

ACTION FOR THE FUTURE

TKK REPORT
2022

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Editorial Policy

Since fiscal 2019, the Company has published the *TKK Report*, an integrated report that conveys information about its management strategy, business environment, ESG (environmental, social, and governance) issues, and finances annually, with the aim of furthering an understanding of its corporate value from a medium- and long-term perspective. In preparing this report, the Company referred to sources that include the International Integrated Reporting Framework (<IR> Framework) of the IFRS Foundation. We welcome any feedback or opinions from readers in order to make this report better and easier to understand.

▶ Details about results for fiscal 2021, the fiscal year ended March 31, 2022, are available in the *TKK Report 2022 Financial Section*, which is on the Company's website.
https://www.toyokanetsu.co.jp/global/ir/tkk_report.php

▶ Please visit the Company's website for other information for investors.
<https://www.toyokanetsu.co.jp/global/ir/>

Cautionary Note Regarding Forward-Looking Statements

In this report, contents not based on historical fact are future estimates and projections about Toyo Kanetsu and the Toyo Kanetsu Group's plans, strategies, and earnings that were made based on currently available information. Actual results may differ significantly from these forward-looking statements due to business-related risks and various uncertain factors.

Management Principles

Founding Philosophy

Be Creative, Be Good for Society



History of Toyo Kanetsu

Our founder's desire to always anticipate and contribute to society's needs has become a cornerstone of our business, especially in the logistics and energy fields.

Toyo Kanetsu was founded in 1941 as Toyo Kanetsu Kogyo K.K.

With war on the horizon, increased military demand for firebricks and other refractories was anticipated. Spun off from Toyo Tile Co., Toyo Kanetsu Kogyo was established to take over the operation of the former's industrial kiln furnace manufacturing and sales division. The Company operated independently of its parent, and the first president, Yoshio Funo, and the second president, Zenkichi Kinugawa, worked together to expand the business.

The Company's postwar restart was the result of construction projects to supply heating and cooling boilers to various locations of troop garrisons. The technology developed during this boiler production period was passed on to later tank production.



Yoshio Funo, our first president

Corporate motto handwritten by Mr. Funo

1941 Founding

Founding Years



A line of trucks carrying our boilers lined up in front of the Nihonbashi Head Office

Plant Business

Providing Energy Infrastructure to Support Rapid Growth



Certificate from the API

In 1950, the Company received its first order to manufacture oil storage tanks and, as demand for petroleum and other stable energy supplies grew, quickly expanded overseas and began manufacturing tanks in great numbers in the Middle East and Asia. In 1958, the Company became the first Japanese company to gain API (American Petroleum Institute) certification and quickly gained renown as a world-class provider of ambient-temperature storage tanks.



The first ordered tank built at the Showa Sekiyu Muroran refinery

1955

Concentrated management resources in the tank and conveyor businesses

1950s

Logistics Solutions Business

Labor-Saving and Streamlining Cargo Handling Operations during the Construction Boom



Early conveyor for civil engineering and construction work

In 1952, we saw belt conveyors' potential as labor-saving equipment and opened the Yokohama Plant to manufacture them for construction use. A construction boom led to demand for labor-saving solutions and the rationalization of cargo handling operations. To meet this demand, we created the first automatic pressure conveyor (APC) and started production in 1960. The APC system was widely accepted by domestic customers who required high-speed, reliable conveyor systems, and the Company succeeded in capturing domestic demand in this market. The Company then shifted its focus to growing the logistics business.



Rapistan conveyor (delivered to the Harumi Post Office of the Ministry of Posts and Telecommunications)

1969

Changed the Company name to Toyo Kanetsu K.K.

Plant Business

Contribution to the Expansion of Clean Energy

When our tank business first supplied liquefied natural gas (LNG) tanks to Brunei in 1969, LNG was just beginning to attract attention as a source of clean energy. We were well-positioned to grow into a manufacturer capable of producing everything from ambient temperature to cryogenic storage tanks. Since then, Toyo Kanetsu has delivered one of the world's largest tanks (230,000 kl), and now boasts a share of more than 10% of the global market. We also have the number one share in maintenance for domestic refineries.



First LNG tanks ordered from Brunei

1970s

1970

Listed on the First Section of the Tokyo Stock Exchange

Logistics Solutions Business

Providing Pioneering Logistics Solutions

In the Logistics Solutions Business, the Company entered the airport baggage handling system (BHS) market in response to a rapid increase in demand for efficient, high-volume baggage handling as larger commercial jet aircraft came into widespread use. In the three years from the first delivery of a BHS in 1971 to 1974, more than 30 airports in Japan began using our BHS, and our BHS share at airports in Japan is now over 80%.

In addition, during the postwar period of rapid economic growth, the need for labor-saving solutions surged due to rising costs and distribution centers were pressed to expand their scale of operations in order to respond to diversifying customer demands. Starting with the delivery of the Rapistan Conveyor System, which was completed in 1969 and boasted the largest scale and most advanced efficiency in Asia at the time, the Company developed a new and innovative logistics system. In 1996, we delivered the world's first conveyor-based automatic handling system for a large-scale auction market, which won the Technology Prize in the Logistics Awards organized by the Japan Institute of Logistics Systems in fiscal 1997.



Tri-Planar® three-dimensional conveyor



World's first conveyor-based automatic handling system for a flower market

2021 80th anniversary of Toyo Kanetsu's founding

2000s

2022

Moved to the Tokyo Stock Exchange Prime Market

Established the Strengths of Toyo Kanetsu

Next-Generation Energy Development Business

Becoming Carbon Neutral

Utilizing Toyo Kanetsu's world-class low-temperature and cryogenic tank technology, we are currently developing the technology for a large-scale liquid hydrogen storage tank in collaboration with the Tokyo Institute of Technology and Hokkaido University, with support from the New Energy and Industrial Technology Development Organization (NEDO).

Logistics Solutions Business

Providing Logistics Solutions That Meet the Needs of Society



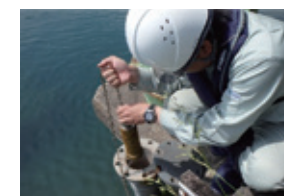
Multishuttle system

Amid the growing need for speedy delivery of a wide variety of products in the expanding e-commerce market, the Multishuttle automatic case storage system, which performs the four functions of storing, picking, sorting, and replenishing has been adopted by many customers in the e-commerce and manufacturing industries since its first introduction in 2010 due to its high warehousing and storage capacity.

In the airport BHS market, we are actively involved in supplying major overseas airports and are participating in the planning of major airport developments in developing countries in conjunction with Japanese government's Official Development Assistance (ODA). We are also developing cutting-edge technologies to meet various requirements related to anti-terrorism measures and smooth immigration control procedures while working to meet demand for the more efficient handling of air cargo other than baggage.

The declining birthrate and aging population are becoming more acute issues, and the need for labor and manpower savings is becoming more and more important. Utilizing cutting-edge AI and IoT technologies, we supply systems that meet the needs of our customers and provide backup services that allow them to operate with peace of mind.

Business Innovation Business



Maintenance and management conducted by an Eco Analysis Corporation employee

To create a new pillar of business and solidify our foothold in the environment-related business, an area that is expected to see major growth going forward, we established corporate venture capital (CVC) funds in 2017, and added two new companies to the Group, Kankyo Research Institute Inc. in 2018 and Eco Analysis Corporation in 2021.

TOYO KANETSU



President and Representative Director
Takashi Owada

- April 1985 Joined the Company
- October 2002 Transferred to Toyo Kanetsu Solutions K.K. (currently the Company)
- April 2008 Executive Officer and General Manager of System Division
- April 2015 Managing Executive Officer of Toyo Kanetsu Solutions
- April 2018 Executive Officer of the Company Director, Managing Executive Officer of Toyo Kanetsu Solutions
- April 2019 Managing Executive Officer, Division Manager of Logistics Solutions Division
- June 2019 Director, Managing Executive Officer, Division Manager of Logistics Solutions Division
- April 2021 Director, Executive Vice President, Division Manager of Logistics Solutions Division
- April 2022 President & Representative Director (current position)

Exceed Expectations and Become a Force for the Future

Realizing Our Vision through Straightforward Decision Making

I was appointed President & Representative Director on April 1, 2022. From the moment I joined Toyo Kanetsu, I have had a strong desire to be involved in the management of this company, which contributes to society and is committed to helping find solutions to social issues going forward. So, when I was approached to take on the position, I didn't hesitate to accept.

My 37 years in the company began in the Design Department of the Logistics Business. Next, I was transferred to the Systems Department, where my main job was to accompany sales staff on their visits to customers to find out their needs and make proposals. Logistics is a highly competitive industry and, because it is sensitive to fast-changing consumer trends and product characteristics, it is rapidly becoming commoditized. The key to winning in this field is quickly formulating new proposals that can be promptly realized and translated into the next stage of development. Times have changed and today logistics is considered a key component of corporate management strategies as companies vie to handle a widely varying demands.

One of my most vivid recollections is tackling the challenge of creating an unprecedented fully automated system for receiving and shipping potted plants for a flower market. In addition to testing the technology used to transport them stably at high speed on a conveyor line more than 30 kilometers long, the fact that the items being transported were delicate live plants presented a unique challenge. Initially, the engineering team was reluctant to take on the project, and we repeatedly ran into problems. Nevertheless, by introducing new

President's Message

conveyor equipment and trays that we jointly developed with the customer we successfully completed the project. When the system went into operation, the top of the conveyor looked like a beautiful field of flowers. I believe our success was the result of clarifying the issues before us and applying sound solution policies to create a completely new system that combined our well-honed technological expertise.

Creating the New Management Vision

Over the past two years, we have seen the COVID-19 pandemic engulf the entire world, Russia invade Ukraine, and other unprecedented events. With global warming gaining traction as a social issue and the declining birthrate and aging population becoming more serious in Japan, I feel that as a company, we cannot continue to do things and think in the same tried and true ways.

Recognizing these issues, our new Medium-Term Business Plan upholds the Management Vision of the previous Medium-Term Business Plan, "Innovative solutions for logistics & energy," with the addition of two key phrases, "innovative technology" and "execution capability."

Management Vision

Our Management Vision advocates becoming a Solution Innovator that solves social issues through innovative technology and execution capability

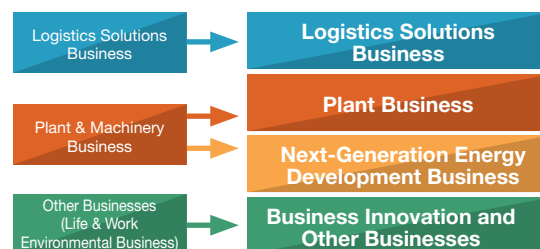
"Innovative technology" means creating completely new solutions unbound by restrictive thinking or frameworks through the combination of state-of-the-art technology with our own know-how. "Execution capability" means we are ready and able to take on new and difficult challenges without hesitation. These phrases demonstrate our resolve, and we strongly believe that new solutions can be realized only when execution capability that goes beyond expectations is

Similarly, from my perspective as President looking at the Group's business as a whole, we must first clarify our vision and articulate we want to achieve, analyze and understand the current situation, and then decisively determine our options and priorities based on our own experience before finally making straightforward decisions.

demonstrated, and that the cumulative effect of such solutions will create the strength to support the future.

We have adopted the slogan "ACTION FOR THE FUTURE" to convey that we must face challenges head-on while eagerly seeking out the new and cultivating the ability to incorporate it into our actions for the future. Toyo Kanetsu employees are very serious and diligent, but I feel that we need to work together to improve our communication and ability to take on challenges.

Under the new Management Vision and slogan, we have modified our structure for executing initiatives, specifically, in April 2022, we divided our operations into four clearly defined businesses. The Plant & Machinery Business has become the Plant Business, which supports existing infrastructure through maintenance, and the Next-Generation Energy Development Center, which develops storage tanks for such next-generation energy sources as hydrogen and fuel ammonia. For the future, we are also considering consolidating the development divisions of these businesses to create synergies.



Looking Back on the Previous Medium-Term Business Plan

Let us turn now to a detailed discussion of our Medium-Term Business Plans. First, looking back on the previous Medium-Term Business Plan, we were able to achieve a certain level of success in establishing our business foundation to support the next stage of growth, which was the basic policy of the plan.

In terms of numbers, operating profit and ROE doubled from ¥1.41 billion and 2.9%, respectively, in fiscal 2018 at the end of the previous Medium-Term Business Plan covering the period of 2016–2018 to ¥2.81 billion and 6.4%, respectively, in fiscal 2021, over the first two years of the current plan. In particular, the Logistics Solutions Business posted record profits for the third consecutive year despite factors that pushed up costs, including supply shortages for parts and a rise in personnel, leading to the assessment that this business has established a stable earnings base as a core business.

In the field of e-commerce, where we excel, we proposed the Goods to Person for Pick and Pack

(GP3) system, which realizes labor saving by integrating all fulfillment center processes from picking to packing and labeling into a one-stop system, and the Autonomous Mobile Robot (AMR) system to our customers, whose adoption of these products reflects their recognition of our expertise regarding new technologies and ability formulate solutions using conventional products.

In the Plant & Machinery Business, although the domestic refinery maintenance business was firm, market conditions continued to be severe due to the sluggishness of new construction projects in Japan and overseas. By strengthening cost and process management and rationalizing projects, we were able to return to profitability in the final year of the previous plan.

In Other Businesses, Eco Analysis Corporation was added to the Group, paving the way for business expansion in the environmental field.



The Group's Long-Term, Sustainable Growth Potential

The new Medium-Term Business Plan was formulated by backcasting from the long-term perspectives of 2030 and 2050. The impetus for this was the identification of 10 management issues with long-term importance, and the establishment of a Future Creation Project by each business entity based on these issues to develop strategies from correspondingly long-term perspective.

The Group is moving toward its 100th anniversary, having responded in the past to the changing times through the Plant & Machinery Business and now to the present situation through the Logistics Solutions Business, it is looking to the Environmental Business and Next-Generation Energy Development Business as its future mainstays.

The Logistics Solutions Business, which has evolved into one of our core businesses, is expected to enter an era of full automation, as the labor-intensive work environments at distribution centers will soon become a thing of the past. Moreover, the working population in Japan is expected to decrease approximately 30% from current levels by

2050, increasing demand for automation. In Japan, the ratio of e-commerce to total commerce has yet to expand and airport logistics demand is expected to pick up in a post-COVID-19 world, so market growth potential in our specialty markets such as e-commerce, co-ops, and airports is large.

In the Plant and the Next-Generation Energy Development Business demand for tank maintenance is expected to continue due to the stability of the existing infrastructure. On the other hand, although we are in the midst of a transition to a carbon-neutral society that looks to hydrogen and fuel ammonia as next-generation energy sources, we believe that it will take some time before the demand for new tank construction becomes actualized.

In the Business Innovation and Other Businesses, which comprises all other Group companies, we expect demand related to living and working environments to remain strong, backed by growing social interest in risks associated with changes in the global environment. We will establish a third business through synergies with existing businesses through M&A of environmental

companies, a focus of recent years.

Taking a long-term view of the Group, our businesses are well positioned to meet the challenges of the future and we can expect significant growth, although

the timing of breakthroughs may vary. To bring this to fruition, I believe that in all of our businesses, we must create new solutions by applying our accumulated experience and technological innovation.

Medium-Term Management Policy: Establish a Growth Path for the Future

Given this environment, during the Medium-Term Business Plan (fiscal 2022–2024) period, we will challenge and realize specific measures in line with our basic policy of establishing a growth path for the future.

In the Logistics Solutions Business, we will work to expand the business domain of distribution center systems. The functions of a distribution center are receiving, replenishing, and shipping. In addition to our strengths in shipping systems, we will expand our business domain to include engineering and consulting for the entire process of receiving, handling inventory, and restocking, aiming to propose solutions that exceed our customers' expectations while catering to their wishes. Specifically, through the enhancement of our warehouse management system (WMS), we will work to improve efficiency by linking information pertaining to not only receiving and shipping, but also pre- and post-shipping processes. Furthermore, we are pursuing new developments over the course of the plan with regard to airport logistics, one of our areas of specialty, which was particularly affected by the COVID-19 pandemic, including further business expansion through fully automated baggage handling systems and expansion into Asia, where the need for logistics automation is expected to become more widespread due to soaring labor costs.

In the Plant Business, we will secure stable earnings by fulfilling standing orders for legally obligated oil tank maintenance and thorough high-quality project management. We will utilize our knowledge and technology to fully support customer requests related to such issues changes in oil type.

In the Next-Generation Energy Development Business, we will develop and provide next-generation

energy storage tanks for such substances as fuel ammonia, MCH (methylcyclohexane), liquid CO₂, and liquid hydrogen, which are being prepared for practical use in a carbon-neutral society. Toyo Kanetsu already has experience in manufacturing ammonia storage tanks and various types of large-scale storage tanks, and we will strive to strengthen our technological and cost competitiveness by leveraging our expertise. In the area of large-scale liquid hydrogen storage tanks, in addition to conducting research and development we are steadily acquiring construction technology through the implementation of projects subsidized by the New Energy and Industrial Technology Development Organization (NEDO), and preparations are under way for future commercialization.

With regard to Business Innovation and Other Businesses, as I mentioned when discussing the trajectory of our long-term vision, we will pursue business expansion mainly through M&A in the environmental area and work to develop this area into the third pillar of our business while engaging in synergy creation by gathering technologies and know-how from AI/IoT venture companies that we invest in through corporate venture capital and other Group companies.

For the fiscal year ending March 31, 2025, the final year of this plan, we have set numerical targets as follows: net sales of ¥65.0 billion, operating profit of ¥4.2 billion, and ROE of 8.0%. We believe that both achieving these numerical targets and the process by which they are achieved will yield future growth. Under this plan, we will establish a revenue base through stable growth of the Logistics Solutions Business while building a third business and conducting R&D.

Aiming for ¥10 Billion in Growth and R&D Investment over Three Years

To establish a growth path for the future, we have budgeted ¥10 billion, nearly double the amount of the previous Medium-Term Business Plan, for capital expenditure and R&D, which will be undertaken flexibly with a focus on growth investments, including M&A.

In terms of M&A, in Business Innovation and Other Businesses we are investing in environment-related areas, where we can expect synergistic effects with our existing environment-related subsidiaries. In the Logistics Solutions Business, we are considering investing in WMSs with the aim of becoming a comprehensive engineering company.

Proactive ESG Management

The Medium-Term Business Plan includes measures to strengthen our management foundation in addition to business initiatives. To foster a corporate culture in which each and every employee practices "ACTION FOR THE FUTURE" and to support the sustainable growth of the entire Group, we will develop three main measures: enhancement of comprehensive human resources capabilities, strengthening of planning capabilities and business support, and ESG management.

With regard to the environmental aspect of ESG management, we disclosed our greenhouse gas (GHG) emissions in May of this year following Companywide study sessions and discussions by top management, and we have declared that the Group will achieve carbon neutrality by 2050 for Scope 1 and Scope 2 emissions and reduce emissions to 50% of 2019 levels by 2030. We have endorsed the TCFD (Task Force on Climate-Related Financial Disclosures) recommendations and made disclosures in line with the recommendations in June 2022. The Group's Scope 1 and Scope 2 GHG emissions were 5,142 t-CO₂e (fiscal 2021), more than 50% of which were from electricity consumption. We will continue to reduce GHG emissions by utilizing

Regarding R&D, we are advancing the development of next-generation energy storage tanks for such substances as liquid hydrogen and fuel ammonia. In the Logistics Solutions Business, we will conduct R&D related to overall solutions spanning receiving through shipping, as well as that related to equipment and workflow analysis systems based on key video and data fusion technologies, while further advancing non-stop logistics operations to prevent operational errors and problems, thereby strengthening our competitive edge.

Regarding capital expenditure, in addition to recurring investments, we will pay attention to BCP measures.

solar power generation and energy-saving equipment. We will also reduce Scope 3 GHG emissions by expanding sales of Ecoloveyor[®], energy-saving conveyors that do not require a compressor for compressed air and move only when loaded with baggage or parcels.

