



DAIICHI JITSUGYO CO., LTD.

DJK Report 2023

Philosophy

Mission

Connecting People, Connecting Technology and Enriching the World.

Vision

Next-generation engineering trading firm

Striving to be a business partner that is one step ahead of the times, and that contributes to the growth of customer businesses and the realization of a sustainable society on a global scale by continuously providing value with our company's engineering function as its core.

Value

TRUST

We strive to be a company that is rewarding, respects individuals, and allows them to experience growth, while cooperating with internal and external parties to align our goals with the expectations of our stakeholders and our social responsibilities.

GROWTH

We aim to achieve continuous growth through aggressive investment in growth markets and expansion of business domains, while contributing to manufacturing through our unique engineering capabilities.

CONTRIBUTION

We contribute to the realization of a sustainable society by actively tackling important social issues through management transparency and continuous improvement of the quality of the company.

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Editorial Policy

The DJK Report is created to provide stakeholders with a deeper understanding of the DJK Group's medium- and long-term value creation. The 2023 edition of the report presents a detailed explanation of our approach to human resources, a crucial form of capital for the Group, and our initiatives aimed at being the next-generation engineering trading firm described in our Vision. We hope that this report assists all our stakeholders to gain a better understanding of DJK.

Reference Guidelines

International Integrated Reporting Council's (IIRC) "International Integrated Reporting Framework," Ministry of Economy, Trade and Industry's "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation," etc.

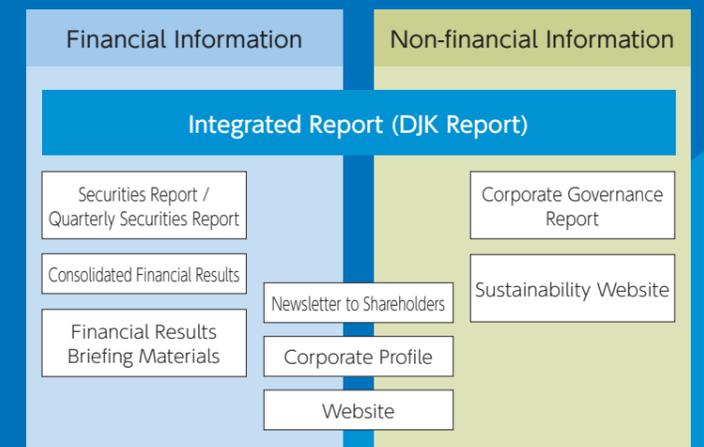
Applicable Period

April 1, 2022 to March 31, 2023 (including some information not covered)

Applicable Organizations

DAIICHI JITSUGYO CO., LTD. and Japanese and Overseas Group Companies

Tool Map



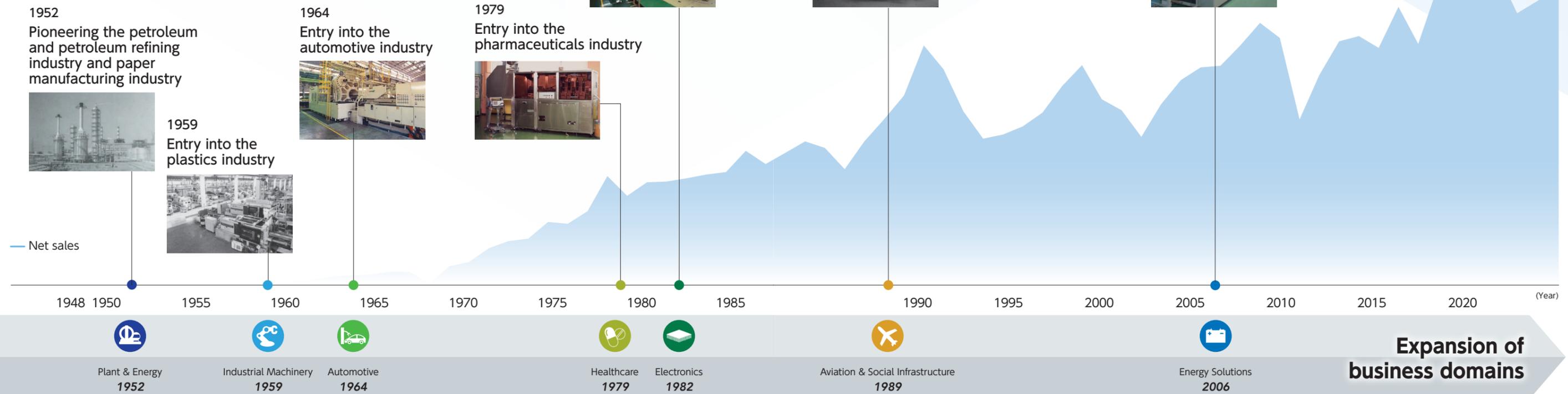
Disclaimer regarding forward-looking statements

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

Our History of Value Creation

Evolving Industrial Machinery Supplier

Founded in the midst of a postwar reconstruction, we have steadily continued our non-speculative business of buying and selling machinery, and have achieved growth while earning trust as a sound company. Supporting core industries in Japan has become the foundation of our business as a supplier of industrial machinery, and in recent years, our business domain has expanded to diverse industries. The role we should play in the future goes beyond the framework of a trading company that only sells products. We continue to evolve toward becoming the next-generation engineering trading firm that embodies the concept of a products and integrated solutions business model.



Expansion of business domains



Expansion of business areas

Establishment (1948)-

Engaged in core industries to build our business foundation

Established in August 1948 as a trading company specializing in machinery. Starting with core industries such as shipbuilding, cement, and oil refining, we steadily built up relationships of trust with business partners and banks to solidify our business foundation. In the early 1950s, the Company began trading overseas, and in the latter half of the decade, it entered the plastics industry by beginning to deal in molding and processing machines. By adding a product-oriented approach to our customer-oriented sales approach to expand sales of superior products, we have laid the foundation for sales channels to a wide range of industries. In 1962, we established the Company's first overseas representative office in Taipei, Taiwan, with the cooperation of the local companies with which we traded. We engaged in the sale of machinery to food factories, which were at the height of their prosperity at the time.

1970-

Establishing a service system and accelerating industry expansion

We expanded our product lineup along with the increase in equipment demand due to rapid economic growth. In 1970, the Company established a subsidiary, Daiichi Machinery Service Co., Ltd. (currently Daiichi Mecha-tech Corporation), to handle everything from equipment installation to after-sales service. At the same time, the Company began handling tablet visual inspection machines, printed circuit board assembly systems, and ground support equipment for airports, successfully entering the pharmaceutical industry, the electronics industry, and the aviation industry. Business expanded with the opening of the D.S.T. Center, which provides technical services and training. In 1972, the Company established a local subsidiary in the United States, mainly engaged in the export of oil drilling equipment. Sales grew thanks to the oil drilling boom in Japan at the time. The focus later shifted to expanding the sales of Japanese products such as industrial robots and molding machines.

1990-

Expanding new business models to meet customer needs

Since the mid-1990s, the Company has been establishing overseas bases and local subsidiaries to strengthen its support system for the overseas expansion of Japanese manufacturers, including those in the home appliances and digital equipment industries. The first step was our expansion into Shanghai, China, which was to become a massive market, in 1997. In 2005, we expanded into Southeast Asia with the establishment of a local subsidiary in Singapore, and in 2008, we developed our business in Europe with the establishment of a local subsidiary in Germany. We have steadily captured needs for total solutions, establishing a new business model that provides not only equipment installation but also the process from local factory start-up to production support. In the late 2000s, the Company entered the next-generation energy field, which led to solar cells and lithium-ion batteries. This served as a foothold for the expansion into new business domains.

2010-

Expanding domains on the strength of engineering functions

The Company began full-fledged efforts in the renewable energy field, including the construction of its own solar power plants in the early 2010s. In addition, our business domains continue to expand more broadly, with an increase in large-scale projects involving engineering due to the growing size, complexity, and sophistication of capital investment projects by manufacturing companies. In each of our businesses, we are expanding our products and integrated solutions business model, while accelerating our efforts to realize a sustainable society. We boast 37 overseas bases in 17 countries as of September 30, 2023, and we aim to expand our business relationships, not only with Japanese companies but also with foreign companies.

About DJK

DJK Keywords

Many Years of Experience as an Industrial Machinery Supplier

SINCE 1948 Foundation **75** years

Extensive Network

Number of Overseas Bases
(As of September 30, 2023)

37
in 17 countries



Number of employees
(As of March 31, 2023)

Number of overseas employees

Consolidated: **1,319** **412**
(Non-consolidated: 591)

Sustainable Growth and Trust

Consolidated net sales
¥ **153,674** million

Consolidated operating income
¥ **6,717** million

Proportion of net sales from overseas
53.6%
(Based on delivery destination)

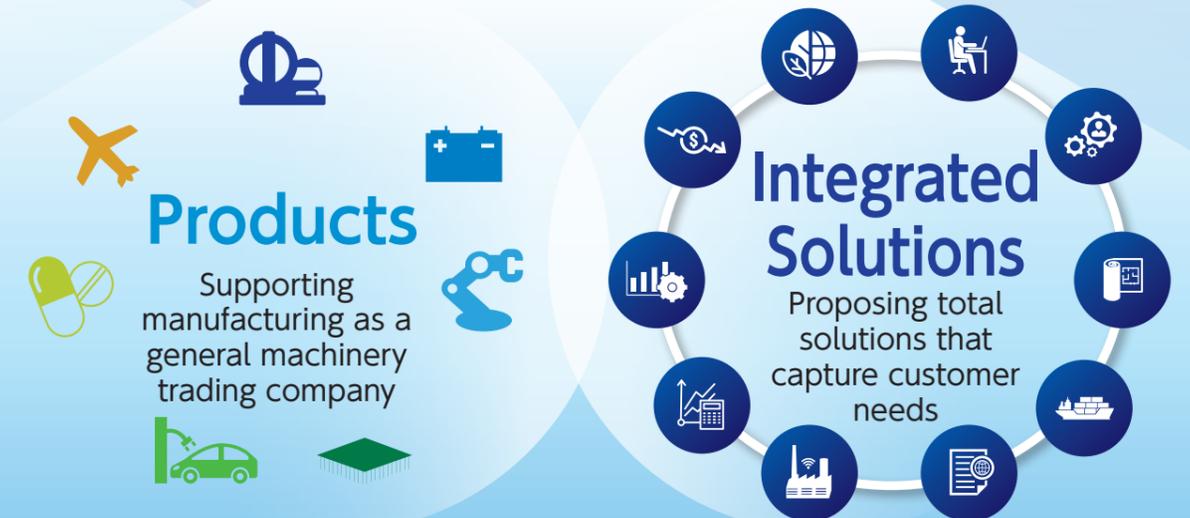
[See p.43 for details](#)

Long-term issuer rating
(As of September 13, 2023)

(Japan Credit Rating Agency, Ltd. (JCR)) **A-** (Stable)

Products and Integrated Solutions Business Model

The Company offers total support to customers engaged in manufacturing, from the coordination of multiple pieces of equipment to after-sales follow-up after installation, in order to provide proposals that lead to solutions to problems at production sites. In order to provide optimal solutions, we not only sell equipment (products), but also expand our business to include services (solutions), such as technical support for product manufacturing and engineering that requires expertise, in order to increase added value.

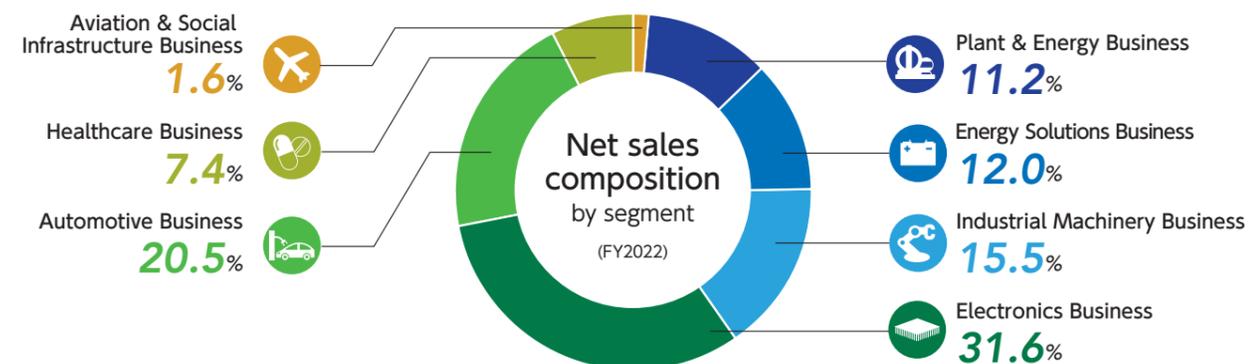


We make full use of our global network to uncover valuable products from markets around the world and present flexible proposals. From general-purpose machinery to custom-made products tailored to meet customer needs, we offer an extensive range of industrial machinery and equipment for manufacturing.

We contribute to solving customer issues such as productivity improvement, environmental support, and cost reduction by providing high-value-added technological solutions. In addition to our extensive manufacturing know-how and cutting-edge information, we use optimal services (integrated solutions) to achieve better production sites for our customers.

Enhance added value through our products and integrated solutions business model

Seven Businesses That Meet Diverse Needs



Unique Engineering Functions

Total Coordination

Establishment of new plants

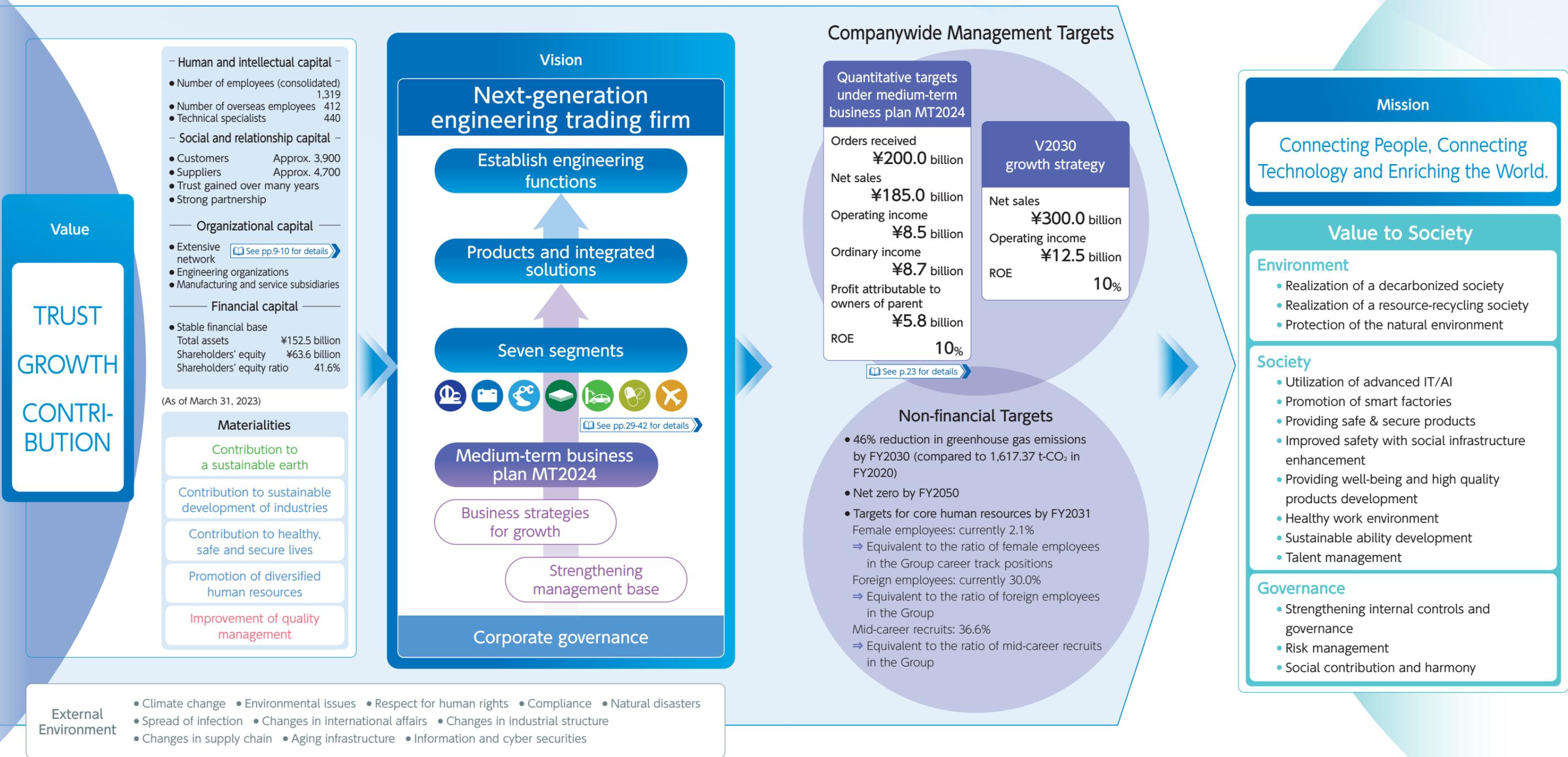
Project management

Response to diverse needs

Value Creation Process

The Group has identified materialities to solve social issues and is developing its operations around seven businesses based on a growth strategy as a supplier of industrial machinery in Japan and overseas, leveraging the business foundation it has developed over its more than 70-year history.

Our goal is to “Connect People, Connect Technology and Enrich the World” by creating environmental and social value through the provision of proposals that make use of advanced technology and services to meet diversifying needs.



Human and intellectual capital

- Number of employees (consolidated) 1,319
- Number of overseas employees 412
- Technical specialists 440

Social and relationship capital

- Customers Approx. 3,900
- Suppliers Approx. 4,700
- Trust gained over many years
- Strong partnership

Organizational capital

- Extensive network [See pp.9-10 for details](#)
- Engineering organizations
- Manufacturing and service subsidiaries

Financial capital

- Stable financial base
- Total assets ¥152.5 billion
- Shareholders' equity ¥63.6 billion
- Shareholders' equity ratio 41.6%

(As of March 31, 2023)

Materialities

- Contribution to a sustainable earth
- Contribution to sustainable development of industries
- Contribution to healthy, safe and secure lives
- Promotion of diversified human resources
- Improvement of quality management

Companywide Management Targets

Quantitative targets under medium-term business plan MT2024

Orders received	¥200.0 billion
Net sales	¥185.0 billion
Operating income	¥8.5 billion
Ordinary income	¥8.7 billion
Profit attributable to owners of parent	¥5.8 billion
ROE	10%

V2030 growth strategy

Net sales	¥300.0 billion
Operating income	¥12.5 billion
ROE	10%

[See p.23 for details](#)

Non-financial Targets

- 46% reduction in greenhouse gas emissions by FY2030 (compared to 1,617.37 t-CO₂ in FY2020)
- Net zero by FY2050
- Targets for core human resources by FY2031
 - Female employees: currently 2.1% → Equivalent to the ratio of female employees in the Group career track positions
 - Foreign employees: currently 30.0% → Equivalent to the ratio of foreign employees in the Group
 - Mid-career recruits: 36.6% → Equivalent to the ratio of mid-career recruits in the Group

Mission

Connecting People, Connecting Technology and Enriching the World.

