♦ TOYO KANETSU K.K.



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Editorial Policy

Beginning in fiscal 2019, Toyo Kanetsu K.K. (hereinafter, "Toyo Kanetsu" or "the Company") will publish the TKK Report as an integrated report to convey information about its finances, management strategy, business environment, and ESG (environmental, social, and governance) issues, 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 the International <IR> Framework of the International Integrated Reporting Council (IIRC). We welcome any feedback from and opinions of readers in order to make this report better and easier to understand.

- ▶ Details about results for fiscal 2018, the fiscal year ended March 31, 2019, are available in the Financial Section of TKK Report 2019, 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 by the Company and the Group based on currently available information. Actual results may differ significantly from these forward-looking statements due to business-related risks and various uncertain factors.

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Management Principles of the Toyo Kanetsu Group

The Toyo Kanetsu Group aims to boldly work toward solving issues faced by society with its innovative and pioneering technologies, in order to contribute to the development of society while achieving sustainable improvements in its corporate value.

Founding Philosophy: Be Creative, Be Good for Society

 Unwavering principles passed down through the generations Founding Philosophy
Code of Conduct

Five Principles in the Toyo Kanetsu Group's Code of Conduct

- Adhere to laws, regulations, and rules
- Fulfill responsibilities to society
- Conduct business activities transparently and in good faith
- Adhere to standards of ethical conduct
- Create health-conscious work environments

 Long-term objectives and guideposts to achieve as principles take shape Management Vision Long-Term Vision

Management Vision

Innovative solutions for logistics & energy

Long-Term Vision

Target Group consolidated net sales of ¥70.0 billion in 2030 by pursuing new growth opportunities after securing stable sources of earnings

>>> Please refer to page 11.

 Business strategies, including concrete action plans and numerical targets, for realizing our vision

Medium-Term Business Plan Annual Plan Medium-Term Business Plan (Fiscal 2019–Fiscal 2021)

>>> Please refer to page 12.

 Slogan shared by all Group employees working to achieve our principles and vision

Challenge & Change





Logistics Solutions Business

The Logistics Solutions Business traces its roots back to the production of conveyors for civil engineering and construction work that began in 1955. In the 1970s, the business entered the airport logistics field with its first delivery of a baggage handling system for Fukuoka Airport. In the 1980s, Toyo Kanetsu began to deliver New Posi-Sorters, Climbing Sorters, digital picking systems, and other advanced solutions for commerce and retailers. In these ways, the Company has been at the forefront of solving issues for and fulfilling the needs of customers in the logistics industry. More recently, we have supported constantly changing logistics infrastructure with the aggressive deployment of cutting-edge



Plant & Machinery Business

The Plant & Machinery Business began in tank instead of using rivets, as was customary back then. Since then, the Company has developed the business while accumulating was the first Japanese tank manufacturer to acquire accreditation from the American Petroleum Institute, certification from the American Society of Mechanical Engineers, and ISO 9001, an international quality certification. In the liquefied natural gas (LNG) field, the Company has gradually built up a track record since the dawning of LNG storage winning an order for a large-scale LNG storage tank in Brunei in 1969 as well as building some of the world's largest LNG storage tanks. Backed by its extensive track record, Toyo Kanetsu will engage in research and development for next-generation energy storage systems while supporting energy infrastructure with its project execution capabilities and maintenance services.

Consolidated Financial Highlights (Years ended March 31)

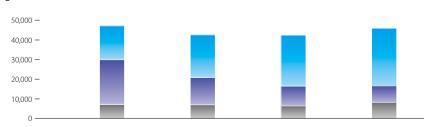
Toyo Kanetsu K.K. and Consolidated Subsidiaries

	FY2011	FY2012	FY2013	
Net sales	¥40,733	¥45,503	¥48,395	
Operating profit	1,473	2,271	4,341	
Ordinary profit	1,432	2,745	4,776	
Profit attributable to owners of parent	714	1,526	2,879	
Total assets	51,493	58,078	54,515	
Total net assets	29,624	30,862	33,789	
Basic earnings per share*1	59.29	125.27	241.77	
Dividends per share*1	40.00	40.00	50.00	
Net assets per share*1	2,447.66	2,577.06	2,821.75	
Equity ratio	57.3	52.9	61.6	
Dividend payout ratio	67.5	31.9	20.7	
Return on equity (ROE)	2.4	5.1	9.0	
Return on assets (ROA)	2.7	5.0	8.5	
Net cash provided by (used in) operating activities	5,236	4,154	2,606	
Net cash provided by (used in) investing activities	(554)	(1,198)	(402)	
Net cash provided by (used in) financing activities	(2,327)	(2,274)	(767)	

Figures are rounded down to the nearest million yen.

Net Sales by Business Segment

(Millions of yen)



Net Sales by Business Segment	FY2015	FY2016	FY2017	FY2018
Logistics Solutions Business	17,206	21,711	25,939	29,274
■ Plant & Machinery Business	22,788	13,852	10,030	8,421
Other Businesses	7,170	7,030	6,470	8,237
Adjustment	(592)	(661)	(682)	(745)

^{*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.

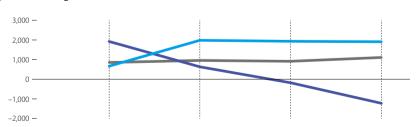
^{*2} Figures denominated in U.S. dollars were converted at a rate of ¥111/\$1, referring to the prevailing rate on March 31, 2019.

FY2018	FY2017	FY2016	FY2015	FY2014	
(Millions of yen)					
¥45,188	¥41,758	¥41,932	¥46,572	¥52,457	
1,406	2,265	3,080	3,024	3,588	
1,771	2,646	3,441	3,227	3,891	
1,025	2,362	3,746	1,906	3,019	
64,756	55,818	53,228	51,368	55,928	
35,234	36,666	35,481	34,376	36,580	
(Yen)					
112.80	251.26	373.78	174.53	260.76	
100.00	100.00	120.00	50.00	40.00	
3,897.68	3,941.68	3,702.00	3,339.15	3,159.08	
(%)					
54.4	65.7	66.7	66.9	65.0	
88.7	39.8	32.1	28.6	15.3	
2.9	6.5	10.7	5.4	8.6	
2.9	4.8	6.6	6.0	7.1	
(Millions of yen)					
(6,698)	3,726	(2,131)	4,041	(213)	
(1,315)	(85)	(1,714)	(766)	(1,120)	
3,249	2,032	(2,820)	(3,640)	(1,774)	

(Reference) FY2018
(Thousands of U.S. dollars)*2
\$407,105
12,667
15,956
9,234
583,393
317,423
(U.S. dollars)*2
1.02
0.90
35.11
(Thousands of U.S. dollars)*2
(60,350)
(11,850)
29,274

Operating Profit (Loss) by Business Segment

(Millions of yen)



Operating Profit(Loss) by Business Segment	FY2015	FY2016	FY2017	FY2018
 Logistics Solutions Business 	667	1,981	1,931	1,907
Plant & Machinery Business	1,921	633	(178)	(1,221)
Other Businesses	855	958	914	1,108

The Toyo Kanetsu Group's Value Creation Process

Social Issues Affecting the Toyo Kanetsu Group

Respond to Japan's declining population

- Labor shortages due to declining birth rate and aging society
- · Decline in purchasing power
- Shortages of skilled laborers

Respond to changes in consumer spending patterns

· Sharp rise in small-lot distribution from growth in e-commerce

Strengthen industrial infrastructure

- Aging energy infrastructure
- Building of social foundation resilient to breakdowns and natural disasters

Combat climate change

- Expansion of use of liquefied natural gas as energy source
- Strong need for energy conservation technology
- Advent of a hydrogen society

Provide better work environments

- Need for training and deployment of personnel and productivity improvements (workstyle reforms)
- Importance of ensuring occupational health and safety

Founding Philosophy

"Be creative,

Business Activities and Strengths

Logistics Solutions Business

- record of deliveries to

Plant & Machinery Business

- Technologies for construct Trust from customers and ing and maintaining largescale tanks that require advanced technologies
 - a reputation around the world based on many years of high quality and safety

Other Businesses



Foundation That Supports Businesses

Corporate culture

- · High awareness of contributions to society
- · Flexible, rapid decision-making ability

Human resources

- · Advanced technical capabilities and specialization
- · Abundant experience in overseas projects

Partnerships

· Close partnerships with partner companies, universities, and research institutions built on extensive experience

be good for society"

Value Propositions

Reduce burden on workers with labor-saving technologies using Al and robotics

Realize highly efficient logistics for diversifying patterns of consumer spending

Provide never-stopping logistics that supports supply chains and consumer spending

Provide highly dependable social infrastructure

Realize attractive workplaces with systems and environments that facilitate work and are inclusive of diversity Management Vision

Innovative solutions for logistics & energy

Financial foundation

 Sound financial foundation that enables growth investments in technology and business operations

Governance

- Governance structure that enables highly efficient and transparent work management
- · Appropriate risk management

To Our Shareholders



TKK continues to take on new challenges with passion and determination as an innovator opening up new eras.

