

DAI-DAN REPORT 2023–2024

Integrated Report 2023–2024, DAI-DAN CO., LTD.



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

DAI-DAN CO., LTD.

DAI-DAN REPORT 2023 Task Force

2-15-10 Fujimi, Chiyoda-ku, Tokyo 102-8175 Japan

TEL. +81-3-5276-4568

E-mail: reportinfo@daidan.co.jp



A Message from Management

Inspired by Light, Air & Water

At Dai-Dan, our duty has always been to provide people with safe, comfortable places in which to live and work, while also giving due consideration to the environment.

This 120-year journey is one we have shared with a variety of stakeholders, not only our customers, but also the shareholders, investors, subcontractors, employees, and communities we have met along the way.

We believe that continuing to meet their expectations will lead to raising our corporate value in a sustainable way.

Going forward, we hope we can count on your continued understanding and support for our activities.

Shohei Kitano

Representative Director
Chairman
DAI-DAN CO., LTD.



Ichiro Fujisawa

Representative Director
President
DAI-DAN CO., LTD.

Contents

- 1 A Message from Management
- 2 Contents
- 3 Dai-Dan's 120-year History of Creating Value
- 5 President's Message
- 9 Dai-Dan's Businesses
 - Corporate Profile
 - Our Services
 - Global Network
 - Projects Completed in FY2021
 - Projects Completed in FY2022
- 17 Value Creation Story
 - The Value Creation Flow
 - Long-Term Vision and Mid-Term Management Plan
 - Financial Strategy
 - Materiality at Dai-Dan
- 27 Value Creation in Practice
 - E** (Environment) Long-term vision
 How We Are Bringing About a Richer, More Sustainable Society
 Contributing to a Carbon-free Society
 Expanding a Business That Contributes Lower Environment Impacts
 –Reducing waste through air filter regeneration services–
 - S** (Society) Long-term vision
 How We Are Providing Comfortable, Optimal Spaces
 Achieving High-Quality Medical Environments
 –Facility construction and contracted services–
 Wellness Initiatives in the Construction Industry
 Resolving Social Issues through Collaboration between Industry and Academia
- 37 Value Creation Drivers
 - Innovation Capabilities
 Promoting R&D
 Intellectual Property Management
 - Engineering Capabilities
 Creating BIM Work Flows That Utilize CDEs
 Opening of Offsite Facilities for Prefabrication and Modular Processing
 Advanced Development Technologies
 - Practical Competence
 Installation Examples
 Enhancing Our Installation Expertise and Ability to Provide Design Solutions
 - Overseas Business

Promoting Sustainability

- 58 Sustainability Initiatives
- 63 Environmental Initiatives
 Environmental Conservation Initiatives
- 65 Partnering with Hosting Communities
 Planting the Idea of Dai-Dan Forests
 Dai-Dan Is Cheering on Nozomi Tanaka!
- 70 Valuing Our Employees
 Work-Life Balance and the Work Environment
 Human Rights Due Diligence Initiatives
 Health and Productivity Management Initiatives
 SMILE 2024 Project
 Marking Our 120th Anniversary

Foundations for Value Creation

- 81 Interview with an Outside Director
- 84 **G** (Governance) Fair and Transparent Business Practices
 Corporate Governance
 Directors and Auditors
 Compliance (Legal Compliance and Corporate Ethics)
 Improper Conduct Made Public in March 2023
 Risk Management

- 96 Meeting Customer Expectations
 Quality Improvement Initiatives
- 97 Initiatives with Subcontractors
 Application of the Meister Program and Establishment of Partnerships with Our Subcontractors across Japan
 Continuously Improving Health and Safety Initiatives with the Goal of Eradicating Industrial Accidents

Data

- 101 ESG Data
- 103 Financial and Non-financial Data (Eleven-year Summary)
- 105 Consolidated Financial Statements
 Consolidated Balance Sheets
 Consolidated Statements of Income/
 Consolidated Statements of Comprehensive Income
 Consolidated Statements of Cash Flows
- 109 Major Financial Information
- 110 Share Information
- 111 Third-Party Opinion

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, 2022, to March 31, 2023. Some data refers to activities after April 1, 2023.

Report Guideline References

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

Dai-Dan's 120-year History of Creating Value

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



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.

Major installations



President's Message

Through repeated sincere efforts, on a daily basis, we will reform this trusted, long-standing company to continue to meet the expectations of society as we have done for 120 years.



Ichiro Fujisawa

Representative Director
President

Profile

April 1979 Joined the company.
June 2009 Director, Corporate Officer, Head of Industrial Facilities Division, and Manager of Technical Department
April 2013 Director, Senior Executive Corporate Officer, in charge of East Japan Area, and General Manager of Tokyo Head Office
April 2018 Representative Director and President (currently)

120 years of Dai-Dan

On March 4, 2023, we marked 120 years since the founding of our company. During that time, we have provided light, air, and water to thousands of buildings.

This record has been supported by the trust we have earned from the stakeholders over the years, and by the passion of our employees who have continued to meet expectations with a strong desire to provide better equipment. I am extremely proud of how we have become a company of long standing that has continued for 120 years.

The external environment is undergoing dramatic change, and we are now in an age where transformations can come about in as little as five years. As well as passing down the positive traditions that we have formed over our long history, we are earnestly addressing the areas where we can improve to adapt to such changes. By valuing the partnerships that we have developed with everyone, we will move forward into the future.

A company that creates value in spaces

In 2021, we formulated Stage 2030 as a long-term vision that looks at where we want to be in 2030, based on the “challenge of creating value for our customers while contributing to the development of a better environment and stronger communities as a building services engineering and installation provider” that we set out in our management principles. The accompanying slogan, “moving from building services engineering and installation to creating value in space,” is a declaration of our ambition to continue to provide the kind of spaces the current age demands.

Building lifecycles are extremely long, while the lifespan of building equipment is generally around 15 years. With appropriate updates, though, they can continue to be used for 50 years or more. We also recognize that the building spaces that customers want change as time goes by.

We believe that our mission, and the reason for our very existence, is to continue providing value through spaces that respond to these kinds of needs that change over time, and to help make society more sustainable. This belief is woven into Stage 2030, and creating value in spaces has become a company motto.

With Stage 2030, we are promoting business activities based on three key policies, and by doing so we aim to become a “space value creator” and to cement a firm position as the top group in the industry. These three policies are: 1) providing comfortable, optimal spaces; 2) ensuring we retain

trustworthiness and outstanding organization; and 3) contributing to a richer, more sustainable society. We have divided the nine years between the formulation of Stage 2030 in 2021 and the final year of the period in 2030 into three stages, and will set a separate mid-term management plan for each. This fiscal year is the final year of the first of these, Preparation Stage. Under Preparation Stage, we have continued to make progress in putting in place and strengthening our foundations in Japan and elsewhere and by doing so we have focused on expanding our top line, i.e., our net sales.

Now, as we approach the end of Preparation Stage, I will convey my thoughts on our management direction through the three basic policies of Stage 2030.

Comfortable, optimal spaces

With this desire to expand our topline, the business areas that will prove key are our industrial facility works and our overseas business.

In the manufacturing facilities, for items such as electronic devices and pharmaceuticals, that we position as industrial facilities, the environmental specifications—factors such as temperature, humidity, and air purity—have to be guaranteed to be highly accurate. Precisely because of the high degree of difficulty, this is a field where we can fully demonstrate our technical capabilities. I also believe that continuing to work hard and accumulating expertise will help to hone our technologies. At present, we are receiving more orders from facilities such as semiconductor factories, automotive battery plants, and data centers. Work projects are also getting bigger, with around half of the value of orders received forecast to be for industrial facility works.

To improve our sales figures, we cannot rely on our Japanese business alone, we also need to strengthen our overseas business. In addition to our traditional bases in Singapore and Thailand, in recent years we have established subsidiaries in Vietnam and Taiwan, and we are moving forward with expanding our business elsewhere.

Of particular note was our subsidiary in Vietnam, which in the last fiscal year has gained new orders and started to show other results. This year, orders in the overseas business are predicted to grow by 80% or more compared to order levels in fiscal 2021, the year immediately preceding the start of Preparation Stage. Moreover, last year we invested in Presico Engineering Pte. Ltd., which operates a mechanical and electrical engineering business mainly in Singapore, and made it an equity-method subsidiary. With the aim of creating future synergies, we will work to further improve competitiveness from a global perspective.

Trustworthiness and outstanding organization

The construction industry is a very labor-intensive one that requires work on-site, and we have long valued the belief that people are our biggest asset. In recent times in particular, as redevelopment projects or industrial facility works have become bigger, and construction demand has steadily risen, the amount of work we have has grown to a record high. Our aim is to lighten the load of on-site tasks, which involve the greatest amount of work, and so for this reason too we once again recognize that investing in human capital is a management issue that we should be making our highest priority.

Since the last fiscal year, we have been running a company-wide project to resolve the problem of overly long working hours. Going beyond merely meeting the maximum overtime limits that will be introduced, including to the construction industry, in April 2024, our project is based on the belief that we also have to fundamentally address this major issue to be able to develop the personnel who will be responsible for the industry in the future.

To prevent overly long working hours, we have to overturn the prevailing belief in the construction industry that long working hours are a matter of course and unavoidable. To do

this, we will have to turn our hand to reforming people's way of thinking. Internally, we are working to redevelop expertise and ideas to raise the efficiency of conventional tasks and improve productivity that have come from individuals and individual departments, for the entire company. We are also working to persuade customers of the benefits of having worksites inactive two days per week.

Another responsibility we clearly have, beyond reducing working hours, is to put in place environments where workers can put their assorted abilities to work and demonstrate their full potential. Therefore, we will support the workers so that they are motivated to work but also value their private time, and respect their individuality and capabilities—regardless of gender, age, nationality, or other characteristics—and will create a workplace environment that can utilize those.

Digital transformation (DX) will play a central role in our efforts to raise the efficiency of tasks and promote diversity, and our initiatives to apply digital technologies have been informed by our philosophy that DX should utilize our people.

Some examples of our concrete DX measures include job site support remote teams that offer remote support from offices or other locations using the internet; Construction Visualizer 4D™, a tool that uses a 360° camera and photo

measurement technologies to visualize installation processes through 3D animations; and MonoBooker, a system developed with WHERE, Inc. to allow adjustments to reservations for scaffolding equipment for construction sites.

Away from DX too, we are also moving forward with advancing measures to put in place offsite bases for unit assembly and prefabrication for equipment and piping away from the worksite, and we plan to reduce workloads by improving the efficiency of installation work.

This company-wide project to reduce working hours has been dubbed the SMILE 2024 Project, where SMILE stands for:

- S**atisfaction for employees and
- M**otivation, which we will raise through
- I**deas that create some
- L**eeway and greater
- E**fficiency

We will forge ahead with bringing about better ways of working that ensure the smiles of every worker.

Richer, more sustainable society

What I think is indispensable when considering the long-term survival of a company, is the contribution it makes to improving the sustainability of the environment and society. Contributing to a carbon-free society is the first of the material management issues that we set to promote our sustainability initiatives.

The first example I can give as a way in which we are working toward a carbon-free society is our development and spread of net Zero Energy Buildings (ZEBs).

These buildings are those for which energy supply and demand are equal, by pursuing energy savings using highly efficient equipment and generating energy through means such as solar power. Building equipment, such as those involved in electricity or air conditioning, consume more than half of the energy used in an office building, and are estimated to account for around 20% of Japan's greenhouse gas emissions. I believe that spreading the ZEB concept around Japan is, even in a small way, contributing to society's moves toward carbon neutrality.

In April 2024, the standards for energy efficiency will become much stricter for large-scale buildings with areas of 2,000 m² or more. In this way, government policy is to gradually raise the energy-saving performance of buildings. As such, we predict that demand for ZEBs will grow even faster going forward. Even after construction, ZEBs require continuous finetuning.

The expertise that we have built up through that and making our own buildings ZEBs is applied to every stage during the design, installation, and operations of our customers' buildings, and we will help to reduce Scope 3 greenhouse gas emissions.

In conclusion

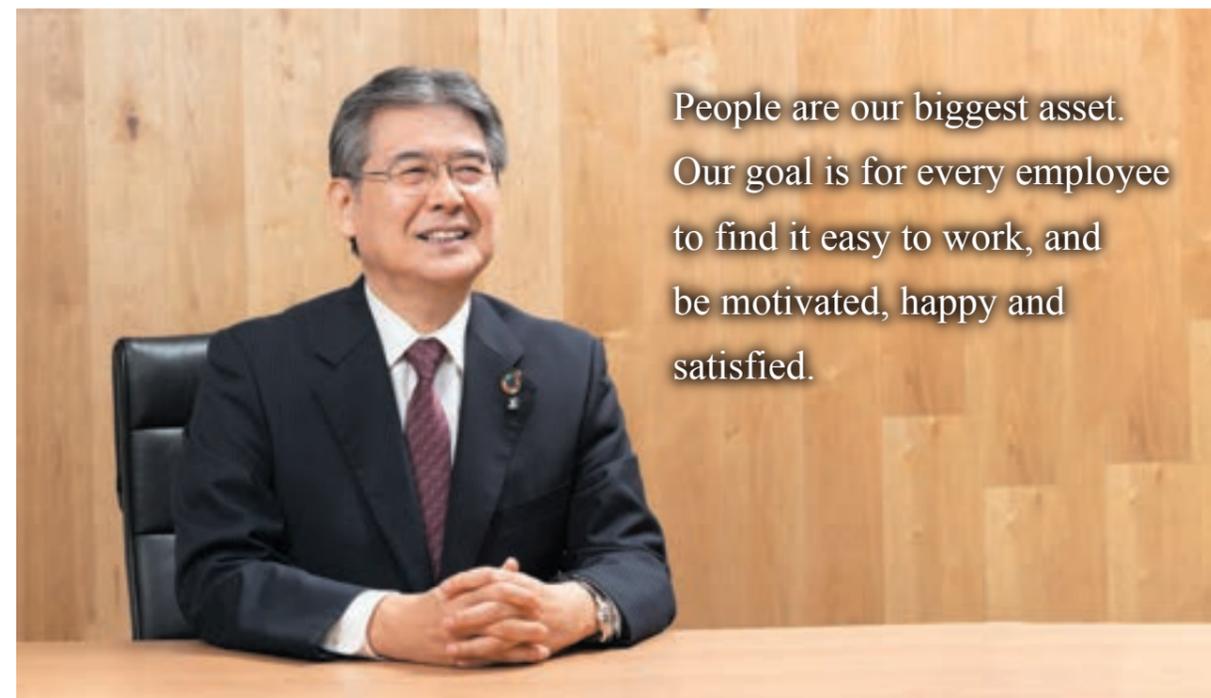
In January 2023, it became apparent that several of our employees had colluded with subcontractors, and received part of fraudulent contract amounts or changed the cost price of works. I am deeply and sincerely apologetic to all our stakeholders for the trouble and worry caused.

Based on the Internal Audit Committee's findings, in April we dealt with the employees who committed this fraud and with the relevant executive officers, including myself, who were responsible for oversight.

The cause for this incident was insufficient awareness of compliance, but we also recognized that some governance and risk management processes were not functioning properly. In response, we have formulated and implemented a number of measures to prevent a reoccurrence, including thorough compliance training for employees in the company and subcontractors, and improvements to work processes.

I have endeavored toward reforms to this long-standing company with the goal of continuing to meet everyone's expectations for our future beyond this anniversary.

As ever, I believe the most important thing is to earn trust by earnestly repeating our daily tasks. We are holding dialogue with all our stakeholders at every possible opportunity, we are going all out to bolster anew the company's foundations that will take us to our 130th, or even our 150th anniversaries. I hope I can count on your continued support and help. Thank you.

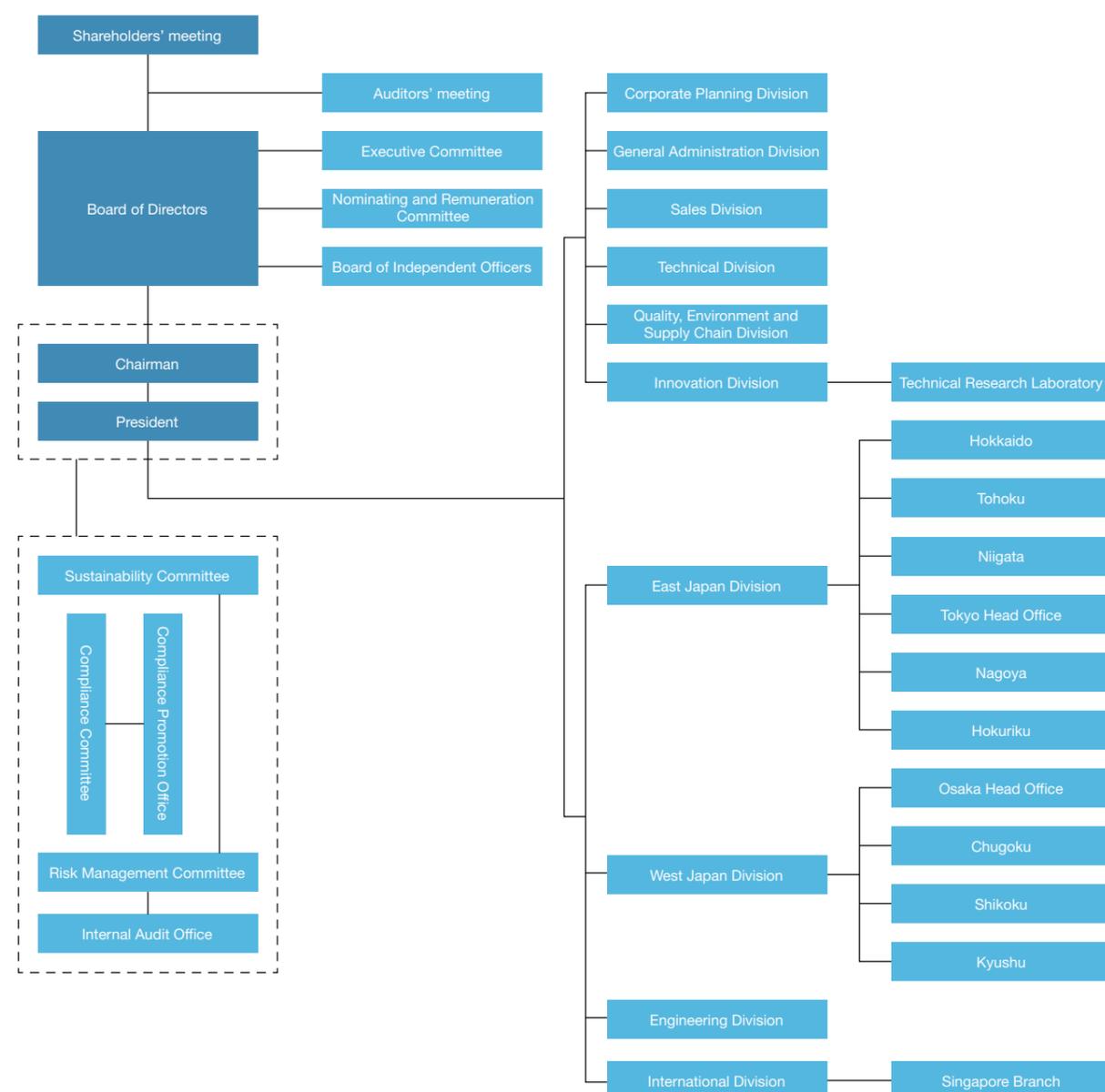


Dai-Dan's Businesses

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	1,933 (as of June 30, 2023) consolidated
Stock listing	Prime market of Tokyo Stock Exchange		

Organization Chart (as of September 2023)



Our Services

Electrical work

● Sales **32.88** billion yen

● Proportion of total sales **17.7** %



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.

Mechanical work

● Sales **153.08** billion yen

● Proportion of total sales **82.3** %

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 towards 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.

Dai-Dan's Businesses Corporate Profile

Dai-Dan's Businesses Our Services

Global Network

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

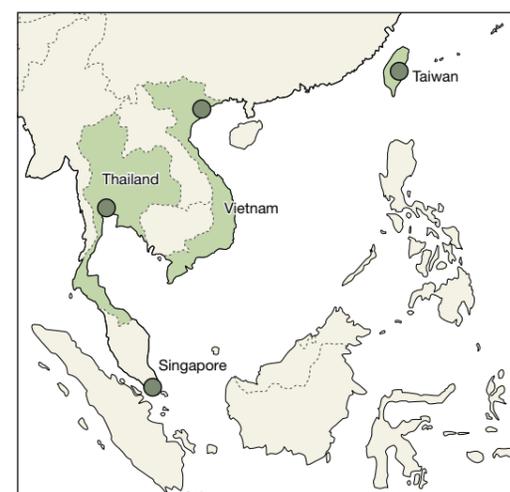
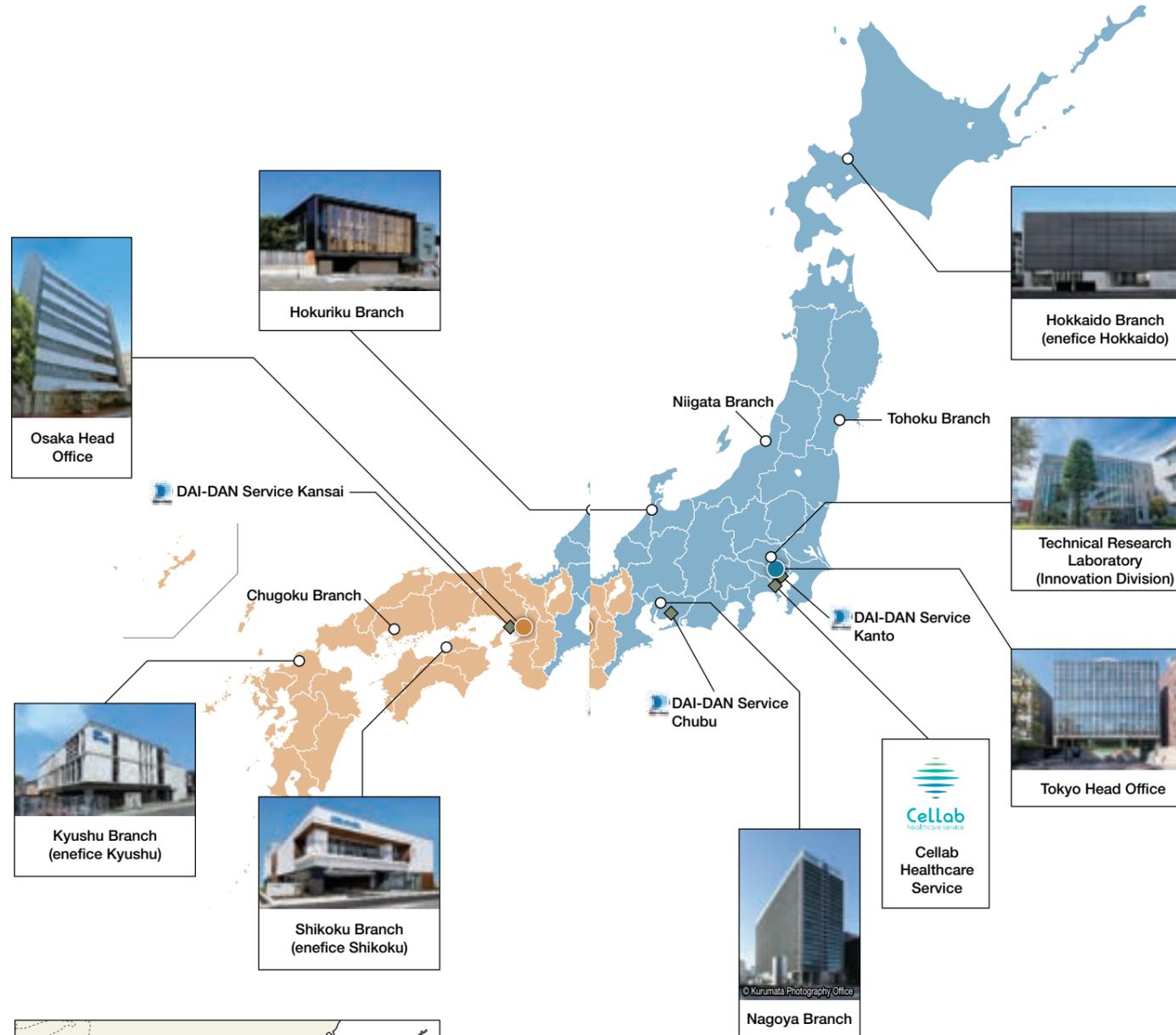
West Japan Division			
Osaka Head Office	550-8520	1-9-25 Edobori, Nishi-ku, Osaka City	06-6441-8231
Nara Branch	630-8122	5F JR Nara Denho Bldg., 9-21 Sanjohonmachi, Nara City	0742-32-1060
Kobe Branch	651-0088	7F Nihon Seimei Sannomiya Ekimae Bldg., 7-1-1 Onoe-dori, Chuo-ku, Kobe City	078-221-7777
Kyoto 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	163-0525	25F Shinjuku Nomura Bldg., 1-26-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo
		03-5326-7139

International Division		
International Division	102-8175	2-15-10 Fujimi, Chiyoda-ku, Tokyo
		03-5276-5021
Singapore Branch	—	315 Outram Road #15-09, Tan Boon Liat Building, Singapore, 169074
		+65-62218488

Major Affiliated Companies in Japan			
DAI-DAN Service Kanto Co., Ltd.	135-0033	2F Ugai Bldg., 2-30-39 Fukagawa, 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	960-8002	4F Daichi Kosan Bldg., 15-1 Moriai-cho, Fukushima City	024-525-7080
Yamagata Office	990-0043	1F Honcho Bldg., 2-4-3 Hon-cho, Yamagata City	023-634-2620
Niigata Branch	950-0088	2-3F Niigata Tokio Marine & Nichido Bldg., 2-3-6 Bandai, Chuo-ku, Niigata City	025-247-0201
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 Ori Bldg., 1-1-2 Chuo, Matsumoto City, Nagano Prefecture	0263-33-7016
Nagoya Branch	461-0005	16F Urbannet 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
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
Compliance Promotion Office	550-8520	1-9-25 Edobori, Nishi-ku, Osaka City	06-6447-8050
	102-8175	2-15-10 Fujimi, Chiyoda-ku, Tokyo	03-5276-4652
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
Corporate Planning Division (Information Management Department)	550-8520	1-9-25 Edobori, Nishi-ku, Osaka City	06-6447-8002
General Administration Division	550-8520	1-9-25 Edobori, Nishi-ku, Osaka City	06-6447-8000
Sales Division	102-8175	2-15-10 Fujimi, Chiyoda-ku, Tokyo	03-5276-4551
Technical Division	163-0525	25F Shinjuku Nomura Bldg., 1-26-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo	03-5326-7133
Name	Zip Code	Address	Telephone Number
Quality, Environment and Supply Chain Division	100-0005	5F-542 Shin-Kokusai Bldg., 3-4-1 Marunouchi, Chiyoda-ku, Tokyo	03-5223-1070
Innovation Division	354-0044	390 Kita-Nagai, Miyoshimachi, Iruma-gun, Saitama Prefecture	049-258-1511
Innovation Division (Technical Research Laboratory)	354-0044	390 Kita-Nagai, Miyoshimachi, Iruma-gun, Saitama Prefecture	049-258-5725
Regenerative Medicine Promotion Department Innovation Division (Cellab Tonomachi)	210-0821	Cybernetics Medical Innovation Base-A 316, 3-25-16 Tonomachi, Kawasaki-ku, Kawasaki City, Kanagawa Prefecture	044-276-5010

Projects Completed in FY2021



Mebks Toyosu
(air conditioning and plumbing works)



Hyogo Prefectural Harima-Himeji General Medical Center
(plumbing work)



Kurita Innovation Hub (Tokyo)
(electrical work)



New government office building, Yatsushiro City
(air conditioning and plumbing works)



Canon Mold Co., Ltd. Head Office/Tomobe Site (Ibaraki Pref.)
(electrical work)



Shiseido Company, Limited Fukuoka Kurume Factory production equipment
(plumbing work)



Major renovations at government office building, Tsu City
(electrical, air conditioning and plumbing works)



New factory for GS Yuasa (Kyoto Pref.)
(plumbing work)



New factory for Nipponham Hokkaido Factory Ltd.
(air conditioning and plumbing works)



JR East Tohoku Area Headquarters
(Miyagi Pref.)
(air conditioning work)



National Center for Geriatrics and Gerontology
(Aichi Pref.)
(electrical work)

Projects Completed in FY2022



Kudan-Kaikan Terrace
(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)

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 | Long-Term Vision and Mid-Term Management Plan
- 21 | Financial Strategy
- 23 | Materiality at Dai-Dan

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).

Input

Business activities

Output

Outcome

(FY2022)

Financial capital	
• Total assets	148.54 billion yen
• Capital	82.24 billion yen
• Equity capital ratio	55.4 %
Human capital (non-consolidated)	
• Employees	1,645
• Training hours per person	66.11
• First-class architects	36
• First-class building operation and management engineers	7
• First-class plumbing work operation and management engineers	855
• First-class electrical work operation and management engineers	242
• P.E.Jp	37
• Ph.D.	9
• Energy management technicians	65
Intellectual capital	
• Intellectual properties held (incl. patents and other expertise)	223
• R&D expenses	1.17 billion yen
Social capital (non-consolidated)	
• Subcontractors & suppliers	5,605
Natural capital (non-consolidated)	
• Energy consumption	1.37 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

Delivering value throughout the building/equipment lifecycle



(FY2022)

Financial results

• Orders received	206.34 billion yen
• Net sales	185.96 billion yen
• Operating profit	8.43 billion yen
• Profit attributable to owners of the parent	6.63 billion yen
• Return on equity (ROE)	8.3 %
• Dividend payout ratio	32.3 %

Non-financial results (non-consolidated)

• Scope 1 & 2 greenhouse gas emissions (consolidated)	2,901 t-CO ₂
• Orders for ZEB-related projects	8
• Collaborative relationships outside the company for business creation (universities, start-ups, etc.)	10
• CSR procurement agreement forms collected from subcontractors and suppliers	2,081
• Net sales per domestic engineer	138 million yen

Value we deliver to stakeholders



Providing functional spaces that offer people and items health and comfort, optimized to their use
P31-

Contributing to a richer, more sustainable society
P27-

Enhancing organizational value through individual growth
P70-

Resolving societal issues through new businesses
P29-



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

Long-Term Vision and Mid-Term Management Plan

Long-Term Vision Stage 2030 Moving from building services engineering and installation to creating value in spaces

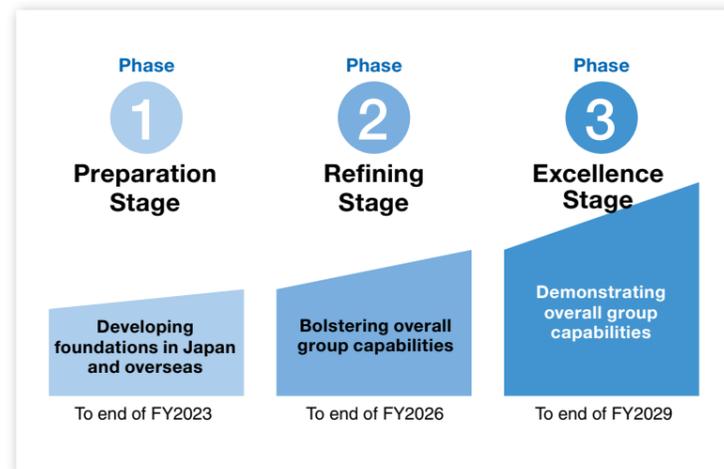
In February 2021, we announced our long-term vision, Stage 2030, which will take us through to 2030. This vision is split into three stages we wish to achieve, the first of which started in April 2021 with our three-year Mid-Term Management Plan, entitled Preparation Stage.

