

DAIKEN

DAIKEN GROUP REPORT 2021

Integrated Report

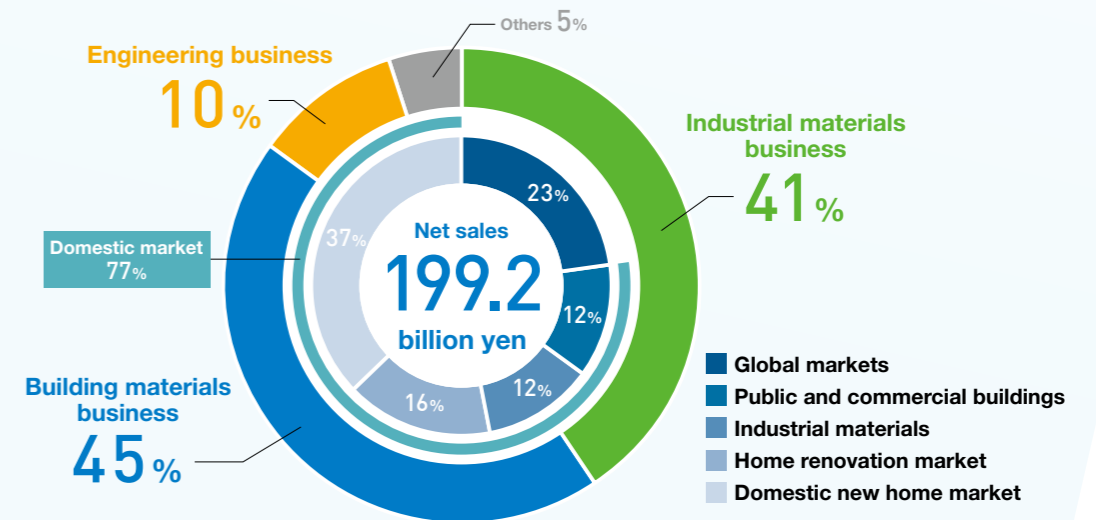
DAIKEN CORPORATION

Corporate Message

Toward the future exceeding the functions of yesterday

Since its establishment, the Daiken Group has developed a multitude of products by capitalizing on limited resources and listening to our customers' needs. Today we have evolved into a company where our efforts have accrued to provide first rate building materials and comfortable spaces for our customers. We will continue to strive towards a sustainable future where people can enjoy pleasant living spaces and lead spiritually rich lifestyles. In pursuit of new possibilities, we will transcend the past by developing innovative functions towards a brighter tomorrow.

Sales Composition by Business and Market (Fiscal 2021)



Daiken Group in Figures (Fiscal 2021)

Operating profit		Profit attributable to owners of parent	
8.7 billion yen		5.6 billion yen	
ROE	Dividend	Market Capitalization	
9.1%	70 yen per share	57.4 billion yen	
	Dividend payout ratio: 32.4%	*As of March 31, 2021	
	Dividend yield: 3.2%		
	*As of March 31, 2021		
Foundation	Number of employees	Production base	
September 1945	3,852	12 bases	
	*As of March 31, 2021	*As of March 31, 2021	
	Japan: 2,449	Japan: 8 bases	
	Overseas: 1,403	Overseas: 6 bases in 6 countries	

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Editorial Policy

Since fiscal year 2017, the Daiken Group has issued the *Daiken Group Report* as an annual integrated report for stakeholders in order to enhance the understanding of our initiatives for the improvement of medium-term and long-term corporate value based on both financial and non-financial indicators. This report clarifies the strengths of the group, which have been accumulated over its history by incorporating the inputs received through dialogs with stakeholders. The report also identifies the risks and opportunities that may significantly influence the medium-term and long-term management strategies of the group, along with the external environment and background trends, as well as features and initiatives concerning the material issues (materiality) to be prioritized. Please visit our website for more detailed environmental data and other ESG information.

Company Information

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

Eligible Period

Fiscal 2021 (April 1, 2020, to March 31, 2021)
*Some sections include information other than the above fiscal period.

Reference Guidelines

- International Integrated Reporting Council (IIRC): *The International Integrated Reporting Framework*
- ISO26000

[Disclaimer regarding future prospects]

The forecasts and estimates in this report are based on information available at the time of the report's issuance. Plans and figures depicting the future do not imply a guarantee of actual outcomes.

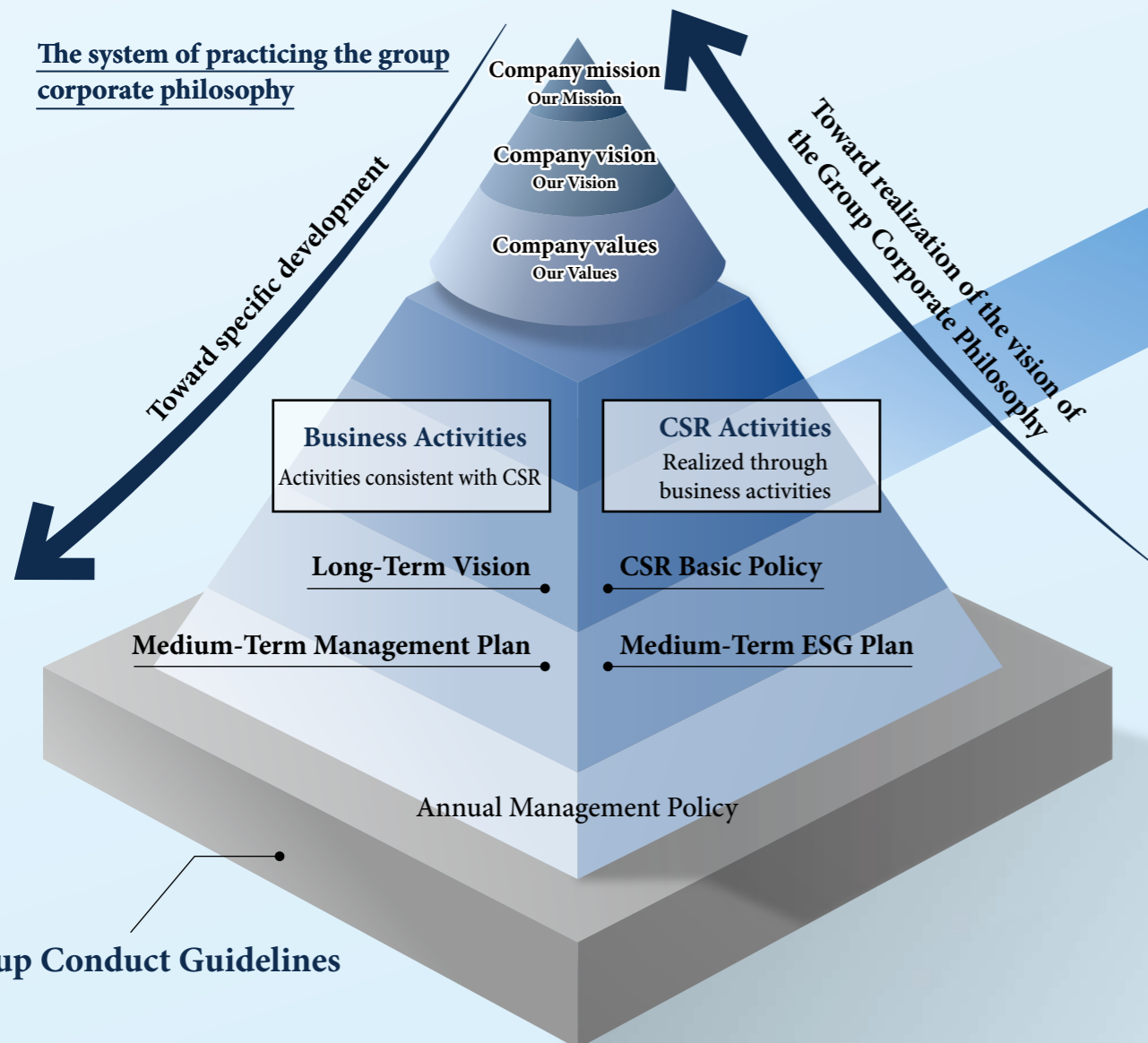
Daiken Group's Goal

To have a concept in common with all of the Group's employees and adjust the direction to move forward, the Daiken Group has established the group corporate philosophy, which consists of the three elements of the Company mission [Our Mission], Company vision [Our Vision], and Company values [Our Values]. To achieve the philosophy, we will aim for the sustainable improvement of corporate value by uniting our business activities and CSR activities.

Group Corporate Philosophy

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

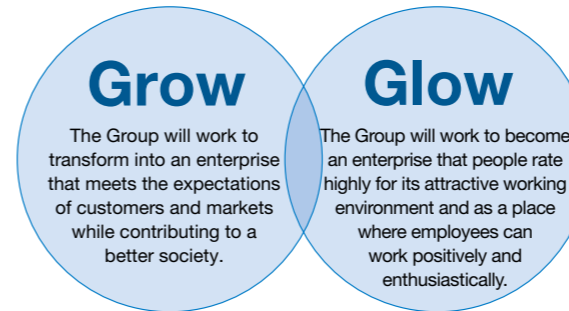
The system of practicing the group corporate philosophy



Group Conduct Guidelines

2025 Long-Term Vision GP25

Grow / Glow Plan 25



Significance of Existence and Ambitions

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

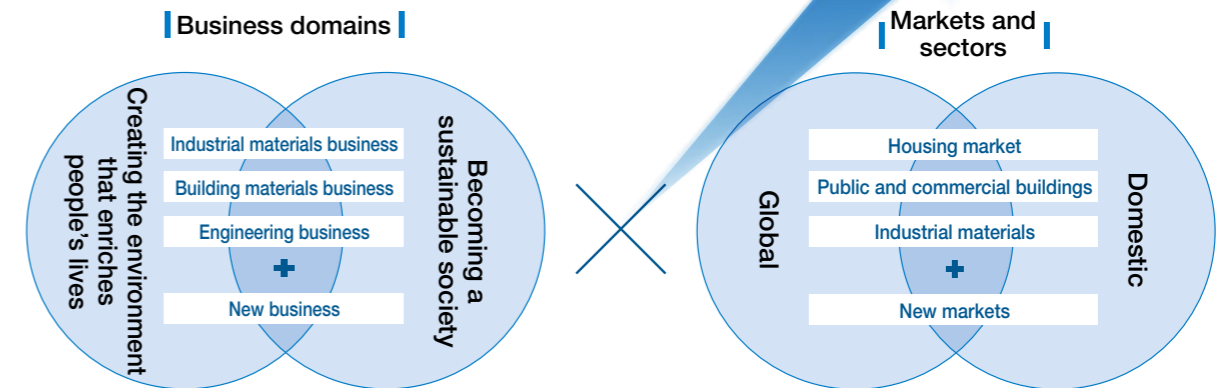
How We should be in 2025

- 1 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



Toward becoming an all-embracing company for building materials

CSR Basic Policy

Vision	Contribute to the realization of a sustainable society by creating values shared with society through activities for "Ecology" and "Improvements in the quality of space"
Policies	<ol style="list-style-type: none"> 1 With CSR and CSV* as the key axes, we will improve our corporate value and enhance our competitiveness to realize GP25. 2 Using CSR as an activity to enhance our ability to respond to and earn the trust of society, we will systematically pursue CSR with our responses to the environment, society, and governance as key axes. 3 Positioning CSV* as one of our management strategies, we encourage activities voluntarily and actively through the whole business process. <p>*Daiken's CSV is defined as finding solutions to social issues through the provision of common values capitalizing on Daiken's uniqueness.</p>
CSV Theme	<ol style="list-style-type: none"> 1 Building a sustainable society 2 Providing secure, safe, and comfortable spaces 3 Comprehensive use of wood building materials-encouraging the use of cascading



Masahori Okuda

Representative Director,
President

Interview with Top Management

Toward becoming an all-embracing company for building materials that consistently pursues resolutions to social issues with technology, ideas, and passion.

Q What were the achievements and issues in fiscal year (FY) 2021, the second year of the medium-term management plan GP25 2nd Stage?

FY 2021 started with the uncertainties caused by the spread of COVID-19. Substantial changes were required in the business environment and in the behavior and recognition of people throughout the year, including lockdowns around the world, declarations of the states of emergency in Japan, postponement of the Tokyo 2020 Olympic and Paralympic Games, and the shift to working from home.

Under these circumstances, our business activities place the utmost priority on the assurance of safety and the prevention of the spread of infection for all stakeholders, including customers, business partners, employees, and their families. At the same time, we fully recognized that our daily lives depend on healthcare professionals and the many other professionals who provide support for society. We would like to express our gratitude to such people.

FY 2021 is the second year of the GP25 2nd Stage, the three-year medium-term management plan as the second step toward the achievement of GP25, which explains our goals for 2025. We just passed the turning point. At the beginning of the fiscal year, the impact of COVID-19 was particularly significant overseas. We faced many restrictions with the plant in New Zealand stopping operation for about one month due to the lockdown, and the plant in the United States forced to reduce production by 60%. However, economic activities gradually restarted in the second quarter going forward. In Japan, we strengthened proposals for home builders to enhance our presence in detached houses

for sale and steadily expanded apartment renovations in the metropolitan area. Because of the rapid recovery of the US housing market, our steady supply and input of new products through intra-group cooperation were successful, proving the effect of our efforts in the North America business, which went into full-scale operation through the M&A in FY 2020. As a result, our overseas net sales increased more than fourfold from FY 2016, when the long-term vision GP25 was launched. The share of overseas sales as part of overall sales increased from 6% to 23%, which represents steady progress in the revision of the business and market portfolio as one of the basic policies for the 2nd Stage.

Long-Term Vision GP25	▶P4
Medium-Term Management Plan GP25 2nd Stage	▶P30
Strategies by Business Segment and Market	▶P31-32

On the other hand, we have observed two issues. The first issue is the decreased profitability of MDF as the mainstay of the industrial materials business. MDF is the base material for buildings and furniture and signifies wood fiberboard molded with residual wood offcuts from afforested trees. We produce MDF at two plants in New Zealand and two plants in Malaysia. For MDF, multipurpose product selling prices have not recovered because of the difficulty in differentiating from competitors and because of the deteriorated market triggered by US-China trade friction, coupled with the decreased demand caused by COVID-19, which urgently calls for an improvement in profitability. The other issue is the lower growth in public and commercial buildings than our initial expectations despite focused efforts

in the non-housing market. Demand for accommodation and commercial facilities rapidly decreased after the loss of inbound tourists with people staying home due to the spread of COVID-19. The impact was particularly significant for tatami mats since orders had been increasing with the evaluation of their functionality, including durability and easy maintenance, and as Cool Japan products.

Q | FY 2022 will be the final year of the medium-term management plan GP25 2nd Stage. How will it finish?

Despite substantial changes in the external environment, which had not been expected at the time of medium-term management planning, our basic strategies will not change for FY 2022. We will continue to increase market share in the new housing market and make up for the decrease in the overall markets of home renovation and non-housing public and commercial buildings, thereby maintaining the revenue structure in Japan while pursuing global growth. At the same time, we will carefully adapt to changes from the initial expectations and adjust our plans to grasp new demand by strengthening proposals for the new needs that have emerged because of COVID-19. Our performance forecast* as a commitment to shareholders and investors this fiscal year is set at 204 billion yen in net sales, the highest target since consolidation, 10.0 billion yen in operating profit, and 6.0 billion yen in profits attributable to owners of the parent. These figures for the performance forecast are different from the management goals in the medium-term management plan but will be maintained as stretch goals to be pursued toward the achievement of the further long-term vision GP25. *Forecast on May 14, 2021

Differences between the management goals in the medium-term management plan and the performance forecast	▶P35
Initiatives for Priority Markets	▶P36

As specific initiatives in Japan, we will continue to offer proposals both in new housing and in the renovation market, including the input of new products, by identifying specific changes in the required housing functions of securing workspace, preventing sound leaks and resonance, and achieving an ambience of comfort where people spend longer hours since working from home will become more common, whereas new housing starts will continue to decrease. The Japanese government launched incentive programs that include the green housing point system, which is applicable to many of our products. We will also strengthen our proposals in this aspect. In public and commercial buildings, we will increase the number of sales representatives at local branches to strengthen our sales structure. Because office functions are being reviewed as work styles become increasingly more diversified, we will proactively offer proposals concerning changes to the layout and application and improvements to the sound

environment in response to the rapid increase of online meetings. We developed building materials with an antiviral function in 2011 and released them in 2012 ahead of other companies in the industry. We see greater possibilities for an increase in the sales of these products to elderly facilities, medical facilities, and other institutions. As the ambience where people spend daily lives become more essential than ever, we will expand our scope of business and develop proposals as a manufacturer that contributes to production from the viewpoint of providing a safe, secure, healthy, and comfortable ambience.

In our global business, North America will remain a profit driver as the largest market in the world for wood housing. New housing starts in the US decreased to an annual rate of approximately 1.0 million in April and May 2020 but rapidly recovered to more than 1.5 million in July onward and has remained steady. The number of new housing starts is nearly twice that of Japan, and the demand in North America is extremely large considering residence areas. In addition, the population will continue to increase by more than 2 million every year on a medium-term and long-term basis, which suggests robust housing needs. We will endeavor to maintain a steady supply by leveraging our integrated supply structure from the veneer plant in Canada with its abundant forest resources to the LVL plant in the US, while increasing the share of the high-added value products of preservative LVL and high-strength LVL in the product mix, thereby effectively grasping the vigorous demand in the market.

We will pursue rationalization and streamlining for MDF by restructuring plants as a manufacturer. For any rapid cost increases that cannot totally be offset, we will incorporate the increase into selling prices through discussions with customers. We will also accelerate the development of specialty MDF with high added value by leveraging our technological power and improve our product mix, thereby improving profitability. Ultra-lightweight MDF, which was developed at our plant in New Zealand, has been popular with customers in the US and other countries. Through our plant in Malaysia, we are also promoting proposals for the MDF fully produced with acacia chips from trees afforested by our company over 20 years. Because MDF offers excellent size stability, we are expanding its application to new uses from conventional flooring to use as a base material for interior doors. MDF is capable of effectively using wood materials. Although it is impacted by market conditions on a short-term basis, it has high potential with global demand expected on a medium-term and long-term basis. We will expand its application and propose substitute demand by sharing its value as a sustainable material with our customers.

Initiatives for Priority Markets	Global markets	▶P37-38
	Public and commercial buildings	▶P39-40
	Home renovation market	▶P41-42



Q | What are the investment approach and key points in financial strategies?

In FY 2021, we invested in carefully selected BCP measures, safety measures, and IT systems linked to the enhancement of the management foundation but suspended growth investments that assumed sales increases while prioritizing cash flow in the midst of uncertainties caused by the COVID-19 pandemic. However, we have not changed our approach to proactive investments, including M&A, for favorable items that will contribute to medium-term and long-term growth strategies and increased competitiveness, while we will carefully monitor trends in material and resource inflation. Our focused investment target is the global industrial materials business with the key areas of North America and Asia. In North America, we are considering an expansion into new products that will exercise synergistic effects by utilizing sales channels for LVL. We will increase the capacity of MDF and further enhance our presence in Asia and other regions.

We will continue to reduce cross-shareholdings and strengthen management on the balance sheet of each manufacturing division, thereby achieving the balance sheet goal targets in the medium-term management plan. In FY 2021, we generated cash by reducing cross-shareholdings with key business partners. We plan to steadily reduce cross-shareholdings from the viewpoint of asset rationalization down to a share of approximately 10% versus net assets.

We will enhance shareholder return with a dividend payout ratio of 30% or higher and provide stable dividends as the basic policy by balancing investments for medium-term and long-term growth with financial soundness.

Financial strategies	▶P45-46
Capital Policy/Shareholder Return	▶P73

Q | Next, what is the approach concerning ESG management and sustainability? First, what are the initiatives for E: Environment?

As an environmental initiative, we set the reduction rate for CO₂ emissions as one of the management goals under the medium-term management plan. In FY 2021, our domestic CO₂ emissions were reduced by 35% versus FY 2014 from a production decrease combined with the stable use of renewable energy, which focused on wood biomass boilers that had synergistic effects with our main business. Therefore, we will be able to achieve a reduction of 26% as our initial goal for FY 2022. We will set a stretched reduction target in the next medium-term management plan with the goal of making an additional contribution under the carbon neutrality target for 2050 and a new reduction target by 2030 as set by the Japanese government. We will also examine the introduction of in-house carbon pricing as an internal investment decision and business evaluation in consideration of the substantial influence of these elements on our business activities. Among these efforts, we will promote information disclosure in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD) as part of the revised Corporate Governance Code 2021.

At the same time, as the momentum increases for a circular economy, we believe it is necessary to fundamentally review our processes from development and procurement from the viewpoint of reducing after-sales product disposal based on our experience in business and our contributions to a resource-recycling society.

Recycling of Waste Materials	▶P49
Initiatives toward the CO ₂ Emissions Reduction	▶P50

Q | What is the priority regarding S: Society?

Among the many requirements under S: Society, the highest priority is placed on human resources. Human resources are the source of technology, ideas, and passion, which comprise the mission in our group corporate philosophy. We believe that the maximization of the value of human resources will lead to improvements in our corporate value. We promote diversity, work-style reform, and human resource development in order to provide a workplace where employees are happy. With regard to diversity, we promote a workplace environment where human resources with diverse personalities and values can fully achieve their potential with a particular focus on female employees as the most familiar goal. However, the promotion of females to managers and directors, an indicator that draws external attention, is insufficient, and we consider it an important requirement. We have enhanced the systems to support the combination of work with childcare and long-term care, provided training opportunities, and reformed the corporate culture to help female employees. As the share of female recruits has been increasing recently, we expect that these initiatives will take effect on a medium-term basis.

Regarding work-style reform, the COVID-19 pandemic destroyed fixed ideas concerning the place, time, and method of work while making work from home and remote work more common. In our company, we regard these movements not as provisional countermeasures against COVID-19 but as the new normal, and we will establish flexible work styles as regular parts of the system and culture so that employees amidst the life events of childcare and long-term care can exercise their skills and potential as the source of corporate growth without interruption. We will also focus on the development of global human resources as we pursue expansion from the domestic housing market to the non-housing market and to the global market.

The COVID-19 pandemic has renewed our recognition of

the importance of life and health. We will further strengthen and upgrade health management as the foundation of human resources to exercise their skills and reach their potential. We have supported employees in quitting smoking and paid allowances to employees with a proactive attitude toward health promotion. We will continue promoting these initiatives to bring smiles to employees and their families as the source of their energy.

Human Resources ▶P51-53

Q | The governance structure has been reformed lately. What is the plan for G: Governance?

With the approval of shareholders on June 25, 2021, we became a company with an audit and supervisory committee. The aims are to strengthen the supervisory function of the Board of Directors, expedite the decision-making process, and develop and upgrade the next generation of management. Under the new structure, directors and audit and supervisory board members were reduced from 12 to 9, and their independence was secured with outside directors accounting for more than one-third of the members. The operating structure also changed in April with the establishment of the position of operating officer. By clarifying the division of roles with executive officers, we will flexibly and proactively allocate and promote human resources to executive officers from the viewpoint of leadership development so that they can undertake reform and growth in the allocated business domains by serving in key positions in the R&D division, manufacturing division, sales division, and administrative division. We will also further enhance the governance system by responding to the revised Corporate Governance Code 2021 and by envisioning market reorganization under the Tokyo Stock Exchange in FY 2023.

Governance ▶P55-68



Q | Finally, what is the medium-term and long-term direction of DAIKEN CORPORATION?

In the integrated report for the last year, our medium-term and long-term strategies are formulated with a focus on changes and a return to the origin by reconfirming our strengths and envisioning the post-COVID-19 era. We have four major strengths: (1) research and development capabilities accumulated since our foundation to pursue the possibilities of sustainable industrial materials and a safe, secure, healthy, and comfortable ambience; (2) product deployment capabilities to create industrial and building materials with a variety of features that differ from industrial materials, thereby proposing new lifestyles and industrial standards; (3) a customer base with a wide variety of professional clients, including the housing industry, construction industry, and various manufacturers; and (4) an integrated system for developing industrial and building materials, as well as installation work and construction for creating ambiances. To pursue the sustainable improvement of corporate value through these strengths, we redefined materiality (material issues to cope with) by identifying risks and opportunities that may have a significant influence on our medium-term and long-term management strategies. One of them is the pursuit of the sustainable use of wood resources. Our company has been engaged in this materiality as a key business since our foundation. This pursuit also leads to countermeasures against climate change and contributions to the SDGs, which are urgent global issues.

Wood as a product absorbs CO₂, fixates it as carbon, and continuously preserves it in the growth process. By appropriately felling wood and planting new trees in accordance with the growth cycle, the CO₂ absorption function of forests can be maximized. Since our foundation, we have achieved comfortable lives for people and preserved an increasing amount of carbon by using industrial materials

and building materials for the ambience of life based on the functions of wood as a recyclable resource.

Recently, we received feedback through discussions with investors, for example, "It seems that the felling and utilization of trees are misunderstood as unfavorable conducts," and "It would be favorable if DAIKEN CORPORATION could be introduced in a more understandable way as a company that contributes to carbon neutrality, featuring its commitment to the diverse use of wood." This feedback renewed our recognition of the importance of clarifying the significance of businesses that we had taken for granted and communicating it to shareholders, investors, customers, the entire industry, and other stakeholders.

Based on these ideas, we began to examine the commercialization of new wood materials to fully use domestic timber, which requires early utilization following the felling of the trees, by leveraging our technology. We have endeavored to reduce the use of natural lauan wood, for which protection has been urged because of concerns with regard to depletion. In the coming years, we intend to eliminate the use of natural lauan wood by commercializing these new materials. Although many issues need to be resolved, we will continuously endeavor to achieve a resolution by joining technology, ideas, and passion in our company and jointly creating value through cooperation with various stakeholders.

We will continue endeavoring to stay a company that contributes to society through these businesses. We sincerely ask for your continued support.

- Group Corporate Philosophy ▶P3
- Process of Creating Value ▶P15-16
- Business Models and Strengths ▶P17-18
- Risks, opportunities, and material issues (materiality) ▶P19-20
- Pursuit of Sustainable Use of Wood Resources ▶P21-22

History of the Daiken Group

Ever since foundation, The Daiken Group has been developing a wide variety of products to help customer's daily life through our technological innovations which always meet social issues and needs. The Group effectively uses all the strengths acquired in our history and aims to grow into a housing material manufacturer that becomes an all-embracing company for building materials and thus creates new value.

1945 Foundation

Plywood

1946 Special plywood
Developed special plywood for vehicles to which durability and water resistance were given by the technological development of adhesives



Insulation board

1958 Insulation board
Started manufacturing insulation boards, wood fiberboards utilizing lumber sewing waste, and construction demolition timber



1964 Dai-Lotone
Started manufacturing Dai-Lotone, non-combustible ceiling materials using slag wool, which is a byproduct of steel production



Net sales (¥100 million)



Trends in Net Sales, Operating Profit, and Number of Domestic New Housing Starts

Legend:
 ■ Net sales
 — Operating profit
 — Number of domestic new housing starts

Foundation

- 1941** C. Itoh & CO., Marubeni Shoten, Ltd., and Kishimoto Shoten, Ltd., have merged to form Sanko Kabushiki Kaisha, Ltd.
- 1944** Sanko Kabushiki Kaisha, Ltd., Kureha Cotton Spinning Co., Ltd., and Daido Boeki Kaisha, Ltd., merged to form Daiken Co., Ltd.
- 1945** Founded Daiken Mokuzai Kogyo Co., Ltd., at the Inami plant in Toyama acquiring all the business of the Forestry Department at Daiken Co., Ltd.

Expansion

- 1954** Established Nagoya plant for manufacturing special plywood
- 1958** Built Okayama plant and started manufacturing insulation board

Growing

- 1967** Changed the company name to DAIKEN CORPORATION
- 1969** Established interior projects department
- 1970**
 - Started manufacturing WPC flooring at the Nagoya plant
 - Established Toyama plant for manufacturing special plywood

Selection and Concentration

- 1977** Expanded insulation board business
Built Takahagi plant
- 1984** Established an interior projects company, DAIKEN ENGINEERING CORPORATION
- 1987** Expanded flooring business
Established Mie Daiken Co., Ltd. (currently, Mie plant)

New Challenge

- 1989**
 - Started manufacturing housing products, such as doors and stairs, at the Inami plant
 - Started manufacturing of cladding at the Takahagi plant
- 1994** Established DAIKEN SARAWAK SDN. BHD. in Malaysia for MDF manufacture
- 1995** Built interior doors production line at the Inami plant

Challenge to achieve the Long-Term Vision GP25

- 1996** Implemented Tatami facing and Dai-Lite production lines at the Okayama plant
- 1999** Purchased an interior projects company, Koukou Sangyo Corporation
- 2000** Integrated the interior projects department into DAIKEN ENGINEERING CORPORATION
- 2002** Alliance with TOTO Ltd. and YKK AP Inc. for remodeling business
- 2005** Purchased MDF manufacturer in Malaysia
Established DAIKEN MIRI SDN. BHD.
- 2009** Purchased MDF plant in New Zealand and established DAIKEN NEW ZEALAND LIMITED
- 2010** Alliance with Panasonic Corporation in production and procurement
- 2012** Business and capital alliance with HOKUSHIN Co., Ltd., for MDF production and supply
- 2015** Established interior doors manufacturing company PT. DAIKEN DHARMA INDONESIA in Indonesia
- 2016** Purchased an apartment renovation company, PAC SYSTEM Co., Ltd.
- 2018**
 - Purchased MDF manufacturer in New Zealand and established DAIKEN SOUTHLAND LIMITED
 - Established Daiken R&D center
 - Capital and business alliance with ITOCHU Corporation
- 2019**
 - Purchased a veneer plant, CIPA Lumber Co., Ltd. in Canada and an LVL plant, PACIFIC WOODTECH CORPORATION in the U.S.A.
 - Purchased a renovation company ReformQ Co., Ltd.
 - Purchased T.O FLOORING CO., LTD., that works on solid wood flooring
- 2020** Started production at Nichinan Daiken Co., Ltd., a company that processes veneers for LVL

History

Flooring

1970 WPC
Developed a technology to harden wood veneers by injecting resin into the grains of the wood called WPC



Cabinet

1971 Integrated storage furniture
Launched the first housing equipment Cabinet set and developed from a single product to an integrated product



Door

1973 Door
Promoted making doors fancy and created the industry standard of modern design



Sound products

1982 Sound products
Improved the consistent service structure for soundproofing for houses



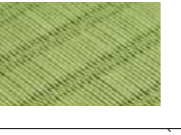
2008 MISEL
Attractive cabinet pursuing design



2015
Three-dimensional high design flooring



1996 Tatami facing
Started manufacturing Tatami facing that used machine-made Japanese paper and that was excellent in maintenance



2013 hapia
Launched the hapia series that pursue texture



2014
A wide sliding door that can be easily accessed by a wheelchair

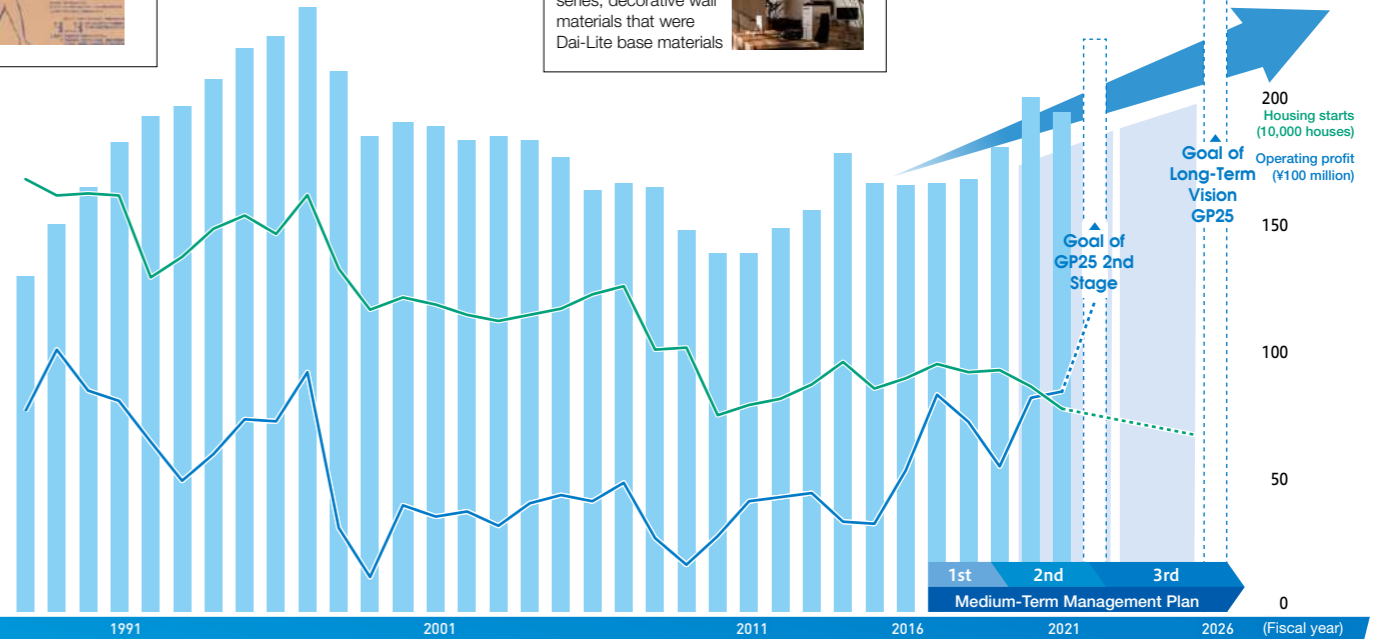


Features and Strengths of the business

Building materials business
Capability to develop building materials with high added value and capability to propose total plans for interior spaces

Industrial materials business
Capabilities to develop unique industrial materials

Engineering business
Capabilities to perform installation work by making use of the functions of building materials



200 Housing starts (10,000 houses)

Goal of Long-Term Vision GP25

Operating profit (¥100 million)

Goal of GP25 2nd Stage

1st 2nd 3rd Medium-Term Management Plan

(Fiscal year)

Product Development Uses Strengths

The Daiken Group cultivated its technologies throughout a history of more than 75 years and continues to offer products that are valuable for society and customers. Our diverse product lineup, with its excellent features, is used in a wide range of scenarios in houses and public and commercial facilities.

Industrial materials business

Developing and offering highly functional industrial materials

The Daiken Group offers various functional industrial materials having non-combustibility, anti-seismic, thermal insulation, sound insulation, humidity conditioning, and various other features required in our daily lives by making full use of wood and mineral resources from a sustainable perspective.

