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Securities Code: 6962  
June 5, 2025

To Our Shareholders:

Minoru Iizuka  
President

**DAISHINKU CORP.**  
179-6 Mizuashi, Noguchi-cho, Kakogawa,  
Hyogo 675-8565 Japan

### Notice of the 62nd Annual General Meeting of Shareholders

We are pleased to announce the 62nd 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>

(Please visit the website above, go to the top page or menu, and select [Investor Relations] – [IR News] to view the information.)

[Tokyo Stock Exchange (TSE) website (Listed Company Search)]

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

(Instructions for accessing and checking information on the TSE website)

- (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 Thursday, June 26, 2025, at 5:30 p.m. (JST) according to the instructions for the exercise of voting rights.

## Meeting Details

- 1. Date and Time:** Friday, June 27, 2025, at 10 a.m. (JST)
- 2. Venue:** DAISHINKU CORP., Headquarters and Plant  
2F Large Conference Room,  
179-6 Mizuashi, Noguchi-cho, Kakogawa, Hyogo  
(Please note that the venue is different from the last time)

### 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 62nd Fiscal Year (from April 1, 2024 to March 31, 2025)
2. Report of the Non-consolidated Financial Statements for the 62nd Fiscal Year (from April 1, 2024 to March 31, 2025)

#### 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:** Revision of the Amount of Remuneration for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
- Proposal 4:** Revision of the Amount of Remuneration for Directors Who Are Audit and Supervisory Committee Members
- Proposal 5:** Decision on Remuneration for Granting Restricted Stocks to Directors (Excluding Outside Directors and 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 the Articles of Incorporation of the Company. The Audit and Supervisory Committee and the Accounting Auditor have audited the documents subject to audit, including the matters stated below.
  - (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 Propriety 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 Company’s Organizational Structure and Policies 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) “Balance Sheet,” “Income Statement,” “Non-consolidated Statement of Changes in Net Assets” and “Notes to the Non-consolidated Financial Statements” in the Non-consolidated Financial Statements
  - (iv) “Accounting Auditor’s Report of the Non-consolidated Financial Statements” in the Audit Report
- \* 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 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

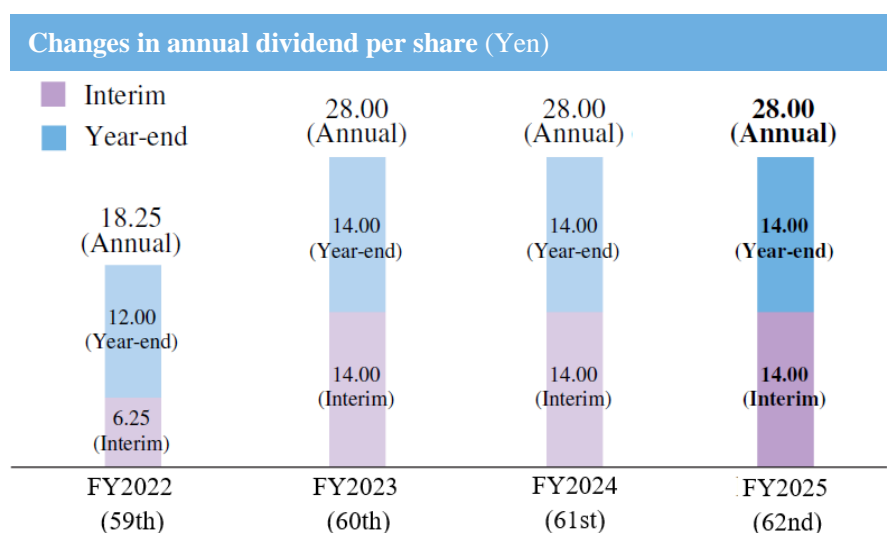
### Proposal and Referential Matters

#### 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

1. Allocation of dividends to shareholders and total amount of dividends  
14 yen per common share of the Company  
Total amount: 444,872,554 yen
2. Effective date of the dividends of surplus  
June 30, 2025