What is a “space value creator”?

Since our founding, we have always provided the equipment needed for living and working spaces that the times demand as a building services engineering and installation provider.

As a company involved in space value creation—a space value creator—it is our role to satisfy the needs of customers and society through the “creation” of “spaces” that have the essential and potential “value” they demand.

In order to continue contributing to the realization of a sustainable society and to continue creating value in spaces, we must go beyond the framework of being a building services engineering and installation provider and enter a new stage of our evolution as a space value creator.



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 light, air, and water 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.

Mid-Term Management Plan Stage 2030 Phase 1: Preparation Stage

(FY2021–2023)

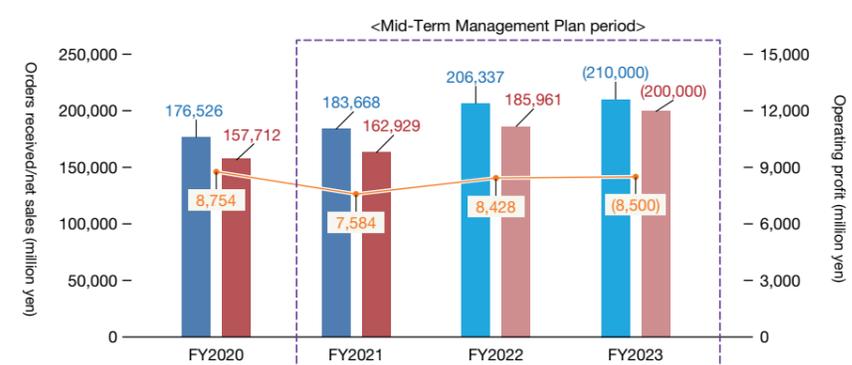
Our three-year Mid-Term Management Plan entitled the “Preparation Stage” (fiscal years 2021–2023) forms the first of the three phases set in our long-term vision. Based on the three basic policies of the long-term vision, we have positioned “expanding core businesses,” “strengthening overseas business,” “enhancing our technological capabilities,” “opening up new businesses,” and “bolstering our business foundations” as our five business strategies to be incorporated into specific measures for building our foundations inside and outside Japan.

The numerical targets we have set for the “Preparation Stage” are consolidated net sales of 200 billion yen and consolidated operating profit of 10 billion yen for the fiscal year ending March 31, 2024, the final year of this phase. A cumulative investment total for the three-year period of 20 billion yen has also been planned.

Numerical targets in the Preparation Stage

Item	FY2021 result	FY2022 result	Preparation Stage FY2023 target	FY2023 forecast (announced on May 11)
Sales (consolidated)	162.9 billion yen	185.9 billion yen	200 billion yen Greater proportion from subsidiaries	200 billion yen
Operating profit (consolidated)	7.5 billion yen	8.4 billion yen	10 billion yen	8.5 billion yen
ROE	7.6%	8.3%	8% or higher	7.7%
Dividend payout ratio	33.3%	32.3%	30% or higher	35% or higher
Investment plans *Cumulative for 3 fiscal years	DX promotion (worksites and workstyle reform) Corporate group enhancement New business, R&D, etc.		20 billion yen	

Mid-Term Management Plan performance forecasts



FY2022 performance

- Orders received:** Positive growth in orders particularly for redevelopment and industrial facility projects backed by recovering appetite for investment among corporations
- Net sales:** Favorable progress in large-scale projects, such as industrial facilities, airports, and medical facilities
- Operating profit:** Increased profit thanks to the sales growth and favorable foreign exchange effects arising from yen depreciation

Mid-Term Management Plan (FY2021–FY2023) Stage 2030 Phase 1: Preparation Stage

The progress statuses of measures in the Preparation Stage are as follows.

Basic policy	Business strategy	Preparation Stage strategy	Implementation status of measures
Comfortable, optimal spaces	Expand core businesses	Expand industrial facility works	Orders are increasing markedly, especially from electronic device-related factories and data centers. The Engineering Division established in April 2022 is making a significant contribution to ensuring installation quality.
		Strengthen renovation and maintenance services	In cooperation with our subsidiaries, we are promoting customer retention through proactive maintenance order-receiving activities.
	Strengthen overseas business	Develop a unified foundation for overseas expansion	Related divisions in Japan support sales, technical proposals, and quality control for each overseas project.
Richer, more sustainable society	Enhance technical capabilities	Open up new business sites	In Vietnam, the new market we entered in fiscal 2020, we received orders for and completed mechanical and electrical (M&E) work.
		Strengthen competency for construction job sites	We are improving productivity by encouraging internal use of DX case studies through use of Construction Visualizer 4D™, a tool that creates 3D spatial data from omnidirectional camera images, and job site support remote teams that provide remote support with drawing creation and similar techniques.
	Expand ZEB and IoT businesses	We are pursuing initiatives to realize a low-carbon society through ZEB, including the introduction of the enefis series, a ZEB conversion of our own buildings. In May 2022, the reconstruction of our Hokuriku Branch was completed.	
Trustworthiness and outstanding organization	Open up new businesses	Contribute to practical application of regenerative medicine	We aim to contribute to regenerative medicine through both the equipment and system sales business for cell processing facilities utilizing our equipment technologies and the cell manufacturing contract business. At our base, Cellab Tonomachi, we built a Cell Processing Facility (CPF) for contract manufacturing.
		Promote environmental load reduction business	We are striving to contribute to the reduction of waste and CO ₂ emissions by offering a service to recycle used air filters that have been disposed of. In fiscal 2022, we started operations in Taiwan, where many leading semiconductor manufacturers are located.
Trustworthiness and outstanding organization	Bolster business foundations	Promote DX	By promoting DX such as Robotic Process Automation (RPA) in the business and administrative departments, we are improving efficiency of the company as a whole.
		Improve working environment	We launched the SMILE 2024 Project, a company-wide project aimed at correcting long working hours and building up expertise across the company to continuously enhance productivity and realize diversity by improving the working environment.
		Strengthen the corporate group framework	We made Presico Engineering Pte. Ltd., which operates a mechanical and electrical engineering business mainly in Singapore, an equity-method affiliate. Through synergistic effects with its track record in the Singapore mechanical and electrical services market, technological capabilities, and business area, we are striving to expand our business going forward.

Financial Strategy

Financial developments in fiscal 2022

Fiscal 2022, the second year of our three-year Mid-Term Management Plan: Preparation Stage, saw significant progress in building and strengthening our business foundations inside and outside Japan in our effort to become a “space value creator.” Orders received, net sales, and profits at each level were higher than the previous fiscal year. Orders received carried forward also exceeded that of the previous fiscal year, helping us establish a major foothold toward our target of 200 billion yen in net sales for fiscal 2023. On the profit front, our operating profit target for fiscal 2023 in the Mid-Term Management Plan was set at 10 billion yen. With the high prices of materials and equipment, however, as well as increased expenses incurred from workstyle reforms, operating profit is expected to be 8.5 billion yen.

Key components of the Group's working capital needs are construction expenses such as material costs and subcontract expenses in the mechanical and electrical (M&E) work business, as well as operating expenses such as general and administrative expenses. Capital needs for investment purposes include expenses for share acquisition through M&A to expand our business operations and create new businesses, as well as expenses for capital investment, including renewal of office buildings and software updates.

Regarding cash and cash equivalents for fiscal 2022, net cash provided by operating activities increased by 27,659 million yen from the previous fiscal year to 15,941 million yen due to steady collection of trade receivables recorded in the previous fiscal year. From this amount, by deducting 4,729 million yen in net cash used in investing activities, including stock acquisition through M&A, and 2,218 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 25,348 million yen, an increase of 9,310 million yen year-on-year.

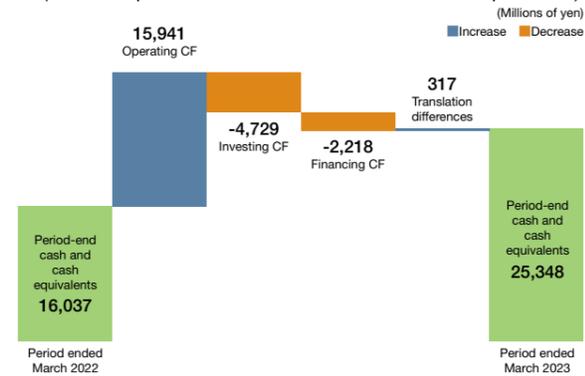
The basic policy of the Group's financial strategy is to secure stable funds necessary for business operations.

Financial challenges

In our consolidated earnings forecast for fiscal 2023, we expect ROE to be 7.7%. As the ROE is higher than the estimated current cost of equity of approximately 5.0%, we plan to generate earnings that exceed the return expected by our shareholders.

In order to continue generating stable and steady earnings that exceed the cost of equity, we believe it is necessary to achieve further top-line growth and increase

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



Overview of consolidated management indicators, etc. (cash flows)

	Period ended March 2022	Period ended March 2023	Increase (Decrease)	Change rate
Cash flows from operating activities	-11,718	15,941	27,659	—
Cash flows from investing activities	-873	-4,729	-3,855	—
Cash flows from financing activities	-3,214	-2,218	995	—
Cash and cash equivalents at beginning of period	31,747	16,037	-15,710	-49.5%
Increase/decrease in cash and cash equivalents	-15,710	9,310	25,020	—
Cash and cash equivalents at end of quarter	16,037	25,348	9,310	58.1%

Working capital and capital investment funds are basically covered by our own resources, but in order to secure more stable working capital, a commitment line contract with a borrowing limit of 10 billion yen was concluded at the end of December 2021, and sufficient liquidity on hand has been secured. With regard to liabilities, notes payable, accounts payable for construction contracts, and other liabilities account for the majority of those within the company, and borrowings are at a relatively low level, with the equity ratio remaining high at 55.4% as of the end of fiscal 2022.

profitability while maintaining financial soundness. For further top-line growth, we assume that funds for growth investments in M&A, R&D, human resources, and other categories will be required. While basically using our own funds to satisfy these needs, we will consider borrowing from financial institutions and other ways of financing depending on the size of the investment. We will also use cash generated by the reduction of cross-shareholdings.

Basic policies of our financial strategies

- (1) Grow the top-line and generate earnings exceeding the cost of capital while also maintaining financial soundness.
- (2) Invest in growth areas based on appropriate analysis of the balance between risk and return.
- (3) Proactively return profits to shareholders, mainly through the payment of dividends, and improve stock price indexes.
- (4) Enhance IR activities.

Based on the above basic policies, we will step up our efforts in each of the items listed on the right.

Basic policies	Item
(1) Capital efficiency	<ul style="list-style-type: none"> • ROE of 8% or more • Reduce cross-shareholdings (including deemed shareholdings) to make the ratio to consolidated net assets 20% or less.
Financial soundness	<ul style="list-style-type: none"> • Equity ratio: Approx. 50% (55% in the previous fiscal year)
(2) Growth investment	<ul style="list-style-type: none"> • 20 billion yen (Investment plan based on the Mid-Term Management Plan: Preparation Stage 2021-2023)
(3) Shareholder returns	<ul style="list-style-type: none"> • Dividend payout ratio: 35% or more (Continue to consider stable and effective dividend policy)
(4) IR activities	<ul style="list-style-type: none"> • Proactively disseminate information to encourage investment in the company

Policy on shareholder returns

We consider the return of profits to shareholders through the payment of dividends to be our top management priority, striving to build a sound financial position. To enhance returns to shareholders, a new dividend policy of a dividend payout ratio of 35% or more (previously 30%) has been put

in place since fiscal 2023. We will continue to consider ways to further enhance shareholder returns and improve capital efficiency, including share buybacks, while balancing growth investment and equity capital.

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.

- ① Maintenance and strengthening of good business relationships will lead to long-term and stable enhancement of corporate value.
- ② 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.

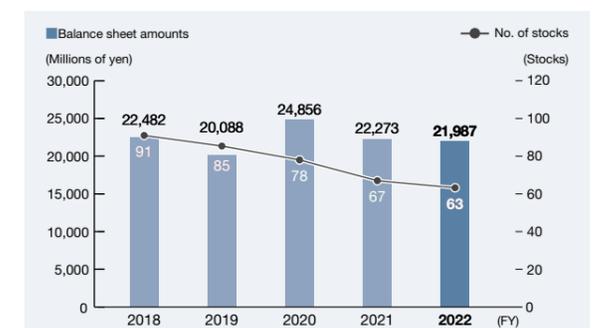
In September 2022, our Board of Directors decided to reduce our cross-shareholdings to less than 20% of consolidated net assets by the fiscal year ending March 31, 2027. In order to achieve this reduction target, we need to obtain the understanding of each of the companies in which

Investment for future growth

In fiscal 2023, the final year of the Preparation Stage, we will continue to invest in growth areas, such as expanding core businesses, strengthening overseas business, and opening up new businesses, to prepare for the next “Refining Stage,” based on the basic policies and business strategies in the Mid-Term Management Plan.

We believe that we need to both strengthen our financial base and achieve high profitability in order to enhance corporate value and shareholder value through sustained growth of our company.

Changes in value of listed shares



we hold shares. We hope to gain their understanding through careful dialogue and achieve this target at an early stage.

To our stakeholders

We are committed to building a relationship of trust through dialogue with all of our stakeholders, including shareholders, customers, business partners, employees, and local communities.

As a building services engineering and installation provider, we will continue to take on the challenge of creating new value and contribute to the realization of a better global environment and the development of society. We appreciate your continued support for our group.

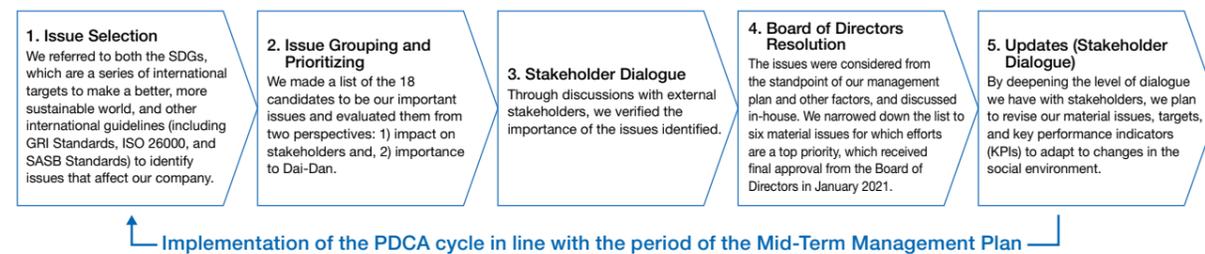
Materiality at Dai-Dan

Selecting Areas of Materiality

To promote activities aimed at fulfilling our social responsibilities as a building services engineering and installation provider, we have long been guided by the “challenge of creating value for our customers while contributing to the development of a better environment and stronger communities,” as set forth in our management principles at Dai-Dan. We are conscious of the fact, though, that it is 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. As such, we have evaluated the impact of our business on society and the environment, and selected specific areas of materiality (material issues) in which we should prioritize our efforts.

By addressing these issues, we aim to maximize the value we provide our stakeholders.

Material Issue Selection Process



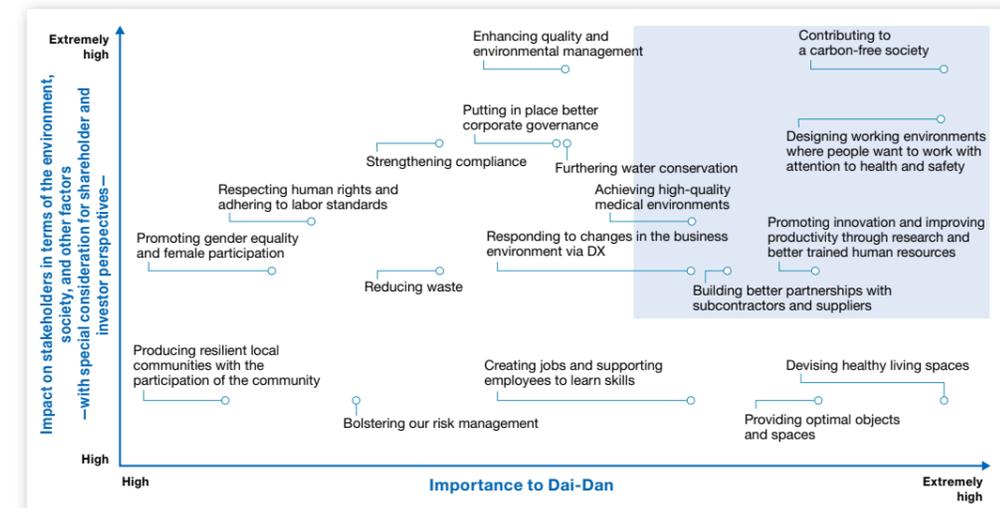
Material Issues and KPIs

No.	Material issue	KPI	FY2021 performance	FY2022 performance	Cumulative total for FY2021-22	Target	Remarks	SDGs
1	Contributing to a carbon-free society	Reduce greenhouse gas (GHG) emissions (Scopes 1 & 2) (Consolidated)	Reduced 40% from FY2013 levels (FY2021: 3,735 t-CO ₂) (FY2013: 6,235 t-CO ₂)	Reduced 54% from FY2013 levels (FY2022: 2,901 t-CO ₂) (FY2013: 6,235 t-CO ₂)	16 orders Gross floor area: 456,261 m ²	Long-term target: FY2030 Reduce 43% from FY2019 levels (FY2019: 4,002 t-CO ₂)	Target was a 46% reduction compared to FY2013 levels, but as this was achieved in FY2022, the year used for comparison has been newly set as FY2019	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION
		Reduce GHG emissions (Scope 3)	1,708,291 t-CO ₂ (13.75 t-CO ₂ /million yen)	2,081,394 t-CO ₂ (12.93 t-CO ₂ /million yen)		Set reduction targets for FY2023 onwards. Figures in parentheses are emissions per million yen of net sales (for projects already transferred to customers)		
		Increase cumulative total of projects (no. of orders and gross floor area) related to ZEBs	8 orders Gross floor area: 323,910 m ²	8 orders Gross floor area: 132,351 m ²		Disclose cumulative total for gross floor area, for received orders (incl. ZEB planning orders), as one of the indicators we monitor		
2	Responding to changes in the business environment via DX	Increase instances of job site adoption of ICT tools such as 3D recording and conversion technology	14 cases	14 cases	—	—	Disclose the no. of instances for each fiscal year as one of the indicators we monitor	5 GENDER EQUALITY, 7 AFFORDABLE AND CLEAN ENERGY, 8 DECENT WORK AND ECONOMIC GROWTH, 11 SUSTAINABLE CITIES AND COMMUNITIES
		Increase no. of job sites implementing job site support remote teams	339 projects	432 projects		FY2023: 400 projects		
		Teleworking implementation rate	35.3%	29.3%		—	Disclose the implementation rate for each fiscal year as one of the indicators we monitor	
3	Achieving high-quality medical environments	Expand usage for medical development devices and systems	6 facilities 10 units	2 facilities 6 units	8 facilities 16 units	Cumulative total for FY2021-23: 30 units	(FY2021) Infection control units: 10 (FY2022) Infection control units: 5; Sputum collection booth: 1	3 GOOD HEALTH AND WELL-BEING
		Expand usage for regenerative medical devices and systems	6 facilities 21 units	8 facilities 14 units	14 facilities 35 units	Cumulative total for FY2021-23: 45 units	(FY2021) Air barrier booths: 4; Animal equipment: 7; Rooms for compromised patients: 10 (FY2022) Air barrier booths: 2; All-in-one CP unit: 1; Karatto Operation unit: 1; Air conditioning system for hybrid operating room: 1; Animal equipment: 9	
		Expand collaborative relationships outside the company for business creation (universities, start-ups, etc.)	8 cases	10 cases	—	—	Disclose the no. of relationships in practice per fiscal year as one of the indicators we monitor	
4	Promoting innovation and improving productivity through research and better trained human resources	Increase net sales per domestic engineer	131 million yen per person	138 million yen per person	—	FY2021 / FY2022 / FY2023: 135 million yen per person	Disclose the no. of properties held at the end of fiscal year as one of the indicators we monitor	4 QUALITY EDUCATION, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
		Increase no. of intellectual properties held (incl. patents and other expertise)	198	223				
5	Designing working environments where people want to work with attention to health and safety	Improve employee satisfaction	2.52	2.50	—	FY2023: 2.7 or above	Answers from employee questionnaires (max score 4.0)	3 GOOD HEALTH AND WELL-BEING, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
		Frequency rate of job site accidents	0.48	0.30		FY2021 / FY2022 / FY2023: 0.25	Calculate employee accidents or illnesses resulting from work tasks that led to one day or more work missed	
		Severity rate of accidents	0.013	0.570		FY2021 / FY2022 / FY2023: 0.01		
6	Building better partnerships with subcontractors and suppliers	Improve retention rate for Meisters and Excellent Foremen	Meisters: 83% Excellent Foremen: 52%	Meisters: 77% Excellent Foremen: 51%	4,131 companies	FY2023: Meisters: 75% or higher Excellent Foremen: 50% or higher		8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 17 PARTNERSHIPS FOR THE GOALS
		No. of CSR procurement agreement forms collected from subcontractors and suppliers	2,050 companies	2,081 companies		Cumulative total for FY2021-23: 5,500 companies		

Materiality Mapping

We selected 18 issues for which both the impact on stakeholders in terms of the environment, society, and other factors, and the importance to Dai-Dan, were high.

By mapping the levels of both, we came up with six material issues.



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 a carbon-free society, we will evaluate climate-related risks and opportunities that may come up in our business and proactively disclose their potential impact.



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 a Carbon-free Society
29		Expanding a Business That Contributes Lower Environment Impacts —Reducing waste through air filter regeneration services—
31	S Society	Long-term vision How We Are Providing Comfortable, Optimal Spaces
31		Achieving High-Quality Medical Environments —Facility construction and contracted services—
33		Wellness Initiatives in the Construction Industry
34		Resolving Social Issues through Collaboration between Industry and Academia

Contributing to a Carbon-free Society



With an eye on achieving carbon neutrality by 2050, the government declared a target of reducing Japan's CO₂ emissions by 46% from fiscal 2013 levels by 2030. Of the country's total CO₂ emissions, the business category, which includes office buildings, accounts for around 20% and in fiscal 2019 emissions in the category were 48% higher than in fiscal 1990. As such, reducing CO₂ emissions in the business category is a pressing issue and therefore quickly spreading ZEBs is a necessary part of decarbonizing society.

We have placed contributing to a carbon-free society at the top of our list of materiality and, based on the expertise we have gained in ZEB technologies by making our own buildings ZEBs, we are providing customers with comfortable buildings while also curbing CO₂ emissions. We will also help with decarbonization with DX initiatives and help bring about a carbon-free society by reducing CO₂ emissions from the construction stage of buildings to their operation.

A central core that achieves the three Ds: work starts on the replacement Niigata Branch

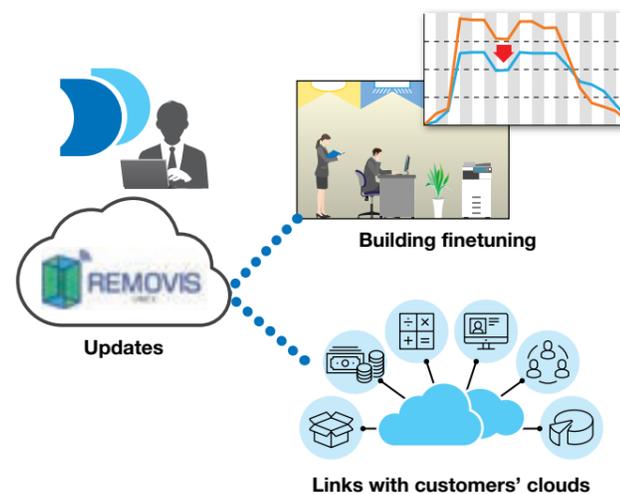
We have started work on the replacement Niigata Branch building, and we are applying the expertise we have gained in ZEB technologies to help achieve carbon neutrality. Of course, ZEB certification is one aim for the Niigata Branch, but another new initiative is applying DX technologies to everything from construction to building operations to accomplish the three Ds (decarbonize, destress, and de-routine). We are aiming for a new central building, the modern equivalent of the *omoya*, the central core of traditional Japanese buildings, that will promote new ways of working. By also advancing DX, we plan to improve the efficiency of design and installation tasks, and by doing so we are working to improve labor shortages and working environments. Also, by reducing working hours, we will curb the CO₂ emissions that are produced during construction. Labor-savings help to reduce costs, too.



Promoting a carbon-free society through the cloud-based monitoring and control system REMOVIS™

While the lifespan of a building is said to be around 50 years, the value desired for buildings and social issues undergo dramatic changes every year. As a result, building functions and value must adapt to changes in our customers' business environment. This is why we developed REMOVIS™ with the goal of innovating building monitoring and control systems. This is a remote monitoring and control system, a DX solution that makes use of the cloud and IoT, to respond to functions that change with the times, and social challenges such as decarbonization. We can use the cloud for tasks such as finetuning settings to save energy after operations begin, linking up with customers' own cloud services, and adding and improving functions through remote software updates.

In fiscal 2022, there were three orders for REMOVIS™. In one such example, for things that could normally only be noticed after a defect or abnormality became apparent, we could visualize the data and share it with a whole range of people, which made it possible to control equipment remotely and prevent defects or abnormalities before they occurred. We will further increase the number of successful case studies while providing value that adapts to changes in the times.



Awards won by making Dai-Dan buildings ZEBs

Using the knowledge that we have gained so far by making our own buildings ZEBs, we studied everything from planning to operations for enefice Hokkaido and enefice Hokuriku, and achieved ZEB status for the operational stage, as well as environments that offer ease of working. These efforts have garnered praise and led to our winning several awards.

Main reasons for enefice Hokkaido's award recognition

Hokkaido can be fiercely cold, yet despite this we accomplished complete ZEB status not just in design but for the operational stage, too. Some representative efforts include developing methods to install equipment for multifaceted solar power generation in very limited space, and the proactive application of geothermal energy, which have brought enefice Hokkaido such high praise as a model ZEB.

Awards

- Award for Excellence at the FY2022 Northern Regions Energy-efficiency and New Energy Awards
- 8th Japan Wood Design Award 2022 in the Architecture and Space field of the Lifestyle Design category
- Honorable Mention in the Energy-efficiency category at the FY2022 Hokkaido Government Energy-efficiency and New Energy Promotion Awards
- Grade 2 Distinguished Technology Award at the 37th SHASE Awards for Distinguished Technologies
- Promotion Award at the 36th Nikkei New Office Awards



FY2022 Northern Regions Energy-efficiency and New Energy Awards ceremony

Main reasons for the Hokuriku Branch's award recognition

In order to harmonize with the historical streetscapes of Kanazawa and contribute to decarbonization, the building features a wooden construction and has managed to fix 65 tonnes of carbon. It also incorporates Dai-Dan's unique technologies in lighting and air conditioning systems for comfort that also achieves energy-efficiency. These cutting-edge initiatives are behind the praise the building has received.

Awards

- Select Committee Special Award at the 17th Wooden Architecture Awards
- Scenery Award at the 29th Ishikawa Scenery Awards
- 45th Kanazawa Urban Structure Award
- Ishikawa Prefecture Outdoor Advertisers Prize at the 35th Ishikawa Advertising Landscape Awards
- 2023 IEIJ Good Lighting Award



2023 IEIJ Good Lighting Award trophy and certificate

ZEB orders

The Ministry of Economy, Trade and Industry has announced its aim to ensure ZEB-standard energy-efficiency for all new buildings by 2030, and for the building stock average by 2050. In 2030, existing stock will comprise around 80 to 90% of total building space, and so with an eye on the 2050 target there is a need to make existing buildings more energy-efficient or ZEB-compliant.

Taking these social moves into account, we are actively working to refurbish buildings to make them ZEBs, as well as our efforts on new buildings. As an example, we proposed, and successfully received an order for, a ZEB refurbishment for a 25-year-old medical facility. We replaced the heat source and lighting equipment, and we introduced REMOVIS™ to act as an energy monitoring system, and by doing so we were able to make the facility ZEB Ready. Because of projects like this, in fiscal 2022 we received eight projects.

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 **4 units**

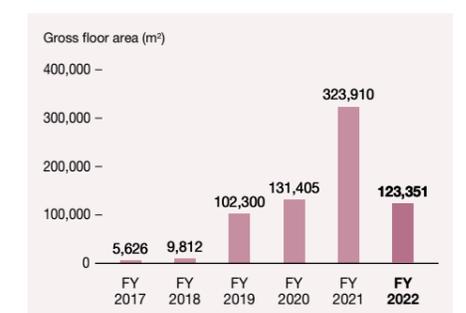
ZEB Planner

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.

Planning record

ZEB **9 units**

ZEB track record



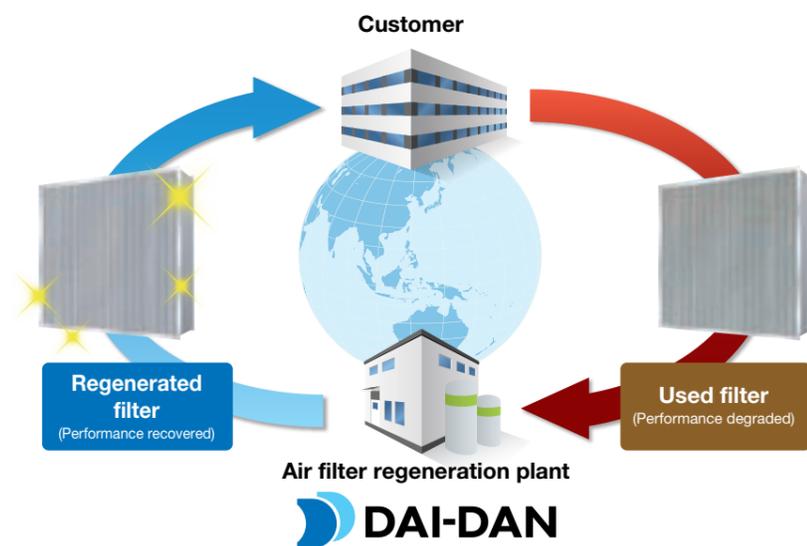
Expanding a Business That Contributes Lower Environment Impacts

—Reducing waste through air filter regeneration services—



Air filter regeneration using supercritical CO₂

Using supercritical CO₂, we are able to clean and regenerate air filters and offer a service that returns the regenerated air filters to the customer for reuse. This reuse of filters, previously discarded, requires no initial investment by the customer. The supercritical CO₂ filter regeneration technology used in this service is an original Dai-Dan technology and has been praised highly for the contributing it makes to saving money and lowering environmental impact. It also received the SCEJ Award for Outstanding Technological Development from the Society of Chemical Engineers, Japan in 2012.



