President Masamitsu Takahashi

DAI-ICHI CUTTER KOGYO K.K. (1716)

第一カッター興業株式会社

Company Information

Market	TSE 1st
Industry	Construction
President	Masamitsu Takahashi
HQ address	833 Hagisono, Chigasaki-shi, Kanagawa
Year-end	June
Homepage	http://www.daiichi-cutter.co.jp/

Stock Information

Share Price	Shares Outstanding (Excluding Treasury shares)		Total market cap	ROE (Act.)	Trading Unit
2,204 yen	5,691,566 shares		¥12,544 million	13.5%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥27.00	1.2%	¥203.98	10.8 x	¥2,104.74	1.0 x

* The share price is the closing price as of September 11, 2020. The number of shares outstanding is calculated based on those at the end of the latest quarter excluding the number of treasury stock

Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Income Attributable to Owners of Parent	EPS	DPS
June 2017 Act.	12,840	1,412	1,473	900	174.01	15.00
June 2018 Act.	16,283	2,187	2,263	1,487	261.37	25.00
June 2019 Act.	14,871	1,760	1,843	1,251	219.80	20.00
June 2020 Act.	17,440	2,296	2,482	1,523	267.73	25.00
June 2021 Est.	16,860	1,888	1,983	1,160	203.98	27.00

* The estimated values are based on the forecasts made by the Company.
* Unit: million-yen, yen

We will report on the financial results of DAI-ICHI CUTTER KOGYO K.K. for the fiscal year ended June 2020 and the outlook for the fiscal year ending June 2021.

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Key Points

- **In the FY ended June 2020, Net Sales and Operating Income increased 17.3% and 30.5% respectively year-on-year. Under the circumstances in which the performance in transportation infrastructure strongly continued, Sales in the Sawing and Drilling Business rose 21.0% year-on-year with some effects of the ASIRE Corporation becoming a consolidated subsidiary. Operating Income significantly grew, which offset the investment in human capital and resources, and an increase of selling, general and administrative expenses (SG&A) associated with M&A. As the impact of the COVID-19 outbreak remained limited, both Sales and Profits broke the previous highest records. As a result, DAI-ICHI CUTTER KOGYO achieved the quantitative targets (Net Sales, Profits and number of employees) of the Medium-Term Business Plan a year ahead of schedule. The Company will pay a dividend of 25 yen per share (initial forecast at the beginning of the term: 22 yen per share), which was a 5 yen per share increase from the previous term (dividend payout ratio: 9.3%).**

- **In the FY ending June 2021, the Company expects to see both Net Sales and Operating Income decrease 3.3% and 17.8% respectively year-on-year. Although relatively stable orders can be expected for anti-aging work, it is estimated that orders from both private and public sectors will fall over time due to the spread of COVID-19. In terms of Profits, based on the situation that every general contractor expects decreased Profits, the Company anticipates a decrease in the amount of orders (tenders) due to price reduction pressures. As for other impacts, the Company plans to make investments focused on research and development, as well as human resources such as recruitment and training. The Company expects to pay a dividend of 27 yen per share, 2 yen up at the end of term (expected dividend payout ratio: 13.2%).**

- **In the FY ending June 2021, earnings forecasts are conservative. However, demands for repairs in medium to long term will be enormous. Accordingly, the Company's challenge will be to expand the capability for receiving more orders to capture these demands. In the FY ended June 2020, the Company not only achieved its Sales and Profit targets a year ahead of schedule, but also made good progress in securing human resources. Does the Company expect to continue this strong and steady trend? The Company will continue to promote work style reforms and a work-life balance project in line with industry standard and create attractive workplaces. We would like to pay attention to the efforts and results for expanding the capabilities for receiving more orders, such as productivity improvement, research and development, and expanding business fields.**

1. Corporate Overview

DAI-ICHI CUTTER KOGYO is providing maintenance and repair services for social infrastructure based on its expertise in diamond and water jet method, as well as services of building maintenance and reuse and recycling of IT equipment. The diamond method uses industrial diamonds to saw and drill roads and structures. In the conventional concrete crushing method, it was always necessary to be conscious of nuisances such as noise, vibration, dust, but in the diamond method, the operation can be executed safely, speedily, accurately and without having an adverse effect on the environment. On the other hand, the water jet method destroys concrete bonds by jetting water under extremely high pressure. With this method, a concrete structure can be repaired with pinpoint accuracy without damaging reinforcing steels.
The Group includes 5 consolidated subsidiaries, WALLCUTTING Co., Ltd which engages in wire saw and core boring works; KOUMEI Corporation which is strong in offshore engineering (underwater sawing and drilling works); Shin Shin Corporation which is based in Okinawa Prefecture; ASIRE Corporation which is strong in architecture-related water jet method; Movable Trade Networks Corporation which engages in reuse and recycling business; and equity method affiliates Diamond Kiko Corporation.

[Management Philosophy: Aiming to be the best group by contributing to the society with the specialized technologies and high-quality services]
With "aiming to be the best group by contributing to the society with specialized technologies and high-quality services" as its management philosophy, the Group provides specialized technologies at various construction sites with the keywords of "Sawing" "Chipping" "Cleaning" "Stripping" and "Grinding".

Business Policy: We intend to pursue aggressive sales strategies by utilizing our organizational capacity and business development capability.
Construction Policy: We improve our quality construction power.
Safety Policy: We promote the health and safety of our employees.

