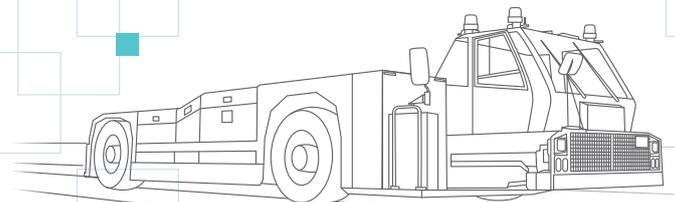
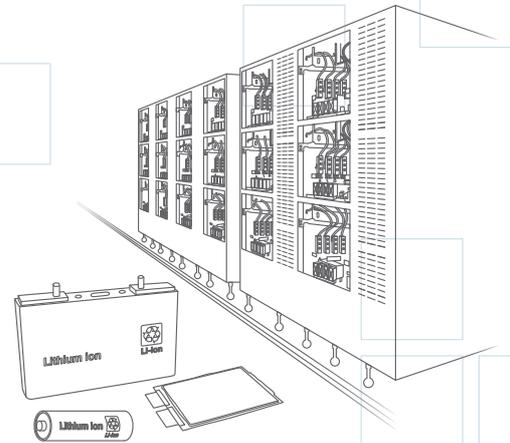
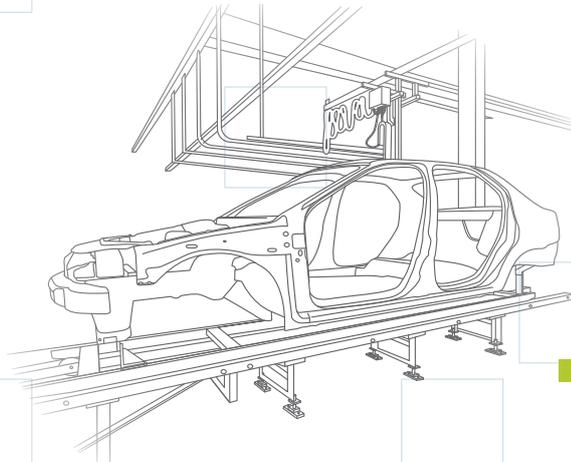
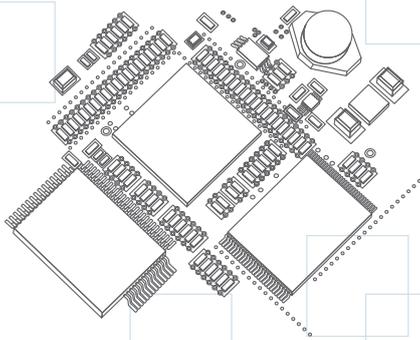
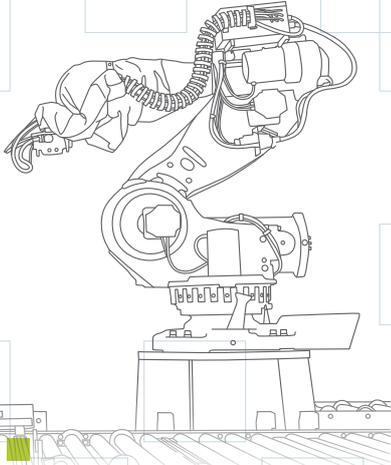


ANNUAL REPORT 2021

Year ended March 31, 2021



Corporate Principles



Unified cooperation
Sound management
Proactive corporate activity

Founding Spirit

As a trading company, DAIICHI JITSUGYO CO., LTD. (“DJK”) strives to facilitate the logistics of an economic society in order to contribute to social prosperity. Corporate activities are based on a proactive approach and spirit of unified cooperation. The company aims for stable growth based on sound management, while striving to improve the lifestyles and welfare of its employees.

Action Guidelines

Aiming to become a preferred international corporation, we will strive to contribute to society with the appropriate pride and a sense of responsibility. Our code of conduct is as follows.

- We contribute to the development of society by engaging in business activities with honesty and sincerity, basically with a caring heart toward people, work and the Company.
- Based on the recognition of future trends from a global perspective, we strive for development and innovation by enhancing our originality/ingenuity and collecting more information.
- With sincerity and trust as our motto, we work to help customers.
- Setting high goals instead of indulging in tepidity, we continue to address challenges with courage and faith to be a leader in the industry in which we operate.
- We strive to create a motivating and rewarding workplace by maintaining physical and mental soundness and politeness.
- While trying to understand other people's feelings or situations and emphasizing teamwork, we fulfill our own responsibilities.
- With constant cost awareness, we value things and time, thereby improving business performance.

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Disclaimer regarding forward-looking statements

Statements made in this annual report with respect to DJK's forecasts and business targets that are not historical facts, are forward-looking statements about the future performance of DJK and its consolidated subsidiaries and are based on information currently available. Readers are cautioned that for a variety of reasons actual results could differ significantly from the projections presented in this report.

Our 73-year Journey as an Industrial Machinery Supplier

Founded shortly after World War II, DJK initially focused only on selling and buying machines amid the momentum of that time. We have steadily continued sales without resorting to speculation, earning trust as a sincere and steady company, and expanding our business scope. Now, we engage in business fields all over the world, and the many business models created in those fields to meet a wide variety of needs form the source of our growth. The role we should play in the future goes beyond the framework of a trading company. DJK will continue to take on challenges.

DJK's Strengths

- Extensive knowledge gained over 70 years and track record as a total supplier of industrial machinery
- Mobility and proposal capabilities that meet the needs of every field around the world
- Enhanced service functions through cooperation among the DJK Group
- Contributions to industrial development and reduction of environmental impact

2010s - 2020s

- 2011 Great East Japan Earthquake
- 2018 - US-China trade friction

We create business to uncover DJK's value by utilizing the solution capabilities we have cultivated so far, striving for stable business growth while aiming to realize a sustainable society.

- 2013 Completion of Kasama Solar Power Plant in Ibaraki
- 2014 Completion of Iida Solar Power Plant in Nagano
Founding of DJK Solar Solution Co., Ltd.
- 2015 Transition of business organization from a regional axis system to business axis system
- 2019 Founding of DC Energy GmbH
(for sales of lithium-ion battery manufacturing equipment)



Founding of DC Energy GmbH

1960s - 1980s

- 1964 Tokyo Olympics
- 1973 / 1979 Oil shocks

We expanded business areas and products handled in line with expanding equipment demand due to rapid economic growth. Built a support system at manufacturing sites, and gradually increased overseas business.

- 1962 Establishment of first overseas office in Taiwan
Listing on the Second Section of the Tokyo Stock Exchange
- 1964 Entry into the automotive industry
- 1968 Establishment of a representative office in New York
- 1970 Founding of Daiichi Machinery Service Co., Ltd. (currently Daiichi Mecha-tech Corporation)
- 1971 Establishment of a representative office in Singapore
- 1972 Founding of a local subsidiary in USA (later become regional headquarters for the Americas)
- 1974 Listing on the First Section of the Tokyo Stock Exchange
- 1982 Entry into the pharmaceuticals and electronics industries
- 1984 Received an award from the Minister of International Trade and Industry as a company contributing to trade
- 1986 Completion of D.S.T. Center*
- 1987 Founding of Ahlstrom Daiichi Co., Ltd. (currently Sulzer Daiichi K.K.)
- 1989 32nd increase of capital brings total capitalization to 5,105 million yen

* Demonstration, Service & Training Center



Entry into the automotive industry (injection molding machines for automotive manufacturers)



Founding of a local subsidiary in USA (Chicago Office)



Entry into the electronics industry (printed circuit board assembly systems for digital manufacturers)



Completion of D.S.T. Center

1990s - 2000s

- 1991 Bursting of the bubble economy
- 1995 Great Hanshin-awaji Earthquake
- 2008 Global financial crisis

We created a new business model in response to changing customer needs. We gained more know-how in a wide range of fields, including sales of multiple facility systems and overseas local procurement.

- 1990 Entry into the aviation industry
- 1991 Establishment of a liaison office in Shanghai
- 1997 Founding of a local subsidiary in China (regional headquarters for China)
- 2001 Establishment of a representative office in Frankfurt
- 2005 Founding of a local subsidiary in Singapore (regional headquarters for Southeast Asia)
Founding of Daiichi Jitsugyo Viswill Co., Ltd. by taking over Kanebo Vision System Co., Ltd.
- 2007 Acquisition of ISO14001 certification for all offices in Japan
Acquisition of a BBB+ rating from Japan Credit Rating Agency, Ltd.
- 2008 Founding of a local subsidiary in Germany (regional headquarters for Europe)
- 2009 Making Asano Laboratories Co., Ltd. an equity-method affiliate



Pharmaceutical tablet visual inspection system by Daiichi Jitsugyo Viswill Co., Ltd.

FY2020

Net sales
¥140,029 million

Profit
¥4,754 million

Establishment - 1950s

- 1950 - 1953 Korean War
- 1954 - Beginning of the rapid economic growth period

We began with operations in business fields in core industries, such as shipbuilding, cement, and oil refining, and started transactions with major companies. Then we steadily built up relationships of trust and solidified our business foundation.

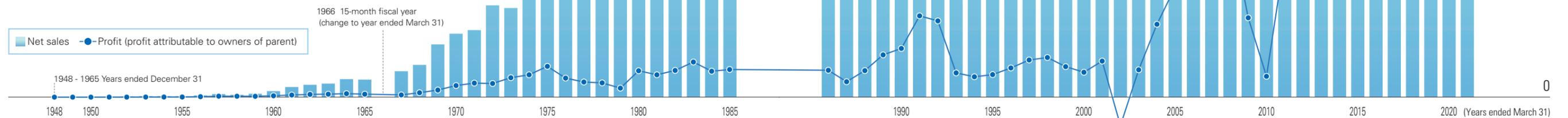
- 1948 Establishment with 480,000 yen in capital
Establishment of headquarters in Shinagawa, Tokyo
- 1952 Pioneering the oil and oil refining industry and paper manufacturing industry
Expansion into the Kansai region with establishment of Osaka Office
- 1959 Entry into the plastics industry

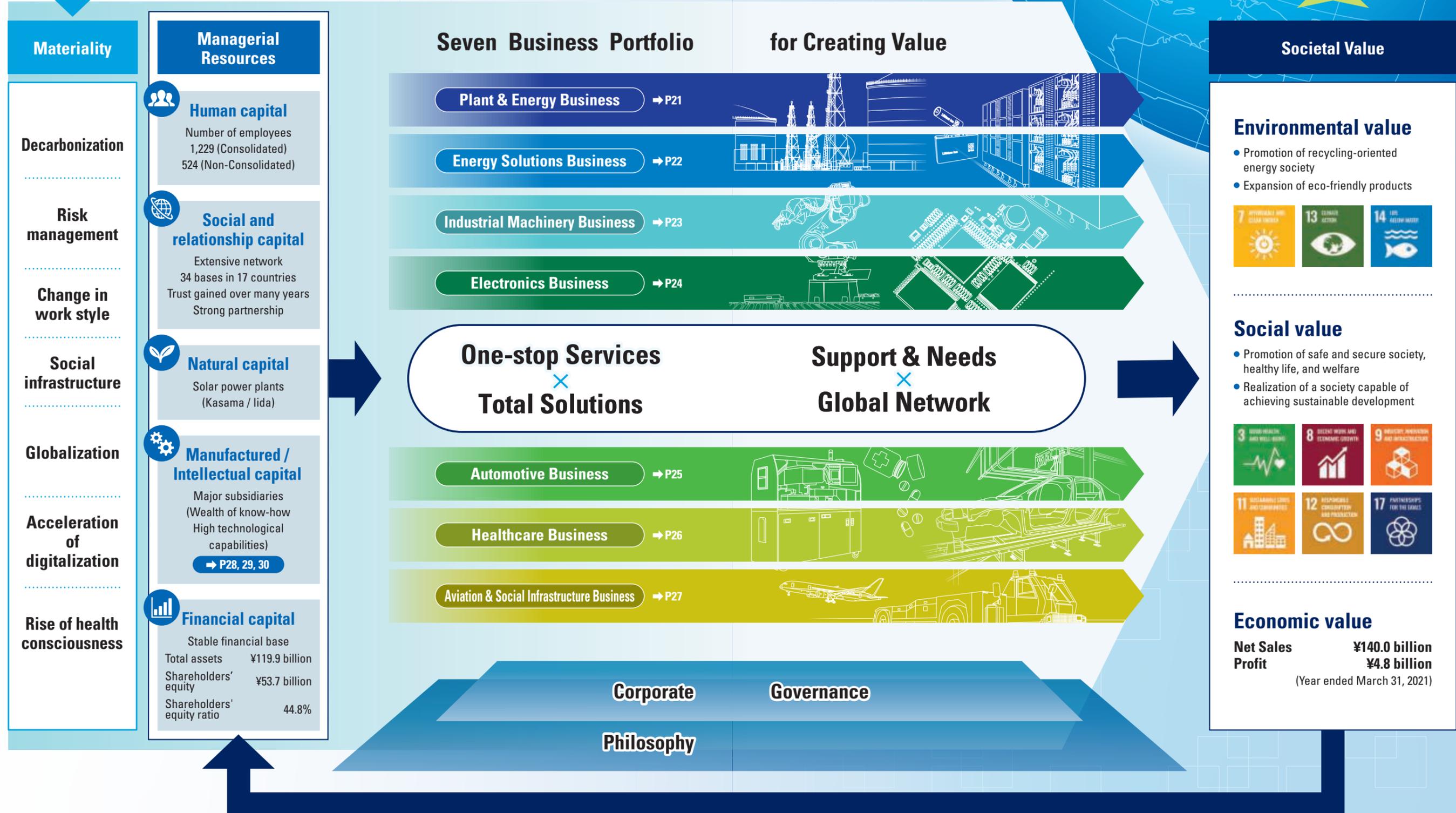


Headquarters at time of founding



Success in oil refining business

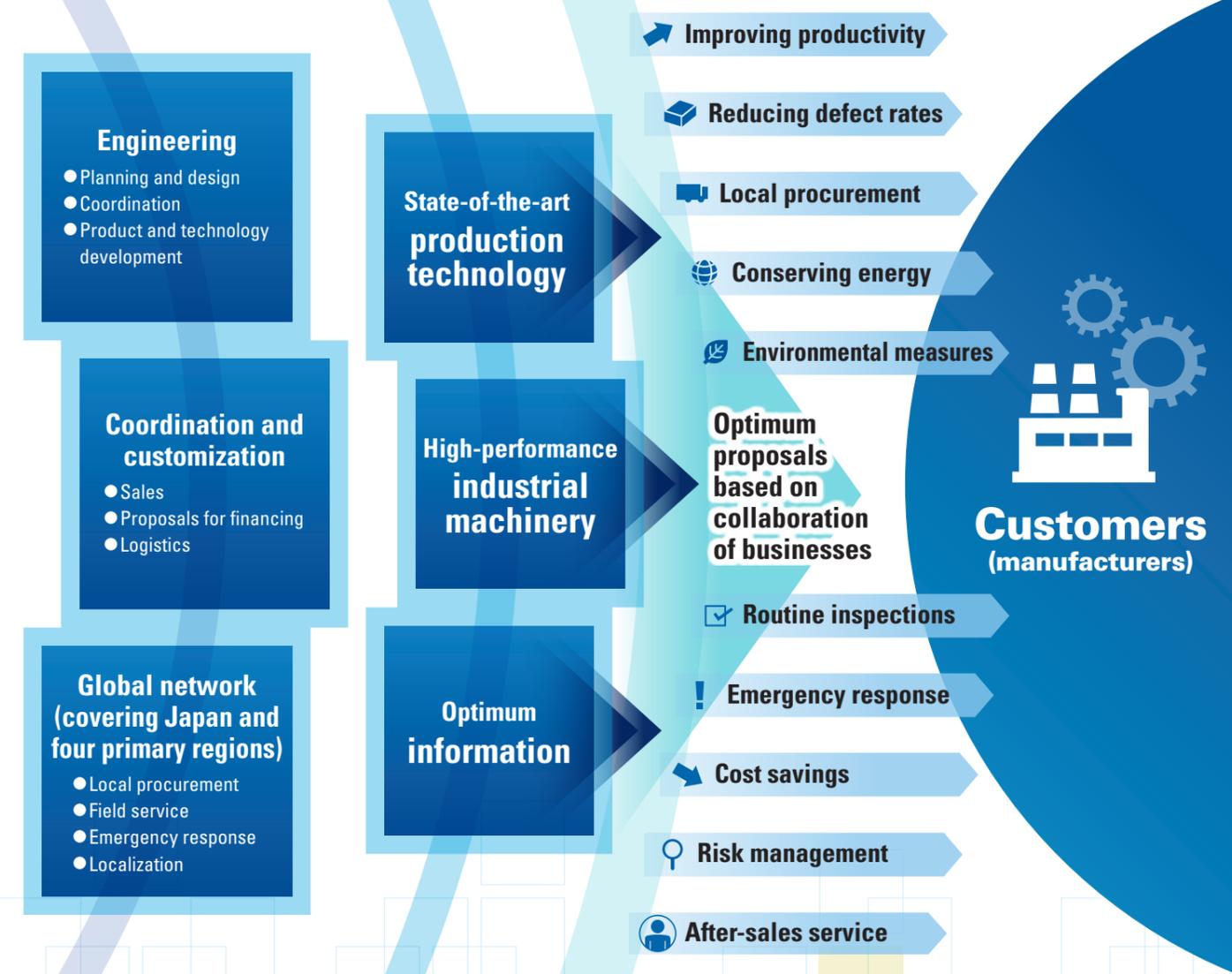




One-stop Services × Total Solutions

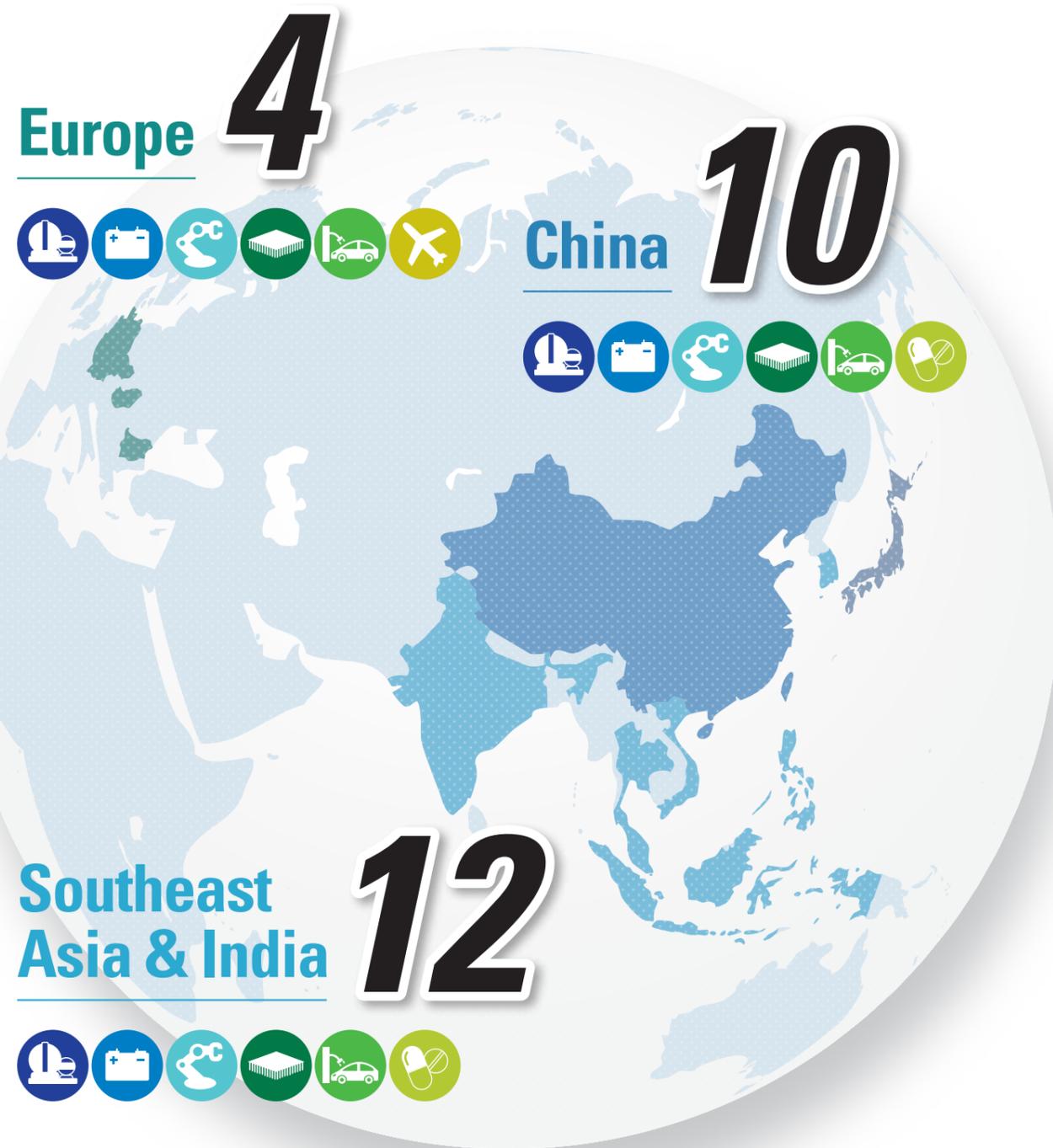


The Company offers proposals for technological support and workload reduction at production sites and resolving other issues, and also offers one-stop solutions covering services from coordination of multiple pieces of equipment to after-sales services. Our support also covers logistics, financing, and management of various risks. We swiftly offer the optimum solutions in collaboration with Group companies in Japan and overseas. In addition, we aim to become a next-generation engineering trading firm that contributes to the growth of our customers and the realization of a sustainable society by creating continuous value with our engineering functions at the core.

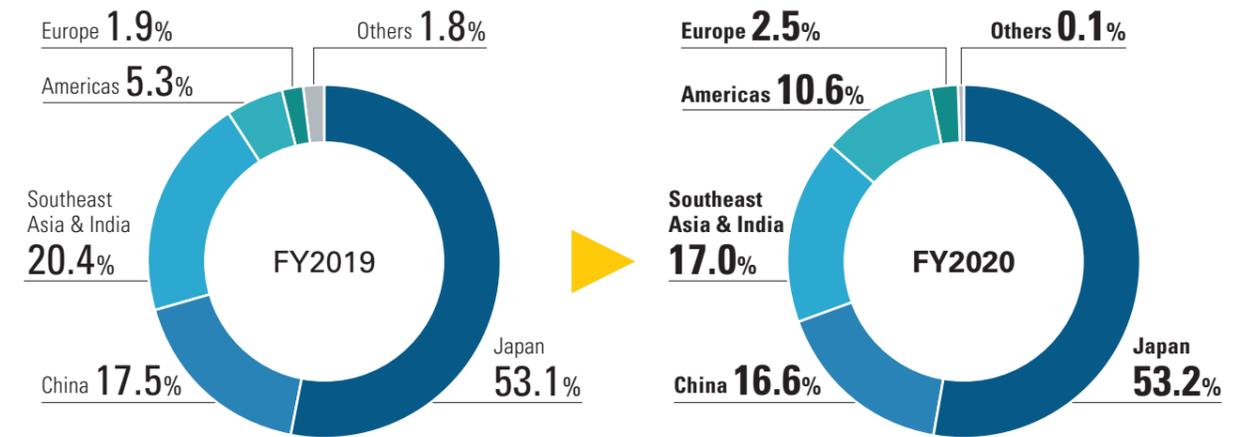


Support & Needs × Global Network

The DJK Group is implementing a global strategy in the four primary regions, namely the Americas, Europe, China, and Southeast Asia & India, with regional headquarters located in these regions. With 34 bases overseas, we have a global sales system in place capable of offering comprehensive support for companies conducting international business and swiftly responding to all their diverse needs.



