

INTEGRATED REPORT 2025

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Vision and Business Characteristics

DAIICHI KIGENSO KAGAKU



VISION

Growing with Rare Elements – Becoming a ‘100 Year Company’

DAIICHI KIGENSO KAGAKU KOGYO CO., LTD. (DKK) is a materials manufacturer involved in the development, production, and sale of functional materials such as zirconium compounds. At the time DKK was founded in 1956, zirconium was not a well understood element and had limited applications. Our young founders saw the potential of zirconium and took on the task of bringing out its possibilities. Under the motto “Because no one has done it, we will do it,” they founded DKK with a spirit of undertaking challenges. Since then, DKK has been steadily moving forward by dedicating ourselves to our customers’ needs and requests while discovering new properties and uncovering the mysteries of that once poorly understood element.

Zirconium is an element which exhibits many unique properties. As a leading manufacturer of zirconium, DKK will draw out the infinite possibilities of this extraordinary element and continue to make DKK vital for the world.



Corporate Introduction Video
Play time: 7 minutes 47 seconds

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Vision and Business Characteristics

About Zirconium

A rare element with diverse properties

Zirconium is an element with atomic number 40 and is a type of rare metal. It is a “rare element” with many excellent properties, and when compounded, it exhibits various characteristics such as high heat resistance and durability. It is used as a material in various forms throughout society, from the industrial sector to household products.

Zirconium is used throughout society

For example, it is used as an automotive catalyst material to remove toxic substances from exhaust gas, making it indispensable for the global automobile industry. It is also used in semiconductor abrasive materials, in structural members such as screws and bolts, electric vehicles and fuel cells, ceramic knives for household use, and biomaterials for dental and other types of treatment. In addition, it is expected to be used in fields of increasing social importance, such as global environmental protection and next-generation energy.



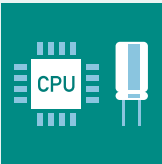
CLICK



Practical applications of zirconium



PCs/smartphones



Electronic components



Electric vehicles



Fuel cells/
Water electrolysis cells



Biomaterials



Automotive catalysts



Infographic showing Zirconium (Zr) with atomic number 40. A central hub labeled "Zirconium compounds" is connected to eight circles representing properties: Electric properties, Ion conductivity, Heat resistance, Optical properties, Mechanical properties, Chemical resistance, Bio-compatibility, and Catalytic properties. Below the hub, the text "Atomic number 40" and the symbol "Zr" are displayed over a background image of zirconium powder.

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Vision and Business Characteristics

Zirconium’s Possibilities x DKK’s Technical Prowess

The DKK Group contributes to a sustainable society through the supply of “Valuable Products.” The “value” of “Valuable Products” is not limited to their functionality. Although not well known, Zirconia is a rare material that adds value to lithium-ion batteries (LiBs) beyond functionality, such as creating high levels of safety (“social value”) and reducing waste due to extending battery life (“environmental value”). Its use as an additive or surface treatment for LiB cathode materials reduces electrolyte decomposition and cathode component dissolution, which are causes of degradation. Its effectiveness has attracted strong praise, and it has been used by cathode material manufacturers for a long time. The electrification of vehicles in recent years means cathode materials are required to have even higher functionality in order to realize space-saving, high-capacity batteries. At the same time, pairing battery safety and service life has become an important issue, as reported in the media.

Newly developed LiB cathode additive DKZ-366

This new product achieves high dispersibility through our proprietary powder control technique. The finer and more uniform particles provide ideal protection for the cathode material and suppress deterioration. Evaluations using coin cells containing the new additive have confirmed that it extends battery life by approximately 40% after 100 charge-discharge cycles. In addition, the amount of metal impurities contained in the zirconia powder has been reduced to less than 1/10 compared to our conventional products, greatly reducing the risk of abnormal heat generation or fire due to dissolution and short-circuiting of metal impurities through the charge and discharge cycle. The new product is effective for LiBs in general, but particularly so for large-capacity LiBs, and we plan to actively promote its use in electric vehicles and other automotive applications going forward.

Related information

- Overview of the Battery Association for Supply Chain (BASC)
<https://www.basc-j.com/en/about/>



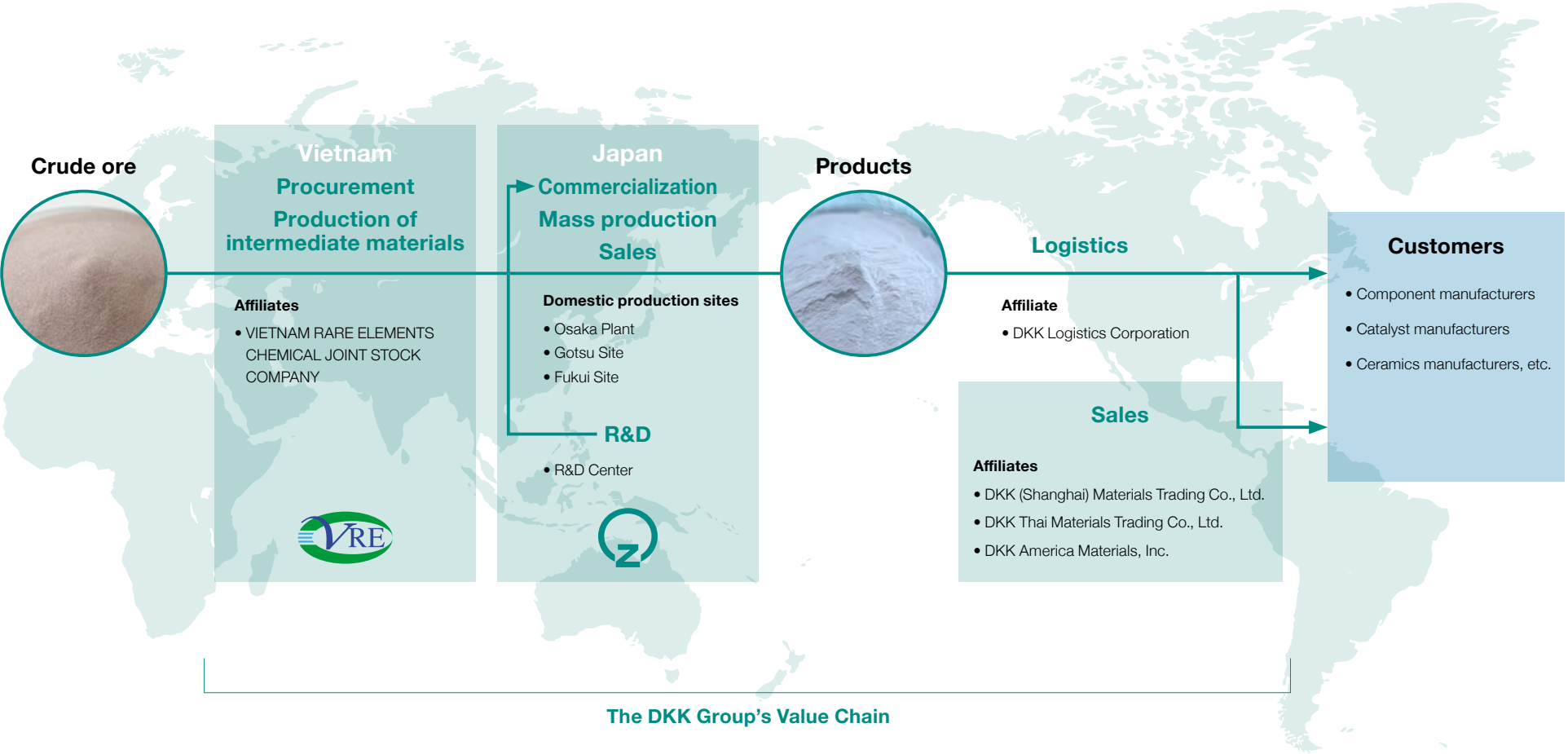
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Vision and Business Characteristics

Construction of a World-Leading, One-Stop Value Chain

The DKK Group is the only organization in the world capable of integrated production of zirconium from crude zirconium ore to finished products within the Group. With its head office and R&D Center in Japan, and manufacturing sites in Japan and Vietnam, the Group has secured its own raw material procurement routes, thereby diversifying its supply chain and ensuring a stable supply of products.



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Management Philosophy

8

経営理念

世に価値あるものを供給

続けるには価値ある人生を送るもの手によらねばならぬ

価値ある人生を送るためには

その大半を過ごす職場を

価値あるものに創り上げて

いかねばならぬ

Management Philosophy

To pursue a continuous supply of ‘Valuable Products’ for society, we need to utilize the hands of individuals who live a ‘Fulfilling Life.’ In order to live a ‘Fulfilling Life,’ we need to create a ‘Rewarding Workplace’ – a place where we spend a significant part of our lives.

‘Valuable Products’	Original and high value-added products that contribute to solving a range of social problems
‘Fulfilling Life’	A satisfying way of life in both public and private spaces that encourages the realization of one’s own dreams and ideals
‘Rewarding Workplace’	A workplace where we can pride ourselves at being a top zirconium producer A place where we and our colleagues can embody the company’s ideals of Kigenso-like

Kigenso-like refers to a corporate culture that welcomes a challenge, supports staff who are undertaking these challenges while also respecting diverse work styles and values.

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Corporate History

Took on Challenge of Exploring Unknown Material in 1956

At the time of DKK’s founding, without any application of or any demand for zirconium, no company ventured into the zirconium business. However, our founders believed its potential as a material and resolved to embark on unknown territory, expressing their determination, “Because no one has done it, we will do it.” The journey of Daiichi Kigen-so is nothing less than the history of discovering the properties of zirconium.

Establishment –

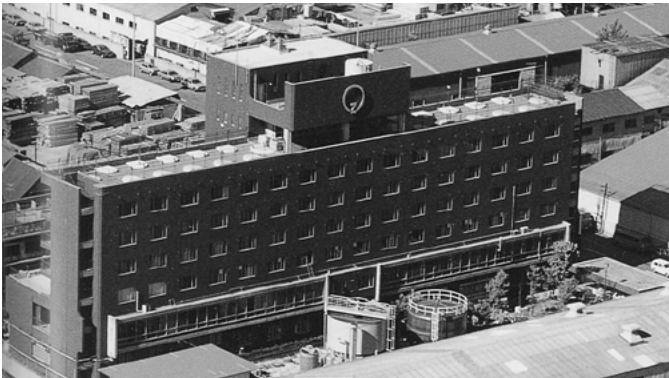
- 1956 DAIICHI KIGENSO KAGAKU KOGYO CO., LTD. established
- 1959 Opened the Osaka Sales Office in Higashi-ku, Osaka
- 1960 Opened the Yodogawa Plant No. 1 in Higashiyodogawa-ku, Osaka
- 1961 Started sale of optical zirconia
- 1966 Opened the Yodogawa Plant No. 2
- 1967 Opened the Itami Plant in Itami, Hyogo
- 1968 Started the sale of zirconia for electronic materials and flame retardants for resins
- 1969 Opened the Tokyo Office (now Tokyo Sales Office) in Kita-ku, Tokyo
Started the sale of zirconia for refractories
- 1972 Started the sale of zirconia for brakes
- 1976 Started the sale of zirconia for oxygen sensors
- 1979 Established a new site on the premises of the Head Office (now R&D Center) in Suminoe-ku, Osaka and integrated the three existing plants into it



The management team at the time of establishment.



The Yodogawa Plant



The Head Office (now R&D Center)

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Corporate History

1980 –

- 1981** Started the sale of zirconia for fine ceramics
- 1983** Relocated the Tokyo Sales Office to Minato-ku, Tokyo
- 1984** Established affiliated company, NewTechs Co., Ltd. in Suminoe-ku, Osaka
- 1990** Started the sale of ceria-zirconia composite oxides for automotive catalyst applications
- 1993** Established I.D.U. Co., Ltd. (now a non-equity method affiliate) in Kochi
- 1996** Obtained ISO 9001 certification
Established the Gotsu Plant (now Gotsu Site) in Gotsu, Shimane

The “2020 Global Niche Top 100”



Driven by the increased use of zirconium, the Group has grown into a top global manufacturer. Our products are now found throughout the world, and we boast the top market share in the field of automotive catalysts at around 40% (our estimate). In recognition of our achievements, in 2020 the Company was selected as one of the ‘Global Niche Top 100’ companies by the Ministry of Economy, Trade and Industry.

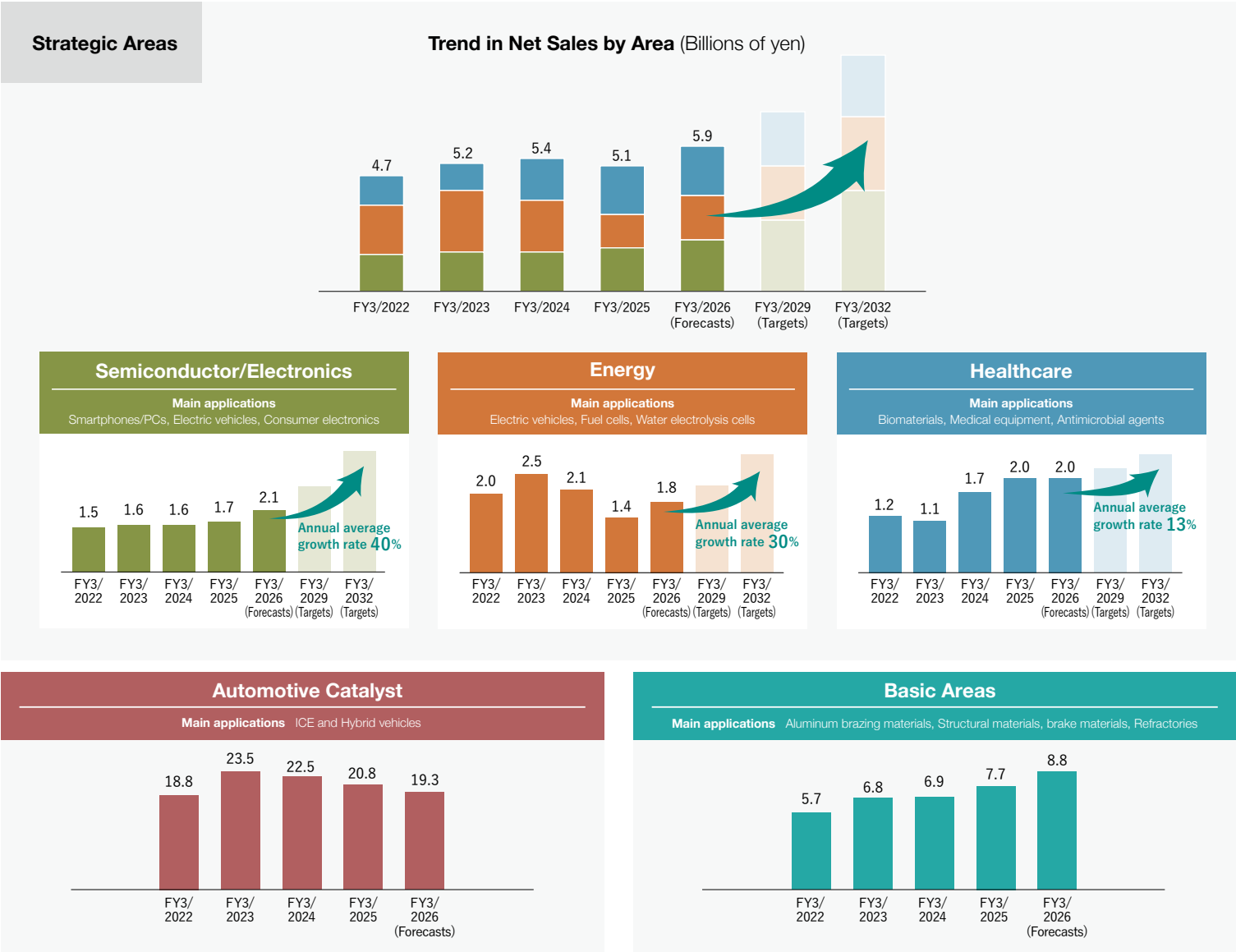
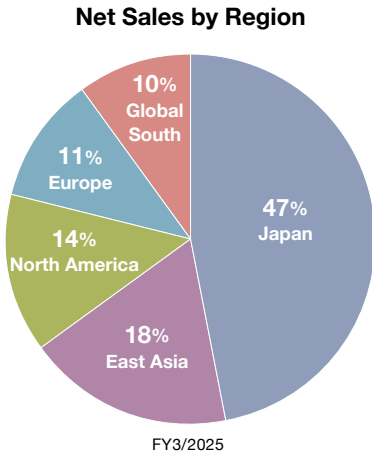
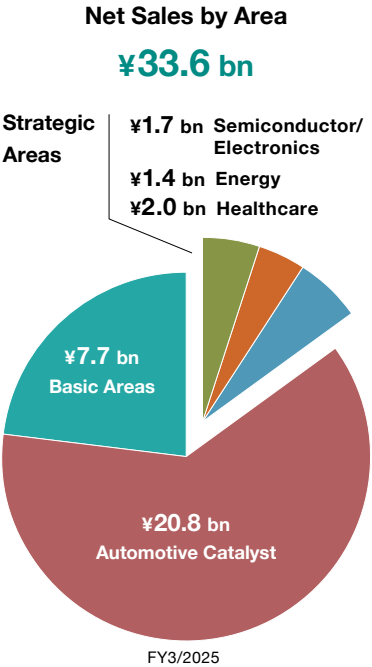
2000 –

- 2001** Obtained ISO 14001 certification.
- 2002** Relocated the Osaka Sales Office to Chuo-ku, Osaka
Absorbed affiliate New Techs Co., Ltd.
- 2004** Listed on the Second Section of the Tokyo Stock Exchange
- 2006** Established the Fukui Plant (now Fukui Site) in Fukui
- 2012** Established VIETNAM RARE ELEMENTS CHEMICAL JOINT STOCK COMPANY (now a consolidated subsidiary) in Ho Chi Minh City, Socialist Republic of Vietnam
- 2013** Established subsidiary Suihua Shanghai Trading Company Limited (now consolidated subsidiary DKK (Shanghai) Materials Trading Co., Ltd.) in Shanghai, China
- 2014** Established equity-method affiliates Shandong Guangyin DKK New Materials Co., Ltd. and Shandong Guangyin DKK Environment Technology Co., Ltd, (now equity-method affiliates) in Shandong Province, China
- 2017** Established DKK Logistics Corporation (now a consolidated subsidiary)
- 2018** Established DKK Thai Materials Trading Co., Ltd. (now a consolidated subsidiary) in Bangkok, Thailand
Listed on the First Section of the Tokyo Stock Exchange
- 2019** Relocated the Head Office to Chuo-ku, Osaka
Established subsidiary, DKK America Materials, Inc. (now a consolidated subsidiary) in Michigan, USA
- 2021** Relocated the Tokyo Sales Office to Chiyoda-ku, Tokyo
- 2022** Transitioned to the Prime Market of the Tokyo Stock Exchange
Stated medium-term management plan ‘DK-One Next’
- 2023** Established an R&D Center in Suminoe-ku, Osaka

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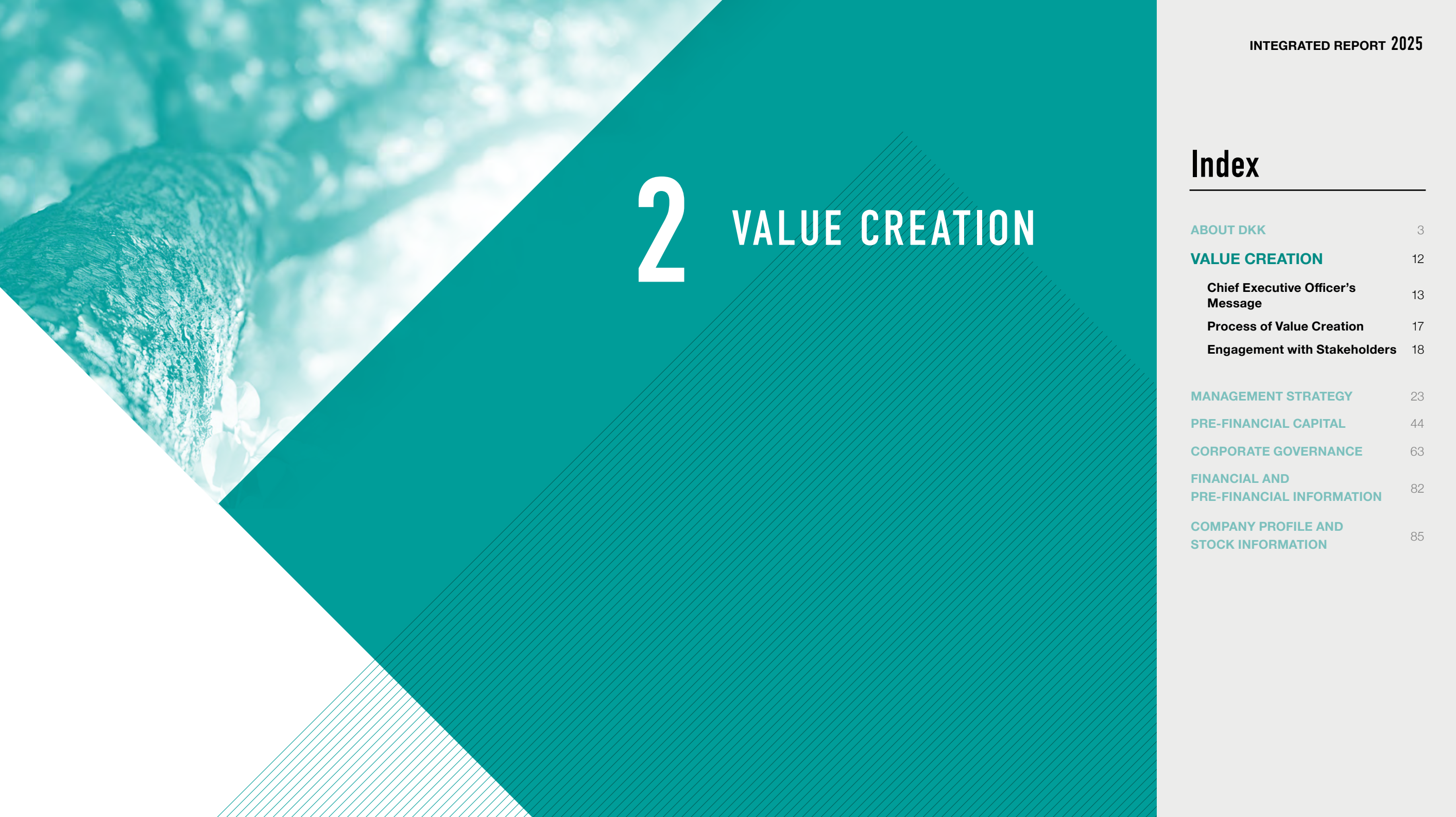
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Earnings Breakdown



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2 VALUE CREATION

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Chief Executive Officer’s Message

DKK’s Vision, Strategies, and Possibilities

‘Valuable Products’ ‘Fulfilling Life’ ‘Rewarding Work-
place’

— In this interview, I would like to ask you about your long-term vision as CEO and your thoughts on the future growth of Daiichi Kigenso Kagaku Kogyo (hereafter “DKK”). Please remind us of DKK’s management philosophy, which will form the foundation of your future management strategy and direction.

Our company's philosophy is as follows: "To pursue a continuous supply of 'Valuable Products' for society, we need to utilize the hands of individuals who live a 'Fulfilling Life.' In order to live a 'Fulfilling Life,' we need to create a 'Rewarding Workplace' — a place where we spend a significant part of our lives."

I personally love this connection between 'Valuable Products,' 'Fulfilling Life,' and 'Rewarding Workplace.' We cannot supply 'Valuable Products' to people if we are not living a 'Fulfilling Life.' This is DKK's unwavering belief. For 70 years, we have been pursuing what is now known as "work-life balance" because realizing a 'Fulfilling Life' for our employees means enriching not only their work lives but also their personal lives.

In terms of 'Valuable Products,' the zirconium we supply is now used in a broad range of industries. Furthermore, we expect it will be widely applied in the production, transportation, and use of hydrogen in the hydrogen society that is coming in the future. Zirconium is also increasingly being used as a catalyst for "methanation," the synthesis of methane from the reaction between hydrogen and carbon dioxide, and will play an important role in building a carbon-neutral society. The 'Rewarding Workplace' is where these 'Valuable Products' and "people," the basis of our business, are connected. If we can successfully create such a place, I believe there is still significant room to expand our potential.



Chairman of the Board,
Chief Executive Officer
Hiroshi Kokubu

Creating New Products by Reforming Employee Awareness

— The strength of human resources is a value that does not show up on the balance sheet, but it is very important when considering the progress of DKK's research and development. What kind of human resources are you currently looking to foster?

People's spirit and ambition to "bring to the world what they have working on, by all possible means" are more important than their academic background or past research achievements. While it doesn't need to be on show all the time, people with such a desire can play an active role in our company, and acceptance of such people is one of the characteristics of our corporate culture.

However, I feel this climate of ambition has been fading away during the time we have built up a steady market share in the automotive catalyst area (hereafter "catalysts"). In the catalysts area, our mission has been to support earnings by continuously developing new products that express different material properties for each customer to help them

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Chief Executive Officer's Message

meet regulatory standards. In the course of this challenge, we also made progress in developing technologies that can be deployed in other areas. In my view, this sense of purpose to support earnings has suppressed out-of-the-box thinking and we have begun to focus on obvious improvements, something that the Japanese are so good at. I think it is undeniable that the number of people saying “I am going to create something new” has been declining because we have eliminated too much of the free thinking-driven challenge aspects. This needs to be changed from now on.

— Is this a perspective shared by the young employees who will be responsible for your future growth strategies?



I think that many of our employees feel the same way. Even when they are willing to try something new, they often rein in that adventurousness. They either adopt a defensive posture after hearing from more experienced staff “just make sure you don’t fail,” or allocate more time to development that can lead to immediate profits than to new initiatives. In order to change this situation, we have established the Business Development Team that reports directly to me. The goal of this team is to continue to take on new challenges without fear of failure. If we can produce even one good result, more and more people will say “I want to join this team, too,” and I believe that will create an atmosphere that will change the current lack of adventurousness.

Strategic Areas and Improving Profitability

— Next, let me ask you about new businesses. First, please tell us about the markets you hope to capture and the overall direction.

We are eyeing both existing and new markets, but the major change is in our approach. We are tapping into technologies that we do not have at the moment, using them to help create new products, and applying the result to areas where they are needed. Naturally, we need to hedge risks related to intellectual property, including patents, but we believe speedy execution of this process is vital. The Business Development Team I mentioned earlier is also working on this, and we are finally starting to see results. We expect to realize some new supply by the end of this year, or next year at the latest.

— Since the investment in Vietnam, return on equity (ROE) has been declining. Do you expect that the new areas that you plan to strategically address will be better than existing areas in profitability terms?

First, I should establish that the automotive catalyst area, an existing pillar of our business, is very favorable in terms of both our business model and profit structure. As emission regulations are tightened, there will be a continuous need for new, high value-added products. Assuming no change in market size, if we can ride this wave and succeed by constantly developing new functionality, it should be relatively easy to maintain profit margins, even allowing for price agreements on older products. That said, based on the presumption that this bountiful market will contract, we aim to maintain and expand overall earnings by developing “DKK unique” products and services in strategic areas, including in high-margin new business areas. For example, other elements are mined at the same time as zirconium. We work to improve the profitability of the entire supply chain by efficiently extracting and fully utilizing other valuable elements obtained during the zirconium refining process. Furthermore, we are considering expanding our business not only from our current operations in minerals to materials supply, but also to downstream areas. While it may seem difficult to add value downstream, we expect that our integrated approach, in which we have our own raw material procurement routes, will not only increase the profitability of the business overall but also reduce our customers' processing costs and lead times. We intend to put the tangible and intangible assets we have accumulated over the past 70 years to work in order to expand business and improve profitability in the Strategic Areas.

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Chief Executive Officer's Message

Returns on the Vietnam Investment and Succession with an Eye on the Future

— In your medium-term management plan, ‘DK-One Next’, you are expecting a sharp improvement in operating profit margin beginning from FY3/2026 (the 70th).

Up to FY3/2026 (the 70th) we have been burdened by the Vietnam project launched in 2012. The rare earth crisis we faced in 2010 prompted us to establish a base in Vietnam to produce and supply zirconium oxychloride from raw ore in order to reduce as much as possible the risk of a particular country controlling the supply chain. However, our investment costs grew to a scale that was not commensurate with the company's size. In addition, the new plant, which was launched in August 2023, has been unable to operate at full capacity due to equipment problems. The smaller the production volume, the greater the relative cost burden of gas and liquid waste treatment, and this is putting pressure on profits. However, by achieving targeted production volume after these equipment problems are solved and by delivering a number of initiatives we are currently implementing, I believe costs can be reduced drastically and profitability improved. From FY3/2027 (the 71st) onward, especially in the third period (FY3/2030-FY3/2032) of the medium-term management plan, we aim to increase total profits by gradually increasing the sales weighting of highly profitable Strategic Areas.

— Establishing the Vietnam business has been a major theme since you became CEO. You have told us that the effects of completing this process will be visible in the next three years, and that a different landscape will unfold beyond that time. What are your thoughts on succession and management continuity at DKK as it aims to become a ‘100 Year Company’?

Until recently, our company's basic philosophy was “learn by watching senior staff,” and we had not been able to provide systematic human resource training. However, as the scale of our business and the number of employees grows, it will become more and more difficult to continue with this conventional approach. For this reason, in FY3/2025 we revamped our succession planning. We now create a pool of candidates by rank, such as top management, executive officers, and managers, and have them build their careers by transferring between divisions or managing group companies, working up towards the positions the Company would like them to hold in the future. Full-scale operation of this system will begin in FY3/2026, but the model will of course include the CEO, and we intend to carefully assess potential candidates, including those in the positions of director and executive officer.

Controlling Balance Sheet Expansion and Improving Profitability

— I would like to ask about capital policy. While it is commendable that business investment accounts for the largest portion of your capital policy, asset efficiency has remained weak since the investment in Vietnam. Do you have a timeline for improvement?

Likely some will suggest that seven years is too long a timeline for the target in our medium-term management plan, ‘DK-One Next’, However, there was a three-year period during which we had to prioritize improving our financial position due to the significant damage to equity capital caused by the rare earth crisis of 2010. Our assets have increased as a result of restarting postponed capex at the Gotsu and Fukui sites, investing in the Vietnam business, renovating our R&D center, and establishing a warehouse close to our overseas customers to supply them with our products. In light of these factors, I honestly think it will be so tough to make a reasonable profit in the three years of the second period of the plan, when we will still be recovering. However, as I explained earlier, by accelerating profitability improvement in the third period of the medium-term plan, we hope to reach an acceptable level at the end of the plan. This profit target is the baseline, and we will accelerate various measures so that we can show an improvement in profitability ahead of schedule in the third period of the plan.

— Yes, inventory has increased, but holding inventory reduces supply concerns and shortens lead times to customers. Does this mean that your company is bearing this cost?

In the beginning, that was the case. However, over the past two years, we have been able to set sales prices at a level commensurate with the value we provide. In other words, we have been able to pass on into sales prices the “value” our customers receive from using our distribution network to reduce their inventories. In addition, during the logistics disruption caused by the COVID-19 pandemic, we



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Chief Executive Officer’s Message

were able to increase transportation options and raise efficiency precisely because we had inventory on site. By reducing supply concerns, we believe that our customers too were able to realize the benefits of risk hedging. On the other hand, return on invested capital (ROIC) is below 3%, which is not a level we can be proud of. We believe this will improve by accelerating measures to increase production efficiency and reduce work-in-process starting in FY3/2026 as well as by raising profitability in Vietnam.