Features and Strengths of the business

Capabilities to develop unique industrial materials

	Overview	Features and Functions	Major Applications	
Effective use of wood materials	Insulation board Wooden fiberboard using construction demolition timber for main raw material and molded into a board 	<ul style="list-style-type: none"> Heat insulation Moisture conditioning Cushioning properties Lightweight 	Inner part of a tatami mat 	Protection board 
	MDF Wooden fiberboard using residual wood offcuts for main raw material and molded into a board 	<ul style="list-style-type: none"> Dimensional stability Surface smoothness Workability Water resistance 	Materials for flooring 	Base materials for building and furniture (Substrate of door, storage, and window frame) 
	LVL A fabricated wood product manufactured by laminating veneers cut from a log all parallelized in the fiber direction and gluing them together 	<ul style="list-style-type: none"> Dimensional stability High strength Workability 	I-Joist 	Structural material 
	Tatami facing Tatami facing made from straw twisted machine-made Japanese paper strings and a resin coating 	<ul style="list-style-type: none"> Light resistance Water repellent Moisture conditioning Color variations 	Tatami mats 	
Effective use of mineral materials	Dai-Lotone Mineral fiberboard molded into a board using slag wool as a byproduct of steel production 	<ul style="list-style-type: none"> Non-combustibility Lightweight Sound absorbing Workability 	Ceiling materials 	
	Dai-Lite An inorganic material molded into a board using an unused resource, Shirasu (volcanic ash), and slag wool 	<ul style="list-style-type: none"> Non-combustibility Lightweight High strength Workability Moisture permeability Insect repellent Antiseptic 	Wall base materials 	Wall materials 









Building materials business

Developing and providing building materials best suited for the interior of various buildings

The Daiken Group offers high-performance building materials that form spaces focusing on safety, peace of mind, health, and comfort to be used for housing, public spaces, and commercial facilities.

Features and Strengths of the business

Capability to develop building materials with high added value and capability to propose total plans for interior spaces

	Flooring	Door	Cabinet	Sound products
For houses	A flooring of ultimate beauty A lineup that is particular about surface texture and that offers scratch resistance, long-lasting beauty, good design, high function, and high performance 	Great range of design and variations Interior door that is highly functional and easy to use and can be coordinated flexibly 	Storage improvement A complete lineup of cabinets equipped with abundant storage capacity that is space-saving and offers other features to fit individual spaces 	Space for enjoying sound A complete lineup to meet the sound environment and sound quality needs of a variety of venues, including home theaters, musical instrument practice rooms, and audio rooms 
For public spaces and commercial facilities	A flooring for heavy duty areas A complete line of flooring that can be used in heavy duty areas, including those made of natural wood resistant to damage, sound-proofing materials, and those that reduce the impact when a person falls 	Functional door suitable for facility applications Interior doors with particular functionality for nursing homes, kindergartens, childcare facilities, medical facilities, and stores 	Cabinets inspired by consideration to users Cabinets mitigate the various risks to users for comfort during use 	Creating a comfortable sound environment A complete lineup suitable for sound-proofing, echo reduction, and other specific purposes 

Engineering business

Total support for creation of spaces from the supply of building materials through installation work

The Daiken Group's major projects are interior construction for public spaces and commercial facilities, including schools, event venues, office buildings, and apartment buildings, to create spaces that optimize the performance of industrial and building materials.

Features and Strengths of the business

Capabilities to perform installation work by making use of the functions of building materials



Our project

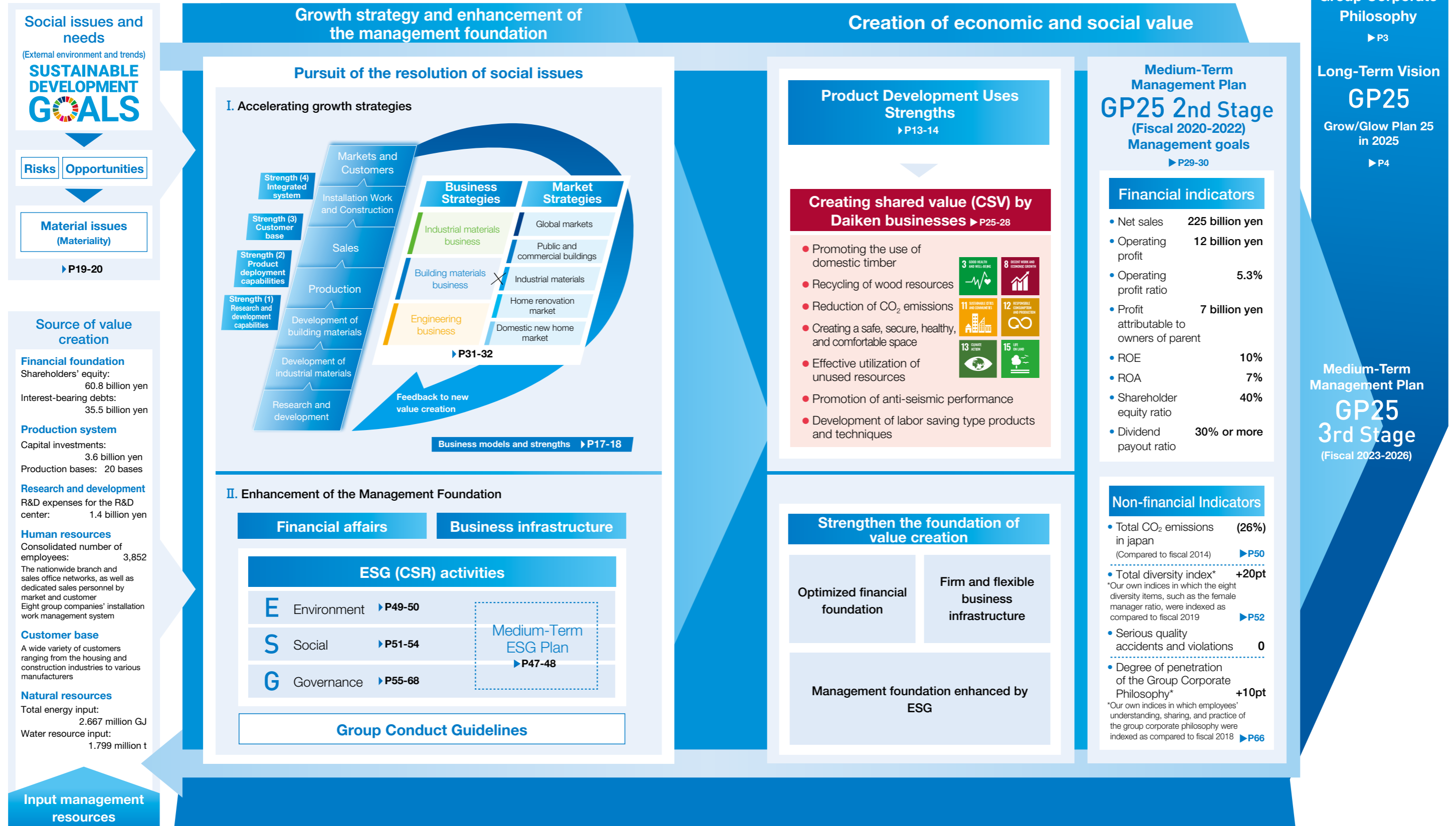
Tokyo Metropolitan Government Building

Kyoto Station Building

Kansai University

Process of Creating Value

The Daiken Group aims for the realization of a sustainable society and the creation of economic and social value by contributing to solving social issues, such as the Sustainable Development Goals (SDGs), through business activities that make use of our unique strengths. The Group also united CSR activities based on the Environment, Social, and Governance (ESG) to make the foundation of our businesses robust.



Business Models and Strengths

The Daiken Group makes use of the four strengths of (1) *research and development capabilities* to pursue the possibilities of sustainable industrial materials and a safe, secure, healthy, and comfortable space; (2) *product deployment capabilities* to create industrial and building materials having various features; (3) a *customer base* that has long been built with a wide variety of professional customers; and (4) an *integrated system* to engage in the development of industrial and building materials as well as the installation work and construction for creating spaces and is committed to sustainable value creation.

Strength (4) Integrated System **Engaging in the development, installation, and construction of industrial and building materials**

- Industrial and building materials do not function as is and the installation work and construction are required in order for them to deliver performance.
- Daiken not only sells products, such as industrial and building materials, but is engaged in the installation work, construction, and creation of spaces in the three domains of interior projects for office buildings and public facilities, home renovation work, and apartment renovation by cooperating with the group companies engaged in the installation work and construction.
- By consistently engaging in the industrial and building materials located in the upstream part as well as the installation work and construction to create spaces, our entire value chain can provide value.
- We link the needs obtained in the installation work and construction sites with the development of labor-friendly type products and techniques.

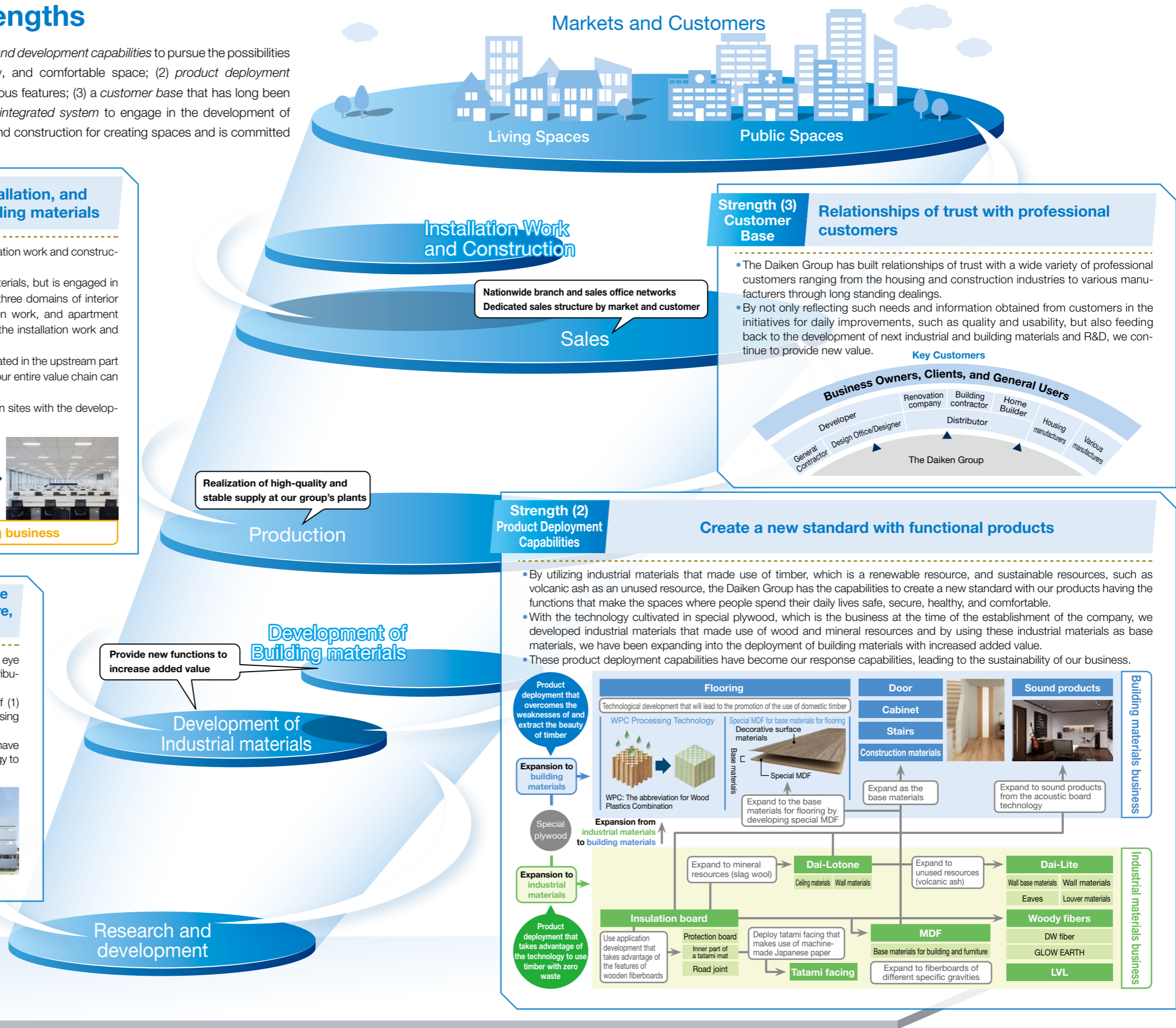
Slag wool and Shirasu Dai-Lotone

Engineering business

Strength (1) Research and development capabilities **Pursue the possibilities of sustainable industrial materials and a safe, secure, healthy, and comfortable space**

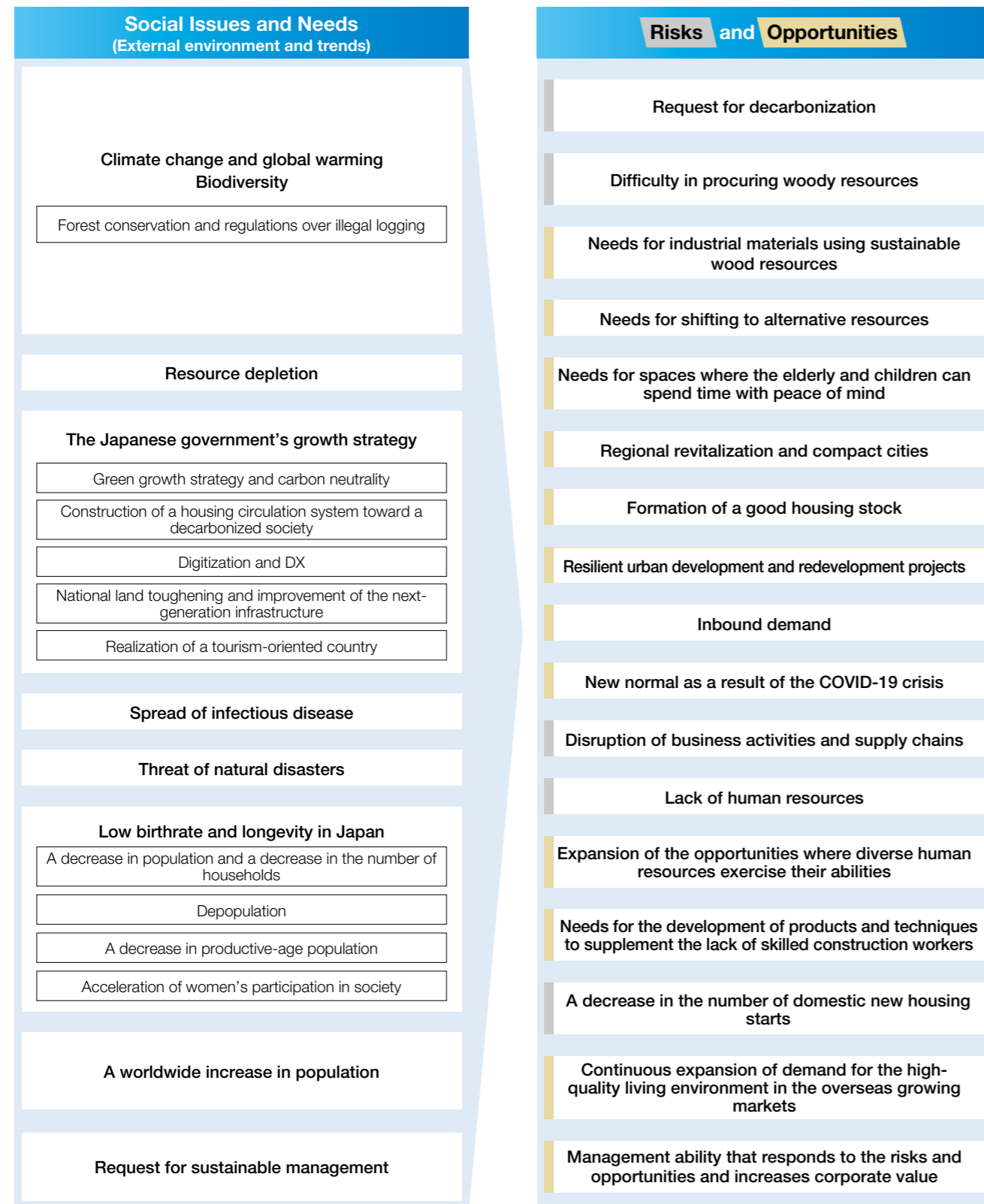
- DAIKEN CORPORATION was founded soon after the war with an eye toward the effective use of timber as precious resources and the contribution to society through postwar reconstruction.
- We conduct research and development based on the two ideas of (1) overcoming weaknesses and extracting the beauty of timber and (2) using timber with zero waste as the technology to effectively use timber.
- As the expansion of applications to something other than timber, we have also proceeded with the technological development to apply technology to handle wood fibers and utilize unused mineral resources.
- Furthermore, as the field to make use of materials and technologies we have created, we have been expanding the applications above into research and development to pursue spaces where people can spend the time safely, securely, healthfully, and comfortably.

Daiken R&D Center



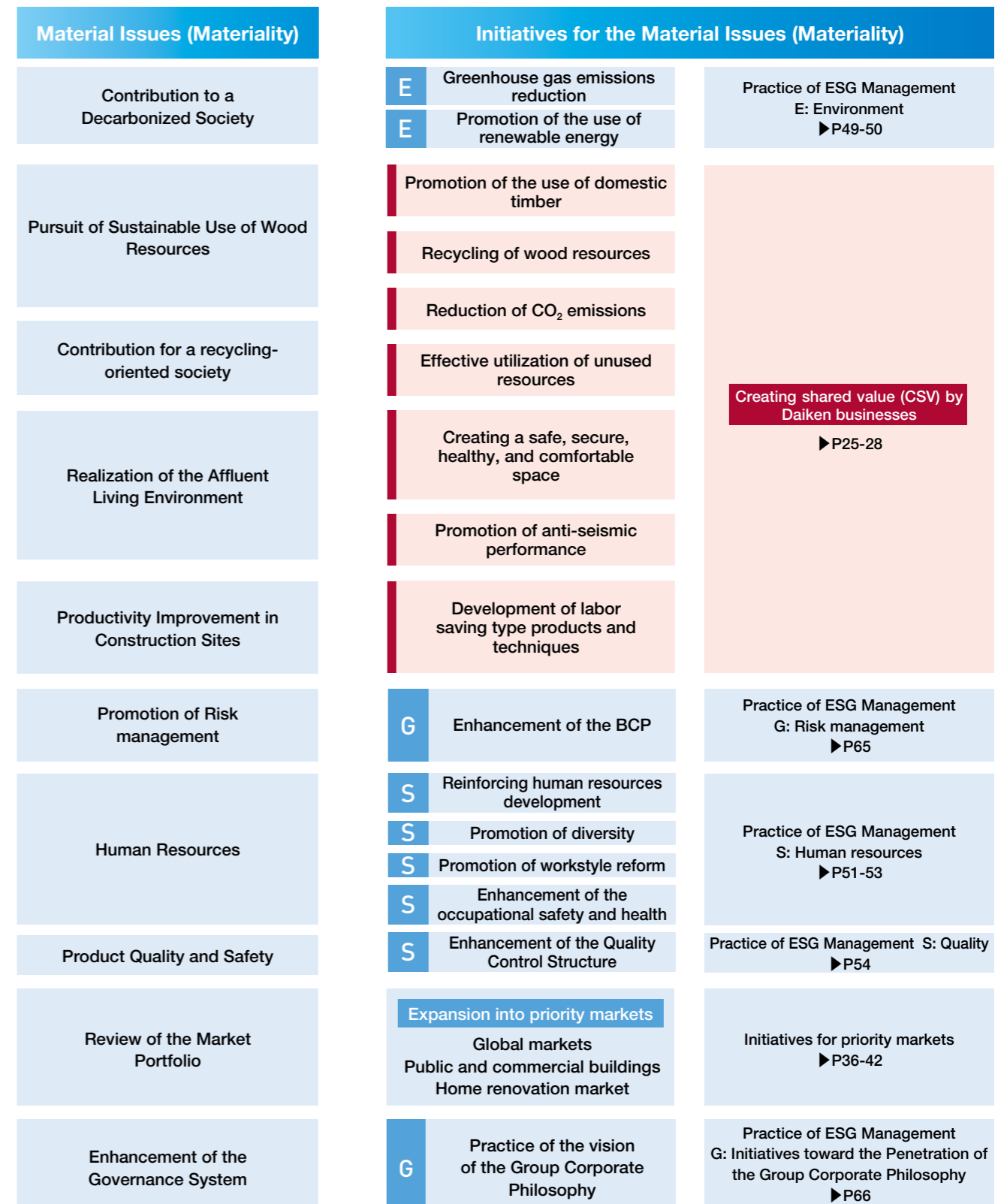
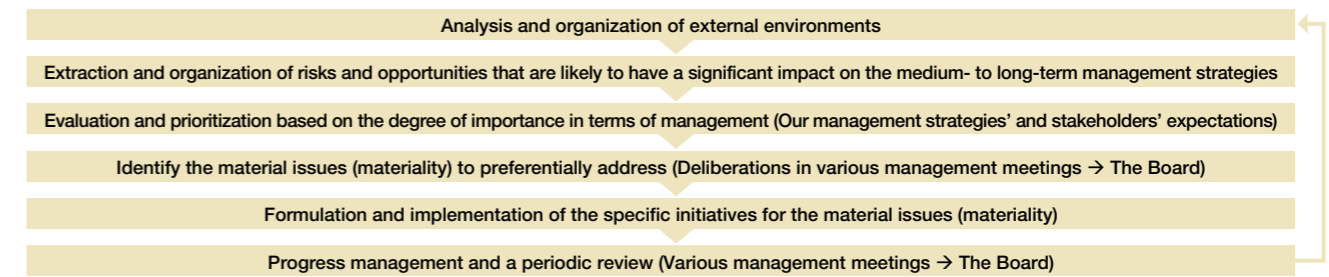
Risks, Opportunities, and Material Issues (Materiality)

In addition to the risks and opportunities that are likely to have a significant impact on the Daiken Group's medium- to long-term management strategies, we have identified material issues (materiality) to preferentially address, based on such risks and opportunities, the following. In identifying such themes, we made decisions by reflecting the Board's opinions through deliberations in various management meetings, such as the CSR Committee. We also link the material issues (materiality) to preferentially address the policies in the medium-term management plan and medium-term ESG plan, as well as the focused measures, and proceed with the initiatives after setting the goals.



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

Process to identify the risks, opportunities, and material issues (materiality)



Pursuit of Sustainable Use of Wood Resources

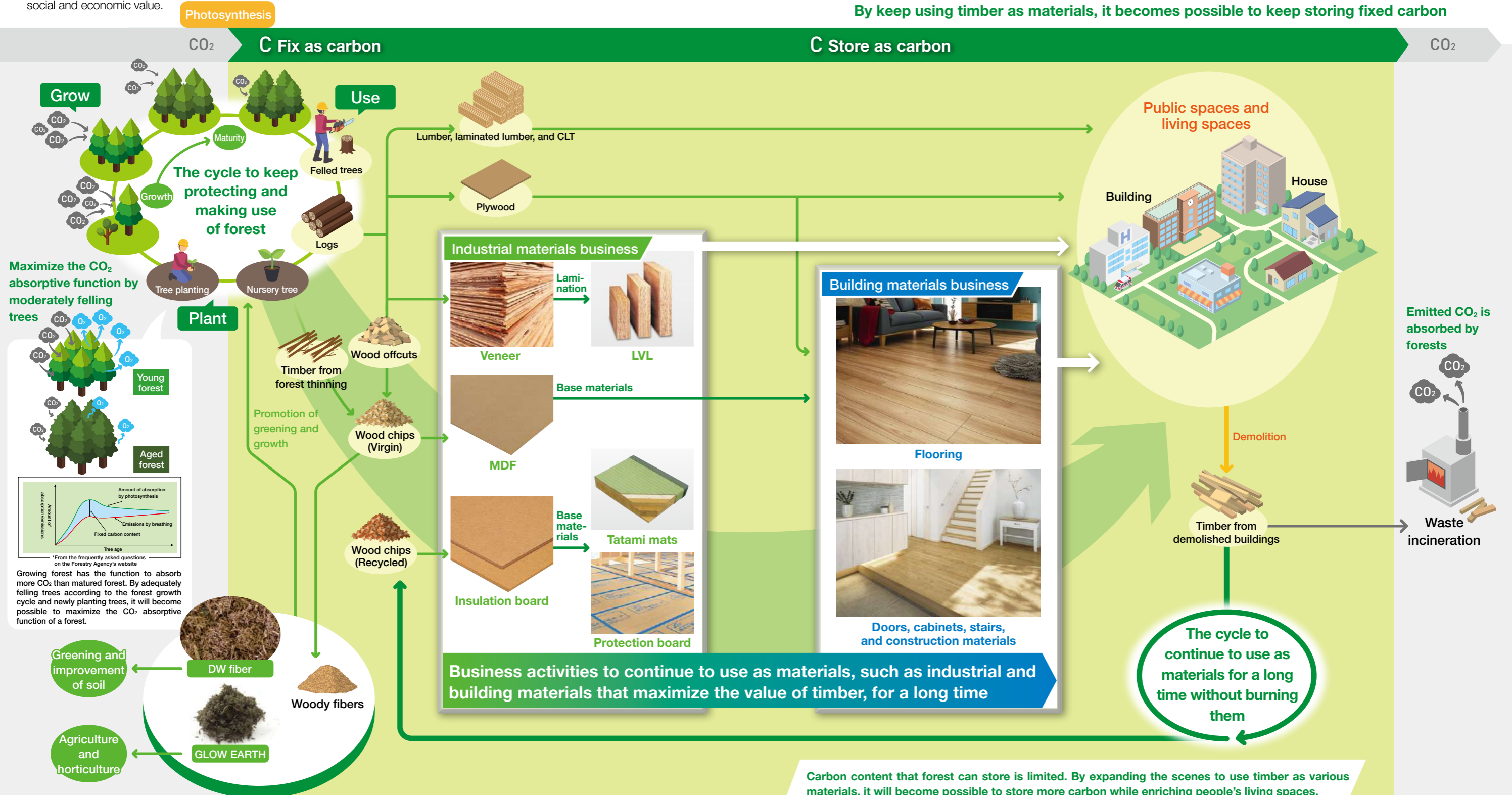
DAIKEN CORPORATION was founded with an eye toward the effective use of timber as precious resources and contribution to society. Since the foundation of the company, we have refined technologies to overcome the weaknesses of timber and use timber with zero waste and developed industrial and building materials offering a wide variety of functions. Trees function to absorb CO₂ during the growth process, to fix it as carbon, and to keep storing it by continuing to use them as materials. While countermeasures for climate change have become a pressing global issue due to the emissions of greenhouse gases, such as CO₂, the importance of protecting, growing, and making use of forests that have the function to absorb CO₂ has been increasing. Since timber is a renewable resource, it can contribute to the realization of a sustainable society and carbon neutrality by creating the cycle to appropriately manage and use forests. By pursuing the sustainable use of wood resources from the three perspectives of (1) use of appropriately managed timber, (2) use of timber to protect forests, and (3) use of timber with zero waste, we continue to create social and economic value.

Contributing to carbon neutrality by pursuing the sustainable use of wood resources

Three perspectives for realization

- 1 Use of appropriately managed timber
- 2 Use of timber to protect forests
- 3 Use of timber with zero waste

By keep using timber as materials, it becomes possible to keep storing fixed carbon



Carbon content that forest can store is limited. By expanding the scenes to use timber as various materials, it will become possible to store more carbon while enriching people's living spaces.

Special Feature

New Application and Deployment of Domestic Timber in Cooperation with Local Communities

The Daiken Group has positioned the pursuit of sustainable use of wood resources as an important theme (materiality). While deepening the cooperation with those in local communities having appropriately managed abundant forest resources following the long-term vision GP25 to aim for business expansion into new fields without being bound by conventional ideas, we challenge the new application deployment to use up domestic timber for which the time for cutting has arrived and that requires the promotion of use.

Technologies cultivated since the foundation of the company to effectively use timber

- (1) Technology to overcome the weaknesses of and extract the beauty of timber
- (2) Technology to use timber with zero waste

Developed industrial and building materials using wood fibers

2016
Started to comprehensively use timber by cooperating with local communities

Deliver the potential of wood fibers and disseminate use applications in the new field

2017
Expanded into the fields of civil engineering and landscaping
Soil improvement additive DW fiber

2021
Expanded into the fields of agriculture and horticulture materials
Wood culture medium GLOW EARTH

We established the Nichinan Total Cascading Use of Wood commercialization study project in November 2016 with Nichinan, Tottori Prefecture, Nichinan Forestry Cooperative, and Orochi Co., Ltd., which is a local LVL manufacturer. We comprehensively use abundant forest resources in Nichinan without waste by using our wood processing technology and work to revitalize the forestry industry and local industries through the maintenance and management of forests.

Development image of the total use of wood through regional cooperation.

Regional precious wood resources will create value in various scenes by fresh ideas, technologies, and partnerships.



Conservation of Forests

Appropriate management and operation of forest resources will grow healthy forests and contribute to ecosystem conservation



Greening Promotion

DW fiber's excellent water-holding property and water permeability will improve plant growing environment and promote greening



Promotion of Crop Growth

DW fiber will promote soil aggregation, help roots grow, and promote crop growth



Promotion of the use of domestic timber

By developing wood products to which new value is added, promote the use of domestic timber



Disaster Restoration

DW fiber's soil buffering action will transform soil to the environment appropriate for plant growth and improve salt balance



Regional Development

Revitalization of the forest products industry using local resources will contribute to the development of local economy and employment creation



Use of Renewable Energy

Use residual wood offcuts of lumber manufacturing as the fuel for the biomass boiler and fully and effectively use the resource



Research Institute

- Development of tree trimming and planting techniques and human resources
- Utilization development
- Development of products with highly added value

Disseminate the initiatives for the comprehensive use of timber in other regions

Participated in the Awaji Bamboo Resource Utilization Project

In October 2020, we participated in the Awaji Bamboo Resource Utilization Project for the purpose of promoting the utilization of bamboo resources on Awaji Island, Hyogo Prefecture. We aim to develop and commercialize fibers using bamboo resources on Awaji Island through the industry-government-academia cooperation involving five parties participated in the project. By not only deploying DW fiber's tree species but also expanding the use of bamboo-mixed fibers, our group will contribute to building the bamboo resource circulating system from supply to consumption of bamboo resources and regional revitalization.

(1) Soil improvement additive DW fiber

As the first case of the Total Cascading Use of Wood commercialization study project, we started proposing the soil improvement additive DW fiber in May 2017. DW fiber is a soil improvement additive with the point of view to utilize timber without being wasted and made of timber offcuts that are generated in manufacturing LVL by Orochi Co., Ltd., using wood that the Nichinan Forestry Cooperative hewed out and fibrillated and to which fulvic acid with plant growth-promoting effects is added. With DW fiber, we expanded into the fields of civil engineering and landscaping for the first time, and it contributes to the greening of soil and crop growth promotion, as well as post-disaster reconstruction, such as regeneration of protective forest from salty winds.



*DW fiber has been registered in the New Technology Information System (NETIS) by the Ministry of Land, Infrastructure, Transport and Tourism. Registration number: KT-170110-A

(2) Wood culture medium GLOW EARTH

As the second case in which our wood processing technology cultivated in DW fiber was applied, we started proposing the wood medium culture GLOW EARTH in January 2021. GLOW EARTH for which we established the technology with an approach different from DW fiber that has plant growth promotion action is a wood medium culture that can create an optimal cultural environment by making factor substances that inhibit the growth of plants harmless. We have realized the resource circulation that wood harvested in a forest becomes the culture medium, helps the growth of the next plants as the agricultural and horticultural material, and returns to the soil again. Regarding our first entry into the field of agricultural and horticultural materials with GLOW EARTH, we will foster this as a bud leading to the expansion of the business domain.



Traceability has been secured by actively using domestic timber

While the active use of domestic timber for the purpose of soundly protecting forest resources in Japan has been requested, it has secured the features, such as quality stability and lightweight structure that are unique to domestic wood chip materials, and traceability, such as where timber comes from and the processing route.

Cases of Adoption

In the miniature Phalaenopsis orchid COCOLAN* business that Daiwa House Industry Co., Ltd., has been deploying, GLOW EARTH was adopted as the culture medium based on the points, such as its high quality, stability, lightweight, good touch feeling, and manageability unique to domestic materials.



*COCOLAN culture business: Daiwa House Industry Co., Ltd., constructed a cultural facility using their unique technology in their company housing complex in Miki City, Hyogo Prefecture, for the purpose of building a new relationship with the local community, such as local employment creation, through cultivation of miniature Phalaenopsis orchid COCOLAN.

GLOW EARTH that partially used Timber from the Cultivated Forest* originated from the Natural Water Sanctuary activities across Japan conducted by Suntory Group was adopted as the culture medium for the Suntory Flowers Ltd. vegetable seedling product Honki Yasai Ready To Harvest.

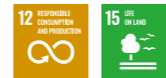


*Timber from the Cultivated Forest: Suntory Group refers to timber originated from the activities to cultivate sustainable water and forests as Timber from the Cultivated Forest.

Creating Shared Value (CSV) by Daiken Businesses

The Daiken Group delivers value to society by operating businesses that utilize our unique industrial materials and technologies to respond to a variety of social issues and needs.

01 Promotion of the use of domestic timber



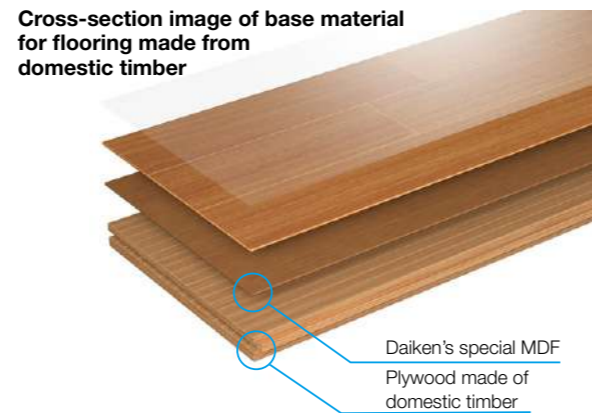
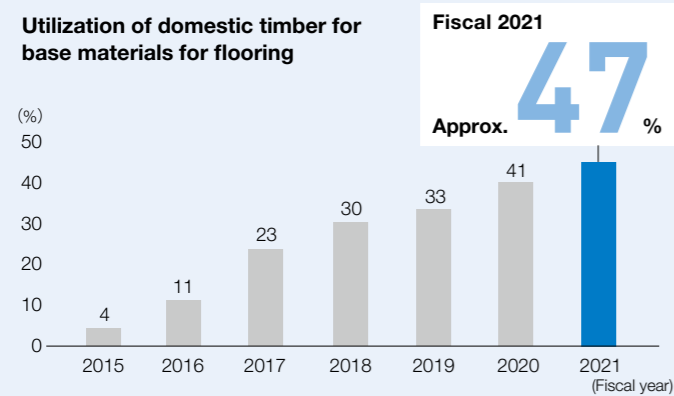
Promote the use of domestic timber with special MDF that offers excellent water resistance

Social issues and needs

Japan is one of the world's most forested countries with about two-thirds of the land covered in forest. Therefore, domestic timber should be more actively used in order to foster healthy forests that fulfill various needs, such as absorbing CO₂ and prevention of landslides. The Japanese government is aiming to increase wood self-sufficiency to 50% by 2025.

Daiken's strengths and value creation 1

The Daiken Group took advantage of the expertise cultivated as the leading flooring manufacturer and Daiken's unique MDF technology that offers excellent water resistance and surface smoothness, proceeded with the development of base materials for flooring combined with domestic timber, and has made many improvements. Because of the shift, we newly promoted for our primary products in the fiscal 2021, utilization of domestic timber for base materials for flooring, which was approx. 4% in the fiscal 2015, increased to approx. 47%. The group will continuously proceed with product development that will draw out the appeal of domestic timber and further promote the use of domestic timber.



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

Daiken's strengths and value creation 2

With Daiken's unique WPC* technology to harden wood tissues by injecting plastic resin into and filling the tissues, it has become possible to offer flooring with excellent surface strength that uses domestic natural wood for decorative surface materials. Because many domestic tree species are soft materials, low durability in using them as flooring was an issue, but by taking advantage of this technology, we will expand the use of domestic timber while meeting the needs of using local materials.