Proportions of net sales by region



Japan



- Plant & Energy Business
- Energy Solutions Business
- Industrial Machinery Business
- Electronics Business
- Automotive Business
- Healthcare Business
- Aviation & Social Infrastructure Business

(As of August 1, 2021)

Net sales

¥140,029 million

Operating income

¥5,729 million

Profit attributable to owners of parent

¥4,754 million

ROE *2

9.3%

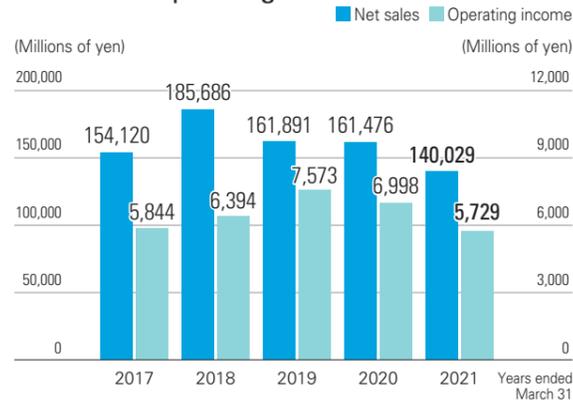
Dividend payout ratio

29.2%

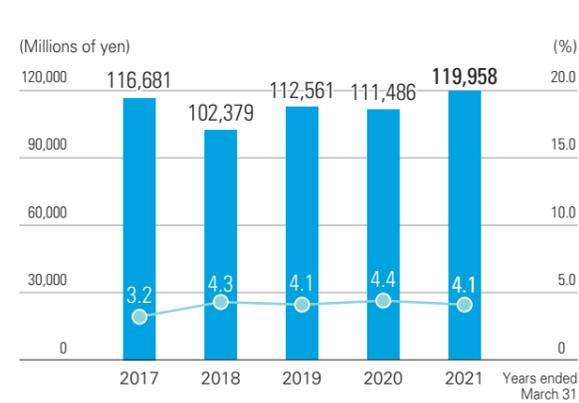
Long-term issuer rating

BBB+

Net sales / Operating income



Total assets / ROA*1



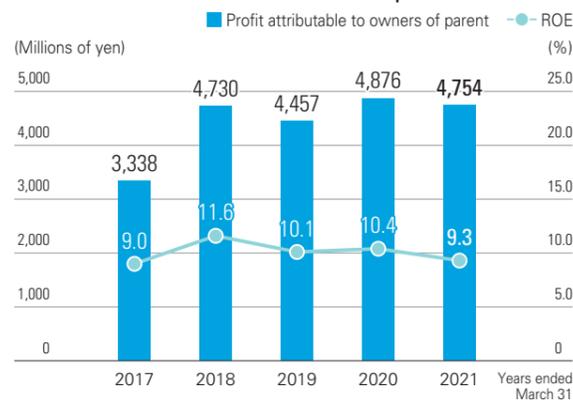
Net assets / Shareholders' equity ratio



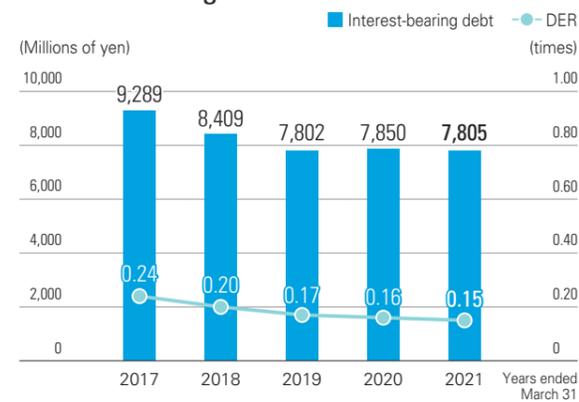
Net assets per share / Earnings per share*4



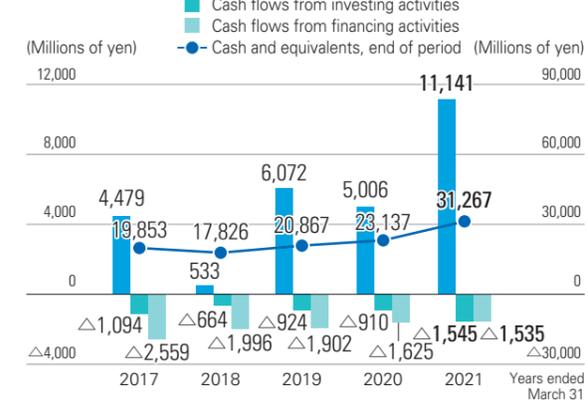
Profit attributable to owners of parent / ROE*2



Interest-bearing debt / DER*3



Cash flow



Dividends per share / Dividend payout ratio per share*4



*1: ROA (Return On Assets (profit attributable to owners of parent))
 *2: ROE (Return On Equity)
 *3: DER (Debt to Equity Ratio)

*4: As of October 1, 2017, common shares were consolidated on a 5-to-1 basis. Per share amounts for the fiscal year ended March 31, 2017 were calculated, assuming that the share consolidation took place at the beginning of the year.

Continuing to pursue a new model of machinery trading company that can make offerings always one step ahead of the needs of the times.



Ichiro Uno

President & CEO



Focusing on activities conscious of sustainability, staying on top of current issues and giving customers offerings based on foresight.

Although the fiscal year ended March 2021 began with the prospect of stagnation in global economic activities due to the spread of the COVID-19 infection, the consolidated business results for the year were better than expected, with profits at each stage exceeding the plan. Although sales and profits decreased year over year, I feel that we were able to hold on without suffering an extreme decline. In particular, in the automotive-related industry, which is directly linked to the creation of competitive advantage and differentiation, I have the impression that there is still a strong appetite for investment in electronics products related to zero-emission and green energy, and those in anticipation of the spread of fifth generation mobile communications (5G), in domains such as electronic vehicles (EVs), self-driving, and lithium-ion battery (LIB) manufacturing. Orders received have also exceeded our expectations throughout the year, and we recognize that we have been able to firmly increase orders overall.

I believe that the fact that we are in a relatively promising situation, even during this period of global economic stagnation, is due in large part to the fact that the fields and industries in which DJK is involved, as well as the business partners with whom we work, are all headed in the same direction, with a focus on activities conscious of sustainability. Going forward, it will become even more important for us to firmly grasp themes that keep up with the times and conduct sales activities with ingenious offerings that are one step ahead.

Based on the awareness that we are now being asked to provide a variety of optimization offerings that include software in addition to conventional hardware sales, we will continue to meet the expectations of our customers while shifting to a style that adds elements of the sale of solutions to the sale of products, such as offerings that make full use of AI and IoT as well as those taking advantage of our engineering capabilities.

Thinking about how to be truly sustainable, based on a wealth of knowledge accumulated over more than 70 years of supporting manufacturing sites.

I would like to talk about the history of DJK, which celebrated the 73rd anniversary of its founding on August 12, 2021.

In 1948, shortly after the end of World War II, DJK was founded with the purpose of striving to facilitate the logistics of an economic society in order to contribute to social prosperity as a trading company. Amid that period of strong economic growth, when demand for equipment from manufacturing companies expanded, DJK built a foundation for growth by selling machinery that contributed to the growth of the manufacturing industry. Since then, we have expanded our overseas operations as a general machinery trading company, while building a new business model in response to ever-changing customer needs. Today, we are further expanding the range of added value that we can provide in products and services by leveraging our mobility and ingenious offerings to meet all kinds of on-site needs on a global scale, utilizing the

wealth of knowledge we have accumulated and providing solutions as a total supplier of industrial machinery.

We are now entering a new era in which the industrial structure is undergoing change in various industries, centered on digitalization and the shift in energy, prompting a drastic change in people's awareness as well. At the same time, the social and economic outlook has become increasingly uncertain due to a number of events that threaten human life, including climate change and other environmental issues, and natural disasters, as well as the global spread of the COVID-19 infection and geopolitical uncertainties, such as the conflict between the United States and China. With the emergence of many themes for which we should contribute to resolving issues, including decarbonization, I recognize that the companies that will survive in this era must not only achieve economic value, but must also work toward achieving social and environmental value aimed at true sustainability.

Business strategy based on backcasting with an awareness of what can be seen beyond the business.

As a native of Shiga Prefecture myself, I have been advocating the Ohmi merchants' spirit of *Sampo-yoshi* (the "Three Goods": Good for the customer, Good for the seller, and Good for society) to our employees since I became president in 2017. In our role as a trading company that acts as a go-between, we have been working hard to satisfy buyers and sellers, but now I have conveyed the message that we should refresh our awareness of "Good for society" as what we can see beyond business.

This awareness has been fully demonstrated through our sales and service activities in recent years. Under the current medium-term business plan, FACE2021, we are seeking the ideal business model that contributes to the realization of a sustainable society from the perspective of ESG management, and I feel that, while changing our own behavior, our efforts to create new value are steadily progressing step by step.

In this context, we are working to formulate our next medium-term business plan. As a company that sells

machinery, we have a responsibility to think together with our customers (manufacturers) about the impact that the products produced by the machinery will have on the world, and to imagine the future of people's lives, new technologies, and innovations that will occur. We are thinking about what we should be doing now to take advantage of the potential business opportunities that lie ahead, and we are working on figuring out what we should be doing now based on what we want to be in the future, with a backcasting mindset. Through repeated internal discussions, we have divided themes into those that we can contribute to from the perspective of the SDGs as an extension of our existing business, and those that require a new approach with a slightly different mindset, and we are trying to reclarify what we can do and what we should work on. In this way, we will continue to face future risks and strengthen our ambitious activities based on our founding spirit and corporate culture.

Aiming to evolve our business axis and develop our business model in accordance with current trends.

Since taking on the role of president, I have been focusing on putting the management structures, which have shifted from a regional axis to a business axis, on track and on strengthening risk management. In medium-term business plan FACE2021, which started in 2019, our businesses in automobile manufacturing and rechargeable battery manufacturing were made into two independent business units, and the Pharmaceuticals Business was renamed Healthcare Business while the Aviation Business was renamed Aviation & Social Infrastructure Business in order to expand the business domains. In considering what domains to focus on next, we may need to become involved in fields that we have not been involved in before. As a trading company, we believe that it is important to develop our business in a style that meets the needs of the times.

I recognize that one of DJK's strengths is the ability to conduct sales activities nimbly in close contact with both our manufacturing customers and machine manufacturers. We could say that one of our important roles is to work to reduce risks and problems in advance, while always proactively confirming the assertions and thoughts

of both types of companies.

In order to continue to be a dependable business partner, we need to constantly think about the value we create and the significance of our existence for that purpose, and to raise the sensitivity of our awareness of each other. In recent years, the scale and complexity of the projects we have received orders for have been increasing, and we are focusing on hiring people who are capable of project management and technical discernment. In this way, I believe it is necessary to move forward to become a next-generation engineering trading firm that places technology, services, and engineering capabilities closer to ourselves and creates great added value from more of a total perspective. First of all, along with the operation of the Engineering Center, which was established as an organization in the fall of 2020, we will use the visualization of engineering skills and the appropriate response to the Construction Business Act as a springboard to build an internal system that makes it easy for engineers to share information, exchange techniques, and take on the challenge of becoming multi-skilled and taking their techniques to the next level, etc.

Strengthening the driving force of management and enhancement of corporate quality.

By redefining the roles of each meeting body and clarifying its purpose, we have fostered a foundations in which diverse and frank exchanges of opinions take place in each meeting body, which I believe is a very positive trend. In April 2021, we established the Executive Committee chaired by a Managing Executive Officer. We hope to create an even more open corporate culture by gathering the opinions of those in charge of execution.

The Investment Management Reviewing Committee has established systematic rules to streamline and optimize deliberations on various investment projects, and is preparing for a system that will enable rational investment

decisions.

From the perspective of improving profitability, I recognize that a greater awareness of risk management than before has enabled us to proceed with our business activities without any problems that could lead to major losses, despite the impact of the COVID-19 pandemic. In particular, we are putting in place a system for integrated risk management, including transactional risk management, strengthening the dissemination of preventive warnings of problems, and tightening export control procedures, as well as coordination with the business continuity plan (BCP) and internal audit functions.

Managing the Board of Directors with an awareness of strengthened governance and accountability.

The Governance Committee, which was established in October 2020 after a fundamental review of the way the organization is designed, also acts as an advisory body where governance issues and problems other than nomination and compensation can be discussed in advance. Since it was precisely before the election time for directors, we started by clarifying the nomination process for directors, and had discussions on officers' remuneration. I think that this was a step toward reforming the Company to be aboveboard and transparent. We will discuss such matters as the nomination of a successor to the position of representative director, the formulation of a succession plan, and issues raised in the revised Corporate Governance Code. In clarifying agenda items that have not been made public in the past, we would like to put in place a system that will enable us to be firmly accountable as a listed company, by first laying out our policies and making it clearer what objectives and processes we will use to make decisions, and who will be involved in those decisions and how.

With regard to the Board of Directors, outside directors are conscious of the fact that they are representatives of shareholders and other stakeholders, provide explanations that can be understood by outsiders in response to questions, and adopt a stance of reflecting the opinions we receive in the management of the company. I feel that it is a positive trend that accountability, including the reasons for resolutions, has become a habit, and that recording the process and reasons for evaluation and

decision-making is a very important starting point to go back to when reviewing, reassessing, and re-deciding after some time has passed.

As decision making regarding investment becomes a more important theme in the future, we need to further develop the habit of clarifying the policy and objectives of such decisions, and explaining the points that need to be confirmed, a review process that can be traced, the method of decision making, etc. to outside directors in a way that is convincing to the public.



Approach to developing and fostering human resources that revitalize the organization.

First of all, I believe that each and every one of our employees is our most important asset and forms the foundation of our business activities. In this context, in order to put medium- to long-term business growth on track, it is important not only to formulate strategies, but also to foster human resources that will enhance the effectiveness of the strategies. With this in mind, we launched a new personnel system in April 2021 that uses performance in the execution of roles and missions as the evaluation criteria. I feel that this is becoming the Company's unique system, whereby employees can follow a path in management (M positions), professional (P positions), or technical (T positions) positions by drawing on their own individual characteristics. Once the system has been put into operation, while guiding it to evolve into a more functional system by correcting issues that come to light, we plan to enhance the information registered in the talent management system for the deployment of human resources, visualize the abilities and skills of human resources, and expand the utilization of the system to include Group subsidiaries in Japan and overseas.

When I talk to young people, I feel that they are very

conscious of social contribution. While the work of a trading company involves daily irregularities that do not follow a manual, it is important to know how to apply the manual and be resourceful, based on the basic actions. Beyond that, I believe that a person's individual growth begins when he or she breaks the mold he or she has acquired. In order to be able to create your own path, I think it is crucial to have your own opinions and the ability to communicate your thoughts at your own pace and in your own words, as well as the ability to listen to what others are trying to tell you, in other words, to have communication skills in the true sense of the word.

In addition, while the unique business of a Japanese trading company is difficult for people overseas to understand and the market is evolving and changing drastically, I believe that the role of local personnel overseas who are familiar with the circumstances of each region will become increasingly important. At present, many of them are supporting our business as service staff, but we need to foster local personnel who are well versed in the types of functions including of orchestrating various jobs, project management, solution offerings, as well as the value of

the DJK Group's existence. Going forward, we will take on the role of supporting those personnel in the future and expand our business, so that I believe we can establish a business model that can show our presence in the world.

In addition, unique ideas and the ability to consider and plan things are becoming very important in the search for new business models and the promotion of upfront investment-oriented businesses. In this context, I feel that we need to actively incorporate plans that leverage the perspective of women. As we enter the age of digital transfor-

mation (DX), I believe that it is very likely that our organizational culture will become one in which each employee can work comfortably and create new systems by exercising their autonomy with ideas to adapt to the times.

In every era, the world has been changed by people who had the courage to act at the turn of the times. It is precisely in times of great change like these that I eagerly look forward to enthusiastic ideas and suggestions by those who will create the next generation by considering things with a variety of values.

Recognizing DJK's own characteristics and strengths, and becoming a company sought after in each era.

The fiscal year ending March 2022 will be the final year of our medium-term business plan, and although it will be difficult to achieve the targets set at the time of the plan's formulation without an extremely vigorous recovery, we will diligently promote activities so that we can land even one step closer to our targets.

The global COVID-19 shock has been a challenge for us in terms of business performance, but it has also provided us with time to stop and think, and an opportunity to gain a number of new understandings, which became a driving force for us to push forward with internal reforms. We made some startling new discoveries in the midst of a difficult situation, and I realized once again that DJK's

culture and strength lies in the fact that each of us has a latent awareness of thinking for ourselves and sharing information with others.

It was also an opportunity to deepen our awareness of the value of the Group's existence and DJK's uniqueness, which we should pursue by seeking optimal solutions together with our customers (manufacturers) while empathizing with them, even in a situation where it is difficult to offer meticulous solutions through face-to-face communication with them. I would like to use the suggestions I have gained here to help us develop further and achieve sustainable growth by continuing to be a trading company sought after in each era.



Qualitative Targets

1 Evolution of businesses axis to closely reflect today's market conditions, and further enhancing profitability

- (i) Aim for a dramatic expansion in the automotive business.
- (ii) Enhance our added value by integrating sales and technical services.
- (iii) Bring out new values through the overlapping of different businesses (cross-points).
- (iv) Think globally, act locally while keeping in mind the importance of area.
- (v) Further develop local personnel to be active in the workforce, and aim for management to be conducted mainly by the local personnel.

2 Strengthening the driving force of management

Strive for dynamic management by strengthening business planning abilities and effectively utilizing management resources. (Considering the methods of M&A and the forming of company alliances.)

- (i) Make the Investment Management Reviewing Committee function as one of the bodies of risk management.
- (ii) Create success stories from the AI & IoT Committee as the body for leading technology research.
- (iii) Implement reform of the personnel management system to respond to diversity.
- (iv) Establish a new comprehensive supporting organization for group companies.

3 Enhancement of "corporate quality"

- (i) Thoroughly enact compliance and reinforce corporate governance.
- (ii) Promote activities from the point of view of ESG (Environmental, Social and Governance).

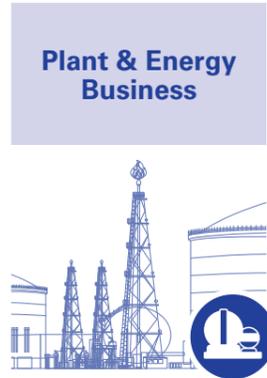
Quantitative Targets (Consolidated Management Targets) (Millions of yen)

	FY2019 (First year results)	FY2021 (Targets)
Net sales	161,476	185,000* (200,000)
Operating income	6,998	8,300
Ordinary income	7,426	8,500
Profit attributable to owners of parent	4,876	5,700
ROE	10.4%	10.0% or higher

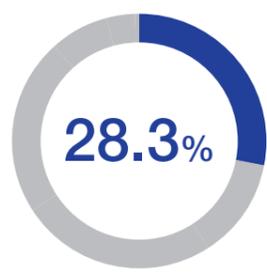
(Note) For historical performance figures, please see "Consolidated Financial Highlights" on pages 11 and 12.
* The sales target for fiscal year 2021 is shown on a net basis by applying the new revenue recognition standard. The sales target on a gross basis is presented for reference in brackets ().

7 Core Businesses*

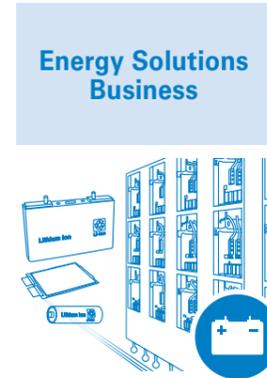
Business fields
Major products
Ratio to total net sales
Years ended March 31
Net sales (Millions of yen)
Operating income (Millions of yen)
Operating income margin (%)
Number of employees



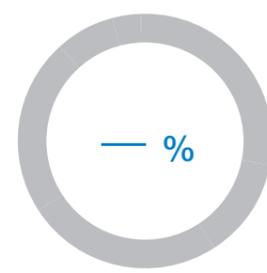
- Plant & Energy Business**
- Petroleum / chemicals
 - Papermaking / steelmaking
 - Energy
- Petroleum refinery and petrochemical plant equipment
 - Steelmaking plant equipment
 - Papermaking plant equipment
 - Oil, gas, and geothermal production facilities
 - Well drilling equipment and drilling rig packages
 - Power generation infrastructure
 - Renewable energy-related equipment
 - AI / IoT-related equipment
 - Environmental protection facilities
 - Analysis and measurement equipment
 - Chemical plant equipment



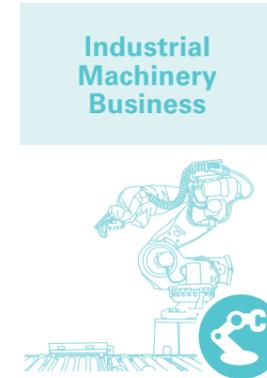
	2020	2021
Net sales	42,835	39,690
Operating income	1,112	1,533
Operating income margin (%)	2.6	3.9
Number of employees	150	165



- Energy Solutions Business**
- Materials
 - Cells / modules
 - Solar panels / storage batteries
 - Fuel cells
- Battery materials production equipment
 - Flexible solar panels
 - Powder processing equipment
 - Storage battery systems
 - Cell electrode manufacturing equipment
 - Battery recycling equipment
 - Cell / module assembly equipment
 - Fuel cell manufacturing equipment
 - Cell / module charge, discharge inspection equipment
 - Engineering work



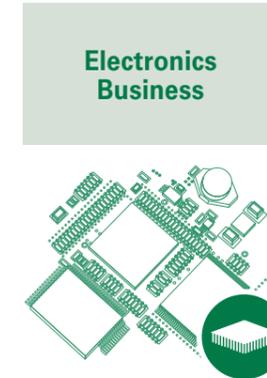
	2020	2021
Net sales	—	—
Operating income	—	—
Operating income margin (%)	—	—
Number of employees	—	—



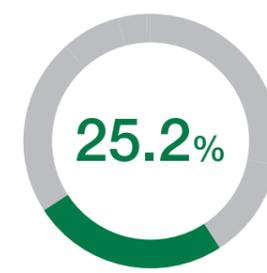
- Industrial Machinery Business**
- Home appliances / office automation
 - Food packaging
 - Medical equipment
 - Housing equipment
 - Distribution materials
 - Growing seedlings
- FA systems
 - Injection molding machines
 - Extrusion machines
 - Pressure and vacuum Thermoforming machines
 - Die-casting machines
 - Metal processing machines
 - Ceramics processing machines
 - Automatic assembly equipment
 - Material-handling robot systems
 - Coating / surface decoration equipment
 - 3D printing systems for plastic and sand molds
 - Filling and packaging equipment



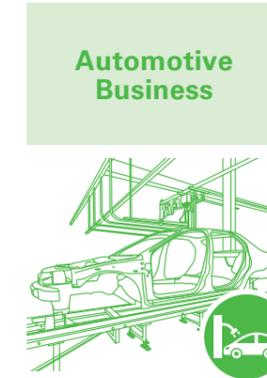
	2020	2021
Net sales	24,806	17,682
Operating income	454	△68
Operating income margin (%)	1.8	△0.4
Number of employees	234	213



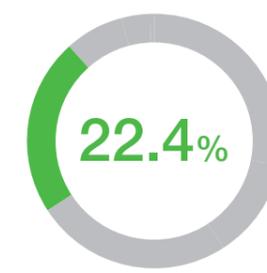
- Electronics Business**
- Surface mount technology (SMT)
 - Microelectronics
 - Factory logistics
- Electronic component mounting-related systems (SMT)
 - Semiconductor device-related systems
 - Display-related systems
 - SMT peripheral inspection equipment and post-process automation equipment
 - IoT / software
 - Coating and dispensing equipment
 - CO₂ and YAG laser, blue laser
 - Automation robots
 - Touchless multi-biometric access control systems
 - Devices to assist workers



	2020	2021
Net sales	40,875	35,272
Operating income	2,228	1,973
Operating income margin (%)	5.5	5.6
Number of employees	315	315



- Automotive Business**
- Interior and exterior parts
 - Powertrain
 - Car electronics / ADAS
- Molding machines
 - Metal-processing machines
 - Plastic-processing machines
 - Coating / surface decoration equipment
 - Automated assembly equipment
 - Inspection equipment



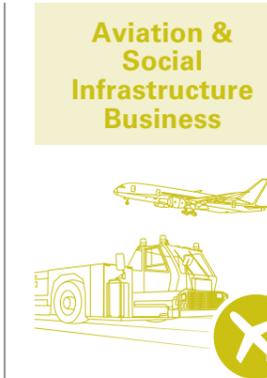
	2020	2021
Net sales	35,746	31,421
Operating income	1,491	992
Operating income margin (%)	4.2	3.2
Number of employees	88	101



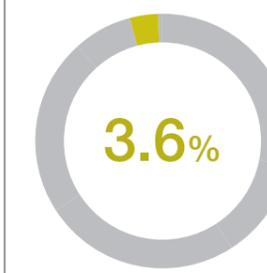
- Healthcare Business**
- Pharmaceuticals
 - Cosmetics
 - Food
- Tablet visual inspection systems
 - Tablet ink-jet printing and inspection systems
 - Capsule visual inspection systems
 - Blister lines
 - Sachet packaging lines
 - Tablet pressing machines
 - Vial filling lines
 - Syringe filling lines
 - Powder filling lines
 - Leak inspection machines
 - Automatic cell culture systems
 - Other packaging lines



	2020	2021
Net sales	10,294	10,650
Operating income	1,128	1,107
Operating income margin (%)	11.0	10.4
Number of employees	160	165



- Aviation & Social Infrastructure Business**
- Aviation
 - Airports
 - Disaster preparedness
 - Customer support
- Ground support equipment for aircraft
 - Ground support equipment for airports
 - Equipment used in airports
 - Specialized vehicles for disaster relief
 - Equipment to reduce workload and workforce



	2020	2021
Net sales	6,775	5,057
Operating income	534	352
Operating income margin (%)	7.9	7.0
Number of employees	27	31

* Effective from the fiscal year ending March 31, 2022, Energy Solutions Business has been added to the business segments, and Aviation Business has been renamed Aviation & Social Infrastructure Business.

