

Stage2030

Mid-Term Management Plan Phase 2  
《Refining Stage》

FY2024 - FY2026

DAI-DAN CO., LTD.

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**“Delivering space values of safety, comfort, and trust to the future of ourselves, society, and earth. ”**

› We have stipulated “Mission” and “Values” to share our ideal state.

## Our Mission and Values

<b>Mission</b>	<b>Delivering space values of safety, comfort, and trust to the future of ourselves, society, and earth.</b>
<b>Values</b>	<ul style="list-style-type: none"><li data-bbox="488 767 2092 842"><b>Future orientation</b> → Addressing current issues responsibly with future perspective</li><li data-bbox="488 871 2092 946"><b>Proactiveness</b> → Growing together through ingenuity and positive challenges with professionalism</li><li data-bbox="488 975 2092 1050"><b>Integrity</b> → Accomplishing work live up to the trust with sincerity to surroundings and yourself</li><li data-bbox="488 1078 2092 1153"><b>Autonomy</b> → Thinking and acting independently backed by high morals and aspirations</li><li data-bbox="488 1182 2092 1257"><b>Empathy</b> → Fostering mutual understanding, building a comfortable environment for all</li><li data-bbox="488 1286 2092 1361"><b>Diversity</b> → Respecting individuality and differences to create abundant value</li></ul>

### Long-Term Vision <Stage 2030>

- › “Moving from building services engineering and installation to creating value in spaces” is indicated in the long-term vision <Stage2030> (announced for February 2021).

#### <Stage2030> Basic policies

##### Comfortable, optimal spaces

To lead daily lives or to operate businesses requires spaces with comfortable, optimal environments.

By refining the elements of light, air, and water through our technologies, we will continue to be a corporate group that can offer new value through spaces.

##### Richer, more sustainable society

So that people can lead safer, healthier lives with peace of mind, a more sustainable society is called for.

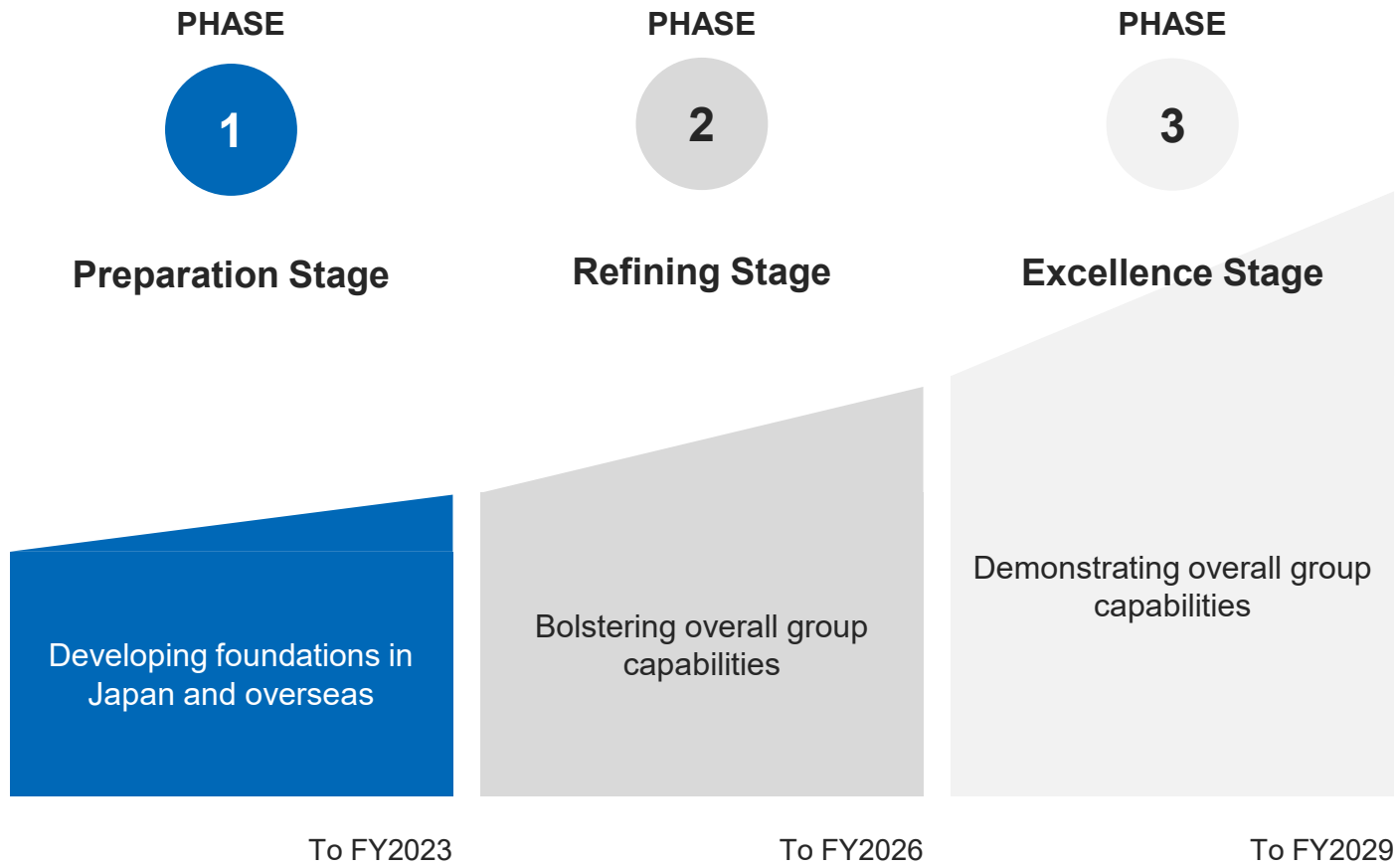
Through our new technologies and advanced specialisms, we will continue to be a corporate group that can help bring about a richer, more sustainable society.

##### Trustworthiness and outstanding organization

For an organization to continue to provide value to society, the most important thing is to have reliable personnel.

By fostering such human resources, we will raise corporate value and continue to be a corporate group that is trusted by all its stakeholders.