Value to Society

Environment

- Realization of a decarbonized society
- Realization of a resource-recycling society
- Protection of the natural environment

Society

- Utilization of advanced IT/AI
- Promotion of smart factories
- Providing safe & secure products
- Improved safety with social infrastructure enhancement
- Providing well-being and high quality products development
- Healthy work environment
- Sustainable ability development
- Talent management

Governance

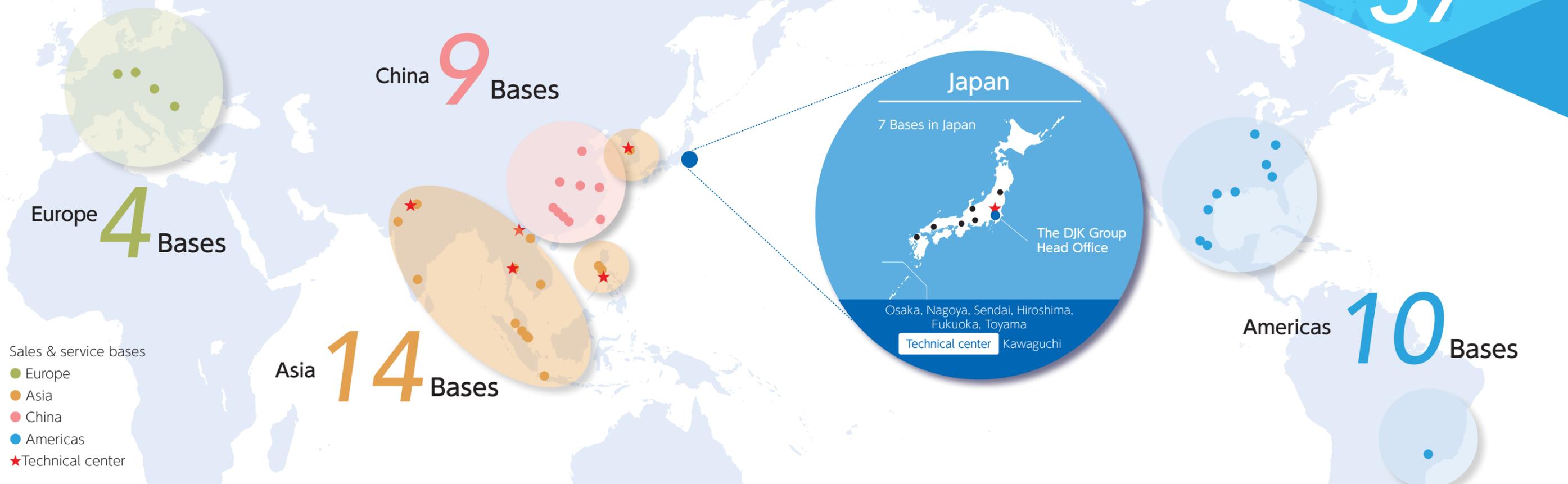
- Strengthening internal controls and governance
- Risk management
- Social contribution and harmony

Global Network

We are pursuing our global strategy through our global four-region network. In July 2023, we opened two bases in the United States (the Kentucky Office and the Austin Office). We have established a sales structure that enables us to provide comprehensive support for companies engaged in business overseas and respond swiftly to all our customers' local needs through our network of 37 overseas bases (as of September 30, 2023).

[p.75: Group Companies, p.76: Corporate Data](#)

Number of Overseas Bases
37



Europe

Regional headquarters

DJK EUROPE GMBH
Frankfurt, Prague, Budapest, Sofia

Asia

Regional headquarters

DAIICHI JITSUGYO ASIA PTE. LTD.
Singapore, Kuala Lumpur, Johor Bahru, Penang, Bangkok, Jakarta, Hanoi, Ho Chi Minh City, Manila, Laguna, New Delhi, Bangalore, Ahmedabad, Seoul

Technical center
Bangkok, Hanoi, Laguna, New Delhi, Seoul

China

Regional headquarters

SHANGHAI YISHI TRADING CO., LTD.
Shanghai, Tianjin, Suzhou, Wuhan, Guangzhou, Shenzhen, Nansha, Hong Kong, Taipei

Americas

Regional headquarters

DAIICHI JITSUGYO (AMERICA), INC.
Chicago, Houston, Knoxville, Ohio, Kentucky, Austin, Queretaro, Monterrey, Leon, Sao Paulo

[See pp.43-44 for details](#)

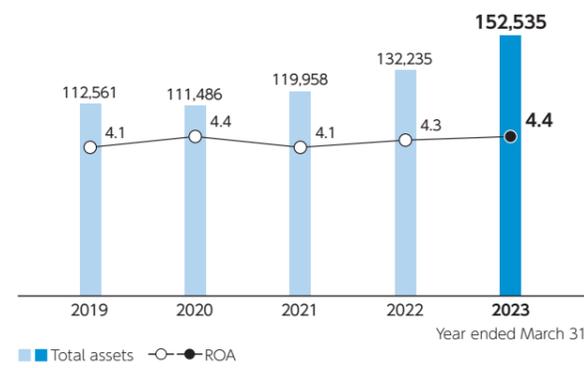
Financial and Non-financial Highlights

Consolidated Financial Highlights

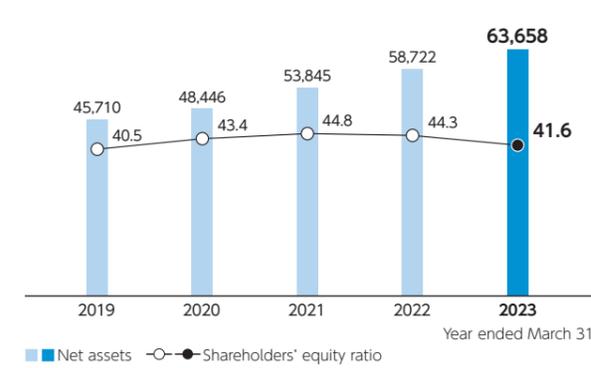
Orders received / Net sales / Operating income (Millions of yen)



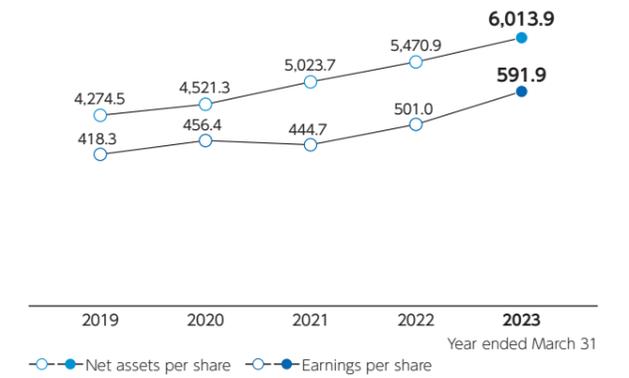
Total assets (Millions of yen) / ROA^{*1} (%)



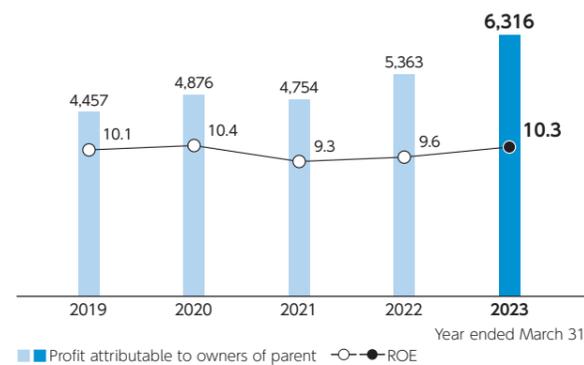
Net assets (Millions of yen) / Shareholders' equity ratio (%)



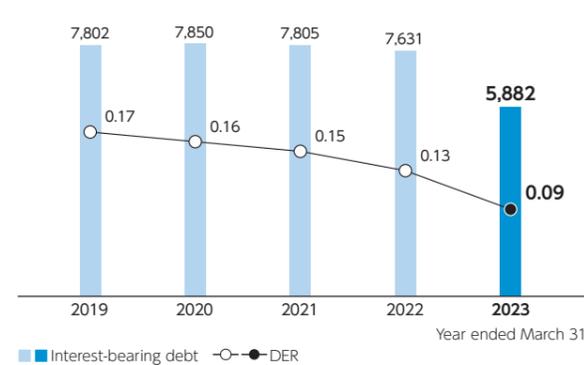
Net assets per share / Earnings per share (yen)



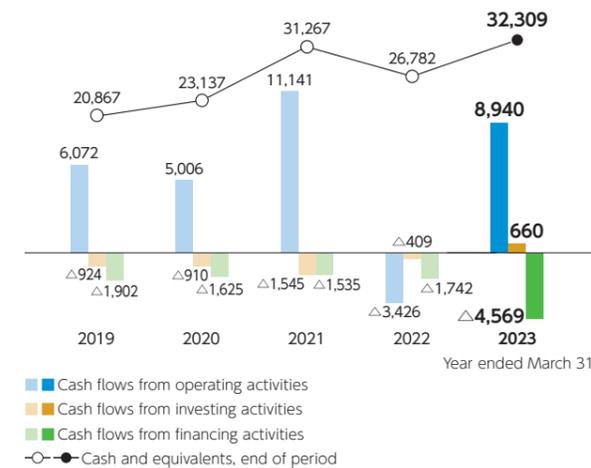
Profit attributable to owners of parent (Millions of yen) / ROE^{*2} (%)



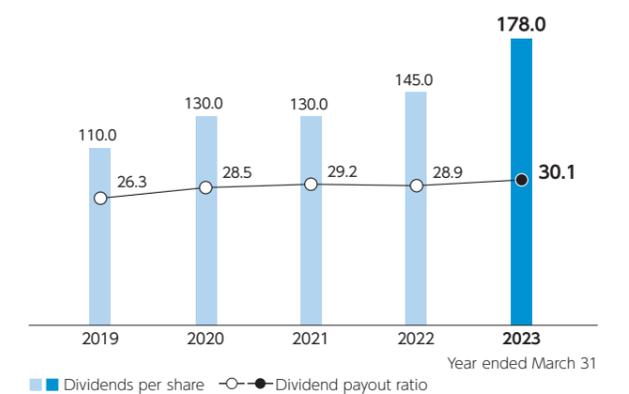
Interest-bearing debt (Millions of yen) / DER^{*3} (times)



Cash flows (Millions of yen)



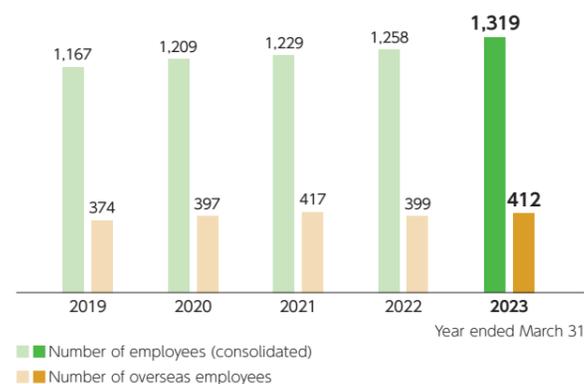
Dividends per share (yen) / Dividend payout ratio (%)



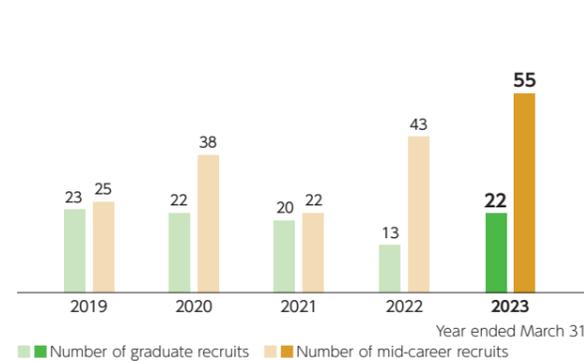
*1 ROA (Return On Assets) *2 ROE (Return On Equity) *3 DER (Debt to Equity Ratio)

Non-financial Highlights

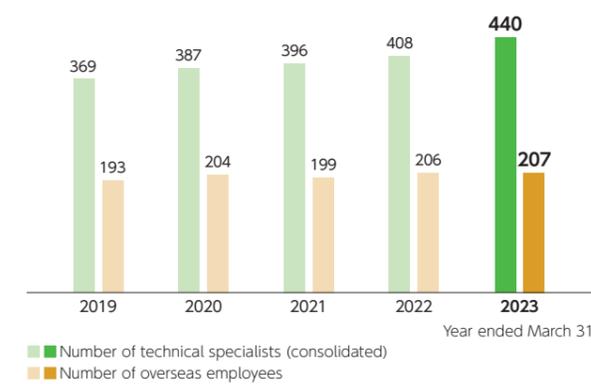
Number of employees (consolidated) / Number of overseas employees (persons)



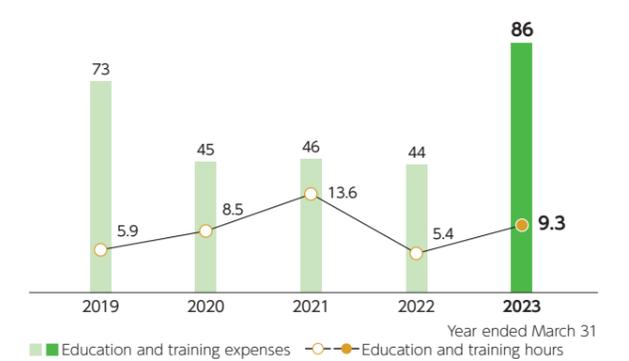
Number of graduate recruits / Number of mid-career recruits (persons) (non-consolidated)



Number of technical specialists (consolidated), including number of overseas employees (persons)



Education and training expenses^{*4} (¥1,000/person) / Education and training hours^{*4} (hours/person) (non-consolidated)



*4 Education and training expenses and education and training hours are limited to those organized by the Personnel Department, but other education and training programs are also provided by each organization.

A Message from the President & CEO



We will make a leap forward to be the **next-generation engineering trading firm** by steadily implementing our business strategies for growth and strengthening our management base.

Ichiro Uno Representative Director
President & CEO

Making a strong start in the first fiscal year of the medium-term business plan MT2024 Exceeding all targets

With your support, DJK celebrated its 75th anniversary in August 2023. Throughout its history, DJK has accurately captured customer needs as they evolved together with the times, growing through the continual creation of new value. With all of society entering a period of great upheaval in the wake of the COVID-19 pandemic, we have established a new philosophy, setting forth our mission of “Connecting People, Connecting Technology and Enriching the World,” our vision to be the next-generation engineering trading firm, and our values of Trust, Growth, and Contribution. We are pursuing our three-year medium-term business plan MT2024, launched in April 2022, under the V2030 growth strategy, targeting rapid growth and net sales of ¥300 billion in the fiscal year ending March 31, 2031.

In the fiscal year ended March 31, 2023, the first fiscal year of MT2024, we achieved strong results that exceeded both our initial and revised forecasts against the backdrop of vigorous investment activities by our customers. Orders received reached their highest level ever, exceeding ¥200 billion, while net sales increased year-on-year and gross profit and profit attributable to owners of parent also reached their highest levels ever, all exceeding their targets for the first fiscal year of the plan. As a result, we achieved return on equity (ROE) of 10.3% compared to the MT2024 target of 10%. Stable growth is crucial for us to continue to maintain and improve ROE at

10% and above. We will therefore endeavor to boost the operating income margin and engage in initiatives such as improving the cash conversion cycle.

Business strategies for growth (1)

Strengthen engineering capabilities that boost added value in the trading business

Under MT2024, we have established four themes for our business strategies for growth: 1) Strengthening engineering capabilities, 2) Strategic business investment, 3) Expansion of business with global companies, and 4) Progressing digital transformation. Of these, 1) Strengthening engineering capabilities is especially important.

Throughout the Company’s 75-year history, our core competency has been our trading business, specializing in machinery sales. We have worked to enhance the value of this trading business through a range of initiatives such as our own after-sales service and support for our customers’ global expansion into Europe, the Americas, Asia, and China, including the accumulation of international logistics know-how for equipment. However, we must further enhance our added value to fulfill our mission of “Connecting People, Connecting Technology and Enriching the World” and achieve sustainable growth. We aim to be a technically focused trading company that goes beyond a product-only sales model of simply purchasing machinery from manufacturers and selling it, to establish a products and integrated solutions business model. We hope to leverage our

Interview with the President

engineering capabilities to grow into a business partner that can provide one-stop support for our customers, right from the very first stage of business concept design. As part of this endeavor, we established the Engineering Division in April 2023. In addition to actively recruiting experienced engineers, we are also revising the personnel system related to career development for skilled employees. Going forward, we aim to coordinate with our Group companies DAIICHI MECHA-TECH CORPORATION and DAIICHI ENGINEERING CO., LTD., as well as our overseas bases, to form a community of engineers to handle increasingly large, complex, and sophisticated projects. We have already implemented M&A activities to facilitate stronger engineering capabilities as the first of our strategic business investments.

Business strategies for growth (2)

Implementing strategic business investment to facilitate stronger engineering capabilities

Under MT2024, we will implement strategic business investment to boost added value in the trading business. We have classified our business investments into the following three areas.

1) Core fields, where we will strengthen our current seven businesses, 2) adjacent fields, which are extensions of our core field businesses (development of fuel manufacturing equipment to achieve carbon neutrality, entry into fuel supply chains, entry into the medical equipment manufacturing business, etc.), and 3) new fields, where we will create new businesses (including investment in startup companies, etc.). We have established an investment budget totaling ¥15.0 billion, including ¥5.0 billion over the two years from 2023 to 2024 and ¥10.0 billion over the three years from 2025 to 2027.

We made the first of our strategic business investments in July 2023, when we acquired the shares of Wave Engineering Corporation, making it a consolidated subsidiary of DJK. Wave Engineering Corporation is engaged in the design and production of petroleum, petrochemical, and chemical plants, as well as consulting. It specializes in FS¹ and FEED² services for basic plant design. DJK has hitherto participated in plant projects as an EPC contractor³ from the stage after customers have completed these basic designs. The inclusion of Wave Engineering in the DJK Group will facilitate our shift to integrated solutions (selling software rather than hardware) and the strengthening of our engineering capabilities. Moreover, integrating Wave Engineering's

strength in simulation engineering with the Group's plant engineering capabilities will enable us to provide one-stop FS, FEED, and EPC services as the next-generation engineering trading firm. Going forward, Wave Engineering will coordinate with the previously mentioned Engineering Division and DJK Group companies to develop aggressive sales, including initial-stage proposals, not only in the Plant & Energy Business, but also in the Automotive, Healthcare, Aviation & Social Infrastructure, and other businesses.

We believe that we have made an outstanding business investment that will lead to stronger engineering capabilities in our core businesses as the first of our strategic business investments. We uphold "solid operation" as DJK's founding spirit. Until now, we were not always proactive about making business investments. We have now established a business investment system and a three-stage decision gate for the implementation of strategic business investments through our Investment Council. Decisions on each investment project are made after it is thoroughly examined and the Investment Management Reviewing Committee has determined whether it will effectively benefit the future of DJK. We have gained substantial know-how through our investment in Wave Engineering, and we will further refine our investment decision-making abilities to implement further business investments with prioritization in mind.

Business strategies for growth (3)

Revitalizing human resource exchange to strengthen global human resources

The DJK Group does business globally, pivoting on the four areas of Europe, the Americas, Asia, and China. Under MT2024, we have established the "expansion of business with global companies" as one of our growth strategies. In the fiscal year ended March 31, 2023, we achieved sales of battery materials production equipment and battery cell production equipment to major companies in Europe and the United States in our Energy Solutions Business, as well as automated assembly machines for medical equipment manufacturing in the United States in our Industrial Machinery Business. We believe that expanding our engineering functions overseas is vital for our future business expansion with global companies. This includes developing competent overseas employees and promoting an understanding of the function of trading companies. Until now, we provided practical employee education and training such as after-sales service in



each region and country, centered on the regional headquarters in each area. Japanese employees assigned to each overseas base would demonstrate our function as a trading company, mostly to Japanese companies in the local region. However, there was not always sufficient understanding among overseas employees regarding the concept of the "next-generation engineering trading firm" to which the Group aspires. We are therefore currently engaged in explaining aspects such as DJK's new philosophy to employees to raise awareness group-wide. We have also launched a long-term training program in Japan to enable employees from overseas bases to experience the day-to-day operations of a trading company and promote DJK's values when they return to their local area. This new training program is expected to lead to the expansion of our businesses overseas by boosting overseas employees' knowledge of manufacturing technologies. In addition to day-to-day operations, they will gain experience at locations such as production sites for lithium-ion batteries, for which demand is growing worldwide. More vigorous human resource exchange will enable overseas employees to gain a new understanding of the role of a trading company. We want them to go beyond the simple task of selling products across their desks to play an integral role in solving the problems faced by customers. We hope to develop overseas employees who can promote DJK's values in their own worlds.

