



# INTEGRATED REPORT 2023

# OUR PURPOSE

## An unchanging mission that responds to change

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Our business is strongly connected to "solving social issues" and "creating a sustainable society."

Amid the rapidly changing global situation, all group companies and employees will continue to take on the challenge of fulfilling their respective missions based on our management philosophy, with the aim of becoming a global comprehensive infrastructure manufacturer that leads the industry.

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## | Management Philosophy |

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### **Valuing technology and trust, make concerted efforts to develop the company, and widely contribute to society**

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Since our founding, our management philosophy has been to “aim to be a company that contributes to society by respecting the skills and trust that have been passed down to us.”

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## | Company Principles |

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### **Trust   Reliability   Harmony**

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“To be a trusted company”

“Carry out reliable work”

“In the spirit of harmony and cooperation”

PhilosophyIn order to actualize our founding spirit and management philosophy through our daily work, we uphold “Trust, Reliability, Harmony” as the guiding principles for our employees.

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#### □ Editorial policy

This report was created with the intention of conveying the Group's value creation story in an easy-to-understand manner to a wide range of stakeholders, including shareholders and investors. The automobile industry is currently said to be undergoing a once-in-a-century period of transformation. It describes how we will respond to these turbulent times and how we will realize a sustainable society by leveraging our group's collective strengths. We value the opportunity to have dialogue with everyone, using the integrated report as a starting point. We would appreciate it if you could give us any feedback that you may have.

**Organizations reported:** This reports on the activities of the Kyokuto Kaihatsu Group, centered on Kyokuto Kaihatsu Kogyo Co., Ltd., including our domestic and overseas affiliated companies.

**Period of report:** April 1, 2022 to March 31, 2023  
(Some articles include content from April 2023 onwards.)

**Target readers:** To all stakeholders involved with the Kyokuto Kaihatsu Group

**Date of issue:** Published: Month: Publication date: October 2023

[Reference guidelines]  
ISO26000 Guidelines, Ministry of the Environment Environmental Reporting Guidelines (2018 Edition), Ministry of Economy, Trade and Industry "Guidance for Collaborative Value Creation", IIRC "International Integrated Reporting Framework"



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Taking on the challenge of renewable energy that leads to solutions for both regional and environmental issues

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What should be done to develop human resources who will be responsible for creating value for society

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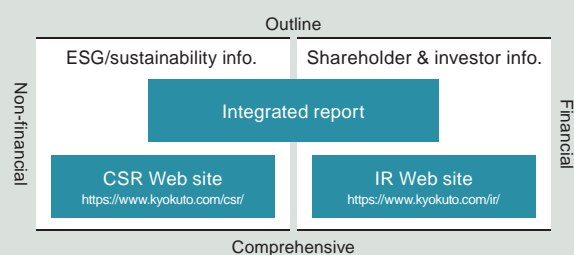
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## □ Information Disclosure System



## □ Kyokuto Kaihatsu Group Website/Social Media

Japanese

<https://www.kyokuto.com/>

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English

<https://www.kyokuto.com/en/>

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Updated with the latest information.  
Kyokuto Kaihatsu Kogyo official  
social media account



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TATSUYA NUNOHARA

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Representative Director, President, CEO  
Kyokuto Kaihatsu Kogyo Co., Ltd.

# KYOKUTO TOP MESSAGE

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## Becoming a global comprehensive infrastructure manufacturer by supporting an ever-changing society with an unchanging mission

In our long-term management vision, we declare that our goal by 2030 is to become a "industry-leading global comprehensive infrastructure manufacturer that contributes to the realization of a sustainable society" based on "outstanding technological capabilities" and "unwavering quality." This shows us the path we should take, and it is also the image of the company we wish for the company to become. As the world and industry continue to change, our mission from the time of our founding to support infrastructure remains unchanged. We view recent major changes in the social environment as "opportunities," and continue to be a group that creates value by working to help resolve existing social issues.

### ■ FY2022 was affected by stagnation in chassis production due to soaring prices and semiconductor shortages

For the fiscal year ending March 2023, group sales were 113,089 million yen and operating income was 991 million yen. This was the result of the impact of soaring prices from raw materials and energy, as well as longer truck chassis delivery times due to a shortage of semiconductors. Under these circumstances, in order to maintain the quality of our products and continue to provide products that satisfy our customers, with the understanding of our customers, we have revised our selling prices in stages from last year to date.

We expect the supply of truck chassis to gradually recover. It is important to constantly obtain information from the ever-changing market and increase productivity while eliminating waste and unreasonableness. Fortunately, due to the relationships of trust we have cultivated with truck manufacturers, we have a system in place to cooperate with each other, so we hope that through this effective cooperation, this will have a positive impact on our business results.

On the other hand, although issues such as soaring prices continue to remain, the infrastructure that supports society and the economy must continue to be maintained. In addition to these, proactive solutions are needed to address growing risks such as climate change and other disasters. Keeping in mind the mission of contributing to the development of infrastructure that is essential for people's lives, we will pursue both the realization of a sustainable society and the growth of our group.

### ■ Continuing to challenge new technologies to respond to changes in the industry

It has been a while since the automobile industry was said to be undergoing a once-in-a-century period of transformation, but in order to continue to meet the ever-changing market needs, we will be left behind if we continue to make the same products as before. In particular, automobiles, including our own special purpose vehicles, are now part of the essential infrastructure for society, and at the same time, they are also a source of large amounts of CO2 emissions, which is a cause of global warming. For example, in the past, dump trucks tended to be heavy due to an emphasis on sturdiness, but recently there has been a demand for environmental performance such as reduced CO2 emissions and loading efficiency. In addition, the logistics industry is also undergoing changes such as legislation related to the shortage of drivers and a review of work styles. We need to take some measures to address these problems, such as increasing the size of vehicles. In order to quickly respond to this ever-changing environment, we are currently planning to start a technical center in Toyota City, (Aichi Prefecture) to conduct research and development in special purpose vehicles. At this facility, tests of developed products that had previously been conducted through simulations and partial tests will be conducted in full-scale, actual operation, allowing us to identify and improve defects that could not be anticipated using conventional methods in the shortest possible time. With this facility, we will achieve the solid quality and outstanding technical capabilities as set forth in our long-term management vision. We aim to become a manufacturer that achieves this, significantly shortens the development cycle, and generates high competitiveness.

## ■ Becoming a company that all stakeholders, including employees, can be proud of

In February 2023, we moved our head office from Nishinomiya City, Hyogo Prefecture to Osaka City, Osaka Prefecture. Although it was sad to leave the place where we have grown together since 1957, we are not only getting closer to our customers and have better access to information, but we are also looking forward to improving our Business Continuity Plan (BCP) and security. The decision to relocate was also taken into consideration to counter business risks such as the strengthening of the company's operations etc.

The effects of relocation are also reflected in human performance, such as recruitment activities and employee motivation. Especially from now on, it will become more difficult to secure human resources. I feel that we must focus on improving operational efficiencies and promoting diversity using DX (digital transformation) as priority issues. For example, digital tools are becoming more important than ever in sales activities. The use of tablets and other devices not only allows for more detailed proposals to be created more quickly, but also improves the quality of communication itself. Successful results at work also lead to a person's sense of fulfillment and motivation, so it is necessary to make more effective use of digital transformation.

In terms of work styles and diversity, I feel it is important to create an environment where all employees, regardless of gender, can achieve greater work levels and to help provide motivation for them to become managers. As men's childcare leave is gradually becoming more commonplace, I feel that it needs to become more widespread and we need to change to a society where men take part in childcare as a matter of course. Additionally, unfortunately, there are very few female managers and leaders at this stage, but from now on we would like to encourage more female employees to aim for managerial positions. To this end, we are improving the workplace environment and conducting "unconscious bias training". On the other hand, since last year we have had a female director serve as an outside director. I feel that the Board of Directors have become more lively than ever before because we can now express opinions from a different perspective than men.

Although this initiative is not directly related to business results, we have begun a new sponsorship of the Osaka Philharmonic Orchestra as a cultural contribution. I think the development of Osaka, our new base, will energize us as well. I feel that protecting and nurturing Osaka's culture is a major responsibility as a company.

## ■ Development of products and services centered on carbon neutrality

In Japan, I feel that the expansion of the special purpose vehicle market has reached its limit. In this environment, it is not easy to significantly increase market share. So the next thing we are thinking about is taking on the challenge of overseas markets. Currently, overseas sales account for approximately 10% of sales in the special purpose vehicles business, with India and Indonesia performing particularly well.

In India, where growth is expected to continue to be driven by domestic demand, supported by population growth, we would like to continue to focus on increasing production capacity.

In our environmental equipment and systems business, we have been constructing and managing the operation of recycling facilities ordered by municipalities across Japan.

In recent years, population decline and depopulation have created new issues regarding the operating efficiency of garbage collection and treatment facilities, and we are beginning to take new measures to address these issues. We are also working to expand the availability of renewable energy. To date, we have delivered new energy facilities using biomass and biogas power generation facilities that utilize livestock manure and food waste. New projects are currently underway. We will continue to focus on proposals that meet local needs in order to further create a sustainable society that is resilient to climate change and disaster risks.

In the car parking systems business, we announced an EV charging equipment installation and charging management service for multilevel parking systems and toll parking. Although Japan is an advanced automobile country, the reality is that the spread of EV cars is slower than in Europe and the United States. This situation can be highlighted from the lack of charging spots in the city. In order to further popularize EV cars, which are expected to have a significant effect on global warming, we, as a manufacturer of multi-story parking lots for condominiums, need to respond to this situation as soon as possible.

We believe that pro-actively developing products and services that contribute to help solving social issues in each of our businesses, including carbon neutrality will lead to increase both of our corporate and social value. We must not only reduce CO2 emitted directly from business activities, such as installing solar panels and storage batteries at factories, but also work to reduce CO2 from a value chain perspective, such as product use and facility operation.

# KYOKUTO TOP MESSAGE

## ■ Cherishing the group's harmony" Aiming for further corporate growth by strengthening our synergies

The medium-term management plan lists "strengthening synergies among the group" as an important area. The technical center I mentioned earlier also serves as a place to maximize synergy effects. In other words, it is a place where the technological capabilities of both Kyokuto Kaihatsu Kogyo and NIPPON TREX are combined. The same is true for manufacturing overseas, and I believe it is important to consciously combine the best parts of each organization. The words "trust," "reliability," and "harmony" in our company principles are very

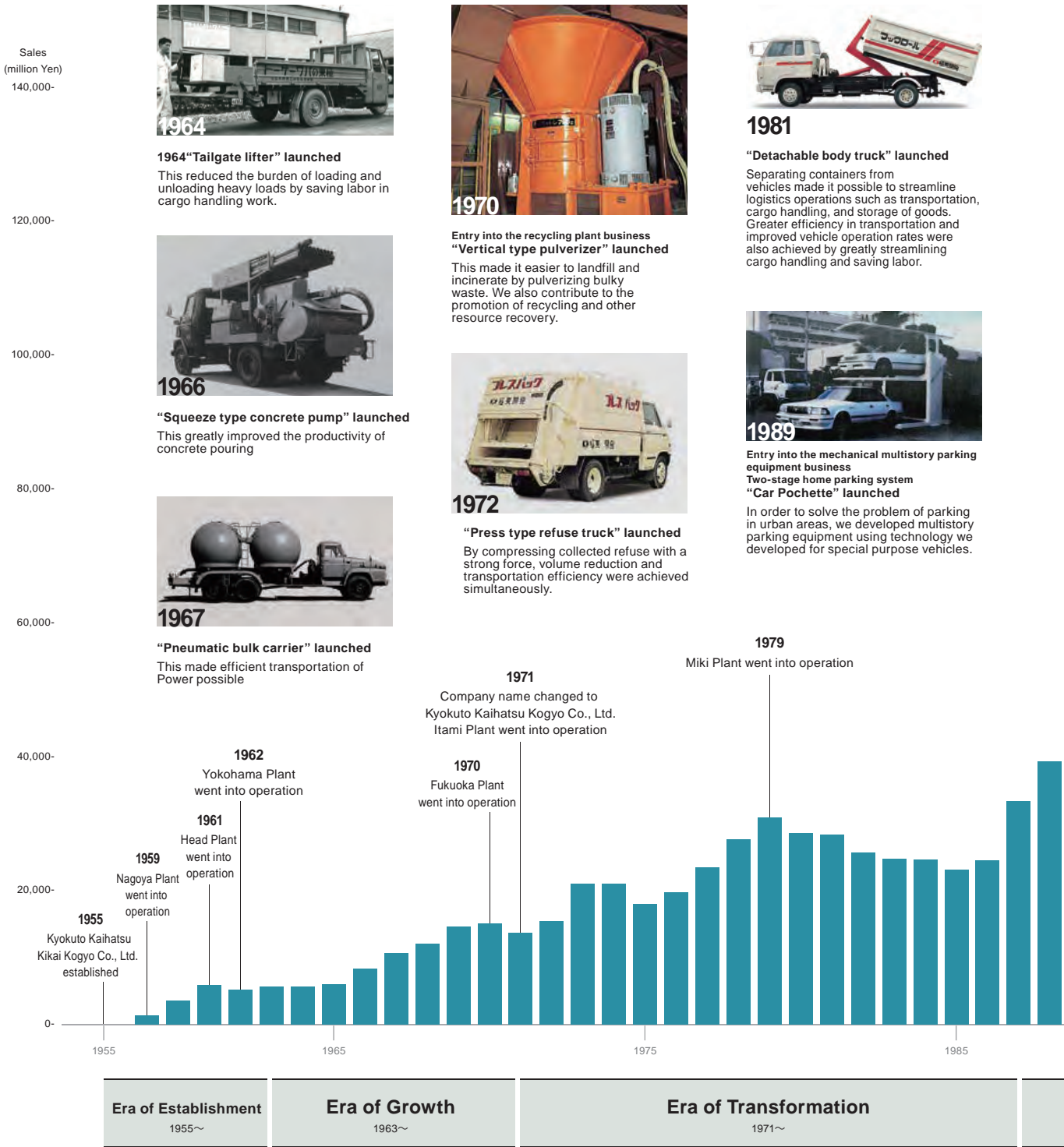
meaningful words, but they are also essential concepts for us to grow as a group. Based on the spirit of our management philosophy and company principles, which we have cherished since our founding, we will continue to speedily provide technology and products with the mission of supporting people's infrastructure, and work to create a sustainable society.

We appreciate your continued understanding and support for our group.



# History of Growth

The Kyokuto Kaihatsu Group has always provided products that meet the needs of society and contribute to its development. We will continue to flexibly respond to the changing times and contribute to the realization of a sustainable society.



# GROWTH HISTORY



1991

## "Single car carrier truck" launched

By lowering the loading platform to the ground level, it can be used to load low-height luxury cars and sports cars.



1998

## "CG1000 tailgate lifter" launched

Even though it is a van-type truck equipped with tail gate lifter, the rear door can be opened and closed at any time, so it can connect to dock shelters\*. "An air-tight device for filling the gap between the loading platform of a vehicle and the loading port of a warehouse or factory."



2017

## "25-m double-trailer truck" launched

Capable of transporting two large trucks with a single vehicle. Reduced CO2 emissions and fuel consumption by approximately 40% while maintaining the logistics volume.



2020

## "Refuse truck safety support system" launched

Improved safety and workability have been achieved by adopting high-performance cameras and AI to detect "people."



2022

## Head Office moved to Osaka

We moved our head office to Osaka for the purpose of BCP measures and further securing human resources.

2022  
Head Office moved to Osaka

2020

SATRAC ENGINEERING PRIVATE LIMITED (India) included in Group

2018

Hokuriku Heavy Industries, Ltd. included in Group

2016

Mori Plant Co., Ltd. included in Group

2012

PT. Kyokuto Indomobil Manufacturing Indonesia (Indonesia) established

2007

NIPPON TREX Co., Ltd. included in Group

2003

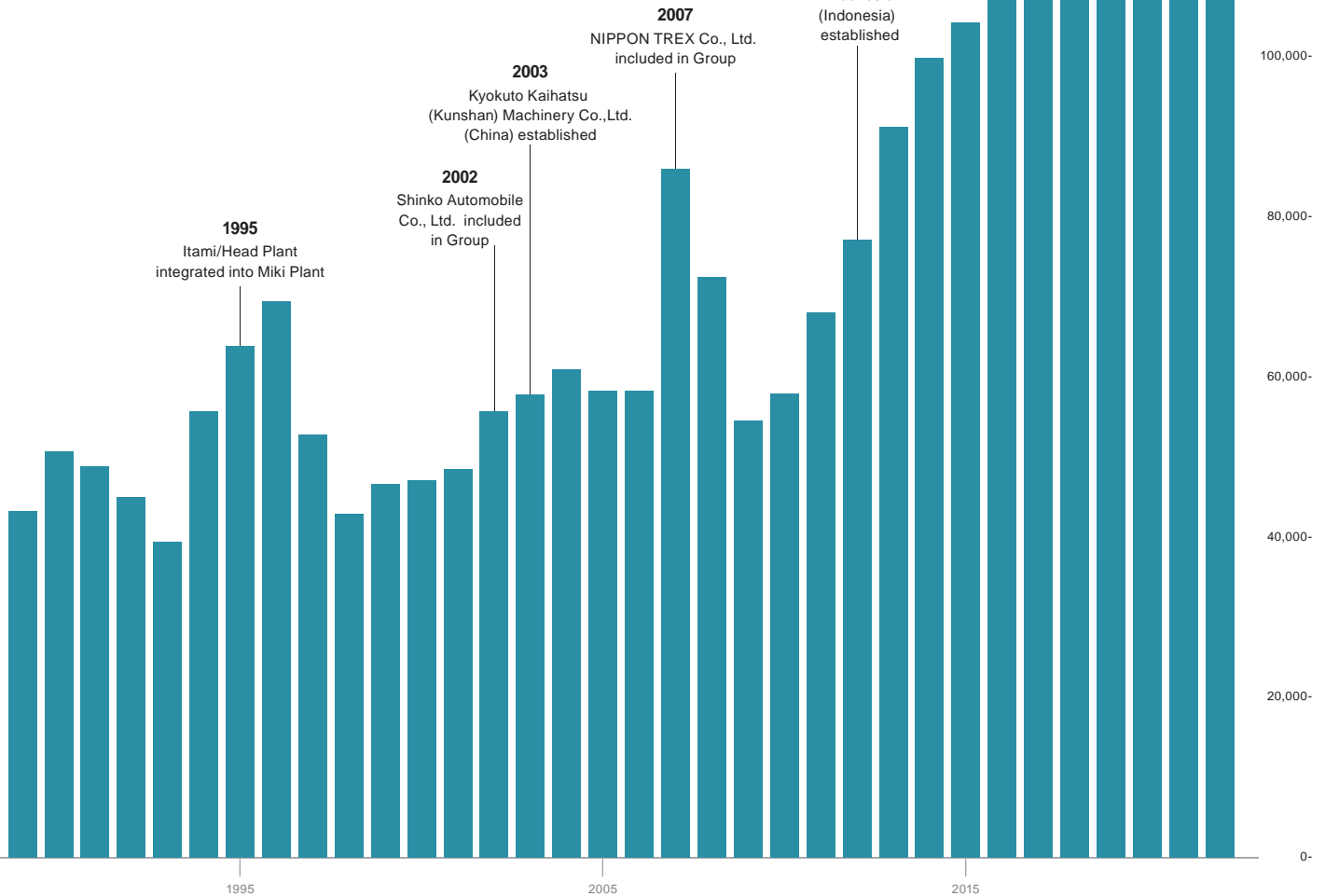
Kyokuto Kaihatsu (Kunshan) Machinery Co., Ltd. (China) established

2002

Shinko Automobile Co., Ltd. included in Group

1995

Itami/Head Plant integrated into Miki Plant



Top Message

KYOKUTO  
Group Foundation

Vision and  
Growth Strategy

Business Strategies

Sustainability  
Initiatives

Governance  
Initiatives

Data Collection  
Corporate Profile

<b>Era of Integration</b> 1987~	<b>Era of Selection and concentration</b> 1995~	<b>Era of Sustainable Growth</b> 2006~
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## Our Group's Strengths

The Kyokuto Kaihatsu Group has its own unique capital that has been accumulated throughout its history. These capital are the strengths that allows us to meet the expectations of our stakeholder and a source of sustainable growth.

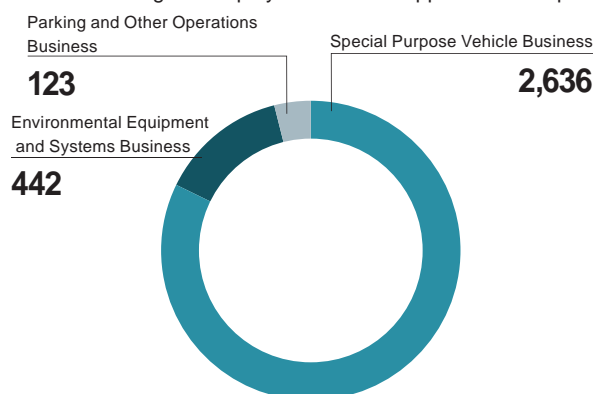
### Human Capital



**Employees 3,201**

\*As of the end of March 2023 (consolidated)

A diverse range of employees work to support the Group.



### Intellectual Capital



**R&D expenses 1,583 million yen**

\*FY2022 results (consolidated)

We are engaged in research and development activities in fields so that we can respond quickly to the needs of society.



**Number of applications for Industrial property rights: 115**

(Special Purpose Vehicles Business: 103, Environmental Equipment and Systems Business: 7, Parking and Other Operations Business: 5)

### Social and Relationship Capital



**Number of organizations joined: 189**

\*As of March 2023 (Kyokuto Kaihatsu Kogyo non-consolidated)

Aiming to collect information in various fields and contribute to local communities, we join various organizations and promote activities in cooperation with them.

### Natural Capital



**Solar power generation 4,528,470kWh**

\*FY2022 results (Total of Kyokuto Kaihatsu Kogyo and NIPPON TREX)

Our group is also working to produce clean energy by introducing solar power generation systems at former factory sites and factories. Kyokuto Kaihatsu Kogyo Miki Plant will continue to make new capital investments and contribute to a carbon-neutral society, such as solar panels that will be installed in fiscal 2023 using a pond near the Miki Plant.

### Manufacturing Capital



**Capital investment 11,804 million yen**

\*FY2022 results (consolidated)

Aggressive capital investments are being made to strengthen and improve the efficiency of our production system, to expand our service system, to cope with risks such as aging and deterioration of each site, and to introduce new technologies.



**Service Factories 366 companies 433 locations**

(Special Purpose Vehicles Business)  
\*As of the end of March 2023 \*Kyokuto Kaihatsu Kogyo service factory

In cooperation with service factories throughout Japan, we have established a system to respond quickly to product troubles.

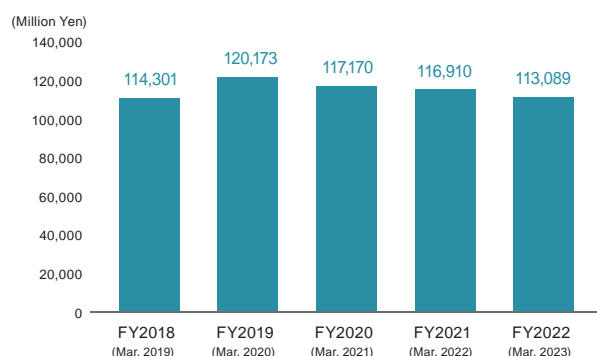
# GROUP STRENGTHS

## Consolidated Financial Highlights

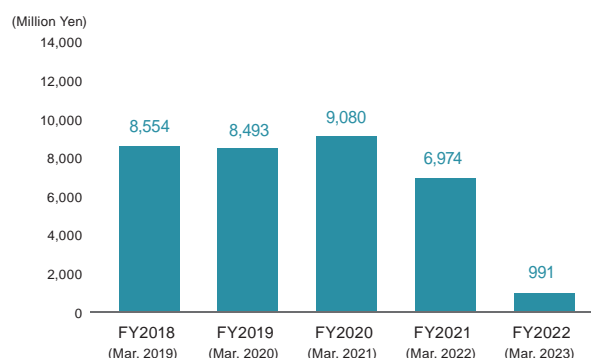
We are building a sound financial base that supports sustainable growth.

### Financial Capital

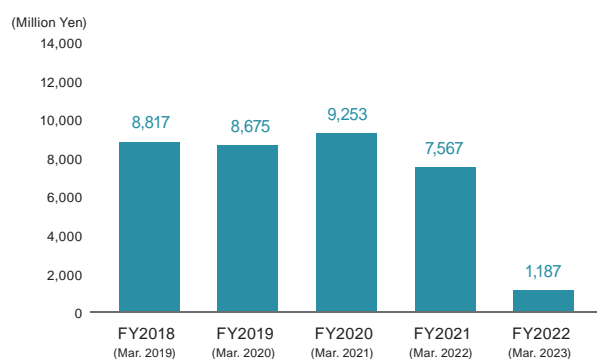
#### Sales



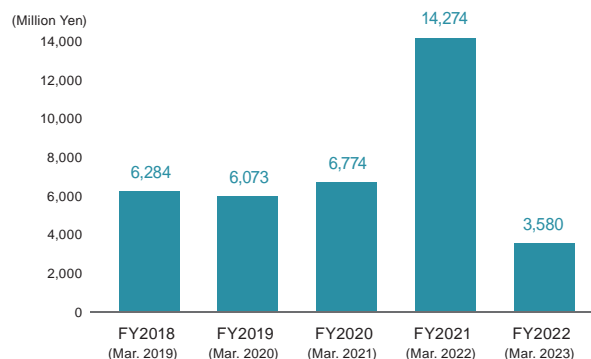
#### Operating profit



#### Ordinary income



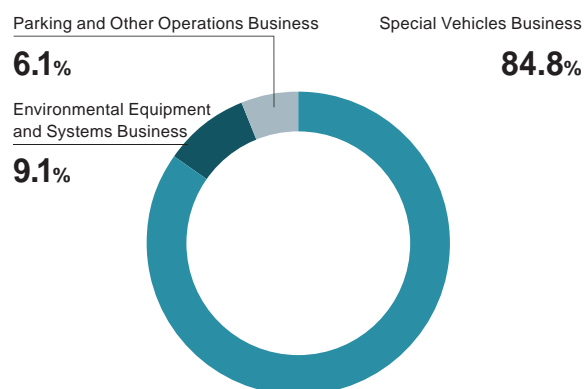
#### Net income attributable to owners of parent



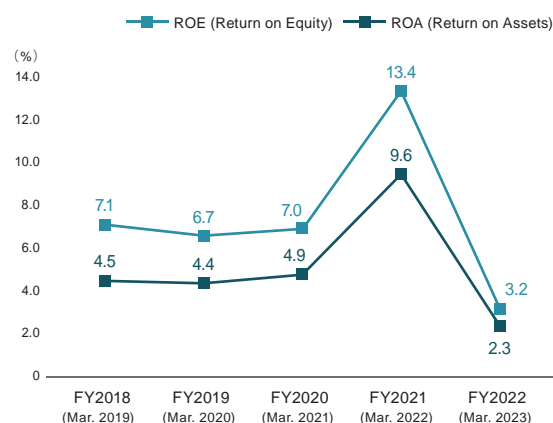
\*In FY2021 (fiscal year ended March 31, 2022), a gain on sale of fixed assets of 13,223 million yen was recorded.

#### Sales breakdown by segment FY2022

(fiscal year ended March 31, 2023)



#### ROE/ROA



\*In FY2021 (year ending March 2022), a gain on sale of fixed assets of 13,223 million yen was recorded.

# Value Creation Model

Management Philosophy

Value technology and trust, make concerted efforts  
to develop the company, and widely contribute to society



# VALUE CREATION MODEL

Top Message

KYOKUTO  
Group Foundation

Vision and  
Growth Strategy

Business Strategies

Sustainability  
Initiatives

Governance  
Initiatives

Data Collection  
Corporate Profile

## Business Model

### Environmental Equipment and Systems Business

### Car Parking Systems Business

## Output/Outcome

**FY2022  
Output/Outcome**  
[Performance]FY2022

10,327 6,895



96,447  
■ Special Purpose Vehicles Business  
■ Environmental Equipment and Systems Business  
■ Parking and Other Operations Business ▷ P12

\*Intragroup sales of 5.81 million yen were eliminated on consolidated basis.

### E Environmental contribution

■ CO<sub>2</sub> reduction: 4.4% reduction  
(Compared to FY2013)

\*Calculated based on output level (CO<sub>2</sub> emissions/sales)

■ Resource recycling rate: 97.0%

▷ P80

### S Contributing to people

■ Ratio of female employee ratio: 11.0%

■ Satisfaction with work-life balance: 58.1%

■ Percentage of employee taking paid leave: 74.2%

▷ P80

### G Strengthening our business foundation

■ Capital investment: 11,804 million yen

■ No. of applications for industrial property right: 115

▷ P11

OUTPUT

## Kyokuto Kaihatsu Group SDGs Declaration

▷ P26

## Kyokuto Kaihatsu 2030 —

Business Performance Vision

Sustainability Vision

▷ P27-28

## Plan

— Creating The Future As One —

▷ P29-30

Human Capital

Intellectual  
Capital

Social and  
Relationship  
Capital

Natural Capital

Manufacturing  
Capital

Financial  
Capital

▷ P11-12

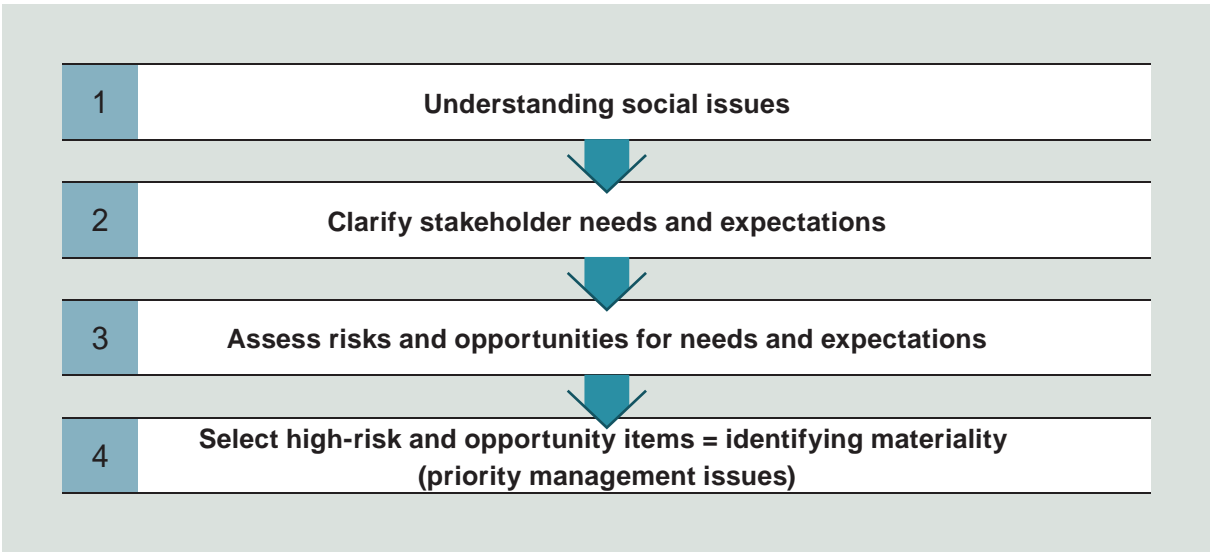
# Kyokuto's Sustainability Management

■ Risks and opportunities/Materiality

Our Group has incorporated sustainability at the core of its business strategy and is implementing sustainability management to meet the diverse needs and expectations of stakeholders in the context of social challenges. Our aim is to achieve both the realization of a sustainable society and the enhancement of our Group's social value by fulfilling the principles of social responsibility for the core subjects related to our stakeholders.

Core Subject	Principles of Social Responsibility
(1) Organizational governance	(1) Accountability
(2) Human rights	(2) Transparency
(3) Labor practices	(3) Ethical actions
(4) The Environment	(4) Respect for interests of stakeholders
(5) Fair business practices	(5) Respect for the rule of law
(6) Consumer issues	(6) Respect for international norms of conduct
(7) Community participation and cooperation	(7) Respect for human rights

■ Flow of Identifying Materialities (Priority Management Issues)



- (1) Understand the impact the SDGs and various challenges facing a sustainable society has on our Group.

(2) Based on the international guideline standard for social responsibility, ISO 26000, the needs and expectations of the Group's stakeholders in realizing a sustainable society are clarified through questionnaires and interviews.
- (3) With regard to clarified needs and expectations, the magnitude of risks and opportunities are assessed from the two perspectives of "degree of interest and importance for stakeholders" and "degree of impact for the Group."