*WPC = The abbreviation for Wood Plastics Combination

Results of the commercialization of local materials with the WPC technology

23

prefectures



Case of adopting WPC flooring

Mechanism of the WPC technology



02 Recycling of wood resources / 03 Reduction of CO₂ emissions



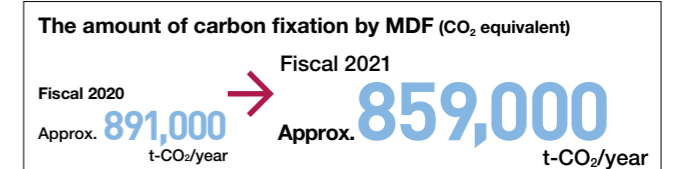
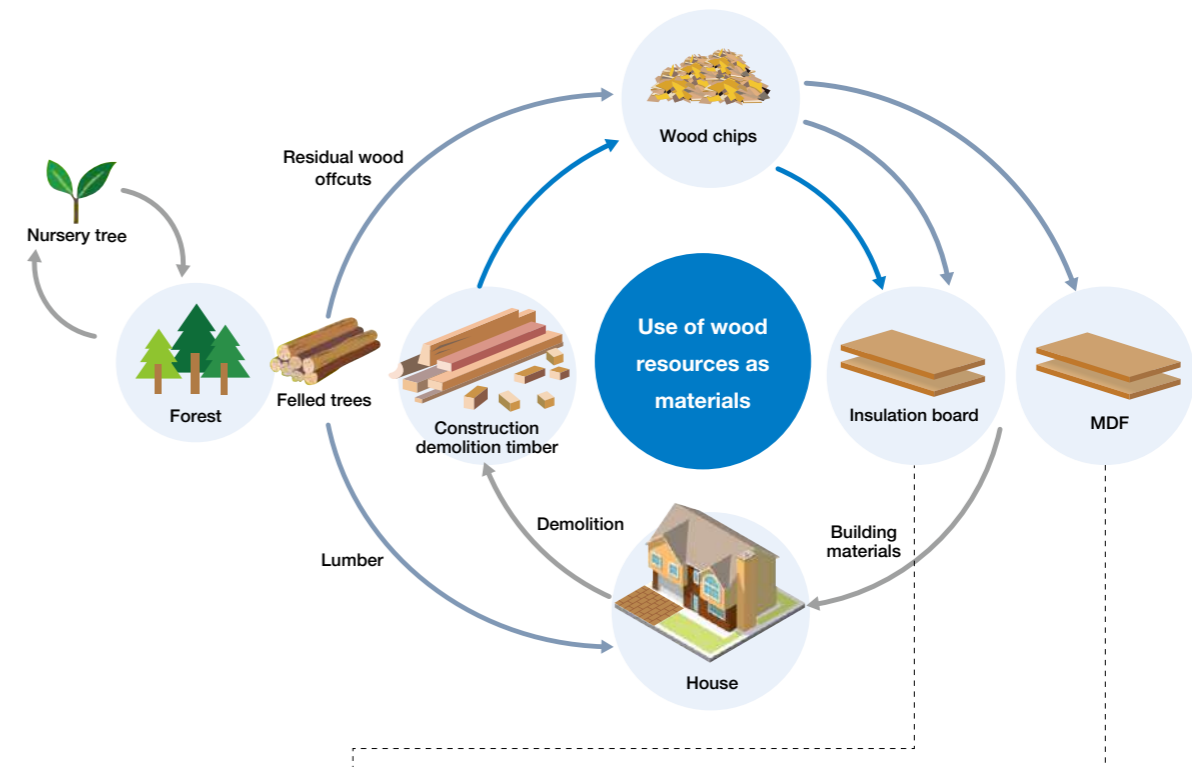
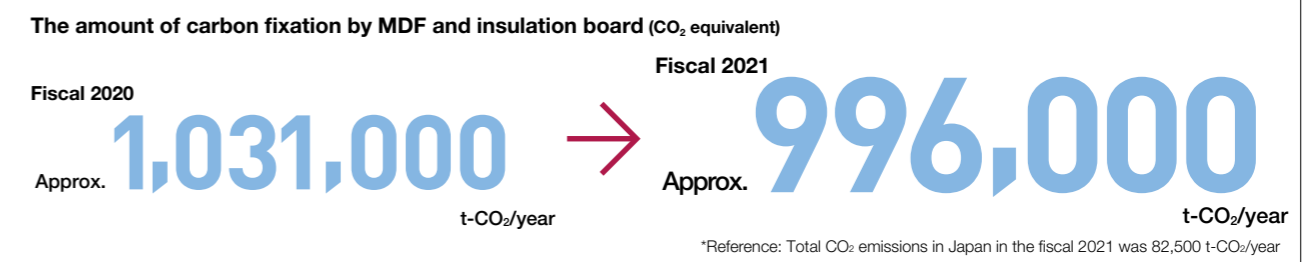
Prolongation of the carbon fixation period by using wood resources for materials

Social issues and needs

Considering the two closely linked SDGs and the Paris Climate Agreement, the crucial challenge for the world is to create a recycling-oriented society that effectively uses limited resources and to promote measures against climate change associated with global warming.

Daiken's strengths and value creation

The Daiken Group has been manufacturing materials that effectively use wood resources, such as MDF using cutoff materials from sawmills, and insulation boards reusing construction demolition timber that used to be discarded or used as fuel. Using wood as materials as long as possible instead of burning will not only reduce waste but also keep storing carbon in wood, and as a result, it will lead to reducing CO₂ emissions into the atmosphere. Our group focuses on this function, continues to use wood resources in a wide variety of scenes as materials with zero waste, and contributes to the formation of a recycling-oriented society and the prevention of global warming.



04 Creating a safe, secure, healthy, and comfortable space



Creating a safe space to live together with the elderly

Social issues and needs

Japanese society is more rapidly aging than other developed countries and becoming a super-aging society with one in four people aged 65 or over. It is expected that the elderly population will reach about 40% by 2060. There is also concern about social problems with elderly people providing care for elderly people. So, the living environment of the future must be safe, secure, healthy, and comfortable.

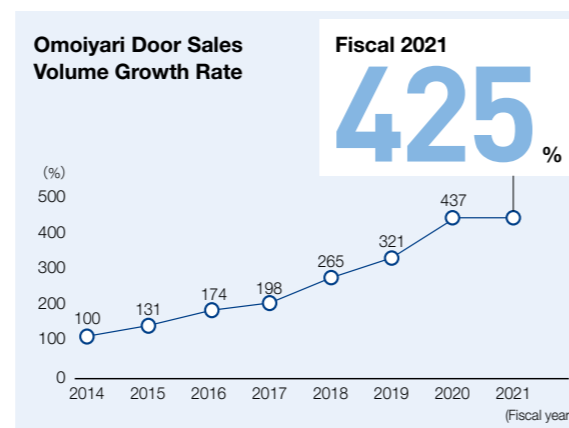
Daiken's strengths and value creation 1

Based on our ideas and technologies for living spaces proven through our work, Daiken is committed to manufacturing from the perspective of all users, including elderly people, their families, and caregivers. In recent years, by improving the mechanism that can finely respond to the needs that vary according to facilities, such as elderly facilities, houses that are considerate of home care, etc., we have been deploying comprehensive product lines. Daiken pursues the creation of excellent and pleasant spaces that are safe and secure for people's lives and have functionality, such as making it easy to listen to conversations, the response to the antiviral function for which the needs have been increasing, etc.



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

Moisture conditioning wall material that creates a comfortable indoor environment



Calculated on the basis of the Omoiari door sales volume in fiscal 2014

Creating spaces where children can spend the time safely

Social issues and needs

While cases of leaving children aged 0 to 3 in childcare facilities have been increasing more than ever with the increase in the female employment rate in recent years, a design that is more considerate of safety and the environmental aspect is required for these facilities. Lack of human resources engaged in childcare is considered one of the major causes of the problem of children on the waiting list, and it is imperative to reduce nursery teachers' burden and create a pleasant working environment.

Daiken's strengths and value creation 2

We thoroughly examined the performance required for the area around a door in a childcare facility where the risk of injury is particularly high and developed the door dedicated to kindergartens and childcare facilities, while taking advantage of the expertise in door manufacturing cultivated from past houses and elderly facilities. We also provide spaces where children who are in the auditory and linguistic developmental stage can optimally spend time through our products having the sound absorbing feature that can reduce noise. We will support a wide variety of problem solutions required for childcare facilities, such as improvement of safety and comfort and further reduction in the nursery teachers' burden by using Daiken's unique technologies and diverse products.



Doors that consider safety by assuming that children use them

High-performance ceiling materials having excellent sound absorbing, moisture conditioning, and formaldehyde absorbing features

Sound absorbing panel for ceiling of which the color and shape can be specially ordered



(Fiscal 2018)

(Fiscal 2017)

* Designs to contribute to the safety and security from children

05 Effective utilization of untapped resources / 06 Promotion of anti-seismic performance



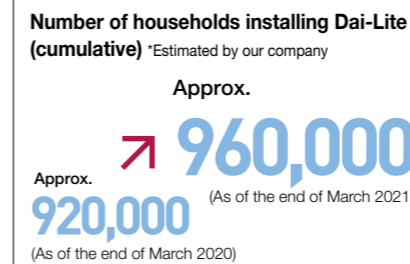
Promotion of anti-seismic performance of wooden houses using non-combustible materials that offer excellent durability

Social issues and needs

Japan has been devastated by earthquakes many times, including the Great Hanshin-Awaji Earthquake and the Great East Japan Earthquake. Large earthquakes, such as the Tokyo metropolitan earthquake and the Nankai trough earthquake, are predicted with high probability to occur in the near future, and the Japanese government has set a target or seismic resistance ratios and promotes the upgrading of houses and buildings.

Daiken's strengths and value creation

Daiken developed Dai-Lite, the world's first new industrial material using an unused resource, *shirasu* (volcanic ash) as the major raw material. It has all of the performance required for an inorganic bearing surface, such as lightweight, high strength, high durability, fireproof, and workability, that could not be realized with conventional inorganic materials. Daiken has contributed to a recycling-oriented society by finding value in a resource that was untapped, by expanding applications as the product, and by becoming popular as the leading brand for an inorganic bearing surface for houses, and it has contributed to improving the aseismic performance of Japanese wooden houses. By expanding the anti-seismic products for existing houses, it promotes further upgrading of the anti-seismic performance of wooden housing.



Dai-Lite MS



Anti-seismic wall



Shirasu, an unused resource available in the natural world

07 Development of labor saving type products and techniques



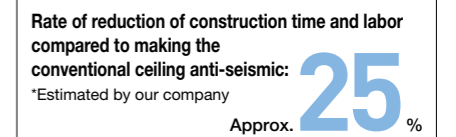
Contributing to the anti-seismic ceiling by developing the labor-saving construction technique

Social issues and needs

Because of the special demand for the restoration projects and various redevelopment projects, in addition to decreasing productive-age population ratio associated with the low birthrate and longevity, a shortage of workers has become an aggravated problem in the construction industry. While the Building Standards Act revised after the Great East Japan Earthquake requires higher aseismic performance of the ceilings of large public buildings, there was an issue that it requires much time and labor in making existing ceiling anti-seismic.

Daiken's strengths and value creation

To particularly respond to the needs of making the ceilings of large public facilities anti-seismic after the Great East Japan Earthquake, Daiken developed a unique ceiling construction technique that makes it possible to make the ceiling anti-seismic with the saving construction time and work. With this construction technique, we reduced the construction time and labor by approx. 25% compared to making the conventional ceiling anti-seismic. We also developed a ceiling system exclusively for hallways, which will become the evacuation route at the time of disaster. We will aim to further realize the saving construction time and work for not only ceilings but also building materials for renovation from the perspective of a new construction technique.



Our own anti-seismic ceiling construction technique



Flooring for renovation that can be easily constructed in a short construction period



Wall cabinet corresponding to the on-board construction technique that can omit substrate work and shorten the construction period

Progress of the Medium-Term Management Plan Toward Realization of the Long-Term Vision

As the roadmap toward the realization of the long-term vision GP25 that drew how we should be in 2025, the Daiken Group has set the medium-term management plan in three steps. In the medium-term management plan GP25 2nd Stage that started from fiscal 2020, we have set management goals for both the financial and non-financial aspects and have been developing measures with the policies of I "Accelerating growth strategies" and II "Enhancement of the management foundation" as key axes.

Long-Term Vision GP25

Medium-Term Management Plan GP25 3rd Stage (Fiscal 2023-2026)

Grow & Glow Become an all-embracing company for building materials

Medium-Term Management Plan GP25 1st Stage (Fiscal 2017-2019)

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

Basic policy

- Endeavor to further strengthen current businesses and develop the foundations for new businesses as the key to growth
- Proactively develop environmental-related technologies for ecological materials, energy savings, and domestic wood utilization
- Actively introduce management resources to the priority markets of public and commercial buildings and global markets
- Maximize the synergy of manufacturer and engineering to enhance profitability
- Create a work environment where employees can work with enthusiasm and foster the human resources who will play important roles in the future
- Define diversity is as one of the management strategies, and the ability delivered by a variety of human resources is to be the engine of growth
- Strengthen governance to enhance corporate value over the medium and long term

Results achieved against management goals

	Benchmark	Results				Goals
	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2019	
Net sales	1,681	1,688	1,705	1,829	1,800	
Operating profit	55	85	75	57	70	
Ordinary profit	52	90	87	68	70	
Profit attributable to owners of parent	39	51	58	44	43	
ROE	9.8%	11.7%	11.7%	7.8%	8%	
Dividend payout ratio	30.4%	30.1%	30.3%	42.4%	30% or more	

Achievements and issues

- As for the management goals, we achieved the goals in terms of net sales and net profit.
- As for operating profit, we increased profitability over the past three years and achieved the goal for two consecutive years; however, issues had come to the surface in raw material procurement and the ordering and order receiving system, and we could not achieve the goal in the final fiscal year and issues remained in the business infrastructure.
- We actively made investments, such as M&A to enhance industrial materials business, expansion of the product lineup by launching products on a large scale, establishment of the R&D center, and the addition of the biomass boiler, and steadily executed measures to lead to the next stage of growth.
- Regarding shareholder return, we followed the policy of the dividend payout ratio at 30% or more and improved shareholder return.

Enhancement of the overseas expansion of industrial materials business
Purchased an MDF plant in New Zealand



Expansion and improvement of the interior door series having the functions required by facility



Active use of renewable energy
Installation of additional biomass boilers



Establishment of the Daiken R&D Center, which is the place for co-creation toward the realization of the long-term vision



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 management foundation, pursue the resolution of social issues through our business, thereby accelerating our 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

Progress against management goals

I. Accelerating growth strategies

	Results		Forecast	Goals
	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2022
Net sales	2,024	1,992	2,040	2,250
Operating profit	83	87	100	120
Operating profit ratio	4.1%	4.4%	4.9%	5.3%
Profit attributable to owners of parent	54	56	60	70

* Forecast on May, 14

II. Enhancement of the Management Foundation

Financial Indicators

		Results		Forecast	Goals
		Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2022
Efficiency	ROE	9.5%	9.1%	8.6%	10%
	ROA	5.5%	5.8%	6.0%	7%
Soundness	Shareholder equity ratio	32.7%	39.4%	41.0%	40%
Shareholder return	Dividend payout ratio	33.4%	32.4%	34.7%	30% or more

* Forecast on May, 14

Non-financial Indicators

		Results		Goals
		Fiscal 2020	Fiscal 2021	Fiscal 2022
E	Total Domestic CO ₂ Emissions ^{*1}	(28%)	(35%)	(26%)
S	Total diversity index ^{*2}	+19pt	+19pt	+20pt
	Serious quality accidents and violations	1	1	0
G	Degree of penetration of the Group Corporate Philosophy ^{*3}	+4pt	—	+10pt

*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

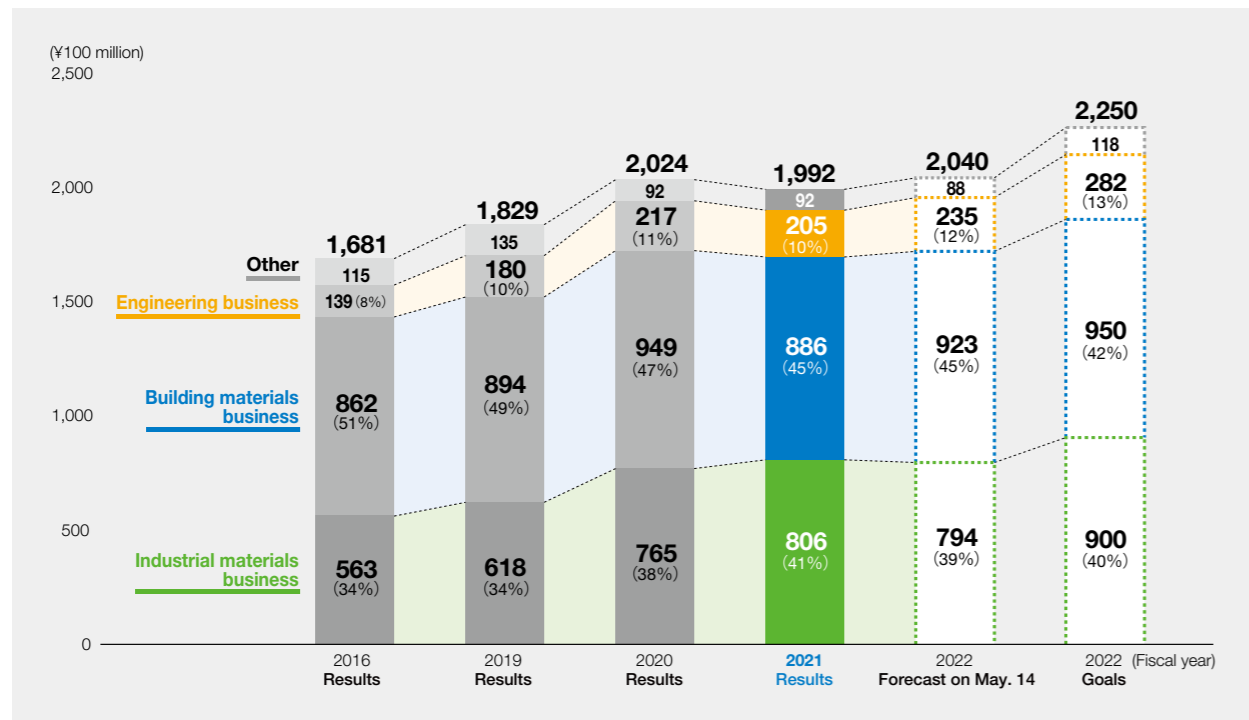
Fiscal 2021 Summary

- In fiscal 2021, which was the second year of the medium-term management plan, the domestic market suffered harsh conditions due to the impact of the downturn associated with the consumption tax increase that lasted until the first half of the year, followed by the impact of the COVID-19 pandemic. On the other hand, in the global markets, revenues decreased as a whole. Although the two North American companies, which became group companies through M&As in fiscal 2020 could expand sales in the strong US housing market, they could not cover the decrease in revenues in the domestic market.
- Thereby, the ratio of sales in the global markets that are positioned as the priority markets increased to 23% from 18% in the previous fiscal year, and we could steadily proceed with the review of the business (market) portfolio upheld in the basic policy of the medium-term management plan.
- Regarding operating profit, we secured an increase in profits and achieved the highest profits since consolidation. It is the result of our commitment that we strived for streamlining, cost reductions, and a reduction of sales and general administrative expenses in addition to the fact that profits increased in the US market where sales were good, although profits decreased because of a decrease in revenues in the domestic market.
- For non-financial goals, total domestic CO₂ emissions decreased by 35% compared to fiscal 2014 due to the impact of a decrease of production, in addition to the stable operation of biomass boilers, and we could achieve the goal for fiscal 2022 ahead of schedule.

Strategies by Business Segment and Market

Strategies and Progress by Business Segment

Sales by Business



Strategies by Business Segment

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, as well as 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 differentiated products that can keep getting chosen
- Expand the product/sales networks by actively utilizing M&A and external resources

Engineering business

Expand the construction domains, areas, and order sources by M&A and cooperating with other companies

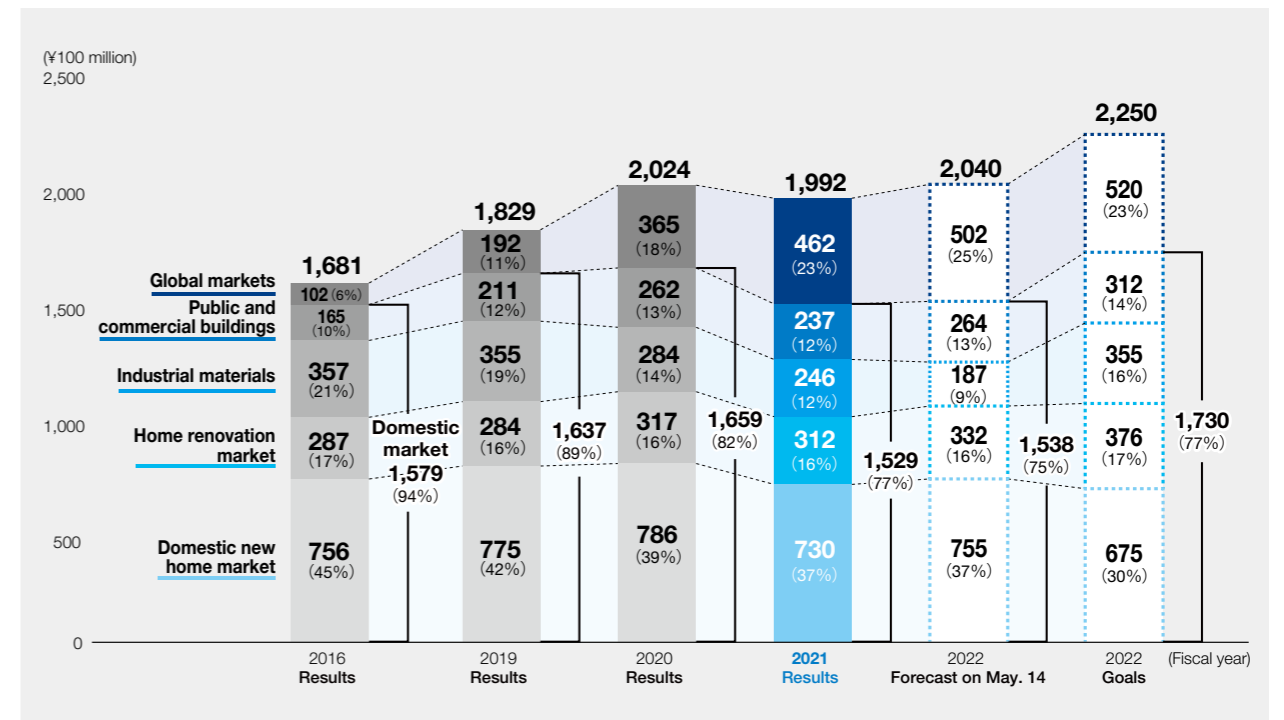
- Expand the construction company's business targeting the priority markets (public and commercial building, remodeling, and renovation)

Progress in Fiscal 2021

- Improvement of profitability by the stable supply through enhanced cooperation of the two North American companies and by expanding the sales of the products with high added value, such as antiseptic LVL and high-strength LVL
- Expansion of the use application of MDF made of 100% plantation acacia timber into building materials
- Expansion of the non-combustible product lineup of Dai-Lite base materials
- Establishment of a preparation room toward the consideration of commercialization of the new wooden boards
- An increase in our share of flooring centering on high design products that are our unique technology
- Expansion of the product lineup having an antiviral function of BIOTASK
- Introduction of new products that correspond to changing lifestyles during the COVID-19 crisis
- Expansion of the sale of and increased profitability of apartment renovation business in the Tokyo metropolitan area
- An increase in orders for renovation work in line with the market recovery after the 2Q
- Expanded the orders of construction work by cooperating with ITOCHU Corporation Group

Strategies and Progress by Market

Sales by Market



Strategies 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 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 drawing, 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

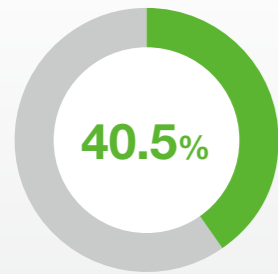
Progress in Fiscal 2021

- Expansion centered on LVL in the US housing market that continues to be favorable
- Expansion of the MDF sales channels for overseas countries
- An increase in door sales in the Indonesian plant due to the growth in demand from the UK
- An increase in the number of adoption of doors for elderly facilities, medical facilities, and offices
- Enhancement of the proposals with functional products, such as non-combustible, the antiviral function, and improvement of the sound environment
- Enhancement of the contact points with customers using the web tools
- Launch of GLOW EARTH, the wood culture medium for the agriculture and horticulture markets
- Expansion of the adoption of the soil improvement additive DW fiber
- Development of the new wooden board
- Development of labor-saving type products toward the reduction of the renovation work time
- Enhancement of proposals for specialized remodeling companies
- Expansion of the apartment renovation and renovation work in the Tokyo metropolitan area
- Expansion of sales to builders targeting first-time home buyers that are increasing their presence in the market
- Promotion of the use of domestic base materials for flooring
- Expansion of the adoption of non-combustible wall materials with deeply carved designs

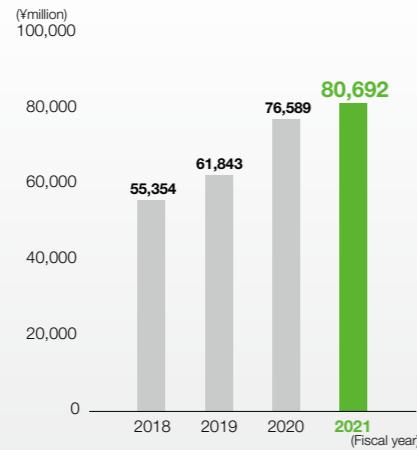
Summary of Businesses

Industrial materials business

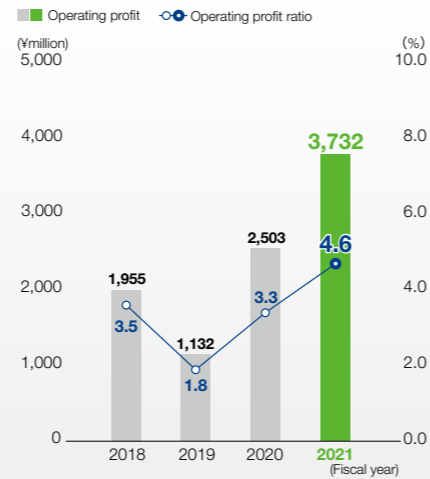
Sales Breakdown by Business Sector



Net sales



Operating Profit/Operating Profit Ratio



Results in Fiscal 2021

Net sales in the industrial materials business in fiscal 2021 amounted to ¥80.692 billion (up 5.4% year-on-year). In addition to the deteriorated market conditions caused by the US-China trade friction that continued from the first half of the year, we were affected by decreased MDF sales associated with decreased demand at home and abroad due to the influence of the COVID-19 pandemic and the decreased tatami mat orders associated with a sharp deceleration in inbound demand, but because LVL sales in the US were favorable after the second quarter, in addition to the increase due to the inclusion of CIPA's and PWT's performance in the beginning of this period that was included in the consolidated income statements from the second quarter of the previous period, revenues increased by ¥4.103 billion. Regarding operating profit, as we streamlined and reduced costs to respond to the impact of decreased profits due to a decrease in revenues in the products in the existing businesses and strived to stabilize raw wood procurement, and as CIPA's and PWT's profitability improvement due to the recovery of the US housing market after the second quarter contributed, revenues increased by ¥1.228 billion.

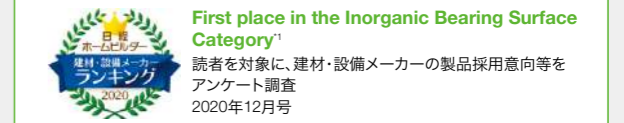
Production Plants

Okayama Plant
Takahagi Plant

Subsidiaries part of the Group

Dai-tac Corporation
Aizu Daiken Corporation
Nichinan Daiken Co., Ltd.
Eco Techno Co., Ltd.
DAIKEN NEW ZEALAND LIMITED (New Zealand)
DAIKEN SOUTHLAND LIMITED (New Zealand)
DAIKEN SARAWAK SDN. BHD. (Malaysia)
DAIKEN MIRI SDN. BHD. (Malaysia)
CIPA Lumber Co., Ltd. (Canada)
PACIFIC WOODTECH CORPORATION (USA)

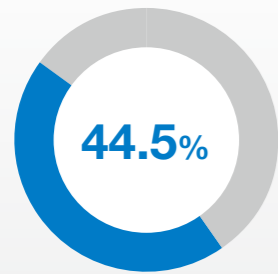
Rankings of the Building Materials and Equipment Manufacturers that the Readers Want to Adopt in 2020 by Nikkei Home Builder



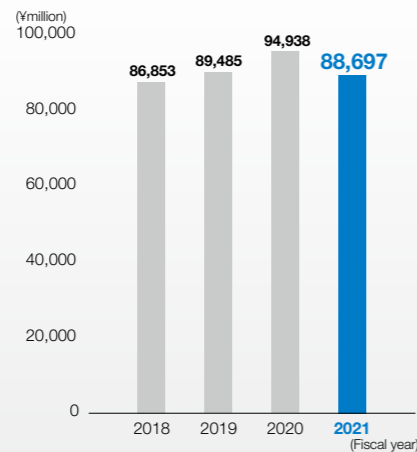
¹ A questionnaire survey for the readers in regard to their intention to adopt building materials and equipment manufacturers' products The December 2020 issue

Building materials business

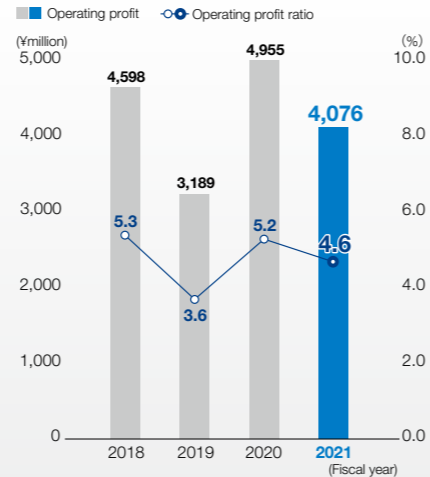
Sales Breakdown by Business Sector



Net sales



Operating Profit/Operating Profit Ratio



Results in Fiscal 2021

Net sales in the building materials business in fiscal 2021 amounted to ¥88.697 billion (down 6.6% year-on-year). We had an increase in net sales as we included T.O FLOORING CO., LTD.'s (products) performance in the beginning of this period that was included from the third quarter in the previous period, in addition to the increase in adoption of doors and sound products for public and commercial buildings, but because of the downturn associated with the consumption tax increase that lasted until the second quarter coupled with the impact of the COVID-19 pandemic, sales of flooring and doors for new homes and renovations decreased, and revenues decreased by ¥6.241 billion. Regarding operating profit, although we strived for streamlining and cost reductions, we could not absorb the impact of decreased profits due to a decrease in revenues, and revenues decreased by ¥878 million.

Production Plants

Inami Plant
Mie Plant

Subsidiaries part of the Group

Daifit Co., Ltd.
Dai-wood Corporation
Setouchi Kakoh Co., Ltd.
Toyama Juki Co., Ltd.
T.O FLOORING CO., LTD.
DAIKEN Industries (Ningbo) Corporation (China)
DAIKEN (Shanghai) Corporation (China)
PT. DAIKEN DHARMA INDONESIA (Indonesia)

Rankings of the Building Materials and Equipment Manufacturers that Readers Want to Adopt in 2020 by Nikkei Architecture

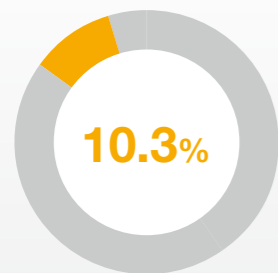


²We also won the first place in the Composite Flooring Category in the Rankings of the Building Materials and Equipment Manufacturers 2020 in the December 2020 issue of the Nikkei Homebuilder.

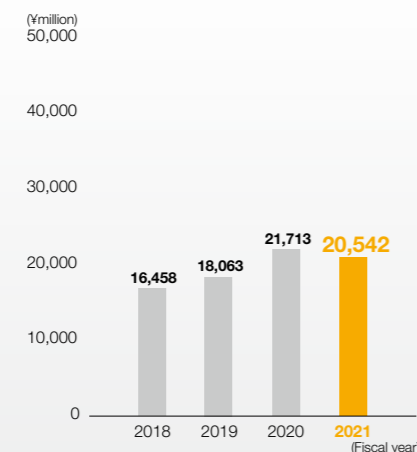
² A questionnaire survey for the readers in regard to their intention to adopt building materials and equipment manufacturers' products The November 26, 2020 issue

Engineering business

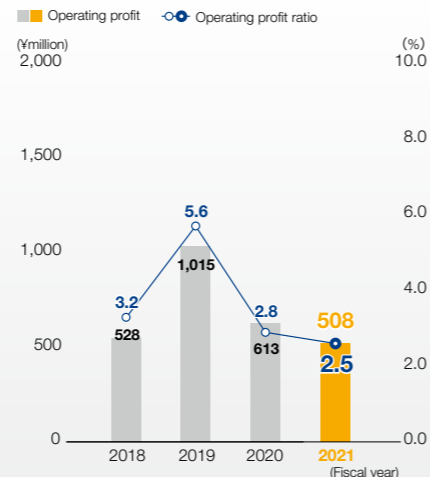
Sales Breakdown by Business Sector



Net sales



Operating Profit/Operating Profit Ratio



Results in Fiscal 2021

Net sales in the engineering business in fiscal 2021 amounted to ¥20.542 billion (down 5.4% year-on-year). In addition to an increase due to the inclusion of ReformQ Co., Ltd. and T.O FLOORING CO., LTD.'s performance (construction work) from the beginning of this period that was included in the consolidated income statement after the second quarter of the previous period, we also had an increase due to the fact that apartment renovation in the Tokyo metropolitan area was favorable; however, because of the decreased demand for interior projects for buildings and offices, revenues decreased by ¥1.17 billion. Regarding operating profit, although apartment renovation sales increased and profitability improved, the impact of decreased sales of interior projects for buildings and offices was significant, our revenues decreased by ¥104 million.

