

INTEGRATED REPORT

# DAIHEN REPORT 2024



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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 2023 (April 1, 2023 to March 31, 2024). This report also contains some information from before fiscal 2022 and after 2024.

### 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 2025.

### 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

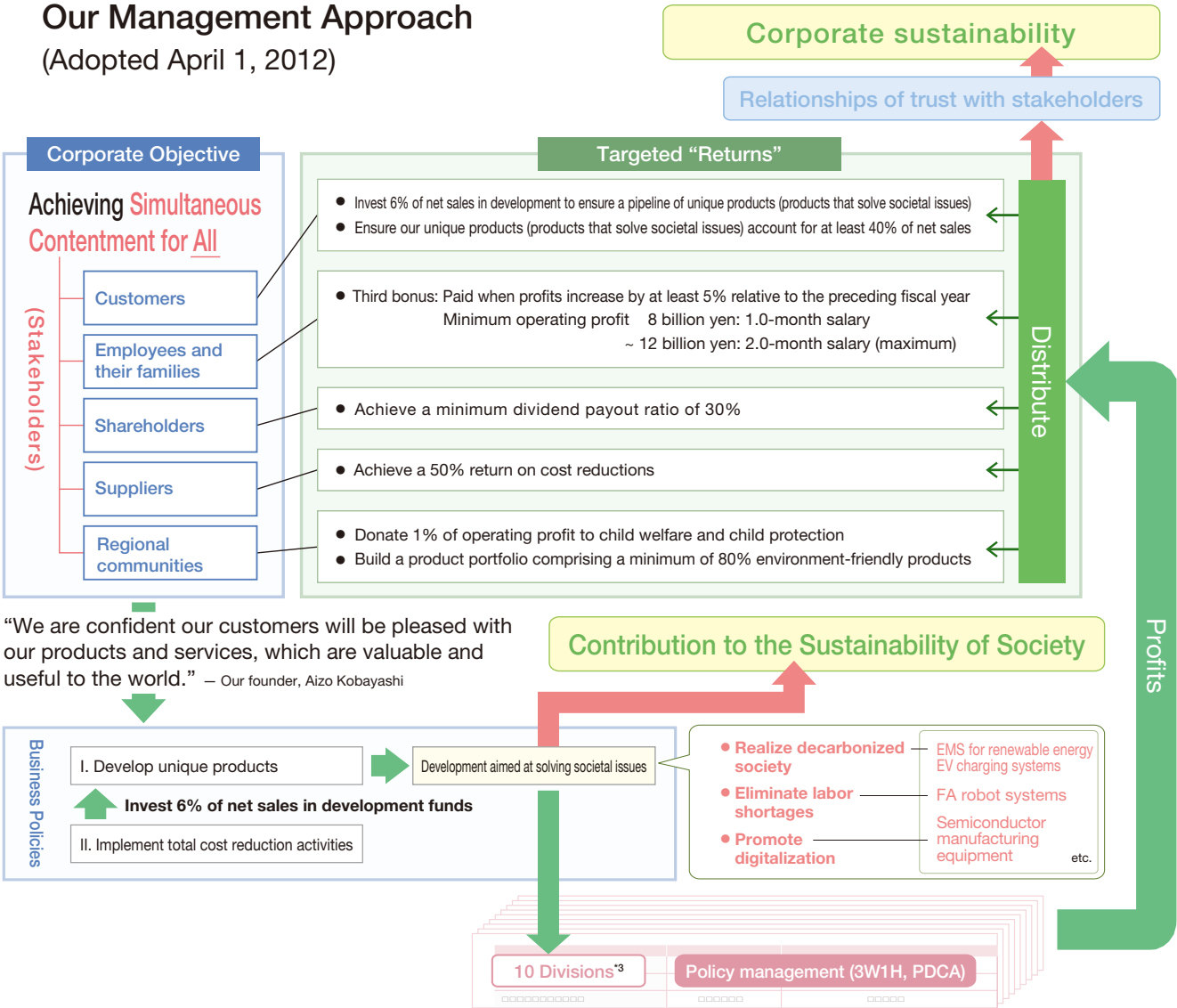
DAIHEN Corporation (the "Company") and its subsidiaries (collectively, the "DAIHEN Group") are committed to achieving **"simultaneous contentment for all"**<sup>\*1</sup> through appropriate return of profits to stakeholders.

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<sup>\*2</sup> 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.

## Our Management Approach (Adopted April 1, 2012)



### \*1 Simultaneous contentment for all

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 Unique products

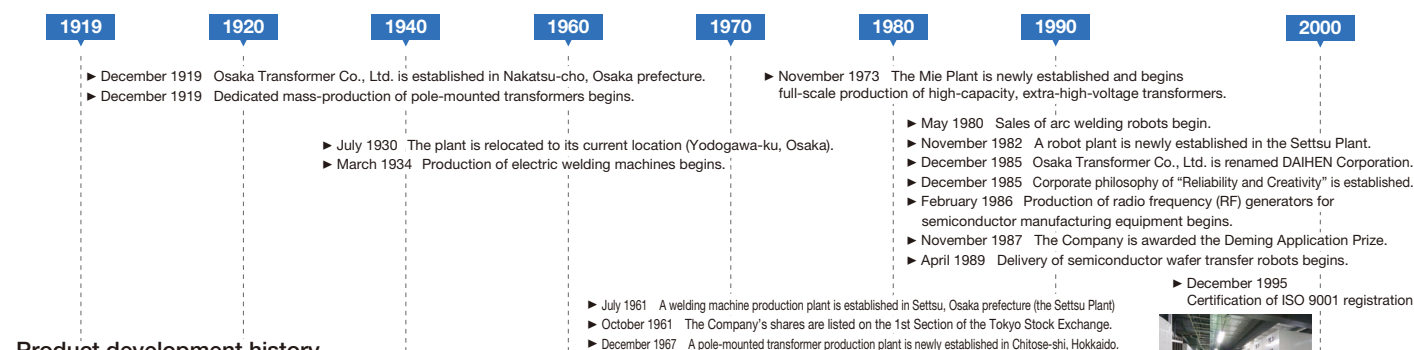
Proprietary products offering overwhelming value that also contribute to the solution of societal issues

### \*3 10 Divisions

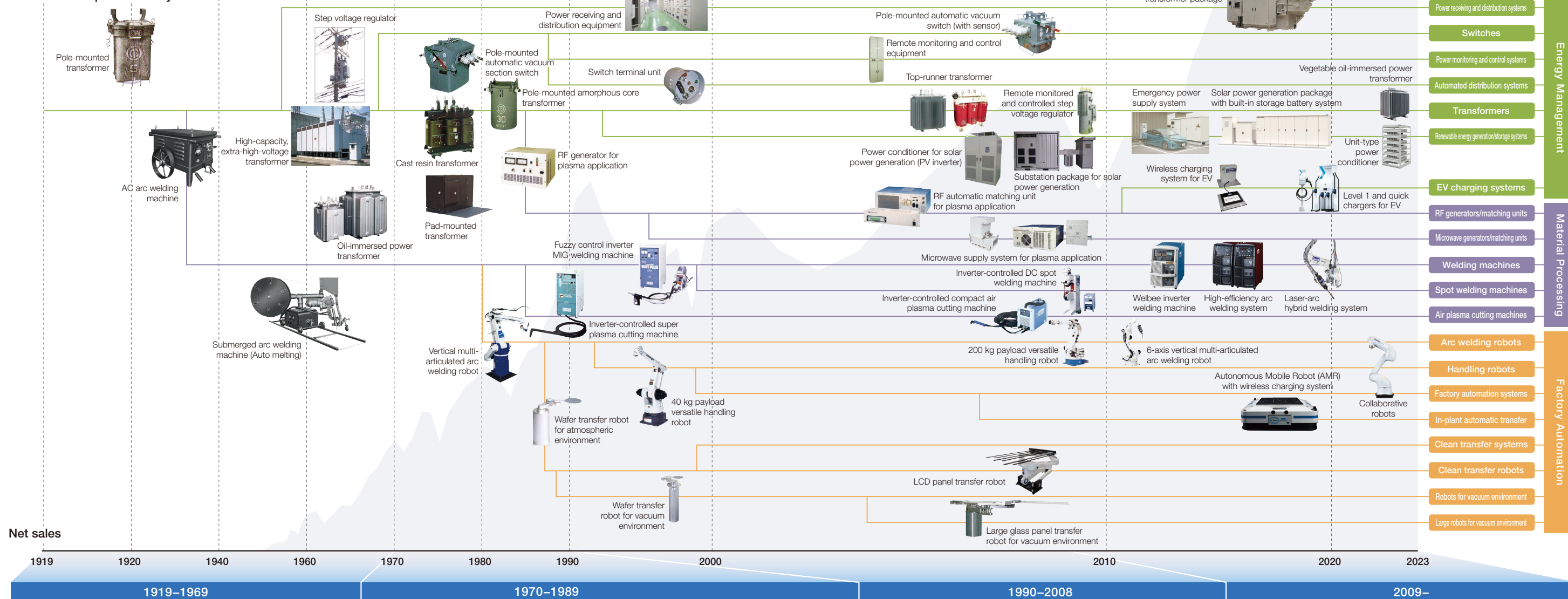
Power Distribution System Division, Power Transformer Division, Industrial Electrical Equipment Division, Energy Management System Division, Charging System Division, FA Robot Division, Clean Robot Division, Welding & Joining Division, Plasma System Division, Applied Plasma Division

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.

## Corporate history



## Product development history



## From the foundation of the Company to a period of postwar 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 damage and a rapid increase in the power load, we repaired pole-mounted transformers of all 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 automobile manufacturing.

## 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"

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 to please our customers and serve society to an even greater degree by building original values that address society's woes into the products and services we provide.

## 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."

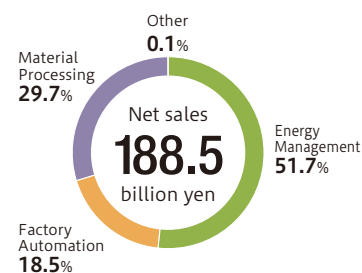
As a priority measure to achieve this goal, we promoted the development of products with our own unique value branded as "unique products" boasting outstanding performance, and also worked on improving the speed of development. As a result, we created many products and technologies that satisfied customers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

### 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 CO<sub>2</sub> 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 systems for self-consumption solar power generation at business sites and factories. Storage batteries store surplus electricity for use when needed, maximizing the use of solar power and reducing CO<sub>2</sub> emissions. Furthermore, they significantly reduce electricity bills by 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 sets to important loads, such as evacuation shelters, during outages and other emergencies.

### Electric vehicle (EV) charging systems



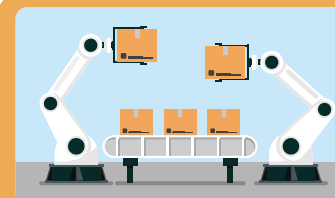
#### Level 1 and quick chargers for EVs

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.

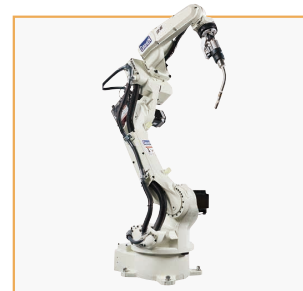


### Factory Automation

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.

### FA robots and in-plant automatic transport equipment

### Clean transfer robots



#### Arc welding robot

Highly articulate and agile, our welding robots are a big contribution to factory automation and the higher quality welding it targets.



#### Handling robot

Robots are increasing productivity by nimbly and correctly performing simple factory jobs such as transferring, assembling and processing parts and materials.



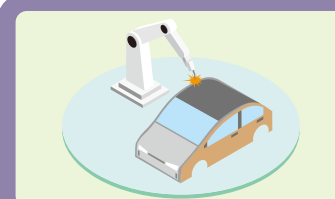
#### Autonomous mobile robot (AMR)

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 a 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

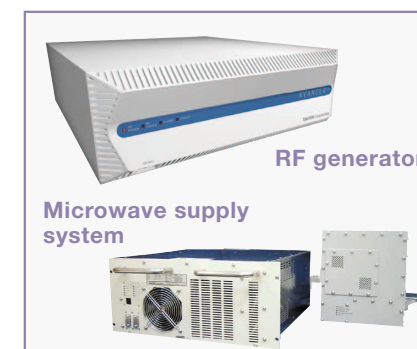
By precisely controlling energy sources such as plasma, laser, ultrasonic waves, and frictional heat, we provide new processes necessary for technological innovation in manufacturing, including precise joining, cutting, film formation, surface treatment, and shaping of metals, semiconductors, insulating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

### Welding and joining machines

### Semiconductor-related machines



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.

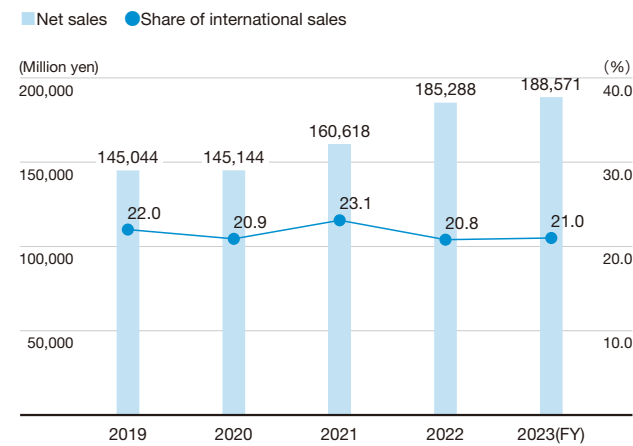


These generators stably produce the high-quality plasma essential for manufacturing semiconductor devices. They contribute to the manufacturing of semiconductors that drive technological advances such as IoT and AI.