— So, profit will improve without further expansion of the balance sheet? Since we already have sufficient production capacity, we do not expect our balance sheet to expand further, although we cannot rule out the possibility of a temporary increase due to mergers and acquisitions or other moves.

— Do you have specific plans for M&A? If there are synergies with our business, I believe bringing a company with expertise that can be applied to zirconium compounds into the group would be the right decision. Examples would include companies handling organic compounds and metals, as well as those with refining and processing technologies. Related measures will be addressed by the Business Development Team.

Capital Cost and Shareholder Return Policy

— Your target equity capital ratio is 40-60%. Do you consider the current level to be appropriate? You can interpret the equity capital ratio target of 40-60% as indicating that DKK has no intention of further increasing net assets. The minimum equity ratio is 40%, which takes into account various risks, and if the ratio exceeds 60%, we intend to buy back our own shares, or otherwise effectively return the extra capital to the shareholders. As I said earlier, our policy is not to indiscriminately boost inventories uncontrollably, but to keep them at an appropriate level.

— Inventory management is not an easy feat. You’re right. Since we have always placed more emphasis on the profit and loss statement (PL), our priority when planning production has been to curb gas consumption. This inevitably leads to an increase in work-in-progress, but in order to optimize operations, we

have launched a program to improve production efficiency in FY3/2026. We would like to create a mechanism to determine appropriate inventory levels, including “visualization.”

— Looking at the shareholder return policy, the medium-term management plan calls for a dividend payout ratio of 30% and a dividend on equity ratio (DOE) of 1.8%. Aren’t you aiming for a DOE of 3-4%? First, the plan DOE target of 1.8% should be viewed as a lower limit. When we invested in Vietnam, we held too many assets denominated in foreign currencies, and we were affected by exchange rates. Although it is not impossible that profits might decrease if the yen were to appreciate, we set the DOE target at 1.8% as a message that we aim to secure real profits and maintain dividends even in such a situation. Although it is difficult to say for certain at this time, The Vietnam business earnings will improve from a bottom in FY3/2026 (the 70th), and given a further earnings boost from Strategic Areas, I think that based on a dividend payout ratio of 30%, and a DOE level of 3% will be within our sights.

— We have covered a lot of ground today. I think it is very useful for investors to have management disclose such qualitative information as well as numerical data. I intend to continue to work steadily and also to make a conscious effort to contact a broader range of investors. With the strengthening of US tariffs, world affairs have once again become increasingly unpredictable. However, looking back on our company's 70-year history, there have been many difficult periods like this one, and each time the management and employees have pooled their wisdom to create the DKK we know today. We will take this time as another opportunity to make DKK stronger and will work together as one to get through this situation.

Yumi Yamamoto-Tyrrell

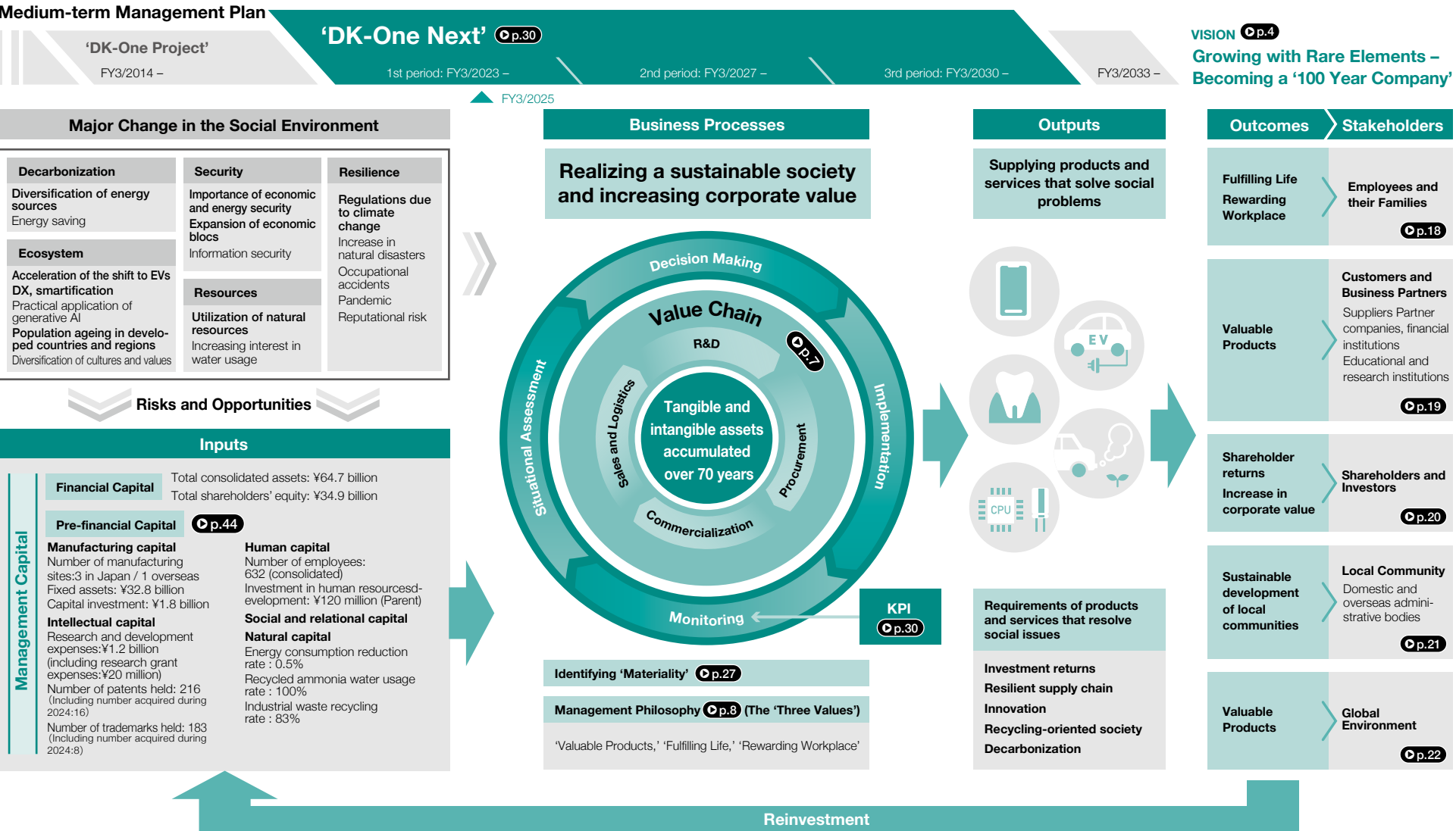
After a career at multinational brokerage houses and the largest Japanese broker, Yumi founded Nippon Investment Bespoke Research UK Ltd in 2014, which specialises in research services on stocks that are least covered. In January 2025, she co-founded Shihon Seisaku Advisors Ltd., which provides advisory services to Japanese listed companies with capital allocation strategy. Currently, Yumi sits on the Board of a TSE Standard listed company as a non-executive director.

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Process of Value Creation

We believe that creation of value in the DKK Group rests on using the rare element zirconium to continue to provide products and services that contribute to solving social issues, with the ultimate goal of creating an environmentally friendly and comfortable society. By implementing our medium-term management plan, ‘DK-One Next’, we aim to realize a sustainable society and further enhance our corporate value through co-creation of value with our stakeholders, including proactive investment of management resources in Strategic Areas.



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Engagement with Stakeholders

Employees and their Families

1. Engagement with stakeholders

DKK’s management philosophy states that in order to develop and supply ‘Valuable Products’ that contribute to the development of society, we need to utilize the hands of individuals who live a ‘Fulfilling Life’ and to create a ‘Rewarding Workplace’ to enable this. We believe that enjoying working at a company and experiencing personal growth equates to a ‘Fulfilling Life,’ and we are putting in place conditions and initiatives to support this.

2. Main responsibilities

Enable career development / Ensure fair evaluation and treatment / Actively use human resources / Respect human rights and diversity / Support diverse working styles / Pay attention to occupational health and safety

3. Measures

Support for balancing work with study or reskilling / Dialogue with board members / Individual interviews / Company newsletter and internal portal site / On-site inspection by top management / Internal reporting system / Birthday parties / Anniversary events / Training for employees / Employee engagement survey / Health lectures / Club activities

4. Responsible divisions

General Affairs & Human Resources Division / Environment and Safety Management Division / Sustainability Division



70th Anniversary Commemorative Event Staff

Building into management a target of increasing engagement with employees and their families

Encouraging junior employees to take on challenges by appointing them to Manager positions on a trial basis

Appointing Assistant Managers and Senior Staff to the post of Manager. This raises awareness of career advancement through a one-year trial period.

Up to 26 months of earnings security through a combination of social security and our unique safety net

As part of DKK’s welfare program, employees can accumulate up to 60 days of paid leave that will not be carried over to the following year, which can be used to take leave due to their own injury or illness or to care for a family member. After any saved paid leave is used up, the employee will further receive 60% pay for up to 5 months. We support employees in returning to work and continuing their careers with this unique safety net before they have to use social security.

Employees stock ownership incentive plan, employee stock options

As part of efforts to return profits to employees, the Company provides a monthly top-up subsidy of 10% of the amount of the individual’s contribution to the Employees Stock Ownership Plan. With the aim of increasing interest in corporate value, in 2018, 100 shares of restricted stock were granted not only to executives, but also to all employees in general employment.

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Engagement with Stakeholders

Customers and Business Partners

1. Engagement with stakeholders

The Group is committed to building long-term relationships of trust with its customers by continuing to dedicate itself to customers’ requests while discovering new properties and uncovering the mysteries of the once poorly understood element of zirconium.

The Group strives to build better partnerships, deepen mutual understanding, and maintain and improve cooperative relationships with all its business partners through fair, equitable, and free competition regardless of location.



2. Main responsibilities

Supply ‘Valuable Products’ / Supply reliable products / Provide appropriate product information / Respond appropriately to customers / Explore technology / Build partnerships / Comply with laws, regulations and social norms / Conduct fair and equitable trade / Respect human rights / Reduce its environmental impact / Manage trade secrets / Conduct responsible mineral procurement / Prevent corruption and improper provision and receipt of benefits /

3. Measures

Sales activities / Website / Exhibitions and events / Joint development / Quality assurance / Customer satisfaction surveys / Declaration of partnership building / Procurement activities / Procurement guidelines / Support for quality improvement and environmental conservation / Sharing of environmental information / Briefings / On-site audits / Self-Assessment Questionnaire on CSR and Sustainability Procurement / Participation and activities in industrial associations

4. Responsible divisions

Sales and Marketing Division / Procurement Division / Supply Chain Management Division / Research & Development Division / Process Development Division / Production Control Division / Quality Assurance Division / Environment and Safety Management Division / Each business site / Sustainability Division



Building into management a target of increasing engagement with customers and business partners

Diversification of raw material sources

We established a base in Vietnam to reduce the risk of dependency on specific countries. We aim to build a more sustainable raw material supply system.

Supply chain management

We shorten lead times by setting up sites and sales offices near customers’ overseas production locations and maintaining inventory. We will strive to improve service as well as product quality. This inventory will also serve as a BCP to prepare for disasters in the vicinity of the Group’s manufacturing sites.

Co-existence and co-prosperity throughout the supply chain, new alliances that transcend scale and affiliations

We will contribute to the co-existence and co-prosperity of the entire supply chain, including strengthening cooperation and information sharing with industry organizations. We will also accelerate M&A and R&D based on sound judgment, transcending the boundaries of scale and affiliation.

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Engagement with Stakeholders

Shareholders and Investors

1. Engagement with stakeholders

By continuing to create new businesses and building the foundations for becoming a ‘100 Year Company’, DKK aims to overcome major changes in the business environment and grow sustainably.

The Company’s basic policy is to continue stable dividend while securing retained earnings necessary to develop future businesses and strengthen management foundations.



2. Main responsibilities

Ensure timely and appropriate information disclosure / Distribute profit appropriately / Maintain and enhance corporate value / Maintain constructive dialogue / Reflect shareholders’ and investors’ viewpoints in management

3. Measures

Annual general meetings of shareholders / Company briefings / Results briefings / Individual meetings with institutional investors / Integrated reports / Business reports / Website

4. Responsible divisions

General Affairs & Human Resources
Division (PR/SR) /
Corporate Planning Division (IR) /
Sustainability Division /
Finance & Accounting Division



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Building into management a target of increasing engagement with shareholders and investors

Establish financial discipline and investment decision-making discipline

We will establish financial discipline to maintain an equity ratio of 40-60%. We will also set an adequate threshold to ensure sound investment decisions.

Update of shareholder returns policy

We have updated our shareholder returns policy and set targets of DOE of 1.8% and a dividend payout ratio of 30%. We aim to realize more sustainable returns.

Update of policy regarding cross-shareholdings

We have updated our policy regarding cross-shareholdings with the aim of creating a more suitable relationship structure with business partners and group companies.

p.34 Financial Strategy and Shareholders Return

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Engagement with Stakeholders

Local Community

1. Engagement with stakeholders

To fulfil its role as a responsible corporate citizen, the Group actively participates in social contribution activities to promote the development of society, placing importance on activities such as cooperation with local communities and volunteer activities.

2. Main responsibilities

Respect culture and customs / Contribute to society and economy / Prevent workplace accidents and disasters

3. Measures

Dialogue with local governments, etc. / Volunteer activities / Social studies support and plant tours / Information exchange meetings with neighboring companies / Participation in and sponsorship of local government and community organization events / Corporate version of Hometown Tax

4. Responsible divisions

Each business site / General Affairs & Human Resources Division (General Affairs/PR) / Environment and Safety Management Division / Sustainability Division



The Sekishu red-tiled roofs of Gotsu City, Shimane Prefecture

Building into management a target of increasing engagement with local community

Supporting regional primary industries via joint purchasing of specific products

We have established the Kigenso Agriculture, Forestry and Fisheries Club and conduct the joint purchasing of rice from regional producers. We also support local agriculture, forestry, and fisheries industries by being involved in agricultural practices.

Proactively procure technology, materials, and equipment from local industries and local businesses

In an effort to boost local industries and the local economy, we adopt traditional technologies, materials, and equipment from the regions of Gotsu and Fukui, where our business offices are located, for our own manufacturing.

Donations to city promotion and childcare support programs

In cooperation with Gotsu City, we are making donations for the purpose of rebranding and revitalizing the region and supporting childcare through the Regional Revitalization Support Tax System.

p.57 Social and Relational Capital

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Engagement with Stakeholders

Global Environment

1. Engagement with stakeholders

The Group is committed to tackling the various global environment issues, such as global warming, pollution by hazardous chemicals, and the depletion of natural resources, and continuously works to reduce the environmental impact arising from its business activities. Furthermore, it contributes to the realization of a sustainable society by actively developing products that aid environmental protection and providing highly functional, high-quality materials.

2. Main responsibilities

Provide environmentally friendly products / Respond to climate change / Effectively use resources / Dispose of waste appropriately / Prevent pollution

3. Measures

Development of environmentally friendly products / Reduction of resource and energy usage / Thorough management of chemical substances / Disclosure of appropriate chemical substance information / Compliance with environmental laws and regulations

4. Responsible divisions

Research & Development Division /
Process Development Division /
Sustainability Division /
Environment and Safety Management Division /
Production Control Division /
Each business site



Ammonia stripping device at the Fukui Site

Building into management a target of increasing engagement with global environment

Introduction of reusable energy power menu

We are progressively procuring electricity derived from renewable energy sources at each of our business sites to achieve 100% renewable electricity usage by 2030.

Introduction of biomass-derived heat source

To achieve carbon neutrality, we use more sustainable biomass-derived heat sources for production.

Ammonia stripping device

We have introduced an ammonia stripping device that eliminates ammonia, the water-soluble nitrogen compound that causes red tide. The Group runs its drainage water through this device to remove any dissolved ammonia, so that any water that leaves its facilities is safe. The ammonia itself is a valuable resource, so it is recovered and refined for re-use in the manufacturing process of zirconium compounds.

▶ p.60 Natural Capital

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3 MANAGEMENT STRATEGY

Chief Strategy Officer's Message

Steady Strategy Execution Increases Corporate Value

Looking Back on the Past Three Years

— Three years of DKK's medium-term management plan, 'DK-One Next', are now over. How are things going so far?

First, I should mention that we revised 'DK-One Next' in May this year. That was mostly because it had become difficult to achieve the initial targets we set. One of our achievements is that we started supplying materials for semiconductor applications. The possibility of establishing this business as a business has increased, and we now have a foothold to expand it as a Strategic Area in the future.

On the negative side, the biggest thing was the lack of sales growth in the automotive catalyst business. I think a large part of the reason for this was that we underestimated the presence of China. In the past, our automotive catalyst materials were used by all global automakers, but with the rise of Chinese automakers, my guess is that the share of Chinese competitors is expanding, at least in terms of materials used in vehicles made by Chinese automakers.

— Do Chinese manufacturers have an advantage in cost competition?

We believe that government policy has more to do with this than cost or performance. The automotive industry has a wide base of supporting industries, and we think the Chinese government has moved toward having its own domestic companies supply materials. Another concern is the faster-than-expected shift to electric vehicles and the types of batteries that are used in them. Our products are used in high-performance lithium-ion batteries called the NCM*1 battery, but not in lithium-ion batteries called the LFP*2 battery. The growing electric vehicles industry that is primarily in China uses LFP batteries. We believe it is important to correct any misjudgments made during the past three years and to draw up a growth strategy for the future.



Member of the Board,
Managing Executive Officer,
Strategy Unit
Masayuki Itahashi

— Your future plans set out a clear direction of improving profitability through expansion in Strategic Areas. Do you think how much you are able to expand in these areas will determine growth through FY3/2029 (the 73rd)

I think so. We are particularly looking to expand sales for semiconductor applications. I mentioned earlier that growth of our products for lithium-ion batteries was not good, but market surveys suggest that demand for our products that are used in NCM batteries will almost certainly grow in the future. It is important for us to leverage our advantages, including on price, and to steadily promote the adoption of our products for NCM batteries. That being said, electric vehicle sales are slowing down.

In semiconductor applications, including power semiconductor applications in electric vehicles, there is a possibility things might not go as we expect. We must make rapid decisions by quickly repeating the hypothesis and verification cycle while giving our full commitment to each initiative.

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Chief Strategy Officer's Message



Targets and Progress on the Investment in Vietnam

— Next, I would like to ask you about your sustainability strategy. You allocated ¥5 billion for sustainability investment over the four-year period from FY3/2023 (the 67th) to FY3/2026 (the 70th). Can you give us more details.

Most of that investment is in Vietnam. We established a local subsidiary there in 2012, and after pilot production at a low-volume plant, we planned to start operation of a mass-production plant in 2023. The aim of our series of investments in Vietnam is to eliminate

supply chain risks. Our investment in Vietnam may have a slightly different meaning to “sustainability” as used in the general Japanese corporate world, but we see it as an investment to ensure the continuation of our business.

— I would agree that breaking away from dependence on a single country for supply is also part of a sustainability strategy in terms of realizing a Business Continuity Plan (BCP) and reducing environmental impact. At the same time, won't that investment in Vietnam play an important role in your future growth strategy?

The investment in Vietnam has slightly different implications than a growth strategy, since it is designed to avoid supply chain risks and ensure that our production operations are not interrupted. However, the trend toward greater nationalism and protection of domestic industries has increased in recent years, and this has been accompanied by a decrease in the stability of materials procurement that can come from global trade and higher procurement risks. We have already received requests for supply of materials from several global companies conscious of these risks, and we think it is important to link these opportunities to growth.

— There was a problem with the production facilities in Vietnam and continuous production was not possible for a while. I understand that countermeasures are being taken, so how is that progressing?

Facility improvements are progressing smoothly in preparation for full-scale operations in July 2025, and we plan a gradual ramp up in capacity utilization from July, reaching full capacity by the end of the year.

Utilization of Assets to Expand in Strategic Areas

— You have operating cash flow of ¥35.5 billion, of which ¥7.5 billion has been invested in increasing production in Strategic Areas. Could you please explain this cash allocation.

In respect of Strategic Areas, ¥7.5 billion is allocated on the premise that mere investments for production increase are suppressed as much as possible. The Strategic Areas include new businesses, semiconductor/electronics, energy, and healthcare, and we have invested in higher production in new businesses, semiconductors, and biomaterials. We are working on setting up several new businesses. For example, we are planning to utilize our know-how to form a new business in collaboration with Emulsion Flow Technologies Co., Ltd. We also believe we can broaden the scope of our business by developing new products utilizing ore refining technology and by establishing new businesses utilizing intangible assets such as plant construction technology and analytical technology.

— Given the ongoing shift to electric vehicles, growth in the automotive catalyst market seems unlikely. With the growing importance of Strategic Areas, it seems like you will have a tough job steering the business in the right direction over the next three years.

You are right. We take a product-out approach to developing sales channels and product applications, and it is vital to broaden the adoption of newly created products. Even though we are good at conducting R&D and creating products with new characteristics, I believe that our weakness lies in the commercialization of these products, in other words, marketing them and making them profitable. If we can be more conscious of these monetization aspects, I think we will be able to grow significantly.

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Chief Strategy Officer's Message

Breakthrough Points for Leveraging the Power of Human Resources

— Indeed, DKK has acquired a large number of patents relative to its size, but it seems a long way from that point to commercialization. That seems a bit of a waste considering you are part of the automotive supply chain, which has high barriers to entry.

While we are obviously very grateful to be part of the automotive supply chain, we feel we can't rest on our laurels, and it seems like a constant challenge to find new areas where our products can be useful if we are going to grow.

About 18 months ago, we brought in outside experts who helped us with commercialization in semiconductor applications, but if there is no major progress, the mood quickly becomes "This is risky and impossible." That should be precisely the point of breakthrough, however. There has to be a different way to the norm, perhaps by taking a more multifaceted approach and being prepared for a degree of risk.

Young employees, in particular, have positive ideas to drive things forward, although their lack of experience often means they overlook things. It is easy for those with experience to dismiss these ideas, but they have to change their mindset to "If there is even only a small possibility, let's give it a try."

— Your CEO Mr. Kokubu has also recognized that the ingrained successes of the past have become an obstacle to taking on new challenges. It seems the management team shares a desire to let young people play an active role.

Again, what we need is a change in mindset and culture. Human resources are the key to a company's growth, and we will continue to focus on them.

Aiming to Improve Financial Strength

— Next, I'd like to ask about the financial strategy. Of the ¥35.5 billion in operating cash flow, ¥6.5 billion is allocated for shareholders returns. Your target dividend payout ratio is set at 30%, with a minimum DOE of 1.8%.

As Mr. Kokubu explained, the DOE figure of 1.8% is a lower limit, a kind of safety net. We expect that earnings growth will continue to be difficult for the next three years or so. There is a possibility that the dividend payout ratio will be much higher than 30%, but we

hope the message gets through that we will return at least 1.8% of DOE to investors while investing in growth.

— ROE is now in the single digits. In order for you to return to a highly profitable structure of double-digit returns, it is important to shrink the denominator and generate a solid return on the numerator.

First of all, speaking of returns, the numerator, a significant portion have been damaged by the increase in depreciation charges for the investment in Vietnam.

Production startup adjustments have also not gone well, making costs relatively high, which is another factor depressing profits. To tackle this, we expect to finish the improvement work currently underway and raise the utilization rate from July 2025, while at the same time meeting our cost reduction targets, so that the cost burdens currently being incurred will largely be eliminated by FY3/2027 (the 71st). If we can do that, we think that we could achieve our current target of 5% ROE in FY3/2029 (the 73rd) slightly ahead of schedule.

On the other hand, when we look at the denominator, for shareholders' equity, our practice is to stick to a DOE of 1.8% and a dividend payout ratio of 30%. Since our net assets are just under ¥40 billion, approximately 2% of that amount is ¥800 million. In other words, if we adhere to the lower limit of DOE of 1.8% and dividend payout ratio of 30%, the accumulation of net assets will be curbed, and we would like to improve ROE by increasing profits, the numerator.

— We have covered a lot of ground about earnings, your investment in Vietnam, and business and financial strategy. I feel you have given us honest opinions about the progress and direction of the business amidst an increasingly uncertain outlook.

Thank you very much. In the revised medium-term management plan announced in May 2025, we made it clear that "growth strategy" and "reforming our profit structure" are our main themes. We believe it is important to give stakeholders a timely update on what we have accomplished and what we have not been able to accomplish with regards to these two themes.



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Materiality

Process of Identifying ‘Materiality’

Based on our medium-term management plan, ‘DK-One Next’, the Group has identified the Six Pillars of ‘Materiality’ to realize a sustainable society and enhance corporate value. Using metrics such as the GRI Standard published by the Global Reporting Initiative (GRI) and ISO 26000 (an international standard for social responsibility), 25 issues were identified and rated as ‘extremely important’ in terms of both ‘important to the DKK Group’ and ‘important from the perspective of society.’ Based on these ratings, we set activity themes, indicators, and targets, and promote initiatives linked to business strategies.

1. Issues related to business continuity and development and issues/activity themes for ‘Materiality’

a	Issues related to business continuity and development	Materiality
(1) Creating new businesses that contribute to solving social issues (2) A balanced profit structure with no bias towards specific areas (3) Acquisition of intellectual property to strengthen competitiveness		‘Creating new businesses’
(4) Maintenance and improvement in profitability (5) Continuous efforts to improve productivity		‘Reforming our profit structure’
(6) Creation of innovative technologies (7) Labor saving and energy saving in the production system		‘Developing innovative manufacturing techniques’
(8) Sustainable and stable procurement of raw materials		‘Implementing measures for sustainability’
(9) Human resource development for business succession and development		‘Utilizing organizational practices that consistently produce results’
(10) Fostering of an organizational culture for continued growth		‘Cultivating a Kigenso-like corporate culture’

2. Listing of sustainability issues

Environment	Human rights	Labor practices	Governance to strengthen management foundations	Communication
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3. Assessment of importance of sustainability issues

Important from the perspective of society Extremely important Important	b		Important to the DKK Group Important Extremely important
	• Respect for fundamental human rights • Compliance with fundamental principles and protection of rights at work • Provision of information on social and environmental impacts to stakeholders	• Climate change mitigation and adaptation • Use of renewable resources (e.g., water, fuel, raw materials) • Undertake human rights due diligence • Respect and utilization of diversity • Strengthening of safety and health and promotion of health • Human capital development in line with business strategy • Promotion of sustainability management	
	• Reduction of waste • Employment systems adapted to changing circumstances and appropriate treatment • Appropriate management of chemical substances • Fostering of appropriate industrial relations • Prevention of leakage of environmental pollutants	• Anti-fraud, anti-corruption, and fair competition • Contribution to environmental protection and biodiversity • Supplier social assessment • Supplier environmental impact assessment • Provision of appropriate safety information to customers • Prevention of discrimination	• Improvement of the work environment and security and disaster prevention • Human resource development and training in the workplace • Maintaining and securing intellectual property rights in line with the business strategy • Contributing to local communities and building cooperative relationships

4. Sustainability issues of high importance and ‘Materiality’

b	Sustainability issues of high importance	Materiality
(1) Climate change mitigation and adaptation (2) Use of renewable resources (e.g., water, fuel, raw materials)	(3) Undertake human rights due diligence (4) Respect and utilization of diversity (5) Promotion of sustainability management	‘Implementing measures for sustainability’
(6) Human capital development in line with business strategy		‘Utilizing organizational practices that consistently produce results’
(7) Strengthening of safety and health and promotion of health		‘Cultivating a Kigenso-like corporate culture’

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Materiality

a	b					
Issues related to business continuity and development	Sustainability issues of high importance ‘Extremely important to the DKK Group and extremely important from the perspective of society’		Pillars that we should engage in (= Materiality)		Persons in charge of execution	Supervise
(1) Creating new businesses that contribute to solving social issues (2) A balanced profit structure with no bias towards specific areas (3) Acquisition of intellectual property to strengthen competitiveness	—	E S	‘Creating new businesses’	(1) Creation of businesses by strengthening existing initiatives, particularly in Strategic Areas	Hiroshi Okamoto 📄 p.29	Board of Directors
				(2) Creation of businesses that can offset the decrease in profits from the Automotive Catalyst business	Hiroshi Kokubu 📄 p.70	
(4) Maintenance and improvement in profitability (5) Continuous efforts to improve productivity	—	—	‘Reforming our profit structure’		Isao Okazaki Keita Kodama 📄 p.29	
(6) Creation of innovative technologies (7) Labor saving and energy saving in the production system	—	E	‘Developing innovative manufacturing techniques’	(1) Reform product development processes: Radically review the production process to differentiate products in terms of quality and cost and shorten the time from product design completion to mass production.	Hiroshi Okamoto 📄 p.29	
				(2) Reform productivity: Improve productivity by analyzing operational status through labor-saving processes and DX utilization.	Norikazu Miyasako 📄 p.29	
(8) Sustainable and stable procurement of raw materials	(1) Climate change mitigation and adaptation (2) Use of renewable resources (e.g., water, fuel, raw materials) (3) Undertake human rights due diligence (4) Respect and utilization of diversity (5) Promotion of sustainability management	E S G	‘Implementing measures for sustainability’		Masayuki Itahashi 📄 p.71	
(9) Human resource development for business succession and development	(6) Human capital development in line with business strategy	S G	‘Utilizing organizational practices that consistently produce results’		Kimio Ouchi 📄 p.71	
(10) Fostering of an organizational culture for continued growth	(7) Strengthening of safety and health and promotion of health	S	‘Cultivating a Kigenso-like corporate culture’			

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Materiality

Managing Executive Officer, Operational Unit



Managing Executive Officer, Operational Unit
Director, VIETNAM RARE ELEMENTS CHEMICAL JSC
Vice President, Shandong Guangyin DKK New Materials Co., Ltd.
Vice President, Shandong Guangyin DKK Environment Technology Co., Ltd.

Isao Okazaki

Mr. Okazaki has led the overseas expansion of production sites and has extensive experience in collaborating with domestic and foreign companies. Currently, as the executive in charge of Sales and Marketing, Procurement, and SCM he continues to respond to the diverse values of customers by fully utilizing the diversified supply chain and tangible and intangible assets that the Company has accumulated over the past 70 years.

1984 Joined DKK
2008 General Manager, Facility Management Division
2010 General Manager, Production Division
2019 Director, Manufacturing & Production Unit
2020 Senior Executive Officer, Manufacturing & Production Unit
2022 Managing Executive Officer, Operational Unit

Executive Officer, General Director, VIETNAM RARE ELEMENTS CHEMICAL JSC



Executive Officer
General Director, VIETNAM RARE ELEMENTS CHEMICAL JSC

Keita Kodama

Utilizing his many years of experience working overseas and his network of contacts, Mr. Kodama led the startup of the Vietnam business, and as a finance professional, he was able to secure capital participation by the Japan Bank for International Cooperation. Currently, as the executive in charge of supervising this business, he is leading the reform of the entire Group's profit structure with the aim of rapidly improving capital efficiency.

1988 Joined the Sanwa Bank, Ltd.
(currently the MUFG Bank, Ltd.)
1991 Overseas study at the ESCP Business School, Paris, France
2016 Joined DKK
2019 General Director, VIETNAM RARE ELEMENTS CHEMICAL JSC
2020 Executive Officer

Executive Officer, R&D Unit



Executive Officer, R&D Unit
Representative Director, Member of the Board, I.D.U. Co., Ltd.

