, but I expect that the changes that started by taking the opportunity of this project will move responsible persons in each workplace and receive empathy from the members in the workplace and other members in the workplace who realized the change will further voluntarily propose the next move, and the flow of moving into action from something familiar will be created. Directing a spotlight on the issues that one has recognized as issues but has not

put effort into them and moving into specific action will lead to workplace reform. In the future, we would like to make presentations on recommendations to the final management executives based on the results of the verification of trial content and effectiveness measurement, broaden the project base from the sales division to other manufacturing divisions, as well as the staffing division, and make it the point of origin for the company-wide reforms.

