



# 2024 INTEGRATED REPORT

KYOKUTO KAIHATSU KOGYO CO., LTD.

Integrated Report 2024  
Fiscal Year 2023 (Year ending March 2024)

Creating the future of cities and lives.

INTEGRATED REPORT 2024 KYOKUTO KAIHATSU KOGYO Co., Ltd.



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

## 極東開発工業株式会社

541-8519

2-5-11, Awaji-machi, Chuo-ku, Osaka-shi

Kyokuto Group Head Office Building 8F

Kyokuto Kaihatsu Kogyo Co., Ltd. Administration Division, Legal and Public Relations Department, CSR Office

T 06 6205 7806 W www.kyokuto.com

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# Supporting a Changing Society

The ever-changing and rapidly shifting social landscape. As a leading global comprehensive infrastructure manufacturer, the issues that Kyokuto Kaihatsu Group must address are constantly changing. To enhance the quality of life and create a brighter future, all group companies and employees remain committed to embracing challenges, driven by our core philosophy.

## Management Philosophy

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

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

## Company Policy

Trust Reliability Harmony

- "To be a trusted company"
- "Carry out reliable work"
- "In the spirit of harmony and cooperation"

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

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## Editorial Policy

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

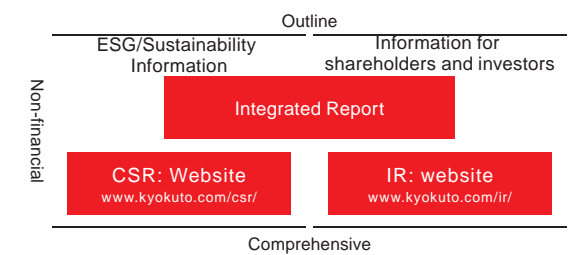
Target Organization: We report on the activities of Kyokuto Kaihatsu Group, centered on Kyokuto Kaihatsu Kogyo Co., Ltd., including our domestic and overseas affiliated companies.  
 Target Period: April 1, 2023 to March 31, 2024 (Some articles include content from April 2024 onwards.)  
 Target Audience: To all stakeholders involved with Kyokuto Kaihatsu Group  
 Issue Date: February 2025

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



This report has been printed using environmentally friendly printing methods (vegetable oil ink, waterless printing) and paper (FSC-certified paper).  
 \*Waterless printing is used only for the main text.

## Information Disclosure System



## Kyokuto Kaihatsu Group website/Social media information

Japanese [www.kyokuto.com/](http://www.kyokuto.com/)

English [www.kyokuto.com/en/](http://www.kyokuto.com/en/)

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



## Establish a foundation as a global comprehensive infrastructure manufacturer and contribute to creating a sustainable society

Under the Medium-Term Management Plan 2022-24—Creating The Future As One— we have been working to address various risks and opportunities, aiming to contribute to the realization and development of a sustainable society while pursuing sustainable growth. In fiscal 2024, the final year of the plan, we will further strengthen the overall capabilities of the entire group and promote growth investments with an eye to the future.

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

TATSUYA NUNOHARA

### — Fiscal Year 2023: Striving to overcome challenges and advancing foundation building

In FY2023, the domestic supply of truck chassis gradually recovered, leading to an upward trend in production and sales. Sales revenue recovered to pre-COVID-19 levels thanks to the effect of product price revisions. Additionally, the overseas business experienced remarkable growth even during the COVID-19 pandemic, achieving a

record-high sales revenue in the fiscal year ending March 2024. Amid various external factors, it is challenging to consistently secure operating profits. However, we aim to improve performance by enhancing productivity and expanding operations across our businesses and overseas locations.

### — Engaging closely with stakeholders to meet their expectations

We place great importance on dialogue with stakeholders as we advance our business and are further committed to meeting their needs and expectations. In particular, we share information with chassis manufacturers, who are our major business partners, on a daily basis to ensure that we can create accurate production plans, and we are building a foundation for a cooperative system to improve production efficiency. We are working with our employees and the labor union to consider and further promote ways to create a better workplace. If the people carrying out the work are not satisfied, it is impossible to produce good products. One of the challenges in the Group's human capital management is understanding detailed situations at each workplace, but it is necessary to create a system that can work with individual situations, such as interpersonal relationships within a team and individual workloads, and therefore respond to each individual. To achieve this, it is essential to first understand the current state of

employee engagement. Based on this understanding, we need to focus on developing and training managers, while implementing measures to create a workplace that balances both job satisfaction and ease of work. Higher employee engagement will ultimately lead to increased sales and business growth. I believe that this is what it means to increase corporate value. In addition, with regard to returns to shareholders, the price-to-book ratio (PBR) improved from 0.56 in the fiscal year ending March 2023 to 0.85 in the fiscal year ending March 2024, due in part to the recovery in business performance. The dividend payout ratio was approximately 95%, and the total return ratio, including the acquisition of treasury stock, was approximately 99%. We aim to achieve a PBR of 1 as soon as possible by working to reduce capital costs and actively engaging in activities such as investor relations (IR) and shareholder relations (SR), striving to enhance shareholder expectations.

### — Challenges and growth towards a sustainable future

In terms of our sustainability initiatives, we reviewed our materiality in April 2024. While there have been no major changes to the content itself, we believe that by clearly categorizing it in relation to ESG, it has become easier to manage progress and also easier for stakeholders to understand the status of our Group. In the next medium-term management plan, we will further strengthen our focus on sustainability by setting KPIs for materiality and advancing our activities accordingly. As part of our environmental (E) initiatives, the installation of solar panels on the reservoir at Kyokuto Kaihatsu Kogyo's Miki Plant in fiscal year 2023 has delivered significant benefits. Hyogo Prefecture is one of the largest reservoir holding areas in Japan. With permission from the Ministry of Agriculture, Forestry, and Fisheries to utilize the water surface, we installed a solar power generation system on the reservoir near the plant. As a result, this system supplies 40% of the total electricity consumption at the Miki Plant and has also contributed to improving the water quality of the reservoir, delivering benefits beyond expectations. In addition, NIPPON TREX's new plant has adopted NAS batteries capable of storing large amounts of electricity, which has succeeded in reducing the plant's peak power consumption and cutting costs. We will continue to pursue the most effective CO<sub>2</sub> reduction methods tailored to the location and manufacturing processes of our plants, advancing these initiatives further. In terms of society (S), we donated 10 million yen as relief

funds to the areas affected by the Noto Peninsula earthquake in Ishikawa Prefecture. In the environmental equipment and systems business, we successfully received an order for a recycling plant in Wajima City, Ishikawa Prefecture, which had been temporarily canceled due to the effects of the earthquake disaster. We sincerely pray for the speedy recovery and reconstruction of the affected areas, and hope to contribute to the reconstruction of the region through this project. We also actively support cultural activities, such as sponsoring the Osaka Philharmonic Orchestra. In addition to these community contribution activities, as mentioned earlier, we place great emphasis on employee engagement. By implementing various initiatives aimed at promoting diversity and achieving work-life balance, we aspire to remain a company that employees are proud of and have high expectations for. As part of our governance (G) initiatives, since FY2023, we have actively launched branding advertisements and conducted corporate PR on social media. At the same time, we have advanced the disclosure of financial and non-financial information through our website and Integrated Reports, while also addressing external evaluations. We are also working to strengthen our internal controls by implementing compliance training and properly establishing and operating an internal reporting and consultation hotline.

### — Aiming to become the industry-leading company with an eye on further growth in each business

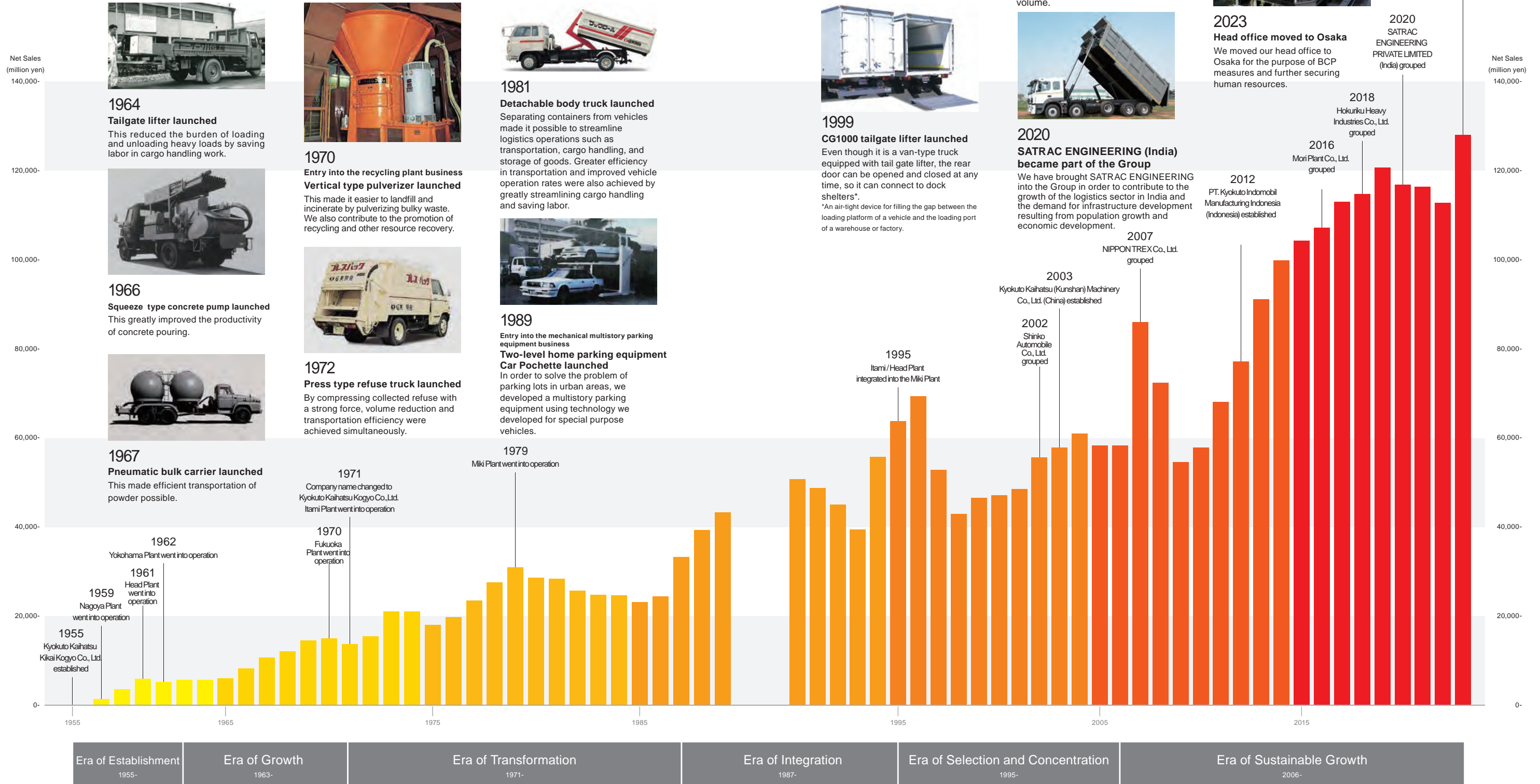
In the final year of the Medium-term Management Plan, FY2024, we are promoting one of the key priorities: 'Proactive Investments for Growth. As a significant investment, we are planning to open a research and development facility, the 'Technical Center,' to enhance our Group's core strength: technological capabilities. Construction began in May 2024. Having our own demonstration facility will accelerate research and development, enhance the skills of our engineers, improve product quality, and strengthen synergy within the Group through skill exchange. Through these forward-looking investments, we aim to contribute to solving various societal challenges, such as labor shortages in logistics and achieving carbon neutrality. The special purpose vehicles business is also promoting expansion into overseas markets, and the proportion of overseas operations in total sales has been increasing year by year. Among these, Australia is expected to see strengthened cooperative relationships with customers and further expansion and promotion of product offerings, thanks to the establishment of Kyokuto Australia as a Group entity serving as a sales agent for Kyokuto Kaihatsu Kogyo. Demand for special purpose vehicles remains strong in India and Indonesia. Through initiatives such as the establishment of a new SATRAC factory in Chennai, India, we will continue to focus on enhancing production capacity and expanding sales channels. In the environmental equipment and systems business, we aim to expand the business overall by expanding into new fields such as biomass, and we would like to contribute to "proactively addressing social issues," one of the goals of our next Medium-term Management Plan. In the recycling field, there are various challenges, leaving significant room for



further research and development. Looking ahead, we are also considering expansion into overseas markets. The parking and related businesses are steadily growing, driven by the renewal and maintenance of multi-story parking systems and new orders for coin-operated parking. Additionally, through the expansion of the EV charging service 'Charge-mo,' we aim to contribute to increasing the utilization rate of electric vehicles. We aim to provide technologies and products quickly through growth investments that carefully consider the unique characteristics of each business. We will continue to support an ever-changing society, strive to help solve social issues, improve profitability, and give back to all our stakeholders. We appreciate your continued understanding and support for our Group.

# History of Growth

Kyokuto Kaihatsu Group has always understood the needs of society and provided products that have contribute to its development.  
We will continue to respond flexibly to changes in the times and contribute to the realization of a sustainable society.



Target Vision and Value Creation Process  
 KYOKUTO Highlight  
 KYOKUTO Business Strategies  
 KYOKUTO Sustainability Management  
 Environment (E)  
 Society (S)  
 Governance (G)  
 Corporate Governance  
 Data Collection / Company Profile

## Capital Status

Our Group has unique capital that has been accumulated throughout its history.  
This capital provides our strengths in meeting stakeholder expectations and is a source of sustainable growth.

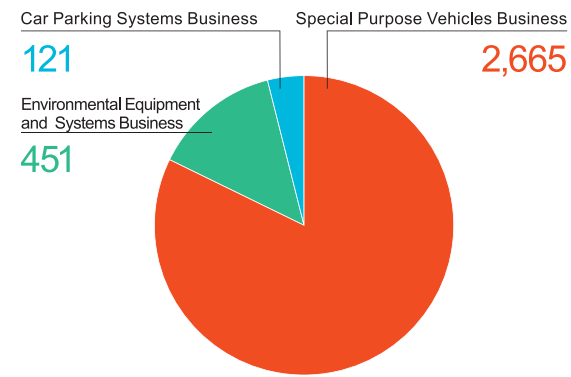


### Human capital

Number of Employees: **3,237**

\*As of the end of March 2024 (consolidated)

We have a diverse workforce that supports our Group.



### Intellectual capital

R&D Expenses: **1,589 million yen**

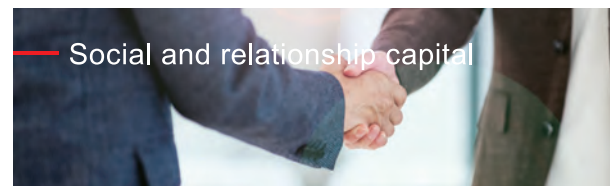
\*FY2023 Results (Consolidated)

Research and development in all fields to quickly respond to society's needs.



Number of Application for Industrial Property Rights: **113**

(88 special purpose vehicles projects, 20 environmental equipment and system projects, 5 car parking systems projects)  
\*FY2023 Results (consolidated)



### Social and relationship capital

Number of Organizations Joined: **349**

\*As of the end of March 2024 (performance of Kyokuto Kaihatsu Kogyo and NIPPON TREX)

We are affiliated with and work in collaboration with various organizations for the purpose of gathering information in various fields and contributing to the local community.



### Natural capital

Solar Power Generation: **5,067,470 kWh**

\*FY2023 Results (consolidated)

Our Group is also working to produce clean energy by introducing solar power generation systems at former factory sites and factories.



### Manufacturing capital

Capital Investment **11,410 million yen**

\*FY2023 Results (Consolidated)

We are making capital investments primarily in BCP measures, such as strengthening and streamlining our production system, expanding our service system, responding to risks such as deterioration and aging at each base, and introducing new technologies.

### Service Factories (Special Purpose Vehicles Business)

**461**

\*As of the end of March 2024 (performance of Kyokuto Kaihatsu Kogyo and NIPPON TREX)

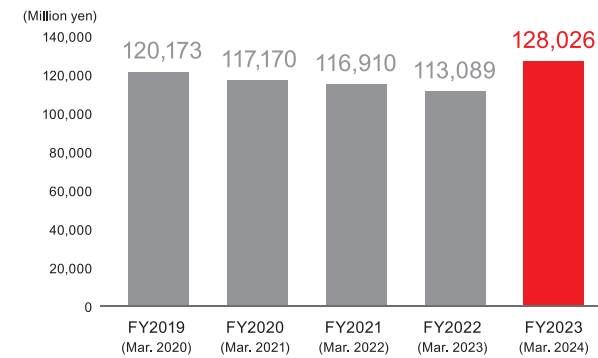
We have established a system to quickly respond to product problems by collaborating with service factories across the country.

## Consolidated Financial Highlights

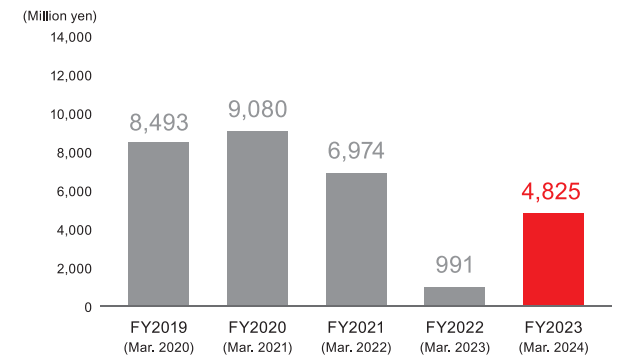
We are working to build a highly sound financial foundation that supports sustainable growth.

### Financial capital

#### Sales

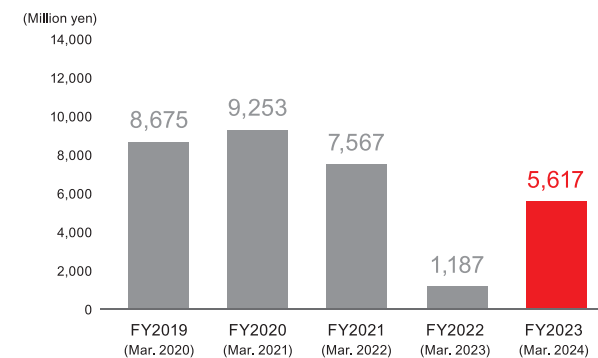


#### Operating Profit

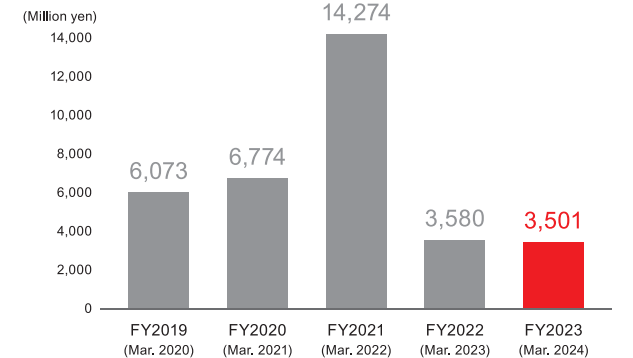


\*In FY2022 (fiscal year ended March 31, 2023), performance temporarily stagnated due to significant delays in the supply of truck chassis caused by factors such as a shortage of semiconductors due to the COVID-19 pandemic.

#### Ordinary Income

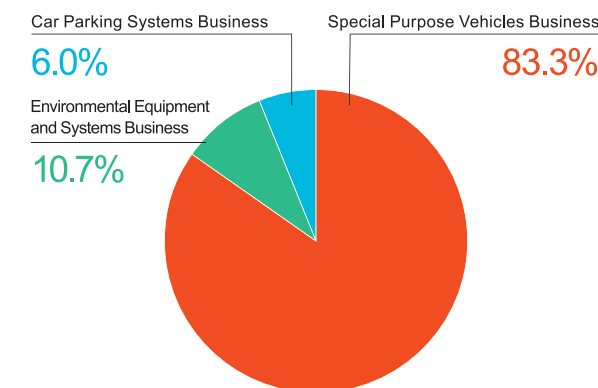


#### Net Income Attributable to Parent Company Shareholders

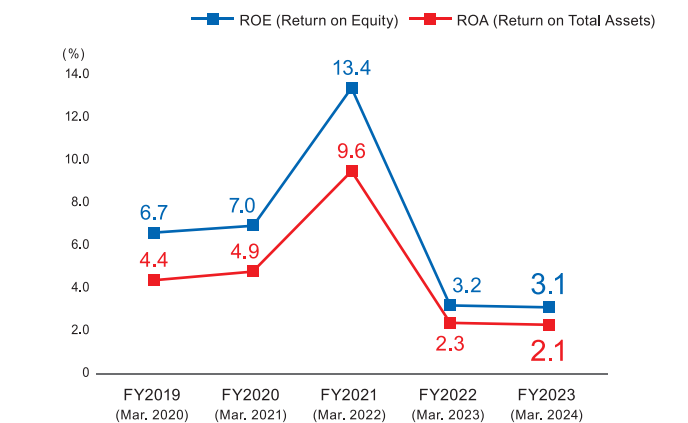


\*In FY2021 (fiscal year ended March 31, 2022), a gain on sale of fixed assets of 13,221 million yen was recorded.

#### Sales Breakdown by Segment FY2023 (Fiscal year ended March 31, 2024)



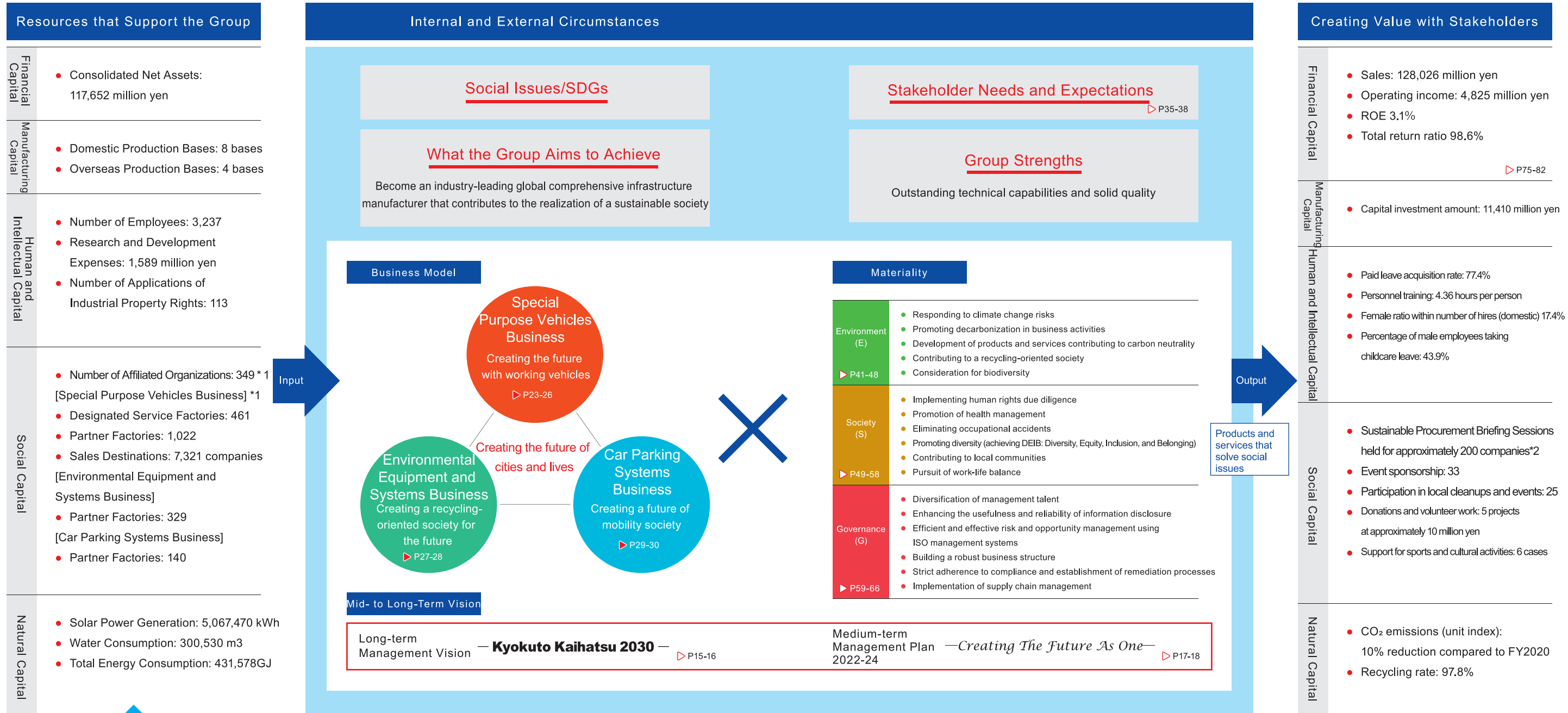
#### ROE / ROA



\*In FY2021 (fiscal year ended March 31, 2022), a gain on sale of fixed assets of 13,221 million yen was recorded.

# Value Creation Model

We aim to realize a sustainable society and increase corporate value by appropriately allocating the capital we have cultivated together with our stakeholders.



\*1 Kyokuto Kaihatsu Kogyo and NIPPON TREX Performance \*2 Kyokuto Kaihatsu Kogyo Performance

Target Vision and Value Creation Process

KYOKUTO Highlight

KYOKUTO Business Strategies

KYOKUTO Sustainability Management

Environment (E)

Society (S)

Governance (G)

Corporate Governance

Data Collection / Company Profile

# The Environment Surrounding Kyokuto Kaihatsu Group

## The future envisioned by Kyokuto Kaihatsu Group

In this report, we use a PEST analysis to conduct a scenario analysis of changes in the environment surrounding our group. The arrows indicate the balance of the impact of risks and opportunities, and clearly indicate the specific risks and opportunities that the Group envisions.

Deeply Related Sections | Special Purpose Vehicles Business ● | Environmental Equipment and Systems Business ● | Car Parking Systems Business etc. ● |

### Politics

Against the backdrop of climate change and other issues that threaten the sustainability of the planet, it is expected that legislation aimed at reducing greenhouse gas emissions will be established, other regulations will be strengthened, and a carbon tax will be introduced. Furthermore, the globalization of supply chains can have a significant direct or indirect impact on corporate activities and national economies due to geopolitical factors and carbon taxes. Structural changes in the industry are also predicted, such as the 2024 logistics problem, and therefore it will become necessary to provide products and services that meet market demands.

Risks	Opportunity
<b>Strengthening Regulations on Greenhouse Gas Emissions</b>	
Increased energy costs due to increased demand for clean energy ● Increased investment costs associated with switching to energy-efficient equipment ● ● Increased cost due to increased carbon tax ●	Increasing demand for energy-saving products ● Increased demand for clean energy such as biogas ● Provision of services adapting to changes in the energy market ●
<b>Geopolitical Environment and Changes to it</b>	
Increased risks at overseas bases ● Increased risk of compliance violations and corruption in business operations ● ●	Strengthening the supply chain through risk management ● Strengthening risk management through supplier engagement evaluations, thereby improving external evaluation and credibility ●
<b>Changes in Market Demand due to the 2024 Logistics Problem</b>	
Increased logistics costs due to driver shortages ●	Expanding demand for products that improve transport efficiency, such as swap-bodies and full trailers ●
[Future Actions Required]	[Related Materiality]
Managing risks in the supply chain is an important issue for the Group. Additionally, given the presence of overseas bases and highly public-oriented operations, there is an anticipated need to strengthen measures for managing human rights risks and preventing corruption. At the same time, there are expectations for the provision of products and services that contribute to solving social problems such as labor saving and decarbonization.	<ul style="list-style-type: none"> <li>Development of products and services contributing to carbon neutrality</li> <li>Strict adherence to compliance and establishment of remediation processes</li> <li>Implementation of supply chain management</li> </ul>

### Economy

We expect ESG investment to continue to expand in the future. As ESG investment expands, evaluation standards will become stricter and demands on companies to disclose information and improve governance are expected to increase. From a global perspective, while emerging countries are thriving thanks to population growth and economic development, they are also supporting the world economy. However, there are concerns that growing income disparities will place a greater burden on the economically disadvantaged and create discriminatory conditions in the workplace.

Risks	Opportunity
<b>Expanding ESG Investment</b>	
Stricter evaluation criteria and associated increased costs ● ● ● Impact of evaluation results on corporate value ● ● ●	Increase in market capitalization due to inflow of ESG investments ● ● ●
<b>Development of Emerging Economies and Widening Disparities</b>	
Rising prices of overseas-sourced goods due to rising labor costs accompanying economic development ● ●	Market expansion in emerging economies ● ● ● Reducing negative impacts through supplier engagement evaluations ●
<b>Fluctuations in Exchange and Interest Rates</b>	
Increase in parts procurement costs due to fluctuations in exchange rates ●	Increased revenue from overseas bases is having a greater impact on the profits of the entire Group ●
[Future Actions Required]	[Related Materiality]
There is an expectation to achieve sustainable management through information disclosure aligned with international initiatives and disclosure standards, as well as through dialogue with stakeholders. Additionally, building a resilient foundation and system capable of withstanding market changes is anticipated.	<ul style="list-style-type: none"> <li>Enhancing the usefulness and reliability of information disclosure</li> </ul>

### Society

Due to a labor force shortage caused by the declining birthrate and an aging population, it is essential to develop a system that utilizes diverse human resources and realizes more diverse working styles. However, we expect that the hiring of workers from overseas and those with no experience will increase, and that this will lead to increased costs for education and training, capital investment, and other costs to prevent workplace accidents and declines in work efficiency. We also predict that there will be a need to invest in securing human resources, shifting to human capital management, and review education and training based on reskilling.