Note: As this table does not include Other, which is not included in the reportable segments, or adjustments for inter-segment transactions, etc., the figures do not match the overall total.



Plant & Energy Business

In the field of plant construction, the Company offers equipment and highly specialized technologies based on a wealth of long experience. In the field of energy, we are promoting initiatives for renewable energies, which will become indispensable in the next generation, such as binary power generation, solar power generation, and biomass power generation. We are also focusing on proposing solutions and developing related products to realize a decarbonized society.

Yasushi Marumoto
Managing Director, Managing Executive Officer, General Manager, Plant & Energy Division

Vision

We will accelerate our efforts in the decarbonization business by closely monitoring market trends toward decarbonization, including the shift away from fossil fuels, and responding to customer needs for business transformation through a multifaceted approach. We will implement a multifaceted approach that leverages the strengths of our diverse businesses and create synergies through business cross-points.

Strengths

- Transaction base in a wide range of industries including oil, chemicals, binary power generation, solar power generation, resource development, paper manufacturing, and steel manufacturing
- Offering products that incorporate advanced technologies, such as AI and IoT
- Possessing the human resources, products, knowledge and experience to promote the decarbonization business

Business Fields and Initiatives

Petroleum	Because oil refineries and petrochemical plants are required to operate stably for four consecutive years, we focus on plant equipment that prioritizes safety mainly, and environmentally friendly equipment, process improvement proposals, as well as maintenance services using remote monitoring systems based on AI and IoT.
Chemicals	The Company handles a variety of manufacturing and environmental equipment for producing chemical products from raw materials, which are used in household products, hygiene products, foodstuffs, pharmaceuticals, automotive parts, and various film products. In recent years, the Company has also been focusing on consulting services that utilize AI technology to help solve on-site issues and technology succession.
Papermaking	The Company handles pulp manufacturing equipment for the paper manufacturing industry as well as other equipment that reduces environmental impact. Based on the know-how it has cultivated over the years, we also propose the production of liquid biomass fuel from pulp and used paper, and import and sell wood-based biomass fuel as an alternative to coal.
Steelmaking	In addition to blast furnace and electric furnace steelmaking processes for electromagnetic steel sheets, automotive steel sheets, and construction materials, the Company also handles manufacturing and environmental equipment for nonferrous metal production and state-of-the-art equipment monitoring systems. We offer high value-added technologies from upstream to downstream of the manufacturing process for the domestic steel manufacturing industry, mainly using imported equipment.
Energy	The Company offers equipment and services to support the development of underground resources. In the field of renewable energy, we handle products to meet a variety of needs, including geothermal, biomass, solar, and ammonia production. We are also involved in energy conservation and CO ₂ reduction through the manufacture and sale of binary power generation systems.

Risks and Opportunities based on the External Environment

Risks

- Loss of business opportunities due to market contraction in the face of restructuring and withdrawal from business by business partners that handle fossil fuels and tighter regulations
- Changes in environmental and social awareness of oil and gas development business
- Decrease in sales domains due to business restructuring and withdrawal of business partners resulting from a shift away from plastics
- Decrease in sales of pulp and paper making equipment due to contraction of the paper manufacturing market caused by the paperless trend, etc.
- Decreased sales of equipment for existing processes to the steel manufacturing industry from the perspective of decarbonization.

Opportunities

- Conversion of business targets from fossil fuels to biofuels
- Creation of renewable energy business for business partners aiming to transform into an integrated energy company
- Business development for bioplastics and recycled plastics
- Capturing commercial opportunities for the biomass raw material business utilizing used paper and pulp
- Approaches to hydrogen reduction processes, the shift to electric furnaces, and converter restructuring as new steel manufacturing methods



Energy Solutions Business

As energy markets are experiencing a major shift towards a decarbonized society, there has been a surge in the spread of renewable energy and the electrification of mobility. In order to meet diversifying needs in the next-generation energy field, such as with rechargeable batteries, fuel cell batteries, solar and storage batteries, and others, the Company is rolling out an array of solutions by utilizing its global and engineering functions as well as other competencies in its pursuit of a sustainable society.

Daijiro Kodama
General Manager, Energy Solutions Division

Vision

With foresight and flexible thinking, we will create a continuous global market with a view to all possibilities in the battery-related market. While focusing on Europe and the United States, where growth is expected, we will make further achievements in Southeast Asia, including Japan, by proposing equipment that meets the needs of the region. We will also work to expand our business by strengthening our engineering functions and expanding our handling of differentiated products, such as those for all-solid-state batteries, fuel cell batteries, solar power and storage batteries.

Strengths

- Covering a wide range of fields from materials to battery manufacturing (upstream to downstream of the production process)
- Offering solutions based on a wealth of achievements and experience gained over the years
- Partnerships with industry-leading manufacturers in Japan and overseas
- Project management by the Engineering departments

Business Fields and Initiatives

Materials	The Company globally handles equipment and devices related to the mixing, firing, and pulverizing processes in the production of lithium-ion battery (LIB) materials. We also promote joint development with equipment manufacturers to contribute to the realization of new manufacturing processes.
Cells and modules	The Company offers optimal solutions in both Japan and overseas for LIBs, for which demand is rapidly expanding for consumer, automotive, and industrial use, according to its application and type from basic research to the mass production level for all kinds of processes, including material mixing, coating and drying slitting, assembly and charge/discharge inspection.
Solar panels and storage batteries	The Company handles thin-film lightweight flexible solar panels that are highly durable, do not require mounts, and can be installed on curved surfaces. In the area of storage battery systems, the Company is also working on the reuse of automotive LIBs, and is strengthening its efforts to develop various products that contribute to local communities, such as products for disaster preparedness.
Fuel cells	The Company focuses on optimal solutions by handling a wide range of equipment and components related to fuel cells batteries, including material processes such as mixing, firing, and drying in fuel cell battery manufacturing; electrode layer manufacturing processes such as catalyst layer coating, bonding, separator pressing, and welding; and high-pressure hydrogen storage tanks.

Risks and Opportunities based on the External Environment

Risks

- Changes in regulations and policies regarding LIBs in various countries
- Rise of emerging manufacturers and intensifying cost competition
- Transformation of materials and construction methods through next-generation technologies

Opportunities

- Increased opportunities to enter new domains due to changes in regulations and policies
- Development of state-of-the-art technologies and offering of high-value-added systems
- Gaining new customers and creating new business



Industrial Machinery Business

In the field of manufacturing of household appliances, housing equipment, food packaging, medical equipment and others, the Company mainly proposes coordinating optimal factory automation (FA), flexible manufacturing systems (FMSs), automatic assembly lines, and peripheral equipment to reduce workload and workforce with the aim of increasing productivity. In addition, we also contribute to cost reduction through overseas local procurement and procurement from a third country.

Shoichiro Okada

Executive Officer, General Manager, Industrial Machinery Business Division

Vision

This business, which has been developed along with plastic processing machines, is facing a major game change due to changes in environmental awareness. In addition to responding to the era of the new normal due to COVID-19, we will strive to create new business that extends beyond the conventional domains by connecting all of our business partners. We aim to expand the scale of our business with the spirit of *Yompo-yoshi* (the "Four Goods": Good for the customer, Good for the seller, and Good for society which are the "Three Goods" of the conventional *Sampo-yoshi*, plus Good for the environment) by building a supply chain that includes everything from materials to product sales, realizing smart manufacturing, and engaging in environmentally friendly initiatives.

Strengths

- Integrated organization of sales and technology for engineering plastics production lines
- Proposing environmentally friendly equipment and materials that incorporate the latest trends (energy conservation diagnosis, VOC treatment equipment, powder coating, marine biodegradable plastics, etc.)
- Proposing solutions utilizing factory automation (FA) and robot system integrators
- Adapting to Industry 4.0 by using additive manufacturing

Business Fields and Initiatives

- Home Appliances and office automation (OA)** The Company handles a variety of molding machines, resin processing machines, inspection and imaging systems, and other equipment used in the manufacture of various home appliances and OA equipment. The strength of the business lies in system integration with ancillary equipment and peripheral equipment, and it develops equipment proposals for a wide range of manufacturing processes on a global scale.
- Food packaging** Amid the shift to bio-materials and advances in the development of products to enhance heat resistance, as well as the theme of increasing added value and functionality, the Company procures high-performance equipment that ensures safety and productivity in product manufacturing from Japan and overseas.
- Medical equipment** The Company handles processing equipment for medical equipment manufacturing. In recent years, we have specialized in the assembly of tubing and plastic parts, as typified by disposable medical equipment (syringes, dialyzers, catheters, etc.), and have also focused on proposals for automating and improving the efficiency of manufacturing processes.
- Housing equipment** The Company handles various equipment for processing, assembly, decoration, and other processes required in manufacturing processes for housing-related equipment. With manufacturing processes becoming more complex as products become higher in quality, we offer a wide range of proposals that meet the needs of our customers, including the procurement of equipment from Japan and overseas.
- Distribution materials** The Company handles various equipment to optimize logistics in factories. We focus on proposing systems that increase efficiency, such as automated warehouse systems and automated guided vehicles (AGVs) for unmanned, workforce-reducing operations, and equipment for manufacturing materials such as containers and pallets.
- Growing seedlings** This is a new field that produces clean strawberry seedlings using state-of-the-art seedling growth technology. The Company aims to contribute to Japan's agricultural sector by reducing the burden on strawberry growers through the division of labor in seedling production.

Risks and Opportunities based on the External Environment

Risks

- A complete change in raw materials, other materials, and construction methods through the shift away from plastics
- Transformation of the supply chain due to changes in international conditions
- Decrease in Japanese companies' technology advantage due to improvement in the technology of overseas companies
- Stricter equipment specifications in various countries due to environmental regulations
- Decline in demand for clothing, food, and housing-related equipment due to Japan's declining population

Opportunities

- Acquisition of commercial rights by raw material and equipment manufacturers as barriers to entry into new markets are lowered due to changes in construction methods
- Increase in sales opportunities through import/export or trilateral trade, etc. of equipment with advanced technology
- Increase in demand for environmentally friendly infrastructure and equipment to enhance the recycling environment
- Increase in demand for equipment due to population growth and improved living standards in developing countries



Electronics Business

In the fields such as surface mount technology (SMT) and microelectronics, the Company offers solutions to reform manufacturing processes with its state-of-the-art technology and experience, mainly for printed circuit board assembly systems, electronic device systems, and automation equipment. We are striving to create innovative technologies for next-generation electronics through expansion of technical resources and process development.

Shinji Otsuki

Executive Officer, General Manager, Electronics Business Division

Vision

With the goal of increasing our share of SMT business sales of electronic component mounting equipment, we will strategically manage our inventory and work to deepen our presence mainly in Greater China. In addition, in the situation where there is a global shortage of semiconductors, we will keep a close eye on moves by countries to resolve this situation in their own countries, and seize opportunities for companies to invest in semiconductor-related equipment. On the other hand, as smart logistics becomes the mainstream method at production sites, we will work to expand sales of in-plant logistics systems and SMT material towers as new products, aiming to build a market for these products.

Strengths

- The global sales and service network for Panasonic SMT products
- Unparalleled name recognition in the electronics industry
- Ability to respond to the need for quick delivery through strategic inventory of electronic component mounting equipment
- Possessing an SMT manufacturing process consulting solution team

Business Fields and Initiatives

- Surface mount technology** The Company has more than 30 years of experience as a distributor of electronic component mounting equipment, and handles high-precision, high-performance SMT systems. We have established support services to enable production lines to reach their full potential in different environments, including improving productivity and increasing quality, by offering a full lineup of SMT back-end process equipment, assembly equipment, inspection equipment, and other equipment.
- Microelectronics** In addition to production equipment that has been delivered to the industry's top class in the fields of both display manufacturing and electronic device manufacturing, the Company also handles various automation equipment and LCD-related systems. Our strength lies in our system coordination that combines equipment and peripherals, and we are able to offer proposals utilizing our know-how in increasingly complex manufacturing processes.
- Factory logistics** The Company handles materials warehouses and AGVs (Automated Guided Vehicles) equipped with automatic warehousing and retrieval functions in the field of electronics, as well as various equipment and systems to link them. We contribute to cost reduction in production plants by proposing solutions to reduce workforce and workload.

Risks and Opportunities based on the External Environment

Risks

- Uncertainty about when COVID-19 will be contained in Japan
- Refraining from capital investment and delayed procurement of materials due to the semiconductor shortage
- Restrictions on activities due to the impact of COVID-19 (impact on business negotiations, delivery, and acceptance inspection)
- U.S.-China issues in the economy

Opportunities

- Increased needs due to resumption of equipment demand after containment of COVID-19
- Arrival of commercial opportunities due to increased semiconductor-related capital investment
- Increase in IoT-related investment due to demand for the development of remote communication infrastructure
- Increase in capital investment in the Southeast Asia region due to moves to avoid China



Automotive Business

The Company is focusing on automobile assembly equipment, interior/exterior auto parts, powertrain components and car-mounted devices as well as making integrated proposals of equipment suitable for various processes, including resin/metal molding and processing, surface treatment, assembly and inspections, which are part of manufacturing of components used for the products mentioned above. In addition, we help spread use of next-generation automobiles by offering advanced production equipment amid rapid changes in the automobile industry towards self-driving vehicles and electrification.

Shigehiro Aoyama
Executive Officer, General Manager, Automotive Business Division

Vision

Automobiles have played a variety of roles in our society, ranging from infrastructure for everyday life and industry to hobbies and interests. At the same time, they have also created negative aspects, such as environmental impact and traffic accidents. Recently, CASE and MaaS have been contributing to solving these issues and further increasing the value of mobility. In this business, the Company aims to develop the automobile industry and create environmental and social value by contributing to the reconstruction of the supply chain, which will undergo major changes in the future, as well as being deeply involved in production systems for electrification, self-driving items, etc.

Strengths

- Promotion of highly specialized projects by an organization with enhanced expertise in the fields of vehicle bodies, drives, and devices
- Technical support by a group of engineers with extensive experience in various fields, including design of machinery, controls, assembly lines, and paint lines
- A track record of transactions on a global scale with OEMs (original equipment manufacturers) and mega-suppliers leading the automotive industry
- Reliable business partners (machine manufacturers, contractors, heavy transport operators, etc.)

Business Fields and Initiatives

Automobile interiors/exteriors

The Company handles various types of equipment for resin processing, metal processing, surface treatment, etc., and paint lines for automotive parts, as well as automation equipment that is indispensable for improving the production efficiency of vehicle bodies, bumpers, instrument panels, seats, doors, lights, etc., which are core components of automobiles. We also specialize in supporting the start-up of overseas plants and local procurement of equipment, playing a major role in the development of the automobile industry.

Powertrains

In addition to engines and transmissions, the Company handles various equipment, including process equipment, processing equipment, automatic assembly machines, and measurement and inspection machines used in the manufacture of core components for HEVs, EVs and FCVs, with a focus on motors, inverters and batteries, in addition to engines and transmissions. We are also actively involved in the development of new manufacturing process to support the early development of the next-generation automobile industry.

Car electronics and ADAS

The Company handles various types of equipment for resin molding, casting, and surface treatment, with "self-driving, safety and environment" as keywords, as well as automated assembly lines, inspection and testing equipment and other equipment necessary for the production of automotive parts. We are involved in the production of power modules, and sensors and radars, which are indispensable for self-driving, and engine parts to improve fuel efficiency, contributing to the most advanced needs of the automobile industry.

Risks and Opportunities based on the External Environment

Risks

- Sharp decline in capital investment in internal combustion engines, which had been part of the traditional income base, due to the rapid shift to electrification
- Entry of new players such as IT companies, major EMS companies and motor manufacturers
- Major review of the supply chain from the perspective of LCA (Life Cycle Assessment)

Opportunities

- Global partnering and technology development for next-generation electrified products
- Development of sales to IT companies, EMS companies, and other new entrants by leveraging our track record and know-how
- Gaining new customers and creating new business



Healthcare Business

Mainly in the field of pharmaceuticals, the Company offers various types of equipment including visual inspection systems for tablets and capsules, tablet printing inspection systems, and automatic packaging lines for solid and injectable drugs. To demonstrate its competitive edge in the industry, we are also proactively working with equipment manufacturers, including our group company Daiichi Jitsugyo Viswill Co., Ltd. (DJV), and other business partners to develop new systems for the next generation with the aim of bringing them into the market.

Daisuke Ozono
Managing Executive Officer, General Manager, Healthcare Business Division

Vision

With the tablet inspection system manufactured by Daiichi Jitsugyo Viswill at the core, we will expand our business domain by strengthening our line engineering proposal capabilities. In pharmaceuticals, we will broaden the range of products for existing solid drugs, injectable (liquid) drugs and others. In health foods and cosmetics, we will horizontally expand our know-how cultivated in pharmaceuticals. In regenerative medicine, we will work to develop devices that meet the needs. We will also work to expand our share of the tablet printing system market and continue to develop markets in the Hokuriku and Chubu regions.

Strengths

- Intra-group coordination of manufacturing (DJV), sales (DJK), and after-sales service (DMC) ("3D" integrated management)
- Leveraging the power of the DJV product brand, which boasts the top share of visual inspection systems in the pharmaceuticals industry
- Securing and optimally allocating highly specialized human resources

Business Fields and Initiatives

Pharmaceuticals

The Company handles all types of formulation machinery, inspection equipment, packaging machines and others, mainly for solid and liquid (injectable) drugs. We have been developing technologies for facilities and equipment jointly with our business partners, and our unique processes have been adopted by many pharmaceutical manufacturing sites. In the field of genomic medicine, which applies recent biological information, we also offer various equipment, including cell culture equipment, and promote development projects.

Food

As the development of nutritional supplements progresses and high-quality and high-efficiency production technology is required in various processes, the Company handles various equipment, such as production facilities, inspection equipment and packaging machines, suitable for them. We also offer total solutions that integrate the planning and management of entire projects.

Cosmetics

In addition to the importance of designing highly efficient production lines due to the diversification of consumer needs, research is being conducted on production processes that combine raw materials and manufacturing methods as an important development theme. Amid these circumstances, the Company offers planning proposals that include not only proposals for production lines but also searches for elemental technologies from the development phase.

Risks and Opportunities based on the External Environment

Risks

- Uncertainty due to contracts resulting from drug price cuts and reorganization of the generic industries, dispensing industry, etc.
- Recovery of OTC (Over The Counter) companies affected by the decline in inbound demand due to COVID-19
- Delay in the Japanese government's initiatives in the field of vaccines

Opportunities

- Increase in demand for inspection equipment and devices due to stricter product quality control caused by recall issues
- Commercial opportunities due to increased demand for equipment from generic drug companies
- Expanding needs due to increased demand for liquid and injectable drugs as the government strengthens support for the field of vaccines
- Expansion of business domain through M&A of pharmaceutical-related companies, securing of human resources, etc.



Aviation & Social Infrastructure Business



In the fields of aviation and airports, the Company supplies ground support machinery and equipment used in airports mainly to airlines, ground handling agents and airport operators. In the field of disaster preparedness, we provide national and local governments in Japan with specialized vehicles for firefighting. We import the main products from Europe and the United States, and customize them for the environments where they will be used and the buyers' needs. In addition, we have a group of experts to provide high-quality after-sales services and support for social infrastructure.

Kei Yasuhira

General Manager, Aviation & Social Infrastructure Business Division

Vision

The Company has changed the name of this business from Aviation Business to Aviation and Social Infrastructure Business. Amid the difficult situation our mainstay aviation and airport business is facing due to the impact of COVID-19, we will further strengthen the efforts we have made in the field of disaster preparedness and the field of public services such as general roads. In addition, we will focus on developing products to reduce workforce and workload, and for electrification and automation of related equipment, while expanding our CS (Customer Support) services. Through these efforts, we will further improve our recognition as an entity that supports public infrastructure, including aviation.

Strengths

- High recognition in the industry, strong customer base, and many strong business partners
- Plenty of access to industry information
- Extensive track record in government projects
- Increasing repeat business by providing stable and reliable services through our in-house service department

Business Fields and Initiatives

Aviation

The Company handles equipment equipped with advanced technologies and ideas from overseas, including tractors, deicers for aircraft, container loaders, and passenger step vehicles. We support airport operations by providing not only single items but also packages.

Airports

In addition to chemical fire engines and snow plows for airports, friction coefficient measurement vehicles, medical equipment transport vehicles, and glycol recovery vehicles, the Company handles various equipment equipped with advanced technologies from overseas, including automatic explosive detectors and automatic baggage checkers. We also measure the friction coefficient of runways.

Disaster preparedness

The Company handles disaster preparedness-related equipment and materials, such as super ambulances, command cars, vehicles that function as a support facility for disaster recovery activities, lighting vehicles, and ambulances equipped with electric stretchers for the national and local governments. We support disaster preparedness efforts in each region.

Customer support

The Company's extensive parts inventory allows us to respond quickly to sudden problems with equipment and devices. In addition to performing inspections and maintenance to prevent problems before they occur, we support the stable operation of aircraft mainly by proposing improvements to parts, and provide total support over the lifetime of equipment and devices.

Risks and Opportunities based on the External Environment

Risks

- Instability of the industry, which is susceptible to external factors
- Large impact of policy changes, development discontinuation, mergers, bankruptcies, etc. of business partners
- Restrictions due to systems, laws and regulations because customers' business operations need licenses and permits

Opportunities

- The possibility of a major transformation of an extremely conservative industry after the crisis
- Expanding equipment to other fields by utilizing the knowledge and experience we have accumulated
- Business opportunities arising from changes in systems and laws

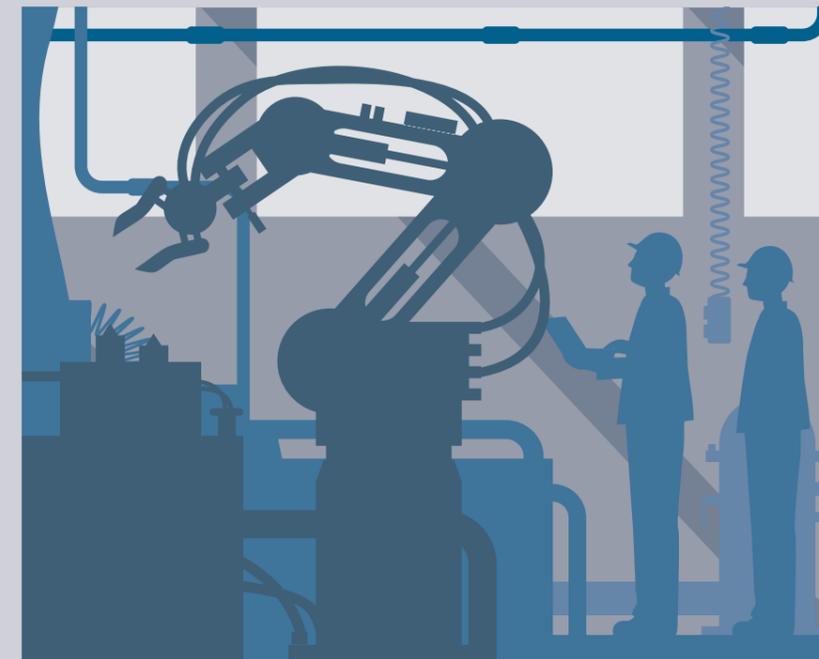
Technology and After-sales Service

DAIICHI MECHA-TECH CORPORATION

- Outstanding maintenance technology for the machinery we handle
- Ability to respond to requests from customers
- Planning, technology development, and design development capabilities



<https://www.dmt.co.jp/en>



Major subsidiaries supporting engineering functions in the DJK Group

Wealth of know-how, High technological capability

Development and Manufacturing

DAIICHI JITSUGYO VISWILL CO., LTD.

- The world's first 3D inspection technology
- Alignment transfer technology boasting the industry's top processing capacity
- Enlisting specialists in various fields
- Integrated research and development system



<https://www.viswill.jp/en>

Daiichi Mecha-tech Corporation

Daiichi Mecha-Tech was established in 1970 with 100% investment from DJK. It is an engineering company that conducts evaluation tests during the arrival, installation, and operational adjustment and after operational adjustment, of various industrial machinery handled by the DJK Group, as well as the development and design of various products, regular inspections, and after-sales services.



Naoki Shimodaira
President
(Executive Officer, DAIICHI JITSUGYO CO., LTD.)

Daiichi Jitsugyo Viswill Co., Ltd.

Daiichi Jitsugyo Viswill was founded in 1971 as a new business of Kanebo, Ltd. and was added to the DJK Group as a wholly-owned subsidiary in 2005 as Daiichi Jitsugyo Viswill Co., Ltd. It develops, manufactures, and sells visual inspection systems for the pharmaceutical and electronic component industries, and boasts the top share in the industry.



Tadayuki Matsukawa
President
(Executive Officer, DAIICHI JITSUGYO CO., LTD.)

Vision

Aiming to become a flexible and robust business entity to cope with the rapidly changing era of VUCA (Volatility, Uncertainty, Complexity, and Ambiguity), we will achieve stable growth in our existing business of machinery and equipment maintenance, along with using our accumulated technological capabilities to enhance and diversify our technical services and further globalize them. In addition, through our business activities, we will work to mitigate the climate change crisis and realize a recycling-oriented society, aiming for sustainable growth together with society.

