

A Message from the CSuO



We will work together as a team, promoting sustainability management to enhance corporate value and raising DJK's value to society.

Yuji Funawatari Director
Managing Executive Officer & CSuO

In April 2023, DJK established the Sustainability Committee and the Sustainability Promotion Department. Mr. Funawatari, the Chief Sustainability Officer (CSuO), provided insights into the circumstances behind this move and DJK's future initiatives.

Background to the establishment of the Sustainability Committee and the Sustainability Promotion Department

I was appointed as CSuO and the officer responsible for the Administration Division in April 2023. Ever since joining DJK in 1987, I had been working in Industrial Machinery and other business divisions. After overseas postings in Europe and Singapore, I returned to Japan in April 2021, when I became the officer responsible for the Aviation & Social Infrastructure Division, as well as Asia and Europe.

In April 2022, the DJK Group set forth a new philosophy and the V2030 growth strategy, which form the basis for the medium-term business plan MT2024 we are currently pursuing. A large range of sustainability-related issues became evident through the formulation of these measures. A sustainability taskforce was set up within the Corporate Strategy Division, and I was put in charge of it. In this capacity, I have endeavored to build a foundation for sustainability management at DJK.

The sustainability taskforce later transitioned into the Sustainability Promotion Committee, with the aim of establishing the central position of sustainability management within DJK. The

committee held regular biannual meetings to formulate our Basic Philosophy on Sustainability, declare our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and build a new framework, unique to DJK, that links the environmental management system (EMS) with materialities (important issues). These efforts have been lauded by an external EMS reviewing body. We also formulated internal recommendations for the establishment of the Integrated Risk Management Office and rules for strategic business investment from the standpoint of sustainability. After establishing the foundations for sustainability management from diverse perspectives such as these, the Sustainability Promotion Committee was renamed the Sustainability Committee in 2023, and the Sustainability Promotion Department was established to promote specific initiatives as the committee secretariat. [See p.49 for details](#)

The importance of on-site responsiveness

At the annual meeting of division general managers held in June 2023, I explained my duties as "responsible for the promotion of sustainability management." I can say with confidence that while the DJK Group's business activities over its 75-year history have not been unsustainable, I am acutely aware of the social trend in recent years toward a greater focus on aspects such as the environment,

human rights, and governance. This includes the requirement for due diligence at the front line of sales. I believe that our systematic organization and enunciation of the Group's sustainability management will provide a boost for our businesses at each site. Unless our business divisions are convinced of the importance of sustainability management, the process of implementing initiatives to address the Group's materialities may place an undue burden on on-site operations. I believe it is my role, as someone closely familiar with these operations over many years, to explain the Group's vision to each business division accurately and methodically. As stated in our Basic Philosophy on Sustainability, in pursuing businesses that are responsive to various sites around the world, enhancing corporate value, and pursuing sustained and profitable growth — in other words, through DJK's sustainability management — we will practice management that encompasses ESG, aiming for profitable growth. I stress the importance of our own mindset (reforming awareness) to contribute to society through businesses adapted to the era, generate profits, and survive as a trading company for the new era. Practicing sustainability management based on an understanding of on-site operations and enhancing corporate value to meet the expectations of our stakeholders. I see these as our two key themes.

Initiatives for the future

One of the priority themes for the activities of the Sustainability Committee and the Sustainability Promotion Department going forward is the promotion of efforts for sustainability and the establishment of assessment methods for achievements. As part of our awareness-raising activities, I visit our sites in Japan and overseas, holding briefings where I review the Group's history, philosophy, and function as a trading company. At the same time, we are in the process of building systems to evaluate the progress and achievements of initiatives to address the Group's materialities. We will establish and disclose target KPIs, carry out monitoring with reference to external evaluations, implement internal initiatives, and progress to the next action. By steadily following this PDCA cycle, I believe that we can further deepen the Group's sustainability management.

Since declaring our support for the TCFD recommendations in August 2022, we have been calculating and disclosing our Scope 1 (direct) and Scope 2 (indirect) greenhouse gas emissions. At present, our TCFD working group (WG) is engaged in establishing methods for the analysis and evaluation of risks and opportunities. The WG includes members from the Plant & Energy Business Division, which has experience in biomass power

plants and other projects that contribute to the environment, and we are endeavoring to build a framework to integrate and boost the knowledge of the corporate and business divisions as we pursue these initiatives. Sustainability also encompasses diverse fields, such as the establishment of our Human Rights Policy. Our most important initiative in this context is the coordination of the Administration Division and the Corporate Strategy Division in human capital management.

Creating a new history built on people

I just mentioned the need to reform employees' mindsets. Based on our recognition that DJK also has to change itself to accomplish this, we established a systematic human resources development program and implemented an engagement survey in the fiscal year ended March 31, 2023. The results of this survey revealed a highly positive assessment regarding the corporate environment, which enables employees to exercise discretion and autonomy in performing their duties. However, there were also requests for DJK to support career advancement and upskilling. The results of the survey analysis were explained in detail to the management of the business and corporate divisions and reflected in initiatives in each division. We plan to conduct regular surveys in the future to check the progress of these initiatives. We have also established a system for employees to self-assess their own desired career plans, and we are considering the introduction of a system of tailor-made training suited to each employee's life plan. Moreover, until now, our work as a trading company has tended to be constrained by time due to the need to respond to customers. We have requested the general managers of business divisions and others to reform their mindset, revising work processes and utilizing digital technology with a focus on productivity rather than "working by the clock." We will also create comfortable working environments adapted to life events such as marriage, birth, and nursing, with the advancement of women in mind. Meanwhile, expanding overseas businesses is essential for the future growth of the Group. The Group already boasts a multi-national workforce, but at present, our global human resources largely comprise engineers. Going forward, we will develop businesspeople capable of expanding our businesses on the global market, including with foreign companies. Measures such as long-term training and human resources exchange will enable our employees to acquire more know-how concerning our trading company function. We will continue to reform our mindset and take on new challenges as we pursue sustainability management, increasing DJK's value to society.

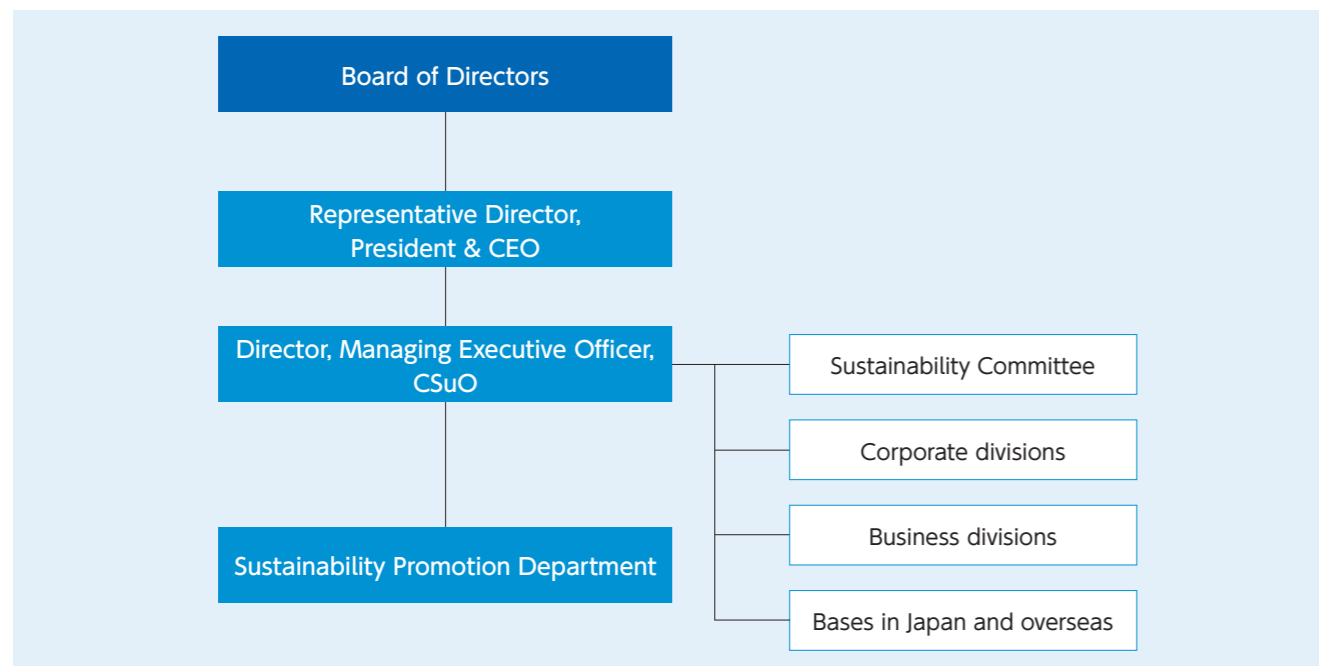
Sustainability

Basic Philosophy on Sustainability

The DJK Group has declared as part of its philosophy “Connecting People, Connecting Technology and Enriching the World,” and, as a trading firm that will lead the new era, is pursuing businesses that are responsive to various sites around the world. We will enhance corporate value by strengthening our management base and actively addressing key issues in the environment, society, and governance through our business activities. The DJK Group will pursue sustained and profitable growth while fulfilling its corporate social responsibilities and aim for advancement alongside our stakeholders.

Sustainability Promotion System

The Sustainability Promotion Committee (currently the Sustainability Committee) was established in April 2022 for the purpose of maintaining DJK’s sustainable growth. The committee deliberates on sustainability-related matters, including climate change. It is chaired by the Representative Director, President & CEO, and the Director, Managing Executive Officer, Chief Sustainability Officer (CSuO) serves as the officer in charge. The committee regularly monitors in-house initiatives and engages in the deliberation and consideration of future initiatives. The contents of its deliberations are reported to the Board of Directors. The evaluation of sustainability initiatives incorporates opinions from the perspectives of outside directors. In April 2023, we went on to establish the Sustainability Promotion Department which, under the leadership of the CSuO, serves as the secretariat for the Sustainability Committee, accelerating sustainability initiatives across the entire Group.



