



## Interview with Top Management

# Strengthen Our Foundations Further and Demonstrate Prominent Presence in the Domestic Building Materials Market

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Representative Director and President CEO

### Q How changed the business environment surrounding the company in the fiscal year ending March 31, 2024?

Looking back at the business environment over the past year, the impact of the shrinking working-age population on the domestic housing market became clear in terms of a decline in construction and building capacity. Housing prices remained high due to rising material and construction costs, while real wages growth was weak, affecting consumers' appetite in buying homes. As a result, in FY 2024, the number of new housing started dropping by 60,000 units, from 860,000 to 800,000. The shrinking trend in the new housing market is increasingly apparent; owner-occupied homes have decreased for two consecutive years and previously strong sectors such as condominiums and rental properties have now started to decline. We expect this trend to continue going forward.

As to the public and commercial sector, various construction projects, mainly for offices, have started in the metropolitan areas of Tokyo, Osaka, and Nagoya, and

demand for interior construction work has been on the rise. Yet, rising material prices and labor costs have squeezed the profits in the construction.

Shifting our focus overseas, the U.S. housing market has been stagnant due to the continued high interest rates while signs of recovery are emerging this year. The market price of MDF, widely used as a building material and base material for furniture, has remained at a low level due to the sluggish global construction demand.

### Q How do you assess the company's performance under such environment?

FY 2024 was the second year of "GP25 3rd Stage (FY 2023 - FY 2026)", our mid-term management plan, which is the final phase of our 10-year vision GP25 towards FY 2026. Through implementation of various initiatives to meet our targets, domestically, revenue and profits from the engineering business increased in line with rising demand for construction. Although the building materials business faced

profit pressures from rising variable costs especially in the first half of the fiscal year, thanks to understanding and support of our customers, gradual implementation of price adjustments allowed us to recover the profits in the second half.

While our overseas business was a strong contributor until the previous fiscal year, the sluggish North American housing market and Pacific Woodtech Corporation (PWT) ceasing consolidated (and becoming an equity-method affiliate) in August 2022, as well as declining profitability of our main material business, MDF, impacted our performance. As a result, for the fiscal year ending March 2024, revenue decreased by 8% year-on-year to 210.6 billion yen, operating profit dropped by 40% to 5.9 billion yen, and net profit attributable to the shareholder fell by 61% to 3.9 billion yen.

▶ P.31-32 Progress of the Medium-Term Management Plan GP25 3rd Stage

### Q What challenges do you foresee for the fiscal year ending March 2025?

For the fiscal year ending March 31, 2025, we must address two key changes in the business environment: logistics and construction. The "2024 problem" stemming from the stricter regulation on overtime limits for workers in Japan's logistics and construction sectors is the key factor behind these changes. In logistics, since it will not be easy to operate large-scale deliveries across Japan's north-south stretch as we've done so far, we need to efficiently deliver building materials—challenging due to their size and shape—while managing rising costs. Alongside ongoing logistics system reforms, optimizing our production system to synchronize with logistics reform is critical, too.

In construction, the labor shortage, driven by stricter overtime regulations and an aging workforce, presents another challenge. To meet the strong demand for construction, we will take comprehensive steps to improve working conditions and workspace environment not just for our eight construction-related group companies but also for our partner companies.

▶ P.18 Construction System in the Engineering Business

### Q What efforts will the company focus on for the fiscal year ending March 31, 2025?

In response to the two key changes in the business environment mentioned earlier, our goal is not just to sell products but also to deliver experiences through one-stop services that include both design and construction.

We offer a wide range of industrial and building materials with advanced features that address issues like sound, air, and odor in the living environment, helping us stand out in the industry. Additionally, our expertise in measuring and designing the effectiveness of industrial and building materials in different spaces, along with our knowledge of optimizing their placement, are significant strengths. Given the increasing demand for these capabilities in places like offices, clinics, and accommodation facilities, we aim to go beyond selling products. We will also enhance our spatial design and construction proposals to fully leverage the functions of our building materials.

