

DAI-DAN REPORT 2024–2025

Integrated Report 2024–2025, DAI-DAN CO., LTD.



<https://www.daidan.co.jp/>

For any feedback or inquiries relating to this report,
please contact

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A Message from Management

Giving “life” to the building

March 4, 2023 marked our company's 120th anniversary.

Our history has been built with the support of our stakeholders and our sincere desire to deliver better facilities.

To date, we have given “life” to a number of buildings. Buildings function and are brought to life only when air circulates, water flows, and light turns on. Our mission is to provide spaces in which people can exist comfortably and to manufacture high quality products with air conditioning, plumbing, and electrical equipment, to “provide spatial value.”

Our company's unwavering goal is to become a Dai-Dan that “continues to take on new challenges while maintaining a strong sense of history and tradition.” We look forward to your continued understanding and support.

Yasuhiro Yamanaka

Representative Director
President
DAI-DAN CO., LTD.



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Editorial Policy

Since fiscal 2008, we have been publishing our CSR report as a means of informing our stakeholders of our business operations and CSR initiatives. In fiscal 2014, we renamed this publication the Dai-Dan Report. Compiled as an integrated corporate report, it contains both financial and non-financial data in addition to the conventional content.

Scope of This Report

•Target organization

This report covers the operations of DAI-DAN CO., LTD. All financial information is reported on a consolidated basis.

•Period

This report covers the fiscal year spanning April 1, 2023, to March 31, 2024. Some data refers to activities after April 1, 2024.

Report Guideline References

ISO 26000
Ministry of the Environment *Environmental Reporting Guidelines* (2018)
GRI *Sustainability Reporting Standards*

Dai-Dan's 121-year History of

As a building services engineering and installation provider, Dai-Dan has continued to use its advanced technology to add comfort and vibrancy to interior spaces where people gather. For more than a century, we have been expanding the breadth of our expertise and securing the trust of our customers.

At the same time, we are helping to achieve greater harmony with nature.

The company is founded in 1903 as industrial production looks set to take off

- 1903** Dai-Dan's founder, Genji Sugaya, opens Sugaya Shoten in Tsuboya-cho, Kita-ku, Osaka, as a shop selling various machines, electric appliances, iron materials, etc., necessary for industrial production.
- 1906** The Murai Sugaya Sales Office is opened in the same district, and the company enters the heating business.
- 1907** With the Russo-Japanese War, Japan enters an age in which greater importance is placed on heavy industry. The resulting signs of a move toward full-scale use of electricity in the country lead the company to specialize in the electrical work business and change its trade name to Osaka Denki Shokai.
- 1909** Office operations are moved to Edobori Minami-dori 1-chome (site of the former head office) as the number of staff increase as the electricity and heating businesses boom.
- 1912** Offices are opened in Nagoya and Tokyo (upgraded to branch offices in 1921).

Osaka Danbo Shokai is launched and expanded as a building services engineering and installation provider

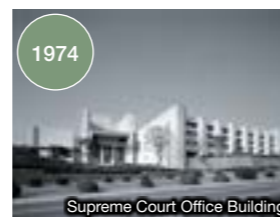
- 1915** The business rights of Murai Sugaya Sales Office are taken over by the newly established Osaka Danbo Shokai.
- 1918** The business expands due to the war economy of World War I, and Osaka Denki Shokai and Osaka Danbo Shokai are integrated. In line with the founder's thinking that a name that sticks in the memory is a key to success, the newly established company takes the long name Osaka Denki Shokai/Osaka Danbo Shokai.

The company responds to larger buildings and more advanced industrial facilities

- 1933** Osaka Denki Shokai/Osaka Danbo Shokai Co., Ltd. is incorporated.
- 1962** The company motto—"Serious efforts, thought creation, cooperation and harmony, faithfulness, sincerity and gratitude"—is formulated.
- 1965** The corporate name is changed to Osaka Denki Danbo Co., Ltd.
- 1968** The Technical Division is established to introduce and accumulate cutting-edge technologies.
- 1973** Osaka Branch's operating division independently establishes Dai-Den Equipment Construction Co., Ltd. Between this and 1976, nine companies become independent and establish affiliated companies.
- 1975** The company is listed on the Second Section of the Osaka Securities Exchange.
- 1976** The catchphrase "Inspired by Light, Air & Water" is born.

(The slogan, which leads into the current sustainability thinking, sets out the company's great social responsibility in handling light, air, and water—elements that are indispensable for life—and as a company that develops a positive balance between the electricity, air conditioning, and plumbing sectors.)

Major installations



Creating Value

The company expands its overseas business

- 1977** The Overseas Division is established in June, and in August a representative office was set up in Singapore.
- 1979** The representative office in Singapore is upgraded to a branch office.
- 1981** The company is moved into the First Section of the Osaka Securities Exchange.
- 1983** The building of head office is constructed at the current place (Edobori, Nishi-ku, Osaka).

R&D into cutting-edge equipment technologies is strengthened

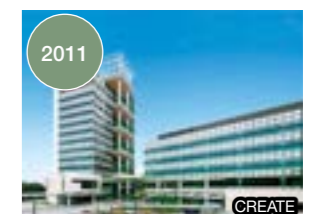
- 1984** Technical Research Laboratory is constructed at Miyoshimachi, Iruma-gun, Saitama Prefecture. R&D into intelligent buildings and clean rooms is promoted.
- 1987** The corporate name is changed to DAI-DAN CO., LTD. in April.
- 1993** The company is listed in the First Section of the Tokyo Stock Exchange.
- 2003** The company celebrates the hundredth anniversary of its founding.

The company responds to the decarbonization of society, the regenerative medicine business is promoted, and the overseas business expands

- 2016** With the rebuilding of the Kyushu Branch Office, enefice Kyushu™ is constructed as a facility to demonstrate ZEB (net Zero Energy Building) in our own building from the perspective of BCP.
- 2017** The open lab Cellab Tonomachi is opened in order to promote open innovation with the aim of contributing to the promotion of industrialization in the field of regenerative medicine.
- 2019** enefice Shikoku™ (Shikoku Branch Office), which completely achieves ZEB certification by reducing energy usage so 100% can be met with renewable energy, is constructed.
- 2020** In February, the subsidiary Cellab Healthcare Service Co., LTD. is established to promote the regenerative medicine business.
In October, the subsidiary DAI-DAN (VIETNAM) Co., LTD. is established in Hanoi, Vietnam.
- 2021** In May, enefice Hokkaido™ (Hokkaido Branch Office) is opened. Complete cold-weather ZEB is achieved.
In September, the local subsidiary DAI-DAN INTERNATIONAL ASIA PTE. LTD. is established in Singapore as a base for future business for Southeast Asia.
In November, a subsidiary is established in Taiwan.
- 2022** In May, the Hokuriku Branch Office is rebuilt. Cross-Laminated Timber (CLT) is used to create a next-generation office building that fuses tradition and innovation.
- 2023** The corporate logo is updated to commemorate the company's 120th anniversary.
- 2024** In March, the Niigata Branch was rebuilt on the concept of "an office that promotes a new workstyle by realizing the three Ds (decarbonize, destress, and de-routine) and resilience through DX."
In April, Yasuhiro Yamanaka became President. (Shohei Kitano is appointed as Advisor, and Ichiro Fujisawa as Chairman.)

* enefice™: A term coined from Energy Conscious Office, a nickname for Dai-Dan's ZEB-oriented store buildings

Major installations



Human resource development is the cornerstone of corporate growth.

Yasuhiro Yamanaka

Representative Director
President
DAI-DAN CO., LTD.



Profile

April 1983 Entered Dai-Dan
 April 2017 Corporate Officer, Manager of Sales Division, Dai-Dan
 July 2017 Senior Corporate Officer, Manager of Sales Division, Dai-Dan
 April 2020 Managing Corporate Officer, General Manager of East Japan Division, Representative of the Tokyo Head Office, Dai-Dan
 June 2020 Director, Managing Corporate Officer, General Manager of East Japan Division, Representative of the Tokyo Head Office, Dai-Dan
 April 2021 Director, Senior Managing Corporate Officer, General Manager of East Japan Division, Representative of the Tokyo Head Office, Dai-Dan
 April 2024 Representative Director, President, and Corporate Officer, Dai-Dan (current position)

On assuming the office of President

—Formulating Our Corporate Philosophy—

In April 2024, I assumed the position of Representative Director and President. I feel humbled by the weight of the baton passed on to me from my predecessors who have ridden out myriad storms for more than 120 years since our company's founding. I will do my utmost to further strengthen the management foundation that has been built to this point and to further evolve the company into one that will continue to achieve dynamic growth with the technical capabilities called for in the coming era.

Prior to my assuming the current post, we announced the direction we will take as our corporate philosophy, "Delivering space values of safety, comfort, and trust to the future of ourselves, society, and earth."

Subsequent to the unveiling of our slogan, "moving from building services engineering and installation to creating value in space," our goals have now become even clearer. The space in a building is not just a space separated by floors and walls, but is

given "value" as a space in which people gather and things are produced only when various forms of building equipment such as air conditioning, lighting, and sanitary equipment are installed. The "value in space" is defined as a "space" that has "value" that society and customers seek intrinsically and potentially.

This corporate philosophy expresses our aspiration to be a company that is capable of providing safety and comfort to the people who gather in spaces created with our equipment, and performance required for spaces in production facilities with a high level of reliability, all through the ages. It also embodies our commitment to contributing to the construction of a sustainable society by always looking ahead and reducing our impact on the global environment through promotion of energy-saving equipment, creating healthy, safe, and rewarding work environments and building partnerships with our subcontractors and suppliers that will enhance the value we provide.

Review of the previous Mid-Term Management Plan (FY2021-FY2023)

With the three-year period of our previous Mid-Term Management Plan (FY2021-FY2023) positioned as Phase 1: Preparation Stage of our long-term vision, Stage 2030, we have been working mainly on the development of our foundation in Japan and overseas.

In Phase 1, the economic situation was on its way to recovery from the COVID-19 pandemic. Despite a period of instability during which plans for some projects were postponed, orders received and net sales of completed construction contracts were on the rise. On the other hand, supply chain disruptions, weakening of the yen, and labor shortages caused the cost of materials and equipment as well as outsourcing expenses to spike, and ensuring profit was a challenge.

In the final year of Phase 1, driven by the vigorous capital investment in the manufacturing industry, we received orders for large-scale projects related to industrial facilities, including large semiconductor factories and automotive battery plants. Moreover, a trend emerged toward receiving orders at fair prices that reflected rising materials and equipment costs. We believe that factors behind this are increasing recognition of the importance of companies involved in facility construction in the construction market and the payoff of our corporate efforts made in various areas in Phase 1, including improvement of our technical capabilities and development of installation framework centered

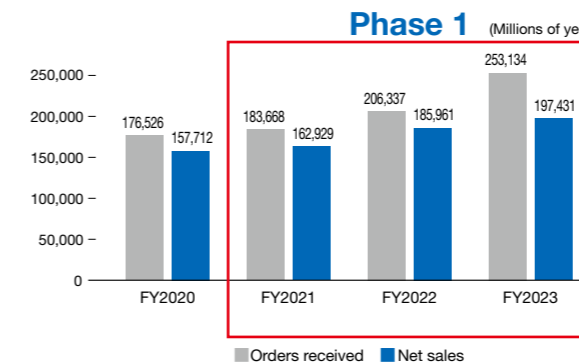
on industrial facilities.

In overseas business as well, remaining on the expansionary track in business pushed up overseas sales to 19 billion yen, accounting for over 9% of total sales in the company. As we have made a local M&E service provider an equity-method subsidiary in Singapore, we are reinforcing our business foundation outside Japan for future growth as well.

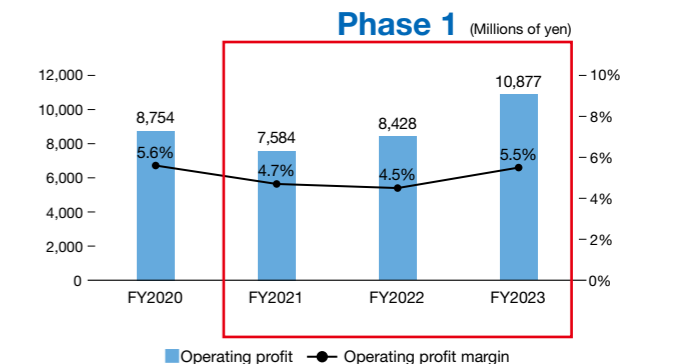
However, while we delivered robust business performance in general, our P/B ratio, which indicates investors' expectations regarding our company's growth, had been below 1.0x for a long time. To cope with this, we have been developing an environment that makes it easier for investors to invest in our company's shares by increasing liquidity through stock splits and secondary offerings of our company's shares, providing proactive disclosure of information on our company's policies and initiatives. These efforts came to fruition when our P/B ratio exceeded 1.0x to reach 1.14x as of March 31, 2024, the end of Phase 1.

In fiscal 2023, the final year of Phase 1, we came close to achieving our initial target of 200 billion yen in consolidated net sales, with orders received achieving 250 billion yen, close to our record high. Operating profit went beyond the initial target of 10 billion yen, and ROE came to 10%. We believe that Phase 1 proceeded largely as planned.

■ Results of orders received and net sales



■ Results of operating profit and operating profit margin



About our new Mid-Term Management Plan

—Becoming a company where individuals can play more active roles—

We are going through significant changes in the business environment surrounding our company and issues to be addressed. As strong upward pressure on the cost of materials and equipment continues, labor shortages coupled with restrictions on overtime work raise concerns about process delays and steep rises in labor costs.

Positioning the recently announced Phase 2 of the new Mid-Term Management Plan as the Refining Stage, we will further

promote measures and initiatives from Phase 1, taking into account changes in the business environment occurring during that period.

The management policy for Phase 2 has been set to "Enhancing corporate value through realization of HR development." To enhance corporate value, we will move forward with initiatives in terms of earning power, investment efficiency, finance, employee engagement, and corporate brand building, all of which, we believe, need to be rooted in the motivation and efforts of every employee and fulfilling communication among employees and

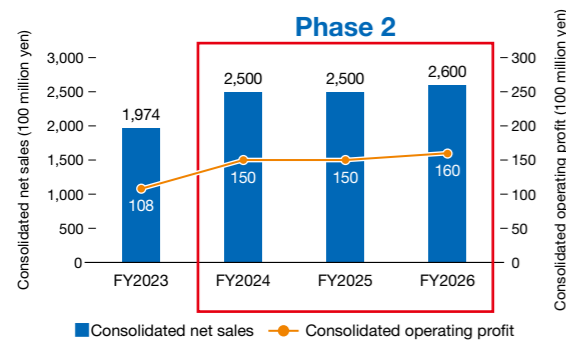
across departments. Challenging the abilities of individual employees will help them develop their senses of pride and fulfillment in their work, invigorating communication and making it easier for them to perform. We believe that each employee's building abilities and playing a more active role, as well as their senses of satisfaction and happiness, are prerequisites for our multifaceted efforts to enhance corporate value.

In line with this management policy, we will implement our human resource strategy from the four perspectives of "Rewarding, Workplace Ease, Strengthening Recruitment, and Employee Development." With increasing diversity in values related to work and the company, we will promote the recruitment of human resources who share our vision and value, creating a more practical training system and introducing a rotation system for upskilling, career development, and improvement in the engagement of employees.

— Performance targets and policy on shareholder returns —

In the previous Mid-Term Management Plan Phase 1, net sales that had been at the 150-billion-yen level rose to approx. 200 billion yen over a three-year period. In the first year of the new Mid-Term Management Plan, we aim for a significant increase in net sales to 250 billion yen. Fiscal years 2024 and 2025 are positioned as the years in which we will maintain this business scale development and solidify our organization accordingly. And in fiscal 2026, the final year of the Mid-Term Management Plan, we intend to achieve even higher targets of consolidated net sales at 260 billion yen and an operating profit of 16 billion yen, accelerating our growth to accomplish our next mid-term management plan and long-term vision.

■ Mid-Term Management Plan performance targets



We consider the return of profits to shareholders through the payment of dividends to be our top management priority. As stated in the financial strategy of our Mid-Term Management Plan, to enhance returns to shareholders and promote stable dividend payments, a new dividend policy of dividend payout percentage of 40% or more and DOE of at least 4.0% has been put in place since fiscal 2024.

— Toward work style reform —

An overtime cap was introduced in the construction industry starting in April 2024. As part of our ongoing company-wide project to rectify excessive working hours, we have formed a task force on work style reform that proposed measures after internal hearings and discussions. For example, we have set up a Support Department and implemented prefabricate piping and unit assembly of equipment at our "offsite processing facility." At worksites, we have already conducted the proposed minimization of time-consuming and labor-intensive work. Our DX-based efforts and investments to improve productivity are also ongoing. In addition, aiming to "go home even an hour earlier," the task force is collecting and sharing a variety of positive practices within the company.

— Solving materiality for value creation —

With the recognition that contributing to environmental and social sustainability is vital for continuation of our business over the long term as a responsible company, we have identified important management issues related to the environment and society as materiality. In line with the Mid-Term Management Plan, we have conducted reviews based on changes in the business environment, customer feedback, and opinions of experts, defining the following six material issues as materiality for Phase 2:

1. Contributing to archive carbon neutrality
2. Creating a rewarding work environment
3. Improving productivity via human resource development and business innovation
4. Promoting new businesses benefit to sustainability
5. Building better partnerships with subcontractors and suppliers
6. Strengthening Corporate Governance and Compliance

With respect to "Contributing to archive carbon neutrality," we will strive to reduce greenhouse gas emitted from our own operations and convert buildings into ZEB (net Zero Energy Building). A ZEB is a building with annual energy consumption of less than ±0 (energy used ≤ energy created), which is enabled by combining "energy conservation" in air condition, lighting, and other building equipment with "renewable energy" such as solar power generation and geothermal heat. Being among the first companies to develop ZEB, we will produce ZEB through knowledge accumulated in our experience, including conversion of our own buildings into ZEB.

For "Creating a rewarding work environment" and "Improving productivity via human resource development and business innovation," as stated earlier, we will promote human resource development and work style reform.

"Promoting new businesses benefit to sustainability" means promoting businesses related to regenerative medicine and filter regeneration. For regenerative medicine, which is expected to help

fight intractable and rare diseases, we intend to contribute to the industrialization of regenerative medicine by providing low-cost manufacturing environments using our expertise in the development of bio clean technology, as well as by undertaking contracted manufacturing of pharmaceutical products. Filter regeneration, a technology for supercritical CO₂ cleaning and regeneration of special air filters used in semiconductor manufacturing equipment, is considered to be a hot business that leads to waste reduction.

In "Building better partnerships with subcontractors and suppliers," we will promote widespread understanding of the Action Guidelines for Business Partners, which are designed to help us fulfill our social responsibility and increase corporate value throughout the supply chain, improving terms of conditions

through thorough consultation and aiming to further bolster collaboration and coexist in mutual prosperity with those around us.

"Strengthening Corporate Governance and Compliance" has the aim of more effective corporate governance, and we will strengthen and improve our corporate governance on a continual basis based on the Dai-Dan Corporate Governance Guidelines, which systematically outline our approach toward the protection of shareholder rights, operation of the Board of Directors, dialogue with shareholders and other relevant parties, sustainability-related issues, and other matters. Furthermore, we will work tirelessly to move forward with reform to realize our corporate philosophy and establish a culture of justice and fairness by adding compliance to materiality.

To our stakeholders

We sincerely apologize once again to our stakeholders for the great concern and inconvenience caused by misconduct our former employees and others committed that was discovered in January 2023.

Currently, we are steadily implementing measures to prevent recurrence of such incidents, which were announced in May 2023. We believe that working together as one to continue implementing these measures will reform the corporate culture itself, leading to truly effective prevention of recurrence.

Particular importance is attached to creating opportunities for our employees to strive and grow in a future-oriented manner, another description of "developing human resources who can create space value with confidence and pride." Through human resource development, we will continue to be a company that delivers safe, comfortable, and reliable spatial value for all time, and will endeavor to grow our business and increase our corporate value. We ask our stakeholders for their continued support and cooperation.

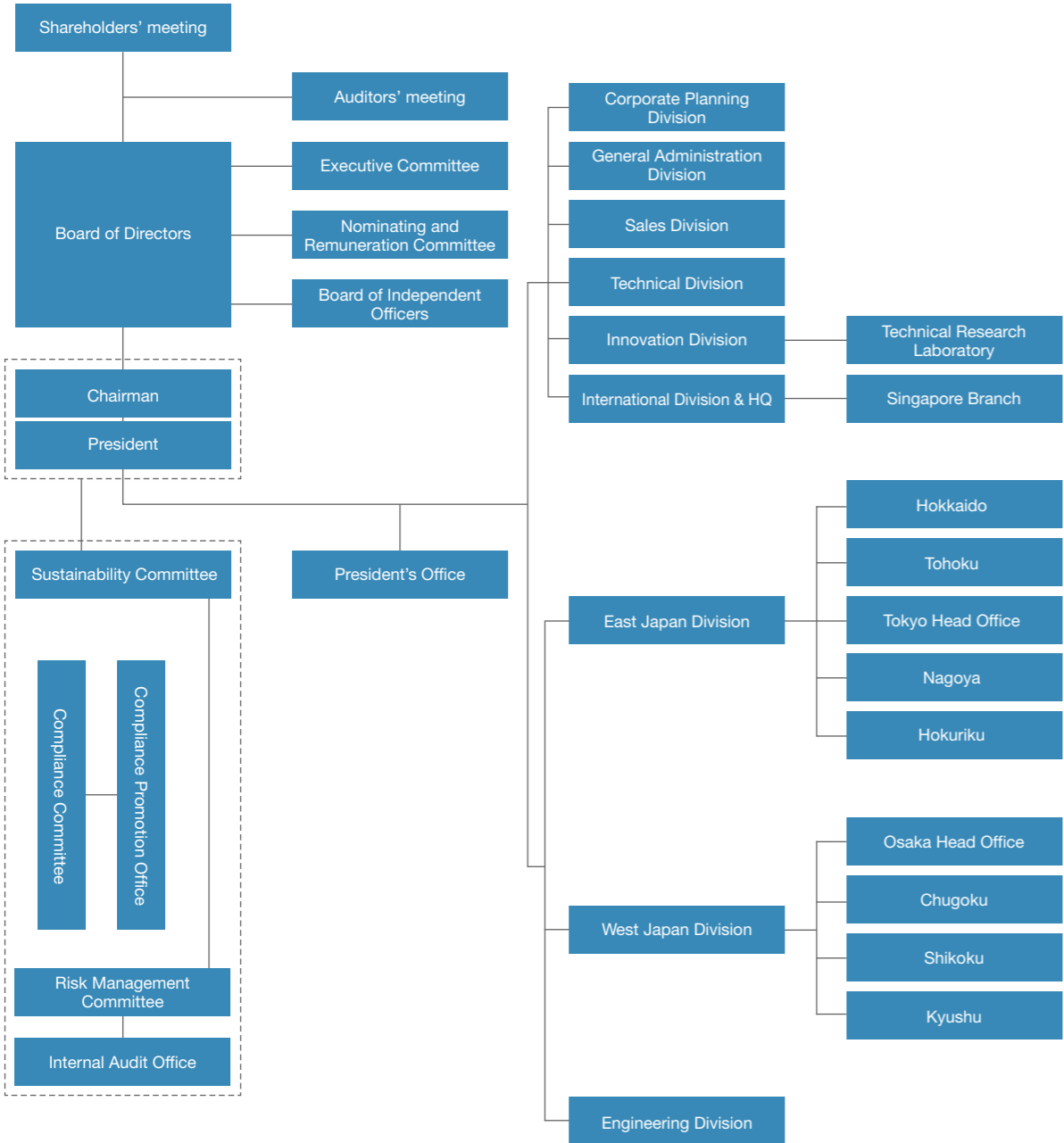


Dai-Dan's Businesses

Corporate Profile

Company name	DAI-DAN CO., LTD.	Head office	1-9-25 Edobori, Nishi-ku, Osaka, Japan
Founded	March 4, 1903	Incorporated	October 10, 1933
Capital fund	4,479,725,988 yen	Employees	2,307 (as of June 30, 2024) consolidated
Stock listing	Prime market of Tokyo Stock Exchange	*From April 1, 2024, the calculation includes contract employees and part-time workers.	

Organization Chart (as of September 2024)



Our Services

Mechanical work



Air conditioning work



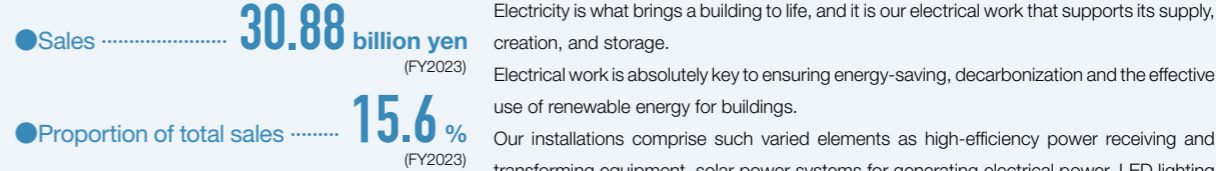
It is our air conditioning work that maintains optimal levels of temperature, humidity, and airflow to create high-quality living or working environments. They vary widely in size and performance from typical AC systems for office buildings to precision models required by semiconductor manufacturing plants. For example, some large data centers that underscore today's internet society adopt many of our technologies to introduce cold outdoor air in order to reduce air conditioning load and to effectively direct cooled air toward IT equipment. Moreover, we can tap renewable geothermal energy as a heat source in order to efficiently manage a building's energy balance to meet ZEB criteria. Based on our cutting-edge technologies and a wealth of experience, we offer appropriate support at every stage—through planning, design, and installation.

Plumbing work



Our plumbing work both supplies water that is high-quality and acts to recycle it. In this field, we are putting our efforts into purification to prevent the contamination of rivers and oceans and we also pursuing greater reuse of water, which is a limited resource. Our environmentally friendly plumbing equipment covers such processes as purifying contaminated water or wastewater from factories, or transporting supplies of water, whether hot or cold, or gas. In addition to the above, the plumbing department also takes charge of firefighting equipment. As a company that is responsible for safety, we constantly strive to create installation technologies that can be relied on. Water is something that we take for granted in our daily lives, and Dai-Dan is putting its technologies to work to ensure that does not change.

Electrical work



Electricity is what brings a building to life, and it is our electrical work that supports its supply, creation, and storage. Electrical work is absolutely key to ensuring energy-saving, decarbonization and the effective use of renewable energy for buildings. Our installations comprise such varied elements as high-efficiency power receiving and transforming equipment, solar power systems for generating electrical power, LED lighting fixtures that help to lower power consumption, storage batteries for optimizing power usage, and IoT-driven control systems. Dai-Dan assembles the various pieces of equipment into electrical systems that serve the intended purpose whether to build or retrofit buildings with ZEB technologies, ready buildings for disasters as part of business continuity planning, or other need.

Dai-Dan's Businesses Corporate Profile

Dai-Dan's Businesses Our Services

Global Network

(As of September 30, 2024)

Dai-Dan has a total of 52 offices (51 in Japan, 1 overseas), as well as affiliated companies inside and outside Japan.

West Japan Division

Osaka Head Office	550-8520	1-9-25 Edobori, Nishi-ku, Osaka City	06-6441-8231
Nara Branch	630-8122	5F JR Nara Denho Bldg., 9-21 Sanjohonmachi, Nara City	0742-32-1060
Kobe Branch	651-0088	7F Nihon Seimei Sannomiya Ekimae Bldg., 7-1-1 Onoe-dori, Chuo-ku, Kobe City	078-221-7777
Kyoto Branch	604-8186	2F Urbanex Oike Bldg. East Wing, 361-1 Umeya-cho, Kurumaya-ike-sagaru, Nakagyo-ku, Kyoto City	075-251-6411
Wakayama Office	640-8203	4F-408 Nankai Wakayamashi Station Bldg., 3-17 Higashikuramae-cho, Wakayama City	073-433-9431
Shiga Office	520-2331	3-A Finesu, 2101-2 Koshinohara, Yasu City, Shiga Prefecture	077-518-1035
Chugoku Branch	730-0812	2-22 Kakomachi, Naka-ku, Hiroshima City	082-241-4171
Okayama Branch	700-0984	6-10 Kuwada-cho, Kita-ku, Okayama City	086-223-3106
Yamaguchi Office	754-0011	4F Sanyo Bldg. Ogori, 4-9 Ogorimiyukimachi, Yamaguchi City	083-976-0121
San-in Office	690-0015	#103 Heights Shalom, 2-29-13 Agenogi, Matsue City	0852-27-5890
Shikoku Branch	760-0032	6-17 Honmachi, Takamatsu City	087-811-2301
Matsuyama Office	790-0942	2-22-13 Furukawa-Kita, Matsuyama City	089-957-5021
Kochi Office	781-0088	10-16 Kitakubo, Kochi City	088-884-8231
Tokushima Office	770-0872	4-1-10 Kitaokinosu, Tokushima City	088-664-8121
Kyushu Branch	810-0023	3-1-24 Kego, Chuo-ku, Fukuoka City	092-771-4361
Kumamoto Branch	862-0941	1-7-6 Izumi, Chuo-ku, Kumamoto City	096-364-7134
Miyata Office	823-0016	680-1 Shiromaru, Miyawaka City, Fukuoka Prefecture	0949-33-2602
Saga Office	841-0031	#101 Sungarden Yarita, 436-1 Yaritamachi, Tosu City, Saga Prefecture	0942-84-2350
Nagasaki Office	850-0027	#202 Grand Mansion, 31-3 Okeya-machi, Nagasaki City	095-828-0772
Oita Office	870-0033	#402 Matsumoto Bldg., 1-3-22 Chiyomachi, Oita City	097-532-4350
Miyazaki Office	880-0036	103 Office YOU, 498-5 Yanaginomaru, Hanagashima-cho, Miyazaki City	0985-86-6622
Kagoshima Office	890-0046	1F San Laqua Bldg., 2-25-12 Nishida, Kagoshima City	099-256-3662
Okinawa Office	900-0015	4F Arute Bldg. Naha, 3-15-9 Kumoji, Naha City	098-868-1700

Engineering Division

Engineering Division	100-0005	542 Ward, 5F New International Bldg., 3-4-1 Marunouchi, Chiyoda-ku, Tokyo	03-3211-8800
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International Division

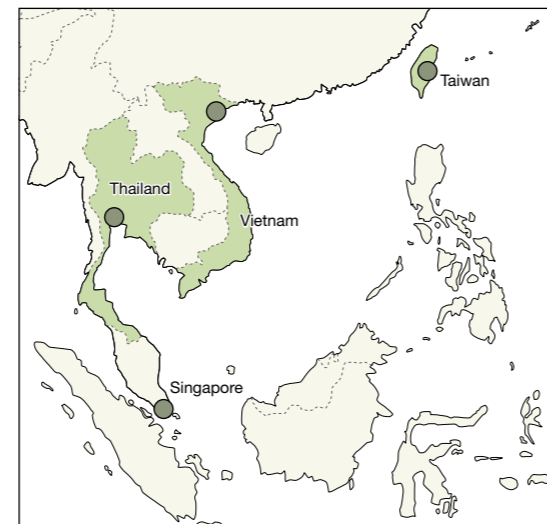
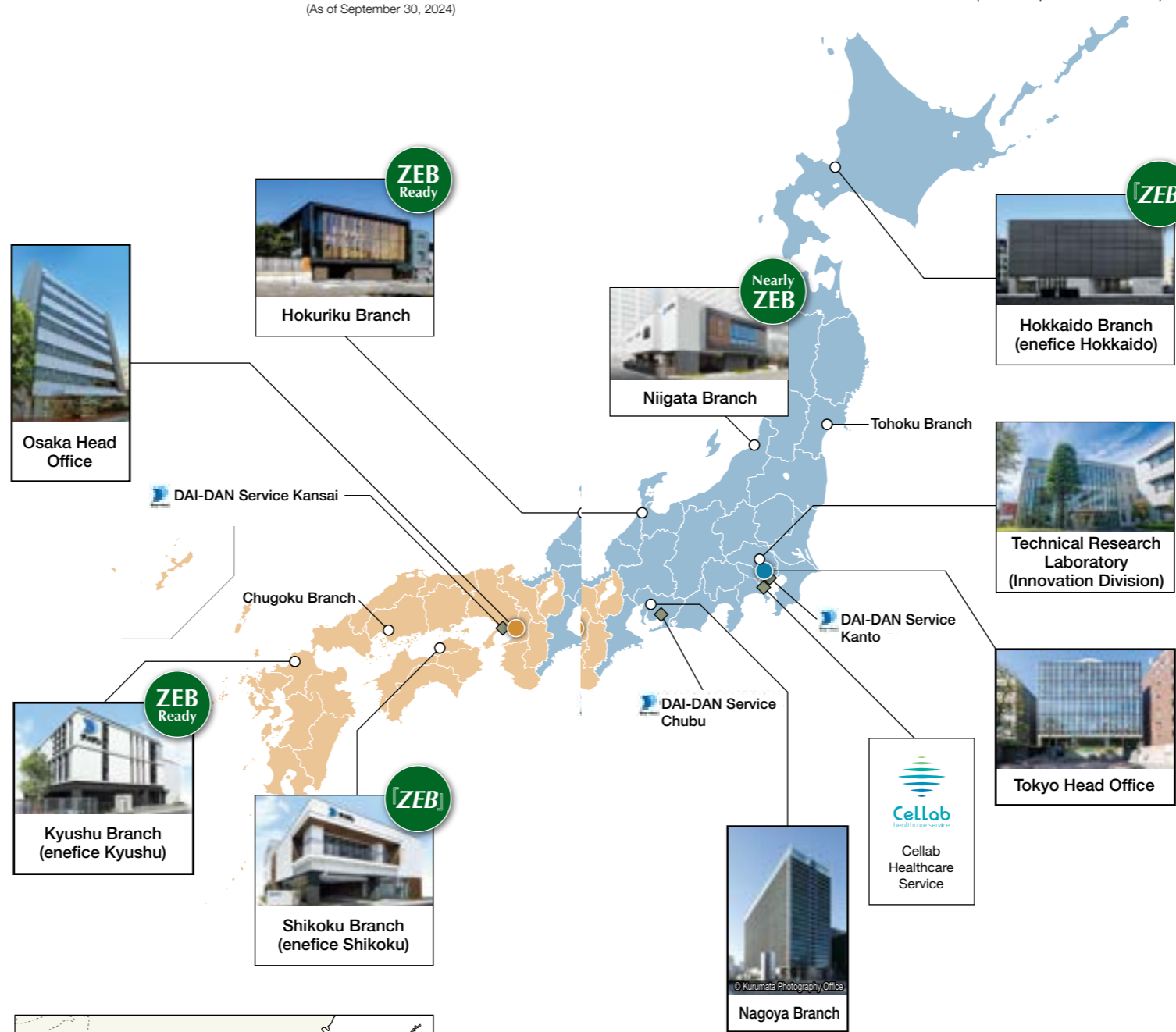
Singapore Branch	—	315 Outram Road #15-09, Tan Boon Liat Building, Singapore, 169074	+65-62218488
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Major Affiliated Companies in Japan

DAI-DAN Service Kanto Co., Ltd.	135-0047	7F HF Monzen-nakacho Bldg., 2-1-9 Tomioka, Koto-ku, Tokyo	03-5639-0721
DAI-DAN Service Chubu Co., Ltd.	460-0011	8F Kamimaezu KD Bldg., 4-10-32 Osu, Naka-ku, Nagoya City, Aichi Prefecture	052-252-7775
DAI-DAN Service Kansai Co., Ltd.	556-0011	9F Parks Tower, 2-10-70 Nambanaka, Naniwa-ku, Osaka City, Osaka Prefecture	06-6645-1181
Cellab Healthcare Service Co., Ltd.	210-0821	R407 Life Innovation Center, 3-25-22 Tonomachi, Kawasaki-ku, Kawasaki City, Kanagawa Prefecture	044-276-5611

Affiliated Companies Overseas

DAI-DAN INTERNATIONAL ASIA PTE. LTD.			
DAI-DAN (THAILAND) Co., LTD.			
DAI-DAN (VIETNAM) Co., LTD.			
台湾大暖股份有限公司 (DAI-DAN Taiwan CO., LTD.)			
Presico Engineering Pte. Ltd. (Equity-method affiliate)			



East Japan Division

Hokkaido Branch	001-0020	5-1-43 Kita 20jo Nishi, Kita-ku, Sapporo City, Hokkaido	011-716-9116
Obihiro Office	080-0010	4F Aobatokachi Bldg., 12-20 Odoriminami Obihiro City, Hokkaido	0155-25-3559
Hakodate Office	041-0851	4-17-40 Hondori, Hakodate City, Hokkaido	0138-55-7086
Tohoku Branch	980-0811	1-15-17 Ichiban-cho, Aoba-ku, Sendai City	022-225-7901
Aomori Office	030-0802	4F Tanuma Bldg., 2-4-10 Hon-cho, Aomori City	017-773-1582
Akita Office	010-0951	6F Sanno Pires Bldg., 2-2-17 Sanno, Akita City	018-824-6491
Morioka Office	020-0034	3F Angel Bldg., 16-14 Morioka Ekimae-dori, Morioka City	019-654-3023
Fukushima Office	960-8044	2F Ravibarre Ichiban-cho, 4-16 Wasecho, Fukushima City	024-597-8417
Yamagata Office	990-0043	1F Honcho Bldg., 2-4-3 Hon-cho, Yamagata City	023-634-2620
Tokyo Head Office	102-8175	2-15-10 Fujimi, Chiyoda-ku, Tokyo	03-3261-8231
Kanto Branch	330-0802	8F Omiya MT Bldg., 2-35 Miya-cho, Omiya-ku, Saitama City	048-644-8468
Chiba Branch	261-0023	25F m BAY POINT Makuhari, 1-6 Nakase, Mihama-ku, Chiba City	043-211-8881
Yokohama Branch	231-0062	24F Nisseki Yokohama Bldg., 1-1-8 Sakuragi-cho, Naka-ku, Yokohama City	045-683-1050
Gunma Office	371-0805	7F Daidoseimei Maebashi Bldg., 3-9-5 Minami-cho, Maebashi City	027-226-7720
Tochigi Office	321-0953	6F Yamaguchi Bldg., 4-1-20 Higashishukugo, Utsunomiya City	028-637-3380
Ibaraki Office	300-0037	7F Regal Tsuchiura Bldg., 1-16-12 Sakuramachi, Tsuchiura City, Ibaraki Prefecture	029-825-6656
Nagano Office	380-0824	5F Choedaiichi Bldg., 1282-11 Minamiishido-cho, Nagano City	026-228-3820
Matsumoto Office	390-0811	2F Orii Bldg., 1-1-2 Chuo, Matsumoto City, Nagano Prefecture	0263-33-7016
Nagoya Branch	461-0005	16F Urbanet Nagoya Bldg., 1-1-10 Higashisakura, Higashi-ku, Nagoya City	052-973-4750
Toyota Branch	471-0835	1-20 Akebono-cho, Toyota City, Aichi Prefecture	0565-28-1841
Mikawa Office	448-0011	5-6-4 Tsuji-cho, Kariya City, Aichi Prefecture	0566-27-0324
Shizuoka Office	422-8067	17F-1704 South Pot Shizuoka, 18-1 Minami-cho, Suruga-ku, Shizuoka City	054-281-3501
Mie Office	514-0006	3F-303 Mie Rice Bldg., 345-2 Komei-cho, Tsu City, Mie Prefecture	059-225-3840
Gifu Office	500-8844	10F Daidoseimei Hirose Bldg., 6-16 Yoshino-machi, Gifu City	058-265-8224
Hokuriku Branch	920-0902	1-6-15 Owari-cho, Kanazawa City, Ishikawa Prefecture	076-261-6147
Niigata Branch	950-0088	2-4-3 Bandai, Chuo-ku, Niigata City	025-247-0201
Toyama Office	930-0019	1-10-20 Yayoi-cho, Toyama City	076-441-3371
Fukui Office	910-0005	4F Fukui Hosokaikan, 3-4-1 Ote, Fukui City	0776-23-2166

Headquarters Organizations

Name	Zip Code	Address	Telephone Number	Name	Zip Code	Address	Telephone Number
General Administration Division	550-8520	1-9-25 Edobori, Nishi-ku, Osaka City	06-6447-8000	Corporate Planning Division (Information Management Department)	550-8520	1-9-25 Edobori, Nishi-ku, Osaka City	06-6447-8002
Sales Division	102-8175	2-15-10 Fujimi, Chiyoda-ku, Tokyo	03-5276-4551	International Division & HQ	102-8175	2-15-10 Fujimi, Chiyoda-ku, Tokyo	03-5276-5021
Technical Division	163-0525	25F Shinjuku Nomura Bldg., 1-26-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo	03-5326-7133	Compliance Promotion Office	550-8520	1-9-25 Edobori, Nishi-ku, Osaka City	06-6447-8050
Innovation Division (Technical Research Laboratory)	354-0044	390 Kita-Nagai, Miyoshimachi, Iruma-gun, Saitama Prefecture	049-258-1511		102-8175	2-15-10 Fujimi, Chiyoda-ku, Tokyo	03-5276-4652
Regenerative Medicine Promotion Department	210-0821	Cyberics Medical Innovation Base-A 316, 3-25-16 Tonomachi, Kawasaki-ku, Kawasaki City, Kanagawa Prefecture	044-276-5010	Internal Audit Office	550-8520	1-9-25 Edobori, Nishi-ku, Osaka City	06-6447-8065
Corporate Planning Division	102-8175	2-15-10 Fujimi, Chiyoda-ku, Tokyo	03-5276-4568				

Projects Completed in FY2022



Kudan-Kaikan Terrace (Tokyo) (air conditioning work)



St. Marianna University Hospital Inpatient Building (Kanagawa Pref.) (air conditioning work)



Chiba City Hall New government office (air conditioning work)



Toyota Memorial Hospital (Aichi Pref.) (electrical work)



AEON Next Co., Ltd. Honda CFC (Chiba Pref.) (air conditioning and plumbing works)



Granbell Square (Tokyo) (electrical, air conditioning and plumbing works)



Urbannet Nagoya Nexta Building (air conditioning and plumbing works) ©Forward Stroke inc.



Nipro Corporation Head Office (Osaka Pref.) (air conditioning work)



Seiwa Memorial Hospital (Hokkaido Pref.) (air conditioning and plumbing works)



Biofermin Pharmaceutical Co., Ltd. Kobe Factory No. 2 (air conditioning and plumbing works)



Ichimasa Kamaboko Co., Ltd. Headquarters Factory No. 2 (Niigata Pref.) (air conditioning and plumbing works)

Projects Completed in FY2023



Kumamoto JASM FAB (Kumamoto Pref.) (air conditioning work)



JP Tower Osaka (air conditioning and plumbing works)



TOYOTA BATTERY Co., Ltd. Arai Plant No. 2 (Shizuoka Pref.) (air conditioning and plumbing works)



Resorts World Sentosa 2nd District Cooling Equipment Machine Room (Singapore) (electrical, air conditioning and plumbing works)



BUNKYO GARDEN GATE TOWER (Tokyo) (air conditioning and plumbing works)



CKD Corporation Hokuriku Plant (Ishikawa Pref.) (electrical work)



NIPRO Corporation Ohdate Factory (Akita Pref.) (air conditioning and plumbing works)



Mount Alvernia Hospital (Singapore) (air conditioning and electrical works)



Gifu Prefectural Tajimi Hospital (air conditioning work)



Tokyu Plaza Harajuku (Harakado) (Tokyo) (air conditioning and plumbing works) Photo: Shingo Nakajima, SS Co., Ltd.