\* 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 59th 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	 <p><b>Minoru Iizuka</b> (September 14, 1961)</p> <p>Reelection</p>	<p>Apr. 1985      Joined the Company</p> <p>Feb. 2004      Manager of Research Laboratory I, Central Laboratory</p> <p>June 2014      Director</p> <p>July 2014      Deputy Director of Central Laboratory</p> <p>Apr. 2015      General Manager of Production Division</p> <p>Jan. 2017      General Manager of Product Division</p> <p>Apr. 2017      Managing Director</p> <p>July 2018      In charge of business management</p> <p>Apr. 2019      Senior Managing Director</p> <p>Oct. 2019      Director and Senior Vice President Manager of Fundamental Technological Development Department</p> <p>July 2021      President (current position)</p> <p>Jan. 2025      General Manager of Business Unit, General Manager of Production Division and Manager of Development Department</p> <p>May 2025      General Manager of Business Unit and General Manager of Production Division (current position)</p> <p>[Reason for nomination as candidate for Director] After serving as the executive manager of the Development &amp; 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.</p>	54,400

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><b>Masashi Kawasaki</b> (December 12, 1955)</p> <p>Reelection</p>	<p>Mar. 1978    Joined the Company</p> <p>Nov. 1990    Manager of Engineering Department, Tottori Plant II</p> <p>Apr. 2002    Manager of Production Engineering Department</p> <p>July 2004    Director of Tokushima Production Division</p> <p>July 2008    President of Tianjin KDS Corp.</p> <p>Apr. 2015    Director of Kanzaki Plant</p> <p>Apr. 2016    Manager of Material Business Development Department</p> <p>July 2018    Executive Officer General Manager of Material Business Development Division</p> <p>June 2020    Director</p> <p>July 2021    Managing Director (current position)</p> <p>Jan. 2023    General Manager of Administration Division and General Manager of Material Business Development Division</p> <p>Apr. 2024    General Manager of Material Business Development Division (current position)</p> <p>[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 &amp; 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.</p> <p>Based on such experience and track record, he is nominated as a candidate for Director.</p>	25,100

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><b>Shimpei Hasegawa</b> (February 11, 1979)</p> <p>Reelection</p>	<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 &amp; 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 &amp; Marketing Division</p> <p>June 2020    Director</p> <p>Apr. 2022    Managing Executive Officer General Manager of Office of the President</p> <p>Jan. 2023    Senior Managing Executive Officer General Manager of Sales Strategy &amp; Marketing Division</p> <p>Apr. 2024    Deputy General Manager of Business Unit and General Manager of Sales Strategy &amp; Marketing Division</p> <p>June 2024    Managing Director (current position)</p> <p>Jan. 2025    Deputy General Manager of Business Unit (current position)</p> <p>[Important concurrent positions] Representative Director of DAISHINKU (DEUTSCHLAND) GmbH</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>	20,300

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	 <p><b>Kohei Hasegawa</b> (March 14, 1981)</p> <p>Reelection</p>	<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</p> <p>June 2024    Director (current position)</p> <p>July 2024    General Manager of Administration Unit (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. Based on such experience and track record, he is nominated as a candidate for Director.</p>	30,700

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	 <p><b>Toshiaki Kotera</b> (July 25, 1963)</p> <p>Reelection Outside</p>	<p>Apr. 1992    Joined Kotera Accounting Office</p> <p>Sep. 1992    Qualified as Certified Tax Accountant</p> <p>June 2007    Outside Corporate Auditor of the Company</p> <p>June 2015    Outside Director (current position)</p> <p>[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.</p>	24,100

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	 <p><b>Keiko Iijima</b> (May 29, 1965)</p> <p>Reelection Outside</p>	<p>Apr. 1995 Appointed as Judge (in Sapporo, Chiba, Osaka, Matsue and Kyoto)</p> <p>Mar. 2009 Retired</p> <p>June 2009 Registered as a practicing attorney (current position)</p> <p>June 2016 Outside Director of the Company (current position)</p> <p>June 2022 Outside Corporate Auditor of Keifuku Electric Railroad Co., Ltd. (current position)</p> <p>Mar. 2024 Outside Director (Audit and Supervisory Committee Member) of OPTEX GROUP CO., LTD. (current position)</p> <p>[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.</p> <p>The Company has an advisory contract with Park Sogo Law Office, to which Keiko Iijima belongs, but the amount of remuneration is minimal.</p> <p>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.</p>	2,200

- 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 ten 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 nine 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 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: Revision of the Amount of Remuneration for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)**

At the 59th Annual General Meeting of Shareholders held on June 29, 2022, it was approved that the amount of remuneration for Directors of the Company (excluding Directors who are Audit and Supervisory Committee Members; the same shall apply to the rest of the Proposal) shall be up to 25 million yen per month (not including the portion of employee salaries for Directors concurrently serving as employees), and this amount has remained unchanged to this day.

