

DAI-DAN REPORT 2014



Inspired by Light, Air & Water

111 Years of Progress

For more than a century, Dai-Dan has been engaged in the engineering and installation of building services for the benefit of society.

By building on our history and expertise, we are helping people achieve greater harmony with nature.

March 1903 - Founded

March 1903 - The House of Sumitomo (1907)

October 1933 - Nagoya City Library (1923)

September 1943 - Hakodate Branch of Bank of Japan (1909)

December 1946 - Head Office of Bank of Japan (1931)

October 1949 - Aichi Prefectural Government Building (1938)

October 1965 - The company is registered as a contractor in accordance with Construction Industry Act.

January 1975 - The corporate name is changed to Osaka Denki Danbo Co., Ltd.

March 1978 - The corporate name is changed back to Osaka Denki Shokai/Osaka Danbo Shokai Co., Ltd.

January 1979 - The corporate name is changed to Osaka Denki Tekkan Kogyo Co., Ltd.

September 1981 - The building of head office is constructed at the current place (Edobori, Nishi-ku, Osaka).

February 1983 - The company's stock is designated on the First Section of Osaka Securities Exchange.

October 1984 - Singapore Branch is opened.

January 1987 - The amount of completed works breaks the 50,000-million-yen mark.

April 1987 - The company lists its stock on the Second Section of Osaka Securities Exchange.

September 1987 - The first mortgage convertible bonds of 5,000 million yen are issued.

November 1987 - The corporate name is changed to Dai-Dan Co., Ltd.

March 1989 - The company delivers the first unit of PECK-500.

March 1993 - The amount of completed works breaks the 100,000-million-yen mark.

August 1993 - The company lists its stock on the First Section of Tokyo Stock Exchange.

September 1997 - The amount of completed works breaks the 200,000-million-yen mark.

December 1999 - The corporate name is changed to Dai-Dan Co., Ltd.

February 2002 - The company obtains a blanket certification of ISO 14001 for all offices through the nation.

March 2003 - All offices through the nation obtain the certification of ISO 9000S.

April 2003 - Singapore Branch obtains the certification of ISO 9000S.

April 2006 - The company celebrates its 100th anniversary on March 4.

October 2006 - Company-wide information system introduced.

March 2008 - Compliance Committee established.

April 2008 - Corporate officer system introduced.

March 2013 - The company celebrates its 110th anniversary on March 4.

April 2013 - New Research Centre is completed in Technical Research Laboratory.



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● Editorial Policy

Since fiscal 2008, we have been publishing our CSR report as a means of informing our stakeholders of our business operations and CSR initiatives. Beginning with this edition, we have renamed this publication as the *DAI-DAN REPORT*. Compiled as an integrated corporate report, it contains financial and non-financial data in addition to the conventional content. Moreover, this edition contains a feature article titled "Dai-Dan's Future Challenges," in which we list the issues that have been accorded a special focus.

● Scope of This Report

Target organisation
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, 2013, to March 31, 2014. Some data refers to activities after April 1, 2014.

● Report Guideline References

Japanese Standards Association "ISO26000:2010"
Ministry of the Environment "Environmental Reporting Guidelines (2012)"
GRI Guideline (G3)

Seeking continuous value creation in order to contribute to a better environment and the development of society

At Dai-Dan, we believe it is our duty to maintain an environment in which people can live their lives in safety and comfort. Our efforts are guided by our management principles of creating value for our customers while contributing to the development of a better environment and stronger communities in our role as a building services engineering and installation provider.

Long dedicated to the emergence of a sustainable society

As the society of the future takes shape, demand is rising for energy conservation as well as energy generation and storage with a focus on renewable sources.

As a building services engineering and installation provider, we are responding to this situation by promoting value creation in order to contribute to the emergence of a sustainable society while strengthening our capabilities in growth areas that will provide our next-generation revenue base.

The new research centre of our Technical Research Laboratory, which opened in April 2013, has become the platform on which we are accumulating expertise in installation technology and developing differentiation technology. This approach will strengthen our capabilities regarding facilities requiring advanced equipment technology as well as the field of medical care, an important component of social infrastructure. We are also engaged in projects in green industries that are attracting investment.

Providing reliable quality that earns the trust of our customers

By leveraging our strengths in the building services engineering and installation industry, specifically the technology cultivated during our more than century-long history, we are strengthening our customer-oriented one-stop services. These span the entire building lifecycle from proposal, planning, and design to construction, maintenance, and repair.

To earn the trust of our customers, we intend to offer additional services by strengthening the support system we offer our customers following delivery.

In addition, we remain committed to improving the practical competence of engineers who have knowledge and experience as well as autonomy that can be leveraged with greater precision to meet the needs of a diverse range of customers.

We will continue to promote the training of skilled engineers and the forging of partnerships with subcontractors. At the same time, we will proactively introduce technologies incorporating development and related technologies in order to provide the quality required to meet the expectations of our customers.

Maintaining our role as a responsible company

As part of our management foundation, we have been pursuing our corporate initiatives through corporate management that ensures compliance with all legal and regulatory requirements. However, we intend to undertake a radical review in order to further strengthen our compliance system. We remain united in guiding our officers and employees to comply with the Anti-Monopoly Act and related laws and regulations as we continue to operate our business with high ethical values.

Maintaining a workplace that enables employees to work with pride

At Dai-Dan, we believe that our personnel are our most valuable asset; therefore, we have always sought to cultivate our human resources through education and training. We are committed to preserving for posterity the corporate expertise we have cultivated throughout our long history. Our goal is to maintain a workplace environment that instills pride in our employees, and to



Setsu Sugaya

Representative Director,
Chairman and CEO
Dai-Dan Co., Ltd.



Shohei Kitano

Representative Director,
President and COO
Dai-Dan Co., Ltd.

that end we are establishing a new personnel evaluation standard to recognise excellent engineers responsible for on-site installation.

Our workplace environment allows our employees to demonstrate their abilities to the full. We are dedicated to a vision of developing the ideal workplace.

Always With You

In March 2014, we began a decade-long countdown that will conclude with the commemoration of our 120th anniversary.

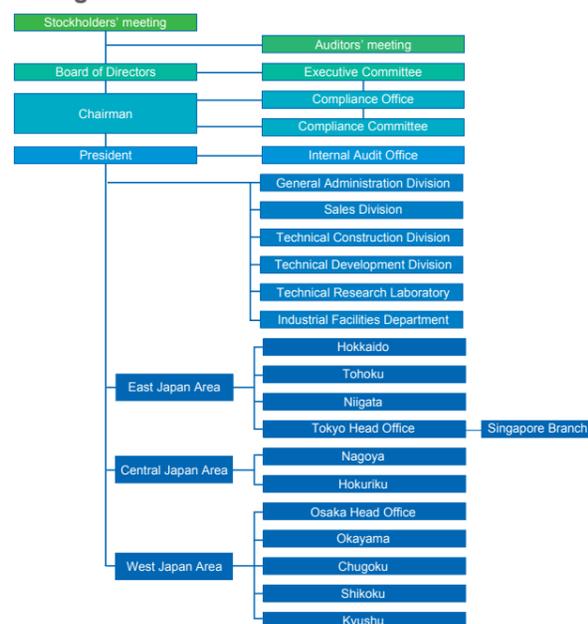
In response to customer expectations and as part of our corporate responsibility, we will continue to pursue Dai-Dan's mission to enhance our corporate value through continuous growth.

Your ongoing support and cooperation is truly appreciated.

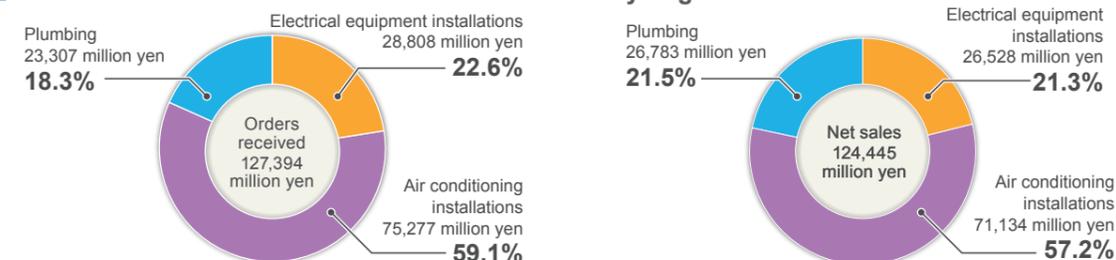
Corporate Profile

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	1,472 (as of March 31, 2014) consolidated
Stock listing	The first section of Tokyo Stock Exchange

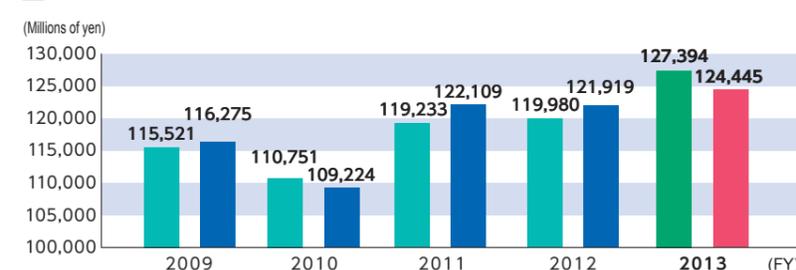
Organisation Chart



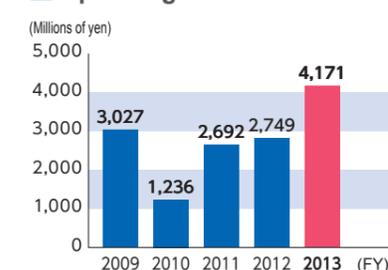
Fiscal 2013 Orders Received and Net Sales Ratios by Segment



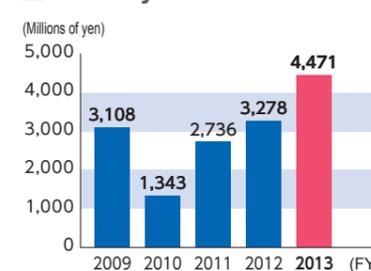
Orders Received/Net Sales



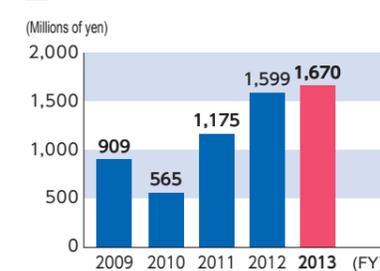
Operating Income



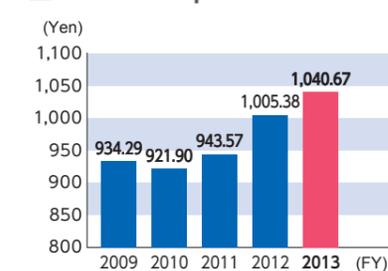
Ordinary Income



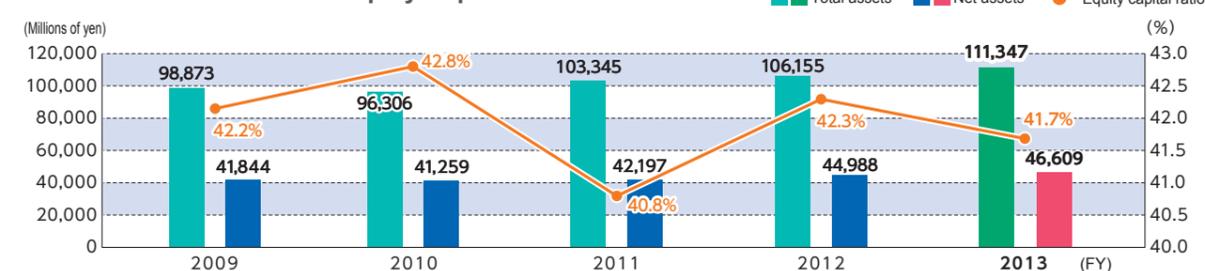
Net Income



Net Assets per Share



Total Assets/Net Assets/Equity Capital Ratio



Operational Highlights

Non-Financial Data

	FY2009	FY2010	FY2011	FY2012	FY2013
Number of employees (consolidated)	1,402	1,413	1,435	1,445	1,472
Number of workplace accidents	28	27	42	29	38
Frequency rate of workplace accidents*	0.45	0.26	0.25	0.52	0.54
Severity rate of workplace accidents**	0.03	0.02	0.65	0.06	0.08
CO ₂ emissions from offices (tonnes)	1,688	1,753	1,499	1,421	1,428

* Number of workplace accidents per million work hours ** Number of workdays lost per thousand work hours

Financial Highlights

Accounting Year

	FY2009	FY2010	FY2011	FY2012	FY2013
Orders received	115,521	110,751	119,233	119,980	127,394
Net sales	116,275	109,224	122,109	121,919	124,445
Selling, general and administrative expenses	10,162	9,574	9,684	9,992	9,966
Operating income (loss)	3,027	1,236	2,692	2,749	4,171
Ordinary income (loss)	3,108	1,343	2,736	3,278	4,471
Net income (loss)	909	565	1,175	1,599	1,670
Return on assets (ROA) (%)	3.1	1.4	2.7	3.1	4.1
Return on equity (ROE) (%)	2.2	1.4	2.8	3.7	3.7
Cash flows from operating activities	3,859	(4,758)	876	1,261	3,117
Cash flows from investing activities	(592)	(848)	(397)	(740)	(172)
Cash flows from financing activities	(2,017)	(427)	(1,619)	(955)	(892)
Cash and equivalents at end of period	29,936	23,911	22,635	22,420	24,598

Fiscal Year-End

	FY2009	FY2010	FY2011	FY2012	FY2013
Total assets	98,873	96,306	103,345	106,155	111,347
Net assets	41,844	41,259	42,197	44,988	46,609
Equity capital ratio (%)	42.2	42.8	40.8	42.3	41.7

Per Share Data

	FY2009	FY2010	FY2011	FY2012	FY2013
Net income	20.34	12.65	26.32	35.83	37.45
Net assets	934.29	921.90	943.57	1,005.38	1,040.67
Dividends	16.00	16.00	16.00	19.00	16.00

Major Projects Completed in FY2012 and FY2013

JP Tower: Air conditioning installation



Kagawa Prefectural Central Hospital: Air conditioning installation



Kanto Factory, Sawai Pharmaceutical Co., Ltd.: Air conditioning installation



Public Facility Complex, South Peer: Electrical equipment installation



Tachikawa Regional Joint Government Building: Air conditioning installation and plumbing work



Kanagawa Cancer Centre: Air conditioning installation



Nakano Campus, Teikyo Heisei University: Air conditioning installation



Toyama Murata Manufacturing: Air conditioning installation



NTT Cred Motomachi Building (RIHGA Royal Hotel Hiroshima): Air conditioning installation and plumbing work



Kyoto University, Medical Innovation Centre Building: Air conditioning installation and plumbing work



Grand Front Osaka: Air conditioning installation and plumbing work



Electrical equipment installations

Electricity and the electrical equipment on which it flows are the lifeblood of a building. They supply the power to equipment and services that allows a building to fulfill its function.

Electrical equipment installations involve the installation of a high-voltage transformer, a distribution board and the wiring that supplies electricity to lighting, outlets, pumps and fans.

Electrical equipment is crucial to the saving, generation and storage of energy. Dai-Dan converts ordinary buildings to smart buildings by, for instance, reducing power consumption through LED lighting installations, generating electricity by installing solar panels and enabling energy storage that is critical for the efficient use of solar generated electricity.

Dai-Dan's electrical equipment technology is not limited to energy-efficiency applications; it also extends into diverse areas such as supporting business continuity plans (BCP) that take effect during times of disaster.

Air conditioning installations

The temperature, humidity, flow and purity of air are indispensable to maintaining a comfortable interior environment in a building. Air conditioners help to create and maintain this environment.

Air conditioners vary from general-purpose types for office buildings to precision models used in semiconductor fabrication plants. At Dai-Dan, we respond to the needs of our customers by applying expertise gained through long experience and developing advanced air conditioning technologies at our Technical Research Laboratory.

Our air conditioning systems have been installed in many advanced facilities, including energy-efficient green data centres and hybrid operating rooms.

Plumbing

Water is a precious resource. Plumbing components are used to supply safe, clean water and facilitate appropriate drainage of dirty water. In addition to making possible this supply and drainage, plumbing components now play an important role in the reuse of wastewater. Today, we install plumbing systems designed to help preserve the environment.

We also strive to ensure safety and protect building assets with sprinkler facilities that reduce the possibility of fire as well as indoor and outdoor fire hydrants that provide water.

Renovations

Renovations to buildings and other facilities add value to customer assets by extending their service life while increasing energy efficiency.

Our renovation work includes installations that accommodate existing needs as well as follow-up service. We also draw up plans to meet the needs of our customers by applying our unique equipment diagnosis technology and utilising the installation experience we have gained from comprehensive installations of building equipment in our role as a building services engineering and installation provider.

Overseas operations

Dai-Dan has operations in Singapore, Malaysia and other countries providing services to factories and research centres where we can fully utilise our expertise.

We have completed a number of contracts overseas, primarily in our field of expertise. We have built cleanrooms and installed energy saving systems that have been very well regarded by our customers.

Dai-Dan provides high quality systems and strives to establish a strong presence in each of the respective countries.

Mid-Term Management Plan

The Mid-Term Management Plan prepared for the period spanning April 2012 to March 2015 promotes sweeping reforms that address our entire management structure. In May 2014, we announced a revision of our Mid-Term Management Plan that includes new strategies and measures targeting further development of the company.

In this revision, we adopted strategic restructuring measures targeting four areas of interest: trust, quality, growth and responsibility.

Dai-Dan to Challenge a New Era

Management Principles

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.

Management Policies

- 1 We maintain focus on our customers as the business environment changes so that we can meet all their need.
- 2 We operate the business in compliance with all legal and regulatory requirements.
- 3 We ensure that our corporate activities assure the safety and quality of products and services and contribute to environmental preservation.
- 4 We attain our corporate targets by pursuing both our strategies and policies.

Basic Policies of Mid-Term Management Plan

- Maintain a customer first attitude as we conduct our corporate activities and accurately identify our customers' needs and changes in the market.
- Strengthen practical competence empowered by the expertise and experience of individual employees and strengthen practical competence of the organisation empowered by ongoing improvement of management methods to provide the quality and service that meet our customers' needs.
- Strengthen the capability for the field of growth in order to secure revenue for the next generation, and promote creation of greater value.
- Reinforce the management and education system so that all officers and employees comply with relevant laws and regulations and conduct corporate activities based on high ethical standards.

Targeted Earnings

	FY2012 (84th term)		FY2014 (86th term)	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Orders received	121 billion yen	120 billion yen	123 billion yen	122 billion yen
Net sales	121 billion yen	120 billion yen	123 billion yen	122 billion yen
Operating income	3 billion yen	3 billion yen	4 billion yen	4 billion yen

Key Strategies and Measures



Confidence

1. Strategies and measures for a customer first attitude

- (1) More orders from customers through strengthening of our "customer-oriented one stop service"
 - With our strength as a building facility provider, the "customer-oriented one stop service" is reinforced through a stronger focus on building life-cycle.
 - Orders for renovations should be increased through closer relationship with customers.
 - With the reinforced support system for customers after completion and handover, we satisfy various customer needs and provide services more speedily.
- (2) Promoting provision of technical solutions
 - We leverage our development technology and related technology to positively promote provision of technical solutions according to customers' needs and market trends.

Quality

2. Strategies and measures for strengthening practical competence

- (1) Greater ability to provide design solutions and installation expertise
 - We strengthen our formula, "practical competence" = "knowledge" x "experience" x "autonomy."
 - The mobility of design engineers/construction engineers should be more flexible nationwide to smoothly respond to changes in the market trends.
 - We restructure the company-wide training system to strengthen "practical competence."
 - We work on training of general engineers for electricity/air conditioning systems/sanitary installations to strengthen the one stop service.
- (2) Ongoing improvement of site management methods
 - Through promoting information technology at the site, we aim for effective improvement in site management methods.
 - We reduce risks and prevent troubles with regard to safety, quality and cost.
- (3) Utilisation of Dai-Dan Meister System and establishment of partnership with subcontractors nationwide
 - We implement and utilise the Dai-Dan Meister System established for the purpose of training and development of subcontractors.
 - We value the excellent staff of subcontractors, and aim for secured safety, improved quality and cost reduction through closer relationship between such staff and our engineers.
 - We rebuild the nationwide network of subcontractors.

Growth

3. Strategies and measures for securing revenue for the next generation

- (1) Strengthening our capabilities regarding facilities requiring advanced equipment technology
 - We focus on projects that require the high level of technology for facilities, such as battery-related plants, pharmaceutical plants, facilities for experimental animals, regenerative medical facilities, data centres and plant factories.
 - In order to strengthen our competitiveness in the above field, we acquire construction skills and promote the development of exclusive technology to achieve recognition as a top company in technology.
- (2) Strengthening our capabilities in the field of medical care, an important component of social infrastructure
 - In order to sustain and enhance our brand recognition as "Dai-Dan of the medical field", we conduct marketing activities based on our top achievements in construction of hospitals and our skills, and promote to accumulate construction technology and develop exclusive technology.
- (3) Strengthening our capabilities in energy and environmental projects in green industries that are attracting investment
 - In order to become competitive in projects in green industries, we improve our technology to achieve "energy saving", "energy generation" and "energy storage" for facilities.
- (4) Promotion of cooperation among companies of various fields, aiming for continued growth and creation of new value
 - We promote cooperation among companies of various fields by leveraging our strength in facility technology to achieve innovation for creation of new value.

Responsibility

4. Strategies and measures for satisfying social requirements

- (1) Strengthening of compliance system
 - We conduct ongoing trainings to ensure that all officers and employees of the Company comply with relevant laws including the Anti-Monopoly Act and the Construction Business Law, and voluntarily act in accordance with public decency.
 - We strengthen the management and education system to ensure fair and appropriate business transaction.
- (2) Promotion of activities to save resources and energy
 - We promote ongoing activities to save resources and energy based on our environment management system, and strengthen communications with society including stakeholders.
- (3) Promotion of social contribution activities as a corporate citizen
 - All officers and employees raise awareness of our responsibility to be a good corporate citizen, and continue to promote our social contribution activities in the neighbouring area.
 - In order to contribute to the development of the building facility industry, we provide technical information to the outside of the Company.

Always With You

We strive to provide comfort that is friendly to both people and the environment.

Dai-Dan believes that we play our part in the sustainable development of society by delivering safety, security and comfort to people's lives through our building services engineering and installation work.