1-1 Business Overview

The business is divided into several categories, Sawing and Drilling Business, Building Maintenance Business, and Reuse and Recycling Business. The Sawing and Drilling Business is handled by DAI-ICHI CUTTER KOGYO, WALLCUTTING, KOUMEI Corporation, Shin Shin Corporation, ASIRE Corporation, Diamond Kiko and UNIPEC Co., Ltd (100% non-consolidated subsidiary). The Building Maintenance Business is handled by DAI-ICHI CUTTER KOGYO and the Reuse and Recycling Business is handled by Movable Trade Networks respectively.
Sales Distribution Ratio in FY ended June 2020 was 87.8%, 2.1%, and 10.1%.

Sawing and Drilling Business

“Sawing and drilling” refers to the sawing and drilling work necessary for various types of road pavement and the demolition and removal of concrete structures. The Company’s Sawing and Drilling Business mainly focuses on the diamond method using industrial diamond (Diamond Method is a registered trademark of DAI-ICHI CUTTER KOGYO) and the water jet method using water pressure. Wastewater generated from sawing and drilling work is collected and neutralized at a large intermediate treatment facility to be reused as cutting water. Waste generated from sawing concrete is dehydrated and recycled into raw materials for concrete.

The Group operates nationwide. DAI-ICHI CUTTER KOGYO’s sales operation covers all eastern Japan. ASIRE has sales based in Kanagawa and Osaka. WALLCUTTING has sales based mainly in the Tokai region. KOUMEI has sales based in Osaka and the Chugoku and Shikoku regions. Shin Shin has sales based in Okinawa prefecture. Diamond Kiko has sales based in the Kyushu region.

As a contractor, the Group plays a major role in the work and maintenance of infrastructure, and its main clients are general contractors, road contractors, and facility providers. When they receive an order, they order sawing and drilling work of concrete to the Group. Since its clients mainly engage in public works, most of the works carried out by the Group are public works (except ASIRE whose clients are from the private sector). On the other hand, works other than public ones include maintenance of chemical plants, oil refineries, electric power plants as well as cleaning by water jet method. Works are classified into civil engineering works, architecture-related works, urban civil engineering works, road and airport works, and plant maintenance.

Main Clients
TAISEI CORPORATION, OBAYASHI CORPORATION, KAJIMA CORPORATION, SHO-BOND CORPORATION, TEKKEN CORPORATION, TOTETSU KOGYO CO., LTD., JFE Engineering Corporation, IHI Infrastructure Systems Co., Ltd., Nomura Real Estate Partners Co., Ltd., Taisei Rotec Corporation, KAJIMA ROAD CO., LTD., Sankyu Inc., Mitsubishi Jisho Community Co., Ltd., Mitsui Fudosan Residential Service Co., Ltd., NIPPO CORPORATION, THE NIPPON ROAD Co., Ltd., SHIMIZU CORPORATION, Sumitomo Mitsui Construction Co., Ltd. (in random order).

Civil Engineering Work DAI-ICHI CUTTER KOGYO undertakes repair and removal services for large structures, such as bridge, port and dam, as well as sawing and drilling services under special environments such as underwater operation. In those specific cases, services are carried out by the Company's exclusive engineers.
Architecture-Related Work Various kinds of services for demolition and renewal works are carried out, such as demolition work of a building, base isolation work, seismic retrofit, repair work, and new construction. In addition, the Company can carry out service which is difficult by conventional methods, using alternative methods suitable for reducing the environmental load on the surrounding facilities.
Urban Civil Engineering Work The Company constructs civil engineering related works in urban infrastructure, such as railway operation, waste treatment facility, and waterworks facility, and is also involved in environment-related works that can be handled in total from planning to operation.
Road and Airport Construction The Company carries out various types of sawing and surface treatments for road repair, removal of deteriorated concrete, core drilling for installing lights, runway grooving at airports and others. Its strength is its ability to be able to do the operation even under specific conditions thanks to unique equipment such as grooving machines and custom-made vehicles for core drilling.
Maintenance of Production Facilities In the maintenance of production facilities, the Company carries out cleaning for plant maintenance, fireless sawing for remodeling work, repainting of floors, and substrate treatment. The Company ensures the quality and safety of the work by stationing certified workers for industrial cleaning.

Building Maintenance Business
DAI-ICHI CUTTER KOGYO is the only one in the group which handles with this business. In complex housing and office buildings, the Company carries out drain pipe cleaning, water tank cleaning, water supply facility inspection, floor cleaning, fiberscope survey, mechanical pit cleaning and so on services.

Reuse and Recycling Business
Reuse and Recycling Business is undertaken by Movable Trade Networks, a non-consolidated subsidiary, not subject to the equity method, and two non-equity method affiliates. In the Reuse Business, used IT-related equipment and office automation equipment, such as tablets, PCs, server, and liquid crystal displays (LCD displays), are purchased mainly from companies, and this equipment are sold mainly to corporate clients after data erasing and repairing. The Company also provides data erasing services of IT-related equipment and office installation services of office automation equipment mainly for corporate clients. Used products that are difficult to reuse are dismantled and then sold to material manufacturers. Afterwards, material dealers carry out intermediate processing and recycling. The items that the Company sells to recyclers range from general materials to "rare metals" such as gold, silver, cobalt and others.