# Review of Phase 1 «Preparation Stage»



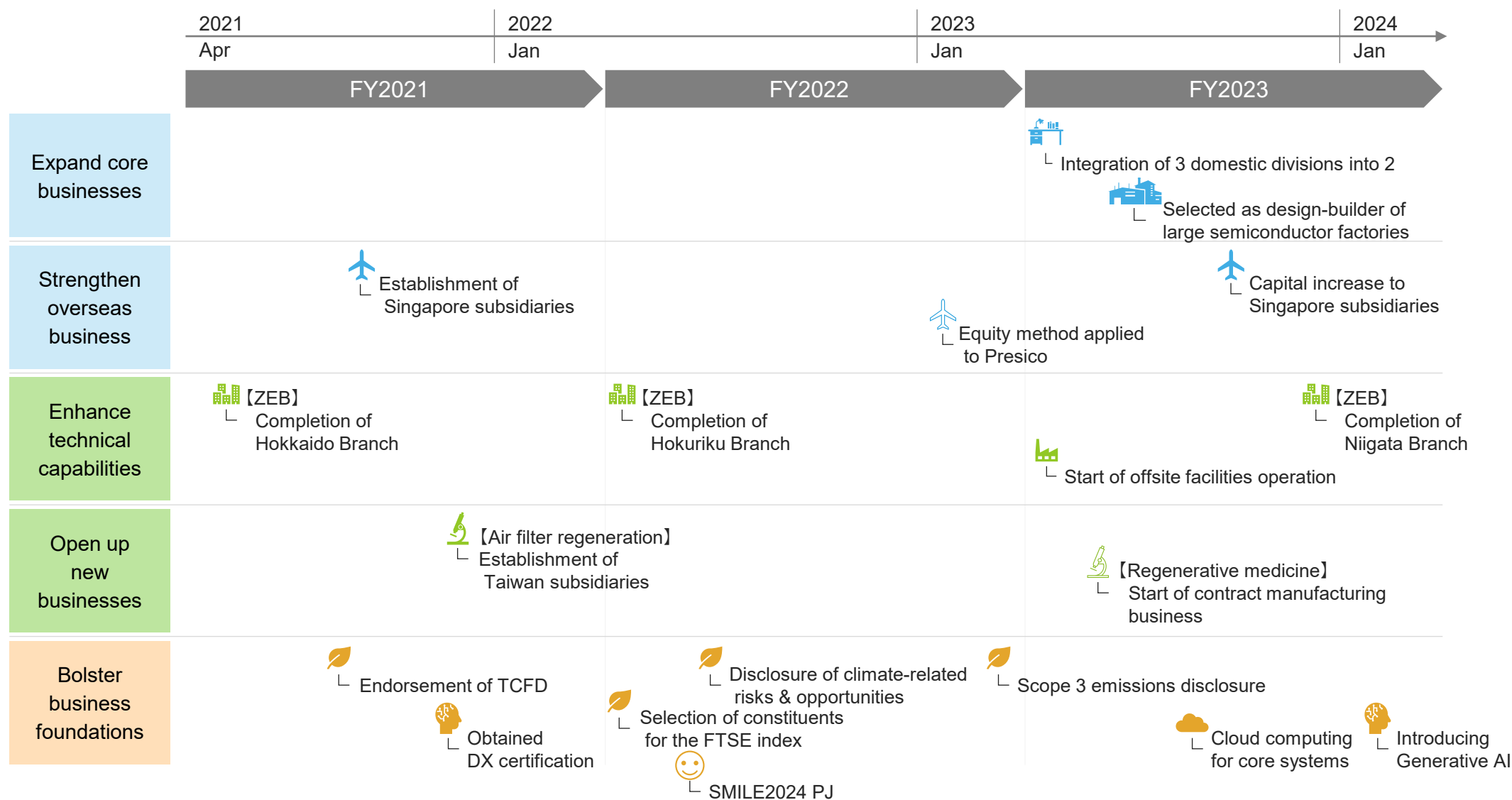
## Overview of Phase 1 «Preparation Stage»

› The strategies for the «Preparation Stage» have been worked on in accordance with 3 basic policies.

Basic policies	Business strategies	Preparation Stage strategies	Results of Strategies
Comfortable, optimal spaces	Expand core businesses	Expand industrial facility works	<ul style="list-style-type: none"> <li>Expanding the share of orders for industrial facility construction</li> <li>Increasing the construction of large properties for the future</li> <li>Establishing a system for the nationwide assignment of engineer</li> <li>Expanding sales in Singapore and Thailand</li> <li>Acquiring new received orders in Vietnam</li> <li>Reorganizing operations from construction sites to offices</li> <li>Rebuilding to ZEB for our branches</li> <li>Starting the contract manufacturing of cell preparations</li> <li>Starting operations for test cleaning of used air-filters in Taiwan</li> <li>Building a foundation for promoting DX, such as migrating core systems to the cloud</li> <li>Conducting a human rights due diligence</li> <li>Promoting the SMILE 2024 project for reducing overtime work</li> <li>Enhancement of sustainability disclosure, including TCFD</li> </ul>
		Strengthen renovation and maintenance services	
	Strengthen overseas business	Develop a unified foundation for overseas expansion	
		Open new business sites	
Richer, more sustainable society	Enhance technical capabilities	Strengthen competency for construction job sites	
		Expand ZEB and IoT businesses	
	Open up new businesses	Contribute to practical application of regenerative medicine	
		Promote environmental load reduction business	
Trustworthiness and outstanding organization	Bolster business foundations	Promote DX	
		Improve working environment	
		Strengthen the corporate group framework	

## Summary of Records for 《Preparation Stage》

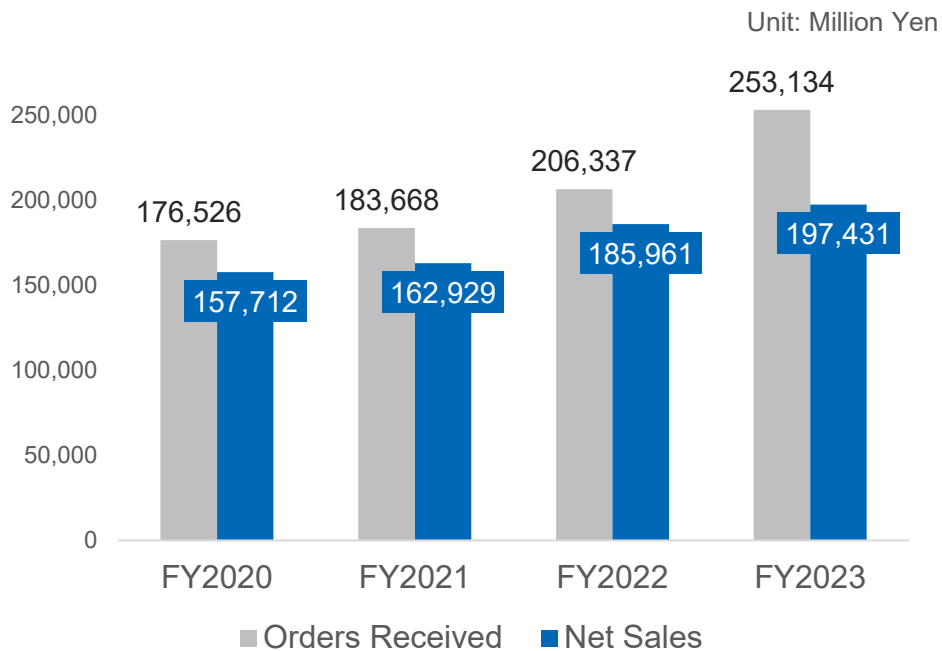
› In line with the 5 Business strategies, our company has achieved results that will lead to future growth.



