

Strengthening Corporate Foundation

The Dai-Dan Group, as a company with board of company auditors, has established a governance system that separates management decision-making and supervisory functions from business execution, thereby enhancing effectiveness and transparency. We will continue to strengthen corporate governance through training for directors and evaluations of the effectiveness of the Board of Directors. In addition, by thoroughly enforcing compliance based on the Dai-Dan Group Code of Conduct and strengthening risk management to minimize various risks surrounding our company, we will continue to earn the trust of our stakeholders.

Roundtable Discussion with Outside Directors

The Future of Dai-Dan to Consider Now, While Business Performance is Strong

To enhance management transparency and fairness and strengthen corporate governance, Dai-Dan has appointed four outside directors. Here, all four outside directors gathered for a roundtable discussion with President Yamanaka. What initiatives should Dai-Dan promote now that business performance is strong? We present the lively discussions from the roundtable on the ideal form of the Board of Directors, future management strategies, and prospects for strengthening governance.

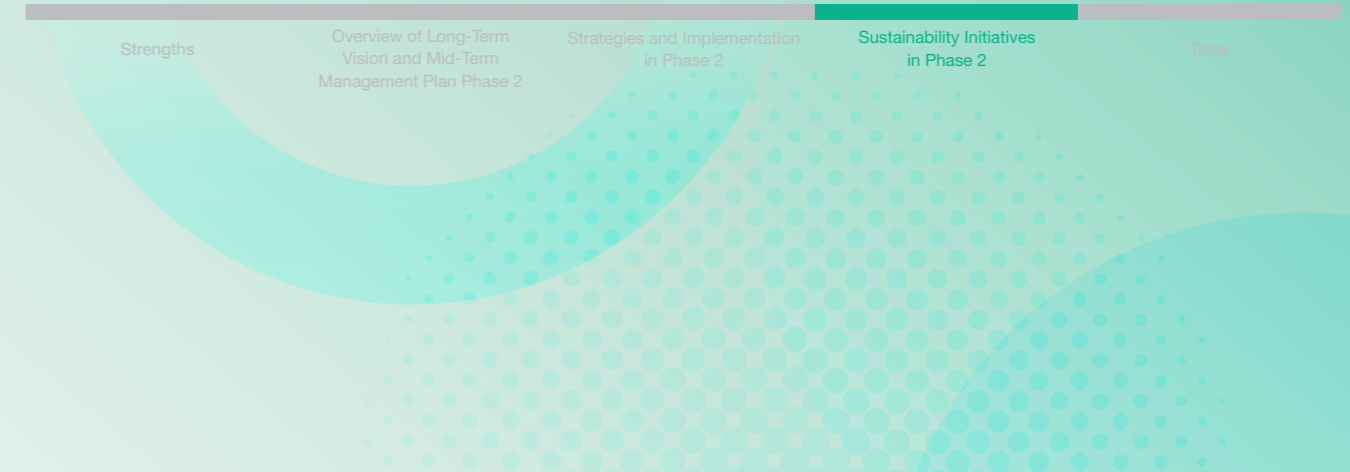
Evaluation of the effectiveness of the Board of Directors

Sato: I feel that our Board of Directors is very open, allowing for frank and lively discussions. Everyone, both inside and outside the company, actively speaks up based on their position and expertise, and the chairperson facilitates the meeting to keep it lively. There is absolutely no atmosphere that makes us outside directors feel like “outsiders” or intimidated; rather, I feel that our candid opinions from an external perspective are actively sought.

Matsubara: When I first became an outside director, the internal directors hardly spoke, and meetings tended to be formalities. In the first board effectiveness evaluation

survey, someone even gave the lowest score for the item “Are discussions lively?” Compared to that time, I feel that everyone now actively exchanges opinions, and the Board discussions have become much more lively.

In terms of effectiveness, the system that allows us outside directors to observe important internal meetings such as the Executive Committee meetings online as observers seems to be working well. Based on the information obtained in such settings, we can prepare for constructive discussions at the Board meetings. Furthermore, the Meeting of Independent Directors, which consists only of outside officers, also contributes to deepening discussions by allowing in-depth exchanges of opinions on important themes



before they are brought to the Board.

Yamanaka: The outside directors always provide active opinions at the Board meetings. Moreover, their comments are never negative criticisms that act as brakes, but always constructive, making me think, “I see, that’s another way of looking at it.” I strongly feel that taking measures in response to the feedback we receive leads to faster and higher-quality management decisions. Could you also share your opinions on the challenges facing the Board of Directors?

Kosakai: If I may make a suggestion for improvement, the original role of outside directors is to check internal controls and make recommendations on medium- to long-term management strategies and policies. However, to be frank, I feel that our Board of Directors

tends to deliberate a bit too much on short-term and routine matters. Honestly, there are even cases where issues that could be left to the executive team are brought to the Board for discussion.

