



DAIHEN REPORT

I N T E G R A T E D R E P O R T

2023



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Editorial policy

We publish this report to make all of our shareholders, investors, and other stakeholders aware of the value creation of the DAIHEN Group and, by doing so, build trust between us. A lot of effort has gone into editing the layout so that people of all walks of life will find the content easy to read and will gain a proper understanding of what we do.

Going forward, we will continue to upgrade and improve the content of this report through constructive dialogue with stakeholders.

Call for feedback

Your opinions and requests are great sources of information that help us to improve not only this report but also our business activities. Let us know what you think.

DAIHEN Website >> Contact Us >> Other inquiries >> Inquiry form

Scope of organizations covered

In principle, this report spans the initiatives of the DAIHEN Group, which comprises DAIHEN Corporation and its consolidated subsidiaries, but the scope of some of the activity data may differ.

Reporting period

This report covers fiscal year 2022 (April 1, 2022 to March 31, 2023).

This report also contains some information from before fiscal 2021 and after 2023.

Reference guidelines

- IFRS Foundation "International <IR> Framework"

- Ministry of Economy, Trade and Industry "Guidance for Collaborative Value Creation"

Next issue

The next issue of this report is scheduled for release around September 2024.

Disclaimer

This report includes our plans and prospects as of the date of publication; projections based on management plans and management policies; and past and current data on the DAIHEN Group. The reader is advised that these projections are assumptions or judgments based on the best information available at the time, and the possibility exists that future business performance may differ due to changes in various conditions, unforeseen results, and changes to forecast business activities.

Our Management Approach

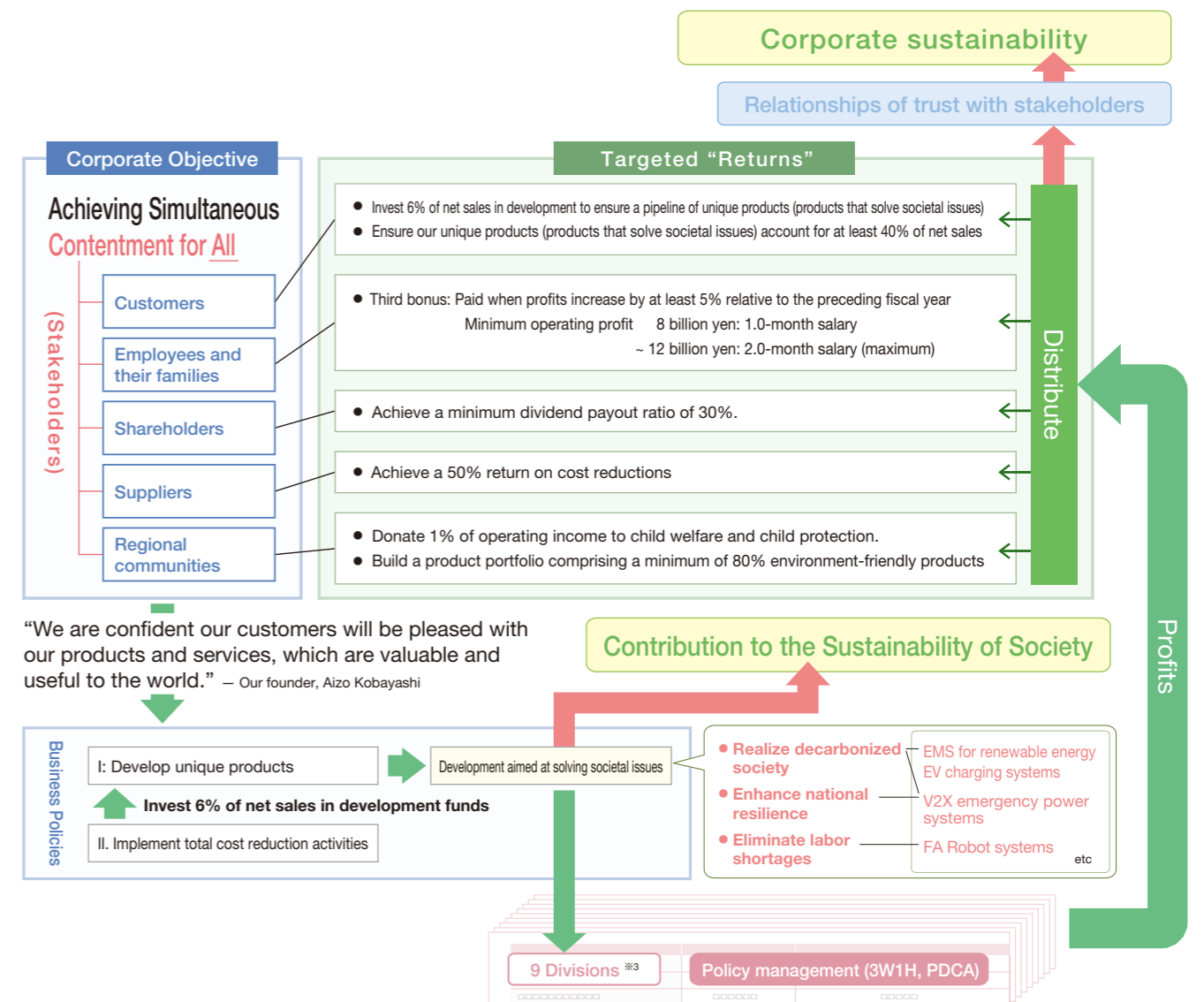
(Adopted April 1, 2012)

DAIHEN Corporation (the "Company") and its subsidiaries (collectively, the "DAIHEN Group") are committed to achieving **"simultaneous contentment for all"**^{*1} through appropriate return of profits to stakeholders.

The DAIHEN Group has adopted the goal of "simultaneous contentment for all," which demonstrates our commitment to the happiness of all our stakeholders — customers, employees and their families, shareholders, suppliers, and our local communities. To that end, we have clearly set specific goals — which we refer to as targeted "returns" — for each category of stakeholder. We remain intensely focused on meeting these goals.

One of our business policies is to contribute to the sustainability of society by creating products that help solve societal issues by developing unique products^{*2} with our distinctive value, which leads to increased net sales and profits as a result. In addition, enhancing distribution of profits in accordance with targeted "returns" strengthens the trust relationship with stakeholders, which is the foundation of our sustainability as a company.

All employees of the DAIHEN Group thus understand our corporate purpose and remain dedicated to working in unison as each individual plays an essential role in realizing it.



^{*1} When the Company adopted its corporate philosophy, "Reliability and Creativity" in 1985, our 5th President Keijiro Kobayashi publicly expressed his view that, when we ponder the rationale behind our work, we must come to the ultimate realization that we are committed to simultaneous contentment for all.

^{*2} Proprietary products offering overwhelming value that also contribute solutions to societal issues

^{*3} 9 Divisions

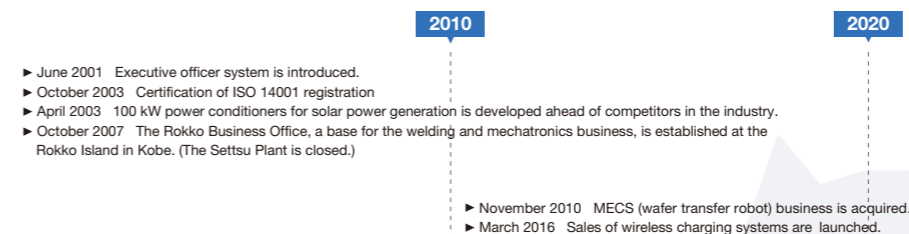
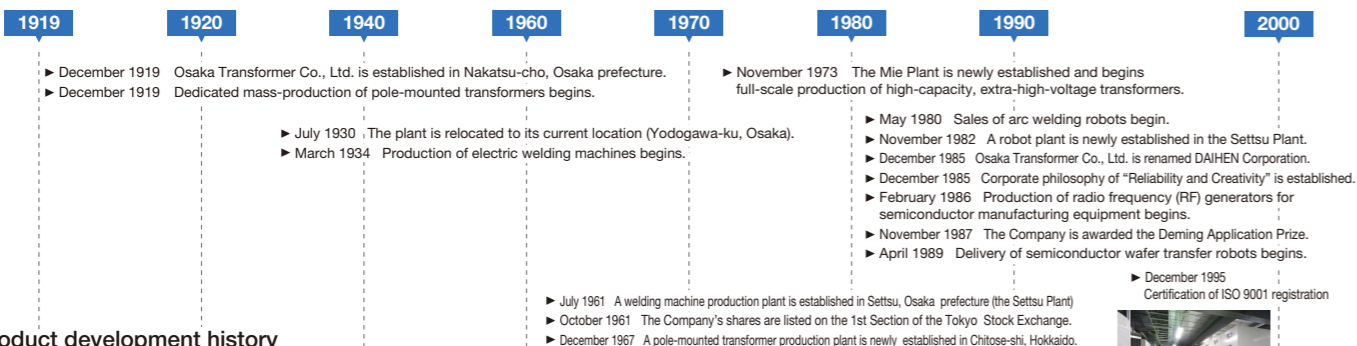
Power Distribution System Division, Power Transformer Division, Industrial Electrical Equipment Division, Energy Management System Division, Charging System Division, FA Robot Division, Clean Robot Division, Welding & Joining Division, Plasma System Division

Since our founding, we have continuously pursued technological innovation in order to meet the needs of society. Here are some of the big moments of the DAIHEN Group.

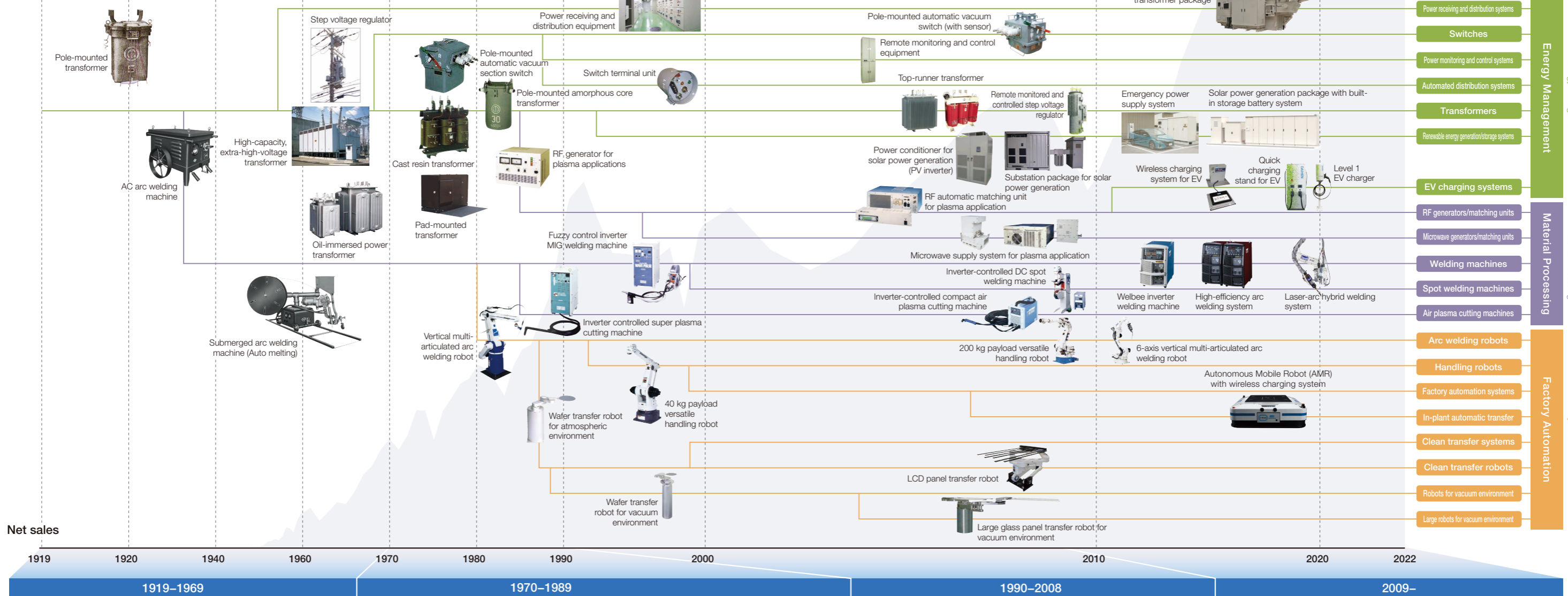
Since the Company's founding in 1919, DAIHEN has always sought the latest technologies in order to create values that meet the needs of society – those values manifested in the form of transformers, welding machines, industrial robots, semiconductor manufacturing equipment and a plethora of other products. With diligence and commitment, we have helped to improve the electrical infrastructure that powers modern life and elevate manufacturing around the world to new heights.

Going forward, we want please our customers and serve society to even greater degrees by building original values that address society's woes into the products and services we provide.

Corporate history



Product development history



From the foundation of the Company to a period of post-war high economic growth

In 1919, Aizo Kobayashi, driven by a mission to contribute to the industrial development of Japan, founded Osaka Transformer Co., Ltd. based on a spirit of "Superior Quality, Reasonable Prices, and On-Time Delivery." We sold high-quality and reasonable pole-mounted transformers by adopting the Ford production system and a distributor system that were innovative at that time. Subsequently, we expanded the scope of our business to include large transformers and welding machines, responding to the demands of the times.

After World War II, when there was a serious shortage of pole-mounted transformers due to air raid damages and a rapid increase in the power load, we repaired pole-mounted transformers of all kinds of manufacturers. During the period of high economic growth, we mass-produced transformers and welding machines, and contributed to the development of society by supporting the construction of infrastructure, shipbuilding, and automobiles.

Implementation of reforms and establishment of the corporate philosophy

During the 1970s and 1980s, we expanded into new businesses including industrial robots, power supplies for semiconductor manufacturing equipment, and clean transfer robots, while also implementing various reforms including the globalization of businesses and the introduction of TQC.

Keijiro Kobayashi, the President at that time, changed the company name from Osaka Transformer to DAIHEN, adopted a new symbol mark (company emblem), and established the corporate philosophy of "Reliability and Creativity."

* A philosophy aiming for healthy growth and contributing to the development of society by placing importance on trust with stakeholders and by constantly creating new value

The Company expands overseas business and achieves net sales of 100 billion yen

In 1997, we established an overseas production base for welding machines in China (Mudanjiang) where economic growth is remarkable, as the second country where we established an overseas plant following Thailand, and we have expanded into China in various businesses. We developed sales and production bases mainly in Asia, an expanding market, and worked on expanding our overseas business, including the establishment of subsidiaries in Taiwan and South Korea.

In 2007, we established the Rokko Business Office to meet the global demand for welding robots, and in the same year, achieved net sales of 100 billion yen for the first time, with the share of international sales growing to 25%.

Establishment of our goal of "simultaneous contentment for all" and promotion of development of "unique products"

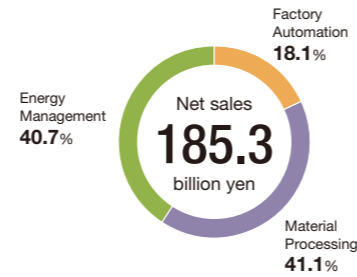
In 2012, as our basic management approach, we defined the Company's purpose as making stakeholders feel happier ("simultaneous contentment for all") and clarified specific numerical targets for each category of stakeholders as targeted "returns."

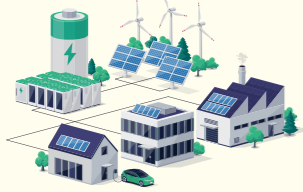
As a priority measure to achieve this goal, we promoted the development of products with our own unique value branded as "unique products" boasting outstanding performance, and also worked on improving the speed of development. As a result, we created many products and technologies that satisfied customers and served the world, leading to the Company's subsequent growth.

Business Overview

Today, our products are used everywhere in society, supporting people's lives, including power equipment that contributes to the utilization of renewable energy and the advancement of power system management, industrial robots that enable the seamless automation of entire factories, and welding and joining equipment and plasma generators that provide new processes necessary for technological innovation in manufacturing.

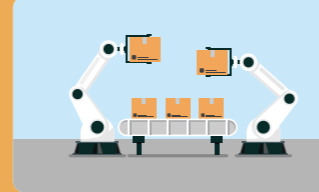
Going forward, we will continue to help reshape human society for sustainable development by creating products that solve impeding societal issues.





Energy Management

We develop and provide systems and equipment to control and manage diversifying distributed power sources including smart communities, renewable energy, and storage batteries, and develop technologies that contribute to new uses of electricity, such as advanced power system management and electric vehicles.



Factory Automation

We achieve seamless automation across entire factories by developing our proprietary robots with high precision and agile movement characteristics, which we developed through our experience with welding robots and clean transfer robots, and providing flexible and easy-to-install systems that combine multiple sensors, monitoring and control software, and peripheral equipment utilizing our proprietary technologies.

Power transmission & distribution products



- Pole-mounted transformer**
Our pole-mounted transformers step down the high-voltage electricity carried over the power lines to a practical voltage that people and businesses can use, making them an integral part of stable power supplies.
- Pad-mounted transformer**
Supports effective underground power distribution as well as landscape conservation in urban areas while mitigating disasters and securing space for roads.
- Step voltage regulator**
These units support a stable supply of power through optimal voltage control in order to overcome voltage fluctuations on the transmission lines, such as those resulting from interconnection with dispersed power sources.
- Extra-high-voltage transformer**
Developed for long service-lives, low power loss, low noise emissions and compact sizes, DAIHEN's high-quality power transformers are contributing to stable power supplies wherever they are used.



- Top-runner transformer**
Because it operates very efficiently with minimal energy loss and reduces CO₂ emissions, this transformer is classified as a top-runner.
- Power conditioner**
DAIHEN has greatly reduced power consumption compared to conventional air-conditioned systems, by incorporating the industry's first air-heat exchange (HEX) cooling system into these power conditioners. (Awarded the Energy Conservation Grand Prize by the Energy Conservation Center, Japan in 2015)
- Storage battery system for self-consumption solar power generation**
These are storage battery system for self-consumption solar power generation at business sites and factories. Storage batteries stores surplus electricity for use when needed, maximizing the use of solar power and reducing CO₂ emissions. Furthermore, they significantly reduce electricity bills lowering peak electricity consumption.
- V2X system**
These systems cleverly integrate EV/PHEV charging stations and a series of storage batteries. They are helping to make communities more disaster-resilient by supplying electrical power from the EVs and battery set to important loads such as evacuation shelters during outages and other emergencies.

Electric vehicle (EV) charging systems



Level 1 and quick chargers for EVs

With a product line encompassing both Level 1 and quick chargers, we can meet the charging needs of a variety of customers. As we promote the adoption of EVs, we are contributing to the realization of a decarbonized society.




Wireless charging system for EVs

Imagine simply parking your vehicle in a parking lot and having it start charging automatically. Our Magnetic Resonance System now achieves the highest level of charging efficiency in the industry, resulting in greater convenience for users.

FA robots and in-plant automatic transport equipment



- Arc welding robot**
Highly articulate and agile, our welding robots are a big contribution to factory automation and the higher quality welding targeted with that.
- Handling robot**
Robots are increasing productivity by nimbly and correctly performing simple factory jobs like transferring, assembling and processing parts and materials.
- Autonomous mobile robot (AMR)**
They are guide-less, and can accommodate narrow aisles while avoiding obstacles. A wide lineup of models specialized for carrier, towing, and forklift operations accommodates various transportation scenarios. It also comes with wireless charging system.
- Wafer transfer robot**
These robots speedily and accurately transfer silicon wafers in clean environments where not even a speck of dust is tolerable. They are helping to improve the productivity of semiconductor devices that underscore an energy-saving smart society.



Material Processing

By precisely controlling energy sources such as plasma, laser, ultrasonic waves, and frictional heat, we provide new processes necessary for technological innovation in manufacturing, including precise joining, cutting, film formation, surface treatment, and shaping of metals, semiconductors, insulating materials, and plastic materials.

