

A Message from the CSuO

We aim to realize management that provides high social and economic value through the balanced allocation of management resources.

Yuji Funawatari Director, Senior Managing Executive Officer & CSuO

Toward achieving our vision

Our V2030 growth strategy calls for contributing to various stakeholders: customers, employees, suppliers, communities, and shareholders, and our basic strategy is to achieve a sustainable society by addressing our materialities. In light of this, our medium-term business plan MT2024 aims to continuously create social value and economic value based on our philosophy and Basic Philosophy on Sustainability.

In order to bring this plan to fruition, I took on the role of CSuO in April 2023 and simultaneously established the Corporate Sustainability Department. We are accelerating our initiatives by creating a promotion system centered on the Sustainability Promotion Committee (current Sustainability Committee), which was established in 2022.

The sustainable creation of social value and economic value sounds like a good thing, but it is difficult to put into practice. However, if we are to continuously increase our corporate value, even in such a rapidly changing business environment, it is important that we take on those challenges and become a company that is recognized by society for its *raison d'être* and is needed by society.

Getting closer to achieving our vision takes more than management simply asserting its message. On the front line of sales, we need to openly and honestly reexamine our current business, leverage our strengths, understand customer needs, and continue to think about how we can create both social value and economic value. With this in mind,

we not only communicated information but also proactively held in-house trainings and small meetings and also exchanged opinions with expatriate staff and non-Japanese employees.

I believe we are already seeing the results of this. I find it reassuring that young and mid-level personnel are proactively proposing projects that take into consideration sustainability and relationships with stakeholders. These proposals are under consideration by the Investment Management Reviewing Committee, taking sustainability considerations into account.

Corporate value

Lately, I have been hearing the phrase “corporate value” frequently within the Company. However, when I looked closely at the meaning, I was concerned that it varied considerably depending on the person and the context. With this in mind, the Sustainability Committee held a discussion on the theme of corporate value for the Company.

To realize the Group’s philosophy of “Connecting People, Connecting Technology and Enriching the World,” we must manage our business in a way that is inclusive not only of our shareholders and investors, but also of our employees, business partners, the global environment, and local communities. What is expected of us depends on their respective standpoints.

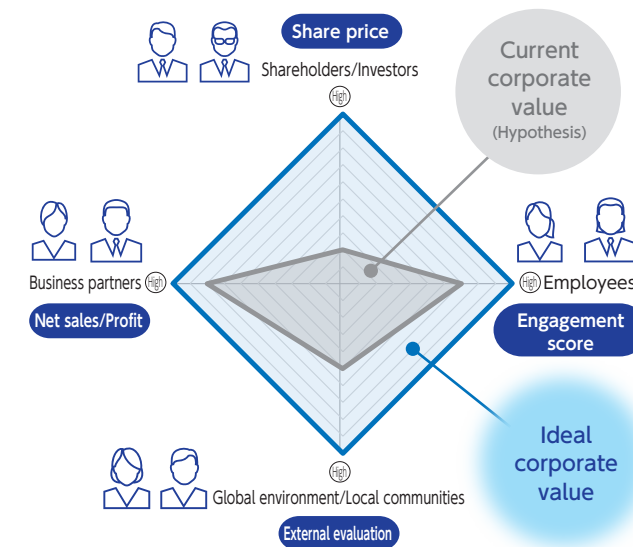
Firstly, our corporate value to our shareholders and investors is reflected in our share price.

For employees, corporate value is not only about

salary, but it is also about “job satisfaction” and “ease of working,” which include a sense of growth, and these are reflected in engagement scores. Our corporate value to our business partners is determined by how well we can solve customers’ issues; in other words, how much added value we can provide, which is reflected in our net sales and profit. Corporate value for the global environment and local communities is about how much we can contribute to solving social issues and enriching future generations, and this is reflected in various ESG-related indicators as well as ratings by external organizations such as CDP. The Sustainability Committee believes that maximizing the overall value for each stakeholder; that is to say, maximizing the area in the diagram below, will increase our corporate value.

The interests of these stakeholders are closely interrelated.

Approach to Corporate Value



The Group’s philosophy holds out “Enriching the World” as part of its mission and we believe that allocating limited management resources in a balanced way in line with this philosophy will enable us to achieve management that is both socially and economically valuable.

Based on this thinking, we will also reexamine our non-financial targets.

Materialities

In accordance with the establishment of our philosophy, we have identified five materialities. In particular, we are strengthening efforts with regard to our “contribution to a sustainable earth” as we believe that customer needs that are conscious of climate change are increasing year by year.

In FY2023, we conducted an analysis and issued a

report based on the TCFD recommendations, regarding the Plant & Energy Business, which is considered to be relatively susceptible to the effects of climate change. The process of setting up multiple scenarios and considering how each scenario would affect the Company’s business activities and how much financial impact it would have was a fresh perspective, and I feel that being able to incorporate this way of thinking into the Company’s management decisions was an important by-product.

In addition, we are promoting our efforts on climate change issues not limited to TCFD through our environmental management system (EMS). Each business unit and area selects the environmentally-friendly products that it will handle within its own organization, and runs the PDCA cycle using the sales performance of those products as KPIs. This fiscal year, the Company plans to further strengthen its efforts, including by streamlining its management methods.

We recognize that “improvement of quality management” is the foundation of our corporate value, and regard this as important. This fiscal year, we revised the DJK Group Code of Conduct to complement and further embody our philosophy. We believe that by ensuring that all Group employees intend to act in accordance with the code in their daily work, we will come closer to realizing our philosophy.

Regarding human capital, we renewed the scope of discussions by the Human Resources Development Committee in FY2023, and are aligning our management strategies with our human resources strategies and working to enhance employee job satisfaction and clarify career paths. In addition, with the aim of integrating general positions and career track positions, we have consolidated them as staff positions. Going forward, we will organize work content and compensation so that employees can choose the type of work that best suits their individual life plans. We will also improve treatment of management positions, and enhance career paths for technical positions. We already have many mid-career recruits holding important positions, and we are also working to promote non-Japanese employees to management positions at our overseas bases. We will work even harder going forward to promote women’s advancement as a breakthrough to ensure greater diversity and to build a stronger organization.

The Sustainability Committee recognizes that promoting women’s advancement is important to realize the Group’s philosophy and V2030 growth strategy, and began activities under the name “U&I Project” from the first half of this fiscal year

> [p.49 Sustainability](#)

Going forward, we will continue to take measures to enhance our corporate value without hesitation and meet the expectations of our shareholders, investors, and other stakeholders.