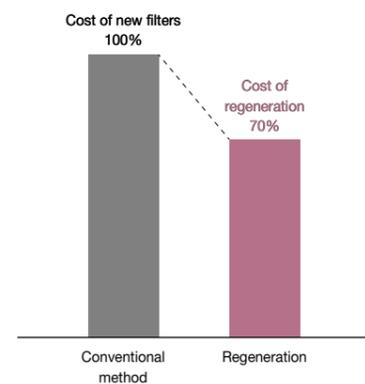
Helped reduce about 50 tonnes of waste

Helping lower costs and environmental impact

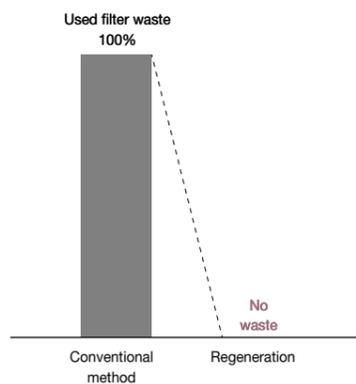
With our air filter regeneration service, customers are able to reuse filters more cheaply than buying new replacements. This has garnered plaudits from companies looking to contribute to the SDGs and promote ESG management, and customers, after using the service once, keep coming back. Since the service was launched in 2014, we have helped to reduce a cumulative 50 tonnes of waste.

Effects of using regenerated air filters

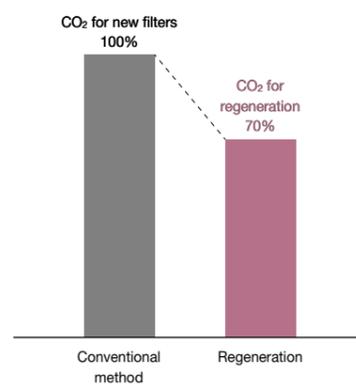
30% less cost than replacement



100% less waste



30% less CO₂



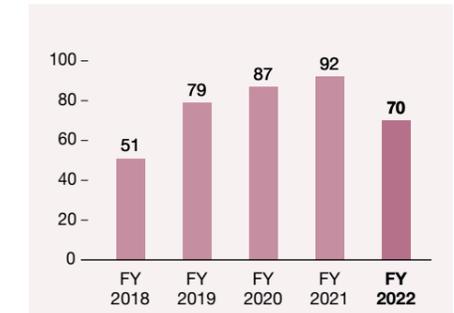
* Filters are generally reused five or six times, after this they are disposed of as waste.

Regeneration service track record

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 300 orders. As the regenerated air filters can perform as well as new filters, we are seeing a steady increase in the number of new orders. In the last fiscal year, due to a global slump in semiconductor industry activity, the number used dropped, but in the long term the semiconductor industry is expected to achieve significant growth as the basis for economic security and digital industries. As such, we forecast that orders will pick up again.

Going forward, we predict a growth in demand both in Japan and overseas, and so we are constructing a robust sales network and proactively promote sales activities.

■ No. of orders for the service



Expanding the filter regeneration service overseas

In order to contribute to an international sustainable society, we will start providing our air filter regeneration service outside Japan. As part of this expansion, we have established a wholly owned subsidiary, DAI-DAN Taiwan CO., LTD., on the island, home to a flourishing semiconductor industry. This fiscal year, to further bolster our sales activities in Taiwan, we will strengthen our sales personnel and actively push such activities.

In line with one of the business strategies outlined in our Mid-Term Management Plan, we are currently strengthening our overseas business. In the future, we plan to expand our business to cater not only to the air filter regeneration market in Japan, but elsewhere too. Following on from our businesses in Singapore, Thailand, and Vietnam, we will enter the mechanical and electrical (M&E) work business in Taiwan, and aim to further expand the business overseas.

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: Filter regeneration service, electrical work, air conditioning work, plumbing work, firefighting installation work, and mechanical equipment installation work design, supervision, and implementation

Expanding the service business

For corporate activities in recent years, efforts to reuse resources and reduce waste to accomplish the SDGs are indispensable, and demand for this service is rocketing. In fiscal 2022, we enhanced our regeneration plant to improve the efficiency with which we regenerate filters. This has allowed us to meet international demand for the service, and it has also made it possible for us to look into expanding these regeneration services to other filter types.

In the future, we will expand the scope of air filters and aim for even greater sales in this service business.



Achieving High-Quality Medical Environments

—Facility construction and contracted services—

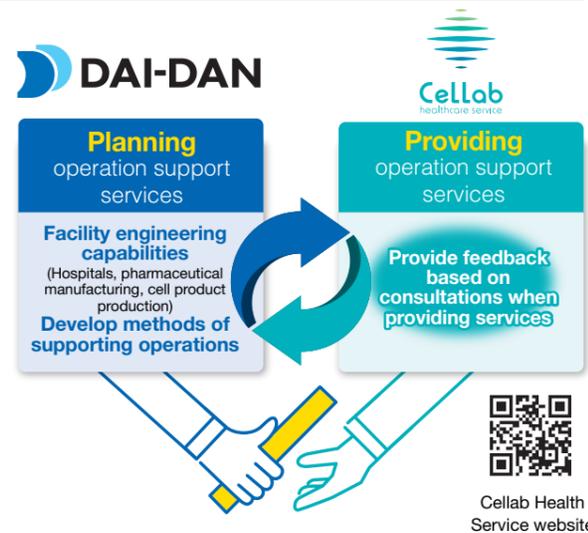


We have set achieving high-quality medical environments as an area of materiality, and are working to promote safe environments that support high-quality medical care. To that end, we are contributing to the regenerative medicine field, and providing hospitals with safe, easy-to-use facilities that are optimized to handle the cell products used in regenerative medicine. We are now receiving more and more requests from customers to support operational management post-installation, and in response we are working to enhance our services to offer integrated design, installation, and operation support to achieve higher-quality medical environments. In addition, we have ourselves started providing a contracted service for cell production, and we aim to make further contributions to the industry.

Working toward optimal medical environments

The engineering behind facilities that provide advanced medical care needs to consider the viewpoint of the medical professionals and patients that use the facility, and so understanding how they actually operate is vitally important. In collaboration with our subsidiary Cellab Healthcare Service CO., LTD., we propose facilities that users can maintain and manage safely and for the long term, by combining our expertise in equipment, but also operation methods used post-installation.

Through exhibitions such as Regenerative Medicine JAPAN, we have been publicizing the products and systems we have developed using our original airflow control technologies (such as the AIR Barrier booth™, All-in-one CP Unit™, and Hotto Cure™) and these are now in use at a range of facilities—from research institutions to manufacturing factories and hospitals. (In fiscal 2022, there were orders for 14 units.)



Cutting-edge technologies and collaborations —Creation of manufacturing environments—

At the Kobe City Eye Hospital, they carried out the first clinical research into processing “human-derived iPS cells created specially for medical treatment” to form strings of retinal pigment epithelium (RPE) cells for patients who have an RPE deficiency.*1

Part of the work involved in manufacturing is undertaken by humanoid robots,*2 and the environments in which these robots are installed use the All-in-one CP Unit™ product that we have developed. The units are widely used for cell manufacturing environments used by robots but also for manned work and equipment.

Through cutting-edge initiatives like this that use humanoid robots and the experience that we have gained so far, we will contribute to new manufacturing environments with a focus on future mass production and automating production.



*1 According to a press release from the Kobe City Eye Hospital dated December 9, 2022
*2 The humanoid LabDroid Maholo, developed by Robotic Biology Institute Inc.

Acquiring a manufacturing business license for regenerative medicine products

—Creation of facilities that support users—

In May 2023, Cellab Healthcare Service received a manufacturing business license for regenerative medicine products as set out in Article 23, Paragraph 22-1 of the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices from the Ministry of Health, Labour and Welfare for its Cellab Tonomachi cell processing facility (CPF).

The CPF uses Dai-Dan's new technology, Air Barrier CPF™, to address issues related to maintaining and managing a high-purity clean area, a responsibility that conventionally fell on CPF operators. Such areas have very strict restrictions on environmental bacteria and the amount of dust, so they require scrupulous management, and given the large size of the rooms the burden on users is significant. At Cellab Tonomachi, new technologies successfully enabled a high-purity clean area 33% smaller than in conventional

facilities, and we were able to reduce the burden on operators.

This facility will continuously acquire data and make improvements, and the knowledge and expertise gained in this way will contribute to the creation of manufacturing environments that support users, by being fed back into ensuring manufacturing safety and constructing systems that are easy to operate.



Start of contract manufacturing business for cell preparations

—Full-scale launch of a new service—

Cellab Healthcare Service has started a contract manufacturing business for cell preparations at Cellab Tonomachi. A contracted product is a new trial drug called GAIA-102, a platform for NK-like cells, that was developed by GAIA BioMedicine, Inc. GAIA-102 is

expected to prove an effective treatment method for solid malignant tumors such as in non-small cell cancer of the lung or childhood cancers, that are not treated effectively with standard treatments.

This is the start of the contract business, but we aim to expand it going forward.



Wellness Initiatives in the Construction Industry



Currently, in the construction industry, a major problem is labor shortages brought on by the declining working population. As such, creating working environments that make it easier to work and efforts to raise productivity are vital to the industry's sustainable development.

We have set designing working environments where people want to work with attention to health and safety as one of our areas of materiality, and have researched the impacts of offices on health and intellectual productivity. Using this knowledge, we recognize that site offices are workspaces that can be as creative as normal offices, and we are carrying out trials to improve wellness* at site offices.

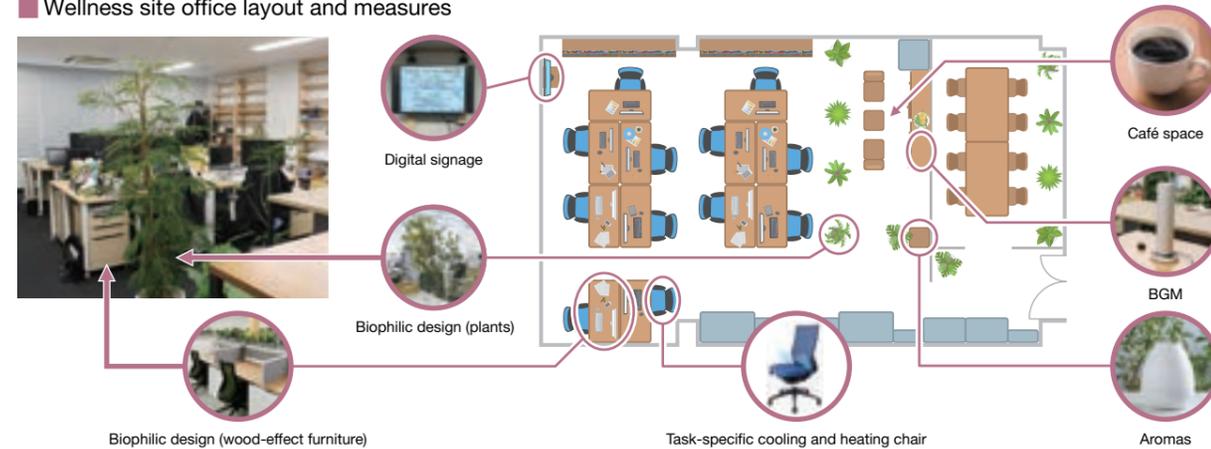
In this way, we are running studies into how to improve ease of working at worksites, and introducing technologies that raise the efficiency of installations. Through these, we plan to go beyond the traditional borders of our company, and enact initiatives to ensure younger people see the construction industry as a better place to work and more appealing.

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

Wellness initiatives at site offices

As of May 2023, we had implemented wellness measures at three site offices. Based on the knowledge we have gained by making our own buildings into wellness offices, and feedback from those actually working at site offices, we investigated incorporated elements into site offices, refurbished them, and are now operating them.

Wellness site office layout and measures

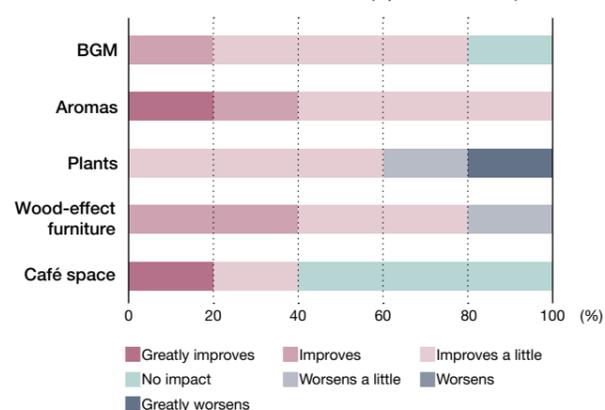


Effectiveness trials into wellness site offices

Both before and after refurbishing the site offices, we carried out questionnaires with the people that worked there, and used these to survey the effect of different elements.

The results made it apparent that the elements of sound and smell made a particularly significant impact on how easy employees found it to work there. Practical efforts such as the introduction of digital display signage were also favorably received, and we received growing feedback that there will be synergistic effects with DX. Elsewhere, the introduction of plants, which are increasingly a feature of offices, contribute to intellectual productivity, and employees spoke on their positive impact on the atmosphere, but some also pointed out the difficulty of looking after them, a problem unique to site offices. In the future, based on feedback from employees, we plan to model ideal wellness site offices in a way that is easier to implement.

Effect on the efficiency of site office employees' work of different wellness elements (open answers)



Resolving Social Issues through Collaboration between Industry and Academia



Leveraging the synergies between our technologies and expertise and the academic knowledge found at universities, our aim is to create new value that will resolve society's issues, and as such as carry out research activities in collaboration with universities. Key examples of these are studies with Hokkaido University into the risks of infection from air conditioning and building operation optimization in cold regions, and a study with Shibaura Institute of Technology into creating workplaces that support health and ease of working, both of which were carried out in 2022.

By providing students and researchers with the opportunities to undertake experiments, and the venues and equipment that are indispensable for their research, we are helping to boost their motivation and research capabilities, and this will tie in to the development of a more sustainable society.

Joint research with Hokkaido University into infection countermeasures and decarbonization

With the global spread of the COVID-19 pandemic, we looked anew at the important role ventilation plays in reducing infection risks. At enefice Hokkaido, we use a displacement ventilation system with more ventilation frequencies than normal air conditioning. As a result of studies into what kind of impact this sort of system has on infections, we confirmed that by correctly controlling the amount of ventilation for pollutants such as CO₂ or aerosols, there is improved control over the spread of such pollutants.

Suppressing the demand side (maximum demand power) of electricity supply and demand as much as possible is increasingly important. To do so in buildings in cold regions, optimal solutions—which must take into account various factors such as the severity of the cold outside, the amount that can be generated through solar power, or desired indoor temperatures—will change. Based on a full year's operation data from enefice Hokkaido, it has become clear what parameters operations should focus on to help curb demand.

Ventilation system study with students from Hokkaido University



Joint research with Shibaura Institute of Technology into wellness

In collaboration with a team from Shibaura Institute of Technology's School of Architecture led by Professor Takashi Akimoto, we have been conducting joint research into wellness reforms at offices since fiscal 2020.

At that time, we constructed an experiment lab on the grounds of the Dai-Dan Technical Research Laboratory and through various internal settings and amounts of plant life, studied the effect they have on workers' intellectual productivity. The next year, in fiscal 2021, Dai-Dan employees participated in experiments as subjects, and at actual offices experiments investigated the impact on workers of plant placement.

Then, in 2022, we held actual experiments, including with subjects at our Hokuuriku Branch, an office that was constructed based on the knowledge gained from the previous two years of research. These clarified the physical and mental effects biophilic design (which uses wooden materials and plant life) has on workers.

We carried out linked research by sharing knowledge between Dai-Dan and university students and experts, at every stage from planning to implementation and analysis, and working together. Through these efforts, we provided students with venues and opportunities to gain research experience. We also created chances for them to come into contact with the construction industry. For the social issue that directly faces the next generation, changes to ways of working, we were able to work on some unique research that takes in new methods and ideas.

Experiment with students from Shibaura Institute of Technology



Studies at Hokuuriku Branch, which was built based on research results



Value Creation Drivers

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

37	Innovation Capabilities
39	Promoting R&D
42	Intellectual Property Management
43	Engineering Capabilities
43	Creating BIM Work Flows That Utilize CDEs
45	Opening of Offsite Facilities for Prefabrication and Modular Processing
46	Advanced Development Technologies
49	Practical Competence
50	Installation Examples
53	Enhancing Our Installation Expertise and Ability to Provide Design Solutions
54	Overseas Business

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 light, air, and water, 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.

1. Maintenance

Fundamental research that ensures quality

We are focused on the R&D that strengthens our core technologies related to light, air, and water. 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 decarbonization, electronic devices, and regenerative medicine. By linking these with, and optimizing these to, the various fields that have grown from our core technologies, we will react flexibly even in a highly uncertain age and successfully create shared value—economic value, but also social value—by responding to societal needs.

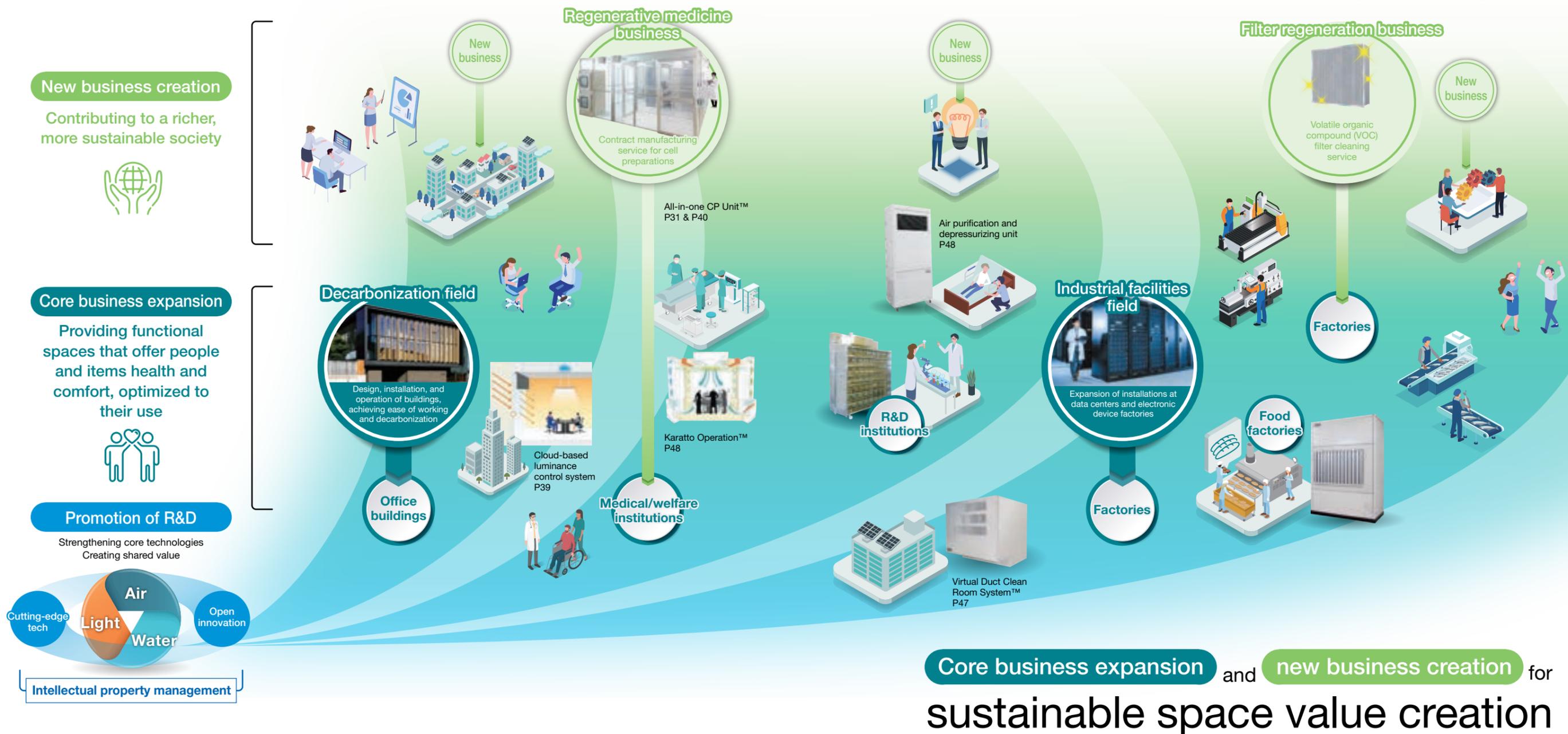
Furthermore, by promoting collaborations with external partners, such as through open innovation, we are able to deliver value in a timely manner.

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 environmental issues.

Moreover, we will start new R&D and business creation themes as part of our ongoing Mid-Term Management Plan, Preparation Stage.



Value Creation Drivers

Innovation Capabilities

Value Creation Drivers

Innovation Capabilities

Promoting R&D

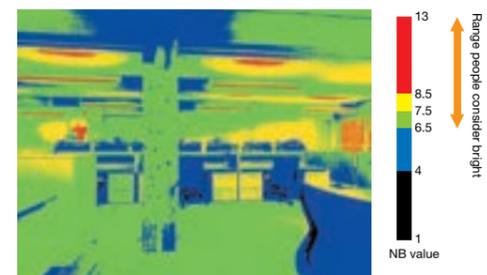
Through our core technologies in light, air, and water, we flexibly adjust to meet our customers' increasingly sophisticated, increasingly diverse needs, and we are also promoting R&D that can help bring about a more sustainable society. Using synergies between our innovation and engineering capabilities, 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 Achieving both comfort and decarbonization

Decarbonized environments that support ease of work and consider how humans sense light

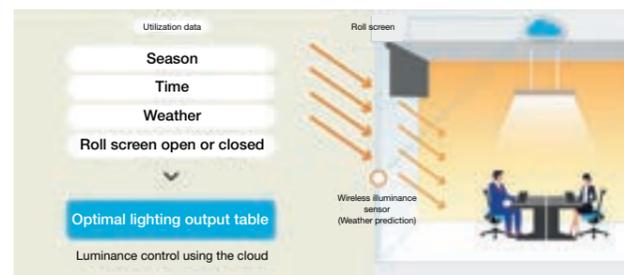
At Dai-Dan, we aim for ZEBs that contribute to decarbonization but also offer ease of working. To this end, we carry out lighting design and control measures that create environments that feel bright, but use less than half of the energy of a normal office building.

We have developed perceived-light designs using expertise gained through our own ZEBs, as well as a cloud-based luminance control system that manages optimal light levels by linking with natural light. As a result of our introduction and investigation of the system at our Hokuriku Branch, we have cut lighting energy consumption by 60% compared to normal office buildings, while also ensuring spaces feel light. Putting the expertise and technologies we have developed so far to use, we plan to continue contributing to the spread of ZEBs.



Investigation into the effects of perceived-light design

In actual usage environments, we were able to verify that spaces felt bright, but with a 60% reduction in energy consumption.



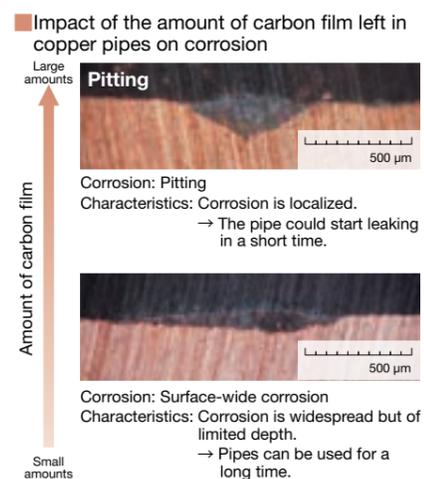
Cloud-based luminance control system

When natural light is being used, the system helps ensure the brightness (luminance) of the space is kept at a certain level at all times. Doing so maintains an optimal balance between energy saving and comfort.

R&D Case Study 2 Reducing environmental impact by extending facility lives

Clarifying corrosion mechanisms and developing anti-corrosion technologies

To achieve a recycling-oriented, decarbonized society, we consider the effective use of resources; that perspective has led us to become highly interested in extending the service lives of building equipment. One obstacle to extending the service life of such equipment is the corrosion and deterioration of piping systems, which are caused by a combination of three elements: environment, materials and operations. We conduct case study surveys, and work to clarify corrosion and deterioration mechanisms through lab testing. In recent years, we have been advancing research into the effect on corrosion of a carbon film being left on the inside of copper pipes after manufacturing. Through lab experiments, we have discovered a quick method of evaluating the difference the amount of carbon residue has on corrosion of the pipes. Based on its results, we are developing quality-control methods to extend the service lives of heat exchanger copper pipes used in air conditioners. We reflect the results that have come from R&D like this in our designs and installations, and these are contributing to longer lifespans for equipment. The results are not only used in-house, by publishing them in research papers or other means, we are also sharing them outside the company.



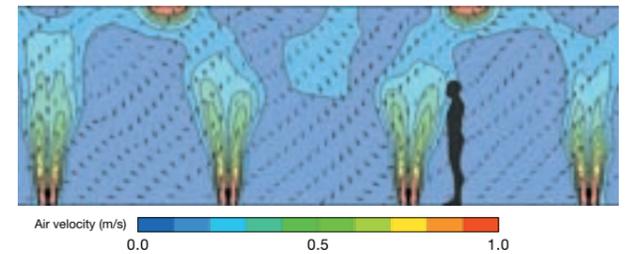
R&D Case Study 3 Providing optimal air conditioning environments

R&D into how to use air conditioning to combat infection

The worldwide spread of the COVID-19 pandemic affected office environments and the way that people work. At Dai-Dan, the pandemic also forced us to look at the functions that AC provides after it was confirmed that respiratory droplets were one mode of transmission for the disease. Therefore, as a way to prevent its spread, we needed to fully understand how those droplets and other particles move in ventilation and other AC airflows. Using computational fluid dynamics (CFD) simulations, as well as real experiments, we investigated questions such as whether particles move differently for different AC systems, and whether droplets that have fallen to the floor can be dispersed anew by people walking across them.

We will endeavor to provide effective AC and ventilation environments that work against infection.

CFD simulation of different AC systems



Redispersal testing



R&D Case Study 4 Creating high-quality medical environments

Development and joint research of clean room units for the regenerative medicine field

In regenerative medicine, there is a need for clean environments where cells can be safely handled. In response to the wishes of many doctors and researchers, we developed the All-in-one CP Unit™, a clean room unit that can easily be installed in limited space.

The modular system features linked functions from a changing room to a cell preparation room, everything needed for a cell cultivation and processing facility. Compared to constructing a normal clean room, these units provide a clean room environment that saves space and money while requiring minimal delivery time.

This product has been introduced at the Kobe City Eye Hospital, and is also being used there for joint research. The product is also contributing to cell production clean environments that use robots (see page 31 for more details).

All-in-one CP Unit™



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



Using digital tools to visualize installation processes

As part of our efforts to raise task efficiency and enhance productivity at construction sites through DX, we developed Construction Visualizer 4D™, a tool that helps visualize installation processes that uses a 360° camera and photo-measurement technologies, and through trials at worksites, we have been enhancing its functionality. To ensure that anyone working onsite can use it easily, we have also been making it more versatile, and in fiscal 2022 the visualizer was used at 13 worksites.

One such project involved using the tool's photographic measurements to create a 3D model of the inside of a complex machine room that required complicated piping systems, which was much more efficient than creating conventional blueprints. When we used to replace equipment, we would use tape measures or similar and draw up blueprints, but by doing the majority of this extensive onsite work using 3D modeling, we have reduced the work involved by 30%. Going further, to make even greater labor savings, we are advancing development aimed at improving function, such as through image-recognition AI that can automatically detect piping systems and different instruments.



A 360° camera makes photo technologies more versatile

3D models can be made of existing equipment using photo-measurement technologies

Blueprints are made for existing equipment based on the 3D models

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 for multiple worksites such as about when to return equipment.

Including trials at our own installation sites, in the period up to fiscal 2022, MonoBooker™ has been used at ten large sites.



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 2022, six useful ideas that were most often put into use were awarded in-house as Exceptional Ideas.

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: **223** properties

(As of the end of FY2022, including aforementioned useful ideas)



Broader understanding of IP:
IP + "hidden IP," useful ideas, technical information
Adapted from a chart from the Ministry of Economy, Trade and Industry's "What are IP and IP management?" article
https://www.meti.go.jp/policy/intellectual_assets/teigi.html (Japanese only)

In-house e-learning system

Design- and installation-related useful ideas are, like patents resulting from R&D, important intangible assets.

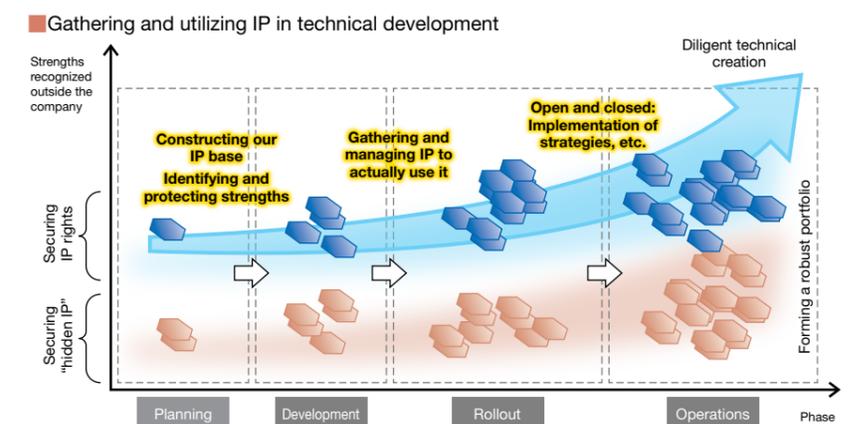
Based on Dai-Dan Intellectual Property Strategy 2022, to collect together individual useful ideas, we carry out internal training related to IP gathering and application, one of which is e-learning. This is leading to the company-wide rollout of useful ideas and improvements to our technical capabilities.



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 expand our business portfolio through open innovation and other IP activities. 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.

