

This document has been translated from the Japanese original for the convenience of non-Japanese shareholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

Securities Code: 6962
June 5, 2024

To Our Shareholders:

Minoru Iizuka
President

DAISHINKU CORP.
1389 Shinzaike, Hiraoka-cho, Kakogawa,
Hyogo 675-0194 Japan

Notice of the 61st Annual General Meeting of Shareholders

We are pleased to announce the 61st Annual General Meeting of Shareholders of DAISHINKU CORP. (the “Company”), which will be held as described below.

In convening this General Meeting of Shareholders, the Company has taken electronic provision measures, which provide information contained in the Reference Documents, etc. for the General Meeting of Shareholders (the “matters subject to the electronic provision measures”) in electronic format. This information has been posted on the Company website and the Tokyo Stock Exchange (TSE) website. To view the information, please access either of the websites as indicated below.

[The Company website]
<https://www.kds.info>

[Tokyo Stock Exchange (TSE) website (Listed Company Search)]
<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

You can find our information on the TSE website by going through the following steps:

- (i) Access the TSE website above.
- (ii) Enter “DAISHINKU CORP.” in the “Issue name (company name)” or “6962” in “Code” and click on “Search.”
- (iii) Select “Basic Information” and “Documents for Public Inspection/PR Information” in this order.
- (iv) Find [Notice of General Meeting of Shareholders/Informational Materials for a General Meeting of Shareholders] under “Filed information available for public inspection.”

If you are unable to attend the meeting in person, you may exercise your voting rights via the Internet or in writing. Please review the Reference Documents for the General Meeting of Shareholders as described below and exercise your voting rights by Wednesday, June 26, 2024, at 5:30 p.m. (JST) according to the instructions for the exercise of voting rights.

Meeting Details

- 1. Date and Time:** Thursday, June 27, 2024, at 10 a.m. (JST)
- 2. Venue:** DAISHINKU CORP., Head Office Conference Room,
1389 Shinzaike, Hiraoka-cho, Kakogawa, Hyogo

3. Meeting Agenda:

Matters to be reported:

1. Report on the Business Report, Consolidated Financial Statements, and the Audit Results of Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee for the 61st Fiscal Year (from April 1, 2023 to March 31, 2024)
2. Report of the Non-consolidated Financial Statements for the 61st Fiscal Year (from April 1, 2023 to March 31, 2024)

Proposals to be resolved:

- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
- Proposal 3:** Election of Three Directors Who Are Audit and Supervisory Committee Members

- * When you attend the meeting, we kindly request that you submit the enclosed voting form to the receptionist at the venue.
- * If any revisions to the matters subject to the electronic provision measures arise, a notice to that effect and the items before and after the revision will be posted on the Company website (<https://www.kds.info>) and the TSE website.
- * Among the matters subject to the electronic provision measures, the following matters are not provided in the paper copy sent to shareholders who requested delivery of documents in accordance with the provisions of laws and regulations and Article 17 of the Articles of Incorporation of the Company.
 - (i) “Systems to Ensure That the Execution of the Duties by Directors Complies with Laws and Regulations and the Articles of Incorporation, and Other Systems Necessary to Ensure the Properness of Operations of a Stock Company and Operations of Group of Enterprises consisting of the Stock Company and its Subsidiary Companies,” “Basic Policy on Control of a Company,” and “Policy on Determination of Distribution of Surplus” in the Business Report
 - (ii) “Consolidated Statement of Changes in Net Assets” and “Notes to the Consolidated Financial Statements” in the Consolidated Financial Statements
 - (iii) “Non-consolidated Statement of Changes in Net Assets” and “Notes to the Non-consolidated Financial Statements” in the Non-consolidated Financial Statements

Accordingly, the Business Report, the Consolidated Financial Statements, and the Non-consolidated Financial Statements provided in that paper copy constitute only part of the documents audited by the Accounting Auditor and the Board of Corporate Auditors in preparation of the Independent Auditor’s Report and the Audit Report, respectively.

- * If you exercise your voting rights in writing (by mail) and there is no indication of approval or disapproval for each proposal on the voting form, it will be treated as an indication of approval.

<Requests to shareholders>

- There may be changes to the operation of the meeting on the day of the event due to factors such as the status of the spread of infection, government announcements, and other relevant considerations leading up to the meeting date. Please check our website (<https://www.kds.info>) for further information from the Company.
- No souvenirs will be provided to the attending shareholders. We kindly ask for your understanding.

Reference Documents for the General Meeting of Shareholders

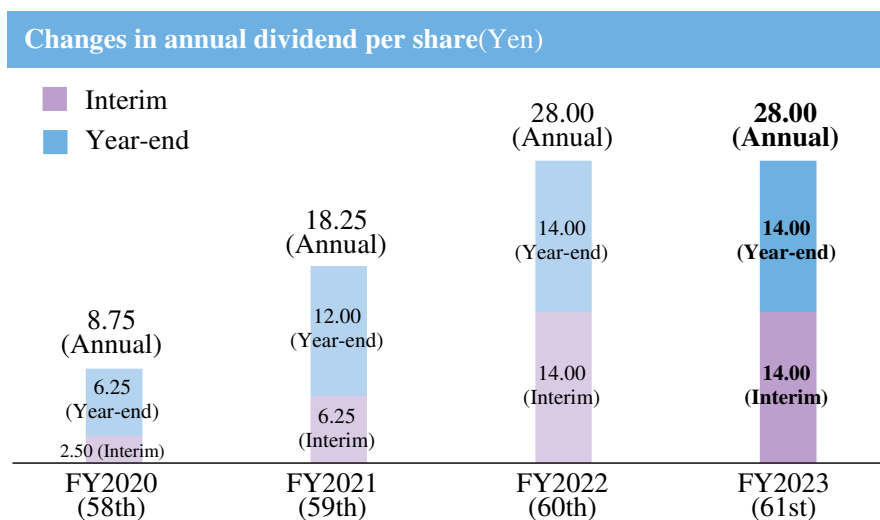
Proposal and Referential Matters

Proposal 1: Appropriation of Surplus

In order to live up to the support and expectations of our shareholders, we propose to pay the year-end dividend for the current fiscal year as follows, considering the strengthening of our management structure and future business development.

Year-end Dividend

- Allocation of dividends to shareholders and total amount of dividends
 14 yen per common share of the Company
 Total amount: 451,886,050 yen
- Effective date of the dividends of surplus
 June 28, 2024




* As the Company executed a 4-for-1 split of its common stock on November 1, 2021, annual dividend per share is calculated on the assumption that the stock split had been conducted at the beginning of the 58th fiscal year.


Proposal 2: Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

The terms of office of all six Directors (excluding Directors who are Audit and Supervisory Committee Members; the same shall apply to the rest of the Proposal.) will expire upon the conclusion of this Annual General Meeting of Shareholders. Accordingly, the Company proposes the appointment of six Directors.


As a result of deliberations on the Proposal by the Audit and Supervisory Committee, the Company has received the opinion that there are no particular matters to point out.


The candidates for Directors are as follows.


Candidate No.	Name (Date of Birth)	Career History, Position and Responsibility in the Company (Important Concurrent Position)	No. of the Company's Shares Owned
1	 Minoru Iizuka (September 14, 1961) Reelection	Apr. 1985 Joined the Company Feb. 2004 Manager of Research Laboratory I, Central Laboratory June 2014 Director July 2014 Deputy Director of Central Laboratory Apr. 2015 General Manager of Production Division Jan. 2017 General Manager of Product Division Apr. 2017 Managing Director July 2018 In charge of business management Apr. 2019 Senior Managing Director Oct. 2019 Director and Senior Vice President Manager of Fundamental Technological Development Department July 2021 President (current position) [Reason for nomination as candidate for Director] After serving as the executive manager of the Development & Technology and Production divisions of the Company, he was appointed Director and Senior Vice President in October 2019, and President in July 2021. With his extensive experience and broad knowledge, he represents our Group, and focuses on further improving our corporate value by executing duties resolved by the General Meeting of Shareholders or the Board of Directors. Based on such experience and track record, he is nominated as a candidate for Director.	42,600