Welding and joining machines

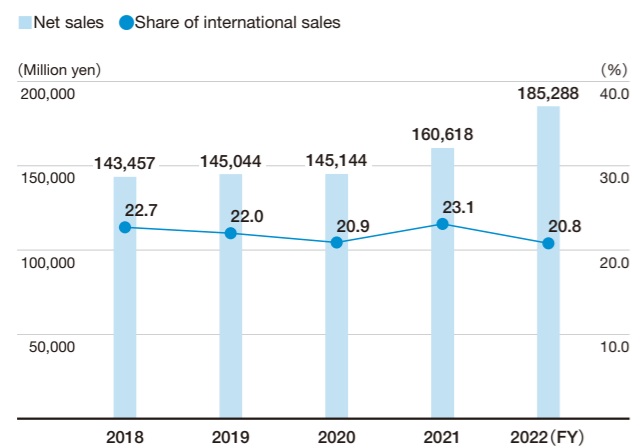


- Digital inverter welding machine**
Because our welding products are designed to save power and ensure safety on top of delivering the world's highest level of welding and cutting performance, DAIHEN is helping industries to increase productivity and protect the global environment at the same time.
- Stud welding machine**
Mainly used in the construction field, these machines efficiently weld studs that serve as wedges to integrate steel and concrete. Our stud welding machines are used for construction of buildings and bridges.
- RF generator**
These generators stably produce the high-quality plasma essential to manufacturing semiconductor devices. They contribute to the manufacturing of semiconductors that drive technological advances like IoT and AI.

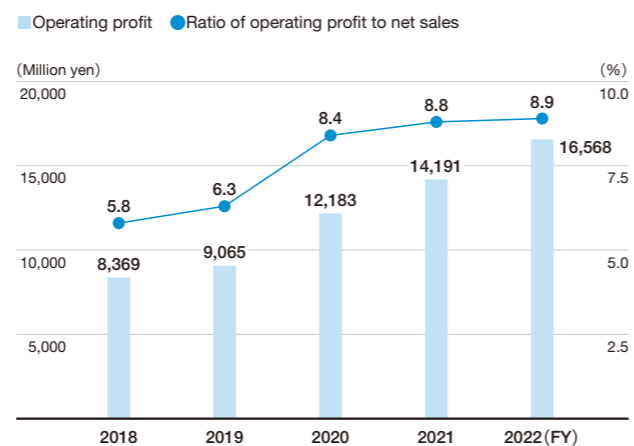
Financial Data

In fiscal 2022, we recorded net sales of 185.3 billion yen and operating profit of 16.5 billion yen, both of which exceeded those for fiscal 2021. We are actively engaged in research and development by continuously increasing development funds*1.

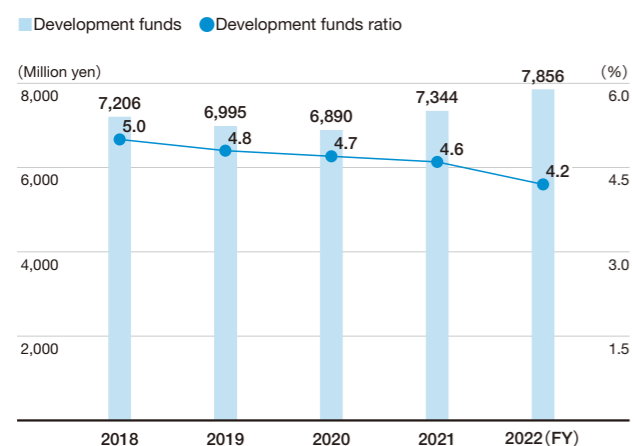
Net sales / Share of international sales



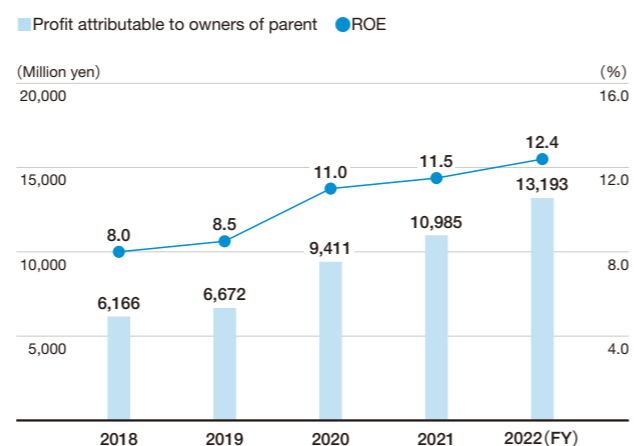
Operating profit / Ratio of operating profit to net sales



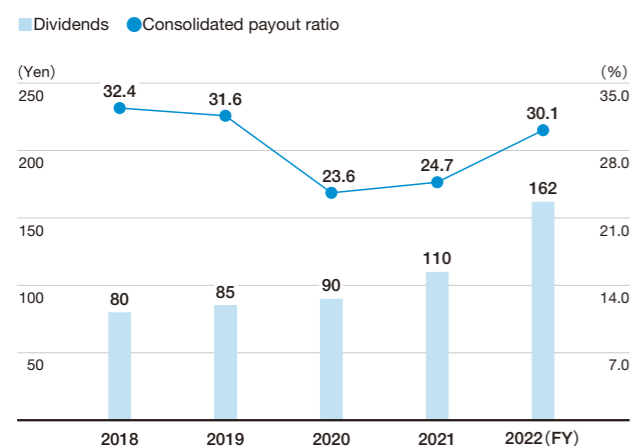
Development funds / Development funds ratio¹



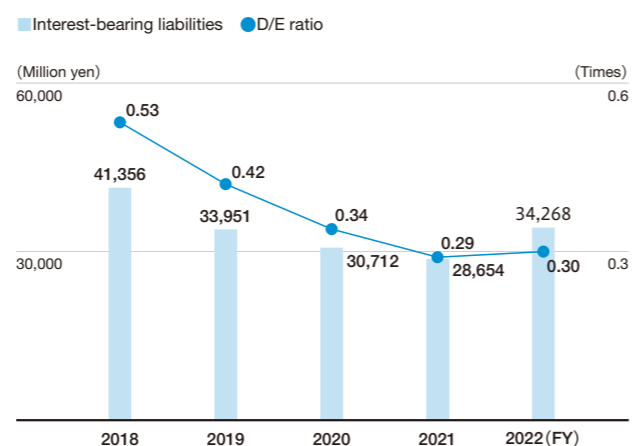
Profit attributable to owners of parent / ROE



Dividends / Consolidated payout ratio



Interest-bearing liabilities / D/E ratio

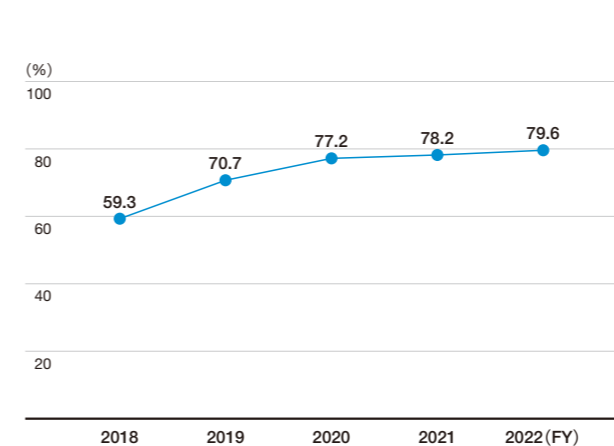


Non-financial Data

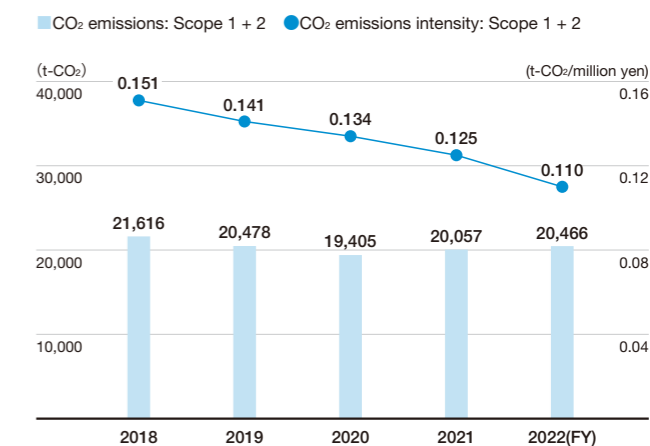
We are engaged in product development that contributes to reducing environmental impact. The ratio of net sales of environment-friendly products has been increasing.

While net sales are on the increase, our efforts at business sites keep the total amount of CO₂ emissions and other environmental indicators almost flat, reducing emissions per unit of sales year by year.

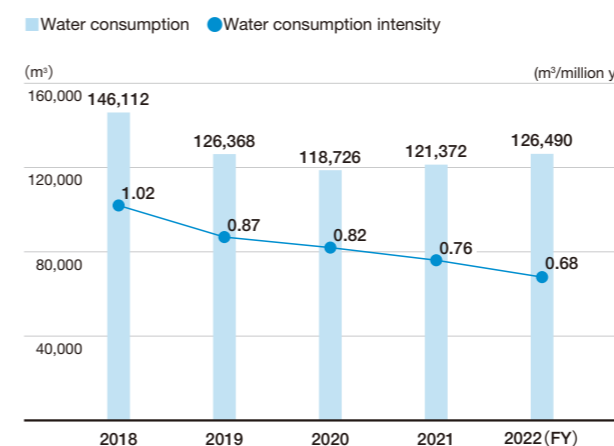
Ratio of environment-friendly products to net sales¹



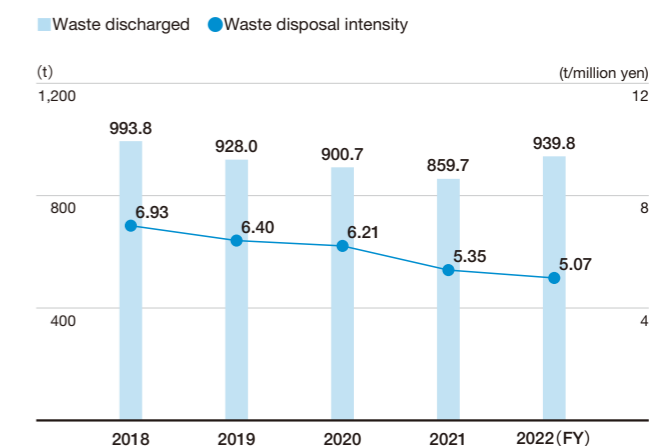
CO₂ emissions / CO₂ emissions intensity²



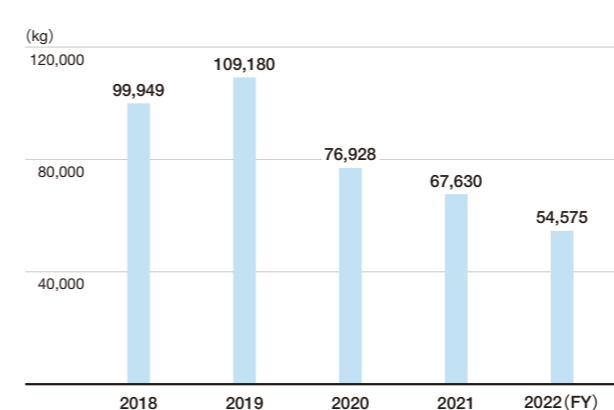
Water consumption / Water consumption intensity²



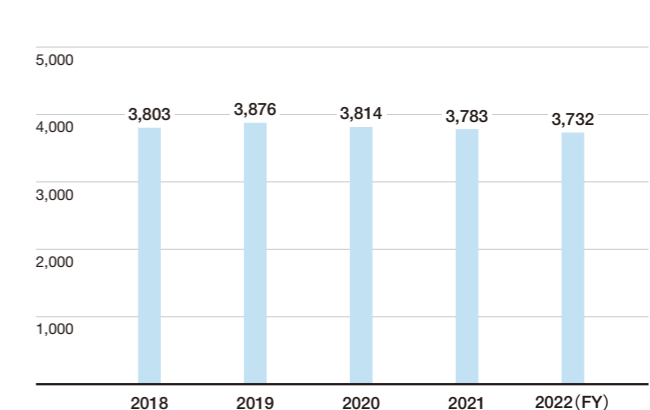
Waste discharged / Waste disposal intensity²



Atmospheric emissions of chemical substances subject to the PRTR²



Number of employees



*1 Development funds include not only research and development expenses but also development-related expenses such as patent fees. The development funds ratio is the ratio of development funds to consolidated net sales.

*1 The ratio of net sales of environment-friendly products to domestic net sales of the products (excluding parts, repair services, etc.) supplied by the nine divisions of the Company
*2 The scope of calculation includes DAIHEN Corporation (Juso Business Office, Rokko Business Office, Mie Business Office, Chitose Plant, and Kanehira Plant), production sites of affiliated companies (Tottori Plant, Oita Plant, Matsudo Plant, Eniwa Plant, Hirosaki Plant, and Kagawa Plant), and production sites outside Japan [Mudanjiang OTC Welding Machines Co., Ltd., OTC Industrial (Qingdao) Co., Ltd., OTC DAIHEN Asia Co., Ltd., DAIHEN Electric Co., Ltd., DAIHEN OTC (Beijing) Co., Ltd., and DAIHEN Advanced Machinery (Changshu) Co., Ltd.]

Message from the Management

To Contribute to Solving Societal Issues

Shoichiro Minomo
President and Chief Executive Officer

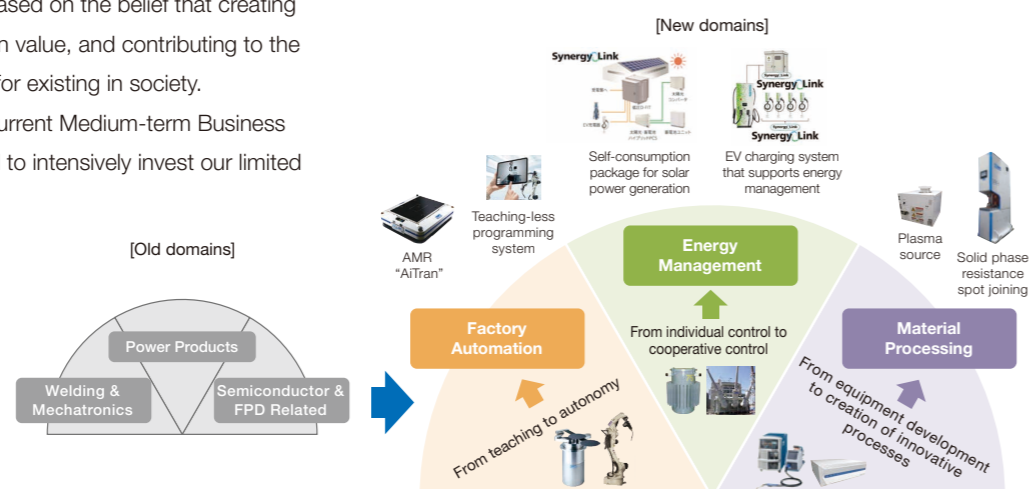


We aim to be a development-focused company that actively helps to solve societal issues. To clarify this stance, we changed our reporting segments in the financial statements effective fiscal 2023 to Energy Management, Factory Automation, and Material Processing based on our three technology domains.

The new segments redefine our unique technologies, which are our strengths, and the direction of their development as new business domains, based on the belief that creating unique products with our own value, and contributing to the world is our role and reason for existing in society.

In “Step Up 2023,” our current Medium-term Business Plan, we recognize the need to intensively invest our limited management resources (people, goods, and money) to improve capital efficiency. Based on this recognition, we have positioned global environmental protection and CO₂ emissions

reduction, the elimination of labor shortages, and support for diverse work styles as our top priority areas, where we can leverage our strengths in the domains of Energy Management, Factory Automation, and Material Processing, and where we can expect market growth due to their high importance as societal issues. We aim to achieve both economic and social value by promoting Green Solutions & Tailored Solutions, which



aim for the development and market introduction of products that contribute to solving these societal issues.

In Green Solutions, we are working on developing standardized products and packages optimized for each application, contributing to expanding the use of renewable energy, reducing environmental impact, popularizing EVs, and energy saving. In Tailored Solutions, we are developing equipment and systems that contribute to automation in confined spaces, reducing the burdens of facility management, and addressing the shortage of instructional workers.

Furthermore, in order to strengthen and accelerate development, in addition to internal activities such as collaboration between our business divisions and the Research & Development Division, and thorough front-loading development to promote product and elemental technology development, we are also actively utilizing alliances with universities, research institutions, and partner companies to increase the number of partners who are capable of tackling societal issues that are difficult for us to solve alone, and working on increasing research and development expenses, while considering the construction of new development centers that are necessary for this purpose.

Moreover, we are building relationships with optimal partners who can speedily and strongly expand the sales of new products, in new business domains such as EV charging systems and EMS for renewable energy power producers. We are also working to improve our sales network by consolidating and closing sales subsidiaries, while building relationships with these partners and strengthening our ability to reach out to government agencies, industry associations, and major customers, as well as our ability to disseminate and collect information.

Now that two years have passed since we began the current three-year Medium-term Business Plan, we have made steady progress in developing and launching Green Solutions & Tailored Solutions products. In fiscal 2022, we achieved record-high sales and profits, overcoming the constraints on economic activities caused by the COVID-19 pandemic and difficulties in procuring parts.

In fiscal 2023, the final year of the Medium-term Business Plan, we do not expect to reach the 200 billion yen sales

target under the plan as the semiconductor-related market has entered a correction, but we expect sales of EMS and FA robots to increase against a backdrop of increased investment in decarbonization, production automation, and EVs. We will continue to implement various measures for the future development of our business, without slowing our efforts.

The key driving force for our efforts is human resources. In fiscal 2022, we have once again clarified our human resource development policy and internal environment policy, which are described separately in this report.

The Company has long adopted the goal of “simultaneous contentment for all,” which demonstrates our commitment to the happiness of all our stakeholders — customers, employees and their families, shareholders, suppliers, and our local communities. To that end, we have set specific goals — which we refer to as targeted “returns” — for each category of stakeholders, and we will continue to achieve them as our management approach.

As a manufacturer, we have a mission “to please our customers and contribute to the world through our valuable products and services,” and we will continue to develop and provide unique products that meet the essential needs of society and our customers at a higher level, by eliminating waste in operational processes through total cost reduction activities and investing the generated funds in development, and by integrating our proprietary technologies with cutting-edge technology. Satisfying society and our customers will lead to growth in sales and profits, and achieving an enhanced return of profits, in line with the target values of each of our stakeholders.

Based on this approach, in order to continue our development as a company that actively contributes to solving societal issues in the priority areas set forth in the Medium-term Business Plan, we will actively work on new policies so that we can share the DAIHEN WAY, which sets forth the Company's values, and will carry out these policies among our employees, in order to generate powerful momentum, and continue to create valuable products and services.

We are committed to fulfilling our role toward the realization of a sustainable society, and we look forward to your continued support as we pursue these future objectives.

Value Creation Processes

Under the Medium-term Business Plan “Step Up 2023,” we aim to become an R&D-focused company dedicated to addressing societal issues head-on. With the commitment to ESG (environment, social, and governance) issues as the foundation of our business activities, we focus on the domains of Green Solutions and Tailored Solutions for strengthening development, creating and introducing products with our own unique value to the market, thereby contributing to the sustainability of society.

Contribution to the

Sustainability of Society

Green Solutions — Value

>>P.15

Contribution to the realization of a decarbonized society

We develop standardized products and packages optimized for various applications that contribute to the expansion of use of renewable energy, reduction of environmental impact, popularization of EVs, and energy saving to contribute to the realization of a decarbonized society.

We Provide — Tailored Solutions

>>P.18

Providing means to resolve challenges that manufacturers are facing

We provide optimal solutions to the challenges faced by those employed in a wide range of manufacturing positions. We are devising solutions to the labor shortage and other societal issues, liberating people from dirty, difficult, and dangerous tasks, and adopting varied work styles for an increasingly diverse workforce. As well, we are developing equipment and systems that contribute to automation in confined spaces, reducing the burdens of facility management, and addressing the shortage of instructional workers.