Risks	Opportunity
<b>Low Birthrate and Aging Population</b>	
Increased investment in securing human resources ● ● ● Loss of technology and know-how due to the outflow of human resources ● ● ● Decline in the quality of human resource acquisition ● Lack of successors due to population decline ● Decreasing domestic demand due to urban consolidation caused by population decline and economic contraction ● ● ●	Increased demand for large vehicles due to driver shortages ● Accelerating the conversion of tacit knowledge to explicit knowledge as the shift to automation progresses ●
<b>Diversifying the Labor Market</b>	
Temporary decline in productivity due to the diversification of the workforce ● ● ● Increases in inexperienced workers and other workers with insufficient skills leads to increases in workplace accidents and a decline in work efficiency ● ●	Improving the work environment to accommodate the increasing diversity of workers, and thereby strengthening employee engagement ● ● ● Improving corporate resilience through the realization of diversity management ● ● ● Due to an increase in elderly and female drivers in the transportation industry, the need for labor-saving equipment such as Tailgate Lifters is growing ●
<b>Changes in Consumer Behavior due to Increased Focus on Sustainability</b>	
Increased development and response costs due to growing interest in energy and resource conservation ● ● ●	Expanding sales of energy-saving, resource-efficient, and ethical products ● ● ●
[Future Actions Required]	[Related Materiality]
Efforts to mitigate climate change and ecosystem changes are expected to become increasingly important in the future. We expect that business operations and product development will be conducted with an emphasis on energy and resource conservation. Other pressing issues include work style reforms to secure human resources, creating environments and organizations that allow an increasingly diverse workforce to work to their full potential, and the pursuit of occupational safety and health.	<ul style="list-style-type: none"> <li>Development of products and services contributing to carbon neutrality</li> <li>Contributing to a circular society ● Considering biodiversity</li> <li>Promoting health management ● Eliminating occupational accidents</li> <li>Promoting diversity (achieving DEIB: Diversity, Equity, Inclusion, and Belonging)</li> <li>Pursuing work-life balance ● Building a robust business structure</li> </ul>

### Technology

The introduction of AI and IoT is expected to change the nature of work required from workers, potentially impacting employment and working conditions. At the same time, the importance of data management is anticipated to grow significantly. Additionally, achieving decarbonization of energy as part of climate change measures is a global imperative, making progress in some form inevitable. Consequently, an increase in energy costs is anticipated to be unavoidable.

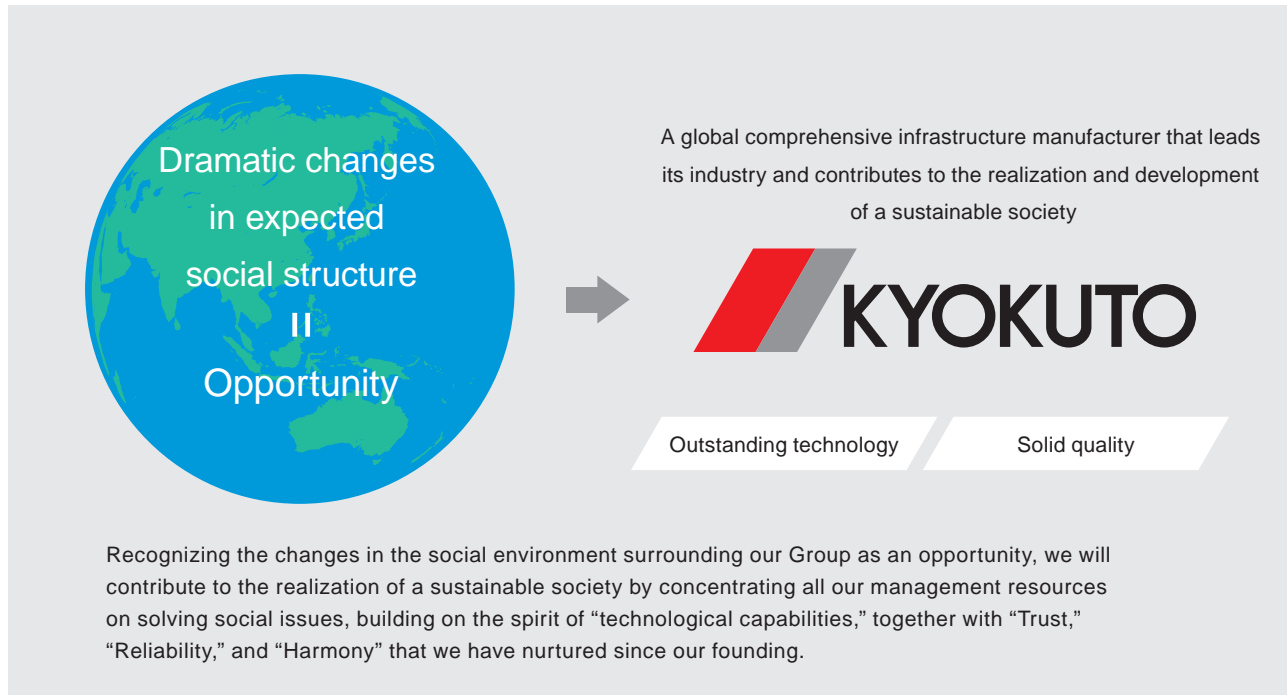
Risks	Opportunity
<b>Advances in IoT-related Technologies</b>	
Increased security risks to data, such as customer and know-how information ● ● ● Establishing work styles that utilize IoT and adapting to changes in the human resources portfolio ● ● ●	Improving added value of products ● ● ● Automation and labor-saving in production processes ● Labor-saving and efficiency improvements using remote monitoring technology, etc. ● ● ● Improving work efficiency through paperless operations ● ● ●
<b>Clean Energy Spread</b>	
Rising costs of procuring energy, including clean energy ● ● ●	Increased demand for special purpose vehicles using EVs, etc. ● Increased demand for EV charging systems, etc. ●
<b>Development and Uptake of AI Technology</b>	
Increased recruitment and reskilling costs to establish a system for developing products using the latest technologies ● ●	Developing products and services that respond to technological innovations in the mobility field, such as those using autonomous driving etc. ● ●
[Future Actions Required]	[Related Materiality]
In the business fields in which our Group operates, we are promoting the pursuit of added value by utilizing AI and IoT to reduce the number of workers required in production processes and by combining conventional services with IoT. On the other hand, this is expected to lead to a shift toward new ways of working, requiring different qualities and skills, which will foreseeably result in changes to the talent portfolio. It is necessary to strengthen human capital by anticipating reskilling and acquiring new talent. In addition, because the shift to clean energy is likely to involve major model changes for products and services, it is necessary to focus on developing products based on thorough market research.	<ul style="list-style-type: none"> <li>Promoting decarbonization in business activities</li> <li>Development of products and services contributing to carbon neutrality</li> </ul>



# Long-term Management Vision

## Kyokuto Kaihatsu 2030

Kyokuto Kaihatsu Group hopes to realize a sustainable society by helping to resolve social issues related to the local communities, environment, and people, while simultaneously pursuing the economic value for the company. Our Long-term Management Vision —**Kyokuto Kaihatsu 2030**— aims to be a group that continues to provide value to society while flexibly responding to a dramatically changing environment.



### 3 Steps to Realizing Our Goals



### Management Performance Vision (FY2030)

Net Sales: **200** billion yen    Operating Income Ratio: **10%** or more    ROE: **10%**

### Sustainability Vision (FY2030)

[Environment] Manufacturing vision

**Decarbonization**

38% reduction of CO<sub>2</sub> emissions \*1  
(Compared to FY2013)

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

**Resource Saving**

Maintaining recycling rate of over 99.0%  
(Zero landfill waste)

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

**Ecosystem Conservation**

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

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

[People] Society creation vision

**Human Rights**

Management of human rights violation risks

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

**Work-life Balance**

Satisfaction with work-life balance: 70%\*2

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

**Safety and Health**

Acquisition of ISO 45001 certification

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

**Diversity**

Percentage of women recruited (in Japan): 20%\*3

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

[Governance] Organizational vision

**Risk Response**

Strengthening risk management systems and building systems in Business Continuity Management (BCM)

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

**Sustainable Procurement**

Promoting sustainable procurement

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

\*1: Intensity compared to 2013 in Kyokuto Kaihatsu Kogyo Co., Ltd., Nippon Trex Co., Ltd., Kyokuto Kaihatsu Parking Co., Ltd. (CO<sub>2</sub> emissions (t) / sales (million yen))  
\*2: FY 2021 results: Kyokuto Kaihatsu Kogyo Co., Ltd 58.1% (Evaluation based on results from an employee awareness survey) \*3: Average results for the last 3 years

# Medium-term Management Plan 2022-24

## Progress of —Creating The Future As One—

As the first step toward realizing our long-term management vision —**Kyokuto Kaihatsu 2030**—, we will actively invest in further growth and strengthen synergies across the group. Through these efforts, we aim to establish a solid foundation as a global company equipped with advanced technological capabilities and productivity, contributing to a sustainable future.

### 1 Progress towards target value

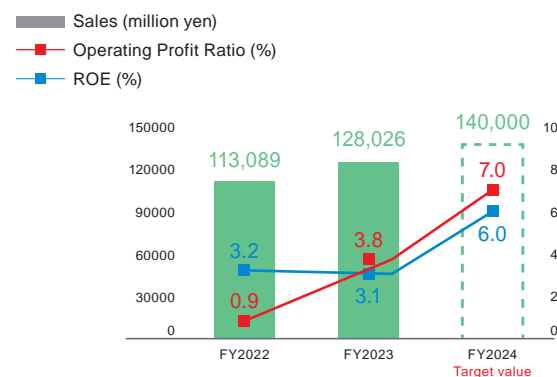
We have set "consolidated performance targets" and "sustainability targets" for FY2024, the final year of our medium-term management plan.

#### Consolidated Results Targets

- 1 Sales of 140 billion yen or more (including new M&A growth)
- 2 Operating Profit Margin of 7% or more
- 3 ROE of 6%

#### Consolidated Performance Results [FY2023]

Net Sales: **128 billion yen**  
 Operating profit margin: **3.8%**  
 ROE: **3.1%**



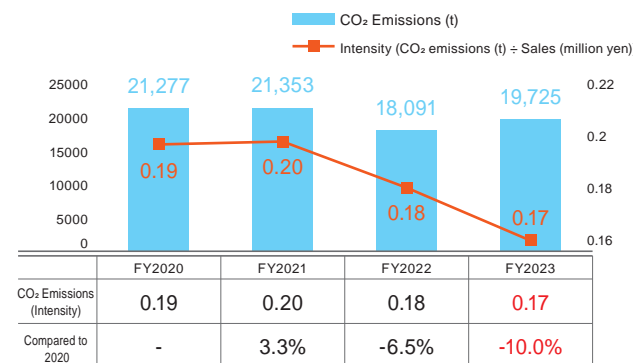
In FY2023, all three segments - special purpose vehicles business, environmental equipment and systems business, and car parking systems and other businesses - performed well, resulted in the highest record of consolidated sales and a significant increase in consolidated operating profit compared to the previous year. The core special purpose vehicles business saw significant increases in revenue and profit compared to the previous fiscal year. This was driven by the gradual improvement in truck chassis supply delays caused by semiconductor shortages, ongoing efforts to revise product pricing in response to inflation, and the substantial performance growth of overseas affiliates in India and Indonesia. Additionally, other segments also achieved year-on-year increases in revenue and profit. This was driven by increased sales from plant construction in the environmental equipment and systems business and higher revenue from the renewal projects of mechanical multi-story parking systems in the parking and related businesses. On the other hand, as the operating profit margin is still in the process of recovering toward the target value for FY2024, ROE remained at 3.1%. In order to achieve our target of 6% for FY2024, we will continue to work to recover our business performance while keeping the total return ratio at 100% as the benchmark and controlling the increase in shareholders' equity.

#### Sustainability Goals

- 1 CO<sub>2</sub> emissions reduction of 10% or more in FY2024 (Basic units compared to FY 2020 for Kyokuto Kaihatsu Kogyo, NIPPON TREX, and Kyokuto Kaihatsu Parking)

- 2 Maintain recycling rate of 99.0% or more (\*Total of Kyokuto Kaihatsu Kogyo, NIPPON TREX and Kyokuto Kaihatsu Parking)

#### CO<sub>2</sub> emissions [FY2023]



The total CO<sub>2</sub> emissions of Kyokuto Kaihatsu Kogyo, NIPPON TREX, and Kyokuto Kaihatsu Parking in fiscal 2023 was 19,725 tons. In addition, the basic unit was 0.17, which was -10% compared to the base year of 2020 (0.19). Emissions per unit of production have been strong due to the recovery of business performance, and are now at the level that will achieve the target for FY2024. However, total CO<sub>2</sub> emissions have increased due to the increase in production activities accompanying the recovery of business performance. Going forward, we will need to make further efforts to reduce emissions in order to achieve the targets set out in our long-term management vision.

#### Recycling rate performance [FY2023]

**Recycling rate result: 97.8%**  
 (\*Total of Kyokuto Kaihatsu Kogyo, NIPPON TREX and Kyokuto Kaihatsu Parking)

The total amount of waste generated by the three companies, Kyokuto Kaihatsu Kogyo, NIPPON TREX, and Kyokuto Kaihatsu Parking in FY2023 was 2,593 tons. Of this amount, 2,537 tons, or 97.8%, is reused, including that through heat recovery. To date, Kyokuto Kaihatsu Kogyo by itself has achieved a recycling rate of over 99%, and in this medium-term management plan, Kyokuto Kaihatsu Kogyo, NIPPON TREX, and Kyokuto Kaihatsu Parking, which account for approximately 90% of the Group's waste, aim for that level. Although we have not reached our target figures for FY2023, we have identified the issues that need to be addressed through the Sustainability Committee and will continue to implement specific measures to achieve the targets of our medium-term management plan.

## 2 Progress for each basic policy

### 1 Contributing to solving social issues and pursuing value provision

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

- | Special Purpose Vehicles Business  | Environmental Equipment and Systems Business  | Car Parking Systems Business  |
|--|---|---|
| <ul style="list-style-type: none"> <li>Delivery of the first unit of the new "e-Packer," a refuse truck that is fully electric and mounted on an EV chassis (P22)</li> <li>We proactively made proposals to solve the 2024 problems facing the transportation industry and promoted our product lineup of logistics vehicles. These will be introduced on the NIPPON TREX website (P25)</li> </ul> | <ul style="list-style-type: none"> <li>Promoting biomass-related businesses (wood biomass thermal energy supply, bio briquette manufacturing and sales) (P28)</li> <li>Implementing a system to discharge fire sources outside the processing line in preparation for lithium-ion battery fires in Nishinomiya City and attempting to convert pulverizer motors to inverters</li> </ul> | <ul style="list-style-type: none"> <li>Released EV charging equipment installation and charging management service Charge-mo (P22)</li> <li>Delivered the first mechanical parking system with wire lift and remote control specifications</li> </ul> |

### 2 Productivity Improvements and reinforcing profitability

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

- | Special Purpose Vehicles Business   | Environmental Equipment and Systems Business  | Car Parking Systems Business  |
|---|---|---|
| <ul style="list-style-type: none"> <li>Restructuring the metal forming process at Kyokuto Kaihatsu Kogyo's Nagoya Plant to produce components for other factories</li> <li>Shinko Motors begins selling NIPPON TREX parts and installing tipper trucks, strengthening cooperation within the Group</li> </ul> | <ul style="list-style-type: none"> <li>The original compactor by Kyokuto Kaihatsu Kogyo is completed at the Kitahiroshima Combustible Waste Transfer Facility</li> <li>Participated in a project supported by the New Energy and the Industrial Technology Development Organization. Decided to conduct a joint demonstration experiment with two other companies on wood chips suitable for small-scale biomass power generation projects</li> </ul> | <ul style="list-style-type: none"> <li>Achieved record-high profits by proactively getting orders for renovation and maintenance for existing parking with high profit margins</li> <li>Developing new prime locations for toll parking and improving the profitability of these locations</li> </ul> |

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

We will establish a management framework that promotes transformation and challenges while balancing workstyle reforms, operational improvements, talent development, and safety assurance across areas such as sales, service, development, and production, fostering people and organizations capable of adapting flexibly to environmental changes. We will realize improvement of our profit margins and creation of new revenue sources by enhancing synergies in our Group, maximizing our investment returns, and actively expanding overseas operations.

- | Strengthening branding  | Promoting work style reform and health and productivity management   |
|---|--|
| <ul style="list-style-type: none"> <li>The Group has published its first integrated report to publicize its sustainability issues and initiatives.</li> <li>Advertising for group PR in various media</li> </ul>  | <ul style="list-style-type: none"> <li>Conducted unconscious bias training for managers, expanded to assistant managers (Kyokuto Kaihatsu Kogyo, Kyokuto Kaihatsu Parking)</li> <li>Introducing e-learning for business skills training (Kyokuto Kaihatsu Kogyo)</li> <li>Certified as a Healthy Management Company for two consecutive years (Kyokuto Kaihatsu Kogyo, NIPPON TREX)</li> <li>Telecommuting system introduced (Kyokuto Kaihatsu Kogyo)</li> </ul> |
| Strengthening governance and risk tolerance   | Promoting carbon neutrality and responding to environmental issues   |
| <ul style="list-style-type: none"> <li>Proactively provide in-house information security and compliance education</li> <li>Introduction and commencement of operation of an invoice receiving service</li> <li>Kyokuto Kaihatsu Kogyo's Special Purpose Vehicles Division - Sales Department begins efforts to obtain ISO 9001 certification</li> </ul> | <ul style="list-style-type: none"> <li>Solar power generation system utilizing the surface of a reservoir near the Miki Plant of Kyokuto Kaihatsu Kogyo Co., Ltd., solar power generation panels installed and began operation at NIPPON TREX's new plant</li> <li>A technical study meeting regarding sewage treatment technology was held between Kyokuto Kaihatsu Kogyo Environmental Equipment and Systems Division and Mori Plant</li> </ul>                |
| Contributing to local communities   |  |
| <ul style="list-style-type: none"> <li>Made hometown tax donations to Nishinomiya City and contributed to its cultural activities.</li> <li>Accepting plant tours, work experience, etc.</li> </ul>   |  |

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

The cash flow from operations will be used for strategic investment and dividends to accelerate growth cycles, taking into account the optimal balance between growth and returns.

Investment Plan (3 years)	Total growth investments (2022-2023)
Growth investments: Over 30 billion yen	Total: 23.2 billion yen
New M&A investments: Approx. 10 billion yen	

- | Investment to strengthen the group's management base   | Investing and giving back to social issues and stakeholder needs  |
|--|---|
| <ul style="list-style-type: none"> <li>Construction of new NIPPON TREX trailer production plant</li> <li>Construction of group research and development center (technical center) begins</li> <li>Kyushu Tokusyu Motors Co., Ltd. joins the Group</li> <li>Australian distributor (current Kyokuto Australia) joins the Group</li> </ul> | <ul style="list-style-type: none"> <li>Implementing BCP investments at major bases, such as the construction of a new office at Nagoya Plant</li> <li>Achieving a high level of total return ratio (FY2023 actual: Total return ratio of approximately 99%)</li> <li>To improve capital efficiency, we borrowed 10 billion yen and reduced cross-shareholdings</li> </ul> |

Special Purpose Vehicles Business

New base for product development and group synergy  
construction begins on Kyokuto Kaihatsu Group Technical Center

In May 2024, our group began construction work in Mifune Town, Toyota City, Aichi Prefecture, for the Kyokuto Kaihatsu Group Technical Center, which will serve as a base for the development of special purpose vehicles and trailer products. The automotive industry is currently facing various changes, such as carbon neutrality, CASE\* technologies, and logistics efficiency. As a key player in these technological developments, this technical center is scheduled for completion in fiscal 2026 and will serve as the base for our group's technological development of special purpose vehicles and trailers.  
\*CASE: Connected (C), Automated (A), Sharing (S), Electrified (E)



Committed to full-scale, operational testing, aiming to speed up development

The greatest feature of this technical center is that it is equipped with facilities that enable a variety of full-scale testing, including a test course measuring 600 meters in length and 50 meters in width, special test tracks, road simulators, and large vibration test machines. This allows the entire vehicle to be optimized in a short period of time, enabling rapid response to market needs. It also makes it possible to evaluate areas that are difficult for computer simulations or partial testing, improve product appeal. Furthermore, by consolidating the Group's testing facilities, it is possible to carry out prototyping, evaluation, and certification testing in a consistent manner, allowing development and improvements to proceed without being influenced by test environment schedules such as travel and waiting in line. This not only enables development in a shorter span and at lower cost, but is also expected to improve the way developers work, by reducing external chores during product development and irregular overtime work during testing.

In addition, by concentrating the Group's development resources at the development base, we will create synergy that transcends departments and companies, and will achieve efficient and faster development.



Ground-breaking Ceremony

The driving force behind increased profits

In addition to enhancing full-scale testing facilities, this technical center is scheduled to install hydraulic, electrical laboratories and environmental testing equipment. It is expected that a comprehensive development environment will contribute to improving employee engagement and attracting talented human resources. In addition, by utilizing the test course, special test tracks, and various testing facilities, we will also promote research on core parts and development of new products. Through these efforts, we plan to continue researching and developing products that can increase profits. In addition, we are considering accepting external testing contracts for the test course and large vibration testing machines in our technical center. By maximizing our resources rather than limiting ourselves to in-house use, we aim to not only make a profit from testing contracts, but also to accumulate technical know-how through various tests.

Technical Center Overview Progress

- 1 600m x 50m test course with special test surfaces such as rough roads
- 2 Life-size evaluation and testing facilities such as road simulators and large vibration testers
- 3 Research building with a laboratory, presentation room, etc., capable of housing up to 70 people
- 4 Test building for hydraulic and electrical testing, environmental testing, etc.
- 5 Installation of a manufacturing plant and testing facilities for weight measurement, braking force measurement, etc. (plant building)
- 6 Outdoor test site (concrete pavement) for testing distributors, etc.

Special Purpose Vehicles Business

The Group's first base in Australia  
Kyokuto Australia

In July 2023, our Group acquired an Australian distributor. This distributor signed a body mounting, sales and service agency agreement with Kyokuto Kaihatsu Kogyo in 2016 and mainly handled mixer trucks and single car carrier trucks.

At the time, the KYOKUTO brand had almost no recognition in the Australian concrete mixer truck industry, but as a result of continued steady customer development and flexible response to local needs, sales volume increased significantly from the third year after the contract was signed, firmly establishing our Group's recognition within the industry. We then established Kyokuto Australia to further expand sales and serve as a parts supply base.



Kyokuto Australia Employees

Responding to robust demand with the Group's reliable technological expertise

Within Australia, the population continues to grow due to government immigration policies, which has led to increased demand for housing. In addition, with the Rugby World Cup coming up in 2027 and the Brisbane Olympic Games scheduled for 2032, demand for construction, including public works, is strong. In Australia, not only price but also high quality, high added value and good after-sales service are major purchasing motivations. As a result, by incorporating local requirements into our products in addition to the quality and technical capabilities that our Group has cultivated over the years, we are able to sell our products at reasonable prices. Our flagship product, concrete mixer trucks, are recognized as high quality as they have a proven track record of use around the world as part of our group. In addition, our Group's single car carrier trucks have a gentler entry angle of 0.9 degrees compared to other companies' vehicles, which gives the advantage of lighter workload and safer work. Going forward, we will further focus on selling this product as a high added value product. (2023 Results: approximately 70 concrete mixer trucks, 1 single car carrier truck (May 2024: 3 units shipped))



Concrete Mixer Truck

Towards further growth

Australia is a diverse country with a high immigrant population, as shown by statistics that show that "84% of the population growth is due to immigrants (2023 / Australian Bureau of Statistics data)." In addition, many people have visited Japan, and there is a tendency for them to have a high level of trust in Japanese products. With the establishment of Kyokuto Australia, we have been receiving an increasing number of inquiries about not only our flagship mixer trucks but also various other products of the Group. In order to be able to quickly respond to the diverse needs of the local market, we are considering expanding the plant and aiming to increase production volume and expand the range of products we sell. We will continue to deepen cooperation among our Group companies to secure profits while contributing to the development of Australia and solving social issues.



Single Car Carrier Truck



Work Scene

Environmental Equipment and Systems Business

Received order for Chubou non-combustible

bulky waste treatment facility to support

Tokyo's environmental infrastructure

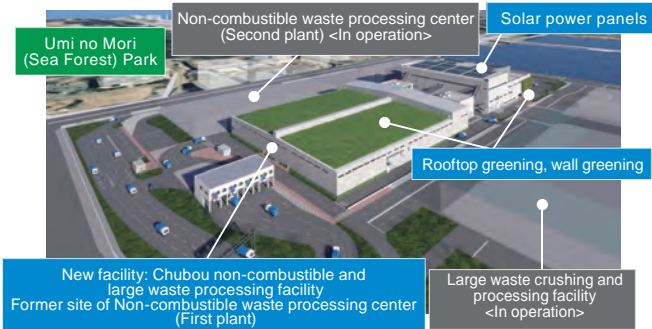
The non-combustible and bulky waste treatment facility is a fundamental facility (environmental infrastructure) that supports the global environment, recovering metal resources such as iron and aluminum at a high purity from waste and circulating them in arterial industries. In September 2023, Kyokuto Kaihatsu Kogyo received an order from the Clean Authority of Tokyo Waste disposal of Tokyo 23 cities for the construction of the Chubou non-combustible bulky waste treatment facility with a daily capacity of 420 tons, making it one of the largest in the country.

Construction Overview

Project Name	Chubou Non-Combustible and Bulky Waste Processing Facility Development Project
Awarded Group	Kyokuto Kaihatsu, Tokyu, and Iwata Chizaki Joint Venture for Specific Construction Work
Contract Period	From September 27, 2023 to January 31, 2028
Order Amount	41,130 million yen (excluding consumption tax and local consumption tax)
Facility Scale	420 tons / 6 hours (210 tons / 6 hoursx2 lines)

Chubou: Central Breakwater

The construction work involves the demolition of the currently out-of-service Non-combustible Waste Treatment Center (No.1 Plant) at the central breakwater in the Uminomori, Koto Ward, in Tokyo; and the construction of the Chubou Non-combustible and Bulky Waste Treatment Facility at the site, integrating the processing functions of the currently operating Bulky Waste Crushing and Treatment Facility and Non-combustible Waste Treatment Center (No. 2 Plant). The Bulky Waste Crushing and Treatment Facility was built by Kyokuto Kaihatsu Kogyo in 1979, and has been operated for 45 years. Based on the technology and know-how cultivated through the operation of the facility and the concept of harmony with the environment, the new facility will help contribute to the realization of a sustainable society.



Actively recovering resources

In the new facility, non-combustible and bulky waste is finely crushed using our Model 92 Tremache Pulverizer, after which various sorting technologies are combined to recover iron and aluminum. Additionally, there are plans to actively recover combustible materials from processing residues, much of which has previously been disposed of in landfills. The combustible materials collected contain a high proportion of biomass-derived resources, such as wooden furniture. By utilizing these materials as fuel for power generation at waste incineration facilities in Tokyo's 23 wards, they become an environmentally friendly, locally-produced, and locally-consumed renewable energy source. Additionally, hundreds of bed mats and tatami mats are delivered to the new facility every day. Some of the mats are large, reaching up to 2m in size, making them difficult to process using standard equipment and requiring manual work by multiple people, so we developed a bed mat processing machine and a tatami mat cutting machine. The bed mattress processing equipment can automatically separate bed mattresses into high-purity iron and combustibles, while the tatami cutting machine can finely shred bulky tatami mats, enabling their recovery as combustibles. Our Group, as a leading company in the field of household waste shredding and sorting, is developing new technologies to address environmental challenges and contribute to resource recycling.



Harmony with the surrounding environment and providing a space for environmental education

To promote carbon neutrality, 400kW solar panels will be installed on the roof of the new facility, and a green design will be adopted with a motif of harmony with the neighboring Umi no Mori (Sea Forest) Park and a symbiosis with nature. The well-balanced arrangement of rooftop, wall and ground greenery will not only create a natural green space, but will also improve the building's insulation performance, thereby reducing the environmental impact through energy-saving effects from air conditioning.



Additionally, the entrance hall and central control room, visited by guests, feature wood sourced from Tokyo's Tama region, offering a sense of warmth and softness. This represents a fusion of technology and nature, providing a space for environmental education.

Supporting Tokyo's environmental infrastructure

The Chubou Non-combustible Bulky Waste Treatment Facility will be a one-stop facility for treating some of the non-combustible waste and all of the bulky waste in Tokyo's 23 wards. This means that if some kind of trouble caused this new facility to stop operating for an extended period of time, the 23 wards would be overflowing with bulky waste. To prevent this from happening, we have analyzed and organized the treatment technology and receiving work know-how we have cultivated over many years of operation, as well as data on the properties of the waste we receive, to ensure receiving and storage space that can be safely unloaded and transported, and to plan a crushing and sorting system according to the type of waste. Our Group's mission is to ensure stable waste treatment throughout the year, supporting Tokyo's environmental infrastructure together with the Clean Authority of Tokyo Waste disposal of Tokyo 23 cities.

Car Parking Systems Business

Building infrastructure essential for the uptake of EVs

With the global trend towards carbon neutrality, the spread of electric vehicles has become an issue in many countries. However, the penetration rate of electric vehicles in Japan remains at just 2-3%, and the development of charging facilities is an urgent need to expand their use. To address this issue, the Group released an EV charging service, a service that combines remote monitoring and control technology for EV chargers with a billing system, in October 2023. We have previously provided charging environments for electric vehicles in mechanical multi-story parking systems and coin parking lots, but the EV charging service has taken this to the next level, providing integrated management using a remote monitoring system via cloud services. This allows us to keep track of the date and time of use and the amount of charge for each user, as well as shifting peak electricity demand to times of lower load, such as at night, to save on electricity bills. Furthermore, it also includes functions necessary for infrastructure equipment, such as a charging reservation and payment management system. In addition, by having the Group handle all aspects of EV charging management services, from planning to operation, we can propose services to existing customers in line with their

renewal periods, and we can also utilize our know-how as a manufacturer to provide consulting on the introduction of charging management services to parking facilities made by other companies. In the future, in order to expand the use of EV charging service, we will begin recruiting supporting companies and linking functions with quick chargers, while increasing the number of things and services connected through KKP Cloud™, an AI-based remote monitoring and control service, in order to create further business opportunities and work to solve social issues.



