

TKK REPORT 2023



ACTION
FOR THE FUTURE

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Editorial Policy

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

► Details about results for fiscal 2022, the fiscal year ended March 31, 2023, are available in the *TKK Report 2023 Financial Section*, which is on the Company's website. https://www.toyokanetsu.co.jp/global/ir/tkk_report.html

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

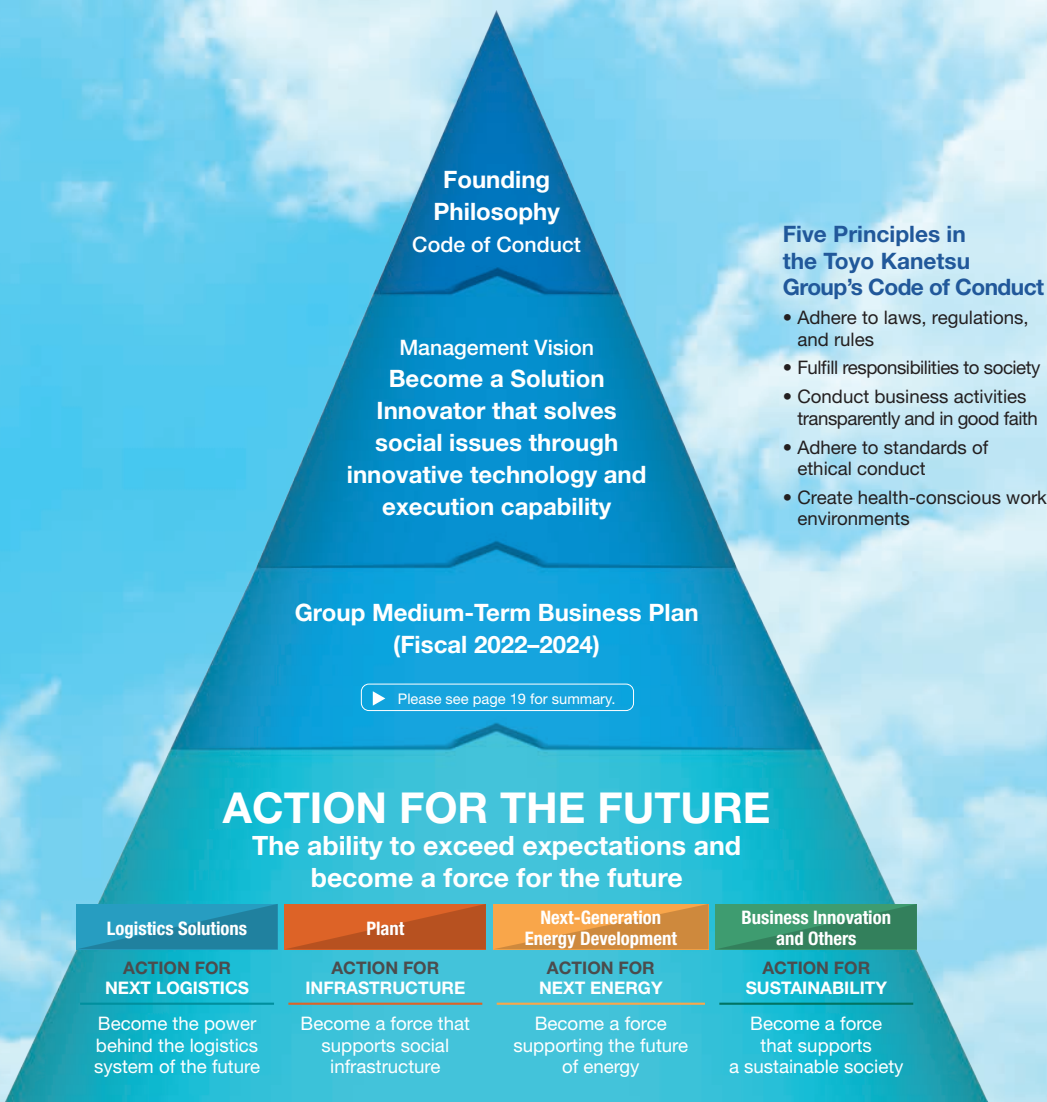
Cautionary Note Regarding Forward-Looking Statements

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

Management Principles

Founding Philosophy

Be Creative, Be Good for Society



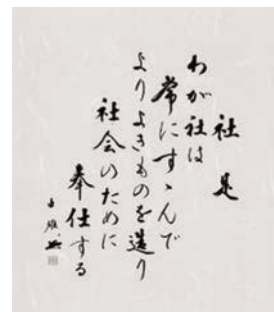
History of Toyo Kanetsu

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

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

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

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



Corporate motto handwritten by Mr. Funo



Yoshio Funo,
our first president

1941
Founding

Founding
Years



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

Plant Business

Providing Energy Infrastructure to Support Rapid Growth



Certificate from the API

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



The first ordered tank built at the Showa Sekiyu Muroran refinery

1955

Concentrated management resources in the tank and conveyor businesses

1969

Changed the Company name to Toyo Kanetsu K.K.



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

Logistics Solutions Business

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



Early conveyor for civil engineering and construction work

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

Plant Business

Contribution to the Expansion of Clean Energy

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



First LNG tanks ordered from Brunei

1970s

1970

Listed on the First Section of the Tokyo Stock Exchange

Logistics Solutions Business

Providing Pioneering Logistics Solutions

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

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



Tri-Planar® three-dimensional conveyor



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

2023

2021

80th anniversary of Toyo Kanetsu's founding

2000s

2022

Moved to the Tokyo Stock Exchange Prime Market

Established the Strengths of Toyo Kanetsu

Next-Generation Energy Development Business

Becoming Carbon Neutral

In fiscal 2022, Toyo Kanetsu completed the development of the underlying technology for large-scale liquefied hydrogen storage tanks, a project subsidized by the New Energy and Industrial Technology Development Organization (NEDO). From fiscal 2023, we are pursuing a new R&D project with NEDO's support in which we will work to make this technology practical, conducting verification experiments of storage tanks through bench-scale testing.



Multishuttle system

Logistics Solutions Business

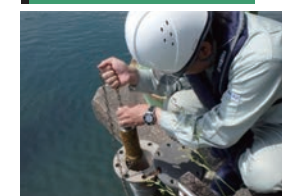
Providing Logistics Solutions That Meet the Needs of Society

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

Toyo Kanetsu has long cultivated its system planning capabilities in logistics centers and in 2023 added Scrum Software Co., Ltd., which specializes in system development for warehouse management systems (WMS), etc., to the Group. Going forward, we will further expand our active fields and strive to become a comprehensive engineering manufacturer.

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

Business Innovation Business

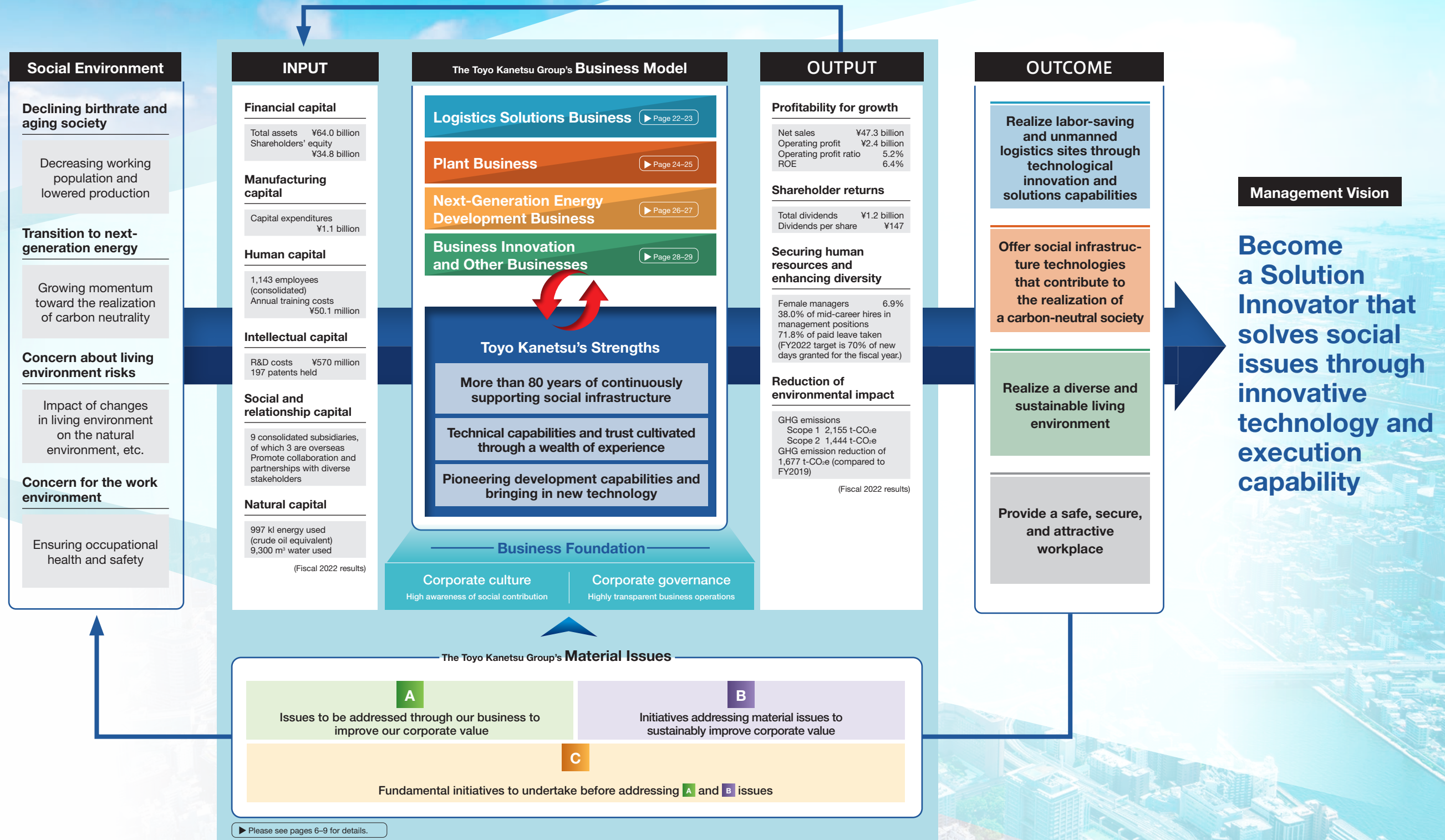


Maintenance and management conducted by an Eco Analysis Corporation employee

The Business Innovation Business is composed of the environmental business, the industrial machinery business, and the building construction business, and we are working to establish it as our third pillar of business. As we advance M&A and collaboration with startups, we are striving to proactively generate synergistic effects through Groupwide open innovation.

The Toyo Kanetsu Group's Value Creation Process

Founding Philosophy "Be creative, be good for society"



The Toyo Kanetsu Group’s Material Issues

1 Basic Approach to Material Issues

The Toyo Kanetsu Group has identified 10 important material issues to prioritize with the objective of sustainably improving corporate value through business activities. By addressing these issues, the Group will ensure sustained growth and financial performance. Our material initiatives are designed to help contribute to the relevant SDGs, and, by proactively working to solve these issues, we will fulfill the role expected of us by society.

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

The Toyo Kanetsu Group has divided its material issues into three categories (A, B, and C) in accordance with their characteristics. The two topics in category A are social issues that could have a major impact on the Group. We will provide value to society and improve corporate value by contributing to the resolution of those two issues, primarily through our business activities. The four topics in category B are important management issues to be addressed in order for the Group to carry out these business activities sustainably. The four topics in category C are prerequisites for improving corporate value.

A	Issues to be addressed through our business to improve our corporate value	(1) Respond to changes in the business environment caused by climate change (2) Respond to the decline in Japan’s population
B	Initiatives addressing material issues to sustainably improve corporate value	(3) Training and utilization of human resources (4) Innovation in technologies and their usage (5) Promote collaboration with partner firms (6) Increase productivity
C	Fundamental initiatives to undertake before addressing A and B issues	(7) Ensure occupational health and safety (8) Execute steadfast compliance and corporate governance (9) Improve risk management (10) Evolve our corporate culture into one that encourages employees to quickly and proactively take on challenges

► Please refer to pages 8–9 for more details about each material issue.

Toyo Kanetsu concluded a Positive Impact Loan agreement with Resona Bank, Limited in March 2023.

Under this agreement, Resona Bank and Resona Research Institute have analyzed and evaluated the impact of Toyo Kanetsu’s initiatives related to achieving the SDGs as well as the material issues identified by the Company. Based on this, the two have set KPIs for Toyo Kanetsu’s next-generation energy-related technological development to achieve carbon neutrality.

In addition, we have obtained a third-party assessment from Rating and Investment Information, Inc. about our compatibility with the Principles for Positive Impact Finance in relation to this evaluation.

► For details, please see the press release published March 22, 2023 (Japanese only). <https://www.toyokanetsu.co.jp/info/2023/0322/000686.html>

3 Process for Identifying Material Issues and KPIs*

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

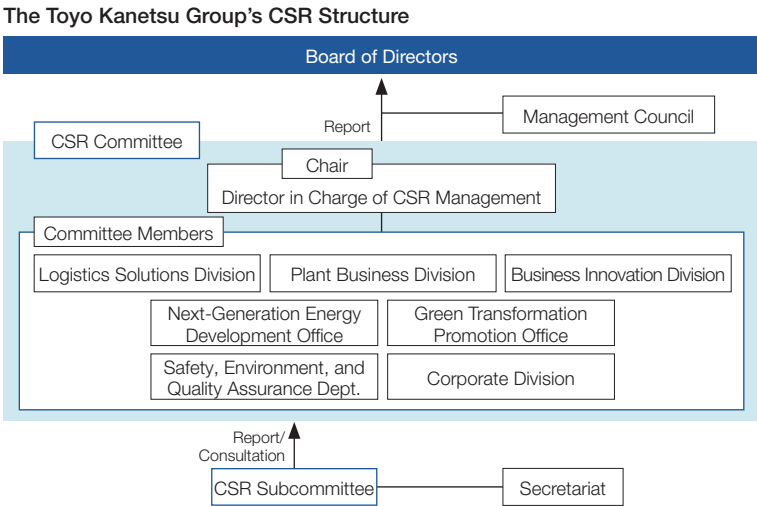
* Key performance indicators: Indicators for visualizing progress toward resolving identified material issues.