Due to the changes in the economic situation and business environment, the Company has decided to review the remuneration system. Specifically, we propose to change the remuneration from a monthly to an annual basis and revise the amount of remuneration for Directors to be up to 300 million yen per year (including up to 30 million yen for Outside Directors). In addition, we propose that the amount of remuneration does not include the portion of employee salaries for Directors concurrently serving as employees as before.

This proposal is believed to be appropriate because it was decided by the Board of Directors' meeting, comprehensively taking into consideration the scale of the Company's business, the executive compensation system and its payment level, the current number of executives, and future trends.

The current number of Directors is six (including two Outside Directors), and if Proposal No. 2 "Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)" is approved as proposed, the number of Directors shall be six (including two Outside Directors).

**Proposal 4: Revision of the Amount of Remuneration for Directors Who Are Audit and Supervisory Committee Members**

At the 59th Annual General Meeting of Shareholders held on June 29, 2022, it was approved that the amount of remuneration for Directors who are Audit and Supervisory Committee Members shall be up to 3 million yen per month, and this amount has remained unchanged to this day.

Due to the changes in the economic situation and business environment, the Company has decided to review the remuneration system. Specifically, we propose to change the remuneration from a monthly to an annual basis and revise the amount of remuneration for Directors who are Audit and Supervisory Committee Members to be up to 36 million yen per year.

This proposal is believed to be appropriate, taking into consideration the scale of the Company's business, the executive compensation system and its payment level, the current number of executives, and future trends.

In addition, the current number of Directors who are Audit and Supervisory Committee Members is three (including two Outside Directors).

**Proposal 5: Decision on Remuneration for Granting Restricted Stocks to Directors (Excluding Outside Directors and Directors Who Are Audit and Supervisory Committee Members)**

The amount of remuneration for Directors of the Company (excluding Directors who are Audit and Supervisory Committee Members) will be up to 300 million yen per year (not including the portion of employee salaries for Directors concurrently serving as employees) if Proposal No. 3 "Revision of the Amount of Remuneration for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)" is approved as proposed. For the purpose of providing the Directors of the Company (excluding those who are independent from business execution, such as Outside Directors and Directors who are Audit and Supervisory Committee Members; the "Eligible Directors") with incentives to continuously enhance the corporate value of the Company and further promoting sharing of value with our shareholders, the Company proposes to remunerate the Eligible Directors, either by paying compensation for the grant of restricted stock or by granting restricted stock as compensation, within the amount of remuneration for Directors of the Company, which is up to 300 million yen per year (excluding

the remuneration for Directors who are Audit and Supervisory Committee Members; not including the portion of employee salaries for Directors concurrently serving as employees), as stipulated in the Proposal No. 3 “Revision of the Amount of Remuneration for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)”.

Based on this proposal, the total remuneration amount of restricted stock to be issued or disposed of to the Eligible Directors shall be up to 60 million yen per year, an amount deemed appropriate in light of the above purposes. The specific allocation of payment to each Eligible Director shall be decided by the Board of Directors, following deliberation at the Remuneration Committee.

The current number of the Eligible Directors is four, and if Proposal No. 2 “Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)” is approved as proposed, the number of the Eligible Directors shall continue to be four.