Strengths

- Technical capabilities cultivated through years of maintenance services for various industrial machinery
- Extensive field experience gained from working on the front lines onsite
- Flexibility to meet the various needs of customers
- Service development in collaboration with the DJK Group
- Thorough support for stable operation, from specification determination to arrival and installation of equipment
- Life-long technical service for machinery and equipment until it is treated as used equipment
- Borderless support for domestic and international markets

Risks and Opportunities based on the External Environment

Risks

- Restrictions on behavior mainly due to natural disasters and spread of infectious diseases, and lower factory operating rates due to sluggish consumption
- Policy change due to business restructuring, and other factors of service contractors (customers)
- Decrease in service operations due to further globalization of production activities
- Decline in the number of talented engineers due to a decrease in the labor force resulting from the declining birthrate and aging population

Opportunities

- New forms of maintenance activities and remote services using smart glasses and other digital equipment
- Increase in demand for environmentally friendly equipment in decorating and coating processes from the perspective of ESG
- Growing need for automation equipment due to the labor shortage
- Reform of working styles and improvement of quality in maintenance activities by improving the working environment and enhancing education

Vision

As a pioneer in the field of visual inspection systems, our mission is to continue to create systems that contribute to the production of our customers' products and deliver smiles to them. We will continue to fulfill this mission by setting a vision to "fulfill our role responsibly."

Design and development:

Swiftly create equipment that anticipate needs

Manufacturing and technology:

Improve employees' manufacturing technical skills to achieve multi-jobs

Production and quality control:

Thoroughly implement QDC* management and establish a production information system

Customer Satisfaction:

Improve customer satisfaction by solidifying production activities and after-sales service support

* Quality, Delivery, and Cost

Strengths

- A well-established company in the field of visual inspection systems
- Maintaining the top market share in the industry
- Establishment of core technologies and manufacturing processes for transport, lighting, image processing, etc. (ISO 9001 certified)
- Proactive use of the latest technologies
- Retention of employees with strong technical skills
- Enhancing customer satisfaction through intra-group collaboration in manufacturing, sales and after-sales service
- Collaborating with partner companies with high technological capabilities in manufacturing and development
- Capable of offering systems that include peripheral equipment and devices

Risks and Opportunities based on the External Environment

Risks

- Emergence of inexpensive competing products
- Trend of moving from low-molecular formulation to high-molecular formulation
- Low profit margins and investment restraint due to drug price revisions
- Decline in demand for inspection systems due to reconfiguration of manufacturing processes
- Large waves occurring in the industry due to economic fluctuations

Opportunities

- Strengthening relationships of trust with customers
- Improving brand power through product differentiation
- New product development based on a clear concept
- Improve profitability through cost reduction
- Getting products to markets more quickly by reducing lead time
- Developing highly specialized human resources

The DJK Group is committed to fulfilling its social responsibilities globally in accordance with its management philosophy of contributing to social prosperity. The DJK Group aims for corporate growth and the development of a sustainable society by focusing on environmental considerations, thorough legal compliance, and enhanced relations with stakeholders, while maintaining its role as part of the worldwide distribution channel of economic society.



	Activities	Methods
Business partners	We are striving to build good relationships with our business partners and to build a system that enables us to offer better products and services.	Confidentiality agreements, safety management, repair service counter, exhibitions, web seminars, etc.
Environment	We are striving to protect the global environment by expanding the use of environmentally friendly products and transactions through our business activities and by actively introducing environmentally friendly products.	ISO 14001 certification, utilization of the joint crediting mechanism, development of renewable and next-generation energy products, introduction of eco-cars, green procurement, etc.
Organization and human resources	We are promoting the creation of an environment in which all employees can make the most of their strengths and demonstrate their abilities to the fullest.	Personnel management system, self-reporting system, target management system, training for employees by type of career and level, Code of Conduct, information sharing via intranet, etc.
Corporate culture	In addition to disseminating our corporate philosophy, we promote information sharing across organizational boundaries and workplace communication that respects diversity.	President's speech, company-wide sales meeting, flexible office space with no designated desks, flextime system, appointment of local personnel, etc.
Society	Through various social contributions, we aim to continue to be a company that is needed by society.	Social contribution activities, compliance education, etc.
Shareholders and investors	We are working to build a relationship of trust and enhance corporate value by striving to return profit to our shareholders and investors and to disclose appropriate information as needed.	Notice of convocation of meeting of shareholders, general meeting of shareholders, financial results briefing meetings, corporate website, annual reports, securities reports, corporate governance reports, etc.

Environment

Approach on Environment

As a highly respected industry partner, the DJK Group's goal is to contribute to the development of a highly innovative global society.

As a trusted global business partner, the DJK Group aspires to be a valued partner for our stakeholders. We utilize DJK's total solutions for our customers to overcome the serious challenges posed by environmental issues.

- We will contribute to reducing amounts of energy and resources used, and seek to limit environmental pollution by our customers through environmentally friendly merchandise.
- We will comply with all laws, regulations, and accords related to our merchandise and corporate activities.
- In pursuit of constant improvement, we will carry out environmental management of our business by all employees and directors companywide

System for Promoting the Environment Management System

We operate an environmental management system (EMS) to systematically promote the reduction of environmental impact. We have designated the President as the top management and the General Manager of the Administration Division as the person in charge of management. Based on our environmental policy, the EMS Promotion

Committee plays a central role in implementing the PDCA cycle and making continuous improvements. In addition to conducting regular in-house environmental education and training, we conduct management reviews after setting environmental targets and completing the activity process.

EMS Promotion Organizational Chart



Acquired ISO14001 Certification

We have acquired certification for ISO14001, an international standard for environmental management.

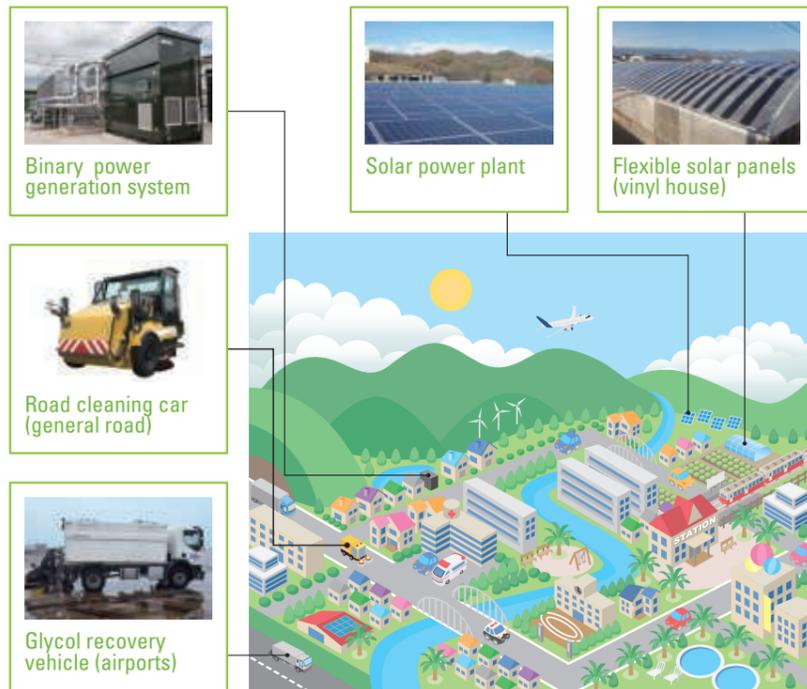


Environment

Efforts to Reduce Environmental Impact

Promoting Wider Use of Eco-friendly Products

Among all the types of industrial machinery we handle, we are strengthening our efforts to expand sales of products that contribute to resource recycling, resource conservation, and reduction of workload and workforce in our customers' product manufacturing. The variety of environmentally friendly products has been increasing year by year, and in recent years, many of them have become useful for social infrastructure. The Group considers the provision of products and services to be a contribution to society through business, and will continue to expand the range of products it handles, recognizing that environmental friendliness is the most important issue in business.



Joint Crediting Mechanism Business

The Ministry of the Environment and the Global Environment Centre Foundation (GEC), a public interest incorporated foundation that is an executive organ of the Ministry, solicit proposals for "Financing Programme for Joint Crediting Mechanism (JCM) Model Projects." The proposals that we submitted were adopted for two consecutive years in fiscal 2019 and fiscal 2020.

The JCM is a system to cooperate with developing countries for reducing greenhouse gas emissions, in which the result of reduction is assessed as contribution by both partner countries and Japan.

In fiscal 2021 the proposal submitted was not adopted, but we will continue to actively participate in these efforts and contribute to the realization of a decarbonized society from a global perspective.

- **FY2018**
Project: Introduction of a biomass boiler in a chemical plant
Partner country: Vietnam
Expected GHG*1 reduction: 16,882t-CO₂ per year
 - **FY2019**
Project: Introduction of a biomass cogeneration system in a food plant
Partner country: Vietnam
Expected GHG*1 reduction: 24,115t-CO₂ per year
- *1: Greenhouse gas

Joint Crediting Mechanism



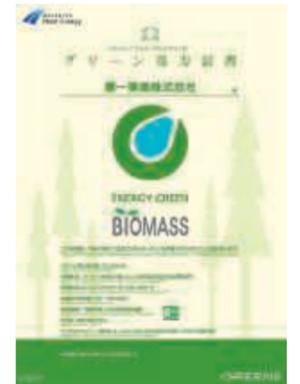
Tradable Green Certificate

As an initiative to work toward promoting the spread of renewable energy, the Company purchased "green power" (25,000 kWh) from GREENa Co., Ltd. via an agreement under the Green Power Certificate System.*2

"Green power" refers to power generated from natural energy sources, such as solar, wind power, geothermal, small hydroelectric, and biomass. The framework enables the electric energy volume of any "green power" purchased to be considered renewable energy use.

While further increasing the attention given to environmental considerations in future business activities, we will promote the spread of renewable energy through various methods.

*2: A framework to trade environmental added value for energy generated from renewable sources in the form of "Green Power Certificates," which is traded by the certificate issuer receiving approval from a third-party certification institution (Japan Quality Assurance Organization).



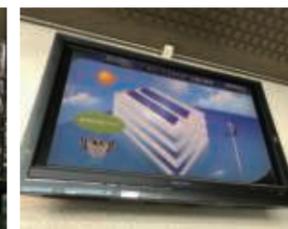
Toward the Reduction of Greenhouse Gas Emissions

As part of the Group's overall efforts to reduce greenhouse gas (CO₂) emissions, we have achieved virtually zero CO₂ emissions by using carbon-offset electricity at the Daiichi Jitsugyo Berries Farm, a facility owned by the Company.

The facility is experimentally producing strawberry seedlings free from diseases and pests using state-of-the-art seedling growth technology, and is leveraging electricity consumption for environmental value.



Daiichi Jitsugyo Berries Farm (Moroyama, Saitama)



Electronic Bulletin Board showing amount of power generated by solar panels at D.S.T. Center

In addition, the D.S.T. Center*3 is equipped with solar panels on its rooftop, and makes effective use of energy by consuming the generated power in-house.

We will continue to promote a variety of initiatives to reduce CO₂ emissions and implement concrete measures to combat climate change.

*3: Demonstration, Service & Training Center

Other Environmental Initiatives

For company vehicles used in Japan, the ratio of environmentally friendly vehicles, including hybrid vehicles, is over 90%.

In addition, in the office environment, we are promoting paperless meetings, and using web conferencing systems to reduce greenhouse gas emissions from business trips.

We are working to expand green procurement by prioritizing the use of Eco Mark certified and recyclable products for office consumables and environmentally friendly inks and paper materials for booklets and other publications.

We believe that the accumulation of such steady efforts can also contribute to environmental conservation, and we will continue to promote internal efforts to reduce the burden on the environment.



Human Resources

Approach on Human Resource Training

Self-realization for All Employees

Everyone realizing their full potential, leading happy lives through their work, creating the future of the Company, and contributing to customers and society—we aim to be such people and company.

Efforts for Human Resources

At DJK, human resources are regarded as the most important asset, and we are making concerted efforts for human resource development so that each employee can play an active and meaningful role at work. Furthermore, in addition to efforts to rebuild our personnel system in Japan and overseas and to strengthen employee education, we are also taking initiatives to improve the working

environment, including working styles, aiming to realize the vision of becoming a “next-generation engineering trading firm.”

We will further accelerate investment in human resources in order to provide high added value to society and to facilitate DJK’s sustainable development.

Personnel Management System

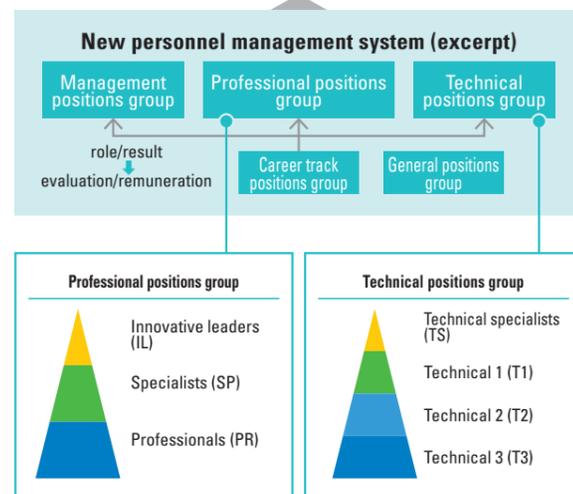
Main theme of personnel management system reform

Development of human resources who will lead the next generation
Improvement of job satisfaction

Self-realization of employees / Improvement of corporate value

Diverse career development / Improvement of business performance

Provision of high added value by specialized human resources



The business environment surrounding the Company is changing dramatically as the global economy undergoes a major transformation. As manufacturing technologies and services become more sophisticated and diverse, the roles of the Company are also diversifying, and it is now essential to possess various human resource skills due to changes in business models. From this perspective, we have positioned the personnel management system as one of our key business strategies and, after fundamentally reviewing it, we started operating the new system in April 2021 with the main themes of developing human resources who will lead the next generation and improving job satisfaction. Specifically, in addition to the management positions group (M positions: former management positions), we have newly established the professional positions group (P positions) and the technical positions group (T positions) beyond the career track positions, allowing employees to choose the positions group that best suits their individual needs. The system also clarifies the roles of individual employees and evaluates them based on their abilities and performance. In this way, we aim not only to create results for individual employees, but also to improve their specialist skills and motivation, thereby enhancing their job satisfaction and increasing their happiness.

We will further enhance the value of the Company by enriching our human resources and systems, which will lead to the sustainable growth of our business.

Employee Education

In line with the reform of the personnel management system, we are also expanding our employee education, and have established education programs for each positions group and level. The programs can be broadly separated into the following five: OJT education, group training education, e-learning education, global human resource education, and engineering human resource education. These programs provide opportunities for employees to acquire the knowledge and skills necessary for their work.

In the engineering human resources education program, we focus on education related to the scrutiny of

contract details, safety and health management, and others, as the number of complex and large-scale projects is increasing.

In addition, with the diversification of business and changes in the standpoints and working styles of individual employees, we consider smooth communication within and outside the Company to be one of the important themes of education. Therefore, we are working to strengthen communication skills through our respective educational programs.

System of human resources education program

M positions group	P positions group	T positions group	General positions group	On-the-Job Training (OJT)				Group training (internal and external)			E-learning	Global human resources	Engineering human resources	
				On-site experience	Specialty expansion	Challenges	Cross Experience	Self-discipline	People skills	Ability to deal with issues				
Management											Management strategy			
General manager	IL	TS												
Manager	SP	T1												
PR		T2	Supervisor											
Senior staff		T3	Senior staff											
Staff														

Diversity Management

The DJK Group has more than 1,000 employees, and a wealth of human resources supports its business activities. Active utilization of talented personnel regardless of gender, nationality, or social background is essential for future corporate growth in global business expansion. The Group believes that a sense of group-wide unity and commitment to working in an organization can be firmly em-

bedded in the mind of each employee by disseminating the corporate philosophy and management policy of the Company. As we aim to expand our business scale and evolve our business, we will continue to proactively work on the development of competent local personnel as one of our key issues.

Human Resources

Toward Diversification of Working Styles

Reforming Working Styles through the Use of IoT

All employees are lent laptops and smartphones for work use, and documents are sent to them in digital format. We have also introduced electronic seals for company stamps and approvals, and actively use the Internet for meetings. By actively using these smart devices, we have been able

to realize a hybrid working style of coming to the office and working from home, and we are striving to build a flexible working style.

In the future, we will identify issues in order to improve working efficiency and working comfort.

Support for Balancing Work with Childcare, Nursing Care, Medical Treatment, Etc.

The Company provides support to enable employees to work with peace of mind while balancing work with childcare, nursing care, treatment for illness, etc. As part of the initiatives, the Company promotes a better work-life balance by introducing flextime and providing recommended days or months to be taken for paid leave.

In particular, the Company has also established a working environment which supports an early return to work from maternity leave and childcare leave for employees who seek a balance between work and childcare. In addition, childcare services are available in cases of sudden illness of their children, sudden business trips or working overtime, and the Company also provides a subsidy system to assist the utilization of support services for nursery enrollment.

We will further expand our efforts to enable employees to work longer with peace of mind.

Key human resources-related indicators (non-consolidated)

	FY2018	FY2019	FY2020
Average length of service (years)	12.7	12.3	12.9
Male (years)	13.6	13.0	13.7
Female (years)	10.2	10.3	10.1
Paid leave utilization rate* (%)	59.0	56.0	49.9
Number of employees taking childcare leave	10	9	8
Number of employees working shorter hours	5	3	7
Ratio of employees returning to work after childcare leave (%)	100	100	100
Number of employees taking nursing care leave	0	0	0
Job turnover rate (%)	4.3	6.0	2.7
Number of employees	485	508	524
Male	361	369	389
Female	124	139	135

* Paid leave utilization rate: number of days of paid leave taken ÷ number of days of paid leave granted × 100.

Aiming to be a Motivating and Rewarding Company

The new personnel management system that we began operating in April 2021 is a result of reforming the previous system to diversify the company's contribution in accordance with each employee's abilities and aptitudes, in other words, to allow employees to use their skills not only in management positions but also in professional and technical positions, and to clarify the results and remuneration for doing so. In the future, we believe that this system will be complemented by the extension of the retirement age and re-employment in accordance with further changes in society.

In response to this, we must also consider how the company can support its employees, in other words their working style. We will introduce various systems that enable all employees to achieve a good work-life balance, not to mention those with childcare or nursing care needs, so that we can become closer to a company where employees can continue to work for a long time and where their work is rewarding. We will also proactively work on inclusion, which is considered to be as important as diversity.



Takahiro Toyoizumi
Executive Officer
General Manager
Administration Division

Social Contributions

New Type of Ambulance "C-CABIN"

The Company is participating in a project to develop a new type of ambulance with Belling inc. a subsidiary of DMM.com LLC, and has been handling "C-CABIN" since November 2020.

"C-CABIN" was completed based on the concept of "a new idea of ambulance that was created in the field." The space inside has been expanded to create a first-aid space where the injured or sick can be approached from both sides, and the interior has features including ceiling grip pipes, independent medical seats, and an isolation function that separates the first-aid area from the driver's seat to create negative pressure. In addition, the vehicle is designed to provide the safety and convenience required in the field of first aid, such as an electric stretcher to reduce the burden on emergency personnel.

As a distributor of this vehicle, the Company will promote the sale of this vehicle to fire departments of municipalities nationwide, and will focus on efforts to support social infrastructure through our business.



Support for Medical Professionals

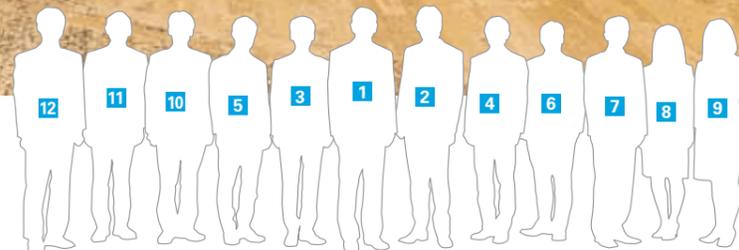
As part of our support for medical professionals dealing with COVID-19, we have donated strawberries produced by Daiichi Jitsugyo Berries Farm to Saitama Medical University Hospital. Freshly picked strawberries were delivered once or twice a week from January to March 2021, during the strawberry harvest, and were enjoyed by the medical professionals at the hospital.

In the future, we will continue to be conscious of our contribution to local communities and carry out the support activities that the Company is capable of doing.



Donations

- Donation to the Japanese Red Cross Society
- Contributions for disaster-stricken areas in Japan and abroad and in-house fundraising activities
- Donation of news bulletin boards to neighboring primary schools
- Foreign coin collection activity for the UNICEF



Directors and Audit & Supervisory Board Members (As of June 23, 2021)

1 Ichiro Uno

Representative Director, President & CEO

- April 1982 Joined the Company
- April 2013 Executive Officer, General Manager, Osaka Business Div. and Osaka Branch Manager
- April 2014 Executive Officer, President of DAIICHI JITSUGYO (AMERICA), INC.
- June 2016 Managing Director
- April 2017 Representative Director, President & CEO (to present)

2 Shigeki Terakawa

Representative Director, Senior Managing Director

- April 1980 Joined the Company
- April 2011 Executive Officer, General Manager, Osaka Business Div. and Branch Manager of Osaka Branch
- June 2013 Managing Director
- April 2017 Managing Director, Osaka Branch Manager, Nagoya Branch Manager
- April 2019 Managing Director, President of Osaka Branch (to present)
- April 2021 Senior Managing Director (to present)
- June 2021 Representative Director, Senior Managing Director (to present)

3 Ryuichi Ninomiya

Managing Director

- April 1984 Joined the Company
- April 2011 Executive Officer, General Manager, Nagoya Business Div. and Branch Manager of Nagoya Branch
- April 2015 Executive Officer of the Company, Managing Director of DAIICHI JITSUGYO ASIA PTE. LTD.
- April 2019 Executive Officer, President of Nagoya Branch
- June 2019 Managing Director, President of Nagoya Branch (to present)

5 Yasushi Marumoto

Managing Director

- April 1987 Joined New Japan Securities Co., Ltd. (current Mizuho Securities Co., Ltd.)
- April 1990 Joined the Company
- April 2019 Executive Officer, General Manager, Plant & Energy Business Div.
- April 2021 Managing Executive Officer, Osaka Branch Manager and General Manager, Plant & Energy Business Div.
- June 2021 Managing Director, Managing Executive Officer, Osaka Branch Manager and General Manager, Plant & Energy Business Div. (to present)

7 Yoshikazu Sakamoto

Outside Director

- April 1975 Joined Tokyo Regional Taxation Bureau
- July 2010 Ishida Tax and Accounting Office
- September 2010 Registered as a tax accountant
Yoshikazu Sakamoto Tax Accountant Office (current Sakamoto, Koyama & Numazawa Tax and Accounting Office) (to present)
- June 2015 Director of the Company (to present)

9 Namika Yamada

Outside Director

- January 2018 Registered as an attorney at law
- January 2019 Joined Kowa Law Office (to present)
- May 2019 Supporting Member, Compliance Team, Ministry of Education, Culture, Sports, Science and Technology (to present)
- June 2019 Compliance Hotline Contact Person, All Japan Judo Federation (to present)
- June 2020 Director of the Company (to present)
- January 2021 Joined Yamada Ozaki Law Office (to present)

11 Toshihiko Matsumiya

Outside Audit & Supervisory Board Member

- April 1971 Joined Pioneer Corporation
- July 1972 Joined Ryutsu-Giken Co., Ltd.
- October 1979 Joined Deloitte Haskins & Sells (current Deloitte Touche Tohmatsu LLC)
- March 1983 Registered as a certified public accountant
- July 1991 Partner of Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC)
- October 2011 Established Toshihiko Matsumiya Certified Public Accountancy Office (to present)
- June 2012 Audit & Supervisory Board Member, the Company (to present)

4 Masatoshi Ueno

Managing Director

- April 1985 Joined the Company
- April 2013 Executive Officer, General Manager, Electronics Business Div.
- June 2019 Managing Director (to present)

6 Osamu Fukawa

Managing Director

- April 1992 Joined the Company
- April 2019 Executive Officer, General Manager, Administration & Accounting Div.
- April 2020 Executive Officer, General Manager, Accounting Div.
- April 2021 Managing Executive Officer, CFO, and General Manager, Accounting Div.
- June 2021 Managing Director, Managing Executive Officer, CFO, and General Manager, Accounting Div. (to present)

8 Yukie Tanaka

Outside Director

- April 1992 Joined Nomura Co., Ltd.
- December 1998 Established Dual, Inc.
- September 2002 Has been engaged in news gathering and writing for IR tools, after providing editing services for specialized magazines at an IR support company (to present)
- June 2016 Director of the Company (to present)

10 Akihiro Kawai

Standing Audit & Supervisory Board Member

- April 1984 Joined the Company
- June 2020 Standing Audit & Supervisory Board Member (to present)

12 Mitsuyoshi Koyama

Outside Audit & Supervisory Board Member

- April 1981 Joined Tokyo Regional Taxation Bureau
- September 2015 Registered as a tax accountant
Established Mitsuyoshi Koyama Tax Accountants Office (to present)
- June 2016 Audit & Supervisory Board Member, the Company (to present)

Basic Corporate Governance Policy

From the perspective of reinforcing our corporate capabilities to survive global competition, DAIICHI JITSUGYO CO., LTD. (the "Company") places high priority on promoting accurate and speedy business decision-making, while at the same time, enhancing our management oversight function to ensure the transparency of our business.