Candidate No.	Name (Date of Birth)	Career History, Position and Responsibility in the Company (Important Concurrent Position)	No. of the Company's Shares Owned
2	 Masashi Kawasaki (December 12, 1955) Reelection	Mar. 1978 Joined the Company Nov. 1990 Manager of Engineering Department, Tottori Plant II Apr. 2002 Manager of Production Engineering Department July 2004 Director of Tokushima Production Division July 2008 President of Tianjin KDS Corp. Apr. 2015 Director of Kanzaki Plant Apr. 2016 Manager of Material Business Development Department July 2018 Executive Officer General Manager of Material Business Development Division June 2020 Director July 2021 Managing Director (current position) Jan. 2023 General Manager of Administration Division and General Manager of Material Business Development Division Apr. 2024 General Manager of Material Business Development Division (current position) [Reason for nomination as candidate for Director] He has a wealth of experience and broad knowledge with many years of service as the manager of the Development & Technology and Production divisions of the Company. He was appointed Managing Director of the Company in July 2021. He assists and advises Representative Directors with his extensive experience and broad knowledge, and discusses important matters related to overall management. Based on such experience and track record, he is nominated as a candidate for Director.	19,000

Candidate No.	Name (Date of Birth)	Career History, Position and Responsibility in the Company (Important Concurrent Position)	No. of the Company's Shares Owned
3	 Shimpei Hasegawa (February 11, 1979) Reelection	<p>Jan. 2006 Joined the Company</p> <p>Jan. 2017 Manager of Research Department</p> <p>July 2018 Executive Officer Deputy General Manager of Sales Strategy & Marketing Division</p> <p>July 2018 Manager of Sales Strategy Department</p> <p>Apr. 2019 Deputy in charge of business management</p> <p>Apr. 2020 Deputy General Manager of Sales Strategy & Marketing Division</p> <p>June 2020 Director (current position)</p> <p>Apr. 2022 Managing Executive Officer General Manager of Office of the President</p> <p>Jan. 2023 Senior Managing Executive Officer (current position) General Manager of Sales Strategy & Marketing Division</p> <p>Apr. 2024 In charge of business management and General Manager of Sales Strategy & Marketing Division (current position)</p> <p>[Important concurrent positions] Representative Director of DAISHINKU (DEUTSCHLAND) GmbH Chairman of SHANGHAI DAISHINKU INTERNATIONAL TRADING CO., LTD.</p> <p>[Reason for nomination as candidate for Director] He has been in charge of Sales and Marketing divisions at the Company for many years, has a wealth of experience and broad knowledge, and participates in the formulation of basic management policies.</p> <p>Based on such experience and track record, he is nominated as a candidate for Director.</p>	18,300

Candidate No.	Name (Date of Birth)	Career History, Position and Responsibility in the Company (Important Concurrent Position)	No. of the Company's Shares Owned
4	 Kohei Hasegawa (March 14, 1981) New election	<p>Apr. 2003 Joined the Company</p> <p>Jan. 2017 Manager of Business Development Group</p> <p>July 2018 Executive Officer General Manager of Arkh.3G Business Development Division</p> <p>Apr. 2020 General Manager of New Business Promotion Division</p> <p>Apr. 2022 Senior Executive Officer General Manager of Alliance Promotion Division (current position)</p> <p>Jan. 2024 Managing Executive Officer (current position)</p> <p>[Reason for nomination as candidate for Director] He has been in charge of Development and Alliance divisions at the Company for many years and has a wealth of experience and broad knowledge. Since July 2018, he has served as General Manager of the New Business Promotion Division and then General Manager of the Alliance Promotion Office as Executive Officer, and also involved in the formulation of basic management policies.</p> <p>Based on such experience and track record, he is nominated as a candidate for Director.</p> <p>[Commitment upon assuming office as Director] In addition to my responsibility for implementing the OCEAN+2 Strategy, which is a core of the long-term business plan, I will strive to make decisions more promptly through my attendance in the Board of Directors meetings.</p>	0

Candidate No.	Name (Date of Birth)	Career History, Position and Responsibility in the Company (Important Concurrent Position)	No. of the Company's Shares Owned
5	 Toshiaki Kotera (July 25, 1963) Reelection	Apr. 1992 Joined Kotera Accounting Office Sep. 1992 Qualified as Certified Tax Accountant June 2007 Outside Corporate Auditor of the Company June 2015 Outside Director (current position) [Reason for nomination as candidate for Outside Director and a summary of expected roles] Although he has no experience of being directly involved in corporate management other than as an outside officer, as a certified tax accountant he is familiar with corporate management through his tax practices, and we have nominated him as a candidate for Outside Director, judging that he will be able to properly perform his duties from an objective and neutral standpoint.	23,600

Candidate No.	Name (Date of Birth)	Career History, Position and Responsibility in the Company (Important Concurrent Position)	No. of the Company's Shares Owned
6	 Keiko Iijima (May 29, 1965) Reelection	Apr. 1995 Appointed as Judge (in Sapporo, Chiba, Osaka, Matsue and Kyoto) Mar. 2009 Retired June 2009 Registered as a practicing attorney (current position) June 2016 Outside Director of the Company (current position) June 2022 Outside Corporate Auditor of Keifuku Electric Railroad Co., Ltd. (current position) Mar. 2024 Outside Director (Audit and Supervisory Committee Member) of OPTEX GROUP CO., LTD. (current position) [Reason for nomination as candidate for Outside Director and a summary of expected roles] Although she has no experience of being directly involved in corporate management other than as an outside officer, as a practicing attorney she is familiar with corporate management through her practice of corporate legal affairs, and we have nominated her as a candidate for Outside Director, judging that she will be able to properly perform her duties from an objective and neutral standpoint. The Company has an advisory contract with Park Sogo Law Office, to which Keiko Iijima belongs, but the amount of remuneration is minimal. Keiko Iijima is an Outside Corporate Auditor of Keifuku Electric Railroad Co., Ltd. and Outside Director (Audit and Supervisory Committee Member) of OPTEX GROUP CO., LTD. There is no special interest between the Company and the said companies.	1,200

- Notes: 1. Toshiaki Kotera and Keiko Iijima are candidates for Outside Directors as stipulated in Article 2, Paragraph 3, Item 7 of the Regulations for Enforcement of the Companies Act.
2. Candidate Toshiaki Kotera is currently Outside Director of the Company, and his term of office will be nine years at the conclusion of the Annual Meeting of Shareholders. He was previously an Outside Corporate Auditor of the Company.
3. Candidate Keiko Iijima is currently Outside Director of the Company, and her term of office will be eight years at the conclusion of the Annual Meeting of Shareholders.
4. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Toshiaki Kotera and Keiko Iijima to limit their liability for damages under Article 423, Paragraph 1 of the same Act, and the maximum amount of liability for damages under such agreement is the minimum amount stipulated in Article 425, Paragraph 1 of the same Act. If their reappointment is approved, the Company plans to continue such agreement.
5. The Company has concluded a directors and officers liability insurance policy with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The outline of the insurance policy is described on page 20 in the Business Report. If appointment of the candidates for Directors is approved, they will continue to be included as insured under the insurance policy. In addition, the insurance policy will be renewed with the same contents at the next renewal.
6. Toshiaki Kotera and Keiko Iijima satisfy the requirements for independent officers as stipulated by the Tokyo Stock Exchange, and if their reappointment is approved, the Company will continue to designate them as independent officers.
7. There are no special conflicts of interest between any of the candidates and the Company.


Proposal 3: Election of Three Directors Who Are Audit and Supervisory Committee Members

The terms of office of all three Directors who are Audit and Supervisory Committee Members will expire upon the conclusion of this Annual General Meeting of Shareholders.


Accordingly, the Company proposes the appointment of three Directors who are Audit and Supervisory Committee Members.

The Company has received the consent of the Proposal from the Audit and Supervisory Committee.

The candidates for Directors are as follows.

