

# G Governance

## Corporate Governance

### Basic Approach

#### In pursuit of optimal corporate governance that will result in sustainable improvements in our corporate value

Under the group corporate philosophy, the Daiken Group is committed to sustainable improvements in corporate value for all shareholders and stakeholders. In order to achieve efficient, sound, and transparent management, we enrich the management system, the organizational system, and the internal control system, and take the basic approach that always seeks to optimize corporate governance, and we constantly work to improve it. Based on the basic policy on corporate governance established in 2015, we are making constant improvements to respond to the ever-changing business environment surrounding the group in the ceaseless pursuit of the optimal corporate governance system.

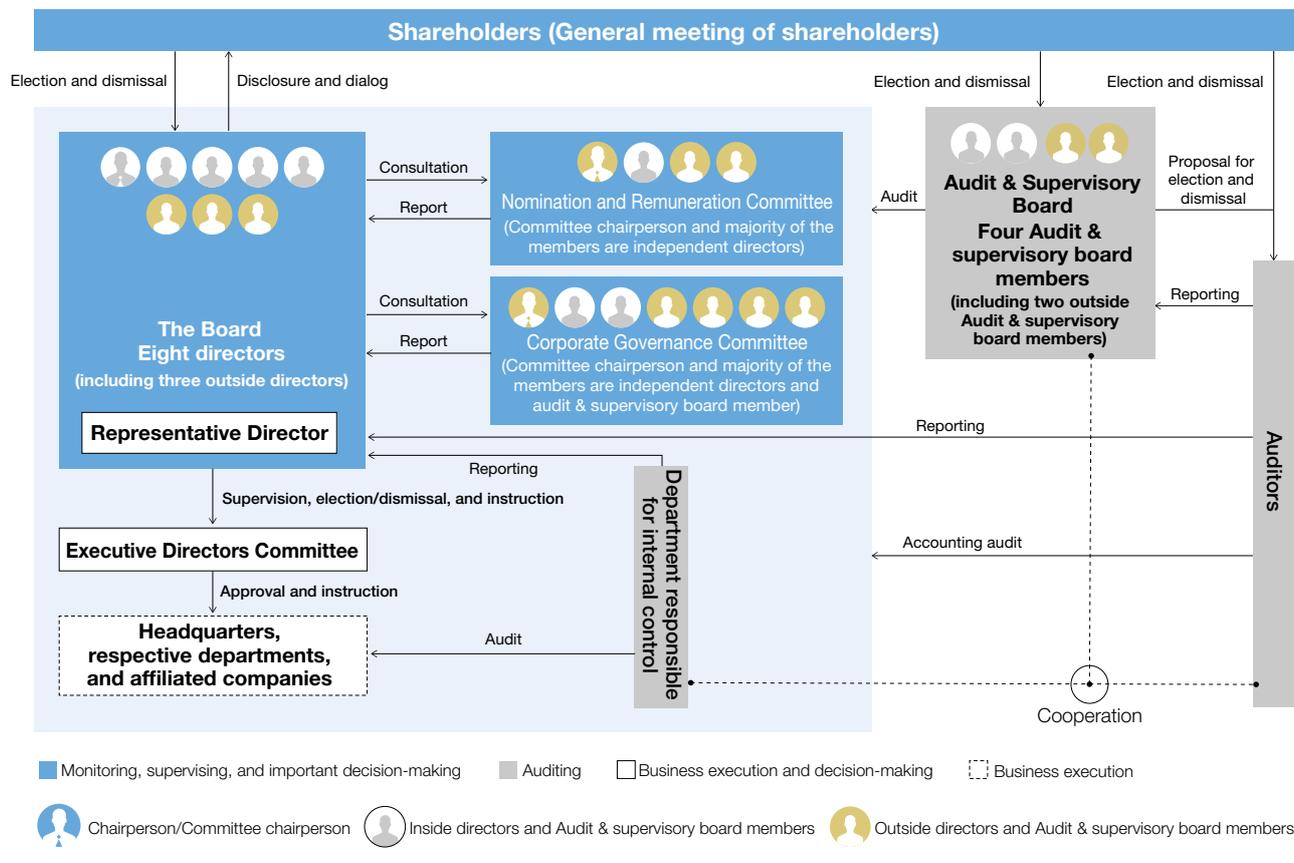
### Key Initiatives for the Enhancement of Corporate Governance

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

### Quick Reference of Corporate Governance Organization

Main Items	Details
Design of the organization	Company with Board of company Audit & supervisory board members
Number of directors (outside directors)	8 (3)
Number of Audit & supervisory board members (outside Audit & supervisory board members)	4 (2)
Number of board meetings convened (fiscal 2020) (Average attendance rate of outside directors) (Average attendance rate of outside Audit & supervisory board members)	13 times (100%) (97%)
Number of Audit & supervisory board meetings convened (fiscal 2020) (Average attendance rate of outside Audit & supervisory board members)	14 times (97%)
The term for directors	1 year
The executive officer system	Adopted
Voluntary committee of the Board	<ul style="list-style-type: none"> <li>• Nomination and Remuneration Committee: Deliberate on human affairs and the remuneration of directors and executive officers Number of committee meetings convened in fiscal 2020: 3 times</li> <li>• Corporate Governance Committee: Evaluate the effectiveness of the Board and deliberate the matters related to establishment of the governance system Number of committee meetings convened in fiscal 2020: 2 times</li> </ul>
Auditors	Gyosei & Co.