Sustainability

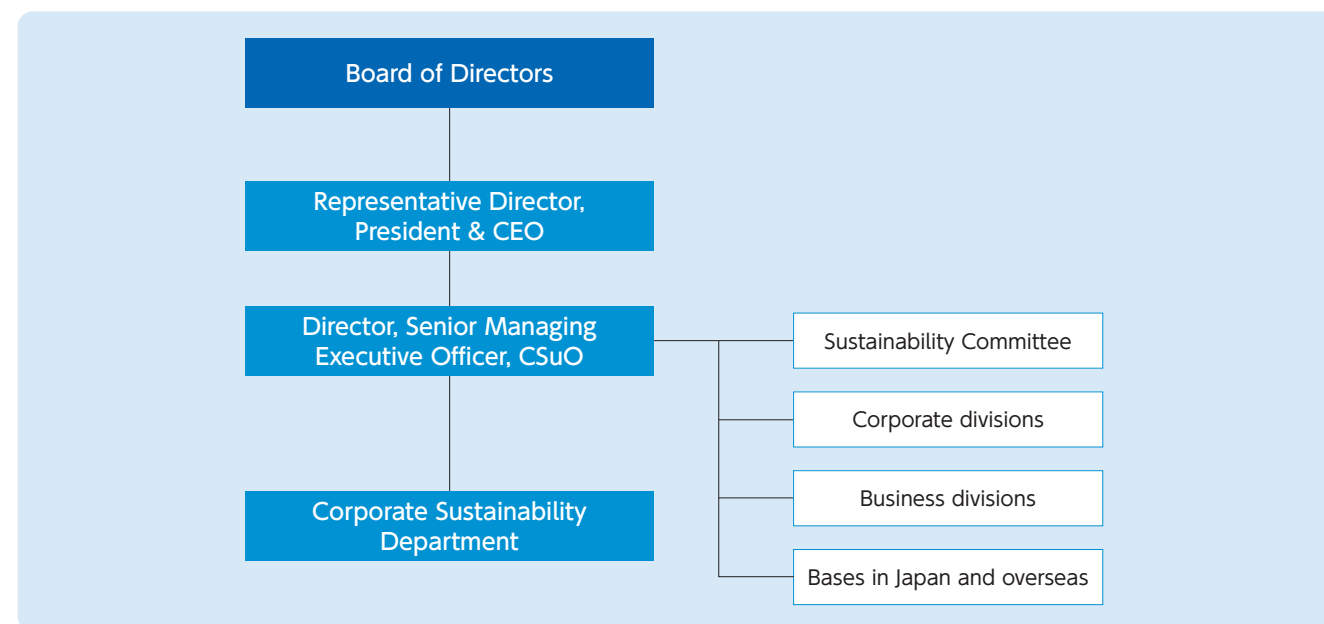
Sustainability

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, Senior Managing Executive Officer, Chief Sustainability Officer (CSuO) serves as the officer in charge. The committee meets twice a year, 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 established the Corporate Sustainability 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)

- Promotion of Women's Participation and Advancement > [See p.51 for details](#)
- TCFD scenario analysis
- Promotion efforts using the environmental management system (EMS)
- Review of materialities
- Initiatives for an effective BCP
- Initiatives for the respect of human rights
- Matters related to risk management
- Enhancement of corporate value

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.

STEP
1

- We have identified a wide range of issues based on stakeholder perspectives and the business strategies of each segment in our Group, referring to international guidelines such as SDGs and ISO 26000, and categorized them in terms of environment (E), social and economic (S), and governance (G).

STEP
2

- The issues listed in STEP 1 were prioritized in order of importance using a matrix consisting of two axes: importance to stakeholders (vertical axis) and importance to the Group (horizontal axis).

STEP
3

- The Board of Managing Directors* and the Board of Directors exchanged opinions on the specified process, the proposed materialities and the proposed materiality matrix, and confirmed their appropriateness. Materialities identified are reviewed and approved by the Board of Directors.

*Current Management Committee

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	Strategies
Contribution to a sustainable earth	<ul style="list-style-type: none"> ● Realization of a decarbonized society ● Realization of a resource-recycling society ● Protection of the natural environment 	In addition to reducing our own GHG emissions, we will continue to contribute to the environment through our business by proactively expanding sales of eco-friendly products, including carbon-free products. Utilizing the Group’s engineering capabilities, we will propose one-stop solutions with high environmental value and added value.
Contribution to sustainable development of industries	<ul style="list-style-type: none"> ● Utilization of advanced IT/AI ● Promotion of smart factories ● Providing safe & secure products 	We will strengthen the sales expansion of products that contribute to solving social issues such as the decline in the working population and skill transfer from experienced engineers, and contribute to reforming business processes and improving quality and productivity through advanced technologies.
Contribution to healthy, safe and secure lives	<ul style="list-style-type: none"> ● Improved safety with social infrastructure enhancement ● Providing well-being and high quality products development 	Utilizing our global network, we will sell value-added healthcare-related products to countries around the world, while strengthening our handling of products, including specialized vehicles that are essential for the improvement of infrastructure that supports lifestyles, thereby contributing to safe and secure lives on both an inbound and outbound basis.
Promotion of diversified human resources	<ul style="list-style-type: none"> ● Healthy work environment ● Sustainable ability development ● Talent management 	As part of our human resources strategy to promote diversity, we will promote the recruitment of women, non-Japanese personnel, and people with experience. As the first step toward realizing diverse workstyles suited to different life stages, we will proactively work to improve the environment to enable the advancement of women, which will lead to the diversification of our core human resources.
Improvement of quality management	<ul style="list-style-type: none"> ● Strengthening internal controls and governance ● Risk management ● Social contribution and harmony 	We will work to strengthen the functions of the Board of Directors, including with regard to nomination and remuneration, and will incorporate medium-to long-term issues into management decisions through companywide committees such as the Risk Management Committee and the Sustainability Committee. We will formulate and implement a business portfolio strategy that takes capital efficiency into consideration.

Initiatives to Ensure Diversity

U&I Project: Enhancing corporate value through diversity



In July 2024, we launched the U&I Project with the aim of enhancing corporate value by enabling the active participation of all employees. The name of the project embodies the idea that “you and I will create this together.” As the first step toward realizing diversity, we are holding roundtable discussions focusing on the advancement of women. The Corporate Sustainability Department serves as the secretariat and meets approximately once a month with a female outside director and six female employees from various positions groups and life stages to classify the issues for each life stage and organize their importance. We will consider issues that are regarded as highly important from multiple perspectives, including by conducting surveys of all employees, and propose countermeasures that are appropriate for the Company’s actual circumstances. Through these initiatives, we aim to foster a culture of mutual understanding and respect.



CSR Initiatives

Various social contribution activities

When a large-scale natural disaster occurs in Japan or overseas, we make donations to disaster relief efforts in accordance with established guidelines, hoping for the speedy recovery and restoration of affected areas. From FY2023 to FY2024, we donated relief funds through the Japanese Red Cross Society for the Turkey-Syria Earthquake, the Noto Peninsula Earthquake, and the Eastern Taiwan Earthquake. In addition, to support medical activities following the Noto Peninsula Earthquake, we lent the area our double-sided widening multi-purpose trailers, free of charge.

Furthermore, between January and March each year, the Company donates strawberries produced at Daiichi Jitsugyo Berries Farm in Moroyama, Saitama to medical workers at a nearby university hospital. Furthermore, when we replace our emergency stockpiles of water and food, we donate them to food bank organizations.

We will continue to expand the contribution activities we can undertake in response to various social issues.



Information Disclosure (ESG-related)

The Company is working on enhancing our disclosure of sustainability-related information.

• The Group's ESG scores

	2023	
CDP (climate change)	C	Evaluation started in 2023
S&P Global	22	Evaluation started in 2023
Ecovadis	35/100	Evaluation started in 2023
Toyo Keizai CSR	743rd/1,714 companies	Evaluation started in 2022



• Initiatives we support



Task Force on Climate-related Financial Disclosures



National Movement for New and Prosperous Lifestyles toward Decarbonization



Human Resources

Human Resources

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.