Overview of the Company's Corporate Governance

Board of Directors

The Board of Directors comprises nine directors (including three outside directors). The board determines basic business policies and other important matters through vigorous exchanges of opinions while also fulfilling its function as an oversight body for business execution.

Moreover, in an effort to further enhance its corporate value, the Company has adopted the executive officer system to conduct flexible and efficient business operations by reinforcing the business decision making and supervising functions, as well as separating the business execution function. The Company dispatches certain executive officers to be in charge of its consolidated subsidiaries in Japan and overseas and to manage their business execution.

Audit & Supervisory Board

The Company uses an Audit & Supervisory Board system comprised of three Audit & Supervisory Board members, two of whom are outside Audit & Supervisory Board members. In addition to attending every Board of Directors meeting, the Standing Audit & Supervisory Board

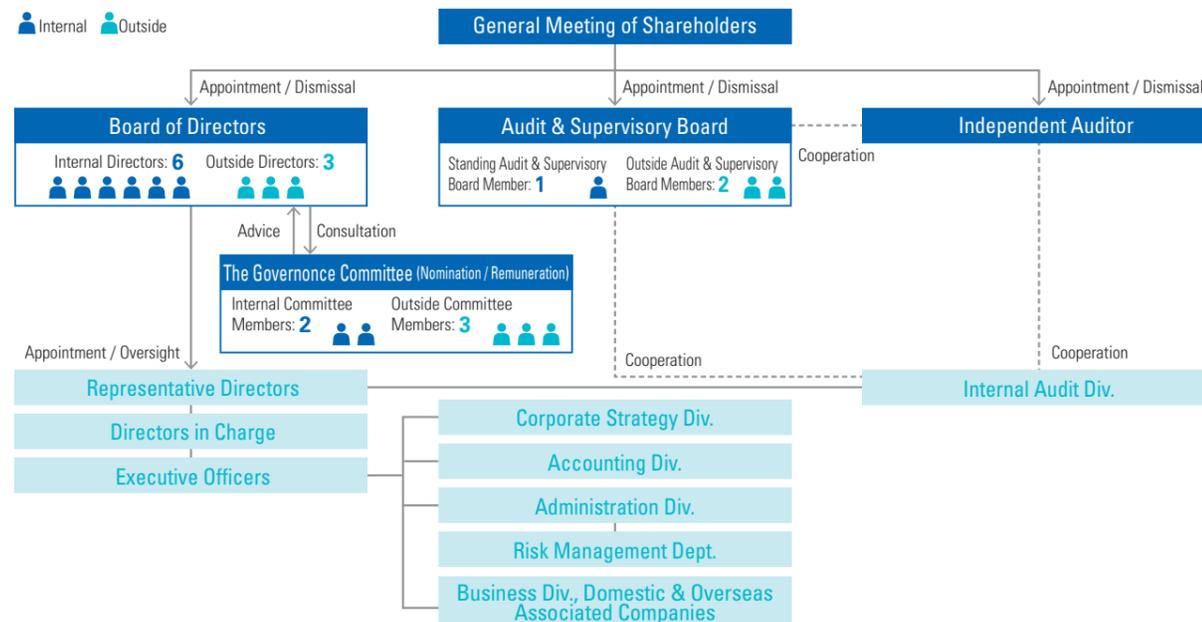
members attend other important internal meetings to monitor the business execution performance of directors from an objective perspective. Audit & Supervisory Board members work to ensure the effective implementation of the audit by receiving reports on and explanations of the audit plan and results from independent auditor; exchanging opinions on the areas to be covered by the audit, the audit methods, and the audit results; sharing information; and taking other measures.

Independent Auditor and the Internal Audit System

The Company has concluded an auditing agreement with the certified public accounting firm Deloitte Touche Tohmatsu LLC to act as its independent auditor. In addition to providing accounting auditing services in a fair and unbiased manner, the auditing firm provides advice on accounting matters as appropriate.

As for the internal audit system of which the central organ is the Internal Audit Division, the job execution of employees is checked and assessed as to whether it is in accordance with laws and regulations and the Articles of Incorporation, as well as with the basic internal control policy and the code of conduct.

Corporate Governance System



Governance Committee

The Governance Committee was established on October 1, 2020, as a voluntary advisory body to the Board of Directors to deliberate on matters related to the nomination and remuneration of Top management (directors with representative authority) and directors, as well as other gov-

ernance matters, and to report and make proposals to the Board of Directors, with the aim of enhancing corporate value by utilizing the knowledge and advice of outside directors, ensuring transparency and fairness, and strengthening governance.

Composition of the Committee	Chairperson: Outside Director (Outside Director: 3 / Representative Director, President & CEO / Representative Director, Senior Managing Director)
Year ended March 31, 2021 Number of meetings held:	First meeting (November 2020), second meeting (February 2021)
Year ended March 31, 2021 Matters deliberated:	Appointment of directors to be determined at the Annual General Meeting of Shareholders, introduction of stock-based remuneration with transfer restrictions

Evaluating the Effectiveness of the Board of Directors

Effectiveness evaluation procedure

December 2020	Distributed questionnaires prepared inhouse to all directors and Audit & Supervisory Board members and then collected them.
February 2021	Reported on analysis and evaluation results to the Board of Directors.

Questions (16 in total)

- Composition of the Board of Directors (2 questions)
- Agenda of the Board of Directors (3 questions)
- Management of the Board of Directors (6 questions)
- System to support the Board of Directors (5 questions)

Summary of Analysis and Evaluation Results

DJK's Board of Directors was analyzed and evaluated as generally functioning appropriately, and was evaluated highly in several categories compared to the previous year's questionnaire results. The addition of items for deliberation to the agenda, as well as resolutions and reports, resulted in improvement in the promotion of discussion of medium- to long-term corporate strategies.

On the other hand, the Board of Directors concluded that there is room for further improvement in the advance explanation of Board of Directors meeting materials, despite the review. There was also an opinion that there should be sufficient feedback on the status of the Company's response to the opinions and points raised by outside directors.

We will continue to analyze and evaluate the Board of Directors on a regular basis in order to improve the effectiveness of the board as a whole.

Directors' Attendance at Board of Directors Meetings and their Skill Matrix

Name	Position	Number of meetings attended / Number of meetings held	Work experience, knowledge, etc.					Attributes		
			Corporate management and corporate strategy	Knowledge of the industry, sales, and marketing	International perspective	Finance and accounting	Legal affairs and risk management	Other	Gender	Independence
Ichiro Uno	Representative Director, President & CEO	14 times / 14 times (100%)	●	●	●				Male	
Shigeki Terakawa	Representative Director, Senior Managing Director	14 times / 14 times (100%)	●	●					Male	
Ryuichi Ninomiya	Managing Director	14 times / 14 times (100%)	●	●	●				Male	
Masatoshi Ueno	Managing Director	14 times / 14 times (100%)		●	●			● ^{*2}	Male	
Yasushi Marumoto	Managing Director ^{*1}	—	●	●	●				Male	
Osamu Fukawa	Managing Director ^{*1}	—			●	●	●		Male	
Yoshikazu Sakamoto	Outside Director	14 times / 14 times (100%)				●			Male	●
Yukie Tanaka	Outside Director	14 times / 14 times (100%)						● ^{*3}	Female	●
Namika Yamada	Outside Director	11 times / 11 times (100%)					●		Female	●

*1: Newly appointed director *2: Technology and IT *3: Investor relations, public relations, and knowledge of other industries

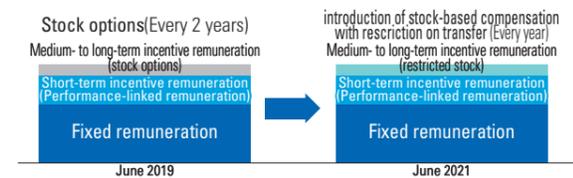
Officers' Remuneration

The Company has established a policy regarding the determination of and calculation method for the amount of remuneration for officers, which encourages medium- to long-term growth of business performance and corporate value. The remuneration system is commensurate with the duties of each officer.

Directors other than outside directors receive a combination of fixed and performance-linked remuneration, and stock options (stock acquisition rights) as stock-based compensation, while Audit & Supervisory Board members and outside directors receive only fixed remuneration, from the standpoint of the independence of their duties. However, with respect to the stock-based compensation, the Company will adopt stock-based compensation with restrictions on transfer (restricted stock) from the fiscal year ending March 31, 2023.

DJK's performance-based remuneration rewards results and performance, and we set the degree of achievement of company performance targets as an evaluation index common to all officers in order to further clarify their responsibilities in improving business and corporate value.

For the current fiscal year, performance targets are the goals laid out in the annual plan, and the remuneration calculation is based on the financial results for the fiscal year ending March 31, 2021.



Total amount of remuneration, etc., by officer classification, total amount of remuneration, etc., by type, and number of applicable officers

Officer classification	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)			Number of applicable officers
		Fixed remuneration	Stock options	Performance-linked remuneration (bonuses)	
Director	356	225	19	112	6
Standing Audit & Supervisory Board Member	22	22	—	—	2
Outside Director	15	15	—	—	3
Outside Audit & Supervisory Board Member	10	10	—	—	2

Bonuses paid to five directors based on a resolution made at the 97th Ordinary General Meeting of Shareholders held on June 24, 2020, are not included.

Cross-shareholdings

DJK's policy is to hold shares of other companies only when we judge that they contribute to the medium- to long-term improvement of DJK's corporate value, taking into account whether they are necessary for the purpose of business expansion, business creation, maintenance and strengthening of cooperative structures, and business operations. If we judge that the rationality of shareholding cannot be verified, the shares are sold after taking into consideration the situation of the cross-shareholding partner. The Board of Directors decides whether to continue or reduce the share-

holdings after verifying the purpose, medium- to long-term economic rationality, and whether there is a benefit commensurate with capital cost. In the fiscal year ended March 31, 2021, DJK sold out three stocks and reduced one stock.

Number of cross-shareholdings and amount recorded on balance sheet

	Number of cross-shareholdings	Total amount recorded on balance sheet (millions of yen)
Unlisted shares	19	722
Other shares	39	7,097

Policy on Constructive Dialogue with Shareholders

Representative Director, President & CEO, Representative Director & Senior Managing Director, and directors in charge of business divisions actively participate in business results briefing meetings and other dialogues with professional and general investors, and conduct investor relations (IR) activities that emphasize fairness, accuracy, and continuity in management strategies, business strategies, and financial information, as well as good two-way communication.

As a structure for IR activities, the IR Committee is or-

ganized by the department in charge of IR and consists of the Representative Director & Senior Managing Director and personnel from the Accounting Division, Administration Division, and Corporate Strategy Division.

With the attendance of Representative Director, President & CEO and other members of the management team, the committee strives to promote investment opportunities and information disclosure by holding business results briefing meetings and company presentations for general investors, and publishing business reports and annual reports.

Information Disclosure

To enhance the transparency of its business, the Company proactively discloses information on a timely basis mainly through the Corporate Communication Department. In addition, as one of its IR activities, the Company holds business results briefing meetings to report on and

explain business conditions and the future direction of the DJK Group to shareholders and investors.

At the same time, we promptly and appropriately disclose management information via our corporate website and other forms of communication.

Development of the Internal Control System

DJK has established a "Basic Internal Control Policy" to ensure that the directors perform their duties in compliance with laws and regulations and DJK's articles of incorporation, and to ensure the appropriateness of our operations as a corporation.

From the perspective of further strengthening corporate governance, the directors endeavor to build an effective internal control system and establish a structure for company-wide legal compliance, while Audit & Supervisory Board members audit the effectiveness and functioning of the internal control system. If and when necessary, Audit & Supervisory Board members must provide advice or recommend improvements to directors.

Board members of the Company, system for making other reports to Audit & Supervisory Board members, and system to ensure effective audit of Audit & Supervisory Board members

Risk Management System

At DJK, the Risk Management Department plays a central role in holding regular meetings with relevant departments to ascertain various risks in Japan and overseas, prevent them from occurring, and minimize them. At the same time, we are thoroughly committed to fulfilling our social responsibilities as a corporation and contributing to society in accordance with the Daiichi Jitsugyo Code of Conduct, which is a set of specific guidelines to help directors, executive officers and employees comply with laws and regulations as well as social norms. In addition, the Company has established a Risk Management Committee for the purpose of contributing to the smooth operation of business through initiatives such as developing a management system for the prevention of risks that may occur and responding to those risks.

Basic Policy for Internal Control

1. Systems to ensure that directors comply with laws and regulations and Articles of Incorporation in the execution of their business duties
2. System to store and manage information on business execution by directors
3. Systems providing rules to manage possible losses and other matters of the Company, and its subsidiaries
4. Systems to ensure that directors carry out job execution effectively
5. Systems for ensuring that directors, executive officers, and employees execute their business duties in accordance with laws and regulations and the Articles of Incorporation
6. System to ensure the fairness of operations of the corporate group comprising the parent company and its subsidiaries
7. System for requesting staff to aid Audit & Supervisory Board members and ensuring the independence of those staff members from the influence of directors and the effectiveness of instructions given to such assisting staff
8. System for directors, executive officers, and employees of the Company and its subsidiaries to report to Audit & Supervisory

Compliance

As the basis of the compliance system, we are working to ensure that the Code of Conduct is thoroughly understood within the Company. We have established the Internal Audit Division under the direct control of representative directors and formulated internal audit regulations. While promoting the establishment, maintenance, and improvement of the internal control system, we are also working to develop and maintain the compliance system, and conduct audits and training in each internal department as necessary.

Code of Conduct

Business Partners	Investors	Society	Organization
<ul style="list-style-type: none"> Product safety Duty of confidentiality Sincere attitude Elimination of collusion with business partners Elimination of transactions based on favoritism Selection of fair business partners Prohibition of rebate requests Prohibition of excessive gift-giving and entertainment Corrective actions Response to provision of other benefits Sound relationship with public officials 	<ul style="list-style-type: none"> Disclosure Accurate records Emphasis on internal audits Communication with investors 	<ul style="list-style-type: none"> Contribution to society Environmental conservation and protection Compliance with antitrust laws Compliance with insider trading regulations Adherence to tax laws Security export control Obligation to confirm and to submit reports and notifications under the foreign exchange and foreign trade act Respect for intellectual property rights Elimination of antisocial forces Reporting to the authorities and cooperation with investigations 	<ul style="list-style-type: none"> Compliance with company rules and regulations Prohibition of conflicts of interest Respect for company assets Appropriate use of information systems Precautions regarding Internet use Fair expense treatment Handling of non-public information Awareness of everyday information processing Prohibition of participation in political activities, etc. External public relations
	<p>Corporate Culture</p> <ul style="list-style-type: none"> Prohibition of discrimination Prohibition of harassment Protection of privacy Elimination of non-transparent practices Safety in the workplace Compliance with labor laws 		

Consolidated 13-Year Financial Summary

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES (Years ended March 31)

	Millions of yen					Millions of yen								Thousands of U.S. Dollars (Note 1)	
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2021	
For the year:															
Net sales	¥127,285	¥85,058	¥108,079	¥125,502	¥128,229	¥122,102	¥143,361	¥124,177	¥154,120	¥185,686	¥161,891	¥161,476	¥140,029	\$1,264,829	
Gross profit	14,287	11,104	15,224	16,813	16,710	17,363	18,922	18,164	20,476	22,362	24,269	23,938	21,457	193,813	
Operating income	2,893	941	4,243	5,098	4,590	4,074	4,341	3,886	5,844	6,394	7,573	6,998	5,729	51,755	
Net income attributable to owners of parent	1,384	363	2,448	2,643	3,051	2,459	2,897	2,637	3,338	4,730	4,457	4,876	4,754	42,948	
Comprehensive income	—	—	2,159	3,008	4,485	3,430	4,482	1,480	3,781	5,391	3,759	3,890	6,764	61,099	
Overseas sales:	47,951	23,380	44,819	65,310	67,441	61,387	78,610	57,965	76,096	75,707	80,769	75,784	65,586	592,412	
China	14,655	7,439	12,652	16,707	18,780	16,803	19,215	19,335	16,231	21,940	31,407	28,287	23,207	209,623	
Asia	24,969	11,844	24,054	35,939	40,059	30,361	37,056	25,575	37,402	36,539	32,124	32,998	23,868	215,595	
Americas	4,927	1,981	4,974	10,058	6,035	8,068	11,116	9,437	13,244	13,593	14,333	8,575	14,897	134,566	
Europe	2,571	1,656	1,886	2,551	2,289	1,527	3,946	2,174	8,799	3,379	2,815	3,044	3,459	31,248	
Other	828	459	1,251	54	276	4,626	7,276	1,443	418	254	87	2,877	152	1,378	
Depreciation and amortization	357	326	356	353	316	352	874	847	850	805	774	890	883	7,984	
Capital expenditures	263	443	381	427	1,065	1,052	4,050	968	937	525	387	1,166	1,050	9,490	
At year-end:															
Total assets	¥64,066	¥55,096	¥73,322	¥83,759	¥81,478	¥81,443	¥91,835	¥94,767	¥116,681	¥102,379	¥112,561	¥111,486	¥119,958	\$1,083,541	
Working capital	15,463	15,590	17,180	18,855	20,322	21,935	22,670	23,372	25,636	28,495	32,497	35,008	38,950	351,823	
Interest-bearing debt	5,567	5,489	10,560	14,942	7,486	8,809	11,035	10,711	9,289	8,409	7,802	7,850	7,805	70,504	
Total equity	21,694	22,082	23,777	26,167	29,013	31,197	35,310	36,006	38,794	43,194	45,710	48,446	53,845	486,361	
Per share of common stock (in yen and U.S. dollars):															
Net income	¥25.76	¥6.97	¥46.90	¥50.55	¥57.97	¥46.45	¥54.46	¥49.24	¥62.47	¥443.97	¥418.31	¥456.38	¥444.70	\$4.02	
Cash dividends	11.00	7.00	13.00	14.00	15.00	18.00	16.00	17.00	95.0 (19.0)	105.0 (21.0)	110.0 (22.0)	130.0 (26.0)	130.0 (26.0)	1.17 (0.24)	
Shareholders' equity	410.63	416.63	445.88	485.23	545.78	586.85	659.44	669.51	726.61	4,042.28	4,274.47	4,521.29	5,023.70	45.38	
Other statistics:															
Number of shares of common stock outstanding (in thousands)	52,099	52,119	52,213	52,565	52,881	53,002	53,400	53,652	53,240	10,656	10,655	10,692	10,691	—	
Number of employees	942	974	992	1,008	1,043	1,069	1,080	1,064	1,097	1,134	1,167	1,209	1,229	—	
Key ratios (%):															
Gross profit margin	11.2	13.1	14.1	13.4	13.0	14.2	13.2	14.6	13.3	12.0	15.0	14.8	15.3	—	
Operating income margin	2.3	1.1	3.9	4.1	3.6	3.3	3.0	3.1	3.8	3.4	4.7	4.3	4.1	—	
Return on sales	1.1	0.4	2.3	2.1	2.4	2.0	2.0	2.1	2.2	2.5	2.8	3.0	3.4	—	
Return on assets	1.9	0.6	3.8	3.4	3.7	3.0	3.3	2.8	3.2	4.3	4.1	4.4	4.1	—	
Return on equity	6.1	1.7	10.9	10.8	11.2	8.2	8.7	7.4	9.0	11.6	10.1	10.4	9.3	—	
Asset turnover (times)	1.70	1.43	1.68	1.60	1.55	1.50	1.65	1.33	1.46	1.69	1.51	1.44	1.21	—	
Current ratio	137.3	148.5	135.3	133.1	139.8	145.4	143.4	142.1	134.1	151.2	149.7	156.4	161.0	—	
Equity ratio	33.4	39.4	31.8	30.5	35.4	38.2	38.3	37.9	33.2	42.1	40.5	43.4	44.8	—	
Debt-to-equity ratio	0.26	0.25	0.45	0.59	0.26	0.28	0.31	0.30	0.24	0.20	0.17	0.16	0.15	—	

Note: 1. U.S. Dollar figures have been converted from Japanese yen, for convenience only, at the rate of ¥110.71 to U.S. \$1.
2. Minority interests in equity has been excluded from equity when key ratio is calculated.
3. () shows the dividends per share before the share consolidation in the fiscal year ended from March 31, 2017 to March 31, 2021.
4. Shares have been restated, as appropriate, to reflect a one-for-five reverse stock split effected on October 1, 2017.

Performance

During the consolidated fiscal year under review, the Japanese economy first underwent a sharp slowdown due to the impact of the spread of the novel coronavirus (COVID-19), and then remained generally sluggish throughout the fiscal year, amid the second and third waves of infection and the emergence and spread of mutant strains. Amid these trends, demand for the expansion of remote work, digital transformation (DX), the acceleration of decarbonization, and the achievement of the SDGs increased. In addition, capital investment and exports showed signs of recovery in the second half of the fiscal year, and although there is still a strong sense of uncertainty and unpredictability, the key words for the future have become clear, giving rise to expectations for a recovery.

Under these circumstances, the impact of the spread of COVID-19 led to a decline in the DJK Group's performance in the first half of the fiscal year under review, the second year of the mid-term management plan. However, we changed the name of the "Pharmaceuticals Business" to the "Healthcare Business" and expanded the business domain. We also conducted steady and proactive activities in line with current trends, such as capturing demand related to automotive lithium-ion battery (LIB) manufacturing facilities, 5G systems, and DX-related demand. As a result, although business performance showed signs of recovery in the second half of the fiscal year, it was not sufficient to enable recovery from the decline in the first half, and consolidated net sales for the fiscal year under review were ¥140,029 million, down ¥21,447 million, or 13.3%, from the previous fiscal year.

Cost of sales decreased ¥18,965 million, or 13.8%, from the previous year to ¥118,572 million. The gross profit margin increased 0.5 percentage points from 14.8% of the previous year to 15.3%, mainly reflecting improvement in the gross margin ratio for the Plant & Energy Business. As a result, gross profit declined ¥2,481 million, or 10.4%, to ¥21,457 million.

Selling, general and administrative expenses decreased ¥1,213 million, or 7.2%, from the previous year to ¥15,727 million, mainly due to a decrease in travel and entertainment expenses, etc.

As a result, operating income decreased ¥1,268 million, or 18.1%, to ¥5,729 million, and the operating margin fell to 4.1% from 4.3% of the previous year.

Non-operating income increased ¥103 million, or 12.5%, from the previous year to ¥931 million, mainly due to an increase in subsidy income. Non-operating expenses decreased ¥203 million, or 50.7%, to ¥197 million, mainly due to a decrease in foreign exchange losses. As a result, net non-operating income amounted to ¥734

million, an increase of ¥306 million, and ordinary income decreased ¥961 million, or 13.0%, to ¥6,464 million.

A net extraordinary income of ¥265 million was recorded after posting a ¥337 million gain on sales of investment securities reported as an extraordinary income item and subtracting a ¥72 million loss on valuation of investment securities reported as an extraordinary loss item.

Profit attributable to owners of parent decreased ¥121 million, or 2.5%, to ¥4,754 million after subtracting ¥1,971 million in net income taxes (including deferred income taxes) and ¥3 million in net income attributable to non-controlling interests from ¥6,729 million in income before income taxes.

The return on equity (ROE) for the consolidated fiscal year under review decreased 1.1 percentage points to 9.3% from 10.4% of the previous year. We will continue to maintain and improve the ROE ratio to pursue even higher profitability in accordance with the basic policies of the medium-term business plan while strengthening our capital base.

 **Plant & Energy Business**

Net sales decreased ¥3,144 million, or 7.3%, from the previous year to ¥39,690 million due to a decline in large-scale projects for various plant equipment and automotive LIB manufacturing equipment, etc., whereas segment income (operating income) increased ¥421 million, or 37.9%, to ¥1,533 million due to improvement in the gross margin ratio.

The Plant & Energy Business segment has been seeing its LIB manufacturing-related business continue to grow, receiving an order for a large-scale project for process equipment, including powder engineering, from a major European chemical manufacturer in the LIB manufacturing business, which is booming in Europe, in the fiscal year under review. Therefore, we feel that we are on track for further growth. For this reason, we separated the LIB manufacturing-related field from this business into a new segment called the Energy Solutions Business in April 2021. In the chemical plant-related business, there is also strong demand for equipment that addresses environmental issues in the production of materials used in everyday necessities, and capital investment plans are continuing. In addition, the practical application of new methods to reduce the environmental impact of material production is progressing, and DJK intends to increase the variety of proposals we can offer to customers while investing in such themes.