Publication of TKK Report 2019

The Toyo Kanetsu Group began publishing its integrated report in fiscal 2019. I hope *TKK Report 2019* will serve as a starting point for an ongoing dialogue with investors and other stakeholders about our vision for the future, as well as our strategies and measures for getting there. With this in mind, we are enhancing the disclosure of ESG (environmental, social, and governance) and other non-financial information, and we must also redouble related efforts. With the publication of this report, we have also identified material issues that relate to the Group (important management issues for realizing sustainable improvements in corporate value).*1

The operating environment has become increasingly uncertain amid rapid changes. Against this backdrop, we believe it is more important than ever to raise our profile and earn the trust of not only our customers but of all stakeholders. For this reason, it is essential to incorporate ESG perspectives into management with the aim of achieving sustainable growth across the Group, and also make a concerted effort to reflect the SDGs*2 in corporate management.

- *1 Please refer to page 18 for more details about our material issues.
- *2 Sustainable Development Goals: 17 goals adopted by the United Nations to be achieved between 2016 and 2030

Management Philosophy and Vision

The Company's management philosophy is "Be creative, be good for society" and its management vision is "Innovative solutions for logistics & energy." The Toyo Kanetsu Group aims to boldly work toward solving issues faced by society with its innovative and pioneering technologies, in order to contribute to the development of society while achieving sustainable improvements in its corporate value.

Review of the Group's Previous Medium-Term Business Plan (Fiscal 2016-Fiscal 2018)

Under the previous Medium-Term Business Plan (fiscal 2016–fiscal 2018), the Toyo Kanetsu Group struggled in terms of performance. In the final year of the business plan, consolidated net sales increased 8.2% year on year, to ¥45.1 billion, thanks to higher sales in the Logistics Solutions Business. However, consolidated operating profit fell 37.9%, to ¥1.4 billion, owing to weak orders in

the Plant & Machinery Business. Profit attributable to owners of parent also decreased a sharp 56.6%, to ± 1.0 billion.

The Company was unable to attain the consolidated management targets it declared in the previous business plan, which called for net sales of ¥48.2 billion, operating profit of ¥3.1 billion, an overseas sales ratio of 15.0%, and ROE of 7.2%. We truly regret not being able to meet the expectations of investors and other stakeholders in this regard.

One of the reasons for these disappointing results was the tougher-than-anticipated operating environment for the Plant & Machinery Business. The Company was unable to win orders for new construction projects involving large-scale liquefied natural gas (LNG) storage tanks, its field of expertise, amid relaxed supply–demand conditions in the LNG market. To compensate, the Company strengthened the maintenance business and worked to develop business fields peripheral to storage tanks. However, we fell short of our fiscal 2018 targets for net sales of ¥12.4 billion and operating profit of ¥2.2 billion in the business.

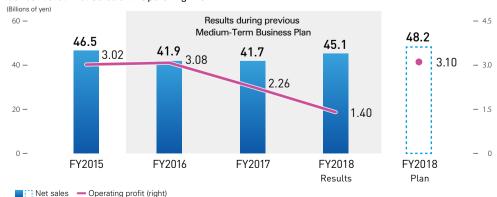
In the Logistics Solutions Business, demand for facilities was brisk at domestic airports in anticipation of a surge in overseas tourists visiting Japan for the 2020 Tokyo Olympic and Paralympic Games, in addition to strong demand for automated logistics facilities amid labor shortages, and a sharp increase in distribution volume alongside growth in the domestic e-commerce market. As a result, net sales were ¥9.3 billion and operating profit was ¥0.3 billion higher than the fiscal 2018 targets we set for the business. Over the course of the previous business plan, however, although targets were achieved in fiscal 2016, and net sales continued to increase thereafter, operating profit declined for two consecutive fiscal years. We attribute this to our being unprepared for labor shortages and a rapid increase in wages.

I believe our slow response to changes in the operating environment and the times was to blame for the poor performance in both businesses during the previous business plan.

Every Employee Must Rapidly Respond to Changes

In retrospect, we now understand that each and every employee of the Group must be highly aware of the importance of staying ahead of changes in the operating environment and the times in order





for the Group to reach the next stage of growth. With this in mind, we identified the domains that the Group should focus on through 2030, and drew up a long-term vision for the Group to share with all employees (see the chart below).

Under this vision, Toyo Kanetsu aims to attain ¥70.0 billion in consolidated net sales for the Group by 2030 by securing earnings in stable domains such as maintenance, increasing earnings in growth domains that have been in focus for the past few years, and ultimately by making inroads into future domains.

In the context of future domains, we have set our sights on fully autonomous and unattended logistics systems in the Logistics Solutions Business, large-scale liquid hydrogen storage tanks in the Plant & Machinery Business, and new businesses that contribute to society in the other businesses and new businesses category. To realize these ambitions, there are currently many hurdles to overcome. However, we cannot do so if we shy away from challenges and only focus on short-term performance while sticking to existing businesses and services. I firmly believe we can lay a foundation for the future by focusing on initiatives for future domains and keeping our employees aware of this future while constantly taking on challenges and changing with the times.

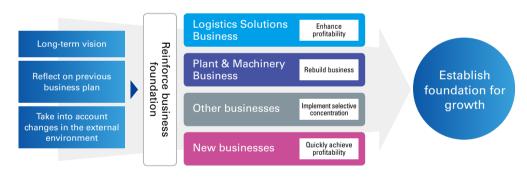
The Toyo Kanetsu Group's Long-Term Vision for 2030 Pursuing new growth opportunities from a foundation of stable earnings sources Target for Group consolidated net sales in 2030: ¥70.0 billion Future Large-scale liquid hydrogen New businesses that contribute to Fully autonomous, unattended logistics systems storage tanks society domains Acquisition of domestic sales rights in CVC* investment business Small-scale LNG Plant incidental Manufacturers, apparel e-commerce tanks equipment Refrigerator freezer International airport Create new business via M&A Overseas tank maintenance field development Industrial Steel pipe pile Overseas LNG projects Integrated logistics Introduction of robots Growth equipment construction domains Steel frame building Environmental Plant material processing Introduction of new products for airports Corporate venture capital Maintenance using IoT and AI technologies Logistics centers for e-commerce Stable Domestic tank maintenance Logistics systems maintenance Asbestos inspections domains Real estate leasing Plant & Machinery **Logistics Solutions** Other businesses and **Business Business** new businesses Sales target: ¥17.0 billion Sales target: ¥40.0 billion Sales target: ¥f 13.0 billion

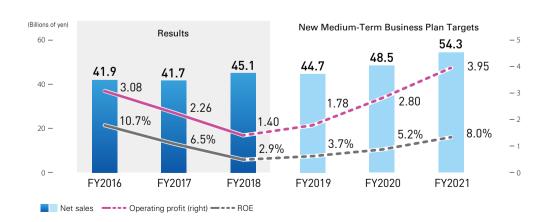
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New Medium-Term Business Plan

The Toyo Kanetsu Group has formulated a new Medium-Term Business Plan (fiscal 2019–fiscal 2021) that positions these three years as a period for establishing a foundation for realizing its long-term vision. Under the new business plan, the Company aims to reinforce its business foundation while reflecting on the previous business plan and taking into account changes in the external environment. We are implementing measures to improve profitability in the Logistics Solutions Business and rebuild business in the Plant & Machinery Business, selectively concentrating on other businesses, and moving to quickly achieve profitability in new businesses. The medium-term aims of management are to increase the ability of the entire Group to generate profits and to establish a foundation for growth. For fiscal 2021, the Company targets consolidated net sales of ¥54.3 billion, operating profit of ¥3.95 billion, and ROE of 8.0%.

Establish a Foundation for Growth while Improving Profitability Utilizing Full Capabilities of Group Businesses







Business Strategies

Logistics Solutions Business

Enhancing profitability and solidifying its foundation as a key business amid uncertainties

In the logistics field, robust demand is likely to persist for technologies that save and reduce labor amid a shrinking working population and diversifying laborers in Japan, while the e-commerce market continues to expand. However, this demand could lose momentum if economic conditions sour. In airport logistics, we anticipate demand related to the expansion of airports in tandem with growth in the low-cost carrier (LCC) market and the economic development of Southeast Asian countries. However, demand for equipment is also likely to fade after brisk investment ahead of the 2020 Tokyo Olympic and Paralympic Games.

Toyo Kanetsu intends to solidify its foundation in high-growth businesses by sharpening its competitiveness and expanding business domains, while building a structure able to generate strong earnings in business environments with high uncertainties. We believe we must evolve from a supplier of mainly logistics equipment (hardware) into an innovator in solutions for the entire logistics value chain (software). Forming alliances with external partners will be essential to achieve this transformation. For AI, IoT, and other technologies, the Company is already collaborating with venture firms and other partners, as well as with universities and research institutions. We are also deepening our relationships with major logistics companies with an eye on building collaborative models that tie together the value chain.