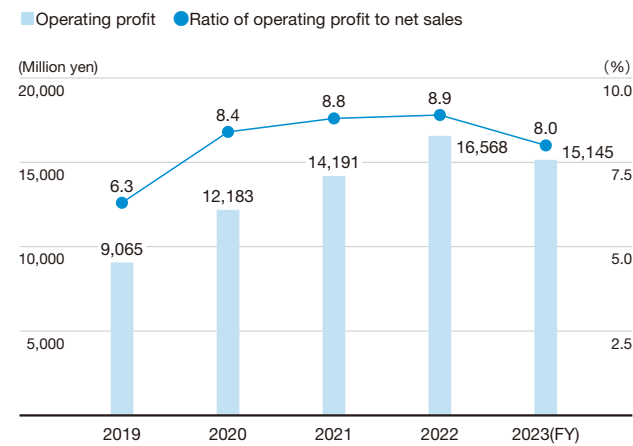
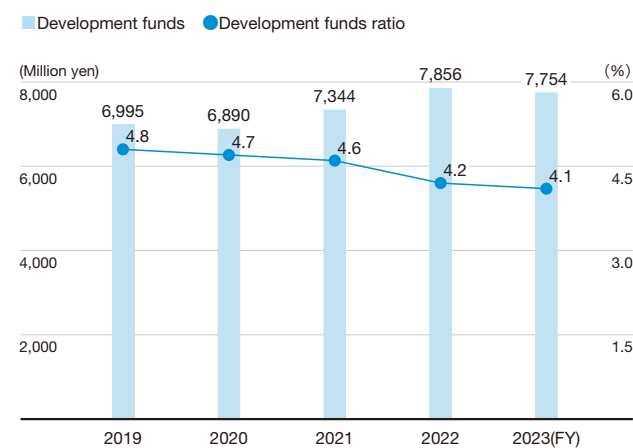


## Financial Data

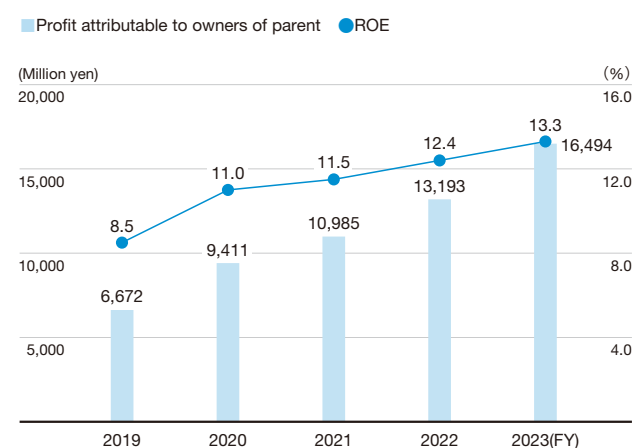
## Net sales / Share of international sales



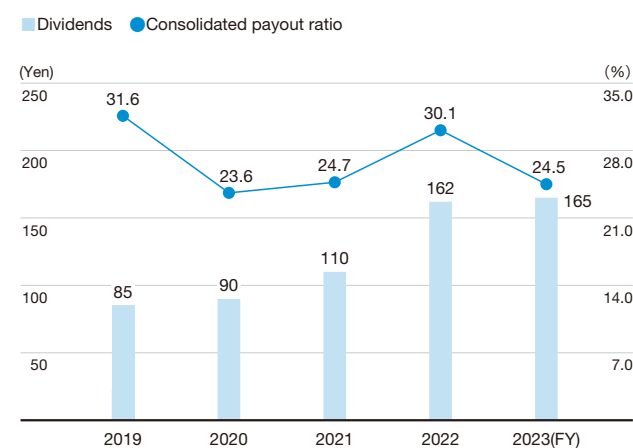
## Operating profit / Ratio of operating profit to net sales

Development funds / Development funds ratio<sup>\*1</sup>

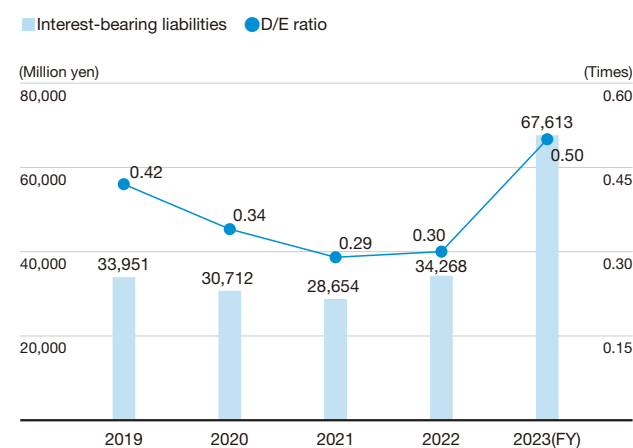
## Profit attributable to owners of parent / ROE



## Dividends / Consolidated payout ratio

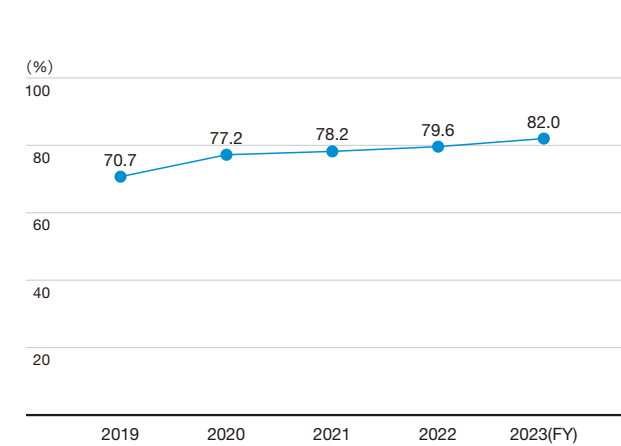
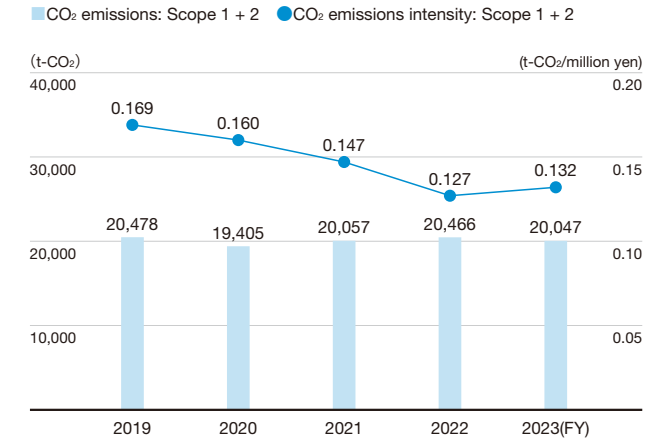
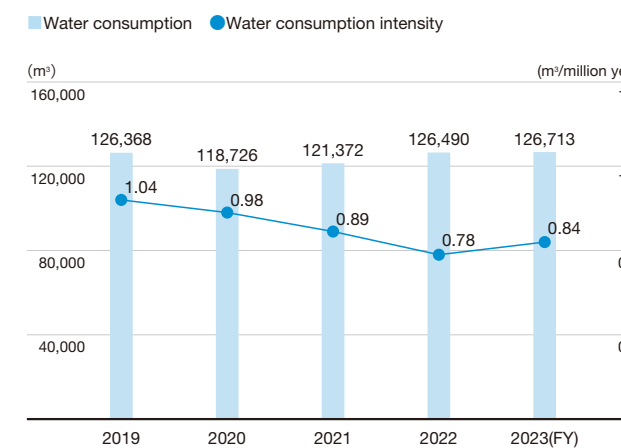
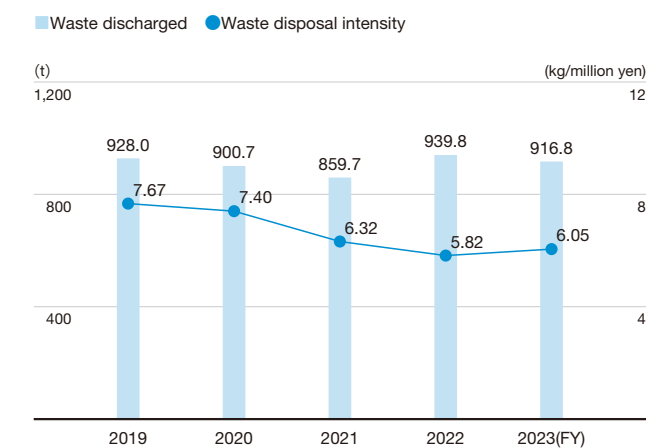
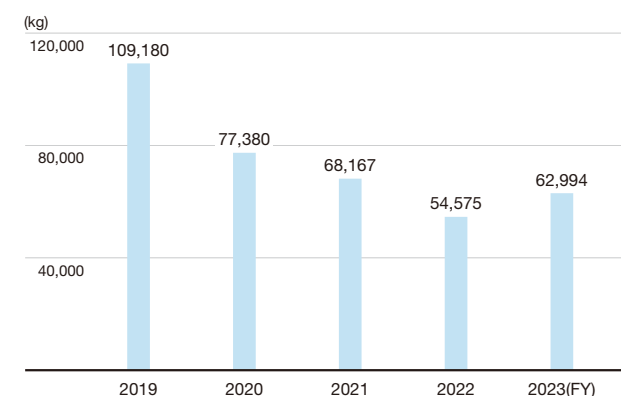


## Interest-bearing liabilities / D/E ratio

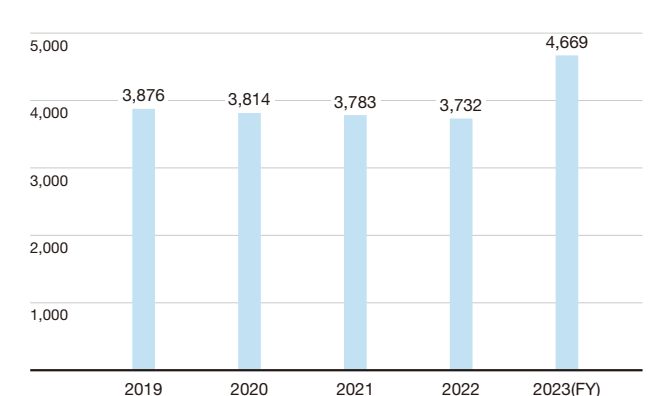


<sup>\*1</sup> Development funds include not only research and development expenses but also development-related expenses such as patent fees. The development funds ratio is the ratio of development funds to consolidated net sales.

## Non-financial Data

Ratio of environment-friendly products to net sales<sup>\*1</sup>CO<sub>2</sub> emissions / CO<sub>2</sub> emissions intensity<sup>\*2</sup>Water consumption / Water consumption intensity<sup>\*2</sup>Waste discharged / Waste disposal intensity<sup>\*2</sup>Atmospheric emissions of chemical substances subject to the PRTR<sup>\*2</sup>

## Number of employees



<sup>\*1</sup> 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

<sup>\*2</sup> 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

## In the 2026 Medium-term Business Plan, we aim to expand our contributions to solving societal issues in priority areas

**Shoichiro Minomo**

President and Chief Executive Officer



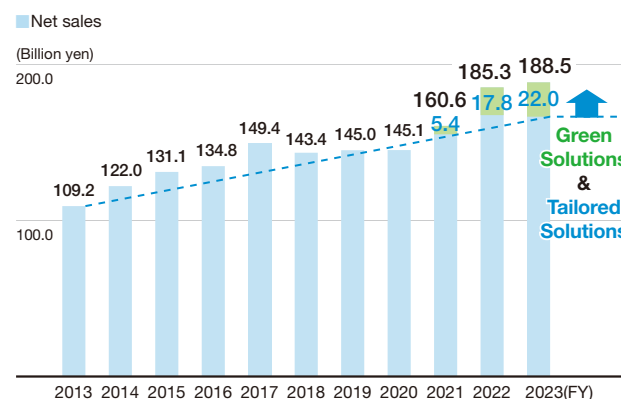
Under the Medium-term Business Plan “Step up 2023,” launched in fiscal 2021, we aimed to become an “R&D-focused company” that actively contributes to solving societal issues by integrating our proprietary technologies with cutting-edge technology. For that goal, we focused on “Promoting Green Solutions & Tailored Solutions,” which contribute to global environment protection and CO<sub>2</sub> emissions reduction, the elimination of labor shortages, and support for diverse work styles. Furthermore, we reorganized our reportable segments in the financial statements effective fiscal 2023 into “Energy Management,” “Factory Automation,” and “Material Processing” to clarify our development-focused stance. They redefine our unique technologies, which are our strengths, and the direction of their development as three 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.