Next, in terms of the social aspects of ESG management, Toyo Kanetsu was certified as one of the "2022 Certified Health & Productivity Management[®] Outstanding Organizations" for its efforts to create a workplace environment that enables flexible employee workstyles and for its diversity initiatives and will continue these activities in the future. We will also promote diversity and inclusion by hiring non-Japanese employees and people with disabilities and conducting projects to promote the advancement of women. In community service activities, we will continue to make local contributions, including ongoing donations to public libraries.

Finally, on the governance side, two female outside directors joined the management team upon the approval of the Annual General Meeting of Shareholders in June 2022, marking progress toward ensuring the diversity of the Board of Directors.

Note: Health and Productivity Management[®] is a registered trademark of the Nonprofit Organization Kenkokeiei.

Concluding Thoughts

I have shared with employees a vision of the future that the Toyo Kanetsu Group will create, one in which the Group will be able to help solve social such issues as the realization of a carbon-neutral society, an aging society with a declining birthrate, and environmental problems. The Logistics Solutions Business, Plant Business, Next-Generation Energy Development Business, and Business Innovation and Other Businesses may achieve breakthroughs at different times, but all of them serve as necessary and important businesses that contribute to society, and we are passionate about their operations. We made three promises to our employees in order to move forward with our businesses as a united company:

1. Dreams and fulfillment
2. Open and comfortable workplace
3. Work status improvements

For a company to grow, each of its employees must have a dream and a sense of fulfillment in their work, they must feel free to openly discuss their opinions, they must be able to find consensus, and they must be able to take action and try new things without hesitation. We will make Toyo Kanetsu a company where every one of us can experience growth.

Right now, we are facing a time of unprecedented crisis, the likes of which we have never experienced before, and we believe that the future will continue to be uncertain. We see this as an opportunity for change, and we go back to the basics of manufacturing and deliver new solutions to the world. As a company with its name on the Prime Market of the Tokyo Stock Exchange, we will establish a growth path for the future by managing from a global perspective, disseminating information, and engaging in sincere dialogue with stakeholders.

Under the slogan "ACTION FOR THE FUTURE," the Toyo Kanetsu Group is moving forward as one toward the future. We would like to take this opportunity to thank our stakeholders for their continued understanding and support.

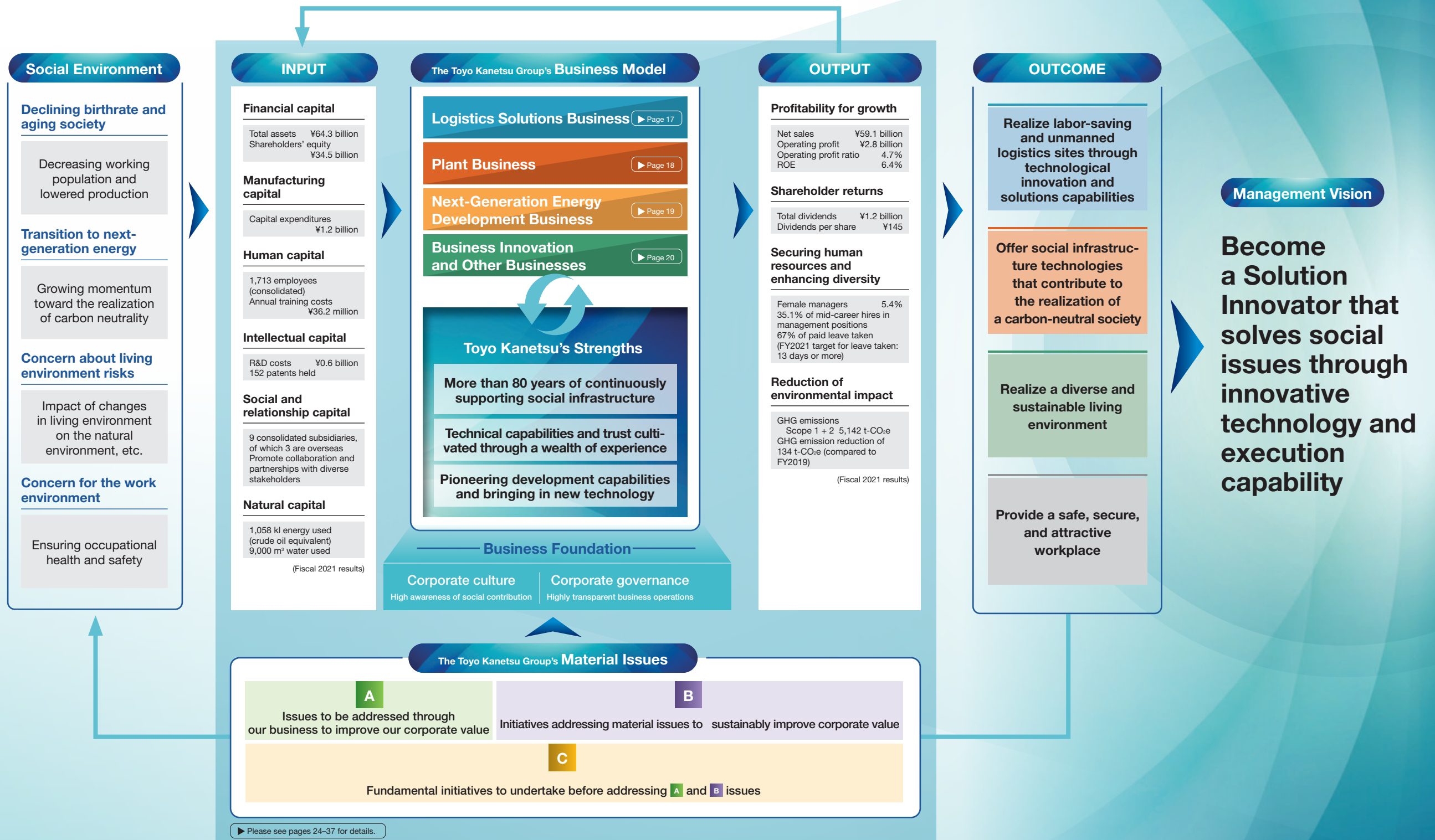


August 2022
President and Representative Director

J. Ohwada

The Toyo Kanetsu Group's Value Creation Process

Founding Philosophy "Be creative, be good for society"

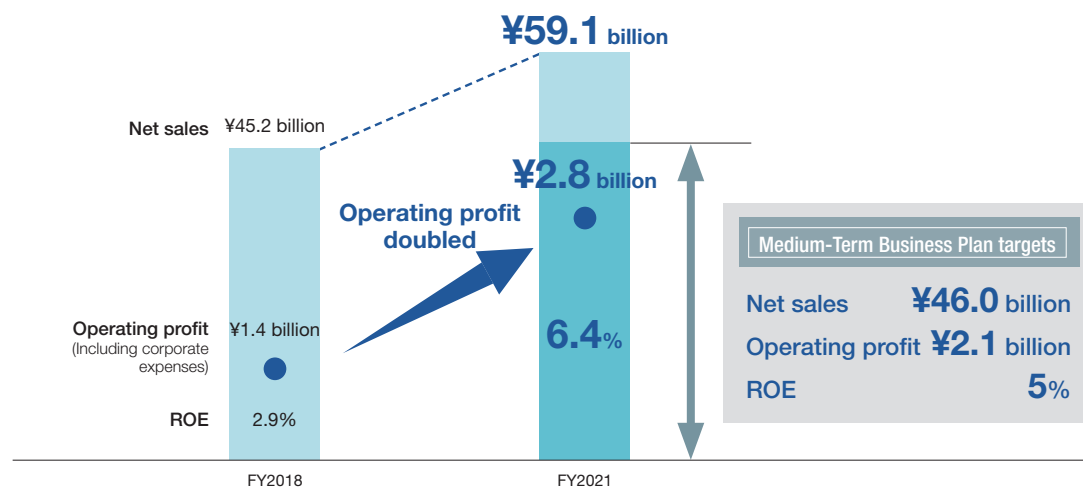


The Toyo Kanetsu Group Medium-Term Business Plan (Fiscal 2022–2024)

Toyo Kanetsu has formulated a new Medium-Term Business Plan with the aim of continuously improving its corporate value by using innovative and pioneering technologies and solutions to solve social issues.

Looking Back on the Previous Medium-Term Business Plan (Fiscal 2019–2021)

Despite the impact of the COVID-19 pandemic and other factors, we were able to achieve the revised targets for net sales, operating profit, and ROE of the previous revised Medium-Term Business Plan.



Policy **Establish a foundation for rapid growth**

| | Medium-Term Business Plan Targets | Results | Summary |
|---|---|----------------|---|
| Logistics Solutions Business | Net sales | ¥28.0 billion | Build a stable profit structure • Provide solutions through new systems • Growth in the maintenance business • Scope for business expansion |
| | Operating profit | ¥2.6 billion | |
| Plant & Machinery Business | Net sales | ¥9.1 billion | Transition to profitability • Stable orders in domestic repair business • Progress in large-scale liquid hydrogen tank construction research • Seeking opportunities for new tank installation orders |
| | Operating profit | (¥400 million) | |
| Other Businesses (Life & Work Environmental Business etc.) | Net sales | ¥8.0 billion | Expand the Environmental Business domain • Environmental M&A • Turn existing subsidiaries into stable revenue sources • Seek further business expansion |
| | Operating profit | ¥800 million | |
| Strengthening the Management Foundation | <ul style="list-style-type: none"> Creating a corporate culture that achieves change and results Further strengthen governance as a Group | | Progress in system reforms • Promotion of women to management positions, reform of personnel system • Recognized as a Certified Health & Productivity Management Outstanding Organization |

Note: The above operating profit does not include corporate expenses.

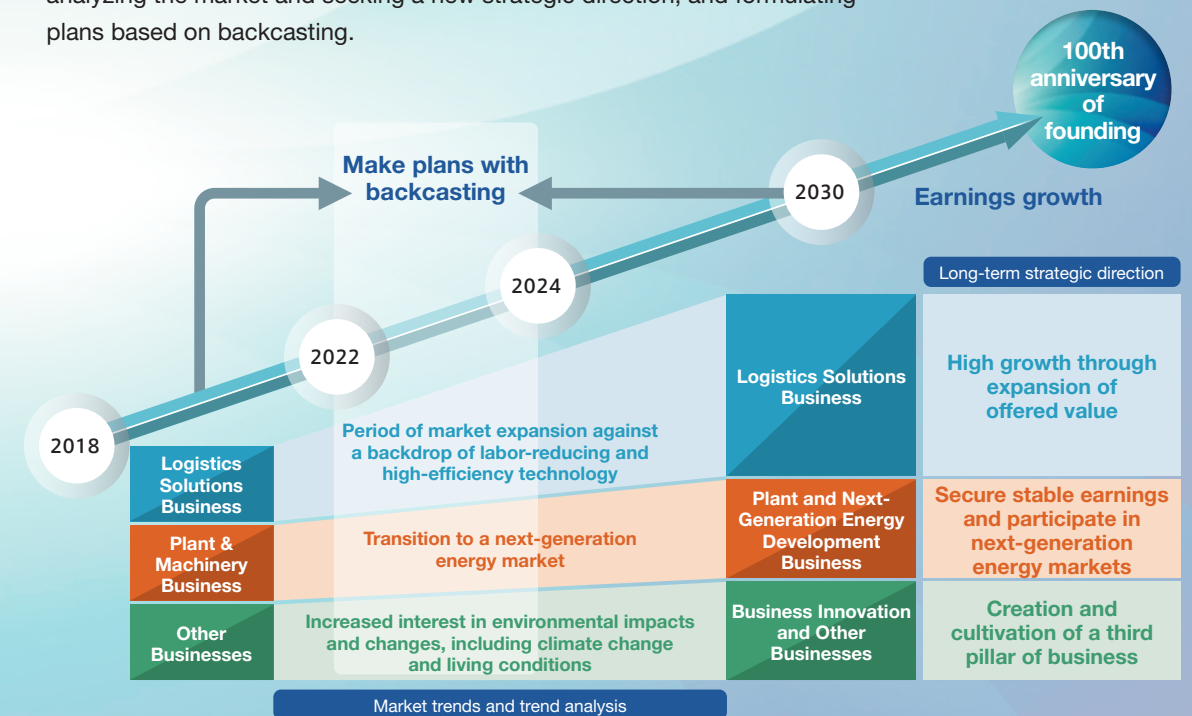
Social Issues to Be Addressed by the Toyo Kanetsu Group

Through each of the Group's businesses, we will solve three social issues and provide value to the society of the future.



Planning with Backcasting

With an eye on the 100th anniversary of the Company's founding, we are analyzing the market and seeking a new strategic direction, and formulating plans based on backcasting.



Basic Policy for New Segments

Logistics Solutions Business

We will expand the possibilities of automation and provide logistics solutions that fulfill our customers' needs.

Senior Executive Officer
Division Manager,
Logistics Solutions Division

Yasunori Kobayashi



Value Propositions

- 1 Realize labor-saving and automated logistics sites through technological innovation and solution capabilities
- 2 Further advance logistics systems through the development of new solutions that integrate video and digital information

Competitive Advantages

- ▶ Abundant experience in the distribution and airport baggage handling fields, and system development capabilities cultivated through this experience
- ▶ Project execution skills to deal with complex and new mechanisms

Issues

- ▶ Expanding engineering scope for further labor-reducing and labor-saving potential
- ▶ Creating new added value that meets customer needs

Business Strategy for the New Medium-Term Business Plan

Slogan ACTION FOR NEXT LOGISTICS Become the power behind the logistics system of the future

Basic Policy Evolve into a high-growth company by expanding business scope

Priority Measures

- Measure 1** Expand operations from partial to total engineering
- Measure 2** Improve proposal capabilities and expand customer base by leveraging our strengths
- Measure 3** Strengthen service business by developing and securing human resources
- Measure 4** Develop new solutions that integrate video and digital information

FY2024 Targets

Net sales **¥36.4 billion** Operating profit **¥3.7 billion**

Basic Policy of the New Group Medium-Term Business Plan (Fiscal 2022–2024)

Under the new management vision, we will establish a growth path toward the next stage of rapid progress through action and robust future-oriented investment in each business area.

Medium-Term Management Policy

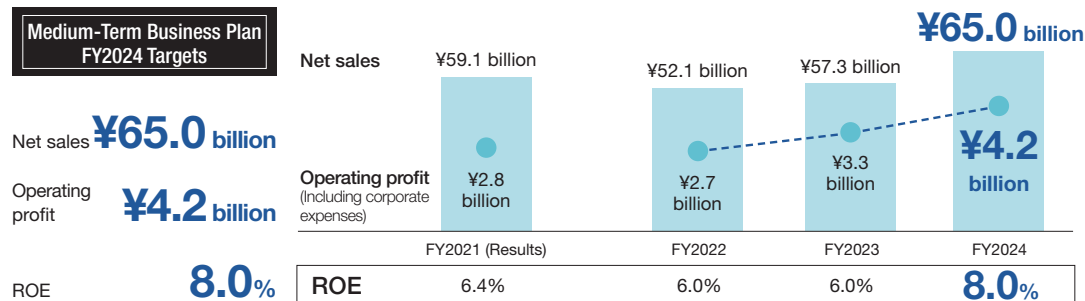
Establish a growth path for the future

ACTION FOR THE FUTURE

The ability to exceed expectations and become a force for the future

| | |
|---|--|
| Logistics Solutions | Evolve into a high-growth company by expanding business scope |
| Plant | Contribute to a stable energy infrastructure through the maintenance business |
| Next-Generation Energy Development | Participate in next-generation energy infrastructure by acquiring new technologies |
| Business Innovation and Others | Accelerate the Group's growth and take on the challenge of establishing a third pillar of business |
| Corporate | Propose new value for the entire Group and support sustainable growth |

Numerical Targets of the Plan



| Business Area | FY2021 | FY2022 | FY2023 | FY2024 |
|---|---|---|---|---|
| Logistics Solutions Business | Net sales: ¥32.9 billion Operating profit: ¥3.1 billion | Net sales: ¥31.0 billion Operating profit: ¥3.1 billion | Net sales: ¥32.6 billion Operating profit: ¥3.3 billion | Net sales: ¥36.4 billion Operating profit: ¥3.7 billion |
| Plant Business | Net sales: ¥9.0 billion Operating profit: ¥380 million | Net sales: ¥8.5 billion Operating profit: ¥400 million | Net sales: ¥8.5 billion Operating profit: ¥400 million | Net sales: ¥8.5 billion Operating profit: ¥450 million |
| Next-Generation Energy Development | Net sales: ¥2.0 billion Operating profit: (¥470 million) | Net sales: ¥2.0 billion Operating profit: (¥470 million) | Net sales: ¥2.5 billion Operating profit: ¥350 million | Net sales: ¥2.4 billion Operating profit: (¥260 million) |
| Subtotal (Plant, Next-Generation Energy Development) | Net sales: ¥15.0 billion Operating profit: ¥110 million | Net sales: ¥11.0 billion Operating profit: (¥90.0 million) | Net sales: ¥11.0 billion Operating profit: ¥50.0 million | Net sales: ¥10.9 billion Operating profit: ¥190 million |
| Business Innovation and Other Businesses | Net sales: ¥11.1 billion Operating profit: ¥570 million | Net sales: ¥10.1 billion Operating profit: ¥800 million | Net sales: ¥13.7 billion Operating profit: ¥890 million | Net sales: ¥17.7 billion Operating profit: ¥1.2 billion |

Plant Business

We excel at the maintenance of safety and stable supply of energy storage facilities and boast advanced technological know-how along with extensive construction experience.

Senior Executive Officer
Division Manager,
Plant Business Division
Hiroshi Ohgi



Value Propositions

Provide highly reliable social infrastructure

Competitive Advantages

- ▶ Expertise in technologically advanced large tank maintenance
- ▶ A high level of customer trust and a solid reputation cultivated through high quality and safe operations over many years in Japan and overseas

Issues

- ▶ Ensuring flexible response to changing maintenance needs and a stable profit structure
- ▶ Addressing the aging of on-site supervisors, lack of successors, and the passing down of technology

Business Strategy for the New Medium-Term Business Plan

Slogan ACTION FOR **INFRASTRUCTURE** Become a force that supports social infrastructure

Basic Policy Contribute to a stable energy infrastructure as society transitions to the next-generation energy market

FY2024 Targets

Net sales **¥8.5 billion** Operating profit **¥450 million**

Priority Measures

- Measure 1** Secure stable earnings by continuing to receive maintenance orders and attracting new orders
- Measure 2** Pursue efficiency through full utilization of TKK Plant Engineering and collaboration with partner companies
- Measure 3** Expand business scope based on our achievements and knowledge as a tank manufacturer

Next-Generation Energy Development Business

Through the provision of our advanced technological capabilities, we will contribute to the conversion of infrastructure to such next-generation energy sources as hydrogen and fuel ammonia.

Executive Officer
Chief of the Next-Generation Energy
Development Center
Toshiyuki Mita



Value Propositions

Provide social infrastructure technologies that contribute to the realization of carbon neutrality

Competitive Advantages

- ▶ Capable of delivering storage tanks for next-generation energy and boasting the technical capabilities needed to meet construction requirements
- ▶ Possess the advanced technology and project execution capabilities needed to meet domestic and international demand for new storage tank construction

Issues

- ▶ Responding to the global energy shift and maintaining a solid market standing
- ▶ Reinforcing organizational capabilities, including overseas offices, to acquire new storage tank projects

Business Strategy for the New Medium-Term Business Plan

Slogan ACTION FOR **NEXT ENERGY** Become a force supporting the future of energy

Basic Policy Cultivate advanced technological capabilities and prepare for the arrival of a next-generation energy society

FY2024 Targets

Net sales **¥2.4 billion** Operating profit **-¥260 million**

Priority Measures

- Measure 1** Address storage needs for fuel ammonia, MCH,* liquefied CO₂, etc.
- Measure 2** Capture demand for new storage tanks in overseas markets
- Measure 3** Acquire construction technology (design, welding inspection, construction) for liquid hydrogen storage tanks

* MCH: Methylcyclohexane, a liquid made through the combination of hydrogen and toluene. It is one of the most notable hydrogen carriers.