▶ Plant & Machinery Business

Laying the groundwork for the future by rebuilding business and staying determined to eliminate operating losses

In the domestic market, demand for maintenance services should remain steady as facilities age, despite risks that the business environment will remain challenging, in part due to restructuring in the oil industry and weakening demand for petroleum products in Japan. In overseas markets, there are signs of recovery with the starting up of new large-scale projects based on expectations for tighter supply–demand conditions in tandem with the predicted increase in demand for LNG in emerging countries from 2023.



In this operating environment, Toyo Kanetsu aims to win orders for large-scale projects and achieve stable profitability through the rebuilding of the Plant & Machinery Business.

Compared with the period of the previous Medium-Term Business Plan, the market environment looks likely to improve for large-scale LNG storage tanks, a key product. With the competitive landscape worsening, however, there is no guarantee that we will be as profitable as in the past. It is important that we come up with strategies for future growth while reflecting on the previous business plan. The Company will move forward with the development of large-scale liquid hydrogen storage tanks in line with its long-term vision, and continue with initiatives to develop peripheral business fields, such as manufacturing steel products other than storage tanks and acquiring maintenance projects overseas.

Other Businesses

Turning other businesses into stable sources of earnings for the Group while selectively concentrating resources

Group companies are engaged in other businesses including industrial machinery, building construction, and environmental surveys and assesments. The building construction market is likely to continue dealing with rising construction costs, while the industrial machinery market should remain robust with brisk demand for construction projects and growing needs for labor-saving solutions amid a declining birth rate and an increasing elderly population. The market for environmental surveys and assessments should remain favorable overall with demand for asbestos inspections as buildings are torn down.

In this operating environment, Toyo Kanetsu will selectively concentrate resources and strive to grow by identifying promising fields in each of its businesses, while working to secure stable sources of earnings.

New Businesses

Aiming to rapidly achieve profitability, creating new pillars to complement the two core businesses, and further advancing Group operations

For the Toyo Kanetsu Group to achieve further growth, the Company is aware of the need to create

new businesses that will become a third pillar to complement the Logistics Solutions Business and the Plant & Machinery Business, and is keen to launch and nurture new businesses that will rapidly contribute to consolidated earnings.

On the subject of new businesses, we believe it is not necessary to insist that new businesses have synergies with existing businesses. For example, large-scale storage tanks and logistics equipment, currently key sources of earnings for the Group, have little connection with our original founding business in industrial kilns. To start new businesses, we therefore had to boldly take on new challenges. In large-scale storage tanks, Toyo Kanetsu was a pioneer in expanding operations overseas, and in logistics equipment, it established competitive advantages by diversifying from conveyor system production and sales to airport baggage handling systems. At the time, these were probably major challenges for the Company. In a similar vein, launching new businesses that will become a third pillar, and their subsequent development, will only be possible if we take on new challenges. While retaining our focus on social infrastructure, we will pursue possibilities through any means, including M&A and tie-ups with external partners. We have already started taking on new challenges. In 2017, Toyo Kanetsu established a corporate venture capital (CVC) fund to aggressively invest in promising venture firms around the world. In 2018, it began the environmental surveys and assesments business via M&A activities, and entered into the biomass power generation business.

Implementing Measures to Reinforce the Business Foundation

The Toyo Kanetsu Group will further embed in its corporate spirit the idea of "Challenge & Change," by encouraging its employees to embrace change and achieve results. At the same time, the Company will implement the following measures to reinforce Group governance and further improve corporate value.

First of all, we aim to reform our corporate culture into one able to adapt to change and constantly produce business results. With this in mind, we are concentrating on implementing specific measures. We are nurturing organizations where employees from diverse backgrounds, including women and non-Japanese people, can thrive. We are also improving work environments so that all Group employees can work to the best of their ability. Moreover, we are accelerating the pace of personnel training and improvements to the skill sets of each individual through multi-track career options in our renewed human resource system. Through these initiatives, we are keen to support the health and motivation of our employees. In April 2019, in order to empower women in the workplace, the Company created an action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

Next, we are taking steps to strengthen the operations of Group organizations by sharing business assets, such as personnel and know-how from the merger with Toyo Kanetsu Solutions K.K., and to reduce common costs while implementing measures to enhance efficiency, such as consolidating overlapping functions.

Lastly, we aim to further reinforce the corporate governance structure and increase corporate value from an ESG standpoint. As I mentioned, we are promoting ESG management with the inaugural publication of our integrated report, and are focusing efforts on optimizing Group management resources through a capital policy that emphasizes improvements in corporate value. In order to reinforce corporate governance,*3 Toyo Kanetsu transitioned to a "company with an audit and supervisory committee" structure in 2015 and adopted an outside director system at an early stage. In August 2019, the Company introduced a performance-linked stock compensation system for directors (excluding outside directors and directors on the Audit and Supervisory Committee) and executive officers who are ranked managing executive officer or higher and who are not directors. This system clarifies the link between director compensation and the Company's performance and stock value, and pairs the risks and returns from changes in the share price that shareholders face with the incentives for directors and specified executive officers. We believe this will heighten their motivation to increase consolidated earnings and corporate value over the medium and long term.

*3 Please refer to page 29 for more details about corporate governance.

Revising Our Basic Capital Policy and Policy on Shareholder Returns, Strengthening of Direct Returns via Dividends

When formulating its new Medium-Term Business Plan, Toyo Kanetsu also revised its policy on shareholder returns (see below) with the aim of ensuring capital for executing business strategies and increasing shareholder returns via dividends. While continuing to effectively utilize borrowings as a means of optimally allocating capital, the Company intends to use a portion of the profits it earns for investments in new businesses and other investments to increase corporate value, as

Revising Policies to Focus More on Direct Returns to Shareholders

Shareholder return policy from fiscal 2016 to fiscal 2018

- $\begin{tabular}{ll} \bullet & \text{Consolidated dividend payout ratio:} \\ & \text{at least } 30\,\% \\ \end{tabular}$
- (Minimum annual dividend of ¥10 per share*)
- Consolidated total return ratio: at least 100%

(Unless there are considerable capital needs)

* Annual dividend of ¥100 per share from fiscal 2017 in accordance with a 10:1 stock merger on October 1, 2017



- \bullet Consolidated dividend payout ratio: at least $50\,\%$
- (Unless there are considerable capital needs)
 (Minimum annual dividend of ¥100 per share)
- Retained earnings will be applied to investments and capital expenditures for increasing corporate value
- Share buybacks will be flexibly undertaken

well as for capital investments, in addition to taking a flexible stance on buying back its own shares. Toyo Kanetsu has maintained a shareholders' equity ratio of at least 50%, and sees no need for greater stability in this respect. Management has therefore raised its target for the dividend payout ratio to place more emphasis on directly returning value to shareholders. Management has not set a target for the total return ratio, and is instead taking a flexible approach based on trends in performance and other factors.

In Conclusion

After spinning out the logistics systems business into Toyo Kanetsu Solutions K.K. in 2002, the Company and its subsidiary have developed their own businesses under this structure. While a part of the same Group, these two entities have followed separate paths. This situation may have been a natural outcome because their businesses supplied products and services to vastly different types of customers. Due to rapid changes in the operating environment, like those we encountered during the previous business plan, this business structure was no longer working well to address the issues faced by our customers.

The merger of Toyo Kanetsu and Toyo Kanetsu Solutions K.K. is one solution to this issue. Although their businesses differ, personnel who have experience in both businesses should be able to come up with new business ideas. By sharing insight and know-how, employees should be able to more quickly deploy ideas for new technologies that can be applied in both businesses, including IoT and Al. Through such collaboration across business lines, we expect to also forge tie-ups with external partners.

Naturally, change may not always be positive, and can lead to collisions and friction in organizations. However, we must overcome these obstacles in order to realize "Innovative solutions for logistics & energy," our management vision for the future.

We have created the long-term vision for where we want to be in 2030. With our eyes on this ambitious vision, the entire Group is advancing in unison with the spirit of "Challenge & Change." I am confident this will put us on a path toward sustainable improvements in corporate value while meeting the expectations of all our stakeholders.

We will keep everyone updated on our progress through the continued annual publication of our integrated report. I would like to thank you in advance for your understanding and continued support of the Toyo Kanetsu Group.

July 2019

Toru Yanagawa President and Representative Director

/ Janjan

The Toyo Kanetsu Group's Material Issues

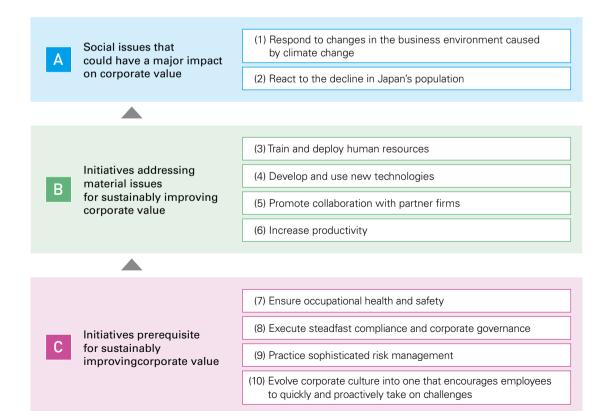
1. Basic Approach to Material Issues

In March 2019, the Toyo Kanetsu Group identified 10 important management issues (material issues) to prioritize in management with the objective of sustainably improving corporate value through business activities.