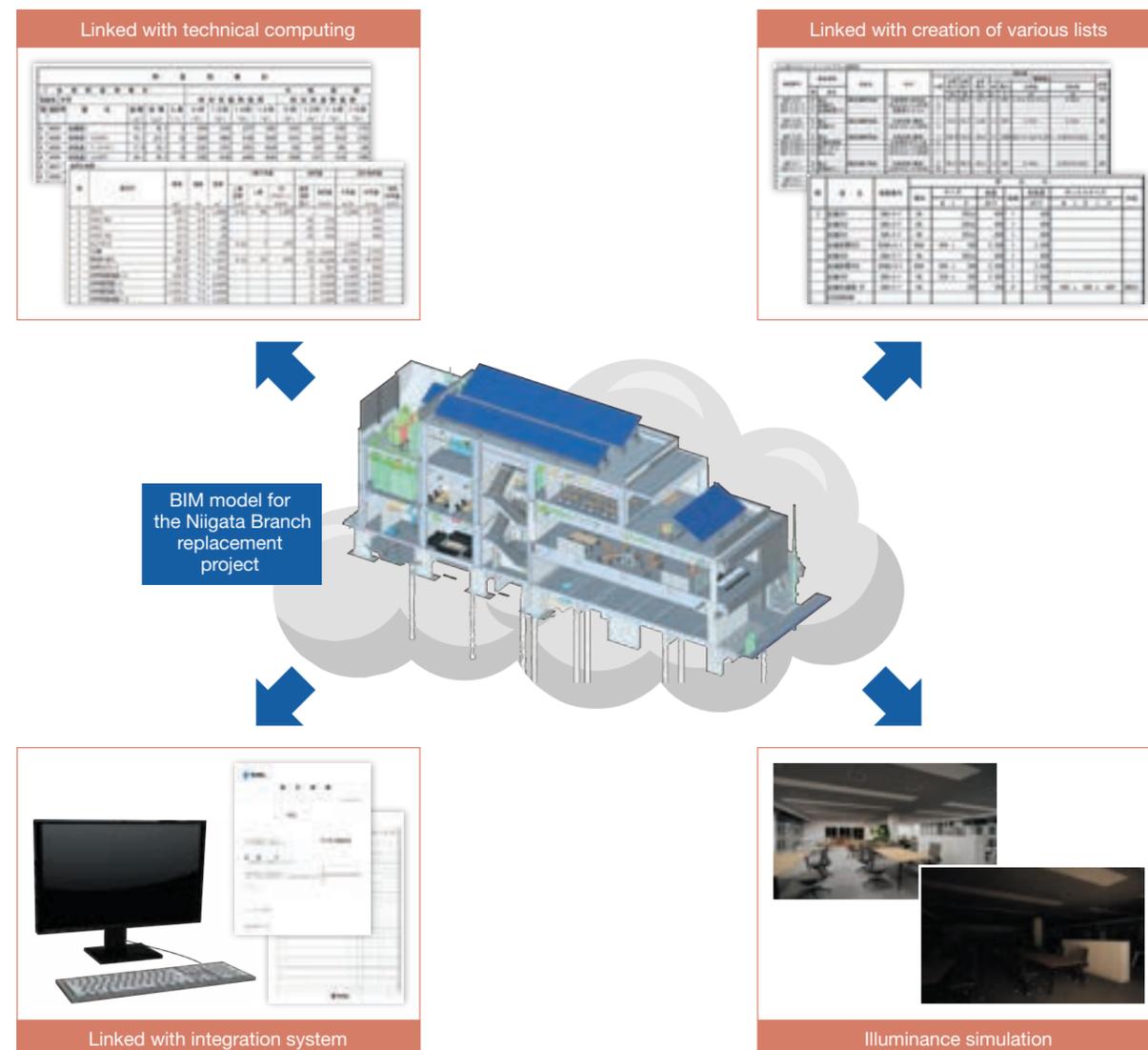


Creating BIM Work Flows That Utilize CDEs

We have positioned building information modeling (BIM) as a platform for work flows, and as part of our project to replace our Niigata Branch, we have used a common data environment (CDE) to share information with multiple people involved in the project, both from within and outside the company, and by doing so are improving task efficiency.

Design-related tasks

During the design process, we carry out technical computing that uses architectural models, equipment selection, linking in with integration systems, and various simulations, but we have also created and operated approval flows using BIM models.



Installation-related tasks

During the installation process, we set mechanical and electrical (M&E) work phases that match the overall process. By doing so, the installation plans that we propose and share are able to show installation progress for everyone involved. After work begins, points of note can be recorded on the BIM model to conduct quality control, and progress can be recorded on walkthrough images created using a 360° camera.

In addition, using the advantages of BIM as a database, we can use the system to manage materials and equipment orders and deliveries, and for BIM model-connected marking systems, as well as to fabricate processed pipes. This helps to enhance task efficiency for projects.

Installation plans that utilize the phase setting function



Quality control by linking BIM models



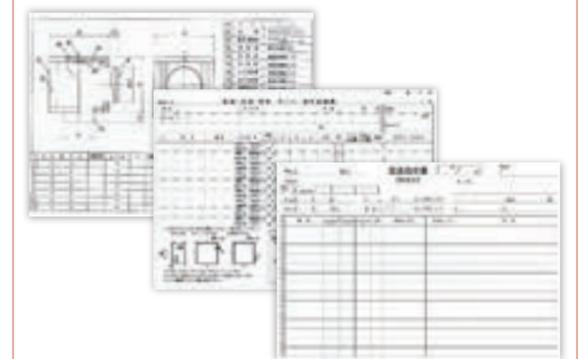
Progress management by linking 360° photos and BIM models



Use of a BIM model-connected marking system



Use for materials and equipment orders management

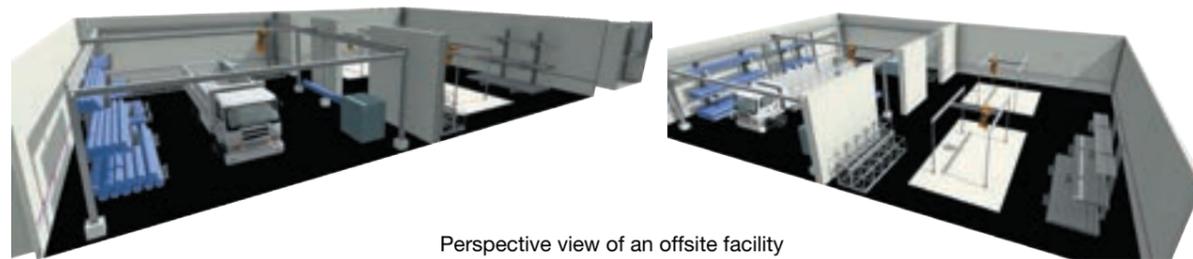


Opening of Offsite Facilities for Prefabrication and Modular Processing

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, has made energy savings, labor savings, and improvements to productivity at installation sites an issue of the highest priority for the construction industry. As one way of addressing this issue, we have opened an offsite facility to process piping systems, in Saiwai, a ward in Kawasaki, Kanagawa Prefecture. Now, we have started providing access to the facility to subcontractors.

By processing piping systems, and advancing their prefabrication and modular processing, our aim is to reduce the number of tasks required at the end site, to make such tasks more uniform, and to raise the quality of installations.

At the offsite facility, we have permanently installed equipment and machinery needed to process piping materials, including ceiling cranes, air pipe equipment, welding equipment, pipe-flaring machines, fully automated bandsaws, and metal-processing apparatus. It also helps us to take on projects in the Tokyo metropolitan area. In addition to that area, in July 2023, we opened up another offsite facility in Tenri, Nara Prefecture, to serve the Kansai region.



Perspective view of an offsite facility



Processing yard



Fully automated bandsaw



Pipe-flaring machine



Angle metal-processing apparatus

Advanced Development Technologies

Highly precise room pressure control system

Providing pharmaceutical plants and similar with Initiatives aimed at providing stable room pressures

Important facilities such as pharmaceutical plants or research institutions require rooms to be airtight and for room pressure to be stable. However, in the past, achieving the highly precise room pressure control needed to maintain airtightness was considered challenging. Through modeling using mockups and from our own installation accomplishments, we are gaining the expertise and knowledge needed to control room pressure to a precise degree. In this way, we will respond to customers' wishes.

Example of modeling by using a mockup

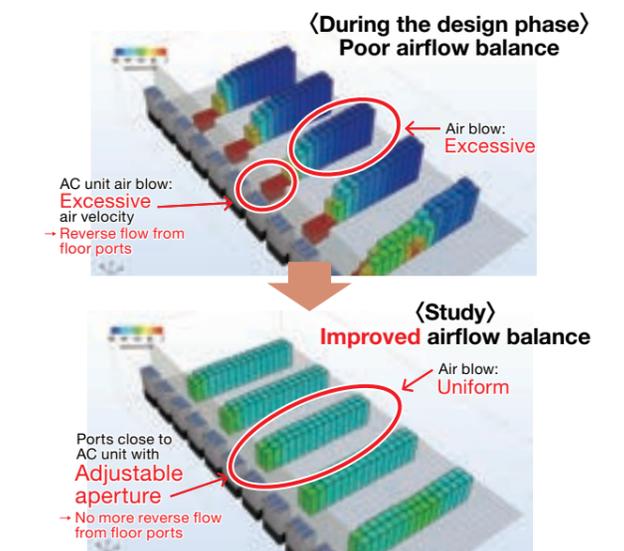


Interior environments optimized to the building application

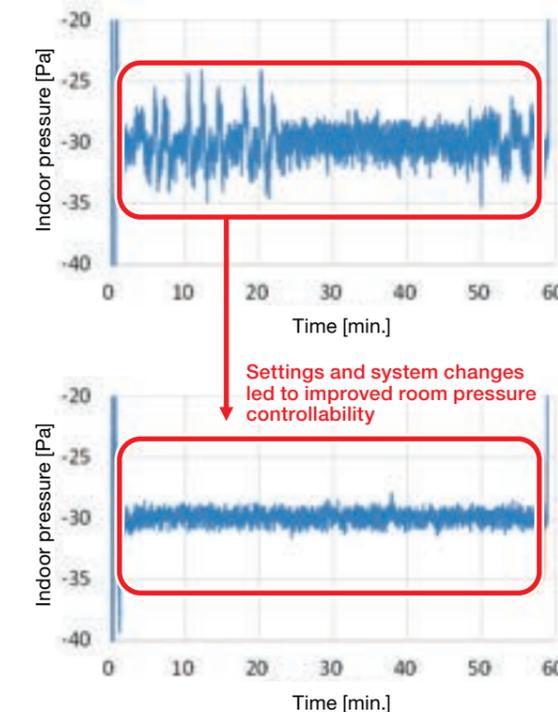
For datacenters, etc. Modeling by using CFD simulations and mockups

At Dai-Dan, we have a long track record of installations at data centers. That experience has enabled us to identify the issues that they face, and so to resolve these we run studies using computational fluid dynamics (CFD) simulations and mockups.

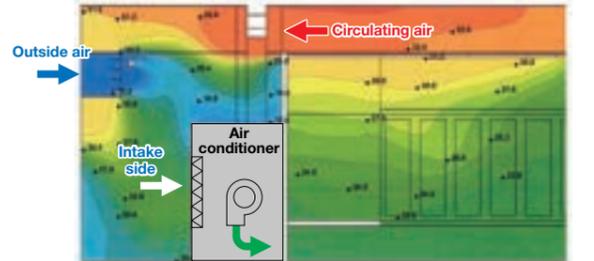
Simulation of floor-blown airflow distribution



Example of improvements to room pressure controllability



Mixing of outside and circulating air in outdoor air cooling (Intake side)



Modeling by using a mockup (Mixing of outside and circulating air)

Measurement conditions	Photo of mockup	Temperature distribution on AC intake side
Outside air intake angle: 0°		
Airflow ratio (Outside air : Circulating air): 3:1		
Circulating air temperature when blown: 33.7°C		
Outside air temperature when blown: 11.6°C		
		Max. 18.4°C, Min. 17.5°C Max. ΔT: 0.9°C

Low-cost clean room

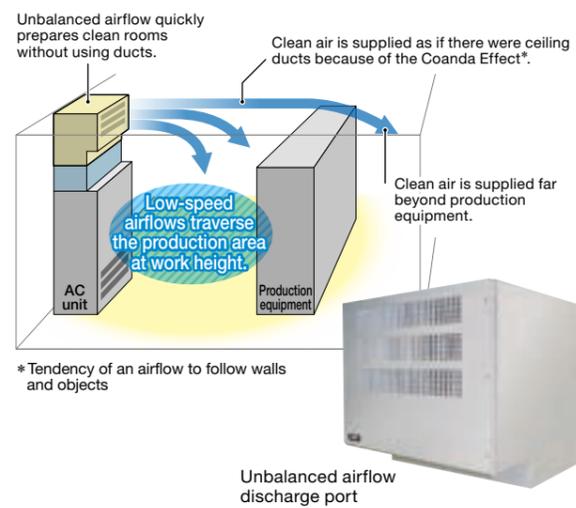
Equipping electronics and precision-item factories
Virtual Duct Clean Room System™

This ductless air conditioning is suited for ISO Class 6–8 clean rooms. 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.

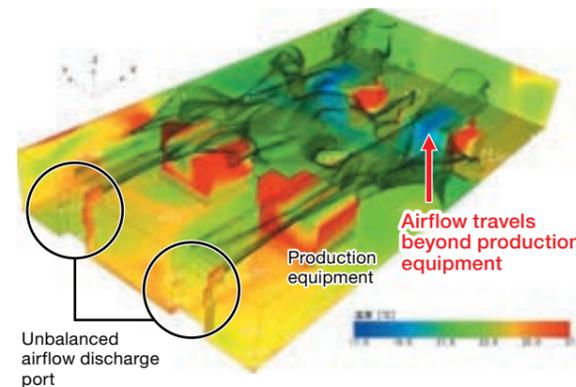
Features

- 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



CFD simulation



Energy-saving, highly precise humidity control system

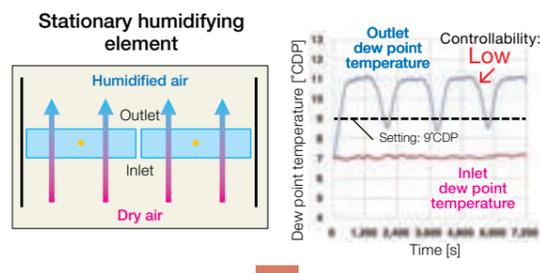
Evaporative humidifier enabling highly precise humidity control
WIT WET™

The WIT WET evaporative humidifier with a rotating humidifying element was developed as a direct outdoor air-cooling system to be used in datacenters. A problem with conventional evaporative humidifiers is the low degree of control over humidity; this system resolves this and boasts improved humidity control. Another characteristic of this evaporative humidifier is that it allows energy saving through its cooling effect and the precise control over humidity that it offers. It is also suitable for locations other than datacenters, such as offices, hospitals, or art museums.

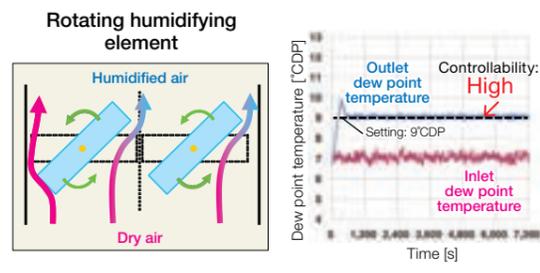
Features

- ① The humidifying element can be turned to regulate airflow and control humidity.
- ② Humidity control is highly accurate and features stepless setting, effectively eliminating over-humidification and hunting.
- ③ Reduced pressure loss during seasons that do not require humidification

Conventional evaporative humidifier



WIT WET



WIT WET's rotating humidifying element in action



Infection prevention via a simple installation

For simple infection countermeasures at medical and care facilities
Air purification and depressurizing unit (INF Series)

As the recent COVID-19 pandemic shows, when a new infectious disease breaks out, even general medical institutions or care facilities require separated room into which to temporarily admit those who are infected or suspected to be infected.

This unit purifies the air and depressurizes the room in which it is placed and requires little in the way of installation to create a simple depressurized room. The design has been chosen to cater not only to medical facilities, but also to care facilities.

Features

- ① Small-scale installation for air purification and depressurization
- ② Uses HEPA filters to purify circulated and vented air.
- ③ Rooms can be outfitted for depressurizing with simple duct work.

INF Series



INF-301 (Floor standing type) installation concept

Surgical rooms that are comfortable yet save energy

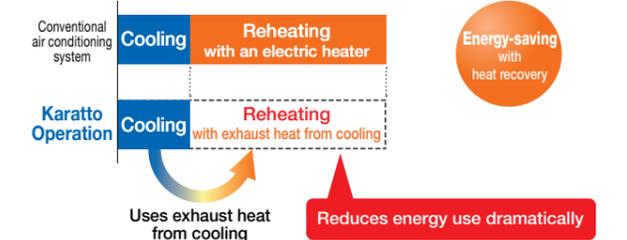
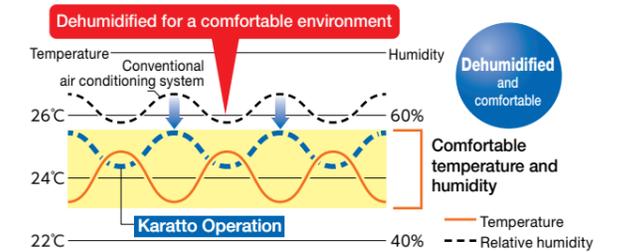
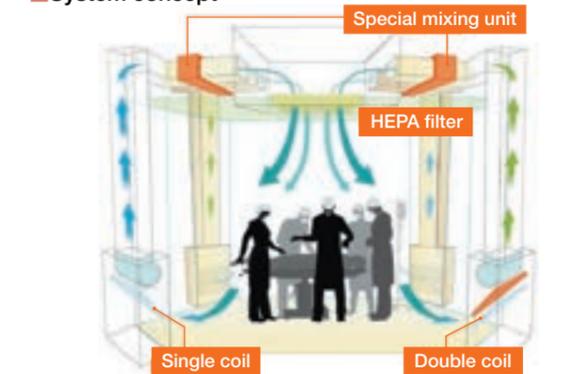
For energy-saving dehumidifying for surgeries
Karatto Operation™
 * Handled by Cellab Healthcare Service

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



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

Office

Kuramae JP Terrace JP Lion Building

50



Installation Example ②

General hospital

Toyota Memorial Hospital

51



Installation Example ③

Research facility

Nipro Corporation Head Office

52



Enhancing Our Installation Expertise and Ability to Provide Design Solutions

53

Installation Example ①
Office

Kuramae JP Terrace JP Lion Building

This complex comprises three buildings in its grounds—an office building, logistics facility building, and residential building—and was completed in March 2023.

We carried out the installation of air conditioning equipment in the office building, and here we introduce the heat source equipment and an overview of the offices' air conditioning equipment.



■ Building outline

Location	Taito, Tokyo
Use	Tenant office building
Scale	Gross floor area: 29,821 m ² Thirteen stories above ground, one-story rooftop structure
Construction	Steel (partial steel reinforced concrete), seismic isolation
Completed	March 2023

■ Overview of the equipment

Heat sources	<ul style="list-style-type: none"> • Air-cooled heat pump module chiller 180 kW (60 HP) × 13 units • Hot-and-cold-water pump 845 liters/min × 3 units 423 liters/min × 2 units
Air conditioning	Offices: Outdoor-air, latent-heat AHU × 31 units High-sensible-heat PAC 112 systems × 528 units

With this project, as a way of dealing with the heat load, we utilized air-handling units (AHUs) to process outdoor air and latent heat, and package air conditioners (PACs) to tackle sensible heat sources such as indoor heat buildup and perimeter zone load.

AHUs use cold and hot water flow controls, CO₂ density, and environmental sensors to control VAV and INV air volume. PACs, meanwhile, use high sensible heat operations that raise the refrigerant temperature more than conventionally, which reduces the load on compressors, and helps to save energy.

In terms of the perimeter zone, we used flared flows (multi-directional exhaust vents), that do not even shake the office blinds, for a comfortable perimeter space.

Customer review

While the overall finish data for this project was March 2023, the office building was actually in provisional use around four months before that, which allowed tenants to start work.

After we started this project, the pandemic meant that meetings were mostly carried out remotely due to restrictions on people gathering, and then during the latter half of the project, the global situation changed with semiconductor shortages. This made our workflow very difficult, an example being that we couldn't predict shipping times for materials and equipment. Everyone came up with original ideas, though, and we could enable provisional use without any delays. We were also able to hand over the completed project to the client without incident.

I am indebted to everyone's assistance, and thank you for granting me this opportunity to express my gratitude.

Takayuki Takizawa
JAPAN POST HOLDINGS Co., Ltd.

Comment from the supervisor

While the original intention was for this building to be rented by multiple tenants, during the planning stage it was decided that a single company would lease the entire building, and installing partitions became part of the project.

As well as tenant partitions, common spaces also had changes added, and every day was spent struggling to create installation plans. But with the help of the client, the design office, general contractor reps, and all the subcontractors that were part of this project, we completed it without any issues. Thanks!



Yu Niikura, Grand Project Master
Engineering Department 2
Tokyo Head Office

Installation Example ②
General hospital

Toyota Memorial Hospital

Toyota Motor Corporation opened a new general hospital, Toyota Memorial Hospital, in May 2023.

The concept behind the hospital is to be the district's foremost hospital, and one that gains the trust of all who use it. As such, efforts are based on the goal of providing top-level, advanced acute medicine, supporting Japan's super-aging society, and ensuring patients have peace of mind in choosing a Toyota hospital.

Our role in the project was the installation of electrical equipment.



Building outline

Location	1-1 Heiwa-cho, Toyota, Aichi
Use	Hospital
Scale	Gross floor area: 73,588.35 m ² Nine stories above ground, one under, two penthouse floors Number of hospital beds: 700
Construction	Steel (partial reinforced concrete), seismic isolation
Completed	November 2022

Overview of the equipment

Power receiving method	Extra-high-voltage: 77 kV Main and backup lines × 2
Power receiving and transforming equipment	Indoor cubicles: Extra-high-voltage substation × 1 High-voltage substation × 4
Backup power generation equipment	6.6 kV, 2,500 kVA × 2 Underground fuel tanks: Diesel, 80,000 liters × 2
Other equipment	Sub-main cable service, secondary power supply service, electrical light outlets, DC power supply, uninterruptible power supply, central monitoring, lighting controls, nurse call system, disaster equipment (automatic fire alarm system, broadcasting equipment, guide lights, emergency lighting, etc.)

This project involved two extra-high-voltage lines, full-demand backup generators, and redundancy trunk cables, and with these and triage plans for the outside of the hospital and its entrance hall, the hospital will also be able to function as a regional medical base even in the event of a disaster.

We have also ensured that visitors to the hospital and the medical professionals that work there are comfortable by putting in application-specific lighting, through measures such as glare control, appropriate illuminance, and light-temperature setting.

Customer review

With the aim of providing high-quality healthcare and being the district's foremost hospital, Toyota Memorial Hospital has been reborn.

During its construction, there were various problems—such as changes to plans or processes—but Dai-Dan's workers were able to respond quickly and flexibly to get the job done. I am extremely grateful.

Going forward, planned renovations within the hospital grounds will continue for two years or more, and we hope we can count on all your assistance during this time.

Koichi Sakurada, Project Manager
Building Facility Planning Group No. 2
Building Planning Dept.
Plant & Environmental Engineering Div.
TOYOTA MOTOR CORPORATION

Comment from the supervisor

During the two-and-a-half-year project at the hospital, we faced difficulties in the form of working environment consideration resulting from the pandemic, and challenges procuring materials and equipment because of semiconductor shortages. Despite this, our use of



tablets and apps to share information and improve work efficiency ensured that we were able to finish incident-free.

I would like to express my deep thanks to the client, and everyone else involved.

Masaki Hirano, Project Master
Engineering Department 1
Nagoya Branch

Installation Example ③
Research facility

Nipro Corporation Head Office

Nipro Corporation, a comprehensive manufacturer of medical devices, moved its head office to KENTO Innovation Park in Settsu in February 2023. The building was opened to act as a hub for open innovation into medical technologies through collaboration between industry, academia, government, and private organizations centered on the cities of Suita and Settsu, and the nearby National Cerebral and Cardiovascular Center.

Working under Kajima Corporation, our role was to install air conditioning equipment.



Building outline

Location	Settsu, Osaka
Use	Office, conference center, research facility
Scale	Gross floor area: 21,596 m ² Seven stories above ground, one-story rooftop structure
Construction	Steel
Completed	January 2023

Overview of the equipment

Heat sources	Air-cooled module chiller (with internal circulation pump) 150 kW (50 HP) × 6 units
Air conditioning	Terminal OHU × 16 units Building-application multiple-air-conditioner system (487 units in 69 systems)

For the air conditioning equipment used in this building, we adopted the hot-and-cold-water piping system, which uses module chillers for its heat source, for the shared areas and rental labs of the first three floors, while for other areas we used a building-application multiple-air-conditioner-system.

For heat-source equipment, the number of module chillers is optimally controlled, and differences in voltages are managed with two-way bypass valves. For the air conditioners, the temperature of the air supplied for cooling is controlled, while for heating the dew point is adjusted. For the kitchen systems, air volume switch controls for the inverters allow energy-saving operations when the kitchens are not in use. The building-application multiple-air-conditioner system can both cool and heat simultaneously, which enables flexible operations.

The automatic control equipment is equipped with features that allow it to predict monthly energy consumption and forcibly change energy usage to fall within upper or lower limits if the set value deviates from those upper or lower limits, which helps with energy efficiency.

Comment from the supervisor

The schedule was tight, and there were a lot of changes, and there was also the added need for us to install a duct atomizer system that uses a hypochlorous acid water solution. All this meant overseeing tasks was not easy, and securing the necessary materials, equipment and personnel proved difficult.

That we were able to complete the project without incident regardless, is proof positive of the effort put in by all those involved. They all have my sincere thanks.



Masatoshi Ueno, Grand Project Master
Engineering Department 3
Osaka Head Office

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 15th Case Study Presentations in November 2022. This event publicizes exceptional achievements that are examples of our employees' expertise and integrity in their day-to-day work, after a company-wide application and review process that includes examples from workers overseas.

This year, six case studies were recognized with awards (one with the President's Award, two with Head of the Technical Division awards, and three with excellence awards), and the ceremony was broadcast to relevant offices via the video conferencing system. Presentations from the ceremony were also made available for on-demand viewing via the company portal, so employees could watch and learn in between work tasks.

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, there are articles with information about 24 case studies, including some of the winning entries to the Case Study Presentations, and case studies related to medical facilities, industrial facilities, and other significant building projects. With this latest issue, we have stopped publishing a physical copy, and made it available to be viewed via the company portal. This form is not only more environmentally friendly, it is also much better in terms of information security. As viewers can also zoom in, it also makes it easier to understand detailed blueprints.

The report features articles on improvements to conventional inventiveness and methods, as well as cost-suppressing efforts, but also a case study of the provision of equipment using advanced technologies and with consideration for maintenance and management. Added to this are reports on new technologies and installation efficiency improvements. We provide this wide-ranging content to all engineers.



Comment from the winner of the President's Award

I am truly grateful for the honor of being recognized with the President's Award at the 15th Case Study Presentations; there were so many other examples of inventiveness and improvement from across the company.

How to pass on technical capabilities, shortages of younger workers, and how to reduce working hours are major issues facing our industry, and our case study was a trial into how using digital technologies, and using software for two different types of applications, might address these.

Specifically, we used AR technologies to present BIM 3D data as a virtual space on an iPad, and record quality management on it in real-time while walking around the actual site. By using the metaverse, we can instantly share information about installations and progress, which has made more effective decision-making possible. Compared to doing this by hand, we have reduced the number of human errors from installation management and enhanced efficiency.

Lastly, digital technologies are evolving at pace, and so this case study does not mark an end to our efforts, we consider this to be just a milestone, and we all hope to continue tackling the challenges of our industry.



Takeshi Osumi
Deputy Manager
Support Department
East Japan Division

Overseas Business

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

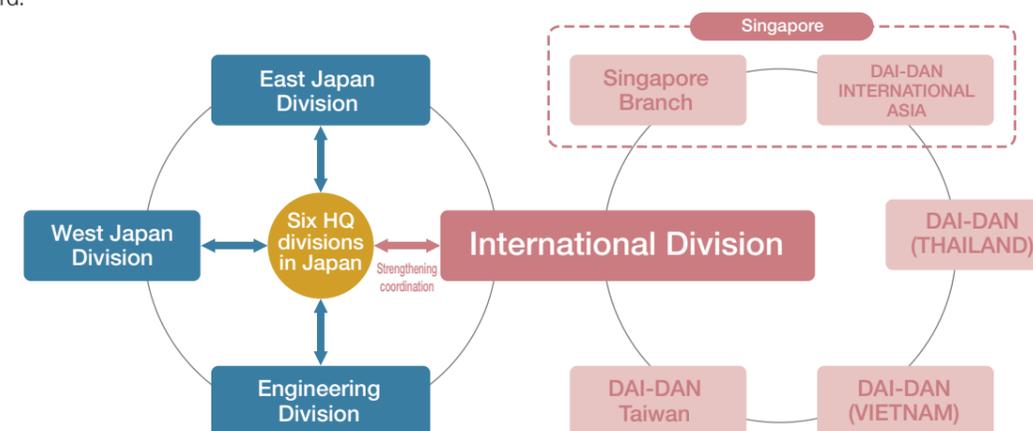
Fiscal 2023 is the final year of Preparation Stage, our plan to establish and strengthen our foundations in Japan and overseas on the path to our long-term vision, Stage 2030. During the stage, to strengthen the overseas business, we established local subsidiaries: DAI-DAN INTERNATIONAL ASIA in Singapore and DAI-DAN Taiwan CO., LTD. in Taiwan. We also worked through efforts such as the new establishment of our International Division.

Most recently, in February 2023, we concluded a stock-transfer agreement with Presico Engineering Pte. Ltd., a company that does mechanical and electrical (M&E) work predominantly in Singapore, and made it an equity-method affiliate of ours.

The Dai-Dan Group will continue to strengthen its overseas business going forward.

Efforts in our overseas business

- Strengthening cooperation with Dai-Dan's six divisions in Japan (utilizing their corporate functions and business operation functions)
- Welcoming those who want to be assigned overseas and offering them preparatory training (in-house)
- Overseas site training
- Technical training for international staff



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.

Through our stock-transfer agreement with Presico in February 2023, we will maintain the independence of their management and their brand power, and through our synergies with Presico's track record in the Singaporean M&E services market, technical capabilities, and commercial sphere, we will expand our business and aim for higher corporate value.



Singapore Branch

Established : January 1979
General Manager: Eiji Fujita
Number of staff : 75 (2 Japanese)



Established : September 2021
Managing director: Khang Yap Cheng
Number of staff : 60 (3 Japanese)

Thailand

Since Dai-Dan (Thailand) was established in 1984, it 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 : 89 (6 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 : 4 (1 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 roll out our semiconductor plant filter regeneration service, which has been proven in Japan, and secure customers there. Now, it is carrying out test cleaning to receive orders from a number of companies. It is also investigating the viability of starting work in our main business line of M&E work in the future.