What I would like to propose is a “focus on strategic discussions.” Specifically, we should promote delegation of authority and leave short-term and routine decision-making to the executive side. In return, the Board of Directors should devote sufficient time to strategic themes such as medium- to long-term management policies and visions, which are the areas it should truly focus on. We outside directors each have different experiences and skill sets. In order to make the most of this diverse expertise, I believe it is urgent to create a system that enables the Board of



Directors to truly focus on strategic deliberations.

Kyutoku: From my perspective, I have a proposal regarding clarification of roles. Currently, among the matters brought directly to the Board of Directors, there are quite a few that are difficult for outside directors to fully grasp in detail. Ideally, the executive team should first thoroughly discuss and organize the issues at Executive Committee before submitting them to the Board of Directors. I am confident that this will make it easier for outside directors to participate in substantive discussions, and as a result, dramatically improve the quality of discussions at the Board as a whole.

On the progress of the Mid-Term Management Plan

Kyutoku: I feel that the current Mid-Term Management Plan is a solid and excellent plan that leverages our company's strengths. In addition to steady growth in our core businesses, I particularly appreciate the clear commitment to new areas such as regenerative medicine and overseas expansion.

However, the success of new businesses requires a strong sense of commitment from management. Especially in uncharted fields like regenerative medicine, a strong will to continue investing patiently for at least three years is essential.

Thanks to strong performance, we have already exceeded the final-year targets of this Mid-Term Management Plan. While this is a welcome development, it also raises the fundamental question of "What is a Mid-Term Management Plan?"

Matsubara: Several years ago, we set an ambitious long-term vision of "300 billion yen in sales." At the time, it seemed like a very high hurdle, but with the expansion of domestic construction demand, economic stimulus from monetary easing, and the depreciation of the yen, our sales have now grown to around 280 billion yen. The much greater-than-expected growth in performance is a "pleasant surprise" for management, but at the same time, it is also an opportunity to reconsider the essence of our plans.

In order to respond to rapid changes in society and the economy, I believe that today's Mid-Term Management Plans must be flexible enough to keep various future scenarios in mind and, when necessary, make bold course corrections.

Kosakai: In addition to your comments, I would like to emphasize the importance of "fostering a sense of urgency." Our current strong performance is certainly impressive, but both management and the front lines tend to lose their sense of urgency when things are going well. I believe that now, when things are going well, is precisely the time to stay vigilant and lay the groundwork for the future.

In particular, technological innovation—especially AI—is advancing at a tremendous pace, and could even transform the entire industry structure. Now is the time for the entire company to share a healthy sense of urgency and begin rebuilding our long-term vision with an eye toward the next five to ten years.

Yamanaka: The points you have all raised are exactly in line with the issues I am keenly aware of on a daily basis. Because our business structure depends on construction demand, we are vulnerable to market fluctuations. That is precisely why we are positioning this period of strong performance as a "period of aggressive investment," and are determined to nurture new pillars of business and the next foundation for growth.

Regenerative medicine, overseas expansion, and the renewal of existing buildings—all of these are important investment areas that will define our company's future. Above all, we place the highest

priority on investing in human capital—"developing people"—as the key to enhancing corporate value.

On the development and diversification of human resources

Sato: As the President mentioned, I believe it was an extremely appropriate decision to place initiatives related to human resources at the very top of the priorities in this Mid-Term Management Plan.

Structural challenges facing the construction industry—such as the outflow of young people, the image of long working hours, and the need to respond to work style reforms—remain serious issues. The industry's overall labor shortage cannot be solved overnight, which is why it is essential to create an environment where current employees can work with greater satisfaction.

In this regard, I also highly appreciate the steady implementation of concrete measures such as systematic training programs for new employees, providing diverse work opportunities through job



Hirofumi Kyutoku
Q: What is your impression of Dai-Dan?
"Serious to the point of being earnest"

The company's great strengths are its seriousness in always following the rules set by the company and seeing things through to the end, as well as the open and friendly relationships between management and the front lines.



Ikumi Sato
Q: What is your impression of Dai-Dan?
"Like an athletic club"

There is a strong sense of teamwork and a brightness that allows them to overcome difficulties with laughter. This is a company with a strong sense of camaraderie, where everyone works together to create something.

rotation, and clarifying the "path to becoming a full-fledged employee."

Going forward, in addition to these initiatives, it would be good to continue efforts to convey the appeal of manufacturing to younger generations, such as by expanding internship programs.

Kyutoku: In addition to Ms. Sato's point, I would also like to see further progress in "diversifying human resources." When a company specializes in a single business area, the types of personnel tend to become homogeneous. What I would like to propose is a recruitment approach similar to a "special talent entrance exam." Rather than insisting on industry experience or engineering knowledge, we should actively recruit people with unique talents or personal appeal. Especially now, as we prepare to launch new businesses, creating an environment where people with various personalities and strengths can inspire each other should energize the entire organization.