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

Specific Measures to Realize the Approach

- **Integrate general positions and career track positions**
 - Place particular emphasis on advancing women more than ever before, realize diverse working styles, and create a rewarding workplace environment
 - Change from a binary choice to a system that allows employees to make flexible choices about how they work depending on their life stage
- **Provide overtime pay to Manager and deputy general managers**
 - Reorganize the roles of middle management who act as on-site players and provide overtime pay
 - Improve the motivation of employees who drive on-site operations on the front line
- **Introduce 360° evaluations to division general manager trainings and promotion exams**
 - Ensure fair evaluations
 - Understand one's own characteristics and use them to make improvements
 - Build an organization that values dialogue
- **Improve the working and growth environment for engineers**
 - Implement skill maps to assign employees to appropriate jobs and develop them over the long term
 - Strengthen support measures for long-term overseas projects
- **Non-Japanese employees**
 - Currently implementing a personnel system modeled on the role-based level system at headquarters, and also emphasizing regionality
 - Education to instill governance, code of conduct, philosophy, etc.

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	For NEWCOMER Learning business basics Sharing corporate philosophy and history	For MID-LEVEL Learning business applications Cultivating the autonomy of mid-level personnel	Next-generation engineering trading firm Strengthen high-level expertise → Improve profit margin	Diversity promotion → Intercultural understanding → Earning power in the global market	Improve employee engagement Promote employee health	Improve the risk management abilities of senior managers and potential senior managers Continually deepen quality management
Personnel Investment	Implement group training for recent recruits Raise motivation to learn through fee subsidies Pay support and allowances for the acquisition of public qualifications	Implement training by positions group for mid-level personnel Raise motivation to learn through fee subsidies Pay support and allowances for the acquisition of public qualifications	Diversify graduate and mid-career recruitment activities Enhance health and safety education for construction Pay support and allowances for the acquisition of public qualifications	Diversify graduate and mid-career recruitment activities Revise the salary system by positions group and level	Promote various work style reform measures Cover the expense of Group insurance premiums	Select promising mid-level personnel Create opportunities for personnel changes to achieve greater versatility
Specific Measures	DJK WAY basic education Common education: Group training by level Individual education: Implement subscription education	Education in line with career design Common education: Group training by positions group Individual education: Implement subscription education to improve skills	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	Strengthen recruitment of women and foreign personnel Promote the use of the positions group switching system	Ensure an appropriate amount of overtime Promote the utilization of paid leave Employee engagement surveys	Experience in both business divisions and Administration & Accounting Division Create management opportunities at affiliated companies in Japan and overseas
Related Indicators / KPIs	Attendance rates for various group training sessions Attendance rates for subscription education	Attendance rates for various group training sessions Attendance rates for subscription education	Proportion of science graduates and mid-career recruits Participation rate in various education sessions	Proportion of women among core human resources Gender pay gap Proportion of foreigners among recruits	Overtime hours by division Paid leave utilization rate Results of engagement surveys	Manage the careers of potential senior managers based on a skill matrix
Business Strategies	Enhancing DJK's basic business strength			Boost employee motivation for work and growth		Ensuring long-term value-focused management
Financial Impact	Improve net sales growth rate and gross profit margin			Increase net sales and reduce SGA expenses		Improve invested capital efficiency
Capital Efficiency Indicators	Achieve scale expansion and improved profit margin					ROE of 10% or above

Human Resources Development Program

DJK's Human Resources Development Committee, composed of members elected from all the business divisions, the Engineering Division, and the Administrative division, meets four times each year. In addition, overseas human resources development committees, linked to four overseas areas of the Americas, Europe, Asia, and China, meet twice each year. The two 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. In FY2023, in order to further align our business strategies with our human resources strategies, we identified the "As is - To be" gap for each business division and overseas area, and created a new medium- to long-term training program by dividing training into that which is common to the entire Company (Personnel Department) and that which is specific to each business division. In addition to this program, we have introduced e-learning with a wide range of content to support each individual's independent career development. Furthermore, we will enhance our systems, including by utilizing the self-assessment reporting system that has already been introduced and the new open job posting system that is scheduled to be introduced, to enable individuals to realize their career aspirations and to develop diverse human resources, thereby promoting innovation and steadily implementing our V2030 growth strategy.

M positions group	P positions group	T positions group	OJT			OFF-JT			Acquisition of qualifications	Foreign languages	Engineering
			On-site experience	Expand areas of specialization	Challenges and cross experience	Self-discipline	People skills	Ability to deal with issues			
Management					Secondment to Group companies			Management knowledge			
					Transfer to overseas*						
Division general managers	IL	TS			Secondment to overseas*		Empowerment*	Organization management*			
	SP	T1			Transfer to another division			In-house seminars/sharing videos			
Manager/ Deputy general managers	PR	T2	On-site experience	Target management*	Transfer outside division		Training the next generation	Business knowledge e-learning	Qualification allowances and incentives	English language conversation	Risk management*
			Bosses and superiors	Transfer within division	Secondment to business partner		Leadership	Training sessions within division*		English learning apps	Health and safety management
Staff positions group						New senior staff				Cross-cultural communication*	Auto CAD
						5th year				English emails*	Mechanical basics/Electrical/Drawings
						3rd year					
						2nd year					
						1st year					

*Measures common to national staff as well

Enhance corporate value through profitability and growth that exceed capital costs

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

Employees have a high level of engagement in their work, and are able to work proactively with a sense of worth.

As was the case with last year's survey, aspects such as enabling employees to exercise discretion and autonomy in performing their work, and relationships with superiors and subordinates received a highly positive evaluation.

Similarly to last year, aspects such as long working hours (unbalanced working hours) and the burden of work received a low evaluation.

Although employees are able to exercise discretion and autonomy in performing their work, we recognize that the high burden placed on individuals has been an ongoing issue since the previous year that requires companywide priority efforts to address.

Item	FY2022	FY2023
Engagement	—	3.82
Satisfaction rating	3.75	3.73
Work fulfillment	3.62	3.71
Organization / culture	3.31	3.36
Interpersonal relationships	3.59	3.46
Treatment / environment	3.28	3.43

Response going forward

Since last year, we have been working to rectify the long working hours, including by reducing the number of meetings. Going forward, we will continue to reduce working hours by promoting appropriate personnel allocation (interdivisional transfers and strengthened recruitment) and the advancement of staff positions (formerly general positions).

In addition, we have changed the content of division general manager training to place a greater emphasis on dialogue. By accurately understanding the situation of subordinates and creating appropriate work assignments, our aim is for employees to realize their career goals, create a more balanced workload, and improve engagement, which will translate into increased productivity.

Key human resources-related indicators (non-consolidated)

	FY2019	FY2020	FY2021	FY2022	FY2023
Number of employees	508	524	558	591	623
Male	369	389	421	441	465
Female	139	135	137	150	158
Average length of service (years)	12.3	12.9	12.6	12.7	11.3
Male	13.0	13.7	12.9	13.4	11.6
Female	10.3	10.1	11.5	10.3	10.4
Paid leave utilization rate ^{*1} (%)	56.0	49.9	56.8	59.7	68
Number of employees taking childcare leave	9	8	10	15	10
Number of employees working shorter hours	3	7	6	12	14
Ratio of employees returning to work after childcare leave (%)	100	100	83.3	85.7	100
Number of employees taking nursing care leave	0	0	0	0	1
Job turnover rate (%)	6.0	2.7	3.9	4.3	4.0
Average training hours per employee ^{*2} (hours)	8.5	13.6	5.4	9.3	16.1

*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.