Hiroshi Okamoto

Mr. Okamoto led technological development in the Automotive Catalyst business and helped nurture this fledgling field into a source of growth. He also has extensive experience in external relations, including being on the front line of the Sales and Marketing Division during the global financial crisis. Currently, he is working to reform our technology development activities in order to further enhance our technological capabilities. He is also accelerating the acquisition of intellectual property rights in Strategic Areas and driving the transformation of our business portfolio.

1996 Joined DKK
2016 General Manager, Research & Development Division
2019 Director, R&D Unit
2020 Executive Officer, R&D Unit
2024 Representative Director, Member of the Board, I.D.U. Co., Ltd.

Director, Manufacturing & Production Unit



Director, Manufacturing & Production Unit

Norikazu Miyasako

Mr. Miyasako has led the introduction of sensing in the inspection process and the introduction of industrial robots, applying his wealth of experience in the use of automation and IT in critical processes. Currently, as the supervisor of the Manufacturing and Production Unit, he is promoting the establishment of governance within the Group by introducing a system to remotely monitor production data at overseas production subsidiaries.

1985 Joined DKK
2008 Plant Manager, Osaka Plant
2011 Plant Manager, Gotsu Site
2017 General Manager, Production Division
2019 Director, Manufacturing & Production Unit

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Medium-term Management Plan ‘DK-One Next’

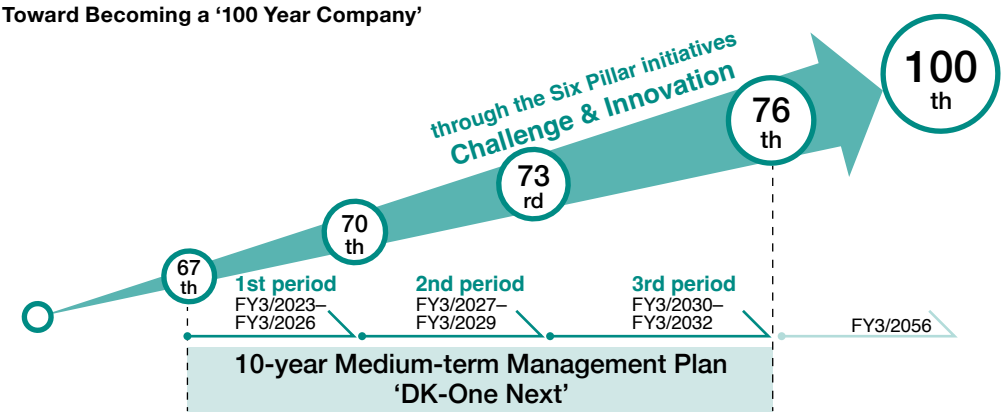
Since its establishment, the DKK Group has been working to solve social issues through the development and supply of zirconium compounds based on its management philosophy rooted in the ‘Three Values.’ The area of automotive catalyst is symbolic of these efforts. However, the Group’s business environment is changing dramatically, as the automotive industry is stepping up its efforts to achieve carbon neutrality and, as a result, the electrification of vehicles is accelerating. Against this backdrop, the Group has launched its medium-term management plan ‘DK-One Next’, which covers the period from FY3/2023 to FY3/2032, in order to secure resources for growth in the mainstay business of materials for automotive catalyst and allocate management resources to the areas that will become the pillars of its next-generation business at an early stage.

Growing with Rare Elements – Becoming a ‘100 Year Company’

In formulating ‘DK-One Next’, the Company reaffirmed the concepts of its management philosophy – ‘Valuable Products,’ ‘Fulfilling Life,’ and ‘Rewarding Workplace’ - and determined a medium-term management policy to **‘remain committed to creating new businesses and tackling the major changes that are set to occur in the business environment over the next 10 years.’** Under this medium-term management policy, the period covered is divided into the first period (FY3/2023 to FY3/2026), the second period (FY3/2027 to FY3/2029) and the third period (FY3/2030 to FY3/2032), with the aims of **expanding business areas and revenues** and **establishing the foundations of a ‘100 Year Company’**. The current fiscal year, FY3/2026, is the final year of the first period of the medium-term management plan, ‘DK-One Next’. It has become difficult to achieve the initial targets we set for the previous term because of a combination of effects from a profit deterioration in the wake of inventory corrections in the Strategic Areas and a delay in the Vietnamese business, a forecast automotive-related downturn, brought about by U.S. trade policies, and others. To reflect this, we have revised the details of the medium-term plan and set new targets for FY3/2029 and FY3/2032.

Creating New Businesses and Tackling the Major Changes in the Business Environment over the Next 10-year

We will proceed with business portfolio transformation through measures centered on further speeding up the activity for creating new businesses that we are focused on. We aim to **‘expanding business areas and revenues’** and **improve ROIC**. In addition, the technical capabilities, trust, and the power of our people that we have built up are irreplaceable assets for us. By building on these assets, we plan to continue to transform our business so as to solidify **the foundation to become a ‘100 Year Company’**. Our aim is to **maximize our ROIC spread (ROIC-WACC)** by **optimizing financial capital and strengthening non-financial capital**.



The Six Pillars Initiatives Taken to Achieve Goals

Pillar (materiality)	Activity theme	Key matters to be monitored	ROIC	Financial/Non-financial
Creating new businesses	Establish a profit base independent of any specific application or industry	- Percentage of reaching the proof-of-concept stage - Net sales growth rate in the Strategic Areas	✓	
Reforming our profit structure	Reform our profit structure to improve the profitability and efficiency of existing businesses	- Manufacturing costs of products made in Vietnam - Sales contributions of products made in Vietnam - Profit growth rates of the Automotive Catalyst and Basic Areas - Months sales in inventory	✓	
Developing innovative manufacturing techniques	- Reform our product development process - Reform our productivity (utilization of DX, etc.)	- Progress in designing an innovating process - Physical labor productivity	✓	
Utilizing organizational practices that consistently produce results	Reform our organizational structure/systems and culture that support our sustainable growth	Value-added labor productivity	✓	✓
Cultivating a Kigenso-like corporate culture	- Spread the spirit of challenge across the Group - Create a physically and mentally safe workplace	- Percentage of employees who are positive about taking on new challenges - Safety culture maturity level (evaluated by an external evaluator)		✓
Implementing measures for sustainability	- Reduce greenhouse gas emissions - Use renewable resources - Implement human rights due diligence - Respect and utilize diversity	- Reduction of CO₂ emissions - Sales from the zirconium waste recycling business - Number of human rights violation incidents occurred across the supply chain - Percentage of female managers		✓

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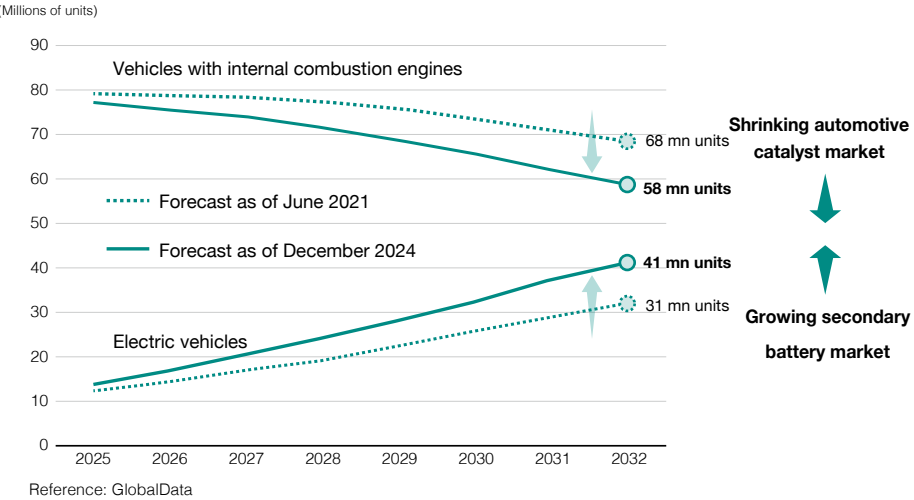
Medium-term Management Plan ‘DK-One Next’

Auto Sales Trends and Prospects for the Automotive Catalyst and Secondary Battery Markets

The shrinking of the automotive catalyst market and growth of the secondary battery market have accelerated since the Medium-term Management Plan was formulated in FY3/2023. While it will be difficult to completely offset the impact of these changes, we will work to secure profits from automotive catalysts by increasing efficiency and scale up our business for secondary batteries by precisely capturing market growth, taking into account these changes in the market environment. In this way, we will seek to reform our business portfolio as a whole, while maintaining the balance between automotive catalyst and secondary batteries.

By powertrain type, the hybrid market is expected to continue its upward trend, and we have a proven track record of strength in this area. We will actively pursue sales efforts to capture new projects with the aim of further increasing our market share. As a regional strategy, we plan to introduce cost-competitive products to growth markets, particularly India. In the automotive catalysts area as a whole, our aim is to expand revenues by securing sales volume that exceeds growth in the internal combustion engine vehicles market.

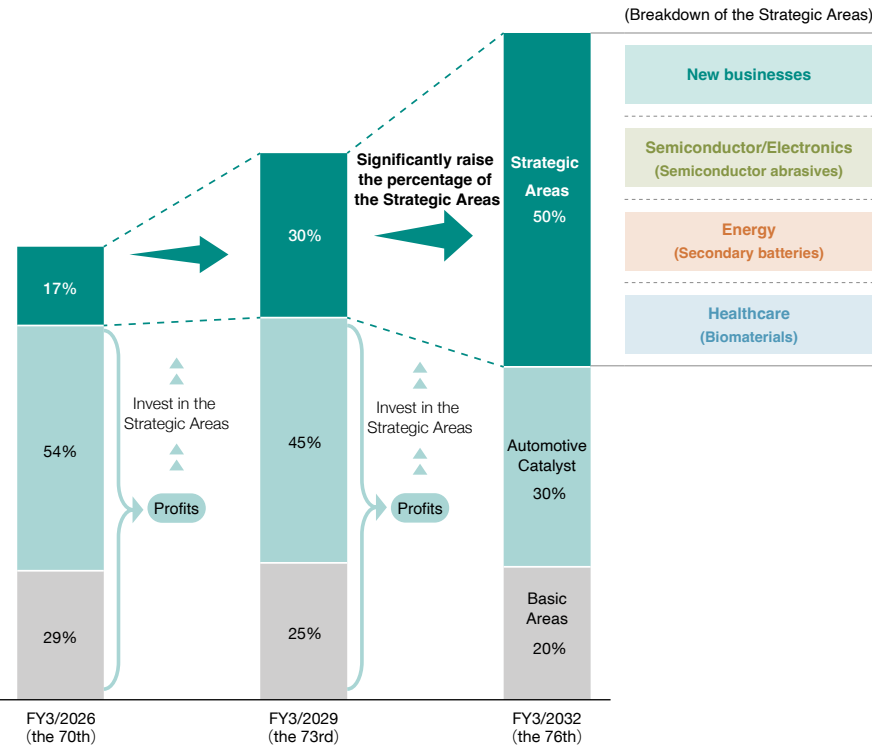
Auto Sales Trends



Reforming the Business Portfolio while Balancing Growth Strategy and the Profit Base

Although market contraction is expected to shrink volumes in the Automotive Catalysts area, we believe we can continue to generate stable earnings by pursuing greater production efficiency, such as by shortening lead times. We are also currently booking stable sales and profits in Basic Areas. We will allocate profits, generated from the Automotive Catalyst and Basic Areas, intensively to R&D investment and capital expenditures in the Strategic Areas (New businesses, Semiconductors/Electronics, Energy and Health care) in which growth and high profitability can be expected, whereby we aim to raise the sales weighting of the Strategic Areas to 50% by FY3/2032.

Reforming the Business Portfolio for illustrative purpose only



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Medium-term Management Plan ‘DK-One Next’

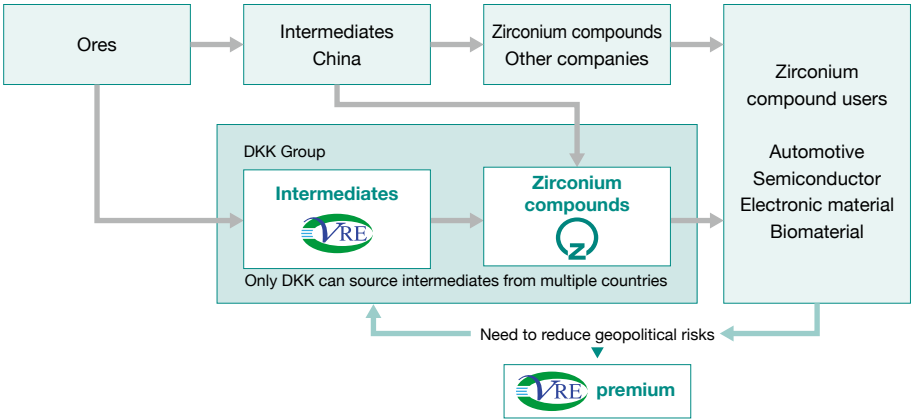
Expanding Strategic Areas by Leveraging Our Competitive Advantages to Meet the Needs of Customers

The three applications of semiconductor abrasives, secondary batteries and biomaterials are expected to see market expansion in the medium and long term. Accordingly, we intend to expand our business at a pace that exceeds the growth of their respective markets, backed by our competitive advantages.

In the applications of semiconductor abrasives and secondary batteries in particular, the stable supply of raw materials from Vietnam is highly valued. Zirconium has been designated as a specified critical product* in Japan and the United States. The DKK Group is receiving an increasing number of business inquiries due to heightened geopolitical risks, despite the premium price of these products, as the Group can source intermediates from multiple countries. Customers that share our sense of value are a very reassuring presence.

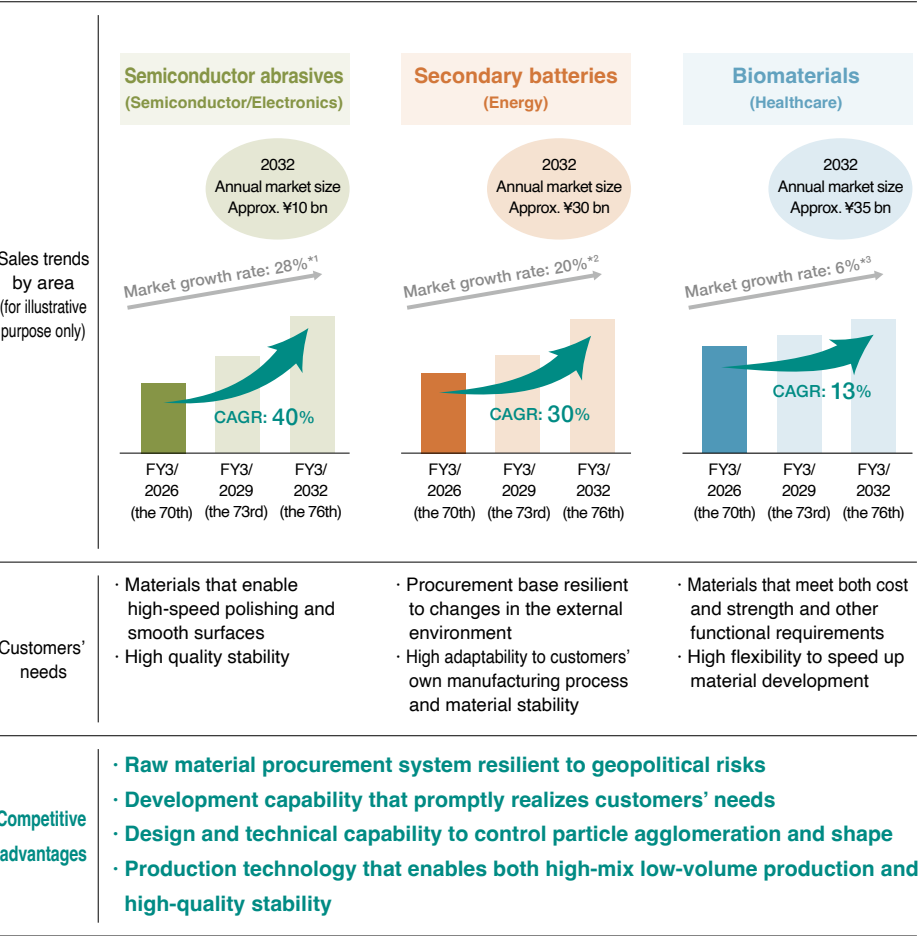
In addition, the technological capabilities and responsiveness we have cultivated over the past 70 years are well regarded, especially by core biomaterials users. We are beginning to see that this positions us to create deeper value than ever before.

The Operating Environment of Our Vietnam Business



Reference: Ministry of Economy, Trade and Industry “Policy on Initiatives for Ensuring Stable Supply of Critical Minerals”
U.S. Geological Survey Releases “2022 List of Critical Minerals”

Sales trends by area for illustrative purpose only



*1.Reference: Fuji Keizai “Current status and future outlook of markets for power devices and power electronics-related equipment 2023”
*2.Reference: GlobalData
*3.Reference: QY Research “Global Zirconia Based Dental Material Market Research Report 2025”

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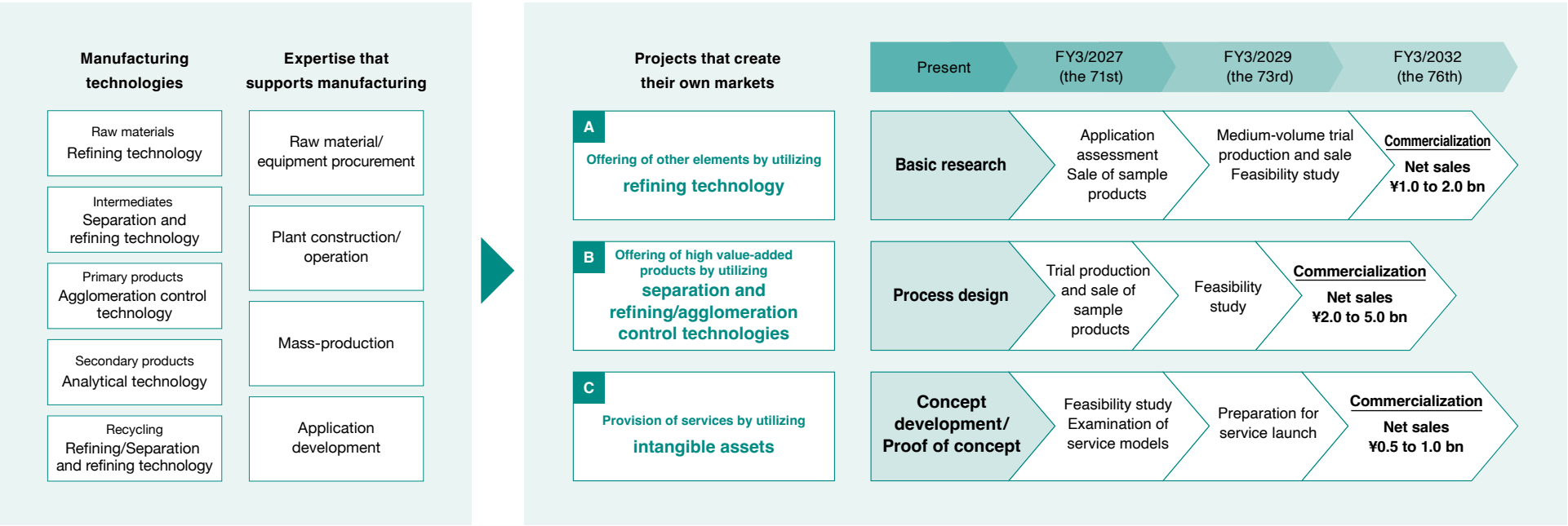
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Medium-term Management Plan ‘DK-One Next’

Projects that Create their Own Markets

We are exploring a range of promising projects, including hydrogen-related development and participation in projects aimed at the effective utilization of CO₂. As a materials supplier, our influence on end user market growth is limited. However, via full utilization of the tangible and intangible assets that we have built up over the past 70 years, we are approaching markets in a more systematic and proactive fashion, and also strengthening initiatives that create their own markets. In our interactions with stakeholders, including customers, suppliers, and business partners, we have come to realize that the technologies and expertise we have developed over the past 70 years hold value that had gone unrecognized. Translating that value

swiftly into business opportunities —with the support of partners— is what defines the projects that create their own markets. The three projects, each with a specific theme, are listed in the chart below as A, B, and C. As part of these initiatives, we promptly conduct reviews, market research, and other analyses to facilitate the feasibility assessment of each idea and concept, as well as their potential impact. This approach enables us to accelerate commercialization independently.



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Financial Strategy and Shareholders Return

During its medium-term management plan, ‘DK-One Next’, DKK is pursuing selective and focused growth investments and improvement in asset efficiency, with a focus on maximizing ROIC and strengthening financial discipline. Although operating profit margins declined due to changes in automotive catalysts market and delays in the Vietnam business, improvement is expected from FY3/2030 due to expansion in high-earning businesses. The shareholder returns policy sets a minimum threshold DOE of 1.8% and aims to achieve a stable return with a dividend payout ratio of 30% from FY3/2029 onwards. The company also places importance on investing in human capital and has clearly stated its vision of becoming a ‘100 Year Company’.

Review of Performance in the First Period of ‘DK-One Next’

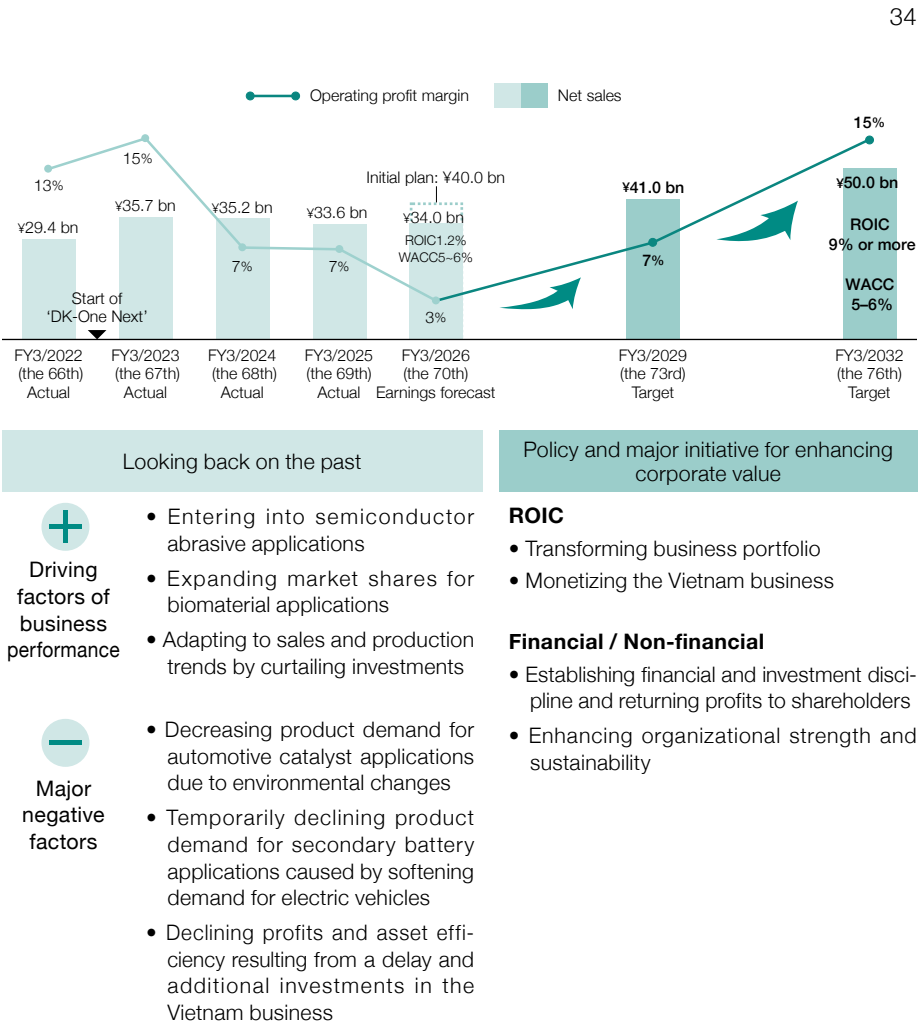
In the first period of ‘DK-One Next’, covering four years, DKK has been working toward the goal of achieving net sales of ¥40 billion in FY3/2026. However, the market structure of automotive catalysts and secondary batteries, which we had considered them mutually complementary, has collapsed, forcing the Company to revise its net sales forecast. In addition, delays in the Vietnam business and lower profit and asset efficiency due to additional investments have led to a decline in the operating profit margin.

Overall Financial Strategy and Initiatives to Maximize ROIC

In revising our medium-term management plan, DKK established basic policies for financial strategy and strengthened its financial discipline.

Basic Policies for Financial Strategy

- Aim to maximize the spread between ROIC and WACC
- Target ROIC growth from 1.2% in FY3/2026 to 9% or more in FY3/2032
- Select and focus growth investments, strengthen investment in non-financial capital, and improve asset efficiency



The operating profit margin is likely to remain below 10% through FY3/2029 owing to the ongoing impact of the Vietnam business and the still weak contribution of new projects with high earnings prospects. However, from FY3/2030 onwards, profitability and capital efficiency are expected to improve significantly through cost reductions and an increase in the contribution of high-earning businesses.

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Financial Strategy and Shareholders Return

Cash Allocation Policy (FY3/2026–FY3/2032)

Shareholder Returns Policy and Introduction of DOE as a Metric

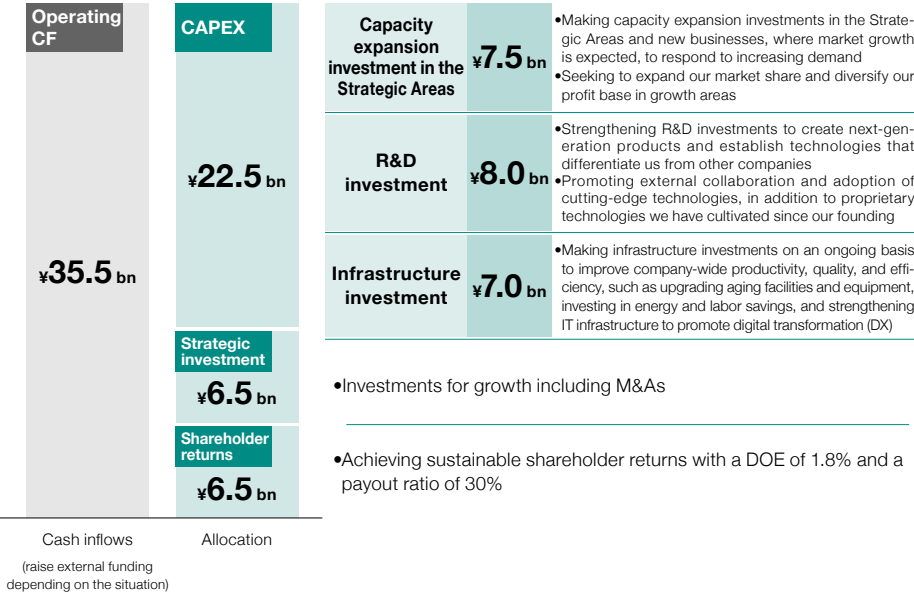
DKK will continue to actively invest in growth for increased production and R&D, particularly in Strategic Areas. With regard to shareholder returns, it has set a minimum threshold DOE of 1.8% and aims to achieve stable returns with a dividend payout ratio of 30% from FY3/2029 onward with returns reflecting growth.

Strengthening financial and investment decision-making discipline

DKK will establish strategic financial discipline and strive to achieve both financial stability and improved capital efficiency. In addition, it will maximize the ROIC-WACC spread by introducing new investment decision-making discipline.

[Financial discipline] Equity ratio : 40 to 60%

[Investment decision-making discipline] Setting an adequate threshold



Medium- and Long-term Financial Targets and Progress Management

Addition of ROE and DOE to Financial Metrics

DKK has positioned FY3/2029 as a midpoint by which the foundation for growth should be established and aims to achieve corporate growth by FY3/2032, the final year of the medium-term management plan.

In addition, for its shareholder returns policy, it has set DOE as the minimum threshold for dividends and aims to achieve both growth and shareholder returns.

Monitoring System

Management Council and Board of Directors meetings regularly review progress toward targets and encourage plan revisions as necessary. In addition, management transparency is ensured through value sharing with stakeholders.

[p.20 Engagement with Stakeholders](#)

		FY3/2026 (the 70th)	FY3/2029 (the 73rd)	FY3/2032 (the 76th)
		Forecast (Initial plan)	Target	Target
Operating results	Net sales	¥34.0 bn (¥40.0 bn)	¥41.0 bn	¥50.0 bn or more
	Operating profit	¥1.0 bn (¥4.0 bn)	¥3.0 bn	¥7.5 bn or more
Metrics	Profitability EBITDA	¥4.5 bn (¥9.0 bn)	¥7.0 bn	¥10.5 bn or more
	Capital efficiency ROIC	1.2 % (6 %)	4%	9% or more
	ROE	0.4 % (-)	5%	11% or more
	DOE	1.8 % (-)	1.8%	1.8 %
Dividend				
Payout ratio		- (30 %)	30%	30 %

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Financial Strategy and Shareholders Return

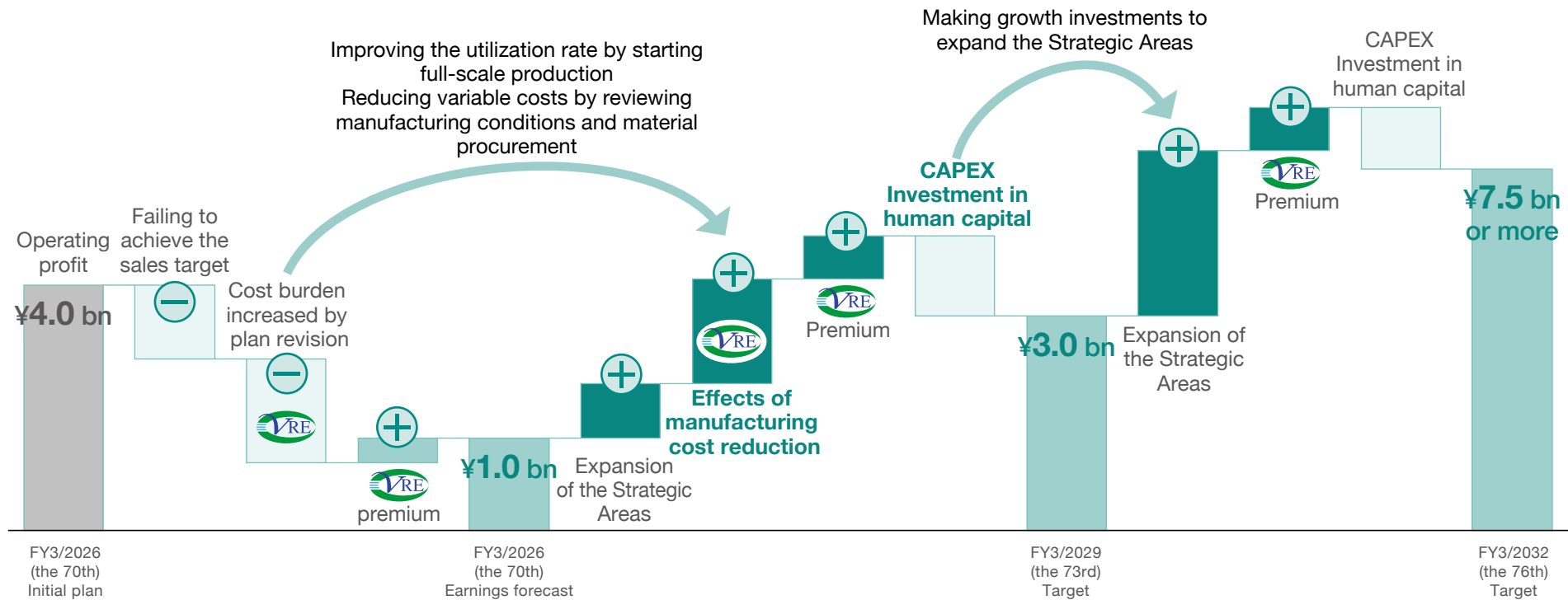
To Achieve the Operating Profit Target

From FY3/2026 onward, DKK expects to see reductions in manufacturing costs with the start of full-scale operation of the new plant of Vietnamese subsidiary. In addition, the Company will pursue improvements in the profit structure by implementing significant cost reduction measures through the review of material procurement and by launching sales initiatives.