Initiatives of the Sustainability Committee (Content of Discussions)

- Formulation of the basic philosophy on sustainability and revision of the environmental policy
- Matters related to risk management
- Promotion efforts using the environmental management system (EMS)
- Targets to address materialities
- Monitoring of initiatives related to climate change
- Sustainability promotion, including Group companies
- Consideration of response to ESG-related laws at overseas bases
- Formulation of the Human Rights Policy

Respect for Human Rights

We believe that engaging in business activities with respect for human rights throughout the supply chain — not only those of our own employees but also the employees of our suppliers — is the foundation on which we can realize our philosophy of Enriching the World. Based on this belief, we have recently established the DJK Group Human Rights Policy.

DJK Group Human Rights Policy

Recognizing that respect for human rights is one of the essential elements of the DJK Group’s global business activities, our policy is as set out below.

Basic Policy on Human Rights

- **Prohibition of Discrimination**
Under no circumstances shall the DJK Group discriminate on the basis of gender, ethnicity, place of birth, nationality, religion, ideology, age, physical disability, or other personal characteristics.
- **Prohibition of Harassment**
The DJK Group shall not tolerate any form of harassment, including power harassment and sexual harassment.
- **Protection of Privacy**
The DJK Group shall strictly manage the personal information of its officers and employees, and shall not use it for any purpose other than that for which it was originally intended.
- **Workplace Safety**
The DJK Group shall strive to maintain a safe and hygienic working environment and comply with all laws and regulations concerning occupational health and safety.
- **Compliance with Labor-related Laws**
The DJK Group shall comply with labor-related laws and endeavor to maintain a healthy working environment that is attractive and welcoming for all who work there. Management shall not impose any work that requires excessive labor or compel employees to work overtime.
- **Elimination of Forced Labor and Child Labor**
Under no circumstances shall the DJK Group tolerate forced labor or child labor.
- **Freedom of Association and Right to Collective Bargaining**
The DJK Group is committed to respecting the freedom of association and the right to collective bargaining in order to achieve an equitable working environment and to ensure both the well-being of employees and the sustainable growth of the DJK Group.

Initiatives for the Respect of Human Rights

[See our website for details](#)

- (1) Scope of Application
- (2) International Norms and Compliance with Laws and Regulations
- (3) Implementation of Human Rights Due Diligence
- (4) Remedial Measures
- (5) Education and Raising Awareness
- (6) Dialogue with Stakeholders
- (7) Information Disclosure
- (8) Promotion System

Human Resources



Approach to Human Resource Training and the Enhancement of Internal Environments

- Approach to Human Resource Training
Develop human resources and build organizations possessing both the flexibility and strength to adapt to changes in the environment
- Approach to the Enhancement of Internal Environments
Aim to deepen and enhance recruitment, education and training, and internal systems, pivoting on high-level expertise, autonomy, diversity, health and productivity management

Approach to Human Resource Training

As we strive to achieve our V2030 growth strategy, we have established “a company full of good work partners” as our vision for human resources development. We have defined our image of these human resources as follows, and reflected this definition in various personnel-related measures.

- **RESILIENCE:** The mental flexibility to turn business experience into an opportunity for self-transformation
- **FAITH:** Respect for cooperation in work and the ability to build mutual trust
- **PROFESSION:** Contribution to all stakeholders

We will develop human resources who can connect people through their positive attitude, connect technology through their thorough knowledge, and enrich the world through their devoted actions.

Human Capital Management

We approach human resources development with a long-term perspective, aiming to invest in our human capital while also achieving the sustained enhancement of corporate value. We endeavor to impart to each of our employees the aspiration to be a businessperson who can think independently and involve those around them to bring ideas to reality.

Through human capital management, we will transform the growth of our employees into a growth engine for DJK by connecting it with the enhancement of our basic business strength and employee motivation for work. We will return these benefits to our stakeholders through higher corporate value.

- **Enhancing DJK's basic business strength**
For new employees, we will implement safety education from the training stage, covering the items necessary when delivering equipment, while for mid-career recruits, we will focus on the recruitment of personnel with advanced qualifications, thereby enhancing our expertise, to achieve our aim of being the next-generation engineering trading firm.
- **Boosting employee motivation for work and growth**
In its seven business domains, DJK does business across a wide range of markets and industries. Our customers and suppliers are highly diverse, and deepening our understanding of this diversity provides us with earning power. With the aim of promoting diversity, we are progressively creating environments to empower women and taking a more multi-faceted approach to our recruitment activities. We are promoting a higher proportion of women in core positions and the recruitment of foreign personnel and mid-career recruits.
- **Developing the management capabilities of potential senior managers**
We are promoting a more diverse range of practical experience for the purpose of developing potential senior managers. By systematically deploying personnel to DJK's affiliates in Japan and overseas, we are progressively developing human resources with management sense.

Expected Results	Personnel Investment	Specific Measures	Related Indicators / KPIs	Business Strategies
For NEWCOMER Learning business basics Sharing corporate philosophy and history	Implement group training for recent recruits Raise motivation to learn through fee sub-sidies Pay support and allowances for the acquisition of public qualifications	DJK WAY basic education Common education: Group training by level Individual education: Implement subscription education	Attendance rates for various group training sessions Attendance rates for subscription education	Enhancing DJK's basic business strength
For MID-LEVEL Learning business applications Cultivating the autonomy of mid-level personnel	Implement training by positions group for mid-level personnel Raise motivation to learn through fee sub-sidies Pay support and allowances for the acquisition of public qualifications	Education in line with career design Common education: Group training by positions group Individual education: Implement subscription education to improve skills	Attendance rates for various group training sessions Attendance rates for subscription education	
Next-generation engineering trading firm → Strengthen high-level expertise	Diversify graduate and mid-career recruitment activities Enhance health and safety education for construction Pay support and allowances for the acquisition of public qualifications	Strengthen recruitment of new science and engineering graduates Education for work supervisors and construction supervisors Expand the range of technical public qualifications eligible for support	Proportion of science graduates and mid-career recruits Participation rate in various education sessions	Boost employee motivation for work and growth
Diversity promotion → Intercultural understanding → Earning power in the global market	Diversify graduate and mid-career recruitment activities Revise the salary system by positions group and level	Strengthen recruitment of women and foreign personnel Promote the use of the positions group switching system	Proportion of women among core human resources Gender pay gap Proportion of foreigners among recruits	
Improve employee engagement Promote employee health	Promote various work style reform measures Cover the expense of Group insurance premiums	Ensure an appropriate amount of overtime Promote the utilization of paid leave Employee engagement surveys	Overtime hours by division Paid leave utilization rate Results of engagement surveys	Ensuring long-term value-focused management
Improve the risk management abilities of senior managers and potential senior managers Continually deepen quality management	Select promising mid-level personnel Create opportunities for personnel changes to achieve greater versatility	Experience in both business divisions and Administration & Accounting Division Create management opportunities at affiliated companies in Japan and overseas	Manage the careers of potential senior managers based on a skill matrix	

Human Resources Development Program

DJK's Human Resources Development Committee, composed of members elected from all the business divisions, the Engineering Division, and the Administration & Accounting Divisions, meets four times each year.

The President & CEO and the Senior Managing Executive Officer, who are the Representative Directors, also participate in committee meetings. Through the vigorous exchange of opinions with committee members, they have established a systematic human resources development program based on business strategies.

We have also implemented overseas human resources development committees linked to four overseas areas: the Americas, Europe, Asia, and China. We are working to share DJK's philosophy with our overseas employees and expand business with foreign companies. Just as we provide opportunities for our Japanese employees to gain experience through overseas postings, we are also creating opportunities for overseas employees to work at posts in Japan and other bases. We are progressively building systems to revitalize human resources mobility within the Group, aiming to deepen intercultural understanding by promoting diversity and expand our businesses in each region.

Human Resources Strategies

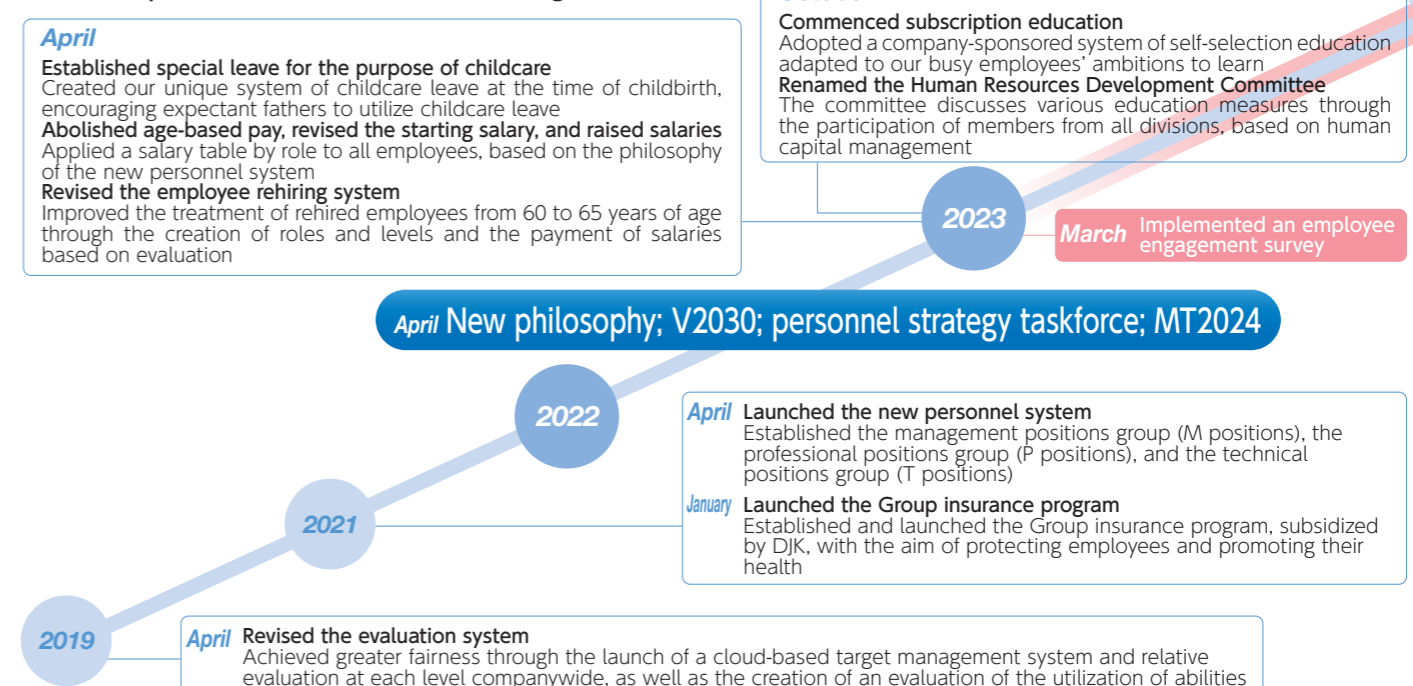
We launched the operation of DJK's new personnel system in the fiscal year ended March 31, 2022. Unlike the previous membership-style personnel system, the new system clearly defines the roles associated with each duty. Based on the main themes of developing human resources to lead the next generation and enhancing job satisfaction, the new system established the professional positions group (P positions) and the technical positions group (T positions), in addition to the management positions group (M positions: former management positions) beyond the career track positions group, allowing employees to choose the positions group that best suits their individual needs.