Bank of Japan Kanazawa branch (air conditioning and plumbing works)

Dai-Dan's Businesses

Projects Completed in FY2022

Dai-Dan's Businesses

Projects Completed in FY2023

Value Creation Story

In this section, we introduce the story behind our transformation into a company that creates value in spaces, our ideal, by continuing to create and deliver value through building spaces.

- 17 The Value Creation Flow
- 19 Corporate Philosophy, Long-Term Vision, and Mid-Term Management Plan
- 21 Financial Strategy
<Mid-Term Management Plan Phase 2 Refining Stage>
- 23 Materiality at Dai-Dan

Message from the Manager of Corporate Planning Division

In this day and age, the business environment is changing at an unpredictable pace, and companies need to respond flexibly to these changes. In our Mid-Term Management Plan Refining Stage, which was announced in April 2024, emphasis is placed on continuous review and modification of measures and KPIs to stay in step with changes in the environment.

In addition, advancing digital transformation (DX) is not only directly linked to work style reforms and shorter working hours, but also plays a critical role in our business promotion. We will further accelerate the introduction of digital tools, including the use of generative AI to streamline business processes, thereby enabling more strategic business execution. As the utilization of digital technology requires appropriate skills, we will also put effort into training and upskilling our employees.



Yoji Sasaki
Senior Corporate Officer,
CIO and Manager of Corporate Planning Division

The Value Creation Flow

The Dai-Dan Group challenges itself daily to create new value. By tackling materiality (priority issues), we will continue to deliver value sustainability to all stakeholders, while also contributing to the achievement of the UN's Sustainable Development Goals (SDGs).



(FY2023)

Financial capital	
• Total assets	160.55 billion yen
• Capital	93.75 billion yen
• Equity capital ratio	58.4 %
Human capital (non-consolidated)	
• Employees	1,687
• Training hours per person	58.97
• First-class architects	39
• First-class building operation and management engineers	9
• First-class plumbing work operation and management engineers	872
• First-class electrical work operation and management engineers	243
• P.E.Jp	38
• Ph.D.	9
• Energy management technicians	70
Intellectual capital	
• Intellectual properties held (incl. patents and other expertise)	200
• R&D expenses	1.29 billion yen
Social capital (non-consolidated)	
• Subcontractors & suppliers	5,613
Natural capital	
• Energy consumption	1.46 million liters (crude oil equivalent)
Manufacturing capital	
• Japanese bases	54
• Overseas bases	4
• Technical research laboratory	1
• Cell processing facility (Cellab Healthcare Service CO., LTD.)	1



(FY2023)

Financial results	
• Orders received	253.13 billion yen
• Net sales	197.43 billion yen
• Operating profit	10.88 billion yen
• Profit attributable to owners of the parent	9.09 billion yen
• Return on equity (ROE)	10.3 %
• Dividend payout ratio	35.6 %
Non-financial results (non-consolidated)	
• Scope 1 & 2 greenhouse gas emissions (consolidated)	3,038 t-CO ₂
• Orders for ZEB-related projects	11
• Collaborative relationships outside the company for business creation (universities, start-ups, etc.)	7
• CSR procurement agreement forms collected from subcontractors and suppliers	1,482
• Net sales per domestic engineer	141 million yen

Value we deliver to stakeholders

- Contributing to a richer, more sustainable society P27-
- Resolving societal issues through new businesses P29-
- Providing functional spaces that offer people and items health and comfort, optimized to their use P31-
- Enhancing organizational value through individual growth P71-

Achieving our long-term vision of being a company that creates value in spaces

Corporate Philosophy, Long-Term Vision, and Mid-Term Management Plan

Corporate Philosophy and Shared Values Established

Our Mid-Term Management Plan Phase 2: Refining Stage began in April 2024. At the same time as the start of this new Plan, we clearly stated our corporate philosophy to reaffirm our vision and core values within the company and to convey them inside and outside. To put our corporate philosophy into practice, we have organized “Shared Values” for our company and its employees.

Corporate Philosophy	Delivering space values of safety, comfort, and trust to the future of ourselves, society, and earth.	
Shared Values	Future orientation	Addressing current issues responsibly with future perspective
	Proactiveness	Growing together through ingenuity and positive challenges with professionalism
	Integrity	Accomplishing work live up to the trust with sincerity to surroundings and yourself
	Autonomy	Thinking and acting independently backed by high morals and aspirations
	Empathy	Fostering mutual understanding, building a comfortable environment for all
	Diversity	Respecting individuality and differences to create abundant value

Long-Term Vision <Stage 2030> Three Basic Policies

Through our business activities, we will help to make a richer society and to resolve the myriad issues that face society.

Comfortable, optimal spaces

To lead daily lives or to operate businesses requires spaces with comfortable, optimal environments. By refining the elements of air, water, and light through our technologies, we will continue to be a corporate group that can offer new value through spaces.

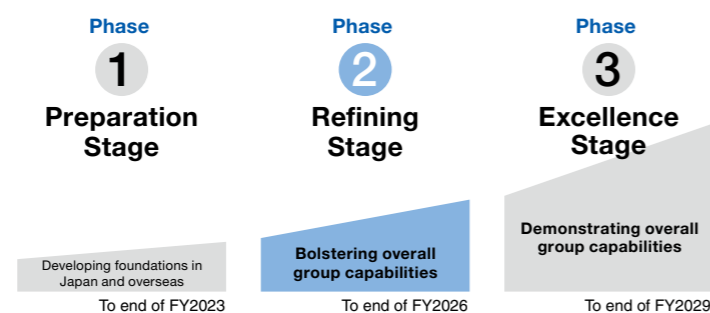
Richer, more sustainable society

So that people can lead safer, healthier lives with peace of mind, a more sustainable society is called for. Through our new technologies and advanced specialisms, we will continue to be a corporate group that can help bring about a richer, more sustainable society.

Trustworthiness and outstanding organization

For an organization to continue to provide value to society, the most important thing is to have reliable personnel. By fostering such human resources, we will raise corporate value and continue to be a corporate group that is trusted by all its stakeholders.

Positioning of the Mid-Term Management Plan in the Long-Term Vision



Mid-Term Management Plan Phase 2: Refining Stage

Management Policy

<Enhancing corporate value through realization of HR development.>

Business Area

To achieve our performance targets, we will work in the following four business areas.

Mechanical Construction Domain of revenue base <ul style="list-style-type: none"> Bottom-line-oriented activities for order Acquisition of buildings shoring up the revenue base Construction of industrial facilities to improve technologies 	Overseas Construction Domain of driving business growth <ul style="list-style-type: none"> Improvement of sales force to expand the business Globalize workforce through job-rotation Strengthening risk control with large-scale construction
Electrical Construction Domain of transforming <ul style="list-style-type: none"> Actively recruitment of electrical engineers Making engineers staffing more flexible nationwide Increase in large-scale electrical construction 	Regenerative Medicine Domain of aiming for the new revenue stream <ul style="list-style-type: none"> Manufacture of cell therapy products with pharmaceutical companies Expansion for contract of cell processing business Increase in contracts through business alliances

Performance Targets

	Results	Targets		
	FY2023	FY2024	FY2025	FY2026
Consolidated net sales	197,431 million yen	250,000 million yen	250,000 million yen	260,000 million yen
Consolidated OP	10,877 million yen	15,000 million yen	15,000 million yen	16,000 million yen
ROE	10.3%	10% or more	10% or more	10% or more

Overview of Strategy

In the Phase 2 Refining Stage, among the three basic policies of Stage 2030, the highest priority is given to human resource strategies for “trustworthiness and outstanding organization.”

Basic policies of (Stage2030)	Policies of (Refining Stage)	Strategies of (Refining Stage)
Trustworthiness and outstanding organization	Human Resources Strategy <ul style="list-style-type: none"> We promote work style reforms and establish a corporate culture that enables motivated work. Through training and rotation, combined with bolstering of recruitment, we create a system that enables employees to play more active roles. 	<ul style="list-style-type: none"> Balancing rewarding & workplace ease Strategic Employee Development
Comfortable, optimal spaces	Business Strategy <ul style="list-style-type: none"> In domestic business, we ensure profitability at the time of order receipt and expand off-site support to improve productivity at sites. In overseas business, we strive for sales expansion while thoroughly managing risks for larger projects, by providing close support and collaboration from Japan. 	<ul style="list-style-type: none"> Toughening domestic core business Expanding overseas business
Richer, more sustainable society	Sustainability Initiatives <ul style="list-style-type: none"> We contribute to the realization of a sustainable society by reducing environmental impact through business, as part of our commitment to society. We enhance our corporate governance and establish a strong corporate foundation for long-term growth in corporate value. 	<ul style="list-style-type: none"> Contributing to environmental & social sustainability Strengthening corporate foundation

Financial Strategy

<Mid-Term Management Plan Phase 2 Refining Stage>

We will take steps to achieve conscious management of capital costs and stock prices.

Financial developments in fiscal 2023

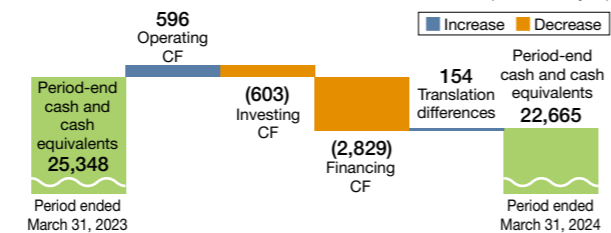
The Group's working capital and normal capital investment funds are procured by borrowing from financial institutions as needed, with the funds generated by the settlement of notes receivable and electronically recorded monetary claims arising from transactions made in operating cycles with the collection of accounts receivable from completed construction contracts as the basis of working capital. For efficient procurement of working capital, commitment line contracts with a borrowing limit of 10 billion yen have been concluded with three of our banks of account.

Regarding cash and cash equivalents for fiscal 2023, net cash provided by operating activities decreased by 15,344 million yen from the previous fiscal year to 596 million yen due to prior payments of construction costs associated with increased sales. From this amount, by deducting 603 million yen in net cash used in investing activities, including expenditures for the reconstruction of Niigata Branch and the construction of offsite facilities and proceeds from the sale of cross-held shares, combined with 2,829 million yen in net cash used in financing activities mainly for the payment of dividends, cash and cash equivalents at the end of the period totaled 22,665 million yen, a decrease of 2,682 million yen year-on-year.

Overview of cash flows

	(Millions of yen)			
	Period ended March 31, 2023	Period ended March 31, 2024	Increase (Decrease)	Change rate
Cash flows from operating activities	15,941	596	(15,344)	—
Cash flows from investing activities	(4,729)	(603)	4,125	—
Cash flows from financing activities	(2,218)	(2,829)	(611)	—
Cash and cash equivalents at beginning of period	16,037	25,348	9,310	58.1%
Increase/decrease in cash and cash equivalents	9,310	(2,682)	(11,993)	—
Cash and cash equivalents at end of period	25,348	22,665	(2,682)	-10.6%

Breakdown of cash flows (Trends in period-end balance of cash and cash equivalents)



The basic policy of the Group's financial strategy is to secure stable funds necessary for business operations. Working capital and capital investment funds have been basically covered by our own resources, but while the collection period of trade receivables is becoming longer with increases in the size of construction projects, the payment period for trade payables is shortening due to payment terms set for subcontractors with capital less than 300 million yen to be paid in cash from fiscal 2024. Given this, we are considering raising funds by borrowing from financial institutions. As a particular characteristic of the construction industry requires payment of costs according to the monthly value of work done, we consider it necessary to have cash and deposits equivalent to about two months of monthly sales, including a 10-billion-yen borrowing limit of commitment line contracts, in anticipation of unforeseen circumstances.

Message from the Manager of General Administration Division

The numerical targets for the Refining Stage for fiscal 2026, the final year of the period, are consolidated net sales of 260 billion yen and consolidated operating profit of 16 billion yen, and with emphasis on capital efficiency, an ROE of at least 10%. Based on this rate of return, we expect to generate cash inflows of 44 billion yen during the three years of the Refining Stage, including funds obtained from the sale of cross-held shares. In contrast, cash outflows of 30 billion yen for growth investments and 14 billion yen for shareholder returns will be allocated.

Regarding shareholder returns, we have raised dividend payout percentage from 35% or more to 40%, and have newly set DOE 4% as the lower dividend limit for more stable shareholder returns.

In terms of funding, we expect that future business expansion and larger construction projects will bring about increases in working capital. As a temporary measure, we are considering raising funds by borrowing, but acknowledging the necessity to ensure a certain degree of financial soundness, our target equity percentage is set at approximately 50%.

Through dialogue with our stakeholders, we will continue to build a stable financial base with a focus on capital efficiency to enhance our corporate value.



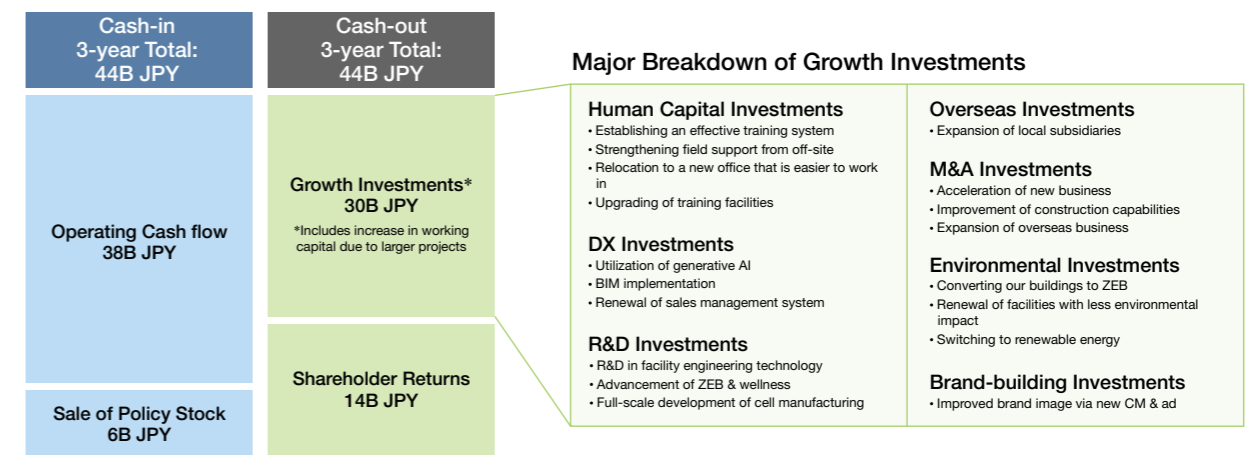
Yasuo Kamei
Director, Senior Corporate Officer and Manager of General Administration Division

Current State Analysis, Indicators and Policy

	Current State Analysis	Phase 2 Indicators and Policy
Capital efficiency	<ul style="list-style-type: none"> ROE remained at around 8% of target throughout the previous mid-term management plan period, but the P/B ratio remained below 1x. Low liquidity of company shares were a drag on the poor P/B ratio, and a stock split was executed in October 2023, with a secondary offering in December 2023. ROE and P/B ratios rose to 10.3% and 1.14x, respectively, in the fiscal year ended March 31, 2024, as a result of higher-than-expected earnings, upward revision of dividends, and overall rises in the stock market. Despite the reduction of cross-shareholding, the consolidated net asset percentage stood at 30.0% in the fiscal year ended March 31, 2024, reflecting the recent rises in the stock market. It is necessary to manage capital structure that carefully strikes a balance between financial soundness and capital efficiency in preparation for business expansion, etc. 	<ul style="list-style-type: none"> Target ROE of 10% or more (+2 pt compared to previous mid-term plan) Reduce cross-shareholding percentage to less than 20% of consolidated net assets as early as possible. Equity percentage of approximately 50%
Growth investment	<ul style="list-style-type: none"> Amid the continuing labor shortage throughout the industry, it is understood that effective investment in human resources to bolster recruitment efforts and improve productivity, as well as in DX and M&A, is essential to enhance corporate value over the mid-to-long term. Investment in new businesses such as overseas business and regenerative medicine, which will serve as sources of future growth, should be continued. 	<ul style="list-style-type: none"> Growth investment: 3-year cumulative total of 30.0 billion yen Optimize capital allocation with a focus on cash generation from business activities.
Shareholder returns	<ul style="list-style-type: none"> The dividend payout percentage was raised from 30% to 35% in the fiscal year ended March 31, 2024. Even in the face of expected increases in earning fluctuation with increases in the size of construction projects, etc., policies are needed to ensure stable shareholder returns while maintaining a balance with growth investment. 	<ul style="list-style-type: none"> Dividend policy: Payout percentage of 40% or more and DOE of 4.0%* as the lower limit (+5 pt compared to previous mid-term plan) (Newly adopted in this mid-term plan) *ROE 10% x Dividend payout percentage 40%

Capital allocation and growth investment

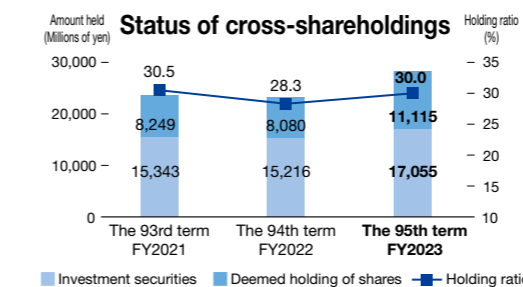
Balancing growth investments, returns, and stability, we aim for an optimal capital structure.



Reduction of cross-shareholdings

In principle, the company considers all of its cross-shareholdings to be subject to reduction, and examines the significance of its holdings with the following criteria established.

- Maintenance and strengthening of good business relationships will lead to long-term and stable enhancement of corporate value.
- If ① above is not applicable, income from shareholdings, including profits from related transactions, dividends, etc., must exceed the cost of capital for each stock.



Sale of cross-shareholdings

	(Millions of yen)	
	Amount sold	Number of issues
The 93rd term FY2021	1,247	13
The 94th term FY2022	723	4
The 95th term FY2023	3,303	8

* We are reducing our cross-shareholdings with the goal of less than 20% of consolidated net assets by the fiscal year ending March 31, 2027. However, our shareholdings have increased since the fiscal year ended March 31, 2023 due to recent upward trends in the stock market.

Materiality at Dai-Dan

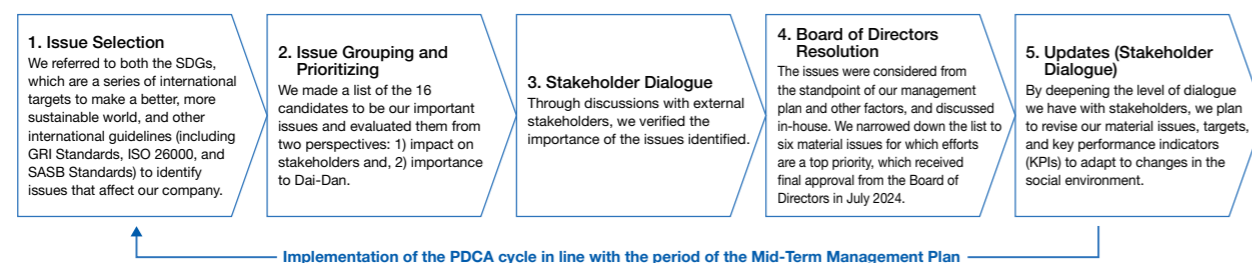
Selecting Areas of Materiality

As our corporate philosophy—delivering safe, comfortable and reliable spatial value to the earth, society and our future—would suggest, we have been active in fulfilling our social responsibilities. We are conscious of the fact, though, that in recent years it has become more important than ever to contribute to the achievement of the UN's Sustainable Development Goals (SDGs) and grow sustainably, hand-in-hand with society. We have therefore selected certain issues that we should address, and evaluated their importance from two perspectives: importance to Dai-Dan and impact on stakeholders. Finally, in 2021, we set out the areas of materiality (material issues) that we should work on as a priority.

We have promoted issues based on those areas of materiality, but in line with our Mid-Term Management Plan that will cover fiscal years 2024–2026, "Refining Stage," which we announced in May 2021, we have reevaluated their importance through new dialogue with stakeholders. As a result, we have updated our areas of materiality.

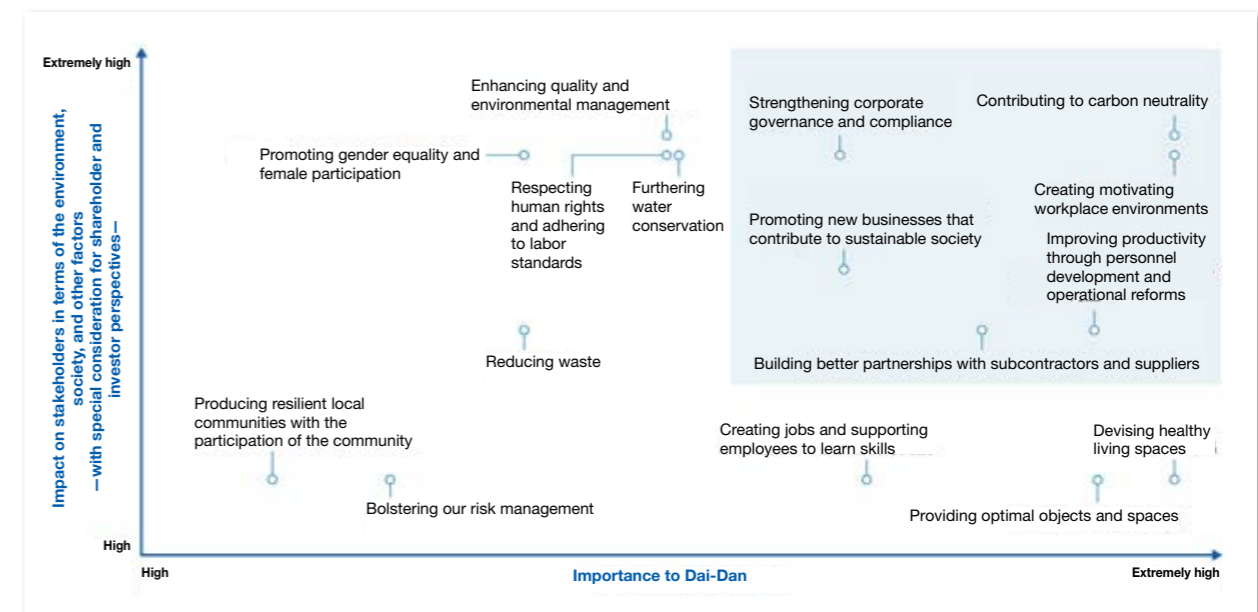
By pushing efforts to tackle these areas of materiality, we aim to maximize the value that we provide to stakeholders.

Material Issue Selection Process



Materiality Mapping

Evaluating issues from the twin perspectives of importance to Dai-Dan and impact on stakeholders, we have identified six material issues.



Material Issues and KPIs

No.	Material issue	KPI	FY2022 performance (comparison standard)	Target	Remarks	SDGs	
1	Contributing to carbon neutrality	Reduce greenhouse gas (GHG) emissions (Scopes 1 & 2) (Consolidated)	Reduced 24% from FY2019 (FY2023: 3,038 t-CO ₂) (FY2019: 4,002 t-CO ₂)	2030 (long-term targets)	Reduced 43% from FY2019 (FY2019: 4,002 t-CO ₂)	Figures in parentheses are emissions per million yen of net sales (for projects already transferred to customers)	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION
		Reduce GHG emissions (Scope 3)	2,296,865 t-CO ₂ (13.35 t-CO ₂ /million yen)	—	FY2024 and beyond		
		No. of ZEB, etc., new builds and renovation projects	27 (cumulative total for FY2021–2023)	Each year	10		
		No. of Dai-Dan forest activity sessions	9	Cumulative total	50 (cumulative total for FY2024–2026)		
2	Creating motivating workplace environments	Employee engagement score	61.0	FY2026	65.1	Set as a target value for the score for 1,001 to 5,000 employees in construction and real estate	3 GOOD HEALTH AND WELL-BEING, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH
		Inclusion in the "White 500" in the Certified KENKO Investment for Health Outstanding Organizations Recognition Program	—	FY2026	Yes		
		Proportion of female supervisors (deputy managers)	22.0%	FY2026	25.0%		
3	Improving productivity through personnel development and operational reforms	Average overtime hours per engineer	434	FY2026	340	Average for engineers, including those in design, development, and management roles	8 DECENT WORK AND ECONOMIC GROWTH, 11 SUSTAINABLE CITIES AND COMMUNITIES
4	Promoting new businesses that contribute to sustainable society	No. of air filters reused in the air filter regeneration business	2,800 (cumulative total for FY2021–2023)	Cumulative total	10,000 (cumulative total for FY2024–2026)		3 GOOD HEALTH AND WELL-BEING, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
		No. of regenerative medicine products manufactured under contract to treat intractable or rare diseases	—	FY2026	18 lots		
		No. of devices related to regenerative medicine to treat intractable or rare diseases sold	69 (cumulative total for FY2021–2023)	Cumulative total	50 (cumulative total for FY2024–2026)		
5	Building better partnerships with subcontractors and suppliers	Retention rate for Meisters and Excellent Foremen	Meisters: 76% Excellent Foremen: 52%	Each year	Meisters retention rate: 75% Excellent Foremen retention rate: 50%	In the first year, the survey was conducted with members of the Daigenkai, an association of our main subcontractors and suppliers	8 DECENT WORK AND ECONOMIC GROWTH, 17 PARTNERSHIPS FOR THE GOALS
		Response rate for questionnaires to subcontractors and suppliers	—	Each year	80%		
6	Strengthening corporate governance and compliance	No. of employees disciplined or fired for corruption, bribery, etc.	4	Each year	0	Results for FY2023 refer to the improper conduct by our employees that we disclosed on March 28, 2023. We are currently implementing running measures to prevent recurrence.	8 DECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
		Compliance training attendance rate	97.1%	Each year	95%		
		Cross-shareholdings as a proportion of consolidated net assets	30.0%	FY2026	Less than 20%		

Participation in the UN Global Compact

We are onboard with the United Nations Global Compact as a signatory and responsible corporate citizen committed to realizing a sustainable society. We fully agree with the Ten Principles espoused in the fundamental areas of "Human Rights," "Labour," "Environment" and "Anti-Corruption," and develop strategies and activities to enact these values with the wholehearted commitment of top management.

Support for TCFD Guidance

We have announced our agreement with the guidelines published by the Task Force on Climate-related Financial Disclosures (TCFD). To aid in the achievement of carbon neutrality, we will evaluate climate-related risks and opportunities that may come up in our business and proactively disclose their potential impact.

Follow the link below for more details on our Phase 1 materiality.
<https://www.daidan.co.jp/sustainability/philosophy/>



Value Creation in Practice

In this section, we introduce our initiatives and their progress toward addressing environmental and societal issues, two of the three main pillars of our long-term vision.

- 27 **E** (Environment) **Long-term vision**
How We Are Bringing About a Richer, More Sustainable Society
- 27 Contributing to Carbon Neutrality
- 29 Filter Regeneration Business for Semiconductor Factories
—Initiatives to address environmental issues in the semiconductor industry—
- 31 **S** (Society) **Long-term vision**
How We Are Providing Comfortable, Optimal Spaces
- 31 Achieving High-Quality Medical Environments
—Optimized equipment and operations—
- 33 Wellness Initiatives at Site Offices
- 34 Social Collaboration Seminars to Create Smart Buildings

Message from the Manager of Innovation Division

There are myriad issues that society has to address, in areas such as carbon neutrality, well-being, and resilience. In response, we are working to help resolve such issues by sparking innovation founded in our equipment technologies.

In an age of great change, we require a growth strategy that promotes a good balance between further mining our core businesses and seeking new businesses. As well as making progress in building services engineering and installations, and the R&D we need to ensure quality, we are making proactive efforts in open innovation, PoC, and investment activities to create businesses in new fields.

Innovation requires action, and so after analyzing risks and benefits, we will continue to quickly take on challenges without being put off by the fear of making mistakes.



Shin Nakamura
Senior Corporate Officer,
Manager of Innovation Division

Contributing to Carbon Neutrality



The problem of climate change, born out of global warming, is a pressing one that no-one can avoid. Japan as a country aims to be carbon neutral by 2050, and so initiatives to reduce GHG emissions are being pushing in various fields. Of those, in the construction field a particular important initiative is to expand the use of ZEBs (net Zero Energy Buildings that are very energy-efficient), because once built, these buildings will continue to emit CO₂ into the future.

Through ZEB modifications at our own buildings, we have built up technical and operational expertise related to decarbonizing buildings. In the future, we will continue to provide customers with buildings that combine advanced energy efficiency and comfortable indoor environments. In this way, we are helping to achieve a carbon-free society.

Niigata Branch, a next-generation office building to promote new ways of working

As a continuation of our efforts so far to make our buildings ZEBs, in March 2024 our work to replace our Niigata Branch was completed. Based on a concept of accomplishing the three Ds (decarbonize, de-routine, and distress) and resilience to disaster through the application of DX technologies, this next-generation office building promotes new ways of working that respond to social issues such as carbon neutrality and workstyle reforms.

To reduce the heat load from the outside, as well as deciding on a simple, rectangular, reinforced-concrete structure for the building, we have put offices at the center, with meeting areas and archive rooms situated nearer the exterior walls as a buffer between the offices and outside heat to improve their insulation capabilities. As well as air-conditioning and illumination, we have adopted a task-ambient method*1 to create indoor environment that is comfortable, but also energy-efficient. We also introduced an electricity management system that makes use of the REMOVIS™ system that we developed and AI. By predicting the amount of electricity used in the building, and developing stepped controls for that, we are conducting an electricity demand response.*2 Through initiatives like these, the Niigata Branch building has reduced its energy usage by 80% compared to a typical office standard, which qualifies it as a “Nearly ZEB.”

During the construction stage, too, to improve productivity at construction sites (through labor and manpower savings), we utilized DX tools such as BIM to raise the efficiency of construction management tasks. We are also carrying out various cutting-edge initiatives, such as processing piping in advance at offsite processing facilities, away from construction sites. Thanks to these efforts, we have been able to smoothly share information with many others involved in the project and to remotely support construction management, as well as reducing the manual burden on workers.

In the future, we will continue to curb GHG emissions through energy-efficiency improvements at our buildings, and to provide value through spaces the age demands with consideration for working people’s comfort and health.



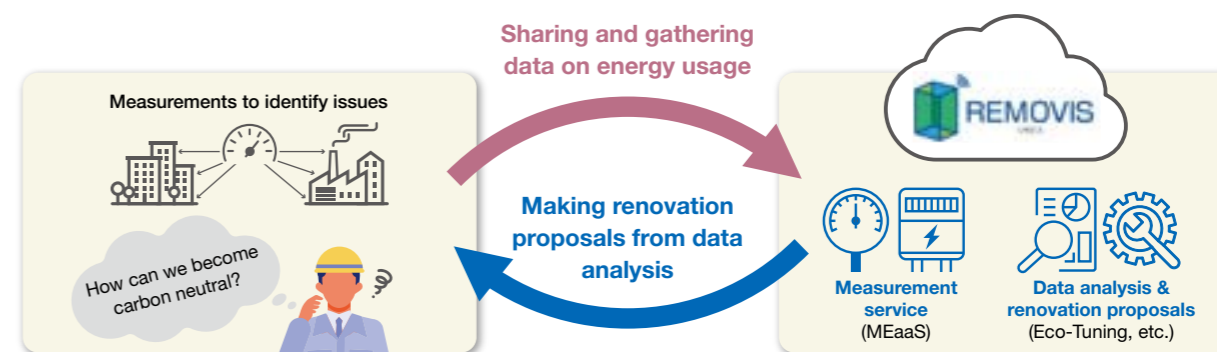
*1 A method that blends ambient lighting (the conventional style of lighting up a whole room) and task lighting (lighting that enables various individual tasks). It aims to make ambient lighting equipment more efficient to complement the comfort offered by individual task lights.

*2 A method of matching electricity demand to supply. If the amount of electricity demand and supply at a regional level were to diverge beyond a certain point, it could have a significant impact such as reducing the quality of electricity supply throughout the region, or leading to power outages.

Carbon neutrality technology proposals using cloud networks and the IoT

In response to demands for building monitoring and controls, which change with time, we have developed, and now offer, REMOVIS™. This monitoring and control system is a DX solution that makes use of the cloud and IoT, and for those looking to decarbonize their buildings or factories, the REMOVIS™ service acts as a one-stop solution that covers everything from measuring energy use to analyzing data, and even making proposals for renovations that will lead to carbon neutrality.

There is renewed importance being placed on taking accurate, detailed measurements of real-time energy usage levels and on coming up with countermeasures, as part of efforts to promote decarbonization projects for buildings and factories. Many buildings install centralized monitoring equipment and record measurements of energy usage and other data, but the majority do not have enough measurement points and cannot carry out detailed investigations. An issue for companies such as ours, therefore, is to respond to the need among customers to add more measurement points at a relatively low cost. As such, we created a function that allows REMOVIS™ to easily incorporate measurement data, and were able to offer energy usage measurement through an affordable subscription model. Utilizing this service, customers can monitor their energy usage in real time, but also turn that data into renovation proposals via analysis efficiently.



Providing solutions toward carbon neutrality

Contributing to the spread of ZEBs

Under the Japanese government’s Strategic Energy Plan, it aims to ensure ZEB-standard energy-efficiency for all new buildings by 2030, and for the building stock average by 2050. According to the results of a survey by the National Institute for Land and Infrastructure Management, of all new buildings constructed in fiscal 2022, less than 20% met this standard, and so further efforts to spread the ZEB concept are needed.

We are making progress with adapting our own buildings to the ZEB standard, and through activities in academic circles that utilize the expertise we have gained with those buildings, we are sharing information in a range of areas. One example of this is how our Shikoku Branch has been put up on the official website and video site of the Shikoku Bureau of Economy, Trade and Industry (part of METI) as a positive example of energy efficiency. Moreover, based on our extensive experience and knowledge of ZEBs, we are actively offering customers support to make their new buildings ZEBs as a ZEB planner, and to propose renovations for existing buildings to meet ZEB standards. In addition, the company is conducting internal study seminars and other events to improve its design and technical capabilities with a focus on ZEB-standard energy-efficient functions for 2030.

ZEB Leading Owner



Dai-Dan has been registered as a ZEB Leading Owner, an advanced building owner that has constructed a net-zero building. We contribute to the adoption of ZEB by disseminating information through tours and by encouraging customers to experience the benefits of net-zero construction.

Construction record

Number of ZEB assets **5 units**

ZEB Planner



Having been registered as a ZEB Planner, we offer potential customers consulting services such as proposal and planning for ZEB conversions as well as design, installation, and operation services.

Construction record

ZEB **12 units**

Filter Regeneration Business for Semiconductor Factories

—Initiatives to address environmental issues in the semiconductor industry—

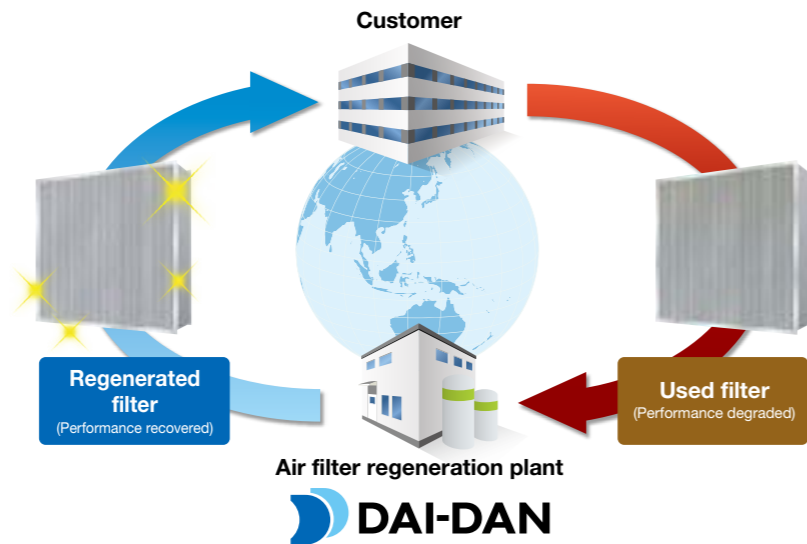


The United Nations General Assembly adopted the SDGs—the Sustainable Development Goals—as a list of targets to achieve by 2030. Goal 12, “Responsible consumption and production,” includes prevention and reduction of waste, recycling, and reuse to dramatically reduce the amount of waste the world creates.

At Dai-Dan, we are developing a business in regenerated air filters for use in semiconductor factories, to contribute to the formation of a recycling-oriented society.

Air filter regeneration using supercritical CO₂

We are able to clean and regenerate used air filters and offer a service that returns the regenerated air filters to the customer for reuse. As this just involves the reuse of filters, that would conventionally have been discarded, it requires no initial investment by the customer. It can also help them to reduce waste and CO₂ emissions. Using supercritical CO₂ to clean filters is an original Dai-Dan technology and has been praised highly for the contributing it makes to saving money and lowering environmental impact.

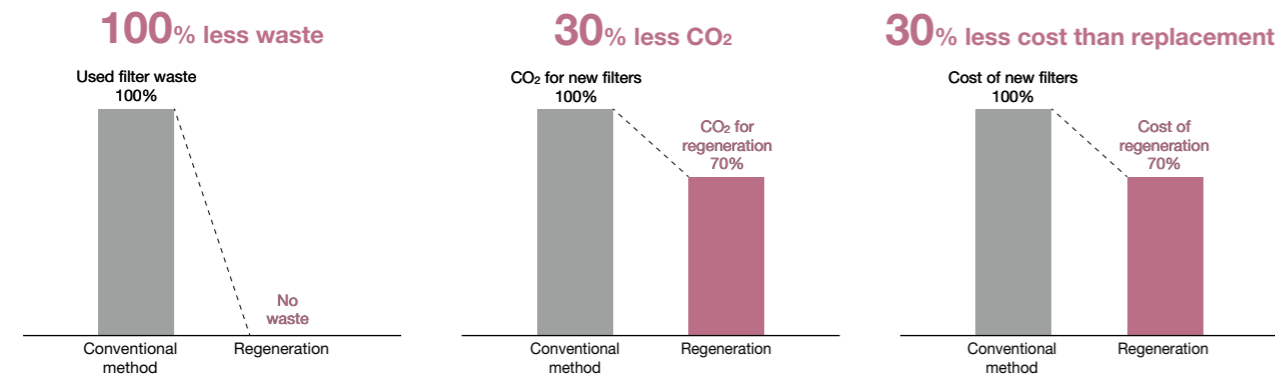


Helped reduce about 50 tonnes of waste

Helping lower environmental impacts

Air filters, which serve to purify the air, are used in large numbers in semiconductor manufacturing in various manufacturing processes, but when air filters reach the end of their service life, they are disposed of as waste. This service enable customers to regenerate their air filters, contributing to a reduction in waste in the semiconductor industry. Compared to manufacturing new filters, their regeneration produces 30% less CO₂, and the service has impressed companies that promoting contributions to the SDGs. Since we launched this service as a business in 2014, we have helped reduce the amount of waste produced by a cumulative 50 tonnes. As regenerated filters are cheaper than new ones, it also assists customers with cost reductions.

Effects of using regenerated air filters



* Filters are generally reused five or six times, after this they are disposed of as waste.

Semiconductor industry results and forecasts

Our air filter regeneration is mainly employed for filters used at semiconductor factories, and since we launched the service in 2014, we have received more than 400 orders. In recent years, there has been some instability in the global semiconductor market, but in the long term it is predicted to grow substantially as the basis for economic security and digital industries.

At Dai-Dan, we are looking at how the semiconductor market can reduce its environmental impact, and in order to resolve environmental issues in the semiconductor industry—in Japan but also in regions that are strengthening their efforts to address environmental issues such as Taiwan and Singapore—we are proposing air filter regeneration services.

Activities by our Taiwanese corporation

As part of our global rollout of our air filter regeneration services, in 2022 in Taiwan, where the semiconductor industry is flourishing, we established a wholly owned local subsidiary, DAI-DAN Taiwan CO., LTD., which has begun operations.

In Taiwan, we have sales activities that target semiconductor manufacturing companies in foundry centers such as Hsinchu, Taichung, and Tainan. Our service, which uses our original technologies, is environmentally friendly, and many semiconductor manufacturing companies have shown interest in it, and so we aim to expand this service on the island.

We are also promoting our business in Taiwan as part of strengthening our overseas business, outlined in our Mid-Term Management Plan as one of the business strategies.

Company overview

Trading name: DAI-DAN Taiwan CO., LTD.
 President: Yasunobu Tanaka
 Established: April 2022
 Capital: NT\$5 million
 Investor: Wholly owned by DAI-DAN CO., LTD.
 Main business lines: Air filter regeneration service, air conditioning work, plumbing work, electrical work, firefighting installation work, and mechanical equipment installation work design, supervision, and implementation

Expanding the service business

In order to expand our business inside and outside Japan, in fiscal 2022, we enhanced our regeneration plant. By improving the efficiency with which we regenerate filters, we are able to also meet international demand for the service. In the future, we will expand the scope of air filters to ones we could not previously regenerate, and aim to expand this service business.

While the semiconductor industry is predicted to achieve rapid growth, it faces environmental issues here in Japan and elsewhere. Our service can be applied to various regeneration businesses, not just air filters, so going forward we will develop this business as a company that can contribute internationally to addressing issues related to the environmental impact of the semiconductor industry.



Achieving High-Quality Medical Environments —Optimized equipment and operations—



We are working to create environments that are optimal for providing high-quality medical treatment. In the field of regenerative medicine, there is a need for clean environments (facilities) that are optimized to specific tasks, such as product R&D, manufacturing, and treating patients. However, due to these environments being used in different ways than in initial equipment plans, there is a burden on users and the renovation costs for these facilities have grown, and this is one obstacle in the way of encouraging growth in the industry.

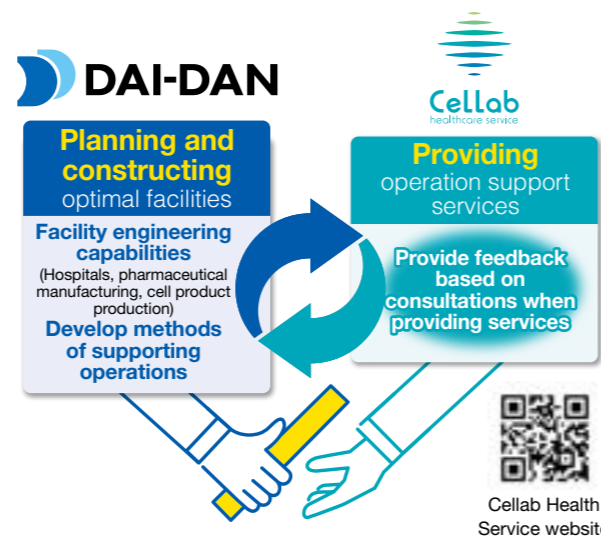
Through the cell preparation contract manufacturing service that it has been providing since fiscal 2023, our group company Cellab Healthcare Service Co., Ltd. has gained a great deal of knowledge about facility operations. By newly fusing Dai-Dan's firm capabilities in successful projects with this operational know-how, the company will provide support services for optimal equipment and operations that are the best they can be for both those providing and receiving medical treatment.