By solving these issues, the Group will ensure sustained growth and financial performance. Our material initiatives are designed to help achieve the relevant Sustainable Development Goals (SDGs), and by aggressively 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

Toyo Kanetsu has divided material issues into three categories (A, B, and C) in accordance with their characteristics. First, the four topics in Category C contain issues that must be addressed for the success of the Group's businesses. Next, the four topics in Category B are important management issues that must be dealt with to continue improving corporate value. Through these efforts, the Company aims to help solve issues described by the two topics in Category A, social issues that could have a major impact on the Group's businesses.



See pages 20 and 21 for more details about each material issue.

3. Process for Identifying Material Issues

Toyo Kanetsu went through the following process to identify material issues, while paying due consideration to opinions inside and outside the Company and referencing global standards.

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 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 inhouse seminars about environmental, social, and governance (ESG), the SDGs, and integrated reports.
2	List 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 to be solved, as well as the Group's own issues that must be solved.
3	Incorporation of oppinions of stakeholders	Toyo Kanetsu exchanged opinions with outside experts and institutional investors, listened to the concerns and expectations of stakeholders of the Toyo Kanetsu 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 Toyo Kanetsu Group to address in the future.

4. Initiatives after Identifying Material Issues

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.

Progress on initiatives for addressing material issues will be monitored by the director in charge of the Corporate Division. By the end of fiscal 2019, plans call for setting qualitative and quantitative key performance indicators (KPIs) and numerical targets for each material issue. The Company also plans to disclose this information in the TKK Report starting in fiscal 2020. Through dialogue with stakeholders, management will keep track of changes in stakeholder concerns and expectations for the Group while monitoring social trends. If deemed necessary, the Company will flexibly revise its material issues.

5. The Toyo Kanetsu Group's Material Issues: Details of the 10 Material issues and Potential Contribution to the SDGs from Their Achievement

Α

Social issues that could have a major impact on 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.

(2) React to the decline in Japan's population





It has become harder to secure human resources due to the decline in Japan's population amid a declining birth rate and an increase in the number of elderly citizens. The Company understands the importance of maintaining workplaces with systems and environments that facilitate work and creating rewarding work.

In logistics systems, there is the 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 amid labor shortages, the Company believes it can turn this into a major growth opportunity.

В

Initiatives addressing material issues for sustainably improving corporate value

(3) Train and deploy human resources





To sustain growth, the Company must train its employees, imbuing them with knowledge and technical skills related to its businesses, while also 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.

(4) Develop and use new technologies





The development and use of new technologies will allow the Company to provide new products and services, in addition to 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, robotics, and failure prediction should be effective in solving the social issue of increasing efficiency in distribution by helping conserve and reduce labor, as well as stabilize operations.

(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, such as Al and IoT. These partnerships expand the scope of business domains that Toyo Kanetsu can enter and increase opportunities to start new businesses.

(6) Increase productivity

Amid stronger demand from customers for delivering high-performance, low-price equipment, Toyo Kanetsu must always increase productivity with innovative technologies in order to continue winning orders and booking sales.

C

Initiatives prevequisite for sustainably improving corporate value

(7) Ensure occupational health and safety



Safety is a priority issue in everything that Toyo Kanetsu does. If a safety or health problem arises with 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 mind-set by creating and implementing safety management plans to prevent accidents from occurring.

(8) Execute steadfast compliance and corporate governance



Toyo Kanetsu's business in the social infrastructure field would not be possible without the trust of society. Compliance with laws and regulations is fundamental to earning trust through business activities. Behavior in breach of compliance risks the future of the Company by interfering with its business activities. As a corporation, we require that all employees maintain a value system in which compliance is their highest priority. Toyo Kanetsu continues to reinforce corporate governance as well.

(9) Practice sophisticated risk management





(10) Evolve corporate culture into one that encourages employees to quickly and proactively take on challenges Since Toyo Kanetsu engages in operations related to social infrastructure, management properly and quickly responds to demand from society when a problem arises while taking steps to prevent accidents from occurring. As the scope of business expands with new businesses and projects overseas, and as the fabric of society changes with greater speed, the risks the Company must address have grown in number and magnitude. Toyo Kanetsu aims to further strengthen its ability and systems for identifying, assessing, and minimizing various risks, such as by improving its credit and project screening capabilities and strengthening internal security, in addition to preparing for emergency situations around the world.

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.

-Challenge & Change-

Key guidelines referred to when identifying material issues

SASB

The Sustainability Accounting Standards Board (SASB) in the U.S. has published standards for each sector on the disclosure of ESG elements likely to have a major financial impact in the future.

The SDGs

In 2015, the United Nations adopted the SDGs as 17 international objectives for 2030, comprising 169 targets and 244 indicators.



Corporate Governance Code

The Tokyo Stock Exchange created the Corporate Governance Code as a guide for corporate conduct for listed companies in Japan.

Logistics Solutions Business

Since its creation in 1955, the Logistics Solutions
Business has had a customer-first policy for making every
effort to always produce the best products and satisfy
demand from our customers. Furthermore, we have
delivered various logistics solutions that meet diverse
and increasingly advanced needs.



Takashi Owada

Director

Managing Officer and Division Manager,
Logistics Solutions Division

Value Provided by the Logistics Solutions Business

The airport baggage handling system the Company developed in 1971 used its accumulated conveyor technologies to solve a fundamental issue faced by airports. The system was highly praised by customers, spurring its wider deployment. Today, Toyo Kanetsu has a formidable market position with an 80% share of baggage handling systems at domestic airports.

As online shopping has taken off in recent years, logistics systems for distributing products have become more important, and companies have moved to strengthen their logistics functions in response. In addition, demand for same-day deliveries has emerged. While an order can be placed instantly online, logistics is essential for delivering the ordered product. Our systems, which enable same-day deliveries by quickly and accurately sorting ordered products, have been installed in the Japan-based warehouses of major global e-commerce firms, earning strong praise from them.

The logistics industry faces major issues today, including keeping up with growth in the online shopping and other e-commerce markets, reliably operating logistics centers for same-day deliveries despite a shrinking working-age population, and improving productivity to eliminate personnel shortages. Not satisfied with the status quo, the Logistics Solutions Business is pursuing innovative solutions for these issues.

We are developing predictive maintenance services that support dependable operations at logistics centers. Predictive maintenance services entail remotely monitoring customers' logistics systems 24-hours a day, anticipating when failures may occur based on signals that include minor vibrations or different sounds, electrical currents, and temperatures, and then performing maintenance on the logistics system in question at an optimal time. We have also developed "Dr. Butsuryu,*" which uses Al and IoT to detect abnormalities in equipment while still in operation on distribution lines. Dr. Butsuryu enables predictive maintenance services for performing maintenance in a timely fashion without stopping logistics systems.

We also provide an innovative solution called Goods to Person (GTP) for alleviating labor shortages and improving productivity. Instead of people walking around to pick up products, the products move to the person's station, thereby saving time and labor caused by people having to walk around. At a certain logistics center, this solution improved picking productivity by



Dr. Butsuryu

five times. GP3 is a more advanced version of GTP that, in addition to picking, offers a solution for packing, improving productivity, and further saving space.

Full Line GP3 is an even more advanced solution for high-frequency product picking and shipping. Combined with the AutoStore system optimized for

Long tail product storage and picking

AutoStore

Full line picking and packing

Full Line GP3

long tail product storage and picking, it is possible to create an automated logistics system for all products that saves labor. Work that previously required 400 people can now be done by as few as 50.

Based on our philosophy of "Be creative, be good for society," we aim to be an innovator in solutions for

- the logistics field, and continue to take on the challenge of creating fully autonomous and unattended logistics systems by 2030.
- * "Butsuryu" means logistics in Japanese and is the name of the Company's official mascot character.

Achieving the Objectives of the New Medium-Term Business Plan

The business environment has been favorable lately, but uncertainties are likely to increase over the medium and long term as capital investments at customers runs their course. In this business environment, we are building a structure able to realize strong earnings and solidifying the foundation to become a high-growth business by honing competitiveness and expanding business domains. As a measure to achieve this, we aim to aggressively pursue tie-ups with external partners.

In order to offer innovative solutions to our customers, we believe we must evolve from a supplier of mainly logistics equipment (hardware) into an innovator in solutions for the entire logistics value chain (software). By forging ties with external partners, we aim to integrate new products with existing core products while proactively introducing cutting-edge technologies.

For the purpose of expanding the maintenance business with Al and IoT, we are fostering collaboration between industry and academia, such as our partner companies and top-class institutions in Japan, including the National Institute of Advanced Industrial Science and Technology and the Tokyo University of Science. Through open innovation that fuses together our leading knowledge in logistics with the latest developments in Al and IoT, we aim to offer solutions and services that will lead to the next generation of logistics centers.

We are keen to establish a production and sales structure in Southeast Asia that leverages collaboration with overseas partners to develop business overseas. Toyo Kanetsu will accelerate overseas business development, beginning with airport baggage handling systems.