We verify the effectiveness of measures under our human resources strategies by summarizing the opinions of employees through engagement surveys and individual interviews by the Personnel Department, based on employees' self-assessment reports. This input is then used to amend measures and formulate new measures, creating a cycle of improvement. In the engagement survey implemented in March 2023, we found that some employees indicated a shortage of medium-term educational measures. We have therefore improved the system to enable employees to discuss their long-term career path at self-assessment interviews. We are also promoting internal discussion aimed at more autonomous career-building.

We established our General Employers Action Plan as interim targets in April 2023, which will be linked to various measures based on human capital management. We are pursuing the following targets under MT2024.

Target 1	Ratio of female employees in career track positions: 10% Recruit female new graduates into career track positions	FY2023 result: 5 females out of a total of 22
Target 2	Paid leave utilization rate: 70% Childcare leave utilization rate among male employees: 100% Share the status of paid leave utilization	FY2023 result: 59.7%
Target 3	Create rewarding workplace environments Share the results of engagement surveys and improvement measures throughout DJK	FY2023 result: Shared with all divisions

History of our human resources strategies



Employee Engagement

Purposes of engagement surveys

We have implemented an employee survey on engagement for the purposes of strengthening our human resources strategies (human capital investment, employee development and education, improving working environments, etc.) and promoting sustainability management.

Outline of the survey results

DJK's corporate environment received a highly positive evaluation in terms of respect for employees' opinions and enabling employees to exercise discretion and autonomy in performing their duties. Aspects such as our initiatives to reduce overtime, the deployment of an appropriate number of employees, and human resources development from a long-term perspective received a low evaluation.

These results clearly indicate that, while employees are engaging in their work with a sense of worth, the large amount of discretion they are given places them under a high burden, and long-term companywide efforts should be made to address this issue.

Survey subjects	Regular employees (working in Japan) and part-time employees
Number of respondents / number of subjects	506/565 (response rate: 89.6%)

Item	Grade	Average score among all survey subjects
Employee satisfaction rating	A	3.75
01_Company attractiveness	B	3.31
02_Targets and directions	B	3.45
03_Interpersonal relationships	B+	3.72
04_Labor environment	B	3.48
05_Career outlook	B	3.26
06_Evaluation and pay	B	3.34
07_Work attractiveness	B+	3.62
08_Skills and deployment	B+	3.13
09_Mental and physical health	B+	3.19

Conclusion

We disclosed the results of the survey to employees and held briefings for each division general manager and training for corporate officers. By continuing to implement measures for improvement, we aim to enhance working environments to bring about better job satisfaction and business results.

Key human resources-related indicators (non-consolidated)

	FY2019	FY2020	FY2021	FY2022
Number of employees	508	524	558	591
Male	369	389	421	441
Female	139	135	137	150
Average length of service (years)	12.3	12.9	12.6	12.7
Male	13.0	13.7	12.9	13.4
Female	10.3	10.1	11.5	10.3
Paid leave utilization rate*1 (%)	56.0	49.9	56.8	59.7
Number of employees taking childcare leave	9	8	10	15
Number of employees working shorter hours	3	7	6	12
Ratio of employees returning to work after childcare leave (%)	100	100	83.3	85.7
Number of employees taking nursing care leave	0	0	0	0
Job turnover rate (%)	6.0	2.7	3.9	4.3
Average training hours per employee*2 (hours)	8.5	13.6	5.4	9.3

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

*2 Figures are limited to those organized by the Personnel Department, but other education and training programs are also provided by each organization.

Column

Aiming to Connect the DJK Group Through Our Philosophy

In the process of formulating the V2030 growth strategy launched in April 2022, we reviewed DJK's founding spirit and corporate principles, preserving this "philosophy in the early days" as our foundation as we began considering our new philosophy, based on our aspiration to evolve to meet the demands of this era of profound transformation. We clarified our mission, vision, and values, summarizing them in our philosophy, so that our social responsibility as a member of society is clearly reflected in the meaning of our work, and so that DJK will continue to be a company that society can depend on. This includes management with an awareness of contributing to the global environment, well-being, and human rights, at the same time as business growth. After V2030 was established, we spent around one-and-a-half years implementing information sessions at each division, each base in Japan and overseas, and each Group company, to spread an understanding of the new philosophy, based on the idea that it is the most important that all employees of the DJK Group fully understand it. These activities were intended not only to facilitate understanding of the background to the formulation of our new philosophy and the hopes and aspirations embodied in it, which are difficult to convey in writing, but also to encourage employees to put it into practice. Our question-and-answer sessions brought a greater sense of clarity to DJK's orientation toward growth, and we gained the empathy and support of many employees.

Going forward, our efforts to spread this philosophy will go beyond information sessions to include measures such as multilingual support and the display of posters at each base. In addition, by actively providing information on initiatives to achieve our philosophy through integrated reports, briefings for investors, and other forums, we aim to win the support of all our stakeholders and connect the DJK Group through our philosophy common to all employees.



Zenichiro Minami
Senior Executive Officer,
General Manager of Corporate Strategy Division

Column

Toward a Greater Recognition of Our Philosophy at Overseas Bases

I joined DJK EUROPE GMBH in 2011 as a sales engineer. I was assigned to the Prague Branch, where I now serve as Branch Manager. I had DJK's philosophy and the V2030 growth strategy explained to me when I visited the DJK headquarters in May 2023, and this increased my desire to share the approach behind this philosophy, and the working style based on it, with all my staff at the Prague Branch. I was happily surprised to find that my request that this philosophy should be shared with all staff across Europe was also accepted immediately.

A workshop on DJK's philosophy and V2030 growth strategy was held in Bulgaria in late June. Until now, we had little understanding of DJK's mission, vision, and the difference between the two. At the workshop, however, outstanding examples were used to explain the philosophy, with an emphasis on practical aspects. This link between theory and practice enriched our understanding, indicating how we should apply DJK's philosophy in everyday operations. As the saying goes, "practice makes perfect." I really felt that practice is key, and will bring us success.

In Europe, we work in small groups in different offices, composed of different genders, workplace positions, and ages. This diversity leads to the creation of ideas and a broad range of opinions. We are "One Group, One Team, One DJK," and this gives form to our mission and vision. Through this workshop, I gained an understanding of just how important DJK's philosophy is for all employees. I strongly feel that forums like this should be provided for all officers and employees in the DJK Group.



Jan Vacek
Prague Branch Manager,
DJK EUROPE GMBH



Approach to the Environment

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

In accordance with its Basic Philosophy on Sustainability, the DJK Group will contribute to a sustainable, enriched world.

To accomplish our corporate philosophy, "Connecting People, Connecting Technology and Enriching the World," we are committed to resolving customers' environmental issues through our business activities by capitalizing on our engineering functions. The DJK Group aspires to always be a valued partner for its stakeholders.

- We operate an environmental management system (EMS) established based on the environmental policy and strive to continuously improve it.
- We handle products that help protect and improve the global environment and contribute to the mitigation of climate change through our business activities.
- We recognize the importance of biodiversity, as well as the importance of forests, water, and other limited resources, and strive to reflect this recognition in our business activities.
- We comply with applicable environmental laws, regulations, and accords in Japan and internationally in conducting business activities.
- We provide continuous education to help all directors, executive officers, and employees of the DJK Group deepen their understanding and awareness of environmental management.

System for Promoting the Environmental Management System

Since January 2004, we have operated an environmental management system (EMS) based on ISO14001 to systematically promote the reduction of environmental impact.

We have designated the Representative Director, President & CEO as the top management and the General Manager of the Administration Division as the person in charge of environmental management. Based on our environmental policy, the EMS Promotion Committee plays a central role in implementing the PDCA cycle and making continuous improvements. Through this system, we are accelerating our initiatives to address climate change in terms of both risks and opportunities.

EMS promotion organizational chart



Initiatives to Address Climate Change

Addressing the TCFD Recommendations

We pursue sustained and profitable growth by actively addressing key issues in the environment, society, and governance through our business activities.

Climate change brings both risks and opportunities to DJK's businesses. We declared our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in August 2022, we have commenced analysis and consideration in line with the recommendations, and we are progressively disclosing information based on them.



Strategy

We have identified contribution to a sustainable earth as one of our materialities and we have set the target of realization of a decarbonized society. In addition to setting reduction rate targets for our own Scope 1 and 2 emissions, we have launched initiatives through our businesses, such as engaging in decarbonization as part of our investment strategies under the V2030 growth strategy.