Business strategies for growth (4)

Promoting both defensive and aggressive DX

The DJK Digital Transformation Vision sets forth our vision for progressing digital transformation: "Leveraging digital technologies to radically transform the ways employees work and communicate, and achieve overwhelming productivity, in line with creating revolutionary business models to increase our corporate value." In April 2023, we established the Digital Innovation Center as a division to oversee our pursuit of this commitment as a company. We promote DX from both a defensive and an aggressive standpoint. Through the use of technologies such as AI, we will boost internal productivity from a defensive perspective, while aggressively engaging in the creation of a range of new proposals and services for customers. Because of the nature of our business as a trading company, covering numerous industries and product types, it will be challenging to transition from a system of databases in each business to a comprehensive group-wide system. However, we have already commenced the construction of a group-wide enterprise resource planning (ERP) system, aiming to utilize data from across the Group as a data-driven company. Securing human resources is key to achieving this. In addition to recruiting competent human resources for DX, we are engaged in internal DX education on issues such

*1 FS: Feasibility Study (the prior examination and consideration of whether a project is feasible)
 *2 FEED: Front End Engineering Design (basic design carried out after the FS)
 *3 EPC contractor: A company that undertakes engineering, procurement, and construction for a project

Interview with the President

as the recent topic of ChatGPT and other generative AI technologies, including related security issues.

Strengthening management base (1)

Strengthening people-based corporate management while accurately managing diverse risks

Under MT2024, we have established five themes for strengthening the management base: 1) Deepening corporate governance, 2) Strengthening risk management, 3) Strengthening financial strategies, 4) Strengthening human resources strategies, and 5) Promotion of sustainability management. In the first year of the plan, we steadily implemented various measures to address these themes.

We are proud to say that we have enhanced our corporate governance structure to a certain level, partly due to the knowledge provided by our outside directors. Moreover, in June 2023, we welcomed the appointment of an outside director with management experience at another company, and we expect him to provide advice from a new perspective based on his career knowledge and social trends.

In April 2023, we established the Integrated Risk Management Office as part of our efforts to strengthen risk management. The Integrated Risk Management Office will centrally manage

information on business risks, natural disasters and other risks from the perspective of business continuity planning (BCP), as well as the increasingly diverse range of risks due to social changes in human resources, labor, and other factors. It will identify, analyze, evaluate and formulate measures to address new risks in Japan and overseas. We have hitherto focused our efforts on business partner credit risk and other aspects of business partner management. However, the increasing scale, complexity, and diversity of projects have meant that more people are involved in each project, increasing safety and health risks in particular environments overseas, as well as risks such as those associated with the control of information leaks between the people involved. Even a slight lapse in vigilance may result in massive penalties and the collapse of trust. Therefore, we will strive to further upgrade our integrated risk management to ensure that we can maintain sustainable business activities.

On the theme of strengthening financial strategies, we have obtained a long-term issuer rating (credit rating) of "A- (stable)" from Japan Credit Rating Agency, Ltd. We will endeavor to maintain and enhance our financial soundness, without damaging our management resources, while also engaging in business investment in growth fields from a long-term perspective. Growth investments are not sustainable without a stable revenue base. This is one reason why we will strive to maintain an ROE of 10% or above, aiming for further improvement, with

a constant awareness of the operating income margin and the cash conversion cycle, as I described at the outset.

Regarding our human resources strategies, we revised the personnel system and established a systematic human resources development program in the fiscal year ended March 31, 2023. We also implemented an awareness survey aimed at strengthening employee engagement. As a result, we were pleased to note employees' generally positive assessment of personal relationships and enthusiasm for work, although some employees requested skills improvement. Going forward, we will engage in measures for ability development, focused on long-term personnel development, in tandem with the strengthening of management. We will also strive to achieve further improvements through reforms in the way we work. Although there is a need for some employees to attend to shipments on weekends and holidays for customer convenience, we will implement work-sharing systems to prevent the concentration of this workload on any employee.

Strengthening management base (2)

Contributing to society and promoting sustainability management though our core businesses

In the fiscal year ended March 31, 2023, we declared our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and calculated our Scope 1 (direct) and Scope 2 (indirect) greenhouse gas emissions as part of our environmental management. In April 2023, we went on to launch the Sustainability Promotion Department as the secretariat of the Sustainability Committee to engage in internal sustainability promotion activities and establish methods of evaluating initiatives to address the five ESG-related materialities (important issues) identified by the Group.

In particular, we hope to implement activities reflecting our initiatives to address "contribution to a sustainable earth," including the "realization of a decarbonized society," the "realization of a resource-recycling society," and "protection of the natural environment," in our business activities. One example in recent years is the commencement of construction work, in July 2023, on surface plant facilities for the Kashiwazaki Clean Hydrogen/Ammonia Project implemented by INPEX CORPORATION. This project is the first in Japan to build an integrated hydrogen and ammonia value chain from production to usage. Hydrogen and ammonia are forms of clean energy that do not generate CO₂ when used. The technology of Tsubame BHB Co., Ltd., a capital alliance partner of DJK, has been adopted for ammonia production, and DJK will perform the role of EPC contractor for the ammonia production

equipment. Likewise in July 2023, construction work commenced on the Genkai Biogas power plant, one of the largest in Kyushu, to which DJK will supply the gas engine generator and other key equipment. This power plant will use the fermentation gas produced by heated cowpats and other livestock manure to generate electricity equivalent to the amount consumed annually by approximately 4,500 average households. It is expected to result in the reduction of approximately 3,700 t of CO₂ per year. Our participation in large-scale environmental contribution projects such as these carries great social significance, and we hope to continue to actively contribute to the environment through our businesses. We aim to expand our horizons to include the total coordination of environmental contribution projects from the initial design stage onward, utilizing the capabilities of Wave Engineering Corporation, now part of the DJK Group.

To our stakeholders

Demonstrating our function as a trading company and fulfilling our social role as we aim for a wellbeing-centered society

In the previous section, I explained some examples of environmental contribution in our Plant & Energy Business. This is just one of the DJK Group's businesses. In our Energy Solutions Business, we sell a large volume of battery materials production equipment, as well as battery recycling equipment and storage battery systems, amid the progressive worldwide spread of lithium-ion batteries for electric vehicles. We also handle a wide variety of key equipment that contributes to deplasticization and decarbonization in our other businesses. The Group is more than just a supplier that handles machinery, and we will contribute to the environment and society by supporting our customers' businesses as a vital business partner.

It is thanks to the understanding and cooperation of our customers, business partners, and various related parties that DJK has been able to continue and develop its businesses over the last 75 years. Even as it transforms itself, the Group will continue to enrich the world through products developed from cooperation with customers, as it has always done, playing a key role in the creation of a society where everyone can feel a sense of wellbeing. Through publications such as this report, we hope to make the value of the Group's trading company function more widely understood. Based on this understanding, all of the Group's officers and employees will strive to fulfill their duties with pride and a sense of worth. I look forward to your continued support.



A Message from the CFO

We will accelerate growth investments built on a stable revenue base to further enhance corporate value.

Osamu Fukawa

Director, Managing Executive Officer, CFO



In DJK, business management that balances capital efficiency and profitability, financial soundness, and shareholder returns are positioned as the three pillars of our financial strategy.

Overview of the fiscal year ended March 31, 2023

In the fiscal year ended March 31, 2023, the first year of the medium-term business plan MT2024, net sales increased year-on-year and profit attributable to owners of parent reached a record high. By area, sales in China fell due to the impact of movement restrictions during the first half of the fiscal year. However, sales grew in other areas, primarily Asia, but also the Americas and Europe, as the Group demonstrated the strength of its global structure. Meanwhile, operating income was flat year-on-year, mainly due to an increase in variable costs associated with the lifting of movement restrictions for COVID-19 and an increase in depreciation and amortization resulting from the introduction of a non-consolidated enterprise resource planning (ERP) system. In view of the gain on sale of marketable and investment securities and other one-off extraordinary profit included in profit attributable to owners of parent, as well as a recognition of the factors that led to an increase in selling, general and administrative expenses (SGA expenses), we see it as our challenge to invest in strengthening our sales force and management capabilities to boost operating income in the future.

[See pp.29-44 for details](#)

Initiatives under the medium-term business plan MT2024

We have established strengthening financial strategies as a way to strengthen the management base under MT2024. While maintaining a stable financial base, we aim to reform our earning model through growth investments and other measures and improve capital efficiency. In doing this, we are particularly conscious of three points: profitability, growth, and stability.

Maintaining and improving profitability

In terms of profitability, in the fiscal year ended March 31, 2023, we achieved a return on equity (ROE) of 10.3%, exceeding our target for the first year of MT2024. To maintain ROE above the 10% mark, it will be vital for us to strengthen gross profit and operating income. Until now, the Group's management has focused on preventing any operating loss. Our strength has been in our mechanisms to manage gross profit for each project based on a common format. Under MT2024, as delivery times become longer due to the increase in large projects, we will engage in management focus on long-term value in addition to short-term profit; in other words, integrated management to enhance profitability with a consciousness of capital efficiency. Last fiscal year, we prepared balance sheets for each business division and started sharing the cash conversion cycle at monthly corporate sales meetings for the purpose of discussing balance sheet optimization and investment strategy at each division. Going forward, we will implement more sophisticated business management with a consciousness of return on invested capital (ROIC).

Pushing ahead with investment linked to long-term growth

Under MT2024, we will promote strategic business investment as a key measure to stimulate growth. We have set an investment budget of ¥15.0 billion over the five years to the fiscal year ending March 31, 2027, across three areas: core fields, adjacent fields, and new fields. In the fiscal year ended March 31, 2023, we established and launched our basic policy and deliberation process for business investment. Specifically, we collect a list of possible investment projects from each business division, which is then narrowed down by the Business Development Department of the Corporate Strategy Division. The Investment Management Reviewing Committee, which I chair, then discusses the investment project candidates from the long-term perspective of enhancing corporate value. Finally, the Board of Directors decides on each investment project. We made the first of our strategic business investments in July 2023, when we acquired the shares of Wave Engineering Corporation, a company engaged in the design and production of petrochemical and other plants, as well as consulting. [See pp.25-26 for details](#)

Looking ahead, we will endeavor to achieve a more mature business investment system by reviewing past investment projects and sharing the lessons learned within the Group, implementing small-scale test trials of investments based on on-site authorization, and holding in-house training sessions and similar forums. I feel that we have developed sufficient capabilities for the quantitative analysis of investments, and we will raise our qualitative analysis capabilities as we accumulate more experience. We will generate synergies within the Group through business investments that go beyond short-term profits and engage in deeper discussions, including the input of knowledge by outside directors, to enhance corporate value from a long-term perspective. We hope to expand our range of investment options, including recovering the cash payments for upfront investments through depreciation and amortization.

We are also promoting investments in human resources and digital transformation (DX) to boost the Group's competitive strength. We actively seek to recruit experienced engineers and competent human resources for DX to strengthen our engineering capabilities. At the same time, we revised the salary system in the fiscal year ended March 31, 2023, raising salaries by approximately 6% across the board as part of our efforts to establish rewarding workplace environments. These measures have resulted in a progressive rise in personnel expenses. However, we believe that the effectiveness of these investments is demonstrated by the steady increase in sales and profits in growth fields such as our Energy Solutions Business.

Regarding investments in DX, we have introduced a new ERP system for DJK, on a non-consolidated basis as part of our efforts to promote integrated management, including balance sheet management. We are progressively integrating this system with the ERP systems we have already introduced overseas. We are also holding numerous study sessions to consider

how to utilize the various forms of generative AI in our businesses in the future.

Maintaining a stable financial base

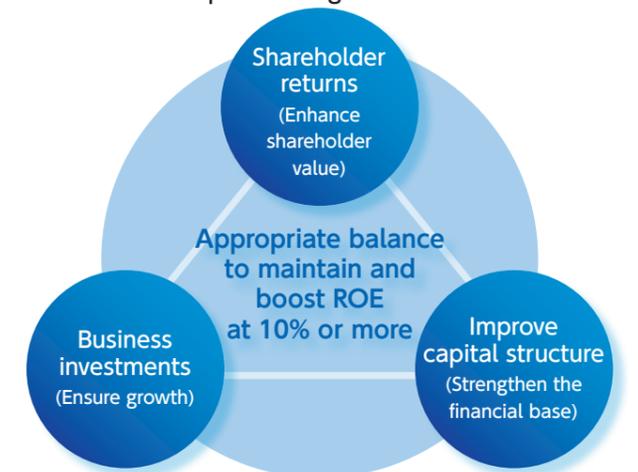
A stable financial base is a vital prerequisite for pursuing various measures and investments aimed at strengthening profitability. We have obtained a long-term issuer rating (credit rating) of "A- (stable)" from Japan Credit Rating Agency, Ltd., and we will work to manage an appropriate level of shareholders' equity while maintaining financial soundness. We aim to achieve a price book-value ratio (PBR) of 1.0 or above and boost capital efficiency as part of our management awareness of the cost of capital and the share price. To this end, we will maintain an ROE of at least 10%, strengthen initiatives for the disclosure of non-financial information with a consciousness of boosting the price-earnings ratio (PER), and engage in more proactive investor relations activities. In May 2023, we decided to conduct a 3-for-1 stock split of common shares, aiming to further expand the range of potential investors and enhance the liquidity of DJK shares.

Shareholder returns

Shareholder returns are among our most important management policies. For the fiscal year ended March 31, 2023, we paid an annual dividend of ¥178 per share. We will continue to pay appropriate dividends in line with business performance, based on the comprehensive consideration of factors such as internal reserves, growth investments, and the maintenance of stable dividends. In doing this we will aim for a payout ratio of 30% of profit attributable to owners of parent. We will make comprehensive judgments on the acquisition of treasury shares, taking into account our business performance and market trends.

We will continue to build on the Group's stable revenue base to strengthen profitability by promoting a range of growth investments and engaging in integrated risk management. This will create a virtuous cycle of initiatives with a consciousness of profitability, growth, and stability, leading to the sustainable enhancement of corporate value and shareholder returns.

Financial and capital strategies

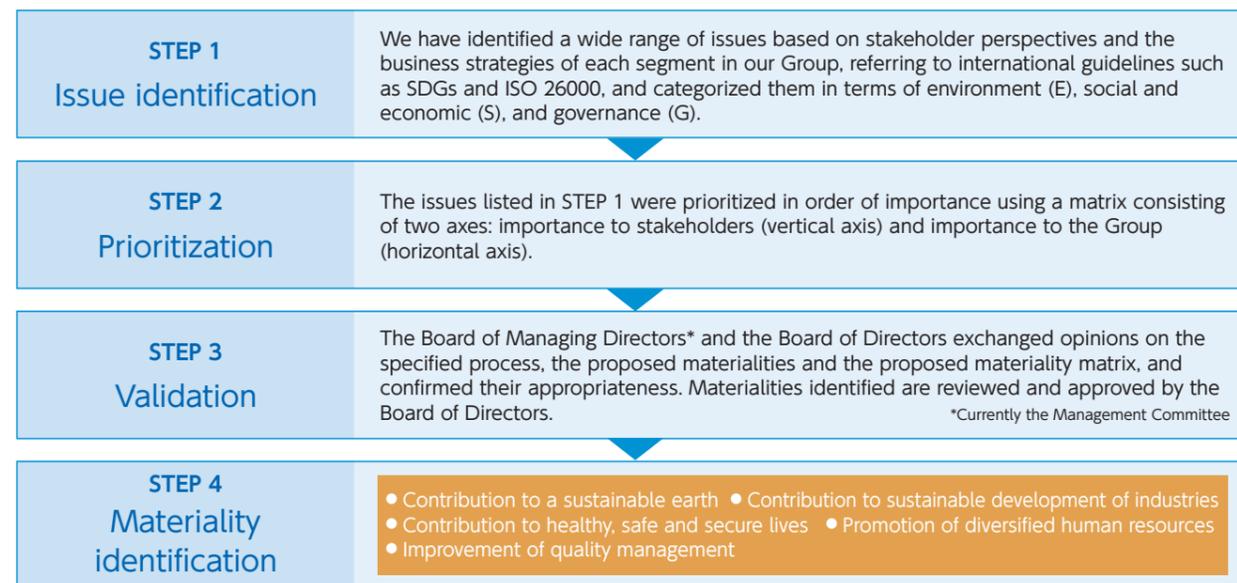


Materialities

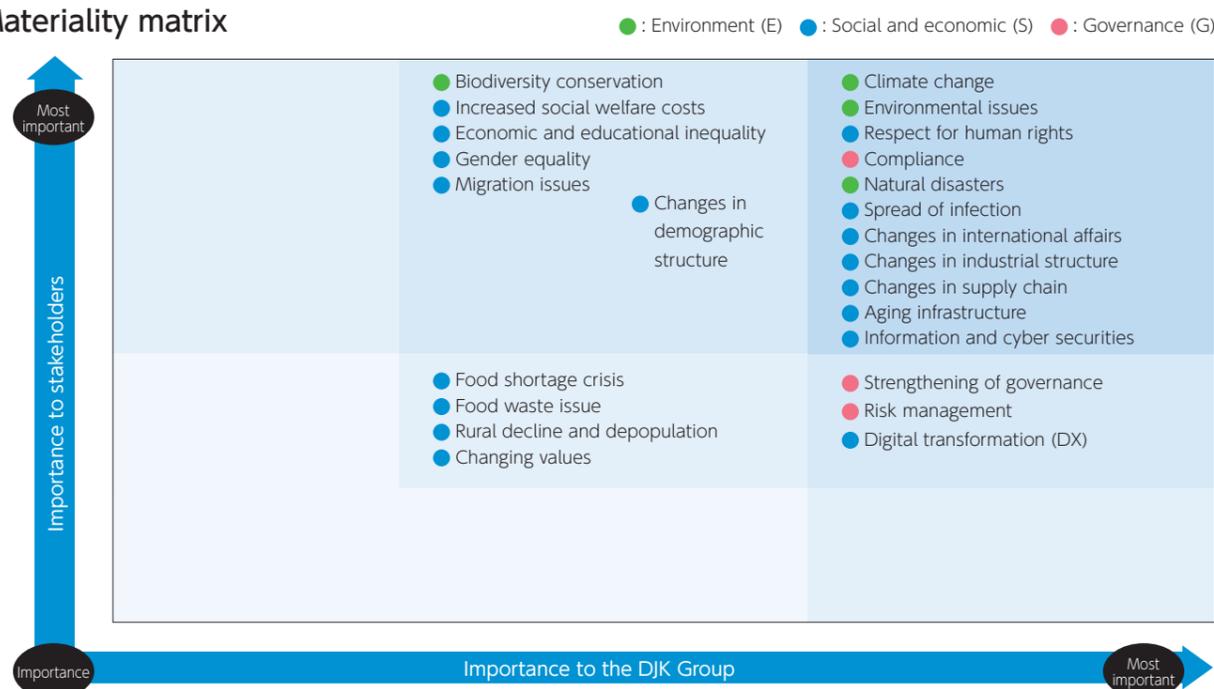
In considering the future of our Group on the occasion of establishing a new philosophy, our desire to actively contribute to the realization of a sustainable society not only through our own growth but also through our business activities was the underlying factor. Based on this belief, we have examined issues in terms of their significance, both for our stakeholders and for our Group, based on changes in the business environment and social trends related to sustainability, and identified materialities (important issues) to enable us to achieve a resolution of these issues.