台灣大暖股份有限公司

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

Overseas installations



Singapore COH Service Building (new construction)



Singapore MAH (new construction)



Thailand Saginomiya (solar battery installation)



Thailand SIIX (new construction)

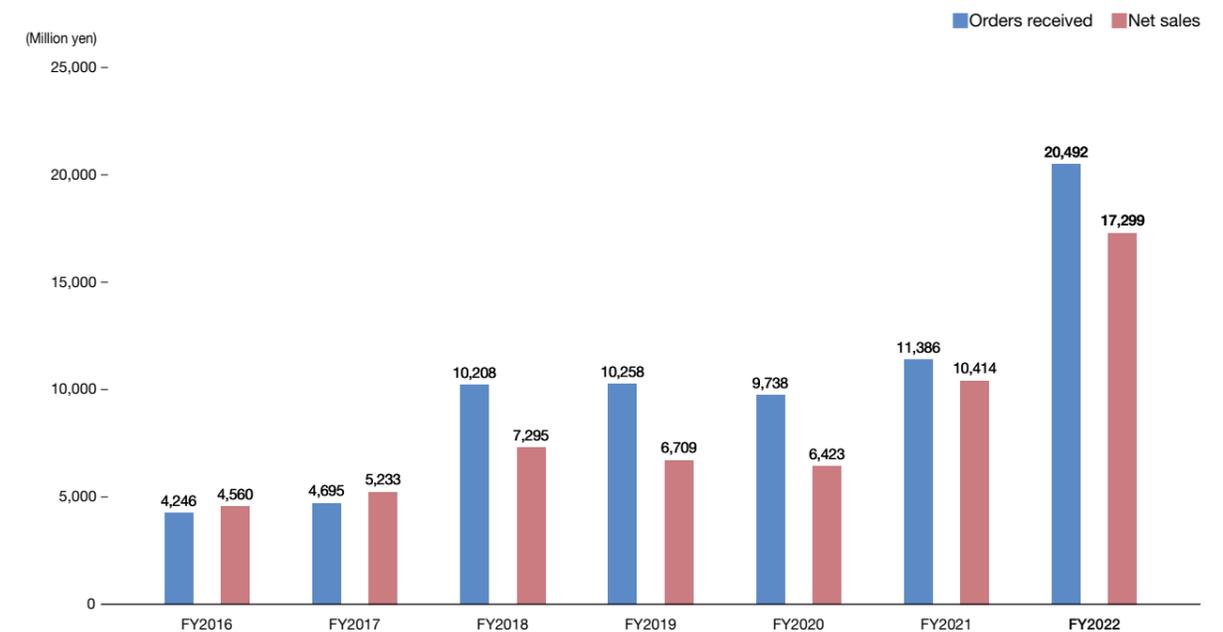


Thailand Company T (solar battery installation)



Vietnam Company K (chiller heat source renovation)

Changes in overseas business performance



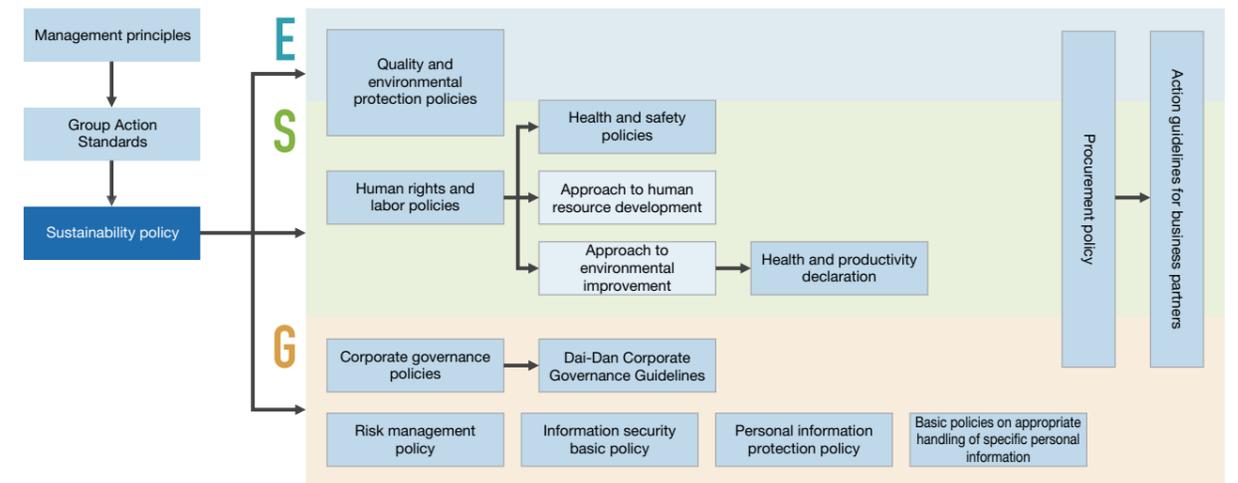


Sustainability Initiatives

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 management principles that guide the Dai-Dan Group explicitly challenge us to “create value for our customers while contributing to the development of a better environment and stronger communities.” 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. In doing what we can to help steer society towards true sustainability, we at Dai-Dan are committed to:

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.

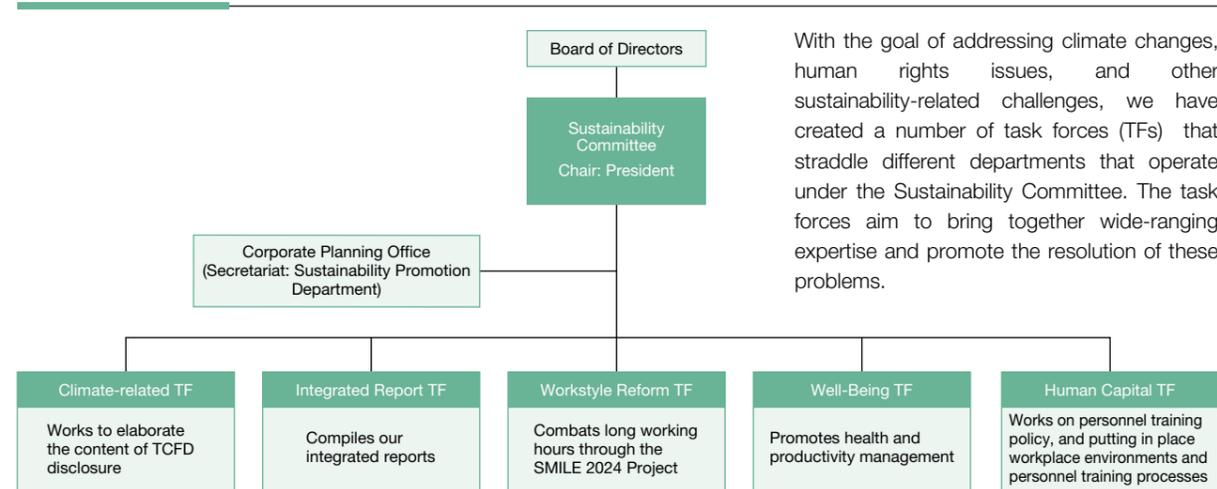
1. Determining responsibilities to work toward a more sustainable society and planning business strategies
2. Planning and promoting activities in three areas: CSR, the environment, and social contribution
3. Promoting information disclosure about ESG activities outside the company, as well as measures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

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

Promoting Sustainability

- 58 Sustainability Initiatives
- 63 Environmental Initiatives
- 63 Environmental Conservation Initiatives
- 65 Partnering with Hosting Communities
- 67 Planting the Idea of Dai-Dan Forests
- 69 Dai-Dan Is Cheering on Nozomi Tanaka!
- 70 Valuing Our Employees
- 70 Work-Life Balance and the Work Environment
- 72 Human Rights Due Diligence Initiatives
- 74 Health and Productivity Management Initiatives
- 77 SMILE 2024 Project
- 79 Marking Our 120th Anniversary

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 a carbon-free society 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.

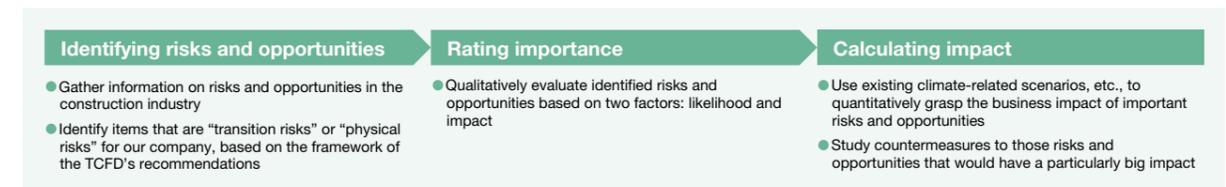
2 Strategy

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 have continued to analyze these, using tools such as the 2°C or less 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 a carbon-free society, 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 either 1.5°C or 2°C of pre-Industrial Revolution levels (“+2°C or less world”). The second is a world in which global society makes no changes (“+4°C world”). For +2° or less 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

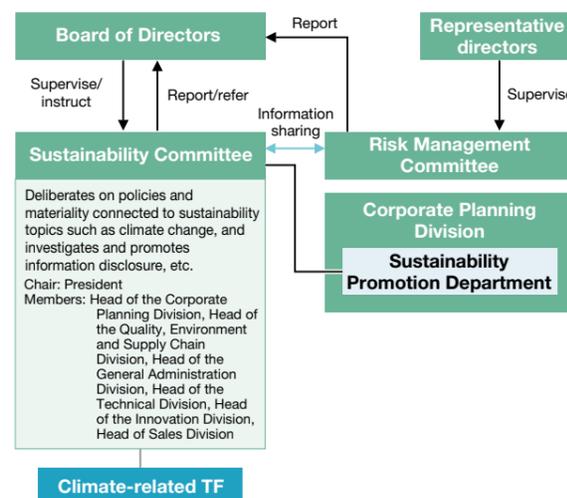
Profit impact evaluation standard: Small = ¥100 million or less; Medium = ¥100 million to ¥1 billion; Large = more than ¥1 billion
Sales impact evaluation standard: Small = ¥2 billion or less; Medium = ¥2 billion to ¥20 billion; Large = more than ¥20 billion

Type	Category	Subcategory	Major risks/opportunities	Timeframe	Financial impact (2030)		Countermeasures	
					+2°C or less	+4°C		
Transition risks	Policy and legal	Levying of carbon taxes	Risk	Costs involved in business activities or installations could rise.	Medium to long term	Small	Carbon tax introduction cannot be predicted	<ul style="list-style-type: none"> Expand procurement of renewable energy and encourage reduction of greenhouse gas emissions Reduce cost of business activities by promoting DX, through ICT means such as BIM, online meetings, and cloud technologies
			Opportunity	Demand for low-energy, renewable energy, ZEBs, etc., could grow, leading to more orders.		Large	Medium	
		Tightening of new-building regulations	Risk	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 energy-saving standards for new buildings Conduct R&D into carbon-neutrality-related technologies
		Strengthening of carbon emission targets and government policy (CO ₂ emission allowance regulations, etc.)	Risk	To reach new targets, costs for buying carbon credits or for emissions trading would rise, and if we were unable to reach those targets, our reputation would be negatively affected.	Medium to long term	Small	Small	<ul style="list-style-type: none"> Reduce our own offices' energy consumption, promote the introduction of environmentally friendly vehicles for sales reps, make our branch buildings ZEBs, and achieve Scope 1 & 2 reduction targets by switching to virtually 100% renewable energy sources
		Bolstering of government policy toward renewable energy	Opportunity	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	(Currently being calculated)		<ul style="list-style-type: none"> Promote technical development to make effective use of renewable energy
Technology	Spread of renewable energy/ low-energy technologies	Risk	A slow response to new low-energy 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 Advance proposals to make existing buildings ZEBs Push open innovation through joint research with universities and other parties 	
		Opportunity	A quick response to the development and spread of low-energy and carbon-free technologies could lead to us gaining a competitive advantage, leading to more orders.					
	Improved introduction of technologies relating to energy management	Opportunity	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 	

Type	Category	Subcategory	Major risks/opportunities	Timeframe	Financial impact (2030)		Countermeasures
					+2°C or less	+4°C	
Transition risks	Market	Growth in demand for low-energy buildings (including ZEBs)	Opportunity The appearance of needs related to ZEBs and Smart Cities could lead to greater adaptability toward technological development, etc., leading to more profit.	Short to long term	Large	Large	• Expand ZEB projects through both design and installation avenues, via proposals that utilize ZEB and IoT technologies
		Changes in customer behavior	Risk 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	• Strengthen sales planning that considers technological trends toward a carbon-free society and customer equipment investment trends • Propose next-generation offices that achieve ZEB certification and wellness benefits proven at our enefice™ buildings • Develop technologies that contribute to ease of working in office environment, taking on board remote working and other trends
			Opportunity If our technical capabilities could simultaneously achieve low-energy, health benefits, comfort, and intellectual productivity, orders could increase.				
		Increase in demand for renovations	Opportunity Greater demand for renovations could require the use of our equipment diagnosis technologies and encourage further technical development, leading to more orders.	Short to long term	Medium	Small	• Expand the value of our proposals by proposing refurbishments for better energy efficiency, based on equipment diagnoses • Promote technical development related to making existing buildings ZEBs
Spread of next-generation technologies	Opportunity Growth in potential for the spread of disease means could further promote technical developments relating to ventilation and air conditioning to combat infection, leading to more orders	Medium to long term	(Currently being calculated)		• Improve sales of infection control units (air purification and depressurizing units) for medical facilities • Expand use of airflow analysis technologies		
Transition risks	Reputation	Changes in investor and bank behavior (Increase in ESG investment)	Risk Insufficient information disclosure about our decarbonization efforts could lead to a reduction in our reputation and trust from financial markets.	Short to long term	---		• Bolster sustainability information sharing and dialogue through IR activities • Implement proactive sustainability information disclosure, actively respond to climate-related initiatives, and engage with stakeholders outside the company • Sign agreements with local authorities for Dai-Dan Forest training and preparation activities in ten locations in Japan and promote these
			Opportunity Efforts toward a carbon-free society and proactive information disclosure could lead to gains in our reputation and trust from financial markets.				
		Changes in appraisal by customers	Risk 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	• Promote the switch to environmentally friendly vehicles such as hybrids and EVs that are powered by renewable energy • Register as a ZEB Leading Owner and as a ZEB Planner • Gain certification as an eco-tuning company • Acquire BELS, LEED, CASBEE, and DBJ Green Building certification for our enefice™ buildings • Participate proactively in initiatives aimed at achieving carbon neutrality
Opportunity Decarbonization efforts and their recognition or accreditation could lead to gains in trust from customers.	---						
Physical risks	Acute	Frequency and severity of abnormal weather (typhoons, heavy rain, etc.)	Risk More frequent, more severe rain and typhoons could damage our offices, sever lifelines, and delay work, leading to higher business operation costs.	Short to long term	Small	Small	• Make all branches in Japan enefice™ buildings, and work to minimize damage that might occur during a disaster • Reduce risk by strengthening BCP countermeasures and developing and operating a business continuity management system • Promote joint research between industry and academia to develop BCP-oriented equipment systems
		Rise in average temperatures (summer)	Risk Rising average temperatures could raise health risks for workers at construction sites, as well as lowering productivity and leading to a shortage of engineers.	Short to long term	Small	Medium	• Introduce air-cooled clothing and implement heat stroke countermeasures • Raise productivity and manage working hours by promoting DX at installation sites and using robots • Put in place systems to raise productivity at construction sites using BIM
			Opportunity Greater demand for work to strengthen cooling capabilities could lead to more orders.		Medium	Medium	
		Changes in rainfall patterns	Risk Frequent occurrences of torrential rain could result in the flooding of construction sites, leading to project delays and repair costs.	Short to long term	Small	Small	• Strengthen cooperation between suppliers, subcontractors, and others in the supply chain • Create BCPs and develop and operate business continuity management systems focused on regional risks • Prepare supplies to minimize damage during a water-related disaster
Changes in demand resulting from normalization of abnormal weather	Opportunity Droughts resulting from lower rainfalls or similar could result in growth in demand for water recycling systems and water-saving technologies, leading to more orders.	Medium to long term	(Currently being calculated)		• Propose water-saving measures for customers • Promote technical development related to the effective use of water resources		

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 a carbon-free society 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 46% reduction in Scope 1 and 2 emissions from fiscal 2013 levels by 2030. However, in fiscal 2022, by managing to reduce our emissions by 54% and achieve that target thanks to efforts including rebuilding our offices as ZEBs, switching to virtually 100% renewable energy sources, and promoting the introduction of environmentally friendly vehicles such as hybrid cars. We have updated our target for 2030 to a 43% reduction from fiscal 2019 levels, and

will work to achieve this. We are also actively working on ZEB-related projects, and in fiscal 2022 we received eight ZEB orders. Added to the eight of the previous fiscal year, this makes for a cumulative total of sixteen orders.

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. While we have disclosed our Scope 3 greenhouse gas emissions for the past four years, in the future we plan to reduce greenhouse gas emissions throughout our supply chain through active dialogue with business partners, including setting targets.

Materiality	KPI	Target	FY2022
Contributing to a carbon-free society	Reduce greenhouse gas (GHG) emissions (Scopes 1 & 2) Reduce greenhouse gas (GHG) emissions (Scope 3)	Long-term target: FY2030 Reduce 43% from FY2019 levels (FY2019: 4,002 t-CO ₂) * For Scopes 1 & 2 * Our target was a 46% reduction from FY2013 levels, but as we achieved this in FY2022, we have set a new target based on FY2019 levels	Reduced 54% from FY2013 levels (FY2022: 2,901 t-CO ₂) (FY2013: 6,235 t-CO ₂) * For Scopes 1 & 2
	Increase cumulative total of projects (no. of orders and gross floor area) related to ZEBs	Cumulative total for FY2021–23: 24 * Disclose cumulative total for gross floor area as one of the indicators we monitor	Cumulative total for FY2021–2022 16 orders Gross floor area: 456,261 m²

Greenhouse gas emissions by Scope

Scope/category	Relevant activities	Emissions (unit: t-CO ₂)				Reduction (%) Compared to FY2019
		FY2019	FY2020	FY2021	FY2022	
Scope 1	Direct emissions	1,866	1,858	1,726	1,698	-9.0
Scope 2	Indirect emissions related to energy sources	2,136	2,338	2,009	1,203	-43.7
Scope 1+2		4,002	4,196	3,735	2,901	-27.5
Scope 3	Indirect emissions that do not fall into Scope 1 or 2	2,257,103	2,104,473	1,708,291	2,081,394	-7.8
Scope 3 breakdown						
Category						
1	Purchased goods and services	249,040	200,634	190,106	231,283	-7.1
2	Capital goods	1,103	1,982	4,082	9,796	
3	Fuel- and energy-related activities that do not fall into Scope 1 or 2	740	781	704	568	
4	Upstream transportation and distribution	23,979	18,905	18,587	22,651	
5	Waste generated in operations	1,083	805	1,166	1,411	
6	Business travel	359	191	225	312	
7	Employee commuting	462	453	467	469	
11	Use of sold products	1,977,386	1,878,247	1,490,628	1,812,174	-8.4
12	End-of-life treatment of sold products	2,951	2,477	2,325	2,730	
Scope 1+2+3		2,261,105	2,108,669	1,712,026	2,084,295	

* 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 a carbon-free society,” 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: FY2022 environmental targets and results

	Main target or item to be monitored	FY2021 performance	FY2022 performance	FY2022 target	Assessment
Greenhouse gases	Identify and reduce Scope 1 (direct emissions)*1.	1,726 tCO ₂	1,698 tCO ₂		—
	Identify and reduce Scope 2 (indirect emissions)*2.	1,914 tCO ₂	1,106 tCO ₂		—
	Identify and reduce Scope 1 + 2 (intensity). Greenhouse gas emissions per ¥1M in net sales	24.0 kgCO ₂ /¥1M	16.8 kgCO ₂ /¥1M		—
	Identify and reduce power consumption.	5,260,558 kWh	5,201,941 kWh		—
	(Portion of that derived from renewable resources)	(801,988 kWh)	(2,611,297 kWh)		—
	Reduce greenhouse gas emissions from offices.	1,264 tCO ₂	498 tCO ₂	Max. 500 tCO ₂	○
	Increase percentage of environment-friendly vehicles in company fleet.	97.5%	98.6%	Min. 98.5%	○
	Promote Scope 3 Category 11**3 emissions reduction proposal. Proposed reduction in CO ₂ emissions by design proposal	27,131 tCO ₂	31,239 tCO ₂	Min. 30,000 tCO ₂	○
Waste	Promote Scope 3 Category 11 emissions reduction proposal. Contribution to reduction in CO ₂ emissions by adoption of design proposal	16,275 tCO ₂	14,976 tCO ₂		—
	Identify and reduce total discharge of industrial waste.	10,037 tonnes	10,452 tonnes		—
	Identify and reduce industrial waste buried as landfill.	901 tonnes	1,134 tonnes		—
	Identify and reduce general waste discharged from offices.	96 tonnes	110 tonnes		—
Water resources	Promote sorting of industrial waste. Increase number of industrial waste sorting categories per job site.	4.8/job site	5.2/job site	Min. 5.0/job site	○
	Identify and reduce water consumption.	63,432 m ³	83,560 m ³		—
	(Portion of that consumed by offices)	(12,742 m ³)	(12,614 m ³)		—
Other	Identify and reduce water consumption (intensity). Water consumption per ¥1M in net sales	0.419 m ³ /¥1M	0.502 m ³ /¥1M		—
	Increase green purchasing rate.	46.5%	51.1%	Min. 50%	○
	Reduce consumption of copy paper by offices.	48.4 tonnes	46.7 tonnes	Max. 47 tonnes	○

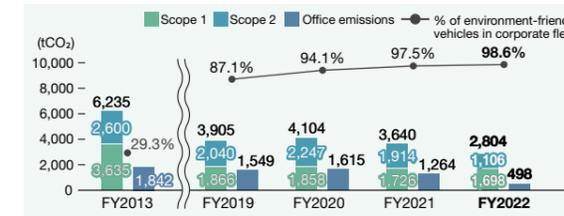
*1 CO₂ emissions from gas, kerosene or gasoline consumption *2 CO₂ emissions from secondary energy (electric power) consumption
*3 CO₂ emissions from operating installed equipment

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 1,100 t-CO₂. Accordingly, in fiscal 2022 we achieved a 54% reduction from fiscal 2013 levels, surpassing our long-term target of a 46% reduction. 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 2022, our green purchasing rate reached 51.1%.

Green purchasing



Quality and Environmental Management System

Quality and Environmental Protection Policies

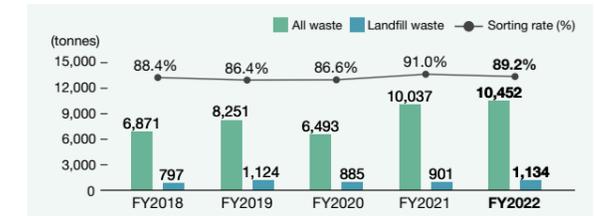
“As a building services engineering and installation provider, we continually take on the challenge of creating value for our clients while contributing to the development of a better environment and stronger communities;” in keeping with these management principles, we ensure our business practices 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 aim to gain wide recognition from society for our corporate sustainability initiatives.
- 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 2022, we produced 10,452 tonnes of industrial waste, of which 89.2% was sorted. Furthermore, we encourage reducing and sorting waste at our offices. In fiscal 2022, our offices produced 110 tonnes of general waste.

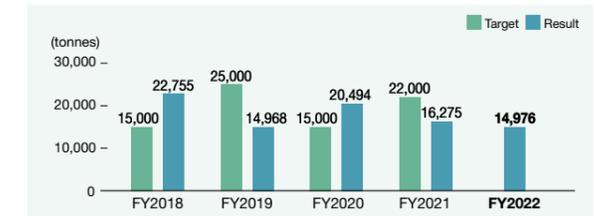
Industrial waste sorting rate



Design proposals that achieve CO₂ reductions

In the design stage, we are actively making low-energy proposals for customers, particularly for the technologies that we ourselves have developed, and in this way, we are endeavoring to reduce the amount of CO₂ produced during building operations. For fiscal 2022, we did not set a target but we worked out our actual data.

Design use CO₂ reduction targets and results



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 2023)

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 2022 to March 2023)

Organization	Lesson details	Position
Osaka Piping Higher Training School	Foundational knowledge about specifications and integration	Part-time lecturer
Kanto Gakuin University	Air conditioning planning theories	Part-time lecturer
Kogakuin University	Acoustics in architecture	Part-time lecturer
Toyo University	Environmental equipment engineering	Part-time lecturer
Toyo University	Equipment design	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 the technology we develop and our 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 117th edition was published in September 2023. Copies of these publications are donated to the National Diet Library.



Articles

- IEIJ Good Lighting Award and Wooden Architecture Award for our Hokuriku Branch
- Development of a cloud-based brightness control system
- Influence of biophilic design on workers
- Japan Wood Design Award and Distinguished Technology Award for enefice Hokkaido
- Operational status, heating environment, and optimal battery capacities at enefice Hokkaido
- Study into heat environment evaluation methods for spot air conditioning used to counter factory heat
- Verification of the accuracy of small sensors used to detect wind direction and speed
- Research into the development of methods to measure the air age in manned environments
- Evaluation of the impact of sudden variations in genetic algorithms on search results
- Introduction of the cloud-based monitoring and control system REMOVIS in work to update automatic control equipment at medium-sized office buildings
- Research into using rainwater for air conditioning equipment
- Initiatives to use 3D models to create existing blueprints using photo-measurement technologies
- Introduction to MonoBooker, a worksite scaffolding equipment reservation and management system
- Study into methods to quickly evaluate pitting corrosion in copper pipes
- Temperature distribution surveys for high-rack pharmaceuticals storage and points of note when planning these

Charity with Love-food Goodies Bag Program 2022

On December 10, 2022, we took part in activities for the non-profit Fei Yue Family Service Centre. This was organized by our Singapore Branch, and they collected donations from branch office staff and subcontractors and distributed bags of food to 405 low-income households in the local area.



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.

Forest maintenance, tree planting, and flower planting

Site	Activity
Chiba Branch	Town Open Garden Operation
Innovation Division	Miyoshi Green Support Squad
Quality, Environment and Supply Chain Division	
General Administration Division	



Miyoshi Green Support Squad

Company-wide activities

Activity	Details
Eco-cap Project	In fiscal 2022, we collected 117,153 caps, used as a source for reprocessed plastic that is converted to money and donated to causes that provide medical support, vaccines, assistance for people with disabilities, and children's environmental education.
Charity Calendar	In January 2023, we collected 1,151 calendars and notebooks from across the country and put them to use in wide-ranging activities, including to support those in difficulties, boost social participation for those with disabilities, and create places for kids to spend time.
Japan Deaf Football Association	Dai-Dan has a Silver Sponsorship agreement with the Japan Deaf Football Association (JDFA) in support of their vision and activities for realizing a true society where the hearing impaired and those not can play soccer/futsal together.

Other activities

Activity	Details/offices
Traffic Safety Guard Activity	We posted traffic safety guards. (Tokyo Head Office, Nagoya Branch, and Chugoku Branch)
Nichiban Core Eco Project	We participated in Nichiban Core Eco Project involving "Collection of discarded tape cores to protect the green earth." The funds are used to plant mangrove trees. (Technical Division, Engineering Division, Innovation Division, and Kyushu Branch)
Donation of emergency reserves	We donated food and drink we no longer needed due to switching out emergency supplies to charity groups. The donated items were then distributed to welfare institutions and organizations and to individual people in need. (Tokyo Head Office, Nagoya Branch, Osaka Head Office, and Chugoku Branch)
Sendai Beautification Support Program	We have joined in with the Sendai Beautification Support Program, a new system that works to beautify the city through a partnership between citizens, businesses, and local government. As a participant, we have been involved in both periodic and continual efforts at roads, parks and other sites managed by the city, including cleaning and weeding activities. (Tohoku Branch)



Traffic safety guards



Training wear for the Japanese national team bearing the Dai-Dan logo (Dai-Dan is a JDFA sponsor)

Planting the Idea of Dai-Dan Forests

Forests absorb CO₂, support biodiversity, and lead to more abundant water resources. There is therefore a great affinity between our supporting the development of forests and our corporate slogan of being "Inspired by Light, Air & Water." We also recognize that the value of forests as society tries to become more sustainable. We have now signed agreements between our head office and branches (eight sites) and local authorities. In the future we hope to up this number to ten sites, and will move forward with activities to develop forests.



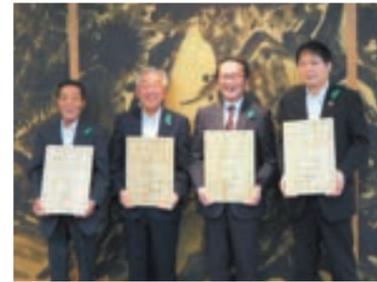
Saitama Forestry CO₂ absorption amount certificate



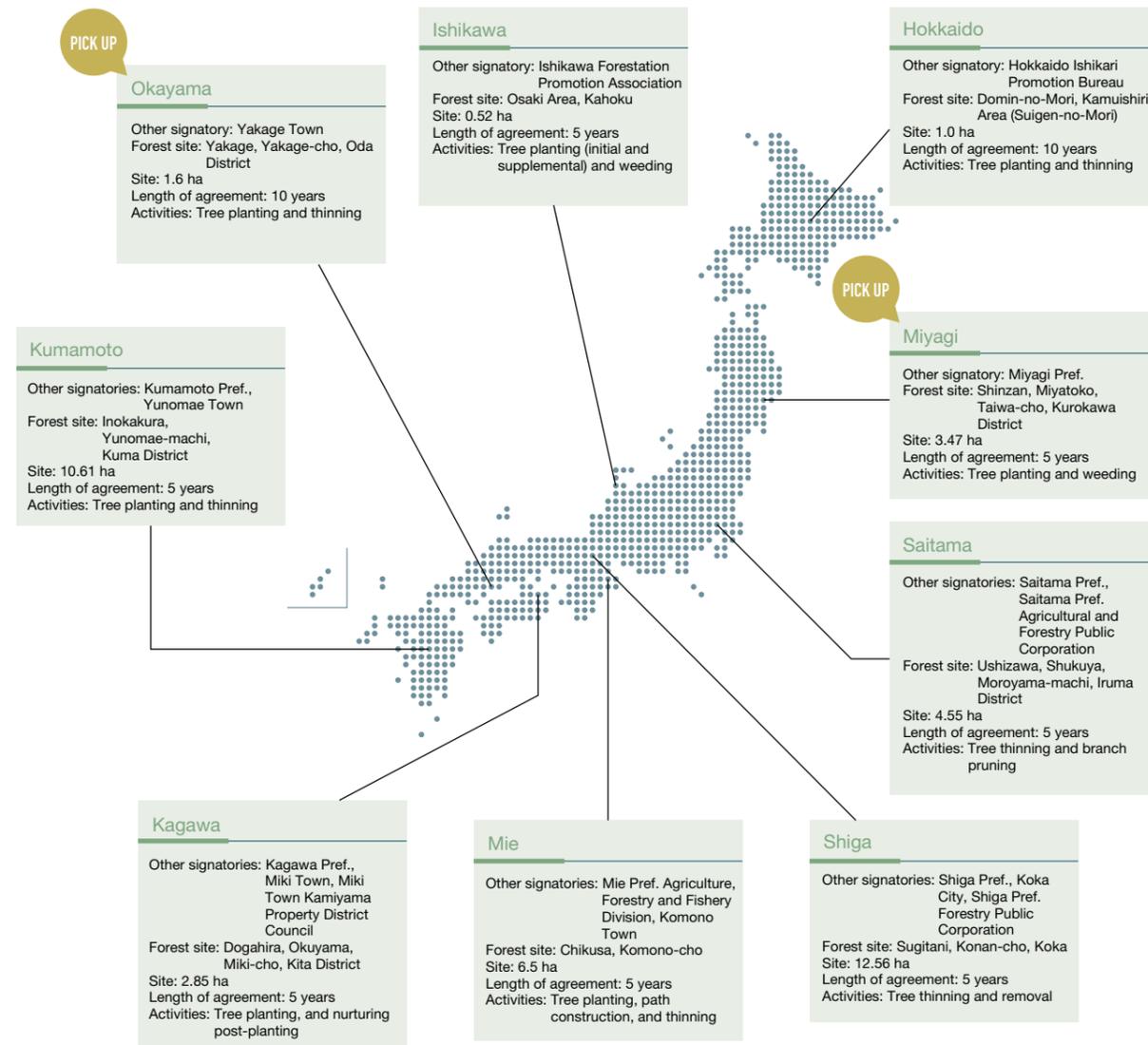
Memorial tree-planting in Kumamoto



Logging work in Saitama



Agreement signing ceremony in Kagawa



PICK UP

Dai-Dan Forest Okayama

On Saturday, November 26, 2022, we carried out the very first activities at Dai-Dan Forest Okayama, which is in Yakage, a town in Oda District, Okayama Prefecture. Between Dai-Dan employees and subcontractors, 28 people took part and with the help of staff from the Yakage Town Hall Industry & Tourism Board, they received instruction on tree-planting work and planted a total of 150 cherry and maple trees.



In the future, we plan to invite family members, and through tree-planting and other forest conservation experiences, we hope to tie this in to hands-on environmental protection education.