Candidate No.	Name (Date of Birth)	Career History, Position and Responsibility in the Company (Important Concurrent Position)	No. of the Company's Shares Owned
1	 <p>Toshiro Hiroshima (August 8, 1961)</p> <p>New election</p>	<p>Apr. 1984 Joined the Company</p> <p>Apr. 1999 Director of Kurodasho Plant</p> <p>Apr. 2002 General Manager of Procurement Department</p> <p>Apr. 2015 General Manager of Production Control Department</p> <p>Apr. 2016 General Manager of Production Department</p> <p>July 2018 Executive Officer General Manager of Production Division and General Manager of Production Control Division</p> <p>June 2020 Director</p> <p>Apr. 2022 Managing Executive Officer (current position)</p> <p>Oct. 2022 General Manager of Production Division, General Manager of Production Control Department, and Manager of Production Control Section</p> <p>Apr. 2023 General Manager of Production Division</p> <p>Apr. 2024 Deputy in charge of business management (current position)</p> <p>[Reason for nomination as candidate for Director who is an Audit and Supervisory Committee Member] He has been responsible for Production division at the Company for many years, serving as Executive Officer since July 2018 and Director since June 2020. Even after retiring from Director in June 2022, he discusses important matters related to overall management as Managing Executive Officer.</p> <p>Based on his business experience, he is familiar with internal control, risk management, and compliance promotion, and has knowledge to conduct appropriate audits of management decision-making and business execution. Therefore, we have nominated him as a candidate for Director who is an Audit and Supervisory Committee Member, judging that he is capable of appropriately fulfilling his roles and responsibilities as the Audit and Supervisory Committee Member.</p> <p>[Commitment upon assuming office as Director] I will strive to execute my duties as Audit and Supervisory Committee Member and enhance corporate value by taking advantage of my career to date and from a new perspective.</p>	5,600

Candidate No.	Name (Date of Birth)	Career History, Position and Responsibility in the Company (Important Concurrent Position)	No. of the Company's Shares Owned
2	 <p>Keita Ushijima (July 28, 1953)</p> <p>Reelection</p>	<p>Apr. 1979 Employed by Osaka Regional Taxation Bureau</p> <p>July 2007 District Director of Miki Tax Office</p> <p>July 2008 Director of Transfer Pricing Division, First Large Enterprise Examination Department, Osaka Regional Taxation Bureau</p> <p>July 2010 Director of Review Division (Large Enterprise Examination), First Large Enterprise Examination Department, Osaka Regional Taxation Bureau</p> <p>July 2011 Director of Management Division (Large Enterprise Examination), First Large Enterprise Examination Department, Osaka Regional Taxation Bureau</p> <p>July 2012 Deputy Assistant Regional Commissioner (Management and Co-ordination)</p> <p>July 2013 District Director of Sakai Tax Office</p> <p>Aug. 2014 Representative of Keita Ushijima Tax Accountant Office (current position)</p> <p>June 2015 Outside Corporate Auditor of the Company</p> <p>June 2022 Outside Director (Audit and Supervisory Committee Member) (current position)</p> <p>[Reason for nomination as candidate for Outside Director who is an Audit and Supervisory Committee Member and a summary of expected roles] Although he has no experience of being directly involved in corporate management other than as an outside officer, as a certified tax accountant he is familiar with corporate management through his tax practices, and we have nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member to have him conduct audits from an objective and neutral standpoint.</p>	0

Candidate No.	Name (Date of Birth)	Career History, Position and Responsibility in the Company (Important Concurrent Position)	No. of the Company's Shares Owned
3	 <p>Toshiaki Hanasaki (May 25, 1952)</p> <p>Reelection</p>	<p>Apr. 1977 Employed by Osaka Regional Taxation Bureau</p> <p>July 2006 District Director of Kaibara Tax Office</p> <p>July 2007 Director of Co-ordinated Examination and Information Management Division, First Large Enterprise Examination Department, Osaka Regional Taxation Bureau</p> <p>July 2009 Director of Co-ordination Division (Large Enterprise Examination), First Large Enterprise Examination Department, Osaka Regional Taxation Bureau</p> <p>July 2010 District Director of Tondabayashi Tax Office</p> <p>July 2011 Director of Office of Litigation, First Taxation Department, Osaka Regional Taxation Bureau</p> <p>July 2012 District Director of Himeji Tax Office</p> <p>Aug. 2013 Representative of Hanasaki Tax Accountant Office (current position)</p> <p>June 2016 Outside Corporate Auditor of the Company</p> <p>June 2022 Outside Director (Audit and Supervisory Committee Member) (current position)</p> <p>[Reason for nomination as candidate for Outside Director who is an Audit and Supervisory Committee Member and a summary of expected roles] Although he has no experience of being directly involved in corporate management other than as an outside officer, as a certified tax accountant he is familiar with corporate management through his tax practices, and we have nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member to have him conduct audits from an objective and neutral standpoint.</p>	9,900

- Notes:
- Keita Ushijima and Toshiaki Hanasaki are candidates for Outside Directors as stipulated in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
 - Candidate Keita Ushijima is currently Outside Director (Audit and Supervisory Committee Member) of the Company, and his term of office will be two years at the conclusion of the Annual Meeting of Shareholders. He used to serve as Outside Corporate Auditor of the Company in the past.
 - Candidate Toshiaki Hanasaki is currently Outside Director (Audit and Supervisory Committee Member) of the Company, and his term of office will be two years at the conclusion of the Annual Meeting of Shareholders. He used to serve as Outside Corporate Auditor of the Company in the past.
 - Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Keita Ushijima and Toshiaki Hanasaki to limit their liability for damages under Article 423, Paragraph 1 of the same Act, and the maximum amount of

liability for damages under such agreement is the minimum amount stipulated in Article 425, Paragraph 1 of the same Act. If their appointment is approved, the Company plans to continue such agreement.

5. The Company has concluded a directors and officers liability insurance policy with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. If appointment of the candidates for Directors who are Audit and Supervisory Committee Members is approved, they will continue to be included as insured under the insurance policy.
6. Keita Ushijima and Toshiaki Hanasaki satisfy the requirements for independent officers as stipulated by the Tokyo Stock Exchange, and if their appointment is approved, the Company will continue to designate them as independent officers.
7. There are no special conflicts of interest between any of the candidates and the Company.

(Reference)

Skills Matrix of Candidates for Directors and Candidates for Directors Who Are Audit and Supervisory Committee Members

When Proposals 2 and 3 are approved, the composition of the Board of Directors and the Audit and Supervisory Committee, and the areas in which we expect each director to make the most of his/her experience and expertise are as follows.

Name	Position	Management Strategy	Finance & Accounting	Law & Governance	Global Business	DX & Technology	Sustainability & Diversity	HR Development
Minoru Iizuka	President	○		○	○	○	○	○
Masashi Kawasaki	Managing Director	○			○	○		○
Shimpei Hasegawa	Director	○			○			○
Kohei Hasegawa	Director	○			○	○	○	○
Toshiaki Kotera	Outside Director	○	○					
Keiko Iijima	Outside Director	○		○			○	
Toshiro Hiroshima	Director Full-time Audit and Supervisory Committee Member	○		○		○	○	○
Keita Ushijima	Outside Director Audit and Supervisory Committee Member	○	○	○				
Toshiaki Hanasaki	Outside Director Audit and Supervisory Committee Member	○	○	○				

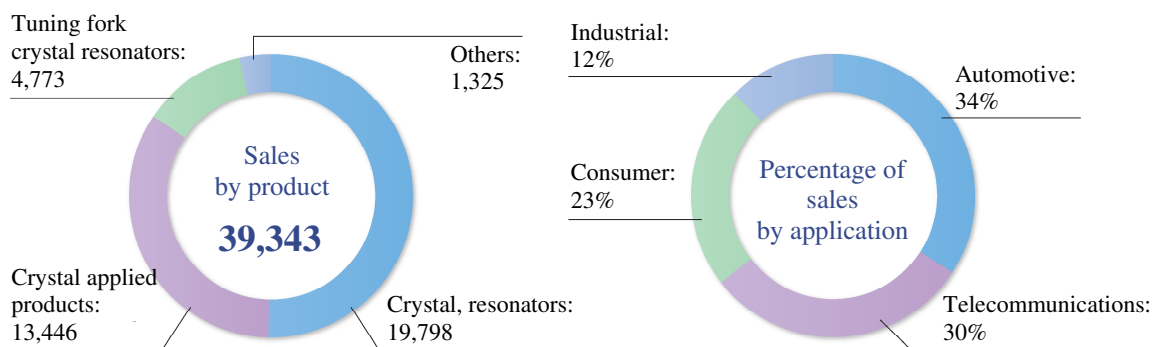
* The above list does not necessarily represent all the experience and expertise of each officer.

Business Report

(From April 1, 2023 to March 31, 2024)

I. Current Conditions of DAISHINKU CORP.

Sales (Million yen)



1. Overview of Business for the Current Fiscal Year

(1) Outline of operations and business results

In the global economy, during the current fiscal year, economic recovery tended to slow down due to soaring prices with inflation, rising policy interest rates and so on. Capital investment is sluggish especially in the manufacturing industry, and geopolitical risks persist at high level, so an outlook remains uncertain.