Special Purpose Vehicles Business

Achieving zero emissions with fully electric refuse trucks

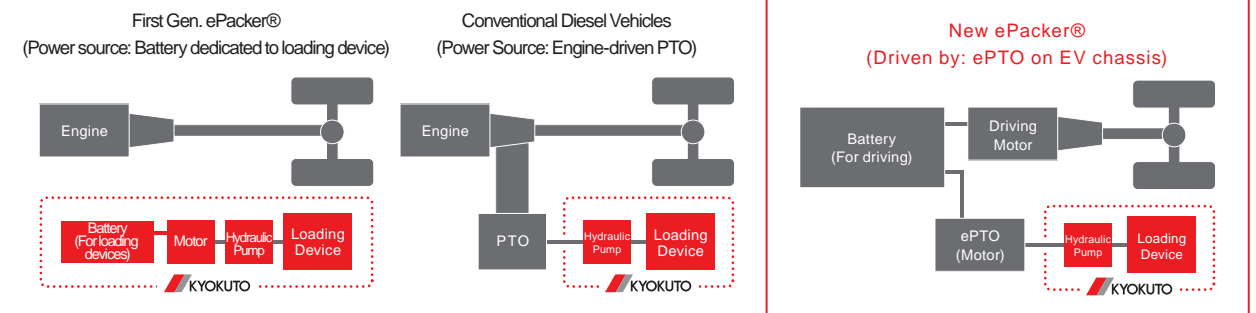
Our Group launched Japan's first electric refuse truck ePacker in 2010 and has developed the market as a pioneer of electric refuse trucks. However, we were not able to achieve complete electrification immediately.



Electric Refuse Truck ePacker

Although the first-generation ePacker realized a loading device powered by electricity, electric chassis were not commercially available at the time, and the vehicle itself still relied on a diesel engine to run. In addition, it was necessary to install an additional battery and motor to operate the loading device, which had the disadvantage of increasing the vehicle weight and reducing the garbage loading capacity.

The new ePacker, developed in FY2023, has improved these points and achieved electrification in both driving and loading device drive. The new e-Packer uses an electric chassis that is already equipped with an electric motor called ePTO\*. By utilizing the ePTO already installed on the chassis, both loading and driving are powered electrically, achieving zero emissions. In addition, there is no longer any need to carry an additional battery and motor, making it possible to install a cargo box with the same volume (2-ton class, 4.3 m³) as a conventional diesel vehicle (in the case of the Mitsubishi eCanter chassis used). This allows for the same specifications and operability as previous products. Furthermore, we have taken advantage of the quiet operation of EVs\*\* by incorporating ideas into the hydraulic system to reduce noise during garbage collection operations. Electrification in the special purpose vehicles industry is extremely important for realizing a carbon-neutral society. Going forward, our Group will continue to contribute to society by working hard to develop special purpose vehicles that use EV chassis and energy-saving products through weight reduction.



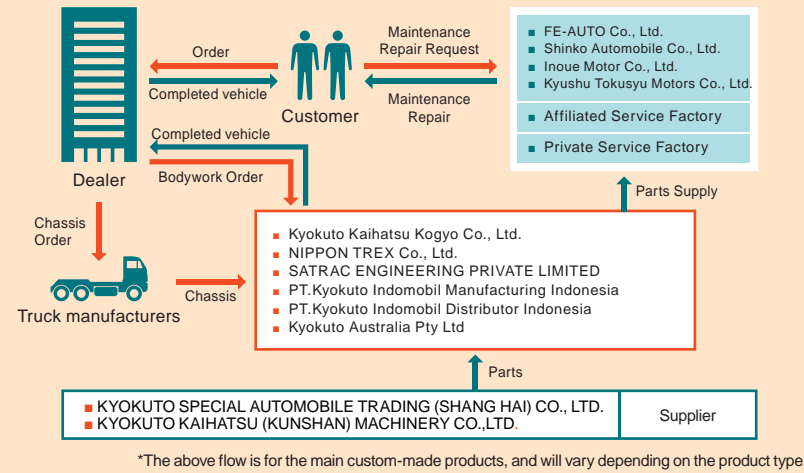
\*1 ePTO: "Electric power take-off (PTO) device." An electric version of the power taken from the engine in conventional diesel vehicles.  
\*2 EV: Electric Vehicles

# Special Purpose Vehicles Business

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

## Business Model

Special purpose vehicles are mainly composed of two parts. One is the "chassis," which consists of the engine, driver's seat (cabin), and frame, and the other is the "bodywork" that is mounted on top of the chassis. Our Group manufactures bodywork in response to customer orders received through dealers, and ships them mounted on chassis manufactured by truck manufacturers. In addition, our Group operates not only directly managed service factories but also affiliated service factories, ensuring nationwide coverage for after-sales maintenance.



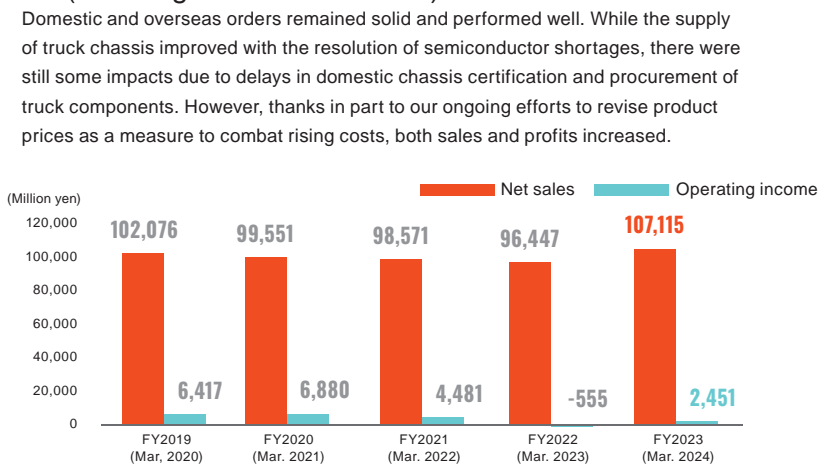
## Special Purpose Vehicles Business status

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>Wide product lineup (comprehensive special purpose vehicle manufacturer)</li> <li>Sales and service system covering the whole country</li> <li>Owns large-scale electrode-position coating equipment</li> <li>Have production bases in Asia, which are expected to develop</li> <li>Owns in-house functional parts factory</li> </ul>	<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Increasing demand for construction special purpose vehicles due to national resilience</li> <li>Increase in emergency response vehicles due to growing severity of climate change-related disasters</li> <li>The increase in e-commerce (electronic commerce) and the growing demand for large vehicles due to a shortage of drivers</li> <li>Addition of new features due to diversification of product users</li> <li>There is room to create new added value for special purpose vehicles through technological innovations such as electrification and autonomous driving</li> </ul>
<p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>Improving productivity to compensate for low automation rate due to high-mix, low-volume production</li> <li>Renewal of aging factories and equipment</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>Difficulty in securing human resources and outflow due to deterioration of the workplace environment and stagnation of work style reforms, etc.</li> <li>Delay in chassis delivery due to semiconductor shortage</li> <li>Increased costs due to soaring energy and material prices</li> <li>Closure or downsizing of suppliers or affiliated service locations</li> </ul>

## Long-term strategies

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

## Special Purpose Vehicles Business performance trends (including overseas business)



## Within a society that is continually changing

This year marks my third year as the Special Purpose Vehicle Division Director. During this time, we faced significant challenges and a prolonged period of instability due to the COVID-19 pandemic. However, thanks to the support of our customers, business partners, and employees, we have gradually made progress in laying the foundation for improving profitability. In this issue, we will talk about three points that the Special Purpose Vehicle Business will focus on in the future amid changing social conditions.

### Strengthening synergies and relationships

The first is to strengthen relationships within the group and with stakeholders. For example, Kyokuto Kaihatsu Kogyo and NIPPON TREX are leveraging synergies between the Group to conduct joint research and development into larger dump trailers. In addition, a new Technical Center<sup>\*1</sup> is scheduled to be completed in FY2026 as the Group's new research and development base, aiming to further improve the technological and development capabilities of the entire Group.

Cooperation with chassis manufacturers is also essential for efficient manufacturing. By maintaining regular and close communication, we are able to actively address topics such as adapting body equipment to EV chassis. Additionally, we are working on establishing a system to share and manage chassis delivery schedules, thereby improving the efficiency of production activities.

Furthermore, in terms of connections with customers, we are working to strengthen our service structure. In FY2023, we focused on strengthening the service centers of FE-AUTO Co., Ltd., our directly managed service factory, and integrated Kyushu Tokusyu Motors into our Group. Additionally, our service and sales staff have been actively engaging in various initiatives that prioritize building trust with our customers. These include offering free educational sessions to help customers adapt to regulatory changes.



### Digital transformation (DX) to solve internal and external problems

The second is digital transformation. DX covers a wide range of initiatives, but automation of manufacturing lines in particular can have a huge effect in terms of improving productivity. At Yokohama Plant, a new automated line for small dump bodies has been in full operation since July 2024. In order to accommodate over 100 different body specifications, we have introduced a system that allows offline teaching of various robot movements using 3D CAD. This has minimized the need for manual changeovers and made it possible to carry out work safely and efficiently. In addition, the use of real-time correction technology with cameras and lasers is



expected to contribute to consistent product quality. We also develop products and services that utilize AI and IoT. Among these, the AI-powered KIES system, which detects people and helps prevent entanglement accidents involving refuse trucks, has received high praise from our customers. By producing products that can be safely used by everyone, we not only prevent accidents involving workers but also safeguard surrounding local residents. This, combined with improvements in work efficiency, contributes to the development of sustainable local communities. As an IoT-enabled product, we launched Scale Link, an optional feature for the Scale Packer refuse truck with a measuring device, in May 2023. By introducing Scale Link, users can easily create, record, and view collection statuses through a smartphone app and a web system. By making effective use of this data, it is possible to improve the efficiency of collection operations.

### Leveraging our strengths for global expansion

The last step is to expand overseas. The Group has production bases in China, India, Indonesia, and from FY2023, Australia<sup>\*2</sup>, and is building a system that can meet local needs. In addition, we have exported products produced in our domestic plants to more than 150 countries. Issues and needs vary from country to country and region to region. In Australia, where we have recently expanded our business, housing development is progressing rapidly, increasing the demand for mixer trucks. India is the Group's largest overseas base and is experiencing rapid economic growth, and there is an urgent need to develop the infrastructure to support this growth. Whether domestic or overseas, our Special Purpose Vehicle Division will continue to make great strides to accurately grasp the needs and expectations of the market and provide products and services that meet those needs.

\*1 Refer to the Technical Center on page 19

\*2 Refer to Expansion to Australia on page 20

TOPICS

Efficient and Stable Manufacturing

- Full-scale operation of automated light-duty rear dump truck lines -

Our Group is promoting automation in our manufacturing processes with the aim of improving productivity and stabilizing product quality. At Kyokuto Kaihatsu Kogyo's Yokohama Plant, a large-scale automation system for the medium-sized rear dump fabrication line has been in operation since FY2022. Utilizing this knowledge, a new automated line for light-duty rear dump bodies has been in full operation since July 2024. This line has implemented a 3D CAD-based offline teaching system\* so that it can flexibly accommodate a variety of body specifications. By introducing this line, which will enable us to realize production capacity that can flexibly respond to fluctuations in orders, labor savings, and improved quality, we aim to supply high-quality products that are useful to our customers and expand our market share in the light-duty rear dump truck market.



Work scene at the automated line for light-duty rear dump truck

\*Offline teaching: A teaching method in which a program for industrial robot operation is created using computer software and then transferred to the robot.

Ensuring Long-term and Safe Use of Our Products

- Strengthening service capabilities -

Our Group is focusing on strengthening our after-sales service so that our customers can use our products safely for a longer period. In FY2023, we added Kyushu Tokusyu Motors, a designated service workshop, to our Group in order to strengthen our service capabilities. In addition, the Himeji Service Center, a directly managed service factory operated by FE-AUTO, has been relocated, expanded, and reopened after renovation. In addition to strengthening our service bases and proposing a more diverse range of services, we also provide training for service technicians in charge of inspections and repairs, and hold seminars for customers who use our products, encouraging them to prevent problems and take early action. As a manufacturing company, we will continue to take responsibility for maximizing customer satisfaction and focus on strengthening our service capabilities.



Basic training for new service staff

Providing New Solutions for the Logistics Industry

- Opening of the NIPPON TREX Driving School -

Currently, the logistics industry is facing a major problem of a shortage of drivers, known as the 2024 Problem, due to the declining birthrate and aging population, and work style reforms. To help combat this, NIPPON TREX offers new solutions through products that improve transport efficiency. For example, there are full trailers, which can carry twice as much cargo as conventional trucks. We are developing and selling a variety of products, such as the swap body, which separates transportation operations from loading and unloading operations by detaching the vehicle body from the loading platform, improving the driver's work efficiency. In spring 2024, in response to customer requests to "try it before considering adopting it," we began operating a driving school where students could learn how to drive a trailer (we plan to gradually expand the range of vehicle types available). We will continue to contribute to solving social issues by developing new products and providing services to improve drivers' driving skills.



NIPPON TREX Driving School

Overseas Expansion

India  
**SATRAC ENGINEERING PRIVATE LIMITED**

Since its establishment in 1997, SATRAC ENGINEERING has built a solid position in the special purpose vehicle market in India, with its high-quality manufacturing, sales network and service system that covers all of India, and product development capabilities that can flexibly respond to diverse needs. In addition to its main products, rear dump trucks and trailers, they also produce tank trucks and pneumatic bulk carriers. Since becoming a member of our Group in 2020, we have continued to grow further through the synergy created by the Group. The Indian economy is expected to continue to grow in the future. In this environment, in order for SATRAC ENGINEERING to continue contributing to our customers and the local community, we are strengthening our production system, including the construction of a new plant in Chennai, which is currently underway.



Rear dump trucks

Indonesia  
**PT. Kyokuto Indomobil Manufacturing Indonesia**

Kyokuto Indomobil Manufacturing Indonesia was established in 2012 as a joint venture with the Indomobil Group, which is part of the Salim conglomerate, a prominent local conglomerate. The company manufactures heavy-duty rear dump trucks and provides products to local infrastructure development and material transportation sectors in cooperation with sales company Kyokuto Indomobil Distributor Indonesia. In Indonesia, we expect demand for resources such as coal and nickel to remain strong for the time being. In particular, for our mainstay heavy-duty rear dump trucks, we are expanding our lineup with a focus on transporting resources at mines and are planning plant expansion.



Rear dump trucks

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

At Kyokuto Kaihatsu (Kunshan) Machinery, we manufacture special purpose vehicles such as concrete mixers, as well as parts and components for production bases within our group in Japan. We have exported concrete mixer trucks to many countries, including Southeast Asia and Australia, and have contributed to infrastructure development in each country. In the future, we plan to continue to improve the quality of our mainstay concrete mixer trucks and expand specifications to meet the needs of each country. In addition, we will expand the production items and supply volume of parts and other items supplied to Group companies in Japan.



Concrete mixer trucks

Australia  
**Kyokuto Australia Pty Ltd**

In July 2023, we established Kyokuto Australia Pty Ltd as our first base in Australia by integrating Kyokuto Kaihatsu Kogyo's sales agency into our Group. Kyokuto Australia mainly engages in the mounting, sales and service of concrete mixer trucks and single car carrier trucks. In the Australian market, the population is growing due to immigration policies and other factors, and demand for construction materials is also increasing, resulting in steady sales growth. In the future, we plan to expand the range of products we handle and aim to further increase the number of orders and sales by leveraging the added value of high-quality Japanese-made special purpose vehicles.



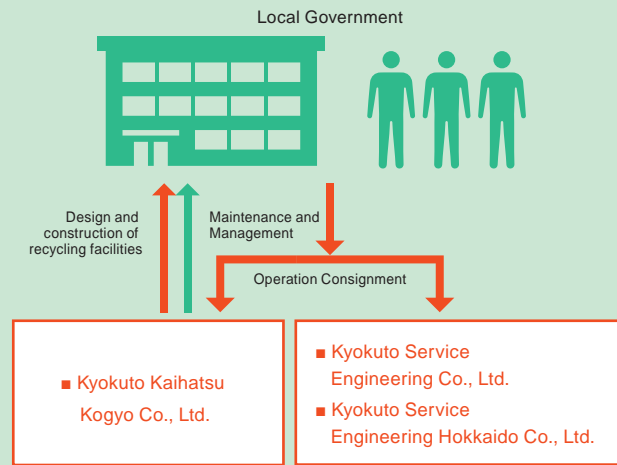
Concrete mixer trucks

# Environmental Equipment and Systems Business

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

## Business Model

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



## Gaining recognition as an environmentally focused company

First, in October 2023, we had the honor of receiving the Minister of the Environment Award as a "Distinguished Contributor to Municipal Waste Management" upon the recommendation of the Japan Environmental Sanitation Facilities Association. This is entirely thanks to the guidance of my seniors and all those involved, and I would like to take this opportunity to express my deepest gratitude.



Environmental Division Director  
Director, Associate Senior  
Executive Officer  
Kyokuto Kaihatsu Kogyo Co., Ltd.

NOBORU HORIMOTO

## Introduction

I joined the company in 1988 and was assigned to the Environmental Equipment and Systems Division at the time, but I am ashamed to say that I did not know that the company had an environmental business department until I joined the company. Recently, we have established a solid position within the industry, and the number of applicants expressing interest in the Environmental Equipment and Systems Division has been increasing. However, its level of recognition is still relatively low compared to the Special Purpose Vehicles Division. Kyokuto Kaihatsu Kogyo must undertake the following initiatives to be recognized not only as a special purpose vehicle company but also as an environmental equipment and systems business company.

## Establishing new core technologies

We have already introduced our new initiatives in the biomass field. The following two projects both involve using biomass raw materials as alternatives to fossil fuels. These are technologies that will contribute to the realization of a decarbonized society, and we will work to establish these technologies as soon as possible.

- 1 Heat energy supply business using wood biomass boilers (Local production and consumption of energy)
- 2 Use of bio-briquettes as an alternative to coke fuel

Additionally, in the field of recycling plants, the first compactor-type waste transfer facility, which transfers household waste from small refuse trucks to large container trucks, was completed in Kitahiroshima City, Hokkaido, at the end of last fiscal year. By compressing the containers using a compactor before loading them into the containers, we have improved transportation efficiency and reduced CO<sub>2</sub> emissions.

## Expanding business scale

Looking at the sales ratio of our entire group, the environmental equipment and systems business segment accounts for only about 10%. In terms of income, we have been able to make a significant contribution every year, but in order to aim for further growth, it is essential that we quickly commercialize the new core technologies mentioned above, as well as enter new fields and carry out M&A that will generate synergy effects.

## Taking the long-term view

What will global warming and natural disasters be like in 20 or 30 years' time? Will we achieve carbon neutrality by 2050? What is most important is that governments, businesses, and individuals work together to develop scenarios, strategies, and policies to achieve this goal and achieve results. I don't think we should pass on such a heavy burden to our descendants. Our environmental equipment and systems business will continue to contribute to society by promoting resource circulation and the realization of a carbon-free society through our business activities.

## Environmental Equipment and Systems Business status

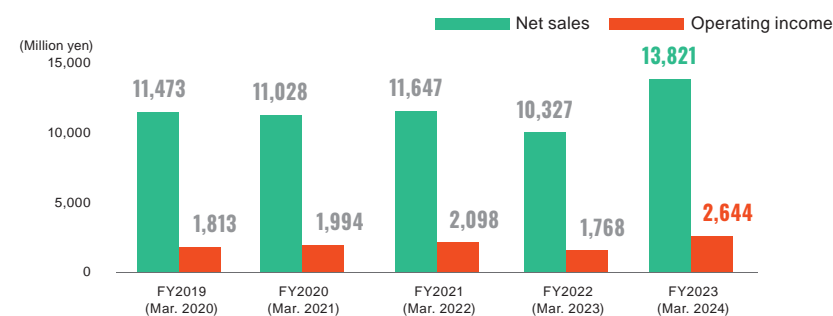
<p><b>Strength</b></p> <ul style="list-style-type: none"> <li>■ Extensive construction track record (over 200 recycling plants delivered)</li> <li>■ High-level know-how regarding facility operation management (Management record of over 35 facilities)</li> <li>■ Unique crushing technology specialized for waste treatment</li> <li>■ Sewage purification technology derived from highly organic waste</li> <li>■ Accumulated know-how regarding biomass and biogas</li> </ul>	<p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>■ Increasing demand for regional energy as national resilience</li> <li>■ Utilizing forest resources to establish a recycling-oriented society</li> <li>■ Expanding need for waste transfer facilities due to wider area of waste collection</li> <li>■ Expanding needs for biomass and resource-recycling businesses to achieve carbon neutrality</li> </ul>
<p><b>Issues</b></p> <ul style="list-style-type: none"> <li>■ Deepening technology that utilizes biomass resources that contributes to carbon neutrality</li> <li>■ Securing human resources involved in facility operation and management</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>■ Increase in accidents and injuries due to increasing diversity of facility workers</li> <li>■ Intensifying competition due to rapid increase in companies entering the renewable energy market</li> </ul>

## Long-term strategies

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

## Environmental Equipment and Systems Business performance trends

In plant construction, we continue to work on new projects and construction of existing projects, and in September 2023 we received an order from the Clean Authority of TOKYO for the construction of the Chubou non-combustible bulky waste treatment facility. The order amount is 41,130 million yen, the construction period is 52 months, and the project is planned to be one of the largest non-combustible and bulky waste treatment facilities in Japan. In addition to completing construction on two properties during the fiscal year under review, we also focused on stock businesses such as maintenance and operation contracts.



## TOPICS

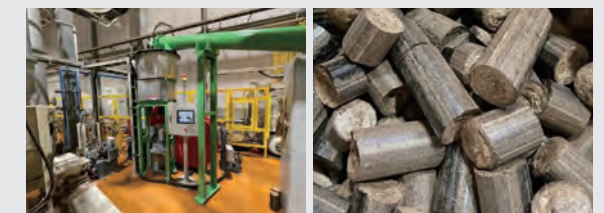
### Biomass Business Contributing to a Decarbonized Society and Resource Circulation

- The potential of bio-briquettes as an alternative to coke fuel -

In order to reduce CO<sub>2</sub> emissions, companies are promoting the use of electricity from renewable energies and the electrification of heat and power. However, in industries that require the use of high-temperature heat, such as steelmaking, casting, and chemicals, complete electrification is not easy and coal and coke are still indispensable, so there is a demand for alternative carbon-neutral fuels. Additionally, in the fossil fuel market, while the price rise caused by recent global events has shown signs of calming down for the time being, prices tend to remain high. With the possibility of the introduction of a carbon tax in the future increasing, decarbonization efforts have become an urgent task for companies.

Against this background, we conducted a demonstration test in cooperation with the foundry company Koyama (Nagano City, Nagano Prefecture) to manufacture "biomass briquette fuel" by

densely solidifying local waste biomass resources using our thrust-type molding machine and use it as an alternative to coke. Initial combustion tests confirmed a certain level of effectiveness. Moving forward, we will conduct demonstration tests with the company to further enhance these effects, contributing to the realization of a sustainable society through decarbonization and resource circulation.



Demonstration Testing

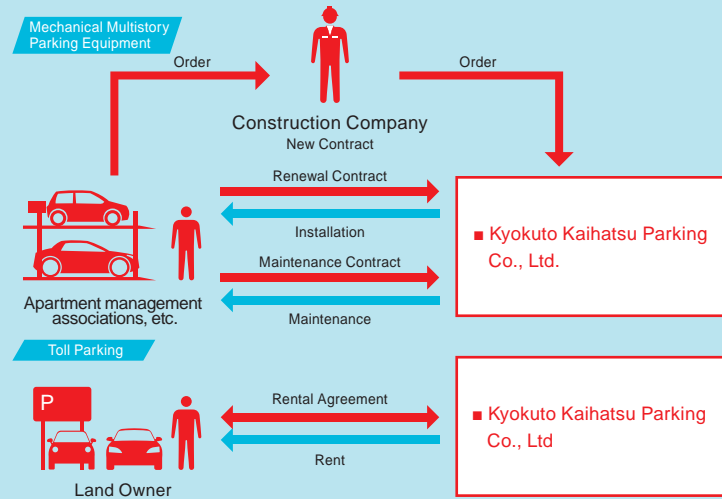
Bio-briquettes

# Car Parking Systems Business

We manufacture and sell multistory parking systems for condominiums and tenant buildings, and perform renovation work. We also install and operate toll parking lots.

## Business Model

The Car Parking System Business is comprised of the Multistory Parking Equipment Business, which manufactures and sells mechanical multistory parking equipment for apartment complexes and other collective housing, and the Toll Parking Business, which installs and manages toll based parking lots. When installing a mechanical multistory parking garage at a newly built apartment building, we receive orders from general contractors and developers, but after installation, we enter into a contract with the apartment management association to manage the facility. On the other hand, coin parking will enter into a lease agreement with the land owner of the business site, and Kyokuto Kaihatsu Parking will install the equipment and operate the business.



## Car Parking Systems Business status

- Strength**
  - Mechanical Multistory Parking Equipment
    - Mechanical Multistory Parking Equipment: Delivery record of 81,700 pallets
    - Industry's first remote-controlled multistory parking equipment system
    - A comprehensive maintenance system
  - Toll Parking
    - High market share and recognition in the Kansai and Chubu regions
- Issues**
  - Mechanical Multistory Parking Equipment
    - Securing and developing technical and IT personnel
    - Quality control of overseas suppliers
  - Toll Parking
    - Increase market share in the Tokyo metropolitan area

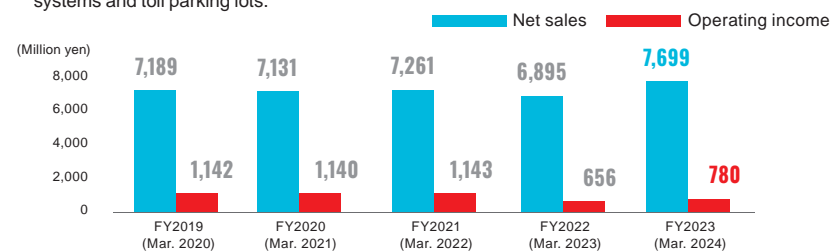
- Opportunity**
  - Mechanical Multistory Parking Equipment
    - Demand for charging equipment due to the advancement of EVs
    - Demand for replacement of multistory parking equipment due to aging condominiums
  - Toll Parking
    - Reducing administrative costs by improving IT
    - Changes in needs due to aging users
- Threats**
  - Mechanical Multistory Parking Equipment /Toll Parking
    - Increased material and energy costs
    - Lack of human resources for maintenance companies
    - Decrease in number of cars owned

## Long-term strategies

- Mechanical Multistory Parking Equipment**
  - System development to increase convenience and safety
  - Establishing a stock business for mechanical multistory parking equipment (maintenance contracts, timely response using IT)
  - Monetizing EV charging management
- Toll Parking**
  - Promotion of cashless/flapless (barrier free) toll parking
  - Increase in business locations and improved area share

## Car Parking Systems Businesses performance trends

In the mechanical multistory parking equipment business, we focused on proactively seeking orders for new facilities, in addition to stock business such as renewal and maintenance. Toll parking lots have recovered from the effects of the COVID-19 pandemic, and we have secured sales and profits through improved occupancy rates. In addition, in response to the future spread of EVs, we have launched a new service called Charge-mo in October 2023, which provides installation and charging management services for EV charging equipment for mechanical multistory parking equipment systems and toll parking lots.



\*The above shows the results of the "Parking and Other Business" in our Group's accounting segment.  
 In addition to the car parking systems business, this also includes the performance of mega solar power plants and the insurance agency business.  
 \*In FY2022 (ending March 2023), rental income decreased significantly due to the sale of rental properties.

## Prioritizing relationships in business management



Representative Director and President  
 Kyokuto Kaihatsu Parking Co., Ltd.  
**YUTAKA YOSHIDA**

mechanical multistory parking equipment systems and toll parking lots, and can contribute to the widespread adoption of electric vehicles. One of our unique strengths is that we provide a comprehensive range of services, including not only the installation of charging equipment, but also maintenance, reservations, and the provision of an app that allows billing. We will continue to expand our services that contribute to society, earning the trust of our customers and users who say, "If you have any questions about EV parking, contact Kyokuto Kaihatsu Parking and they will do something about it."

### New products based on customer needs

In order to meet customer needs, we are working to speed up the commercialization of products. The remote monitoring system utilizes IoT to monitor charging status and machine condition, reducing stress for customers. It is also effective for preventive maintenance of machinery, and we will suggest appropriate maintenance providing long time use with peace of mind. We have also been proactively promoting our Remote request system, which remotely calls mechanical multistory parking equipment, as well as cashless and machineless toll parking in response to customer needs.

### Future business development with an emphasis on relationships

There are various social issues, such as young people turning away from cars and an aging population with a declining birthrate, but I believe that it is precisely at times when the future is difficult to predict that we have an opportunity to make a leap forward. We will continue to contribute to society by giving shape to new ideas without being bound by preconceived notions. For our long-time customers, we will continue to provide services that will ensure their continued satisfaction. Our business will continue to focus on connecting with our customers and other stakeholders as we work to help solve various problems.  
 \* Refer to page 22 for EV charging system

## Going carbon neutral with EV charging services

As we move towards carbon neutrality by 2050, it is expected that the electrification of vehicles and autonomous driving technology will continue to evolve rapidly. Starting in FY2023, we released the EV charging service. EV charging services can be installed in both

## TOPICS

### New and Improved Model Realizes Easier-to-use Mechanical Multistory Parking Equipment

In FY2023, Kyokuto Kaihatsu Parking developed a mechanical multistory parking equipment system incorporating a new method and redesigned the model. The biggest change was replacing the chain used in the mechanism with wire. The chain parts that were previously used to raise and lower mechanical multistory parking equipment had the risk of becoming twisted and causing the equipment to stop or break down. In addition, regular maintenance required a lot of work for mechanics and there was a risk of the chain getting dirty from the oil applied to it, but switching to the wire system has eliminated these issues. In addition, the wire drive is also quieter, improving the user experience. This change also involves a review of the traverse drive system. By changing the drive system from two-wheel drive to front-and-rear drive, we were able to reduce damage to vehicles entering the depot caused by rust on the rail surface and the need to replace parts due to wear. Furthermore, through thorough market research and identification of challenges, we have achieved high value-added designs that enhance safety

and convenience. For instance, even in the design of devices where competing products already exist, we have incorporated features such as mechanisms to reduce wire elongation. Another major achievement was that we were able to realize manufacturing that leveraged group synergy by incorporating the knowledge of Kyokuto Kaihatsu Kogyo's Special Purpose Vehicle Division and other departments. Moving forward, we aim to expand new models across various products and deliver safer and more convenient mechanical parking systems to the market. Additionally, we strive to create new value through groundbreaking innovative products.