To summarize the past three years, we concentrated management resources on initiatives for “Promoting Green Solutions & Tailored Solutions,” which enabled the development of numerous products expected to help solve societal issues with strong prospects for improving our medium- to long-term performance, including a grid storage battery package (unit-type power conditioner), the industry’s fastest 180kW quick charger, and a solid phase resistance spot joining system. In “loss-reducing activities” that aim to generate the funds necessary to strengthen these development efforts from within the company, we worked to automate production using in-house robots, and full automation of the production of next-generation standard welding machines came into sight. The active use of DX tools has also led to improved operational efficiency and cost reduction. Moreover, by utilizing M&As and acquiring three European system integrators and a German midsize welding machine manufacturer, we established a system geared toward expanding our operations in Europe. By adding Tohoku Electric Manufacturing and SHIHEN TECHNICAL to our consolidated

subsidiaries, we also solidified our position as a leading manufacturer of power distribution equipment.

In fiscal 2023, the final year of the Medium-term Business Plan, we fell short of our performance targets due to the postponement of semiconductor-related investments and the stagnation of the Chinese economy. However, total net sales increased by 30% compared to fiscal 2020, which was before the Medium-term Business Plan began, aided by net sales for “Green Solutions & Tailored Solutions” exceeding 22.0 billion yen. In terms of returning profit to stakeholders, which we have set as targeted “returns,” we were able to raise our dividends to 165 yen per share, marking an increase for a seventh consecutive year, and we enhanced our returns to local communities (donating the equivalent of 1% of our operating profit). Strengthening the development of products that contribute to solving societal issues (enhancing social value) in this way has led to the improvement of our performance (enhancing economic value) and the enhancement of our corporate value.

With regards to organizing the environment and issues in the formulation of the new Medium-term Business Plan, the reduction of CO<sub>2</sub> emissions has developed into a government-led initiative called Green Transformation (GX), which aims to transform the entire social system. Such developments are evidence of the growing importance of CO<sub>2</sub> emissions



reduction as a means of resolving societal issues, the scope of which is also expanding. Not only do we need marketing and technical sales capabilities to expand our contributions in this new area, we must also raise market awareness. Meanwhile, as M&As carried out during the previous Medium-term Business Plan period have led to business expansion, we can expect even larger outcomes from the generation of synergies in both sales and production going forward. Also, accumulating expertise on production automation systems using in-house robots is enabling us to automate processes that were previously difficult to implement. Through such moves, we have made progress in establishing the business foundation necessary to expand our contributions. Under such circumstances, I feel that the enhancement of human capital as a source underpinning long-term growth is growing increasingly important.

Against this backdrop, as in the previous Medium-term Business Plan, the 2026 Medium-term Business Plan has set the vision of the Company becoming “a company that actively contributes to solving societal issues in priority areas by integrating our proprietary technologies, such as power conversion technology, high-precision and high-speed control technology, and high-frequency technology with a variety of cutting-edge technologies.” To this end, we have established and will promote the following four basic policies.

[Basic policies for the 2026 Medium-term Business Plan]

- (1) Expand the scope of development that contributes to solving societal issues
- (2) Innovate distributor sales and expand sales in new areas
- (3) Pursue automation and build an optimal production system
- (4) Enhance human capital based on a long-term human resource development plan

First, with regard to “expand the scope of development that contributes to solving societal issues,” we have redefined the three areas of societal issues to which we will contribute through our business. They are “realization of a decarbonized society,” “elimination of labor shortages,” and “promotion of digitalization.” In these priority areas, we will expand the scope of development beyond the frameworks of existing businesses. In doing so, we will strive to increase our contributions in these areas.

Next, for “innovate distributor sales and expand sales in new areas,” we will enhance the technical sales, analysis, and market research capabilities of our in-house salespeople in order to expand in new business areas, as well as strengthening our PR activities to facilitate the market penetration of new products. In Japan, we will revamp incentive plans to revitalize sales channels and enhance sales tools and training programs to support these activities. Overseas, we will focus on expanding our European business by mutually utilizing the products and sales channels of the

Group companies we have acquired thus far, and will also work to strengthen our system geared toward expanding our business in the United States.

Third, to “pursue automation and build an optimal production system,” as a result of the promotion of modular designs undertaken in the previous Medium-term Business Plan, we are aiming to fully automate the production of major standardized products, thereby significantly reducing costs. We will also explore ways to build a global optimal production system based on the premise of production automation. Furthermore, in indirect operations, we will thoroughly reduce routine tasks by promoting the use of RPA and BI tools and document generation AI to concentrate our employees’ efforts on more challenging tasks with higher added value.

Finally, to “enhance human capital based on a long-term human resource development plan,” we will establish a long-term human resource development plan to secure and develop human resources, the source of corporate competitiveness, and work to provide incentives, develop diverse human resources, and more.

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 losses in operational processes through “loss-reducing 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 enhancing human capital so that our employees can share the DAIHEN WAY, which sets forth the Company’s values, in order to generate powerful momentum and continue to create valuable products and services.

Under this Medium-term Business Plan, 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.

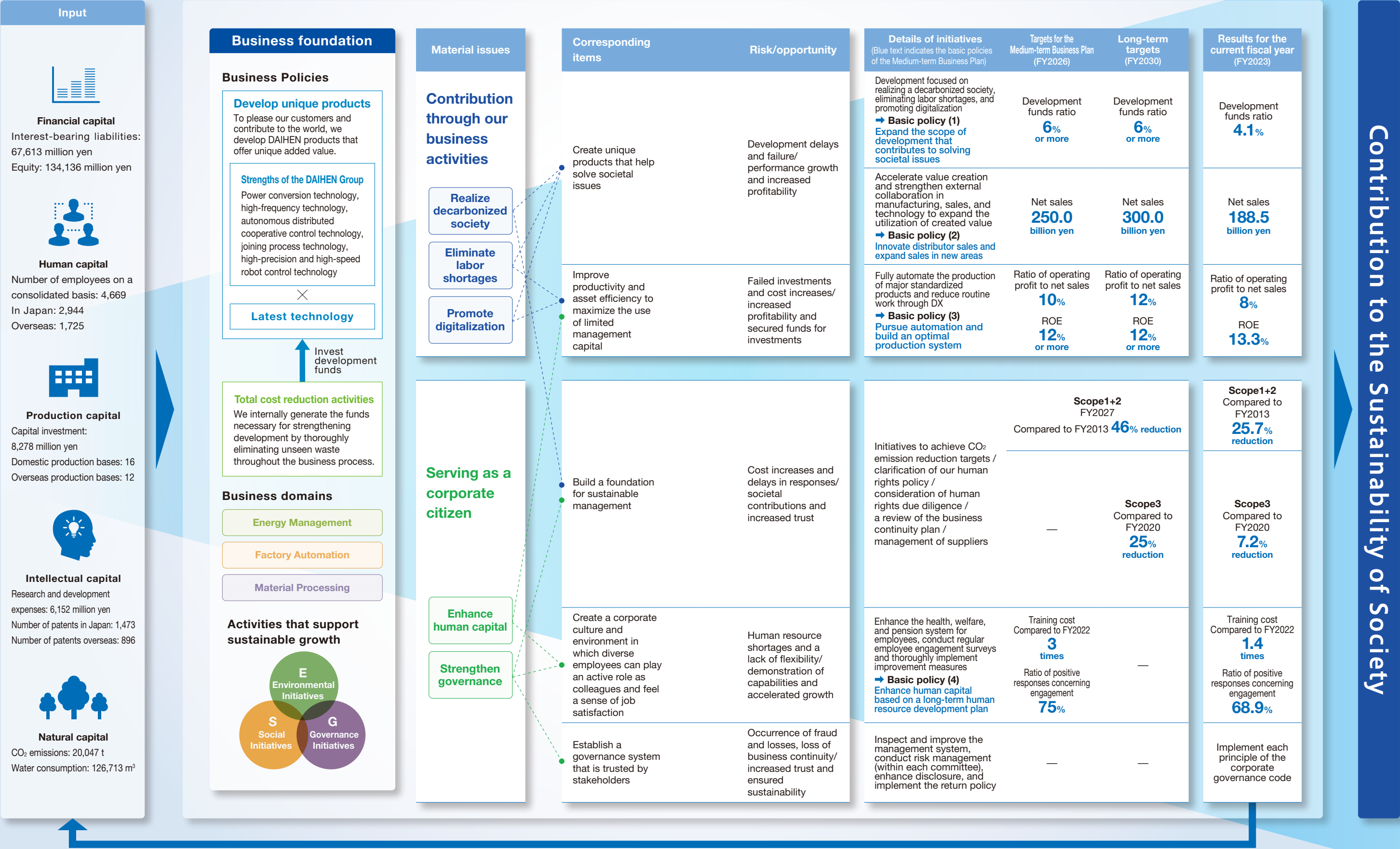


Value Creation Processes

With the commitment to ESG (environment, social, and governance) issues as the foundation of our business activities, we develop and introduce to the market unique products that help solve societal issues in priority areas using our proprietary technologies, thereby contributing to the sustainability of society.

Our vision

A company that actively contributes to solving societal issues in priority areas by integrating our proprietary technologies, such as power conversion technology, high-precision and high-speed control technology, and high-frequency technology with a variety of cutting-edge technologies



# Financial Information

## Review of fiscal 2023

### Fiscal 2023 results

The business environment for the DAIHEN Group for the fiscal year under review was severe, with semiconductor-related investment continuing to undergo an adjustment phase. Meanwhile, as Tohoku Electric Manufacturing Co., Ltd. and SHIHEN TECHNICAL Corporation became consolidated subsidiaries, the performance of the DAIHEN Group was net sales of 188.5 billion yen (up 1.8% year-on-year), the same level as the previous year.

In terms of profit, although there were positive factors such as the expansion of cost reduction effects and the new consolidation of Tohoku Electric Manufacturing and SHIHEN TECHNICAL, it was significantly affected by a decrease in net sales of semiconductor-related machines, resulting in operating profit of 15.1 billion yen (down 1.4 billion yen year-on-year) and ordinary profit of 16.0 billion yen (down 1.6 billion yen year-on-year). However, profit attributable to owners of parent was 16.4 billion yen (up 3.3 billion yen year-on-year) due to recording of gain on bargain purchase associated with the above-mentioned acquisition of shares of subsidiaries.

### Financial position

Total assets at the end of fiscal 2023 increased by 63.9 billion yen from the end of the previous fiscal year to 276.6 billion yen. This is primarily attributable to an increase in inventories due to a decrease in net sales of semiconductor-related machines and an increase in retirement benefit assets due to the rise in stock valuation, etc., in addition to the consolidation of Tohoku Electric Manufacturing Co., Ltd., SHIHEN TECHNICAL Corporation, and Lorch Schweißtechnik GmbH as subsidiaries. Total liabilities increased by 35.2 billion yen from the end of the previous fiscal year to 128.0 billion yen. This is primarily attributable to an increase in the number of subsidiaries and an increase in borrowings. Total net assets increased by 28.7 billion yen to 148.6 billion yen. This is primarily attributable to increases in retained earnings and foreign currency translation adjustment. The equity ratio decreased by 5.0 percentage points from 53.5% to 48.5%.

### 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.

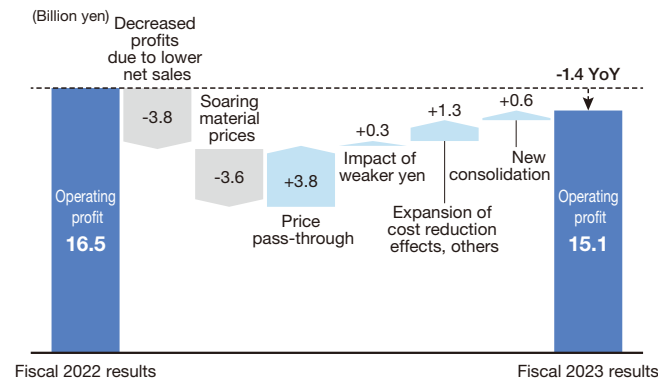
In fiscal 2023, we continued with our efforts in the development of products and systems related to “Green Solutions & Tailored Solutions,” with the aim of becoming a company that actively contributes to solving societal issues. We carried out developments including a storage battery system installed with an “unit-type power conditioner” that greatly reduces the installation cost and area, and collaborative robots that contribute to solving labor shortages. Thus, development funds reached 7,754 million yen.

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

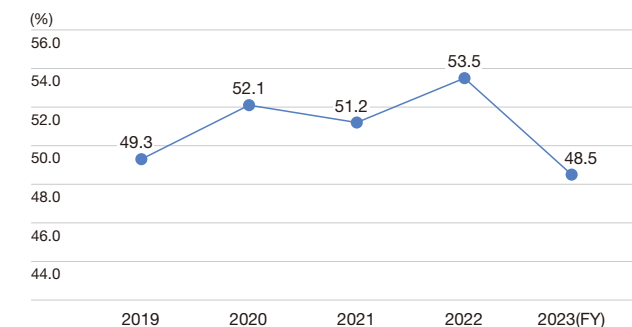
### Shareholder return

The dividends for fiscal 2023 were 165 yen per share (interim dividends of 82.5 yen, year-end dividends of 82.5 yen), reporting an increase in dividend per share for a seventh consecutive year since 2017.