In the business environment surrounding DAISHINKU Group (the “Group”), noticeable adjustments due to sluggish capital investment became apparent in the industrial sector, and in the consumer sector, sales remained weak, despite a recovery trend, especially for PCs. On the other hand, in the telecommunications field, sales for Chinese smartphones showed a recovery trend, and in the automotive field, sales remained strong due to a recovery in automobile production as the semiconductor shortage was resolved.

Under these circumstances, the Group continued to invest for growth such as the reinforcement of the production facilities mainly for photolithography products, which will be the Group’s future growth driver, and the innovating of our core systems. We also participated in the “electronica China 2023,” a trade fair held in China, where we introduced approaches to our core technologies for larger synthetic quartz crystals and quartz crystal wafers, and our original products, “Ark series” and “Molded Type Crystal Oscillators,” drawing widespread attention.

In addition, we have declared the “Scope 1+2” Carbon Neutrality Challenge in 2030 as a new initiative. This initiative reflects our commitment to achieving a sustainable society for future generations, in collaboration with all stakeholders, and to becoming a corporation trusted by the entire society. Furthermore, since climate change risk is an urgent issue that is common throughout the world, we have decided to endorse the recommendations issued by the TCFD (Task Force on Climate-related Financial Disclosures) in order to respond to climate change risk. The Group will continue to work toward achieving both profit generation and environmental conservation concurrently.

Based on the above, net sales amounted to 39,343 million yen (up 2.4% year on year). Operating profit was 2,135 million yen (down 49.3% year on year) due to the impact of lower capacity utilization and price fluctuations of some products. Although a foreign exchange gain of 1,295 million yen was recorded as non-operating income and a gain on sale of investment securities of 988 million yen was recorded as extraordinary income, ordinary profit and profit attributable to owners of parent were 3,192 million yen (down 37.5% year on year) and 1,876 million yen (down 41.5% year on year), respectively.

(2) Capital investment

In the current fiscal year, the Group made a total of 3,613 million yen of capital investments mainly in the manufacturing facilities of crystal resonators and others.

(3) Financing

In the current fiscal year, the Group did not procure funds by issuing bonds or new equities.

(4) Sale of business, absorption-type company split, and incorporation-type company split

Not applicable.

(5) Acquisition of business from other companies

Not applicable.

(6) Acquisition or disposal of other companies' shares, other equity stakes or stock acquisition rights

Not applicable.

(7) Succession of rights and obligations relating other companies' business due to absorption-type merger or absorption-type company split

Not applicable.

(8) Issues to be addressed

There are concerns about the future economic environment, including monetary policy actions by respective countries to fight inflation and other geopolitical risks. It will likely take some time for economic activities to stabilize.

In terms of the business environment surrounding the Group, the industrial market has slowed down because of weak capital expenditure; however, the telecommunications market, including smartphones and wireless communication modules, and the consumer market, including PCs and peripherals, continue gradually picking up, and the in-vehicle market is expected to remain strong due to further progress in ADAS (Advanced Driver Assistance Systems) and electrification.

In March 2024, we completed the First Medium-term Business Plan, "Developing a Foundation" from FY2021–FY2023, under our 10-year Long-term Business Plan, OCEAN+2 Strategy, and in April 2024, we started the Second Medium-term Business Plan, "Establishing a Foundation" from FY2024–FY2026. Looking back on the First Medium-term Business Plan, despite the disruptions caused by COVID-19, record-high profits were achieved in the first year, ahead of schedule of the medium-term plan, thanks to strong demand for quartz crystal devices and the effect of price corrections triggered by a shortage of products. Subsequently, the end of stay-at-home demand, rising energy costs, and lower capacity utilization due to a shortage of semiconductors impacted our business performance, leading to a slowdown in the second and third years. Although the First Medium-term Business Plan fell short of its targets, we aim to achieve the highest-ever profits under the Second Medium-term Business Plan. Furthermore, looking ahead to the next 10-year long-term business plan, we will also embark on full-fledged preparations for "Transforming the Production."

To date, we have been steadily making preparations for "Transforming the Products" toward the Second Medium-term Business Plan, including the mass production of the world's largest synthetic quartz crystals for 6-inch wafers and the expansion of our lineups of our original products, "Arkh series" and "Molded Type Crystal Oscillators." In response to the demand for quartz crystal devices, which is expected to increase in the future, we are aiming for achieving a sevenfold output per unit area by applying DAISHINKU's original production method that combines Arkh series and larger-scale wafers. We will do so because responding to the increased demand by the current production method would require investing in the construction of new plants and the expansion of production facilities, as well as hiring additional personnel on the production side. Furthermore, not only will we aim to achieve a sevenfold output, but we will also strive to maximize output per unit area while minimizing capital investment by leveraging existing facilities. Moreover, our headquarters and plant, scheduled for

completion in August 2024, will serve as a base for creating new value and shaping the future of DAISHINKU. It is intended to be a true mother plant, as evidenced by the introduction of a pilot line for next-generation fully automated production. In addition, in the office areas, we will pursue the maximization of output per worker by increasing business process productivity and sales primarily through the acceleration of DX and utilization of AI. The headquarters and plant will use heat pumps, in addition to the installation of solar panels, for both decarbonization and energy conservation. Furthermore, we plan to introduce 100% sustainable energy, turning this headquarters and plant into our first operation base that is carbon neutral in Scope 1 and Scope 2.

Meanwhile, as part of our efforts to achieve the highest-ever profits under the Second Medium-term Business Plan, we will reduce the risk of business performance fluctuations caused by the high dependence on the China area by reshaping our market portfolio to eliminate such high dependence on the Chinese market.

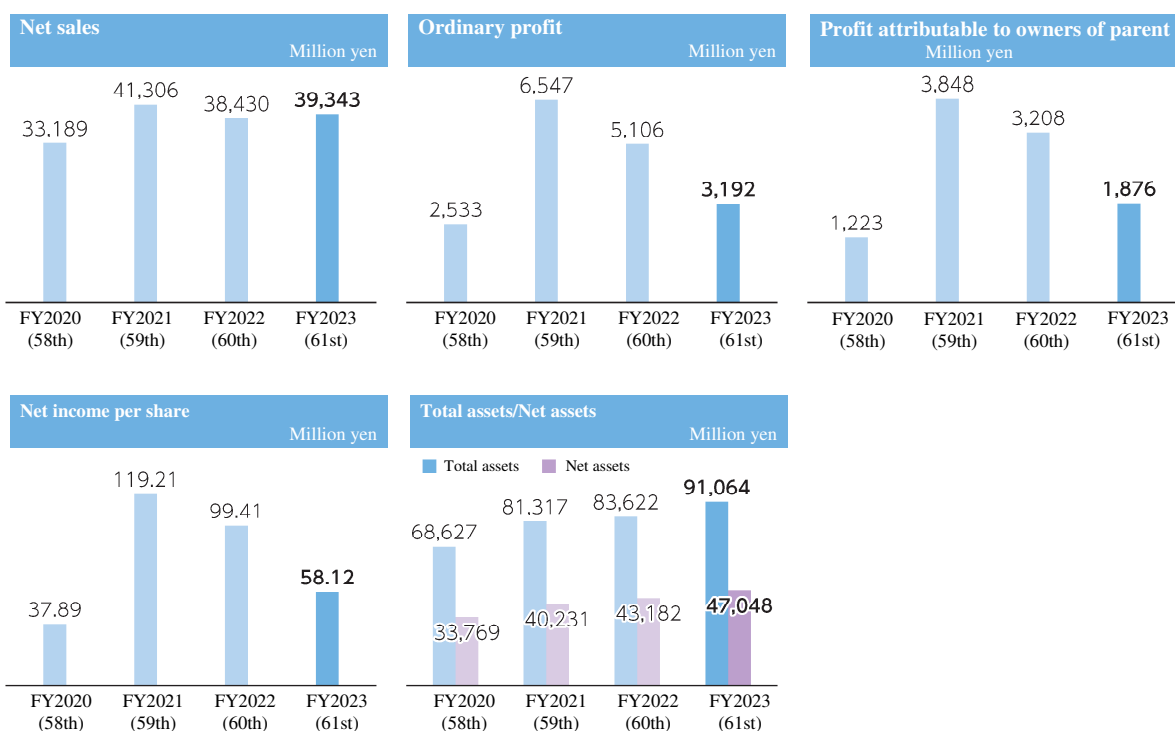
In the long run, demand for timing devices will obviously grow mainly in wireless communication. We will continue building a system for the stable supply of timing devices, indispensable for a “connected society,” such as by innovating our core systems, promoting DX, and preparing for production innovations by the new headquarters and plant. We will also take on new initiatives to realize carbon neutrality through CO2 capturing and separation from the viewpoint of reducing CO2 emissions, which increase in proportion to the production volume. We will endeavor to ensure “stable supply” and “environmental responsiveness,” which are material issues, and create new value, thereby leading to growth.