(4) Based on the results of risk and opportunity assessments, items of high risk and opportunity are selected as materialities (priority management issues). Materialities approved by the Board of Directors after deliberation by the Sustainability Committee (see below).

Referenced Framework, Guidelines, etc.

- GRI Standard
  - ISO26000
  - Sustainable Development Goals (SDGs)
  - The 10 principles of the United Nations Global Compact (UNGC)
- OECD Guidelines for Multinational Enterprises
  - Task Force on Climate-related Financial Disclosures (TCFD)
  - International Integrated Reporting Council (IIRC) "International Integrated Reporting Framework"

# Responding to Risks and Opportunities [Organizational Governance]

## ■ Understand social issues

As policies and guidelines related to information disclosure are revised, not only the promptness of disclosure and the reliability of data, but also "easy to understand" factor are now required. On the other hand, there is a trend toward organizational consolidation and overseas expansion in order to achieve corporate targets, and the impact that business activities have on and are received from society has become larger and more complex.



<b>Stakeholder needs and expectations</b>	<ul style="list-style-type: none"> <li>■ Active stakeholder engagement, respecting needs and expectations</li> <li>■ Continuation of business activities and stable, future-oriented management</li> <li>■ Timely and appropriate information disclosure</li> <li>■ Dissemination of information with consideration for privacy and appropriate information management without leakage or fabrication</li> <li>■ Diversity in management, etc.</li> </ul>
<b>Risks and opportunities</b>	<ol style="list-style-type: none"> <li>(1) Serious violation of obligations to comply with laws, regulations, group regulations, etc.</li> <li>(2) Inappropriate information disclosure and lack of transparency</li> <li>(3) Failure to achieve medium- to long-term and single-fiscal year management targets</li> <li>(4) Deterioration of business efficiency due to mismatch of processes with objectives and goals</li> <li>(5) Inappropriate management judgment</li> </ol>
<b>Action</b>	<ul style="list-style-type: none"> <li>■ Monitoring of materiality by the Sustainability Committee</li> <li>■ Expanding and strengthening the Group's information disclosure media</li> <li>■ Applications and integration of ISO management system to each group company</li> <li>■ Promotion of inner branding</li> <li>■ Business Continuity Management (BCM)</li> <li>■ Improving information security</li> <li>■ Promoting stakeholder engagement</li> <li>■ Response to third-party evaluation</li> </ul>

## Responding to Risks and Opportunities [Human Rights]

### ■ Understand social issues

Employees and users are becoming increasingly diverse due to the declining birthrate, aging population, and changes in the social environment. In addition, the number of work style options is increasing due to the spread of unknown infectious diseases such as the novel coronavirus and seasonal influenza, and the accompanying development of remote work. As economic globalization progresses, business opportunities are increasing, both directly and indirectly, to be involved in human rights and environmental issues unique to countries and regions.



<b>Stakeholder needs and expectations</b>	<ul style="list-style-type: none"> <li>■ Respect for human rights</li> <li>■ Respond to human rights issues appropriately</li> <li>■ Avoid complicity in human rights violations</li> <li>■ Eliminate discrimination</li> </ul>
<b>Risks and opportunities</b>	<ul style="list-style-type: none"> <li>(1) Human rights violations due to harassment</li> <li>(2) Promoting growth opportunities for individuals and companies by recognizing unconscious bias</li> <li>(3) Difficulty in hiring and separation/retirement due to lack of work style options</li> <li>(4) Being complicit in human rights issues through procurement activities</li> <li>(5) Relief from human rights violations by establishing a system for relief and support</li> </ul>
<b>Action</b>	<ul style="list-style-type: none"> <li>■ Implementation of human rights due diligence</li> <li>■ Improving female recruitment ratio</li> <li>■ Strengthening anti-harassment measures</li> <li>■ Promoting sustainable procurement</li> <li>■ Expansion of management system regarding conflict minerals</li> <li>■ Adoption of universal design in workplaces, products and services</li> <li>■ Establishment of a consultation desk for group companies</li> </ul>

# Responding to Risks and Opportunities [Labor Practices]

## ■ Understand social issues

Problems in the supply chain, such as regional conflicts and semiconductor supply shortages, have direct and indirect impact on the Group's production plans and cause long working hours. The labor shortage seen in the domestic manufacturing industry in general, and the resulting increase in the number of inexperienced, foreign, and elderly workers, is a similar trend in our group. The proportion of workers with less experience is also increasing.



<b>Stakeholder needs and expectations</b>	<ul style="list-style-type: none"> <li>■ Guaranteed workers' rights</li> <li>■ Consider occupational health and safety</li> <li>■ Appropriate evaluation and compensation for labor</li> <li>■ Developing worker skills and creating motivation</li> </ul>
<b>Risks and opportunities</b>	<ol style="list-style-type: none"> <li>(1) Increase in accidents, injuries, and mental illnesses caused by excessive fatigue caused by long working hours</li> <li>(2) Increase in the number of people leaving their jobs and loss of employment opportunities due to long working hours, etc.</li> <li>(3) Improving safety and productivity by strengthening measures to address the diversification of human resources, including inexperienced and elderly workers</li> <li>(4) Improved employee motivation by increasing communication between the employees and the management</li> <li>(5) Increase in health problems such as lifestyle-related diseases due to changes in lifestyle habits and working environment</li> <li>(6) Improving productivity and creativity through appropriate staffing and skill development</li> </ol>
<b>Action</b>	<ul style="list-style-type: none"> <li>■ Operation of occupational safety and health management system</li> <li>■ Thorough management of working hours</li> <li>■ Improving automation rate in production process</li> <li>■ Conducting dialogue with labor unions and employees</li> <li>■ Promotion of health management</li> <li>■ Promotion of taking paid leave</li> </ul>

# Responding to Risks and Opportunities [Climate Change and Environment]

## ■ Information disclosure in line with TCFD recommendations

Our group has expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and is promoting information disclosure based on the TCFD framework, while working to strengthen engagement with stakeholders.



## ■ Understanding social issues

In order to achieve carbon neutrality by 2050, the Japan Auto Body Industries Association, of which our group is a member, set its own targets based on the Paris Agreement, and simultaneously established a subcommittee and has held frequent study sessions for member companies. On the other hand, the direction for decarbonizing trucks has not yet been determined, and there are many uncertainties regarding the power source for the bodywork. Due to the effects of global warming, it is becoming essential for our group and our suppliers to take measures to prevent heatstroke among factory workers.

## ■ Stakeholder needs and expectations

- Presentation of medium- to long-term plans for carbon neutrality by 2050 from industry organizations
- Requests from major business partners for carbon neutrality and appropriate management of environmentally hazardous substances

## ■ Governance

Our Group recognizes that responding to environmental issues, including climate change, is one of our key management issues, and has established the

"Long-term Management Vision —**Kyokuto Kaihatsu 2030**—" and the

"Medium-term Management Plan 2022-24 —*Creating The Future As One*—".

The Sustainability Committee (chaired by the Representative Director, President, CEO), which reports directly to the Board of Directors, determines plans and monitors the status of climate change risks and opportunities for assessment, management, and improvement.

\*Climate change risks and opportunities are handled by the Carbon Neutral/Environmental Issues group within the Sustainability Committee.

## ■ Strategy

### ■ Definition of temporal perspectives

Our Group uses the following criteria as a time perspective when determining risks and opportunities.

Short-term: Within approximately one year. Annual goals that are formulated and reviewed every year

Medium-term: One to three years. Medium-term goals are reviewed every three years

Long-term: three to nine years. Long-term goals over five years

### ■ Impact of risks and opportunities on business, strategy and financial planning

Our Group relies on the automobile-related business for more than 80% of its sales, and climate-related risks include anticipated operational shutdowns and declines in sales, as well as risks and opportunities related to resource circulation and ecosystems. We define matters that affect corporate value from a medium- to long-term perspective as having a significant financial or strategic impact. The threshold is less than 5% of net-sales and a financial impact of 30 million yen or more.

### ■ Resilience of strategies based on various climate-related scenarios, including the below-2°C scenario

Our group has developed a strategy that assumes that the average global temperature will rise by 1.5°C compared to preindustrial revolution levels.

"Transition risk" refers to the risks that occur when the social system changes toward a decarbonized society. In addition, the risks associated with climate change, such as heat waves, droughts, floods, storms, and sea level rise, are defined as "physical risks," and the Sustainability Committee is working to develop countermeasures for each of the anticipated risks and opportunities.

## ■ Risk Management

Classification of Risk		Business Impact		Possibility of occurrence	Impact on business	Responding to risks
Major classification	Minor classification	Index	Consideration			
Transition risks	Price of carbon	Expenditure *1	<ul style="list-style-type: none"> <li>The introduction of a carbon tax on procurement materials and the fuel for its transportation, increases transportation costs.</li> <li>Manufacturing costs increase in countries where the price of carbon is high.</li> </ul>	High	Low	<ul style="list-style-type: none"> <li>Monitoring of carbon price policy trends</li> </ul>
	Changes in the energy mixes	Expenditure	<ul style="list-style-type: none"> <li>Changes in emission factors due to energy mix affect CO2 emission reduction targets, and lead to review of electricity supply and demand contracts, which in turn increase electricity costs.</li> </ul>	High	Low	<ul style="list-style-type: none"> <li>Promoting energy conservation</li> <li>Switching to low-emission power plans</li> </ul>
Physical risks	Rise in average temperature	Expenditure	<ul style="list-style-type: none"> <li>The cost of measures related to room temperature control, such as heatstroke in plants, will increase.</li> </ul>	High	Low	<ul style="list-style-type: none"> <li>Expansion of air conditioning systems in plants</li> <li>Insulation measures for factory buildings</li> </ul>
	Droughts and other water stress	Revenue*2	<ul style="list-style-type: none"> <li>Due to abnormal drying, demand for sprinkler trucks for dust control of roads and forestation maintenance increases.</li> </ul>	High	Low	<ul style="list-style-type: none"> <li>Expansion of water tank truck production lines</li> </ul>
	Intensification of abnormal weather	Expenditure Revenue	<ul style="list-style-type: none"> <li>If damage to inventory or production facility troubles occur due to frequent torrential rains or typhoons, repair and restoration costs will increase.</li> <li>If there is an abnormality in the supply of materials due to damage to outsourcing contractors and the supply chain, plant operations will be suspended or stalled.</li> <li>There will be increased demand for relief water tankers and vehicles for collecting disaster waste for areas affected by the overflow of rivers and flooding damage.</li> <li>Demand for special purpose civil engineering vehicles will increase as urban infrastructure for disaster prevention is expanded.</li> </ul>	Very Low	Low	<ul style="list-style-type: none"> <li>Risk assessment within your company and supply chain</li> <li>Measures against water into plants</li> <li>Expansion of water tank truck production lines</li> <li>Renewal of body production line for mid-sized rear dump trucks</li> </ul>
	Changes in biodiversity	Expenditure	<ul style="list-style-type: none"> <li>Due to a pandemic caused by an unknown pathogen, business activities may be suspended or stagnant, resulting in lower sales and a decline in trust with stakeholders.</li> </ul>	Medium	Low	<ul style="list-style-type: none"> <li>Promotion of staggered work hours and telecommuting</li> <li>Promotion of online meetings</li> </ul>

\*1 Expenditure: Negative impact on revenue \*2 Revenue: Positive impact on profit

## ■ Indicators and Targets

<ul style="list-style-type: none"> <li>Metrics for assessing risks and opportunities in line with strategies and risk management processes</li> </ul>	<ul style="list-style-type: none"> <li><b>Carbon neutral</b> CO2 emissions in FY2024: -10% compared to 2020 CO2 emissions in FY2030: -38% compared to 2013 *Output level (emissions/sales)</li> <li><b>Recycling</b> Waste recycling rate of 99.0% or more</li> <li><b>Waste</b> Prohibiting use of hazardous substances, restricting use of plastic</li> </ul>
<ul style="list-style-type: none"> <li>Data regarding Scope 1, Scope 2, and Scope 3 and related risks</li> </ul>	<ul style="list-style-type: none"> <li>For actual data, see page 79</li> <li>Related risks are listed above</li> </ul>
<ul style="list-style-type: none"> <li>Objectives and performance used to manage risks and opportunities</li> </ul>	<ul style="list-style-type: none"> <li>See above for goals</li> <li>For details, see page 79</li> </ul>

## Responding to Risks and Opportunities [Fair Operating Practices]

### ■ Understand social issues

With the globalization of supply chains, the effects of regional conflicts and national policies are becoming more evident in the procurement of materials and energy. Although the number of domestic suppliers closing due to difficulties in continuing business caused by factors such as the aging of the population is slowing down, there is a possibility that the number of suppliers that are disrupting business will increase again as material and energy prices continue to soar. Furthermore, a value chain perspective is required when it comes to sustainability initiatives, and specific actions are now required in all areas such as human rights due diligence and Scope 3 (greenhouse gas emissions).



<b>Stakeholder needs and expectations</b>	<ul style="list-style-type: none"> <li>■ Clean business activities free from corruption</li> <li>■ Consideration and collaboration with supply chains</li> </ul>
<b>Risks and opportunities</b>	<ul style="list-style-type: none"> <li>(1) Human rights violations and environmental pollution in supply chains</li> <li>(2) Fraud such as bribery in order-taking activities, etc.</li> <li>(3) Procurement stagnation due to suppliers going out of business or going bankrupt</li> <li>(4) Achieve greenhouse gas reduction targets in the value chain</li> <li>(5) Leakage of transaction information</li> <li>(6) Copyright infringement, etc.</li> </ul>
<b>Action</b>	<ul style="list-style-type: none"> <li>■ Application of procurement policies and procurement guidelines to the entire group</li> <li>■ Building a management system for supply chain risks</li> <li>■ Strengthening information security</li> <li>■ Expansion of systems related to privacy protection</li> <li>■ Implementation of education on related laws such as the Subcontract Act</li> </ul>

## Responding to Risks and Opportunities [Consumer Issues]

### ■ Understand social issues

In Japan, due to labor shortages from the population decline, anyone can now become a user of our products. Furthermore, the diversity of employees and suppliers involved in product production within our group is increasing, and there are concerns about maintaining and passing on technology and skills. On the environmental front, efforts from a value chain perspective are required to realize a low-carbon and recycling-oriented society, as well as improving the environmental performance of products is also important.



<b>Stakeholder needs and expectations</b>	<ul style="list-style-type: none"> <li>■ Providing products and services that meet user needs</li> <li>■ Providing safe and easy-to-use products (products that can be used with confidence)</li> <li>■ Energy-saving and low greenhouse gas emission products</li> <li>■ Trouble-resistant products and prompt service systems</li> </ul>
<b>Risks and opportunities</b>	<ol style="list-style-type: none"> <li>(1) Accidents and disasters during product use</li> <li>(2) Increased sales opportunities by making products suitable for more diverse users</li> <li>(3) Contribution to the global warming due to CO<sub>2</sub> emitted from products</li> <li>(4) Loss of sales opportunities due to products not meeting ethical needs of the market</li> <li>(5) Leakage of customer information, etc.</li> </ol>
<b>Action</b>	<ul style="list-style-type: none"> <li>■ Promoting universal design of products</li> <li>■ Establishment of product design standards that strengthen items related to the environment, safety, and human rights</li> <li>■ Thorough customer information management</li> <li>■ Expansion of ISO9001 certification</li> </ul>

## Responding to Risks and Opportunities [Community Participation and Collaboration]

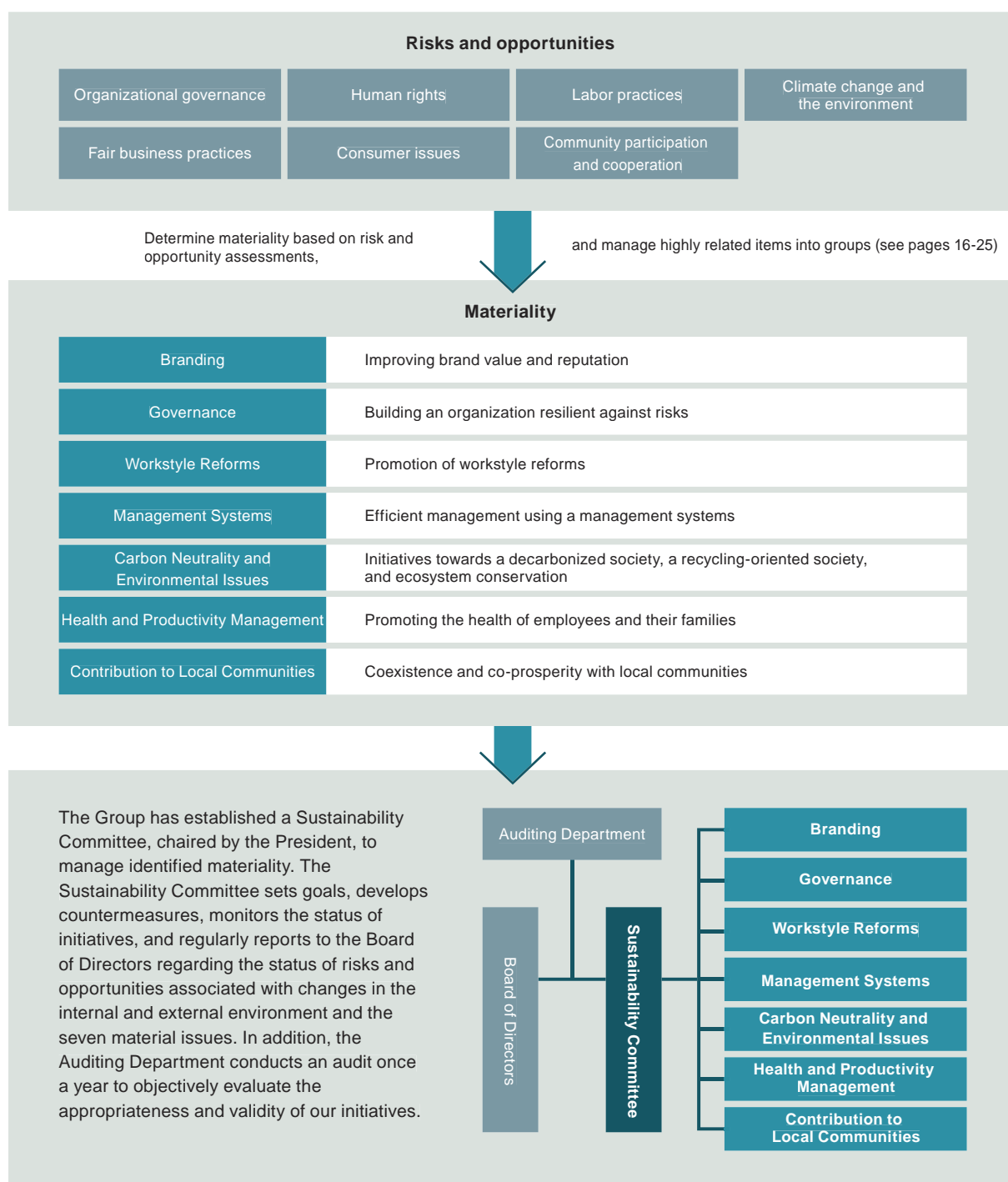
### ■ Understand social issues

As the birthrate continues to decline, a decreasing population is becoming a significant and serious problem in regional cities. The cities where our group's factories are located are no exception, and securing and training human resources to engage in manufacturing helps maintain the vitality of not only our group but also local communities. In addition, it is necessary to aggregate the knowledge of each sector to rationally and efficiently solve a wide range of local issues such as welfare, environment, and disaster prevention to realize a sustainable society.



<b>Stakeholder needs and expectations</b>	<ul style="list-style-type: none"> <li>■ Understanding the region</li> <li>■ Participation in the community</li> <li>■ Providing a place for local employment (giving back to the local economy)</li> <li>■ Investing in local communities</li> </ul>
<b>Risks and opportunities</b>	<ul style="list-style-type: none"> <li>(1) Complaints from the community</li> <li>(2) Environmental pollution such as destruction of local ecosystems</li> <li>(3) Development of local areas through collaboration with the local community</li> <li>(4) Developing local human resources</li> </ul>
<b>Action</b>	<ul style="list-style-type: none"> <li>■ Conclusion of comprehensive collaboration agreements at major locations</li> <li>■ Acceptance of factory tours</li> <li>■ Cooperation and sponsorship of local events</li> <li>■ Support for sports and cultural activities</li> <li>■ Participation in social contribution/volunteer activities</li> </ul>

## Sustainability Promotion Systems [Role of the Sustainability Committee]



### ■ Active Schedule

Period	I			II			III			IV		
	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Committee	●				●			●			●	
Internal Audits								●				

## Sustainability Promotion Systems [Response to Materiality]

Materiality	Main activities details Target values are in parentheses	Summary of 2022	Instructions for the next year
<b>Branding</b>	<b>Improving brand value and reputation</b> <ul style="list-style-type: none"> <li>Expanding and strengthening the group's information disclosure media</li> <li>Promotion of inner branding</li> <li>Response to third-party evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Started operating YouTube and Facebook at Kyokuto Kaihatsu and distributed videos for in-house education on SDGs and materiality</li> <li>CDP response</li> <li>NIPPON TREX certified as a "Toyokawa Brand"</li> </ul>	Proactively utilize specialized organizations for measures that will improve brand value. In addition, we will review the multiple information disclosure media that have been used to date, and strive to provide more information that is easy to understand and has appeal.
<b>Governance</b>	<b>Building an organization resilient against risks</b> <ul style="list-style-type: none"> <li>Strengthening compliance systems</li> <li>Establishment of document management systems</li> <li>Promotion of BCM</li> <li>Improving information security</li> <li>Building a system for supply chain risks</li> <li>Promoting stakeholder engagement</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of in-house training (online) regarding the Subcontract Act</li> <li>Selection of a document management system that complies with the Electronic Bookkeeping Act</li> <li>Preparing SAQ's for supply chains</li> </ul>	There are concerns that as the group expands, monitoring will become less thorough. Additionally, as legal managers and other competent people may be absent due to retirement, etc.; if this is the case, human resources development should be carried out in a more planned manner.
<b>Workstyle Reforms</b>	<b>Promotion of work style reforms</b> <ul style="list-style-type: none"> <li>Reduction in total working hours (minus 5%*3)</li> <li>Improving paid leave acquisition rate (70% or more*3)</li> <li>Improving work-life balance satisfaction (70% or more*3)</li> <li>Improving female recruitment ratio (13% or more in 3 years from 2022 to 2024)</li> </ul>	<ul style="list-style-type: none"> <li>Analysis of overtime hours</li> <li>Dissemination of systems related to leave such as planned paid leave</li> <li>Consideration of regulations regarding telecommuting</li> <li>Holding a subcommittee on promoting the advancement of women</li> <li>Implement unconscious bias training for managers</li> </ul>	There appears to be room for improvement regarding paperless operations. Also promote the digitization of methods for creating and distributing meeting materials.
<b>Management Systems</b>	<b>Efficient management using a management system</b> <ul style="list-style-type: none"> <li>Implementation of human rights due diligence</li> <li>Obtained ISO9001 certification for FE-Auto and Shinko Automobile.</li> <li>Expanding the scope of ISO14001 certification to major locations</li> <li>Obtained ISO45001 certification at major locations</li> <li>Management system integration</li> </ul>	<ul style="list-style-type: none"> <li>Human rights due diligence manual*1 production</li> <li>FE-Auto ISO9001 registration examination</li> <li>On-site survey to obtain ISO9001 certification for Shinko Automobile</li> </ul>	We hope that progress will continue as planned.
<b>Carbon Neutrality and Environmental Issues</b>	<b>Initiatives toward a decarbonized society, a recycling-oriented society, and ecosystem conservation</b> <ul style="list-style-type: none"> <li>Reducing CO<sub>2</sub> emissions (10% decrease compared to FY2020 in 2024)</li> <li>Scope 3 compliance across the group</li> <li>Waste recycling rate of 99.0% or more *3</li> <li>Implementation of appropriate management of substance of concern (SOC) throughout the group</li> </ul>	<ul style="list-style-type: none"> <li>Miki Plant reservoir solar power generation plan *2</li> <li>Survey on the status of waste treatment at group companies</li> </ul>	Perform more precise data analysis and identify areas for improvement in more detail. Additionally, as an initiative towards Scope 3 (Category 11), consider highly effective measures regarding product life cycle assessment.
<b>Health and Productivity Management</b>	<b>Promoting the health of employees and their families</b> <ul style="list-style-type: none"> <li>Analysis of health issues and implementation of countermeasures</li> <li>Promotion of awareness activities</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of stress checks and analysis of results</li> <li>Creating a health management "strategy map"</li> </ul>	Further increase indicators related to health and promote multifaceted efforts.
<b>Contribution to Local Communities</b>	<b>Co-existence and xco-prosperity with local communities</b> <ul style="list-style-type: none"> <li>Cooperation and sponsorship of local events</li> <li>Conclusion of comprehensive collaboration agreements at major locations</li> <li>Acceptance of factory tours</li> <li>Participation in social contribution/volunteer activities</li> </ul>	<ul style="list-style-type: none"> <li>Sponsoring local events such as the Yamato Industrial Fair and Komaki Citizen Festival</li> <li>Acceptance of factory tours</li> <li>Accepting junior high school students for work experience</li> </ul>	We hope that progress will continue as planned.

For more information on social contribution through business, please refer to pages 33-56.

\*1 "Manual for Practicing Human Rights Due Diligence - Responsible Corporate Behavior in the Human Rights Field-" <https://www.uncgjn.org/objective/procurement/web/hrdd.html>

\*2 Solar power generation for self-consumption (panel output 2,575kW) using reservoirs (Kitani Pond and Okazaki Pond) near the Miki Factory (Miki City, Hyogo Prefecture). Construction began in June 2023 and is scheduled to be completed in December of the same year.

\*3 Target: Kyokuto Kaihatsu Kogyo, NIPPON TREX, Kyokuto Kaihatsu Parking

# Sustainability Promotion Systems [SDGs Declaration]











## ■ Kyokuto Kaihatsu Group SDGs Declaration

The Kyokuto Kaihatsu Group’s management philosophy is “valuing technology and trust, make concerted efforts to develop the company, and widely contribute to society.” Based on this management philosophy, we will work proactively to achieve the SDGs (Sustainable Development Goals) by simultaneously resolving social issues related to

“local communities,” “the environment,” “people,” and “governance” while pursuing corporate economic value.

## ■ SDGs Partnerships

We are working with companies, governments, and organizations to resolve issues related to sustainability.

Activities	SDGs
<b>  Local communities   Sustainable “City and Community Building”</b> <ul style="list-style-type: none"> <li>• We will contribute to the development of disaster-resistant urban infrastructure.</li> <li>• We will contribute to eliminating labor shortages in all fields by realizing efficient transportation and savings in labor.</li> <li>• We will contribute to the creation of a recycling-oriented society by building a foundation for resource recycling.</li> </ul>	 
<b>  Environment   “Manufacturing” That Considers the Global Environment</b> <ul style="list-style-type: none"> <li>• We will strive to reduce the environmental impact at all stage of the supply chain.</li> <li>• We will promote the 3Rs (Reduce, Reuse, Recycle) for our products and promote energy conservation to produce environmentally conscious products.</li> </ul>	 
<b>  People   “Creating a Society” in Which Each and Every Person is Respected</b> <ul style="list-style-type: none"> <li>• We will strive to create a work environment in which all employees can demonstrate their abilities to the fullest extent possible with a sense of fulfillment and job satisfaction.</li> <li>• We will promote the creation of products that are safe and easy to use for all customers.</li> <li>• We will promote the creation of products that consider people at all stages of the supply chain.</li> </ul>	   
<b>  Governance   “Building and Organization” Trusted by Society</b> <ul style="list-style-type: none"> <li>• We will identify Group risks and opportunities, managing them with a management system.</li> <li>• We will value dialogue with stakeholders and respond to their needs and expectations.</li> <li>• We will promote sound corporate management in accordance with compliance.</li> </ul>	 

## ■ United Nations Global Compact (UNGC)



In November 2016, Kyokuto Kaihatsu Kogyo signed the United Nations Global Compact (UNGC). The UNGC subcommittees share the latest trends and examples of initiatives related to sustainability, and work on creating tools to support corporate sustainability promotion. We will

fulfill our role as a member of the international community by implementing the 10 principles of conduct related to human rights, labor, the environment, and corruption required by the United Nations.



## ■ Participation in regional platforms

We aim to solve regional issues and create new innovations by collaborating with local governments and local businesses.

Part of the subscription platform		
<ul style="list-style-type: none"> <li>■ Regional Revitalization SDGs Public-Private Collaboration Platform (Kyokuto Kaihatsu Kogyo)</li> <li>■ Kansai SDGs Platform (Kyokuto Kaihatsu Kogyo)</li> <li>■ Kanagawa SDGs Partner (Kyokuto Kaihatsu Kogyo)</li> <li>■ Toyohashi City SDGs Promotion Partner (NIPPON TREX)</li> <li>■ Participation in “Komaki SDGs Declaration” (Kyokuto Kaihatsu Kogyo)</li> </ul>	 <div>Kanagawa SDGs Partner</div>	 <div>Toyohashi City SDGs Promotional partner</div>

## Long-term Management Vision

— **Kyokuto Kaihatsu 2030** —

The Kyokuto Kaihatsu Group hopes to realize a sustainable society by helping to resolve social issues related to the "local communities", "environment", and "people" while simultaneously pursuing economic value for the company.

Our long-term management vision —Kyokuto Kaihatsu 2030—aims to be a group that continues to provide value to society while flexibly responding to a dramatically changing environment.



A global comprehensive infrastructure manufacturer  
that leads its industry and contributes to the  
realization and development of a sustainable society

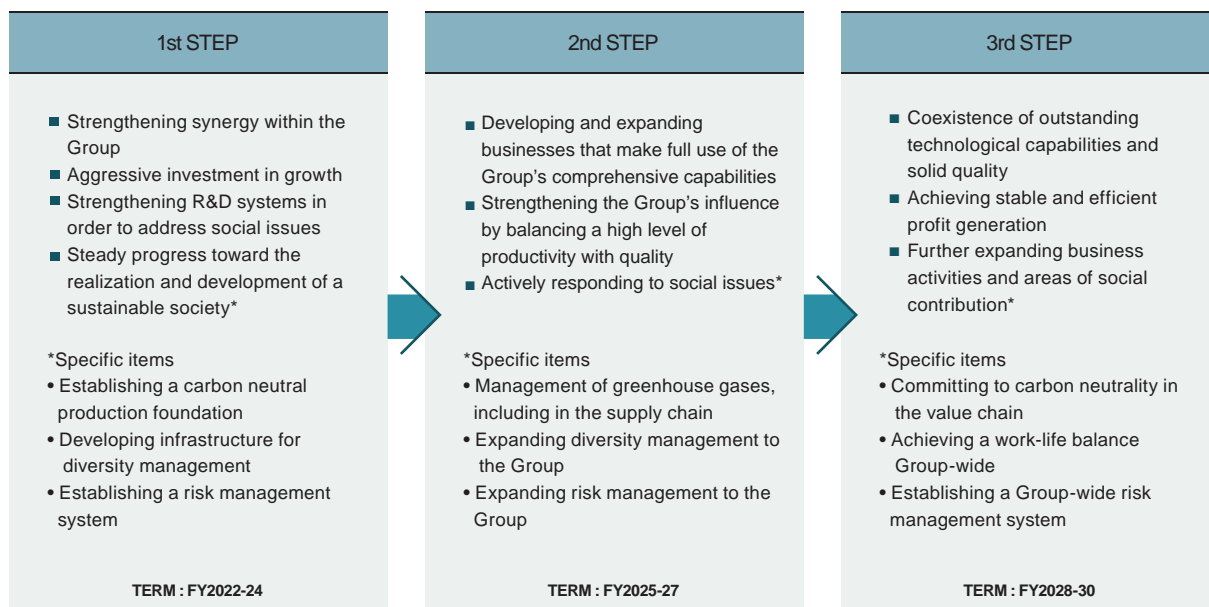


Outstanding Technology

Solid Quality

Recognizing the changes in the social environment surrounding our Group as an opportunity, we will contribute to the realization of a sustainable society by concentrating all our management resources on solving social issues, building on the spirit of "technological capabilities," "trust," and "cooperation" that we have nurtured since our founding.

■ Three steps for realizing our vision



## ■ Management Performance Vision (FY2030)

**Sales: 200 billion yen**

**Operating margin: 10% or more**

**ROE: 10%**

## ■ Sustainability Vision (FY2030)

### [Environment] Manufacturing Vision



Decarbonization

#### 38% reduction of CO<sub>2</sub> emissions<sup>\*1</sup>

(Compared to FY2013)

In 100 years, global warming is expected to raise global temperatures by up to 4°C. Aiming to become carbon neutral by 2050, our Group will promote decarbonization efforts in products, services, and manufacturing, primarily at plants that consume large amounts of energy.