Transitioning to an R&D-focused company

2023 Medium-term

dedicated to addressing societal issues head-on

Business Plan “Step Up 2023”

Business

Activities

Business Policies

Develop unique products

To please our customers and contribute to the world, we develop DAIHEN products that offer unique added value

Total cost reduction activities

We internally generate the funds necessary for strengthening development by thoroughly eliminating unseen waste throughout the business process.

Strengths of the DAIHEN Group

Power conversion technology, high-frequency technology, autonomous distributed cooperative control technology, joining process technology, high-precision and high-speed robot control technology



Latest technology

Business domains

Energy Management

>>P.05

Factory

Automation

>>P.06

Material Processing

>>P.06

Business capital (as of the end of fiscal 2022)

Financial capital

Interest-bearing liabilities: 34,268 million yen
Equity: 113,800 million yen

Human capital

Number of employees on a consolidated basis: 3,732
Number of employees at domestic bases: 2,222
Number of employees at overseas bases: 1,510

Production capital

Capital investment: 4,872 million yen
Domestic production bases: 14
Overseas production bases: 10

Intellectual capital

Research and development expenses: 6,311 million yen
Number of patents (Japan): 1,351
Number of patents (Overseas): 849

Natural capital

CO₂ emissions: 20,466 t
Water consumption: 126,490 m³

Foundation that supports sustainable growth

E: Environmental Initiatives

>>P.21

S: Social Initiatives

>>P.25

G: Governance Initiatives

>>P.31

Financial Strategies

Through balanced return of profits to stakeholders and proactive investment in line with targeted “returns,” We will achieve both an improvement in ROE and an enhancement of equity

Financial targets for the 2023 Medium-term Business Plan		Fiscal 2022 results	
Net sales	200.0 billion yen or more (including 35.0 billion yen or more from G&T*)	Net sales	185.3 billion yen (including 17.8 billion yen from G&T*)
Ratio of operating profit to net sales	10% or more	Ratio of operating profit to net sales	8.9%
ROE	12% or more	ROE	12.4%
Development funds ratio*2	6% or more	Development funds ratio*2	4.2%
Payout ratio	30% or more	Payout ratio	30.1%

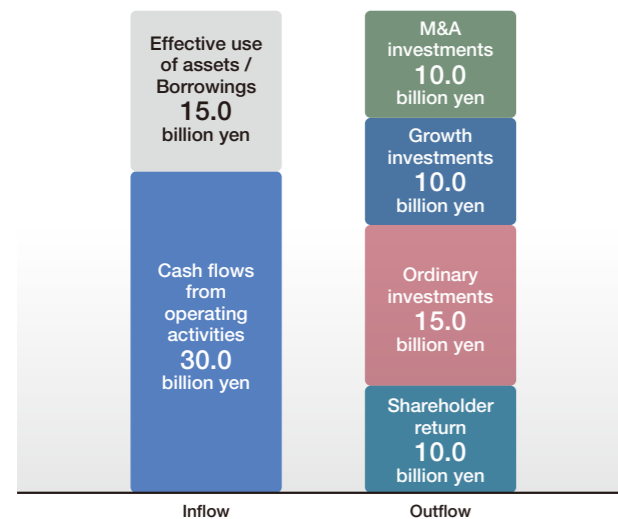
*1 Green Solutions & Tailored Solutions

*2 The ratio of development funds to consolidated net sales: Development funds include not only research and development expenses but also development-related expenses such as patent fees.

Cash flows under the 2023 Medium-term Business Plan

We plan to make aggressive investments that exceed the operating cash flows in the 2023 Medium-term Business Plan.

An overview of cash distribution (3-year cumulative total)



M&A investments

We are considering M&As more than ever to acquire new customers and accelerate the expansion of peripheral businesses in the existing businesses, seeking to expand our business through capital participation in current partner companies or making them subsidiaries, as we did with M&As in the past. In fiscal 2022, we acquired the German robot system integrator Femitec GmbH, which specializes in small and medium-sized systems, to strengthen our European business. In October 2023, we acquired shares of Tohoku Electric Manufacturing Co., Ltd. to add it to the Group, aiming for sales expansion in the Tohoku region and strengthening the production system through synergies with the group company.

Growth investments

We plan to invest a total of 10.0 billion yen in the expansion of the plant of DAIHEN Industrial Machinery Corporation, which serves as a production center for RF generator systems used for semiconductor manufacturing equipment with significantly increasing demand, and in installing renewable energy utilization equipment at the DAIHEN Group's bases as model plants for promoting Green Solutions. We are also considering to construct a new development center to strengthen development.



DAIHEN Industrial Machinery Corporation (Planned expansion is outlined in red.)

Ordinary investments

Ordinary investments are generally within the scope of depreciation, and we are steadily making progress in improving productivity and renewing aging equipment.

Shareholder return policy

As part of our policy of returning profits to stakeholders, we aim to increase returns in line with profit expansion with a dividend payout ratio of 30% or more as a basic policy.

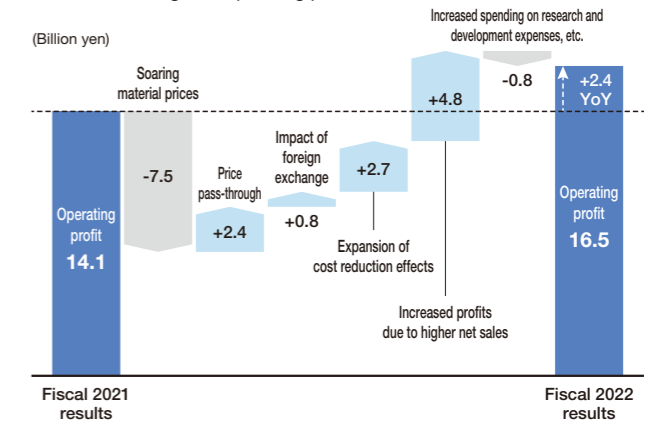
Review of fiscal 2022

Fiscal 2022 results

The performance of the DAIHEN Group was net sales of 185.3 billion yen (up 15.4% year-on-year) and operating profit of 16.5 billion yen (up 16.7% year-on-year) due to factors such as generally strong semiconductor-related investment. Both net sales and income results reached an all-time high.

Factors for the change in operating profit from the previous fiscal year included a negative impact of 7.5 billion yen due to soaring material prices, but positive impacts were 2.4 billion yen from price pass-through, 0.8 billion yen from the foreign exchange impact, 2.7 billion yen from expanded cost reduction effects, and 4.8 billion yen from increased profits due to higher net sales. After investing 0.8 billion yen to increase spending on research and development expenses, we achieved a net increase of 2.4 billion yen in operating profit, resulting in a ratio of operating profit to net sales of 8.9%.

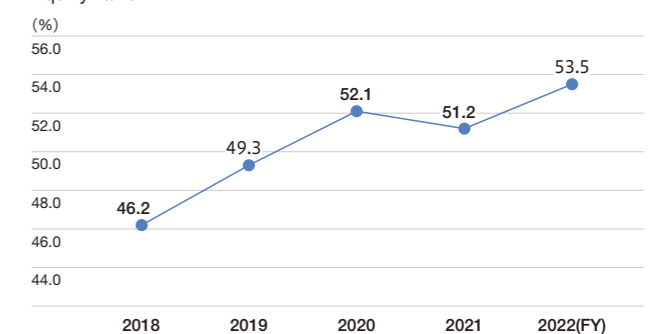
Factors for changes in operating profit for fiscal 2021 and 2022



Financial position

Total assets at the end of fiscal 2022 increased by 17.9 billion yen from the end of the previous fiscal year to 212.7 billion yen. This is primarily attributable to an increase in inventories due to supply shortages of parts. Total liabilities increased by 3.6 billion yen to 92.8 billion yen. This is primarily attributable to increases in notes and accounts payable – trade and borrowings. Total net assets increased by 14.3 billion yen to 119.9 billion yen. This is partly attributable to an increase in foreign currency translation adjustment in addition to an increase in retained earnings. The equity ratio was 53.5% (up 2.3 percentage points from the end of the previous fiscal year), exceeding 50%, our benchmark.

Equity ratio



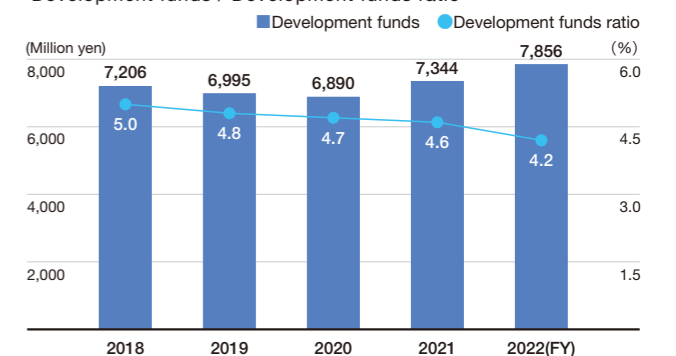
Development funds*

Aiming to create and introduce products with our own unique value (DAIHEN Value) to the market, we are actively conducting joint research with universities and other research institutions as well as with our customers while mutually coordinating with development divisions within the Group to accumulate technological seeds and promote commercialization.

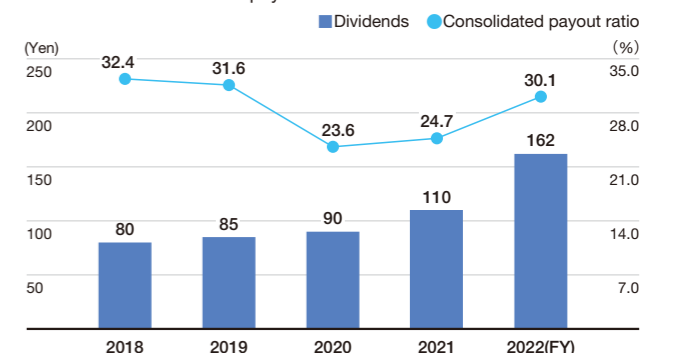
In fiscal 2022, we mainly engaged in the development of products and systems related to Green Solutions & Tailored Solutions in the Medium-term Business Plan. Development funds reached 7,856 million yen, and they have been increasing every year since fiscal 2020.

* Development funds include not only research and development expenses but also development-related expenses such as patent fees.

Development funds / Development funds ratio



Dividends / Consolidated payout ratio



Our Green Solutions Initiative

As part of our effort to contribute to the realization of a society committed to decarbonization, we are focused on expanding sales and strengthening the development of various energy management systems (EMS). These comprise control technologies and devices that contribute to the growing introduction of renewable energy as well as the charging infrastructure that is essential to the adoption of EVs.

Energy management systems that contribute to the greater adoption of renewable energy

Batch delivery of grid storage battery systems

Renewable energy output can change dramatically depending on the season or the weather, disrupting the balance of electrical supply and demand for power grids. This can interfere with their ability to supply power. Effectively utilizing surplus power is a challenge facing our society. To solve these problems, the Japanese government is leading efforts to install energy storage facilities.

We delivered a batch of grid storage battery systems, the first in Japan to use domestically-manufactured storage batteries, for use in the Eurus Shiratori Battery Park energy storage facility in Fukuoka Prefecture. The systems use DAIHEN's unique Synergy Link control technology to maximize the use of electricity generated from renewable energy while significantly reducing installation and operation costs.



Grid storage battery systems

Commercial launch of reuse battery packages

For the first time ever in Japan, we have launched reuse battery packages for self-consumption solar power generation equipment. These packages, made with used EV batteries, integrate industrial storage batteries and storage battery power conditioners.

They not only reduce CO₂ emissions compared to emissions from new battery manufacturing, but also solve issues such as the difficulty in procuring raw material and a surge in their prices. Also, by reusing used batteries, they cut deployment costs by roughly 30% in comparison to new batteries. Furthermore, switching from an air conditioner to a fan to cool the device reduces power usage, cutting costs by roughly 90%.



Reuse battery packages

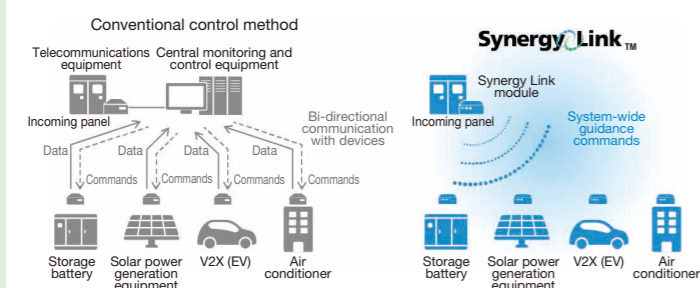
Reuse battery

Used batteries from Nissan Motor electric vehicle LEAF, which have exceptionally high levels of reliability and durability, are used for our industrial storage batteries.

They offer the performance required of industrial storage batteries for self-consumption solar power generation equipment.



Synergy Link, DAIHEN's proprietary autonomous distributed cooperative control technology



- Each device autonomously optimizes its output based on system-wide guidance commands, maximizing power availability.
- Synergy Link dramatically reduces the cost involved in deployment and operation in comparison to conventional centrally monitored control equipment.
- The system can be expanded easily by adding or replacing devices at a later date.

For more details, visit our website.
<https://www.daihen.co.jp/decarbonization/ems/>
 (only in Japanese)



Charging infrastructure equipment and systems that contribute to the adoption of EVs

Launch of Japan's first project to verify the operation of automatic wireless charging in a mechanical parking structure

Working with GIKEN, we have launched a project to verify the operation of automatic wireless charging in a mechanical parking structure.

The wireless charging system is employed for this verification, with power receiving units installed in Toyota C+ pod ultra-compact battery electric vehicles and power transmitting units installed in GIKEN's EV ECO Park™. When employees use the EVs for commuting, etc., and park them in the parking structure, the vehicles will be charged wirelessly.

The data from the verification project will be analyzed to improve the system and provide users with greater convenience.

In the future, there are plans to extend the system, going beyond ultra-compact EVs to mini and full-sized EVs.



Wireless charging in the mechanical parking structure



Automatic charging system for delivery EVs (conceptual image of system operation)

Commercial launch of Japan's first automated charging system for delivery EVs

In the transportation industry, there is an accelerating shift to the use of EVs such as compact trucks and vans for the last one mile. However, to prevent delivery operations from being interrupted, it is important for vehicles to operate without ever running out of charge.

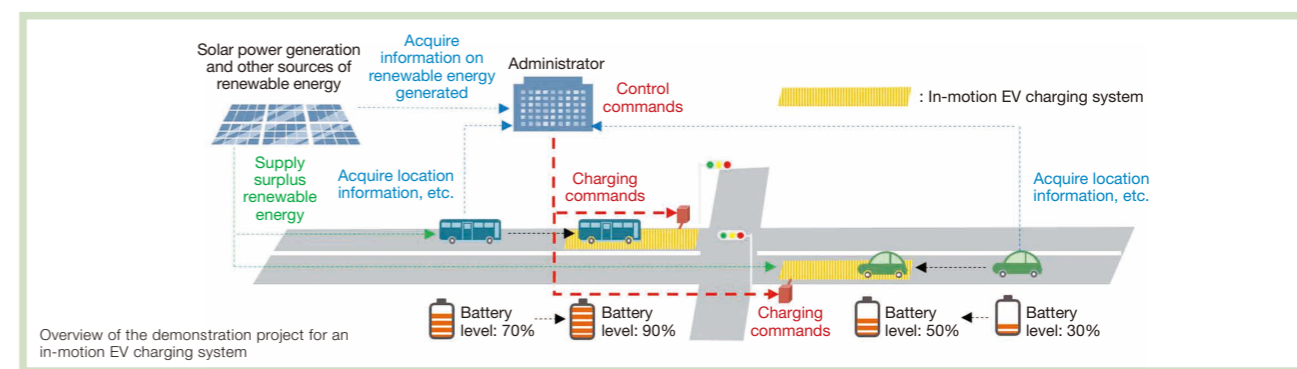
This system is equipped with AI functions to automatically set demand targets, optimizing charging control to ensure sufficient charge for a full day of deliveries. Furthermore, our proprietary Synergy Link control technology automatically limits and normalizes maximum power usage based on vehicle operating conditions, minimizing basic electricity costs.

Efforts related to in-motion EV charging system

We are conducting a technical verification project together with the Kansai Electric Power Company, Osaka Metro, Obayashi Corporation, and the East Nippon Expressway (NEXCO EAST) in which our in-motion EV charging system is being used as charging infrastructure. In the project, 100 EV buses will be used to provide access to and from the Expo 2025 Osaka, Kansai, Japan for visitors from Japan and abroad, as well as to provide transportation within the site. The project will also include the creation of an EMS integrated with an operation management system.

Through this verification project, we will seek to further improve our in-motion EV charging systems and promote their early adoption in real-world systems.

This project is being conducted as a Green Innovation Fund "Smart Mobility Society Construction" project by the New Energy and Industrial Technology Development Organization (NEDO).



Overview of the demonstration project for an in-motion EV charging system

Joining machines that contributes to the greater adoption of EVs

Development of Cold Spot Joining, the world's first solid phase resistance spot joining system



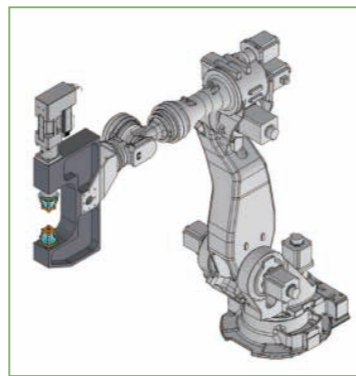
Stationary Cold Spot Joining system

As a shift to using EVs accelerates around the world, vehicle cruising ranges (the distance that can be driven on a single charge) need to be extended, and reducing vehicle weight is a key challenge in achieving this. As a solution, lightweight materials such as ultra-high-strength steel and aluminum alloy are increasingly being used to address this issue. However, these materials are considered difficult to join, and the high temperatures reached during welding often causes weakening or quality degradation of the joint, so there are many cases where welding is not an option. In other words, the key to extending cruising ranges is joining at low temperatures.

To solve this problem, we turned our attention to solid phase resistance spot joining, one of the results of research by the Joining and Welding Research Institute Osaka University. Through collaborative research between the industrial and academic sectors, we have developed the Cold Spot Joining (CSJ) system, the world's first system for creating stable joints between materials at low temperatures, while still solid, without melting the material.

Not only does CSJ make it possible to stably join difficult-to-join materials, but it can also be used to join dissimilar materials. Moreover, it dramatically reduces energy consumption by up to 50% compared to conventional welding, so it holds excellent promise for use in the manufacturing industry for various products.

In fiscal 2023, in addition to our stationary system, we plan to introduce a gun-type system for use by robots to the markets. This system can be used in place of the spot welding that is widely used on conventional automobile body manufacturing lines and the like.



Robot gun-type Cold Spot Joining

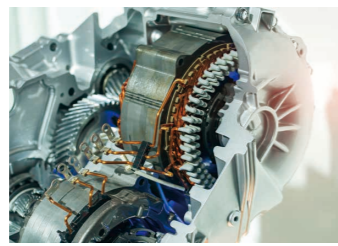
Development of PLASMA JET TIG welding system for EV motor stator coils

With the expansion of EVs, demand is expected to increase for motors used in them. We have developed PLASMA JET TIG (PJT), a welding system optimized for welding copper motor stator coils, one of the key components of these motors.

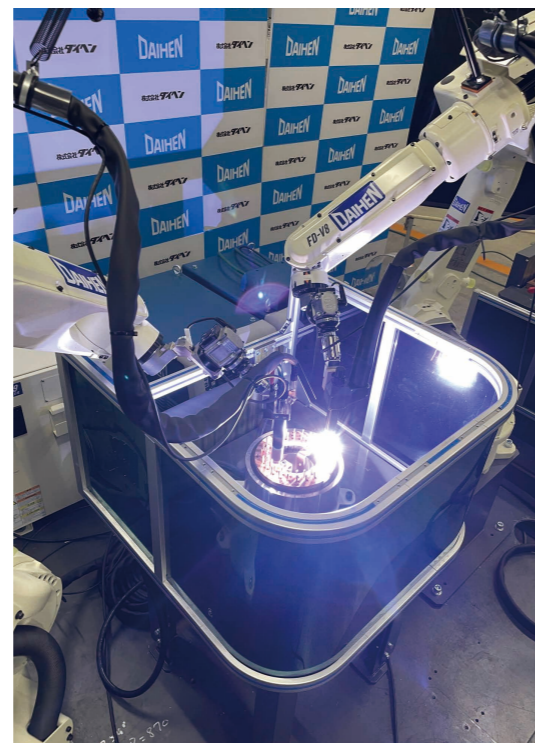
Motor stator coil manufacturing requires high precision, high efficiency, and high quality welding. Although laser joining systems are known for their precision and high efficiency, their energy density levels are too high, causing problems related to welding residue and cost.