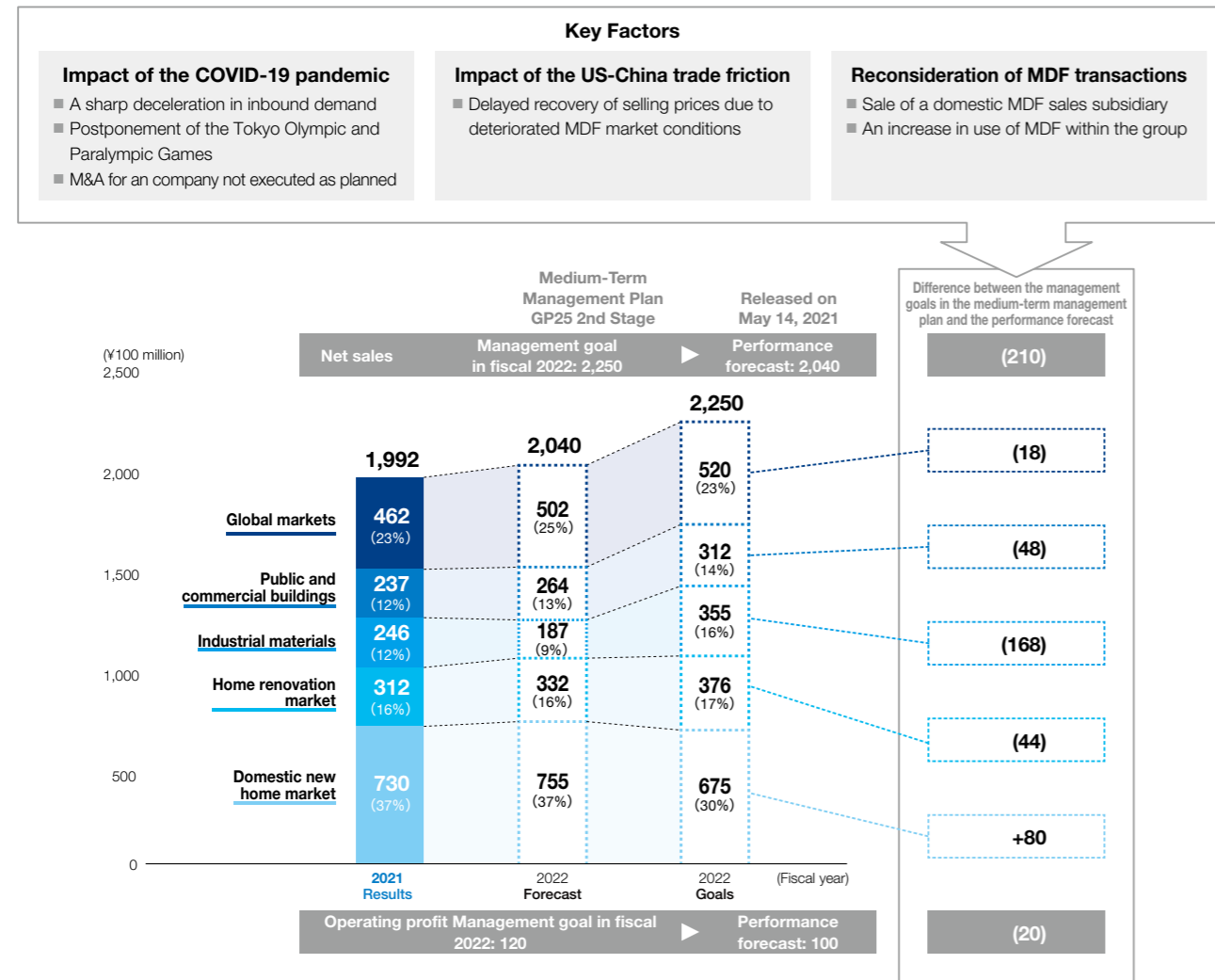
Subsidiaries part of the Group

DAIKEN ENGINEERING CORPORATION
Koukou Sangyo Corporation
Sankei Corporation
DAIKEN HOME & SERVICE CORPORATION
Smileup Corporation
ReformQ Co., Ltd.
PAC SYSTEM Co., Ltd.
T.O FLOORING CO., LTD. (construction)

*Other Daiken businesses account for 4.7% in addition to the above.

Differences Between the Management Goals in the Medium-Term Management Plan and the Performance Forecast

Because of the reconsideration of MDF transactions, in addition to the changes in the external environment, such as the impact of the COVID-19 pandemic that was not assumed in the beginning of formulating the medium-term management plan GP25 2nd Stage, as well as the impact of the US-China trade friction, our forecasts for net sales will be ¥21 billion lower, and operating profit will be ¥2 billion lower than the management goals in the performance forecast in fiscal 2022 released on May 14, 2021.



Future Response

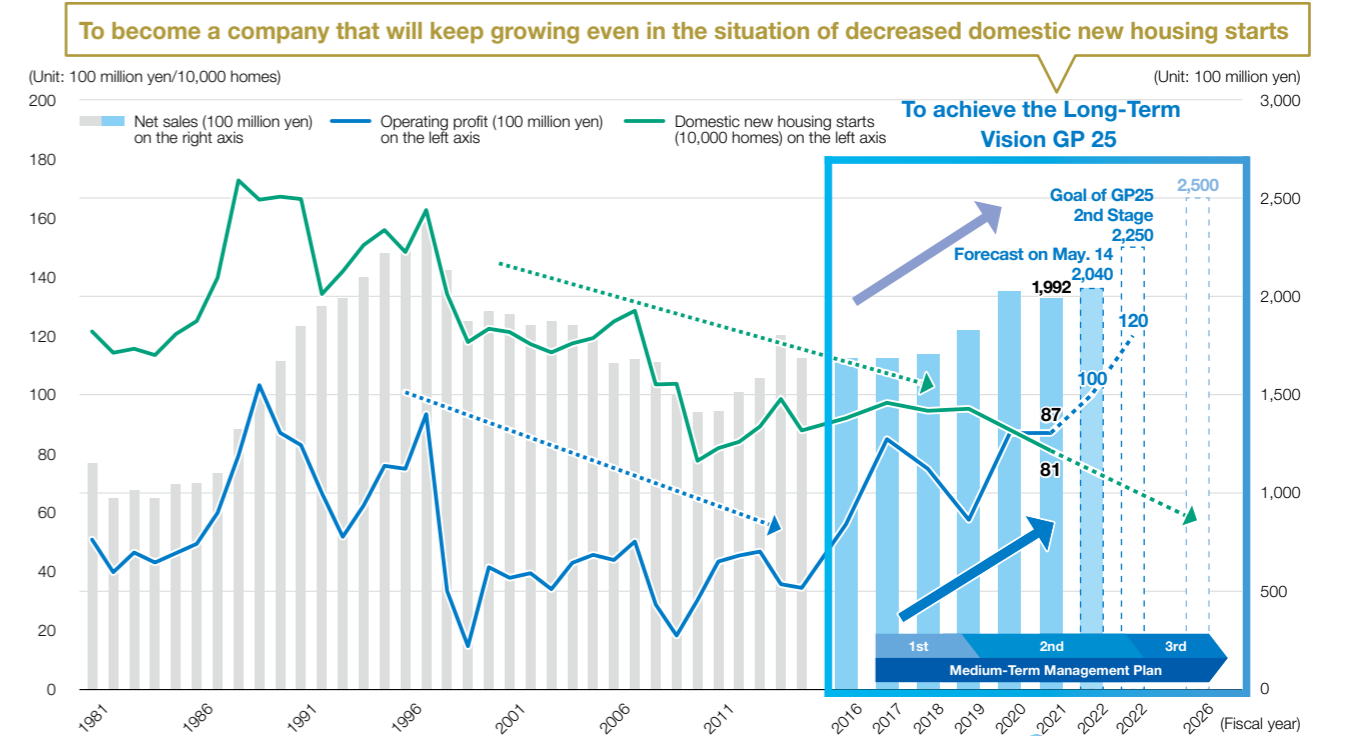
Firmly maintain the basic strategies in the medium-term management plan GP25 2nd Stage. Maintain the initial management goals as the stretch goals.

- Enhancement of the proposals for the new needs that became apparent due to the COVID-19 crisis
- Investments in the enhancement of the management foundation, such as the response to DX
- Investments to further expand in the global markets and increase medium- to long-term competitiveness

For these circumstances, while firmly maintaining the basic strategies in the medium-term management plan GP25 2nd Stage, we will respond to the changes from the initial assumptions, such as the enhancement of proposals that capture the needs that became apparent during the COVID-19 crisis, and restructuring in plants toward the improvement of MDF's profitability. While actively investing in DX, such as the core system, the improvement in logistical efficiency, and the expansion of digitized sales tools, we will also actively make investments that will enhance our medium- to long-term presence, such as continuously proceeding with the consideration of the next development of LVL in North America and M&As that will enhance MDF's presence, aimed at further expanding business on a global scale. Therefore, the management goals in the medium-term management plan GP25 2nd Stage will remain as the stretch goals, and the performance forecasts released on May 14, 2021 are positioned as our responsible figures to present to the shareholders and investors based on the business environment under the present circumstances.

Initiatives for Priority Markets

While a decrease in new housing starts in Japan is expected in the future, we will accelerate our growth strategies, aiming at expanding the global markets, public and commercial buildings, and the home renovation market that we position as the priority markets, in addition to the increase in our share in the new home market. By proactively investing our management resources in these priority markets, we will proceed with the reform to become a company that will keep growing even in the situation of decreased domestic new housing starts.



Increase our share in the new home market

Expansion in the priority markets Opportunities and needs in the three markets

Global markets

- Expansion into the housing market in the USA, which is the world's largest wooden housing market and where continuous population growth is expected
- Increasing demand for MDF associated with the illegal logging of natural wood and the rising needs of sustainable industrial and building materials
- Improvement of quality of the living environment in emerging countries and the rising needs of high value-added products

▶ P37-38

Public and commercial buildings

- Promotion of the use of wood in buildings and the use of domestic timber and local timber by the Act for Promotion of Use of Wood in Public Buildings, etc.
- The rising needs of antiviral products due to the COVID-19 pandemic
- Response to improve the sound environment in offices due to the penetration of Web meetings

▶ P39-40

Home renovation market

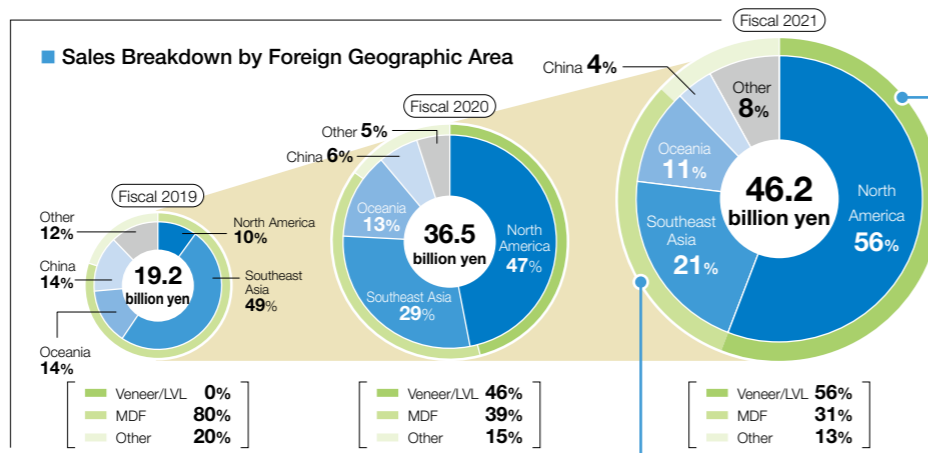
- Demand associated with the responses to the new normal as a result of the COVID-19 crisis
- Demand associated with the responses to the construction of the housing circulation system toward a decarbonized society
- The rising needs of labor-saving type products associated with the decrease in the number of construction workers

▶ P41-42

Key investments toward the expansion in the priority markets

	GP25 1st Stage			GP25 2nd Stage		
	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Global markets			Enhancement of the MDF supply system (Purchased DSL in New Zealand)	Distribution of the wood material business in North America (Purchased CIPA and PWT)		
Public and commercial buildings		Door production facility expansion and reinforcement for special order items	Launch of a new Dai-Lite wall material product	Expansion and reinforcement of the production capacity	Tatami facing production facility expansion and reinforcement	Distribution of the solid wood flooring business (Purchased T.O FLOORING CO., LTD.)
Home renovation market		Distribution of the apartment renovation business (Purchased PAC SYSTEM Co., Ltd.)				Enhancement of renovation work in the Tokyo metropolitan area (Purchased ReformQ Co., Ltd.)

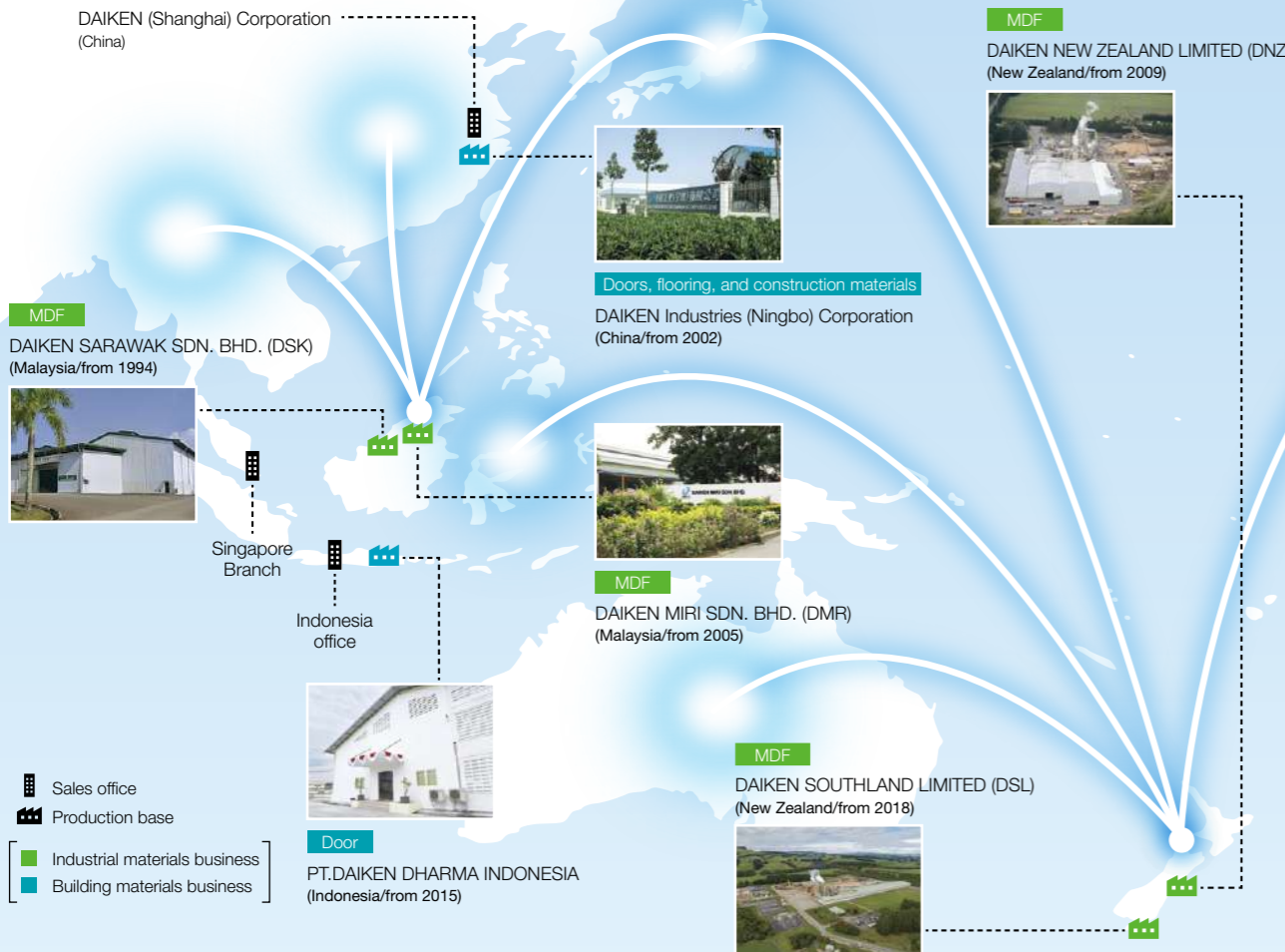
In addition to the sales of MDF produced in Malaysia and New Zealand to Southeast Asia, Oceania, North America, and China, the industrial materials business expands the sales by the North American wood materials with a focus on veneer and LVL produced in Canada and the USA. The building materials business has been deploying interior doors in China, which has a huge market size, and Indonesia, where housing demand expansion is expected.



Development by MDF

With the system of four plants in the two countries of Malaysia and New Zealand, we are engaged in the production of MDF for which wood offcuts from timber are effectively used. By taking advantage of tree species and the characteristics of the production lines and cooperation, we will promote the distribution of products having new value and the further expansion of the sales channels in global markets.

Malaysia	New Zealand
Tree species: Hardwood	Tree species: Softwood
Brown-colored MDF that effectively uses wood offcuts from the plywood/lumber plants in Malaysia. It is used for the base materials for flooring that require excellent water resistance and dimensional stability.	White-colored MDF that uses plantation <i>Pinus radiata</i> timber in New Zealand. It is used for the base materials for furniture and building materials that require lightness and smooth surface.
Characteristics	Characteristics
DSK is a mother plant for MDF, which produces high value-added special MDF, etc. They are in the two-plant system with DMR after M&A in 2005. They developed MDF that uses 100% plantation acacia timber that they started to engage in 2002 and proceeded with the distribution of new use applications.	MDF that is globally recognized with the Customwood brand. In addition to the product development that corresponds to the customer needs, such as ultra-light-weight MDF, DNZ and DSL take advantage of their respective characteristics of the production lines and optimize their production items.



Expansion with wood materials in North America

By purchasing CIPA, a veneer plant in Canada, and PWT, an LVL plant in the USA, in June 2019, we started the full-fledged expansion into the US market, which is the world's largest wooden housing market. Based on the manufacture and sales networks for LVL, which is essential as a structural material for wooden houses in the USA, we will further expand into the market by taking advantage of the Daiken Group's technological capabilities cultivated in Japan and by deploying higher value-added products.

Business Flow

Veneer manufacturing (CIPA) → LVL Manufacturing (PWT) → I-Joist* Manufacturing (PWT)

Major applications in the North American housing market

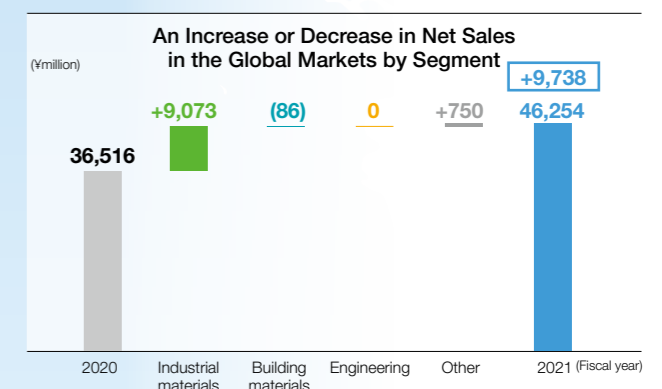
- I-Joist rafters
- I-Joist
- LVL header
- LVL beams

*I-Joist: A structural material, which is a composite material of Oriented Strand Board (OSB: a structural wooden board made by laying thin rectangular wood pieces cut from raw wood upon one another in such a way that the surface layer and core layer cross at right angles in the fiber direction and are then compressed at high temperature), LVL, and timber.



Results in Fiscal 2021

Net sales in the global markets in fiscal 2021 amounted to ¥46.254 billion (up 26.7% year-on-year). In the industrial materials business, in addition to the increase due to the inclusion of CIPA's and PWT's performance in our consolidated income statement in the beginning of this period that was included from the second quarter in the previous period, these companies' LVL sales in the USA did well in and after the second quarter, and revenues increased by ¥9.073 billion. In the building materials business, sales of doors in China and Indonesia were stagnant, and revenues decreased by ¥86 million. In other segments, because of the increase in inquiries about the stocking and selling of various industrial materials that we handle to expand sales in the future, revenues increased by ¥750 million.



Public and Commercial Buildings

We take advantage of our unique technologies and expertise in safety, durability, non-combustibility, as well as the provision of a comfortable sound environment that we have cultivated as a housing material manufacturer in order to proceed with proposals for spaces by product series that offer the functions required by each public facility and commercial building. In fiscal 2021, we expanded antiviral building materials for where demand has been increasing because of the COVID-19 crisis and a product portfolio that will more comfortably support diverse ways of working. We will flexibly respond to social changes and needs to further expand into public and commercial buildings.

Proposals for Spaces with the Product Series by Facility and Function

Sound products

- Sound absorbing
- Sound insulation

Arrange sound vibrations and provide a comfortable sound environment according to the facility characteristics



Sound absorbing panel for ceiling Sound absorbing panel

Non-combustible sound absorbing wall material



Improvement of the sound environment in offices

With the building materials that focus on sound control, such as ceiling materials that suppress sound vibrations and soundproof doors with a high level of sound insulation, we realize the sound environment in offices suitable for new ways of working.

Ceiling materials

- Non-combustibility
- Aseismic performance
- Lightweight
- Sound absorbing
- Moisture conditioning

Ceiling with aseismic performance and moisture conditioning that realizes a safe, secure, and comfortable space



An anti-seismic ceiling construction technique

Sound absorbing and moisture conditioning ceiling material

A ceiling system exclusively for hallways



Proposals of spaces made with antiviral building materials

We respond to the rising needs of the antiviral function and expand the product lineup that enables the proposals for the entire space.

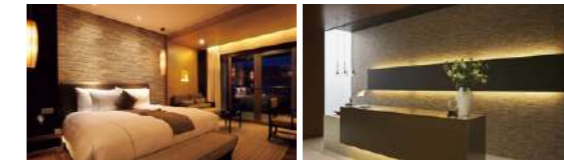
Wall materials

- Non-combustibility
- Workability
- Design

Non-combustible and well-designed walls that decorate spaces



Non-combustible wall material



Designed wall materials

Tatami mats

- Easy maintenance
- Durability
- Water repellent
- Color variations

Tatami mats made from washi paper have a great range of design and are best suited for modern spaces



Accommodation facilities

Commercial facilities

Flooring

- Scratch resistance
- Sound insulation
- Safety

Flooring that produces wood spaces while utilizing local timber



Flooring that can be used in heavy duty areas

Flooring that reduces the impact when a person falls

Solid wood flooring

Floors that provide a feeling of the tree's warmth and are best suited for nature-oriented facilities



Solid wood flooring that can be used in heavy duty areas

Solid wood flooring for gymnasiums and classrooms



Enhancement of the Distribution of Non-combustible Products

We realize spaces having a unified design with non-combustible products, such as walls, ceilings, eaves, and louver materials.

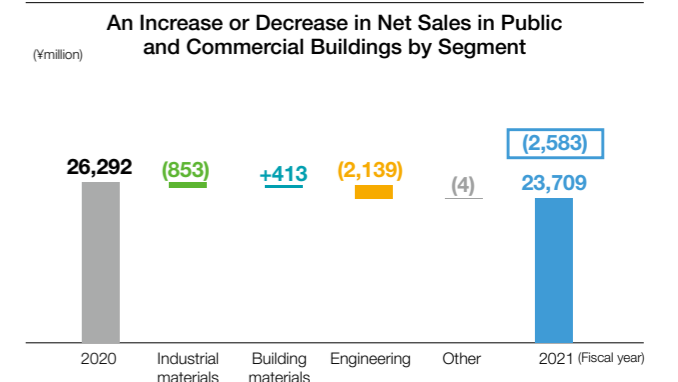


Promoting the use of domestic or local timber

We proactively use domestic timber, such as Japanese cedar and cypress, which were difficult to use in public and commercial buildings, in a wide range of parts, such as wall and ceiling materials, by using our unique technologies.

Results in Fiscal 2021

Net sales in public and commercial buildings in fiscal 2021 amounted to ¥23.709 billion (down 9.8% year-on-year). In the industrial materials business, because demand for tatami mats in accommodation and commercial facilities decreased, revenues decreased by ¥853 million. In the building materials business, orders for the doors and sound products for elderly and medical facilities expanded, and revenues increased by ¥413 million. In the engineering business, demand for interior projects for office buildings, mainly in the Tokyo metropolitan area, decreased as it was the year of holding the Tokyo Olympic and Paralympic Games, although they were postponed, and revenues decreased by ¥2.139 billion.

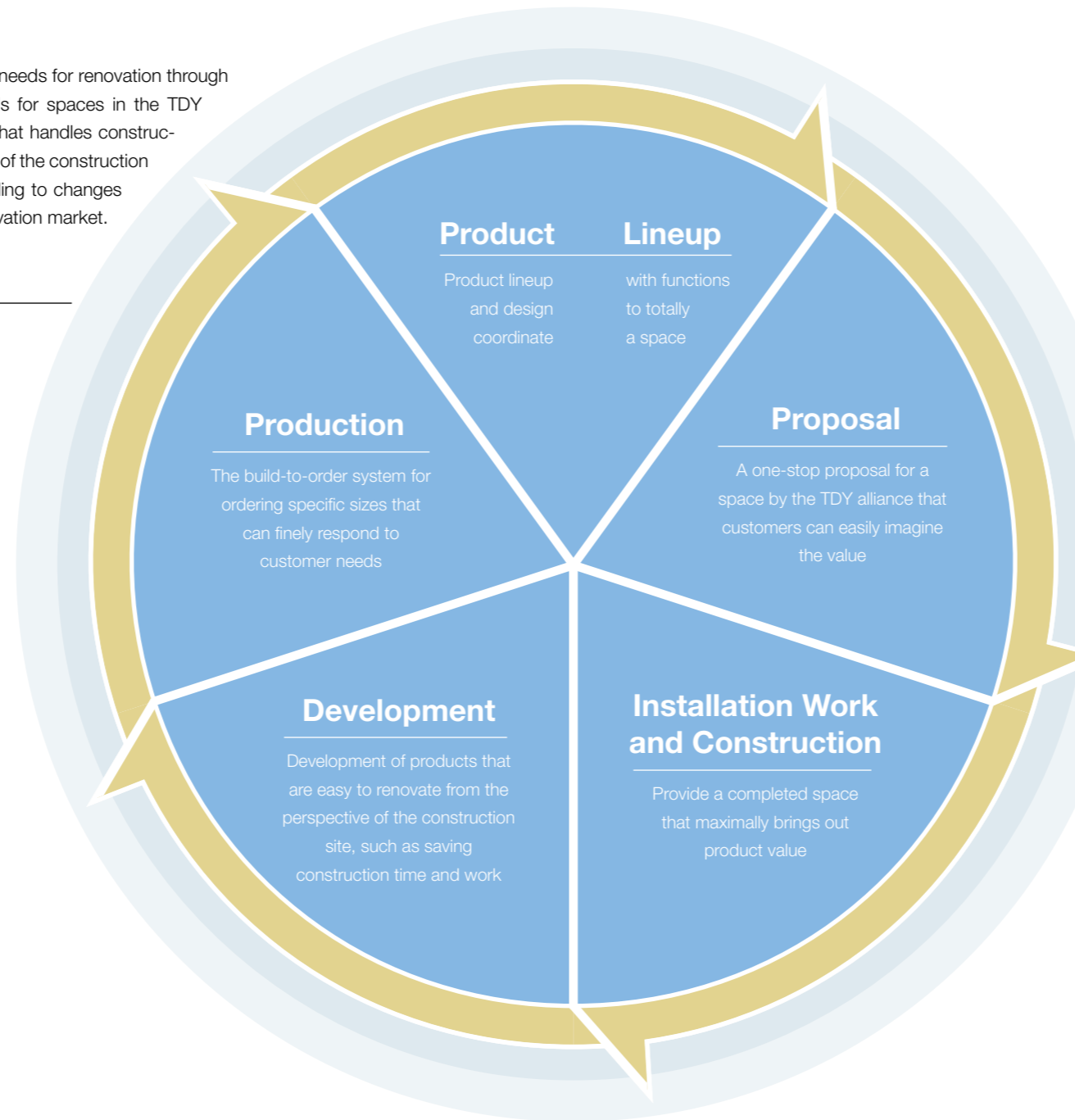
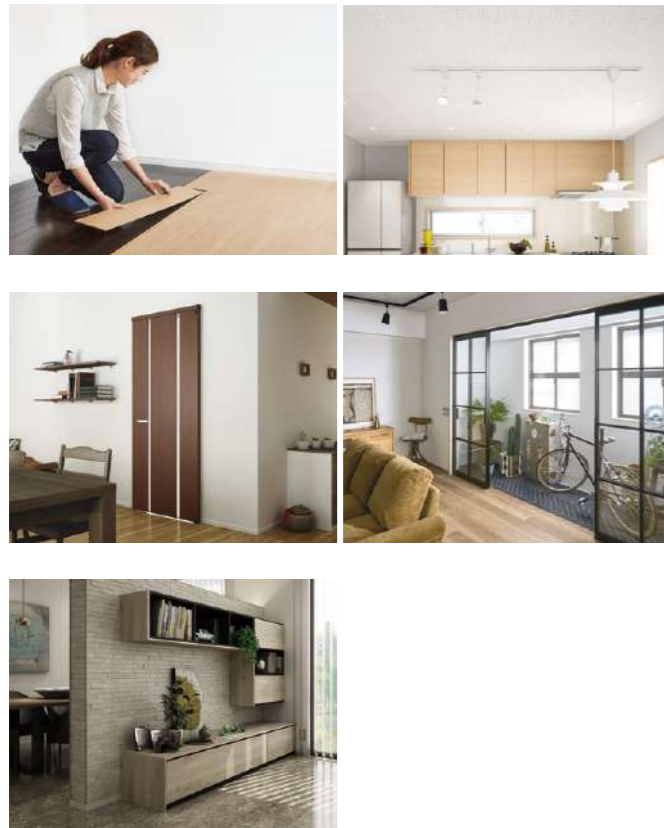


Home Renovation Market

We have built a system where the entire group can meet a wide variety of needs for renovation through a great range of product lineups for renovation as follows: (1) Proposals for spaces in the TDY Collaboration Showroom, (2) cooperation with the engineering business that handles construction, and (3) product development and manufacturing from the perspective of the construction site. By further enhancing the group's cooperation and promptly responding to changes over time and the market needs, we will expand into the entire home renovation market.

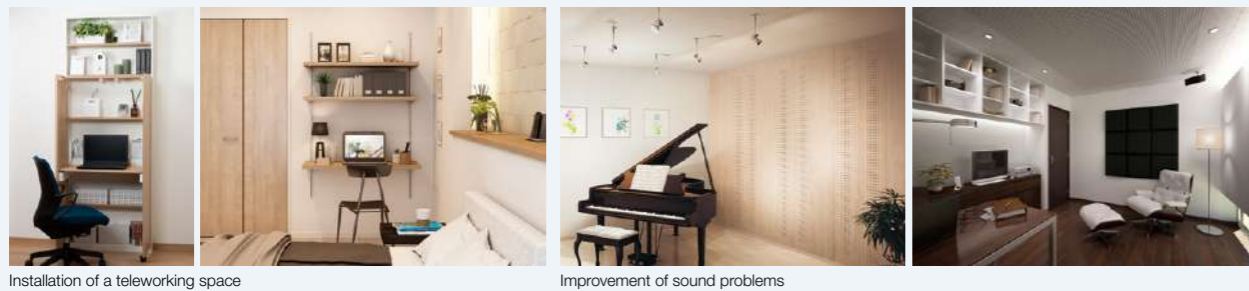
Integrated System by the Group's Cooperation

Labor-Saving Type Products that Realize Renovation in a Short Time



Proposals Corresponding to the Changing Lifestyles during the COVID-19 Crisis

While working at home has become common and the time spent at home has increased because of the COVID-19 pandemic, the needs of wanting to realize more convenient and comfortable spaces have been growing. In response to such market needs, we have enhanced the development of products that secure a workspace with the labor-saving technique and correspond to the improvement of sound problems, such as sound leakage and reverberation.



TDY Collaboration Showroom Distribution



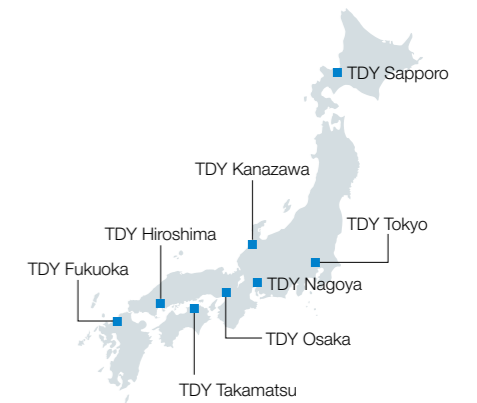
Toward the enhancement of our capability to propose remodeling, three companies of TOTO Ltd., Daiken, and YKK AP Inc. that have been in an alliance relationship since 2002 operate collaboration showrooms at eight sites in Japan. We have also released a 360-degree showroom video in which people can look around without coming to our showroom.



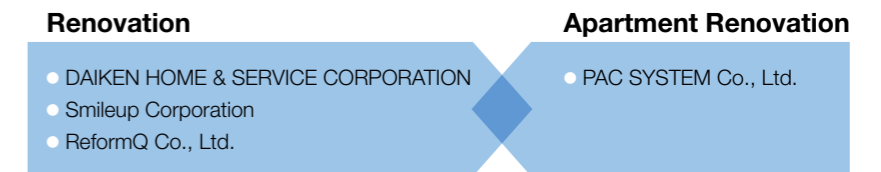
360-degree showroom video



TDY Collaboration Showroom

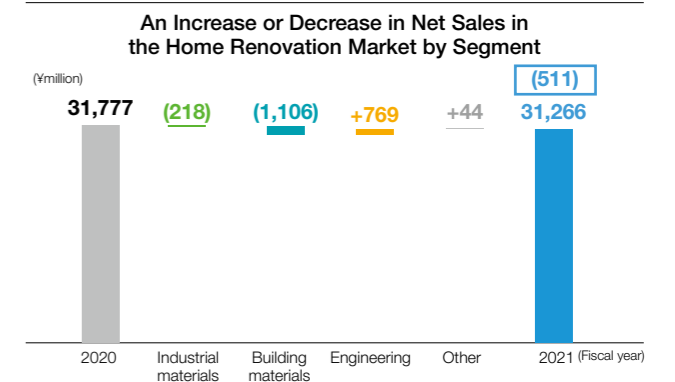


The Group's Construction System in the Home Renovation Market



Results in Fiscal 2021

Net sales in the home renovation market in fiscal 2021 amounted to ¥31.266 billion (down 1.6% year-on-year). In the industrial materials business, demand for renewing tatami mats decreased and revenues decreased by ¥218 million. In the building materials business, an impact of the COVID-19 pandemic particularly until the second quarter was significant, sales decreased in the entire interior building materials, such as flooring and doors, and revenues decreased by ¥1.106 billion. In the engineering business, as renovation work demand in and after the third quarter recovered and apartment renovations in the Tokyo metropolitan area steadily expanded, revenues increased by ¥769 million.



Research and Development

Research and development

Core Mission

- Create new business that will become the fourth pillar after industrial materials, building materials, and engineering using new technology development focusing primarily on the resolution of social issues
- Develop the existing businesses and newly conduct advanced R&D to use as the driving force for business expansion
- Embody the product strategies fused together with each business' strengths

Focused Measures

- Utilize R&D center and promote co-creation with those outside the company (Open innovation)
- Expand investments in R&D
- With the company-wide medium- to long-term development direction, promote company-wide product development



R&D Theme

The R&D Center works on Ecology and Improvements in the Quality of Space in four sectors and promotes R&D that will contribute to a sustainable society.