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

Column



Paving the Way for PM Training as a Pioneer in Engineering Projects

Nobuyuki Nagasawa

Plant & Energy Division, Project Manager,
DAIICHI JITSUGYO (AMERICA), INC.

Since joining the Company in 1990, I have been consistently involved in the sales of plastic injection molding machines and associated equipment. But with the global financial crisis of 2008, I felt the limitations of buy-sell (product-only sales) and began working on projects based on local procurement and integration. Since then, I have been associated with numerous domestic and international engineering projects as a project manager (PM), and I am currently involved as a PM in overseas projects in Mexico and the United States.

Although I started working on projects, as someone whose background was in equipment sales, I had no way of knowing the procedures or having the knowledge needed to carry out a project, and at that time the Company's internal structure was not in place so everything was

done by trial and error, and I experienced many failures. However, with the establishment of the Engineering Division last year, we built an internal structure, standardized business execution procedures, and created a system that allows us to take on projects companywide.

In spite of this, training PMs who are in charge of project management remains a challenge across the Company.

Generally speaking, PMs are responsible for the entire planning, procurement, and execution of operations within a defined scope and time period. Specifically, they are required to promote the progress management, interactions, and tasks of various related parties in order to reduce the overall risk of failure, maximize profits, and minimize costs. When it comes to overseas projects, the additional barriers of language, culture, and regulations are an accelerant for diversity. If the Company is to envision a future with projects at its core, it is no exaggeration to say that PMs will have to lead the Company going forward. However, PMs require a wide range of knowledge, experience, and leadership, so training a PM takes time. Furthermore, if the Company is to demonstrate its *raison d'être* as the next-generation engineering trading firm, PMs will also need to have a challenging approach that takes into account the digital transformation of execution procedures, environmental measures, and the promotion of sustainability.

I will of course continue in my endeavors to improve my own knowledge of PM operations, but for the future of the Company, I would also like to have the cooperation of both internal and external experts, and share my own experience with others in order to help train the next generation of PMs.



Column

Realizing My Dream in Japan and Becoming a Bridge between DJK and Europe

Angela Sakic

Energy Solutions 2nd Department,
Energy Solutions Business Division



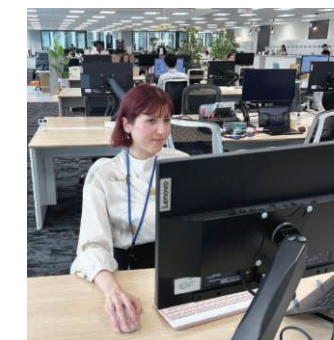
It was my dream to work and live in Japan since my childhood. I studied at a Japanese university for two years and after going back to Germany I decided that I would like to return to Japan to gain work experience.

I joined DJK Europe in 2019 as a sales assistant and was promoted to a sales position due to my participation in a project for one of the leading companies in the chemical industry, where I built my foundation for three years and realized that I want to learn more about the Japanese manufacturers and their products to be able to enhance my abilities. During the project I had the pleasure of working with DJK Osaka's Energy Solutions overseas team. I noticed how similar Japanese work mores are to Germany's. Both countries are very diligent.

This experience motivated me even further to join the Energy Solutions Division in Japan.

After joining the team in Osaka from October 2023, I learned that there are many different aspects of being a salesperson on a global scale. We work with many nationalities and cultures, which can be challenging but also greatly rewarding, as I believe that a person can grow immensely in such an environment.

As my major in university was international relations and politics, I did not expect to develop



an interest in machines and chemical processes. In my short five years of working for DJK, I got a glimpse of how fast technological development can be; even more so after joining DJK

Osaka. One of my personal goals is to develop my technical understanding and contribute to our companies' goals to the best of my abilities.

One challenge I faced so far is the language barrier – as a European, Kanji can be rather difficult to get used to, even more so in a working environment with many technical terms. Receiving steady support and guidance from my team members made facing such challenges enjoyable. During meetings between overseas customers and Japanese manufacturers, I also realized that the way each culture expresses itself verbally can differ greatly, which can quickly lead to misunderstandings. I think that it is one of DJK's roles to work out these misunderstandings or avoid creating them in the first place. Identifying potential problems and risks in advance is a skill you can learn by working for DJK. Working for DJK Osaka I understood how important it is to be considerate of both our customers and manufacturers as both parties are the foundation for a successful project.

After nine months, I have the feeling that I am gradually getting used to work life in Japan. I am never afraid to share my view and everyone is very open with me. I am still lacking in many aspects, but I would like to gain more experiences and connections to be able to utilize them in the European market and support my colleagues. I hope that my experience can motivate other overseas staff to come and work in Japan so that we can all learn from another and broaden our horizons as well as strengthen our bonds.

I am thankful and honored that I was selected to be the first European expat and I hope that DJK will continue this program as it is a great opportunity to connect DJK even further globally and strengthen our foundation.



Environment

Environment

Approach to the Environment

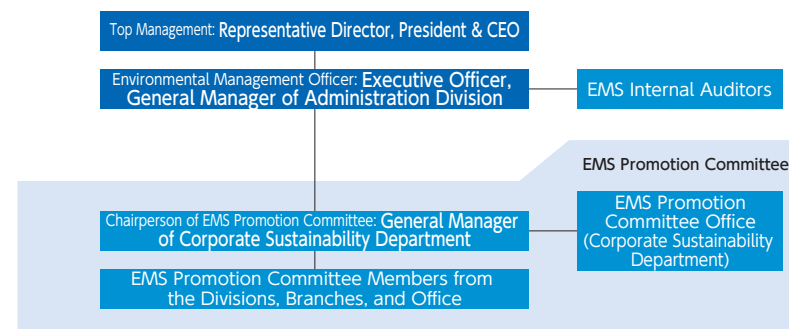
As a highly respected industry partner, the DJK Group's goal is to contribute to the development of a highly innovative global society

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.

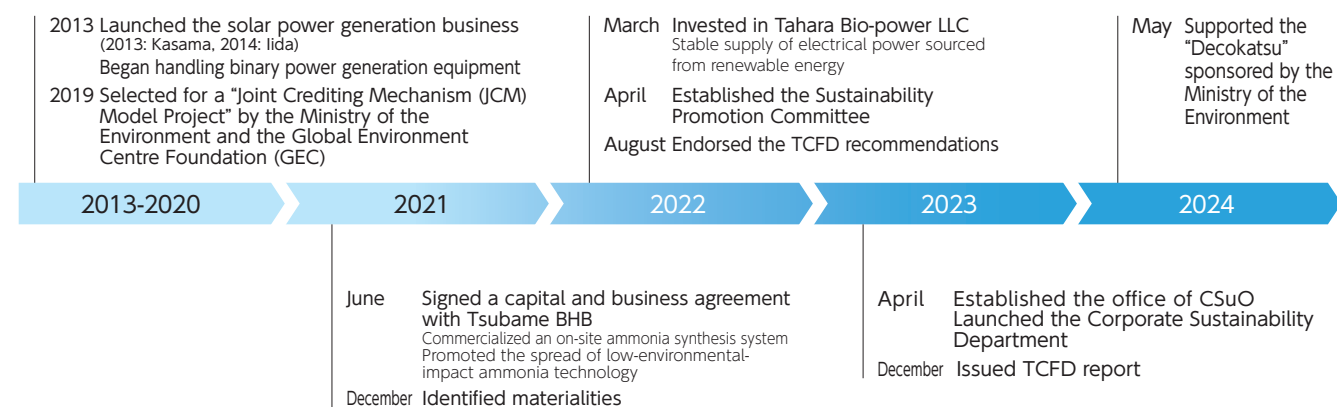
- We operate an environmental management system (EMS) established based on the environmental policy and strive to continuously improve it.
- We handle products that help protect and improve the global environment and contribute to the mitigation of climate change through our business activities.
- We 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

EMS promotion organizational chart



Environment-related Initiatives



Climate Change

Governance

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 Executive Officer, General Manager of the Administration Division as the person in charge of environmental management. Based on our environmental policy, we are making continuous improvements using the PDCA cycle. Through this system, we are accelerating our initiatives to address climate change in terms of both risks and opportunities.