CSR at Dai-Dan is about encouraging each employee to pursue the realisation of a better environment and the development of society as they perform their tasks in keeping with the five Principles of Action of our Corporate Code of Ethics (p. 36).

Stakeholder Relations

Customers, shareholders, employees, subcontractors, business partners and local communities — collectively, our stakeholders — are always the focus of any action we take when conducting our corporate activities. We believe that it is imperative that we accurately identify the expectations and requirements of our stakeholders through communication and respond to these needs, in order for us to grow as a company.



Dai-Dan's Responsibility

Environment

We strive to protect our environment and prevent global warming by strengthening our initiatives to develop low environmental impact installation processes and energy saving technology.

Customers

We strive to meet our customers' needs and provide them with high value-added solutions as well as high quality, comfortable spaces.

Shareholders

We recognise that it is our duty to enhance corporate value, maintain transparent and sound operations and disclose appropriate information in a timely manner.

Employees

We place priority on our employees' safety and health, and are committed to ensuring that their work place is comfortable.

Subcontractors and Business partners

We strive to build healthy partnerships with our subcontractors and business partners through fair, transparent and equal business dealings.

Local community

We recognise that we are a member of society and strive to exist in harmony with the local community through our social contributions in our position as a responsible corporate citizen.

Feature Dai-Dan's Future Challenges

Strategies and measures for establishing our next-generation revenue base



Strengthening Our Response Capabilities

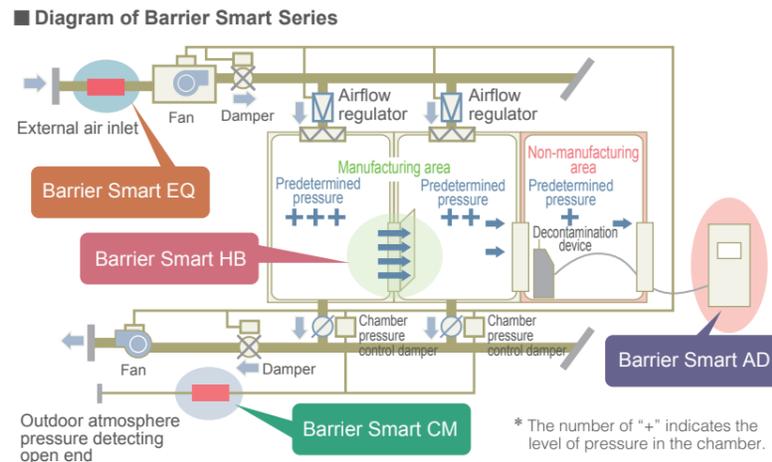
1. Strengthening our capabilities regarding facilities requiring advanced equipment technology

Advanced industrial facilities require industry-appropriate air conditioning equipment. This extensive market is poised for growth and includes data centres as well as manufacturers of pharmaceuticals and rechargeable batteries.

For pharmaceutical manufacturing plants Barrier Smart Series: Chamber pressure control technology

To keep cleanrooms free of pollutants, chamber pressure control technology that maintains chamber pressure is essential. Biological cleanrooms, which are found in pharmaceutical manufacturing plants, are particularly sensitive to changes in pressure and therefore cannot be subject to pressure changes outside of the specified range even when disturbances* occur. The Barrier Smart Series employs the chamber pressure technology developed by Dai-Dan and is able to counterbalance disturbances.

* Changes in chamber pressure caused by the opening and closing of doors, and changes and switching of air intake and exhausts.



Four steps for precise chamber pressure and airflow control

STEP 1	STEP 2
Countering fluctuations in baseline pressure	Countering deviation in chamber pressure caused by strong air movements
Barrier Smart CM Baseline pressure stabilisation unit that works through distance attenuation	Barrier Smart EQ A unit to lower pressure after an increase caused by strong air movement within the duct
Features Technology to stabilise baseline pressure <ul style="list-style-type: none"> ● Stabilisation of baseline pressure, which is prone to fluctuation ● Resolves production stoppages and improves yields, contributing to stable production. 	Features Lowers the pressure by absorbing strong air movement within the duct in order to maintain the pressure differential between rooms. <ul style="list-style-type: none"> ● Ensures stable production even during typhoons. ● Contributes to improved operational efficiency of cleanrooms by decreasing the frequency of chamber alerts set off by strong air movements.
STEP 3 Prevents cross contamination caused by the opening and closing of doors	STEP 4 Maintains constant chamber pressure during decontamination and air conditioning mode switching
Barrier Smart HB Hybrid control system that combines chamber pressure and airflow control	Barrier Smart AD Integrated control system for air conditioning systems that prioritise chamber pressure stabilisation
Features Actively controls airflow. <ul style="list-style-type: none"> ● Reducing risk of cross contamination caused by the opening and closing of doors ● Fast chamber pressure recovery (approximately 1/5 of the time required by our conventional systems) 	Features Ensures safe and reliable mode transitions and decontamination through high-precision chamber pressure control technology. <ul style="list-style-type: none"> ● Ensures reliable protection after decontamination. ● The chamber pressure priority control maintains predetermined chamber pressure levels even during changes in air conditioning operation*. <p><small>* Changes in air conditioning operation: start-up or shutdown of air conditioning system, shifting between day and night modes, etc.</small></p>

More stable research or production activities

For rechargeable battery manufacturing plants Development of an energy-efficient dehumidification system

Very dry conditions — otherwise known as “low dew point” environments — are required for the production of lithium ion batteries and other types of rechargeable batteries. Exposing a lithium ion rechargeable battery to water can result in an intense reaction that generates explosive gas.

When a rechargeable battery manufacturing plant is constructed, it must be provided with air conditioning technology that maintains an environment with a low and stable dew point.

Creating a low dew point environment entails additional considerations including energy efficiency as well as high-quality output. Achieving the greatest possible energy efficiency when dehumidifying air has proved to be a major challenge.

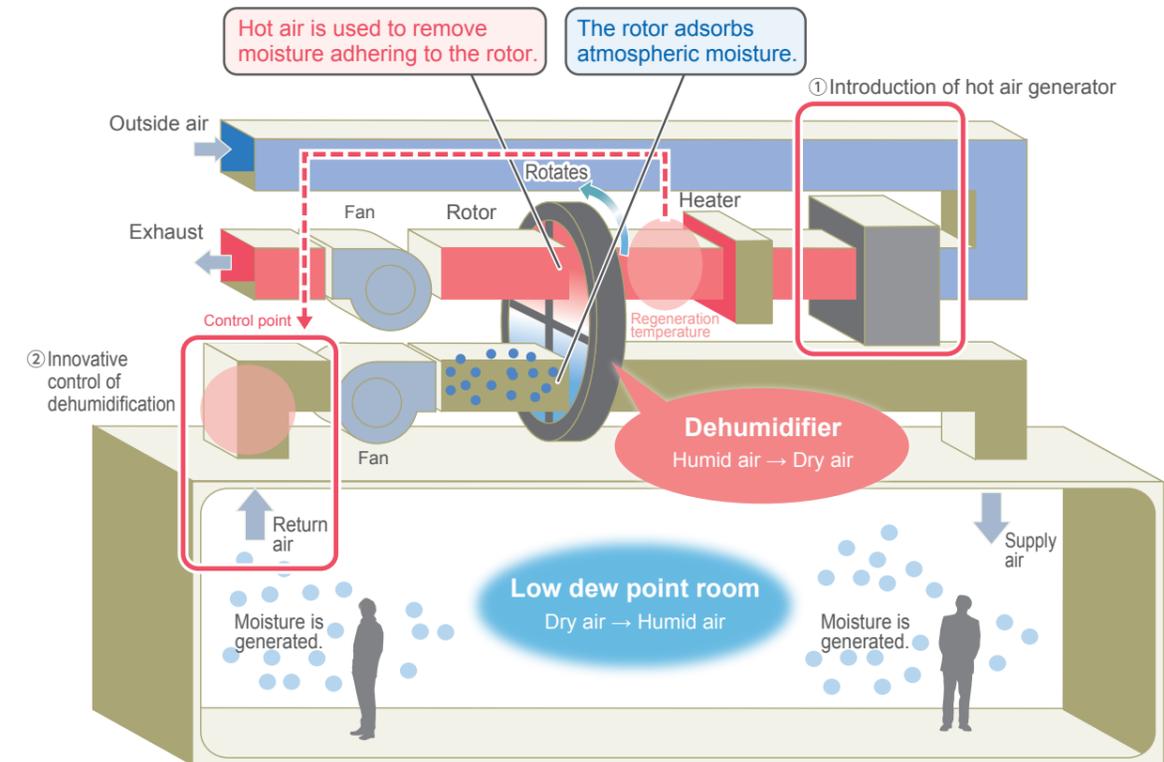
Dai-Dan has developed technologies that conserve energy while maintaining high quality by utilising a hot wind generator incorporating a CO₂ heat pump and applying ingenuity to control dehumidification.

Features

- ① Hot wind generator incorporating a CO₂ heat pump
- ② Ingenuity employed to control dehumidification

Combining the two innovations above has achieved a 42% reduction in energy consumption.

Diagram of energy-efficient dehumidification system



The dehumidifier that dries the air incorporates a slowly turning rotor that adsorbs water as indoor air passes through it. As the hot air passes across the damp rotor, it dries the rotor and restores its capacity to adsorb moisture.

For data centres Research on energy-efficient air conditioning equipment

Data centres, which store and manage customer data, are required to maintain their interior environments at appropriate temperature and humidity levels in order to reduce the risk of server malfunction. The energy consumed by the required air

conditioners and electrical equipment has become a cost burden for customers, so energy conservation remains a major challenge.

Dai-Dan's Initiatives

① Homogenisation of indoor temperature distribution

We have conducted research on ventilation methods that neutralise temperature differentials in server rooms. By combining our Virtual Duct Clean Room ventilation system (p. 23) with a conventional data centre floor ventilation system, we can create a homogeneous temperature-humidity environment that minimises operating costs.

② Utilisation of natural cooling with fresh air

Data centres require air conditioning even in winter. The amount of energy consumed by the air conditioners can be greatly reduced through the use of cool, fresh outside air. We are conducting research on innovations that overcome problems with using fresh air directly in air conditioning systems while utilising it to advantage in air conditioning systems and exploiting the cooling energy of indirect fresh air.

For regenerative medical facilities Saving energy and reducing construction costs of Cell Processing Centres

Initiatives to promote widespread adoption of regenerative medicine*

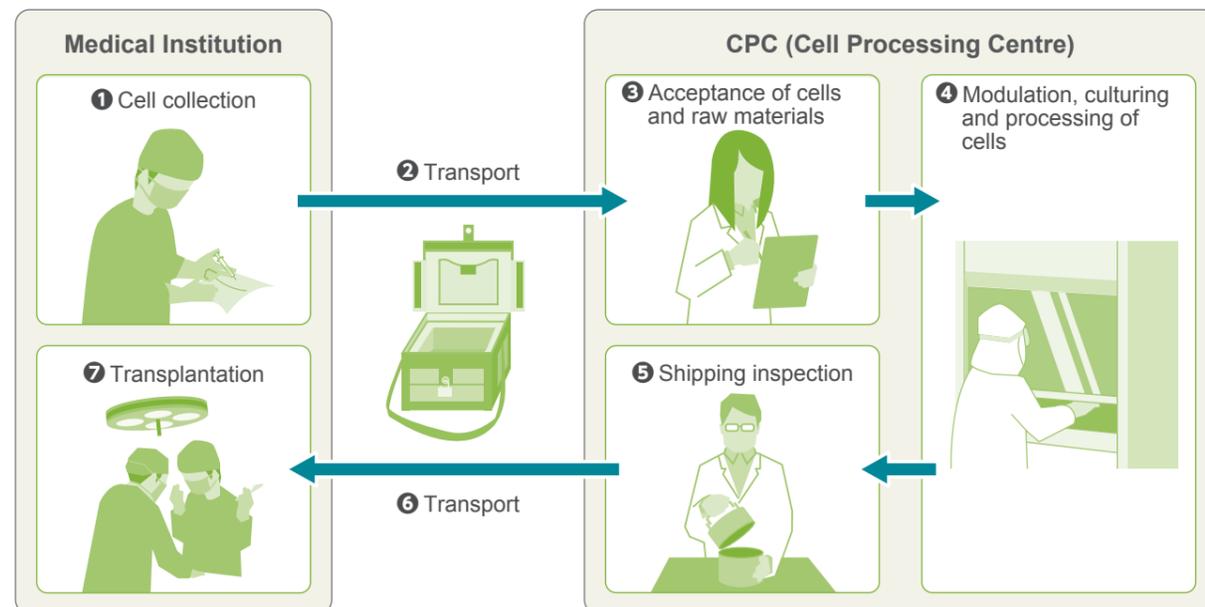
In regenerative medicine, cells derived from a patient or a provider are transplanted into a patient after modulation, culturing and processing in vitro.

The facility that performs the modulation, culturing and processing of these cells is generally called a Cell Processing Centre (CPC). They require an interior environment with cleanliness equivalent to that of a pharmaceutical manufacturing plant. To ensure more widespread adoption of regenerative medicine, it is necessary to greatly reduce the construction and operating costs of CPCs. As part of this effort, we are implementing the following initiatives.

- As a building services engineering and installation provider, we focus on saving energy and reducing construction costs of CPCs.
- We are a participant in the Forum for Innovative Regenerative Medicine (FIRM), an organisation focused on promoting the commercialisation of regenerative medicine, and are examining structural standards of CPCs.

* Medical care intended to promote the regeneration of cells, tissue and organs or to recover function lost to accident or disease

Flow of regenerative medicine



2. Strengthening our capabilities in the field of medical care, an important component of social infrastructure

We have adopted the initiative of developing medical technologies and reducing the burdens on the patient by making available our technological capabilities in the field of medical facilities, an area in which we excel.

For creating optimum medical environment

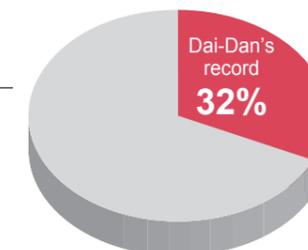
In order to promote home-based medical and nursing care, Japan is pushing forward with the construction of a community general care system for 2025. It focuses on the functionalisation, integration and strengthening of partnerships based on needs in the highly acute phase, the acute phase and the sub-acute phase. On the other hand, research in the area of regenerative medicine is focusing not only on the causes of illness and the discovery of a cure, but also on broad applications to reduce the risks of developing new drugs. As a result, both hardware and software are expected to change greatly.

Consequently, as the requirements for equipment used in the construction of medical facilities become more diverse and

complex, we established the Medical Care Facilities Promotion Department (renamed in 2011), established a Hospital Team in 2010, which specialises in equipment for constructing medical facilities to support medical facilities, a social need. We are engaged in improving the technical abilities of our employees through the in-house training sessions of the Technology Information Hour (p. 28). We offer suggestions for renovations related to facility criteria according to the government's revised fee schedule for medical services and the rapid and widespread adoption of hybrid operating rooms and sterile treatment rooms.

① Hospital construction record for facilities exceeding 600 beds (as of April 2014)

83 hospitals
258 hospitals nationwide



② Hospital construction track record

- Hokkaido Branch32 hospitals
- Tohoku Branch24 hospitals
- Niigata Branch20 hospitals
- Tokyo Head Office.....106 hospitals
- Hokuriku Branch.....38 hospitals
- Nagoya Branch59 hospitals
- Osaka Head Office105 hospitals
- Okayama Branch24 hospitals
- Chugoku Branch58 hospitals
- Shikoku Branch73 hospitals
- Kyushu Branch98 hospitals

Dai-Dan has constructed 637 hospitals in total since 1989.

For hybrid operating rooms Development and introduction of air conditioning systems



Hybrid operating room with HEPA filter** unit featuring built-in dimmable LED lighting



HEPA filter unit with built-in dimmable LED lighting

- Features**
- ISO class 5 cleanliness*** (class 100, as-built****) of operating field
 - Ventilation is switchable for diagnostic imaging or for surgery applications.
- *** "ISO class" expresses the degree of cleanliness of a particular interior space as a numerical value.
**** At the time installation is completed

In recent years, hospital facilities have introduced hybrid operating rooms integrating both operating room functions as well as cardioangiography functions in order to provide a safer and more appropriate treatment environment.

In the hybrid operating room, catheter treatment* of an aortic aneurysm as well as emergency procedures such as treatment of acute aortic dissection and ruptured aortic aneurysms can be addressed in a sterile environment.

* Detailed examination of cardiac function through insertion of a slim tube-like catheter and measurement of blood pressure and cardiac output of each intracardiac site. Various other treatments can be performed through this catheter.

** Abbreviation for High-Efficiency Particulate Air filter, which generates purified air by removing fine particles from the air.

3. Strengthening our capabilities in energy and environmental projects in green industries that are attracting investment

In the future, symbiosis with nature will become an increasingly important theme. This initiative is, therefore, indispensable to reducing impacts on the global environment.

BCC-P: Immunocompromised patient room

These rooms have been designed to protect patients with weakened immune systems due to, for example, hematopoietic stem cell transplant (bone-marrow transplant) or acute leukaemia, from pathogens. We have successfully created sterile environments in rooms that appear almost identical to typical patient rooms. The rooms have been designed with consideration given to comfort for patients and accessibility for healthcare practitioners.

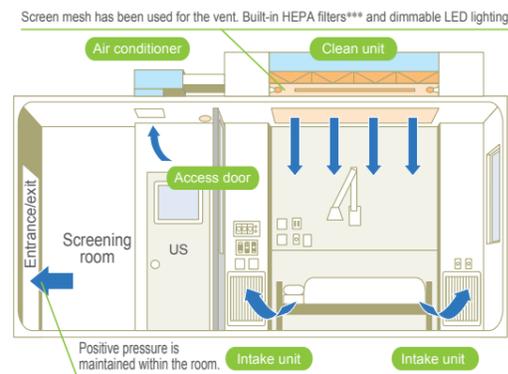
Features

- These rooms are Sterile Room Administration Fee 1* facilities according to the government's revised fee schedule for medical services issued in 2012.
- The rooms are equipped with a vertical laminar flow system that makes use of a screen mesh cleaning unit with built-in dimmable LED lighting. This design is able to maintain positive pressure** compared to its surrounding rooms and prevent the entrance of pathogens.

Vertical Laminar Flow immunocompromised patient room



Diagram of Vertical Laminar Flow



- * Under the 2012 revision of medical treatment fees by the Ministry of Health, Labour and Welfare, this standard has been adopted in response to the initiative to address nosocomial infection measures to enhance the assessment of preventive measures against hospital infections.
- ** A state in which pressure is higher than the surroundings
- *** Abbreviation for High-Efficiency Particulate Air filter, which generates purified air by removing fine particles from the air.

DTB-01: Sputum collection booth

The booth is designed to collect sputum from patients infected with droplet nuclei infection (airborne infection), such as tuberculosis, without compromising the surrounding environment.

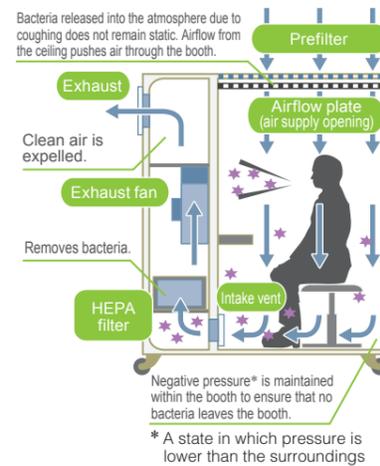
Features

- Prevents spread of the tuberculosis bacteria by coughing patients.
- HEPA filters completely remove the bacteria passing through the exhaust, and purify the air that leaves the booth.
- An after-clean mechanism* has been added to reduce the infection risk to healthcare workers from opening and closing doors.

* Fan operation is continued for a specific period of time after sputum collection.



Diagram of sputum collection booth



INF Series: Infection control unit

The unit is able to simultaneously complete both air purification and negative pressurisation to prevent airborne infection. The unit is suitable for simplified infection control in infection wards, waiting rooms and consultation rooms.

Features

- Does not require major renovation.
- Compact size that takes up little floor space
- Quiet, producing less than 40 dB when the unit is running in low power mode
- HEPA filters purify circulated and exhaust air.

Infection control unit: INF-101



Infection control unit: INF-201*



* The installation of INF-201 requires only the opening of existing windows and does not require installation of an exhaust duct.

Initiatives of the Technical Research Laboratory

Next-generation buildings are required to demonstrate increased energy efficiency by combining effective energy-saving technologies, energy generation technologies that maximise the use of renewable energy, and energy storage technologies to accommodate load leveling.

To meet the needs of our modern era of energy use, we opened a new research centre in April 2013 and positioned it as a platform for next-generation R&D. This facility is advancing research and development in the areas of saving, generating and storing energy and is enabling us to forge ahead with the development of the technologies required to build advanced systems for industrial facilities.

By introducing advanced facilities such as a PV system, a cogeneration system, a solar heat collection system and a heat storage tank, we are using the entire building as an experimental site for testing these systems and gaining expertise. We intend to contribute to society through academic conferences while accumulating the basic data required to design the system most suitable for a particular customer.

New Research Centre

The R&D foundation of our next generation of equipment



Research Centre

A focus of R&D



Experiment Building

For testing of mock-up experiments



Second Experiment Building

Testing and analysis of supercritical CO₂ recycling equipment



Promoting R&D according to our three policies

The Technical Research Laboratory conducts R&D based on the following three policies in order to provide environments that are friendly for people, objects and the Earth:

1 Primary research to ensure quality

We conduct a wide range of primary research. This includes the development of new technologies to ensure the comfort and energy efficiency of buildings, pre-installation assessments using air-flow simulations and experiments with ducts and pipes using mock-ups*.

2 Development of technologies that enable the provision of greater value to our customers

We advance timely development of environmental impact reduction technology and advanced environmental control systems in the growth areas of pharmaceuticals, healthcare, electronics, and green industries.

3 Innovation that goes beyond building services

We advance the application of new technologies in cooperation with universities and businesses in other industries. One of our initiatives is the development of cleaning and recycling technology for air filters using supercritical CO₂. This is one of the fruits of the industry-academia-public joint research initiative, and the technology has been highly praised.

* Models used when testing exterior design and system functionality.