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



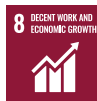



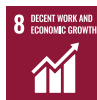


4 The Toyo Kanetsu Group’s Approach

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

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



Material Issues and KPIs

A Issues to be addressed through our business to improve our corporate value										
(1) Respond to changes in the business environment caused by climate change	Climate change may have a major impact on the Company's business environment. There is the risk of a negative impact from weaker demand for storage tanks as energy use shifts away from fossil fuels. While considering measures to combat global warming, the Company will work on projects related to demand for fossil fuel alternatives, such as hydrogen energy, and develop products and services with excellent environmental performance. In these and other ways, Toyo Kanetsu will seek out new business opportunities in a bid to sustain business growth.								 	
				FY	2020	2021	2022	2023 (Target)		Unit
		Scope 1 emissions			1,586	2,214	2,155	2,638*2		t-CO ₂ e
		Scope 2 emissions			3,407	2,928	1,444*2			t-CO ₂ e
		*1 Emissions for fiscal 2022 after carbon offset. *2 Fiscal 2030 target figure is the Scope 1 and Scope 2 total. Note: Toyo Kanetsu and consolidated subsidiaries								
(2) Respond to the decline in Japan's population	It has become harder to secure human resources due to Japan's declining population, which reflects a decrease in the birth rate and an increase in the number of elderly citizens. The Company understands the importance of maintaining attractive workplaces that are comfortable, inclusive of diversity, and conducive to rewarding work. In the Logistics Solutions Business, there is a risk that the contraction in the population will lower the purchasing power of consumers and lead to weaker demand overall. By developing labor-saving systems and taking other steps to counter labor shortages, the Company believes it can turn this into a major growth opportunity.								 	
				FY	2020	2021	2022	2023 (Target)		Unit
		Rate of Annual Paid Vacation Taken			68.4	66.8	71.8	70.0		%
		Note: Toyo Kanetsu, non-consolidated At least 10 days in fiscal 2020 and 13 days in fiscal 2021; the target from fiscal 2022 is set at 70% of new paid vacation days granted for the fiscal year.								
		B Initiatives addressing material issues to sustainably improve corporate value								
(3) Training and utilization of human resources	To sustain growth, the Company must train its employees appropriately, imbuing them with knowledge and technical skills related to its businesses while enhancing leadership skills, international awareness, and responsiveness to changes in the business environment. We must advance measures to secure, train, and deploy diverse human resources.								 	
				FY	2020	2021	2022	2023 (Target)		Unit
		Ratio of female managers*			2.70	5.41	6.85	10.0		%
		* Managers: Group managers and department heads, excluding executive officers (definition changed from fiscal 2021 results) Note: Toyo Kanetsu, non-consolidated (set as a KPI in fiscal 2022)								
		(4) Innovation in technologies and their usage	The development and use of new technologies will allow the Company to provide new products and services while strengthening the competitiveness of existing businesses. Moreover, new technologies are likely to become the driving force behind new business creation. In particular, efforts to develop new technologies in the fields of AI, IoT, robotics, and failure prediction should be effective in resolving the social issue of increasing efficiency in logistics by helping conserve and reduce labor as well as stabilize operations.							
				FY	2020	2021	2022	2023 (Target)	Unit	
Operating Profit per Employee					3,306	2,967	1,950	1,953	Thousands of yen	
Note: Toyo Kanetsu, non-consolidated										
C Fundamental initiatives to undertake before addressing A and B issues										
(7) Ensure occupational health and safety	Safety is a priority in everything that Toyo Kanetsu does. If a safety- or health-related issue arises among our employees, our most important resource, there is a risk that corporate value will be damaged considerably. Since accidents must not happen, the Company is reinforcing its safety-first mindset by creating and implementing safety management plans to prevent accidents from occurring.									
				FY	2020	2021	2022	2023 (Target)		Unit
		Frequency Rate of Industrial Accidents			1.39	1.20	0.33	0		Casualties/ million working hours
		Severity Rate of Industrial Accidents			0.05	0.02	0.02	0		Days lost/thousand working hours
		Number of Fatal Work Accidents			0	0	0	0		Cases
Note: Toyo Kanetsu, non-consolidated										
(8) Execute steadfast compliance and corporate governance	As compliance with laws and regulations is a vital cornerstone of Toyo Kanetsu's execution of trustworthy business activities, the Company requires that all employees maintain a value system in which compliance is their highest priority. In addition, Toyo Kanetsu continuously reinforces its corporate governance system.									
				FY	2020	2021	2022	2023 (Target)		Unit
		Rate of Information Security Training Participation			100	100	100	100		%
		Number of Training Sessions Held on Risk Management			5	6	5	5		Times
		Note: Toyo Kanetsu and consolidated subsidiaries								
(9) Improve risk management	Since Toyo Kanetsu Group engages in operations related to social infrastructure, management responds properly and quickly to demand from society when a problem arises while taking steps to prevent accidents from occurring. As the scope of business expands with the introduction of new businesses and projects overseas and the fabric of society changes with ever greater speed, the risks the Company must address are growing in number and magnitude. Toyo Kanetsu aims to further strengthen its ability and systems for identifying, assessing, and minimizing various risks, for example, by improving its credit and project screening capabilities and strengthening internal security, in addition to stepping up its emergency preparedness around the world.									
				FY	2020	2021	2022	2023 (Target)		Unit
		Commendation System: Improvement Proposal Submission Rate			72.3	70.7	79.8	100		%
		Note: Submission rate = Total number of proposals submitted (Toyo Kanetsu, non-consolidated) ÷ number of eligible Toyo Kanetsu employees at the end of the second fiscal quarter. Total number of proposals is the aggregate; multiple proposals from one person are counted individually.								
		(10) Evolve our corporate culture into one that encourages employees to quickly and proactively take on challenges	In order to advance existing businesses and create new ones, we must nurture a corporate culture where all of our employees can work together as one on challenges in new fields.							
				FY	2020	2021	2022	2023 (Target)	Unit	
Commendation System: Improvement Proposal Submission Rate					72.3	70.7	79.8	100	%	
Note: Submission rate = Total number of proposals submitted (Toyo Kanetsu, non-consolidated) ÷ number of eligible Toyo Kanetsu employees at the end of the second fiscal quarter. Total number of proposals is the aggregate; multiple proposals from one person are counted individually.										



Takashi Owada
President and Representative Director

Initiatives to Expand Business Operations and Establish a Growth Path for the Future

Reflecting on 2022, my first year as president, we faced a variety of challenges, such as the ongoing semiconductor-related part shortages over the past two years, amidst this unstable business environment. While handling these urgent challenges, we aimed our sights a little higher, and it was a year in which we worked internally to revitalize the entire Company as a measure to enhance our social value.

Employees worked independently and actively and good work was done, and I believe this has led to increased productivity and higher profit. A company is held up by its employees.

Based on that idea, I made three promises to our employees when I became president: dreams and fulfillment, open and comfortable workplace, and work status improvement. We have positioned these as extremely important targets, and I discussed each matter thoroughly with our directors and division managers. I got a little over-enthusiastic during these discussions, but we eventually agreed on the direction

to take in creating a company in which each and every employee can take part in the growth of the business.

The first target we focused on was work status improvements. Base salary increases were implemented and we also made one-time cost-of-living support payments. To create an open and comfortable workplace, we deepened exchange within our community by holding technical meetings in which participants could get to know other technologies across the boundaries of business divisions, and I visited bases and service centers myself to hear their opinions firsthand.

On the other hand, through a Companywide employee survey and interviews that I conducted when I first assumed office, I once again found that communication was insufficient. This was the case not only at our headquarters, but also at service centers and sites throughout the country.

With the goal of communicating the Company's status as well as my own thoughts to each employee

in an easy-to-understand manner, I started doing the Owada 845 initiative, in which I do a live stream at the beginning of every month. In past live streams, I have discussed the thought process behind our slogan, "ACTION FOR THE FUTURE," made requests to employees, introduced Group companies and bases as well as financial results, and touched on various themes related to dreams and fulfillment. Another effort towards work status improvements was the live stream I did calling for employees to join the Toyo Kanetsu Employee Stock Ownership Plan. Of course, increasing the incentives and compensation for enrollment offered each month helps build the assets of every employee, but joining the plan has the added benefit of increasing engagement.

In fiscal 2023, in addition to internal information sharing, I also promised to increase opportunities for disseminating information outside of the Company. Sharing the Company's status and future policies externally will lead to internal rejuvenation and synergistic effects, including the enhancement of corporate value. Fiscal 2023 was the second year of the Medium-Term Business Plan, a critical time for achieving the targets of the plan. Achieving these targets is important, but I believe growth for the future will be driven by every division setting and achieving their own high goals. I think that if we take "ACTION,"

there will be both successes and failures. And, even failure plays a role as we correct errors and connect lessons learned to the next step towards success.

Reflecting on the First Year of the Medium-Term Business Plan

Next, I will discuss the initiatives aimed at realizing the policy of the Medium-Term Business Plan, "Establish a Growth Path for the Future."

Logistics Solutions Business

The Logistics Solutions Business, which has grown into the Toyo Kanetsu Group's largest business, handles solutions for distribution centers, including picking, sorting, conveyor belts, and storage systems, and specializes in e-commerce, co-ops, airports, and 3PLs.

The digital picking system the Company introduced to Japan from the United States in the 1980s was adapted to support co-op operations and, since then, has been adapted to meet the needs of the times along with its deployment at co-ops throughout Japan. The e-commerce market has expanded rapidly, and the Company continues to utilize the knowledge it gains to meet the needs of the e-commerce logistics centers for same-day delivery.

Positioned as a material handling manufacturer that specializes in logistics and shipping systems, Toyo Kanetsu has long been proposing and building systems focused on shipping, the main challenge for distribution centers. However, Japan's upcoming "logistics 2024 problem," which will see an overtime cap being applied to truck drivers starting from April 2024, is now a major point of discussion. Among other changes, shipping companies will need to reduce truck drivers' waiting time for cargo. To address this issue, we have expanded our scope of operations beyond warehouse logistics and have begun creating a warehouse system for managing entire distribution centers. Specifically, we are developing our warehouse management systems (WMS), thereby contributing to efficiency improvements at distribution centers.

However, simply adding WMS into our proposed solutions will not sufficiently differentiate us from other companies. A distribution center serves as a buffer between shipping and receiving, and we are trying to build a WMS that allows customers to dynamically change the way they operate thanks to the use of our shipping and receiving technology. This is what will set us apart from other companies.

Specifically, we are aiming to differentiate ourselves in the field of demand chain logistics solutions. In recent years, shipping conditions and product lineups have been changing drastically along with shifts in consumer preferences. Because of this, we are considering ways of enhancing efficiency, for example, by creating demand forecasts based on customers' user data that can be combined with our WMS to direct changes in storage location and shipping method even before orders come in.

Plant Business

Toyo Kanetsu has a track record as a world-leader in LNG and crude oil tank manufacturing, and we consistently provide total tank installation and

maintenance services, including planning, cleaning, inspection, and repair for approximately one hundred tanks across Japan. Since these inspections are required by the Fire Service Act, we can expect this business to be a stable source of profit. On the other hand, as the aging of engineers becomes a more serious issue across the entire energy industry, maintaining and passing on technology has also become a challenge for Toyo Kanetsu. To address this, in 2021, we established TKK Plant Engineering K.K. At TKK Plant Engineering K.K., we are flexibly securing human resources and promoting the training of young human resources to learn the skills and design technology of onsite supervisors. Going forward, by collaborating with our partner companies, we will respond to ongoing tank maintenance demand.

Next-Generation Energy Development Business

In the Next-Generation Energy Development Business, we are working to supply storage tanks for fuel ammonia, liquefied CO₂, liquefied hydrogen, and other next-generation energy sources that we expect will be needed in the future. In April 2023, the Green Transformation Promotion Office and the Next Generation Energy Development Office were established directly under the president to further strengthen these efforts. Due to the large scale of investment in storage tanks and the long time period from order to delivery, we decided to separate it from the Plant Business, as, going forward, a different way of doing business will need to be adopted. I also wanted to get even closer to our customers and learn more about their real situations, so in fiscal 2022, we reorganized these departments under the direct control of the president.

Next-generation energy storage tanks can utilize the technology cultivated for cryogenic LNG storage tanks as well as for the manufacture of various other large storage tanks. As ammonia is a clean energy



hydrogen carrier, we expect sales of ammonia storage tanks to pick up in the future, and we already have experience in delivering such tanks for chemical fertilizers overseas. This technology can also be applied to fuel ammonia. We can apply the technology for our large spherical tanks and petroleum storage tanks for low-temperature materials that we have delivered around the world to liquefied CO₂ and methylcyclohexane (MCH), another hydrogen carrier, and I believe we will be able to handle the needs of the hydrogen society of the 2030s. Specifically, we completed a technical review of our liquefied CO₂ tanks in fiscal 2022, and we have the technology to fully support production until delivery. We have now established systems for sales, procurement, and construction, and are preparing to implement them, so we have the technology and structure ready to immediately handle any inquiries we may receive. There are many tank manufacturers across the world, but I can proudly say that Toyo Kanetsu is the only company that can supply these, backed by the project driving force that has thus far delivered more than 5,700 tanks in Japan and overseas.

Business Innovation and Other Businesses

In Business Innovation and Other Businesses, we are expanding existing areas through M&A and corporate venture capital investment methods while maintaining our focus on the businesses developed by four of our Group companies.

The markets for both Kankyo Research Institute Inc., which does research and analysis in the environmental field, mainly for asbestos, and Eco Analysis Corporation, which conducts equipment maintenance and surveys on lifestyles and the environment, are expanding. In the industrial machinery business handled by Toyo Koken K.K., demand began to recover after slowing down during the COVID-19 pandemic, but in Toyo Kanetsu Builttec K.K.'s construction business, the environment

remained severe due to soaring construction material and construction costs.

I believe that we can still expand these businesses by responding to living environment risks. By pursuing the M&A of companies that develop businesses in environmental fields adjacent to those of our existing businesses, we will work to solve emerging environmental problems, a major social issue, while tackling issues associated with the declining working population and ensuring the stable supply of energy.

Specific Initiatives for Growth Strategies

Whenever I have an opportunity, I proactively communicate about Toyo Kanetsu's WMS in our mainstay Logistics Solutions Business. This is because, despite the strength of our reputation in the area of shipping systems, our reputation in the area of WMS that it is of limited scope, but I would like to dispel this. In fiscal 2023, we will work to expand our business and enhance our reputation in this area.

One initiative we are undertaking is to expand our customer domain. Toyo Kanetsu excels at providing logistics solutions for such businesses as co-ops and e-commerce providers, but I believe that the knowledge we have cultivated in logistics can also be applied to the manufacturing industry. We will proactively approach new areas by collaborating with other companies.

The second initiative is expanding our business scope. As I mentioned previously, this means expanding from shipping systems to entire logistics centers, as well as the initiatives for both before arrival and after shipping. In other words, we aim to transform from a material handling manufacturer with a specialty in shipping systems to a comprehensive engineering manufacturer. To realize this, we invested in FIRST ORDER Co., Ltd. in fiscal 2022, and made Scrum Software Co., Ltd. a subsidiary in fiscal 2023.

The third initiative is to expand our consultation expertise beyond onsite operations at logistics centers and thereby give our customers' management teams a better understanding of Toyo Kanetsu.

Expanding our customer base, expanding our business scope, and consulting at the management level—I see these as the three initiatives for business expansion.

The Plant Business is responsible for handling storage tank maintenance, which we expect to maintain a certain level of demand. Furthermore, at the maintenance planning stage for petroleum wholesalers, a Toyo Kanetsu customer industry, we come in and make proactive repair proposals based on our knowledge and past results.

However, we do not stop at tank maintenance. We are actively meeting new storage demand with the development of technologies for new tank construction and the renovation of existing facilities. Moreover, we are expanding our scope of activity to such areas as sustainable aviation fuel (SAF), which has been attracting attention in recent years. We will also implement digital transformation at business sites, and develop measures to prevent heatstroke, etc., and work to ensure the health and safety of onsite workers.

In fiscal 2022, the Next-Generation Energy Development Business completed R&D into the underlying technology needed to create large-scale

liquefied hydrogen tanks, a project that was subsidized by the New Energy and Industrial Technology Development Organization (NEDO). In fiscal 2023, we will start a new R&D project, also subsidized by NEDO, involving a proof-of-concept experiment using bench scale test tanks for liquefied hydrogen storage. Toyo Kanetsu is pursuing R&D with the end goal of realizing the commercialization of a large-scale, 50,000 m³-class tank by putting flat-bottomed cylindrical liquefied hydrogen tanks into practical use, which is part of NEDO's Technology Development Roadmap for Fuel Cells and Hydrogen published in March 2019, and we are working on schedule to complete the experiment in 2027. The Japanese government has announced a policy to lower the price of hydrogen to one-third of its current price by 2030, so that year is expected to be a turning point in the practical application of hydrogen.

Finally, in the Business Innovation and Other Businesses, I believe that enhancing the competitiveness of every Group company will lead to business expansion. For example, Eco Analysis Corporation's maintenance work for environmental air and water quality measuring equipment has established a good reputation with various government authorities across Japan, and the company also contributes to society through environmental field surveys.



In addition to its usual field of asbestos investigation and analysis, I believe that Kankyo Research Institute Inc. will be successful in further broadening its scope of offered value by expanding into the environmental consulting and solution proposal business.

For Toyo Koken K.K., I believe we can expect a rise in replacement demand for industrial machinery in light of society's growing needs for labor-saving, automation, and safety technologies at factories and construction sites.

In the course of promoting the growth of each Group company, we will expand our business, create synergistic effects, and conduct M&A. Reflecting what I have covered in this message, our long-term business portfolio is anticipated to grow as shown in the below diagram. We aim to transform the Logistics Solutions Business into a highly profitable business by expanding its scope, and the Plant Business will continue to enjoy stable earnings in its maintenance business. Although the Next-Generation Energy Development Business can be largely impacted by national policy, we would like to support carbon

neutrality through the realization of a hydrogen society by providing ammonia and CO₂ storage throughout the transitional period. I believe that we can create synergy in the Business Innovation and Other Businesses through the M&A of environmental companies.

Realize Growth Investment for the Next Period of Rapid Growth

I believe there are three main pillars of growth investment: M&A of environment-related companies, M&A and investment to expand the Logistics Solutions Business domain, and investment in BCP measures.

