



Presspack®



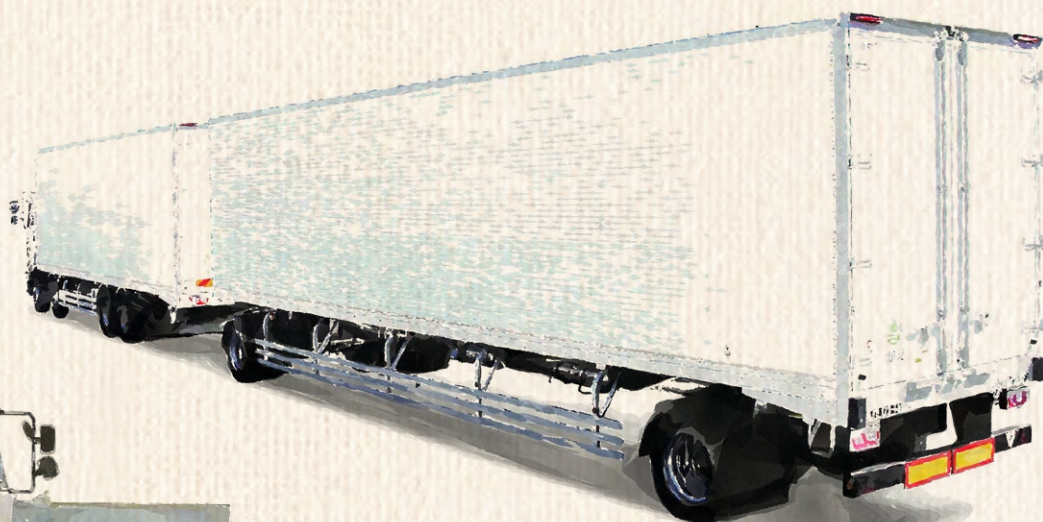
Small package delivery lorry

# 2019 CSR REPORT

CSR Report of Kyokuto Kaihatsu Group



Piston Crete®



Double-trailer truck



Pneumatic bulk carrier®  
Semitrailer (Aeration-type)



# WORKING FOR ALL CREATE THE FUTURE



Jetpack® (Air-sliding type)

## Working vehicles are creating our future

Working vehicles support our daily lives, build the foundation of our environment, and make our towns easier to live in.

As a company that has worked to build social infrastructure both in Japan and also on a global scale, we are using those business activities to strive for the realization of a sustainable society and the achievement of the SDGs, and we have stated that this is a priority theme for the entire company.

We will use various technologies and products to support all aspects of peoples' lives.

We will make use of the past results of the Kyokuto Kaihatsu Group to continue to build the future of society as “hard workers” making a contribution for you all.



Hyperswing Hookroll®

## “Becoming a global company that can adapt flexibly to change”

### ○ Editorial policy

This report describes the activities and future plans of the Kyokuto Kaihatsu Group for the realization of a sustainable society.

### ○ Scope of reporting

**Organizations** This is a report of the activities of the reported: Kyokuto Kaihatsu Group, especially regarding Kyokuto Kaihatsu Kogyo Co., Ltd., but also including the affiliated companies in Japan and overseas.

**Period of report:** April 1, 2018 to March 31, 2019  
(Some articles include details from April 2019 and later)

**Target readers:** All the stakeholders involved with the Kyokuto Kaihatsu Group

**Date of issue:** September 2019

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Our mission is to pursue  
“sustainable manufacturing.”

Top Message 2019

# TOP MESSAGE 2019



September 2019

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

**Kazuya Takahashi**



## Current business environment

In the Kansai region, where the Kyokuto Kaihatsu Kogyo headquarters is located, the whole society is now starting to act in preparation for the hosting of the Expo 2025. We will no doubt see concrete movement in various different sectors from now on. However, if we examine the situation in Japanese society overall, there are still a mountain of issues to be tackled with not even a sign of a solution being found. In an area directly related to our Group, there is the problem of labor shortages in logistics. There is also the problem that much of the social capital such as roads and bridges that was intensively constructed in the post-war period of high economic growth will soon be reaching the end of its life. It will also be necessary to solve these problems whilst also experiencing many issues related to the workforce, such as the declining birthrate and aging population and the work-style reforms. To make this possible, we must achieve further growth.

## Our medium-term management plan 2019-21 – To the Growth Cycle – has begun.

In this situation, the Group has started out on our medium-term management plan for 2019-21, called “To the Growth Cycle.” This is our new three-year plan, for which the final year is the fiscal year ending March 2022. In our previous medium-term management plans, although there was concentrated demand such as for the construction work related to the Tokyo Olympic and Paralympic Games, we also emphasized the establishment of a strong revenue base to make it possible for us to continue to grow in the Japanese market, the future of which is still unclear. In the new medium-term management plan, we will go on to show the true value of that. In addition, as there are likely to be rapidly-changing requirements from now on, we will work to create organizational systems that are flexible and work speedily so that we can achieve further leaps forward. Our technology and expertise are not just applicable within Japan. We will continue to make an effort to expand globally, particularly in Asia.

## Responsible manufacturing as a member of society

The term the SDGs is becoming established throughout society. Our Group is also working to take a global viewpoint and future oriented stance by incorporating the 17 goals into our business activities. Our Group has long worked to find solutions to various social issues through our three core businesses (special purpose vehicles, environmental, real estate leasing, etc.). From now on, it will be required that those activities are not limited to our own company and also include consideration of the viewpoints of the life-cycle and value chain. In particular, as is also the case for work-style reforms, it will become important to consider human rights issues such as health and safety and work that is fulfilling for the supply chain as well as for employees. Consideration of the safety for the product users will also be important for the realization of “sustainable manufacturing.”

## Grow sustainably and become a KYOKUTO that is chosen widely.

The major issues on a global scale include the problem of climate change. The “heavy rain in July 2018” that caused a lot of damage particularly in Western Japan, is still fresh in our minds. That disaster made us feel once again that our economic activities are having a great impact on the natural environment and reminded us that our response to that situation is a pressing issue.

As manufacturers and other members of the business world, we have so far pursued material wealth and created a society that is convenient and comfortable. On the other hand, it can be seen from the recent abnormal weather and frequently occurring disasters that we have also been forcing many burdens on the Earth. We will strive to spread the various knowledge and techniques we have cultivated so far around the world, to aim to realize a society where the people around the world can live rich lives in safety, and also a society that is kind to all the natural environment and living organisms on the Earth. For this purpose too, it is our mission to continue to be a company that is selected widely by society.



## ○ Kyokuto Kaihatsu Group and the SDGs



The Kyokuto Kaihatsu Group is implementing activities for the SDGs.

The SDGs are 17 goals for the entire world to work to find a solution to each social problem in order to realize a "world where no one will be left behind." Our Group will actively fulfil its role and responsibilities as a member of society to work for the achievement of the SDGs.

### Major issues

We looked along our value chain and identified the activities of our company that will lead to a solution of social issues. We will work through our business to tackle these issues as a priority and to make a large contribution to the achievement of the SDGs and the realization of a sustainable society.

Activities that can reinforce "positive impacts" for the achievement of the SDGs



Activities that can suppress "negative impacts" for the achievement of the SDGs

## ○ Partnerships

### WE SUPPORT



United Nations Global Compact (UNGC)

We are working to solve the issues by promoting coordination with various companies, government authorities, and organizations and conducting information exchanges and collaboration.

### United Nations Global Compact (UNGC)

In November 2016, Kyokuto Kaihatsu Kogyo signed the United Nations Global Compact (UNGC). The UNGC subcommittee is promoting activities such as the sharing of the latest trends related to CSR and case examples of activities at various companies, and also the production of tools to support the promotion of company CSR. We will practice the ten principles related to "human rights," "labor," "environment," and "corruption" that are demanded by the UN and fulfil our role as a member of international society.

### KANAGAWA SDGs PARTNER

In April 2019, Kyokuto Kaihatsu Kogyo was recognized as a "KANAGAWA SDGs PARTNER." We will work in cooperation with Kanagawa Prefecture and with companies and organizations in the prefecture to conduct dissemination and enlightenment activities for the SDGs and to work through the SDGs to construct new business.

### Learning and Ecological Activities Foundation for Children (NPO)

Since November 2016, we have been supporting the "Learning and Ecological Activities Foundation for Children" non-profit organization that works in Nishinomiya City in Hyogo Prefecture to develop and implement education models for the realization of a sustainable society.

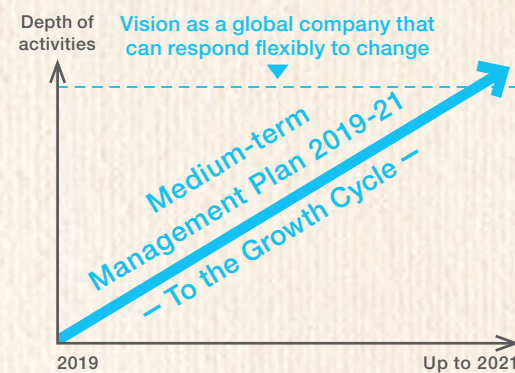


KANAGAWA SDGs PARTNER Recognition ceremony





— To the growth cycle —



The Kyokuto Kaihatsu Group has formulated its new medium-term management plan 2019-21 “To the Growth Cycle,” for which the final year is the fiscal year ending March 2022.