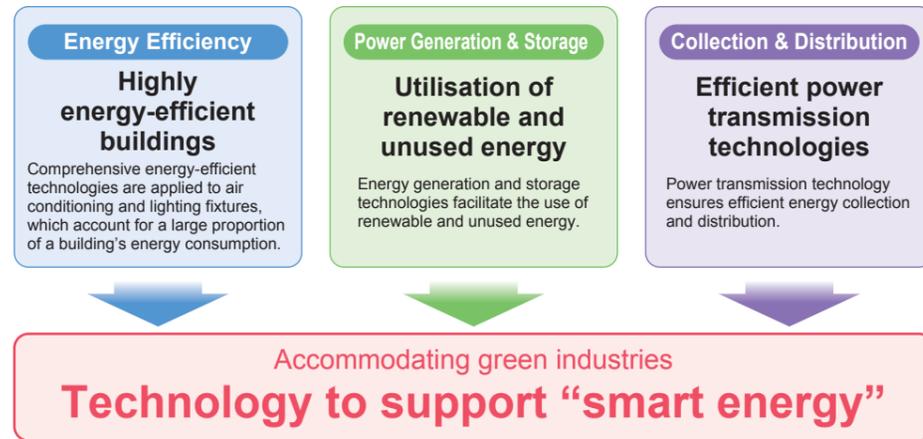
Development of “Smart Energy” Technology

Electrical, air conditioning and plumbing facilities consume energy to create comfortable environments, such as those necessary for production. In this era of “smart energy,” building facilities are required to play a role in generation, storage and transmission of energy whenever necessary in addition to increasing energy efficiency.

For example, innovative building services are required that accommodate the characteristics and operation of each particular building. These include heat storage tanks containing water warmed sufficiently with solar radiation for

use when needed at night as well as batteries that store electricity generated by solar panels on holidays and weekends for using during weekdays.

Dai-Dan maximises the use of renewable and unused energy while promoting “smart energy” technology to improve energy efficiency and reduce CO₂ emissions from building facilities. We are achieving this by optimally combining generation, storage and efficiency technologies with collection and distribution technologies.



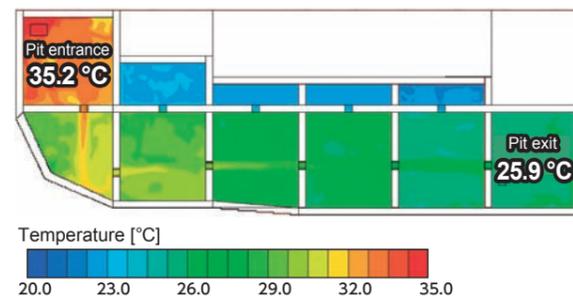
Our initiatives

Using geothermal heat to reduce energy consumption

Outdoor air introduced into a building is cooled in summer and heated in winter in an underground pit. This approach reduces the amount of energy otherwise required to treat this outdoor air.

Used year-round, this system utilises heat from the ground, which remains at an almost constant temperature. It is a good example of how renewable energy can be employed.

■ Temperature distribution inside the underground pit



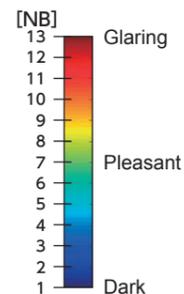
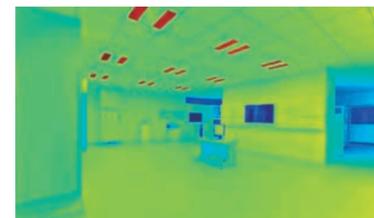
Energy-efficient illumination

To promote energy-efficient illumination, we conduct research on methods of evaluating the perception of brightness. Comfort is ensured by preventing the perception of a lack of light, so we aim to increase energy efficiency by adding LED lighting.

■ Evaluating the perception of brightness



■ Representation of perception of brightness



Creating Value Dai-Dan's Technology

To meet the increasingly diverse needs of our customers and contribute to the emergence of a sustainable society, we employ light, air and water more organically and with greater functionality. We create value with technology that is friendly to both people and the planet.

Reducing Environmental Impact

We strive to use our technology to reduce environmental impact.

Advanced Environmental Control

We have been developing environmental control technology tailored to the specific purposes of different buildings.

For Better Facilities

We are developing technologies that allow our customers to use our industry leading products for years to come.

Reducing Environmental Impact

We strive to use our technology to reduce environmental impact.

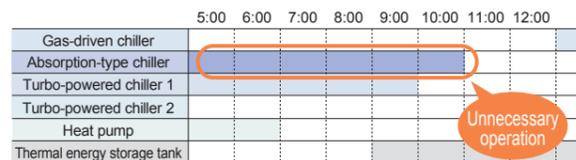
Optismart: Heat source optimum operating support system

Optismart is a system that provides heat source system operators with signals indicating the ideal time to turn on or shut down a system's various heat sources based on computer simulations. This enables the heat source system operator to operate the heat source equipment in a way that provides the optimum combination of heat sources. Our Optismart system also has a simulation function that enables calculation of estimated annual operating costs of heat source equipment.

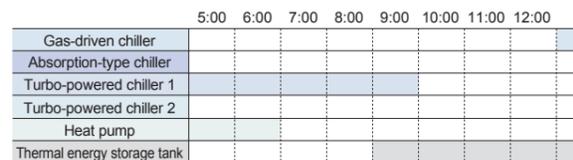
Features

- Improved efficiency for large-scale heat source
- Reduced environmental impact through energy efficient operation
- Standardisation of operation based on objective conclusions
- Optimised gas consumption level
- Improved efficiency of operational management work

Conventional operations based on human judgment



Operation calculated by Optismart system

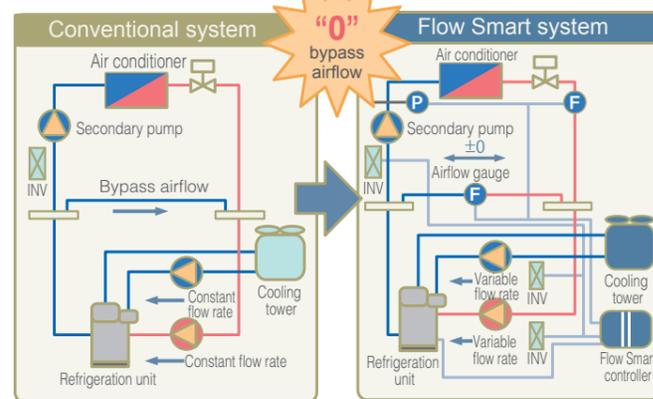


Flow Smart: Flow control system for pumps in refrigeration units

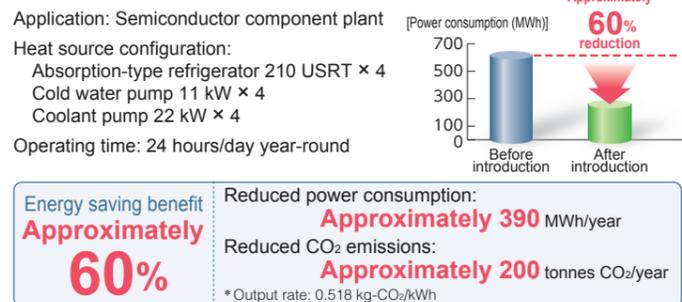
Flow Smart is a system that reduces the cost of operating a facility by introducing inverter control of pumps for refrigeration units. Conventionally, these pumps have been operated at a constant speed. Flow Smart regulates so that no airflow goes through the bypass unless it is required to run the air conditioning system.

The introduction of Flow Smart enables a 60% reduction in the energy required to run the pump in refrigeration units. Through this technology, Dai-Dan provides comfortable living and working spaces and also contributes to the conservation of the environment.

Diagram of Flow Smart



Benefits of introducing Flow Smart



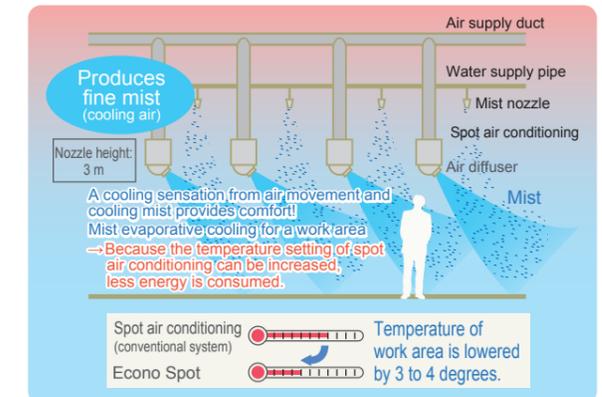
Features

- Bypass airflow control technology developed by Dai-Dan
- Reduces energy consumption of water and coolant pumps in refrigeration units
- High energy saving performance, proven by strong demand

Econo Spot: Spot air conditioning system used together with fine mist

Our "Econo Spot," which employs evaporative cooling using fine mist along with conventional spot air conditioning, is a system for machinery plants and other factories that efficiently improves the environment in the hot spots of a work area.

Diagram of Econo Spot



Features

- **Energy saving** An efficient, environmentally friendly system
- **Increased comfort** ... Cooling sensation provided by nozzle sprayed water mist and air
- **Low cost** Reduced installation and running costs
- **Safe and reliable** Water mist is regulated by monitoring of room humidity and temperature
- **Flexible** Can be easily relocated for repositioned production lines

Advanced Environmental Control

We have been developing environmental control technology tailored to the specific purposes of different buildings.

iRack System: The optimum environment for animal experiments

Animal experiments are an inherent part of developing medical products and healthcare technologies. Animal enclosures for laboratory animals are predisposed to accumulation of allergens* and objectionable odours, and are at risk of microbial contamination. Therefore, environmental control of animal enclosures has always been an issue.

Dai-Dan has always invested substantial effort in its laboratory animal housing and has developed a number of different housing options in the interest of improving the housing environments, reducing energy consumption and

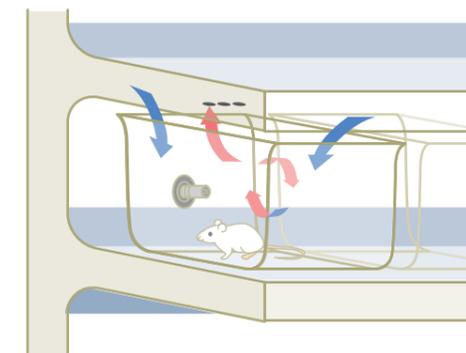
ensuring animal welfare. The iRack System has improved operability while maintaining the ventilation efficiency of our previous laboratory animal housing designs, creating favourable environments for both laboratory animals and operators. Ventilating each enclosure prevents allergens, objectionable odours and pathogens from spreading throughout the entire room or enclosure. This ventilation can also be carried out with reduced airflow.

* Substances that cause allergies

iRack System



Diagram of animal enclosure



Features

- Enclosure specific ventilation system
- Creates advanced one-way airflow.
- No shielding allows ease of use.
- Greater control of temperature and humidity within the enclosure
- Reduced frequency of bedding* replacement
- Easy maintenance

* Wooden or paper chips placed on the floor of the enclosure

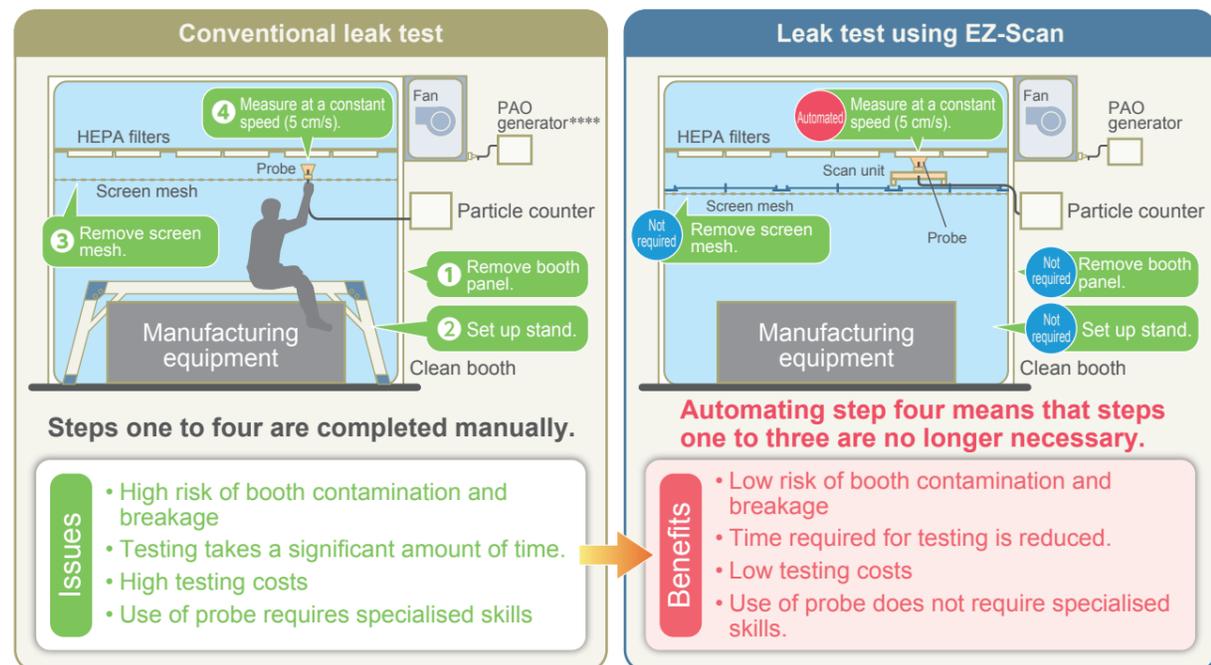
EZ-Scan: Increasing the efficiency of regular validation at pharmaceutical manufacturing plants Automated scanning device for HEPA filter leak test

At pharmaceutical manufacturing plants, regular integrity validation is done one to two times each year. Clean booths, which are used for purposes such as bottling sterile products, require HEPA filter* leak tests** during regular integrity validations. HEPA filters are installed in the ceiling of clean booths, and leak tests are conducted above the manufacturing device installed within the booth.

To resolve a number of issues experienced in the course

of leak tests, Dai-Dan has developed an automated scanning device for HEPA filter leak tests, which has automated the operation of the probe***.

- * Abbreviation for High-Efficiency Particulate Air filter, which generates purified air by removing fine particles from the air.
- ** Tests to confirm that the filters are working at the required particle collection efficiency rate.
- *** A funnel shaped device used to collect air, in order to detect small particles.
- **** A particle generator



Virtual Duct Clean Room (VD-CR) System: Making cleanrooms duct-free

Cleanrooms at sites such as electronic device factories require many ventilation outlets to maintain a high level of air purity and precise temperature as well as humidity control. This results in a greater number of ducts and HEPA filters, and subsequently increases costs.

Dai-Dan has developed a system that reduces the number

of ducts and HEPA filters through innovative ventilation outlet design and installation methods. Our virtual duct clean room (VD-CR) system has often been installed in ISO class 6* (class 1,000) to ISO class 8 (class 100,000) cleanrooms.

* Numerical value indicating the cleanliness class of a particular space

- ### Features
- Enables superior temperature and purity control at low cost.
 - The system creates high-speed pure airflow along the ceiling, which extends the distance that the airflow vented from air conditioning equipment travels, resulting in a duct-free cleanroom.
 - Contributes to the construction and prevalence of quick-to-build and cost-efficient cleanrooms.

Example of a VD-CR cleanroom



Specially designed ventilation outlets used by the VD-CR system



The ventilation outlets have been meticulously designed to extend the distance that the air travels.

Research on plant cultivation facilities: Environmental control technology

In recent years, interest in methods of artificially controlling the interior environment (including light, temperature, humidity, CO₂ levels, and density of culture medium) of plant cultivation facilities has been increasing among those who regularly supply farm products to market. Utilising the expertise gained by our work on comfortable building environments, we are focused on facility construction and research into plant cultivation technology.

Experimental plant cultivation room at our new Research Centre



Using the environmental control technology that remains our specialty, we conduct innovative research on plant cultivation technologies involving facilities that utilise artificial light.

For Better Facilities

We are developing technologies that allow our customers to use our industry leading products for years to come.

Open Degasifier: Prevents corrosion of copper hot water supply pipes

UACJ Corporation (formerly Sumitomo Light Metal Industries, Ltd.) and Dai-Dan jointly developed an open degasifier to reduce the corrosion of central copper hot water supply pipes*.

The device, which is connected to the copper hot water supply pipe, atomises the hot water internally in order to extract and discharge any residual chlorine, dissolved

oxygen, free carbonate and other corrosive elements it might contain. Atomising the hot water increases the surface area of water in contact with air, increasing the efficiency of extraction.

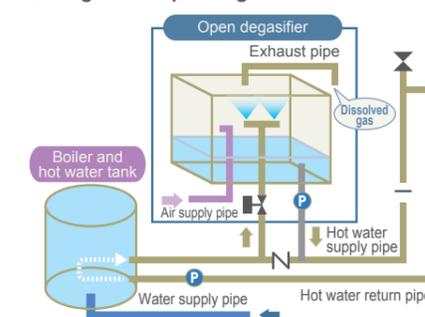
* Hot water supply system with a hot water return pipe and a hot water supply circulation pump is known as a central hot water supply system. The return pipe is made of copper.

Features

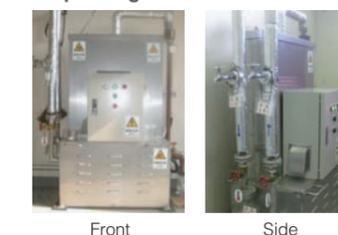
- Reduces residual chlorine, dissolved oxygen and free carbonate.
- Enables ample hot water pressure and volume.
- Easy installation
- Daily maintenance is not required.

■ Hot water before and after degassing

Diagram of open degasifier



Open degasifier



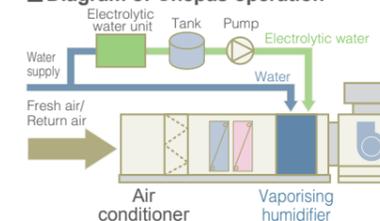
Chepas: Clean Humidification Element Passing Air System

Bacteria and mold are not permitted in medical and food processing facilities. Conventionally, humidification systems use steam to suppress outbreaks of bacteria and objectionable odours in air conditioning equipment during the winter heating season. Recently, efforts have been made to avoid steam humidification because of its high consumption of fossil fuels by replacing such systems with the more popular energy-efficient vapor humidification systems.

Chepas, our Clean Humidification Element Passing Air System, controls the breeding of bacteria by periodically

adding slightly acidic electrolytic water — a safe, sterilising solution commonly used in the medical and food processing sectors — into the humidifiers of air conditioning systems.

Diagram of Chepas operation



Features

- Clean air is supplied to rooms.
- Controls outbreaks of bacteria and objectionable odours in the main units and drain pans of humidifiers.

Winner of the Cogeneration Award 2013

Our proprietary technology is recognised as an industry leader.

Our advanced CGS* gas engine leads the industry in energy efficiency.

The Advanced Cogeneration and Energy Utilization Center JAPAN (ACEJ) recently presented the "Cogeneration Award for Excellence" to Dai-Dan Co., Ltd.; Ikeda Air Conditioning Co., Ltd.; Hokkaido Gas Co., Ltd.; and Energy Solution Co., Ltd. This joint award in the Consumer Use Division recognised the introduction of a CGS as part of the ESCO services provided to Sapporo Medical University.

Encouraged by this award and our development of new technology, we will continue to work on energy efficiency as a solution to global environment issues.



What is the Cogeneration Award?

The Cogeneration Award of the ACEJ was established in 2012 in order to promote the adoption of CGS and to raise public awareness of its effectiveness by recognising cogeneration systems exhibiting superior innovation, leadership, advanced technology and energy efficiency. Before awarding the Cogeneration Award, ACEJ conducts a review at a screening meeting to select the respective recipients of the Chairman's Award, the Award for Excellence and the Special Award in three divisions: consumer use, industrial sector and technical development. The award ceremony was held on February 12, 2014, at the ACEJ symposium of the Tokyo International Forum.

* Abbreviation for "cogeneration system," an innovation that generates and supplies electricity and heat from gas or other heat source

System outline CGS gas engine: 930 kW × 2 units

The CGS was introduced as the core of our ESCO energy-efficiency services. Because Sapporo Medical University serves as a key facility in a disaster, the BOS* specifications have been adopted so that power can be supplied to this essential facility during a lengthy blackout and hospital services can be maintained.

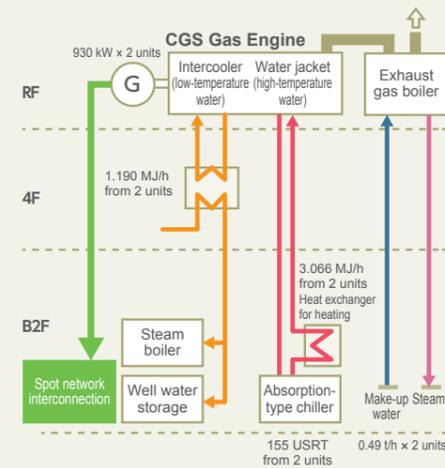
In terms of energy efficiency, a CGS has an overall efficiency of 76.9% with a primary energy reduction rate of 20.9%. The system achieves these levels by using the low-temperature exhaust heat of the intercooler that is normally wasted and by fully utilising exhaust heat through plumbing work that allows for priority use of the exhaust heat collected from the CGS.

This system boasts other innovations as well: introduction of the CGS has reduced peak electricity consumption by one-third; outdoor installation of the 1 MW-class CGS was a rare innovation for a cold region; and safety measures were implemented through system interconnection of the CGS with a spot network**.

- The generated electricity is supplied through an interconnected spot network for distribution throughout the campus.
- An exhaust gas boiler generates steam.
- Water from a high-temperature water jacket is used for cooling in summer by means of an absorption-type chiller; in the winter, this water is used for heating by means of a heat exchanger.
- Low-temperature intercooler water is used for preheating boilers and to preheat make-up water for the hot water supply.

* Abbreviation for "blackout start," a feature that enables a CGS to start from a battery during a blackout of the commercial power supply, making it possible for a power system to start operating autonomously.

** A "spot network" for receiving power describes multiple redundant transformers and distribution lines running from the power company and operated in parallel. This power transmission method enables power to be supplied on the remaining lines even if one line is cut.



Industry Exhibitions

Our products and systems have been on display at various exhibitions in order to publicise Dai-Dan's technology.