Specifically, these include initiatives such as our investment in a biomass power generation company in Tahara City, Aichi Prefecture, promoting the introduction of binary power generation equipment, and our investment in a company with ammonia production technology that reduces environmental impact.

Governance

The Sustainability Committee engages in deliberation and consideration concerning sustainability-related initiatives, including initiatives to address climate change. The Sustainability Promotion Department, which serves as the committee's secretariat, plays a central role in promoting these initiatives.

[See p.49: Sustainability Promotion System for details](#)

We have formed a cross-divisional working group to consider scenario analysis, as this requires comprehensive efforts based on the dual perspectives of sales and finance.

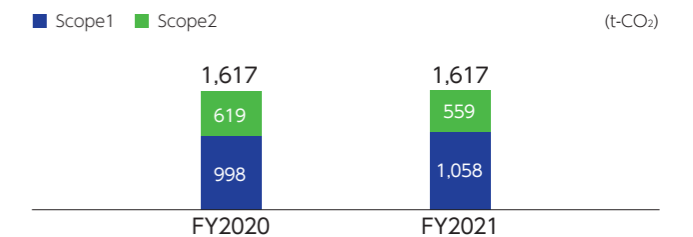
Risk management

The Risk Management Committee performs a central role in DJK's risk management, and also considers sustainability-related risks among its agenda items. However, climate change risk and other important risks that should be addressed as a priority are monitored by the Sustainability Committee. To implement effective and efficient risk management, the Risk Management Committee manages climate

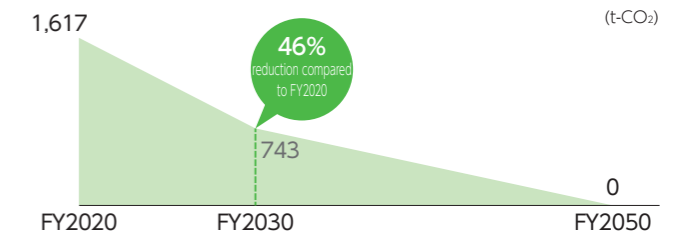
change risk, together with other risks, in line with DJK's strategies, based on the Risk Management Regulations.

Metrics and targets

At DJK, we target carbon neutrality, with net zero greenhouse gas (GHG) emissions by FY2050, taking FY2020 as our reference year. By FY2030, we aim to reduce GHG emissions by 46% compared to FY2020. We will work toward achieving these targets, reducing Scope 1 emissions by replacing our gasoline-fueled business vehicles with hybrid vehicles, as well as considering the introduction of EVs, and reducing Scope 2 emissions through initiatives such as switching to electric power from renewable energy and introducing energy-saving equipment.



*We are currently calculating emissions for FY2022



*Scope 1: Direct GHG emissions from the business itself (the combustion of fuel, industrial processes)
 Scope 2: Indirect GHG emissions associated with the use of electricity, heat, or steam provided by another company
 DJK and its consolidated subsidiaries in Japan and overseas have been included in the calculation of emissions, but small bases with a limited effect on overall emissions have been excluded. The estimated emissions from the personal use of vehicles by local staff at overseas subsidiaries have been excluded from the calculation of Scope 1 and Scope 2 emissions.

Main environment-related initiatives



Establishing the TCFD Analysis Working Group

We have launched the TCFD Analysis Working Group as a subcommittee under the Sustainability Committee. The working group identifies the risks and opportunities of climate change, examines and discusses their impact on DJK's businesses from short-term, medium-term, and long-term perspectives. We will endeavor to manage these risks and opportunities appropriately, respond to climate change, and promote our business strategies.

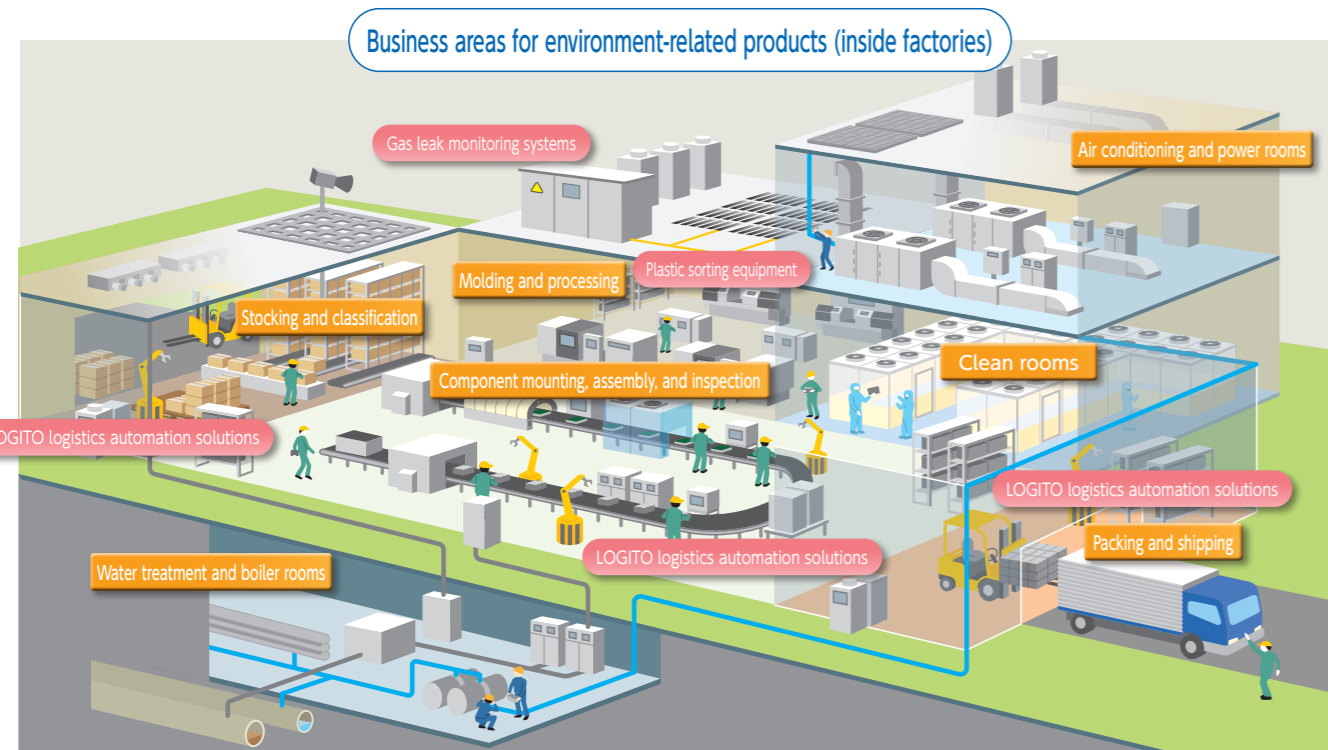


Environment

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.



Initiatives to Improve Plant Security

At DJK, we are working to establish smart factories and security, effectively utilizing technology such as cameras and sensors to address social issues such as aging plant facilities and labor shortages. As part of this effort, we have launched sales of gas leak monitoring systems manufactured by Konica Minolta, Inc. Safety countermeasures against gas leaks are of the utmost importance, as such leaks can cause fires and explosions.

Using this camera for gas leak inspections, previously carried out using gas detectors, makes it easy to identify the source of leaks and determine any abnormalities, even in elevated locations. The camera enables the visualization of hydrocarbon gases and is available in two models: a handy type that facilitates everyday inspections and a fixed type that enables automated monitoring around the clock, 365 days a year. It also enables the visualization of pools and pockets of gas from volatile solvents at worksites, assisting in the improvement of work environments and the prevention of accidents. From this perspective, we will work to promote the camera's utilization, not only for plant equipment but also for fuel depots, tankers, and various manufacturing sites.

We will also contribute to reducing environmental impact by monitoring the diffusion of greenhouse gases (such as methane) into the atmosphere.

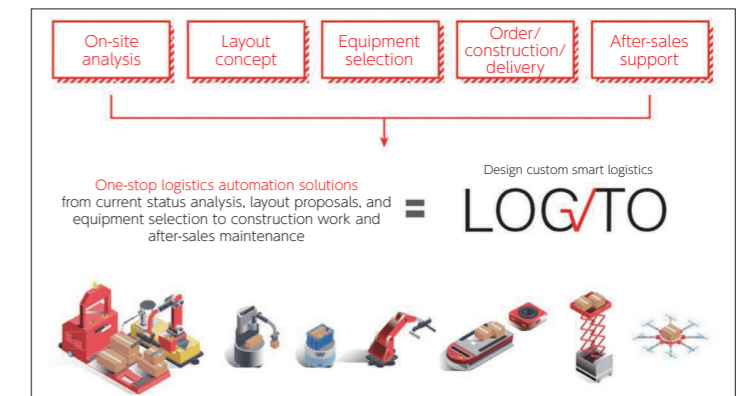


Contributing to the Sustainable Development of Industries through LOGITO

Under the brand name LOGITO, we provide logistics automation solutions to achieve automatic operations and labor-savings at manufacturing sites, factories, and logistics warehouses, aiming to resolve the issue of the decline in the working population for manufacturing.

In addition to the knowledge and experience we have acquired over many years as a general machinery trading company, our engineers, who possess extensive on-site experience, are able to propose the optimal equipment from a diverse lineup in Japan and overseas to realize free designs with high cost-performance for our customers. We provide one-stop solutions, from factory analysis, layout proposals, and equipment selection to construction work and after-sales service.

LOGITO will not only assist customers to continue and expand their businesses: by promoting workforce and workload reductions at manufacturing sites, factories, and other facilities, it will also contribute to the sustained development of industry in numerous ways such as improving productivity, efficiency, quality, labor welfare, and eco-friendliness.