From FY3/2030 onward, the Company expects sales growth in Strategic Areas to drive profit growth. Furthermore, the Company believes revenue will increase with the expansion of high value-added products and new businesses, such as premium products made in Vietnam.

Growth strategy and likely effects

On the other hand, the leap forward to FY3/2032 cannot be achieved without growth investment. Toward boosting competitiveness and achieving technological superiority in the Strategic Areas, we will keep advancing capital expenditures and R&D investment according to the programmed plans. The Company will also invest continuously in human capital, particularly in creating a “Rewarding Workplace” where employees can maximize their abilities. The Group aims to be a group of companies that is change-adept and keeps being chosen by society by enhancing corporate value sustainably through investing in growth areas and proactively making investment in human capital. This is the most important initiative in our drive to become a ‘100 Year Company’.



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Sustainability Policy and Strategy

Sustainability Policy

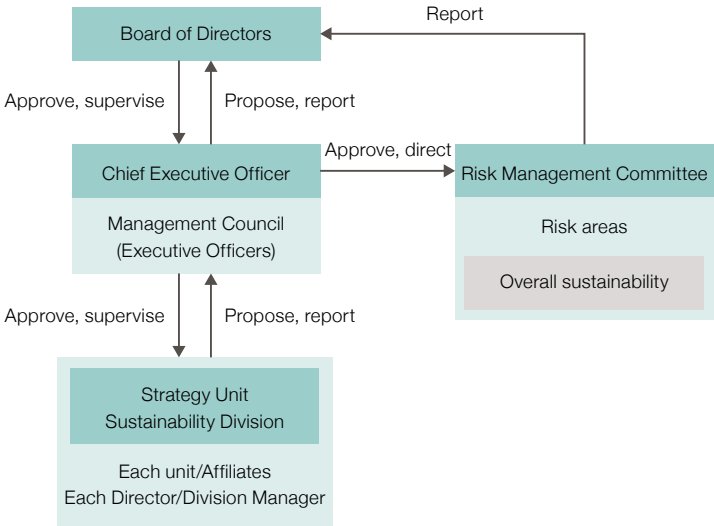
Basic policies

Based on its management philosophy, the Group aims to achieve a sustainable society and increase its corporate value through the following five practices.

- 1
- Use innovation to create products that contribute to solving social problems.
- 2
- Reduce energy consumption through environmentally friendly product design and efficient use of resources.
- 3
- Promote respect for human rights, including in the supply chain.
- 4
- Establish a working environment and working systems that enable a diverse workforce to flourish.
- 5
- Further strengthen corporate governance in order to remain a company trusted by society.

Governance

The Group’s Sustainability Division, under the control of the specific director in charge, draws up plans for sustainability initiatives, which are then discussed by the Management Council and decided by the Board of Directors. It also provides regular progress reports to the Board of Directors and confirms the status of achievement. While monitoring the progress of each department, it discusses issues and problems with the relevant parties to enable them to proceed with activities.



Risk management system

The Sustainability Division comprehensively identifies and evaluates risk items across the Group and selects the most critical items. It checks the status of response to these key items and instructs the department in charge to implement new countermeasures when necessary. The results of the Sustainability Division’s findings are reported to the Management Council. The Risk Management Committee, which reports directly to the Chief Executive Officer and is headed by the director in charge of risk management, regularly reexamines and evaluates risk items across the Group each fiscal year and reports to the Board of Directors on the examination of the selected key items as well as business risks and issues that need to be addressed.

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Sustainability Policy and Strategy

Sustainability Strategy

The Group has positioned company-wide key items (issues) related to sustainability as one of its most important management challenges. Among these, areas of particular focus are identified in the Six Pillars of the ‘DK-One Next’ medium-term management plan: ‘utilizing organizational practices that consistently produce results,’ ‘Cultivating a Kigenso-like corporate culture’ and ‘Implementing measures for sustainability.’

Response to climate change

The Group recognizes that responding to climate change is an important corporate social issue and is actively working to reduce its greenhouse gas emissions, in particular carbon dioxide (CO₂) emissions.

Climate change carries a number of risks for the business, such as the introduction of carbon taxes and other measures to regulate carbon dioxide emissions, higher costs for the procurement of raw materials and the supply of products, and interruptions in production activities. On the other hand, we believe the emergence of new needs in society is also an opportunity to create new value for the Group. DKK therefore sees this as an opportunity to create innovative technologies and solutions and expand its business into new areas, while working to mitigate risks by improving energy efficiency in production activities, examining production methods that have lower environmental impact, and reducing emissions throughout the supply chain.

Below we explain the risks and opportunities posed by climate change and the steps we are taking to address each of them, utilizing the framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD).

Strategy

In conducting scenario analysis, we utilized the UN Intergovernmental Panel on Climate Change (IPCC)'s Shared Socioeconomic Pathway (SSP2-4.5) and Sixth Assessment Report (AR6), Representative Concentration Pathways (RCP4.5/6.0/8.5) and Fifth Assessment Report (AR5), the International Energy Agency (IEA)'s Net Zero Emissions by 2050 Scenario (NZE) and Stated Policies Scenario (STEPS), and Representative Concentration Pathways (RCP2.6) for Japanese climate at the end of the 21st century from Japanese Ministry of the Environment and Japan Meteorological Agency. The Group has developed countermeasures based on an impact analysis of both risks and opportunities.

In the 1.5°C scenario, where social changes due to decarbonization will affect the Group's business, we think business opportunities will expand as zirconium will be needed in

industries where demand increases in line with the transition to a decarbonized economy. However, the process of decarbonization may lead to stricter environmental compliance, such as reduced demand for automotive catalysts and oxygen sensors due to lower production of vehicles with internal combustion engines, as well as the introduction and strengthening of carbon pricing systems by governments and local authorities in various countries, and tighter export regulations due to increased demand for raw materials. The

1.5°C scenario			
Item	Change in business environment	Expected scenario	Main countermeasures
Transition risks	Reduced demand for automotive catalysts due to lower production of vehicles with internal combustion engines	· The possibility of reduced demand for automotive catalysts and oxygen sensors, the main applications for zirconium, due to lower production of vehicles with internal combustion engines leading to decline in sales.	· Consider establishing a supply system for battery materials, hydrogen-related materials, and other materials related to electric vehicles that will replace vehicles powered by internal combustion engines.
	Higher cost due to introduction of carbon pricing systems	· The possibility of increased costs due to the introduction and strengthening of carbon pricing systems by governments and local authorities in various countries.	· Identify CO ₂ emissions (Scope 1 and Scope 2) and develop plans to meet reduction targets. · Collect information on environmental regulations in each country and consider countermeasures.
Physical risks	Increased loss of sales opportunities due to flooding or destruction of production sites caused by torrential rain, high tides, or strong winds, or to supply chain disruptions and production stoppages caused by flooding	· The possibility of production stoppages and other impacts due to flooding or destruction of production sites caused by torrential rain, high tides, or strong winds, or to supply chain disruptions and production stoppages caused by flooding. · The possibility of loss of sales opportunities arising from the inability to deliver products to customers due to production stoppages caused by damage to assets such as shipping vessels, external warehouses, and production sites, or the inability of employees to come to work.	· Re-establish and periodically review the business continuity plan (BCP) in consideration of climate change.
Business opportunities	Increased demand for electric vehicles and low-carbon and decarbonization-related products	· The possibility of higher sales as zirconium will be needed in industries where demand increases in line with the transition to a decarbonized economy.	· Consider R&D investments in decarbonization technologies such as electric vehicles and hydrogen-related technologies.
	Greater efficiency for resources	· The possibility of lower costs from more efficient energy usage.	· Assess energy consumption and develop plans for energy conservation.

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Sustainability Policy and Strategy

Group is considering measures to deal with these risks.

In the 4°C scenario, where natural disasters due to climate change will become more severe and affect the Group, we believe business opportunities will increase due to increased demand for materials for fuel cells and next-generation secondary batteries as independent electrical energy supply and demand systems are reviewed. However, there is a possibility of production stoppages and other impacts due to flooding or destruction of production sites caused by torrential rain, high tides, or strong winds, or to supply chain disruptions and production stoppages caused by flooding. Measures to deal with these risks will be considered as part of the business continuity plan (BCP) for each production site.

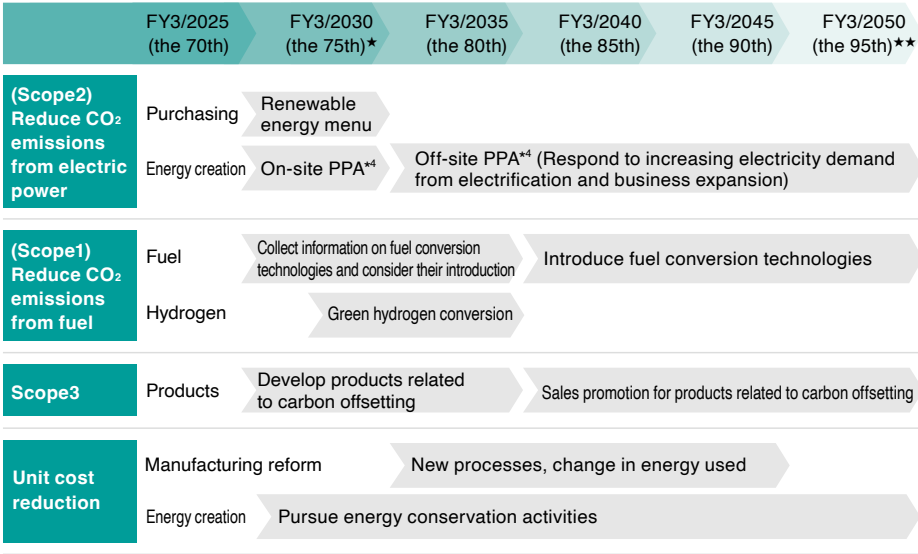
4°C scenario			
Item	Change in business environment	Expected scenario	Main countermeasures
Transitions risks	Higher costs from introduction of carbon pricing systems	· The possibility of increased costs due to the introduction and strengthening of carbon pricing systems by governments and local authorities in various countries.	· Collect information on environmental regulations in each country and consider countermeasures.
Physical risks	The possibility of increased loss of sales opportunities owing to production stoppages and other impacts due to flooding or destruction of production sites caused by torrential rain, high tides, or strong winds, or to supply chain disruptions and production stoppages caused by flooding	· The possibility of production stoppages and other impacts due to flooding or destruction of production sites caused by torrential rain, high tides, or strong winds, or to supply chain disruptions and production stoppages caused by flooding. · The possibility of loss of sales opportunities arising from the inability to deliver products to customers due to production stoppages caused by damage to assets such as shipping vessels, external warehouses, and production sites, or the inability of employees to come to work.	· Re-establish and periodically review the business continuity plan (BCP) in consideration of climate change.
Business opportunities	Opportunities from rise in power generation and storage demand	· The possibility of higher sales due to increased demand for materials for fuel cells and next-generation secondary batteries as independent electrical energy supply and demand systems are reviewed in the event of increase in the frequency or scale of natural disasters caused by abnormal weather.	· Determine market needs for zirconium compounds and consider R&D investment.

Indicators and targets

We aim to reduce our CO₂ emissions (Scope 1 + 2)* by at least 20% by 2030 compared with FY3/2018, in order to achieve a ‘decarbonized society’ in which CO₂ emissions are effectively zero (carbon neutrality) by 2050.

Reduction measures include continuous on-site improvement activities, as well as reducing emissions from the Group’s business activities such as via greater energy efficiency from manufacturing reforms and energy creation using solar power. Where necessary, the Group will also utilize renewable energy and procure carbon credits.

Roadmap toward achievement of carbon neutrality



★ Reduce Scope 1 + 2 emissions by at least 20% by 2030 compared to FY3/2018

★★ Achieving carbon neutrality in 2050.

*4 PPA : A third-party power provider installs solar power generation equipment on the customer's premises, and the customer pays the provider fees based on the amount of electricity consumed.

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Sustainability Policy and Strategy



Use of renewable resources

At each of the Group's production sites, the principles of reduce, reuse, and recycle are applied to key raw materials, chemicals, and energy and consumables, and manufacturing is practiced with respect for the natural environment.

Reduce

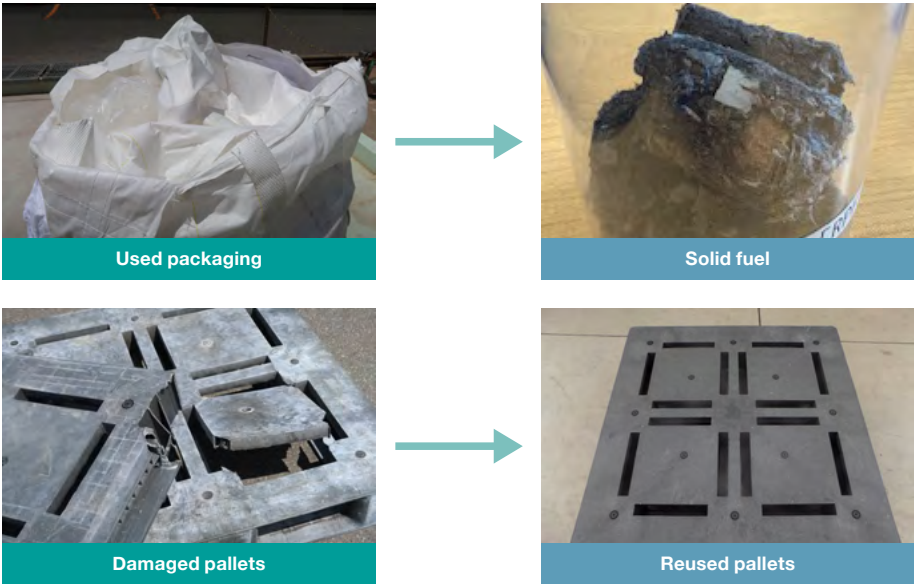
Reducing consumption of fossil fuels by using biomass-derived heat sources.

Reuse

Recovering used chemicals and reusing them after purification, enabling external release of safe water. Reusing heat produced for the manufacturing process.

Recycle

Recycling of used packaging and pallets.



Human capital initiatives

To realize its management philosophy, the Group has defined the Six Pillars in its medium-term management plan, 'DK-One Next', with a view to continuing to create new businesses and to overcome major changes in its business environment. Among these are 'utilizing organizational practices that consistently produce results,' 'cultivating a Ki-genso-like corporate culture,' and 'implementing measures for sustainability,' which act as guidelines on human capital. In line with these guidelines, it promotes initiatives to increase the value of human capital based on the following policies.

Basic policies

- Strategically train personnel for succession. In particular, systematically promote the training of successors at management level.
- Implement a role- and performance-based remuneration system to motivate and reward employees.
- Aim at mindset reform and behavior modification at the individual and organizational levels. (Transform our corporate culture)
- Instill a spirit of challenge throughout the Group.
- Promote the utilization of diverse human resources.
- Operate a workplace that respects diverse working styles and values.
- Operate a healthy and safe workplace, both physically and mentally.

Strategy

In order to become a '100 Year Company', the Group believes that it is crucial to have personnel who will boldly take on challenges to expand the business and those who are ready take over as the next generation, and we will actively invest in the development of these personnel.

One positive aspect of the Group's corporate culture is that it promotes flat relationships that allow people to talk honestly. On the other hand, the pursuit of accountability in relation to required roles and targets tends to be lacking, and there is a tendency towards simply going with the flow. The Group believes it needs to create a culture that encourages employees to take the initiative and attempt new challenges. In the area

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of personnel evaluation, for example, the difference in compensation and treatment for individual performance is small, and as a result some aspects of performance and processes are not properly evaluated. We are therefore working to establish a system and operational rules that more accurately reflect roles and results in compensation and treatment.

With regard to diversity in human resources, we will promote the advancement of women's participation in the workplace and enhance support systems for balancing work with childcare and nursing care. In addition, as the proportion of employees aged 60 and over increases in the future, it will be important for both the company and the individual to know how they can contribute, so we will work on revising the current system to create a system that allows employees to choose a variety of working styles.

We believe that creating a healthy and safe environment, both physically and mentally, is important for our employees and leads to increased productivity. To prevent occupational accidents, the Group is committed to raising the safety awareness of all executives and employees. Furthermore, as absence from work due to mental health problems is a significant burden on the individual and the workplace, the Group will raise the mental health awareness of all executives and employees and focus on the prevention of mental health problems.

In order to face these challenges and become a '100 Year Company', the Group will continue to implement human capital-based management as one of its key sustainability strategies.

Indicators and targets

Sustainability issues of high importance from the perspective of society	Materiality	Activity themes	Indices and targets (FY3/2032 targets)
Human capital development in line with business strategy	Utilizing organizational practices that consistently produce results	· Reform of organizational structures, systems, and cultures to support sustainable growth	· Value-added labor productivity (40% increase vs. FY3/2025 level)
	Cultivating a Kigenso-like corporate culture	· Instill a spirit of challenge throughout the Group	· Ratio of employees with positive opinions about challenges
Strengthening of safety and health and promotion of health		· Create a workplace that is healthy and safe both mentally and physically	· Develop a more mature safety culture (move from "Reactive" in FY3/2025 to "Interdependent Team")
Promotion of sustainability management	Implementing measures for sustainability	· Undertake human rights due diligence	· Number of human rights violations across the supply chain (ensure there is no child labor or forced labor in the supply chain)
		· Respect and incorporate diversity	· Ratio of female managers (increase number of women in management positions by 7 ppt compared to FY3/2025 level to more than 15%)

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Sustainability Policy and Strategy

Respect for Human Rights of all Stakeholders

Human rights policy

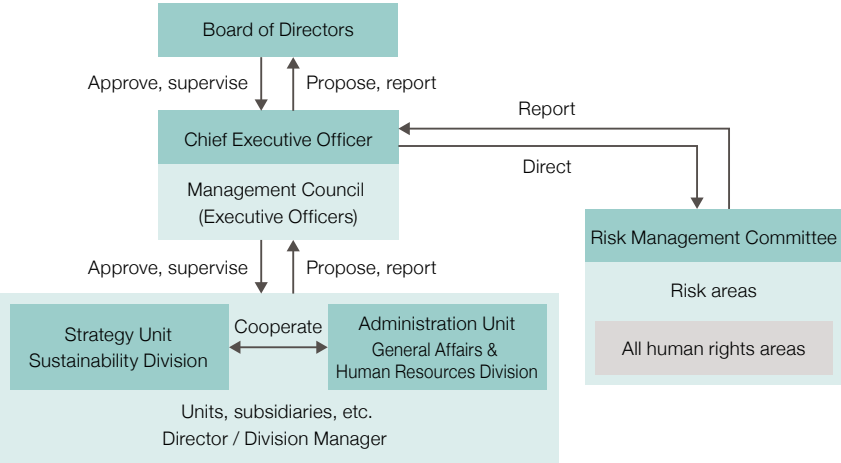
The DKK Group acknowledges that in all processes associated with our business, it is possible we will – directly or indirectly – have an impact on human rights. In order to respect the human rights of all people associated with our business and to contribute to the development of a sustainable society, the Group has determined its Human Rights Policy

Respect for human rights is essential if the Group is to put into practice its management philosophy: ‘Valuable Products,’ ‘Fulfilling Life,’ and ‘Rewarding Workplace.’ The directors and employees who work for the Group promote respect for human rights to ensure that we do not impact negatively on them.

We implement human rights due diligence to identify the impacts from the Group’s business activities on human rights, including from the supply chain, and strive to reduce and improve the risks identified.

We are currently conducting self-assessment risk analyses for our key suppliers. Internally, we also distributed a questionnaire on ‘Business and Human Rights’ to our employees to ascertain their level of understanding of human rights. Based on the results, we will continue to promote human rights education for employees.

If a human rights issue arises within the Group, we take appropriate action based on the principle of victim protection, report, and discuss the issue at Board of Directors and Management Council meetings, and implement measures to prevent recurrence.



Procurement policy

Based on its management philosophy that prioritizes ‘Valuable Products,’ ‘Fulfilling Life,’ and ‘Rewarding Workplace,’ the Group conducts its business activities with a view to building sound relationships with all of its diverse stakeholders. DKK believes it must remain useful and essential to society, as those are the necessary conditions of its continuous growth and development. DKK is committed to conducting its procurement activities with all its suppliers, based on mutual understanding and trustful relationships with them as good business partners, to ensure that DKK’s supply chain as a whole fulfills its social responsibilities.

Risk assessment

For risk assessment of business partners, a self-assessment is conducted in accordance with the Guidelines on Respecting Human Rights in Responsible Supply Chains. In FY3/2025, 10 companies cooperated in this self-assessment and no business partners required improvement.

Responsible mineral sourcing

There is a concern that some of the minerals (tantalum, tin, tungsten, gold, cobalt, mica, etc.) produced in the Democratic Republic of the Congo, its neighboring countries, and other conflict-affected and high-risk areas (CAHRAs) are serving as the sources of funds for the armed insurgents that have been committing serious human rights violations and environmental destruction in the mining process.

The Group complies with the framework as set forth in the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and implements initiatives to avoid use of these minerals, or, any materials that contain them, in order to fulfill its corporate social responsibility.

The DKK Group also actively cooperates with its customers in their investigation of responsible minerals sourcing, including conflict minerals, and conducts its procurement activities in a responsible manner.

In accordance with this responsible policy, we monitor the presence or absence of Annex II risks in CAHRAs for the target minerals contained in our products. We conduct surveys in accordance with the industry standard Responsible Minerals Assurance Process (RMAP) to identify smelters and refiners in our supply chain and assess them

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according to our internal criteria. Where high-risk smelters and refiners are used, the risks are communicated, and appropriate action is taken to improve the situation. In response to requests from suppliers regarding the provision of supply chain information, in addition to the Conflict Minerals Reporting Template (CMRT) published by the Responsible Minerals Initiative (RMI) based on survey results, we provide information on cobalt and mica based on the Extended Minerals Reporting Template (EMRT). The Conflict Minerals Survey in FY3/2024 covered three major suppliers handling 3TG (tin, tantalum, tungsten and gold) and one similar supplier handling cobalt, and we received a 100% response from each. The survey confirmed that all suppliers are RMAP-compliant smelters.

Implement in-house training to raise human rights awareness

With the globalization of business, the responsibility on companies to respect human rights required by the international community is becoming increasingly important. The DKK Group has also positioned “Promote respect for human rights, including in the supply chain” as one of its five practices of its Sustainability Policy. As part of these efforts, training on the theme of “Business and Human Rights” was held twice in FY3/2025, in December 2024 and February 2025, with 12 executive officers in attendance. Through lectures, participants gained a new understanding of the positive and negative influences surrounding the Company. In addition, they engaged in workshops using case studies, which provided an opportunity to gain new insights.

1. First training event (December 2024)
- Lecture
Understanding the overall topic of “Business and Human Rights” and the status of the Company’s efforts
- Case studies
Discussion of the possible negative human rights impacts on the Group based on examples from other companies
Discussion of the need for the development of an external whistle-blowing contact points
2. Second training event (February 2025)
- Lecture
Confirming the progress of the Company’s efforts
- Case studies
Discussion of the possible positive human rights impacts on the Group based on examples from other companies
Discussion of how to identify signs and opportunities for possible businesses, such as those that can help people live safely, while solving human rights issues

Health and safety activities

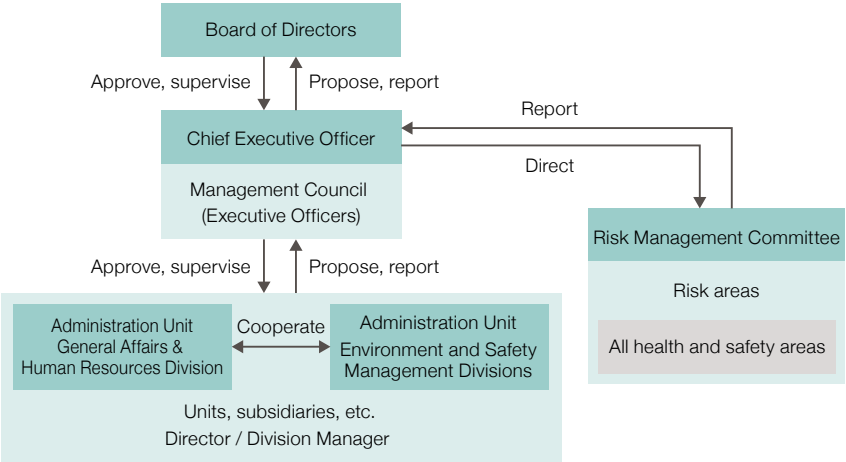
In order to maintain the safety and health of all stakeholders, the Group has set the following basic policies and promotes occupational safety and health activities and continuous improvements to build a ‘Rewarding Workplace’

Basic policies

1. We comply with safety and health related laws and regulations and other requirements to which the Group agrees.
2. We work to build a safe and sound work environment and reduce safety and health risks.
3. We keep all the employees informed about these policies and work to increase their awareness of safety and health.
4. We make these policies public as needed.

System and persons in charge

We have assigned a general safety and health manager, a safety supervisor, a health supervisor, and an industrial physician at each site as those responsible for safety and health and formed a safety and health committee comprised of these and other employees selected as committee members. This committee examines, discusses, and gathers opinions about safety and health issues and works to make improvements.



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4 PRE-FINANCIAL CAPITAL

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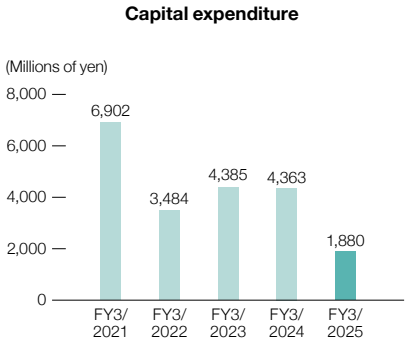
Manufacturing Capital

The DKK Group is the only group of companies in the world that operates the integrated system from the decomposition and refining of zirconium ores to the manufacturing to supply to distribution of high-performance materials. Our manufacturing technological capability makes it possible to churn out products of multiple areas in the same manufacturing lines, by switching one type of products to another. We regard this capability as the core competence of Daiichi Kigenso. We will strike a balance between the “potentials” and “stability” of the businesses of the “Strategic Areas” and the “Automotive Catalyst Area” and aim to further build up capital.

Further Improving Capital Efficiency by Balancing the Growth Prospects and Stability of the Business

Since its establishment, the Group has customized zirconium compounds to meet the needs of customers in a variety of fields and has provided the world with materials with diverse properties. The Group has applied originality and ingenuity to continue refining its ability to provide such customization, and as a result has developed unique, versatile, and highly productive production technology that can turn out products for multiple fields on the same line.

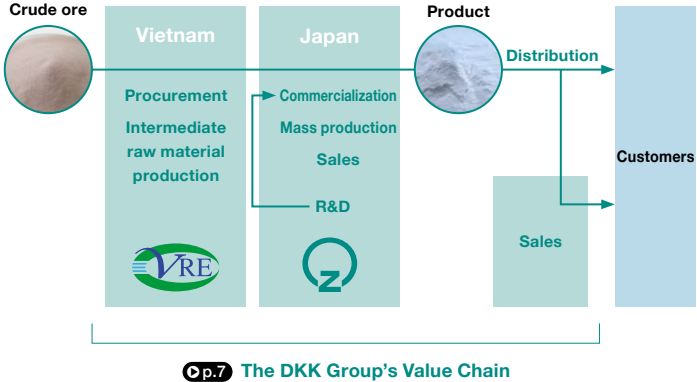
Even in the current rapidly changing environment of the automotive industry’s shift to EVs and the increasing sophistication and value diversification of electronic devices, we are able to make effective use of this manufacturing capital and flexibly change our production portfolio in order to improve investment efficiency and develop our business in Strategic Areas and the Automotive Catalyst Area. In doing so, we are also balancing the “growth prospects and stability” of our business. We also aim to use DX to improve coordination between our supply chain and production management, thereby further increasing capital efficiency.



The World's Only Group to Handle Everything from Ore Decomposition to distribution of Zirconium Compounds

Zirconium oxychloride is the main intermediate material in zirconium compounds sold as high-performance materials, and more than 90% of the industry’s supply comes from China.

In order to reduce risk from this dependency, in March 2012 the Company established a subsidiary in Vietnam, a zircon sand producing country. VIETNAM RARE ELEMENTS CHEMICAL JOINT STOCK COMPANY (hereafter the Vietnamese subsidiary) produces and sells zirconium oxychloride and is the only company outside China to do so. This makes DKK the only group of companies in the world that is involved in the whole production process, from decomposition and refining of zirconium ores to manufacturing, supply, and distribution of high-performance materials.



New factory of VIETNAM RARE ELEMENTS CHEMICAL JSC in Ho Chi Minh City

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Manufacturing Capital

The Vietnam business is currently aiming to build an integrated production system for zirconium products while strengthening local production and pursuing digital transformation (DX) and environmental initiatives. In this section, we examine investment results and returns and the future roadmap for the business.

Background to Investment in Vietnam

— DKK established its Vietnamese subsidiary, and began production activity at a new local plant in 2023. Please remind us of the background to that.

Miyasako: The purpose of investing in the Vietnam business is to strengthen the supply chain and create stable procurement. We constructed a manufacturing plant in Vietnam to reduce geopolitical risk for raw materials procurement and lessen the dependence on specific countries, with the aim of establishing a stable and flexible supply system.

— After starting construction of the new plant, delays in operations and the need for additional investment weighed on profit and asset efficiency. What is the current situation?

Miyasako: Renovation work on the plant was completed at the end of June 2025 and we moved to a full operating system in July. We will now enter a cost reduction phase and are formulating initiatives to achieve our target costs. The medium-term management plan includes an expectation of lower ROIC through FY3/2026 (the 70th), but we aim for significant recovery by FY3/2029 (the 73rd) and to achieve ROIC of 9% or more by FY3/2032 (the 76th).

— What kind of cost reduction initiatives are you planning?

Miyasako: Our goals include raising the return rate (the yield), improving production volume, and lowering variable costs. We believe that establishing a full operating system and implementing initiatives to lower production costs will lead to profit improvement.

— Aside from margin improvement, what other kinds of initiatives are you planning?

Kodama: We aim to respond flexibly to changes in customers' sense of value and to supply higher value added products. There are concerns about the possibility of



tougher export restrictions on rare earths and scarce resources from China, in part due to the US government's tariff policy. Against this background, market appreciation for the products we manufacture from zircon sand produced in Vietnam is rising, which not only facilitates the passing of cost increases in the wake of surging raw material prices to selling prices but also has started building recognition of zirconium made in Vietnam as a value-added product.

Miyasako: In practice, an increasing number of customers want products made from zirconium oxychloride made in Vietnam and this has created a beneficial situation from an investment returns perspective too.

Aiming for Improvements in Capital and Production Efficiency

— Stock Exchange guidelines require management that is conscious of cost of capital. Please could you tell us about the relationship between investment in manufacturing capital and ROIC.