Strategy

In 2022, we declared our support for the final report (TCFD recommendations) of the Task Force on Climate-related Financial Disclosures (TCFD). In FY2023, using the Company's Plant & Energy Business (segment), which is one of our seven business portfolios and which is relatively susceptible to the financial impacts of climate change due to its high volume of business in the resource, oil refining, and chemical fields, we identified the risks and opportunities that climate change will have on our business activities, and conducted a scenario analysis. The overview of this is as follows.

Reference scenario

Configuration scenario	1.5°C scenario	4°C scenario
Future image of society	Decarbonization will reduce fossil fuel-related businesses and increase demand for products made from new materials and new technologies	Carbon-free and low-carbon movements are limited, while natural disasters caused by climate change will become more frequent and severe
Transition risk scenario	"Net Zero Emissions by 2050 Scenario" (IEA WEO2022)	"Stated Policies Scenario" (IEA WEO2022)
Physical risk scenario	RCP2.6 (IPCC AR5) SSP1-1.9/SSP1-2.6 (IPCC AR6)	RCP8.5 (IPCC AR5) SSP5-8.5/SSP1-2.6 (IPCC AR6)

Climate control risks and opportunities

Types of risks and opportunities			Triggers	Impact on the Company	Time axis*	Financial impact	
						1.5°C	4°C
Risks	Transition risk	Policies / Laws and regulations	Introduction of carbon pricing	Increased cost of operating activities	Medium term	Low	Low
			Strengthened carbon regulations and GHG emission reporting requirements in each country	Increased costs of transaction procedures, monitoring investigations, etc.	Short term	Low	Low
		Markets	Soaring raw material prices	Lower profit margins due to rising purchasing prices of products handled	Medium term	Low	Low
			Decline of the fossil fuel business	Lower demand for existing equipment due to the downsizing of related industries and market scale	Medium term	Medium	Low
			Failure of new businesses	Decrease in sales due to failed investments in products utilizing new decarbonization technologies	Medium term	Low	Low
		Reputation	Damage to reputation among stakeholders due to delayed response to environmental issues	Labor shortages and declining labor productivity	Medium term	Low	Low
	Physical risk	Acute	Increasing severity of extreme weather	Loss of sales opportunities due to supply chain disruptions caused by floods	Long term	Low	Low
		Chronic	Rising temperatures	Difficulties in procuring biomass raw materials	Long term	Low	Low
Opportunities	Resource efficiency	Carbon neutral policies	Increase in trading opportunities due to subsidies	Medium term	Low	Low	
		New energy sources	Increase in trading opportunities in new markets	Medium term	Low	Low	
	Markets	New opportunities, such as CCS	Increase in trading opportunities through horizontal expansion of drilling business	Long term	Medium	Low	
	Resilience	External evaluations of initiatives to address climate change	Seriousness of the Company's efforts to achieve decarbonization will lead to enhanced corporate value, improved external evaluations, and increased employee engagement	Medium term	Low	Low	

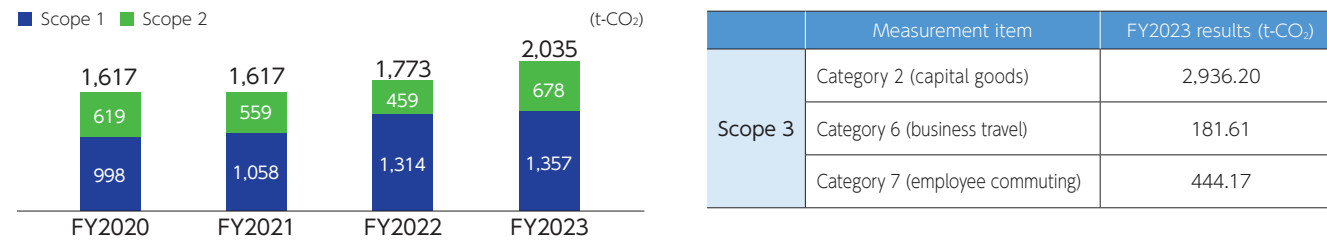
*Short term: within 3 years, medium term: within 4-9 years, long term: 10 years or longer

Environment

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.

This fiscal year, we also calculated emissions associated with the Group's employee business travel and commuting, as well as emissions associated with the Group's capital goods, as part of efforts to expand the scope of our greenhouse gas emissions measurement.



*1 Scope 2 is calculated based on market standards.

*2 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.

	Measurement item	FY2023 results (t-CO ₂)
Scope 3	Category 2 (capital goods)	2,936.20
	Category 6 (business travel)	181.61
	Category 7 (employee commuting)	444.17

Efforts to Reduce Environmental Impact

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 to address social issues such as aging plant facilities and labor shortages. As part of this effort, we have dealt in gas leak monitoring systems manufactured by Konica Minolta, Inc. to support "regular monitoring of abnormal occurrences without human intervention," and "prompt and appropriate maintenance work even by non-experienced maintenance personnel."

Safety countermeasures against gas leaks are important, as such leaks can cause fires and explosions. Compared with conventional gas detectors, use of cameras makes it easy to identify the source of leaks and determine any abnormalities, even in elevated locations. It also enables the visualization of pools and pockets of gas from volatile solvents, contributing to the improvement of work environments and the prevention of accidents. In addition to plant equipment, we will promote the camera's utilization for fuel depots, tankers, and various manufacturing sites, and will also contribute to reducing environmental impact by monitoring the diffusion of greenhouse gases.



LOGITO SMT, promoting peripheral automation of mounting lines

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.

Leveraging the know-how of LOGITO, we launched a new brand called LOGITO SMT in February 2024 to realize peripheral automation of the SMT line in the mounting industry that we have built so far. We propose automation and labor savings for the storage and incoming and outgoing operations of materials, the transportation of parts from storage sites to mounting lines, and the transportation of magazines carrying substrates mounted for the next process.