1-2 Technology (The Company's original method) - Diamond Method and Water Jet Method -

Diamond Method

The method is to saw and drill roads or structures by using an industrial diamond. Based on the five basic methods of flat sawing, core drilling, wall sawing, wire sawing, and grooving, the Company has developed a wide variety of diamond methods with its unique ideas.

The tools used in the diamond method are "Diamond Blade", "Diamond Bit", and "Diamond Wire", each of which uses diamond segments. "Diamond Blade" is a blade whose edge is attached with segments made by hardening diamond powder with metal bond. The object is cut by rotating "Diamond Blade" at high speed (using different sizes depending on the type of material and the depth of sawing). "Diamond Bit" is a cylindrical tool with a cutting edges of diamond tips. It is rotated at a high speed to bore an object (using different bits depending on the size of a hole and the depth of the hole). "Diamond Wire" is made by attaching beads made by sintering diamond segments with metal bond to a wire at fixed intervals. "Diamond Wire" can cut any object even in a complicated shape.

Water Jet Method

In this method, high-speed water, pressurized and compressed by a high-pressure water generator and jetted from a nozzle, is used for chipping and washing. This method is attracting attention from the industry as an excellent method with consideration for the environment, because it has features such as generating less distortion, few microcracks, and less vibration.
The Company uses the system in a wide range of fields, including civil engineering, architecture, plant maintenance and the environment. In civil engineering and architecture, it is used in concrete removal, molding (opening through concrete walls, selective demolition of concrete structure), surface treatment, coating removal, cleaning, and others. In plant maintenance, it is used in cleaning work (including scale removal, and others.) of plant equipment such as tank reactors, and others. In addition, this method can be used for sawing metal (abrasive sawing), so it can be deployed in places where fire is strictly prohibited.

Less Vibration	Unlike the impact crushing by breakers, rock drills, and others, it is characterized by the mechanism to crush cement mortar bond of concrete by the energy of ultra-high-pressure water jetted from the nozzle.
Minimal Impact on the Structure	Since deformation, strain and residual stress given to the object are small and microcracks are hardly generated, it is possible to work with the minimized impact on the structure.
Pinpointed Removal	By setting the appropriate pressure and flow rate, only the deteriorated part of the concrete can be removed with pinpoint accuracy without damaging the reinforcing steels.
Removing only Coating and Stains	By adjusting the pressure, only the coating or stains of the object can be removed.
Remote Operation	Remote operation of the machine is easy because the nozzle does not contact with the object. This allows operation in curves and on curved surfaces with uniform quality.

2. Fiscal Year ended June 2020 Earnings Results

2-1 Consolidated Earnings

	FY 2019	Ratio to Sales	FY 2020	Ratio to Sales	Y-on-Y	Initial Forecast	Compared to Forecast
Net Sales	14,871	100.0%	17,440	100.0%	+17.3%	15,700	+11.1%
Gross Profit	4,782	32.2%	5,840	33.5%	+22.1%	-	-
SG&A	3,021	20.3%	3,543	20.3%	+17.3%	-	-
Operating Income	1,760	11.8%	2,296	13.2%	+30.5%	1,730	+32.8%
Ordinary Income	1,843	12.4%	2,482	14.2%	+34.7%	1,856	+33.8%
Profit attributable to owners of parent	1,251	8.4%	1,523	8.7%	+21.7%	1,080	+41.1%

* Unit: million yen

17.3% increase in Sales and 30.5% increase in Operating Income year-on-year

Net Sales were 17,440 million yen, up 17.3% year-on-year. Although the sales in the Reuse and Recycling Business decreased 5.9% year-on-year due to a review of underperforming projects, the sales in the Sawing and Drilling Business, the Company's core business, rose 21.0% year-on-year, mainly in transportation infrastructure work. In addition, the sales in the Building Maintenance Business that had been affected by COVID-19 outbreak increased 6.2% supported by the steady growth up to the third-quarter.

In terms of Profit, an increase in the operating rate in the sawing and drilling work and an effect of reviewing underperforming projects in the Reuse and Recycling Business caused Gross Profit Margin to improve 1.3 point. Operating Income was 2,290 million yen, up 30.5% year-on-year. Increases in expenditures in research and development and human capital development such as recruitment and training to improve technological capabilities, and selling, general and administrative expenses (SG&A) associated with the M&A were covered. Non-Operating Income improved due to an increase of Equity Method Income from 30 million yen to 120 million yen year - on-year as the joint venture company in the Reuse and Recycle Business became an equity method affiliate. Although Extraordinary Losses stood 100 million yen, including 80 million yen from loss on valuation of investment securities, Net Income rose 1,520 million yen, up 21.7% year-on-year.
EBITDA (Income before Interest, Taxes, Depreciation and Amortization), the indicator which the Company considers important, was 2,980 million yen, up 32.7% year-on-year (2,250 million yen in the previous term).

The Company will pay a dividend of 25 yen per share (initial forecast at the beginning of the term: 22 yen per share), which is a 5 yen per share increase from the previous term (dividend payout ratio: 9.3%).