Miyasako: Demand forecasting for the Automotive Catalysts, DKK's main product, used to be highly accurate and this had the benefit of allowing investment in manufacturing

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capital to be conducted on an index based on the medium-term outlook. However, changes in market conditions have made demand forecasting more difficult, causing a shift to a situation in which capital returns under the previous investment decision standards are tough. In addition, it is also true that increase in initial investment and delays in achieving full production have been factors for decline in ROIC in the Vietnam business. To reflect this, improvement in ROIC has been positioned as an important theme in ‘DK-One Next’, with a particular focus on maximizing investment efficiency for capex.



Kodama: What we would like investors to understand about the profit situation of the Vietnam business is that, as Director Miyasako just said, the purpose of investing in the Vietnam business was to create stable procurement of zirconium and stable supply of products. Currently, around 95% of the processing of scarce resources, including zirconium, is concentrated in China, and strictly from a profit perspective, it would obviously be beneficial for DKK to procure from China. However, we have put resources intensively to our business in Vietnam even though we have to spend costs necessary for environmental preservation. It is true that this investment has led to a decline in ROIC, but conversely it holds the prospect of significantly improving ROIC if production volume in Vietnam increases in line with our targets.

— The investment in Vietnam is approaching a crucial phase, isn’t it?

Kodama: Yes, it is. The start of full production in July and the following six months is the crucial period. Production volume has declined due to human errors as well as technical problems, and we intend to consult closely with local staff to deepen mutual understanding.

Miyasako: We are teaching and training the local staff using technical instructors dispatched from Japan. We have established criteria for assessing the abilities of individual staff members and are creating an environment where they can be assigned tasks according to their skills.

DX Initiatives

— Pursuit of DX is also important, isn’t it?

Miyasako: As detailed in **Op.7 the Value Chain** section of this report, the DKK Group is developing a one-stop structure from procurement and production through to sales and distribution. By leveraging the characteristics of this structure, we are working on DX that feeds inventory data from sales bases in every area back into production plans, enabling us to achieve both optimal inventory volume and production efficiency.

In concrete terms, we are working to further enhance production technology that can turn out products for multiple areas on the same line, a key DKK strength. For example, this will help in shortening the time required to switch between product types. Having the system, rather than a human, determine the optimal production order based on inventory data and process requirements for each product type will eliminate wasted time. The result should be not only increase in the capacity utilization rate, but also reduction in CO₂ emissions volume as well as higher production efficiency and capital efficiency.

DKK has a long history in process automation, installing sensing technology back in the 1980s when it was not yet common and focusing on this area ever since. This was precisely around the time when I joined the Company. We have automated processes that previously required the oversight of skilled craftsmen, thus improving production efficiency and quality stability while also overcoming the challenge of passing on technical skills. We are currently working on achieving visibility for capacity utilization. We do not want just visibility, but also the ability to assess the state of production sites from remote locations. There are two objectives in this. Firstly, under normal conditions, this will help maintain governance. The Vietnamese subsidiary we have been talking about is DKK’s first production subsidiary. While we have, of course, dispatched executives, we are also monitoring and overseeing the subsidiary using ICT. Secondly,



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under emergency conditions, such as when there is a major natural disaster, this will act as a risk countermeasure. The mechanism will allow for swift assessment of conditions and remote control of equipment if necessary.

Risk Analysis of the Vietnam Investment

— What other risks are there?

Kodama: Since we are allowed to run business in a foreign country, we pay special attention to treating wasted water and materials there appropriately. The strict standards to comply with can be a barrier for other companies to enter the market, but at the same time, the possibility cannot be ruled out that stricter laws and regulations will affect business performance adversely by increasing burden on the industry, leading to events such as a rise in energy prices by additional cost for complying with regulations and the occurrence of additional capital expenditures for environmental preservation.

In addition, I think there is investment risk in Vietnam from it being a socialist country, as many Japanese companies who invested in China have discovered. While the risk of technology or data being seized is probably low, we need to be aware that when there are issues in the political system, the balance between whether party policy or the rule of law is prioritized might change. Under the current middle-of-the-road policy, things have been good since last year in terms of the investment environment.

— Under these conditions, what kind of policies are required to ensure constant stable supply of zirconium?

Kodama: Vietnam's zirconium reserves are said to rank among the top five in the world, but locally this has a lower profile than coal and oil. That is why it is essential to create win-win cooperative relationships with medium-sized and small suppliers. Most zirconium is recovered during the process of mining titanium raw materials, rather than being dug for itself. In other words, zirconium is not mined without demand for titanium. Therefore, it is also important to contribute to local companies and industries through nurturing users of titanium in parallel and the effort to enhance the value added by titanium. If we can achieve this, we believe that we will be able to procure zirconium raw materials at more stable and appropriate prices, which will lead to lower

product costs and, ultimately, an increase in ROIC. DKK has announced a “Declaration of partnership building,” and our policy of treating our suppliers as important partners holds true in Vietnam.

— Is there a possibility that additional investment will be required?

Kodama: First, I believe that we cannot gain the approval of our stakeholders unless we make a success of our current investments, but there is certainly the possibility of additional investment. We have already obtained a license to increase production of zirconium intermediate materials and secured a site for a plant. For example, as mentioned earlier, Vietnam has abundant resources, so there are plans to focus on zirconium while also handling other scarce resources.

— It is clear that positive results from the Vietnam business are important for the business of the whole DKK Group and investors too. Thank you for your time today.

Op.16 Interviewer : Yumi Yamamoto

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Intellectual Capital

Inheriting our founders' spirit of undertaking challenges, embodied by the slogan "Because no one has done it, we will do it," the DKK Group has grown by developing new functions and expanding applications for zirconium compounds, as well as conducting research and surveys on new materials. As a result, zirconium compound refining and zirconium oxide agglomeration control have become our core technologies. Additionally, we managed to acquire wide-ranging intellectual properties. We continue to aim for co-creation of value with all stakeholders through development activities based on [◯WEB](#) our R&D Policy and intellectual property activities based on our intellectual property strategy.

Research and Development System ◯WEB

- Creation Science Division
- To find new functions of zirconium compounds and develop their new applications and studies new materials from a medium- and long-perspective.
- Research & Development Division
- Improvement and development of materials in existing applications and development of new applications of existing materials.
- Process Development Division
- Mass production processes, as well as developing technologies related to resource recycling and carbon neutrality.
- Intellectual Property Division
- Operations related to intellectual property rights.

Functions and Role of the R&D Center ◯PDF

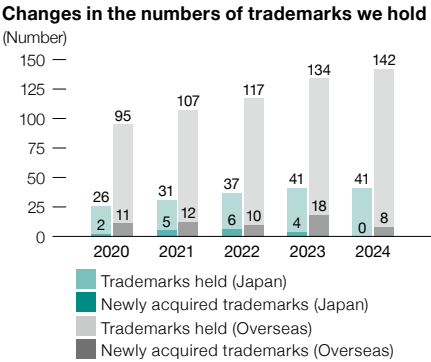
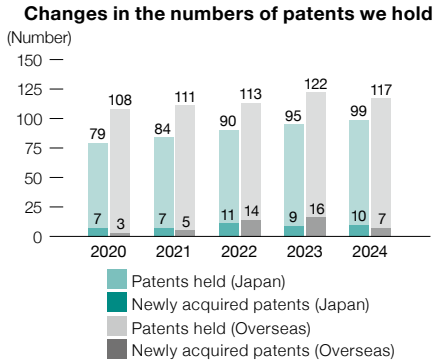
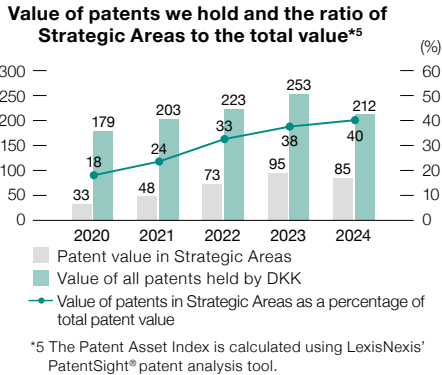
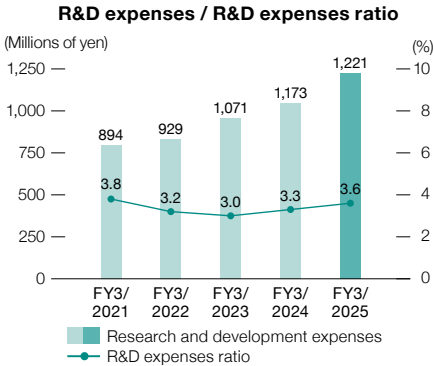
- (1) Strengthening R&D capabilities for Strategic Areas
- (2) Evolution into an innovation hub
- (3) Process design with consideration for swift mass production and environmental responses

Research grant system ◯WEB

We operate a research grant system for universities and research institutions, which rewards unique research, originality, and ingenuity that use zirconium, hafnium and cesium compounds. The grants give the recipients much latitude for their usage. By supporting research activity on materials containing these compounds, we hope to expand new possibilities in these areas, including areas we are not involved in. In FY3/2025, 35 applications were received and 20 were selected for funding.

Main research and development activities 49

R&D themes	Content	Outcomes
Basic research on zirconium compounds	Joint research with universities and public research institutions	Academic conference presentations and participation in exhibitions regarding dry reforming catalysts, nitrate ion absorbent and zirconium nano sheets materials
Development of semiconductor materials	Improvement in abrasive properties Development for new applications	Acquisition of intellectual property rights Ongoing joint development with customers
Development of secondary batteries materials	Improvement of battery performance, durability, and processability	Press release for cathode coating material ◯p.6 DKZ-366 Ongoing joint development with customers
Development of materials related to carbon neutrality	Improvement in reactivity, selectivity, and durability	Ongoing joint development with customers
Development of functional structural materials	Application of low-temperature sintering technology Improvement of esthetics, ceramic strength, and toughness	Acquisition of intellectual property rights Academic presentations by universities Exhibition at various types of trade shows
Development of automotive catalyst materials	Improvement of purification performance and processability	Acquisition of intellectual property rights Adoption and preliminary acceptance as next generation catalytic material Receipt of Catalyst Manufacturers Association, Japan's technical award
Development of aluminum welding materials	Improvement of processability	Application to cooling pipes in home appliances



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Intellectual Capital

Intellectual capital, which includes patents, proprietary technologies, and other aspects not reflected in financial statements, is a “stronghold” of DKK’s business. We asked the Company about the strengths and challenges of intellectual capital that is key to the growth strategy of DKK as well as its future business policy in a way that included patents and unique technologies that were the “stronghold” of a company, and other aspects not reflected in financial statements.

Patents are an Asset for the Whole Group

— First of all, could you please explain DKK’s basic stance on intellectual capital.

Morita: DKK views intellectual capital as a very broad concept that includes not only patents but also technical know-how and human capital. In the case of patents, the most important aspect is the ability to secure exclusive rights. In the core business of automotive catalysts, in particular, we have basically eliminated competition through patents we have acquired to date, enabling us to achieve high profit margins and market share. In this sense, patents can be considered an important asset for the entire Group.

In respect of the number of patents registered in Japan, we hold approximately 30 patents in the Automotive Catalyst Area. It is possible to scale patents granted in Japan out to foreign countries and regions including the U.S. and Europe. Therefore, we are certain that the number of patents we hold is relatively high in view of the scale of business.

— The key issue for DKK in the seven years through FY3/2032 is how far Strategic Areas can be expanded. What kind of role do you think intellectual capital can play in that?

Okamoto: Although there is still room for improvement in terms of sales contribution, we expect Strategic Areas to grow in the future. To that end, as Mr. Morita said, it is necessary to make full use of the exclusive rights granted by patents, and we are filing patent applications at the same level as in automotive catalysts. Our main focus is on developing our business safely while respecting the patents of other companies.



Executive Officer,
R&D Unit
Hiroshi Okamoto

General Manager, Intellectual
Property Division, R&D Unit
Yoshimi Morita

— So, it is not simply a case of submitting lots of patent applications?

Okamoto: No. DKK is trying to expand its intellectual property portfolio by filing and securing material patents that cover the essence of its new materials, the core of its technologies, as quickly and widely as possible. It is important that we take this strategic approach to filing patent applications. Obtaining such effective patents is essential to minimize intellectual property risks that arise in the course of business development and to proceed boldly with our operations.

— Are there instances in which you file jointly with customers?

Okamoto: Yes, particularly in the automotive catalysts area. We have been conducting joint development with our customers, catalyst manufacturers, in response to newly announced exhaust gas regulations. In such cases, we might proceed while maintaining open communication with customers so that we can successfully divide responsibilities. For example, we may secure the rights related to “materials” and allow the customers to apply for patents for the “applications” that utilize those materials. In this way, we have been able to develop and propose materials based on our expertise in understanding customer applications from a materials perspective.

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Intellectual Capital

— Against the backdrop of changes in market structure, including the shift to EVs, has there also been change in DKK’s intellectual capital policy?

Morita: To give an example, there is a significant difference between the physical properties desired for zirconium materials used in automotive catalysts and those desired for semiconductors and electronic materials. Therefore, it is necessary to customize physical properties according to the application while securing intellectual property rights.



Okamoto: However, our overall policy of steadily accumulating newly developed materials and technologies as intellectual capital and protecting them through measures such as patents will remain unchanged.

The Role of Intellectual Capital in Strategic Areas

— In 2024, DKK signed a memorandum of understanding (MOU) with Emulsion Flow Technologies Ltd. (EFT).

Okamoto: We are expanding Strategic Areas not only based on our own technologies, but also by placing importance on applying elemental technologies possessed by other companies. The MoU with EFT is part of that. EFT has a technology called the “emulsion flow method” that can extract rare metals at a processing speed approximately 10 times faster than with conventional devices. Previous rare metal extraction technologies were inefficient and required significant capital, but we believe that the MoU with EFT, which possesses groundbreaking technology, will further expedite the development of services that utilize our intangible assets.

— I would also like to ask about capex. DKK plans to invest ¥22.5 billion over the next seven years, with ¥8.0 billion of that for R&D. How will these resources be used?

Okamoto: Roughly dividing the resources by area, we allocate 60% to the Strategic Areas and 40% to the Automotive Catalysts Area, with importance placed in the former. Until now, we faced issues such as the aging of our facilities and did not have the space to install new R&D equipment, but that situation has improved with the establishment of this R&D Center we are currently sitting in. The research and prototype testing buildings have also been renovated, creating an environment specialized for R&D in Strategic Areas. In addition, as outlined in our basic sustainability policy, we are investing in the creation of a workplace where diverse human resources can thrive by introducing laboratory benches of varying heights to accommodate differences in individual height and wheelchair users.

— This large R&D Center certainly demonstrates DKK’s commitment to Strategic Areas. In addition to such facilities, personnel are a key resource for R&D.

Morita: Certainly. Members of the Intellectual Property Division are required to acquire knowledge of underlying laws as well as knowledge of zirconium, a very niche material, and related technologies. In addition, while the laws and zirconium will not fundamentally change, the business environment and industry conditions are constantly changing and we are also conscious of the need to educate human resources so they can respond to changes in their business division and themes.

Okamoto: The R&D Unit has created a system that allows employees to rotate between multiple divisions and engage in a wide range of development themes. We also place importance on having young employees participate in meetings with customers and universities, so that they can be on the frontline of joint development and gain exposure to the needs of the area from an early stage.

Whether you are a veteran or a junior employee, you are still a “zirconium expert” from the client’s perspective. Therefore, I believe that gaining experience on the frontline as an engineer will lead to personal growth and a greater sense of work fulfillment.



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Intellectual Capital

Aiming to Strengthen Profit Structure

— Are there new initiatives for organizational practices?

Okamoto: In FY3/2026, the Process Development Division has moved from the Manufacturing & Production Unit to the R&D Unit. The role of the Process Development Division is to take the technology designed by the R&D Unit at the laboratory level and turn it into a product. We believe that a broad perspective is required, including on QCDS (quality, cost, delivery, and service) and the environment, to enable a comprehensive view of the business as a whole.

We plan to further increase human resources mobility going forward, creating a cycle in which, for example, a person who has developed a certain material moves to the Process Development Division to be responsible for bringing it to market and then returns to development.

Morita: Even for the same product, the perspective required differs depending on the process from development to launch. Effectively moving around human resources also leads to the development of personnel who can view matters from multiple perspectives.

Okamoto: We want to instill mobility in development themes as well as human resources. DKK’s technologies are essentially based on our precipitation methods, but the more technical channels we can have, the less waste there will be on developing. For example, even if a product developed for automotive catalysts is not adopted in that area, it may be suitable for another area after a change of theme. Viewed negatively, this approach makes it difficult to distinguish between different areas and evaluate the profitability of each area, but viewed positively, it is an efficient way to easily utilize developed products across different areas.

We hope that this will create positive synergies, expanding the range of applications for our technology as personnel move around.

— Going forward, technical personnel will also be required to be conscious of costs and returns.

Morita: Of course. There is a high adoption rate for proposed products in automotive catalysts, but we do not expect the same to be true for the Strategic Areas we will be focusing on in the future. We have to be even more conscious of costs and returns in these areas.

Okamoto: Although OPM was approximately 7% in FY3/2025 (the 69th), we have set a target of raising the margin to 15% as a whole in FY3/2032 (the 76th) by growing the Strategic Areas. As part of efforts to improve profitability, in FY3/2026 we are renewing our backbone systems and working to create a structure that allows all employees to share information on OPM by area. By making it easier for not only development teams but also manufacturing teams to be conscious of OPM, we believe we can maximize profit margins.

— In the current transitional period in which the focus is shifting to Strategic Areas, intellectual capital is a core concept for DKK, and I think you have reminded everyone of the circulation of people, products, and capital within that.

Morita: Our base of operations does not stop at patents but extends to the accumulation of intangible know-how. It is difficult to convey this to outsiders, but I hope that readers will understand that it is precisely because we have this know-how that we are able to apply it to Strategic Areas and build new businesses.

— Thank you very much for your time today.

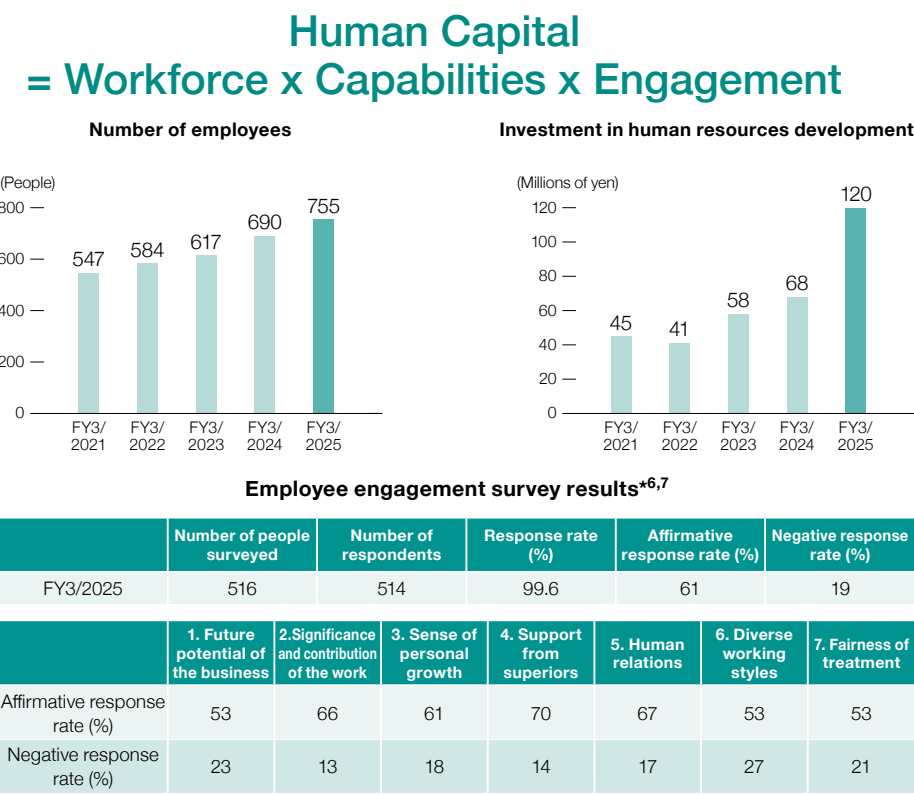
Op.16 Interviewer : Yumi Yamamoto

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Human Capital

Since its establishment, the DKK Group has held the belief that “people” are the most important factor in supplying ‘Valuable Products’ for society, and that the effect of a strong bond between executives and employees is very significant. The Group’s human capital is the foundation of its beliefs and is considered one of the most important forms of management capital. The Group’s human capital is based on its beliefs as the foundation and is positioned as one of the most important forms of management capital. We will squarely face issues such as human resource development, diverse work styles, mental health care and the enhancement of employee engagement and build a workplace environment that enables employees to work without worries, thereby aiming to maximize the value of human capital.



*6 Covering all employees of the parent company.
*7 Responses were tallied with answers by 1 to 3 points deemed as negative feedback and with 5 to 7 points as affirmative.

Since FY3/2025, in analysis of the results of its employee engagement survey DKK has incorporated deviation values for the manufacturing industry as well as absolute values that take into account the social and economic background of the year in question.*8

In FY3/2025, through the introduction of **OWEB** the Four Disciplines of Execution® and the operation of a recreation and supporter system, the Company aimed to enhance the “Rewarding Workplace,” including raising the deviation values for “4.3 Dialogue” and “5.2 Supportive relationships” by 10 points. In addition, for “1.3 Future career,” “2.2 Preferred Work,” and “3.3 Feedback,” there was a tendency for those in positions closer to management to give more positive responses. However, through trial appointments to manager positions and other measures, efforts were made to shape the future image of junior employees, female employees, and veteran employees and to establish diverse role models, resulting in some degree of success, including reaching the average positive response level for the manufacturing industry.

On the other hand, there was a decline in the deviation value for “1.2 Future potential,” meaning it fell below the average for the manufacturing industry. A more detailed analysis revealed that divisions closer to production sites had lower values, while sales and marketing and planning related divisions had higher values. These results suggest that positions with easier access to information on areas such as the vision and future plans are more likely to have positive hope for the future. In addition, it can be inferred that occupations that have contact with external partners have opportunities to objectively assess the future prospects of the business.

The Group has positioned “employees and their families” as particularly important stakeholders and cherishes the opportunity to increase sharing of its “stories” and “thinking” on technologies and business strategy.

*8 Source: Business Consultant, Inc., Employee Engagement Survey 21 **OWEB**
*9 Manufacturing companies that conducted employee engagement surveys using the same framework comprise the population: 41 companies for FY3/2024 and 35 companies for FY3/2025.

Deviation value in manufacturing*8,9			
	FY3/24	FY3/25	
21-item average	50.2	54.1	↗
1.1 Philosophy empathy	54.4	55.0	→
1.2 Future potential	52.3	48.3	↘
1.3 Future career	46.5	49.7	↗
2.1 Sense of Contribution	54.8	55.3	→
2.2 Preferred Work	45.3	49.7	↗
2.3 Demonstration of Strengths	51.2	52.0	→
3.1 Sense of growth	48.2	52.4	↗
3.2 Competency development	49.4	52.5	↗
3.3 Feedback	44.7	49.3	↗
4.1 Trust	48.5	54.8	↗
4.2 Role expectations	46.6	54.9	↗
4.3 Dialogue	46.5	56.7	↗
5.1 Someone to consult with	51.3	61.1	↗
5.2 Supportive relationships	45.4	56.7	↗
5.3 Psychological safety	51.3	57.9	↗
6.1 Health and Safety	50.0	49.8	→
6.2 Work Style Flexibility	56.6	58.1	↗
6.3 Welfare Benefits	53.2	53.3	→
7.1 Satisfaction with evaluation	46.7	51.7	↗
7.2 Appropriateness of treatment	49.8	53.0	↗
7.3 Appropriateness of income	55.1	56.1	→

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Human Capital

Roundtable with mid-career hires

We asked three employees who joined the Company from different industries to share their honest opinions, from what they like about DKK to what they would like to change.

Knowledge Sharing, Culture of Teaching Each Other

Wakita: Please tell us about why you joined the Company.

N.S.: I had always admired manufacturers that make their own products, but what resonated with me most was the Company's management philosophy. It was clear from its corporate literature that it values people, and during the job interview, I could sense their sincerity in saying that they were looking for people to work together with.

T.T.: When I visited the R&D Center before joining the Company, I realized that it was a company that was doing something different, and I thought that acquiring new skills here would be a plus for my career, which is why I decided to join DKK.

S.N.: I was also in sales and marketing in my previous job at a manufacturer, but I was thinking about the rest of my life and looking for a company with more potential for the future. DKK still has its long-standing business areas, but it's also really into trying new things. Also, the people I met during the job interview were really nice and I felt like I wanted to talk to them more, which was another reason I decided to join the Company.

Wakita: Given these motivations for joining the Company, what were your impressions of the workplace?

N.S.: My previous workplace was mostly made up of employees who came up through the company, and since I was one of them too, it felt easy blending into the company atmosphere. When I left that workplace and moved to DKK, I was honestly worried about whether I would be accepted. However, once I joined the Company, not only my colleagues but also people from other divisions quickly remembered my face and chatted to me. It turned out to be a homier company than I had imagined.

T.T.: I am still working hard every day to keep up with my current workload, but I feel that I am gradually achieving my goal of acquiring new skills. I sense there is an atmosphere of trying to incorporate new ideas from those around you, and each day is busy but fulfilling.



S.N.: I joined the Company looking for a new job, but I was a little anxious due to my age and the fact that I was moving from a downstream to an upstream company in the supply chain. However, once I joined the Company, I found that the guidance was more thorough than I had imagined. The department is made up of people from various backgrounds, such as those who used to work in factories and technical divisions, and they are very reliable because they are always willing to answer any questions I may have.

Wakita: Are you able to proactively ask questions?

S.N.: Of course, I try to do that, but when I am talking to someone the people around us listen in and quickly add in their own advice.

N.S.: That's my experience too! Before you know it, someone is standing behind you, and you can feel this "atmosphere of teaching."

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Experienced employees from various areas often drop by the inspection divisions to share their stories. Everyone takes pride in their work and skills, and I can sense their desire to share their knowledge within the Company.

Communication and Rulemaking are Areas for Improvement

Wakita: Based on your experiences working in other companies, what areas do you think DKK could improve on?

T.T.: If I had to pick out one thing, it would be that the terminology is too specialized. For example, I think that people outside the Company would find it impossible to understand the discussions about equipment and manufacturing technology. I feel that this makes the work too specialized and there is a certain degree of personalization of know-how.

N.S.: There are lots of examples of that in the inspection division as well. At first, I struggled to understand, but recently I feel that I am starting to blend in.

Wakita: That’s true, there are cases in which we have a tendency to use “DKK language.” What about in sales and marketing?

S.N.: It is difficult to visualize how top-level policies are being implemented at the division level. For example, top-level policies are simply set as team goals. It would be helpful if there were clearer explanations of how team members should understand these policies and how they should approach them in practice.

Wakita: I see. An open culture is one of DKK’s strengths, but on the flips side people who are not systematic thinkers might wonder if everyone else will understand them.

T.T.: As we focus on new businesses in the future, there will be more opportunities to handle new substances and materials in equipment divisions. From the perspective of improving safety awareness too, I think we should avoid misunderstandings among team members by using too much specialized language and thinking.



N.S.: That's true. Rules are generally based on a pessimistic view of people and assume mistakes could be made at any moment, but DKK seems to take an optimistic view with a relaxed attitude of “it's okay if nothing happens” and “everyone will be more careful next time.” Considering increase in the number of employees going forward, I feel that if we don't establish solid rules at this stage, we won't be able to protect the people working on site.

Unwavering Investment in Human Capital

Wakita: Having a more fulfilling career is one motivation to change jobs, so how would you rate DKK in terms of growth and learning environment?

N.S.: I think the Company views its employees as human capital and invests heavily in their growth. What surprised me initially was that the Company covers the cost of online English lessons. What's more, these lessons are available to all employees regardless of division or position, and there are no requirements such as achieving a certain TOEIC score. If we consider the availability of other online learning services, the Company also offers extensive training, and I feel so grateful for all the investment Company make in us.

S.N.: Study is essential for sales and marketing people in order to talk about various topics with customers, so it's helpful that there are so many online learning services available. I was surprised to see that there are teaching videos for safety. I think it's great that there is a system in place for learning basic knowledge about safety, products, export regulations, and other topics.

T.T.: DKK also gives out generous reward bonuses almost too much. This has a positive effect in terms of motivating employees.

N.S.: I came to this Company from a place where such things were rare, so I have a desire to “take advantage of every opportunity.” However, when I look at the new graduates who join the Company, this seems to be taken for granted, which is a bit sad in terms of utilization and participation rates.



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T.T.: I can't say that I make full use of the system myself, including online learning services. I think it would be good if there were a mechanism in place throughout the company to encourage more active use.

N.S.: I think the system was created particularly for employees who come up through the Company, but it's frustrating that this message isn't getting across. I tell my coworkers, "There's no other company with such a comprehensive training program."

Wakita: Investing in human resources, who are the foundation of an organization, is becoming a global trend. In that sense, it is right that DKK has a system that is close to the cutting edge, but perhaps we need to do a little more to promote it within the Company.

S.N.: The same applies to the stock ownership plan. A 10% bonus from the Company is a very favorable condition, but I don't think it has been fully taken advantage of.

T.T.: Since it is accumulated using the dollar-cost averaging method*¹⁰, the purchase price is averaged out, reducing the risk of losses compared to lump-sum investments. Above all, you get a view of the Company's performance from an objective standpoint as a shareholder, and it has the advantage of allowing you to contribute to the Company's growth in a way that is different from your work.

N.S.: I wasn't enrolled in the scheme, but listening to T.T.'s explanation has changed my perspective.

 **p.18** Employees stock ownership incentive plan

Becoming a ‘100 Year Company’

Wakita: Although there are challenges in promoting this within the Company, it is true that we have been quick to pursue employee happiness amid the growing focus on ESG management. We are currently in a transitional period of change and growth, but I am reassured that you all have this attitude.

N.S.: I felt this sentiment toward employees at the 70th anniversary ceremony too. It was a valuable opportunity for employees and their families, about 1,000 people in

total, to have a shared experience. I think it further solidified the sense of employee unity.

S.N.: It was also good that my family was able to participate. My family learned about the Company, and the Company about my family. I think this can act as a deterrent to scandals at companies with such kinds of relationship.

T.T.: The same applies to the system whereby the president participates in employee birthday parties.

In companies where employees can only talk to their line manager, important information may not reach top management. So, in terms of governance too, it is surely beneficial to have opportunities for employees and management to interact on a casual basis.

Wakita: As we approach our 70th anniversary and aim to become a ‘100 Year Company’, I believe we will see many more changes in the future. We will continue to listen to your thoughts as we strive to become a better company with even more unique characteristics. Thank you very much for your time today.

^{*10} Dollar-cost averaging method: A method of purchasing goods whose prices fluctuate at a “constant amount on a regular basis.” By keeping the investment amount constant, it is expected that the average purchase price will be controlled, as the purchase quantity (number of shares) will be larger when the price is low and smaller when the price is high.

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Social and Relational Capital

Building good relationships with diverse stakeholders is essential for companies' sustainable value creation. With that in mind, the DKK Group places great importance on building relationships with local communities. We utilize the abundant resources of local communities in our business, while in turn contributing to the revitalization of local communities as a source of employment and industry. We believe that especially thanks to the presence of this favorable co-existing relationship, we can continue to be a corporate group that grows together with local communities and creates new valuable offerings.