BATTERY JAPAN 2014

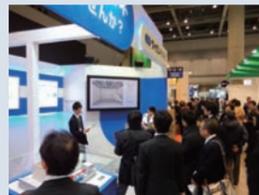
The 5th International Rechargeable Battery Expo

Period
February 26–28, 2014

Venue
Tokyo Big Sight

Exhibition details

- Rechargeable battery initiative using industry-focused technology
- Energy-efficient dehumidification system
- Clean & Dry Lab, New Research Centre



INTERPHEX JAPAN 2014

The 27th International Pharmaceutical R&D and Manufacturing Expo & Conference

Period
July 2–4, 2014

Venue
Tokyo Big Sight

Exhibition details

- Barrier Smart Series chamber pressure control system
- iRack System laboratory animal housing system
- EZ-Scan automated scanning device for HEPA filter leak test



Exceeding customer expectations with knowledge, experience and autonomy

Dai-Dan's Practical Competence

The building facilities we deal with are mainly dissimilar, which requires us to employ flexibility and creativity when challenged with accommodating 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.

Greater Ability to Provide Design Solutions and Installation Expertise

Ongoing Improvement of Site Management Methods

Application of the Meister System and Establishment of Partnerships with our Subcontractors across Japan

Greater Ability to Provide Design Solutions and Installation Expertise

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

● Case study presentations to spread expertise and integrity throughout Dai-Dan

In November 2013 we held the Sixth Case Study Presentation. This event gives our employees an opportunity to present the achievements they have made through expertise and integrity in the course of their day-to-day work. Awards are also presented.

The presentations are broadcast live via our teleconference system to allow all employees across the country to participate.

This year, 182 case studies addressed topics such as improvement of conventional installation methods; efficiency improvements through adoption of new installation methods and equipment; energy-efficient and environment-friendly design; learning from past shortcomings; cost reduction; and examples of improved safety and quality management methods.

Among the 182 case studies, 59 passed the first assessment, with 27 passing the second assessment to receive the following awards: one Chairman's Award, two President's Awards, two Head of Technical Construction Division Awards, five Outstanding Performance Awards, ten Good Effort Awards and seven Encouragement Awards (resulting in 22 awards to groups and five awards to individuals). The award recipients delivered presentations on their respective case studies and were presented with award certificates.

The Chairman's Award, the highest award, went to the Tokyo Head Office's case study on efficient installation of a lightweight

odour roof vent made with new materials. The case studies recognised at the presentation are shared at each office and site and utilised as excellent achievements suitable for internal training purposes. Through this initiative, we expect to enhance our employees' skills and improve Dai-Dan's practical competence in the field as well as our safety management and quality control.



Case study in progress



Award recipients

Message from the winner of the Chairman's Award

Considering all the excellent cases of installation efficiency improvements, design improvements, cost reductions and management method improvements throughout Japan, I feel extremely honored to have been selected for the Chairman's Award at the Sixth Case Study Presentation.

I received the award for my case study presentation demonstrating installation efficiency and hazard reductions as well as the ability to reduce cost by using lightweight pipe materials.

I was fortunate to have received this award thanks to our entire group's commitment to achieving improvements in installation and safety as well as reduced cost by reducing weight with no loss of quality. This was demonstrated through our efforts under the guidance of our supervisor, other superiors and manufacturers.

I am determined to ensure even higher quality and efficiency using Dai-Dan's new technologies and ideas to meet customer requirements in the future.



Akihisa Oshima
Engineering Division 2
Engineering Department 4
Tokyo Head Office

● Technical Reports

Our technology is supported by the results of a combination of ingenuity in the field, hardship, failures and successes. When an individual engineer writes and illustrates a document of his or her experiences, a sense of commonality is achieved and the personal experience contributes to our company's technical capabilities. We compile such documents in "Technical Reports," an in-house edition of the "DAI-DAN Technical Current News" (p. 50).

The expertise and ingenuity revealed in the case study presentations have been incorporated into these technical reports, which are made available to all engineers.



● Technology Information Hour

The Technology Information Hour is held via our teleconference system to provide opportunities for sales, design and engineering staff to share information on ever-advancing technology. Topics include the latest technology information, quality management, safety measures, and energy-saving technology. The Technology Information Hour was started four-and-a-half years ago; as of this writing, 118 sessions have been broadcast to a total of 9,984 participants.

Topic selection and session leadership are undertaken by engineering staff of the Technical Development Division, the Technical Research Laboratory and the Industrial Facilities Department. In addition, external lecturers present some talks in these sessions, and study group meetings are held at each office. Sessions are recorded and distributed to those who are unable to attend the sessions due to work-related reasons, in order to provide greater opportunities for self-education.



The Technology Information Hour, broadcast via our teleconference system

Major topics of sessions held throughout the previous year

- Causes of and countermeasures for quality incidents and industrial accidents
- Energy consumption visualisation system with demand controller
- Subsidies for energy conservation
- Promoting the use of IT in the field
- Study meeting for automated control
- Trends in LED usage
- Community TV reception technology
- Outline and energy-efficiency benefits of facilities used in the new Research Centre of the Technical Research Laboratory
- Introduction to the Clean & Dry Lab of the Technical Research Laboratory's new Research Centre
- Using supercritical technologies
- Basic introduction to plans for medical product manufacturing facilities
- Technical seminar on top runner secondary standard and transformer deterioration
- Infection control during hospital renovations and extensions

Training engineers and passing on skills applicable to work in the field

● Launch of a new personnel system intended to improve the treatment of field engineers

We launched a new personnel system in April 2014 intended to support appropriate evaluation and job promotion of engineers engaged in installation in the field.

In our previous system, only employees in the management division could be promoted to the position of section manager or department manager. Therefore, for engineers specialising in on-site work, we established the positions of Project Master (PM) and Grand Project Master (GPM), which are equivalent to the position of section manager or department manager in the management division.

These engineers can choose the desired approach from either the management section or field specialisation; as a result, a promotion route (PM or GPM) equivalent to that of section manager or department manager in the management division is provided even for those with field

specialisation.

Installation experience is evaluated according to various applications (whether medical, industrial or public facilities); a special allowance is paid when the PM and GPM in recognition of their achievement, and a special promotion may be awarded.

As a design and installation company, Dai-Dan needs to cultivate outstanding engineers capable of performing installations in the field and willing to pass on their skills. We are taking steps to enhance their technical skills by accurately evaluating skilled engineers capable of working on-site and increasing their motivation.

With this new personnel system, we are helping to ensure that the skills of outstanding engineers in charge of installation will be passed on.

Flexible deployment and capitalisation of skilled personnel through understanding of specialised installation skills

● Engineer Ranking Chart according to area of specialisation (Committee for Living in the New Era)

Our greatest asset, our employees, must demonstrate their abilities to the maximum as they meet the variety of demands that arise with advanced building facilities while continuing to provide a level of quality that exceeds customer expectations.

Our Engineer Ranking Chart, organised by area of specialisation, does not rank our engineers in any way, but accurately determines the areas with which an individual is familiar or has installation experience. Its aim is to place the right engineer in the right post in order to create the ideal installation system.

Our Committee for Living in the New Era, which reviews the

deployment of personnel to avoid stereotyping, prepared the Engineer Ranking Chart in December 2011 and updated it during fiscal 2014 according to the area of specialisation of current technical employees (810 in installation divisions and 192 in development design divisions).

We are currently using this resource mainly for the purpose of providing engineer support across office boundaries, and we believe that its adoption across a wider range of applications, including for systematic staff assignment, will enable us to pass on skills to future employees.

Creating value by providing solutions with a flexible approach

Dai-Dan is involved in providing electricity, air conditioning and sanitation, and our engineers are diverse in terms of their learning as well as their gender. This diversity generates value created by "outside the box" thinking fused with a flexible approach.

While the strong showing of Dai-Dan's female employees is attracting attention, many are active on our front lines in the field. We intend to further strengthen female recruitment in the future in addition to revitalising our organisation by creating an appealing work environment for women.

Skills of our female employees in the field

While studying design at university, I became interested in equipment design and was determined to join this industry. I chose Dai-Dan as my preferred place of employment because of the humanity and warmth demonstrated by their recruiters.

I am now working on installation management of air conditioning. Among the properties I have been involved in so far, the Seibo Hospital in Shinjuku-ku is particularly impressive. This obstetrics and gynecology department of this hospital boasts an outstanding reputation in Tokyo. It operates 24 hours per day, and its many patients are pregnant women and children; I found this aspect of the installation required particular care, so I made sure the vehicle entrances and exits as well as the carry-in always put safety first. I also sought to minimise noise and vibration.

The most impressive aspect was the installation of air conditioning inside the hospital's Catholic cathedral. Its high ceiling made it difficult to provide effective air conditioning with ventilation from the top. With a floor-based system, however, churchgoers would feel cold as chilled air hit their feet directly. So, I devised a system that delivers cool air from the gap in the rear of the seatback.

After we performed repeated trial and error to fine-tune the direction of the airflow and the shape of the chair to provide effective air conditioning, the churchgoers, particularly the older ones, commented favorably by calling it "very comfortable." It seemed that my ideas and attention to detail as an engineer were recognised. As a woman, I still remember how happy I was to have overcome the previous hardships.

Women still represent a minority in this industry, but if I can be recognised as an engineer and accomplish a job that benefits society, I am confident I can give a supportive push to someone who is hesitating because of preconceptions before stepping into this industry.



Tomomi Matsuda
Engineering Division 1
Engineering Department 2
Tokyo Head Office

Ongoing Improvement of Site Management Methods

Using information technology to increase efficiency of fieldwork and improve installation quality

Company-wide adoption of tablets

In April 2014, we started using tablets in an effort to increase the efficiency of fieldwork through the company-wide application of information technology.

By using the cloud* to store information, we can share installation plans, installation procedures and specifications, and other technical data. This enables us to continue improving our work efficiency as well as the quality of our installations and other aspects.

Drawings and meeting documents that were conventionally printed on paper are now digitised for access and editing on a tablet running dedicated application software. This approach can also be considered an environmental initiative.

We also introduced our mobile device management tool (MDM), which can remotely limit use of the tablet or delete data in the tablet in order to reduce risk of data leakage and unauthorised use due to theft or loss. In this way we are maintaining strict security.

When we conducted a questionnaire in September 2014, 77% of the target employees using a tablet replied that they were satisfied. This survey also enabled us to confirm the

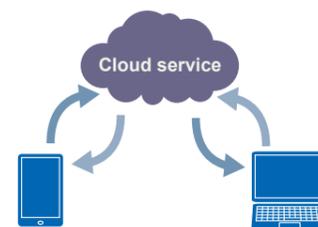
challenges at the same time.

We intend to address ways to further increase work efficiency and improve installation quality by utilising tablets in more innovative ways.

Questionnaire on the state of tablet usage

- Implementation period: September 1–5, 2014
- Number of target users: 1,318
- Respondents: 1,146 (86.9%)

Illustration of cloud service



* A web-based service by which data such as email or software in one's own PC is accessible through tablets and other terminals via an Internet connection

Continuously improving health and safety initiatives with the goal of eradicating industrial accidents

Workplace health and safety management system (COHSMS* compliant)

Led by the executive management, Dai-Dan places the highest priority on the safety and health of our employees and implements health and safety initiatives involving sites**, worksites and subcontractors. We endeavor to remove or reduce potential hazards and minimise the harm of workplace accidents as we strive to maintain and enhance health; promote the creation of more comfortable work environments; and ultimately improve health and safety standards.

More specifically, each year our headquarters formulates a Company-wide Health and Safety Management Plan. The plan is based on Our Policy for Health and Safety developed by our president and incorporates quantitative and priority goals after they are revised through an assessment of past results. Under this plan, each office then formulates and implements an Office Health and Safety Management Plan that includes their respective priority goals. Each worksite also develops an Office Health and Safety Management Plan and Installation Management Targets (safety, quality and environmental) outlining specific hazardous and harmful factors with respect to each project. They are implemented

with the necessary revisions to accommodate the progress of and changes in the project.

Moreover, the offices and headquarters also regularly conduct health and safety audits and inspections to investigate and determine if the health and safety management plan is being followed. These initiatives are also expected to maintain the system and encourage its establishment, and promote the revision and improvement of the system.

Ensuring health and safety is clearly one of our social obligations. We are striving to earn the longstanding trust of society, and we continue to improve and enhance our health and safety initiatives under our workplace health and safety management system.

* The abbreviation for the Construction Occupational Health and Safety Management System, which is based on the Guidelines on Occupational Health and Safety Management Systems announced by the Minister of Health, Labour and Welfare. COHSMS outlines the health and safety management system required to accommodate the specific characteristics of the construction industry.

** Facilities such as our head offices and branches

Our policies for Health and Safety

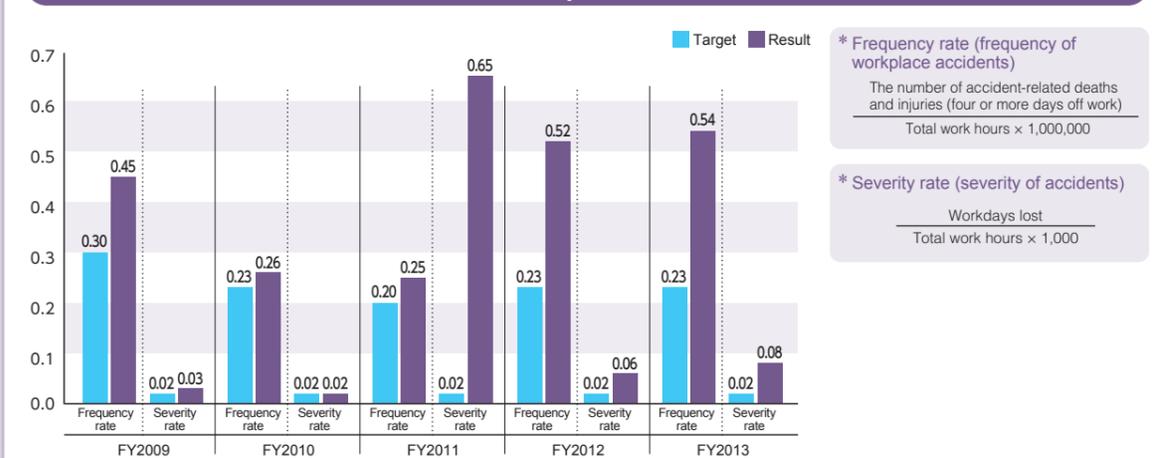
Health and Safety Philosophy

"Ensuring Health and Safety" is our obligation to all the employees of our companies, their families and the society. In DAI-DAN, we give top priority to "Safety" and "Health". We strive to be the corporation which the society trusts, with DAI-DAN's top management and employees working together to enhance the safety and comfortable working environment.

Action Statements

- 1 We utilise "Health and Safety Management Systems" to eradicate all industrial accidents. We endeavor to eliminate dangers from potential hazards and harmful characteristics in all work activities and continuously improve and enhance the health and safety of our workplace.
- 2 We promote cooperation among offices, work-sites, associate companies, with good communication and participation in health and safety activities, and defining each role independently.
- 3 We observe work-safety and health-related laws including our company's internal health & safety management systems regulations for the enhancement of health and safety standard of our employees and staff, preserving and improving their health.
- 4 We educate all people working for DAI-DAN in our policies for health and safety and also disclose them to the public.

Safety results



● Initiatives of fiscal 2013 and their results

The number of industrial accidents, suspensions of business, and lost workdays increased during fiscal 2013. Notable accidents included those involving falling from height, disregard of the rules for use of portable scaffoldings, and accidents involving entanglement in rotating tools.

In response, we implemented a review of the rules for use of stepladders and scaffold ladders; revised the process specifications for rotating electric tools; and conducted ongoing training. In order to reduce human error, we are implementing the practice of "finger-pointing and calling" as well as risk identification for each worker in addition to providing health and safety training.

Target

Reduction of workplace accidents

Priority items

- Eradication of accidents involving falls
- Prevention of human error and risky behaviour
- Thorough health and safety training for less-experienced workers

● Industrial Injury Prevention Rally

We hold Industrial Injury Prevention Rallies at 11 locations across Japan during National Health and Safety Week in order to raise awareness for health and safety.

Approximately 2,600 people participated in the 2014 rallies, including our Chairman, President, executive officers, employees and staff members of our subcontractors. Worksites, subcontractors and individuals who completed

outstanding initiatives for health and safety were presented with certificates.

Each venue offered a number of creative programmes on the day, including presentations for health and safety initiatives and skits designed to raise health and safety awareness.



Fiscal 2014 Industrial Injury Prevention Rally



● Safety inspections and health and safety education

We undertake safety inspections and health and safety education through cooperation with the Health and Safety Association of our subcontractors in our effort to enhance health and safety standards.



Morning meeting



Routine on-site inspection

Application of the Meister System and Establishment of Partnerships with our Subcontractors across Japan

Maintaining quality assurance through strong partnerships with our subcontractors

● Dai-Dan Meister System

We began implementing the Dai-Dan Meister System in 2011 with the objective of providing excellent foremen for our subcontractors to support our ultimate goals of improving work quality and ensuring safe and efficient field operations. Installation work — particularly in the areas of electronic devices, biotechnology and other leading-edge technologies on which we plan to focus our resources — requires a high degree of expertise in order to maintain high quality.

In October 2012, we revised the regulations in order to train more excellent foremen and high-level foremen under

our Meister System. One of the revisions entails providing subsidies for acquisition of higher certifications such as registered essential technicians. In addition, we decided to pay cash rewards for Meisters and excellent foremen for their fieldwork.

In July 2014, the first commendation under these revised regulations was awarded. We commended 65 certified foremen from 47 companies as well as 72 Meisters and excellent foremen.

Meister Approval Ceremony

The 3rd Meister Approval Ceremony was held in December 2013. 685 foremen serving at Dai-Dan sites were designated high-level foremen, 63 of whom were named excellent foremen following thorough assessments by each office. Furthermore, the four best foremen were certified as Meisters. Each Meister was presented with a certificate, Meister helmet, testimonial shield and a cash reward.

So far, a total of 15 Meisters have been approved: four electrical workers, six plumbers, four duct installers, and one refrigerant piper by trade.



Fiscal 2013 Meister Approval Ceremony

Message from a Meister

Last year, I was awarded the title of Dai-Dan Meister. As only several people are chosen nationwide every year for this title, I felt somewhat abashed, wondering whether I was worthy of such a weighty title. I also felt a sense of pressure, as I now had to live up to this stringent work standard.

As I diligently carry out my day-to-day work, I want to strengthen our teamwork so that we can maintain the safety and quality of our work while also meeting our deadlines at the same time.

I check the work drawings with a supervisor and allocate workers according to their competency, whether they are veterans, those amassing experience, or recent hires. I also coordinate other workers and any tasks that take place simultaneously. I monitor the progress of the work, and if any delays arise, I discuss solutions by addressing the cause with other workers. Through such repetition, I intend to implement ideas that we can carry forward and that we must do in order to complete our work as a team with common purpose.



Hirokazu Murase
TOUMEI SETUBI Co., Ltd.

● Engaging with subcontractors in sectional committee activities

By developing strong partnerships with Dai-Gen Kai and the Health and Safety Cooperation Society (p. 47), organisations comprising Dai-Dan subcontractors, we are safely providing building installation services at appropriate cost while maintaining high quality. The results of the annual activities carried out by the sub-groups in areas of specialty of Dai-Gen Kai are compiled in the Sectional Committees Activity Report. It harmonises the results of the activities of each district across the country and publicises them.



Sectional Committees Activity Report

● Dai-Dan's network of subcontractors

In the business environment surrounding the building installation service industry, large regional differences exist in the availability of personnel, and the situation can be considered unstable. Under these circumstances, we have taken steps to establish a nationwide network of subcontractors that extends beyond the scope of individual offices. It is capable of dispatching workers from around the country to offices where a lack of workers is expected. In future, we will effectively utilise this network to secure an installation system at each site; at the same time, we will increase opportunities to improve the skills of our subcontractors. We will continue to provide our customers with safe and high-quality building installation services.

FY2013 CSR Performance and FY2014 Targets

In order to enable continued improvement of our CSR activities, we set targets for each fiscal year and complete the PDCA cycle accordingly. In this report, the FY2013 performance and the FY2014 targets are summarised according to the seven core subjects of ISO 26000*.

Self evaluation  Target achieved  Target not achieved

Subject	Items	Target/Task	FY2013 performance	Self evaluation	FY2014 targets	Core subjects of ISO 26000							Page	
						Organisational governance	Human rights	Labour practices	The environment	Fair operating practices	Consumer issues	Community involvement and development		
Fair Business Practices	Corporate governance	Build and maintain a system to ensure ethical execution of operations	Corporate law internal control system functioned appropriately		Strengthen corporate governance to meet changes in social trends	✓								35
	Compliance (Legal compliance and corporate ethics)	Continue to raise awareness for compliance	<ul style="list-style-type: none"> Compliance News was published semiannually to raise awareness Awareness was raised through position-specific training 		Strengthen the compliance system (compliance with the Anti-Monopoly Act and other relevant laws and regulations) and promote sound corporate management	✓	✓			✓				36
	Risk management (Improving the business environment)	Formulation of a business continuity plan (BCP)	<ul style="list-style-type: none"> Protective equipment was distributed to employees Emergency drills were conducted Training was strengthened to enhance safety review services (by email) 		<ul style="list-style-type: none"> Distribute protective equipment to employees Conduct emergency drills Strengthen training for safety confirmation services (by email) (Target of 100% response rate) Formulate a business continuity plan encompassing information technology (IT-BCP) 	✓				✓				39
	Disclosure (Proactive and timely disclosure of information)	Appropriate and timely disclosure of information	Complied with laws and regulations and swiftly disclosed information		Proactively disclose information							✓		
Environmental Contribution	Environmental management system	Achieve environmental management system plan targets * Refer to page 42 for FY2013 environmental targets and results.	Propose Plan Design	Number of solutions that leverage Dai-Dan technology adopted CO ₂ emission reduction through design solutions CO ₂ emission reduction through adopted solutions		Achieve environmental management system plan targets * Refer to page 42 for FY2014 environmental targets.								41
			Installation	Promoted sustainable procurement Improved recycling rate of industrial waste Adopted laminate ducts Removed thermal insulation of drainpipes						✓				
			Office initiatives	Energy consumption Copy paper usage Introduced hybrid vehicles										
Meeting Customer Expectations	Quality management system	Achieve quality management system plan targets	<ul style="list-style-type: none"> Maintained quality assurance in the field Increased technical expertise of engineers and passed on these skills Reduced quality issues 		Achieve quality management system plan targets							✓		45
	Initiatives with subcontractors	Continue the activities of the sectional committee	Implemented the activities of the sectional committee		Continue the activities of the previous year								✓	
Valuing Our Employees	Respect for human rights	Continue initiatives to raise awareness of human rights	Raised awareness through new employee training session		Continue initiatives to raise awareness of human rights		✓							48
	Human resource development	Introduce a support system for young employees	Continued Dai-Dan Mentor System and strengthened follow-up of new employees		Confirm and review the effectiveness of the support system for young employees							✓		
		Strengthen technical expertise	<ul style="list-style-type: none"> Published the DAI-DAN Technical Current News Continued skill development through the CPD system 		Continue to strengthen technical expertise							✓		
	Working environment for employees	Follow up on employees working long hours	Increased the percentage of employees working long hours engaging in face-to-face consultations with a doctor to 88.0%	Percentage of employees working long hours (0.4%)		Achieve a 100% doctor consultation rate for employees working long hours							✓	
Initiatives to address mental health issues		<ul style="list-style-type: none"> Conducted mental health seminars Introduced the seminar into the curriculum for new employee training and position-specific training Conducted stress checks for all employees 		Continue the activities of the previous year							✓		51	
Meeting Local Expectations	Dissemination of technical information to external parties	Contribution to the construction industry	<ul style="list-style-type: none"> Delivered two lectures at the nationwide meeting of the Institute of Electrical Installation Engineers of Japan Delivered one lecture at the Technology Promotion Award presentation hosted by the Society of Heating, Air-Conditioning and Sanitary Engineers of Japan 		Continue the activities of the previous year								✓	54
	Social contribution initiatives	Targeted number of activities: more than 400	Dai-Dan's offices across Japan voluntarily conducted 340 activities		Continue the activities of the previous year								✓	55
Dai-Dan's Practical Competence	Sharing of technical information	Share information to strengthen technical expertise and practical competence	Held the Case Study Presentation		Continue the activities of the previous year								✓	27
			Presented activity outcomes via teleconference		Continue the activities of the previous year									✓
	Workplace health and safety management system	Achieve workplace health and safety management system plan targets	<ul style="list-style-type: none"> Work-related accidents increased relative to the previous fiscal year Safety results (frequency and severity rates) 		Achieve workplace health and safety management system plan targets				✓				30	
	Partnerships with subcontractors	Introduce the Dai-Dan Meister System	3rd annual Dai-Dan Meister Approval Ceremony held		Improve and entrench the Dai-Dan Meister System								✓	32

* A guide on how businesses can operate in a socially responsible way

Fair Business Practices

To retain the trust of our stakeholders, we are improving and strengthening our system of corporate governance, which lays the foundation of our CSR activities. In addition, each of our executive officers and other employees maintain high ethical standards as they engage in corporate activities.