The Eligible Directors shall, based on a resolution of the Board of Directors of the Company, receive the issuance or disposal of common shares of the Company (1) without payment of money or transfer of property for their duties as Directors, or (2) by paying all monetary compensation claims paid by the Company under this proposal as in-kind contributions. Under this proposal, the total number of shares of common stock of the Company to be issued or disposed of shall be up to 100,000 shares per year. In the event of unavoidable circumstances requiring an adjustment of the number of shares happened after the date on which this proposal is approved and passed, such as a stock split (including gratis allotment of the Company’s common shares) or reverse stock split of the Company’s common shares, the number of shares to be issued or disposed of may be reasonably adjusted. The issue price or the amount to be paid per share will be determined by the Board of Directors to the extent that is not particularly advantageous to the Eligible Directors. The price and amount shall be based on the closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day prior to the date of the Board of Directors’ resolution. If no trading has been conducted on that day, the closing price on the most recent trading day shall be used. The issuance or disposal of the Company’s common shares shall be subject to the execution of restricted stock allotment agreements (the “Allotment Agreements”) between the Company and the Eligible Directors with the following provisions.

- (1) The Eligible Directors shall not transfer, attach a security interest on, or otherwise dispose of the common shares of the Company allotted to them under the Allotment Agreements (the “Allotted Shares”) during the period from the date of delivery of the Allotted Shares to the date on which the Eligible Directors retire or resign from their positions of the Directors of the Company or any other positions that are determined by the Board of Directors of the Company (however, in the event of retirement or resignation within three months after the end of the fiscal year in which the Allotted Share is allotted, if the Board of Directors of the Company separately determined a date within six months after the end of the fiscal year, then such date) (the “Transfer Restriction Period”) (the “Transfer Restriction”).
- (2) If the Eligible Directors retire or resign from the positions specified in the above (1) before the expiration of the period that is determined by the Board of Directors of the Company (the “Service Period”), the Company duly acquires the Allotted Shares without consideration, except in cases where there is a justifiable reason recognized by the Board of Directors of the Company.
- (3) The Company releases the Transfer Restriction of all of the Allotted Shares upon expiration of the Transfer Restriction Period, provided that the Eligible Directors have continuously held the positions specified in the above (1) during the Service Period. However, if the Eligible Directors retire or resign from the positions specified in the above (1) before the expiration of the Service Period for a justifiable reason recognized by the Board of Directors of the Company as specified in the above (2),

the number of the Allotted Shares for which the Transfer Restriction is released shall be reasonably adjusted as necessary.

- (4) The Company duly acquires, without consideration, the Allotted Shares for which the Transfer Restriction has not yet been released in accordance with the provisions in the above (3), upon expiration of the Transfer Restriction Period.
- (5) Notwithstanding the provisions of (1) above, if, during the Transfer Restriction Period, a merger agreement in which the Company becomes an extinct company, a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, or any other matter relating to organizational restructuring etc. is approved at a General Meeting of Shareholders of the Company (or, if such organizational restructuring etc. does not require approval at a General Meeting of Shareholders of the Company, by the Board of Directors of the Company), the Company, by a resolution of the Board of Directors of the Company, releases the Transfer Restriction of the Allotted Shares at a number reasonably determined based on the period from the commencement date of the Service Period to the date of approval of the organizational restructuring etc. prior to the effective date of the organizational restructuring etc.
- (6) In the case specified in the above (5), the Company duly acquires, without consideration, the Allotted Shares for which the Transfer Restriction has not yet been released at the time immediately after the Transfer Restriction is released in accordance with the provisions in the above (5).
- (7) The procedures for expressing intent and giving notice under the Allotment Agreements, the procedures for amending the Allotment Agreements, and other matters determined by the Board of Directors shall constitute the contents of the Allotment Agreements.

(Reference)

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

When Proposals 2 is 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	Managing 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	○	○	○				

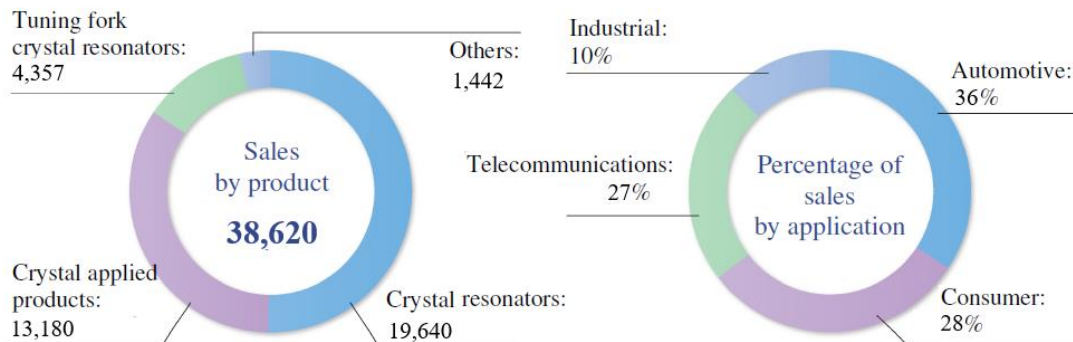
\* The above list does not necessarily represent all the experience and expertise of each officer.