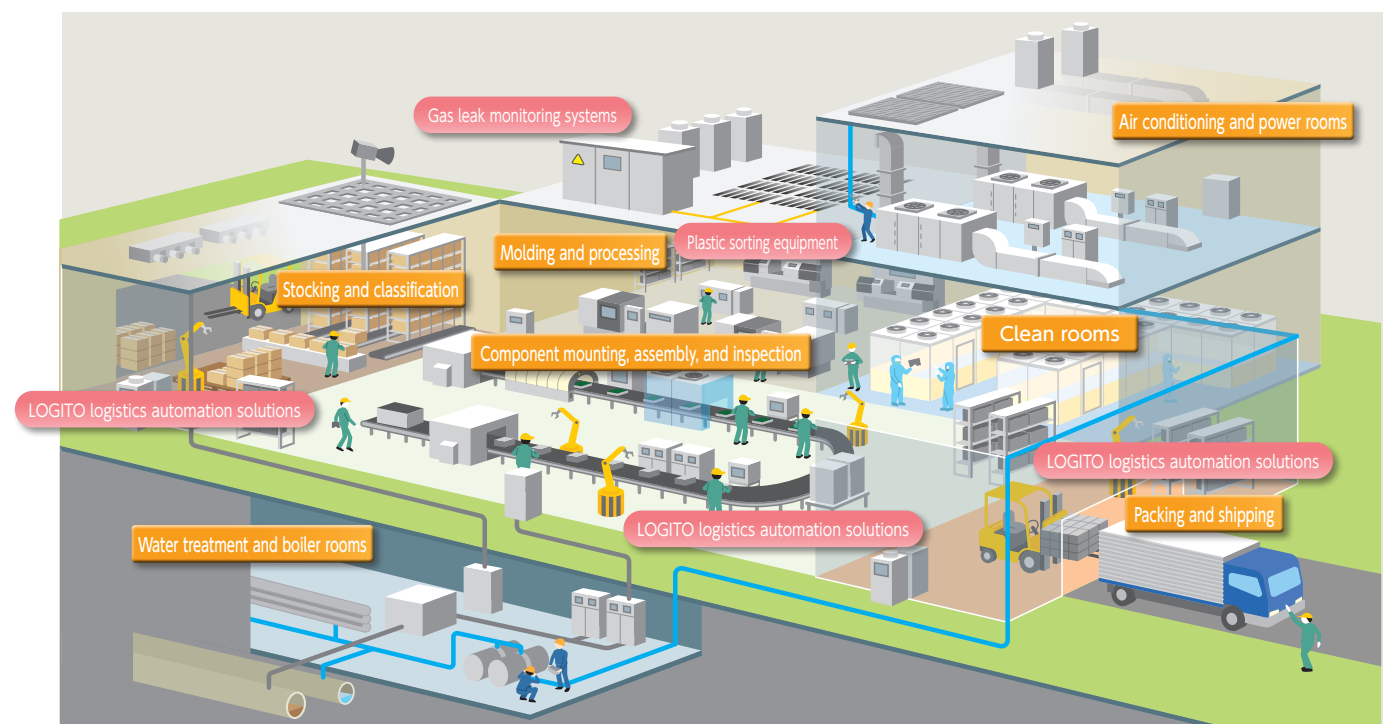
LOGITO and LOGITO SMT will contribute to the development of industry in numerous ways such as improving productivity, efficiency, quality, labor welfare, and eco-friendliness, by promoting workforce and workload reductions at manufacturing sites, factories, and other facilities.



Business areas for environment-related products



Business areas for environment-related products (inside factories)



Directors and Audit & Supervisory Board Members

(As of June 25, 2024)



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 Yuji Funawatari Director, Senior 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
 April 2024 Director, Senior Managing Executive Officer & CSuO (to present)

4 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)

5 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)

6 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.
 April 2024 Director, Managing Executive Officer & CFO (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 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.
 June 2023 Director of the Company (to present)

10 Takahiro Toyoizumi Full-time Audit & Supervisory Board Member

April 1989 Joined the Company
 January 2016 Director (Secretary & Treasurer), DAIICHI JITSUGYO (AMERICA), INC.
 June 2019 Director, Daiichi Mecha-Tech Corporation
 April 2021 Executive Officer, General Manager, Administration Div. of the Company
 April 2022 Senior Executive Officer, General Manager, Administration Div.
 June 2024 Full-time Audit & Supervisory Board Member (to present)

11 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 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

12 Akiko Ono Outside Audit & Supervisory Board Member

October 1995 Joined Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC)
 September 1999 Registered as a certified public accountant
 September 2002 Representative, Nakajima Certified Public Accountants Office
 September 2005 Director, Brain Link Corporation
 April 2008 Vice President, GCA Savvian Corporation
 January 2011 Seconded to Atstream Corporation (Manager)
 June 2013 Representative, Ono Certified Public Accountants Office (to present)
 May 2022 Outside Director (Audit and Supervisory Committee Member), Scroll Corporation (to present)
 June 2024 Audit & Supervisory Board Member of the Company (to present)



Corporate Governance

Corporate Governance

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.

Directors Outside Directors Female Outside Directors

	Initiatives and Events	Number of Directors	Proportion of Outside Directors	Proportion of Female Officers
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%	13%
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%	22%
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	2022: 9 (6 internal, 3 outside)	33%	22%
2023	Appointed outside directors with corporate management experience	2023: 9 (6 internal, 3 outside)	33%	11%

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

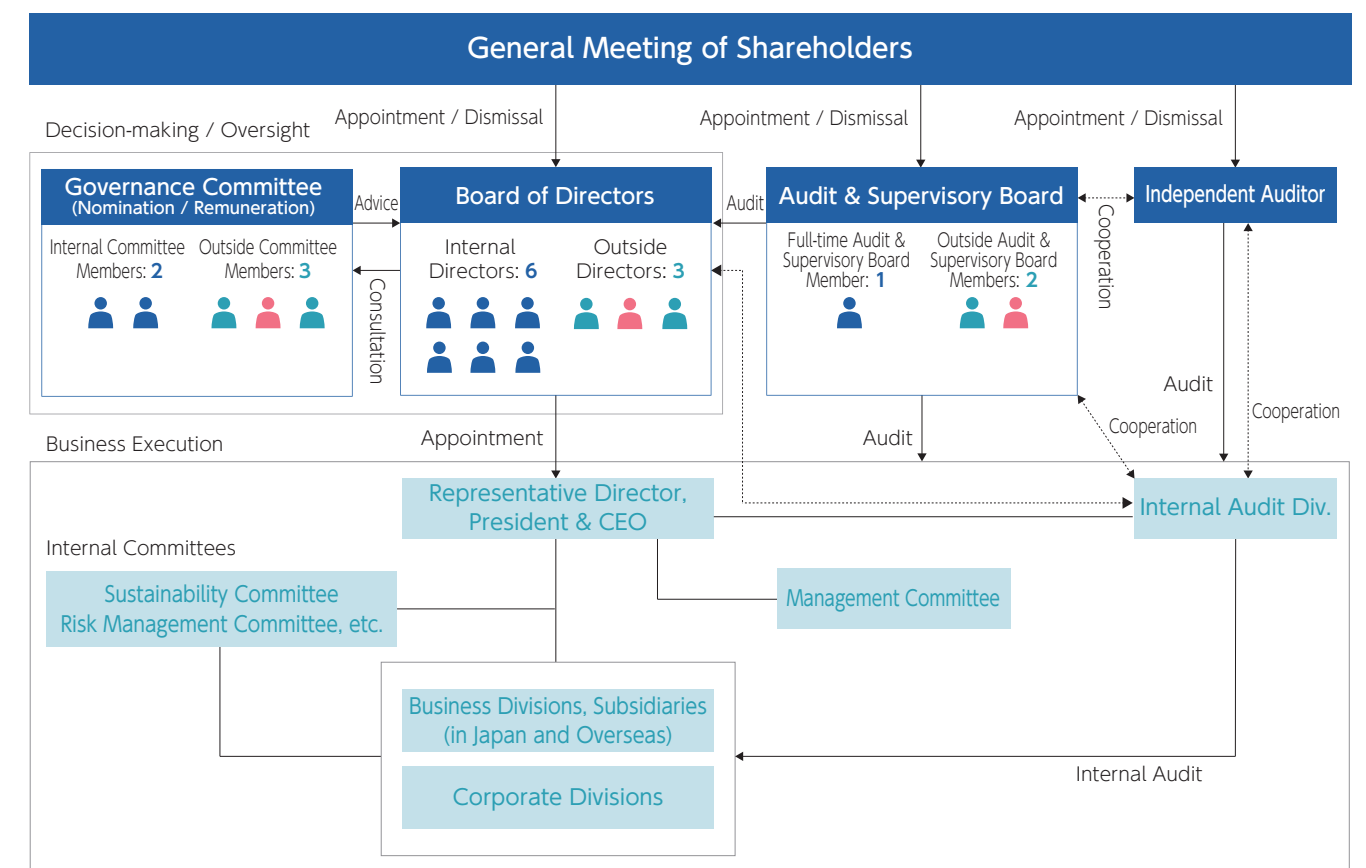
The Company has concluded an auditing agreement with the certified public accounting firm Deloitte Touche Tohmatsu LLC to act as its independent auditor. In addition to providing accounting auditing services in a fair and unbiased manner, the auditing firm provides advice on accounting matters as appropriate.