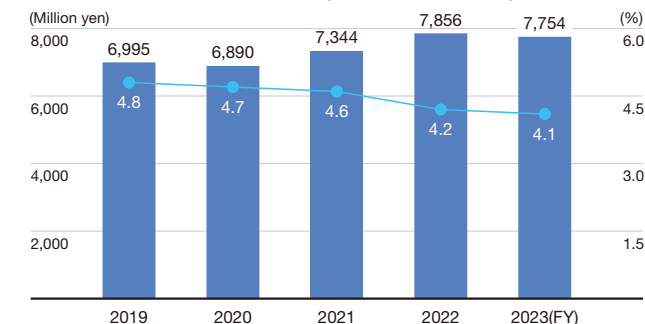
■ Factors for changes in operating profit for fiscal 2022 and 2023



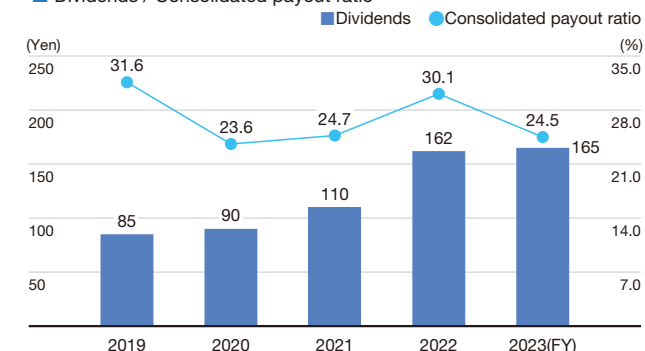
■ Equity ratio



■ Development funds / Development funds ratio



■ Dividends / Consolidated payout ratio



# Medium-term Business Plan

With the aim of becoming an R&D-focused company that actively contributes to solving societal issues, the Company has formulated the 2026 Medium-term Business Plan with the following four basic policies as its pillars.

## Basic policy

### [Basic policy]

- (1) Expand the scope of development that contributes to solving societal issues
- (2) Innovate distributor sales and expand sales in new areas
- (3) Pursue automation and build an optimal production system
- (4) Enhance human capital based on a long-term human resource development plan

### (1) Expand the scope of development that contributes to solving societal issues

By defining the solution of three societal issues, “realization of a decarbonized society,” “elimination of labor shortages,” and “promotion of digitalization” as our priority areas and expanding the scope of development beyond the frameworks of existing businesses, we will strive to increase our contributions in these areas.

#### Realize decarbonized society

In addition to grid storage battery systems, storage battery systems for self-consumption, and plug-in wireless charging systems that help maximize use of renewable energy, and joining machines that help reduce the body weight of EVs, we will develop EMS for next-generation microgrids, hydrogen-related equipment, and more.

##### ● Main development themes

- Next-generation power distribution-related equipment (DC power distribution, etc.)
- Renewable energy storage battery systems for self-consumption
- Grid storage battery systems
- Charging infrastructure equipment and systems
- Power receiving systems for high-capacity users
- Joining machines for lighter EVs



#### Eliminate labor shortages

In addition to enhancing robot systems suited to high-mix, low-volume production that used to be difficult to be automated and increasing product lineup of collaborative robots, we will also seek de-skilling in joining machines and expand the scope of our contribution to production automation.

##### ● Main development themes

- Robot systems suited to high-mix, low-volume production
- Enhance lineup of collaborative robots
- De-skilling joining machines



#### Promote digitalization

In addition to high-efficiency generator systems that help reduce power consumption in semiconductor manufacturing processes and space-saving robots that contribute to minimizing manufacturing equipment, which are expected to increase at an accelerating pace owing to the spread of EVs and generative AIs, we will cultivate new areas such as plasma sources for chamber cleaning.

##### ● Main development themes

- Energy-saving generators for semiconductor manufacturing equipment
- Space-saving robots for semiconductor manufacturing equipment
- Plasma sources for chamber cleaning





[Target net sales] (Billion yen)

Societal issues	Target net sales			
	FY2024	FY2025	FY2026	FY2030
Realize decarbonized society	15.0	19.0	30.0	55.0
Eliminate labor shortages	6.0	9.0	15.0	25.0
Promote digitalization	9.0	12.0	25.0	45.0
Total	30.0	40.0	70.0	125.0

(2) Innovate distributor sales and expand sales in new areas

- We will enhance the technical sales, analysis, and market research capabilities of our in-house salespeople in order to expand in new business areas, as well as strengthening our PR activities to facilitate the market penetration of new products.
- In addition, we will revamp the incentive plan to revitalize our domestic sales channels and enhance sales tools and training programs that support such activities.
- Overseas, we position as our priority theme the expansion of our European business by mutually utilizing the products and sales channels of the Group companies we have acquired to date. Similarly, we will work to strengthen our system geared toward expanding our business in the United States.

(3) Pursue automation and build an optimal production system

- Building up on the modular design promotion we worked on in the previous Medium-term Business Plan, we will achieve significant cost reduction with the aim of fully automating the production of our major standardized products. Furthermore, we will explore ways to build a global optimal production system based on the premise of production automation.
- In indirect operations, we will thoroughly reduce routine tasks by promoting the use of RPA and BI tools and document generation AI to concentrate our employees’ efforts on more challenging tasks with higher added value.

(4) Enhance human capital based on a long-term human resource development plan

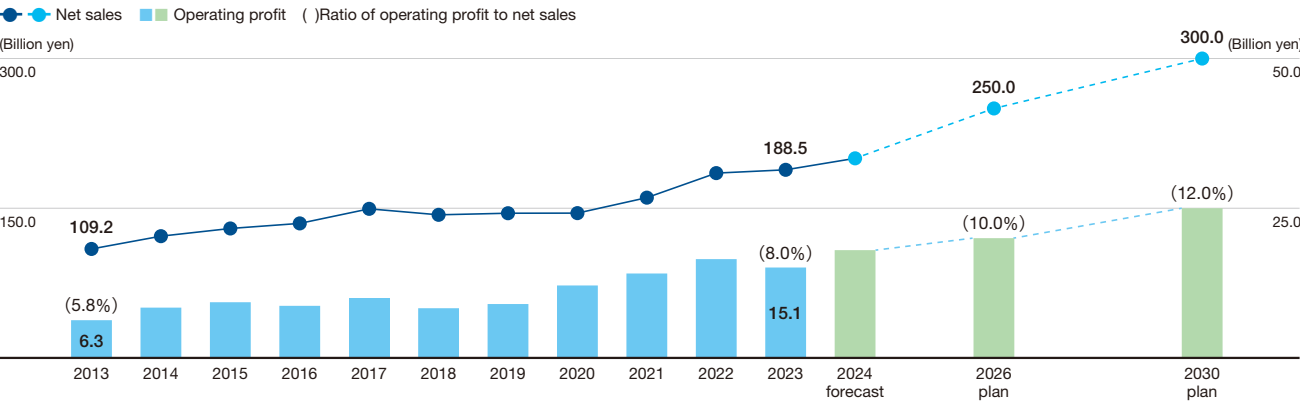
- We will create a long-term human resource development plan in order to secure and develop human resources, the source of corporate competitiveness, and work on the following themes.
- Introduce a stock compensation system aimed at improving employees’ sense of belonging and participation in management
  - Select and develop candidates to become next-generation senior management and female managers
  - Promote the use of the PhD Acquisition Support System
  - Develop global human resources
  - Support for balancing childcare responsibilities and work (establish an in-house nursery school)
  - Promote the growth of employees based on their respective career plan (threefold or more increase in training expenses)
  - Thoroughly conduct regular employee engagement surveys and implement specific improvement measures

Financial targets

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.

	Fiscal 2023 results	Fiscal 2026 targets	Fiscal 2030 targets
Net sales	188.5 billion yen	250.0 billion yen or more	300.0 billion yen or more
Ratio of operating profit to net sales	8.0 %	10% or more	12% or more
ROE	13.3 %	12% or more	12% or more
Development funds ratio*1	4.1 %	6% or more	6% or more
Payout ratio*2	24.5 %	30% or more	30% or more

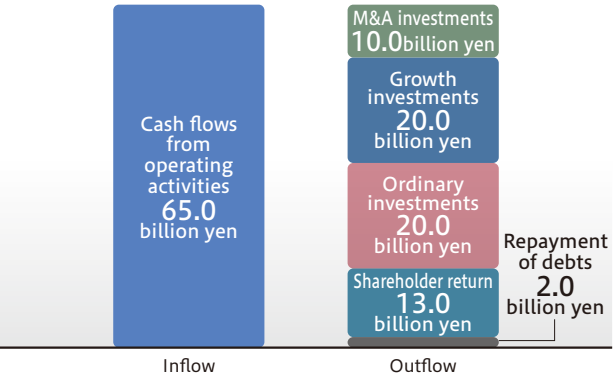
\*1 The ratio of development funds to consolidated net sales: Development funds include not only research and development expenses but also development-related expenses such as patent fees.  
\*2 Excluding the gain on bargain purchase without cash income, the payout ratio excluding is 36.2%.



Cash flows

In the 2026 Medium-term Business Plan, we plan to create operating cash flows that exceed investments by curbing increases in working capital.

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



M&A investments

During the previous Medium-term Business Plan, we established a system geared toward expanding our operations in Europe through the acquisition of three European system integrators and Lorch Schweißtechnik GmbH, a German welding machine manufacturer. In addition, we have strengthened our foundation for performance growth such as by solidifying our position as a leading manufacturer of power distribution equipment through the consolidation of Tohoku Electric Manufacturing Co., Ltd. and SHIHEN TECHNICAL Corporation as subsidiaries.

Throughout the 2026 Medium-term Business Plan, we will continue to look into M&As opportunities such as by acquiring new customers for existing businesses, expanding peripheral businesses, and through capital participation in partner companies.

Growth investments

During the previous Medium-term Business Plan period, we worked on the expansion of a plan of DAIHEN Industrial Machinery Corporation, a production center for high-frequency generators for semiconductor manufacturing equipment, as well as promoting the automation of production plants including the plant at the Rokko Business Office. As a result, 90% of the production process at the Rokko Business Office has been automated.

In the 2026 Medium-term Business Plan, we will apply the production automation know-how we accumulated at the Rokko Business Office to other products, and expand the scope of production automation by designing a structure that enables automatic assembly, including modularization and wiring work. We will also make active investments, including in renewable energy utilization.

Ordinary investments

We will make replacement investment within the scope of depreciation.

Shareholder return policy

As part of our policy of returning profits to stakeholders, we continue to make a dividend payout ratio of 30% or more as a basic policy.

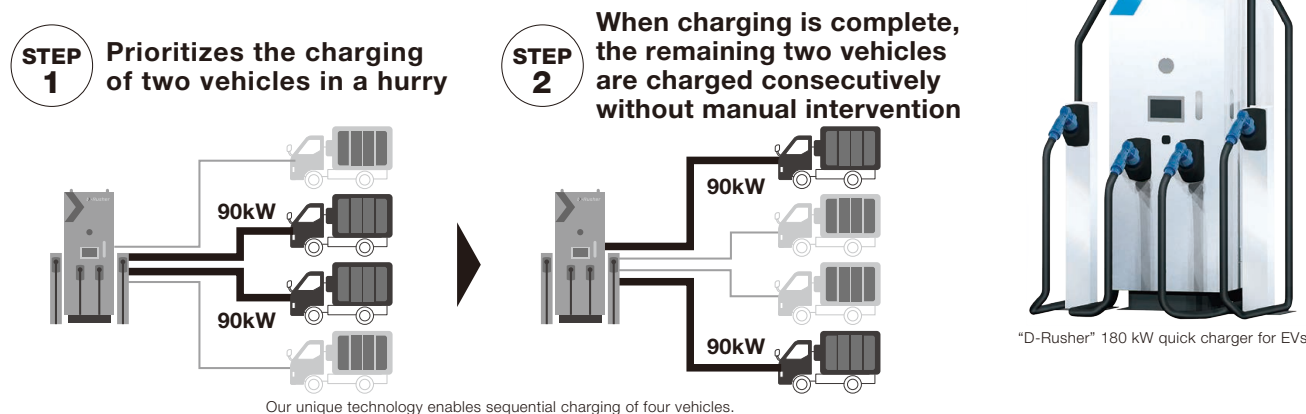
## Efforts for Development that Contributes to Solving Societal Issues

### Launch of “D-Rusher” 180 kW quick chargers for EVs

We have launched “D-Rusher,” a 180 kW quick charger for EVs. It is equipped with the industry's highest boost output of 180 kW. In addition to a charging speed\* equivalent to 100 km of range in five minutes (maximum output of 90 kW per plug when charging two vehicles), the unique four-plug specification enables the sequential charging of four EVs without manual intervention. In addition, installing Synergy Link, our proprietary energy management system, reduces the power peaks that occur when charging multiple EVs, reducing basic electricity expenses by up to 50%.

In anticipation of regulations that set an upper limit on legal voltage being relaxed in the future, we are developing a 400 kW-class quick charger that can handle high voltages.