Process to Identify Materialities

The following steps were taken to identify the materialities that we will focus on in order to maintain sustainable growth. The materialities identified will be reviewed on a regular basis in light of changes in the environment and business developments in the Group.



Materiality matrix



Materiality Initiatives

For the Group, engaging in the identified materialities is a way to contribute to achieving the SDGs, promote economic and social development while also supporting a sustainable global environment, and fulfill DJK's philosophy in a tangible manner.

To achieve the vision (targets) set for each materiality, the operation of our environmental management system (EMS) reflects the themes that each business division will focus on to address social issues through its businesses and the management base themes that support sustainable growth. We have launched a system to manage these themes in our plan of action. Going forward, we will promote these themes through our unique framework linked to each materiality.

Materialities, targets, and related SDGs

Note: The symbols ■, ●, and ● correspond to each vision (target)

Materialities	Contribution to a sustainable earth	Contribution to sustainable development of industries	Contribution to healthy, safe and secure lives	Promotion of diversified human resources	Improvement of quality management
Vision (targets)	<ul style="list-style-type: none"> ■ Realization of a decarbonized society ● Realization of a resource-recycling society ● Protection of the natural environment 	<ul style="list-style-type: none"> ■ Utilization of advanced IT/AI ● Promotion of smart factories ● Providing safe & secure products 	<ul style="list-style-type: none"> ■ Improved safety with social infrastructure enhancement ● Providing well-being and high quality products development 	<ul style="list-style-type: none"> ■ Healthy work environment ● Sustainable ability development ● Talent management 	<ul style="list-style-type: none"> ■ Strengthening internal controls and governance ● Risk management ● Social contribution and harmony
Addressing social issues through business development that makes the most of DJK's strengths	<ul style="list-style-type: none"> ■ Contribution through expanding sales of eco-friendly products ■ Binary power generation equipment ■ Solar power generation systems ■ Electric injection molding machines ■ Electric ground support equipment (GSE) for airports ■ Glycol recovery vehicles ● Equipment for solvents recovery and recycling 	<ul style="list-style-type: none"> ■ Initiatives for the sustainable development of industries ■ Electronic component mounting systems ● LOGITO ● BCP services to maintain customers' production ● Electricity storage systems 	<ul style="list-style-type: none"> ■ Contribution to a safe and secure society ■ Road cleaning vehicles ■ Disaster response base-function trucks ■ Runway snow removal equipment ● Tablet visual inspection machines and printers 	<ul style="list-style-type: none"> ■ Maintenance and improvement of comfortable workplace environments ■ Prevention of work-related accidents ● Ensuring safety on construction worksites 	
Strengthening the management base to support sustainable growth	<ul style="list-style-type: none"> ■ Use of low-pollution, fuel-efficient business vehicles 	<ul style="list-style-type: none"> ■ Encouraging the spread of generative AI ■ Digitalization of business-related documents 		<ul style="list-style-type: none"> ■ Prevention of work-related accidents ■ Promotion of female advancement ■ Promotion of childcare leave utilization by male employees ■ Improving employee engagement ■ Implementation of stress checks ● Appropriate assignment of human resources ● Enhanced training through e-learning ● Enhanced personnel system for engineering human resources ● Enhanced training for overseas employees (in Japan) 	<ul style="list-style-type: none"> ■ Compliance with security trade controls ■ Thorough compliance ■ Harassment prevention ■ Ensuring the reliability of financial reporting ● Employee safety management ● Mitigation of trading accidents ● Continuing review of BCP ● Various donation activities ● Enhanced information disclosure

Growth Strategy / Medium-term Business Plan

V2030 Growth Strategy (Vision2030)

We have achieved steady growth since our founding through solid corporate management. In light of the recent situation where major changes continue to take place in the social and business environment, we are more keenly aware of the need for a fundamental review of corporate operations and strategic planning from a long-term perspective.

Against this backdrop, we have formulated our V2030 growth strategy for fiscal 2030, based on our strong determination to chart a different growth curve than in the past.

Basic Strategies

Aggressive investments	● Investments toward business expansion, strengthening, and creation, as well as solutions to social issues
Management focus on long-term value, in addition to short-term profit	● Build management base, for medium- to long-term profitability by improving capital efficiency
Contributing to various stakeholders: Customers, employees, suppliers, communities, and shareholders	● Achieve a sustainable society by addressing our materialities
Shift from product-only sales to products and integrated solutions business model	● Proposals for embedded-services business, and subscriptions models, etc.
Capturing global growth	● Make more business dealings with foreign companies
Promotion of digital transformation	● Significantly improve productivity, and creation of innovative business models

Quantitative Targets (Consolidated)



Investment Strategies

In addition to the seven businesses, we will consider investments from a long-term perspective in adjacent and new fields to expand and strengthen our business, create new markets and businesses, and solve social and environmental issues.

Medium-term Business Plan MT2024

Backcasting from the V2030 growth strategy, we have positioned each three-year period from fiscal 2022 to fiscal 2030 as a period of Creation, Growth, and Advancement, and formulated a medium-term business plan MT2024 (Creation Phase).



Quantitative Targets (Consolidated)

(Millions of yen)	MT2024			
	FY2022 Results	FY2023 Forecasts	FY2023 Targets	FY2024 Targets
Orders received	244,296	220,000	180,000	200,000
Net sales	153,674	180,000	170,000	185,000
Operating income	6,717	7,500	7,000	8,500
Ordinary income	7,108	8,000	7,200	8,700
Profit attributable to owners of parent	6,316	5,400	4,800	5,800
ROE	10.3%		10.0%	

Qualitative Targets under Medium-term Business Plan MT2024: First-year Achievements and Challenges

1 Business strategies for growth

● Achievements ▲ Challenges

(1) Strengthening engineering capabilities	<ul style="list-style-type: none"> ● The Engineering Center has enabled partnerships among engineers, as well as sharing of challenges in projects. The Center also reinforced on-site responsiveness for large-scale and complex projects. ● Established the Engineering Division in April 2023 ● Solidified the foundation to further strengthen engineering capabilities, essential for business expansion. ▲ Demand for engineers increased, due to increase in overseas projects ▲ Requirements for our engineering are on the rise
(2) Strategic business investment	<ul style="list-style-type: none"> ● Formulated and started operating our basic policy for business investments and screening process for possible investments ● Internal sharing of lessons from past investments, and fostering investment-oriented business mindset
(3) Expansion of business with global companies	<ul style="list-style-type: none"> ● Business agreements with foreign companies in Energy Solutions and Industrial Machinery Businesses ▲ Comprehensive development of overseas employees ▲ Promotion of understanding of trading companies' functions and overseas expansion of engineering functions
(4) Progressing digital transformation	<ul style="list-style-type: none"> ● Digital Innovation Center established in April 2023 ▲ Accelerate implementation of reform by increasing workforces ▲ Implementation of digital transformation, directly related to sales activities

2 Strengthening management base

● Achievements ▲ Challenges

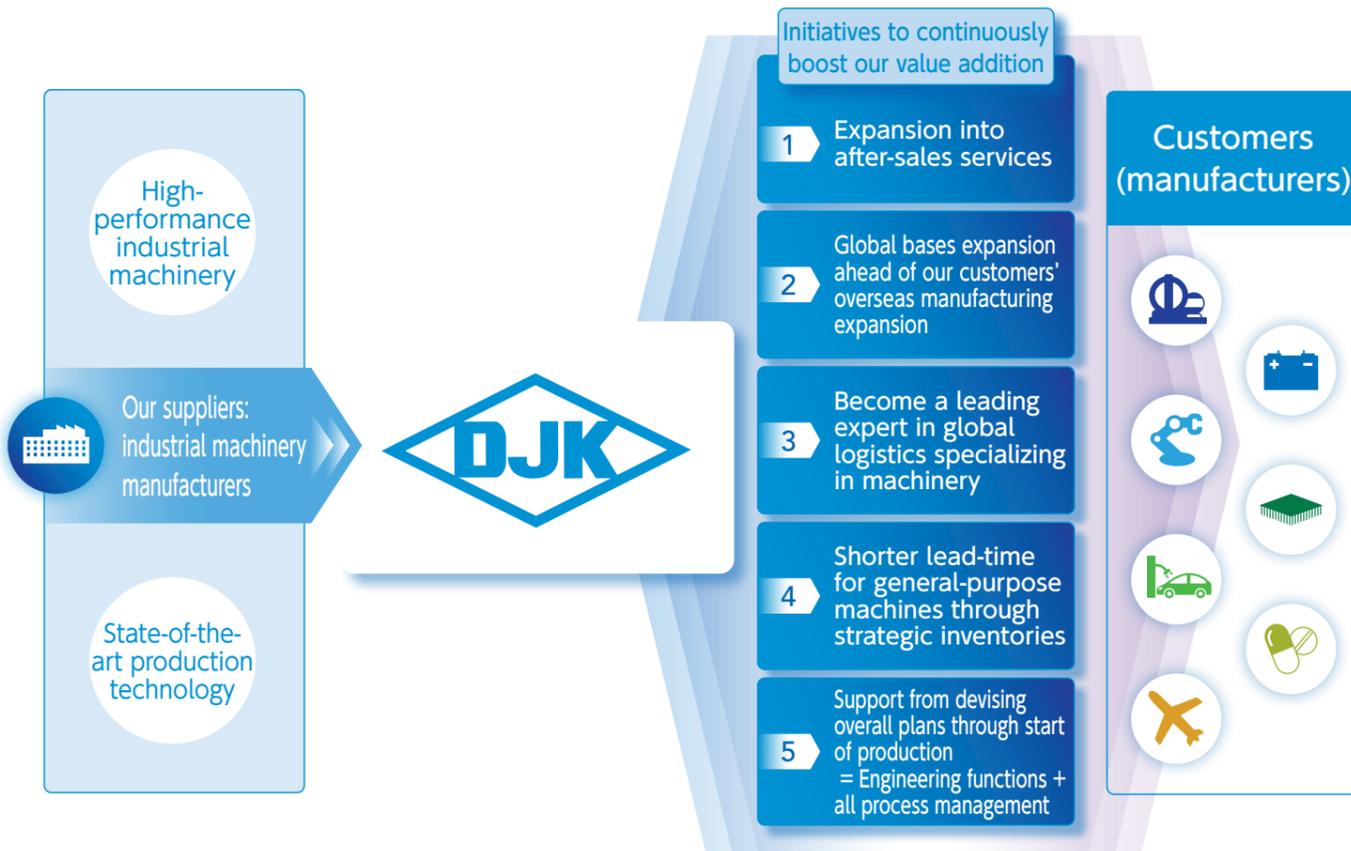
(1) Deepening corporate governance	<ul style="list-style-type: none"> ● Reflect results of questionnaires of the Board of Directors' effectiveness evaluation on our management system ● Outside directors' further involvement with directors' individual evaluations and remunerations ● Evaluations for achievements for medium-term business plan (qualitative targets) were performed by outside directors ▲ Review matters to be discussed at the Board of Directors meeting (allocation of deliberation time)
(2) Strengthening risk management	<ul style="list-style-type: none"> ● Integrated Risk Management Office established in April 2023 ▲ Identifications, analyses, assessments, and countermeasures of risks involved with realization of our growth strategies
(3) Strengthening financial strategies	<ul style="list-style-type: none"> ▲ Proactively address improvement of cash conversion cycle ▲ Reform of earning model by investments in further growth
(4) Strengthening human resources strategies	<ul style="list-style-type: none"> ● Executed our personnel system reform, various types of training systems, and employees' en-gagement questionnaire ▲ Effectively utilize these system reforms and questionnaire results
(5) Promotion of sustainability management	<ul style="list-style-type: none"> ● Endorsement of TCFD, computation of Scope 1 and 2 ● Sustainability Promotion Department established in April 2023 ▲ Promoting efforts of sustainability and establish assessment methods for achievements

Medium-term Business Plan: Strategic Business Investment

Under the V2030 growth strategy, we have fundamentally revised our management and business strategies to develop a different growth curve from the previous ones. Our most important strategy is to further strengthen our trading business through aggressive investments to accelerate growth.

By establishing policies and systems for business investment, we aim to aggressively implement strategic business investments and achieve the goals of our V2030 growth strategy.

The Trading Business: Our Core Competency



Basic Policy on Business Investment

- Boost cooperation with investee companies to expand and strengthen existing businesses and create new businesses, investing management resources to enhance profitability
- Pursue more than capital gains, generating synergies through business operations to enhance corporate value

FY2022 initiatives

- Instituted investment policy and application procedures
 - Framework formulated: Established the investment implementation taskforce and Investment Management Reviewing Committee
 - Reviewed past investments and engaged in in-house sharing of lessons learned
 - Made efforts to cultivate awareness through in-house study meetings and implemented small-scale test trials based on on-site authorization
 - Promoted specific M&A projects
- *Acquired Wave Engineering Corporation

Acquisition of the shares of Wave Engineering

In July 2023, we acquired the shares of Wave Engineering Corporation, making it a Group company.

Wave Engineering specializes in FS and FEED services. Integrating its strength in simulation with the Group's plant engineering capabilities will enable us to participate in plant construction from the design consideration stage, a hitherto untapped business domain for DJK. Through this integration, the Group will be able to provide one-stop FS-FEED-EPC services, enabling us to strengthen our engineering capabilities and provide new added value to customers.

Recent years have seen an increase in opportunities to consider the use of hydrogen and ammonia as the tide of the times turns toward carbon neutrality. Through the involvement of Tsubame BHB Co., Ltd., which is partly owned by DJK, DJK's Engineering Division and the Group company, DAIICHI ENGINEERING

CO., LTD., we will consider manufacturing processes and plant design for blue and green ammonia synthesis, aiming to contribute to achieving a sustainable global environment while also achieving further growth and enhancing corporate value for the Group.



Kinichi Shibata
Representative Director and Chairman
Wave Engineering Corporation

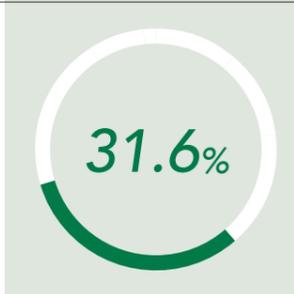
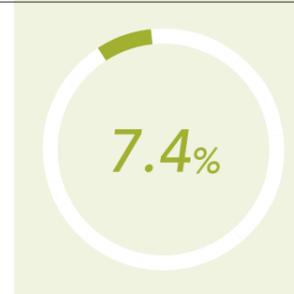
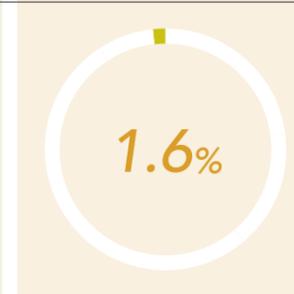
Ichiro Uno
Representative Director
President & CEO of DJK

Domains and Scale of Business Investments

	Allocation of investing budgets		Examples of investments under consideration
	2023-24	2025-27	
Core fields Plant & Energy, Energy Solutions, Industrial Machinery, Electronics, Automotive, Healthcare, Aviation & Social Infrastructure Investments to strengthen existing seven segments	¥2.0 billion	¥5.0 billion	<ul style="list-style-type: none"> ● Business acquisition to reinforce engineering capabilities ● Establishment of demonstration centers in Japan and overseas ● Capital injection, partnering, and M&A for machinery trading companies and components manufacturers ● Establishment of a LOGITO consortium through capital partnering
Adjacent fields Decarbonized society, AI / IoT Next-generation communication, 3R-Recycling society, Medical, safe and secured lives, Supply chain, social infrastructure Investments to create social values and solve social issues	¥2.0 billion	¥4.0 billion	<ul style="list-style-type: none"> ● Capital injections to power plants with project finance ● Overseas expansion of PPA business at solar power plants ● Co-development of biological fuel manufacturing equipment ● Investments in chemical recycling business ● Investments with our involvement in fuel supply chains ● Capital injections and M&A to medical equipment manufacturers ● Establishment of OEM business-purposed manufacturers ● M&A of global logistics companies
New fields Investments for new business fields and business models	¥1.0 billion	¥1.0 billion	<ul style="list-style-type: none"> ● New business creation, through LP capital injections to venture capitals ● Capital injections to start-ups with technical advantages
Total	¥5.0 billion	¥10.0 billion	

Business Segments at a Glance

7 Businesses

	 Plant & Energy Business	 Energy Solutions Business	 Industrial Machinery Business	 Electronics Business	 Automotive Business	 Healthcare Business	 Aviation & Social Infrastructure Business
Business fields	<ul style="list-style-type: none"> Petroleum / chemicals Papermaking / steelmaking Energy 	<ul style="list-style-type: none"> Materials Cells / modules Solar panels / storage batteries Next-generation batteries and fuel cells 	<ul style="list-style-type: none"> Home appliances / office automation Food packaging Medical equipment Housing equipment Distribution materials Growing seedlings 	<ul style="list-style-type: none"> Surface mount technology (SMT) Microelectronics Logistics automation solutions (LOGITO) 	<ul style="list-style-type: none"> Interior and exterior parts Powertrain Car electronics / ADAS 	<ul style="list-style-type: none"> Pharmaceuticals Cosmetics Food 	<ul style="list-style-type: none"> Aviation Airports Defense and disaster preparedness Customer support
Major products	<ul style="list-style-type: none"> Petroleum refinery and petrochemical plant equipment Steelmaking plant equipment Papermaking plant equipment Oil, gas, and geothermal production facilities Well drilling equipment and drilling rig packages Power generation infrastructure Renewable energy-related equipment AI / IoT-related equipment Environmental protection facilities Analysis and measurement equipment Chemical plant equipment Safety monitoring equipment 	<ul style="list-style-type: none"> Battery materials production equipment Flexible solar panels Powder processing equipment Storage battery systems Cell electrode manufacturing equipment Battery recycling equipment Cell / module assembly equipment Fuel cell manufacturing equipment Cell / module charge, discharge inspection equipment Engineering services 	<ul style="list-style-type: none"> FA systems Injection molding machines Extrusion machines Pressure and vacuum thermoforming machines Die-casting machines Metal-processing machines Ceramics processing machines Automated assembly equipment Material-handling robot systems Coating / surface decoration equipment 3D printing systems for plastic and sand molds Filling and packaging equipment 	<ul style="list-style-type: none"> Electronic component mounting-related systems (SMT) Semiconductor device-related systems Display-related systems SMT peripheral inspection equipment and post-process automation equipment IoT / software Coating and dispensing equipment CO₂ and YAG laser, blue laser Automation robots Logistics automation equipment Visual, X-ray, characteristic, and other inspection equipment 	<ul style="list-style-type: none"> Molding machines Metal-processing machines Plastic-processing machines Coating / surface decoration equipment Automated assembly equipment Inspection equipment Module support equipment IoT-related equipment and devices 	<ul style="list-style-type: none"> Tablet visual inspection systems Tablet ink-jet printing and inspection systems Capsule visual inspection systems Blister lines Sachet packaging lines Tablet pressing machines Vial filling lines Syringe filling lines Powder filling lines Leak inspection machines Automatic cell culture systems Other packaging lines 	<ul style="list-style-type: none"> Ground support equipment for aircraft Ground support equipment for airports Equipment used in airports Specialized vehicles for disaster relief Equipment to reduce workforce and workload
Ratio to total net sales	 11.2%	 12.0%	 15.5%	 31.6%	 20.5%	 7.4%	 1.6%
Net sales (Millions of yen)	2022/3: 11,881 2023/3: 17,192	2022/3: 19,004 2023/3: 18,509	2022/3: 19,275 2023/3: 23,766	2022/3: 52,098 2023/3: 48,561	2022/3: 31,980 2023/3: 31,459	2022/3: 11,189 2023/3: 11,435	2022/3: 2,466 2023/3: 2,518
Operating income / loss (Millions of yen)	610 855	696 △ 68	646 642	3,125 3,215	1,238 909	1,161 1,192	△ 79 △ 45
Operating income margin (%)	5.1 5.0	3.7 △ 0.4	3.4 2.7	6.0 6.6	3.9 2.9	10.4 10.4	△ 3.2 △ 1.8
Number of employees	103 128	48 62	200 176	318 339	130 136	170 172	30 29

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

Business Details

We provide various equipment and advanced technologies in the plant field. In the energy field, we provide related products for a decarbonized society, with a focus on renewable energy.