In the previous medium-term management plan 2016-18 “Value up to the Next,” we worked on measures for the securing of orders for logistics- and environment-related products and the expansion of stock business and overseas business and we were able to achieve the sales target aspect of our Group business targets. However, the changes in the sales composition, the rising prices for raw materials, and the fixed costs remaining high all had an impact and led to a fall in profitability, so we were not able to achieve our target for operating profit.

We formulated the new three-year plan with consideration of these issues so that the company can grow into a “global company that can respond flexibly to change.”

We are working on specific measures based on three basic policies.

## ○ Basic policy and measures



Power Gate Center

### 1. Productivity improvement and reinforcement of profitability

#### [1] Maximization of capital investment effectiveness

- Operation of automatic welding robots
- Operation of new Power Gate Center, etc.

#### [2] Provision of products and services with high added value and high quality through utilization of IoT and AI

- Operation of service support system (K-DaSS)
- Utilization of smart devices, speech recognition, etc.

### 2. Creation of future revenue sources

#### [1] Establishment of revenue base for overseas business

- Development of new models exclusively for overseas
- Increase establishment of sales stores, etc.

#### [2] Establishment of business in new sectors where can utilize Group strengths



Manufacturing in India plant



Biogas plant completed in January 2019

- Forestry sector
- Bioenergy sector
- Railway vehicle sector, etc.

### 3. Improvement of company quality and deepening of social value

#### [1] Work-style reforms and employee development

- Work efficiency improvement using IoT and AI
- Operation of company project for work-style reform
- Utilization of diverse human resources, etc.

#### [2] Solution of social issues through business

- [Solution to labor shortages] Improvement of transportation work efficiency by increasing carrying capacity and providing labor-saving products
- [Realization of decarbonized society and recycling-based society] Promotion of environmental business, product energy-saving and power-saving, renewable energy power generation business
- [Passing on manufacturing] Hosting of plant tours, promotion of sustainable procurement, implementation of technical skills tests, etc.

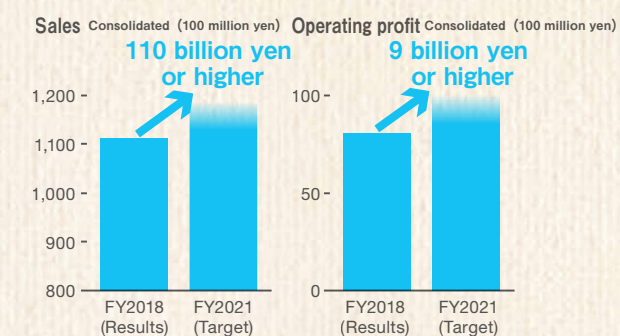
In the final year, fiscal year 2021, it is expected that there will be some temporary stagnation in the Japanese economy due to a recoil from the Tokyo Olympic and Paralympic Games that will be held in the previous year.

It is expected that there will be a slightly difficult environment in the market for the special purpose vehicle business that is the principle axis of our Group. This is because, although there will be large-scale infrastructure construction work such as for the Linear Chuo Shinkansen, there will also be recoil after the last-minute demand due to exhaust gas regulations and other impacts such as a peaking-out of logistics-related products.

With regards to the overseas market, in the Asia region, which is our main target, it is expected that economic growth will continue in the medium and long term, with growth led by domestic demand. However, there are risks such as the slowing down of the Chinese economy and the political situation in each country, so there is an increasing uncertainty about the future.

Whilst it is expected that the market environment will be difficult, we will aim to achieve the targets by steadily executing the three basic policies.

## ○ Financial targets





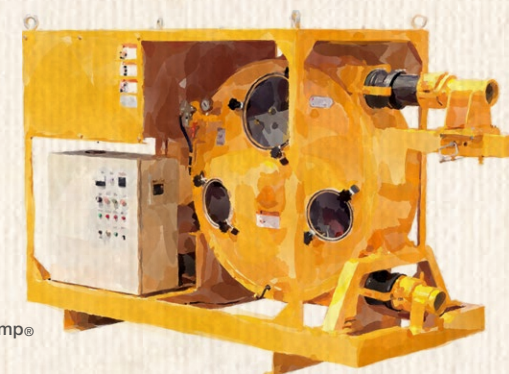
## CONVERSATION WITH EXPERTS



FLATOP® Zero II



Slide type



Stationary squeeze concrete pump®

— Conversation with experts —

Our Group has formulated its new medium-term management plan “To the Growth Cycle” (hereinafter called the “medium-term plan”), which defines the direction we should aim for over the next three years\*1.

For this conversation, we invited Professor Joji Nakaya of the Faculty of Business Administration at Kindai University to talk to us as an expert in social issues. The conversation was with Kazuya Takahashi, the Representative Director, President and CEO of Kyokuto Kaihatsu Kogyo Co., Ltd. Professor Nakaya gave us his opinions on the measures being taken in our Group, with a focus on the medium-term plan.

### Improve productivity and reinforce productivity

**Takahashi:** In the previous medium-term plan, we aimed to build an organization that could respond to changes in society and strived to reinforce our revenue base for the future. In the new medium-term plan that starts from this fiscal year, we are thinking about producing an effect from the investment in equipment, human resources and systems that we have conducted so far.

**Nakaya:** You mean to reliably perform the recovery for the amount you have invested so far.



Joji Nakaya - Profile

Professor, Faculty of Business Administration, Kindai University. Visiting Professor, National Institute of Public Administration, National Personnel Authority. Specialty is business ethics. Major publications include “*Bijinesu rinnrigaku (Business Ethics)*” and “*Bijinesurinnrigaku tokuhon (Business Ethics Anthology)*.” He is had performed many studies and proposals to encourage ethical and correct behavior by companies and administrative bodies.

**Takahashi:** That’s right. For example, with regards to equipment, last year we created a “New Power Gate Center” at our Nagoya Plant. Up until now, during times when we had a lot of orders for power gates, we had to respond to this not only with overtime work every day, but also with people working on holiday days. However, as we have created our new Power Gate Center, we have become able to respond to 30% more orders than in our previous busy times without any overtime work.

**Nakaya:** I think that this is an example of where you were also able to contribute to the work-life balance of the employees by increasing productivity. Has there been an increase in the number of power gate orders you receive lately?

**Takahashi:** A power gate is the elevator machinery attached to the rear of a vehicle. It is a labor-saving device that reduces the burden on the driver for the loading and unloading of cargo. In recent years, there has been a severe shortage of labor in the logistics and transportation industries and there have been demands for the employment of more diverse drivers such as women and senior citizens. This social situation is part of the reason why there is increasing demand for devices that reduce the physical burden of the work, such as power gates.

**Nakaya:** From the viewpoint of creating workplaces that are easy to work in, power gates are an essential product for the logistics industry.

**Takahashi:** Right from the beginning, the special purpose vehicles, which are one of the core business areas of our Group, were created for purposes such as the improvement of the hygiene environment, or to solve labor shortages. When we think of it from that viewpoint, we can say that the manufacturing and sales of the products of our Group is something that aims for the solution of social issues.

### Creating a new source of revenue

**Nakaya:** It is very clear to me when I look at your production information that you make a lot of products that directly connect to the solution of social issues. Are you planning to enter into any new sectors?

**Takahashi:** After continuing research from about seven years ago, in fiscal 2018, we newly began the manufacturing and sales of special purpose vehicles and products for the forestry sector\*2.

**Nakaya:** What sort of special purpose vehicles and products do you have for the forestry sector?

**Takahashi:** In order to preserve forests, it is necessary to periodically thin them at an appropriate frequency, and that work creates large volumes of timber. The thinned timber can be used

in the form of wood pellets as fuel in biomass power generation. In the past, the work to transfer those wood pellets to a silo for storage involved work at a high place. That work at a high place meant that it was heavy work involving going up and down ladders, and that it was dangerous work. The new “JETCUBE” product from our Group uses the force of air to transport the wood pellets, so it reduces the burden of the work and also secures the safety of the workers. It also helps improve the efficiency of the work.

**Nakaya:** We have recently seen an increase in the number of natural disasters such as landslide disasters resulting from heavy rainfall. One factor behind this is said to be the problem of abandoned forests and the national government is also starting to put efforts into steps such as the utilization of forest resources. However, the current situation is that there are not many workers engaged in forestry and the forests are not being sufficiently maintained. It can be said that you are making a contribution to satoyama regeneration and the creation of disaster-resistant towns by tackling the issue of the labor shortage through the development of products such as these.

### Solving issues overseas

**Nakaya:** On a slightly different subject, at the G20 meeting held in Osaka in June, the problem of marine plastic waste was examined as a major theme. It is expected that the response to the waste issue will become a global movement from now onwards. Your group has already been actively approaching the problems of waste with the manufacturing and sales of refuse trucks and recycle facilities.