 **Industrial Machinery Business**

Reflecting a significant decline in sales of molding equipment, peripheral equipment, and automated assembly lines for plastic products and food-related industries, net

sales decreased ¥7,123 million, or 28.7%, to ¥17,682 million. Segment income (operating income) fell ¥522 million to ¥68 million.

The main focus of the Industrial Machinery Business segment has been in the area of molding technology for plastic products, but with the addition of a diverse range of human resources, we are not only growing our existing business, but also expanding our business domain to include medical equipment-related products such as catheters and injection needles, and strawberry seedling growing technology. In the area of medical equipment, we expect that it will intersect with the Healthcare Business, which is expanding its business domain from pharmaceuticals to health foods, injectable and intravenous solutions, and iPS cell culture devices, as well as with some efforts of the Plant & Energy Business. Therefore, in order to create new value from cross-points that transcend business axes, we have established a global committee to develop a wide range of businesses.

 **Electronics Business**

Due to falling sales of equipment related to the manufacturing of electronics parts for IT and digital-related device manufacturers, net sales fell ¥5,603 million, or 13.7%, to ¥35,272 million. Segment income (operating income) decreased ¥255 million, or 11.5%, to ¥1,973 million.

While the Electronics Business segment saw stagnation in the movement seen in the previous fiscal year to review the supply chain, which had been biased toward China, due to the impact of the spread of COVID-19, this impact accelerated the shift to the fifth-generation (5G) mobile communications system and the DX movement. In the second half of the fiscal year, sales of electronic component mounting machines to China, which quickly recovered from the COVID-19 pandemic, were strong. We will continue to closely monitor industry trends and work to win orders on a global level. With regard to the sales of systems for smart factories, including the processes before and after electronic component mounting, we will further expand our business by making proposals to and cooperating with suppliers for improvements while accurately grasping the needs of customers.

 **Automotive Business**

Reflecting low sales of equipment associated with automated assembly lines, paint lines, and on-board electronic component manufacturing for the automotive-related industry, net sales decreased ¥4,324 million, or 12.1%, to ¥31,421 million. Segment income (operating income) fell ¥499 million, or 33.5%, to ¥992 million.

The results of the Automotive Business segment were supported by performance in the Americas region, including a progress in the shift of investment to the do-

mestic market in the U.S., where decarbonization and the shift to EVs are accelerating, and strong performance in Mexico, which has many exports to the U.S., despite some investment freezes. The industry's broad supply chain has been subdivided based on the major segments of next-generation vehicles, and the in-depth results are now bearing fruit on a global scale. While continuing to develop more products and partners to increase our competitiveness, we will focus on increasing our presence by proactively providing support for the recovery of production in regions and customers that have been severely affected by the spread of COVID-19.

 **Healthcare Business**

Reflecting increased sales of tablet printing inspection systems, packaging equipment, etc., net sales increased ¥355 million, or 3.5%, to ¥10,650 million, while segment income (operating income) decreased ¥21 million, or 1.9%, to ¥1,107 million.

First of all, we changed the name of "Pharmaceuticals Business" to "Healthcare Business" from the consolidated fiscal year under review to expand the business domain and activities. We believe that the factors behind our strong performance throughout the fiscal year were the growing health consciousness due to the impact of COVID-19 and the expansion of the tablet printing market due to the shift of production to generic manufacturers and contract manufacturers as a result of the patent expiration of new drugs. Orders for medical supply assembly equipment and inspection lines, etc., are also strong, taking advantage of our engineering capabilities. We will continue to further strengthen our business style of accepting orders for complete production lines in a trinity with Group companies Daiichi Jitsugyo Viswill Co., Ltd. (manufacturer function) and Daiichi Mecha-tech Corporation (service function).

 **Aviation & Social Infrastructure Business**

Reflecting a significant decline in sales of ground-support equipment for airplanes and airport facility-related equipment, net sales decreased ¥1,718 million, or 25.4%, to ¥5,057 million. Segment income (operating income) decreased ¥182 million, or 34.1%, to ¥352 million.

Among the DJK Group's businesses, the Aviation Business was the most affected by the spread of COVID-19, as the airline industry as a whole continued to curb investment due to the extreme situation of a significant decrease in the number of flights caused by the slump in the number of passengers. On the other hand, the Aviation Business has been expanding its product line in areas such as emergency and firefighting, road cleaning, disaster prevention, and disaster preparedness. In the consolidated fiscal year under review, the Aviation Busi-

(Note) Statements made in this annual report with regard to future performance were determined as of the end of the consolidated fiscal year under review.

ness invested in and participated in a project to develop a new type of ambulance, the C-CABIN, and began marketing it to municipal fire departments nationwide. In April 2021, the name of the Aviation Business was changed to "Aviation & Social Infrastructure Business" due to the expansion of such commercial products, which are active in places away from aviation facilities and can be called "social infrastructure."

Financial Position

As of March 31, 2021, total assets amounted to ¥119,958 million, increasing ¥8,471 million, or 7.6%, from the end of the previous fiscal year. Current assets increased ¥5,806 million, or 6.0%, to ¥102,839 million. Fixed assets increased ¥2,665 million, or 18.4%, to ¥17,118 million.

The increase in current assets was mainly due to increases in cash and deposits and merchandise and finished goods, despite a decrease in notes and accounts receivable – trade caused by the collection of receivables.

Total liabilities amounted to ¥66,113 million, increasing ¥3,073 million, or 4.9%, from the previous year. Current liabilities grew ¥1,864 million, or 3.0%, to ¥63,889 million, and long-term liabilities increased ¥1,209 million, or 119.1%, to ¥2,224 million.

The primary factors for the increase in current liabilities were an increase in advances received, despite decreases in notes and accounts payable – trade associated with the repayment of debt. The increase in long-term liabilities mainly resulted from an increase in deferred tax liabilities.

Total equity amounted to ¥53,845 million, increasing ¥5,398 million, or 11.1%, from the previous year. The main factor for this increase was the recording of ¥4,754 million in net income attributable to owners of parent, despite the payment of dividends. As a result, the equity ratio increased from 43.4% of the previous year to 44.8%.

Interest-bearing debt amounted to ¥7,805 million, decreasing ¥45 million, or 0.6%, from the previous year. This consisted of short-term bank loans of ¥7,113 million (including the current portion of long-term debt), long-term debt of ¥480 million and other debt of ¥211 million. The long-term debt corresponds to the introduction of a new ERP system. The debt-to-equity ratio (DER) at the end of the fiscal year under review was 0.15 times, down from 0.16 times at the end of the previous fiscal year.

Analysis of Cash Flows

Regarding cash flows for the year ended March 31, 2021, cash and cash equivalents at the end of the fiscal year under review increased ¥8,129 million from a year earlier, amounting to ¥31,267 million.

Cash Flows from Operating Activities

Net cash provided by operating activities for the consolidated fiscal year under review totaled ¥11,141 million, or a cash increase of ¥6,135 million from the previous fiscal year. This was mainly due to a decrease in accounts receivables, an increase in advances received, and the recording of income before income taxes, despite a decrease in accounts payables.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥1,545 million, or a cash decrease of ¥635 million from the previous fiscal year. The principal factors were an increase in time deposits and payments for purchase of intangible assets.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥1,535 million, or a cash increase of ¥90 million from the previous fiscal year. This was mainly attributable to the repayment of debt and the payment of dividends.

Information Regarding the Source of Capital and Liquidity of Funds

Major funds of the DJK Group are expended in purchases of products and services, as well as for other purposes such as selling, general and administrative expenses, capital investments and investments in new business domains, and are also put to use for M&A and alliance activities. The DJK Group intends to meet these funding requirements with net cash provided by operating activities, its shareholders' equity and fund procurements via short- and long-term bank loans from banks and other financial institutions.

DJK has signed loan commitment agreements with five banks for a total credit line of ¥12,000 million to ensure flexible and stable means of funding. DJK has secured sufficient funds in order to deal with funding requirements that arise on account of sudden changes in the world situation and to prepare for the risks associated with larger orders in line with business expansion.

With regard to shareholder returns, DJK positions the return of profit to shareholders as a key management issue, and the distribution of appropriate dividends in accordance with performance is our basic policy. We will continue to strive to recognize the appropriate cost of capital through dialogue with investors and others for the sake of business investments and shareholder returns.

Significant Accounting Estimates and Assumptions Used in Such Estimates

The DJK Group prepares its consolidated financial statements in accordance with accounting principles generally accepted in Japan (Japanese GAAP). The preparation of these consolidated financial statements requires DJK to make a variety of estimates that may impact the amounts of assets and liabilities on the book closing date, or the amounts of income and expenses during the financial reporting period. These estimates are based on historical experience and a range of factors deemed to be reasonable in light of the situation at the time, including the impact of COVID-19. The DJK Group makes decisions, based on the estimates, for the book value of assets and liabilities, which are information not available from other sources. Nonetheless, in the event there are changes to assumptions or in the business environment, there may be the possibility that estimates and future performance differ.

Items that require accounting estimates and judgments that may significantly impact the management results of the DJK Group are as follows.

1. Investment Securities

In the event the market value or real value of investment securities falls below their book value and it is deemed that the decline in market value or real value is not temporary, the DJK Group may post a valuation loss. To determine whether or not the decline in market value or real value is temporary, the DJK Group make its determination, on a quarterly basis, based on standards that include the period and degree of the decline, the issuer's financial condition or performance outlook, the intent to hold on to the securities for a period sufficient enough that a recovery of market value can be expected, and other factors.

The DJK Group believes that its criteria to determine a valuation loss are rational, but, in the event that there are changes with regard to individual investments on account of changes to assumptions based on evolving markets or economic or business conditions of an unforeseen nature, this may exert an impact on the value of investment securities.

2. Impairment Loss on Fixed Assets

In the event that the recoverable value of an asset group of fixed assets falls below book value, the DJK Group posts the difference as an impairment loss. However, as the impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from continued use and eventual disposition of the asset, or the net selling price at disposition, in the event the future usage method of the fixed asset is altered, or, if there are fluctuations in market price, a new impairment loss may arise and this may exert an impact on the DJK Group's business performance.

3. Retirement Benefit Obligations and Expense

Retirement benefit obligations and expenses are calculated with discount rates, amount of benefits earned, interest expenses, expected rate of return on long-term plan assets, mortality rates and other factors taken into account. Actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, as a general rule, affect recognized expense in future periods.

The most critical assumptions impacting the calculation of retirement benefit obligations and expenses are the discount rates and the expected long-term rates of returns on plan assets. Discount rates are determined by the rates of high-quality bonds currently available and expected to be available during the period to maturity of the defined benefit pension plans. The expected rates of return for long-term pension assets are set after considering current and anticipated pension asset distribution, the composition of plan assets held, and the current and future anticipated long-term return rates.

DJK Group considers that the assumptions and methods used are appropriate, but in the event that the assumptions and the actual result differs due to the inclusion of uncontrollable uncertainties in these assumptions, or in the event of changes to the assumptions, this may exert an impact on the retirement benefit obligations and expenses of the DJK Group.

4. Deferred Tax Assets

The factors used to assess the recoverability of deferred tax assets are the future reversal of existing taxable temporary differences, the future taxable income and available tax planning strategies that are prudent and feasible. Of the temporary differences of tax loss carried forward, tax exemptions and future deductions, the DJK Group recognizes only the deferred tax assets that are highly likely to be able to deduct future taxable income.

We consider that the accounting for deferred tax assets represents our current best estimate based on all available evidence. Unanticipated events or changes could result in re-evaluating the recoverability of deferred tax assets.

From among the matters concerning business and accounting conditions stated in this annual report, the key risks that management recognizes as having the potential to significantly impact the financial conditions, management performance, and cash flow status of consolidated Group companies are as follows.

Matters with regard to the future stated within this document are risks the DJK Group has deemed to have the potential to arise within the next several years, as of the end of the consolidated fiscal year under review. However, risks are not limited to the matters raised here, and there are risks which are difficult to predict. For this reason the details stated here and actual results may vary.

Risk of Change in the Macroeconomic Environment

The DJK Group's major business involves the sale of various types of machinery, fixtures, parts, and lease services for various types of machinery and fixtures, which it sells domestically, imports, and exports. Overseas, under the three-year medium-term business plan, FACE2021, which extends from April 2019 to March 2022, the DJK Group is accelerating its overseas business development based on its global four axes network, which it has pursued to strengthen its profit-earning capacity. The DJK Group's business performance may, therefore, fluctuate on account of economic trends both in Japan and internationally. Political and economic trends in China and the Asia region, as well as in North, Central and South Americas and Europe, have the potential to expand business opportunities for the DJK Group, while on the other hand, added to the concerns of a slowdown in the global economy due to the impact of growing protectionism in nations worldwide, stagnating growth in China and emerging economies, and conflict between the United States and China, there is the impact of the spread of COVID-19, and the chilling effect on economic activities in these regions also has the potential to be a factor in the deteriorating results of the DJK Group. Chiefly, the DJK Group recognizes that there is a high degree of risk to business performance in line with the reorganization of the supply chain, which had been heavily reliant on China, and investments, which hinge on political trends in the United States.

Risk of Increased Proportion of Overseas Sales

Japanese companies continued to enter overseas markets and transfer their production bases overseas. In response, the DJK Group also is proceeding with the globalization of its operations by expanding its overseas network and other activities, aiming to grow its business opportunities. To this end, the DJK Group is making concerted efforts at cross-border trade, leveraging its coordination capabilities as a trading company in order to support with the delivery of products and services from either Japan or overseas locations to domestic and international customers. Overseas sales still accounted for almost half of consolidated net sales in the fiscal year under review, despite proportionately decreasing

slightly to 46.8% from 46.9% of the previous fiscal year.

With the ongoing steady implementation of the medium-term business plan FACE2021, it is expected that there will be a tendency for a rising ratio of overseas sales. For this reason, a possibility exists whereby the international financial environment, tax systems, exchange rate trends, trends in crude oil and raw material prices, shipping cost trends, and capital investment trends for customers' production bases could affect the business results of the DJK Group. In addition, DJK's overseas business activities are exposed to the risk of unexpected changes in political systems or economic environments, and social disturbances based on legal and regulatory changes.

Risk Related to Interest Rates and the Procurement of Funds

Having signed loan commitment agreements with five banks, DJK procures funds as necessary. The interest-bearing debt of the DJK Group for the year ended March 31, 2021 amounted to ¥7,805 million. Going forward, DJK will continue to pursue the systematic and stable procurement of working capital, and the reduction of interest expenses. However, in the event of instability in financial markets, or if a credit rating agency lowers the DJK Group's credit rating on account of a deterioration in the DJK Group's credit strength, there is no guarantee that DJK will be able to secure funds in a timely manner under conditions favorable to the DJK Group, and it is possible that this will be a factor that constrains the Group's operating activities. This also has the potential to exert an impact the DJK Group's management performance and financial position. In addition, should the balance of the DJK Group's financial income and expenses deteriorate because of the trend in net sales or in interest rates, it could negatively impact the DJK Group's business results and financial position. In addition, if substantial turmoil occurs in major financial markets in Japan or overseas, financing costs could increase.

IT Systems Risk

Every year the DJK Group becomes increasingly dependent on IT systems and networks as it carries out its operating activities. DJK strives to heighten security, perform computer system data backups and other measures in order to protect systems and data. However, in the event systems or communications networks suffer a major outage on account of natural disasters, computer virus infection, unauthorized access, constraints to power supply, major power outage, malfunction, trouble or other reason, business operations, chiefly order management for customers and vendors, may be hindered, incurring great cost or causing serious damage to the reputation of the DJK Group, with the potential of exerting a negative impact on performance and financial position.

Business Development Risk

DJK's business model starts with specialized agency services for machinery manufacturers, extending to a

broadening range of support that covers production assistance, technology support and other services to customers' plants in line with technological innovation. This means that we are growing the scope of our business from transactions that had involved only goods (products) to transactions performed as intangible items (services). In particular, in our business involving lithium-ion batteries (LIB), we handle all manner of devices and services in their manufacture, including the materials process, manufacturing process, and inspection process. The LIB market is seeing rising demand, primarily in the automobile industry, which is debating the prohibition of internal combustion engine vehicle sales, as well as the electronic device industry that is looking to improve the function and efficiency of batteries, and capital investments are being made in Europe and countries around the world. As risks for markets and business, the DJK Group anticipates that as accidents occur in tandem with an increase in large-scale plant projects, this will lead to increased legal responsibility and incurring expenses, and a decline in market value as technology becomes obsolete. In response, DJK has taken steps to bolster its market capabilities with its sights set on avoiding risk and capturing business opportunities, raising its competitiveness by hiring engineers and putting in place a system that evaluates such personnel, taking an aggressive stance toward the European electric vehicles (EVs) market through the establishment of its joint company in Germany, and strengthening its legal and administrative units involved in the conclusion of contracts.

In addition, we have not yet accumulated sufficient know-how concerning remote start-up, trial operation, and acceptance inspection of delivered equipment, which are increasing with the spread of COVID-19. Therefore, we expect that, not only will equipment defects need to be resolved or adjusted, but contractual responsibilities and costs may also arise, if defects, points that require adjustment, or points that have not yet been confirmed are discovered after acceptance inspection. In preparation for such situation, we will work to prevent risks and to gain and maintain trust by quickly verifying successful cases and accumulating know-how soon, as well as by strengthening our legal and administrative units. Nonetheless, it is impossible to completely eliminate risks, including those stated above, and in the event a risk does arise, that may exert an impact on the performance and financial condition of DJK.

Credit Risk

At March 31, 2021, the total notes and accounts receivable-trade of the DJK Group amounted to ¥34,653 million, or 28.9% of total assets. As a result, DJK is exposed to the risk of losses on account of the credit of its customers worsening or their businesses failing. In addition, DJK places orders with each supplier for the production of various machinery and equipment upon receiving orders for products and services from customers.

For that reason, DJK acts in accordance with its rules regarding trading rights and risk management, setting

maximum credit and transaction amounts in its required transaction approval procedures, requires collateral or guarantees depending on the credit rating of the debtor, and puts in place risk hedges, such as the factoring or securitization of debt. However, if the customer experiences a liquidity crisis or a chain reaction bankruptcy due to a deterioration in the business environment, or a specific major debtor experiences business problems which lead to an inability to recover the extended credit, it may be impossible to completely avoid such risk, thus resulting in a negative impact on the business results and financial position of the DJK Group.

Business Development Risk Related to Medium-term Business Plan

Under FACE2021, the medium-term business plan that began in April 2019, the DJK Group's basic policies are to accelerate growth, create new value, and improve DJK's corporate quality while facing difficulties of the operating environment, as well as to evolve business axes that closely reflect today's market conditions, and further enhance profitability. Nonetheless, being unable to neglect the impact of COVID-19, it is conceivable that the infectious disease will impact sales activities and delivery schedules. Moreover, depending upon the business environment of customers or companies with which DJK indirectly conducts business, there are possibilities that they will face credit problems in a chain reaction. In addition, depending on the cost required for strategic business development and whether or not the timing and scale of the effective allocation of business development is appropriate, the DJK Group could lose earnings opportunities and increase its financial burden, impacting performance and financial position.

Risk of Disaster

Should a disaster, such as an earthquake, typhoon, fire or epidemic infectious disease occur, the DJK Group's offices; factories; computer systems; directors, executive officers, and employees; or other related assets may suffer damages or interruptions may occur in the DJK Group's business or production activities. To be able to determine whether or not its directors, executive officers and employees are safe and to implement its business continuity plan (BCP), DJK has produced risk management manuals for different possible disasters, introduced a safety confirmation system and put in place measures such as disaster-training activities. Nevertheless, there is no guarantee that these measures will allow the DJK Group to completely avoid any damages from disasters, and should major damages occur, they could impact negatively on the business results and financial position of the DJK Group. Furthermore, should one of the DJK Group's major customers or vendors suffer substantial damages from a disaster, the suspension of the business and production activities of the customer or vendor could have a negative effect on the performance of the DJK Group.

Financial Section

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Consolidated Balance Sheet

Daiichi Jitsugyo Co., Ltd. And Consolidated Subsidiaries
March 31, 2021

ASSETS	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Current assets:			
Cash and cash equivalents (Note 14)	¥ 31,267	¥ 23,137	\$ 282,425
Time deposits (Note 14)	2,028	877	18,320
Receivables (Note 14):			
Notes receivable	3,018	3,310	27,261
Accounts receivable	29,551	35,944	266,930
Unconsolidated subsidiaries and associated companies	2	0	21
Other	3,034	4,099	27,410
Electronically recorded monetary claims (Note 14)	2,081	3,489	18,800
Inventories (Note 5)	15,007	13,076	135,560
Accounts prepaid	13,935	12,159	125,875
Other current assets	2,988	1,043	26,995
Allowance for doubtful accounts	(76)	(104)	(688)
Total current assets	102,839	97,033	928,912
Property, plant and equipment:			
Land	527	527	4,767
Buildings and structures	2,266	2,219	20,472
Machinery and equipment	1,569	1,465	14,179
Furniture and fixtures	1,331	1,302	12,026
Leased assets (Note 13)	816	921	7,374
Construction in progress	65	83	587
Total	6,577	6,520	59,407
Accumulated depreciation	(3,439)	(2,959)	(31,069)
Net property, plant and equipment	3,137	3,560	28,338
Investment and other assets:			
Investment securities (Notes 4 and Note 14)	7,833	5,530	70,756
Investment in unconsolidated subsidiaries and associated companies	2,099	2,074	18,963
Manufacturing and sales right	68	91	617
Software	142	257	1,286
Construction in progress (Software)	1,105	323	9,989
Long-term deposits	725	713	6,556
Deferred tax assets (Note 10)	513	435	4,642
Assets for retirement benefits (Note 3 and Note 7)	1,283	1,130	11,597
Other assets	371	544	3,352
Allowance for doubtful accounts	(163)	(208)	(1,472)
Total investment and other assets	13,981	10,892	126,290
TOTAL	¥119,958	¥111,486	\$1,083,541

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Current liabilities:			
Short-term bank loans (Notes 6 and 14)	¥ 6,918	¥ 7,032	\$ 62,492
Current portion of long-term debt (Notes 6 and 14)	195	395	1,764
Payables (Note 14):			
Notes payable	316	399	2,860
Accounts payable	29,707	32,485	268,338
Unconsolidated subsidiaries and associated companies	654	1,172	5,911
Other	229	206	2,075
Income taxes payable	1,096	1,289	9,905
Accrued expenses	1,828	1,729	16,517
Advances received	21,347	15,941	192,820
Allowance for after-sales service	542	667	4,897
Other current liabilities	1,052	706	9,506
Total current liabilities	63,889	62,025	577,089
Long-term liabilities:			
Long-term debt (Notes 6 and 14)	480	75	4,335
Liability for retirement benefits (Note 7)	420	376	3,798
Deferred tax liabilities (Note 10)	994	141	8,979
Other long-term liabilities	329	422	2,975
Total long-term liabilities	2,224	1,014	20,089
Commitments and contingent liabilities (Notes 13 and 15)			
Equity (Notes 8, 9, and 19):			
Common stock, authorized, 32,000,000 shares; issued, 11,086,400 shares in 2021 and 2020	5,105	5,105	46,111
Capital surplus	3,788	3,788	34,221
Stock acquisition rights	107	78	972
Retained earnings	42,436	39,071	383,310
Treasury stock — at cost, 394,862 shares in 2021 and 393,570 shares in 2020	(895)	(890)	(8,089)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	3,099	1,316	27,993
Deferred loss on derivatives under hedge accounting	(141)	(85)	(1,277)
Foreign currency translation adjustments	81	(61)	740
Defined retirement benefit plans	237	101	2,140
Total	53,818	48,424	486,123
Non-controlling interests	26	22	238
Total equity	53,845	48,446	486,361
TOTAL	¥119,958	¥111,486	\$1,083,541

Consolidated Statement of Income

Daiichi Jitsugyo Co., Ltd. And Consolidated Subsidiaries
Year ended March 31, 2021

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Net sales	¥ 140,029	¥161,476	\$1,264,829
Cost of sales	118,572	137,537	1,071,015
Gross profit	21,457	23,938	193,813
Selling, general and administrative expenses (Notes 11 and 12)	15,727	16,940	142,057
Operating income	5,729	6,998	51,755
Other income (expenses):			
Interest and dividend income	313	314	2,835
Interest expense	(38)	(56)	(343)
Purchase discount	216	183	1,954
Loss on sales of property, plant and equipment	(28)	(17)	(257)
Gain on sales of investment securities	269	33	2,437
Loss on valuation of investment securities	(9)	(258)	(88)
Other – net	275	(7)	2,491
Other income (expense) – net	999	191	9,029
Income before income taxes	6,729	7,189	60,784
Income taxes (Note 10):			
Current	1,986	2,308	17,947
Deferred	(15)	1	(137)
Total income taxes	1,971	2,309	17,809
Net income	4,757	4,879	42,975
Net income attributable to non-controlling interests	3	3	27
Net income attributable to owners of the parent	¥ 4,754	¥ 4,876	\$ 42,948