Yuya Yoshimitsu  
 Engineering Section,  
 Production Department,  
 Kyokuto Kaihatsu Parking





# SDGs Declaration

## Kyokuto Kaihatsu Group SDGs Declaration

The Kyokuto Kaihatsu Group's management philosophy is "valuing technology and trust, make concerted efforts to develop the company, and widely contribute to society."

Based on this management philosophy, we will work proactively to achieve the SDGs (Sustainable Development Goals) by simultaneously resolving social issues related to "local communities," "the environment," "people," and "governance" while pursuing corporate economic value.

Activities	SDGs
<p>  Local communities   Sustainable City and Community Building</p> <ul style="list-style-type: none"> <li>■ We will contribute to the development of disaster-resistant city infrastructure.</li> <li>■ We will contribute to solving labor shortages in all fields by realizing efficient transportation and savings in labor.</li> <li>■ We will contribute to the establishment of a recycling-oriented society by building a foundation for resource recycling.</li> </ul>	 
<p>  Environment   Manufacturing That Considers the Global Environment</p> <ul style="list-style-type: none"> <li>■ We strive to reduce the environmental impact at every stage of our supply chain.</li> <li>■ We will promote the 3Rs (Reduce, Reuse, Recycle) for our products and promote energy conservation to produce environmentally conscious products</li> </ul>	 
<p>  People   Building a Society Where Every Individual is Respected</p> <ul style="list-style-type: none"> <li>■ We will strive to build a work environment where all employees can fully utilize their abilities while experiencing a sense of fulfillment and job satisfaction.</li> <li>■ We will promote the development of products that are safe and easy to use for all customers.</li> <li>■ We will promote the development of products that consider people at all stages of the supply chain.</li> </ul>	   
<p>  Governance   Building and Organization Trusted by Society</p> <ul style="list-style-type: none"> <li>■ We will identify Group risks and opportunities, and manage them with a management system.</li> <li>■ We will value dialogue with stakeholders and respond to their needs and expectations.</li> <li>■ We will promote sound corporate management in accordance with compliance.</li> </ul>	 

## United Nations Global Compact (UNGC)

In November 2016, Kyokuto Kaihatsu Kogyo signed the United Nations Global Compact (UNGC). The UNGC subcommittee is engaged in sharing the latest trends and examples of sustainability-related initiatives, as well as creating tools to help companies promote sustainability. We will practice the 10

principles of conduct required by the United Nations in the areas of human rights, labor, the environment, and anti-corruption, and play our role as a member of the international community.



## Participation in regional platforms

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

### Examples of participating platforms

- Regional Revitalization SDGs Public-Private Partnership Platform (Kyokuto Kaihatsu Kogyo)
- Kansai SDGs Platform (Kyokuto Kaihatsu Kogyo)
- Kanagawa SDGs Partner (Kyokuto Kaihatsu Kogyo)
- Toyohashi City SDGs Promotion Partner (NIPPON TREX)
- Participation in the "Komaki SDGs Declaration" (Kyokuto Kaihatsu Kogyo)



Kanagawa SDGs Partner



Toyohashi City SDGs Promotion Partner

## Sustainability Officer's Message

To be a group that fulfills its responsibilities to society and grows together with its stakeholders



Representative Director, Senior Managing Director, Senior Managing Executive Officer  
Kyokuto Kaihatsu Kogyo Co., Ltd.  
**TAKEO NORIMITSU**

### Increasing corporate value through proper information disclosure

Kyokuto Kaihatsu Group is now in its second year of publishing the Integrated Report. We recognize the importance of appropriate information disclosure as a company and are advancing the disclosure of non-financial information for the entire group, in addition to financial performance data. At the same time, we are responding promptly and carefully to new needs and expectations arising from our stakeholders. In particular, external evaluations of sustainability have recently had an impact on stock prices, so we are keenly aware of the need to strengthen our initiatives. In particular, the shift to human capital management is an issue that requires attention. To build even stronger relationships of trust with our employees, we will identify issues through employee engagement surveys and make proactive investments to revitalize the entire Group. In addition, with regard to the Group's materiality, we have changed the way we manage it to be more detailed by subdividing the previous seven items into 17 items and classifying them into ESG categories. Each of Kyokuto Kaihatsu Kogyo and NIPPON TREX has set their own targets for materiality, and progress is managed through the Sustainability Committee led by President Nunohara. Our next challenge is to ensure that each and every employee is fully aware of sustainability management. We strive to enhance corporate value by fostering an inclusive, company-wide commitment to these initiatives.



### Strengthening sustainability management through concrete ESG initiatives

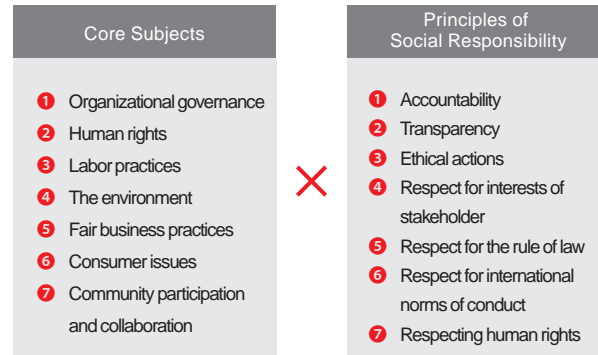
In terms of the environment (E), we are focusing on reducing GHG (greenhouse gas) emissions in our business activities. In addition to installing solar panels and switching to LED lighting at business sites, we are also considering measures such as electrifying painting lines, which consume a lot of fuel.

Additionally, we are currently working to introduce a system that will enable the entire group to grasp environmental data in more detail, and in the future, we plan to use data analysis to consider and implement measures to further reduce GHG emissions. Furthermore, as a manufacturing company, it is also our responsibility to contribute to carbon neutrality through our products and services. We would like to contribute to reducing GHG emissions through the development and sale of products that contribute to energy and labor savings, such as EV refuse truck and full trailers. In terms of society (S), we are promoting the building of an easy-to-work environment in order to achieve work-life balance and diversity. In particular, we see promoting women's participation in the workforce as a key issue, and we will need to step up greater recruitment and promotion to management positions. Additionally, the rate of men taking parental leave increased from 25% last year to 43.9%, demonstrating the success of the promotion. On the other hand, with regard to human rights risk management, which is not currently being implemented, it is necessary to promptly advance efforts across the supply chain. In terms of governance (G), we are strengthening our branding in preparation for 2025, when the company, Kyokuto Kaihatsu Kogyo, will celebrate its 70th anniversary. We are working on promoting our brand through transportation advertising, YouTube and web advertising, and are also planning a major overhaul of our website. From the perspective of compliance, we have also implemented measures to publicize our ethics hotline and harassment hotline. As part of our efforts to raise awareness of the harassment consultation desk, we are implementing initiatives to make it more accessible, such as distributing pocket-sized information cards in addition to providing details on the company intranet. We aim to continue utilizing this system and promoting close communication with employees. Amid a changing global environment and market conditions, we believe that sustainability management will become increasingly important in the future. Our Group will continue to contribute broadly to a sustainable society as a responsible company, and strive to be a company that can grow together with all stakeholders, including our employees.

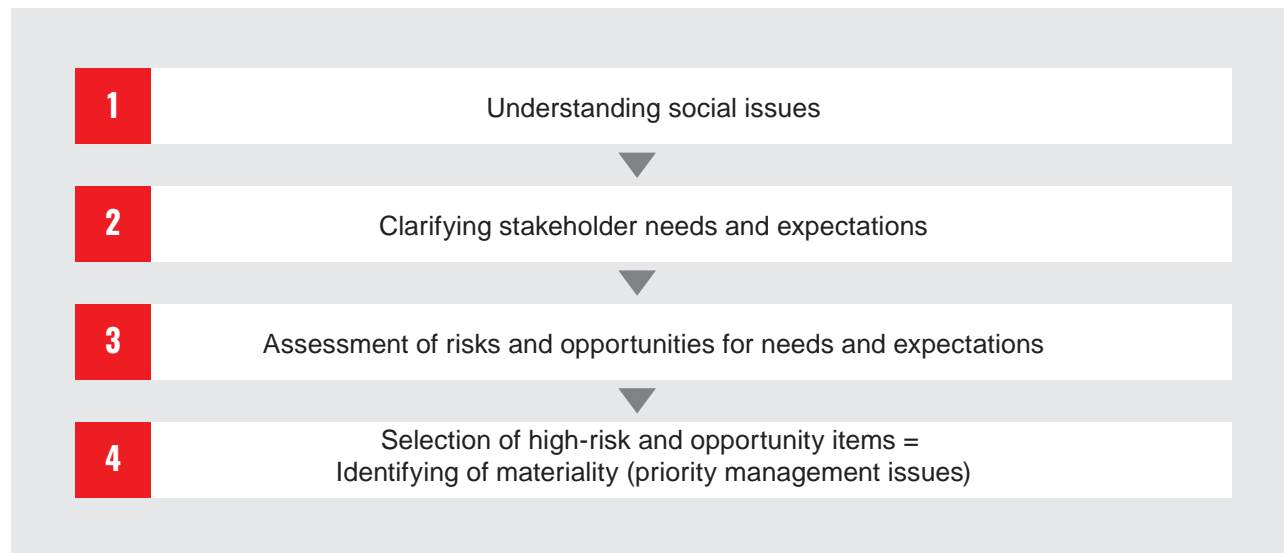
# Sustainability Management

## Strategy

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



## Flow of identifying materiality (priority management issues)



**1** Identify the impact of various issues related to sustainable societies, such as SDGs, on our Group.

**3** With regard to clarified needs and expectations, we assess the magnitude of risks and opportunities from the two perspectives of "degree of interest and importance for stakeholders" and "degree of impact for the Group."

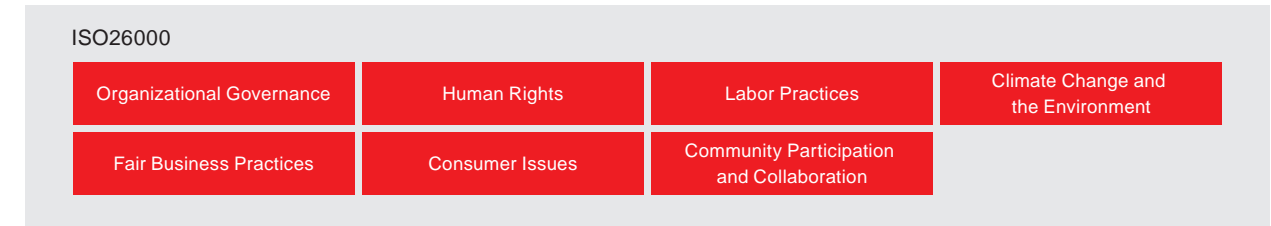
**2** Based on the international guideline standard for social responsibility, ISO 26000, we clarify needs and expectations of the Group's stakeholders in realizing a sustainable society through questionnaires and interviews.

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

### Referenced frameworks, guidelines, etc.

- GRI Standards
- ISO26000
- Sustainable Development Goals (SDGs)
- The 10 Principles of the United Nations Global Compact
- OECD Guidelines for Multinational Enterprises
- IFRS Sustainability Disclosure Standard S2 (Climate Change)  
\*Previously, we have disclosed information based on the Task Force on Climate-related Financial Disclosures (TCFD), but from FY2024 onwards, we will refer to IFRS S2.
- International Integrated Reporting Council (IIRC) "International Integrated Reporting Framework"

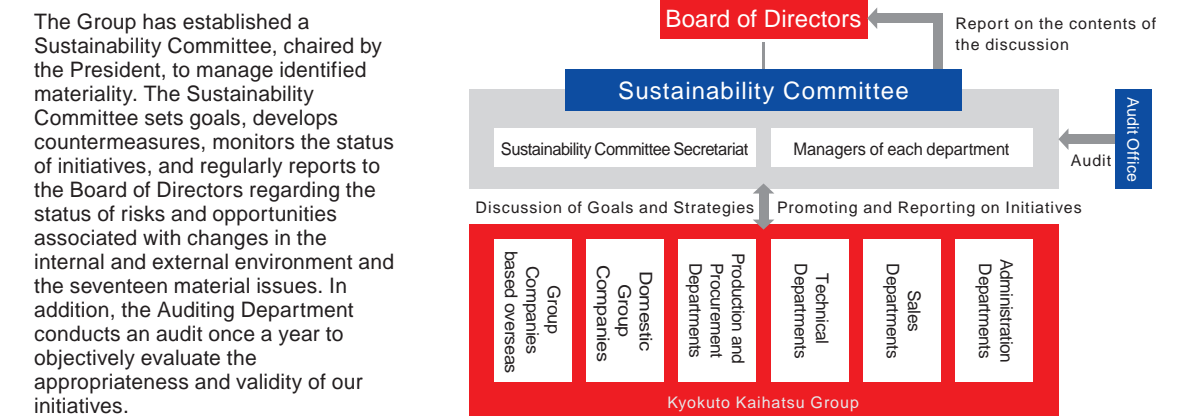
# Sustainability Promotion Systems



Determine materiality based on risk and opportunity assessment, and manage highly relevant items by dividing them into groups

Environment (E)	Society (S)	Governance (G)
Promoting decarbonization in business activities	Implementing human rights due diligence	Diversification of management talent
Development of products and services contributing to carbon neutrality	Promotion of health management	Enhancing the usefulness and reliability of information disclosure
Responding to climate change risks	Eliminating occupational accidents	Efficient and effective risk and opportunity management using ISO management systems
Contributing to a recycling-oriented society	Promoting diversity (realizing DEIB)	Building a robust business structure
Consideration for biodiversity	Contributing to local communities	Strict adherence to compliance and establishment of remediation processes
	Pursuit of work-life balance	Implementation of supply chain management

\*To create a more concrete and dynamic framework for addressing materiality, the number of materiality items was reorganized and expanded from 7 to 17 starting in FY2024.



The Group has established a Sustainability Committee, chaired by the President, to manage identified materiality. The Sustainability Committee sets goals, develops countermeasures, monitors the status of initiatives, and regularly reports to the Board of Directors regarding the status of risks and opportunities associated with changes in the internal and external environment and the seventeen material issues. In addition, the Auditing Department conducts an audit once a year to objectively evaluate the appropriateness and validity of our initiatives.

## Activity schedule

Period	I			II			III			IV		
	April	May	June	July	August	September	October	November	December	January	February	March
Committee		●		●				●				●
Internal Audit							●					

# Risks and Opportunities

Our group identifies risks and opportunities based on internal and external challenges, as well as the needs and expectations of stakeholders. From these, we have selected 17 key items to manage as 'materiality' priorities.

ISO26000 Classification	Stakeholder Needs and Expectations	Risks and Opportunities	Action
Organizational Governance	<ul style="list-style-type: none"> <li>Active stakeholder engagement, respecting needs and expectations</li> <li>Continuation and stability of business activities, and future-oriented management</li> <li>Timely and appropriate information disclosure</li> <li>Disseminating of information with consideration for privacy and appropriate information management without leakage or fabrications</li> <li>Diversity in management, etc.</li> </ul>	<ul style="list-style-type: none"> <li>[Risks] Serious violations to comply with of laws, regulations, and Group regulations, etc.</li> <li>[Risks] Inappropriate information disclosure and lack of transparency</li> <li>[Risks] Failure to achieve medium- to long-term and single-fiscal year management targets</li> <li>[Risks] Deterioration of business efficiency due to mismatch of processes with objectives and goals</li> <li>[Risks] Inappropriate business decisions</li> <li>[Opportunities] Improving employee engagement through active dialogue between management and employees</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring of materiality by the Sustainability Committee</li> <li>Expanding and strengthening of the Group's information disclosure media</li> <li>Application of ISO management systems to each Group company</li> <li>Promotion of inner branding</li> <li>Business Continuity Management (BCM)</li> <li>Improving information security</li> <li>Promoting stakeholder engagement</li> <li>Response to third-party evaluation</li> </ul>
Human Rights	<ul style="list-style-type: none"> <li>Respecting human rights</li> <li>Responding to human rights issues appropriately</li> <li>Avoiding complicity in human rights violations</li> <li>Eliminating discrimination</li> </ul>	<ul style="list-style-type: none"> <li>[Risks] Human rights violations due to harassment</li> <li>[Risks] Difficulty in hiring and separation/retirement due to lack of work style options</li> <li>[Risks] Being complicit in human rights issues through procurement activities</li> <li>[Opportunities] Promoting growth opportunities for individuals and companies by recognizing unconscious bias</li> <li>[Opportunities] Providing relief from human rights violations by establishing systems for support and redress</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of human rights due diligence</li> <li>Increasing female recruitment ratio</li> <li>Strengthening anti-harassment measures</li> <li>Promoting sustainable procurement</li> <li>Expansion of the management system regarding conflict minerals</li> <li>Adoption of universal design in workplaces, products and services</li> <li>Establishment of a consultation desk for Group companies</li> </ul>
Labor Practices	<ul style="list-style-type: none"> <li>Guaranteeing workers' rights</li> <li>Considering occupational health and safety</li> <li>Appropriate evaluation and compensation for labor</li> <li>Developing worker skills and fostering motivation</li> </ul>	<ul style="list-style-type: none"> <li>[Risks] Increase in accidents, injuries, and mental illnesses caused by excessive fatigue due to long working hours</li> <li>[Risks] Increase in the number of people leaving their jobs and loss of employment opportunities due to long working hours, etc.</li> <li>[Risks] Increase in health problems such as lifestyle-related diseases due to changes in lifestyle habits and working environment</li> <li>[Opportunities] Improving employee motivation by increasing communication between the employees and the management</li> <li>[Opportunities] Improving safety and productivity by strengthening measures to address the diversification of human resources, including inexperienced individuals and elderly workers</li> <li>[Opportunities] Improving productivity and creativity through appropriate staffing and skills development</li> </ul>	<ul style="list-style-type: none"> <li>Application of ISO45001 (Occupational Safety and Health)</li> <li>Thorough management of working hours</li> <li>Improving automation rate in production process</li> <li>Conducting dialogue with labor unions and employees</li> <li>Promotion of health management</li> <li>Promotion of taking paid leave</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Preventing pollution</li> <li>Mitigating climate change and global warming</li> <li>Adapting to disasters caused by climate change</li> <li>Promoting sustainable resource use</li> <li>Ecosystem conservation (maintenance of biodiversity)</li> </ul>	<ul style="list-style-type: none"> <li>[Risks] Claims for damages due to the leakage of hazardous substances, damage to the company's image, and damage to the ecosystem</li> <li>[Risks] Rising material and procurement prices due to resource shortages</li> <li>[Opportunities] Improving product value through appropriate SOC management</li> <li>[Opportunities] Improving corporate image through increasing recycling rates</li> </ul> <p>*Refer to pages 41-46 for risks and opportunities regarding climate change</p>	<ul style="list-style-type: none"> <li>Enhancement of management systems for hazardous substances and SOC</li> <li>Establish manufacturing systems that can reduce waste generation</li> <li>Consideration of recycling of landfilled waste</li> </ul> <p>*Refer to pages 41-46 for measures regarding climate change</p>
Fair Operating Practices	<ul style="list-style-type: none"> <li>Clean business activities free from corruption</li> <li>Considerations and collaboration with supply chain</li> </ul>	<ul style="list-style-type: none"> <li>[Risks] Human rights violations and environmental pollution in the supply chains</li> <li>[Risks] Fraud such as bribery in order-taking activities, etc.</li> <li>[Risks] Procurement stagnation due to suppliers going out of business or going bankrupt</li> <li>[Risks] Leakage of confidential business and transaction information</li> <li>[Risks] Copyright Infringement, etc.</li> <li>[Opportunities] Achieve greenhouse gas reduction targets in the value chain</li> </ul>	<ul style="list-style-type: none"> <li>Application of procurement policies and guidelines to the entire Group</li> <li>Building a management system for supply chain risks</li> <li>Strengthening information security</li> <li>Expansion of system related to privacy protection</li> <li>Implementation of education on related laws such as the Subcontract Act</li> </ul>
Consumer Issues	<ul style="list-style-type: none"> <li>Providing products and services that meet user needs</li> <li>Providing safe and easy-to-use products (Products that can be used with confidence)</li> <li>Energy-saving and low greenhouse gas emission products</li> <li>Products with high reliability and durability</li> </ul>	<ul style="list-style-type: none"> <li>[Risks] Accidents and disasters during product use</li> <li>[Risks] Contribution to the global warming due to CO<sub>2</sub> emitted from products</li> <li>[Risks] Loss of sales opportunities due to products not meeting ethical needs of the market</li> <li>[Risks] Leakage of customer information, etc.</li> <li>[Opportunities] Increase sales opportunities by making products suitable for more diverse users</li> </ul>	<ul style="list-style-type: none"> <li>Promoting universal design of products</li> <li>Establishment of product design standards that strengthen items related to the environment, safety, and human rights</li> <li>Thorough customer information management</li> <li>Expansion of ISO9001 (quality) certification</li> </ul>
Community Participation and Collaboration	<ul style="list-style-type: none"> <li>Understanding the region</li> <li>Participating in the community</li> <li>Providing opportunities for local employment (giving back to the local economy)</li> <li>Investing in local communities</li> </ul>	<ul style="list-style-type: none"> <li>[Risks] Complaints from communities</li> <li>[Risks] Environmental pollution, including the destruction of local ecosystems</li> <li>[Opportunities] Development of local area through collaboration with the local community</li> <li>[Opportunities] Developing local human resources</li> </ul>	<ul style="list-style-type: none"> <li>Conclusion of comprehensive collaboration agreements at major locations</li> <li>Acceptance of plant tours</li> <li>Cooperation and sponsorship of local events</li> <li>Support for sports and cultural activities</li> <li>Participation in social contribution and volunteer activities</li> </ul>

We set high-risk and opportunity items as "Materiality (priority management issues)"

	Materiality	Aims	2023 Results:	2022-2024 Three-year Targets
Environment (E)	Promoting decarbonization in business activities ▷ P47	Achieving carbon neutrality ● CO <sub>2</sub> emissions (per unit basis) FY2030: 38% reduction compared to FY2023    FY2024: 10% reduction compared to FY2020 <sup>*1</sup>	● CO <sub>2</sub> emissions: 10.0% reduction (compared to FY2020); 22.3% reduction (compared to FY2013) <sup>*1</sup>	● CO <sub>2</sub> Emissions: 10% reduction (compared to FY2020) <sup>*1</sup>
	Development of products and services contributing to carbon neutrality ▷ P47	Active development of products and services that contribute to carbon neutrality in each segment	● [Special Purpose Vehicles Business] Development of new e-Packer electric refuse trucks for EV <sup>2</sup> chassis ● [Environmental Equipment and Systems Business] Selected for NEDO <sup>3</sup> project "Support for building a stable and efficient supply and utilization system for wood biomass fuels, etc." ● [Car Parking Systems Business] Development and sales of EV charging service	-
	Responding to climate change risks ▷ P41-46	Implementing climate change-related risk management and disclosing appropriate information	● [Group] CDP <sup>4</sup> Rank Climate Change: B, Water Security: C	● [Group] Disclosure of environmental information in line with third-party evaluations
	Contributing to a recycling-oriented society ▷ P48	Achieving zero emissions ● Recycling rate by 2030: 99.0% <sup>*5</sup>	● Recycling Rate: 97.8% <sup>*5</sup>	● Recycling Rate: Over 99.0% <sup>*5</sup>
	Consideration for biodiversity ▷ P48	Strict management of environmentally hazardous substances (SOC) Reducing plastic use	● [Kyokuto Kaihatsu Kogyo] 61% reduction in plastic packaging material usage ● [Kyokuto Kaihatsu Kogyo] 15% reduction in polypropylene band usage	● [Group] Enhancement of SOC free management system within the Group
Society (S)	Implementing human rights due diligence <sup>*6</sup> ▷ P49	Establishing a management system for human rights issues and taking appropriate measures	● [Kyokuto Kaihatsu Kogyo] Completion of "Human Rights Due Diligence Manual," collection of "Business and Human Rights" information	● [Kyokuto Kaihatsu Kogyo, NIPPON TREX and Kyokuto Kaihatsu Parking] Human rights due diligence establishment
	Promotion of health management ▷ P49-50	WORK & WELLNESS - Exciting work x Healthy and fulfilling lives - [Kyokuto Kaihatsu Kogyo] ● Rate of findings in comprehensive health check-ups: 65% or below ● Stress check: overall health risk: 95 or below ● Stress check: work engagement score: 2.5 or higher	● [Kyokuto Kaihatsu Kogyo & NIPPON TREX] Certified as a Health & Productivity Management Outstanding Organization (Large Enterprise Category) ● [Kyokuto Kaihatsu Kogyo] Rate of findings in comprehensive health check-ups: 71.4% ● [Kyokuto Kaihatsu Kogyo] Stress check: overall health risk: 101 ● [Kyokuto Kaihatsu Kogyo] Stress check: work engagement: 2.4	● [Kyokuto Kaihatsu Kogyo, NIPPON TREX] Continue to be certified with excellent health management in a large corporation
	Eliminating occupational accidents ▷ P51-52	Ensuring the health and safety of workers ISO 45001 (Occupational Health and Safety) Certification acquisition	● [Group] 33 accidents without lost workdays, 12 accidents with lost workdays (excluding overseas bases) ● [Group] Development of ISO45001 (Occupational Health and Safety) Manual	● [Kyokuto Kaihatsu Kogyo] ISO 45001 (Occupational Health and Safety) Application - Certification Acquisition
	Promoting diversity (Achieving DEIB <sup>*7</sup> ) ▷ P52-53	A workplace where diverse talents respect each other and thrive ● Percentage of women in domestic recruitment: 20% or more by FY2030 <sup>*8</sup>	● [Group] Percentage of women recruited (domestic): 17.4% <sup>*8</sup> ● [Group] Percentage of male employees taking childcare leave: 43.9%	● [Group] Percentage of women recruited (domestic) 3-year average of 13% or more (FY2022-2023) <sup>*8</sup> ● [Kyokuto Kaihatsu Kogyo] All employees practice appropriate bias-aware behavior
	Contributing to local communities ▷ P53-55	Actively contributing to local communities through business activities	● [Group] Events Sponsorship: 33 ● [Group] Participation in local cleanups and events: 25 ● [Group] Donations and volunteer work: 5 projects at approximately 10 million yen ● [Group] Support for sports and cultural activities: 6 cases ● [Group] Plant tours ● [Group] Approaching the government for comprehensive partnership agreements	● [Group] Plant tours conducted at main sites ● [Kyokuto Kaihatsu Kogyo] Early conclusion of comprehensive cooperation agreement, etc. (Hyogo Prefecture / Kanagawa Prefecture / Aichi Prefecture / Fukuoka Prefecture) ● [Kyokuto Kaihatsu Kogyo] Establishment of a social contribution / volunteer-related system
	Pursuit of work-life balance ▷ P55-56	A rewarding workplace without long working hours ● Total annual working hours: 5% reduction compared to FY2024 by FY2027 <sup>*9</sup> ● Average paid leave utilization rate: 70% in FY2024 <sup>*10</sup>	● Total annual working hours: increased by 1.8% (compared to FY2022) <sup>*9</sup> ● Average paid leave utilization rate: 76.7% <sup>*10</sup>	● Total annual working hours: 5% reduction (compared to FY2021) <sup>*9</sup> ● Average paid leave utilization rate: 70% <sup>*10</sup>
	Diversification of management talent ▷ P59	An organization where diverse human resources are involved in decision-making ● [Kyokuto Kaihatsu Kogyo] Percentage of female directors in FY2030: 30%	● [Kyokuto Kaihatsu Kogyo] Female director ratio: 12.5%	-
Governance (G)	Enhancing the usefulness and reliability of Information Disclosure ▷ P59-60	Reliable, transparent and timely information disclosure that meets global standards	● [Group] Exhibitions and events ● [Group] Publication of integrated reports ● [Kyokuto Kaihatsu Kogyo / NIPPON TREX / SATRAC] Social media updates (YouTube, Facebook, Instagram, X, etc.) ● [Kyokuto Kaihatsu Kogyo] Branding advertisements ● [NIPPON TREX] CSR Report publication	● [Group] Improving the variety and quality of information disclosure media/company communication tools ● [Kyokuto Kaihatsu Kogyo] Internal penetration of brand image ● [Kyokuto Kaihatsu Kogyo] Disclosure of sustainability information in line with third-party evaluation
	Efficient and effective risk and opportunity management using ISO management systems ▷ P61	Operation of management systems for quality, environment, occupational health and safety, and human rights	● [FE-AUTO] ISO9001 (Quality) certification obtained ● [Shinko Automobile] Started application for ISO9001 (quality)	● [Kyokuto Kaihatsu Kogyo] ISO 45001 (Occupational Health and Safety) application preparations ● [Shinko Automobile / Hokuriku Heavy Industries] Expanding the scope of ISO14001 (environment) certification ● [FE-AUTO / Shinko Automobile] Expanding the scope of ISO9001 (quality) certification
	Building a robust business structure ▷ P61-62	Establishment of a Business Continuity Management system (BCM) Preventing the leakage of confidential information due to cyber attacks and information leaks	● [Group] Earthquake resistance reinforcement (22 out of 30 buildings) ● [Kyokuto Kaihatsu Kogyo / NIPPON TREX] Start of discussions on building a BCM system ● [Kyokuto Kaihatsu Kogyo] Introduction of next-generation security system, revision and establishment of regulations	● [Group] Establishment of personnel systems (for domestic group companies that have not yet introduced such systems) ● [Kyokuto Kaihatsu Kogyo / NIPPON TREX] Building a BCM (Business Continuity Management) System ● [Kyokuto Kaihatsu Kogyo / NIPPON TREX] Improving information security ● [NIPPON TREX] Implementation and start of operation of document management system
	Strict Adherence to compliance and establishment of remediation processes ▷ P63	Correcting negative impacts on compliance Establishing a process to provide relief to those negatively affected	● [Kyokuto Kaihatsu Kogyo] Harassment training for managers ● [Kyokuto Kaihatsu Kogyo] Thoroughly publicize the ethics hotline and set up a harassment hotline ● [Kyokuto Kaihatsu Kogyo] Compliance training (Subcontract Act, Electronic Bookkeeping Act, etc.)	● [Kyokuto Kaihatsu Kogyo] Strengthening the system for ensuring compliance
	Implementation of supply chain management ▷ P64	Managing supply chain risks appropriately	● [Kyokuto Kaihatsu Kogyo] Organized sustainable procurement briefing sessions for approximately 200 Special Purpose Vehicles Business suppliers, received letters of agreement from 58 companies	● [Kyokuto Kaihatsu Kogyo / NIPPON TREX] Establishment of a procurement risk management system ● [Kyokuto Kaihatsu Kogyo / NIPPON TREX] Implementation of engagement

\*1 Calculated based on actual unit cost (CO<sub>2</sub> emissions/sales (million yen)) at Kyokuto Kaihatsu Kogyo, NIPPON TREX, and Kyokuto Kaihatsu Parking. \*2 EV: Abbreviation for "Electric international environmental non-profit organization (NGO) that encourages corporate disclosure of information on climate change and environmental issues. \*5, 9, 10 Calculated based on business activities and managed using the PDCA cycle. \*7 DEIB: An abbreviation for "Diversity," "Equity," "Inclusion," and "Belonging." A state in which diverse personalities are accepted (domestic) within the Group.