**Takahashi:** Our Group provides refuse trucks to developing countries where the hygiene environment has not yet been prepared and provides guidance on how to use them. Through activities such as these, we are using the products of our Group to spread the creation of the mechanisms to become the foundation of waste processing, namely to “Throw waste in the waste bin and then it is collected by a refuse truck and sorted at a facility so that it leads to recycling.”

**Nakaya:** You are only able to use your products for the solution of issues overseas because you have the technology and know-how that your group has cultivated up until now. I hope that you will continue to use what you have accumulated to make a contribution to the solution of the various issues around the world from now on. Are you currently doing anything else overseas?

**Takahashi:** In 2014, we placed demonstration equipment for multistory parking in Jakarta, the capital of Indonesia. Jakarta and other major cities of Asia are seeing an explosion in the number of



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

automobiles and there are frequently problems regarding parking spaces and traffic accidents. The aim is to find a solution to those problems by introducing multistory parking.

**Nakaya:** Until the 1980s, we also saw a lot of unpaved roads and parking on the streets in Japan.

**Takahashi:** That’s true. In Japan, there has been a dramatic fall in the amount of parking on the street since it was defined in law that there is an “obligation to place car parking facilities when newly constructing or expanding a building.” The number of traffic accidents has also greatly declined.

**Nakaya:** The spreading of multistory parking to regions that have problems with traffic can be described as contributing to safe and efficient town planning by spreading and establishing a culture of “parking a car in a car park.”

### Creating workplaces that everyone feels are worthwhile and fulfilling

**Nakaya:** What consideration have you given to the workplace environment for employees?

**Takahashi:** Our Group believes that employee safety takes priority over everything else. It is during busy periods in particular that unexpected labor accidents are liable to occur. In fiscal 2017, we established our “Safety Promotion Department” as a department to specialize in labor safety, in an effort to secure the safety of the employees and reduce the number of accidents, even in the busy times. We have also implemented “experiential safety training”



## — Conversation with experts —



Slide type detachable body truck®



Hyperswing Hookroll®



Rear dump truck (Wear-resistant steel plate specifications)

for all employees, including those of affiliated companies. This is training using equipment that makes it possible to experience the impact of industrial accidents in a simulation<sup>\*3</sup>. By making machines that are similar to the equipment used in the plants, we have the employees learn the horror of industrial accidents as a critical problem.

**Nakaya:** Being able to have a simulated experience with the same equipment as in the company is a unique initiative that will be very meaningful learning for the employees.

**Takahashi:** From now on, we will be in an era when we have various different people such as foreign workers and female workers participating in the work in the plants. We will promote the education to the new people joining the company in order to spread awareness of the thinking of our Group regarding safety and health and to ensure that they can work safely and healthily.

**Nakaya:** It will be essential to utilize diverse human resources in order to deal with the falling birth rate and aging population and the shortage of available labor. To make this possible, we have entered an era where all companies are required to create workplaces where any person can find it easy to work, can work in their own style, and can feel that their work is worthwhile and fulfilling. I have heard that your group has been actively working on the employment of persons with disabilities.

**Takahashi:** In May 2018, we opened a farm that employs persons with disabilities, called the "Kyokuto Kashiwa Farm."<sup>\*4</sup> The vegetables harvested there are provided as the food in the cafeterias of our Group. Through initiatives such as this, from the viewpoint of diversity, we are working to create an environment where everyone working in our Group has an awareness that they are "a member of the Kyokuto Kaihatsu Group" and feels satisfaction in their work.

**Nakaya:** That is something that is extremely important for the job satisfaction of employees. With regards to the SDGs too, there are objectives related to good jobs and the use of diverse human resources and I can tell from what you have said so far that your group is an organization that greatly values its employees.

### Using manufacturing to contribute to SDGs achievement

**Takahashi:** Since even before the adoption of the SDGs, our Group has been using our products and services to work on the solution of social issues. Now that common goals for the world have been created with these SDGs, we believe that we must continue to do what we had been doing in our work from before, whilst also continuing to examine our work with reference to the SDGs to

consider whether there is anything else we can do to make a contribution.

**Nakaya:** Producing products that lead to the achievement of the SDGs will also increase the employees' sense of belonging to the company. Also, from the standpoint of the customers too, the products that lead to the achievement of the SDGs will no doubt raise the level of trust placed in your group.

**Takahashi:** To ensure that the employees understand how their own work is connected to the solution of social issues, we also include articles on the SDGs in our internal education and public relations media.

**Nakaya:** If the employees are conscious of the SDGs and aspire to create products that solve social issues, then this will naturally become a trigger for innovation within the company. I hope that you will continue to work towards the solution of social issues and cooperate both with your employees and with various other stakeholders as you promote the kind of manufacturing that is demanded by society.

**Takahashi:** I want all of the employees of our Group to continue to feel pride and confidence and to continue our efforts for the realization of a sustainable society where all people can live a full life. I thank you sincerely for your time today.

<sup>\*1</sup>: Medium-term management plan ... Written in pages 7 - 8

<sup>\*2</sup>: Forestry related products ... Written on page 12

<sup>\*3</sup>: Experiential safety training ... Written on page 22

<sup>\*4</sup>: Kyokuto Kashiwa Farm ... Written on page 20



# 2018 TOPICS

### Taking on the challenges of the forestry sector



Global warming is becoming more severe. In order to reduce the greenhouse gases that cause it, there are demands for the utilization of renewable energy sources (solar, wind, biomass, etc.).

As a move into a new sector, Kyokuto Kaihatsu Kogyo worked on the development of products related to forestry and launched the "JETCUBE" in November 2018, as the first product from that development. JETCUBE makes it possible to more safely and efficiently transport, load and unload the wood pellets that are used as the fuel in biomass power generation and other applications. This helps promote the use of the wood pellets and thereby contributes to the realization of a decarbonized society.



The JETCUBE uses air to convey wood pellets to the storage silo, so the dangerous and physically demanding work at high places that was previously necessary is eliminated and the product realizes a safe working environment.



K-DaSS is composed of the three elements of a "Service tool system," "Real-time data collection," and "Web service." The aim is to use the IoT to "connect" with the customer with information.



Diesel locomotive of Hokuriku Heavy Industries

### Using the IoT to realize "connected special purpose vehicles"



The purpose of the development of the "K-DaSS" service support system, which uses an IoT infrastructure, was to make it possible for customers to use our products safely over long periods of time and to realize a rational product life-cycle. K-DaSS is a system which records and accumulates the operation data from special purpose vehicles in a server whilst also sharing data in real-time with the customer and with the service personnel who perform after-sales service such as repairs and maintenance.

The introduction of the K-DaSS system makes it possible to gain a more accurate understanding of the state of the vehicle. It has made it possible to provide appropriate maintenance proposals and products to the customers.

### Entry into the railway vehicle sector



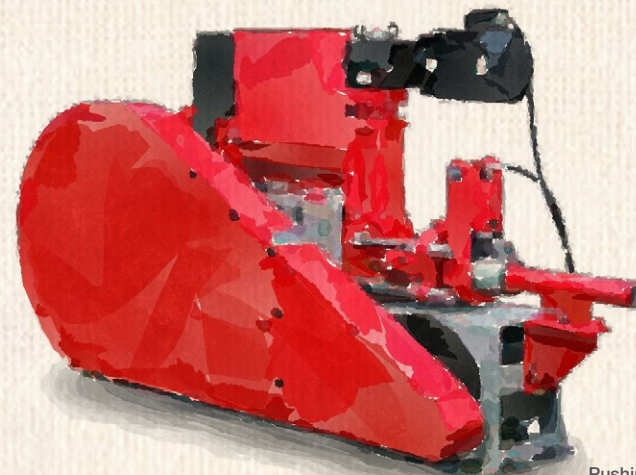
In May 2018, we acquired "Hokuriku Heavy Industries, Ltd." as a wholly-owned subsidiary. Hokuriku Heavy Industries manufactures and sells railroad vehicles, including diesel locomotives and track motorcars. Through the inclusion of Hokuriku Heavy Industries in the Group, we will make a contribution to the solution of the traffic problems that are accompanying the rapid increase in population in urban areas in the developing countries of areas such as Asia and Africa.