Business Innovation and Other Businesses

We will create businesses that support the future with free perspectives and flexible ideas in the midst of a great paradigm shift.

Director and Senior Executive Officer
Division Manager,
Business Innovation Division
Akira Kakahara



Value Propositions

Provide services and solutions that contribute to the creation of a sustainable environment and society

Competitive Advantages

- ▶ Top-level performance and expertise in a wide range of business areas
- ▶ Ability to understand and respond to customer needs through on-site contact
- ▶ Extensive collaboration channels through corporate venture funds

Issues

- ▶ Reinforcing responsiveness to changes in the business environment
- ▶ Securing stable profitability and market position
- ▶ Increasing added value by leveraging synergies among companies and promoting open innovation

Business Strategy for the New Medium-Term Business Plan

Slogan ACTION FOR SUSTAINABILITY Become a force that supports a sustainable society

Basic Policy Take on the challenge of establishing a third business to accelerate the Group's growth

FY2024 Targets

Priority Measures

- Measure 1** Achieve business expansion, including through environmental business-related M&A
- Measure 2** Stabilize earnings by strengthening the competitiveness of Group companies
- Measure 3** Reform business model through the application of proprietary technology and know-how and external collaboration

Net sales **¥17.7 billion** Operating profit **¥1.2 billion**

Note: Includes the businesses of major domestic Group companies and other businesses such as real estate leasing and management, leasing, and copying and printing

Capital Policy and Shareholder Return Policy

We have set the following based on optimizing the balance between financial soundness and the need to return profits to shareholders.

Capital Policy

- To improve corporate value over the medium to long term, we will utilize retained earnings and borrowings to invest in growth.
- We will maintain an equity ratio of at least 50% to ensure financial soundness and an optimal capital structure.

Shareholder Return Policy

- Maintain a consolidated dividend payout ratio of 50% or more (minimum annual dividend of 100 yen per share). However, this does not apply in the event of large financing needs.
- Although we have not adopted a set consolidated total return ratio, we will respond flexibly depending on performance trends and other factors.
- This policy covers a three-year period beginning in fiscal 2022 and ending in fiscal 2024 and will be reviewed at the end of the relevant period.

▶ Please see page 22 for details.

Sustainable Management Advancement

The Toyo Kanetsu Group will continue to advance sustainable management from an ESG perspective.

| | | |
|--|--|---|
| <p>E Environment</p> <ul style="list-style-type: none"> • Reduce GHG emissions • Monitor energy consumption  | <p>S Social</p> <ul style="list-style-type: none"> • Promote diversity and inclusion • Ensure occupational health and safety • Pursue coexistence with local communities  | <p>G Governance</p> <ul style="list-style-type: none"> • Practice sophisticated risk management • Ensure the diversification of the Board of Directors  |
|--|--|---|

Strengthening Management Foundations

In order to cope with an increasingly complex business environment, we will strengthen our systems to ensure a solid foundation.

| | | |
|--|--|--|
| <p>Responding to Climate Change Risks</p> | <p>Carbon Neutral Declaration Achieve carbon neutrality with regard to the Group's GHG emissions by 2050.</p> | <p>Disclosure based on the TCFD Framework</p> |
| <p>Strengthening Risk Management</p> | <p>Strengthen governance by establishing a risk management committee</p> | <p>Establishment of Risk Management Office to ensure thorough enterprise risk management (ERM)</p> |

Message from the Executive Officer of Finance



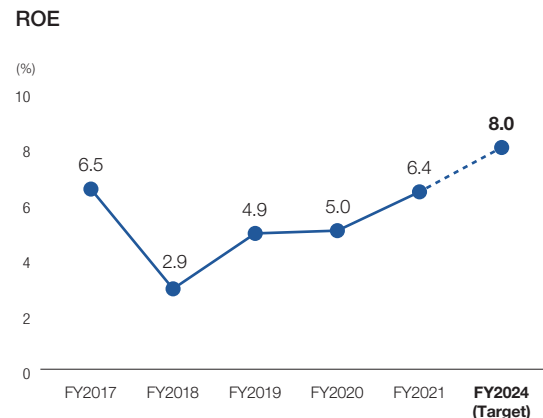
We will aggressively invest in growth for the further advancement of the Group.

Takeshi Yonehara
Senior Executive Officer
Head of the Corporate Division

Basic Approach to Financial Strategy and Important Financial Indicators

In its financial strategy, the Toyo Kanetsu Group has persistently focused not only on ensuring the stability of its financial base, but also on maintaining a healthy dialogue with the market and enhancing shareholder returns.

In the new Group Medium-Term Business Plan announced in May 2022, we lay out our basic management policy of establishing a future growth trajectory. To do so requires us to take a more aggressive financial strategy that will secure sustainable growth and we have thus decided to invest in business growth over the three years of the plan beginning in fiscal 2022. We aim to achieve ROE of 8.0% in fiscal 2024, which we have set as a KPI, and secure the

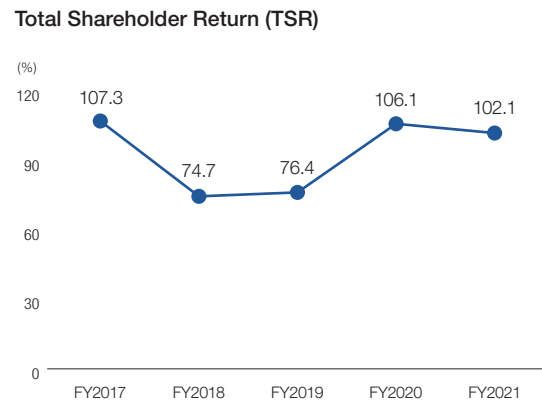


funds needed to promote R&D and forward-looking capital expenditure.

Fiscal 2021 Performance Assessment

In fiscal 2021, we were able to turn around the Plant & Machinery Business, which had been in the red for the past four years. The Logistics Solutions Business also saw profits steadily increase as the scale of its business expanded. In addition, earnings from Group companies and new businesses, classified under Other Businesses, were up and we continued to build them into new core businesses by stepping up M&A and pursuing opportunities throughout the Group.

Based on these results, I believe that the financial results for fiscal 2021, the final year of the previous Medium-Term Business Plan, satisfied the goal



“To establish a foundation for all Group businesses” that was set as the management policy.

Basic Capital Policy and Shareholder Return Policy

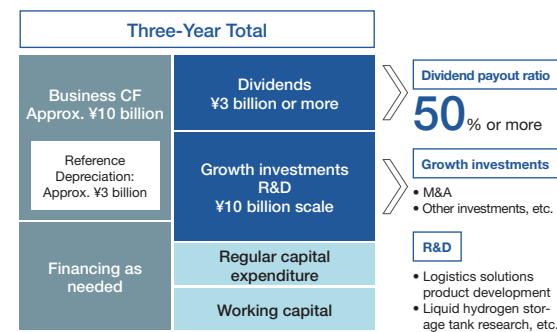
Returning profits to shareholders is one of our most important management issues, and our basic policy is to maintain a dividend payout ratio of 50% or more. We recognize that there is little need to further improve financial soundness and have judged it appropriate to maintain a roughly 50:50 ratio in the distribution of profits earned between new investments for growth and returns to shareholders, thereby improving total shareholder return (TSR).

Therefore, in this review, we announce the adoption of a capital policy of maintaining an equity ratio of 50% or more, an indicator of ongoing financial soundness, and will continue to improve our stock price and TSR by flexibly acquiring treasury shares in the future.

Investment Policy and Financing Plan under the New Medium-Term Business Plan

We are currently in the midst of a period of major change, including a shift in our business model, and intend to allocate approximately ¥10 billion over the next three years to investment in growth and capital expenditure as outlined in our Medium-Term Business Plan. This covers a wide range of investment, from

New Medium-Term Business Plan Financial Strategy



M&A aimed at opening up such new fields as environment-related businesses to expanding the scope of existing businesses, supporting promising start-ups, and pursuing new product R&D.

Over the past three years, we have invested more than ¥6 billion, including approximately ¥3.5 billion in capital expenditures, in expanding our production capacity. Over the next three years, we intend to establish a sustainable future growth trajectory by doubling this investment.

In addition to utilizing the ¥10 billion in operating profit that we expect to earn over the next three years, we intend to raise the debt-to-equity ratio, which is currently about 0.37 times, to about 0.5 times by raising funds through indirect financing such as bank loans while giving consideration to financial stability.

Outlook for Fiscal 2022

With regard to our forecast for fiscal 2022, we recognize that the situation in Ukraine and the lockdown policies in China have had a serious impact on the supply chain, and that the Group is also experiencing delivery delays due to parts and materials shortages, price hikes, and rising labor costs, making the situation unpredictable. We are therefore forecasting a decrease in both net sales and operating profit.

As our overseas net sales ratio is less than 2%, the business model of importing overseas products for commercialization and sale in Japan could have an adverse impact on earnings if the yen depreciates. For this reason, Toyo Kanetsu is entering into forward exchange contracts for imported goods to hedge against foreign exchange risks and enacting similar measures.

In response to parts and materials shortages, we have launched internal projects and are starting to make preemptive arrangements with various suppliers. Although we expect to accumulate a certain amount of inventory in fiscal 2022, which may affect operating cash flow, we believe that the level will improve in fiscal 2024, the final year of the Medium-Term Business Plan.

The Toyo Kanetsu Group's Material Issues

1 Basic Approach to Material Issues

The Toyo Kanetsu Group has identified 10 important material issues to prioritize with the objective of sustainably improving corporate value through business activities. By addressing these issues, the Group will ensure sustained growth and financial performance. Our material initiatives are designed to help contribute to the

relevant SDGs, and, by proactively working to solve these issues, we will fulfill the role expected of us by society.

2 The Toyo Kanetsu Group's Three Categories of Material Issues

The Toyo Kanetsu Group has divided its material issues into three categories (A, B, and C) in accordance with their characteristics. The two topics in category A are social issues that could have a major impact on the Group. We will provide value to society and improve corporate value by contributing to the

resolution of those two issues, primarily through our business activities. The four topics in category B are important management issues to be addressed in order for the Group to carry out these business activities sustainably. The four topics in category C are prerequisites for improving corporate value.

| | | |
|----------|--|---|
| A | Issues to be addressed through our business to improve our corporate value | <ul style="list-style-type: none"> (1) Respond to changes in the business environment caused by climate change (2) Respond to the decline in Japan's population |
| B | Initiatives addressing material issues to sustainably improve corporate value | <ul style="list-style-type: none"> (3) Training and utilization of human resources (4) Innovation in technologies and their usage (5) Promote collaboration with partner firms (6) Increase productivity |
| C | Fundamental initiatives to undertake before addressing A and B issues | <ul style="list-style-type: none"> (7) Ensure occupational health and safety (8) Execute steadfast compliance and corporate governance (9) Improve risk management (10) Evolve our corporate culture into one that encourages employees to quickly and proactively take on challenges |

▶ Please refer to pages 34–35 for more details about each material issue.

3 Process for Identifying Material Issues and KPIs*

By giving due consideration to opinions inside and outside the Company and referencing global standards, the Toyo Kanetsu Group identified its material issues in March 2019 through the following process. In addition, we set KPIs in August 2020.

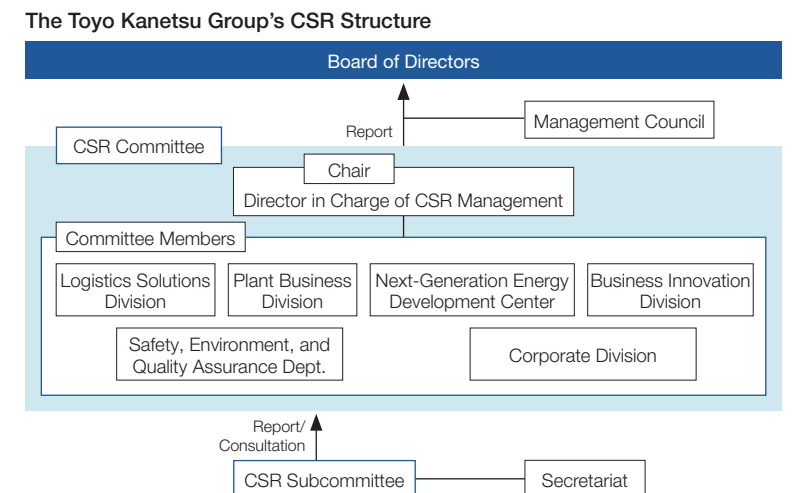
* Key performance indicators: Indicators for visualizing progress toward resolving identified material issues.

| | | |
|----------|---|--|
| 1 | Research and preparation | Management examined methods for identifying issues that are important for sustaining the growth of the Toyo Kanetsu Group and of society, referring to international guidelines, such as the SDGs adopted at the UN Sustainable Development Summit in 2015 and the Sustainability Accounting Standards Board (SASB), as well as to the Corporate Governance Code. We furthered the understanding of our employees in these areas by holding in-house seminars about ESG initiatives, the SDGs, and integrated reports. |
| 2 | Listing of social issues, identification of important issues | All members of upper management participated in multiple discussions about material issues to reach a consensus on the strengths of the Toyo Kanetsu Group, social issues that directly affect its operations, and the role that the Group should play in the future. As a result, we identified priority social issues needing resolution, as well as the Group's own issues that must be addressed to solve such social issues. |
| 3 | Incorporation of opinions of stakeholders | Toyo Kanetsu exchanged opinions with outside experts and institutional investors, listened to the concerns and expectations of stakeholders of the Group, and made a list of identified issues. |
| 4 | Identification of material issues | The material issues discovered through this process were deliberated by the Management Council and the Board of Directors, which identified and approved 10 material issues for the Group to address in the future. |
| 5 | Setting of KPIs | Referring to guidelines, examples from other companies, interviews with relevant internal divisions, and other sources of information, we set KPIs by conducting discussions at internal meetings with the participation of members of management, after having listed several candidate KPIs for each material issue. |

4 The Toyo Kanetsu Group's Approach

The Toyo Kanetsu Group engages in business activities while positioning these 10 material issues as important guides to consider when formulating business strategies and making decisions in each business.

With regard to initiatives for addressing material issues, the director serving as the chair of the CSR Committee is tasked with monitoring progress in resolving said issues. In addition, through dialogue with various stakeholders, management will keep track of changes in stakeholder concerns and expectations of the Group while monitoring social trends. If deemed necessary, the Company will flexibly revise its material issues and KPIs.



A

Issues to be addressed through our business to improve our corporate value

Respond to changes in the business environment caused by climate change

Special Feature

1

Initiatives for Climate Change

In fiscal 2019, the Toyo Kanetsu Group identified “respond to changes in the business environment caused by climate change” as a key material issue for the attainment of sustainable improvement in corporate value. Recognizing that addressing climate change is both a business risk and a new business opportunity, we are working to do so and are committed to disclosing information regarding our progress. We have made the following two disclosures regarding climate change issues.



Carbon Neutral

TOPIC

01

Disclosure of Greenhouse Gas (GHG) Emission Reduction Targets for Carbon Neutrality

We have established and announced GHG emission reduction targets for the Group’s business activities.

GHG Reduction Scope

Scope 1¹ emissions + Scope 2² emissions of the Company and its domestic and overseas consolidated subsidiaries

¹ Scope 1: Direct GHG emissions from the Company’s use of fuel, etc.
² Scope 2: Indirect GHG emissions from the use of electricity and heat purchased by the Company

GHG Reduction Targets

Achieve carbon neutrality by 2050
Achieve a 50% reduction in emissions by 2030 (compared to 2019 levels)

In addition, we will strive to reduce Scope 3³ emissions throughout the value chain in cooperation with suppliers and customers.

³ Scope 3: GHG emissions not included in Scopes 1 or 2 emitted indirectly in the business supply chain

▶ For details, please refer to the press release dated May 13, 2022 (Japanese only).

https://www.toyokanetsu.co.jp/pdf/toyo_kanetsu_2837.pdf

TOPIC

02

Disclosure Based on the Recommendations of the TCFD (Task Force on Climate-Related Financial Disclosures)

The Toyo Kanetsu Group endorsed the TCFD recommendations, and we made appropriate disclosures in accordance with the recommendations in June 2022.

Governance

The Group’s Risk Management Committee, chaired by a director appointed by the Board of Directors, examines the business risks the Group faces, including risks from climate change, reporting to the Board of Directors and the Management Council twice a year, which formulates and implements the necessary plans. The Risk Management Office functions as the secretariat of the Committee.

The members of the Risk Management Committee are selected from among the directors or executive officers in charge of relevant businesses in each division. This facilitates the sharing of knowledge and experience in countering risks and addressing climate change issues when formulating plans for implementation.

Strategy

A scenario analysis was conducted to identify climate change risks and opportunities that could significantly impact the Group’s operations.

The period up to 2050 was covered in this analysis, and we referred to several existing scenarios published by the International Energy Agency (IEA), the Intergovernmental Panel on Climate Change (IPCC), and other organizations from three perspectives: short-term (about 3 years), medium-term (up to 2030), and long-term (up to 2050). The analysis was exhaustive, assuming a world view based on two climate change scenarios (one with an average temperature increase of less than 2°C from the Industrial Revolution to the end of the century, and one with an average temperature increase of 4°C).

We examined the risks and opportunities for the Group based on two scenarios and their associated business and financial implications. Looking ahead to 2050, we believe that the opportunities outweigh the

risks regarding their overall financial impact on Logistics Solutions Business, Next-Generation Energy Development Business, and Plant Business that accounted for roughly 85% of the Group's consolidated sales in fiscal 2020.

In the Logistics Solutions Business, we expect continued growth in demand for advanced labor-saving and labor-reducing logistics systems due to environmental deterioration at logistics sites caused by climate change along with the declining birthrate and aging population. Thus, we conclude that opportunities will fully outweigh risks.

In the Next-Generation Energy Development Business, demand for conventional oil and gas storage tanks will

Risk Management

As the environment surrounding the Company becomes more complex and diverse, the Group is placing greater importance on the appropriate management of risks that may significantly impact its business, and the practice of sophisticated risk management has been included as one of the Group's key management issues.

Under the supervision of the Board of Directors, the Risk Management Committee is responsible for all business risks of the Group, including climate change risk. The committee conducts periodic reviews twice a year and takes necessary measures in accordance with risk management priorities.

Indicators and Targets

The results of supply chain emissions calculated according to the GHG protocol are as follows.

| | FY2019 | FY2020 | FY2021 |
|--|---------------------------|--------------------------------------|---------------------------|
| Scope 1 + 2 emissions (entire Group, including domestic and overseas) | 5,276 t-CO ₂ e | 4,993 t-CO ₂ e (1.4%) | 5,142 t-CO ₂ e |
| Scope 3 emissions (entire Group, including domestic and overseas) | — | 348,949 t-CO ₂ e* (98.6%) | — |
| Total GHG emissions | — | 353,942 t-CO ₂ e (100.0%) | — |

* Of total Scope 3 emissions, 198,684 t-CO₂e were from Category 11 "use of sold products" and 128,769 t-CO₂e were from Category 1 "purchased goods & services" and together accounted for 94% of total Scope 3 emissions.

To reduce GHG emissions, 57% of Scope 1 and 2 emissions in fiscal 2021 are from electricity use and 33% from gasoline and diesel oil consumption. Therefore, we believe that efforts to achieve our goal toward carbon neutrality should focus on procuring electricity derived from renewable energy sources and on converting company vehicles to EVs in the future.

We will consider specific measures for each category of Scope 3 emissions, such as reducing power consumption during product use. We will also work with our suppliers and customers to formulate and implement measures to reduce GHG emissions.

decrease as the use of fossil fuels is restricted. However, a shift to tanks for hydrogen and fuel ammonia, which are next-generation energy sources, as well as for liquefied CO₂, is expected to drive demand upward.