Resource Conservation

#### Maintaining a recycling rate of 99.0% or higher

(Zero landfill waste)

The effective use of existing resources will lead to a suppression of environmental destruction caused by activities such as new resource extraction and deforestation. Our Group aims to reduce the amount of waste generated in its business activities and at the same time promote recycling in order to achieve zero landfill waste for the entire Group.



Conserving the Ecosystem

#### Prohibiting the use of hazardous chemical substances and reducing the use of plastics

Chemical substances that do not or are difficult to return to nature have a large impact not only on humankind but also on ecosystems. Our Group will ban the use of hazardous chemical substances in its products and promote the elimination of plastic in manufacturing.

### [People] Social Development Vision



Human Rights

#### Management of human rights violation risks

With more globalization, corporate supply chains are expanding worldwide. As a result, there is an increased risk of human rights-related compliance violations, including unfair working conditions, unsafe working conditions, harassment, and discrimination. Our Group will manage and address human rights risks at all stages of its operations.



Work-Life Balance

#### Satisfaction with work-life balance: 70%<sup>\*2</sup>

The position work has in life has changed greatly with the times. Better work-life balance creates a win-win-win relationship for individuals, companies, and society. In addition to allowing employees to take annual paid leave, the Group also implements systems and in-house training in order to realize flexible working styles and achieve a work-life balance for employees.



Safety and Health

#### Acquisition of ISO45001 certification

The health and safety of workers are a prerequisite for developing business. Due to the diversification of working individuals and changes in employment patterns, the risk of injury and accident is also increasing. Our Group is committed to improving safety and health of workplace safety and health and the health of employees through the PDCA cycle, as well as to creating a workplace where everyone can continue to work with peace of mind.



Diversity

#### Ratio of women to men employed (in Japan): 20%<sup>\*3</sup>

With globalization, the declining birthrate, and an aging population, companies are not only required to innovate, but also to take advantage of the abilities and individuality of a diverse range of people, such as women, the elderly, foreigners, and people with disabilities. Our Group will promote the creation of a workplace where individuals can experience growth by creating an environment where a variety of people can work with a sense of fulfillment and enthusiasm.

### [Governance] Organizational Vision



Risk Response

#### Strengthening risk management system and building a business continuity management system (BCM)

In addition to risk management with regard to various aspects such as quality, the environment, and occupational safety, it is also necessary to deal with unexpected risks that could lead to business suspensions, such as natural disasters, infectious diseases, and conflicts. Our Group is identifying risks related to business continuity and striving to strengthen our risk system and enhance our organizational capabilities through the PDCA cycle management system.



Sustainable Procurement

#### Promoting sustainable procurement

In order to realize a sustainable society, consideration must be given to the entire value chain, from the procurement of materials and energy to the use and disposal of products and services, as well as to activities within the business site. Our Group considers not only costs but also environmental and human impacts when selecting materials and energy for its products and services.

<sup>\*1</sup> Intensity compared to FY2013 for Kyokuto Kaihatsu Kogyo, NIPPON TREX, and Kyokuto Kaihatsu Parking (CO<sub>2</sub> emissions (tons)/sales (million yen))

<sup>\*2</sup> FY2021 results: Kyokuto Kaihatsu Kogyo non-consolidated 58.1% (evaluated based on the results of employee awareness surveys)

<sup>\*3</sup> Average results for the last three years

## Medium-Term Management Plan 2022-24 *Creating The Future As One Progress*

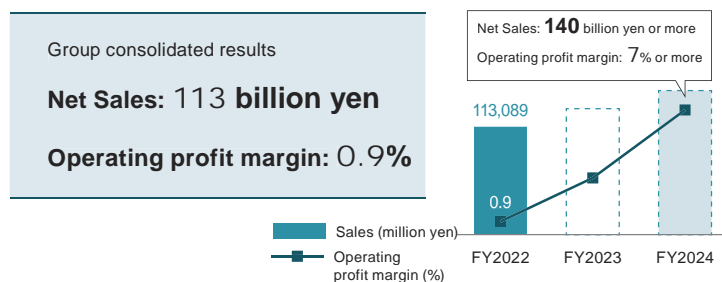
As the first step toward realizing our long-term management vision - Kyokuto Kaihatsu 2030, we will actively invest in further growth and strengthen synergies between the group, thereby building irreplaceable high technological capabilities and productivity towards a sustainable future. We will continue to develop our foundation as a well-equipped global company.

### 1. Progress towards target value

We have set "consolidated performance targets" and "sustainability targets" for FY2024, the final year of our medium-term management plan.

Consolidated Results Targets	
<b>Sales:</b> 140 billion yen or more (including new M&A growth)	<b>Operating margin:</b> 9% or more $\Rightarrow$ 7% or more (revised) <b>ROE:</b> 6% (new)
Due to the deterioration of economic conditions and markets since the beginning of the plan, we have revised the consolidated performance targets in the medium-term management plan. Additionally, we will set new targets for ROE as of fiscal 2024.	

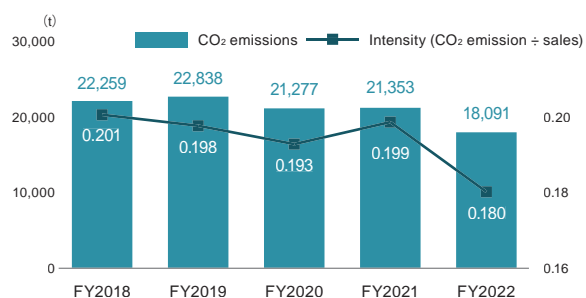
#### ■ Consolidated performance results [FY2022]



In the mainstay special purpose vehicles business, both sales and operating income were significantly affected by stagnation in production due to supply restrictions on truck chassis from semiconductor shortages and other factors, as well as soaring prices for raw materials and energy. Additionally, although the environmental equipment and system business and parking business performed relatively well, both sales and profits decreased compared to the previous fiscal year. On the other hand, in the overseas business included in the special purpose vehicles business, both sales and operating income increased significantly compared to the previous fiscal year, driven by strong demand for mineral resources in India and Indonesia, where our group's manufacturing bases are located.

Sustainability Goals	
<b>(1) Reduce CO<sub>2</sub> emissions by 10% or more in FY2024</b> (Intensity compared to FY 2020 at Kyokuto Kaihatsu Kogyo, NIPPON TREX, and Kyokuto Kaihatsu Parking)	<b>(2) Maintain recycling rate (zero landfill waste) of 99.0% or more</b> (Kyokuto Kaihatsu Kogyo, NIPPON TREX, and Kyokuto Kaihatsu Parking are included in the scope of calculation)

#### ■ CO<sub>2</sub> emissions [FY2022]



	FY2018	FY2019	FY2020	FY2021	FY2022
<b>CO<sub>2</sub> emission (intensity)</b>	<b>0.201</b>	<b>0.198</b>	<b>0.193</b>	<b>0.199</b>	<b>0.180</b>
<b>Compared to FY2020</b>	—	—	—	<b>3.3%</b>	<b>-6.5%</b>

The total CO<sub>2</sub> emissions of Kyokuto Kaihatsu Kogyo, NIPPON TREX, and Kyokuto Kaihatsu Parking in fiscal 2022 was 18,091 tons. In addition, the intensity was 0.180, which was -6.5% compared to the base year of 2020 (0.193). Although we were able to significantly reduce emissions by reviewing our electricity procurement sources, the decline in sales due to production stagnation caused by semiconductor shortages had a negative impact on emissions intensity.

#### ■ Recycling rate performance [FY2022]

<b>Recycling rate result: 97.0%</b>
<b>Target: Maintain over 99%<sup>*1</sup></b>
<small>*1 Maintain the same level as Kyokuto Kaihatsu Kogyo's recycling rate (99.5%) in FY2021</small>

The total amount of waste generated by Kyokuto Kaihatsu Kogyo, NIPPON TREX, and Kyokuto Kaihatsu Parking in fiscal 2022 was 2,132 tons. Of this amount, 2,068 tons, or 97.0%, is reused, including that through heat recovery. To date, Kyokuto Kaihatsu Kogyo has achieved a recycling rate of over 99%, and in this medium-term management plan, Kyokuto Kaihatsu Kogyo, NIPPON TREX, and Kyokuto Kaihatsu Parking, which account for approximately 90% of the group's waste<sup>\*2</sup>, have reached that level. Although we have not reached the target value in fiscal 2022, we will discuss thorough separation of waste and search for reuse sites through the Sustainability Committee and other organizations to further improve the recycling rate.

<sup>\*2</sup> 87.4% (FY2021 results)

## 2. Progress for each basic policy

### 1 Contributing to solving social issues and seeking to provide value

By providing products and services that are truly needed by society in a timely manner, we will contribute to the enhancement and sophistication of social infrastructure. At the same time, we will earnestly address and resolve social issues common to the world, starting with the SDGs.

#### ■ Special purpose vehicles business ■ Environmental equipment and systems business ■ Car parking systems business

- Expanding product lineup including 25m double articulated trucks to solve 2024 issues in the transportation industry (see page 38)
- Delivery of the first next-generation lithium-ion battery locomotive (see page 40)
- Demonstration experiments started in Tatsuno City, Hyogo Prefecture to build a heat supply business model (see page 45)
- A food waste composting facility aimed at reducing food loss has been completed in Mie Prefecture (see page 46)
- Installation of cashless and flapless devices at new business locations (see page 50)
- Installed EV charging equipment at 3 business locations (4 vehicle berths) (see page 50)

### 2 Productivity improvements and reinforcing profitability

By enhancing synergies among the Group in all business functions, such as sales and services, and development and production, and by maximizing the effects of investments and aggressively developing overseas businesses, we will improve profit margins and create new revenue sources.

#### ■ Special purpose vehicles business ■ Environmental equipment and systems business ■ Car parking systems business

- Construction of a new factory at Kyokuto Kaihatsu Kogyo Fukuoka Factory to increase production of large dump trucks
- To acquire new customers, Hokuiku Heavy Industries concludes a partnership agreement with Yashimakizai Co., Ltd., a trading company specializing in railways.
- Received order for core improvement work and operation/maintenance of Clean Center Yaotome from Nagano Prefecture Kamiina Regional Union (see page 45)
- Received order for highly efficient waste transfer system in collaboration with special purpose vehicles business (see page 46)
- Developing new systems and promoting proposals to create orders for multi-story parking lot renewal projects
- Developing excellent new business sites for coin parking and improving unprofitable business sites

### 3 Building a solid business foundation that supports sustainable growth and innovation

We will build up human resources and organizations that can respond flexibly to changes in the environment by encouraging reform and taking on challenges at one's own volition, while at the same time pursuing work style reform, business improvement, human resource development, and safety assurance.

- **Strengthening branding**
  - Producing and distributing educational materials (videos, etc.) to disseminate sustainability issues and initiatives within the group.
  - With the relaxation of COVID-19 control measures, we have resumed exhibiting at various exhibitions.
- **Strengthening governance and risk tolerance**
  - Continued implementation of in-house information security education and compliance education
  - FE-Auto acquires ISO9001
- **Contributing to local communities**
  - Donated a garbage truck to the Solomon Islands in collaboration with Nishinomiya City (see page 60)
  - Continue to accept factory tours, workplace experience, etc.
- **Promoting workstyle reforms and health and productivity management**
  - Implement unconscious bias training
  - Implementation of training to encourage male employees to take childcare leave
  - Certified as an excellent health management corporation (Kyokuto Kaihatsu Kogyo, NIPPON TREX)
- **Promoting carbon neutrality and responding to environmental issues**
  - Consider installing solar power generation panels at the reservoir near Kyokuto Kaihatsu Kogyo Miki Factory (scheduled for completion in 2023), and at the new NIPPON TREX factory (scheduled for completion in 2024), etc.
  - A technical study meeting regarding sewage treatment technology was held between Kyokuto Kaihatsu Kogyo Environmental equipment and system business and Mori Plant.

### 4 Optimal distribution of cash flow to improve corporate value

Cash flow from operations will be used for strategic investments and dividends to accelerate the growth cycle, taking into account the optimal balance between growth and returns.

Investment plan (3 years)	Investment performance (FY2022)
Growth investment: Over 30 billion yen New M&A investment: approx. 10 billion yen	Growth investment: 11.8 billion yen

#### ■ Investment to strengthen the group's management base

- Started construction of a new NIPPON TREX trailer production plant (scheduled for completion in 2024)
- Promoting construction plans for the group research and development base (technical center)
- Acquired all shares of Kyushu Special Motors Naka Co., Ltd. (April 2023)
- Acquired 90% shares of Australian distributor (July 2023) (see page 55)

#### ■ Investing and giving back to social issues and stakeholder needs

- Implemented BCP measures investment at major locations, including relocation of Kyokuto Kaihatsu Kogyo headquarters.
- Achieving a total return ratio of 100% (continued during this medium-term management plan)
- To improve capital efficiency, we borrowed 10 billion yen and reduced cross-shareholdings.

## Financial Officer's Message

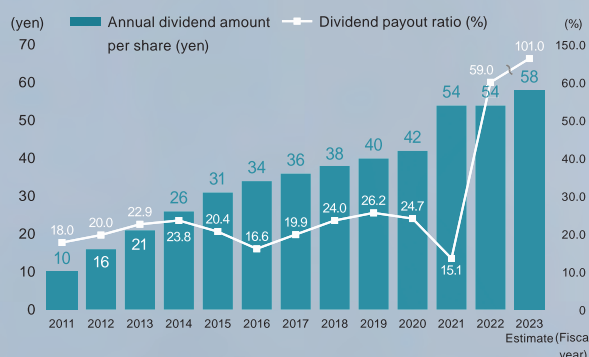
## Aiming for sustainable corporate management by considering the optimal balance between growth and return

### □ FY2022 affected by a semiconductor shortage and rising raw material prices

Last year, the first year of the medium-term management plan 2022-2024, domestic orders remained steady in major segments, but profits were affected by limited supply of domestic truck chassis due to semiconductor shortages and sharp rises in raw material and energy prices. As a result, despite the strong performance of overseas subsidiaries (India and Indonesia), this segment suffered its first operating loss since the fiscal year ended March 2010. Regarding the fiscal year ending March 31, 2024, as we move towards the second half, we expect the semiconductor shortage to be resolved and the backlog of orders that have been building up to decrease. We also expect that the revision of the sales price of special purpose vehicles made in 2022 will have a positive impact on our future performance.

### □ Revision of target figures in the medium-term management plan

As I mentioned earlier, we expect profitability to improve gradually, but full-scale improvement will not occur until the fiscal year ending March 2025. Considering this situation, in our most recent report, we have revised downward the operating profit margin target set in our medium-term management plan from 9% or better to 7% or better. At the same time, we announced a new predicted return on equity (ROE) of approximately 6%. Going forward, we will continue to control equity capital through shareholder returns and other measures, while further improving profitability, aiming for an operating profit margin of 10%, which is the goal of our long-term management vision.



### □ About shareholder returns

In the medium-term management plan 2022-2024, we have revised the total return ratio from the original target of 50% to 100% in the final year. The year-end dividend for the fiscal year ending March 31, 2023 will be 27 yen per share as planned, and with the addition of the interim dividend of 27 yen per share, the annual dividend will be 54 yen per share - the same amount as the previous fiscal year. The total return ratio, including the acquisition of treasury stock, was approximately 125%. The Group will continue to focus on paying both high-level and stable dividends to shareholders, and will continue to implement shareholder returns in stages with an eye toward higher payout ratios, while considering other business performance trends.

KAZUHIKO HARADA

Senior Managing Director in charge of Finance  
and Senior Managing Executive Officer,  
Kyokuto Kaihatsu Kogyo Co., Ltd.

FINANCIAL  
OFFICER  
MESSAGE

# Growth investment plan to achieve medium- to long-term plans

In the medium-term management plan 2022-2024, we have set a growth investment of approximately 30 billion yen and new M&A investment of 10 billion yen.  
The plans and progress are as follows.

## 1 Strengthening of the main factory of the special purpose vehicles business

Investment amount  
Approx. 10 billion yen

[Plan and progress]

Developing infrastructure and maintaining logistics for a sustainable society will become increasingly important in the future. At the same time, the working environment is undergoing major changes, including a declining population and diversification of human resources. Under these circumstances, it is an important mission for our group to continue to provide "work-related vehicles". The production line for medium-sized rear dump trucks at Kyokuto Kaihatsu Kogyo's Yokohama Plant has further reduced labor by increasing the number of automatic welding robots, reducing risks hidden in the production process, such as the impact on quality due to differences in skills. The digitization of know-how related to welding and peripheral operations also helps to maintain a high level of quality. We will also continue to improve the production line for small rear dump trucks. In addition, NIPPON TREX is also building a new factory to respond to the expected increasing demand for trailers in the logistics industry, where increased cargo handling volume and labor shortages require increased operational efficiency.

## 2 Investment in overseas bases

Investment amount  
Approx. 3 billion yen

[Plan and progress]

Our group currently has production bases in three countries: China, India, and Indonesia. In particular, demand for special purpose vehicles is increasing significantly in India and Indonesia, driven by active infrastructure investment and strong demand for resources. To continue meeting this demand, we are proceeding with the construction of new factories and the introduction of equipment that will help improve productivity. For example, we are planning to build a new factory near Chennai, a city in southeastern India. Additionally, we increased production capacity at our Indonesian factory by adding plasma cutting machines and work cranes. We will continue to actively invest to meet the demands and needs of overseas countries, including China.

## 3 BCP measures/SDGs initiatives

Investment amount  
Approx. 8.5 billion yen

[Plan and progress]

For the past five years, we have been making our own buildings earthquake resistant to ensure the safety of our employees and build more disaster-resistant business structures. As part of this effort, we relocated our head office in February 2023. We are also taking measures in our medium-term management plan for our factories and sales offices. It also creates opportunities for organizations and individuals to grow at the same time, such as responding to various foreseeable risks such as climate change and pandemics, and creating systems that respect the values of diverse people and allow each person to demonstrate their abilities. We will continue to strive to achieve sustainable management.

## ■ Main CSR investments in FY2022

	Item	Investment amount (million yen)	Main contents
Environment	CO <sub>2</sub> emissions reduction	10	■ Updating to energy-saving equipment
	Energy creation	595	■ Establishment of solar power generation facility
	High temperature measures	74	■ Air conditioning equipment ■ Heat insulation measures
People	Work style reform	3	■ Childbirth and childcare manual ■ Diversity training
BCP	Earthquake resistance measures	8,405	■ Head office relocation ■ Building seismic reinforcement or reconstruction

## 4 Strengthening research and development

Investment amount  
Approx. 6 billion yen

[Plan and progress]

We are proceeding with plans for a technical center (tentative name) that will serve as a hub for our group's technologies. Performance tests that were previously conducted at general test facilities can now be performed in-house, significantly shortening the development period. It also allows for quicker responses to rapidly changing market needs. Particularly in times of major change, such as the conversion of trucks to EVs and FCVs, significant effects can be expected. It will also have an important meaning as a place for synergy and innovation through technological exchange within the group.

## 5 New M&A's

Investment amount  
Approx. 10 billion yen

[Plan and progress]

Our group has set out our vision for the year 2030 in our long-term management vision — Kyokuto Kaihatsu 2030—. To meet the various needs that change with the times and achieve our sales target of 200 billion yen, we must not only rely on the technologies we have cultivated over the years, but also collaborate with organizations where we can expect synergy effects. Therefore, we need to actively engage in M&A. Of course, this is not limited to Japan, but we would like to proceed from a global perspective. As for the progress to date, domestically we have established Kyushu Tokusyu Motors, which was also our designated service factory in April 2023, and for overseas, in July 2023, we established the Import Machinery and Equipment Pty Ltd (currently Kyokuto Australia Pty Ltd.), which was a special purpose vehicle sales agent in Australia. These are just some of the details. We will continue to view the world's various challenges as opportunities and contribute globally to the development of infrastructure for the sustainable development of society.

# Becoming an industry-leading global comprehensive infrastructure manufacturer

## Kyokuto's Business Sectors

### Special Purpose Vehicles Business

➤ P35

We manufacture and sell special purpose vehicles that are used in fields such as construction, logistics and labor saving, and the environment, as well as maintenance vehicles (track and overhead wire maintenance vehicles) to ensure safe and smooth railway operation. We also provide repairs, after-sales services, and sell used special purpose vehicles.



#### ■ Related social issues

Suppression of global warming	National land conservation	Logistics improvement
Promotion of resource circulation	Preparation and expansion for sanitary environments	Safe railway operation

#### ■ Affiliated companies

##### NIPPON TREX Co., Ltd.

Manufactures trailers, wing bodies, etc. at three production bases: Head Office, Otowa Office, and Mitsu Office. Also has multiple sales and repair bases across the country to provide generous user support, including parts sales.

##### Hokuriku Heavy Industries Ltd.

Mainly manufacture, sell, repair, and sell parts for special railway vehicles such as railway maintenance cars and locomotives that are in demand overseas. Are also working on next-generation lithium-ion battery-equipped vehicles aimed at creating a decarbonized society.

##### FE-AUTO Co., Ltd.

Repairs special purpose vehicles and sells parts at seven directly managed service centers across Japan (Sendai, Tokyo, Yokohama, Gifu, Osaka and Himeji). The used car division sells used special purpose vehicles as well.

##### Inoue Motor Co., Ltd.

Repairs special purpose vehicles, sell parts, and mount on trailers and tractors.

##### Shinko Automobile Co., Ltd.

Manufactures, sells, repairs, and distributes parts for special purpose vehicles in Hokkaido, Japan. In particular, the product lineup is characterized by its ability to meet the unique needs of Hokkaido, such as the transportation of wood chips and heating fuel.

##### Kyushu Tokusyu Motors Co., Ltd

Has two service bases in Fukuoka Prefecture, where they repair special purpose vehicles and sell parts. They also sell used special purpose vehicles. Joined our group in April 2023.

## Overseas Expansion

➤ P51

We have established manufacturing and sales bases for special purpose vehicles in China, Indonesia, India, and other countries to meet the needs of rapidly developing Asia and surrounding regions.

#### ■ Overseas bases

##### KYOKUTO SPECIAL AUTOMOBILE TRADING (SHANG HAI) CO., LTD. (China)

Located in Shanghai, we procure and sell special purpose vehicle parts for the group.

##### KYOKUTO KAIHATSU (KUNSHAN) MACHINERY CO.,LTD. (China)

At our factory in Kunshan City, Jiangsu Province, we manufacture and sell special purpose vehicles as well as manufacture special purpose vehicle parts for the group.

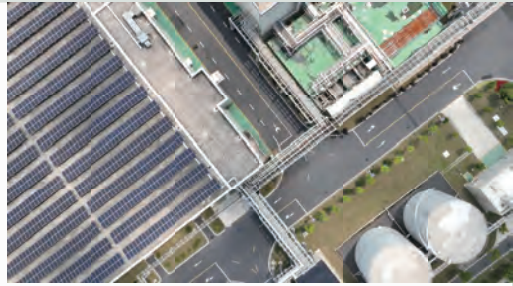
##### PT. Kyokuto Indomobil Manufacturing Indonesia (Indonesia)

At a factory located near the capital, Jakarta, we primarily manufacture special purpose vehicles for the domestic market in Indonesia.

## Environmental Equipment and Systems Business

▷ P41

We conduct business related to resource recycling, including the development of garbage crushers and the design, construction, and operation of recycling facilities. We are also developing a biomass business that uses waste and forest resources.



### ■ Related social issues

Suppression of global warming

Promotion of resource circulation

Creation of renewable energy

Spread of local energy

### ■ Affiliated companies

#### Kyokuto Service Engineering Co., Ltd.

In the main, repairs and operates outsourced bulky waste treatment and recycling treatment facilities at around 30 locations nationwide that Kyokuto Kaihatsu Kogyo has installed.

#### Kyokuto Service Engineering Hokkaido Co., Ltd.

In Hokkaido, repairs and operates outsourced bulky waste processing, recycling processing, and waste solid fuel facilities installed by Kyokuto Kaihatsu Kogyo.

#### Mori Plant Co., Ltd.

Develops equipment for treating organic wastewater and composting equipment. They are also developing systems to generate biogas from methane fermentation of waste and food residue, and technology for deodorization.

#### Eco Facility Funabashi Co., Ltd.

Operates and manages the Funabashi City Nishiura Resource Recycling Facility, a facility in Funabashi City, Chiba Prefecture that extracts resources from non-combustible garbage and bulky garbage.

## Car Parking Systems Business

▷ P47

We manufacture and sell mechanical multi-level parking systems for condominiums and buildings, and perform renovation work. We also install and operate coin parking lots.



### ■ Related social issues

Eliminate traffic congestion

Promote use of open space

Revitalize local areas

### ■ Affiliated companies

#### Kyokuto Kaihatsu Parking Co., Ltd.

We manufacture, sell, and repair mechanical multilevel parking systems. We also develop and operate coin parking mainly in urban areas.

#### Sasashima Live Parking Co., Ltd.

We operate Sasashima Live Parking located in the Nakamura ward of Nagoya City.

#### PT. Kyokuto Indomobil Distributor Indonesia (Indonesia)

We mainly sell special purpose vehicles manufactured by PT. Kyokuto Indomobil Manufacturing Indonesia in Jakarta, the capital.

#### SATRAC ENGINEERING PRIVATE LIMITED (India)

Based in Bengaluru in the south, we primarily manufacture and sell special purpose vehicles for the domestic market in India.

#### Kyokuto Australia Pty Ltd (Australia)

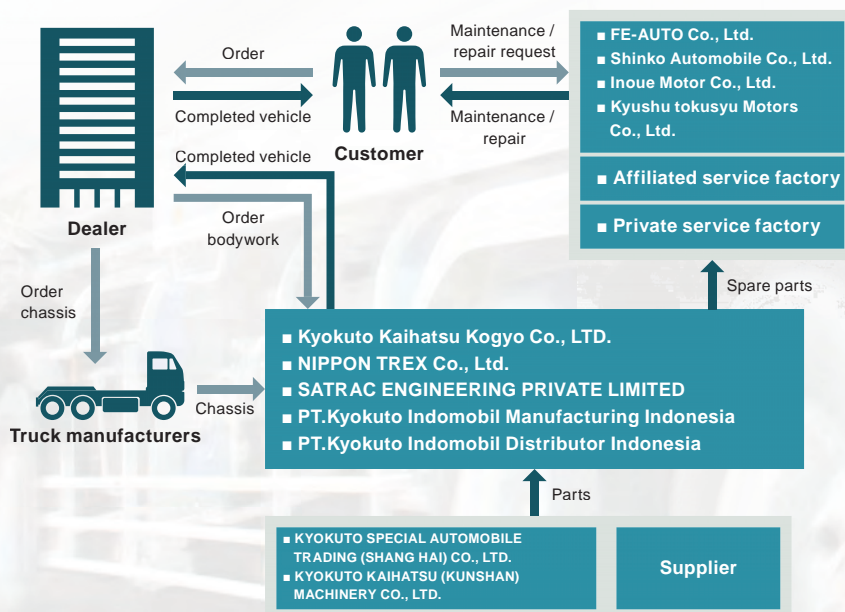
Located near the eastern city of Brisbane, we sell, repair, and sell parts for the Group's special purpose vehicles. The company joined our group in July 2023.

# SPECIAL PURPOSE VEHICLES BUSINESS

## Business Strategies

### Special Purpose Vehicles Business

Special purpose vehicles are mainly composed of two parts. One is the "chassis," which consists of the engine, driver's seat (cabin), and frame, and the other is the "bodywork" that is mounted on top of the chassis. Our group manufactures bodywork in response to customer orders received through dealers, and ships them mounted on chassis manufactured by truck manufacturers. In addition to directly managed service factories, the Group also has affiliated service factories, providing nationwide coverage for after-sales maintenance.



\*The above flow is for the main custom-made products, and will vary depending on the product type.

## ■ Market environment

Due to stagnation in parts procurement from a shortage of semiconductors, the number of regular truck sales and registrations in FY2022 has significantly decreased compared to the previous year, but demand for trucks itself remains strong. The situation continues that supply is not keeping up with demand. In addition, energy costs and procurement costs in general are soaring, which is having an impact on the business performance of each company. On the other hand, due to the ever-increasing volume of cargo handled and the worsening driver shortage, there is

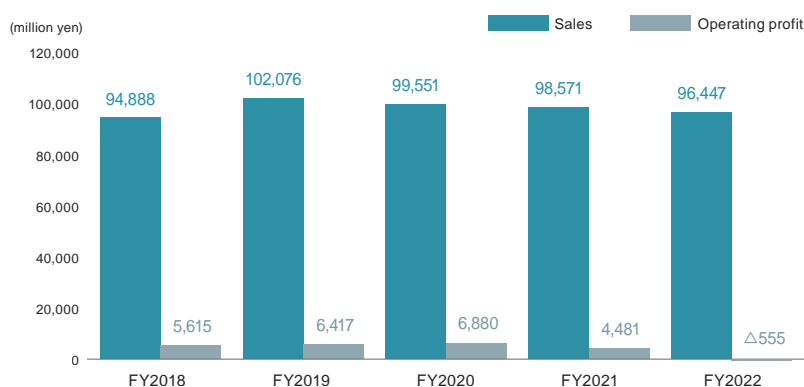
a growing need for larger vehicles to transport specially equipped large-capacity cargo such as trailers and dump trucks. In the future, unprecedented dramatic changes are expected, such as the electrification of truck chassis and advances in autonomous driving technology. Although the progress of EVs in truck chassis is expected to have a positive impact on the realization of carbon neutrality, there are many issues such as charging systems and vehicle prices, and it is expected of the industry that these issues are overcome quickly and that peripheral and related technologies will be developed.



## ■ Long-term strategies

- Developing products that contribute to solving social issues
- Construction of a technical center for the purpose of group technical collaboration
- Development and sales of EV special purpose vehicles and hybrid railway vehicles that contribute to the realization of carbon neutrality
- Responding for larger and lighter vehicles to counter driver shortages and improve logistics efficiency
- Creating products that anyone can use safely and securely using AI/IoT, in line with the diversification of users
- Initiatives to extend the lifespan of products that reduce the burden on users and promote the 3Rs by expanding service locations, etc.

## ■ Special purpose vehicles business performance trends (including overseas business)



Although domestic demand continued to be strong from last year, the stagnation in production due to a shortage of semiconductors had a significant impact on sales and profits. Furthermore, due to delays in production, we continued to be unable to reflect the soaring prices of raw materials and energy in our earnings. However, the situation is gradually improving. In the future, we plan to strengthen our production facilities to meet market demand and enhance our facilities and systems to develop products that will help solve social issues.

## Solving the challenges of the logistics industry by creating valuable products that meet the needs of the times

### □ Roles and responsibilities as a trailer manufacturer with the No. 1 market share in Japan

NIPPON TREX Co., Ltd., established in 1964, will celebrate its 60th anniversary next year. Up until now, we have been responsible for about half of the group's special purpose vehicle business's sales through the manufacture and sale of logistics products, mainly trailers, wing bodies, and van bodies. We maintain the No. 1 share in the domestic market for trailer sales, and we are proud that our unique technological capabilities and responsiveness have been highly praised by our customers. We have already exchanged technology with Kyokuto Kaihatsu Kogyo in areas such as manufacturing dump trailers, but we recognize that we must continue to meet the changing needs of society by creating further synergies in the future.

### □ Leading to solutions to social issues by providing valuable transportation equipment

One of the material issues of the Kyokuto Kaihatsu Group that we are particularly focusing on is branding. The reason behind the creation of the new Marketing Department is to create an opportunity for customers, society, and our company to grow together by making our value known not only to the logistics industry but also to shippers beyond that industry. The fact that we have been recognized by Aichi Prefecture as an "Aichi Brand" is proof that our achievements to date have been well received by Aichi Prefecture and society, and we will continue to create value that contributes to society without ceasing. For example, the double articulated trucks and swap bodies that we manufacture are products that are directly connected to solving various issues faced by the logistics

FUMIHIRO TAKASAKI

Representative Director and President of  
NIPPON TREX Co., Ltd.



New factory under construction at NIPPON TREX Headquarters Office

industry, such as CO<sub>2</sub> generated by vehicles, driver shortages due to population decline, and the 2024 logistics problem. Additionally, as a leading trailer company, we aim to eliminate vehicle fire accidents caused by brake dragging and are strongly promoting the development of brake temperature monitoring systems to maintain safe and smooth logistics. In this way, if we view social issues as business opportunities, there are still situations where our company can demonstrate its brand value.