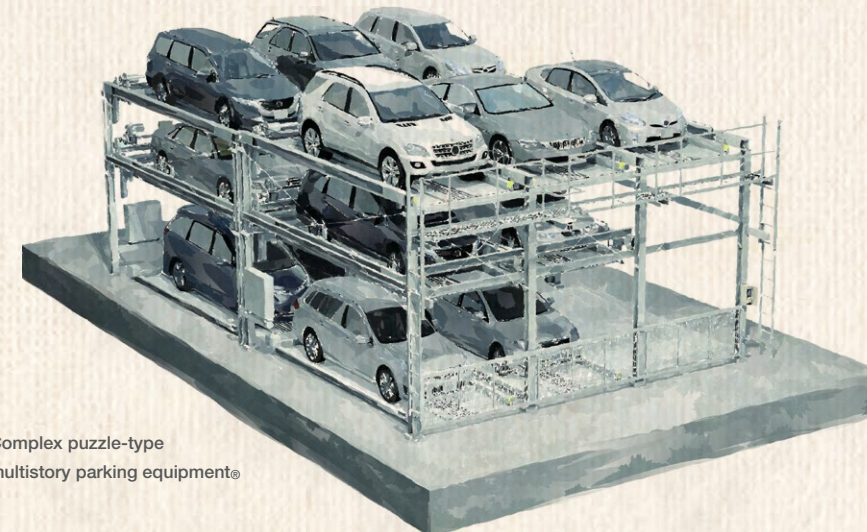
# ACHIEVEMENT BY SEGMENT



Pre-wetted salt sprinkler truck

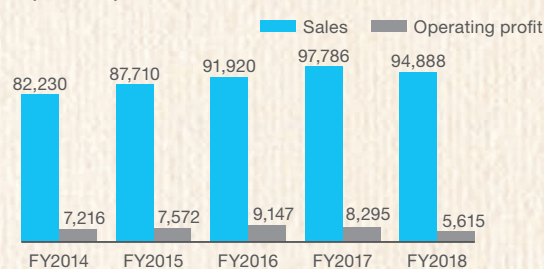


Pushing-type briquette machine

Complex puzzle-type  
multistory parking equipment®

## Special Purpose Vehicles Division

Special Purpose Vehicles Division results Consolidated (Units: Million yen)



We manufacture and sell special purpose vehicles (working vehicles) that play an active role in various different everyday situations such as construction, logistics and labor-saving, and environmental work.

### Market environment

The previously lively market environment has calmed down and was steady in fiscal 2018.

However, in the logistics industry, a shortage of drivers is still a major problem and there are expectations for initiatives for further rationalization, such as a move to larger vehicles and labor-saving for carrying work. In the construction sector, there are issues with the aging of social infrastructure such as roads and bridges and with natural disasters, and there are demands for a response to these issues.

Overseas, there are still many countries that need the technologies of our Group, particularly developing countries.

### Fiscal 2018 topics

- In November 2018, we launched the "JETCUBE" wood pellet transfer unit that uses air and entered the forestry sector.
- In May 2018, we acquired "Hokuriku Heavy Industries, Ltd." as a wholly-owned subsidiary and entered the railway vehicle sector.
- We developed a "pre-wetted salt sprinkler truck" to sprinkle an anti-freezing agent to prevent slipping accidents on frozen road surfaces and began selling it from December 2018.
- We developed the "K-DaSS" service support system which uses an IoT infrastructure and records and accumulates operation data from special purpose vehicles.
- Our "4-ton rear dump truck (with wear-resistant steel plate specifications)" was awarded the "Good Design Award 2018."

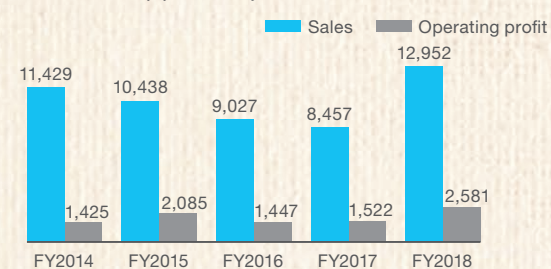
#### Reasons for the award

- A tidy and beautiful appearance with no stiffeners (reinforcing framework)
- The simultaneous achievement of both a large reduction in weight and an increase in strength

## — Achievement by segment —

## Environmental Equipment and Systems Division

Environmental Equipment and Systems Division results Consolidated (Units: Million yen)



We manufacture, sell, maintain, and undertake the entrusted operation of various recycle facilities and equipment such as processing facilities for bulky refuse, recycling centers, and biogas plants.

### Market environment

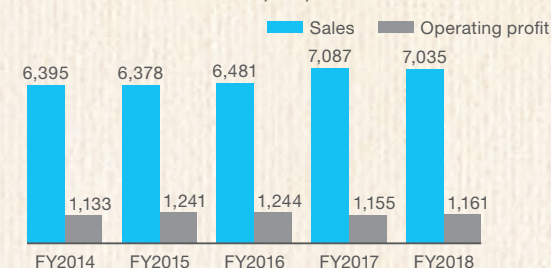
There are great expectations for the formation of a recycling-based society as a measure for decarbonization and the achievement of the SDGs. In particular, initiatives to utilize local resources are gathering attention and there is a movement towards the solution of local issues and the revitalization of local regions by using energy from waste systems that use waste such as animal manure and food waste as an energy source.

### Fiscal 2018 topics

- In January 2019, we completed our first biogas plant facility in an order from Toyoura Town in Hokkaido Prefecture.
- In March 2019, we completed the recycling center in an order received from Tsukuba City in Ibaraki Prefecture.

## Real Estate Rental Business, etc.

Real Estate Rental Business, etc., results Consolidated (Units: Million yen)



We perform the manufacturing, installation, sales, and maintenance of multistory parking equipment for apartment buildings, the operation of toll parking and the leasing of real estate.

### Market environment

The number of new apartments and other housing units supplied has remained low since the shock of the Lehman Brothers bankruptcy in 2008, so the demand for new multistory parking equipment has also remained in a similar situation. However, the renewal and maintenance demand due to the aging of existing multistory parking equipment is expected to continue.

### Fiscal 2018 topics

- We received a contract to perform the operation and management of car parks at the Sakai City ward offices and funeral hall.



# ② WITH OUR BUSINESS PARTNERS

2

WITH OUR BUSINESS PARTNERS



Heavy duty trash dump truck (with roof)

## ○ Efforts to improve customer satisfaction

I was very happy when I was able to demonstrate the results of my practice and take first place at the "Company-wide welding skill tests" held in February 2019. I always perform my welding work with particular attention to the adjustment of the current and voltage to suit the sheet thickness. From now on, I will aim to further polish my welding techniques and I will strive to pass on the welding techniques and knowledge I have for the sake of successor development and skill transfers.

**Hayato Ito**  
Production Section 1, Fukuoka Plant, Kyokuto Kaihatsu Kogyo, Co., Ltd.



The awards ceremony at the company-wide welding skill tests  
(Third from right on front row: Mr. Ito)

### Service courses – Courses held

(Kyokuto Kaihatsu Kogyo non-consolidated)

**395 courses**

Courses for designated repair plants	: 103 times
Courses for customers	: 251 times
Opinion exchange meetings	: 41 times

We are promoting various initiatives to be able to provide products and services that meet the requirements of the customers, including employee education and the improvement of our after-sales service.



### Skills training and skills tests

We implement training courses and tests for employees on the techniques necessary for their various duties, with the aim of improving product quality and for the passing on of skills.

### Service training courses

We host training courses for customers and designated repair plants on after-sales service such as product repairs and maintenance. The contents of the courses are broadly split into "handling," "safety," and "product technology."

### Maintenance packs

In order to prevent the occurrence of any sudden failure or trouble during the use of the products, Kyokuto Kaihatsu Kogyo offers customers a fixed-cost "Maintenance pack" service for periodic inspections and maintenance.

From fiscal 2017, we have also started selling a "Perfect maintenance pack" with even more substantial contents.

### Operation of a quality management system

Nippon Trex has received certification for its quality management system (ISO 9001) from fiscal 2000 and operates that management system.

Kyokuto Kaihatsu Kogyo also acquired ISO 9001 certification at its Yokohama Plant in March 2019.

We will now promote the acquisition of certification at other bases and affiliated companies and advance measures to improve the quality of our products, services, and work.





Jetpack®  
Semitrailer (Aeration-type)

## ○ Ethical manufacturing



SOC-free mark

This is attached to products that have realized a reduction of cadmium, lead, mercury, and hexavalent chromium.

We are working to manufacture products in a responsible manner that considers the environment and human rights.



### Management of chemical substances

We are promoting product manufacturing that is considerate of the natural environment and does not use SOC (cadmium, lead, mercury, and hexavalent chromium). For the SOC-free products, the mark is displayed in the product catalogs and pamphlets.

### Elimination of conflict minerals

We are promoting product manufacturing that does not use conflict minerals (tin, tantalum, tungsten, and gold), as these are a cause of human rights violations, environmental destruction and illegal digging in regions of conflict and also become a source of funds for armed groups.

## ○ Building relationships with business partners

Since the start of operations at the Miki Plant, our company has cooperated with Kyokuto Kaihatsu Kogyo production as an internal cooperating plant. In my work, I am always conscious of the customers that exist beyond our work. It is possible to say that our manufacturing work determines whether or not the customer will be able to use the product safely and efficiently. I will continue to approach my work with responsibility and pride.



**Yukashi Shirakawa**  
President and  
Representative Director  
Shirakawa Steel Co., Ltd.

We value the relationships of trust and cooperation we have with our customers and business partners and we are promoting the building of even better relationships that will lead to the sustainable growth of both parties.



### Information exchange meetings

We hold regular meetings to exchange information with our business partners at each plant. At these information exchange meetings, we provide information on topics such as the changes in the conditions surrounding our Group and the information related to our production. We also implement opinion exchanges to receive the opinions and requests from the business partners.

### Periodic investigations

In order to be able to conduct transactions fairly, we implement investigations of our business partners annually to investigate matters such as the transactions performed, the situation of trust, the details of their company management, and the level of their technology.