In the Plant Business, maintenance demand for existing oil and gas storage tanks will gradually decline, but we expect to see growth in demand associated with conversion to next-generation energy storage tanks along with maintenance demand for the new tanks. Looking at the overall tank-related business through 2050, we believe that the risks and opportunities are roughly balanced.

The results of this scenario analysis of risks and opportunities for the Group's businesses will be shared with each business division through the Risk Management Committee and other mechanisms and reflected in future business plans, including those for fiscal 2022. The progress of such business plans will be incorporated into the semi-annual all-business review conducted by the Risk Management Committee and shared with the Management Council and the Board of Directors.

Furthermore, from fiscal 2022, we will facilitate new capital expenditure with the goal of significantly reducing GHG emissions. As a reference for investment decisions, we will promote decarbonized investment by introducing an internal carbon pricing system that applies a set internal carbon price and converts it into a hypothetical cost to be used in formulating capital expenditure plans.

▶ Please refer to the press release dated June 28, 2022 for details (Japanese only).

https://www.toyokanetsu.co.jp/pdf/toyo_kanetsu_2926.pdf

A

Issues to be addressed through our business to improve our corporate value

Respond to changes in the business environment caused by climate change

Special Feature

2

Our Steps to a Carbon-Neutral Society

Next-generation energy sources are starting to be utilized more widely with the intention of reducing GHG emissions which cause global warming.

We have been developing the world's first large-scale liquid hydrogen tank aiming for the full-scale commercialization of hydrogen power generation around 2030. This project is subsidized by Japan's New Energy and Industrial Technology Development Organization (NEDO).

This is also highly evaluated by the Ministry of Economy, Trade and Industry (METI) and we were selected as one of the "Companies Taking on the Zero-Emission Challenge." In addition, we participate in the "Challenge Zero" project launched by Keidanren (Japan Business Federation), and in the Clean Fuel Ammonia Association, and are actively working on development for next-generation energy storage tank technologies for fuel ammonia, MCH (methylcyclohexane), and liquefied CO₂. Through these initiatives, we are developing technologies to realize a carbon neutral society.



TOPIC

Steady Progress in Developing Large-Scale Liquid Hydrogen Tank Construction Technology

For efficient storage in large quantities, hydrogen must be liquefied below cryogenic temperature of -253 degrees Celsius. Our liquid hydrogen tank is groundbreaking and very unique in the world, in that it is large-capacity and vacuum-insulated with a flat-bottomed cylindrical structure. We have already achieved results in the development of high-performance heat insulation structures, vacuum exhaust systems, and in various performance tests of welded joints under hydrogen exposure, and are steadily acquiring technologies to support a hydrogen-based society.



Vacuum insulation testing equipment

Resolving Social Issues with New Solutions

In the Logistics Solutions Business, we started manufacturing and selling conveyers in 1952. Since then, our goods-friendly, user-friendly, and operator-friendly products have been well received by customers in airports, co-ops, and general distribution industries.

In the future, logistics sites in Japan will face a shrinking workforce due to an aging population and declining birthrate, the effects of which will become increasingly serious, as well as diversified and faster consumption patterns due to the development and adoption of technology. As demand for labor-reducing, labor-saving, and lead-time reducing solutions increase, businesses that contribute to automation and efficiency are expected to play an even more significant role in society.

To meet the needs of society, we are focusing on utilizing open innovation to develop new services while seeking to add higher value to our existing mainstay products. This next section introduces GP3, AMR, and Digital Twin as examples of such efforts.



TOPIC

01

Evolution of Goods to Person for Pick and Pack (GP3)

GP3, developed by Toyo Kanetsu, is a new fixed-point picking system that enables picking, packing, and labeling in a single location. This system requires 40% less space compared to our previous product. The single-location work simplifies picking processes and thus helps reduce the number of workers. In the future, we aim to fully automate warehouse work through further advances such as combining the system with picking robots.



GTR (Goods to Robot picker)

TOPIC

02

Development of AMR (Autonomous Mobile Robot) and First Commercial Installation

We have continued to develop our AMR with our partner corporations, which respond to fluctuations in material volume and is highly flexible. Powered by energy-saving batteries and with a short implementation period, the AMR will significantly reduce environmental impact. The project is currently under way with the first installation having taken place in fiscal 2021 and is moving forward toward actual operation. We will accelerate development based on new concepts, such as combining this with Multishuttle systems, to provide next-generation solutions to a wider range of customers.



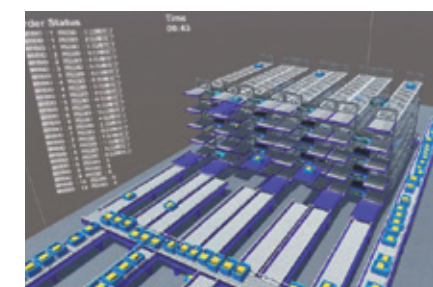
AMR (Autonomous Mobile Robot)

TOPIC

03

Proof of Concept and Pilot Testing of IoT/AI-using Digital Twin

We are conducting joint research and development with a start-up venture on digital twin technology that uses AI to analyze the operational data of logistics facilities and reproduce and visualize them in a virtual space. We conducted a demonstration in our automated storage and retrieval system for the Multishuttle and, based on the results of the test, introduced the system on a trial basis for the co-op industry in fiscal 2021. By visualizing issues and problems even in sophisticated and complex systems, we will make further improvements and efficiencies in warehouse operations.



Optimization of the Multishuttle by AI algorithms

Initiatives to Support the Sustainable Growth of the Entire Group

B

Initiatives addressing material issues to sustainably improve corporate value

Training and utilization of human resources



C

Fundamental initiatives to undertake before addressing **A** and **B** issues

Improve risk management



TOPIC

01 Enhancement of In-house Training

We believe that employee education and growth is essential for business expansion and are promoting enhanced training with the following clear objectives. There are three main training themes: (1) training for career development in accordance with employees' autonomous career development and career stage changes; (2) training to study current human resource topics, such as workstyle reforms, harassment, and risk management; and (3) training to promote corporate culture reform and business problem solving, such as diversity management and skill transfers. The in-house

training is composed of not only lectures but also workshops to allow employees to speak about their own ideas and plans. These opportunities serve as an occasion for mutual communication throughout the Group and stimulate attendees to be proactive.



TOPIC

02 Advancing Talent Management Systems

As the corporate initiatives for diversity and inclusion attract increasing attention, individual workstyles and values are becoming more varied, and the work environment, including employment patterns, is constantly changing. Approaching these changes as an opportunity, we have introduced a talent management system that takes advantage of these changes to promote our business. The system is used as a communication tool to organically link information on work experience, skills, career aspirations, and more to promote strategic human resource management that maximally reflects the

strengths of each individual and to share values necessary for reforming the corporate culture. By leveraging individual strengths and revitalizing the organization, we aim to create an organization and utilize human resources appropriate to our position as a "solution innovator."



TOPIC

03 Toyo Kanetsu Recognized as a 2022 Certified Health & Productivity Management Outstanding Organization

We have long regarded the maintenance and promotion of employee health as one of the most important management issues and have established the Health and Productivity Management Declaration under the leadership of the president. As a result of these activities, we have acquired 2022 Certified Health & Productivity Management Outstanding Organizations certification. We have made it a priority to create a comfortable work environment that emphasizes work-life balance and provides support for health and healthy lifestyles and have strengthened follow-ups based on the results of regular

health checkups. We will continue to further improve the system and step up measures in cooperation with our industrial physicians, public health nurses, and other industrial health staff.



▶ For details, please see the press release published on March 9, 2022 (Japanese only).

https://www.toyokanetsu.co.jp/pdf/toyo_kanetsu_2787.pdf

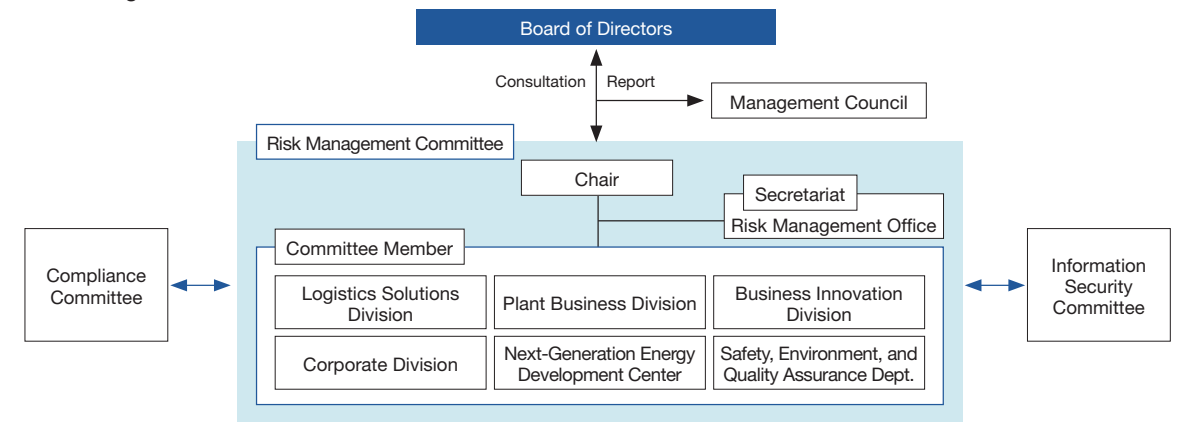
TOPIC

01 Improvement of the Risk Management System

Recognizing that risk management is becoming increasingly important given uncertainties in the business environment, such as the impact of the COVID-19 pandemic and heightened geopolitical risks, we established the Risk Management Office in April 2022 with the aim of practicing sophisticated risk management. The Risk Management Office, in cooperation with the Risk

Management Committee and under the supervision of the risk management officer, identifies and assesses various risks throughout the Group, takes countermeasures, and strengthens the systems to enable each Group company to respond to risks in an integrated and self-directed manner.

Risk Management Committee Structure



TOPIC

02 Strengthening Information Security Measures















The risk of cyberattacks, such as the spread of malware infection damage targeting the manufacturing industry, is increasing. We implemented the following personnel and technical measures in order to strengthen our cyber security.

■ Personnel Measures: Information security training was provided for the entire Group, which made all employees aware of security risks in the supply chain and easy-to-understand explanations of measures to improve security

levels. Targeted e-mail drills were also conducted to prepare for the possibility of e-mail cyber-attacks.

■ Technical Measures: Cloud storage was implemented to securely handle information assets throughout the Company and beyond. We plan to renew the authentication infrastructure and strengthen device management in order to increase the security and safety of the remote work environment established during the COVID-19 pandemic.

Material Issues and KPIs

| A Issues to be addressed through our business to improve our corporate value | | | | | | | | | |
|--|---|---|----|-------|-------|-------|----------------|-----------------------------------|---|
| (1) Respond to changes in the business environment caused by climate change | Climate change may have a major impact on the Company's business environment. There is the risk of a negative impact from weaker demand for storage tanks as energy use shifts away from fossil fuels. While considering measures to combat global warming, the Company will work on projects related to demand for fossil fuel alternatives, such as hydrogen energy, and develop products and services with excellent environmental performance. In these and other ways, Toyo Kanetsu will seek out new business opportunities in a bid to sustain business growth. | | FY | 2019 | 2020 | 2021 | 2022 (Target) | Unit |   |
| | | GHG emissions (Scope 1 + 2)* | | 5,276 | 4,993 | 5,142 | 2,638 | t-CO ₂ e | |
| * Direct GHG emissions from in-house fuel use, etc. + indirect GHG emissions from the use of electricity and heat purchased by the Company Note: Toyo Kanetsu and consolidated subsidiaries | | | | | | | | | |
| (2) Respond to the decline in Japan's population | It has become harder to secure human resources due to Japan's declining population, which reflects a decrease in the birth rate and an increase in the number of elderly citizens. The Company understands the importance of maintaining attractive workplaces that are comfortable, inclusive of diversity, and conducive to rewarding work. In the Logistics Solutions Business, there is a risk that the contraction in the population will lower the purchasing power of consumers and lead to weaker demand overall. By developing labor-saving systems and taking other steps to counter labor shortages, the Company believes it can turn this into a major growth opportunity. | | FY | 2019 | 2020 | 2021 | 2022 (Target) | Unit |   |
| | | Rate of Annual Paid Vacation Taken | | 58 | 68 | 67 | 70 | % | |
| Note: Toyo Kanetsu (non-consolidated) At least 8 days in fiscal 2019, 10 days in fiscal 2020, and 13 days in fiscal 2021; fiscal 2022 target is 70% of new days granted for the fiscal year. | | | | | | | | | |
| B Initiatives addressing material issues to sustainably improve corporate value | | | | | | | | | |
| (3) Training and utilization of human resources | To sustain growth, the Company must train its employees appropriately, imbuing them with knowledge and technical skills related to its businesses while enhancing leadership skills, international awareness, and responsiveness to changes in the business environment. We must advance measures to secure, train, and deploy diverse human resources. | | FY | 2019 | 2020 | 2021 | 2022 (Target) | Unit |   |
| | | Ratio of female managers* | | 1.5 | 2.7 | 5.4 | 10.0 | % | |
| * Managers: Group managers and department heads, excluding executive officers (definition changed from fiscal 2021 results) | | | | | | | | | |
| (4) Innovation in technologies and their usage | The development and use of new technologies will allow the Company to provide new products and services while strengthening the competitiveness of existing businesses. Moreover, new technologies are likely to become the driving force behind new business creation. In particular, efforts to develop new technologies in the fields of AI, IoT, robotics, and failure prediction should be effective in resolving the social issue of increasing efficiency in logistics by helping conserve and reduce labor as well as stabilize operations. | | FY | 2019 | 2020 | 2021 | 2022 (Target) | Unit |   |
| | | Operating Profit per Employee | | 2,608 | 3,306 | 2,967 | 2,044 | Thousands of yen | |
| Note: Toyo Kanetsu, non-consolidated | | | | | | | | | |
| (5) Promote collaboration with partner firms | The value chains in the Company's businesses depend on numerous partners inside and outside Japan involved in the supply of parts and materials, installation work, and IT engineering. Toyo Kanetsu works with its partners to supplement areas where it has insufficient resources and provide cutting-edge technologies in such areas as AI and IoT. These partnerships expand the scope of business domains that Toyo Kanetsu can enter and increase opportunities to start new businesses. | | FY | 2019 | 2020 | 2021 | 2022 (Target) | Unit |  |
| | | Frequency Rate of Industrial Accidents | | 0.95 | 1.39 | 1.20 | 0.00 | Casualties/ million working hours | |
| Note: Toyo Kanetsu, non-consolidated | | | | | | | | | |
| (6) Increase productivity | Amid stronger demand from customers for the delivery of high-performance, low-priced equipment, Toyo Kanetsu must continuously increase productivity with innovative technologies to keep winning orders and booking sales. | | FY | 2019 | 2020 | 2021 | 2022 (Target) | Unit |  |
| | | Severity Rate of Industrial Accidents | | 0.01 | 0.05 | 0.02 | 0.00 | Days lost/thousand working hours | |
| Note: Toyo Kanetsu, non-consolidated | | | | | | | | | |
| C Fundamental initiatives to undertake before addressing A and B issues | | | | | | | | | |
| (7) Ensure occupational health and safety | Safety is a priority in everything that Toyo Kanetsu does. If a safety- or health-related issue arises among our employees, our most important resource, there is a risk that corporate value will be damaged considerably. Since accidents must not happen, the Company is reinforcing its safety-first mindset by creating and implementing safety management plans to prevent accidents from occurring. | | FY | 2019 | 2020 | 2021 | 2022 (Targets) | Unit |  |
| | | Number of Fatal Work Accidents | | 0 | 0 | 0 | 0 | Cases | |
| Note: Toyo Kanetsu, non-consolidated | | | | | | | | | |
| (8) Execute steadfast compliance and corporate governance | As compliance with laws and regulations is a vital cornerstone of Toyo Kanetsu's execution of trustworthy business activities, the Company requires that all employees maintain a value system in which compliance is their highest priority. In addition, Toyo Kanetsu continuously reinforces its corporate governance system. | | FY | 2019 | 2020 | 2021 | 2022 (Target) | Unit |  |
| | | Rate of Information Security Training Participation | | 100 | 100 | 100 | 100 | % | |
| Note: Toyo Kanetsu and consolidated subsidiaries | | | | | | | | | |
| (9) Improve risk management | Since Toyo Kanetsu Group engages in operations related to social infrastructure, management responds properly and quickly to demand from society when a problem arises while taking steps to prevent accidents from occurring. As the scope of business expands with the introduction of new businesses and projects overseas and the fabric of society changes with ever greater speed, the risks the Company must address are growing in number and magnitude. Toyo Kanetsu aims to further strengthen its ability and systems for identifying, assessing, and minimizing various risks, for example, by improving its credit and project screening capabilities and strengthening internal security, in addition to stepping up its emergency preparedness around the world. | | FY | 2019 | 2020 | 2021 | 2022 (Target) | Unit |  |
| | | Number of Training Sessions Held on Risk Management | | 6 | 5 | 6 | 3 | Times | |
| Note: Toyo Kanetsu and consolidated subsidiaries | | | | | | | | | |
| (10) Evolve our corporate culture into one that encourages employees to quickly and proactively take on challenges | In order to advance existing businesses and create new ones, we must nurture a corporate culture where all of our employees can work together as one on challenges in new fields. | | FY | 2019 | 2020 | 2021 | 2022 (Target) | Unit |  |
| | | Commendation System: Improvement Proposal Submission Rate | | 76.4 | 72.3 | 70.7 | 100 | % | |
| Note: Submission rate = Total number of proposals submitted (Toyo Kanetsu, non-consolidated) ÷ number of eligible Toyo Kanetsu employees at the end of the second fiscal quarter. Total number of proposals is the aggregate; multiple proposals from one person are counted individually. | | | | | | | | | |