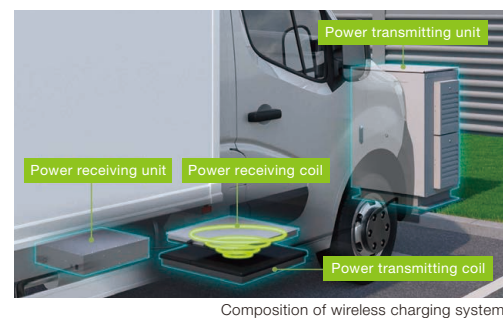
\*A theoretical value calculated based on the cruising range and electricity consumption data of general EVs



### Development of a wireless quick charging system for EVs (15 kW)

With the EV shift accelerating around the world, the Japanese government has announced its plan of installing 300,000 EV charging slots by 2030 and has been developing charging infrastructure at a rapid pace. In Japan, commercial EVs, such as delivery trucks and public transport buses, tend to be increasing ahead of general passenger cars. However, as the batteries of commercial EVs are seeing an increase in capacity, there are cases where the output of a standard charger is not enough to fully charge the vehicle in time for use the next morning. Commercial EVs also face various operational issues, such as regular maintenance of charging cables, forgetting to charge, cable routing, and securing the necessary time and personnel for charging.

By enabling quick charging with an output of 15 kW (up to 30 kW or 45 kW output is possible with multi-plug simultaneous charging), which is five times the typical output of a standard charger (3 kW), this product supports large-capacity batteries. It also eliminates the hassle of charging, as users can simply park their vehicle to charge it and eliminates the need for regular cable maintenance, improving convenience and achieving both higher charging output and improved convenience, thereby contributing significantly to promoting the spread of EVs.



#### TOPICS

#### Establishment of “Wireless EV Alliance”

In June 2024, the “Wireless EV Alliance” was established by the five companies—DAIHEN, Kansai Electric Power Company, SINANEN, Mitsubishi Research Institute, and WiTricity. The Alliance aims to commercialize wireless power transfer systems for EVs. The Alliance has invited companies and organizations from a wide range of fields, including charger manufacturers, car manufacturers, government ministries, universities, and research institutes, to join as regular members and observers, together with whom it promotes institutionalization, standardization, and commercialization through industry-academia-government collaboration.



### Development of a “unit-type power conditioner for grid storage batteries”

Solar and wind power generation and other renewable energy are being introduced more widely and promoted to become the primary power source. However, since the output of renewable energy fluctuates depending on the season and weather, expectations are rising for grid storage batteries as a means of adjusting power in response to fluctuations in renewable energy output. The Japanese government also plans to provide various support measures, including its policy to spend a portion of its decarbonization investment budget, which is to exceed 150 trillion yen in the public and private sectors over the next 10 years or so, on storage batteries.

Going forward, grid storage batteries are expected to increase in scale. As a result, the effort required to find optimal land for installation, as well as the costs such as for acquiring this land and constructing facilities, will pose challenges. There are also operational challenges, such as penalties being imposed if output decreases due to equipment shutdowns and other issues.

This product is the industry's first unit-type power conditioner supporting high voltages of 1500 V. It can be connected to high-energy-density storage batteries, which significantly reduces the number of storage battery equipment units, power conditioners, and transformers. Doing so not only significantly reduces costs, but also decreases the installation area by approximately 40% compared to conventional products. Furthermore, due to its unit-type specification, even if a malfunction occurs in one of the units or storage batteries, this part can be automatically isolated to continue operation and minimize the impact of the shutdown.



### Winner of the “Japan Electrical Construction Association’s Chairman Award” at the JECA FAIR 2024 Product Competition

Our “high-capacity storage battery package” equipped with a unit-type power conditioner received the “Japan Electrical Construction Association’s Chairman Award” at the JECA FAIR 2024 Product Competition.



### Launch of “FD-VC4” collaborative robot ideal for arc welding



We have launched “FD-VC4,” a collaborative robot ideal for arc welding.

Industrial robots are increasingly in use to address societal issues such as labor shortages and diversifying work styles and 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 without the need for safety fences.

Our robots 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. Going forward, we aim to expand sales by promoting the development of a long-reach type that can be used in a wider range of applications as well as collaborative robots with various features other than welding.

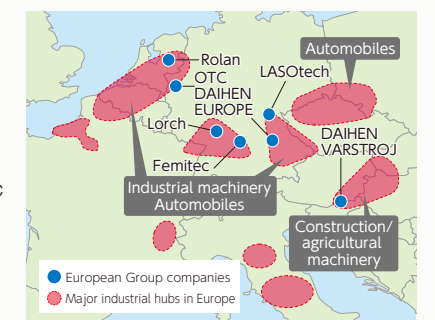
#### TOPICS

#### Expansion of European business

We acquired Lorch, a manufacturer of welding machines that has the second largest market share in Germany, in fiscal 2023 and Rolan Robotics, a Dutch system integrator, in April 2024.

In 1983, we established OTC DAIHEN EUROPE as our first business location in Europe. Since then, we have systematically acquired VARSTROJ, LASOtech, and Femitec to expand our lineup.

We aim to achieve net sales of 26.0 billion yen in fiscal 2026 by having our six European Group companies mutually leverage their products and sales channels. This will enable us to gain a leading share in the European welding equipment-related market.





## Efforts to Develop Products that Contribute to Solving Societal Issues

### Launch of “DIGITAL AUTOMELT” digital submerged arc welding system for thick plate welding



Digital inverter-type AC/DC generator “WB-S1500”

We have launched “DIGITAL AUTOMELT,” a digital submerged arc welding system for thick plate welding.

Submerged arc welding machines are used in shipbuilding and a wide range of other industries including construction, steel frames of buildings, and bridges, as a welding method that can ensure stable quality with automated machine specifications. However, these machines require various skills and know-how, such as the fine-tuning of welding condition settings to suit the application and environment where they are used. In addition, in industries related to manufacturing, passing on such skills has become an issue due to labor shortages and a decrease in the number of experienced technicians, resulting in strong demand for de-skilling. Demand for new applications such as monopiles, which form the foundation of wind power generation facilities, is also growing, as is the need for even higher efficiency.

As this product is digitalized, it does not require any technical skills, enabling easy and highly reproducible welding. Its 1500 A output, the world’s largest output for digital machines, also improves productivity and solves various problems related to thick plate welding.



Two-electrode submerged welding machine “SWT-24D”

### Establishment of “Applied Plasma Division”

We established the “Applied Plasma Division” in April 2024. This division provides processing equipment and processes (plasma sources) that apply plasma technology used for the detoxification of greenhouse gases and the surface treatment of metals, semiconductors, and resins, etc.

A plasma source is a device that converts gas into high-energy plasma using high-frequency power. It brings out the maximum performance of semiconductor manufacturing equipment by effectively breaking down and removing dirt that has built up inside. Going forward, we will further expand this business by promoting application development and broadening the range of uses.



Plasma source for chamber cleaning

#### TOPICS

### Completion of “Kunugiwara Plant” at DAIHEN Industrial Machinery Corporation

In anticipation of further expansion of the semiconductor-related market against the backdrop of increasing demand for generative AI and other factors, we extended the “Kunugiwara Plant” at DAIHEN Industrial Machinery Corporation, a production base for RF generator systems for semiconductor manufacturing equipment (a two-story building with a total floor area of 8,500m<sup>2</sup>), and began full-scale operation in September 2024.

In the Phase I construction, we increased production capacity by 40% by automating some processes, including the introduction of a state-of-the-art automated warehouse in addition to the expansion of the plant.

Going forward, in line with demand trends, we plan to extend automated inspection equipment and other facilities in the Phase II construction and to expand operations to roughly double the current level (equivalent to net sales of 70.0 billion yen).



Exterior photo of the Kunugiwara Plant at DAIHEN Industrial Machinery (The extended part is outlined in red.)

## 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.





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.

1 Promote product development that addresses societal issues.

2 Promote energy-efficiency initiatives.

3 Promote resource conservation, waste reduction, and recycling.

4 Reduce the environmental impact of the use of chemical substances.

5 Promote green procurement.

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.

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.

4 Raise environmental awareness

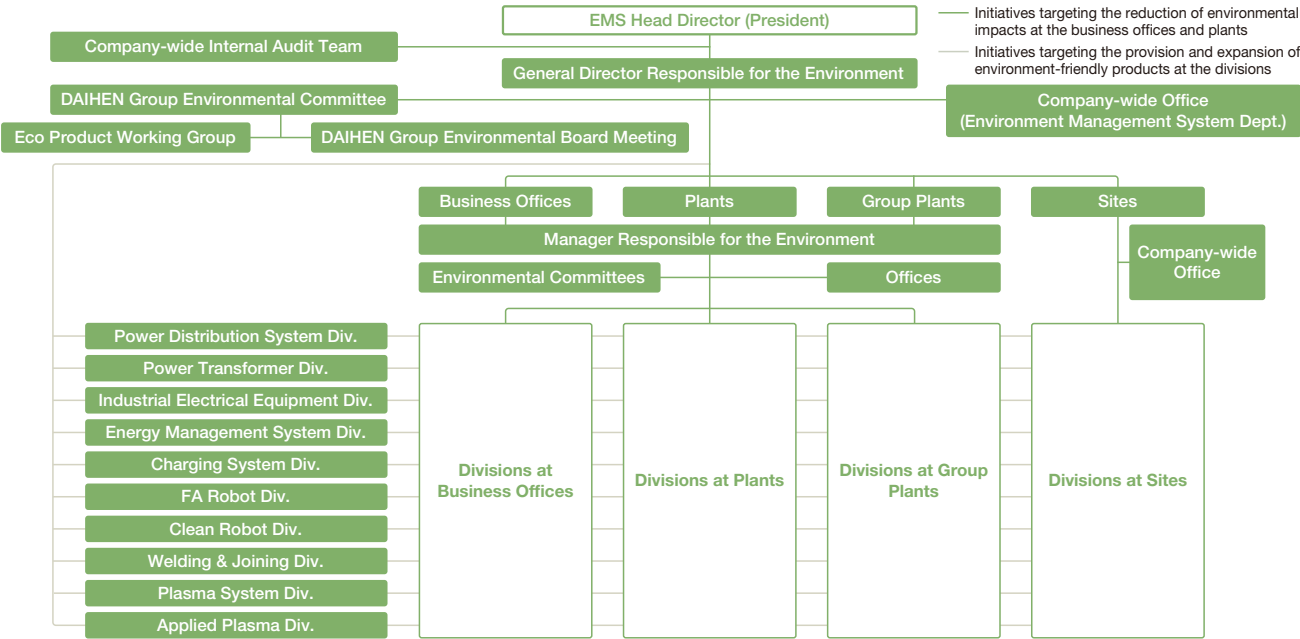
In order to increase environmental awareness, we shall enhance environmental education and deepen understanding of our environmental policy among all involved in our organization.

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 EMS\*1 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 Group\*2 and the DAIHEN Group Environmental Board Meeting\*3 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 inhouse 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 8th Voluntary Environmental Action Plan for fiscal 2024–2026, we place particular focus on achieving a 46% reduction in CO<sub>2</sub> emissions by fiscal 2027 compared to fiscal 2013 with an eye to realizing a society committed to decarbonization, and will work to carry out energy conservation activities and introduce renewable energy.

Fiscal 2023 results in the DAIHEN Group's 7th Voluntary Environmental Action Plan (excerpt)

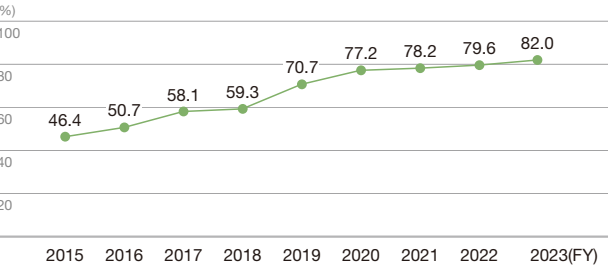
Corporate objective	Stage	Policies	Targets for fiscal 2023	Results of initiatives in fiscal 2023	Initiatives in fiscal 2023	Evaluated by DAIHEN
Simultaneous contentment for all	Products	Expanding sales of environment-friendly products	•Environment-friendly products Achieve an environment-friendly product net sales composition ratio of at least 81%.	82.0% of all net sales accounted for by environment-friendly products	•31 models of environment-friendly products •Net sales of environment-friendly products: 107,520 million yen Total product net sales: 131,047 million yen	○
		Preventing global warming in the supply chain (Scope 3, Category 11)	•Reduce CO <sub>2</sub> emissions intensity (Scope 3, Category 11) by at least 0.5% from the fiscal 2022 level	12.8% reduction	•CO <sub>2</sub> emissions per unit of net sales (Scope 3, Category 11): 40.2 t-CO <sub>2</sub> /million yen Reference: CO <sub>2</sub> emissions (Scope 3, Category 11) totaled 6,093,000 t-CO <sub>2</sub>	○
		Focusing on increasing avoided emissions as part of our effort to reduce CO <sub>2</sub> emissions	•Increase avoided CO <sub>2</sub> emissions (accumulated) to at least 33,000 t-CO <sub>2</sub>	Avoided CO <sub>2</sub> emissions (accumulated): 33,913 t-CO <sub>2</sub>	•Avoided CO <sub>2</sub> emissions: 11,736 t-CO <sub>2</sub> (Avoided CO <sub>2</sub> emissions in fiscal 2022: 22,177 t-CO <sub>2</sub> )	○
	Processes	Preventing global warming (Scope 1 + 2)	•Reduce CO <sub>2</sub> emissions intensity by at least 2% from fiscal 2022 levels	4.3% increase	•CO <sub>2</sub> emissions intensity: 0.132 t-CO <sub>2</sub> /million yen Reference: CO <sub>2</sub> emissions totaled 20,047 t-CO <sub>2</sub>	×
		Protection of biodiversity	•Reduce water consumption intensity by at least 5% from fiscal 2022 levels	6.7% increase	•Water consumption intensity: 0.84 m <sup>3</sup> /million yen Reference: Water consumption totaled 126,713 m <sup>3</sup>	×
		Waste reduction	•Waste disposal intensity Reduce waste disposal intensity by at least 1% from fiscal 2022 levels	3.9% increase	•Waste disposal intensity: 6.05 kg/million yen Reference: Waste disposal totaled 916.8 tonnes (excluding reusable resources)	×
		Air pollution control	•Reduce atmospheric emissions of chemical substances subject to the PRTR by at least 15% from fiscal 2020 levels	18.6% reduction	•Atmospheric emissions of chemical substances subject to PRTR: 62,994 kg	○

Please refer to our website for more information on the fiscal 2023 activity results of the DAIHEN Group's 7th Voluntary Environmental Action Plan.  
<https://www.daihen.co.jp/sustainability/environment/vap.html> (Japanese only)

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.