3

WITH OUR  
EMPLOYEES





PTO-type sprinkler truck



Van semi-trailer (PANECT)

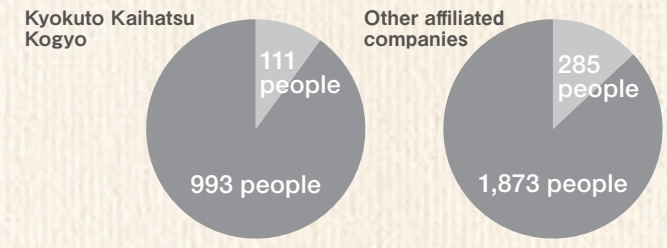


Heavyduty Detachable body truck®

## Situation of employment

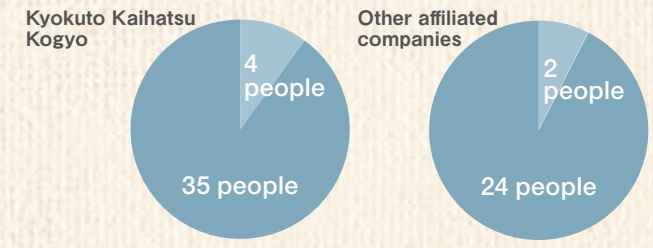
There are 3,262 employees working in our Group.  
(As of end of March 2019)

### Number of employees



\*1: Total number of regular employees, contract employees, and part-time employees.  
\*2: Employees temporarily stationed at other sites are counted at that other site.  
\*3: Executives with other duties and management personnel are included.

### New graduate recruits



## Utilization of diverse human resources



Work being performed by a foreign technical intern trainee

We are promoting the creation of workplaces where employees can mutually respect each other's individuality and values, utilize the diversity and work with enthusiasm and energy.



### Acceptance of foreign technical intern trainees

We have accepted foreign technical intern trainees at each plant of Kyokuto Kaihatsu Kogyo. This contributes to economic development in developing countries as the trainees learn the techniques and traditions of manufacturing and then take them back to their home countries.

Number of foreign technical intern trainees: **44 people**

The Kyokuto Kashiwa Farm produces a large number of seasonal vegetables such as spinach, broccoli, young salad greens, and radishes. The work can be difficult, as the watering cans used to sprinkle water can be a little heavy and it can get very hot inside the vinyl greenhouses where the work is performed, but everybody works hard together each day with appropriate rest breaks. I want to continue to make various different types of vegetable.

**Satoshi Kamai**  
Kyokuto Kashiwa Farm



Kyokuto Kashiwa Farm (Right: Mr. Kamai)

### Promoting the employment of persons with disabilities

Our Group is actively promoting the employment of persons with disabilities. In May 2018, we opened the "Kyokuto Kashiwa Farm" in Kashiwa City in Chiba Prefecture, with the aim of creating a workplace where persons with disabilities can work in their own style over the long term.

Number of persons with disabilities employed: **48 people**

### Achieving work-life balance

We are making an effort for the realization of "work-life balance," where individuals can achieve their ideal balance between work and life outside of work. This includes the preparation of various systems related to childcare and nursing care and the promotion of the creation of workplaces where every individual can feel that their work is worthwhile and fulfilling.

People taking childcare leave: **20 people**  
(including one man)

Average number of paid leave days taken: **9.1 days\***

\*Overseas bases are not included in the results as they have different systems.



**Jun Yuasa**  
Wing Design Section, Nippon Trex Co., Ltd.

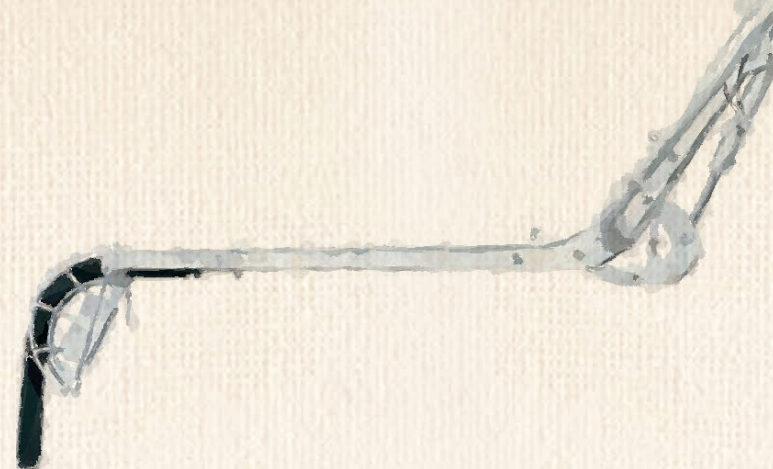
I took about one and a half months off work to support my wife after childbirth. My application was approved without any problems and the colleagues I work with also willingly sent me off on the leave. I felt that the environment made it easy for even male employees to take childcare leave. During the childcare leave, I took on taking care of three children and my wife, as well as the housework. I was a beginner at doing housework and I was totally exhausted each day. However, I was able to support my wife and it was a good opportunity for me to spend time with my children, so I truly feel glad that I took the leave. I was worried about my wife after I returned to work, but I have reduced the hours of overtime I work and I return home early whenever my support is necessary, so I am living a full life each day.





### 3 WITH OUR EMPLOYEES

Heavy duty model dump truck



Squeeze concrete pump truck®



### 3 WITH OUR EMPLOYEES

## ○ Creating fulfilling workplaces

We operate personnel systems, training and awards systems for the growth and development of employees and for the formation of their awareness of their roles and a feeling that the work is worthwhile and fulfilling.



### Personnel system

We operate personnel systems to make it possible for all the individual employees to grow and develop into human resources who can voluntarily fulfil the expectations and roles demanded of them. At Kyokuto Kaihatsu Kogyo, the personnel system was reformed in fiscal 2018 under the concepts of "nurturing human resources who can create value through their work" and a "system where the employees can personally experience a sense of fulfillment and that the work is worthwhile doing." We also provide regular opportunities for the employees to report their intentions and hopes regarding their own career development.



Training for new employees

### Ability development systems

We implement various training to support the building of a foundation so that employees can go on to develop their own abilities. This includes "Training per employee level," where the employees can acquire the skills necessary for their work in accordance with their years of service and positions, and also "career training," which supports the employees in the development of their careers from now on in their working life. There are also systems to improve employee capabilities and motivation such as a "distance learning system for self-enlightenment" and an "incentive system for qualification acquisition." The company pays the entire costs for these and also pays incentives.



The Hyperswing Hookroll® Project Team which received the Team Award in the Fiscal 2018 President's Awards

### Employee awards system

Each year, our Group presents various awards to employees who have made a large contribution to the growth and development of the company. There are awards presented in various sectors, such as for contributions to business results, the improvement of work efficiency, inventions, skills transfers, service quality, and safety and health. These are presented not only to employees of each company in the Group, but also to employees of cooperating companies.

### Employee awareness investigations

In January 2019, Kyokuto Kaihatsu Kogyo implemented a questionnaire for all employees to investigate their awareness of working styles (with a response rate of 93.2%). Many opinions were expressed by the employees, such as their opinions regarding the elimination of wastefulness in the work and the achievement of work-life balance. Based on the results of that investigation, an internal project on work-style reforms is now considering the response to be taken and working to put it into action.



The award ceremony for the President's Awards

## ○ Promoting a healthy mind and body

We are promoting measures for healthy company management so that every single employee can continue to work in good health long-term.



### Labor health and safety

We implement measures aiming for zero accidents and zero disasters, such as with the implementation of safety training and safety patrols. From fiscal 2018, Kyokuto Kaihatsu Kogyo and Nippon Trex have implemented "Experiential safety training" for all employees, including those of cooperating companies. This training uses equipment that makes it possible to experience simulated accidents. Also, Kyokuto Kaihatsu Kogyo has established a "Safety Promotion Department" and is reinforcing measures to prevent the occurrence of industrial accidents.



Safety patrol

Number of industrial accident occurrences: **47 cases**  
(73.4% of those in previous year)

### Physical health

In order to support the health of the employees, we implement various seminars and walking campaigns in cooperation with the Kyokuto Kaihatsu Kenko Hoken Kumiai (health insurance society). We also promote the use of a cooperating sports club at a corporation discount as an employee welfare benefit.

### Mental health

We conduct stress checks and interviews and are promoting the creation of workplaces that prevent the occurrence of mental health problems. In the unfortunate cases where employees do experience mental health issues, we work in cooperation with specialist institutions and hold repeated interviews with medical personnel whilst providing follow-up support for a return to the workplace. In addition, we have established a "Corporate ethics helpline" as a contact point for reporting and consultation related to ethics violations in the workplace, such as legal violations and unfair acts. This is operated with anonymity secured and with a system in place to follow the situation to ensure that the persons consulting are not put at any disadvantage as a result. For management level personnel, we invite specialist instructors and hold "harassment training" and we promote enlightenment activities for the creation of workplaces that every person can work comfortably in.