The investment policy we set for investing a cumulative total of ¥10 billion over the three-year period of the Medium-Term Business Plan has not changed since the plan began in fiscal 2022. Moving beyond M&A targeting environment-related companies, I would like to pursue investment and M&A aimed at reinforcing the Logistics Solutions Business. As I mentioned previously, we have acquired FIRST ORDER and Scrum Software with this goal in mind and

to accelerate our important WMS development. In terms of BCP measures, currently, the Wakayama Plant is the "mother" plant, and we have built a production structure in collaboration with our subcontractors. Thanks to these measures, in the case of an emergency such as a natural disaster, the production system will not be immediately affected. We would like to make the appropriate investments in BCP measures in light of potential disaster risks from climate change.

Establishing a Growth Path for the Future

Putting Toyo Kanetsu on a growth path means balancing the prioritization of profit against expansion in scale. Business expansion is a phrase I have been using frequently, and as we work to reinforce Toyo Kanetsu's resources, I believe that human resource strategies and M&A are our most urgent challenges.

It is also critical to realize management that is conscious of cost of capital and share prices. Fiscal 2022 results included a total shareholder return (TSR) of 105.4%, and we are continuing to acquire treasury stock, as well as continuing to sell cross-shareholdings to maintain a ratio of 20% or less of cross-shareholdings to consolidated net assets. In fiscal 2023, we acquired ¥1.2 billion in treasury stock. Moving forward, we will continue to sell cross-shareholdings. In addition to these measures, I believe that having the trust of our stakeholders as well as that of society will lead to enhanced corporate value over the medium to long term. Accordingly, we will expand measures aimed at encouraging market dialogue, for example, holding multiple financial results briefings, one-on-one meetings with institutional investors, and IR seminars for individual investors, so that the Toyo Kanetsu Group is more widely and deeply known. To further progress toward establishing a growth path for the future, I would like to enhance our corporate value by promoting M&A and IR strategies.

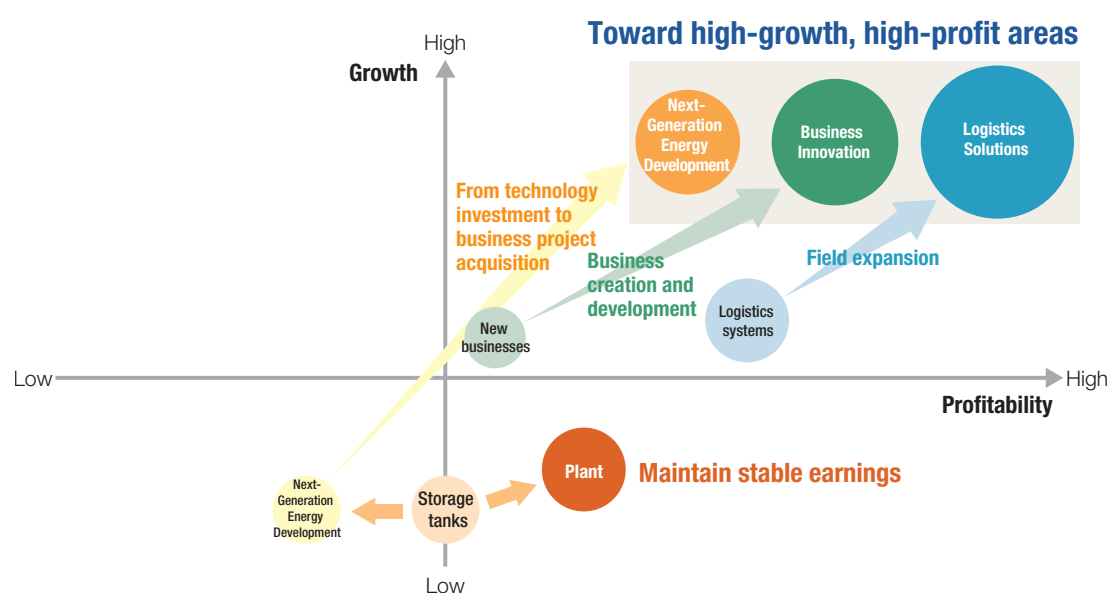
Aiming for ESG Management Unique to Toyo Kanetsu

By implementing ESG management, we have made great progress regarding the environmental aspects of our business. For comparison, the Toyo Kanetsu Group's GHG Scope 1 and 2 emissions were approximately 5,000 t-CO₂e in fiscal 2019. In fiscal 2022, however, our emissions were down to approximately 3,600 t-CO₂e thanks to the implementation of Scope 2 carbon offset measures. Our policy is to advance our participation in such green initiatives as engaging in environment-related investment, converting Company cars to EVs, and expanding solar power generation facilities.

On the social side, as part of creating a lively workplace for every employee, we have been recognized as a Certified Health & Productivity Management® Outstanding Organization for the second consecutive year, and also acquired the "Tomonin" mark, which promotes workplace environments that enable employees to balance work and nursing care. The use of childcare leave by male employees is a current issue, and after the success of appeals from the human resources department that started in 2023, attitudes toward using childcare leave have improved around the Company, and leave was actually taken. On top of creating a corporate culture that encourages the free and open exchange of opinions, I believe that creating an environment in which employees can work comfortably and healthily will lead to improved corporate management and stronger governance.

On the governance side, we appointed two new female outside directors to the Board in fiscal 2022. In addition to appointing outside directors as half of the Board of Directors, we strengthened our governance by establishing the independent Nominating Advisory Committee and the Compensation Advisory Committee, both of which are chaired by an outside

Future Portfolio Changes Over the Long Term





director in addition to having memberships comprising a majority of outside directors. I myself have witnessed firsthand how much more lively the Board of Directors' discussions have become.

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

Every Employee Working Together to Take "ACTION"

Toyo Kanetsu's Founding Philosophy is "Be Creative, Be Good for Society." We will help solve the social issues that are besetting global society, including declining birthrates, aging populations, energy challenges, and environmental problems.

I feel very strongly about the word "ACTION" in our slogan, "ACTION FOR THE FUTURE." Toyo Kanetsu has a strong corporate culture with many very earnest employees as well as a serious commitment to taking on the goals and challenges that lie ahead. However, there is a cautious side to the Company that tends toward hesitation when taking on challenges,

so I am always encouraging our employees to take the chance if there is at least a 60% probability of success. I would like everyone to add boldness to their characteristic skills as they continue to take "ACTION." Through a combination of new technologies and our 83 years of experience, we aim to provide completely new solutions to the world and respond swiftly to its rapid changes as well as to inspire hope for the future and help solve social issues so that they can have vibrant lifestyles. Every Toyo Kanetsu employee will work together to continue taking "ACTION" as we move forward toward our 100th anniversary.

Finally, I would like to thank all of our stakeholders for their continued support.

President and Representative Director

Summary of the Group Medium-Term Business Plan (Fiscal 2022–2024)

Medium-Term Management Policy

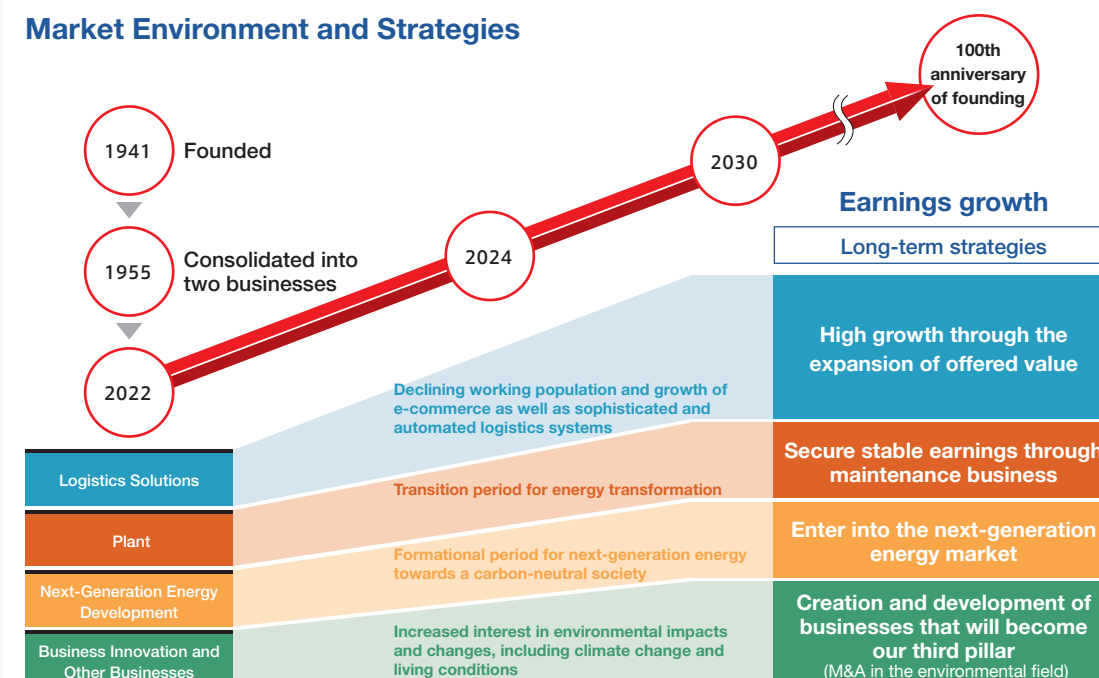
Establish a growth path for the future

Slogan

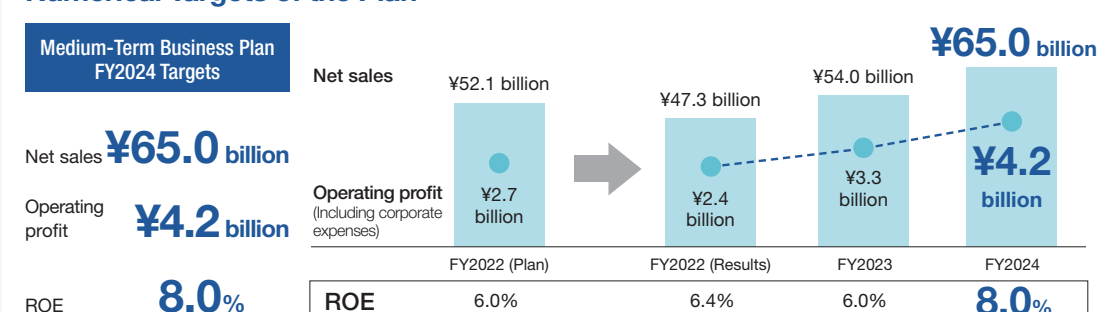
ACTION FOR THE FUTURE

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

Market Environment and Strategies



Numerical Targets of the Plan



		Net sales	Operating profit		
Logistics Solutions	¥31.0 billion	¥28.0 billion	¥32.6 billion	¥36.4 billion	
	¥3.1 billion	¥2.6 billion	¥3.3 billion	¥3.7 billion	
Plant	¥9.0 billion	¥8.5 billion	¥8.5 billion	¥8.5 billion	
	¥380 million	¥560 million	¥450 million	¥450 million	
Next-Generation Energy Development	¥2.0 billion	¥1.0 billion	¥1.6 billion	¥2.4 billion	
	(¥470 million)	(¥730 million)	(¥500 million)	(¥260 million)	
Business Innovation and Other Businesses	¥10.1 billion	¥9.7 billion	¥11.3 billion	¥17.7 billion	
	¥800 million	¥1.0 billion	¥940 million	¥1.2 billion	

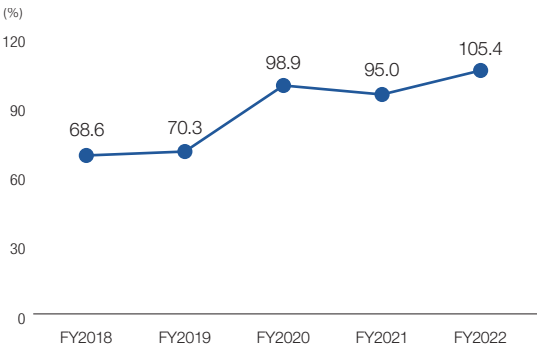
► For details, please see the Group Medium-Term Business Plan for fiscal 2022–2024 (Japanese only). https://www.toyokanetsu.co.jp/pdf/2022/toyo_kanetsu_2833.pdf



Fiscal 2022 Performance Assessment

In the financial results for fiscal 2022 (ended March 31, 2023), profits increased primarily in the environmental business and the industrial machinery business of the Business Innovation and Other Businesses. However, due to the continued impacts on the Logistics Solutions Business of parts shortages that began during the COVID-19 pandemic, the effects of operations adjustments within manufacturing and construction processes. In the Next-Generation Energy Development Business, there was a delay in a planned new tank installation project and other factors. As a result, consolidated net sales and operating profit were lower.

Total Shareholder Return (TSR)



Progress of the Group Medium-Term Business Plan

In line with our basic policy under the current Medium-Term Business Plan of establishing a growth path for the future, we planned and implemented measures to further the strategies for each business; however, the business environment remained uncertain due to social turmoil such as the COVID-19 pandemic and hesitancy around next-generation energy progress. As a result, progress lagged in the first fiscal year of the plan.

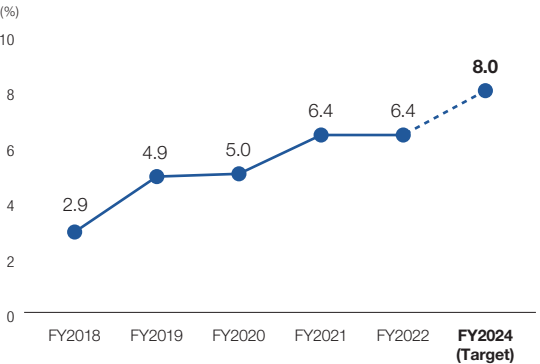
In fiscal 2023, although there are concerns about inflation due to rising interest rates, a weaker yen, and increasing prices, we will work to improve process progress by softening the parts shortage, secure continuous stable earnings through the tank maintenance business, and strengthen activities to win orders for storage tanks that help reduce GHG emissions. Furthermore, by pursuing the M&A of companies that could become a pillar of future business and collaborating with startups, we will accelerate the creation and development of new corporate value.

Capital Policy, Shareholder Return Policy, and PBR

Toyo Kanetsu's capital policy and shareholder return policy have remained unchanged since we announced the current Medium-Term Business Plan in May 2022, and we will flexibly implement measures to improve total shareholder returns, increase the dividend payout ratio to at least 50%, and enhance total dividends.

One of the management challenges we face is our share price trending lower than the dissolution value. We plan to improve our price book ratio (PBR) by steadily raising business revenue in order to boost

ROE



the share price and will work toward our fiscal 2024 target of ROE at 8.0% while maintaining an appropriate equity ratio.

Growth Investment and R&D Investment Progress, Future Investment Policies, and Financing Plan

To create new corporate value, in addition to pursuing M&A targeting IT companies with the goal of expanding business in the warehouse management system (WMS) field, we are investing in R&D focused on large-scale liquefied hydrogen tanks. In addition, in line with our business continuity plan we are investing in measures aimed at ensuring the resilience of our plants and facilities against natural disasters stemming from climate change.

Our proactive policy is to invest in growth by utilizing both funds on hand and interest-bearing liabilities to maintain a balance of cost of capital and return on capital.

Basic Approach to Human Resources and Future Vision

Toyo Kanetsu's Management Vision is to "Become a Solution Innovator that solves social issues through innovative technology and execution capability," and in line with our slogan, "ACTION FOR THE FUTURE," our basic human resources policy is to cultivate a workforce that boasts abundant creativity, strong critical thinking skills, and reliable expertise.

Also underlying this policy is the Company's Founding Philosophy, "Be creative, be good for society." To realize the spirit of this philosophy, we recognize that we need human resources who are constantly working to solve future social issues, who can continuously contribute, and who are broad-minded.

In the current VUCA* era, the importance of having human resources who can flexibly respond to changes and communicate proactively is increasing, and we would like to produce a great number of human resources with these such capabilities as we approach the 100th anniversary of our founding.