## Corporate Governance Framework



## Reasons for Selection of Outside Directors and Audit & Supervisory Board Members

	Name	Reason for selection
Outside Director	Koji Mizuno	He actively provides advice and suggestions supported by the high expertise as a professor and contributes to securing appropriate decisions by the Board. Also, his affluent knowledge about corporate management is considered essential for the improvement of our corporate value.
	Kiyoshi Furube	He has been involved in the management of TOTO Ltd., as a director for a long period of time and actively provides advice and suggestions based on his rich experience. Also, his affluent experience and wide range of knowledge about corporate management is considered to contribute to improving our corporate value. He is from TOTO Ltd., which is our client company, but the percentages of transaction amounts with the said company in consolidated sales or purchase amount in the current fiscal year are less than 1% respectively.
	Shingo Ishizaki	He has been involved in the investment banking service at a securities company for a long period of time and as our outside Audit & supervisory board member since June 2019, he has taken advantage of his affluent knowledge cultivated through such experience into the audits of our company. Also, his affluent knowledge on finance and accounting is considered to contribute to improving our corporate value.
Outside Audit & Supervisory Board Member	Yuko Katsuo	In addition to her high expertise as a professor in the Department of Economics, she held several positions as a committee member in the Ministry of Finance, Financial Services Agency and is considered to reflect her affluent knowledge on finance and accounting cultivated through such experience into the audits of our company.
	Kiyoshi Mukohara	He has been engaged in the management of a financial institution for over many years. We believe that his abundant knowledge concerning finance and management, accumulated through his experience, will contribute further to Enhancement of the Governance System at our company. He is from Sumitomo Mitsui Trust Bank, Limited, which is our major lender, but five years have passed after he resigned from the director position at the said lender.

\*All outside directors and Audit & supervisory board members have no conflicts of interest with our general shareholders with regard to personal relationships, capital relationships, business relationships, and other interests with us, and they meet the Judgment Criteria for Independence as stipulated by Daiken.

# 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 March 2016. Based on the self-assessment by all directors and Audit and Advisory Board members and deliberations at the Corporate Governance Committee in which the independent outside director is a chairperson and independent outside directors and audit & supervisory board members account for more than half of the members, the effectiveness of important decision-making in management and business execution properly 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 responses.

## Key Issues and Responses

	Fiscal year ended March 2016 to fiscal year ended March 2018	Fiscal year ended March 2019	Fiscal year ended March 2020	Fiscal year ended March 2021
Development of the Management Strategies/ Policies	Deliberations to review the Management Philosophy and revise it as the group corporate philosophy	Establishment of the Group Corporate Philosophy		Continue to periodically implement the survey to confirm the penetration status and issues
	Effective involvement in the PDCA process through annual or interim evaluations and verifications for management strategies and policies	The first survey on the degree of penetration of the group corporate philosophy was implemented. Issues in the penetration was confirmed and measures were executed		Continuous operation
	Execution of the evaluations of the degree of penetration of the management strategies and policies as well as the progress of important issues	Consideration and determination of the measures to penetrate philosophy	Started to operate the systematized Group Corporate Philosophy Penetration Program	Implement rolling for each fiscal year based on the changes and forecasts of the business results and management environment in the past fiscal year
	Enhancement of the Board's involvement particularly in the CA process (analyses, issue organization, and execution of countermeasures) in the PDCA process in the management strategies		Results and issues of the previous medium-term management plan were reported in the process to formulate the new medium-term management plan. The business and market strategies, as well as the concept of the enhancement of the management foundation, were deliberated from the draft stage	Reviews of the PDCA process are executed, so that the progress concerning the important items of the medium-term management plan can be easily grasped
		Review of the reporting content, such as the execution of operation, toward the effective involvement in the PDCA process for management strategies		Continuous operation
		Responded to the further involvement in the important matters, such as investments, as a continued issue		①
Directors' Knowledge and Abilities	Improvement of the provision of training opportunities for directors and Audit & supervisory board members	The Director Human Resource Development Program was set and its operation started		Continuous operation
		The Nomination and Remuneration Committee was involved in human affairs of the directors to develop the next generation		Continuous operation
Improvement of Discussions	Improvement of the information provision to deepen outside director and audit & supervisory board members' understanding of our businesses and that they could sufficiently review agendas of the Board in advance	Reporting of the matters to deliberate in the management meeting to outside directors in the regular debrief session and to outside Audit & supervisory board members in the Audit & supervisory board		Since then, regular holding has been continuing
	Improvement of the information provision to outside directors and audit & supervisory board members to promote their understanding in advance in deliberations	Improvement of the information provision, such as deliberation results on the executive officer side, and implementation of deliberations several times in regard to high-risk acquisition cases		Since then, continuously implementing this
	Improvement of the support system in order for the directors and Audit & supervisory board members to be able to actively collect information in and outside the company	Thorough implementation of the prompt distribution of materials Holding of an office visit for the outside directors and audit & supervisory board members		Since then, continuously implementing this
Enhancement of the Supervisory Function and Risk Management	Improvement of the supervisory function by delegating part of decision-making to the executive officer side	Review of the regulations of decision-making authority	Revised the Board's rules and expanded the scope to be delegated to the executive officer side	Since then, these have been continuing
		Enhancement of the Board's involvement in the group-based risk management		To be the key issue in the next fiscal year as an ongoing case
	Improvement of the feedbacks of IR activities	Periodic implementation of the reporting of IR activities		Since then, periodic implementation on a quarterly basis has been continuing
Improvement of a Dialog with Stakeholders		Improvement of the structure to promote a constructive dialog and transmit helpful information for stakeholders including shareholders	In creating the integrated report, a questionnaire survey of the directors and individual meetings were implemented, and the Board has been actively involved	Since then, periodic implementation of an opinion hearing questionnaire survey and production meeting has been continuing
			To improve information transmission to stakeholders, such as shareholders, evaluations by the recipients of the information were monitored by the Board	Evaluations by the investors were monitored by the Board and evaluations from external institutions improved by reflecting them in the integrated report and on the website
				External opinions are continued to be reflected on the integrated report creation policy
				③