## Business Results for 《Preparation Stage》

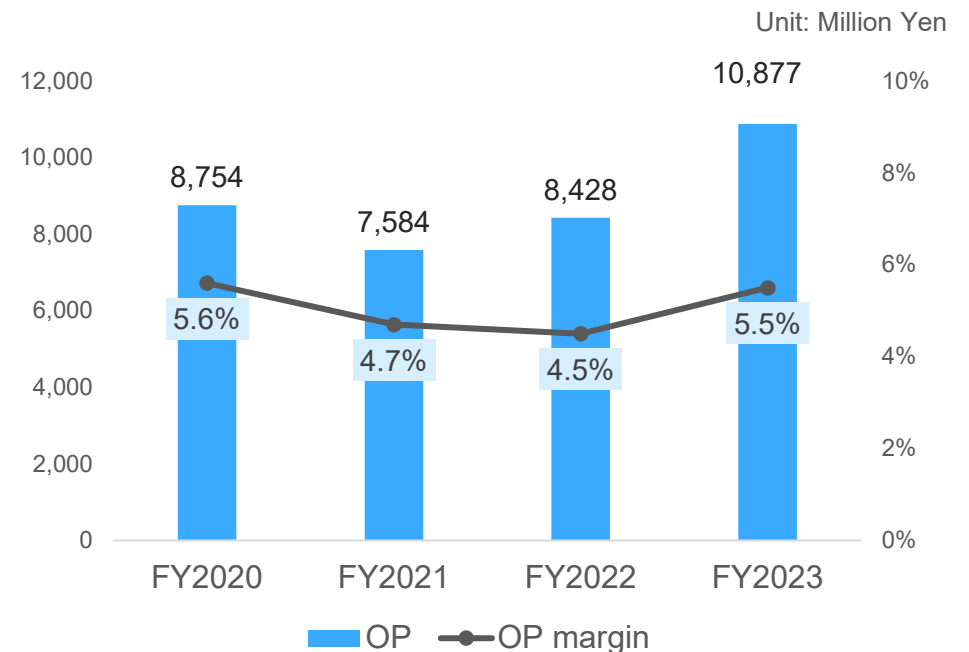
### Consolidated Net Sales and Orders Received

- As a result of increase in orders for large-scale projects such as industrial facility and overseas construction, our sales have been growing steadily.
- We utilize the industrial facility construction and large-scale projects awarded in Phase 1 for Phase 2 and beyond.



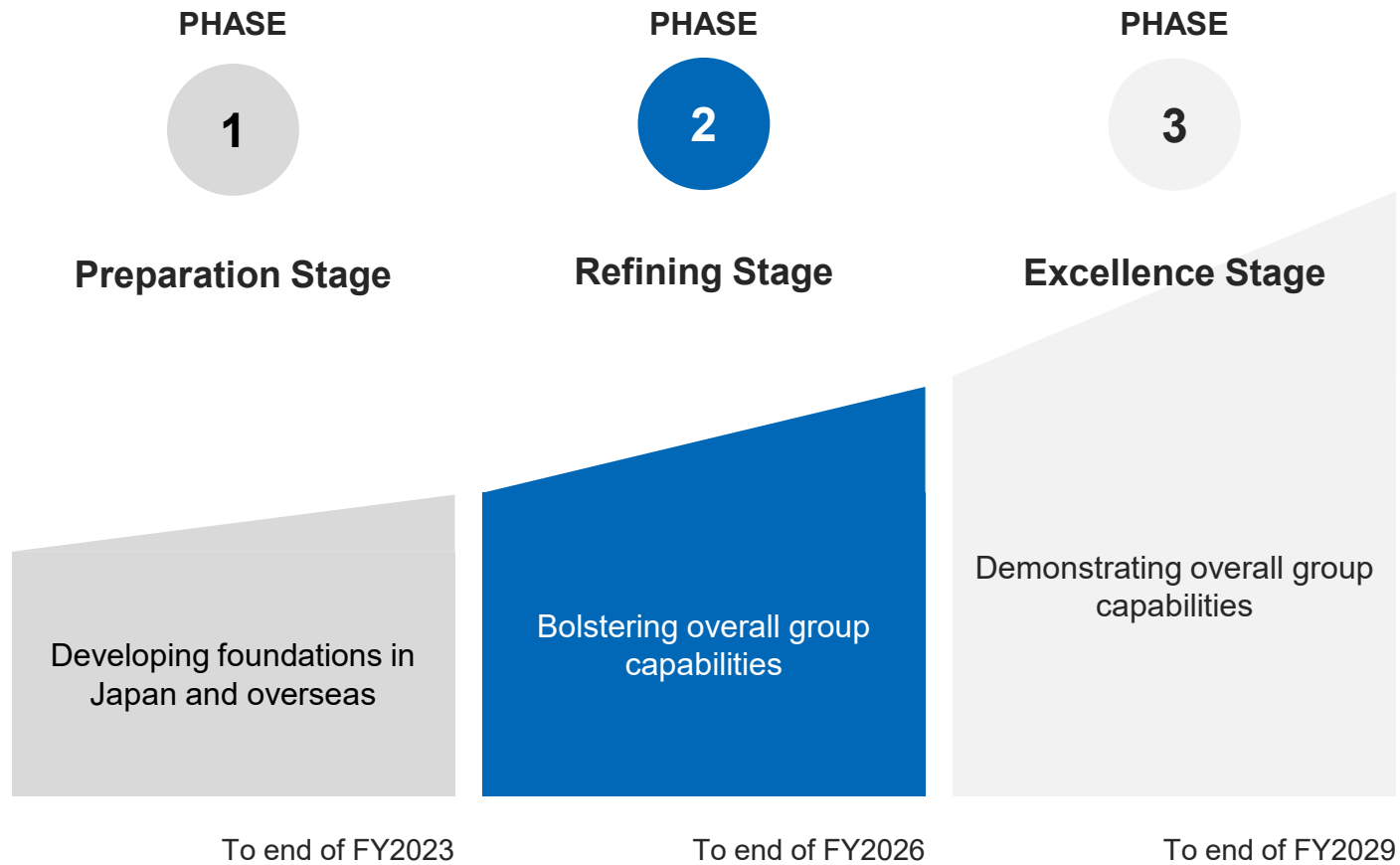
### Consolidated Operating Profit

- Despite the impact of rising costs for materials, equipment and outsourcing, operating profit exceeded 10 billion yen due to improved profitability in both new contracts and ongoing projects.