Initiatives for a Resource-recycling Society

We strive to realize a resource-recycling society, one of our targets for a sustainable earth, by offering plastic sorting equipment manufactured by Panasonic Production Engineering Co., Ltd. Until now, sorting PS, PP, and ABS (types of plastic resin)* was a costly and time-consuming process, requiring the exchange of equipment for each plastic type. By contrast, this new equipment features a technology enabling the simultaneous sorting of three plastic types with high purity and high handling volume (500–700 kg/h). The air nozzle used in sorting can also be customized to meet each customer's recycling needs, making the equipment easier to use. We will further promote the reuse of recycled plastics (plastic resins) by spreading the use of this technology and equipment.

*Polyethylene (PS), polypropylene (PP) and acrylonitrile butadiene styrene (ABS)



Roundtable Discussion between Outside Directors

From diverse perspectives, we will contribute to management transparency and enhance the corporate governance function up another level.

From the left: **Kazuo Nakayama** Outside Director **Yoshikazu Sakamoto** Outside Director **Namika Yamada** Outside Director



Evaluating DJK

Sakamoto: I took office as outside director in 2015. I come from the standpoint of a tax accountant, but I use my previous experience at the Regional Taxation Bureau, where I met many corporate managers, to make a broad range of recommendations aimed at strengthening governance. The opinions of the outside directors are earnestly received at DJK, and I feel that our governance structure has improved to a certain degree.

Ever since I took office, I have seen a stronger corporate management structure as the highest priority issue when making recommendations. In the past, there was a strong tendency to focus on sales, and this resulted in a lack of corporate governance in some areas, such as crisis management. The establishment of the Governance Committee in October 2020 and the Integrated Risk Management Office in April 2023 has helped to enhance our corporate management functions. Meanwhile, the V2030 growth strategy, DJK's long-term vision, and the medium-term business plan MT2024 were also formulated to clarify and disseminate our management policy and vision. We also established a new philosophy, making it familiar to all

employees, and focused our efforts on enhancing IR and PR activities, promoting DX, and investing in human resources. Through these comprehensive initiatives, I feel that we have managed to establish a structure that will serve as the foundation for strategic business development.

Yamada: It was June 2020 when I was appointed outside director of DJK. This was during the COVID-19 pandemic, and I participated in meetings of the Board of Directors and almost all other forums online. However, I was able to receive corporate information through close coordination, including participation in corporate sales meetings and other forums, without compromising my independence. Therefore, I never felt that I lacked any of the corporate information that formed the basis for discussions by the Board of Directors. Efforts toward the establishment of the Governance Committee began immediately after I took office. All of the internal and outside directors were able to participate in close discussions regarding what kind of committee it should be, which I found extremely meaningful.

DJK earnestly addresses recommendations by the outside directors. For example, when I pointed out that continuing progress reports were needed regarding risk management for business projects and other proposals, even after the Board

of Directors had resolved on them, the Board of Directors promptly began to receive progress reports. I also think that with the establishment of the Integrated Risk Management Office, systems are being put in place for the continuing companywide sharing of risk-related information, boosting the monitoring function.

Nakayama: I took office as outside director in June 2023. I worked for 35 years at a general trading company, and I've subsequently engaged with a wide range of different industries and businesses. My impression of DJK at the time was of a group of machinery specialists, but I feel that its business range has expanded and become more sophisticated since then. Trading companies continue to change in response to the needs of the world around them. DJK has survived through 75 years of history, and I feel that it has the power to fully transform itself in line with the times.

As an engineering trading firm, I think it will continue to address changes in market needs head-on and provide new businesses that the world needs. Risk management, from a complete range of perspectives, is essential for it to accomplish this. I hope to utilize the experience I have gained from my long corporate career to perform a useful role as outside director.

Aiming for further development

Sakamoto: At present, DJK has disclosed the long-term quantitative and qualitative targets established under the V2030 growth strategy and is pursuing its medium-term business plan MT2024 as a way to achieve these targets. In this context, I feel that we must not only maintain DJK's appeal, in terms of aspects such as its capacity for prompt problem-solving through solidarity and cooperation, but also develop these qualities further. Specifically, as expressed in our strategy of shifting from product-only sales to a products and integrated solutions business model, we are not overly focused on our existing commercial rights and products. Rather, we have established a business investment budget of around ¥15.0 billion over the next five years to develop new markets and businesses. We have also announced initiatives for decarbonization and are promoting efforts to bring about sustained growth.

Looking ahead, with projects tending to grow progressively larger and longer-term, I believe that we must steadily engage in project risk management and manage profits on a project-by-project basis.

Yamada: Entities such as the Integrated Risk Management Office have already been established, and now we need to deepen the discussion about what to do in them. When promoting new initiatives, I feel that, in addition to top-down communication, we should be aware of creating frameworks based on the opinions of employees. For example, I am currently the only female director. It is a fact that the number of female executive officers and managers presents an issue for DJK. I think this is partly due to the current scarcity of women managers and other role models in Japan's male-dominated trading company sector. The creation of concrete mechanisms in the Sustainability Committee to reflect the opinions of female employees will be a key issue going forward, as we promote human resources diversity.

Sakamoto: In the past, DJK has implemented employee satisfaction surveys to improve employees' working

environments and raise awareness. Based on the results of these surveys, we have revised employee education and recruitment methods, established a childcare support program and other systems, and revised the salary system for engineers and other professionals. Further efforts are needed to promote DJK's human resources strategies and diversity initiatives in the context of society-wide labor shortages.

Nakayama: I believe that the problem of ensuring a workforce while maintaining a balance between the labor environment and pay is one common to Japanese companies in general, as are efforts to secure diversity, including the empowerment of women. Regarding the promotion of women in particular, from my own experience, I doubt that male managers and others always evaluate men and women on a fair playing field. To turn these great cogwheels toward change, perhaps we need to consider a wider array of measures, such as training initiatives to eliminate unconscious bias, preferential treatment for women and other so-called affirmative action measures.

Role as outside directors

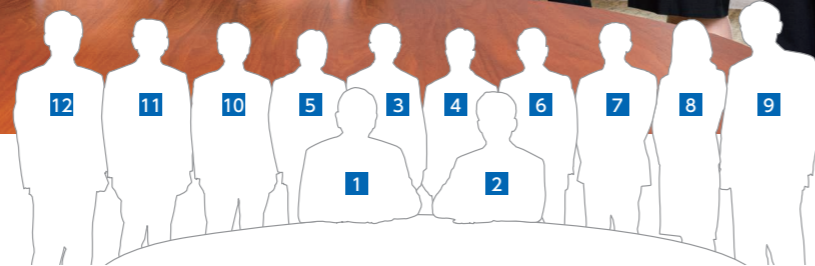
Yamada: I hope to make use of my experience as an attorney: for example, by expressing opinions on risks and other facets of various projects, including strategic business investment, from a third-person perspective. To that end, I need the ability to deliberately refrain from "reading the room," as it were. I believe in the importance of adopting a stance where I clearly and methodically present my doubts and opinions.

At the same time, it is vital for DJK to carefully and deliberately sift through the management issues it faces and leverage its management resources to address these issues. I believe that this approach will lead to the steady improvement of governance and, by extension, enhance DJK's social value.

Nakayama: I believe that our essential and most important role as outside directors is to help maintain the transparency of business decisions and the decision-making process. If managers have to provide outsiders who have little knowledge of their company with a clear and concise explanation of the reason for promoting each measure and the kind of benefits expected from it, answer unexpected questions, and repeat this process over and over, it will result in greater management transparency. I think that enhancing management transparency in this way is our *raison d'être* as outside directors. To perform this role, we need the ability to see through the explanations provided by the Company. This comes from our past experience and knowledge. I feel that it is crucial for us to be "benevolent strangers."

Sakamoto: To avoid risks, I consciously adopt a questioning attitude toward information presented by the Company by asking, "Are we sure about that?" I think that Director Nakayama made a very important point regarding the transparency of the business decision-making process. I feel that our consultations with the management team and others through the Governance Committee make a great contribution here. As the committee's chairperson, while aware of my role as a facilitator, I hope to reflect the opinions of internal and outside directors and others to enhance the function of the committee and DJK's governance.

Directors and Audit & Supervisory Board Members (As of June 22, 2023)



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 of the Company, President of DAIICHI JITSUGYO (AMERICA), INC.
- June 2016 Managing Director of the Company
- April 2017 Representative Director, President & CEO
- April 2022 Representative Director, President & CEO (to present)

2 Ryuichi Ninomiya Representative Director, Senior Managing Executive Officer

- April 1984 Joined the Company
- April 2011 Executive Officer, General Manager, Nagoya Business Div., and Nagoya Branch Manager
- April 2015 Executive Officer of the Company, Managing Director of DAIICHI JITSUGYO ASIA PTE. LTD.
- April 2019 Executive Officer, Nagoya Branch Manager of the Company
- June 2019 Managing Director, Nagoya Branch Manager
- April 2022 Director, Managing Executive Officer, Nagoya Branch Manager
- April 2023 Representative Director, Senior Managing Executive Officer (to present)

3 Masatoshi Ueno Director, Managing Executive Officer

- April 1985 Joined the Company
- April 2013 Executive Officer, General Manager, Electronics Business Div.
- June 2019 Managing Director
- April 2022 Director, Managing Executive Officer
- April 2023 Director, Managing Executive Officer & CDO (to present)

4 Yasushi Marumoto Director, Managing Executive Officer

- 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.
- April 2022 Director, Managing Executive Officer, Osaka Branch Manager (to present)

5 Osamu Fukawa Director, Managing Executive Officer

- 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.
- April 2022 Director, Managing Executive Officer, CFO, and General Manager, Accounting Div. (to present)

6 Yuji Funawatari Director, Managing Executive Officer

- April 1987 Joined the Company
- April 2017 Executive Officer, General Manager, Pharma Business Div.
- April 2019 Executive Officer of the Company, Managing Director of DAIICHI JITSUGYO ASIA PTE. LTD.
- April 2021 Managing Executive Officer of the Company
- April 2023 Managing Executive Officer & CSuO
- June 2023 Director, Managing Executive Officer & CSuO (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
- Established Yoshikazu Sakamoto Tax Accountant Office (current Sakamoto, Koyama & Numazawa Tax and Accounting Office) (to present)
- June 2015 Director of the Company (to present)