The Logistics Solutions Business is working diligently to achieve the objectives of the new Medium-Term Business Plan, and will continue to grow and aim higher.

Net Sales and Operating Profit in the Logistics Solutions Business



Plant & Machinery Business

The Plant & Machinery Business engages in the engineering, procurement, and construction (EPC) of tanks and auxiliary facilities designed to efficiently store energy. We support society with our strong project execution capabilities at each phase of management.



Hiroshi Ohgi
Managing Officer and
Division Manager,
Domestic Plant & Machinery
Division



Masayuki Takeda
Director
Senior Managing Officer and Division
Manager, Overseas
Plant & Machinery Division

Value Provided by the Plant & Machinery Business

In the Plant & Machinery Business, since fabricating its first fully welded tank in 1950 after the resumption of oil refining in Japan, Toyo Kanetsu has delivered more than 5,700 tanks to domestic and overseas projects mainly for oil refineries, oil storage terminals, and LNG (liquefied natural gas) export and import terminals as a leading player in the construction of large-scale tanks.

Toyo Kanetsu entered the market for LNG storage tanks when it began to take shape in the 1960s, and played a key role in the formation of supply chains by delivering a large number of tanks. Storing LNG temperatures of around -162°C requires special steel and advanced engineering and installation technologies. Toyo Kanetsu has always been a leader in the industry, delivering one of the world's largest LNG storage tanks (83 meters in diameter, 60 meters in height, and 230,000 cubic meters of storage capacity), for example, developing its technologies while responding to changes in laws, regulations, and standards. The Company has delivered over 100 large-scale LNG storage tanks in countries around the world, for a market share of nearly 30% (based on the number of large-scale LNG storage tanks).

In 1978, we opened the Batam Plant, a fabrication plant for tank materials in Batam, Indonesia. Having been in operation for more than 40 years, the Batam Plant is highly regarded in the industry for its welding and fablication technologies that comply with stringent laws and regulations in Japan and global standards.

The plant has also contributed to the industrial development of Indonesia through the training of local personnel and technology transfers.

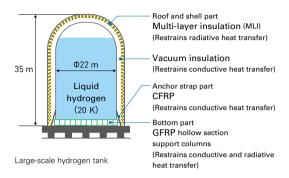
In Japan, Toyo Kanetsu provides tank maintenance services for oil refineries and oil storage terminals across the nation. Domestic laws mandate periodic overhaul inspections of large-scale tanks. Toyo Kanetsu plays a vital role in ensuring the safe operation of storage facilities with its advanced technologies and know-how accumulated from the fabrication and installation of large-scale tanks over many years. Through our business activities in Japan and around the world, we believe it is our mission to fundamentally support economic activities in society through the construction and maintenance of resilient, vital energy infrastructure to ensure the stable supply of energy.

Hydrogen, which has a light environmental footprint, is attracting expectations as a future form of



Batam Plant

energy. Hydrogen can be produced from various resources, and it does not emit CO2 emissions when used. While hydrogen is drawing attention as a gateway to a low-carbon society, in liquid form, it must be stored at the ultra-low temperature of -253°C, colder than LNG. Accordingly, storing liquid hydrogen requires highly advanced technologies. Leveraging its accumulated expertise in low-temperature tanks, Toyo Kanetsu is jointly developing a large (10,000-kiloliter) liquid hydrogen tank with the Tokyo Institute of Technology, aiming to contribute to a low-carbon society in the near future.



Achieving the Objectives of the New Medium-Term Business Plan

Under the previous Medium-Term Business Plan, the Plant & Machinery Business incurred an operating loss due to postponements and scrapped plans for largescale projects, which resulted in a loss of anticipated large-scale orders. During the new Medium-Term Business Plan, our basic aim is thus to return to operating profitability.

With a challenging business environment lately, it is imperative that we establish a business structure more resilient to fluctuations in orders. In Japan, Toyo Kanetsu expects steady demand in the maintenance business as existing facilities age, despite the negative impact from restructuring in the petroleum industry and declining demand for petroleum products. The Company is focusing on profitability in business development.

Overseas, Toyo Kanetsu aims to aggressively expand business domains. Reaching beyond its traditional domains, the Company is keen to address a broader spectrum of customer needs by increasing the range of products that can be produced and expanding

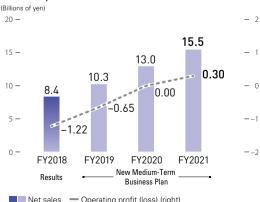
LNG storage tank project

fabrication capacity at the Batam Plant in Indonesia to work with steel products as well as tanks, and by establishing a plant maintenance business base in Johor, Malaysia.

It is essential that the Company strengthens its ability to win orders by enhancing technological capabilities and productivity. Toyo Kanetsu intends to establish a stronger competitive position by further improving the level of safety and quality management, its ability to manage project schedules, and its capabilities in tank engineering, procurement, fabrication, and construction, which represent its accumulated core technologies.

Looking ahead, Toyo Kanetsu will focus its tireless efforts on winning orders and returning to a sustainably profitable business structure, amid signs that new projects are getting started for several large-scale LNG storage tanks.

Net Sales and Operating Profit (Loss) in the Plant & Machinery Business



Other Businesses

In addition to its two mainstay businesses, Toyo Kanetsu has subsidiaries that produce and sell industrial machinery, engage in the building construction business, and conduct environmental surveys and assessments. While supporting society, these subsidiaries provide the Group with a stable stream of earnings.

Value Provided by Each Business

Industrial Machinery

For more than 60 years, Toyo Koken K.K. has been involved in the industrial machinery business, a pioneer in equipment for moving heavy loads. It has a firm foothold in the industry, producing and selling winches, balancers, and other products mainly used at building construction sites and inside factories. Toyo Koken has an extensive product lineup of winches, which are used in building construction and other industries to carry heavy loads, and is proud to be number one in the winch category in terms of shipments. Mighty Puller and Baby Hoist are the brand names of some of its category-leading products. These brands have grown to win the support of numerous customers. Its balancers allow workers to lift and easily move heavy loads in manufacturing plants and elsewhere. Toyo Koken ranks number two in terms of market share in the balancer industry, having won accolades from many customers

for its products. The need for winches and balancers is likely to strengthen as the use of tools for conserving and reducing labor increases in tandem with the rising number of senior citizens and women working on production sites amid labor shortages due to declining a birth rate and aging society. Toyo Koken intends to meet this market need by developing new products tailored to the requirements of worksites.





Balancer

Building Construction

Toyo Kanetsu Builtec K.K. operates a building construction business that provides high-quality buildings with environmental performance taken into consideration. It has put in place a structure for flexibly proposing solutions in tune with the times while incorporating original construction methods with its own design department. Toyo Kanetsu Builtec mainly concentrates on a wide variety of small and medium-sized buildings, including shared living environments, welfare-related facilities, and retail stores. Toyo Kanetsu Builtec is a certified construction firm for NS ECO-PILE™, a screwed steel pile that offers substantial benefits in terms of workability, economic efficiency, and environmental considerations. With this certification, Toyo Kanetsu Builtec has established construction technologies that perform in challenging

environments, facilitating the formation of building construction foundations that are strongly resilient to earthquakes and flooding. Moreover, the company leases gondolas and building scaffolding that are useful when old buildings are repaired and renovated. In these ways, Toyo Kanetsu Builtec supports safe and efficient construction projects for its building construction customers.



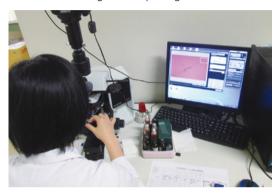


Construction of residential complex Steel pile driving work

Environmental Surveys and Assessments

Kankyo Research Co., Ltd. is in charge of the environmental surveys and assessments business, which offers various inspection, measurement, and analysis services related to asbestos, sick houses syndrome, noises, vibrations, and bad smells. For the inspection and analysis of asbestos, which is harmful to the health of people, Kankyo Research has a large number of certified technicians who are among the best in their class in the industry. Asbestos removal requires technologies for precisely and properly disposing of asbestos. Backed by its knowhow gained from extensive experience, as well as its own high-performance analyzers, Kankyo Research is capable of processing over 10,000 asbestos samples annually. Amid increasingly complex needs for environmental assessments, Kankyo Research is aggressively

developing technologies in industry–academia partnerships, such as the use of IoT in inspection and analysis methodologies. Kankyo Research aims to be on the frontier of technologies for improving the environment.



Asbestos inspection

Achieving the Objectives of the New Medium-Term Business Plan

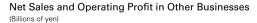
A basic policy under the new Medium-Term Business Plan is to selectively concentrate resources in other businesses, and the Company aims to expand business profits by proactively investing resources in growth fields.

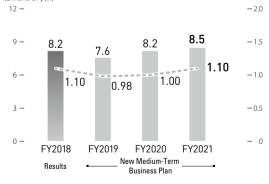
In the industrial machinery business, Toyo Koken aims to bring new products to market and strengthen sales overseas amid projections for brisk growth in demand related to building construction projects and labor-saving demand.