All the employees, including those of cooperating companies, have attended experiential safety training. This training raises their awareness of danger and aims to prevent industrial accidents. In the questionnaires completed after the training, it has been favorably evaluated with comments such as, "Although it was a simulated experience, the contents of the training were such that I learned the level of fear physically and that experience will be useful when it is necessary to make instantaneous judgments." We will continue this training to work to suppress any unsafe behavior. We also implement safety patrols at each plant and quickly make corrections for any issues indicated, to promote the construction of workplaces with zero hazards.

#### Tadashi Urano

Safety Promotion Department, Kyokuto Kaihatsu Kogyo Co., Ltd.



Experiential safety training (Left: Mr. Urano)





4

# ENVIRONMENTAL ACTIVITIES

4

## ENVIRONMENTAL ACTIVITIES

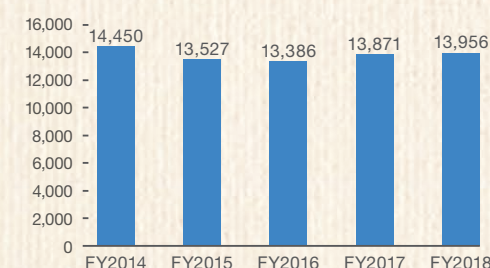


Movable pulverizer

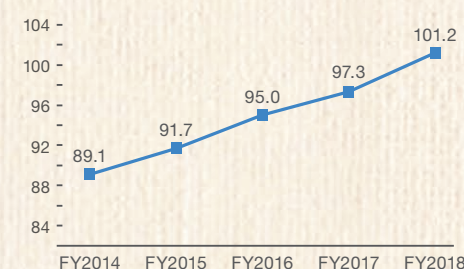
### ○ Efforts for a decarbonized society

Trend in CO<sub>2</sub> emissions due to energy use  
Kyokuto Kaihatsu Kogyo non-consolidated

Volume of CO<sub>2</sub> emissions (Units: t)



Rate of improvement of CO<sub>2</sub> emissions(intensity) (Units: %)



Cassette battery-type EV refuse truck

We are implementing various measures to reduce greenhouse gases, including the conversion of the lighting in our facilities to LED, the introduction of energy-saving equipment, the introduction of next-generation vehicles as company cars, and the implementation of solar power generation.

We will continue to prioritize measures to improve the efficiency of our work, including in production processes, and will aim for decarbonization throughout our business activities overall.



### Energy-saving for production equipment and processes

We are promoting a reduction of the energy consumption in our production processes with steps such as converting lighting to LED and renewing aging equipment.

In May 2018, the LED ceiling lighting within the painting plant at the Kyokuto Kaihatsu Kogyo Nagoya Plant was awarded the "Tokai Branch Award" from the Illuminating Engineering Institute of Japan as a facility with excellent lighting.

#### Key points evaluated

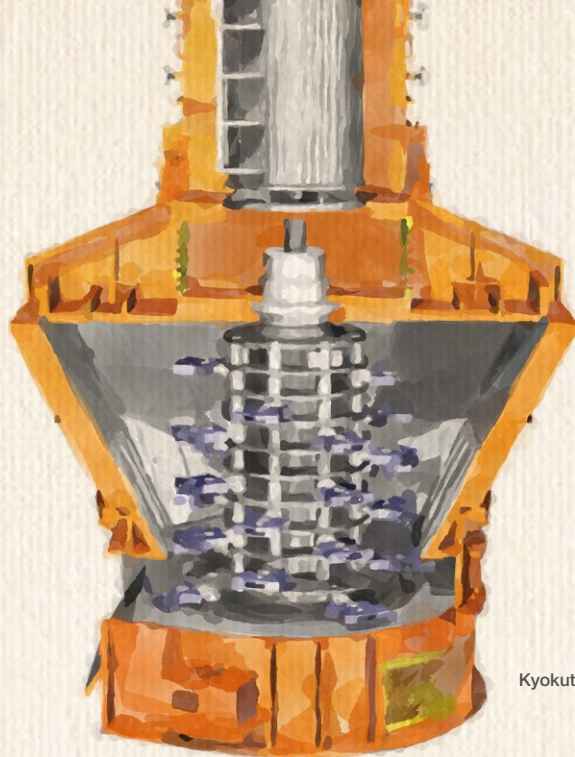
- The electric power consumption was reduced by 56.9%
- Tablet devices can be used to adjust it to the appropriate brightness wirelessly

### Energy-saving on products

In addition to improving the efficiency on conventional products, we are also promoting a change to electricity as a motive power to create products that do not emit greenhouse gases.

In fiscal 2018, the "cassette battery-type EV refuse truck" was developed at Kyokuto Kaihatsu Kogyo as a joint project with multiple other companies. This contributes to a reduction of CO<sub>2</sub> emissions by using electric power for travel and for the loading. Furthermore, an "energy circulation type garbage collection system" is achieved because the garbage collected by the truck is used as a heat source to generate power and then that power is used to charge the cassette batteries that are used on the truck.

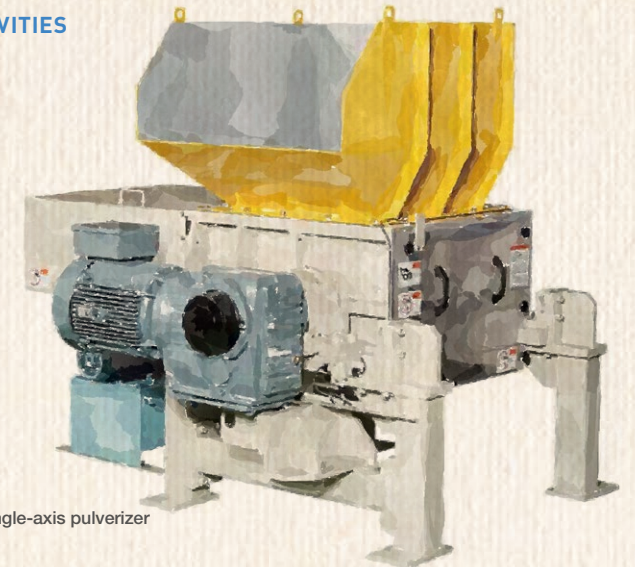




Kyokuto-Tremache® pulverizer



Biaxial low-speed pulverizer



Single-axis pulverizer



27-ton improved side-gate type (accordion type) ferry chassis



Solar power generation panels within Fukuoka Plant grounds

### Energy-saving by improving logistics efficiency

Nippon Trex worked with Maruyoshi Unyu Kikou and two other companies to jointly develop a "27-ton improved side-gate type (accordion type) ferry chassis." In December 2018, the measures to use this vehicle for transportation by sea were awarded the "Green Logistics Partnership Conference" Ministry of Land, Infrastructure, Transport and Tourism Deputy Vice-Minister for Logistics Award. This award is presented to businesses that have made a particularly remarkable contribution to CO<sub>2</sub> emissions reductions or productivity improvements in the logistics sector.

#### Key points evaluated

- The increased volume loaded means that the transportation efficiency is improved and the problem of driver shortages is solved
- The introduction of the easy-to-use accordion type canopy reduces the work necessary and improves safety and productivity

### Renewable energy power generation

We are using the Kyokuto Kaihatsu Kogyo Fukuoka Plant and former Tohoku Plant grounds and the Nippon Trex Otowa Office to perform solar power generation. From fiscal 2018, we have also conducted the manufacturing and sales of biogas power generation facilities and we are contributing to the acceleration of renewable energy power generation for the realization of a decarbonized society.

#### Solar power generation results

**4,654,154 kWh**  
(Total for three sites around 3,797 kW)



**Tomo Tagami**  
Center Manager  
Osaka Service Center  
F-E-TECH Co., Ltd.

This Center acquired ISO 14001 certification in December 2018. To achieve this certification, we thoroughly reviewed all the environment related laws and regulations and worked on 5S activities in the office and plant. We also all considered together how we should conduct environmental improvement in our original work. As a result of that activity, the workplaces became significantly cleaner and tidier. We also started to get praise for this from customers visiting us and it became possible for the employees to perform their work comfortably and efficiently. Nowadays, we are all working on 5S activities voluntarily. In areas other than 5S, we have started to connect productivity improvement with environmental conservation in our activities each day. Based on the management system we established this time, we will promote further efficiency improvement, energy saving, and resource saving and will work to realize a safe and comfortable workplace environment and plant operations that have a low environmental load.