8 Namika Yamada Outside Director

- December 2018 Registered as an attorney at law
- January 2019 Joined Kowa Law Office
- 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)

9 Kazuo Nakayama Outside Director

- April 1980 Joined MITSUI & CO., LTD.
- April 2006 General Manager, Planning & Administrative Division
- June 2008 C.A.O, Asia Pacific Business Unit and S.V.P, Mitsui & Co. (Asia Pacific) Pte. Ltd. (in Singapore)
- April 2012 Managing Officer, General Manager, Food Business Unit
- April 2014 Executive Managing Officer, General Manager, Food Business Unit
- June 2015 Representative Director, Executive Vice President, JA MITSUI LEASING, LTD.
- June 2020 Adviser
- March 2021 Outside Director, ISEKI & CO., LTD. (to present)
- June 2023 Director of the Company (to present)

10 Akihiro Kawai Full-time Audit & Supervisory Board Member

- April 1984 Joined the Company
- June 2020 Full-time Audit & Supervisory Board Member (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 of the Company (to present)
- June 2020 Outside Audit & Supervisory Board Member, KDDI CORPORATION (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 (current Sakamoto, Koyama & Numazawa Tax and Accounting Office) (to present)
- June 2016 Audit & Supervisory Board Member of the Company (to present)
- December 2022 Outside Auditor, Hotel Management International K. K. (to present)
- January 2023 External Audit & Supervisory Board Member, Itoki Corporation

Basic Corporate Governance Policy

From the perspective of reinforcing our corporate capabilities to survive global competition, we place 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.

Transition to Stronger Corporate Governance

At DJK, we are working to strengthen corporate governance by ensuring the diversity of the Board of Directors while also making the Board progressively more effective through measures such as effectiveness evaluation and the establishment of the Governance Committee.

	Initiatives and Events	Number of Directors	Proportion of Outside Directors
2009	Introduction of a system of stock-based remuneration (abolition of retirement bonuses)	Until 2010: 14 (all internal)	0%
2011	Transition to the executive officer system Reduction in the number of directors (14⇒6)	2011: 6 (all internal)	0%
2015	Appointment of 1 outside director Addressed Japan's Corporate Governance Code • Established DJK's policy on cross-shareholdings, etc.	2015: 6 (5 internal, 1 outside)	17%
2016	Increased the number of outside directors to 2 Appointment of a female outside director Commenced evaluation of the effectiveness of the Board of Directors	2016: 8 (6 internal, 2 outside)	25%
2018	Revision of Japan's Corporate Governance Code • Efforts to establish an advisory committee on nomination and remuneration, etc.		
2020	Established the Governance Committee Increased the number of outside directors to 3 Increased the number of female directors to 2	2020: 9 (6 internal, 3 outside)	33%
2021	Revision of Japan's Corporate Governance Code • Initiatives to ensure the diversity of core human resources, address sustainability issues, etc. Introduced a system of stock-based remuneration with transfer restrictions		
2022	Introduced the employment-type executive officer system Strengthened the performance-linkage of directors' bonuses		
		2023: 9 (6 internal, 3 outside)	33%

Overview of the Company's Corporate Governance

Board of Directors

The Board of Directors comprises nine directors (including three outside directors). The board meets once a month in principle and holds extraordinary meetings whenever necessary. 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 separating the business decision making and supervising functions, from 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. Audit & Supervisory Board members attend every Board of Directors meeting. In addition, the Full-time Audit &

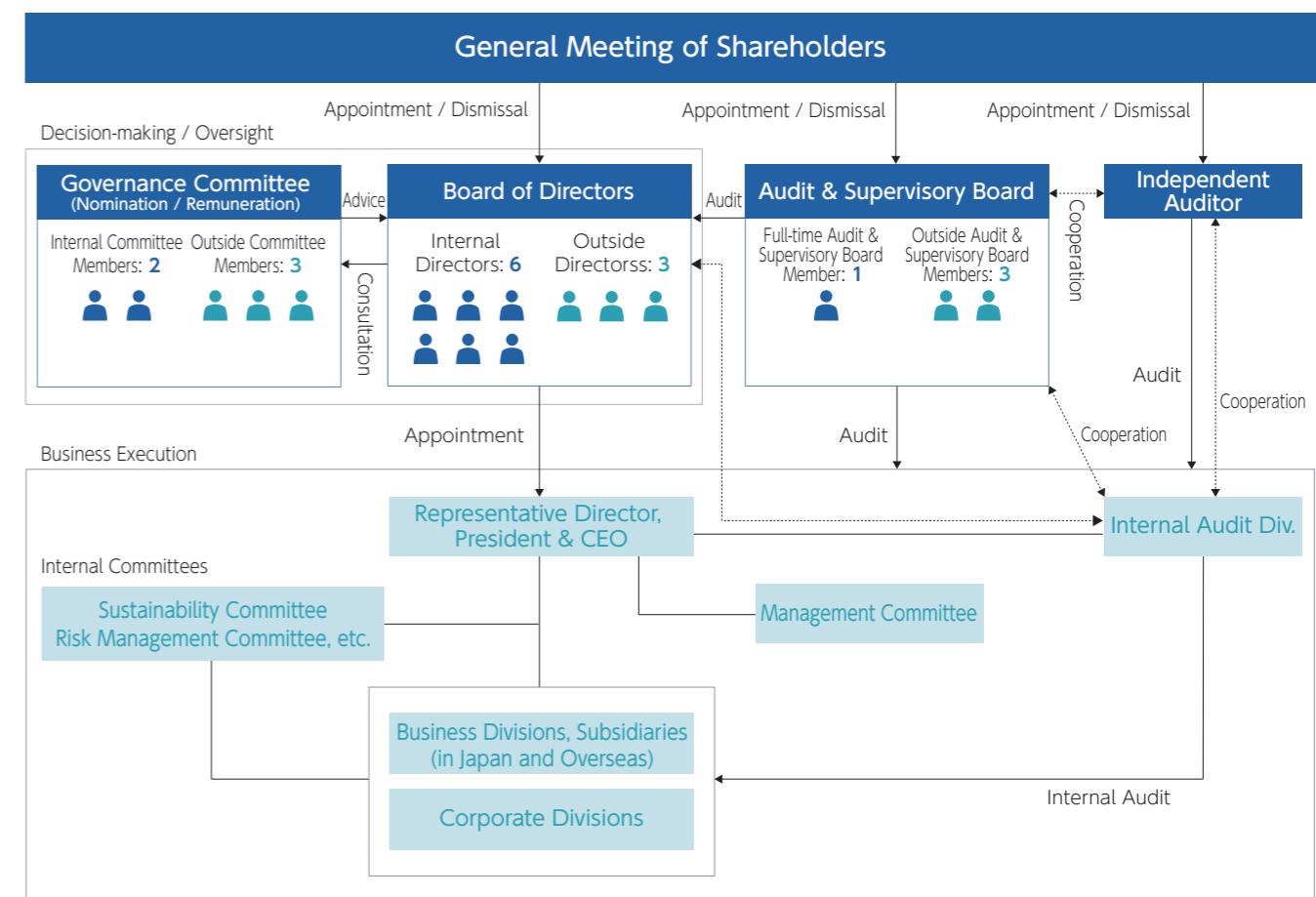
Supervisory Board member attends other important internal meetings to monitor the business execution performance of directors from an objective perspective. Audit & Supervisory Board members work to ensure the effective implementation of the audit by receiving reports on and explanations of the audit 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



Reason for Appointment of Outside Officers

	Name	Reason for Appointment
Outside Directors	Yoshikazu Sakamoto	Yoshikazu Sakamoto has acquired extensive expert knowledge and insight into finance, banking, tax affairs, and so forth through many years of service at the Regional Taxation Bureau. He chairs the Governance Committee, established in 2020, helping the committee enhance the governance structure of the Group as a whole and providing appropriate advice and oversight to improve the quality of Company management. He has been appointed as an outside director.
	Namika Yamada	As an attorney, Namika Yamada has extensive knowledge of corporate law. Given the Company's current business situation, increased global management means that legal perspectives are even more important, and she provides flexible and appropriate advice and guidance on compliance and other matters based on such perspectives. She has been appointed an outside director based on expectations that her advice will continue to enhance corporate governance.
	Kazuo Nakayama	In addition to having management experience at other companies, Kazuo Nakayama is well-versed in overseas business and has a wealth of knowledge of a wide variety of domestic and overseas industries. From an objective perspective based on such management experience and knowledge of other industries, he is expected to provide useful advice and guidance to the Group's businesses. By participating in the Governance Committee, he is also expected to contribute to strengthening the overall governance structure of the Group and improving the quality of the Company. He has been appointed an outside director based on these expectations.
Outside Audit & Supervisory Board Members	Toshihiko Matsumiya	As a certified public accountant, Toshihiko Matsumiya is knowledgeable about finance and accounting and has broad experience and insight, and we believe he is qualified as an outside Audit & Supervisory Board member.
	Mitsuyoshi Koyama	As a public tax accountant, we believe Mitsuyoshi Koyama can utilize his extensive knowledge of finance and accounting in our audit system, and is qualified to carry out his duties as an outside Audit & Supervisory Board member.