PICK UP

Dai-Dan Forest Miyagi

On Saturday, May 27, 2023, we held an opening ceremony and the first activities at Dai-Dan Forest Miyagi, which is in Taiwa, a town in Kurokawa District, Miyagi Prefecture. There were 15 employees who took part, and thanks to guidance from people from the Miyagi Prefecture Environment & Living Department Nature Protection Section and members from Miyagi Forestry Instructors Association, they carried out activities including planting trees and cutting back.



They worked under beautiful blue skies to create paths and steps so that next time children can also take part.

PICK UP

Dai-Dan Forest Activities

Office	Date	Details	Trees planted	Total no.	Certified CO ₂ absorption
Hokkaido Branch	July 9, 2022	Tree-planting	Glehn's spruce: 40; Japanese emperor oak: 40; Mongolian oak: 40; Manchurian ash: 40; Amur maackia: 40	200	—
	October 1, 2022				
Tohoku Branch	May 27, 2023	Memorial tree-planting/tree-planting		10	—
Tokyo Head Office	July 24, 2022	Thinning	Japanese cypress	4	10.8 t-CO ₂ per annum
	November 3, 2022				
	June 17, 2023				
Nagoya Branch	November 13, 2022	Tree-planting	Mountain cherry, maple, and kousa dogwood	45	—
Hokuriku Branch	November 6, 2022	Tree-planting	Black pine saplings	240	—
Osaka Head Office	November 12, 2022	Preparation	—	50	—
Chugoku Branch	November 26, 2022	Tree-planting	Mountain cherry and Japanese maple	150	—
Shikoku Branch	December 11, 2022	Tree-planting	Japanese cypress	600	—
Kyushu Branch	November 5, 2022	Tree-planting	Japanese cedar saplings	160	—

Dai-Dan Is Cheering on Nozomi Tanaka!



Since 2021, we have been a corporate sponsor for Nozomi Tanaka, a track-and-field athlete affiliated with New Balance. Nozomi has gained attention as a promising young athlete, one of the next generation of champions, who represents Japan in athletics (middle- and long-distance running). The sense Nozomi gives off so strongly of being someone who surpasses conventional wisdom to continue taking on the world in differing areas, 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. We will support her athletic activities and also cheer her on with all our might!

New Japanese records for the 1-mile and 5,000-meter races

At the 86th Tokyo Athletics Open Championships at Tokyo's National Stadium on April 22, 2023, Nozomi took part in the Women's World Challenge One Mile event, and broke a 21-year-old record. To celebrate this spectacular achievement, on May 21, we presented her with a reward.

At the Seiko Golden Grand Prix 2023 Yokohama, also held on May 21, she achieved a stunning victory in the 1,500-meter event.

At the World Athletics Championships Budapest 23, held from August 19 to 27, Nozomi ran in both the women's 1,500 m and 5,000 m races. In a qualifier for the latter, she smashed the Japanese record and finished in 8th place in the final—something no Japanese athlete has done for 26 years.



©Tokyo Athletics Association

DATA Major achievements (As of August 28, 2023)

- ◆ 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)



Check out our new adverts featuring Nozomi!

— No matter how cutting-edge a building, without the right equipment it doesn't come to life —



Comparing equipment to the human body (Japanese only)



Valuing Our Employees

Respect for everyone, support for work-life balance.

Work-Life Balance and the Work Environment

Approach to human resource development

Based on the concept that people are our biggest asset, we foster a corporate culture that promotes human resource development. Our aim is to develop the knowledge, techniques, and other capabilities needed to achieve our corporate goals, and the fundamental policy of our human resource development is to instruct and train sincere, talented workers for the construction industry. Our training is made up of three parts: on-the-job training (OJT), off-the-job training (OFFJT), and self-development (SD).

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

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	Details
Summer holiday	3 consecutive days in summer (July – Sep)
Refresh leave	7 consecutive days (annual)
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

Comment from a female manager

So far, I have mostly been involved in worksite tasks as part of the Technical Department, but I never imagined that I would be chosen to head up the newly formed Support Department going forward. Firstly, as a manager, I will support those in my team, but I do feel some pressure that we need to open up new paths as a newly established department.

My team have previously done office work but now they will be part of supporting worksite tasks, so I bet that there will be some cases where they feel bewildered by tasks that they are not used to, but I hope to use my experience in the field to support them.

While I think I understand the difficulties faced at worksites, to support their tasks, we need to have job site representatives gain a better awareness of what we in the department do, and to build relationships of trust. To that

end, we will offer support that close follows worksite needs, and I want to tie this in to finally reducing long working hours.



Akiko Tsuruta, Manager Support Department East Japan Division

Supporting the balance between work and home

By creating an environment in which all employees can work with ease and employees can balance work with childcare, we are working towards our goal shown on the right by devising an action plan in line with the “Act on Advancement of Measures to Support Raising Next-Generation Children” so that all employees can exercise their abilities to the full.

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.

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 introductory and basic engineering for a six-month training course. Introductory engineering training involves learning the necessary basic knowledge about M&E work (electricity, air conditioning, and plumbing works), 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.



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. Dai-Dan holds periodic discussions with the union, which enables active dialogue and builds and maintains relationships between labor and management.

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. So, in 2020, we announced our human rights and labor policies, and have been actively working in this area. In order to further promote initiatives related to respect for human rights, in 2022 we started human rights due diligence measures.

Three particularly important Guiding Principles on Business and Human Rights

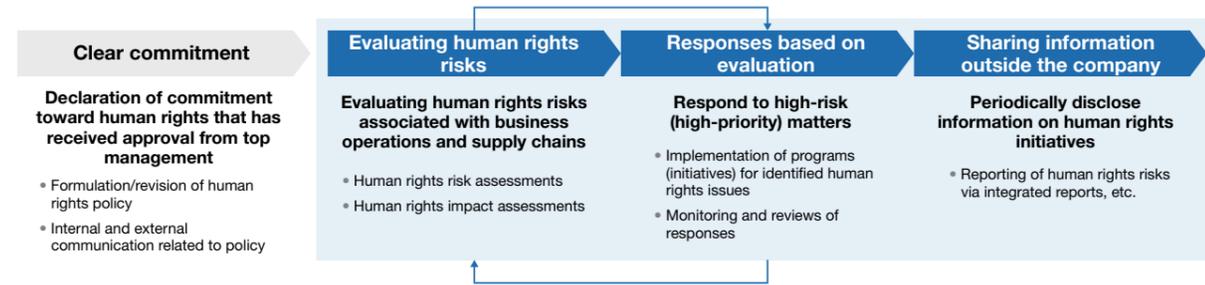
① Formulate human rights policy (Principle 16)	As the basis for embedding their responsibility to respect human rights, business enterprises should express their commitment to meet this responsibility through a statement of policy.
② Implement human rights due diligence (Principle 17)	In order to identify, prevent, mitigate and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence.
③ Construct mechanisms to deal with adverse impacts (Principle 22)	Where business enterprises identify that they have caused or contributed to adverse impacts, they should provide for or cooperate in their remediation through legitimate processes.

Human Rights Due Diligence Task Force

In April 2022, we established the Human Rights Due Diligence Task Force under the Sustainability Committee. It has been positioned as an important task force and comprises members who are well-acquainted with the necessary fields. These members, who lead our human-rights-related activities, have been receiving human rights training from outside experts, so that they can gain a comprehensive understanding of human rights and grasp recent trends.

Implementing Human Rights Due Diligence

Human rights due diligence processes



Evaluating human rights risks

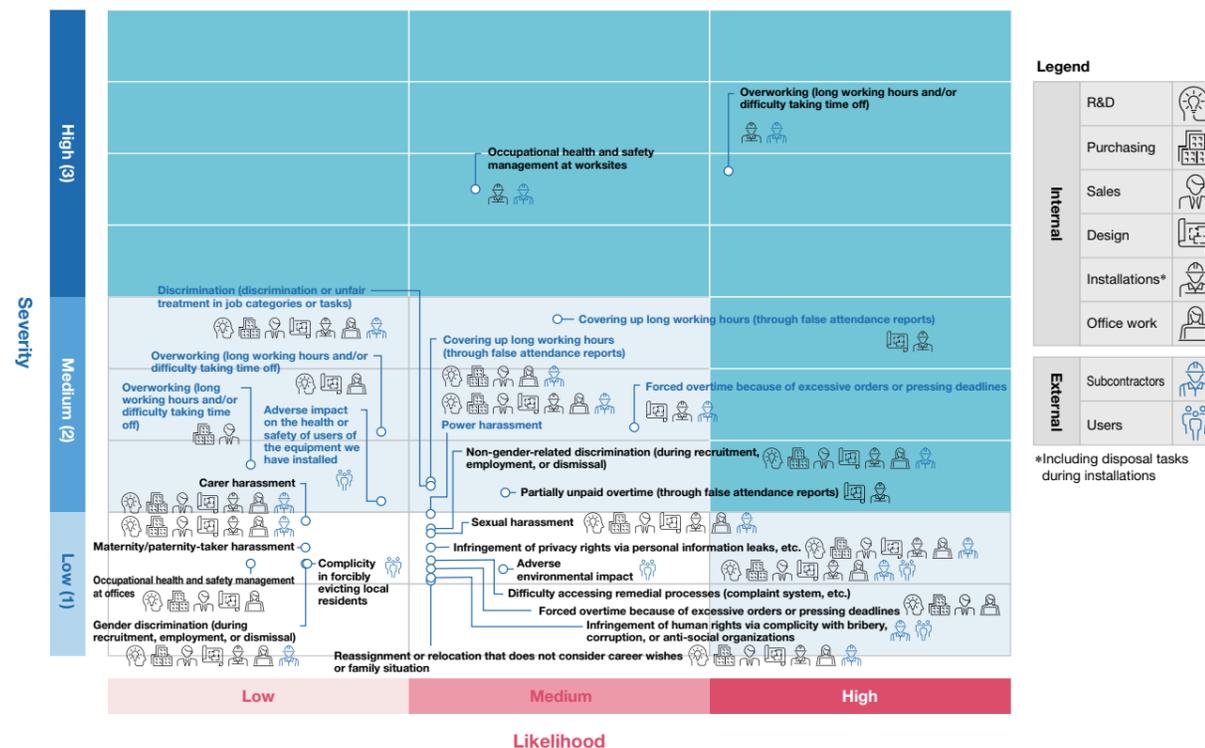
We have determined the scope of our evaluation of human rights risks as detailed below. We exhaustively refine risks based on the Guiding Principles on Business and Human Rights, and we have quantified the likelihood and severity of all conceivable human rights risks. Moreover, to get a grip on risks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

Scope of evaluation

Item	Notes
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 overworking and occupational health and safety management are particularly important issues.



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)

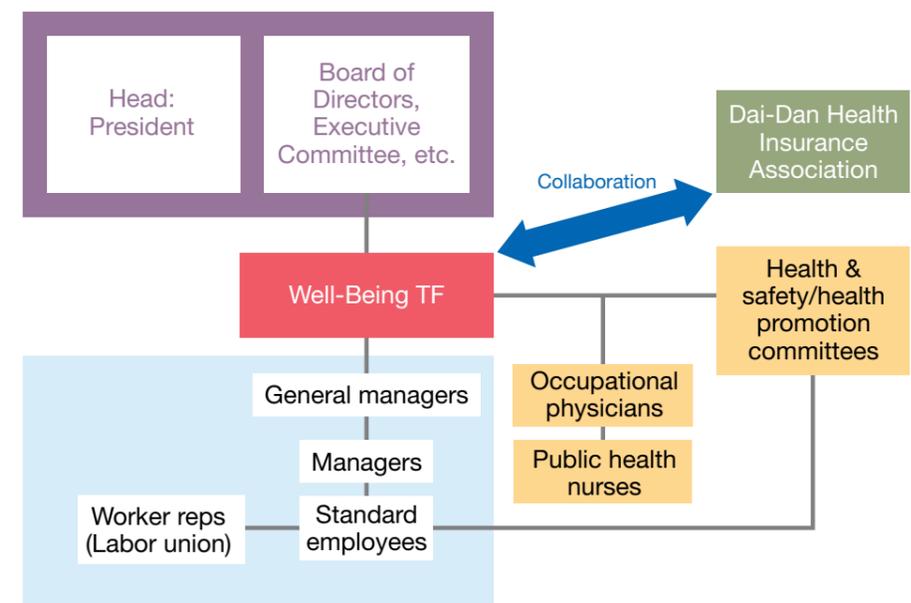
We can expect to grow as a company by creating healthy, motivating workplace environments where work style reforms allow each and every one to balance work and life, and exhibit the best of their abilities.

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.

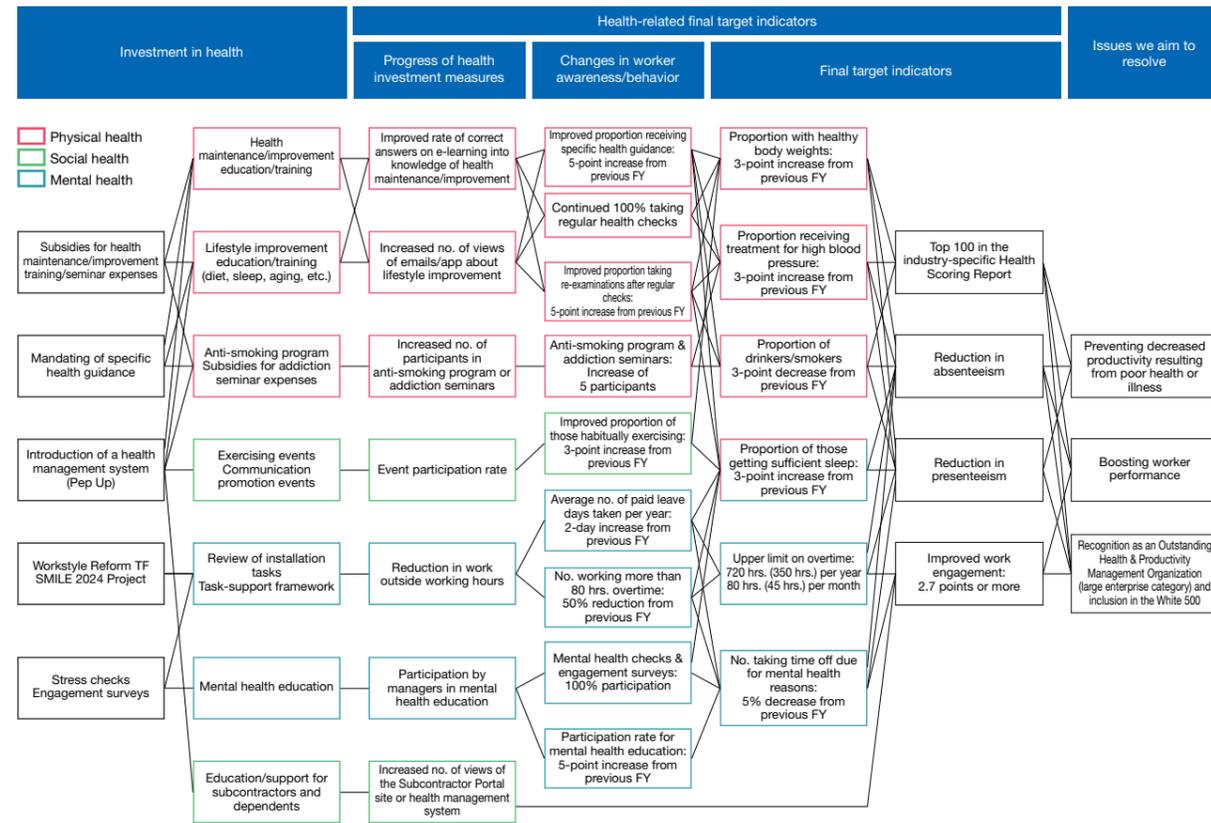
Promotion framework

We established the Well-Being Task Force to promote health and productivity management, and it is rolling out plans, implementation, and investigations throughout the company.



Dai-Dan Health and Productivity Management Strategy Map (FY2023)

Basic data	Employees : Male: 82.6%; Female: 17.4%
	Average age: 41.9
	Sites :Tokyo, Nagoya, Osaka, Kyushu, Hokkaido, Tohoku, Niigata, Hokuriku, Chugoku, Shikoku



Specific results and targets

Initiative	FY results			FY2023 target	Notes	
	FY2020	FY2021	FY2022			
Proportion taking regular health checks	100.0%	100.0%	100.0%	100.0%		
Proportion taking detailed tests after regular checks	59.6%	62.4%	75.6%	80.0%		
Proportion taking stress checks	99.1%	97.2%	98.3%	100%		
Participation in general measures for workers	Mental health seminars	—	40.9%	58.3%	80.0%	Proportion of participants from the entire female workforce
	Women's health seminars	—	41.1%	22.6%	80.0%	
	Health information sharing system	—	83.5%	96.6%	100%	
	Walking rallies	—	15.7%	24.0%	50.0%	
Participation in measures for high-risk workers	Proportion requiring specific health guidance	23.6%	22.8%	22.3%	20.0%	
	Proportion implementing specific health guidance	55.2%	62.8%	72.5%	80.0%	
Employee satisfaction score for the measures	Mental health seminars	—	—	—	—	Not evaluated
	Women's health seminars	—	—	3.68	4.00	Maximum 5.00
	Health information sharing system	—	—	—	—	Not evaluated
	Walking rallies	—	—	—	—	Not evaluated
Working hours	Monthly average total working hours	182 hrs.	182 hrs.	182 hrs.	180 hrs.	
Leave uptake	Yearly leave uptake	48.0%	49.6%	53.2%	60.0%	

Initiative	FY results			FY2023 target	Notes		
	FY2020	FY2021	FY2022				
Changes in worker awareness/behavior	Results from collecting health check questionnaires	Proportion who smoke	35.6%	35.7%	35.7%	30.0%	Survey on Health and Productivity Management standard
		Proportion getting sufficient exercise	18.5%	19.7%	21.4%	25.0%	Survey on Health and Productivity Management standard
		Proportion getting sufficient sleep	54.2%	56.6%	54.6%	60.0%	Survey on Health and Productivity Management standard
		Proportion drinking acceptable amount of alcohol	79.7%	81.2%	78.5%	85.0%	Survey on Health and Productivity Management standard
		Proportion eating an acceptable diet	36.3%	38.0%	38.2%	40.0%	Health Scoring Report standard
Management of those at high risk	Proportion with lifestyle diseases	Proportion with heavy symptoms	24.8%	22.0%	22.5%	20.0%	Those with diabetes, high blood pressure, or abnormal fat levels
		Proportion with reduced function	8.7%	8.4%	7.7%	6.0%	One or more of the three disorders above + complications
		Proportion with reduced function	0.3%	0.2%	0.3%	0.1%	As above, but with serious symptoms
Health literacy	Proportion using the health information sharing system	—	35.8%	50.7%	70.0%	Those using the system once or more a month	
Final target indicators	Health check results indicators	Proportion with healthy body weights	18.5%	19.7%	21.4%	25.0%	
		Proportion receiving cautions	58.0%	61.7%	60.9%	50.0%	
		Proportion at risk of high blood pressure	1.1%	1.4%	1.2%	1.0%	
		Proportion at risk of diabetes	0.0%	0.3%	1.0%	0.0%	
	Job separation	Average length of service (years)	17.9	17.6	17.4	18.0	
		No. temporarily retiring for mental health reasons	8	15	27	Fewer than 10	Including long-term absences
	Temporary retirement	No. temporarily retiring for other reasons	3	7	6	Fewer than 5	Including long-term absences
		Presenteeism	—	—	—	—	Not evaluated
	Absenteeism	Proportion using system for those missing work due to illness or injury	0.32%	0.57%	0.75%	0.5%	Proportion of total employees
	Work engagement	Employee satisfaction score	2.54	2.52	2.50	2.70	Answers to a worker questionnaire (maximum 4.00)
Results from collecting stress check findings	Proportion recording high stress levels	11.2%	11.8%	11.6%	10.0%		

Main measures

Of the measures detailed above and opposite, 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, the implementation rate has gone up by around 10 points each year. Furthermore, for younger workers or those who do not require such guidance, we run a system of similar, preparatory specific health guidance.

Our main health events are our walking rallies. Dai-Dan Health Insurance Association, which organizes these, last year 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 2023

Now, for the fourth year in a row, we have once again been recognized as an Outstanding Health & Productivity Management Organization (large enterprise category) in fiscal 2023.



Supporting health promotion for business partners

In January 2023, we announced our Partnership Building Declaration. 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

SMILE 2024 Project to rectify the problem of long working hours

For us, long working hours are a pressing issue. To address it, 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 2022, we implemented a change in awareness, trial measures led by trial teams, and the establishment of the foundations needed for our initiatives.

In fiscal 2023 and beyond, we will roll out specific efforts to reduce workloads and invigorate communications to the entire company. In addition, we will continue to make progress with the Support Department and use DX promotion and other measures to enhance task efficiency.

Project activities for the latter half of fiscal 2022 and first half of fiscal 2023

Activity	Details
Second company-wide questionnaire	Held a worksite workload survey for all engineers
Survey into office worker tasks	Interviewed office workers about their own tasks
Review of reports and business documents	Verified whether reports made it difficult for offices, technical departments, etc., to do their jobs
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
Measures to invigorate communications	Implemented measures to standardize how meetings are run and to secure regular opportunities for consultations with younger employees
PICK UP Establishment of Support Department	Reorganized tasks to move them from job sites to offices, with the aim of reducing the load on the worksite side

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.

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

PICK UP Newly established Support Department

In April 2023, we established a Support Department in both our East Japan Division and our West Japan Division. By moving tasks from job sites to offices, our aim is to go some way to reducing the load on the job sites.

The Workstyle Reform Task Force has formulated an instruction manual that governs how these departments are run. The departments' wide-ranging aims are to help job site workers do their jobs, support installation management, offer assistance with CAD, aid safety and quality activities, play a part in job site patrols, and other roles besides.

PICK UP Try 4.8! campaign

As part of the SMILE 2024 Project, we launched the Try 4.8! campaign. The campaign aims to bring about two days off a week for worksites (8 days every 4 weeks), and ensure more than six months a year require only 40 hours or less of overtime a month, and less than six months require up to 80 hours a month.

As a symbol of their commitment to Try 4.8!, employees wear campaign badges, and are raising awareness through their efforts to promote it.



SMILE 2024 Project

- ◆ Try for six months or more a year with 40 hours or less of overtime a month!
- ◆ Try for less than six months of up to 80 hours of overtime a month!
- ◆ Try for eight days off every four weeks for worksites!

PICK UP Engagement surveys

We prioritize engagement between our company and its employees. We introduced Wevox, a tool for analyzing engagement, and in March 2023 we conducted the very first engagement survey.

The survey results show that one issue is the large number of workers who find it hard to balance their work and private lives. They also highlight that if employees were to receive more support from their superiors, engagement would very likely improve.

By focusing on improving engagement issues that we deem to be particularly important, we aim to create environments where employees are motivated to work.

Results from the first survey

Priority engagement issues	Work-life balance and support from superiors
----------------------------	--

One example of our efforts to address the work-life balance is our creation of the Support Department, which is leading to improvements to long working hours, by having office staff better support worksite tasks.

An example of how we are boosting support for employees from their superiors, meanwhile, is our implementation on regular, one-of-one meetings. By securing smoother communication between managers and younger employees, we are striving to understand what support they need.

Marking Our 120th Anniversary

Update to the corporate logo

Previous logo



DAI-DAN CO.,LTD.

New logo



The new logo makes use of the two Ds of Dai-Dan's name. The deep blue D of the new logo is a continuation of the Ds of our previous logo, and represents our tradition and legacy. The pale blue D that overlaps it, meanwhile, symbolizes our target, our ideal for the future. It represents our future-focused attitude and how our future form has yet to take shape, we have accurate grasp of what it should be. By placing the pale blue D of the future above and to the right of the deep blue D of tradition, we are highlighting Dai-Dan's attitude of taking on challenges with the aim of creating new value.

Parties to commemorate 120 years since our founding

On the 10th of March, at a venue in Tokyo—and broadcast to our branches in Hokkaido, Tohoku, Niigata, and Singapore—around 700 people celebrated our anniversary. A week later, a party of around 500 people at a venue in Osaka was also broadcast to our branches in Chugoku, Shikoku, and Kyushu. On the 23rd, a party in Nagoya brought together around 200 people, and was also broadcast to our Hokuriku Branch.

At the start of the parties, the chairman reminisced about our history, while the president spoke about our goals and the things that we should work toward going forward. After these speeches, we screened videos that looked back over the 120 years of our history and each venue enjoyed planned events.



Anniversary advertising and videos

We created anniversary advertising to express our thanks to everyone who has supported us since our founding, and to represent our attitude of taking on challenges for our future.



Foundations for Value Creation

81	Interview with an Outside Director
84	G Fair and Transparent Business Practices
84	Corporate Governance
89	Directors and Auditors
91	Compliance (Legal Compliance and Corporate Ethics)
93	Improper Conduct Made Public in March 2023
94	Risk Management
96	Meeting Customer Expectations
96	Quality Improvement Initiatives
97	Initiatives with Subcontractors
97	Application of the Meister Program and Establishment of Partnerships with Our Subcontractors across Japan
98	Continuously Improving Health and Safety Initiatives with the Goal of Eradicating Industrial Accidents

Foundations for Value Creation

Promoting Sustainability
Valuing Our Employees
Marking Our 120th Anniversary

I would like to see Dai-Dan value its company spirit and culture as it provides comfortable environments on a global scale



What do you consider to be the role stakeholders expect of you as an outside director?

As the title “outside director” would suggest, stakeholders expect us to act as watchmen, based on experience that differs from that of other directors. From my background as a lawyer, if some opinion or judgment strikes me as odd, I make sure to actively ask questions at the Board of Directors. Because of my work, the answers to these questions tell me whether the opinions are founded on serious consideration or not. Also, asking questions has the effect of forcing those inside the company to think more deeply about how they came to the conclusions they did. I also think it offers an opportunity for them to consider how best to explain their opinions so someone outside the company can understand them.

One important role I have to fulfill is bringing out greater diversity. In my bar association, I took part in activities that with joint participation between men and women. That, in part, led here to Dai-Dan, and so I recognize that one of responsibilities

must be to advance diversity in the company. The construction industry is worlds apart from the legal industry, and in my experience, it is not just the case that things can be changed overnight in a slapdash manner. Instead, I would like everyone to join me in thinking about ways to promote diversity while retaining all that is good about the construction industry. Personally, I would first like to see the working situation for women in the industry match that of men. Doing so would, I believe, help to rid the industry of its unconscious biases.

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

I do think that the Board of Directors is functioning adequately, and we outside directors also sit in on meetings of the Executive Committee and Sustainability Committee as observers. Outside officers also often attend General Managers’ Meetings, and for Board of Directors meetings themselves, we receive explanations about agenda items several days in advance. Where we desire more information on an agenda item, this is something we can get. In addition, for important matters related to the law, I receive individual consultations or reports.

The current Board of Directors is a direct result of that. Going back to my initial answer, I think the Board of Directors is functioning adequately because as outside directors we are



able to appropriately acquire the information we need to make judgments about agenda items, and we are able to consider them carefully and ask questions.

What do you think of Dai-Dan’s efforts toward sustainability issues, such as environmental or human rights problems?

Until I was appointed an outside officer at Dai-Dan, I was unaware of the ZEB concept. When I first heard about Dai-Dan’s technologies and the idea of a building generating electricity—i.e., supplying its own electricity using renewable energy sources—I was deeply impressed. Even before the government started to push a response to climate change, Dai-Dan had developed ZEB technologies and was accumulating expertise in the area by rebuilding its own buildings to ZEB specifications. I have been to see and walked around the company’s ZEBs in Takamatsu, Fukuoka, Sapporo, and Kanazawa, and have felt for myself the importance of building up this know-how. I look forward to see how Dai-Dan’s expertise is going to be condensed into the new branch building in Niigata, which is currently under construction.

From efforts like this, it is clear that Dai-Dan recognizes that sustainability is an important issue. Its mission is to offer comfort, peace of mind, and safety through light, air, and water. One type of value that Dai-Dan provides is that its efforts to offer people comfortable lives is not restricted to buildings, it extends to protecting the planet. I would like it to go further, to be a company that develops comfortable environments for all living things.

Another issue to tackle is workstyle reform. In the near future, men and women will expect to be able to reskill, and also to have time for family matters or child-raising, alongside their work. I am self-employed, and as such I have simultaneously dealt with work, reskilling, and family and children, so I fully understand the importance of doing tasks efficiently. It is also necessary to change our mindsets to

embrace this kind of efficient working as a positive. I will be closely following the progress of SMILE 2024 Project activities, which aim to promote workstyle reform, in taking root in the company.





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.

What do you think about compliance at Dai-Dan?

With the recent discovery of improper conduct, there were several extraordinary meetings of the Board of Directors, and one after the other we heard reports on the findings by the company's own investigations and explanations about measures to prevent reoccurrence. What I personally found unfortunate about the whole ordeal, was—just as the chairman had said at compliance seminars across Japan—the people who act improperly could have acted beforehand to ensure they did not ruin their lives. Going forward, we will need to check where reoccurrence prevention measures are functioning, with the aim of creating systems that do not allow employees to break the law and ruin their lives.

Can you give a brief summary of your expectations for Dai-Dan and any other thoughts?

More than anything else, I would like to see Dai-Dan really treasures its corporate spirit and culture. Specifically, to be earnest and to value its people.

In terms of expectations, I hope that it will become a company that tolerates trial and error and that will drive the M&E services industry forward with its technologies. I think that the freedom to try various new things would be beneficial. The experience gained from errors would also prove an asset.

As an example, it is through repeated trial and error as part of its replacement of its own buildings that Dai-Dan has built up its expertise in ZEB technologies. This is the sign of a truly earnest company. However, I would like it to invest more in various areas, develop technologies, and accumulate experience.

Lastly, what I would like to say to everyone at Dai-Dan and its subcontractors, is that this work of providing environments that allow people to work in comfort—whether it be in offices, hospitals, factories, or elsewhere—is a vital task. That I can work on legal affairs in the comfort of a legal office, is all thanks to everyone who works in the un-air-conditioned discomfort of the construction site.

The construction industry faces strong headwinds, on a range of fronts, and there has been some improper conduct, but despite this, I hope Dai-Dan employees and subcontractors will work with pride knowing that Dai-Dan will provide the electricity, air, and water that society cannot function without.



Profile

Ikumi Sato

Director

- April 1990 Registered as a lawyer
- January 2006 Hearing Examiner, Japan Fair Trade Commission
- April 2017 Vice-Chair, Daini Tokyo Bar Association
- April 2018 Executive Governor, Japan Federation of Bar Associations
- April 2019 Member, Information Disclosure and Personal Information Protection Review Board, Ministry of Internal Affairs and Communications (current position)
- June 2019 Auditor, Dai-Dan
- January 2021 Joined Nozomi Sogo Attorneys at Law (current position)
- April 2021 Managing Director, Japan Attorneys National Pension Fund (current position)
- June 2021 Director, Dai-Dan (current position)

Corporate Governance

Our approach to corporate governance

As a building services engineering and installation provider, we are committed to the management principles of always taking on the challenge of creating value for our customers while contributing to the development of a better environment and stronger communities. 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.

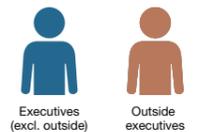
- Our basic policy on corporate governance is as follows.
- Ensure the rights and equality of shareholders
 - To ensure transparency, fairness, speed, and decisive decision making, the Board of Directors will carry out its functions appropriately and efficiently
 - Endeavor to disclose information appropriately 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, three 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 three 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 whenever necessary and consists of directors elected by the Board of Directors, corporate officers and auditors nominated by the representative directors. Members 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 the representative directors and three 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.