Community Revitalization Activities

DKK is involved in various activities for community revitalization. The Group made a donation to the 'Gotsu, Town, People and Work Revitalization Promotion Plan' formulated by Gotsu City, Shimane Prefecture, utilizing the Regional Revitalization Support Tax System (a corporate version of *furusato nozei*, which is a system of remitting local taxes to regional municipalities of the remitters' choice). It is important that the government of Gotsu maintains a stable level of convenience in social life, and we will continue to support the city.

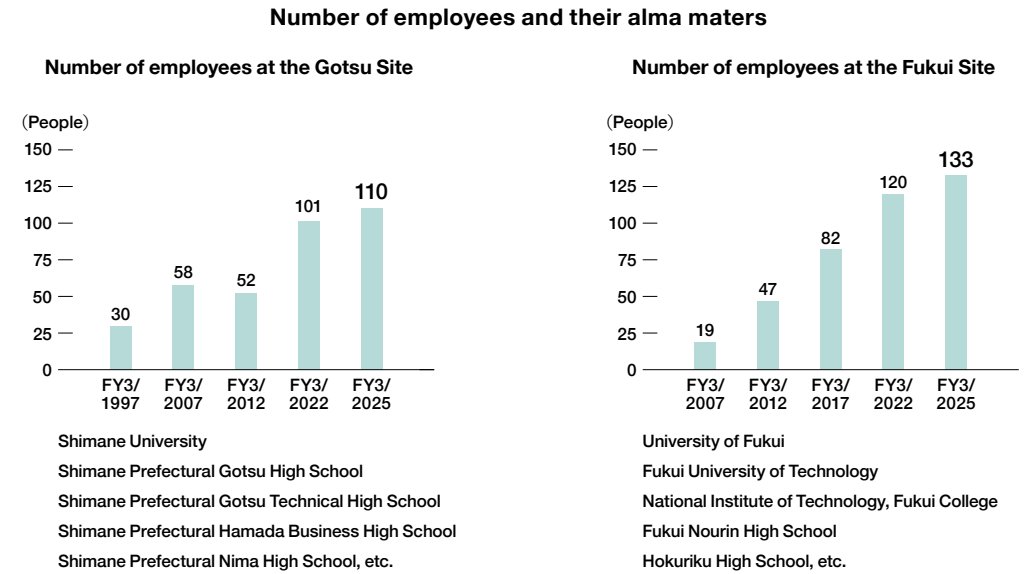
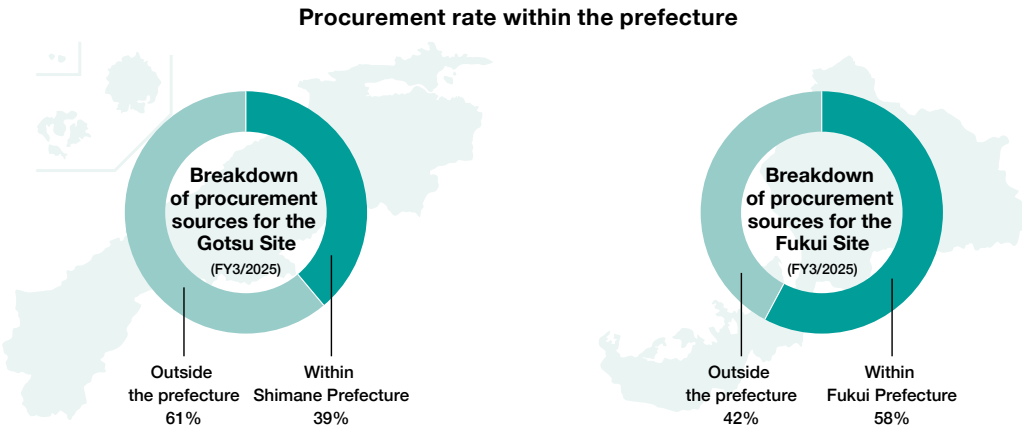
The Company's Agriculture, Forestry and Fisheries Club received guidance from local producers, engages in agricultural activities, and we organize group purchases of specialty products from local producers.



Regional Revitalization Support Tax System
certificate of appreciation ceremony (Gotsu City)



Agriculture, Forestry and Fisheries Club



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Social and Relational Capital



The Gotsu Site continues to grow sustainably based on the utilization of local resources and good relationships with the local government. DKK's Managing Executive Officer Kimio Ouchi met with Gotsu City Mayor Ataru Nakamura to talk about the relationship between the Company and Gotsu City and their mutual future.

Connections Fostered by the Gonokawa River

Ouchi: The major catalyst for building a plant in Gotsu City was the Great Hanshin Earthquake of 1995. Although there was no significant direct damage to our headquarters or plant in Osaka City, transportation was disrupted, and some employees were unable to commute and had to stay overnight at the plant. The fact that a large-scale disaster would not affect Gotsu City at the same time as Osaka was one of the deciding factors in the construction of the plant. Another factor was the presence of the Gonokawa River. The Company uses a large amount of water in its production process, so securing water supplies is very important. The Gonokawa River boasts a plentiful water supply that never dries up throughout the year, which also influenced our decision.

Mayor Nakamura: It was thanks to the waters of the Gonokawa River that Gotsu City developed into one of the leading industrial cities in the Sanin region. When the city began to show slight signs of decline, DKK built a plant here, and now it is gradually regaining its prosperity as an industrial city. I believe that this is truly a blessing brought about by the waters of the Gonokawa River. In addition, DKK has a global track record in the area of zirconium, which is a source of pride for the citizens of our city.

Ouchi: In fact, we tap into your expertise in production terms too. The manufacturing of zirconium involves a process of “sintering materials at high temperatures.” Since Gotsu City is renowned for its Sekishu roof tiles, it has excellent “ceramic firing techniques.” For this reason, we outsource part of the production process to local factories.

Mayor Nakamura: Against the backdrop of a declining population and a downward trend in housing starts, DKK has stimulated needs besides that for residential roofing tiles. There have been other examples of collaboration between local industries and companies that have been attracted to the region since then, but I believe it is undoubtedly DKK that led the way.

Ouchi: Thank you very much. In human resources too, many people from Gotsu City have joined DKK and are supporting our growth. Our business partners say that it must be difficult to recruit in rural areas, but for our Gotsu Site we have no difficulty at all in



attracting highly talented people.

Mayor Nakamura: DKK is one of the leading companies in the prefecture and has a 30-year track record of contributing to the community. Surely a sign of this is that the idea of “wanting to work at DKK” has taken root among the citizens?

Win-Win Relationship

Ouchi: I believe that the reason we have been able to build such a good relationship with Gotsu City is because many of our employees, obviously including those from Gotsu City but also members of our past management teams, have a strong attachment to Gotsu City.

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Social and Relational Capital



Mayor Nakamura: In recent years, we have also received generous donations through the Regional Revitalization Support Tax System, and we would like to express our gratitude once again. The City Promotion campaign funded by these donations received the Minister of State for the Promotion of Overcoming Population Decline and Vitalizing Local Economy in Japan Award in FY3/2025.

Ouchi: We are glad to help out. Gotsu City officials have gone above and beyond their regular duties to assist us. For example, when as part of the activities of our Agriculture, Forestry and Fisheries Club, we wanted to purchase rice grown in Gotsu City using organic fertilizers and no pesticides and wild boar meat caught during pest control efforts, they immediately connected us with the relevant parties. We have received support in many other ways as well.

Mayor Nakamura: We place particular emphasis on listening to the voices of companies that have been attracted to Gotsu City and on responding quickly to a wide range of inquiries.

Ouchi: We also receive support for the use of abundant industrial water. Since we discharge directly into rivers, we put a lot of effort into wastewater treatment and take care to return the water in a clean state.

Mayor Nakamura: Thank you very much. DKK makes maximum use of the water resources of the Gonokawa River and has ties to the local ceramics industry. The fact that you also provide high value-added products really makes this an ideal match between a company attracted to a region and a local government. We will continue to provide as much support as we can so that everyone can continue their business activities in the best possible environment.

Facing the Future Together

Mayor Nakamura: As in other local municipalities, the population decline in Gotsu City is expected to continue, so securing anchor companies for local industry, including DKK, is a major issue.

Ouchi: We are fortunate to be able to attract talented people from Gotsu City, and the city also has the advantage of having a large Vietnamese population. We have also made a large investment in Vietnam and built a plant there. I think it is possible that a large Vietnamese community will develop in Gotsu City in the future and that people from that community might join DKK.

Mayor Nakamura: Certainly. If we can create a system for successful coexistence centered around the city, then Gotsu City will become even more vibrant.

Ouchi: If Gotsu City is not thriving, then the health and happiness of our employees who live and work here is compromised. We will continue to think about what we can do to help with this. As part of these efforts, we have asked a local company to make prototypes for the tools used in the Group's production process. It may take some time, but if successful, we could be able to not only use them within the Group but also sell them externally.

Mayor Nakamura: When they are completed, I would like you to write “Made in Gotsu” on them! I hope that we can continue to discuss each other's needs and issues and work together to create a new Gotsu City.

Ouchi: Of course. Our mission as a company is to pursue profits. So, we must not stop at simply contributing to the community but must also connect this to our own profits and create a cycle that gives back to the community. We would appreciate your continued cooperation in the future.



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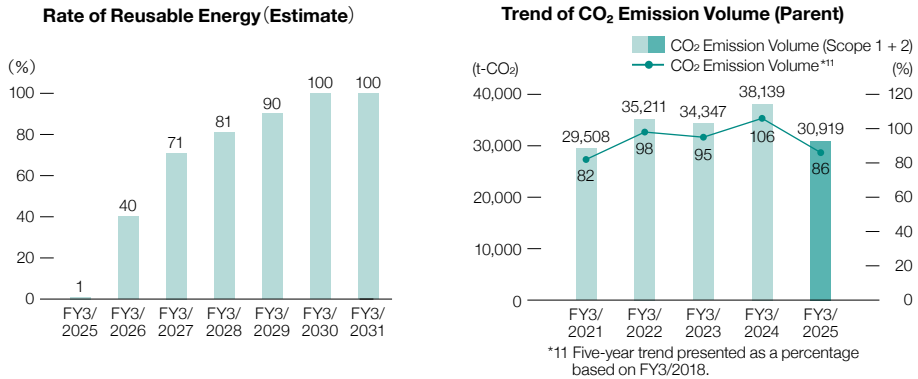
Natural Capital

The DKK Group is engaged in resolving issues in society through the development and supply of zirconium compounds, in which Automotive Catalyst is an iconic area. On the other hand, we use water for industrial use and mineral resources as main raw materials in the manufacturing process. Based on the idea that the global environment is one of the most important stakeholders, we follow [our Environmental Policy](#) and strive to maintain and preserve natural capital.



The abundant water of the Gonokawa River (Gotsu City, Shimane Prefecture)

The production of zirconium compounds requires a lot of water, and the Fukui Site (Fukui City, Fukui Prefecture) receives industrial water from the Kuzuryu River system, the Gotsu Site (Gotsu City, Shimane Prefecture) from the Gonokawa River system, and the Vietnamese subsidiary (Ho Chi Minh City) from Da Den Lake and Song Ray Lake.



DKK is gradually introducing renewable energy sources for the electricity used at its business sites (Scope 2) with the goal of achieving 100% renewable energy by 2030. At the business site level, all electricity at our head office was switched to renewable sources in FY3/2025, and the same will happen at Gotsu Site in FY3/2026.



Abundant mineral resources (Socialist Republic of Vietnam)

The Vietnamese subsidiary refines zircon sands procured within Vietnam, thus making possible a reduction in the carbon dioxide emissions from the transportation of raw materials compared to Chinese suppliers, who procure zircon sands from Australia, South Africa, and other countries for refining in China. In addition, the residues generated during the refining stage are properly treated in Vietnam as part of the Company's efforts to reduce its environmental impact.

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Natural Capital

We asked DKK about its policies and initiatives regarding natural capital, where the aims are to increase the sustainability of the supply chain and respond to environmental and resource risks with technological capabilities.

Sustainability Related Initiatives

— In the first period (FY3/2023 to FY3/2026) of the medium-term management plan, ‘DK-One Next’, most of the investment in sustainability has been in the Vietnam business.

The procurement and intermediate raw materials production site established in Vietnam plays a particularly important role in our **Op.7 Value Chain**. Recently, there has been growing demand from customers for sustainable procurement, and we are now required to guarantee that business is being conducted with consideration for the environment and human rights right back up the chain to our suppliers. We have a good understanding of the situation with the Group’s direct business partners, but it is often difficult to obtain detailed information about their upstream suppliers due to trade secrets. Through our Vietnam business, we have built an integrated business model that extends upstream, and we receive mineral supplies based on the Group’s procurement policy and procurement guidelines, enabling us to provide greater peace of mind to our customers. In addition to enabling diversification of our supply chain, we believe that our Vietnam business will become an even greater strength in the future as we have established a system that can provide environmental value and social value. Furthermore, the plant at the Vietnam subsidiary and R&D center mentioned above were newly built in recent years.

We have also created mechanisms that incorporate sustainability perspectives into our investment decision-making criteria, such as including a check sheet item asking whether the investment contributes to reducing CO₂ emissions.

— What are your thoughts on the CO₂ emissions trading system that will be fully operational in Japan from FY3/2027?

Although DKK is not eligible for this system, we recognize that it presents a significant business opportunity.



The emissions trading system is a form of carbon pricing that encourages reduction in greenhouse gases by converting CO₂ emissions into monetary value and imposing a burden on companies. According to a METI Journal ONLINE article^{*12}, the draft plan currently under consideration by the government states that “in principle, companies emitting 100,000MT or more of CO₂ directly” and “approximately 300 to 400 large companies in industries such as iron and steel, petroleum, automobiles, and chemicals” will be required to participate in the emissions trading system. If a target company emits CO₂ in excess of its allocated quota, it will be forced to purchase emission allowances on the market, and since the purchased allowances must be amortized, this will naturally have an impact on its financial statements. We believe that companies’ efforts to reduce their carbon footprint (an index that converts greenhouse gas emissions for the whole product cycle from raw material procurement through to disposal into CO₂ emissions), such as by developing products whose use helps reduce CO₂ emissions during customers’

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^{*12} METI Journal ONLINE Policy Special Feature “What is the Emissions Trading System? Learn the Basics of the Key to Decarbonization Through Q&A” **WEB**

Natural Capital



processing activities, will increasingly be evaluated quantitatively as added value. We hope that this will enable us to set appropriate prices and build win-win relationships with our customers.

— What measures are in place regarding energy use at business sites?

DKK has declared its commitment to achieving carbon neutrality by 2050 and aims to reduce greenhouse gas emissions (Scope 1 + 2 = direct and indirect emissions) by 20% by 2030. In addition, we are implementing various measures with the goal of ensuring 100% of the electricity used at our business sites (Scope 2) comes from renewable sources by 2030.

Most recently, the Gotsu Site in Shimane Prefecture achieved 100% renewable energy use at the plant level. The introduction of renewable energy across the entire Group is also progressing steadily. The plant at our Vietnamese subsidiary is using more sustainable biomass-derived heat sources in its production. Not only does the plant have a renewable energy source that utilizes biomass, but it also receives heat from on-site partner companies, which reduces investment risk for this first attempt at renewable sourcing and also helps shrink the asset base.

Creating Environmental Value from Technology

— What is the driving force of DKK’s sustainability initiatives?

Our driving force is “Supplying products and services that solve social issues.” Since the start of our Automotive Catalyst business, one of the pillars of our business, approximately 35 years ago, we have consistently provided “environmental value.” The products we supply in that market are used as carriers for precious metals with catalytic activity, prolonging the function of the catalyst and reducing the amount of precious metals used. For customers, this reduces the cost of precious metals, mitigates the depletion of scarce metal resources in environmental terms, and prolongs

the life of the components themselves, which therefore also leads to a reduction in waste.

— So, in the case of the Automotive Catalysts, business and sustainability are integrated?

Yes. DKK’s policy is the same for the Strategic Areas we will focus on in the future. For example, in the area of fine ceramics, we are developing materials that can be molded at low temperatures, thereby contributing to the reduction of CO₂ emissions from our customers’ processes. Another issue is that yttrium, a raw material for ceramics, is only produced in a limited number of countries. We plan to respond to resource risks with our technological capabilities, such as by developing technologies that enable yttrium to be replaced with calcium, which is relatively easy to procure.

— While many companies see sustainability as a responsibility, my impression is that DKK is trying to connect its technologies to sustainability.

Thank you very much. As stated in our management philosophy, “To pursue a continuous supply of ‘Valuable Products’ for society,” DKK has continued to operate with a focus on providing products and services that solve social issues. While social issues change over time, our fundamental approach to sustainability is to create businesses that align with these issues, contribute to their resolution, and monetize these solutions. In other words, to advance in a way that balances sustainability with economic rationality. Going forward, we will continue to view environmental measures not as costs but rather solutions that can be converted into value, and by providing these solutions to customers who recognize their value, we will develop a cycle that benefits both our business and the environment.

— Thank you very much for your time today.

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5 CORPORATE GOVERNANCE

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Corporate Governance Structure

Basic Idea

We understand that in order for us, as a group, to prove ourselves to society and continue to grow, we must comply with ethical rules and laws and regulations and earn trust from all internal and external stakeholders. We believe that increasing the soundness and transparency of management, making proper management decisions and disclosing information properly based on this understanding are the fundamental principles of corporate governance.

Corporate Governance Structure

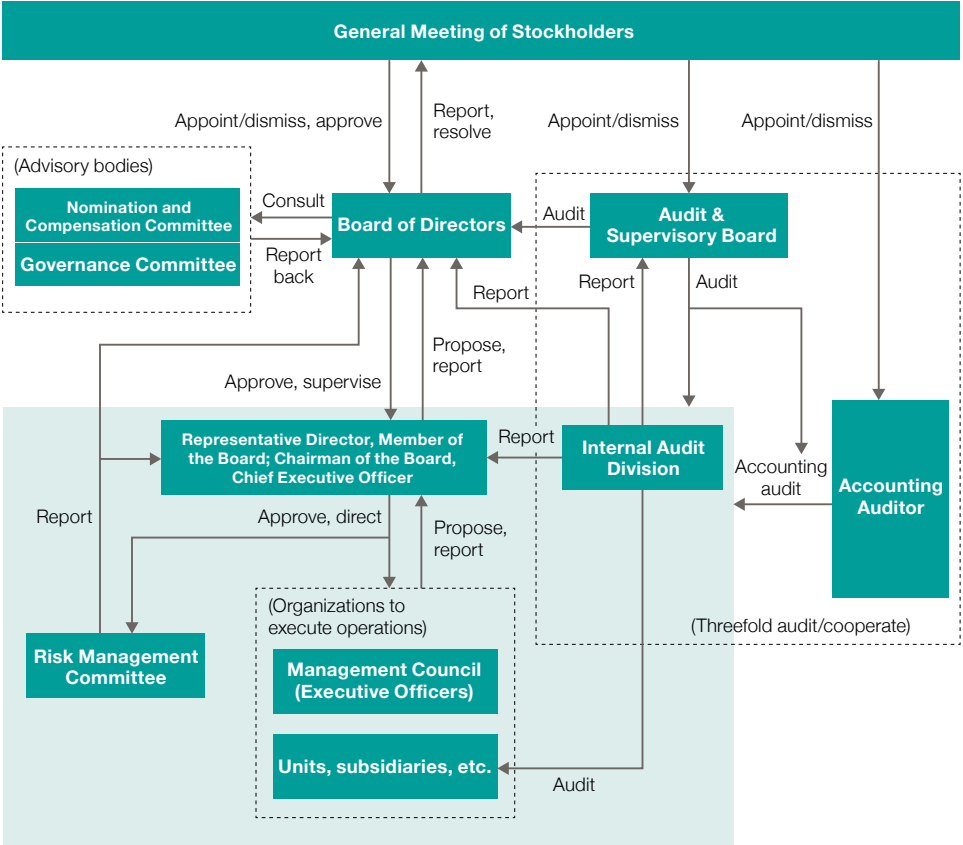
Outline of corporate governance structure

The Company has adopted an audit & supervisory board structure and as of the date of submission of its securities report, the Board of Directors consists of six directors (including three outside directors) and three auditors (including three outside auditors). The Board of Directors meets regularly once a month in the presence of the auditors, and also holds extraordinary meetings as required. The members of the Board of Directors are listed under [p.69 List of Directors and Officers](#). Furthermore, the Management Council (in principle held once a month), which is composed of executive officers and Directors, deliberates on matters to be discussed at Board of Directors meetings, general executive policies for company operations, and important management matters. By holding Management Council meetings, the transparency of the process leading to final decisions is increased, enabling accurate and speedy decision-making and efficient company management. Executive Officers who do not serve as Directors, Members of the Board, concurrently and Directors are introduced in Materiality on [p.28](#). The majority of auditors are from outside the Company, and regular meetings of the Audit & Supervisory Board are held once a month to discuss whether there are any problems in the Company's business execution and compliance, and whether there are any matters that need to be pointed out to the Board of Directors.

In addition to the above-mentioned bodies, in order to further strengthen the functions of corporate governance, the Company has been nominating candidates for directors and auditors, determining director compensation and continuously improving corporate governance since FY3/2020. The Nomination and Compensation Committee, and Gov-

ernance Committee have been established with the main aim of enhancing the objectivity, transparency, and fairness of the Board of Directors, and deliberate mainly on the appropriateness of candidates, the policy for determining director compensation, and the ideal form of corporate governance, and report to the Board of Directors.

In addition, the Company has introduced an executive officer system in order to clarify the responsibilities of business execution, execute delegated authority, improve the efficiency of business execution and speed up the decision-making process. The nomination of and compensation for executive officers is discussed by the Nomination and Compensation Committee and its proposals are submitted to the Board of Directors.



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Monitoring of the corporate governance structure

The Company has an audit system of three outside auditors, which we consider to be a well-functioning management monitoring system.

Basic idea on the internal control system and the state of its development

The Company's Board of Directors decided the basic policy for the development of an internal control system based on the Companies Act at a meeting in April 2006 (last revised in April 2024), and the Company is continuing to develop its internal control system based on this policy. In addition, the Internal Audit Division is also assessing the maintenance and operation of the internal control system for financial reporting. The Company has established the Action Guidelines of DKK in order to gain the trust of all stakeholders by complying with laws and regulations and establishing corporate ethics. Based on these guidelines, appropriate audits are carried out by the auditors and the Internal Audit Division, and specific systems have been established by setting out various regulations, enabling comprehensive monitoring by the permanent Risk Management Committee and strengthening the functions of the internal reporting system to enable swift identification of improprieties. For outside audits, the Company regularly undergoes accounting audits by an accounting auditor and ISO audits (for quality and environment) by the Japan Quality Assurance Organization.

Ensuring appropriate operations in the whole Group, consisting of the Company and its subsidiaries and affiliates

- DKK strives to foster a sound corporate culture at all Group companies by having its subsidiaries and affiliates establish guidelines that are equivalent to the Company's Action Guidelines.
- Under its organizational regulations, the Company has designated a division to be in charge of each subsidiary and affiliate. In addition, the Company has established Rules for Management of Affiliated Companies to ensure appropriate management control of Group companies.
- In accordance with the Rules for Management of Affiliated Companies, the Company's directors provide guidance and advice in close cooperation between the Company and Group companies, while conducting monitoring in cooperation with the accounting auditor when necessary.
- Directors are required to report to the Audit & Supervisory Board any violations of laws

and regulations or other important compliance-related matters that they discover at subsidiaries and affiliates. The Audit & Supervisory Board may express their opinions to the Board of Directors and request the formulation of remedial measures.

- In accordance with the Rules for Management of Affiliated Companies, directors of subsidiaries and affiliated companies dispatched by the Company are required to confirm the Company's intentions and follow the instructions of the Company prior to making important decisions. In addition, management information and matters that may have a significant impact on management shall be reported to the responsible division of the Company on a regular basis and as appropriate.

Evaluation of the Effectiveness of the Board of Directors

The Company evaluates the effectiveness of its Board of Directors annually as part of its efforts to improve effectiveness. A survey is sent to all directors and auditors to conduct a self-evaluation. The results of the survey are compiled by the Governance Committee and reported to the Board of Directors. Measures for improvement for issues identified by the FY3/2024 evaluation of the effectiveness of the Board of Directors and the results of the FY3/2025 evaluation survey of the effectiveness of the Board of Directors are as follows.

(1) Measures for improvement for issues identified by the FY3/2024 evaluation of the effectiveness of the Board of Directors

Issues	Measures
The policies and strategies in medium-term and annual management plans should be discussed from more diverse perspectives by the Board of Directors from the formulation stage.	A prior consultation was held, attended by outside directors, to enable the adequate sharing and deeper discussion by the Board of Directors of the progress of current plans and business conditions when formulating the strategies for the second period (FY3/2027–FY3/2029) of the medium-term management plan, 'DK-One Next'.
The Board of Directors should discuss in more detail and conduct oversight of the progress of the Six Pillars, the key strategies for the Company.	Opportunities were created for the persons responsible for each of the Six Pillars to have enough time to give a progress report to the members of the Board of Directors. On that basis, the Board of Directors exchanged views on the future.
The Board of Directors should hold discussions on the policies and implementation of earnings plans that are conscious of the cost of capital and capital efficiency and explain them in an easy-to-understand manner.	The Board of Directors held discussions on detailed measures to improve ROIC when formulating the second period (FY3/2027–FY3/2029) of the medium-term management plan, 'DK-One Next'.

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(2) FY3/2025 evaluation of the effectiveness of the Board of Directors

Main survey evaluation items

- (a) Composition of the Board of Directors
- (b) Operation of the Board of Directors
- (c) Deliberations of the Board of Directors
- (d) Succession planning
- (e) Training for members of the Board of Directors and Audit & Supervisory Board
- (f) Dialogue with investors and shareholders

Results of the survey of the effectiveness of the Board of Directors

- (a) Based on the results of the survey, the following items were evaluated as being effectively realized.
 - The composition of the Board of Directors (including the Audit & Supervisory Board) has appropriate diversity.
 - The Board of Directors has fostered an atmosphere of free and vigorous constructive discussion and exchange of opinions.
 - Study sessions, site visits, and other communication opportunities are provided for members of the Board of Directors and Audit & Supervisory Board to fulfill their roles.
- (b) The following items were identified as areas for improvement, and efforts are being made to improve them.
 - The Board of Directors needs to discuss in more detail important issues such as strengthening group governance and risk management, as well as addressing the recent demands on listed companies for measures to address sustainability, human capital, and management that is conscious of cost of capital and stock price.
 - Presentations and explanatory materials should be more to the point in order to deepen board discussions and promote efficient board operations.

Executive Compensation

The Company regards the executive compensation system as one of the key pillars of corporate governance. To ensure that the executive compensation system leads to a continuous increase in corporate value, the Nomination and Compensation Committee, chaired by an outside director, formulates a policy on executive compensation which is then decided on by the Board of Directors, with a view to limiting any bias towards short-term orientation and adopting an objective perspective.

An overview of the content of the policy is as follows.

- a The policy should be designed to reflect the Group’s medium- and long-term business strategy and at the same time strongly motivate medium- and long-term growth.
- b The compensation level and design should enable the Group to secure excellent human resources on a global basis, motivate the next generation of management personnel to grow, and improve the vitality of the organization.
- c The system should reflect company and individual performance directly or quantitatively in compensation in order to strengthen the link with business performance and increase incentives.

Compensation for internal (full-time) directors comprises fixed, variable, and share-based compensation, with variable compensation further comprising performance-linked compensation based on the achievement of net sales and ordinary profit targets, and individual assessment compensation based on individual evaluation. The ratio of performance-linked compensation is set at a higher level in line with the seniority of each director, and is set in proportion to management responsibility. In addition, the Nomination and Compensation Committee continuously deliberates and monitors the appropriateness of the compensation level and composition of compensation for directors and corporate auditors, as well as the appropriateness of the compensation decision process.

The Board of Directors deliberated on the amounts of individual compensation for the current fiscal year based on a report from the Nomination and Compensation Committee, and as a result, the Board of Directors has determined that the amounts are in line with the relevant policy.

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Outside directors are paid only a fixed compensation, as it is necessary to ensure their independence in order for them to play their respective roles appropriately. Compensation for auditors is also fixed from the perspective of emphasizing their independence and objectivity with regard to management. The compensation of the auditors is determined through discussions by the Audit & Supervisory Board.

The amount of monetary compensation for Directors of the Company was approved at the 47th Annual General Meeting of Shareholders held on May 14, 2003 to be no more than ¥500 million per year. There were six directors as of the close of that meeting. Further, at the 63rd Annual General Meeting of Shareholders held on June 25, 2019, a resolution was passed for compensation by granting restricted stock of up to ¥100 million per year to Directors (excluding Outside Directors), separately from the aforementioned ¥500 million compensation limit. There were six directors (excluding Outside Directors) as of the close of that meeting.

The amount of monetary compensation for Audit & Supervisory Board members was approved at the 47th Annual General Meeting of Shareholders held on May 14, 2003 to be no more than ¥100 million per year. There was one Audit & Supervisory Board member as of the close of that meeting. The number of Audit & Supervisory Board members was increased to three at an Extraordinary Meeting of Shareholders on November 7, 2003.

Compensation for FY3/2025

Executive officer type	Total compensation	Total compensation by type			Number of executive officers eligible
		Fixed compensation	Performance-linked compensation	Non-financial compensation	
Directors*13 (including Outside Directors)	¥118 mn (¥32 mn)	¥95 mn (¥32 mn)	¥7 mn (-)	¥15 mn (-)	7 (3)
Auditor & Supervisory Board Members (including Outside Auditor & Supervisory Board Members)	¥30 mn (¥30 mn)	¥30 mn (¥30 mn)	- (-)	- (-)	3 (3)

*13 The above includes the views of one director that stepped down from the Board of Directors following the conclusion of the 68th Annual General Meeting of Shareholders held on June 19, 2024.

Performance-Linked Compensation

Variable compensation for internal (full-time) directors is comprised of performance-linked compensation relative to Company earnings and individual evaluation-based compensation. The indices for performance-linked compensation are the net sales and ordinary profit targets directly disclosed by the Company.

Net sales and ordinary profit were selected because the Company believes that they are the most appropriate indicators for measuring the contribution to improving Group performance and corporate value, they are objective and clear indices, and they have the effect of increasing the transparency of performance-linked compensation. FY3/2025 consolidated net sales were ¥33,641 million and consolidated ordinary profit ¥632 million. The amount of compensation is determined based on of the net sales and ordinary profit forecasts disclosed at the beginning of the fiscal year, designated as the net sales Standard and ordinary profit Standard. The calculation method is based on the amount of compensation for 100% achievement of the standard as the [p.68 Compensation Standard Amount](#)” with the amount of compensation for the net sales portion determined by the [p.68 Formula 1](#) in which a ±2.5% change in performance from the net sales Standard results in a ±10% increase or decrease in the Compensation Standard Amount. The amount of compensation for the ordinary profit portion is determined by the [p.68 Formula 2](#) in which a ±5% change in performance from the ordinary profit Standard results in ±10% increase or decrease in the Compensation Standard Amount. The [p.68 Maximum Amount of Compensation](#) is fixed at 200% of the Compensation Standard Amount for both the net sales portion and the ordinary profit portion. Regarding individual evaluation-based compensation, the Chairman of the Board, Chief Executive Officer evaluates the degree to which each Director (excluding the Chief Executive Officer) achieved his or her goals for the fiscal year under review and the state of their efforts toward them. After the Nomination and Compensation Committee has confirmed the validity of those evaluations, the compensation amounts are decided at meetings of the Board of Directors. Based on the recognition that ensuring return on equity in excess of cost of capital is a critical management responsibility, limits are set on support for variable compensation in line with ROE (please refer to [p.68 Limits on Variable Compensation](#)).