We leverage our advanced technology and expertise to provide equipment to the key industries that support social infrastructure, based on the extensive experience and knowledge we have developed over many years. Through our plant and energy businesses, we will pioneer the path to a decarbonized society. We will also contribute to addressing social issues by actively developing our digital transformation (DX) business to supplement recent aging equipment and labor shortages. At the Plant & Energy Business Division, we aim to promote resilient businesses that achieve sustainable growth and evolution.



Yuji Shika Executive Officer, General Manager, Plant & Energy Business Division

Strengths

- Solution proposals based on our wealth of experience and knowledge since our founding, and support for companies expanding overseas by utilizing our global network
- High level of experience in renewable energies, including solar power plant operations and biomass power plants, and ability to propose equipment
- Newly established total solution framework for factory and plant construction, from FS and FEED to EPC and equipment supply
- Product lineup that contributes to on-site problem solving and technical succession utilizing DX (AI & IoT) technology

Business Environment

Positive factors

- Actual introduction of DX products (IoT-related) at plants
- Revitalization of CCS projects aimed at achieving a decarbonized society, overseas projects for major engineering companies, and geothermal development projects
- Increasing demand for bioethanol
- Rise in projects under the Joint Crediting Mechanism (JCM) to contribute to reducing greenhouse gas emissions
- Increase in business talks on renewable energy

Negative factors

- Suspension of investment plans due to declining demand for gasoline and basic chemicals
- Unstable industries, easily affected by environmental and economic conditions
- Suppression of capital expenditure and maintenance costs due to a decrease in the demand for paper
- Postponement and cancellation of large projects due to soaring parts, materials, and equipment costs
- Shortages and soaring prices for biomass fuels

Review of the First Year of MT2024

Initiatives in V2030 and MT2024

<p>Energy</p> <ul style="list-style-type: none"> • Ongoing efforts in geothermal development and binary power generation business using waste heat • Developing low-carbon projects in Asian markets using the JCM system 	<p>Petroleum</p> <ul style="list-style-type: none"> • Energy transition initiatives for decarbonization • Active proposals for smart security and DX (AI & IoT) 	<p>Chemicals</p> <ul style="list-style-type: none"> • Participation in new products, new processes, and automation themes in the laboratory through proactive approach to the R&D department • Developing foreign companies' customers targeting Asian markets 	<p>Materials</p> <ul style="list-style-type: none"> • Proactive and bold approach to the biomass fuel business • Accelerating initiatives for bioethanol and SAF businesses 	<p>Decarbonization</p> <ul style="list-style-type: none"> • Developing demand for low-carbon ammonia and taking on the challenge of green ammonia • Expansion of development of own renewable energy sources and development of rare metal-free storage batteries
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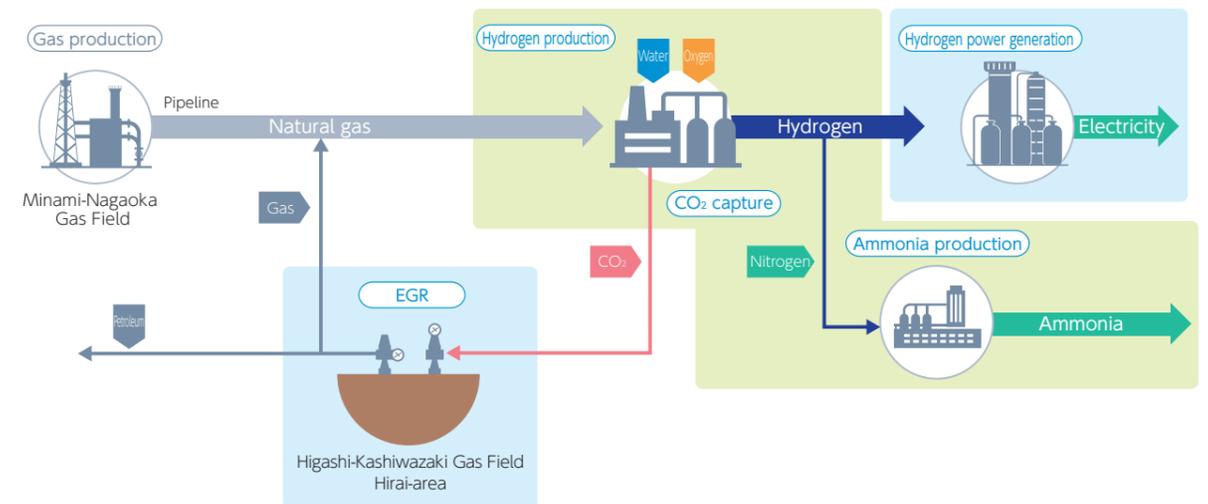
TOPICS

Participating in the Kashiwazaki Clean Hydrogen/Ammonia Project as EPC contractor

The Plant & Energy Business Division provided ammonia production equipment for the Kashiwazaki Clean Hydrogen/Ammonia Project implemented by INPEX CORPORATION. This project is the first in Japan to demonstrate an integrated value chain from the production of blue hydrogen and ammonia from natural gas produced in Japan, through the pressurization and injection of the CO₂ byproduct from the manufacturing process into a depleted gas field reservoir in Japan as a Carbon dioxide Capture, Utilization and Storage (CCUS) effort, to the use of the hydrogen produced for electricity generation and other purposes. It is planned to produce 500t of ammonia per year under the project, with production scheduled to commence during FY2025.

The technology of Tsubame BHB Co., Ltd., with which DJK has a capital and business agreement, was selected for this project. (This technology enables a reduction in environment impact from the manufacturing process and facilitates low-temperature, low-pressure, small-scale ammonia synthesis.) We will utilize DJK's one-of-a-kind engineering functions to undertake the engineering (construction design), procurement, and construction (EPC) of the ammonia production equipment, as well as process management services.

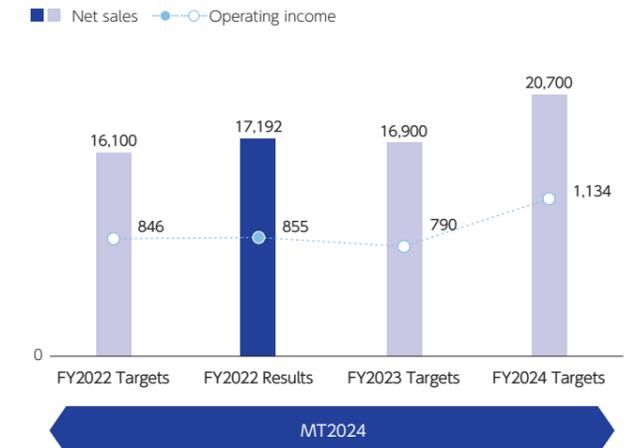
Through our participation in the project, the Plant & Energy Business Division will strive to promote the spread of ammonia production technology to help realize a decarbonized society.



Business Overview

- Handled on-site ammonia plants, equipment for bioethanol, and equipment for biogas power generation to contribute to initiatives to achieve a decarbonized society
- Entered the smart security business using DX products such as gas leakage monitoring cameras and vibration sensors for plant maintenance
- Continued to participate in projects under the Joint Crediting Mechanism (JCM) to contribute to reducing greenhouse gas emissions
- Continued partnerships with process licensors to promote the bio-refinery business
- Engaged in low-carbon and green ammonia production projects
- Currently expanding our approach to the R&D department using various equipment; building a track record for catalyst evaluation equipment in the chemicals field

Net Sales / Operating Income (Millions of yen)



Energy Solutions Business

Business Details

In the rechargeable battery field, we mainly provide lithium-ion battery (LIB) manufacturing-related equipment, as well as solutions for next-generation energy such as fuel cells, solar power, and storage batteries.

Amid the global movement toward realizing a decarbonized society, the spread of in-vehicle batteries and industrial storage batteries is accelerating. At the Energy Solutions Business Division, we provide a variety of equipment in the rechargeable battery field to customers around the world, leveraging our global network, engineering functions, and other strengths. We will contribute to our customers' product manufacturing and business development, aiming to realize a sustainable society.



Daijiro Kodama Executive Officer, General Manager, Energy Solutions Business Division

Strengths

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

Business Environment

Positive factors

- Continuing investment in LIBs due to government policies to promote the shift to EVs in each country
- Revitalization of investment due to the U.S. Inflation Reduction Act
- Demand for further speeding up assembly processes

Negative factors

- Price competitiveness of equipment on overseas markets
- Rapid expansion of demand, exceeding the production capacity of equipment manufacturers
- Intensifying competition due to entry of manufacturers from other industries

Review of the First Year of MT2024

Initiatives in V2030 and MT2024

				New business
Charging and discharging equipment	Cell manufacturing equipment	Material-related equipment	Engineering	
<ul style="list-style-type: none"> • Promotion of projects coordinated by the Company • Cost reduction by manufacturing at the delivery location, etc. 	<ul style="list-style-type: none"> • Package proposals to customers • Development of next-generation equipment and cultivation of manufacturers 	<ul style="list-style-type: none"> • Powder engineering by the Company • Manufacture of equipment in a locally complete manner in collaboration with partner companies 	<ul style="list-style-type: none"> • Coordination of projects led by the Company • Launch of overseas vendors by the Engineering Department 	<ul style="list-style-type: none"> • Sales of materials related to fuel cells and LIBs • Development of all-solid-state battery manufacturing-related equipment and cultivation of equipment manufacturers

TOPICS

Leading supplier of rechargeable battery manufacturing equipment

The Energy Solutions Business commenced sales activities as a new segment in April 2021, and we have progressively expanded the business amid the trend toward carbon neutrality. Based on an independent survey by the *Energy Business Review* (a specialist magazine covering all aspects of trends in the energy industry) published by ValleyMedia, Florida, U.S., the activities of the Energy Solutions Business were recognized with selection among the "Top 10 Battery Manufacturing Solutions Companies in APAC - 2023" and featured in the *Energy Business Review*.

We will continue to contribute to the development of the rechargeable battery industry, aiming for further business expansion.

DJK: connecting the manufacturing industry with manufacturing equipment manufacturers

Today, amid rapid growth in the rechargeable battery market, there is constant demand within the industry for equipment manufacturers that provide highly reliable manufacturing equipment and sound after-sales service. There are generally many obstacles, however, that prevent manufacturing companies from finding the optimal manufacturing equipment manufacturer on the market. DJK acts as an intermediary to facilitate this task. We boast over seven decades of experience in the industry, from research and development to giga-scale projects. We leverage our diverse engineering capabilities and equipment know-how to procure and supply optimal equipment from around the world.

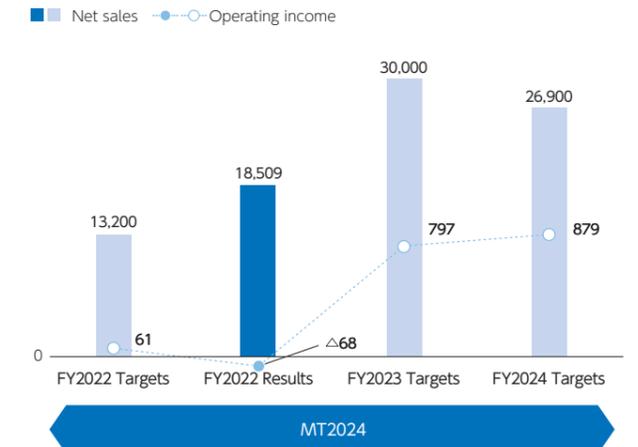
Using DJK's global supply chain, we provide highly reliable equipment and after-sales service to customers in a wide range of regions and environments. We also actively engage with the manufacturing equipment manufacturers, promoting joint design and functional development to ensure the manufacture of high-quality products for customers.



Business Overview

- Investment was vigorous in Japan and overseas, and the number of business negotiations increased. Sales have been in a cyclical lull but orders were the highest on record
- Increased the number of engineering members and strengthened management capabilities to address the increasing scale and complexity of projects. Coordinated with the Engineering Division to further strengthen our team and engage in thorough project management
- Engagement with Japanese, European and U.S. customers progressed smoothly, but there was insufficient engagement with the Chinese and South Korean markets, which dominate the LIB market. The development of differentiated equipment is an urgent task in China and South Korea, which boast of numerous local manufacturers
- Promoted the development of new equipment and initiatives in recycling-related businesses; aim for business development as the division's new pillar under MT2024

Net Sales / Operating Income (Millions of yen)



Industrial Machinery Business

Business Details

We provide production equipment, raw materials, and other products mainly related to automated assembly machines and surface treatment in a wide range of fields, including home appliances, housing equipment, food packaging, medical, motorcycles, and construction machinery.

In addition to our function as a trading company, we are working to strengthen the additional engineering capabilities we provide in our existing businesses. We aim to boost our presence, expanding and enhancing both existing businesses and new (medical and agricultural) businesses through a balance of aggressive and defensive initiatives. We will strengthen coordination across the DJK Group's global sales network and extend our business areas to expand our business with foreign companies.



Kenji Murabe Executive Officer, General Manager, Industrial Machinery Business Division

Strengths

- One Window Total Solution: an organization capable of engineering facilities from upstream to downstream
- Proposing environmentally friendly equipment and materials that incorporate our experience in a wide range of industries and the latest trends (energy-saving diagnostics, detoxification tower equipment, powder coating, marine biodegradable plastics, etc.)
- Global sales network with a team of engineers

Business Environment

Positive factors

- Rise of eco-friendly products and systems and increasing recycling needs
- Increasing demand for automated, labor-saving, energy-saving equipment due to the decline in the working population and soaring energy prices
- Movement toward domestic manufacturing in Japan and the shift of overseas manufacturing plants due to geopolitical risks

Negative factors

- Trend toward reducing disposable plastic products for deplasticization and decarbonization, and disparity between countries in the content and scope of environmental restrictions
- Rising costs due to soaring energy prices
- Longer delivery times for equipment due to labor shortages, etc.

Review of the First Year of MT2024

Initiatives in V2030 and MT2024

				New business
Molding machines	Medical	Strawberry seedlings	Additive manufacturing	
<ul style="list-style-type: none"> • Extrusion/Injection: promote efficient sales expansion by making full use of DX • Vacuum: strengthen overseas sales with demo equipment and manufacturing and sales of molded products 	<ul style="list-style-type: none"> • Acquire know-how, products, and commercial rights that can be sold turnkey • North and Central America: capture capital investment for automated manufacturing by Western medical device manufacturers • China and Asia: expand business mainly in sales of syringe manufacturing equipment 	<ul style="list-style-type: none"> • Balancing production system and sales at Daiichi Jitsugyo Berries Farm (Moroyama, Saitama) • Establishment of a system for cultivation of Japanese varieties in Mexico 	<ul style="list-style-type: none"> • Utilize demo equipment to expand sales to all DJK Group customers • Increase presence in the industry by providing not only machinery, materials, and sales, but also manufacturing services 	<ul style="list-style-type: none"> • Recycling business, handling of environmentally friendly products, and taking on the challenge of manufacturing

TOPICS

Expanding business with globally developing foreign companies

In the Industrial Machinery Business, we have established a medical department specializing in the sale of equipment for the manufacture of medical equipment, and we are ramping up sales. Although still in the process of market development, we are making steady progress in understanding the market and building relationships with customers. We already have some business with foreign companies in North and Central America concerning manufacturing equipment for disposable medical equipment (catheters, syringes, dialyzers, blood bags, etc.). Going forward, we will expand the geographical area of our medical equipment business beyond North and Central America as an equipment supply partner to foreign companies doing business around the world.

The number of people suffering from lifestyle-related diseases is expected to increase due to the aging population and changes in diet, and we believe that the trend toward enhancing quality of life (QOL) will lead to further investment in self-medication kits and similar products. We are also seeing a rapid rise in the need for automation and labor-saving, both in Japan and overseas, as manual tasks such as product assembly become unsustainable due to labor shortages. We will progressively develop suppliers in Japan and overseas specializing in the medical field and offer global automation proposals to further strengthen our medical equipment business.



Business Overview

[Molding machines]
Business performance was stable. Launched full-scale sales activities utilizing demo equipment to strengthen sales overseas

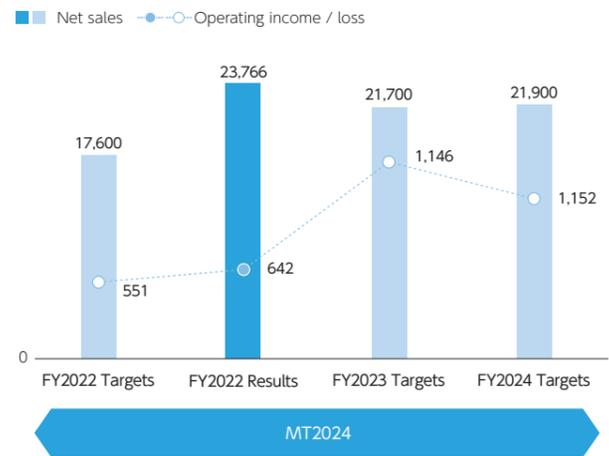
[Medical]
Captured demand for automation at medical facilities to build a track record of business with foreign companies for medical equipment

[Strawberry seedlings]
Production systems are now complete. Launched a dedicated sales team to secure customers and promoted activities encompassing the sale of cultivation systems

[Additive manufacturing]
Achieved sales of products made by Stratasys, a world-leading manufacturer of resin-based 3D printers. We aim to expand the business by enhancing our product lineup through collaboration with other new manufacturers

[New business]
Continued to present proposals based on the situation to address heterogeneous and diverse market needs (biodegradable plastics, recyclable resins, paper products)

Net Sales / Operating Income (Millions of yen)



Electronics Business

Business Details

In the field of digital electronics-related manufacturing, we mainly provide various types of equipment such as electronic component mounting lines, semiconductor and LCD module assembly equipment, and peripheral equipment.

While maintaining our high market share in the electronics industry, we aim to reinvest the experience and know-how we have developed over many years back into society and build a base for industrial and technological innovation through equipment sales and solution proposals, aspiring to realize a fair society. We provide solution proposals for factory automation, unmanned operation, and systemization. We aim for realizing a sustainable society where everyone can continue working, not only in the electronics industry but also in a wide range of other fields.



Keiji Yamamoto Executive Officer, General Manager, Electronics Business Division

Strengths

- Providing solutions to reform manufacturing processes with its state-of-the-art technology and experience, mainly for electronic component mounting-related systems, electronic device systems, and automation equipment
- With the global environment for the electronics industry undergoing significant changes, we support our customers' global expansion, not only by providing equipment but also through our global support system and the provision of accurate information

Business Environment

Positive factors

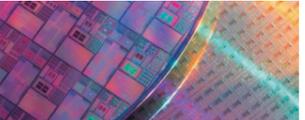
- Increasing need for high-speed mounting equipment due to even higher functionality in electronic devices
- Expanding demand for automation in response to the decrease in the working population and digital transformation (DX)
- Expanding government support for the semiconductor business

Negative factors

- Rise of emerging manufacturers in the high-speed mounting equipment category
- Shortage of expert human resources, equipment manufacturers and products in the factory DX business
- High barriers to entry into the semiconductor business

Review of the First Year of MT2024

Initiatives in V2030 and MT2024

 <p>Electronic component mounting equipment business</p> <ul style="list-style-type: none"> • Capturing equipment demand as Chinese companies expand into the South Asia-Europe region 	 <p>LOGITO</p> <ul style="list-style-type: none"> • Expanding sales of smart logistics systems from Japanese mother factories to overseas factories • Expanding services outside the electronics industry through collaboration with other business segments 	 <p>Semiconductor business</p> <ul style="list-style-type: none"> • Increasing the number of employees in Greater China and strengthening the sales expansion system • Expansion of sales rights for leading production equipment in China, South Korea, and Taiwan, and receipt of orders 	<p>New products</p> <ul style="list-style-type: none"> • Establishment of LOGITO consortium using the laboratory* <p><small>*Established in June 2023.</small></p>
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TOPICS

Establishing a laboratory to provide advanced technologies to the world

In a rare step for a trading company, we have established a laboratory to assist us in rapidly evolving from the sale of products into a corporate group that provides new technologies and construction methods, creating opportunities and ideas for our customers to consider factory DX and smart factories as the next-generation engineering trading firm. Japan is a step behind the rest of the world in the field of factory DX and smart factories. Moreover, the business environment for industries is undergoing significant changes such as the use of AI technology, robot technology, logistics automation, remote monitoring and operation, energy conservation and environmental measures. To address these changes, we will pursue research and development, together with tie-ups with outstanding manufacturers in Japan and overseas, to provide our customers with new technologies, processes, and value; not only in response to their current conditions but also in anticipation of possible changes in the future.