# **Business Report**

(From April 1, 2024 to March 31, 2025)

## **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, recovery in personal consumption was limited, and the pace of economic recovery generally slowed. Capital investment varied from region to region, and geopolitical risks persist at high level, so an outlook remains uncertain, and inflationary pressures began to rise again in many countries from January 2025, driven by U.S. tariff policies.

Under these circumstances, DAISHINKU Group (the “Group”) focused on production of crystal oscillators and high-frequency products, for which demand is growing, and on expanding sales of our original products, Arkh series. In the crystal oscillator business, demand for Temperature Compensated Crystal Oscillators (TCXOs) for GPS/GNSS modules remained strong, following the last year’s trend. As a result, we increased production capacity by repurposing existing equipment. Additionally, we focused on improving the productivity of photolithography products for high-frequency applications by adopting larger wafer sizes. We exhibited at international trade fairs held in Germany and China, showcasing our Arkh series and other competitive products, which attracted attention from various quarters. Furthermore, the Company was selected for the “Subsidy for Large-Scale Growth Investment in Labor-Saving and Other Initiatives Aimed at Wage Increases for Small and Medium-Sized Enterprises” implemented by the Ministry of Economy, Trade and Industry, enabling it to make more effective investments for the expansion of the Arkh series.

In addition, with the completion of our headquarters and plant in August 2024, members who had previously been working at four different locations were brought together in one place, fostering a sense of unity within the organization and leading to even more active communication. In the plant area, the Company promoted initiatives to introduce a pilot line for next-generation fully automated production with the aim of becoming a true mother factory.

In this environment, the Group saw that mainly due to a recovery in the consumer market, especially for PCs and wearable devices, and steady growth in the automotive market. Meanwhile, in the telecommunications market, intensified price competition due to changes in 5G chipsets used in the Chinese smartphone market, and the industrial market remained sluggish, resulting in net sales of 38,620 million yen (down 1.8% year on year). With regard to profits, SG&A expenses increased due to the relocation of the headquarters, operating profit reached 915 million yen (down 57.1% year on year). In addition, ordinary profit was 412 million yen (down 87.1% year on year) and profit attributable to owners of parent of 285 million yen (down 84.8% year on year).

(2) Capital investment

In the current fiscal year, the Group made a total of 7,450 million yen of capital investments mainly in headquarters and plant 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

PT.KDS INDONESIA, a consolidated subsidiary of the Company, acquired shares of PT KXT ELECTRONICS INDONESIA during the current fiscal year, making it an affiliate of the Company.

(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

In the future economic environment, the economic outlook remains uncertain due to factors such as countries' responses to U.S. tariff policies, inflation trends, and ongoing geopolitical risks. Meanwhile, the crystal device market is expected to experience further growth, driven by semiconductor demand associated with the ongoing progress of digitalization. In particular, from a medium- to long-term perspective, markets such as autonomous driving systems, AI data centers, GPS/GNSS modules, and satellite communications are expected to expand. With the evolution of autonomous driving, vehicles are increasingly becoming "smartphones on wheels," leading to growing demand for crystal devices driven by software updates, redundant system designs, further advancements in ADAS (Advanced Driver-Assistance Systems), and increased electrification. Furthermore, as AI continues to advance, demand for AI data centers requiring high-speed processing is increasing. The adoption of optical transceivers and edge AI is expected to grow, and with the surge in communication data volumes and the need for more stable connectivity, demand for differential output oscillators—a type of high-frequency device—is expected to rise even further. In GPS/GNSS modules, TCXOs are essential for acquiring accurate positioning information. In addition to traditional applications such as drones and smart meters, new uses such as tracking for electric motorcycles are driving increased demand. Furthermore, with the advancement of satellite communication technologies, we also expect growing demand for crystal filters, for which we boast the industry's largest production capacity.