## Results of the Evaluation in the Fiscal Year Ended March 2020 and Response to the Future Issues

The Board's effectiveness evaluation implemented in the fiscal year ended March 2020 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 four independent outside directors. The Board sufficiently maintains the effectiveness of important decision-making in management and supervision of proper business execution. In particular, we improved support for outside directors, such as provision of information on the management meeting, opportunities to have an interview with management executives, and opportunities to hold an office visit at home and abroad, which are evaluated to contribute to active discussions toward the medium- to long-term growth. Evaluations by the recipients of the information were monitored and discussed at the Board with regard to the information transmission to the stakeholders, such as stakeholders, which are evaluated to lead to the further improvement of information transmission and enhancement of the structure to promote a constructive dialog. On the other hand, we confirmed the future issues to further increase the Board's effectiveness, such as (1) enhancement of the after-the-fact monitoring of important issues, such as investments, that the Board made a decision, (2) continuous involvement in the group-wide internal control and risk management, and (3) deepening of the discussions on the opinions by the stakeholders that are grasped through a dialog. Regarding these issues, we will proceed with responses as follows.

### ① Enhancement of the Monitoring of Important Issues

Regarding the important matters, such as an investment case, enhance monitoring, such as grasping and discussing the change in the environment and progress of a plan, and enhance involvement in PDCA in the management strategies.

### ② Enhancement of Group Risk Management

We will re-evaluate risks based on a rapid change in the business environment, continuously discuss the risk countermeasures according to the degree of importance, and enhance risk management.

### ③ Deepening of the Discussions on the Responses to the Opinions by Shareholders and Investors

The Board will grasp the content of opinions from stakeholders that are grasped in dialogs with shareholders and investors and deepen discussions on the responses to take.