Creating application-specific small-scale clean environments —Stronger and more efficient proposal capabilities—

In the various processes involved in providing advanced medical treatment, there is a need for clean environments that cater to specific applications, such as for medical institutions, manufacturing sites, and research institutions. Any attempt to construct equipment without a clear idea of each facility's operations will often lead to issues becoming apparent when operations begin, and such equipment can be a major burden on the user as a result. For small-scale clean environments in particular, as production equipment or various apparatus must be placed in a limited space, it is vital that equipment is designed with sufficient understanding of these operations.

At Cellab Healthcare Service, our group company, we have set up the Construction Department, which follows Dai-Dan's construction knowledge in its clean environments, and the Contract Manufacturing Service Department, for the contract manufacturing of cell preparations. These construction and operations professionals are able to respond to the various issues that customers face, and quickly propose plans that optimize the balance between equipment and operations.

In case where a new technology, services, or investigation is necessary, the company works with Technical Research Laboratory toward efficient solutions, and the group comes together to meet customers' wishes.

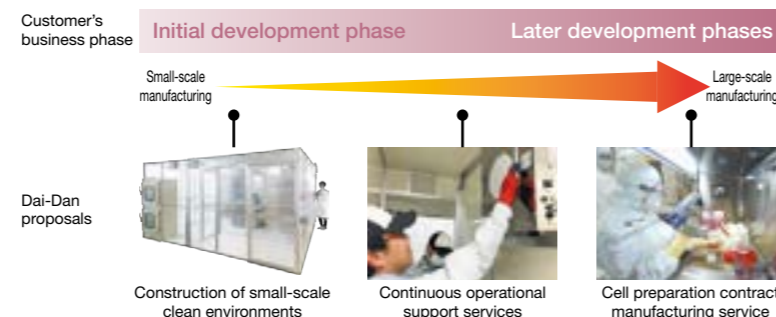


Bridging the device sales business and the cell processing contract business —Continuous companion support for customers—

For the product that we have developed for small-scale clean environments, the All-in-one CP Unit™, we received orders for 34 units in fiscal 2023 (an increase of 140% over the previous year) and sales are steadily improving.

In the Dai-Dan Group, we will provide continuous companion support that is adapted to the business phase of customers we come into contact with through these device sales.

By maintaining a close-knit relationship with customers from the initial development stage of cell preparations, when they scale up their manufacturing in the future, we can use tie these relationships into cell processing contracts and large-scale manufacturing facilities. In planning such facilities, we will utilize the expertise that Cellab Healthcare Service has gained in facility operations, to make proposals that consider manufacturing efficiency.

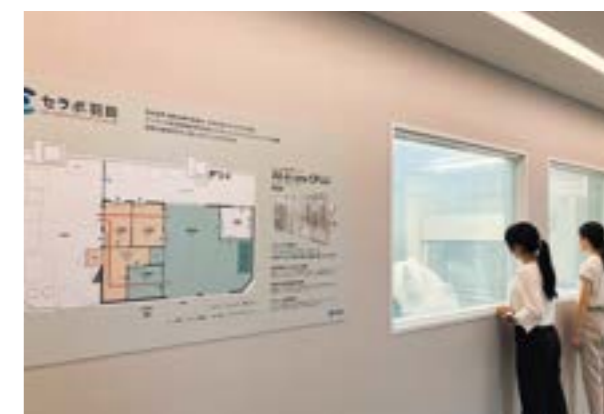


Opening of Cellab Haneda —Collaboration with Fujita Academy—

In October 2023, in the industry-academia collaboration area on the 4th floor of the Fujita Medical Innovation Center Tokyo*1 in Ota, Tokyo, we opened a compact CPF*2 for medical facilities under the name "Cellab Haneda." At the facility, we have introduced All-in-one CP Units™, cell processing units that can provide compact clean environments for working on cells. As well as acting as a showroom, the facility allows visitors to watch staff from Fujita Health University actually manipulate cells via an observation window.



By opening Cellab Haneda, more people can see how our equipment is used at medical facilities, which highlights our appeal as a company that can construct clean environments within facilities related to regenerative medicine or research facilities easily.



*1 A facility created by the Fujita Academy in Hi-City, a commercial facility close to Haneda International Airport, for cutting-edge medical and related-device research. It is located on the opposite side of the Tama River from our regenerative medicine site Cellab Tonomachi, which is located in Tonomachi, in the city of Kawasaki, Kanagawa Prefecture.

*2 Cell processing facility

Tours in FY2023 67

(Total for Cellab Haneda, Cellab Tonomachi, and other facilities related to regenerative medicine)

Expanding our cell processing contract business —Opening up the market and achieving sustainable growth—

Since fiscal 2023, we have been providing cell preparation contract manufacturing at Cellab Tonomachi, a manufacturing site run by Cellab Healthcare Service. One such contracted product is a trial immunity booster called GAIA-102, which was developed by GAIA BioMedicine, Inc. to treat patients with rare, intractable diseases.

With an eye on expanding this business, we have extended our contract cell processing site in Tonomachi, Kawasaki. By widely publicizing our cell processing technologies to customers, we hope to gain orders to contract manufacture cells used in self-funded medical treatment (common in regenerative medicine fields) and specialist cells for research and other applications, as well as for trial drugs.



Wellness Initiatives at Site Offices



For companies looking to develop sustainably, there is a growing focus on work engagement, a situation in which employees feel loyalty and pride toward the company that they work for, and where they can work dynamically with a sense of self-motivation and passion. On the other hand, in the construction industry, labor shortages and the diversification of tasks mean that workplace environments that enable individuals to demonstrate their abilities more efficiently and facilitate smooth communication are also important.

As such, here at Dai-Dan, we believe a pressing issue is creating workplaces that are functional but comfortable so that employees want to come into work, and so we have been working on wellness* initiatives at our site offices. Since fiscal 2023, with the aim of better spreading these initiatives, we have been promoting them at sites throughout Japan.

In the future, through these initiatives, we hope to enhance employee engagement, and continue working to ensure society realizes what a captivating industry construction can be.

* Reforms using designs that look to create richer lives by considering health through the lens of physical and mental health, the environment, and society

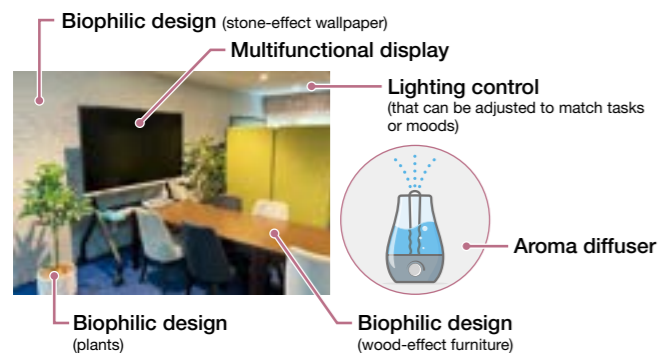
Examples of wellness initiatives at large-scale site offices

Utilizing the expertise we have gained about wellness initiatives so far at site offices and our own buildings, we have applied such initiatives to larger site offices attended by dozens of people.

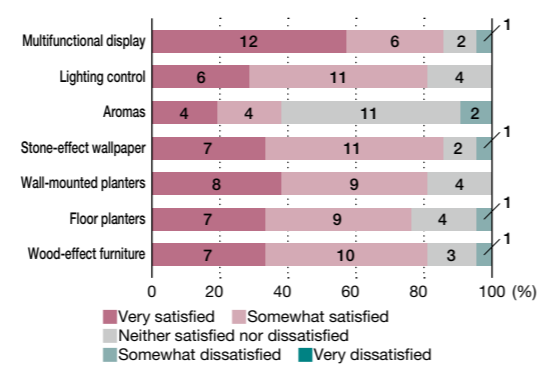
According to the results of questionnaires taken before and after, 80% of users were satisfied with the initiatives, and the following were considered to be effective: displays and other functional elements for creativity and efficient working, lighting controls for improving concentration, and biophilic design* and the sense of nature it provides for relaxing and refreshing oneself. These initiatives have also been well-received by clients or subcontractors who visit these site offices, and they could see the importance of wellness initiatives and efforts to enhance engagement that go beyond individual company boundaries.

* A type of design based on the idea that people have an instinctive desire to feel close to nature. Effects are said to include helping to relieve stress and soothing mental or physical complaints.

Example wellness initiatives



Satisfaction with initiatives (n=21)



Rolling out site office wellness initiatives nationwide

To spread these initiatives out to site offices throughout the Dai-Dan Group, we have come up with methods to identify criteria effectively depending on the site's scale or other characteristics, and have strengthened our systems for collaboration between relevant internal departments and leasing companies. As of April 2024, we have carried out wellness initiatives at a cumulative total of eight sites.

We also use post-implementation questionnaires to identify the most effective elements of the initiatives, and hope to use the results for more effective initiatives and improvement. In this way, a cooperative system that straddles departmental and company boundaries is helping us to roll out workplace environments conducive to working, further enhance work engagement, and convey to society the appeal of the construction industry.

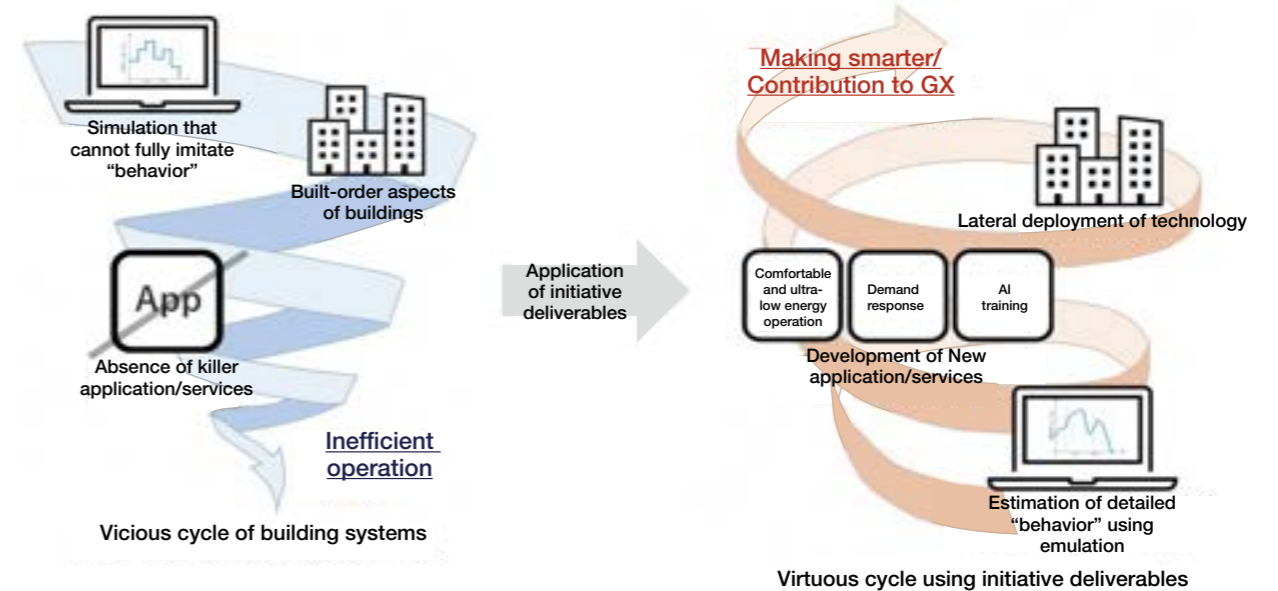


Social Collaboration Seminars to Create Smart Buildings



We have been participating in social collaboration seminars resulting from joint research between the University of Tokyo and nine private companies. At the seminars, with the goal of contributing to a green transformation (GX)*¹ and carbon neutrality from the field of building equipment, participants conducted joint research into smart buildings.*² Through this initiative, we hope to open up academic disciplines related to smart buildings, to help develop personnel in this area, and improve the overall level of the building equipment field.

Social impact of initiative deliverables



Source: <https://arch.t.u-tokyo.ac.jp/en/activity/press-releaseestablishment-of-smart-building-system-research-initiative/>

Energy consumption by buildings comprises around 30–40% of all the energy society uses each year, and the majority of this comes from the operation of air conditioners and other building equipment. To achieve a GX, building equipment has to be more energy efficient in this operational stage of its service life, and we also have to make effective use of renewable energy. As such, we will work with others to develop smart building systems that can address these issues. For a smart buildings equipped with various sensors and the advanced control technologies needed to use them, technologies are needed to coordinate different types of building equipment, and so as a building services engineering and installation provider specializing in air-conditioning, plumbing, and electrical works, we will use our expertise and promote the smartification of building systems. By doing so, we will help the building equipment industry contribute to a GX.

This chain of initiatives will be the driving force behind our creation of new businesses, and we believe will also lead to reforms to society. Furthermore, they will play a part in our activities to continuously support the establishment and development of new academic pursuits in the field of smart buildings, and to develop and discover large numbers of personnel who can use the advanced technologies needs to construct and operate them.

*¹ Refers to initiatives aiming to reform the entire economic and social system to encourage a shift from fossil fuels to clean energy.

*² Buildings that use IoT technologies to collect data on building equipment, security, and people's movements and integrate these elements. These buildings provide their users with comfortable environments, while also minimizing wasted energy.

Value Creation Drivers

In this section, we introduce the three driving forces that power the way we create value: the engineering capabilities that address issues and provide value, the innovation capabilities that create new value as we look to the future, and the practical competence in the field that embodies our comprehensive strengths.

37 Engineering Capabilities

- 37 Improving Productivity by Promoting DX
- 39 Use of Offsite Facilities for Prefabrication and Modular Processing
- 41 Developing Advanced Technologies

43 Innovation Capabilities

- 45 Promoting R&D
- 48 Intellectual Property Management

49 Practical Competence

- 50 Installation Example
- 53 Enhancing Our Installation Expertise and Ability to Provide Design Solutions

54 Overseas Business

57 Group Company Initiatives

Message from the Manager of Technical Division

Labor shortages are also becoming a serious problem in the construction industry, since the population is shrinking as a result of low birthrates, and this in turn represents a major issue for corporate management. There are also more projects that require technical capabilities, such as large-scale redevelopments in urban areas or construction of factories related to semiconductors or batteries. Accordingly, we have made personnel strategies a primary focus, and undertaken a fundamental review of our education and training activities. We will work to strengthen the job rotation system, which straddles organizational boundaries, and will strive to gain the trust of our customers.

Additionally, by proactively introducing BIMs and other ICT, we have been able to achieve more advanced installation processes, while raising productivity has allowed us to provide optimal technologies. By doing so, we will improve the quality of our installations, create safer working environments, and enhance engagement to improve ease of working.

Futoshi Oide
Senior Corporate Officer,
Manager of Technical Division



Message from the Head of Engineering Division

As part of our Mid-Term Management Plan, Phase 2 "Refining Stage," a three-year plan for which fiscal 2024 is the first year, we have set out our management policies, and for the Engineering Division, this year's policy is to raise our organizational value through hybrid business strategies* to aim for stronger overall capabilities to meet groupwide KPI targets and for sustainable growth.

The biggest mission that the Engineering Division has is to broaden the horizons of our engineers so that they can respond to the industrial facility market, our primary battleground, and its need for consistently advanced specialisms. Everyone in the division will work hard to deliver value in spaces that are safe, comfortable, and reliable, in any age, to facilities which customers require a range of environments, whether they be for semiconductor-related, automotive battery, vaccination, or other applications.

*Strategies that blend (hybridize) the roles and functions of different divisions and head office

Hiroshi Aso
Senior Corporate Officer,
Head of Engineering Division and Head of Technology Control Division



Engineering Capabilities

Improving Productivity by Promoting DX

In our Mid-Term Management Plan, Phase 2, we formulated the following digital strategy policy and measures:

1. Further promotion of DX in construction

- ① Workflow reforms using BIM
- ② Productivity improvements at installation sites using DX
- ③ R&D into more advanced use of ICT
- ④ Contribution to carbon neutrality using DX

2. Development and operation of digital foundations to strengthen business resilience

- ⑤ Reforms to operational process using DX
- ⑥ Development of more advanced tasks using generative AI
- ⑦ Reorganization of sales activities using DX

3. Strengthening of digital governance

- ⑧ Strengthening of cyber-risk countermeasures
- ⑨ Training of personnel proficient in digital technologies
- ⑩ Continuous sharing of information

In this section, we will look at initiatives to reform operations and workstyles using DX to make improvements, particularly for issues in installation operations such as labor shortages and long working hours.

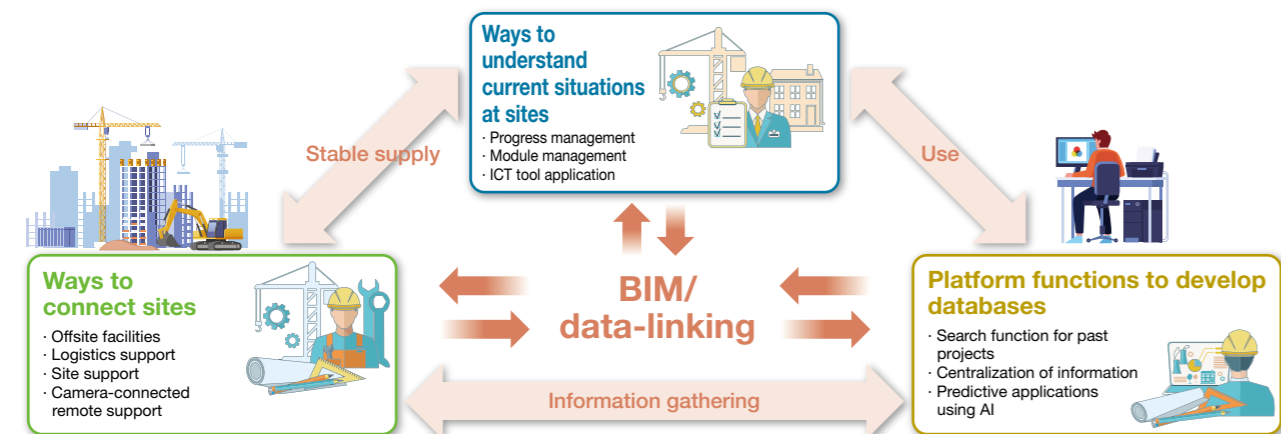
Further promotion of DX in construction

At each stage—design, installation, maintenance, management, etc.—we will promote various types of digital transformation. For the installation stage, in addition to creating accord with customers, designers, and others; interference checks; and creating accord with those involved in installations; we will introduce AI assistants to help with document creation so as to improve task efficiency.

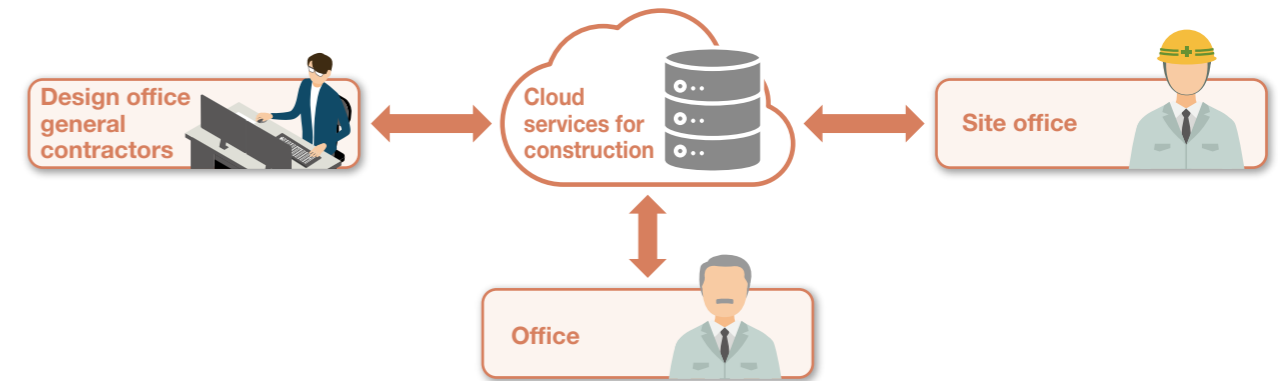
	FY2024	FY2025	FY2026
① Workflow reforms using BIM			
② Productivity improvements at installation sites using DX	Data centralization using the cloud, and investigations into new workflows	Trials of new workflows	Full-scale operation of new workflows
③ R&D into more advanced use of ICT	Promotion of digitalization at installation sites, and development, trialing, and operation of model sites that use ICT		
④ Contribution to carbon neutrality using DX	Site application, investigations, and spread of installation support tools such as 3D modeling		
	Development of data-linking modules, systems, etc., for smart buildings		

BIM solutions

We are making active use of tablets and other devices for BIM applications, and will expand their use to various aspects of the installation stage.



Use of cloud services for construction

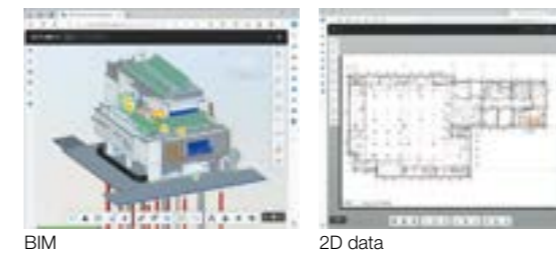


- Centralized management for the information updates
- Ability to view blueprints and model from anywhere, without specialist software
- Gathered information can be simultaneously edited by all individuals involved, etc.

Used in the building replacement for the Niigata Branch

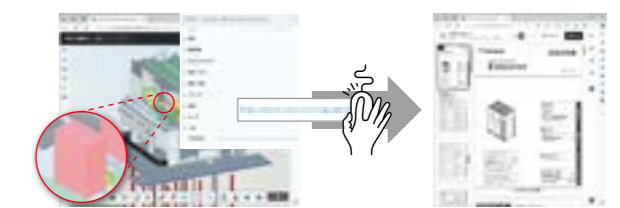
Browser viewing of BIMs

Users can view data through their browser, without dedicated software



Use of hyperlinks

- ① By setting the Box URL in the BIM properties...
- ② Users can directly check Box materials via the set link



Marking up

Users can mark or add comments directly to the model for parts they have concerns about



Mobile access

Users can also view models via a tablet app. No need to create pdfs to view data after revisions



- Other functions**
- View properties, take measurements, compare versions
 - Highlight points, review, dashboard, simultaneous editing, etc.

Use of Offsite Facilities for Prefabrication and Modular Processing

In our Mid-Term Management Plan, Phase 2 “Refining Stage” (which began in fiscal 2024), we have outlined our personnel strategy to achieve greater ease of working as being to strengthen support for sites from offsite. To respond to labor shortages resulting from the rapid aging of engineers and the dropping numbers of those entering the industry, combined with reduced site work due to further changes to the way people work, we are aiming to make energy savings and improvements to productivity at installation sites, and to do so we are enhancing and utilizing offsite facilities for the prefabrication and modular processing of piping systems.

So far we have created three such sites, one for the Kanto area (Kawasaki, Kanagawa Pref.), one for the Kansai area (Tenri, Nara Pref.), and one for the Kyushu area (Miyawaka, Fukuoka Pref.). In the future, we plan to extend this system to sites in Nagoya, Hokkaido, and the Hokuriku area. Our offsite facilities are equipped with the equipment and devices—ceiling cranes, air pipe equipment, welding equipment, pipe-flaring machines, fully automated bandsaws, and metal-processing apparatus—needed to process piping system materials and for our subcontractors, pipe processing specialists, to do their processing work.

In fiscal 2023, our Kawasaki offsite facility was able to process around 60 tonnes of piping over the course of the year, with a monthly maximum production volume of 10 tonnes.

The advantages of using offsite facilities

- We can quickly bring in piping without being affected by processed pipe manufacturers' busy periods
- Pipe processing specialists, not processed pipe manufacturers, can carry out processing work, which results in production leveling for site work and reducing costs
- By reducing the number of tasks at sites and by having a stock of processed pipes, we can flexibly respond to sudden increases in necessary processes
- By stocking pipe processing waste, we can reuse it and reduce material procurement expenses
- By holding plumber licensing exams and practical exam study meetings, we are helping with personnel training at subcontractors

Nara offsite facility



Facility exterior



Processed outdoor air-conditioning units to be shipped

Kawasaki offsite facility



Facility operations



Pipe-flaring processing



Fully automated bandsaw (pipe cutting machine)



Piping unit processing



Air-conditioner-integrated piping unit



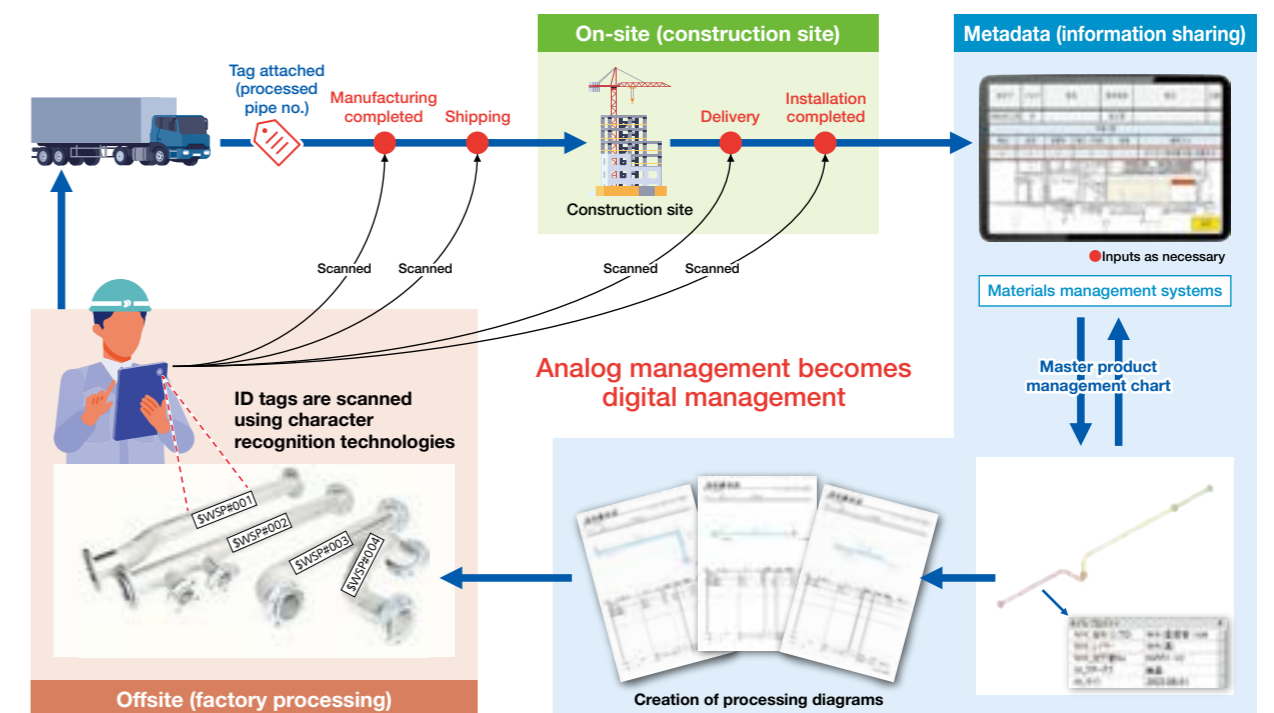
Processed piping unit



Piping unit check

Through materials management systems, we digitally manage materials (processed pipes) from their manufacture, to shipping, and then installation.

Piping processed offsite is connected to metadata using character recognition technologies. This reduces erroneous orders of materials (processed pipes) and can enable smart progress management that is tied to BIMs.



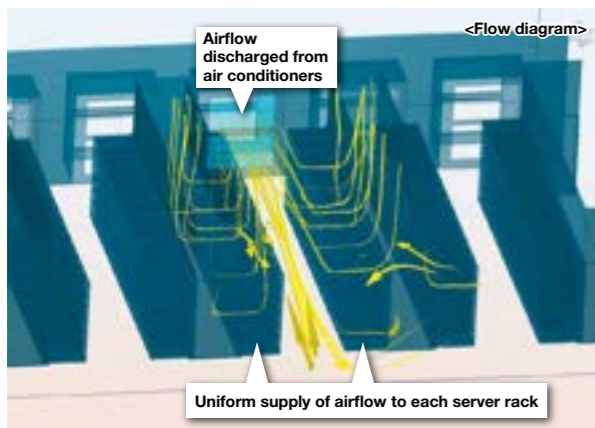
Developing Advanced Technologies

Interior environments optimized to the building application

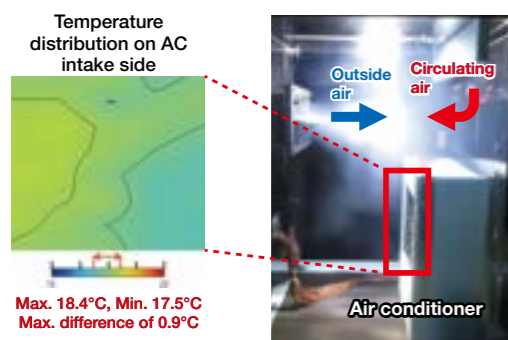
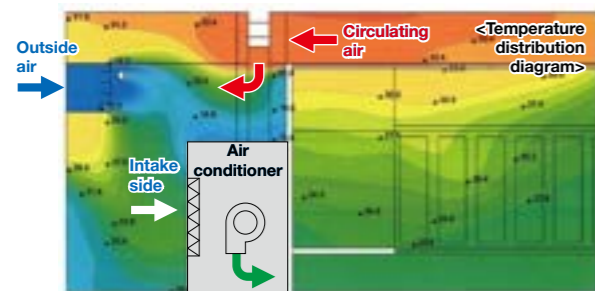
For various industrial facilities, such as data centers, we are
Modeling by using CFD simulations and mockups

Based on the expertise and knowledge gained through our extensive track records of installations, we are resolving various issues for customers. As well as our advanced analytical capabilities through means such as airflow simulations, we are developing our ability to respond to such needs through life-size mockup-based investigations.

Simulation investigation (to supply uniform airflow at data centers)



Simulation/mockup investigations (to optimize the mix of outside and circulating air at data centers)



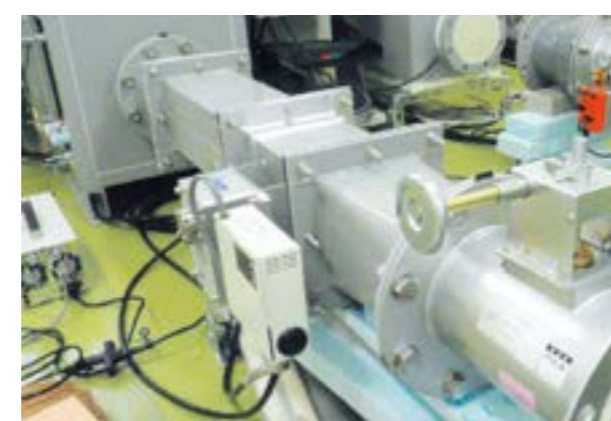
Uniform mixing achieves efficient air conditioning

Highly precise room pressure control system

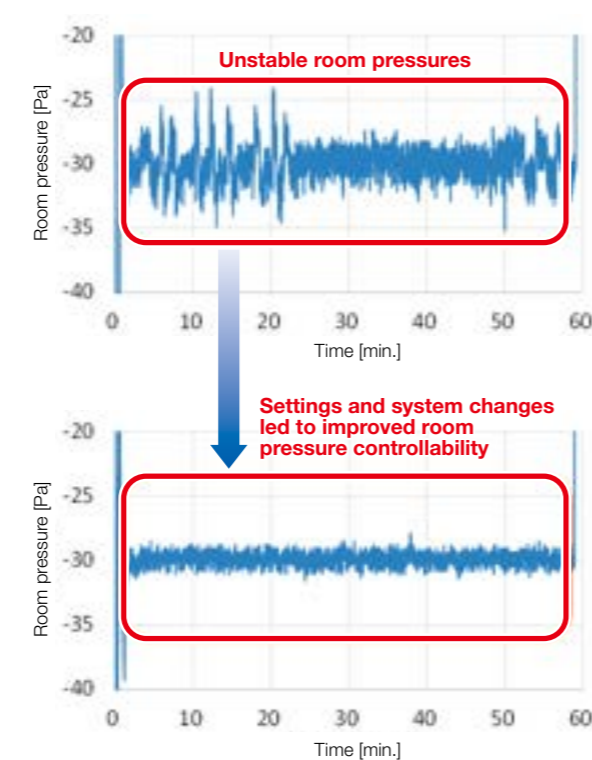
Providing pharmaceutical plants, biohazard facilities, and similar with
Initiatives aimed at providing stable room pressures and containment

At pharmaceutical plants, research facilities, and elsewhere, rooms need to be air-tight and to have stable room pressures. On the other hand, the more air-tight a room is, the more difficult it is to control the pressure in that room. Using mockups, we investigated improvement methods, and by developing the Barrier Smart™ highly accurate room pressure control system, we have addressed that issue.

Mockup investigation (stable room pressures)



Improvements (stable room pressures)



Low-cost clean room

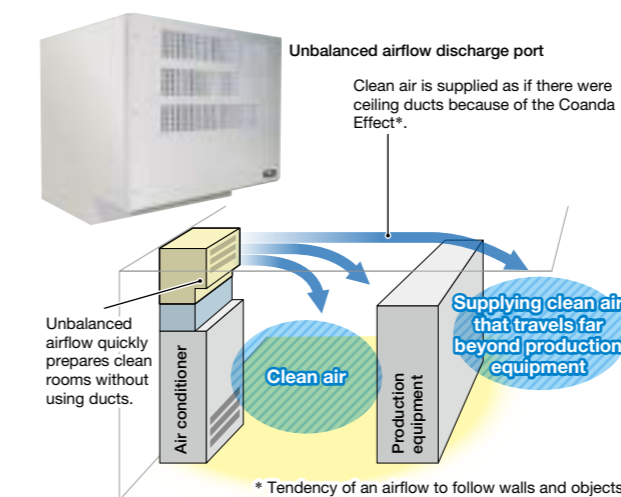
Equipping electronics and precision-item factories
Virtual Duct Clean Room System™

Our Virtual Duct Clean Room System™ is a ductless air-conditioning system for clean rooms that meet ISO 6–8 standards. Using a proprietary discharge unit that emits an unbalanced airflow, it delivers at a low cost the same level of temperature, humidity and clean factor uniformity as a conventional system built with ceiling ducts and HEPA filters.

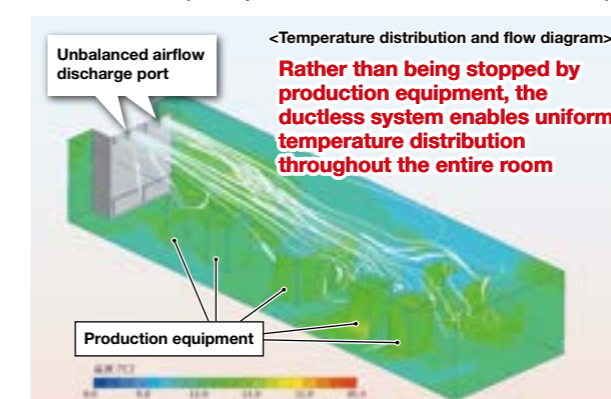
Features

- ① Similar low-cost to direct blow AC systems
- ② Good temperature, humidity and clean factor uniformity
- ③ No duct work required. Little time needed to install.
- ④ Easy-to-relocate AC unit ensures that layouts can be changed in the future

System concept



Simulation (to expand the distance airflow travels)



Surgical rooms that are comfortable yet save energy

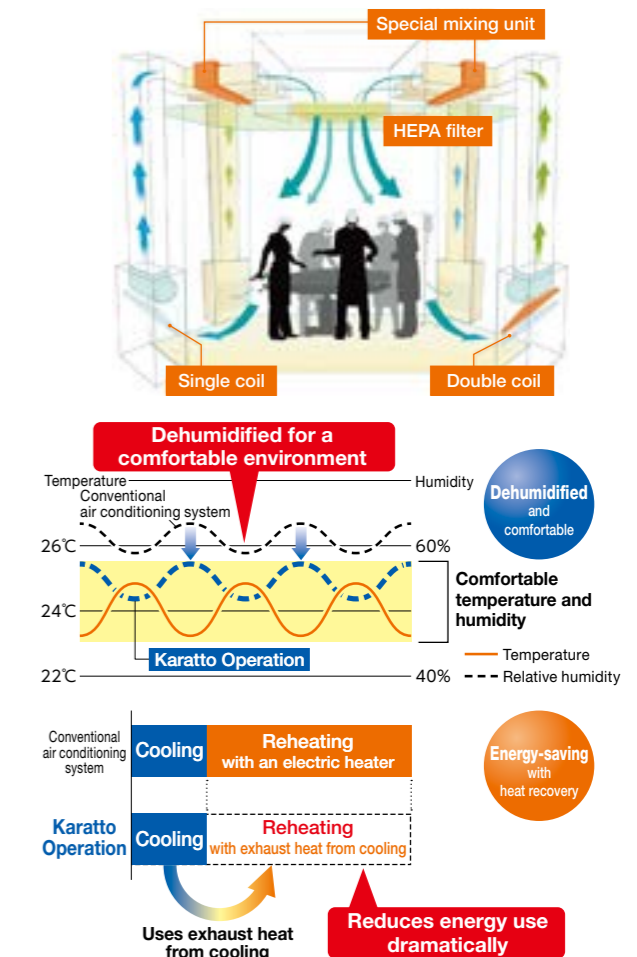
For energy-saving dehumidifying for surgeries
Karatto Operation™
* Handled by Cellab Healthcare Service

In cases where air from outside the surgery is not processed by reheating it, the room can become very humid, such as during the rainy season. This can, in some cases, lead to trouble such as condensation building up in medical equipment. With Karatto Operation™ we have focused on heat recovery technology using coolant, for an air conditioning system where the exhaust heat produced during cooling is used for reheating. Compared to conventional electric heaters, the result is superlative energy-saving and a comfortable environment.

Features

- ① Cools and dehumidifies surgery interior.
- ② Highly energy-efficient air conditioning system uses control technology for multiple air conditioners that can independently heat or cool at the same time.
- ③ The air conditioning system in each room is a complete unit so it is easy to maintain.

System concept



Innovation Capabilities

To act as a hub to promote innovation at Dai-Dan, we established the Innovation Division.

At the heart of the division is its technologies related to air, water, and light, and it acts based on its three main pillars: fundamental research that ensures quality, technical development that allows us to deliver new value to customers, and the creation of new businesses through innovation not restricted to the M&E services field.

Message from the Innovation Division Head of Technical Research Laboratory

Our R&D at Dai-Dan is centered on three keywords: people, time, and items. We research and develop ways of making people's environments more comfortable, how to create value through time throughout a building's life cycle, and how to produce new items that meet customers' ever-more complex, diverse needs. Alongside this, we are working to create new businesses that come from this R&D.

How to apply DX to conserve the natural environment as part of initiatives to decarbonize society, raise productivity, and reform ways of working is a major obstacle standing in the way of achieving a more sustainable society, and so we have made this an area in which we are prioritizing efforts.

In a VUCA age (a period of volatility, uncertainty, complexity, and ambiguity), customers' needs are predicted to continue becoming more complex and more diverse, yet we will continue to conduct R&D that contributes to the sustainability of society by offering customers safety and peace of mind as a company that creates value in spaces.



Shoichi Nakai
Innovation Division Head of Technical Research Laboratory



1. Maintenance

Fundamental research that ensures quality

We are focused on the R&D that strengthens our core technologies related to air, water, and light. The fundamental research that we are promoting aims to improve the quality of M&E services throughout the entire lifecycle of the building, with research into areas such as achieving both comfort and energy-savings for buildings, analysis of airflows, measures to counter noise vibrations, and rusting of distribution pipes. Moreover, we are conducting R&D and verifications into improving installation efficiency.

In recent years, we have also been advancing R&D that incorporates cutting-edge technologies, including "deep tech" such as AI and digital twins.

2. Growth

Technical development that allows us to deliver new value to customers

We are developing technologies that reduce environmental impacts and advanced space control technologies, with the aim of providing customers with solutions that grasp their real issues, in growth fields like smart buildings, industrial facilities, and regenerative medicine. By linking these with, and optimizing these to, the various fields that have grown from our core technologies, we will respond flexibly to highly uncertain issues and aim to create shared value—economic value, but also social value—by responding to societal needs. Furthermore, by promoting collaborations with external partners, such as through open innovation, we are able to develop technologies in a timely manner.

3. Creation

Innovation not restricted to the M&E services field

Through open innovation activities to co-create and cooperate with external bodies—including universities, companies in other industries, and start-ups—we are working to develop practical applications for new technologies and to create new business. One example is our air filter regeneration technology, which uses supercritical CO₂. This technology is the fruit of joint research between industry, academia, and government, and has been highly praised from inside and outside the company as an example of shared value creation that aims to resolve societal issues.

Moreover, in our Mid-Term Management Plan, "Refining Stage," we will implement research and business development into the themes identified in the previous plan, Preparation Stage, and aim to help make society more sustainable.

Building resilience in core businesses

Smart buildings

Smart cities

Enhancing work engagement

Carbon neutrality

Niigata Branch P27

REMOVIS® P28

Industrial facilities

Barrier Smart™ room pressure control P41

Virtual Duct Clean Room System™ P42

New business creation

Regenerative medicine

Growing regenerative medicine as an industry

All-in-one CP Unit™ P31

Filter regeneration

Recycling resources and reducing waste

Air filter regeneration service P29

Regeneration plant P30

Creating next-generation value

Making society more sustainable

Promoting R&D

Through our core technologies in air, water, and light, we flexibly adjust to meet our customers' increasingly sophisticated, increasingly diverse needs, and we are also promoting R&D that can help bring about a more sustainable society. Using synergies between our innovation and engineering capabilities, we are providing customers with space value throughout the lifecycle of their buildings. In order to respond to two of the pressing issues facing the construction industry, labor shortages and the complexity of installations, we are conducting R&D and verifications into installation efficiency improvements that can support high-quality practical competence.

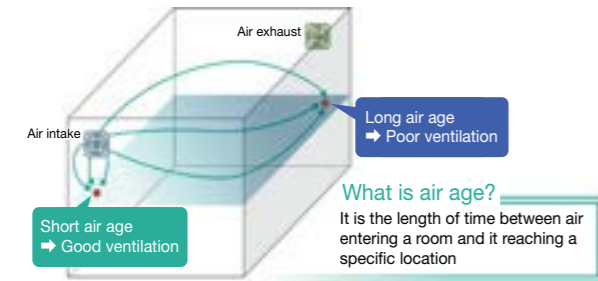
R&D Case Study 1 Providing optimal air conditioning environments



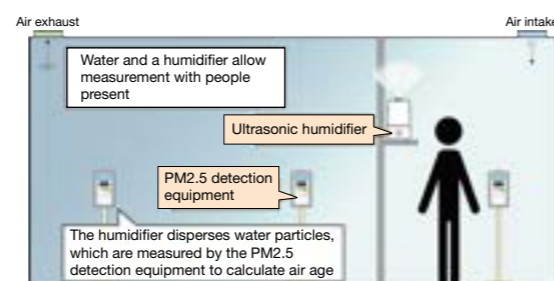
R&D into air age measurement to provide fresher air

To evaluate ventilation capabilities (the exchange of stale air for fresh), we mostly use ventilation frequency, which can be calculated by dividing the amount of fresh air brought into a room from outside by the total volume of that room. However, there are airflow distributions that cannot be measured by this metric. For these, we use the "air age" approach. Conventionally, to measure air age, we would use CO₂ and monitor changes in its density, but this method is harmful to humans and also requires a lot of preparation. We are therefore working on developing an alternative to CO₂-based measurement, one that calculates air age by using PM2.5 detection equipment to measure tiny particles produced by an ultrasonic humidifier. By developing this method, we will be able to measure air age safely in environments where people are present and with only simple set-up required. As a result, we can improve the air age distribution to create indoor environments in which fresh air reaches where it is needed.