Against this backdrop, the required number of crystal devices is expected to double by 2030.

However, it is believed that the supply capacity will approach its limits with traditional designs and manufacturing methods, highlighting the need for new technological innovations. In order to meet these demands, we are advancing several initiatives, including the enlargement of crystal wafers, which are our core technology, the promotion of DX (digital transformation), the development of area-specific sales strategies, and a fundamental review of our products themselves. One of the results of these efforts is our original crystal devices, Arkh series.

As the demand for miniaturization of electronic components increases, conventional designs face various challenges, leading to higher costs and reduced productivity. Arkh series employ photolithography technology, which is also used in semiconductor manufacturing processes, as well as WLP (wafer-level packaging) technology, eliminating the need for externally sourced components such as ceramic packages or conductive adhesives. In particular, Arkh.3G is the world's thinnest product that embodies the ideal of "smaller and lighter means more cost-effective," and ultimately aims to pioneer new markets, including integration into ICs.

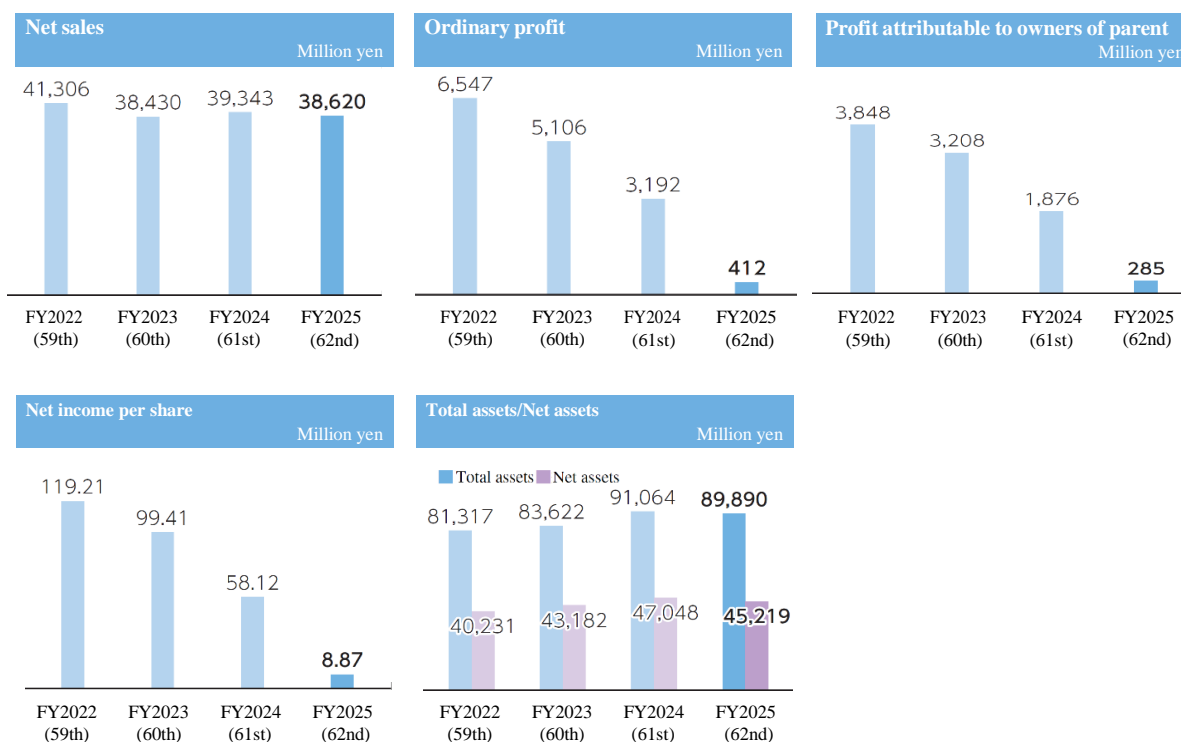
Expanding the product lineup is a key element in the development of Arkh series, and we have developed “Arkh.2G,” a crystal oscillator that integrates Arkh series crystal resonator and an IC within a ceramic package. Arkh.2G has the same appearance and size as conventional products, making it easy for customers to adopt without resistance. In addition, it is designed to be compatible with existing production equipment, allowing manufacturers to reduce additional investment, making it a cost-effective solution. Leveraging Arkh.2G as a key strength, we aim to deepen our market penetration and drive a product strategy that does not rely solely on existing offerings in the increasingly competitive crystal device market. Furthermore, we are advancing the development of fully automated production using autonomous transport robots, aiming to enhance labor efficiency and optimize manufacturing space, thereby increasing output per unit area. Ultimately, we aim to raise sales ratio of Arkh series to 10%. For existing products, we are working to expand our share of high value-added crystal oscillators, aiming to achieve record-high sales and profits in the final year of our second medium-term business plan.