PJT uses an arc with an even higher energy density than conventional TIG welding, so it is capable of fast, high quality welding of materials with high levels of thermal conductivity, such as copper. Furthermore, it has a wider heat input range, so it has a greater tolerance for unevenness and gaps in joint areas, producing sturdy welds without joining residue.

With its simple structure, which combines our Welbee-TIG Series with a controller and a dedicated torch, deployment costs roughly 60% less than laser joining systems, and its running costs such as power consumption costs are significantly lower (approx. 80% lower).



Motor stator coil



Welding performed by the PLASMA JET TIG

Our Tailored Solutions Initiative

We seek to provide optimal solutions to the challenges faced by those employed in a wide range of manufacturing positions. We are devising solutions to the labor shortage and other societal issues, liberating people from dirty, difficult, and dangerous tasks, and adopting varied work styles for an increasingly diverse workforce. As well, we are developing equipment and systems that contribute to automation in confined spaces, reducing the burdens of facility management, and addressing the shortage of instructional workers.

Industrial equipment and robots that contribute to factory automation

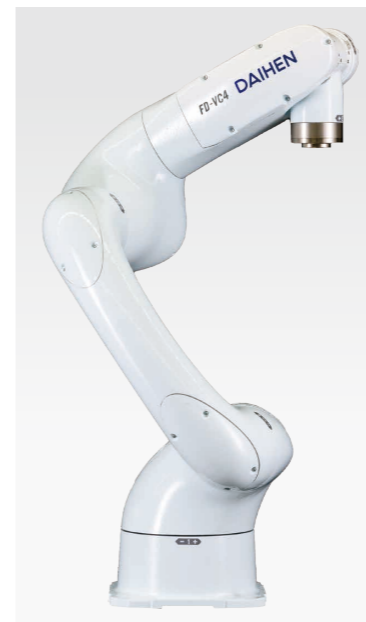
Developing a collaborative robots ideal for arc welding applications

Industrial robots are increasingly being used in a range of fields to address societal issues such as labor shortages and diversifying work styles, as well as to further improve productivity.

However, it is not uncommon for companies considering using industrial robots to abandon those plans because of difficulties in finding the space for them or the cost of installing safety fences. This is why attention is being turned to collaborative robots, which can be used in the same areas as human staff, without the need for safety fences.

Our robots are designed for collaboration in close proximity to people and have safety functions that shut them down if they come in contact with a person, while at the same time offers the high tracking accuracy, sturdiness, and durability of conventional industrial robots, making them optimal as arc welding robots. They have compact bodies which can be placed on trolleys to be transferred and used in a wide range of worksites, such as welding ships and other large objects.

We will continue to expand our lineup, extending it to applications other than welding as well.



Collaborative robots



Example of robot mounted on a trolley

Developing AMR "AiTran," suitable for a variety of transportation scenarios

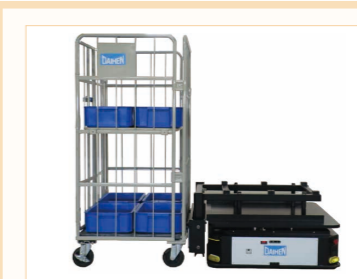
Manufacturing sites see a growing need for the automation of not only manufacturing processes but also transport within factories, such as transport between processes of manufacturing. In recent years, in particular, a great deal of attention has been turned to AMRs. Unlike automated guided vehicles (AGVs) and automated guided forklifts (AGFs), which require guide tape to be installed, AMRs operate without a guide, and their operation routes can be easily configured. However, most conventional AMRs have specifications customized for specific applications, and their scope of automation is limited.

AMR "AiTran" we developed, is the first AMR in the industry that serves as a carrier, a towing AMR, and a forklift AMR, so it can be used in a wide range of applications. It is highly maneuverable and can avoid obstacles in narrow hallways.



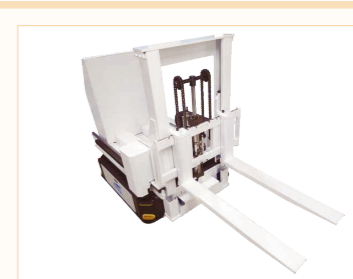
Carrier model
AiTran Lift

- Pallets loaded with items for transport as well as processed metal products can be placed on the platform of the main unit and transported.
- The AiTran Lift comes standard with a lift mechanism that raises and lowers the top plate.



Towing model
AiTran Trailer

- This model transports items by towing a basket trolley or the like loaded with items to be transported.
- The AiTran Trailer uses camera-based precision positioning to accurately and automatically connect to basket trolleys.



Forklift model
AiTran Fork

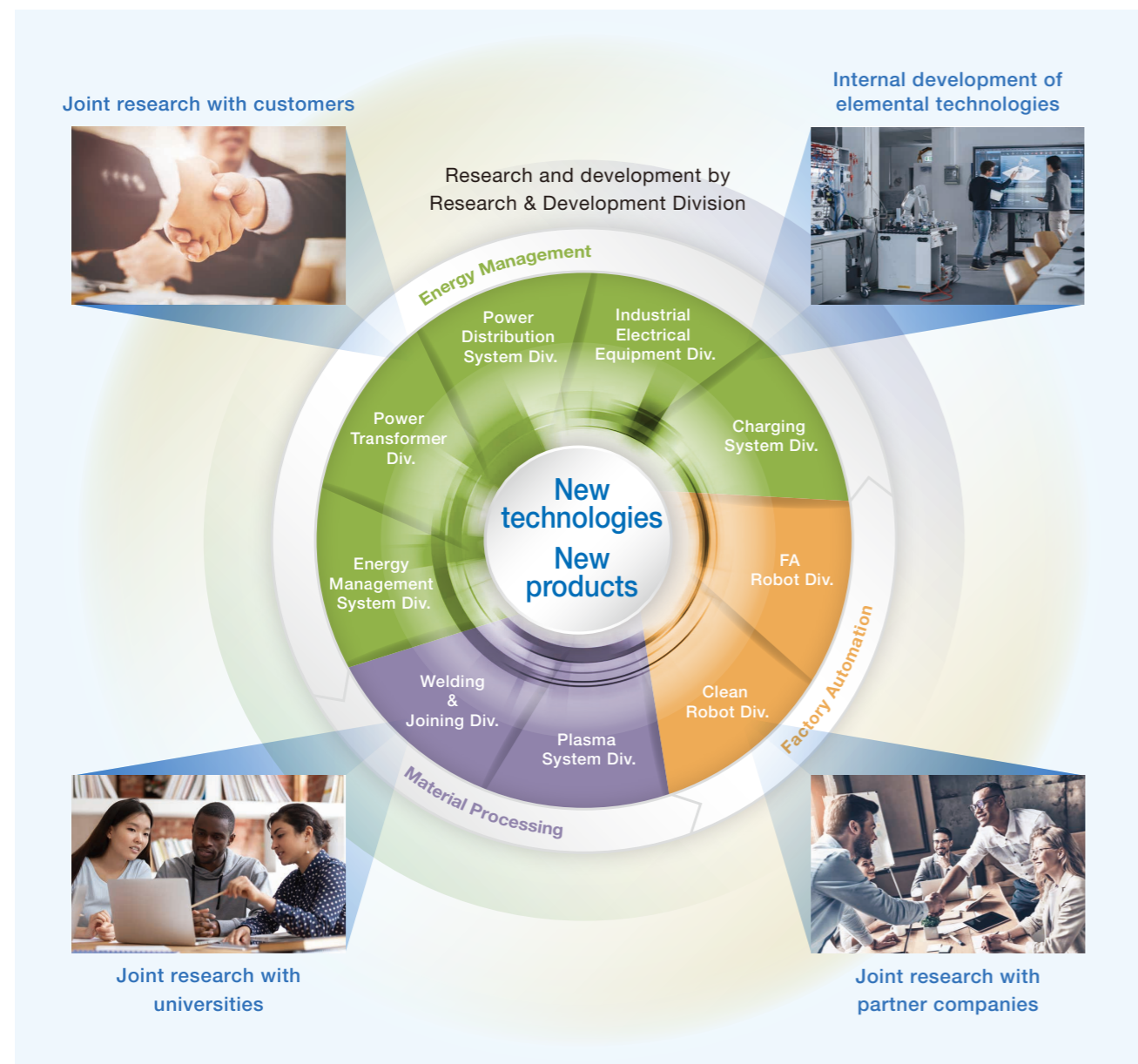
- This model can lift and transport packages and pallets placed directly on the floor.
- The AiTran Fork can move in every direction, handling cargo in ways that conventional forklifts cannot.

R&D

DAIHEN has developed numerous products that contribute to society centering on the energy transformation and control technologies it has accumulated over the years. We will further reinforce our R&D activities to become an R&D-focused company dedicated to addressing societal issues head-on.

To achieve this, we aim to invest 6% of net sales on development. In addition to active investment in critical areas, we also plan to enhance and accelerate our development by building a framework for collaboration and cooperation with outside parties such as universities, research organizations, and partner companies.

Furthermore, to create and nurture new businesses, which will become the pillars of our next-generation business, we have introduced a company-wide development system. In addition to the research and development departments of our individual business divisions, which engage in specialized development for our existing business, we have established a Research & Development Division. This division develops and commercializes new technologies and new products that do not belong to any of our existing business domains. It also helps reinforce and support the Group's overall development functions.



Production Automation Initiatives Using Our Robots

FA robot production automation (Rokko Business Office, Hyogo Prefecture)

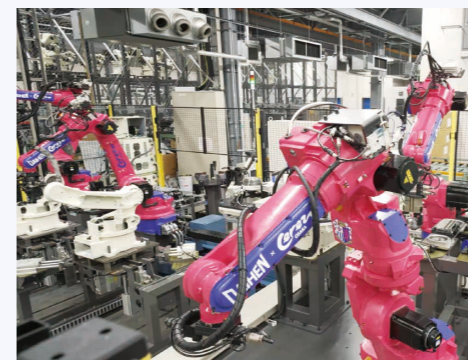
The Rokko Business Office plant is a production base for FA robots, producing over 10,000 FA robots every year for use by customers across the globe. Over 90% of the production process has been automated, but we are working to achieve an even higher level of automation, aiming to raise the ratio to 100%.

By automating every process in the plant, from assembly to material transport, quality inspection, and inter-process transport, we will achieve greater stability of robot quality and production efficiency. As of March 2015, we had 29 workers

producing roughly 7,000 robots per year. Following the introduction of automation, as of December 2022, ten people, just one third of the number of workers we used to need, can build over 10,000 robots per year (in terms of labor costs, this has reduced expenses by 300 million yen or more per year).

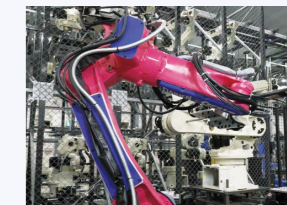
We invite customers considering deploying robots in their own workplaces and have them see this plant where robots manufacture robots as part of our sales activities as we propose optimal solutions to the diverse issues customers face.

Assembly process



Multiple robots are engaged in assembly

In the assembly process, multiple DAIHEN robots smoothly coordinate with each other to make one new robot after the next. Robot tools are automatically swapped out, so each robot can perform multiple roles. This enables them to achieve maximum performance with the minimum number of robots. High resolution vision sensors and force sensors are used to perform handling, insertion, and tightening. Robots can supply lubricant, essential to maintain the performance of the robots, automatically.



Lubricant supply system

* The robots used in our assembly process bear the colors of Cerezo OSAKA, with which we have a Platinum Partner contract.

Inter-process transport

The plant uses DAIHEN's proprietary AMR "AiTran," which can move in every direction and automatically avoid obstacles, along with automated guided vehicles (AGVs) and automated guided forklifts (AGFs) to automate transport between processes (we have achieved a 100% inter-process transport automation).

Furthermore, we have fully automated the charging process for these devices using our wireless power transfer system, D-Broad. This enables our transport equipment to remain in continuous operation.

In addition, we have automated processes such as material transport, machine-processed component finishing (deburring), bolt palletizing, and other robot pre-assembly processes, as well as quality inspection processes such as mastering, which is essential for improving robot precision.



AMR "AiTran"



Wireless charging system D-Broad

Automated production of power transformer and switch cases (Minami Electric Co., Ltd., Kagawa Prefecture)



Automated welding of pole-mounted transformer cases

Minami Electric Co., Ltd., an affiliated company in Kagawa Prefecture manufacturing power transformer cases, uses many of our robots to automate manufacturing processes, such as welding cases, and performing press processing by assembling other specialized equipment. The introduction of devices such as our welding robots, which perform high precision laser searching, our handling robots, and our part supply conveyors has ensured stable quality and streamlined production.

Environmental Initiatives

Considering environmental protection to be among the most important management challenges, we are engaged in environmental management. We aim to strengthen relationships with stakeholders and contribute to the emergence of a society committed to decarbonization, recycling, and harmony with nature through our environmental protection initiatives.

The DAIHEN Group Environmental Policy

Basic Philosophy The DAIHEN Group considers environmental protection to be among the most important management challenges. Our goal is to actively address societal issues in order to contribute to the emergence of a society committed to sustainability in keeping with our corporate objective of achieving “simultaneous contentment for all.”

Conduct Policy In line with our corporate basic philosophy, the DAIHEN Group will contribute to the emergence of a society committed to decarbonization, recycling, and harmony with nature by developing its business globally in each industry segment in keeping with the following guidelines.

1 Reduce environmental impacts resulting from business operations

We shall address the following initiatives by considering all steps encompassing product design, development, procurement, manufacturing, and distribution as well as product use and disposal.

- Promote product development that addresses societal issues.
- Promote energy-efficiency initiatives.
- Promote resource conservation, waste reduction, and recycling.
- Reduce the environmental impact of the use of chemical substances.
- Promote green procurement.

3 Establish environmental objectives and targets and periodically review them

Each division of the DAIHEN Group shall establish environmental targets and promote environmental preservation initiatives. Moreover, each division shall periodically review its targets, and continually seek to improve its environmental management system (EMS) in ways that ultimately enhance its environmental performance.

2 Comply with laws and other requirements

We shall comply with legal and other requirements related to the environment. We shall also adopt and administer voluntary management standards in order to implement pollution controls intended to protect the environment.

4 Raise environmental awareness

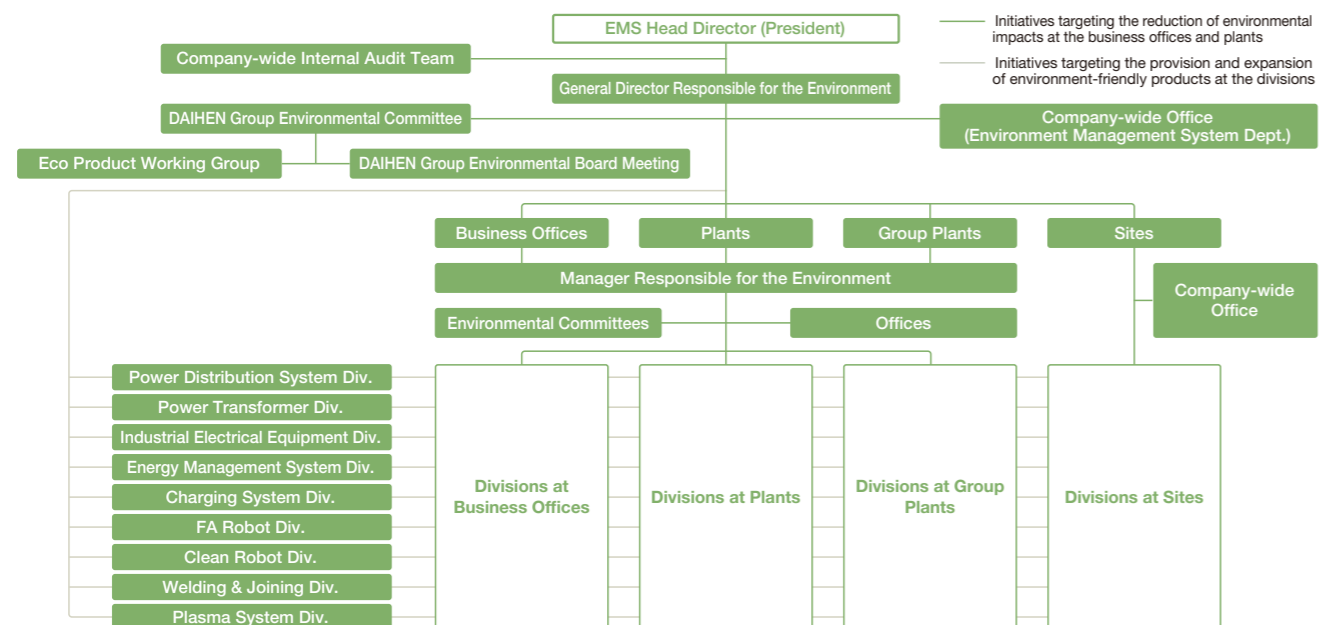
In order to increase environmental awareness, we shall enhance environmental education and deepen understanding of our environmental policy among all involved in our organization.

5 Strengthen relationships with stakeholders

We shall provide stakeholders with timely environmental information in an easy-to-understand manner, maintain open communication, and strive to increase understanding and trust.

Environmental management promotion system

We have established an execution system with the President & CEO of DAIHEN Corporation as the EMS¹ Head Director and the Environmental Officer as the General Director Responsible for the Environment and established the DAIHEN Group Environmental Committee for deliberation and decision-making on environmental policies and formulation of specific activity plans, enhancing our environmental protection initiatives. Specifically, the Eco Product Working Group² and the DAIHEN Group Environmental Board Meeting³ work on Group-wide collaboration, with each business office, plant, and business division focusing on both environmental protection in business activities and planning and development of environment-friendly products and services.



¹ Environmental Management System refers to a mechanism that allows a company to set environmental policies, to take measures to achieve goals under the policies, and to maintain and improve the policies.
² An organization composed of heads of technical divisions responsible for the Company's product development. It deliberates and decides on applications and certification criteria based on the in-house certification system for environment-friendly products and manages the progress of development.
³ An organization that identifies issues and discusses and implements solutions by sharing plans, results, and external environmental information among business sites, factories, and business divisions. By deploying excellent solutions in a cross-departmental manner, we are improving the performance of the entire Group.

Environmental plans and results

As part of our commitment to environmental protection, we have established both medium- and long-term environmental objectives and targets according to our Voluntary Environmental Action Plan. Under our 7th Voluntary Environmental Action Plan for fiscal 2021-2023, we have set targets for reducing environmental impacts such as CO₂ emissions (Scope 1 + 2) and water consumption, and are promoting activities to achieve them.