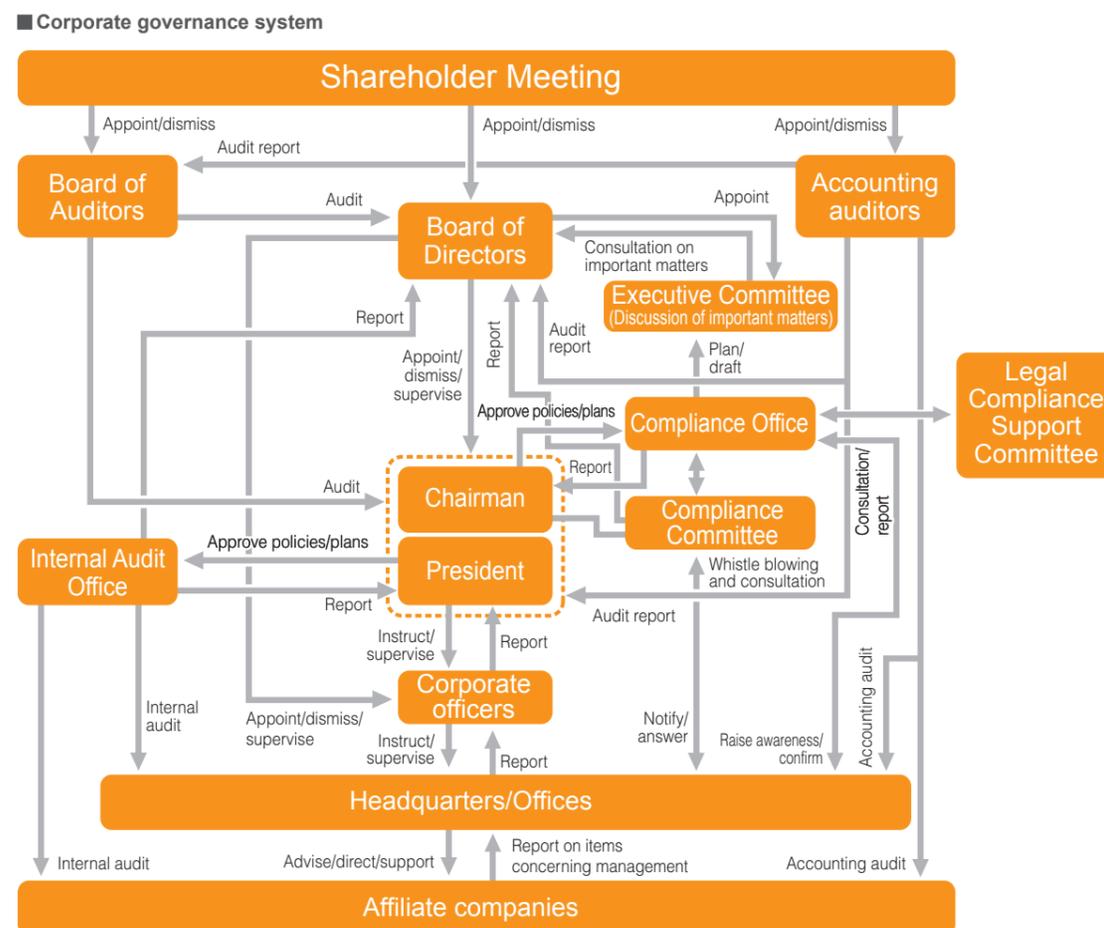
Corporate governance

Our approach to corporate governance

As a building services engineering and installation provider, Dai-Dan is 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 stakeholders, we intend to maintain our effective management

practices.

Our policy regarding corporate governance is to ensure important management issues are addressed with sound and transparent operations and decision-making in addition to ensuring thorough compliance.



Overview of our corporate governance system

Dai-Dan maintains a corporate governance system structured with a Board of Directors, Board of Auditors and Accounting Auditors. The objective of the system is to ensure appropriate and efficient management by maintaining discrete decision-making, auditing and administrative functions, thereby enabling swift and appropriate decision-making and implementation.

Board of Directors

The board meets once a month and calls special meetings as necessary. The board not only makes decisions on important matters related to corporate management, including the subjects discussed in Executive Committee meetings, but also oversees business operations. The articles of incorporation of Dai-Dan provide that the Board of Directors should consist of 12 people or less.

Executive Committee

Executive Committee meetings are held when necessary. The committee comprises regular members who are appointed by the Board of Directors and temporary members selected according to the subject of the agenda. The committee develops management policies and other policies for Dai-Dan and its group subsidiaries, and extensively examine the progress of goal achievement. In addition, the committee members discuss important matters concerning management strategy and management of the company itself. The committee then makes recommendations to the Board of Directors as needed.

Board of Auditors

The Board of Auditors consists of four auditors (two of whom are external auditors), and they meet, in principle, prior to Board of Directors' meetings. They thoroughly examine subjects discussed in the Board of Directors' meetings, attend the meetings in person, and contribute their views as necessary.

Corporate Officers' Committee

The Corporate Officers' Committee, in principle, meets once a month. The committee members meet to discuss management policies, important operational policies and decisions made by the Board of Directors. The committee members also report on work carried out by corporate officers.

General Managers' Committee

General Managers' Committee meetings are, in principle, held once a month to ensure that tasks are being executed in an integrated manner. Management policies and measures are explained, and the state of business operation of each office and their respective issues are discussed, and prompt solutions sought.

Basic policy for building the internal control system

In order to ensure thorough compliance, execution of tasks by directors in compliance with laws and the articles of incorporation, as well as appropriate execution of tasks, Dai-Dan has developed an internal control system that includes the improvement of internal rules. Furthermore, to ensure the efficiency and legality of the system, we revise the system and make improvements as necessary.

Internal control system for financial reporting

In April 2008, we implemented an internal control system for financial reporting under the Financial Instruments and Exchange Act. The Internal Audit Office under the president examines and assesses the effectiveness of the system.

The fiscal 2013 assessment concluded that, as at the end of fiscal 2013, our internal control system for financial reporting is effective. An independent auditor also provided a similar opinion.

Compliance (legal compliance and corporate ethics)

Corporate Code of Ethics

We have developed five Principles of Action and 14 Standards of Action to guide our executives' and other employees' compliance with laws and regulations and support their demonstration of good social conscience. The Principles of Action summarise the concepts to be kept top of mind during the performance of day-to-day tasks.

Excerpt from our Corporate Code of Ethics Our Standards of Action serve as practical guidelines to the Principles of Action on which they are based.

Principles of Action

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. Recognise our place in society and strive to contribute.

Standards of Action

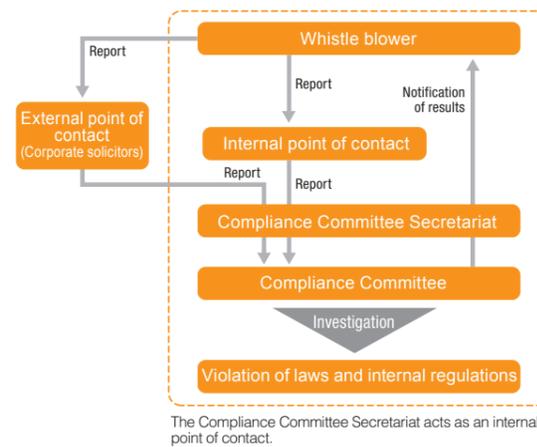
1. Maintain positive relationships with customers and users
2. Ensure safety and quality
3. Ensure fair and open competition
4. Engage in ethical business transactions
5. Fairly disclose corporate information
6. Ethically manage critical information
7. Protect and respect intellectual property rights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

The whistle blowing system and consultation system

Dai-Dan has established a whistle blowing system and consultation system with the purpose of swiftly identifying issues in the workplace, which are otherwise difficult to identify (behaviour or actions that contravene laws, internal regulations or social ethics), by providing a means independent from the regular chain of command, to report such issues. Reports can be made internally through these systems, but they can also be made externally via our corporate solicitors.

Any individuals that file a report are guaranteed by the Corporate Code of Ethics that they will not be subjected to any unfair treatment. Reports can also be submitted anonymously to ensure the privacy of the whistle blower.

Internal whistle-blowing and consultation flowchart



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 President and is responsible for boosting executives' and other employees' compliance awareness, receiving and investigating reports of violations, and developing preventive measures. During fiscal 2013 the committee met on five occasions.

Promoting awareness and practice of compliance

Dai-Dan takes the following measures in promoting awareness and practice of compliance:

- Compliance education is provided during new employee training, position-specific training session, and the training programmes of each office allowing many executives and other employees to receive compliance training.
- We publish a Compliance News semiannually.
- All executives and other employees carry a Compliance Card.
- Posters highlighting the importance of compliance are posted in all offices, including field offices: "Fair and open competition is the foundation of society."
- In April 2012, the Compliance Statutes were developed for our Japanese consolidated subsidiaries to improve their compliance systems.
- Furthermore, contracts signed by subcontractors include items concerning compliance in order to develop a strong compliance system throughout the supply chain.

Compliance Office and the Legal Compliance Support Committee

Compliance Office

Dai-Dan established the Compliance Office in April 2014 to help ensure that our business activities comply with the Anti-Monopoly Act and other relevant laws and regulations. The Compliance Office is under the direct control of the Chairman and is independent from the headquarters and offices. In cooperation with the Compliance Committee, this office plans, drafts and implements enhancements to the compliance system and recurrence prevention measures. In addition, the Compliance Office confirms that the measures implemented are functioning effectively.

The plans and drafts prepared by the Compliance Office are implemented with the approval of the Board of Directors following discussion of their content by the Executive Committee.

Legal Compliance Support Committee

In April 2014, we established the Legal Compliance Support Committee, a professional facility supporting the Compliance Office. It holds seminars on legal compliance and conducts awareness-raising activities.

Initiatives supporting compliance with the Anti-Monopoly Act and other relevant laws and regulations

As part of our management foundation, we have always conducted our corporate operations in full compliance with all legal and regulatory requirements. On March 4, 2014, however, Dai-Dan and other concerned parties were indicted by the Tokyo District Public Prosecutors Office on allegations of violating the Anti-Monopoly Act (unreasonable restraint of trade) regarding our submission of a bid for installation of facilities for the Hokuriku Shinkansen railway line.

Because we view such matters with the utmost seriousness, we intend to further enhance and radically review our compliance system. Everyone in our company will work as one to restore public trust by taking steps to prevent any recurrence of such violations and comply with the Anti-Monopoly Act and other relevant laws and regulations.

Review enhancement and recurrence prevention measures of our compliance system

1. Review enhancement of our compliance system

(1) Establishment of the Compliance Office

The Compliance Office was established in order to ensure our operations remain in complete compliance with the Anti-Monopoly Act and other relevant laws and regulations.

The Compliance Office comprises a full-time general manager and six other staff members. They engage in awareness-raising initiatives for executives and employees with advice from outside experts in order to prevent any recurrence of violations of the Anti-Monopoly Act and other relevant laws and regulations.

(2) Establishment of the Legal Compliance Support Committee

The Legal Compliance Support Committee comprises one corporate solicitor and two outside solicitors. The Legal Compliance Support Committee remains in close contact with the Compliance Office and provides support for the awareness-raising activities from a technical perspective as well as the recurrence prevention measures and legal compliance conducted by the Compliance Office.

2. Outline of recurrence prevention measures

(1) We conduct the following activities in April, Compliance Month.

1. On April 1, the chairman, a supervisor of corporate ethics, conveyed the company's determination to operate the business in compliance with all legal and regulatory requirements through a nationwide videoconference broadcast to all offices. Later, two representative directors toured these offices, met directly with executives and employees, and provided additional explanations.
2. Our corporate solicitors conducted Anti-Monopoly Act workshops for corporate officers, general managers and other executives throughout Japan.
3. We conducted seminars on compliance with the Anti-Monopoly Act at offices across the country and submitted written oaths on compliance with this law.
4. We provided information on using the whistle-blower system and the consultation system by re-introducing them through notifications and internal reports.
5. We published an extra edition of Compliance News with an article on the Anti-Monopoly Act.
6. We produced a poster that specified we would "operate our business in compliance with the Anti-Monopoly Act" and posted it in our offices, including field offices, across the country.

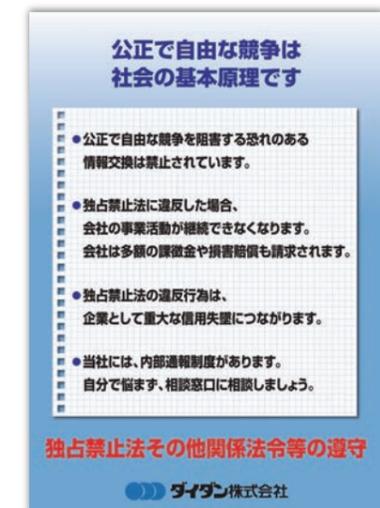
(2) Our corporate solicitors held Anti-Monopoly Act compliance seminars in our offices across the country.

(3) We conduct the following monitoring and enhancement measures as part of our sales operations.

1. We have adopted a system of prior notification of the work schedule and report of the results for employees involved in sales. As required for compliance, the superior provides appropriate instruction and conducts appropriate checks.
2. For individual bids to government offices, the general manager confirms that we are in compliance with laws and regulations when the bid is submitted and report the results to the general manager of the Sales Division.
3. We added items 1 and 2 to the sales inspection items of the internal inspection. In internal inspections of offices conducted by our Internal Audit Office twice yearly, we conduct inspections of the relevant items. We report the results of the internal inspections to the Board of Directors twice yearly.

(4) Through revision of the Standards of Action of the Sales Department and the formulation of our Sales Manual, we have demonstrated our commitment to compliance with the Anti-Monopoly Act and other relevant laws and regulations as well as social norms with content specifying concrete standards of action. We also take steps to keep everyone informed through workshops and the like and we are committed to passing this information on to younger generations in the future.

(5) For appropriate and legitimate business operations, we will periodically rotate individuals in sales positions.



Compliance poster

● Prevention of insider trading

To prevent unjust share trading by corporate insiders, protect shareholders and contribute to a stable and fair securities market, strict rules are imposed on share transactions as per our Insider Trading Control Ordinances.

Additionally, to establish an environment in which executives and employees have a good understanding of insider trading, the Introduction on Insider Trading Ordinance for Executive Officers and Employees of Listed Companies created by the Tokyo Stock Exchange is available on our corporate intranet.

Registration with J-IRISS

Dai-Dan's executive officers are registered with the Japan-Insider Registration & Identification Support System (J-IRISS), which is operated by the Japan Securities Dealers Association. Through these initiatives we have in place a system to prevent insider trading, including unintended insider trading.

● Protection and respect for intellectual property

Dai-Dan believes that intellectual property can be developed both in the lab and the field. Therefore we proactively apply for patents on inventions and designs by both our Technical Research Laboratory and our on-site workers. In fiscal 2013, we were granted a total of 15 patents related to factory air conditioning and a supercritical CO₂ cleaning system. Furthermore, we have been undertaking risk management initiatives to ensure that we do not infringe on the intellectual property of other companies.

● Initiatives to counter antisocial forces

Dai-Dan is firmly opposed to antisocial forces and is committed to avoiding any relationship with such entities. Our Corporate Code of Ethics clearly sets forth this principle, and our training reinforces the need to uphold it. In addition, the contracts we enter into with subcontractors clearly state that the contract will be terminated if the subcontractor is found to be substantively involved with antisocial forces. This is intended to effectively exclude antisocial forces from our business dealings from the outset.

Risk management (improving the business environment)

● Risk Management Regulations

Dai-Dan introduced Risk Management Regulations in April 2001 to prepare for potential risks such as natural disasters, the leaking of confidential information that could damage the company, and to keep damages to a minimum.

In the event that an identified risk becomes reality, a "countermeasures headquarters" is established to allow all employees to work as one to identify the problem(s) and share information.

● Initiatives to protect personal information

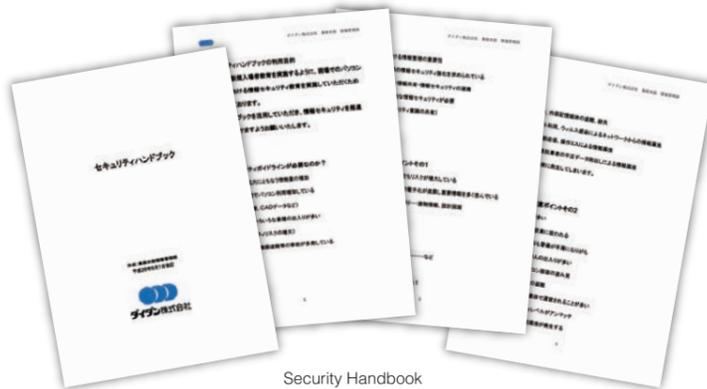
We recognise that the leakage of personal information is a risk that has potential to cause a loss of trustworthiness. As such, we have strengthened our internal systems in order to protect personal information, and have posted the Personal Information Protection Policy on our corporate website.

Furthermore, we have created a manual based on our Personal Information Protection Regulations and distributed the manual to all executives and employees in order to ensure the protection of personal information.

● Initiatives to strengthen information security

The Information System Usage Guidelines are made available for viewing by executives and other employees on the corporate intranet. Additionally, education on the handling of electronic information is provided during new employee and position specific training sessions.

Moreover, we provide information security training to the employees of our subcontractors using the Security Handbook to strengthen our information security.



Security Handbook

Emergency drills to support our business continuity plan (BCP)

To coincide with the disaster drill conducted by Osaka Prefecture, Dai-Dan completed an emergency drill following the business continuity plan in September 2014. Following the action manual (initial response) of each office, which outlines the delegation of roles, we completed an earthquake drill that included rescue, evacuation, safety confirmation, and use of satellite phones while incorporating the lesson we have learned from previous years' drills.

We will continue to conduct drills, promote executive and employee awareness and improve the effectiveness of our BCP.



Technical Research Laboratory

Tohoku Branch

Tokyo Head Office

Chugoku Branch

Disclosure (proactive and timely disclosure of information)

● Shareholder meeting

The 85th annual shareholder meeting was held at the Osaka Head Office on June 27, 2014. We recognise the shareholder meeting as a valuable venue for communicating with our shareholders. Business reports are displayed on a large screen and accompanied by a narrative to give our shareholders a clearer understanding. Additionally, we send out our shareholder meeting notifications early in order to provide sufficient time for shareholders to consider the reports and matters related to resolutions. Prior to the meeting, we screened a video entitled "Dai-Dan's Technology" and introduced our technological developments by sector.

● Financial results briefing session

Dai-Dan holds briefing sessions for our full-year and second quarter financial results for securities analysts in June and December. The sessions present an overview of financial results, the business environment and performance prospects, as well as achievement status of the Mid-Term Management Plan.

● IR tools

The investor information page on our corporate website allows investors to view earnings summaries, securities report and other important items. The page also provides information such as business reports, medium-term business reports and notifications of shareholder meetings. This information is provided in the form of IR news available on the main page of the website and is updated as necessary.

● The "DAI-DAN REPORT," our CSR publication

Since fiscal 2008, Dai-Dan has published an annual CSR report to facilitate greater stakeholder understanding of our company. This report is created each year by incorporating the views of third parties and internal survey results. All our CSR reports are also made available on our corporate website. We also prepare an English edition of our CSR report for our overseas stakeholders, which is also available on our global website.

In 2014, we introduced the "DAI-DAN REPORT 2014" as an integrated corporate report incorporating expanded financial information in order to provide stakeholders with a broader array of public information.



IR news

Japanese edition

<http://www.daidan.co.jp/csr/report.html>

English edition

<http://www.daidan.co.jp/english/eco21/index.html>

Environmental Contribution

To help improve the environment, Dai-Dan implements effective environmental conservation activities through our Environmental Management System.



Environmental Management System

● Environmental Management System (ISO 14001)

Dai-Dan has built and implemented the Dai-Dan Environmental Management System, which is compliant with the ISO 14001 Environmental Management System. In February 2002, all departments became ISO 14001 certified and have since undertaken ongoing resource and energy saving activities.