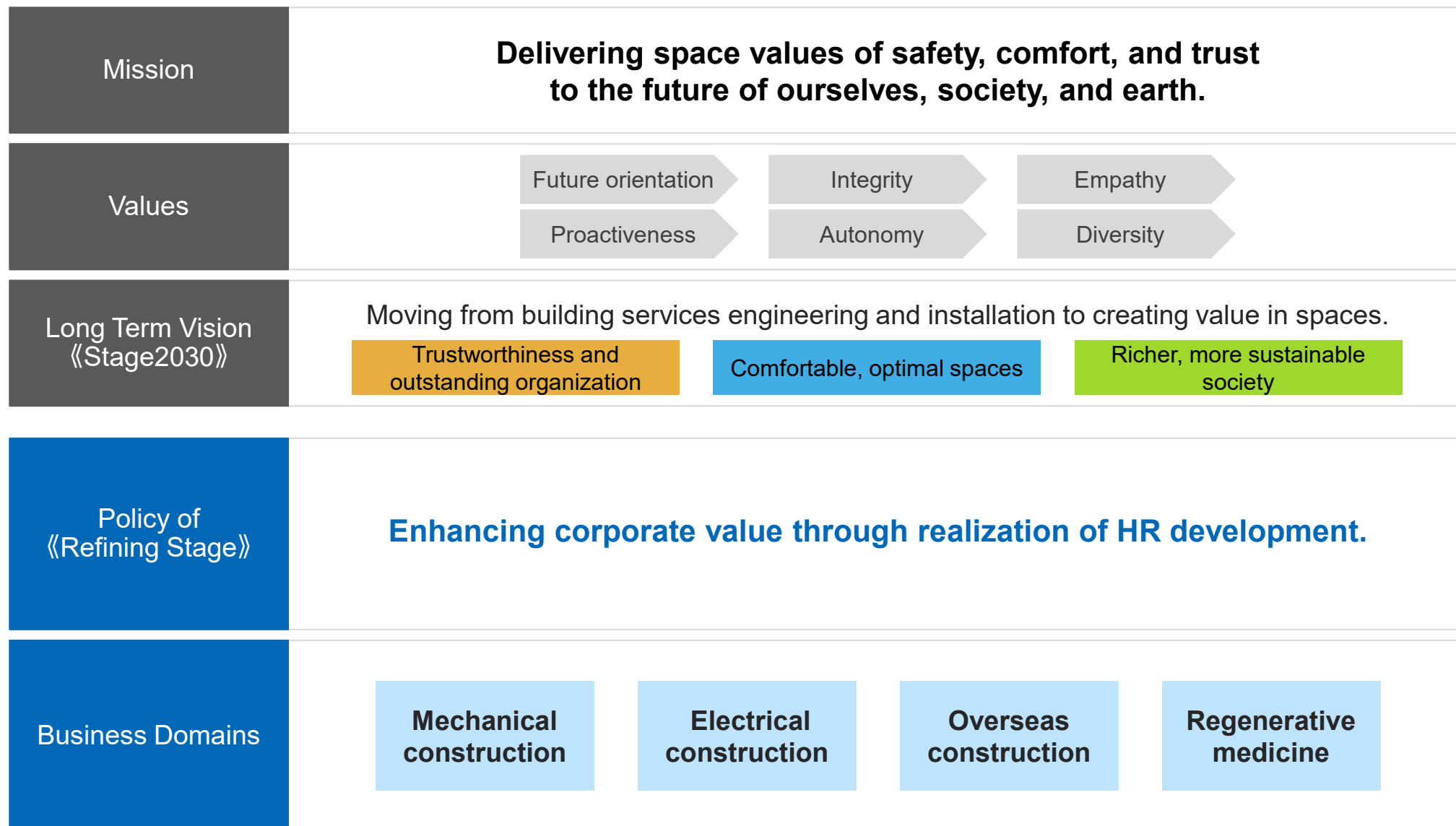


## Phase 2 «Refining Stage»



## Overall picture of Phase 2 «Refining Stage»

- › «Refining Stage» is positioned as a 3-year plan to strengthen the capacity of the entire group.



## Human Resources Strategy

- › Through “HR development”, we evolve the company where individuals are more active.

### Organization Transformation

#### Rewarding

- **Improving employee engagement**
  - Pervasion of Mission
  - Personnel evaluation based on Values
  - Active communication among employees
- **Leveraging Diversity**
  - Promotion of health management
  - Deepening understanding of human rights and diversity

#### Workplace Ease

- **Promotion of work style reforms**
  - Promotion of vacation time
  - Reduction of overtime
- **Digital transformation of business processes**
  - Intensifying productivity by generative AI
- **Strengthen field support from off-site**
  - Enhancing comprehensive backup from the support department
  - Expanding on off-site processing facilities

### Evolution into the company where each employees are more active

### Improvement of Employee Competence

#### Strengthening Recruitment

- **Restructuring of the recruitment system**
  - Reorganization to actively recruitment
  - Recruitment of new graduates & mid-career hires
  - Increase in electrical engineers for the business transformation
- **Branding for the recruitment**
  - Improvement of recruitment capability via new CM & ad

#### Employee Development

- **Taking advantage of job rotation**
  - Institutionalization of job rotation
  - Upskilling through job rotation
  - Global human resource development
- **Restructuring of training contents**
  - Establishing the effective training system
  - Improvement of training facilities

## Business Strategy

› We focus on the following 4 business domains to achieve performance goals.

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

### Performance goals of 《Refining stage》

	Actual	Targets		
	FY2023	FY2024	FY2025	FY2026
Consolidated Net Sales	197 B JPY	250 B JPY	250 B JPY	260 B JPY
Consolidated OP	10.8 B JPY	15 B JPY	15 B JPY	16 B JPY
ROE	10.3%	10%+	10%+	10%+

## Financial Strategy

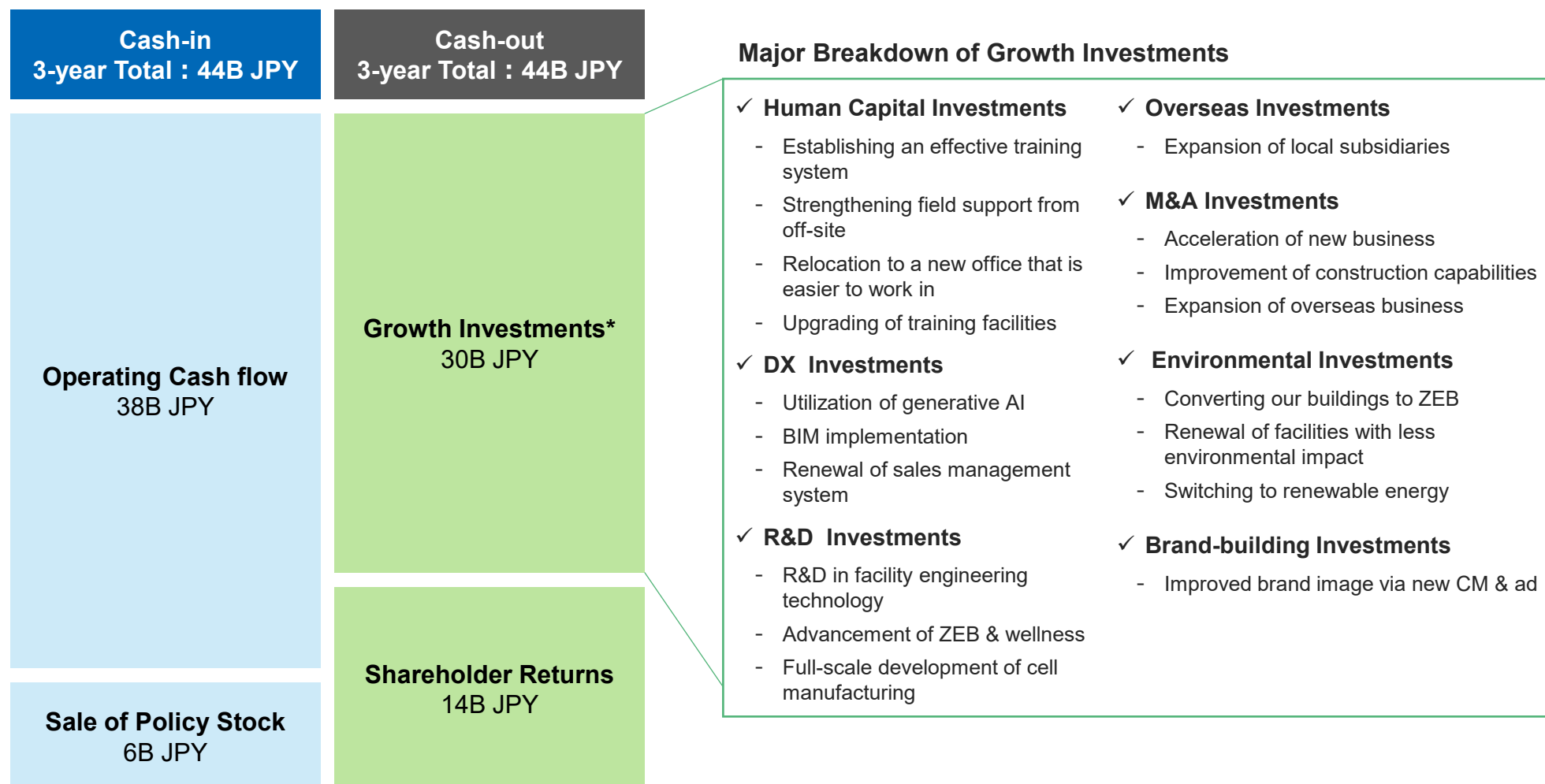
- › We promote measures to achieve management that is aware of cost of capital and stock price.