As a new environmental initiative, we have also begun efforts toward achieving carbon neutrality and realizing a hydrogen-based society. We announced the concept of a DAC (Direct Air Capture) system, “KDS-DAC™,” which efficiently captures CO<sub>2</sub> and produces hydrogen, in April 2025. To realize this new business model, collaboration with partner companies is essential, and we plan to work with companies that have expertise in various fields.

We will continue to pursue corporate growth by ensuring a stable supply and addressing environmental concerns, with a focus on our Arkh series. In closing, we sincerely ask for your continued support and encouragement as valued shareholders.

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

### Changes in Group's assets, profits and losses



(Million yen, unless otherwise specified)

Classification	FY2022 59th Fiscal year	FY2023 60th Fiscal year	FY2024 61st Fiscal year	FY2025 62nd Fiscal year
Net sales	41,306	38,430	39,343	38,620
Ordinary profit	6,547	5,106	3,192	412
Profit attributable to owners of parent	3,848	3,208	1,876	285
Net income per share (yen)	119.21	99.41	58.12	8.87
Total assets	81,317	83,622	91,064	89,890
Net assets	40,231	43,182	47,048	45,219

- (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 59th 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.	USD925 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

Headquarters and Plant:	179-6 Mizuashi, Noguchi-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)
Overseas service office:	Kyushu Daishinku Corp (Koyu, Miyazaki) 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
3,243	down 35

(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.	11,718
Mizuho Bank, Ltd.	4,068
Resona Bank, Limited	3,650
The Chugoku Bank, Ltd.	2,764
The San-in Goto Bank, Ltd.	2,350

## II. Shares of the Company

1. Number of shares authorized to be issued: 104,000,000 shares
2. Total number of shares outstanding: 31,776,611 shares

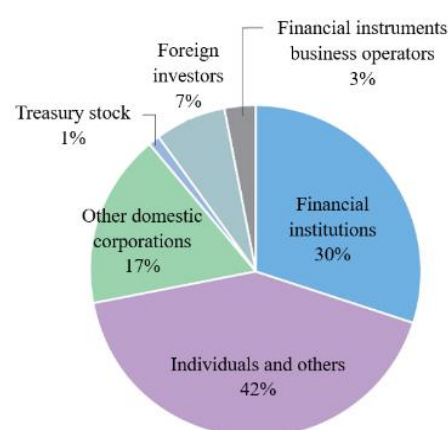
(excluding 362,270 shares of treasury stock)

(Note) In accordance with a resolution of the Board of Directors' meeting held on January 15, 2025, the Company acquired 500,000 shares of common stock during the period from February 6, 2025, to March 7, 2025, and on March 21, 2025, the Company cancelled all of the treasury shares acquired as described above, as well as 3,558,087 shares of common stock. As a result, the total number of shares outstanding has decreased by 4,058,087 shares and now stands at 32,138,881 shares.