Vehicle." A vehicle that runs solely on electricity. \*3 NEDO: New Energy and Industrial Technology Development Organization \*4 CDP: Abbreviation for "Carbon Disclosure Project." An the performance of Kyokuto Kaihatsu Kogyo, NIPPON TREX, and Kyokuto Kaihatsu Parking. \*6 Human rights due diligence: A system in which human rights violations are investigated within an organization, they have equal opportunities, and psychological safety is maintained. \*8 Calculated based on the performance of full-time employees on a consolidated basis

Financial Officer's Message

Continuing to make profitable investments for sustainable value creation

Director, Executive Officer, Management Headquarters, Head of Finance Department  
Kyokuto Kaihatsu Kogyo Co., Ltd.

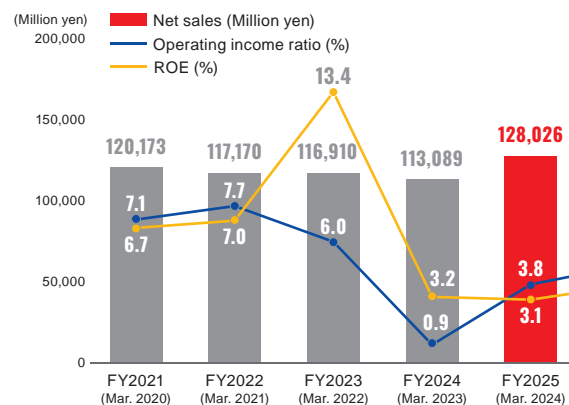
TETSUYA ICHIMURA



Looking back on the fiscal year ending March 2024

The fiscal year ending March 2024, the second year of our medium-term management plan, was a year in which we worked to recover the performance of our main special purpose vehicle business following a significant decline in profitability in the previous fiscal year. Although the domestic supply situation for truck chassis remains unstable, there are signs of gradual improvement, and production and sales are also on an upward trend. In terms of profitability, although the impact of the backlog of orders accumulated up until the previous year remains, the effects of the price revisions to products that we have been working on since the previous year began to appear in our business performance toward the second half of the fiscal year, and the profit margins of domestic products have started to rise. At the same time, we are also working on research and improvements to manufacturing, and are promoting investments that will contribute to improving production efficiency. Consolidated results for the fiscal year ending March 2024 achieved record sales of 128 billion yen, thanks to the growth of our overseas bases and strong performance in our environmental equipment and systems business, car parking systems business and other businesses. Operating profit improved significantly from the previous year to just over 4.8 billion yen, but we still have a long way to go in terms of profitability. In the fiscal year ending March 2025, we expect the effects of improved supply of truck chassis and price revisions to further progress in the special purpose vehicle business. However, we will be closely monitoring trends as there are external factors such as domestic licensing and parts procurement.

lowered our profitability targets from the initial plan to an operating profit margin of 7% and a return on equity (ROE) of 6%. In contrast, the full-year consolidated earnings forecast announced in May 2024 (operating profit margin 4.7%, ROE 3.8%) is slightly off. The reason for this is the aforementioned delayed recovery of the domestic truck chassis supply. However, we will work to improve our performance in order to achieve our targets for the final year of the plan by improving production efficiency in the special purpose vehicle business and working to further expand our environmental equipment and systems business, car parking systems businesses, and overseas bases.



\*In FY2021 (year ending March 2022), a gain on sale of fixed assets of 13,221 million yen was recorded.

Towards the final year of the medium-term management plan

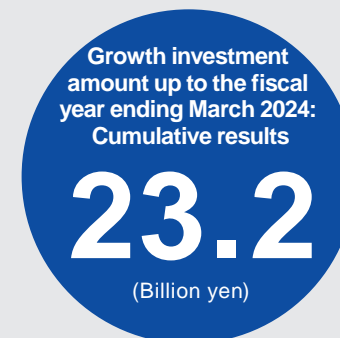
The fiscal year ending March 2025 will be the final year of our current medium-term management plan. In May 2023, we

Improving capital return and shareholder returns

Up until the previous medium-term management plan, we faced challenges such as balancing increasing equity capital with interest-bearing debt and profitability on invested capital. However, during the current medium-term management plan, we are proactively making capital investments to increase profitability, including returning profits to shareholders (dividends and share buybacks). The total payout ratio for the fiscal year ending March 2024 will be approximately 99% (of which the dividend payout ratio will be 95%). In addition, the company has been using interest-bearing debt, such as long-term borrowings from financial institutions to cover capital investments, and as a result, its equity ratio has been on a downward trend over the past two years. Although the balance sheet, which represents a company's financial strength, is not likely to change dramatically in the short term, we will continue to strive to achieve returns commensurate with the assets entrusted to us by our shareholders through growth investments, while also focusing on stable, high dividends.

Growth Investment Plan working towards achieving the medium- to long-term plan

The Medium-Term Management Plan 2022–24 outlines a growth investment target of approximately 30 billion yen and an additional 10 billion yen for new M&A investments. The plan and progress are as follows.



- 1 Capital investment in domestic bases
- 3 Investment in overseas bases

Following the renewal of the line for medium-sized rear dump truck bodies in FY2021, Kyokuto Kaihatsu Kogyo's Yokohama Plant has automated its small-sized manufacturing line, which has been in full operation since July 2024. We have introduced a system that can handle over 100 different body specifications, achieving significant labor savings. Additionally, our Group company, NIPPON TREX, has completed construction of a new plant with the aim of strengthening production of our main product, trailers. By integrating trailer welding and painting into one line, the amount of work at height in the current production process will be reduced, creating a safer working environment. In addition, by automating key processes such as painting and shot blasting, production capacity is expected to increase by approximately 40% compared to the current level. Furthermore, FE-AUTO, another Group company, has strengthened its special purpose vehicle service structure by relocating and expanding its Himeji and Sendai bases and incorporating Kyushu Tokusyu Motors into the group. Another major renovation project that has been completed is the rebuilding of the offices within the Kyokuto Kaihatsu Kogyo at the Nagoya Plant. Strengthening the earthquake resistance has reduced risk from the perspective of BCP (Business Continuity Plan), and the office design, which takes into consideration the utilization of vacant space and ease of working, has also been effective in improving employee satisfaction.

Among the overseas bases owned by the Group, India and Indonesia are seeing a remarkable increase in demand for special purpose vehicles, driven by active infrastructure investment and rising demand for resources. Sales of our Group company, SATRAC ENGINEERING PRIVATE LIMITED, have been increasing year by year, reaching an all-time high in the fiscal year ending March 2024. Demand is expected to continue, and in order to strengthen production capacity for main products such as dump trucks and trailers, the company plans to build a new plant in Chennai, a city in southeastern India. The new plant will cover a site of 58,000 m<sup>2</sup> and is scheduled for completion in 2025. After production begins, we aim to increase our market share by taking in orders and expanding our sales channels, and to eventually export our products.

4 New M&A

As demand for special purpose vehicles is increasing in India and Indonesia, we need to promote global expansion and strengthen our competitiveness overseas. As part of this initiative, in July 2023 we brought our Australian distributors into our group and established Kyokuto Australia Pty Ltd. This will be the Group's first base establishment in Australia and Oceania. With this new addition to the Group, the company has built a strong cooperative relationship with us since 2016 as a distributor in Australia. We will not only expand our product lineup and further expand sales, with a focus on concrete mixer trucks, but also develop business as a parts supply base for small and medium-sized rear dump trucks and other products exported from Japan to Australia, thereby contributing to meeting growing demand.

2 Strengthening research and development

We are currently proceeding with plans to build a group development hub, the Technical Center, in Toyota City, Aichi Prefecture. By being able to conduct driving tests in-house, which previously were conducted at public testing facilities, we can significantly shorten development times. Additionally, by collaborating with NIPPON TREX and assembling a team of research and development members, we aim to strengthen synergies through technological exchange within the Group. This initiative is also expected to function as a hub for technology to rapidly respond to the swiftly changing market needs. We will proceed with construction as a facility that can respond to this era of technological change, with the electrification of trucks (EVs) soon to be fully underway.



# Responding to Climate Change Risks (TCFD)

## Our Group's Approach to Climate Change

The Group has expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and has been promoting information disclosure based on the TCFD framework while at the same time working to strengthen engagement with stakeholders.

In FY2023, we advanced information disclosure based on the IFRS Sustainability Disclosure Standard S2 (Climate-Related Disclosures), published in June 2023, to promote sustainable management and realize a comprehensive, sustainable society.

Additionally, we are actively working to mitigate risks and create and seize opportunities related to climate change.

Going forward, we will continue to take into account the latest trends in climate change and analyze its impact on the value chain and society as a whole as we advance our initiatives and disclose information. We will also work with our suppliers to reduce GHG emissions.

\*IFRS...International Financial Reporting Standards

## 1 Governance

### 1 Governance overview

Our Group recognizes that responding to environmental issues, including climate change, is one of its key management priorities, and has included this issue in its Long-term Management Vision - Kyokuto Kaihatsu 2030 - and Medium-term Management Plan 2022-24 - Creating The Future As One -. The Sustainability Committee (chaired by the President and CEO), which reports directly to the Board of Directors, determines plans for evaluating, managing and improving climate change risks and opportunities, and monitors the status.

### 2 Governance skills matrix

Our Group discloses the knowledge, experience, and capabilities of each Director in each area of materiality in the value creation model under corporate governance. The Group's directors involved in climate-related issues are selected based on their knowledge of social issues such as climate change, as well as their ability to promote the resolution of those issues.

Climate change in corporate governance is included in the materiality area of "responding to climate change risks," and three directors have knowledge, experience and ability in this area.

### 3 Frequency of reporting information on climate change-related risks and opportunities to governance

The Sustainability Committee is responsible for compiling decisions regarding the risks and opportunities posed by climate change to governance. The Sustainability Committee has come together once a quarter in FY2023 and, following reporting and discussion, any matters deemed important to our business strategy were reported to the Board of Directors, which is the highest decision-making body for our Group.

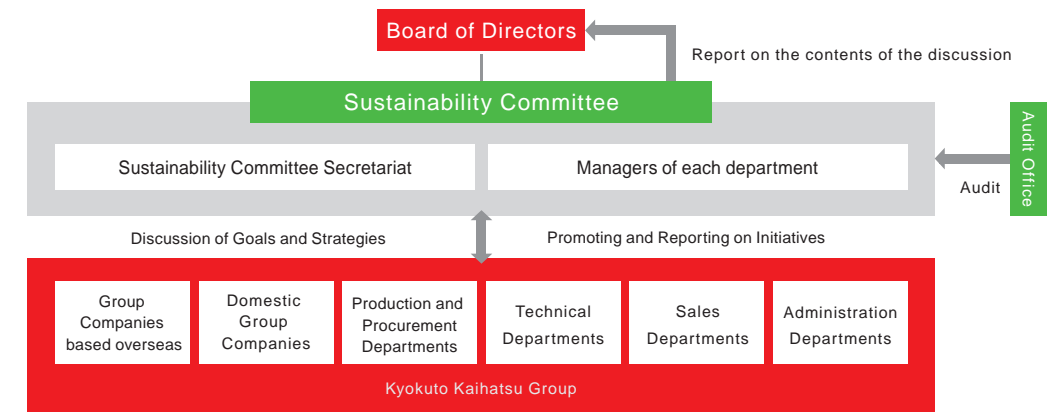
### 4 How to consider climate change-related risks and opportunities, corporate strategies, and trade-offs in deciding major transactions

Our Group's governance committees and President always consider climate-related risks and opportunities, and implement resilience measures, when making decisions on corporate strategy and major transactions. In this way, we address various transactions while considering climate-related risks and opportunities, as well as the scale of client companies, transaction details, and transaction amounts in regular business, to ensure that no trade-offs occur.

### 5 Climate change-related performance indicators and reward systems

Currently, our Group has not introduced any indicators for evaluating sustainability / ESG-related initiatives in its executive remuneration.

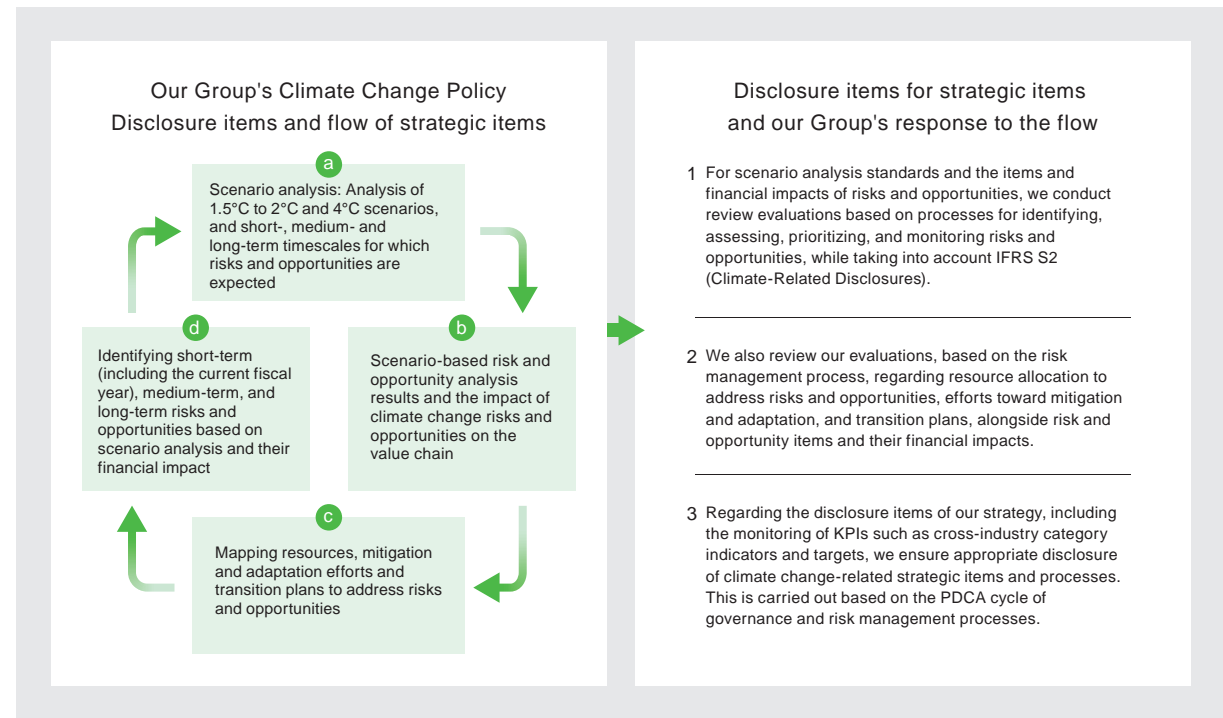
## Governance Organizational Structure



## 2 Strategy

### 1 Strategy overview

Based on our analysis of climate change scenarios of 1.5°C to 2°C and 4°C, and in accordance with IFRS S2 (Climate Change), we are disclosing the following key items of our climate change strategy.



### 2 Scenario analysis

Our Group has developed a strategy based on the assumption that the Earth's average temperature will rise by 1.5°C compared to pre-industrial levels. We have conducted multiple scenario analyses in accordance with the standards outlined in the 1.5°C to 2°C and 4°C scenarios of the WEO (World Economic Outlook) and the 5th and 6th IPCC (Intergovernmental Panel on Climate Change) reports. These analyses include identifying risk and opportunity factors within the strategy and calculating the associated financial impacts.

Reference Scenario	Target Value (FY2024)	2023 Results:
Transition Scenarios	International Energy Agency (IEA) Transition Scenarios NZE (Net Zero Emissions by 2050) APS (Announced Pledges Scenario)	International Energy Agency (IEA) Transition Scenarios STEPS (Stated Policies Scenario)
Physical Scenarios	Climate change projections scenarios by Intergovernmental Panel on Climate Change (IPCC): RCP1.9, RCP2.6, SSP1-1.9, SSP1-2.6	Climate change projections scenarios by Intergovernmental Panel on Climate Change (IPCC): RCP8.5, SSP5-8.5

Source: IPCC AR5 and AR6, IEA World Energy Outlook 2023

**3 The short-, medium-, and long-term time frames over which risks and opportunities are expected**

Based on scenario analysis of climate change increases of 1.5°C to 2°C and 4°C, the Group identifies short-, medium- and long-term risks and opportunities and analyzes and discloses their financial impacts in accordance with IFRS S2 (Climate Change).

(1) Approach to the short-, medium-, and long-term time frames over which risks and opportunities are expected  
In our Group, we assess and reflect on risks and opportunities within our strategy based on a timeline that considers short-, medium-, and long-term perspectives. This includes examining transition risks, such as the implementation of government policies and regulations or changes in market needs, as well as physical risks, such as extreme weather events caused by climate change. Additionally, we identify opportunities for expansion within each business division.

Time frames of risks and opportunities posed by climate change for the Group			
Classification and Period	Short-term: FY2023	Medium-term: FY2023-2025	Long-term: FY2023-2030

**4 Impact of risks and opportunities on the value chain**

The Group believes that the risks and opportunities associated with climate change are likely to have a significant impact on our value chain and the impacts they will have are as follows:

Items expected to have a significant impact on the value chain and their significant impacts		
Business Division	Item	Significant impact
Special Purpose Vehicle Business	<ul style="list-style-type: none"> <li>Purchasing Activities</li> </ul> Purchasing and storing raw materials and parts for product manufacturing	Passing on the amount equivalent to the carbon tax to the prices of raw materials such as steel
	<ul style="list-style-type: none"> <li>Manufacturing</li> </ul> Product manufacturing, equipment and vehicle maintenance, inspection, etc.	Decrease in labor productivity in summer on production lines in plants, etc.
	<ul style="list-style-type: none"> <li>Procurement and shipping activities</li> </ul> From purchasing raw materials to storing and shipping products to the destination, to after-sales services such as maintenance and repairs	Decrease in labor productivity during the summer in after-sales service operations such as maintenance and repairs
Environmental Equipment and Systems Business	<ul style="list-style-type: none"> <li>Services</li> </ul> After-sales services such as maintenance and operation services, handling of complaints, etc.	Decrease in labor productivity in summer for plant inspection, monitoring, facility operation, etc.
Car Parking Systems Business	<ul style="list-style-type: none"> <li>Purchasing Activities</li> </ul> Purchasing and storing raw materials and parts for product manufacturing	Passing on the amount equivalent to the carbon tax to the prices of raw materials such as steel
	<ul style="list-style-type: none"> <li>Services</li> </ul> After-sales services such as maintenance and operation services, handling of complaints, etc.	Decrease in summer labor productivity until the operation of toll parking lots and the completion of mechanical multistory parking equipment systems

**5 Mapping resource commitments to address risks and opportunities, mitigation and adaptation efforts, and an overview of transition plans**

**Resource allocation for risks and opportunities, mitigation and adaptation initiatives, transition plans, and GHG reduction target plans**

No	Disclosure items	Response methods and plans
1	Current and anticipated changes to the entity's business model, including the allocation of resources to address risks and opportunities	Expanding business opportunities in response to climate change Expenditures for capital investments such as the construction of technical centers and research and development with this in mind
2	Direct mitigation and adaptation efforts (changes in production processes or equipment, facility relocations, labor adjustments, changes in product specifications, etc.)	1 As resilience measures against reduced labor productivity due to an increase in extremely hot days, we are implementing air conditioning installations and strengthening health and safety management 2 Initiatives to reduce GHG and carbon taxes through supply chain efficiency 3 Strengthening the BCP system to cover damage to company-owned assets and equipment, such as flooding, purchasing and installing BCP equipment such as drainage pumps, and recovering damages by taking out insurance
3	Indirect mitigation and adaptation efforts (collaboration with customers and the supply chain, etc.)	1 Collaboration with customers and consumers: Improving the efficiency of products and solution services, and reducing Scope 3 Categories 11 and 12 2 Collaboration with the supply chain: Improving the efficiency of products and solution services; reducing Scope 3 Categories 1, 4, and 9
4	The transition plan and its assumptions and dependencies	Please see Section 7 below for an overview of our climate change transition plan
5	Plans for achieving targets such as reducing GHG emissions	By FY2030 (target year), reduce Scope 1 and 2 emissions by 38% (intensity) (compared to base year: FY2013)



Outline of the procurement or plan for procurement of resources to address risks and opportunities	
Whether the company has raised or plans to raise resources (funding sources) for its own strategy and decision-making	Financial planning based on prioritized opportunities for risk resilience measures and transition plans to expand risk response costs and opportunities

**6 Major risks and opportunities from climate change**

Based on scenario analysis of climate change increases of 1.5°C to 2°C and 4°C, the Group identifies short-, medium- and long-term risks and opportunities and analyzes and discloses their financial impacts in accordance with IFRS S2 (Climate Change). The details of the identification of short-, medium-, and long-term risks and opportunities, as well as their financial impacts, along with an overview of our risks and opportunities based on the 1.5°C to 2°C and 4°C scenarios and their associated financial implications, are outlined below.

Major risks and opportunities for the Group based on an analysis of scenarios of climate change								
Item	Major risks and opportunities	Consideration of major risks and opportunities	1.5°C to 2°C scenario	4°C scenario	Period	Short-term	Medium-term	Long-term
Transition Risks (Regulations)	Carbon price	<ul style="list-style-type: none"> <li>Increase in transportation costs due to taxes on procured materials and their transportation fuels due to the introduction of a carbon tax</li> <li>Increased manufacturing costs in countries with high carbon prices</li> </ul>	○	—	Medium- / long-term	—	↗	↗
	Change in energy mix	<ul style="list-style-type: none"> <li>Increase in electricity costs due to review of supply contracts in response to energy mix (introduction of green energy)</li> </ul>	○	—	Medium- / long-term	—	↗	↗
Transition Risks (Reputation)	Decline of corporate value	<ul style="list-style-type: none"> <li>Increased negative impact on corporate value and market capitalization due to delays in requests from investors for disclosure of ESG-related information, non-financial disclosure related to climate change, and a decline in credibility</li> </ul>	○	○	Medium- / long-term	—	↗	↗
Physical Risks (Acute)	Rising average temperatures	<ul style="list-style-type: none"> <li>Increased costs for measures to prevent heatstroke and other issues related to room temperature control in plants</li> </ul>	○	○	Medium- / long-term	—	↗	↗
	Extreme weather intensification	<ul style="list-style-type: none"> <li>Increased recovery costs in the event of damage to inventory or trouble with production facilities due to frequent heavy rains or typhoons</li> <li>Losses from production interruption due to disruptions to the supply of materials, etc. caused by damage to suppliers or the supply network, and the suspension or stagnation of plant operations</li> </ul>	○	○	Short-to long-term	↗	↗	↗
Opportunity	Products and Services	<ul style="list-style-type: none"> <li>Expanding the manufacture and sale of special purpose vehicles with excellent environmental performance</li> </ul>	○	—	Short-to long-term	↗	↗	↗
		<ul style="list-style-type: none"> <li>Development of new products and services through research and development and technological innovation, development and sales of plants related to biomass and biogas power generation, etc.</li> </ul>	○	—	Short-to long-term	↗	↗	↗
		<ul style="list-style-type: none"> <li>Expanding sales of EV charging systems</li> </ul>	○	—	Medium- / long-term	—	↗	↗

**7 Overview of Climate Change Transition Plan**

Based on the transition plan in our climate change strategy, our Group is promoting efforts to reduce GHG emissions and transition to a low-carbon economy.

Categories	Contents
Strategic Alignment	Our Group has set a goal to reduce Scope 1 and 2 emissions by 38% on an intensity basis by FY2030, using FY2013 as the baseline year. Regarding Scope 3 emissions, we are working in collaboration with our supply chain to promote transparency and pursue reduction efforts. 1 Scope 1 & 2: Switching to renewable energy/introducing non-fossil fuel certificates/introducing self-consumption renewable energy 2 Scope 3: Implementing reduction measures for categories 1, 4, 9, 11, and 12 from procurement to disposal in cooperation with the supply chain <ul style="list-style-type: none"> <li>Introduction of internal carbon pricing (targets for FY2025 to FY2026)</li> </ul> 3 Disclosure based on indicators and targets for "cross-industry categories"
Planning Assumptions	The assumptions made in the Group's transition plan are as follows: 1 Based on identifying risks and opportunities from 1.5°C to 2°C and 4°C climate change scenarios and the results of financial impacts, implement financial planning, capital investment and investment decisions to reduce risks and expand opportunities
High-Priority Opportunities	As a result of scenario analysis of climate change-related opportunities, the Group is formulating initiatives and plans to shift and maximize its business in response to the following opportunities: 1 Expanding the manufacture and sale of special purpose vehicles with excellent environmental performance 2 Development of new products and services through research and development and technological innovation, development and sales of plants related to biomass and biogas power generation, etc. 3 Expanding sales of EV charging systems
Action Plan	The medium-term strategic action plan for our transition plan is based on high-priority opportunity items and involves formulating financial plans to expand opportunities.
Financial Planning	The financial planning, budgeting and associated investment planning objectives in support of the transition plan are as below: <ul style="list-style-type: none"> <li>Investment amount items and overview (note)</li> </ul> 1 Research and development investment in special purpose vehicles 2 Investment in the construction of a technical center 3 Research and development investments related to resource recycling in the biomass business (Note) Specific investment amounts for each item will be disclosed from FY2024 onwards.
Scenario Analysis	The Group has established multiple scenarios, including the 1.5°C to 2°C scenario and the 4°C scenario, and is verifying the feasibility of achieving targets based on the results of an analysis of risks and opportunities. Specific details are described in Strategy (Scenario Analysis).

**3 Risk Management**

The Group implements climate change risk management in accordance with IFRS S2 (Climate Change).

Overview of the Group's climate change-related risk management	
Categories	Contents
Methods and processes for monitoring risks and opportunities related to climate change	<p><b>(Overview of monitoring methods for climate change-related risks)</b> The Group reports climate change-related risks to the Board of Directors at least once a quarter through the Sustainability Committee. Additionally, the Board of Directors deliberates and makes decisions on matters requiring decision-making under the leadership of the President and Representative Director, who serves as Chairman of the Board of Directors.</p> <p><b>(Monitoring process for climate change-related risks)</b> Regarding climate change-related risks, the Sustainability Committee identifies and evaluates corporate risks, including environmental issues, based on internal and external environmental analyses, and ultimately extracts those corporate risks that are deemed significant as our materiality. The identified climate change-related risks are handled by the Sustainability Committee, which investigates and analyzes them in cooperation with the committee secretariat and each relevant department based on instructions from the President and the directors who are committee members. The results are then reported to the Sustainability Committee, which then deliberates on the matter, and any matters approved are ultimately reported to the Board of Directors. Furthermore, if any instructions are issued by the Board of Directors after the report, each business division will implement improvements and measures under the direction of the Sustainability Committee, thereby implementing the PDCA cycle in the risk management process. In addition, the Audit Office conducts second-party audits of these processes.</p>
Process for identifying, assessing, prioritizing and monitoring risks and opportunities related to climate change	<p><b>(Process for identifying, assessing, prioritizing and monitoring climate change-related opportunities)</b> The identification, assessment, and prioritization of opportunities related to climate change are disclosed in the overview of the transition plan for climate change outlined in Section 7 above. In addition, the Group evaluates the nature and possibility of opportunities, as well as the magnitude of their financial impact as using a process to identify and monitor risks and opportunities related to climate change, including the use of scenario analysis at the Sustainability Committee, which meets quarterly. Furthermore, any matters deemed to be particularly important are reported to the Board of Directors.</p>

**4 Indicators and Targets**

The Group is setting and disclosing climate change indicators and targets in accordance with IFRS S2 (Climate Change).

- 1) Information disclosure related to cross-industry indicator categories  
 (a) GHG emissions, (b) climate change transition risks, (c) climate change physical risks, (d) climate change opportunities, (e) capital investments, (f) internal carbon price, and (g) compensation.