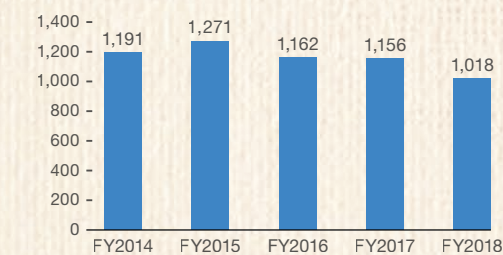
\*ISO 14001 certification has been acquired at the following business sites:

Kyokuto Kaihatsu Kogyo: Headquarters (including Environmental Equipment and Systems Division), Yokohama Plant, Nagoya Plant, Miki Plant, Fukuoka Plant  
Nippon Trex: Headquarters, Otowa Office/Other affiliated companies: Kyokuto Kaihatsu Parking, F-E-TECH Osaka Service Center

## Efforts for a recycling-based society

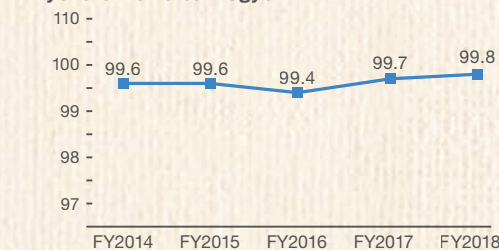
### Total volume of waste material

Kyokuto Kaihatsu Kogyo non-consolidated (Units: t)



### Recycling rate

Kyokuto Kaihatsu Kogyo non-consolidated (Units: %)



Our Group is working to reduce the amount of waste generated in business activities and to increase the rate of recycling. In our environmental business, we are contributing to the realization of a recycling-based society through the construction of recycle facilities and the manufacturing, sales and maintenance of related equipment such as pulverizers.



### Recycling of waste material

We have achieved a recycling rate of over 90% in our Group. From now on, we will promote measures to reduce the total volume of waste materials such as plastic garbage.

### The promotion of the 3R on products

We are promoting the 3R (reduce, reuse, recycle) for products so that products are not merely processed as waste when they reach the end of their service life.

At the design stage, we set our original evaluation criteria related to the 3R, including regarding the reduction of the weight of parts and members and the use of materials derived from recycled items.

We also publish dismantling manuals for products on our website and have prepared a system so that dismantling companies can safely recycle the components.



Mori Plant Co., Ltd.

**Yukio Nakazaki**, President and Representative Director (Right)

**Naritoshi Nozaki**, Engineering Department Manager (Left)

Mori Plant is working on the development of purification treatment technology for livestock sewage. Livestock sewage contains various water pollutants and if it is allowed to flow into public waters such as rivers, lakes, and marshes without being treated, then there is a risk that this may cause substantial water quality contamination and have a serious effect on the environment such as damage to the ecosystem.

Mori Plant offers plant technology to solve this problem by processing the livestock excreta and purifying the treated water to the level where it can be allowed to flow into rivers. The plant technology also removes the solid matter in the sewage during the processing and adjusts its characteristics, to make it possible to separate and recover it as good quality compost material.

We will continue to promote research and technology development that can reduce our environmental load as far as possible through the processing and effective use of waste material and we will make a contribution to the realization of a recycling-based society.



# ⑤ SOCIETY COMMUNITY

5

SOCIETY COMMUNITY



## ○ Solving regional problems

We are using the products and infrastructure of our Group to work on solutions to regional problems both in Japan and overseas.



I engaged in this work in a project by the Japanese government to support Cuba. This town, which has a very serious problem with garbage, is the largest city on the Caribbean Sea and is also a tourist city. To slightly overstate it, providing support for the preparation of the hygiene environment in Havana will lead to the preservation of the scenery and biodiversity of the Caribbean Sea.

**Masakazu Okumura**

Miki Plant Design Section 1, Kyokuto Kaihatsu Kogyo Co., Ltd.



The scene at the product delivery  
(third from right: Mr. Okumura)

### Provision of refuse trucks to Cuba

There is a critical shortage of refuse trucks in Havana, the Cuban capital and also the vehicles that do exist are being used in severe conditions of almost round the clock use, despite not being sufficiently maintained or repaired.

In 2019, Havana City reached the 500th anniversary of its establishment and the Japanese government decided to conduct financial assistance at the timing of this major milestone.

As one part of that project, Kyokuto Kaihatsu Kogyo delivered 100 refuse trucks to Havana City and they went into operation in April 2019 after a delivery ceremony. We provided support for a system to safely collect the refuse in the city and contributed to the preservation of the hygiene environment in the region.

### Participation in the Nishinomiya City environmental planning evaluation committee

The Nishinomiya City where the Kyokuto Kaihatsu Kogyo headquarters is located has a rich natural environment and a local culture of sake brewing. As a representative of the companies within the city, Kyokuto Kaihatsu Kogyo participates in the "Nishinomiya City environmental planning evaluation committee" and evaluates and provides advice on the environmental measures and activities being implemented by the city to protect its nature and culture.

### Convenience store management

At the Meitetsu Ina Station where the Nippon Trex headquarters is located, the number of people using the station is small, so there are few shops in the local area and the people living there had a problem with their day to day shopping.

In June 2019, Nippon Trex opened a "Lawson" convenience store within the grounds of its headquarters. The store is operated by Nippon Trex and is also open to the general public. In addition to being a company benefit for employees, it also contributes from the viewpoint of creating a town that is easy to live in.

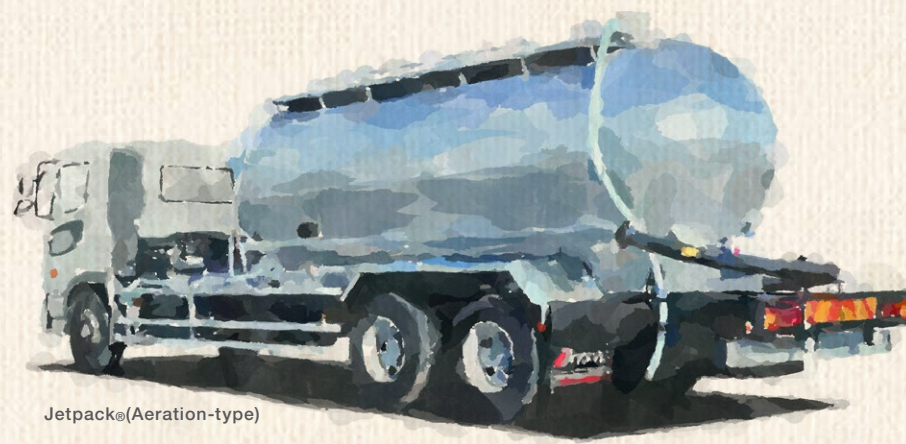


The day of the opening





Deep gate dump trailer



Jetpack®(Aeration-type)



Swap truck bodies

## ○ Participation in the local region

We cooperate with the authorities, regional organizations, and others and participate in regional events and disaster prevention activities.



Each year, new employees of the company cooperate in the Komaki industrial festival event operation as staff.



A scene at the Myojin Festival

### Contributing to the promotion of local industry

We participate in events hosted by the regional organizations and chamber of commerce and industry and contribute to activities to promote local industry by opening booths and exhibiting products.

### Efforts for disaster prevention

We participate in local private fire brigades, both to protect the local community from a fire at a plant, and also to ensure that a fire would not hinder business continuity.

At the Miki Plant of Kyokuto Kaihatsu Kogyo, we cooperate with the local civilian firefighters and are a member of the "business collaboration fire brigade" which conducts fire-fighting activities.

### Exchange with the local region

We support and participate in festivals and events as an opportunity for exchange with local organizations and residents and to cooperate with the local region.

At Nippon Trex, the grounds of the headquarters are opened up each November and the employees, their families and local residents are invited to a "Myojin Festival."

## ○ Nurturing the next generation

In order to deepen the understanding that people such as students and local residents have about our Group and products, we accept people for plant tours and exhibit our products at events.



The "The great working vehicle get together in Kato" held at the Tojoko Toy Kingdom



A plastic model of the "Container semi-trailer 40-ft 3-axle/ONE Japan" product of Nippon Trex that was launched in October 2018.



The "Study of working vehicles" on the website

### Plant tours

In order to raise interest in manufacturing and deepen the understanding of local industry, we hold plant tours for visitors such as parents and children, local elementary school students, and the families of employees.

At the Yokohama Plant of Kyokuto Kaihatsu Kogyo, plant tours are held every year for fifth grade of elementary school students in Yamato City as part of an educational field trip program. Also, from fiscal 2018, we have also implemented parent and child plant study tours for local residents during the summer vacation.

Number of participants in plant tours: **1,477 people**

### Product exhibitions at events

We exhibit products from our Group at events hosted by regional organizations. We take it as an opportunity to have local children experience actually going on the vehicles and the loading operations, so that they can enjoy themselves as they gain an understanding of the role that "working vehicles" play in society.

### Plastic models of products

With cooperation from Aoshima Bunka Kyoza Co., Ltd., we sell plastic models of the main products of our Group to the general public. This promotes the products and also contributes in the culture and education sector.

### Contents for children

We have developed "working vehicles" contents for children on our website and in pamphlets.

We introduce the products of our Group in visual way that is fun and easy to understand and every year we call for illustrations, etc.

Website contents "Study of working vehicles"  
URL: <http://www.kyokuto.com/hataraku/>





# 6 CORPORATE GOVERNANCE

6

## CORPORATE GOVERNANCE

### ○ Internal control system

We have constructed an internal control system and for every process from the decision-making on management policy and strategy up to their implementation, we comply with the laws, regulations and rules and strive to implement matters in a reliable, quick and timely manner.



### Compliance

We have defined rules that the employees should comply with in our "Business code of conduct," so that employees can behave in a manner that satisfies compliance with requirements such as the laws and regulations and internal rules. We also implement "compliance education" on our internal network for all the employees of our Group.