The Toyo Kanetsu Group's ESG Data Highlights

| Material issues | FY | 2019 | 2020 | 2021 | Unit | |
|--|---|---|---------|--------|------------------------------------|-------|
| A Issues to be addressed through our business to improve our corporate value | | | | | | |
| (1) Respond to changes in the business environment caused by climate change*1 | Energy consumption (crude oil equivalent) | 885 | 927 | 1,058 | kl | |
| | Energy consumption (electricity) | 2,951 | 3,231 | 3,483 | Thousand kWh | |
| | Energy consumption (LPG) | 95 | 72 | 123 | t | |
| | Energy consumption (city gas) | 0.1 | 0.1 | 0.1 | Thousand m ³ | |
| | CO ₂ emissions | 1,763 | 1,959 | 1,783 | t-CO ₂ | |
| | GHG emissions (Scope 1 + 2)*2 | 5,276 | 4,993 | 5,142 | t-CO ₂ e | |
| | GHG emissions (Scope 3)*2,3 | — | 348,949 | — | t-CO ₂ e | |
| | CO ₂ emissions per unit of net sales | 0.05 | 0.05 | 0.04 | t-CO ₂ /millions of yen | |
| | Water consumption | 10.2 | 9.6 | 9.0 | Thousand m ³ | |
| | Total amount of waste generated | 190 | 258 | 268 | t | |
| | Paper consumption | 13.4 | 12.2 | 9.5 | t | |
| | Rate of employee participation in environmental management training*4 | — | 37 | — | % | |
| | (2) Respond to the decline in Japan's population*1 | Rate of employees voluntarily leaving the Company*5 | 2.8 | 1.7 | 1.9 | % |
| | | Average number of service years | 15.3 | 15.5 | 15.7 | Years |
| Number of employees taking childcare leave | | 6 | 4 | 16 | Persons | |
| Number of employees taking childcare leave (male) | | 2 | 1 | 10 | Persons | |
| Number of employees taking childcare leave (female) | | 4 | 3 | 6 | Persons | |
| Number of employees returning to work after childcare leave*6 | | 6 | 4 | 16 | Persons | |
| Number of employees working shortened hours | | 6 | 8 | 11 | Persons | |
| Number of employees working shortened hours (male) | | 0 | 0 | 0 | Persons | |
| Number of employees working shortened hours (female) | | 6 | 8 | 11 | Persons | |
| Number of employees taking nursing care leave | | 0 | 1 | 0 | Persons | |
| Rate of annual paid vacation taken*7 | | 58 | 68 | 67 | % | |
| Average number of work hours*8 | | 2,015 | 1,814 | 1,974 | Hours | |
| Average number of annual overtime work hours | | 287.40 | 245.76 | 268.57 | Hours | |
| Average number of monthly overtime work hours*9 | | 23.95 | 20.48 | 22.38 | Hours | |
| B Initiatives addressing material issues to sustainably improve corporate value | | | | | | |
| (3) Training and utilization of human resources*1 | Number of employees*10 | 560 | 575 | 577 | Persons | |
| | Number of employees (male) | 457 | 470 | 471 | Persons | |
| | Number of employees (female) | 103 | 105 | 106 | Persons | |
| | Average age of employees | 44.0 | 44.4 | 44.6 | Years old | |
| | Average age of managers*11 | 52.2 | 52.0 | 51.4 | Years old | |
| | Number of new graduate recruits | 19 | 16 | 8 | Persons | |
| | Number of new graduate recruits (male) | 12 | 14 | 6 | Persons | |
| | Number of new graduate recruits (female) | 7 | 2 | 2 | Persons | |
| | Number of mid-career recruits | 11 | 16 | 16 | Persons | |
| | Number of non-Japanese employees | 7 | 8 | 10 | Persons | |
| | Managers as a percentage of all employees*11 | 12.1 | 12.9 | 12.8 | % | |

| Material issues | FY | 2019 | 2020 | 2021 | Unit | |
|---|---|---|-----------|-----------|-----------------------------------|-------|
| (3) Training and utilization of human resources*1 | Ratio of female managers*11 | 1.5 | 2.7 | 5.4 | % | |
| | Number of semi-management team leaders | 46 | 55 | 56 | Persons | |
| | Female semi-management team leaders as a percentage of total semi-management team leaders | 2.2 | 12.7 | 12.5 | % | |
| | Annual training costs | 52,143 | 44,699 | 36,270 | Thousands of yen | |
| | Annual training costs (per employee) | 93 | 78 | 63 | Thousands of yen | |
| | Number of rewards provided for qualification acquisition | 21 | 14 | 37 | Awards | |
| | Amount of compensation given for qualification acquisition | 1,100 | 850 | 1,440 | Thousands of yen | |
| | Number of employees acquiring an important qualification*12 | 106 | 97 | 90 | Persons | |
| (4) Innovation in technologies and their usage*2 | Annual cost of research and development (consolidated) | 541,497 | 597,420 | 602,872 | Thousands of yen | |
| (6) Increase productivity*1 | Sales revenue per employee | 55,076 | 51,327 | 65,155 | Thousands of yen | |
| | Operating profit per employee | 2,608 | 3,306 | 2,967 | Thousands of yen | |
| C Fundamental initiatives to undertake before addressing A and B issues | | | | | | |
| (7) Ensure occupational health and safety*1 | Frequency rate of industrial accidents | 0.95 | 1.39 | 1.20 | Casualties/ million working hours | |
| | Severity rate of industrial accidents | 0.01 | 0.05 | 0.02 | Days lost/ thousand working hours | |
| | Number of fatal work accidents | 0 | 0 | 0 | Cases | |
| | Frequency rate of industrial accidents not resulting in lost work time | 3.50 | 1.39 | 1.50 | Casualties/ million working hours | |
| | Total number of work hours | 3,146,153 | 2,882,716 | 3,332,459 | Hours | |
| | Number of Group safety meetings held | 1 | 1 | 1 | Times | |
| | Number of safety patrols implemented | 185 | 167 | 213 | Times | |
| | Response rate for stress checks | 94.0 | 93.8 | 96.0 | % | |
| | (8) Execute steadfast compliance and corporate governance | Rate of compliance training participation*13 | 92.5 | 92.5 | 93.8 | % |
| | | Number of helpline (whistleblower system) cases*2 | 7 | 5 | 7 | Cases |
| (9) Improve risk management*2 | Rate of information security training participation | 100 | 100 | 100 | % | |
| | Rate of safety confirmation drill participation (annual average) | 93.6 | 93.5 | 92.4 | % | |
| | Number of training sessions held on risk management | 6 | 5 | 6 | Times | |
| | Number of automated external defibrillator (AED) certificate holders | 39 | 39 | 39 | Persons | |
| (10) Evolve our corporate culture into one that encourages employees to quickly and proactively take on challenges | Commendation system: Number of improvement proposals*14 | 1,066 | 1,048 | 1,014 | Cases | |
| | Commendation system: Improvement proposal submission rate*15 | 76.4 | 72.3 | 70.7 | % | |

*1 Toyo Kanetsu, non-consolidated.
*2 Toyo Kanetsu and consolidated subsidiaries.
*3 Figures are still being compiled for fiscal 2021.
*4 The figure for fiscal 2019 has been revised because results for the Logistics Solutions Division were originally omitted due to business integration. No results for fiscal 2019 due to the COVID-19 pandemic. No results in fiscal 2021 as the implementation of education based on the Carbon Neutral Declaration and TCFD endorsement was delayed to fiscal 2022.
*5 Includes full-time employees (including senior employees but excluding assignees) + Contract employees + Temporary workers + Number of incoming assignees + Seconded employees (to the Company)
*6 Percentage of employees returning to work, based on the total number of employees taking childcare leave.
*7 At least 8 days in fiscal 2019, 10 days in fiscal 2020, and 13 days in fiscal 2021; fiscal 2022 target is 70% of new days granted for the fiscal year.
*8 Includes full-time employees (including senior employees but excluding assignees).
*9 In the previous year's report, annual rather than monthly average overtime hours were disclosed in error. This report discloses monthly average overtime hours.
*10 Includes directors, executive officers, and full-time employees
*11 Managers: Group managers and department heads, excluding executive officers (definition changed from fiscal 2021 results).
*12 Number of employees who are 1st-class architects, engineers, or 1st-class construction management engineers
*13 Includes directors, executive officers, and new employees, including those at Group companies.
*14 Overall number of proposals for the Toyo Kanetsu Group as a whole, including subsidiaries. The total number of proposals is the aggregate; multiple proposals from one person are all counted.
*15 Submission rate = Total number of proposals submitted (Toyo Kanetsu, non-consolidated) ÷ Number of eligible Toyo Kanetsu employees at the end of the second fiscal quarter. The total number of proposals is the aggregate; multiple proposals from one person are all counted.

Board of Directors



Toshiaki Hiwatari
Outside Director and
Audit & Supervisory
Committee Member

Yukari Sakai
Outside Director

Kazuto Abe
Director and
Audit & Supervisory
Committee Member

Toru Yanagawa
Director and
Chairman of
the Company

Akira Kakihara
Director, Senior
Managing Officer

Keisuke Kodama
Director, Executive
Vice President,
Executive Officer

Takashi Owada
President &
Representative
Director

Shigeharu Nakamura
Outside Director and
Audit & Supervisory
Committee Member

Makiko Sato
Outside Director

Kazuo Ushida
Outside Director and
Audit & Supervisory
Committee Member

Supporting President Owada's Leadership through Supervision and Advice, Utilizing His Original Experience in Dialogue

In April 2022, when the new Group Medium-Term Business Plan officially started, I became Director and Chairman of the Company. I would like to express my deepest gratitude to all of our stakeholders for their support and for allowing me to serve as president for the past eight years.

Currently, as Director and Chairman of the Company, I am supporting my successor as President while taking on a role with a greatly reduced percentage of duties involving execution. In my other role as Chairman & Representative Director, I will strive to exercise a highly effective supervisory and check-and-balance function over the management team and I will continue to aim for the sustainable growth of the Company and enhancement of corporate value over the medium to long term.

I trust the judgment of President Owada and entrust him to handle management strategy, as he is now the head of the executive side. While it is President Owada who takes the initiative, the Board of Directors discusses major strategic directions with the management team. At the same time, we believe it is necessary to have both functions in place to check excessive risk-taking and to push the management team to take appropriate risks.

Looking back on my tenure as president, I would say that maintaining dialogue was the most important thing. When I became president of then-subsi-dary Toyo Kanetsu Solutions, I think our logistics business was going through a transitional period to see if we could further grow the business. Our sales style was such that decision making was habitually based on communication among middle-level employees, and top management was often out of loop and unable to fully understand the true desires of our customers. Because of this, we ran into difficulties with one of our clients as their management was reluctant to do business with us due to that lack of communication. I felt strongly that we could not continue with our previous approach and, together with our sales representatives, I personally went to the client, met with top management, and carefully reestablished communication.

Through dialogue and mutual understanding, we managed to regain the trust of the customer and were able to win back the order. We continue to have a good relationship with that customer to this day. This was the original experience that cemented the importance of maintaining dialogue for me.

Furthermore, based on my experience, a president is always at risk of becoming iron-fisted simply because he holds the greatest authority. As President Owada makes decisions in the future, it will become increasingly valuable to have people, including external stakeholders, who can give us objective advice. It is also important to always be sincere, regardless of the other party's position or status. When I approached President Owada about becoming president, I told him that it was important

to actively absorb various opinions and engage in plenty of dialogue before ultimately making a decision based on his own strong convictions.

The business environment in which we operate continues to change at a dizzying pace, but social change provides opportunities for the Company to grow. I hope that President Owada will fully utilize the unique perspective he has gained from leading the Logistics Solutions Business, now our core business, while working on reforms and envisioning a new image of the Company that both meets the needs of the times and contributes to society. I am confident that the Toyo Kanetsu Group will continue to move forward with even greater dynamism under President Owada's leadership.



Director and
Chairman of
the Company
Toru Yanagawa

Dialogue among Three Outside Directors



Top figures in the judicial circle, the financial industry, and the precision manufacturing sector, and each contributes their skills and experiences to the Company's corporate value.

Appointment of the New President

Hiwatari: The Nomination and Compensation Committee* is a voluntary advisory body to the Board of Directors. Upon request of the Board, the Committee gives advice to the Board. Last July, the Board of Directors requested the Committee advise on the selection of the next president, as the term of the current president ends this June.

I believe that, of course, the president of Toyo Kanetsu should have leadership and a strong sense of responsibility, but furthermore, the person has to have the skills to listen to various opinions and take comprehensive action.

When Confucius was asked by his disciple Duanmu Ci if he had a single word to describe what one's approach to life should be, he said "empathy," meaning compassion and consideration for those around you. Confucius continued, "Do not do unto others what you would not have done unto you." I believe that a leader should have this quality. I think that the reason why the members of the Advisory Committee agreed that Takashi Owada was the most suitable candidate was because they recognized this quality in him.

Ushida: I think exactly same way.

Nakamura: When I was asked to be an outside director, Toyo Kanetsu had a very strong brand image as one of the world's leading storage tank manufacturers. However, when I arrived here and looked into the business, I found that the part of the Company responsible for tanks, the Plant & Machinery Business (now the Plant Business and Next-Generation Energy Development Business), was sluggish, and it was the Logistics Solutions Business that was making great strides.

It made me wonder what kind of person would be the right president for a company in this position. Who could be entrusted with this situation? The question for me was would whoever we chose be able to think with the right portfolio in mind when managing the Plant & Machinery Business—arguably important as it is the founding business—and the Logistics Solutions Business—the principal earner for Toyo Kanetsu today? I expressed my opinions on this issue on various occasions.

Ushida: In June 2021, right after I was appointed to the Board of Directors, the Advisory Committee began considering a successor to the President. I was very impressed with the ample opportunities

we were given to conduct in-depth interviews of each of the candidates. As we went through this process, I began to see the expectations of my colleagues regarding the ideal candidate begin to evolve.

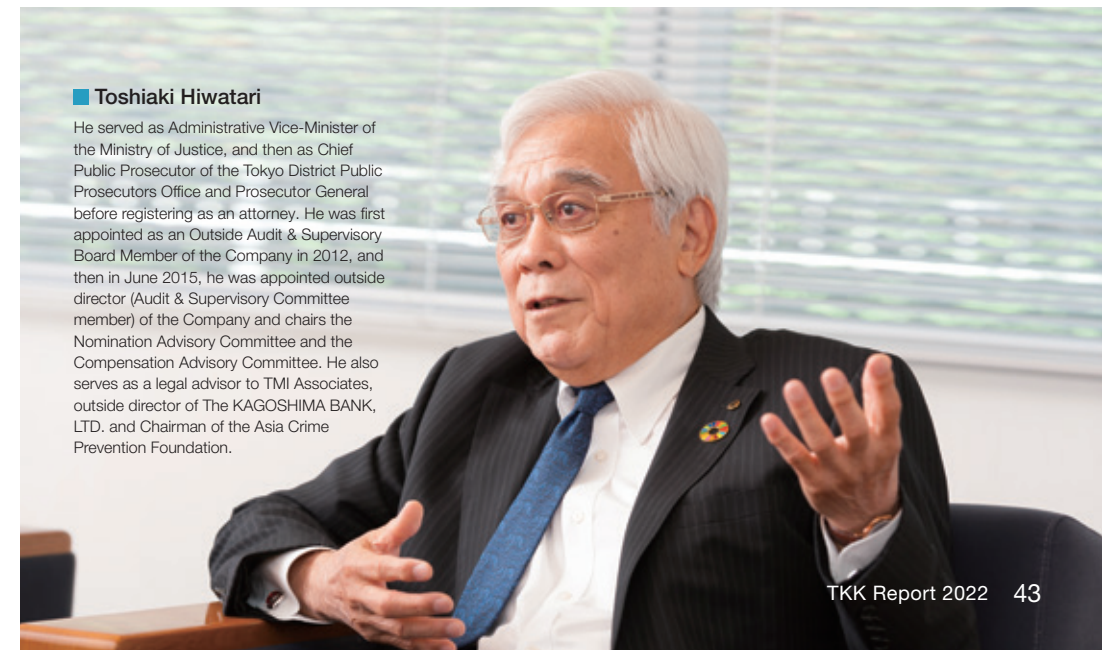
The point that I personally focused on was, as Mr. Hiwatari said, whether people would want to follow the candidate as a leader or not. For example, the energy revolution may lead to a gradual decline in demand for LNG, but if that demand turns to fuel ammonia and hydrogen, this could lead to significant business opportunities for Toyo Kanetsu. There are bound to be many different opinions about whether it's worth investing in these areas or if we should just keep the business going through the maintenance business, but, in the end, it's up to how the president leads the management to reach the right decision.

In times of rapid change, a president must be steadfast and bold, ready to make big decisions and well-liked enough that employees choose to be working alongside him to grow the Company. In this regard, I considered President Owada to be the right person for the job.

* Split into the Nominating Advisory Committee and the Compensation Advisory Committee from June 2022.

■ Toshiaki Hiwatari

He served as Administrative Vice-Minister of the Ministry of Justice, and then as Chief Public Prosecutor of the Tokyo District Public Prosecutors Office and Prosecutor General before registering as an attorney. He was first appointed as an Outside Audit & Supervisory Board Member of the Company in 2012, and then in June 2015, he was appointed outside director (Audit & Supervisory Committee member) of the Company and chairs the Nomination Advisory Committee and the Compensation Advisory Committee. He also serves as a legal advisor to TMI Associates, outside director of The KAGOSHIMA BANK, LTD. and Chairman of the Asia Crime Prevention Foundation.



What We Can Expect of President Owada

Ushida: I would like to see the Logistics Solutions Business, which is currently expanding very rapidly, continue to grow. On the other hand, I want us to discuss and carefully consider the Plant Business and Next-Generation Energy Development Business, which are struggling. I would also like to see the commercialization of new areas other than maintenance.

I would like to see the Logistics Solutions Business secure maximum profits and use those profits for investment. I also really feel that the Company should cherish the Plant Business and Next-Generation Energy Development Business, since both hold such significance as founding businesses.

Nakamura: In addition to the Logistics Solutions Business and the Plant Business and Next-Generation Energy Development Business, the third pillar of Toyo Kanetsu's business is the Environmental Business (Business Innovation Business), which we are currently engaged in.

It is not merely that we need to keep up with trends; our generation's perceptions of the

environment are very different from those of the generations who will be living on this planet in the coming decades. In this sense, I think it is significant that two companies involved in the environmental business have joined the Group. As a management team, our efforts to fulfill our responsibility to create and preserve a proper foundation for the environmental business have real social significance.

Hiwatari: I think your two perspectives as corporate executives are spot on. From a slightly different angle, I would like the next president to consider wages, the working environment, and diversity, for example, the inclusion of women and people with disabilities, from the standpoint of how we as a company can contribute to a sustainable society and aim to realize a work environment where all kinds of people can work together. I hope that President Owada will continue to work toward the realization of the Founding Philosophy of "Be Creative, Be Good for Society" with this in mind.

Supporting Toyo Kanetsu's Future Development

Ushida: The world is moving very quickly and although the content of our storage tanks may change, so can the way we make them. Logistics are

also always changing and adapting to meet differing requirements and ever-evolving aspects of security must also be addressed.

■ Kazuo Ushida

After serving as Representative Director, President, and Representative Director, Chairman of the Board of Nikon Corporation, he was appointed Outside Director (Audit & Supervisory Committee member) of the Company in June 2021. He also serves as Chairman of the Board of Nikon Corporation, Chairman of the Japan Telescope Manufacturers Association, Chairman of the Japan Optical Industry Association, Chairman of the Japan Optical Glass Manufacturers' Association, and outside director of JSR Corporation.



■ Shigeharu Nakamura

After serving as Representative Director and Executive Vice President of Resona Bank, Outside Director of Saitama Resona Bank, and Representative Director and President of Resona Research Institute, he was appointed as an Outside Audit & Supervisory Board Member of the Company in June 2013. He has been an outside director (Audit & Supervisory Committee member) of the Company since June 2015. He is also an outside director (Audit & Supervisory Committee member) of RIKEN TECHNOS CORP and an outside director of Shoko Chukin Bank.



Unlike in the past, when everything was fine as long as you were making profit, today we have to take a comprehensive approach that embraces everything from green energy and other environmental measures to the employee concerns mentioned earlier. Management these days is extremely busy because things are changing rapidly and there are more and more things to consider. With the decision cycle becoming shorter and shorter, some decisions are easy, but sometimes difficult decisions must be made under pressure. As a director, I want to be supportive and encourage the president and other members of the management team to always make the most optimal decisions.

The Board of Directors is the primary overseer of business execution and must make judgments of legality and propriety. Of course, that is always a top priority, but I believe that Toyo Kanetsu is a trustworthy company.

President Owada has a personality that makes people want to follow him. I would like to encourage him in this aspect as well.

Nakamura: It is said that corporate management in a state of volatility, uncertainty, complexity and ambiguity (VUCA) is an extension of the past with no future. That's basically how I see it, too.

On the other hand, last year's *TKK Report 2021* tells a story from the Company's founding when its main business was manufacturing storage tanks using its original boiler manufacturing technology. Anticipating further growth in demand for conveyors

because of a construction boom, the Company went to the United States to visit conveyor manufacturers and developers. I think the key point is that the Company has proactively added its own touch to its acquired technologies. This approach consists of a willingness to combine technology gained by reaching out to others with our own hard-won, research-based technological know-how. It has grown into a system that today supports logistics for co-ops, e-commerce, and airports.

The future will bring many changes, but I hope that the spirit of our founders will remain unchanged and cherished. I think this responsibility lies with us outside directors.

Hiwatari: The perspectives from which we should discuss at the Board of Directors regarding the management policy that has been discussed by the Management Council are whether sufficient profit can be secured, whether it should be done even if profit cannot be secured and whether it is acceptable for society.

Following the annual General Meeting of Shareholders on June 28, 2022, the ratio of internal to outside directors became 5:5 with the addition of two new outside directors, both of whom are women. As the Company moves forward, the eyes of the outside directors will be watching more closely than ever, including in terms of diversity. We would like to support Toyo Kanetsu as it continues to grow and develop.