Our activities include:

- Reducing CO₂ emissions through development of technologies and design solutions
- Reducing resource and energy consumption during installation
- Sorting and recycling of waste
- Company-wide social contribution activities such as clean-up days

Furthermore, in 2006 Dai-Dan integrated the administration of our environmental management system and quality management system (p. 45). Our quality assurance and environmental protection policies have been unified as our Quality and Environmental

Policies. Consequently, our regular internal audit is now known as our Quality and Environmental Audit, which audits both systems concurrently. Furthermore, in terms of organisational structure, the supervising bodies for quality management and environmental management have been consolidated and operational efficiency is being facilitated.



ISO 14001 registration certificate
For further details on registration, see the registration list on the website of the accrediting organization (<http://www.jtccm.or.jp/>).

Our Policies for Quality Assurance and Environmental Protection

Our management principles are as follows: As a comprehensive facility works company, we always strive to create new value. We always seek to contribute toward the realisation of a better global environment and sustainable social development. As a responsible member of society, we are committed to quality assurance and environmental impact reduction in our corporate activities. We also aim to be a vibrant company by gaining customers' satisfaction and trust.

1. 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.
2. We strive to enhance the skills of our employees and establish partnerships with our cooperative companies, to meet with customers' quality requirements and ensure their satisfaction.
3. We are dedicated to developing and providing energy-saving, environmentally friendly technologies. We assess the environmental impact of building facilities and offer proposals for impact reduction and energy efficiency.
4. We, as a good corporate citizen, carry out social contribution activities and positive information disclosure, to enhance communications with society.
5. We set objectives and targets for improvement of work quality and environmental measures, and we educate our employees thoroughly about them. We appropriately maintain system operations and continuously improve "Our Quality and Environmental Management Systems" based on results.

Quality and Environmental Management System



● FY2013 environmental targets and results/FY2014 environmental targets

○: Target achieved △: In progress

Activities and responsible departments		Main target or item to be monitored	FY2013 target	FY2013 result	Assessment	FY2014 target
Proposal, planning, designing	Sales department Design department	Number of solutions that leverage Dai-Dan technology adopted	More than 55	109	○	More than 60
		CO ₂ emission reduction through design solutions	More than 60,000 tonnes	44,768 tonnes	△	More than 50,000 tonnes
		CO ₂ emission reduction through adopted solutions	More than 15,000 tonnes	12,657 tonnes	△	More than 15,000 tonnes
Installation	Installation department Procurement department	Energy consumption converted to CO ₂ emissions	—	1,376 tonnes	—	—
		Promotion of sustainable procurement	More than 38%	38.2%	○	More than 40%
		Improvement of recycling rate of industrial waste	More than 93%	88.6%	△	—
		Promotion of sorting of industrial waste/Sorting rate in the field	—	—	—	More than 60%*
		Adoption of laminate ducts	More than 50,000 m ²	19,179 m ²	△	More than 30,000 m ²
		Removal of thermal insulation of drainpipes	More than 30,000 m	33,291 m	○	More than 35,000 m
Office activities	All employees	Energy consumption converted to CO ₂ emissions	Less than 1,400 tonnes	1,428 tonnes	△	—
		Copy paper usage	Less than 58 tonnes	62.8 tonnes	△	Less than 58 tonnes
		Introduction of hybrid vehicles	25%	29%	○	35%
		Improvement of recycling rate of general waste	—	60.3%	—	—

* In FY2014, the target was changed to the sorting rate in the field. ** In FY 2014, the target value was changed to the new CO₂ equivalent.

● Quality and environmental auditing and the development of quality and environmental auditors

Quality and environmental auditing

In order to check that the quality and environmental management system, which is the combination of the former quality and environmental management systems, is properly operated and maintained, periodic quality and environmental audits of offices and fields are conducted at least once per year.

Development of quality and environmental auditors

Our quality and environmental auditors include the following: "central quality and environmental auditors," who create audit plans and are responsible for conducting audits; and our "local office quality and environmental auditors," who conduct audits for their respective departments and publish audit reports. To enhance our quality and environmental auditing, we provide the training programmes listed below.

Auditor training

- Overview of ISO 9001 and ISO 14001 requirements
- Outline of the quality and environmental management policy, its attached documents and demonstration audits and creation of mock audit reports
- Investigation of the causes of audit findings and prevention of recurrence
- Demonstration and evaluation of quality and environmental audit

Training for central quality and environmental auditor (candidates are selected from staff with more than five years of service): One training session held in fiscal 2013 (21 participants)

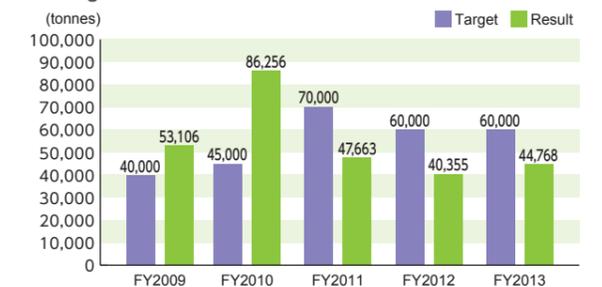
Training for local office quality and environmental auditor (candidates are selected from staff with more than three years of service): One teleconference training session held in fiscal 2013 (78 participants)

● Initiatives to provide energy saving solutions

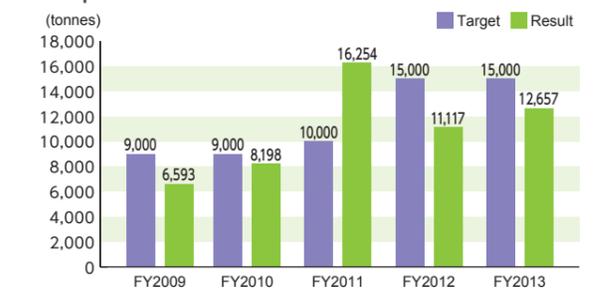
During the design phase, we proactively provide customers with energy-efficient solutions, which are predominately based on technologies developed by Dai-Dan to contribute to reduced CO₂ emissions.

Throughout fiscal 2013, we offered solutions that would have reduced CO₂ emissions by 44,768 tonnes, with customers adopting energy-efficiency options that saw a total reduction of 12,657 tonnes of CO₂.

■ Targets and results of CO₂ emission reduction through design solutions



■ Targets and results of CO₂ emission reduction through adopted solutions



● Initiatives to reduce energy consumption

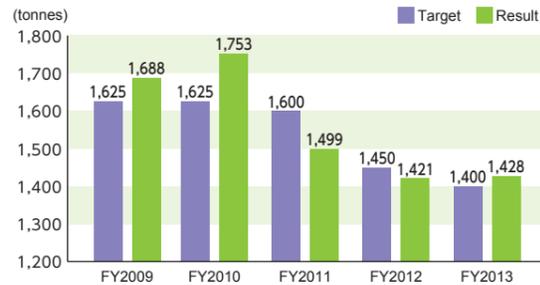
We are committed to reducing energy consumption, such as electricity and gas, and reducing use of copy paper at installation sites and offices. In fiscal 2013, our energy

■ CO₂ emissions at installation sites



consumption converted to CO₂ emissions totaled 1,376 tonnes and 1,428 tonnes at installation sites and offices, respectively.

■ CO₂ emissions at offices

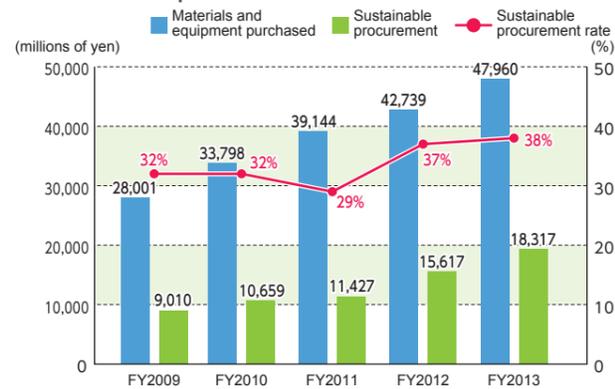


● Initiatives to promote sustainable procurement

Dai-Dan promotes sustainable procurement to our customers, and has designated items that are applicable to sustainable procurement in the following five areas: Introduction of energy saving, high efficiency equipment; use of environmentally friendly material; introduction of highly durable equipment; introduction of low emission devices; and introduction of water saving equipment.

Sustainable procurement rate during fiscal 2013 was 38%.

■ Sustainable procurement rate



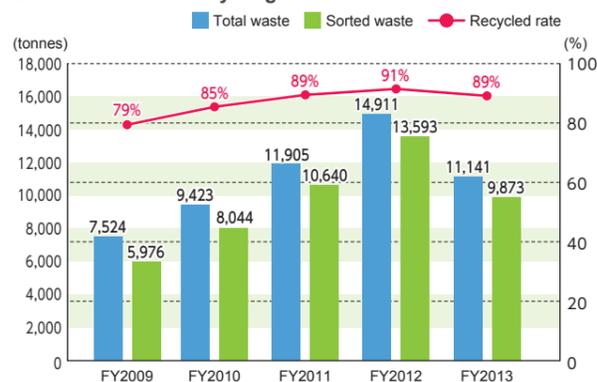
● Initiatives to recycle industrial waste

Dai-Dan implements activities to encourage recycling at all of its installation sites. Throughout fiscal 2013, Dai-Dan produced approximately 11,141 tonnes of industrial waste, of which 89% was recycled.

Furthermore, we promote awareness of reducing industrial waste at our offices and encourage sorting and recycling.

In fiscal 2013, our offices produced approximately 120 tonnes of general waste, of which 60% was recycled.

■ Industrial waste recycling rate



● Introduction of hybrid vehicles

For some time, we have been proactively introducing fuel-efficient models for our company-owned and leased company cars. By the end of fiscal 2011, 97% of all company cars were fuel-efficient models. In fiscal 2012, we introduced hybrid vehicles, and we aim to achieve further savings of

resources and energy. As of the end of fiscal 2013, 29% of company vehicles were hybrid models, and we expect to increase this rate to 35% in fiscal 2014.

● Response to environment-related accidents

During fiscal 2013, a total of four instances of environmental accidents occurred at properties at which we had completed installations. We have responded to each of the cases appropriately, and in line with all legal requirements.

Type of accident	Details	Result of response
Refrigerant leakage (accident caused by a manufacturer's product)	The fan bell-mouth of the air chiller fell off, striking and breaking the fan blade. The flying pieces damaged the air heat exchanger cooling pipe, causing a leakage of refrigerant gas.	The installation bolts for the fan bell-mouth were too short, and the vibration of the chiller caused the bolts to work loose and fall out. The manufacturer provided longer replacement bolts, which were installed.
Refrigerant leakage (accident arising from installation)	A 30-month-old air conditioner failed to work after a repair. The cause was a blemish on a flare joint in the refrigerant piping that resulted in a refrigerant gas leak. (Related incidents occurred at two other installations.)	The flare joint was re-done and an airtightness test was carried out to ensure no further air leakage from the pipe. The system was then refilled with refrigerant gas followed by a test run and adjustment to recover the system.

Responding to and preventing recurrence of accidents caused by poor quality workmanship

- The accident and complaint report is created each month to share information about, and prevent recurrence of accidents caused by, poor quality workmanship. The report outlines the details of the accidents and preventative measures, and is used to ensure that those incidents are well known at each worksite.
- Each worksite also holds meetings and training sessions to inform its employees of accidents and complaints.

● Contribution made by research on reducing environmental impact

Reduction of waste using supercritical CO₂

Factories and department stores dispose of large volumes of used deodorising air filters.

Dai-Dan was the first company to successfully use supercritical CO₂ technology for commercial purposes to clean and recycle deodorising air filters.

The use of this recycling technology, co-developed by the Tohoku University and the National Institute of Advanced Industrial Science and Technology, provides benefits such as reduced waste and reduced CO₂ emissions, and therefore has been highly praised by our customers and related academia.



Japan's largest supercritical CO₂ cleaning and recycling equipment

Resource saving through the use of laminate ducts

Ducts used for air conditioning systems and ventilation require a certain thickness to ensure durability. To save resources, Dai-Dan has been introducing laminate ducts, which are 10 to 30% thinner than conventional duct materials and use specially reinforced iron sheets.

Before installing laminate ducts, the ducts undergo leak tests* and tests to ensure durability and resistance to vibration.

* Tests to ensure that no air leaks from the joints



Performance evaluation testing of laminate ducts

Meeting Customer Expectations

In order to maintain and improve the quality of building services, Dai-Dan implements quality management systems, strengthens support systems and advances cooperation with our subcontractors.

Quality Management System

Quality Management System (ISO 9001)

Dai-Dan has built and implemented the Dai-Dan Quality Management System, which is compliant with the ISO 9001 Quality Management System. Before December 1999, each office was independently certified; in 2006, however, all workplaces collectively acquired ISO 9001 certification. We have been working to maintain and improve the quality of our work at installation sites.



ISO 9001 Registration Certificate
For further details on registration, see the registration list on the website of the accrediting organization (<http://www.jtccm.or.jp/>).

Our activities include:

- Ensuring quality of work carried out on-site
- Enhancing the skills of engineers and passing on expertise
- Reducing quality-related problems

To ensure the effectiveness of the above activities, we are implementing the following.

Operational procedures of the installation department

Discuss details of installation work prior to commencement	<ul style="list-style-type: none"> • Hold project meetings prior to commencement • Formulate installation plans
Management while work is in progress	<ul style="list-style-type: none"> • Promote standardisation across all installations to ensure high quality • Conduct inspection by a team of specialists with technical expertise
Inspection and completion	<ul style="list-style-type: none"> • Inspection in line with legal requirements • Dai-Dan's own final inspection of functionality

Building Chart System

We have been using a Building Chart System, an internal information system, since May 2010 in order to make the most of our installation experiences. The Building Chart System is used to record the details of the installation, the details of recommendations, and customer requirements for each building. We enhance customer satisfaction by recommending detailed renovation options that contribute to comfortable use of a building.

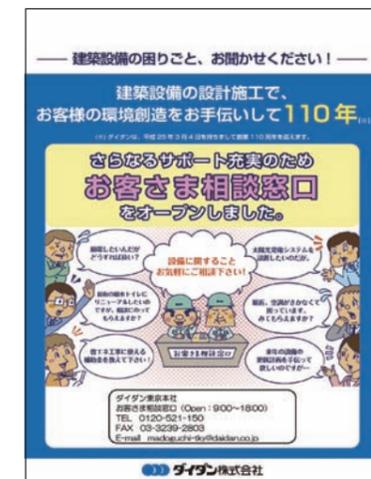
Project meetings

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

Customer support after completion and handover

At the completion of a project, Dai-Dan conducts a status review of major equipment and provides ongoing advice to improve performance. This work is carried out by the project manager, who can offer insights into the building services even after the handover.

In November 2012, Dai-Dan established a customer consultation office. Customers are welcome to contact us for information on building maintenance and to submit cost estimate requests. Our effective customer support system is prepared to meet a wide range of customer needs without delay.



Brochure advertising the establishment of a customer consultation office

Customer evaluations

Dai-Dan conducts customer satisfaction surveys after we have completed building service installations. These surveys provide our customers with the opportunity to evaluate our technology and installation work on a scale of one to four (four being the highest). At the same time, we also allow our customers to communicate any requests they may have. We verify the points to keep in mind during reviews of issues or follow-up service through a customer evaluation survey involving all parties concerned at the internal completion evaluation meeting.

With this survey system, we are able to provide facilities that satisfy our customers for a long time in addition to ensuring follow-up service by passing on the information obtained through the customer evaluation survey.

Customer satisfaction survey results

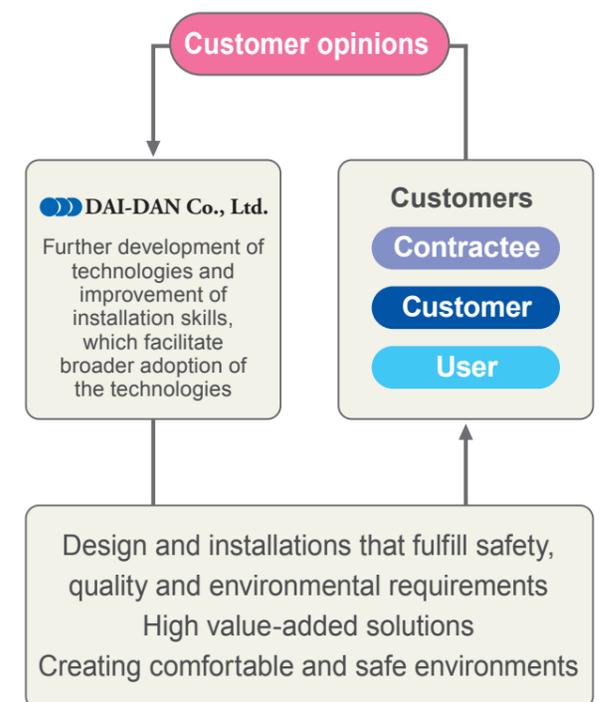
Item	FY2011	Item	FY2012	FY2013
Work quality	3.50	Installer capacity	3.41	3.42
Work progress	3.40	Installation management	3.37	3.39
Customer service	3.51	Creativity and solution proposals	3.34	3.38
Installation management	3.49	Backup capacity	3.34	3.33
Overall evaluation	3.50	Overall evaluation	3.41	3.44

Note: Survey items have been changed as of June 2012.

Number of surveys completed: FY2011; 739/FY2012; 678/FY2013; 583

Development technology information desk

Our development technology information desk, which assists each office in quickly and accurately handling customer inquiries and requests, was launched in fiscal 2012. The service works in cooperation with internal specialist engineering teams to provide support for each office in resolving issues submitted by customers. It encompasses the latest technological trends and can utilise Dai-Dan



technologies involving, for example, the application of government subsidies, advanced environmental factory control, leading-edge medical facilities and devices, and projects requiring analysis and measurement.

Initiatives with subcontractors

● Activities with subcontractors

To provide our building services safely and offer appropriate value while maintaining high quality, it is imperative that we complete our projects by working in a cooperative relationship with our subcontractors.

Each Dai-Dan office maintains a Dai-Gen Kai and a Health and Safety Association, organisations of Dai-Dan subcontractors supported by long-standing relationships of trust. These organisations include sub-groups specialising in trades such as electrical, plumbing and ductwork that form sectional committees that remain actively engaged in various issues.

Their areas of focus include improving quality, ensuring safety, rationalising costs, enhancing installation efficiency,

compliance, environmental measures, innovative site management methods, and employing new techniques and materials. Dai-Dan and its subcontractors pursue these initiatives with a shared interest in manufacturing excellence.

In addition, the respective sectional committees of our offices regularly engage in information exchange at the national level in order to share information on the results of initiatives.

By continually incorporating the outcomes of these initiatives with our on-site subcontractors, we are striving to further enhance our expertise encompassing the aspects of safety, quality and cost. We remain committed to meeting the demands of our customers.

● FY2013 initiatives of the sectional committees of the Osaka Dai-Gen Health and Safety Association

Sectional committee	Main focus
Electricity Generation	Photovoltaic power generation
Electrical Skill	Introduction of new tools and materials <ul style="list-style-type: none"> • Cable identification device • Pocket-size insulation resistance meter • Materials for making simple cable connections • Scaffold-free ceiling wiring methods • Screw-free installation method for outlet boxes
Ductwork	Examples of good installations/poor installations Part 2
Plumbing	<ul style="list-style-type: none"> • Documentation on plumbing connections (including packing, bolts, insulation bolt specifications, adhesives and sealing materials) • Documentation on plumbing support methods
Refrigerant Piping	<ul style="list-style-type: none"> • Completion of refrigerant handbook • Revision of the cost requirements sheet for refrigerant charging
Painting and Insulation	Classification of problems and measures in large field projects
Miscellaneous Work	<ul style="list-style-type: none"> • Heavy lifting operation for flue and smoke tube boiler using air caster method • Advance foundation anchor implantation method • Introduction of FRP foundation footings
Outsourcing of Management	Search tool for "VE, CD proposals and installation standards"
Equipment	<ul style="list-style-type: none"> • Collection of VE proposals for the apparatus • Cost reduction by changing pipe type • Introduction of flex unit drain pipe for air conditioner plumbing, list of incidents

Message from a subcontractor

While the nationwide labour shortage in the construction industry has continued with the restoration work required in the aftermath the Great East Japan Earthquake, construction demand is expected to grow in the period leading up to the Tokyo Olympic Games to be held in 2020. The short-term challenge is to secure skilled workers for site work.

Dai-Dan has established the Dai-Dan subcontractor network, a national-scale system of supporting subcontractors. The Osaka Dai-Gen Health and Safety Association, a local member of that subcontractor network, currently comprises 19 local supporting subcontractors.

I am confident that, in the future, our association can meet customer needs by working together with Dai-Dan to encompass an even wider nationwide circle of supporting subcontractors serving as an effectively functioning national network during the upcoming busy period.



Shigeka Yamada
Chairman of Osaka Dai-Gen Health and Safety Association
Kotobukikogyousho Co., Ltd.

Valuing Our Employees

Dai-Dan respects each of our employees and encourages them to take on the challenge of creating greater value, and also promotes positive work-life balance.

Respect for human rights and development of human resources

● Initiatives to address human rights issues

Dai-Dan's Corporate Code of Ethics clearly states the importance of respect for human rights and individuality. We value personal dignity and make efforts to improve work environments. During our new employee training sessions, we raise awareness for respecting basic human rights.

– Respect for human rights and individuality – Excerpt from the Standards of the Corporate Code of Ethics

- All executives and employees must respect all human rights and individuality, and create work environments that do not tolerate actions that may harm human dignity.
- All executives and employees must strive to improve work environments and systems to create a workplace that allows our diverse human resources to exploit their skills to the fullest extent.

● New employee technical training

New employee technical training is the very beginning of the training we provide. It consists of introductory technical training and fundamental technical training, both of which together allow new employees to learn and put into practice their fundamental knowledge.

In fiscal 2012, the training duration was extended by one month to five months. It is taught using a curriculum that goes beyond the boundary of job types. The training not only offers lectures, but also provides greater opportunities for new employees to see and experience new things to enhance efficiency and deepen learning of new knowledge of technical skills. It also equips new employees with the ability

to immediately contribute to the company.

Through this five-month training, new employees not only acquire specialised knowledge and technical skills, they also develop a strong bond with their fellow new employees, with whom they will grow together in friendly competition.



Site inspection as part of introductory technical training for new employees

■ Diagram of educational training system



Reflecting on my new employee training

At the time I joined the company in April 2014, I underwent training at the Technical Training Centre with a combination of expectation and unease.