2-2 Segment Earnings Trends

	FY 2019	Ratio to Sales/ Profit Ratio	FY 2020	Ratio to Sales/ Profit Ratio	Y-on-Y
Sawing and Drilling Work	12,654	85.1%	15,311	87.8%	+21.0%
Building Maintenance	337	2.3%	358	2.1%	+6.2%
Reuse and Recycling	1,879	12.6%	1,769	10.1%	-5.9%
Consolidated sales	14,871	100.0%	17,440	100.0%	+17.3%
Sawing and Drilling Work	2,317	18.3%	2,853	18.6%	+23.1%
Building Maintenance	36	10.9%	25	7.1%	-30.5%
Reuse and Recycling	1	0.1%	92	5.2%	+4951.5%
Adjustments	-596	-	-674	-	-
Consolidated operating income	1,760	11.8%	2,296	13.2%	+30.5%

* Unit: million yen

Sawing and Drilling Business

Sales: 15,310 million yen (up 21.0% year-on-year); Segment Profit: 2,850 million yen (up 23.1% year-on-year). The impact of COVID-19 outbreak on the business was limited. Sales in transportation infrastructure such as expressways, and railroad and airport work went up 34%. In addition, Sales in industrial infrastructure increased 29% and also in basic (living) infrastructure rose 12% with the contribution of ASIRE Corporation, now the Company's consolidated subsidiary. The Company reached the highest Sales in the absence of similar special factor like that of fiscal year ended June 2018. In terms of Profits, selling, general and administrative expenses (SG&A) increased due to the inclusion of ASIRE Corporation as a consolidated subsidiary and investment in human resources development under the Medium-Term Business Plan, which were covered by increased Sales and improvement of profitability achieved by increasing work operating rate.

(Source: the reference material of the Company)

Building Maintenance Business

Sales: 350 million yen (up 6.2% year-on-year); Segment Profit: 25 million yen (down 30.5% year-on-year). Although both Sales and Profits had remained at record-high level until the third-quarter, a large number of projects were cancelled because of the COVID-19 outbreak in the fourth-quarter. Furthermore, an increase of periodic projects that operated on weekdays became a burden in terms of Profits.

Reuse and Recycling Business

Sales of goods: 1,760 million yen (down 5.9% year-on-year); Segment Profit: 92 million yen (1 million profit in the previous term). Under the situation of decreased Sales due to the COVID-19 outbreak, the expense of transferring major operation yards was recorded, however, profitability was significantly improved by reviewing underperforming projects.

2-3 Financial Condition and Cash Flows (CF)

Financial condition

	June 2019	June 2020		June 2019	June 2020
Cash	5,698	6,348	Payables	718	637
Receivables	2,480	2,640	Taxes Payable	240	502
Inventories	574	468	Retirement Provisions & Liabilities	520	577
Current Assets	8,913	9,630	Interest-Bearing Liabilities	1	36
Tangible Assets	3,326	4,063	Lease Obligations	26	64
Intangible Assets	104	466	Liabilities	2,348	2,985
Investment & Others	960	1,373	Net Assets	10,956	12,548
Noncurrent Assets	4,391	5,903	Total Liabilities and Net Assets	13,304	15,533

*Unit: Million-yen

Total Assets at the end of term went up 2,220 million yen from the end of the previous term to 15,530 million yen. Major contributing factors were an increase of Cash and Deposits because of increased Free Cash Flows, increased property, plant and equipment through the capital investment and the increased Goodwill due to the inclusion of ASIRE Corporation as a consolidated subsidiary. An increase of investment securities due to the acquisition of stocks of non-consolidated subsidiary also became a major factor. In Liabilities and Net Assets, Income Tax Payables and Retained Earnings increased. Equity Ratio was 77.1% (79.3% at the end of the previous term).

Cash Flows (CF)

	FY 2019	FY 2020	Y-on-Y	
Operating Cash Flow	1,231	2,515	+1,284	+104.3%
Investing Cash Flow	-649	-1,699	-1,050	-
Financing Cash Flow	-179	-198	-18	-
Term End Cash and Equivalents	5,698	6,316	+617	+10.8%

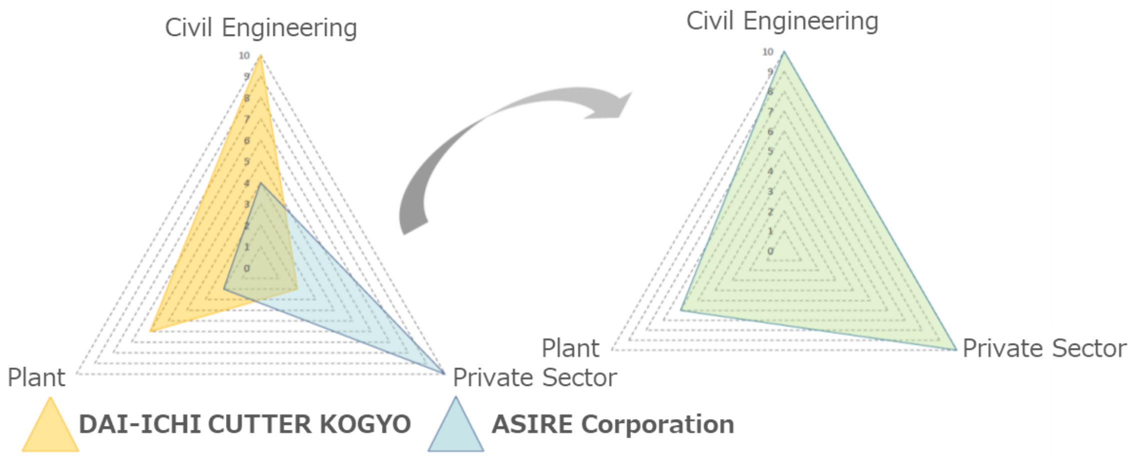
* Unit: million yen

An Operating CF of 2,510 million yen was secured with Pre-Tax Profit of 2,390 million yen (1,840 million yen in the previous term), Depreciation of 500 million yen (400 million yen in the previous term), Income Taxes Expense of -490 million yen (-850 million yen in the previous term). Investing CF included equipment investment, expenses incurred for making ASIRE Corporation a consolidated subsidiary and acquiring stocks of non-consolidated subsidiary. Financing CF consisted mainly of payment of dividends.