### □ Turning our strengths not only in hardware but also in software into competitiveness

The industry is undergoing changes, including the consolidation and closure of transportation companies. Logistics are essential to people's lives, and to maintain and develop the service, it is essential to improve the quality of not only the hardware (products) but also the software (services). To this end, we are actively working to improve our service capabilities, including expanding our service bases and investing in our people through training and education. We will continue to play a role in the development of the logistics industry, and at the same time aim to be a company that spreads wealth and dreams to society.



# AFFILIATED COMPANY TOP COMMENT



Swap wing body



Double articulated truck

### ■ Manufacturing that supports transportation

In the logistics industry, the decline in the number of drivers due to the declining birthrate and aging of the population has become a serious issue. Additionally, with the implementation of work style reform laws such as caps on overtime work from 2024, there are concerns that the amount of cargo and distance that can be transported by a single driver will decrease. Our group companies include Kyokuto Kaihatsu Kogyo, which has manufactured logistics vehicles such as tank trucks and powder and granular materials carriers, as well as cargo handling labor-saving equipment (Tailgate lifter), and NIPPON TREX, which has produced trailers and wing van trucks. Through transportation, we will continue to support the logistics industry, which is changing not only by issues related to drivers, but also by changes in the times and environment, such as advances in technology and the diversification of lifestyles.

### ■ Toward solving the 2024 logistics problem

NIPPON TREX offers double articulated trucks which connect trucks and trailers so that one driver can carry the load of two vehicles, and swap bodies which allows drivers to concentrate on driving duties by separating cargo handling. Here, we aim to improve transportation efficiency and reduce driver workload through relay transportation. In 2019, we received the Green Logistics Partnership Conference Special Award for our joint transportation efforts (Yamato Transport/Nippon Express/Seino Transport/Japan Post) using double articulated trucks, and this has been attracting attention from the transportation industry. Additionally, starting in 2020, initiatives using NIPPON TREX's products are expanding, with SLOC (mainline relay transportation service) evaluation trials using swap bodies starting mainly with Denso. We will continue to propose new products as solutions to logistics problems.

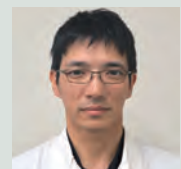
### Changing the current state of logistics through safe and secure large-capacity transportation

Since its introduction in 2017, NIPPON TREX has been working with the government, transportation companies, and shippers to develop the double articulated trucks. As this is a larger type of vehicle that has never existed before, it is equipped with a variety of safety equipment, which protects the safety and security of

transport companies and shippers.

We believe that double articulated trucks, which allow one driver to transport two trucks, can contribute to solving the 2024 problem and reducing CO<sub>2</sub> emissions. We would like to continue to develop products that can contribute to social activities.

| Yosuke Oka, 1st R & D Group, R & D Department, NIPPON TREX |



### Products to become more widely used through improvements and addition of variations

Recently, swap bodies have been attracting attention as one of the solutions to the 2024 problem, but in reality, nearly 20 years have passed since they came on the market. The specifications started with a manual wing body, and now we have adopted electro-hydraulic technology to improve usability, added van bodies

and flat bodies as body variations, and have now even reached the point where we are prototyping a refrigerated van body. With the establishment of a unified standard for bodies, we look forward to further expansion in the future.

| Hiroaki Shinyama, 1st R & D Group, R & D Department, NIPPON TREX |



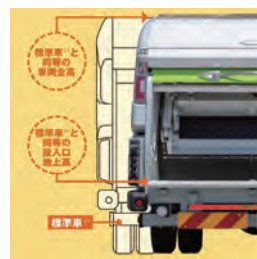
## FY2022 Topics

### ■ Providing products that are easier to use and select toward the realization of a recycling-oriented society

— Launch of "refuse truck with shaft-type measuring device" garbage collection trucks with new weighing devices —

Society as a whole needs to realize a recycling-oriented society to reduce waste and conserve resources. Since the release of the refuse truck with shaft-type measuring device, a garbage collection truck equipped with a weighing device, in 2002, Kyokuto Kaihatsu Kogyo has been contributing to waste reduction by managing and utilizing information such as the weight of collected items and collection dates and times for each customer. In July 2022, we launched a new type of garbage collection truck with a weighing device, the refuse truck with shaft-type measuring device. By lowering the height of the input port and the overall height of the vehicle compared to previous scale packers, this product achieves the same usability and work

efficiency as conventional products without a weighing device, while maintaining the same loading capacity. We will continue to provide new value by developing user-friendly products, realize specifications that are easier for customers to use, and respond to the diversifying market environment.



"Refuse truck with shaft-type measuring device" - Comparisons with conventional models

### ■ Meeting a wider range of logistics needs with a maximum lift load 1.5 times greater than conventional models

— Launch of "Tailgate lifter G III 1500" rear-retractable tailgate lifter —

Kyokuto Kaihatsu Kogyo's "Tailgate lifter" is a product that saves labor when loading and unloading heavy loads by using an elevating platform attached to the rear of the truck bed. The Tailgate lifter G III 1500, released in January 2023, has a maximum lift load of 1,500 kg, an increase of 500 kg from the existing 1,000 kg, making it suitable for larger medical equipment and other devices that were previously considered difficult to transport. It can also handle heavy items such as equipment for events and concerts. We will continue to develop new products based

on the labor-saving technology and know-how that we have cultivated over the years in the logistics industry, where the labor shortage is becoming more and more serious as the volume of cargo handling increases year by year.



Tailgate lifter G III 1500

### ■ Contributing to local communities by meeting customer needs in Hokkaido

— Manufacture of slurry lorries and chip transport trailers —

Shinko Automobile, located in Ishikari City, Hokkaido, is a locally-based company that manufactures special purpose vehicles that meet local issues and needs, as well as repairing and maintaining them. The company's tanker truck manufacturing plant is able to meet the demand for slurry (liquid manure) tanker trucks, which are in constant demand in Hokkaido. They also manufacture chip transport trailers for transporting wood chips produced in areas with thriving forestry industries in Hokkaido, contributing to the development of local industry. Our group will continue to contribute to solving the problems faced by our customers

by manufacturing high-quality, made-to-order products that meet individual needs, and providing comprehensive after-sales service to ensure that they can be used for a longer period.



Slurry tanker

## ■ To ensure long and safe use of our products

- Education on product use and service technology improvement —

Our group also puts a lot of effort into after-sales service so that our customers can use our products safely for a longer period. In addition to providing a diverse service menu, we provide training to service personnel in charge of inspections and repairs, as well as training for users - the people that use our products - encouraging them to prevent problems and respond quickly. In fiscal 2022, Kyokuto Kaihatsu Kogyo held 148 seminars for users and an additional 129 seminars for service factories, providing safety guidance and product knowledge. In September 2022 and February 2023, Kyokuto Kaihatsu Kogyo and NIPPON TREX jointly held trailer maintenance seminars with the aim of strengthening synergies between the groups.

Inoue Motor, which provides after-sales service for NIPPON TREX products, holds classes on trailer maintenance for foreign mechanics and others with the aim of passing on skills.



Training session at Inoue Motor

## ■ Next-generation locomotives that contribute to a decarbonized society

- Sales of new lithium-ion battery locomotives —

Efforts toward decarbonization are required in various industries, and the electrification of rolling stock is progressing in the railway and steel industries as well. In March 2023, Hokuriku Heavy Industries delivered two new lithium-ion battery locomotives. The locomotive delivered on this occasion was a large vehicle with a weight of 55 tons, and is the first of its kind in Japan (according to Hokuriku Heavy Industry research). Although there are challenges specific to electrification, such as charging time and mileage, there is a lot

of interest from private railway companies and steel manufacturing companies, and we look forward to future improvements.



New lithium-ion battery locomotive

Photo provided by: JAPAN TRANSPORT ENGINEERING COMPANY

## ■ Contributing to solving infrastructure issues in developing countries

- Donation of refuse truck to Dominican Republic —

In developing countries where infrastructure development is delayed in areas such as civil engineering, environmental sanitation, firefighting, and disaster recovery, it is often difficult to obtain vehicles for construction and maintenance, and delays in disaster response and widening economic disparities are serious problems. In developing countries such as the Dominican Republic, while economic development has continued steadily in recent years, the amount of waste generated has increased dramatically, causing public health problems due to outdoor dumping and river pollution from sewage from garbage dumps. This has become a social issue. In FY2022, FE-Auto donated two refuse trucks that were refurbished from used vehicles to help solve the waste problem in the Dominican Republic. In addition, we are planning to ship two water tank trucks in 2023 as part of our vehicle donation project for developing countries, which we are carrying out at the request of the Society for Promotion of Japanese Diplomacy. Even if a vehicle has finished its useful life in Japan, there are regions and countries overseas that still need it. The vehicle reuse

initiatives promoted by our group not only make effective use of resources, but also lead to the development of developing countries.



Refuse truck donated to the Dominican Republic

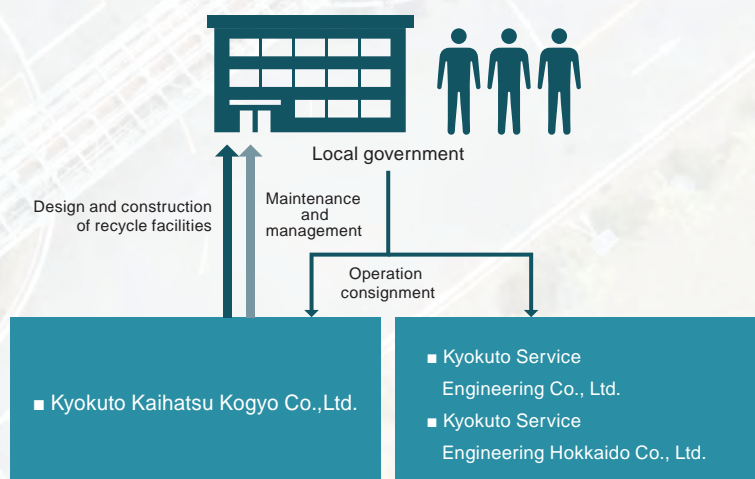
Photo provided by: the Society for Promotion of Japanese Diplomacy

# ENVIRONMENTAL EQUIPMENT AND SYSTEMS BUSINESS

## Business Strategies

### Environmental Equipment and Systems Business

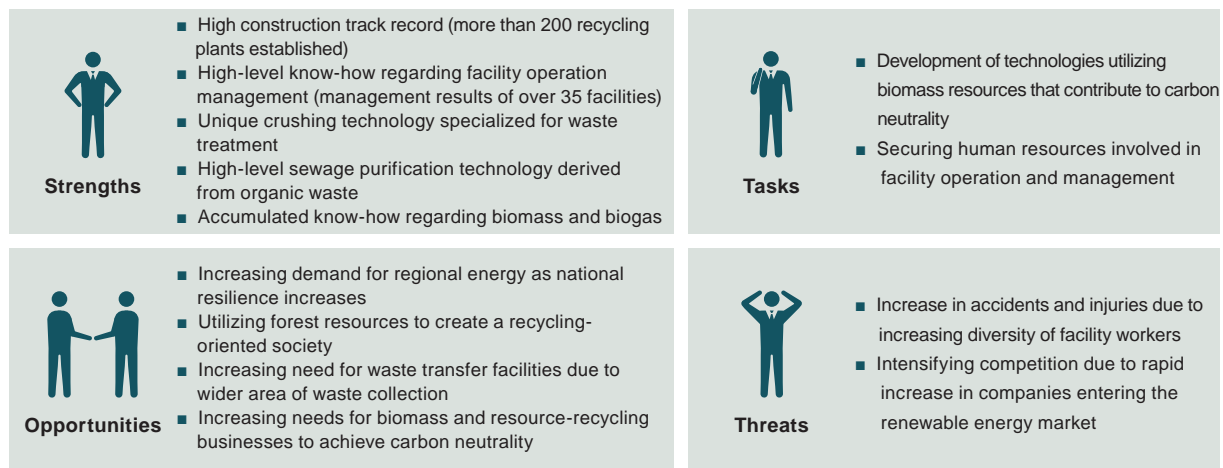
The mainstay of our Environmental Equipment and Systems Business is the construction of recycling plants equipped with pulverizers and the maintenance, management, and operation of facilities. Facilities are mainly for the local governments, with competitive bidding testing technical capabilities and ability to make proposals. Furthermore, Kyokuto Service Engineering and Kyokuto Service Engineering Hokkaido are companies that operate and maintain facilities, and the knowledge gained through operation and maintenance is reflected in plant design. Recently, we have also been developing renewable energy facilities that utilize organic raw materials such as biogas and biomass. As the projects and scale of these processes differ for each customer, we examine and propose the optimal treatment method for each customer.



## ■ Market environment

With the trend toward carbon neutrality and away from fossil fuels, there is a growing movement to generate energy from existing resources such as waste and forest resources. In addition, from the perspective of building disaster-resistant countries and regions, making local economies more independent is an issue, and there is a need to realize a renewable energy-oriented economy and society that utilizes local resources. One example is the movement to extract biogas from livestock manure and use it as an energy source in areas where livestock and dairy

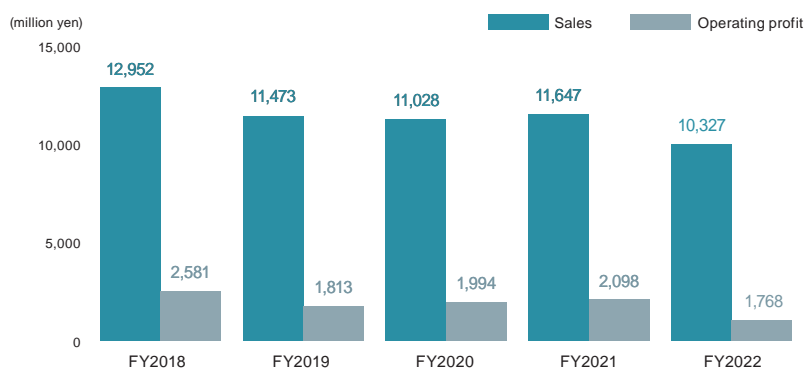
farming are popular. At the same time, the shrinking of local economy due to population decline is also a serious problem, and needs related to efficient waste collection and cross-area collection to ensure stable operation of waste treatment facilities are becoming more pronounced. In addition, although the amount of waste generated is decreasing due to population decline, there are challenges in recycling methods for a wide variety of plastic waste, and accidents such as fires caused by discarded lithium batteries are on the rise.



## ■ Long-term strategies

- As population decline and regional depopulation progress, we will develop technologies and provide solutions tailored to the needs of each local government. We will also work to develop technologies related to biomass energy suitable as autonomous decentralized energy
- Develop high-level safe facilities and equipment that accommodate a diverse workforce, including the elderly and women, and introduce them at business sites

## ■ Environmental Equipment and Systems Business performance trends



In the fiscal year ending March 31, 2023, although we received new orders, there were few completed properties and plant construction sales decreased. On the other hand, sales in stock business fields such as contracted plant operation and maintenance remained steady. From next fiscal year onward, we anticipate more stable performance due to the completion of properties currently under construction.

## Building a future recycling-oriented society based on relationships of trust with people

### □ Pursuing “safety,” “peace of mind,” and “stable operation” based on knowledge gained on site

Kyokuto Service Engineering Co., Ltd., was established in 1993 as a company responsible for operating environmental sanitation plants constructed by Kyokuto Kaihatsu Kogyo Co., Ltd. (hereinafter referred to as “Kyokuto Kaihatsu”). While the number of competitors specializing in operation management is increasing, we are currently responsible for the operation of 31 facilities nationwide, with our strength in comprehensive proposals that go beyond operation, such as improving facilities and extending the life of equipment through collaboration with Kyokuto Kaihatsu. We are contributing to improving the brand value of the group through synergy effects with Kyokuto Kaihatsu, such as applying knowledge gained on site to plant design.

### □ Human resources strategy to create a workplace environment where everyone can work comfortably

Securing human resources is an important issue for further business expansion. As part of our efforts to achieve this, we are hiring employees as full-time employees, creating a clean workplace environment that is easy for elderly and female employees to work in, and reviewing our personnel evaluation system. Although our company has a large number of male employees, we have established a working group centered on female employees, and by encouraging the exchange of opinions among female employees across the country, we are improving the workplace environment and increasing motivation. In order to maintain safe and secure facility operations, we will continue to listen to our employees and work to create a more comfortable working environment for everyone.



Female employee working group

### □ Becoming a company that provides value to the community through thorough safety management

As a company responsible for this type of lifestyle infrastructure, we take thorough measures to prevent fires and industrial accidents based on our belief that we will never stop operating our facilities. Recent initiatives include the introduction of safety education for employees through simulated accident experiences using VR. We also work to raise local environmental awareness by responding to requests for tours of our facilities and actively participating in local government environmental events. In addition, we are continuing to operate waste treatment facilities that energize local societies and economies through the employment of employees, including job creation in rural areas and employment of people with disabilities. We will continue to work on improving safety management and operational quality to prevent facility suspensions due to fires or industrial accidents, and aim to be a company that can be further trusted by the local community.

SATORU YAMANE

Representative Director and President of  
Kyokuto Service Engineering Co., Ltd.

AFFILIATED  
COMPANY  
TOP COMMENT



Nishinomiya City Tobu General Processing Center Crushing and Sorting Facility - Completion image

## ■ Aiming for a recycling-oriented society

Reusing existing resources without using new resources is essential for achieving both conservation of the natural environment and ecosystems and economic development. In order to effectively reuse the waste generated from everyday life and economic activities, it is essential not only to raise individual awareness of recycling, but also to develop more precise equipment to recover resources from waste. The maintenance and operation of high-quality facilities are required. Kyokuto Kaihatsu Kogyo, which was one of the first companies in Japan to develop recycle facilities, will continue to contribute to the realization of a recycling-oriented society using the technology and know-how the company has cultivated over the years.

## ■ Continuing to contribute to local resource circulation

— Order received for "Tobu General Processing Center Crushing and Sorting Facility Development and Operation Project" —

In March 2023, we received an order from Nishinomiya City, Hyogo Prefecture for the "Tobu General Processing Center Crushing and Sorting Facility maintenance and operation project." This project is due to the aging of the "Seibu (West) General Processing Center Crushing and Sorting Facility" and in line with the integration of the "Tobu (East) General Processing Center PET Bottle Compression Facility" and the "Seibu (West) General Processing Center Recycling Plaza (educational facility)". The project will construct and operate a comprehensive material recycling promotion facility equipped with crushing, sorting, compression, packaging, and storage functions. Additionally, our group will be entrusted with the operation and maintenance of this facility for a 20-year period. By developing and renovating facilities that have supported local communities for many years, the entire group will continue to contribute to the realization of a recycling-oriented society.

## Acquiring orders through collaboration within the group

In order to gain a deeper understanding of the information provided by customers, this project not only conducted prescribed interviews but also actively exchanged in opinions in an effort to understand the intentions behind the materials presented. As a result of these efforts, our group was able to

receive the order for this project. I believe that the sales and technology departments, as well as Kyokuto Service Engineering, who are experts in facility management, worked together to come up with a proposal that was well received by our customers.

Masaya Uemura, 1st Engineering Group, Engineering Dept., Environmental Equipment and Systems Division, Kyokuto Kaihatsu Kogyo |



## FY2022 Topics

### ■ “Responsibility to create” fulfilled through stock management

- Order received for the “Clean Center Yaotome core improvement maintenance operation project” —

In recent years, instead of closing and rebuilding aging recycle facilities, there has been a gradual increase in the use of the “stock management method,” in which the processing system is reviewed and large-scale facility renovations are carried out. In March 2023, we received an order from the Kamiina Wide Area Union for the Clean Center Yaotome core improvement maintenance operation project, which also adopted this stock management method. Our group will optimize and simplify the processing flow for each building and major equipment, and at the same time be involved in core improvement work that promotes energy conservation, as well as all operations and maintenance of facilities (Kyokuto Kaihatsu Kogyo, Kyokuto Service Engineering, Yamaura Corp. joint venture). We will contribute to a recycling-oriented society through a

stock management method that improves and maintains facilities rather than rebuilding them, and at the same time, contribute to a more decarbonized society by improving equipment and processing flows that promote energy conservation.



Clean Center Yaotome - Renovation completion image

### ■ Continuing to support local communities with safe, secure, and stable recycle facility operations

- Focusing on education to prevent occupational accidents by introducing VR hazard experience equipment—

Kyokuto Service Engineering and Kyokuto Service Engineering Hokkaido are mainly contracted by local governments to operate local waste treatment and recycle facilities, and to play a role in supporting the local resource circulation system. What we are focusing on is the safe, secure, and stable operation management of facilities, with a focus on health and safety initiatives. In 2022, Kyokuto Service Engineering introduced a VR (Virtual Reality) danger experience device. This device aims to improve safety awareness using VR goggles, a low-floor shaking device, and tactile reproduction gloves. This allows employees to experience the horror of industrial accidents by simulating multiple dangerous situations such as falls

and electric shocks with their five senses. Additionally, as the device is transportable, allowing safety training courses using the device to be held at various workplaces. In the future, our group will continue to work on improving the working environment and educating our employees in order to conduct operations that put safety first.



Experiencing a forklift forward/reverse accident using the VR danger experience device

### ■ Biomass business contributing to a decarbonized society and resource circulation

- Introduction of wood biomass boiler to “JUNG RING”—

Kyokuto Kaihatsu Kogyo installed a wood biomass boiler at JUNG RING, a container house experience showroom in Tatsuno City, Hyogo Prefecture, (Managed by: Genichi Co., Ltd.). Kyokuto Kaihatsu Kogyo will install a wood biomass boiler packaged in a container house to conduct a demonstration project that contributes to decarbonization (scheduled to be completed in November 2023). This facility plans to effectively utilize local woody biomass raw materials as fuel for the boiler, and use the heat for hot water and space heating within the facility. We hope that the showroom will be an opportunity for the general public to visit, as well as local governments and companies interested in using wood biomass boilers, to learn

about our group's activities for a decarbonized society and resource recycling. We will continue to propose optimal solutions tailored to local needs through our group's biomass products, and contribute to the realization of a sustainable future with a decarbonized society and resource recycling.



Wood biomass boiler installation image

## ■ Highly efficient garbage collection improving work efficiency and contributing to decarbonization

- Order received for "combustible waste transfer facility construction work" —

Due to the declining population and shrinking local economies, waste disposal areas are becoming larger. In June 2022, we received an order from Kitahiroshima City, Hokkaido for the construction of a combustible waste transfer facility. By installing a waste transfer facility (satellite center), we are contributing to a more efficient and economical transportation of waste. Garbage generated from households is collected by small collection vehicles and transported to the garbage transfer facility. Once a certain amount of garbage has accumulated, it is compressed using Kyokuto Kaihatsu Kogyo's compactor (garbage compression) equipment, then transferred to a special vehicle (detachable body truck) and transported all together to an incineration facility. By setting up waste

transfer facilities while paying attention to the balance between the amount of waste and the distance it is transported, we are able to reduce transport costs, reduce the burden on workers, and contribute to a decarbonized society.



Kitahiroshima City combustible waste transfer facility  
Completion image

## ■ Contributing to solving pollution problems and achieving carbon neutrality

- Order received for "Toyokoro Biogas Plant Construction Project" —

As society as a whole is required to respond to carbon neutrality, the creation of a recycling-oriented society through power generation using renewable energy from familiar resources, and clean energy that does not emit CO<sub>2</sub> and is attracting attention. In March 2023, Kyokuto Kaihatsu Kogyo completed construction work for a Toyokoro biogas plant ordered by J-Lead, an agricultural cooperative that produces raw milk in the Toyokoro Town of Hokkaido (basic design: Biomass Research Co., Ltd., construction contractor: IWATA CHIZAKI Inc.). This is Toyokoro Town's first biogas plant that uses livestock manure. The facility plans to separate the digestive fluid generated at the plant into solid and liquid, dry the solid content, and reuse it as cowshed bedding, thereby

making it self-sufficient in bedding. Our group will be in charge of the plant design and construction of the medium-temperature fermentation system, aiming for completion in September 2025. This initiative will not only have a major impact on the realization of circular farms, but will also contribute to the realization of a decarbonized society.



Toyokoro biogas plant (under construction)

## ■ Contributing to the creation of a recycling-oriented society through the effective use of food waste

- Construction of food residue composting facility in Mie Prefecture —

Mori Plant received an order for the composting facility equipment for the methane fermentation and composting facility built by Daiei Kankyo Co., Ltd. in Iga City, Mie Prefecture with the aim of effectively utilizing food waste, and the construction was completed in September 2022. The composting facility has a processing capacity of 92 tons per day, and the compost building has four vertical fermentation composting devices that perform high-speed fermentation processing. We have installed a bag breaker to remove unsuitable materials from food residues brought in from various food factories, and a classifier to sift the finished compost into a size that is easy to spread on the

fields. In addition, we have achieved a plant design that is friendly to workers, such as installing large deodorizing equipment next to the composting building to prevent odors generated from the composting process.



Vertical fermentation composting equipment

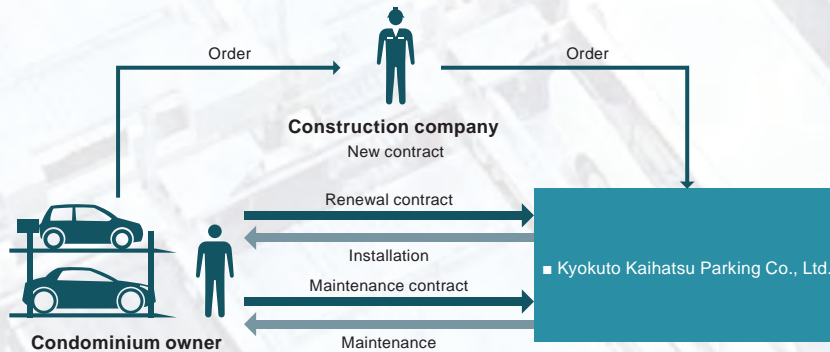
# CAR PARKING SYSTEMS BUSINESS

## Business Strategies

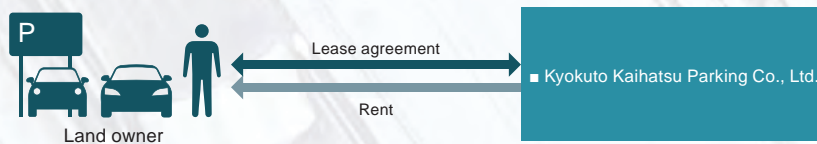
### Car Parking Systems Business

The Car Parking Systems Business consists of a multistorey parking equipment business that manufactures and sells mechanical multistorey parking equipment for apartment complexes such as condominiums. It also has a toll parking business that installs and operates toll parking lots. When installing a mechanical multistorey parking lot in a newly built condominium, we receive an order from the general contractor, but after the installation, we have to contract with the building owner for operation and management. On the other hand, toll parking will enter into a lease agreement with the land owner of the business site, and Kyokuto Kaihatsu Parking installs the equipment and operates the business.

#### ■ Multistorey parking equipment



#### ■ Toll parking







## ■ Market environment

In Japan, the shift to EVs is expected to accelerate, although the trend has been slower compared to Europe and the US.

In the field of multistorey parking equipment and toll parking, there is an urgent need to respond to the shift to EVs, and the installation of charging equipment is becoming more necessary. In the field of toll parking, which targets general customers, there is a tendency for operations that incorporate IT, such as cashless payments and image monitoring to become more widespread. Information security is also becoming more important as

well as improving the overall efficiency of facility management. On the other hand, advances in operational technology have simplified facilities, making it more possible to utilize land in shorter periods of time. This is expected to have a positive impact on parking and open space issues in urban and residential areas. In addition, in the field of multi-story parking systems, renovation work is progressing steadily, especially in condominiums where it is time to replace the equipment, and there are expectations for further improvements in convenience using IT.

 <p><b>Strengths</b></p> <p><b>Multistorey parking equipment</b></p> <ul style="list-style-type: none"> <li>■ Delivery record of 81,700 pallets for multistorey parking equipment</li> <li>■ Industry's first remote-controlled multistorey parking equipment</li> <li>■ Contracted maintenance company for over 20 companies in Japan</li> </ul> <p><b>Toll parking</b></p> <ul style="list-style-type: none"> <li>■ High market share and awareness in the Kansai region</li> </ul>	 <p><b>Tasks</b></p> <p><b>Multistorey parking equipment</b></p> <ul style="list-style-type: none"> <li>■ Securing and developing technical and IT personnel</li> <li>■ Quality control of overseas suppliers</li> </ul> <p><b>Toll parking</b></p> <ul style="list-style-type: none"> <li>■ Increasing market share outside Kansai</li> </ul>
 <p><b>Opportunities</b></p> <p><b>Multistorey parking equipment</b></p> <ul style="list-style-type: none"> <li>■ Demand for charging equipment due to the advancement of EVs</li> <li>■ Demand for replacement of multistorey parking equipment due to aging condominiums</li> </ul> <p><b>Toll parking</b></p> <ul style="list-style-type: none"> <li>■ Reducing administrative costs by improving IT</li> <li>■ Changes in needs due to aging users</li> </ul>	 <p><b>Threats</b></p> <p><b>Multistorey parking equipment and toll parking</b></p> <ul style="list-style-type: none"> <li>■ Increased material and energy costs</li> <li>■ Delivery delays due to semiconductor shortage</li> <li>■ Lack of human resources for maintenance companies</li> <li>■ Decrease in number of cars owned</li> </ul>

## ■ Long-term strategies

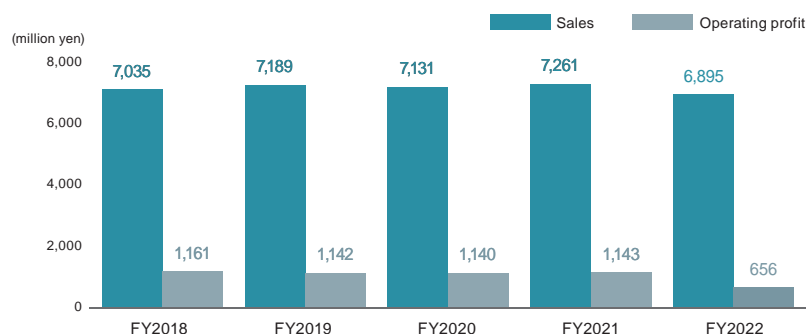
### Multistorey parking equipment

- System development to increase convenience and safety
- Establishment of stock business in multistorey parking equipment (timely response using maintenance contracts and IT)
- Monetizing EV charging management

### Toll parking

- Promotion of cashless / flap-less (lock free) toll parking
- Increase in business locations and improved area share

## ■ Car Parking Systems Business performance trends



\*The above sales include sales from F.E.E Co., Ltd., which operates cafeterias and non-life insurance agencies within our group, as well as from real estate lease companies.

In the fiscal year ending March 31, 2023, although there was a significant decrease in rental income due to the sale of rental properties, sales and profits in the parking business remained strong. In the multistorey parking equipment business, we focused on stock businesses such as renewal work and after-sales services. Additionally, in the toll parking business, occupancy rates improved due to the impact of the COVID-19 pandemic, and we were able to steadily increase sales and profits.

## Armed with the spirit of challenge, contributing to society through unconventional manufacturing

### □ Establishing a stable stock business with detailed services

Our business primarily consists of two pillars: mechanical multistorey parking equipment business and toll parking business. Mechanical multistorey parking systems have been installed in approximately 3,000 locations, including apartment complexes and tenant buildings. We position this maintenance work as the core of our stock business, and we strive to maintain long-term relationships with users and managers so that they can use our products safely and with peace of mind. In today's world where cars have become a part of our daily life, parking lots are essential infrastructure, and after-sales services such as their management and maintenance are extremely important. For example, a newly developed remote monitoring system allows us to respond quickly to problems by constantly monitoring the situation. In addition, the vast amount of information that has been accumulated allows us to accurately suggest the timing for repair work and parts replacement, which is expected to prevent unexpected problems from occurring. In this way, by utilizing the latest technologies such as IT, we are now able to provide more detailed services.