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.

Main resolutions and reports by the Board of Directors in FY2023

Business strategies	<ul style="list-style-type: none"> Progress reports on the medium-term business plan and business performance Personnel-related measures
Corporate governance	<ul style="list-style-type: none"> Cost of capital Cross-shareholdings Organizational reforms and revisions to regulations Evaluation of the effectiveness of the Board of Directors Report by the Governance Committee Audit report by the Audit & Supervisory Board members and the Internal Audit Division Report on business execution by officers
Finance and accounting	<ul style="list-style-type: none"> Financial results-related Fund planning and procurement
Individual projects	<ul style="list-style-type: none"> Business investments Large-scale business dealings

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	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.
	Akiko Ono	As a certified public accountant, Akiko Ono is knowledgeable about finance and accounting and has broad experience and insight, and we believe she is qualified 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	
Yuji Funawatari	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	
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, 2024 Number of meetings held:	Five meetings (April, June, September, and December 2023, February 2024)
Year ended March 31, 2024 Matters deliberated:	Officers' remuneration (fixed remuneration, performance-linked remuneration, non-monetary remuneration), succession plan, ideal image of president, corporate governance system, changes in executive personnel

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 evaluation method and results for the fiscal year ended March 31, 2024 and the policy for initiatives for the fiscal year ending March 31, 2025 based on the issues identified in the Board of Directors' effectiveness evaluation results for the fiscal year ended March 31, 2023 are as follows.

<Evaluation method>

December 2023: A questionnaire survey was conducted among all Directors and Audit & Supervisory Board members at the Board of Directors' meeting (named responses)

February 2024: The Board of Directors conducted an analysis and evaluation of the responses to the survey, and discussed future initiatives

Issue	Initiatives for the fiscal year ended March 31, 2024
Ensure further diversity in the composition of the Board of Directors	Appointed one outside director with corporate management experience.
Promote discussion aimed at enhancing corporate value over the medium to long term	Currently promoting discussions over the medium to long term aimed at achieving the V2030 growth strategy.
Ensure sufficient time for consideration of meeting materials in advance of meetings of the Board of Directors	Gradually improved efforts to ensure sufficient time for consideration of meeting materials in advance of meetings of the Board of Directors.

Questions for questionnaires (16 in total)	Issues and actions to be taken in the future
<ul style="list-style-type: none">• 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)	<ul style="list-style-type: none">• Ensure further diversity in the composition of the Board of Directors• Establish an optimal governance system for our business activities• Stimulate discussion on business strategies over the medium to long term aimed at enhancing corporate value• Improve the quality of meeting materials for meetings of the Board of Directors, and ensure the time required for advance consideration

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

Corporate Governance

in FY2022. As part of this plan, we have reviewed our remuneration system for officers as 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.

Amount paid to each director = total performance-linked remuneration (bonus A)*1

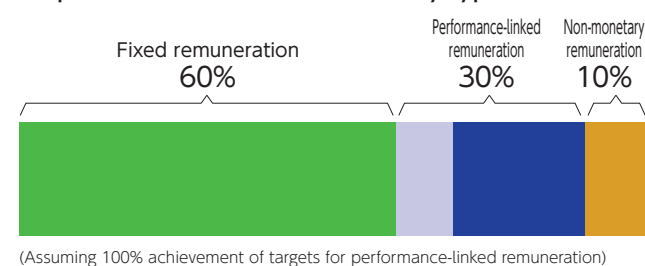
$$\times \frac{\text{Coefficient of each director's position}^2}{\text{Total coefficients by position}}$$

*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%.

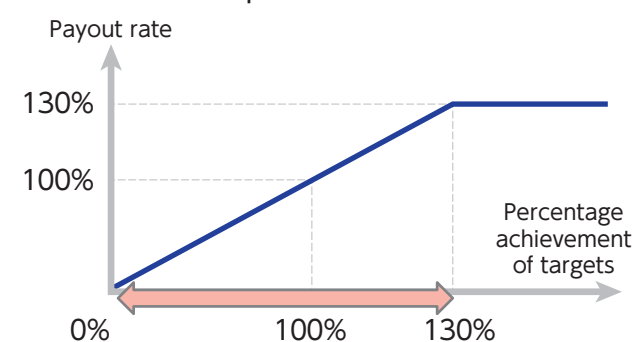
*2 Coefficient of each director's position

Position	Coefficient	No. of directors	Maximum
Representative Director, President & CEO	100	1	¥28,670,000
Representative Director, Senior Managing Executive Officer	74	1	¥21,216,000
Director, Senior Managing Executive Officer	65	1	¥18,635,000
Director, Managing Executive Officer	56	3	¥16,055,000

Proportion of each remuneration by type (estimate)



Incentive curve for performance-linked remuneration



* Performance-linked remuneration is reflected in bonuses.

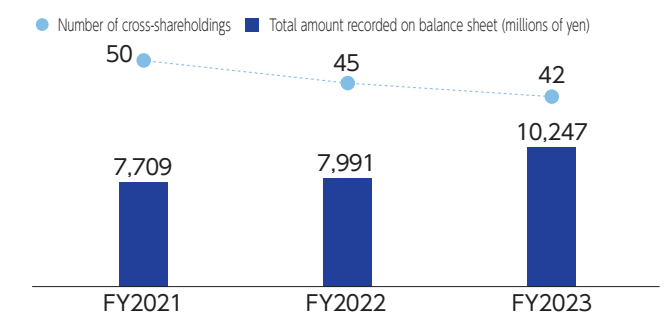
Total remuneration, total remuneration by type, and number of applicable officers for each officer classification

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	407	236	143	27	7
Audit & Supervisory Board Member	22	22	—	—	1
Outside Director	21	21	—	—	4
Outside Audit & Supervisory Board Member	11	11	—	—	2

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, 2024, DJK sold out four stocks and reduced one stock.

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.