2-4 ASIRE Corporation and UNIPEC Co., Ltd. became subsidiaries

ASIRE Corporation

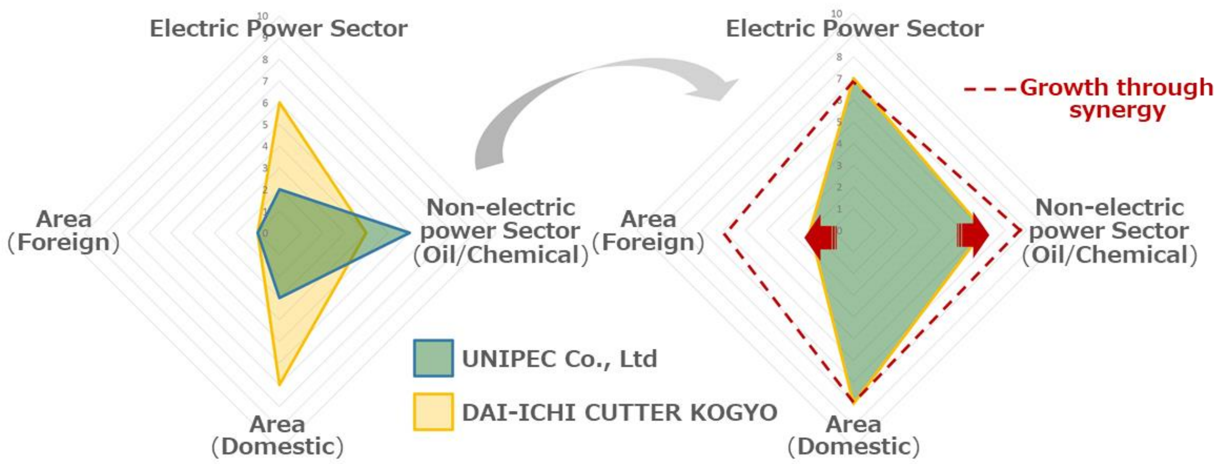
ASIRE Corporation (Yokohama City, Kanagawa Prefecture), which became a wholly owned subsidiary in July 2019, has sales offices in Kanagawa and Osaka, and is engaged in the exterior wall-related building and concrete chipping business using the water jet method, and building interior/exterior cleaning business. ASIRE has a majority of clients in the private sector, where DAI-ICHI CUTTER KOGYO is relatively weak, and the client bases are complementary to each other. ASIRE's former president who is its founder will retire from the board of directors, but he will continue to play a supportive role for two years as chairman, and the new president will be promoted internally. One full-time director, one part-time director, and one part-time corporate auditor will be seconded from the parent company. In addition, the Group will strategically promote mutual replacement of engineers between the parent company and ASIRE.



(Source: the reference material of the Company)

UNIPEC Co., Ltd.

UNIPEC Co., Ltd. (Higashinada-ku, Kobe City, Hyogo Prefecture), which became a subsidiary in April 2020, specializes mainly in the pig method (inserting a pig inside a pipe and applying pressure to run it inside the pipe to remove scale) and the shot-run method (cleaning of the inner and external surfaces of a pipe with abrasives on swirling airflow), and handles the inner and external surfaces cleaning work for piping, heat exchangers, heating furnace boilers, reactors and others in plants. The pig method can provide one-stop manufacturing, design, and construction. The sales base is in Hyogo prefecture, but the operation area extends from Hokkaido to Okinawa and Southeast Asia. The UNIPEC's founding owner will continue to serve as an advisor for two years. The new president will be transferred, and two part-time directors and one part-time auditor will be seconded from the parent company. Information on plant-related sales will be exchanged between the parent company and UNIPEC to develop mutual sales.



(Source: the reference material of the Company)

3. Fiscal Year ending June 2021 Earnings Forecasts

3-1 Consolidated Earnings

	FY 2020 Act.	Ratio to Sales	FY 2021 Est.	Ratio to Sales	Y-on-Y
Net sales	17,440	100.0%	16,860	100.0%	-3.3%
Operating Income	2,296	13.2%	1,888	11.2%	-17.8%
Ordinary Income	2,482	14.2%	1,983	11.8%	-20.1%
Profit Attributable to Owners of Parent	1,523	8.7%	1,130	6.7%	-23.8%

*Unit: million yen

Net Sales are expected to decrease 3.3% year-on-year, Operating Income is expected to decrease 17.8%

Net Sales were 16.86 billion yen, down 3.3% year-on-year. Although relatively stable orders can be expected for anti-aging work that is not urgently required, it is expected that the owner-related fields will remain weak due to a decrease in Income caused by the new corona virus (COVID-19) outbreak. In addition, with regard to public investment, it is expected that the budget allocation for construction investment will decrease from the next fiscal year due to the budget allocation for COVID-19 related measures.