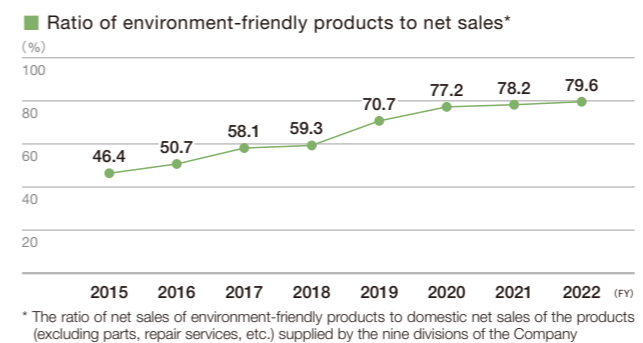
Fiscal 2022 results in the DAIHEN Group's 7th Voluntary Environmental Action Plan (excerpt)

Corporate objective	Stage	Policies	Targets for fiscal 2022	Results of initiatives in fiscal 2022	Initiatives in fiscal 2022	Evaluated by DAIHEN
Simultaneous contentment for all	Products	Expanding sales of environment-friendly products	•Environment-friendly products Achieve an environment-friendly product net sales composition ratio of at least 79%.	79.6% of all net sales accounted for by environment-friendly products	•32 models of environment-friendly products •Net sales of environment-friendly products: 111,453 million yen Total product net sales: 139,988 million yen	○
		Preventing global warming in the supply chain (Scope 3, Category 11)	•Reduce CO ₂ emissions intensity (Scope 3, Category 11) by at least 4% from the fiscal 2021 level	6.9% reduction in emissions per unit of net sales	•CO ₂ emissions intensity (Scope 3, Category 11): 37.76 t-CO ₂ /million yen Reference: CO ₂ emissions (Scope 3, Category 11) totaled 6,997,000 t-CO ₂	○
		Focusing on increasing avoided emissions as part of our effort to reduce CO ₂ emissions	•Increase avoided CO ₂ emissions by at least 30,000 t-CO ₂	Avoided CO ₂ emissions: 22,200 t-CO ₂	•Calculation of avoided CO ₂ emissions	×
	Processes	Preventing global warming (Scope 1 + 2)	•Reduce CO ₂ emissions intensity by 4% from fiscal 2021 levels.	12.0% reduction	•CO ₂ emissions intensity: 0.110 t-CO ₂ /million yen Reference: CO ₂ emissions totaled 20,466 t-CO ₂	○
		Preservation of biodiversity	•Reduce water consumption intensity by 6% from fiscal 2021 levels	10.5% reduction	•Water consumption intensity: 0.68 m ³ /million yen Reference: Water consumption totaled 126,490 m ³	○
		Waste reduction	•Reduce waste disposal intensity by 3% from fiscal 2021 levels	5.2% reduction	•Waste disposal intensity: 5.07 kg/million yen Reference: Waste disposal totaled 939.8 tonnes (excluding reusable resources)	○
Air pollution control	•Keep emissions of PRTR substances at or below fiscal 2020 levels	29.5% reduction	•Atmospheric emissions of chemical substances subject to PRTR: 54,575 kg	◎		

Please refer to our website for more information on the fiscal 2022 activity results of the DAIHEN Group's 7th Voluntary Environmental Action Plan.

Expanding sales of environment-friendly products

To visualize products with less environmental impact, we have established our environment-friendly product certification system for certifying and disclosing products that are effective in reducing environmental impacts during production and use as environment-friendly products. The Company is actively working to develop and expand sales of environment-friendly products, and the ratio of net sales of such products to those of all products supplied by the Company is steadily increasing.



Focusing on increasing avoided emissions as part of our effort to reduce CO₂ emissions

For our products related to expanding the use of renewable energy, energy management systems (EMS), and the adoption of EVs, we define avoided CO₂ emissions as the CO₂ equivalent of the amount of renewable energy generated and the amount of reduction in fossil fuel usage, and we set target values, calculate values to increase the avoided emissions.

In cases where our products are incorporated as part of a system in a package, the ratio of the price of our products to the price of the entire product is multiplied by the overall annual CO₂ emissions reduction. The avoided CO₂ emissions were 22,177 t-CO₂ in fiscal 2022.

Acquisition of ISO 14001 certification

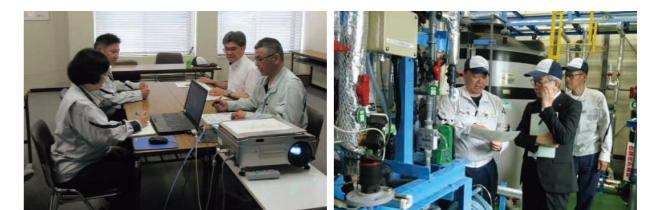
In order to promote environmental protection initiatives throughout the Group, we have established an environmental management system (EMS) compatible with the ISO 14001 international standard (2015 requirements.) We are continuously striving to improve the system. Currently, all domestic production plants, branches, and sales offices sharing our Environmental Policy have acquired certification, and six overseas group companies have also acquired certification.

Internal audits

We conduct internal audits of all 88 departments of the Group to monitor and verify compliance with the requirements of the environmental management system (EMS). In fiscal 2022, the audit observed 191 audit findings (two nonconformities, 104 observations, and 85 points of room for improvement), and corrective measures were taken.

Priority items

- Whether changes in business activities and environmental conditions are responded to in a timely manner
- Whether legal requirements are properly understood and proper action has been taken in regards thereto
- Whether environmental targets and environmental management programs according to the situation have been set and continuously implemented
- Whether the operation and establishment status of measures taken in a cross-departmental manner for inadequate response to legal requirements is normal



Internal audits

Responding to Recommendations Under the TCFD Framework

We endorse TCFD¹ recommendations and pledge to strengthen our response to climate change and other environmental issues. At the same time, we strive to enhance the disclosure of risks and opportunities associated with climate change in keeping with the framework of TCFD recommendations.

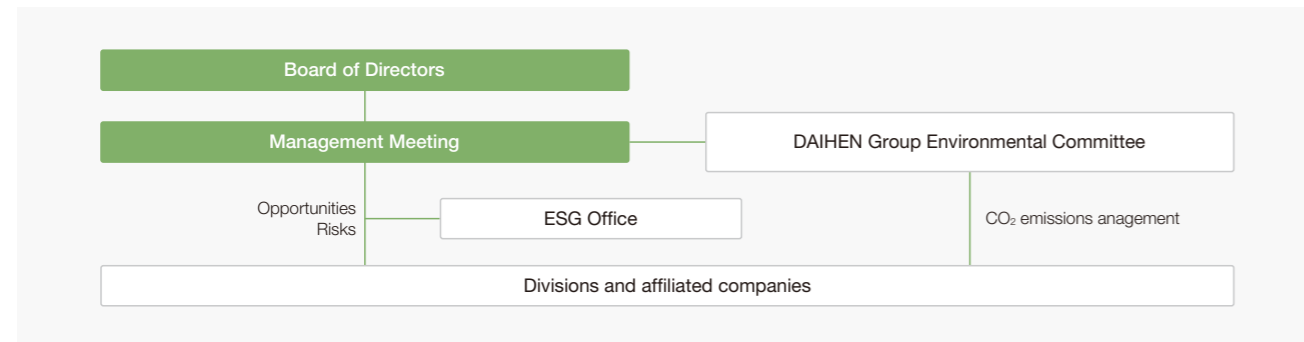


¹The Task Force on Climate-related Financial Disclosures established by the Financial Stability Board (FSB)

[TCFD governance and risk management systems]

Recognizing that devising a response to climate change is an important challenge, we have established an ESG Office while engaging in the activities of the DAIHEN Group Environmental Committee. We analyze company-wide plans and financial impacts based on risks, opportunities, business strategies, and other factors.

Climate-related risk management system



[Strategy] (Key climate-related risks/opportunities and countermeasures)

Regarding the risks and opportunities associated with climate change and appropriate response policies, we assume the impact of the two scenarios proposed by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC): the 2°C scenario and the 4°C scenario². The following table outlines the key climate-related risks and opportunities and countermeasures.

²The 2°C scenario foresees tightened regulations to curb climate change in an effort to cap the increase in global average temperature to no more than 2°C. The 4°C scenario foresees a lack of progress in climate change countermeasures resulting in the increased occurrence of abnormal weather due to a rise in the global average temperature of about 4°C.

Key climate-related risks and opportunities and countermeasures

Type of risk/opportunity		Expected timing ³	Impact	Major initiatives
[2°C Scenario]				
Transition risks	Policies & regulations	Short to long term	Moderate	<ul style="list-style-type: none"> Strengthening R&D related to environmental considerations Promoting eco-friendly design Strengthening the supply chain and substituting with alternative parts Considering the introduction of self-consumption power generation facilities providing renewable energy Adopting targets based on environmental plans and reducing CO₂ emissions and electricity consumption to meet the targets
	Technology	Medium to long term	High	<ul style="list-style-type: none"> Strengthening development and improving development efficiency through joint research and collaborations with research institutes, universities, and other companies Promoting businesses suited for the circular economy⁴ Enhancing disclosure of environmental information
	Markets	Medium to long term	Moderate	
Opportunities	Products & services	Short to long term	High	<ul style="list-style-type: none"> Promoting Green Solutions (See pages 15 to 17.) Developing products that contribute to the adoption of renewable energy (environmental management system for renewable energy, etc.) Developing products that contribute to the popularization and expansion of EVs (charging infrastructure equipment, bonding machine for lighter EVs, and other innovations)
[4°C Scenario]				
Physical risks	Acute	Short to long term	High	<ul style="list-style-type: none"> Develop a business continuity plan, strengthen the supply chain, strengthen countermeasures for parts procurement risks (such as multiple purchases that may entail design changes)
	Chronic	Medium to long term	Low	<ul style="list-style-type: none"> Increasing automation, labor-saving, and energy-efficiency innovations at production facilities, etc. Considering relocating business offices

³Short term of three years; medium term targeting 2030; long term targeting 2050

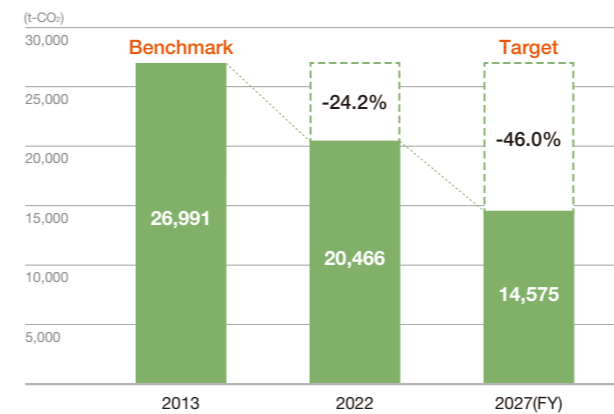
⁴The circular economy envisions economic activity adding value through waste-free design and shared services in addition to the "3 Rs."

[Metrics and targets]

CO₂ emissions (Scope 1 + 2) : **46% reduction from fiscal 2013 by fiscal 2027**
 CO₂ emissions (Scope 3, Category 11) : **25% reduction from fiscal 2020 by fiscal 2030**

Our CO₂ emissions (Scope 1 + 2)

As part of our activities to reduce CO₂ emissions (Scope 1 + 2), we have been working on energy-saving measures at each business office and formulated plans last year to introduce solar power generation facilities at major sites. In particular, at the Juso Business Office and the Rokko Business Office, we are actively advancing efforts towards decarbonization, including planning to operate entirely on renewable energy. Accordingly, we have accelerated our emission reduction plan from the original Japanese government plan (46% reduction in CO₂ emissions by 2030 compared to 2013) to a 46% reduction by fiscal 2027 compared to fiscal 2013. Our CO₂ emissions (Scope 1 + 2) were 20,466 t-CO₂ in fiscal 2022, a 24.2% reduction from fiscal 2013.



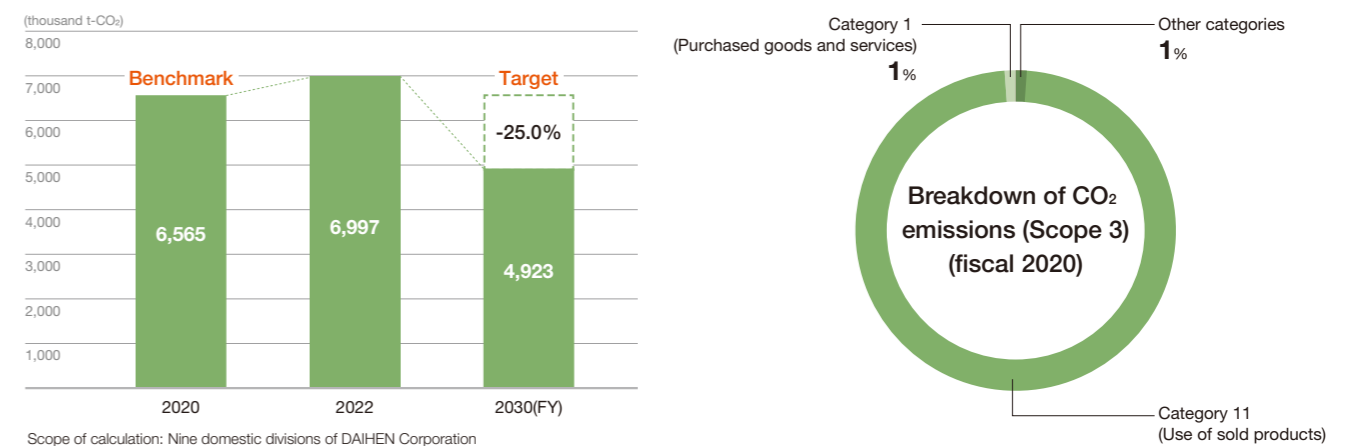
Scope of calculation: DAIHEN Corporation (Juso Business Office, Rokko Business Office, Mie Business Office, Chitose Plant, and Kanehira Plant), production sites of affiliated companies (Tottori Plant, Oita Plant, Matsudo Plant, Eniwa Plant, Hirosaki Plant, and Kagawa Plant), and production sites outside Japan [Mudanjiang OTC Welding Machines Co., Ltd., OTC Industrial (Qingdao) Co., Ltd., OTC DAIHEN Asia Co., Ltd., DAIHEN Electric Co., Ltd., DAIHEN OTC (Beijing) Co., Ltd., and DAIHEN Advanced Machinery (Changshu) Co., Ltd.]



Solar power generation equipment (Oita Plant)

CO₂ emissions in the supply chain (Scope 3)

In fiscal 2020, we began calculating CO₂ emissions in the supply chain (Scope 3), with Category 11 (Use of sold products) accounting for 98% of the total. Accordingly, focusing on Category 11, we have set a target of a 25% reduction by fiscal 2030 compared to fiscal 2020. Although CO₂ emissions (Scope 3, Category 11) increased to 6,997 thousand t-CO₂ in fiscal 2022 due to increased net sales, we aim to achieve our reduction target through the promotion of our Green Solutions in the Medium-term Business Plan.



Scope of calculation: Nine domestic divisions of DAIHEN Corporation

[Future response to TCFD recommendations]

Based on factors including a review of risks and opportunities of climate change and assumptions about future social visions, we plan to analyze the financial impacts of important issues for the Company and incorporate them in our business strategies.

Human Resource Strategy

In order to continue to develop as a company that actively contributes to solving societal issues, human resources, the driving force behind such efforts, must share the values and the conduct policy of the Group, and continuously strive to create valuable products and services. To this end, we have set five priority issues to tackle as part of our human resource strategy. In addition to securing the necessary human resources to achieve these goals, we are carrying out initiatives to encourage employee growth, promote diversity, and improve well-being, among others.

Priority issues of our human resource strategy (fiscal 2023–2026)

- | | |
|---|--|
| <p>(1) Enhancement of development capabilities</p> <ul style="list-style-type: none"> Strengthen support for employees studying to earn doctoral degrees Step up recruitment of skilled personnel with backgrounds in science who have learned about cutting-edge technology <p>(2) Enhancement of management capabilities</p> <ul style="list-style-type: none"> Select and develop candidates to become next-generation management <p>(3) Promotion of women's participation and advancement in the workplace</p> <ul style="list-style-type: none"> Change the mindsets of female employees and managers with female subordinates Enhance support for balancing work with childcare responsibilities | <p>(4) Improvement of employee engagement</p> <ul style="list-style-type: none"> Conduct regular engagement surveys and increase the ratio of positive responses in overall results <p>(5) Promotion of securing safety and health</p> <ul style="list-style-type: none"> Increase visibility of potential hazards in the workplace and enhance risk assessment Increase employee health awareness by utilizing ICT |
|---|--|

Human Resource Development

Human resource development policy

DAIHEN has set “development of management personnel,” “promotion of women's participation and advancement in the workplace,” and “training young employees” as priority issues under our policy for developing human resources indispensable for sustainability management. We will strive to increase corporate value by developing and utilizing human capital.

Development of management personnel

We select candidates with the potential to become next-generation senior management and prioritize them for special growth opportunities, which are work with high level of difficulty outside their field of expertise and overseas relocation among others. In doing so, we aim to develop employees suitable to be next-generation leaders by providing a wide range of knowledge and experience to help broaden their horizons. By forming connections among selected candidates, they are developing broader perspectives and the ability to make decisions for total optimization at higher levels.

Financial aid for self-improvement

In order to give employees incentives to learn, we have introduced a financial aid program to encourage them to obtain qualifications that they can apply to their jobs.

Under our Qualification Acquisition Support System, we offer cash rewards to employees who have acquired qualifications recognized by the Company and cover the cost of acquisition of those qualifications. We have also introduced the MBA and PhD Acquisition Support System. The Company bears the entire cost of education for employees who wish to obtain an MBA or PhD, rewards them once they have obtained an MBA or PhD, and provides support for paying back loan-type scholarships.

Training young employees

We strive to share the values and conduct policy that we have inherited and cherished and should continue to convey to young employees. We also foster an awareness among employees to take the initiative in developing their own careers and proactively develop their skills of their own accord.

Outline of our training system

General employees	Leaders and managers
<p>Training young employees</p> <ul style="list-style-type: none"> New employee training Career autonomy program Mentor system (mentor training, follow-up training) Leadership candidate training 	<p>Development of management personnel</p> <ul style="list-style-type: none"> Next-generation senior management training Top-level management training Management training Lower-level management training Executive candidate training
<p>Promoting women's participation and advancement in the workplace</p> <ul style="list-style-type: none"> Career development training Women's participation and advancement training Female manager training Women's participation and advancement training Education to promote women's advancement to managerial positions (for both men and women) 	

Diversity

To expand our business, it is essential that all employees fully demonstrate their skills and play an active role, regardless of gender or nationality. It is not just a measure to respond to environmental changes such as the decline in the working population caused by the declining birthrate and aging population, and the progress of globalization. Based on this belief, we promote diversity and strive to create a comfortable work environment and put in place systems that allow people with various backgrounds and values to play an active role unhindered.

Promotion of women's participation and advancement in the workplace

To enable female employees to grow and play an active role in their own way, we provide rank-specific training opportunities and are working to enhance our training programs. For example, we create opportunities for female employees who have been with us for less than seven years to establish relationships with colleagues to help each other improve and to meet senior employees who can serve as role models. We also carry out activities to encourage female employees in leadership positions and above to put more consideration into building their career as a leader.

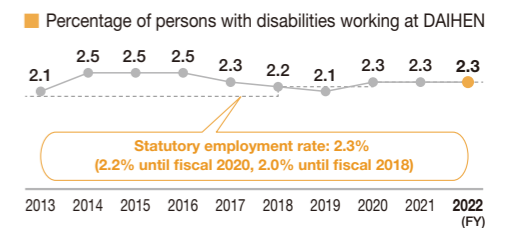


The lecture session

In April 2023, we organized and held a lecture session to provide female employees with an opportunity to realize the importance of their career development and to increase their motivation to make the work they do every day more fulfilling. We invited Ms. Takayo Hasegawa, president and representative director of SWCC Corporation, and she gave a lecture on the theme of “Women who take on challenges.” The lecture was attended by a total of 170 female employees from the Company and 11 partner companies that agree to the objective of the lecture session. With a lively question and answer session being conducted afterward, the event served as an opportunity to deepen awareness toward realizing a society in which women shine.

Employment of persons with disabilities

Acknowledging our social mission to promote the employment of persons with disabilities beyond the statutory employment rate, we continuously employ people with disabilities. In 1982, we established Daiki Corporation, which later gained approval as a special subsidiary, and are now promoting employment of persons with physical and mental disabilities while improving the working environment for these individuals.



Creating Workplace Environments Where People of All Nature Can Enjoy Working

Productivity enhancements with innovative business processes

All across the DAIHEN Group, the Productivity Improvement Activities (total cost reduction activities) are eliminating grunt work through production automation and other measures, thereby reducing overtime work. RPA* is also being constructively introduced to automate repetitive clerical tasks.