Ratio of environment-friendly products to net sales\*



\*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

Focusing on increasing avoided emissions as part of our effort to reduce CO<sub>2</sub> emissions

For our products related to expanding the use of renewable energy, energy management systems (EMS), and the adoption of EVs, we define avoided CO<sub>2</sub> emissions as the CO<sub>2</sub> 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 which 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 CO<sub>2</sub> emissions reduction. The avoided CO<sub>2</sub> emissions were 33,913 t-CO<sub>2</sub> in fiscal 2023.

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 2023, the audit observed 174 audit findings (0 nonconformities, 82 observations, and 92 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 measures taken in response to the observations made in external audits are deployed by a cross-departmental manner and are taking root



Internal audits



Responding to Recommendations Under the TCFD Framework

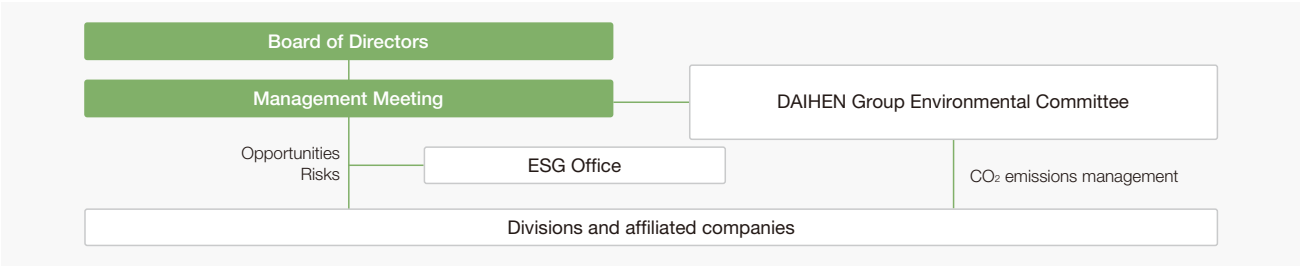
We endorse TCFD\*1 recommendations and pledge to strengthen our response to climate change and other environmental issues. At the same time, we strive to enhance the disclosure of risks and opportunities associated with climate change in keeping with the framework of TCFD recommendations.

\*1 The 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 scenario\*2. The following table outlines the key climate-related risks and opportunities and countermeasures.

\*2 The 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 <sup>3</sup>	Impact	Major initiatives
[2°C Scenario]					
Transition risks	Policies & regulations	<ul style="list-style-type: none"><li>Increased procurement costs, procurement challenges, and stagnating production due to deterioration in the supply-demand balance arising from a decreased supply of fossil fuels as a result of regulations, concentration of demand for green power, etc., and uneven demand for materials</li><li>Increase in procurement costs for fuels and other materials due to the introduction of carbon taxes and emissions trading</li><li>Increased costs from product design changes and production equipment resulting from stricter regulations</li></ul>	Short to long term	Moderate	<ul style="list-style-type: none"><li>Strengthening R&amp;D related to environmental considerations</li><li>Promoting eco-friendly design</li><li>Strengthening the supply chain and substituting with alternative parts</li><li>Considering the introduction of self-consumption power generation facilities providing renewable energy</li><li>Adopting targets based on environmental plans and reducing CO<sub>2</sub> emissions and electricity consumption to meet the targets</li></ul>
	Technology	<ul style="list-style-type: none"><li>Increase in R&amp;D costs for eco-friendly technologies</li><li>Decreased sales due to delays in the development of environment-friendly products</li></ul>	Medium to long term	High	<ul style="list-style-type: none"><li>Strengthening development and improving development efficiency through joint research and collaborations with research institutes, universities, and other companies</li></ul>
	Markets	<ul style="list-style-type: none"><li>Market shrinkage or loss of markets for our products due to innovation</li><li>Loss of customer trust due to delays in responding and increased financing costs</li></ul>	Medium to long term	Moderate	<ul style="list-style-type: none"><li>Promoting businesses suited for the circular economy<sup>4</sup></li><li>Enhancing disclosure of environmental information</li></ul>
Opportunities	Products & services	<ul style="list-style-type: none"><li>Expanding business opportunities by leading the development of eco-friendly technologies</li><li>Growing demand for environment-friendly products</li><li>Increased demand for capital investment for resilience initiatives</li></ul>	Short to long term	High	<ul style="list-style-type: none"><li>Developing products and systems that contribute to the realization of a decarbonized society (grid and self-consumption storage battery systems, EV charging infrastructure, joining machines for lighter EVs, etc.)</li></ul>
[4°C Scenario]					
Physical risks	Acute	<ul style="list-style-type: none"><li>Increased costs of shutdowns and disaster recovery due to intensifying weather disasters and instability of supply chains</li></ul>	Short to long term	High	<ul style="list-style-type: none"><li>Developing a business continuity plan, strengthen the supply chain, strengthen countermeasures for parts procurement risks (such as multiple purchases that may entail design changes)</li></ul>
	Chronic	<ul style="list-style-type: none"><li>Spread of disease and damage to employee health</li><li>Increased cost of countermeasures against flood risk at business locations due to rising sea levels</li></ul>	Medium to long term	Low	<ul style="list-style-type: none"><li>Increasing automation and labor-saving innovations at production facilities, etc.</li><li>Considering relocating business offices</li></ul>

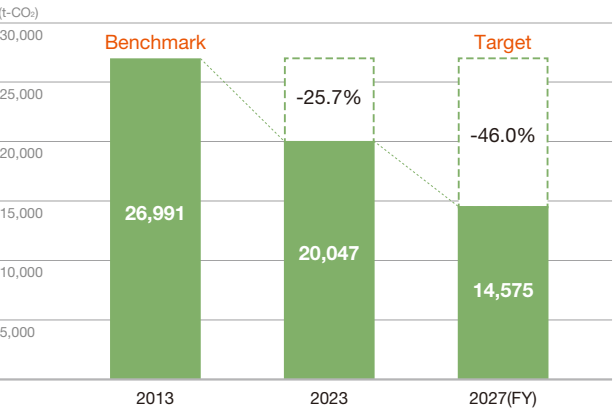
\*3 Short term of three years; medium term targeting 2030; long term targeting 2050  
\*4 The circular economy envisions economic activity adding value through waste-free design and shared services in addition to the “3 Rs.”

[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. We prepared 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 plan to operate entirely on renewable energy. In this way, we are actively advancing efforts towards decarbonization. We have set a target of a 46% reduction in CO2 emissions (Scope 1 + 2) by fiscal 2027, which is ahead of the Japanese government plan, compared to fiscal 2013. Our CO2 emissions (Scope 1 + 2) were 20,047 t-CO2 in fiscal 2023, a 25.7% reduction from fiscal 2013.



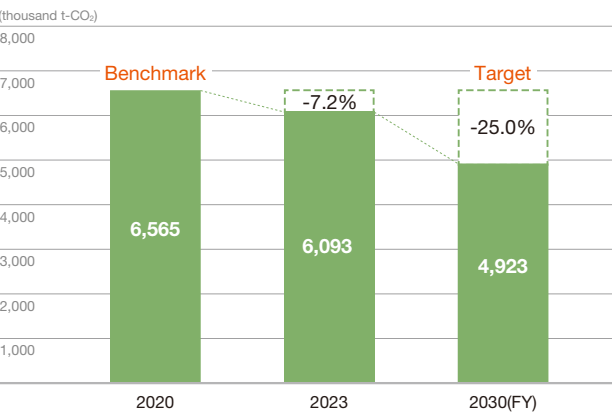
Scope of calculation: DAIHEN Corporation (Juso Business Office, Rokko Business Office, Mie Business Office, Chitose Plant, and Kanehira Plant), production sites of affiliated companies (Tottori Plant, Oita Plant, Matsudo Plant, Eniwa Plant, Hirosaki Plant, and Kagawa Plant), and production sites outside 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.)



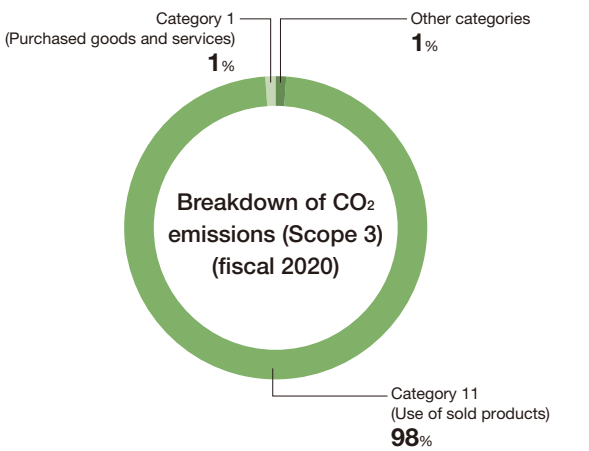
Solar power generation equipment (Tottori Plant)

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, for Category 11, we have set a target of a 25% reduction in CO2 emissions (Scope 3, Category 11) by fiscal 2030 compared to fiscal 2020. Our CO2 emissions (Scope 3, Category 11) were 6,093 thousand t-CO2 in fiscal 2023, a 7.2% reduction from fiscal 2020.



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)

- (1) Enhancement of development capabilities

  - 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
- (2) Enhancement of management capabilities

  - Select and develop candidates to become next-generation management
- (3) Promotion of women’s participation and advancement in the workplace

  - Change the mindsets of female employees and managers with female subordinates
  - Enhance support for balancing work with childcare responsibilities
- (4) Improvement of employee engagement

  - Conduct regular engagement surveys and increase the ratio of positive responses in overall results
- (5) Promotion of securing safety and health

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

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. 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. 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.

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.

In addition to improving the work environment and providing various support systems, we are also actively promoting female employees to more responsible positions. We provide approximately three days of training for eligible employees, and through the provision of practical programs such as lectures by upper management, lectures by and dialogue with female directors, and labor management, we are working to enhance the skills and perspectives necessary to become a role model for female employees. Additionally, our “General Employer Action Plan” was updated by a review committee consisting of labor and management to ensure that female employees are able to play an active role.



Training for female managers

Action plan based on the Act on Promotion of Women’s Participation and Advancement in the Workplace

1. Purpose: Create a workplace where women can better demonstrate their skills and play a more active role

2. Period of the plan: June 1, 2024 to May 31, 2027 (three years)

3. Target

(1) Increase the percentage of women among new hires(new graduates and mid-career hires) to 10% or more

<Initiatives>

  - Female employees that play an active role conduct recruitment activities and expand contact with students, especially women.
  - Actively promote female employees to more responsible positions and increase the number of role models for female employees
  - Work with each business division to formulate and
- execute development plans that will lead to the active participation of female employees

  - Regularly listen to the opinions of female employees, identify issues, and take measures to address them

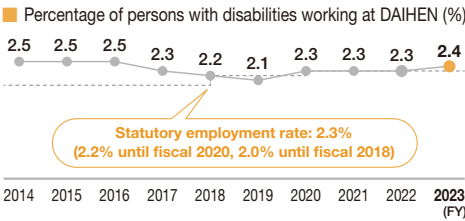
(2) Increase the annual paid leave (annual leave) utilization rate to 70% or more

<Initiatives>

  - Utilize the intranet and training programs to create a workplace culture that makes it easy for employees to take annual leave (Hold awareness-raising seminars for supervisors, etc.)
  - Encourage workplaces with low annual leave utilization rates to make improvements and take measures

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 intellectual disabilities while improving the working environment for these individuals.



Creating Workplace Environments Where People of All Nature Can Enjoy Working

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 balance work with childcare, etc., 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, and subsidizing nursery center costs.

In September 2023, we opened the “DAIHEN Aizo Kobayashi Memorial Nursery School,” an in-house daycare center for DAIHEN Group employees,

at our Juso Business Office. The facility can flexibly accommodate sudden changes in plans, work-related circumstances, and more. Users have commented, “I can concentrate on my work without worrying about the time” and “The facilities and equipment are well-equipped, so I feel at ease.”