On a final note, based on the Group’s corporate motto, “Trust,” we will work to become a company in which all employees work with hope while nurturing the spirit of valuing “connection between people.” We believe it is essential to create an environment and structure with the three keywords, “Improving income,” “Feeling fulfillment,” and “Having leeway,” where all employees work with satisfaction and enthusiasm. We promote various efforts focusing on “Work with pleasure” and “Work with comfort.” We also build solid relationship of trust on individual and organizational levels and create “Team Daishinku” as a sustainable company based on a sense of unity.

To all our shareholders, we kindly request your continued support and encouragement as we move forward.

2. Assets, profits and losses for the current and past three fiscal years

Changes in Group's assets, profits and losses



(Note) As the Company executed a 4-for-1 split of its common stock on November 1, 2021, net income per share is calculated on the assumption that the stock split had been conducted at the beginning of the 58th fiscal year.

(Million yen, unless otherwise specified)

Classification	FY2020 58th Fiscal year	FY2021 59th Fiscal year	FY2022 60th Fiscal year	FY2023 61st Fiscal year
Net sales	33,189	41,306	38,430	39,343
Ordinary profit	2,533	6,547	5,106	3,192
Profit attributable to owners of parent	1,223	3,848	3,208	1,876
Net income per share (yen)	37.89	119.21	99.41	58.12
Total assets	68,627	81,317	83,622	91,064
Net assets	33,769	40,231	43,182	47,048

(Notes) 1. Net income per share is calculated based on the average number of shares outstanding during the period. The average number of shares outstanding excludes treasury stock.

2. As the Company executed a 4-for-1 split of its common stock on November 1, 2021, net income per share is calculated on the assumption that the stock split had been conducted at the beginning of the 58th fiscal year.

3. Principal Parent Company and Subsidiaries

(1) Relationship with parent company

Not applicable.

(2) Status of principal subsidiaries

Name	Capital	Shareholding ratio (%)	Main Business
DAISHINKU (AMERICA) CORP.	USD1,500 thousand	100	Sale of the Group's products in the U.S.
DAISHINKU (HK) LTD.	HKD16,000 thousand	100	Sale of the Group's product mainly in Hong Kong
DAISHINKU (DEUTSCHLAND) GmbH	EUR127 thousand	100	Sale of the Group's products in Europe
SHANGHAI DAISHINKU INTERNATIONAL TRADING CO., LTD.	CNY6,208 thousand	100	Sale of the Group's products mainly in China
DAISHINKU (THAILAND) CO., LTD.	THB117,000 thousand	100	Sale of the Group's products mainly in the ASEAN
DAISHINKU (SINGAPORE) PTE. LTD.	SGD1,250 thousand	100	Sale of the Group's products mainly in the ASEAN
PT. KDS INDONESIA	USD27,900 thousand	100	Sale and manufacture of crystal resonators
TIANJIN KDS CORP.	CNY543,570 thousand	100	Sale and manufacture of crystal resonators
Kyushu Daishinku Corp.	JPY20,000 thousand	100	Sale and manufacture of crystal applied products and others
HARMONY ELECTRONICS CORP.	TWD1,070,412 thousand	50	Sale and manufacture of crystal related electronic components

4. Major Lines of Business

The Group is a comprehensive manufacturer of quartz crystal devices, manufacturing and selling electronic components ranging from components such as synthetic quartz crystals to crystal resonators, tuning fork crystal resonators, and crystal applied products and others.

5. Principal Offices and Plants

Head office:	1389 Shinzaike, Hiraoka-cho, Kakogawa, Hyogo
Domestic service office:	Tokyo Sales Office (Shinagawa, Tokyo) Nagoya Sales Office (Nagoya, Aichi)
Domestic production base:	Tottori Production Division (Tottori, Tottori) Tokushima Production Division (Yoshinogawa, Tokushima) Kanzaki Plant (Kanzaki, Hyogo) Nishiwaki Plant (Nishiwaki, Hyogo) Kyushu Daishinku Corp (Koyu, Miyazaki)
Overseas service office:	DAISHINKU (AMERICA) CORP. (U.S.A.) DAISHINKU (HK) LTD. (Hong Kong) DAISHINKU (DEUTSCHLAND) GmbH (Germany) SHANGHAI DAISHINKU INTERNATIONAL TRADING CO., LTD. (China) DAISHINKU (THAILAND) CO., LTD (Thailand) DAISHINKU (SINGAPORE) PTE. LTD. (Singapore)
Overseas production base:	PT. KDS INDONESIA (Indonesia) TIANJIN KDS CORP. (China) HARMONY ELECTRONICS CORP. (Taiwan)

6. Employees

Number of Group's employees

Number of employees	Change from March 31, 2023
3,278	down 72

(Notes) The number of employees above does not include the number of temporary employees.

7. Main Lenders

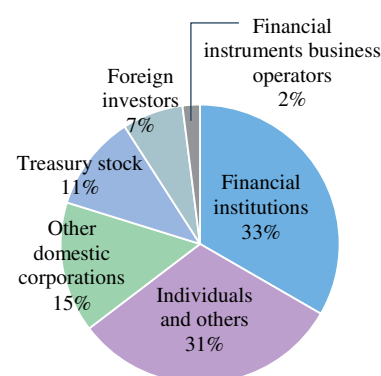
Name of lender	Balance of loans (million yen)
MUFG Bank, Ltd.	12,926
Mizuho Bank, Ltd.	3,348
Resona Bank, Limited	3,120
The Chugoku Bank, Ltd.	2,893
The San-in Godo Bank, Ltd.	2,475

II. Shares of the Company

1. Number of shares authorized to be issued: 104,000,000 shares
2. Total number of shares outstanding: 32,277,575 shares
(excluding 3,919,393 shares of treasury stock)
3. Number of shareholders: 11,038
4. Major shareholders (top 10)

Name of shareholders	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust of Japan, Ltd. (Trust account)	5,174	16.03
The Hasegawa Welfare Foundation Co., Ltd.	2,400	7.44
Custody Bank of Japan, Ltd. (Trust account)	1,559	4.83
MUFG Bank, Ltd.	992	3.07
The Joyo Bank, Ltd.	979	3.03
Sohei Hasegawa	973	3.02
DAISHINKU Employees Shareholding Association	821	2.54
Hasegawa Corporation	640	1.98
The Dai-ichi Life Insurance Company, Limited	569	1.76
Nippon Life Insurance Company	507	1.57

Breakdown by type of shareholders (Reference)



- Notes:
1. Number of shares held is rounded down to the nearest thousand.
 2. Treasury stock (3,919,393 shares) held by the Company is not included in the above table.
 3. The shareholding ratio is the ratio to the total number of shares outstanding (excluding treasury stock) as of March 31, 2024.

5. Other Significant Matter Relating the Company's Shares
Not applicable.

III. Stock Acquisition Rights

Not applicable.