Industrial materials

Further improvement of the existing industrial materials and development of industrial materials that will become a key to capturing new markets

- High functionality of the wooden boards and inorganic boards
- Wood building material utilization development in the new field
- Technology development to use unused resources
- R&D of industrial materials for new markets other than building materials



Spatial environment

Development of spaces and building materials that will realize a comfortable life

- Development of energy-saving and indoor environment improvement technologies
- Analysis by simulation of the thermal, humidity, and cross-ventilation environment



Building materials

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

- Development of environment-conscious building materials
- Development of high functional paints and painting technology
- Development of new construction technique for building materials
- Adding a high value to wood building materials



Assay evaluation

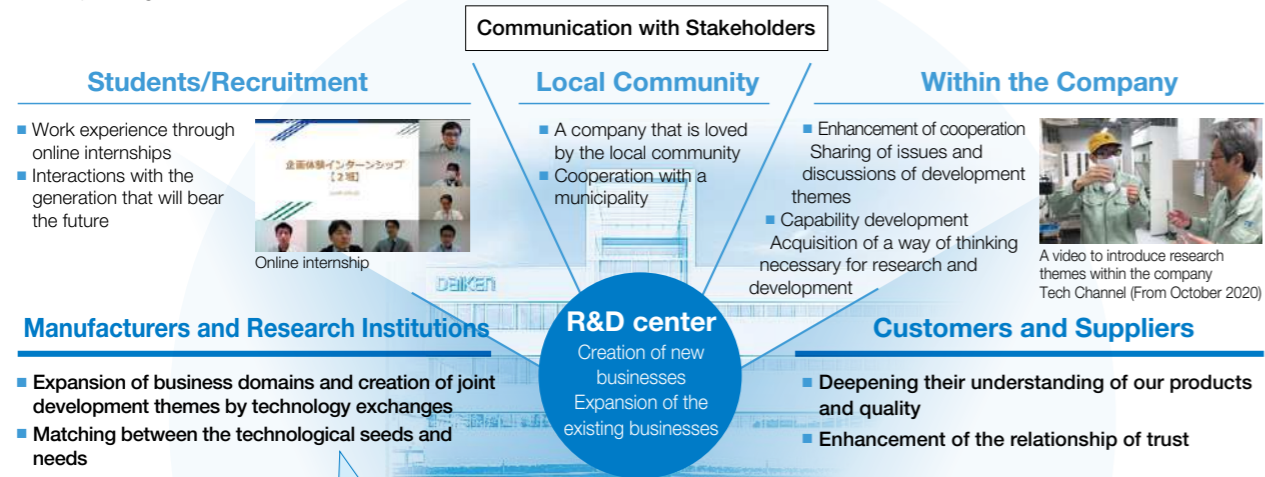
Various measurements and analyses of spaces and building materials using the expertise cultivated in R&D

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



Co-Creation Activities Centered on Daiken R&D Center

The Daiken R&D Center was established in October 2018 as the base to not only conduct our unique technology development but also fuse together with a wide variety of technologies in the world, as well as to deploy co-creation activities. While not being able to sufficiently fulfill its function as the place for communication with stakeholders during the COVID-19 crisis, we view the situation as the opportunity to establish a new co-creation method and proceed with the initiatives aimed at speeding up the far-sighted research and development and expanding the domains.



Building materials development that used the Cellulose Nanofibers (CNF) technology jointly proposed with RISHO KOGYO CO., LTD., was adopted as the NEDO-subsidized project

Toward the new CNF application distribution, the two companies will cooperate in working on research and development and aim at developing highly functional and high-quality interior building materials that take advantage of the characteristics of CNF, such as lightweight and high strength.

Concluded a Comprehensive Partnership Agreement with Okayama University

In December 2020, with a view to implementing collaborative researches, promoting human resource development through interactions among researchers, deepening cooperation, such as mutual support, and contributing to achieving SDGs by solving social issues on a global scale, we concluded a comprehensive partnership agreement with Okayama University.

R&D Center's Research and Development that Embody the Group Corporate Philosophy

As a division that embodies the group corporate philosophy with the mission of Creating a Wonderful Future with our Technology, Ideas, and Passion, the R&D Center has been conducting research and development to pursue the possibilities of sustainable industrial materials and a safe, secure, healthy, and comfortable space. As the specific themes, we have been focusing on the four fields of industrial materials and building materials to effectively use timber and discover new functions and possibilities, the spatial environment for people to spend the time comfortably, and assay evaluations, which form the base of these themes above. Through the initiatives at our companies and co-creation activities that actively utilize open innovations with a wide variety of stakeholders, the center proceeds with research and development aimed at improving medium- to long-term corporate value and contributing to a sustainable society.

Pursuit of Potential of Sustainable industrial materials

GLOW EARTH born by taking on a new challenge with the long-term vision being the point of origin

In the long-term vision GP25 formulated in 2015, a challenge to a new field without being bound by conventional ideas was presented, and the R&D Center has accelerated research and development to realize this and the initiatives toward commercialization. GLOW EARTH that we launched in January 2021 was born from such initiatives. While exploring new possibilities of timber, we conceived an idea to use wood fibers for cultivating plants and realized the commercialization after spending about five years for research and development. GLOW EARTH that makes the factor substances inhibiting the growth of plants harmless using domestic timber as raw material and that we realized industrial production opened a way to expand into the field of agricultural and horticultural materials. While agriculture has been becoming sophisticated by utilizing IT in recent years, as stable quality for medium culture for cultivation is required, we also aim to contribute to stable production of agricultural products by introducing it to large-scale agricultural facilities.



Cultivation experiment

Challenge to CNF to pursue potential of wood fibers toward the future

Furthermore, as the theme toward the future, we have been proceeding with research and development of cellulose nanofibers (CNF) to use wood fibers at the nano-level. Development of high-quality and highly functional industrial and building materials that take advantage of the characteristics of CNF can be said to be truly the ultimate technology development to utilize timber that we have aimed for. We take advantage of collaborative researches with a university and the relationship of capital and business alliance with ITOCHU Corporation, have realized a collaboration with a company that had an intention of wanting to widely make use of this technology, and in October 2020, this was adopted as the NEDO (practical development of industrial technologies)-subsidized project. For the fields where plastic or metal is used because timber does not have sufficient strength, if we can replace such materials with those using CNF in the future, we will be able to more significantly contribute to a sustainable society. By effectively using wood resources continuously in the future, the Daiken Group will pursue new possibilities with an eye toward the future.



Strength test

Pursuit of a Safe, Secure, Healthy, and Comfortable Space

Environmental analytical technique to know everything about factors that create spaces



Thermal image measurement

In addition to the pursuit of the possibilities of industrial materials, we have been proceeding with research and development to give a new function to industrial and building materials. We grasp the spatial environment based on the assay evaluation technology, delve into it from the perspectives of the temperature, humidity, and sound environment that are essential when people spend time comfortably, and at the same time, we conduct assay evaluations toward making responses to harmful substances, such as asbestos and formaldehyde. Above all, one of the themes that we have been particularly focusing on in recent years is temperature and humidity. While further saving of energy in buildings is required toward the realization of a decarbonized society, we have been proceeding with research projects to simultaneously pursue the comfortableness of livelihood and the reduction of consumption energy by the functions of industrial and building materials.

Beyond antivirus and respond to changes over time



Microorganism measurement room in the R&D Center

*The R&D Center has Biosafety level 2 experiment facilities that can handle the influenza virus and food poisoning bacteria and researchers who have high expertise are working in the facilities.

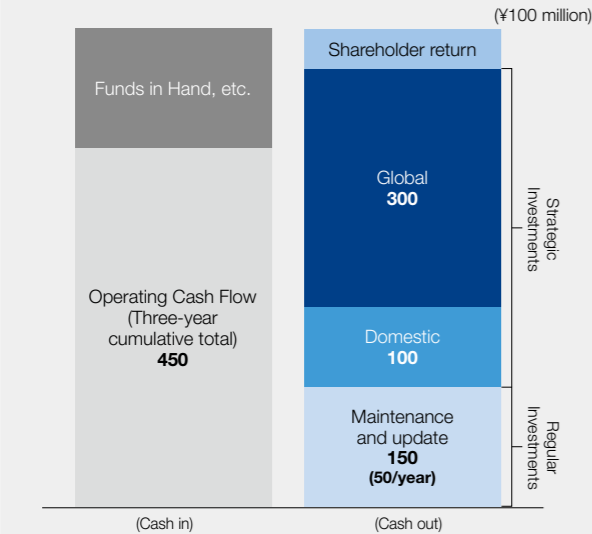
Antivirus is another theme that we have been focusing on in recent years. We focused on the antiviral function in the wake of the outbreak of the novel influenza in 2009 and started collaborative research with the Medical School, Okayama University in 2011. In the following year, we put the function to practical use as the antiviral function BIOTASK ahead of the industry. With the COVID-19 outbreak, we reviewed the antivirus mechanism and have been proceeding with the initiatives aimed at contributing to mitigate the threat of virus. Performance that people require for spatial environment has changed with times. By grasping the spatial environment from the perspective of what performance will be necessary in the future and proceeding with technology development of functional building materials that constitute the space, the Daiken Group continues to conduct researches that will lead to creating a safe, secure, healthy, and comfortable space.

Financial Strategies

Investments Toward the Enhancement of Growth and Foundation

Medium-Term Management Plan (Three-Year) Goals

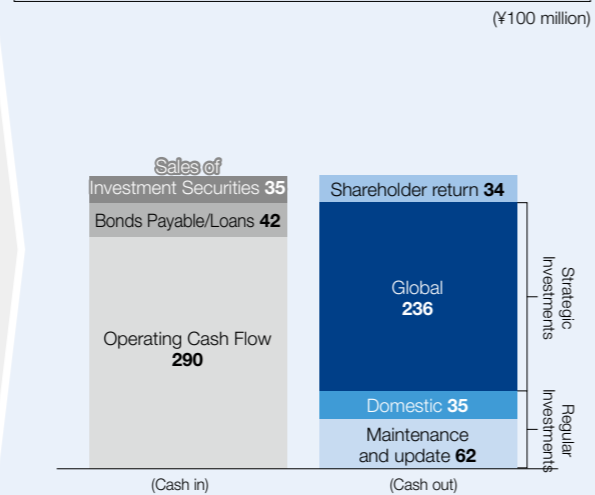
- Make it a top priority implement growth investments toward the realization of the long-term vision GP25
- Select investments by reflecting risk and return as well as the cost of capital
- Aggressively utilize advanced technologies such as AI and IoT, and lead to the improvement and efficiency of productivity



- Strategic Investments**
- Global** North American business: 20 billion yen
Industrial materials business: 10 billion yen
 - Domestic** New business: 3 billion yen
Expanding market: 3 billion yen
Infrastructure: 4 billion yen
 - Research and development
 - Operational efficiency system
 - Ordering and order receiving/logistic systems

Results from Fiscal 2020 to Fiscal 2021 (Two years)

- Aggressive investments in the three markets that are positioned as focused markets in the long-term vision GP25
- Stringent selection by evaluating the investment effect based on the consistency and synergy with the growth strategies, as well as the capital cost (We responded to the uncertainty of the COVID-19 crisis and reduced investments in fiscal 2021.)
- Expansion of IT investments toward the improvement of efficiency and productivity



- Strategic Investments**
- Fiscal 2020**
 - Global** M&A of wood industrial materials business in North America: Productivity improvement of the MDF business: 22.5 billion yen
 - Domestic** M&A of solid wood flooring business and renovation business: Productivity improvement of building materials business and IT system: 2.5 billion yen
 - Fiscal 2021**
 - Global** Enhancement of cooperation in the North American business group and productivity improvement of the MDF business: 1.1 billion yen
 - Domestic** Additional acquisition of the stocks of a renovation business subsidiary and IT system: 1 billion yen

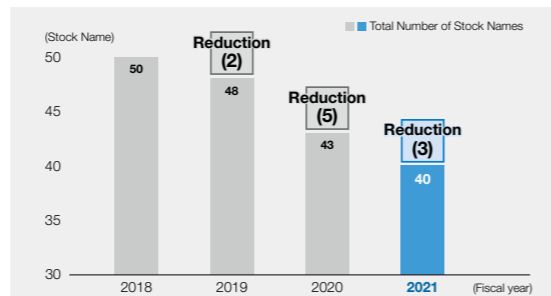
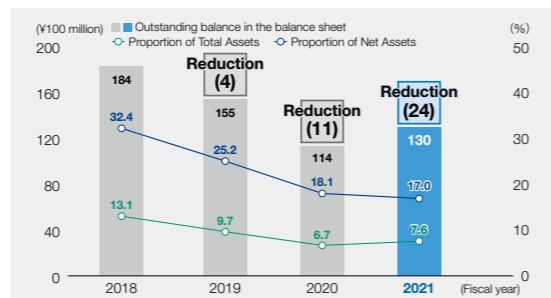
*M&A investments include interest-bearing debt of the acquiring company, but not cash or deposits.

Initiatives for reduction of cross-shareholdings

As one of the initiatives toward the realization of the Target Balance Sheet assumed in the financial indices upheld in the medium-term management plan, by aggressively making investments for the medium- to long-term growth and pursuing asset efficiency, we have been reducing cross-shareholdings. In fiscal 2021, we sold seven stock names for the amount of 2.4 billion yen (including partial selling of stocks).

Trends in Cross-Shareholdings (¥100 million)

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	
Outstanding balance in the balance sheet	Listed	183	154	112	129
	Unlisted	1	1	1	1
	Total	184	155	114	130
Sale Value	-	(4)	(11)	(24)	
Acquisition Cost	0	0	0	0	
Reduction	0	(4)	(11)	(24)	
Number of Stock Names	Listed	25	24	19	18
	Unlisted	25	24	24	22
	Total	50	48	43	40
	Decrease	0	(2)	(6)	(3)
	Increase	1	0	1	0
Reduction	1	(2)	(5)	(3)	
Total Assets	1,407	1,601	1,706	1,725	
Proportion of Total Assets	13.1%	9.7%	6.7%	7.6%	
Net Assets	569	617	629	767	
Proportion of Net Assets	32.4%	25.2%	18.1%	17.0%	



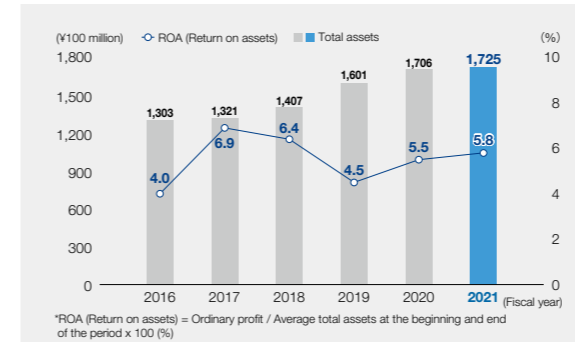
Target Financial Indices

Efficiency Goal

ROA: 7% ROE: 10%

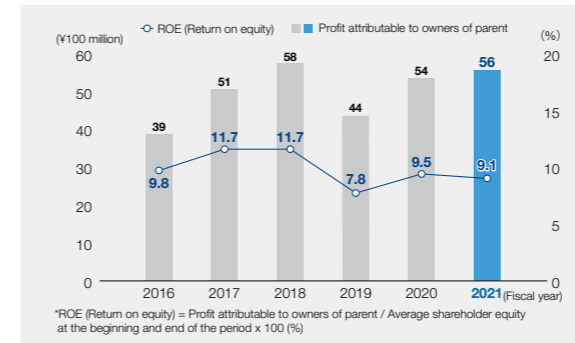
- Improvement of the fixed asset turnover ratio (Reduction in inefficient assets and stringent selection of capital investment)
- Improvement of the working capital turnover ratio (Inventory optimization that gives consideration to BCP)

Trends in ROA* and Total Assets



*ROA (Return on assets) = Ordinary profit / Average total assets at the beginning and end of the period x 100 (%)

Trends in ROE* and Profit Attributable to Owners of Parent



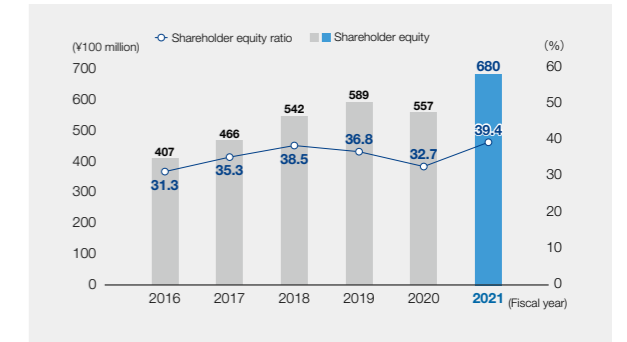
*ROE (Return on equity) = Profit attributable to owners of parent / Average shareholder equity at the beginning and end of the period x 100 (%)

Soundness Goal

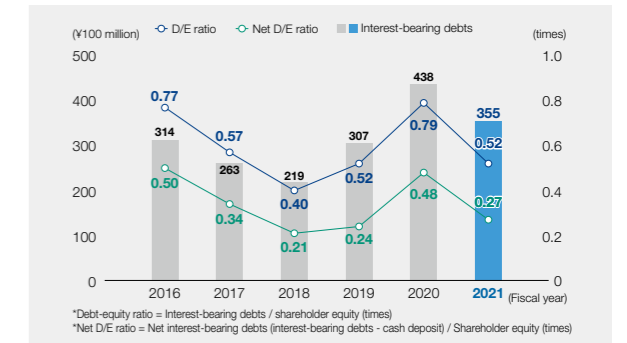
Shareholder equity ratio: 40% D/E ratio: 0.5-fold

- BS management with optimum balance
- Procurement of funds for investment that will support growth

Trends in Shareholder Equity and Shareholder Equity Ratio



Trends in the D/E Ratio*, Net D/E Ratio* and Interest-Bearing Debts



*Debt-equity ratio = Interest-bearing debts / shareholder equity (times)
*Net D/E ratio = Net interest-bearing debts (interest-bearing debts - cash deposit) / Shareholder equity (times)

Target Balance Sheet

In fiscal 2019, as we executed M&A toward expansion into the priority markets, indices expressing financial soundness decreased, but as a result of reducing interest-bearing debts by using cash managed to raise from operating cash flow that we had steadily accumulated and reducing cross-shareholdings, the D/E ratio in fiscal 2021 decreased from 0.79-fold to 0.52-fold and the shareholder equity ratio increased from 32.7% to 39.4%. We will continuously aim for landing on the target balance sheet and promote optimal BS management.



Practice of ESG Management

In formulating the medium-term management plan GP25 2nd Stage, we determined the ESG domains and themes that are considered particularly important in achieving management strategies through deliberations in various projects and the CSR committee. For each theme, we set specific initiatives and goals toward fiscal 2022, which is the final fiscal year of the medium-term management plan, as the medium-term ESG plan, will promote the plan integrally with the medium-term management plan, and lead to the enhancement of the management foundation. To further improve the linkage, we set important items in each ESG theme as the non-financial management goals for the medium-term management plan.

Structure to Promote CSR (ESG)



The Medium-Term ESG Plan (Fiscal 2020-2022)

Field	Policy	Area and Theme	Focused Points in Management Strategies	Theme	Goals	Results in Fiscal 2020	Results in Fiscal 2021	
E Environment	Daiken Group Environment Policy	Realization of low-carbon society	Aggressive approach to greenhouse gas reductions	Greenhouse gas emissions reduction ¹	Total greenhouse gas emissions in Japan Fiscal 2022: 26% reduction (As compared to fiscal 2014)	28% reduction (As compared to fiscal 2014) Executed reduction measures, such as production rationalization, etc.	35% reduction (As compared to fiscal 2014) Renewing energy-saving facilities and the impact of reduction measures, such as production rationalization, etc. and a decrease in production	
				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	50% Maintained the target level through the stable operation of biomass boilers	
		Contribution for a recycling-oriented society	Pursuit of the material and thermal recycle of woody resources	Promotion of carbon fixation	Amount of carbon fixation by the wood industrial materials business (MDF and insulation board) 1,100,000 t-CO ₂ /year	1,031,000 t-CO ₂ /year +3% year-on-year through the increase in production of MDF	996,000 t-CO ₂ /year -9% year-on-year through the decrease in production of MDF due to the lockdown in New Zealand	
				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	5.9% Improved by 1.3 pt year-on-year by promoting the material use of waste	
		Reduction of environmental burden	Reduction of environmental burden in business processes	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	7% reduction Improved by 3 pt year-on-year by reducing the loss in using water when starting production processes each time	
				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 to achieve the target is planned in the next fiscal year by changing to the substitute materials	54% reduction Significant reduction by abolishing the use of methylene chloride through the establishment of the product specification change	
		Consideration of biodiversity	Promotion of the use of domestic timber	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 hardwood plywood	47% +6 pt year-on-year by promoting the switch from tropical hardwood plywood	
		Environment management	Continuous improvement of the environmental management system	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	0 (continued) Maintained 0 cases by operating and continuously improving the environmental management system	
S Social	Product Quality and Safety	Basic Policy on Product Safety	Product Quality and Safety	Quality and technological capabilities to keep responding to confidence	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)	1 100% 100%	
	Fair Transactions	Daiken Procurement Policy Cartel and bid-rigging prevention standards	Promotion of CSR procurement Ensuring fair competition and transactions	Maximization of added value by collaborating with suppliers	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)	Japan: Acquisition completed 100% Global: Prepared a proposed revision for the CSR survey slip 0 (continued)	
	Human Resources	Daiken Diversity Promotion Policy	Promotion of diversity	Fusion of diverse skills and ideas	Promotion of diversity ¹	Total diversity index ² : +20 pt	+19 pt by the promotion of taking childcare leave among male employees	Maintained the +19 pt level by the promotion of taking childcare leave among male employees
		Daiken Workstyle Reform Promotion Policy	Promotion of workstyle reform	Pursuit of highly productive job performance	Promotion of workstyle reform	Total work time reduction rate: 3% Rate of taking annual paid leave: 70% Employee satisfaction ³ : +5 pt	1.4% reduction 64.9% (+11 pt year-on-year) 55.4 pt (The results of the first survey will be set as benchmarks.)	6.6% reduction (There was also an impact of COVID-19) 65.8% (+0.9 pt year-on-year) 56.7% (+1.3 pt year-on-year)
		Daiken Human Resource Development Policy	Reinforcing human resources development	Development of human resources who will play roles in the new market expansion and medium- to long-term growth	Reinforcing 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%	20.3%: Executed follow-up training for young employees who are in the first to second year of employment 100%: Career training for the employees who are in the third year of employment 25%: Skill training for young sales workers 51%: Training for new managers
		Daiken Safety Basic Policy	Enhancement of the occupational safety and health	Improvement of safe working environments that will become the foundation of success	Enhancement of the occupational safety and health	Serious disaster: 0 Plant mutual safety diagnosis execution rate: 100%	0 (continued) 100%: Executed the employee capability surveys at two plants in Japan by the external experts	0 (continued) 100% (in Japan): Not executed in the overseas countries due to the impact of COVID-19
	Human Rights	Daiken Human Rights Policy	Human Rights	Promotion of support for human rights that is significant from a global perspective	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%	Development of the new education content 100%
	Coexistence with Local Communities	Daiken Social Contribution Activity Policy	Coexistence with Local Communities	Establishment of stable business foundation supported by local communities	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	Held in 17 bases among 20 bases at home and abroad (Several plans were postponed or cancelled due to the impact of COVID-19)
G Governance	Basic Policy on Corporate Governance	Enhancement of the Governance System	All employees share the group corporate philosophy and realize the growth strategies	Enhancement of the Governance System ¹	Group corporate philosophy penetration program execution rate: 100% Degree of penetration of the group corporate philosophy ⁴ : +10 pt	100% +4 pt (Benchmark: 52 pt)	The rate of progress of the Measures to Penetrate the Group Corporate Philosophy: 90% It was not executed in this fiscal year as the survey is conducted every two years	
	Basic Policy on the Building of the Internal Control System	Promotion of Risk management	Reconstruction of the supply system that the market will keep choosing	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	80% Updated information and set priorities for BCP response status and countermeasures, etc.	
	Compliance Code of Conduct	Strict Compliance	A high sense of ethics that will be trusted by the markets	Strict Compliance	Serious compliance violations: 0 Compliance consciousness degree ⁵ : +5 pt	0 (continued) 61.0 pt (The results of the first survey will be set as benchmarks.)	0 (continued) 62.6% (+1.6 pt year-on-year)	

¹: Set as the non-financial management goals in the medium-term management plan 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 compared to fiscal 2018 ⁴: 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

employees' actual feeling for satisfaction/ job satisfaction in the workplace were indexed as compared to fiscal 2020 ⁴: Our own indices in which employees' understanding, sharing, and practice of the group corporate philosophy were indexed as

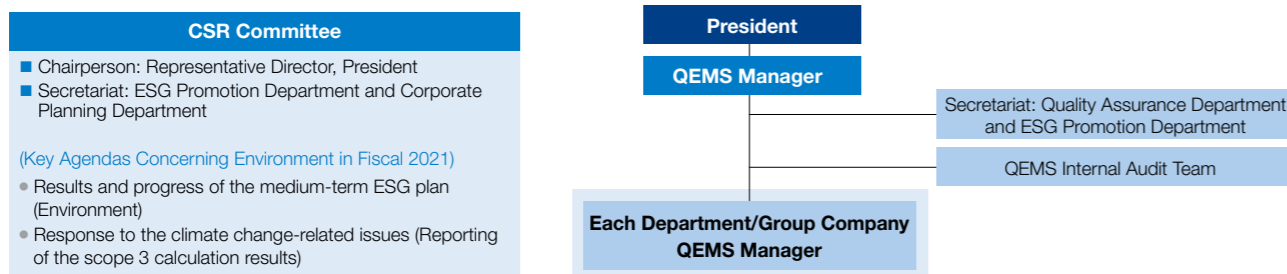
E Environment

Environment management

Basic Approach

Toward the realization of the Daiken Group Environment Policy, the Daiken Group has formulated the medium-term ESG plan and raises the level of environmental activities in the entire group while improving the Environment Management System (EMS). To efficiently operate it integral with the Quality Management System (QMS), we promote and deploy activities as the Quality and Environment Management System (QEMS).

Structure to promote Environment Management



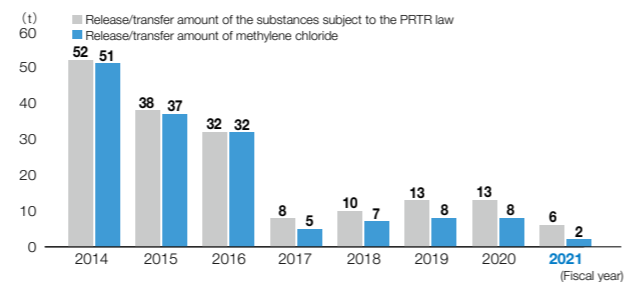
ISO 14001 Certificate Acquisition Status (As of the end of March 2021)

(1) The percentage of the offices that acquired the certificate in all offices in Japan: 91.1% (Based on the consolidated number of employees)	(2) The percentage of the offices that acquired the certificate in all overseas offices: 61.1% (Based on the consolidated number of employees)
37 offices and plants at 9 companies	5 offices and plants at 5 companies

Initiatives for the Reduction of Chemical Substances

The Daiken Group has upheld the appropriate management and reduction of chemical substances in the medium-term ESG plan as a theme and has set the goal to reduce the release amount of substances subject to the PRTR law by 70% in fiscal 2022 as compared to fiscal 2019. Regarding methylene chloride that became subject to the PRTR law in October 2020, we could totally abolish the use in production processes in our group as the establishment of technology for the product specification change has completed. With this, the release amount of the substances subject to the PRTR law in fiscal 2021 decreased by 54% as compared to fiscal 2019. We will continually put effort into the reduction of other target substances and promote the reduction of environmental burden in the entire group.

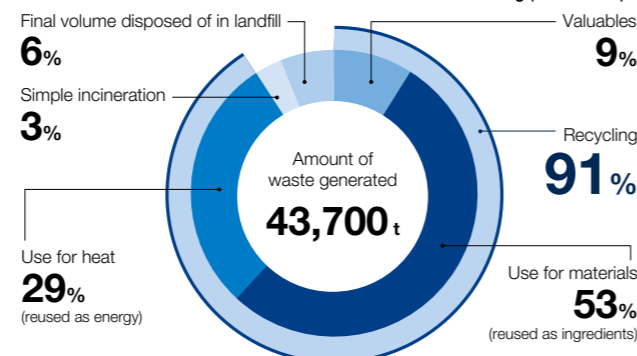
Trend of the Release/Transfer Amount of the Substances Subject to the PRTR Law/Methylene Chloride



Recycling of Waste Materials

The Daiken Group aims to realize a recycling-oriented society and puts effort into recycling waste, such as reusing the defectives generated in the manufacturing process as product materials to the extent possible, and using those as fuel for production, if not suitable for material itself. In fiscal 2021, by promoting the initiative to increase the use of waste for materials at the Okayama plant, in addition to the promotion of use as fuel for production by stably operating biomass boilers, the recycling rate of waste materials was 91%, which led to the reduction of the final volume disposed of in landfills. We continue to further improve the recycling rate.

Amount of Waste Generated and Breakdown of Waste Processing (Fiscal 2021)



Note)
 Recycling rate = Amount of recycled resources / Amount of waste generated x 100 (%)
 Amount of recycled resources = Valuable + Use for materials + Use for heat

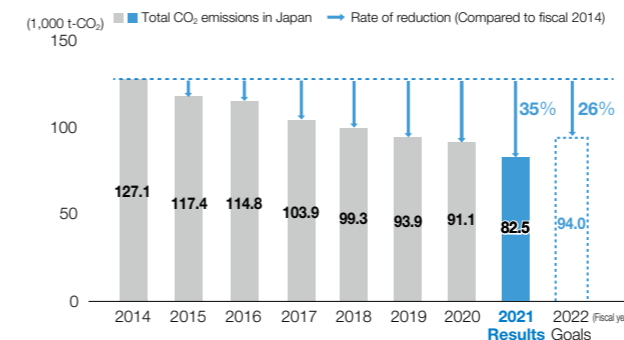
Initiatives toward the CO₂ Emissions Reduction

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 in fiscal 2016. To positively contribute to this target, our company positioned the reduction of CO₂ 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. On the other hand, in the wake of the new reduction target set by the Japanese government in fiscal 2022, we will continuously promote the initiatives in the medium-term management plan for the next term in order for our company to aim for further contribution.

Utilization of Renewable Energy that is Linked to the Business Activities

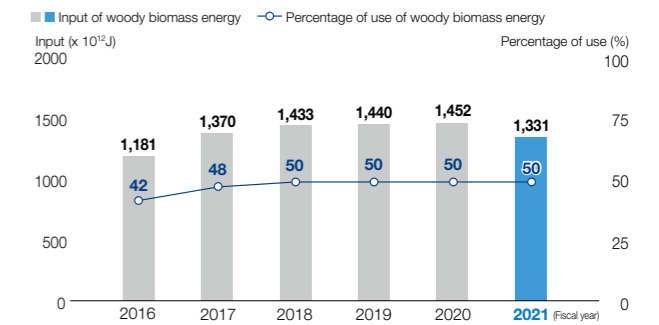
Regarding MDF and the insulation boards that are the primary products in the industrial materials business, we use wood chips from offcuts and demolished houses as primary raw materials based on the idea of the pursuit of using timber as a material to the extent possible. Furthermore, we use wood chips, 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 CO₂ 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 CO₂ emissions. In fiscal 2021, because of the impact of the decrease in production due to the COVID-19 pandemic mainly in the first half of the year, in addition to these initiatives, emissions decreased by 35% as compared to fiscal 2014 and we achieved the 26% reduction, which was the goal in fiscal 2022, a year ahead of schedule.

Total CO₂ emissions in Japan^{*1}



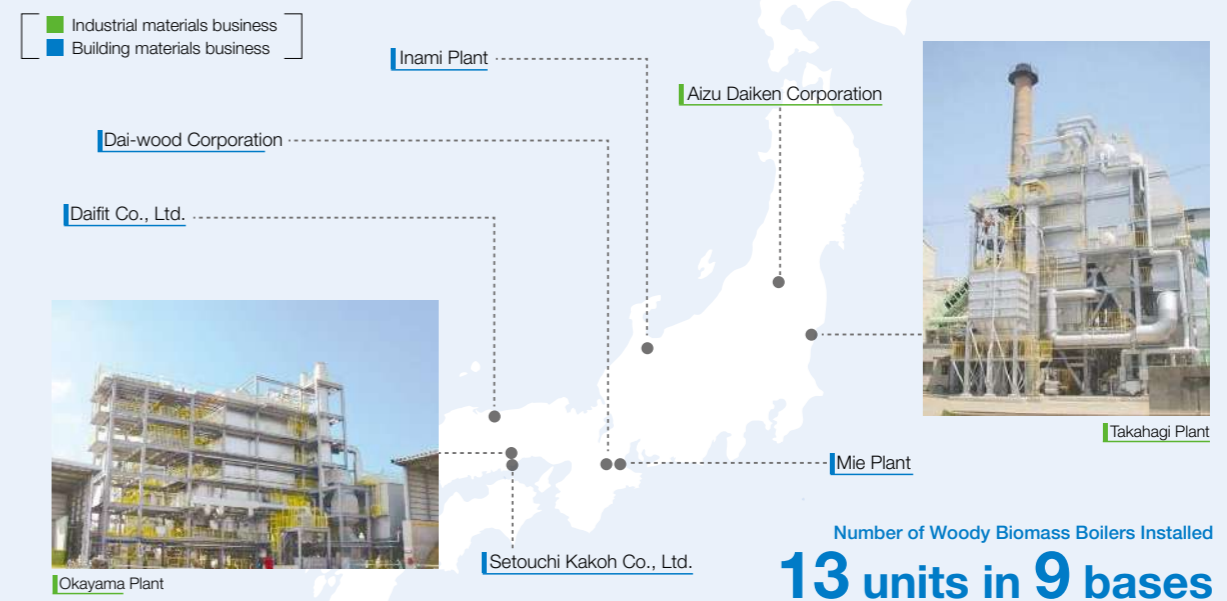
*1: Regarding the emission factor in electricity use associated with the calculation of greenhouse gas emissions, the actual emission factor in the said fiscal year by electric power supplier is used. However, if it is not released, we use the most recent factor.

Input of Woody Biomass Energy/Percentage of Use^{*2,3}



*2: Total value at the Daiken Group's production bases in Japan.
 *3: Woody biomass energy input as a percentage of total energy input.

Domestic Production Bases where a Woody Biomass Boiler is Installed



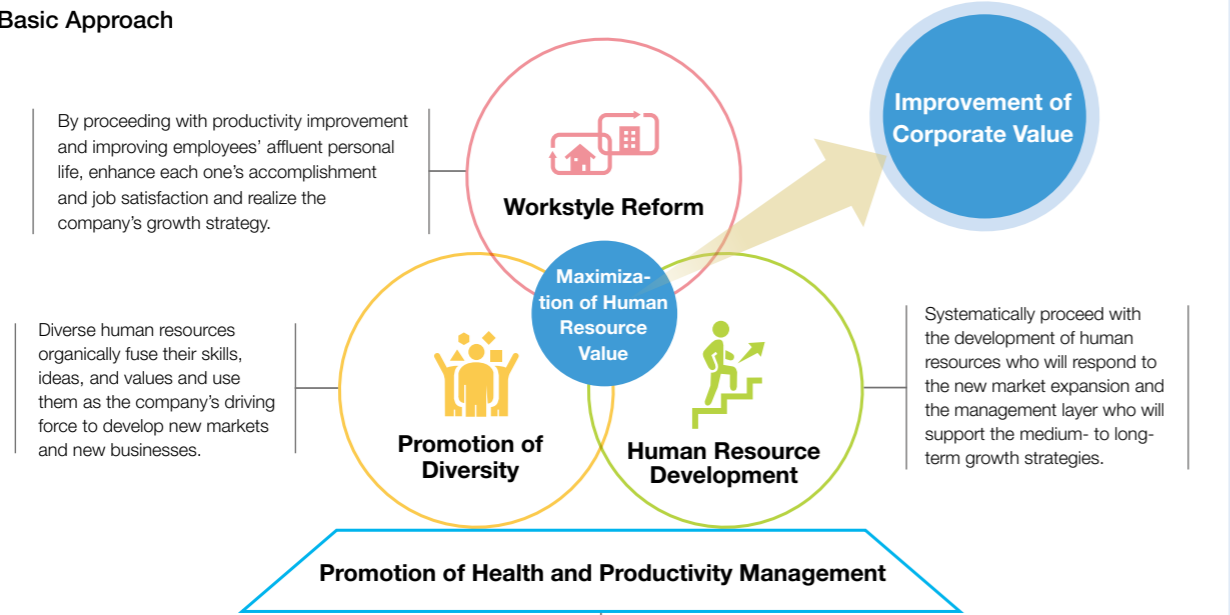
Number of Woody Biomass Boilers Installed
13 units in 9 bases

S Social

Human Resources

In order for our employees to be able to feel happy to be the members of our group, the Daiken Group has been promoting the initiatives from the perspectives of the Promotion of Diversity, Workstyle Reform, and Human Resource Development aimed at becoming the company where every employee can fully exercise their diverse values and abilities. While COVID-19 pandemic continues, we re-realized that our employees' health is the source of corporate management and have newly started the initiatives for health and productivity management. By continuously deploying the measures from four perspectives, we will lead to producing the favorable cycle, maximizing human resource value by improving individual performance, and improving the entire group's corporate value.