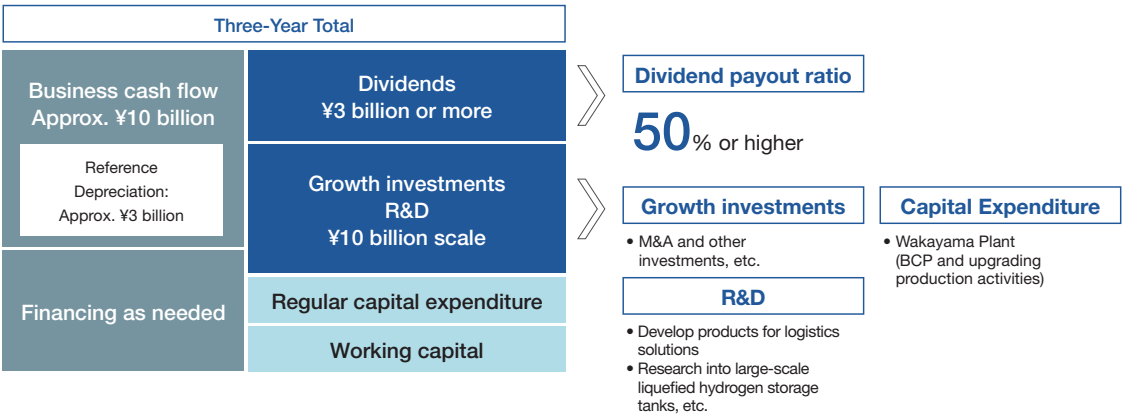
* Stands for volatility, uncertainty, complexity and ambiguity—qualities that make a situation or condition difficult to analyze, respond to or plan for

Outlook for Fiscal 2023

In fiscal 2023 (ending March 31, 2024), we anticipate net sales of ¥54.0 billion, operating profit of ¥3.3 billion, ordinary profit of ¥3.5 billion, and profit attributable to owners of parent of ¥2.4 billion, with higher revenues and income compared with the previous fiscal year.

The Company forecasts that foreign exchange rate fluctuations will have a limited impact on operating profit as foreign currency-denominated imports and exports account for only a few percentage points of both net sales and manufacturing costs. Moreover, the contributions of our overseas subsidiaries, which are converted into yen and included in non-operating income, are expected to have an only slight impact at the ordinary profit level. In addition, we forecast that higher wages, prices, and interest rates will add to costs in the current fiscal year and onward, which could have a negative impact on the Company's performance. However, because both the assets and liabilities of overseas Group companies are converted into non-operating profit and loss, ordinary profit may be affected by exchange rate fluctuations. By steadily advancing the measures laid out in our Medium-Term Business Plan, we hope to mitigate the negative impact of cost increases by raising our top line and improving profit levels in fiscal 2023 and beyond.

Medium-Term Business Plan Financial Strategy



Logistics Solutions Business

We provide high-quality, advanced logistics systems that empower our customers and solve problems and issues facing society today.

Yasunori Kobayashi

Senior Executive Officer
Division Manager,
Logistics Solutions Division



Value Propositions

- Automate customer processes with next-generation robotics systems to achieve a reduction in labor needs, greater accuracy, and efficiency.
- Utilize customer supply chain and logistics data for better efficiency and productivity in warehouse operations.
- Ensure the smooth, continuous operations of logistics systems with superior maintenance services, contributing to a robust social infrastructure.

Business Environment

- ⬆ Increase in demand for change in the work environments, particularly more automation and greater flexibility to meet changing business conditions.
- ⬆ Increase in demand for automated logistics solutions to address the declining workforce due to rapid aging and declining birthrates.
- ⬆ Changes in consumer modes of behavior since COVID 19, driving new demand for at-home shopping and faster delivery times.
- ⬇ Depreciation of yen against major currencies, inflation, and rising labor costs due to tight labor supply, which are pushing companies to maximize investment and cut costs.
- ⬇ Greater sophistication and development in e-commerce and other distribution warehouse operations.

Competitive Advantages

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

Issues

- ▶ Serve customers with logistics systems and maintenance programs in order to meet the demands of a new generation.
- ▶ Maximize customer benefit and solve problems with the intelligent, streamlined application of new technologies.

Business Strategy for the New Medium-Term Business Plan

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

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

FY2024 Targets

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

Priority Measures

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

Review of Fiscal 2022

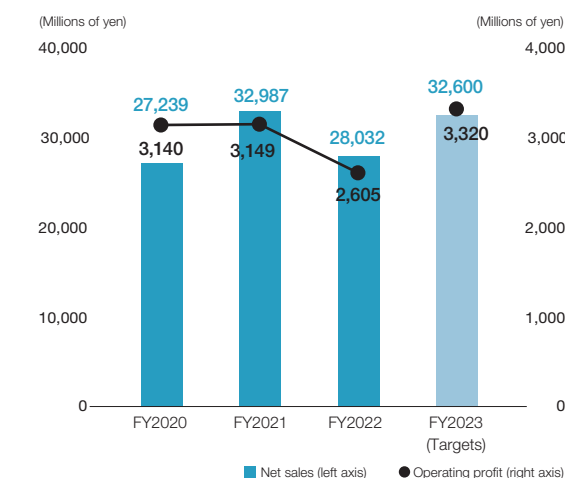
During 2022, we experienced lingering effects from the pandemic, such as shortages in semiconductors and other critical parts, however, we were able to still deliver on-time to customers. Unfortunately, the measures implemented to address these shortages, combined with an overall rise in costs led to a decrease in sales and operating profit.

The maintenance service business, however, showed robust growth, prompting the company to establish an additional four satellite bases in the Kanto region to address an increase in the demand associated with the rise of warehouse and distribution centers along Ken-O expressway.

We expanded our global reach for Japanese customers by establishing three new partnerships, providing said customers with the world's best, state-of-the-art solutions such as AMRs (Autonomous Mobile Robots). These technologies, combined with our other products and expertise developed over decades, help customers improve efficiency, reduce warehouse footprint, and control labor costs in fields

where we already have a strong presence while opening up new avenues of growth.

Net sales / Operating profit



Forecast for Fiscal 2023

By the end of fiscal 2023, we expect parts shortages to ease, while sales and profit should increase as we move forward in fulfilling our order backlog. In May, we purchased Scrum Software Co., Ltd, a logistics software development company, making it a subsidiary, and giving the company greater leverage and expertise in developing next generation WMS (Warehouse Management Systems). With the help of Scrum Software and our experience as a material handling system equipment manufacturer, we can harness a wealth of information and experience, and apply it to the improvement and development of advanced software systems.

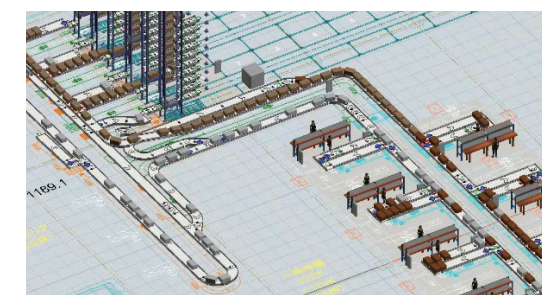
Furthermore, we adopt an innovative approach to incorporating and developing new solutions and

technologies, such as AMRs, AI and IoT to enhance our current offerings. New technologies, combined with our flagship, time-tested products such as Multishuttle Systems and GTP (Goods-to-Person), a process where goods are delivered to a workstation to be picked without walking, give customers a wide variety of options and ideas to choose from as they make their journey to greater automation.

At Toyo Kanetsu we will continue to be the leader in new and innovative logistics solutions by utilizing our vast expertise in material handling along with increasing amount of information and data in an increasingly complex logistics environment.



AMRs



Utilizing 3D layouts to help improve logistics center efficiency

Business Overview

Plant Business

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

Hiroshi Ohgi

Senior Executive Officer
Division Manager, Plant Business Division
Assistant to the Green Transformation
Promotion Office



Value Propositions

Provide highly reliable social infrastructure

Business Environment

- Decrease in demand due to the consolidation of petroleum and chemical plants
- Stagnant plant-related capital expenditure due to heightened geopolitical risks
- Ongoing legal inspections and maintenance demand associated with tank safety assurance

Competitive Advantages

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

Issues

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

Business Strategy for the New Medium-Term Business Plan

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

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

FY2024 Targets

Net sales

¥8.5 billion

Operating profit

¥450 million

Priority Measures

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

Review of Fiscal 2022

Sales decreased compared to the fiscal 2021 results and planned values, but profit increased thanks to an emphasis on profitability and on-site efficiency.

For over half a century, Toyo Kanetsu has contributed to the maintenance of a stable energy infrastructure by delivering large-scale storage tanks to countries around the world and by providing the technologically advanced maintenance services that such facilities require. In the storage tank maintenance business, we regularly carry out legally required inspections and maintenance for more than a hundred tanks across Japan and, by introducing technologies that improve work efficiency in these sites, such as new automated welding methods, we have implemented the evolution of our technologies.

In addition, to improve the safety of on-site working environments through digital transformation, we set up on-site computer monitors to communicate the latest safety information. We also set up heat stroke prevention sensors to ensure the health of our and our partner companies' employees.

(Millions of yen)

	FY2022	FY2023 (Targets)
Net sales	8,508	8,500
Operating profit	560	450

Forecast for Fiscal 2023

Drawing on our strong project execution capabilities, advanced technology, and extensive delivery record of large-scale storage tanks, we will continue to demonstrate consistent management from order receipt to the execution of construction and tank maintenance while striving to secure stable earnings. Due to the consolidation of the petroleum and chemical industries and the decline in demand for petroleum products, the general consensus is that plant-related capital expenditure will continue to slow. However, we expect demand for tank maintenance to continue in Japan to ensure the safe

operation of existing infrastructure. Despite such issues as the aging of site supervisors and a shortage of successors, we will work to maintain good relationships with our partner companies, improve the work environment together with TKK Plant Engineering, and strive to secure and develop construction systems and cultivate on-site human resources. We will continue to support energy infrastructure worldwide with our storage technologies, based on our long history and experience in ensuring the safe and stable supply of energy infrastructure.



Enhancing work efficiency with new automated welding method



Safety information monitors and heat stroke sensors

Next-Generation Energy Development Business

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

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



Value Propositions

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

Business Environment

- Decrease and stagnation in demand for new conventional tank construction due to the global energy situation
- Transition to next-generation energy towards a carbon-neutral society
- Growing importance of next-generation energy storage technologies for hydrogen, fuel ammonia, and liquefied CO₂

Competitive Advantages

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

Issues

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

Business Strategy for the New Medium-Term Business Plan

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

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

FY2024 Targets

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

Priority Measures

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

* A liquid made through the combination of hydrogen and toluene. It is one of the most notable hydrogen carriers.

Review of Fiscal 2022

Due to a cancelled new tank construction project and being still in the upfront investment phase regarding next-generation energy tank R&D, we did not achieve our planned figures. In R&D, we have completed technical research on the large-scale liquefied CO₂ storage spherical tank necessary for CO₂ capture, reutilization, and storage. For ammonia tanks, which we have a track record of supplying, we expanded customer support and order-winning activities in preparation for the construction phase. Going

forward, we will continue to work on acquiring technological capabilities and participate in the next-generation energy society.

	(Millions of yen)	
	FY2022	FY2023 (Targets)
Net sales	1,043	1,600
Operating profit	(734)	(500)

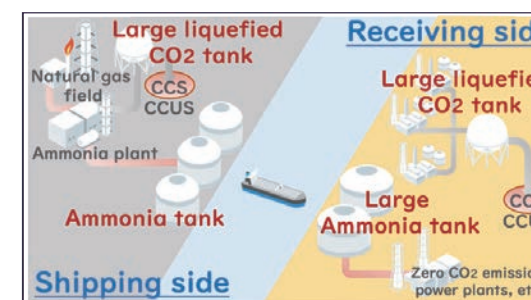
Forecast for Fiscal 2023

In April 2023, the Next-Generation Energy Development Center was reorganized into the Green Transformation Promotion Office and the Next-Generation Energy Development Office, an organization directly under the president, to further promote R&D and win orders for the next-generation energy storage tanks that will enable the move toward the goal of a carbon-neutral society by 2050.

During the transition period to next-generation energy by 2050, we believe that demand will start increasing gradually for ammonia and liquefied CO₂ storage tanks in the mid-2020s and for hydrogen storage tanks from around 2030. We can already

deliver ammonia and liquefied CO₂ storage tanks, so we will promote activities to win new orders.

As for hydrogen, as part of a new project subsidized by the New Energy and Industrial Technology Development Organization (NEDO), we are participating in a R&D project aiming to commercialize large-scale liquefied hydrogen tanks, and are planning demonstration testing with a small test tank, for step-up of our R&D business. We will continue to deliver storage tanks for next-generation energy, drawing on the technical and project execution capabilities we have cultivated over our history.



Next-generation energy storage concept



Tank plant equipment concept

Business Overview

Business Innovation and Other Businesses





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

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



Value Propositions

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

Environmental Business	Kankyo Research Institute Inc.  Comprehensive environmental consulting, investigation, measurement and analysis of asbestos, sick houses, noise/vibration, odor	Toyo Koken K.K.  Design, manufacture, installation, and sales of labor-saving machinery for construction and production sites (winches, industrial manipulators, etc.)
	Eco Analysis Corporation  Maintenance and management of equipment for continuous environmental measurement such as that of air and water quality, environmental surveys for large-scale public works, related system development	Toyo Kanetsu Builttec K.K.  Building construction of a variety of small and medium-sized properties such as condominiums, welfare-related facilities, and stores, etc., rental and sale of gondolas (suspended scaffolds), and steel pipe business for construction sites

Acquire Groupwide synergies and opportunities for external collaboration

M&A	<ul style="list-style-type: none"> Introduce new technologies to strengthen existing businesses Enter into growth areas through medium- to long-term business creation Create new pillars of business that go beyond the boundaries of existing businesses
Collaboration with start-ups	

Business Strategy for the New Medium-Term Business Plan

Slogan	ACTION FOR SUSTAINABILITY Become a force that supports a sustainable society	
Basic Policy	Take on the challenge of establishing a third business to accelerate the Group's growth	
FY2024 Targets		
Net sales	¥17.7 billion	Operating profit
	¥1.2 billion	
Priority Measures		
Measure 1	Achieve business expansion, including through environmental business-related M&A	
Measure 2	Stabilize earnings by strengthening the competitiveness of Group companies	
Measure 3	Reform business model through the application of proprietary technology and know-how and external collaboration	

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

Business Innovation and Other Businesses

Competitive Advantages

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

Issues

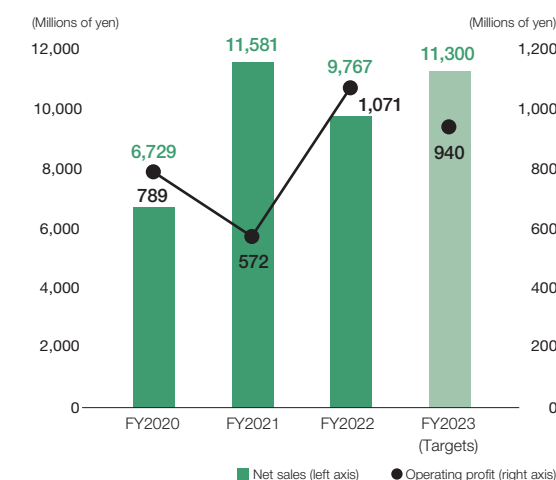
- ▶ Reinforcing responsiveness to changes in the business environment
- ▶ Securing stable profitability and market position
- ▶ Increasing added value by leveraging synergies among companies and promoting open innovation

Review of Fiscal 2022

In the Environmental Business, we achieved significant increases in sales and profit by leveraging Group synergies in the field of asbestos research and analysis. We also secured stable earnings from continuous environmental monitoring solutions, including the maintenance and inspection of environmental measurement equipment for publicly owned offices. In the Industrial Machinery Business, we successfully expanded sales of our mainstay products, setting a new profit record. In the Building Construction Business, although there was a reactionary decline in large-scale projects, there was an increase in projects in such areas as the repair of existing buildings and the rental and installation of gondolas, leading to an overall increase in profit. We also promoted activities to deepen collaboration between startup companies we invested in through our corporate venture capital and Group companies. In addition, we participated in startup accelerator programs launched by financial institutions, etc., and promoted innovation in our

business fields by networking with startups, investors, and universities.

Net sales / Operating profit

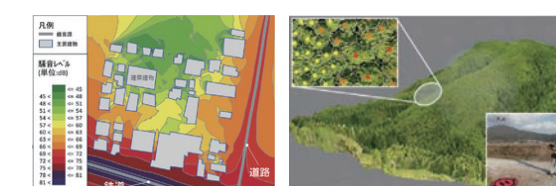


Forecast for Fiscal 2023

To further develop the Environmental Business, we will continue to aggressively pursue M&A opportunities in business areas with growth potential.