Corporate Governance

Basic Approach

Toyo Kanetsu manages its operations while considering the perspectives of its stakeholders, including shareholders, customers, suppliers, employees, creditors, and local communities, and striving to ensure efficiency, soundness, and transparency in

management. The Company has a corporate governance system that facilitates accurate decision-making, rapid business execution, and proper supervision and monitoring of operations.

Changes in Strengthening of Corporate Governance

| | | | |
|------|---|------|--|
| 2000 | ■ Introduced an executive officer system | 2016 | ■ Commenced evaluations of the effectiveness of the Board of Directors ■ Formulated a basic capital policy |
| 2005 | ■ Established the Compliance Committee ■ Changed the maximum number of directors stipulated in its Articles of Incorporation from 20 to seven | 2018 | ■ Revised its Articles of Incorporation to allow an executive officer to be appointed as president |
| 2008 | ■ Abolished the retirement allowance scheme for directors | 2019 | ■ Introduced a performance-linked stock compensation system |
| 2015 | ■ Transitioned to a “company with an audit and supervisory committee” structure (shortening the term of office of directors from two years to one year) ■ Changed its Articles of Incorporation to stipulate the maximum number of directors who are not Audit & Supervisory Committee members as seven and the maximum number of Audit & Supervisory Committee members as four ■ Appointed independent outside directors (three members of the Audit & Supervisory Committee members) ■ Established the Nomination and Compensation Committee (chaired by an outside director) ■ Formulated a shareholder return policy ■ Established its Corporate Governance Guidelines | 2021 | ■ Resolved a policy for determining the compensation of executive directors |
| | | 2022 | ■ Changed the Articles of Incorporation to allow the selection of person authorized to convene and preside at meetings of the Board of Directors to be selected by a resolution of the Board ■ Reorganized the Nomination and Compensation Committee into the Nomination Advisory Committee and Compensation Advisory Committee ■ Appointed female directors |

■ Structure ■ Director compensation system ■ Operational policy

Corporate Governance System

On June 26, 2015, Toyo Kanetsu switched from a “company with an audit and supervisory board” to a “company with an audit and supervisory committee” structure. By giving voting rights in the Board of Directors to directors who are members of the Audit & Supervisory Committee (including a number of outside directors), we strengthened the functions of the Board of Directors, as well as auditing and supervisory functions, with the aim of building a more effective corporate governance system.

Board of Directors

The Company’s Board of Directors consists of a maximum of four directors who are members of the Audit & Supervisory Committee (including one inside director, in principle) and no more than seven directors who are not members of the Audit & Supervisory Committee, for no more than 11 directors. These directors have extensive work experience, deep insight, and high levels of specialization, are gender and age diverse, and possess international perspectives. We have thus ensured the Board of Directors is sufficiently diverse and of an appropriate size.

Directors who are members of the Audit & Supervisory Committee are selected for their experience in corporate management and/or in-depth

understanding of the Company’s operations, as well as for their knowledge in the necessary fields of finance, accounting, and law. At least one of these directors is an expert in finance and accounting.

Utilizing the framework provided by the “company with an audit and supervisory committee” structure, the Board of Directors meets once a month, in principle, to deliberate and decide on important matters that are fundamental to the Company based on resolutions approved by the General Meeting of Shareholders; matters that should be discussed and authorized as defined by laws, regulations, and the Articles of Incorporation; and important matters related to management principles, aims, strategic directions, and business execution. The Board of Directors also monitors business execution. From the standpoint of enhancing the effectiveness and efficiency of business execution, important matters related to the operations of the Company and the Group are deliberated and consulted on by the Management Council, and then decided by the Board of Directors. In accordance with laws, regulations, and the Articles of Incorporation, certain decisions related to important aspects of business execution are entrusted to certain directors, and core management matters that are especially important must be approved by the Board of Directors.

Audit & Supervisory Committee

The Audit & Supervisory Committee has four members, including three outside directors to form a majority in accordance with the Companies Act. The Audit & Supervisory Committee conducts organizational audits using the internal control system with the intention of improving corporate value from an independent and objective standpoint, fully aware of the authority given only to members of the committee and of the importance of the roles and duties they are expected to perform. The Audit & Supervisory Committee also audits and monitors business execution from an independent and objective vantage point. For this reason, candidates who will serve as both outside directors and members of the Audit & Supervisory Committee are independent and highly specialized and possess extensive experience as corporate managers.

The Audit & Supervisory Committee meets once a month, in principle, and has one full-time member. While coordinating with the Internal Audit Division and the accounting auditor, committee members participate in Board of Directors’ and other important meetings, read documents of significance, listen in on updates to business execution, visit important bases for audits, monitor and evaluate updates to the internal control system, and audit business reports and other briefing materials by investigating

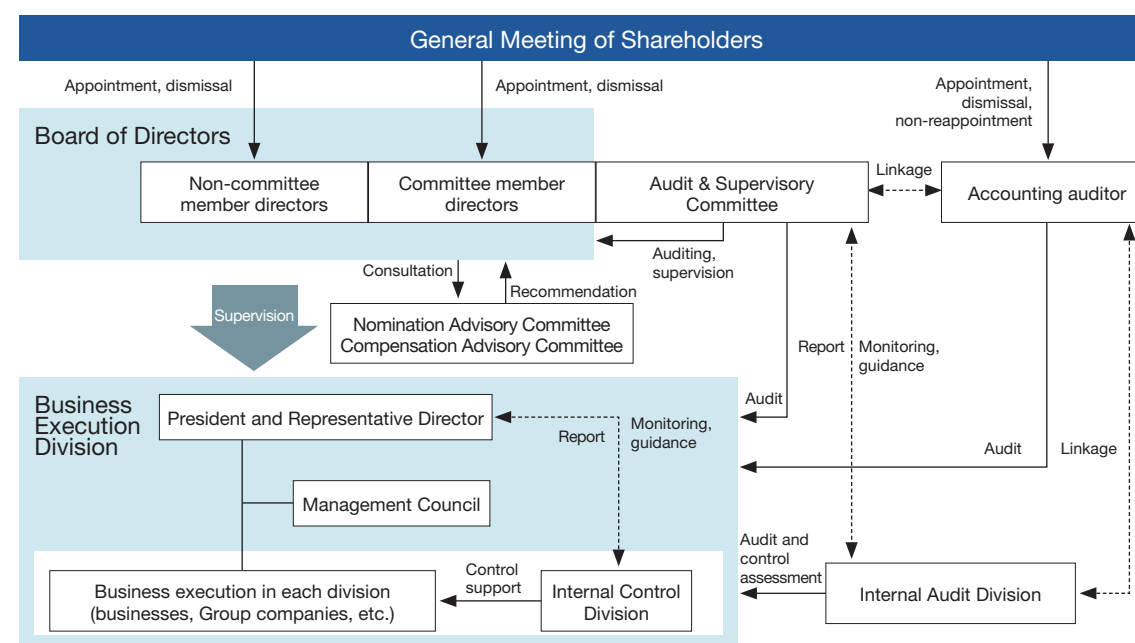
conditions at subsidiaries, all in accordance with the auditing policies and auditing plans determined by the Audit & Supervisory Committee. While monitoring and evaluating whether the accounting auditor is properly conducting audits, the committee receives reports and explanations from the accounting auditor about the state of progress on its work and also audits financial statements, supplementary documents, and the consolidated financial statements.

Nomination Advisory Committee and Compensation Advisory Committee

To ensure transparency and appropriateness in the selection of director candidates and determination of compensation, outside directors constitute the majority in all the Board of Directors’ advisory bodies. The Nomination Advisory Committee and the Compensation Advisory Committee, both of which are chaired by outside directors, have been established to ensure the fairness and transparency of all procedures and provide opportunities for appropriate involvement and advice from outside directors. The Committees meet whenever necessary to discuss matters related to the nomination and compensation of directors. The Board of Directors makes decisions based on the discussions and reports of the Committees.

Both committees consist of five members, including three outside directors.

Corporate Governance System (as of June 28, 2022)



Evaluation of Effectiveness of the Board of Directors

In order to confirm that the Board of Directors is functioning effectively overall, each director completes a self-evaluation of the Board every year after gathering the necessary information from relevant divisions for evaluating the effectiveness of the Board of Directors, which then reaches a final evaluation decision while referring to these opinions on its effectiveness. In addition to evaluating the effectiveness of the Board of Directors, evaluations are conducted every year on whether the entire corporate governance system is operating in accordance with the Company's Corporate Governance Guidelines, with the objective of constantly improving the effectiveness of overall corporate governance.

Summary of Results of Effectiveness Evaluation in Fiscal 2021

The Company's Board of Directors evaluated the effectiveness of the Board of Directors mainly by asking, "Is the Board of Directors operating in accordance with the Corporate Governance Guidelines?"

(1) Method of Evaluation

From March to April 2022, the Board of Directors conducted an evaluation of its effectiveness by following the procedures outlined below.

1. The secretariat provided the reference materials needed to evaluate effectiveness.
2. The Board of Directors asked questions about the reference materials supplied by the secretariat, exchanged opinions, and asked for additional information to be provided.
3. Each director completed the self-evaluation based on a scoring sheet for effectiveness.
4. At the Board of Directors' meeting held on April 26, 2022, the directors discussed the self-evaluations and reached a decision on the final evaluation.

(2) Results of Evaluation and Analysis of Effectiveness of Board of Directors

Through this evaluation process, the Company's Board of Directors affirmed that the Board of Directors is functioning effectively overall. Below is a summary of the results of the evaluation.

1. The Company's Board of Directors is appropriately structured and operating in accordance with its Corporate Governance Guidelines.

2. Each director is fully aware of the roles and responsibilities expected of them by the Board of Directors while properly carrying out their duties.
3. The Company will formulate a Medium-Term Business Plan that clarifies its strategic direction, and disclose the progress of the plan at financial results briefings. In addition, the Company places importance on ESG management and discloses the status of ESG-related initiatives and other information in its integrated report, the *TKK Report*.
4. The former Nomination and Compensation Committee, chaired by an independent outside director, was established as a voluntary advisory body to the Board of Directors. The Committee deliberated on matters related to director nominations and compensation, and ensured fairness and transparency in the decision-making process with appropriate involvement of independent outside directors. To further strengthen the advisory committee's functions, in June 2022, the Nomination and Compensation Committee was divided into the Nomination Advisory Committee and the Compensation Advisory Committee, each chaired by an independent outside director.

(3) Efforts to Improve the Effectiveness of the Board of Directors

The Board of Directors will continue to ensure its effectiveness, undertaking the following measures so that it can adequately fulfill its vital roles, including setting the strategic direction for the Company and facilitating independent and objective audit functions. In addition, we will strengthen our efforts to deepen outside directors' understanding of initiatives undertaken by the various divisions and the environment in which the Group operates, and to pass on outside directors' knowledge and experience to executive officers responsible for such divisions.

1. Gather information necessary for making decisions;
2. Hold in-depth discussions from multiple perspectives; and
3. Take appropriate risks and proactively and boldly make decisions.

Board of Directors Skills Matrix

In light of the Founding Philosophy, Management Vision, slogan, and business plans, it has been determined that to fulfill its roles and responsibilities, the Board of Directors needs skills in eight areas, including management oversight, the formulation of future growth strategies, and other areas that may contribute to improving corporate value in existing businesses. In appointing directors, the Company takes into

consideration the criteria set forth in the Company's Corporate Governance Guidelines to ensure the optimum balance of diversity and skill sets within the cohort of directors as set forth in the Articles of Incorporation. For each director, a skills matrix revealing the areas in which they are expected to demonstrate expertise based on their experience is created and disclosed.

| | Main Expected Areas of Expertise | | | | | | | |
|--------------------|--|------------------------|---------------------|--------------------------|---------------------------------|-----------|-----------------------------|-------------------------------|
| | Corporate management / Organization management | Legal, risk management | Finance, accounting | International experience | IT / innovation, new businesses | ESG, SDGs | Industry experience / Sales | Production, engineering / R&D |
| Toru Yanagawa | ● | | | | | ● | ● | |
| Takashi Owada | ● | | | | | | ● | ● |
| Keisuke Kodama | ● | | | ● | | | ● | |
| Akira Kakiyama | | | ● | ● | ● | ● | | |
| Yukari Sakai | | | ● | | ● | ● | | |
| Makiko Sato | ● | | | | ● | | ● | |
| Kazuto Abe | | | ● | ● | | ● | | |
| Toshiaki Hiwatari | ● | ● | | | | ● | | |
| Shigeharu Nakamura | ● | ● | ● | ● | | ● | | |
| Kazuo Ushida | ● | | | | | ● | | ● |

Director Compensation

At its meeting held on February 26, 2021, the Board of Directors approved a policy for determining individual director (excluding outside directors and directors who are members of the Audit & Supervisory Committee, hereinafter referred to as "executive directors") compensation, and at its meeting held on May 13, 2022, the Board approved revisions to that policy. The resolution of the Board of Directors is discussed with the Nomination and Compensation Committee, the majority of which is composed of independent outside directors, and a report is received from the committee. The Nomination and Compensation Committee was reorganized into the Nomination Advisory Committee and the Compensation Advisory

Committee by resolution of the Board of Directors on May 13, 2022. The following is a summary of the policy for determining individual compensation of executive directors.

- a) Basic policy
 - To ensure that compensation for executive directors enhances their motivation to improve its performance and increase its corporate value over the medium to long term and functions properly as an incentive to share risks and returns arising from changes in its share price with share-holders, the Company has adopted a compensation system linking compensation with its business results and

stock value. The basic policy of this system is to establish appropriate criteria that take into consideration each individual's responsibilities when determining the compensation for individual executive directors. Compensation for executive directors comprises basic (monetary/ fixed) compensation, performance-linked monetary compensation, and performance-linked stock compensation.

- In light of their duties, only basic compensation (monetary/ fixed) is paid to directors who are Audit & Supervisory Committee members and non-executive directors who are not Audit & Supervisory Committee members.
 - Of the above, concerning the method of determining the individual compensation of non-executive directors who are not Audit & Supervisory Committee members, the Company will ensure transparency in the process by adopting the same method as that used for determining individual compensation of executive directors as described in e) below.
- b) Policy on determining individual compensation amounts for basic (monetary) compensation (including the policy on determining the timing and the conditions for granting compensation)
- Basic (monetary) compensation for the Company's executive directors shall be monthly fixed compensation. This compensation is determined in line with a pre-existing compensation table according to rank, comprehensively taking into consideration factors that include the compensation levels of other companies, the Company's performance, and the salary level of its employees.

- Alongside performance-linked monetary compensation (see c) 1. on the next page), the Company will pay such basic (monetary) compensation as monthly fixed compensation on a monthly basis for one year during the next fiscal year.

c) Policy on determining the details of performance-linked monetary compensation and non-monetary compensation (hereinafter referred to as "performance-linked stock compensation") and the method for calculating the amount and number of points (including the policy on determining the timing and conditions for granting compensation)

1. Policy on determining the details of performance-linked monetary compensation and the method for calculating the amount and number of points
- Performance-linked monetary compensation is cash-based compensation reflecting key performance indicators (KPIs) that the Company has established in order to raise awareness of the importance of enhancing performance each fiscal year. The amount of this compensation is calculated by adding the amount of consolidated net income before taxes and other adjustments for each fiscal year to the projected amount of consolidated net income before taxes and other adjustments for the next fiscal year.
 - Executive bonuses of a certain portion of profits may be paid by resolution of the General Meeting of Shareholders only in the event that the consolidated net income before taxes and other adjustments and stock dividend amounts are at a certain level or higher.

2. Policy on determining the details of performance-linked stock compensation and the method for calculating the amount and number of points

- (i) Details, amount, and method for calculating performance-linked stock compensation
- Performance-linked stock compensation grants the following points each fiscal year to executive directors and executive officers who are ranked managing executive officer or higher and who are not directors (hereinafter, "directors and executive officers") in accordance with their rank and level of achievement of earnings indicators based on the Medium-Term Business Plan and other materials on the basis of the share delivery regulations of the Performance-Linked Stock Compensation System for Directors, which was resolved at a meeting of the Board of Directors on May 14, 2019, and the determination of compensation details and amounts associated with the introduction of the Performance-Linked Stock Compensation System for Directors and Executive Officers, which was resolved at the 111th General Meeting of Shareholders held on June 27, 2019, and based on the resolution of the 114th Ordinary General Meeting of Shareholders held on June 28, 2022, the Partial Revision of Amount and Details of Remuneration, etc. for Directors and Executive Officers in Relation to Continuation of the Performance-Linked Stock Compensation System.
 - Directors and executive officers who are not responsible for business divisions or are responsible for corporate divisions:

$$\text{Points granted} = \text{Base points for rank} \times \text{Performance-linked coefficient}((1) \times 1.0)^*$$

- Directors and executive officers responsible for business divisions

$$\text{Points granted} = \text{Base points for rank} \times \text{Performance-linked coefficient}((1) \times 0.5 + (2) \times 0.5)^*$$

* The performance-linked coefficients of the two indicators, (1) ROE and (2) operating profit, vary between 0% and 144% according to the level of achievement of targets for these indicators of each division.

- Directors and executive officers shall be granted a maximum of 41,000 points (corresponding to 41,000 shares) (of which 30,340 points (corresponding to 30,340 shares) are for executive directors) each fiscal year in the three fiscal years from fiscal 2022 through fiscal 2024 (hereinafter referred to as the "initial period," which is assumed to be the period of the Medium-Term Business Plan) and a maximum of 123,000 points (corresponding to 123,000 shares) (of which 91,020 points (corresponding to 91,020 shares) are for executive directors) in the three fiscal years of the initial period. Moreover, the points granted shall be converted

into the Company's shares at the rate of one share per point when providing shares of the Company's stock to directors and executive officers.

- (ii) Policy on determining the timing and conditions for granting performance-linked stock compensation
- The period of the performance-linked stock compensation system shall cover the initial period and every three fiscal years starting from the end of the initial period (or the period of the Medium-Term Business Plan formulated following the initial period).
 - In principle, shares of the Company's stock shall be provided to directors and executive officers following the determination of the Company's performance in the final fiscal year of each period covered by the compensation system, in accordance with the cumulative total of points granted in the period covered. However, from the perspective of ensuring capital for the payment of taxes, a number of shares of the Company, corresponding to 50% of the cumulative points, shall be converted into cash and the cash amount equal to the amount of converted shares shall be paid to directors and executive officers.

- d) Policy on determining the ratio of the amount of basic (monetary) compensation, the amount of performance-linked monetary compensation, and the amount of performance-linked stock compensation to the amount of compensation for individual directors
- Regarding the ratio of each type of compensation for executive directors, as performance-linked monetary compensation is calculated based on performance in the preceding fiscal year and projected performance in the next fiscal year, and as performance-linked stock compensation is the number of shares calculated based on ROE and divisional operating profit—which are target KPIs of the Medium-Term Business Plan for the initial period—the Company has not determined the ratio, as said ratio will be decided by the performance in the relevant single fiscal year and the next fiscal year and by the degree of achievement of targets for ROE and divisional operating profit by each executive director in the initial period and the subsequent three fiscal years. However, in consideration of the intention behind introducing performance-linked compensation, the structure of compensation types is such that the higher an executive director's rank, the more weight is assigned to performance-linked compensation.