## Executive Remuneration

### Policy of Executive Remuneration

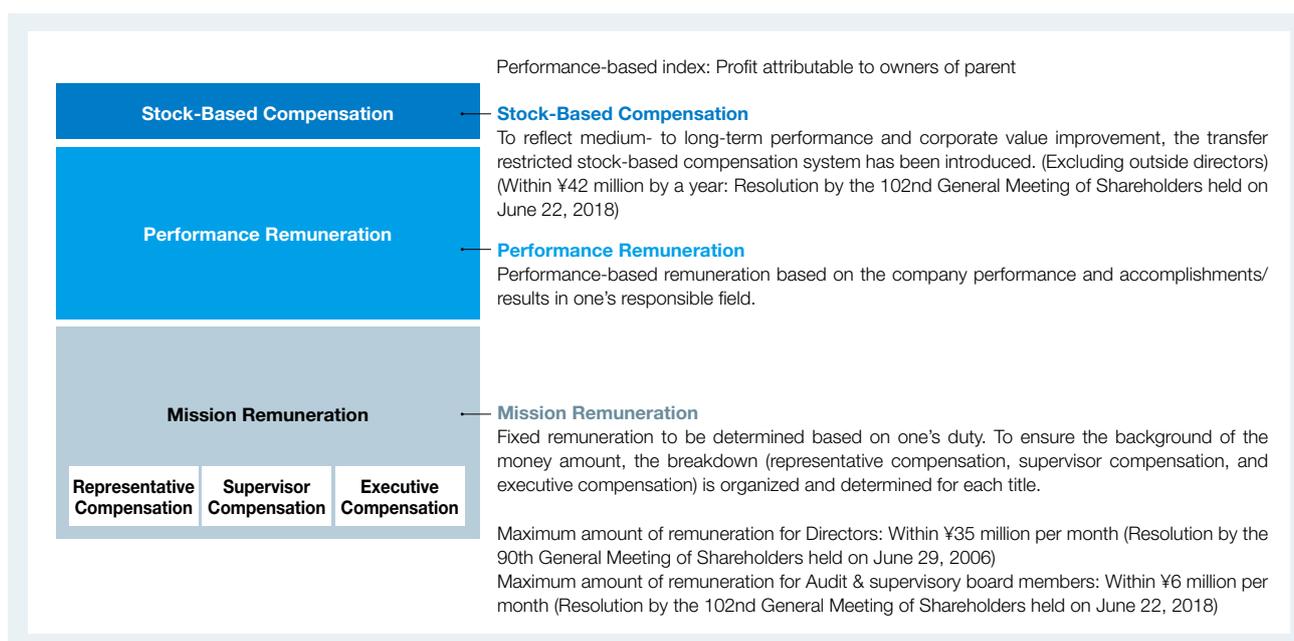
- 1 The remuneration system shall be based on the practice of the group corporate philosophy.
- 2 The remuneration system shall be designed reflecting the long-term vision GP25 and the medium-term management plan, prevent too great an emphasis on short-term inclinations, and motivate the improvement 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 to calculate executive remuneration, and the authority is delegated to the representative director by a Board resolution. In determining remuneration, to secure transparency, fairness, and objectivity, remuneration is determined by the representative director after deliberations and recommendations by the nomination and remuneration committee in which the independent outside director is a chairperson and independent outside directors account for more than half of the members.

### 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 is around 40% and is designed to fluctuate according to performance.



### Executive Remuneration for the Fiscal Year Ended March 2020

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. (¥million)	Total Amount of Remunerations, etc by Type (¥million)				Number of Target Executives
		Mission Remuneration	Performance Remuneration	Stock-Based Compensation	Retirement Benefits	
Directors <sup>*1</sup>	225	109	106	9	–	7
Audit & supervisory board members <sup>*2</sup>	40	40	–	–	–	3
Outside Directors and Audit & supervisory board members	22	22	–	–	–	5

\*1: Except for outside directors \*2: Except for outside Audit & supervisory board members

## Message

### Message from the New Outside Audit & Supervisory Board Member

## Contributing to Sustainable Corporate Value Enhancement by Pursuing Essential Corporate Governance



### Kiyoshi Mukohara

Outside Audit & Supervisory Board Member

I am Kiyoshi Mukohara, the newly elected outside audit & supervisory board member as of June 26, 2020. I was also appointed a member of the Corporate Governance Committee on the same day in order to participate in the corporate governance system and deliberate on the requirements of Daiken Corporation. My relationship with corporate governance traces back to 2000, the dawn of the concept in Japan. In those days, I served as the deputy general manager for securities at a trust bank. I frequently exchanged information with institutional investors in the US and UK, as well as with consulting companies, on the exercise of voting rights. Through exposure to the latest information from overseas, I acquired extensive knowledge on corporate governance. Since then, I have tackled this important theme for nearly 20 years. Discussions regarding corporate governance became vibrant in Japan in the 2010s, which led to the establishment of the Corporate Governance Code in June 2015. Through my work involving corporate governance, I learned that corporate governance directs how the company responds to the expectations of shareholders and how it is inextricably linked to the exercise of voting rights as the declaration of the intentions of those shareholders. The essence of corporate governance is how a company adapts to changes over time through constructive dialogs with shareholders, while pursuing the sustainable enhancement of corporate value.

Corporate governance has taken root in the economy and society of Japan since the establishment of the Corporate Governance Code. In the past few years, a major shift has been made from shareholder capitalism to stakeholder capitalism. In the current COVID-19 situation,

some cases have uncovered the disadvantages of too intensely pursuing greater capital efficiency, such as ROE. In Japan, corporations have adopted a traditional management philosophy that emphasizes "good for everyone" and "the company is a public entity." A mindset similar to multi-stakeholder capitalism has been established for the sustainable enhancement of corporate value. I emphasized this attitude as a management executive of a bank as a public entity while contributing to the sustainable development of society through finance.

In the post-COVID-19 era, balancing the business activities of the company with contributions to a sustainable society will become more important than ever, as the management policy, by cherishing the relationships with diverse stakeholders through the concepts of multi-stakeholder, good for everyone, altruism, and ESG (Environment, Society, and Governance). It will be necessary to focus on these aspects and set the direction for future corporate governance.

In this rapidly changing era and environment, I believe that a company that sincerely pursues the best governance will always achieve sustainable growth. Based on my experience in examining many companies, I consider the corporate governance system of Daiken Corporation a successful standard. However, corporate governance must be improved and upgraded through persistent efforts. I am strongly determined to fulfill my responsibility as the outside audit & supervisory board member by leveraging the expertise and experience that I have accumulated and by dedicating myself to the spirit of corporate governance, while always recognizing its essence.