What is air age?



Air age measurement using a humidifier and PM2.5 detection equipment



R&D Case Study 2 Creating high-quality medical environments



Developing cell processing facilities that automate the manufacture of cells for transplantation

In collaboration with our joint-research partners,* we have developed the world's first robotic cell processing facility (R-CPF) to enable the use of humanoid robots in clinical environments for retinal regenerative medicine. R-CPFs feature sterile lab spaces, which are necessary for manufacture cells for transplantation. Our clinical research using iPS cells cultivated in this R-CPF was approved by the Ministry of Health, Labour and Welfare in February 2022, and in December that year it was announced that the cells had been successfully transplanted into a patient.



This was the first time anywhere in the world that cells cultivated by free-moving robots had been transplanted. To manufacture cells for transplants, as part of regenerative medicine, requires sterile environments and a high degree of operational repeatability, so the burden on those in the field is significant. There is a strong need, therefore, for automation. In response, we designed a system that brings together the humanoid LabDroid Maholo, which can perform advanced life science experiments, and our compact clean room unit, the All-in-One CP Unit™. We were then able to verify that the system can automate cell manufacture at the high cleanliness levels needed for clinical research. Details of this research was published in the online edition of the science journal *SLAS Technology* dated October 29, 2023. We at Dai-Dan hope to continue contributing to the development of the regenerative medicine industry.

*RIKEN (a research organization), Kobe City Eye Hospital, VCCT Inc., and Robotic Biology Institute Inc.

R&D Case Study 3 Efforts to conserve water resources



Foundational tests aimed at applying ultra-water-efficient vacuum sewerage systems to buildings

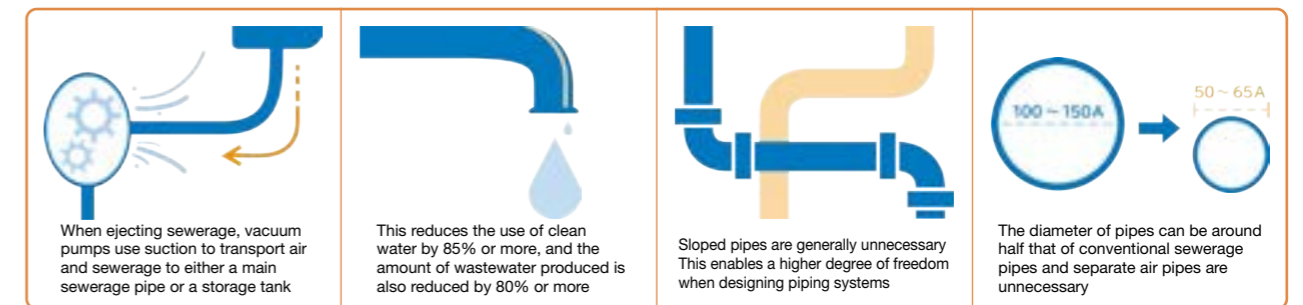
In recent years, as part of efforts to combat climate change, as well as energy reductions through concepts such as ZEBs and ZEHs,* interest has been growing in zero-water buildings (ZWBs), which work to conserve the water resources our lifestyles demand. One hurdle to attaining ZWBs is the need to improve water-saving technologies, a well-known example being water-efficient toilets.

We are looking at vacuum sewerage technologies, currently used in ships and trains, as a new sewerage system for our buildings, and we have been investigating their application in joint research with others outside the company. A normal toilet using the vacuum system creates around 1.2 liters of sewerage per flush, which is around 80% less than a conventional gravity-powered toilet. The system is also predicted to enable a higher degree of design freedom, allowing for installations using small diameter piping, without the need for sloped piping, and with the ability to place pipes vertically.

Another effect of this ultra-water-efficiency is that during disasters, the system can be used with vacuum trucks or other means in roughly the same way as during normal operations, so it is expected to also be an effective BCP measure. In this way, the water usage field is another area in which we are working to spread and develop new technologies.

*Abbreviation for net zero energy house. These are homes that manage a net-zero or minus balance of energy generation and expenditure.

Characteristics of vacuum sewerage systems



R&D Case Study 4 Achieving both decarbonization and comfort

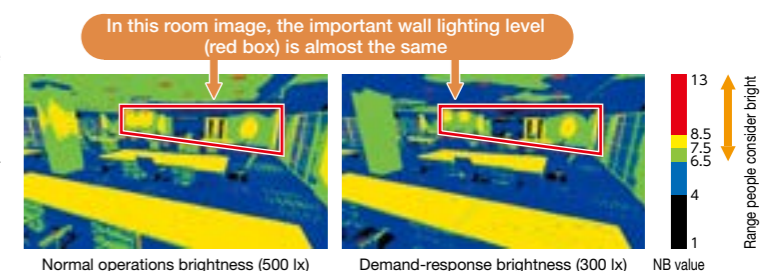


Lighting design with a focus on future demand-response

Demand-response* has become increasingly important as a way of adjusting the balance between electricity demand and supply because of the expanded use of renewable energy sources. At Dai-Dan, we use AI to predict power usage, and where demand looks likely to exceed these set demand levels, we enact a demand-response by providing power from storage batteries or lowering the output of our lighting or air-conditioning. However, when called to respond in this way, indoor lighting can become a little dim and the comfort of office workers is diminished as the brightness of walls and other locations drops. This is somewhere we have been able to apply the expertise we have gained in perceived-light design—a space design method based on how people perceive brightness—through our efforts in this area so far. For our demand-response, rather than lowering all lighting in a room uniformly, by adjusting lighting output in areas near the walls, the impression in the room is that the brightness is about the same as during normal operations.

Through this initiative, even during our demand-response times office workers can work in a comfortable environment, achieving both energy-savings and comfort.

*A method of matching electricity demand to supply, rather than the other way around. The energy provider uses requests to control consumers' usage at certain times.



R&D Case Study **5** Providing high-quality works



Efforts to create equipment location plans during renovation projects

Renovation projects are carried out at buildings when applications change or equipment becomes too old. Unlike new building projects, we make use of the currently installed equipment as we progress, and so there is a need to accurately understand the state and location of existing equipment. However, with repeated renovation works, there are often times when the most recently installed existing equipment is not recorded on blueprints. The site checks that this necessitates are a significant burden. We, therefore, utilize location recording technologies that use various cameras with the aim of improving operational efficiency.

By recording footage with specialist cameras, we can receive point cloud data. This is a set of data points that hold 3D coordinate information, and enable us to record actual dimensions. This information, in turn, allows workers to check current locations and take measurements remotely, and to use the point cloud data to make current location plans. On the other hand, there is a need to input equipment material types and information one at a time. In the future, we also hope to make progress with R&D into methods to acquire information on equipment properties using image recognition technologies. Our goal in all of this is to provide high-quality projects efficiently and to engender trust.



3D location data via 360° cameras



Existing equipment location plans are created using point cloud data from 3D measurement technologies

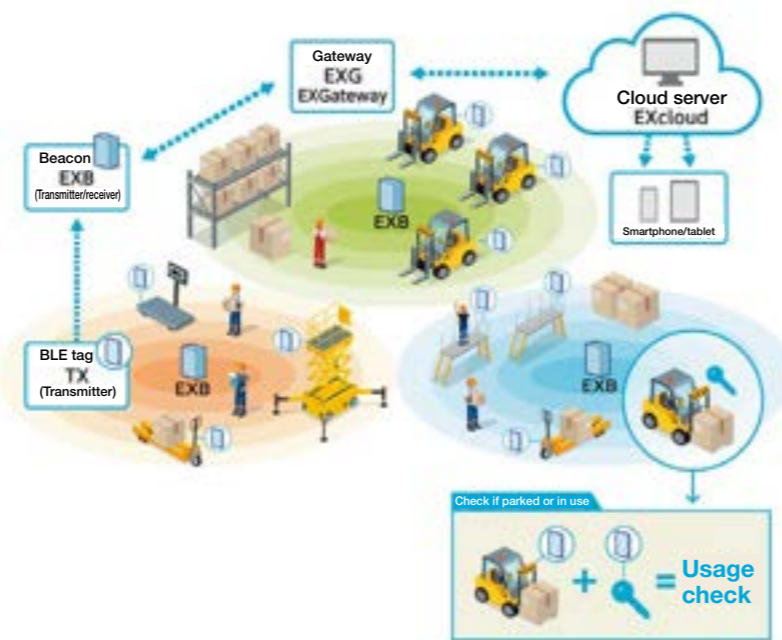
Developing worksite scaffolding equipment reservation solutions

Another avenue by which we are trying to raise task efficiency and enhance productivity at construction sites through DX is our joint development with WHERE, Inc., a company that provides IoT solutions, of MonoBooker™. This solution visualizes information such as location data for cherry pickers and other scaffolding equipment, or their operational status. The system then allows users to adjust their reservations anytime and anywhere.

At larger construction sites, checking where such equipment is and who is using it requires a great deal of time and effort, and even more so to adjust reservations. Under the MonoBooker™ system, transmitters are attached to scaffolding equipment, and its locations and operational status can be managed using the cloud. Using a computer, tablet, or smartphone, users can verify or book equipment wherever they are.

Moreover, management departments or similar bodies away from the worksite can also check whether equipment is in use, and analyze operation rates to offer advice such as about when to return equipment.

In the period up to fiscal 2023, MonoBooker™ has been used at 13 sites, including at 5 for other companies, and so is helping to raise productivity in the industry.



Intellectual Property Management

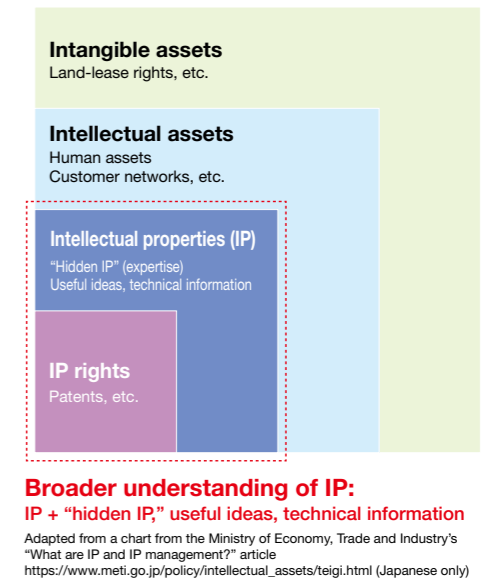
In addition to our intellectual property (IP) rights (patents, etc.), we also consider our IP more generally to include useful ideas and technical information. Therefore, we manage the creation and use of IP.

Creating intellectual properties

Dai-Dan Intellectual Property Strategy 2022 is our internal strategy for promoting IP creation and its utilization in order to raise the value of technological assets throughout the company. In addition to our IP rights, such as patents and other properties, we are constructing systems whereby employees can propose their own original, useful ideas for design or installation, and bring these together. In fiscal 2023, three useful ideas that could be used at installation sites were newly certified.

In the future, we will continue to work to foster greater awareness of IP among all employees and to cultivate a culture of ingenuity, and we will create new IP.

Total IP held:**200** properties
(As of the end of FY2023, including aforementioned useful ideas)



In-house e-learning system

As well as patents resulting from R&D, useful ideas for design, installation, or other areas are also an important kind of intangible asset. Collecting together such ideas from proposals promoted by individual offices or identified at technology presentations, and then rolling them out throughout the company, leads to improvements to our technical capabilities.

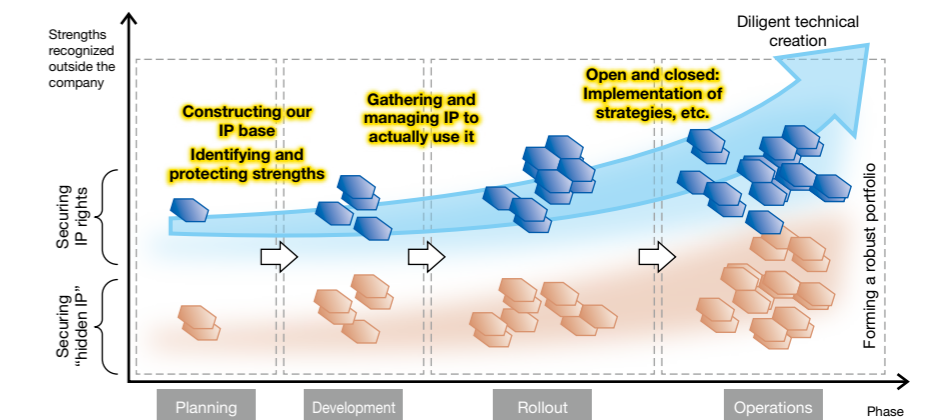
We are also strengthening and continuing activities aimed at enhancing the company's overall IP literacy, such as through updating e-learning content and providing explanations at development and technology briefings.

Utilizing our IP

Efforts toward the new-business-related technologies that will support Dai-Dan's future

To reinvigorate both our core business of mechanical and electrical (M&E) work and our new businesses, we must form a broad IP portfolio through open innovation and other research and development. We carry out IP management at every stage, from planning through to operations, to accumulate IP under a broader understanding of the term, and apply it in order to objectively present our strengths, secure a competitive advantage, and as a stepping stone toward alliances and co-creation.

Gathering and utilizing IP in technical development



Exceeding customer expectations with knowledge, experience and action

Practical Competence

Every building system we deal with is unique and different, which requires us to employ flexibility and creativity when challenged to accommodate a variety of building structures, usage patterns and customer needs. As a building services engineering and installation provider, we are committed to exceeding the expectations of our customers by applying the knowledge and experience we have gained throughout our history. Moreover, since our establishment, we have exhibited the ability to provide design solutions and installation expertise with inherent skill. This is Dai-Dan's practical competence in the field.

Installation Example ①

Offices, commercial facility, school, bank, substation

Bunkyo Garden Gate Tower

P50



Installation Example ②

Battery plant

TOYOTA BATTERY Co., Ltd.

Arai No. 2 Plant

P51



Installation Example ③

Equipment plant

CKD Corporation's Hokuriku Plant

P52



Enhancing Our Installation Expertise and Ability to Provide Design Solutions

P53

Installation Example ① Offices, commercial facility, school, bank, substation

Bunkyo Garden Gate Tower

Bunkyo Garden Gate Tower was designed based on the Bunkyo Shopping Center District Development Plan, as a project to redevelop the urban area around Kasuga and Korakuen stations.

This facility has been eagerly awaited by local residents as a thriving commercial base suited to the most symbolic area of Bunkyo City.

As part of a team led by Taisei Corporation, we installed the facility's air-conditioning and plumbing systems.



Building outline

Location	1-1-1 Koishikawa, Bunkyo-ku, Tokyo
Use	Offices, commercial facility, school, bank, substation
Scale	Gross floor area: 94,605 m ² 23 stories above ground, 2 under + single-story building
Construction	Steel + steel reinforced concrete
Completed	November 2023

Overview of the equipment

Air conditioning	Air-cooled package air-conditioning Building-application multiple-air-conditioner system (160 systems) Equipment-application air-conditioners (20 systems) Store-application air-conditioners (31 systems)
Plumbing work	Indirect water tanks 40 m ³ + 40 m ³ (1 system) Elevated water storage tank 12 m ³ Miscellaneous-use indirect water tank 232 m ³ (skeletal tank) Miscellaneous-use elevated water tank 12 m ³ Pressurized water supply pump units (6 units) Firefighting equipment (sprinklers, indoor fire hydrants, hose-type sprinklers, nitrogen fire extinguishers, CFC fire extinguishers, foam fire extinguishers, etc.)

All of the air-conditioning equipment used for this project was air-source heat pump package air-conditioning. On the office floors, we used outdoor units that can independently heat or cool at the same time. This allows users to freely set heating or cooling conditions themselves. For the ventilation systems, we used total heat exchangers fitted with direct expansion coils, and by supplying treated outside air to the outlets of each package air-conditioning system used in temperature control, we help to standardize room temperatures in offices, and to improve comfort.

Customer review

The Bunkyo Garden Gate Tower and Bunkyo Garden Center Terrace that were the focus of this project form the southern part of a three-area, three-facility project to redevelop the area around Kasuga and Korakuen train stations.

Gate Tower comprises shops, a vocational school, and office space, and after each was completed and handed over to the clients, there were seven periods of provisional use, so that the school and other facilities should start operations in a stepped manner.

Center Terrace, meanwhile, includes a substation, shops, and a preschool facility. The substation part and other parts were handed to the client separately due to matters related to the time it took to transfer the substation.

Through everyone's hard work and ingenuity, provisional use of the buildings began without delays, and we are very thankful that this long-term project (which began eight years before in 2016) finally came to a successful close when in November 2023 construction of the southern part of the development was completed. Thank you to all involved.

Yoshinori Kosuda, Director-General
Kasuga, Korakuen Station Area Urban Redevelopment Association

Comment from the supervisor

The site is connected to two Tokyo Metro lines, and the project was extraordinary in that over the course of the project (more than seven years), parts of the facility had to be handed over to clients one after the other in 13 installments—due to activities to move the substation within the site, develop a temporary branch for the bank that is one of the landowners, move the new school building for the landowners group, etc.—and despite being a new build there were also elements of renovation work. As a result, the management of processes and quality was complex, and the project was also impacted by the COVID-19 pandemic.

In this challenging environment, we successfully finished our part in the project and handed it over to our clients, a feat made possible by the efforts of all those involved, to whom I have very grateful.



Tsutomu Kushima, Project Master
Tokyo Head Office Engineering Department 2

Installation Example ② Battery plant

TOYOTA BATTERY Co., Ltd. Arai No. 2 Plant

TOYOTA BATTERY Co., Ltd. is a member of the Toyota Group, and a central part of its battery production. In December 2023, it completed work on its Arai No. 2 Plant, the second plant to be built at Kosai Battery Park.

Under the leadership of Obayashi Corporation, we installed the plant's air-conditioning and plumbing equipment.



Building outline

Location	2-187 Hamanako Seigan Land Readjustment Project, Uchiyama, Arai-cho, Kosai, Shizuoka
Use	Battery plant
Scale	Gross site area: 280,005.38 m ² Three stories (legally four)
Construction	Steel
Completed	December 2023

Overview of the equipment

Heat sources	Turbo freezers, modular chillers, cooling towers, high-temperature heat pump units, compressors
Air conditioning	Outside-air processing units, drier-dehumidifiers, fan coil units, compressed air equipment, automated control equipment
Plumbing work	Water, industrial water, sewerage, and processed wastewater equipment Indoor and outdoor fire extinguishers, fixed powder extinguishers, mobile powder extinguishers

The aim with this plant is for battery production and manufacturing expertise that can compete with the best in the world, as part of the rapid shift to electrification that faces the automotive industry on a global scale as society targets carbon neutrality.

For most of the air-conditioning equipment we installed at the plant, we used four-pipe systems for cold and hot water powered by turbo freezers for the cold water and modular chillers for the hot water, and supply these to outside-air processing units, drier dehumidifiers, and air-conditioners in work areas.

For general areas, we utilized building-application, multiple-air-conditioner systems, while for the high-temperature aging rooms we used heat pump units, and for dry rooms we adopted drier dehumidifiers.

Moreover, by keeping spares available for major equipment, we can always maintain the operational situation, and our systems consider the impact on production processes.

Customer review

My thanks go out to those who helped with the new build project for our Arai No. 2 Plant.

While the deadlines were tight, workers were always positive, even toward the repeated plan changes, and we were able to complete construction without a hitch.

Thanks to the various valuable suggestions that Dai-Dan employees made using their experience and expertise, we now have a plant worthy of Kosai Battery Park, and one that excels in comfort, energy-efficiency, and functionality.

In the future, as we work toward commencing full-scale operations here, things may become more hectic, but I hope we can continue our close relationship and benefit from Dai-Dan's equipment maintenance and management, and after-sales support.

Makoto Konishi, Manager
Plant Construction and Facilities Management Group,
Plant Engineering Section
TOYOTA BATTERY Co., Ltd.

Comment from the supervisor

With this plant, we faced some difficulties due to a short-term work overlap with the Arai No. 1 Plant, the first to be built, and because of material procurement difficulties resulting from the pandemic.

Chronic labor shortages also made coordinating processes challenging, but with the help of our client and various people involved in the project, we successfully completed our installation.

Once again, thank you to everyone whose efforts and assistance made this possible.



Natsuhiko Hosono, Deputy General Manager
Toyota Branch Engineering Department 2

Installation Example ③ Equipment plant

CKD Corporation Hokuriku Plant

The new construction of CKD Corporation Hokuriku Plant aims to strengthen the company's manufacturing of devices used in producing semiconductors, and to help its business continuity planning for disasters by dispersing production away from its plants in the Tohoku and Tokai regions.

In a project overseen by Shimizu Corporation, we installed the plant's electrical systems.



Building outline

Location	Komatsu, Ishikawa
Use	Equipment plant
Scale	Gross floor area: 23,802.14 m ² Two stories above ground
Construction	Steel
Completed	January 2024

Overview of the equipment

Power receiving method	6 kV high-voltage receiving equipment
Power receiving and transforming equipment	Outdoor cubicles: High-voltage substation x 2
Other equipment	Sub-main cable service (bus duct and cables), solar power (separate) power supply service, electrical light outlets, DC power supply, lighting control intercoms, CCTV, LAN, alert equipment for disasters (automatic fire alarm system, guide lights, emergency lighting)

Fitted with clean rooms that boast ISO 5 (Class 100) cleanliness, the facility has the equipment it needs to carry out manufacturing, trials, and development of ultra-precision equipment. For the electrical equipment too, we helped to ensure quality through the use of high-quality lighting equipment and installation methods that meet ISO 5 (Class 100) standards.

By using bus ducts for the sub-main cable service, we could secure a surplus of power for production, and by installing power monitoring equipment to all the power panels, so users can see power usage, we created systems that can be flexibly altered to improve functions or expand them in the future.

Consideration for the environment is also essential, so we implement efficient management using sensor-based lighting controls and load controls. Additionally, we incorporated a 300 kW solar power system to provide renewable energy, which helps to reduce the facility's environmental impact.

Comment from the supervisor

At only ten months, this was a short project and as the site representative, it was a challenge to coordinate subcontractors' schedules and procure materials, but I received a great deal of support from staff from Shimizu Corporation, subcontractors, support staff across the country, and all the others involved in the project. As a result, we got there and finished the job.

Through close cooperation with the client, everyone came up with ways around the problems and issues that cropped up, and we could resolve each without cutting corners in terms of quality.

That we could make a success out of such a challenging project is entirely down to the help and teamwork of all the project's members.

Once again, a sincere thank you to everyone who took part.



Koitsu Komori, Project Master
Hokuriku Branch Engineering Department

Enhancing Our Installation Expertise and Ability to Provide Design Solutions

Sharing and utilizing the enhanced value generated by our on-site expertise

Case study presentations for sharing expertise and integrity throughout Dai-Dan

We held our FY2023 Case Study Presentations awards ceremony in February 2024. This event publicizes exceptional achievements and ideas that are examples of our employees' expertise and ingenuity in their day-to-day work, and that have gone through a company-wide application and demanding review process that includes examples from workers overseas. This year, from a total of 132 applications, three case studies were recognized with awards at a ceremony at a city hotel (one with the President's Award and two with Manager of the Technical Division awards). Alongside these, a number of other applications were awarded at individual business sites: three with excellence awards, sixteen with encouragement awards, and two with honorable mentions.

The presentation ceremony was also made available for on-demand viewing via the company portal, so employees could watch whenever they wanted. By sharing these exceptional case studies, and making it so that anyone can apply their lessons, we are leveling up employees and enhancing Dai-Dan's skills, safety, and quality.



Award recipients

Technical Reports

Our Technical Reports are published with the aim of leveling up through technical accomplishments and advancing standards, predominantly by detailing designs and case studies of installations.

In the latest issue, we detailed installation case studies related to industrial and medical facilities, and introduce characteristic or technically excellent installation projects. We also featured initiatives that won awards at the Case Study Presentations. In total there were 24 articles.

These included information on creative ways to improve conventional designs and installations and to keep costs down, as well as case studies where we have used advanced equipment technologies or provided equipment that considers future maintenance and management. Added to this are reports on working environment improvements. We provide this wide-ranging content to all engineers.

We have made the report available to be viewed via the company portal, in a nod to convenience that allows users to jump to sections they want to read via the contents or bookmark functions. On the PC or iPad screen, they can expand or shrink detailed items such as flow diagrams as they please.



Comment from the winner of the President's Award

I am exceptionally proud that of the many designs, installations, and operational improvement ideas that were submitted from across Japan, our project was the one to be chosen for the President's Award at the FY2023 Case Study Presentations.

Our case study was how we used digital technologies to resolve issues such as energy-efficiency, decarbonization, and labor shortages—all major trends affecting the industry—and showcases further ways of utilizing REMOVIS™, a system that we at Dai-Dan developed.

Specifically, the system is a cloud-connected version of a power monitoring system, and at the design stage it was intended to store and view data on monitoring system server PCs. However, in response to wishes to monitor the data on in-house networks, we were unable to clear customers' network criteria. To resolve this, we gave up on the idea of using server PCs, and instead made it possible to store and view the data via the cloud (REMOVIS™), thereby clearing customers' network criteria. This made server management unnecessary, and allowed for remote, real-time monitoring.

Finally, digital technologies are evolving with every day, and going forward we will actively incorporate DX tools, and we will strive to continue to taking on the challenge of various issues.



Shiko Nakata,
Deputy Manager
Tokyo Head Office
Engineering Department 1

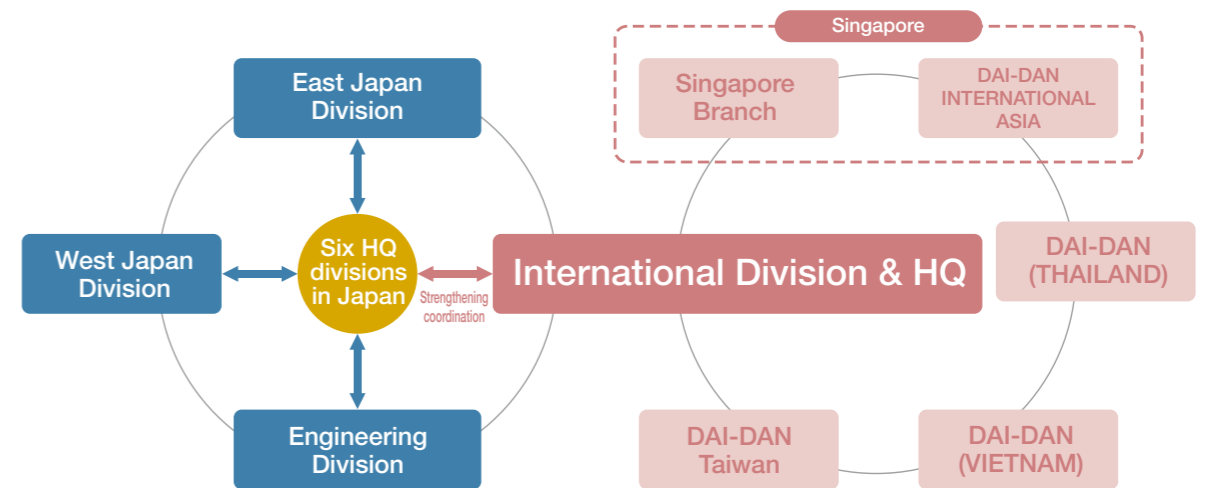
Overseas Business

Our overseas business has so far spread to cover four regions: Singapore, Thailand, Vietnam, and Taiwan.

Phase 1 of our long-term vision, in which we announced our desire to strengthen overseas business, ended last year but during the period we have carried out the following activities.

- Established the Singaporean subsidiary DAI-DAN INTERNATIONAL ASIA PTE. LTD. in September 2021.
- Concluded a stock-transfer agreement with Presico Engineering Pte. Ltd. and made it an equity-method affiliate in February 2023.
- Increased investment in DAI-DAN INTERNATIONAL ASIA PTE. LTD. in October 2023, increasing our capital share from 5 million Singaporean dollars to 20 million.
- Net sales for our overseas business (for completed projects) in the final year of Phase 1 were around three times higher than three years previously, in its first year.

Fiscal 2024 is the first year of Phase 2, "Refining Stage." We have announced that during this stage we make our overseas business a "Domain of driving business growth," and we will aim to further develop the business.



Singapore

The first large-scale project that our Singapore Branch took on after we first established it in 1979 was at Changi Airport. Since then, the branch has been involved in many different types of projects, including back at Changi Airport. In recent years, it has also actively been working on larger projects such as at hospitals or resort facilities.

In 2021, we established a wholly owned local subsidiary, DAI-DAN INTERNATIONAL ASIA PTE. LTD., and we will transfer the functions of Singapore Branch to this new company as we work to expand our business in Singapore.

In 2023, the subsidiary received three orders for large-scale projects at renowned resort facilities on the Singaporean island of Sentosa.



Party for Dai-Dan's 120th anniversary



Singapore Branch

Established : January 1979
General Manager : Eiji Fujita
Number of staff : 69 (2 Japanese)



Established : September 2021
Managing director : Khang Yap Cheng
Number of staff : 77 (3 Japanese)

Thailand

Dai-Dan (Thailand) has now celebrated its own 40th anniversary, and since it was established in 1984, the company has been part of many new construction projects as an M&E services provider for Japanese-owned factories in Thailand. Now, in addition to new factories and factory expansion work, our subsidiary is expanding its activities to include diagnosis, maintenance, management, and updates to old equipment, and work to introduce solar power generation, with the aim of being the one companies naturally turn to for factory work.

As well as its head office in Bangkok, it has also established sales offices in the provinces of Chon Buri and Lamphun, for a three-base system in Thailand.



DAI-DAN (THAILAND) CO.,LTD.

Established : August 1984
 Managing director : Yoshinori Uetani
 Number of staff : 90 (8 Japanese)
 Website : <https://www.daidan.co.th>



Vietnam

Dai-Dan (Vietnam), a local subsidiary established in October 2020, has been working with the Dai-Dan Group, which has sent engineers from Japan. In the future, it will continue to collaborate and expand its business.

Moreover, while it is based in the north of the country (around Hanoi), it is developing an installation framework that allows it to respond to projects in the south (around Ho Chi Minh City).



DAI-DAN (VIET NAM) CO.,LTD.

Established : October 2020
 Managing director : Masatsugu Itano
 Number of staff : 5 (2 Japanese)

Taiwan

In order to expand our business even further overseas, in April 2022, we established a local subsidiary in Taiwan. The island is packed with some of the world's greatest semiconductor manufacturers, and our aim is to provide them with filter and adsorbent regeneration services that use supercritical CO₂, which has been proven in Japan, and secure customers there.



台灣大暖股份有限公司

Established : April 2022
 Managing director : Yasunobu Tanaka
 Number of staff : 1

Overseas installations



Singapore Resorts World Sentosa (air conditioning work)



Thailand Sinfonia PH-3 Plant (air conditioning, plumbing and electrical works)



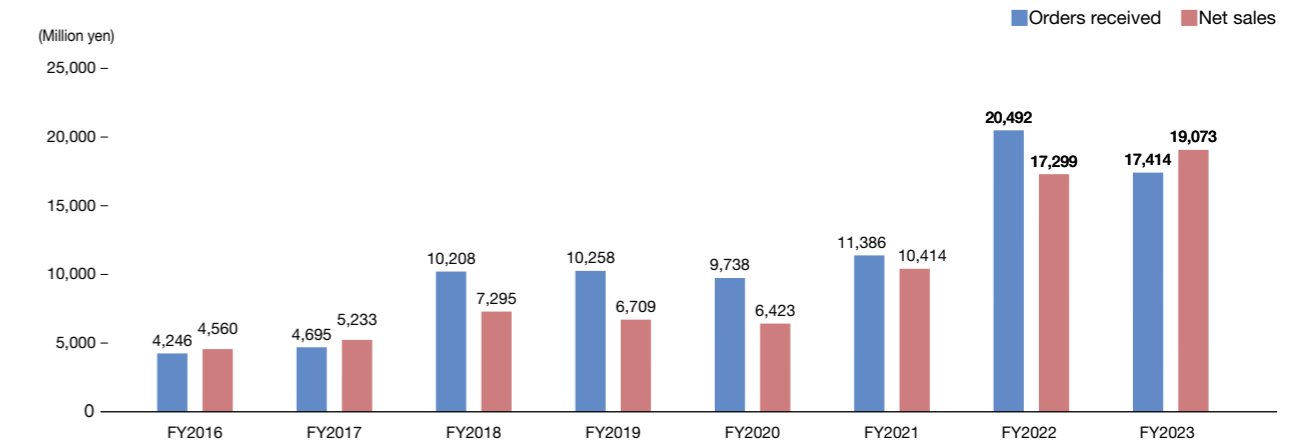
Thailand THAI OTSUKA (air conditioning work)



Thailand WHA Quant Sukhumvit 25 (air conditioning, plumbing and electrical works)



Changes in overseas business performance



Message from the Manager of International Division & HQ

We have positioned making our overseas business a driver of growth as a central part of our Mid-term Management Plan, and aim to develop this business further. In particular, for Singapore, which accounts for more than 80% of the overseas business' sales, we aim to achieve a constant stream of large-scale project orders, and our team in Japan also helps to support these efforts.

On the other hand, large-scale projects come with large-scale risks. Cost increases due to insufficient quality management or delays in recovering project outlays carry greater risks overseas than they do in Japan. To counter these, Japanese staff offer technical and credit management support in much the same way they do for gaining orders.

Incidentally, the biggest obstacle to developing our overseas business is the need to train globally oriented personnel. In Japan, we provide personnel with language training, but also give them on-site training abroad, which will lead to personnel who can play active roles inside or outside Japan and to continuous development of our overseas business.



Mitsuru Takahira, Managing Corporate Officer
 Manager of International Division & HQ

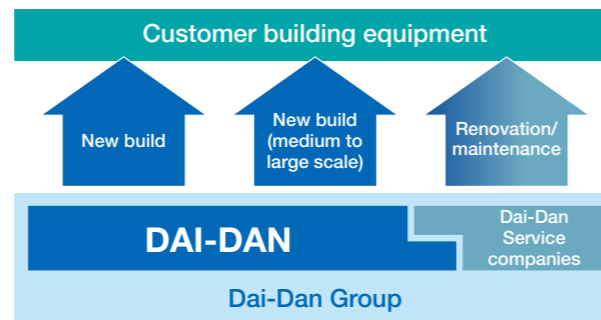
Group Company Initiatives

Our network of Japanese subsidiaries has expanded to include companies in the Kanto, Chubu, and Kansai regions, and we plan to further strengthen these network to maintain the strong connections we in the Dai-Dan Group have with customers.

The DAI-DAN Service companies are the group members responsible for renovation projects and maintenance on buildings where we have carried out installations.

By proposing and enacting renovation work at an appropriate timing depending on what stage of its life cycle the building is in, the companies maintain the building's core functionality and give it new life.

We meticulously respond to customers' needs, and as a whole the Dai-Dan Group will support the entire building lifecycle.



DAI-DAN Service Kanto Co., Ltd.

DAI-DAN Service Kanto is centered around a number of highly experienced engineers, and is mainly responsible for renovating, upgrading, and maintaining equipment at buildings where Dai-Dan has carried out the installations. As a member of the Dai-Dan Group, the company makes use of Dai-Dan's technical capabilities and expertise as it contributes to the group overall.



ダイダンサービス関東
 Service
 Established : December 1997
 Managing director : Kazuya Shigihara
 Employees : 19

DAI-DAN Service Chubu Co., Ltd.

DAI-DAN Service Chubu is a relatively young company, now only in its fourth year. Working with Dai-Dan's Nagoya Branch, the company oversees maintenance and renovation projects for customers in the Chubu region who have had installations done by Dai-Dan. As a maintenance department for the long-standing Dai-Dan Group, DAI-DAN Service Chubu is building up a track record under the motto of catering to customers' wishes, and aims to be a company that grows with its customers.



ダイダンサービス中部
 Service
 Established : February 2021
 Managing director : Jun Kinoshita
 Employees : 9

DAI-DAN Service Kansai Co., Ltd.

DAI-DAN Service Kansai collaborates with Dai-Dan's Osaka Head Office to offer maintenance and small-scale projects for Dai-Dan installations in the Kansai region. The company is developing its business with a focus on playing its part on maintaining relationships between the Dai-Dan Group and its customers.



ダイダンサービス関西
 Service
 Established : April 2001
 Managing director : Hiroshi Hamada
 Employees : 28



Promoting Sustainability

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Message from the President's Office Manager of Personnel Department

The Personnel Department has a vital role in executing measures to achieve the personnel strategy given in the Mid-term Management Plan of evolving into a company where individuals can play an active role. From the perspective of developing people, the important and pressing issues facing the Personnel Department are, I believe, reforming the organizational culture to achieve our targets, and to transform current personnel systems. As specific measures to tackle these, we will work with related departments to review personnel evaluation systems to enhance employee engagement, undertake fundamental review of training systems to improve employees' capabilities, and systemize job rotations to improve the skills of our human resources.

For any company, the people that work there are of vital importance. We in the Personnel Department must continue to maintain close relationships with Dai-Dan's people, and help to make the strategy targets a reality.



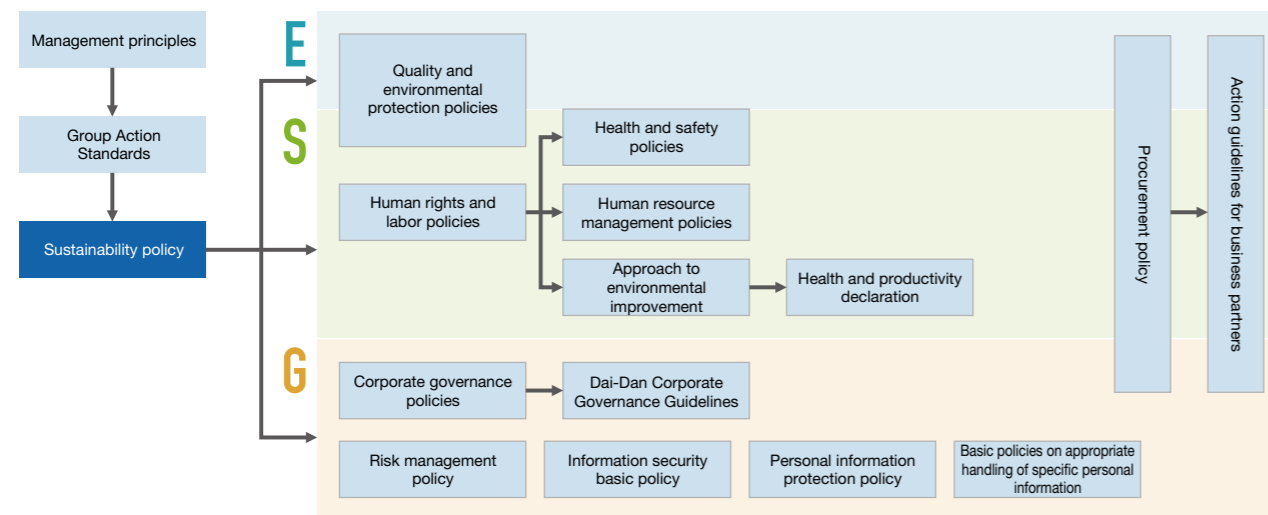
Kenta Tateishi
 Corporate Officer,
 President's Office Manager of
 Personnel Department

Sustainability Initiatives

Formulation of the Dai-Dan Group Sustainability Policy

We formulated our policy as our fundamental approach to tackling the issue of sustainability. Our policy, founded on our management principles and the Dai-Dan Group Action Standards, is positioned above our individual environmental, social, and governance policies. By setting the Dai-Dan Group Sustainability Policy, we aim to further promote ESG-focused management and help bring about a more sustainable society.

Policy hierarchy



Dai-Dan Group Sustainability Policy

The Dai-Dan Group's management principles drive us to "deliver space values of safety, comfort, and trust to the future of ourselves, society, and earth." Those principles underscore the Dai-Dan Group Action Standards on which we seek the trust of our stakeholders and the business activities through which we strive to solve the problems facing society and the environment, and contribute to the realization of affluent but sustainable ways of life.

1. Finding and applying light, air and water technologies that protect the global and local environments while providing comfortable work and living spaces by reducing environmental loads.
2. Fostering a corporate culture that respects the human rights and individuality of everyone by welcoming diversity into the workplace.
3. Ensuring full compliance with laws, regulations and agreements by continuously improving our systems of corporate governance.
4. Maintaining an open dialogue with stakeholders that allows us to meet social expectations and demands, and build strong bonds of trust with all.
5. Sharing this policy with group subsidiaries and subcontractors so that we can promote sustainability initiatives in unison.

Sustainability promotion system

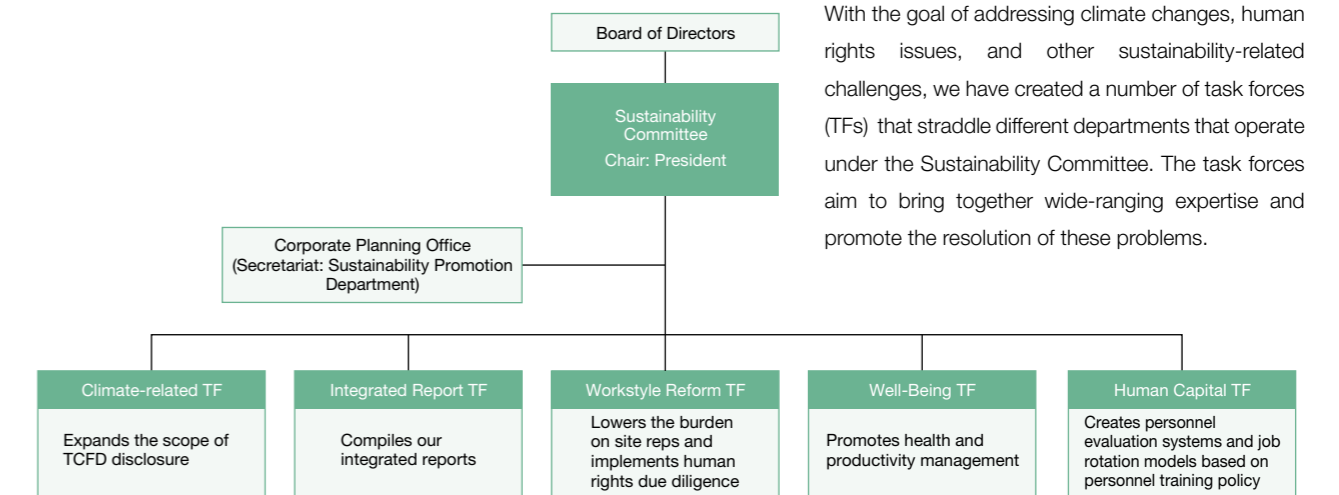
In April 1, 2022, we established the Sustainability Committee with the president as its chair, both to contribute to the shift to a more sustainable form of society, and to enhance our corporate value. At the same time, to function as a secretariat for the committee, we established the Sustainability Promotion Department.