At present, the laboratory is engaged in the following initiatives:

- (1) Full automation of incoming and outgoing stock of electronic components at production sites
- (2) Software development to enable predictive maintenance, task analysis, and environmental countermeasures through the visualization of production processes at factories
- (3) WCS* development for centralized control of intra-process transportation at factories and warehouse management at storage yards
- (4) Development of systems that use AI cameras to analyze the flow lines of people and objects and verify waste reductions and efficiency improvements

The laboratory not only creates new value but also takes on the role of providing the new technologies created here into the wider world.

In the future, we will establish in-house venture companies born from this laboratory, building a mechanism to provide opportunities for many young employees to learn management skills.

*WCS: Warehouse Control System



Business Overview

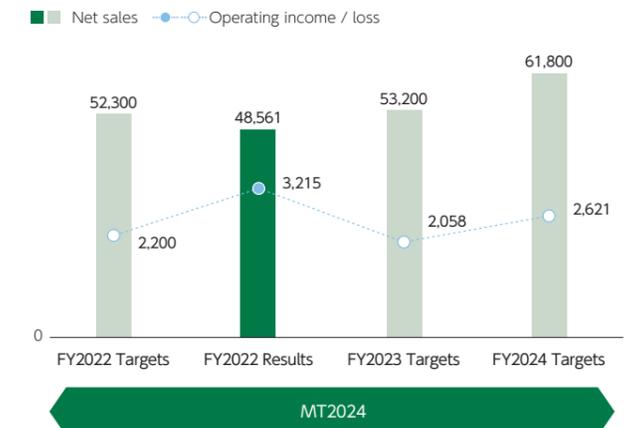
[Electronic component mounting equipment business] Progressively shifting from product-only sales to a products and integrated solutions business model; captured a wide range of orders in Japan, mainly from in-vehicle-related and EMS companies; successfully captured orders for large-scale projects overseas, mainly in China

[LOGITO] Succeeded in obtaining a wide range of business inquiries and orders through enhanced digital marketing; expanded the range of manufactures whose products we handle

[Semiconductor business] Demand for package substrates was robust, mainly in China, Taiwan, and South Korea, but the market weakened rapidly in the second half

[New products] Established a laboratory to research and develop cutting-edge, next-generation technologies for manufacturing in June 2023

Net Sales / Operating Income (Millions of yen)



Automotive Business

Business Details

We provide plastic material forming equipment, processing machines, assembly and inspection equipment, and other equipment for the manufacturing processes of automotive body parts, electric powertrains, and automotive electrical components. In recent years, we have been focusing on reducing CO₂ emissions in the manufacturing process and creating smart factories.

In the Japanese and Americas markets, we are riding the wave of strong sales of EHV, following investment in plastic processing machines, electric powertrains, and electrification products, based on the concept of next-generation mobility. We are also leading the Japanese market for the giga-casting technology that many OEMs and parts suppliers aim to introduce. We will start to prepare sales systems for this equipment and respond to other changes in manufacturing methods with overseas expansion in our sights.



Hajime Fujii Executive Officer, General Manager, Automotive Business Division

Strengths

- Promotion of highly specialized projects in the fields of vehicle bodies, drives, and devices
- Technical support through our extensive experience in engineering, including for capital investment in machinery, control, assembly, and painting
- A track record of transactions on a global scale with OEMs and mega-suppliers leading the automotive industry
- Presence of reliable business partners

Business Environment

Positive factors

- Expansion of carbon neutrality-related investment
- Expanding investment in electrification products
- Expanding demand for power devices due to the spread of electrification products

Negative factors

- Shrinking share of the Chinese market held by Japanese automakers
- Delayed expansion into the electrification market by internal combustion engine manufacturers
- High barriers to entry into semiconductor-related businesses

Review of the First Year of MT2024

Initiatives in V2030 and MT2024

Vehicle body area	Driver area	Device area
<ul style="list-style-type: none"> • Flexible vehicle body assembly process • Initiatives for next-generation vehicle interior space items • Adaptation to multi-materials for vehicle body weight reduction • Capturing demand for renewal of large injection molding machines (from hydraulic to electric) in line with the promotion of carbon neutrality 	<ul style="list-style-type: none"> • Drive motors: enhance engineering functions in the manufacturing process • Inverters: strengthen proposals for all inverter processes, including thermal management • Batteries: initiatives related to batteries manufactured by the automotive industry • Initiatives for essential products associated with electrification (e.g., electric compressors and water pumps) 	<ul style="list-style-type: none"> • Autonomous driving: develop commercial products targeting related products • In-vehicle semiconductors: initiatives in semiconductor front-end processes, where demand is increasing due to electrification and autonomous driving • Thermal management: initiatives for thermal management, which will become important with electrification (in cooperation with the driver area)

TOPICS

Addressing the accelerating market for electric vehicles

The automotive industry is undergoing dramatic structural changes amid the worldwide push for carbon neutrality. The global share of electric vehicles is forecast to expand rapidly over the next decade. This is expected to lead to a rapid expansion in demand for electrification products.

Especially vigorous growth is anticipated in the electric powertrain field due to the spread of electric vehicles. We have strategically pursued initiatives for various next-generation key products based on the concept of next-generation mobility since the time of the previous medium-term business plan FACE2021.

In the motor and inverter fields, in particular, we have already received orders for production equipment from major customers, and we have established equipment sales and support systems in advance of the future launch of full-scale mass production by automotive parts manufacturers.

Going forward, we will pursue sales based on the theme of "giga-casting" in the context of demand for cost reductions, shorter manufacturing processes, and more efficient production of electric vehicles. We will engage in activities to capture full-turnkey orders, including for auxiliary equipment for the diecasting machines that we already sell.

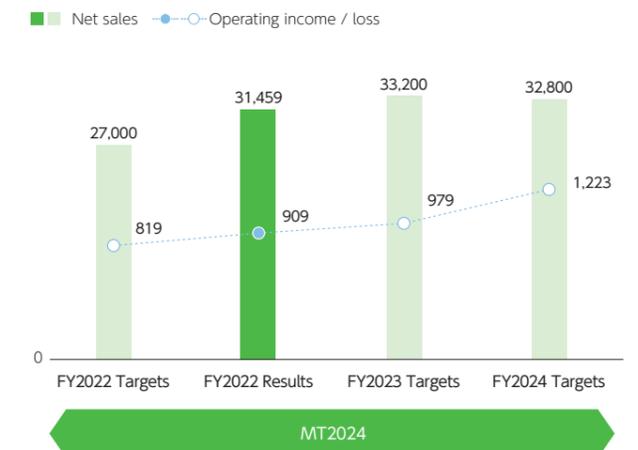
We perceive the automotive industry's transition to new production methods associated with carbon neutrality as a business opportunity, and we will continue to support the development of the automotive industry.



Business Overview

- Leveraged the advantages of our sales record to capture investment in carbon neutrality and power devices
- Orders associated with electric powertrain investment projects were strong due to customers' high regard for our engineering functions
- Succeeded in entering vehicle assembly processes and are working to expand orders through proposals using a broader range of potential manufacturers
- Progressively selling China-made conveyors for EV production lines, but full-scale investment is still in the future
- Continued to develop new partner companies for semiconductor manufacturing equipment and inspection equipment
- Steadily accumulated orders in the market for in-vehicle power semiconductors and progressing with the development of the autonomous driving market

Net Sales / Operating Income (Millions of yen)



Healthcare Business

Business Details

We are engaged in a range of activities in the healthcare field, from the sale of tablet visual inspection machines, packaging machines, and other production equipment to production line engineering and product development.

We make maximum use of the unique know-how we have developed in the pharmaceuticals manufacturing field, as well as advanced technologies such as DX and AI, to pioneer new fields including health foods, cosmetics, and regenerative medicine. As a global provider of seamless health services, we contribute to human health by supporting healthcare-related companies around the world to dramatically increase productivity and quality.



Katsuhisa Kouzuki Executive Officer, General Manager, Healthcare Business Division

Strengths

- Development, manufacturing, sales, and after-sales service are all provided by the DJK Group
- Maintained the top share of the tablet visual inspection system industry for more than 40 years
- Solid customer base as a basis for development and sales in the healthcare area
- Engineering system specializing in equipment (surveys and proposals on everything from the combination of each process to operational methods)

Business Environment

Positive factors

- Rising demand for automation resulting from labor shortages
- Increased health consciousness due to higher living standards
- Rising willingness to make investments associated with the use of digital technologies and DX promotion

Negative factors

- Stagnant growth in the Japanese pharmaceuticals market resulting from government policies to reduce drug prices due to the decreasing birthrate and aging population
- Pressure on profits due to the soaring prices of pharmaceutical ingredients and an increase in companies curbing capital investment
- Downturn in special demand for equipment due to the alleviation of supply shortages for generic pharmaceuticals

Review of the First Year of MT2024

Initiatives in V2030 and MT2024

Daiichi Jitsugyo Viswill business	Engineering	Life sciences
<ul style="list-style-type: none"> • Expansion of inspection target area (other industries/products for other processes) • Utilize inspection information as an asset and develop new business (AI inspection, etc.) • Overseas market development 	<ul style="list-style-type: none"> • Planning and proposal of production lines that dramatically improve productivity and quality • Development of business from sales of individual packaging machines to packaging line coordination through planning and proposal of both sales and maintenance services • Developing new industries, new processes, and new commercial rights through the application of previous planning and proposals • Expansion of digital platform business through DX elements • Entry into the field of in-factory logistics 	<ul style="list-style-type: none"> • Development of new processes in the field of regenerative medicine • Investment in equipment and technology development in line with the proliferation of new modalities • Expansion into European and U.S. markets

TOPICS

Providing IT engineering services to support the achievement of Pharma 4.0

Medical products such as pharmaceuticals, medical equipment, and regenerative medicine are special products that affect human life, and their manufacture is stringently regulated.

The International Society for Pharmaceutical Engineering (ISPE) has proposed the idea of Pharma 4.0, the pharmaceutical version of Industry 4.0, to promote the shift of pharmaceutical manufacturing to smart factories while maintaining compliance with these stringent regulations. The reality, however, is that, hampered by regulation, the digitalization of pharmaceutical factories is lagging a long way behind other industries.

In addition to leveraging our expertise in the engineering of production equipment, we have recently undertaken engineering in the IT domain, to

assist our customers in the pharmaceutical industry to achieve Pharma 4.0.

We provide various solutions that combine a high level of quality control with improved operation, such as production data collection systems for the collection and centralized management of important product quality data from production equipment, data integrity systems to digitally achieve data integrity, and biometric security systems to ensure the identity of workers for important tasks.

We leverage the strength of our extensive knowledge of pharmaceutical production equipment and related regulations to support the mission of pharmaceutical companies to deliver safe and secure drugs to patients through IT engineering.



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Business Overview

[Daiichi Jitsugyo Viswill business]

- Launched product development using the dual approach of expanding inspection target areas and utilizing information assets, achieving greater clarity on the issues that face us
- Pushed ahead with the restructuring of sales networks utilizing both DJK's global network and sales agents for overseas market development and successfully captured new project orders in Europe

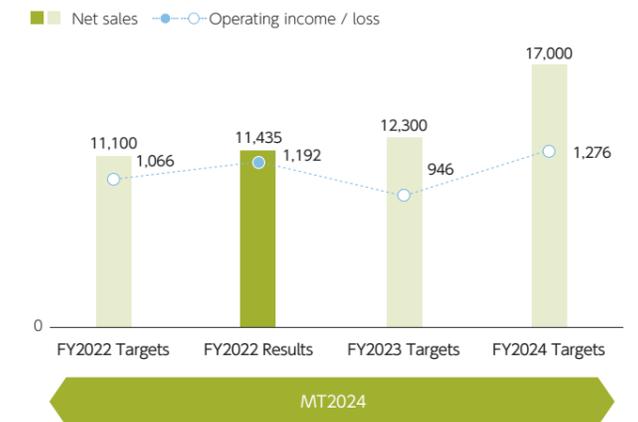
[Engineering]

- Received orders for several large projects thanks to the success of our planning and proposal activities for packaging processes
- Project management is our main issue going forward, as we strive to establish solid production processes for our project orders

[Life sciences]

- Development of processes in the field of regenerative medicine progressed smoothly and there was also an increase in actual projects. Took another step from the development stage toward commercialization
- Overseas market development is progressing, mainly in Europe and the U.S.

Net Sales / Operating Income (Millions of yen)



✈️ Aviation & Social Infrastructure Business

Business Details

In the aviation and airport field, we mainly provide ground support equipment for aircraft and various related equipment, and in the disaster preparedness field, we mainly provide specialized vehicles and various related equipment.

As an important supporter of public infrastructure, including aviation, we promote innovation in the aviation industry and provide highly efficient, high-value-added equipment and services. Through the provision of these products and services, we support people's safe and secure lives, contribute to the realization of a sustainable society, and aim to be the only one of its kind.



Kei Yasuhira General Manager, Aviation & Social Infrastructure Division

Strengths

- High recognition in the aviation industry and strong customer base
- Strong business partners and their networks
- Extensive track record for delivery in government projects
- Knowledge accumulated through many years of experience by our in-house service department

Business Environment

Positive factors

- Trend toward personnel and labor savings and automation due to soaring personnel expenses and labor shortages
- Recovery of inbound demand
- Investments in decarbonization
- Increase in defense budgets

Negative factors

- Limited and conservative market; relatively small market scale as a niche field
- Instability of the industry, which is susceptible to external factors
- Supply chain problems (increasing costs, longer delivery times)

Review of the First Year of MT2024

Initiatives in V2030 and MT2024



Airports and aviation

- Aggressive development of new products such as workload and workforce-reducing, unmanned, and automated items
- Adding high value to existing items and adding new functions
- Provision of high value-added services



Disaster preparedness

- Nationwide expansion of equipment for general road use
- Expansion of security-related equipment to other industries



Customer support (CS)

- Investment in failure diagnosis AI systems
- Proposal for ground support equipment equipped with image recognition AI system and deployment in other specialized vehicles

New business

- Implementation of feasibility study of wind power generation and proposal of smart energy storage system

TOPICS

Transfer belt systems that contribute to reducing workforce and workload in ground support operations

Loading and unloading baggage and cargo onto and off aircraft can be a difficult task in which a large number of heavy items are handled manually in a short period of time in a harsh environment. On the other side of the walls and floors of baggage claim rooms, ground support staff handle the luggage from airline flights. In this business, we have continued to engage in various initiatives over many years, aimed at achieving personnel and labor savings and automation of baggage handling.

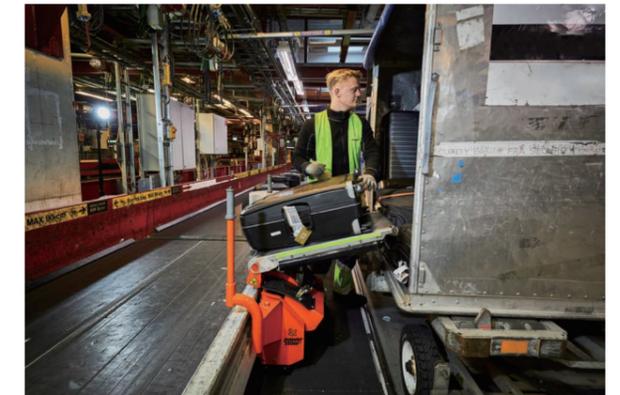
The transfer belt systems manufactured by Power Stow of Denmark, part of these initiatives, are machines that support the work of placing each item of baggage unloaded from an aircraft on the receiving conveyor belt.

Each airliner holds several hundred items of checked baggage, some of which may weigh over 30 kg.

International flights place an especially high burden on workers, as it is necessary to handle a high volume of large and heavy items in a short period of time.

However, this work represents an indispensable service for airline users.

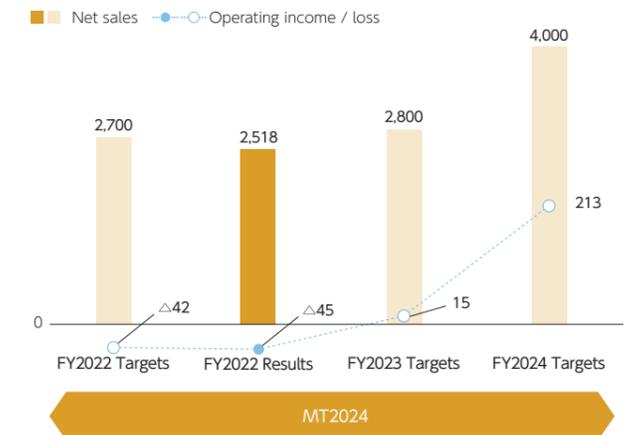
Transfer belt systems reduce the burden of manual work, contributing to a reduction in workforce and workload and an improvement in work efficiency and the labor environment. Through these systems, we will support the ground support staff responsible for working behind the scenes to ensure that passengers enjoy a comfortable flight.



Business Overview

- Orders were brisk due to the resumption of capital investment by airlines, as the recovery from the COVID-19 pandemic became clear
- Interest in proposals related to workforce and workload reduction and automation rose markedly due to the impact of the COVID-19 pandemic
- Supply chain problems due to wars and other factors resulted in soaring purchasing costs and longer delivery times

Net Sales / Operating Income (Millions of yen)



Overview by Region



Kanji Kubota President, SHANGHAI YISHI TRADING CO., LTD. (Senior Executive Officer, DAIICHI JITSUGYO CO., LTD.)

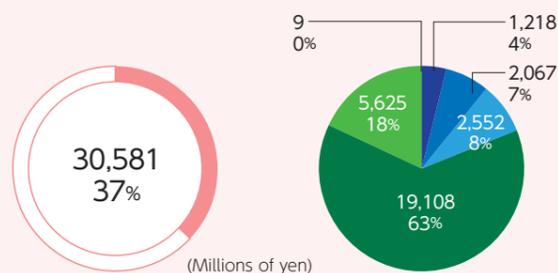
Strengthening our initiatives for environment-related equipment

A downturn in real estate markets has sparked a slowdown across the entire economy. This has been compounded by issues such as personnel shortages, a deterioration in the employment rate among young people, soaring personnel expenses, a slump in consumption, and tighter environmental regulation. Even in these conditions, some companies are achieving earnings growth, and it is important that we follow these growing companies.

We will continue to develop into an organization with engineering capabilities, as we have set forth under our medium-term business plan MT2024, and we aim to expand our business with Chinese companies. We will also work to further expand our business scale by handling environment-related equipment as an ESG initiative across all business divisions.