# 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 occurrence of risks by continuously following the PDCA including reviewing the status of 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 2020: 4

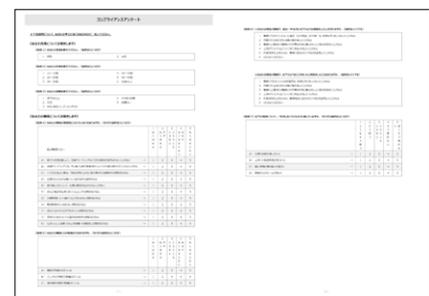
#### Key Deliberation Items

Risk Management	Compliance
<ul style="list-style-type: none"> <li>• Consideration of the important risk measures and analysis/evaluation of the influence degree</li> <li>• BCP responses based on the raw material procurement and system problems</li> <li>• Disclosure of the risks associated with businesses</li> <li>• Risk hedge status of nonlife insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Results of the survey on the compliance consciousness degree and future responses</li> <li>• Matters concerning the results of the execution of compliance training and the plans for the next term</li> <li>• Personal information management status</li> </ul>

## Thorough Compliance

### Implementation of the Survey on the Compliance Consciousness Degree

In August 2019, we implemented the Survey on the Compliance Consciousness Degree to the employees of the group. In this survey, which was the first survey, we made up questions based on the opinions by the third party, such as the level of understanding of the rules, laws, and regulations, and the awareness of the whistle-blowing system in order to acknowledge the status of employees' consciousness of compliance and clarify issues that need to be addressed. As a result of the survey, our group's consciousness degree was 61 pt (our own index). In the medium-term ESG plan that started in fiscal 2020, we will implement education and enlightenment activities, such as continuous training, toward the achievement of the goal of +5 pt using this result as a benchmark. We also implement the survey annually and by reflecting the issues in the measures, we will deploy more actual condition-based and effective measures.



Example of the slip of the Survey on the Compliance Consciousness Degree

### Execution of Compliance Training

Across all the Daiken Group companies, we implement compliance training related to particularly relevant laws and regulations through group training by rank or e-learning training to be taken according to the year of joining the company. In fiscal 2020, we added and expanded a lecture for senior staff members to be manager candidates and implemented workshops by department for 19 departments 24 times in total where menus such as the dissemination of the whistle-blowing system and credit management are provided according to the features of each department. In the future, we will establish compliance by planning and implementing education and training menus to address our group's issues based on the results of the Survey on the Compliance Consciousness Degree in fiscal 2020.

#### Key Compliance Training System by Rank of Employees and Job Type

Rank	Training by Rank		Training by Job Type (By division/theme)
	External training and group training	e-learning training and self-learning course using textbooks	
Executive Officers	Compliance management, etc.		Sales Division
Department Heads	Department management compliance, risk management, BCP, information management, etc.		Manufacturing Division
Managerial Position	Compliance, labor management, etc.	Prevention of harassment	R&D Division
Senior Staff Member Class	Cases of breach of compliance	Insider trading regulations	Back Office
Up to the fifth year since joining the company	Anti-Monopoly Act	Subcontract Act	Group Companies
	Foreign Exchange and Foreign Trade Control Law/Export management	Waste Disposal and Public Cleaning Act	
	Intellectual Property Rights (Copyright, trademark right, etc.)	Credit management	
New Employees	Act on the Protection of Personal Information	Product safety	
	Basic knowledge of compliance	Complaints handling	
	Compliance, CSR, etc.		

## Risks Associated with Businesses, etc.

Risks associated with businesses that may have a serious impact on our group have been identified as follows. In identifying the risks, they were determined by the Board's resolution after deliberations in the Risk and Compliance Management Committee. We have determined the departments responsible for each risk, formulated countermeasures that could be assumed to the extent possible, and been serially executing them; however, not all the risks are covered. As for our group's businesses, the situation may have an impact on our group's financial condition and business performance if economic activities and markets do not function normally due to the following risks: a risk that is unknown at the present moment, other risks that are not deemed to be important at the present moment, or a risk that will have an immense impact throughout the entire world (large-scale war, terrorism, natural disaster, pandemic, etc.).