This marked my first step away from student life and into my role as a member of society. But I lacked confidence about whether I could do my best and prevail in a stricter social environment, and whether I could work and get along with such a large number of fellow new employees. Then again, I was full of positive energy and anticipating my growing process.

Fortunately, as we cooperated and made progress with the training topics, the unity among all us new employees strengthened. My worries gradually faded as we talked about our future work together and our goals.

At first, I still felt I was a student, but when the CAD training started in May, I felt a new confidence merging with my awareness of being an employee of Dai-Dan. Although I still find CAD difficult to master, the substantial training enabled me to develop my abilities little by little.

In addition to offering CAD training, the centre provided site tours and special training courses. This renewed my awareness that Dai-Dan is a company with a truly broad training system.

During our field training that began at the end of July, I gained experience at carrying in cubicles, laying cable racks, installing lighting and working on power reception. I believe I gained a substantial amount of experience during this period.

The task of carrying in the cubicles had the biggest impression on me. I was surprised at the workspace, the crane choice, and the many other issues that must be considered, including safety management during the carry-in process.

I think this experience will help my work greatly in the future, as I was able to learn how to set up a carry-in plan and actually experience the carry-in work.

As my office assignment drew to a close and I looked back on what I had accomplished since entering the training centre programme, I felt that I had matured greatly in terms of awareness, mindfulness and knowledge.

I felt quite blessed to have become acquainted with such wonderful fellow new employees throughout the five-month training period. I am confident that this experience will prove to support me greatly in future, especially during times when I encounter difficulties.

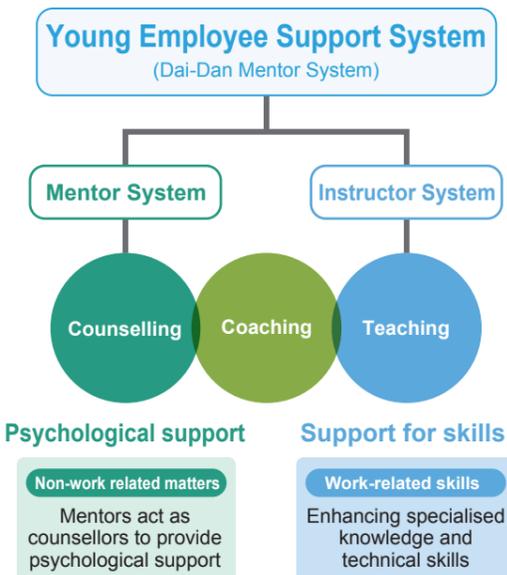


Akinobu Ikeda
Engineering Division 2
Engineering Department 1
Osaka Head Office

Young Employee Support System (Dai-Dan Mentor System)

The Dai-Dan Mentor System consists of two systems: the Instructor System, which supports the enhancement of specialist knowledge and technical skills, and the Mentor System, which provides psychological support and assists career development. These two types of mentors (instructors and mentors) provide comprehensive support to new employees. With 2014 marking the fifth anniversary of the system, the employees who had achieved growth with the support of mentors became mentors themselves capable of supporting the new employees.

This chain of personnel development reflects our human resource development belief that people grow as they assist in the development of others.



My experience in receiving mentor support

In September 2013, I completed the five-month technical training for new employees and was posted to the Construction System Development Division of the Technical Research Laboratory.

At first, I felt uneasy about whether I could perform the duties of the Research Laboratory, and whether I could become accustomed to life in this new environment. My unease gradually dissipated, however, because of the advice that my senior mentor casually passed on to me.

I talked with my senior mentor every month. Because I was in a section different from that of my mentor, I did not receive direct instruction relevant to my work. However, gaining a better understanding of workflow and how to work and study proved to be very significant. Moreover, my mentor would sometimes invite me to eat with him, which helped me to open up about subjects such as hobbies and other aspects of my life. After the one-year support period passed, I felt I was able to establish a good relationship with my mentor and speak frankly in conversation.

Through this experience, it became clear that this system was a significant help to a new employee. I recommend that all new employees take steps to make the most of this system and frequently talk with your senior mentor and ask questions.



Shintaro Hanazono
Construction System
Development Division
Technical Research
Laboratory

Official qualification acquisition scheme

Official qualifications can be the foundation for individuals as they go about their work, and they also significantly influence the credibility and authority of knowledge.

They are especially important for engineers as whether or not an engineer have a qualification is closely related to on-site work. Therefore, the acquisition of official qualification is indispensable.

In order to support our employees' commitment to enhance their technical skills and in order to secure qualified engineers and improve the overall technical level of the company, Dai-Dan encourages and provides support for the acquisition of official qualifications.

For those who acquire official qualifications recognised as necessary by Dai-Dan, we subsidise course fees and also offer incentives and official qualification acquisition benefits.

CPD scheme designed to improve technical skills

There are no limits to the specialisation and improvement of technical skills. In order to support our employees' on-going commitment to skills improvement, we maintain a database on employee educational history using the Dai-Dan CPD* scheme and utilise it for human resource development.

The educational history of each employee is reported to the Society of Heating, Air-Conditioning and Sanitary Engineers of Japan (SHASE). It is then assessed and verified for the appropriateness of our education and human resource development.

* Abbreviation for Continuing Professional Development, which refers to the continued development of skills and knowledge throughout an individual's professional career.

** Quantified figures of an individual's continuing professional development record in accordance with category specific point standards. They are used as official evidence of CPD history (performance results).

CPD status of companywide initiatives

Category	Previous CPD points**	Current CPD points	Major programmes
I. Technical information learning	13,957	16,662	Attending external lectures and participating in exhibitions, product information sessions and tours
II. In-house training/OJT	19,300	19,258	Attending in-house training and OJT
III. Self-education	2,648	3,997	Taking recommended correspondence courses and self-education using specialised books
IV. Work experience	9,040	9,180	Successful work, winning of internal awards, installation review session, on-site inspections, safety inspections, teaching study groups and serving as a committee member for creating internal technical documents
V. Research and technology/reporting	870	950	Publication of research papers, contributing to journals and other publications
VI. Provision of information and technical instructions	1,087	1,353	External provision of information and technical instructions, participation in academic conferences and research committees, and serving as an instructor for official qualification courses
VII. Instructor	2,488	2,786	In-house training instructor, part-time lecturer at a university or technical college
VIII. Winning of an award, acquisition of qualification, others	4,960	5,580	Winning of an external award, acquisition of a technical and safety plumbing related official qualification, acquisition of a degree, and obtaining a patent
Total	54,350	59,766	

Notes:
 • Previous points are those points acquired between April 2012 and March 2013.
 • Current points are those points acquired between April 2013 and March 2014.
 • Categories II, III, IV, VII and category V have annual maximum points of 20 and 40 respectively.

Number of employees who have major qualifications

Qualification	Number	Qualification	Number
Doctorate	5	First grade instrumentation engineer	294
Professional engineer	31	Energy manager	51
First-class architect (qualified architect and building engineer)	19 (15)	First-type electrical work engineer	227
First-class electrical work operation and management engineer	221	Building service engineer (air conditioning)	500
First-class plumbing work operation and management engineer	765	Building service engineer (plumbing)	474
Building services architect	151	First grade construction industry accountant	16

Notes:
 • Figures pertaining to the number of people who have acquired the above qualifications are current as of the end of March 2014.
 • The number of qualified individuals includes duplicated qualifications due to the multiple fields covered by each qualification.

Publication of the DAI-DAN Technical Current News

With the objective of publicising 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 108th edition was published in September 2014. Copies of these publications are donated to the National Diet Library.



Work-life balance and the work environment

Holidays

Dai-Dan has established various holiday systems to allow our employees to make the most of their holidays to refresh themselves.

Since fiscal 2011, employees have been encouraged to take summer holidays at the same time as part of our efforts to reduce electricity consumption. Employees are also encouraged to take paid annual leave and refreshment holidays before or after their summer holiday to have their body and mind refreshed.

Many employees make the most of an extended break as a refreshment holiday to travel abroad or take the time to enjoy hobbies that they did not typically have time for.

Long-service employees are not only entitled to holidays, but are also given a travel coupon depending on the duration of their service, making their family trips and other trips more fulfilling.

Major holidays (excluding statutory paid annual leave)

Type of holiday	Details
Summer holiday	Three consecutive days in summer
Refreshment holiday	Seven 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

Summer holiday usage rate

Fiscal year	Rate
FY2012	91.0%
FY2013	91.2%
FY2014	92.2%

Continued employment scheme

Dai-Dan has introduced a continued employment scheme as part of our initiatives to meet the needs of Japan's aging and declining population. Under this scheme, we extend the employment of staff who reach retirement age but desire to keep working. Through this we are leveraging skills and expertise acquired over many years, and enabling those skills to be passed on to the next generation of workers.

In fiscal 2013, we employed all staff who desired to continue working until the age specified by the transitional measures following the amendment of the Act on Stabilisation of Employment of Elderly Persons.

Continued employment rate for persons of retirement age

	FY2011	FY2012	FY2013
Persons of retirement age	33	29	26
Persons continuing employment	28	26	25
Continued employment rate	84.8%	89.7%	96.2%

A workplace that proactively employs females

Dai-Dan has continued to employ female workers for main career track positions when hiring recent graduates, and we provide technical training for new employees without discrimination by gender. Engineers who have acquired the necessary basic knowledge through this training are now playing an active role in design departments and at field installation sites.

In addition, we switch employees from minor career track positions to main career track positions using the Main Career Track Position Switching System as needed, and our primarily female main career track positions remain active in sales departments and official and administrative departments.

Employee breakdown

	As of March 31, 2012		As of March 31, 2013		As of March 31, 2014	
	Male	Female	Male	Female	Male	Female
Number of employees	1,225	126	1,236	128	1,259	130
Average years of service	18.7	11.2	18.8	11.7	18.8	12.3
Average age	42.7	33.4	42.8	33.9	43.0	34.5
Female main career track positions	—	27	—	28	—	30

Supporting the balance between work and home

Dai-Dan has developed an action plan in line with the Act on Advancement of Measures to Support Raising Next-Generation Children, in order to enable employees to achieve the best balance between work and home, to create a pleasant work environment for all employees, and to ultimately allow staff to use their skills to their fullest extent.

Action Plan
(April 1, 2011–March 31, 2015)

- Target 1** To improve the workplace environment to ensure that childcare leave is easy to take and the staff easy to return
- Target 2** To have at least one or more male employees take childcare leave while the action plan is in operation
- Target 3** To provide an opportunity to gain work experience by introducing an internship system

Parental leave take-up rate

	FY2011	FY2012	FY2013
Number of female employees who gave birth	2	3	4
Number of female employees who took childcare leave	2	3	4
Number of female employees on reduced schedules for childcare	1	2	2
Percentage of female employees who took childcare leave	100%	100%	100%
Percentage of female employees on reduced schedules for childcare	50%	67%	50%
Number of male employees who took childcare leave	0	0	0

Initiatives to address mental health issues

Maintaining a healthy mind helps keep you highly motivated for work and vitalises the company.

In order to ensure the mental health of employees and establish an employee-friendly workplace, Dai-Dan offers mental health education.

New employee training teaches the basics of mental health to equip staff with the knowledge to allow them to identify and cope with their own stresses.

Furthermore, as part of our efforts to fulfill our company's duty of considering employee safety, during new deputy manager and managerial staff training sessions, participants

Following up on employees working long hours

Dai-Dan provides employees working long hours, as defined by the Industrial Safety and Health Act (those who have worked more than 100 hours over the legally defined monthly work hour limit) and those who have worked more than 80 hours of the legally defined monthly work hour limit for three

Message from an employee who took childcare leave

I took maternity leave and childcare leave from March to the end of November 2013.

After reporting my pregnancy to my boss for my third parental leave with a beating heart, my boss said "Congratulations!" I felt doubly happy knowing that I would be able to continue working after having become pregnant.

Thanks to the support of my boss and co-workers, after giving birth I was able to return to the workplace that I am accustomed to. I am also able to maintain a good balance between my work and home life. Thanks to everyone, I have been able to devote myself to childcare during my leave from work, and my three sons are growing healthily by leaps and bounds.



Ritsuko Hosoi
Design Division 1, Design Department, Osaka Head Office

have the chance to develop a better understanding of mental health from a legal perspective, and the means to identify potential stressors for staff. They also learn to address the issues as an organisation.

Beginning in fiscal 2013, all employees have undertaken stress level checks, enabling them to identify their own level of stress and understand their mental condition, allowing them to make early diagnoses of any mental health issues.

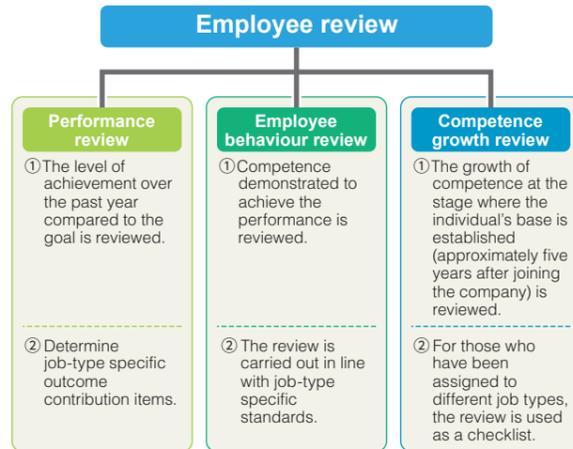
Dai-Dan provides an environment where each employee is able to work with a healthy body and mind to ultimately build an energetic company.

consecutive months, with consultations with medical doctors once per month. Through this, we are managing the health condition of our employees and make improvements in line with advice from doctors.

Employee review system

The outline of our employee review system is as shown below and is utilised depending on the objectives of implementation.

Through communication between supervisors and subordinates (interviews, etc.), and regular provision of feedback on evaluation results, we attempt to enhance target achievement levels, determine skills put into practice, and develop staff through guidance.



Message from the Labour Union

Established in 1973, the Dai-Dan Labour Union began its 41st year in August 2014.

The union has all along been engaged in discussions with the company and undertaking union activities while recognizing the difficulty of reconciling diverse views expressed by personnel from many offices in Japan and overseas.

Moreover, the union leadership turns out at gatherings in each workplace across the country in order to better appreciate the authentic views of members.

Union members are making concerted efforts to achieve even better working conditions and environments.



Takuma Kishimoto General Secretary
Kazuhiko Matsuura Chairperson
Atsushi Mogi Vice-Chairperson

Meeting Local Expectations

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

Dissemination of technical information to external parties

In order to contribute to the development of Japan's building services industry, Dai-Dan supports the running of academic conferences and dispatches lecturers to external organisations. In particular, Dai-Dan's engineers are dispatched to external training centres and educational institutions across Japan as lecturers to provide classes on building service technologies.

External organisation memberships and positions (as of September 2014)

Organisation	Position
Society of Heating, Air-Conditioning and Sanitary Engineers of Japan	General Director, Auditor-secretary
Institute of Electrical Installation Engineers of Japan	General Director
Air-conditioning & Plumbing Contractors Associations 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
Japan Electrical Engineer Association	General Director
Osaka Electrical Construction Association	General Director
Aichi Electrical Construction Association	General Director
Tokyo Electrical Construction Association	Auditor-secretary

Organisations to which Dai-Dan employees are dispatched as lecturers

Organisation	Position
Kanto Gakuin University	Part-time lecturer
Society of Heating, Air-Conditioning and Sanitary Engineers of Japan	Lecturer
School of Tokyo Electrical Construction Association	Lecturer
Osaka Piping Higher Training School	Lecturer
Japan Industrial Publishing Co., Ltd.	Contribution of articles
Technical Information Institute Co., Ltd.	Contribution of articles
Institute for Aerial Studies Foundation	Lecturer
Japan Organisation for Employment of the Elderly, Persons with Disabilities and Job Seekers	Lecturer

Dai-Dan Alumni Association



87 participants from the East Japan region



98 participants from the West Japan region



46 participants from the Central Japan region

A lot of former employees got together again at this year's party of the "Dai-Dan Alumni Association." The party was held for the Central Japan region in Nagoya in October, for the West Japan region in Osaka in November and for the East Japan region in Tokyo in April. The party began with directors and executive officers welcoming the members. The participants heard updates of other members who were not there and watched a flower bouquet presentation to members who have turned 88 years old in a friendly atmosphere.

Members chatted as enjoyably and cheerfully as they did when they were working at the company.

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

If a large-scale disaster strikes, we are, as a member of the construction industry, required to aid the swift recovery of electricity, water and social infrastructure, while at the same time ensuring the continuation of our business and that of our customers.

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 organisations, 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.

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. Earnings of the fund are used to support social welfare enhancement activities.

FY2012: Dolphin-watching camp for children with developmental disorders accompanied by volunteers

FY2013: Support for investigative interview session to prevent deaths in solitude among single elderly people

FY2014: Development program for at-home care provider volunteers (former nurses)

Donations

Dai-Dan contributes financial support for various causes to help create and build a better community.

Our contributions include donations to geoenvironmental protection organisations, university scholarship funds and artistic activities, as well as sponsoring community events in areas across the country where our sites are based.

Part of sales proceeds from beverage vending machines used by Dai-Dan employees is donated to the Central

Community Chest of Japan, National Land Afforestation Promotion Organization, TABLE FOR TWO International (NPO) and others.

We have also been donating to the areas affected by the Great East Japan Earthquake every year since immediately after the disaster happened.

Social contribution activities (initiatives by each site)

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.

Community cleanups

Sites	Names of the projects or details
Hokkaido Branch	<ul style="list-style-type: none"> Love Earth Cleanup in Hokkaido 2013 Trash Pickup Beach Walk (Ishikarihama cleanup) Volunteer cleanup of a dry riverbed on the Toyohira River
Tohoku Branch	<ul style="list-style-type: none"> Sendai City Beautification Support Program (Ichibancho, Aoba Ward)
Niigata Branch	<ul style="list-style-type: none"> Cleanup in the area surrounding the Niigata Branch Shinano River Clean Mission
Tokyo Head Office General Administration Division (Tokyo) Sales Division Industrial Facilities Department	<ul style="list-style-type: none"> Cleanup in front of the Tokyo Head Office Love River Cleanup Event (Cleanup of a dry riverbed on the Tama River) Yasukuni Shrine cleanup
Yokohama Branch	<ul style="list-style-type: none"> Cleanup in the area surrounding the Yokohama Branch Port City Yokohama Beautification Cleanup Project
Chiba Branch	<ul style="list-style-type: none"> Intensive cleanup on the Makuari New City Cleanup Day
Nagoya Branch	<ul style="list-style-type: none"> Cleanup in the area surrounding the Nagoya Branch Nagara River Beautification Campaign Cleanup in Morishita Park
Hokuriku Branch	<ul style="list-style-type: none"> Volunteer Support Program Picking up Trash and Love the City Campaign (Area surrounding Kohrinbo of Kanazawa City and Tsuruga City of Fukui) Clean Beach Ishikawa
Toyama Branch	<ul style="list-style-type: none"> Cosmo Earth Conscious Act Clean Campaign in Iwasehama Big cleanup project Our Hometown Toyama Beautification Blitz
Fukui Branch	<ul style="list-style-type: none"> Fukui City Beautification Partner Scheme (Area surrounding the Fukui Prefectural Office Building) Clean the Sea Campaign

Sites	Names of the projects or details
Osaka Head Office Internal Audit Office General Administration Division Sales Division (Osaka) Technical Development Division (Osaka) Industrial Facilities Department (Osaka)	<ul style="list-style-type: none"> Osaka City Beautification Partner Scheme (footpaths in Yotsubashi area) Gomingo Ishikawa Cleanup in the area surrounding Tamatebashi Mt. Kongo Clean Hike Cleanup activity of the Citizens' Association for Better Environment of Yamato Koriyama "Cleanup Blitz" held by Ando-cho, Ikoma-gun, Nara Neyagawa Clean Day Cleanup Scheme
Kobe Branch	<ul style="list-style-type: none"> Kobe City Old Foreign Settlement Cleanup Project
Okayama Branch	<ul style="list-style-type: none"> Cleanup in the area surrounding the Okayama Branch Cleanup in the area surrounding the Korakuen Garden
Chugoku Branch	<ul style="list-style-type: none"> Volunteer cleanup in the area surrounding the Chugoku Branch Peace Memorial Park Cleanup Volunteers Sports GOMI Pickup in Hiroshima Volunteer Road Road <i>Fureai</i> Month Cleanup
Shikoku Branch	<ul style="list-style-type: none"> Intensive cleanup at Sunport Takamatsu, Chuo-dori and other areas
Kyushu Branch	<ul style="list-style-type: none"> CLEAN UP OUR TOWN 2013 Ohori Park Cleanup Team Fukuoka Castle Cleanup Project
Kumamoto Branch	<ul style="list-style-type: none"> Pick-and-Love-the-Town Movement Ozu-machi, Kumamoto Cleanup Activity

In addition to the above activities, we also participate in cleanups led by each site and individuals.



Love Earth Cleanup in Hokkaido 2013 Trash Pickup Beach Walk (Ishikarihama cleanup)



Port City Yokohama Beautification Cleanup Project



Volunteer Support Program



Cleanup in Morishita Park



Volunteer cleanup in the area surrounding the Chugoku Branch

Forestry care and tree planting

Sites	Names of the projects or details
Tohoku Branch	Osaki Hachimangu Shrine' forest revegetation project
Niigata Branch	Forest development project (forestry care)
Hokuriku Branch	Ishikawa Prefectural Artistic And Cultural Association Ishikawa Geijutsu no Mori Project (cherry blossom tree planting)
Chugoku Branch	Peace Memorial Park Active Volunteers
Technical Construction Division Technical Development Division Technical Research Laboratory	<ul style="list-style-type: none"> Miyoshi Green Support Squad (Tree planting in woodlands and forests care) Young Pine Tree Growing Campaign



Peace Memorial Park Active Volunteers



Young Pine Tree Growing Campaign

Company-wide activities

Name	Details
Eco-cap Project	In FY2013, 301,000 caps were collected (equivalent to vaccines for 352 people).
Charity Calendar Market	In January 2014, 1,674 calendars and diaries were donated from throughout Japan.
Tanzania Pole Pole Club	6.63 kg of used stamps were sent in from sites throughout Japan. They will be used for the tree planting projects on the world heritage listed Mount Kilimanjaro in Tanzania. 80 g of used stamps can be used for the planting of one tree. (6.63 kg of stamps is equivalent to 82 tree seedlings.)

Nursing home visit

In June 2013, our Kumamoto Branch staff visited nursing homes in Kumamoto City.