Skill Matrix of Directors

Name	Position	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	Sustainability and ESG	Other	Gender	Independence
Ichiro Uno	Representative Director, President & CEO	●	●	●			●		Male	
Ryuichi Ninomiya	Representative Director, Senior Managing Executive Officer	●	●	●			●		Male	
Masatoshi Ueno	Director, Managing Executive Officer		●	●			●	●*1	Male	
Yasushi Marumoto	Director, Managing Executive Officer	●	●	●					Male	
Osamu Fukawa	Director, Managing Executive Officer			●	●	●	●		Male	
Yuji Funawatari	Director, Managing Executive Officer	●	●	●			●		Male	
Yoshikazu Sakamoto	Director				●				Male	●
Namika Yamada	Director					●			Female	●
Kazuo Nakayama	Director	●		●				●*2	Male	●

*1 Technology, IT, and DX
*2 Knowledge of other industries

Governance Committee

The Governance Committee was established on October 1, 2020, and has been operated 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 governance 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. The composition and activities of the committee are outlined below.

Composition	Chairperson: Outside Director (Outside Directors: 3 / Representative Director, President & CEO / Representative Director, Senior Managing Executive Officer)
Year ended March 31, 2023 Number of meetings held:	Six meetings (April, June, September, and December 2022, February and March 2023)
Year ended March 31, 2023 Matters deliberated:	Officers' remuneration (fixed remuneration, non-monetary remuneration), directors' bonuses, directors' terms of office, director candidates, skill matrix

Evaluating the Effectiveness of the Board of Directors

With regard to the effectiveness of the Board of Directors, the Board confirmed that efforts were being made to improve issues identified in the previous fiscal year's effectiveness evaluation and the effectiveness of its response during the current fiscal year. The following initiatives were taken in the fiscal year ended March 31, 2023 based on the issues identified in the Board of Directors' effectiveness evaluation results for the year ended March 31, 2022. The Board will continue to work continuously to resolve issues.

State of initiatives to address issues identified in the previous fiscal year

Issue	Initiatives for the fiscal year ended March 31, 2023
Appointment of outside directors with corporate management experience	Appointed an outside director with corporate management experience to enhance the diversity of the composition of the Board of Directors.
Strengthening of collaboration between the Internal Audit Division and outside directors	Established a system of regular reporting by the Internal Audit Division to the Board of Directors to further strengthen internal controls.
Establish opportunities for discussions throughout the year and ongoing discussions	Currently engaged in efforts to enhance corporate value over the medium to long term.

Questions for questionnaires (16 in total)

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

Issues and actions to be taken in the future

- Ensure further diversity in the composition of the Board of Directors
- Promote discussion aimed at enhancing corporate value over the medium to long term
- Ensure sufficient time for consideration of meeting materials in advance of meetings of the Board of Directors (review the criteria for submission)

Officers' Remuneration

Policy on Determining the Amount or Calculation Method for the Amount of Remuneration for Officers

The Company has established a policy regarding the determination of the amount or 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.

The Governance Committee, upon consultation from the Board of Directors, deliberates and advises the Board on remuneration for individual directors other than outside directors. The Board of Directors deliberates on the advice from the Governance Committee and determines the amounts of remuneration.

Remuneration for the Company's officers is composed of fixed remuneration, performance-linked remuneration, non-monetary remuneration, etc. The relative proportions of each form of remuneration for executive directors and the amounts of remuneration

are determined by the Board of Directors based on comparison and verification with the composition of remuneration at other companies of a similar scale in the same industry and the remuneration paid previously, as well as consultation and advice from the Governance Committee, from the perspective of ensuring objectivity and appropriateness. Remuneration for Audit & Supervisory Board members and outside directors, in light of the independence of their positions, consists of fixed remuneration only. Decisions on the amounts of remuneration are made within the extent of the total amounts passed in resolutions of the General Meeting of Shareholders.

Overview of the Remuneration System for Directors (Excluding Outside Directors)

DJK aims to further strengthen corporate governance under our medium-term business plan MT2024, launched in FY2022. As part of this plan, we have reviewed our remuneration system for officers as

Corporate Governance

shown under “outline of each remuneration” in order to further enhance corporate value over the medium to long term.

Based on the resolution adopted by the Ordinary General Meeting of Shareholders held on June 23, 2022, the Company has decided to change the amount of remuneration, etc. for directors from a monthly amount to a yearly amount, and within the amount of such remuneration, directors other than outside directors will be paid a bonus in the form of performance-linked remuneration in addition to fixed remuneration, determined comprehensively taking into account trends in the level of remuneration and the number of directors, as well as future prospects, so as not to exceed ¥450 million per year.

Outline of Each Remuneration

• Fixed remuneration

A monthly fixed amount of remuneration commensurate with the clarified roles and responsibilities of each position is paid in cash.

• Performance-linked remuneration

There are two kinds of bonuses to be paid: bonus linked to the Company’s business results indicators (hereinafter, “bonus A”) and bonus linked to indicators, etc. contributing to the achievement of the medium-term business plan (hereinafter, “bonus B”). Bonus A is paid in cash based on the degree of achievement of the consolidated performance targets, and bonus B is paid in cash according to the degree of achievement of the indicators, etc. contributing to the achievement of the medium-term business plan. The amounts vary within the range of 0% to 130% of the base amount.

• Method for calculating performance-linked remuneration (Bonus A)

Performance indicators for performance-linked remuneration (Bonus A) are consolidated operating income and profit attributable to owners of parent. Consolidated operating income was selected as a performance indicator because it was judged appropriate as an evaluation indicator that properly reflects the profits generated by the Group’s core business, and profit attributable to owners of parent was selected as a performance indicator because it provides the results of investments aimed at growth and funds for shareholder returns, and because it was judged appropriate as an indicator from the perspective of being responsible for the Group’s ultimate performance.

• Non-monetary remuneration, etc.

We have adopted a system of stock-based remuneration with transfer restrictions, which is designed to pay a yearly fixed amount commensurate with the role of each director and to lift the restriction on transfer at the time of his/her retirement from office.

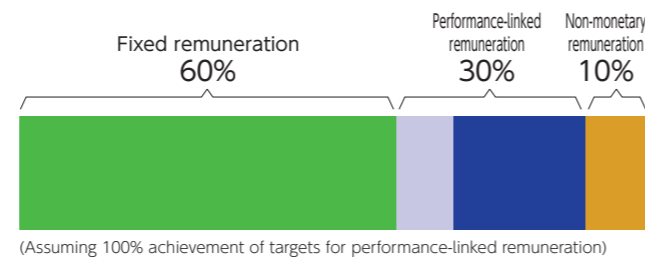
$$\text{Amount paid to each director} = \frac{\text{total performance-linked remuneration (Bonus A)}^{*1}}{\text{Total coefficients by position}} \times \text{Coefficient of each director's position}^{*2}$$

*1 Calculation method for total amount of performance-linked remuneration (Bonus A): Total amount of performance-linked remuneration (Bonus A) = ¥89.76 million x (degree of achievement of consolidated operating income against the annual target x 75% + degree of achievement of profit attributable to owners of parent against the annual target x 25%) Calculated as 130% if the achievement with regard to the annual target exceeds 130%.

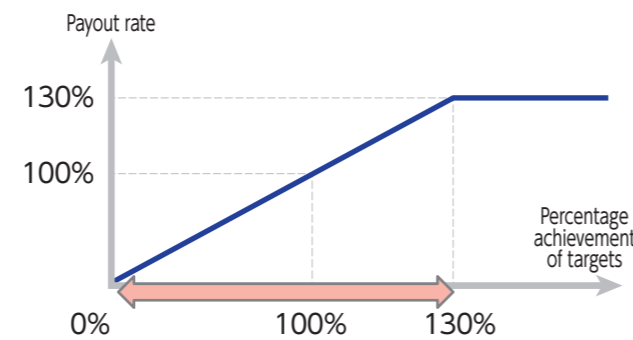
*2 Coefficient of each director's position

Position	Coefficient	No. of directors	Maximum
Representative Director, President & CEO	100	1	¥29,318,000
Representative Director, Senior Managing Executive Officer	74	1	¥21,695,000
Director, Managing Executive Officer	56	4	¥16,418,000

Proportion of each remuneration by type (estimate)



Incentive curve for performance-linked remuneration



*Performance-linked remuneration is reflected in bonuses.

Total remuneration, total remuneration by type, and number of applicable officers for each officer classification

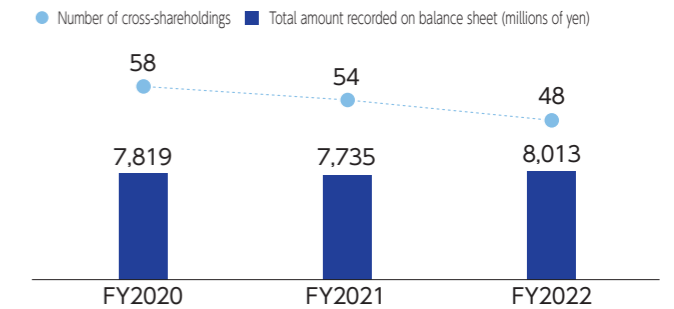
Officer classification	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)			Number of applicable officers
		Fixed remuneration	Performance-linked remuneration	Non-monetary remuneration, etc.	
Director	406	233	143	29	6
Audit & Supervisory Board Member	22	22	—	—	1
Outside Director	17	17	—	—	3
Outside Audit & Supervisory Board Member	10	10	—	—	2

*Bonuses paid to six directors based on a resolution made at the 99th Ordinary General Meeting of Shareholders held on June 23, 2022, are not included.

Cross-shareholdings

DJK’s policy is to hold shares of other companies only when we judge that such shareholdings 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 confirms the status of cross-shareholdings each quarter and decides whether to continue or reduce the shareholdings 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, 2023, DJK sold out seven stocks and reduced two stocks.

Changes in the number of cross-shareholdings and the amount recorded on the balance sheet



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 companywide 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.

Basic Internal Control Policy

- 1) System 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) System providing rules to manage possible losses and other matters of the Company and its subsidiaries
- 4) System to ensure that directors carry out job execution effectively
- 5) System 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 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

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.

We have established an internal reporting system, operated based on our internal reporting regulation, as an internal reporting system for reporting violations of laws and regulations and other compliance-related facts, under which the General Manager of the Internal Audit Division is the direct recipient of information.