For instance, there is growing interest in improving acoustic environments, whether in residential or commercial spaces, especially as remote meeting has become standard since the COVID-19 pandemic. We've been developing, manufacturing, and selling acoustic sound-absorbing ceilings and soundproof doors—primarily for residential use—since 1982. We are now applying the technology and expertise we've accumulated to the non-residential sector and have initiated a new business focused on acoustic environment solutions to meet demands for improved sound environments in offices and other spaces. This January, we decided to build an acoustic experiment facility at our Okayama factory as a new hub for acoustic design, to further enhance our R&D and technological capabilities.

▶ P.44 New development center for acoustic products

In January 2024, the Noto Peninsula Earthquake occurred. We offer our deepest condolences to the families of those who lost their lives and extend our heartfelt sympathy to everyone affected by the disaster. The devastation caused by this earthquake has reminded us of the critical importance of housing safety and security, and prompted us to reflect on the company's role in society.

With natural disasters occurring frequently in Japan, there is growing public concern about seismic performance and building safety. We confirmed that facilities using Daiken's hybrid ceilings remained intact during the earthquake despite the overall damage to the buildings. This has reinforced the value of the products supported by our technological expertise, with a focus on creating "safe and secure spaces" to a broad range of customers. Additionally, we have heard that evacuation centers, such as gymnasiums where disaster victims are housed, often lack adequate heating and cooling systems, or, even if present, may have uneven temperature control. Our company offers a system that utilizes radiant heat to deliver an even air-conditioning effect throughout the entire space, and as the declining birthrate leads to the consolidation and closure of schools and the review of gymnasiums and other facilities progresses, we will strengthen our proposals for buildings that can also be used as evacuation shelters.

▶ P.37-40 Public and Commercial Buildings

In April 2024, we launched the "Building and Interior Solutions Division" as an organization dedicated to creating value-added spaces. This new division will leverage not only the materials and products ("mono") offered by our group but also consulting services that focus on functionality ("koto"), along with design and construction capabilities. We will reinforce our proposals to enhance the value of spaces where people gather by fully utilizing these resources.



## Interview with Top Management

**Q Daiken Corporation recently became a subsidiary of ITOCHU Corporation Group. Could you elaborate on how this happened and what changes it will bring in the future?**

Our relationship with ITOCHU Corporation dates back to our founding. On September 26, 1945, Daiken Corporation was established when the forestry division of Daiken Sangyo Co., Ltd.—originally founded by ITOCHU Corporation, Marubeni Corporation and Kureha Boseki—was spun off. Over the past 78 years, Daiken and ITOCHU have collaborated on numerous projects, primarily overseas, as partners that mutually enhance each other's corporate value, steadily achieving results along the way. Given this history, we renewed our capital and business alliance with ITOCHU



Corporation in 2018. The following year, we incorporated two companies into our group: CIPA Lumber Co., Ltd. (CIPA), a Canadian veneer plant, and PWT, a U.S. LVL manufacturer—both previously wholly owned subsidiaries of ITOCHU Corporation.

With Japan's domestic housing market shrinking year after year, we are shifting our focus toward renovations and nonresidential public and commercial buildings in Japan. To grow globally, where markets are expected to expand, we believe that strengthening our relationship with ITOCHU will allow us to make swift and informed decisions, leveraging ITOCHU's deep expertise of global markets and their wealth of human resources. Beyond the North American acquisitions previously mentioned, we are exploring new business opportunities with ITOCHU, including potential mergers and acquisitions. Domestically, we aim to leverage ITOCHU's robust real estate network and customer base to boost sales of our existing products and services, while also expanding into adjacent businesses such as consulting, design and interior construction to promote the creation of comfortable spaces.