Operating Income was 1.88 billion yen, down 17.8% year-on-year. Given that general contractors are expecting a decline in Profits, the Company anticipates a decrease in the amount of orders (tenders) due to price reduction pressures. The Company aims to maintain profitability by focusing on new methods and fields in which it enjoys a comparative advantage, and it intends to continue to aggressively invest in carefully selected areas centered on research and development, and human capital development such as recruitment and training to improve technological capabilities.

The Company plans to pay a dividend of 27 yen at the end of the fiscal year, which is an increase of 2 yen per share (projected dividend payout ratio of 13.2%).

4. Progress of Medium-term Business Plan (from FY2019 to FY2021) and future strategy

Outline of Medium-term Business Plan

DAI-ICHI CUTTER KOGYO is part subcontractors who dispatch engineers directly. However, it has established a unique position specializing in sawing and drilling work as a “specialized construction industry,” and the formation of a group of engineers with high technical capabilities essential for sawing and drilling work is the key to growth. For this reason, the Company’s Medium-term Business Plan is pursuing four basic strategies with a focus on human capital.
The quantitative targets for Sales, Profits, number of employees and others were achieved a year ahead of schedule in FY ended June 2020, but DAI-ICHI CUTTER KOGYO will continue to further strengthen its activities in the transportation infrastructure and industrial infrastructure sectors in the Sawing and Drilling Business (increasing the Sales Composition Ratio). In addition, growth investment (human capital, productivity improvement, expansion of business fields, and research and development) will continue. The Company will also fulfill its responsibilities for CSR and SDGs through a disaster recovery volunteer system and disaster support agreements with public institutions. Regarding transportation infrastructure and industrial infrastructure, the Company aims to raise the Sales Composition Ratio in the FY ending June 2024, 5 years later, to 50% (FY ended June 2018 living infrastructure : transportation infrastructure and industrial infrastructure = 56.9%: 43.1%).

4-1 Quantitative Targets

	FY 2019 Plan	FY 2019 Act.	FY 2020 Plan	FY 2020 Act.	FY2021 Plan
Net Sales	14,318	14,871	15,700	17,440	17,400
Operating Income	1,624	1,760	1,730	2,296	1,910
Operating Profit Margin	11.3%	11.8%	11.0%	13.2%	11.0%
Profit Attributable to Owners of Parent	1,014	1,251	1,080	1,523	1,190
EPS	178.24	219.80	189.75	267.73	209.08
Number of Employees (Consolidated)	500	501	525	568	550

*Unit: Million-yen, yen, person

The quantitative targets for all items were achieved a year ahead of schedule in FY ended June 2020, the second year of the Medium-term Business Plan.

4-2 Sales Composition Ratio by Infrastructure

	FY 6/16	FY 6/17	FY 6/18	FY 6/19	FY 6/20
Living Infrastructure	62.0%	59.1%	56.9%	58.9%	54.8%
Transportation Infrastructure	23.5%	26.6%	27.0%	29.0%	32.2%
Industrial Infrastructure	14.6%	14.3%	16.1%	12.1%	12.9%

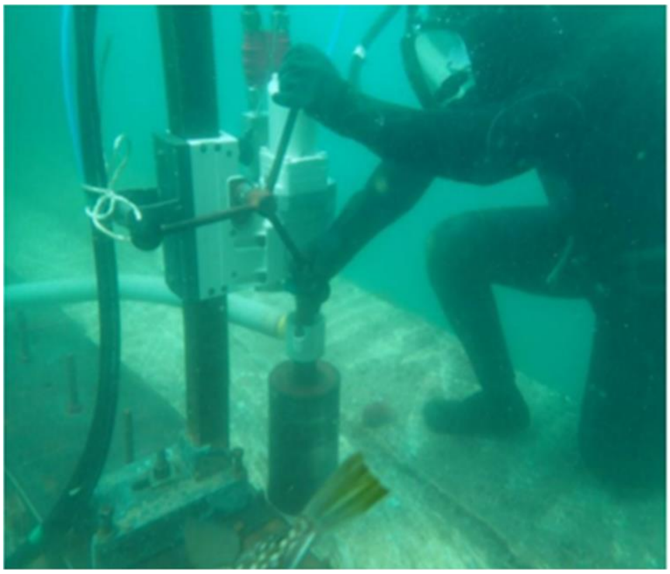
The sales composition ratio of transportation infrastructure is increasing year by year because the demand of measures against the deterioration of expressways (renewal of floor slabs and earthquake resistance), redevelopment of railways, and strengthening of airport functions due to increasing inbound tourists etc. were captured. As for anti-aging measures, we are proceeding with a sales strategy to secure systematic sales, and the results are becoming apparent.

4-3 Growth Investment

	Content	FY 2019 Act.	FY 2020 Plan	FY 2020 Act	FY 2021 Plan	3 years accumulative
Human Resource Development	Recruitment and Training	¥170 million	¥100 million	¥200 million	¥100 million	¥470 million
Productivity Improvement	Improvement of workplace environment and promotion of work style reforms	¥400 million	¥300 million	¥410 million	¥300 million	¥1,110 million
Expansion of Business Fields	Establishment of new offices, M&A	¥120 million	¥700 million	¥870 million	¥200 million	¥1,190 million
Research and Development	Investment in R&D and new technologies	¥30 million	¥50 million	¥80 million	¥50 million	¥160 million
Total		¥720 million	¥1,150 million	¥1,560 million	¥650 million	¥2,930 million

As a result of aggressively investing in human resources (engineers), the Company's core competence, the actual result was 1.56 billion yen in FY ended June 2020, the second year of the Medium-term Business Plan. As a result of the acquisition of two companies in FY ended June 2020, the cumulative investment forecast for 3 years is expected to increase to 2.93 billion yen (when the Medium-term Business Plan was formulated, it was planned to be 2 billion yen in 3 years).

