

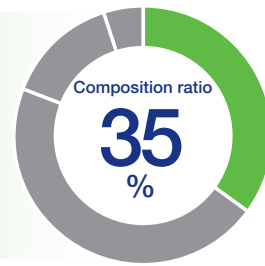
# Three Businesses Use Strengths

## Industrial Materials Business

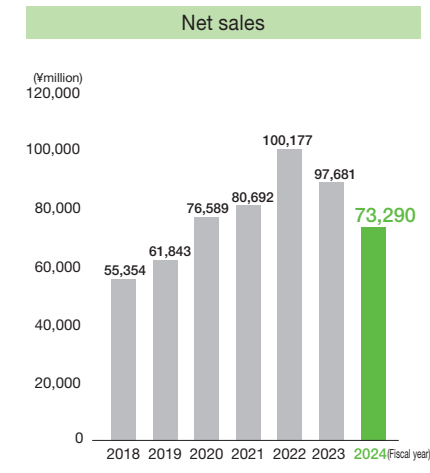
Developing and offering highly functional industrial materials

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.

Sales composition ratio



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



	Details of the major business
Production factories	<ul style="list-style-type: none"> <li>Okayama factory: Manufacturing of DAILITE/DAILOTONE/insulation board</li> <li>Takahagi factory: Manufacturing of insulation board</li> </ul>
	<ul style="list-style-type: none"> <li>Dai-tac Corporation: Manufacturing of Tatami facing</li> <li>Aizu Daiken Corporation: Manufacturing of Tatami facing</li> <li>Nichinan Daiken Co., Ltd.: Processing of preservative termite repelling LVL veneers</li> <li>Eco Techno Co., Ltd.: Processing of waste wood</li> <li>DAIKEN NEW ZEALAND LIMITED (New Zealand): Manufacturing of softwood MDF</li> <li>DAIKEN SOUTHLAND LIMITED (New Zealand): Manufacturing of softwood MDF</li> <li>DAIKEN SARAWAK SDN. BHD. (Malaysia): Manufacturing of hardwood MDF</li> <li>DAIKEN MIRI SDN. BHD. (Malaysia): Manufacturing of hardwood MDF</li> <li>CIPA Lumber Co., Ltd. (Canada): Manufacturing of veneer</li> </ul>
Subsidiaries part of the Group	

**Strategies by business segment**

- Contribute to the resolution of social issues in the global markets through the development of industrial materials that use sustainable resources and the sales expansion
- Execution of the business structural reform toward the profitability improvement

**Value creation**

- Utilization development that will expand the possibility of industrial materials and acquisition of alternative demand from the perspective of sustainability
- Enhancement of the appeal of and sales expansion of the products for public and commercial buildings, such as noncombustible products and materials for tatami mats
- Verifications toward the start of the environment-conscious MDF production
- Promotion of the new application development of wood materials, such as insulation boards and MDF
- Sales expansion of non-combustible decorative materials made of DAILITE base material, including louvre materials and eaves
- Promotion of the structural business reform at the four MDF factories

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Department



The MDF Business Department operates with a global production system having two factories in Malaysia and two in New Zealand. We supply products not only to Japan but to markets around the world. In FY 2024, we faced a challenging business environment characterized by persistently high crude oil prices, a global downturn in the MDF market, and the impact of a weak yen. In response to these challenges, we focused on cost reduction efforts and structural reforms. In 2024, we will begin commercial production of PEFC(Programme for the Endorsement of Forest Certification)-certified MDF in Malaysia for the first time. Combined with the use of FSC(Forest Stewardship Council)-certified timber in New Zealand, we promote increasing the utilization of plantation wood and certified timber. Looking ahead, our department is committed to developing new applications of MDF and innovating materials to meet the needs of future generations. As part of our sustainability efforts, we are already developing environmentally friendly MDF, such as wood-based adhesives and low-density products that require fewer raw materials while maintaining the same performance as regular MDF. With our commitment to the stable production and supply of eco-friendly MDF, we aim to inspire more customers to adopt our solutions and strengthen our position as a leading manufacturer in the wood materials industry. MDF, which can be produced using small-diameter wood and residual offcuts that might otherwise go to waste, plays a crucial role due to its carbon fixation effect. As we move forward, we remain committed to addressing global social issues, taking on new challenges, and contributing from a broader, global perspective.

The Eco-Products Business Department manufactures a variety of materials, including insulation boards, DAILITE, DAILOTONE, and tatami facings, using underutilized and renewable resources. Last year, we faced emerging geopolitical risks and significant fluctuations in exchange rates, which prompted us to prioritize improving the material procurement environment to ensure stable operations. In this dynamic environment, we continue to innovate by offering new products that enhance the spatial value, drawing on Daiken Corporation's expertise in designing industrial and building materials for floors, walls, and ceilings. For example, DAILOTONE, as a base material for ceiling products, has been gaining traction in the housing market by offering features that improve comfort in living spaces, such as sound-absorbing, deodorization, and humidity control properties. Similarly, DAILITE is increasingly adopted for decorative boards, eaves, and louvers, thanks to its non-flammable properties. In FY 2024, we introduced a new product that combines recycled aluminum from the Tokaido Shinkansen trains with Daiken Corporation's DAILITE. This innovative product contributes to the circular economy and offers a unique blend of design and safety, particularly for public and commercial spaces that require non-flammable materials. Additionally, with anticipated inbound demand for tatami mats, our innovative tatami facing, made from traditional Japanese paper crafted with our proprietary machine technology, offer both scratch resistance and water repellency. Through these innovations, we promote the richness and comfort of featuring tatami mats in modern living spaces, contributing to preserve and develop Japanese cultural traditions.

**Second place in the inorganic bearing surface category**  
A questionnaire survey for the readers in regard to their intention to adopt building materials and equipment manufacturers' products  
The November 23, 2023 issue



Domestic MDF share  
**No.1**  
(Estimated by our company)

Domestic insulation board share  
**No.1**  
(Estimated by our company)