IV Directors and Officers

1. Directors

Name	Positions and responsibilities	Important concurrent positions
Sohei Hasegawa	Chairman	
Minoru Iizuka	President	
Masashi Kawasaki	Managing Director (General Manager of Administration Division and General Manager of Material Business Development Division)	
Shimpei Hasegawa	Director and Senior Managing Executive Officer (General Manager of Sales Strategy & Marketing Division)	Representative Director of DAISHINKU (DEUTSCHLAND) GmbH Chairperson of the Board, SHANGHAI DAISHINKU INTERNATIONAL TRADING CO., LTD.
Toshiaki Kotera	Director	
Keiko Iijima	Director	Outside Corporate Auditor of Keifuku Electric Railroad Co., Ltd. Outside Director (Audit and Supervisory Committee Member) of OPTEx GROUP CO., LTD.
Hiroshi Maeda	Director (Full-time Audit and Supervisory Committee Member)	
Keita Ushijima	Director (Audit and Supervisory Committee Member)	
Toshiaki Hanasaki	Director (Audit and Supervisory Committee Member)	

- Notes: 1. Directors, Toshiaki Kotera, Keiko Iijima, Keita Ushijima, and Toshiaki Hanasaki are Outside Directors as stipulated in Article 2, Paragraph 15 of the Companies Act.
2. The Company has designated Outside Directors, Toshiaki Kotera, Keiko Iijima, Keita Ushijima, and Toshiaki Hanasaki as independent officers as stipulated by the Tokyo Stock Exchange, and registered them as such at the exchange.
3. Directors (Audit and Supervisory Committee Members), Keita Ushijima and Toshiaki Hanasaki are licensed tax accountants and have considerable financial and accounting expertise.
4. The Company has appointed Hiroshi Maeda as a full-time Audit and Supervisory Committee Member to strengthen the audit and supervision functions of the Audit and Supervisory Committee. He is expected to contribute to this aim mainly through attendance on a daily basis at important internal meetings, daily audits of the development and operation of internal control systems, and close cooperation with the Accounting Auditor, the Internal Audit Section, and other relevant departments.
5. Director Keiko Iijima serves as an Outside Corporate Auditor of Keifuku Electric Railroad Co., Ltd. and an Outside Director (Audit and Supervisory Committee Member) of OPTEx GROUP CO., LTD. There are no special interests between the Company and these two companies.
6. The Company has an advisory contract with Park Sogo Law Office, to which Keiko Iijima belongs, but the advisory fee is insignificant.
7. Positions and responsibilities of Directors were changed as follows on April 1, 2024.
- Masashi Kawasaki assumed the office of Managing Director (General Manager of Material Business Development Division). Before this, he served as Managing Director (General Manager of Administration Division and General Manager of Material Business Development Division).
 - Shimpei Hasegawa assumed the office of Director and Senior Managing Executive Officer (In charge of business management and General Manager of Sales Strategy & Marketing Division). Before this, he served as Director and Senior Managing Executive Officer (General Manager of Sales Strategy & Marketing Division).
8. Chairman Sohei Hasegawa will retire from the position of Director and Chairman of the Company at the conclusion of the Annual General Meeting of Shareholders of the Company to be held on June 27, 2024.
9. Director (Full-time Audit and Supervisory Committee Member) Hiroshi Maeda will retire from the position of Director (Audit and Supervisory Committee Member) of the Company at the conclusion of the Annual General Meeting of Shareholders of the Company to be held on June 27, 2024.

10. Pursuant to provisions of Article 427, Paragraph 1 of the Companies Act., the Company stipulated in its Articles of Incorporation that it may conclude a contract to limit liability for damages as provided in Article 423, Paragraph 1 of the Companies Act. The Company has entered into a liability limitation agreement with each Outside Director. The limit of the liability for damages under the agreement shall be the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act. provided that they act in good faith and without gross negligence in performing their duties.
11. The Company has entered into a directors and officers liability insurance contract stipulated in Article 430 Paragraph 3 Item 1 of the Companies Act. The insured parties of the insurance contract are Directors, Corporate Auditors, the Accounting Auditor, Executive Officers, and other important employees under the Companies Act. (including those who already resigned or retired and those who assume the office of the aforementioned positions during the period of the insurance) of the Company and the Company's subsidiaries. The premiums are paid by the Company, including riders. Therefore, the insured do not bear the actual premiums. The contract, together with riders, will cover damages that may arise due to the insured parties including officers assuming liability for the execution of his or her duties or receiving a claim related to the pursuit of such liability. However, there are certain exemptions, such as in case of actions taken with the knowledge that such actions are in violation of laws and regulations.

2. Amount of Remuneration, etc. for Directors

Classification	Total amount of remuneration, etc. (Thousands of yen)	Number of persons
Directors (excluding Audit and Supervisory Committee Members) (Of which Outside Directors)	125,928 (12,900)	6 (2)
Directors (Audit and Supervisory Committee Members) (Of which Outside Directors)	19,440 (8,640)	3 (2)
Total (Of which Outside Directors)	145,368 (21,540)	9 (4)

- Notes: 1. The total amount of remuneration, etc. for Directors does not include the portion of employee salaries for Directors concurrently serving as employees.
2. Remuneration, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members) was resolved to be up to 25,000 thousand yen per month (excluding the portion of employee salaries for Directors concurrently serving as employees) and that for Directors who are Audit and Supervisory Committee Members up to 3,000 thousand yen per month at the 59th Annual General Meeting of Shareholders held on June 29, 2022. The amount of remuneration, etc. has been determined within the limit of remuneration. As of the conclusion of that Annual General Meeting of Shareholders, there were six Directors (excluding Directors who are Audit and Supervisory Committee Members) (including two Outside Directors) and there were three Directors who are Audit and Supervisory Committee Members (including two Outside Directors).

3. Determination of Individual Directors' Remuneration, etc.

The Company resolved to partially amend the determination policy of individual Director's remuneration, etc. at the Board of Directors meeting held on April 14, 2023.

The remuneration of the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members) only consists of basic remuneration, which is comprised of monthly fixed remuneration and bonuses. The amount of remuneration is determined based on a comprehensive consideration of the remuneration level of other companies, the Company's performance, and the level of employee salaries, according to position, responsibility, and years serving in the position. Payment of bonuses to Directors shall be submitted to a general meeting of shareholders following thorough consideration of the business performance for the fiscal year, deliberation at the Remuneration Committee, and resolution by the Board of Directors. The bonus shall be paid at a certain time after a resolution of the general meeting of shareholders.

The amount of remuneration for individuals for the current fiscal year was left to the Chairman Sohei Hasegawa and President Minoru Iizuka to determine as resolved at the Board Directors meeting held on June 29, 2023, following deliberation at the Remuneration Committee. That authority is to decide on the amount of basic remuneration for each Director (excluding Directors who are Audit and Supervisory Committee Members). The reason for delegating this authority to the Chairman is that he is expected to appropriately determine the amount of remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) as he is the most knowledgeable about the environment surrounding our group and our business conditions. In addition, the Board of Directors determined that the amount of remuneration complied with the determination policy because decisions were made after deliberation at the Remuneration Committee to ensure that such authority is properly exercised.

The remuneration of Directors who are Audit and Supervisory Committee Members was resolved through the discussion by Directors who are Audit and Supervisory Committee Members within the limit of remuneration resolved at a general holder meeting of shareholders.

The remuneration received by Directors of the Company for the current fiscal year was only fixed remuneration.

4. Outside Directors

Key activities during the current fiscal year

Name	Attendance and remarks at meetings and a summary of duties executed with respect to the role expected of outside directors		
Toshiaki Kotera Outside Director	Board of Directors meetings 13/13	Audit and Supervisory Committee meetings –	Nomination Committee meetings 3/3
	<p>He is a licensed tax accountant and has expertise primarily in accounting and tax matters. Taking advantage of this, and based on the broad experience expected of an Outside Director, he has actively and vigorously provided comments and advice from a neutral standpoint at the Board of Directors meetings.</p> <p>In addition, as the chair of the Nomination Committee, he attended all three meetings of the committee held during the current fiscal year to present policies in accordance with the committee's activity plan and engage in lively discussions about the criteria for future nominations and other matters.</p>		
Keiko Iijima Outside Director	Board of Directors meetings 13/13	Audit and Supervisory Committee meetings –	Nomination Committee meetings 3/3
	<p>She is a licensed attorney-at-law and has expertise primarily in corporate legal affairs. Taking advantage of this and based on the broad experience expected of an Outside Director, she has actively and vigorously provided comments and advice from a neutral standpoint at the Board of Directors meetings.</p> <p>In addition, as a member of the Nomination Committee, she attended all three meetings of the committee held during the current fiscal year to present policies in accordance with the committee's activity plan and engage in lively discussions about the criteria for future nominations and other matters.</p>		
Keita Ushijima Outside Director (Audit and Supervisory Committee Member)	Board of Directors meetings 13/13	Audit and Supervisory Committee meetings 14/14	Remuneration Committee meetings 3/3
	<p>Primarily from an accounting and tax perspective as a licensed tax accountant, he has made a fair statement at meetings of the Board of Directors and the Audit and Supervisory Committee to provide advice and recommendations to ensure the propriety and appropriateness of the decision-making of the Board of Directors.</p> <p>In addition, as the chair of the Remuneration Committee, he attended all three meetings of the committee held during the current fiscal year to present policies in accordance with the committee's activity plan and engage in lively discussions about the determination method of remuneration to use in the future and other matters.</p>		
Toshiaki Hanasaki Outside Director (Audit and Supervisory Committee Member)	Board of Directors meetings 13/13	Audit and Supervisory Committee meetings 14/14	Remuneration Committee meetings 3/3
	<p>Primarily from an accounting and tax perspective as a licensed tax accountant, he has made a fair statement at meetings of the Board of Directors and the Audit and Supervisory Committee to provide advice and recommendations to ensure the propriety and appropriateness of the decision-making of the Board of Directors.</p> <p>In addition, as a member of the Remuneration Committee, he attended all three meetings of the committee held during the current fiscal year to present policies in accordance with the committee's activity plan and engage in lively discussions about the determination method of remuneration to use in the future and other matters.</p>		