In research and development, DAI-ICHI CUTTER KOGYO released "ECOA," an eco-friendly water pressure-driven drilling method (initiatives related to "Goal 6," "Goal 9," "Goal 14" and "Goal 15" in the 17 SDGs). Conventionally, hydraulic pressure (oil) was used to drive the machine, and oil scattering at the time of rupture was a big risk, but since ECOA is a water pressure-driven drilling, there is no risk of environmental pollution at the time of rupture. In addition, the Company is working on "visualization" of experienced workers' skills. It has already completed the visualization of operation procedures and movements of eyes and body parts, and is now using it for employee training (initiatives related to "Goal 5," "Goal 8" and "Goal 13" in the 17 SDGs).



(Source: the reference material of the Company)

Investment Effect and Future Agendas

Regarding human resources development, mid-career recruitment improved, and the retention rate increased. The Company intends to support recruitment activities by further improving the working environment, and to further improve the retention rate by diversifying career paths. Regarding productivity improvement, the monthly volume index (target 1.7 million yen ⇒ actual 2.04 million yen) and productivity per unit time (target 1,700 yen ⇒ actual 17,019 yen), which are KPIs, improved. In the future, it will be necessary to achieve results with optimized placement for reducing working hours. In research and development, DAI-ICHI CUTTER KOGYO will use ECOA, an eco-friendly water pressure-driven drilling method the Company has developed at actual worksites to generate Sales. In expansion of business fields, the Company strengthened the private sector and the industrial infrastructure units through M&A and will continue to gather M&A related information and promote overseas business expansion (plant).

4-4 SDGs Activities

DAI-ICHI CUTTER KOGYO aims to contribute to the achievement of the SDGs based on the idea that "as a player who supports social infrastructure, contributions to stakeholders including local communities are the repayment of favors and are indispensable for continuing its business in the future." Specifically, the Company provides "Eat Out Grants" to employees (initiatives related to "Goal 8," "Goal 11" and "Goal 17" in the 17 SDGs), and intermediate processing services with carbon offset (initiatives related to "Goal 6," "Goal 11," "Goal 12" and "Goal 13" in the 17 SDGs).

The Eat Out Grants encourage employees to use nearby restaurants to support small restaurants in the area suffering from the COVID-19 outbreak. Meanwhile in the intermediate treatment service with carbon offset, carbon offset is applied to the intermediate treatment service of sludge generated during the cutting process. DAI-ICHI CUTTER KOGYO provides free carbon offset as an ancillary service for the collection and treatment of sludge. While the intermediate disposal service for sludge alone reduces the environmental burden, the Company aims to further contribute to the global environment.

4-5 Future Strategy

While responding to the impact of the COVID-19 infection, DAI-ICHI CUTTER KOGYO will continue to work on human resource strategy, productivity improvement, research and development, and expanding business fields.

Impact of the COVID-19 Outbreak and Countermeasures

Both the private and public orders are expected to gradually fall. However, since orders for anti-aging repairment is expected to be more stable than construction for other purposes including new construction, the business policy of the Medium-term Business Plan (focus on transportation and industrial infrastructure) is considered to be effective even as a countermeasure against COVID-19 and will be continued. DAI-ICHI CUTTER KOGYO will also build a business structure to minimize the impact of employee infection. The Company will aim to minimize close contact in its business activities, specifically through remote work for employees other than engineers, online meetings, measures to prevent droplet infection, minimization of contact between outside and inside work, maintenance of action records, abolition of gathering events across regions and others. In addition, the Company will continue employee training after taking measures against infectious diseases.

Human Resources Strategy

DAI-ICHI CUTTER KOGYO will promote work style reforms and a work-life balance project in line with the industry standards. In work style reforms, the Company will promote a work style reform that precedes the following industry regulations from the viewpoint that it is necessary to have an attractive workplace compared to other industries in order to secure human resources.

	2019	2020	2021	2022	2023	2024	
						Special case (up to 6 times per year)	In principle
Per year	Up to 960 hours (80 hours per month on average)			Up to 840 hours (70 hours per month on average)		Up to 720 hours (60 hours per month on average)	Up to 360 hours (30 hours per month on average)
Average in several months	6 months including work on holidays Up to 80 hours on average for each			4-6 months including work on holidays Up to 80 hours on average for each		2-6 months including work on holidays Up to 80 hours on average	—
1 month (industry)	Less than 100 hours including work on holidays					Less than 100 hours including work on holidays	Less than 45 hours including work on holidays
1 month (our company)	Stepwise reduction of overtime working hours to less than 45 hours beyond the industrial standards (FY6/21 Less than 60 hours)					As above	As above

(Source: the reference material of the Company)

On the other hand, in the work-life balance project, the Company aims not only to comply with overtime regulations but also to pursue a more attractive working style compared to other industries.