The ratio of variable compensation for the Chairman of the Board, Chief Executive Officer has been amended due to the inclusion of individual evaluation-based compensation

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as well as performance-linked compensation. The Nomination and Compensation Committee conducts this evaluation, and the Board of Directors determines the amount of compensation based on the results of the evaluation. Variable compensation based on results of the fiscal year is paid as bonuses for the fiscal year under review.

Compensation Standard Amount

Executive officer type	Compensation standard amount for net sales	Compensation standard amount for ordinary profit
Chairman of the Board, Chief Executive Officer	¥15 mn	¥15 mn
Member of the Board, Managing Executive Officer	¥5 mn	¥5 mn
Executive Officer	¥3 mn	¥3 mn

Formula 1
Compensation amount =
Compensation standard amount x (1 + 10/2.5 x (net sales / net sales standard amount – 1))
Formular 2
Compensation amount =
Compensation standard amount x (1 + 10/5 x (net sales / ordinary profit standard amount – 1))

Maximum Amount of Compensation

Executive officer type	Maximum amount of compensation for net sales	Maximum amount of compensation for ordinary profit
Chief Executive Officer	¥30 mn	¥30 mn
Managing Executive Officer	¥10 mn	¥10 mn
Executive Officer	¥6 mn	¥6 mn

Limits on Variable Compensation

Return on equity (ROE)	Limits on variable compensation support system
In the case of more than 0% but less than 4%	$y = -2.5x^2 + 30x$
In the case of more than 4% but less than 8%	$y = 5x + 60$

In an effort to further share value with shareholders, internal (full-time) directors are granted share-based compensation. The main details are described below.

Non-monetary Compensation

Eligible officers	Directors (excluding outside directors)
Share-based compensation	Total annual amount of no more than ¥100 million
Share-based compensation for each director	Fixed amount according to job responsibilities
Type of shares to be allotted and method of allotment	Issue and/or disposal of common shares
Volume of shares to be allotted	Total annual volume of no more than 100,000
Restricted transfer period	30 years from the date of allotment
Treatment when leaving post	In the event of an individual stepping down from any of the positions of director or corporate auditor of the Company prior to the expiration of the restricted transfer period, the Company shall naturally acquire the allotted shares without consideration, unless there is a justifiable reason for such action, such as expiration of the term of office or death.
Conditions for lifting of restricted transfer period	The restriction shall be lifted upon expiration of the restriction period for the transfer of the allotted shares. However, the restriction on transfer shall be cancelled in the event that a director or corporate auditor steps down before the expiration of the period of restriction on transfer due to the expiration of his/her term of office, death, or other justifiable reasons.

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Ayako Oura Toshiyuki Umehara Hiroshi Kawaguchi Naomi Tobita Yoshinori Tsuda Junichi Tanaka
Kimio Ouchi Hiroshi Kokubu Masayuki Itahashi

Board Members

Directors' Skills Matrix

The Company implements the basic policy of nominating candidates for Director mainly considering the balance of credentials and experience, diversity, etc. In addition to the procedure, this is set forth in “Rules for Officers.” To achieve sustainable growth and enhance corporate value toward becoming a ‘100 Year Company’ and to prepare for changes in the business environment, we have identified the Six Pillars to work on (new business creation, earnings structure reform, innovative manufacturing, results-oriented organization, corporate culture advancement, and sustainability initiatives) under the new medium-term management plan, ‘DK-One Next’. In order to achieve this, we believe that it is important for the Board of Directors to be comprised of members who have the knowledge, experience, and abilities listed in the skill matrix below, and we have selected candidates after considering the balance and diversity of these skills. If all the candidates described in this convocation notice are elected as proposed, the expertise and experience of each Director will be as follows.

Position	Chairman of the Board, Chief Executive Officer	Member of the Board, Managing Executive Officer	Member of the Board, Managing Executive Officer	Outside Director, Member of the Board	Outside Director, Member of the Board	Outside Director, Member of the Board
Independent				●	●	●
Name	Hiroshi Kokubu	Kimio Ouchi	Masayuki Itahashi	Toshiyuki Umebara	Junichi Tanaka	Naomi Tobita
Business, Management	○	○	○	○	○	○
Sales, Marketing	○	○	○			○
Research, Development		○		○		
Production, Technology		○		○		
Global Business	○	○	○	○	○	
Finance, Accounting			○		○	
Law, Risk Management		○			○	
Organizations, Human Resources Development						○
Environment, Energy		○		○		
DX			○	○		

Directors



**Chairman of the Board,
Chief Executive Officer**
Member of the Nomination and Compensation Committee

Hiroshi Kokubu

Date of birth: February 26, 1972

- Apr. 1995 Joined the Sanwa Bank, Ltd. (currently the MUFG Bank, Ltd.)
- Oct. 2004 Joined the Company
- Jun. 2009 Branch Manager, Tokyo Sales Office, Sales and Marketing Division, the Company
- Mar. 2011 General Manager, Procurement Division, the Company
- Jun. 2013 Director, Member of the Board; General Manager, Procurement Division, the Company
- Jul. 2014 Vice President, Shandong Guangyin DKK New Materials Co., Ltd.
- Jul. 2014 Vice President, Shandong Guangyin DKK Environment Technology Co., Ltd.
- Apr. 2016 Director, Member of the Board, I.D.U. Co., Ltd.
- Apr. 2016 Director, Member of the Board; General Manager, Sales and Marketing Division and Responsible for Procurement Division, the Company
- Dec. 2017 President, DKK (Shanghai) Materials Trading Co., Ltd.
- Apr. 2019 Director, Member of the Board; Operational Unit, the Company
- Apr. 2020 Managing Director, Member of the Board; Operational Unit, the Company
- Jun. 2020 Director, Member of the Board, Managing Executive Officer, Operational Unit, the Company
- Jun. 2022 Chairman of the Board, Chief Executive Officer, the Company (current position)

Was responsible for the sales and procurement divisions and was widely involved in the management of overseas subsidiaries, and has contributed to the development of the Group's global management.

He is harnessing the power of the Executive Officers and energetically promoting the “Six Pillars” that are the core measures in the current medium-term management plan, ‘DK-One Next’.

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Board Members

Directors



**Member of the Board,
Managing Executive Officer,
Administration Unit**
Member of the Risk Management
Committee member (Chairman)

Kimio Ouchi

Date of birth: July 1, 1967

- Apr. 1992 Joined the Company
- Sep. 2006 Branch Manager, Osaka Sales Office, Sales and Marketing Division, the Company
- Apr. 2008 Director, Member of the Board, I.D.U. Co., Ltd.
- Jun. 2008 Director, Member of the Board; General Manager, Sales and Marketing Division, the Company
- Apr. 2011 Representative Director, Member of the Board, I.D.U. Co., Ltd.
- Apr. 2013 Managing Director, Member of the Board; Responsible for Sales and Marketing Division, Technology Division, and Corporate Planning Division, the Company
- Sep. 2013 Director, Member of the Board, Suihua Shanghai Trading Co., Ltd. (currently DKK (Shanghai) Materials Trading Co., Ltd.)
- Jul. 2017 Representative Director, Member of the Board, DKK Logistics Corporation
- Apr. 2018 Managing Director, Member of the Board, and Responsible for Creation Science Division, Intellectual Property Division and Research & Development Division, the Company
- Apr. 2019 Managing Director, Member of the Board, and Responsible for R&D Unit, the Company
- Jun. 2020 Member of the Board, Managing Executive Officer, the Company
- Apr. 2024 Member of the Board, Managing Executive Officer, Administration Unit, the Company (current position)

Has been supervising the technology and sales and marketing divisions for many years and laid the foundations for the catalyst area. He has also promoted risk management for the entire Group, including taking the leadership in the establishment of a logistics subsidiary in response to global logistics issues.

In the current medium-term management plan, 'DK-One Next', he is playing a key role in improving human capital and organizational capabilities.

Directors



**Member of the Board,
Managing Executive officer,
Strategy Unit**
Director, VIETNAM RARE ELEMENTS
CHEMICAL JOINT STOCK COMPANY

Masayuki Itahashi

Date of birth: December 22, 1966

- Apr. 1993 Joined the Company
- Apr. 2013 General Manager, Corporate Planning Division, the Company
- Jun. 2017 Director, Member of the Board; General Manager, Planning Division and Responsible for Finance Division, the Company
- Jun. 2018 Director, VIETNAM RARE ELEMENTS CHEMICAL JOINT STOCK COMPANY (current position)
- Apr. 2019 Director, Member of the Board, General Manager, Corporate Planning Division, the Company
- Jun. 2020 Senior Executive Officer; General Manager, Corporate Planning Division, the Company
- Apr. 2024 Senior Executive Officer, Strategy Unit, the Company
- Jun. 2024 Member of the Board, Managing Executive Officer, Strategy Unit, the Company (current position)

Has been engaged in Group strategies and planning operations for many years, including by supervising key projects and formulating management plans. He also contributed to the development of VERC, the Company's Vietnamese subsidiary as its Director.

He is playing a key role in achieving the goals of the current medium-term management plan, 'DK-One Next'.

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Board Members

Criteria for Independence of Outside Officers

1. The Board of Directors of the Company recognizes that its Outside Directors*14 or Outside Audit & Supervisory Board Members*15 pursuant to the provisions of the Companies Act and the Regulation for Enforcement of the Companies Act (hereinafter collectively referred to as “Outside Officers”) are independent in cases where Outside Officers do not fall under any of the following:
- (1) An executive*16 of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”);
 - (2) A counterparty to whom the Group is a major business client*17 or an executive thereof;
 - (3) A major business client of the Group*18 or an executive thereof;
 - (4) A major shareholder (i.e., a shareholder whose direct or indirect holding of voting rights accounts for 10% or more of the total number of voting rights) of the Company or an executive thereof;
 - (5) An executive of an investee in which the Group is a large investor (i.e., investee whose voting rights held by the Company account for 10% or more of the total number of voting rights);
 - (6) A director (limited to a person who executes operations) or other executive of an organization that receives a donation or grant exceeding a certain amount (i.e., 10 million yen per year on average over the past three years or 30% of the annual total expenses of such organization, whichever is higher) from the Group;
 - (7) An executive of a financial institution or other major creditor that is indispensable for the Company in raising funds and depended upon by the Company to the extent that there is no substitute;
 - (8) An attorney, certified public accountant, certified tax accountant or consultant who has received monetary or other property benefits in the amount of 10 million yen or more per year on average over the past three years other than officer compensation from the Group;
 - (9) A certified public accountant or an executive, partner or employee of an audit corporation serving as an accounting auditor or accounting advisor of the Company or its subsidiaries;
 - (10) An executive at another company in which an executive of the Group is currently serving or has served in the past three years as an outside officer;
 - (11) A person who has fallen under (1) above in the past ten years;
 - (12) A person who has fallen under (2) through (10) above in the past three years; or
 - (13) A person who falls under (1) through (12) above who is a close relative, etc.*19 of an important executive.*20

2. Being an independent officer requires that the person essentially be free of risk of conflict of interest with ordinary shareholders of the Company as a whole at all times in circumstances other than the factors taken into consideration in (1) through (12) above.
3. Upon the election of an independent officer, the recommendation or consent of at least one independent Director or independent Audit & Supervisory Board Member must be obtained.

*14 “Outside Director” means “Outside Director” as defined in Article 2, item (xv) of the Companies Act.
*15 “Outside Audit & Supervisory Board Member” means “Outside Company Auditor” as defined in Article 2, item (xvi) of the Companies Act.
*16 “Executive” means “Executive” as defined in Article 2, paragraph (3), item (vi) of the Regulation for Enforcement of the Companies Act.
*17 “A counterparty to whom the Group is a major business client” means a party who received from the Group payments accounting for 2% or more of said party’s annual consolidated gross sales in the latest fiscal year.

*18 “A major business client of the Group” means a business client to whom the amount of sales of the Group to such business client in the latest fiscal year accounted for 2% or more of the Group’s consolidated net sales.
*19 “Close relative, etc.” means a relative within the second degree of kinship and an interested person who shares living expenses.
*20 “Important executive” means an executive director, person responsible for a division, or other people who execute important operations.

Directors



Outside Director, Member of the Board
Independent Director

Member of the Nomination and
Compensation Committee (Chairman),
Member of the Governance Committee

Toshiyuki Umehara

Date of birth: September 3, 1957

Concurrent positions

Outside Director, Fuji Oil Holdings Inc.
Outside Director, ShinMaywa Industries,
Ltd.
Representative Director, JCCL, Inc.

Leveraging experience as a representative director of a global company, he makes appropriate management decisions and supervises management. In particular, based on his extensive knowledge and experience in the area of research and development, production technology, and information, he actively asks questions and provides advice and recommendations regarding global strategies for new businesses, quality, safety, and information management, and risks associated with investment projects, and plays an important role in enhancing the corporate value of the Group.

Apr. 1984

Joined Nitto Denko Corporation

Jun. 2010

Vice President, Nitto Denko Corporation

Jun. 2015

Board Member, Executive Vice President, General Manager of Automotive Products Sector

Apr. 2018

Board Member, Senior Executive Vice President, CTO, CIO, General Manager of Corporate Technology Sector

Jun. 2019

Representative Director, Senior Executive Vice President, CTO, General Manager of Corporate Technology Sector

Jun. 2021

Outside Director, Fuji Oil Holdings Inc. (current position)

Jun. 2022

Outside Director, Member of the Board, the Company (current position)
Outside Director, ShinMaywa Industries, Ltd. (current position)

Apr. 2023

Representative Director, JCCL, Inc. (current position)

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Board Members

Directors



**Outside Director, Member of the Board
Independent Director**
Member of the Nomination and
Compensation Committee,
Member of the Governance Committee
(Chairman)

Junichi Tanaka

Date of birth: January 2, 1957

- Apr. 1979 Joined Fukui Murata Manufacturing Co., Ltd.
- Jan. 2008 General Manager of Finance Department, Murata Manufacturing Co., Ltd.
- Jun. 2013 Standing Statutory Auditor
- Jun. 2016 Director, Audit and Supervisory Committee Member (Full-time, Chief of the Committee)
- Jun. 2022 Outside Director, Member of the Board, the Company (current position)

His experience as a standing statutory auditor and as a director and audit and supervisory committee member at a global company enables him to make appropriate management decisions and to supervise management. In particular, based on his extensive knowledge and experience in the areas of finance, accounting, and auditing, he actively asks questions and provides advice and recommendations regarding risk management, budget control, financial analysis, and improving the effectiveness of the Board of Directors, thereby playing an important role in enhancing the corporate value of the Group.

Directors



**Outside Director, Member of the Board
Independent Director**
Member of the Nomination and
Compensation Committee,
Member of the Governance Committee

Naomi Tobita

Date of birth: July 3, 1962

- Apr. 1986 Joined BANDAI CO., LTD.
- Aug. 2009 Executive Officer, General Manager, Girls Toy Division, BANDAI CO., LTD.
- Apr. 2012 Director; General Manager, Play Toy Division; Chief Tamagotchi Officer (CTO), BANDAI CO., LTD.
- Apr. 2018 Managing Director, Bandai Namco Business Arc Inc.; Deputy Division General Manager, Administrative Headquarters, Bandai Namco Holdings Inc.
- Sep.2022 Outside Director of Information Technology Development Co. (current position)
- Jun. 2023 Outside Director, Member of the Board, the Company (current position)

Concurrent positions
Outside Director of Information Technology Development Co.

Based on her experience as an executive at a global company, she makes appropriate management decisions and supervises management. In particular, based on her extensive knowledge and experience in organizational revitalization and human resource development, she plays an important role in enhancing the corporate value of the Group by actively asking questions and offering advice and recommendations on topics such as promotion of women's participation and advancement in the workplace, human resource development, fostering of corporate culture, and organizational communication.

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Board Members

Audit & Supervisory Board Members



Standing Audit & Supervisory Board Member (outside)
Independent Director
Member of the Governance Committee

Hiroshi Kawaguchi

Date of birth: December 17, 1955

- Jan. 1979 Joined Watabe Ishoten K.K. (currently WATABE Wedding Corporation)
- May 1995 General Manager, Accounting Department, Administration Division, Watabe Wedding Corporation
- Dec. 2000 General Manager, Finance Department, Administration Division, Watabe Wedding Corporation
- Jun. 2002 Full-time Corporate Auditor, Watabe Wedding Corporation
- Jun. 2005 Director & Director of Executive Office, Watabe Wedding Corporation
- Jun. 2011 Standing Auditor, SHINOBU FOODS PRODUCTS CO., LTD.
- Jun. 2019 Standing Audit & Supervisory Board Member, the Company (current position)

He makes statements as needed based on his experience and knowledge as a director and corporate auditor of listed companies.

Audit & Supervisory Board Members



Audit & Supervisory Board Member (outside)
Independent Director
Member of the Governance Committee

Yoshinori Tsuda

Date of birth: August 18, 1972

- Apr. 1995 Joined Chuo Audit Corporation
- Apr. 1998 Registered as Certified Public Accountant
- Aug. 2007 Representative Director and Partner, ASUKA Consulting INC. (current position)
- Aug. 2007 Established Yoshinori Tsuda CPA Office (current position)
- Jun. 2011 Audit & Supervisory Board Member, the Company (current position)
- Jun. 2013 Outside Audit & Supervisory Board Member, YAMAZEN CORPORATION
- Jun. 2016 Outside Director (Audit and Supervisory Committee Member), YAMAZEN CORPORATION (current position)

Concurrent positions
Representative Director and Partner, ASUKA Consulting INC. (current position)
Representative, Yoshinori Tsuda CPA Office (current position)
Outside Director (Audit and Supervisory Committee Member), YAMAZEN CORPORATION

He makes comments as needed based on his professional perspective as a certified public accountant and his experience and knowledge as an outside director of other companies.

Audit & Supervisory Board Members



Audit & Supervisory Board Member (outside)
Independent Director
Member of the Governance Committee

Ayako Oura

Date of birth: July 4, 1979

- Oct. 2004 Registered as attorney-at-law (Osaka Bar Association)
- Oct. 2004 Attorney-at-law, Amano Law Offices
- May 2010 Graduated with an LLM degree from Boston University School of Law
- Sep. 2010 In-house counsel at a foreign company
- Apr. 2011 Admitted to the New York State Bar Association
- Aug. 2012 Partner, Noguchi & Partners (current position)
- Jun. 2023 Audit & Supervisory Board Member of the Company (current position)

Concurrent positions
Partner, Noguchi & Partners

She makes statements as needed based on her professional knowledge as an attorney.

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Message from Outside Directors

DKK’s outside directors support the Company while leveraging their respective career experience and expertise. Mr. Toshiyuki Umehara, Mr. Junichi Tanaka, and Ms. Naomi Tobita shared their opinions on a wide range of topics, from supporting the launch of our Vietnam business, financial management, and promoting diversity, to what needs to be improved for the future.

The Contribution of Outside Directors

— One of DKK's strengths is that it has people serving as outside directors who have had careers in a variety of specialized fields. What do you think each of you can contribute to the Company based on your experience and skills?

Mr. Umehara I have had a wide range of experiences at a major electronics company, including working for 15 years as an engineer and 15 years in business divisions, as well as restructuring loss-making businesses, being in charge of global manufacturing, and running new businesses. I have particularly extensive experience in manufacturing and was involved in the startup of a production site, during which I made many mistakes. I have used this experience to provide advice on the startup of the Vietnam business and subsequent revisions to the plan. I also helped manage the necessary processes and risks at the time of startup and I hope we can connect these to goals on the management side.

Mr. Tanaka I had a long stretch of involvement in management operations at an electronic components manufacturer, especially finance and accounting, and also worked at an overseas subsidiary for a long time. Although in a different industry, it has many similarities with DKK as a BtoB company expanding globally, and I believe that I can make use of my knowledge and experience in areas such as cost management, profit-and-loss management, and group governance. DKK is a company that has achieved growth through advanced technology, but from an external perspective, I feel that there is a little bit of room to improve the quality of its accounting, finance, and other management aspects. I study the proposals and reports submitted to the Board of Directors and encourage improvements not only in their content, but also in their preparation and decision-making processes.



From left : Toshiyuki Umehara, Naomi Tobita, Junichi Tanaka

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Message from Outside Directors



Naomi Tobita

Ms. Tobita I was in charge of product planning and marketing for a toy manufacturer, and was also involved in human resources, organizational development, and working style reform as a division manager and board member.

I would like to utilize the experience at my previous job of leading the promotion of women's participation and advancement in the workplace to help in the area of diversity, especially in the promotion of women's workplace participation. The year before last, I interviewed all female employees, and afterwards, together with the General Affairs & Human Resources Division, I was given

the opportunity to convey the insights we gained to CEO Mr. Kokubu. I would like to use my experience not only in efforts such as the promotion of women to executive positions, but also in the retention of DKK's talented young employees and the creation of opportunities for them after they join the Company.

Evaluation Points and Areas for Improvement

— From your perspective as an outside director, what is your view of DKK's management, organization, and culture?

Mr. Tanaka I think a major feature of DKK is that it has a corporate culture that takes great care of its employees. Birthday parties are held for each employee and attended by everyone from board members to other employees. The open, flat, family-like corporate culture, with no boundaries between positions, leads to ethical and moral behavior by employees, and can be the foundation for compliance.

Mr. Uehara I believe this corporate culture is also the reason why executives frequently inspect plants and why management has a strong grasp on actual business practice.

Ms. Tobita I agree, open and flat communication is a characteristic of the Company.

Mr. Tanaka On the other hand, I feel that this flip side of this corporate culture is a slight lack of rigor in the execution of internal operations. For example, meeting deadlines, rigorously checking documents, and clarifying authority and responsibility in the execution of duties should be more thoroughly enforced, and I believe that would increase operational efficiency and productivity.

Ms. Tobita Of course, the Company has many good points and qualities, but I sometimes feel frustrated that we are not communicating this appeal sufficiently. If we can more effectively communicate what we are working on, I believe we can gain greater support. If we can also strengthen our internal PR activities and ensure that the ideas of management are disseminated to all employees, I believe we will become a stronger company, where everyone can work toward the same goals with the same mindset.

Mr. Umehara You are right. There is also room for improvement in the decision-making process and job authority system.

I believe there are several areas where things could be improved, such as the checking system before proposals are raised from the frontline to the Board of Directors, and the roles of Executive Officers and Directors. This may not be an easy task for a company with such a long history, but I believe that by tackling these issues one by one, we can work to create a stronger organization.

— The medium-term management plan includes a policy of expanding Strategic Areas. What do you think about the corporate culture of tackling new challenges?



Junichi Tanaka

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Message from Outside Directors

Mr. Umehara It is very good that we have swiftly achieved results in the blue ocean market of zirconium, and in particular that we have built a solid share of the automotive catalyst market. However, we are still in the early stages of formulating a process that leverages these achievements to enter new markets, enhance our presence, and commercialize our products. We have a fantastic basis, and my hope as an Outside Director is that we can successfully link these to market needs to realize the second and third pillars of business and develop a more harmonious business portfolio.

Initiatives for Investors

— The Tokyo Stock Exchange is increasing requirements for listed companies, such as requesting them to raise valuations above book level and requiring the disclosure of capital policies. What are your thoughts on these changes in the external environment?

Mr. Tanaka In the past, many companies were content with just making a final profit, but that is no longer sufficient. DKK, too, must meet the expectations of all its stakeholders, including the stock market and the Tokyo Stock Exchange.

Mr. Umehara In recent years, we have implemented a dedicated system for enterprise resource planning (ERP) management, which we believe is worthy of recognition.

Mr. Tanaka Furthermore, we have designated ROIC as a new key performance indicator (KPI) and are aiming to improve it.

However, it is important for each and every employee to be more aware of costs and profit margins and to work steadily to improve the bottom line without being swayed by short-term indicators. The sum total of these efforts should result in an improvement in ROIC, and lead to the realization of management that is conscious of cost of capital and the stock price.

Mr. Umehara In addition to financial indicators, manufacturing indicators are also important. For example, we must ascertain the figures that form the basis of manufacturing, such as on the break-even point (BEP), productivity, management of basic units, and rationalization of factories, from the respective frontline divisions

and try to improve them. As the saying goes, “more haste, less speed” and I believe that continued steady cutting of waste from the frontline will enhance earnings power.

— What are your thoughts on the human resources that will be the main drivers of such efforts?

Ms. Tobita Financial indicators are very important, but they represent the results of our business. If DKK is eager to become a ‘100 Year Company’, it is necessary to create a forum where everyone, from young employees to executives, can seriously consider – and sometimes thoroughly debate – what investments should be made now and what kind of value should be created for the future.

As part of this process, I think it would be useful to create a space to discuss new businesses and a mechanism to evaluate new proposals. It is also important to create a corporate culture that values employees who do not fear failure and are willing to venture into new places.

In recent years, I have often seen and heard the phrase “people who take on challenges” used within the Company and I think this is a good change.

Mr. Umehara In terms of connecting to the future, I take a positive view of our most recent project to restructure our Vietnam business. One of the advantages of the project model is that by identifying who is in charge and who is the leader, which members are assigned to the project is clarified, allowing for open management of progress. I feel that the establishment of project-based models that bring together strengths from across the Company to deliver results can produce positive benefits in other divisions too.

— Thank you for giving us your views today.



Toshiyuki Umehara

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Risk Management

Status of the Risk Management Structure

For the company-wide risk management structure, a Risk Management Committee has been established, chaired by the executive officer in charge of risk management and comprising deputy directors and appointed divisional managers. The committee identifies risks that could have a significant impact on management, deliberates, and decides on countermeasures and policies, and confirms the status of implementation of these measures. The proceedings are reported to the Board of Directors, which confirms and debates the various issues. In addition, the Company has established Rules for Crisis Management and, in the event that a crisis occurs, an emergency review committee or an emergency task force is set up depending on the extent of the crisis, and a company-wide response is put in place.

The Quality Assurance Division and the Environment and Safety Management Division play the central role in product quality risks and risks related to environmental regulations, etc., respectively, establishing a system that monitors the status of such risks at all times and can resolve any problems at an early stage.

For compliance with laws and regulations, the Company has established compliance procedures and the General Affairs & Human Resources Division serves as the secretariat for monitoring and raising awareness of compliance, while internal audits also place the highest priority on compliance and a structure is in place to promptly report any issues to the Chief Executive Officer. In addition, to prevent the leakage of important information, confidentiality management rules and insider trading prevention rules have been established and an information management officer has been appointed to ensure a system of responsibility and the management of important information.

Business Continuity Plan (BCP)

We supply products to customers not only in Japan but also around the world. Thus, if a large earthquake, fire, or other serious disaster prevents us from supplying products, that may affect society. In case of such disasters, we have developed BCPs as shown below in the head office and each site. In the event of an emergency, we establish emergency headquarters for smooth emergency response and recovery work.

No.	Business and other risks	Countermeasures policy
1	Risks related to Vietnam business • Earnings pressure from delayed move to steady operations at the new plant • Earnings pressure from price fluctuation for energy and materials	• Establish dedicated project team with the goal of stabilizing the manufacturing process and optimizing the earnings structure • Review materials procurement routes • Strengthen education and training for local employees
2	Risks related to development of Strategic Areas • Sluggish corporate value growth due to insufficient progress in growth areas • Sluggish corporate value growth due to slow improvement in the earnings structure over the medium and long term	• Strengthen proposal-based value creation capabilities • Flexibly revise strategy
3	Risks related to foreign exchange • Fluctuation in ordinary profit due to sudden changes in the forex markets	• Utilize exchange contracts and derivative trades • Revise the hedging policy and investment structure
4	Risk of facility impairment • Incidence of impairment losses due to sluggish demand • Slow returns on strategic investments	• Monitor demand trends • Review investment discipline
5	Risks related to information security • Data leaks due to cyberattacks or internal impropriety	• Creation of information security manual • Regular training • Strengthen technological countermeasures  p.79 Information security
6	Risks related to climate change and environmental regulations • Increase in costs from strengthening of environmental regulations • Compliance with decarbonization technology • Stricter environmental reporting requirements	• Reduce in greenhouse gases • Introduce energy-saving equipment • Use emissions rights trading
7	Risks related to materials procurement • Geopolitical risks and impact of export regulations • Impact on supply stability from supply disruption • Deterioration in profitability due to sharp rise in prices	• Develop own procurement sources • Secure multiple procurement routes • Strengthen preparedness by building up materials inventory • Create stable procurement structure through public-private partnerships
8	Country risk in overseas business activities • Political instability • Impact of regulatory change • Trade friction • Prolonged friction between the US and China	• Review and rebuild supply chains • Improve adaptability to global regulations
9	Risks related to natural disasters and industrial accidents • Damage to production sites from natural disasters such as earthquakes and typhoons • Shutdown of logistics networks	• Diversified structure of domestic/overseas production sites and logistics facilities • Ensure insurance coverage to a possible and appropriate extent • Formulate and maintain business continuity plans  p.78 BCP

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Risk Management

Basic policies

If a large-scale disaster occurs, we work to minimize its impact on customers (interruption of the product supply). Based on the following three priority policies, we carry out risk management according to the situation.

- 1 **Respect and place maximum priority on human life.**
Human life refers to the lives of employees, their families, temporary employees, visitors, and local residents.
- 2 **Keep business running (fulfill our responsibility to deliver products ordered).**
We restore the head office functions necessary to continue business within one week after the occurrence of a disaster. We move and restore the production functions within three months after the occurrence of a disaster.
- 3 **Work to secure the safety of the entire region.**
We prevent fires, explosions, and the blowout or leakage of toxic gases or chemical solutions and prevent the disaster from spreading over the region. To do that, we work to cooperate with the local communities.

Information Security

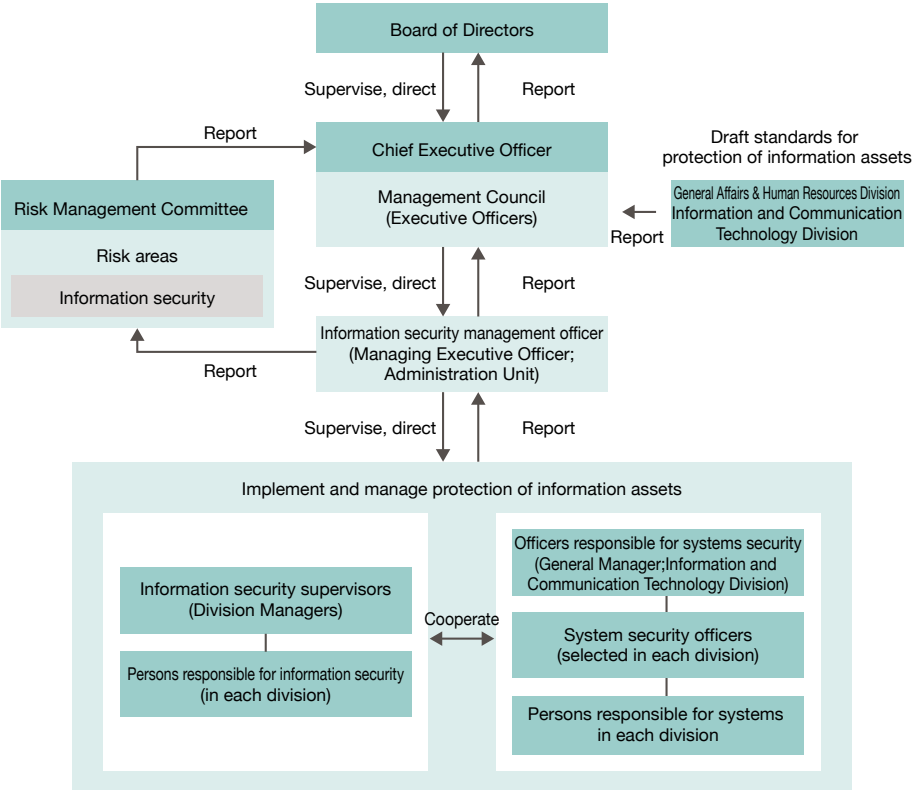
The DKK Group recognizes that high-level awareness of information security and protection of information assets are important management issues in order that the Group is to continue to grow with our stakeholders and to contribute to society. Thus, we herein establish our policy on information security and commit the Group to safe and appropriate management and use of information assets and to earning society's trust by ensuring information security.