Compliance Initiatives at Group Companies

Domestic affiliated companies (Daiichi Mecha-tech Corporation and Daiichi Jitsugyo Viswill Co., Ltd.) have established their own code of conduct based on our code. The Daiichi Jitsugyo Code of Conduct is applied mutatis mutandis at overseas associated companies, and is translated into the local language of each region.

We will build and maintain appropriate and global compliance systems at our regional headquarters in Europe, the Americas, China, and Asia in order to strengthen compliance at overseas associated companies as they expand their business further.

Code of Conduct

The Daiichi Jitsugyo Code of Conduct is divided into the following five categories. We are committed to fulfilling our social responsibility as a company and to contributing to society.

- 1) Code of conduct for business partners, etc.
- 2) Code of conduct for investors
- 3) Code of conduct for society
- 4) Code of conduct to create a better corporate culture
- 5) Code of conduct as a member of an organization

Policy on Constructive Dialogue with Shareholders

Directors and executive officers, including the Representative Director, President & CEO, actively participate in business results briefing meetings and other dialogues with investors, and conduct IR activities that emphasize fairness, accuracy, and continuity in management strategies, business strategies, and financial information, as well as good two-way communication.

The department in charge of IR plays a leading role in exchanging opinions with the Accounting Division, Administration Division, and Corporate Strategy Division to determine policies for IR activities.

We strive to promote investment opportunities and disclose information by holding business results briefing meetings, etc. with the attendance of Representative Director, President & CEO and other members of the management team and publishing business reports and integrated 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.

[See our website for details](#)

- Securities Report: <https://www.djk.co.jp/ir/securities.html> (in Japanese)
- Corporate Governance Report (Corporate Governance page): <https://www.djk.co.jp/en/ir/governance.html>

Risk Management

Our Understanding of Risk

We have established our V2030 growth strategy setting forth basic strategies such as aggressive investment, the shift from product-only sales to products and integrated solutions business model, capturing global growth, and the promotion of digital transformation (DX). In this context, we have identified the creation of new businesses as a key strategy. To accomplish this, it is vital that we make full use of a diverse range of methods to create businesses. In addition to conventional trading (buying and selling activities), these include methods such as business investment, trading that incorporates the provision of solutions, and cross-border business utilizing our overseas and domestic networks. These entail an increase in the scale and complexity of transactions and a rise in DJK's business risks. Moreover, establishing an integrated management function covering the wide range of risks faced by DJK has become a crucial issue for our business activities today.

Risk Management System

We have established the Risk Management Committee and we are engaged in constructing an enterprise risk management system to identify and narrow down risks, determine the order of priority, implement subsequent activities and the PDCA cycle to address these risks, report to the Board of Directors and determine policies, as well as supervise efforts to spread knowledge, compliance, and awareness among officers and employees.

In April 2023, we established the Integrated Risk Management Office as the core division that will drive this enterprise risk management system. The aims of the Integrated Risk Management Office include:

- 1) Involvement in deliberations concerning various business transactions and important proposals for the purposes of examination and monitoring in line with DJK's risks
- 2) Raising the standard of risk management through communication with business divisions
- 3) Establishing methods for the integrated management of the wide range of potential risks faced by DJK as a whole
- 4) Integrating the specialized risk management capabilities in each field both within and outside DJK to boost risk resilience and competitive strength; promoting activities to increase capacity to generate corporate value, etc.

Management of Business Risks

Until now, our system for managing business risks comprised deliberations based on the clear separation of application and approval processes, with corporate divisions, the officer in charge, and the Board of Directors approving trading and business investment applications by each business division in accordance with the rules on internal controls and various other rules.

For facilitating complex, large-scale projects, however, it is vital to consider the appropriate terms, conditions, and forms of transactions. Therefore, we have changed the system to enable corporate divisions and the Engineering Division to take the lead, participating from the initial stage of project planning to optimize the terms, conditions, and forms of transactions, before the application is submitted and examined. Under the new system, these divisions also work together to implement the project after the project contract is signed.

Enterprise Risk Management (ERM) System

Our previous risk management approach mainly consisted of examining matters submitted in advance for any risks and minimizing these risks, or handling any risks that had begun to emerge.

Going forward, for the purpose of managing various potential risks as well the Company will face, we will strengthen our efforts to achieve a new risk management approach aimed at establishing more proactive, predictive, and systematic methods for the autonomous identification of risks companywide (across all divisions including management and corporate divisions) and, among these, the identification and handling of key risks for DJK.

Risk Management

Business Risks

Business Risks	Impact on the Company	Measures to Address Specific Impacts
Risk of Change in the Macroeconomic Environment	Around the world, protectionism is becoming prevalent, growth is slowing in China and emerging economies, and there are concerns over a global economic slowdown and the emergence of global geopolitical risks due to the impact of the conflict between the United States and China. Accordingly, the stagnation of economic activities in these regions may cause the DJK Group's performance to deteriorate. In particular, we recognize that the restructuring of the supply chain, which has been heavily reliant on China, and political trends in the United States and political and economic conflicts in any region that could affect our investments are highly significant risks to our business performance.	We have established a system for promptly obtaining and deploying information through close communication with our Group companies in each overseas country, which we have strengthened coordination with as we expand our overseas business through our global four axes network. The Company is also structured to minimize the risk of performance deterioration by taking advantage of the agility of its business portfolio to shift business promptly and to provide maximum support to business partners in politically unstable or economically slowing regions.
Risk of Increased Proportion of Overseas Sales	We expect the ratio of overseas sales to total sales to continue to increase as we steadily implement our medium-term business plan. Therefore, 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.	We strive to minimize the risk of a decline in earnings by leveraging the Group's global network and relationships with a wide range of business partners to promptly grasp information and trends and select the most appropriate form of transaction.
Risk Related to Interest Rates and the Procurement of Funds	Although we aim to flexibly and stably procure working capital and reduce interest costs, there is no guarantee that we will be able to procure funds on favorable terms in a timely manner in the event of instability in the financial markets or a downgrade in the credit rating assigned by a rating agency due to deterioration in the Group's creditworthiness, which may limit our business activities. Therefore, 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.	We will strive to continue good relationships with financial institutions and build and deepen relationships with institutional investors through timely dialogue, as well as diversify our funding sources. We also strive to flexibly and stably procure working capital and reduce funding and interest costs through our contingency funding policy and through maintaining or improving our credit rating by maintaining a favorable financial condition.
IT Systems Risk	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 significant 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.	As one of our business continuity measures, we use data centers or cloud services with sufficient security to protect our systems and data, and we have introduced monitoring systems for computers and other end devices used by our employees to prevent computer viruses and unauthorized access. In response to the impact on business activities caused by the failure of power and telecommunications infrastructure, the Group has established an emergency response plan to quickly move to a safe area and take measures to minimize the period of business interruption.
Business Development Risk	As the Group expands its range of services and the size of business transactions grows, we anticipate 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. The Group's business performance and financial position could be affected by contractual liabilities and expenses incurred due to the discovery of defects and other problems following the inspection of delivered equipment for remote launching, test operations, acceptance inspections, etc., which have increased in recent years.	We are working to improve our market responsiveness and competitiveness to avoid risks and capture business opportunities by hiring engineers with sufficient skills, developing a personnel evaluation system for them, and strengthening the legal and administrative units involved in concluding contracts. We will further accumulate the know-how we have gathered to date and promptly verify best practices, as well as avoid risks by strengthening the functions of our legal and administrative units.
Credit Risk	As of the end of the consolidated fiscal year under review, the total notes and accounts receivable-trade of the Group amounted to ¥45,242 million, or 29.7% of total assets. As a result, the Group is exposed to the risk of losses on account of the credit of its business partners worsening or their businesses failing. The Group's business results and financial position may be affected in the event that the business partner 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.	DJK acts in accordance with its rules regarding authority to approve transactions 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.
Risks in Long-term Strategies and the Medium-term Business Plan	The growth strategy and medium-term business plan that began in fiscal 2022 cover the medium to long term, and the potential period of risk is also the medium to long term. In addition, if the business-related investments and other investments that we are actively promoting do not produce sufficient effects, the Group's performance and financial position may be affected.	We are working to minimize risk by improving our ability to consider investments, centered on the corporate strategy unit, which is strengthening its functions. Once an investment is made, we will analyze progress based on periodic verification, consider and decide whether or not to change the investment, and disclose the results promptly.
Risk of Disaster	The occurrence of disasters such as earthquakes, typhoons, fires, and infectious disease outbreaks could cause damage to the Group's offices, factories, directors, executive officers and employees, and other related assets, which could hinder sales and production activities, and any serious damage could affect the Group's performance and financial position. Furthermore, should one of the DJK Group's major business partners suffer substantial damages from a disaster, the suspension of the business and production activities of the business partner could have a negative effect on the performance of the DJK Group.	In addition to formulating a basic business continuity plan, the Company has prepared a risk management manual for disasters, introduced a safety confirmation system, and conducted disaster drills and other measures.
Sustainability-related Risks	We recognize that the various risks outlined in the TCFD's recommendations will have a significant impact not only on our Group, but also on our supply chain. In addition to the direct and financial impact of increased tax burdens, technical problems with the products and goods we handle, reduced demand in the market, and the resulting decline in corporate reputation could be factors that worsen the performance and financial position of our Group.	We have established an organization that specializes in handling climate change issues, and we are actively working to realize a decarbonized society and address environmental issues by setting scenarios, calculating impact amounts, and conducting ongoing monitoring, as well as providing environmentally friendly products and services to our customers, manufacturing companies, in the supply chain in which we are positioned. In addition to issues related to climate change, factors such as demand and the principle of competition in our business domains are changing due to changes in various standards related to environmental destruction, human rights, diversity, and other matters, as well as markets. We are aware that any delay in our response to these changes may affect the business results of the DJK Group, and we are engaged in formulating corporate standards that conform to the various supply chain due diligence measures implemented by global companies.