Overview of our Group's climate change related indicators and targets		
	Disclosure items and contents	The figures or the timing of disclosure of the figures
Indicators and Targets	<p><b>GHG Emissions</b></p> <p>Our Group's Scope 1 and 2 emissions and major KPIs are as follows:                      &lt;Major KPI&gt; Our Group has set a GHG reduction target of 38% for Scope 1 and 2 emissions intensity by fiscal year 2030, with fiscal year 2013 as the base year.                      1: Scope 1 and 2 GHG emissions (t)</p>	<p>[FY2023 Results]</p> <p>Combined Scope 1 and Scope 2 CO<sub>2</sub> emissions: 19,725 t-CO<sub>2</sub>                      Combined Scope 1 and Scope 2 intensity compared to FY2013: -22.3%</p>
	<p><b>Transition Risks</b></p> <p>The Group's approach to calculating the amounts and percentages of vulnerable assets or target business activities that are susceptible to climate change-related transition risks is as follows:                      1: Calculation of costs and percentages of business activities (The cost of business activities)                      1 Total amount of carbon tax and fuel/electricity charges in the energy mix                      2 Total expenses for the fiscal year as of year-end (How to calculate percentages)                      Total amount of carbon tax and fuel/electricity charges for the energy mix applicable to the transition risk at the end of the fiscal year / total expenses for the fiscal year</p>	<p>Figures will be disclosed from FY2024 onwards (note 1)</p>
	<p><b>Physical Risks</b></p> <p>The Group's approach to calculating the amounts and percentages of vulnerable assets or target business activities that are susceptible to climate change-related physical risks is as follows:                      1: Calculation of costs and percentages of business activities (The cost of business activities)                      1 Loss on business interruption due to natural disasters such as flooding at the end of the fiscal year                      2 Sales loss due to reduced labor productivity caused by extreme heat (How to calculate percentages)                      1 Loss on business interruption due to natural disasters such as flooding at the end of the fiscal year / Sales for the fiscal year                      2 Sales loss due to reduced labor productivity caused by extreme heat / Sales for the fiscal year</p>	<p>Figures will be disclosed from FY2024 onwards (note 2)</p>

Indicators and Targets	Climate Change Related-Opportunities	<p>The Group's approach to calculating the costs and percentage of assets or business activities aligned with climate change-related opportunities is as follows:                      1: Calculation of costs and percentages of business activities (Costs of business activities)                      Increase in sales amount corresponding to climate change opportunities (How to calculate percentages)                      Increase in sales amount corresponding to climate change opportunities / total sales at the end of the period</p>	<p>Figures will be disclosed from FY2024 onwards</p>
	Capital Input	<p>The items and costs of capital investments aligned with climate-related opportunities within the Group are as follows:                      1. Research and development investment in special purpose vehicles                      2. Investment in the construction of a technical center                      3. Research and development investments related to resource recycling in the biomass business</p>	<p>Figures will be disclosed from FY2024 onwards (note 3)</p>
	Internal Carbon Prices	<p>The Group plans to disclose its internal carbon price once it has decided to formally introduce an internal carbon pricing system.</p>	<p>Will be disclosed FY2025 onwards</p>
	Remuneration	<p>As of now, the Group has not introduced any indicators for evaluating sustainability/ESG-related initiatives in its executive remuneration.</p>	<p>None</p>
(Note)	<p>Note 1: Costs applicable to transition risks: Carbon tax and total fuel and electricity costs in the energy mix                      Note 2: Costs applicable to physical risks: Losses due to business interruption caused by natural disasters such as flooding at the end of the fiscal year, and sales losses due to reduced labor productivity caused by extreme heat                      Note 3: The short-term, medium-term and long-term investment amounts and investment periods for each item of capital investment may be subject to change in the future.</p>		

(2) GHG Reduction Targets

The Group is setting and disclosing GHG reduction targets related to climate change in accordance with IFRS S2 (Climate Change) and other standards.

Overview of our Group's GHG reduction targets for climate change		
	Disclosure items and contents	
GHG Reduction Target	Metrics used to set goals	<p>For Scope 1 and 2, the reduction rate is based on target aligned with the 1.5°C goal, which is the level required by the SBT initiative and the Paris Agreement</p>
	The objective of the target (e.g., mitigation, adaptation, or addressing science-based initiatives)	<p>For Scope 1 and 2, we plan to promote GHG emission target aligned with the 1.5°C goal, as stipulated by the Paris Agreement. This will be pursued while considering the annual reduction target of 4.2% set by the Science Based Targets (SBT) initiative.</p>
	Part of the entities to which the goal applies to: Scope of the goal's applicability	<p>Scope of consolidation based on financial management (overall consolidation)                      → Control basis</p>



**Promoting Decarbonization in Business Activities**

Implemented Measures	Target Value (FY2024)	Results (FY2023)
1 Installation of solar power generation system	○ Reduce CO <sub>2</sub> emissions by 10% (Compared to FY2020, intensity)*	○ Reduce CO <sub>2</sub> emissions by 10% (Compared to FY2020, intensity)*
2 Introducing environment management tools		

\*Calculated based on actual intensity (CO<sub>2</sub> emissions/sales (million yen)) at Kyokuto Kaihatsu Kogyo, NIPPON TREX, and Kyokuto Kaihatsu Parking.

**Analysis of the Current Situation**

In recent years, conducting business activities that are considerate of the global environment has become an extremely important proposition for companies. The Group has also set medium- to long-term targets for CO<sub>2</sub> emissions, and the Sustainability Committee steadily manages performance and progress. In FY2023, we were able to achieve the FY2024 targets set out in our medium-term management plan quite early. However, energy consumption is expected to continue to increase due to increased production activities accompanying business and order expansion, and the introduction of air conditioning equipment. In addition, given that we achieved this target early, we need to set higher targets for our next medium-term management plan in order to meet the expectations of our stakeholders.

Target Vision and Value Creation Process  
 KYOKUTO Highlights  
 KYOKUTO's Business Strategy  
 KYOKUTO's Sustainability Management  
 Environment (E)  
 Society (S)  
 Governance (G)  
 Corporate Governance  
 Data Collection / Company Profile



**FY2023 Activity Details**

**1 Installation of solar power generation system**

Our Group has long been promoting the installation of solar power generation systems. From FY2023 to 2024, we have gradually introduced solar power generation systems at six locations for the purpose of self-consumption of electricity.

- Kyokuto Kaihatsu Kogyo Miki Plant: Installation of a solar power generation system in a nearby reservoir  
Kyokuto Kaihatsu Kogyo's Miki Plant previously had the problem of being unable to find space to install solar panels, but this problem was resolved by floating the solar panels on the surface of a reservoir near the plant. Through this initiative, approximately 40% of the Miki Plant's electricity consumption can be covered, and the effect of improving water quality has also been seen by suppressing the growth of algae in the reservoir.



Solar Panels on a reservoir

**2 Introducing environment management tools**

Our Group is promoting the introduction of cloud-based environmental management tools to collect, analyze, and manage energy usage and other environmental data in a timely and accurate manner. The system will begin operation in the second half of FY2024, and will be used to disclose accurate information and to consider and implement future CO<sub>2</sub> reduction measures.

- Future challenges**
- Strengthening energy conservation and reducing CO<sub>2</sub> emissions by reviewing production facilities
  - Creating a system for more effective CO<sub>2</sub> emission reduction
  - Collecting and examining information on internal carbon prices as investment criteria

## Development of Products and Services Contributing to Carbon Neutrality

Implemented Measures	Target value (FY2024)	Results (FY2023)
<b>1</b> Development and sales of carbon neutral products and services	—	<ul style="list-style-type: none"> <li>○ Development and sales of new electric refuse truck e-Packer for EV chassis</li> <li>○ Prototype equipment for using bio-briquette as an alternative to coke fuel</li> <li>○ Development and sales of EV charging management service</li> </ul>

**Analysis of the Current Situation**

Our Group manufactures products essential to social infrastructure, including those for construction, logistics, and recycling, and holds a significant responsibility in contributing to the realization of a sustainable society. In the special purpose vehicles business, we are taking on the challenge of improving transportation efficiency and fuel efficiency by reducing the weight of vehicle bodies, as well as electrifying special vehicles by fitting them onto EV chassis. In our environmental equipment and systems business, we provide society with energy creation solutions that contribute to decarbonization, such as biogas power generation using food waste and livestock manure as raw materials, and a heat source supply business that uses locally produced wood chips. In the car parking systems business, we provide infrastructure essential to realizing a decarbonized society through the development and sale of mechanical multistory parking equipment, the installation of EV charging equipment in hourly parking lots, and cloud-based EV charging management systems.

**FY2023 Activity Details**

**1 Development and sales of carbon neutral products and services**

- Development and sales of new electric refuse truck e-Packer for EV chassis ○ Prototype equipment for using bio-briquette as an alternative to coke fuel ○ Development and sales of EV charging management service
- ▶ For details, see page 22 ▶ For details, see page 28 ▶ For details, see page 22

- Future challenges**
- Individual identification of CO<sub>2</sub> emissions from product use



## Contributing to a Recycling-oriented Society

Implemented Measures	Target value (FY2024)	Results (FY2023)
<b>1</b> Review of sealant <sup>*1</sup> containers	○ Recycling rate: 99.0% <sup>*2</sup>	○ Recycling rate: 97.8% <sup>*2</sup>
<b>2</b> Manufacturing products using recycled materials		

<sup>\*1</sup> Sealant: Material used to seal small gaps such as joints and seams inside and outside the vehicle body  
<sup>\*2</sup> Calculated based on the performance of Kyokuto Kaihatsu Kogyo, NIPPON TREX, and Kyokuto Kaihatsu Parking

**Analysis of the Current Situation**

Toward the realization of a recycling-oriented society, the Group is implementing measures from two perspectives. The first is to reduce the amount of waste generated in our business activities and strive to conserve resources by recycling as much as possible. In our medium-term management plan, our Group has set a target of a recycling rate of 99.0%, but our actual result for 2023 was 97.8%. To achieve this goal, it is essential to promote the recycling of sealer cartridges used at some of the Group's bases. The second is to create products using recycled materials. Although we are sometimes unable to use recycled materials in our products due to requirements such as strength and weight, we practice manufacturing with the aim of realizing a recycling-oriented society.

**FY2023 Activity Details**

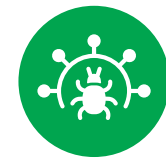
**1 Review of sealant containers**

At NIPPON TREX, we use many sealants in our manufacturing process. However, used plastic cartridges with sealant attached are not suitable for recycling and have therefore all been disposed of until now. Therefore, in order to reduce waste, we considered changing the sealant container to a gallon type of can. Starting from FY2024, we will gradually proceed with the switchover after conducting verification.

**2 Manufacturing products using recycled materials**

In our special purpose vehicles and environmental equipment and systems businesses, we set our own environmentally friendly evaluation standards, such as the 3Rs (reduce, reuse, recycle), at the design stage of products and facilities, and carry out manufacturing accordingly. In addition, in our car parking systems business, recycled materials are used in some of the steel materials used in our multistory parking equipment, and in our four-tier puzzle-type above-ground multistory parking equipment, recycled materials account for 36.9% of the product weight.

- Future challenges**
- Change of sealant containers to gallon cans
  - Strengthening waste reduction and improving recycling rates at domestic group companies



## Consideration for Biodiversity

Implemented Measures	Target Value (FY2024)	Results (FY2023)
<b>1</b> Reducing the use of plastic packaging materials	<ul style="list-style-type: none"> <li>○ Enhancement of SOC<sup>*1</sup> free management system within the Group</li> <li>○ Reduced plastic use</li> </ul>	<ul style="list-style-type: none"> <li>○ 61% reduction in plastic packaging material usage<sup>*2</sup></li> <li>○ 15% reduction in polypropylene band usage<sup>*2</sup></li> </ul>

<sup>\*1</sup> SOC: Substances of Concern. Lead, mercury, cadmium, hexavalent chromium, etc.  
<sup>\*2</sup> Calculated based on the performance of the service division of Kyokuto Kaihatsu Kogyo Co., Ltd.

**Analysis of the Current Situation**

In order to minimize the impact on all living organisms on Earth, our Group has set goals of improving our SOC-free management system and reducing our use of plastics. Although we have been working on a SOC-free management system for some time, there is still room for us to build a more advanced system when we look at the Group as a whole. To reduce the use of plastic, we are working with our business partners to change the packaging and cushioning materials used for packaging repair parts from plastic to recycled paper.

**FY2023 Activity Details**

**1 Reducing the use of plastic packaging materials**

We have changed the plastic packaging and cushioning materials that we previously used when shipping repair parts for special vehicles to recycled paper, craft paper, etc., reducing the amount of plastic by 61% compared to the previous year. Furthermore, by adopting polypropylene bands for securing cargo that are narrower than conventional bands, we were able to reduce raw material usage by 15% compared to the previous year.



Recycled paper packaging

- Future challenges**
- Review and strengthen management system to ensure compliance with SOC-free standards
  - Further strengthening efforts to reduce plastic use



## Implementing Human Rights Due Diligence

Implemented Measures	Target Value (FY2024)	Results (FY2023)
<ol style="list-style-type: none"> <li>1 Completion of Human Rights Due Diligence Manual</li> <li>2 Collecting information on Business and Human Rights</li> </ol>	<ul style="list-style-type: none"> <li>○ Building a system for human rights due diligence</li> </ul>	<ul style="list-style-type: none"> <li>○ Completion of Human Rights Due Diligence Manual</li> <li>○ Collecting information on Business and Human Rights</li> </ul>

\*Human rights due diligence: assessing, preventing and mitigating adverse impacts on human rights and disclosing information on how to address them

### Analysis of the Current Situation

In recent years, there has been a strong demand to identify and manage human rights risks in the value chain in all aspects of business, and it is necessary to create mechanisms for appropriate information disclosure and dialogue, as well as a process for corrective action and relief. Our Group has formulated a human rights policy for 2021, demonstrating our commitment to fulfilling our responsibilities regarding all human rights issues related to our business activities, but has yet to conduct human rights due diligence.

In order to implement human rights due diligence in the future, it will be necessary to provide education of this to employees and thoroughly publicize the Human Rights Due Diligence Manual.

### FY2023 Activity Details

#### 1 Completion of Human Rights Due Diligence Manual

Our Group aims to establish a human rights due diligence system by FY2024 in order to implement human rights due diligence. In 2023, we created the Human Rights Due Diligence Manual based on the Kyokuto Kaihatsu Group Human Rights Policy. Going forward, we will work to ensure that the manual is widely known within the Group.

#### 2 Collecting information on Business and Human Rights

In preparation for implementing human rights due diligence, our Group plans to hold training on "Business and Human Rights." In 2023, we collected information from other companies, including examples, to consider the content and progress of training.

### Future challenges

- Conducting Business and Human Rights training for executives and managers
- Disseminating the Human Rights Due Diligence Manual within the Group
- Building a system for human rights due diligence



## Promotion of Health Management

Implemented Measures	Target Value (FY2024)	Results (FY2023)
<ol style="list-style-type: none"> <li>1 Setting a Health Management Strategy Map and health goals (target values)</li> <li>2 Implementing various health promotion events</li> </ol>	<ul style="list-style-type: none"> <li>○ Continued certification as a "Health and Productivity Management Excellent Corporation (Large Corporation Division)" and exceeds the industry average (Transportation Equipment)</li> <li>○ Implementing health promotion events and disseminating information</li> </ul>	<ul style="list-style-type: none"> <li>○ Continued Certification as a Health and Productivity Management Outstanding Organization (Large Enterprise Category)<sup>1</sup> (Kyokuto Kaihatsu Kogyo &amp; NIPPON TREX)</li> <li>○ Setting health goals (target values) (Kyokuto Kaihatsu Kogyo)                             <ul style="list-style-type: none"> <li>■ Overall Assessment Finding Rate: 71.4% (Target: Below 65%)<sup>1</sup></li> <li>■ Overall Health Risk: 101 (Target: 95 or less)<sup>2</sup></li> <li>■ Work Engagement: 2.4 (Target: 2.5 or higher)<sup>2</sup></li> </ul> </li> </ul>

\*1 Calculated from health check results \*2 Calculated from stress check results

### Analysis of the Current Situation

Our Group has set the goal of "WORK & WELLNESS - Exciting work x Healthy and fulfilling lives" and is working on health management across the entire company. We actively hold health promotion events for employees and take measures to improve health literacy, and Kyokuto Kaihatsu Kogyo and NIPPON TREX have been certified as "Excellent Health and Productivity Management Corporations (Large Corporation Category)."

In addition, for FY2023, health targets (target values) have been set for each domestic Group company. In order to achieve our goals, we will promote more advanced and active health promotion activities.



### FY2023 Activity Details

#### 1 Setting up a Health Management Strategy Map and health goals (target values)

In FY2023, Kyokuto Kaihatsu Kogyo and NIPPON TREX developed a Health Management Strategy Map and set health-related targets. Additionally, other domestic Group companies have also set health goals as part of their occupational safety and health activities.

#### 2 Implementing various health promotion events

##### ○ Hosting and participating in health promotion events

Every year, our Group conducts a Walking Campaign. Participants are asked to record the number of steps they take every day for two months, and as an incentive they are given prizes such as health products based on their results. (FY2023 results: 55 teams, 139 participants)

In addition, we are also involved in external health promotion projects such as the public-private partnership projects Sport in Life Project and FUN + WALK PROJECT, the corporate online competition event Satsuki Run & Walk, and the Toyokawa Health Mileage sponsored by Toyokawa City, Aichi Prefecture.



##### ○ Health seminars

Our Group also puts effort into providing health information that takes into consideration the gender, age, etc. of employees. Kyokuto Kaihatsu Kogyo held a Women's Health Management Seminar which was extremely well received, with 96% of participants responding in a survey that they were "satisfied with the seminar content." (FY2023 results: 51 participants)

In addition, we hold Explanation Sessions on How to Interpret Health Check Results for employees who turn 35 years old, with the aim of helping them look at their own health and acquire knowledge on how to maintain their health. (FY2023 results: all 17 eligible participants participated)

NIPPON TREX also held an online video seminar for female employees titled Protect Yourself from Breast Cancer, with 97% of those targeted participating. (FY2023 results: 116 participants)

##### ○ Health measurement event

To raise health awareness among employees, the Group provides opportunities for various tests, including physical fitness tests, vascular age tests and bone density tests. Measurement sessions are held during health checkups, and lunch breaks, etc. so that as many employees as possible can participate.

### Future challenges

- Raising awareness of health management initiatives within the Group
- Enhancing measures to achieve health goals
- Providing and enhancing opportunities for exercise to maintain health



# Eliminating Occupational Accidents

Implemented Measures	Target Value (FY2024)	Results (FY2023)
<ol style="list-style-type: none"> <li>1 Safety-conscious facility improvements</li> <li>2 Safety training</li> <li>3 Establishment of an Occupational Health and Safety Risk Management System based on ISO45001</li> </ol>	<ul style="list-style-type: none"> <li>○ Preparation for applying ISO45001</li> </ul>	<ul style="list-style-type: none"> <li>○ Incidents without lost weekdays..... 32 cases*</li> <li>○ Incidents with lost weekdays..... 13 cases*</li> <li>○ Fatal accidents..... 0 cases*</li> </ul>

\* Calculated based on consolidated Group (domestic) results

## Analysis of the Current Situation

Although the total number of work-related accidents in our Group has been on a downward trend over the past few years since 2020, serious work-related accidents still remain. In particular, we are taking measures against the increasing number of accidents involving forklifts and workplace accidents involving employees with less than five years of experience. Additionally, we will need to continue our efforts to obtain ISO 45001 (occupational health and safety management system) certification in order to begin implementation across the entire Group.

## FY2023 Activity Details

### 1 Improvements in facilities

#### ○ Introduction of air conditioning equipment to manufacturing sites

In response to rising summer temperatures due to recent climate change, our Group is promoting the installation of air conditioning equipment at manufacturing sites in an effort to prevent heatstroke among employees. The implementation was completed at Kyokuto Kaihatsu Kogyo's Fukuoka Plant in FY2023.

#### ○ Installing LED markers on forklifts

By equipping the forklift with LED markers, danger areas can be visualized more while driving. LED markers have been installed on all forklifts at Kyokuto Kaihatsu Kogyo's plants.



Forklift equipped with LED markers

### 2 Safety training

#### ○ Safety experience education, VR safety experience device

To raise awareness of workplace safety and help employees understand the risks of occupational accidents, we provide Safety Experience Training, which allows participants to simulate potential workplace accidents, as well as training using VR safety experience devices. These programs are offered to all Group employees. By using a "safety work training vehicle" that is a wing van equipped with safety experience equipment, it is possible to provide more flexible training at each location within the Group.



Education using a safety training vehicle

#### ○ Forklift safety training

From FY2023, we will provide follow-up training to those who are qualified to operate forklifts. As a result, there have been zero work-related accidents involving forklifts since the start of the training up to the present time of fiscal 2024. In the future, we will expand the scope to include personnel qualified for cranes and rigging, and build a system for repeated study of the content learned in the skills training and special education courses given at the time of qualification, in an effort to further build a safety system.

#### ○ Safety training for employees with less than 5 years of experience

In light of the high incidence of workplace accidents among employees with little work experience, we provide safety training to employees with less than five years of experience, including those at partner companies. Since many of our partner companies have foreign personnel, we are promoting initiatives that take diversity into consideration, such as using translated materials and providing interpreters.

#### ○ Safety interview

We are strengthening safety training for new employees. In addition to providing training before being assigned to the work site, we also hold safety interviews every six months in an effort to detect unsafe behavior or conditions in advance. This is an initiative that only just started in 2023, and no workplace accidents involving new graduate employees occurred during the year. Safety interviews will continue to be conducted until new employees complete their third year.



Safety interview

#### ○ Safety conference and safety patrol

To build workplaces free from occupational accidents, safety patrols and the sharing of near-miss incidents are conducted at various Group sites to identify unsafe conditions or behaviors in operations and equipment, with the aim of implementing corrective actions and preventive measures. In addition to the daily patrols, we also conduct regular patrols with the executive team present. We also regularly hold safety conferences, safety promotion meetings, and safety awareness meetings to raise safety awareness and disseminate safety measures. Furthermore, each Group company creates a safety and health action plan based on the issues it faces, and promotes safety and health activities while sharing the progress of each company.

### 3 Initiatives to obtain ISO45001 certification

The Group is promoting efforts to obtain ISO 45001 certification in order to ensure that risks related to occupational health and safety are properly managed through a management system. Kyokuto Kaihatsu Kogyo aims to obtain certification in FY2025.

## Future challenges

- Continuing to improve safety awareness and promote education for workers
- Expanding occupational safety and health initiatives to overseas bases
- Promote efforts to obtain ISO45001 certification throughout the entire Group



# Promoting Diversity (Realization of DEIB\*1)

Implemented Measures	Target Value (FY2024)	Results (FY2023)
<ol style="list-style-type: none"> <li>1 Unconscious bias training</li> <li>2 Building an environment where diverse talent can work</li> <li>3 Realizing diverse work styles</li> </ol>	<ul style="list-style-type: none"> <li>○ Percentage of women recruited (domestic)<sup>2</sup>: 3-year average of 13% or more</li> <li>○ All employees practice bias-aware behavior</li> </ul>	<ul style="list-style-type: none"> <li>○ Percentage of women recruited (domestic)<sup>2</sup> FY2023 Actual Results: 17.4% (Reference): FY2022 Actual Result: 12.4% (Reference): 2022-2023 Average Performance: 14.7%</li> <li>○ Percentage of male employees taking childcare leave: 43.9%</li> </ul>

\*1 DEIB: Diversity, Equity, Inclusion, Belonging

\*2 Calculated based on the performance of full-time employees on a consolidated basis (domestic) within the Group

## Analysis of the Current Situation

Achieving diversity in the workplace means promoting the creation of a workplace where diverse human resources can utilize their diverse capabilities. However, the Group faces challenges in terms of gender diversity, including the ratio of female employees being below the industry average. Furthermore, against this backdrop, the ratio of female managers is also low. With the labor shortage becoming more apparent, creating a workplace where diverse talent can thrive and where each individual can work with enthusiasm is an urgent task for securing human resources and increasing corporate value. In particular, life events such as nursing care and child care are issues that are closely related to employee engagement. The actual results for FY2023 show that the rate of male employees taking childcare leave will be 43.9%, which is close to the government's target for FY2025. On the other hand, the number of people taking advantage of care leave is not high, and it will be necessary to continue to thoroughly publicize the system and understand the current situation regarding balancing caregiving and work.

## FY2023 Activity Details

### 1 Unconscious bias training

To date, Kyokuto Kaihatsu Kogyo has been conducting unconscious bias training to promote the creation of a workplace that makes the most of diversity, and completed the education for management-level employees in FY2023. From FY2024 onwards, we plan to continue implementing awareness reform measures, such as expanding the scope of the program to include section chief level employees who are candidates for management positions, and continuing to provide e-learning.

### 2 Building an environment where diverse talent can work

#### ○ Promoting employment of people with disabilities

Kyokuto Kaihatsu Kogyo opened Kyokuto Kashiwa Farm in 2018 and Kyokuto Yachiyo Farm in 2019 with the aim of creating workplaces where people with disabilities can work in a way that suits them over the long term. Ingredients grown at the farm are used in the employee cafeteria and other facilities. Additionally, we are considering expanding the number of workplaces across the Group, including manufacturing sites, so that people with disabilities can play an active role in a wider variety of workplaces.

#### ○ Building an age-friendly workplace

As the population ages and the birthrate declines, the number of workplaces with a large elderly workforce is increasing, and we are promoting facility measures that take into consideration safety and physical well-being. Promoting safety measures that take the elderly into consideration also leads to building an age-friendly and comfortable working environment for everyone.

### 3 Realizing diverse work styles

Our Group has established systems that enable flexible working arrangements, such as reduced working hours, various types of leave, and staggered working hours, so that we can support employees according to their various circumstances, such as their family situations and personal health conditions. In addition, we have set a goal of increasing the ratio of women among our domestic recruits, and are providing training to change the way managers think about their work, as well as working to encourage male employees to take childcare leave.

## Comments from Employees Who Took Childcare Leave



When I took childcare leave, I was worried about causing trouble for the company, but thanks to the thorough handover before the leave and the support from everyone at work, I was able to take the leave with greater peace of mind. I sincerely appreciate the cooperation. Taking parental leave was a great opportunity for me because it allowed me to spend more time with my family and watch my children grow up closely. I also realized how busy my daily life is at home, and felt a renewed sense of gratitude towards my wife for her daily support. I realized the importance of working together and supporting each other, both at work and at home. I hope that all employees taking childcare leave in the future will also find a good balance between work and family and cherish the time they spend with their families.

Masafumi Narutomi, Design Group, Manufacturing Management Section, Fukuoka Plant, Special Purpose Vehicles Division, Kyokuto Kaihatsu Kogyo

### Supervisor comment

As a dual-income household, I'm sure there were many difficulties surrounding the birth, but by taking advantage of the childcare leave system, I believe they were able to welcome their new family member with greater peace of mind. Because parental leave was requested early on, all members of the group were able to give their support in a planned manner. Since returning, he has been working hard for his family!



I took maternity leave and childcare leave for both my first and second child. Will I still have a job when I return to work? I was a bit worried, but both times I had return-to-work interviews during my parental leave, and I was able to return with peace of mind as I was able to confirm the specific work I would be doing after returning. Returning to work is much harder than you might imagine! In the mornings, dealing with children who don't listen—getting them fed, getting them to the toilet, and dropping them off—leads to tardiness. Multiple times a month, daycare called me and had to leave work early, often making it difficult to stick to my planned schedule.... Despite these circumstances, I am able to do my current job by taking advantage of company systems such as working from home and flextime, so I am very grateful for the environment. If you are planning to take maternity or childcare leave in the future, please make the most of the system and balance your work and childcare responsibilities!

Lisa Matsumoto, Administration Department, Environmental Equipment and Systems Business Division, Kyokuto Kaihatsu Kogyo Co., Ltd.

### Supervisor comment

Thanks to her consulting with us earlier (about six months in advance), we were able to prepare in advance and the work proceeded relatively smoothly. The other members of the team were also cooperative, and by taking on new tasks, the scope of their work expanded. Since returning from childcare leave, she has been doing great work, demonstrating her natural cheerfulness and positive attitude. I feel like the division is more powerful than before.

### Future challenges

- Promoting education on diversity (DEIB) throughout the Group
- Increasing the ratio of women recruited and women managers
- Promoting men to take parental leave and extending the period of leave available
- Understanding the current situation regarding nursing care and improving the system



## Contributing to Local Communities

Implemented Measures	Target Value (FY2024)	Results (FY2023)
1 Sponsorship and fundraising activities	○ Plant tours at major plants	○ Event Sponsorship: 33
2 Participating in local cleanup and disaster prevention activities	○ [Kyokuto Kaihatsu Kogyo] Social Contribution	○ Participation in local cleanups and events: 25
3 Support for sports and cultural activities	○ Establishment of a volunteer system	○ Donations and volunteer work: 5 projects at approximately 10 million yen
4 Nurturing the next generation		○ Support for sports and cultural activities: 6 cases
5 Supporting schools overseas		○ Plant tours
6 Plant tours		○ Discussions on comprehensive partnership agreements with local governments
7 Event hosting and participation		

### Analysis of the Current Situation

Our Group has bases both in Japan and overseas, and we conduct responsible corporate activities as a member of the local community. Every year, each Group company carries out a variety of activities, such as participating in and sponsoring local events and holding plant tours. Thanks to these efforts, we have become more recognized in the local community as a company with strong roots in each of our locations. Going forward, we will need to work with governments and local authorities to promote effective social contribution activities that utilize our Group's resources (products, human resources, assets, etc.).

### FY2023 Activity Details

#### 1 Sponsorship and fundraising activities

We sponsor events and participate in various fundraising activities with the aim of revitalizing local communities and cooperating with a wide range of support activities. In addition to our regular activities, in FY2023 we donated disaster relief funds to support those affected by the 2024 Noto Peninsula earthquake.

#### 2 Participating in local cleanup and disaster prevention activities

Each Group company regularly participates in cleaning activities held in the local community and cleans up the areas around its offices. Additionally, Group companies both in Japan and overseas are participating in disaster prevention activities to raise awareness of disaster prevention in their business operations.



Cleaning activities / greening campaign at Shinko Automobile



Scenes from the Regional Fire Joint Drill at KYOKUTO SPECIAL AUTOMOBILE TRADING (Shanghai)

#### 3 Support for sports and cultural activities

In FY2023, we carried out a corporate version of hometown tax donations to Nishinomiya City, Hyogo Prefecture, and sponsored events such as the Athlete Teacher Dispatch Project and the Pre-Event for the 100th Anniversary of the City's Establishment (Quartet Concert). Other initiatives we have taken include becoming a corporate member of the Osaka Philharmonic Association, supporting a local high school's participation in the national soccer tournament, and sponsoring local baseball and marathon sports tournaments.



Presentation of the Certificate of Donation for the Corporate Hometown Tax Donation Program  
Toshiro Ishii, Mayor of Nishinomiya City, Hyogo Prefecture (Right)  
Tatsuya Nunohara, Representative Director, President & CEO, Kyokuto Kaihatsu Kogyo (Left)

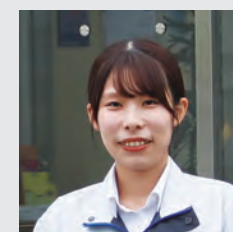
#### 4 Nurturing the next generation

The Group contributes to the development of children and students who will lead the next generation by providing content for children and accepting internships and work experience programs. In FY2023, NIPPON TREX held the Elementary School Student Radio Commercial Contest (Sponsored by FM Toyohashi). We also participated in the Aichikko Family Education Support Company (sponsored by Aichi Prefecture), which aims to build a workplace where parents can easily raise their children and promote the healthy development of children, and provided opportunities for social and work experience, helping participants build memorable summer vacation experiences.