The Sustainability Committee, under the supervision of the Board of Directors, investigates and promotes efforts to implement the Dai-Dan Group Sustainability Policy, and as well as managing progress and deliberating measures connected to related policies or materiality, it deals mainly with the following three areas.

1. Determining responsibilities to work toward a more sustainable society and planning business strategies
2. Planning and promoting activities in three areas: CSR, the environment, and social contribution
3. Promoting information disclosure about ESG activities outside the company, as well as measures to enhance how we are perceived from outside

Under this aegis of this Sustainability Committee, we will further accelerate our move to sustainable management.

Our task forces



With the goal of addressing climate changes, human rights issues, and other sustainability-related challenges, we have created a number of task forces (TFs) that straddle different departments that operate under the Sustainability Committee. The task forces aim to bring together wide-ranging expertise and promote the resolution of these problems.

Information disclosure in line with the TCFD's recommendations

We have set "Contributing to archive carbon neutrality" as one of our areas of materiality, and in line with the Dai-Dan Group Sustainability Policy, we are promoting efforts to reduce our environmental impact through our business activities.



In August 2021, we announced our support for the recommendations published by the Task Force on Climate-related Financial Disclosures (TCFD) and joined the TCFD Consortium. The TCFD's recommendations are split into four categories: governance, strategy, risk management, and metrics and targets.

Going forward, we will continue to further advance our analysis of the effect climate change will have on our business activities, and will disclose any pertinent related data.

TCFD-recommended information disclosure categories

Governance	Strategy	Risk management	Metrics and targets
Organizational governance around climate-related risks and opportunities	Actual and potential impacts on an organization's business, strategy, and financial planning around climate-related risks and opportunities	Methods by which an organization identifies, assesses, and manages climate-related risks	Indicators and goals used when assessing and managing climate-related risks and opportunities

1. Governance

As part of our efforts to make society more sustainable, we established the Sustainability Committee (chaired by the president) below the Board of Directors to devise business strategy toward ESG and sustainability and deliberate on related initiatives.

The committee, which is scheduled to meet twice or more a year, discusses our response to materiality—our business strategy, including how we react to climate change—as well as our efforts toward the risks and opportunities it throws up. The results of these discussions reported and referred to the Board of Directors; under this system, the Board of Directors provides oversight. To act as a cross-departmental organization under the committee, we created the Climate-related Task Force, and are enhancing our information disclosure in accordance with the TCFD's recommendations.

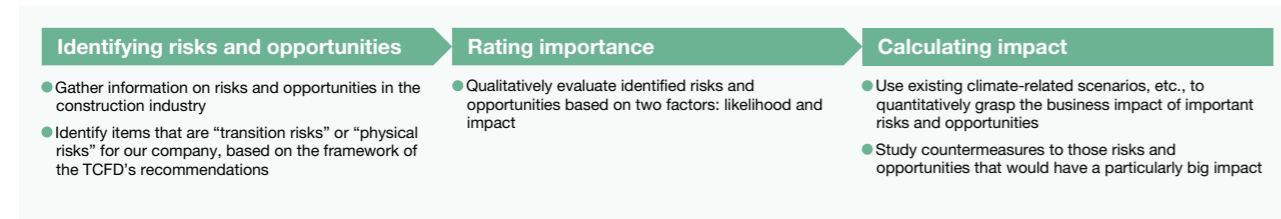
The person ultimately responsible for how we deal with climate change is our president, who is at the heart of our efforts to respond to climate-related risks and opportunities and to promote information disclosure based on the TCFD's recommendations. The president also leads the Risk Management Committee, which provides overall risk management, and the two committees share information so that perspectives related to climate change are reflected in our management of risk.

2. Strategy

We recognize that climate change is an important issue for our business, and in fiscal 2021 we identified climate-related risks and opportunities from short-term to long-term perspectives, and evaluated their potential impact. Then, in fiscal 2022, we analyzed these, using tools such as the 1.5°C global temperature rise scenario, and have estimated the business impact of climate change and studied possible countermeasures. The table at the bottom of the page shows our awareness of major climate-related risks and opportunities, and also our countermeasures.

In the future, based on the results of our analysis of these climate-related risks and opportunities, we will reflect them in initiatives related to “Contributing to archive carbon neutrality,” one of our areas of materiality.

Analysis process



Setting scenarios

Climate change scenarios

Under scenario analysis, there are two potential future worlds: The first is a world in which global society follows the targets of the Paris Agreement and keeps average global temperature rises to within 1.5°C of pre-Industrial Revolution levels (“+1.5°C world”). The second is a world in which global society makes no changes (“+4°C world”).

For +1.5°C world analysis, we referenced the IEA WEO’s Net Zero Emissions by 2050 (NZE) scenario, the Announced Pledges Scenario (APS), and the IPCC’s RCP2.6 scenario. For the +4°C world scenario, we looked at the IEA WEO’s Stated Policies Scenario (STEPS) and the IPCC’s RCP8.5 scenario.

Scope

This analysis covers our business in Japan, the sales for which account for 90% of total sales.

Timeframe

We have set the following three timeframes—short term: within the next three years; medium term: until 2030 (the period covered by our long-term vision Stage 2030 and the SDGs target year); and long term: until 2050 (the target year for carbon neutrality). Additionally, the timeframe for future financial impacts covers analysis for 2030.

Climate-related risks and opportunities

*We evaluated the impact on profit of carbon pricing (a transition risk) and physical risks, and the impact on sales of all other risks and opportunities.
 · Profit impact evaluation standard: Small = ¥100 million or less; Medium = up to ¥1 billion; Large = more than ¥1 billion
 · Sales impact evaluation standard: Small = ¥2 billion or less; Medium = up to ¥20 billion; Large = more than ¥20 billion

Risk categories		Major risks	Timeframe	+1.5°C	+4°C	Countermeasures
Policy and legal	Carbon pricing	The introduction of carbon taxes could lead to expenses related to business activities or installations rising. Introductions of carbon credits or similar would lead to higher expenses connected to emissions transactions.	Medium to long term	Small	Small	<ul style="list-style-type: none"> Switch to virtually 100% renewable energy sources Reduce energy consumption at our own facilities, including ZEB efforts Promote introduction of eco-cars Reduce cost of business activities by promoting DX, through ICT means such as BIM, online meetings, and cloud technologies
	Tightening of new-building regulations	If we were unable to respond adequately to the tightening of regulations, accreditation systems, and low-energy standards for new buildings, we would lose orders.	Short to long term	Large	Medium	<ul style="list-style-type: none"> Review systems for responding to tightening regulations, certification programs, and low-energy standards for new buildings
Transition risks	Spread of renewable energy/energy-efficient technologies	A slow response to new energy-efficient and renewable energy technologies could lead to a drop in our competitiveness, leading to fewer orders.	Short to long term	Large	Medium	<ul style="list-style-type: none"> Promote energy-efficient equipment proposals that make use of our expertise gained from operating our own ZEBs Push open innovation through joint research with universities and other parties
	Changes in customer behavior	A slow response to changes in the way the industry is structured or in investment in equipment toward the goal of a carbon-free society could lead to fewer orders.	Short to long term	Large	Large	<ul style="list-style-type: none"> Strengthen sales planning that considers technological trends toward a carbon-free society and customer equipment investment trends
Reputation	Changes in investor and shareholder behavior (increase in ESG investment)	Insufficient information disclosure about our decarbonization efforts could lead to a reduction in our reputation and trust from financial markets.	Short to long term	—	—	<ul style="list-style-type: none"> Bolster sustainability information sharing and dialogue through IR activities
	Changes in appraisal by customers	An inability to gain praise from society for our decarbonization efforts could lead to a loss in trust from the markets and fewer orders.	Short to long term	Large	Large	<ul style="list-style-type: none"> Proactively share information through our website and integrated reports Participate proactively in initiatives aimed at achieving carbon neutrality Promote Dai-Dan Forests training and preparation activities

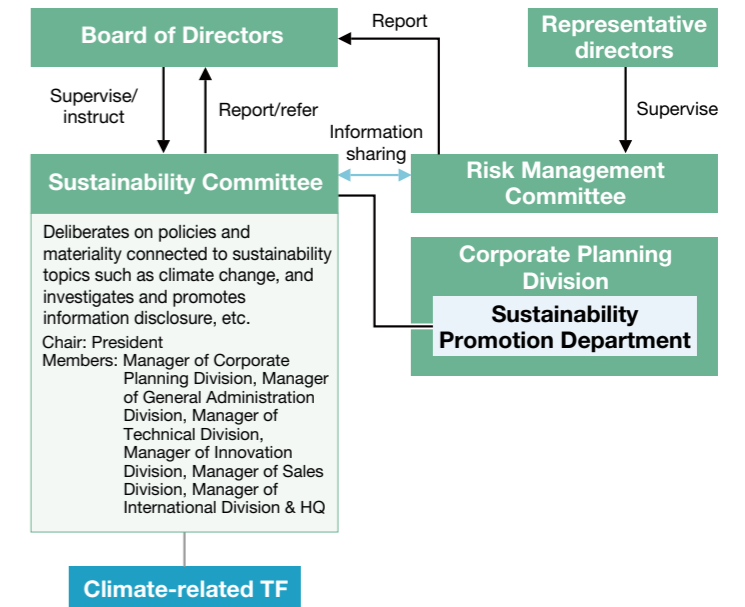
Risk categories		Major risks	Timeframe	+1.5°C	+4°C	Countermeasures
Physical risks	Acute risks	Frequency and severity of abnormal weather (typhoons, heavy rain, etc.)	Short to long term	Small	Small	<ul style="list-style-type: none"> Operate a business continuity management to reduce risk Reinforce resilience by making our own buildings ZEBs
	Chronic risks	Rise in average temperatures (summer)	Short to long term	Small	Medium	<ul style="list-style-type: none"> Introduce air-cooled clothing and implement heat stroke countermeasures Raise productivity and reduce working hours by promoting DX at installation sites and using robots
		Changes in rainfall patterns	Short to long term	Small	Small	<ul style="list-style-type: none"> Strengthen cooperation between suppliers, subcontractors, and others in the supply chain

Opportunity categories		Major opportunities	Timeframe	+1.5°C	+4°C	Countermeasures
Resource efficiency/resilience	Expansion in demand related to low-energy buildings and smart cities resulting from the spread of energy-efficient and renewable energy technologies	A quick response to energy-efficient and carbon-free technologies, such as those used in making ZEBs, could lead us to gaining a competitive advantage, leading to more sales.	Short to long term	Large	Large	<ul style="list-style-type: none"> Strengthen sales for renewable energy and ZEB projects through proposals that make use of energy-efficient renovations, ZEB technologies, and IoT technologies Promote effective use of renewable energy and the development of technologies related to ZEBs
	Introduction and strengthening of technologies related to energy management	Adapting to new energy management technologies could improve our competitiveness, leading to more orders.	Short to long term	Medium	Small	<ul style="list-style-type: none"> Expand a solutions service that offers energy management for single or multiple buildings, by developing remote monitoring and control systems
Product/services	Tighter measures to promote renewable energy	The introduction of policies relating to renewable energy could lead to greater investment in the construction of renewable energy facilities, leading to more orders.	Short to long term	Large	Medium	<ul style="list-style-type: none"> Promote technical development to make effective use of renewable energy
	Changes in customer behavior	If our technical capabilities could simultaneously achieve energy efficiency, health benefits, comfort, and intellectual productivity, orders could increase.	Short to long term	Large	Large	<ul style="list-style-type: none"> Propose next-generation offices that can achieve ZEB status and wellness as discovered through studies into ZEB modifications for our own buildings
	Rise in average temperatures (summer)	Greater demand for work to strengthen cooling capabilities could lead to more orders.	Short to long term	Medium	Medium	<ul style="list-style-type: none"> Enhance proposals for work to strengthen cooling capabilities

3. Risk management

With the formulation of our risk management policy, our goal is to minimize risk associated with our business, and this end is also furthered by our Risk Management Committee, who identify and evaluate major risks by making an overall judgment after considering frequency, threat level, and other factors. For climate-related risks and opportunities, the Sustainability Committee’s Climate-related Task Force is at the heart of our efforts, judging the importance of climate-related risks and pinpointing and rating the impact of risks and opportunities on our business. It also reports on the progress of these efforts to the Board of Directors.

Moreover, we have created a system where climate-related risks are appropriately reflected in our risk management process via sharing the content of discussions by the Sustainability Committee with the Risk Management Committee.



4. Metrics and targets

We have selected “Contributing to archive carbon neutrality” as one of our areas of materiality, and as such we wish to appropriately assess the risks and opportunities presented by climate change. To that end, we formulated medium- and long-term quantitative targets and we are now promoting activities to achieve those.

In terms of our greenhouse gas emissions, we have set ourselves the target of a 43% reduction in Scope 1 and 2 emissions from fiscal 2019 levels by 2030. So far, our efforts have included rebuilding our offices as ZEBs, switching to virtually 100% renewable energy sources, and promoting the introduction of environmentally friendly vehicles such as hybrid cars. Going forward, too, we will expand solar power generation; introduce renewable energy at offices; switch to plug-in hybrids, BEVs, and hydrogen-powered vehicles; and decarbonize the gas air conditioners we currently use at our Osaka Head Office.

In order to achieve our fiscal 2030 targets, we aim to make greater use of renewable energy and research and develop installation and design technologies that can contribute to decarbonization. Through such efforts we hope to make society more sustainable and also raise our corporate value. In terms of Scope 3 emissions, to contribute to reducing CO₂ emissions produced during the operational stage of a building's lifecycle, we will promote Category 11 reduction proposals through our design proposals. While in the past we have disclosed our greenhouse gas emissions, in the future we plan to reduce these emissions throughout our supply chain through active dialogue with business partners, including setting targets.

Category	Item	FY2022 results	FY2023 results	FY2026 targets	FY2029 targets
Greenhouse gas emissions	Reduce greenhouse gas (GHG) emissions (Scopes 1 & 2) (Consolidated)	27.5% reduction (from FY2019 levels)	24.1% reduction (from FY2019 levels)	36.4% reduction (from FY2019 levels)	43.0% reduction (from FY2019 levels)
Investment	Solar power generation capacity	155 MWh	158 MWh	181 MWh	200 MWh
	Renewable energy use at offices	79.2%	82.6%	91.1%	100%
	Switch to plug-in hybrids, BEVs, hydrogen-powered (fuel cell) vehicles, etc.	2.0%	1.9%	10.0%	20.0%
	Decarbonize gas air conditioners currently used at the Osaka Head Office	—	—	—	Completed switch to renewable energy
	Decarbonization-related R&D expenses	—	¥83.8 million	¥1 billion (cumulative total for the past three years)	¥2.75 billion (cumulative total for the past six years)
Business	Increase cumulative total of projects (no. of orders and gross floor area) related to ZEBs	16 orders Gross floor area: 456,261 m ² (cumulative total for the past two years)	27 orders Gross floor area: 836,198 m ² (cumulative total for the past three years)	—	—
	Promote Scope 3 Category 11 emissions reduction proposals Contribution to reduction in CO ₂ emissions during a building's operational stage by adoption of design proposal (based on 15 years of operation)	224,640 tCO ₂	324,464 tCO ₂	Min. 200,000 t-CO ₂	Min. 200,000 t-CO ₂

Greenhouse gas emissions by Scope

Scope/category	Relevant activities	Emissions (unit: t-CO ₂)				Reduction (%)	
		FY2019 (base year)	FY2021	FY2022	FY2023	Compared to FY2019	
Scope 1	Direct emissions	1,866	1,726	1,698	1,618	-13.3	
Scope 2	Indirect emissions related to energy sources	2,136	2,009	1,203	1,420	-33.5	
Scope 1+2		4,002	3,735	2,901	3,038	-24.1	
Scope 3	Indirect emissions that do not fall into Scope 1 or 2	2,257,103	1,708,291	2,081,394	2,296,865	-1.8	
Scope 3 breakdown							
Category	1	Purchased goods and services	249,040	190,106	231,283	213,592	-14.2
	2	Capital goods	1,103	4,082	9,796	6,332	
	3	Fuel- and energy-related activities that do not fall into Scope 1 or 2	740	704	568	580	
	4	Upstream transportation and distribution	23,979	18,587	22,651	21,047	
	5	Waste generated in operations	1,083	1,166	1,411	1,133	
	6	Business travel	359	225	312	309	
	7	Employee commuting	462	467	469	486	
	11	Use of sold products	1,977,386	1,490,628	1,812,174	2,050,614	3.7
	12	End-of-life treatment of sold products	2,951	2,325	2,730	2,773	
	Scope 1+2+3		2,261,105	1,712,026	2,084,295	2,299,903	

* Scopes 1 and 2 cover the domestic and overseas consolidated Dai-Dan Group, while Scope 3 only covers unconsolidated operations in Japan.
* Categories 8 to 10, and 13 to 15 are not applicable to our operations.

Environmental Initiatives

We believe it is our mission to contribute to the emergence of a society committed to global environmental sustainability.



Environmental Conservation Initiatives

Efforts to reduce the environmental load of our business activities

We positioned "Contributing to archive carbon neutrality," as an area of materiality (material issue), and so we are working to both reduce greenhouse gas emissions and encourage use of renewable energy.

The biggest contribution that we as a company can make to bring about a more sustainable society is to provide building systems that has little environmental load. To that end, we are actively advancing our proposal-making activities. It is also vital that we reduce the environmental load that is produced as part of our business activities and so we are making efforts to save energy and minimize resource use at both our offices and installation locations.

We think it is important to continue our ongoing efforts to prevent fluorocarbons from escaping into the atmosphere where they cause global warming, to reduce and sort the industrial waste we generate, and to reduce our water consumption and protect water resources. Dai-Dan also maintains ISO 14001 certification at all business sites in Japan, conducts activities to raise awareness of environmental protection amongst our workforce and cooperating companies, and contributes to greater efforts to achieve SDGs and preserve biodiversity.

Our Environmental Management System (for unconsolidated operations in Japan) FY2023 environmental targets and results

	Main target or item to be monitored	FY2022 performance	FY2023 performance	FY2023 target	Assessment
Greenhouse gases	Identify and reduce Scope 1 (direct emissions)*1.	1,698 tCO ₂	1,618 tCO₂		—
	Identify and reduce Scope 2 (indirect emissions)*2.	1,106 tCO ₂	1,338 tCO₂		—
	Identify and reduce Scope 1 + 2 (intensity). Greenhouse gas emissions per ¥1M in net sales	16.8 kgCO ₂ /¥1M	16.8 kgCO₂/¥1M		—
	Identify and reduce power consumption.	5,201,941 kWh	5,942,389 kWh		—
	(Portion of that derived from renewable resources)	(2,611,297 kWh)	(2,881,262 kWh)		—
	Reduce greenhouse gas emissions from offices.	498 tCO ₂	504 tCO₂	Max. 500 tCO ₂	△
	Increase percentage of environment-friendly vehicles in company fleet.	98.6%	99.5%		—
	Promote Scope 3 Category 11*3 emissions reduction proposal. Proposed reduction in CO ₂ emissions by design proposal (based on 15 years of operation)	468,585 tCO ₂	512,254 tCO₂	Min. 480,000 tCO ₂	○
	Promote Scope 3 Category 11 emissions reduction proposal. Contribution to reduction in CO ₂ emissions by adoption of design proposal (based on 15 years of operation)	224,640 tCO ₂	324,464 tCO₂		—
	Waste	Identify and reduce total discharge of industrial waste.	10,452 tonnes	7,592 tonnes	Max. 10,000 tonnes
(Portion of that accounted for by waste plastics)		1,293 tonnes	1,069 tonnes	Max. 1,000 tonnes	△
Identify and reduce industrial waste buried as landfill.		1,134 tonnes	1,298 tonnes		—
Identify and reduce general waste discharged from offices.		110 tonnes	95 tonnes		—
Promote sorting of industrial waste. Reduce proportion of waste classed as mixed waste.		10.8%	17.1%	Max. 9%	△
Water resources	Identify and reduce water consumption.	83,560 m ³	65,120 m³		—
	(Portion of that consumed by offices)	(12,614 m ³)	(13,126 m³)		—
	Identify and reduce water consumption (intensity). Water consumption per ¥1M in net sales	0.502 m ³ /¥1M	0.371 m³/¥1M		—
Other	Increase green purchasing rate.	51.1%	56.3%	Min. 55%	○
	Reduce consumption of copy paper by offices.	46.7 tonnes	40.9 tonnes	Max. 46 tonnes	○

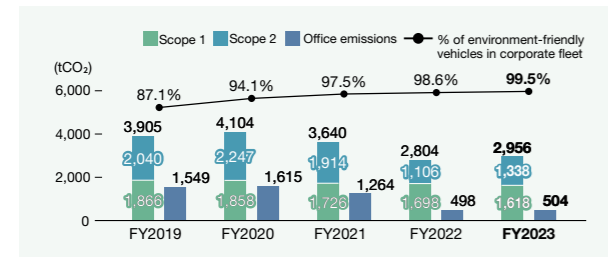
*1 CO₂ emissions from gas, kerosene or gasoline consumption *2 CO₂ emissions from secondary energy (electric power) consumption
*3 CO₂ emissions from operating installed equipment

Efforts to reduce greenhouse gas emissions

Our current active efforts include reducing the amount of energy consumed at our offices and the introduction of environmentally friendly vehicles. Since fiscal 2021, we have switched the electricity used at 21 sites in Japan—including our head office, branch offices, and other offices—in turn to power that comes from virtually 100% renewable energy sources.

As a result, compared to before their replacement, office emissions dropped by around 1,200 t-CO₂. Accordingly, in fiscal 2023 we achieved a 24% reduction from fiscal 2019 levels. Going forward, we will strive to accomplish our new target for fiscal 2030 of a 43% reduction from fiscal 2019 levels.

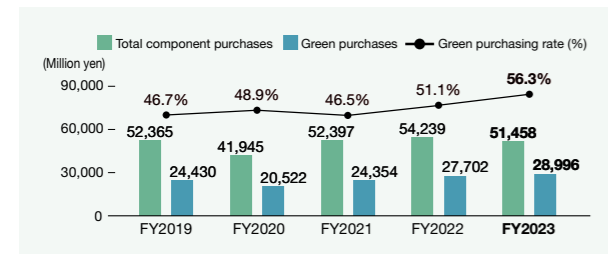
Greenhouse gas emissions



Green purchasing

We have five key areas of green purchasing activities—low-energy and high-efficiency equipment, environmentally friendly materials, materials and equipment with extended service lives, equipment with little impact on air quality, and equipment with minimal water consumption—and we have determined that for these we should be promoting the sourcing of environmentally friendly products and services (green purchasing). We are actively making green purchasing proposals for customers and in fiscal 2023, our green purchasing rate reached 56.3%.

Green purchasing



Quality and Environmental Management System

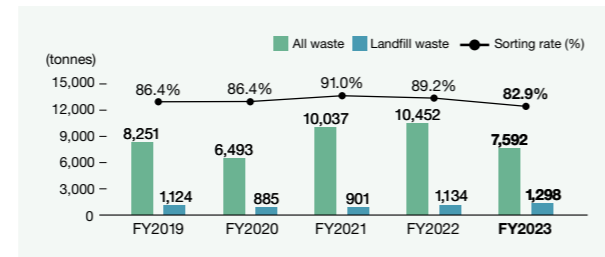
Quality and Environmental Protection Policies

- "Delivering space values of safety, comfort, and trust to the future of ourselves, society, and earth;" in keeping with these management principles, we ensure our business practices contribute to quality and environmental preservation. Moreover, with the goal of improving customer satisfaction, we are contributing to the emergence of a society committed to a sustainable environment.
- We continue to be a corporate group that can help bring about a richer, more sustainable society.
 - We strive to contribute to social development and environmental preservation by complying with laws and norms of society regarding quality and environmental standards as well as regulations established by our company.
 - While working to strengthen our field capabilities and improve productivity, we strive to improve the skills of our employees and strengthen our partnerships with subcontractors to provide assured quality.
 - We are dedicated to developing, proposing, and applying technologies that help to reduce environmental impact and promote the effective use of resources and energy.
 - Through our corporate initiatives, we will contribute to the mitigation of climate change, the conservation of water resources, and waste reduction while conserving biodiversity and protecting ecosystems.
 - We, as a good corporate citizen, carry out environmental and social contribution activities as well as positive information disclosure, to enhance communications with society.
 - We publicize our quality and environmental targets internally and continue to strengthen them in order to improve the results of our initiatives.

Efforts to sort industrial waste

At Dai-Dan, we promote the sorting of waste at all our installation sites. Throughout fiscal 2023, we produced 7,592 tonnes of industrial waste, of which 82.9% was sorted. Furthermore, we encourage reducing and sorting waste at our offices. In fiscal 2023, our offices produced 95 tonnes of general waste.

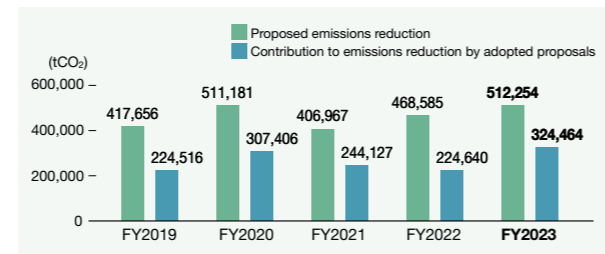
Industrial waste sorting rate



Design proposals that achieve CO₂ reductions

In the design stage, we are actively making low-energy proposals for customers and are endeavoring to reduce the amount of CO₂ produced during building operations. In fiscal 2023, our design proposals suggested CO₂ emissions reductions of 512,254 t-CO₂, and those adopted accounted for reductions of 324,464 t-CO₂.

CO₂ emissions reduction results through design proposals (based on 15 years of operation)



Efforts to protect water resources

We work to reduce the water resources we use by grasping the amount our offices consume and introducing water-saving equipment. For customers, we also actively promote proposals for more effective ways to use water resources, such as utilizing rainwater, recycling wastewater, and introducing water-saving equipment. Moreover, we encourage participation in regional environmental contribution activities, such as those to beautify or clean rivers and coastal areas.

Partnering with Hosting Communities

We undertake a variety of initiatives to make contributions to the industry and community in our position as a responsible corporate citizen.



Signing of the Disaster Prevention Agreement (Cooperation with local communities)

Dai-Dan has, through its industrial associations, signed a Disaster Prevention Agreement with local governments concerning post-disaster emergency activities. We have also entered into agreements directly with some municipalities and industry organizations, and have established a system that allows for the swift provision of post-disaster emergency assistance.

We aim to assist with the swift recovery of the local community and local businesses by proactively participating in reconstruction efforts of the affected region.

Dissemination of technical information to external parties

In order to contribute to the development of Japan's building services industry, we support the running of industry organizations and academic conferences, and we also dispatch lecturers to external organizations. In particular, our engineers are dispatched to external training centers and educational institutions across Japan as lecturers to provide classes on building service technologies.

External organization memberships and positions (as of September 2024)

Organization	Position
Air-conditioning & Plumbing Contractors Associations of Japan	Chair
Institute of Electrical Installation Engineers of Japan	General Director
Japan Electrical Construction Association	Advisory committee member
Association of Japan Instrumentation Industry	Administration council member
Japanese Association of Building Mechanical and Electrical Engineers	General Director
Association of Building Engineering and Equipment	General Director
Japan Architecture Facilities Inspection Association	General Director
Japan Electrician Association	Vice Chair
Construction Industry Transaction Improvement Organization	General Director
Public Buildings Association	General Director

Organizations to which Dai-Dan employees are dispatched as lecturers (April 2023 to March 2024)

Organization	Lesson details	Position
Osaka Piping Higher Training School	Foundational knowledge about specifications and integration	Part-time lecturer
Osaka University	Environmental dynamics	Part-time lecturer
Polytechnic University	Air conditioner training	Part-time lecturer
Kogakuin University	Acoustics in architecture	Part-time lecturer
Toyo University	Environmental equipment engineering	Part-time lecturer
Toyo University	Equipment planning	Part-time lecturer
Kanto Gakuin University	Air conditioning planning theories	Part-time lecturer

Assistance through the Dai-Dan Society Activity Fund

In April 1993, as part of our social contribution activities for our 90th anniversary, the Dai-Dan Society Activity Fund was established in the Osaka Community Foundation. From returns on fund assets, we support social welfare enhancement activities especially for persons with physical disabilities, including human rights education.

Publication of the DAI-DAN Technical Current News

With the objective of publicizing our technological development and research initiatives, we publish the DAI-DAN Technical Current News every September. The publication gives comprehensive explanations of experiments, assessment methods and analysis results using charts and images.

The 118th edition was published in September 2024. Copies of these publications are donated to the National Diet Library.



Articles

- Fundamental investigation into vacuum sewerage systems
- Development of jigs for local nitrogen replacement to raise efficiency of refrigerant copper pipe welding work
- Planning concept to rebuild Niigata Branch
- Lighting equipment for a carbon-neutral age
- Investigations into effective use of natural ventilation
- Summary of fundamental ZEB plans and analysis of BELS database
- Case studies of wellness initiatives at site offices for large-scale sites
- Investigations into damper air leakage volumes
- Investigations into effects of propeller fans for ceiling cassette air conditioners
- Overview of activities to market the cloud-based monitoring and control system REMOVIS™ overseas, and investigations into introducing it at our Singapore Branch
- Indoor temperature predictions using neural networks
- Investigations into CFD usage using 3D building models created using photographic measurement methods
- Development of environment visualization systems
- Research related to working environments at cell processing facilities
- Investigations into airflow at inlets for air barrier booths
- Analysis of environment monitoring data at Cellab Tonomachi CPF
- Analysis into airborne particles in clean rooms during power outages

Beach Clean-up Program 2023

On October 21, 2023, we took part in Beach Clean-up Program 2023. Staff members from our Singapore Branch and the group company DAI-DAN INTERNATIONAL ASIA PTE. LTD. participated in clean-up activities of East Coast Beach.



Social contribution activities

Dai-Dan promotes social contribution activities. Our major activities are clean-up of the local community, which we encourage all employees to participate in. All the activities we run are published on the intranet notice board to raise awareness of social contribution activities.

Site	Activity
Company-wide	Eco-cap Collection (180,535 bottle caps in FY2023)
Company-wide	Charity Calendar Market (1,440 calendars in FY2023)
Tohoku Branch	Sendai Beautification Support Program
Chiba Branch	Town Open Garden Operation

Site	Activity
Fukui Office	Citizens' Citywide Environment Beautification Campaign Clean-up Fukui Operation
Niigata Branch	Roadside Station Toyosaka Brush-up Operation
Kyoto Branch	Kyoto Citizens' City Beautification Activities



Site-vicinity clean-up activities (Toyota Branch)



Eco-cap Collection Operation (Hokuriku Branch)

Recipient	Support
Middle- and long-distance athletics runner Nozomi Tanaka	Individual sponsorship
B.League Alvarc Tokyo	Gold partner
J.League Machida Zelvia	Silver partner
Tainai Deers (American Football)	Official sponsor
WRO Japan (World Robot Olympiad)	National silver sponsor
Tokyo Athletics Association	Athletics championships sponsor
Japan Deaf Football Association	Official partner
Para Football	Event sponsor



Alvarc Tokyo



Machida Zelvia



Tainai Deers



WRO Japan



Tokyo Athletics Association

Planting the Idea of Dai-Dan Forests

Forests absorb CO₂, support biodiversity, and lead to more abundant water resources. We therefore recognize that supporting forests is highly valuable in making society more sustainable.

Within Dai-Dan, nine head offices and branches have concluded agreements with different local authorities.



Tokyo Head Office
Saitama Forestry CO₂ absorption amount certificate

Hokuriku Branch
Forestry preparation activities
CO₂ absorption certificate

Osaka Head Office
CO₂ absorption certificate

Shikoku Branch
Kagawa Prefecture forest
preparation CO₂ absorption
amount certificate

Kyushu Branch
Kumamoto Prefecture
absorption amount certificate

Dai-Dan Forest Activities

Office	Activities location (size)	Date	Trees planted (Total no.)	CO ₂ absorption amount
Hokkaido Branch	Suigen-no-Mori, Domin-no-Mori Kamuishiri Area (1.0 ha)	October 7, 2023	Weeding	—
Tohoku Branch	Miyatoko, Taiwa-cho, Kurokawa District, Miyagi Pref. (3.47 ha)	May 27, 2023	Memorial tree-planting/tree-planting activities	—
Tokyo Head Office	Moroyama-machi, Iruma District, Saitama Pref. (4.55 ha)	June 17, 2023	Japanese cypress thinning (4 trees)	8.6 t-CO ₂ /year
Nagoya Branch	Komono-cho, Mie Pref. (6.5 ha)	October 21, 2023	Oriental paper bush, Japanese maple, Thujopsis conifer, and Japanese umbrella tree-planting (30 trees in total)	—
Hokuriku Branch	Osaki Area, Kahoku, Ishikawa Pref. (0.52 ha)	October 28, 2023	Black pine tree-planting (250 trees)	0.2 t-CO ₂ /year
Osaka Head Office	Sugitani, Konan-cho, Koka, Shiga Pref. (12.56 ha)	March 9, 2024	Tape-wrapping for tree conservation (48 trees) and felling (2 trees)	19.36 t-CO ₂ /year
Chugoku Branch	Yakage-cho, Oda District, Okayama Pref. (1.6 ha)	November 18, 2023	Mountain cherry and Japanese maple tree-planting (150 trees in total)	—
Shikoku Branch	Miki-cho, Kita District, Kagawa Pref. (2.85 ha)	December 9, 2023	Japanese cypress tree-planting (600 trees)	1.2 t-CO ₂ /year
Kyushu Branch	Yunomae-machi, Kuma District, Kumamoto Pref. (10.61 ha)	November 11, 2023	"Obisugi" (variety of Japanese cedar) tree-planting (500 trees)	1.05 t-CO ₂ /year



Post-activity group photo (Saitama)



Felling work (Saitama)



Tree conservation tape-wrapping (Shiga)



Japanese cypress tree-planting (Kagawa)

Dai-Dan Forest Yunomae Activities Report

In the town of Yunomae, in Kumamoto Prefecture, Dai-Dan employees and their families took part in the second round of activities for the Dai-Dan Forest Yunomae campaign on November 11, 2023. The 32 participants, with the assistance of the town council, planted around 500 "obisugi" trees, a variety of Japanese cedar.



After the tree-planting, everyone went to the Yunomae Green Palace campground for a barbecue, relaxing in hot spring waters, playing catch, and grass skiing, as part of team-building efforts.

The four children who took part expressed their wish to join in next year, and we hope this campaign will lead to practical education about conserving the natural environment.

Dai-Dan Is Cheering on Nozomi Tanaka!

Since March 2021, we have been supporting Nozomi Tanaka, a track-and-field athlete affiliated with New Balance. The sense Nozomi gives off so strongly of being someone who surpasses conventional wisdom to continue taking on the world in events of such different distances, overlaps with our own corporate image, as seen in our long-term vision, Stage 2030, in which we aim to tackle new stages and create new value. It was only natural, therefore, that we became one of her sponsors.

In November 2023, Nozomi and her coach (who is also her father) were kind enough to visit our Tokyo Head Office. Nozomi spoke of what a positive year 2023 had been for her as she had given her all at several competitions in various venues inside and outside Japan, and how she was looking forward to the Paris Olympics in 2024, and the World Athletics Championships in Tokyo in 2025. She also told of her desire to stay injury-free.

We will continue to support Nozomi in all her sporting endeavors!

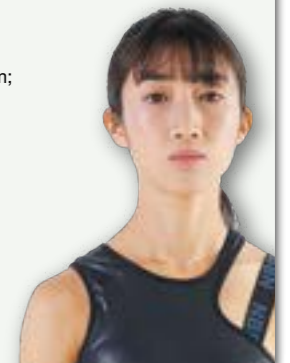


From left: Special Advisor Shohei Kitano, Coach Katsutoshi Tanaka, Nozomi Tanaka, Chairman Ichiro Fujisawa, and President Yasuhiro Yamanaka



DATA Major achievements (As of August 2024)

- ◆ Major Japanese records held: 1,000 m; 1,500 m; 1 mile; 3,000 m; 5,000 m; and 5 km (road)
- ◆ Tokyo 2020 Olympics: 1,500 m (8th place) and 5,000 m
- ◆ World Athletics Championships Budapest 23: 1,500 m and 5,000 m (8th place)
- ◆ Paris 2024 Olympics: 1,500 m (Semi-final) and 5,000 m



Valuing Our Employees

Respect for everyone, support for work-life balance.



Work-Life Balance and the Work Environment

Approach to environmental maintenance

Our goal is a working environment defined by ease-of-use and good health where every employee can demonstrate their full potential. Through reform to work styles, we will achieve a better work-life balance and appropriate labor environment. Our fundamental approach is also to respect the diversity of our employees, employ workers to match their abilities, develop their capabilities, and improve the system to offer them fair opportunities for advancement.

Employees are hard at work, demonstrating their personality and abilities

Even as society diversifies, we are developing working environments where employees can show off their individual personalities and capabilities, regardless of their gender, age, nationality, or other characteristics.

Efforts to extend retirement age

As part of our efforts to reform work styles, we revised our personnel system and from fiscal 2021 we have extended the age of retirement to 65, and started to offer continuous employment until the age of 70. In order to respond to revisions to the government's Act on Stabilization of Employment of Elderly Persons and Japan's low birthrates and aging society, we plan to tap into the vital asset that elderly workers present, while also securing and fostering younger employees. With the assumption of a career that extends to the age of 65, we are reviewing how we position different levels of qualifications and attendant salaries, and we are also planning to raise the standard of salaries for younger employees.

Promoting female participation

On June 1, 2018, we were awarded the Eruboshi mark with two stars for our exemplary record as a woman-friendly workplace under a certification program based on the Act on Promotion of Women's Participation and Advancement in the Workplace (APWPAW).



More recently, in April 2021, we formulated a new action plan based on the APWPAW. We are implementing a wide range of initiatives aimed at ensuring employees have a healthy work-life balance, as seen through such trends as the rise in both women and men taking childcare leave these days.

Action Plan

(April 1, 2021–March 31, 2026)

Target 1 To raise the average career length for women by 15% or more

FY2023: up 6.5% compared to FY2021

Target 2 To raise the proportion of female managers by 1% or more

FY2023: 2.3%

Comment from a female manager



Yoshiko Oizumi
Manager of Solution
Department
Engineering Division

In 2015, I was promoted from site representative to being a technical line manager at Tohoku Branch, and then in 2024 I became Manager of Solution Department in the Head Office Engineering Division. This latest move has taken me from focusing on a single site to taking a more bird's-eye view of operations, but I continue to be involved in tasks related to installation technologies. Looking back at my path to get to this position, I think I was helped a lot by the advice and support of those around me. At Dai-Dan, the route to management is open to both men and women, but I think women in particular feel there is a barrier to advancing in technical positions because of life events such as having and raising children or looking after others.

Dai-Dan is already working on creating systems to support diverse ways of working, but I personally think that what led me to this point was being proactive in rolling up my sleeves and handling technical tasks when necessary.

"Manager" is, in fact, simply just another role. I hope that even younger employees feel no pressure or anxiety about the word, and instead see Dai-Dan as a company where it is natural to challenge themselves in this way, and that they will feel comfortable as they contribute to a brighter future.

Leave system

We offer our employees a variety of leave options so that they can refresh themselves and lead rewarding lives.

This includes a structured holiday system with the five paid holidays a year mandated by the Labor Standards Act such as three additional days-off in August separate of summer break.

Employees are allowed to take seven days off in a row, but must schedule these holidays at the beginning of the fiscal year so that holidays are taken in turn.

Moreover, persons who have been with the company for a long time are rewarded with travel coupons for their years of service, in addition to receiving allotted holidays.

Major leave systems (excluding statutory paid annual leave)

Type of holiday	Activities location (size)
Summer holiday	3 consecutive days in summer (July – Sep)
Refresh leave	7 consecutive days (annual) *Site workers can take time off in one-day increments (up to a total of five days)
Long service leave	10 years: 3 days 20 years: 5 days 30 years: 7 days 40 years: 5 days
Congratulatory or condolence leave	Predetermined number of days for occasions such as weddings

Supporting the balance between work and home

We believe that if employees are able to balance work with having children, and if there are environments in place that make it easy for all employees to work, they can fulfill their true potential. To bring this about, we have formulated three targets as part of an action plan based on the government's Act on Advancement of Measures to Support Raising Next-Generation Children, and we are working to achieve these.

As a childcare service that allows a flexible response to employees' diverse work styles, we are also implementing shared use for company-led daycare facilities in the company-led childcare business put forward by the Cabinet Office, which aims to support the raising of children and eliminate the problem of infants waiting for childcare places.

System Dai-Dan GLTD system

For employees who are unable to work for extended periods due to illness or injury—who qualify for group long-term disability (GLTD) insurance—this system pays out to cover loss of earnings for the amount not covered by their paid leave or health insurance, up to the age of 65. Where an employee is no longer being paid due to an inability to work, or need to take time off, due to illness or injury, we provide an illness and injury allowance from the Dai-Dan Health Insurance fund for up to a maximum of 18 months. After these payments end, the employee is provided with a basic income until he or she recovers and returns to work (or until they reach the age of 65).

*Where employees are unable to work because of mental health issues, the period of supplemental payments (the period in which insurance payouts continue) is limited to a maximum of two years.

Action Plan

(April 1, 2020–March 31, 2025)

Target 1 To improve the workplace environment to ensure that childcare leave is easy to take and the staff easy to return

<Action> While the plan is in effect, Dai-Dan will use corporate bulletin boards and other information tools to inform employees about childcare leave and restrictions on overtime and late night work under the Childcare and Family Care Leave Act, paid childcare leave under the Employment Insurance Act, and maternity leave under the Labor Standards Act.

Target 2 To increase the number of men employees taking childcare leave to at least 7%

<Action> Dai-Dan will introduce a program that makes it easier for men to take childcare leave and effectively increases the number that do during the plan period.

Target 3 To introduce work options that offer greater flexibility to the way people work

<Action> Dai-Dan will expand its exceptions on irregular working hours and shortened work schedules, introduce teleworking as a regular work option, and take other action during the plan period to ensure employees have time to care of children.

Employee training

Employee training at Dai-Dan begins with our program for new recruits and continues with various types of systematic training as employees develop their careers. Our training program for new recruits combines general and introductory and basic engineering for a six-month training course. Introductory engineering training involves learning the necessary basic knowledge about M&E work (air conditioning, plumbing, and electrical work), the company's main business line, and over the course of a period of one month, employees come to comprehend an overview of equipment installation and get real-life experience through facility tours, etc. During basic engineering training, employees spend five months gaining the basic knowledge of specialisms needed to do their work. During this period of training, as well as classroom learning and learning how to create blueprints, employees have opportunities to see, touch, and do. Through these training activities, we are working to ensure employees have the knowledge and techniques they need, and to improve their ability to create blueprints—which is at the heart of being a technician—to forge them into an asset ready to be put to use.

After this combined training, new employees spend a further six months learning about job site liaison tasks (processes, safety, work contents, creation of installation blueprints, etc.), which brings new employees' year-long training to an end.