	Current Analysis	Direction & Target
<b>Capital Efficiency</b>	<ul style="list-style-type: none"> <li>✓ In «Preparation Stage», the ROE remained around the target range of 8%, however the PBR remained below 1x.</li> <li>✓ We recognize that the PBR remaining consistently below 1x in the past was due to low liquidity, so we conducted stock splits and a stock-offering in September and December of 2023.</li> <li>✓ ROE increased to 10.3% and PBR rose to 1.14x in FY2023, due to positive performance, revisions of dividends, and overall market growth.</li> <li>✓ Despite reductions in policy-owned shares, the consolidated net asset ratio for policy-owned shares in FY2023 became 30%, due to the recent market upswing.</li> <li>✓ To achieve both maintaining financial soundness for business expansion and considering capital efficiency, we seek to balance our capital structure.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>ROE Target : Over 10% (+2pt compared to «Preparation Stage» )</b></li> <li>• Consolidated net asset ratio of policy-owned shares : Less than 20% early</li> <li>• Equity-to-assets ratio : Approx.50%</li> </ul>
<b>Investment for Growth</b>	<ul style="list-style-type: none"> <li>✓ In the ongoing labor supply shortage in the construction industry, human capital investment and effective strategies in DX and M&amp;A are essential for long-term growth of corporate value.</li> <li>✓ Additionally, overseas expansion and new ventures, including regenerative medicine, will significantly contribute to future growth.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Amount of growth investments: Accumulated total of 30 B JPY over a period of 3 years.</b></li> <li>• Optimizing capital allocation through business initiatives.</li> </ul>
<b>Shareholder Returns</b>	<ul style="list-style-type: none"> <li>✓ In FY2023, we increased the dividend payout ratio from 30% to 35%.</li> <li>✓ In response to expected profits volatility attributed to larger construction projects, it is necessary to establish a dividend policy that ensures stable shareholder returns while balancing with growth investments.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Dividend Policy : Dividend payout ratio of 40% or higher and a minimum DOE of 4%*</b> Dividend payout ratio:+5pt compared to «Preparation Stage» DOE :newly set *ROE10%×payout ratio40%</li> </ul>

## Financial Strategy

- › We promote measures to achieve management that is aware of cost of capital and stock price.
- › Balancing growth investments, returns, and stability, we aim for an optimal capital structure.





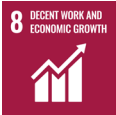
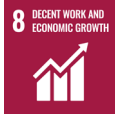



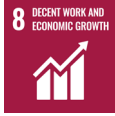

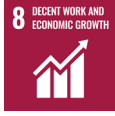

## Capital Allocation and Growth Investments



\*Includes increase in working capital due to larger projects

## Materiality

- › Based on stakeholder dialogues, we have updated our Materiality, our key issues related to the environment and society.

No	Material Issues	Basic policies of «Stage2030»	SDGs
1	Contributing to archive carbon neutrality	Richer, more sustainable society	 
2	Creating a rewarding work environment	Trustworthiness and outstanding organization	  
3	Improving productivity via human resource development and business innovation	Comfortable, optimal spaces	 
4	Promoting new businesses benefit to sustainability	Richer, more sustainable society	 
5	Building better partnerships with subcontractors and suppliers	Comfortable, optimal spaces	 
6	Strengthening Corporate Governance and Compliance	Richer, more sustainable society	 

## Strategy of Phase 2 «Refining Stage»

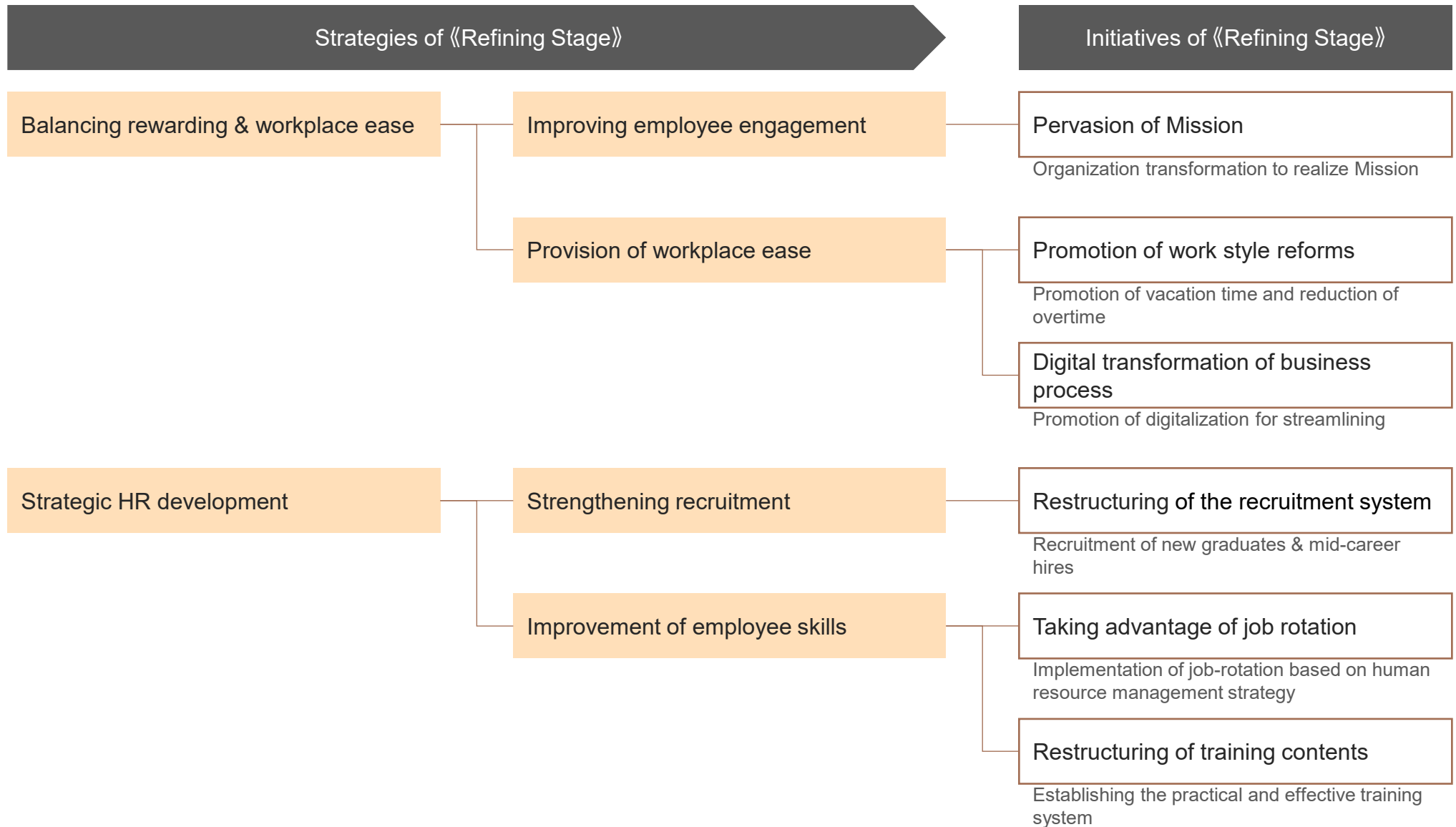
- › The medium-term strategy has been formulated according to the Policy of «Refining Stage» and the Materiality.