In the building construction business, Toyo Kanetsu Builtec anticipates growth in steel pile driving and gondola leasing operations alongside robust demand for construction.

In the environmental surveys and assessments business, demand is likely to expand strongly for asbestos inspection and analysis services as aging buildings are renovated or dismantled.

By concentrating resources in these growth fields, Toyo Kanetsu aims to secure a stable source of earnings. With an eye on our business portfolio, we will fine-tune our business structures with the aim of improving productivity through more efficient operations, while strengthening our marketing and sales capabilities in each business.





Net sales — Operating profit (right)

Board of Directors (As of June 27, 2019)



Shigeharu Nakamura

Outside Director and Audit & Supervisory Committee Member

Toshiaki Hiwatari

Outside Director and Audit & Supervisory Committee Member

Kazuhito Watanabe

Director Managing Officer and Deputy Division Manager, Logistics Solutions Division

Takashi Owada

Director Managing Officer and Division Manager, Logistics Solutions Division

Kazuto Abe

Director and Audit & Supervisory Committee Member

Tsuneo Nagai

Outside Director and Audit & Supervisory Committee Member

Keisuke Kodama

Director Senior Managing Officer and Division Manager, Corporate Division

Isao Shimomae

Director and Executive Vice President

Toru Yanagawa

President and Representative Director

Masayuki Takeda

Director Senior Managing Officer and Division Manager, Overseas Plant & Machinery Division

Corporate Governance

Toyo Kanetsu has disclosed its Corporate Governance Guidelines (in Japanese only) on its website.

URL https://www.toyokanetsu.co.jp/ir/corporate.php

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 precise decision-making, rapid business execution, and proper supervision and monitoring of operations.

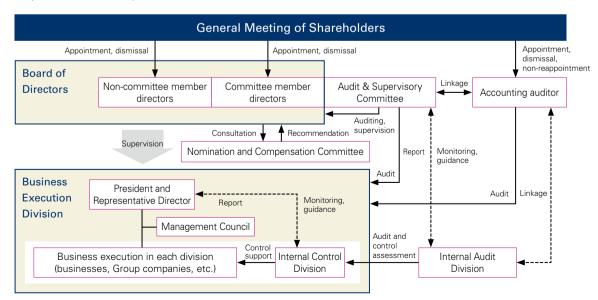
Corporate Governance System

On June 26, 2015, Toyo Kanetsu switched from a "company with a board of auditors" 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 experience, deep insight, high levels of specialization, and international perspectives for ensuring a Board of

Corporate Governance System (as of June 27, 2019)



Directors that is diverse and of an appropriate size. Directors who are members of the Audit & Supervisory Committee are selected for their experience in corporate management and 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. The Company will examine the possibility of nominating a female director in the future while trying to achieve an appropriate balance between the diversity and size of the Board of Directors.

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 a certain director, 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 briefings 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 and Compensation Committee

Toyo Kanetsu established the Nomination and Compensation Committee, on which outside directors form a majority, as an advisory body to the Board of Directors to ensure transparency and appropriateness in the nomination of director candidates and decisions related to their compensation. In this regard, the Company has put in place a structure where fair and highly transparent procedures are followed, including the creation of opportunities for outside directors to get involved and advise on matters in an appropriate manner. For matters concerning the nomination and compensation of directors, the committee meets as often as required to deliberate and make recommendations, and then the Board of Directors arrives at a final decision.

The committee comprises four directors who are members of the Audit & Supervisory Committee, including a representative director and three outside directors. As of June 27, 2019, Outside Director Toshiaki Hiwatari is the chair of the Nomination and Compensation Committee.

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 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 2018

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 May 2019, the Board of Directors conducted an evaluation of its effectiveness by following the procedures outlined below.

- The secretariat provided the reference materials needed to evaluate effectiveness.
- The Board of Directors asked questions about the reference materials supplied by the secretariat, exchanged opinions, and asked for additional information to be provided.
- Each director completed a self-evaluation based on a scoring sheet for effectiveness.
- 4. At the Board of Directors' meeting held on May 14, 2019, 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.

 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 him by the Board of Directors, and is properly discharging his duties as a director.
- 3. The Company's Board of Directors has clarified its strategic direction by creating and disclosing its new Medium-Term Business Plan (fiscal 2019–fiscal 2021). Along with the new business plan, the Board of Directors developed a new basic capital policy and revised its shareholder return policy, emphasizing management from the perspective of shareholders.
- 4. The Board of Directors established the Nomination and Compensation Committee as an advisory body to the Board of Directors. This committee deliberates matters concerning the nomination and compensation of directors, and makes sure this decision-making process is fair and transparent with the appropriate level of involvement of independent outside directors. By introducing a performance-linked stock compensation system for Board members, the Board of Directors is motivating management to increase corporate value and earnings over the medium and long term, while aligning their values closer to those of shareholders.

(3) Future Issues and Response

The Board of Directors will continue to ensure the effectiveness of the Board of Directors, undertaking the following measures so that the Board of Directors can adequately fulfill its vital roles, including setting the strategic direction for the Company and facilitating independent and objective audit functions:

- 1. Gather information necessary for making decisions,
- 2. Debate deeply from multiple perspectives, and
- Take appropriate risks and proactively and boldly make decisions.

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.

Matters Related to Outside Directors

Name	Toshiaki Hiwatari	Tsuneo Nagai	Shigeharu Nakamura
Number of Company shares owned	0 shares	0 shares 2,000 shares	
Attendance at Board of Directors' meetings	12/12 times (100%)	nes (100%) 12/12 times (100%)	
Attendance at Audit & Supervisory Committee meetings	13/13 times (100%)	13/13 times (100%)	13/13 times (100%)
Attendance at Nomination and Compensation Committee meetings	7/7 times (100%)	7/7 times (100%)	7/7 times (100%)
Field of expertise	Professional knowledge as a prosecutor and attorney	Extensive experience and broad knowledge of corporate man- agement as a manager at listed companies (different sector)	Extensive experience and knowledge of corporate management as a manager at financial institutions

Note: Number of shares as of June 27, 2019. Meeting attendance shown for fiscal 2018.

Director Compensation

Policy for Deciding Method to Calculate Amount of Compensation

Toyo Kanetsu has created policies and procedures for determining the compensation of directors who are not members of the Audit & Supervisory Committee. The

Company has a transparent process for deciding compensation, with the Board of Directors determining the amount of compensation following deliberation and recommendations by the Nomination and Compensation Committee, on which outside directors form a majority.

Total Compensation by Director Category, Total Compensation by Type, and Number of Eligible Directors in Fiscal 2018

Disaster autonom.	Total amount of	Total amount of comp	Number of eligible	
Director category	compensation – (¥ million)	Basic compensation	Performance-based compensation	directors (people)
Directors (excluding members of the Audit & Supervisory Committee and outside directors)	84	46	38	4
Directors (members of the Audit & Supervisory Committee) (excluding outside directors)	15	15	_	1
Outside directors	24	24	_	3

Notes: 1 The above amounts do not include salaries and bonuses as employee directors.

2 Based on the Articles of Incorporation and resolutions approved by the General Meeting of Shareholders.

Method for Calculating Director Compensation from Fiscal 2019

The 111th General Meeting of Shareholders, held on June 27, 2019, approved a resolution to introduce a performance-linked stock compensation system for directors (excluding outside directors and directors who are members of the Audit & Supervisory Committee) and executive officers (who are ranked managing executive officer or higher and who are not directors).

This system grants points to these directors and executive officers based on their rank and achievement of earnings targets each fiscal year, as a motivation to increase corporate value over the medium and long term and better align the views of management with

those of shareholders. In principle, these directors and executive officers are eligible to receive shares of the Company's stock (one point equivalent to one share of ordinary stock) and monetary compensation based on their total number of accumulated points through a trust account set up for this purpose, after their retirement or after earnings have been recorded for the final fiscal year of each medium-term business plan.

From fiscal 2019, compensation for directors who are not members of the Audit & Supervisory Committee shall consist of (1) basic compensation, which is a fixed amount depending on their rank, (2) additional compensation, which is linked to the Company's earnings, and (3) performance-linked stock

compensation, the combined total of which is within the limits for compensation approved by resolution of the General Meeting of Shareholders. Additional compensation shall be determined as a specific amount according to a compensation table, with consideration paid to performance indicators, such as the total return ratio, and consolidated net income before income taxes and other adjustments as a basic reference. In the stock compensation system, Companywide ROE and segment profits shall be used as the indicators for performance targets. For these directors and managing officers who do not belong to a business division or who belong to the Corporate Division, Companywide ROE shall be the only indicator applied. For these

directors and managing officers who belong to a business division, Companywide ROE and the segment profit for their division shall be used as indicators.

On occasion, a bonus may be paid to directors only if approved by a separate resolution by the General Meeting of Shareholders and only when corporate earnings exceed a certain threshold. Compensation for directors who are members of the Audit & Supervisory Committee shall only consist of fixed compensation, the total amount of which shall be within the maximum compensation approved by resolution of the General Meeting of Shareholders, determined in deliberations by directors who are members of the Audit & Supervisory Committee.