Separate to the level-based training that all employees receive, we also conduct occupation-specific training. For engineers, as well as training related to development technologies and specialized training for dedicated fields, we hold seminars on official qualifications so engineers can level themselves up. Other job roles (in sales or office work) also learn the basics of our technologies, then through training specific to sales roles or office roles and on-the-job training, trainees can gain the flexibility and broadened horizons to do a wide range of tasks.

With the aim of eradicating labor shortages and increasing the appeal of the industry, we carry out training for temporary workers as well as our own employees, and this training is level-specific depending on factors such as the number of years of experience the worker has. Nor is training left to sites, throughout the company employees come together to receive high-quality training.

In line with the personnel strategy in the Mid-Term Management Plan that began this year, we are also conducting a review of our practical training.

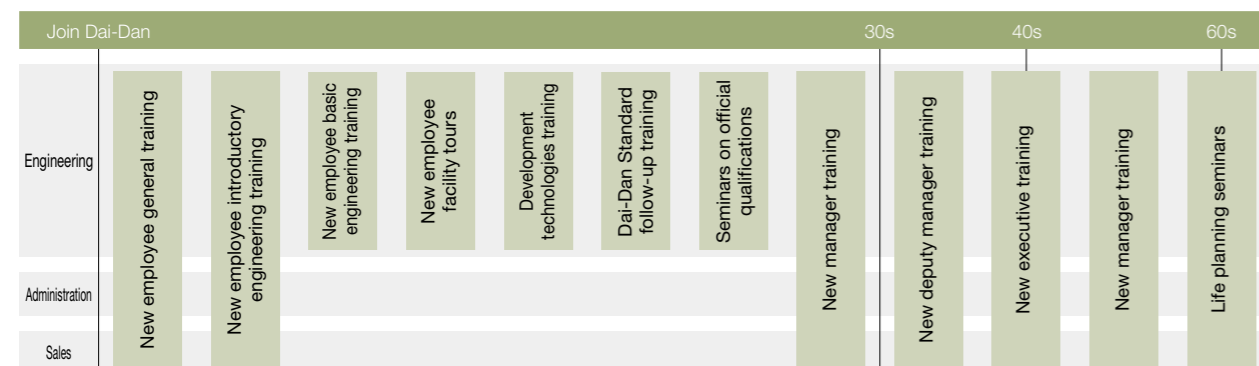


Development technologies training



Temporary worker education

Training types



Sound relationship between labor and management

The Dai-Dan Labor Union was established in 1973 and in August 2023 entered its 50th year. During that time, the union has been active pushing for better working conditions and working environments. We hold periodic discussions with the union and negotiate on matters such as wages* and various labor systems, which enables active dialogue and builds and maintains relationships between labor and management.

*We are committed to paying wages that meet or exceed statutory minimums.

Review of wage/salary levels

Taking into account the rapid price increases of recent years, with the goal of creating foundations for all employees to live and work with peace of mind, and to feel motivation towards their jobs, in April 2024 we increased pay for all employees by an average of around 5%, including for salaried employees.

Also, as part of our efforts to reduce overtime hours, we have reviewed the various pay systems that apply to site workers, who we are calling on to become more productive. Additionally, we have increased pay for new graduate hires so that we can strengthen our recruitment competitiveness and secure the talented individuals who will carry the company forward.

Based on the idea that people are our greatest resource, we will continue to make appropriate reforms to our systems and enhance the appeal of our company.

Higher base pay

- Average pay rise of approx. 5%, including regular pay rise
- Plans for further rises in fiscal 2025 and 2026

More generous allowance systems

- Rise of site allowance from ¥20,000 to ¥40,000
- Boost to official qualification allowance to a maximum of ¥20,000

Increased pay for new graduate hires

- Uniform ¥28,000 (approx. 11%) increase for these employees

	Current	Post-increase	Change
Graduate school graduate	¥255,000	¥283,000	+11%
University graduate	¥242,000	¥270,000	+11.6%
High school/technical school graduate	¥230,000	¥258,000	+11.2%

Human Rights Due Diligence Initiatives

Why are such initiatives necessary?

In 2011, the United Nations Human Rights Council adopted the Guiding Principles on Business and Human Rights, and declared that companies had a responsibility to respect human rights.

As part of the guidelines, companies are asked to ① formulate a human rights policy, ② implement human rights due diligence, and ③ construct mechanisms to deal with adverse impacts.

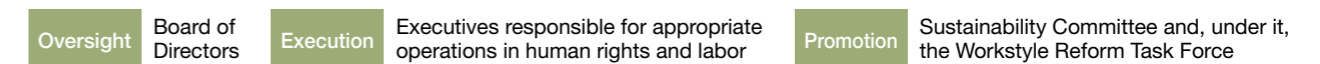
In 2020, the Japanese government formulated its National Action Plan on Business and Human Rights to encourage respect for human rights in corporate activities. We recognize that in these ways global interest in the need for companies to show respect for human rights is growing, and so we have accepted that promoting it is a priority issue. In order to further promote initiatives related to respect for human rights, we started human rights due diligence measures.

Three particularly important Guiding Principles on Business and Human Rights and our initiatives in these areas

UN Guiding Principles on Business and Human Rights	Our initiatives
① Formulate human rights policy (Principle 16)	2020: Formulation of human rights and labor policies
② Implement human rights due diligence (Principle 17)	2022: Start of human rights due diligence
③ Construct mechanisms to deal with adverse impacts (Principle 22)	2023: Establishment of separate external points of contact to respond to queries about either human rights and discrimination issues or labor issues

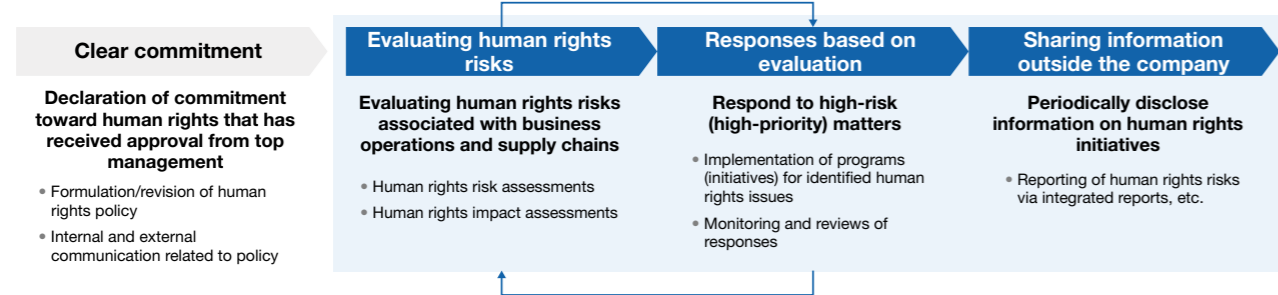
Human rights due diligence promotion framework

We have developed the framework detailed below to promote management that respects human rights. We have made the Workstyle Reform Task Force a vital part of our efforts, and it is made up of members well-versed in our major business fields. Moreover, as these members also lead our activities related to human rights, they receive human rights training from outside experts to give them a comprehensive understanding of human rights and the latest trends in the field.



Implementing Human Rights Due Diligence

Human rights due diligence processes



Evaluating human rights risks

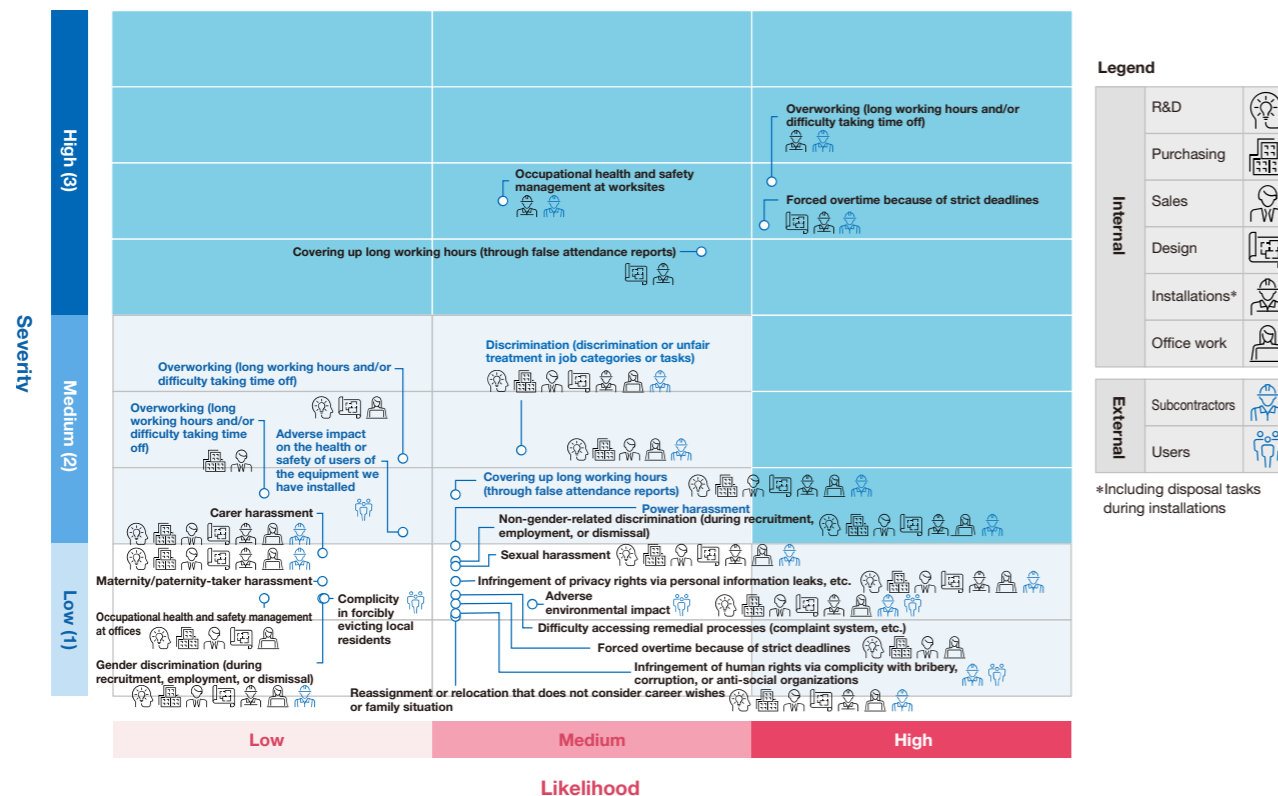
We have determined the scope of our evaluation of human rights risks. We exhaustively refine risks based on the Guiding Principles on Business and Human Rights, and we have quantified the likelihood and severity of all conceivable human rights risks. Moreover, to get a grip on risks for subcontractors, and evaluate these, we conducted questionnaires for our subcontractors.

Scope of evaluation

Item	Target
① Region	Sites in Japan
② Business scope	M&E work
③ Stakeholders	Includes Dai-Dan employees, contracted workers, and subcontractors' employees and contracted workers

Human rights risk map

Based on a quantified likelihood and severity, we have created this human rights risk map, and identified that occupational health and safety management (at worksites), long working hours remaining hidden due to discrepancies with attendance records, forced overtime because of strict deadlines, and overworking (long working hours, difficulty taking time off) are particularly important issues.



Initiatives to address important issues

Occupational health and safety management at offices

We have long been involved in proactive efforts to ensure occupational safety, and have formulated health and safety policies. We also disclose information on frequency rates (frequency of workplace accidents) and severity rates (the severity of accidents), and analyze the status of work-related accidents. Looking at work-related accidents for the last two or three years, the number of incidents is rising among those, including site managers, who have less than five years' experience and who are insufficiently aware of dangers. With the aim of reducing the number of incidents caused by insufficient awareness of dangers and non-compliance with rules, we will ensure sites have daily safety guidance and communication with workers. We believe that it is vitally important to repeat guidance, and our activities will reflect that.

Covering up long working hours (through false attendance reports)

As a result of revisions to the law in April 2024, there is a risk of there being a big difference between official working hours and the actual situation, due to underreporting of overtime by employees aware of the rules on long working hours. As well as putting in place mechanisms for timely labor management, we conduct repeated training and other educational activities to teach employees about appropriate labor management. As an example of our measures to reduce overtime, we share information about positive workplace case studies, promote clever ways of reducing the need for overtime, and try to cultivate an atmosphere where it is easy to take time off.

Forced overtime because of strict deadlines

For requests from customers for a short work period, or where a facility is only closed for a set number of days, when we receive the order we give the qualification that we require worksites to be inactive two days per week. For this and other measures, we are working to strengthen our ability to negotiate with customers.

As one of the top equipment companies, we continue to share information within the industry to change the external environment, and aim to be an even better business partner with technical capabilities.

Within the company, we will work to further expand our recruitment of new graduates and mid-career hires.

Overworking (long working hours and/or difficulty taking time off)

For us, correcting long working hours is a pressing issue. While we have worked on long working hour countermeasures in various ways in line with the laws and regulations for different business sites, we have now launched our SMILE2024 Project in order for employees to continuously build up the know-how they need to work high productively, and help each other as a team, not as individuals, as the whole company comes together to correct the problem of long working hours.

Training related to human rights and reforming ways of working

In accordance with our human rights and labor policies, we promote management that respects human rights even in a social environment that is diversifying. As part of our efforts, we conduct training related to human rights and reforming ways of working for managers, with the aim of changing their awareness of the topics.

In fiscal 2023, 181 people in management positions (manager rank or above) took part, and we invited outside lecturers to teach participants about our human-rights-related initiatives and human rights risks in each department.

Health and Productivity Management Initiatives

Aims and policy

Health and Productivity Management Declaration

In May 2019, top management announced Dai-Dan's Aims in Health Management.

It sums up our firm belief that it is critical for corporate growth and the contributions we try to make to develop society for the better that everyone on our workforce leads a happy life.

Guided by this train of thought we will be seeking ways to improve the quality of life of our people and make it possible for all of them to lead healthy, happy lives, as a platform for corporate growth and contributing to a sustainable society.

Ideal

1. Raising everyone's awareness of health

As a company, we will constructively support efforts to maintain and improve health in order to raise health awareness and improve the health literacy of each and every employee.

2. Creating healthy, motivating workplace environments (for corporate growth)

We can expect to grow as a company by creating healthy, motivating workplace environments where work style reforms allow each and every one to balance work and life, and exhibit the best of their abilities.

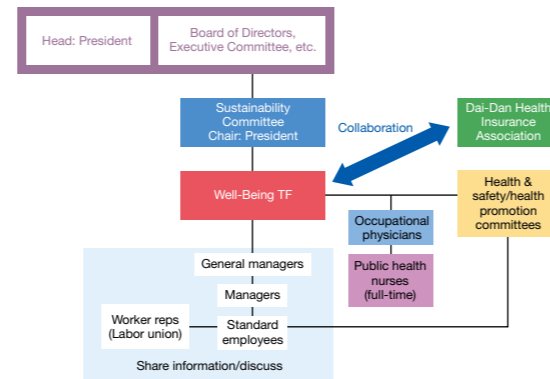
3. Extending one's healthy years (as a contribution to local communities and society as a whole)

As a company, we can and will contribute to the local communities who host our business operations and society as a whole, by supporting and training our employees and our subcontractors' employees so that they can be healthy and active longer.

Promotion framework

Underneath the Sustainability Committee, which is chaired by our president, we have established the Well-Being Task Force to plan, implement, and investigate matters related to health and productivity management and to promote initiatives such as their rollout within the company.

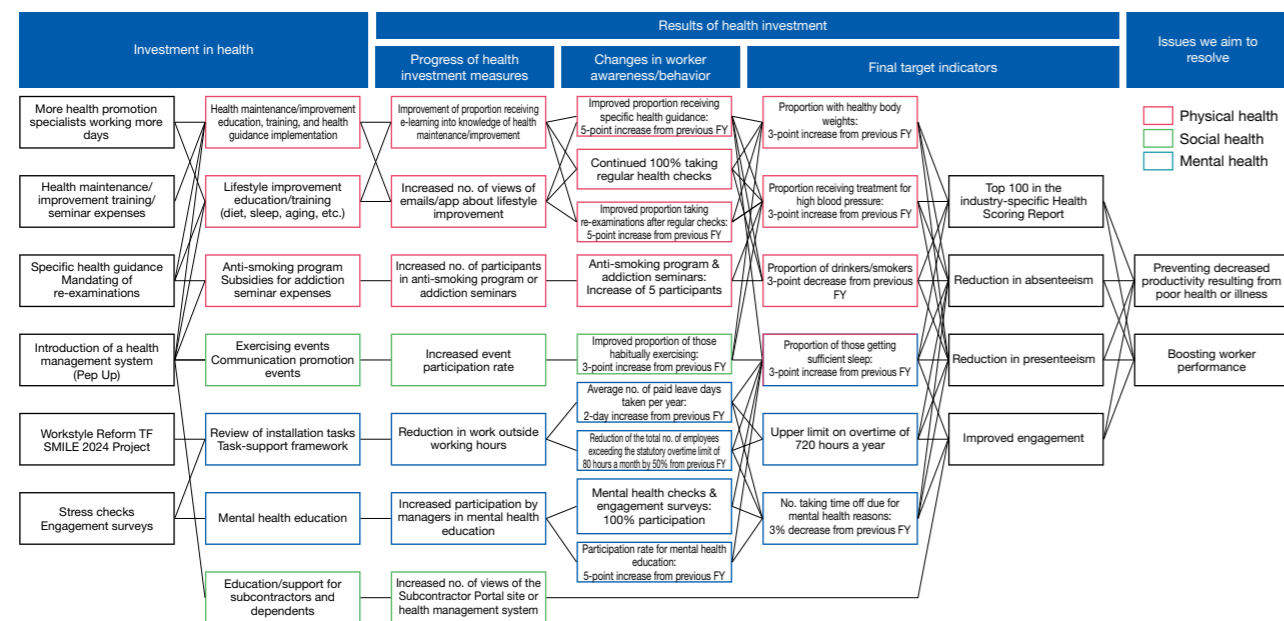
The results are reported and referred to the Board of Directors; under this system, the Board of Directors provides oversight.



Health issues and targets

Dai-Dan Health and Productivity Management Strategy Map (FY2024)

Basic data Employees: Male: 85.0%; Female: 15.0% Average age: 42.2 Sites: Tokyo, Nagoya, Osaka, Kyushu, Hokkaido, Tohoku, Hokuriku, Chugoku, Shikoku



Specific results and targets

		FY results			FY2024 target	Status	Notes	
		FY2021	FY2022	FY2023				
Progress of health investment measures	Proportion taking regular health checks	100%	100%	100%	100%	○		
	Proportion taking detailed tests after regular checks	62.4%	75.6%	92.2%	95.0%	▼		
	Proportion taking stress checks	97.2%	98.3%	98.8%	100%	▼		
	Participation in general measures for workers	Mental health seminars	40.9%	58.3%	45.0%	80.0%	▼	
		Women's health seminars	41.1%	22.6%	28.1%	80.0%	▼	Proportion of participants from the entire female workforce
		Health information sharing system	83.5%	96.6%	98.0%	100%	▼	
		Walking rallies	15.7%	20.8%	23.4%	35.0%	▼	
	Participation in measures for high-risk workers	Proportion requiring specific health guidance	20.3%	20.2%	22.2%	20.0%	▲	
		Proportion implementing specific health guidance	65.1%	74.3%	65.2%	75.0%	▼	
	Employee satisfaction score for the measures	Women's health seminars	—	3.68	3.71	4.00	▼	Maximum 5.00
Working hours	Monthly average total working hours	182 hrs.	182 hrs.	184 hrs.	180 hrs.	▲		
Leave uptake	Yearly paid leave uptake	49.6%	53.2%	58.3%	60.0%	▼		
Changes in worker awareness/behavior	Results from collecting health check questionnaires	Proportion who smoke	35.7%	35.7%	34.1%	30.0%	▲	Survey on Health and Productivity Management standard
		Proportion getting sufficient exercise	19.7%	21.4%	23.0%	25.0%	▼	Survey on Health and Productivity Management standard
		Proportion getting sufficient sleep	56.6%	54.6%	52.6%	55.0%	▼	Survey on Health and Productivity Management standard
		Proportion drinking acceptable amount of alcohol	81.2%	78.5%	77.3%	85.0%	▼	Survey on Health and Productivity Management standard
Management of those at high risk	Proportion eating an acceptable diet	45.9%	44.8%	46.4%	48.0%	▼	Health Scoring Report standard	
	Proportion with lifestyle diseases	22.0%	22.5%	22.9%	20.0%	▲	Those with diabetes, high blood pressure, or abnormal fat levels	
	Proportion with heavy symptoms	8.4%	7.8%	8.2%	6.0%	▲	One or more of the three disorders above + complications	
Health literacy	Proportion with reduced function	0.2%	0.3%	0.2%	0.1%	▲	As above, but with serious symptoms	
	Proportion using the health information sharing system	35.8%	50.7%	38.3%	50.0%	▼	Those using the system once or more a month	
Final target indicators	Health check results indicators	Proportion with healthy body weights	58.0%	57.6%	59.4%	60.0%	▼	
		Proportion receiving cautions	61.7%	60.9%	56.9%	53.0%	▲	
		Proportion at risk of high blood pressure	1.4%	1.2%	1.0%	1.0%	○	
		Proportion at risk of diabetes	0.3%	1.0%	0.7%	0.5%	▲	
Job separation	Proportion with poorly controlled diabetes	2.0%	1.8%	2.0%	1.0%	▲		
	Average length of service (years)	17.6	17.4	16.9	18.0	▼		
Temporary retirement	No. temporarily retiring for mental health reasons	15	27	19	Fewer than 10	▲	Including long-term absences	
	No. temporarily retiring for other reasons	7	6	8	Fewer than 5	▲	Including long-term absences	
Presenteeism	Proportion of labor productivity loss	—	—	18.7%	15.0%	▲	SPQ (Single-Item Presenteeism Question developed by the University of Tokyo)	
Absenteeism	Proportion using system for those missing work due to illness or injury	0.57%	0.75%	0.68%	0.5%	▲	Proportion of total employees	
Work engagement	Employee satisfaction score	2.52	2.50	2.44	—	—	Answers to a worker questionnaire (maximum 4.00)	
	Employee satisfaction score	—	—	61.0	65.1	▼	Results of the employee engagement survey	
Results from collecting stress check findings	Proportion recording high stress levels	11.8%	11.6%	12.3%	10.0%	▲		

Note: ○: Achieved; ▲: Exceeded; ▼: Insufficient

Main measures

Of the initiatives detailed above, the one we are currently prioritizing above all others is our efforts focused on "specific health guidance," which covers those at risk of developing metabolic syndrome. Through our collaborative health efforts with Dai-Dan Health Insurance Association, we are endeavoring to improve the implementation rate each year. Furthermore, for younger workers or those who do not require such guidance, but who wish to take part, we run a system of similar, preparatory specific health guidance.

We have joined the Sport in Life Consortium, set up by the Japan Sports Agency, and we have been certified as a Sports Yell Company 2024. Among our many measures, we are concentrating on exercise, and we recommend the walking rallies that the Dai-Dan Health Insurance Association runs as a type of collaborative health.

The association has started taking part in the Japan Sports Agency's Fun + Walk Project, and the walking rallies form part of this.



Health & Productivity Management recognized by METI in 2024

Now, for the fifth year in a row, we have once again been recognized as an Outstanding Health & Productivity Management Organization (large enterprise category) in fiscal 2024.



Supporting health promotion for business partners

In January 2023, we announced our Partnership Building Declaration, and in August that year we added initiatives related to health and productivity management as one of our initiative areas. We also identified "building better partnerships with subcontractors and suppliers" as one of our material issues, and through a health and safety council and the dedicated Subcontractor Portal site, we are providing information about health and productivity management and jointly implementing health events.

SMILE 2024 Project to rectify the problem of long working hours

From fiscal 2024, revisions to workstyle-reform law has meant that maximum overtime limits also apply to the construction industry. To address the problem of long working hours, we have come together for the SMILE 2024 Project, and the Workstyle Reform Task Force is promoting these activities under the Sustainability Committee.

- ① **Changing awareness company-wide...**Eradicating the construction industry mindsets of giving up with the mistaken belief that things cannot be changed or seeing long working hours as a given
- ② **Implementing measures to raise productivity...**Imagining and implementing improvements to work processes from a zero base, or using ICT
- ③ **Monitoring...**Linking of targets and action plans into the sharing of results and improvements



In fiscal 2023, we rolled out specific efforts to reduce workloads and invigorate communications to the entire company. In addition, we also made progress with the newly established Support Department and used DX promotion and other measures to enhance task efficiency.

In fiscal 2024, to lessen the workload on site representatives, we actively take on board the problems sites face and ideas to streamline operations, and we will go further in making progress with the support departments and use DX promotion and other measures to enhance task efficiency.

Project activities for the latter half of fiscal 2023 and first half of fiscal 2024

Activity	Details
Company-wide questionnaire	Surveyed engineers on worksite days off situation
PICK UP Progress made with the Support Department	<ul style="list-style-type: none"> • Reorganized tasks from sites to offices with the aim of lessening the burden on the site side • Outsourced some site tasks
PICK UP Written requests for customers to comply with workstyle-reform-related laws	Sent general contractors and other customers requests to comply with workstyle-reform-related laws
Training activities for employees	Reformed employee awareness about workstyle reforms through the Try 4.8! campaign, etc.
Measures to invigorate communications	Investigated effects of one-on-one meetings and other communication measures and encouraged continuous implementation
Latter half of FY2023: site interviews	Conducted interviews with around 60 engineers from 13 sites throughout Japan
Seminars related to workstyle reforms for FY2024	Rolled out collections of positive case studies of site workstyles based on the results of site interviews
First half of FY2024: site interviews	<ul style="list-style-type: none"> • Conducted interviews with around 65 engineers from 13 sites throughout Japan • Took on board the problems sites face and ideas to streamline operations

PICK UP

Support Department report!

In April 2023, we established a Support Department in the East Japan Division and West Japan Division.

Their goal is to champion the move of tasks from worksites to offices, with the goal of by reorganizing site operations to help lessen the burden on the site side.

In the future, we will expand this support to other regions of Japan, and train and increase the number of members, and increase the partial outsourcing of site support tasks to speed up the transfer of site tasks from worksites to offices.

This summer, the Support Department in the East Japan Division moved to a new office because of the increase in support tasks and number of employees tackling them. See below for details on activities at the new office and the support the department is providing.

Case study ①: Blueprint creation support



From younger employees to seasoned veterans, employees with various skills are permanently stationed in the departments, and they are able to offer timely support matched to each site.

Case study ②: Remote site support



Department staff share progress status updates or BIM data such as blueprints with workers at site offices or other offices, and efficiently support sites.

PICK UP

Written requests for customers to comply with workstyle-reform-related laws

In March 2023, we sent out requests to comply with workstyle-reform-related laws to general contractors, engineering companies, clients from whom we receive direct orders, and design offices, with the aim of ensuring compliance and also creating working environments that support health and safety. In fiscal 2024, we are sending out requests again, and in the future we expect to see even better results, and we will run continuous activities at the grassroots level, centered on our sales representatives.

Requests

- ① Ensure appropriate project durations that limit overtime to no more than 45 hours a month or 360 hours a year
- ② Set a date/time schedule that keeps worksites inactive two days per week for a better work-life balance
- ③ Decide design specifications early on and firmly adhere to time limits on changes
- ④ Ensure appropriateness of guidance and time for requests to conduct studies or create documents
- ⑤ Prepare an installation schedule that keeps meetings within regular working hours
- ⑥ Give task instructions at worksites within regular working hours
- ⑦ Allow worksite events to be attended in rotation (by worksite representatives) or remotely, to ensure employees have a full two days off a week
- ⑧ Where delays come about from construction work, review contracts, including contracted deadlines
- ⑨ Aid our efforts to raise productivity and enhance task efficiency

Preventing a Reoccurrence of the Improper Conduct Made Public in March 2023

That improper conduct occurred is highly regrettable, and we extend our sincere apologies for the great distress and concern this has caused our shareholders and others connected to the company.

We have fully taken on board the findings of the Internal Investigation Committee and its suggestions to prevent reoccurrence. We have implemented strict measures to make sure this cannot happen again, and we are striving to rebuild the trust we have lost.

The incident

In January 2023, as part of a tax investigation at our Osaka Head Office, it was discovered that there had been improper conduct. In short, a number of employees had colluded with a specific independent contractor involved in a project. The employees inflated the budget for the contractor and produced false order invoices, in return for receiving part of the amounts involved as kickbacks, embezzling it as entertainment expenses and swapping project costs through methods such as assigning project charges for different projects. The amount of damage was around ¥173 million.

The causes of this incident were: (1) awareness of compliance was insufficient or lacking altogether, (2) there was a conspiracy and collusion with the subcontractor, (3) there were problems with task flows and management/control systems and, (4) fundamental reoccurrence prevention measures for past incidents had not been implemented.

Measures to prevent reoccurrence

Taking into consideration the suggestions of the Internal Investigation Committee, we have formulated and enacted strict measures to prevent reoccurrence.

- | | |
|--|--|
| <ol style="list-style-type: none"> 1. Thorough in-house compliance education 2. Awareness-raising, etc., for compliance at subcontractors 3. Prevention of conspiracy or collusion with subcontractors 4. Improvements to work flows <ul style="list-style-type: none"> ① Creation of implementation budgets that match actual circumstances ② Implementation of ordering tasks that clearly defines the specific project details ③ Sufficient understanding of site circumstances by the Technical Department Manager and Technical Section Chief | <ol style="list-style-type: none"> 5. Improvements to cost management systems <ul style="list-style-type: none"> ① Construction of management systems that match actual circumstances ② Review of the role of the cost control department, and strengthening of checks 6. Strengthening of internal audits 7. Clarification of the rules on entertainment expenses 8. Periodic personnel rotation |
|--|--|



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Interview with an Outside Director

I want Dai-Dan to work to improve its social and economic value by building on a base of personnel strategies, and achieve new growth through new management systems.

Kenkichi Kosakai
Outside Director



Profile

- April 1976 Entered Mitsubishi Chemical Industries Limited (now Mitsubishi Chemical Corporation)
- June 2010 Director and Managing Corporate Officer at Mitsubishi Tanabe Pharma Corporation
- April 2014 Director at Mitsubishi Tanabe Pharma Corporation and Managing Corporate Officer at Mitsubishi Chemical Holdings Corporation (now Mitsubishi Chemical Group Corporation)
- April 2015 Senior Managing Corporate Officer at Mitsubishi Chemical Holdings Corporation and Director at Mitsubishi Rayon Co., Ltd. (now Mitsubishi Chemical Corporation)
- June 2015 Representative Corporate Executive Officer and CFO at Mitsubishi Chemical Holdings Corporation (now Mitsubishi Chemical Group Corporation)
- June 2016 Director at Mitsubishi Plastics, Inc. (now Mitsubishi Chemical Corporation)
- April 2017 Representative Corporate Executive Officer, Vice President, and CFO at Mitsubishi Chemical Holdings Corporation (now Mitsubishi Chemical Group Corporation)
- June 2017 Director, Representative Corporate Executive Officer, Vice President, and CFO at Mitsubishi Chemical Holdings Corporation
- April 2018 Director, Representative Corporate Executive Officer, and Vice President at Mitsubishi Chemical Holdings Corporation, and Director at Mitsubishi Chemical Corporation
- June 2018 Director at Taiyo Nippon Sanso Corporation
- April 2019 Director at Mitsubishi Chemical Holdings Corporation (now Mitsubishi Chemical Group Corporation)
- June 2019 Advisor at Mitsubishi Chemical Holdings Corporation
- March 2021 Director at Shonan Country Club
- June 2021 Audit & Supervisory Board Member at Nomura Research Institute, Ltd. (current position) and Director at Dai-Dan (current position)

How do you rate the effectiveness of the Board of Directors?

I have now worked for three years as an outside director. The outside directors and outside auditors include those with experience in governmental affairs, corporate management, or law, and the skills matrix shows that the system enables discussions from a wide range of multifaceted perspectives. The Board of Directors has open and natural discussions, and I believe that Dai-Dan has constructed a governance system that is functioning effectively.

However, the economic and social environment is becoming increasingly complex, and management issues are changing dramatically. I feel that for the Board of Directors to respond to these changes, it will need to make continuous improvements aimed at optimal decision-making. For example, effectiveness evaluations have so far involved questionnaires for directors, and where there has been points for improvement, the board has reacted quickly each time. I do think, however, that there is a need to look at an evaluation method that also incorporates third-party outside evaluations.

What requests do you have for Dai-Dan as an outside director?

Outside officers (outside directors and outside auditors) such as myself meet on a monthly basis, in principle, as the Board of Independent Officers, where they share information and hold debates on important management issues before they go to the Board of Directors. Those on the business execution side allow us to attend meetings of the Executive Committee as observers, and help to improve our understanding of agenda items. However, I do think that for important management issues and topics such as medium- or long-term management plans, having opportunities for frank exchanges of opinions between executives and non-executives, such as at offsite meetings, will help us to properly understand agenda items and enable better decision-making, and so I would like this to be something we consider in the future.



What do you think the future of Board of Directors operations looks like?

Through a resolution at this year's shareholders' meeting, the number of outside directors on the Board of Directors was increased by one, which means an equal number of outside and inside directors. This has led to improved governance that can better take on board the opinions of outside directors. If you include auditors, the ratio of non-executives to executives in the Board of Directors becomes 9:3, which I recognize can further strengthen the oversight and monitoring system.

In the future, for matters related to ordinary operations, I think greater authority can be transferred to the executive side to speed up management decisions, and as a director, I will work to place importance on a medium- to long-term vision and important management issues and to discuss and make decisions, endeavoring to achieve further corporate growth.

How can Dai-Dan strengthen compliance?

Last fiscal year, there was the issue of the improper conduct by some employees in the company.

Immediately after the conduct was discovered, the Internal Investigation Committee was convened, and took measures such as determining the causes and implementing improvement measures. The Board of Directors received regular reports on the situation, and it set aside sufficient time to discuss the matter.

In later follow-ups, the Board of Directors once again took reports, and constructed a system to reliably prevent the reoccurrence of such conduct.

Going forward, without becoming self-conceited, I will constantly strive to raise awareness so that everyone looks at compliance in a new light.

What do you think of Dai-Dan's financial strategies?

In the last fiscal year, the company promoted measures to respond to stock market needs for improved fluidity and similar by selling shares based on stock splits and reducing its cross-shareholdings.

I see that by achieving the goals of our Mid-Term Management Plan, Phase 1 "Preparation Stage," it has constructed a solid financial base. In the future, we will also hold active deliberations on shareholder returns. Growth investment and shareholder return are intrinsically linked, and while keeping a close eye on the balance between the two, we will work to improve shareholder value.

What are your thoughts on director compensation?

We determined to raise compensation for officers after considering improvements to performance, as well as objective data on standards of pay at other companies, and factors such as pay increases for ordinary employees. For director compensation in particular, the proportion made up of share-based compensation was increased from the perspective of encouraging sustainable increases to corporate value and the sharing of value with shareholders.

Can you tell us about the process behind appointing the new president?

The process to select the new president began two years ago with the start of discussions on a president succession plan (requirements for the next president, etc.). These requirements were then discussed by the committees to share the opinions of the various committees' members. Next, about a year ago, multiple candidates were selected based on the requirements, and in the latter half of last year the candidates underwent external assessments and were interviewed by the outside directors. Finally, at the end of last year, the Nominating and Remuneration Committee met, and after discussions involving all members, they made a final, unanimous decision of the new president candidate.

The reason for changing president at this time was because we had successfully laid management foundations by achieving the goals of the Mid-Term Management Plan, Phase 1, and were about to enter Phase 2 "Refining Stage" so wanted a change in leadership to achieve new growth. It was also decided that this would be good for forcefully promoting a new management framework.

Dai-Dan is now entering its Mid-Term Management Plan, Phase 2, and its ability to resolve increasingly complex management issues will be tested, bearing in mind remarkable changes to the social and economic environment. President Yamanaka is someone who is calmly able to make decisions based on his site and administrative experience; he is also someone who is courageous, open-minded, and can skillfully communicate with others one-on-one. I believe that he is the one to use growth strategies to combine different departments and functions to bring the whole company together to build a system that can support growth. In this way, I rate him as someone who can balance social value and economic value to achieve growth and higher corporate value. Based on Dai-Dan's management principles, I sincerely hope that he can push the company forward toward new growth; I will do my best to offer my firm support as an outside director.

What do you expect from the new president?

I hope that he will actively implement bold strategies toward Mid-Term Management Plan Phase 2 "Refining Stage," and to bring about reliable growth. There are many important management issues, but the new president recognizes that for Dai-Dan, the most important management policy is one indicated in Mid-Term Management Plan Phase 2, "Enhancing corporate value through realization of HR development." It is people who support sustainable growth, and I expect that strengthening the capabilities of individuals, and boosting collaboration and cooperation within the organization, and also with stakeholders outside the company, will give rise to even greater synergy.

Do you have any final words on your hopes for the future of Dai-Dan?

We face management issues such as changes to the social environment, strengthening our human resources, and the development of AI technologies, but by utilizing the technical capabilities and talented personnel Dai-Dan has built up over the years, I want to see the company working to help solve social issues and increase its economic value. I also hope it will establish the Dai-Dan brand as a company that creates value in spaces, both inside and outside Japan, and that it can carve out a strong position in society.

Directors, Auditors, & Corporate Officers

• FY2023 attendance: (Board of Directors: **BD** /Nominating and Remuneration Committee: **NRC**/Board of Independent Officers: **BIO**/Board of Auditors: **BA**)

Directors



Ichiro Fujisawa
Representative Director

April 1979 Entered Dai-Dan
April 2024 Representative Director and Chairman, Dai-Dan (current position)

- Time as a director: 15 years
- **BD** ... 19/19 (100%)
- **NRC** ... 9/ 9 (100%)

Yasuhiro Yamanaka
Representative Director

April 1983 Entered Dai-Dan
April 2024 Representative Director and President, Dai-Dan (current position)

- Time as a director: 4 years
- **BD** ... 19/19 (100%)

Hisao Sasaki
Director

April 1988 Entered Dai-Dan
April 2024 Director, Senior Managing Corporate Officer, Manager of East Japan Division and General Manager of Tokyo Head Office, Dai-Dan (current position)

- Time as a director: 4 years
- **BD** ... 19/19 (100%)

Yasuo Kamei
Director

April 1986 Entered Dai-Dan
April 2024 Director, Senior Corporate Officer, Manager of General Administration Division, Dai-Dan (current position)

- Time as a director: 6 years
- **BD** ... 19/19 (100%)

Fumio Matsubara
Director

April 1973 Entered the Ministry of Construction (now the Ministry of Land, Infrastructure, Transport and Tourism)
June 2015 Director, Dai-Dan (current position)

- Time as a director: 9 years
- **BD** ... 19/19 (100%)
- **NRC** ... 10/10 (100%)
- **BIO** ... 16/16 (100%)

Ikumi Sato
Director

April 1990 Registered as a lawyer
June 2021 Director, Dai-Dan (current position)

- Time as a director: 3 years
- **BD** ... 19/19 (100%)
- **NRC** ... 10/10 (100%)
- **BIO** ... 16/16 (100%)

Kenkichi Kosakai
Director

April 1976 Entered Mitsubishi Chemical Industries Limited (now Mitsubishi Chemical Corporation)
June 2021 Director, Dai-Dan (current position)

- Time as a director: 3 years
- **BD** ... 19/19 (100%)
- **NRC** ... 10/10 (100%)
- **BIO** ... 16/16 (100%)

Hirofumi Kyutoku
Director

April 1978 Entered Osaka Gas Co., Ltd.
June 2024 Director, Dai-Dan (current position)

- **BD** ... 19/19 (100%) *Attends as an auditor
- **BIO** ... 16/16 (100%) *Attends as an auditor

Auditors



Hiroshi Matsui
Standing Auditor

April 1983 Entered the Industrial Bank of Japan, Ltd. (now Mizuho Bank, Ltd.)
June 2024 (Standing) Auditor, Dai-Dan (current position)



Takayuki Ikeda
Standing Auditor

April 1985 Entered Dai-Dan (Standing) Auditor, Dai-Dan (current position)



Kazuhiko Chikaraishi
Standing Auditor

April 1983 Entered Dai-Dan (Standing) Auditor, Dai-Dan (current position)



Yasuyuki Suzuki
Auditor

April 2008 Professor at the College of Business Administration, Tamagawa University
June 2024 Auditor, Dai-Dan (current position)

Skills matrix

Name	Position	Particular areas of specialty or experience																			
		Board of Directors	Board of Auditors	Executive Committee	Risk Management Committee	Compliance Committee	Sustainability Committee	Board of Independent Officers	Nominating and Remuneration Committee	Corporate management/strategy	Accounting/finances	Engineering	Design/R&D	Risk management/governance	Sales/marketing	Legal affairs/auditing	Overseas business	Industries	Knowledge of other industries	Personnel development	
Ichiro Fujisawa	Representative Director, Chairman	●	●	●	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Yasuhiro Yamanaka	Representative Director, President	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Hisao Sasaki	Director, Senior Managing Corporate Officer	●	●	●	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Yasuo Kamei	Director, Senior Corporate Officer	●	●	●	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Fumio Matsubara	Director (outside)	●	●	○	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ikumi Sato	Director (outside)	●	●	○	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Kenkichi Kosakai	Director (outside)	●	●	○	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Hirofumi Kyutoku	Director (outside)	●	●	○	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Hiroshi Matsui	Standing auditor (outside)	●	●	○	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Takayuki Ikeda	Standing auditor	●	●	○	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Kazuhiko Chikaraishi	Standing auditor	●	●	○	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Yasuyuki Suzuki	Auditor (outside)	●	●	○	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

* The "○" mark indicates observer status.

Note: Corporate officers marked with an asterisk (*) are also directors.

Yasuhiro Yamanaka* President	Hirotohi Kitamura Senior Managing Corporate Officer Manager of West Japan Division and General Manager of Osaka Head Office	Hisao Sasaki* Senior Managing Corporate Officer Manager of East Japan Division and General Manager of Tokyo Head Office	Mitsuru Takahira Managing Corporate Officer Manager of International Division & HO	Katsumi Hatanaka Managing Corporate Officer Deputy Manager of East Japan Division and General Manager of Nagoya Branch	Yoji Sasaki Senior Corporate Officer CIO and Manager of Corporate Planning Division	Akira Morita Senior Corporate Officer Manager of Sales Division	Hiroshi Aso Senior Corporate Officer Head of Engineering Division and Head of Technology Control Division
Yasuo Kamei* Senior Corporate Officer Manager of General Administration Division	Shin Nakamura Senior Corporate Officer Manager of Innovation Division	Yasuhiro Amano Senior Corporate Officer Deputy Manager of West Japan Division and General Manager of Chugoku Branch	Futoshi Oide Senior Corporate Officer Manager of Technical Division	Toshikazu Dambara Corporate Officer President's Office, In charge of Personnel Department	Masahiro Sasaki Corporate Officer Corporate Planning Division, In charge of Overseas Operations	Koji Kashiwagi Corporate Officer Deputy Manager of Sales Division	Haruhiko Kashiwagi Corporate Officer East Japan Division Sales Manager and Tokyo Headquarters Deputy Representative and Sales Manager
Ken Naito Corporate Officer Manager of President's Office and Manager of Secretary's Office	Kenta Tateishi Corporate Officer President's Office Manager of Personnel Department	Kazumasa Takeda Corporate Officer Manager of Compliance Promotion Office and Deputy Manager of General Administration Division	Osamu Sakurai Corporate Officer Manager of Internal Audit Office	Takuya Hirai Corporate Officer General Manager of Hokuriku Branch	Koji Matsumoto Corporate Officer East Japan Division Technical Manager and Tokyo Headquarters Deputy Representative and Technical Manager	Takuji Hayashi Corporate Officer West Japan Division Technical Manager and Osaka Headquarters Deputy Representative and Technical Manager	



Fair and Transparent Business Practices

In order to ensure the sustainable creation of corporate value, we seek to improve and strengthen our corporate governance system in a sustainable manner.