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



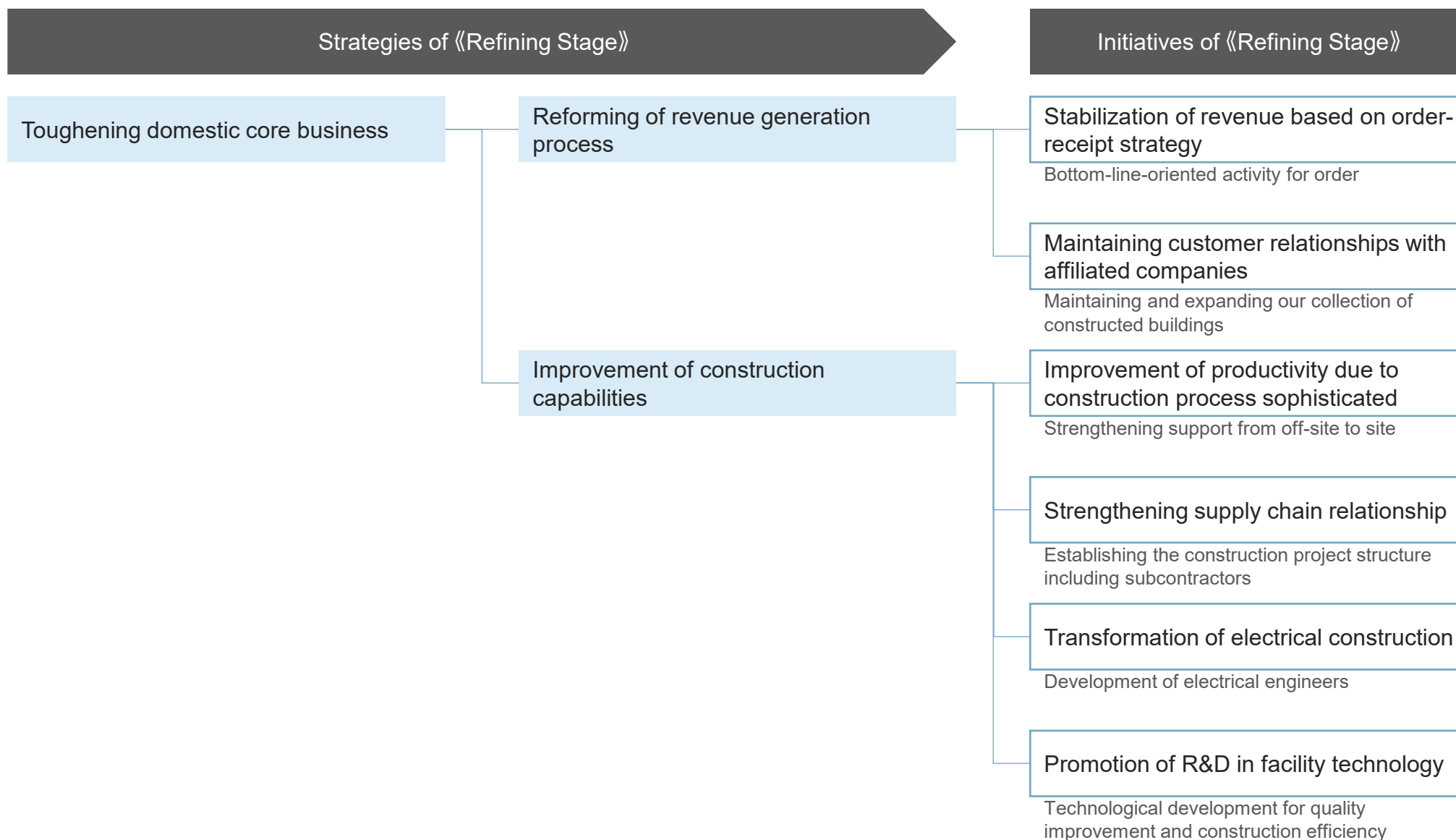
## Human Resources Strategy

- › Trying to balance rewarding & workplace ease, we execute human resources strategy that brings out the best in individual.



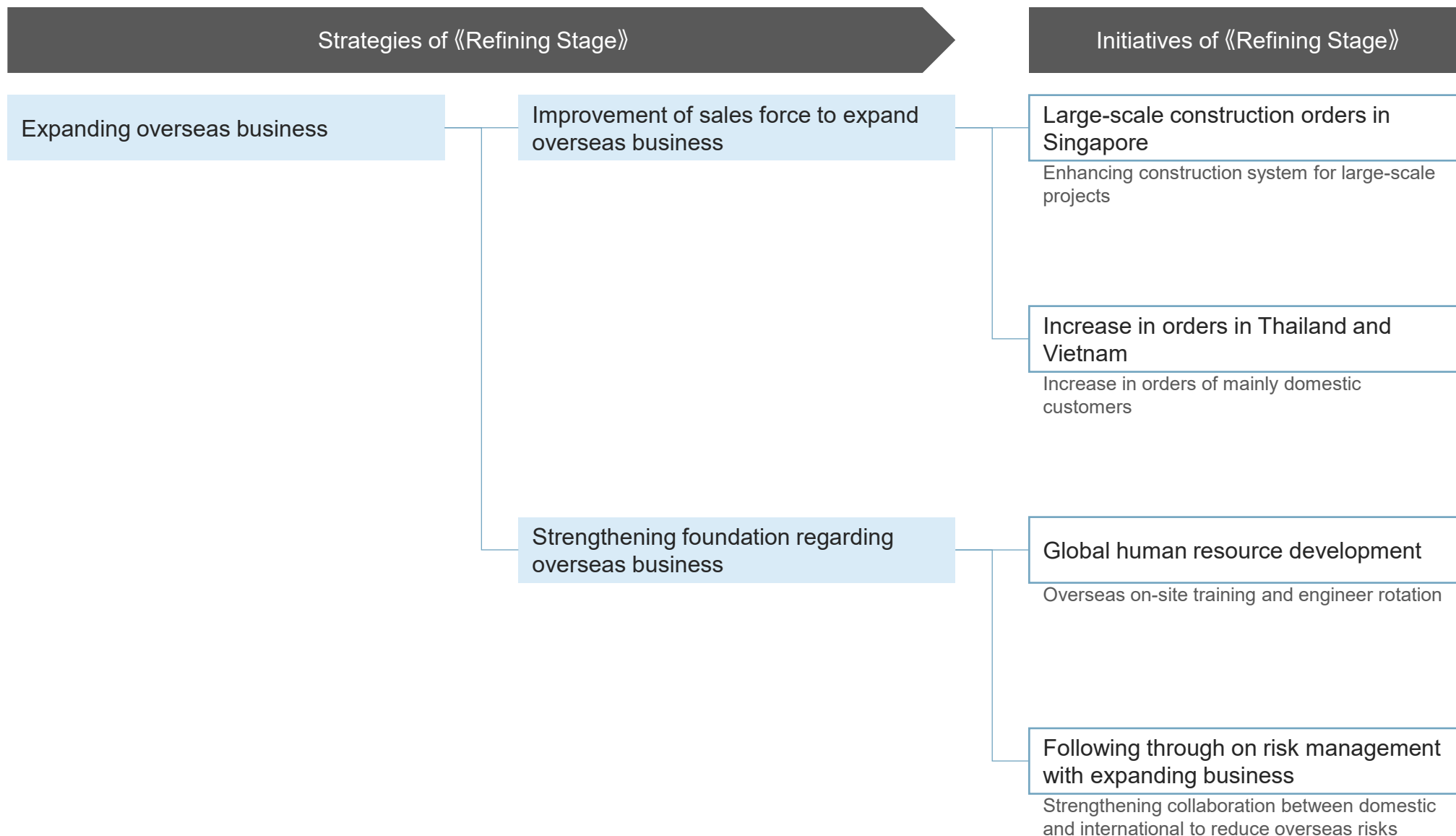
## Business Strategy – Domestic core business