Basic policies

- 1 We shall comply with applicable laws, governmental guidance, and other social norms related to information security.
- 2 We shall define our responsibility for information security and put in place a system for implementing measures to address information security.
- 3 We shall implement organizational, human, physical, and technological measures to counter information security risks.

- 4 We shall continuously conduct education and awareness raising in relation to information security.
- 5 We shall maintain our management systems and initiatives related to information security and endeavor to continuously improve these systems and initiatives.

All Group directors and personnel shall refer to this Information Security Policy and to guidelines established in associated internal rules as their guidance for day-to-day handling of information assets, and as members of the Group and of society, shall engage in commonsensical and responsible behavior.



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Compliance

Basic Idea

We position compliance as one of our priority issues in performing corporate activities, set basic rules on compliance and a system for promoting compliance, and promote compliance on a routine basis. In addition, setting the “Action Guidelines” as what every single employee should abide by, we have made it well known that employees should utilize the guidelines as the ground rules in conducting daily business and behave in a sensible and responsible manner as members of the Group and working professionals in society.

Promotion of Compliance

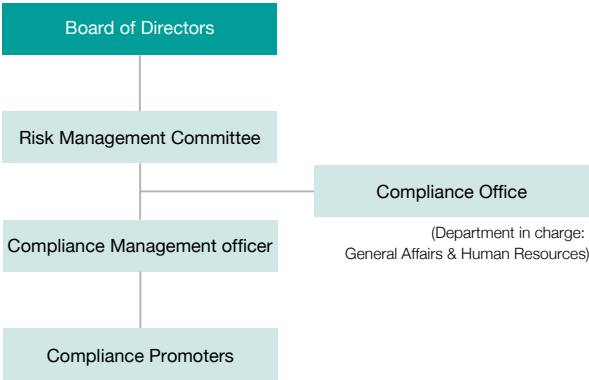
We have established a Risk Management Committee, under which compliance promoters in different divisions lead compliance activities and education programs. We have also established a Compliance Office, which develops various in-house training programs intended to allow employees to gain knowledge about laws or concepts necessary to ensure compliance.

Internal Control System

The development of an internal control system was resolved by the Board of Directors in April 2006 (last revised in March 2024) based on the recognition that it is fundamental to strengthening and improving the corporate governance structure and increasing corporate value.

System to ensure directors and employees of the Group perform their duties in accordance with laws and the Articles of Incorporation

- 1. The Group will make the Action Guidelines of DKK specific rules for management to fulfill its social responsibilities, well known to its directors and employees to ensure their legal compliance.
- 2. The Group will establish internal and external whistle-blowing contact points for the purpose of discovering and correcting legal violations and instances of unfair practices within the Group. In addition, the Group will not treat whistleblowers unfavorably.



- 3. The Group will establish the Internal Audit Division controlled directly by the Chief Executive Officer to audit the appropriateness of the operations of the Group.
- 4. Our policy for elimination of anti-social forces is declared in the Action Guidelines of DKK and provided in the Rules for Banning Relations with Anti-Social Forces. Also, efforts will be put into collecting relevant information in cooperation with the relevant police authority.

System concerning the storage and management of information on the performance of duties by directors

Documents relevant to the performance of duties by directors such as minutes of board meetings and requests for managerial decisions will be stored and managed appropriately in accordance with laws and regulations as well as internal rules.

Rules and other systems for the management of the risk of loss by the Group

- 1. The Group will establish the Risk Management Committee, collect and analyze risk information, and take preventive measures against risks which may have grave consequences in order to continue its business and fulfill its social responsibilities.
- 2. In the event that a crisis occurs, responses will be made in accordance with the crisis management system as set forth in the Rules for Crisis Management.

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Compliance

System to ensure the Group directors perform their duties effectively

- 1. The Board of Directors will make decisions on the performance of the important duties based on the Rules for the Board of Directors, and serve a supervising function while receiving reports from each director regarding the Company’s and its subsidiaries’ performance of operations based on the medium-term management plan.
- 2. The Group will establish the Management Council consisting of the Board of Directors and Unit Directors, etc. to discuss from multiple perspectives and make decisions on the performance of important duties within the authority of the Chief Executive Officer.

System to report to the Company on the performance of the duties of directors of the Group companies

The Company will receive timely reports on business performance, management challenges, and other important information of subsidiaries and affiliated companies based on the Rules for Management of Affiliated Companies.

System for employees who are assigned to assist duties of auditors and matters concerning securing of the independence of such employees from directors and the effectiveness of instructions to such employees

The Company, placing no employee to assist with the duties of auditors at present, will assign assistants if requested by auditors, securing their independence.

System for directors and employees of the Group to report to auditors, other systems for reporting to auditors, and system to ensure auditors conduct effective audits

- 1. Directors and employees will report the performance of their duties through the attendance of auditors at meetings of the Board of Directors and the Management Council. Auditors may request that directors and employees report to them as necessary, in addition to the above.
- 2. Directors and employees of the Group or any person reported to by them will report

to auditors immediately if they discover any grave legal violation or fact which may cause substantial damage to the Company or their companies.

- 3. The Company will not treat those who report to auditors unfavorably for reason of such reporting.
- 4. If auditors make a request for expenses relevant to the performance of their duties, it will be processed appropriately in accordance with Article 388 of the Companies Act.

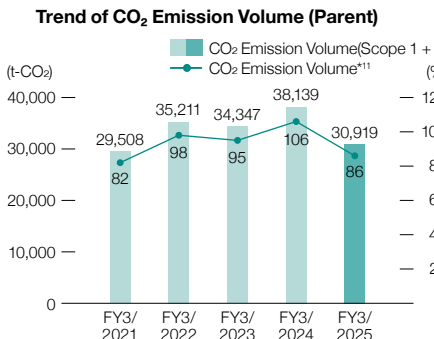
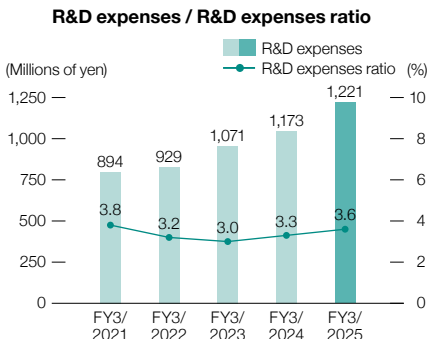
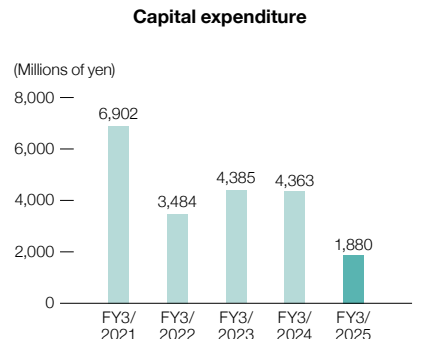
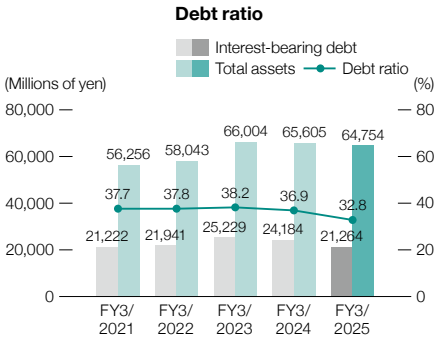
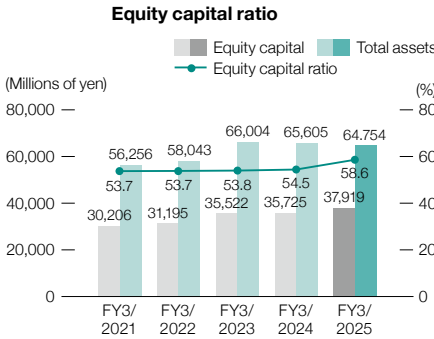
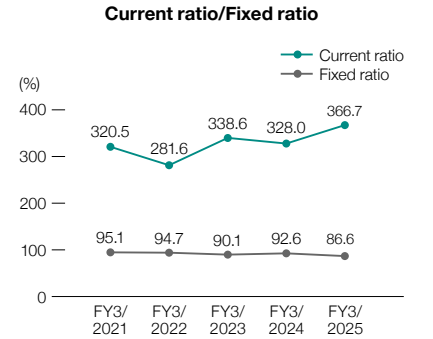
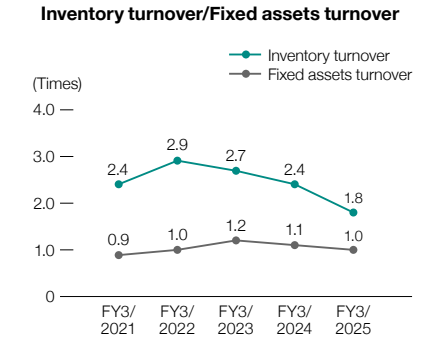
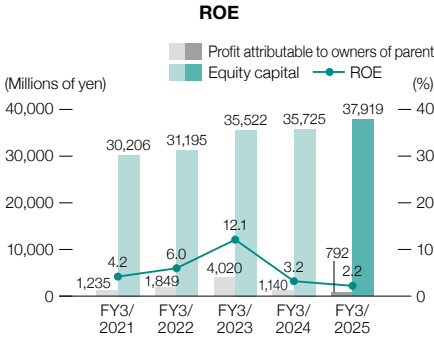
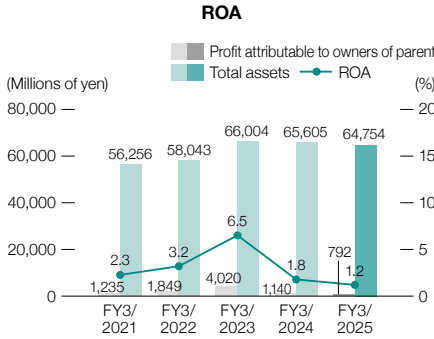
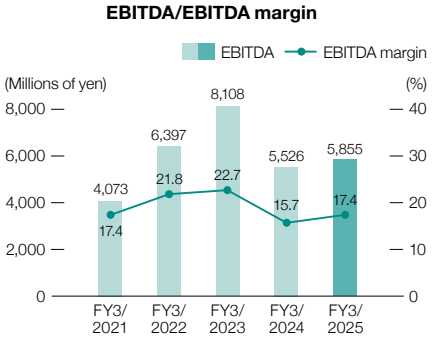
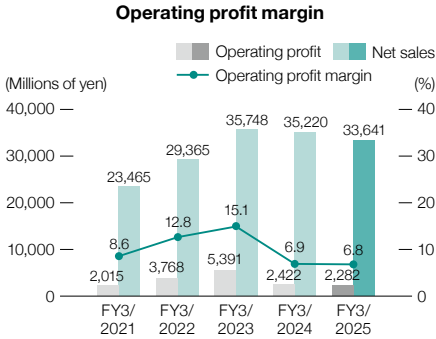
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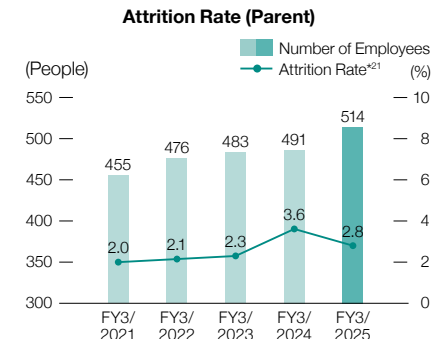
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^{*11} Five-year trend presented as a percentage based on FY3/2018.



^{*21} Ratio of employees who resigned during the fiscal year out of employees at the beginning of the fiscal year

FINANCIAL AND PRE-FINANCIAL INFORMATION

Financial Highlights

	FY3/2016	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024	FY3/2025
(Millions of yen)										
Net sales	23,295	23,399	25,537	27,483	26,518	23,465	29,365	35,748	35,220	33,641
Cost of sales	15,853	14,972	17,039	19,114	19,014	17,113	21,176	25,140	26,907	25,289
Gross profit	7,442	8,426	8,498	8,369	7,504	6,352	8,189	10,607	8,313	8,352
Selling, general and administrative expenses	3,117	3,356	3,865	4,151	4,393	4,336	4,420	5,216	5,890	6,069
Operating profit	4,324	5,069	4,632	4,218	3,110	2,015	3,768	5,391	2,422	2,282
Ordinary profit	3,982	5,021	4,355	4,311	3,102	2,131	6,000	5,969	2,942	632
Profit attributable to owners of parent	2,782	3,732	2,971	3,093	2,348	1,235	1,849	4,020	1,140	792
Cash and deposits	4,434	5,594	4,247	7,215	8,488	9,576	8,840	10,750	8,289	8,920
Inventories	5,196	5,553	8,478	11,093	10,725	8,493	11,815	14,440	14,319	13,614
Current assets	15,818	18,664	21,229	26,103	27,018	27,529	28,502	33,987	32,523	31,932
Non-current assets	10,302	12,025	14,317	19,665	24,183	28,726	29,540	32,016	33,081	32,822
Total assets	26,121	30,690	35,546	45,768	51,201	56,256	58,043	66,004	65,605	64,754
Current liabilities	5,399	5,442	6,771	9,329	7,601	8,590	10,120	10,036	9,915	8,708
Non-current liabilities	1,824	3,270	4,077	9,174	14,068	16,882	16,106	19,373	19,373	17,562
Total liabilities	7,224	8,713	10,849	18,503	21,670	25,472	26,227	29,853	29,288	26,271
Capital stock	787	787	787	787	787	787	787	787	787	787
Equity capital	18,595	21,929	24,641	27,211	28,995	30,206	31,195	35,522	35,725	37,919
Total shareholders' equity	18,276	21,623	24,232	26,936	28,853	29,679	31,004	34,374	34,864	34,930
Non-controlling interests	302	47	56	54	536	577	620	629	591	564
Total net assets	18,897	21,977	24,697	27,265	29,531	30,784	31,816	36,151	36,316	38,483
Total liabilities and net assets	26,121	30,690	35,546	45,768	51,201	56,256	58,043	66,004	65,605	64,754
Interest-bearing debt	3,681	4,545	6,112	12,448	18,314	21,222	21,941	25,229	24,184	21,264
Debt-to-equity ratio (times)	0.2	0.2	0.2	0.5	0.6	0.7	0.7	0.7	0.7	0.6
Net interest income and expenses	2	12	24	47	49	29	- 24	- 194	- 395	- 455
Basic earnings per share (Yen)* ²²	115.07	154.37	122.93	127.90	96.90	50.91	76.15	165.40	46.87	32.64
Net assets per share (Yen)* ²²	769.14	907.08	1,019.23	1,123.89	1,195.97	1,244.13	1,284.24	1,460.81	1,467.26	1,565.62
Dividend per share (Yen)* ²²	9.00	12.00	16.00	19.00	20.00	18.00	23.00	34.00	26.00	26.00
Payout ratio (%)	7.8	7.8	13.0	14.9	20.6	35.4	30.2	20.6	55.5	79.7
Dividend on equity (%)	1.2	1.4	1.7	1.8	1.7	1.5	1.8	2.5	1.8	1.7
Cash flows from operating activities	4,290	4,252	774	2,641	4,288	5,658	3,231	3,893	5,310	3,498
Cash flows from investing activities	- 1,508	- 2,492	- 3,425	- 6,389	- 9,135	- 6,448	- 4,219	- 4,423	- 3,447	- 551
Cash flows from financing activities	- 2,949	337	1,213	5,908	5,877	2,485	- 8	2,454	- 2,444	- 3,525
Free cash flow	2,782	1,760	- 2,651	- 3,747	- 4,947	- 790	- 987	- 530	1,863	2,947
Capital expenditure	1,630	2,646	3,153	4,691	6,768	6,902	3,484	4,385	4,363	1,880
Depreciation	1,015	1,344	1,966	2,181	2,217	2,057	2,628	2,717	3,104	3,572
Research and development expenses	901	809	1,061	933	951	894	929	1,071	1,173	1,221
Net profit margin	11.9	15.9	11.6	11.3	8.9	5.3	6.3	11.2	3.2	2.4
Equity capital ratio	71.2	71.5	69.3	59.5	56.6	53.7	53.7	53.8	54.5	58.6
ROIC	15.7	16.0	11.8	8.3	5.5	3.4	5.6	7.1	3.2	2.3
WACC	-	-	-	-	3.1	5.9	5.1	4.3	4.2	3.9
ROA	10.6	13.1	9.0	7.6	4.8	2.3	3.2	6.5	1.8	1.2
ROE	16.0	18.4	12.8	11.9	8.4	4.2	6.0	12.1	3.2	2.2

*22 The Company has conducted a share split of common share at a ratio of 5 for 1 with an effective date of April 22, 2017. Per share information is calculated as if such share split was conducted at the beginning of the fiscal year ended March 31, 2016.

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FINANCIAL AND PRE-FINANCIAL INFORMATION

Profitability Indicators

	FY3/2021	FY3/2022	FY3/2023	FY3/2023	FY3/2025
Sales growth rate	- 11.5	25.1	21.7	- 1.5	- 4.5
Operating profit growth rate	- 35.2	87.0	43.0	- 55.1	- 5.8
Net profit growth rate	- 47.4	49.7	117.4	- 71.6	- 30.5
Gross profit margin	27.1	27.9	29.7	23.6	24.8
Operating profit margin	8.6	12.8	15.1	6.9	6.8
Ordinary profit margin	9.1	20.4	16.7	8.4	1.9
Net profit margin	5.3	6.3	11.2	3.2	2.4
Cost of sales ratio	72.9	72.1	70.3	76.4	75.2
SGA ratio	18.5	15.1	14.6	16.7	18.0
EBITDA (Millions of yen)	4,073	6,397	8,108	5,526	5,855
EBITDA margin	17.4	21.8	22.7	15.7	17.4

Gross profit margin = Gross profit ÷ Net sales

Operating profit margin = Operating profit ÷ Net sales

Ordinary profit margin = Ordinary profit ÷ Net sales

Net profit margin = Profit attributable to owners of parent ÷ Net sales

Cost of sales ratio = Cost of sales ÷ Net sales

SGA ratio = Selling, general and administrative expenses ÷ Net sales

EBITDA = Operating profit + Depreciation

EBITDA margin = EBITDA ÷ Net sales

Efficiency Indicators, Stability Indicators

	FY3/2021	FY3/2022	FY3/2023	FY3/2023	FY3/2025
Asset turnover	0.4	0.5	0.6	0.5	0.5
Fixed assets turnover	0.9	1.0	1.2	1.1	1.0
Accounts receivable turnover	4.1	4.8	5.7	4.8	5.2
Accounts payable turnover	14.8	19.4	38.6	28.7	19.1
Inventory turnover	2.4	2.9	2.7	2.4	1.8

Asset turnover =
Net sales ÷ Total assets (avg. of FY start and end)

Fixed assets turnover =
Net sales ÷ Non-current assets (avg. of FY start and end)

Accounts receivable turnover =
Net sales ÷ Accounts receivable (avg. of FY start and end)

Accounts payable turnover =
Net sales ÷ Accounts payable (avg. of FY start and end)

Inventory turnover =
Net sales ÷ Inventories (avg. of FY start and end)

	FY3/2021	FY3/2022	FY3/2023	FY3/2023	FY3/2025
Equity capital ratio	53.7	53.7	53.8	54.5	58.6
Current ratio	320.5	281.6	388.6	328.0	366.7
Fixed ratio	95.1	94.7	90.1	92.6	86.6
Financial leverage (times)	1.8	1.9	1.9	1.8	1.7
Debt ratio	37.7	37.8	38.2	36.9	32.8
Interest coverage ratio (times)	39.0	46.1	19.3	4.7	4.7

Equity capital ratio = Equity capital ÷ Total assets

Current ratio = Current assets ÷ Current liabilities

Fixed ratio = Non-current assets ÷ Equity capital

Financial leverage = Total assets ÷ Equity capital

Debt ratio = Interest-bearing debt ÷ Total assets

Interest coverage ratio =
(Operating profit + Financial revenue) ÷ Interest expense

ESG Data (Parent)

E (Environment)

	FY3/2021	FY3/2022	FY3/2023	FY3/2024	FY3/2025
CO ₂ emission volume (Scope 1) (t-CO ₂)	22,476	28,204	26,547	30,020	23,736
CO ₂ emission volume (Scope 2) (t-CO ₂)	7,032	7,007	7,800	8,119	7,183
CO ₂ emission volume (Scope 1 + 2) (t-CO ₂)	29,508	35,211	34,347	38,139	30,919
CO ₂ emission volume (%) ^{*23}	82	98	95	106	86

^{*23} Trend shown as a percentage, with the base year as 100.

S (Social)

	FY3/2021	FY3/2022	FY3/2023	FY3/2024	FY3/2025
Number of employees ^{*24}	455	476	483	491	514
Percentage of female employees in total employees (%) ^{*25}	13.8	13.4	14.5	15.1	16.7
Percentage of full-time female employees in total full-time employees (%) ^{*25}	10.0	10.1	11.5	12.6	13.9
Percentage of female managers in total managers (%) ^{*25}	0.0	2.0	2.0	2.0	8.3
Percentage of female employee in the rank of section manager (%) ^{*25}	4.3	5.5	7.9	10.5	13.0
Percentage of female employees among hired full-time employees (%) ^{*25}	4.2	10.7	24.0	25.9	24.1
Ratio of males to females in terms of competitiveness in the hiring of full-time employees ^{*25}	99.2	26.5	55.4	41.0	32.1
Wage differential between male and female employees (%) ^{*25}	70.9	70.7	71.1	69.9	80.0
Percentage of male employees who have taken childcare leave (%) ^{*25}	15.4	33.3	41.7	81.3	70.0
Percentage of female employees who have taken childcare leave (%) ^{*25}	100.0	100.0	100.0	100.0	100.0
Percentage of employees who have utilized their full allotment of annual paid leave (%) ^{*25}	61.7	58.2	64.4	72.9	74.6
Attrition rate (%) ^{*26}	2.0	2.1	2.3	3.6	2.8

^{*24} Number of employees = (full-time employees + contract employees + part-time employees)

^{*25} Conforms to the item definitions for information disclosure based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

^{*26} Number of employees who retired during the period as a percentage of the number of employees at the beginning of the period.

G (Governance)

	FY3/2021	FY3/2022	FY3/2023	FY3/2024	FY3/2025
Number of Directors, Board Members	6	6	6	6	6
Of which, internal directors	3	3	3	3	3
Of which, outside directors	3	3	3	3	3
Percentage of outside directors (%)	50.0	50.0	50.0	50.0	50.0
Number of Audit & Supervisory Board Members	3	3	3	3	3
Of which, internal Audit & Supervisory Board Members	0	0	0	0	0
Of which, outside Audit & Supervisory Board Members	3	3	3	3	3
Percentage of outside Audit & Supervisory Board Members (%)	100.0	100.0	100.0	100.0	100.0
Percentage of female Board Members in total Board Members (%) ^{*27}	0.0	0.0	0.0	22.2	22.2

^{*27} Board Members = Directors + Audit & Supervisory Board Members

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COMPANY PROFILE AND STOCK INFORMATION

(as of March 31, 2025)

Corporate Profile

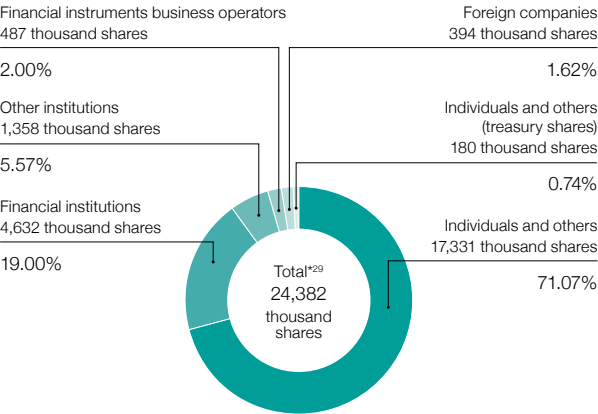
Company name	DAIICHI KIGENSO KAGAKU KOGYO CO., LTD.
Establishment	May, 1956
Capital	787 million yen
Number of employees	755 (consolidated)
Head office	4-4-9, Kitahama, Chuo-ku, Osaka-shi, Osaka, Japan

Shares of the Company

Total number of shares authorized to be issued	97,600,000 shares
Total number of shares outstanding*28 (Common shares)	24,400,000 shares
Number of shareholders	13,096 persons
Market the Company's stock is listed on Prime Market of the Tokyo Stock Exchange (Ticker symbol:4082)	

*28 All of the shares issued by the Company are common shares and there are no preferred shares or other types of shares.

Shareholder Composition



*29 Distribution ratio has been calculated after exclusion of shares less than one unit (18 thousand shares) and rounded to two decimal places.

Major Shareholders (top10 shareholders)*30

Shareholder's name	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2,738	11.30
Daiichi Kigenso Kagaku Kogyo Co., Ltd. Employees Stock Ownership Plan	1,271	5.25
Katsuhiko Kokubu	1,210	5.00
Custody Bank of Japan, Ltd. (Trust account)	1,098	4.53
Iwatani Corporation	861	3.55
Tsuyoshi Inoue	810	3.35
Junko Inoue	810	3.34
Tomoyuki Kokubu	688	2.84
Tadashi Terada	388	1.60
Koji Nakamura	340	1.40

*30 Shareholding ratio has been calculated after exclusion of treasury shares (180 thousand shares) and rounded to two decimal places.

Initiatives



Note regarding this document

Forecasts and forward-looking statements in this document are based on currently available information and assumptions about economic conditions in Japan and other countries, industry trends related to our business, and other factors that may affect our performance. These factors are subject to a number of uncertainties, including market conditions, competitive conditions, and the availability of our new products. Therefore, please be aware that actual results may differ significantly from these forecasts.

Inquiries
DAIICHI KIGENSO KAGAKU KOGYO CO., LTD.
Sustainability Division, Strategy Unit
Mail : sustainability4082@dkkk.co.jp



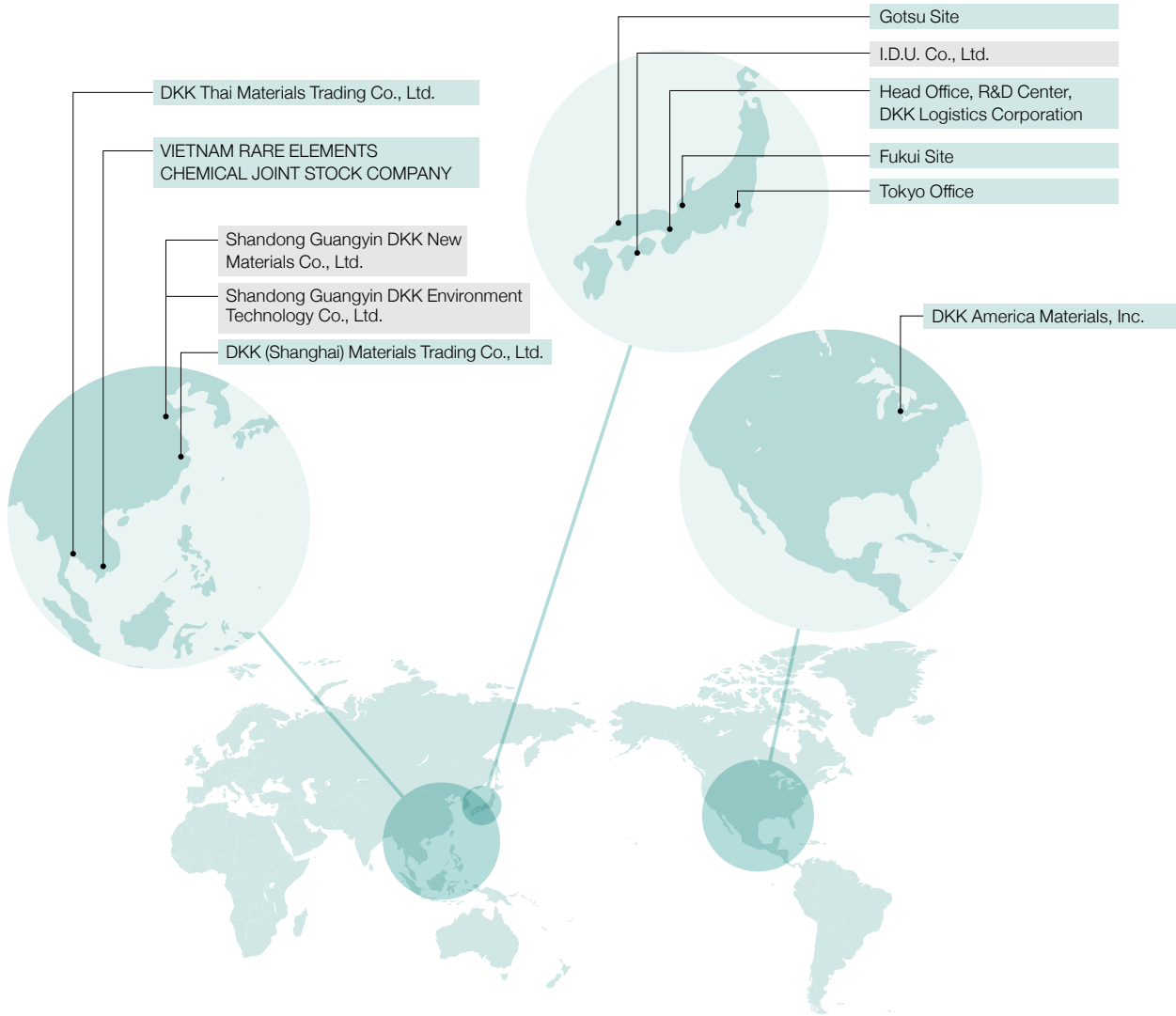
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COMPANY PROFILE AND STOCK INFORMATION

Network

... Scope of consolidation (scope of consolidation for this integrated report)

Name	Address
Head Office	Chuo-ku, Osaka
R&D Center	Suminoe-ku, Osaka
· Sales	
Name	Address
Tokyo Office	Chiyoda-ku, Tokyo
DKK (Shanghai) Materials Trading Co., Ltd.	Shanghai, China
DKK Thai Materials Trading Co., Ltd.	Bangrak, Thailand
DKK America Materials, Inc.	Michigan, USA
· Logistics	
Name	Address
DKK Logistics Corporation	Chuo-ku, Osaka
· Production	
Name	Address
Gotsu Site	Gotsu-shi, Shimane
Fukui Site	Fukui-shi, Fukui
VIETNAM RARE ELEMENTS CHEMICAL JOINT STOCK COMPANY	Ho Chi Minh City, Vietnam
· Associated Companies	
Name	Address
I.D.U. Co., Ltd.	Kochi-shi, Kochi
Shandong Guangyin DKK New Materials Co., Ltd	Shandong, China
Shandong Guangyin DKK Environment Technology Co., Ltd.	Shandong, China



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