Elementary school students writing scripts for a radio commercial contest

### Message from the Planning Staff



We participated in the Elementary School Student Radio Commercial Contest sponsored by local radio station FM Toyohashi. The Elementary School Student Radio Commercial Contest is a project in which 10 pairs of elementary school students and their parents create a radio commercial based on what they learn and see while visiting local companies and facilities. The winning entry will be used as the company's official commercial. Each of the 10 commercials had its own unique personality and were fun to listen to. I also learned a lot from the perspective that only an elementary school student can have. This was my first time participating, so I was nervous about explaining and showing people around the plant, but seeing the children's smiles made me feel glad that I did it. We would like to continue to increase opportunities for people to learn about NIPPON TREX.

Ayana Ito, Corporate Planning Department, Corporate Planning Division, NIPPON TREX

#### 5 Supporting Schools Overseas

F.E.E., which operates employee cafeterias for group companies, participates in the TABLE FOR TWO program, which provides healthy menu items in its cafeterias to donate school lunches to children in developing countries. (FY2023 results: donation of 219,020 yen = 10,951 school lunches) SATRAC ENGINEERING in India made a donation to a public elementary school near its plant to help rebuild a dilapidated school building. Kyokuto Indomobil Manufacturing Indonesia also participates in CSR activities organized by the management association of the industrial park in which it is located, and visits elementary schools near Purwakarta Regency. We donated books, blackboards, electric fans, etc., and also observed classes and provided guidance on how to maintain the whiteboards that we had previously donated, during which we had the opportunity to interact with the students. In addition to primary schools, we also support the installation of water tanks in villages and repair mosques.



TABLE FOR TWO Program Initiatives



Kyokuto Indomobil Manufacturing Indonesia Visiting an elementary school

6 Plant tours

To encourage interest in manufacturing, understanding of local industries, and to encourage people to settle in their local areas, Group companies in Japan and overseas hold tours of their plants and completed facilities for local residents and students.

7 Event hosting and participation

With the aim of promoting local industries, we set up booths at events hosted by local organizations. In addition, NIPPON TREX hosts the Myojin Festival every year, inviting employees, their families, and local residents as a place to communicate and express gratitude.

Future challenges

- Considering community contribution activities using Group resources
- Strengthening cooperation with local governments (concluding comprehensive partnership agreements, etc.)
- Establishing an internal system for social contribution and volunteering



## Pursuit of Work-Life Balance

Implemented Measures	Target Value (FY2024)	Results (FY2023)
1 Considering engagement surveys	<ul style="list-style-type: none"> <li>○ Reduced total annual working hours by 5% compared to FY2021</li> <li>○ Paid leave acquisition rate: 70% or more</li> <li>○ Work-life balance satisfaction rate: 70%</li> </ul>	<ul style="list-style-type: none"> <li>○ Total annual working hours compared to FY2021: 0.2% reduction</li> <li>○ Paid leave acquisition rate: 77.4%</li> </ul>
2 Strengthening employee education and awareness-raising		
3 Initiatives to improve productivity		
4 Enhancement of employee benefits system		

### Analysis of the Current Situation

In FY2023, our Group's paid leave utilization rate was 77.4%, far exceeding our target. On the other hand, overtime hours have tended to remain high compared to the past, and curbing these long working hours has become a challenge. This tendency is particularly noticeable at Kyokuto Kaihatsu Kogyo and NIPPON TREX, and drastic measures are needed. Long working hours may also lead to employee turnover, reduced engagement, and poor mental health. It is also necessary to investigate the causal relationship between these events and address the problem in a more comprehensive manner.

Another challenge is to build an environment where employees can work in accordance with their family circumstances, and with their own physical condition, etc. After a trial period, the work-from-home system was officially introduced in April 2024. In order to continue to be a company where a more diverse workforce can work while maximizing their individual capabilities, it is necessary to not only improve working styles and various systems, but also to conduct more accurate engagement surveys and implement surveys and improvement measures regarding psychological safety.

### FY2023 Activity Details

1 Considering engagement surveys

Until now, Kyokuto Kaihatsu Kogyo has conducted an employee opinion survey every three years, observing "satisfaction with work-life balance" as one of the indicators and using it to improve the organization. Going forward, we plan to switch to an engagement survey in order to collect more multifaceted data. This survey will be gradually rolled out across the entire group, with the aim of promoting human capital management.

2 Strengthening employee education and awareness-raising

The Group provides level-specific training to equip employees with the skills necessary for their jobs, as well as career training to support individual careers. In addition, in order to encourage employees to develop their skills independently, we have established self-development systems such as the Self-development Correspondence Course Incentive System, Qualification Acquisition Incentive System, and Video Training Service. In FY2023, we introduced a new e-learning Business Skills Training program as a measure to improve the level of each employee.

FY2023 training results

4.36 hours per person  
 \*Data collected: Level-specific training and skill improvement training organized by the human resources department for full-time employees



New employee training

Message from the General Affairs and Human Resources Department



In recent years, the ongoing pandemic caused by COVID-19, advancements in AI, rising raw material costs due to conflicts around the world, natural disasters, and other unpredictable market changes have brought about an era where relying solely on past experience makes it increasingly difficult to solve challenges. In addition, corporate scandals have become a prominent issue in society, and the risks of "homogeneity" are being called out. Listening to different opinions and "diversity" will become increasingly important in the future. Our group also aims to build an organization that can respond to unforeseen circumstances, and we believe that it is necessary to further evolve into a workplace where any employee can offer any opinion. We aim to further increase diversity and develop and educate human resources who can "create value through their work."

General Affairs and Human Resources Department, Kyokuto Kaihatsu Kogyo Co., Ltd.

3 Initiatives to improve productivity

Our Group is working to improve productivity by streamlining operations and improving the working environment. In recent years, we have been particularly focusing on the introduction of air conditioning equipment to plant production lines. By implementing measures to protect against hot and cold weather, we are gradually working to build a workplace where employees can work safely and efficiently all year round. Additionally, at Kyokuto Kaihatsu Kogyo's Yokohama Plant, the automation of the light-duty rear dump production line has improved production efficiency and reduced the number of workers required (full operation from July 2024).

4 Enhancement of employee benefits system

In order to increase employee motivation, we award employees who have made a significant contribution to the company's development. In addition, to help employees spend their time outside of work in a lively manner, we have introduced a "welfare club," provide subsidies for recreational activities, and support club activities.



NIPPON TREX Club activities

Future challenges

- Consideration and implementation of specific measures to curb long working hours
- Conducting and analyzing engagement surveys
- Promoting automation and digital transformation to improve productivity

Build labor-management cooperation and pursue a rewarding work environment

Kyokuto Kaihatsu Kogyo's labor union is carrying out union activities with the aim of improving employee engagement under three slogans as its basic policy for FY2024. In this issue, we will discuss people-related initiatives, including investment in human capital, in a discussion with Daijiro Hiroshima, General Manager of the General Affairs and Human Resources Department at Kyokuto Kaihatsu Kogyo Co., Ltd., and Kojiro Iwamoto, Central Executive Committee Chairman of the labor union.



Central Executive Committee Chairman  
Kyokuto Kaihatsu Kogyo Labor Union  
  
Procurement and Inventory Management  
Sect., Production Div., Yokohama Plant  
Kyokuto Kaihatsu Kogyo Co., Ltd.  
**KOSHIRO IWAMOTO**

General Manager, General Affairs and  
Human Resources Dept.  
Kyokuto Kaihatsu Kogyo Co., Ltd.  
**DAIJIRO HIROSHIMA**

The labor union and the company work together to advance the organization

**Hiroshima:** Consultations between the labor union and the company are held more than 10 times a year, and as Central Executive Committee Chairman, you directly participate in all of them, right?

**Iwamoto:** Yes that is correct. In terms of the breakdown of our work, in addition to wage negotiations such as lump-sum payments to support the lives of union members and Shunto spring wage offensive, we also have consultation meetings at each branch, and we make an effort to attend all of them. This is to get a more realistic feel for the working environment and the mood of the union members, and to reflect this in the content of negotiations.

**Hiroshima:** At our company, the company and the labor

union respect each other's opinions and work to resolve common issues. Even if the company comes up with measures it thinks that they are for the benefit of its employees, there may be cases where people at sites think differently. The idea is to close the gap between the company and the workplace by holding repeated discussions so that no rift remains.

**Iwamoto:** It's important to hold repeated discussions without compromising until both parties are satisfied. I believe it is important for employees to express their true feelings to the company, but I also believe that the most important prerequisite for eliminating any discrepancy is the company's attitude of how much it values, its people.



Members of the Labor Union

2024 Labor Union Slogan

- Healthy and smiling! Build a good work-life balance!
- Make progress every day!  
Take big steps with small improvements!
- Labor-management cooperation! Let's build a sustainable working environment!

Investing in people builds human potential

**Hiroshima:** At the FY2024 founding anniversary ceremony, President Nunohara stated, "We will further expand our human capital in the future." As we approach our 70th anniversary next year, the company is actively discussing human capital. As a first step, we would like to enhance our employee engagement\* surveys. It is necessary to regularly conduct surveys through data analysis to identify what issues the company, organization, and relationships between superiors and subordinates have. We will select the analysis tools that are most suitable for our group and lay the foundation for working to solve organizational issues.

**Iwamoto:** By making the organizational issues in their own departments visible, managers will also be able to tackle the issues more effectively. Increased engagement is also a labor union indicator. Since each person has different values regarding work, I believe that providing an opportunity for sharing how people feel will change their performance and attitude toward work.

**Hiroshima:** As part of our investment in human capital, we have established an educational system for the entire company, but we believe there is room for improvement in on-site education. We will establish mechanisms for skill transfer and e-learning, and embark on other initiatives to ensure that employees have opportunities for growth.

**Iwamoto:** Even in labor unions, we place importance on



building a solid foundation through education. While skills can be acquired to a certain extent through training and on-the-job training, I believe that it is also necessary to develop each individual's human capabilities separately.

**Hiroshima:** Human skills are a very important element. The ideal situation for the company and the labor union is to achieve both a "balanced work environment" and a "rewarding job." By building a balanced work environment that



is easy to work in can foster a workplace where employees feel motivated to work. To achieve this, it is important for all employees to further hone their own interpersonal skills and think about and implement

actions to improve the workplace. As a company, we would like to build a workplace where superiors, subordinates, and colleagues can say anything to each other and where debates and conflicts are accepted.

**Iwamoto:** The fundamental premise of the existence of labor unions is to "maintain and improve the lives of employees," but I don't think that just earning money easily is really a good way to work. As a labor union, we would like to raise awareness from the perspective of encouraging employees to think about the meaning of their work and the balance between their work and personal lives, and to act accordingly, thereby further honing their human capabilities.

Aiming to become a company where all employees can thrive

**Hiroshima:** In terms of wage increases, as the entire country is in the midst of a period of wage changes, we would like to continue discussions to see how much we can do within our limited resources and promote greater returns to employees. Employees are one of our most important stakeholders, so I believe it is our company's mission to consider how we can contribute to society while protecting employment.

**Iwamoto:** During the spring of 2024 wage revision collective bargaining, the company fully responded to our request for a base salary increase, which we were very grateful for. I hope that all employees will continue to look forward, contribute to improving the company's productivity, and move in a positive direction.

**Hiroshima:** In order to improve productivity, it is important to seek out new and unprecedented methods. Ideally, employees will grow by exploring and taking on new approaches, which should lead to increased productivity and improved operating profits. Another issue that cannot be ignored is overtime work. The average monthly overtime hours in FY2022 was 28.3 hours, while in the second half of FY2023 remained flat at 28.4 hours. In FY2024, we plan to conduct an inventory of operations on a departmental basis and reduce waste.

**Iwamoto:** It's also important not to divide work and responsibilities between sections or individuals, but to have everyone work together to avoid putting too much pressure on any one area. If the range of tasks you are involved in and the scope of what you can do expands, your horizons and abilities will broaden, and you will be able to add further value to your existing work. I hope that we can increase job satisfaction by having all employees look at their work as a whole and make small continued improvements.

**Hiroshima:** Also, when it comes to building a pleasant workplace, a diversity perspective is essential. In particular, our company has a strong sense of the need to empower women and is working to build a work environment in which everyone can thrive. In FY2023, the proportion of female new graduates finally exceeded 20%, so we would like to maintain this figure. In addition, four women were promoted to Assistant Manager and one to Assistant Section Chief in FY2024. We will therefore use these five women as model cases to hear about the support and opportunities needed for further women's promotion and reflect this in their career plans. We believe that by considering how to work from a woman's perspective, we can build a work environment where more diverse peoples can work together.

Changes in female recruitment ratio

	FY2019	FY2020	FY2021	FY2022	FY2023
Female recruitment ratio	13.3%	9.3%	9.1%	16.1%	22.4%

\*Kyokuto Kaihatsu Kogyo Results

**Iwamoto:** I think that incorporating new ideas that are conceived from a completely different perspective will lead to new challenges for the company. The company and the labor union will continue to cooperate and discuss initiatives that will enable all employees to demonstrate their capabilities and increase employee engagement.

\*Employee engagement: Employees feel attached to the company through a two-way relationship based on trust, and strive to grow and contribute to the realization of the company's goals.



## Diversification of Management Talent

Implemented Measures	Target Value (FY2024)	Results (FY2023)
<ol style="list-style-type: none"> <li>Understanding the needs of shareholders and investors at SR meetings</li> <li>Exchanges with other companies regarding the promotion of women's participation in the workforce</li> </ol>	<p>—</p> <p>* Ratio of female executives (Kyokuto Kaihatsu Kogyo) FY2030: 30% or more</p> <p>* Ratio of female directors (Kyokuto Kaihatsu Kogyo) FY2030: 20% or more</p>	<ul style="list-style-type: none"> <li>Percentage of female directors (Kyokuto Kaihatsu Kogyo) 12.5%</li> <li>Ratio of female managers (Consolidated Group) 1.0%</li> </ul>

\*SR: Shareholder Relations, activities aimed at building relationships with shareholders

### Analysis of the Current Situation

In today's capital markets, it is believed that having a diverse workforce in positions of responsibility leads to sustainable corporate growth, and is now taken into consideration in investment decisions. Our group also appointed one female outside director in FY2022, bringing the current ratio of female directors to 12.5%. On the other hand, the ratio of female managers is below the average for the same industry and company size, and there are challenges in building the foundation for promoting female employees to executive positions.

It is predicted that the level of diversity required for management talent will continue to rise in the future, and we are therefore currently collecting and examining information to meet these standards. Additionally, in order to diversify management talent from a long-term perspective, it is also necessary to identify human resource issues across the company.

### FY2023 Activity Details

#### 1 Understanding the needs of shareholders and investors at SR meetings

Our Group practices stakeholder management and places great emphasis on dialogue with stakeholders. In our dialogue with shareholders and investors, we explain the progress we have made in promoting women's participation in the workforce, confirm the required standards, and collect information.

#### 2 Exchanges with other companies regarding the promotion of women's participation in the workforce

Our Group is considering and implementing measures to promote the active participation of women, taking into consideration examples from other companies. Therefore, in FY2023, Kyokuto Kaihatsu Kogyo held an opinion exchange meeting for female employees with other companies. This enabled us to gain new knowledge and identify issues facing our Group. In the future, we plan to expand opportunities for exchange to other industries and use the knowledge gained to promote women's participation in the workforce.

### Future challenges

- Consideration and implementation of measures to promote the appointment of women to managerial positions
- Identifying company-wide human resource issues and shifting to human capital management



## Enhancing the Usefulness and Reliability of Information Disclosure

Implemented Measures	Target Value (FY2024)	Results (FY2023)
<ol style="list-style-type: none"> <li>Strengthening our branding advertising</li> <li>Actively promoting our own media, including social media</li> <li>Exhibitions and events</li> <li>Publishing the Group's first Integrated Report</li> </ol>	<ul style="list-style-type: none"> <li>Improving the variety and quality of information disclosure media/company communication tools</li> <li>Spreading the brand image both inside and outside the company</li> <li>Disclosure of sustainability information in line with third-party evaluations</li> </ul>	<ul style="list-style-type: none"> <li>Branding advertising (Transportation advertising, YouTube advertising, newspapers, magazines, etc.)</li> <li>Social media updates (YouTube, Facebook, Instagram, X etc.)</li> <li>Exhibitions and events</li> <li>Publication of Integrated Reports</li> </ul>

### Analysis of the Current Situation

Under the current medium-term management plan, we are increasing our media exposure through branding advertising and the use of social media, and are carrying out activities to inform as many stakeholders as possible about our contributions to society through our business and the vision we aim for. Furthermore, in order to achieve sustainability management, there is a growing demand for proactive disclosure of information, both financial and non-financial. Our Group also issued its first integrated report in FY2023. We will continue to improve the quality of each information disclosure medium and provide more useful and reliable information disclosure to all stakeholders.

### FY2023 Activity Details

#### 1 Strengthening our branding advertising

Kyokuto Kaihatsu Kogyo is working to increase its media exposure through transportation advertising, web advertising, etc. from FY2023. We aim to increase our corporate value by making more stakeholders aware of the role our Group plays in society.



Transportation advertising for Kyokuto Kaihatsu Kogyo

#### 2 Actively promoting our own media, including social media

Kyokuto Kaihatsu Kogyo, NIPPON TREX, and SATRAC ENGINEERING use YouTube and social media to disseminate information to a wide range of stakeholders, including product information, sustainability information, content for children, and recruitment content. We are also considering renewing our website and creating a Group website. We will continue to effectively use various information media to promote our company's PR.

#### 3 Exhibitions and events

Our Group has traditionally promoted our products and corporate activities to stakeholders through participation in exhibitions and events.

FY2023 Results	
<ul style="list-style-type: none"> <li>NEW Environmental Exhibition (Kyokuto Kaihatsu Kogyo)</li> <li>Suzuka Circuit (Kyokuto Kaihatsu Kogyo)</li> <li>Tojo Lake Toy Kingdom (Kyokuto Kaihatsu Kogyo)</li> <li>Exhibition at the Osaka Motor Show (Kyokuto Kaihatsu Kogyo)</li> </ul>	<ul style="list-style-type: none"> <li>Japan Mobility Show (Kyokuto Kaihatsu Kogyo and NIPPON TREX)</li> <li>Parent-child plant tour and operation experience event (co-hosted by Kyokuto Kaihatsu Kogyo and NIPPON TREX)</li> <li>Kosakai Exciting Job Experience Fair (NIPPON TREX)</li> <li>Oiden Festival (NIPPON TREX)</li> <li>Railway Technology Exhibition (Hokuriku Heavy Industries)</li> </ul>



Exhibition at the Japan Mobility Show

#### 4 The Group's first integrated report is published

In FY2023, we expanded on our traditional CSR report and published the Group's first integrated report. By disclosing financial and non-financial information in a comprehensive and multifaceted manner, the report informs stakeholders of the Group's future prospects.

### Future challenges

- Renewal of the website and consideration of a Group website
- Promoting internal branding, including raising employee awareness of the Group's purpose (reason for being)



## Efficient and Effective Management of Risks and Opportunities by Utilizing the ISO Management System

Implemented Measures	Target Value (FY2024)	Results (FY2023)
<b>1</b> Expanding the scope of ISO9001 (Quality) certification	<ul style="list-style-type: none"> <li>Continuation of ISO14001 (Environment)</li> <li>Expanded scope of ISO9001 (Quality) certification</li> <li>Application of ISO45001 (Occupational Safety and Health)</li> </ul>	<ul style="list-style-type: none"> <li>F.E. Auto acquires ISO9001 (Quality) certification</li> </ul>

### Analysis of the Current Situation

Our Group manages various risks through a management system that utilizes ISO standards. In FY2022, we expanded the application of ISO 14001 to Shinko Motors and Hokuriku Heavy Machinery Industries. In terms of ISO 9001, the sales headquarters of Shinko Automobile and the Special Purpose Vehicles Division of Kyokuto Kaihatsu Kogyo are currently preparing to obtain certification. Furthermore, we are currently aiming to apply ISO 45001 across the entire Group and are promoting efforts to obtain certification.

### FY2023 Activity Details

- 1** Expanded scope of ISO9001 certification
  - FE-AUTO  
In June 2023, FE-AUTO obtained ISO9001 certification.
  - Shinko Automobile  
Following the application of ISO 14001 in FY2022, we are currently working towards obtaining ISO 9001 certification within FY2024.

### Future challenges

- Promote efforts to apply ISO45001 and obtain certification throughout the entire Group
- Expanded scope of ISO9001 certification



## Building a Robust Business Structure

Implemented Measures	Target Value (FY2024)	Results (FY2023)
<b>1</b> Measures against natural disasters <b>2</b> Strengthening relationships with suppliers <b>3</b> Introduction of next-generation security systems	<ul style="list-style-type: none"> <li>Building a BCM* system</li> <li>Improving information security</li> </ul>	<ul style="list-style-type: none"> <li>Begin discussions for seismic retrofitting (22 out of 30 targeted buildings) and building a BCM system</li> <li>Introduction of next-generation security system, revision and establishment of regulations</li> </ul>

\*BCM: A management system in which an organization prepares for emergencies, formulates plans to continue business operations, and makes continuous improvements.

### Analysis of the Current Situation

In 2019, we conducted detailed seismic assessments of buildings constructed under the old earthquake resistance standards (completed before June 1981). We found that many buildings were at high risk of collapse or destruction, and have been taking measures to address this issue. We are also securing disaster preparedness supplies, and are currently in the process of considering the building of a BCM system. In terms of information security, we are creating and revising regulations in areas where measures were insufficient, and are updating our security systems.

### FY2023 Activity Details

#### 1 Measures against natural disasters

- Earthquake-proofing measures for buildings

As a result of detailed seismic assessments, we have implemented earthquake resistance measures for 30 buildings that were deemed to be at high risk of collapse or destruction. As of September 2024, measures such as reconstruction, relocation, and earthquake reinforcement work have been completed for 22 of the 30 buildings, as shown in the table on the right. Additionally, we are working to replace the precast concrete fence facing the sidewalks and roadways at each plant with mesh fences or privacy fences that will not collapse, and these measures have now been completed at all plants.

	Base		Implemented Measures	Status
Kyokuto Kaihatsu Kogyo	Head Office	3	Relocation	Completed
	Yokohama Plant	2	Reinforcement	Planning
	Nagoya Plant	2	Reconstruction	Completed
		9	Reinforcement	Completed
	Miki Plant	1	Reinforcement	Completed
	Fukuoka Plant	1	Reconstruction	Completed
3		Reinforcement	Completed	
Tohoku Branch	2	Reconstruction	Completed	
FE-AUTO	Nagoya Service Center	1	Reinforcement	Completed
NIPPON TREX	Headquarters	3	Reinforcement	Planning
		3	Demolishing	Planning

- Measures against flooding

Each plant is also taking measures to prevent flooding within plants due to torrential rains, which have been increasing in recent years. In addition, we have completed the relocation of sales offices that suffered damage from inland flooding caused by torrential rains in the past, resulting in flooding above the floor level.

- Piping and Wiring Measures

We use specialized equipment to visualize leaks from air piping and take measures to resolve them. Additionally, space arms have been installed at each plant, allowing welding machine cables and hoses to be placed in mid-air, reducing damage and allowing for more spacious work areas while also ensuring safety underfoot.

#### 2 Strengthening relationships with suppliers

- Periodic survey of suppliers

In order to ensure the trustworthiness of our business partners and the appropriateness of continuing business with them, we have established purchasing management regulations and regularly evaluate our business partners based on these regulations.

- Efforts to ensure a stable supply of parts

For parts such as electronic components that are in short supply, we are sharing information through our in-house procurement committee and taking action before there are difficulties in procurement. In addition, we regularly hold information exchange meetings with our internal partner companies and business partners to ensure a stable supply.

#### 3 Introduction of next-generation security systems

From February to March 2022, many organizations in Japan suffered from the spread of infections caused by the computer virus (malware) "Emotet." In response to this, our Group introduced a next-generation security system to respond to the situation. By updating from the conventional model to the next-generation model, we can now take "preventive measures" to prevent viruses from entering and "post-event measures" to minimize damage after a virus enters.

We also reviewed the foundation for risk management related to information security, revising and establishing various regulations, including the Basic Policy on Information Security in 2024.

We will continue to address information security measures as one of our key priorities in order to protect the Group's important information assets and continue to conduct business appropriately while gaining the trust of our stakeholders.

### Future challenges

- Building a BCM system
- Early response to buildings that are at high risk of collapse or destruction and for which countermeasures have not been implemented
- Introduction of information security systems in Group companies





## Strict Adherence to Compliance and Establishment of Remediation Processes

Implemented Measures	Target Value (FY2024)	Results (FY2023)
<ol style="list-style-type: none"> <li>Harassment training for managers</li> <li>Establishment of an ethics hotline and a harassment hotline</li> <li>Implementation of compliance education</li> </ol>	<ul style="list-style-type: none"> <li>Strengthening the system for ensuring compliance</li> </ul>	<ul style="list-style-type: none"> <li>Harassment training for managers</li> <li>Thoroughly publicize the ethics hotline, and set up a harassment hotline</li> <li>Implementation of compliance education (Subcontract Act, Electronic Bookkeeping Act, etc.)</li> </ul>

### Analysis of the Current Situation

The Group has traditionally conducted harassment training as part of its compliance education. In addition, we have set up an ethics hotline and a harassment hotline as reporting and consultation points, and have established a system for appropriate correction and relief of compliance violations. On the other hand, future efforts are required to provide compliance training for the entire Group, identify corruption risks and implement measures to address them, etc.

### FY2023 Activity Details

#### 1 Harassment training for managers

Our Group conducts harassment training to eradicate all forms of harassment and protect human rights.

FY2023 Results
Kyokuto Kaihatsu Kogyo: 13 sessions in total, 228 participants NIPPON TREX: 3 sessions in total, 502 participants

#### 2 Establishment of an ethics hotline and a harassment hotline

Our Group has set up an ethics hotline and operates a system that allows for the internal reporting of various compliance violations, including violations of laws and regulations, information leaks, and internal scandals. In addition, Kyokuto Kaihatsu Kogyo has also set up a "Harassment Hotline" specializing in reporting harassment from FY2024.

#### o Ethics Hotline

We have set up both an internal and external consultation hotline. The contents of reports will be notified to the Audit Office, and a fair investigation will be conducted to determine the facts. At this time, if the whistleblower wishes to remain anonymous, the investigation will be carried out with due care to ensure that the whistleblower is not identified. In addition, we prohibit whistleblowers from being treated detrimentally. If the investigation reveals that the content of the report is factual, we will work with a Representative Director and relevant departments to stop any illegal activities, restore the situation to its original state, and implement any other necessary corrective measures.

FY2023 Results
Reports to the ethical consultation desk: 3 All cases were thoroughly investigated and appropriate action was taken to correct the issues.

#### o Harassment Consultation Hotline

We have both internal and external consultation desks, allowing anonymous reporting and consultation, and respecting the privacy of users. The General Affairs and Human Resources Department will interview the relevant parties to verify the facts of the consultation, and if found to be true, the matter will be resolved through an investigation by the Harassment Investigation Committee and a decision by the Disciplinary Committee. In addition, we will provide relief to the victim by thoroughly implementing measures to prevent recurrence and monitoring the progress.

#### 3 Implementation of compliance education

We provide compliance education regarding changes to laws and internal regulations that are relevant to our business. In FY2023, we provided education and raised awareness about the Subcontract Act and the Electronic Bookkeeping Act.

### Future challenges

- Conduct harassment training for the entire Group
- Conduct compliance education for the entire Group
- Identify corruption risks and implement measures



## Implementation of Supply Chain Management

Implemented Measures	Target Value (FY2024)	Results (FY2023)
<ol style="list-style-type: none"> <li>Sustainable procurement briefing</li> <li>Consideration of supply chain management methods</li> </ol>	<ul style="list-style-type: none"> <li>Establishment of procurement risk management system</li> <li>Supplier Engagement</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable procurement briefings were held for approximately 200 suppliers of special purpose vehicles, and letters of support were received from 58 companies (Kyokuto Kaihatsu Kogyo)</li> </ul>

### Analysis of the Current Situation

Our Group has established a procurement policy and is promoting more sustainable procurement. Currently, we are creating opportunities for dialogue based on the Sustainable Procurement Guidelines, primarily with suppliers to Kyokuto Kaihatsu Kogyo's special purpose vehicle business, and are engaging with them by having them submit letters of support. However, procurement guidelines have not yet been established for each group company, and dialogue with suppliers has not been conducted.

In today's world, where risk management is required from various perspectives, such as the environment, human rights, and occupational health and safety, the challenge is to expand engagement in all businesses and affiliated companies and reduce risks through dialogue.

### FY2023 Activity Details

#### 1 Sustainable procurement briefing

In FY2023, Kyokuto Kaihatsu Kogyo held an information session on sustainable procurement for approximately 200 suppliers of its special purpose vehicle business. In addition, 58 of the participating suppliers signed letters of support for procurement in accordance with the Procurement Guidelines.

#### 2 Consideration of supply chain management methods

As of March 2023, our Group had no experience of engaging with affiliated companies, including NIPPON TREX, or suppliers other than those in the special purpose vehicle business, such as by conducting surveys. Therefore, we are currently considering management methods to gradually expand the scope of our engagement. Basically, we plan to engage with each supplier via a questionnaire and conduct a risk assessment. We also plan to gradually encourage affiliated companies that have not yet formulated procurement guidelines to do so.



Procurement briefing session for suppliers

### Future challenges

- Formulate procurement guidelines for each Group company
- Inform employees about sustainable procurement
- Establish supply chain management system

## Outside Director Meeting

Mr. Terakawa, Ms. Kaneko and Mr. Tomohiro, Outside Directors of Kyokuto Kaihatsu Kogyo, met to discuss our Group's governance structure and the status of our efforts to address various issues. They exchanged opinions on expectations and challenges for the future, as well as reviewing discussions at Board of Directors meetings.