Corporate Governance

Our approach to corporate governance

As a building services engineering and installation provider, we are committed to the management principles of “Delivering space values of safety, comfort, and trust to the future of ourselves, society, and earth.” In justifying the trust placed in us by all stakeholders including shareholders, customers, business partners, employees, and local communities, we remain focused on continuously enhancing our corporate governance in order to maintain effective management practices.

Our basic policy on corporate governance is as follows.

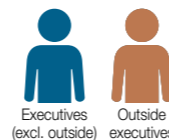
- Ensure the rights and equality of shareholders
- To ensure transparency, fairness, speed, and decisive decision making, the Board of Directors will carry out its functions appropriately and efficiently
- Endeavor to disclose information appropriately and hold constructive dialogues with shareholders
- Work appropriately with stakeholders other than shareholders

Dai-Dan Corporate Governance Guidelines

We have established the Dai-Dan Corporate Governance Guidelines, a policy that systematically expresses our views concerning such matters as the protection of shareholders’ rights, running the Board of Directors, dialogue with shareholders, and issues relating to social and environmental problems and other sustainability issues. We will continue taking measures to strengthen and improve corporate governance to make it more effective.

Our corporate governance system

The objective of Dai-Dan’s corporate governance system is to ensure appropriate and efficient management by maintaining discrete decision-making, oversight, and administrative functions, thereby enabling swift and appropriate deliberation and implementation of decisions. We adopted a corporate auditor system and effectively utilizes the following managerial structure.



Board of Directors



The Board of Directors comprises eight directors, four of whom are outside directors (including one female outside director). It convenes monthly and holds special meetings as necessary. In addition to overseeing business operations, the board deliberates on important matters related to corporate management, including subjects discussed in Executive Committee meetings. Our articles of incorporation provide that the Board of Directors should consist of 12 people or fewer.



Board of Independent Officers

The Board of Independent Officers consists of four outside directors and two outside auditors. Its role is to exchange information and share knowledge from an independent, objective standpoint, and to evaluate the effectiveness of management, in particular the effectiveness of the Board of Directors.

Independence Criteria for Outside Directors

The Independence Criteria for Outside Directors were formulated in December 2015. For more details on the criteria, please see the separate Dai-Dan Corporate Governance Guidelines.



Board of Auditors

The Board of Auditors comprises four auditors, two of whom are outside auditors. It is headed by one of the standing (outside) auditors who is elected by the other auditors.

As a rule, the Board of Auditors meets once a month and otherwise whenever necessary. The Board of Auditors discusses and decides on important matters related to auditing such as auditing policy, audit plans and who actually conducts audits.



Executive Committee

The Executive Committee meets once a month and whenever necessary and consists of directors and corporate officers elected by the representative directors and Board of Directors. Members thoroughly discuss and determine a broad range of important matters concerning Dai-Dan and its group companies like business policy, management strategies and business in general. They also provide advice for making decisions and, whenever necessary, go before the Board of Directors.

Internal audits

As part of our internal audit system, we established the Internal Audit Office under the direct control of the president, and its role is to evaluate the assets and business operations of Dai-Dan and its group companies from the perspective of suitability and efficiency. It also investigates and appraises the effectiveness of our internal control system for financial reporting.

Moreover, as well as sharing information and opinions with one another, the office works with our auditors and accounting auditors to verify its auditing and to ensure our internal audits are implemented efficiently. As well as reporting the findings of audits to the president, it also reports directly to the Board of Directors and Board of Independent Officers, which is composed of outside directors and outside auditors.



Nominating and Remuneration Committee

Composed of representative directors and outside directors, the underlying principle of the Nominating and Remuneration Committee is that the majority of members will be outside directors. The chair of the committee is selected from the members who are outside directors.

Reporting to the Board of Directors

The Nominating and Remuneration Committee discusses and presents on the following to the Board of Directors. These reports will involve at least half of the committee’s members.

1. Nominations for the position of representative director (selection)
2. Dismissal of representative directors
3. Proposals for the position of director (appointment, non-reappointment, dismissal)
4. Formulation and revision of regulations pertaining to remuneration for directors and corporate officers

Advising the Board of Directors

Nominating and Remuneration Committee members will be involved in the following matters and, where necessary, advise the Board of Directors.

1. Succession planning (representative directors)
2. Skills matrices
3. Validity of remuneration tables for directors and corporate officers
4. Validity of personal evaluations for executive bonuses
5. Candidates for selection as corporate officers

Compliance Committee



The Compliance Committee was established to ensure compliance with laws and internal regulations, and to strengthen fair and ethical company operations with strong compliance. The committee is chaired by the chairman, and is responsible for raising awareness of compliance among executives and employees and educating them on the subject. It also makes active use of a hotline for reports of compliance or other violations, to discover and rectify issues as quickly as possible.

Compliance Promotion Office

The Compliance Promotion Office comes under the direct control of the chairman, and is independent of the headquarters and offices; it collaborates with the Compliance Committee in planning, drafting, and implementation to help ensure that our business activities comply with the Antimonopoly Act and other relevant laws and regulations. This office also collaborates with the Internal Audit Office and continues to monitor compliance activities in our offices.

Risk Management Committee

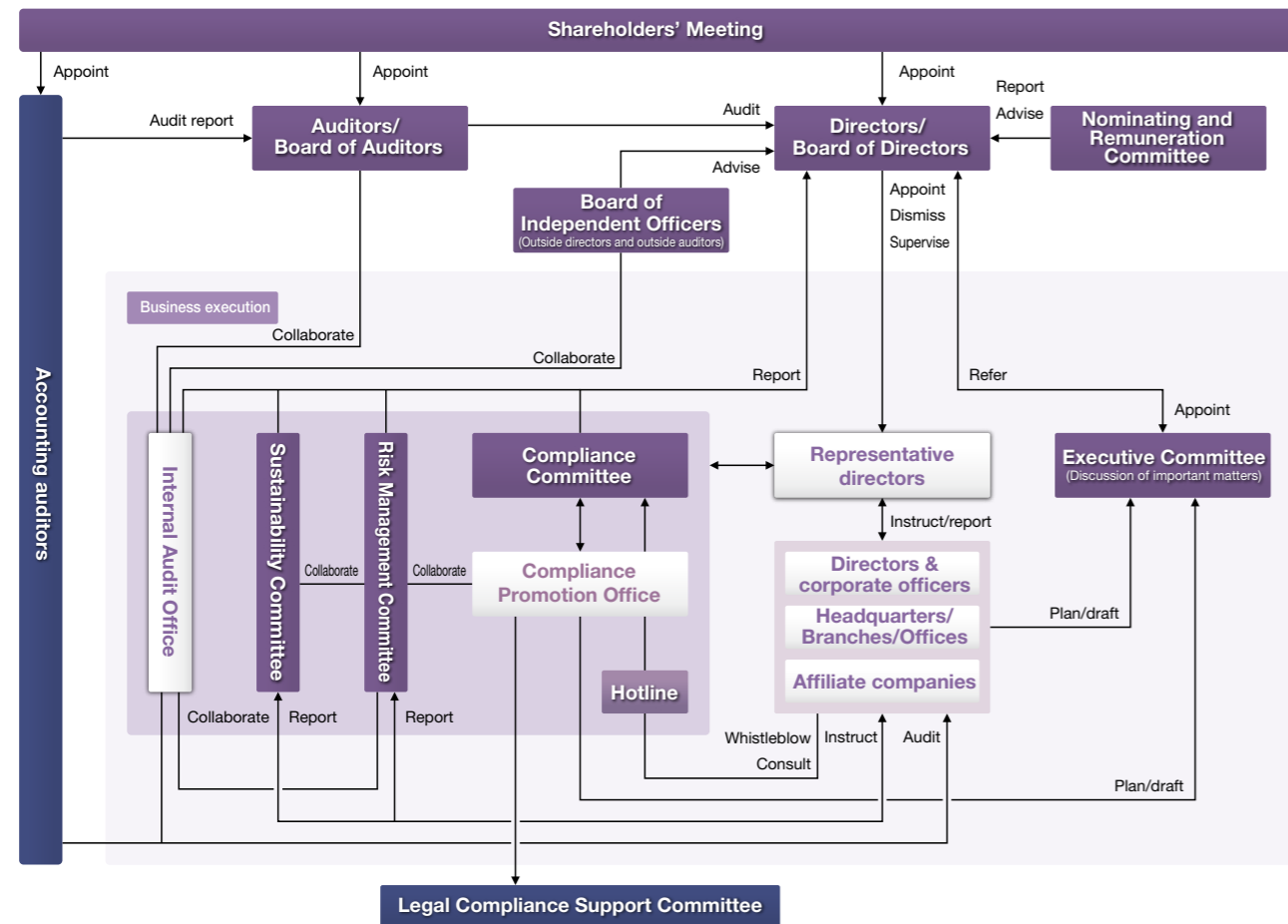
The Risk Management Committee's usual role is to deliberate suitable measures related to risk management and discuss the status of operations. Should a crisis occur, however, it takes action to manage the danger. The committee also makes periodic reports to the Board of Directors.

Sustainability Committee

The Sustainability Committee was established with the aim of studying and promoting sustainability initiatives for Dai-Dan and its group companies. The committee, which is chaired by the president, handles the following matters.

- Identifying responsibilities and business strategies aimed at making society more sustainable
- Planning and promoting CSR, environmental, and social contribution activities
- Promoting measures to improve information disclosure outside the company and external evaluations for ESG activities

Corporate governance system (as of September 2024)



Policies and procedures to appoint and dismiss directors and the president

To ensure the effectiveness of the Board of Directors, when considering candidates to become directors, we think about the balance of expertise needed to cover all business areas. Candidates are selected by the Board of Directors based on the principle of having diverse individuals each in the right place according to their knowledge and capabilities connected to corporate management and advancing business activities. These candidates are then referred to the Shareholders' Meeting. Should a director, in the course of his or her duties, commit some kind of violation or neglect his or her work, and this be found unbecoming of a director of the company, the Board of Directors will decide to dismiss the director, and will refer the matter to the Shareholders' Meeting. The Nominating and Remuneration Committee deliberates on proposals for the appointment and dismissal of the representative directors and appointment of directors, and then reports on these to the Board of Directors.

Director and auditor compensation

① Policy on determining director and auditor compensation

Compensation for directors (excl. outside directors)

Compensation, etc., for directors (excl. outside directors) is part of an incentive plan that aims to help achieve the Dai-Dan Group's goals, and the fundamental policy is as follows.

- The purpose of our remuneration system will be to:
 - Establish a strong link between compensation and the company's business performance, while also being highly transparent and objective
 - Raise awareness of contributions made to medium- to long-term performance improvements and increases in corporate value
- The chief aim is to increase shared awareness of profits with shareholders and ensure management is focused on the shareholders

Based on this fundamental policy, compensation, etc., for directors (excl. outside directors) will comprise three elements: basic compensation, bonuses, and share-based compensation. To ensure that evaluations of directors and decisions on compensation are fair and transparent, compensation will be determined by the Nominating and Remuneration Committee after deliberation.

Compensation for outside directors and auditors

Compensation, etc., for outside directors and auditors will consist of basic compensation alone, in order to improve their ability to supervise management. The amount of basic compensation for auditors will take into account individual auditors' duties and will be determined in consultation with auditors.

② Compensation breakdown

Compensation ratios

Basic compensation: 65% Bonuses: 20% Share-based compensation: 15%

③ Compensation overview

	Calculation method
Basic compensation	The basic compensation provided to directors consists of compensation in line with the individual director's position, and compensation adjusted for their executive duties. The levels of these are set by the Board of Directors, after verifying that they are appropriate based on the findings of a third-party survey, and the objective advice of the Nominating and Remuneration Committee.
Performance-linked compensation	Bonuses The performance indicators used to determine performance-linked compensation, and the calculation method, use each year's achievement rate toward the targets for operating profit—a KPI—laid out in the Mid-Term Management Plan. Under the remuneration system that we have introduced, the level of individual contribution to performance and the condition of profit are other factors that are taken into account to determine the amount of performance-linked compensation. The levels of compensation and ratios are set by the Board of Directors, after verifying that they are appropriate based on the findings of a third-party survey, and the objective advice of the Nominating and Remuneration Committee.
	Share-based compensation The basic payout amount for bonuses is set by multiplying a standard amount, based on the individual's position, by a payout rate that is based on the degree of achievement toward the group's overall operating profit target. The payout rate differs for representative directors and other directors: For the former, the resulting amount is multiplied by a rate based on orders received, net sales, and operating profit for the whole group. For the latter, the resulting amount is multiplied by a rate based on both the group's overall performance and on individual performance for each position—the performance of the division, etc., that they are responsible for. (excl. outside directors) After multiplying a share-based compensation standard amount, based on the individual's position, by a payout rate that is based on the degree of achievement toward the consolidated group's operating profit and profit attributable to owners of the parent, the resulting amount is divided by the base share price to calculate a number of points. Shares are then paid to the ratio of two shares to one point. (excl. outside directors and individuals not resident in Japan)

④ Total compensation for directors and auditors

Unit: Million yen

Position	Total compensation	Fixed compensation		Performance-linked compensation		No. of individuals in receipt
		Pecuniary compensation		Non-pecuniary compensation		
		Basic compensation	Bonuses	Share-based compensation		
Directors (excl. outside)	329	219	96	13		6
Outside directors	45	45	—	—		3
Auditors (excl. outside)	31	31	—	—		2
Outside auditors	31	31	—	—		2

*The "no. of individuals in receipt" for directors (excl. outside directors) includes one director who resigned on April 30, 2023

Training policy for directors

When directors or corporate officers are first appointed, they take part in training sessions given by specialists. The aim of these sessions is to give the new directors and corporate officers an understanding of their roles, duties, and responsibilities, and furnish them with a knowledge of corporate legal matters.

After their appointment, we provide directors and corporate officers with a range of seminars. These might include seminars given by outside specialists on topics such as the Antimonopoly Act, the Companies Act, or corporate governance, or seminars by outside experts to provide useful information on management or on the social and economic situation.

Taking into account demands from society, such as revisions to laws, or the desires of directors or corporate officers, we offer support by providing or introducing training opportunities that the individual requires, and support for those expenses. For independent outside directors and independent outside auditors, when they first take up their positions, we provide explanations of our management principles and management policies; an overview of our business, finances, and organization; and matters relating to corporate governance. Where necessary, we also take the new appointees on tours of our major sites, including our R&D facilities.

Evaluating the effectiveness of the Board of Directors

Each year, the chair of the Board of Directors, as the person responsible, carries out an evaluation of the Board of Directors to assess its overall effectiveness.

Directors do individual self-assessments for both themselves and for the board as a whole, and the results of these are analyzed and rated by the board while referring to exchanges of opinions with the Board of Independent Officers.

The results of the evaluation conducted between December 2023 and February 2024 show that the Board of Directors' composition and debates are appropriate, and recognize that it is functioning effectively overall, that it has used online conferencing systems, allowed directors to sit in as observers at meetings of the Executive Committee and other important management-related committees even if they are not members, provided outside officers in particular with advance explanations of Board of Directors agenda items, and is running things efficiently. A future issue will be to promote studies and improvements to training for the Board of Directors to meet the latest management challenges to work toward swifter, better discussions and decision-making for important matters such as management strategies.

Internal control system

We have developed an internal control system that focuses on the improvement of internal rules. This is intended to ensure compliance across our entire company and subsidiaries and includes the execution of tasks by directors in compliance with laws and the articles of incorporation as well as appropriate performance of all tasks. In addition, we confirm the operational status of the company's internal control system each fiscal year and report our findings to our Board of Directors while continuing to revise and improve this system in order to improve efficiency and legal compliance.

Internal control system for financial reporting

The Internal Audit Office under the president examines and assesses the effectiveness of an internal control system for financial reporting.

The fiscal 2023 assessment concluded that, as of the end of fiscal 2023, our internal control system for financial reporting is effective. An independent auditor also provided a similar opinion.

Compliance (Legal Compliance and Corporate Ethics)

Dai-Dan Group Action Standards

In order to ensure that everyone in the group, from management down, complies with all laws and regulations and uses good social sense in the way they behave, we have formulated the five-point Action Principles and the fourteen-point Action Standards. The Action Principles summarize the areas that are to be borne in mind during daily tasks.

■ Excerpt from our Dai-Dan Group Action Standards Our Action Standards serve as practical guidelines to the Action Principles on which they are based.

Action Principles

1. Observe laws and social norms and conduct business activities in a sensible manner.
2. Participate in the building of a society that can sustain its development.
3. Respect the fundamental human rights of all.
4. Maintain a fair and transparent relationship with stakeholders.
5. Recognize our place in society and strive to contribute to the emergence of a better society.

Action Standards

1. Maintain positive relationships with customers and users
2. Ensure safety and quality
3. Ensure fair and open competition
4. Engage in ethical business transactions
5. Fairly disclose corporate information
6. Ethically manage critical information
7. Protect and respect intellectual property rights
8. Improve working conditions and work environments
9. Respect human rights and individuality
10. Address environmental issues
11. Practice proper accounting and tax payment
12. Maintain sound relationships with politicians and the government
13. Eliminate any dealings with antisocial forces
14. Avoid engaging in self-serving actions

Compliance system

① Compliance Committee

The Compliance Committee was established, with Dai-Dan's chairman as its chair, to ensure compliance with laws and internal regulations, and to strengthen fair and ethical company operations with strong compliance.

② Legal Compliance Support Committee

The committee is composed of external experts and provides support to the Compliance Promotion Office.

③ Compliance Promotion Office

The office works to plan, propose, and implement measures to ensure company operations with strong compliance.

*For more details on the corporate governance system, please see page 89.

Compliance education activities

- ① Compliance cards—which feature policies on preventing corruptions—are distributed to new employees when they enter the company, and must carry them with them on a daily basis. During their training, too, we use lectures to promote compliance with the Dai-Dan Group Action Standards.
- ② All employees receive training in stages, and each stage of this training incorporates compliance-related training tailored to that stage, including on policies on preventing corruptions—including bribery, collusion, or embezzlement—with subcontractors or others.
- ③ We also use e-learning several times a year to teach about compliance topics such as the Antimonopoly Act and harassment.
- ④ The Legal Compliance Support Committee provides all employees with seminars that take as their theme compliance, covering policies on preventing corruption—including bribery, collusion, or embezzlement—with subcontractors or others, such as the Antimonopoly Act.
- ⑤ As part of our compliance monitoring, the Internal Audit Office and Compliance Promotion Office collaborate to twice a year monitor the compliance activities at each office, and check that work is in line with compliance.
- ⑥ A internal whistleblowing and consultation system for compliance breaches has been established to identify and prevent compliance breaches before they happen. It checks adherence to Dai-Dan's Action Principles and Action Standards, and regularly reports on its operations to the Board of Directors.

The whistleblowing and consultation system

We have set internal whistleblowing regulation and in accordance with those, we operate an internal whistleblowing system.

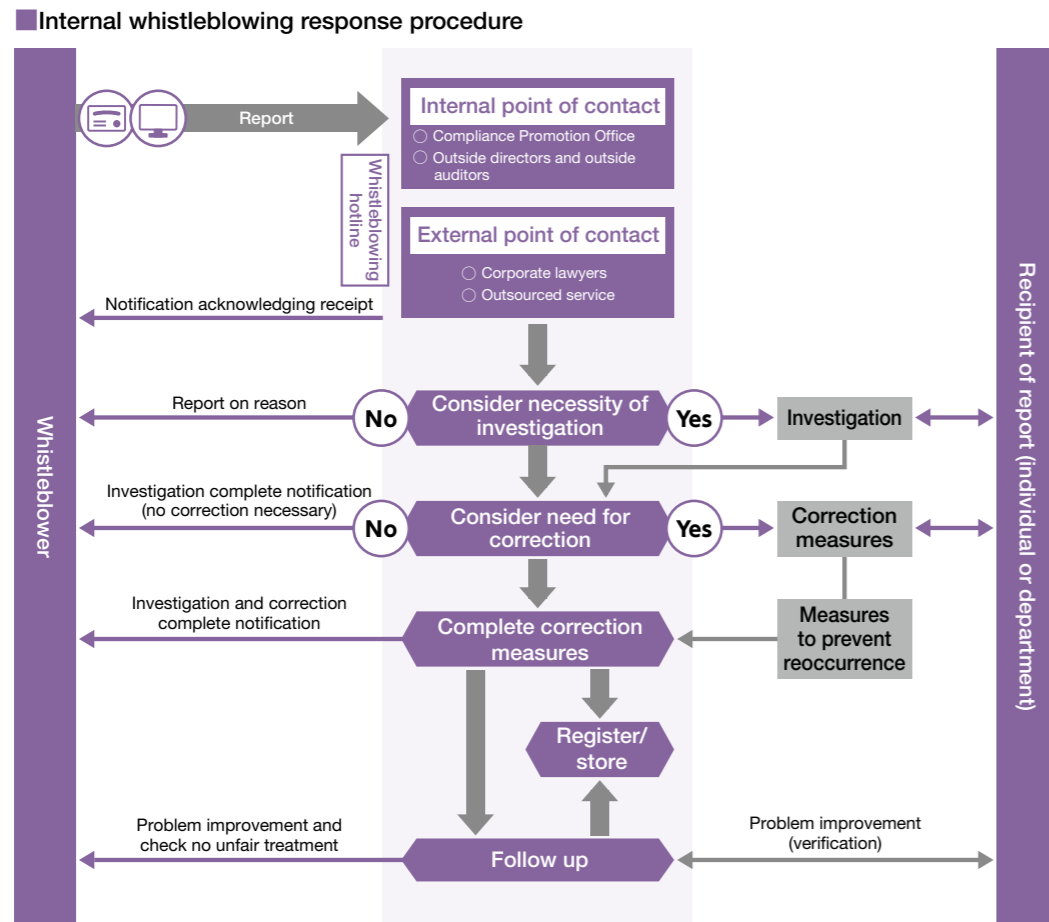
In April 2022, in order to respond to a change in requirements because of revisions to the Whistleblower Protection Act, we carried out a review and expanded the scope of whistleblowing so that it covers Dai-Dan Group executives and employees, but also temporary workers.

With the whistleblowing and consultation system, by putting in place a reporting route independent from the operational chain of command, our aim is to quickly identify job site problems (violations of laws or internal regulations or unethical actions) that would normally be difficult to uncover.

The internal whistleblowing hotline allows reports to be made to the Compliance Promotion Office, outside directors, and outside auditors, while the external hotline connects whistleblowers to corporate lawyers. We guarantee in our Corporate Code of Ethics that those whistleblowing or consulting for a legitimate reason will not be subjected to unfair treatment. Reports can also be submitted anonymously to ensure the privacy of the whistleblower.

In September 2023, to ensure greater neutrality, we added a hotline (for external reporting and harassment consultations) by outsourcing the service.

In all instances where reports are made, investigations and follow-ups are carried out and for cases that could cause serious damage to the group, the Compliance Committee, chaired by the chairman, convenes and deliberates on necessary measures.



Message from the Manager of Compliance Promotion Office

The Compliance Promotion Office's most important issue is to spread awareness of compliance, and to do so we are putting our energies into strengthening education and training, and our internal whistleblowing system.

As a period of awareness-raising, we have made each April our Compliance Month, but our activities are not limited to this month. Awareness is needed on a daily basis, and we are carrying out regular e-learning activities. In our level-based training, we have also provided opportunities for questions around case studies, and we plan to foster among employees the skills to think for themselves before they act.

With regard to our internal whistleblowing system, we have enhanced the external whistleblowing hotline, and as well as ensuring employees feel safe, we have put in place an environment where they can report or ask questions about breaches. We are also working hard to respond quickly and appropriately to any cases that are reported or queried.

Kazumasa Takeda

Corporate Officer, Manager of Compliance Promotion Office and Deputy Manager of General Administration Division



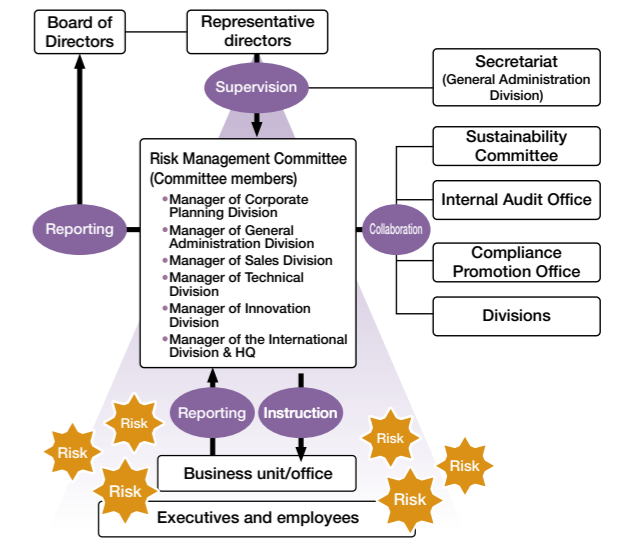
Risk Management

Risk management system

In order to continue providing value for years to come, we have built a risk management system to prevent risks from unexpectedly emerging and to minimize the likelihood of risks that do emerge coming about. We have established a Risk Management Policy to guide us in the best direction for managing all of the risks we face. We have also added a Risk Management Committee as per our Risk Management Rules. On a regular basis, this committee discusses matters related to risk management and reports those matters to the Board of Directors. Where a crisis does occur, we form a task force as outlined in the aforementioned rules as part of our crisis control framework to minimize damage or loss. As well as receiving reports, the Board of Directors' role is to maintain and oversee this risk management system and monitor its effectiveness.

Additionally, in order to heighten risk perception and make our organization healthier, we periodically train all employees in risk sensitivity.

Risk management system



Risk Management Policy

At present, the environment in which we and our stakeholders operate is undergoing dramatic change on a daily basis. Ever-greater diversification and complexity of business activities are unavoidable. Against this backdrop, we must continue to deliver value to all our stakeholders permanently, and to that end we are carrying out the following.

- Prioritizing human life and safety above all else in our risk management efforts.
- Accurately ascertaining business risks and working to prevent their occurrence.
- For those risks that do come about, responding quickly and appropriately in order to minimize their impact.

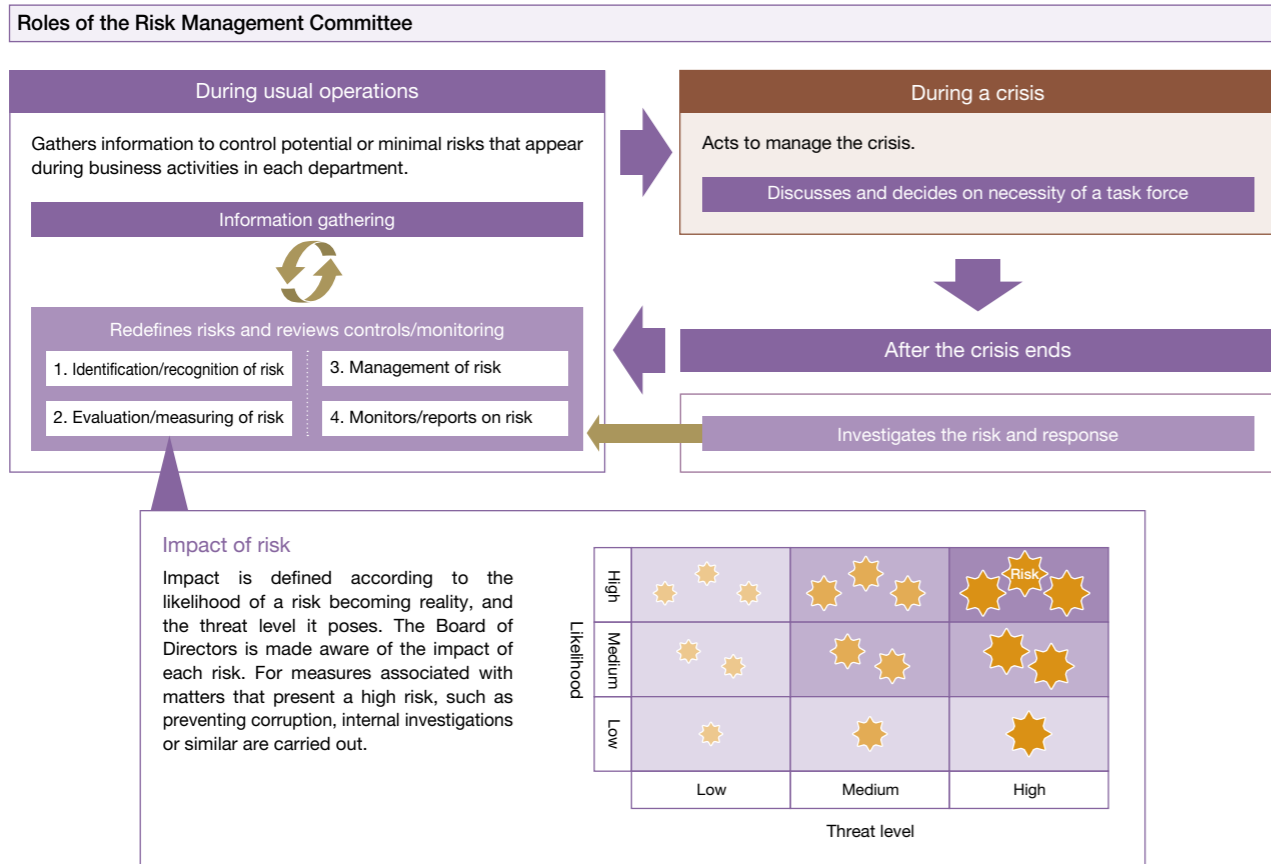
We will continuously implement a system that follows this policy, with the goal of the overall optimization of our risk management.

Risk Management Action Guidelines

1. We shall acknowledge that risk management is a vital part of management, and implement company-wide risk management initiatives.
2. We shall recognize potential negative impacts on corporate value improvements as risks before they can occur, and make company-wide efforts to prevent them emerging or minimize the damage if they do.
3. We shall consider the importance and impact of risks that do come about, and disclose information as appropriate.
4. Each division shall accurately recognize risks, carry out suitable reviews, and engage in risk management that reflects reality and changes in the business environment.
5. Each business unit and branch office shall form appropriate measures to ensure risk management initiatives are executed within their organizations.
6. All employees, from management down, shall act with an individual awareness and sense of responsibility toward risk management.

Primary risks and countermeasures

Risk	Description	Countermeasures
Workmanship	Safety, degraded quality of installed systems, soaring prices for materials and labor, missed deadlines, securing installation systems	Craft a safety and health management plan. Conduct job site patrols.
Human resource related	Unattained hiring plans, loss of human resources, drop in morale, etc.	Promote workstyle reforms. Conduct stress tests. Strengthen recruitment.
Legal	Lack of compliance with laws/regulations, all types of corruption (including bribery), contract violations, insufficient response to changes in regulatory systems	Impart compliance training. Use the whistleblowing system.
Information leaks/cyber	Unauthorized use or external leak of information, shutdown or malfunction of information systems, etc.	Publish a "Security Handbook," etc. Impart training in information security.
Natural disasters	Typhoons, river flooding, earthquakes and other natural disasters	Craft a BCM. Introduce a safety check system.
Trust	Credit recipient in financial difficulty, non-performance on contract obligations, etc.	Take action to manage credit as appropriate. Seek an objective assessment from an outside institution.
Climate change	Delayed response to climate-related government policies, regulations, or technologies, insufficient information disclosure, etc.	Designate and evaluate climate-related risks and opportunities. Enhance information disclosure in accordance with the TCFD's recommendations.



Initiatives to strengthen information security

As we introduce increasing numbers of cloud services to our internal systems, we are putting in place cloud security services and strengthening our information security. There are also Information System User's Guidelines, available to executives and employees on the corporate intranet, which provide cautions regarding the use of electronic equipment in everyday work.

Information security training is conducted via e-learning, and drills are conducted on how to handle targeted e-mail attacks to increase information security awareness and prevent the occurrence of accidents such as information leaks.

Moreover, for the purpose of strengthening information security at job sites, we have revised Network Building Guidelines for Job Sites and Information Security Guidelines for Job Sites, and make sure that countermeasures are implemented in line therewith. We are also enhancing training in information security to job site personnel.

Implementation	Date
e-learning	February 2024
Drill on how to handle targeted e-mail attacks	December 2023

Business continuity management

We have set out our business continuity management (BCM) approach, which incorporates the PDCA cycle of repeated improvements to our business continuity plans (BCP).

As part of our education and drills, in September 2024 we carried out drills for those responsible for dealing with disasters at each site, with the aim of improving effectiveness and the ability to make judgments during emergencies.

Theorizing various situations that might come about if there were to be a real disaster, discussions were held at each site about questions posed by the drill offices, and participants checked the contents of their BCP manuals and improved their ability to respond to a disaster.



Meeting Customer Expectations

We continue to work towards ever-higher levels of quality in order to further improve customer satisfaction.



Quality Improvement Initiatives

Our vision of quality

At Dai-Dan, reasoning and a strong sense of duty tell us that providing sound quality will increase customer satisfaction and trust. Therefore, in order to provide customer-pleasing quality, we maintain ISO 9001 certification current for all of our business sites in Japan and attentively manage the quality of our services and work, starting with in-depth preliminary studies before breaking ground, reducing quality incidents during installations, and covering our steps along the way with every imaginable kind of testing. Moreover, education and training are tools we use to ensure good quality by honing the skills and acumen of our workforce and subcontractors.

Customer evaluations

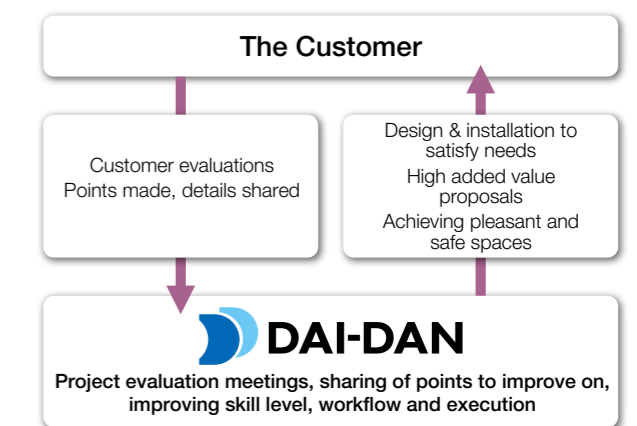
Knowing what our customers think of us and our work is an important first step towards doing a better job, so we probe customer satisfaction after completing and handing over every project. More specifically, we get them to rank our technical abilities and project management performance on a scale of 4 (4 being the highest) and to explain anything that did not meet with their satisfaction and any requests they have of us. In fiscal 2023, we collected 351 replies to our customer satisfaction surveys and earned an average overall rating of 3.53. The survey is an excellent tool for learning what customers like and do not like, and improving how we go about business, so we will continue to use it proactively alongside every opportunity of direct dialog to communicate with customers on a deeper level.

Works Preview Meetings

Throughout our long history we have provided building systems and services to customers in various industries with diverse building applications. In order to capitalize on our long track record of installations and our knowledge of customer systems, we hold Works Preview Meetings for each project with the attendance of the sales, engineering and other specialized departments concerned. We strive to provide high-quality systems that best serve our customers from the perspectives of functionality, quality, cost and energy efficiency.

Building Track Record System

We have been using a Building Track Record System, an internal information system, in order to make the most of our installation experiences. The Building Track Record System is used to record the details of the installation and recommendations, as well as customer requirements for each building. We enhance customer satisfaction by recommending detailed renovation options that contribute to comfortable use of a building.



Customer satisfaction survey results

4-point scale
(4: Satisfied 3: Generally satisfied 2: Somewhat dissatisfied 1: Dissatisfied)

Item	FY2021	FY2022	FY2023
Installer capacity	3.56	3.53	3.46
Installation management	3.57	3.54	3.46
Creativity and solution proposals	3.55	3.56	3.49
Backup capacity	3.49	3.52	3.38
Overall evaluation	3.61	3.58	3.53

Number of surveys completed: FY2021; 568/FY2022; 611/FY2023; 351

Initiatives with Subcontractors

Through our activities with subcontractors, we are working to continually enhance our technical capabilities and to resolve problems.



Application of the Meister Program and Establishment of Partnerships with Our Subcontractors across Japan

Maintaining quality assurance through strong partnerships with our subcontractors

Risk assessments

We conduct risk assessments prior to starting work at all of our job sites. We specify aspects of our work that have the potential to cause harm or damage and decide on measures to minimize those risks, as well as carrying out reviews each month in line with installation progress.

Dai-Dan Meister Program

Since 2011, we have been fairly evaluating and rewarding foremen so as to improve job safety, efficiency, and quality, and secure skilled foremen from our subcontractors.

As well as certifying Meisters and Excellent Foremen, we offer financial aid to those who have acquired certification as a registered core engineer or similar and financial incentives are paid to Meisters and Excellent Foremen for the work they do at job sites of ours.

In July 2024, financial aid was given to 47 individuals, from 33 companies, who acquired certification, and cash rewards were given to 136 Meisters and Excellent Foremen. We also selected and awarded 28 companies that we designated Excellent Subcontractors for their exceptional contributions.

Recognizing Meisters

In December 2023, of the foremen working on Dai-Dan job sites, 23 were newly selected as Excellent Foremen. Those who were evaluated highest, a total of 6 individuals, were recognized as Meisters.

As of April 2024, we had a total of 49 certified Meisters: 14 electrical workers, 20 plumbers, 9 duct installers, 4 refrigerant pipers, and 2 insulation workers.



Health and safety management framework

We are developing a health and safety framework that includes the Central Health & Safety Promotion Committee and similar committees for each of our offices. In the office committees, members are representatives of labor and management. The Central Health & Safety Promotion Committee, which oversees the entire company, takes guidance from the president and is chaired by the Manager of the Technical Division.

Comment from a Meister

I consider it a great honor to have been certified as a Dai-Dan Meister for fiscal 2023, and I hope I can fulfill the responsibilities the role brings.

As well as safety, quality, and process management, I consider these responsibilities to include helping to develop supportive, appealing environments for everyone involved onsite. I work to create a sense of teamwork where everyone working on the site always greets and helps one another. I also endeavor to actively communicate with those in other roles and industries, so that the project moves forward smoothly.

I am also striving to hold detailed meetings with site reps, and to do my job safely and effectively.

I also strive to have everyone feel comfortable speaking to one another and offering each other help, so that this leads to greater safety and higher quality.

For the problem of labor shortages, which are going to yet worse, we have to ensure that the next generation get a better sense of the appeal of this work. I will diligently work each day to create this kind of environment, as a Dai-Dan Meister.



Isamu Harada
Miyoshi Sheet Metal Workshop

Continuously Improving Health and Safety Initiatives with the Goal of Eradicating Industrial Accidents

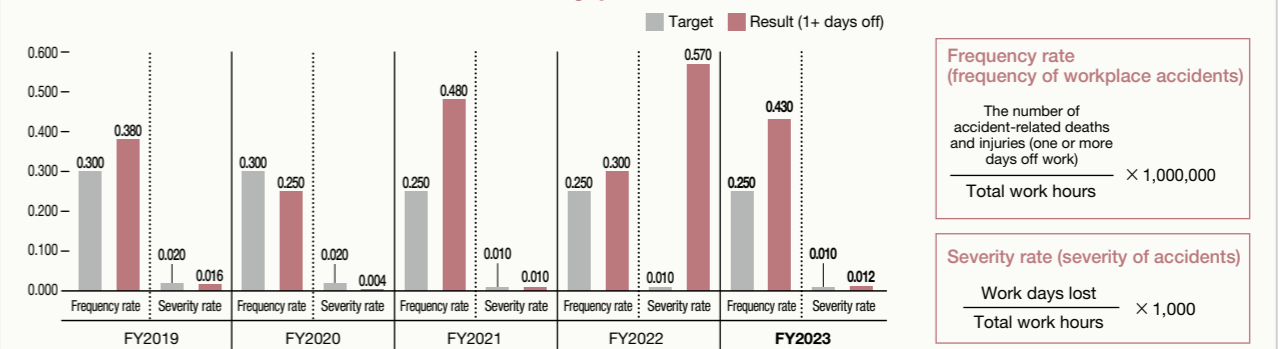
Our Policies for Health and Safety

"Ensuring safety and health" is a responsibility that companies must fulfill to the people who work there, their families, and society.

Dai-Dan prioritizes the safety and health of all employees, regardless of nationality, age, gender, or disability, and aims to be a company where all executives and employees share the same values under the leadership of the top management and where job satisfaction and ease of working are both achieved.

1. We shall utilize "Health and Safety Management Systems" to eradicate all industrial accidents. We shall endeavor to eliminate risk and hazards in all work activities, and continuously improve and enhance the health and safety of our workplace.
2. In compliance with workplace safety and health-related laws including our company's internal health and safety management systems regulations, we shall enhance the health and safety standard of our employees and executives, proactively promote their well-being, and create comfortable and rewarding workplaces.
3. Through diverse work styles and opportunities to play an active role, we shall aim to improve employees' work-life balances and support healthier, richer lives.
4. We shall regularly communicate with subcontractors and encourage them to launch and promote self-directed health and safety activities with clear role assignments.
5. We shall educate all people working for Dai-Dan in our policies for health and safety and also disclose them to the public.

Safety performance



Fiscal 2023 evaluation

Objectives

- ① Ensure three or fewer accidents resulting in a total of one or more lost work days
- ② Total no. of workers per annum: those working more than 80 hours a month outside ordinary working hours (overtime hours + working on days off)
- ③ Reduce health risks

Key points

- ① Ensuring preventive safety management
- ② Practicing thorough safety management for small-scale projects
- ③ Strictly adhering to usage rules for temporary scaffolding and equipment
- ④ Practicing thorough working hour management and encouraging measures to prevent overworking
- ⑤ Implementing measures to maintain and improve employee health

During work-related accidents in fiscal 2023, 57 employees were injured (8 of whom required time off work, 49 did not). This total is 16 higher than in fiscal 2022, and 4 more employees required time off.

In terms of the type of accidents, trips and falls increased. Analysis of the reasons for this show that the most common causes were an insufficient awareness of dangers, a lack of caution, and a decline in awareness. These incidents tended to happen when moving about sites or during preparatory work

when transporting materials. As a measure to prevent these, we are promoting the use of a trips and falls risk checklist from the Ministry of Health, Labour and Welfare.

Trips and falls from temporary or movable scaffolding have not decreased since last year, and the reason is people not following fundamental safety rules. In fiscal 2024, we are strengthening management and have added a new topic to management: thorough education for employees before they go to sites and when they arrive on-site.