Classification	Risks	Risk Awareness
Disaster/Environment	(1) Spread of infectious disease	Impact on production, logistics, sales activities, business environment, and overall business operation due to the spread of an infectious disease, such as a novel virus.
	(2) Occurrence of natural disasters	Impact on production, logistics, and sales activities, as well as the destruction of infrastructure, disruption of supply chains etc. due to an earthquake, tsunami, typhoon, etc.
	(3) Environment related items	An increase in cost burden and compensation liability associated with the environmental laws and regulations
Business Environment	(4) Fluctuations in new housing starts and floor areas	Shrinking of the markets due to a decrease in population and a decrease in the number of households associated with the low birthrate and longevity
	(5) Fluctuations in the raw wood and plywood prices	Tightening regulations over illegal logging of tropical hardwood and fluctuations in the supply demand balance, ocean freight, and foreign exchange
	(6) Fluctuations in the crude oil and petrochemical product prices	Situations of the producing countries and the international supply demand balance Fluctuations in the petrochemical products, such as paints and adhesives, and the energy cost at the time of production
	(7) Foreign exchange fluctuations	Fluctuations in tropical timber plywood of which the major application is the materials for flooring, import transactions from the group MDF plants in Malaysia and New Zealand, and the foreign currency transaction adjustment in overseas investments
	(8) Stock price fluctuations	Booking of the appraisal loss and loss on sale due to a decline in the prices of holding shares
	(9) Interest-rate fluctuations	Impact on interest expenses due to interest-rate fluctuations
Business Operation	(10) Quality assurance	Generation of the compensation costs for the amount of damage, lowering of the brand image, and customer defection due to product defects
	(11) Acquisition and alliance related items	Shortfall of the investment effect by M&A, etc.
	(12) Fire and facility trouble in production plants	Disruption of product supply due to fire or a serious facility trouble in a production plant
	(13) Intellectual properties	Generation of the litigation cost concerning the intellectual property right
	(14) Information security	Occurrence of a compensation of damage and degradation of the brand image associated with the leakage of the privacy or credit information of customers
	(15) System trouble	Occurrence of the delivery delay, additional production cost, loss on disposal of products, etc. associated with the ordering and order receiving core system failure
	(16) Raw material procurement trouble	Occurrence of problems in the supply chain, such as supply disability due to fire, facility trouble, and disasters, in the supplier of the major raw materials
System	(17) Accounting related items	Booking of impairment loss on non-current assets, introduction of new accounting standards or tax system, or a difference of opinion with the tax authority concerning tax declaration
	(18) Regal regulation related items	Stricter legal regulations or permission and approval system in the overseas production base

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

### Risk Management Process Flow



- After extracting and classifying the risks that may have a serious impact on our group, set the responsible departments that will respond to the risks.
- Responsible departments for each risk comprehensively evaluate the risk from the both aspects of the possibility of the risk becoming apparent and the extent of damage when the risk becomes apparent and rank the risk according to the importance.
- For important risks, which were ranked high, formulate and execute the risk measures on an annual basis. Report the risk measure execution status to the Risk and Compliance Management Committee and conduct progress management.
- After reporting the risk response status in the Board, resolve the descriptions in the securities report.

Response to a Risk	
<input type="checkbox"/>	Setting of the measures for the infection prevention and the prevention of the spread and setting of the flexible work shifts
<input type="checkbox"/>	Organization of the response manuals and securing of stockpiles in preparation for a contingency
<input type="checkbox"/>	Selection of multiple suppliers of raw materials and securing of the BCP inventories
<input type="checkbox"/>	Securing of human life safety, countermeasures for key facilities and important systems, organization of the response manuals, and securing of stockpiles based on the <i>Disaster Countermeasure BCP Manual</i>
<input type="checkbox"/>	Selection of multiple suppliers of raw materials and securing of the BCP inventories
<input type="checkbox"/>	Asset protection and risk hedge by nonlife insurance in preparation for the opportunity loss due to business interruption
<input type="checkbox"/>	Operation of the environment management system based on ISO 14001
<input type="checkbox"/>	Compliance with legal requirements, such as waste management, and improvement of rules to reduce environmental risks
<input type="checkbox"/>	Compliance with the environmental rules and execution of internal auditing toward the continuous improvement
<input type="checkbox"/>	Practice of the management strategies that are based on the long-term vision and do not rely on new housing starts in Japan
<input type="checkbox"/>	An increase in our share in the new home market by the differentiated products
<input type="checkbox"/>	Expansion in the non-housing public and commercial buildings and global markets
<input type="checkbox"/>	Increase in use of domestic timber by using the special MDF developed with our unique technologie
<input type="checkbox"/>	Suppression of a rapid impact on the profit and loss by setting about one year, instead of six months, for the condition determination for transaction prices
<input type="checkbox"/>	Reflection of the portion that cannot be absorbed by the self-help efforts on the selling prices
<input type="checkbox"/>	Promotion of both the reduction of greenhouse gas emissions and cost reductions by shifting energy from fossil fuels to woody biomass
<input type="checkbox"/>	Switching to domestic timber plywood that is not affected by the foreign exchange rates
<input type="checkbox"/>	Market fluctuations that cannot be absorbed will be reflected on the selling prices while monitoring the movements of competitors
<input type="checkbox"/>	Hedging transactions by the foreign exchange reservation in accordance with the stipulations of the Financial Derivatives Management Regulations
<input type="checkbox"/>	Review holding shares from both the qualitative and quantitative aspects once a year and report the result to the Board
<input type="checkbox"/>	Reduction of the shares that are judged where the significance of holding is unsatisfactory
<input type="checkbox"/>	Utilization of financial derivatives for long-term financing that is one year or more in accordance with the stipulations of the Financial Derivatives Management Regulation
<input type="checkbox"/>	Operation of the quality management system based on ISO 9001
<input type="checkbox"/>	Setting of the rules concerning design development management, product safety inspections, etc.
<input type="checkbox"/>	Inspections by the exclusive members centering on the quality assurance division at the Head Office that is independent of the development/manufacturing division
<input type="checkbox"/>	Verifications and inspections in the Investment Committee that give consideration to the management strategies, synergy, the market environment, risk factors, the capital cost, etc.
<input type="checkbox"/>	Implementation of periodic reviews in the management meeting and the Board for verification of the effects after acquisition
<input type="checkbox"/>	<i>Disaster Countermeasure BCP Manual</i> , rules, a supervisory organization, in-advance countermeasures, response manuals, and securing of BCP spare articles
<input type="checkbox"/>	Implementation of the group-based Plant Mutual Safety Diagnosis that incorporates an objective perspective of other plants
<input type="checkbox"/>	Risk hedge by nonlife insurance in preparation for unforeseen risks
<input type="checkbox"/>	Improve the rules concerning intellectual property rights in the rules that manage the design development processes
<input type="checkbox"/>	Establishment of the dedicated department that will manage intellectual property rights and improvement of the checking system for various R&D cases and products from the design development phase
<input type="checkbox"/>	Improvement of the internal rules, such as the Information Management Rules, Personal Information Protection Management Rules, IT Security Rules, etc.
<input type="checkbox"/>	Introduction of various security measure systems, management of access authorizations, and implementation of security education for employees
<input type="checkbox"/>	Improvement of the organizational structure that will integrally manage the series of mechanisms from order receipt to shipping, delivery, etc.
<input type="checkbox"/>	Enhancement of the ordering and order receiving core system's processing capacity and enhancement of the countermeasures for the backup function in case of failure
<input type="checkbox"/>	Formulation of the <i>Disaster Countermeasure BCP Manual</i>
<input type="checkbox"/>	Selection of multiple suppliers of raw materials and promotion of the countermeasures, such as securing of BCP inventories
<input type="checkbox"/>	Verifications and inspections of the consistency with the management strategies in the Investment Assessment Committee, the investment effect that gives consideration to the capital cost, and the safety, quality, environmental consideration, etc.
<input type="checkbox"/>	Sufficient consideration by the external experts, such as a tax accountant corporation, and advance referral to the tax authority as needed
<input type="checkbox"/>	Improvement of the response systems for legal regulations, as well as permission and authorization through the cooperation between the planning division that integrally manages the global production bases and global business and the legal affairs division at the Head Office