DJK Group Code of Conduct

In our aim to achieve further growth as a company, Daiichi Jitsugyo Group established its corporate philosophy in April 2022, and in April 2024, it revised the Daiichi Jitsugyo Code of Conduct as the DJK Group Code of Conduct in order to respond to the demands of society arising from the changing times through integrated Group efforts.

The Code of Conduct sets forth in specific terms the values, outlook, and standards of conduct required for the DJK Group to gain and maintain the trust of our stakeholders and to put into practice both its founding philosophy and the corporate philosophy's mission of "Connecting People, Connecting Technology and Enriching the World." It is a guideline to which all officers and employees of the DJK Group must adhere. The cumulative actions of each and every one of us are what make up the business activities of the DJK Group. We will contribute to sustainable growth and to society while demonstrating our individuality and abilities, based on a recognition of our responsibility to future generations under the Code of Conduct.

- (1) Maintaining a sense of ethics and compliance with laws and regulations
- (2) Respect for human rights
- (3) Environmental issues
- (4) Improving the working environment for employees
- (5) Winning the trust of business partners
- (6) Mutual development with business partners
- (7) Participating in and contributing to local communities
- (8) Engagement with stakeholders
- (9) Preventing bribery and corruption
- (10) Dealing with antisocial forces

Initiatives at Group companies

Domestic affiliated companies (Daiichi Mecha-tech Corporation, Daiichi Jitsugyo Viswill Co., Ltd., and DJ-WAVE Engineering Co., Ltd.) are promoting compliance in accordance with the DJK Group Code of Conduct.

We are also working to strengthen compliance at our overseas affiliated companies in accordance with the DJK Group Code of Conduct, and will create and maintain appropriate global compliance systems suited to the circumstances of each region: Europe, the Americas, China, and Asia.

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.

FY2023 initiatives

- Business results briefing meetings: twice a year (May, November)
- Briefings for individual investors: once a year (February)
- Interviews with investors: 17 times a year (including 5 interviews also attended by the officer in charge of IR)

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

Risk Management

Response to the Risks Surrounding Management and Business

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. In response to such business risks, we have established an enterprise risk management (ERM) system that identifies, weights, and prioritizes risks across the Group, responds to those risks, and then monitors and makes improvements in order to pursue sustainable growth while fulfilling our corporate social responsibilities.

New Risk Management System

We have established an organized and systematic approach to comprehensively and efficiently identify, evaluate, and manage all risks (uncertainties) that threaten the realization of sustainable growth.

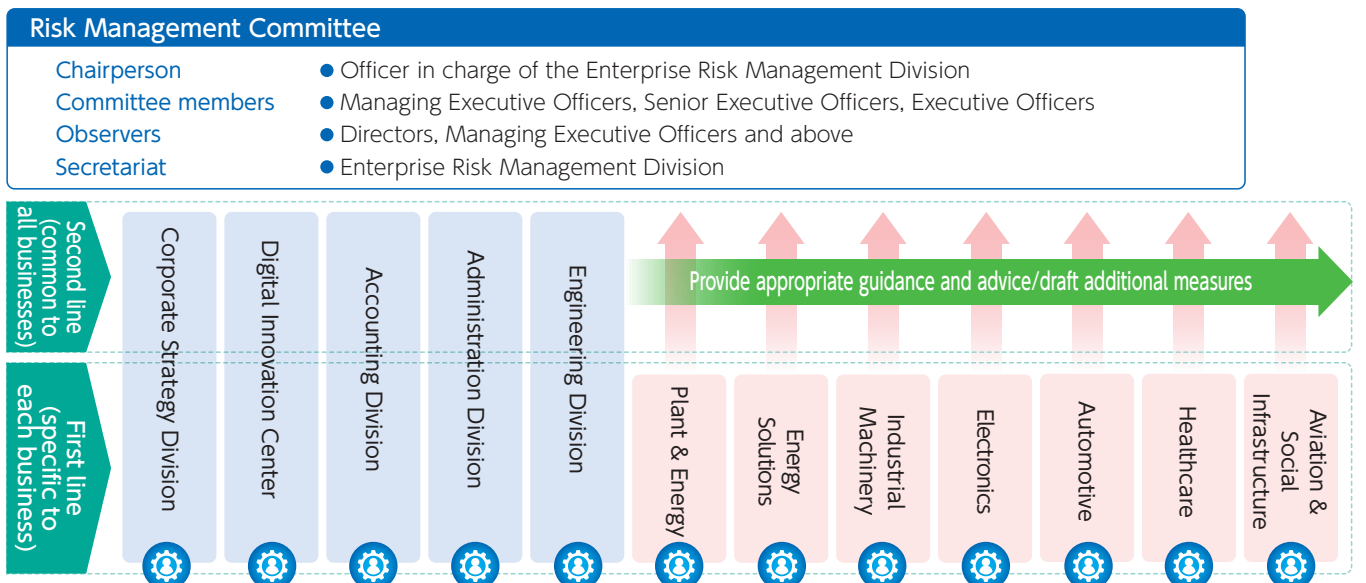
We recognize events (both positive and negative) that may have an impact on our strategies and the achievement of our business objectives as risks, and have established mechanisms and processes to manage them appropriately across the entire organization. After clarifying our approach to the amount of risk we are willing to accept (risk appetite), we comprehensively identify risks, conduct qualitative and quantitative assessments of each risk from such perspectives as its impact, frequency, and predictability, and consider countermeasures from the perspectives of avoidance, reduction, transfer, acceptance, etc.

As core divisions that will drive ERM, we established the Enterprise Risk Management Division in April 2023, and the ERM Promotion Department in April 2024, and implemented the following initiatives.

- 1) Restructured the Risk Management Committee
- 2) Formulated our Basic Policy on Risk Management
- 3) Revised the risk management rules
- 4) Revised the Policies of Dividing Duties to clarify the roles and responsibilities of business divisions and administrative divisions
- 5) Formulated our business risk model and risk catalog
- 6) Formulated a risk management manual
- 7) Risk management training (ERM awareness raising)

We have established a risk management system based on the three-line model shown in the diagram below.

- First line ▶ Assign an ERM manager to each division who is responsible for the risks in that division
- Second line ▶ Corporate divisions to have the ability to provide advice and draft additional measures
- Third line ▶ Evaluation of risk management activities by the Internal Audit Division



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 Company's credit rating assigned by a rating agency due to deterioration in the Group's creditworthiness, which may limit the Group's business activities and could negatively impact the DJK Group's business results and financial position. In addition, should the balance of the DJK Group's financial income and expenses deteriorate because of the trend in net sales or in interest rates, it could negatively impact the DJK Group's business results and financial position, and 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 and 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	The Group's business model has expanded from services specializing in agency work for machinery manufacturers to services including production support and technical support for business partners' factories in response to technological innovation. As a result, the scope of our business is expanding from transactions in goods (products) only to transactions in solutions (services). At the same time, the scale of transactions for individual projects is expanding, and transactions are becoming more complex with longer delivery times. We anticipate risks against the market and business, including occurrence of accidents in tandem with an increase in large-scale construction projects and associated legal responsibility and expenses, as well as a decline in market value as technology becomes obsolete.	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.
	The Group's business performance and financial position could be affected not only by the need to resolve or adjust equipment defects due to the occurrence of defects, items requiring adjustment or unconfirmed items but also by contractual liabilities and expenses incurred following the inspection of delivered equipment for remote launching, test operations, acceptance inspections, etc., which have increased in recent years.	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 ¥61,702 million, or 31.8% 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.