## Messages from Outside Directors

**We are aiming for a corporate structure that is dependable and can also continue to grow.**



**Yoji Kido**  
Outside Director

The Kyokuto Kaihatsu Group has developed business that provides underlying support for social infrastructure, including its special purpose vehicles business, environmental business and real estate leasing business. Through these business activities, the Group is contributing to the realization of various different goals in the SDGs at the same time as reinforcing the ESG viewpoint and continuing to strive to respond to the expectations of the various stakeholders.

The management and operation stance taken in that business is dependability itself. However, the Group is also focusing on new technology development and equipment investment based on the technical know-how and knowledge that it has built up, and it is creating a large number of new products. In addition, the Group is also putting an effort into the nurturing of the personnel, who are the source of that new development, and is working on the workplace environment and the securing of safety as priority issues. As a result of the total power of all these efforts, the Group is improving productivity and strengthening its profit structure and is aiming for the "establishment of a growth cycle."

Furthermore, various management issues are considered at the board of directors meeting, including the medium-term management plan and other management strategy, investments, M&A, human resource development, and safety measures. The meetings are held with a very open atmosphere and all the members exchange opinions freely and easily in repeated deep discussion. Some topics will be discussed for many hours, but I believe that as a result, it leads to fair and just decision-making and the transparent disclosure of information.

My own career background is different to the manufacturing business of the Kyokuto Kaihatsu Group, as I have worked in railway company management and as the chair of a Public Interest Incorporated Foundation. I believe that it is my duty to make use of that different experience to give my opinions and indications from a different standpoint, so that this leads to even further corporate value improvement with a deeper consideration of the ESG viewpoints. In addition, as the chair of the newly established voluntary "compensation committee," I also want to promote the consideration of a reward system that will encourage the management personnel to take on new challenges.

**Improve corporate governance so that it raises the value of the company.**



**Akira Michigami**  
Outside Director

As a legal specialist (lawyer), I have been given responsibilities as an independent outside director and oversee the management of the Kyokuto Kaihatsu Group.

I believe that the roles of an outside director include to reflect the opinions of the stakeholders in the management, and also to protect the profits of the general shareholders by raising the value of the company and monitoring the execution of duties by the directors from a standpoint independent from the business management. In particular, as a lawyer, I want to carry out my duties with an understanding of the main legal concepts such as the business judgment principles, internal control, and monitoring obligations of directors. The board of directors meeting is an important venue for activities such as these and it is no exaggeration to say that if the board of directors meeting does not function effectively, then the establishment of outside executives is meaningless.

The themes to be discussed at the board of directors meeting are selected carefully and also the details are explained to the outside directors in advance by the secretariat. The board of directors meeting is then held after this and it is possible for the members to discuss matters freely and easily, including the outside executives. Both the outside and internal executives are able to argue the issues with equality and I feel that beneficial decisions are being made.

The management and operation of the Kyokuto Kaihatsu Group has always been sound and such aspects are often displayed in the board of directors meeting. However, even in that situation, I want to use my background of legal knowledge and experience to make sure that I can continue to freely state my opinions to the company from my position outside of it.

I am sure that this kind of action will lead to corporate governance results and therefore lead to an increase in the value of the company.





Concrete mixer truck®



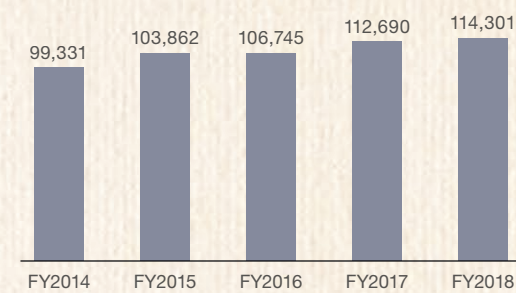
Hose car lift &amp; ladder lift



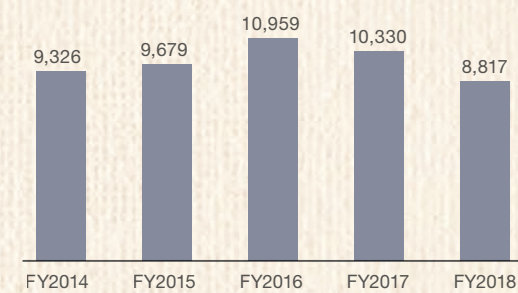
Small package delivery lorry

# FINANCIAL INFORMATION

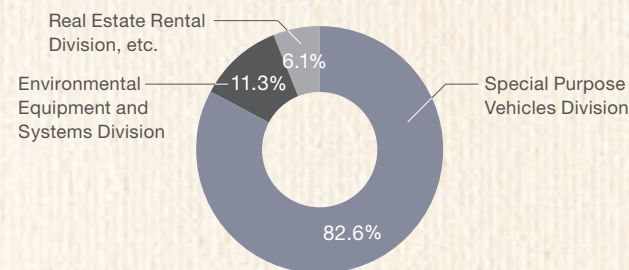
## Sales Consolidated (Units: Million yen)



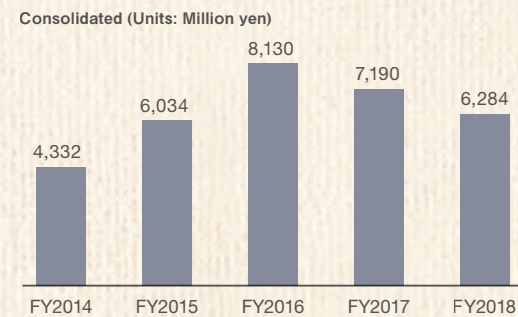
## Ordinary income Consolidated (Units: Million yen)



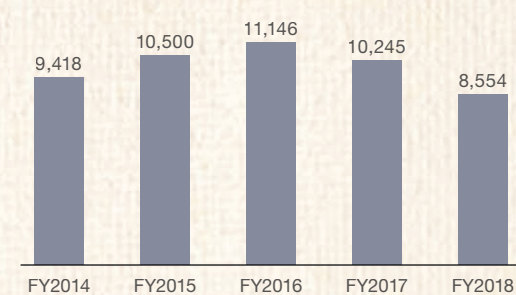
## Sales composition per segment Consolidated



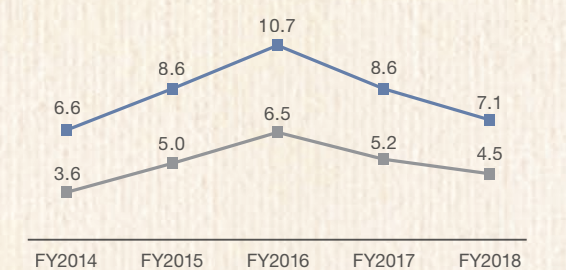
## Net income attributable to owners of parent Consolidated (Units: Million yen)



## Operating profit Consolidated (Units: Million yen)



## ROE/ROA Consolidated (%)



## Affiliated company information

### Special Purpose Vehicles Division

Domestic bases	Nippon Trex Co., Ltd. Manufacturing, sales, repairs, and parts sales of special purpose vehicle
	F-E-TECH Co., Ltd. Repairs and parts sales of special purpose vehicle
	FE-ONE Co., Ltd. Sales of used truck
	Shinko Automobile Co., Ltd. Manufacturing, sales, repairs, and parts sales of special purpose vehicle
	Hokuriku Heavy Industries, Ltd. Manufacturing, sales, repairs, and parts sales of railway vehicle and special purpose vehicle
	Inoue Motor Company Co., Ltd. Repairs and parts sales of special purpose vehicle

Overseas bases	Kyokuto Special Automobile Trading (Shanghai) Co., Ltd. (China) Parts procurement of special purpose vehicle
	Kyokuto Kaihatsu (Kunshan) Machinery Co., Ltd.(China) Manufacturing, sales, repairs, and parts sales of special purpose vehicle
	MITHRA KYOKUTO SPECIAL PURPOSE VEHICLE COMPANY PRIVATE LIMITED (India) Manufacturing, sales, repairs, and parts sales of special purpose vehicle
	PT. Kyokuto Indomobil Manufacturing Indonesia (Indonesia) Manufacturing of special purpose vehicle
	PT. Kyokuto Indomobil Distributor Indonesia (Indonesia) Sales of special purpose vehicle

### Environmental Equipment and Systems Division

Kyokuto Service Engineering Co., Ltd. Repairs and operation of environmental maintenance apparatus and facility
Kyokuto Service Engineering Hokkaido Co., Ltd. Repairs and operation of environmental maintenance apparatus and facility

Mori Plant Co., Ltd. Design, construction, and maintenance of environmental equipment plant
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### Real Estate Rental Division, etc. (Parking Division, etc.)

Kyokuto Kaihatsu Parking Co., Ltd. Manufacturing, sales and repairs of multistory parking equipment, car park management (toll parking)
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F.E.E. Co., Ltd. Damage insurance agency business
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Power Gate® G-type



Five-story toll parking (P.ZONE®)

Please contact us at the address below with any questions regarding this pamphlet.

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