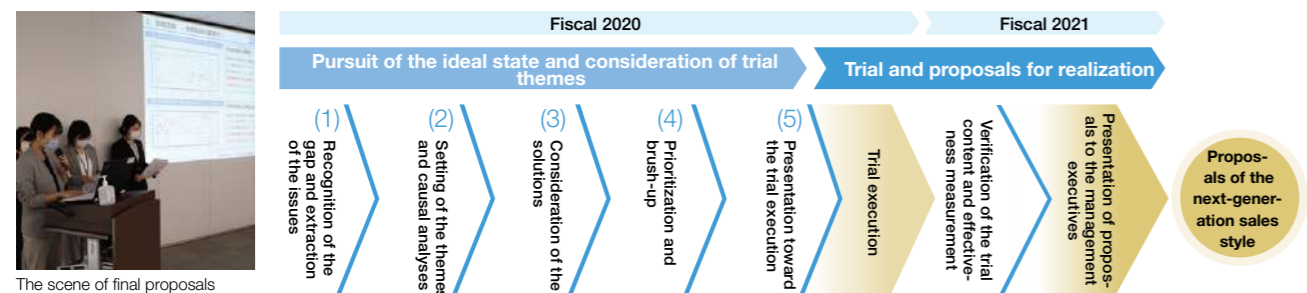
Basic Approach



Based on the idea that our employees' health is the essential foundation for the group's sustainable growth and development, the Daiken Group tries to improve every employee's awareness of health and has started the initiatives toward the preservation and improvement of mental and physical health. In fiscal 2021, we newly formulated the Daiken Health and Productivity Management Policy, improved the health and productivity management promotion system in which the president is the responsible person, and deploys measures by cooperating with the Workstyle Reform Promotion Project. As the first initiative, we implemented the Quit Smoking Challenge to encourage our employees to quit smoking, and 70 employees among 88 participants could declare quitting smoking. With a view to obtaining the certification of the Certified Health & Productivity Management Outstanding Organizations, we will put effort into setting indices to measure the effect of measures and actively supporting our employees who are putting efforts into health-promoting activities.

Implementation of the Next-Generation Sales Recommendation Project

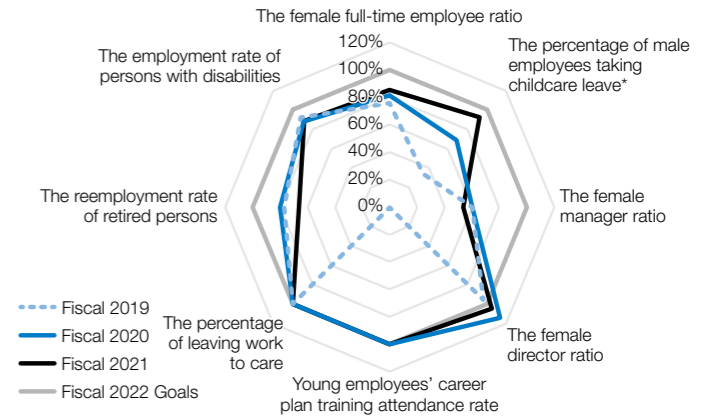
As a new initiative to link the three elements of the Promotion of Diversity, Workstyle Reform, and Human Resource Development and to maximize human resource value, we launched the Next-Generation Sales Proposal Project by the female sales employees in May 2019. In July 2020, they conducted the Proposals of the Next-Generation Sales Style to the Management Executives as the final step. In their final proposals, the proposals toward the realization of the sales style where anyone can exercise their skills were announced, such as operational efficiency by introducing the split of the work-type model, productivity improvement by enhancing the mutual follow-up system, and reform of the ways to take leave. We will deploy their recommendations to other departments, move on to the execution phase, and launch more measures to broaden the project base from the sales division to other divisions to lead to company-wide reforms.



Promotion of diversity

In the medium-term ESG plan, we set the Total Diversity Index in which the eight diversity items were indexed as our own indices and manage the targets. The total index in fiscal 2021 was 71 pt, up 19 pt from fiscal 2019, which is a benchmark, but it resulted in maintaining the same level as the previous year. "Among these indexes, the percentage of taking paternity leave shows improvement as a result of intense information sharing about our leave-system to all employees." While the female manager ratio decreased, the female full-time employee ratio increased as the number of newly graduated females hired increased and the results of the initiatives with an eye toward the medium- to long-term corporate value improvement started to emerge. With a view to comprehensively improve the level, we will steadily proceed with the measures.

The Degree of Attainment of Each Item in the Total Diversity Index

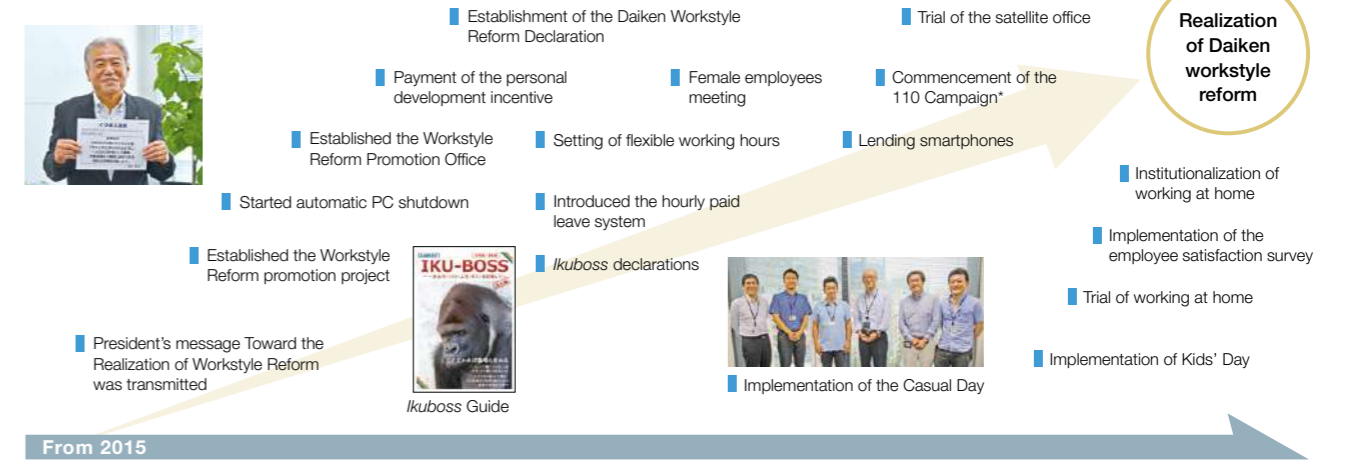


**The percentage of male employees taking childcare leave* in the Total Diversity Index is calculated based on the three-year total value to measure the progression rate over the years.

Promotion of workstyle reform

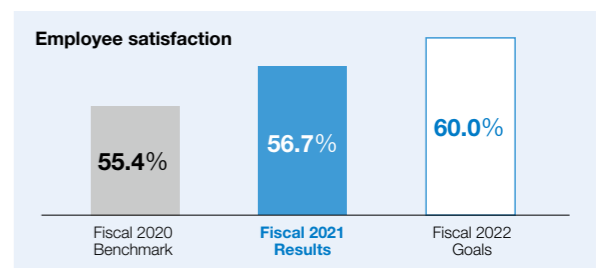
The Daiken Group launched the Workstyle Reform Promotion Project in 2015 and has been putting effort into the promotion of workstyle reform. While the shift to new workstyles has accelerated due to the COVID-19 pandemic in fiscal 2021, we have proceeded with creating the mechanism to realize diverse workstyles, such as lending of smartphones, trial of teleworking, including working at home, etc. As a result, under the issuance of the state of emergency in April 2020, we could flexibly respond to the social change as we could maintain the structure that 80% or more of our employees worked at home in the business bases, such as Tokyo and Osaka. With the introduction of the working at home system, we also promoted the active use of online tools. By maximally using the advantages of online tools not only when working at home but also when conducting sales activities and holding a seminar, we are aimed at the promotion of workstyle reform and productivity improvement.

Past Key Initiatives



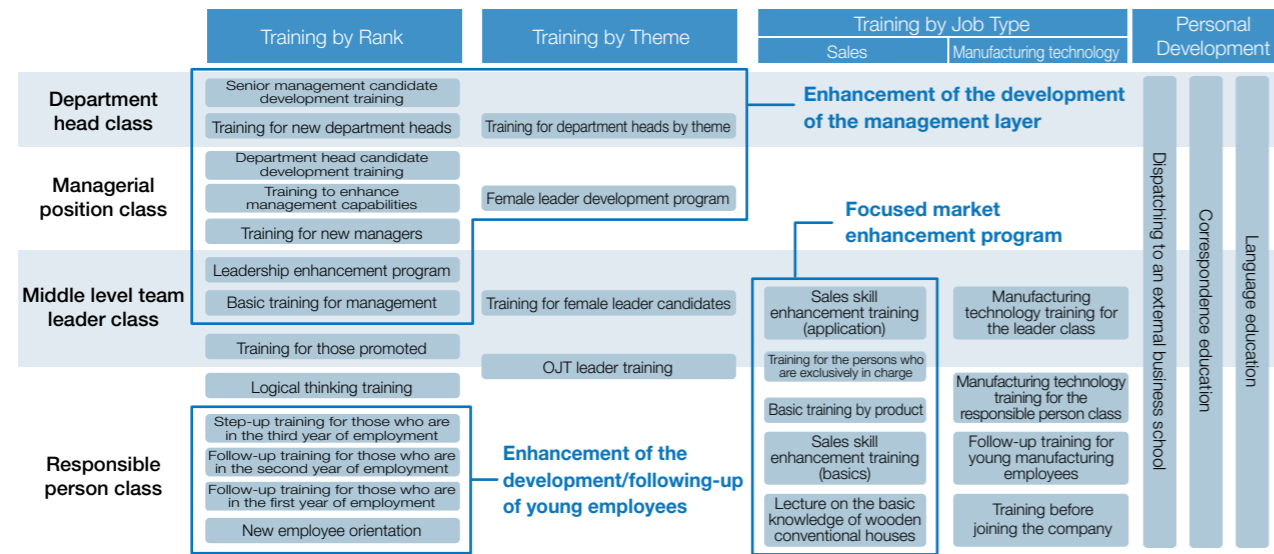
Implementation of the employee satisfaction survey

In the medium-term ESG plan, we set Employee Satisfaction as our own index in fiscal 2020 and manage the targets. We also quantify the Degree of Actual Feeling of Job Satisfaction through an annual survey and by grasping our employees' view on work and anxiety factors about work, and we make use of the results for Creating Pleasant Workplaces and aim to improve the entire workplace's satisfaction. Satisfaction in fiscal 2021 was 56.7%, up 1.3 pt from fiscal 2020, which is a benchmark. We analyze the survey results from various perspectives, such as the responses to COVID-19 and factors associated with the divisions' characteristics, and reflect the results of the analysis to our future measures.



Enhancement of the human resources development

Believing that cultivating autonomy in our employees is a key for our further growth and persistent corporate value improvement, we have provided various training chances for our employees to acquire the skills or knowledge needed for their each service years, ranks, and job types. In fiscal 2021, we newly incorporated the online training method due to the COVID-19 pandemic and by continuing opportunities for learning, we worked to improve and develop our employees' capabilities. In addition to the use of advantages unique to online training, which is less affected by time and place, we concurrently conduct practice in group training and expand and improve the training programs.



Fair Transactions

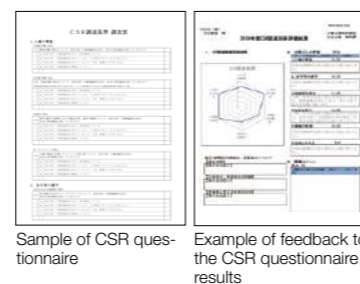
Promotion of CSR procurement

The Daiken Group states that the Promotion of CSR Procurement is one of the important commitments under the procurement policy, which was established in 2015. We aim to provide products and services meeting the expectations of our customers and for a sustainable society in which people and the environment can coexist. Under these circumstances, we are putting effort into CSR procurement with the cooperation of our business partners.



Carry out the CSR questionnaire for the supplier of the plants and manufacturing subsidiaries in Japan

The Daiken Group has been carrying out the CSR questionnaire for suppliers following the Procurement Policy and CSR Procurement Standards since fiscal 2016. In fiscal 2021, we carried out the questionnaire for 389 suppliers (384 suppliers in the previous year) and received answers from all suppliers. Questionnaire results are fed back to suppliers and for the companies where the evaluation points have been continuously low, we encourage them to make corrections and improvements, work together, and promote CSR procurement.



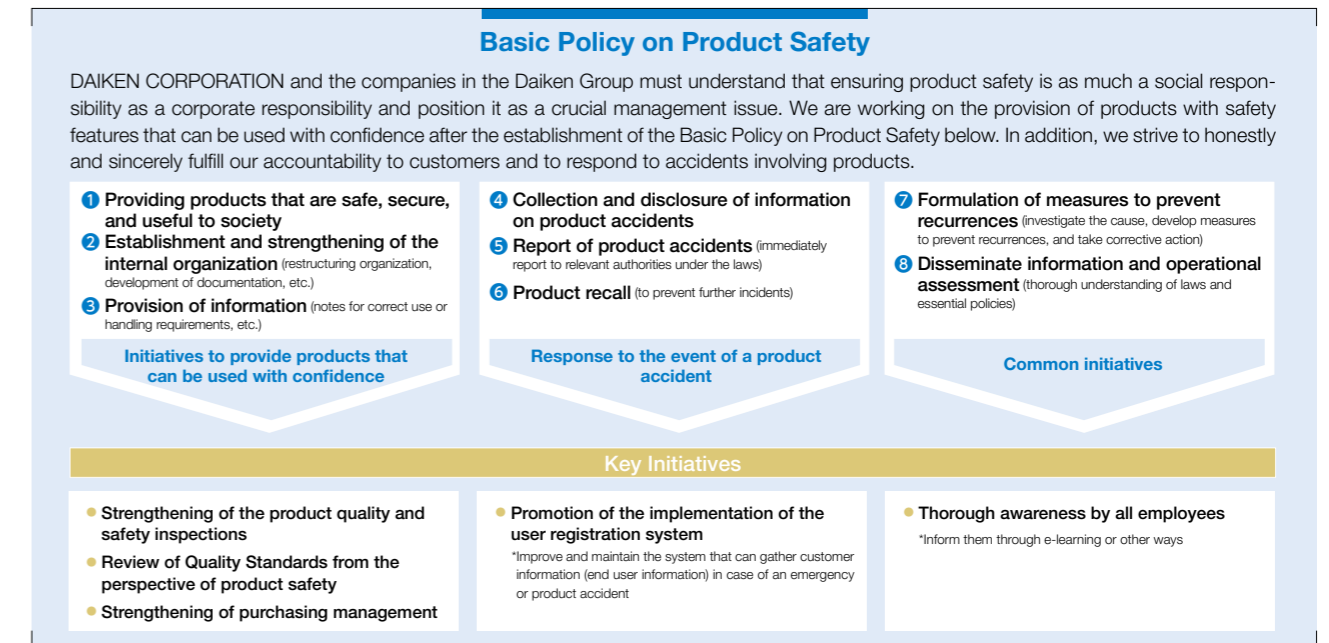
Sample of CSR questionnaire

Example of feedback to the CSR questionnaire results

Enhancement of the Quality Control Structure

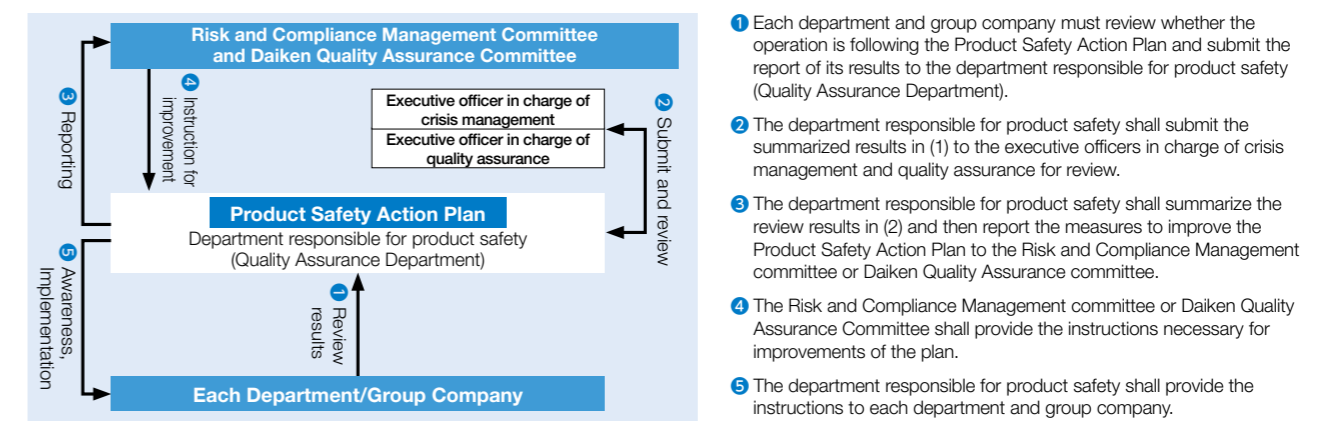
Initiatives for Product Safety

The Daiken Group has established the Basic Policy on Product Safety to ensure that the entire group companies are thoroughly committed to the initiatives to ensure product safety and are actively engaged in providing products to customers for safe use.



Structure to Promote Product Safety

The Daiken Group established the system to conduct annual reviews performed by the department responsible for product safety and monitor the status of each department's activities by following their Product Safety Action Plans in order to continue to provide safe and highly reliable products and services. Then the Risk and Compliance Management Committee and the Daiken Quality Assurance Committee instruct the departments to review and modify their Product Safety Action Plans.



Regarding the product accident in Hori Kotatsu Unit that occurred in fiscal 2021

In March 2021, a Kotatsu heater's controller part in our Hori Kotatsu Unit Zataku Series Dento Wazataku, which was sold in the Shinetsu region in December 2012, melted and caused a fire (scorching) that burned the surrounding area. As this accident fell under the category of a serious product accident based on the Consumer Products Safety Act, we reported it to the Consumer Affairs Agency. In addition to our internal investigation, we have been fully cooperating with the National Institute of Technology and Evaluation (NITE) to clarify the cause of the accident. We will proceed with appropriate responses, such as information disclosure, etc.



Masanori Okuda
Representative Director,
President

Discussion

Yuko Asami
Outside Director,
Audit and Supervisory
Committee Member

Governance to Maintain Perpetual Prosperity

With the approval obtained at the general meeting of shareholders on June 25, 2021, DAIKEN CORPORATION became a company with an audit and supervisory committee. Masanori Okuda as the representative director and president, and Yuko Asami, appointed the new outside director and Audit and Supervisory Committee Member, discussed governance so that DAIKEN CORPORATION could maintain perpetual prosperity under the new structure. In the discussion, they exchanged opinions concerning the requirements of Daiken from the viewpoint of an outside director, the significance of the latest reorganization, and key points in the formulation of the next medium-term management plan.

1 from the viewpoint of an outside director:

Okuda Director Asami served as an Outside Audit & Supervisory Board Member for three years from June 2018 and has been appointed a new outside director and Audit and Supervisory Committee Member. What is your honest impression of DAIKEN CORPORATION over the last three years?

Main business directly contributing to ESG and SDGs

Asami I feel that Daiken is an earnest company, both in a positive way and in a negative way. In a positive way, the business since its foundation has environmental considerations. It is extremely appealing that Daiken's main business has a sustainable effect, and not only has an ESG perspective but also directly contributes to the SDGs; therefore, Daiken's business operations consist of numerous environmental considerations. With regard to product development, the company sincerely pursues quality and safety in the invisible details and seeks ways to minimize its environmental impact. It is persuasive that Daiken is known for its high technological strength because the company can achieve such aims in reality.

Okuda Thank you. Our inherited business is based on the effective use of wood and contributes to the global momentum toward carbon neutrality. I believe that our roles are becoming increasingly more important. I have placed extreme importance on sustainability and the ESGs. When I started formulating the long-term vision GP25 immediately after appointment as the president, I stipulated the significance of the existence and ambitions for sustainability. I also formulated the medium-term ESG plan linked to the current medium-term management plan GP25 2nd Stage, and included non-financial items in the management goals, thereby implementing proactive ESG measures as part of the management strategies.

Asami Another positive aspect of Daiken's earnestness can be found in its governance. Daiken's attitude to improve the transparency of management and strengthen corporate governance is worth evaluating as exemplified by the establishment of a nomination and remuneration committee in 2015, where a majority of the members are independent outside directors.

Okuda Thank you. I would like to hear your opinion concerning governance in more detail later.

Need for strengthening ESG dialog with shareholders and investors

Asami On the other hand, there are two major requirements in my opinion. One is that the company has yet to advocate its contribution to the ESGs and SDGs to stakeholders in a clear and understandable manner, which is probably a negative aspect of Daiken's earnestness. Because Daiken is a listed company with global business activities, the company should work to acquire a broader understanding of its own strengths, rather than remaining complacent about being only known to a select few. I am also afraid that there are too few dialogs with investors.

Okuda I recognize that requirement as well. When we propose or market our products, we would like to publish the spirit and concept of the background to development, as well as the new value brought to society by our products in a more understandable way. By doing so, we will have increased opportunities for value co-creation with stakeholders. We have also strengthened dialogs with shareholders through a reorganization in FY 2022 in which the IR Office that had been under the Management Planning Department became independent in order to facilitate cross-organizational activities under the officer in charge. We would like to proactively advocate these concepts and efforts for evaluation by ESG-minded investors.

Accelerated promotion of diversity is a major requirement

Asami The other requirement is the delay in promoting diversity. I think urgent improvement is required for this point.

Although promoting diversity is included in the top policies, I am afraid that it is far from satisfactory. This is quite regrettable because other ESG initiatives are making progress. I think that the president is providing leadership, but how far has the importance of diversity infiltrated throughout the company? The establishment of a structure to accept diverse work styles has also been delayed, which means you will not make it in time by proceeding at the present rate. Stronger acceleration is requested.

Okuda Like you said, our efforts are only halfway completed and need to be accelerated. I believe that diversity signifies the enhancement of the competitiveness of an organization by helping human resources with diverse personalities and values exchange opinions, regardless of age, gender, race, or religion. At Daiken, we first focus on promoting female employees as the most familiar goal. We promoted one female to an operating officer position, which was newly established this fiscal year. However, the low percentage of females in managerial positions remains a major issue. We are implementing steady, solid initiatives, though the effects have yet to be seen in the numbers. Recently, increasing numbers of female employees are entering the company and forming a broader base. I expect that the bottom-up initiatives driven by these younger generations will reform DAIKEN CORPORATION in the next five to ten years.

Establishing mechanisms to support continuous activeness in all life stages

Asami It is worth evaluating that you promoted a female to an operating officer position that was newly established in the latest governance reorganization. However, it is not sufficient to simply focus on promoting females in order to enhance diversity. The life events of child care, long-term care, and the transfer of spouses not only affect females. Systems will be required to help all employees work in diverse work styles, regardless of gender, age, nationality, years of service, and life stage.

Okuda It will be essential for Daiken's sustainable growth to establish systems and a corporate culture where employees facing major life events can continue working without interrupting their careers. Based on this recognition, we have established systems to help employees continue working regardless of time and place, considering that conventional fixed ideas have been reset in the COVID-19 situation.

2 Shift to a company with an audit and supervisory committee

Okuda Recently, we shifted to a company with an audit and supervisory committee, combined with changes in the operating structure, aiming to 1) strengthen the supervisory function

of the Board of Directors, 2) accelerate the decision-making process, and 3) develop next-generation leaders. In addition, a major purpose is to upgrade our basic human resource strengths, including diversity as you mentioned, while refreshing awareness across the company. Director Asami, what is your view of the latest reorganization?

Making the reorganization a starting point for further governance reform

Asami In April 2022, the Tokyo Stock Exchange will reorganize its market segments. Will the DAIKEN CORPORATION compete in the prime market or be included in the standard market? You must first recognize that the company's commitment to the business model is being tested, in addition to governance reform. DAIKEN CORPORATION targets the prime market. It is a highly attractive market from an international perspective, where excellent companies representative of Japan are collected for investment. "Governance" here refers to more than corporate governance. It is governance in the true sense of the word, entailing diversity, the development of core human resources, and reform of the business model. It will be important for DAIKEN CORPORATION must initiate proactive reforms to continue operating vigorously and perpetually into the future through the latest governance reform rather than regarding it as an obligation.

Okuda You mean that improvements will be achieved by transforming the reorganization as the starting point, rather than implementing reorganization to pursue improvement. I definitely wanted to avoid making the latest reorganization a mere formality but make it the start of upgrading the culture of DAIKEN CORPORATION through this reorganization.

Enhancing group governance in accordance with M&A strategies

Asami President Okuda's enthusiasm and passion for effective governance reform were seen in the review process for the shift to a company with an audit and supervisory committee through repeated communication sessions with the secretariat. Changing the system does not mean improvement in and of itself. I think it is worth considering that top management has announced a serious commitment to reorganization as the start of governance reform. I served as an Outside Audit and Supervisory Board Member for the past three years and was newly appointed an Audit and Supervisory Committee Member. From my viewpoint, the quality of internal controls and audits will be enhanced through the direct control of the Internal Audit Department by the Audit and Supervisory Committee. Group governance is particularly important in promoting M&A strategies. It is important to strengthen cooperation between the Audit and Supervisory Committee and the Internal Audit Department at the time of recognition, thereby further strengthening your system.

Okuda Net sales in global markets have increased and now represent about one-quarter of overall sales, and I have recognized the need for strengthening group governance. I would like to further enhance the effectiveness of governance.

Linking governance system reform to the development of next-generation human resources

Asami Another point to consider is that the reorganization was implemented in combination with the reform of the operating structure for the development of the next generation of leaders.



Of course, the Board of Directors is important in corporate management, but its primary function is supervision. To reform governance, it is desirable to include the operating positions that undertake actual management into the scope of reform. I expect that management agility will be achieved, and an environment will be established to support appropriate risk taking by the operating officers. It will be necessary to develop the newly appointed operating officers as the next generation of leaders by implementing systematic training.

Okuda You are absolutely right. We will endeavor to maintain optimal membership on the Board of Directors according to the changes in the business environment. In addition, we will also have further discussions concerning the desirable status of executive officers and operating officers by establishing and using the skill matrix listed in the revised Corporate Governance Code 2021, as well as examining the sustainable enhancement of corporate value by the Governance Committee, which undertakes the nomination and remuneration functions. By specifying and visualizing the skills required of these officers and the training menu to fill any gaps, it will be easier for division directors and other managers to develop a clear image of the experience and skills that they need, thereby facilitating their development as future leadership candidates. The succession planning aimed at the development of the next generation of leaders is also an important requirement that I would like to discuss at the Governance Committee by engaging Director Asami and other outside directors.

3 Formulating the Next Medium-Term Management Plan

Okuda During this fiscal year, we will formulate the medium-term management plan GP25 3rd Stage as the final phase

in the achievement of the long-term vision GP25. We have already started drafting the plan. Director Asami, what particular points would you like the Board of Directors to focus on?

Further clarifying key areas in business and market strategies

Asami There are three key points: diversity that I mentioned earlier, the direction of business and market strategies, and research and development. The direction of business and market strategies based on the ongoing long-term vision GP25 seems reasonable. However, we must have a visible landscape through the 1st- and 2nd-stage medium-term management plans. For example, the scope of non-housing public and commercial buildings is broad. Which part of it will you target? Which items will you focus on from the viewpoint of growth potential, exercising of technological power, sales channels, and other strengths and advantages of DAIKEN CORPORATION? Will you centralize or decentralize? It will be necessary to set a clear, advanced policy. For global markets, will you continue to operate in the present key regions of North America, Southeast Asia, China, and Oceania? Would you rather focus on areas where the market has high growth potential and the company can leverage its strengths? For the long-term of the next 10 and 20 years, what position will you aim to acquire in each market? Regarding global strategies, you will also need to establish value chains ranging from R&D to procurement, production, sales, and installation work, and construction, and to further clarify the directions of the allocation of managerial resources, including human resources in the corporate department. These will require discussions.

Okuda Regarding the business and market directions, we will discuss the material issues (materiality) and crystallize what we should cope with, how we should grasp medium-term and long-



Outside Director's Message

term changes in the external environment and social requirements from the viewpoint of sustainability, and discover solutions by upgrading the strengths of DAIKEN CORPORATION. Subsequently, we will identify the areas that we should emphasize among the three existing businesses (industrial materials, building materials, and engineering) and the products that compose the respective businesses, as well as the direction of the business as the fourth pillar. We will prioritize strategies for the domestic market where we have operated relatively smoothly. At the same time, we will further specify product and area strategies for the global market and incorporate those strategies into the next medium-term management plan.

Continuously contributing to the resolution of social issues through our R&D capabilities

Asami Research and development is the source of Daiken's competitiveness and reputation for high technological strength. I think R&D is the most important among a number of Daiken strengths. To ensure that this strength remains effective and strong, it is crucial to establish an environment to develop human resources that will help maintain continuous improvement and maximize this technological strength. To this end, I suggest the immediate reallocation of managerial resources. I would not deny the use of M&As as a means of growth, but present investments are unevenly focused on global operations and construction. I recommend strengthening investments and M&As to enhance R&D and organic growth (growth that utilizes internal managerial resources). For example, the industrial materials business in North America makes a larger contribution to profit, but decreasing profitability is a concern in the shrinking domestic market. This seems extremely wasteful because the company has high potential. For example, more proactive investments and M&As should be made to acquire technology for increasing the added value in the domestic industrial materials business, for achieving substantial cost reductions, and for accelerating the reduction of environmental impacts and the development of more sustainable and demineralized products. On the other hand, the company must examine exit strategies in the early stage of investments that are not likely to achieve organic growth from the viewpoint of medium-term and long-term risks. Over the past several years, you have been strengthening R&D strategies based on social requirements by incorporating the viewpoints of the ESG and SDGs backed by the group corporate philosophy. I hope that this movement will be accelerated.

Okuda Over our history, R&D achievements contributed at each turning point for business expansion. During its foundation, the company established a business base with the technology of blending adhesives to overcome the weakness of wood. A few examples are special plywood as the basis of our present building materials business and insulation board using wood fibers that caters to various applications remaining in our product portfolio for more than 60 years. Dai-Lite is

an industrial material developed for quakeproof housing based on the innovation of using volcanic ash, an unused resource abundantly present in Japan as a country of frequent volcano eruptions and earthquakes. Our intention to contribute to society by grasping the social requirements and proposing solutions through our business has not changed. We will continue to proactively strengthen research and development as the driving force for this purpose.

Asami The revised Corporate Governance Code 2021 requires the Board to effectively supervise the implementation of management strategies to sustainable growth. Research and development are areas that definitely contribute to sustainable growth from the medium-term and long-term perspectives. In addition to maintaining and developing the present R&D Department, we must include human resources familiar with R&D and business among the executive managers. The Governance Committee will proactively participate to ensure these points.

Okuda Thank you. Our research and development activities are becoming more future oriented. We are entering new fields free of traditional ideas, starting from the long-term vision GP25. At the R&D Center established in 2018, open innovations are proactively employed. Through communication with investors, the insufficiencies of R&D expenses have been pointed out. In the formulation of the next medium-term management plan, we will have further discussions on R&D strategies for the next 10 years and further toward our 100th anniversary and promote the reallocation of managerial resources.

Discussion at Board of Directors Meetings is the Essence of Group Corporate Philosophy

Asami We should have more in-depth discussions concerning the acceleration of diversity as I mentioned earlier.

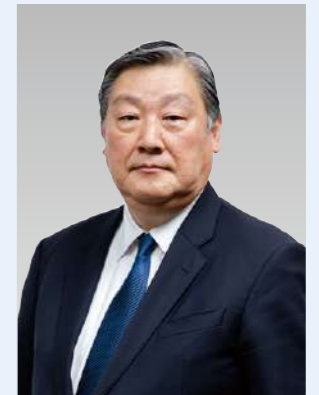
Okuda Yes. We will discuss the medium-term and long-term direction of human resource strategies, including the age, job type and career mix, promotion of female and mid-career employees, and employment of global human resources. Toward the achievement of that directional goal, we will establish practical systems as soon as possible. I also recognize the three key points that Director Asami pointed out as extremely important—R&D, diversity, and business and market directions. Our mission under the group corporate philosophy declares, "We will create a wonderful future with our technology, ideas, and passion." "Technology" here is based on research and development, while "ideas" are supported by diversity (diverse human resources). Business and market directions are where we should drive the joined force and "passion" of our group. The Board will discuss these points as key requirements of management and navigate the group as a company that contributes to a wonderful future.

Thank you for today.

Maintaining the Board of Directors that is willing to change in order to enhance medium-term and long-term corporate value

In 2019, the Business Roundtable, an economic association of the largest scale in the US, declared its commitment to all stakeholders by reviewing its conventional shareholder-first policy. Through this statement, the association urged that companies should, while pursuing economic benefit, consider employees, shareholders, business partners, creditors, and local communities and contribute to social prosperity and success, as well as the resolution of social and environmental issues. Coping with major social issues in cooperation with the government and society will lead to the restructuring of capitalism. At the same time, global investors are focusing on ESG investments and advancing investment strategies that generate shared value by stating clear purposes, rather than adhering to the maximization of profit and the shareholder-first policy.

At present, there is a general concern that boards of directors in Japan lack influential outside directors and that they are reluctant to take the risk of leading reforms due to the solid positions of internal officers. On the other hand, research results indicate that youths emphasize social contributions by companies as a condition for job hunting. Considering the future, I think that an important task for outside directors is to maintain boards of directors that can discuss strategies for enhancing corporate value from the medium-term and long-term perspectives. As directors, we should bear in mind that the greatest risk is taking no action.



Shingo Ishizaki
Outside Director, Audit and Supervisory Committee Member

Believing that Daiken will upgrade its inherited strengths as a contributor to a recycling-oriented society

I have recently been appointed a new Audit and Supervisory Committee Member. I served as an outside Audit and Supervisory Board Member over the past year and recognized that DAIKEN CORPORATION was sincerely promoting improvements to corporate governance. With this attitude disseminated throughout the company, my impression is that Daiken has an extremely high awareness of corporate governance. Although I was confident that audit & supervisory board members at companies with an audit & supervisory board were adequately checking the companies in Japan, I agreed to the recent decision by DAIKEN CORPORATION to shift to a company with an audit and supervisory committee, considering it a movement to further strengthen governance.