3. Number of shareholders: 13,663
4. Major shareholders (top 10)

Name of shareholders	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust of Japan, Ltd. (Trust account)	3,465	10.91
The Hasegawa Welfare Foundation Co., Ltd.	2,400	7.55
Custody Bank of Japan, Ltd. (Trust account)	1,088	3.43
MUFG Bank, Ltd.	992	3.12
The Joyo Bank, Ltd.	979	3.08
Sohei Hasegawa	973	3.06
DAISHINKU Employees Shareholding Association	800	2.52
Hasegawa Corporation	640	2.01
The Dai-ichi Life Insurance Company, Limited	569	1.79
Nippon Life Insurance Company	507	1.60

Breakdown by type of shareholders (Reference)



Notes: 1. Number of shares held is rounded down to the nearest thousand.  
2. The shareholding ratio is the ratio to the total number of shares outstanding (excluding treasury stock) as of March 31, 2025.

## 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
Minoru Iizuka	President (General Manager of Business Unit, General Manager of Production Division and Manager of Development Department)	
Masashi Kawasaki	Managing Director (General Manager of Material Business Development Division)	
Shimpei Hasegawa	Managing Director (Deputy General Manager of Business Unit)	Representative Director of DAISHINKU (DEUTSCHLAND) GmbH
Kohei Hasegawa	Director (General Manager of Administration Unit and General Manager of Alliance Promotion Division)	
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.
Toshiro Hiroshima	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 Toshiro Hiroshima 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 a Director were changed as follows on July 1, 2024.
- Director (General Manager of Alliance Promotion Division) Kohei Hasegawa has been appointed as Administration Unit.
8. Positions and responsibilities of Directors were changed as follows on January 1, 2025.
- President Minoru Iizuka has been appointed as Business Unit, General Manager of Production Division and Manager of Development Department.
  - Managing Director Shimpei Hasegawa has been appointed as Deputy Business Unit. Before this, he was Business Unit and General Manager of Sales Strategy & Marketing Division.

9. 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.
10. 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)	124,782 (13,200)	7 (2)
Directors (Audit and Supervisory Committee Members) (Of which Outside Directors)	19,440 (8,640)	4 (2)
Total (Of which Outside Directors)	144,222 (21,840)	11 (4)

- Notes: 1. The table above includes one Director (excluding Directors who are Audit and Supervisory Committee Members) and one Director (who is Audit and Supervisory Committee Member) who retired at the conclusion of the 61st Annual General Meeting of Shareholders of the Company held on June 27, 2024.
2. The total amount of remuneration, etc. for Directors does not include the portion of employee salaries for Directors concurrently serving as employees.
3. 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 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 12/12	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 12/12	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 11/12	Audit and Supervisory Committee meetings 13/14	Remuneration Committee meetings 4/4
	<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 12/12	Audit and Supervisory Committee meetings 14/14	Remuneration Committee meetings 4/4
	<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>		

Note: In addition to the number of Board of Directors meetings shown in the table above, there were two written resolutions deemed to be Board of Directors resolutions in accordance with Article 370 of the Companies Act and the provisions of the Articles of Incorporation.

## 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, 2025

Amount of remuneration for services under Article 2, Paragraph 1 of the Certified Public Accountants Act	37,500 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	37,500 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. In addition, the Company provided training to managers of subsidiaries on the importance of CSR and internal control.
- 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 formulated the whistleblowing system and are working to detect violations of laws and regulations and other inappropriate incidents at an early stage. The Whistleblowing Regulations stipulate the methods of use and prohibit the disadvantageous treatment of whistleblowers, thereby improving the effectiveness of the system. The status of operation of the whistleblowing system is periodically reported to the Board of Directors.
- 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 from the perspective of social responsibility and is working to ensure that Directors and employees are fully aware of such provisions to eliminate anti-social forces.
- To promote the Code of Conduct on CSR, the Company has prepared the CSR Procurement Guidelines and distributed 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.
- As part of the efforts to protect information assets, the Company has been working to strengthen the web security tools to enhance detection of cyberattacks and unknown malwares, and to improve support for HTTPS encrypted sites.

(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 also conducted evacuation drills in anticipation of earthquakes and fires and is actively promoting safety measures.
- 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.

- (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 12 meetings of the Board of Directors for the 62nd 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 62nd 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 holds a performance briefing session every three months in order to manage progress of management targets and plans.
- 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 and having the Management Planning Division make a monthly business report at a meeting of the Board of Directors.

- (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.