DAIHEN Group Heart Festival

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

Many employees of the Company, group companies and partner companies in Japan, and their families participated in the festival. 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)

Respect for Human Rights

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 established a human rights policy that clearly states our respect for human rights, which is the foundation of that contentment. Based on this policy, we will engage in human rights due diligence and carry out initiatives to prevent and mitigate adverse impacts on human rights.

- Human rights policy in the sustainability section of the DAIHEN corporate website (Japanese only)  
<https://www.daihen.co.jp/sustainability/pdf/social/Human-rights-policy.pdf>

Establishing and implementing “Safety Check Day”

Every year, December 15 is designated as “Safety Check Day,” where all employees conduct checks of their own safety awareness and behavior. The chairperson of the DAIHEN Group Health and Safety Committee sends out a safety message, and ensures that individual employees at all workplaces have time to think about safety (time dedicated to safety) during working hours. Safety patrols are also carried out by managers and supervisors, which helps to nip in the bud any further dangers that may lurk in the workplace.



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 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.



Summertime festival at the Juso Business Office site

In recent years, the event had been canceled to prevent the spread of COVID-19, but in fiscal 2023 we held it for the first time in four years, with about 2,800 people participating.

Sponsoring local events

We sponsor the Naniwa Yodogawa Fireworks Festival, held in Yodogawa-ku, 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.



Volunteer cleanup activities for the fireworks festival

Providing learning opportunities to neighborhood schools

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



Students observing our robots

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. Among food and water (bottled water and instant rice) stockpiled in-house to prepare for an evacuation following a natural disaster, we donate those with expiration dates approaching to the food banks of local social welfare councils, NPOs, and other organizations. We also collect excess food (rice, snacks, canned food, etc.) from employees’ homes for donations.



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

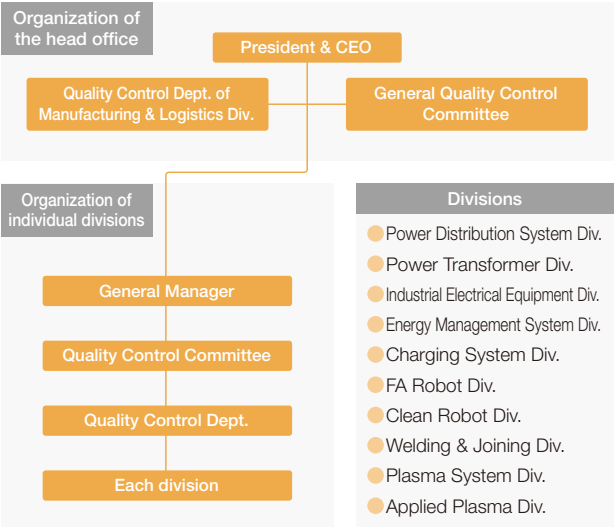
We have a strong determination to, through the provision of our products and services, meet our share of social responsibilities, such as helping to improve the electrical infrastructure that powers modern life and elevate manufacturing around the world to new heights. Since our founding, we have constantly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

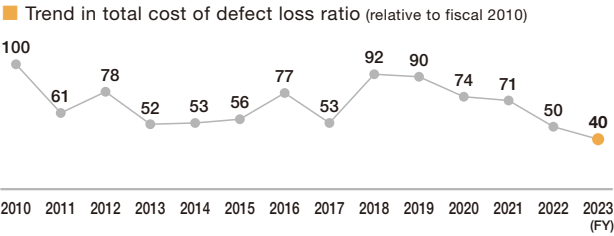
Quality assurance system

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.



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.

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

Automation of inspection process in the FA Robot Division

The FA Robot Division utilizes in-house robots and laser sensors in the robot inspection process to automate the robot precision adjustment and inspection that used to rely on human senses to record all inspection data. Automating the inspection process in this way has resulted in stable and uniform quality and improved productivity.

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.

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.

Establishment of Sustainable Procurement Guidelines

In order to promote initiatives across the entire supply chain, we have established the “DAIHEN Group Sustainable Procurement Guidelines” for suppliers.

We ask that suppliers related to our business cooperate in responsible procurement activities in accordance with these guidelines.

Briefings to explain our procurement policy and practices to suppliers

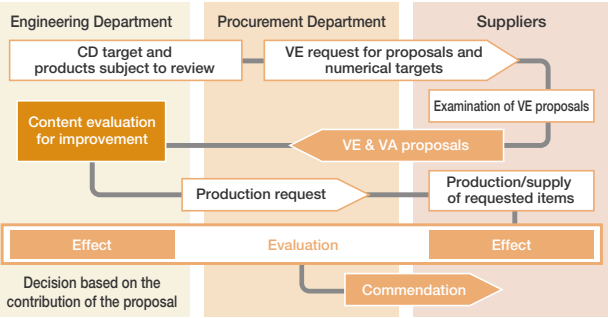
In order to promote mutual understanding between suppliers and us, we invite them to policy briefings every year. In addition to explaining our business policies, procurement policies, and annual plans of each division, we give awards to companies that have achieved outstanding results in business transactions.

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 2023, 133 suppliers responded to the surveys.

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

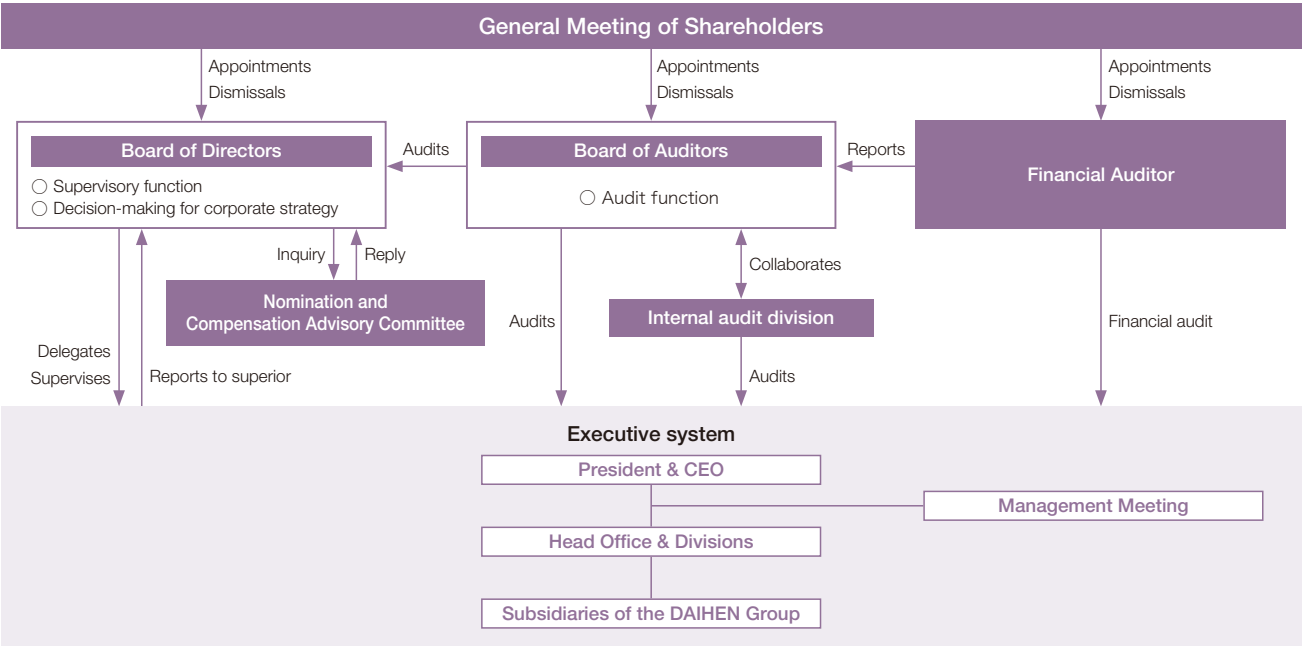
With the aim of contributing to the conservation of the global environment and the establishment of a recycling society by providing environment-friendly products, we conduct green procurement initiatives aimed at procuring parts and materials with low environmental impact and thoroughly managing prohibited 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

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. Recognizing that the corporate governance system serves as an important foundation for fulfilling our goals, we are working to build and strengthen an effective system for the entire Group.

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, 2024)

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., Power Transformer Div., and safety 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	In charge of European and American Business 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 June 28, 2024)

Executive Vice President	Ichiro Yamano	General Manager of Manufacturing & Logistics Div.
Senior Vice President	Shingo Wada	Senior Managing Director and Representative executive officer of SHIHEN TECHNICAL Corporation
Senior Vice President	Tomoyuki Ueyama	Head of European Business, Chairman of OTC DAIHEN Europe GmbH
Senior Vice President	Tadashi Kuriyama	General Manager of Power Distribution System Div., General Manager of Power Products Sales Div.
Senior Vice President	Masana Morioka	General Manager of Planning Div.; General Manager of Corporate Planning Dept., and General Manager of Investor Relations Dept., Planning 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	Kazuki Kondo	General Manager of Industrial Electrical Equipment Div.; General Manager of IH Equipment Dept., Industrial Electrical Equipment Div., Deputy General Manager of Power Products Sales 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.
Vice President	Yuji Yoshizako	General Manager of Applied Plasma Div.; General Manager of Engineering Dept., Applied Plasma Div.
Vice President	Syuji Miyake	General Manager of Charging System Div.
Vice President	Akira Ishii	General Manager of Plasma System Div.
Vice President	Matjaz Vnuk	President of DAIHEN VASTROJ welding cutting and robotics d.d.
Senior Fellow	Hiroaki Oichi	General Manager of Research & Development Div.; General Manager of AI Application Technology Development Dept., Research & Development Div.
Fellow	Yasuhiro Nishimori	Deputy General Manager of Research & Development Div.; in charge of Dept. of Inverter Technology Development, 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)

①Fixed compensation	75%	Compensation is determined according to position
②Performance-based compensation	20%	Compensation that reflects short-term company-wide performance
③Stock 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 nine.

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 8.0% (down 0.9 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)	3,500 shares of common stock of the Company	7
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, etc.	Non-monetary compensation, etc.	
Member of the Board (of which Outside Directors)	373 (28)	321 (28)	33 (—)	18 (—)	10 (3)
Auditors (of which Outside Auditors)	65 (28)	65 (28)	— (—)	— (—)	6 (3)

\*Amounts of less than one million yen are rounded down.

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.

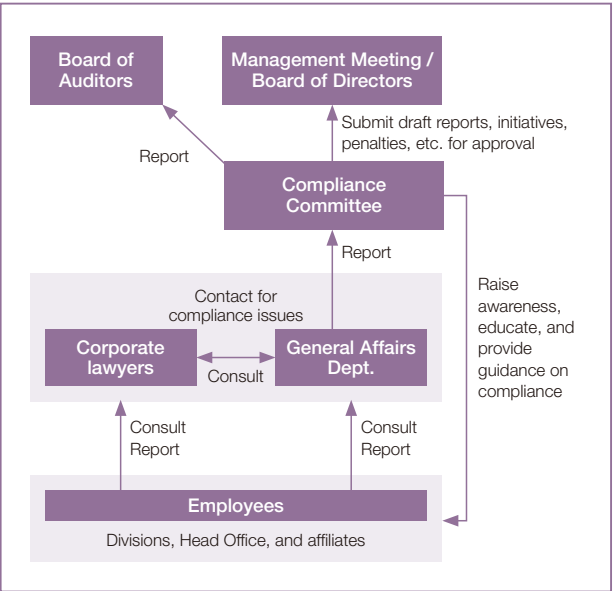


Guide to Compliance with Laws and Regulations

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 Energy Management Business, demand mainly stems from upgrades to/expansion of power transmission and distribution facilities in Japan and Southeast Asia, the construction of new buildings and plants and upgrades to aging facilities, and decarbonization-related investments such as self-consumption solar power generation and EV charging systems in Japan. In the Factory Automation Business, demand is largely related to investments associated with EVs and production automation in Japan and overseas. In the Material Processing Business, demand mainly stems from investments related to semiconductor manufacturing equipment and shipbuilding/construction. 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 as such, we aim 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 business environment

In fiscal 2024, overseas net sales accounted for 21.0% 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.

The risks posed by current social conditions are as follows.

The expansion of restrictions on exports to China led by the

United States could cause suppressed investments and the stagnation of economic activity, adversely affecting our operating results and financial position.

#### 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, 2024, the balance of consolidated interest-bearing liabilities (total amount of long- and short-term borrowings) was 66,164 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

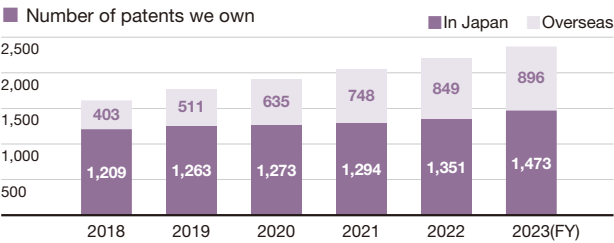
We conduct design reviews and patent clearances when developing new products or modifying designs to make sure we steer clear of rights that belong to others, while regularly reading through public gazettes that report on new patents and the like. In doing so, we thoroughly ensure that we do not infringe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

### Situation of intellectual property rights

The number of patents we own has increased as shown below. We will continue to work on our intellectual property and strive to create products and technologies unique to DAIHEN through R&D activities.