Per share of common stock (Notes 2t and 17):

	Yen	U.S. Dollars (Note 1)
Basic net income	¥ 444.70	\$ 4.02
Diluted net income	442.70	4.00
Cash dividends applicable to the year (Note 8)	130.00	1.17

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Daiichi Jitsugyo Co., Ltd. And Consolidated Subsidiaries
Year ended March 31, 2021

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Net income	¥ 4,757	¥ 4,879	\$ 42,975
Other comprehensive income (Note 16):			
Unrealized gain (loss) on available-for-sale securities	1,782	(644)	16,100
Deferred loss on derivatives under hedge accounting	(56)	(8)	(506)
Foreign currency translation adjustments	144	(339)	1,303
Defined retirement benefit plans	135	2	1,226
Total other comprehensive income (loss)	2,006	(989)	18,124
Comprehensive income	¥ 6,764	¥ 3,890	\$ 61,099
Total comprehensive income attributable to:			
Owners of the parent	¥ 6,760	¥ 3,888	\$ 61,065
Non-controlling interests	3	2	33

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Daiichi Jitsugyo Co., Ltd. And Consolidated Subsidiaries
Year ended March 31, 2021

	Thousands						Millions of yen						
	Number of shares of common stock outstanding	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)					Non- controlling interests	Total equity
							Unrealized gain on available- for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total		
BALANCE, APRIL 1, 2019	10,655	¥5,105	¥3,786	¥144	¥35,369	¥(974)	¥1,961	¥(77)	¥276	¥98	¥45,689	¥20	¥45,710
Net income attributable to owners of the parent					4,876						4,876		4,876
Cash dividends, ¥110.00 per share					(1,174)						(1,174)		(1,174)
Purchase of treasury stock	(1)					(3)					(3)		(3)
Disposal of treasury stock	38		2			87					89		89
Net change in the year				(65)			(644)	(8)	(338)	2	(1,053)	2	(1,051)
BALANCE, MARCH 31, 2020	10,692	5,105	3,788	78	39,071	(890)	1,316	(85)	(61)	101	48,424	22	48,446
Net income attributable to owners of the parent					4,754						4,754		4,754
Cash dividends, ¥130.00 per share					(1,390)						(1,390)		(1,390)
Purchase of treasury stock	(1)					(5)					(5)		(5)
Disposal of treasury stock	0		0			0					0		0
Net change in the year				28			1,782	(56)	143	135	2,034	3	2,038
BALANCE, MARCH 31, 2021	10,691	¥5,105	¥3,788	¥107	¥42,436	¥(895)	¥3,099	¥(141)	¥81	¥237	¥53,818	¥26	¥53,845

	Thousands of U.S. Dollars (Note 1)											
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)					Non- controlling interests	Total equity
						Unrealized gain on available- for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total		
BALANCE, MARCH 31, 2020	\$46,111	\$34,220	\$710	\$352,917	\$(8,043)	\$11,893	\$(771)	\$(557)	\$914	\$437,396	\$204	\$437,600
Net income attributable to owners of the parent				42,948						42,948		42,948
Cash dividends, \$1.17 per share				(12,555)						(12,555)		(12,555)
Purchase of treasury stock					(46)					(46)		(46)
Disposal of treasury stock			0		1					1		1
Net change in the year			261			16,100	(506)	1,297	1,226	18,379	33	18,413
BALANCE, MARCH 31, 2021	\$46,111	\$34,221	\$972	\$383,310	\$(8,089)	\$27,993	\$(1,277)	\$740	\$2,140	\$486,123	\$238	\$486,361

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Daiichi Jitsugyo Co., Ltd. And Consolidated Subsidiaries
Year ended March 31, 2021

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Operating activities:			
Income before income taxes	¥ 6,729	¥ 7,189	\$ 60,784
Adjustments for:			
Income taxes – paid	(2,206)	(2,261)	(19,931)
Depreciation and amortization	883	890	7,984
Gain on sales of investment securities	(269)	(33)	(2,437)
Loss on valuation of investment securities	9	258	88
Changes in operating assets and liabilities:			
(Increase) decrease in allowance for after-sales service	(125)	174	(1,130)
Decrease in notes and accounts receivable – trade	8,239	3,037	74,428
Increase in advance payments to suppliers	(1,746)	(1,237)	(15,776)
(Increase) decrease in inventories	(1,794)	520	(16,209)
Decrease in notes and accounts payable – trade	(3,465)	(6,265)	(31,300)
Increase in advances from customers	5,294	2,818	47,818
Other – net	(407)	(85)	(3,680)
Total adjustments	4,412	(2,182)	39,853
Net cash provided by operating activities	11,141	5,006	100,637
Investing activities:			
(Increase) decrease in time deposit – net	(1,075)	53	(9,712)
Acquisition of property, plant and equipment	(268)	(387)	(2,420)
Proceeds from sales of property, plant and equipment	7	13	70
Acquisition of intangible assets	(703)	(405)	(6,353)
Acquisition of marketable and investment securities	(29)	(447)	(268)
Proceeds from sales of investment securities	515	233	4,655
Payments of loans receivable	(4)	(2)	(36)
Collection of loans receivable	3	5	27
Payments of long-term deposits	(24)	(18)	(222)
Other – net	(32)	45	(296)
Net cash used in investing activities	(1,545)	(910)	(13,963)
Financing activities:			
(Decrease) Increase in short-term bank loans – net	(126)	200	(1,138)
Proceeds from issuance of long – term debt	600		5,419
Repayment of long-term debt	(395)	(453)	(3,569)
Dividends paid	(1,389)	(1,173)	(12,551)
Repayments of finance lease obligations	(219)	(195)	(1,984)
Other – net	(4)	(3)	(44)
Net cash used in financing activities	(1,535)	(1,625)	(13,869)
Foreign currency translation adjustments on cash and cash equivalents	69	(199)	625
Net increase in cash and cash equivalents	8,129	2,270	73,430
Cash and cash equivalents, beginning of year	23,137	20,867	208,994
Cash and cash equivalents, end of year	¥ 31,267	¥ 23,137	\$ 282,425

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Daiichi Jitsugyo Co., Ltd. And Consolidated Subsidiaries
Year ended March 31, 2021

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021.

The consolidated financial statements are stated in

Japanese yen, the currency of the country in which DAIICHI JITSUGYO CO., LTD. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.71 to \$1, the approximate rate of exchange at March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts of less than one million yen and one thousand U.S. dollars have been rounded down to the nearest million and thousand in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2021, include the accounts of the Company and its 17 significant (17 in 2020) subsidiaries (together, the “Group”). Consolidation of the remaining unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Under the control and influence concepts, those Companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in one (one in 2020) associated Company are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and other associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

The accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net

income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

The accounting standard requires adjustments to be made to conform the associates' accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associates' financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (3) expensing capitalized development costs of R&D;

Notes to Consolidated Financial Statements

(4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, commercial paper, and bond funds, all of which mature or become due within three months of the date of acquisition.

e. Inventories

Inventories are stated at the lower of cost, determined by the average cost method for merchandise and finished products and work in process, and by the first-in, first-out method for raw materials, or net selling value.

f. Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and

ii) available-for-sale securities are reported at their fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, marketable and investment securities are reduced to net realizable value by a charge to income.

g. Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is principally applied to the property, plant and equipment of consolidated foreign subsidiaries. Depreciation of leased assets is computed by the straight-line method based on the lease term of the respective assets. The range of useful lives is principally from 3 to 50 years for buildings; from 2 to 17 years for machinery, equipment, and vehicles; and from 2 to 28 years for furniture and fixtures.

h. Investment and Other Assets

Manufacture and selling rights are domestic exclusive rights

to manufacturing, selling, and etc. of binary power generation systems. It is amortized by the straight-line method based on a 10-year prospective usable period.

Software is amortized by the straight-line method based on a 3 to 8-year prospective usable period.

i. Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from continued use and eventual disposition of the asset or the net selling price at disposition.

j. Retirement and Pension Plans

The Company and certain consolidated subsidiaries have defined benefit pension plans and defined contribution pension plans for employees.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and are recognized in profit or loss over 14 years, no longer than the expected average remaining service period of the employees.

Retirement benefits for directors and Audit & Supervisory Board members of certain domestic consolidated subsidiaries are provided at the amount that would be required if all directors and Audit & Supervisory Board Members retired at the balance sheet date.

k. Asset Retirement Obligations

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the

liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

l. Stock Options

The cost of employee stock options is measured based on the fair value at the date of grant and recognized as compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

m. Research and Development Costs

Research and development costs are charged to income as incurred.

n. Leases

(Lessee)

Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

(Lessor)

Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.

o. Bonuses to Directors and Audit & Supervisory Board Members

Bonuses to directors and Audit & Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.

p. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

q. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

r. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

s. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income; and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts employed to hedge foreign exchange exposures for export sales and import purchases are measured at fair value and the unrealized gains/losses are deferred until maturity of the hedged transaction. Forward contracts applied for forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of machinery from overseas customers/suppliers. Trade account receivables/payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

t. Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

Notes to Consolidated Financial Statements

u. New Accounting Pronouncements

(Accounting Standard for Revenue Recognition)

On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is expected to increase the accumulated retained earnings 274 million at the beginning of next fiscal year.

(Accounting Standard for Fair Value Measurement)

On July 4, 2019, the ASBJ issued ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement" and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," and revised related ASBJ Statements and ASBJ Guidance (the "New Accounting Standards"). ASBJ set out Accounting Standard for Fair Value Measurement and Implementation Guidance on Accounting Standard for Fair Value Measurement to improve comparability with international accounting standards and defined a framework for fair value. It applies the following standards.

- Financial Instruments defined in Accounting Standard for Measurement of Financial Instruments
- Inventories held for trading purpose defined in Accounting Standard for Measurement of Inventories

In addition, Implementation Guidance on Disclosures about Fair Value of Financial Instruments was revised. Notes such as the breakdown of financial products by market value level are required. The New Accounting Standards are effective for the annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2020, or annual periods ending on or after March 31, 2020. The New Accounting Standards shall be applied prospectively, however, under certain circumstances, it is permitted to be applied retrospectively. The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

obligation is determined by considering the rate of yield of leading stock which is available from now to the time of payment of pension benefit.

Expected rate of return on plan assets is determined by considering present and future expected allocation of pension assets and present and future expected long term rate of return on the basis of various assets which compose the pension assets.

Used prerequisite and methods are judged as appropriate but in case of differences occur between prerequisite and actual conditions, or in case of the changes occur in prerequisite, then there is a possibility to have a significant effect on the recognized amount in the next consolidated fiscal year's consolidated financial statements because these prerequisite include the unmanageable uncertainty.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Liability for retirement benefits and retirement benefit costs

(1) Carrying amounts

	Millions of yen	Thousands of U.S. Dollars
	2021	2021
Assets for retirement benefits (Note 7)	¥ 1,283	\$ 11,597

(2) Information on the significant accounting estimate

Accounting estimate and prerequisite for liability for retirement benefits and retirement benefit costs is included in aforementioned 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES's j. Retirement and Pension Plans.

Discount rate used in calculation for retirement benefits

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2021	2020	2021
Non-current:			
Marketable equity securities	¥ 7,097	¥ 4,791	\$ 64,109
Government bonds	9	9	89
Other	725	729	6,557
Total	¥ 7,833	¥ 5,530	\$ 70,756

The ¥9 million of government bonds are a mortgage for guarantee of dealings.

The costs and aggregate fair values of investment securities at March 31, 2021 and 2020, were as follows:

	Millions of yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2021				
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,681	¥4,700	¥ 285	¥7,097
Held-to-Maturity	¥ 9	¥ 0		¥ 10

5. INVENTORIES

Inventories at March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2021	2020	2021
Merchandise and finished products	¥ 13,314	¥ 11,180	\$ 120,264
Work in process	1,256	1,361	11,345
Raw materials and supplies	437	534	3,950
Total	¥ 15,007	¥ 13,076	\$ 135,560

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2021 and 2020, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.42% to 1.68% and 0.40% to 3.00% at March 31, 2021 and 2020, respectively.

Long-term debt at March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2021	2020	2021
Loan from financial institution, due serially to 2021, with interest rates ranging to 0.95% (2021 and 2020)			
Unsecured	¥ 75	¥ 434	\$ 681
Loan from financial institution, due serially to 2020, with interest rates ranging to 0.85% (2020)			
Unsecured		36	
Loan from financial institution, due serially to 2021, with interest rates ranging to 0.45% (2021)			
Unsecured	600		5,419
Total	675	470	6,100
Less current portion	(195)	(395)	(1,764)
Long-term debt, less current portion	¥ 480	¥ 75	\$ 4,335

Annual maturities of long-term debt as of March 31, 2021, were as follows:

Year ending March 31:	Millions of yen	Thousands of U.S. Dollars
2022	¥ 195	\$ 1,764
2023	120	1,083
2024	120	1,083
2025	120	1,083
2026	120	1,083
2027 and thereafter		
Total	¥ 675	\$ 6,100

In order to procure operating funds efficiently and stably, loan commitments were signed with five banks. The unused credit balance under those loans as of March 31, 2021, was as follows:

	Millions of yen	Thousands of U.S. Dollars
Maximum amount of the loan commitment	¥ 12,000	\$ 108,391
Amount loaned	6,000	54,195
Unused credit balance	¥ 6,000	\$ 54,195

Notes to Consolidated Financial Statements

7. RETIREMENT AND PENSION PLANS

The Company and certain domestic consolidated subsidiaries have severance payment plans for employees, directors, and Audit & Supervisory Board members.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. In certain circumstances, the Company might pay the severance premium on termination of employment.

The Company and certain domestic consolidated subsidiaries have non-contributory and contributory funded defined benefit pension plans for employees which cover their benefits. Other consolidated subsidiaries have unfunded retirement benefit plans.

The contributory funded defined benefit pension plan, which was established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company.

The liability for retirement benefits for directors and Audit & Supervisory Board members was ¥32 million (\$296 thousand) and ¥26 million at March 31, 2021 and 2020, respectively. The retirement benefits for directors and Audit & Supervisory Board members are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2021 and 2020, consisted of the following:

Contributory funded defined benefit pension plan

(1) The changes in defined benefit obligation for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥ 3,399	¥ 3,335	\$ 30,702
Current service cost	219	218	1,980
Interest cost	16	13	147
Actuarial losses (gains)	45	(49)	408
Benefits paid	(115)	(154)	(1,043)
Others	44	35	401
Balance at end of year	¥ 3,608	¥ 3,399	\$ 32,595

(2) The changes in plan assets for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥ 4,153	¥ 4,153	\$ 37,518
Expected return on plan assets	22	19	202
Actuarial gains (losses)	210	(59)	1,898
Contributions from the employer	201	195	1,817
Benefits paid	(115)	(154)	(1,043)
Balance at end of year	¥ 4,471	¥ 4,153	\$ 40,393

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of yen		Thousands of U.S. Dollars
	2021	2020	2021
Funded defined benefit obligation	¥ 3,188	¥ 3,022	\$ 28,797
Plan assets	(4,471)	(4,153)	(40,393)
	(1,283)	(1,130)	(11,596)
Unfunded defined benefit obligation	420	376	3,798
Net asset arising from defined benefit obligation	¥ (863)	¥ (754)	\$ (7,797)

	Millions of yen		Thousands of U.S. Dollars
	2021	2020	2021
Liability for retirement benefits	¥ 420	¥ 376	\$ 3,798
Assets for retirement benefits	(1,283)	(1,130)	(11,597)
Net asset arising from defined benefit obligation	¥ (863)	¥ (754)	\$ (7,797)

(4) The components of net periodic benefit costs for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2021	2020	2021
Service cost	¥ 219	¥ 218	\$ 1,980
Interest cost	16	13	147
Expected return on plan assets	(22)	(19)	(202)
Amortization of prior service cost	24	24	224
Recognized actuarial losses (gains)	5	(3)	52
Unfunded retirement benefit plans cost	44	35	401
Extra retirement payment	37	47	336
Others	0	23	2
Net periodic benefit costs	¥ 325	¥ 340	\$ 2,942

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2021	2020	2021
Prior service cost	¥ 24	¥ 24	\$ 224
Actuarial losses (gains)	170	(14)	1,542
Total	¥ 195	¥ 10	\$ 1,766

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized prior service cost	¥ 97	¥ 122	\$ 880
Unrecognized actuarial gains	(445)	(274)	(4,023)
Total	¥ (347)	¥ (152)	\$ (3,143)

8. EQUITY

Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has

(7) Plan assets

(1). Components of plan assets
Plan assets as of March 31, 2021 and 2020, consisted of the following:

	2021	2020
Debt investments	37.8%	64.3%
Equity investments	33.0	9.3
General account	4.9	5.2
Others	24.3	21.2
Total	100.0%	100.0%

(2). Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2021 and 2020, were set forth as follows:

	2021	2020
Discount rate	0.5%	0.5%
Expected rate of return on plan assets	0.5%	0.5%

The required amount of contribution to the defined-contribution plan for the Company and some of its consolidated subsidiaries was ¥105 million (\$950 thousand) for the year ended March 31, 2021.

Notes to Consolidated Financial Statements

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

9. STOCK OPTIONS

The stock options outstanding as of March 31, 2021, are as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2011 Stock Options	18	17,400	September 2, 2011	¥1	From September 2, 2011 to September 1, 2041
2013 Stock Options	19	25,000	September 3, 2013	¥1	From September 3, 2013 to September 2, 2043
2015 Stock Options	15	23,400	September 2, 2015	¥1	From September 2, 2015 to September 1, 2045
2017 Stock Options	15	26,800	September 4, 2017	¥1	From September 4, 2017 to September 3, 2047
2019 Stock Options	12	23,600	September 4, 2019	¥1	From September 4, 2019 to September 3, 2049

The stock option activity is as follows:

For the Year ended March 31, 2021	2011 Stock Options (Shares)	2013 Stock Options (Shares)	2015 Stock Options (Shares)	2017 Stock Options (Shares)	2019 Stock Options (Shares)
<u>Non-vested</u>					
March 31, 2020 — Outstanding					
Granted					
Canceled					
Vested					
March 31, 2021 — Outstanding					
<u>Vested</u>					
March 31, 2020 — Outstanding	1,200	5,600	5,800	13,200	23,600
Vested					
Exercised					
Canceled					
March 31, 2021 — Outstanding	1,200	5,600	5,800	13,200	23,600
Exercise price	¥ 1 (\$ 0.01)				
Average stock price at exercise					
Fair value price at grant date	¥ 1,665 (\$ 15.04)	¥ 1,740 (\$ 15.72)	¥ 2,630 (\$ 23.76)	¥ 2,635 (\$ 23.80)	¥ 2,148 (\$ 19.40)

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rate of 30.6% for the years ended March 31, 2021 and 2020.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2021 and 2020, were as follows:

	Millions of yen	2020	Thousands of U.S. Dollars	2021
Deferred tax assets:				
Allowance for doubtful accounts	¥ 57	¥ 83	\$ 520	
Allowance for bonus payable	287	295	2,597	
Liability for retirement benefits	92	83	839	
Evaluation loss on investment securities	155	153	1,404	
Allowance for after-sales service	176	218	1,593	
Investment in and advances to unconsolidated subsidiaries and associated companies	293	298	2,655	
Revenue recognition for tax purposes	332	322	3,006	
Impairment loss	271	359	2,452	
Tax loss carryforwards	94	105	853	
Inventory valuation loss	134	94	1,213	
Other	740	556	6,684	
Less valuation allowance	(692)	(742)	(6,251)	
Total	1,945	1,830	17,569	

	Millions of yen	2020	Thousands of U.S. Dollars	2021
Deferred tax liabilities:				
Unrealized gain on available-for-sale securities	(1,324)	(583)	(11,961)	
Assets for retirement benefits	(364)	(317)	(3,295)	
Cost of sales recognition for tax purposes	(294)	(214)	(2,657)	
Retained earnings in certain foreign countries	(319)	(287)	(2,887)	
Other	(122)	(133)	(1,105)	
Total	(2,425)	(1,536)	(21,906)	
Net deferred tax (liabilities) assets	¥ (480)	¥ 293	\$ (4,337)	

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2021 is as follows:

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2021 and 2020, principally consisted of the following:

	Millions of yen	2020	Thousands of U.S. Dollars	2021
Salaries and fees	¥6,324	¥6,345	\$57,127	
Retirement benefit costs	382	401	3,454	
Depreciation and amortization	571	597	5,162	
Research and development costs	384	329	3,472	
Rental expense	¥1,250	¥1,243	\$11,297	

March 31, 2021	Millions of yen						Total
	After 1 year or less	After 2 years through 2 years	After 3 years through 3 years	After 4 years through 4 years	After 5 years through 5 years	After 5 years	
Deferred tax assets relating to tax loss carryforwards							¥ 94 ¥ 94
Less valuation allowances for tax loss carryforwards							(94) (94)
Net deferred tax assets relating to tax loss carryforwards							

March 31, 2021	Thousands of U.S. Dollars						Total
	After 1 year or less	After 2 years through 2 years	After 3 years through 3 years	After 4 years through 4 years	After 5 years through 5 years	After 5 years	
Deferred tax assets relating to tax loss carryforwards							\$853 \$853
Less valuation allowances for tax loss carryforwards							(853) (853)
Net deferred tax assets relating to tax loss carryforwards							

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the Year ended March 31, 2021, with the corresponding figures for 2020, is as follows:

	2021	2020
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	2.3	3.6
Exclusion from charges against revenue	(2.9)	(2.7)
Tax deduction	(0.4)	(0.3)
Per capita portion of inhabitant tax	0.3	0.3
Lower income tax rates applicable to income in certain foreign countries	(1.4)	(1.4)
Less valuation allowance	(0.3)	1.2
Elimination of inter-company dividend income	1.5	1.4
Retained earnings in certain foreign countries	0.5	0.3
Investment gain on equity method	(0.2)	(0.6)
Other—net	(0.7)	(0.3)
Actual effective tax rate	29.3%	32.1%

Notes to Consolidated Financial Statements

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2021 and 2020, were ¥384 million (\$3,472 thousand) and ¥329 million, respectively.

13. LEASES

(1) As Lessee

Total rental expenses including lease payments under finance leases for the years ended March 31, 2021 and 2020, were ¥720 million (\$6,506 thousand) and ¥701 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2021	2020	2021
	Operating Leases	Operating Leases	Operating Leases
Due within one year	¥ 467	¥ 436	\$ 4,220
Due after one year	722	704	6,974
Total	¥ 1,239	¥ 1,141	\$ 11,195

(2) As Lessor

The Group leases machinery, equipment, and other assets.

Total rental revenues for the years ended March 31, 2021 and 2020, were ¥219 million (\$1,978 thousand) and ¥134 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within one year	¥ 124	¥ 151	\$ 1,126
Due after one year	103	270	937
Total	¥ 228	¥ 422	\$ 2,064

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly short-term debt, including bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund the Group's ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are hedged by using forward foreign currency contracts.

Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Payment terms of payables, such as trade notes and trade accounts, are mainly less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are hedged by using forward foreign currency contracts.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from

receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at early stages. With respect to held-to-maturity financial investment, the Group manages its exposure to credit risk by limiting its funding to high credit rated bonds in accordance with its internal guidelines. Please see Note 15 for details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2021 and 2020.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

Marketable and investment securities are managed by monitoring market values and the financial positions of issuers on a regular basis.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding an adequate volume of liquid assets at the level of one month's sales volume, along with adequate financial planning by the corporate treasury department.

(4) Concentration of Credit Risk

There are no significant account receivables from any major customer of the Group as of March 31, 2021 and 2020.

(5) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Please see Note 15 for details on fair values of derivatives.

(a) Fair value of financial instruments

At March 31, 2021	Millions of yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥31,267	¥31,267	
Time deposits	2,028	2,028	
Receivables	35,606	35,587	¥(19)
Electronically recorded monetary claims	2,081	2,081	
Marketable and investment securities			
Held-to-maturity	9	10	0
Equity securities	7,097	7,097	
Total	¥78,091	¥78,072	¥(19)
Payables	¥30,908	¥30,904	¥(3)
Short-term bank loans	6,918	6,918	
Long-term debt	675	673	(2)
Total	¥38,502	¥38,496	¥(5)

At March 31, 2020	Millions of yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥23,137	¥23,137	
Time deposits	877	877	
Receivables	43,354	43,325	¥(28)
Electronically recorded monetary claims	3,489	3,489	
Marketable and investment securities			
Held-to-maturity	9	10	0
Equity securities	4,791	4,791	
Total	¥75,660	¥75,632	¥(28)
Payables	¥34,263	¥34,257	¥(5)
Short-term bank loans	7,032	7,032	
Long-term debt	470	469	(1)
Total	¥41,766	¥41,759	¥(6)

At March 31, 2021	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 282,425	\$ 282,425	
Time deposits	18,320	18,320	
Receivables	321,623	321,449	\$ (174)
Electronically recorded monetary claims	18,800	18,800	
Marketable and investment securities			
Held-to-maturity	89	90	1
Equity securities	64,109	64,109	
Total	\$ 705,368	\$ 705,195	\$ (172)
Payables	\$ 279,184	\$ 279,150	\$ (34)
Short-term bank loans	62,492	62,492	
Long-term debt	6,100	6,081	(19)
Total	\$ 347,777	\$ 347,723	\$ (53)

Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Time deposit

The carrying values of time deposit approximate fair value because of their short maturities.