We will strengthen the competitiveness of the existing Environmental Business by entering new markets and focusing on technological innovation. We will nurture the environmental solutions business through field research and analysis, one of the Group's strengths, in line with recently growing themes like carbon neutrality, renewable energy usage, and biodiversity. We are developing new methods of environmental assessment for living and work spaces through quality measurements, including of CO₂ concentration and humidity, and by utilizing instruments that can continuously measure noise,

dust, and other aspects of the environment. In addition, we will focus on such themes as achieving food supply self-sufficiency and disaster prevention and mitigation while transforming our business model and expanding our business areas through external collaboration.



Continuous monitoring and measurement of air quality and sound

Drone surveys to determine tree species and topography

Contributing to Society through Next-Generation Energy Storage

A

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

Respond to changes in the business environment caused by climate change



To realize a society powered by next-generation energy, Toyo Kanetsu is applying the expertise it has accumulated over the years in the area of large-scale cryogenic storage tanks, undertaking research and development to acquire technologies for the construction of large-scale liquefied hydrogen tanks and thereby addressing storage needs for fuel ammonia, MCH, and liquefied CO₂.

TOPICS

1

Establishing the Underlying Technology to Build Large-Scale Liquefied Hydrogen Tanks

Laying the groundwork for the commercialization of hydrogen power generation around 2030, Toyo Kanetsu is engaged in ongoing R&D focused on large-scale liquefied hydrogen storage tanks that will facilitate the establishment of a stable, large-volume hydrogen supply chain.

Over the four years from fiscal 2019 to fiscal 2022, we participated in the Development of Technologies for Realizing a Hydrogen Society project initiated by Japan's New Energy and Industrial Technology Development Organization (NEDO), and established the following technologies: (1) a vacuum exhaust system, (2) a method for calculating heat input to the bottom of the inner tank, and (3) a welding method using SUS316L welding materials. In summary, we realized the basic underlying technologies needed for large-scale liquefied hydrogen storage tanks.



Bottom vacuum exhaust experiment equipment

TOPICS

2

Taking the Next Step to Small-Scale Test Tank Experiments

Toyo Kanetsu is further advancing R&D to realize the commercialization of a large-scale, vacuum-insulated 50,000 m³-class flat-bottomed cylindrical liquefied hydrogen tank.

Under the NEDO Development of Technologies for Building a Competitive Hydrogen Supply Chain project, which kicked off in fiscal 2023, Toyo Kanetsu will construct a small test tank incorporating the technologies it has developed to verify the performance of the storage tank structure. The tank will be used to conduct experiments involving liquefied hydrogen at minus 253°C.

TOPICS

3

Initiatives for Ammonia

Ammonia is a zero-emissions fuel—it does not generate CO₂ during combustion—and as a fuel for power generation, it does not contribute to global warming. Moreover, in comparison with other hydrogen storage mediums, ammonia has a high hydrogen density and is easy to transport and handle, which is why it is attracting attention as a promising carrier for swift commercialization.

Through Toyo Kanetsu's experience in constructing storage tanks for LPG tanks with similar liquid storage temperatures, cryogenic LNG storage tanks, and delivering ammonia tanks overseas, we will contribute to the global storage and utilization of large quantities of fuel ammonia.

TOPICS

4

Initiatives for Liquefied CO₂ Storage Tanks

On the road to achieving carbon neutrality, there are great expectations for expanded CCS^{*1} and CCUS^{*2} technologies. Accordingly, practicality studies and experimental projects are under way for the large-scale transportation of CO₂ via ship, focusing on transport from the shipping base to the receiving base.

Liquefied CO₂ storage tanks play an essential role at both bases, but the existing medium-temperature, medium-pressure units currently have limited tank capacity. The development of tanks that meet low-temperature, low-pressure specifications is necessary for mass transportation.

Using Toyo Kanetsu's accumulated construction technology for cryogenic storage tanks and pressured vessels, we have completed a technical research study of a large-scale liquefied CO₂ storage tank with low-temperature, low-pressure specifications made using 9% nickel steel, and are contributing to the popularization and expansion of the CCS and CCUS businesses.

^{*1} CCS: Carbon dioxide capture and storage technology.

^{*2} CCUS: Carbon dioxide capture, utilization and storage technology.

COLUMN

Reducing GHG Emissions

In May 2022, the Toyo Kanetsu Group established and announced its targets for the reduction of GHG emissions through business activities.

Scope for Reduction

Scope 1^{*1} and Scope 2^{*2} emissions of Toyo Kanetsu (non-consolidated) and its domestic and overseas consolidated subsidiaries

^{*1} Scope 1: Direct GHG emissions that occur from internal fuel usage, etc.

^{*2} Scope 2: Indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling

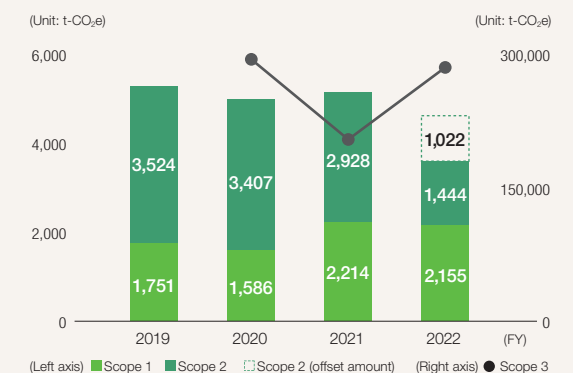
Reduction Targets

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

Toyo Kanetsu will work with its suppliers and customers to encourage the reduction of Scope 3^{*3} emissions throughout the supply chain.

^{*3} Scope 3: Indirect GHG emissions outside of Scope 1 and Scope 2 that occur within the supply chain of business activities.

GHG Emissions Trends



Note: As of August 2023, Scope 3 emissions for fiscal 2022 are tentative values under calculation.

In fiscal 2022, the 1,022 t-CO₂e was a carbon offset of Scope 2 emissions. Combined with the Scope 1 emissions, this amounted to about 3,600 t-CO₂e, a reduction of 32% compared with the total Scope 1 and 2 emissions in the starting year of fiscal 2019.

Using Data in Logistics Solutions

B

Initiatives addressing material issues to sustainably improve corporate value

Innovation in technologies and their usage



Toyo Kanetsu has developed systems to easily acquire and store data in the cloud, giving customers the ability to analyze and leverage the data to develop insights into their operations, and make data-driven decisions and improvements. Ongoing systems development will give customers valuable insight into their business, enabling decision makers to see operational data in real-time, allowing them the ability to address issues and improve operations quickly and easily. Such efforts will not only improve and optimize the warehouse operations, the entire supply chain, including incoming and outgoing truck freight, will benefit as warehouse operations become linked to TMS (Transportation Management Systems).

Toyo Kanetsu continues to reach for new heights, raising the bar on combined technologies such as our tried-and-true Multishuttle System/GTP (Goods-to-Person), but also by incorporating AMR (Autonomous Mobile Robots), vertical storage, grid storage, AI-enabled pick robots, and other innovative solutions that will take customers' automation to a whole new level.



TOPICS

1

High Value-Added WMS Made Possible through Our Experience as a Premier Intralogistics Integrator

Toyo Kanetsu is currently working on developing and improving a WMS with a view of the entire distribution operation, including delivery status of incoming and outgoing shipments. Functionality to collect and store data and present KPIs visually for key decision-making is already available. Going forward, we will continue to add new features and capabilities that improve the overall efficiency of warehouse, in addition to connecting it with external systems for a bird's eye view of the full supply chain. Toyo Kanetsu has the kind of experience as an intralogistics systems integrator that makes such innovative improvements possible.



TOPICS

2

AI-Vision Enabled, High-Performance, High-Capacity Picking Robots

Toyo Kanetsu, in collaboration with a start-up, has recently begun the development of a AI-vision enabled picking robot. With similar AI-enabled applications, we can not only improve the speed with which decisions can be made, change conventional thinking, and challenge the old method of buffering in the picking process, we can fundamentally change the overall process for the better. It is this consistent effort that engenders new solutions and ideas that will continue to help customers optimize their overall operations and take their business confidently into the future.



TOPICS

3

Better People, Better Business for Sustainable Development

People are our greatest resource in sustainable development at Toyo Kanetsu, therefore, we do our best to develop the future leaders of the industry by improving our training systems, prioritizing the training of early-career employees, and giving employees hands-on opportunities to improve and enhance their understanding and skills at our Education Center located inside the Chiba Plant. We sincerely believe that strong human resources contribute directly to improved technological results and high-quality intralogistics systems for our customers. We also utilize regular outreach opportunities such as video messages from management which let employees know of events, initiatives, and activities that the Logistics Solutions Business has implemented. We believe that this regular communication with employees keeps them in touch with our goals and strategies, helping keep them aligned toward the same objectives and ultimately contributing to a solid corporate structure.



Toyo Kanetsu Group's Human Resources Strategy

B

Initiatives addressing material issues to sustainably improve corporate value

Training and utilization of human resources



1 Basic Policy for Human Resource Development

Toyo Kanetsu's basic training policy is to encourage every employee to recognize the necessary knowledge and skills and to maintain their motivation to learn in a self-directed way as well as to provide sufficient learning opportunities in both on-the-job and off-the-job training. We aim to actively promote talented personnel with management and business execution skills to senior management positions, regardless of gender, nationality, or employment status.

2 Internal Environment Improvement Policy

Our basic policy is to ensure the active participation and retention of diverse human resources, we will create a comfortable workplace that focuses on work-life balance, respects each individual's opinions and values, and provides a healthy working environment and, through this, improve our corporate culture and increase engagement.

VOICE

Experiencing the Company Intern System



I learned so much on-site. It was very rewarding to be in the field and actually be involved in handling the Company's products. I thought that most of my work was related to products, but there are so many other types of work

from paperwork in the office to on-site environmental maintenance. I learned that on-the-ground operations were able to proceed smoothly because of such work. Also, there were many things that I didn't know until I worked in the field, and I now understand why Toyo Kanetsu prioritizes these bases. (Second-year employee)



I learned about various tasks such as making presentations and participating in meetings. Although the content of the work was challenging, the support system was solid, so it wasn't too hard to keep up. I think

I really grew from the experience in my internship. (Second-year employee)

TOPICS

1 Active Recruitment of Diverse Human Resources

Creating a Corporate Culture That Embraces and Utilizes Diversity

To ensure that diverse human resources support the Company's growth, we are actively recruiting mid-career employees and conduct recruitment activities regardless of attributes such as gender or disability and are aiming to reform our corporate culture and create new value. For example, we are promoting further initiatives such as sign language education to improve communication with employees with disabilities and facilitate the selection of members from among all employees in the Women's Activity Promotion Project, which transcends the boundaries of divisions and other departments.

In addition, as a prerequisite to implementing these measures, we are taking care to ensure a comfortable work environment and increase engagement by establishing a fair evaluation and compensation system, raising awareness of the importance of dialogue, and improving compensation.



TOPICS

2 Enhancing the Training System

Updating Growth Opportunities through Internal and External Environmental Changes

Based on the idea that personnel growth is directly tied to Company growth, we have created the following three themes: 1) training for each stage such as mid-career and management, 2) training to adapt to the needs of the times, such as harassment and risk management, and 3) training to promote the reform of corporate culture and resolution of business issues. In light of these themes, we are working to enhance our training system in response to environmental changes.

For example, to cultivate young employees as future leaders, we will start management training earlier; raise Companywide awareness and knowledge of legal revisions such as childcare leave and overtime work reduction; and, as a shared framework for thought that will become more important in an organization where diversity is progressing, we are improving training on critical thinking.



TOPICS

3 Toyo Kanetsu's Intern System for New Employees

Self-Directed Career Development

After new employees join Toyo Kanetsu, they first complete introductory training, and then they are given the opportunity to experience working as an intern at the three departments of their choice for six months. The purpose of this is to enable new employees to experience the actual work they would be doing, see the appeal and roles of each department, and learn the flow of processes. After finishing their in-house internships, we try to assign the employee to their more desired department whenever possible, aiming to nurture employees with a sense of ownership in their work by letting them choose how their careers start.

Initiatives to Support the Sustainable Growth of the Entire Group

B

Initiatives addressing material issues to sustainably improve corporate value



TOPICS

1 Robot Programming Class

In recent years, programming classes have been introduced at elementary schools to enable students to understand and become proficient at using computers. We have been similarly involved in education via the provision of robot programming classes in collaboration with the Kanagawa Institute of Technology.

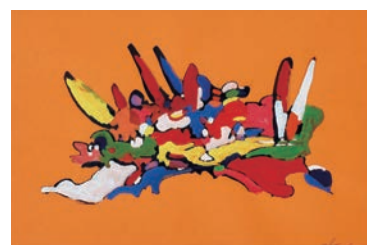
As an initiative aimed at local elementary school students near the Company's Head Office, we are conducting experiences that use programming technology to reproduce the mechanics of a logistics system using building block teaching materials. We believe that this is a fun opportunity for children to learn about not only programming, but also Toyo Kanetsu's business.



TOPICS

2 Artpara Fukagawa Chatting Arts Festival

Toyo Kanetsu is a partner of the Artpara Fukagawa Chatting Arts Festival, a civic art festival. An annual event, this art festival is held in the Fukagawa area of Tokyo's Koto Ward with a theme of promoting the harmonious coexistence of all people regardless of disability, and works by artists with disabilities are exhibited across the city. We have endorsed the goals of this event and have been a partner since it was first held. Moreover, Toyo Kanetsu employees participate as volunteers. The winners of the 2022 Toyo Kanetsu encouragement award are as follows.



Mr. Makoto Muto, winner of the 2022 Toyo Kanetsu encouragement award

TOPICS

3 Toyo Kanetsu Children's Bunko

On the 80th anniversary of the Toyo Kanetsu Group's founding in May 2021, we launched Toyo Kanetsu Children's Bunko activities to mark the occasion. This social contribution activity is aimed at giving back to local communities in appreciation for their longstanding support over the years and comprises an ongoing donation for the purchase of picture books and other children's books to libraries in the five municipalities that are home to the Group's main business sites. Going forward, we plan to continue this program as we move toward our 100th anniversary with the aim of establishing more collaborative relationships.



C

Fundamental initiatives to undertake before addressing A and B issues

Improve risk management



TOPICS

1 Initiatives

Certified Health & Productivity Management Outstanding Organizations 2023 (Large Enterprise Category)

In August 2021, we issued the Toyo Kanetsu Group Health and Productivity Management Declaration and, in recognition of

efforts to maintain and promote employee health, Toyo Kanetsu was named a Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi for the second year in a row in 2023.



Tomonin Mark

In November 2022, Toyo Kanetsu received the Tomonin mark, a symbol established by Ministry of Health, Labour and Welfare that recognizes companies that create and implement a work environment that accommodates employees balancing work and nursing care.



Japan Climate Initiative (JCI)

We have endorsed the basic principles of the JCI, a network of companies, local governments, and NGOs that are actively working to combat climate change, and are working to achieve GHG emissions reduction targets that will contribute to the realization of a sustainable society.



Green Transformation (GX) League

Toyo Kanetsu is a member of the GX League, a forum for companies, government entities, and academia to work together to achieve carbon neutrality by 2050. We will continue engaging in dialogue with our stakeholders to realize a carbon-neutral society.



TOPICS

2 Our Newly Established Risk Management Committee



Keisuke Kodama
Director, Executive Vice President, Executive Officer, and Chair of the Risk Management Committee

To enhance its risk management structure, Toyo Kanetsu newly established the Risk Management Committee in April 2022.

This Committee identifies, assesses and monitors risks for the entire Group and periodically reviews significant risks in light of changes in the business environment as well as the status of risk response to ensure that appropriate countermeasures are taken in a timely manner.

The Committee has met five times in its first year, in addition to performing the above functions, has enhanced the Company's system for reporting risk to management, and conducted activities in line with the declaration to achieve carbon neutrality by 2050 as well as the disclosure of climate change risks and opportunities based on TCFD recommendations.

Board of Directors



Shuji Iwamura
Outside Director and
Audit & Supervisory
Committee Member

Yukari Sakai
Outside Director

Kazuto Abe
Director and
Audit & Supervisory
Committee Member

Toru Yanagawa
Director and
Chairman of
the Company

Akira Kakiyama
Director, Senior
Managing Officer

Keisuke Kodama
Director, Executive
Vice President,
Executive Officer

Takashi Owada
President &
Representative
Director

Shigeharu Nakamura
Outside Director and
Audit & Supervisory
Committee Member

Makiko Sato
Outside Director

Kazuo Ushida
Outside Director and
Audit & Supervisory
Committee Member

Chairman's Message

Director and Chairman
of the Company
Chairman & Representative
Director of the Board of Directors

Toru Yanagawa

Draw on the Diversity of Directors and Further Heighten Effectiveness

I believe that Toyo Kanetsu's Board of Directors is functioning well and in accordance with the Corporate Governance Code, and in fiscal 2022, we proceeded with a review of the composition of the Board in order to further enhance corporate governance.