# Directors and Audit & Supervisory Board Members

(As of June 26, 2020)

## Director



Representative Director,  
President

### Masanori Okuda

- Attendance at the Board: 13/13 (100%)
- Number of the Company's shares owned: 32,750 shares

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)



Representative Director, Senior  
Managing Executive Officer

### Takashi Aihara

- Attendance at the Board: 13/13 (100%)
- Number of the Company's shares owned: 7,930 shares

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 (Tokyo Bar Association) (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 (present)  
Apr. 2020 Responsible for Head Office, IT and logistics reforms, ISO, crisis management, information management, compliance, IR, and R&D (present)



Director

### Hiroshi Sekino

- Attendance at the Board: 10/10 (100%)
- Number of the Company's shares owned: 0 shares

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 (present)  
Director of ITOCHU Kenzai Corporation (present)  
June 2019 Director of the Company (present)



Outside Director

### Koji Mizuno

- Attendance at the Board: 13/13 (100%)
- Number of the Company's shares owned: 400 shares

Apr. 1991 Joined The Nanto Bank, Ltd.  
Mar. 2006 Retired from The Nanto Bank, Ltd.  
Apr. 2006 Full-time Instructor, Faculty of Management, Otomon Gakuin University  
Apr. 2010 Assistant Professor, Faculty of Management  
Apr. 2011 Advisor to the Organization for Small and Medium Enterprises and Regional Innovation, JAPAN (Independent Administrative Institution) (present)  
June 2011 Outside Audit & Supervisory Board Member of the Company  
Apr. 2014 Assistant Professor, Graduate School of Business Administration, Faculty of Management, Otomon Gakuin University  
June 2015 Outside Director of the Company (present)  
Apr. 2016 Professor, Graduate School of Business Administration, Faculty of Management, Otomon Gakuin University  
General Manager of the Venture Business Study Center  
Apr. 2018 Dean and Professor, Faculty of Management (present)  
Professor, Graduate School in Business Administration and Economics (present)

Independent



## Audit & Supervisory Board Member



Audit & Supervisory Board Member

### Takashi Terubayashi

- Attendance at the Board: 13/13 (100%)
- Attendance at the Audit & Supervisory Board: 10/10 (100%)
- Number of the Company's shares owned: 13,410 shares

Apr. 1980 Joined the Company  
Apr. 2005 Manager of Hokkaido Sales  
Apr. 2008 Manager of Marketing Department  
Apr. 2010 Manager of General Affairs and HR  
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  
Feb. 2019 Responsible for IT and logistics reforms  
June 2019 Audit & Supervisory Board Member (present)