- › In addition to strengthening human resources strategy, we promote domestic core business through the appropriate order-receipt strategy and further improvement of construction capabilities.



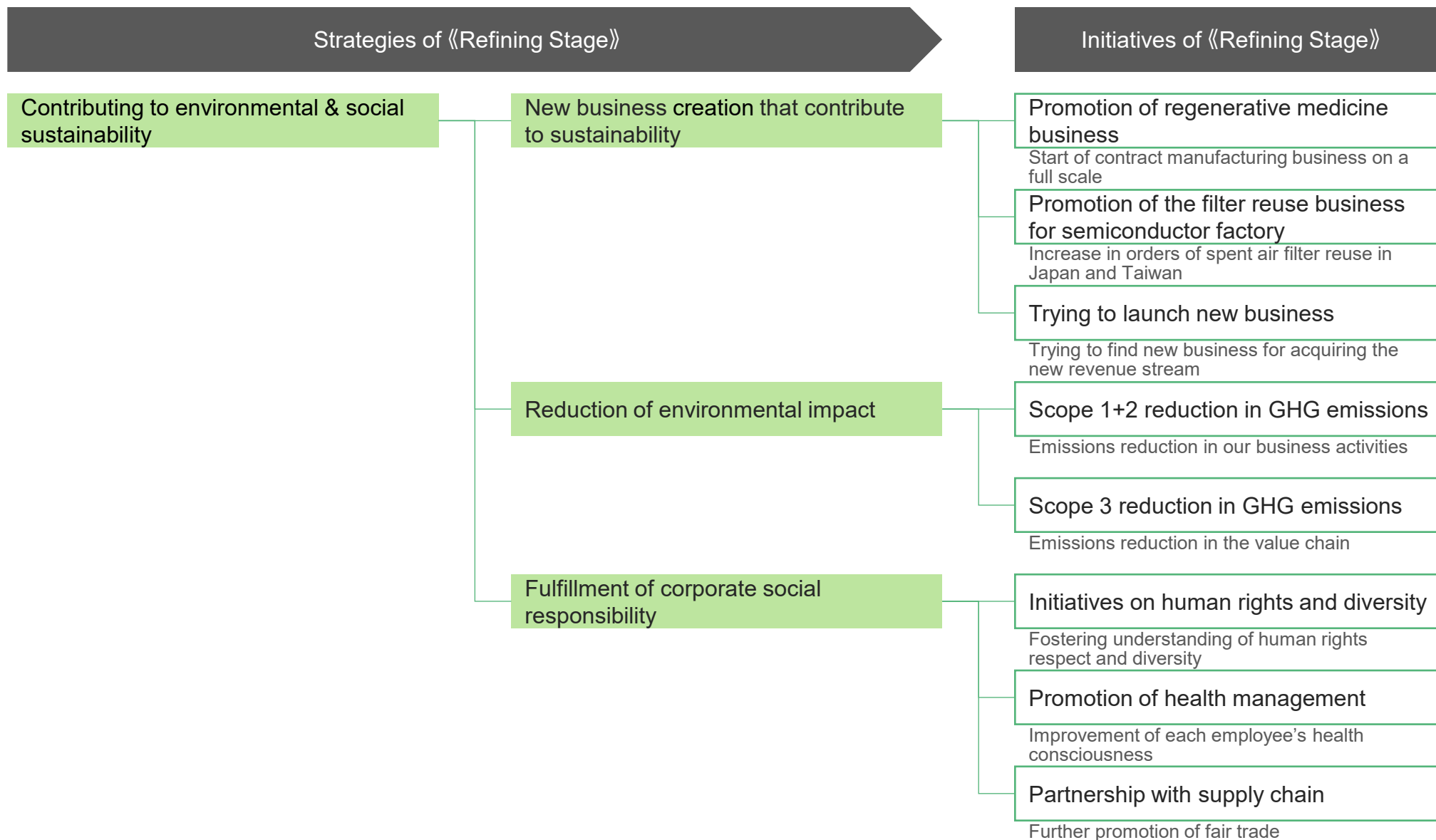
## Business Strategy – Overseas business

- > We continue to strengthen collaboration between domestic and international since Phase 1 and try to expand our business in high-growth overseas markets.



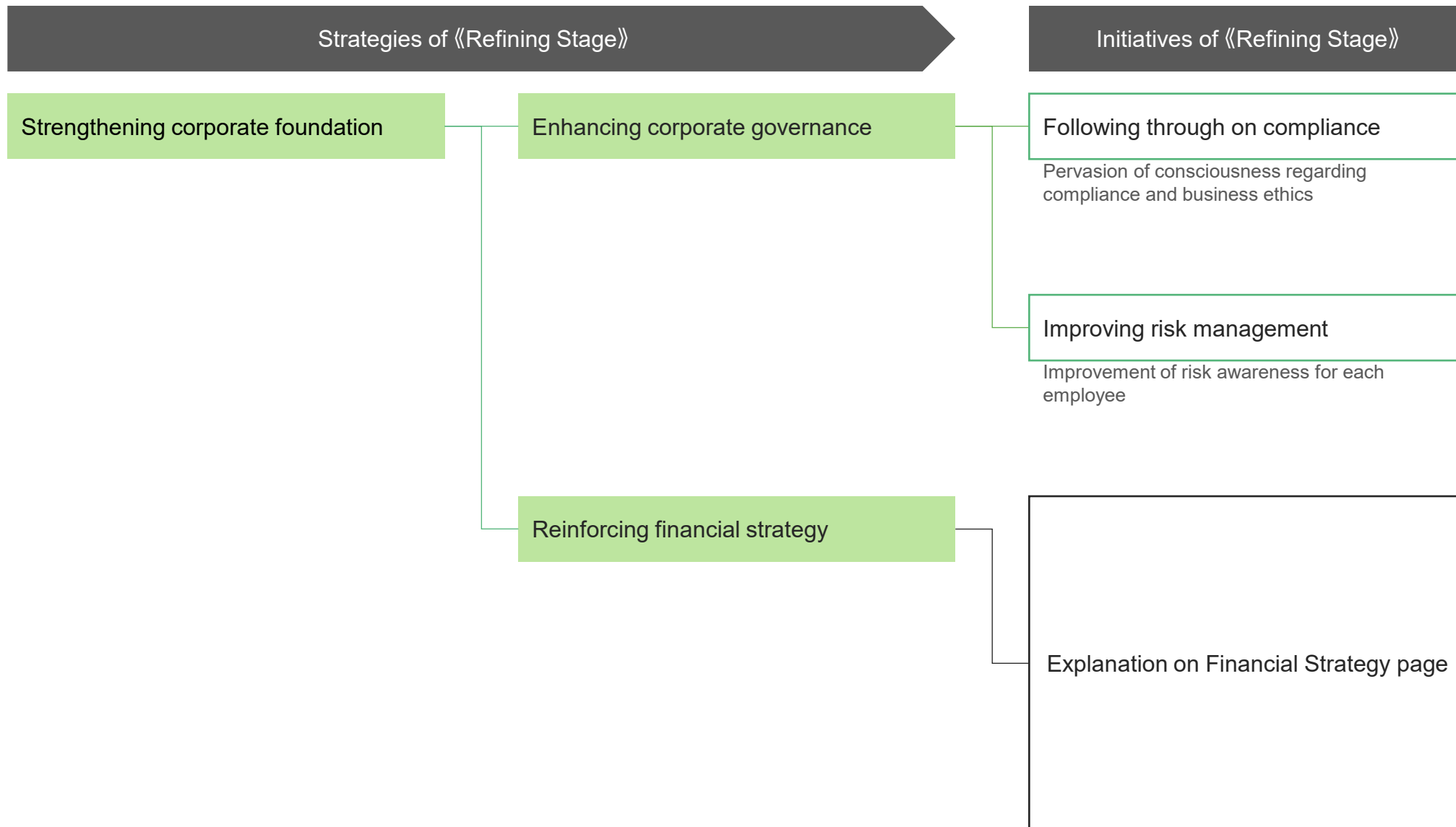
## Sustainability Initiatives – Contribution to environment and society