- e) Matters regarding the method for determining the details of compensation for individual executive directors

Total Compensation by Director Category, Total Compensation by Type, and Number of Eligible Directors in Fiscal 2021

| Director category | Total amount of compensation (¥ million) | Total amount of compensation by type (¥ million) | | | Number of eligible directors |
|--|--|--|---------------------------------|---------------------------------------|------------------------------|
| | | Basic compensation | Performance-linked compensation | Performance-linked stock compensation | |
| Directors (excluding members of the Audit & Supervisory Committee and outside directors) | 140 | 73 | 63 | 3 | 4 |
| Directors (members of the Audit & Supervisory Committee) (excluding outside directors) | 16 | 16 | — | — | 1 |
| Outside directors | 26 | 26 | — | — | 4 |

Notes: 1 The number of directors (excluding Audit & Supervisory Committee members and outside directors) as of March 31, 2022 was three. This number differs from that shown above as the above number includes one outside director (Audit & Supervisory Committee member) who completed their term and retired at the conclusion of the 113th General Meeting of Shareholders held on June 29, 2021.
 2 The amounts paid to directors (excluding Audit & Supervisory Committee members) do not include employee salaries of those serving concurrently as employee and director.
 3 The maximum amount of compensation for eligible directors (excluding those who are Audit & Supervisory Committee members) was resolved to be within ¥20 million per month (of this amount, within ¥1.7 million for outside directors) (not including employee salaries) at the 114th General Meeting of Shareholders held on June 28, 2022 (the number of directors at the time of this meeting was six, two of whom were outside directors). Separate from this compensation, a performance-linked stock compensation system using a trust for directors (excluding outside directors and Audit & Supervisory Committee members who are directors) and executive officers who are ranked managing executive officer or higher and who are not directors was introduced at the same General Meeting of Shareholders (the number of eligible directors at the time of this meeting was four), with the maximum amount of trust money resolved to be ¥167 million for each of the three fiscal years of the period covered.
 4 The maximum amount of compensation for directors (Audit & Supervisory Committee members) was resolved to be within ¥5 million per month at the 107th General Meeting of Shareholders held on June 26, 2015 (the number of eligible directors (Audit & Supervisory Committee members) at the time of this meeting was four).
 5 The performance-linked stock compensation column for the above directors (excluding Audit & Supervisory Committee members and outside directors) represents the amounts reported as expenses for fiscal 2021.

The Company has stipulated policies and procedures for determining compensation for directors (excluding outside directors and Audit & Supervisory Committee members who are directors) in its Corporate Governance Guidelines, based on which it determines the amount of compensation for individual executive directors by a resolution of the Board of Directors following deliberations and recommendations by the Compensation Advisory Committee, of which independent outside directors form a majority, thereby ensuring the transparency of the process for determining compensation.

- f) Reasons why the Board of Directors decided to bring the details on compensation for individual executive directors in relation to fiscal 2021 in line with this policy
- The Nomination and Compensation Committee, which was consulted by the Board of Directors, conducted a multi-faceted examination of the draft proposal, including of its consistency with decision-making policy, and confirmed specific amounts by applying them to the compensation table before making its recommendations to the Board of Directors. Accordingly, in determining the details of compensation for individual executive directors, the Board of Directors basically respects the committee's recommendations, deeming them to be in line with decision-making policy.

Cross-Shareholdings

Toyo Kanetsu has the following basic policies on holding cross-shareholdings and the exercise of voting rights.

- (1) Toyo Kanetsu does not have cross-shareholdings for purposes other than strengthening relationships and partnerships with customers and suppliers, with the objective of increasing corporate value. New acquisitions of cross-shareholdings, as well as buying and selling shareholdings, are conducted and reported to the Board of Directors in accordance with internal rules.

- (2) Every year, the Board of Directors examines the purpose for owning individual shares, the benefits and risks of holding these shares, and whether the holdings align with the cost of capital, in order to determine whether it is appropriate to own these shares.
- (3) With regard to the exercise of voting rights, the Company shall, in principle, be in opposition when there are concerns that its purpose for owning the stock does not align with management, such as when:
- Earnings have worsened for several years at the investee company, with no sign of a recovery in sight; and
 - Significant problems come to light in internal controls related to financial reporting by the investee, and improvements seem unlikely.
- (4) In the event that a company that owns shares of Toyo Kanetsu for cross-shareholding purposes indicates its intention to sell these shares, the Company shall not take inappropriate action that may interfere with the sale of the shares, such as suggesting the company would lose business with the Company.
- (5) Toyo Kanetsu shall not engage in business transactions with a company (in which it owns stock for cross-shareholding purposes) that conflict with its interests as well as with the common interests of its shareholders, such as continuing to conduct business without adequate evidence of the economic rationale for the business transactions.

In fiscal 2021, the Company sold cross shareholdings of three listed companies resulting in a total sale amounting to ¥574 million. As of March 31, 2022, the total amount of investment stocks held for purposes other than pure investment in the Consolidated Balance Sheets was ¥7,007 million, which accounts for 19.2% of the consolidated net assets of ¥36,477 million.

▶ Please refer to the Corporate Governance Guidelines, the Corporate Governance Report and the Annual Securities Report for details (in Japanese only).

- Corporate Governance Guidelines
https://www.toyokanetsu.co.jp/pdf/corporate_governance_0.pdf
- Corporate Governance Report
https://www.toyokanetsu.co.jp/pdf/corporate_governance_1.pdf
- Annual Securities Report
https://www.toyokanetsu.co.jp/pdf/toyo_kanetsu_2921.pdf

Business Risks

Of all the risks that could affect its business activities, certain of those potentially having a significant impact on the Toyo Kanetsu Group are shown below. However, this is not an exhaustive list of risks related to the Group and there are risks that are difficult to foresee.

▶ For details please see the *TKK Report 2022 Financial Section* which is available on the Company's website. https://www.toyokanetsu.co.jp/global/ir/tkk_report.php

| Category | Nature of risk |
|--|---|
| 1 Climate change | <ul style="list-style-type: none"> Impact on the business environment in the event of a decrease in demand for LNG and crude oil tanks amid an acceleration in the shifting energy mix prompted by growing global environmental awareness and the transition to a low-carbon and carbon-neutral society Decrease in social trust in the event of the occurrence of environmental problems arising from business activities |
| 2 Execution of projects | <p>Logistics Solutions Business</p> <ul style="list-style-type: none"> Unexpected increase in costs due to various factors, such as compressed construction periods due to unforeseen changes in construction plans under pressure to shorten delivery times and delivery deadline adjustments due to carrying out multiple large projects simultaneously within a certain period of time Impact on the execution of projects in the event that principal products and materials purchased from specific overseas business partners cannot be purchased in a stable manner <p>Plant Business and Next-Generation Energy Development Business</p> <ul style="list-style-type: none"> Impact on business execution in the event of shortages of construction workers, rising procurement prices of materials and equipment, and delays in the transfer of technologies to project engineers Shortages and price hikes for parts and materials due to COVID-19 outbreaks and geopolitical risks Deterioration in profits from projects and adverse effect on the Group's social reputation due to serious quality complaints or problems with products In addition, the Group's overseas operations carry the following inherent risks. <ol style="list-style-type: none"> Unexpected changes in laws and regulations, Political and economic instability, Difficulties in securing human resources, Unfavorable tax system revisions, and Social disorder due to terrorism, war, epidemics, disasters, or other factors |
| 3 Securing and developing human resources | <ul style="list-style-type: none"> Impact on business activities from an outflow of human resources and rise in recruitment costs |
| 4 Intensifying competition for orders | <ul style="list-style-type: none"> Unreasonable downward pressure on profitability Impact on the Group's ability to obtain orders due to changes in terms of customer policies and plans, the business environment of the industry, and industry restructuring Decline in the Group's competitiveness in the event of delays in responding to market demand amid shortened product and technology life cycles Impact on business results and financial position stemming from the recording of impairment losses on non-current assets in the event that profitability declines and the Group cannot generate sufficient cash flows due to dramatic changes in the business environment and business conditions |
| 5 Launch of new businesses | <ul style="list-style-type: none"> Adverse effect on business results and financial position in the event of delays in creating a business that will become a third pillar to follow the Group's two core businesses |
| 6 Occupational health and safety | <ul style="list-style-type: none"> Compensation for damages, criminal penalties, administrative punishment, and a decline in public trust in the event of an incident or accident |
| 7 Compliance | <ul style="list-style-type: none"> Financial penalties and a decline in public trust in the Group stemming from the violation of laws and regulations in Japan and overseas |
| 8 Natural disasters and epidemics | <ul style="list-style-type: none"> Serious material damage and human injury caused by greater-than-expected natural disasters Risks in a wide range of areas caused by the impact of COVID-19 |
| 9 Information security and maintenance of information infrastructure | <ul style="list-style-type: none"> Damage to the Group's reputation for reliability due to the loss or leakage of confidential information as a result of unforeseen cyberattacks Loss of business opportunities in the event that the Group lags behind in digital transformation initiatives |
| 10 Market trends, etc. | <p>Logistics Solutions Business</p> <ul style="list-style-type: none"> Reflecting lower demand for logistics facilities, slowdown in investments in logistics-related facilities as a result of a recession or Japan's declining birth rate and aging population Decline in demand for air travel <p>Plant Business and Next-Generation Energy Development Business</p> <ul style="list-style-type: none"> Cancellation, postponement, or major revision of investment plans due to factors that include global economic trends, economic and social conditions in oil and gas producing and consuming countries, energy and environmental policies in various countries, and trends in crude oil and LNG prices In addition, the following risks are also possible in the event of the deterioration of the economic environment. <ol style="list-style-type: none"> Fluctuations in foreign exchange rates, Fluctuations in interest rates, and Valuation of securities held |

Note: Forward-looking statements contained in this section are based on the understanding of the Company as of the submission date (June 28, 2022) of its Securities Report (in Japanese only) for the fiscal year ended March 31, 2022.

Director Profiles (As of June 28, 2022)

Directors



Toru Yanagawa

Director and Chairman of the Company
Years on the Board: 17 Company shares held: 20,396

Apr. 1975 Joined the Company
Apr. 1998 General Manager of Plant & Machinery Sales Department of Sales Division
Jul. 2000 Executive Officer, General Manager of Plant & Machinery Sales Department of Sales Division
Jul. 2003 Senior Executive Officer, Deputy Division Manager of Plant & Machinery Division
Jun. 2005 Director, Senior Executive Officer, Deputy Division Manager of Plant & Machinery Division
Apr. 2008 Director, President & Representative Director of Toyo Kanetsu Solutions K.K. (currently Toyo Kanetsu)
Apr. 2014 Director & Representative Director
Apr. 2022 Director and Chairman of the Company (current position)



Keisuke Kodama

Director, Executive Vice President
Years on the Board: 7 Company shares held: 6,119

Apr. 1982 Joined the Company
Jul. 2006 General Manager of Domestic Sales Department of Plant & Machinery Division
Apr. 2009 General Manager of Corporate Management Department of Corporate Management Division
Apr. 2010 Executive Officer, General Manager of Corporate Management Department of Corporate Management Division
Apr. 2012 Seconded to Toyo Kanetsu Solutions K.K. (currently Toyo Kanetsu) as an Executive Officer
Apr. 2013 Transferred to Toyo Kanetsu Solutions K.K. as a Managing Executive Officer
Apr. 2015 Transferred to the Company as a Managing Executive Officer, Deputy Division Manager of Corporate Management Division
Jun. 2015 Director, Managing Executive Officer, Deputy Division Manager of Corporate Management Division
Apr. 2016 Director, Managing Executive Officer, Division Manager of Corporate Management Division
Apr. 2018 Director, Senior Managing Officer, Division Manager of Corporate Management Division
Apr. 2019 Director, Senior Managing Officer, Division Manager of Corporate Division
Apr. 2020 Director, Executive Vice President, Executive Officer
Apr. 2022 Director, Executive Vice President, Executive Officer, Assistant to the President (current position)



Yukari Sakai

Outside Director
Years on the Board: Newly appointed Company shares held: 0

Apr. 1991 Joined Nomura Securities Co., Ltd.
Jan. 2005 Director of Corporate Tune Co., Ltd.
Jun. 2005 Standing Audit and Supervisory Committee Member of UNITED ARROWS LTD.
Jun. 2008 Outside Auditor and Supervisory Board Member, REPROCELL Inc.
Sep. 2013 Outside Auditor and Supervisory Board Member of Beauty Kadan Co., Ltd.
Jun. 2016 Outside Director and Standing Audit & Supervisory Committee Member of UNITED ARROWS LTD. (current position)
Oct. 2017 Outside Director and Audit & Supervisory Committee Member, Tea Life Co. Ltd.
Mar. 2019 External Director and Audit & Supervisory Board Member of Uzabase, Inc.
Jun. 2021 Outside Director of PACIFIC METALS CO., LTD. (current position)
Jun. 2022 Outside Director of the Company (current position)



Takashi Owada

President & Representative Director
Years on the Board: 3 Company shares held: 2,104

Apr. 1985 Joined the Company
Oct. 2002 Transferred to Toyo Kanetsu Solutions K.K. (currently Toyo Kanetsu), General Manager of System Sales No. 1 Department, Marketing Division
Jul. 2006 General Manager of Systems Integration Department, System Division
Apr. 2008 Executive Officer and General Manager of System Division
Apr. 2015 Managing Executive Officer
Apr. 2018 Transferred to the Company as an Executive Officer, seconded to Toyo Kanetsu Solutions K.K. (currently Toyo Kanetsu) as a Director and Managing Executive Officer
Apr. 2019 Managing Executive Officer, Division Manager of Logistics Solutions Division
Jun. 2019 Director, Managing Executive Officer, Division Manager of Logistics Solutions Division
Apr. 2021 Director, Executive Vice President, Division Manager of Logistics Solutions Division
Apr. 2022 President & Representative Director (current position)



Akira Kakihara

Director, Senior Managing Officer
Years on the Board: Newly appointed Company shares held: 0

Apr. 1983 Joined Saitama Bank (currently Resona Bank, Limited)
Apr. 2003 General Manager of Department No. 1 of Saitama Head Office Branch, Saitama Resona Bank, Limited
Jul. 2005 General Manager of Shiki Branch
Jun. 2007 General Manager of Muromachi Branch of Resona Bank, Limited
Apr. 2013 General Manager of International Business Department
Oct. 2015 Seconded to the Company
Oct. 2016 Transferred to the Company, Executive Officer, General Manager of Corporate Management Department of Corporate Management Division
Mar. 2018 Director of Kankyo Research Institute Inc. (current position)
Apr. 2018 Managing Officer, Deputy Division Manager of Corporate Management Division of the Company
Apr. 2020 Managing Officer, Manager of Life & Work Environmental Business Division, Deputy Division Manager of Corporate Division
Apr. 2021 Senior Managing Officer, Division Manager of Life & Work Environmental Business Division, Deputy Division Manager of Corporate Division, Director of Eco Analysis Corporation (current position)
Apr. 2022 Senior Executive Officer, Assistant to the President, Division Manager of Business Innovation Division of the Company
Jun. 2022 Director, Senior Executive Officer, Assistant to the President, Division Manager of Business Innovation Division (current position)



Makiko Sato

Outside Director
Years on the Board: Newly appointed Company shares held: 0

Apr. 2000 Joined CyberAgent, Inc.
Oct. 2005 Seconded to WEDDING PARK CO., LTD.
Oct. 2006 Seconded to CyberAgent Ventures (currently CyberAgent Capital, Inc.)
Jun. 2016 Founded iSGS Investment Works Inc., Director and Representative Partner (current position)
Dec. 2018 Outside Director of LiB, Inc. (current position)
Jun. 2021 Member of the Promotion Committee of Tokyo Data Platform Council (current position)
May 2022 Member of the Committee for Evaluating the Conclusion of the "Exploration and Development of Global Entrepreneurship for NEXT generation" Project at Ministry of Education, Culture, Sports, Science and Technology (current position)
Jun. 2022 Outside Director of the Company (current position)

Director and Audit & Supervisory Committee Members



Kazuto Abe

Director and Audit & Supervisory Committee Member
Years on the Board: 7 Company shares held: 3,695

Apr. 1976 Joined the Company
Jul. 2000 General Manager of Accounting Department, Business Administration Management Division
Dec. 2002 Executive Officer
Jul. 2003 Seconded to Toyo Kanetsu Solutions (currently Toyo Kanetsu), Executive Officer, Deputy General Manager of Administration Division
Aug. 2004 Administration Division Manager
Apr. 2009 Executive Officer, General Manager of General Affairs and Human Resources Department, Administration Division, General Manager of Chiba Office
Jun. 2009 Outside Corporate Auditor, Toyo Koken K.K.
Apr. 2012 Executive Officer, Head of General Affairs & Human Resources and Chiba Office
Jun. 2012 Audit & Supervisory Committee Member
Jun. 2015 Director and Audit & Supervisory Committee member (current position)



Shigeharu Nakamura

Outside Director and Audit & Supervisory Committee Member
Years on the Board: 7 Company shares held: 775

Apr. 1976 Joined Saitama Bank (currently Resona Bank, Limited)
Jun. 2006 Director, Senior Managing Officer, Head of General Finance Department and Corporate Governance Office of Saitama Bank
Jun. 2008 Representative Director, Executive Vice President, and Executive Officer of Human Resources Services Department and Secretariat of Corporate Governance of Saitama Bank
Jun. 2009 Executive Officer, in charge of Corporate Communications Department and Human Resource Services Department of Resona Holdings, Inc.
Jun. 2011 Representative Director and Executive Vice President, Executive Officer, Corporate Center (excluding Corporate Administration Department), Resona Bank, Ltd.
Jun. 2011 Outside Director of Saitama Resona Bank, Limited
Apr. 2012 President and Representative Director of Resona Research Institute Co., Ltd.
Jun. 2013 Outside Audit & Supervisory Board Member of the Company
Jun. 2014 Supervisory Board Member of F-TECH INC., Audit & Supervisory Committee Member of RIKEN TECHNOS CORP
Jun. 2015 Outside Director and Audit & Supervisory Committee Member of the Company (current position)
Jun. 2016 Outside Director and Audit & Supervisory Committee Member of RIKEN TECHNOS CORP (current position)
Jun. 2018 Outside Director of Shoko Chukin Bank (current position)



Toshiaki Hiwatari

Outside Director and Audit & Supervisory Committee Member
Years on the Board: 7 Company shares held: 775

Apr. 1970 Public Prosecutor, Tokyo District Public Prosecutors Office
Jun. 1997 Public Prosecutor, Supreme Public Prosecutors Office
Aug. 2002 Detective Superintendent, Ministry of Justice
Jun. 2004 Administrative Vice-Minister of the Ministry of Justice
Dec. 2006 Superintending Public Prosecutor, Tokyo High Public Prosecutors Office
Jul. 2008 Prosecutor General
Sep. 2010 Joined Daiichi Tokyo Bar Association, Advisor Attorney to TMI Associates (current position)
Jun. 2012 Outside Audit & Supervisory Board Member of the Company, Outside Audit & Supervisory Board Member of Honda Motor Company, Ltd.
Oct. 2012 Outside Director of Nomura Securities Co., Ltd.
Jun. 2015 Outside Director and Audit & Supervisory Committee Member of the Company (current position)
Oct. 2016 Outside Corporate Auditor, The KAGOSHIMA BANK, LTD.
Jun. 2017 Outside Director and Audit & Supervisory Committee Member of Honda Motor Company, Ltd.
Apr. 2019 Outside Director and Audit & Supervisory Committee Member of Nomura Securities Co., Ltd., Outside Director of The KAGOSHIMA BANK, LTD. (current position)
Aug. 2019 Chair of the Asia Crime Prevention Foundation (current position)



Kazuo Ushida

Outside Director and Audit & Supervisory Committee Member
Years on the Board: 1 Company shares held: 212

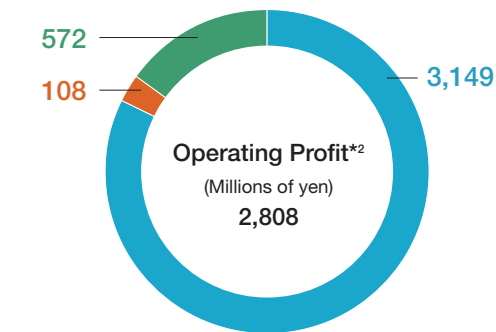
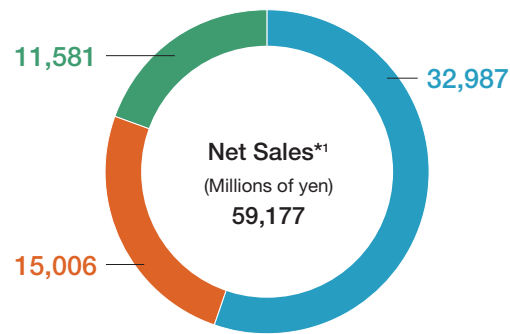
Apr. 1975 Joined Nippon Kogaku Tokyo K.K. (currently Nikon Corporation)
Jun. 2005 Managing Director and Senior Executive Officer, President of Precision Machinery Company of Nikon Corporation
Jun. 2007 Director and Senior Managing Officer, President of Precision Machinery Company of Nikon Corporation
Jun. 2013 Representative Director, Executive Vice President and Executive Officer of Intellectual Property Division, President of Precision Equipment Company, Deputy Officer of Corporate Planning Division of Nikon Corporation
Jun. 2014 Representative Director, President and Chief Executive Officer of Medical Business Development Division and New Business Development Division of Nikon Corporation
Jun. 2017 Representative Director, President and Chief Executive Officer of New Business Development Division, Optical Division, and R&D Division of Nikon Corporation
Apr. 2019 Chairman and Representative Director of Nikon Corporation
Apr. 2020 Chairman of the Board of Nikon Corporation
May 2021 Chairman of Japan Telescope Manufacturers Association (current position)
Jun. 2021 Outside Director and Audit & Supervisory Committee Member of the Company (current position), Chairman of the Board of Nikon Corporation (current position), Chairman of Japan Optical Industry Association (current position)
Apr. 2022 Chairman of Japan Optical Glass Manufacturers' Association (current position)
Jun. 2022 Outside Director of JSR Corporation (current position)

Fiscal 2021 Results by Segment

Consolidated results for fiscal 2021 exceeded our financial outlook, with higher revenues and income compared with fiscal 2020.