【Proposed Plan】	2020	2021	2022	2023	2024
Control of Overtime	60 Hour /month	55 Hour /month	50 Hour /month	45 Hour /month	45 Hour /month
Status Management of Working Hours					
Development of advanced working hours management system					
Flexible acquisition of paid leave	System Design	Trial Operation	Full scale Operation		
Complete weekly two-day holiday system	System Design	Trial Operation	Full scale Operation		
Base Up	Already in Practice	Necessary to consider alongside control of overtime			
Expansion of retirement allowance system	System Design	System Design	Operation under consideration		

(Source: the reference material of the Company)

In addition to the above, in order to improve productivity, DAI-ICHI CUTTER KOGYO is building a system that can handle everything from sales activities to orders/dispatch management, slip creation, billing processing, and credit management. In research and development, the Company will increase the size of the trial construction/R&D yard and develop new methods and new technologies through the project method. In expanding the business fields, the Company will promote overseas business expansion and M&A. In overseas business expansion, the Company will focus its research on plants in Southeast Asia. In M&A, the Company will target specialized constructors with the 5 keywords of cutting, chipping, cleaning, stripping, and grinding, companies operating around the construction in the supply chain (research, designing, and maintenance), and companies with specialized technologies, systems, and clients.

5. Conclusions

The Company presents cautious earnings forecast for FY ending June 2021 as the private and public orders are expected to gradually fall. However, according to media reports, about 70 trillion yen will be required over the next 30 years to maintain and renew roads, which are important lifelines in the event of a disaster. In addition, the deterioration of bridges is also serious, and it is said that about 10% of approximately 120,000 bridges nationwide will need to be repaired by 2023.

As the demand for repairs is enormous even just for transportation infrastructure that the Company is focusing on, its medium to long term growth strategy is rightly focused.

Even if FY ending June 2021 becomes a temporary lull, the demand for repairs in the medium to long term is enormous, and the challenge for the Company is to expand the capacity to receive more orders to capture these demands. In FY ended June 2020, the Company not only achieved its Sales and Profit targets a year ahead of schedule, but also made good progress in securing human resources. The Company will continue to promote work style reforms and the work-life balance project in line with industry standards and create attractive workplaces. We would like to pay attention to the efforts and results for expanding the capability for receiving more orders, such as productivity improvement, research and development, and expanding business fields.

<Reference: Corporate Governance>

◎Organization type, and the composition of directors and auditors

Organization type	Company with an Audit & Supervisory Board
Directors	5 directors, including 2 outside directors
Auditors	3 auditors, including 2 outside auditors

◎Corporate Governance Report (last updated on October 7, 2019)
Basic Concept
The Company recognizes that building a corporate governance system that enables coexistence and co-prosperity with stakeholders, such as clients, shareholders, local communities, and employees, and improving corporate value over the medium to long term is an important management issue. In addition, in order to ensure the transparency and soundness of management, they appointed outside auditors and outside directors to strengthen management monitoring functions.

<the Principles of the Corporate Governance Code which the Company doesn't Carry out and the Reasons >
[Principle 1 -4. Strategically held shares]
As a general rule, they do not strategically hold shares. However, if it is determined that maintaining and strengthening stable business relationships in total consideration of the nature and scale of transactions will contribute to the improvement of the Company's corporate value, the Company may strategically hold shares of its clients. The Board of Directors examines each year whether the shares held by the Company contribute to the improvement of corporate value. If it is judged that the holding of the shares is no longer meaningful, as a result of the examination, the Company will proceed with selling the shares as deemed appropriate. Regarding the exercise of voting rights in shares held by the Company, the Company will exercise the voting rights after examining whether there is any possibility of damaging the Company's corporate value.

[Principle 5 -1. Policy on constructive dialogue with shareholders]
The Company's Corporate Planning Department is in charge of investor relations. For shareholders and investors, it holds semiannual financial results briefings and hold individual meetings. In addition, the Company recognizes that in order to promote constructive dialogue with shareholders and investors, building and maintaining trusting relationships with them is important, and that for this purpose, it is essential to appropriately disclose information. In order to put this awareness into practice, in addition to disclosure based on laws and regulations, the Company actively discloses information deemed important to shareholders and other stakeholders (including non-financial information) as well as actively discloses management strategies and the state of management on its website.
The design and disclosure of policies concerning the development of organizational structure and its initiatives to promote constructive dialogue with shareholders will be subject to future consideration.

<The Principles of the Corporate Governance Code which the Company Disclosed>
Principle 3 -1. Enhancement of Information Disclosure
(i)The Company's corporate philosophy and other information are disclosed on the Company website and in the financial results explanatory materials.
(ii)Basic policies on corporate governance are disclosed on the Company website and in the report on corporate governance.
(iii)The compensation for directors and corporate auditors is determined by resolution of the board of directors within the limit defined at the shareholders meeting, with due consideration of contribution of each director and their business performances in view of future management strategies.
The above information is disclosed in the Securities Report.
(iv)The Company does not stipulate the policies and procedures for nominating candidates for directors and corporate auditors in its internal rules, but the board of directors selects candidates who are capable of fulfilling the duties and responsibilities of directors and corporate auditors who have abundant experience and high insight with excellent character.
(v)Reasons for selecting candidates for directors and corporate auditors are disclosed in the notice of convocation of the general meeting of shareholders

The back issues of the Bridge Report (DAI-ICHI CUTTER KOGYO: 1716) and the contents of the Bridge Salon (IR Seminar) can be found at :www.bridge-salon.jp/ for more information.