Electronically recorded monetary claims

The carrying values of electronically recorded monetary claims approximate fair value because of their short maturities.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 4.

Receivables and payables

The fair values of receivables and payables are measured at the amount to be received or paid at maturity discounted at the Group's assumed corporate discount rate. The foreign currency forward contracts are utilized to hedge foreign currency exposures in the procurement of raw machinery from overseas customers/suppliers. Trade account receivables/payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Short-term bank loans and long-term debt

The fair values of short-term bank loans approximate fair value because of their short maturities. The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Notes to Consolidated Financial Statements

Derivatives

Fair value information for derivatives is included in Note 15.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. Dollars
	2021	2020	2021
Investments in equity instruments that do not have a quoted market price in an active market	¥2,825	¥2,804	\$25,521

(6) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of yen		
At March 31, 2021	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and cash equivalents	¥31,267		
Time deposits	2,028		
Receivables	34,430	¥1,176	
Electronically recorded monetary claims	2,081		
Marketable and investment securities			
Government bonds		9	
Total	¥69,807	¥1,185	

	Millions of yen		
At March 31, 2020	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and cash equivalents	¥23,137		
Time deposits	877		
Receivables	42,100	¥1,253	
Electronically recorded monetary claims	3,489		
Marketable and investment securities			
Government bonds		9	
Total	¥69,606	¥1,263	

	Thousands of U.S. Dollars		
At March 31, 2021	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and cash equivalents	\$282,425		
Time deposits	18,320		
Receivables	311,000	\$10,622	
Electronically recorded monetary claims	18,800		
Marketable and investment securities			
Government bonds		89	
Total	\$630,547	\$10,711	

- Please see Note 6 for annual maturities of long-term debt and Note 13 (1) for obligations under finance leases.
- The Group recognized an impairment loss of ¥9 million about other securities this fiscal year.

15. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into hedge foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate their authorization.

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of yen			
At March 31, 2021	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling				
JP ¥	¥ 765		¥ (3)	¥ (3)
S \$	70		(4)	(4)
U.S. \$	834		(34)	(34)
THB	63		(0)	(0)
Buying				
JP ¥	2,756		(43)	(43)
U.S. \$	132		(4)	(4)
S \$	49		(0)	(0)
EURO €	7		0	0
Total	¥ 4,678		¥ (90)	¥ (90)

	Millions of yen			
At March 31, 2020	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling				
JP ¥	¥ 245		¥ (0)	¥ (0)
S \$	146		4	4
U.S. \$	50		(0)	(0)
EURO €	0		0	0
Buying				
JP ¥	2,493		(14)	(14)
U.S. \$	115		1	1
S \$	24		(1)	(1)
EURO €	4		(0)	(0)
HK \$	3		0	0
Total	¥ 3,084		¥ (11)	¥ (11)

	Thousands of U.S. Dollars			
At March 31, 2021	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling				
JP ¥	\$ 6,910		\$ (32)	\$ (32)
S \$	632		(40)	(40)
U.S. \$	7,540		(308)	(308)
THB	574		(1)	(1)
Buying				
JP ¥	24,894		(393)	(393)
U.S. \$	1,192		(44)	(44)
S \$	450		(1)	(1)
EURO €	64		0	0
Total	\$ 42,258		\$ (821)	\$ (821)

Derivative Transactions to Which Hedge Accounting Is Applied

	Millions of yen			
At March 31, 2021	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S. \$	Order Backlog	¥ 3,742	¥ 287	¥ (205)
U.K. £	-	167		(24)
EURO €	-	303	14	(16)
THB	-	1		(0)
CNY	-	434	40	(31)
JP ¥	-	11		0
Buying				
U.S. \$	Released Order	941	39	41
EURO €	-	512	16	20
DKK	-	123	57	5
SW ₣	-	24		0
CNY	-	14		(0)
Assigned transactions				
Foreign currency forward contracts:				
Selling				
EURO €	Receivables	15		Note 2
U.S. \$	-	933		Note 2
CNY	-	635	60	Note 2
THB	-	14		Note 2
JP ¥	-	25		Note 2
Buying				
U.S. \$	Payables and other	208		Note 2
CNY	-	2		Note 2
EURO €	-	20		Note 2
THB	-	1		Note 2
DKK	-	56		Note 2
UK £	-	1		Note 2
Total		¥ 8,192	¥ 516	¥ (210)

	Millions of yen			
At March 31, 2020	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S. \$	Order Backlog	¥ 6,209	¥ 200	¥ (118)
U.K. £	-	751		6
EURO €	-	106	23	1
THB	-	23		1
CNY	-	8		(0)
Buying				
U.S. \$	Released Order	1,813	118	14
EURO €	-	1,494		(22)
DKK	-	331	105	(4)
KRW	-	198		(1)
Assigned transactions				
Foreign currency forward contracts:				
Selling				
EURO €	Receivables	238		Note 2
U.S. \$	-	139		Note 2
CNY	-	28		Note 2
Buying				
U.S. \$	Payables and other	621		Note 2
CNY	-	85		Note 2
EURO €	-	9		Note 2
THB	-	4		Note 2
Total		¥ 12,064	¥ 448	¥ (124)

	Thousands of U.S. Dollars			
At March 31, 2021	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S. \$	Order Backlog	\$ 33,803	\$ 2,598	\$ (1,853)
U.K. £	-	1,515		(221)
EURO €	-	2,745	133	(151)
THB	-	17		(1)
CNY	-	3,924	362	(284)
JP ¥	-	104		1
Buying				
U.S. \$	Released Order	8,508	354	377
EURO €	-	4,625	146	182
DKK	-	1,115	518	51
SW ₣	-	223		1
CNY	-	126		(1)
Assigned transactions				
Foreign currency forward contracts:				
Selling				
EURO €	Receivables	142		Note 2
U.S. \$	-	8,434		Note 2
CNY	-	5,736	550	Note 2
THB	-	132		Note 2
JP ¥	-	230		Note 2
Buying				
U.S. \$	Payables and other	1,882		Note 2
CNY	-	18		Note 2
EURO €	-	182		Note 2
THB	-	10		Note 2
DKK	-	507		Note 2
UK £	-	12		Note 2
Total		\$ 74,000	\$ 4,665	\$ (1,897)

- Notes: 1. The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.
2. Fair value of the foreign currency forward contracts assigned for receivables and payables is included in the fair value of receivables and payables disclosed at Note 14. (5) (a).

Notes to Consolidated Financial Statements

16. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥ 2,793	¥ (857)	\$ 25,232
Reclassification adjustments to profit or loss	(269)	(33)	(2,437)
Amount before income tax effect	2,523	(890)	22,795
Income tax effect	(741)	246	(6,694)
Total	1,782	(644)	16,100
Deferred loss on derivatives under hedge accounting:			
Loss arising during the year	(81)	(11)	(732)
Reclassification adjustments to profit or loss			
Amount before income tax effect	(81)	(11)	(732)
Income tax effect	25	3	226
Total	(56)	(8)	(506)
Foreign currency translation adjustments:			
Adjustments arising during the year	144	(339)	1,303
Total	144	(339)	1,303
Defined retirement benefit plans			
Gain (loss) arising during the year	164	(14)	1,489
Reclassification adjustments to profit or loss	30	20	277
Amount before income tax	195	6	1,766
Income tax effect	(59)	(3)	(540)
Total	135	2	1,226
Total other comprehensive income (loss)	¥ 2,006	¥ (989)	\$ 18,124

17. NET INCOME PER SHARE

A reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2021 and 2020, is as follows:

	Millions of yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year ended March 31, 2021				
Basic EPS				
Net income available to common shareholders	¥ 4,754	10,692	¥ 444.70	\$ 4.02
Effect of dilutive securities				
Warrants		48		
Diluted EPS				
Net income for computation	¥ 4,754	10,740	¥ 442.70	\$ 4.00
Year ended March 31, 2020				
Basic EPS				
Net income available to common shareholders	¥ 4,876	10,684	¥ 456.38	\$ 4.19
Effect of dilutive securities				
Warrants		45		
Diluted EPS				
Net income for computation	¥ 4,876	10,730	¥ 454.43	\$ 4.18

18. SUBSEQUENT EVENTS

The following appropriations of retained earnings at March 31, 2021, were approved at the shareholders' meeting of the Company held on June 23, 2021:

	Millions of yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥70.00 (\$0.63) per share	¥748	\$6,760

19. SEGMENT INFORMATION

The Group is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such

information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. As such, the Group's reportable segments consist of the Plant & Energy Business, Industrial Machinery Business, Electronics Business, Automotive Business, Pharmaceuticals Business, and Aviation Business.

- Plant & Energy Business: Machinery and equipment for energy development and production, oil and gas refining, chemical, engineering, construction, and pulp and paper industries.
- Industrial Machinery Business: Machinery and equipment for plastics, rubber, steel, and food industries.
- Electronics Business: Machinery and equipment for the industries of electronics, IT, electric machinery, precision, optical, audio, and musical instruments.
- Automotive Business: Machinery and equipment for automotive industries.
- Health care Business: Machinery and equipment for pharmaceuticals and medical industries.
- Aviation Business: Machinery and equipment for aviation and disaster prevention.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies." The profit showing in the Group's reportable segments are arranged on the basis of operating income.

(3) Matters of Changes in Reportable Segments

From the current consolidated fiscal year, the group change the reportable segment name from Pharmaceuticals business to Health care business.

(4) Information about Sales, Profit (Loss), Assets, Liabilities and Other Items

	Millions of yen												
	2021												
	Reportable segments							Subtotal	Other	Total	Recon- ciliations	Consolidated	
Plant & Energy Business	Industrial Machinery Business	Electronics Business	Automotive Business	Health care Business	Aviation Business								
Sales													
Sales to external customers	¥39,690	¥17,682	¥35,272	¥31,421	¥10,650	¥5,057	¥139,774	¥254	¥140,029			¥140,029	
Intersegment sales or transfers	177	662	834	478	35	1	2,190	27	2,218	¥(2,218)			
Total	39,868	18,344	36,106	31,900	10,685	5,059	141,965	282	142,247	(2,218)		140,029	
Segment profit (loss)	1,533	(68)	1,973	992	1,107	352	5,890	1	5,892	(162)		5,729	
Segment assets	29,725	15,652	25,460	14,992	9,368	2,662	97,861	608	98,469	21,489		119,958	
Other:													
Depreciation	119	36	77	40	160	13	449	102	551	332		883	
Investment in an equity method company		1,240					1,240		1,240			1,240	
Increase in property, plant and equipment and intangible assets	¥ 1	¥ 27	¥ 63	¥ 7	¥ 64	¥ 68	¥ 233	¥ 75	¥ 309	¥ 741		¥ 1,050	

	Millions of yen											
	2020											
	Reportable segments							Subtotal	Other	Total	Recon- ciliations	Consolidated
Plant & Energy Business	Industrial Machinery Business	Electronics Business	Automotive Business	Health care Business	Aviation Business							
Sales												
Sales to external customers	¥42,835	¥24,806	¥40,875	¥35,746	¥10,294	¥6,775	¥161,334	¥142	¥161,476			¥161,476
Intersegment sales or transfers	413	590	370	604	204		2,183	27	2,211	¥(2,211)		
Total	43,248	25,396	41,246	36,351	10,499	6,775	163,518	169	163,688	(2,211)		161,476
Segment profit (loss)	1,112	454	2,228	1,491	1,128	534	6,950	(21)	6,928	69		6,998
Segment assets	28,325	16,216	23,138	18,069	8,546	2,408	96,703	686	97,390	14,096		111,486
Other:												
Depreciation	116	35	83	57	140	1	434	92	527	363		890
Investment in an equity method company		1,220					1,220		1,220			1,220
Increase in property, plant and equipment and intangible assets	¥ 9	¥ 67	¥ 63	¥ 20	¥ 115	¥ 32	¥ 309	¥ 372	¥ 682	¥ 483		¥ 1,166

Notes to Consolidated Financial Statements

Thousands of U.S. Dollars

	2021											
	Reportable segments							Subtotal	Other	Total	Recon- ciliations	Consolidated
Plant & Energy Business	Industrial Machinery Business	Electronics Business	Automotive Business	Health care Business	Aviation Business							
Sales												
Sales to external customers	\$ 358,511	\$ 159,716	\$ 318,598	\$ 283,820	\$ 96,198	\$ 45,683	\$ 1,262,528	\$ 2,300	\$ 1,264,829		\$ 1,264,829	
Intersegment sales or transfers	1,607	5,982	7,533	4,326	322	12	19,785	251	20,037	\$(20,037)		
Total	360,118	165,699	326,132	288,147	96,520	45,696	1,282,314	2,552	1,284,866	(20,037)	1,264,829	
Segment profit (loss)	13,852	(614)	17,824	8,963	10,003	3,179	53,209	17	53,226	(1,470)	51,755	
Segment assets	268,495	141,387	229,970	135,420	84,618	24,052	883,944	5,492	889,437	194,103	1,083,541	
Depreciation	1,079	330	704	370	1,448	122	4,055	922	4,977	3,006	7,984	
Investment in an equity method company		11,208					11,208		11,208		11,208	
Increase in property, plant and equipment and intangible assets	\$ 14	\$ 248	\$ 573	\$ 67	\$ 585	\$ 617	\$ 2,107	\$ 685	\$ 2,792	\$ 6,697	\$ 9,490	

Notes: 1) Transfers between segments are made at arm's-length prices.

2) Segment profit is adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.

3) No impairment loss was recognized in 2021 and 2020.

4) Segment assets's reconciliations amount for the years ended March 31, 2021 and 2020, were ¥21,489 million (\$ 194,103 thousand) and ¥14,096 million, respectively include the amount classified as an entire company's assets which haven't allocated to the each segments. The major amount are the parent company's surplus funds(cash and fixed term deposit) and funds for long term investment(Investment securities) and assets related to management division.

(5) Information about products and services

Information about products and services is omitted as it is presented in the description of reportable segments.

(6) Information about geographical areas

a. Sales

Millions of Yen						
2021						
Japan	China	Asia	Americas	Europe	Other	Total
¥74,443	¥23,207	¥23,868	¥14,897	¥3,459	¥152	¥140,029
Millions of Yen						
2020						
Japan	China	Asia	Americas	Europe	Other	Total
¥85,692	¥28,287	¥32,998	¥8,575	¥3,044	¥2,877	¥161,476
Thousands of U.S. Dollars						
2021						
Japan	China	Asia	Americas	Europe	Other	Total
\$672,416	\$209,623	\$215,595	\$134,566	\$31,248	\$1,378	\$1,264,829

Notes: Sales are classified by country or region based on the location of customers.

b. Property, plant and equipment

Millions of Yen			
2021			
Japan	Asia	Other	Total
¥2,644	¥429	¥63	¥3,137
Millions of Yen			
2020			
Japan	Asia	Other	Total
¥2,901	¥569	¥89	¥3,560
Thousands of U.S. Dollars			
2021			
Japan	Asia	Other	Total
\$23,885	\$3,883	\$569	\$28,338

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Daiichi Jitsugyo Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Daiichi Jitsugyo Co., Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Member of
Deloitte Touche Tohmatsu Limited

Timing of sales recognized upon customer acceptance	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The Group recognized consolidated net sales of JPY 140,029 million for the year ended March 31, 2021, of which JPY 80,213 million or 57.3% were sales recognized upon customer acceptance. The Group operates six businesses, including businesses in plant and energy, industrial machinery and electronics, and has a wide variety of products. From the perspective of customers, the purchase of the products is a part of purchasing the fixed assets, such as machinery equipment, and thus, the products are tailored for each customer. Therefore, the Group's standard sales are recognized on customer acceptance basis.</p> <p>The Group reviews and approves evidence of customer acceptance in determining the appropriateness of timing of sales prior to recognizing the revenue. Due to the nature of the products mentioned above, the Group's customers may issue an evidence for acceptance at various timings or in various forms for each transaction. When the sales are recognized by an evidence for acceptance, which is provided by the customer's procurement personnel at the delivery site, significant judgment is required to determine whether customer acceptance is fully satisfied. In addition, a larger portion of sales from domestic customers or their foreign affiliates tends to be recognized in March due to the timing of their capital investment budgets and purchasing budgets.</p> <p>The determination of whether customer acceptance has been satisfied by the end of the fiscal year has a significant impact on the consolidated financial statements and the sales amount is one of the key performance indicators of the Group. Based on above, we identified the determination of timing of sales recognized upon customer acceptance as a key audit matter.</p>	<p>In examining the timing of sales recognized upon customer acceptance, we performed the following audit procedures, among others:</p> <p>—We tested the design and operating effectiveness of internal controls over the appropriate timing of revenue recognition, including the review and approval of sales recognition based on evidence of customer acceptance and the monitoring of the aging of accounts receivables.</p> <p>—We tested the timing of sales, which were recognized upon customer acceptance provided by the procurement personnel near the year-end, by making inquiries with the sales representatives and inspecting sales orders, inspecting evidence of customer acceptance and payment notice issued from the administrative department of the customer for a selection of:</p> <ol style="list-style-type: none"> 1. Sales where the initial delivery dates were planned in the next year or were not decided 2. Sales where the period of time from the order to sales recognition was shorter than the Group's standard transactions 3. Transactions that had additional cost in April 2021 and the gross profit margin was negative in April 2021. <p>—We selected samples of other sales recognized upon customer acceptance provided by the procurement personnel and inspected sales orders, evidence of customer acceptance and payment notice issued from the administrative department of the customer.</p> <p>—We tested cash receipt for the sales tested above by inspecting the bank statement.</p>

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 23, 2021

	Location	Business details
Consolidated subsidiaries		
DAIICHI MECHA-TECH CORPORATION	Kawaguchi, Saitama	Repair, manufacturing, and sales of various types of industrial machinery
DAIICHI JITSUGYO VISWILL CO., LTD.	Suita, Osaka	Development, manufacturing, and sales of visual inspection devices
DJK SOLAR SOLUTION CO., LTD.	Chiyoda-ku, Tokyo	Maintenance and management of solar power generation plants
DAIICHI JITSUGYO (AMERICA), INC.	Chicago, USA	Sales of various types of industrial machinery
DJK GLOBAL MEXICO, S.A. DE C.V.	Queretaro, Mexico	Sales of various types of industrial machinery
DJK EUROPE GMBH	Frankfurt, Germany	Sales of various types of industrial machinery
SHANGHAI YISHI TRADING CO., LTD.	Shanghai, China	Sales of various types of industrial machinery
DAIICHI JITSUGYO (HONG KONG) LIMITED	Hong Kong, China	Sales of various types of industrial machinery
DAIICHI JITSUGYO (GUANGZHOU) TRADING CO., LTD.	Guangzhou, China	Sales of various types of industrial machinery
DAIICHI JITSUGYO ASIA PTE. LTD.	Singapore	Sales of various types of industrial machinery
DAIICHI JITSUGYO (THAILAND) CO., LTD.	Bangkok, Thailand	Sales of various types of industrial machinery
DAIICHI PROJECT SERVICE CO., LTD.	Bangkok, Thailand	Construction contractor
DAIICHI JITSUGYO (MALAYSIA) SDN. BHD.	Kuala Lumpur, Malaysia	Sales of various types of industrial machinery
DAIICHI JITSUGYO (PHILIPPINES), INC.	Makati, Philippines	Sales of various types of industrial machinery
PT. DJK INDONESIA	Jakarta, Indonesia	Sales of various types of industrial machinery
DAIICHI JITSUGYO (VIETNAM) CO., LTD.	Hanoi, Vietnam	Sales of various types of industrial machinery
DAIICHI JITSUGYO INDIA PVT. LTD.	New Delhi, India	Sales of various types of industrial machinery
Non-consolidated subsidiaries		
FLOW DYNAMICS CO., LTD.	Chiyoda-ku, Tokyo	Manufacturing, and sales of various types of industrial machinery
DJK KOHSAN CO., LTD.	Chiyoda-ku, Tokyo	Sales of various types of industrial machinery
DAIICHI ENGINEERING CO., LTD.	Chiyoda-ku, Tokyo	Provision of environmental equipment engineering and sales of processing units in various industries
DAIICHI JITSUGYO DO BRASIL COMERCIO DE MAQUINAS LTDA.	Sao Paulo, Brazil	Sales of various types of industrial machinery
DC ENERGY GMBH	Frankfurt, Germany	Sales of lithium-ion battery manufacturing equipment
DJK (TAIWAN) CORP.	Taipei, Taiwan	Sales of various types of industrial machinery
DAIICHI MECHA-TECH (SHANGHAI) CORPORATION	Shanghai, China	Repair and manufacturing of various types of industrial machinery
DJK FACTORY SOLUTIONS(PHILIPPINES), INC.	Laguna, Philippines	Sales and purchases of trial machines and parts Maintenance of parts for use in assembly systems
Equity-method affiliate		
ASANO LABORATORIES CO., LTD.	Aichi-gun, Aichi	Manufacturing and sales of plastics vacuum forming machines
Non-equity method affiliate		
SULZER DAIICHI K.K.	Chiyoda-ku, Tokyo	Import and sales of pumps, agitators and mixers, and related equipment for industrial applications

Corporate Data (As of March 31, 2021)

DAIICHI JITSUGYO CO., LTD.
 Ochanomizu Sola City, 4-6 Kandasurugadai,
 Chiyoda-ku, Tokyo
Date of Establishment August 12, 1948
Paid-in Capital ¥5,105 million
Stock Exchange Listing
 Tokyo Stock Exchange, First Section
Securities Code 8059
Branches & Offices
 Osaka, Nagoya, Tohoku(Sendai), Hiroshima, Fukuoka, Toyama
Overseas Branches Seoul
Domestic Subsidiaries 6
Overseas Subsidiaries 19
Consolidated Subsidiaries 17
Number of Employees
 Non-consolidated: 524 Consolidated: 1,229

Directors and Audit & Supervisory Board Members (As of June 23, 2021)

Directors	
President & CEO	Ichiro Uno*1
Senior Managing Director	Shigeki Terakawa*1
Managing Directors	Ryuichi Ninomiya Masatoshi Ueno Yasushi Marumoto*2 Osamu Fukawa*2
Outside Directors	Yoshikazu Sakamoto Yukie Tanaka Namika Yamada
Audit & Supervisory Board Members	
Standing Audit & Supervisory Board Member	Akihiro Kawai
Outside Audit & Supervisory Board Members	Toshihiko Matsumiya Mitsuyoshi Koyama
Executive Officers	
Managing Executive Officers	Masahiko Mizumoto Daisuke Ozono Yuji Funawatari
Executive Officers	Shigehiro Aoyama Shinji Otsuki Shoichiro Okada Zenichiro Minami Kanji Kubota Takahiro Toyoizumi Naoki Shimodaira Tadayuki Matsukawa

*1 : Representative Director
 *2 : Director who also serves as Managing Executive Officer

Common Stock (As of March 31, 2021)

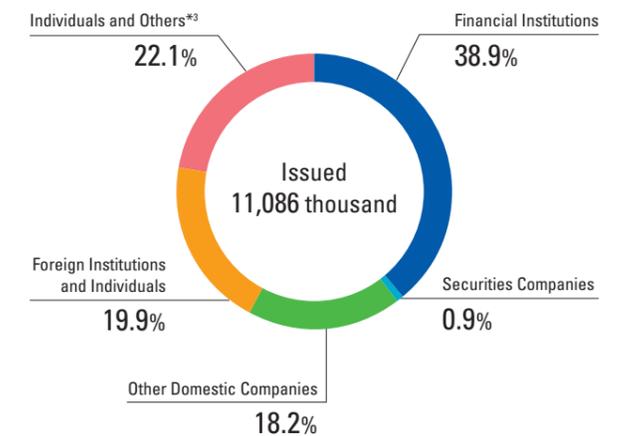
Authorized: 32,000,000 shares
Issued: 11,086,400 shares
Number of Shareholders: 3,983

Major Shareholders

	(% of total)
HIKARITSUSHIN, K.K.	8.49
JAPAN TRUSTEE SERVICES BANK, LTD.	6.78
MIZUHO BANK, LTD.	4.78
SUMITOMO MITSUI BANKING CORPORATION	4.78
CUSTODY BANK OF JAPAN, LTD. (Trust Account)	4.04
MUFG BANK, LTD.	3.49
RESONA BANK, LIMITED.	3.16

(Note) Percentages of total shares issued are calculated based on the total number of shares issued excluding 395 thousand shares of treasury stock.

Distribution of Ownership among Shareholders



*3: "Individuals and Others" includes 395 thousand shares of treasury stock (3.6%).

Information on DJK's corporate website

Visit our website to learn more about our business activities and information on IR and CSR, and to view our past news releases.



<https://www.djk.co.jp/en/>



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