* Robotic Process Automation: A software-based robot that operates a personal computer to automate repetitive tasks carried out by humans

Introduction of a system for balancing work and family life

We offer a variety of support systems that allow employees to balance work with childcare and nursing care, and to work with peace of mind. We have created an environment that allows employees to work flexibly while focusing on childcare and nursing care, which includes a system allowing leave under certain conditions, reduced working hours, and three/four-day work weeks. To comply with the April 2022 revisions to the Act on Childcare Leave/Caregiver Leave, we introduced a system that confirms employees' intention to take childcare leave if they report a pregnancy or childbirth to the Company and made all our employees aware of this system, thereby fostering workplace culture that allows employees easily make use of these systems.

Promotion of Support for Balancing Work with Childcare Project

In order to further support employees who work while raising children, we have implemented multiple measures as part of the Support for Balancing Work with Childcare Project, such as enhancing our family allowance (for second and subsequent dependents, etc.), providing income compensation for employees that have taken childcare leave, establishing in-house daycare centers, and subsidizing nursery center costs.

DAIHEN Group Heart Festival

We hold the DAIHEN Group Heart Festival, a field day event aimed at deepening the bonds between employees and their families.

In fiscal 2022, employees of the Company, group companies and partner companies in Japan, and their families (roughly 2,000 people) participated in the festival while taking thorough measures to prevent the spread of COVID-19. They deepened engagement by taking part in inter-division events such as medium- and short-distance relay races and tug-of-war competitions, as well as a lottery for all participants.



DAIHEN Group Heart Festival

Other major initiatives

- Conducted engagement surveys
- Introduced a work interval system
- Encouraged employees to consciously manage their work time by setting “No Overtime Days” and other measures
- Introduced a shift work system
- Implemented multiple recreational activities

Health and Safety

Based on the occupational health and safety management system, we have established the Group Health and Safety Policy. We also continuously work to build company-wide systems for occupational health and safety and raise awareness among employees through training programs with the aim of raising the level of our occupational health and safety activities. Moreover, we carry out a variety of initiatives in cooperation with the DAIHEN Health Insurance Society aimed at promoting the health of employees, such as conducting health checks and measures to prevent the spread of infectious diseases.

Group Health and Safety Policy

- Safety is the fundamental basis of our corporate prime objective of achieving “simultaneous contentment for all.”
- We will work together as a united Group to promote our corporate policy of “placing top priority on health and safety.”
- Our managers and supervisors take the initiative in promoting health and safety in the workplace with a commitment to preventing occupational accidents. They achieve this by thoroughly implementing health and safety initiatives with the engagement of all employees, complying with all relevant laws and regulations, and fostering an awareness of the self-management required to protect one’s own health and safety, thereby contributing to a secure and healthy work environment.

Health and safety risk management system

We established the DAIHEN Group Health and Safety Committee to deliberate and decide on the action policy for the entire Group. Based on the group action policy, annual action plans are subsequently drawn up for each business office and subsidiary, and initiatives are carried out.

Major initiatives

- Management and promotion of intrinsic safety initiatives for serious risks using risk management logs
- Implementation of risk assessments for non-routine work as well as for daily work
- Safety patrol exchanges between worksites by members of the Group Health and Safety Committee
- Workplace safety patrols involving outside professionals

Promotion of health and safety training

We continuously provide health and safety training in order to enhance the crisis management capabilities of each employee and improve the safety of the Group as a whole.

Main training

- 6S training
- Risk assessment training
- Hazard prediction training
- Training for managers/supervisors
- Self-care training
- Training in care by managers and supervisors
- Company vehicle driver training (traffic hazard prediction training)

Initiatives during the spread of infectious diseases

Giving top priority to the safety and security of employees and their families, we take measures to prevent the spread of infectious diseases such as influenza. In response to the COVID-19 pandemic, which spread all over the world from 2020 to 2022, we worked to control the spread of the disease through the initiatives below.

Major initiatives

- Centralized management of employees’ daily physical condition and behavior history when they come down with a fever, etc.
- Offer workplace vaccinations
- Measures to prevent the spread of infection in the workplace (disinfection, installation of acrylic partitions, staggered use of employee cafeterias, etc.)
- Promote use of web-based meeting platforms and telecommuting

Initiatives with the DAIHEN Health Insurance Association

We have established a cooperative system with the DAIHEN Health Insurance Association, in which employees from the Company and nine domestic group companies are enrolled. We are working with the association to implement various initiatives aimed at promoting the health of group employees and their families.

Major initiatives

- Implementation of health management and awareness-raising events using ICT
- Implementation of milestone health checks (for insured persons that will reach the age of 40, 50, or 60 within the fiscal year)
- Establishment of a system that enables employees to consult with specialists (doctors, public health nurses, nurses, mental health counselors, etc.)

Contribution to Community

As one of our targeted “returns,” we donate 1% of operating profit every year to child welfare in communities that host important business sites of the DAIHEN Group. In consultation with local governments, social welfare councils, and other organizations, the donations are used to support the operation of children’s cafeteria, help buy school supplies such as uniforms, and renovate aging facilities in the communities.

We are also implementing multiple initiatives to deepen exchanges and build better relationships with local residents.

Exchange events with local communities

In August every year, we open part of the Juso Business Office site in Osaka and DAIHEN



Summertime festival at the Juso Business Office site

Industrial Machinery Corporation site in Tottori City to the public for classic summertime festivals. Our employees man booths, perform the Bon festival dance, and hold lotteries and other events to deepen exchanges between local residents and group employees and their families.



Flyer advertising the snack gift event

In fiscal 2022, the event was canceled to prevent the spread of COVID-19. Instead, we held a snack gift event at the Juso Business Office site.

Sponsoring local events

We sponsor the Naniwa Yodogawa Fireworks Festival, held in Yodogawaku, Osaka, where our Juso Business Office is located, and Eniwa Scenic Night, held in Eniwa City, Hokkaido, where group company DAIHOKU Industry Co., Ltd. is located. In this way, we are contributing to the revitalization of these cities. In addition, on the morning after the Naniwa Yodogawa Fireworks Festival, employees participate in volunteer cleanup activities for the festival, contributing to the beautification of the area.

Providing learning opportunities to neighborhood schools

We give tours of our offices and plants to daycare centers and elementary, junior



Students touring our robot plant

high, and high school students from the nearby area. We also offer internships to junior high school students. By showing what actually goes on in our plants for manufacturing, we try to convey what working means and how interesting working is.

Exhibit at the OSTECH Exhibition Hall

We have sponsored an exhibit for elementary and junior high school students at the OSTECH Exhibition Hall (Osaka City). We have set up a hands-on corner and simulation games about “Future Society Portrayed by Wireless Charging” for visitors to enjoy learning about our wireless charging systems and business.



DAIHEN exhibit at the OSTECH Exhibition Hall

Head Office Building Serves as a Tsunami Evacuation Building

Our Head Office Building, completed in February 2018, has been designated as a tsunami evacuation building by Osaka City. In addition to having sufficient earthquake resistance performance, the building always contains a stockpile of food so that it can be used as an evacuation site for nearby residents in the event of a tsunami or other natural disasters.

Food drives

We carry out food drives with the aim of reducing food loss as advocated by the Japanese government. In addition to stockpiling food and water (bottled water and instant rice) in-house to prepare for an evacuation following a natural disaster, we collect excess food (rice, snacks, canned food, etc.) from employees’ homes and donate it to the food banks of local social welfare councils, NPOs, and other organizations.



Food donated to a food bank

Sponsorship of Cerezo OSAKA

We have been supporting the Cerezo Osaka soccer team since fiscal 2015, when we signed a sponsorship agreement and became a Platinum Partner. Official matches dubbed “DAIHEN Supporting Matches” are held to increase the recognition of the Company.



A DAIHEN Supporting Match ©2018 CEREZO OSAKA

Support for female athletes

As a company that supports women’s activities, we signed a sponsorship agreement in fiscal 2022 with Ms. Misaki Miyazawa, a professional female golfer from Chitose City, Hokkaido. Moreover, in addition to being a sponsor for the men’s team, in fiscal 2023 we signed an agreement to become a Gold Partner of the Cerezo Osaka YANMAR Ladies soccer team as a show of support for the team.



Cerezo Osaka YANMAR Ladies ©2023 CEREZO OSAKA

Other major initiatives

- Support music groups based in Osaka (the Osaka Symphony Orchestra, the Osaka Philharmonic Orchestra, the Kansai Philharmonic Orchestra, etc.)
- Donate items for the fundraising bazaar for the annual Hakuaisha Carnival held by the social welfare service corporation Hakuaisha (Osaka City) and invite children to a musical (Shiki Theatre Company)
- Cleanup activities by each business site

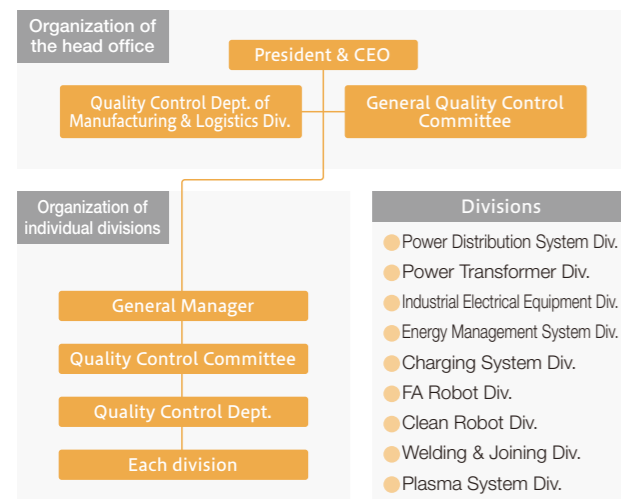
Quality Assurance

We have a strong determination to, through the provision of our products and services, meet our share of social responsibilities, such as helping to improve the electrical infrastructure that powers modern life and elevate manufacturing around the world to new heights. Since our founding, we have constantly strived to provide products and services that satisfy and earn the trust of customers.

Quality policy In accordance with our founding spirit and corporate philosophy, we are winning the confidence of our customers by providing outstanding products.

Quality assurance system

At DAIHEN, there is a separate quality management system for every business segment and a Quality Control Committee that reports and discusses quality issues in every division. The General Quality Control Committee discusses problems common to all divisions, as well as corrective solutions for serious quality issues and its decisions are fed back to individual divisions.



Acquisition of ISO 9001 certification

Since 1995, the divisions within the Group have acquired ISO 9001 certification of their quality management systems. Currently, all divisions and overseas production sites other than those that were newly established have been certified.

Refining testing technology related to preventing quality problems

In order to prevent product quality problems and utilize the know-how gained in such efforts to develop more reliable products, we are working to enhance the testing technologies used in quality assurance and improve their functions.

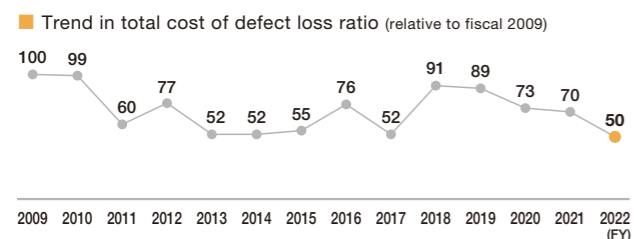
Case study

Weatherability testing by the Power Distribution System Division

Before providing products to customers, the Power Distribution System Division conducts weatherability tests that simulate actual usage conditions using a large-class combined cycle tester installed in-house. By conducting this testing in-house, we are able to shorten the time needed for field verification and accumulate know-how on structures with excellent weather resistance and anti-rust performance, which we then utilize to develop more reliable products.

Improving quality and carrying out activities to prevent quality problems

In addition to formulating plans aimed at improving quality and preventing quality problems, we carry out initiatives in line with these themes to lower the ratio of total defective losses to net sales.



Promotion of quality-related training

We continuously provide training dedicated to quality control both in Japan and overseas, with the aim of helping individual employees gain awareness, values, knowledge, and skills related to quality, thereby maintaining, enhancing, improving, and innovating the quality of our products and services.

Main training content

- QC method training
- Training for developing internal ISO 9001 auditors/skill improvement seminars
- Lectures on statistical methods

Materials Procurement

In order to deliver valuable products and services to customers, we make sure to conduct sound transactions that are in accordance with our basic policy for material procurement and Declaration of Partnership Building, which set forth the principles and direction for our material transactions. In particular, we believe that partnerships with suppliers are indispensable for maintaining the quality of our products and strengthening our market competitiveness. We have thus introduced multiple measures to deepen communication with suppliers and strive to build mutually beneficial relationships.

Basic policy for material procurement

- Offering openness and fairness of opportunities**
 - We openly provide opportunities for all our suppliers to participate in trade, regardless of nationality, region, business scale, or business experience.
- Fair evaluation**
 - We adhere to principles of competition as the basis on which we select suppliers. We generally take management reliability and technical development capability into consideration and make a fair evaluation in addition to evaluating quality, price, and delivery date.
- Mutual development**
 - We maintain sound trade relations based on mutual trust with suppliers and strive to support reciprocal corporate development.
- Compliance with the law**
 - We faithfully meet our contractual obligations with our suppliers, negotiate according to laws and regulations, and maintain healthy business practices.
 - Our policy is not to use conflict minerals that serve as a source of funds for warlords who violate human rights.

Declaration of Partnership Building

In keeping with our founding spirit of “Superior Quality, Reasonable Prices, and On-Time Delivery” and our corporate philosophy of “Reliability and Creativity,” we released our Declaration of Partnership Building to provide products that meet the trust of customers, and to strengthen collaboration and mutual prosperity with suppliers and other business partners.

Briefings to explain our procurement policy and practices to suppliers

In order to promote mutual understanding between suppliers and us, we invite them to policy briefings every year. In addition to explaining our business policies, procurement policies, and annual plans of each division, we give awards to companies that have achieved outstanding results in business transactions.

Satisfaction surveys

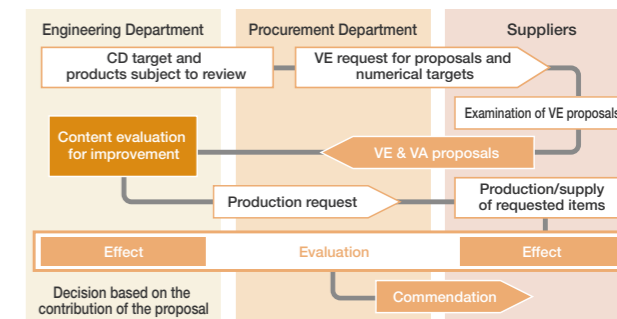
In order to further strengthen the relationship of trust with our suppliers, we conduct satisfaction surveys every year. Through the surveys, we receive evaluations and opinions on our procurement policy and transactions in general, which helps facilitate smooth business transactions. In fiscal 2022, we asked 153 suppliers to respond to surveys, 89% of the suppliers responded.

Implementation of EDI transactions

We carry out EDI (electronic data interchange) transactions to strengthen communication with suppliers. Receiving invoices via the internet enables timely information sharing, while the adoption of a standardized format improves the efficiency and accuracy of invoice work, thereby helping to build optimal relationships with suppliers.

Implementation of VE and VA proposal initiatives

We implement Value Engineering (VE) and Value Analysis (VA) proposal initiatives, in which we receive improvement proposals from suppliers regarding materials and components used in our products, and upon mutual consultation, decide whether to adopt them. We believe that this initiative, through which we incorporate the views of suppliers and hold repeated discussions with them, is an ideal way to conduct transactions that obtain the consent of both parties and generate reasonable profit. By taking this approach to proposals, we aim to maintain the quality of our products while strengthening our market competitiveness.



Promotion of green procurement initiatives

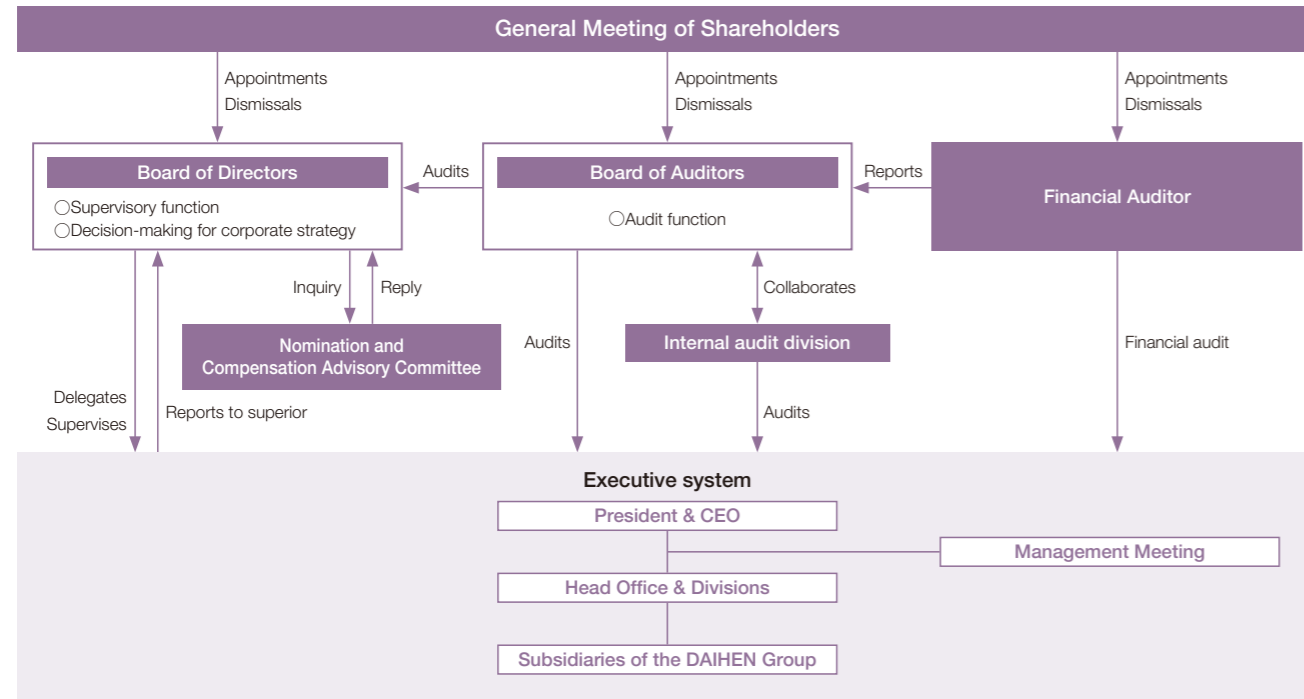
With the aim of contributing to the conservation of the global environment and the establishment of a recycling society by providing environment-friendly products, we conduct green procurement initiatives aimed at procuring parts and materials with low environmental impact and thoroughly managing prohibited and controlled substances. We have established the Green Procurement Guidelines, which outline our policies, and take efforts to achieve thorough understanding of those guidelines both inside and outside the Company. We also revise the guidelines as appropriate in response to changes in the environment. In addition, we established a system to investigate chemical substances that utilizes survey response tool chemSHERPA, and strive to conduct appropriate chemical substance management while also responding to laws and regulations concerning the chemical substances contained in products.

Corporate Governance System

Basic approach

Based on our corporate philosophy of “Reliability and Creativity,” we will create DAIHEN products and services that offer unique added value, contributing to customers. We consider that meeting the expectations of all stakeholders and earning their trust will lead to sustainable growth and the enhancement of corporate value over the medium to long term. In order to achieve this goal, the Company has positioned establishing an effective corporate governance system and further strengthening this system as an important management task.

Corporate governance system



DAIHEN has adopted the structure of a company with a Board of Auditors as per the provisions of the Companies Act.

Board of Directors

In accordance with the material matters stipulated by the rules for the Board of Directors and applicable laws and regulations, the Company has designated the Board of Directors as the highest decision-making body and business execution supervisory body for matters requiring resolution of the Board of Directors with the aim of encouraging lively discussion and enhancing supervision with an appropriate number of members of the Board of Directors.

Board of Auditors

The Board of Auditors, comprised all of the auditors, formulates the audit plan according to the rules for the Board of Auditors, audit standards for auditors, relevant laws and regulations, and the Articles of Incorporation. Its role is to audit the performance of duties by Directors. In order to strengthen the function of Auditors, the Company appoints suitable personnel with expertise in fields such as management, legal affairs and accounting. The Auditors attend important meetings, such as meetings of the Board of Directors, collaborate with the internal audit division and Financial Auditor in monitoring the business performance and financial condition of the Company, and regularly exchange opinions with the President & CEO.