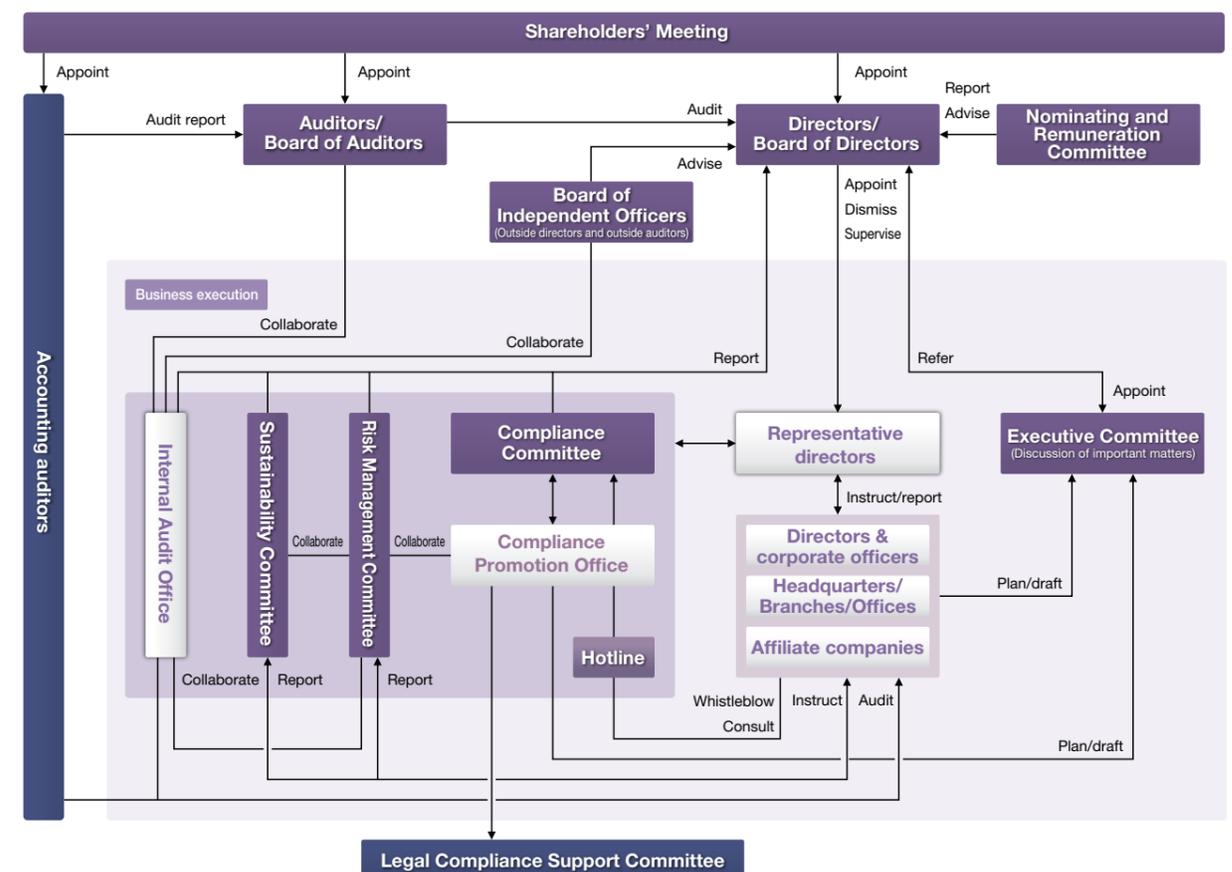
Sustainability Committee



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 2023)



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



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	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.	
	Bonuses	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)
	Share-based compensation	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 one share to one point. (excl. outside directors and individuals not resident in Japan)

④ Total compensation for directors and auditors

Unit: Million yen

	Total compensation	Fixed compensation	Variable compensation		No. of individuals in receipt
		Pecuniary compensation	Non-pecuniary compensation		
			Basic compensation	Bonuses	
Directors (excl. outside directors)	370	259	96	13	6
Outside directors	45	45	—	—	3
Auditors (excl. outside auditors)	29	29	—	—	2
Outside auditors	31	31	—	—	2

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 in February 2023 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.

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 2022 assessment concluded that, as of the end of fiscal 2022, our internal control system for financial reporting is effective. An independent auditor also provided a similar opinion.

Directors and Auditors

• FY2022 attendance: (Board of Directors: **BD** /Nominating and Remuneration Committee: **NRC** /Board of Independent Officers: **BIO** /Board of Auditors: **BA**)

Directors



Shohei Kitano
Representative Director



April 1979 Entered Dai-Dan
April 2018 Representative Director, Chairman, and Corporate Officer, Dai-Dan (current position)

- Time as a director: 14 years
- **BD** ... 19/19 (100%)
- **NRC** ... 6/ 6 (100%)

Ichiro Fujisawa
Representative Director



April 1979 Entered Dai-Dan
April 2018 Representative Director, President, and Corporate Officer, Dai-Dan (current position)

- Time as a director: 14 years
- **BD** ... 19/19 (100%)
- **NRC** ... 6/ 6 (100%)

Yasuhiro Yamanaka
Director



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

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

Hisao Sasaki
Director



April 1988 Entered Dai-Dan
April 2022 Director, Managing Corporate Officer, Head of the Technical Division, and Person in charge of the Engineering Division, Dai-Dan (current position)

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

Yasuo Kamei
Director



April 1986 Entered Dai-Dan
April 2019 Director, Corporate Officer, and Head of the General Administration Division, Dai-Dan (current position)

- Time as a director: 5 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: 8 years
- **BD** ... 19/19 (100%)
- **NRC** ... 7/ 7 (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: 2 years
- **BD** ... 19/19 (100%)
- **NRC** ... 7/ 7 (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: 2 years
- **BD** ... 18/19 (95%)
- **NRC** ... 7/ 7 (100%)
- **BIO** ... 15/16 (93%)

Auditors



Masaharu Takitani
Standing Auditor



April 1976 Entered The Sanwa Bank, Ltd. (now MUFG Bank, Ltd.)
June 2016 (Standing) Auditor, Dai-Dan (current position)

- Time as an auditor: 7 years
- **BD** ... 19/19 (100%)
- **BIO** ... 16/16 (100%)
- **BA** ... 13/13 (100%)

Hideshi Osaki
Standing Auditor



April 1981 Entered Dai-Dan
June 2016 (Standing) Auditor, Dai-Dan (current position)

- Time as an auditor: 7 years
- **BD** ... 19/19 (100%)
- **BA** ... 13/13 (100%)

Tomoya Tsubota
Auditor



April 1974 Entered Dai-Dan
June 2020 Auditor, Dai-Dan (current position)

- Time as an auditor: 3 years
- **BD** ... 19/19 (100%)
- **BA** ... 13/13 (100%)

Hirofumi Kyutoku
Auditor



April 1978 Entered Osaka Gas Co., Ltd.
June 2021 Auditor, Dai-Dan (current position)

- Time as an auditor: 2 years
- **BD** ... 19/19 (100%)
- **BIO** ... 16/16 (100%)
- **BA** ... 13/13 (100%)

Skills matrix

Name	Position	Board of Directors	Board of Auditors	Executive Committee	Risk Management Committee	Compliance Committee	Sustainability Committee	Board of Independent Officers	Nominating and Remuneration Committee	Particular areas of specialty or experience									
										Corporate management/strategy	Accounting/finance	Engineering	Design/R&D	Risk management/governance	Sales/marketing	Legal affairs/auditing	Overseas business	Knowledge of other industries	
Shohei Kitano	Representative director, chairman, corporate officer	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ichiro Fujisawa	Representative director, president, corporate officer	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Yasuhiro Yamanaka	Director, senior managing corporate officer	●	●	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Hisao Sasaki	Director, managing corporate officer	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Yasuo Kamei	Director, corporate officer	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Fumio Matsubara	Director (outside)	●	●	○	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●
Ikumi Sato	Director (outside)	●	●	○	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●
Kenkichi Kosakai	Director (outside)	●	●	○	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●
Masaharu Takitani	Standing auditor (outside)	●	●	○	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●
Hideshi Osaki	Standing auditor	●	●	●	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●
Tomoya Tsubota	Auditor	●	●	○	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●
Hirofumi Kyutoku	Auditor (outside)	●	●	○	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●

* The "○" mark indicates observer status.

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

- | | |
|---|---|
| <ol style="list-style-type: none"> 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 | <ol style="list-style-type: none"> 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

* For more details on the corporate governance system, please see page 86.

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.

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.

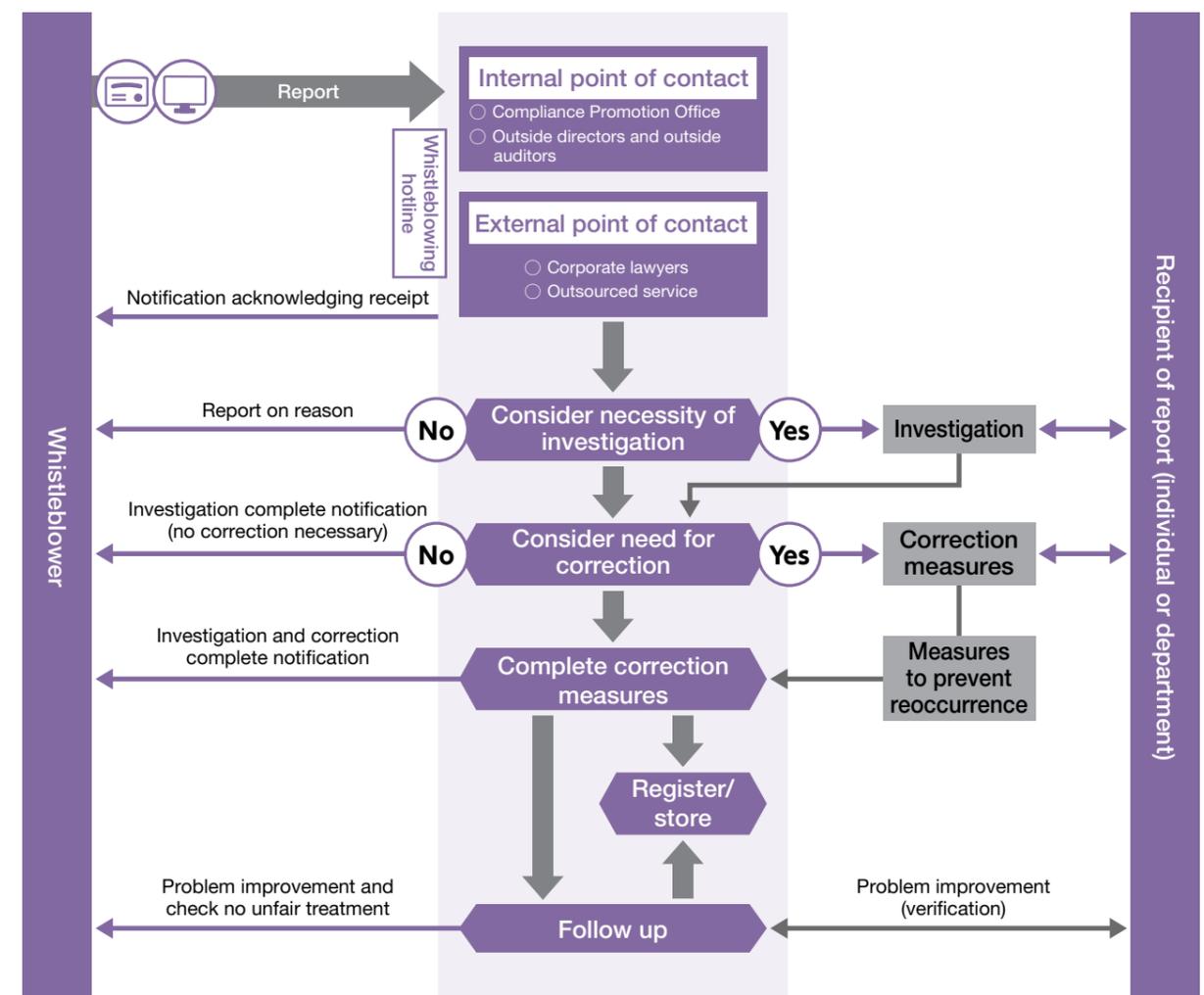
In April 2022, in order to respond to a change in requirements because of revisions to the Whistleblower Protection Act, we carried out a review and expanded the scope of whistleblowing so that it covers Dai-Dan Group executives and employees, but also temporary workers.

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.

For cases that could cause serious damage to the group, the Compliance Committee, chaired by the chairman, convenes and deliberates on necessary measures.

Internal whistleblowing response procedure



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 will implement strict measures to make sure this cannot happen again, and we will strive 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 ordered from the same contractor. The amount of damage was around ¥173 million.

After its discovery

On February 9, 2023, we established the Internal Investigation Committee, which included external lawyers and tax advisors, which proceeded to investigate the incident. On April 26, based on the investigation report we received from the committee, we made its findings public.

The report highlighted the causes of this incident: (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.

After this, we undertook studies into specific measures to prevent reoccurrence, which we announced on May 11.

Penalties

After the facts of the incident were confirmed, the employees who had accepted kickbacks were first placed on leave, and then on April 14, they received punitive dismissals or were instructed to resign. Employees involved in falsifying costs were also punished severely. To highlight their responsibility, at the meeting of the Board of Directors held on April 14, the punishment for executives in positions of management and oversight was also determined.

Reoccurrence prevention measures

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

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
 - 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
5. Improvements to cost management systems
 - 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



An opening speech by Chairman Kitano at a compliance seminar for Dai-Dan executives and employees, and subcontractors

Risk Management

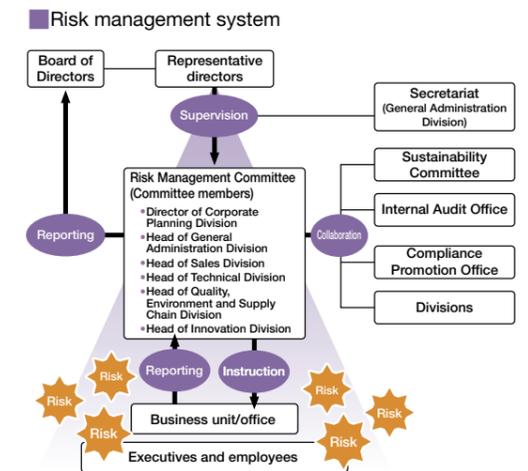
Risk management system

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 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

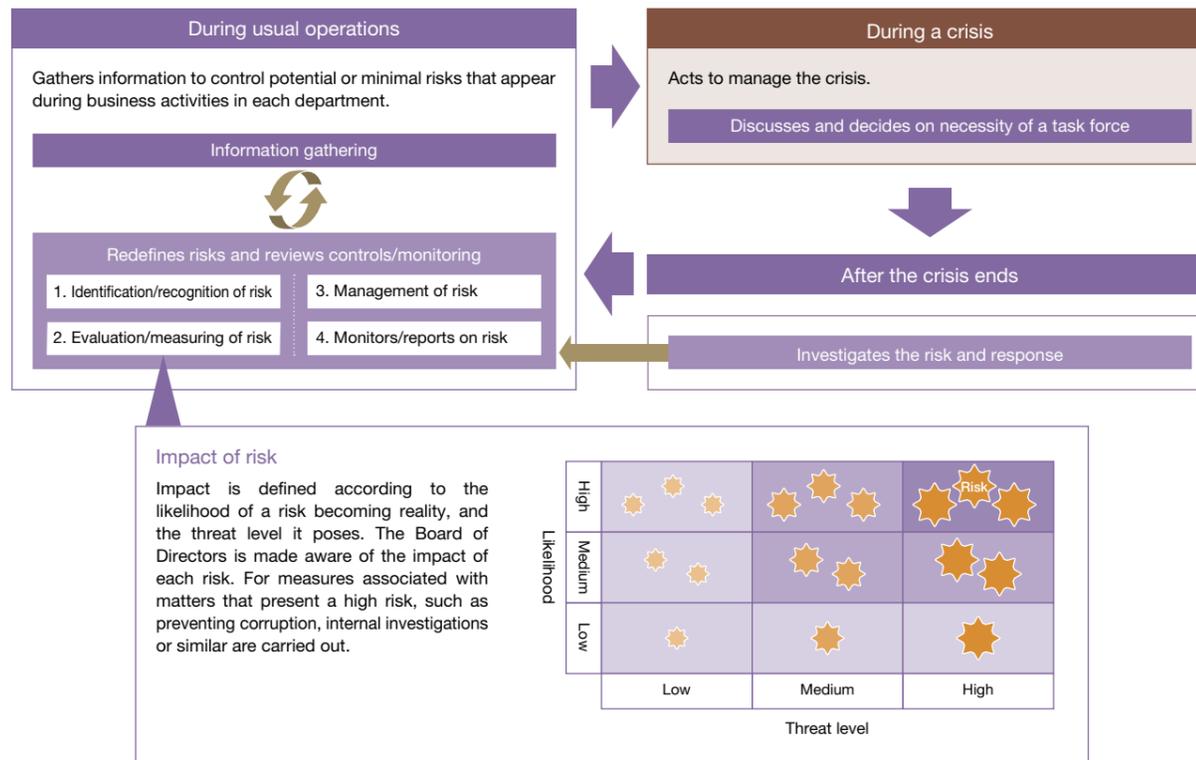
Risk	Description	Countermeasures
Information leak	Unauthorized use or external leak of information, shutdown or malfunction of information systems, etc.	Publish a "Security Handbook," etc. Impart training in information security.
Human resource related	Unattained hiring plans, loss of human resources, drop in morale, etc.	Promote work style reforms. Conduct stress tests.
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.
Natural disasters	Typhoons, river flooding, earthquakes and other natural disasters	Craft a BCM. Introduce a safety check system.
Workmanship	Safety, degraded quality of installed systems, etc.	Craft a safety and health management plan. Conduct job site patrols.
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.



Meeting Customer Expectations

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

Roles of the Risk Management Committee



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	January 2023
Drill on how to handle targeted e-mail attacks	August 2022

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 April 2023 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.



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 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 work force and subcontractors.

Works Preview Meetings

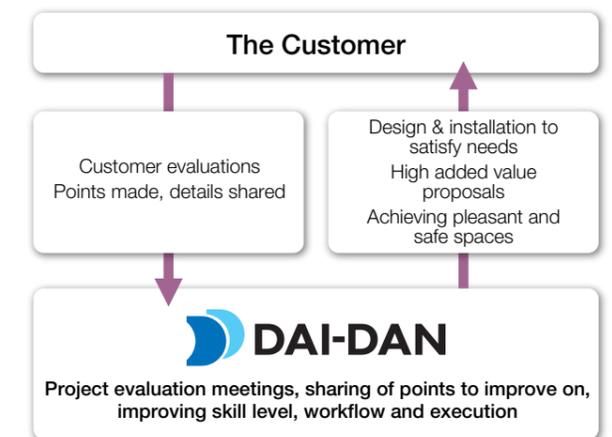
Throughout our long history we have provided building systems and services to customers in various industries with diverse building applications. In order to capitalize on our long track record of installations and our knowledge of customer systems, we hold Works Preview Meetings for each project with 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 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 2022, we collected 611 replies to our customer satisfaction surveys and earned an average overall rating of 3.58. 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.



Customer satisfaction survey results

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

Item	FY2020	FY2021	FY2022
Installer capacity	3.58	3.56	3.53
Installation management	3.56	3.57	3.54
Creativity and solution proposals	3.56	3.55	3.56
Backup capacity	3.51	3.49	3.52
Overall evaluation	3.65	3.61	3.58

Number of surveys completed: FY2020; 555/FY2021; 568/FY2022; 611



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.

This most recent fiscal year, we started selecting subcontractors that make a particularly big contribution, and recognizing them as either Excellent Subcontractors or Superior Subcontractors. In July 2023, financial aid was given to 63 individuals, from 39 companies, who acquired certification, and cash rewards were given to 134 Meisters and Excellent Foremen.

Recognizing Meisters

In December 2022, of the foremen working on Dai-Dan job sites, 16 were newly selected as Excellent Foremen. Those who were evaluated highest, a total of 5 individuals, were recognized as Meisters. As of April 2023, we had a total of 45 certified Meisters: 13 electrical workers, 19 plumbers, 7 duct installers, 4 refrigerant pipers, and 2 insulation workers.



FY2022 Meister Awards Ceremony

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 Head of the Technical Division.

Comment from a Meister

I am very appreciative of the honor bestowed upon me that is selection as a Dai-Dan Meister in fiscal 2022. It is a sobering feeling each day, a mix of joy and responsibility.

What I try to do on site is to ensure health management for workers and that work is safe. For that reason, I think the morning hazard prevention meetings are vital. Through individual conversations, I check workers are feeling okay and I use my own installation diagrams to raise awareness of the work but also potentially dangerous tasks, and explain these. Sometimes, we talk about various topics unrelated to work, and I have been working to ensure communication is smooth throughout the team.

For our company, most of our installation work takes place outside, and sometimes it is even offsite, on public roads or similar. This means the risk to bystanders can be high and it is important that we value their safety at least as much as we do our own. This is why I endeavor to make sure everyone is safe by holding repeated meetings with each site's supervisors about the installation plans and to eliminate dangers.

As a Dai-Dan Meister, in the future I want to pass on the experience, knowledge, and skills that I have gained to the next generation, as I do my absolute best at my daily tasks.



Junichi Hatakeyama
Fujita Mechanicalwork Co., Ltd.

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

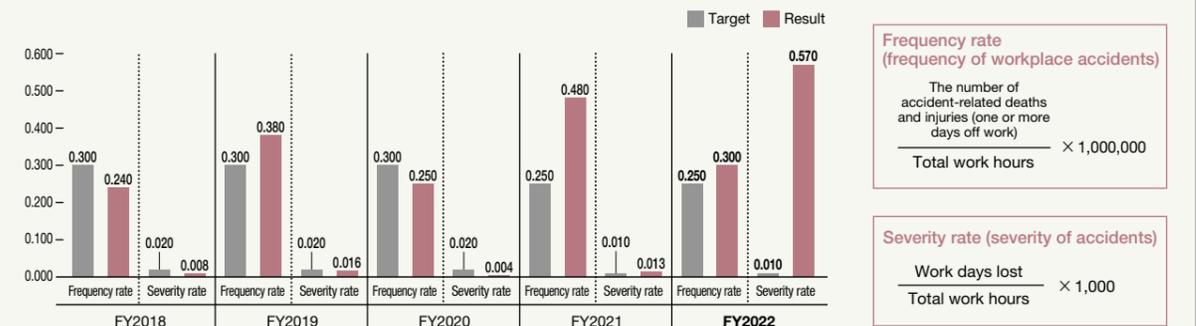
Our Policies for Health and Safety

"Ensuring Health and Safety" is our obligation to all the employees of our companies, their families and the society.

Dai-Dan considers the health and safety of everyone working for the company as a top priority, regardless of age, gender, country of origin or level of ability. All employees from top management down are expected to cooperate in improving productivity, building a motivating workplace environment, and earning and maintaining the trust of society.

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 2022 evaluation

Objectives

- ① Ensure three or fewer accidents resulting in a total of one or more lost work days
- ② Reduce number of employees not taking sufficient time off between shifts
- ③ Reduce health risks

Key points

- ① Ensuring preventive safety management
- ② Practicing thorough working hour management and encouraging measures to prevent overworking
- ③ Implementing measures to maintain and improve employee health

During work-related accidents in fiscal 2022, 41 employees were injured (1 of whom was killed, 4 of whom required time off work, and 36 did not require time off). This was a decrease of 1 employee from fiscal 2021 (with 4 fewer requiring time off). The severity rate for fiscal 2022 was much higher than the previous fiscal year due to the death of an employee, something we cannot permit to happen.

This tragedy occurred during a small-scale renovation, and was the result of a failure to adhere to the basic rules that require approval for stepladder work and to the work instructions (hazard prevention activities) given on the day of the incident. This deviation from our basic installation management operations led to a drop in the worksite safety management level, and to the unsafe behavior by the victim. To ensure that a fatality like this, or severe injury, cannot happen again, in fiscal 2023 we are strengthening management by adding two new key points for safety management: "Make sure of thorough safety management at multiple works" and "Strictly adhere to usage rules for temporary scaffolding and equipment."

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 those who casually dismiss dangers, 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.

The correlation between reports on close calls and the occurrence of work-related accidents, shows that those offices that proactively gather close call reports are those with lower rates of work-related accidents, but also those who end up injured have low submission rates for close call reports. The reason for this is likely that by reporting close calls (occasions that were almost incidents), reporters gain a better sense for risk, and this minimizes the likelihood of a repeat of human errors. Through close call activities, we aim to raise the risk awareness of employees and other workers, and reduce the number of incidents.

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 2023 to improve the following points.

- ① Ensuring preventive safety management
- ② Make sure of thorough safety management at multiple works
- ③ Strictly adhere 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

President Fujisawa carries out safety and quality patrols

On October 5, 2022, Dai-Dan's president, Ichiro Fujisawa, undertook a safety and quality patrol at one of Nagoya Branch's factory worksites, and verified the installation situation there.

During this patrol, which coincided with National Occupational Health Week, the president viewed the worksite and monitored the status of activities linked to occupational health and safety management plans, the operational status of the Construction Career Up System, and the status of installation quality management for renovation projects, and offered guidance.

As part of his opening address, President Fujisawa told employees: "This worksite, is our pre-construction site, and this time the project is final renovations and mounting work. We'll be working as the facility continues to operate (although partitioned off from areas where normal work continues), and a project where there is a risk that poor management of the mounting work could impact on the existing equipment. More than ever, make sure to thoroughly implement the basic rules and behavior we've also used. Until now we have never had an occupational accident, so I want you all to all pull in the same direction and finish this without incident."

After the patrol, at the construction area, he reported back about his patrol to all the workers there, and in the site office he gave advice on thoroughly implementing the basic rules to employees and workers from subcontractors, and also verified measures to prevent quality issues and occupational accidents.

This fiscal year's occupational health and safety management plans are ensuring preventive safety management, 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 that work there.



Data

101	ESG Data
103	Financial and Non-financial Data (Eleven-year Summary)
105	Consolidated Financial Statements
109	Major Financial Information
110	Share Information
111	Third-Party Opinion

ESG Data

Environment*1

Greenhouse gases

Item	Unit	Scope	FY2018	FY2019	FY2020	FY2021	FY2022
Greenhouse gas (GHG) emissions (Scopes 1 & 2)	tCO ₂	Non-consolidated	4,508	3,905	4,104	3,640	2,804
		Consolidated		4,002	4,196	3,735	2,901
Scope 1*2	tCO ₂	Non-consolidated	2,045	1,866	1,858	1,726	1,698
		Consolidated		1,866	1,858	1,726	1,698
Scope 2*3	tCO ₂	Non-consolidated	2,463	2,040	2,247	1,914	1,106
		Consolidated		2,136	2,338	2,009	1,203
GHG emissions intensity (Scopes 1 & 2) (Emissions per million yen in net sales)	kg-CO ₂ /million yen	Non-consolidated	30.6	24.2	27.3	24.0	16.8
		Consolidated		23.6	26.6	22.9	15.6
Scope 3 Category 11*4 reductions contribution (Reduction in CO ₂ produced during building operations using our design proposals)	tCO ₂	Non-consolidated	22,755	14,968	20,494	16,275	14,976
GHG emissions from offices	tCO ₂	Non-consolidated	1,645	1,549	1,615	1,264	498
Proportion of environmentally friendly vehicles	%	Non-consolidated	82.3	87.1	94.1	97.5	98.6
Power consumption	kWh	Non-consolidated	4,858,045	4,648,422	5,350,291	5,260,558	5,201,941
of which, from renewables	kWh	Non-consolidated	48,176	56,222	115,045	801,988	2,611,297

Waste

Item	Unit	Scope	FY2018	FY2019	FY2020	FY2021	FY2022
Total industrial waste	Tonnes	Non-consolidated	6,871	8,251	6,493	10,037	10,452
Final disposal	Tonnes	Non-consolidated	797	1,124	885	901	1,134
Recycled	Tonnes	Non-consolidated	6,074	7,127	5,608	9,136	9,318
Recycling rate	%	Non-consolidated	88.4	86.4	86.4	91.0	89.2
No. of industrial waste sorting categories	/job site	Non-consolidated	4.0	4.2	4.2	4.8	5.2
Hazardous waste	Tonnes	Non-consolidated	23.5	12.8	16.0	37.3	50.2
General waste from offices	Tonnes	Non-consolidated	113	89	103	96	110

Water resources

Item	Unit	Scope	FY2018	FY2019	FY2020	FY2021	FY2022
Water consumption	m ³	Non-consolidated	59,122	55,761	58,690	63,432	83,560
Water consumption at job sites	m ³	Non-consolidated	45,268	41,313	46,403	50,691	70,946
Water consumption at offices	m ³	Non-consolidated	13,854	14,448	12,287	12,742	12,614
Wastewater at offices	m ³	Non-consolidated	13,854	14,448	12,287	12,742	12,614
Water consumption (intensity) (Consumption per million yen in net sales)	m ³ /million yen	Non-consolidated	0.401	0.345	0.390	0.419	0.502
No. of violations of water quality/consumption standards/regulations	Cases	Non-consolidated	0	0	0	0	0

Other

Item	Unit	Scope	FY2018	FY2019	FY2020	FY2021	FY2022
Green purchasing rate for equipment used at job sites	%	Non-consolidated	46.0	46.7	48.9	46.5	51.1
Consumption of copy paper at offices*5	Tonnes	Non-consolidated	58.0	57.4	51.7	48.4	46.7
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	FY2018	FY2019	FY2020	FY2021	FY2022
No. of disabled employees	Employees	Non-consolidated	22	25	26	26	29
		Consolidated	23	26	27	27	30
Proportion of disabled employees	%	Non-consolidated	1.7	2.0	2.0	1.9	2.0
		Consolidated	1.8	2.1	2.1	2.0	2.1

Item	Unit	Scope	FY2018	FY2019	FY2020	FY2021	FY2022
Proportion of female employees	%	Non-consolidated	12.6	13.1	14.2	15.3	15.7
		Consolidated	12.3	12.7	13.8	14.9	15.1
Job turnover rate	%	Non-consolidated	1.8	2.2	2.2	3.0	3.7
		Consolidated	2.2	2.4	2.6	2.8	4.0
Human rights complaints	Cases	Non-consolidated	4	4	4	10	7
Proportion of mid-career hires	%	Non-consolidated	16	12	18	10	20
Proportion of female managers	%	Non-consolidated	0.9	0.9	0.9	0.9	1.6

Employee training

Item	Unit	Scope	FY2018	FY2019	FY2020	FY2021	FY2022
Total training expenses	Million yen	Non-consolidated	58	61	76	131	115
Total training hours	Hours	Non-consolidated	71,946	63,509	73,516	102,176	108,759
Training hours per person	Hours	Non-consolidated	48.35	42.14	48.02	64.75	66.11