### □ Sustainability initiatives that lead to comfort for everyone

The toll parking business is a business aimed at making effective use of land for land owners, local governments, commercial facilities, etc., and currently has approximately 12,000 parking spaces. Recently, in response to the growing need for cashless payments, we have begun introducing a system that allows payments using two-dimensional codes. We are

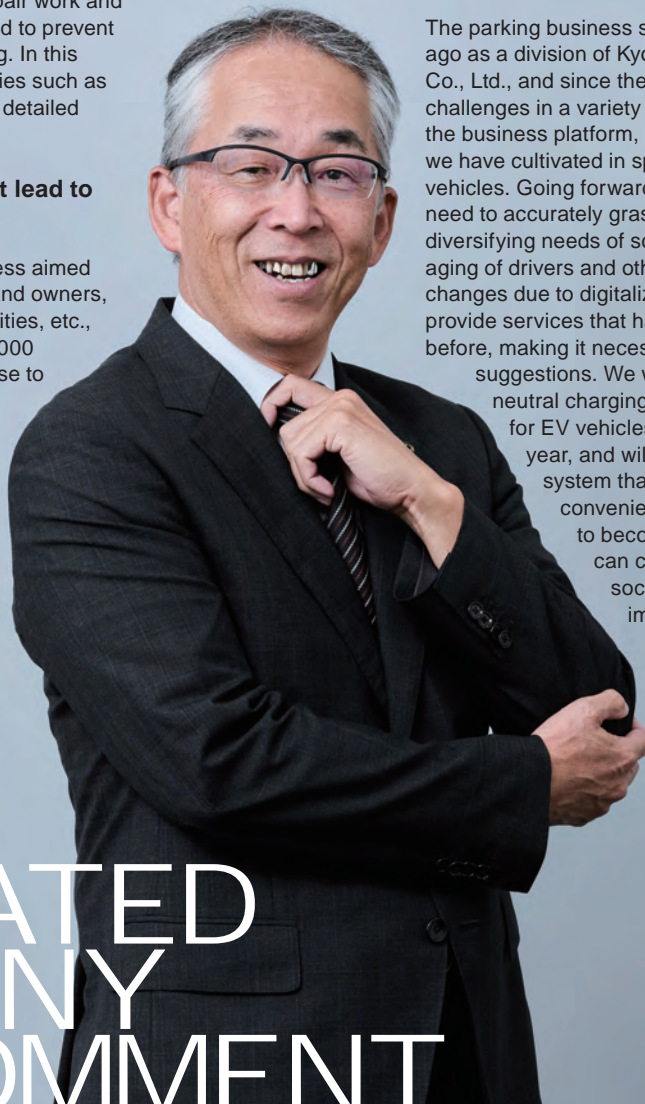
also eliminating flap-type (barrier) lock plates and introducing a system that uses cameras to read license plates to manage usage status. In this way, we are working on development of services that are less stressful for customers. On the other hand, we have developed a system for the mechanical multistorey parking system that allows you to remotely request to bring your car. Previously, it was necessary to operate the control panel directly for safety reasons, but the new system now passes the strict safety standards and allows pallets to be called up from a distance using a remote control. You can request your vehicle without stress even in harsh weather such as wind and rain or cold winter. By promoting ways to make the use of mechanical multistorey parking systems more comfortable, we will improve the motorized society, and will further work to improve the supporting infrastructure.

### □ Responding to social changes and continuing to be a "challenging force"

The parking business started about 30 years ago as a division of Kyokuto Kaihatsu Kogyo Co., Ltd., and since then, we have taken on challenges in a variety of fields regardless of the business platform, using the technology we have cultivated in special purpose vehicles. Going forward, we will not only need to accurately grasp and respond to the diversifying needs of society, such as the aging of drivers and other users and lifestyle changes due to digitalization, but also provide services that have never existed before, making it necessary to make new suggestions. We will launch a carbon neutral charging management service for EV vehicles, in October of this year, and will work to build a system that will provide greater convenience to users. We aim to become a company that can contribute broadly to society while further improving our ability to respond to challenges one step ahead of the rest of the industry and maintaining a spirit of challenge.

YUTAKA YOSHIDA

President and Representative Director  
of Kyokuto Kaihatsu Parking Co., Ltd.



AFFILIATED  
COMPANY  
TOP COMMENT

- Working toward safer and longer-lasting products
  - Development of remote monitoring system for multistorey parking equipment —

At Kyokuto Kaihatsu Parking, we are focusing on the stock business of multistorey parking equipment. In this work, service personnel are unable to make timely proposals for repairing equipment that has been delivered for many years, and are unable to work efficiently because they are busy dealing with sudden problems. The solution has been a long-standing issue. In 2021, in order to help solve these issues, we developed a "remote monitoring system" that uses IoT to remotely check the status of multistorey parking systems. This makes it possible to remotely collect information necessary for maintenance, such as the input status of limit switches that detect the operating status of

the equipment, the number of operations, and past faults history, making it possible to quickly recover from problems and make more accurate maintenance plans. We will continue to provide products and maintenance that everyone can continue to use more safely, and will also focus on promoting improved work styles for employees and maintenance businesses by introducing common platforms.



Remote monitoring system application screen

- Creating a system that meets the needs of society
  - Development of remote request system —

Conventionally, multistorey parking equipment had to be operated while confirming safety on operation panels next to them in order to call up a pallet (the platform on which the vehicle is placed) due to safety concerns, resulting in long waiting times. In order to shorten this waiting time and make pallet calling easier, in FY2021 we started developing a system that allows remote control of calling the vehicle, the remote request system, and it was completed the following year (FY2022). We have decided that the first remote request

system, which meet the customer needs, will be installed in December 2023 and we will continue to develop specifications that will link it with robot gates using ETC.



Remote request system ® and remote controller

- Contributing to carbon neutrality by supporting EV
  - Unique EV charging management service —

Electric vehicles (EVs) are expected to become more popular in the future due to the growing demand for carbon neutrality worldwide. In line with this, we are working to quickly create an EV charging environment at our group's multistorey parking systems and toll parking. We will continue to develop multistorey parking equipment with EV chargers installed on all pallets, as well as toll parking with an EV charging environment. In addition, we will develop an EV charging management system that will undertake everything from installing EV charging equipment to charging management services, and service

commencement is scheduled for October 2023. We will continue to contribute to carbon neutrality through the development of charging infrastructures.



EV charging management app screen

- Easy-to-use and safe toll parking for everyone
  - Responding to cashless and flap-less (lock free) trends —

In our toll parking business, we aim to create toll parking that is convenient and safer for everyone, and we are promoting cashless payments and flap-less (lock free) parking, which does not have flaps (locks) that can cause accidents. As of March 2023, our group's toll parking has 11,669 spaces open. In order to make effective use of land and solve transportation issues in urban areas, we will

continue to promote new development and work on making new development sites cashless and flap-less (no lock plates). (New introduction results for FY2022: cashless systems 66%, flap-less systems 51%)



Flap-less parking space

## Kyokuto's Overseas Expansion

In addition to the nationwide use, the products of Kyokuto Kaihatsu Kogyo are exported to 150 countries such as Asia, Oceania, Middle East, Africa, Latin America, etc., and are used actively. Also, there are three overseas production sites. By providing high quality products that long-term performance has been proven domestically to these countries, we contribute to infrastructure improvement of new emerging countries, especially in Asia, and grow as the global company. We will continue to aim to become a "global comprehensive infrastructure manufacturer," as set forth in our long-term management vision, by establishing new production, sales, and service bases, expanding our product lineup, and strengthening collaboration among group companies.



■ 《China》

**KYOKUTO KAIHATSU (KUNSHAN) MACHINERY CO., LTD.**

Kyokuto Kaihatsu (Kunshan) Machinery manufactures special purpose vehicles such as concrete mixer trucks for the local and surrounding areas, as well as parts and components for the Group's manufacturing bases in Japan. Concrete mixer trucks have been exported to many



countries, including Southeast Asia and Australia, and have contributed to infrastructure development in each country. In the future, we plan to continue to improve the quality of our mainstay concrete mixer trucks and expand specifications to meet the needs of each country. Furthermore, we will also aim to expand the production lineup and amount of supply for parts we are supplying to Group companies in Japan.



Concrete mixer trucks

■ 《India》

**SATRAC ENGINEERING PRIVATE LIMITED**

Since its establishment in 1997, SATRAC ENGINEERING has built a solid position in the special purpose vehicle market in India, with its high-quality manufacturing, sales network and service system that covers all of India, and product development capabilities that can flexibly respond to diverse needs. In addition to its main products, rear



dump trucks and trailers, they also manufacture fuel tank trucks and pneumatic bulk carrier. Since becoming a member of our Group in 2020, we have continued to grow further through the synergy created by the Group. The Indian economy is expected to continue to grow in the future. In order to continue contributing to the customers and local communities, SATRAC ENGINEERING is planning to construct multiple additional factories in India, as well as a new factory in Chennai, which is currently underway.



Rear dump trucks

Dump trailers

■ 《Indonesia》

**PT. Kyokuto Indomobil Manufacturing Indonesia**

Kyokuto Indomobil Manufacturing Indonesia was established in 2012 as a joint venture with the Indomobil Group, which is part of the Salim, a prominent local conglomerate. They manufacture large rear dump trucks, concrete mixer trucks and tailgate lifters, and work with our



sales company, Kyokuto Indomobil Distributor Indonesia, to provide products to various fields of local infrastructure development and material transportation. In Indonesia, we expect demand for resources such as coal and nickel to remain strong for the time being. In particular, for our mainstay large rear dump trucks, we will be expanding our lineup with a focus on transporting resources at mines and are planning factory expansion.



Rear dump trucks



Tailgate lifters

## Connecting group synergies for value creation in India

### □ Building Customer Trust with the Latest Production Technology and High-quality Products

We, SATRAC, are based in Bengaluru, Southern India, and respond to domestic demand in India with a wide range of products, including tipper trucks, trailers, tankers, and bulkers. In 2020, we joined the Kyokuto Kaihatsu group and have steadily increased our sales as its overseas business base. Amidst current rapid economic development in India with a population exceeding 1.3 billion, we are experiencing a significant surge in demand for special-purpose vehicles, driven by the expansion of its domestic infrastructure. In this backdrop and in line with the Indian government's policies promoting innovation and digitalization, we have also introduced AI-powered latest production technologies to achieve higher-quality production. As a result, we have succeeded in adding new strength to our current high-quality products with superior design, and have gained high reliability from our customers.

### □ Addressing Social Challenges and Fulfilling our Responsibilities through our Products and Businesses

Our company is actively involved in achieving carbon neutrality and addressing environmental challenges, which are significant concerns for the Kyokuto group. Through our product-focused initiatives, we are attempting to improve the efficiency of payload and fuel consumption by developing lightweight and aerodynamically efficient products compared to those with conventional designs. Recently, we have also commenced mass production of tipper trucks for electric vehicles (EVs). On the other hand, as an internal initiative, we are striving to reduce energy consumption through production efficiency and enhance the yields of raw materials. In our office operations, we have set a goal to achieve complete

paperless operations within two years, aiming to reduce resources and energy consumption while enhancing operational efficiency. In addition, we plan to install solar panels at upcoming manufacturing plants. These efforts not only address the environmental challenges but also contribute to enhancing our company's value in various aspects, including the enhancement of value added to our products. In the years ahead, we remain committed to actively fulfilling our responsibilities toward social challenges and aspire to grow as a sustainable company.

### □ Aiming for Further Leap and Value Creation through Kyokuto Group Synergy

SATRAC is currently experiencing significant sales growth. However, on the other hand, our production capacity is not enough to accommodate the demand, therefore it is imperative for us to expand our aforesaid capacity. Now, we are planning the expansion of our current plant and construction of new plants in multiple regions of India. One of these new plants, located in Chennai, is expected to commence its operations in the fiscal year 2025. We plan to gradually increase our production capacity and introduce new products, such as refuse trucks and concrete mixer trucks, to our product lineup by leveraging our technical expertise and know-how from Kyokuto Kaihatsu and Kyokuto group companies. Our goal is to continue providing enduring value to society by expanding the areas in which we can contribute.

MRINAL BANTWAL

Managing Director of

SATRAC ENGINEERING PRIVATE LIMITED

AFFILIATED  
COMPANY  
TOP COMMENT



## ▣ Achieving the best performance since establishment in a market full of potential

SATRAC ENGINEERING has been supplying products that meet various needs, mainly rear dump trucks and trailers, in order to contribute to the growing Indian economy and the infrastructure development that supports it. In 2020, when the COVID-19 pandemic began to spread in India, the Company was among the first to develop disinfectant spray vehicles for spraying disinfectants and launched multiple products into the market. The company's strength lies in its flexibility and development ability, which allows it to quickly link social conditions and market needs to product development.



Disinfectant spray truck

As a result of focusing on developing new products and acquiring new customers against the backdrop of strong demand for special purpose vehicles, in 2022 the cumulative shipments since the company's founding in 1997 exceeded 35,000 units, and sales volume, net sales, and operating income will all increase, showing the highest level ever. It is certain that India's population will overtake China and become the world's largest by mid-2023. Furthermore, as the proportion of young people is high, further population growth and associated economic growth are expected. At the same time, as infrastructure development progresses, demand for special purpose vehicles is likely to remain strong. In addition to contributing

through our products, we will contribute to regional development in a variety of ways, including job creation through expanded production capacity and technology transfer.

## ▣ Local community contribution activities and employee participation events

SATRAC ENGINEERING returns a portion of its profits to society through CSR activities. In 2022, the Company made a donation to an NGO (Akshaya Patra) that provides free lunch to children in public schools. They also purchased an ambulance for the general public and SATRAC ENGINEERING employees to assist in medical emergencies.



CSR activities



Ambulance purchased

As internal events, the Company held Annual Day in April and a Sports Day in September. On the Annual Day, which was attended by all SATRAC ENGINEERING employees at the beginning of the fiscal year, they shared business goals, organized speeches by celebrities, gave employee awards, and had a great social gathering. Cricket and volleyball games were organized by the departments on Sports Day, which deepened the friendships among employees. These events increased engagement between the company and its employees, as well as among themselves.

## Reaching out to help solve local issues and develop together

| Ragib Saifi - Manufacturing Dept., SATRAC ENGINEERING |

We are very proud that SATRAC ENGINEERING continues to support local communities and schools through CSR activities. Of course, our activities have a positive impact on the communities and schools we support, but we also feel that we are indirectly contributing to improving the standard of

living and education in India. For us as employees, this has also led to raising awareness regarding CSR activities. We would like to continue working to help SATRAC foster strong ties with local communities and employees through CSR activities.



## Strength of unity leads to greater results

| Kalpalata Sahu - Accounts & Finance Dept., SATRAC ENGINEERING |

The group activities and sporting events that SATRAC ENGINEERING organizes within the company play a very important role in increasing employee engagement and also contribute to strengthening the cohesion between different departments. Through these activities and events, I learned

that in order for the team to achieve its desired goals, it is essential that all members of the team work together as one. I believe it is important for each member of the team to be aware that if someone on the team is facing difficulties, those around them will actively support them.



### ■ Exporting concrete mixer trucks with a focus on Southeast Asia and Oceania

Following an order for 100 concrete mixer trucks for Taiwan in February 2022, we secured an additional order for 250 units in December later that year. In the first half of 2022, there were times when production was disrupted due to lockdowns to curb the spread of the COVID-19 pandemic, but by working to improve productivity through reducing man-hours and improving setups, we were able to continue to respond to meet local needs and expectations. As the Group aims to expand overseas sales, Kyokuto Kaihatsu (Kunshan) Machinery, as a hub factory for concrete mixer trucks, collaborates with Kyokuto Kaihatsu Kogyo's overseas divisions and sales agents in each country to

create detailed product specifications that meet each country's unique needs. By reflecting the above, we will create products that are even more widely accepted.



Concrete mixer trucks for customers in Taiwan

### ■ Grouping distributors in Australia and starting "Kyokuto Australia"

In July 2023, the Kyokuto Group acquired 90% of the outstanding shares of Import Machinery and Equipment Pty Ltd, which had previously been a special purpose vehicle distributor in Australia, and changed the company name to Kyokuto Australia Pty Ltd. In Australia, demand for concrete mixer trucks is strong due to construction investment and infrastructure development. At Kyokuto Australia, we modify the concrete mixer unit manufactured by Kyokuto Kaihatsu (Kunshan) Machinery to local specifications and then sell it by mounting it on a truck chassis locally. In the future, we will improve productivity through Group collaboration and expand sales of products such as concrete pump trucks and tailgate lifters. The Company will also be used as a

parts supply base for small and medium-sized rear dump trucks exported from Japan to Australia, and will continue to contribute to the construction and maintenance of Australia's social infrastructure.



Scene from the contract closing ceremony

### ■ Continuing to support global sustainability from Japan

The Kyokuto Group exports products manufactured at production bases in Japan to countries around the world, including Asia, the Middle East, Africa, and Central and South America, contributing to solving local issues. Export through ODA (Official Development Assistance) is one of these activities, and we can provide a variety of exports on special purpose vehicles and railway vehicles depending on each country's issues (waste problems, water shortages, infrastructure development, frozen and refrigerated transportation, railway maintenance, etc.). They are often custom-made products based on detailed requests from each country. If the product is exported with specifications for use in Japan, it may not be suitable for the local usage environment. During the design process, we consider what kind of specifications will definitely lead to solving local issues. In order to prevent damage or failure even in harsh usage environments, we sometimes make changes such as using stronger materials than usual or intentionally making the structure simpler than products for Japan. Furthermore, when we deliver our products to a different destination, we provide training to users on how to use and maintain our products, and support them so that they can use the vehicles safely and securely for a long time.



Refuse truck for Belize

#### ■ Example of export through ODA

- Belize: refuse trucks, rear dump trucks
- Ghana: freezer vans
- Honduras: rear dump trucks, water tank trucks
- Sudan: steel cargo trucks, skip loaders

## ■ Achieving record performance with new products that meet local needs

In FY2022, Kyokuto Indomobil Manufacturing Indonesia and Kyokuto Indomobil Distributor Indonesia achieved record highs in unit sales, net sales, and operating income. In Indonesia, demand for large rear dump trucks used in coal mines is increasing due to the strong demand for coal. Taking advantage of this opportunity, we have developed new large-capacity rear dump trucks with cargo box volumes of 40m<sup>3</sup> and 45m<sup>3</sup>, reflecting customers' needs for loading capacity in product manufacturing. Simply increasing the volume of the cargo box has the disadvantage of making the vehicle too heavy and increasing the risk of rollover, but by reviewing the conventional body structure, coal can now be transported more safely and efficiently carried out even under the harsh road conditions of mines. In Indonesia, demand for coal is expected to remain strong in line with economic growth. Additionally, demand for resources such as nickel is expected to grow due to the trend toward decarbonization. In order to continue to respond more stably and efficiently to resource development, which is the foundation of Indonesia's economy, and its related needs, Kyokuto Indomobil Manufacturing Indonesia is working to increase its production capacity by introducing new equipment and

improving production processes. In the future, we will develop new products for mining and expand sales of products other than rear dump trucks. On the other hand, as an effort to deepen stakeholders' understanding of the company and products, Kyokuto Indomobil Manufacturing Indonesia has held factory tours for customers to learn about the manufacturing process, quality control system, and work environment. This creates an opportunity for people to see our operations in person. We are also working to increase employee engagement by holding events for employees and their families, such as family gatherings where they can enjoy meals and games, and fishing tournaments.



45m<sup>3</sup> large-capacity rear dump truck

## ■ Role as the "power behind the scene" that supports manufacturing in Japan

Since its establishment in 2002, Kyokuto Special Vehicle Trading (Shanghai) has been procuring various parts in China to supply special purpose vehicle manufacturing bases in Japan. The number of parts procured overseas continues to increase due to costs and other procurement risks. Under these circumstances, in order to quickly respond to various needs such as ensuring quality and short delivery times, we have been promoting productivity improvements such as improving internal systems and introducing testing equipment. We are also working to strengthen relationships with suppliers in China by holding regular meetings to exchange opinions with them. Last year, we were recognized as an "Excellent Cooperative Enterprise" by the Waigaoqiao Free Trade Zone, where we are registered. In 2020, we obtained a safe production license in China and are strengthening our management of occupational safety and health, including ensuring the safety and health of our employees and taking initiatives to prevent accidents. Additionally, when the COVID-19 pandemic hit, various problems arose, including delays in exports to Japan and supply chain disruptions due to lockdowns etc. However, Kyokuto Special Vehicle Trading (Shanghai) was able to carry out the business as planned, unaffected. As evidenced by its track record of "zero

turnover" in the past three years during the COVID-19 pandemic, Kyokuto Special Vehicle Trading (Shanghai) is building a sustainable and strong organization as a base that supports "procurement," which is the foundation of the group's manufacturing.



Inspection work at the warehouse

## Local Communities

### Sustainable “City and Community Building”

In order to support local infrastructure, the Kyokuto Kaihatsu Group strives to provide products and services that meet the needs of local communities.

To this end, we are focusing on collaborating with local communities and customers, while improving our technology and services.

## Trusted Manufacturing

Related  
Materiality

Workstyle reforms

### Improving quality and passing on skills

#### ■ Sustainable manufacturing

In order to realize a sustainable society, our Group believes that it is important not only to consider the environment and human rights in products and services, but also to continue to pass them on to future generations. Needs for products and services will become more diverse in the future due to increasingly strict environmental regulations and the globalization of product use regions. On the other hand, in Japan, there are problems such as a decreasing working population and an aging workforce, and in these difficult circumstances, we would like to continue to provide the same quality to the market as before. Our group is working to address these issues in cooperation with internal and external partner factories and business partners.

#### ■ Q-Pro initiatives

In order to meet the diverse needs of our customers, we are not only improving quality, costs, and delivery times, but also improving equipment and facilities for continuous production, training human resources, and preparing manuals. Since FY2020, we have been engaging in our Three “Don't” Activities (don't manufacture, don't pass on to the following processes, and don't accept defective products from previous processes) in order to achieve higher levels of quality and efficiency.

In addition, in order to pass on the technology and know-how we have cultivated over the years to future generations, we hold various training sessions and education, including welding and painting skill certifications etc.

#### Aiming for “No. 1 welding quality for special purpose vehicles”

| Shinobu Matsuura - Nagoya Plant Manufacturing Dept., Kyokuto Kaihatsu Kogyo |

The skills of workers are an important element that forms the basis of manufacturing. One of Q-Pro's activities is the “Welding Quality Improvement Project,” in which Kyokuto Kaihatsu Kogyo's four domestic factories are engaged in activities aimed at maintaining and improving welding quality. In addition to the in-house welding skills test, which is conducted under strict evaluation standards, we regularly hold welding technology exchanges, which are extended to external partner companies, to improve skills and knowledge and share awareness. We continue to promote the maintenance and improvement of product

quality both inside and outside the company. Further to this, in the “Welding Challenge,” indirect departments such as design, production technology, and purchasing can experience welding work, allowing them to experience first-hand the impact that the accuracy of drawings and ordered materials has on welding work, and welding from their respective perspectives, including easier working environments. Going forward, Q-Pro will continue to promote initiatives that improve skill levels through collaboration across organizations and products, and through friendly competition between workers.



## ■ Skill test

With the aim of improving quality and passing on skills, we conduct "welding skill tests" and "painting skill tests" for workers involved in product manufacturing to further ensure quality in important parts. Additionally, the tests are conducted in contest formats, which serves as a greater motivation for improving skills.



Welding skill test

## ■ Training for passing on skills

In order to pass on the technical capabilities of our Group to future generations, each Group company provides various types of education for its successors. The fabrication department of Hokuriku Heavy Industries' systematically promotes initiatives to pass on skills, such as holding opportunities three times a year for young employees to learn the essence of product manufacturing, such as setup and work know-how, from veteran employees.



Skills training at Hokuriku Heavy Industries

## Improvement and enhancement of services

In order to ensure the long and safe use of products delivered to customers, we have established service bases throughout Japan and provide a full range of after-sales services. In addition, we have established various after-sales follow-up systems, such as maintenance packs that cover periodic inspections and maintenance for a fixed fee, and the vehicle management support system, in an effort to prevent breakdowns and other issues from occurring.

### ■ Service bases

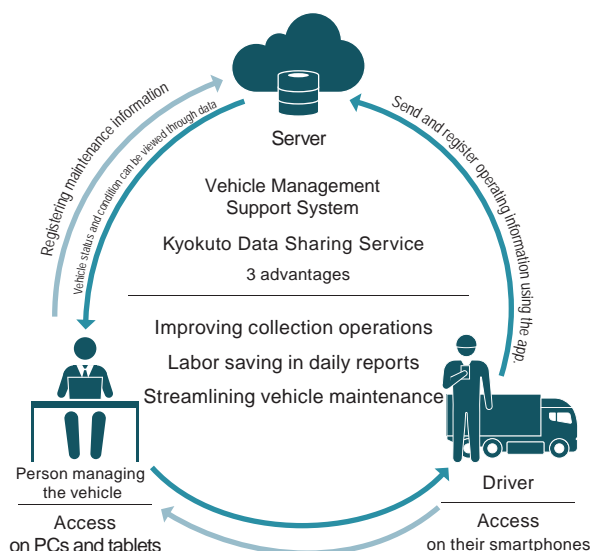
We have established a system to quickly respond to product problems by collaborating with service factories across the country. In March 2022, we renovated the FE-Auto Gifu Service Center to expand our stock business and improve the quality of after-sales service by strengthening our service system. Additionally, in April 2023, in order to strengthen the special vehicle service system in the Kyushu region, Kyushutokusyu Motors Co., Ltd. was added to the Group as a wholly owned subsidiary of FE-Auto.



FE-Auto Gifu Service Center

### ■ After-sales service using IoT

Kyokuto Kaihatsu Kogyo has developed a vehicle management support system in FY2020 that uses IoT to remotely monitor a vehicle's cumulative operating hours, number of operations, inspection history, periodic replacement status, etc. By introducing this system, we have not only improved operational efficiency, but also contributed to the prevention of breakdowns and malfunctions. Kyokuto Kaihatsu Parking has developed a remote monitoring system for multistorey parking equipment using the mechanism of the management support system. (see page 50)





## Participation in Local Communities

Related  
Materiality

Contribution  
to Local  
Communities

### Coexistence with local communities

The Kyokuto Group is engaged in local environmental conservation and disaster prevention activities in order to fulfill our responsibilities as a member of the local community. In addition, by actively participating in local events and festivals, we are deepening our interactions with local residents and local organizations, and are working to build better relationships.

#### Local environmental conservation activities and disaster prevention activities

At each Group base, we periodically clean the areas surrounding our business sites. We also actively participate in local environmental activities such as the Yamato Environment Improvement Association in Yamato City, Kanagawa Prefecture. From the perspective of local disaster prevention, we participate in local self-defense fire brigades to help protect the local community from any fires at our factories and to ensure that business continuity is not disrupted. Kyokuto Kaihatsu Kogyo's Miki Plant is a member of the "Corporate fire brigade," which engages in firefighting activities in cooperation with local fire brigades.



Community cleaning

### Participation in events

We participate in and support various festivals and events organized by local organizations. By exhibiting our products at events, we help local residents understand the roles that the Group's products play in society, and contribute to the promotion of local industries and regional revitalization.

In FY2022, we participated in the following events.  
(Number of events has decreased due to the COVID-19 pandemic.)

In October: "Working Automobiles Assemble!" at Tojoko Toy Kingdom (Kyokuto Kaihatsu Kogyo)

In October: Ishikari City Manufacturing Companies Tour and Exchange (Shinko Automobile)

In October: "Working Automobiles Assemble!" at Mt. FUJI CHILDREN'S WORLD (Kyokuto Kaihatsu Kogyo)

In March: "Working Automobiles Coming to Hokoten!" at Toyohashi Machinaka Pedestrian Paradise (NIPPON TREX)



"Working Automobiles Coming to Hokoten!"

## Nurturing the next generation

Our group contributes to the development of children and students who will lead the next generation by offering factory tours, developing content for children called "Working Automobile Research," and accepting internships and work experience programs.

### ■ Plant tours

We hold tours of factories, products, and completed facilities for local residents, students, and others with the aim of increasing interest in manufacturing, understanding of local industries, and promoting local involvement.



Hokuriku Heavy Industries Plant Tour

### ■ Content aimed at children

We are developing content for children called "Working Automobile Research" on our website and booklets. By visually introducing our Group's products and activities in an easy-to-understand and fun way, we foster the next generation and promote understanding of our Group. In October 2022, we distributed "Working Automotive Workbook" to elementary schools near Kyokuto Kaihatsu Kogyo's main bases.



Working Automotive Workbook

## Communicating safe, secure, and stable plant operations to society

Kyokuto Service Engineering's Otsu Office operates a plant that handles the crushing and processing of local waste, and receives many requests for tours from various organizations. The most common of these requests are social studies field trips for elementary school students. The curriculum guidelines for fourth-year students stipulates that students should study projects that support the health and living environment of local people, such as waste treatment, and in 2023, 22 schools participated in the

two-month period from May to June. A total of nearly 2,000 students visited the plant for the tour. In particular, the video of waste being put into a pulverizer and the demonstration of waste put in by a crane received a great response, and many questions were asked during the question-and-answer session after the tour. I feel that plant tours are a good opportunity to learn about work initiatives that support society.

Masahiro Jo - Otsu Sales Office, West Japan Operations Div., Business Operations Headquarters, Kyokuto Service Engineering Co., Ltd.



## Social contribution activities

We actively promote various social contribution activities, including donating products to developing countries.

### ■ Donating our products

In July 2022, Kyokuto Kaihatsu Kogyo collaborated with Nishinomiya City, Hyogo Prefecture to donate two refuse trucks manufactured by Kyokuto Kaihatsu Kogyo, which had expired in Nishinomiya City and were refurbished by FE-Auto. They were donated to Honiara City, Guadalcanal Province, Solomon Islands. We work together through public-private partnerships to build relationships in local communities and contribute to the improvement of environmental hygiene in developing countries.



Refuse trucks donated

### ■ Participation in the TABLE FOR TWO Program

F.E.E., which operates cafeterias on Group premises, participates in the TABLE FOR TWO program, which donates school lunches to children in developing countries by eating healthy menu items at the cafeteria.

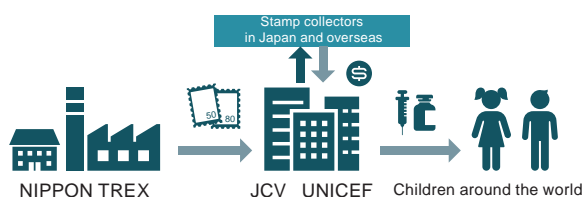
#### ■ FY2022 results

Donated: **182,580 yen** = worth **9,129** school lunches

### ■ A helping hand with used stamps

NIPPON TREX supports the activities of the NPO "Japan Committee, Vaccines for the World's Children (JCV)" and is promoting the collection of used stamps throughout the company. The used stamps collected are sold by JCV to collectors in Japan and overseas, and the proceeds are used by JCV to work with UNICEF to deliver vaccines to children around the world.

#### ■ How stamps turn into vaccines



## Taking on the challenge of renewable energy that leads to solutions for both regional and environmental issues

The environmental business of our group is based on the two pillars of "design and construction" and "operation and maintenance" of recycling plants. In recent years, we have been constructing biogas plants that use livestock manure and food waste as raw materials, and are also working on wood biomass-related initiatives that utilize local forest resources, actively working to solve social issues through our business activities.

This time, we welcome Ms. Emiko Hazama from the NPO Learning and Ecological Activities Foundation for Children (LEAF), to discuss with Mr. Kato and Mr. Nii from the Environmental Business Division of Kyokuto Kaihatsu Kogyo Co., Ltd. about the initiatives, challenges, and direction of the Group's environmental business.

### □ Creating recycling plants that truly works with the local community

**■ Kato:** Ms. Hazama, thank you for your time today. I understand that you specialize in public policy, and I would like to hear your opinions based on your experience in the private sector and in local government.

**■ Hazama:** Thank you. Environmental issues cannot be solved by government bodies alone, so efforts by private companies are also very important. What does your company do in the environmental business?

**■ Kato:** First, I would like to talk about the recycling plant. Our company conducts business related to the design, construction, operation, and maintenance of waste treatment facilities, mainly crushers that crush non-combustible waste and oversize waste.

In recent years, the market itself has been shrinking due to increased awareness of recycling and a declining population, but on the other hand, there has been an increase in the number of large-scale facilities due to the expansion of areas and the need to rebuild these facilities due to aging.

**■ Nii:** In addition, we respond to any changes in laws related to recycling, such as new laws regarding plastics.

**■ Hazama:** I believe that there is an urgent need to address the recycling of plastics.

Furthermore, Japan

also has the problem of energy shortages. It is difficult to promote energy policies all at once, but if local energy initiatives begin to circulate well, I believe they will spread to the entire country.

Your company is also working on biomass-related initiatives that utilize local resources.

**■ Nii:** In the wood biomass field, we offer a wood chip drying container system. The key feature is that the wood chips can be dried inside the container and transported as is. This system has been introduced into the Hokusetsu Satoyama Regional Circulation and Symbiosis Project being promoted by Hyogo Prefecture not far from here.

**■ Hazama:** This is an excellent example of a community-based approach to a recycling-oriented society.

Efforts are being made in various industries to utilize renewable energy using local resources, but I believe that a stable supply of energy sources is an issue.