- › To achieve a sustainable society, we engage in new businesses and enhance efforts related to the environment and society



## Sustainability Initiatives – Strengthening corporate foundation

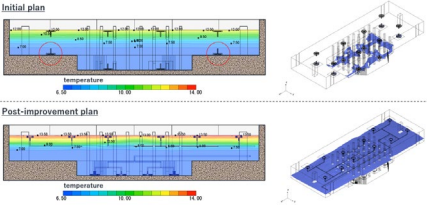
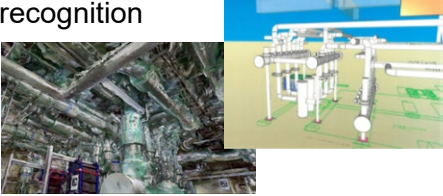

› We enhance our corporate foundation to live up to the trust of stakeholders.



# Appendix

## Domestic core business – Promotion of research and development in facility technology

- › We contribute to the enhancement of added value in the design and construction phases by utilizing development technologies related to building facilities.

	Research and Development	Expected Benefits
R&D for Quality improvement	<ul style="list-style-type: none"> <li>– Precise airflow analysis performed at the indoor environment design stage</li> <li>– Elucidation of the mechanism of pipe corrosion and development of quality mana</li> </ul>  <p>Analysis of the heat storage tank</p>	<ul style="list-style-type: none"> <li>▶ Accurate design and gaining trust from customers</li> <li>▶ Preventing water or refrigerant leakage due to pipe corrosion to reduce quality problems</li> </ul>
3D measurement technology	<ul style="list-style-type: none"> <li>– Development of technology for easy 3D modeling of existing facilities.</li> <li>– Development of automatic counting technology for facility components using AI image recognition</li> </ul> 	<ul style="list-style-type: none"> <li>▶ Reduction of workload through streamlining of estimate tasks using 3D models</li> </ul>
ZEB & wellness	<ul style="list-style-type: none"> <li>– Accumulation of ZEB know-how through rebuilding branches</li> <li>– Taking advantage of knowledge about biophilic design and lighting fixtures for wellness initiatives of field offices</li> </ul>  <p>The example of wellness conversion of field offices</p>	<ul style="list-style-type: none"> <li>▶ Enhancing the ability to propose regarding carbon neutrality based on verification results</li> <li>▶ Improvement of employee engagement and productivity through wellness initiatives</li> </ul>

## Business of aiming for the new revenue stream – Regenerative medicine business

- › Starting from the technology that creates cell processing environment, we enter into the manufacturing of cell therapy products area and contribute to industrialization of regenerative medicine.

### Our Past Initiatives

#### Creation of clean environment for cell processing

- **Sales of systems and units for cell processing environments and construction of CPF\***
  - The sales of systems and units that achieve cost-effective and appropriate environments based on our airflow technology
    - ✓ **Air Barrier Booth®**  
The Booth that maintains a clean environment without doors
    - ✓ **All-in-one CP unit®**  
The Unit that constructs a clean environment in a small space and short term

#### Contract manufacturing of cell preparations

- **Contract manufacturing of cell therapy products**
  - Contracting cell processing in accordance with the developmental phase of regenerative medicine companies
  - Acquiring a manufacturing business license for regenerative medicine products at CPF in the subsidiary
  - Contract manufacturing of cell for clinical trial from the regenerative medicine company
    - ✓ **Cellab Healthcare Service CO.,LTD.**  
Our subsidiary specializing in regenerative medicine (established in 2020)



### Outlook for Phase 2

- **Expansion of equipment sales**
  - Strengthening sales and marketing efforts for new customers
  - Finding of new contract

- **Expansion of contract manufacturing of cell therapy products on a full scale**
  - Acquisition of know-how through manufacturing
  - Increase in manufacturing capacity
  - Expansion of the range of cell therapy products that can be manufactured

\* CPF:Cell Processing Facility



## Reduction of Greenhouse Gas Emissions

- › We will set reduction targets that comply with the criteria of SBT\* and work on reducing GHG emissions throughout the entire value chain.

### Initiatives for the Reduction of Scope 1, 2 and 3 Emissions

Scope · Category	Activities	Initiatives in Phase 2
<b>Scope 1,2</b>	<b>The emissions generated by our business operations</b>	
Scope 1	The direct emissions resulting from fuel consumption	✓ Switching to environmentally friendly vehicles like PHEV, EV and hydrogen vehicle
Scope 2	The indirect emissions resulting from the use of purchased electricity	<ul style="list-style-type: none"> <li>✓ Shifting the power source used in offices to renewable energy</li> <li>✓ Reducing energy usage in our own facilities, including converting our buildings to ZEB</li> </ul>
<b>Scope 3</b>	<b>The emissions from other companies related to business activities</b>	
Category 11	Emissions from the operation of equipment at completed buildings	<ul style="list-style-type: none"> <li>✓ CO2 reduction during building operations with our design proposals <ul style="list-style-type: none"> <li>- Enhancing a proposal for energy conservation renovation</li> </ul> </li> <li>✓ Operational stage CO2 reduction through renewable energy and ZEB-related construction promotion <ul style="list-style-type: none"> <li>- Strengthening sales with ZEB and IoT proposals</li> <li>- Proposals for energy-efficient and wellness-focused offices leveraging our own ZEB verification</li> <li>- Technical development about renewable energy and ZEB</li> </ul> </li> </ul>

\* SBT(Science Based Targets) : Targets for greenhouse gas emissions reduction set by companies in line with the Paris Agreement standards