Focus Fields and Initiatives

- **Electronics:** strengthen efforts to catch up with companies relocating production bases from China to South Asia and Mexico
- **Automotive:** cultivate Chinese automotive parts manufacturers
- **Industrial Machinery:** expand sales of vacuum thermoforming machines by effectively utilizing the Technical Center
- **Plant & Energy:** strengthen sales promotion of decarbonization and environment-related equipment
- **Energy Solutions:** expand sales of products of Chinese equipment manufacturers in Europe and Asia



Masao Hiwatari Managing Director, DAIICHI JITSUGYO ASIA PTE. LTD. (Executive Officer, DAIICHI JITSUGYO CO., LTD.)

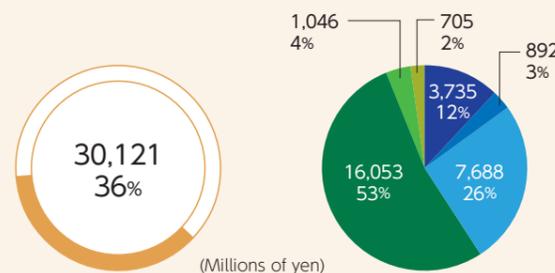
Strengthening our system to respond to the vigorous Indian market

Our performance in the first fiscal year of the medium-term business plan MT2024 was driven by vigorous investment in automotive-related markets. The Electronics Business also performed strongly due to an increase in projects to transfer production away from China.

Business conditions have deteriorated this fiscal year, impacted by inventory adjustments for smartphones, PCs, home gaming-related and other products, as well as a sense of uncertainty over the Chinese economy. However, business remains brisk in some industries, such as those related to automobiles and air conditioning. In the Indian market, especially, we are working to strengthen our system to respond to vigorous investment.

Focus Fields and Initiatives

- **Electronics:** promote LOGITO related businesses that match the characteristics of each country and strengthen semiconductor related businesses
- **Industrial Machinery and Automotive:** expand business with foreign and local companies by enhancing engineering functions
- **Plant & Energy:** collaborate with local companies, mainly in Thailand and Vietnam, under the theme of decarbonization
- **Healthcare:** cultivate the pharmaceutical industry in India and the ASEAN region
- **Other:** aim to expand each business in India by bolstering personnel and bases



Keisuke Nishii President, DAIICHI JITSUGYO (AMERICA), INC. (Executive Officer, DAIICHI JITSUGYO CO., LTD.)

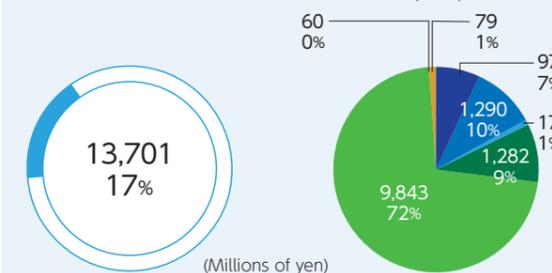
Strengthening sales and support through the establishment of the US's Engineering Department and new bases

Our core Automotive, Electronics, Energy Solutions, and Plant & Energy businesses all performed smoothly in the first fiscal year of the medium-term business plan MT2024. In addition, we were able to capture orders for large-scale coating equipment in the Industrial Machinery Business in Mexico.

This fiscal year, we will focus on anticipated capital investment in areas such as automated assembly lines for key EV components in the Automotive Business, large-scale furnace projects for LIB materials in the Energy Solutions Business, mounting equipment for in-vehicle components in the Electronics Business, and automated assembly lines for medical equipment in the Industrial Machinery Business.

Focus Fields and Initiatives

- **Energy Solutions:** establish a new sales and service base in Austin, Texas, in the U.S. to bolster customer support and sales expansion
- **Automotive:** establish a new sales office in Lexington, Kentucky, in the U.S. to bolster customer support and sales expansion
- **Industrial Machinery:** sales of automated machines to major global medical equipment companies are growing rapidly in the healthcare and pharmaceuticals field. We will revise our product lineup for the pharmaceuticals field
- **Other:** recruit engineers in Tijuana, Mexico to expand our business region. We established the Engineering Department at our U.S. subsidiary in April 2023



Iraka Aoki Managing Director, DJK EUROPE GMBH

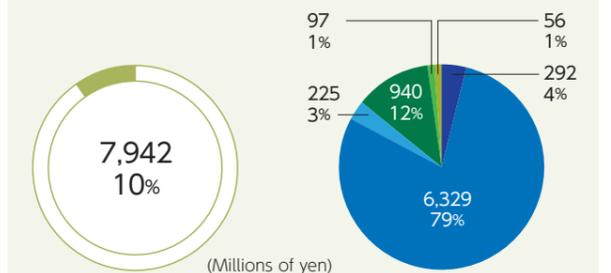
Further expanding EV- and battery-related businesses

Europe's economy has held up well, despite suffering from the invasion of Ukraine and the energy crisis. Our Europe subsidiary achieved its highest-ever profit in the first fiscal year of the medium-term business plan MT2024, substantially due to growth in the EV- and battery-related businesses.

The lifting of travel restrictions saw a revitalization of investment in the European market, as well as an increase in development themes. Our portfolio balance is progressively improving and we aim to continue to strengthen our system and expand our businesses to achieve the targets set forth under the medium-term business plan MT2024 and the V2030 growth strategy.

Focus Fields and Initiatives

- **Energy Solutions:** cultivate manufacturers of products related to anode materials and all-solid-state batteries
- **Aviation & Social Infrastructure:** cultivate new products to meet the demand for electrification in Japan
- **Automotive:** expand sales of next-generation component manufacturing equipment and develop business proposals to European automakers
- **Electronics:** expand into the MENA region and attempt front end engineering design



Pie chart / Left: overseas sales and ratio (destination basis) Right: area segment sales and ratio

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

Special Feature

Transforming into the Next-generation Engineering Trading Firm

Yasushi Marumoto Director, Managing Executive Officer

Strengthening engineering functions is our most important theme as we strive to achieve our vision to become the next-generation engineering trading firm. In April 2023, we established the Engineering Division to handle the increase in overseas projects and meet even higher technical demands. We will collaborate with engineers, promote information sharing and skill enhancement, and accelerate our efforts to bolster the engineering team and upgrade infrastructure to strengthen our on-site responsiveness.

Boosting our Project Management Capacity and Strengthening our Engineering Functions

Until now, we have mainly engaged in providing technical services incidental to the sale of machinery, ranging, for example, from the coordination of multiple units of equipment to post-installation after-sales service. These achievements have been highly regarded, and we have been involved in the establishment of production sites as our customers expand overseas. Many of our engineers now support production bases both in Japan and overseas. In recent years, with the increasing scale, complexity, and sophistication of projects, we have augmented our technical resources to meet the needs of our customers and boosted our project management capacity, including health and safety management. We also focus on technical support for manufacturing,

engineering requiring specialized knowledge, improving the yield of production lines, and other solution proposals linked to resolving production site issues, as we strive to strengthen our engineering functions. In an increasing number of cases, the technical advice and recommendations that we actively provide to our suppliers and partner companies enable them to gain hints for their product and technical development. We firmly believe that raising our total coordination capacity for technical support by structuring production lines with the optimal combination of equipment to function to the highest level while also achieving energy savings, will also enable us to strengthen our own engineering functions.

The Engineering Division: an Integrated Organization of Engineers

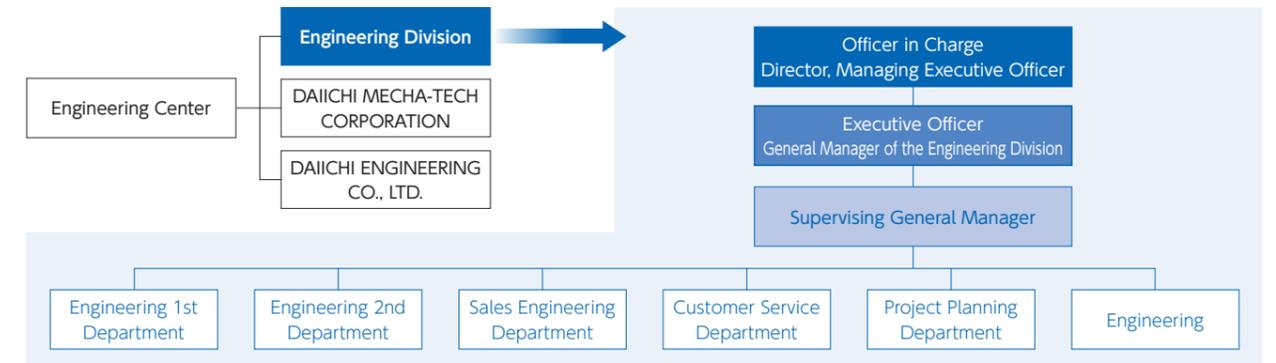
We established the Engineering Center in April 2021, providing all process management, from customers' consideration of the introduction of equipment to production support to the procurement, delivery, installation, and stable operation of this equipment. Through these activities, we have succeeded in capturing orders for an increasing number of projects in the Energy Solutions Business and Industrial Machinery Business, with many of our engineers

participating in projects in Japan and overseas. In areas such as lithium-ion battery manufacturing processes and automotive painting lines, especially, close examination by our engineers and their expert judgment has enabled us to implement risk management, including work safety and legal and regulatory compliance, supporting orders. In April 2023, we established the Engineering Division as an operating unit for technical services

under the umbrella of the Engineering Center. The Engineering Division gathers together the engineers previously scattered between each business division to form a group-wide integrated organization of engineers. It will engage in activities such as the selection and

enhancement of resources required to improve the internal technical infrastructure and carry out business operations. Moreover, through coordination with the sales divisions, it will provide technical support for the administration of project orders.

Structure of the Engineering Division



Recruiting Highly Specialized Human Resources and Constructing Training Systems Adaptable to Diverse Business Fields

We have gathered the engineers who were previously scattered between the various business divisions to establish a team of approximately 70 engineers, at present, as an integrated organization of engineers to provide technical services. Going forward, we plan to further boost human resources for immediate deployment, with the Engineering Division taking a leading role in recruitment, in coordination with each business division. We plan to utilize our existing personal networks to secure outstanding talent, actively recruiting engineers closely familiar with major engineering firms and each industry. Regarding training, we will structure a curriculum that is flexible enough to adapt to a range of different business fields, with a focus on passing on and continuing technical expertise. We also face the urgent tasks of introducing a personnel evaluation system to accurately evaluate our engineers, enabling them to

make full use of their abilities, and creating mechanisms that enable our engineers to map out a diverse range of career paths in line with their aptitudes. We have already started discussing these tasks with the relevant divisions.

Number of Engineers by Area of Specialization

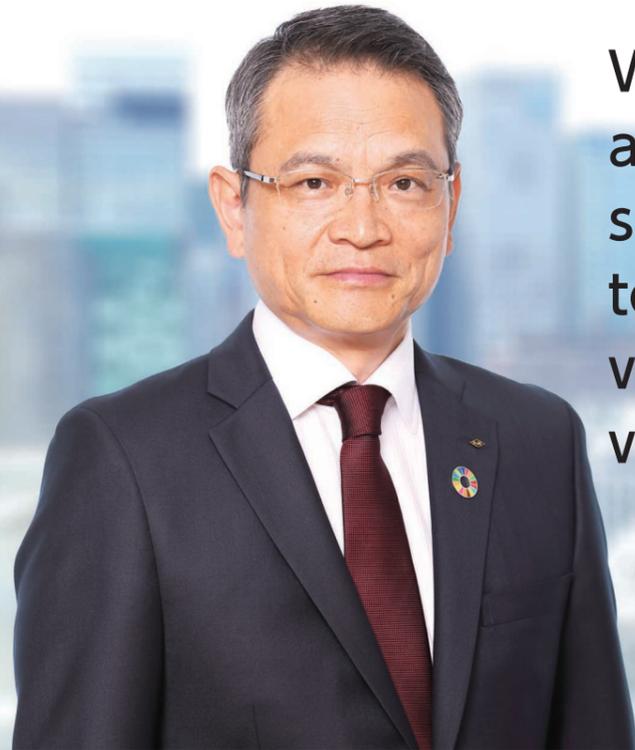


Strengthening Cooperation with Group Companies in Japan and Overseas to Provide Our One-of-a-kind Technical Services Globally

Going forward, the Engineering Division will lead stronger cooperation with DAIICHI MECHA-TECH and DAIICHI ENGINEERING under the umbrella of the Engineering Center. We will build mechanisms to enable complementarity between these organizations based on the various characteristics of each. This will include the recruitment and training of human resources. We will also actively engage in human resource exchange and other initiatives between Group companies and endeavor to boost the standard of engineering capacity across the entire DJK Group. Wave Engineering Corporation joined the Group in July 2023. We aim to integrate Wave Engineering's outstanding strength in simulation engineering with the Group's plant engineering capabilities. We expect this to lead to stronger engineering capabilities. Meanwhile, overseas, we have hired many local engineers in China and Southeast Asia and are already

providing technical services. Going forward, the Engineering Division will coordinate with engineers belonging to the overseas bases of Group companies to provide one-of-a-kind technical services. In Europe and the United States, specifically, we will address the increase in production of lithium-ion batteries associated with the trend toward electric vehicles to develop this business as a focus area. As an integrator, our engineering capabilities take a different approach to those of a conventional engineering company or EPC contractor. These capabilities, in combination with the trading company function that we have developed over DJK's 75-year history, will enable us to connect people and technologies, advancing toward our goal to become the next-generation engineering trading firm that contributes to manufacturing around the world.

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.

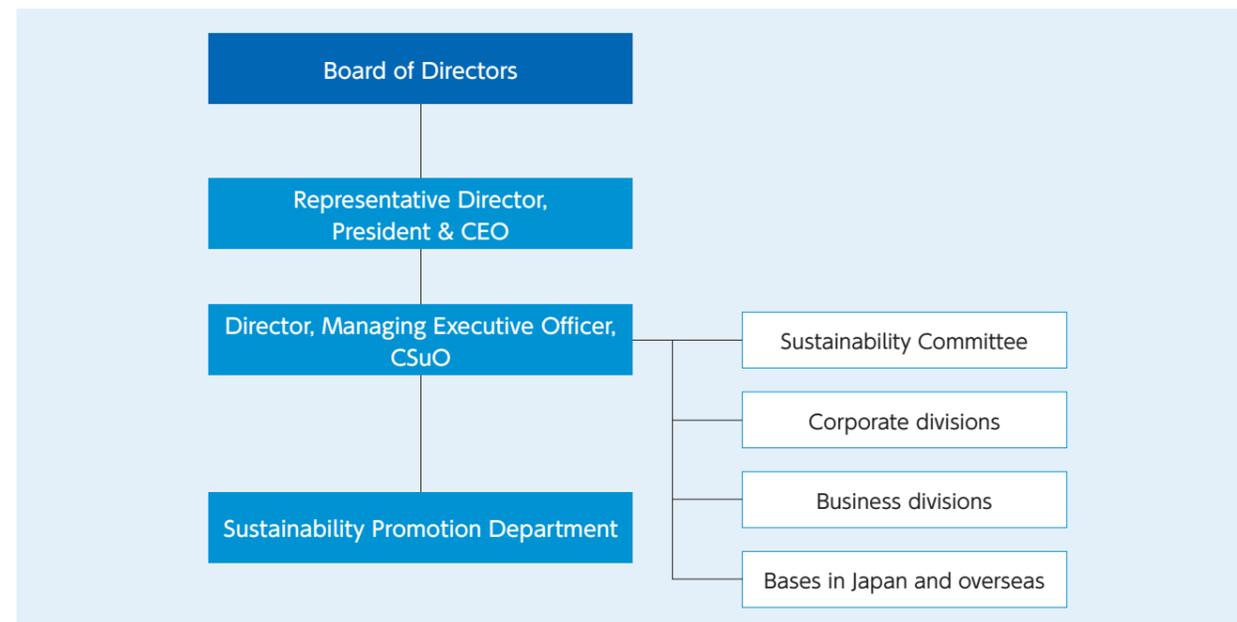
Sustainability

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

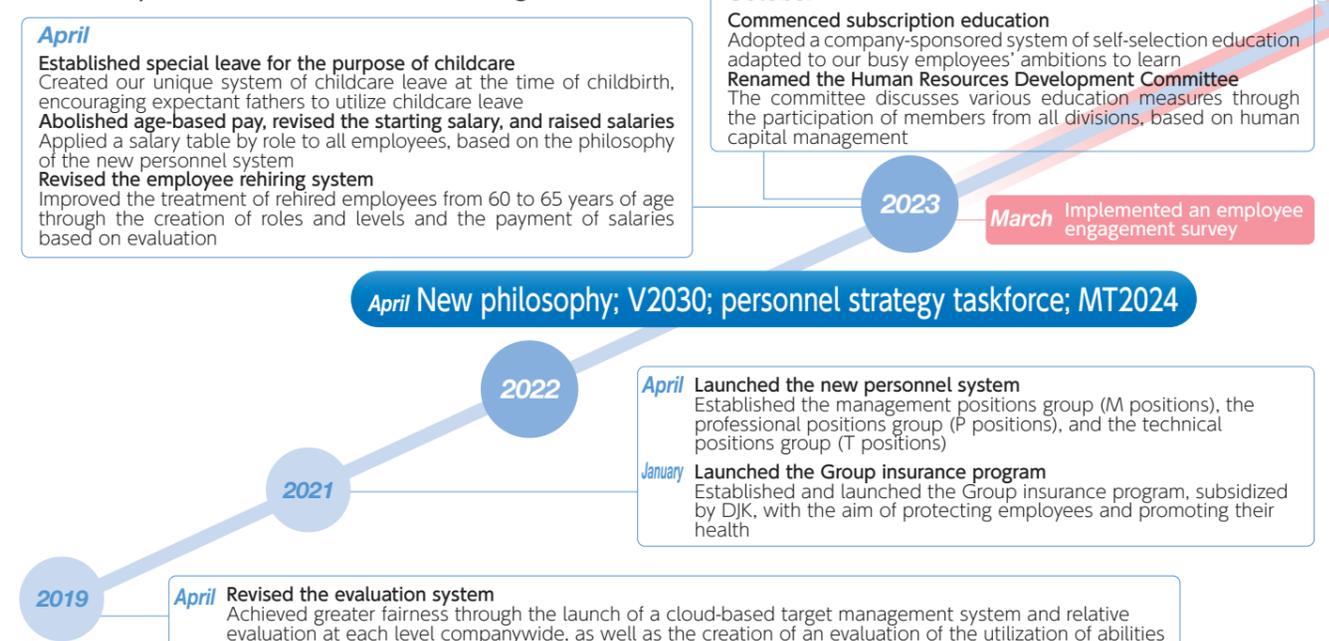
We launched the operation of DJK's new personnel system in the fiscal year ended March 31, 2022. Unlike the previous membership-style personnel system, the new system clearly defines the roles associated with each duty. Based on the main themes of developing human resources to lead the next generation 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	Measure	Target Value	FY2023 result	
Target 1	Ratio of female employees in career track positions: 10%	Recruit female new graduates into career track positions	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	59.7%
Target 3	Create rewarding workplace environments	Share the results of engagement surveys and improvement measures throughout DJK	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

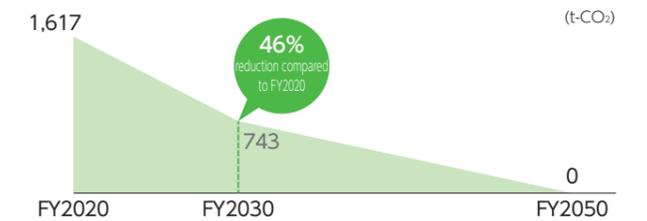
change risk, together with other risks, in line with DJK's strategies, based on the Risk Management Regulations.

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.