My roles and responsibilities have become heavier in line with this movement, and I would like to continue contributing to the company in an independent position, leveraging my view of companies, evaluations of businesses, practical experience in business finance and M&As, and expertise based on a long-term securities agency, which I acquired from my work at financial institutions.

The revised Corporate Governance Code 2021 featured a response to sustainability requirements as one of the key items. Social requirements for ESG and SDGs will become increasingly greater. DAIKEN CORPORATION's business originated in the effective use of wood, and the company is highly aware of the importance of natural resources and the environment as a corporate culture that has been inherited since its foundation. I believe that now is the time when Daiken should upgrade these inherited strengths by pursuing and achieving the harmonization of business development, in addition to its social contribution, as a conscious and proud contributor to a recycling-oriented society. I am determined to provide the maximum support for upgrading and enhancing Daiken's inherited strengths.



Kiyoshi Mukohara
Outside Director, Audit and Supervisory Committee Member

Reasons for Appointment of Outside Directors as Audit and Supervisory Committee Members

Name	Reasons for appointment and expected roles (overview)
Shingo Ishizaki	Engaged in investment bank operations at securities companies for many years and possesses financial expertise acquired through his experience. Expected to play supervisory and advisory roles in the execution of duties by directors from a specialized perspective based on the stated expertise, especially in finance and accounting.
Yuko Asami (family register name: Yuko Katsuo)	A professor at the Faculty of Economics, Gakushuin University and served as a committee member for the Ministry of Finance and the Financial Services Agency, demonstrating adequate expertise in finance and accounting. Expected to play supervisory and advisory roles in the execution of duties by directors from a specialized perspective based on the stated expertise, especially in corporate accounting. No experience in the engagement in corporate management other than serving as an outside director, but is considered capable of properly executing the duties of an outside director (Audit and Supervisory Committee Member) for the reasons stated above.
Kiyoshi Mukohara	Engaged in the management of financial institutions for many years and possesses abundant financial and managerial expertise acquired through experience. Expected to play supervisory and advisory roles in the execution of duties by directors from a specialized perspective based on the stated expertise, especially in corporate management. History of working at Sumitomo Mitsui Trust Bank, Limited, a major lender of DAIKEN CORPORATION, but resigned as a director of the lender for six years.

*1: The three directors above satisfy the criteria for independence assessment specified by the company and have been registered in compliance with the regulations of the Tokyo Stock Exchange.
*2: The three directors above are members of the Governance Committee and are engaged, from an objective and neutral standpoint, in the selection of directors for the company and the determination of executive remuneration and governance structure.

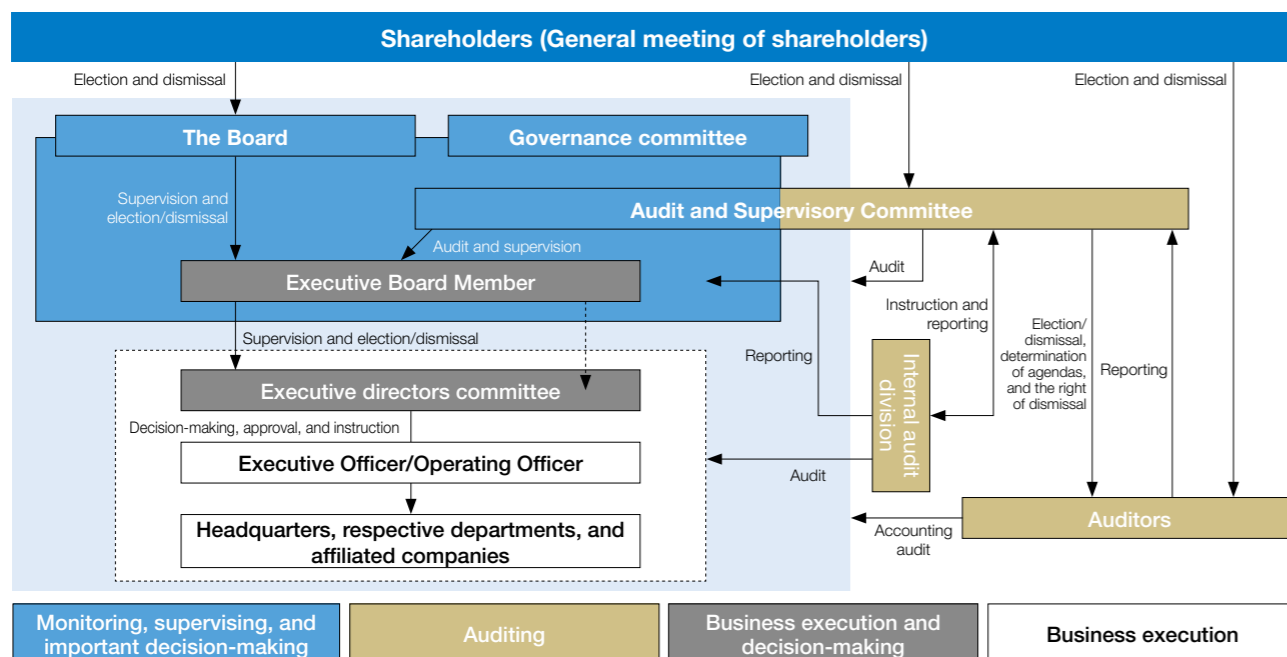
Corporate Governance

Key Initiatives for the Enhancement of Corporate Governance

2002	Made the shift to the chief executive officer system	2015	The Nomination and Remuneration Committee and the Corporate Governance Committee were established.
2003	The Compliance Committee was established.	2016	The effectiveness evaluation of the Board was started.
2008	Reorganized to the Risk & Compliance Management Committee for reinforcement.	2018	A female outside Audit & Supervisory Board member was selected. Introduced the transfer restricted stock-based compensation system.
2010	Reduced the number of directors from 11 to 9.	2019	Reduced the number of directors from 9 to 7.
2011	Outside directors are selected.	2020	Outside directors increased from 2 to 3 (3/8)
2012	The term for directors was reduced from two years to one year.		
2015	Outside directors increased from 1 to 2. The Basic Policy on Corporate Governance was established.		

2021	<ul style="list-style-type: none"> Enhanced the Board's supervisory function and made a shift to the Company with Audit and Supervisory Committee for the purpose of acceleration and efficiency of business execution Clarified the Executive Officer system's management responsibilities and roles and introduced the Operating Officer Revised the executive remuneration system and improved the remuneration system for the directors who are the Audit and Supervisory Committee Members Integrated the Nomination and Remuneration Committee and the Corporate Governance Committee and reorganized to the Governance Committee
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Corporate Governance Framework



Points of the Structure

- As the advisory organization for the Board, the Governance Committee has been established that deliberates particularly important items, such as the nomination of and remuneration for directors and executive officers, improvement of the effectiveness of the entire Board, and building of the governance structure, etc.
- The Governance Committee has the structure that the committee chairperson and a majority of the members are independent outside directors.
- By setting up the internal audit division as an organization directly controlled by the Audit and Supervisory Committee, the structure enhances the audit function.

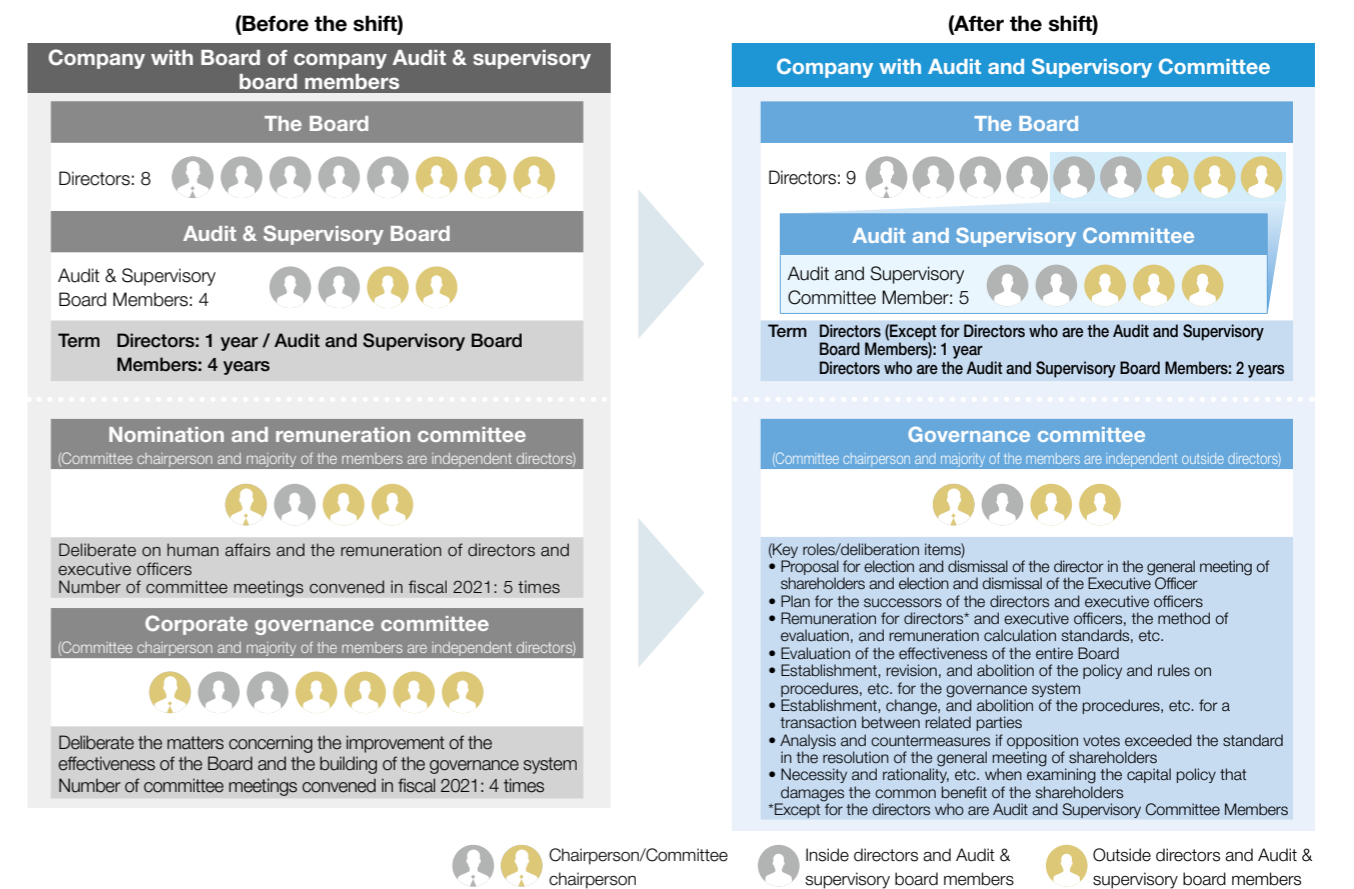
Structural Change toward the Further Improvement of Corporate Governance

We introduced the Executive Officer system within the framework of the company with the Board and company Audit & Supervisory Board Members in 2002 and have conducted smooth and efficient management by separating decision-making in the Board and business execution by the Executive Officers. While companies are required to implement further sophistication of governance and concurrently required to implement for more speedy execution of management strategies under the rapidly changing business environment, we have made the shift to a Company with an Audit and Supervisory Committee and newly introduced the Operating Officers and the business execution system for the purpose of acceleration and efficiency of business execution based on the enhancement of the Board's supervisory function and decision-making.

Shift to the Company with Audit and Supervisory Committee

Purpose of the Shift

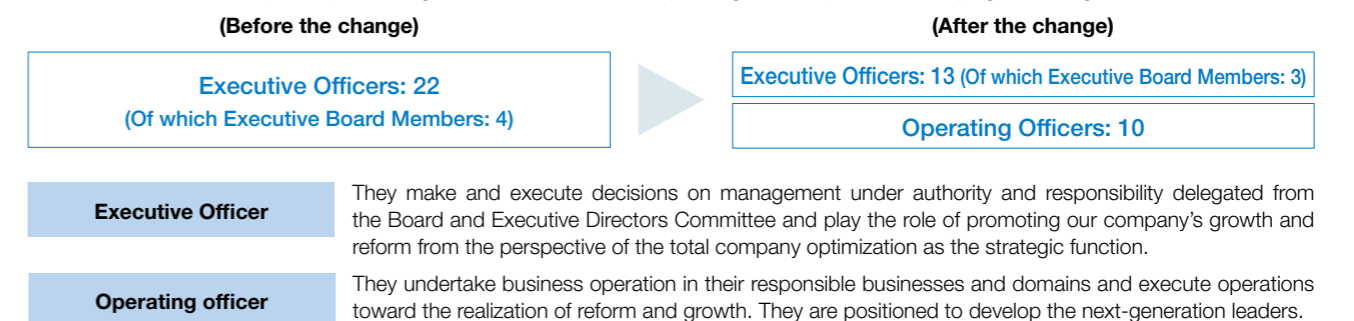
By establishing the Audit and Supervisory Committee, which consists of non-executive Board members who have the voting right in the Board and in which majority of the members are outside directors, we separate business execution and supervision, enhance the Board's supervisory function, and further improve corporate governance.



Change in the Business Execution System

Purpose of Change

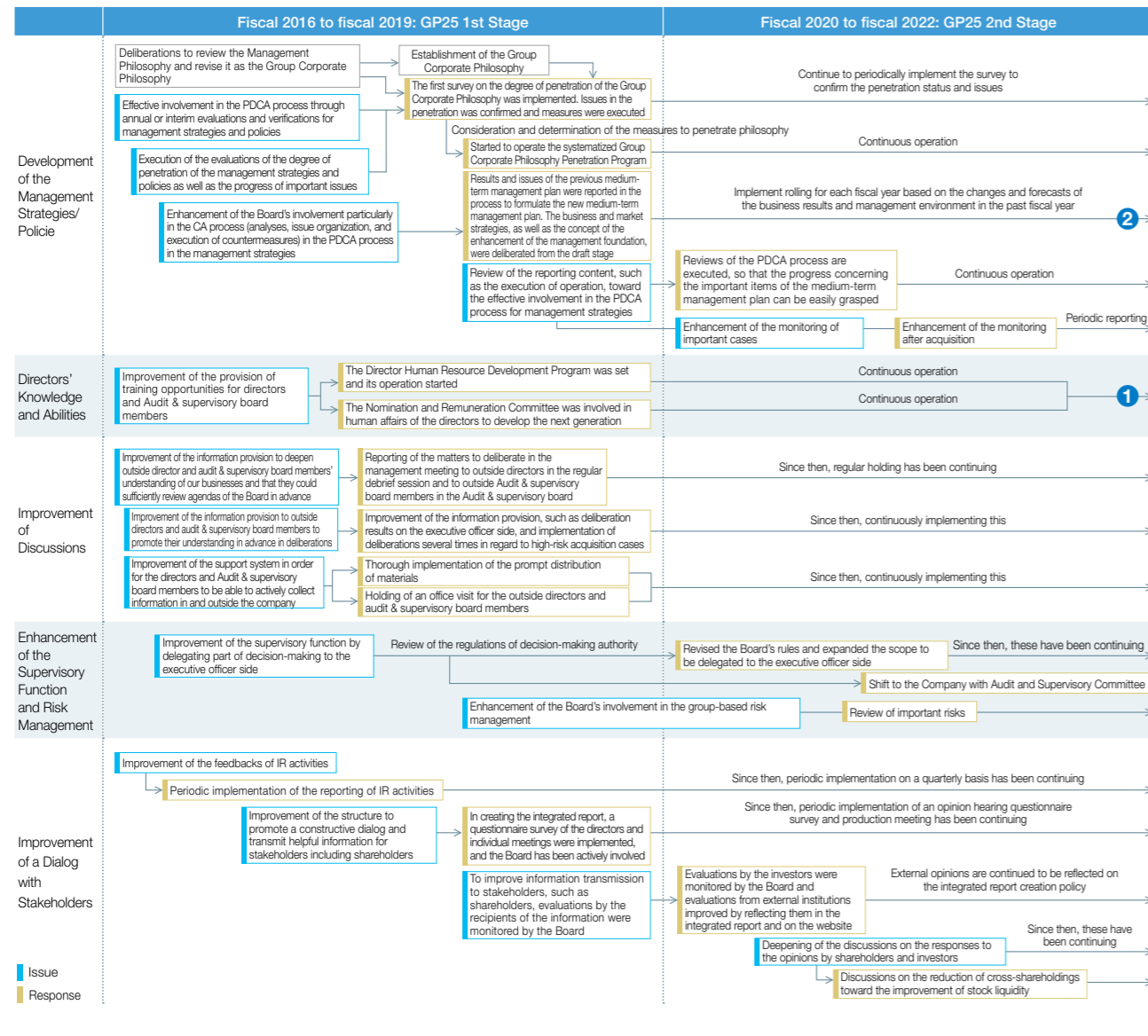
By clarifying management responsibilities and roles of the Executive Officer system and separating Executive Officers and Operating Officers, we accelerate and streamline decision-making on management and business execution. In conjunction with this, we proceed with the maximization of human resource value by flexibly allocating human resources in the Operating Officer layer and developing the next-generation leaders.



The effectiveness evaluation of the Board

To increase the effectiveness of the Board and to improve corporate value, the Daiken Group has implemented the effectiveness evaluation of the Board once a year since the end of fiscal 2016. Based on the self-assessment by all directors and Audit & Supervisory Board members and deliberations at the Corporate Governance Committee in which the chairperson and majority of the members are independent outside directors, the effectiveness of important decision-making in management and proper business execution has been confirmed to be sufficiently secured. The issues to work on for more effective Board operations have been extracted, and they have been continuously putting effort into the improvement of responses.

Key Issues and Responses



Results of the Evaluation in Fiscal 2021 and Response to Future Issues

The Board's effectiveness evaluation implemented in fiscal 2021 reported that opinions are being represented and deliberated actively by each director and Audit & Supervisory Board Member while ensuring the fairness and transparency with diverse perspectives and five independent outside directors (director and Audit & Supervisory Board Member). The Board sufficiently maintains the effectiveness of important decision-making in management and supervision of proper business execution. In particular, we have been improving support for outside directors, such as provision of information on the management meeting, opportunities to have an interview with management executives and department heads, which are evaluated to contribute to active discussions toward the medium- to long-term growth. In considering the shift to the company with an Audit and Supervisory Committee and reviewing the executive remuneration system associated with the introduction of Operating Officers, the Advisory Committee in which the majority of the members are outside directors are evaluated to contribute to the fairness and transparency of the Board and contributed to the improvement of discussions toward the improvement of our corporate governance by their recommendations from diverse perspectives. To further improve the effectiveness of the Board, we will proceed with the responses to the following issues.

- ① Improvement of Discussions on the Succession Plan
- ② Focused Discussions on Management Strategies (1-3 below)

Checking the Board's strengths and weaknesses using the skills matrix and further improvement of discussions on the succession plan based on the checking results

1. Reconfirmation of risks and opportunities, as well as important management issues (materiality) based on the rapid environmental change, such as the COVID-19 crisis, etc.
2. Updating of the long-term vision (from fiscal 2017 to fiscal 2026)
3. Formulation of the medium-term management plan for the next term (from fiscal 2023 to fiscal 2026)

Executive Remuneration

Policy of Executive Remuneration

1. The remuneration system shall be based on the practice of the group corporate philosophy.
2. The remuneration system shall be designed reflecting the long-term vision GP25 and the medium-term management plan, prevent too great an emphasis on short-term inclinations, and motivate the improvement of medium- to long-term corporate value.
3. The standards and system of remuneration shall be effective enough to secure excellent human resources to whom we can entrust our future.
4. The procedure for determining remuneration shall be transparent, fair, and objective to achieve the responsibilities of explanations to all stakeholders including shareholders, investors, and employees.

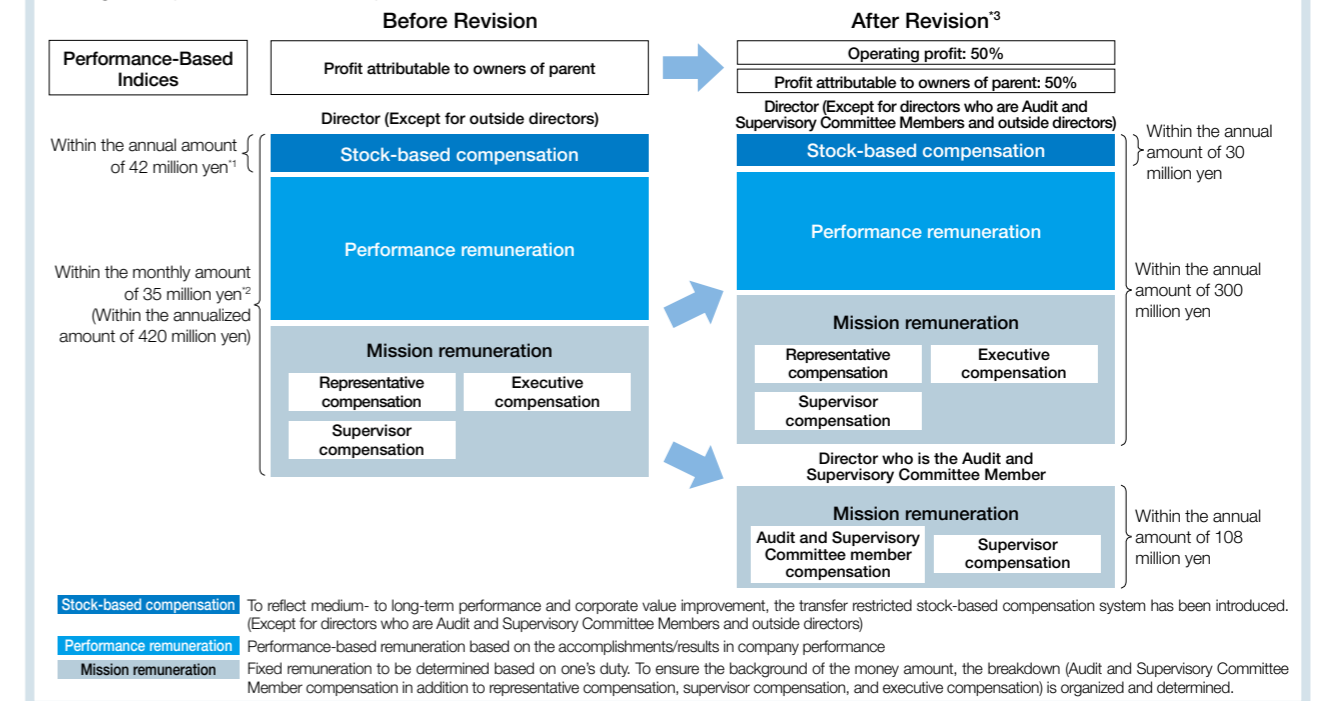
Procedure

The Board has the authority to make decisions on the policy concerning the amounts and the method of calculating executive remuneration, and the authority is delegated to the Board of Representative Directors by a Board resolution. The reason for delegation was because we judged that the Board of Representative Directors would be suited to evaluate each director's responsible division while taking into consideration the entire company's business performance, etc. In determining remuneration, to secure transparency, fairness, and objectivity, remuneration is determined by the Board of Representative Directors after deliberations and recommendations by the Nomination and Remuneration Committee (Governance Committee after the General Meeting of Shareholders on June 25, 2021) in which the chairperson and majority of the members are independent outside directors.

Composition

Executive remuneration is composed of mission remuneration as fixed remuneration, performance remuneration as the performance-based remuneration, and stock-based compensation. The proportion of the performance-based remuneration in the remuneration for the directors (except for the director who is an Audit and Supervisory Committee Member and outside director) is around 40% and is designed to fluctuate according to performance.

In shifting to the company with Audit and Supervisory Committee, we have revised the executive remuneration system as well. We organized the maximum amount of executive remuneration and set Audit and Supervisory Committee member compensation in order to clarify the role compensation for the Audit and Supervisory Committee Members. To increase the linkage with management indices in the medium-term management plan, we reviewed the performance-based indices as well.



*1: Resolution by the 102nd General Meeting of Shareholders held on June 22, 2018 *2: Resolution by the 90th General Meeting of Shareholders held on June 29, 2006
*3: Resolution by the 105th General Meeting of Shareholders held on June 25, 2021

Executive Remuneration for the Fiscal Year Ended March 2021

The total amount of remuneration to each executive classification, the total amount of remuneration by type, and number of target executives are as follows.

Executive Classification	Total Amount of Remunerations, etc. (1 million yen)	Total Amount of Remunerations, etc. by Type (1 million yen)				Number of Target Executives
		Mission remuneration	Performance remuneration	Stock-based compensation	Retirement Benefits	
Director ¹	232	115	108	9	-	5
Audit & supervisory board members ²	40	40	-	-	-	2
Outside Directors and Audit & supervisory board members	30	30	-	-	-	6

*1: Except for outside directors *2: Except for outside Audit & supervisory board members
*3: The total amount of remunerations, etc. above is based on the standards before revision by the resolution by the 105th General Meeting of Shareholders held on June 25, 2021.

Risk Management/Compliance

At the Daiken Group, the Risk Management Rules have been stipulated by the Board to appropriately manage risks and ensure continuous and stable development of businesses. In addition, as an organization that discusses and approves the issues and countermeasures associated with the promotion of risk management of the entire company, the Risk and Compliance Management Committee with the Representative Director as the chairperson has been established.

As for risk management, we establish responsible departments according to risk types to extract, analyze, and evaluate risks at the departments. In addition, we strive to increase effectiveness in preventing risks by continuously following the PDCA, including reviewing the implementation of countermeasures and the risk evaluations in each fiscal year. Regarding compliance, the department responsible for legal affairs regularly plans and executes education and training, as well as enlightenment activities, and establishes a culture to comply with law and regulations.

System to Promote Risk Management and Compliance



Number of Risk & Compliance Management Committee convened in fiscal 2021: 4

Key Deliberation Items

Risk Management

- Consideration of the important risk measures and analysis/evaluation of the influence degree
- Revision of the Infectious Disease Countermeasure Manual
- Response to the BCP for raw material procurement
- Disclosure of the risks associated with businesses
- Risk hedge status of nonlife insurance

Compliance

- Establishment of the Compliance Code of Conduct
- Personal information management status
- Guidelines for operating Social media

Strict Compliance

Establishment and Thorough Dissemination of the Compliance Code of Conduct

For the purpose of fulfilling social responsibility as a company and earning the trust of stakeholders by improving all group employees' awareness and understanding of compliance, we have established the Compliance Code of Conduct in October 2020. This Code of Conduct specifically stipulates how every employee in the group should act in their respective daily operations and activities. Through in-house education, etc. based on this Code of Conduct, we will fulfill social responsibility as a company that is trusted by the stakeholders.

Items Stipulated in the Compliance Code of Conduct

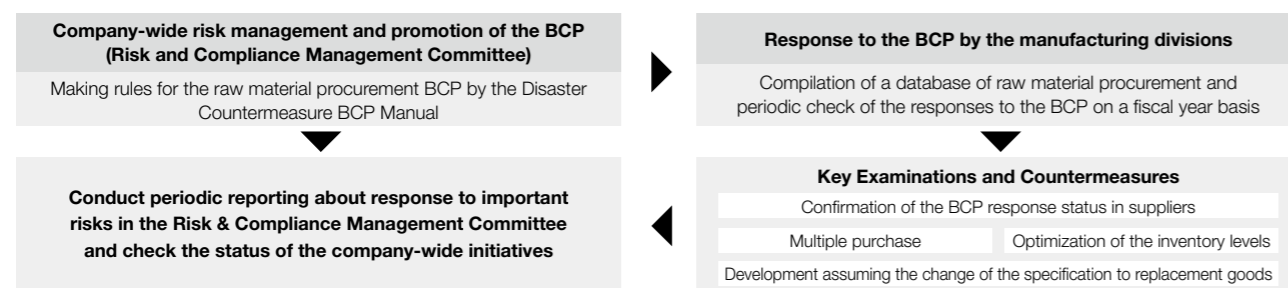
1. Community Involvement	(1) Compliance with Laws and Corporate Ethics (2) Ensuring Transparency of Donations	(3) Response to Anti-social Forces and Groups (4) Protection of the Environment
2. Customer Trust	(1) Response to Safety (2) Improving Customer Satisfaction and Trust (3) Sincere Sales Activities	(4) Appropriate Displays in Advertisements (5) Management and Protection of Customer Information
3. Relationship of Trust with Business Partners	(1) Promotion of Free Competition (2) Appropriate Transactions with Suppliers (3) Prohibition of Infringement of Rights	(4) Gifts and Entertainment (5) CSR Procurement (6) Compliance in Overseas Business
4. Gaining the Understand and Support of Shareholders and Investors	(1) Disclosure of Management Information	(2) Prohibition of Insider Trading
5. Work Attitude	(1) Respect for Human Rights and Prevention of Discrimination (2) Prevention of Harassment (3) Utilization of Internal Reporting	(4) Respect for Privacy, Protection of Personal Information (5) Ensuring Workplace Safety and Hygiene (6) Ensuring a Comfortable Working Environment
6. Protection of Corporate Assets and Information	(1) Fair and Transparent Business Operations (2) Confidential Information Management	(3) Management and Proper Use of Corporate Property (4) Intellectual Property

Promotion of Risk management

Initiatives toward the Enhancement of the Raw Material Procurement BCP

Based on the experience in the Great East Japan Earthquake and in addition to the BCP responses in our group's production and business bases, we have continuously worked to make improvements for the procurement of raw materials, which are essential for the stable supply of products, such as multiple purchases and product development assuming the change of the specification to replacement goods, while eliciting cooperation from suppliers. In fiscal 2021, while applying a lesson learned from the procurement problems that occurred in fiscal 2019, we implemented re-examinations of the BCP concerning procurement items, such as raw materials, and put effort into the enhancement of our responses in all divisions.

Raw Material Procurement BCP Enhancement Process



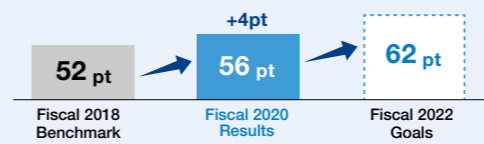
Initiatives toward the Penetration of the Group Corporate Philosophy

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 non-financial 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 deploy the penetration measures from the three perspectives of transmission, sharing, and evaluation. By following the Penetration Cycle of Transmission, Sharing, and Evaluation, we promote the penetration 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.

Degree of Penetration of the Group Corporate Philosophy



We implement the Survey on the Penetration of the Group Corporate Philosophy on a biennial basis. We uphold the goal of achieving +10 pt from the benchmark in fiscal 2018 in fiscal 2022, which is the final fiscal year of the medium-term management plan GP25 2nd Stage and have been deploying measures.

Initiatives in Fiscal 2021

Transmission

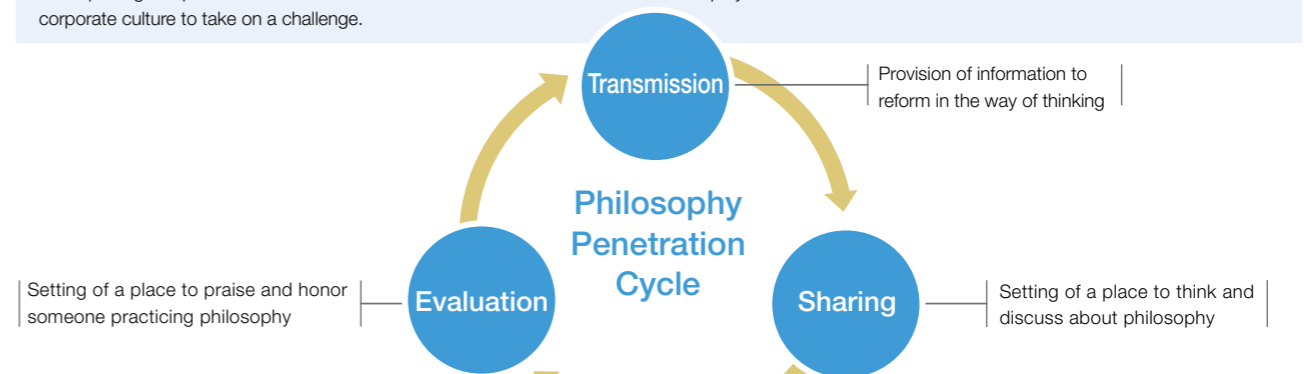
(1) Continuous Transmission by the Top Management

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 technology, ideas, and passion 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.



(2) A special feature of philosophy in the company magazine

Unique initiatives by the departments executing operations while viewing the group corporate philosophy as familiar philosophy were published as special features in our company magazine on a biennial basis. By publishing such special features in the company magazine, we transmit good cases of practicing philosophy to all group employees.



Evaluation

For the purposes of thinking what the actions to practice group corporate philosophy would be, creating an opportunity to have discussions, promoting the understanding of the group corporate philosophy, and cultivating culture where the practice of philosophy is praised, we have held the Daiken Award that collects and honors cases of practicing the philosophy in daily operations since 2020. In fiscal 2021, which was the second time, 399 employees on 53 teams that exceeded the previous fiscal year participated. By expanding the opportunities to discuss philosophy through the Award, honoring good cases born in the Award, and sharing them within the company, we will accelerate a virtuous cycle of the penetration of the group corporate philosophy.



Sharing

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 workshops in the training for each rank for young/middle level employees and new managers from fiscal 2019. In the workshop, they check the group corporate philosophy and group conduct guidelines with their behavior in daily operations and discuss/share their behavior and situations where they practice the philosophy. In fiscal 2021, we continuously held the workshop by shifting to an online format, and 85 employees attended the workshop. We will deploy outputs from the workshop to the measures to further transmit the philosophy.

Directors

(As of June 25, 2021)

Governance Governance Committee members

*Attendance in the Board as well as the Audit & supervisory board is the status in fiscal 2021.
*The number of shares owned is the number as of the end of March 2021.