Specifically, the 114th General Meeting of Shareholders held in June 2022 resolved to add two new female outside directors to the Board who were not Audit & Supervisory Committee members. The Board of Directors is presently composed of five internal and five external directors, and I believe that it is becoming more diverse and discussions more active.

Ms. Yukari Sakai became an outside director in fiscal 2022, and her experience working in securities firms as well as in various industries as an outside auditor and Audit & Supervisory Committee member led to her appointment as a member of the Compensation Advisory Committee. Another outside director, Ms. Makiko Sato, in addition to business experience at a startup company, is a representative partner of a venture capital firm. She has joined the Nominating Advisory Committee and provides valuable advice on our diversification strategy.

At the 115th General Meeting of Shareholders held in June 2023, Mr. Shuji Iwamura was newly appointed as an outside director. With a legal background similar

to that of Mr. Toshiaki Hiwatari, who retired at the same General Meeting of Shareholders, he has held important positions such as Superintending Prosecutor and has extensive experience as an outside director. I am excited to have his experience and skills added to the Board of Directors.

My duty is to coordinate the Board and in doing so to best utilize the skills of both internal and outside directors. I will work to support the Board in achieving an even higher level of management by drawing on the directors' diverse and specialized knowledge to realize a more active Board. I also aim to improve the Board's functioning with regard to discussions dealing with medium- to long-term issues by carefully vetting the proposals submitted by the Management Council.

We expect Toyo Kanetsu to see ongoing rapid change in the business environment along with a diversification in social expectations, starting with decarbonization. In the face of this evolving landscape, not only do we need to ensure that the Company is prepared for the changing times, I believe that the number of issues that management will need to tackle will only increase, and I would like to support President Owada and the Board through continued dialogue.



● Yukari Sakai

Outside Directors'
Dialogue

Makiko Sato ●

Supporting the future development of Toyo Kanetsu by leveraging our long-nurtured skills and experience

About Our Roles

Sato: When I was first approached about being appointed as an outside director, I asked what President Yanagawa (currently Chairman) expected of me, and I was told that I would be asked to provide my opinions on topics such as new businesses, venture investments, and the active participation of women from a perspective that Toyo Kanetsu lacked.

Sakai: I was approached about creating a path to promote diversity and inclusion (D&I). I have experience as an outside director in a great variety of industries and have seen such D&I as it is practiced, so I accepted the offer.

Impressions of the Toyo Kanetsu Board of Directors

Sakai: My first impression was that it was a very serious and stiff. However, after a year of participating in dialogue at the Board meetings, I found that it's actually a forward-looking organization that flexibly accepts changes and tries to create new ideas. Going forward, I would like to use my position as an outside director and experience to contribute to the Company's growth.

Sato: I think it would be nice if there was opportunity for the Board as a whole to step back and discuss management strategy from a bird's eye view perspective. For example, the Company is investing in start-ups through corporate venture capital funds.

Although we consult about the direction, etc., of individual projects, I think having more discussions about what areas the Company is investing its assets in and how to create new businesses would be helpful.

Sakai: Currently, discussions on visions for the future, strategies, portfolios, etc., are conducted by the internal management team, but I understand that there will be more opportunities for discussion that utilize our knowledge as outside directors in the formulation the new medium-term business plan. I would like to see deeper discussions as a Toyo Kanetsu director to improve corporate value.

Utilizing Human Capital

Sakai: When discussing the utilization of human capital, I have often heard that Toyo Kanetsu has limited resources. Precisely because of these limited resources, I believe that we must treat human resources as a source of growth and added value for the future, and we must strategically cultivate our human resources and improve the work environment. Currently, President Owada is cultivating the Company's young employees and providing

specialized training, and I would like to support this endeavor so that discussions will develop further in the future.

Sato: I think it will improve even more if we can communicate and hold discussions across the organization. We have started efforts for cross-departmental and cross-business divisional understanding, one example being internal tours of the Chiba Plant. I hope that this will revitalize communication, and offer

Yukari Sakai

In June 2005, after working at Nomura Securities Co., Ltd., she became a Standing Audit and Supervisory Committee Member of UNITED ARROWS LTD. In June 2016, she was appointed as an Outside Director and Standing Audit & Supervisory Committee Member of the same company (current position). In June 2022, she was appointed as an Outside Director of the Company (current position). She has served as the outside director and audit committee member of multiple companies and concurrently serves as an Outside Director at Pacific Metals Co., Ltd.



an opportunity for people to view their work from a multifaceted perspective and expand their fields of activity. It will also be important to place more focus on building a medium- to long-term human resources training system spanning planning and hiring through education and development. I would like to see a human resources strategy that promotes employees in their 20s and 30s in order to create the foundation for leaders of the next generation.

Sakai: We must work steadily on these initiatives. Working hard today is no guarantee that we'll see results tomorrow. To realize the results you want, communication from the top will be extremely important. It's good for Toyo Kanetsu to have a firm culture because it is a manufacturer, but I feel that perhaps if the culture were a little more flexible, our employees would naturally begin to demonstrate their abilities. I look forward to seeing the realization of an open and comfortable workplace, one of the

three promises President Owada made to the Toyo Kanetsu employees.

Sato: The Company should develop its strengths by understanding the ideas, individuality, and qualities of every employee, and if we can utilize this in management, it would be even better. Currently, we are making our first attempt to increase understanding of the skills and qualities needed in the president, chairman, and directors. I proposed a tool for diagnosing these individual qualities. I think that the speed at which the Company completes the PDCA cycle and implements proposals, testing them, and making improvements is extremely swift. I believe that the future of the Company can definitely change if we continue to take on such challenges, implementing them, and making improvements, both the directors and employees will understand each other's strengths better and become an even stronger team.

Makiko Sato

After joining CyberAgent, Inc., she was seconded to CyberAgent Ventures (currently CyberAgent Capital, Inc.) In 2016, she founded iSGS Investment Works Inc. She was appointed as an Outside Director of the Company in June 2022. She currently serves as a Director and Representative Partner of iSGS Investment Works and as a member of the Promotion Committee of Tokyo Data Platform Council.



Diversity and Inclusion

Sakai: Toyo Kanetsu really values D&I, and I can feel how passionate the Company is in its efforts. First of all, I'd like to recognize the Company's sincere and sound efforts towards addressing the challenge of women's active participation in the workplace. However, D&I is a much broader topic, and we need to deepen our discussions on respecting diversity

and making changes for the future like making promotions based on character and ability.

Sato: I agree, I get the impression that broader discussions on D&I are yet to come. The next generation of Toyo Kanetsu's leaders are currently employees in their 20s and 30s, so it will be key for our generation to create a comfortable working environment to

ensure the Company's continued existence one hundred or even two hundred years from now.

Sakai: I also think it's necessary to deepen internal discussions on D&I. If we miss this step, we will end up in a balancing act of nationalities and women's

Expectations for President Owada

Sato: The Company has been working to continuously realize President Owada's desire to create an open and comfortable work environment in line with the slogan "ACTION FOR THE FUTURE." I feel that employees and the management team, including the president, have become closer than they were when I was appointed a year ago.

Sakai: On the other hand, there is insufficient communication with the capital market and outside parties. I have good expectations for fiscal 2023 since the Company's announcement of a policy to increase opportunities for dialogue with the capital market. Recent examples of this policy in practice include President Owada's presentation at an IR seminar, and work to increase Toyo Kanetsu's presence by defining the corporate identity and communicating it externally via newspaper advertisements. In light of these efforts, I have high expectations for

participation, rather than with an authentically diverse organization. Also, to deepen discussions and promote D&I more concretely, it would be good to incorporate D&I into the human resources system.

our future IR and public relations activities. In any case, I believe that communication with various stakeholders, including those within the Company, is very important.

Sato: I would like to see President Owada use his top management position to effect the changes he is aiming for. Decision-making is the kind of job only someone in this kind of role can do. I'm sure that some decisions will be difficult, as an outside director I will support the execution of those decisions with the goal of improving corporate value.

In fiscal 2022, the number of individual shareholders increased by more than a thousand, and the voting rights ratio exceeded forty percent. I hope that our many stakeholders will understand our business and sustainability initiatives, and that we can receive even great support by expanding the scope of our IR activities.

Toyo Kanetsu's Advancement

Sakai: Before every Board of Directors meeting, we are provided with detailed explanations of the agenda items, so I believe that the support system for outside directors is sufficient. Going forward, to contribute to the Board of Directors even more deeply, I would like to have more "hands-on" discussions.

It really comes down to what the Company expects from its outside directors. If they want us to just raise our hands and pass Board resolutions, then maybe we are wasting our time. While avoiding any inefficiency that could arise on the executive side from working with outside directors, we will discuss the Company's sustainable growth, looking at its future based on market changes from a wide range

of medium- to long-term perspectives. In this way, I would like to help increase the effectiveness of the Board of Directors.

Sato: When I talk to employees and candidates for executive roles, they always profess love for Toyo Kanetsu and take the conversation seriously. This is why I truly believe that cultivating a more open corporate culture, listening to the opinions of all employees, and utilizing that feedback in management will lead to the advancement of Toyo Kanetsu. If I can provide support as an outside director for employees to become more active, then I think that is the true meaning of my joining the Board of Directors.

Messages from the Outside Directors



Shigeharu Nakamura

Outside Director and Audit & Supervisory Committee Member

It has been a year since we started the new system with President Owada, and I feel that the exchange of opinions on important management matters at Board of Directors meetings has become livelier. I believe that the reason for this is that President Owada is always sincere in sharing the issues that he or the Company as a whole is facing with all the directors, and I believe that every director is working

to change so that they can discuss how to take action to improve corporate value. Looking at President Owada now, it is clear that the Nomination and Compensation Committee of that time (currently the Nominating Advisory Committee and the Compensation Advisory Committee) was functioning well.

Toyo Kanetsu's outside directors come from many different backgrounds, and the resulting wide range of overlapping skills lends itself to in-depth discussions and meaningful exchanges of opinion. I will continue to provide strong support for improving the effectiveness of the Board of Directors, utilizing the perspective my experience in bank management gives me.



Kazuo Ushida

Outside Director and Audit & Supervisory Committee Member

This was the second year of President Owada's system. Chairman Yanagawa and President Owada have built a relationship of trust, and I believe that the way they have divided of their roles has positively impacted and strengthened governance while revitalizing the Board of Directors.

Toyo Kanetsu is engaged in a variety of businesses, and based on my experience, I would like to

urge that we cultivate each and every business opportunity. A management team must think about what stakeholders will need thirty or forty years into the future. I believe that the Company's business that has been passed down over the past seventy years will contribute to building next-generation energy infrastructure for the future. Because the business is so diverse, Toyo Kanetsu can expect to continue developing technology and expanding toward the next business. I hope the Company will maintain the spirit of contributing to society through business, meeting the expectations of stakeholders, and encouraging and motivating employees.



Shuji Iwamura

Outside Director and Audit & Supervisory Committee Member

I was appointed in June 2023, and at the time, I thought about how I could contribute to the Company's growth. Now, by making use of my experience as a public prosecutor, a lawyer, and an outside director for multiple companies, I am working to ensure steady corporate activities while always keeping shareholders' perspectives and other outside parties' in mind. I hope that my participation will lead to enhanced corporate value.

When I first met President Owada, he was able to make me really feel Toyo Kanetsu's determination to actively contribute to society as a company that builds social and economic infrastructure. The entire Company should unite to proactively move forward without being afraid of failure. Even if we encounter failure along the way, I hope the Company will strive to swiftly create something new from that failure.

With my legal background, I will support the governance of the Board of Directors and the Audit & Supervisory Committee members, improve effectiveness, and contribute to the growth of the Toyo Kanetsu.

Corporate Governance

Basic Approach

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

Progress in Strengthening Corporate Governance

2000	■ Introduced an executive officer system
2005	■ Established the Compliance Committee ■ Changed the maximum number of directors stipulated in the Articles of Incorporation from 20 to seven
2008	■ Abolished the retirement allowance scheme for directors
2015	■ Transitioned to a “company with an audit and supervisory committee” structure (shortening the term of office of directors from two years to one year) ■ Changed the Articles of Incorporation to stipulate the maximum number of directors who are not Audit & Supervisory Committee members as seven and the maximum number of Audit & Supervisory Committee members as four ■ Appointed independent outside directors (three members of the Audit & Supervisory Committee members) ■ Established the Nomination and Compensation Committee (chaired by an outside director) ■ Formulated a shareholder return policy ■ Established the Corporate Governance Guidelines

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

2016	■ Commenced evaluations of the effectiveness of the Board of Directors ■ Formulated a basic capital policy
2018	■ Revised the Articles of Incorporation to allow an executive officer to be appointed as president
2019	■ Introduced a performance-linked stock compensation system
2021	■ Resolved a policy for determining the compensation of executive directors ■ Established a succession plan
2022	■ Changed the Articles of Incorporation to allow the selection of a person authorized to convene and preside at meetings of the Board of Directors to be selected by a resolution of the Board ■ Reorganized the Nomination and Compensation Committee into the Nomination Advisory Committee and Compensation Advisory Committee ■ Appointed female directors

■ Structure ■ Director compensation system ■ Operational policy

Corporate Governance System

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

Board of Directors

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

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

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

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

Audit & Supervisory Committee

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

The Audit & Supervisory Committee meets once a month, in principle, and has one full-time member. While coordinating with the Internal Audit Division and the accounting auditor, committee members audit directors’ execution of duties and conduct their professional duties as dictated by the Companies Act, such as creating audit reports. 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 in accordance with the audit policy and audit plan established by the Committee.

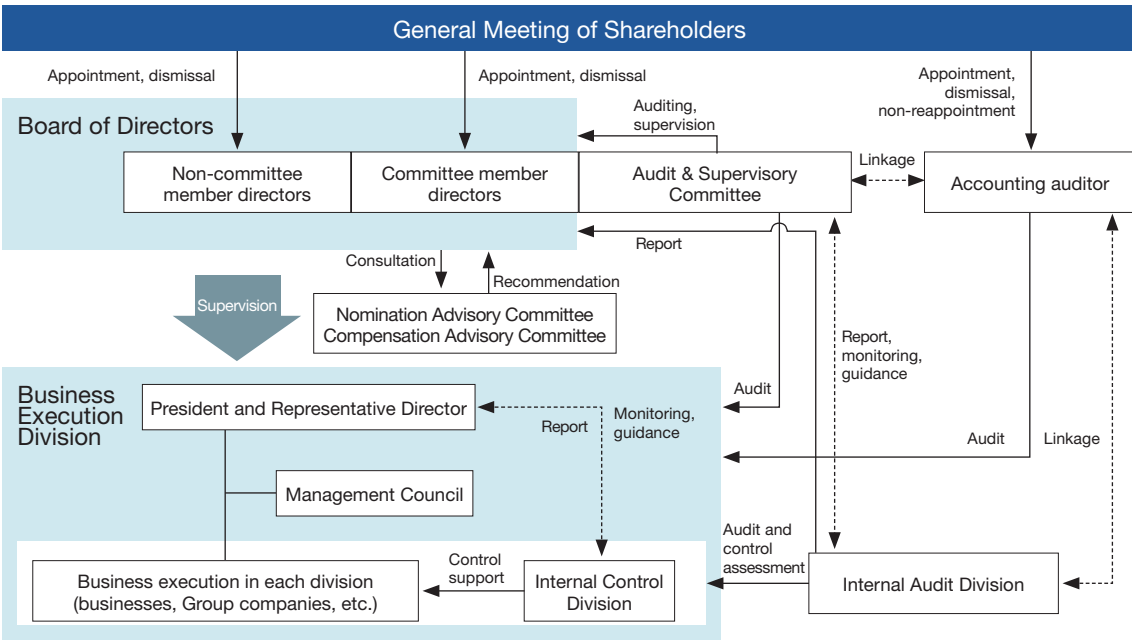
In addition, the Audit & Supervisory Committee has established the Internal Audit Department under its direct control as an organization separate from the executive side in order to enhance the independence and effectiveness of audits.