Audit & Supervisory Board Member

### Toshio Fuyuki

- Attendance at the Board: 13/13 (100%)
- Attendance at the Audit & Supervisory Board: 14/14 (100%)
- Number of the Company's shares owned: 6,000 shares

Apr. 1980 Joined the Company  
Apr. 2000 Manager of Dai-Lite product development, Dai-Lite Business Department  
Apr. 2003 Manager of the R&D Center  
Apr. 2010 Executive Officer  
Manager of Seibu Eco Business, Eco Business Department, and President of Okayama Daiken  
Apr. 2011 Senior Executive Officer  
General Manager of Eco Business and Manager of Seibu Eco Business  
Apr. 2013 Managing Executive Officer  
Oct. 2013 Manager of Development Planning  
Apr. 2014 Manager of General R&D Center  
Apr. 2015 Manager of Quality Assurance  
June 2017 Audit & Supervisory Board Member (present)

 A member of Nomination and Remuneration Committee

 A member of Corporate Governance Committee

\*Attendance in the Board as well as the Audit & supervisory board is the status in fiscal 2020.

\*The number of shares owned is the number as of the end of March 2020.



Representative Director, Senior Managing Executive Officer

### Tomoaki Kato

- Attendance at the Board: 11/13 (85%)
- Number of the Company's shares owned: 27,730 shares

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  
 Apr. 2017 Responsible for overseas business, General Manager of the Tokyo Office (present)  
 June 2018 Representative Director, Senior Managing Executive Officer (present)  
 Apr. 2020 General Manager of Overseas Business, General Manager of Asia Business and General Manager of North America Business (present)



Representative Director, Senior Managing Executive Officer

### Tetsuo Harima

- Attendance at the Board: 13/13 (100%)
- Number of the Company's shares owned: 14,130 shares

Apr. 1981 Joined the Company  
 Apr. 2004 Manager of Kyushu Sales  
 Apr. 2006 Manager of Kinki Sales  
 Apr. 2009 Assistant General Manager of Seibu Sales Control  
 Apr. 2010 Assistant General Manager of Tobu Juken Sales Control  
 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 Responsible for business in Japan, General Manager of Domestic Business (present)  
 June 2020 Representative Director, Senior Managing Executive Officer (present)



Outside Director

### Kiyoshi Furube

- Attendance at the Board: 13/13 (100%)
- Number of the Company's shares owned: 200 shares

Apr. 1977 Joined TOTO Kiki Ltd. (present TOTO LTD.)  
 Oct. 2003 Manager of Sales Promotion Group in Shikoku  
 Apr. 2008 General Manager of Sales Promotion Group  
 June 2008 Executive Officer and General Manager of Sales Promotion Group  
 June 2010 Director, Executive Officer, General Manager of Sales Promotion Group and Sales Control  
 Apr. 2011 Director, Managing Executive Officer, responsible for the Sales Promotion Group  
 Apr. 2012 Director, Senior Managing Executive Officer, responsible for the Sales Promotion Group  
 Apr. 2014 Representative Director, Executive Vice President, responsible for all sales related departments  
 Apr. 2017 Director  
 June 2017 Outside Director of the Company (present)  
 Advisor of TOTO LTD.  
 June 2019 Retired from Advisor of TOTO LTD.



Outside Director

### Shingo Ishizaki

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

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, CEO of SI.Management Co., Ltd. (present)  
 June 2019 Outside Audit & Supervisory Board Member of the Company  
 June 2020 Outside Director of the Company (present)



Outside Audit & Supervisory Board member

### Yuko Katsuo

- Attendance at the Board: 12/13 (92%)
- Attendance at the Audit & Supervisory Board (13/14) (93%)
- Number of the Company's shares owned: 0 shares

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 (present)  
 Apr. 2019 Chairperson and Professor, Graduate School of Management, Gakushuin University (present)  
 June 2019 Financial Services Agency, Member of the Certified Public Accountants and Auditing Oversight Board (present), Financial Accounting Standards Foundation  
 Member of the Standards Advisory Council (present)  
 Dec. 2019 Japan Society for the Promotion of Science, Member of the Committee on Grants-in-Aid for Scientific Research (present)  
 Jan. 2020 National Tax Agency, Certified Public Tax Accountant Examiner (present)



Outside Audit & Supervisory Board member

### Kiyoshi Mukohara

- Attendance at the Board: -
- Attendance at the Audit & Supervisory Board: -
- Number of the Company's shares owned :0 shares

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. (present)  
 Apr. 2018 Executive Advisor of Sumitomo Mitsui Trust Bank, Limited  
 Feb. 2019 Retired from Sumitomo Mitsui Trust Bank  
 Mar. 2019 Advisor of Sumitomo Mitsui Trust Research Institute Co., Ltd. (present)  
 June 2020 Outside Audit & Supervisory Board Member of the Company (present)