V. Accounting Auditor

1. Name of Accounting Auditor

SCS Global LLC

2. Amount of Remuneration to the Accounting Auditor for the Fiscal Year Ended March 31, 2024

Amount of remuneration for services under Article 2, Paragraph 1 of the Certified Public Accountants Act	37,000 thousand yen
Total amount of money or other economic benefits to be paid by the Company and the Company's subsidiaries to the Accounting Auditor	37,000 thousand yen

- Notes:
1. The audit contract between the Company and the audit corporation does not clearly distinguish between the amount of remuneration for audits specified by the Companies Act for financial auditors and the amount of remuneration for audits under the Financial Instruments and Exchange Act, and we also do not substantially distinguish between them. Accordingly, the above amounts represent the total of these.
 2. The Company's Audit and Supervisory Committee has confirmed and examined the content of the Accounting Auditor's audit plan, the status of execution of its duties, and the basis for calculating the estimated remuneration, and as a result, gave consent to the remuneration of the Accounting Auditor under Article 399, Paragraph 1 of the Companies Act.

3. Audits of Subsidiaries

The principal subsidiaries of the Company, which are DAISHINKU (AMERICA) CORP., DAISHINKU (HK) LTD., DAISHINKU (DEUTSCHLAND) GmbH, SHANGHAI DAISHINKU INTERNATIONAL TRADING CO., LTD., DAISHINKU (THAILAND) CO., LTD., DAISHINKU (SINGAPORE) PTE. LTD., PT. KDS INDONESIA, TIANJIN KDS CORP., and HARMONY ELECTRONICS CORP., have been audited (limited to audits pursuant to the provisions of the Companies Act or the Financial Instruments and Exchange Act (including foreign laws and regulations equivalent to these Acts)) by a certified public accountant or audit corporation other than the Company's Accounting Auditor (including those having foreign qualifications equivalent to such qualifications).

4. Policy on Determination of Dismissal or Refusal of Reelection of Accounting Auditor

If the Accounting Auditor is found to fall under any of the items under Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee will, with the consent of all its Members, dismiss the Accounting Auditor.

In other cases in which it is deemed difficult for the Accounting Auditor to properly execute its duties, the Audit and Supervisory Committee will decide on a proposal for the dismissal or refusal of reelection of the Accounting Auditor. Upon this decision, the Company's Board of Directors will submit the proposal to the General Meeting of Shareholders.

VI. Structure and Policies of the Company

1. Systems to Ensure That the Execution of the Duties by Directors Complies with Laws and Regulations and the Articles of Incorporation, and Other Systems Necessary to Ensure the Properness of Operations of a Stock Company and Operations of Group of Enterprises consisting of the Stock Company and its Subsidiary Companies

The Company passed a resolution at the meeting of the Board of Directors held on May 19, 2006 on a basic policy for the establishment of systems to ensure that the execution of the duties by Directors complies with laws and regulations and the Articles of Incorporation, and other systems necessary to ensure the properness of operations of a stock company and operations of group of enterprises consisting of the stock company and its subsidiary companies (collectively, the “Internal Control System”), and at the meeting of the Board of Directors held on June 29, 2022 on partial revision to the Internal Control System.

- (1) Systems to ensure that Directors’ and employees’ execution of duties complies with laws and regulations and the Articles of Incorporation
 - (i) The Company, as a group of enterprises, shall establish the Daishinku Group Basic Policy on Internal Control System and extend it to all of its subsidiaries to ensure that all the group companies, including the Company, share the same corporate philosophy, including those of compliance and information security.
 - (ii) The Company shall establish its corporate philosophy and behavior standards as well as the Code of Conduct on CSR as a basis of its compliance system and work to disseminate them to all Directors and employees. The Company shall also extend them to its subsidiaries.
 - (iii) The Company shall establish various rules and regulations, procedures, manuals and the like to develop the compliance system and work to ensure that Directors and employees are fully aware of them.
 - (iv) The Company shall set up a consultation office and whistleblowing contact for compliance in accordance with the Whistleblowing Regulations and establish a system where any person who finds a material fact in violation of legal compliance and other compliance matters at the Company shall immediately report to the aforementioned whistleblowing contact and the whistleblowing contact shall report to the Board of Directors and the Audit and Supervisory Committee. All the Company’s subsidiaries shall also establish a system where a person who finds a material fact in violation of legal compliance and other compliance matters can directly report to the Company’s whistleblowing contact.
 - (v) While encouraging compliance with relevant laws and regulations and business ethics and engaging in corporate activities that are consistent with its corporate philosophy, the Company shall provide company-wide compliance education on a regular basis to be a company trusted by society.
 - (vi) The Company shall take a firm attitude against anti-social forces and have no relationship with them. If any issue occurs, the Company shall respond thereto in cooperation with external expert organizations.

<Overview of the operational status for (1)>

- The Company has established the Daishinku Group Basic Policy on Internal Control System and developed it at all the group companies. The Company has also disseminated the Code of Conduct on CSR to all the group companies. The Company provides a company-wide compliance education program and a compliance education program by job level once every year as activities to ensure that all Directors and employees are fully aware of the Code of Conduct on CSR and other rules and regulations. The Company has also worked to instill and embed CSR in all of its employees by raising their awareness of CSR through the employees' self-assessment of compliance with the Code of Conduct on CSR and the Company's feedback of the results to the employees. In addition, the Company has widely distributed the Company's views on CSR by publishing the Code of Conduct on CSR and other information on the Company website (URL: <https://www.kds.info/?mlang=en>) as well as disseminating its corporate philosophy, behavior standards, the Code of Conduct on CSR and other rules and regulations within the Company by keeping them available for inspection at the Company at any time.
- The Company and its subsidiaries have established the Whistleblowing Regulations and set up a whistleblowing contact to properly operate the regulations. The status of operation of the whistleblowing system is periodically reported to the Board of Directors for review.
- The Company has included the provisions in the Code of Conduct on CSR that Directors and employees shall take a firm attitude against anti-social forces to pursue social justice and worked to ensure that Directors and employees are fully aware of such provisions to exclude anti-social forces.
- To promote the Company's Code of Conduct on CSR, the Company has prepared and distributed the CSR Procurement Guidelines widely to its suppliers on the Company website.
- To improve the working environment and prevent accidents and disasters, the Company has established a safety management department, which promotes group-wide safety and health activities by formulating safety policies and standards, ensuring compliance with various safety and health laws and regulations, and providing education and training necessary to secure safety and health.
- As part of legal compliance efforts, the Company has set up occupational safety and health committees at each business site in accordance with the Industrial Safety and Health Act. In addition, the Company, as a company-wide meeting body, holds an occupational safety and health liaison meeting once a month and a company-wide occupational safety and health meeting once every three months to enhance safety and health at the Company.

(2) System for storage and management of information regarding the execution of duties by Directors of the Company and its subsidiaries

- (i) The Company shall properly and fully store and manage information regarding the execution of duties by Directors in a condition that the information is allowed to be easily located according to its storage media pursuant to the Regulations for the Board of Directors, the Document Handling Regulations and other rules for the prescribed period.
- (ii) The Company shall recognize the importance of the information and establish guidelines to protect information assets of management information, business information, technical information, etc. The Company shall also develop and review various rules and regulations to properly manage the information.

<Overview of the operational status for (2)>

- The Company has properly stored and managed the information for such period by such department as prescribed by the Company pursuant to the Regulations for the Board of Directors, the Document Handling Regulations and other rules. In terms of information security, the Company has also established internal rules such as the Information Security Basic Policy to enhance proper management of the information.
- The Company has made efforts to enhance Directors' and employees' awareness of information security to have them pay attention to the handling of confidential information and treatment of suspicious emails by conducting information security self-inspection by Directors and employees regularly and providing feedback to them.
- The Company has established the Regulations for Information System Failure Emergency Response for risks of data loss due to natural disasters, hardware failures, cyberattacks and the like. The Company has also developed restoration procedures and assessed the effectiveness of the procedures.
- As part of the efforts to protect information assets and the BCP, the Company has regularly backed up servers and stored the backup data at a remote location. In addition, the Company has started operation of servers at a data center with robust core system hardware.