We will also be promoting more active exchanges of human resources. We aim not only to improve operational efficiency by securing and strengthening our global and digital talents—who are expected to play an increasingly important role—but to drive innovation through greater diversity and help us build a more dynamic and resilient organization. We believe that

### Background of the transition to becoming a wholly owned subsidiary of ITOCHU Corporation

1941	C. Itoh & Co., Marubeni Shoten, Ltd. (currently, Marubeni Corporation), and Kishimoto Shoten, Ltd. have merged to form Sanko Kabushiki Kaisha, Ltd.
1944	Sanko Kabushiki Kaisha, Ltd., Kureha Cotton Spinning Co., Ltd. (currently, Toyobo Co., Ltd.), and Daido Boeki Kaisha, Ltd. merged to form Daiken Co., Ltd.
1945	Founded Daiken Mokuzai Kogyo Co., Ltd., at the Inami factory in Toyama acquiring all the business of the Forestry Department at Daiken Co., Ltd.
2018	Capital and business alliance with ITOCHU Corporation

**2023** Became a wholly owned subsidiary of ITOCHU Corporation aimed at further improving both companies' corporate value

### Purpose of the transition to becoming a wholly owned subsidiary of ITOCHU Corporation

#### Global market deployment

- Deployment of housing-related business in North America
- Acceleration of the expansion strategy, such as M&A with the background of global network and financial power

#### Public and commercial buildings field

- Expansion of the sales of the existing businesses
- Expansion of the scope of business to the adjacent businesses, such as the consulting service for business owners and spatial design

#### Enhancement of the human resource foundation

- Activation of the exchange of human resources
- Sharing of mutual knowledge and know-how
- Realization of the diversity of human resources

this exchange will provide opportunities for employees eager to take on new challenges. Our goal is to grow our business, enhance job satisfaction and motivation of our employees, and make our presence known throughout the building materials industry.

With our becoming a wholly owned subsidiary on December 21st of last year, we concluded our 74-year history as a publicly listed company, which started in May 1949. I would like to take this opportunity to once again express my deepest gratitude to all of you who have supported our company as shareholders over the years. When making this significant decision, I personally communicated the details to various stakeholders, including our customers and business partners. I am grateful that many of you have understood and supported our decision.

Now that we are part of the ITOCHU Group, we will build on our existing strengths and proactively evolve to deliver even greater value. Also, we aim to enhance the trust our stakeholders place in us, while deepening our collaboration with business partners and customers to drive forward to new levels of success.

▶ P.11-12 [Changes in Value Creation](#)

**Q Any shift from sustainability, which has been a key pillar of management?**

Our company has always, and will continue to, prioritize sustainability as a core focus of our business, with the goal of continuously enhancing corporate value. Our strength lies in the expertise we've developed over decades—using timber with zero waste, creating innovative industrial and building materials, and constantly pursuing new ways to be more environmentally responsible. Our key strengths lie in our innovative thinking, unique perspectives, and technical capabilities, all driven by a commitment to sustainability. We aim to strengthen our contribution to decarbonization by adhering to the "Daiken Sustainability Policy" established in 2022. This includes using quantitative data to measure the CO<sub>2</sub> fixation effect of wood resources to support our customers' decarbonization efforts.

▶ P.5-6 [Our Sustainability Goals](#)



As an example of our work with wood resources, our insulation boards made from construction demolition timber have been in production for 66 years and are widely used in tatami mats and construction site protection. However, there is significant potential for new applications and proposals that leverage their environmental advantage. Other examples include wood-derived adhesives used in MDF replacing conventional fossil fuel-based adhesives, and "low-density" technology to achieve reduction of raw materials usage and logistics burden, without sacrificing the high performance.

▶ P.44 [Development of Materials from Sustainable Resources](#)

**Q Lastly, please address all your stakeholders with a few words?**

The business environment surrounding our company is changing drastically and rapidly; we are committed to developing products ("monozukuri") and creating value-added experiences ("kotozukuri") that meet these evolving needs. In driving these initiatives forward, being a wholly owned subsidiary of ITOCHU Corporation grants us access to a wide range of ITOCHU's resources, which is a unique strength that other companies may not have.

We have two years left to achieve our long-term vision, GP25. The fiscal year ending in March 2025 will be crucial for the conclusion of the long-term vision GP25. Since we first formulated 'GP25,' both internal and external environments have changed significantly. In the domestic housing market, we are shifting from new construction to renovations and remodeling, as well as expanding into non-residential areas such as public and/or commercial projects. By leveraging the solid foundation we've built in industrial materials, building materials, and engineering, we aim to drive sustainable growth both in Japan and globally. We remain committed to providing new value that exceeds our stakeholders' expectations and humbly ask for your continued support.