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, 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, 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 Company shares for cross-shareholding purposes indicates its intention to sell these shares, Toyo Kanetsu shall not take inappropriate action that may interfere with the sale of the shares, such as suggesting the company would lose business with Toyo Kanetsu.
- (5) The Company 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 economic rationality for the business transactions.

Risk Management

In light of the growing and increasingly complex risks in its business environment, Toyo Kanetsu implements measures to enhance risk management. For example, seminars and workshops about risk management topics are held four times a year for relevant employees, and have in the past covered topics such as initial responses to emergency situations overseas, mass communications during emergency situations, meaningful

responses to virus outbreaks, and initial responses in the event of a major earthquake striking Tokyo.

With abnormal weather occurring more frequently, as a company with its head office in Koto Ward, Tokyo, Toyo Kanetsu has created a business continuity plan (BCP) manual for specific emergencies, such as flooding, while taking measures to prevent fires and stockpile emergency food supplies.

The Environment and Society

Environmental Initiatives

Environmental Management

Toyo Kanetsu conducts its business activities in accordance with its Environmental Policy, aiming to contribute to the realization of a sustainable society.

The Logistics Solutions Business, and the Company's head office organization (including the Plant & Machinery Business) have obtained ISO 14001 international certification for their environmental management systems. We have set up these systems in accordance with the requirements of the ISO 14001 international standard, taking a balanced approach to business activities in terms of the environment, society, and the economy, while paying due consideration to the preservation of the global environment. We also conduct internal environmental audits every year.

Response to Climate Change

In view of the need for initiatives to reduce greenhouse gases around the world, the Company takes part in initiatives for helping realize a low-carbon or carbon-free society by collaborating with governments, industrial groups, and other companies with the aim of contributing to international objectives outlined in the Sustainable Development Goals (SDGs) and the Paris Agreement.

Environment-Related Business

Toyo Kanetsu promotes environmental activities in the course of conducting business on the basis that addressing environmental issues such as climate change are important facets of its business strategy. The Company supplies products with excellent environmental performance, such as Ecoloveyor, which consumes little energy, in the Logistics Solutions Business and LNG storage tanks in the Plant & Machinery Business. TKK is also developing large-scale liquid hydrogen tanks as a part of next-generation environmental systems. Furthermore, the Company is involved in a renewable biomass power station project in Uruma City, Okinawa Prefecture.



CG rendering of the completed biomass power station

For more information about its Environmental Policy, please see the Company's website.

URL https://www.toyokanetsu.co.jp/global/company/policy.html

Social Initiatives

Human Resource Development

In light of the changes in the social environment around the Company, as well as its management integration with Toyo Kanetsu Solutions K.K., Toyo Kanetsu renewed its human resource system in April 2019, focusing on multi-track career options (selection of career path by individual employee, as a manager or a specialist, in consideration of his/her skill sets) and compensation for employees who showed outstanding performance, including those who took on new challenges. We also updated our training and skills development systems accordingly.

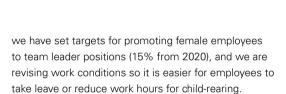
Work Environments

People from diverse backgrounds are the Toyo Kanetsu Group's greatest asset. We strive to provide better work environments where all employees, regardless of nationality, gender, or age, can work to the best of their abilities. Employees are surveyed every year about their level of satisfaction at work, and this information is used to grasp issues affecting organizations and to improve satisfaction further.

The Company currently has few women in management positions (or as candidates for such positions).

Accordingly, under the new human resource system,





Regarding making our work environments better, we are properly managing overtime work hours and encouraging employees to take paid vacation. In fiscal 2018, the ratio of annual paid vacation taken (calculated using the same method as the Ministry of Health, Labour and Welfare) was 53.4%, and we aim to increase this ratio to at least 70% by fiscal 2022.

Occupational Health and Safety

As a manufacturer, the Toyo Kanetsu Group views occupational health and safety as one of its most important management issues. Based on its Occupational Health and Safety Policy, the Logistics Solutions Business has obtained OHSAS 18001 international certification for its occupational health and safety management system. The Company's head office organization (including the Plant & Machinery Business) have acquired ISO 45001 international certification for their occupational health and safety management systems.

Moreover, we viewed the management integration in April 2019 as an opportunity to reform our organization, and established the Safety, Environment, and Quality Assurance Department as an organization under the direct control of the president to take charge of occupational health and safety across the entire



Safety meeting attended by employees of all Group companies in fiscal 2019

Group, with the aim of steadily implementing occupational health and safety management.

While updating organizations and systems, we are clarifying responsibilities and working to improve occupational health and safety by sharing safety targets between the head office and work sites, holding annual Group safety meetings, patrolling work locations, and maintaining and augmenting safety systems, including at partner companies.

Quality

Toyo Kanetsu aims to provide products and services that bring high levels of satisfaction to its customers. The Logistics Solutions Business and the Plant & Machinery Business (only related to newly constructed low-temperature tanks) have obtained ISO 9001 international certification for their quality management systems through operations based on our Quality Policy.

Local Communities

The Toyo Kanetsu Group aims to contribute to the development of local communities through its business activities and social contribution activities, and for its business sites to coexist with local communities. As a member of the Koto Ward Social Contribution Network (Korabora), Company employees volunteer at events within Koto Ward and participate in other activities. Employees also periodically donate blood and help clean up neighborhood parks.

- For more information about its Quality Policy, please see the Company's website.
 - URL https://www.toyokanetsu.co.jp/global/company/policy.html

Consolidated Balance Sheets

Toyo Kanetsu K.K. and Consolidated Subsidiaries

(Millions of yen)

ssets	Previous fiscal period	(Millions of Current fiscal period
ssets	(As of March 31, 2018)	(As of March 31, 2019
urrent assets		
Cash and deposits	¥ 12,421	¥ 7,666
Notes and accounts receivable—trade	9,387	23,267
Lease investment assets	1,781	1,499
Securities	500	_
Merchandise and finished goods	40	38
Work in process	3,819	4,252
Raw materials and supplies	1,640	1,670
Other	494	534
Allowance for doubtful accounts	(21)	(22)
Total current assets	30,064	38,906
on-current assets		
Property, plant and equipment		
Buildings and structures, net	3,457	3,321
Machinery, equipment and vehicles, net	1,152	1,021
Tools, furniture and fixtures, net	282	310
Land	10,707	10,556
Construction in progress	110	622
Other, net	0	12
Total property, plant and equipment	15,710	15,845
Intangible assets	368	357
Investments and other assets		
Investment securities	8,730	8,671
Deferred tax assets	58	63
Retirement benefit asset	398	332
Other	778	868
Allowance for doubtful accounts	(292)	(289)
Total investments and other assets	9,674	9,646
Total non-current assets	25,753	25,850
etal assets	55,818	64,756

		(Millions of y
Liabilities	Previous fiscal period (As of March 31, 2018)	Current fiscal period (As of March 31, 2019)
Current liabilities		
Notes and accounts payable-trade	¥ 2,033	¥ 1,570
Short-term loans payable	4,604	7,849
Current portion of long-term loans payable	15	514
Accrued expenses	3,380	7,534
Income taxes payable	316	659
Advances received	417	2,020
Provision for bonuses	242	227
Provision for loss on order received	183	121
Provision for warranties for completed construction	580	555
Other	924	870
Total current liabilities	12,698	21,922
Non-current liabilities		
Long-term loans payable	3,080	4,627
Deferred tax liabilities	1,591	1,267
Deferred tax liabilities for land revaluation	1,107	1,095
Retirement benefit liability	325	358
Asset retirement obligations	321	224
Other	27	27
Total non-current liabilities	6,453	7,599
otal liabilities	19,151	29,522
Net assets	Previous fiscal period (As of March 31, 2018)	Current fiscal period (As of March 31, 2019)
Shareholders' equity	(, to 01 march 01, 2010)	(, to or maren o 1, 2010)
Capital stock	18,580	18,580
Capital surplus	1,273	1,273
Retained earnings	15,750	14,549
Treasury shares	(1,397)	(1,077)
Total shareholders' equity	34,207	33,324
accumulated other comprehensive income	•	,
Valuation difference on available-for-sale securities	2,995	2,621
Revaluation reserve for land	133	106
Foreign currency translation adjustment	(676)	(759)
Remeasurements of defined benefit plans	5	(61)
Total accumulated other comprehensive income	2,458	1,907
Ion-controlling interests	0	1
otal net assets	36,666	35,234
otal liabilities and net assets	¥55,818	¥64,756

Consolidated Statements of Profit or Loss and Comprehensive Income

Toyo Kanetsu K.K. and Consolidated Subsidiaries (Millions of yen)