Nomination Advisory Committee and Compensation Advisory Committee

To ensure transparency and appropriateness in the selection of director candidates and determination of compensation, the Company has established the Nomination Advisory Committee and the Compensation Advisory Committee as voluntary advisory bodies of the Board of Directors, with a majority of outside directors. The Company has established a system to ensure the fairness and transparency of all procedures and provide opportunities for appropriate involvement and advice from outside directors. The Committees meet whenever necessary to discuss matters related to the nomination and compensation of directors. The Board of Directors makes decisions based on the discussions and reports of the Committees.

Both committees have at least three members, and are composed of a majority of outside directors. The committees are also chaired by the lead independent outside director.

Corporate Governance System (as of June 28, 2023)



Evaluation of Effectiveness of the Board of Directors

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

Summary of the Results of the Effectiveness Evaluation in Fiscal 2022

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

(1) Method of Evaluation

From March to April 2023, the Board of Directors conducted an evaluation of its effectiveness following the procedures outlined below.

- 1. The secretariat provided the reference materials needed to evaluate effectiveness.
- 2. The Board of Directors asked questions about the reference materials supplied by the secretariat, exchanged opinions, and asked for additional information to be provided.
- 3. Each director completed the self-evaluation based on a scoring sheet for effectiveness.
- 4. At the Board of Directors' meeting held on April 25, 2023, the directors discussed the self-evaluations and reached a decision on the final evaluation.

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

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

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

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

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

The Board of Directors will continue to ensure its effectiveness, undertaking the following measures so that it can adequately fulfill its vital roles, including setting the strategic direction for the Company and facilitating independent and objective audit functions. We will strengthen our efforts to deepen outside directors' understanding of initiatives undertaken by the various divisions and the environment in which the Company operates, and to pass on outside directors' knowledge and experience to the executive officers responsible for such divisions. In fiscal 2022, outside directors held such events as business interviews, business site inspections, and interviews with the president and other officers as well as meetings exclusively for outside directors. In addition, we are strengthening initiatives to improve opportunities for explanation and dialogue with stakeholders about the Company's initiatives, including the content and progress of management plans.

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

Board of Directors Skills Matrix

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

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

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

★ Independent outside director ■ Member of the Audit & Supervisory Committee

Director Compensation

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

policy for determining individual compensation of executive directors.

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

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

- In light of their duties, only basic compensation (monetary/fixed) is paid to directors who are Audit & Supervisory Committee members and non-executive directors who are not Audit & Supervisory Committee members.
- Of the above, concerning the method of determining the individual compensation of non-executive directors who are not Audit & Supervisory Committee members, the Company will ensure transparency in the process by adopting the same method as that used for determining individual compensation of executive directors as described in e) below.

- b) Policy on determining individual compensation amounts for basic (monetary) compensation (including the policy on determining the timing and the conditions for granting compensation)
- Basic (monetary) compensation for the Company's executive directors shall be monthly fixed compensation. This compensation is determined in line with a pre-existing compensation table according to rank, comprehensively taking into consideration factors that include the compensation levels of other companies, the Company's performance, and the salary level of its employees.

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

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

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

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

- Directors and executive officers responsible for business divisions

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

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

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

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

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

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

Total Compensation by Director Category, Total Compensation by Type, and Number of Eligible Directors in Fiscal 2022

Director category	Total amount of compensation (¥ million)	Total amount of compensation by type (¥ million)			Number of eligible directors
		Basic compensation	Performance-linked compensation	Performance-linked stock compensation	
Directors (excluding members of the Audit & Supervisory Committee and outside directors)	185	89	87	8	5
Directors (members of the Audit & Supervisory Committee) (excluding outside directors)	16	16	—	—	1
Outside directors	39	39	—	—	5

Notes: 1 The number of directors (excluding Audit & Supervisory Committee members) as of March 31, 2023 was four. This number differs from that shown above as the above number includes one director (not an Audit & Supervisory Committee member) who completed their term and retired at the conclusion of the 114th General Meeting of Shareholders held on June 28, 2022.

2 The amounts paid to directors (excluding Audit & Supervisory Committee members) do not include employee salaries of those serving concurrently as employee and director.

3 The maximum amount of compensation for eligible directors (excluding those who are Audit & Supervisory Committee members) was resolved to be within ¥20 million per month (of this amount, within ¥1.7 million for outside directors) (not including employee salaries) at the 114th General Meeting of Shareholders held on June 28, 2022 (the number of directors at the time of this meeting was six, two of whom were outside directors). Separate from this compensation, a performance-linked stock compensation system using a trust for directors (excluding outside directors and Audit & Supervisory Committee members who are directors) and executive officers who are ranked managing executive officer or higher and who are not directors was introduced at the same General Meeting of Shareholders (the number of eligible directors at the time of this meeting was four), with the maximum amount of trust money resolved to be ¥167 million for each of the three fiscal years of the period covered.

4 The maximum amount of compensation for directors (Audit & Supervisory Committee members) was resolved to be within ¥5 million per month at the 107th General Meeting of Shareholders held on June 26, 2015 (the number of eligible directors (Audit & Supervisory Committee members) at the time of this meeting was four).

5 The performance-linked stock compensation column for the above directors (excluding Audit & Supervisory Committee members and outside directors) represents the amounts reported as expenses for fiscal 2022.

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

- f) Reasons why the Board of Directors decided to bring the details on compensation for individual executive directors in relation to fiscal 2022 in line with this policy
- The Compensation Advisory Committee, which was consulted by the Board of Directors, conducted a multi-faceted examination of the draft proposal, including of its consistency with decision-making policy, and confirmed specific amounts by applying them to the compensation table before making its recommendations to the Board of Directors. Accordingly, in determining the details of compensation for individual executive directors, the Board of Directors basically respects the committee's recommendations, deeming them to be in line with decision-making policy.

Cross-Shareholdings

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

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

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

In fiscal 2022, the Company sold its cross-shareholdings in four listed companies resulting in a total sale amounting to ¥1,544 million. As of March 31, 2023, the total amount of investment stocks held for purposes other than pure investment in the Consolidated Balance Sheets was ¥7,328 million, which accounts for 19.2% of the consolidated net assets of ¥38,087 million.

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

Corporate Governance Guidelines

https://www.toyokanetsu.co.jp/pdf/ir/corporate_governance_3.pdf

Corporate Governance Report

https://www.toyokanetsu.co.jp/pdf/ir/corporate_governance_4.pdf

Annual Securities Report

<https://www.toyokanetsu.co.jp/ir/securities.html>

Business Risks

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

► For details please see the *TKK Report 2023 Financial Section* which is available on the Company's website. https://www.toyokanetsu.co.jp/global/ir/tkk_report.php

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

Note: Forward-looking statements contained in this section are based on the understanding of the Company as of the submission date (June 28, 2023) of its Securities Report (in Japanese only) for the fiscal year ended March 31, 2023.

Director Profiles (As of June 28, 2023)

Directors

Toru Yanagawa

Director and Chairman of the Company,
Chairman of the Board of Directors
Years on the Board: 18
Company shares held: 23,981



Apr. 1975 Joined the Company
Apr. 1998 General Manager of Plant & Machinery Sales Department of Sales Division
Jul. 2000 Executive Officer, General Manager of Plant & Machinery Sales Department of Sales Division
Jul. 2003 Senior Executive Officer, Deputy Division Manager of Plant & Machinery Division
Jun. 2005 Director, Senior Executive Officer, Deputy Division Manager of Plant & Machinery Division
Apr. 2008 Director, President & Representative Director of Toyo Kanetsu Solutions K.K. (currently Toyo Kanetsu)
Apr. 2014 President & Representative Director
Apr. 2022 Director and Chairman of the Company
Apr. 2023 Director and Chairman of the Company, Chairman of the Board of Directors (current position)

Keisuke Kodama

Director, Executive Vice President
Years on the Board: 8
Company shares held: 8,314



Apr. 1982 Joined the Company
Jul. 2006 General Manager of Domestic Sales Department of Plant & Machinery Division
Apr. 2009 General Manager of Corporate Management Department of Corporate Management Division
Apr. 2010 Executive Officer, General Manager of Corporate Management Department of Corporate Management Division
Apr. 2012 Seconded to Toyo Kanetsu Solutions K.K. (currently Toyo Kanetsu) as an Executive Officer
Apr. 2013 Transferred to Toyo Kanetsu Solutions K.K. as a Managing Executive Officer
Apr. 2015 Transferred to the Company as a Managing Executive Officer, Deputy Division Manager of Corporate Management Division
Jun. 2015 Director, Managing Executive Officer, Deputy Division Manager of Corporate Management Division
Apr. 2016 Director, Managing Executive Officer, Division Manager of Corporate Management Division
Apr. 2018 Director, Senior Managing Officer, Division Manager of Corporate Management Division
Apr. 2019 Director, Senior Managing Officer, Division Manager of Corporate Division
Apr. 2020 Director, Executive Vice President, Executive Officer
Apr. 2022 Director, Executive Vice President, Executive Officer, Assistant to the President
Apr. 2023 Director, Executive Vice President, in charge of Risk Management Department, and Special Appointive Officer (current position)

Yukari Sakai

Outside Director
Years on the Board: 1
Company shares held: 170



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

Takashi Owada

President & Representative Director
Years on the Board: 4
Company shares held: 5,017



Apr. 1985 Joined the Company
Oct. 2002 Transferred to Toyo Kanetsu Solutions K.K. (currently Toyo Kanetsu), General Manager of System Sales No. 1 Department, Marketing Division
Jul. 2006 General Manager of Systems Integration Department, System Division
Apr. 2008 Executive Officer and General Manager of System Division
Apr. 2015 Managing Executive Officer
Apr. 2018 Transferred to the Company as an Executive Officer, seconded to Toyo Kanetsu Solutions K.K. (currently Toyo Kanetsu) as a Director and Managing Executive Officer
Apr. 2019 Managing Executive Officer, Division Manager of Logistics Solutions Division
Jun. 2019 Director, Managing Executive Officer, Division Manager of Logistics Solutions Division
Apr. 2021 Director, Executive Vice President, Division Manager of Logistics Solutions Division
Apr. 2022 President & Representative Director
Apr. 2023 President & Representative Director, Overseeing Safety, Environment, and Quality Assurance Department, Green Transformation Promotion Office, and Next-Generation Energy Development Office (current position)

Akira Kakiyara

Director, Senior Managing Officer
Years on the Board: 1
Company shares held: 1,143



Apr. 1983 Joined Saitama Bank (currently Resona Bank, Limited)
Apr. 2003 General Manager of Department No. 1 of Saitama Head Office Branch, Saitama Resona Bank, Limited
Jul. 2005 General Manager of Shiki Branch
Jun. 2007 General Manager of Muromachi Branch of Resona Bank, Limited
Apr. 2013 General Manager of International Business Department
Oct. 2015 Seconded to the Company
Oct. 2016 Transferred to the Company, Executive Officer, General Manager of Corporate Management Department of Corporate Management Division
Mar. 2018 Director of Kankyo Research Institute Inc. (current position)
Apr. 2018 Managing Officer, Deputy Division Manager of Corporate Management Division of the Company
Apr. 2020 Managing Officer, Manager of Life & Work Environmental Business Division, Deputy Division Manager of Corporate Division
Apr. 2021 Senior Managing Officer, Division Manager of Life & Work Environmental Business Division, Deputy Division Manager of Corporate Division, Director of Eco Analysis Corporation (current position)
Apr. 2022 Senior Executive Officer, Assistant to the President, Division Manager of Business Innovation Division of the Company
Jun. 2022 Director, Senior Executive Officer, Assistant to the President, Division Manager of Business Innovation Division
Apr. 2023 Director, Senior Managing Officer, Division Manager of Business Innovation Division (current position)

Makiko Sato

Outside Director
Years on the Board: 1
Company shares held: 170



Apr. 2000 Joined CyberAgent, Inc.
Oct. 2005 Seconded to WEDDING PARK CO., LTD.
Oct. 2006 Seconded to CyberAgent Ventures (currently CyberAgent Capital, Inc.)
Jun. 2016 Founded iSGS Investment Works Inc., Director and Representative Partner
Dec. 2018 Outside Director of LiB, Inc. (current position)
Jun. 2021 Member of the Promotion Committee of Tokyo Data Platform Council (current position)
May 2022 Member of the Committee for Evaluating the Conclusion of the "Exploration and Development of Global Entrepreneurship for NEXT generation" Project at Ministry of Education, Culture, Sports, Science and Technology
Jun. 2022 Outside Director of the Company (current position)
Feb. 2023 iSGS Investment Works Inc., Representative Director and Representative Partner (current position)

Director and Audit & Supervisory Committee Members

Kazuto Abe

Director and Audit & Supervisory
Committee Member
Years on the Board: 8
Company shares held: 3,917



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

Kazuo Ushida

Outside Director and Audit & Supervisory
Committee Member
Years on the Board: 2
Company shares held: 410



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

Shigeharu Nakamura

Outside Director and Audit & Supervisory
Committee Member
Years on the Board: 8
Company shares held: 997



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

Shuji Iwamura

Outside Director and Audit & Supervisory
Committee Member
Years on the Board: Newly appointed
Company shares held: 0



Apr. 1976 Appointed as Public Prosecutor
Oct. 2002 Head of special investigation task force of the Tokyo District Public Prosecutors Office
Jun. 2010 Superintending Prosecutor of the Sendai High Public Prosecutors Office
Aug. 2011 Superintending Prosecutor of the Nagoya High Public Prosecutors Office
Oct. 2012 Registered as an attorney at law, Advisor to Nagashima Ohno & Tsunematsu
May 2013 Outside Corporate Auditor of FamilyMart Co., Ltd.
Jun. 2013 Outside Director of Riken Corporation
Mar. 2015 Outside Auditor of CANON ELECTRONICS INC. (current position)
Jun. 2015 Outside Auditor of The Hokkaido Bank, Ltd. (current position)
Oct. 2017 Member of the Board of Governors and Member of the Audit Committee of the Government Pension Investment Fund
Jun. 2018 Outside Director of Hayashikane Sangyo Co., Ltd. (current position)
Jun. 2019 Outside Director and Audit and Supervisory Committee Member of Riken Corporation
Jan. 2020 TOKYO FLEX LAW OFFICE LPC
Apr. 2021 T&K Partners (current position)
Jun. 2023 Outside Director and Audit & Supervisory Committee Member of the Company (current position)

Consolidated Financial Highlights (Fiscal years ended March 31)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	(Reference) FY2022
									(Millions of yen)	(Thousands of U.S. dollars) ^{*2}
Net sales	¥52,457	¥46,572	¥41,932	¥41,758	¥45,188	¥46,518	¥43,617	¥59,177	¥47,351	\$354,582
Operating profit	3,588	3,024	3,080	2,265	1,406	2,591	2,623	2,808	2,497	18,698
Ordinary profit	3,891	3,227	3,441	2,646	1,771	2,970	3,053	3,474	2,896	21,686
Profit attributable to owners of parent	3,019	1,906	3,746	2,362	1,025	1,717	1,777	2,334	2,378	17,807
Total assets	55,928	51,368	53,228	55,818	64,756	60,985	58,764	64,290	64,001	479,264
Total net assets	36,580	34,376	35,481	36,666	35,234	34,602	36,484	36,477	38,087	285,210
Total shareholders' equity	33,525	32,136	33,978	34,207	33,324	32,722	33,068	34,450	34,789	260,513
									(Yen)	(U.S. dollars) ^{*2}
Basic earnings per share ^{*1}	260.76	174.53	373.78	251.26	112.80	195.87	212.41	285.43	293.63	2.19
Dividends per share ^{*1}	40.00	50.00	120.00	100.00	100.00	100.00	115.00	145.00	147.00	1.10
Net assets per share ^{*1}	3,159.08	3,339.15	3,702.00	3,941.68	3,897.68	4,095.51	4,461.06	4,460.55	4,708.95	35.26
									(%)	
Equity ratio	65.0	66.9	66.7	65.7	54.4	56.7	62.1	56.7	59.5	—
Dividend payout ratio	15.3	28.6	32.1	39.8	88.7	51.1	54.1	50.8	50.1	—
Return on equity (ROE)	8.6	5.4	10.7	6.5	2.9	4.9	5.0	6.4	6.4	—
Return on assets (ROA)	7.1	6.0	6.6	4.8	2.9	4.7	5.1	5.6	4.5	—
									(Millions of yen)	(Thousands of U.S. dollars) ^{*2}
Net cash provided by (used in) operating activities	(213)	4,041	(2,131)	3,726	(6,698)	6,955	1,482	(1,097)	1,105	8,274
Net cash provided by (used in) investing activities	(1,120)	(766)	(1,714)	(85)	(1,315)	(812)	(338)	(830)	826	6,185
Net cash provided by (used in) financing activities	(1,774)	(3,640)	(2,820)	2,032	3,249	(2,351)	(5,176)	3,208	(3,719)	(27,849)

The Toyo Kanetsu Group prepares its consolidated financial statements in accordance with Japanese generally accepted accounting principles (GAAP).
Figures are rounded down to the nearest million yen.