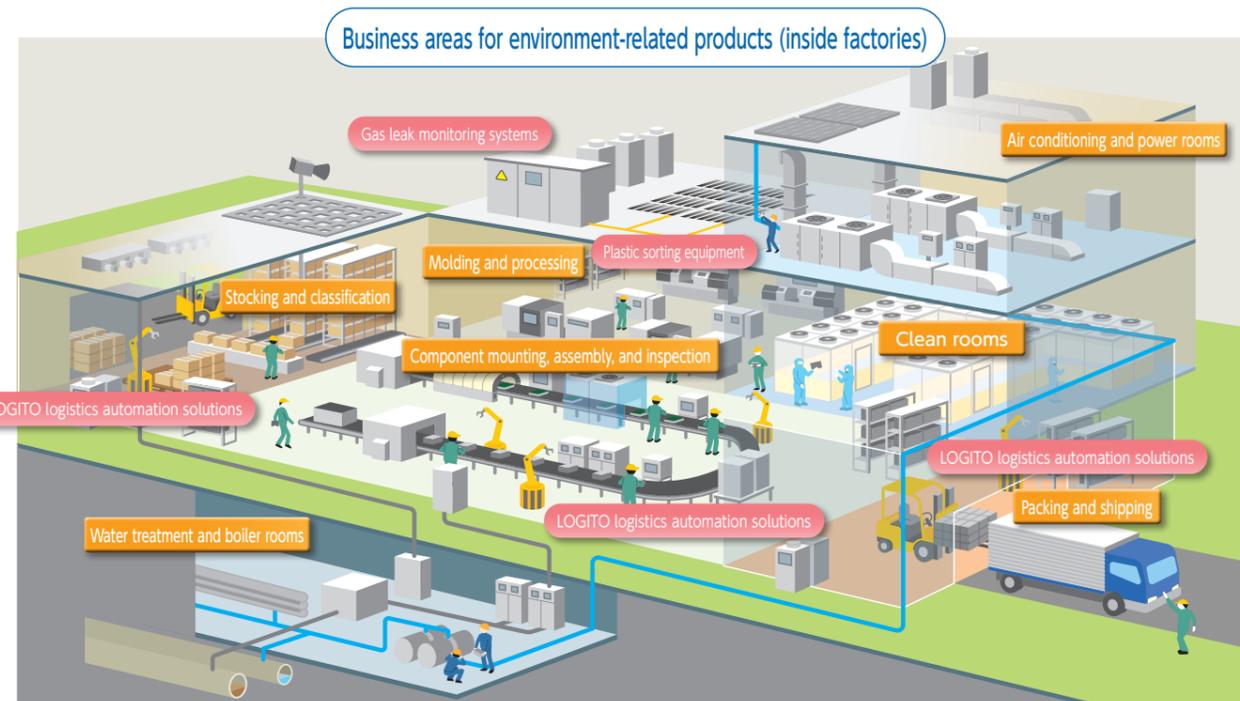


Environment

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.

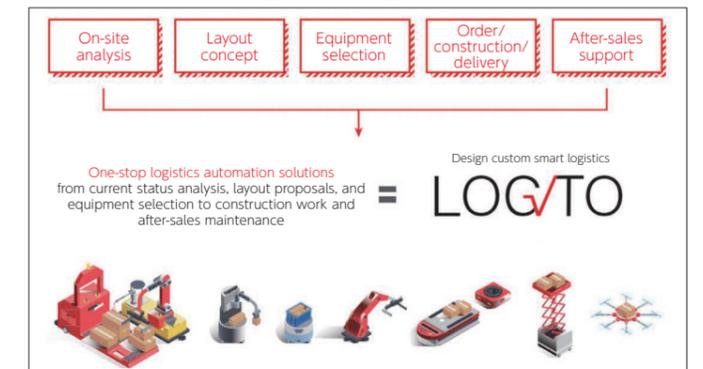


Contributing to the Sustainable Development of Industries through LOGITO

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

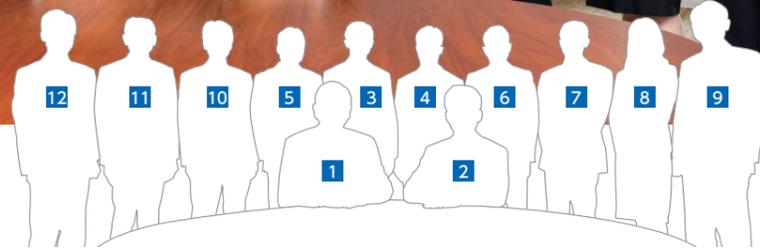
Yamada: I hope to make use of my experience as an attorney: for example, by expressing opinions on risks and other facets of various projects, including strategic business investment, from a third-person perspective. To that end, I need the ability to deliberately refrain from "reading the room," as 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 &

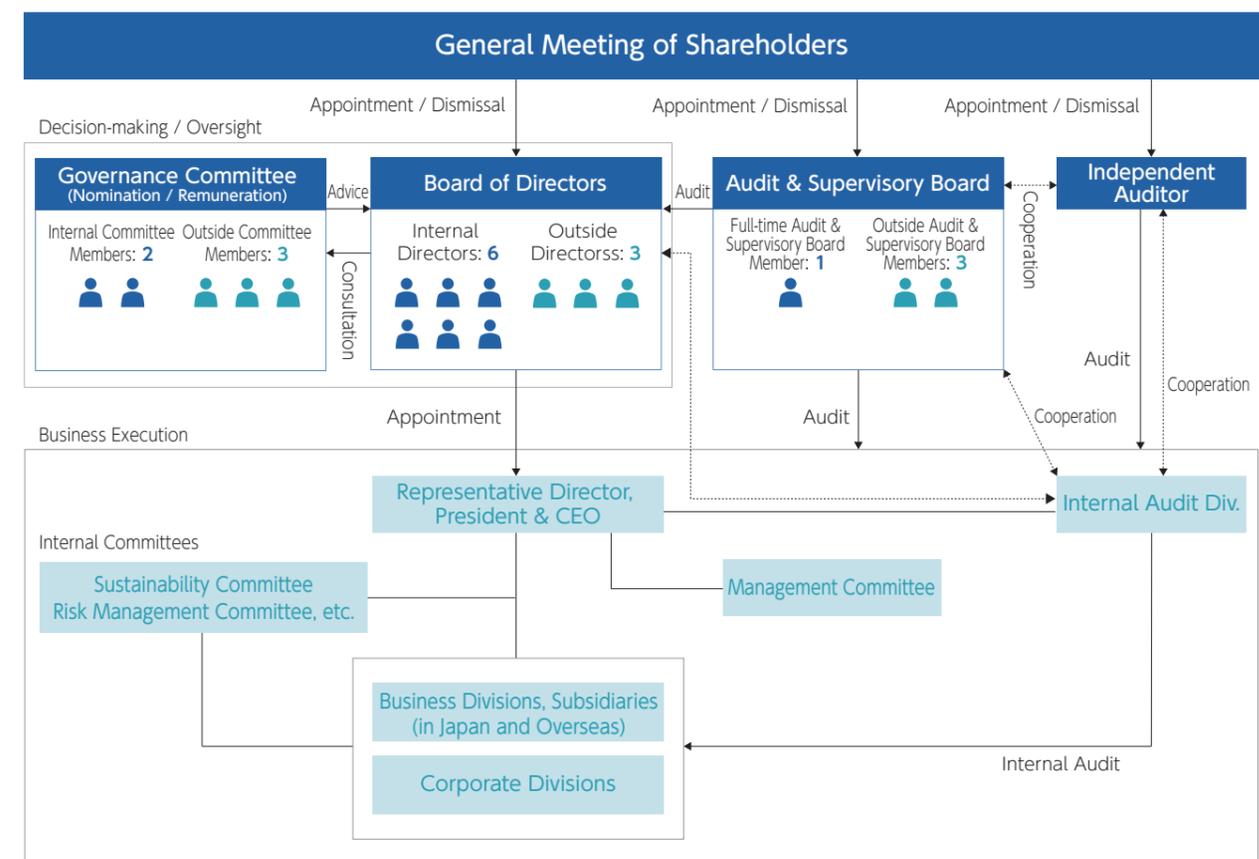
Supervisory Board member attends other important internal meetings to monitor the business execution performance of directors from an objective perspective. Audit & Supervisory Board members work to ensure the effective implementation of the audit by receiving reports on and explanations of the audit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

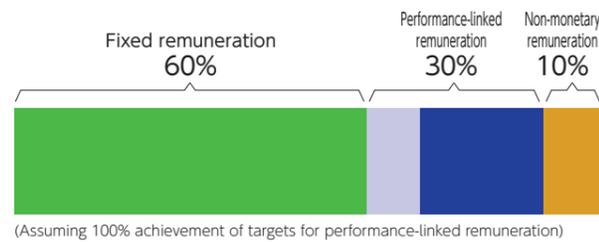
$$\text{Amount paid to each director} = \frac{\text{total performance-linked remuneration (Bonus A)}^{*1} \times \text{Coefficient of each director's position}^{*2}}{\text{Total coefficients by position}}$$

*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%.

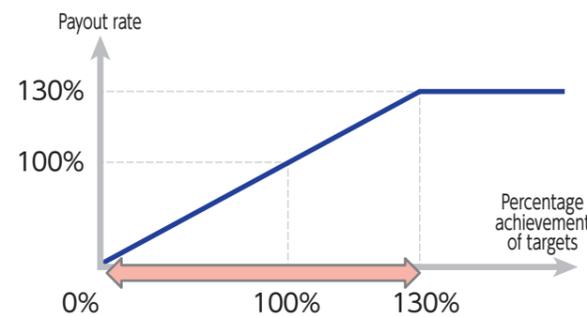
*2 Coefficient of each director's position

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

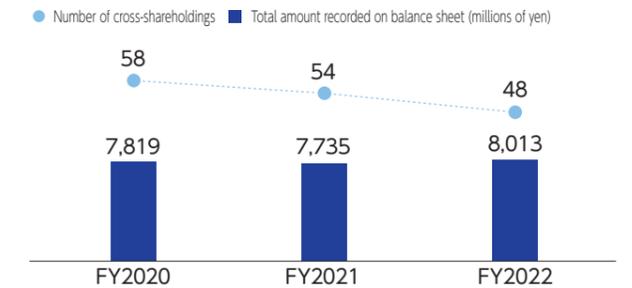
Officer classification	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)			Number of applicable officers
		Fixed remuneration	Performance-linked remuneration	Non-monetary remuneration, etc.	
Director	406	233	143	29	6
Audit & Supervisory Board Member	22	22	—	—	1
Outside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

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.

Consolidated 11-Year Financial Summary Year Ended March 31

	Millions of yen				Millions of yen								Thousands of U.S. Dollars (Note 1)	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023		
For the year:														
Net sales	¥ 128,229	¥ 122,102	¥ 143,361	¥ 124,177	¥ 154,120	¥ 185,686	¥ 161,891	¥ 161,476	¥ 140,029	¥ 148,075	¥ 153,674	\$ 1,150,859		
Gross profit	16,710	17,363	18,922	18,164	20,476	22,362	24,269	23,938	21,457	24,138	26,671	199,739		
Operating income	4,590	4,074	4,341	3,886	5,844	6,394	7,573	6,998	5,729	6,866	6,717	50,307		
Net income attributable to owners of parent*1	3,051	2,459	2,897	2,637	3,338	4,730	4,457	4,876	4,754	5,363	6,316	47,303		
Comprehensive income	4,485	3,430	4,482	1,480	3,781	5,391	3,759	3,890	6,764	5,944	7,237	54,201		
Overseas sales*2	67,441	61,387	78,610	57,965	76,096	75,707	80,769	75,784	65,586	79,112	82,367	616,844		
China	18,780	16,803	19,215	19,335	16,231	21,940	31,407	28,287	23,207	37,719	30,581	229,025		
Asia	40,059	30,361	37,056	25,575	37,402	36,539	32,124	32,998	23,868	25,108	30,121	225,580		
Americas	6,035	8,068	11,116	9,437	13,244	13,593	14,333	8,575	14,897	11,888	13,701	102,609		
Europe	2,289	1,527	3,946	2,174	8,799	3,379	2,815	3,044	3,459	4,368	7,942	59,477		
Other	276	4,626	7,276	1,443	418	254	87	2,877	152	27	20	151		
Depreciation and amortization	316	352	874	847	850	805	774	890	883	774	1,033	7,737		
Capital expenditures	1,065	1,052	4,050	968	937	525	387	1,166	1,050	720	837	6,270		
At year-end:														
Total assets	¥ 81,478	¥ 81,443	¥ 91,835	¥ 94,767	¥ 116,681	¥ 102,379	¥ 112,561	¥ 111,486	¥ 119,958	¥ 132,235	¥ 152,535	\$ 1,142,329		
Working capital	20,322	21,935	22,670	23,372	25,636	28,495	32,497	35,008	38,950	43,729	48,767	365,215		
Interest-bearing debt	7,486	8,809	11,035	10,711	9,289	8,409	7,802	7,850	7,805	7,631	5,882	44,051		
Total equity	29,013	31,197	35,310	36,006	38,794	43,194	45,710	48,446	53,845	58,722	63,658	476,732		
Per share of common stock (in yen and U.S. dollars)*3:														
Net income	¥ 57.97	¥ 46.45	¥ 54.46	¥ 49.24	¥ 62.47	¥ 443.97	¥ 418.31	¥ 456.38	¥ 444.70	¥ 501.02	¥ 591.91	\$ 4.43		
Cash dividends	15.00	18.00	16.00	17.00	95.0(19.0)	105.0(21.0)	110.0(22.0)	130.0(26.0)	130.0(26.0)	145.0(29.0)	178.0(35.6)	1.33(0.27)		
Shareholders' equity	545.78	586.85	659.44	669.51	726.61	4,042.28	4,274.47	4,521.29	5,023.70	5,470.86	6,013.95	45.04		
Other statistics:														
Number of shares of common stock outstanding (in thousands)*3*4	52,881	53,002	53,400	53,652	53,240	10,656	10,655	10,692	10,691	10,709	10,558	—		
Number of employees	1,043	1,069	1,080	1,064	1,097	1,134	1,167	1,209	1,229	1,258	1,319	—		
Key ratios (%):														
Gross profit margin	13.0	14.2	13.2	14.6	13.3	12.0	15.0	14.8	15.3	16.3	17.4	—		
Operating income margin	3.6	3.3	3.0	3.1	3.8	3.4	4.7	4.3	4.1	4.6	4.4	—		
Return on sales	2.4	2.0	2.0	2.1	2.2	2.5	2.8	3.0	3.4	3.6	4.1	—		
Return on assets	3.7	3.0	3.3	2.8	3.2	4.3	4.1	4.4	4.1	4.3	4.4	—		
Return on equity	11.2	8.2	8.7	7.4	9.0	11.6	10.1	10.4	9.3	9.6	10.3	—		
Asset turnover (times)	1.55	1.50	1.65	1.33	1.46	1.69	1.51	1.44	1.21	1.17	1.08	—		
Current ratio	139.8	145.4	143.4	142.1	134.1	151.2	149.7	156.4	161.0	161.3	156.4	—		
Equity ratio	35.4	38.2	38.3	37.9	33.2	42.1	40.5	43.4	44.8	44.3	41.6	—		
Debt-to-equity ratio	0.26	0.28	0.31	0.30	0.24	0.20	0.17	0.16	0.15	0.13	0.09	—		

Notes 1. U.S. Dollar figures have been converted from Japanese yen, for convenience only, at the rate of ¥133.53 to U.S. \$1.
2. Minority interests in equity has been excluded from equity when key ratio is calculated.
3. Shares have been restated, as appropriate, to reflect a one-for-five reverse stock split effected on October 1, 2017.
4. Treasury stock is excluded from the total number of shares issued.

Group Companies

(As of September 30, 2023)

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

Corporate Data / Investor Information

Corporate Data (As of March 31, 2023)

Company Name: DAIICHI JITSUGYO CO., LTD.
 Headquarters: Ochanomizu Sola City,
 4-6 Kandasurugadai, Chiyoda-ku, Tokyo
 Date of Establishment: August 12, 1948
 Paid-in Capital: ¥5,105 million
 Stock Exchange Listing: Tokyo Stock Exchange, Prime Market
 Securities Code: 8059
 Branches & Offices: Osaka, Nagoya, Tohoku (Sendai),
 Hiroshima, Fukuoka, Toyama
 Overseas Branches: Seoul
 Domestic Subsidiaries: 5
 Overseas Subsidiaries: 19
 Consolidated Subsidiaries: 17
 Number of Employees: Non-consolidated: 591 Consolidated: 1,319

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

*President & CEO Ichiro Uno
 *Senior Managing Executive Officer Ryuichi Ninomiya
 Director, Managing Executive Officer Masatoshi Ueno
 Director, Managing Executive Officer Yasushi Marumoto
 Director, Managing Executive Officer Osamu Fukawa
 Director, Managing Executive Officer Yuji Funawatari
 Outside Director Yoshikazu Sakamoto
 Outside Director Namika Yamada
 Outside Director Kazuo Nakayama

Full-time Audit & Supervisory Board Member Akihiro Kawai
 Outside Audit & Supervisory Board Member Toshihiko Matsumiya
 Outside Audit & Supervisory Board Member Mitsuyoshi Koyama

Managing Executive Officer Masahiko Mizumoto
 Managing Executive Officer Daisuke Ozono
 Managing Executive Officer Shigehiro Aoyama
 Managing Executive Officer Shinji Otsuki
 Managing Executive Officer Shoichiro Okada
 Senior Executive Officer Zenichiro Minami
 Senior Executive Officer Kanji Kubota
 Senior Executive Officer Takahiro Toyozumi
 Executive Officer Masao Hiwatari
 Executive Officer Daijiro Kodama
 Executive Officer Yuji Shika
 Executive Officer Katsuhisa Kouzuki
 Executive Officer Keisuke Nishii
 Executive Officer Keiji Yamamoto
 Executive Officer Kenji Murabe
 Executive Officer Hajime Fujii
 Executive Officer Kazuya Fukunaga

*: Representative Director

Common Stock (As of March 31, 2023)

Stock Information*
 Authorized: 32,000,000 shares
 Issued: 11,086,400 shares
 Number of Shares per Unit: 100 shares
 Number of Shareholders: 3,771

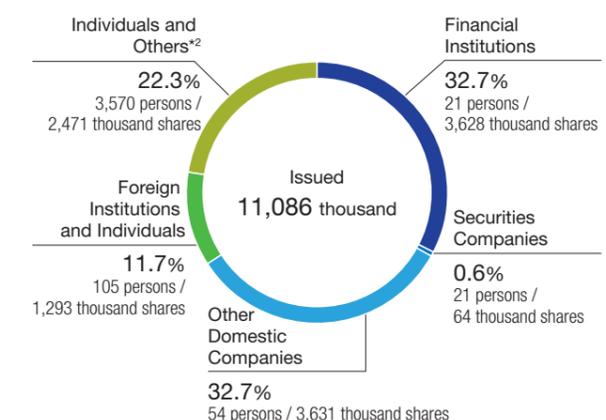
*Pursuant to the stock split (3-for-1 stock split) executed on October 1, 2023, the total number of authorized shares became 96,000,000 shares and the total number of issued shares became 33,259,200 shares.

Major Shareholders

Shareholder Name	Number of Shares Held (Thousand shares)	(% of total)*1
UH Partners 2, Inc.	1,013	9.59
The Master Trust Bank of Japan, Ltd. (Trust Account)	948	8.97
HIKARI TSUSHIN, K. K.	796	7.54
UH Partners 3, Inc.	686	6.50
MIZUHO BANK, LTD.	511	4.84
SUMITOMO MITSUI BANKING CORPORATION	511	4.84

*1 Percentages of total shares issued are calculated based on the total number of shares issued excluding 528 thousand shares of treasury stock.

Distribution of Ownership among Shareholders



*2 "Individuals and Others" includes 528 thousand shares of treasury stock (4.8%).

Information on DJK's corporate website

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

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



DAIICHI JITSUGYO CO., LTD.

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