(3) Regulations and other systems relating to management of the risk of loss of the Company and its subsidiaries

- (i) The Company shall identify various risks surrounding the Company and understand and manage such risks in an integrated manner pursuant to the Risk Management Regulations to ensure business continuity and stable business development.
- (ii) If an unexpected event occurs, the Company shall set up a task force to take appropriate measures in accordance with the Crisis Management Regulations and develop a crisis management system appropriate to the information age as a global group of enterprises.
- (iii) The Company shall establish the internal control promotion department and put the Internal Control System integrated with risk management in place at each department of the Company.
- (iv) The Company shall establish the internal audit department to assess and monitor the effectiveness of the Internal Control System.

<Overview of the operational status for (3)>

- The Company has developed and regularly reviewed a list of company-wide risks to promote risk response activities.
- The Company has developed the crisis management manuals and put an initial action system in place for natural disasters. The Company has also worked to disseminate the manuals and the system within the Company.
- The Company has established the Regulations for Cyber Security Measures to address cyberattacks and taken measures such as vulnerability measures and technical measures. The Company also monitors cyberattacks with monitoring functions such as an alert notification system and a management console.

- (4) System to ensure the efficient execution of the duties by Directors of the Company and its subsidiaries
- (i) The Company shall hold a meeting of the Board of Directors once a month on a regular basis and an extraordinary meeting of the Board of Directors as necessary as a basis of the system to ensure the efficient execution of the duties by Directors. The Board of Directors shall make decisions on the execution of important matters related to the management policy and business strategies through deliberation by the executive board.
 - (ii) The Company shall hold a meeting of the management council that consists of Directors and Executive Officers to discuss individual management issues from a practical perspective.
 - (iii) The Company shall stipulate details of individual Directors' responsibilities and procedures for such execution of duties as decided by the Board of Directors in the Organization Regulations, the Regulations for Segregation of Duties, and the Regulations for Official Authority.
 - (iv) The Company shall develop a short-term and a med- and long-term business plan and enhance business efficiency by managing progress of the plans.

<Overview of the operational status for (4)>

- The Company held 13 meetings of the Board of Directors for the 61st fiscal year in accordance with the Regulations for the Board of Directors. Prior to holding each of the meetings of the Board of Directors, the Company held a meeting of the executive board, namely, 12 meetings of the executive board in total for the 61st fiscal year. In addition, the Company held a meeting of the management council once a month, in principle, to discuss individual management issues from a practical perspective.
- To further enhance the effectiveness of the Board of Directors, the Company is working toward the further improvement of the Board of Director's function by conducting a questionnaire survey for the Directors present at meetings of the Board of Directors and analyzing and assessing the results of the survey.
- The Company manages progress of management targets by holding a briefing session of progress of a profit plan every three months for participants who are department heads and persons of higher positions.
- The Company is working toward the achievement of its 10 year long-term business plan "OCEAN+2 Strategy" by sharing its long-term vision across the Company to make all Directors and employees fully aware of the direction that the Company heads for.

- (5) System regarding report to the Company of matters related to the execution of the duties by Directors of the Company's subsidiaries, and other systems to ensure the properness of operations of such stock companies and operations of group of enterprises consisting of the stock companies' parent companies and subsidiary companies

The Company shall appoint a responsible person for each of its subsidiaries to promote supervision and management of its operations. The Company shall also hold a briefing session on a regular basis and have Representative Directors of its subsidiaries report important matters as appropriate. The Company shall provide guidance and make improvements as necessary.

<Overview of the operational status for (5)>

- The Company has endeavored to properly understand the business conditions of its subsidiaries by providing guidance and supervision to them by the Company's responsible Directors and Executive Officers as well as establishing the affiliated companies management department and having the department make a monthly business report at a meeting of the Board of Directors.
- The Company has Representative Directors of its subsidiaries attend a briefing session of progress of a profit plan held every three months to receive report on business results and plans from them.

- (6) Matters regarding employees if the Audit and Supervisory Committee requires appointment of employees who assist their duties

The Audit and Supervisory Committee may appoint employees who it determines are qualified as assistants if it needs assistance for its audit work.

- (7) Matters regarding the independence of employees who assist the duties of the Audit and Supervisory Committee from Directors (excluding Directors who are Audit and Supervisory Committee Members) and regarding ensuring the effectiveness of instructions to such employees

Personnel relocation, evaluation, disciplinary action and the like of the assistants set forth in the preceding item shall be subject to approval of the Audit and Supervisory Committee. The assistants may concurrently serve other duties but shall prioritize the assistance work and must follow instructions of the Audit and Supervisory Committee with respect to the assistance work.

- (8) System for reporting to the Audit and Supervisory Committee by Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees and other systems for reporting to the Audit and Supervisory Committee

(i) The Company shall establish the regulations prescribing matters to be reported to the Audit and Supervisory Committee through consultation with the Audit and Supervisory Committee. Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees shall report to the Audit and Supervisory Committee in accordance with such regulations.

(ii) Officers and employees of the Company and its subsidiaries shall promptly make appropriate reports on the execution of their duties upon request of an Audit and Supervisory Committee Member designated by the Audit and Supervisory Committee of the Company.

(iii) The Company shall establish a whistleblowing system with its Full-time Audit and Supervisory Committee Member serving as the whistleblowing contact and develop a system where employees and workers of its subsidiaries can directly report to the Company's Full-time Audit and Supervisory Committee Member.

- (9) System to ensure that whistleblowers are not unfavorably treated due to the whistleblowing

The Company shall prescribe in the Company's and its subsidiaries' regulations for whistleblowing that its and its subsidiaries' officers and employees are entitled to directly report to the Company's Full-time Audit and Supervisory Committee Member and that no dismissal or other unfavorable treatment shall be made to any whistleblower merely for the reason of having made whistleblowing complaints.

- (10) Matters regarding advance payment or reimbursement of expenses arising from the execution of the duties by the Audit and Supervisory Committee Members and other policies on treatment of expenses or debts arising from the execution of duties by the Audit and Supervisory Committee Members

(i) If an Audit and Supervisory Committee Member requests the Company to make advance payment of expenses for the execution of his/her duties in accordance with the provisions of Article 399-2, Paragraph 4 of the Companies Act, the Company shall promptly comply with such request through deliberation by the responsible department unless the expenses or debts relating to such request are recognized to be unnecessary for the execution of the duties of such Audit and Supervisory Committee Member.

(ii) The Company shall set a budget for a fixed amount each year to pay expenses arising from the execution of the duties of the Audit and Supervisory Board Members.

- (11) Other systems to ensure the effective performance of audits by the Audit and Supervisory Committee

Representative Directors and the Audit and Supervisory Committee shall hold a meeting to exchange opinions as necessary, and the Accounting Auditor and the Audit and Supervisory Committee shall hold a meeting to exchange opinions regularly or as needed.

<Overview of the operational status for (6)–(11)>

- The Company has prescribed matters regarding the Audit and Supervisory Committee in the Regulations for the Audit and Supervisory Committee and make such regulations available for inspection within the Company at any time. The Company has properly operated such regulations.
- The Company has properly set a budget in advance for expenses necessary for the execution of the duties of the Audit and Supervisory Committee and promptly pays such expenses.
- To ensure the effectiveness of audits by the Audit and Supervisory Committee, the Company has established and properly operated the Regulations for Reporting to the Audit and Supervisory Committee to make necessary reports and provide information. In addition, Audit and Supervisory Committee Members attend meetings of the Board of Directors and other important meetings and actively express their opinions after gaining necessary information from the standpoint of Audit and Supervisory Committee Members.
- The Audit and Supervisory Committee exchanges opinions and shares information at regular meetings with the Accounting Auditor to improve the effectiveness of audits.

2. Basic Policy on Control of a Company

The Company has not specifically established a basic policy on the conditions of persons controlling the determination of the Company's financial and operational policies.

3. Policy on Determination of Distribution of Surplus

The Company has not stipulated the provisions for resolution of the Board of Directors for distribution of surplus pursuant to Article 459, Paragraph 1 of the Companies Act, and thus this item is not applicable.

(Note) The amounts and the number of shares presented in this Business Report are rounded down to the respective specified units, and ratios and other figures are rounded off to the nearest specified units.