Red Feather Community Chest street donation

Our Kumamoto Branch staff ran a fund drive at the East Gate of Kagoshima Chuo Station in October 2013.

Repainting scribbled wall

In November 2013, a parking lot wall with sprayed scribbles was repainted white and "Festival (Princess Kaguya)" was newly drawn on it by our Kyushu Branch staff.



Repainting scribbled wall

Financial Report

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Consolidated Balance Sheets

(in million yen)

Assets		
Accounts	Previous Consolidated Accounting Year (As of March 31, 2013)	Current Consolidated Accounting Year (As of March 31, 2014)
Current assets		
Cash and deposits	22,447	24,626
Notes receivable, accounts receivable from completed construction contracts and other	56,324	57,189
Securities	49	—
Costs on uncompleted construction contracts	314	152
Raw materials and supplies	0	0
Deferred tax assets	1,003	1,273
Other	2,446	2,488
Allowance for doubtful accounts	(6)	(6)
Total current assets	82,581	85,724
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	5,417	5,409
Accumulated depreciation	(2,718)	(2,862)
Buildings and structures, net	2,699	2,546
Machinery, equipment and vehicles	146	154
Accumulated depreciation	(111)	(123)
Machinery, equipment and vehicles, net	34	31
Tools, furniture and fixtures	766	780
Accumulated depreciation	(587)	(624)
Tools, furniture and fixtures, net	179	155
Land	1,057	1,054
Total property, plant and equipment	3,970	3,788
Intangible assets	417	260
Investments and other assets		
Investment securities	11,007	13,229
Deferred tax assets	2	1
Prepaid pension costs	6,587	—
Net defined benefit assets	—	6,921
Other	2,222	2,086
Allowance for doubtful accounts	(632)	(665)
Total investments and other assets	19,186	21,574
Total noncurrent assets	23,574	25,623
Total assets	106,155	111,347

Liabilities and net assets

(in million yen)

Liabilities and net assets		
Accounts	Previous Consolidated Accounting Year (As of March 31, 2013)	Current Consolidated Accounting Year (As of March 31, 2014)
Current liabilities		
Notes payable, accounts payable for construction contracts	39,979	40,007
Short-term loans payable	6,251	5,686
Income taxes payable	788	1,381
Advances received on uncompleted construction contracts	2,435	3,124
Provision for warranties for completed construction	100	92
Provision for loss on construction contracts	391	130
Loss reserve related to antimonopoly law	—	771
Other	6,458	7,346
Total current liabilities	56,405	58,539
Noncurrent liabilities		
Long-term loans payable	1,378	1,903
Deferred tax liabilities	1,455	2,304
Provision for retirement benefits	1,328	—
Net defined benefit liability	—	1,398
Provision for environment measures	220	220
Provision for overseas investment loss	2	18
Long-term accounts payable	376	352
Other	0	0
Total noncurrent liabilities	4,761	6,197
Total liabilities	61,167	64,737
Shareholders' equity		
Capital stock	4,479	4,479
Capital surplus	4,809	4,809
Retained earnings	33,774	34,597
Treasury stock	(660)	(666)
Total shareholders' equity	42,403	43,221
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,412	3,690
Foreign currency translation adjustment	40	68
Remeasurements of defined benefit plans	—	(559)
Total accumulated other comprehensive income	2,453	3,199
Minority interests	131	189
Total net assets	44,988	46,609
Total liabilities and net assets	106,155	111,347

Consolidated Income Statements

(in million yen)

Accounts	Previous Consolidated Accounting Year (From April 1, 2012 to March 31, 2013)	Current Consolidated Accounting Year (From April 1, 2013 to March 31, 2014)
Net sales of completed construction contracts	121,919	124,445
Cost of sales of completed construction contracts	109,177	110,307
Gross profit on completed construction contracts	12,742	14,137
Selling, general and administrative expenses	9,992	9,966
Operating income	2,749	4,171
Non-operating income		
Interest income	15	16
Dividends income	162	181
Real estate rent	34	33
Insurance fee	98	91
Foreign exchange gain	383	155
Other	11	3
Total non-operating income	705	482
Non-operating expenses		
Interest expenses	154	150
Guarantee commission	12	18
Other	10	13
Total non-operating expenses	177	182
Ordinary income	3,278	4,471
Extraordinary income		
Income on sales of noncurrent assets	—	2
Extraordinary income	—	2
Extraordinary loss		
Loss on retirement of noncurrent assets	49	0
Loss on sales of noncurrent assets	—	4
Loss on valuation of investment securities	—	0
Loss on valuation of golf club membership	4	1
Provision of loss reserve related to antimonopoly law	—	771
Provision of loss reserve on overseas investment	—	17
Total extraordinary loss	54	797
Income before income taxes and minority interests	3,224	3,676
Income taxes—current	1,007	1,781
Income taxes—deferred	574	184
Total income taxes	1,582	1,965
Income before minority interests	1,641	1,710
Minority interests in income	42	39
Net income	1,599	1,670

Consolidated Statements of Comprehensive Income

(in million yen)

Accounts	Previous Consolidated Accounting Year (From April 1, 2012 to March 31, 2013)	Current Consolidated Accounting Year (From April 1, 2013 to March 31, 2014)
Income before minority interests	1,641	1,710
Other comprehensive income		
Valuation difference on available-for-sale securities	1,847	1,278
Foreign currency translation adjustment	28	45
Total other comprehensive income	1,876	1,323
Comprehensive income	3,518	3,034
(Particulars)		
Comprehensive income attributable to owners of the parent	3,460	2,976
Comprehensive income attributable to minority interests	57	57

Consolidated Statements of Changes in Net Assets

Previous Consolidated Accounting Year (From April 1, 2012 to March 31, 2013)

(in million yen)

	Shareholders' equity					Accumulated other comprehensive income				Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	4,479	4,809	32,889	(647)	41,531	564	27	—	591	73	42,197
Changes of items during the period											
Dividends from surplus			(714)		(714)						(714)
Net income			1,599		1,599						1,599
Purchase of treasury stock				(14)	(14)						(14)
Disposal of treasury stock		0		1	1						1
Net changes of items other than shareholders' equity						1,847	13	—	1,861	57	1,919
Total changes of items during the period	—	0	885	(13)	871	1,847	13	—	1,861	57	2,790
Balance at the end of current period	4,479	4,809	33,774	(660)	42,403	2,412	40	—	2,453	131	44,988

Current Consolidated Accounting Year (From April 1, 2013 to March 31, 2014)

(in million yen)

	Shareholders' equity					Accumulated other comprehensive income				Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	4,479	4,809	33,774	(660)	42,403	2,412	40	—	2,453	131	44,988
Changes of items during the period											
Dividends from surplus			(847)		(847)						(847)
Net income			1,670		1,670						1,670
Purchase of treasury stock				(5)	(5)						(5)
Disposal of treasury stock											—
Net changes of items other than shareholders' equity						1,278	27	(559)	746	57	803
Total changes of items during the period	—	—	823	(5)	817	1,278	27	(559)	746	57	1,621
Balance at the end of current period	4,479	4,809	34,597	(666)	43,221	3,690	68	(559)	3,199	189	46,609

Consolidated Statements of Cash Flows

(in million yen)

Accounts	Previous Consolidated Accounting Year (From April 1, 2012 to March 31, 2013)	Current Consolidated Accounting Year (From April 1, 2013 to March 31, 2014)
Net cash provided by (used in) operating activities		
Current net income before tax adjustments, etc.	3,224	3,676
Depreciation and amortization	402	425
Increase (decrease) in allowance for doubtful accounts	(186)	33
Increase (decrease) in provision for retirement benefits	(104)	(1,328)
Increase (decrease) amount of net defined benefit liability	—	1,268
Interest and dividends income	(177)	(198)
Interest expenses	154	150
Increase (decrease) in reserve for overseas investment loss	—	16
Loss (gain) on valuation of investment securities	—	0
Loss (gain) on sales of noncurrent assets	—	2
Loss on retirement of noncurrent assets	49	0
Increase (decrease) in loss reserve related to antimonopoly law	—	771
Loss on valuation of golf club memberships	4	1
Decrease (increase) in notes and accounts receivable—trade	1,283	(884)
Decrease (increase) in costs on uncompleted construction contracts	152	162
Decrease (increase) in other current assets	(780)	(141)
Decrease (increase) in other noncurrent assets	(657)	6,586
Increase (decrease) in net defined benefit asset	—	(7,666)
Increase (decrease) in notes and accounts payable—trade	(1,255)	27
Increase (decrease) in advances received on uncompleted construction contracts	30	689
Increase (decrease) in other current liabilities	(126)	695
Increase (decrease) in other noncurrent liabilities	(60)	(24)
Subtotal	1,952	4,265
Interest and dividends income received	177	198
Interest expenses paid	(153)	(150)
Income taxes (paid) refund	(714)	(1,195)
Net cash provided by (used in) operating activities	1,261	3,117
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	27	27
Payments into time deposits	(27)	(27)
Purchase of securities	(49)	—
Proceeds from sales and redemption of securities	99	49
Purchase of property, plant and equipment	(845)	(125)
Proceeds from sales of property, plant and equipment	—	3
Purchase of investment securities	(3)	(255)
Proceeds from sales and redemption of investment securities	2	30
Payments of loans receivable	(30)	(4)
Collection of loans receivable	34	4
Expenditures by acquiring of other noncurrent assets	(68)	(68)
Revenue by sales of other noncurrent assets	121	192
Net cash provided by (used in) investing activities	(740)	(172)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	32,380	34,570
Decrease in short-term loans payable	(32,230)	(35,070)
Proceeds from long-term loans payable	1,800	2,600
Repayment of long-term loans payable	(2,177)	(2,139)
Purchase of treasury stock	(14)	(5)
Proceeds from sales of treasury stock	1	—
Cash dividends paid	(714)	(847)
Net cash provided by (used in) financing activities	(955)	(892)
Effect of exchange rate change on cash and cash equivalents	217	126
Net increase (decrease) in cash and cash equivalents	(215)	2,178
Cash and cash equivalents at beginning of period	22,635	22,420
Cash and cash equivalents at end of period	22,420	24,598

Third Party Opinion

This opinion statement expresses views on this report. The statement has been completed by going through 30 questions in cooperation with attorneys (Daisuke Inayoshi, Ryota Matsui and Yasuko Fujii) belonging to the Kinki Branch of the Japan Federation of Bar Associations based on the associations' "Corporate Social Responsibilities (CSR) Guideline 2009." The process for completing the statement also included reviews of internal regulations and other related documents, as well as interviews with department managers.



Tsuneo Yamada
Attorney/Former
Chairman of Osaka Bar
Association
Director of Japan CSR
Promotion Association
Branch Manager of Kinki
Branch

Dai-Dan's continuous efforts made this year in its PDCA cycle-based initiatives and feedback of its employees' opinions, including responses of those who read the report, deserve recognition as a noteworthy challenge to firmly establishing their CSR activities. Additionally, from this year, financial information has been incorporated into the report. I expect the company to further exercise its ingenuity in enhancing the significance and the role of this report.

● Initiatives to improve workplace environments for employees

The company has proactively enhanced its various systems of support for young employees (Dai-Dan Mentor System), holidays, follow-up of employees working long hours, mental health measures including the introduction of stress checks, continuous employment and so on, to ensure that its employees can work on continual basis in a healthy and comfortable environment. It should be noted that these initiatives have already achieved certain results. This year's report has also incorporated the viewpoint of gender equality as it includes a new section entitled "Workplace where women are active" that highlights women engineers. I hope they will strategically consider building a framework that promotes the appointment of women to key positions.

Moving forward, I expect that conscious efforts will be taken in providing workplaces where employees can work in a wide variety of working styles, encouraging male employees to take child-rearing leave and promoting care leave education.

● Initiatives to conserve the environment

Dai-Dan's unique CSR activities supported by its sophisticated technologies are to be highly rated as they are performed continuously based on the PDCA cycle.

This year, their self-assessment was rather strict, but the assessment should be appropriately analysed and made useful in target setting. When setting targets and presenting achievement levels, I anticipate careful consideration will be given in the selection of target items, etc. in light of their understanding of their stakeholders, changes in social and economic needs, as well as technological viewpoints.

● Initiatives to ensure compliance

In the previous Third Party Opinion, I gave a high mark to the company for the way top management was highly aware of compliance and their proactive efforts to ensure its permeation and establishment. However, it is extremely regrettable that an antitrust case involving bid-rigging by industry-leading companies including Dai-Dan occurred last year. I must admit that the compliance awareness was not fully permeated and established across the company. Nevertheless, their proactive disclosure of such negative information to their stakeholders is recognised as a sincere attitude toward reoccurrence prevention. Actually, the company has set up a Compliance Office and Compliance Committee to absorb outside opinions. Moreover, they swiftly took reoccurrence prevention measures, such as to create a Compliance Month and enhance training with lecturers invited from outside the company. These efforts are to be recognised. I hope they will continue efforts for the permeation and establishment of compliance awareness in the company.

In order to eliminate cases of bid-rigging, the industry's structures and practices must be improved. I anticipate the company's initiatives to be adopted by others throughout the industry.

As for training, it is advisable to be creative by, for instance, providing opportunities where trainees can place themselves in the position of other persons through role-playing games based on difficult-to-judge or similar cases in the past. At the same time, continuous post-training surveys are necessary to see whether or not what was learned from training is being put into practice at work by checking the levels of employee understanding using questionnaires or other means. I hope that the PDCA cycle will be established and utilised in this area.

Reflecting on the Third Party Opinions

I would like to express my sincere appreciation for the opinions and suggestions regarding our DAI-DAN REPORT 2014 provided again this year by attorney at law Mr. Tsuneo Yamada in the form of a Third Party Opinion.

This year's report includes financial and non-financial data with an aim to make it a comprehensive corporate report.

We will remain committed to further enhancing our compliance system and working on corporate activities toward achieving the development of a better environment and stronger communities as set forth in our Corporate Principles.



Hirokazu Kawakubo
Director Senior Executive Corporate Officer
Head of General Administration Division

Site List

Headquarters Organisations

Name	Postal Code	Address	Telephone Number	Name	Postal Code	Address	Telephone Number
General Administration Division	550-8520	1-9-25 Edobori, Nishi-ku, Osaka City	06-6447-8000	Technical Development Division	354-0044	390 Kita-Nagai, Miyoshimachi, Iruma-gun, Saitama Prefecture	049-258-1891
Sales Division	102-8175	2-15-10 Fujimi, Chiyoda-ku, Tokyo	03-3261-8231	Technical Research Laboratory	354-0044	390 Kita-Nagai, Miyoshimachi, Iruma-gun, Saitama Prefecture	049-258-5725
Technical Construction Division	354-0044	390 Kita-Nagai, Miyoshimachi, Iruma-gun, Saitama Prefecture	049-258-1891	Industrial Facilities Department	102-8175	2-15-10 Fujimi, Chiyoda-ku, Tokyo	03-5276-4710

Branch/Office Organisations

Name	Postal Code	Address	Telephone Number	Name	Postal Code	Address	Telephone Number
Hokkaido Branch	001-0020	5-1-43 Nishi, Kita 20, Kita-ku, Sapporo City	011-716-9116	Osaka Head Office	550-8520	1-9-25 Edobori, Nishi-ku, Osaka City	06-6441-8231
Obihiro Branch	080-0010	Aobatokachi Bldg. 4F 12-20 Odoriminami Obihiro City, Hokkaido	0155-25-3559	Tenri Branch	632-0012	4-228 Toyoda-cho, Tenri City, Nara Prefecture	0743-63-1231
Hakodate Branch	041-0851	4-17-40 Hondori, Hakodate City, Hokkaido	0138-55-7086	Kobe Branch	651-0088	Nihon Seimei Sannomiya Ekimae Bldg. 7F 7-1-1 Onoe-dori, Chuo-ku, Kobe City	078-221-7777
Tohoku Branch	980-0811	1-15-17 Ichiban-cho, Aoba-ku, Sendai City	022-225-7901	Kyoto Branch	604-8186	Urbanex Oike Bldg. East Wing 2F 361-1 Umeya-cho, Kurumaya-cho-sagaru, Nakagyo-ku, Kyoto City	075-251-6411
Aomori Branch	030-0802	Tanuma Bldg. 4F 2-4-10 Hon-cho, Aomori City	017-773-1582	Wakayama Branch	640-8203	Nankai Wakayama Bldg. 6F 3-6 Higashikuramae-cho, Wakayama City	073-433-9431
Akita Branch	010-0951	Sanno Piares Bldg. 6F 2-2-17 Sanno, Akita City	018-824-6491	Shiga Branch	527-0025	Janly 21 Room 11, 6-55 Yokaichi Higashihonmachi, Higashi-omi City, Shiga Prefecture	0748-25-5400
Morioka Branch	020-0032	Hiramatsu Bldg. 2-16 Yugaose-cho, Morioka City	019-654-3023	Okayama Branch	700-0984	6-10 Kuwada-cho, Kita-ku, Okayama City	086-223-3106
Fukushima Branch	960-8031	Fukushima Sakaemachi Bldg. 4F 10-21 Sakaemachi, Fukushima City	024-521-4213	Chugoku Branch	730-0812	2-22 Kakomachi, Naka-ku, Hiroshima City	082-241-4171
Yamagata Branch	990-0043	Honcho Bldg. 1F 2-4-3 Hon-cho, Yamagata City	023-634-2620	Yamaguchi Branch	754-0011	Sanyo Bldg. Ogori 4F 4-6 Ogorimiyukimachi, Yamaguchi City	083-976-0121
Niigata Branch	950-0088	2-4-3 Bandai, Chuo-ku, Niigata City	025-247-0201	San-in Branch	690-0015	Heights Shalom Room 103 2-29-13 Agenogi, Matsue City	0852-27-5890
Tokyo Head Office	102-8175	2-15-10 Fujimi, Chiyoda-ku, Tokyo	03-3261-8231	Shikoku Branch	760-0018	11-20 Tenjinmae, Takamatsu City	087-861-6030
Kanto Branch	330-0854	GINZA YAMATO 3 Bldg. 3F 1-10-2 Sakuragi-cho, Omiya-ku, Saitama City	048-644-8468	Matsuyama Branch	790-0065	2-208-1 Miyanishi, Matsuyama City	089-922-7161
Gunma Branch	371-0805	Daidoseimei Maebashi Bldg. 7F 3-9-5 Minami-cho, Maebashi City, Gunma Prefecture	027-226-7720	Kochi Branch	780-0088	10-16 Kitakubo, Kochi City	088-884-8231
Tochigi Branch	321-0953	Yamaguchi Bldg. 6F 4-1-20 Higashishukugo, Utsunomiya City	028-637-3380	Tokushima Branch	770-0872	4-1-10 Kitaokinuso, Tokushima City	088-664-8121
Ibaraki Branch	300-0037	Sumitomoseimei Tsuchiura Bldg. 7F 1-16-12 Sakuramachi, Tsuchiura City, Ibaraki Prefecture	029-825-6656	Kyushu Branch	810-0023	3-1-24 Kego, Chuo-ku, Fukuoka City	092-771-4361
Chiba Branch	261-0023	NTT Makuhari Bldg. 25F 1-6 Nakase, Mihama-ku, Chiba City	043-211-8881	Kumamoto Branch	862-0941	1-7-6 Izumi, Chuo-ku, Kumamoto City	096-364-7134
Yokohama Branch	231-0062	Nisseki Yokohama Bldg. 24F 1-1-8 Sakuragi-cho, Naka-ku, Yokohama City	045-683-1050	Miyata Branch	823-0016	680-1 Shiromaru, Miyawaka City, Fukuoka Prefecture	0949-33-2602
Nagoya Branch	461-0005	Urbannet Nagoya Bldg. 16F 1-1-10 Higashisakura, Higashi-ku, Nagoya City	052-973-4750	Saga Branch	841-0031	Sungarden Yarita Room101 436-1 Yoritamachi Tosu City, Saga Prefecture	0942-84-2350
Toyota Branch	471-0835	1-20 Akebono-cho, Toyota City, Aichi Prefecture	0565-28-1841	Nagasaki Branch	850-0027	Dejima Asahiseimei Aoki Bldg. 8F 1-14 Dejiamachi, Nagasaki City	095-828-0772
Mikawa Branch	448-0011	5-6-4 Tsujiji-cho, Kariya City, Aichi Prefecture	0566-27-0324	Oita Branch	870-0033	Matsumoto Bldg. Room 402 1-3-22 Chiyomachi, Oita City	097-532-4350
Nagano Branch	380-0824	Choeidaiichi Bldg. 5F 1282-11 Minamiishido-cho, Nagano City	026-228-3820	Miyazaki Branch	880-0933	Inoue Bldg. Room 201 2189-2 Kusabazaki, Otsu-cho, Miyazaki City	0985-54-6382
Matsumoto Branch	390-0811	Orii Bldg. 2F 1-1-2 Chuo, Matsumoto City, Nagano Prefecture	0263-33-7016	Kagoshima Branch	890-0052	Arima Bldg. Room 201 26-5 Uenosono-cho, Kagoshima City	099-256-3662
Shizuoka Branch	422-8067	South Pot Shizuoka Bldg. 17F-1704 18-1 Minami-cho, Suruga-ku, Shizuoka City	054-281-3501	Okinawa Branch	900-0015	Arute Bldg. Naha 4F 3-15-9 Kumoji, Naha City	098-868-1700
Mie Branch	514-0004	Kasama Bldg. 2F-B 3-261 Sakaemachi, Tsu City	059-225-3840	Singapore Branch	—	315 Outram Road #15-09, Tan Boon Liat Building, Singapore, 169074	010-65-62218488
Gifu Branch	500-8175	Daini-nagazumi Bldg. 2F 1-9 Nagazumi-cho, Gifu City	058-265-8224	Hong Kong Branch	—	21F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong	010-852-22898888
Hokuriku Branch	920-0902	1-6-15 Owari-cho, Kanazawa City	076-261-6147	Philippine Branch	—	FABTECH Building, 1229 Quezon Avenue, 1104 Quezon City, Metro Manila, Philippines	010-63-2413-3333
Toyama Branch	930-0019	1-10-20 Yayoi-cho, Toyama City	076-441-3371	Malaysia Branch	—	No.75-2 Jalan SS 23/15, Taman SEA, 47400 Petaling Jaya, Selangor, Malaysia	010-60-3-78055443
Fukui Branch	910-0005	Fukui Hosokaikan 4F 3-4-1 Ote, Fukui City	0776-23-2166				

* The green shading indicates regional headquarters

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For any feedback or inquiries relating to this report,
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