Yamanaka: Your points go right to the heart of the human resource strategy our company is aiming to implement. We are particularly proactive in



hiring people from different industries and fields. For example, to address the shortage of electrical engineers, we have started recruiting humanities graduates by inviting them to “try working in the electrical field.” Even if someone does not have specialized engineering knowledge, we believe that by enhancing our training programs, they can become valuable contributors.

Evaluation of risk management and compliance systems

Sato: The legal violations discovered in 2023 were a painful experience for our company, but I appreciate the steady, ongoing improvements that have been made by learning from that lesson.

Given the unique business practices and complex transaction structures in the construction industry, as well as the structural challenge of worksites being physically distant from head offices, I understand that ensuring thorough compliance is a challenge. Even so, through ongoing training and various awareness

activities, the importance of compliance is being repeatedly communicated. It is important to continue these efforts going forward as well.

Matsubara: Thorough risk management and compliance are the lifeline of a company. As Ms. Sato mentioned, I believe our response to past scandals was a case that demonstrated our strong crisis management capabilities. While ongoing efforts to prevent problems from occurring are a fundamental premise, equally important are the speed and transparency of our response after an issue arises.

Witnessing the management’s swift communication immediately after the scandal was uncovered, their open explanation without hiding the facts, the immediate establishment of an investigative framework, and the setting of a clear schedule—all handled quickly and accurately—made me realize that this is an organization capable of solid crisis response even in difficult times.

Kyutoku: In terms of risk management, what I pay particular attention to is the “new risks associated with new businesses.” The regenerative medicine business is an unknown field for our company and has a completely different risk profile from our traditional construction business. There may also be responsibilities and liability risks that we had not previously anticipated. While building on our existing excellent systems, it is essential to establish a specialized management structure that can address risks unique to new businesses. Precisely because it is an unknown field, thorough risk identification and countermeasures at the initial stage become crucial.

Kosakai: I rate our current internal control system as being at a very high level, even compared to several companies I have been involved with in the past. The functions of various committees, including the Sustainability Committee, our ability to respond quickly to the latest issues, and company-wide cross-functional initiatives are all excellent.

However, as the organization reaches 2,000 members and is expected to grow further, the challenge will be how to ensure these practices permeate to every corner of the organization. No matter how perfect the system is, it is meaningless unless it reaches every part of the workplace. I believe it will become even more difficult as the scale of

business expands and overseas locations increase. How to build engagement with employees, including those overseas, is also one of the challenges we face.

Yamanaka: I am quite concerned about whether the importance of risk management and compliance is truly reaching every corner of the organization. When I visit worksites, I make it a point to communicate directly with employees, and we repeatedly share information through every possible opportunity, such as sharing risk cases at the monthly national branch managers’ meetings, e-learning training, the top compliance message on April 1 each year, and speeches at the nationwide safety conventions in July. Still, I constantly ask myself whether these efforts are truly reaching every corner, and I feel that further ingenuity is needed.

Future aspirations as outside directors

Kyutoku: Our company’s performance has grown significantly in recent years, and I believe it is a very attractive company for investors. The key point is that our company possesses outstanding technological capabilities. Especially in the industrial facilities sector, we have established an overwhelming technological advantage, to the extent that clients specifically request us by name. As an outside director, I will support the company in further honing this strength and solidifying our competitive edge over other companies.

Kosakai: Dai-Dan is a company with tremendous untapped potential. In order to realize the ambitious goal of becoming a “spatial value creation company” that goes beyond the traditional boundaries of an equipment construction company, I hope everyone will abandon the mindset of simply keeping pace with competitors and instead approach their work with the determination to lead the industry. Since we already have the power to transform the industry, I will continue to support further leaps forward.

Sato: I strongly feel that the interests and requests of investors are changing at a tremendous pace with the times. I hope to quickly grasp these changes and, especially as a legal expert, contribute to the company from the perspectives of governance and compliance. As an outside director, I intend to fulfill my supervisory



Kenkichi Kosakai
Q: What is your impression of Dai-Dan?
“A trusted long-established company”

With the underlying strength backed by 122 years of history, the ability to fulfill promises, and strong communication both inside and outside the company, we have earned deep trust from our customers.

responsibilities in management and also express my opinions from the perspective of whether or not they contribute to enhancing corporate value.

Matsubara: I have witnessed and experienced numerous crises in the fields of government and finance, such as the bursting of the bubble, the collapse of general contractors, and the Lehman shock. That is why I am concerned about the risks that lurk during prosperous times.

Drawing on this experience, I will continue to provide management advice that anticipates various risk scenarios so that investors and other external stakeholders can feel secure.

Yamanaka: Today, we received extremely constructive and insightful opinions from all of our outside directors. Your comments have not only reaffirmed our company’s current strengths but also clearly highlighted the challenges we face for the future. We will never become complacent with our strong performance and will boldly carry out strategic investments with an eye on the future.



Fumio Matsubara
Q: What is your impression of Dai-Dan? “Greetings everywhere”
As you walk through the company, everyone greets you. There is a culture where the distance between management and the front lines is close, and even young employees can clearly explain the company’s policies and the situation on the ground.