Nomination and Compensation Advisory Committee

In order to ensure transparency and objectivity in the decision-making processes for nominating, appointing, and dismissing Directors, determining succession plans, and setting the composition and level of Director compensation, the Company has established the Nomination and Compensation Advisory Committee, where Outside Directors and Outside Auditors form a majority, as an advisory body to the Board of Directors.

Business execution system

We have adopted an operating officer system and a division system, through which we strive to make prompt decisions and swiftly execute them. Matters that exceed the scope of authority clarified by the division of duties and criteria for decision-making are determined through deliberation by the Management Meeting, chaired by the President & CEO and consisting of full-time Directors and Auditors.

Corporate Officers

The composition of corporate officers of the Company and their main expertise and experience are as follows.

Directors, Operating Officers, and Auditors (As of June 28, 2023)

Title / responsibilities	Name	Management / business strategies	Legal affairs / risk management	Finance / accounting	Human resource management	Technology / R&D	Sales / marketing	International experience / diversity
Chairman	Tetsuya Tajiri	●	●	●	●		●	
President and Chief Executive Officer	Shoichiro Minomo	●				●	●	●
Executive Vice President and Member of the Board	In charge of Power Distribution System Div. and Power Transformer Div. Kazuo Kamo	●			●		●	
Executive Vice President and Member of the Board	In charge of Welding & Joining Div. and FA Robot Div. Keiki Morimoto	●				●	●	●
Executive Vice President and Member of the Board	In charge of Industrial Electrical Equipment Div., Energy Management System Div., and Charging System Div. Haruhisa Kimura	●			●		●	
Senior Vice President and Member of the Board	General Manager of Power Products Sales Div. Shingo Wada	●	●			●	●	●
Senior Vice President and Member of the Board	In charge of Head Office; in charge of risk management, compliance, and safety Kentaro Kaneko	●	●		●		●	●
Member of the Board (Independent)	Keiichi Ando	●	●	●	●			●
Member of the Board (Independent)	Emiko Magoshi	●			●			●
Member of the Board (Independent)	Yasufumi Fujiwara					●		●
Standing Auditor	Ichiro Tokai	●	●					
Standing Auditor	Keitaro Takahashi	●				●	●	●
Auditor (Independent)	Haruo Urata	●	●	●	●			
Auditor (Independent)	Masashi Yoshida			●				
Auditor (Independent)	Hiroyuki Shime	●	●		●		●	●

Operating Officers / Fellows (As of October 2023)

Executive Vice President	Ichiro Yamano	General Manager of Manufacturing & Logistics Div.
Executive Vice President	Hiroaki Oichi	General Manager of Plasma System Div.; in charge of Plasma System Div. and Clean Robot Div.
Senior Vice President	Tomoyuki Ueyama	General Manager of Research & Development Div.; General Manager of Dept. of Joining Technology Development, and Communication & Control Technology Dept., Research & Development Div.
Senior Vice President	Tadashi Kuriyama	General Manager of Power Distribution System Div.
Senior Vice President	Masana Morioka	General Manager of Planning Div.
Vice President	Yasuhiro Nishimori	General Manager of Charging System Div.
Vice President	Toshiyuki Arai	Deputy General Manager of Power Products Sales Div.; General Manager of Sales Dept. (Kansai Area), Power Products Sales Div.
Vice President	Yasuhiko Fujitomi	Representative Director and Senior Managing Officer of Tohoku Electric Manufacturing Co., Ltd.
Vice President	Tong Hongjun	President of OTC Industrial (Shanghai) Co., Ltd., President (part-time) of Mudanjiang OTC Welding Machines Co., Ltd., President (part-time) of OTC Industrial (Qingdao) Co., Ltd., President (part-time) of DAIHEN Advanced Machinery (Changshu) Co., Ltd.
Vice President	Hideki Imura	Deputy General Manager of Research & Development Div.; General Manager of Planning Dept., Research & Development Div.
Vice President	Norbert Kleinendonk	President of OTC DAIHEN Europe GmbH
Vice President	Kazuki Kondo	General Manager of Industrial Electrical Equipment Div.; General Manager of IH Equipment Dept., Industrial Electrical Equipment Div.
Vice President	Shigeo Ozawa	Deputy General Manager of Planning Div., General Manager of Finance & Accounting Dept., Planning Div.
Vice President	Yasuhiro Kojina	General Manager of FA Robot Div.
Vice President	Yorio Hirahara	General Manager of Clean Robot Div.
Vice President	Kosaku Yamaguchi	General Manager of Welding & Joining Div.
Vice President	Nobuyuki Hattori	General Manager of Energy Management System Div.
Fellow	Yuji Yoshizako	In charge of Plasma Process Application Technology Dept., Research & Development Div.
Fellow	Yoshiki Fukumoto	General Manager of Research & Development Dept., Plasma System Div.

Director Compensation

Based on recommendations issued by the Nomination and Compensation Advisory Committee, where outside officers form a majority, the Board of Directors has established the policy for determining Director compensation.

Basic policy

The compensation system is designed to raise officers' motive to contribute to improving earnings performance, not only in the short term but also over the medium to long term, so as to enable sustainable improvement of corporate value

Compensation for full-time Directors (basic structure)

① Fixed compensation	75%	Compensation is determined according to position
② Performance-based compensation	20%	Compensation that reflects short-term company-wide performance
③ Stock compensation	5%	Compensation for Directors to share the benefits and risks of stock price fluctuations with shareholders, thus motivating them to contribute to growth in the stock price and the enhancement of corporate value over the medium to long term

Compensation for Outside Directors and Auditors

Outside Directors and Auditors only receive fixed compensation, as they are responsible for supervising and auditing management regardless of performance.

Method for determining compensation for individual officers

Compensation for individual officers is determined by comprehensively taking into consideration such factors as company earnings, compensation levels of other companies of the same size, past compensation and basic structure, based on the analysis of surveys conducted by external organizations and other data. Furthermore, with the aim of ensuring fairness and transparency in decision-making processes, the Nomination and Compensation Advisory Committee deliberates on the compensation system and the amount of compensation and reports the details to the Board of Directors. Upon establishing that Director compensation is in line with the policy for determining individual compensation and respects said committee's recommendations, the Board of Directors then settles on the amount. Auditor compensation is determined through discussion among Auditors.

The amount of Director compensation

At the 158th Annual General Meeting of Shareholders held on June 28, 2022, it was resolved that the maximum amount of annual compensation shall be 470 million yen (including a maximum of 50 million yen for Outside Directors). The number of Directors at the time of resolution was nine (including three Outside Directors); this number is currently ten.

At the 155th Annual General Meeting of Shareholders held on June 26, 2019, it was resolved that the maximum amount of annual monetary compensation claims to be granted to eligible Directors (excluding Outside Directors) as restricted stock compensation, etc. shall be 50 million yen (up to 50,000 shares of restricted stock), within the above limit for Director compensation. (The number of Directors at the time of resolution was eight [including two Outside Directors].)

The amount of Auditor compensation

At the 144th Annual General Meeting of Shareholders held on June 27, 2008, it was resolved that the maximum amount of annual compensation shall be 82 million yen. (The number of Auditors at the time of resolution was four; this number is currently five.)

Performance-based compensation, etc.

Since emphasis is placed on the ratio of operating profit to net sales, which is set as one of the basic targets of the Medium-term Business Plan, the ratio of consolidated operating profit to net sales is used as a basic indicator to determine performance-based compensation. The amount is determined by taking into account the margin level and comparing it with the result for the previous fiscal year. In fiscal 2023, the ratio of consolidated operating profit to net sales came to 8.9% (up 0.1 percentage point year-on-year), against the target of 10%.

Non-monetary compensation, etc.

Non-monetary compensation is based on the restricted stock compensation system adopted following approval at the 155th Annual General Meeting of Shareholders held on June 26, 2019. Said stock compensation has been granted as shown in the table below.

■ Shares delivered to corporate officers during the fiscal year under review as consideration for the execution of duties

Classification	Class and number of shares	Number of recipients
Directors (excluding Outside Directors)	4,200 shares of common stock of the Company	6
Outside Directors	—	—
Auditors	—	—

Total amount of compensation, etc.

Classification	Total amount of compensation, etc. (Million yen)	Total amount of compensation, etc. by type (Million yen)			Number of eligible officers
		Fixed compensation	Performance-based compensation	Stock compensation	
Directors (excluding Outside Directors)	323	229	76	17	6
Auditors (excluding Outside Auditors)	40	40	—	—	3
Outside officers	54	54	—	—	7

Compliance

Basic approach

In order to fulfill our social responsibilities as a corporation and earn the trust of society, we are implementing various initiatives aimed at improving compliance awareness among all our employees.

As part of these efforts, we have established the DAIHEN Code of Ethics and the Guide to Compliance with Laws and Regulations, which clearly stipulate the code of conduct and laws and regulations that all employees must follow. We are also working to build systems to prevent misconduct, such as establishing a Compliance Committee and a counselor's office, and providing training.

DAIHEN Code of Ethics

The DAIHEN Code of Ethics spells out exactly how we are to conduct ourselves in business and stay true to the key concepts of our corporate philosophy, "Reliability and Creativity," by laying down the basis of laws and regulations, internal regulations and manuals, and rules with which we must comply as a corporation. A pocket-size version of this publication has been distributed to all employees so that their actions will always be to the highest ethical standards.

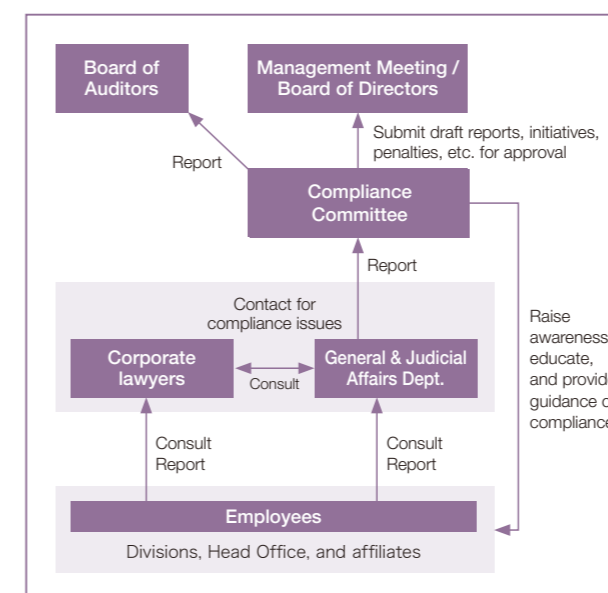


Guide to Compliance with Laws and Regulations

As a means of preventing legal violations resulting from a lack of recognition or ignorance of the law, we have developed a compliance guide that summarizes the laws and regulations that all employees must follow, including the Subcontract Act, the Antimonopoly Act, and the Copyright Act. It also presents specific incidents involving violations of the law. This guide is accessible from any computer on the corporate network.

Establishment of a Compliance Committee

We created a Compliance Committee in order to smoothly build, put into action, and maintain a compliance management system. It is composed of the Director in charge of compliance and general managers from different divisions, etc. As a committee, they plan and promote compliance activities, identify issues that occur and report and discuss progress of our efforts.



Establishment of a counselor's office for the compliance, "Helpline"

We established a "Helpline" to prevent, detect and correct potentially illegal acts before they go too far. It gives employees a channel for consulting and reporting on compliance issues or concerns internally to a designated department or, if need be, to a law firm outside the company. We also put the Whistleblower Protection Rules in place to ensure that any persons who report an incident will receive full protection and guarantee them that the matter will be kept strictly confidential and that they will not be treated adversely because they consulted the Helpline.

Compliance training

Compliance training is imparted to ensure that the DAIHEN workforce is fully aware of and acts in line with corporate ethics, laws and regulations. Through internal workshops and e-learning, we are helping our workforce to better understand the laws and regulations that govern our business, such as laws regarding concluding contracts, the Subcontract Act, and the Intellectual Property Basic Act, as well as the Guide to Compliance with Laws and Regulations and other internal rules. With these programs, we are trying to establish a proper understanding of compliance and diffuse that amongst the entire workforce so that everyone acts in line with corporate ethics.

Risk Management

Risk management system

We established a Risk Management Committee to put a company-wide risk management system into place. For risks related to quality, safety, information security, export trade control, and violations of laws and regulations, etc., the department in charge of each area is responsible for establishing rules, leading committee activities, and providing training. We have also established Crisis Management Regulations that set forth the initiatives to be rolled out, systems to be put in place, and action to be taken, etc., with the aim of minimizing damage in the event of natural disasters, accidents, or other emergencies occurring.

Major risk factors

The major risks that the Company recognizes as potentially having a significant impact on the financial position of the entire consolidated group, operating results, and cash flows are as follows.

1 Trends in demand

In the Power Products Business, demand mainly stems from upgrades to/expansion of power transmission and distribution facilities in Japan and Southeast Asia, and the construction of new buildings and plants and upgrades to aging facilities in Japan. In the Welding & Mechatronics Business, demand is largely related to capital investments in industries such as automotive, construction, and shipbuilding in Japan and overseas. In the Semiconductor & FPD Related Business, demand is mainly related to capital investments in semiconductor manufacturing equipment. Any sudden fluctuations in demand in these business segments may impact our net sales and other operating results.

2 Changes in selling and purchase prices

There are concerns of a fall in selling prices caused by intensifying market competition and a surge in the prices of copper and other raw materials. If these prices move significantly in an unfavorable direction, our net sales and profit margins may be adversely affected.

With regard to exchange rate fluctuation risk associated with export transactions, we are actively working to expand overseas procurement with the aim of purchasing products from overseas production sites and reducing costs, and are working to mitigate risk by adjusting the position of foreign currency-denominated receivables and payables.

We hedge the risks of foreign currency-denominated receivables and payables through exchange contracts at all times, except those that are offset by sales and purchases. However, our operating results and financial position may be affected in the event of sudden fluctuations in exchange rates.

3 Overseas businesses

In fiscal 2023, overseas net sales accounted for 20.8% of consolidated net sales. As we plan to focus on developing our overseas businesses, which look to continue witnessing sales growth going forward, we expect the weighting of overseas net sales to remain higher. Although we are primarily conducting our overseas businesses through local entities, our operating results and financial position may be affected by problems arising in the execution of these businesses, particularly murkiness surrounding market growth potential or unforeseen circumstances such as changes in the political or legal landscape.

4 Fluctuations in the market value of assets held

The Group holds a variety of tangible and intangible fixed assets as business assets. If the profitability of these assets declines significantly due to changes in the business environment, our operating results and financial position may be affected. In addition to investing in/acquiring the shares of many companies in the course of our business operations, we are also investing a portion of our pension assets in shares.

Our operating results and financial position may be adversely affected in the event of impairment losses on investment securities held or deterioration in the investment performance of our pension assets stemming from a slump in the stock market or deterioration in the financial position of investees.

5 Interest rate fluctuation risk

As of March 31, 2023, the balance of consolidated interest-bearing liabilities (total amount of long- and short-term borrowings) was 32,889 million yen. While striving to secure stable long-term funds at fixed interest rates, the entire Group takes various measures to avoid interest rate fluctuation risk as much as possible, such as improving the efficiency of fund management, centralizing fund management, and reducing interest-bearing debt by reducing inventories. Nevertheless, as the interest of borrowings subject to variable interest rates and debt refinancing are impacted by interest rate movements, our operating results and financial position may be affected in the event of sudden fluctuations in interest rates.

6 Large-scale disasters and other incidents

As part of efforts to tackle the increase in natural disasters fueled by climate change, we have formulated the Crisis Management Regulations and business continuity plans to be followed depending on the circumstances. However, if a large-scale disaster, such as an earthquake or flood, that exceeds expectations occurs at any of the Group's production or sales bases, this could result in damaged production equipment, suspended procurement of raw materials and parts, and/or the paralysis of logistics and sales functions, which could lead to the suspension of operations at production bases. Any of these occurrences may adversely affect our operating results and financial position. This also applies to cases where business activities are negatively affected by pandemics, disputes, terrorism, and other incidents.

Intellectual Property

In the area of intellectual property, we are implementing a variety of initiatives to support risk management and legal compliance. In addition to establishing the basic principles, we are working to build an intellectual property system and raise employee awareness through award systems and training courses.

Basic principles

We comply with applicable laws and regulations relating to intellectual property rights so as to develop, manufacture, or sell a product; in addition, we always confirm that we are not infringing the intellectual property of another company. This approach ensures that customers can use our products in full confidence. We will also protect the fruits of our manufacturing efforts (products, technologies, and services) with intellectual property rights to clearly differentiate our products from those of competitors, and use these legal protections to gain a competitive edge and stabilize our business.

Intellectual property management system

Patents, designs, and utility models

Every year, the Intellectual Property Strategy Meeting is attended by all divisions involved in technology and development to formulate and carry out intellectual property strategies. We have established a system for resolving issues related to intellectual property activities in each division via information exchange meetings and other means, which allows us implement an effective PDCA cycle.

Invention creation

We hold Invention Brainstorming Sessions involving external patent attorneys to ensure we reap the benefits of our inventions in a timely manner and protect our products early on.

Trademarks

We improve DAIHEN's brand power by assigning employees in charge of trademarks to each division and conducting training and information exchanges several times a year.

Proper stewardship of intellectual property rights

We conduct design reviews and patent clearances when developing new products or modifying designs to make sure we steer clear of rights that belong to others, while regularly reading through public gazettes that report on new patents and the like. In doing so, we thoroughly ensure that we do not infringe upon the intellectual property rights of other companies.

Promotion of intellectual property training

We provide and regularly upgrade education on intellectual property rights, management and protection via a combination of level/purpose-based internal training that is structured by the number years of experience an employee has, and outside learning opportunities organized by the Japan Intellectual Property Association. In doing so, we strive to maintain and improve our abilities.

Main training content

- Contract training
- Basic patent training
- Patent search training
- Invention training
- Patent utilization training
- External training (multiple training courses provided by the Japan Intellectual Property Association)

Information Security

As a social responsibility in our corporate activities, we take the protection of information seriously, and strive to handle, manage, and store information appropriately. We are working to strengthen information security throughout the Group. Efforts on this front include creating a systematic information security system, establishing the Basic Policy for Information Security and the Rules on Information Security Measures, and conducting training for all employees.

Information security system

We have established the Information Security Committee as an organization to deliberate on problems that have arisen and consider reform measures. The committee also formulates an action plan for the upcoming fiscal year, improves the security policy, and deliberates on the introduction of new information security tools.

Management and protection of information assets

We have established the Rules on the Protection of Personal Information that outline the definition, scope, and handling, etc. of personal information. By complying with these rules, we aim to thoroughly protect and manage the personal information of

everyone involved with the Company. Most of the information assets held by the Company are managed in the data centers of dedicated facilities. In addition to safety measures against earthquakes, tsunamis, and other disasters, data centers are thoroughly monitored 24 hours a day, 365 days a year to prevent unauthorized access to the premises and theft.

Promotion of information security training

In order to raise employee awareness of information security issues, we conduct training and awareness-raising activities that are up-to-date with the latest global trends. We alert our employees to targeted attack e-mails directed at specific companies and organizations and provide training in the proper protocols to follow when such an email is received.