We believe that by taking into account the local natural environment, a streamlined resource cycle is created, resulting in a sustainable system that is truly rooted in the local community.

**■ Kato:** As a regional resource circulation system, we have been working on RDF (Refuse Derived Fuel) since the early 1990s, and we have our own unique technology. For a while, dioxins generated from waste incineration facilities was a problem. Dioxins are decomposed by high temperatures, therefore it is necessary to maintain the

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EMIKO HAZAMA

Representative Director,  
NPO Learning and Ecological  
Activities Foundation for Children

# STAKEHOLDER DIALOGUE

incinerator above a certain temperature. This can be difficult for small-scale waste incinerators due to problems such as securing the amount of waste, and some local governments have tackled this problem by repurposing the waste that was previously incinerated as RDF material. Our RDF technology was first used in a central heating system in Sapporo City and has been in use for over 40 years.

■ **Hazama:** There are examples of area-based zero-emission initiatives currently, but has this been going on for 40 years?

■ **Nii:** In Hokkaido, we are also working on biogas power generation using the gas and heat generated by anaerobic fermentation of livestock manure. This system produces a large amount of liquid fertilizer, and in Hokkaido there is a demand for fertilizer for dairy feed, so a cycle is established in which it is spread on pastures and other areas.

■ **Hazama:** Energy is an important factor in realizing strong local communities from the perspective of national land resilience. I believe that demand for initiatives in local areas will increase even more in the future.

#### □ Working towards the goal of local generation and consumption of energy

■ **Hazama:** You mentioned that stable supply of energy sources is an issue, but isn't there also an issue with the supply of electricity generated by the biogas plant?

■ **Kato:** That's exactly right. The balance between demand and supply is extremely important.

Nii: In terms of electricity, there are areas where transmission lines are not yet in place, and this is also an issue for the region.

■ **Hazama:** In Europe, the spread of renewable energy is completely different because of the development of transnational power transmission systems. Japan is facing the challenge of improving its electricity supply system. I believe that it is important in energy issues to successfully combine macro initiatives at the national level with micro initiatives such as local production for local consumption in villages and communities.

■ **Nii:** I feel that local production and consumption of energy will attract more and more attention moving forward. For example, electricity accounts for about 20% of the energy used in society, and the rest is consumed as motive power and thermal energy. We would like to help expand local production and local consumption of energy other than electrical energy, such as using wood chips for

hot water boilers to supply thermal energy.

#### □ A mission to create the infrastructure of the environment

■ **Hazama:** Environmental issues are diverse, and the technological capabilities of companies are essential to solving them. We expect your company to play a role in connecting the various sectors, including government bodies, businesses, and citizens, who must cooperate in order to move forward.

■ **Kato:** Thank you.

In fact, I was involved in the planning and construction of a biogas power generation facility in 2021 that will use food waste as raw material, and when I saw what was being discarded, many of the food items had just expired, and I was heartbroken with what was discarded as waste. I felt that "throwing away food" was not the best choice from the standpoint of social ethics, and I felt very conflicted about it. There are many situations where I feel the need for fundamental social change.

■ **Hazama:** Food loss is a major issue.

At this moment in time, we need such facilities, but the ideal would be to realize a waste-free society and resource recycling at the same time.

■ **Nii:** I think that in order to solve environmental problems, it is necessary to look at the overall balance and explore the optimal system with various people.

■ **Hazama:** What's wonderful about hearing your stories so far is that they don't just recycle waste, they always focus on the local community and solve the problems that occur there.

I have high expectations for the corporate activities of Kyokuto Kaihatsu Kogyo, in that its core business itself contributes to social issues.

■ **Kato:** We will continue to use technology to connect local governments, companies, citizens, and other people, and work to realize a sustainable society using a variety of approaches.

Thank you for your time.



TSUYOSHI KATO

Deputy General Manager,  
Sales Division, Environment Business  
Department Sales Headquarters,  
Kyokuto Kaihatsu Kogyo Co., Ltd.



## | Environment |

## “Manufacturing” that Considers the Global Environment

The Kyokuto Kaihatsu Group aims to coexist with local communities through "monozukuri" (manufacturing), and at the same time, promotes the conservation of the global environment and ecosystems throughout the supply chain.

## Toward a Decarbonized Society

Related  
Materiality

Carbon neutrality /  
Environmental  
issues

### Basic approach to reduce CO<sub>2</sub> emission

The Kyokuto Group has set greenhouse gas emission reduction targets in line with the Paris Agreement and is working to reduce CO<sub>2</sub> emissions from its business activities.

In addition to the Group's own emissions, the company will also consider emissions from procurement of parts and materials, product use, and disposal, and work with suppliers, product users, and other stakeholders to reduce CO<sub>2</sub> emissions throughout the product lifecycle and value chain.

Kyokuto will also aim to quickly realize a carbon-neutral society by proactively creating energy by installing solar power generation facilities on factory roofs and idle land from the perspective of making effective use of the site.

#### ■ CO<sub>2</sub> emissions reduction target

Our group will promote decarbonization in the value chain with the aim of achieving carbon neutrality in 2050.

#### ■ FY2030 Target [Sustainability Vision]

**CO<sub>2</sub> emissions: Down by 38% compared to FY2013**

(Scope 1, 2)

#### ■ Introducing energy-saving equipment and streamlining work processes

Introduction of LEDs for lighting inside all group factories are underway.

The Company is also working on heat insulation and heat shielding measures for factory buildings to create a safe and comfortable work environment.

In the manufacturing process, Kyokuto is working to reduce waste and complaints, leading to a reduction in CO<sub>2</sub> emissions through improved productivity.

#### ■ Solar power generation business

Kyokuto Kaihatsu Kogyo is currently conducting solar power generation projects at its Fukuoka Plant, the former Tohoku Plant site, and the NIPPON TREX Otowa Office. Additionally, from FY2023 to FY2024, Kyokuto Kaihatsu's Miki Plant will install a solar power generation system using a nearby reservoir, and a total of six sites, including the Fukuoka Plant and the new NIPPON TREX Plant, will begin generating solar power for their own consumption. Through these initiatives, Kyokuto will aim to achieve the group's CO<sub>2</sub> emissions reduction targets.



Solar panels at Kyokuto's former Tohoku Plant

## Waste reduction

In order to reduce the amount of scrap generated through the Company's business, Kyokuto is promoting environmentally friendly manufacturing through such measures as improving the yield rate when cutting steel sheets in the forming process and setting the company's own evaluation standards for the 3Rs (reduce, reuse, recycle) at the product design stage. The Company also calls request the suppliers to reduce excessive packaging and to process used packaging materials for reuse as cushioning materials, thereby making effective use of resources and reducing waste. When processing waste, the Company preferentially contracts with industrial waste processing companies that actively engage in recycling processing and with companies certified as excellent. Initiatives for reducing food waste is also taking place in the company cafeteria.



New Environmental Standard Conformity Label

### ■ Waste reduction target

The entire Kyokuto Group is committed to reducing the amount of waste generated through its operations and promoting recycling.

#### ■ FY2030 Target [Sustainability Vision]

**Recycling rate: maintained at 99.0% or higher**

(Zero landfill waste)

### ■ Food loss reduction

F.E.E, which operates the Group's employee cafeteria, is working to improve the accuracy of meal count management by reducing the difference between the number of meals prepared and the number of meals actually served in the plant cafeteria. In FY2022, waste was reduced through research and analysis of popular and unpopular menu items and improved menu content to reduce leftover food. This resulted in a 23% reduction for the entire group compared to FY2020.

- Number of meals provided (8 offices): average of 44,000 meals/month
- Average amount of waste generated: 4,064kg/month reduced to 3,129kg/month

#### ■ FY2022 Results

**Food loss: 23% reduction compared to FY2020**

## Effective utilization of water resources

The Group is implementing water conservation measures in all processes, not only from a cost perspective, but also to ensure that the Company's business activities are not

disrupted in the event of water usage restrictions due to disasters or other reasons. At Kyokuto Kaihatsu Yokohama Plant, a killer agent is added to the circulating water in the paint booths, and the circulating water is used repeatedly without draining during cleaning, thereby reducing wastewater discharge.

## Management of chemical substances

The Group is promoting manufacturing of products that do not use SOC (chemicals that are harmful to the human body and the environment).

SOC-free products are indicated with a SOC-free mark on the product catalogs and brochures.



カドミウム・鉛・水銀 及び 六価クロムの削減を実現した製品です。

SOC-free mark

## Environmental conservation activities

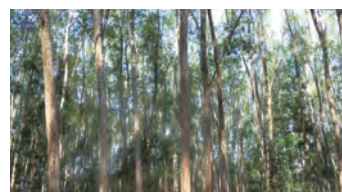
In addition to promoting initiatives that do not emit pollutants during the manufacturing process, the Group also carries out activities to preserve the environment, such as tree-planting activities.

### ■ Tree-planting activities

NIPPON TREX has been planting acacia trees in Sabah, Malaysia since May 2004, promoting coexistence with limited forest

resources.

Acacia trees planted by NIPPON TREX are used as floorboard products.



Planted acacia trees

## What should be done to develop human resources be responsible for creating value for society

The Kyokuto Group handles products that contribute highly to society, and believes that it is necessary to develop human resources who are highly motivated and can continue to contribute to society, and to create a work environment where employees can continue to work with peace of mind.

The interview with Mariko Kitao of DIVERSITY OFFICE KITAO, which provides diversity and work-life balance consulting services to various companies, and Hideyuki Kurisue, General Manager of Human Resources Department of Kyokuto Kaihatsu Kogyo, discusses the current situation and issues related to diversity and the ideal state in order to continue creating value for society.

### □ Current status and issues for promoting diversity

**■ Kurisue:** Today, I would like to discuss with Ms. Kitao about various opinions regarding the Kyokuto Group's initiatives. First of all, what is your impression of our group's initiatives for promoting diversity?

**■ Kitao:** I think the word "wakyo (Harmony)" in your company principle is wonderful from the perspective of diversity. I believe that "wakyo" is a world of diversity which can only be created with the existence of something different. Because the promotion of diversity is highly associated with corporate philosophy and company policy, it cannot be promoted unless the company is consistent in its values. This is one of the difficulties in promoting diversity in a company.

**■ Kurisue:** That's certainly true. The challenge for the Group is that, due to the nature of our industry, the proportion of women in our workforce is low. In order for employees to recognize each other's diverse values, incorporate new opinions, and promote innovation, we need to utilize a variety of human resources, including women, the elderly, non-Japanese, and people with disabilities, and we are working to raise awareness toward this goal through projects and training. In addition, the FY2030 target of the

long-term management vision aims for a 20% female ratio in the number of recruits.

**■ Kitao:** I think it is very good that numerical targets are set.

However, it is not a good idea to focus too much on target numbers and make unreasonable promotions or hirings.

I think it would be best to move forward with a thorough analysis of the current situation and make adjustments as necessary to suit the situation. What about the attrition rate for female employees?

**■ Kurisue:** I think the attrition rate is relatively low.

Although some people who actually work at the company say that there is still a long way to go, we feel that working conditions are

improving. For female employees to further demonstrate their abilities after joining the company, I feel that expanding the range of positions in which they can play an active role is an important issue for the future.

### □ The idea is not to cut working hours but to improve the quality

**■ Kurisue:** Until now, Kyokuto has conducted employee awareness surveys once every three years. While there are several

MARIKO KITAO

Representative Director and President  
DIVERSITY OFFICE KITAO CO., LTD

STAKEHOLDER  
DIALOGUE

issues that require improvement, such as women in key positions and improving internal engagement, the survey found that the underlying issues is the problem of long working hours.

■ **Kitao:** First of all, it is necessary to clearly identify the causes of long working hours.

Some tasks take lots of time, while in other cases, some tasks are taking more time than necessary as employees tackle tasks at their own pace when they do not need to take that time. So it would be good to analyze the cause of the problem carefully before considering countermeasures.

■ **Kurisue:** For example, we have seen that factories spend a lot of time checking for defects in order to produce products of better quality. These factors may be the cause of long working hours. Under these circumstances, the Work Style Reform Project is promoting various measures to curb long working hours. However, rather than simply cutting down on time, it is also necessary to examine the content of work and improve the quality of labor.

■ **Kitao:** Aren't there cases where you believe that it's not possible to reduce overtime work?

In order to change your mindset from "it is not possible" to "it is possible," I think it's important to review your previous assumptions and find out why something can't be done.

In particular, I would like managers to take the initiative in pursuing the essence of the value of work and managing their own work styles to not waste time. Superiors leaving the workplace on time would be a great role model. To this end, I think it is important to clarify the direction the company is aiming for. What numerical targets have you set for work-life balance?

■ **Kurisue:** The work-life balance satisfaction level according to the employee awareness survey was 58% in FY2021.

The target for FY2030 is 70%. From now on, we must actively promote initiatives not only in Kyokuto Kaihatsu Kogyo, but also in the entire Group.

#### ■ Instilling diversity through sharing of successful initiatives

■ **Kurisue:** A variety of people including those from overseas work at our factory.

In such a situation, it is necessary to control the unconscious bias in order to accept the different values of each individual and to encourage them to maximize their individual abilities. Therefore, since last year, we have been conducting unconscious bias training for those in managerial positions.

■ **Kitao:** I think training is very good.

On the other hand, there is no point in the training if the end result is "I learned a lot;" it must be reflected into their actions.

And to realize that, the process of "experiencing it" is important.

■ **Kurisue:** Getting them to take action...it's challenging.

■ **Kitao:** Ideally, diversity should be included in the evaluation items, but if it is difficult to include it suddenly, an award system would be a good idea. There are also examples where training instructors are recruited internally rather than requesting external personnel. What is effective is sharing success stories. Knowing that respecting and promoting diversity will lead to improved performance will lead to increased motivation.

■ **Kurisue:** There are systems to recognize individuals and groups who have contributed to business performance, but there has never been one related to diversity, so your proposal is interesting.

■ **Kitao:** If it cannot be said that diversity is progressing in the industry, I think being able to take the lead could actually become a competitive advantage.

■ **Kurisue:** By prioritizing what we can do here, we can accumulate successful experiences and share them, leading to engagement.

Recognizing individuality and encouraging those around them to accept it.

I would like to continue to actively work to create such an atmosphere.

Thank you very much for giving us this opportunity to discussing the theme of diversity with you.



HIDEYUKI KURISUE

General Manager,  
Human Resources Department,  
Kyokuto Kaihatsu Kogyo Co., Ltd.

## | Human Resources |

## “Creating a society” where everyone is respected

Promoting the creation of a workplace where all employees of the Kyokuto Kaihatsu Group can bring out the best of their individuality and ideas in a safe and lively manner.

## Diversity management

Related  
Materiality

Work style reform

### Respect for diversity

The Kyokuto Group considers the diversity of our employees to be an asset, and believes it is important to promote the recruitment of diverse human resources and the development and utilization of their abilities, regardless of gender, age, nationality, disability, experience, etc. At the same time, we recognize the individuality of everyone involved in the Group and strive to create an environment in which both parties can work with vigor and enthusiasm. We have a personnel system that provides learning opportunities such as in-house education and correspondence courses, as well as opportunities to experience various types of jobs based on a self-assessment system and personal interviews. Furthermore, we aim to create a workplace environment and organization where everyone can make the most of their individuality and strengths, such as by operating the Kyokuto Farm as a place where employees with disabilities can work in their own way.

### Education on diversity

In order to promote the creation of a workplace that makes the most of diversity, we promote education on unconscious bias and basic diversity education. In FY2022, e-learning on the basics of unconscious bias was carried out, mainly for managers at Kyokuto Kaihatsu Kogyo. In the online training session that followed, group discussions on real-life work-related topics helped participants deepen their understanding of how to deal with unconscious bias and diversity in specific situations. From FY2023 onwards, we plan to expand the scope of training and create an environment that incorporates a range of perspectives on diversity.

### Kyokuto Farm

We opened the Kyokuto Kashiwa Farm in 2018 and the Kyokuto Yachiyo Farm in 2019 with the aim of creating a workplace where people with disabilities can work and be as themselves on a long-term basis. Ingredients grown at the farm are used in the group's cafeteria.

### Utilizing diversity for personal and organizational growth - After sitting the Unconscious Bias training - Kazuhiko Akatsuka, Fukuoka Plant, Kyokuto Kaihatsu Kogyo

I learned that dealing with unconscious bias is similar to treating lifestyle-related diseases, and that it is important to remain continually aware of it, which reminded me of the meaning of continuing to learn. What struck me in the promotion of diversity is that the solution to labor shortages must be accompanied by the promotion of diversity and increased productivity. I strongly feel that it is becoming difficult to secure human resources. We would like to address this issue by promoting diversity and increasing

productivity. I learned that it is difficult to completely eliminate the unconscious bias and that it is important to be aware of it and consciously control it. What I can do is to stop and think about whether I am biased in evaluating my subordinates and creating opportunities. I was reminded of my wish to emphasize diversity and contribute to the sustainable growth of myself and organization, and the resolution of social issues.



# Work-life balance

Related  
Materiality  
Work style reform

## Realizing work style reform

To create an environment where each employee can be productive in both their work and personal life, and create a virtuous cycle for each other, it is important to improve productivity and reduce total working hours. To this end, we are promoting digitalization of indirect operations and automation of manufacturing processes.

### Initiatives towards improving productivity and work style reform

In recent years, we have introduced AI, IoT, and various systems to improve work efficiency, and are promoting the digitalization of simple and analog tasks. We have also introduced robots and automated machines

into the production process to stabilize product quality and improve work efficiency and safety at our factories. In addition, we are working to prevent heat stroke and improve work comfort by promoting the installation of air conditioning systems in factories as a measure against heat and cold.



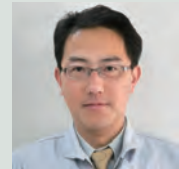
Air conditioning equipment installed at the Yokohama Plant

### Creating a comfortable working environment using air conditioning equipment

| Tetsuya Sakamoto, Administration Division, Yokohama Plant  
Kyokuto Kaihatsu Kogyo |

Kyokuto Kaihatsu Kogyo's Yokohama Plant has installed large-scale air conditioning to countermeasures against the heat and cold at the production site. Until now, spot coolers have been installed and frequent breaks and drinking water were recommended as countermeasures against high temperatures in the summer, but the introduction of this air conditioning

system has lowered the temperature of the entire work site, significantly reducing the risk of heat stroke. Although short-term costs increased due to the operation of air conditioning in summer and winter, we feel that the total effect, including safety and production efficiency, was more than worth it.



## Promoting diverse work styles

The Company has established a system that allows flexible work arrangements, such as shorter hours, leaves, and flexible working hours, so that we can support our employees according to their various circumstances, including family situations and their own health conditions. In addition, we are promoting in-house education and improving materials to increase understanding and awareness of the system.

### Diverse working styles at different life stages

We have systems such as leave, shortened working hours, and flexible working hours to enable employees to balance work and family life at various stages of life, including childbirth, childcare, and nursing care.

Kyokuto Kaihatsu Kogyo has prepared a Maternity Leave and Childcare Leave Handbook (before leave) for female employees taking childcare leave and their superiors to promote understanding of maternity leave and childcare leave.

Moving forward, we plan to divide this manual into sections such as after giving birth and returning to work, men taking childcare leave, and taking nursing care leave, etc., and plan to communicate knowledge and information to employees.

### Encouraging male employees to take childcare leave

In order to realize a society where diverse human resources can play an active role and where people can balance work and family, it is essential that work, housework, and childcare become gender-neutral.

To encourage male employees to take childcare leave, the Group is promoting the creation of a workplace where it is easy to take such leave and educating the employees about the system.

### FY2022 Results

Percentage of male employees taking childcare leave: **25%**

\*Result for the entire Kyokuto Kaihatsu Group



Maternity Leave and Childcare Leave Handbook (before leave)

## "I'm glad I took the opportunity"

I was reluctant to take childcare leave, but I took the plunge and took two months of childcare leave. During the period, each day passed so quickly that I felt once again how busy childbirth was at home. On the other hand, I am glad I took the leave it because my wife and children felt they had peace of mind. I was also grateful to the people around me who helped me.

| Kazuya Nishiyama, Chubu Parts Center, Service  
Headquarters, Kyokuto Kaihatsu Kogyo |

[Comment from the manager] As a result of starting preparations immediately after discussing taking childcare leave, we were able to handle the situation without major disruption. The other members of the division were also cooperative, and I was able to experience the growth of each and every member of the division.





## Creating a rewarding organization

Related  
Materiality

Work style reform

### Increasing loyalty and motivation

We aim to create a workplace where employees are aware of their assigned roles and are able to grow independently and happily. We also provide training for employees at each stage, as well as education for self-development and skill development.

#### ■ Education and raising awareness of employees

We offer rank-specific training to acquire the skills required for the job, and career training to support individual career development. In addition, to encourage employees to develop their abilities on their own initiative, we have established various programs related to self-development, including a self-development correspondence course incentive program, a qualification acquisition incentive program, and a video training service.

#### ■ Welfare system

At Kyokuto, awards are presented to employees who have made significant contributions to the company's development in order to motivate employees.

In addition, the Group has various welfare programs, including subsidies for club activities and recreation within the Group, the introduction of the Welfare Club, and a loan program.



New employee training



Awards ceremony

## Consideration of human rights

Related  
Materiality

Governance

### Manufacturing with consideration for human rights

The Group is committed to manufacturing products that do not use conflict minerals, which can be a cause of human rights abuse, environmental destruction, and funding for

armed groups in conflict zones. We also encourage sustainable procurement that takes into consideration not only our own profits but also the environment and human rights throughout the entire supply chain.

To fulfill our responsibility to maintain international peace and security, we apply the Security Export Regulations when exporting goods and providing technology.

### Initiatives for employee human rights

To create a workplace where everyone can work with peace of mind, we carry out anti-harassment training by specialized instructors for managers. We have established a Corporate Ethics Helpline as a point of contact for

employees to safely discuss ethical violations in the workplace.

The anonymity of the reporting system is ensured, and the system is operated with a follow-up system in place to ensure that those who seek advice are not disadvantaged.

# Occupational Health and Safety

Related  
Materiality

Work style reform

## Initiatives for equipment safety

We are promoting safety measures regarding equipment in order to create a workplace environment where everyone can work safely.  
In FY2022, we installed LED markers on forklifts and

standardized inspection charts for forklifts and overhead cranes.

In addition, in workplaces where there are many elderly employees, we are working on initiatives to create a workplace for all age groups by promoting various safety and burden-reducing improvements in facilities.

## Safety education

We are promoting group-wide initiatives to raise safety awareness in a variety of situations, including safety training using safety work training vehicles, safety patrols to check dangerous areas and unsafe behavior in the workplace, and special training for employees with less than five years of experience.

### ■ Safety simulation education, VR safety simulation device

To have our employees realize the dangers of occupational accidents and raise their awareness of safety, we provide safety simulation education and VR safety simulation devices that simulate accidents that could occur in actual work. By using a safety work training vehicle equipped with simulation device on a wing van, flexible training can be provided at each site within the Group.



Training session using VR simulation device and the VR screen



Safety work training vehicle

### Updating the awareness of safety through safety simulation training

As convenient as mechanical devices are, the students were able to experience in a safe manner that if they are used incorrectly, they can lead to serious accidents. It was a valuable experience to be able to visually see a reenactment of an accident involving chopsticks.

I feel that I was able to learn once again the importance of safety measures and the dangers of being overconfident in mechanical equipment. I was able to understand the importance of following work procedures and performing work, and my awareness of safety has further improved.

| Masahiro Shoda, Safety Promotion Division,  
Kyokuto Service Engineering |



### ■ Safety patrol

To create a workplace free of occupational accidents, each Group site conducts safety patrols to identify unsafe conditions and behaviors in operations and facilities, and share near-miss events for the purpose of correction and prevention.

In addition to daily patrols, "top patrols" are also conducted regularly with top management present.

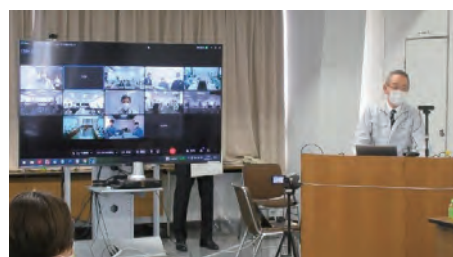


"Top patrols"

### ■ Improving awareness of safety within the Group

To achieve a workplace free of occupational accidents throughout the Group, we regularly hold safety conventions, safety promotion meetings, and safety awareness meetings to raise safety awareness and communicate safety measures.

In addition, each group company prepares its own safety and health activity plan according to the issues it faces, and we share the progress of each company while promoting safety and health activities.



Kyokuto Kaihatsu Group Safety Convention

## Health Management

### WORK & WELLNESS ~Exciting work x Healthy and rich life~

We are promoting health management initiatives under the motto of "WORK & WELLNESS - Exciting work x Healthy and rich life" so that all employees of the Group can engage in exciting work with vigor and enthusiasm.

Specifically, we are implementing various measures such as events and assistance programs to promote health, offering healthy menus in the cafeteria, and providing health consultations by affiliated public health nurses.

#### ■ Key control items and final target indexes

- Lifestyle improvement  
**Health checkup comprehensive judgment finding rate: 65% or below**
- Mental health  
**Stress check - overall health risk: 90 or below**
- Work style reform  
**Work engagement: 2.5 or above**

#### ■ Health promotion events and subsidy system

Various events and assistance are provided to promote employee health, including prevention of lifestyle-related diseases and infectious diseases, and support for smoking cessation.

#### ■ Examples of events & subsidy system implemented within the Group

- Walking campaigns
- Participation in FUN+WALK PROJECT (sponsored by Japan Sports Agency)
- Online fitness
- Holding seminars for female employees
- Complete ban on smoking and implementing measures to support smoking cessation
- Subsidy for secondary examination costs
- Subsidy for N-NOSE primary cancer screening test
- Implementation of tetanus vaccination for field workers

### Employee health

#### - Interview with partnering medical professionals -

We will explore the challenges and the future of health management for our group through an interview with Ms. Yuko Sato of SOMPO Health Support Inc., who is in charge of health consultations for our group as an affiliated medical practitioner, and Masahiro Kasai, Safety Promotion Department Manager, promoting health management.

■ **Kasai:** Ms. Sato has been involved in the health management of our group since 2016.

Have there been any noticeable changes so far?

■ **Sato:** Although the number of interviews itself has not changed significantly, I feel that there has been a positive change in the content of the consultations. For example, I am seeing an increase in the number of consultations about preventive measures, such as how to deal with stress and improving the work environment in order to improve their health, from early consultations when they start feeling unwell.

■ **Kasai:** It would be nice if there is a growing interest among employees in working healthier.

On the other hand, I believe that health management is not properly communicated within the company.

■ **Sato:** That's right.

Since it is important for people to be aware that they are responsible for their own health, it may be a good idea to provide training to help them acquire health literacy.

■ **Kasai:** I see.

Are there any other issues you have noticed during the consultations?

■ **Sato:** It seems that people who work in factories tend to

work long hours, perhaps because of the type of their occupation.

■ **Kasai:** We are aware of this and would like to make good use of health management in our efforts towards solving this.

■ **Sato:** To approach this issue from the perspective of health, I recommend improving sleep quality.

Not getting enough sleep in busy schedules can lead to mental and physical problems.

Why not have them learn the basic concept of self-care first, and then provide information on how to improve their sleep quality?

■ **Kasai:** Thank you for the detailed advice.

I would like to further increase employee and company engagement through health management.



Left: Yuko Sato, SOMPO Health Support Inc.;  
Right: Masahiro Kasai, Safety Promotion Department,  
Kyokuto Kaihatsu Kogyo

## | Governance |

## “Building an Organization” Trusted by Society

The Company is building a system to make appropriate and speedy decisions on the management policies and strategies of the Kyokuto Kaihatsu Group for the coexistence and co-prosperity of society and the company.

## Corporate Governance

### Basic Policy

The Group's management focuses on expanding corporate value by making prompt decisions on management policies and strategies in response to changes in the business environment, and by strengthening the system for implementing those policies and strategies in a reliable, speedy, and timely manner.

We are also strengthening our auditing and supervisory functions to ensure compliance with laws, regulations, and rules in the process

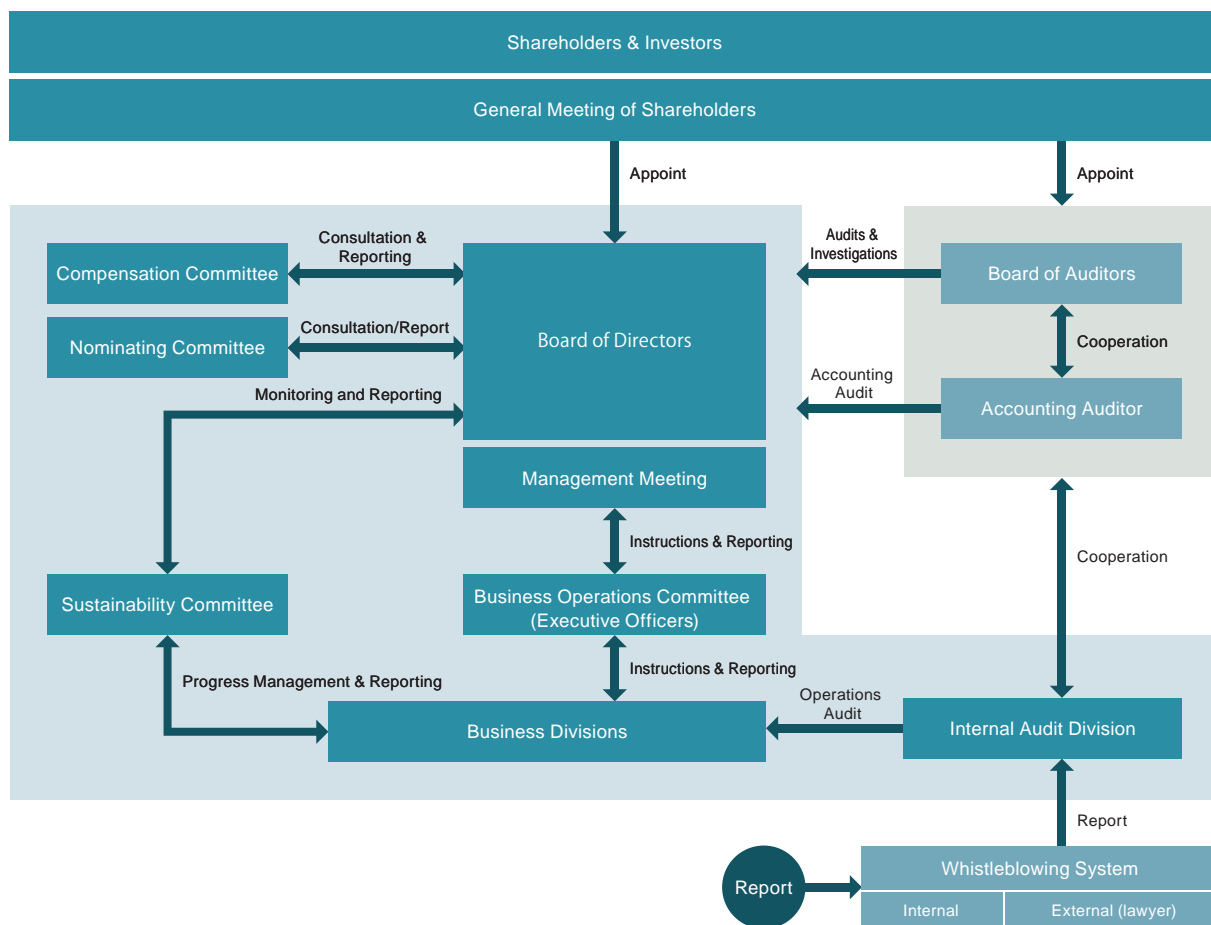
from decision-making to execution. The Company considers it an important management issue to build good relationships with various stakeholders, including customers, employees, business partners, shareholders and investors, and local communities, while enhancing corporate ethics and being aware of its social responsibilities and roles as a company and as a member of society through sound corporate activities.