Director (Except for the director who is an Audit and Supervisory Committee member)



Masanori Okuda

Representative Director, President

Governance

- Attendance at the Board: 12/12 (100%)
- Number of shares owned: 40,110

Apr. 1974 Joined the Company
Apr. 2007 Executive Officer
General Manager of Tobu Juken Sales Control
Apr. 2008 Senior Executive Officer
General Manager of Juken Sales Control and General Manager of Tobu Sales Control
June 2008 Director, Senior Executive Officer
Apr. 2009 Director, Managing Executive Officer
Tokyo Representative and General Manager of Juken Sales Control
Apr. 2010 General Manager of Juken Sales
June 2011 General Manager of Sales, Manager of New Development Sales, and General Manager of the Tokyo Office
Apr. 2012 Director, Senior Managing Executive Officer
General Manager of the Tokyo Office
June 2013 Representative Director, Senior Managing Director, and Senior Managing Executive Officer
Oct. 2013 General Manager of Procurement Innovation and General Manager of the Tokyo Office
Apr. 2014 Representative Director, Representative President and Executive Officer
June 2018 Representative Director, President (present)

Director who is an Audit and Supervisory Committee Member



Takashi Aihara

Director, Audit and Supervisory Committee Member (Full-time)

- Attendance at the Board: 12/12 (100%)
- Number of shares owned: 11,060

Apr. 2001 Professor of School and Graduate School of Law and Politics, KWANSEI GAKUIN UNIVERSITY
Aug. 2003 Director and Manager of IR Planning of Takara Printing Co., Ltd.
Mar. 2006 Outside Audit & Supervisory Board Member of Urban Life Co., Ltd.
Aug. 2006 Director and Executive Officer responsible for IR business development of Takara Printing Co., Ltd.
Feb. 2008 Registered lawyer (present)
June 2010 Outside Audit & Supervisory Board Member of the Company
Jan. 2011 Member of the Ninth Tender Monitoring Committee of Ministry of Finance
Apr. 2011 Member of the Committee of Monitoring Mint Contracts (Independent Administrative Institution)
June 2011 Outside Director of the Company
June 2017 Representative Director, Senior Managing Director, and Senior Managing Executive Officer
June 2018 Representative Director, Senior Managing Executive Officer
Apr. 2021 Responsible for the Head Office and crisis management
June 2021 Director, Audit and Supervisory Committee Member (full-time) (present)



Tomoaki Kato

Representative Director, Senior Managing Executive Officer

- Attendance at the Board: 12/12 (100%)
- Number of shares owned: 34,460

Apr. 1980 Joined ITOCHU Corporation
Apr. 2003 General Manager of Wood Products & Materials Department
June 2009 Director of the Company
Apr. 2011 General Manager of Planning & Administration Department, Chemicals, Forest Products & General Merchandise Company of ITOCHU Corporation
Mar. 2012 Retired from ITOCHU Corporation
Apr. 2012 Director, Managing Executive Officer of the Company
Oct. 2012 General Manager of MDF Business, General Manager of Overseas Business, and Manager of Overseas Sales
June 2013 Outside Director of HOKUSHIN Co., Ltd.
Apr. 2014 General Manager of MDF Business, General Manager of Overseas Business, and General Manager of the Tokyo Office of the Company
Apr. 2016 Director, Senior Managing Executive Officer
General Manager of Overseas Business, and General Manager of the Tokyo Office
June 2016 Representative Director, Senior Managing Director, and Senior Managing Executive Officer
June 2018 Representative Director, Senior Managing Executive Officer (present)
Apr. 2020 General Manager of Overseas Business, General Manager of Asia Business, General Manager of North America Business, and General Manager of the Tokyo Office
Apr. 2021 Responsible for Overseas Business, information management, IR, R&D, and Communications (present)
June 2021 Responsible for Head Office, Overseas Business, crisis management, information management, IR, R&D, and Communications (present)



Takashi Terubayashi

Director, Audit and Supervisory Committee Member (Full-time)

- Attendance at the Board: 12/12 (100%)
- Attendance at the Audit & Supervisory Board: 13/13 (100%)
- Number of shares owned: 14,110

Apr. 1980 Joined the Company
Apr. 2011 Executive Officer
Apr. 2012 Senior Executive Officer
Manager of General Affairs and HR and Manager of the Secretarial Office
Apr. 2013 Managing Executive Officer
Manager of Management Planning Department and Manager of the Secretarial Office
June 2013 Director, Managing Executive Officer
Apr. 2014 Manager of Management Planning Department, Manager of the New Business Development Office, and Manager of the Secretarial Office
Apr. 2015 Manager of Finance and Accounting
Apr. 2017 Director, Senior Managing Executive Officer
June 2017 Representative Director, Senior Managing Director, and Senior Managing Executive Officer
June 2018 Representative Director, Senior Managing Executive Officer
June 2019 Audit & Supervisory Board Member
June 2021 Director, Audit and Supervisory Committee Member (full-time) (present)



Tetsuo Harima

Representative Director, Senior Managing Executive Officer

- Attendance at the Board: 12/12 (100%)
- Number of shares owned: 18,560

Apr. 1981 Joined the Company
Apr. 2011 Executive Officer
General Manager of Juken Sales Control
Apr. 2012 Senior Executive Officer
Apr. 2013 Managing Executive Officer
Oct. 2013 General Manager of Eco Business
Apr. 2015 General Manager of Engineering business and General Manager of Special Demand Sales
June 2016 Director, Managing Executive Officer
Oct. 2017 General Manager of Engineering business and General Manager of Special Demand Sales
President of DAIKEN HOME & SERVICE CORPORATION
Apr. 2018 Director, Senior Managing Executive Officer of the Company
Mar. 2019 President of DAIKEN ENGINEERING CORPORATION
Apr. 2020 General Manager of Domestic Business of the Company
June 2020 Representative Director, Senior Managing Executive Officer (present)
Apr. 2021 Responsible for Domestic Business
General Manager of the Tokyo Office (present)



Shingo Ishizaki

Outside Director, Audit and Supervisory Committee Member

Independent Governance Committee Chairperson

- Attendance at the Board: 12/12 (100%)
- Attendance at the Audit & Supervisory Board: 3/3 (100%)
- Number of shares owned: 0

Apr. 1979 Joined Yamaichi Securities Co., Ltd.
Apr. 1998 Joined Merrill Lynch Japan Securities Co., Ltd.
July 2001 Joined UFJ Capital Markets Securities Co., Ltd. (present Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
Oct. 2004 Joined Mizuho Securities Co., Ltd.
Executive Manager of Investment Banking Group
Apr. 2009 Managing Executive Officer and Kansai Investment Banking Group Leader
Apr. 2010 Managing Executive Officer and Kansai and Western Japan Investment Banking Group Leader
June 2015 Special Adviser of Sekisui House, Ltd.
Special Adviser of Sekisui Plastics Co., Ltd.
Apr. 2018 President and Representative Director of SI Management Co., Ltd. (present)
June 2019 Outside Audit & Supervisory Board Member of the Company
June 2020 Outside Director of the Company
Apr. 2021 Adviser of Asahi Broadcasting Group Holdings Corporation (present)
June 2021 Outside Director, Audit and Supervisory Committee Member of the Company (present)



Yuko Asami

(Name in the family registration: Yuko Katsuo)

Outside Director, Audit and Supervisory Committee Member

Independent Governance

- Attendance at the Board: 11/12 (92%)
- Attendance at the Audit & Supervisory Board: 12/13 (92%)
- Number of shares owned: 0

Apr. 2000 Full-time instructor, Faculty of Economics, Gakushuin University
Feb. 2002 Member of performance report project, Accounting Standards Board of Japan
Apr. 2003 Assistant Professor, Faculty of Economics, Gakushuin University
Apr. 2008 Professor, Faculty of Economics, Gakushuin University (present)
Feb. 2010 Member of the Evaluation Committee for the Incorporated Administrative Agency (independent administrative institution), Ministry of Finance
Acting chairman of the working group of the Organization for Small and Medium Enterprises and Regional Innovation of the same committee
Feb. 2012 Temporary member of the Business Accounting Council, Financial Services Agency
Apr. 2012 Member of the advisory committee of economics, subcommittee of the establishment of the university, council of the establishment of the university and incorporated educational institution, Ministry of Education, Culture, Sports, Science and Technology
Apr. 2014 Vice President, Gakushuin University
June 2018 Outside Audit & Supervisory Board Member of the Company
Apr. 2019 Chairperson and Professor, Graduate School of Management, Gakushuin University (present)
June 2019 Member of the Certified Public Accountants and Auditing Oversight Board, Financial Services Agency (present)
Member of Standards Advisory Council, Financial Accounting Standards Foundation (present)
Dec. 2019 Japan Society for the Promotion of Science, Member of the Committee on Grants-in-Aid for Scientific Research (present)
Jan. 2020 Examiner of Certified Public Tax Accountant Examination, National Tax Agency (present)
Sep. 2020 Auditor of Ibaraki University (present)
June 2021 Outside Director, Audit and Supervisory Committee Member of the Company (present)



Hiroshi Sekino

Director

- Attendance at the Board: 12/12 (100%)
- Number of shares owned: 0

Apr. 1987 Joined ITOCHU Corporation
Apr. 1997 Industrial Materials Section, Lumber Department No. 2
Apr. 2004 Chief of Industrial Materials Section of Wood Products & Materials Department
Apr. 2007 Seconded to ITOCHU Kenzai Corporation
Apr. 2009 Wood Products & Materials Department of ITOCHU Corporation
Apr. 2010 Chief of Industrial Materials Section of Wood Products & Materials Department
Apr. 2015 Acting Manager of Wood Products & Materials Department, Chief of Industrial Materials Section of Wood Products & Materials Department, and Planning and Administration Department, ICT, General Products & Realty Company
June 2015 Acting Manager of Wood Products & Materials Department, and Planning and Administration Department, ICT, General Products & Realty Company
Apr. 2016 Seconded to ITOCHU Kenzai Corporation
Apr. 2019 General Manager, Construction & Building Material Department of ITOCHU Corporation
Director of ITOCHU Kenzai Corporation (present)
June 2019 Director of the Company (present)
Apr. 2021 Senior Officer, Construction & Real Estate Division of ITOCHU Corporation (present)



Kiyoshi Mukohara

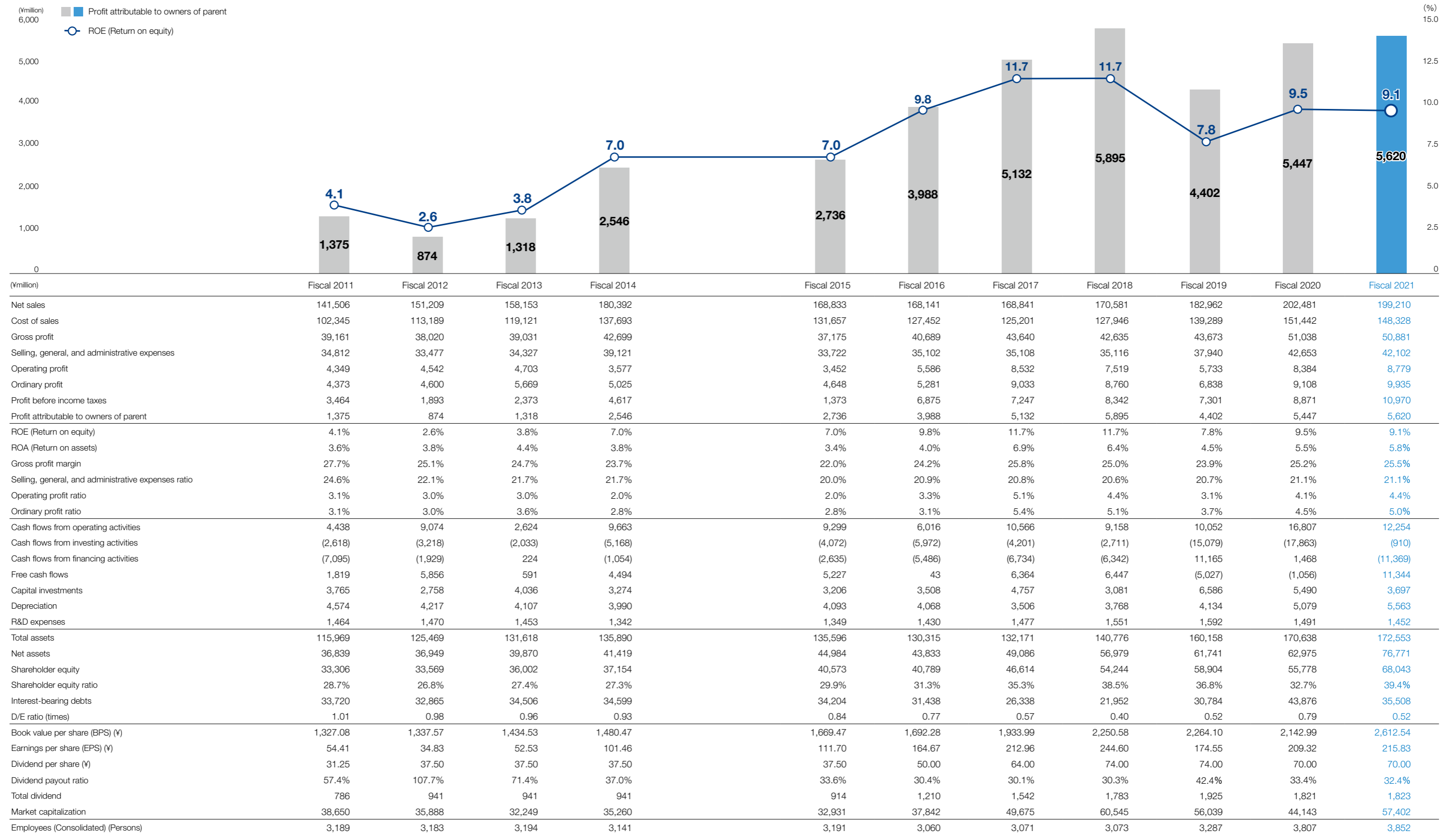
Outside Director, Audit and Supervisory Committee Member

Independent Governance

- Attendance at the Board: 9/10 (90%)
- Attendance at the Audit & Supervisory Board: 10/10 (100%)
- Number of shares owned: 0

Apr. 1975 Joined The Sumitomo Trust and Banking Company, Limited (present Sumitomo Mitsui Trust Bank, Limited)
June 2006 Director and Managing Executive Officer
June 2008 Representative Director and Senior Managing Executive Officer
Apr. 2011 Representative Director and Deputy President Executive Officer
Representative Director and Deputy President of SUMITOMO MITSUI TRUST HOLDINGS, INC.
Apr. 2012 Representative Director, Deputy Chairman of Sumitomo Mitsui Trust Bank, Limited
Representative Director of SUMITOMO MITSUI TRUST HOLDINGS, INC.
Apr. 2015 Corporate Advisor of Sumitomo Mitsui Trust Bank, Limited
June 2015 Retired from Director of SUMITOMO MITSUI TRUST HOLDINGS, INC.
June 2016 Outside Audit & Supervisory Board Member of Rengo Co., Ltd.
Apr. 2018 Executive Advisor of Sumitomo Mitsui Trust Bank, Limited
Mar. 2019 Advisor of Sumitomo Mitsui Trust Research Institute Co., Ltd. (present)
June 2020 Outside Audit & Supervisory Board Member of the Company
June 2021 Outside Director, Audit and Supervisory Committee Member of the Company (present)

Eleven-Year Financial Summary



(Note) 1. The company consolidated shares at a rate of one share per five as of October 1, 2016. The past figures were also consolidated retrospectively for ease of comparison.
 2. For more information about our financial statements, please refer to our securities report posted on our website. <https://www.daiken-ad.com/en/ir/>
 3. Free cash flows = Cash flows from operating activities + Cash flows from investing activities
 4. Debt-equity ratio = Interest-bearing debts / shareholder equity (times)

ESG Data

E Environment

Scope		Unit	2017	2018	2019	2020	2021 (Fiscal year)
Total energy input		1,000 GJ (Heat quantity equivalent)	2,841	2,888	2,874	2,914	2,667
Percentage of renewable energy		%	48	50	50	50	50
Effective use of water resources	Quantity of water intake	1,000 m ³	2,124	2,041	1,943	1,865	1,799
	Discharge of drainage		1,664	1,572	1,455	1,381	1,331
Waste, etc.	Amount generated	1,000 t	49.6	48.8	48.6	47.5	43.7
	Percentage of final volume disposed of in landfill	%	7.2	7.5	7.6	7.2	5.9
Chemical substances (Substances subject to the PRTR law)	Emissions/Transfer volume	t	8	10	13	13	6
Greenhouse gas	Scope 1 (Direct emissions)	1,000 t-CO ₂	39.2	36.1	35.4	35.4	31.2
	Scope 2 (Indirect emissions)*		64.7	63.2	58.6	55.7	51.3
	Scope 1, 2 Total*		103.9	99.3	93.9	91.1	82.5

Greenhouse Gas (Scope 3) Scope: Group consolidation in Japan		2019		2020		2021 (Fiscal year)	
		Emissions (1,000 t-CO ₂)	Percentage (%)	Emissions (1,000 t-CO ₂)	Percentage (%)	Emissions (1,000 t-CO ₂)	Percentage (%)
Category 1 Purchased goods and services	Emissions associated with the activities up to the production of materials concerning the materials/parts one's company purchased and purchased products/sale	763.6	65.2	794.9	65.6	720.1	66.0
Category 2 Capital Stock	Emissions associated with the construction/production of the capital goods one's company purchased	19.7	1.7	12.4	1.0	9.9	0.9
Category 3 Fuel and energy-related activities (not included in Scope 1 and 2)	Emissions associated with the extraction of resources, production, and transport of fuel and electricity that one's company purchased	8.6	0.7	16.8	1.4	15.3	1.4
Category 4 Upstream transportation and distribution	(1) Emissions associated with the logistics (transportation, cargo handling, and storage) of the products and services purchased in the reporting fiscal year from the supplier to one's company (2) Emissions (emissions associated with the logistics that one's company bears the cost) associated with the logistics services (transportation, cargo handling, and storage) other than (1) purchased in the reporting fiscal year	117.3	10.0	130.3	10.8	119.6	11.0
Category 5 Waste generated in operations	Emissions associated with the transportation and disposal of waste generated in one's company	3.1	0.3	3.2	0.3	3.1	0.3
Category 6 Business travel	Emissions associated with the employees' business travels	0.3	0.0	0.3	0.0	0.3	0.0
Category 7 Employee commuting	Emissions associated with the transfer when employees commute to the office	0.8	0.1	0.8	0.1	0.8	0.1
Category 8 Upstream leased asset	Emissions associated with the operation of the leased asset that one's company is leasing (Excluding the case of being calculated in the Scope 1 or 2)	-	-	-	-	-	-
Category 9 Downstream transportation and distribution	Emissions (limited to those for which one's company does not bear the cost) associated with the logistics (transportation, cargo handling, storage, and sale) of the products sold by one's company to the final consumer	13.6	1.2	13.0	1.1	11.6	1.1
Category 10 Processing of sold products	Emissions associated with the processing of the intermediate products by the business operator	19.9	1.7	21.9	1.8	20.2	1.9
Category 11 Use of sold products	Emissions associated with the use of the products by the user (consumer/business operator)	41.1	3.5	36.7	3.0	28.6	2.6
Category 12 End-of-life treatment of sold products	Emissions associated with the treatment in waste disposal by the user (consumer/business operator)	89.6	7.6	90.3	7.5	78.9	7.2
Category 13 Leased asset (Downstream)	Emissions associated with the operation of the leased asset that is being leased	-	-	-	-	-	-
Category 14 Franchises	Emissions in franchisees	-	-	-	-	-	-
Category 15 Investment	Emissions related to investment management	-	-	-	-	-	-
Scope 3 Total		1,077.7	92.0	1,120.6	92.5	1,008.5	92.4
Scope 1 (Direct emissions)		35.4	3.0	35.4	2.9	31.2	2.9
Scope 2 (Indirect emissions)*		58.6	5.0	55.7	4.6	51.3	4.7
Scope 1, 2, and 3 Total*		1,171.7	100.0	1,211.8	100.0	1,091.0	100.0

*Regarding the emission factor for electricity use associated with the calculation of greenhouse gas emissions, the actual emission factor in the said fiscal year by electric power supplier is used. However, if the factor is not released, the most recent value is used.

S Social

Number of employees

Scope		Unit	2017	2018	2019	2020	2021 (Fiscal year)
Number of employees (Consolidated)			3,071	3,073	3,287	3,807	3,852
Japan	Group consolidation	Persons	2,245	2,248	2,268	2,411	2,449
Global			826	825	1,019	1,396	1,403
Average age	Non-consolidated	Age	41.2	41.4	41.6	41.6	41.6
Female			37.5	37.7	38.6	38.8	38.8
Male			42.2	42.2	42.4	42.4	42.4
Average length of service	Non-consolidated	Year	17.6	17.7	17.7	17.5	17.6
Female			11.1	11.5	11.6	11.6	11.4
Male			19.3	19.3	19.3	19.2	19.4

Women's Active Participation

The female employee ratio	Non-consolidated	%	18.9	19.5	20.2	21.9	23.6
The ratio of female employees hired			37.5	34.0	20.3	34.0	29.0
The female manager ratio (positions equivalent to section chief or higher)			0.64	0.62	1.04	1.23	1.62

Childcare Leave

Number of employees taking childcare leave	Non-consolidated	Persons	10	5	12	28	17
Male			8	0	7	20	7
Female			2	5	5	8	10
The rate of returning to work from childcare leave		%	100	100	100	100	100

Employment of the Persons with Disabilities

The employment rate of persons with disabilities	Non-consolidated	%	2.10	1.80	2.03	1.95	1.96
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Annual Paid Leave

Acquisition of paid holidays	Non-consolidated	%	51.8	49.8	53.9	64.9	65.8
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CSR Procurement

The rate of acquisition of the agreement on the CSR procurement standards	Group production bases in Japan*	%	100	100	100	100	100
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*Four production bases in Japan from fiscal 2017 to 2018 and the group production bases in Japan from fiscal 2019 to 2021

Occupational Safety

The Rate of lost-worktime injuries	Group production bases in Japan	-	0.42	0.82	1.22	0	1.65
The plant mutual safety diagnosis execution rate		%	100	100	100	100	100

G Governance

Director Composition

Scope		Unit	2017	2018	2019	2020	2021 (Fiscal year)
Number of Directors	Non-consolidated	Persons	9	9	9	7	8
Number of Outside Directors			2	2	2	2	3

*The number of persons are the figures as of the end of June in each fiscal year

Status of the Board Convened

Number of the Audit & Supervisory Board convened	Non-consolidated	Times	12	12	15	13	12
Attendance rate of Outside Directors		%	100	95	100	100	100

Attendance rate of Outside Directors

Number of the Audit & Supervisory Board convened	Non-consolidated	Times	14	13	14	14	13
Attendance rate of Outside Audit & Supervisory Board Members		%	100	100	100	97	96

Compliance

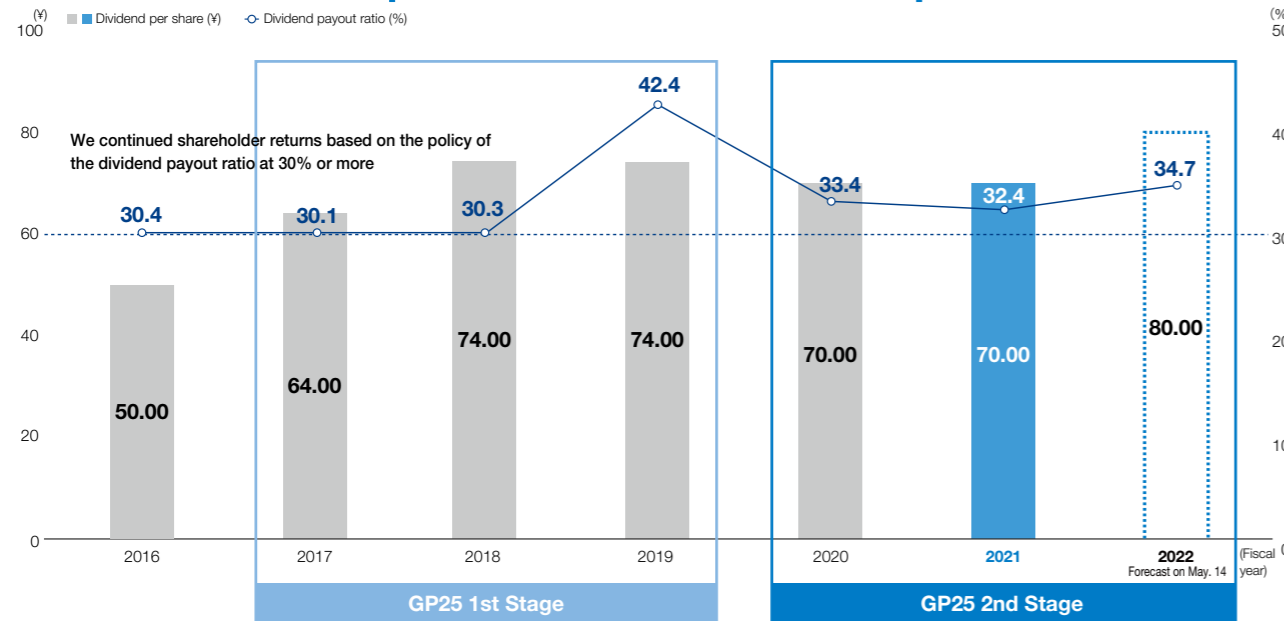
Number of participants in compliance training	Non-consolidated	Total/persons	516	3,276	863	1,337	1,471
Number of whistle-blowing		Case	4	1	6	14	8

Capital Policy/Shareholder Return

Basic policies for capital and shareholder distributions

- Our capital policy is based on striving for effective management that places emphasis on return on equity (ROE) while being aware of the capital cost and improving corporate value by improving shareholder return and optimizing the balance between financial soundness and strategic investments.
- 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.

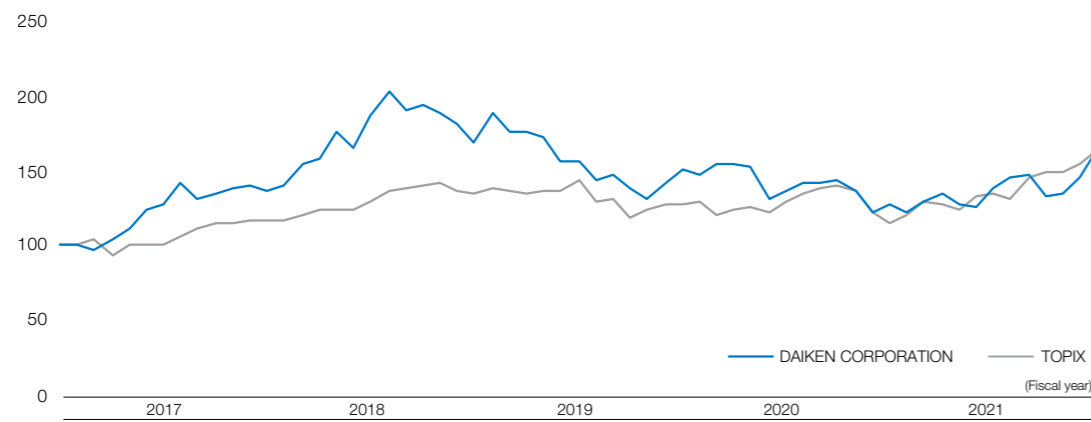
Trends in the Dividend and Dividend Payout Ratio



(Note) The company consolidated shares at a rate of one share per five as of October 1, 2016. The past figures were also consolidated retrospectively for ease of comparison.

Total Shareholder Return

(For last 5 years)



DAIKEN CORPORATION (%)	135.4	168.8	150.7	126.0	162.8
Including dividend	114.7	132.9	126.2	114.2	162.3
TOPIX (%)					

- (Note)
1. Total shareholder return: This expresses the total investment return for a shareholder that combines the amount of the stock price increase and dividend.
 2. The graph above indicates values up to the end of fiscal 2021 by indexing the end of fiscal 2016 as 100.
 3. Figures in the table above are calculated using the calculation formula by the Cabinet Office and are the values as of the end of each fiscal year from fiscal 2017 to fiscal 2021.

Stock Information (As of March 31, 2021)

Stock Information

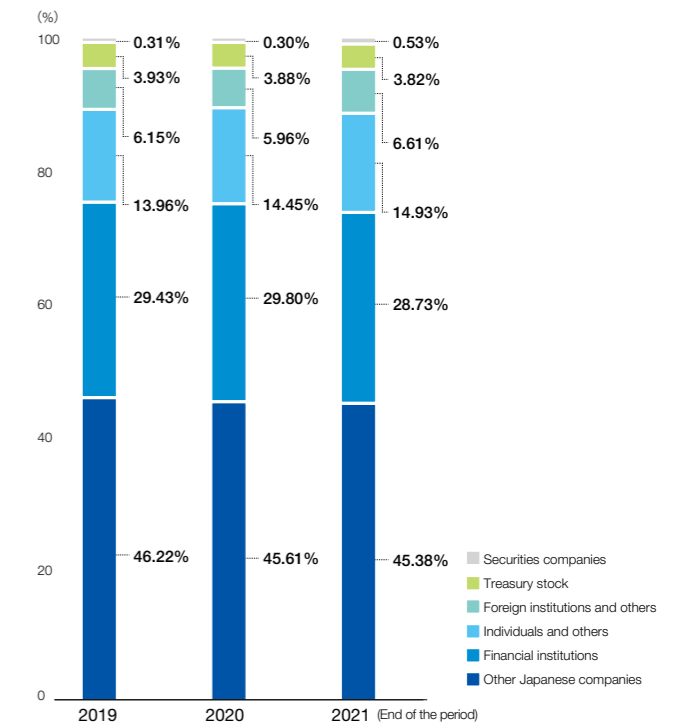
Total number of authorized shares	79,643,600
Total number of shares issued	27,080,043
Number of shareholders	3,825 shareholders
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited

Major Shareholders

Name	Number of Shares	Ownership Ratio (%)
ITOCHU Corporation	9,475,300	36.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,264,000	4.9
Sumitomo Mitsui Banking Corporation	986,980	3.8
SUMITOMO LIFE INSURANCE COMPANY	931,200	3.6
Custody Bank of Japan, Ltd. (Trust Account)	831,000	3.2
DAIKEN CORPORATION Trading-Partner Shareholding Association	777,000	3.0
DAIKEN CORPORATION Employee Shareholding Association	659,667	2.5
Sumitomo Mitsui Trust Bank, Limited	619,200	2.4
Marubeni Corporation	564,388	2.2
Nippon Life Insurance Company	545,669	2.1

- (Note) 1. DAIKEN CORPORATION is in possession of 1,035,274 treasury shares. However, the Company is excluded from the above list of major shareholders.
2. The ownership ratio is calculated excluding the treasury stock.

Breakdown of shares by type of shareholder



Trend of Stock Price/Market Capitalization/PER/PBR

(For last 10 years)



*Figures of stock price of DAIKEN CORPORATION and TOPIX are indexed as 100, based on the data of closing prices on March 31, 2011.

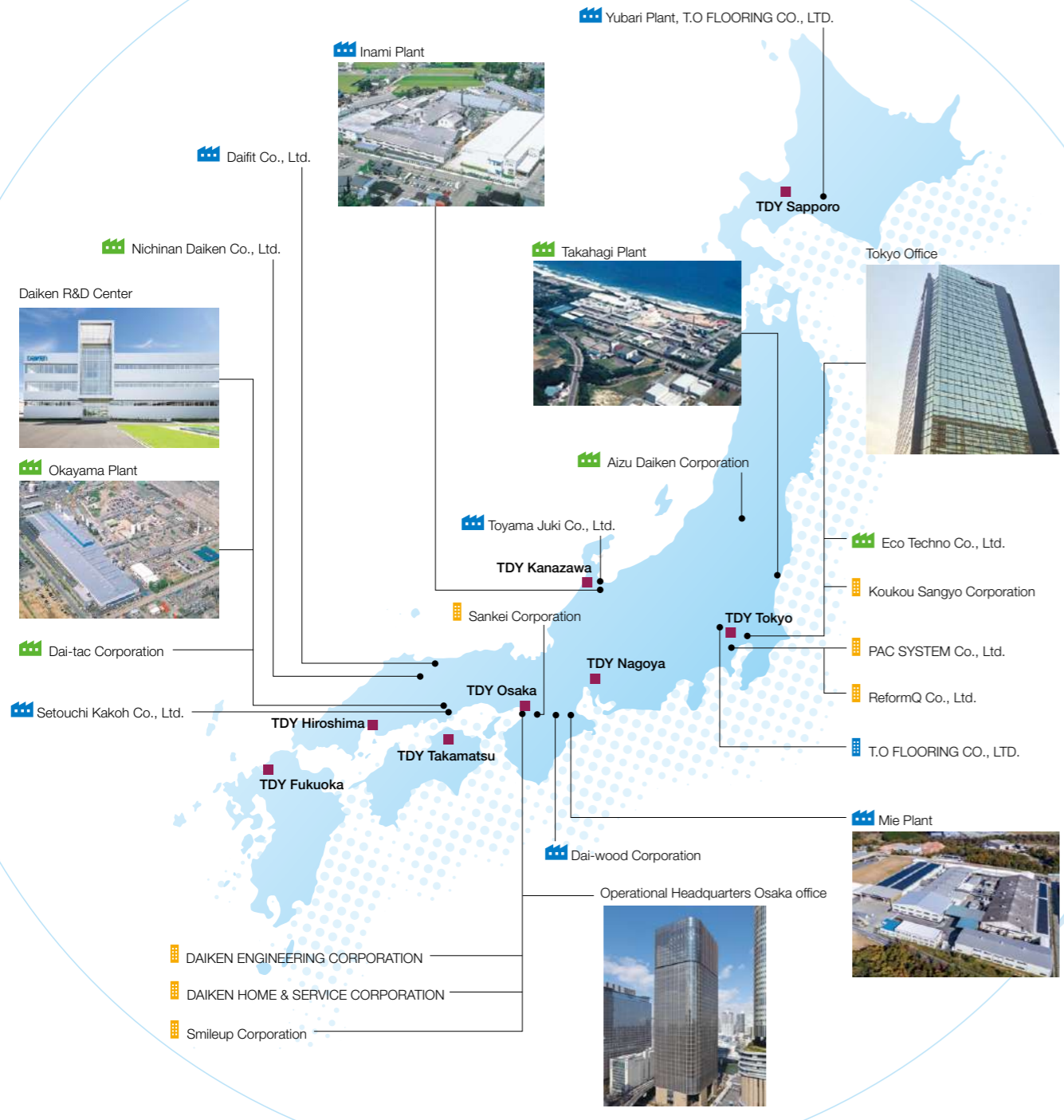
High (¥)	1,635	1,450	1,530	1,635	2,050	2,349	3,150	2,844	2,291	2,379
Low (¥)	1,045	830	1,135	1,180	1,130	1,918	1,950	1,747	1,316	1,523
Stock price at the end of the period (¥)	1,430	1,285	1,405	1,355	1,570	2,061	2,512	2,154	1,696	2,204
PER (times)	41.06	24.46	13.85	12.13	9.53	9.68	10.27	12.34	8.10	10.21
PBR (times)	1.07	0.90	0.95	0.81	0.93	1.07	1.12	0.95	0.79	0.84

- (Note)
1. Market capitalization = Stock price at the end of the period (Total number of shares issued - Number of treasury shares at the end of the period)
 2. PER (price earnings ratio) = Stock price at the end of the period / Net income per share (times)
 3. PBR (price book-value ratio) = Stock price at the end of the period / Net assets per share (times)
 4. The company consolidated shares at a rate of one share per five as of October 1, 2016. The past figures were also consolidated retrospectively for ease of comparison.

Company Information (As of March 31, 2021)

Company Name	DAIKEN CORPORATION	Registered Head Office	1-1 Inami, Nanto City, Toyama, Japan
Founding	September 26, 1945	Operational Headquarters Osaka office	3-2-4 Nakanoshima, Kita-ku, Osaka, Japan
Capital Stock	15.3 billion yen	Osaka office	3-12-8 Sotokanda, Chiyoda-ku, Tokyo, Japan
Stock exchange listings	First Section, Tokyo Stock Exchange	Major Sales Offices	Sapporo, Sendai, Tokyo, Saitama, Niigata, Nagoya, Kanazawa, Osaka, Hiroshima, Takamatsu, Fukuoka, and Singapore
Security code	7905	Production Plants	Inami Plant (Nanto City, Toyama Prefecture) Okayama Plant (Okayama City) Takahagi Plant (Takahagi City, Ibaraki Prefecture) Mie Plant (Tsu City)
Setting day	March 31		
General Meeting of Shareholders	June		

Japan



Global



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

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

Daiken Group's Value Creation Strategy for Value Creation Foundation Supporting Value Creation Data

DAIKEN

DAIKEN CORPORATION

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