Occupational health and safety

Item	Unit	Scope	FY2018	FY2019	FY2020	FY2021	FY2022
Frequency rate	Result	Non-consolidated	0.240	0.380	0.250	0.480	0.300
	Target	Non-consolidated	(0.300)	(0.300)	(0.300)	(0.250)	(0.250)
	Industry standard*6	Non-consolidated	(0.68)	(0.59)	(0.49)	(0.36)	(0.52)
Severity rate	Result	Non-consolidated	0.008	0.016	0.004	0.013	0.570
	Target	Non-consolidated	(0.020)	(0.020)	(0.020)	(0.010)	(0.010)
	Industry standard*6	Non-consolidated	(0.01)	(0.52)	(0.01)	(0.04)	(0.03)
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	FY2018	FY2019	FY2020	FY2021	FY2022
Donations to NGOs/NPOs and investment in communities	Million yen	Non-consolidated	66	38	33	9	23
No. of violations of labor standards	Cases	Non-consolidated	3	0	0	0	0
		Consolidated	3	0	0	0	0

Governance

Compliance & risk management

Item	Unit	Scope	FY2018	FY2019	FY2020	FY2021	FY2022
Total political contributions	Million yen	Non-consolidated	2	2	0.4	0.6	1.4
No. of employees disciplined or fired for corruption, bribery, etc.	Employees	Non-consolidated	0	0	0	0	0
		Consolidated	0	0	0	0	0
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	6	4	4	11	11
Compliance seminars	Frequency	Non-consolidated	1	1	1	1	1
Compliance training e-learning	Frequency	Non-consolidated	1	1	2	1	4
Risk sense training	Frequency	Non-consolidated	—	—	2	1	4

Governance

Item	Unit	Scope	FY2018	FY2019	FY2020	FY2021	FY2022
Board of Directors	No. of meetings	Non-consolidated	18	16	16	16	19
	Participation rate (%)	Non-consolidated	99	99	97	99	99
Board of Auditors	No. of meetings	Non-consolidated	16	17	17	17	13
	Participation rate (%)	Non-consolidated	100	100	100	100	100
Board of Independent Officers	No. of meetings	Non-consolidated	7	9	8	14	16
	Participation rate (%)	Non-consolidated	100	100	97	100	98
Nominating and Remuneration Committee	No. of meetings	Non-consolidated	—	—	—	2	7
	Participation rate (%)	Non-consolidated	—	—	—	100	100

*1 Excluding 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 FY2023 target: 46 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, 2013	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	
Results (Million yen)												
Net sales of construction contract orders received	119,980	127,394	131,633	143,503	144,007	147,335	158,533	170,121	176,526	183,668	206,337	
Net sales of completed construction contracts	121,919	124,445	121,780	138,346	125,253	143,448	155,565	169,229	157,712	162,929	185,961	
Gross profit on completed construction contracts	12,742	14,137	14,563	16,713	17,788	18,786	19,111	21,056	21,521	20,723	22,624	
Selling, general and administrative expenses	9,992	9,966	10,016	10,176	11,038	11,400	11,450	11,993	12,767	13,138	14,195	
Operating profit	2,749	4,171	4,547	6,537	6,750	7,385	7,661	9,063	8,754	7,584	8,428	
Ordinary profit	3,278	4,471	4,857	6,770	6,939	7,674	8,057	9,282	9,262	8,095	9,288	
Profit attributable to owners of parent	1,599	1,670	2,921	4,248	4,638	5,109	5,464	6,399	6,318	5,778	6,626	
Capital expenditures	968	90	428	981	1,037	381	850	325	584	1,203	2,887	
R&D expenses	417	430	461	524	663	649	647	778	754	1,076	1,174	
Depreciation	396	419	339	279	426	469	451	458	484	449	489	
Cash flows from operating activities	1,261	3,117	2,427	611	5,395	3,320	(13,541)	12,742	14,241	(11,718)	15,941	
Cash flows from investing activities	(740)	(172)	(401)	(493)	(1,442)	(315)	(232)	(636)	(718)	(873)	(4,729)	
Cash flows from financing activities	(955)	(892)	(2,344)	(894)	(925)	(1,711)	(1,317)	(3,240)	(3,487)	(3,214)	(2,218)	
Cash and cash equivalents at end of period	22,420	24,598	24,358	23,536	26,549	27,858	12,776	21,616	31,747	16,037	25,348	

Assets (Million yen)

Total assets	106,155	111,347	113,440	122,312	118,454	130,006	120,728	123,049	132,210	139,099	148,544
Net assets	44,988	46,609	53,462	54,583	58,004	64,417	66,390	67,409	74,837	77,242	82,424

Per share data

Profit (yen)	71.67	74.91	130.99	190.53	208.04	229.19	245.16	291.29	291.96	270.16	309.56
Net assets (yen)	2,010.77	2,081.35	2,387.22	2,438.82	2,593.28	2,882.07	2,970.59	3,101.72	3,491.84	3,603.11	3,841.33
Dividend (yen)	38.00	32.00	36.00	40.00	46.00	56.00	76.00	90.00	90.00	90.00	100.00
Dividend payout ratio (%)	53.7	43.3	27.8	21.3	22.1	24.4	31.0	30.9	30.8	33.3	32.3

* On October 1, 2017, we carried out a 2-to-1 reverse stock split of ordinary shares. Figures for fiscal 2016 and before are hypothetical and calculated as though the reverse stock split was carried out at the beginning of fiscal 2011.

Management indices

Operating profit margin (%)	2.3	3.4	3.7	4.7	5.4	5.1	4.9	5.4	5.6	4.7	4.5
Equity capital ratio (%)	42.3	41.7	46.9	44.5	48.8	49.4	54.8	54.6	56.4	55.4	55.4
Return on equity (%)	3.7	3.7	5.9	7.9	8.3	8.4	8.4	9.6	8.9	7.6	8.3
Price-earnings ratio (%)	14.0	14.6	12.5	7.8	10.2	10.2	10.5	10.0	10.1	7.8	7.7
Price-to-book ratio (times)	0.50	0.52	0.69	0.61	0.82	0.81	0.87	0.94	0.85	0.58	0.62

Non-financial Information

Non-financial Information	FY ended Mar. 31, 2013	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
---------------------------	---------------------------	---------------------------	---------------------------	---------------------------	---------------------------	---------------------------	---------------------------	---------------------------	---------------------------	---------------------------	---------------------------

Number of employees

Consolidated employees	1,445	1,472	1,498	1,493	1,505	1,540	1,600	1,617	1,644	1,727	1,830
of which, non-consolidated	1,364	1,389	1,409	1,411	1,416	1,446	1,488	1,507	1,531	1,578	1,645

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	FY ended Mar. 31, 2022	FY ended Mar. 31, 2023
Assets		
Current assets		
Cash and deposits	16,065	25,379
Notes receivable, accounts receivable from completed construction contracts and other	68,903	69,625
Electronically recorded monetary claims—operating	15,002	9,487
Costs on construction contracts in progress	464	671
Other	4,416	3,092
Allowance for doubtful accounts	(6)	(136)
Total current assets	104,846	108,120
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,020	9,274
Accumulated depreciation	(3,739)	(4,049)
Buildings and structures, net	4,281	5,225
Machinery, equipment and vehicles	158	708
Accumulated depreciation	(128)	(133)
Machinery, equipment and vehicles, net	29	574
Tools, furniture and fixtures	893	953
Accumulated depreciation	(694)	(714)
Tools, furniture and fixtures, net	198	238
Land	1,280	1,280
Construction in progress	104	197
Total property, plant and equipment	5,893	7,516
Intangible assets	409	1,178
Investments and other assets		
Investment securities	15,837	18,790
Retirement benefit asset	10,628	11,459
Other	1,622	1,611
Allowance for doubtful accounts	(138)	(133)
Total investments and other assets	27,949	31,728
Total non-current assets	34,253	40,424
Total assets	139,099	148,544

(Millions of yen)

	FY ended Mar. 31, 2022	FY ended Mar. 31, 2023
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	24,025	23,294
Electronically recorded obligations—operating	12,047	12,109
Short-term borrowings	3,229	2,901
Income taxes payable	701	2,258
Advances received on construction contracts in progress	2,058	1,899
Provision for share awards	26	26
Provision for warranties for completed construction	70	48
Provision for loss on construction contracts	615	516
Deposits received	8,703	9,307
Other	6,004	9,169
Total current liabilities	57,483	61,532
Non-current liabilities		
Long-term loans payable	675	720
Deferred tax liabilities	2,419	2,660
Retirement benefit liability	1,251	1,148
Long-term accounts payable - other	5	5
Other	22	51
Total non-current liabilities	4,374	4,587
Total liabilities	61,857	66,119
Net assets		
Shareholders' equity		
Capital stock	4,479	4,479
Capital surplus	4,837	4,837
Retained earnings	63,946	68,638
Treasury shares	(3,166)	(3,132)
Total shareholders' equity	70,097	74,822
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,079	6,116
Foreign currency translation adjustment	34	112
Remeasurements of defined benefit plans	870	1,191
Total accumulated other comprehensive income	6,984	7,419
Non-controlling interests	160	182
Total net assets	77,242	82,424
Total liabilities and net assets	139,099	148,544

Consolidated Statements of Income

(Millions of yen)

	FY ended Mar. 31, 2022	FY ended Mar. 31, 2023
Net sales of completed construction contracts	162,929	185,961
Cost of sales of completed construction contracts	142,206	163,337
Gross profit on completed construction contracts	20,723	22,624
Selling, general and administrative expenses	13,138	14,195
Operating profit	7,584	8,428
Non-operating income		
Interest income	12	12
Dividend income	360	432
Rental income from real estate	34	32
Insurance fee income	122	128
Foreign exchange gains	135	327
Other	15	43
Total non-operating income	680	976
Non-operating expenses		
Interest expenses	98	70
Guarantee commission	6	8
Rental expenses on real estate	9	9
Arrangement fees	35	—
Commitment fees	5	19
Other	15	8
Total non-operating expenses	170	117
Ordinary profit	8,095	9,288
Extraordinary income		
Gain on sale of non-current assets	—	3
Gain on sale of investment securities	364	551
Reversal of allowance for doubtful accounts	—	4
Total extraordinary income	364	559
Extraordinary losses		
Loss on retirement of non-current assets	142	16
Loss on valuation of investment securities	4	—
Total extraordinary losses	146	16
Profit before income taxes	8,312	9,830
Income taxes - current	2,009	3,116
Income taxes - deferred	563	82
Total income taxes	2,572	3,199
Profit	5,739	6,631
Profit (loss) attributable to non-controlling interests	(38)	4
Profit attributable to owners of parent	5,778	6,626

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY ended Mar. 31, 2022	FY ended Mar. 31, 2023
Profit	5,739	6,631
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,367)	36
Foreign currency translation adjustment	0	94
Remeasurements of defined benefit plans	(72)	321
Total other comprehensive income	(1,439)	452
Comprehensive income	4,299	7,083
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,344	7,061
Comprehensive income attributable to non-controlling interests	(44)	22

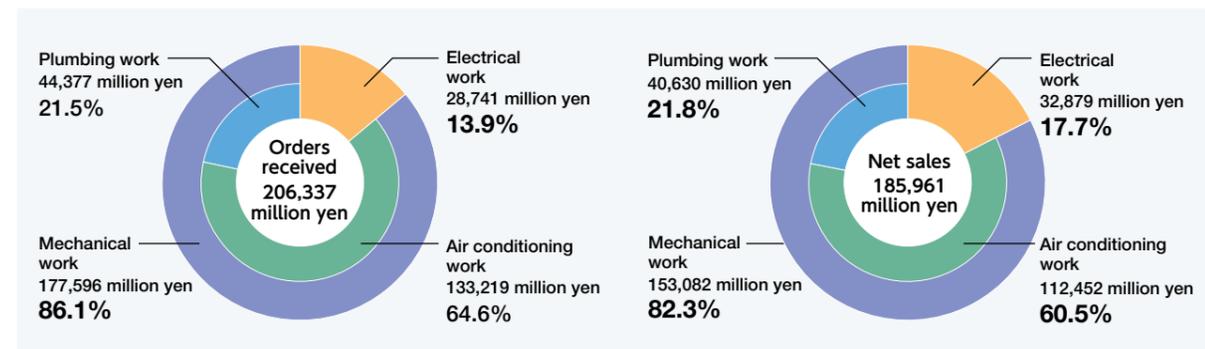
Consolidated Statements of Cash Flows

(Millions of yen)

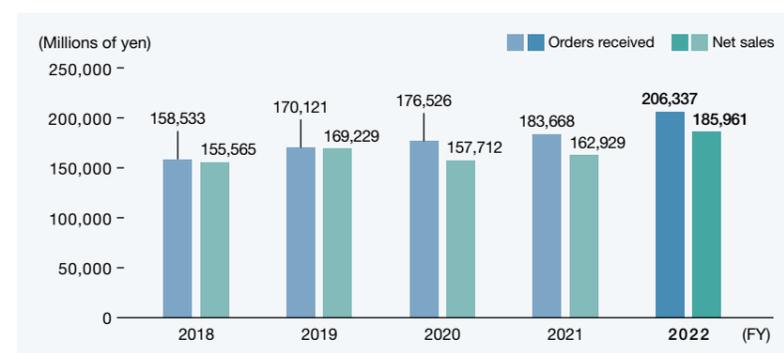
	FY ended Mar. 31, 2022	FY ended Mar. 31, 2023
Cash flows from operating activities		
Profit before income taxes	8,312	9,830
Depreciation	449	489
Increase (decrease) in allowance for doubtful accounts	(7)	124
Increase (decrease) in retirement benefit liability	26	(17)
Interest and dividend income	(373)	(444)
Interest expenses	98	70
Loss (gain) on valuation of investment securities	4	—
Loss (gain) on sale of investment securities	(364)	(551)
Loss (gain) on sale of non-current assets	—	(3)
Loss on retirement of non-current assets	142	16
Decrease (increase) in notes and accounts receivable—trade	(20,693)	4,793
Decrease (increase) in costs on construction contracts in progress	(89)	(206)
Decrease (increase) in other current assets	(2,992)	1,040
Decrease (increase) in other non-current assets	(10)	10
Decrease (increase) in retirement benefit asset	(363)	(454)
Increase (decrease) in notes and accounts payable—trade	5,599	(670)
Increase (decrease) in advances received on construction contracts in progress	690	(158)
Increase (decrease) in other current liabilities	558	3,241
Increase (decrease) in other non-current liabilities	6	29
Subtotal	(9,007)	17,142
Interest and dividends received	373	444
Interest paid	(95)	(69)
Income taxes refund (paid)	(2,989)	(1,575)
Net cash provided by (used in) operating activities	(11,718)	15,941
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	27	27
Payments into time deposits	(27)	(30)
Purchase of property, plant and equipment	(1,154)	(1,804)
Proceeds from sale of property, plant and equipment	—	3
Payments for retirement of property, plant and equipment	(67)	(5)
Purchase of investment securities	(203)	(3)
Proceeds from sale and redemption of investment securities	774	744
Payments of loans receivable	(91)	—
Proceeds from collection of loans receivable	40	9
Payment for establishment of subsidiary	(21)	—
Purchase of shares of subsidiaries and associates	—	(3,078)
Other payments	(194)	(658)
Other proceeds	43	67
Net cash provided by (used in) investing activities	(873)	(4,729)
Cash flows from financing activities		
Proceeds from short-term borrowings	33,570	21,400
Repayments of short-term borrowings	(34,370)	(21,400)
Proceeds from long-term borrowings	1,100	800
Repayments of long-term borrowings	(1,578)	(1,083)
Purchase of treasury shares	(1)	(0)
Dividends paid	(1,935)	(1,935)
Net cash provided by (used in) financing activities	(3,214)	(2,218)
Effect of exchange rate change on cash and cash equivalents	97	317
Net increase (decrease) in cash and cash equivalents	(15,710)	9,310
Cash and cash equivalents at beginning of period	31,747	16,037
Cash and cash equivalents at end of period	16,037	25,348

Major Financial Information

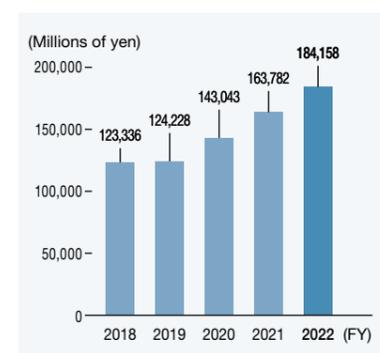
Fiscal 2022 orders received and net sales ratios by segment



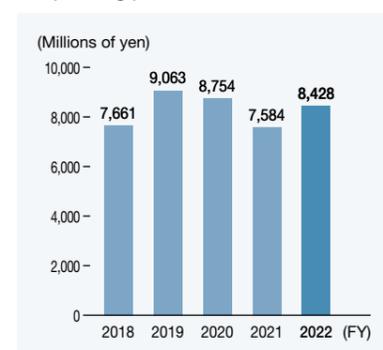
Orders received/Net sales



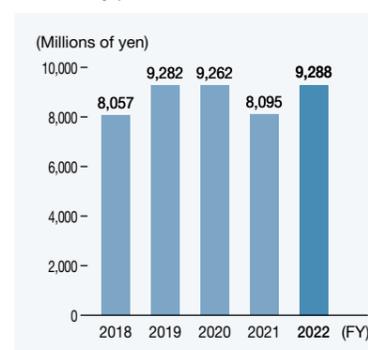
Orders received carried forward



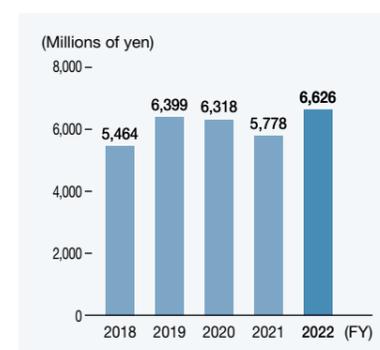
Operating profit



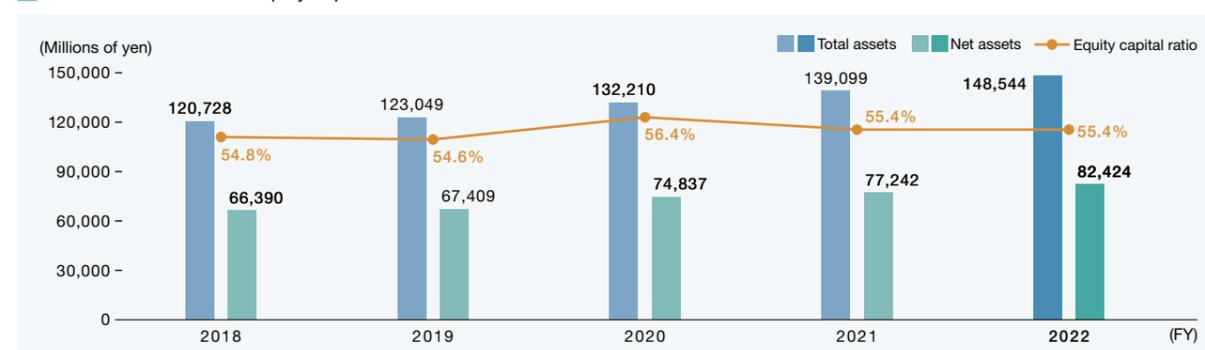
Ordinary profit



Profit



Total assets/Net assets/Equity capital ratio

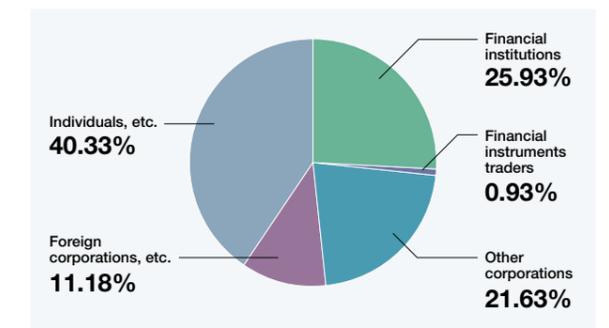


Share Information

(As of March 31, 2023)

① Business year	April 1 to the following March 31
② Annual general meeting of shareholders	Late June
③ Total no. of authorized shares	40,000,000
④ Total no. of issued shares	22,981,901
⑤ Share unit	100 shares
⑥ No. of shareholders	4,942
⑦ Listed stock exchange	Tokyo Stock Exchange's Prime Market (Securities code: 1980)
⑧ Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation

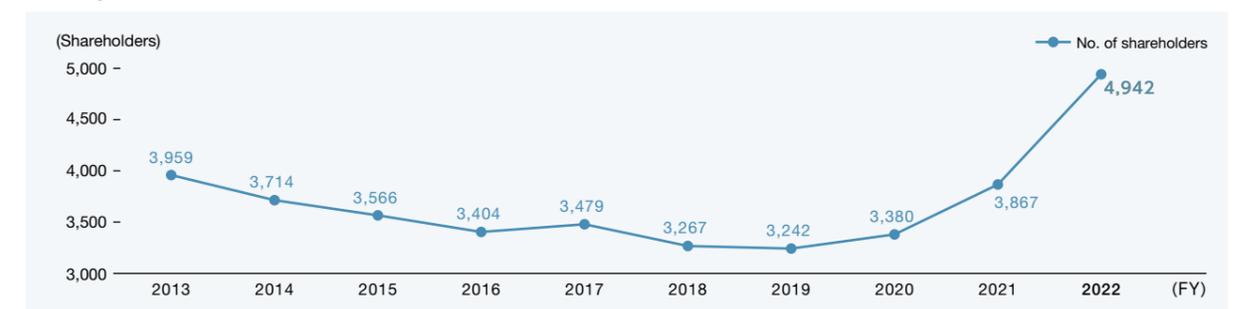
Breakdown of share ownership



On Sunday, October 1, 2023, we carried out a 2:1 stock split for ordinary shares.

Our goal was that by reducing the amount of money required to invest in a single share, we would make it easier to invest, while also improving market liquidity and expanding the pool of investors.

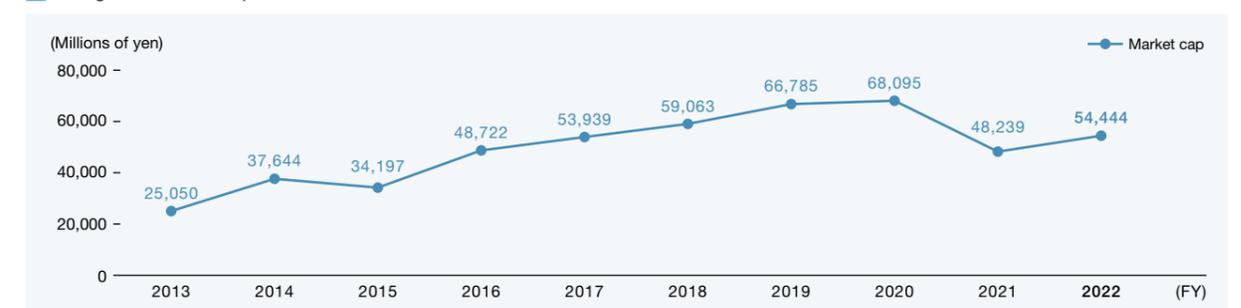
Changes in number of shareholders



Major shareholders (ten biggest)	Shares held (thousand shares)	Shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,667	7.75
Tokyo Daigen Business Stock Ownership Association	1,138	5.29
MUFG Bank, Ltd.	973	4.52
Osaka Daigen Business Stock Ownership Association	781	3.63
Dai-Dan Employee Stock Ownership Association	770	3.58
Yurakubashi Building K.K.	738	3.43
Nagoya Daigen Business Stock Ownership Association	594	2.76
Sanshin Co., Ltd.	559	2.60
Custody Bank of Japan, Ltd.	518	2.41
Mizuho Bank, Ltd.	479	2.23

Note: We possess 1,481,860 treasury shares, which are omitted from this list of major shareholders and not included when calculating the percentage of shares held.

Changes in market cap



Third-Party Opinion

These are the opinions of myself and three other lawyers—Motohiro Shibuya, 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 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 2023–2024. In doing so, we have considered Dai-Dan’s management and the development of its SDG and ESG initiatives, the balance between business and human rights, and recent trends in corporate governance.

During our evaluation, after verifying and investigating the information contained in this integrated report, we asked for necessary documents and answers to our questions. 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 “value creation”—the 120-year history of Dai-Dan’s initiatives, its formulation and promotion of value creation processes, the steady successes of its long-term vision, its setting and actions on materiality that reflect the company’s actual circumstances, 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 and compliance fields introduces how the company has taken on board what has happened there, and specific measures, including measures to prevent reoccurrence, that it is taking. 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.

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

Initiatives related to environmental preservation

In terms of Dai-Dan’s response to the environment, looking at the materiality map included in this report, it is clear that contributing to a carbon-free society has been positioned as an extremely important issue in terms of both importance and impact on stakeholders. As to Scope 1 and 2 greenhouse gas emissions reductions, the fact that last fiscal year Dai-Dan was able to not only meet its initial target (of a 46% reduction compared to fiscal 2013 levels) but greatly exceed it (with a 54% reduction), speaks to how well that materiality has been shared within the company. Going forward, as it works toward its new long-term target of cutting emissions by 43% compared to fiscal 2019 levels by fiscal 2030, Dai-Dan is promoting problem-resolution efforts centered on its Climate-related Task Force, which comes under the Sustainability Committee, and is expected to tackle the issue as though it were its own problem.

Dai-Dan sends its subcontractors and suppliers CSR procurement agreement forms, and this year it should surely be praised for collecting them from all relevant companies (initially planned for 5,500 companies but this could increase) and is forecast to achieve this target.

The development and spread of ZEBs, meanwhile, is referred to in many places, including the President’s Message, characteristic of this report. ZEBs are not only a way to tackle an environmental problem—and thereby resolve one of the issues facing society—they are also directly linked to rises in corporate value that uses the company’s original expertise. As the methods are mostly utilized in office projects, some aspects may not align with the fact that industrial facility projects are becoming a bigger proportion of total orders, but we hope that Dai-Dan will continue to work toward its targets.

For the company’s social contribution activities, the Dai-Dan Forest preparatory activities that have been planned over past fiscal years actually began with tree-planting at nine sites across Japan

after agreements were signed. These activities help to contribute to local communities by outsourcing their management to local forestry associations in areas where Dai-Dan has a branch. Tree-planting and thinning are also a way of contributing to the COP15 target of reducing threats to biodiversity. Dai-Dan’s commitment should not just be to temporary activities for the duration of the agreements, but to continuous activities that take a longer-term perspective.

In the field of joint research with universities, it seems that the company is also planning business related to smart energy. This field is believed to entail research that can contribute to bringing about a richer, more sustainable society, so it is intimately linked to ESG elements, the SDGs, or other societal problem viewpoints.

We think these are still in the development stage, but we look forward to the disclosure of more information as appropriate, via channels such as the integrated reports.

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

The SMILE 2024 Project, which was launched last fiscal year to rectify the problem of long working hours, is being promoted through a range of concrete initiatives, that include company-wide questionnaires, the new establishment of the Support Department, requests for general contractors and other companies to comply with workstyle-reform-related laws, a review of reports and business documents, and proactive recruitment of experienced personnel. Moreover, during our interviews, we heard that there are studies into other concrete responses as future activities, such as introducing outsourcing and new attendance/absence systems, and strengthening recruitment of mid-career hires. In the President’s Message part of the report, the president spoke not only about the upper limit on overtime that will come into effect in April 2024, he



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

positioned rectifying the problem of long working hours in the construction industry as one of the biggest problems getting in the way of developing the younger workers who will take the industry forward. This shows that Dai-Dan is not treating this as a short-term issue of adjusting to changes in the law, the company rightly recognizes the essence of the problem and is working on it with a view to the long-term future. That approach, and its activities and initiatives, is something we praise highly, and we expect that by further promoting this project, the company will make great strides in tackling the problem of long working hours.

In terms of occupational health and safety, the death of an employee was very unfortunate, and the result was also a major worsening of the severity rate. To ensure that there is not a repeat of such an incident, the company must analyze the causes and strengthen its measures to prevent reoccurrence. I heard that while the cause was determined to be a failure to adhere to basic rules and work guidance, Dai-Dan incorporated the analysis and held meetings to raise awareness of occupational accident reoccurrence prevention efforts throughout the company, and that specific reoccurrence prevention measures—such as reeducation about basic rules, and the adding of new management guidelines—are already being implemented. That multiple, concrete measures are underway so quickly, and that they take on board the cause analysis results, is commendable. We strongly hope that reoccurrence prevention measures function effectively so as to prevent this kind of tragedy before it can happen again.

For DX, we think highly of Dai-Dan’s continued proactive promotion efforts, such as its utilization of ICT and remote worksite support teams. In the future, in a pandemic world and beyond, companies will each need to study whether their various working environments are suitable for users and workers, and take the business environment into account. On this point, while the teleworking implementation rate has dropped from the previous fiscal year, this alone does not call for a negative appraisal. We expect Dai-Dan to instead look at raising both the teleworking implementation rate and the quality of the teleworking it offers.

Initiatives related to corporate governance and legal compliance

With regard to corporate governance, we welcome the fact that the Board of Independent Officers, which comprises only outside directors and auditors, met 16 times in fiscal 2022, and that outside officers

were able to attend Board of Directors meetings having received sufficient information on management and other issues. We believe that the outside officers are adequately independent, and that effectiveness evaluations for the Board of Directors are functioning effectively.

The Nominating and Remuneration Committee, which is chaired by an outside director, met seven times in fiscal 2022, and during that time debated succession planning and rules revisions, but also the improper conduct by employees that was made public in March 2023.

Through meetings like those above in which outside officers play a central role, we expect their duties of utilizing their independent perspectives, keeping specific issues in mind, and acting proactively, will be increasingly important in ensuring management is fair and transparent.

As for human rights due diligence, continuing on from the previous year, the task forces that come under the Sustainability Committee are at the heart of Dai-Dan’s continuous efforts. As well as enhancing its training with the help of outside consultants, Dai-Dan seems to be taking a concrete approach to raising awareness of human rights inside the company. We hope that it will evaluate the effectiveness of its response to human rights risks, while also enhancing the scope of that evaluation to include its overseas business. In addition, Dai-Dan’s newly established Human Capital Task Force is working to strengthen employee engagement, so we can expect to see concrete efforts toward diverse, fair recruitment (DE&I) to make the organization more resilient.

In terms of compliance, as well as an explanatory overview in the report about the aforementioned improper conduct, it includes specific measures to prevent reoccurrence—such as thorough internal compliance education and task flow improvements—and we can see the company’s earnest approach of facing the problem head-on. In particular, to raise employee awareness of compliance, the chairman has himself toured Japan, to offer guidance to all employees, and for affiliated subcontractors, he has encouraged sharing information about the risks of impropriety. This effort from top management to lead will surely foster and strengthen compliance awareness throughout the entire organization.

The internal whistleblowing system that the company operates featured an external hotline, that was previously only manned by corporate lawyers but now another external hotline has been set up separately that is run by an external specialist company. This clearly guarantees neutrality, and this system should be utilized more effectively. We also expect that raising the effectiveness of the internal whistleblowing system will lead to the earlier discovery of various risks and will strengthen compliance. Hopefully, Dai-Dan will continue to work to spread awareness of how to use the system.

Reflecting on the third-party opinions

I am extremely grateful to Mr. Ohara, Mr. Shibuya, Ms. Kakuishi, and Mr. Arioka for their opinions, which we value. Their evaluations of our efforts to address environmental conservation, work-life balance, employees’ working environments, corporate governance, and compliance as priority issues are encouraging, and we will take on board their proposals as matters of great urgency. In the future, too, we will work flat-out to provide our stakeholders with value and make society more sustainable.

Yoji Sasaki
Senior Corporate Officer and CIO
Director of Corporate Planning Div.