Note: This section provides an overview of fiscal 2021 results by former segment.

- Logistics Solutions Business
- Plant & Machinery Business
- Other Businesses (Life & Work Environmental Business, etc.)



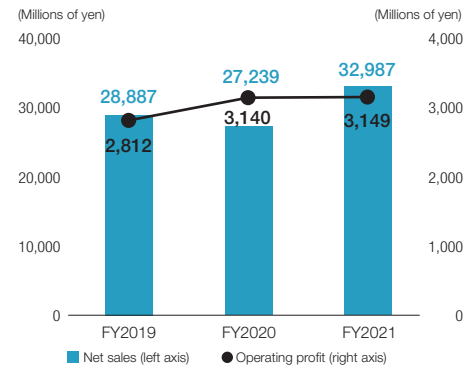
*1 Total does not include intersegment sales or transfers.

*2 Total does not include corporate expenses.

Logistics Solutions Business



Net sales / Operating Profit

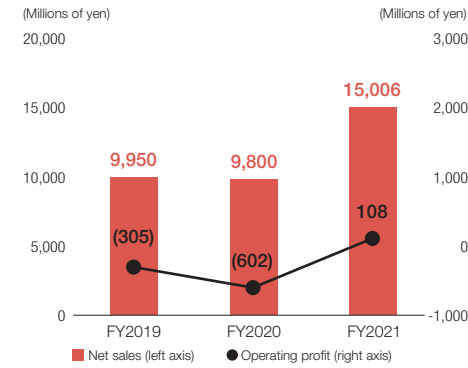


Despite the stagnation of some projects due to the COVID-19 pandemic and the effects of shortages of and sharp price rises for parts and materials, demand for automation and labor-reducing equipment remained strong due to increased shipments of goods associated with e-commerce coupled with labor shortages. We achieved record profits in this business for the third consecutive year, mainly due to profitability of projects for warehouse automation equipment incorporating Multishuttle technology for the online shopping and wholesale industries, co-ops, and manufacturers.

Plant & Machinery Business



Net sales / Operating Profit



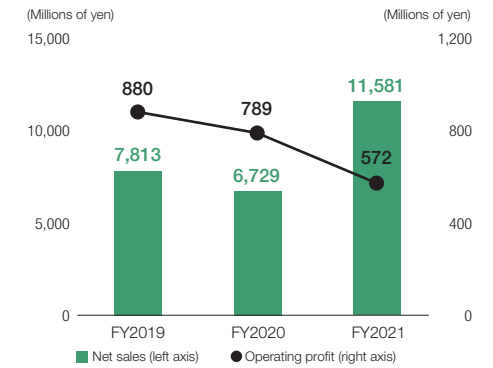
Although there was an increasing trend in inquiries for new construction projects in anticipation of the end of the pandemic, the business environment remained challenging. However, maintenance projects for domestic refineries remained strong thanks to an expansion of orders and efforts to improve profitability, and, as a result, this business as a whole returned to profitability.

Note: In fiscal 2021, sales and cost of sales both increased by ¥3.29 billion compared with the previous accounting method due to a change in the accounting standard for revenue recognition.

Other Businesses (Life & Work Environmental Business, etc.)



Net sales / Operating Profit



The various Group companies included in this segment take advantage of their unique capabilities to focus on business development in their respective areas, including the industrial machinery, general construction, and environmental businesses. As a result of the inclusion in the Group of Eco Analysis Corporation, which is engaged in the environmental field, sales reached a new record high. However, income decreased due to a ¥427 million change in the cost of sales to reflect a change in the asset retirement obligations statement for leased property.

Consolidated Financial Highlights (Fiscal years ended March 31)

| | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | (Reference) FY2021 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|-------------------|---|
| | | | | | | | | | (Millions of yen) | (Thousands of U.S. dollars) ^{*2} |
| Net sales | ¥48,395 | ¥52,457 | ¥46,572 | ¥41,932 | ¥41,758 | ¥45,188 | ¥46,518 | ¥43,617 | ¥59,177 | \$483,432 |
| Operating profit | 4,341 | 3,588 | 3,024 | 3,080 | 2,265 | 1,406 | 2,591 | 2,623 | 2,808 | 22,939 |
| Ordinary profit | 4,776 | 3,891 | 3,227 | 3,441 | 2,646 | 1,771 | 2,970 | 3,053 | 3,474 | 28,380 |
| Profit attributable to owners of parent | 2,879 | 3,019 | 1,906 | 3,746 | 2,362 | 1,025 | 1,717 | 1,777 | 2,334 | 19,067 |
| Total assets | 54,515 | 55,928 | 51,368 | 53,228 | 55,818 | 64,756 | 60,985 | 58,764 | 64,290 | 525,202 |
| Total net assets | 33,789 | 36,580 | 34,376 | 35,481 | 36,666 | 35,234 | 34,602 | 36,484 | 36,477 | 297,990 |
| Total shareholders' equity | 32,105 | 33,525 | 32,136 | 33,978 | 34,207 | 33,324 | 32,722 | 33,068 | 34,450 | 281,431 |
| Basic earnings per share ^{*1} | 241.77 | 260.76 | 174.53 | 373.78 | 251.26 | 112.80 | 195.87 | 212.41 | 285.43 | 2.33 |
| Dividends per share ^{*1} | 50.00 | 40.00 | 50.00 | 120.00 | 100.00 | 100.00 | 100.00 | 115.00 | 145.00 | 1.18 |
| Net assets per share ^{*1} | 2,821.75 | 3,159.08 | 3,339.15 | 3,702.00 | 3,941.68 | 3,897.68 | 4,095.51 | 4,461.06 | 4,460.55 | 36.43 |
| Equity ratio | 61.6 | 65.0 | 66.9 | 66.7 | 65.7 | 54.4 | 56.7 | 62.1 | 56.7 | — |
| Dividend payout ratio | 20.7 | 15.3 | 28.6 | 32.1 | 39.8 | 88.7 | 51.1 | 54.1 | 50.8 | — |
| Return on equity (ROE) | 9.0 | 8.6 | 5.4 | 10.7 | 6.5 | 2.9 | 4.9 | 5.0 | 6.4 | — |
| Return on assets (ROA) | 8.5 | 7.1 | 6.0 | 6.6 | 4.8 | 2.9 | 4.7 | 5.1 | 5.6 | — |
| Net cash provided by (used in) operating activities | 2,606 | (213) | 4,041 | (2,131) | 3,726 | (6,698) | 6,955 | 1,482 | (1,097) | (8,961) |
| Net cash provided by (used in) investing activities | (402) | (1,120) | (766) | (1,714) | (85) | (1,315) | (812) | (338) | (830) | (6,780) |
| Net cash provided by (used in) financing activities | (767) | (1,774) | (3,640) | (2,820) | 2,032 | 3,249 | (2,351) | (5,176) | 3,208 | 26,207 |

The Toyo Kanetsu Group prepares its consolidated financial statements in accordance with Japanese generally accepted accounting principles (GAAP).

Figures are rounded down to the nearest million yen.

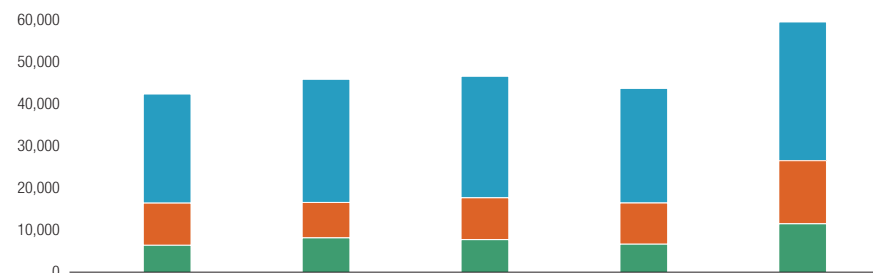
^{*1} Toyo Kanetsu conducted a 10:1 reverse stock split for ordinary shares effective on October 1, 2017.

As a result, figures prior to the fiscal year ended March 31, 2017 have been restated for basic earnings per share, dividends per share, and net assets per share.

^{*2} Figures denominated in U.S. dollars were converted at a rate of ¥122.41 = \$1, referring to the prevailing rate on March 31, 2022.

Net Sales by Former Business Segment

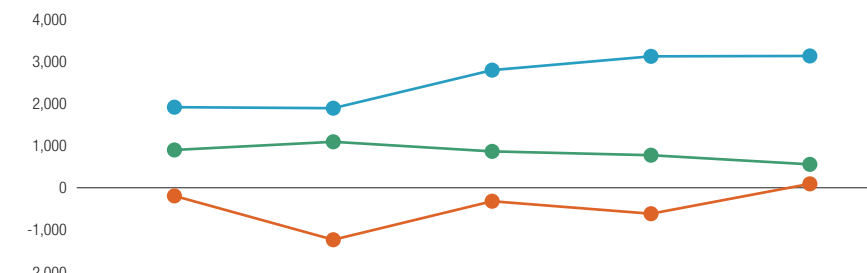
(Millions of yen)



| Net Sales by Former Business Segment | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|--------------------------------------|--------|--------|--------|--------|---------------|
| Logistics Solutions Business | 25,939 | 29,274 | 28,887 | 27,239 | 32,987 |
| Plant & Machinery Business | 10,030 | 8,421 | 9,950 | 9,800 | 15,006 |
| Other Businesses | 6,470 | 8,237 | 7,813 | 6,729 | 11,581 |
| Adjustment | (682) | (745) | (133) | (151) | (397) |

Operating Profit by Former Business Segment

(Millions of yen)



| Operating Profit by Former Business Segment | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|---|--------|---------|--------|--------|--------------|
| Logistics Solutions Business | 1,931 | 1,907 | 2,812 | 3,140 | 3,149 |
| Plant & Machinery Business | (178) | (1,221) | (305) | (602) | 108 |
| Other Businesses | 914 | 1,108 | 880 | 789 | 572 |

Domestic and Overseas Offices (As of March 31, 2022)

| | |
|--------------------------------------|---|
| Toyo Kanetsu K.K. Head Office | 2-11-1, Minamisuna, Koto-ku, Tokyo 136-8666, Japan |
| Chiba Plant | 2, Tsukiji, Kisarazu-shi, Chiba 292-0835, Japan |
| Wakayama Plant | 457, No, Arida-shi, Wakayama 649-0314, Japan |
| Sapporo Service Center | 5-7-23, Atsubetsuchuo 3-jo, Atsubetsu-ku, Sapporo-shi, Hokkaido 004-0053, Japan |
| Sendai Service Center | 4-4-11, Morisekinoshita, Natori-shi, Miyagi 981-1227, Japan |
| Saitama Service Center | 1st Floor, Ishikawa Building, 3-14-7, Bessho, Minami-ku, Saitama-shi, Saitama 336-0021, Japan |
| Tokyo Service Center | 1-25-2, Minamisuna Koto-ku, Tokyo 136-8666, Japan |
| Yokohama Service Center | 2-22, 5th Floor Keihan Yokohama Building, Honcho, Naka-ku, Yokohama-shi, Kanagawa 231-0005, Japan |
| Nagoya Service Center | 1st Floor, Shoei Koporasu, 2-5-15, Kitayama Moriyama-ku, Nagoya-shi, Aichi 463-0017, Japan |
| Kansai Service Center | 1-9-2, Senriokahigashi, Settsu-shi, Osaka 566-0011, Japan |
| Okayama Service Center | 151-112, Hirata, Kita-ku, Okayama-shi, Okayama 700-0952, Japan |
| Kyushu Service Center | 1st Floor, Fukuoka Zasshonokuma Daiichi Seimei Building, 1-3-1, Shinonomemachi, Hakata-ku, Fukuoka-shi, Fukuoka 812-0871, Japan |

Group Companies

| | | |
|--|---|--|
| Toyo Koken K.K. | 2-11-1, Minamisuna, Koto-ku, Tokyo 136-8666, Japan | Design, manufacture, installation, and sales of winches, hoists, lifting equipment, balancers, conveyors, etc. |
| Toyo Kanetsu Bultec K.K. | 2-11-1, Minamisuna, Koto-ku, Tokyo 136-8666, Japan | Construction (planning, design, and construction of buildings and steel pipe piling work) Gondola business (rental and sale of temporary construction gondolas) |
| Kankyo Research Institute Inc. | 104, Okadomachi, Hachioji-shi, Tokyo 192-0054, Japan | Investigation, measurement and analysis of asbestos, sick building syndrome, noise/vibration, odor, etc. |
| Eco Analysis Corporation | 84, Takeda Kitamitsuguicho Fushimi-ku, Kyoto-shi, Kyoto 612-8419, Japan | Maintenance/inspection/repair/data analysis of environmental equipment and measuring instruments, environmental surveys/assessment, sales of environmental monitoring systems, sales of environmental measuring instruments and reagents, etc. |
| TKK Plant Engineering K.K. | 2-11-1, Minamisuna, Koto-ku, Tokyo 136-8666, Japan | Worker dispatching business in Japan specializing supervision for maintenance and design of storage tanks |
| Toyo Service System K.K. | 2-11-1, Minamisuna, Koto-ku, Tokyo 136-8666, Japan | Leasing, comprehensive building management, real estate and OA-related business |
| PT Toyo Kanetsu Indonesia | Midplaza Building 1, 8th Floor, Jl. Jend. Sudirman Kav. 10-11, Jakarta 10220, INDONESIA | Manufacture and sale of storage tanks |
| Toyo Kanetsu Singapore Pte. Ltd. | 16 Ayer Rajah Crescent, #03-04 Tempco Technominium, 3rd Floor, 139965 SINGAPORE | Construction and sale of storage tanks |
| Toyo Kanetsu (Malaysia) Sdn. Bhd. | Sublot 51, 1st Floor Medan Jaya Commercial Centre, 97000 Bintulu MALAYSIA | Manufacture and sales of storage tanks and equipment and devices for material handling system |

Corporate Profile and Stock Information (As of March 31, 2022)

Corporate Profile

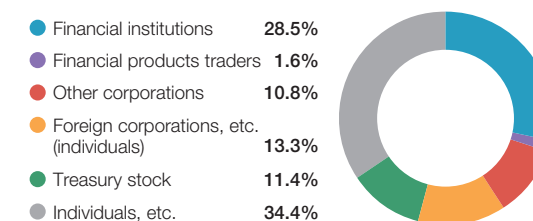
| | |
|--|--|
| Corporate name | Toyo Kanetsu K.K. |
| Headquarters | 2-11-1, Minamisuna, Koto-ku, Tokyo 136-8666, Japan |
| Established | May 16, 1941 |
| Capital | ¥18.58 billion |
| Number of issued shares | 9,323,074 |
| Share unit | 100 |
| Number of employees | 1,173 (on a consolidated basis) |
| Ticker code | 6369 |
| Share registrar | Mitsubishi UFJ Trust and Banking Corporation |
| Share registrar address and contact information | Stock Transfer Agency Department Mitsubishi UFJ Trust and Banking Corporation 1-1 Nikko-cho, Fuchu City, Tokyo 137-8081 TEL (free dial within Japan): 0120-232-711 Mailing address: P.O. Box 29, Shin-Tokyo Post Office, Tokyo 137-8081, Japan |
| Stock exchange listing | Tokyo Stock Exchange (Prime Market as of April 4, 2022) |
| Independent accounting auditor | Gyosei & Co. |

Major Shareholders

| Name | Number of shares (Thousands) | Shareholding (%) |
|--|------------------------------|------------------|
| The Master Trust Bank of Japan, Ltd. (Trust account) | 934 | 11.30 |
| Nippon Life Insurance Company | 414 | 5.01 |
| Resona Bank, Limited | 409 | 4.95 |
| Custody Bank of Japan, Ltd. (Trust account) | 351 | 4.25 |
| Daiei Real Estate & Development Co., Ltd. | 212 | 2.57 |
| SUMITOMO LIFE INSURANCE COMPANY | 115 | 1.39 |
| Toyo Kanetsu Employee Stock Ownership Plan | 113 | 1.37 |
| Sato Kogyo Co., Ltd. | 111 | 1.34 |
| DANSKE BANK A/S FINNISH CLIENTS | 110 | 1.33 |
| UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT | 109 | 1.32 |

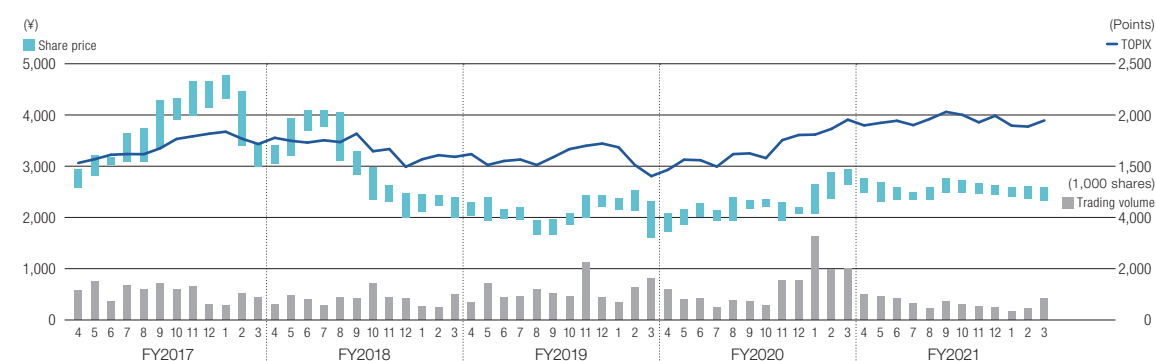
Note: The calculation of the percentage of total shares outstanding excludes treasury stock.

Shareholders and Distribution of Shares



Note: Percentage of total shares outstanding held by shareholder

Share Price and Trading Volume



Note: Prepared taking into account the 10:1 reverse stock split effective as of October 1, 2017.



Thank you for taking the time to read the *TKK Report 2022*. This report introduces new policies and measures, such as the new Medium-Term Business Plan, the Carbon Neutral Declaration, and Toyo Kanetsu's TCFD endorsement, as well as expanded financial and governance content. The CSR Committee, which I chair, is working with all the business division heads to examine measures to further enhance dialogue with stakeholders as part of the Group's contribution to the realization of a sustainable society while also taking ESG aspects into consideration. We will continue to strive to develop our business by listening to your opinions and continue to be a company that can contribute to solving social issues.

Keisuke Kodama
Director, Executive Vice President, and Chair of the CSR Committee



 **TOYO KANETSU K.K.**

Contact Information

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Corporate Planning Department
Corporate Division

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E-MAIL: tkkreport@toyokanetsu.co.jp

URL: <https://www.toyokanetsu.co.jp/>