11-Year Data

(Million yen)

Main financial data	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022(FY)
Operating results											
Net sales	91,362	109,206	122,060	131,197	134,870	149,448	143,457	145,044	145,144	160,618	185,288
Operating profit	2,984	6,343	8,415	9,329	8,705	10,054	8,369	9,065	12,183	14,191	16,568
Ordinary profit	3,640	6,675	8,989	9,231	8,879	10,244	8,717	9,356	13,762	15,790	17,660
Profit attributable to owners of parent	2,335	3,275	5,808	7,220	6,252	6,831	6,166	6,672	9,411	10,985	13,193
Research and development expenses	2,786	3,846	4,845	5,177	5,441	5,696	5,422	5,237	5,397	5,980	6,311
Development funds* ¹	—	—	—	6,418	6,868	7,350	7,206	6,995	6,890	7,344	7,856
Capital investment	3,679	2,900	3,685	5,820	8,412	9,652	7,615	3,491	3,967	4,420	4,872
Depreciation	4,047	4,049	4,432	4,250	4,503	4,901	5,479	5,538	5,121	5,036	5,069
Financial position											
Total assets	109,524	118,444	132,504	138,784	151,709	167,803	167,575	162,327	175,132	194,801	212,690
Net assets	52,075	56,829	65,402	70,476	75,285	82,107	82,703	85,344	96,921	105,636	119,905
Interest-bearing liabilities	31,158	28,414	25,544	28,639	30,236	34,031	41,356	33,951	30,712	28,654	34,268
Equity	49,673	54,883	63,161	65,525	69,942	76,715	77,358	79,964	91,174	99,693	113,800
Cash flows											
Net cash provided by (used in) operating activities	3,800	8,009	10,247	5,317	10,672	5,943	2,081	17,057	13,937	12,950	(7,233)
Net cash provided by (used in) investing activities	(4,411)	(2,705)	(3,881)	(5,846)	(6,977)	(8,007)	(7,358)	(4,318)	(3,899)	(3,299)	(4,717)
Net cash provided by (used in) financing activities	(766)	(4,671)	(4,020)	1,696	(1,485)	1,678	4,434	(10,702)	(5,576)	(5,308)	1,895
Free cash flow	(611)	5,304	6,366	(529)	3,695	(2,064)	(5,277)	12,739	10,038	9,651	(11,950)
Cash and cash equivalents at end of period	6,987	8,416	11,078	11,957	13,803	13,671	12,403	14,830	19,071	24,409	14,853
Stock information											
Dividends (Yen)* ²	7(35)	7(35)	8(40)	12(60)	12(60)	15(75)	48(80)	85	90	110	162
Consolidated payout ratio (%)	38.4	27.3	17.6	21.2	24.2	27.6	32.4	31.6	23.6	24.7	30.1
EPS (Earnings per share) (Yen)* ²	18.22(91.10)	25.66(128.30)	45.51(227.55)	56.60(283.00)	49.58(247.90)	54.41(272.04)	246.83	269.06	381.28	445.29	537.67
BPS (Book value per share) (Yen)* ²	389.08(1,945.4)	429.99(2,149.95)	494.97(2,474.85)	513.63(2,568.15)	556.99(2,784.95)	611.11(3,055.56)	3,118.84	3,236.50	3,693.68	4,063.09	4,637.52
Management indicators											
Ratio of operating profit to net sales (%)	3.3	5.8	6.9	7.1	6.5	6.7	5.8	6.3	8.4	8.8	8.9
Share of international sales (%)	20.7	22.8	25.3	21.0	22.4	23.4	22.7	22.0	20.9	23.1	20.8
Development funds ratio (%)* ¹	—	—	—	4.9	5.1	4.9	5.0	4.8	4.7	4.6	4.2
ROE (%)* ³	4.9	6.3	9.8	11.2	9.2	9.3	8.0	8.5	11.0	11.5	12.4
ROA (%)* ⁴	2.2	2.9	4.6	5.3	8.2	4.3	3.7	4.0	5.6	5.9	6.5
Equity ratio (%)	45.4	46.3	47.7	47.2	46.1	45.7	46.2	49.3	52.1	51.2	53.5
D/E ratio (Times)* ⁵	0.63	0.52	0.40	0.44	0.43	0.44	0.53	0.42	0.34	0.29	0.30

Main non-financial data	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022(FY)
Number of employees	4,039	3,922	3,849	4,036	3,943	3,861	3,803	3,876	3,814	3,783	3,732
Average years of service* ⁶	12.7	13.5	13.7	14.5	14.9	15.5	15.9	16.2	14.3	17.1	17.5
Voluntary turnover rate (%)* ⁶	1.1	0.6	0.8	1.5	0.9	1.3	1.8	1.0	1.0	1.7	1.8
Ratio of environment-friendly products to net sales (%)* ⁷	—	—	—	46.4	50.7	58.1	59.3	70.7	77.2	78.2	79.6
CO ₂ emissions (Scope 1 + 2) (t-CO ₂)* ^{8,9}	20,707(26,860)	19,417(26,991)	20,937(28,287)	20,354(27,355)	19,879(24,982)	20,450(24,732)	21,616(24,794)	20,478(22,692)	19,405	20,057	20,466
Water consumption (m ³)* ⁹	163,599	165,886	169,552	149,418	155,789	152,098	146,112	126,368	118,726	121,372	126,490
Waste discharged (t)* ⁹	776.0	933.0	924.0	1,062.0	913.0	911.0	993.8	928.0	990.7	859.7	939.8
Atmospheric emissions of chemical substances subject to PRTR (kg)* ⁹	29,669	43,566	50,804	84,659	83,542	101,758	99,949	109,180	76,928	67,630	54,575

*1 Development funds include not only research and development expenses but also development-related expenses such as patent fees. The development funds ratio is the ratio of development funds to consolidated net sales.

*2 DAIHEN executed a reverse stock split of five common shares into one on October 1, 2018. The figures in parentheses assume that the reverse stock split had been conducted.

*3 ROE: Profit attributable to owners of parent / equity (average of beginning and end of period)

*4 ROA: Profit attributable to owners of parent / total assets (average of beginning and end of period)

*5 D/E ratio: interest-bearing liabilities / equity

*6 DAIHEN Corporation, non-consolidated basis

*7 The ratio of net sales of environment-friendly products to domestic net sales of the products (excluding parts, repair services, etc.) supplied by the nine divisions of the Company

*8 CO₂ emissions in and before fiscal 2019 are calculated using the emission factor of the Federation of Electric Power Companies of Japan (fixed to the baseline year performance of the Kyoto Protocol to clarify our efforts). CO₂ emissions in and after fiscal 2020 are market-based emissions. Figures in parentheses are market-based emissions obtained by recalculating emissions.

*9 The scope of calculation includes DAIHEN Corporation (Juso Business Office, Rokko Business Office, Mie Business Office, Chitose Plant, and Kanehira Plant), production sites of affiliated companies (Tottori Plant, Oita Plant, Matsudo Plant, Eniwa Plant, Hirosaki Plant, and Kagawa Plant), and production sites outside Japan [Mudanjiang OTC Welding Machines Co., Ltd., OTC Industrial (Qingdao) Co., Ltd., OTC DAIHEN Asia Co., Ltd., DAIHEN Electric Co., Ltd., DAIHEN OTC (Beijing) Co., Ltd., and DAIHEN Advanced Machinery (Changshu) Co., Ltd.]

Global Network

The DAIHEN Group provides services tailored to each market.

DAIHEN's businesses, both in Japan and overseas, have established a close cooperation system among production sites, branches, sales offices, and affiliates. We tailor our services to each specific market and use every strength we can muster from the entire Group to help customers solve their issues.

Network in Japan

◎ Main group companies

SHIHEN TECHNICAL Corporation (Tadotsu-cho, Kagawa)

Manufacture and sale of power transformers, electronic devices, luminaire stabilizers, etc.

KYUHEN Co., Inc. (Fukuetsu-shi, Fukuoka)

Manufacture and sale of power transformers, water heaters, etc.

The Chugoku Electric Manufacturing Co., Inc. (Hiroshima-shi, Hiroshima)

Manufacture and sale of transformers, distribution panels, control panels, power distribution equipment, monitoring and control systems, etc.

Tohoku Electric Manufacturing Co., Ltd. (Tagajo-shi, Miyagi)

Manufacture, repair, sale, and installation of transformers for power distribution, distribution panels, etc.

DAIHEN Industrial Machinery Corporation (Tottori-shi, Tottori)

Manufacture of welding machines, control and telecommunications equipment, RF generators, dispersed power equipment, etc.

DAIHEN Aomori Corporation (Hirosaki-shi, Aomori)

Manufacture of fuses, power distribution equipment/parts and surge protective devices

DAIHEN Stud Co., Ltd. (Kobe-shi, Hyogo)

Sale of welding machines; Manufacture and sales of welding materials; Welding work

DAIHEN Electric Machine Corporation (Osaka-shi, Osaka)

Manufacture of industrial transformers

Minami Electric Co., Ltd. (Tadotsu-cho, Kagawa)

Manufacture and processing of cans, sheet metal and related mechanical fittings

DAIHEN Technology Institute (Kitsuki-shi, Oita)

Manufacture and sale of clean transfer robots, equipment for charging systems, etc.

DAIHOKU Industry Co., Ltd. (Eniwa-shi, Hokkaido)

Manufacture and processing of cans, sheet metal and related mechanical fittings

DAIHEN Business Service Co., Ltd. (Osaka-shi, Osaka)

Support and agency services for the Group's businesses and reemployment of Group retirees

Daiki Corporation (Osaka-shi, Osaka)

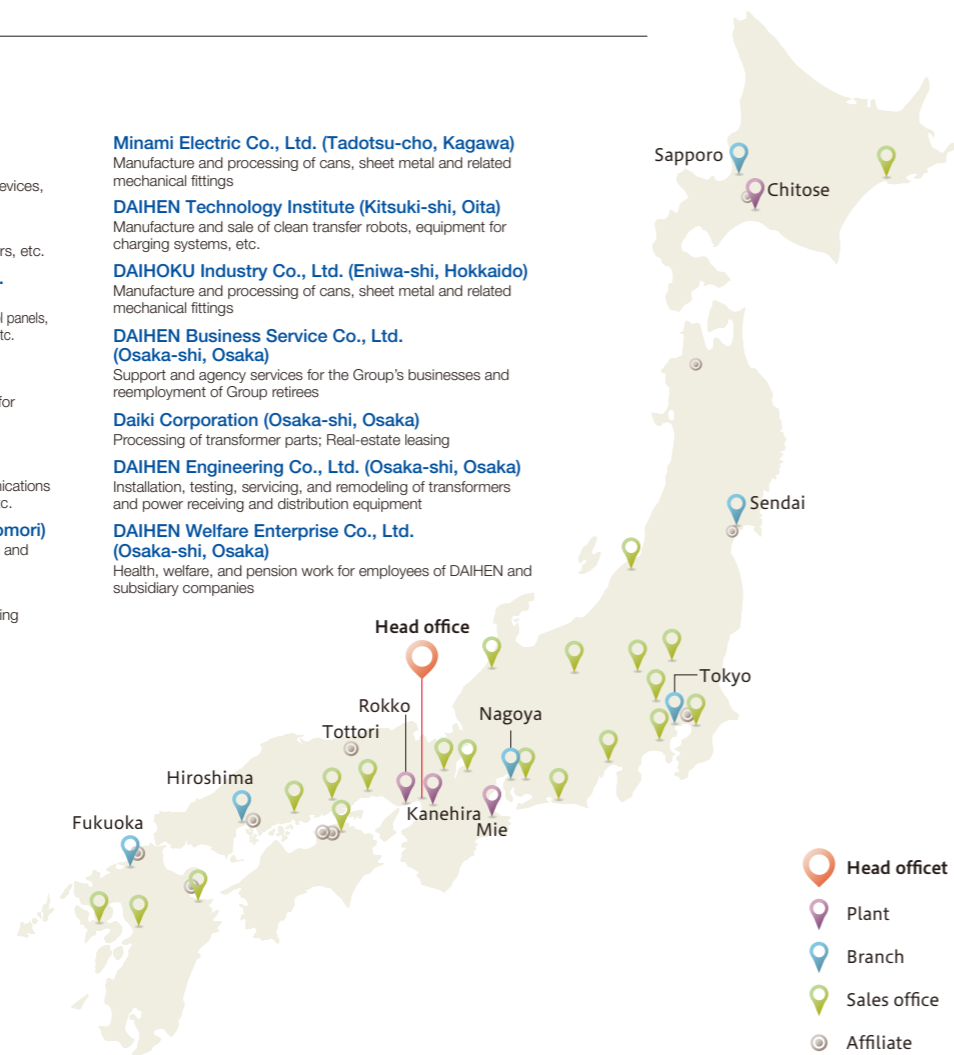
Processing of transformer parts; Real-estate leasing

DAIHEN Engineering Co., Ltd. (Osaka-shi, Osaka)

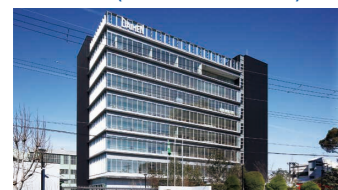
Installation, testing, servicing, and remodeling of transformers and power receiving and distribution equipment

DAIHEN Welfare Enterprise Co., Ltd. (Osaka-shi, Osaka)

Health, welfare, and pension work for employees of DAIHEN and subsidiary companies



Head Office (Juso Business Office)



Manufacture and sale of power transmission and distribution products and semiconductor devices

Rokko Business Office



Sale of welding machines; Manufacture and sale of industrial robots, etc.

Mie Business Office



Manufacture of large-class power transformers

Chitose Plant



Manufacture of power transmission and distribution products

Kanehira Plant



Servicing of pole-mounted transformers

DAIHEN Industrial Machinery Corp.



Manufacture of welding machines, control and telecommunications equipment, RF generators, dispersed power equipment, etc.

DAIHEN Technology Institute



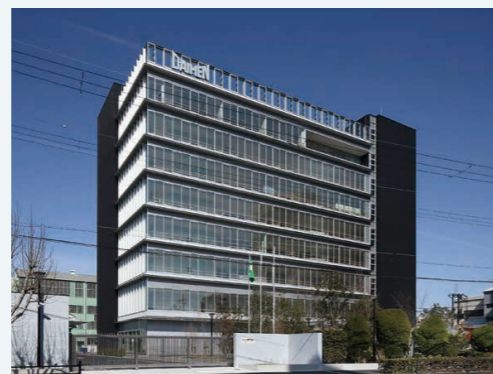
Manufacture of clean transfer robots, equipment for charging systems, etc.

Network overseas



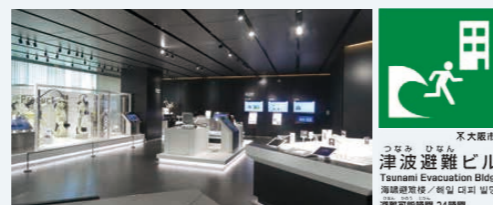
Corporate Data

Company name	DAIHEN Corporation
Date established	December 1, 1919
Share capital	10,596 million yen
Net sales	185,288 million yen (the fiscal year ended March 2023, consolidated)
Employees	3,732 (As of March 2023, consolidated)
Business	Manufacture, sale and servicing of power equipment, welding machines, industrial robots, RF generators for semiconductor manufacturing, EV charging systems, etc.
Head office location	2-1-11 Tagawa, Yodogawa-ku, Osaka 532-8512 Japan Tel: +81-6-6301-1212
Business offices and plants	Juso Business Office (Osaka) Rokko Business Office (Kobe) Mie Business Office (Taki-cho, Mie) Kanehira Plant (Osaka) Chitose Plant (Chitose, Hokkaido)
Branches	Hokkaido Branch, Tohoku Branch, Tokyo Branch, Chubu Branch, Chugoku Branch, Kyushu Branch
Website	https://www.daihen.co.jp/en/



Head Office (Juso Business Office)

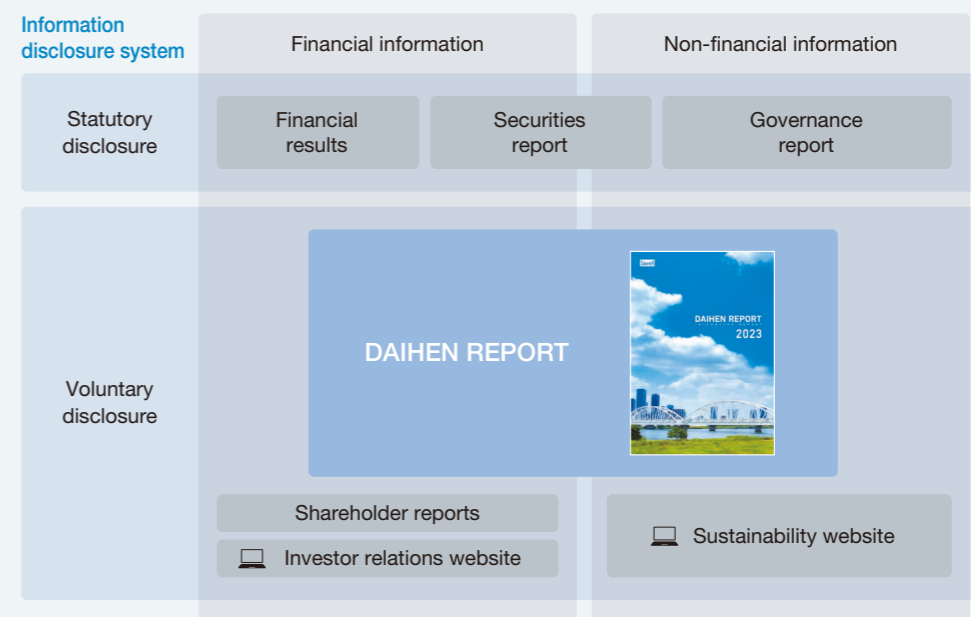
Our Head Office Building is registered with Osaka City as a Tsunami Evacuation Building.



Showrooms (1F Head Office)

Disclosure System

We disclose all information required by legal disclosure standards. In addition, if we determine that it is necessary to disclose additional information to increase shareholder understanding of our company, we will disclose such information fairly and accurately through various media, even if disclosure of such information is not required by any laws or regulations.



Please see the Sustainability section of the DAIHEN corporate website for more information on ESG information. (Japanese only)

Structure of the Sustainability section of the DAIHEN corporate website

Environment	Policies and systems	Governance	Corporate governance
	Voluntary action plan		Corporate officers
	Response to climate change		Director compensation
	Environment-friendly products		Compliance
	Reduction of environmental impact during production		Risk management
	ISO 14001 certification		Information security
	Internal audits and incidents/complaints		Intellectual property
	Training and awareness initiatives		Ensuring the appropriateness of operations at group companies
	Environmental account		Governance report
	Society		Human resource strategy
Human resource development		Special feature on DAIHEN products contributing to solving societal issues	
Diversity / Creating workplace environments where people of all nature can enjoy working			
Health and safety			
Quality assurance			
Materials procurement			
	Contribution to community		

Sustainability section of the DAIHEN corporate website (Japanese only)

<https://www.daihen.co.jp/sustainability/>



Contact:

For inquiries, please access the Contact Us section of the DAIHEN corporate website for various inquiries.

<https://www.daihen.co.jp/en/contact/>



Stock Information (As of March 31, 2023)

Stock data

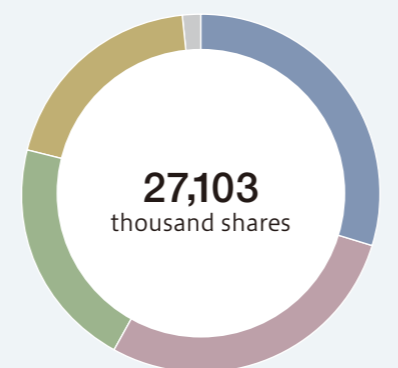
Total number of shares authorized to issue	108,000,000 shares
Total number of issued shares	27,103,291 shares
Number of shareholders	12,445

Shareholder information

Name of shareholder	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2,929	11.90
Custody Bank of Japan, Ltd. (Trust account)	1,542	6.26
The Kansai Electric Power Company, Incorporated	1,460	5.93
Sumitomo Mitsui Banking Corporation	1,085	4.41
GOVERNMENT OF NORWAY	670	2.72
Sumitomo Mitsui Trust Bank, Limited	658	2.68
DAIHEN Business Partner Shareholding Association	595	2.42
BNYM AS AGT/CLTS NON TREATY JASDEC	462	1.88
DAIHEN Group Employee Shareholding Association	452	1.84
Iwatani Corporation	349	1.42

Note: The Company holds 2,486 thousand treasury shares, and the shareholding ratio is calculated excluding those treasury shares.

Shareholding by shareholder category



Financial institutions	8,079 thousand shares / 29.8%
Individuals	7,655 thousand shares / 28.3%
Other corporations	5,700 thousand shares / 21.0%
Offshore corporations	5,262 thousand shares / 19.4%
Brokerage firms	404 thousand shares / 1.5%



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● Please direct all inquiries concerning this report to the ESG Office, Planning Division.