## 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023(FY)
Operating results											
Net sales	109,206	122,060	131,197	134,870	149,448	143,457	145,044	145,144	160,618	185,288	188,571
Operating profit	6,343	8,415	9,329	8,705	10,054	8,369	9,065	12,183	14,191	16,568	15,145
Ordinary profit	6,675	8,989	9,231	8,879	10,244	8,717	9,356	13,762	15,790	17,660	16,082
Profit attributable to owners of parent	3,275	5,808	7,220	6,252	6,831	6,166	6,672	9,411	10,985	13,193	16,494
Research and development expenses	3,846	4,845	5,177	5,441	5,696	5,422	5,237	5,397	5,980	6,311	6,152
Development funds*1	—	—	6,418	6,868	7,350	7,206	6,995	6,890	7,344	7,856	7,754
Capital investment	2,900	3,685	5,820	8,412	9,652	7,615	3,491	3,967	4,420	4,872	8,278
Depreciation	4,049	4,432	4,250	4,503	4,901	5,479	5,538	5,121	5,036	5,069	5,324
Financial position											
Total assets	118,444	132,504	138,784	151,709	167,803	167,575	162,327	175,132	194,801	212,690	276,624
Net assets	56,829	65,402	70,476	75,285	82,107	82,703	85,344	96,921	105,636	119,905	148,595
Interest-bearing liabilities	28,414	25,544	28,639	30,236	34,031	41,356	33,951	30,712	28,654	34,268	67,613
Equity	54,883	63,161	65,525	69,942	76,715	77,358	79,964	91,174	99,693	113,800	134,136
Cash flows											
Net cash provided by (used in) operating activities	8,009	10,247	5,317	10,672	5,943	2,081	17,057	13,937	12,950	(7,233)	(8,993)
Net cash provided by (used in) investing activities	(2,705)	(3,881)	(5,846)	(6,977)	(8,007)	(7,358)	(4,318)	(3,899)	(3,299)	(4,717)	(10,564)
Net cash provided by (used in) financing activities	(4,671)	(4,020)	1,696	(1,485)	1,678	4,434	(10,702)	(5,576)	(5,308)	1,895	25,954
Free cash flow	5,304	6,366	(529)	3,695	(2,064)	(5,277)	12,739	10,038	9,651	(11,950)	(19,557)
Cash and cash equivalents at end of period	8,416	11,078	11,957	13,803	13,671	12,403	14,830	19,071	24,409	14,853	22,077
Stock information											
Dividends (Yen)*2	7 (35)	8 (40)	12 (60)	12 (60)	15 (75)	48 (80)	85	90	110	162	165
Consolidated payout ratio (%)	27.3	17.6	21.2	24.2	27.6	32.4	31.6	23.6	24.7	30.1	24.5
EPS (Earnings per share) (Yen)*2	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	673.20
BPS (Book value per share) (Yen)*2	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	5,493.67
Management indicators											
Ratio of operating profit to net sales (%)	5.8	6.9	7.1	6.5	6.7	5.8	6.3	8.4	8.8	8.9	8.0
Share of international sales (%)	22.8	25.3	21.0	22.4	23.4	22.7	22.0	20.9	23.1	20.8	21.0
Development funds ratio (%)*1	—	—	4.9	5.1	4.9	5.0	4.8	4.7	4.6	4.2	4.1
ROE (%)*3	6.3	9.8	11.2	9.2	9.3	8.0	8.5	11.0	11.5	12.4	13.3
ROA (%)*4	2.9	4.6	5.3	8.2	4.3	3.7	4.0	5.6	5.9	6.5	6.7
Equity ratio (%)	46.3	47.7	47.2	46.1	45.7	46.2	49.3	52.1	51.2	53.5	48.5
D/E ratio (Times)*5	0.52	0.40	0.44	0.43	0.44	0.53	0.42	0.34	0.29	0.30	0.50

Main non-financial data	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023(FY)
Number of employees	3,922	3,849	4,036	3,943	3,861	3,803	3,876	3,814	3,783	3,732	4,669
Average years of service*6	13.5	13.7	14.5	14.9	15.5	15.9	16.2	14.3	17.1	17.5	18.1
Voluntary turnover rate (%)*6	0.6	0.8	1.5	0.9	1.3	1.8	1.0	1.0	1.7	1.8	2.2
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	82.0
CO <sub>2</sub> emissions (Scope 1 + 2) (t-CO <sub>2</sub> )*8 *9	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	20,047
Water consumption (m <sup>3</sup> )*9	165,886	169,552	149,418	155,789	152,098	146,112	126,368	118,726	121,372	126,490	126,713
Waste discharged (t)*9	933.0	924.0	1,062.0	913.0	911.0	993.8	928.0	900.7	859.7	939.8	916.8
Atmospheric emissions of chemical substances subject to PRTR (kg)*9	43,566	50,804	84,659	83,542	101,758	99,949	109,180	77,380	68,167	54,575	62,994

\*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 CO<sub>2</sub> 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). CO<sub>2</sub> 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. (Fukutsu-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

DAIHEN Industrial Machinery Corp.



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

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

SHIHEN TECHNICAL Corporation



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

KYUHEN Co., Inc.



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

The Chugoku Electric Manufacturing Co., Inc.



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

Tohoku Electric Manufacturing Co., Ltd.



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

Network overseas

1 DAIHEN, Inc. (USA)



Sale of welding machines, cutting machines, industrial robots, etc. in North, Central and South America

2 DAIHEN Advanced Component, Inc. (USA)



Sale of RF generators, clean transfer robots, etc.

3 DAIHEN Mexico S.A. de C.V.



Sale of welding machines, cutting machines, industrial robots, etc.

4 OTC DAIHEN Europe GmbH (Germany)



Sale of welding machines, cutting machines, industrial robots, etc. in Europe

5 DAIHEN VASTROJ welding cutting and robotics d.d. (Slovenia)



Manufacture and sale of welding machines and system products in Europe

6 Rolan Robotics B.V. (Netherlands)



Design, manufacture, sale, and after-sales service of system products in Europe

7 LASOtech Systems GmbH (Germany)



Manufacture and sale of system products in Europe

8 Femitec GmbH (Germany)



Design, manufacture, and sale of system products in Europe



11 OTC DAIHEN Bangkok Co., Ltd. (Thailand)



Development, manufacture, and sale of welding machines and related parts, and sale of industrial robots

10 OTC DAIHEN Asia Co., Ltd. (Thailand)



Manufacture and sale of welding machines, cutting machines and related parts in Southeast Asia and Oceania

12 DAIHEN Electric Co., Ltd. (Thailand)



Manufacture and sale of power transformers, etc.

13 OTC DAIHEN India Pvt. Ltd.



Sale of welding machines, cutting machines, industrial robots, etc.

14 PT. OTC DAIHEN INDONESIA



Sale of welding machines, cutting machines, industrial robots, etc.

15 OTC Industrial (Shanghai) Co., Ltd. (China)



Sale of welding machines, cutting machines, industrial robots, etc.

16 OTC (Taiwan) Co., Ltd.



Sale of welding machines, cutting machines, industrial robots, etc.

17 Mudanjiang OTC Welding Machines Co., Ltd. (China)



Manufacture of welding machines and related parts

18 OTC Industrial (Qingdao) Co., Ltd. (China)



Manufacture of welding machines and related parts, RF generators, etc.

19 DAIHEN OTC (Beijing) Co., Ltd. (China)



Manufacture of transformers, etc.

20 DAIHEN Advanced Machinery (Changshu) Co., Ltd. (China)



Manufacture, sale, maintenance and inspection of clean transfer robots, industrial robots, etc.

21 DAIHEN Korea Co., Ltd.



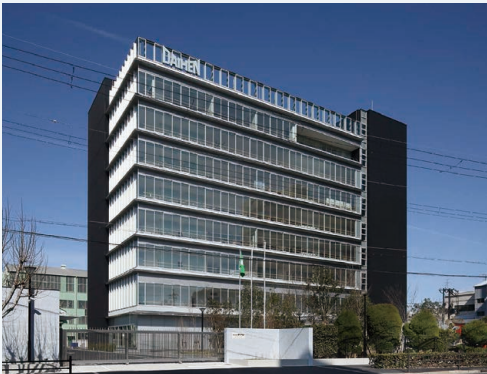
Manufacture, sale, maintenance and inspection of welding machines, cutting machines, industrial robots, RF generators, clean transfer robots, etc.

OTC Osaka Transformer Co., Ltd. "OTC" is the brand name DAIHEN uses outside of Japan.



Corporate Data

Company name	DAIHEN Corporation
Date established	December 1, 1919
Share capital	10,596 million yen
Net sales	188,571 million yen (the fiscal year ended March 2024, consolidated)
Employees	4,669 (As of March 2024, 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	< Head Office > 2-1-11 Tagawa, Yodogawa-ku, Osaka 532-8512 Japan Tel: +81-6-6301-1212 < Tokyo Head Office > 22nd Floor, Otemachi Financial City North Tower, 1-9-5 Otemachi, Chiyoda-ku, Tokyo 100-0004 Japan
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, Chubu Branch, Chugoku Branch, Kyushu Branch
Website	https://www.daihen.co.jp/



Head Office (Juso Business Office)

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



Showrooms (1F Head Office)

Stock Information (As of March 31, 2024)

Stock data

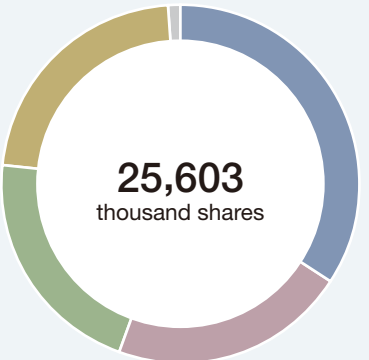
Total number of shares authorized to issue	108,000,000 shares
Total number of issued shares	25,603,291 shares
Number of shareholders	9,532

Shareholder information

Name of shareholder	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	3,072	12.59
Custody Bank of Japan, Ltd. (Trust account)	1,858	7.61
The Kansai Electric Power Company, Incorporated	1,460	5.98
Sumitomo Mitsui Banking Corporation	1,085	4.45
Sumitomo Mitsui Trust Bank, Limited	658	2.70
DAIHEN Business Partner Shareholding Association	602	2.47
DAIHEN Group Employee Shareholding Association	427	1.75
VICTORY TRIVALENT INTERNATIONAL SMALL-CAP FUND	362	1.48
Iwatani Corporation	349	1.43
Mitsui Sumitomo Insurance Company, Limited	263	1.08

Note: The Company holds 1,186 thousand treasury shares, and the shareholding ratio is calculated excluding those treasury shares.

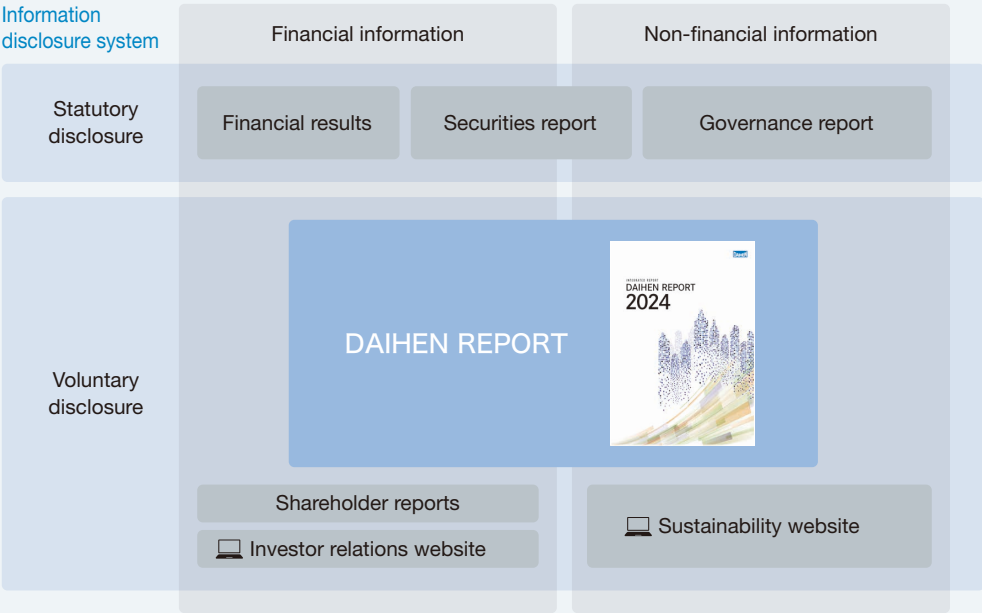
Shareholding by shareholder category



Financial institutions	8,765 thousand shares / 34.2%
Individuals	5,510 thousand shares / 21.5%
Other corporations	5,388 thousand shares / 21.1%
Offshore corporations	5,705 thousand shares / 22.3%
Brokerage firms	234 thousand shares / 0.9%

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
Society	Environmental account	ESG data	Governance report
	Human resource strategy		News releases (related to sustainability)
	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		
	Human rights policy		

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/>





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