Looking at work-related accidents for the last two or three years, the number of incidents is rising among those, including site managers, who have less than five years' experience and who are insufficiently aware of dangers. With the aim of reducing the number of incidents resulting from insufficient awareness of dangers or non-compliance with rules, we are promoting daily safety guidance at sites and communication with workers. We believe that repeated guidance is vital, and we are promoting activities to this end. There is a connection between close call reports and the occurrence of work-related accidents, we see that those who fall victim to such accidents have low submission rates for close call reports. For those lacking experience, we aim to use

examples of past incidents or cases where health and safety rules have been followed, and to promote close call activities among employees and other workers, in order to improve their sense for risk and to reduce the number of work-related accidents.

In order to reduce long working hours, we are promoting a range of measures—promoting two inactive days per week for sites, ensuring workers take a break of at least ten hours between shifts, introducing a planned annual holiday system, and encouraging extended time off during the Golden Week, summer, and New Year periods.

The whole group will be working together in fiscal 2024 to improve the following points.

- ① Ensuring preventive safety management
- ② Practicing thorough safety management for small-scale projects
- ③ Implementing thorough education for employees before they go to sites and when they arrive on-site
- ④ Practicing thorough working hour management and encouraging measures to prevent overworking
- ⑤ Implementing measures to maintain and improve employee health

Health, safety, and quality patrols by top management

At the NRT12 new construction project (tentative title), on October 2, 2023 Chairman Fujisawa (at the time still president) carried out a health, safety and quality patrol.

At this patrol, which coincided with National Industrial Safety Week, Fujisawa personally toured a site and gave guidance, under the themes of improving awareness of work-related health and safety, and ensuring preventive safety management.

In his opening speech, Chairman Fujisawa told site workers that the project was proceeding well, according to plans, and approaching trial operations. He also told them that the progress that had been made, without incident or accident, was down to their hard work and positive communication with each other. Due to the unfortunate increase in work-related accidents throughout the company, Fujisawa asked workers to correct this by thoroughly following fundamental actions and behaviors as the number of accidents rise with a busier period going forward. “If something was all right yesterday, it doesn’t mean it will be today.” With this message, he asked them to repeat this each day and expressed his wish for the project to end without incident or accident.

Project: Air-conditioning and plumbing works as part of the NRT12 new construction project (tentative title)

Building type: Data center

Schedule: August 2022 to December 2023

Fiscal 2024’s occupational health and safety management plans are ensuring preventive safety management, making sure of thorough safety management at multiple works, implementing thorough education for employees before they go to sites and when they arrive on-site, practicing thorough working hour management and encouraging measures to prevent overworking, and implementing measures to maintain and improve employee health. In the future, we will work to ensure health and safety, and develop workplaces that motivate those who work there.



Chairman Fujisawa (center) patrolling a site



Fujisawa (top row, second from left) addressing workers after his patrol

Data

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ESG Data

Environment*1

Greenhouse gases

Item	Unit	Scope	FY2019	FY2020	FY2021	FY2022	FY2023
Greenhouse gas (GHG) emissions (Scopes 1 & 2)	tCO ₂	Non-consolidated	3,905	4,104	3,640	2,804	2,956
		Consolidated	4,002	4,196	3,735	2,901	3,038
Scope 1*2	tCO ₂	Non-consolidated	1,866	1,858	1,726	1,698	1,618
		Consolidated	1,866	1,858	1,726	1,698	1,618
Scope 2*3	tCO ₂	Non-consolidated	2,040	2,247	1,914	1,106	1,338
		Consolidated	2,136	2,338	2,009	1,203	1,420
GHG emissions intensity (Scopes 1 & 2) (Emissions per million yen in net sales)	kg-CO ₂ /million yen	Non-consolidated	24.2	27.3	24.0	16.8	16.8
		Consolidated	23.6	26.6	22.9	15.6	15.4
Promoting proposals for reducing Scope 3 Category 11*4 emissions (Reduction in CO ₂ produced during building operations using our design proposals based on 15 years of operation)	tCO ₂	Non-consolidated	224,516	307,406	244,127	224,640	324,464
GHG emissions from offices	tCO ₂	Non-consolidated	1,549	1,615	1,264	498	504
Introduction of environmentally friendly vehicles such as hybrid cars	%	Non-consolidated	87.1	94.1	97.5	98.6	99.5
No. of environmentally friendly vehicles owned (plug-in hybrids, BEVs, hydrogen (fuel cells) vehicles)	Cars	Non-consolidated	2	5	7	12	12
Power consumption	kWh	Non-consolidated	4,648,422	5,350,291	5,260,558	5,201,941	5,942,389
of which, from renewables	kWh	Non-consolidated	56,222	115,045	801,988	2,611,297	2,881,262

Waste

Item	Unit	Scope	FY2019	FY2020	FY2021	FY2022	FY2023
Total industrial waste	Tonnes	Non-consolidated	8,251	6,493	10,037	10,452	7,592
Final disposal	Tonnes	Non-consolidated	1,124	885	901	1,134	1,298
Recycled	Tonnes	Non-consolidated	7,127	5,608	9,136	9,318	6,294
Recycling rate	%	Non-consolidated	86.4	86.4	91.0	89.2	82.9
Proportion of mixed waste (mixed waste volume/total waste)	%	Non-consolidated	13.6	13.6	9.0	10.8	17.1
Hazardous waste	Tonnes	Non-consolidated	12.8	16.0	37.3	50.2	69.3
General waste from offices	Tonnes	Non-consolidated	89	103	96	110	95

Water resources

Item	Unit	Scope	FY2019	FY2020	FY2021	FY2022	FY2023
Water consumption	m ³	Non-consolidated	55,761	58,690	63,432	83,560	65,120
Water consumption at job sites	m ³	Non-consolidated	41,313	46,403	50,691	70,946	51,994
Water consumption at offices	m ³	Non-consolidated	14,448	12,287	12,742	12,614	13,126
Wastewater at offices	m ³	Non-consolidated	14,448	12,287	12,742	12,614	13,126
Water consumption (intensity) (Consumption per million yen in net sales)	m ³ /million yen	Non-consolidated	0.345	0.390	0.419	0.502	0.371
No. of violations of water quality/consumption standards/regulations	Cases	Non-consolidated	0	0	0	0	0

Other

Item	Unit	Scope	FY2019	FY2020	FY2021	FY2022	FY2023
Green purchasing rate for equipment used at job sites	%	Non-consolidated	46.7	48.9	46.5	51.1	56.3
Consumption of copy paper at offices*5	Tonnes	Non-consolidated	57.4	51.7	48.4	46.7	40.9
Proportion of offices with ISO 14001 certification	%	Non-consolidated	100	100	100	100	100
Money used to pay environmental fines, etc.	Yen	Non-consolidated	0	0	0	0	0

Society

Human rights, diversity, and providing workplaces

Item	Unit	Scope	FY2019	FY2020	FY2021	FY2022	FY2023
No. of disabled employees	Employees	Non-consolidated	25	26	26	29	33
		Consolidated	26	27	27	30	34
Proportion of disabled employees	%	Non-consolidated	2.00	2.00	1.92	2.02	2.36
		Consolidated	2.09	2.08	2.00	2.10	2.43

Item	Unit	Scope	FY2019	FY2020	FY2021	FY2022	FY2023
Proportion of female employees	%	Non-consolidated	13.1	14.2	15.3	15.7	14.8
		Consolidated	12.7	13.8	14.9	15.1	14.8
Job turnover rate	%	Non-consolidated	2.2	2.2	3.0	3.7	2.6
		Consolidated	2.4	2.6	2.8	4.0	3.9
Human rights complaints	Cases	Non-consolidated	4	4	10	7	11
Proportion of mid-career hires	%	Non-consolidated	12	18	10	20	22
Proportion of female managers	%	Non-consolidated	0.9	0.9	0.9	1.6	2.3
Childcare leave uptake by male employees	%	Non-consolidated	4.7	12.8	11.8	20.9	26.8
Wage gap between male and female employees	%	Non-consolidated	54.2	55.2	55.2	57.2	57.7

Employee training

Item	Unit	Scope	FY2019	FY2020	FY2021	FY2022	FY2023
Total training expenses	Million yen	Non-consolidated	61	76	131	115	115
Total training hours	Hours	Non-consolidated	63,509	73,516	102,176	108,759	99,476
Training hours per person	Hours	Non-consolidated	42.14	48.02	64.75	66.11	58.97

Occupational health and safety

Item	Unit	Scope	FY2019	FY2020	FY2021	FY2022	FY2023
Frequency rate	Result	Non-consolidated	0.380	0.250	0.480	0.300	0.430
	Target	Non-consolidated	(0.300)	(0.300)	(0.250)	(0.250)	(0.250)
	Industry standard*6	Non-consolidated	(0.59)	(0.49)	(0.36)	(0.52)	(0.47)
Severity rate	Result	Non-consolidated	0.016	0.004	0.013	0.570	0.012
	Target	Non-consolidated	(0.020)	(0.020)	(0.010)	(0.010)	(0.010)
	Industry standard*6	Non-consolidated	(0.52)	(0.01)	(0.04)	(0.03)	(0.00)
Deaths (direct employees)	Employees	Non-consolidated	0	0	0	0	0
Deaths (contract employees)	Employees	Non-consolidated	0	0	0	0	0

Contribution to social development

Item	Unit	Scope	FY2019	FY2020	FY2021	FY2022	FY2023
Donations to NGOs/NPOs and investment in communities	Million yen	Non-consolidated	38	33	9	23	49
No. of violations of labor standards	Cases	Non-consolidated	0	0	0	0	0
		Consolidated	0	0	0	0	0

Governance

Compliance & risk management

Item	Unit	Scope	FY2019	FY2020	FY2021	FY2022	FY2023
Total political contributions	Million yen	Non-consolidated	2	0.4	0.6	1.4	1.2
No. of employees disciplined or fired for corruption, bribery, etc.	Employees	Non-consolidated	0	0	0	0	4
		Consolidated	0	0	0	0	4
Cost of fines/settlements related to corruption, bribery, etc.	Million yen	Non-consolidated	0	0	0	0	0
		Consolidated	0	0	0	0	0
Compliance reports	Cases	Non-consolidated	4	4	11	11	28
Compliance seminars	Frequency	Non-consolidated	1	1	1	1	1
Compliance training e-learning	Frequency	Non-consolidated	1	2	1	4	4
Risk sense training	Frequency	Non-consolidated	—	2	1	4	4

Governance

Item	Unit	Scope	FY2019	FY2020	FY2021	FY2022	FY2023
Board of Directors	No. of meetings	Non-consolidated	16	16	16	19	19
	Participation rate (%)	Non-consolidated	99	97	99	99	100
Board of Auditors	No. of meetings	Non-consolidated	17	17	17	13	13
	Participation rate (%)	Non-consolidated	100	100	100	100	100
Board of Independent Officers	No. of meetings	Non-consolidated	9	8	14	16	16
	Participation rate (%)	Non-consolidated	100	97	100	98	100
Nominating and Remuneration Committee	No. of meetings	Non-consolidated	—	—	2	7	10
	Participation rate (%)	Non-consolidated	—	—	100	100	100

*1 Non-consolidated figures exclude Singapore Branch

*2 CO₂ emissions from gas, kerosene or gasoline consumption*3 CO₂ emissions from secondary energy (electric power) consumption*4 CO₂ emissions from operating installed equipment

*5 FY2024 target: 40 tonnes or less

*6 Industry standard frequency and severity rates taken from the MHLW's Survey on Industrial Accidents (equipment installation work (1,000+ employees))

Financial and Non-financial Data (Eleven-year Summary)

Financial Information (Consolidated)	FY ended Mar. 31, 2014	FY ended Mar. 31, 2015	FY ended Mar. 31, 2016	FY ended Mar. 31, 2017	FY ended Mar. 31, 2018	FY ended Mar. 31, 2019	FY ended Mar. 31, 2020	FY ended Mar. 31, 2021	FY ended Mar. 31, 2022	FY ended Mar. 31, 2023	FY ended Mar. 31, 2024	
Results (Million yen)												
Net sales of construction contract orders received	127,394	131,633	143,503	144,007	147,335	158,533	170,121	176,526	183,668	206,337	253,134	
Net sales of completed construction contracts	124,445	121,780	138,346	125,253	143,448	155,565	169,229	157,712	162,929	185,961	197,431	
Gross profit on completed construction contracts	14,137	14,563	16,713	17,788	18,786	19,111	21,056	21,521	20,723	22,624	26,217	
Selling, general and administrative expenses	9,966	10,016	10,176	11,038	11,400	11,450	11,993	12,767	13,138	14,195	15,340	
Operating profit	4,171	4,547	6,537	6,750	7,385	7,661	9,063	8,754	7,584	8,428	10,877	
Ordinary profit	4,471	4,857	6,770	6,939	7,674	8,057	9,282	9,262	8,095	9,288	11,918	
Profit attributable to owners of parent	1,670	2,921	4,248	4,638	5,109	5,464	6,399	6,318	5,778	6,626	9,087	
Capital expenditures	90	428	981	1,037	381	850	325	584	1,203	2,887	1,866	
R&D expenses	430	461	524	663	649	647	778	754	1,076	1,174	1,286	
Depreciation	419	339	279	426	469	451	458	484	449	489	763	
Cash flows from operating activities	3,117	2,427	611	5,395	3,320	(13,541)	12,742	14,241	(11,718)	15,941	596	
Cash flows from investing activities	(172)	(401)	(493)	(1,442)	(315)	(232)	(636)	(718)	(873)	(4,729)	(603)	
Cash flows from financing activities	(892)	(2,344)	(894)	(925)	(1,711)	(1,317)	(3,240)	(3,487)	(3,214)	(2,218)	(2,829)	
Cash and cash equivalents at end of period	24,598	24,358	23,536	26,549	27,858	12,776	21,616	31,747	16,037	25,348	22,665	

Assets (Million yen)												
Total assets	111,347	113,440	122,312	118,454	130,006	120,728	123,049	132,210	139,099	148,544	160,553	
Net assets	46,609	53,462	54,583	58,004	64,417	66,390	67,409	74,837	77,242	82,424	93,987	

Per share data												
Profit (yen)	37.45	65.49	95.26	104.02	114.59	122.58	145.65	145.98	135.08	154.78	212.10	
Net assets (yen)	1,040.76	1,193.61	1,219.16	1,296.64	1,441.03	1,485.29	1,550.86	1,745.92	1,801.56	1,920.67	2,187.86	
Dividend (yen)	16.00	18.00	20.00	23.00	28.00	38.00	45.00	45.00	45.00	50.00	75.50	
Dividend payout ratio (%)	43.3	27.8	21.3	22.1	24.4	31.0	30.9	30.8	33.3	32.3	35.6	

* On October 1, 2023, we carried out a 2-for-1 stock split of ordinary shares. Figures for fiscal 2017 through fiscal 2023 are hypothetical and calculated as though the stock split was carried out.

Management indices												
Ratio of gross profit to net sales of completed construction contracts (%)	11.4	12.0	12.1	14.2	13.1	12.3	12.4	13.6	12.7	12.2	13.3	
Operating profit margin (%)	3.4	3.7	4.7	5.4	5.1	4.9	5.4	5.6	4.7	4.5	5.5	
Equity capital ratio (%)	41.7	46.9	44.5	48.8	49.4	54.8	54.6	56.4	55.4	55.4	58.4	
Return on equity (%)	3.7	5.9	7.9	8.3	8.4	8.4	9.6	8.9	7.6	8.3	10.3	
Price-earnings ratio (%)	14.6	12.5	7.8	10.2	10.2	10.5	10.0	10.1	7.8	7.7	11.7	
Price-to-book ratio (times)	0.52	0.69	0.61	0.82	0.81	0.87	0.94	0.85	0.58	0.62	1.14	

Non-financial Information	FY ended Mar. 31, 2014	FY ended Mar. 31, 2015	FY ended Mar. 31, 2016	FY ended Mar. 31, 2017	FY ended Mar. 31, 2018	FY ended Mar. 31, 2019	FY ended Mar. 31, 2020	FY ended Mar. 31, 2021	FY ended Mar. 31, 2022	FY ended Mar. 31, 2023	FY ended Mar. 31, 2024	
Number of employees												
Consolidated employees	1,472	1,498	1,493	1,505	1,540	1,600	1,617	1,644	1,727	1,830	1,901	
of which, non-consolidated	1,389	1,409	1,411	1,416	1,446	1,488	1,507	1,531	1,578	1,645	1,687	

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	FY ended Mar. 31, 2023	FY ended Mar. 31, 2024
Assets		
Current assets		
Cash and deposits	25,379	22,696
Notes receivable, accounts receivable from completed construction contracts and other	69,625	74,901
Electronically recorded monetary claims—operating	9,487	11,499
Costs on construction contracts in progress	671	726
Other	3,092	2,366
Allowance for doubtful accounts	(136)	(99)
Total current assets	108,120	112,090
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,274	10,576
Accumulated depreciation	(4,049)	(4,343)
Buildings and structures, net	5,225	6,233
Machinery, equipment and vehicles	708	782
Accumulated depreciation	(133)	(233)
Machinery, equipment and vehicles, net	574	549
Tools, furniture and fixtures	953	860
Accumulated depreciation	(714)	(526)
Tools, furniture and fixtures, net	238	333
Land	1,280	1,280
Construction in progress	197	0
Total property, plant and equipment	7,516	8,396
Intangible assets	1,178	1,390
Investments and other assets		
Investment securities	18,790	21,160
Retirement benefit asset	11,459	15,997
Other	1,611	1,625
Allowance for doubtful accounts	(133)	(107)
Total investments and other assets	31,728	38,675
Total non-current assets	40,424	48,462
Total assets	148,544	160,553

(Millions of yen)

	FY ended Mar. 31, 2023	FY ended Mar. 31, 2024
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	23,294	21,449
Electronically recorded obligations—operating	12,109	11,961
Short-term borrowings	2,901	2,788
Income taxes payable	2,258	3,336
Advances received on construction contracts in progress	1,899	1,531
Provision for share awards	26	28
Provision for warranties for completed construction	48	36
Provision for loss on construction contracts	516	696
Asset retirement obligations	—	99
Deposits received	9,307	9,894
Other	9,169	9,072
Total current liabilities	61,532	60,895
Non-current liabilities		
Long-term loans payable	720	369
Deferred tax liabilities	2,660	4,153
Retirement benefit liability	1,148	1,101
Long-term accounts payable - other	5	2
Other	51	43
Total non-current liabilities	4,587	5,670
Total liabilities	66,119	66,565
Net assets		
Shareholders' equity		
Capital stock	4,479	4,479
Capital surplus	4,837	4,837
Retained earnings	68,638	75,360
Treasury shares	(3,132)	(3,099)
Total shareholders' equity	74,822	81,577
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,116	7,754
Foreign currency translation adjustment	112	308
Remeasurements of defined benefit plans	1,191	4,114
Total accumulated other comprehensive income	7,419	12,177
Non-controlling interests	182	232
Total net assets	82,424	93,987
Total liabilities and net assets	148,544	160,553

Consolidated Statements of Income

(Millions of yen)

	FY ended Mar. 31, 2023	FY ended Mar. 31, 2024
Net sales of completed construction contracts	185,961	197,431
Cost of sales of completed construction contracts	163,337	171,213
Gross profit on completed construction contracts	22,624	26,217
Selling, general and administrative expenses	14,195	15,340
Operating profit	8,428	10,877
Non-operating income		
Interest income	12	13
Dividend income	432	405
Insurance fee income	128	170
Foreign exchange gains	327	320
Share of profit of entities accounted for using equity method	—	146
Rental income from real estate	32	34
Other	43	89
Total non-operating income	976	1,180
Non-operating expenses		
Interest expenses	70	80
Guarantee commission	8	16
Rental expenses on real estate	9	10
Commitment fees	19	17
Other	8	14
Total non-operating expenses	117	139
Ordinary profit	9,288	11,918
Extraordinary income		
Gain on sale of non-current assets	3	1
Gain on sale of investment securities	551	1,574
Reversal of allowance for doubtful accounts	4	1
Total extraordinary income	559	1,578
Extraordinary losses		
Impairment losses	—	102
Loss on retirement of non-current assets	16	24
Loss on valuation of investment securities	—	100
Total extraordinary losses	16	227
Profit before income taxes	9,830	13,268
Income taxes - current	3,116	4,668
Income taxes - deferred	82	(520)
Total income taxes	3,199	4,147
Profit	6,631	9,121
Profit attributable to non-controlling interests	4	33
Profit attributable to owners of parent	6,626	9,087

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY ended Mar. 31, 2023	FY ended Mar. 31, 2024
Profit	6,631	9,121
Other comprehensive income		
Valuation difference on available-for-sale securities	36	1,638
Foreign currency translation adjustment	94	28
Remeasurements of defined benefit plans	321	2,923
Share of other comprehensive income of entities accounted for using equity method	—	183
Total other comprehensive income	452	4,773
Comprehensive income	7,083	13,894
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,061	13,844
Comprehensive income attributable to non-controlling interests	22	50

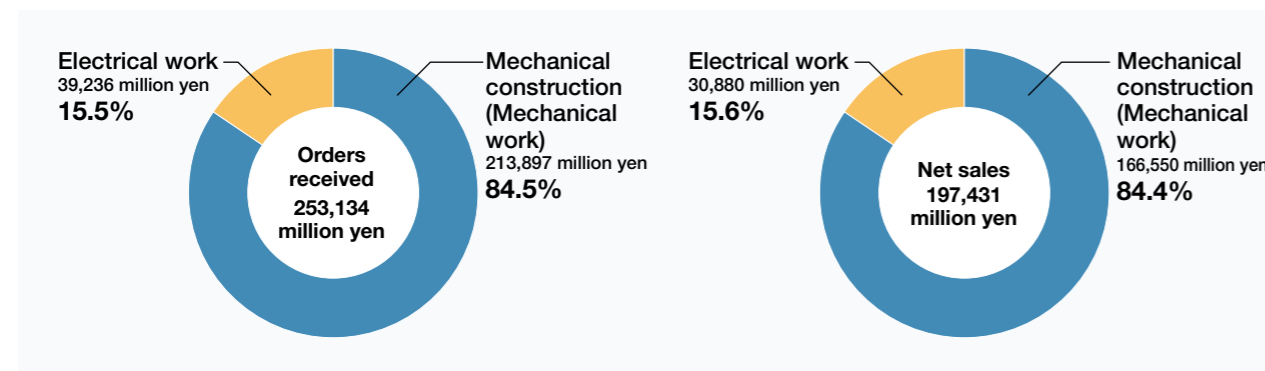
Consolidated Statements of Cash Flows

(Millions of yen)

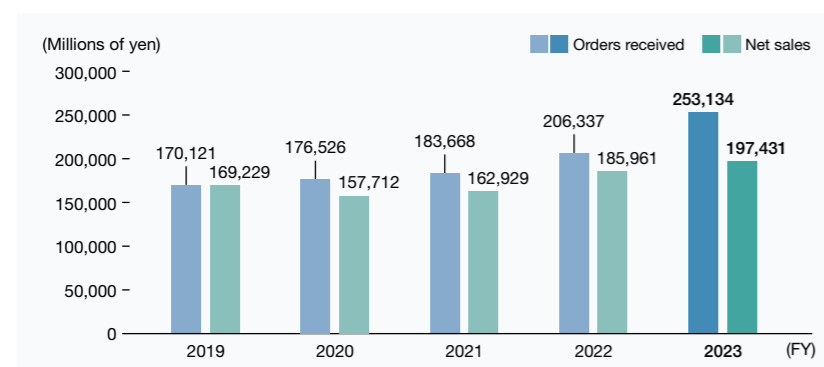
	FY ended Mar. 31, 2023	FY ended Mar. 31, 2024
Cash flows from operating activities		
Profit before income taxes	9,830	13,268
Depreciation	489	763
Increase (decrease) in allowance for doubtful accounts	124	(62)
Increase (decrease) in retirement benefit liability	(17)	(13)
Interest and dividend income	(444)	(419)
Interest expenses	70	80
Share of loss (profit) of entities accounted for using equity method	—	(146)
Loss (gain) on valuation of investment securities	—	100
Loss (gain) on sale of investment securities	(551)	(1,574)
Loss (gain) on sale of non-current assets	(3)	(1)
Loss on retirement of non-current assets	16	24
Impairment losses	—	102
Decrease (increase) in notes and accounts receivable—trade	4,793	(7,288)
Decrease (increase) in costs on construction contracts in progress	(206)	(54)
Decrease (increase) in other current assets	1,040	575
Decrease (increase) in other non-current assets	10	(0)
Decrease (increase) in retirement benefit asset	(454)	(356)
Increase (decrease) in notes and accounts payable—trade	(670)	(1,992)
Increase (decrease) in advances received on construction contracts in progress	(158)	(367)
Increase (decrease) in other current liabilities	3,241	1,241
Increase (decrease) in other non-current liabilities	29	(11)
Subtotal	17,142	3,867
Interest and dividends received	444	411
Interest paid	(69)	(80)
Income taxes refund (paid)	(1,575)	(3,601)
Net cash provided by (used in) operating activities	15,941	596
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	27	30
Payments into time deposits	(30)	(30)
Purchase of property, plant and equipment	(1,804)	(1,616)
Proceeds from sale of property, plant and equipment	3	2
Payments for retirement of property, plant and equipment	(5)	(10)
Purchase of investment securities	(3)	(203)
Proceeds from sale of investment securities	744	2,322
Payments of loans receivable	—	(0)
Proceeds from collection of loans receivable	9	10
Purchase of shares of subsidiaries and associates	(3,078)	(311)
Other payments	(658)	(851)
Other proceeds	67	54
Net cash provided by (used in) investing activities	(4,729)	(603)
Cash flows from financing activities		
Proceeds from short-term borrowings	21,400	42,200
Repayments of short-term borrowings	(21,400)	(42,200)
Proceeds from long-term borrowings	800	250
Repayments of long-term borrowings	(1,083)	(714)
Purchase of treasury shares	(0)	(0)
Dividends paid	(1,935)	(2,364)
Net cash provided by (used in) financing activities	(2,218)	(2,829)
Effect of exchange rate change on cash and cash equivalents	317	154
Net increase (decrease) in cash and cash equivalents	9,310	(2,682)
Cash and cash equivalents at beginning of period	16,037	25,348
Cash and cash equivalents at end of period	25,348	22,665

Major Financial Information

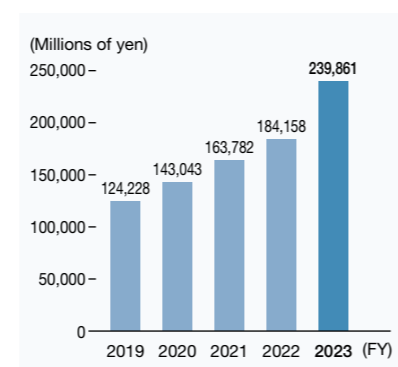
Fiscal 2023 orders received and net sales ratios by segment



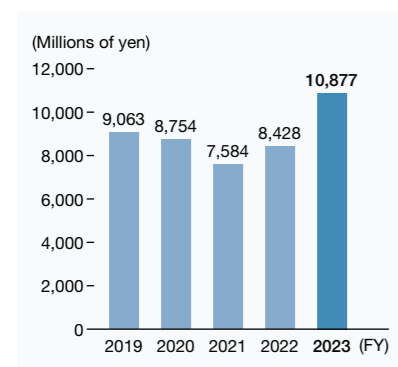
Orders received/Net sales



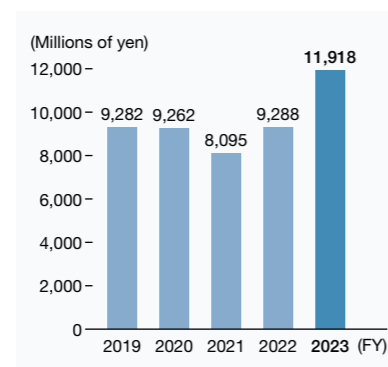
Orders received carried forward



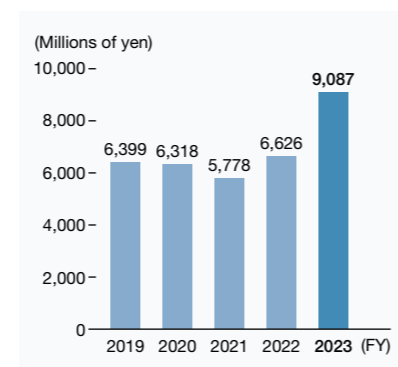
Operating profit



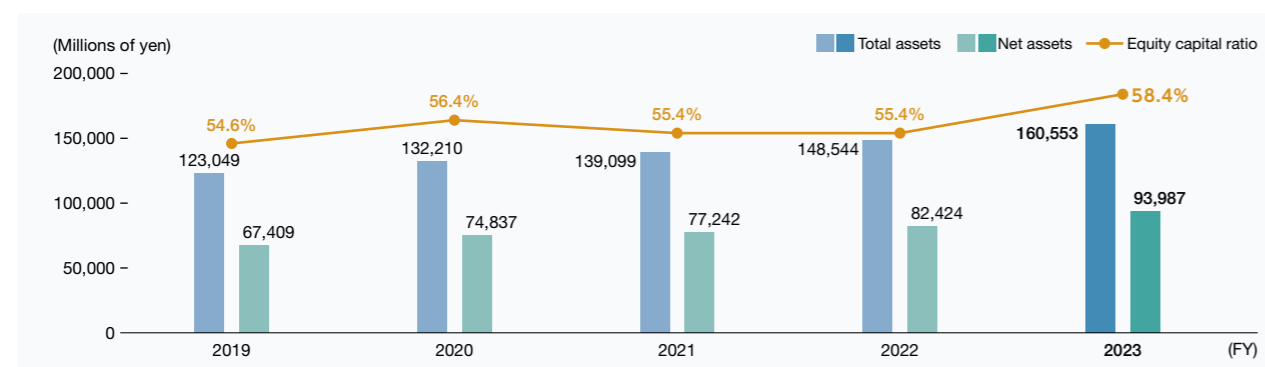
Ordinary profit



Profit



Total assets/Net assets/Equity capital ratio

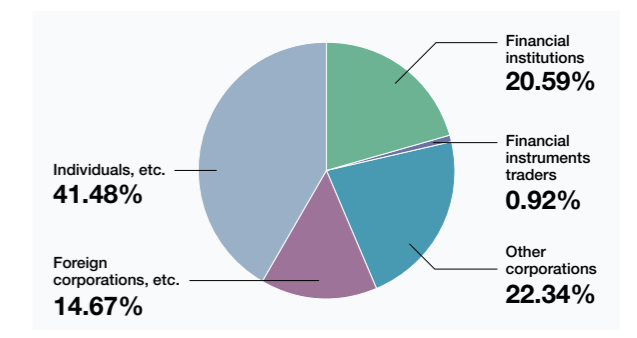


Share Information

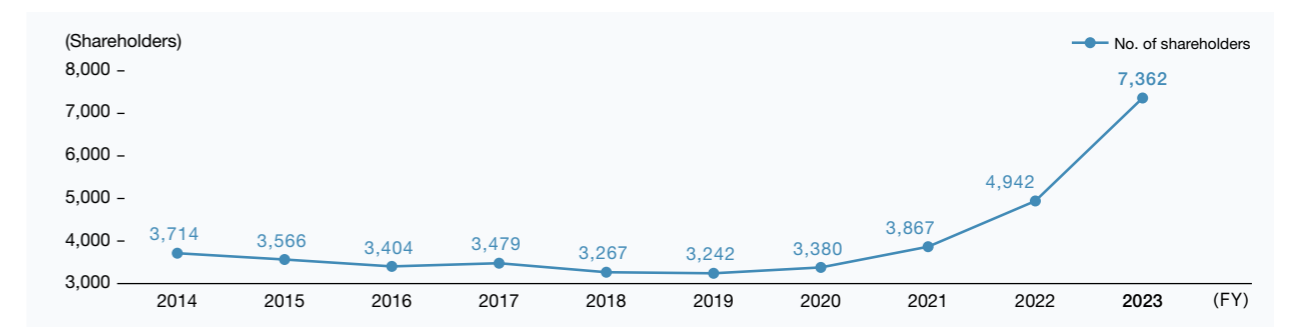
(As of March 31, 2024)

① Business year	April 1 to the following March 31
② Annual general meeting of shareholders	Late June
③ Total no. of authorized shares	80,000,000
④ Total no. of issued shares	45,963,802
⑤ Share unit	100 shares
⑥ No. of shareholders	7,362
⑦ Listed stock exchange	Tokyo Stock Exchange's Prime Market (Securities code: 1980)
⑧ Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation

Breakdown of share ownership



Changes in number of shareholders

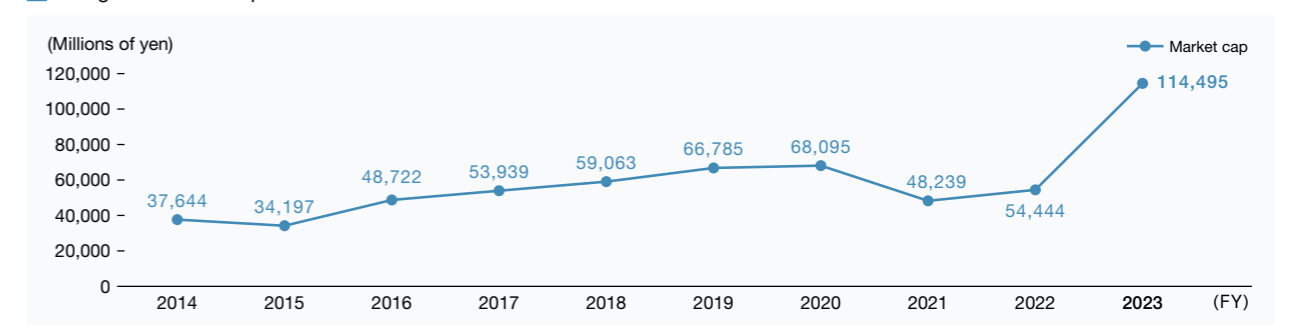


Major shareholders (ten biggest)	Shares held (thousand shares)	Shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,161	7.35
Tokyo Daigen Business Stock Ownership Association	2,176	5.06
Osaka Daigen Business Stock Ownership Association	1,596	3.71
Dai-Dan Employee Stock Ownership Association	1,572	3.65
Yurakubashi Building K.K.	1,476	3.43
Custody Bank of Japan, Ltd.	1,473	3.42
Nagoya Daigen Business Stock Ownership Association	1,233	2.86
Sanshin Co., Ltd.	1,118	2.60
Nippon Life Insurance Company	872	2.02
MUFG Bank, Ltd.	827	1.92

Notes:

- In addition to those detailed to the left, there are 142,252 shares held in the BIP Trust for Directors at The Master Trust Bank of Japan, Ltd. These are included in the total of 3,308,652 shares that are associated with trust operations.
- We possess 2,964,242 treasury shares, which are omitted from this list of major shareholders. Treasury shares do not include shares held in the BIP Trust for Directors (147,252 shares).
- "Shares held" is calculated after excluding the 2,964,242 shares of treasury shares.

Changes in market cap



Third-Party Opinion

These are the opinions of myself and three other lawyers—Satoko Tomiyama, Saeko Kakuishi, and Kazuhiro Arioka—from the Kinki Branch of the Japan CSR Promotion Association, which was founded to set up, propagate, and develop corporate social responsibility (CSR). In this third-party opinion, in line with written guidelines for corporate activities such as the Corporate Social Responsibility Guidelines published by the Japan Federation of Bar Associations, and from an independent and fair standpoint, we present our findings on this, the Dai-Dan Integrated Report 2024–2025. In doing so, we have considered recent trends in areas such as SDG and ESG initiatives, the balance between business and human rights, management strategies on human capital, corporate governance, and capital measures.

During our evaluation, after verifying and investigating the information contained in this integrated report, we asked for answers to our questions and for documents we deemed necessary. Based on these, we conducted interviews with related individuals and the results of these were shared among our legal team, and we exchanged opinions and studied the company's actions.

While the full details of our opinions are given below, there are two sections I will comment on here: The first, the section under the key phrase of “creating value in spaces” and following the clear message from management that it considers personnel development to be the cornerstone of corporate growth—the 121-year history of Dai-Dan's initiatives, its formulation, implementation and promotion of new value creation processes, its setting and actions on materiality that reflect the company's actual circumstances, financial strategies, and other areas—has easy-to-read explanations and data and is well laid out with diagrams, tables, and photographs. Equally, the section on corporate governance, human rights due diligence, workstyle reform with consideration for human rights, and other topics, introduces the systems and specific initiatives the company is implementing in these areas. This latter section also incorporates the evaluation and opinions from one of Dai-Dan's outside directors in the form of an interview, which makes it easier to follow both financial and non-financial matters.

That is why we have been able to evaluate this report, its layout and contents, so highly.



Masatoshi Ohara
Attorney, Licensed to practice in New York State (USA)
Former Deputy Chairman, Japan Federation of Bar Associations
Former Chairman, Osaka Bar Association
General Director, Japan CSR Promotion Association; Director, Kinki Branch

activities do not just impact on environmental issues, but also have a significant bearing on awareness of environmental problems amongst regional communities and employees. As such, we believe this to be a very important initiative, and call on the company to continue with this kind of dynamic activity.

Lastly, we would like to remark on the positioning of “Contributing to archive carbon neutrality” at the top of the materiality map. This fiscal year, Dai-Dan was able to reduce its Scope 1 + 2 GHG emissions by 24.1% compared to fiscal 2019 levels, but its Scope 3 emissions were actually slightly above those in fiscal 2019. Reducing Scope 3 (particularly Category 11) emissions is something that Dai-Dan cannot achieve on its own because of the need to work with related parties such as clients and building designers, and the calculation method used. However, as it makes up a large proportion of overall emissions, it is something that different stakeholders are interested in. Through our interviews, we were told that Dai-Dan, in addition to its regular Sustainability Committee meetings, is periodically receiving third-party evaluations, and through these and other actions is studying specific responses. This highly impressed us. We wish to see continuous initiatives to see it achieve longer-term targets.

Initiatives related to work-life balance and improving the work environment

In terms of long working hours, the upper limit on overtime that had been deferred for so long, was finally applied to the construction industry in fiscal 2024. In these circumstances, the true value of the SMILE 2024 Project that we have been promoting is being tested, and we highly rate the way in which Dai-Dan is enacting concrete activities to rectify the problem of long working hours. To do so, Dai-Dan needs to respond to factors from inside the

company, but also outside the company. For example, expanding the Support Department was a countermeasure focused on an internal factor, namely reducing the burden on the worksite side. Asking customers to comply with laws related to workstyle reforms, meanwhile, is a truly effective measure to address external factors. We believe that Dai-Dan will make further improvements to tackle long working hours by promoting this project.

For the working environment for employees, the company is reviewing new payment standards. Considering the impact that recent price rises have had on household finances, and from the perspective of creating an environment where employees can work safely and in peace of mind, it is no exaggeration to say that raising wages, a core element of working conditions, is a must. On this point, in fiscal 2024, the company is raising pay by around 5%, including regular pay increases. In fiscal 2025 and 2026, it plans to continuously raise the base level of pay. We are also especially impressed with how the company is raising site pay, official qualification reward, various supplemental pay systems, and the salary for new graduate hires. We think that its continuing raises in the future will create a better working environment and have a big influence on securing human resources and motivating employees.

This fiscal year, Dai-Dan has updated its areas of materiality and KPIs, and its new KPIs encompass inclusion in the “White 500” in the Certified KENKO Investment for Health Outstanding Organizations Recognition Program and proportion of female supervisors (deputy managers) in the materiality category of “Creating a rewarding work environment.” This category scores highly on both the twin perspectives of importance to Dai-Dan and impact on stakeholders, and could be considered the one of the most important areas of materiality. We hope to see proactive efforts to achieve the KPI targets in the future.

Initiatives related to corporate governance and legal compliance

Another area of materiality the company has announced for fiscal 2024 is “Strengthening Corporate Governance and Compliance.” It has set KPIs for areas such as preventing corruption and bribery, thorough compliance education, and reducing held cross-shareholdings, and is working on these. From the standpoint of dealing with ESG-related risks, Dai-Dan has set specific targets for important areas such as ensuring fair business dealings, making efforts to prevent corruption, and raising awareness of compliance. By doing so, it will promote these initiatives more effectively. To strengthen the foundations to bolster corporate governance and raise corporate value sustainably and in the long term, a variety of KPIs need to be set.

According to the interview with the outside director, the Board of Directors recognizes that in response to the increasingly complex economic and social environment, and to big changes in management issues, it has to continuously improve to optimize its decision-making. Taking that on board, the Board of Directors effectiveness evaluations, which were conducted with previous board members by way of questionnaires, has been shown the need to study an evaluation method that incorporates external evaluation by a third party. It has been receptive to this, and its running an in-house investigation into implementing this. Moreover, as its response to the issues identified by the evaluation, in order to focus its deliberations and resolutions on more important management issues, it is taking measures such as transferring authority to those involved in business execution. In the future, by enhancing effectiveness evaluations for the Board of Directors, and by repeatedly

enacting countermeasures that take into consideration the results of such evaluations, Dai-Dan will clarify the roles and responsibilities of executives with regard to the Board of Directors and business execution. If these different roles are fulfilled effectively, we believe this will lead to long-term, sustainable corporate value.

In terms of the composition of the Board of Directors, we believe that Dai-Dan has secured diversity among the directors and auditors in terms of affiliations, career histories, capabilities, and other attributes. For fiscal 2024, the number of outside directors has been increased by one, which brings the ratio of outside directors to internal directors to 1:1. With the outside directors, we expect them to be proactive in their activities from an independent standpoint. Through our interviews with them, we can say that the outside directors are utilizing their respective, multifaceted viewpoints to hold free and open discussions with the executives responsible for business execution. We therefore believe that outside directors appropriately oversee decision-making by executives related to business execution, and that the Board of Directors has in place systems that enable transparent, fair, quick, and decisive decision-making.

Going forward, we hope to see the appointment of directors with expertise in the field of human resources development in order to bolster efforts in the materiality areas of “Improving productivity via human resource development and business innovation” and “Creating a rewarding work environment,” as well as for personnel strategies in the Mid-Term Management Plan.

With regard to executive compensation, we think that there is value in linking performance-related compensation to factors besides operating profit—such as other results, KPIs, and in particular sustainability-related indicators—to act as an incentive to steadily implement various strategies.

For the field of sustainability itself, there is the Sustainability Committee, which was established under the Board of Directors to deliberate business strategy proposals and initiatives related to the field. The committee discusses business strategies (including responses to climate change) and the status of initiatives related to risks and opportunities. It then presents its findings to the Board of Directors. By also having the Sustainability Committee and the Risk Management Committee share information with each other, this system has made it possible to address sustainability-related issues as part of the company's risk management. In fiscal 2023, the Sustainability Committee met eight times in total, and all of its discussions were reported to the Board of Directors. It can also be seen that the committee is fusing business strategies with sustainability efforts, and steadily, and continuously, implementing initiatives that promote this. We find that with the Sustainability Committee, a system has been developed to appropriately identify, evaluate and respond to risks such as those presented by climate change.

Reflecting on the third-party opinions

I am extremely grateful to Mr. Ohara, Ms. Tomiyama, Ms. Kakuishi, and Mr. Arioka for their opinions, which we value.

We will take on board the ideas that they have suggested as priority issues, and will endeavor to make an even greater contribution to making society more sustainable.

Yoji Sasaki
Senior Corporate Officer,
Manager of Corporate Planning Div.