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

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

^{*2} Figures denominated in U.S. dollars were converted at a rate of ¥133.54 = \$1, referring to the prevailing rate on March 31, 2023.

ESG Data Highlights

	FY	2020	2021	2022	Unit
A Issues to be addressed through our business to improve our corporate value					
(1) Respond to changes in the business environment caused by climate change*1	Energy consumption (crude oil equivalent)	927	1,058	997	kl
	Energy consumption (electricity)	3,231	3,483	3,269	Thousand kWh
	Energy consumption (LPG)	72	123	118	t
	Energy consumption (city gas)	0.1	0.1	0.1	Thousand m³
	CO₂ emissions	1,959	1,783	1,378	t-CO₂
	GHG emissions (Scope 1)*2	1,586	2,214	2,155	t-CO₂e
	GHG emissions (Scope 2, before offset)*2	3,407	2,928	2,466	t-CO₂e
	GHG emissions (Scope 2, after offset)*2	—	—	1,444	t-CO₂e
	GHG emissions (Scope 3)* 2	294,426	204,327	285,324*3	t-CO₂e
	Purchase amount of non-fossil fuel certificate*4	—	—	943	Thousands of yen
	Purchase quantity of non-fossil fuel certificate	—	—	2,300	Thousand kWh
	CO₂ emissions per unit of net sales	0.05	0.04	0.04	t-CO₂/millions of yen
	Water consumption	9.6	9.0	9.3	Thousand m³
	Total amount of waste generated	258	268	243	t
(2) Respond to the decline in Japan's population*1	Rate of employees voluntarily leaving the Company*5	1.7	1.9	1.9	%
	Average number of service years	15.5	15.7	17.1	Years
	Number of employees taking childcare leave*6	7	18	22	Persons
	Number of employees taking childcare leave (male)	1	8	11	Persons
	Number of employees taking childcare leave (female)	6	10	11	Persons
	Number of employees returning to work after childcare leave*6	4	11	16	Persons
	Number of employees working shortened hours	8	11	9	Persons
	Number of employees working shortened hours (male)	0	0	0	Persons
	Number of employees working shortened hours (female)	8	11	9	Persons
	Number of employees taking nursing care leave	1	0	0	Persons
	Rate of annual paid vacation taken*7	68.4	66.8	71.8	%
	Average number of annual work hours*8	1,814	1,974	1,936	Hours
	Average number of annual overtime work hours	245.76	268.57	233.15	Hours
	Average number of monthly overtime work hours	20.48	22.38	19.10	Hours
B Initiatives addressing material issues to sustainably improve corporate value					
(3) Training and utilization of human resources*1	Number of employees*9	575	577	582	Persons
	Number of employees (male)	470	471	471	Persons
	Number of employees (female)	105	106	111	Persons
	Average age of employees	44.4	44.6	44.8	Years old
	Average age of managers*10	52.0	51.4	51.9	Years old
	Number of new graduate recruits	16	8	12	Persons
	Number of new graduate recruits (male)	14	6	5	Persons
	Number of new graduate recruits (female)	2	2	7	Persons
	Number of mid-career recruits	16	16	23	Persons
	Number of non-Japanese employees	8	10	8	Persons
	Managers as a percentage of all employees*10	12.9	12.8	12.5	%
	Ratio of female managers*10	2.70	5.41	6.85	%
	Number of semi-management team leaders	46	55	56	Persons
	Female semi-management team leaders as a percentage of total semi-management team leaders	2.2	12.7	12.5	%

	FY	2020	2021	2022	Unit
(3) Training and utilization of human resources*1	Actual wage difference between men and women (all workers)	59.39	60.62	62.05	%
	Actual wage difference between men and women (full-time employees)*11	59.87	61.19	62.69	%
	Actual wage difference between men and women (non-full-time employees)*12	38.94	45.15	31.23	%
	Annual cost of training	44,699	36,270	50,163	Thousands of yen
	Annual cost of training (per employee)	78	63	86	Thousands of yen
	Number of rewards provided for qualification acquisition	14	41	20	Awards
	Amount of compensation givens for qualification acquisition	490	1,450	870	Thousands of yen
	Number of employees acquiring an important qualification*13	97	90	75	Persons
(4) Innovation in technologies and their usage*2	Annual cost of research and development (consolidated)	597,420	602,872	405,829	Thousands of yen
(6) Increase productivity*1	Sales revenue per employee	51,327	65,155	48,411	Thousands of yen
	Operating profit per employee	3,306	2,967	1,950	Thousands of yen
C Fundamental initiatives to undertake before addressing A and B issues					
(7) Ensure occupational health and safety*1	Frequency rate of industrial accidents	1.39	1.20	0.33	Casualties/ million working hours
	Severity rate of industrial accidents	0.05	0.02	0.02	Days lost/ thousand working hours
	Number of fatal work accidents	0	0	0	Cases
	Frequency rate of industrial accidents not resulting in lost work time	1.39	1.50	1.64	Casualties/ million working hours
	Total number of work hours	2,882,716	3,332,459	3,052,661	Hours
	Number of Group safety meetings held	1	1	1	Times
	Number of safety patrols implemented	167	213	229	Times
	Response rate for stress checks	93.8	96.0	95.8	%
	Rate of compliance training participation*14	92.5	93.8	—	%
	Compliance training participants*15	—	—	91	Persons
(8) Execute steadfast compliance and corporate governance	Number of helpline (whistleblower system) cases*2	5	7	7	Cases
	Rate of information security training participation	100	100	100	%
	Rate of safety confirmation drill participation (annual average)	93.5	92.4	93.7	%
(9) Improve risk management*2	Number of training sessions held on risk management	5	6	5	Times
	Number of automated external defibrillator (AED) certificate holders	39	39	31	Persons
	Commendation system: Number of improvement proposals*16	1,048	1,014	1,023	Cases
	Commendation system: Improvement proposal submission rate*11, 17	72.3	70.7	79.8	%
(10) Evolve our corporate culture into one that encourages employees to quickly and proactively take on challenges					

*1 Toyo Kanetsu, non-consolidated.
*2 Toyo Kanetsu and consolidated subsidiaries.
*3 As of August 2023, Scope 3 emissions for fiscal 2022 are provisional values still being calculated.
*4 Amounts shown do not include tax.
*5 Includes full-time employees (including senior employees but excluding assignees) + Contract employees + Temporary workers + Number of incoming assignees + Seconded employees (to the Company).
*6 Percentage of employees returning to work, based on the total number of employees taking childcare leave (includes continuous childcare acquisition).
*7 Acquisition target: At least 10 days in fiscal 2020 and 13 days in fiscal 2021; fiscal 2022 target is 70% of new days granted for the fiscal year.
*8 Includes full-time employees (including senior employees but excluding assignees).
*9 Includes directors, executive officers, and full-time employees.
*10 Managers: Group managers and department heads, excluding executive officers (definition changed from fiscal 2021 results).
*11 Of all workers, only full-time (regular and continuing employment) employees, excluding directors, were counted.
*12 Of all workers, only non-full time (part-time, contract) employees were counted.
*13 Number of employees who are 1st-class architects, engineers, or 1st-class construction management engineers.
*14 Includes directors, executive officers, and new employees, including those at Group companies. Rather than showing participation rates, starting in fiscal 2022, the number of participants will be shown.
*15 Includes directors, executive officers, mid-career hires, and new employees, including those at Group companies.
*16 Overall number of proposals for the Toyo Kanetsu Group as a whole, including subsidiaries. The total number of proposals is the aggregate; multiple proposals from one person are all counted.
*17 Submission rate = Total number of proposals submitted (Toyo Kanetsu, non-consolidated) ÷ Number of eligible Toyo Kanetsu employees at the end of the second fiscal quarter. The total number of proposals is the aggregate; multiple proposals from one person are all counted.

Domestic and Overseas Offices (As of July 31, 2023)

Toyo Kanetsu K.K. Head Office	2-11-1, Minamisuna, Koto-ku, Tokyo 136-8666, Japan
Chiba Plant	2, Tsukiji, Kisarazu-shi, Chiba 292-0835, Japan
Wakayama Plant	457, No, Arida-shi, Wakayama 649-0314, Japan
Sapporo Service Center	5-7-23, Atsubetsuchuo 3-jo, Atsubetsu-ku, Sapporo-shi, Hokkaido 004-0053, Japan
Sendai Service Center	4-4-11, Morisekinoshita, Natori-shi, Miyagi 981-1227, Japan
Saitama Service Center • Tsurugashima Satellite	1st Floor, Ishikawa Building, 3-14-7, Bessho, Minami-ku, Saitama-shi, Saitama 336-0021, Japan 1497-23, Suneori, Tsurugashima-shi, Saitama 350-2213, Japan
Tokyo Service Center • Nagareyama Satellite	1-25-2, Minamisuna Koto-ku, Tokyo 136-8666, Japan 8-1315-1, Nagareyama, Nagareyama-shi, Chiba 270-0164, Japan
Yokohama Service Center • Atsugi Satellite	2-22, 5th Floor Keihan Yokohama Building, Honcho, Naka-ku, Yokohama-shi, Kanagawa 231-0005, Japan 1st Floor, MP Building, 1-17, Atsugi-cho, Atsugi-shi, Kanagawa 243-0011, Japan
Nagoya Service Center	2-18-13, Naeshiro, Moriyama-ku, Nagoya-shi, Aichi 463-0046, Japan
Kansai Service Center	1-9-2, Senriokahigashi, Settsu-shi, Osaka 566-0011, Japan
Okayama Service Center	2nd Floor, Ima3chome Aizu Building, 3-7-7, Ima, Kita-ku, Okayama- shi, Okayama 700-0975, Japan
Kyushu Service Center	1st Floor, Fukuoka Zasshonokuma Daiichi Seimei Building, 1-3-1, Shinonomemachi, Hakata-ku, Fukuoka-shi, Fukuoka 812-0871, Japan
Haneda Satellite	2nd Floor, Sumitomo Seimei Kamata Building, 4-22-3, Kamata, Ota-ku, Tokyo 144-0052, Japan

Group Companies

Toyo Koken K.K.	2-11-1, Minamisuna, Koto-ku, Tokyo 136-8666, Japan	Design, manufacture, installation, and sales of winches, hoists, lifting equipment, balancers, conveyors, etc.
Toyo Kanetsu Bultec K.K.	2-11-1, Minamisuna, Koto-ku, Tokyo 136-8666, Japan	Construction (planning, design, and construction of buildings and steel pipe piling work) Gondola business (rental and sale of temporary construction gondolas)
Kankyo Research Institute Inc.	104, Okadomachi, Hachioji-shi, Tokyo 192-0054, Japan	Investigation, measurement and analysis of asbestos, sick building syndrome, noise/vibration, odor, etc.
Eco Analysis Corporation	84, Takeda Kitamitsuguicho Fushimi-ku, Kyoto-shi, Kyoto 612-8419, Japan	Maintenance/inspection/repair/data analysis of environmental equipment and measuring instruments, environmental surveys/assessment, sales of environmental monitoring systems, sales of environmental measuring instruments and reagents, etc.
TKK Plant Engineering K.K.	2-11-1, Minamisuna, Koto-ku, Tokyo 136-8666, Japan	Worker dispatching business in Japan specializing supervision for maintenance and design of storage tanks
Scrum Software Co.,Ltd	3rd Floor, Dainichi Minamisenba Building, 1-5-21 Minamisenba, Chuo-ku, Osaka 542-0081, Japan	Planning, development, production, and sales of specialized computer systems for logistics and distribution (development from scratch, package application and customization, development tools, database middleware evaluation and selection)
Toyo Service System K.K.	2-11-1, Minamisuna, Koto-ku, Tokyo 136-8666, Japan	Leasing, comprehensive building management, real estate and OA-related business
PT Toyo Kanetsu Indonesia	Midplaza Building 1, 8th Floor, Jl. Jend. Sudirman Kav. 10-11, Jakarta 10220, INDONESIA	Manufacture and sale of storage tanks
Toyo Kanetsu (Malaysia) Sdn. Bhd.	Sublot 51, 1st Floor Medan Jaya Commercial Centre, 97000 Bintulu MALAYSIA	Manufacture and sales of storage tanks and equipment and devices for material handling system

Corporate Profile and Stock Information (As of March 31, 2023)

Corporate Profile

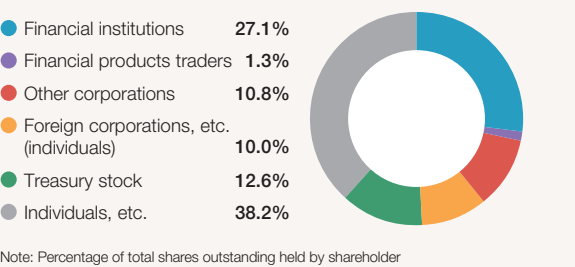
Corporate name	Toyo Kanetsu K.K.
Headquarters	2-11-1, Minamisuna, Koto-ku, Tokyo 136-8666, Japan
Established	May 16, 1941
Capital	¥18.58 billion
Number of issued shares	9,323,074
Share unit	100
Number of employees	1,143 (on a consolidated basis)
Ticker code	6369
Share registrar	Mitsubishi UFJ Trust and Banking Corporation
Share registrar address and contact information	Stock Transfer Agency Department Mitsubishi UFJ Trust and Banking Corporation 1-1, Nikko-cho, Fuchu City, Tokyo 137-8081 TEL (free dial within Japan): 0120-232-711 Mailing address: P.O. Box 29, Shin-Tokyo Post Office, Tokyo 137-8081, Japan
Stock exchange listing	Tokyo Stock Exchange Prime Market
Independent accounting auditor	Gyosei & Co.

Major Shareholders

Name	Number of shares (Thousands)	Share-holding (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	932	11.44
Nippon Life Insurance Company	414	5.08
Resona Bank, Limited	399	4.89
Custody Bank of Japan, Ltd. (Trust account)	371	4.55
Daiei Real Estate & Development Co., Ltd.	212	2.60
Toyo Kanetsu Employee Stock Ownership Plan	120	1.47
SUMITOMO LIFE INSURANCE COMPANY	115	1.41
Sato Kogyo Co., Ltd.	111	1.36
Manavis Co., Ltd.	109	1.33
NIPPON EXPRESS HOLDINGS	100	1.22

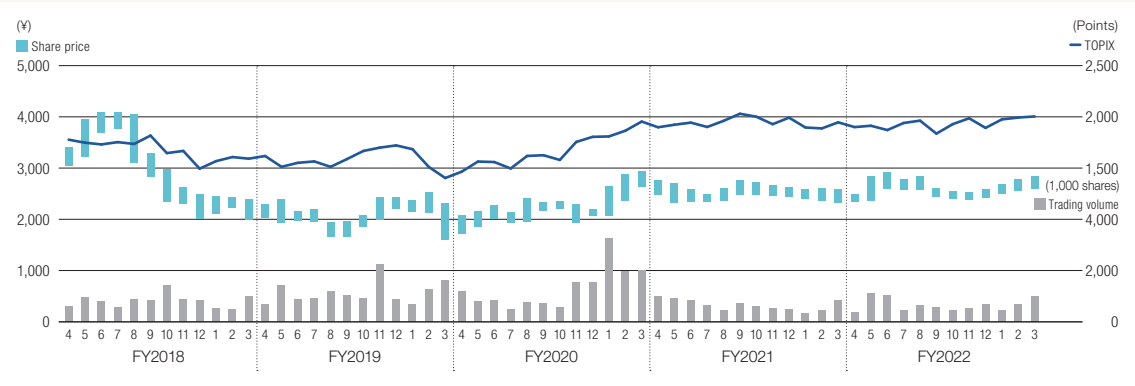
Note: The calculation of the percentage of total shares outstanding excludes treasury stock.

Shareholders and Distribution of Shares



Note: Percentage of total shares outstanding held by shareholder

Share Price and Trading Volume





Contact Information

Toyo Kanetsu K.K.

Corporate Planning Department

Corporate Division

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