### Changes in corporate governance

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Appointment of Outside Directors	2 Posts							3 Posts (1 female)	
Board of Directors effectiveness evaluation	Board of Directors effectiveness evaluation introduction							Evaluation by third-party institution	
Compensation Committee			Establishment of Compensation Committee						
Nominating Committee				Establishment of Nominating Committee					
Compensation System						Introduction of restricted share compensation system			
Mission Statement						Kyokuto Kaihatsu Group Code of Conduct formulation			
Establishment of Sustainability Committee							Sustainability Committee establishment		

## Corporate Governance System

- Schematic diagram of the corporate governance system including an overview of the internal control system



### ■ Overview of each committee

	Composition	Times hosted in FY2022	Objective
Board of Directors	8 Directors (incl. 3 Outside Directors) 4 Auditors (incl. 2 External Auditors)	16	Make important management decisions and supervise the execution of duties in order to improve corporate value
Board of Auditors	4 Auditors (incl. 2 External Auditors)	13	Based on audit policies, etc., audits the execution of duties by Directors and supervises management by investigating the status of operations and assets.
Management Meeting	5 Directors, 1 full-time Auditor	32	Deliberates on important matters and specific countermeasures for business execution.
Business Operations Meeting	18 Executive Officers (5 in concurrent position as Director), 1 full-time Auditor	12	Each Executive Officer reports on the progress of the department in charge, promoting thorough implementation of business plans and ensuring business performance.
Compensation Committee	3 Directors (2 Outside Directors) *5 Directors (3 Outside Directors) from FY2023	3	The Outside Director acts as the chair and deliberates on executive remuneration.
Nominating Committee	3 Directors (2 Outside Directors) *5 Directors (3 Outside Directors) from FY2023	3	The Outside Director acts as the chair and deliberates on appointment of senior management and candidates.
Sustainability Committee	3 Directors, 7 Department Managers	3	The Representative Director and President acts as the chair and aims to deepen sustainability management.

### ■ Monitoring initiatives for sustainability

Important management issues (materiality) are managed and monitored by the Sustainability Committee (chaired by the Representative Director and President), which is made up of related parties from each group company. The appropriateness of these activities in general is ensured through audits by the Audit Division. It is stipulated in the internal policies that parties who report to or consult the point of contact will not be treated unfavorably due to their actions. (See P24 for details)

### ■ System for correction and relief

In order to prevent negative effects on management and to respond to problems as soon as they occur, we have established a whistleblowing system (with the Representative Director and President in overall charge) based on the Whistleblower Protection Act (the internal contact point is the Manager of the Audit Division and the external contact point is an outside attorney). It is stipulated in the internal policies that parties who report to or consult the point of contact will not be treated unfavorably due to their actions.

## List of Officers (as of end of June 2023)



**Tatsuya Nunohara**

Representative Director, President, CEO  
Attended 16/16 of Board of Directors Meeting in FY2022

1982 Apr. Joined company  
2010 Apr. General Manager, Engineering Dept., Miki Plant  
2012 Apr. General Manager, Development Dept.  
2013 Apr. Executive Officer, Deputy Executive General Manager, Engineering Div.  
2015 Apr. Executive General Manager, Engineering Div., General Manager, Engineering Management Dept.  
2017 Apr. Executive General Manager, Production Div.  
2017 Jun. Director  
2018 Apr. Executive General Manager, SPV Div.  
2020 Jun. Representative Director, President, CEO (current)



**Kazuhiko Harada**

Senior Managing Director, Senior Executive Officer  
Attended 16/16 of Board of Directors Meeting in FY2022

1980 Apr. Joined company  
2007 Apr. Director, General Manager, Financial Dept., NIPPON TREX Co., Ltd.  
2011 Apr. General Manager, Finance Dept., Kyokuto Kaihatsu Kogyo Co., Ltd.  
2012 Apr. Director, Executive Officer, General Manager, General Affairs Dept., General Manager, Corporate Planning Dept., NIPPON TREX Co., Ltd.  
2016 Apr. Executive Officer, General Manager, Finance Dept., Kyokuto Kaihatsu Kogyo Co., Ltd.  
2019 Apr. Executive General Manager, Administration Div., General Manager, Corporate Planning Dept.  
2019 Jun. Director  
2021 Apr. Associate Senior Executive Officer  
2022 Apr. Senior Executive Officer (current)  
2022 Jun. Senior Managing Director (current)



**Takeo Norimitsu**

Director, Associate Senior Executive Officer  
Attended 16/16 of Board of Directors Meeting in FY2022

1982 Apr. Joined company  
2011 Apr. Executive Officer, General Manager, Overseas Business Development Dept.  
2017 Jun. Director, KYOKUTO SPECIAL AUTOMOBILE TRADING (SHANG HAI) CO., LTD.  
2018 Apr. Director, KYOKUTO KAIHATSU (KUNSHAN) MACHINERY CO., LTD.  
2019 Jun. Associate Senior Executive Officer (current)  
2020 Sep. Director, SATRAC ENGINEERING PRIVATE LIMITED (current)  
2022 Apr. Executive General Manager, Administration Div. (current)  
General Manager, Corporate Planning Dept. (current)



**Noboru Horimoto**

Director, Associate Senior Executive Officer  
Attended 16/16 of Board of Directors Meeting in FY2022

1988 Apr. Joined company  
2010 Apr. General Manager, Engineering Dept., Environmental Div.  
2011 Apr. Executive Officer  
2013 Oct. General Manager, Environmental Planning Dept., Environmental Div.  
2019 Apr. Division Director, Environmental Div. (current)  
2019 Jun. Director (current)  
2022 Apr. Associate Executive Officer (current)  
2023 Apr. Executive General Manager, Engineering Dept., Environmental Div. (current)



**Teruyuki Kizu**

Director, Associate Senior Executive Officer  
Attended 16/16 of Board of Directors Meeting in FY2022

1992 Nov. Joined company  
2016 Apr. Plant Head, Miki Plant  
2017 Apr. Plant Head, Yokohama Plant  
2018 Apr. Executive Officer  
2021 Apr. Associate Executive Officer (current)  
2022 Apr. Division Director, SPV Div. (current)  
Representative Director, KYOKUTO SPECIAL AUTOMOBILE TRADING (SHANG HAI) CO., LTD. (current)  
Representative Director, KYOKUTO KAIHATSU (KUNSHAN) MACHINERY CO., LTD. (current)  
2022 Jun. Director (current)



**Hiroyuki Terakawa**

Director (Outside, Independent Officer)  
Attended 11/11 of Board of Directors Meeting in FY2022  
\*Held 11 times after being appointed

1979 Apr. Joined Hanshin Electric Railway Co., Ltd.  
2007 Oct. Director, Senior Executive Officer, Hankyu Hanshin Building Management Co., Ltd.  
2009 Apr. Director, Hanshin Electric Railway Co., Ltd.  
2013 Apr. Director, Associate Senior Executive Officer  
2015 Apr. Executive General Manager, Real Estate Business Div.  
2017 Apr. Senior Management Director  
2017 Dec. Representative Director, Chairman, Hankyu Hanshin Management Co., Ltd.  
2018 Jan. Director, Building Owners & Managers Association, Osaka  
2022 Apr. Director, Japan Life-Style Culture Association (current)  
2022 Jun. Outside Director (current), Independent Officer, Kyokuto Kaihatsu Kogyo Co., Ltd. (current)



**Keiko Kaneko**

Director (Outside, Independent Officer)  
Attended 10/11 of Board of Directors Meeting in FY2022  
\*Held 11 times after being appointed

1981 Apr. Joined Matsushita Electric Industrial Co., Ltd. (current Panasonic Holdings Corporation)  
2007 Apr. Executive General Manager, Information Security Dept.  
2014 Apr. Director in charge of Personal Information Protection, Legal Affairs  
2014 Oct. Executive General Manager, Security and Compliance Dept., Benesse Holdings Inc.  
2016 Jun. Executive General Manager, Information Security Dept.  
2016 Nov. Vice Chief Director, Information Network Legal Society  
2018 Apr. Associate Professor, Business Law, Business Administration, Osaka University of Economics  
2019 Jun. Outside Director, Independent Officer, Marudai Food Co., Ltd. (current)



**Takanobu Tomohiro**

Director (Outside, Independent Officer)  
2023 Newly appointed

1991 Apr. Attorney registration  
Joined Kogoshi Takizawa Law Office (current Kobe Kaito Law Office)  
1994 Apr. Partner, Kobe Kaito Law Office (current)  
2004 Apr. Vice Chairman, Hyogo Bar Association  
2016 Apr. Outside Auditor, Sawai Pharmaceutical Co., Ltd. (current Sawai Group Holding Co., Ltd.)  
2020 Apr. Chairman, Hyogo Bar Association  
Executive Director, Japan Federation of Bar Associations  
Executive Director, Kinki Federation of Bar Associations  
2021 Apr. Chairman, Regular members Council of the Hyogo Bar Association



**Akira Sakurai**

Standing Auditor  
Attended 11/11 of Board of Directors Meeting in FY2022  
\*Held 11 times after being appointed

1981 Apr. Joined company  
2000 May Representative Director, President, Softec Co., Ltd.  
2006 Apr. General Manager, Information Systems Dept.  
2009 Apr. General Manager, General Affairs and Human Resources Dept.  
2013 Apr. Executive Officer, Deputy Executive General Manager, Administration Div.  
Involved in CSR Dept.  
2015 Apr. General Manager, Human Resources Dept.  
2017 Apr. Director, Associate Executive Officer, Executive General Manager, Administration Div.  
2019 Apr. General Manager Audit Dept., NIPPON TREX Co., Ltd.



**Hiroaki Kuriyama**

Auditor  
2023 Newly appointed

1980 Apr. Joined company  
2007 May General Manager, Product Planning Dept.  
2009 Apr. General Manager, Production Promotion Dept.  
2012 Apr. Plant Head, Miki Plant  
2014 Apr. Executive Officer  
2015 Apr. Executive General Manager, Sales Div.  
2017 Apr. Director, Associate Senior Executive Officer, NIPPON TREX Co., Ltd.  
2019 Apr. Representative Director, President, Kyokuto Kaihatsu Parking Co., Ltd.  
Representative Director, President, Sasashima Live Parking Co., Ltd.  
2023 Jun. Auditor, Kyokuto Kaihatsu Kogyo Co., Ltd. (current)



**Kuniaki Fujiwara**

Auditor (External, Independent Officer)  
Attended 16/16 of Board of Directors Meeting in FY2022

1978 Apr. Joined Taiyo Kobe Bank Ltd. (current Sumitomo Mitsui Banking Corporation)  
2007 Apr. Executive Officer, Sumitomo Mitsui Banking Corporation  
2009 Apr. Resignation, Sumitomo Mitsui Banking Corporation  
2009 May Senior Executive Officer, Ginsen Co., Ltd.  
2009 Jun. Senior Managing Director  
2011 Apr. Vice President, Executive Officer, Sakura KCS Corporation  
2013 Oct. Representative Director, President, CEO  
2018 Jun. Outside Auditor, Sanyo Color Works, Ltd. (current)  
2019 Jun. Outside Auditor, Independent Officer, Kyokuto Kaihatsu Kogyo Co., Ltd. (current)



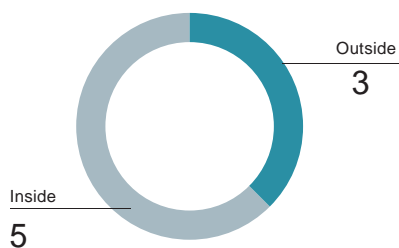
**Nobuhiro Asada**

Auditor (Outside, Independent Officer)  
2023 Newly appointed

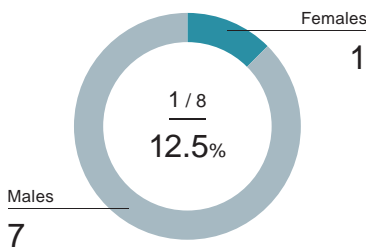
1998 Apr. Attorney registration, Joined Rokko Sogo Law Office (current Rokko Law Office)  
2010 Apr. Vice Chairman, Hyogo Bar Association  
2012 Apr. Vice Chairman, Legal Training Committee, Japan Federation of Bar Associations  
Chairman, Legal Training Committee, Hyogo Bar Association  
2013 Apr. Deputy Director, Hyogo Regional Office, Japan Legal Support Center  
Committee, Hyogo Prefecture Administrative Appeal (current)  
2016 Jul. Committee, Hyogo Prefecture Labor Commission Arbitrator (current)  
2021 Oct. Outside Auditor, Independent Officer, Kyokuto Kaihatsu Kogyo Co., Ltd. (current)  
2023 Jun. Outside Auditor, Independent Officer, Kyokuto Kaihatsu Kogyo Co., Ltd. (current)

## ■ Composition of Directors and Auditors

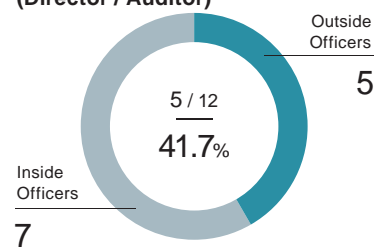
### ■ Ratio of Outside Directors on the Board of Directors



### ■ Ratio of female Directors



### ■ Ratio of External Officers (Director / Auditor)



## ■ Skill matrix (knowledge, experience, ability, etc. of each director)

\* indicates Outside Director

Skills of the directors	Tatsuya Nunohara	Kazuhiko Harada	Takeo Norimitsu	Noboru Horimoto	Teruyuki Kizu	Hiroyuki Terakawa*	Keiko Kaneko*	Tomohiro Takanobu*
Corporate Management / Business Strategy	●	●	●	●	●	●	●	
Production / Technology development	●			●	●			
Sales / Marketing				●	●	●		
International Strategy			●		●			
Finance / Accounting capital policy	●	●				●		
Legal Governance			●			●	●	●
Human Resources Labor Diversity		●					●	●
Sustainability	●	●	●	●				
IT・DX	●		●				●	

(Note) 1. The Company has created a skill matrix to ensure the diversity of the Board of Directors by clarifying the wealth of experience and high level views of each director in order to achieve the medium-term management plan and long-term management vision.

2. The skills possessed by each director are based on past career experience, experience based on position, and high level of expertise in the current position, and do not represent all knowledge.

## Evaluation of effectiveness of Board of Directors

In order to improve corporate value and strengthen corporate governance over the medium to long term, the Company conducts a Board of Directors evaluation for the purpose of confirming whether the Board of Directors is functioning effectively. FY2022 was the first year of the new medium-term management plan, which focuses on the long-term

management vision. In order to achieve the management plan and to better execute management aimed at increasing corporate value, an external investigation and analysis were conducted. A summary of the latest evaluations and results is as follows.

<b>Method of Evaluation</b>	Target of investigation: all Directors and Auditors (total 12 members) Period of investigation: March 2023 Method of investigation: online survey by an external institution (identified survey) Details of the investigation: composition of the Board of Directors, knowledge-experience balance, content and management of the Board of Directors, system that support the Board of Directors
<b>Evaluation results for FY2022</b>	The Company's current Board of Directors composition, management, support system, etc. are generally appropriate and have been evaluated to be effective. Although there are no immediate issues, we will work on each issue identified in the survey to further strengthen the Company's governance and revitalize the Board of Directors in order to realize a more sophisticated Board of Directors.

	Points that were evaluated as ensuring effectiveness	Issues to resolve to improve the effectiveness of the Board of Directors
<b>Composition and management of the Board of Directors</b>	Composition of the Board of Directors considering the proportion of independent Outside Directors and diversity	Increased communication opportunities, mainly for outside officers, in light of changes in social demands in response to the COVID-19 pandemic
<b>Management and Business Strategies</b>	Reviewing the appropriateness of cross holding and addressing issues relating to sustainability	Increase opportunities for discussion of management strategies and human resource strategies based on these strategies, including those outside of Board of Directors meetings
<b>Corporate ethics and risk management</b>	Appropriate supervision by the Board of Directors, including building an internal control system, understanding crises, and planning responses	Further thorough dissemination of the internal whistleblowing system
<b>Performance monitoring and management evaluation &amp; compensation</b>	Appointment of directors based on the qualifications and skill matrix of directors required for the Board of Directors	Discussions on succession plan by the Nominating and Compensation Committee and reporting to the Board of Directors to the extent possible Improving performance monitoring with reference to external information

## Remuneration for Officers

In order to create a compensation system that fully functions as an incentive for the sustainable improvement of corporate value, is linked to shareholder returns, and is also based on the medium-term management plan, the Company has established the content of individual compensation for directors. The decision policy regarding this has been established as follows.

In addition, to ensure transparency in determining Executive Officer compensation, the Company has established a Compensation

Committee, chaired by an Outside Director, as a voluntary advisory body.

In order to further share value with our shareholders, we will continue to closely monitor social trends and consider reviewing the performance-linked compensation system that is appropriate for the Company.

### ■ Overview of decision-making policy

#### (1) Basic policy

The Company's basic policy is to link the remuneration of directors to shareholders' profits in order to fully function as an incentive to continuously increase corporate value, and to set the compensation of individual directors at an appropriate level based on their respective responsibilities. Directors' remuneration shall consist of base compensation as fixed compensation, performance-linked compensation, etc., and non-monetary compensation, etc. Outside directors who are responsible for the supervisory function shall receive only base compensation in light of their duties.

#### (2) Basic compensation

The basic compensation of the Company's directors shall be a monthly fixed compensation, which shall be determined based on their position, responsibilities, and years in office, taking into consideration the standards at other companies, the Company's business performance, and the level of employee salaries, while comprehensively considering all factors.

#### (3) Performance-based compensation, etc. and non-monetary compensation, etc.

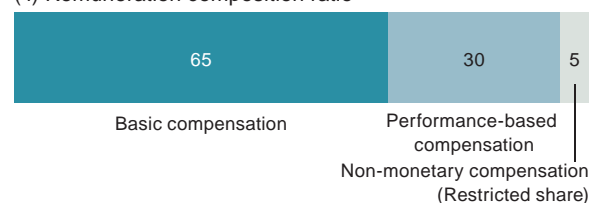
##### ■ Performance-based compensation, etc.

Monetary compensation shall reflect the performance targets in order to raise awareness of the need to improve performance in each fiscal year, and shall be determined based on the degree of achievement of consolidated operating income targets for each fiscal year.

##### ■ Non-monetary compensation, etc.

The compensation shall be restricted shares, and the Board of Directors shall decide on the details of such shares, the policy regarding the determination of the calculation method of the number of shares, and the timing and conditions of granting compensation, etc., after comprehensively considering the Company's performance, environment, and other factors.

#### (4) Remuneration composition ratio



#### (5) Determination of individual compensation for directors

Regarding the amount of individual compensation for directors, the Representative Director and President is delegated the specific details based on a resolution of the Board of Directors, and determines the amount of basic compensation and evaluation distribution of performance-linked compensation for each director. The Board of Directors shall consult the Compensation Committee and obtain its report in order to ensure that its authority is properly exercised, and the Representative Director and President, to whom the authority is delegated, shall make decisions in accordance with the contents of the report.

Regarding share-based compensation, the number of shares to be allocated to each individual director shall be decided by the Board of Directors based on the opinions of the Compensation Committee.

## ■ FY2022 Officer Remuneration

Officer classification	Total amount of compensation, etc. (million yen)	Total amount of compensation by type (million yen)				Number of applicable officers (persons)
		Fixed compensation	Performance-based compensation	Retirement benefits	Non-monetary compensation, etc.	
Directors (excluding Outside Directors)	142	85	44	—	11	7
Auditors (excluding Outside Auditors)	24	24	—	—	—	3
External Officers	40	40	—	—	—	6

### ■ Director remuneration

The remuneration is paid within the limit of 300 million yen per year as resolved at the 79th Ordinary Meeting of Shareholders held on June 26, 2014.

In addition to the above, the restricted share compensation system, which falls under non-monetary compensation, is paid within 50 million yen per year and 50,000 shares per year, as resolved at the 86th Ordinary Meeting of Shareholders held on June 25, 2021.

### ■ Auditor remuneration

The remuneration is paid within the limit of 48 million yen per year as resolved at the 73rd Ordinary Meeting of Shareholders held on June 25, 2008.

Remuneration for auditors is determined through discussions among auditors, taking into consideration full-time, part-time, and division of duties.

## Policies regarding cross-shareholdings

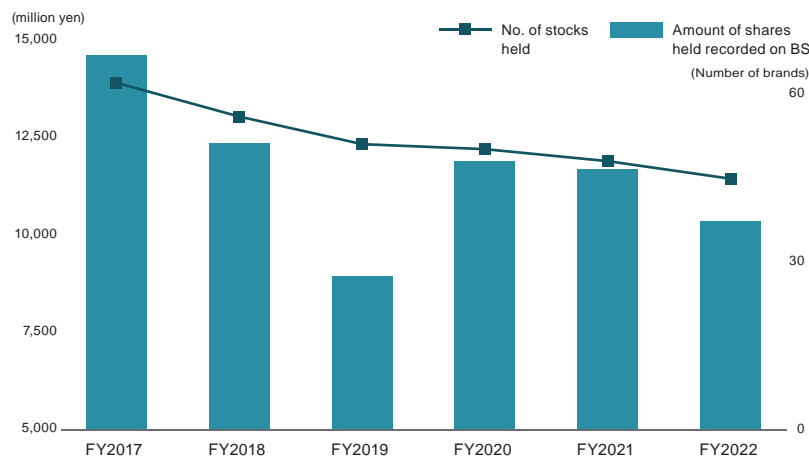
In order to expand our corporate value and profit, we hold shares in companies that we deem necessary as part of our management strategy, such as business alliances and strengthening business relationships, as well as to build good relationships with our business partners and local communities and to promote smooth business operations. However, in accordance with the intent of the Corporate Governance Code, we are diligently working to dispose of or reduce as quickly as possible those shares that have little relationship with us or contribute little to the enhancement of our corporate value, based on a comprehensive review of their cost of capital and contribution to our business performance. Specifically, the Board of Directors formulates an annual plan, and after fully considering the opinions of independent external officers and auditors, confirms and verifies the significance of cross holdings for

each share.

As a result, if there are any stocks that are not deemed to contribute to the expansion of the Group's corporate value over the medium to long term and the smooth promotion of business, we will comprehensively consider the profits and losses, financial plans, tax effects, etc. that will occur in the relevant fiscal year. The Board of Directors will determine details such as the shares to be sold and the number of shares to be sold, and after conducting necessary and sufficient communication with the target company, we will carry out the sale in a timely and appropriate manner.

In addition, this progress will be followed up at the Board of Directors meeting every quarter.

### ■ Status of cross holding reduction



### ■ Number of sales since FY2017

**18 brands,**  
**approx. 4 billion yen worth**

# OUTSIDE DIRECTORS MEETING

| Outside Directors Meeting |

- Corporate culture and Board of Directors of Kyokuto Kaihatsu Group

■ **Terakawa:** It has been about a year since I was appointed as a Director, and I can feel that there is a sincere attitude to answer even simple questions.

Everyone is actively exchanging opinions, and there is an atmosphere in which even non-specialists feel comfortable expressing their opinions, and I feel that in a good sense, the corporate culture has taken root in a natural way. At the same time, when important decisions are required, such as relocating the head office, M&A, or investing in overseas business, the Company has the foresight to make decisions that focus on the essence, and it can be seen that the President is at the forefront of making accurate decisions.

■ **Kaneko:** It is also impressive that young people are actively participating in the Board of Directors meetings. The materials distributed are logical and easy to understand, and I can imagine that they were well thought out at the management meeting held beforehand. When it comes to setting goals, I feel a sense of responsibility of the Company, as decisions are made based on the Company's vision rather than just discussing numbers. Even though the semiconductor shortage is causing a negative impact on business performance, the Company is promoting positive investments to solidify its footing, and I have the impression that it is a steady company.

■ **Tomohiro:** The Company has established a solid position in special fields such as special purpose vehicles, pulverizing plants and parking lots, and I got the impression that each employee takes responsibility and pride in their work. I feel that the company principle "Trust - Reliability - Harmony" has permeated the company as its corporate spirit.

- Evaluation of ESG and sustainability initiatives

■ **Terakawa:** I feel that the Company's environmental initiatives are on par with the rest of the world.

I think it is wonderful that the content is consistent with the Company's policies and has received a certain level of recognition, including continued selection for inclusion in the FTSE Blossom Japan Sector Relative Index, a leading ESG investment index.

■ **Kaneko:** On the other hand, I feel that there is still room for growth in the field of women's empowerment. Creating an environment that is comfortable for women to work in also means creating an environment that is comfortable for everyone, so I hope that the Company will consciously work

toward the targets through measures and efforts that are not bound by a conventional approach.

■ **Tomohiro:** It is also important to proactively set goals and prioritize them.

In addition, the targets of zero landfill waste and a 38% reduction in CO2 emissions (FY2030) are commendable, and I hope that they will be pursued with enthusiasm as they are reviewed.

- Roles required as Outside Directors and issues you wish to focus on

■ **Terakawa:** I believe that speaking from an outside perspective will contribute to revitalizing the Board of Directors.

Additionally, based on my many years of sales experience, I would like to proactively make recommendations, especially regarding the numerical targets of the Group.

What is important in the medium-term management plan is the goal of 200 billion yen in sales as well as the process of achieving that target, and I would like to pay close attention to this point.

■ **Kaneko:** I find my role in facilitating substantive discussions by speaking from a third party's objective perspective.

In particular, I would like to actively provide advice on the promotion of diversity, including questioning the traditional values and views of management with regard to the promotion of appointing women in management positions.

■ **Tomohiro:** Recently, I feel that the responsibilities and roles that society demands of companies are becoming more and more significant.

I would like to make use of my experience as an external auditor at other companies to provide objective opinions that include a social perspective on company policies.

I also believe that it is important to balance the discussion while taking a variety of perspectives into account when deciding on a policy, and I hope to contribute to deepening the discussion in this regard.



HIROYUKI TERAKAWA

Kyokuto Kaihatsu Kogyo Co., Ltd.  
Outside Director



KEIKO KANEKO

Kyokuto Kaihatsu Kogyo Co., Ltd.  
Outside Director



TAKANOBU TOMOHIRO

Kyokuto Kaihatsu Kogyo Co., Ltd.  
Outside Director

Top Message

KYOKUTO  
Group Foundation

Vision and  
Growth Strategy

Business Strategies

Sustainability  
Initiatives

Governance  
Initiatives

Data Collection  
Corporate Profile

## Sustainability Data Collection

### Environment

#### Energy usage

		FY2013 (reference year)	FY2019	FY2020	FY2021	FY2022
Energy usage (kL)	Total (in Japan)	10,325	11,204	11,134	10,999	10,505
(crude oil equivalent)	Kyokuto Kaihatsu Kogyo	6,951	7,127	6,965	6,883	6,351
	Domestic affiliated companies	3,374	4,077	4,169	4,116	4,154
	Total of affiliated companies overseas	414	376	400	1,444	1,589
	Group total	10,739	11,580	11,534	12,443	12,094

#### CO2 emissions Total emissions Target: across the Kyokuto Kaihatsu Group \*Expanded targets to all Group companies including overseas from FY2021

		FY2013 (reference year)	FY2019	FY2020	FY2021	FY2022
CO <sub>2</sub> Emissions (t-CO <sub>2</sub> )	Total (in Japan)	19,625	23,417	21,718	22,402	19,546
	Kyokuto Kaihatsu Kogyo	12,627	15,029	13,751	15,080	11,538
	Domestic affiliated companies	6,998	8,388	7,967	7,322	8,008
	Total of affiliated companies overseas	1,290	954	1,223	4,861	5,353
	Group total	20,915	24,371	22,941	27,263	24,899

#### Breakdown of calculations based on the Greenhouse Gas Protocol Target: across the Kyokuto Kaihatsu Group

		FY2013 (reference year) Emissions (t-CO <sub>2</sub> )	FY2019 Emissions (t-CO <sub>2</sub> )	FY2020 Emissions (t-CO <sub>2</sub> )	FY2021 Emissions (t-CO <sub>2</sub> )	FY2022 Emissions (t-CO <sub>2</sub> )
Scope 1 (direct emissions)	Total	9,316	8,763	7,680	8,186	8,433
	Kyokuto Kaihatsu Kogyo	4,504	4,450	4,237	4,754	4,134
	Domestic affiliated companies	4,776	4,193	3,319	3,099	3,729
	Affiliated companies overseas	36	120	124	333	570
Scope 2 (indirect emissions from energy sources)	Total	11,599	15,608	15,261	19,077	16,466
*Based on market	Kyokuto Kaihatsu Kogyo	8,123	10,579	9,514	10,326	7,404
	Domestic affiliated companies	2,222	4,195	4,648	4,223	4,279
	Affiliated companies overseas	1,254	834	1,099	4,528	4,783
Scope 2 Total	Total	14,657	14,125	14,487	16,995	16,709
*Based on location	Kyokuto Kaihatsu Kogyo	10,555	9,220	8,764	8,360	7,843
	Domestic affiliated companies	3,095	4,220	4,787	4,713	4,705
	Affiliated companies overseas	1,007	685	936	3,922	4,161
Total greenhouse gas emissions	Total *Market-based	20,915	24,371	22,941	27,263	24,899
	*Location-based	23,973	22,888	22,167	25,181	25,142

Market-based: method that uses emission factors based on electricity purchase contracts.

Location-based: method using national average emission factor. Expanded data collection targets to include domestic and overseas Group companies from FY2021

#### Emissions per intensity

Calculation for across the Kyokuto Kaihatsu Group	FY2013 (reference year)	FY2019	FY2020	FY2021	FY2022
CO <sub>2</sub> emissions (t)	20,915	24,371	22,941	27,263	24,899
Net sales (million yen)	90,911	120,173	117,170	116,910	113,089
Intensity	0.230	0.203	0.196	0.233	0.22
Results compared to FY2013 (%)	—	-11.7	-14.8	1.3	-4.4
Results compared to FY2020 (%)	—	—	—	18.9	12.2
Calculation based on med-term management plan target standards Target: Kyokuto Kaihatsu Kogyo, NIPPON TREX, Kyokuto Kaihatsu Parking	FY2018	FY2019	FY2020	FY2021	FY2022
CO <sub>2</sub> emissions (t)	22,259	22,838	21,277	21,353	18,091
Net sales (million yen)	110,987	115,171	110,260	107,099	100,248
Intensity	0.201	0.198	0.193	0.199	0.180
Reduction rate compared to FY2020 (%)	—	—	—	3.3%	-6.5%

#### Solar power generation Target: across the Kyokuto Kaihatsu Group

	FY2018	FY2019	FY2020	FY2021	FY2022
Kyokuto Kaihatsu Kogyo Fukuoka Plant: 1.5MW scale (kWh)	1,908,170	1,722,740	1,789,776	1,697,768	1,876,940
Kyokuto Kaihatsu Kogyo Former Tohoku Plant: 1.5MW scale (kWh)	2,218,019	2,347,819	2,166,445	2,369,608	2,134,630
NIPPON TREX Otowa Office: 0.35MW scale (kWh)	525,965	520,697	521,956	517,703	516,900
Total	4,652,154	4,591,256	4,478,177	4,585,079	4,528,470

■ **Discharge of chemical substances (total VOC volume)** Target: Kyokuto Kaihatsu Kogyo

	FY2018	FY2019	FY2020	FY2021	FY2022
Total VOC volume (t)	71	68	72	75	61
Intensity (g/m <sup>2</sup> )	89	79	96	103	98

■ **Water resource input / discharge amount** Target: Kyokuto Kaihatsu Kogyo, NIPPON TREX, Kyokuto Kaihatsu Parking

	FY2018	FY2019	FY2020	FY2021	FY2022
Input amount (m <sup>3</sup> )	223,693	207,318	236,617	280,869	243,716
Discharge (m <sup>3</sup> )	188,600	184,348	203,474	201,625	228,197

■ **Waste management status** Target: Kyokuto Kaihatsu Kogyo, NIPPON TREX, Kyokuto Kaihatsu Parking

	FY2018	FY2019	FY2020	FY2021	FY2022
Total amount of waste (t)	2,456	2,681	2,345	2,426	2,132
Amount recycled (t)	2,414	2,639	2,303	2,388	2,068
Final disposal amount (t)	42	42	42	38	64
Recycling rate (%)	98.3	98.4	98.2	98.4	97.0

■ **Human Resources**

■ **Basic information** Target: across the Kyokuto Kaihatsu Group

Item	FY2022
Employees No. Total	3,201
Males	2,857
Females	344
Under 20	33
20s	663
30s	760
40s	818
50s	680
60s	231
Over 70	16

Item	FY2022
Average age (years)	41.6
Average no. of years of service (years)	12.4
Hiring (people) Recruiting of new graduates	58
Males	53
Females	5
Mid-career recruitment	210
Males	185
Females	25
Attrition rate for new graduate recruitments within 3 years (%)	12.1

■ **Diversity** Target: across the Kyokuto Kaihatsu Group

Item	FY2022
Promoting the active participation of women	
Female managers (people)	5
Percentage of female managers (%)	1.4
Female assistant managers (people)	11
Percentage of female assistant managers (%)	4.4
Foreign Employees Employees of foreign nationality (people)	98
Technical intern trainees (people)	61
Employees with disability (people)	50
People rehired after retirement (people)	210

Item	All employees	Regular employees	Part time Fixed term
Wage difference between male and female employees (%)			
Kyokuto Kaihatsu Kogyo	59.4	64.6	62.2
NIPPON TREX	73.9	77.4	72.8

Percentage of female recruits (%)	12.4
Target: consolidated companies in Japan (applying calculation range according to FY2030 target→P28)	

■ **Work-life balance** Target: across the Kyokuto Kaihatsu Group

Item	FY2022
Childcare leave taken (people) Total	28
Males	21
Females	7
Childcare leave taken (%) Males	25.0
Females	77.8
Paid leave Average no. of leave days taken (days)	12.3
Average acquisition rate (%) *1	74.2

Item	FY2022
Work hours Total work hours	2,153.8
Monthly average overtime hours	26.2
Occupational accidents Total (cases)	50
Accidents w/out lost work (cases)	34
Accidents with lost work (cases)	16
No. of fatal incidents	0
Work-life balance satisfaction *3	58.1

\*1 No. of paid leave days taken during the fiscal year / no. of paid leave days granted for the fiscal year (not including days carried over)

\*2 This number includes the number of occupational accidents of partner companies and contractors working in the factory.