Toyo Kanetsu K.K. and Consolidated Subsidiaries		(Millions of	
	Previous fiscal year (From April 1, 2017	Current fiscal year (From April 1, 2018	
	to March 31, 2018)	to March 31, 2019)	
Net sales	¥41,758	¥45,188	
Cost of sales	34,172	38,194	
Gross profit	7,585	6,994	
Selling, general and administrative expenses	5,319	5,588	
Operating profit	2,265	1,406	
Non-operating income			
Interest income	11	12	
Dividend income	283	302	
Foreign exchange gains	5		
Miscellaneous income	134	136	
Total non-operating income	434	452	
Non-operating expenses			
Interest expenses	33	49	
Foreign exchange losses	_	19	
Miscellaneous loss	19	17	
Total non-operating expenses	53	87	
Ordinary profit	2,646	1,771	
Extraordinary income			
Gain on sales of non-current assets	98	36	
Gain on sales of investment securities	320	74	
Gain on bargain purchase		87	
Disaster donations		46	
Other	_	1	
Total extraordinary income	418	246	
Extraordinary losses			
Loss on valuation of investment securities	_	237	
Loss on disaster		159	
Other	94	20	
Total extraordinary losses	94	418	
Profit before income taxes	2,971	1,599	
Total action of the control taxoo		.,	
ncome taxes-current	582	748	
ncome taxes-deferred	26	(173)	
Fotal income taxes	609	574	
Profit	¥ 2,362	¥ 1,025	
Profit (loss) attributable to:	,	,	
Owners of parent	¥ 2,362	¥ 1,025	
Non-controlling interests	(0)	(0)	
Other comprehensive income	107	(-/	
Valuation difference on available-for-sale securities	1,003	(374)	
Deferred gains or losses on hedges	1,000		
Foreign currency translation adjustment	(23)	(83)	
Remeasurements of defined benefit plans, net of tax	(9)	(66)	
Total other comprehensive income	985	(523)	
Comprehensive income	¥ 3,347	¥ 501	
•	т 0,04/	Ŧ J01	
	¥ 2 2/.7	¥ 501	
		¥ 501 (0)	
Comprehensive income attributable to: Owners of parent Non-controlling interests	¥ 3,347 (0)	····•	

Consolidated Statements of Changes in Equity

Toyo Kanetsu K.K. and Consolidated Subsidiaries

				(N	lillions of yen)
		Sha	reholders' equi	у	
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2017	¥18,580	¥1,273	¥16,447	¥(2,323)	¥33,978
Changes of items during period					
Dividends of surplus	•	•	(1,150)		(1,150)
Profit attributable to owners of parent	-	-	2,362		2,362
Reversal of revaluation reserve for land		-	30		30
Purchase of treasury shares	•			(1,013)	(1,013)
Retirement of treasury shares			(1,939)	1,939	_
Net changes of items other than shareholders' equity	-	-			-
Total changes of items during period	_	_	(697)	926	229
Balance as of March 31, 2018	¥18,580	¥1,273	¥15,750	¥(1,397)	¥34,207
Changes of items during period					
Dividends of surplus		-	(930)		(930)
Profit attributable to owners of parent			1,025		1,025
Reversal of revaluation reserve for land			26		26
Purchase of treasury shares			-	(1,004)	(1,004)
Retirement of treasury shares	-	-	(1,323)	1,323	_
Net changes of items other than shareholders' equity	•	•			•
Total changes of items during period	_	_	(1,201)	319	(882)
Balance as of March 31, 2019	¥18,580	¥1,273	¥14,549	¥(1,077)	¥33,324

							(M	illions of yen)
	Accumulated other comprehensive income							
	Valuation difference on available-for- sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income	Non- controlling interests	Total net assets
Balance as of March 31, 2017	¥1,992	¥(14)	¥163	¥(652)	¥14	¥1,503	¥—	¥35,481
Changes of items during period								
Dividends of surplus	-		•	•				(1,150)
Profit attributable to owners of parent								2,362
Reversal of revaluation reserve for land								30
Purchase of treasury shares								(1,013)
Retirement of treasury shares								_
Net changes of items other than shareholders' equity	1,003	14	(30)	(23)	(9)	955	0	956
Total changes of items during period	1,003	14	(30)	(23)	(9)	955	0	1,185
Balance as of March 31, 2018	¥2,995	¥ —	¥133	¥(676)	¥ 5	¥2,458	0	¥36,666
Changes of items during period								
Dividends of surplus								(930)
Profit attributable to owners of parent					•			1,025
Reversal of revaluation reserve for land								26
Purchase of treasury shares			-		-	-	-	(1,004)
Retirement of treasury shares			-		•		•	_
Net changes of items other than shareholders' equity	(374)		(26)	(83)	(66)	(550)	0	(550)
Total changes of items during period	(374)		(26)	(83)	(66)	(550)	0	(1,432)
Balance as of March 31, 2019	¥2,621	¥ —	¥106	¥(759)	¥(61)	¥1,907	¥ 1	¥35,234

Consolidated Statements of Cash Flows

Toyo Kanetsu K.K. and Consolidated Subsidiaries

	Previous fiscal year	(Millions of Current fiscal year
	(From April 1, 2017 to March 31, 2018)	(From April 1, 2018 to March 31, 2019)
Cash flows from operating activities	to March 31, 2010)	to March 31, 2013/
Profit before income taxes	¥ 2,971	¥ 1,599
Depreciation	737	728
Impairment loss	72	
Gain on bargain purchase	_	(87)
Increase (decrease) in allowance for doubtful accounts	(37)	(3)
Increase (decrease) in retirement benefit liability	(28)	(13)
Decrease (increase) in retirement benefit asset	(58)	4
Increase (decrease) in provision for loss on order received	(489)	(62)
Increase (decrease) in provision for warranties for completed		
construction	68	(25)
Interest and dividend income	(294)	(315)
Interest expenses	33	49
Disaster donations	_	(46)
Loss on disaster	_	159
Foreign exchange losses (gains)	18	72
Loss (gain) on valuation of investment securities	_	237
Loss (gain) on sales of investment securities	(320)	(74)
Loss (gain) on sales of non-current assets	(98)	(31)
Loss on retirement of non-current assets	19	8
Decrease (increase) in notes and accounts receivable-trade	3,375	(13,749)
Decrease (increase) in lease investment assets	(257)	272
Decrease (increase) in inventories	342	(419)
Decrease (increase) in advance payments	252	95
Increase (decrease) in notes and accounts payable-trade	(1,272)	3,714
Increase (decrease) in advances received	(773)	1,621
Other, net	74	(134)
Subtotal	4,336	(6,400)
Interest and dividend income received	294	314
Interest expenses paid	(32)	(50)
Disaster donations received	_	46
Payments associated with disaster loss	_	(159)
Income taxes paid	(872)	(449)
Net cash provided by (used in) operating activities	3,726	(6,698)
ash flows from investing activities		
Proceeds from sales and redemption of securities	100	500
Purchase of non-current assets	(436)	(1,080)
Proceeds from sales of non-current assets	295	375
Purchase of investment securities	(634)	(717)
Proceeds from sales and redemption of investment securities	500	74
Purchase of shares of subsidiaries resulting in change in scope of consolidation	_	(427)
Other, net	91	(40)
Net cash provided by (used in) investing activities	(85)	(1,315)
ash flows from financing activities	(00)	(1,010)
Net increase (decrease) in short-term loans payable	2,250	3,217
Proceeds from long-term loans payable	2,000	2,000
Repayments of long-term loans payable	(60)	(38)
Purchase of treasury shares	(1,013)	(1,004)
Proceeds from share issuance to non-controlling shareholders	1	1
Cash dividends paid	(1,145)	(926)
Net cash provided by (used in) financing activities	2,032	3,249
ffect of exchange rate change on cash and cash equivalents	(64)	(45)
et increase (decrease) in cash and cash equivalents	5,609	(4,810)
ash and cash equivalents at beginning of period	6,810	12,420
ash and cash equivalents at end of period	¥12,420	¥ 7,609

Corporate Profile and Stock Information (As of March 31, 2019)

Corporate Profile

Corporate name	Toyo Kanetsu K.K.	
Headquarters	11-1, Minamisuna 2-chome, Koto-ku, Toky 136-8666, Japan	
Established	May 16, 1941	
Capital	18.58 billion yen	
Number of issued shares	9,323,074	
Share unit	100	
Employees	996 (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 listings	Tokyo Stock Exchange First Section	
Independent auditor	Gyosei & Co.	

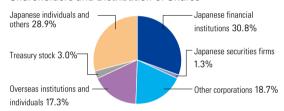
■ Major Shareholders

Number of shares (Thousands)	Shareholding (%)
439	4.85
423	4.68
414	4.58
394	4.36
258	2.85
233	2.58
225	2.49
212	2.35
175	1.94
163	1.80
	shares (Thousands) 439 423 414 394 258 233 225 212 175

Notes: 1 In addition to the aforementioned, the Company holds 283,000 shares of treasury stock.

2 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





Toyo Kanetsu will publish the TKK Report (integrated report) annually beginning in fiscal 2019, with the aim of improving corporate value from an ESG standpoint. We hope this report will serve as a constructive tool for dialogue with all of our stakeholders, and we aim to make the report easier to understand while referencing the opinions of our stakeholders. Please tell us your opinions about this report.

Keisuke Kodama

Director

Senior Managing Officer and Division Manager, Corporate Division

♦ TOYO KANETSU K.K.

Contact Information

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