\*3 Evaluation based on the results of an employee awareness survey.

- Accidents without lost work time: occupational accidents in which the employee received medical treatment at a medical institution and did not miss a day of work since the day following the day of the event (including those which the lost time does not exceed one day)

- Accidents with lost work time: occupational accidents which the employee required leave of one day or longer

## Key Financial Data

### Changes in Key Management Indicators (11 years)

	Unit	FY2012 (As of end of Mar 2013)	FY2013 (As of end of Mar 2014)	FY2014 (As of end of Mar 2015)
<b>Profit and loss information (fiscal year)</b>				
Sales	million yen	76,724	90,911	99,331
Gross profit	million yen	15,972	20,207	20,958
Selling, general and administrative expenses (excluding R&D expenses)	million yen	9,675	10,774	10,054
Research and development expenses	million yen	1,162	1,394	1,485
Operating profit	million yen	5,134	8,037	9,418
Income before income taxes	million yen	5,325	7,213	7,026
Tax expenditure	million yen	2,154	3,559	2,683
Net income attributable to owners of the parent	million yen	3,171	3,645	4,332
<b>Financial status (end of fiscal year)</b>				
Total assets	million yen	97,894	110,743	119,120
Corporate bonds and borrowings	million yen	6,596	8,281	8,191
Net worth	million yen	58,850	62,779	68,617
<b>Information per share</b>				
Net income per share	yen	79.82	91.76	109.06
Net assets per share	yen	1,481.22	1,580.16	1,727.14
Cash dividend	yen	16.0	21.0	26.0
Dividend payout ratio	%	20.0	22.9	23.8
<b>Cash flow (fiscal year)</b>				
Cash and cash equivalents (end balance)	million yen	6,466	14,378	10,102
Cash flow from operating activities	million yen	1,768	9,387	1,097
Cash flow from investment activities	million yen	-3,256	-2,038	-4,177
Cash flow from financing activities	million yen	-2,245	476	-1,221
Depreciation expenses	million yen	1,511	1,678	1,792
<b>Other financial information</b>				
Gross profit margin	%	20.8	22.2	21.1
Operating profit margin	%	6.7	8.8	9.5
Return on assets (ROA)	%	3.3	3.5	3.8
Return on equity (ROE)	%	5.6	6.0	6.6
Equity ratio	%	60.1	56.7	57.6
Capital investment	million yen	1,986	2,247	2,678

\*Net worth = net assets - non-controlling interests

FY2015 (As of end of Mar 2016)	FY2016 (As of end of Mar 2017)	FY2017 (As of end of Mar 2018)	FY2018 (As of end of Mar 2019)	FY2019 (As of end of Mar 2020)	FY2020 (As of end of Mar 2021)	FY2021 (As of end of Mar 2022)	FY2022 (As of end of Mar 2023)
103,862	106,745	112,690	114,301	120,173	117,170	116,910	113,089
22,110	23,492	23,241	22,310	22,945	23,161	21,168	16,007
10,200	10,829	11,418	12,350	12,972	12,571	12,680	13,431
1,409	1,515	1,577	1,405	1,479	1,509	1,513	1,583
10,500	11,146	10,245	8,554	8,493	9,080	6,974	991
9,449	10,753	9,889	9,155	8,699	9,126	20,671	5,251
3,408	2,804	3,040	3,094	2,730	2,407	6,405	1,581
6,034	8,130	7,190	6,284	6,073	6,774	14,274	3,580
120,539	128,542	138,859	138,878	136,579	142,740	154,350	158,156
8,892	6,779	5,519	4,138	2,206	1,044	1,234	11,068
71,665	80,107	87,030	90,157	92,181	100,282	112,686	111,537
151.88	204.66	180.99	158.20	152.87	170.49	358.35	90.91
1,803.87	2,016.39	2,190.68	2,269.44	2,320.42	2,522.28	2,825.08	2,910.33
31.0	34.0	36.0	38.0	40.0	42.0	54.0	54.0
20.4	16.6	19.9	24.0	26.2	24.7	15.1	59.0
12,613	17,584	21,357	19,083	20,065	21,240	37,248	32,064
6,910	11,973	10,857	4,029	5,799	8,263	6,867	-3,416
-3,434	-3,274	-4,083	-3,230	-2,746	-4,304	10,661	-6,823
-948	-3,773	-2,973	-3,056	-2,284	-2,771	-1,555	5,121
1,979	2,212	2,528	2,644	2,624	2,805	2,908	2,883
21.3	22.0	20.6	19.5	19.1	19.8	18.1	14.2
10.1	10.4	9.1	7.5	7.1	7.7	6.0	0.9
5.0	6.5	5.4	4.5	4.4	4.9	9.6	2.3
8.6	10.7	8.6	7.1	6.7	7.0	13.4	3.2
59.5	62.3	62.7	64.9	67.5	70.3	73.0	70.5
2,785	2,725	3,202	2,066	3,973	3,850	5,157	11,804

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■ Consolidated Balance Sheet

(Unit: million yen)

	Previous consolidated FY (March 31, 2022)	Current consolidated FY (March 31, 2023)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	25,814	19,331
Bills receivable	6,646	4,475
Accounts receivable	23,078	22,107
Contract assets	495	1,715
Electronically recorded monetary claims	8,299	8,416
Securities	11,500	14,300
Goods and products	2,462	1,371
Work in progress	6,945	8,452
Raw materials and supplies	9,815	11,459
Prepaid expenses	361	416
Other	911	1,482
Allowance for doubtful accounts	-55	-53
<b>Total current assets</b>	<b>96,276</b>	<b>93,474</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures (net)	10,405	12,343
Machinery, equipment and vehicles (net)	5,505	5,052
Land	22,000	27,552
Construction in progress	933	2,224
Other (net amount)	927	1,060
<b>Total tangible fixed assets</b>	<b>39,772</b>	<b>48,233</b>
<b>Intangible fixed assets</b>		
Goodwill	770	684
Customer-related assets	450	422
Other	1,222	1,190
<b>Total intangible fixed assets</b>	<b>2,444</b>	<b>2,296</b>
<b>Investment and other assets</b>		
Investment securities	14,022	12,546
Long-term loans	456	420
Long-term prepaid expenses	430	341
Deferred tax assets	280	342
Other	1,563	1,395
Allowance for doubtful accounts	-896	-895
<b>Total investment and other assets</b>	<b>15,856</b>	<b>14,151</b>
<b>Total fixed assets</b>	<b>58,073</b>	<b>64,681</b>
<b>Total assets</b>	<b>154,350</b>	<b>158,156</b>

(Unit: million yen)

	Previous consolidated FY (March 31, 2022)	Current consolidated FY (March 31, 2023)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	14,756	9,618
Electronically recorded monetary claims	8,457	9,291
Short-term loans	965	902
Long-term loans scheduled to be paid within one year	27	25
Accrued corporate taxes, etc.	1,129	1,483
Accrued consumption tax, etc.	1,096	596
Accrued expenses	4,593	4,649
Product warranty reserve	817	721
Reserve for construction losses	387	898
Other	1,454	1,651
<b>Total current liabilities</b>	<b>33,686</b>	<b>29,838</b>
<b>Fixed liabilities</b>		
Corporate bonds	—	2,800
Long-term loans	241	7,340
Liabilities related to retirement benefits	186	98
Reserve for Directors' retirement benefits	143	107
Deferred tax liability	5,861	4,814
Other	1,219	1,193
<b>Total fixed liabilities</b>	<b>7,652</b>	<b>16,353</b>
<b>Total liabilities</b>	<b>41,338</b>	<b>46,192</b>
<b>Net assets</b>		
<b>Shareholder equity</b>		
Capital	11,899	11,899
Capital surplus	11,839	11,679
Earned surplus	86,435	85,362
Treasury stock	-2,081	-1,801
<b>Total shareholder equity</b>	<b>108,092</b>	<b>107,139</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,598	4,402
Foreign currency translation adjustments	59	96
Cumulative amount of adjustments related to retirement benefits	-63	-100
<b>Total accumulated other comprehensive income</b>	<b>4,593</b>	<b>4,397</b>
<b>Non-controlling interests</b>	<b>324</b>	<b>426</b>
<b>Total net assets</b>	<b>113,011</b>	<b>111,964</b>
<b>Total liabilities and equity</b>	<b>154,350</b>	<b>158,156</b>

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■ Consolidated Profit and Loss Statement

(Unit: million yen)

	Previous consolidated FY April 1, 2021 to March 31, 2022	Current consolidated FY April 1, 2022 to March 31, 2023
Net sales	116,910	113,089
Cost of sales	95,741	97,081
Gross profit	21,168	16,007
Selling, general and administrative expenses	14,194	15,015
Operating profit	6,974	991
Non-operating income		
Interest and dividends received	327	343
Exchange gains	173	—
Equity method investment gains	95	—
Insurance surrender value	—	114
Miscellaneous income	123	105
Total non-operating income	718	562
Non-operating expenses		
Interest expenses	41	42
Equity method investment losses	—	5
Exchange losses	—	160
Miscellaneous expenses	83	158
Total non-operating expenses	125	366
Ordinary income	7,567	1,187
Extraordinary income		
Gains on sales of fixed assets	13,223	3,283
Gains on sales of investment securities	14	988
Subsidy income	50	—
Other	0	11
Total extraordinary income		
Extraordinary loss	13,287	4,282
Loss on disposal of fixed assets	56	121
Fixed asset reduction loss	48	—
Loss on sales of investment securities	1	19
Losses due to disaster	35	23
Other	40	53
Total extraordinary losses	183	218
Income before income taxes	20,671	5,251
Corporate tax, resident tax and business tax	2,770	2,575
Corporate tax, etc. adjustment amount	3,635	-994
Total corporate tax, etc.	6,405	1,581
Net income	14,265	3,669
Net income attributable to non-controlling shareholders or net loss attributable to non-controlling shareholders (-)	-8	88
Net income attributable to owners of parent	14,274	3,580
■ Consolidated statement of comprehensive income		
Net income	14,265	3,669
Other comprehensive income		
Valuation difference on available-for-sale securities	-332	-195
Foreign currency translation adjustments	-17	25
Adjustments related to retirement benefits	106	-36
Share of other comprehensive income of entities accounted for using equity method	51	23
Total of other comprehensive income	-191	-182
Comprehensive income	14,074	3,486
(Breakdown) Comprehensive income related to owners of parent	14,053	3,385
Comprehensive income related to non-controlling shareholders	20	101

## ■ Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)

(Unit: million yen)

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity	Other valuation difference on securities	Foreign currency translation adjustment	Cumulative adjustment amount related to retirement benefits	Total accumulated other comprehensive income		
Balance, April 1, 2021	11,899	11,820	73,997	-2,249	95,468	4,930	53	-170	4,814	304	100,587
Cumulative effect of changes in accounting policies	—	—	1	—	1	—	—	—	—	—	1
Balance at the beginning of the period reflecting changes in accounting policies	11,899	11,820	73,998	-2,249	95,470	4,930	53	-170	4,814	304	100,588
Current period change amount	—	—	—	—	—	—	—	—	—	—	—
Payment of dividends	—	—	-1,837	—	-1,837	—	—	—	—	—	-1,837
Net profit attributable to owners of parent	—	—	14,274	—	14,274	—	—	—	—	—	14,274
Acquisition of treasury stock	—	—	—	-0	-0	—	—	—	—	—	-0
Disposal of treasury stock	—	18	—	168	186	—	—	—	—	—	186
Current period changes in items other than shareholders' equity (net amount)	—	—	—	—	—	-332	5	106	-220	20	-199
Total amount of changes for the current period	—	18	12,436	167	12,622	-332	5	106	-220	20	12,422
Balance, March 31, 2022	11,899	11,839	86,435	-2,081	108,092	4,598	59	-63	4,593	324	113,011

Current consolidated fiscal year (April 1, 2022 to March 31, 2023)

(Unit: million yen)

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net income
	Capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity	Other valuation difference on securities	Foreign currency translation adjustment	Cumulative adjustment amount related to retirement benefits	Total accumulated other comprehensive income		
Balance, April 1, 2022	11,899	11,839	86,435	-2,081	108,092	4,598	59	-63	4,593	324	113,011
Payment of dividends	—	—	-2,357	—	-2,357	—	—	—	—	—	-2,357
Net income attributable to owners of parent	—	—	3,580	—	3,580	—	—	—	—	—	3,580
Acquisition of treasury stock	—	—	—	-2,379	-2,379	—	—	—	—	—	-2,379
Disposal of treasury stock	—	43	—	159	203	—	—	—	—	—	203
Cancellation of treasury stock	—	-203	-2,296	2,499	—	—	—	—	—	—	—
Current period changes in items other than shareholders' equity (net amount)	—	—	—	—	—	-195	36	-36	-195	101	-94
Total amount of changes for the current period	—	-160	-1,072	280	-952	-195	36	-36	-195	101	-1,047
Balance, March 31, 2023	11,899	11,679	85,362	-1,801	107,139	4,402	96	-100	4,397	426	111,964

■ Consolidated Cash Flow Statement

(Unit: million yen)

	Previous consolidated FY April 1, 2021 to March 31, 2022	Current consolidated FY April 1, 2022 to March 31, 2023
<b>Cash flow from operating activities</b>		
Income before income taxes	20,671	5,251
Depreciation expenses	2,908	2,883
Goodwill amortization amount	84	94
Increase / decrease in liability related to retirement benefits (- indicates a decrease)	-2	-141
Increase / decrease in allowance for doubtful accounts (- indicates a decrease)	3	-3
Increase / decrease in other provisions (- indicates a decrease)	-69	-133
Interests and dividends received	-327	-343
Interest expenses	41	42
Other non-operating profit / loss (- indicates profit)	-223	63
Equity method investment profit / loss (- indicates profit)	-95	5
Gain / loss on sale of securities (- indicates gain)	-12	-968
Gain / loss on sale of fixed assets (- indicates gain)	-13,223	-3,283
Gain / loss on disposal of fixed assets (- indicates gain)	33	44
Increase / decrease in trade receivables (- indicates an increase)	4,535	1,803
Increase / decrease in inventories (- indicates an increase)	-2,172	-2,041
Increase / decrease in trade payables (- indicates a decrease)	-2,014	-4,242
Increase / decrease in accrued consumption taxes, etc. (- indicates a decrease)	-325	-423
Other	383	-207
Subtotal	10,197	-1,599
Amount of interest and dividends received	349	400
Interest payment amount	-41	-42
Amount of corporate taxes, etc. paid	-3,637	-2,174
Cash flow from operating activities	6,867	-3,416
<b>Cash flow from investment activities</b>		
Expenditures for acquisition of fixed assets	-5,633	-11,421
Proceeds from sales of fixed assets	15,463	3,934
Expenditures for acquisition of investment securities	-5	-89
Proceeds from sale of investment securities	197	2,208
Expenditures for acquisition of securities	—	-1,500
Proceeds from redemption of securities	600	—
Increase / decrease in short-term loans (- indicates an increase)	—	10
Payments of long-term loans receivable	—	-5
Collection of long-term loans receivable	42	40
Other	-1	-1
Cash flow from investment activities	10,661	-6,823
<b>Cash flow from financing activities</b>		
Increase / decrease in short-term loans payable (- indicates a decrease)	215	-72
Proceeds from long-term loans payable	165	7,200
Repayments of long-term loans payable	-200	-103
Proceeds from issuance of bonds	—	2,800
Purchase of treasury shares	-0	-2,379
Proceeds from sales of treasury shares	153	87
Repayments of lease obligations	-51	-54
Cash dividends paid	-1,836	-2,356
Cash flow from financing activities	-1,555	5,121
Effect of exchange rate change on cash and cash equivalents	34	-66
Increase / decrease in cash and cash equivalents (- indicates a decrease)	16,008	-5,184
Cash and cash equivalents at beginning of period	21,240	37,248
Cash and cash equivalents at end of period	37,248	32,064

## Stock Information

\*As of March 31, 2023

### Basic information

Listing exchange	Tokyo Stock Exchange Prime Market
Ticker symbol	7226
Fiscal year	From April 1 to March 31 of the following year
Ordinary general meeting of shareholders	Every June
Dividend recipient shareholder determination date	End of period March 31 Interim period September 30

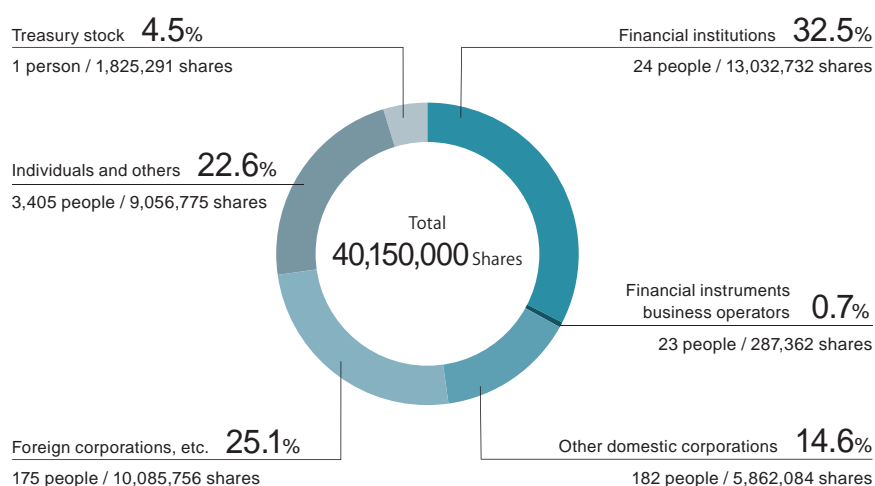
Number of shares constituting one unit	100 shares
Total number of authorized shares	170,950,672 shares
Total number of issued shares	40,150,000 shares
Number of shareholders	3,810 shareholders

### Major shareholders

	Number of shares owned (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account).....	4,438	11.58
INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (Standing proxy: Mizuho Bank, Ltd. Settlement Sales Department) .....	2,217	5.79
Sumitomo Mitsui Banking Corporation.....	1,600	4.18
Kyokuto Kaihatsu Kyoeikai .....	1,530	3.99
Custody Bank of Japan, Ltd. ....	1,498	3.91
Custody Bank of Japan, Ltd. (Trust account) .....	1,274	3.33
Mitsubishi UFJ Trust and Banking Corporation .....	1,012	2.64
Kyokuto Kaihatsu Employee Stock Ownership Association.....	1,005	2.62
Ikuo Miyahara .....	814	2.12
DFA INTL SMALL CAP VALUE PORTFOLIO .....	773	2.02

(Note) Shareholding ratio is calculated after deducting Company held treasury stock (1,825,000 shares).

### Stock distribution by owner



## Corporate Profile (As of end of September 2023)

Company Name	Kyokuto Kaihatsu Kogyo Co., Ltd.
Head Office	Kyokuto Group Head Office Building, 2-5-11 Awajimachi, Chuo-ku Osaka 541-0047 Japan Phone 06-6205-7800
Website	<a href="http://www.kyokuto.com">www.kyokuto.com</a>
Establishment	June 1, 1955
Capital	11,899 million yen
Number of employees	Consolidated 3,201 people Non-consolidated 1,104 people



### ■ Affiliated company information (As of end of September 2023)

#### ■ Special purpose vehicles business

##### Domestic bases

NIPPON TREX Co., Ltd.  
FE-AUTO Co., Ltd.  
Shinko Automobile Co., Ltd.  
Hokuriku Heavy Industries, Ltd.  
Inoue Motor Co., Ltd.  
Kyushu Tokusyu Motors Co., Ltd.

##### International bases

KYOKUTO SPECIAL AUTOMOBILE TRADING (SHANG HAI) CO., LTD. (China)  
KYOKUTO KAIHATSU (KUNSHAN) MACHINERY CO., LTD. (China)  
SATRAC ENGINEERING PRIVATE LIMITED (India)  
PT. Kyokuto Indomobil Manufacturing Indonesia (Indonesia)  
PT. Kyokuto Indomobil Distributor Indonesia (Indonesia)  
Kyokuto Australia Pty Ltd (Australia)

#### ■ Environmental equipment and systems business

Kyokuto Service Engineering Co., Ltd.  
Kyokuto Service Engineering Hokkaido Co., Ltd.  
Mori Plant Co., Ltd.  
Eco Facility Funabashi Co., Ltd.  
Eco Facility Nishinomiya Co., Ltd.

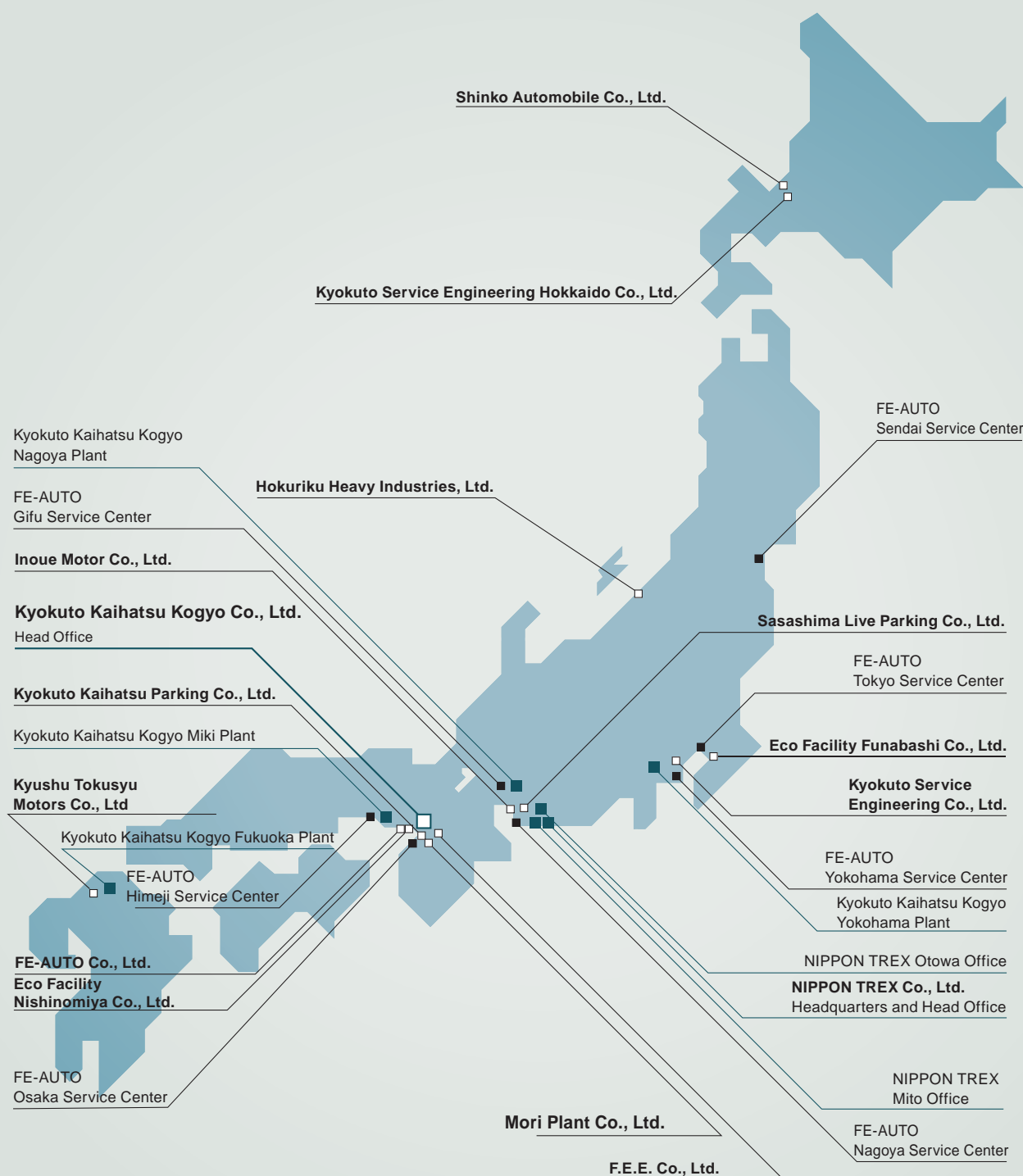
#### ■ Parking and Other Operations Business

Kyokuto Kaihatsu Parking Co., Ltd.  
Sasashima Live Parking Co., Ltd.  
F.E.E. Co., Ltd.

## Group companies and production bases

(As of end of September 2023)

# COMPANY OVERVIEW



■ Kyokuto Kaihatsu Kogyo and NIPPON TREX production base

□ Group subsidiary headquarters

■ FE-AUTO service centers

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## External Evaluation/Awards

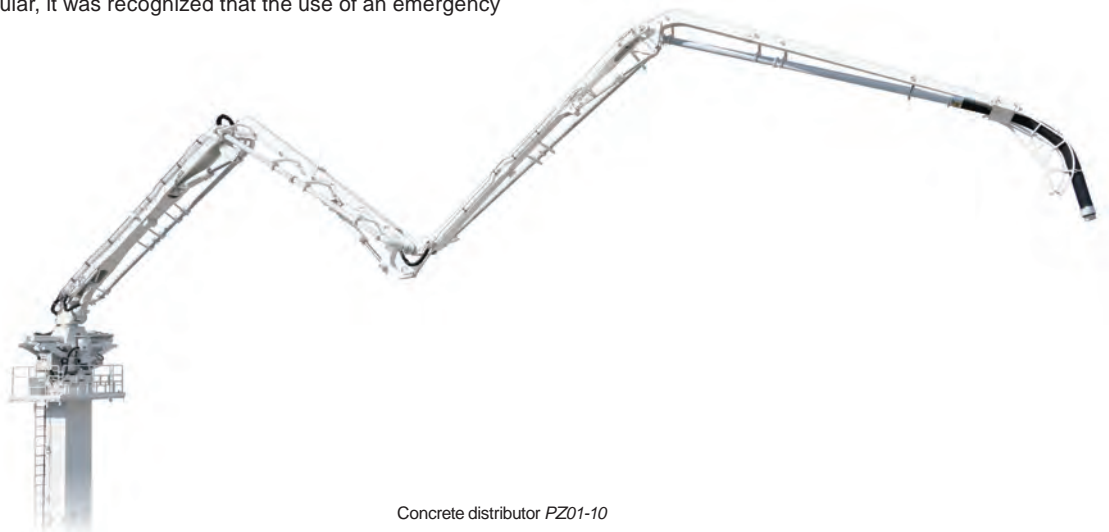
### ■ Design & Specifications

Concrete distributor *PZ01-10* received the 2022 Good Design Award. [Kyokuto Kaihatsu Kogyo]

### ■ Concrete distributor *PZ01-10*

Concrete distributors use the boom section of a concrete pump truck to place concrete at high places such as building construction sites, attracting attention as a product that meets the needs for efficiency and labor savings. In particular, it was recognized that the use of an emergency

elevator shaft improves installation workability and safety at the same time. The system has received high praise as a system that could become the standard for mid- to high-rise construction sites in the future.



Concrete distributor *PZ01-10*

### ■ Recent Good Design Award Record

2020	■ Wood pellet air conveyance unit
	■ Wood chip drying container system
2021	■ Refuse truck safety support system
	■ 10t large rear dump truck wear-resistant steel plate (HARDOX) specification

\*Also selected as Good Design Best 100

### ■ SRI (Socially Responsible Investment)

Kyokuto Kaihatsu Kogyo has been selected as a constituent stock (out of 605 companies) of the FTSE Blossom Japan Sector Relative Index, a leading index for ESG investment. These are indexes that focus on the environment, society, and governance, developed by FTSE Russell, a subsidiary of the London Stock Exchange Group, and also by the Government Pension Investment Fund (GPIF), which actively promotes ESG investment. It is used as an important investment decision criterion by investors around the world, and this is the second time, following last year, that the company has been selected.



### ■ Health management

Kyokuto Kaihatsu Kogyo and NIPPON TREX were recognized as "Excellent Health Management Corporations 2023" (Large Corporations Division) by the Ministry of Economy, Trade and Industry and NIPPON KENKO KAIGI.



Kyokuto Kaihatsu Kogyo has been certified as a Sports Yell Company 2023 by the Japan Sports Agency as a company that actively promotes sports to improve the health of its employees.



## ISO certification

The Kyokuto Group has obtained quality management system (ISO9001) and ISO14001 (environmental management system) certifications.

■ Newly added certification target ISO9001: 2015 Registration date June 16, 2023

Registered business operator	FE-AUTO Co., Ltd.
Address	3-15-10 Higashi-Shinagawa, Shinagawa-ku, Tokyo
Scope of registered activities	Repair of Special Purpose Vehicles, design and manufacture of special tank trucks
Related offices	Service Division ■ Tokyo Service Center ■ Yokohama Service Center ■ Nagoya Service Center ■ Osaka Service Center ■ Himeji Service Center ■ Sendai Service Center ■ Gifu Service Center

## Other

- Selected by Aichi Prefecture as a "Company Recipient of a Certificate of Appreciation for the 150th Anniversary of Aichi Prefectural Government" [NIPPON TREX]
- Selected for the "Traffic Safety Activities Award" by the Koshien Police Station [Kyokuto Kaihatsu Kogyo]
- Certified as a "Toyokawa Brand" by the Toyokawa City Tourism Association [NIPPON TREX]
- Awarded as an "Excellent Union Company" by the Waigaoqiao Union General Assembly in Shanghai City [KYOKUTO SPECIAL AUTOMOBILE TRADING (SHANG HAI)]
- Certified as a safety production standardization company (Class 3) by the Safety Production Association [KYOKUTO SPECIAL AUTOMOBILE TRADING (SHANG HAI)]



# Dialogue with Stakeholders

Through dialogue with our stakeholders, we are working to meet their respective challenges and expectations.

Stakeholder	Stakeholder dialogue	Method	Related pages
Customer	<ul style="list-style-type: none"> <li>Promoting mutual understanding, building better relationships</li> <li>Creating better products</li> </ul>	<ul style="list-style-type: none"> <li>Various seminars</li> <li>Customer consultation desk, disclosure of recall information</li> </ul>	P58 Company website
Employees	<ul style="list-style-type: none"> <li>Improving the workplace environment, reviewing labor and personnel policies</li> <li>Strengthening labor-management relations, and creating a comfortable and rewarding workplace</li> </ul>	<ul style="list-style-type: none"> <li>Various research</li> <li>Collective bargaining</li> <li>Evaluation interviews, employee awareness surveys</li> <li>Labor-management council</li> </ul>	P65-66 P69-71
Business partners	<ul style="list-style-type: none"> <li>Promoting mutual understanding and building better relationships</li> </ul>	<ul style="list-style-type: none"> <li>Various meetings and training</li> <li>Business partner evaluation</li> </ul>	P58
Shareholders Investors	<ul style="list-style-type: none"> <li>Improving the quality of management through dialogue</li> </ul>	<ul style="list-style-type: none"> <li>Ordinary General Meeting of Shareholders</li> <li>Financial results briefing</li> <li>Publication of "Securities Report" and "Quarterly Report"</li> <li>Publication of IR report</li> <li>Publication of corporate governance report</li> </ul>	Company website
Local community	<ul style="list-style-type: none"> <li>Promoting mutual understanding and building better relationships</li> <li>Understanding social needs</li> </ul>	<ul style="list-style-type: none"> <li>Organizing events and factory tours</li> <li>Participation in local events</li> <li>Participation in economic / industry organizations and local organizations</li> </ul>	P59-62



Please use the contacts below for any inquiries regarding this booklet.

***Kyokuto Kaihatsu Kogyo Co., Ltd.***

Kyokuto Kaihatsu Kogyo Co., Ltd.

CSR, Corporate Planning Department, Management headquarters

Tel 06 6205 7806 Web [www.kyokuto.com](http://www.kyokuto.com)

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