Outside Director  
Kyokuto Kaihatsu Kogyo Co., Ltd.  
**TAKANOBU TOMOHIRO**

Outside Director  
Kyokuto Kaihatsu Kogyo Co., Ltd.  
**HIROYUKI TERAKAWA**

Outside Director  
Kyokuto Kaihatsu Kogyo Co., Ltd.  
**KEIKO KANEKO**

### Medium-term Management Plan and Long-term Management Vision

**Terakawa:** FY2024 is the final year of the 1st STEP of our long-term management vision. Looking at the current situation, it appears that achieving the target is quite a difficult task. However, measures are being implemented towards the end of the fiscal year, and President Nunohara said that he would especially like to achieve ROE of 6% among the targets he has set.

**Kaneko:** Kyokuto Kaihatsu Kogyo's medium-term business plan and long-term business vision derive numbers statistically from a variety of data, and I feel that they are a model for strategic theory. When we apply this to an actual business plan, we have to consider every possible way to fill the gap - I feel that this is extremely important.

**Tomohiro:** Although Kyokuto Kaihatsu Kogyo is a company with a high equity ratio, we have clearly stated the figures for the growth strategy investments we have set out in our plan, and to this end, we are certainly investing for the future. It's easy to come up with numbers but it's surprisingly difficult to put them into practice. However, in that respect, I believe that this company has the ability to do it.

**Terakawa:** As Kyokuto Kaihatsu Kogyo is a company whose strength is its technology, we believe that it is important to invest in facilities at a technical center where we can concentrate on development in order to further hone that technology. I believe that once this facility is completed, the research and development department will undergo considerable improvement and will become an extremely valuable asset for the company.

hear voices from the field, and I think it will also be a good experience for the people in charge. I feel that the atmosphere in which even simple questions were talked about was one of the factors that stimulated the discussion.

**Kaneko:** Yes, I believe so too. When I meet with employees, I feel that this is a company that values its people. It seems like each employee thinks for themselves and speaks up, rather than just following instructions from their superiors, and I think it's great that we've been able to build such a culture as a company.

**Tomohiro:** My impression is that we have a serious and reliable company. Since things are discussed in an incremental manner, it is easy to understand and I feel at ease watching the situation. Over the past year, there have been changes in shareholder relations regarding capital policies, such as shareholder returns. However, I believe these were addressed thoroughly and carefully, avoiding any hasty or superficial discussions.

**Kaneko:** This past year has been a very difficult business environment due to changes in the external environment, such as a shortage of chassis supplies and high raw material prices, but instead of taking a passive approach, we thoroughly negotiated prices and other measures, which allowed us to get through it. Currently, there are more discussions about future directions, and I sense that management is taking a positive approach.

**Terakawa:** Another big change that has occurred in the past year is the relocation of our head office from Nishinomiya City, Hyogo Prefecture to near Yodoyabashi in Osaka Prefecture. President Nunohara said, "Employees are now coming to work dressed more neatly than before," and it seems that the revamped headquarters has also been very helpful in raising employee motivation.

### Impressions of the corporate culture and the Board of Directors

**Terakawa:** As I mentioned in my interview last year, it is impressive to see young staff members attend board meetings and speak up. It is valuable for us to be able to

### Promotion of women's advancement

**Kaneko:** Generally speaking, the ratio of male to female employees is determined at the joining stage, and when it comes to training, actively hiring women is important for utilizing diverse human resources. The proportion of female executives is also attracting public attention. In the midst of this, five women were promoted to Assistant Manager level in April 2024, which I feel is evidence that awareness of diversity is taking hold.

**Terakawa:** When I went to the plant before, I didn't see many women, but at the head office, now I see a lot of women. Currently, I think there is an imbalance in the ratio of men to women depending on the job type, but I would like to see the scope of opportunities for female employees to play an active role continue to expand in the future.

**Kaneko:** Yes, I believe so too. Today's young people are the generation that chooses their career plans to realize their potential. Of course, it is necessary to consider working styles, such as eliminating long working hours, but I believe that employees should be trained and placed with the environment in mind, so they can perform to the best of their abilities. Plants and factories in particular tend to have a higher male predominance. It would be great if we could eliminate these preconceived notions and unconscious biases and build a better environment where everyone can demonstrate their abilities.

### Operation of an internal reporting system and a harassment consultation desk

**Tomohiro:** A wide variety of hotlines have been set up, such as corporate ethics helplines, internal consultation hotlines through human resources departments and labor unions, and harassment consultation hotlines, but the important thing is whether they actually function or not. I appreciate that the company provides harassment prevention training to managers, but I think it needs to do more to build an environment where those who experience harassment do not hesitate to use the reporting system. In other words, it is necessary to eliminate concerns such as whether the report will be immediately communicated to the other party or whether the harassment will be exacerbated as a result. I think it is necessary to conduct some verification not only from the perspective of installation but also from the perspective of the users.

### Financial initiatives

**Terakawa:** Of the approximately 30 billion yen in growth investments set out in our medium-term management plan, we have already invested 23 billion yen, and we believe that we are making steady progress. Approximately 10 billion yen is also planned for new M&A activities, and that gives the impression that there are more deals compared to the real estate industry where I used to work. One of the strengths of this company is that it has a wide range of projects to consider, and I believe that executing these projects will become the foundation for growth.

In addition, with regard to overseas markets, I believe that the experience gained through M&A in promising countries such as India, Indonesia, and Australia can be utilized in other countries. By strengthening overseas business through M&A's, the next medium-term management plan will be one that we can look forward to.

Although the "total return ratio of 100%" seems a little too high, considering the equity ratio, I do not think there is any need to actively increase internal reserves. So, while strengthening shareholder returns seems natural, I believe that in order to grow going forward, this target will need to be reviewed in the next medium-term management plan.

### Human capital management

**Kaneko:** I think there are various initiatives being taken to develop human resources, but from a business management perspective, I feel that more managers need to acquire the skills to think theoretically and strategically. If we can strengthen this area through training or other means, I think things will change for the better.

**Tomohiro:** I think the most important thing in human capital management is the passing on of know-how and skills. In order to expand business internationally, it is also necessary to transfer know-how and skills in different cultures. Furthermore, in order to create value together with a more diverse workforce in the future, training and education from the perspective of succession and transmission will be important. I believe that human capital is an extremely difficult issue that will determine the company's future growth, and I will be keeping a close eye on how the company responds.

**Terakawa:** In terms of how to develop individual capabilities that will be useful in corporate activities, I believe that the company is taking numerous initiatives to improve technical skills. On the other hand, I think there are other challenges in developing management-level employees. For example, the special vehicle business and the environmental business are completely different. We need more people with a variety of backgrounds at the managerial level, including experience in a variety of divisions and job types. For this reason, I believe it is necessary to actively transfer and develop personnel.

### Group issues seen from an outside perspective

**Kaneko:** I think that one area where the Group can develop further is by strengthening our perspective of helping to "solve end-user problems" a little more, which should broaden the scope of new product development. If users are not yet able to imagine the potential demand, it may be necessary to go through a process of creating an image together. Since there are relationships with users, technology, and resources, I think we should try to take on more challenges in developing products that help solve social issues.

**Terakawa:** I agree with this. I had the opportunity to attend a few sales visits, but it seemed to me that they were not able to approach the customer effectively. Since many of our deliveries are to truck manufacturers and dealers, we have limited opportunities to hear from end users. I do think it's a bit of a missed opportunity. I hope that they will actively collect information from end users and use it to develop their next creative ideas.

**Tomohiro:** Actually, I also felt that this was an issue. My impression is that this is a company that generally operates steadily and reliably, but since it has the financial and technical capabilities, I think it would be good for it to actively embark on new business ventures. If you were to take action, it might be a good idea to do something completely different, something that would make people say, "I didn't know that they were doing this!"

**Kaneko:** One option would be to use the new business as a way to attract talent.

**Tomohiro:** Yes I agree. There is plenty of potential, so I look forward to seeing more of this in the future.



## Corporate Governance

### Basic Policy

The Group's management focuses on expanding corporate value by making prompt decisions on management policies and strategies in response to changes in the business environment, and by strengthening the system for implementing those policies and strategies in a reliable, speedy, and timely manner. We are also strengthening our auditing and supervisory functions to ensure compliance with laws, regulations, and

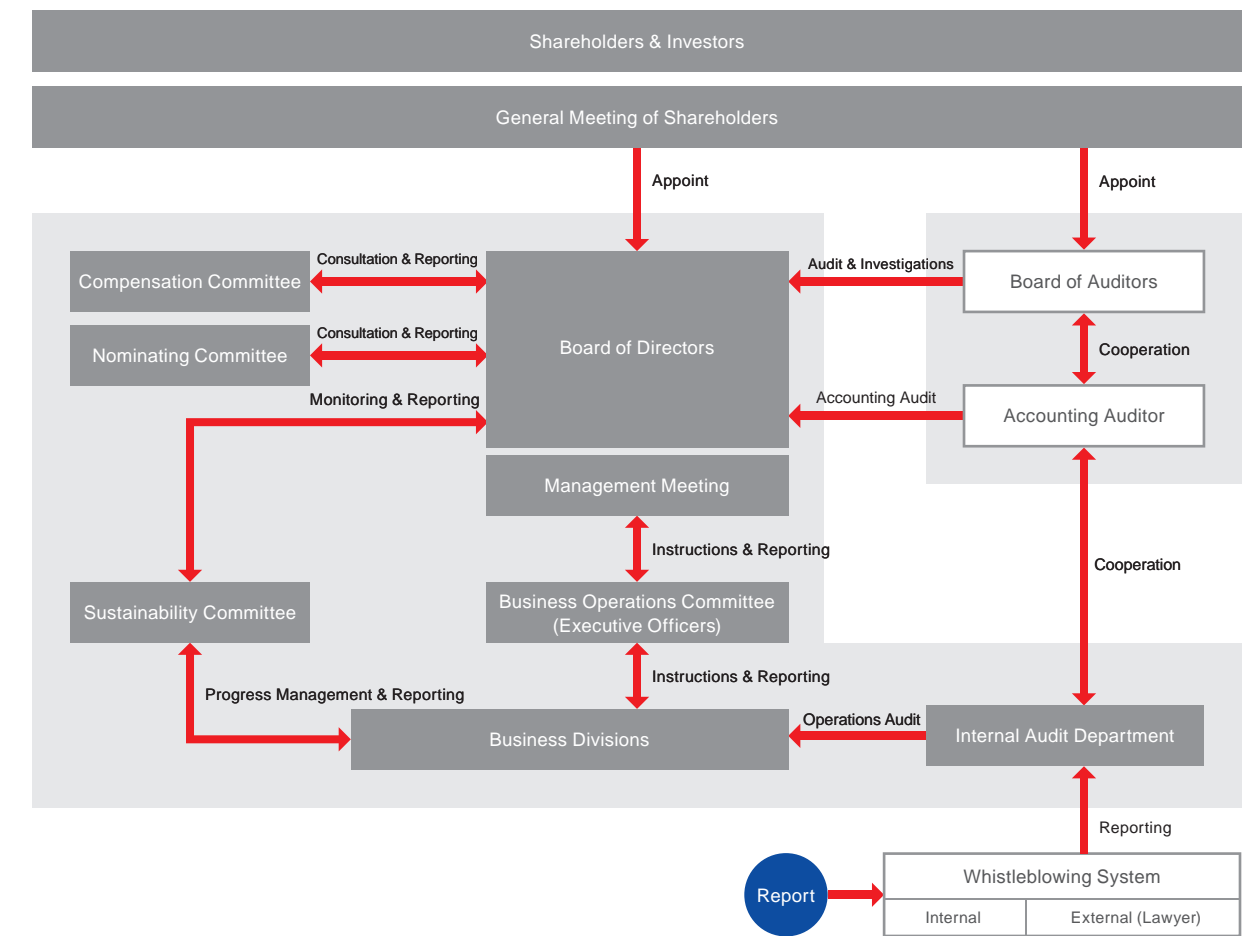
rules in the process from decision-making to execution. We consider it an important management issue to build good relationships with various stakeholders, including customers, employees, business partners, shareholders and investors, and local communities, while enhancing corporate ethics and being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

### Changes in Corporate Governance

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Appointment of Outside Directors	Two Directors appointed		Three Directors appointed (One female Director)								
Board of Directors Effectiveness Evaluation	Introduction of Board of Directors Effectiveness Evaluation							Evaluation by third-party institution			
Compensation Committee	Establishment of Compensation Committee										
Nominating Committee	Establishment of Nominating Committee										
Compensation System						Restricted Stock Reward system introduced		Review of the executive compensation system			
Mission Statement						Formulation of Kyokuto Kaihatsu Group Code of Conduct					
Sustainability Committee						Establishment of Sustainability Committee					

## Corporate Governance System

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



### Overview of each committee

	Composition	Times hosted in FY2023	Objective
Board of Directors	8 Directors (incl. 3 Outside Directors) 4 Auditors (incl. 2 External Auditors)	13	Make important management decisions and supervise the execution of duties in order to improve corporate value
Board of Auditors	4 Auditors (incl. 2 External Auditors)	13	Based on audit policies, etc., audits the execution of duties by Directors and supervises management by investigating the status of operations and assets
Management Meeting	5 Directors, 1 full-time Auditor	33	Deliberates on important matters and specific countermeasures for business execution
Business Operations Meeting	18 Executive Officers (5 in concurrent position as Director), 1 full-time Auditor	12	Each Executive Officer reports on the progress of the department in charge, promoting thorough implementation of business plans and ensuring business performance
Compensation Committee	5 Directors (3 Outside Directors)	5	The Outside Director acts as the chair and deliberates on Executive compensation
Nominating Committee	5 Directors (3 Outside Directors)	2	The Outside Director acts as the chair and deliberates on appointment of senior management and candidates.
Sustainability Committee	3 Directors, 7 Department Managers	4	The Representative Director and President acts as the chair and aims to deepen sustainability management

### Monitoring initiatives for sustainability

Important management issues (materiality) are managed and monitored by the Sustainability Committee (chaired by the Representative Director, President), which is made up of related parties from each Group company. In addition to approving risks and opportunities related to materiality, the Board of Directors also reassess the status of risks and opportunities on a quarterly basis. The appropriateness of these activities in general is ensured through audits by the Audit Office. (See P34 for more details)

### System for correction and relief


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

## List of Officers (As of end of June 2024)



**Tatsuya Nunohara**  
Representative Director, President, CEO  
Attended 13/13 of Board of Directors Meeting in FY2023

1982 Apr. Joined Company  
2013 Apr. Executive Officer, Deputy Executive General Manager, Engineering Div.  
2015 Apr. Executive General Manager, Engineering Div.  
2017 Apr. Executive General Manager, Production Div.  
2017 Jun. Director  
2018 Apr. Executive General Manager, Special Purpose Vehicles Business Div.  
2018 Jun. Associate Senior Executive Officer  
2020 Jun. Representative Director, President, CEO (current)



**Takeo Norimitsu**  
Representative Director, Senior Managing Director, Senior Executive Officer  
Attended 13/13 of Board of Directors Meeting in FY2023

1982 Apr. Joined Company  
2011 Apr. Executive Officer, General Manager, Overseas Business Development Dept.  
2017 Apr. Division Director, Overseas Business Div., General Manager, Overseas Sales Dept.  
2017 Jun. Director (current)  
2018 Apr. Director, KYOKUTO SPECIAL AUTOMOBILE TRADING (SHANG HAI) CO., LTD.  
2019 Jun. Director, KYOKUTO KAIHATSU (KUNSHAN) MACHINERY CO., LTD.  
2019 Jun. Associate Senior Executive Officer  
2020 Sept. Director, SATRAC ENGINEERING PRIVATE LIMITED (current)  
2022 Apr. Executive General Manager, Administration Div. (current), General Manager, Corporate Planning Dept., involved in overseas business (current), and car parking systems business (current)  
2024 Apr. Senior Executive Officer (current)  
2024 Jun. Representative Director, Senior Managing Director, Senior Executive Officer (current)



**Noboru Horimoto**  
Director, Associate Senior Executive Officer  
Attended 13/13 of Board of Directors Meeting in FY2023

1988 Apr. Joined Company  
2008 Apr. General Manager, Construction Dept., Environmental Equipment and Systems Div.  
2010 Apr. General Manager, Engineering Dept., Environmental Equipment and Systems Div.  
2011 Apr. Executive Officer, Deputy Division Director of the Environmental Equipment and Systems Div.  
2013 Apr. Executive General Manager, Sales Dept. of the Environmental Equipment and Systems Div., and General Manager, Service Dept. of the Environmental Equipment and Systems Div.  
2013 Oct. General Manager, Environmental Planning Office, Environmental Equipment and Systems Div.  
2019 Apr. Division Director, Environmental Equipment and Systems Div. (current)  
2019 Jun. Director (current), involved in environmental equipment and systems business-related companies (current)  
2022 Apr. Associate Senior Executive Officer (current)  
2023 Apr. Executive General Manager, Engineering Dept., Environmental Equipment and Systems Div.



**Teruyuki Kizu**  
Director, Associate Senior Executive Officer  
Attended 13/13 of Board of Directors Meeting in FY2023

1992 Nov. Joined Company  
2016 Apr. Plant Manager, Miki Plant  
2017 Apr. Plant Manager, Yokohama Plant  
2018 Apr. Executive Officer  
2019 Apr. Executive General Manager, Production Div.  
2021 Apr. Associate Senior Executive Officer (current)  
2022 Apr. Division Director, Special Purpose Vehicles Div. (current)  
2022 Apr. Representative Director, KYOKUTO SPECIAL AUTOMOBILE TRADING (SHANG HAI) CO., LTD. (current)  
2022 Apr. Representative Director of KYOKUTO KAIHATSU (KUNSHAN) MACHINERY CO., LTD. (current)  
2022 Jun. Director (current)



**Tetsuya Ichimura**  
Director, Executive Officer  
Newly appointed in 2024

2003 Sep. Joined Company  
2019 Apr. General Manager, Finance Dept., Administration Div. (current)  
2022 Apr. Executive Officer (current)  
2024 Jun. Auditor of NIPPON TREX Co., Ltd. (current)  
2024 Jun. Director (current)



**Hiroyuki Terakawa**  
Director (Outside, Independent Officer)  
Attended 13/13 of Board of Directors Meeting in FY2023

1979 Apr. Joined Hanshin Electric Railway Co., Ltd.  
2001 Jul. Manager, Nishi Umeda Management Dept.  
2005 Jul. Manager, Umeda Business Dept.  
2007 Oct. Director, Senior Executive Officer, Hankyu Hanshin Building Management Co., Ltd.  
2009 Apr. Director, Hanshin Electric Railway Co., Ltd.  
2011 Apr. Deputy General Manager of Real Estate Business Div.  
2013 Apr. Senior Managing Director  
2015 Apr. Executive General Manager, Real Estate Business Div.  
2017 Apr. Senior Management Director  
2017 Dec. Representative Director, Chairman, Hankyu Hanshin Building Management Co., Ltd.  
2018 Jan. Director, Building Owners & Managers Association, Osaka  
2022 Apr. Director, Japan Life-Style Culture Association (current)  
2022 Jun. Outside Director (current), Independent Officer, Kyokuto Kaihatsu Kogyo Co., Ltd. (current)



**Keiko Kaneko**  
Director (Outside, Independent Officer)  
Attended 13/13 of Board of Directors Meeting in FY2023

1981 Apr. Joined Matsushita Electric Industrial Co., Ltd. (current Panasonic Holdings Corporation)  
2007 Apr. Executive General Manager, Information Security Dept.  
2014 Apr. Director in charge of Personal Information Protection, Legal Affairs  
2017 Oct. Executive General Manager, Security and Compliance Dept., Benesse Holdings Inc.  
2016 Jun. Executive General Manager, Information Security Dept.  
2016 Nov. Vice Chief Director, Information Network Legal Society  
2018 Apr. Associate Professor, Business Law, Business Administration, Osaka University of Economics  
2019 Jun. Outside Director, Marudai Food Co., Ltd. (current)  
2022 Jun. Outside Director, Independent Officer of Kyokuto Kaihatsu Kogyo (current)  
2024 Jun. Outside Director, SENSHU KEDA HOLDINGS, Inc. (current), Director, The Sanshu Reda Bank, Ltd. (current)



**Takanobu Tomohiro**  
Director (Outside, Independent Officer)  
Attended 8/10 of Board of Directors Meeting in FY2023  
\*Held 10 times after being appointed

1991 Apr. Attorney registration (in Japan)  
1991 Apr. Joined Kogoshi Takizawa Law Office (currently Kobe Kaito Law Office)  
1994 Apr. Partner, Kobe Kaito Law Office (current)  
2004 Apr. Vice Chairman, Hyogo Bar Association  
2016 Apr. Outside Auditor, Sawai Pharmaceutical Co., Ltd. (currently Sawai Group Holding Co., Ltd.)  
2020 Apr. Chairman, Hyogo Bar Association  
2020 Apr. Executive Director, Japan Federation of Bar Associations  
2021 Apr. Executive Director, Kinki Federation of Bar Associations  
2021 Apr. Chairman, Regular members Council of the Hyogo Bar Association  
2023 Jun. Outside Auditor, Independent Officer (current) at Kyokuto Kaihatsu Kogyo



**Akira Sakurai**  
Standing Auditor  
Attended 13/13 of Board of Directors Meeting in FY2023

1981 Apr. Joined Company  
2000 May. Representative Director and President, Softec Co., Ltd.  
2006 Apr. General Manager, Information Systems Dept. of Kyokuto Kaihatsu Kogyo  
2009 Apr. General Manager, General Affairs and Human Resources Dept.  
2013 Apr. Executive Officer, Deputy Executive General Manager, Administration Div.  
2015 Apr. Involved in the CSR Office  
2017 Apr. General Manager, Human Resources Dept.  
2019 Apr. Director, Associate Senior Executive Officer, Executive General Manager, Administration Div.,  
2019 Apr. General Manager Audit Dept., NIPPON TREX Co., Ltd.  
2022 Jun. Standing Auditor at Kyokuto Kaihatsu Kogyo (current)



**Hiroaki Kuriyama**  
Auditor  
Attended 10/10 of Board of Directors Meeting in FY2023  
\*Held 10 times after being appointed

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



**Kuniaki Fujiwara**  
Auditor (Outside, Independent Officer)  
Attended 13/13 of Board of Directors Meeting in FY2023

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

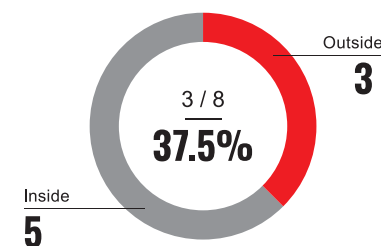


**Nobuhiro Asada**  
Auditor (Outside, Independent Officer)  
Attended 10/10 of Board of Directors Meeting in FY2023  
\*Held 10 times after being appointed

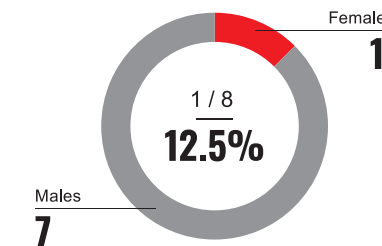
1998 Apr. Attorney registration, Joined Rokko Sogo Law Office (current Rokko Law Office)  
2010 Apr. Vice Chairman, Hyogo Bar Association  
2012 Apr. Vice Chairman, Legal Training Committee, Japan Federation of Bar Associations, Vice Chairman, Hyogo Bar Association  
2013 Apr. Deputy Director, Hyogo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

## Composition of Directors and Auditors

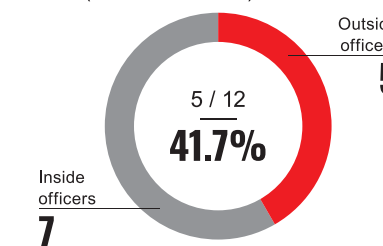
Ratio of outside directors on the Board of Directors



Ratio of female directors



Ratio of outside officers (director / auditor)



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

Skills of the Directors	Tatsuya Nunohara	Takeo Norimitsu	Noboru Horimoto	Teruyuki Kizu	Tetsuya Ichimura	Hiroyuki Terakawa*	Keiko Kaneko*	Takanobu Tomohiro*
Corporate Management / Business Strategy	●	●	●	●	●	●	●	
Production / Technology Development	●		●	●				
Sales / Marketing			●	●		●		
International Strategy		●		●				
Finance / Accounting / Capital Policy	●				●	●		
Legal Governance		●				●	●	●
Human Resources Labor Diversity					●		●	●
Sustainability	●	●	●					
IT & Digital Transformation	●	●					●	

(Note) 1. Our Company has created a skill matrix to ensure the diversity of the Board of Directors by clarifying the wealth of experience and high level views of each director in order to achieve the medium-term management plan and long-term management vision.  
2. The skills possessed by each director are based on past career experience, experience based on position, and high level of expertise in the current position, and do not represent all knowledge.

## Evaluation of Effectiveness of Board of Directors

In order to improve corporate value and strengthen corporate governance over the medium to long term, our Company conducts a Board of Directors evaluation for the purpose of confirming whether the Board of Directors is functioning effectively. As FY2023 marks the second year of our

medium-term management plan, which has a long-term management vision in mind, we engaged in research and analysis by external organizations to more appropriately implement initiatives aimed at achieving our plan and increasing our corporate value. A summary of the latest evaluation and result is as follows.

<b>Method of Evaluation</b>	Target of investigation: All directors and auditors (total of 12 people) Period of investigation: March 2024 Method of investigation: Online survey by an external agency (anonymous questionnaire) Details of investigation: Composition of the Board of Directors, knowledge-experience balance, content and management of the Board of Directors, system that support the Board of Directors
<b>Evaluation Results for FY2023</b>	The Company's current Board of Directors composition, management, support system, etc. are generally appropriate and have been evaluated to be effective. Although there are no immediate issues, we will work on each issue identified in the survey to further strengthen the Company's governance and revitalize the Board of Directors in order to realize a more sophisticated Board of Directors.

	Points that were Evaluated as Ensuring Effectiveness	Issues to Resolve to Improve the Effectiveness of the Board of Directors
<b>Composition and Management of the Board of Directors</b>	Proportion and utilization of independent outside directors and delegation of authority	Continuing measures to enhance information provision to board members, particularly outside directors
<b>Management and Business Strategies</b>	Addressing sustainability issues	Increase opportunities for discussion of management strategies and human resource strategies based on these strategies, including those outside of Board of Directors meetings
<b>Corporate Ethics and Risk Management</b>	Improve effectiveness by improving the internal reporting system	Continue to strengthen risk management systems, such as identifying risks at overseas bases and improving BCM
<b>Performance Monitoring and Management Evaluation and Compensation</b>	Appropriate selection of directors based on the skills matrix and effectiveness of the nomination and compensation committees	Appropriate information sharing with the Board of Directors regarding succession plans Additional external information related to performance monitoring provided to the Board of Directors
<b>Dialogue with Shareholders, etc.</b>	Feedback to the board of directors on the content of dialogue through IR/SR activities	Further enhancing information provision

## Compensation for Officers

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

Officer compensation, our Company has established a Compensation Committee chaired by an Outside Director, as a voluntary advisory body. In order to further share value with our shareholders, we will continue to closely monitor social trends and consider reviewing the performance-linked compensation system that is appropriate for our Company.

### Overview of decision-making policy

#### (1) Basic policy

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

#### (2) Basic compensation

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

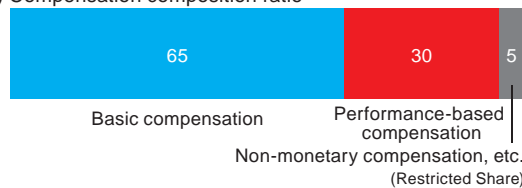
#### (3) Performance-based compensation, etc. and non-monetary compensation, etc.

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

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

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

#### (4) Compensation composition ratio



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

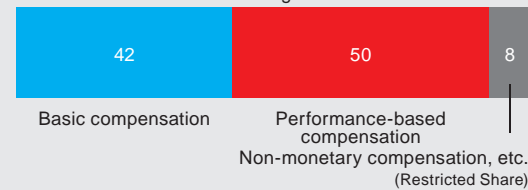
#### [Review of the executive compensation system]

In order to further strengthen the connection between corporate value and performance-based compensation, our Company resolved at the Board of Directors meeting held on January 30, 2024 to review the executive compensation system from FY2024 onwards, based on the report of the Compensation Committee (excluding Outside Directors).

#### (1) Overview of the review

By reducing basic compensation and introducing medium- to long-term incentive compensation, which is variable remuneration over the medium- to long-term, the linkage between the increase in corporate value and compensation will be enhanced.

#### If 100% of the Performance Target is Achieved



#### (2) Medium- to long-term incentive compensation

We introduced medium- to long-term incentive compensation as an incentive to continuously improve our medium- to long-term corporate value and to further promote value sharing with our shareholders.

#### - Medium- to long-term incentive compensation indicators

##### 1) Medium-term Management Plan

Performance targets (Fiscal year ending March 31, 2025: consolidated net sales of 140 billion yen or more, consolidated operating margin of 7% or more)

##### 2) Management efficiency and shareholder value improvement targets (ROE of 6% or more and PBR of 1 times or more)

Based on a matrix that determines the amount of compensation according to the degree of achievement of each indicator, the amount of compensation will vary within a range of 0 to 150% of base salary according to the degree of achievement of the above two indicators. In addition, the indicators for medium- and long-term incentive compensation will be determined again for each medium-term management plan.

The reduction in base compensation, which is fixed compensation, will be equivalent to 10% of the compensation before the review, and an additional 50% for medium- to long-term incentive compensation, thereby strengthening the commitment to the achievement of the medium-term management plan and the enhancement of corporate value.

### FY2023 officer compensation

Officer Classification	Total Amount of Compensation, etc. (Million yen)	Total Amount of Compensation by Type (Million yen)			Number of Applicable Officers (Persons)
		Fixed Compensation	Performance-based Compensation	Non-monetary Compensation, etc.	
Directors (Excluding Outside Directors)	134	79	40	14	5
Auditors (Excluding Outside Auditors)	25	25	—	—	3
Outside Officers	43	43	—	—	7

#### Director compensation

The compensation is paid within the limit of 300 million yen per year as resolved at the 79th Ordinary Meeting of Shareholders held on June 26, 2014. In addition to the above, the restricted share compensation system, which falls under non-monetary compensation, is paid within 50 million yen per year and 50,000 shares per year, as resolved at the 86th Ordinary Meeting of Shareholders held on June 25, 2021.

#### Auditor compensation

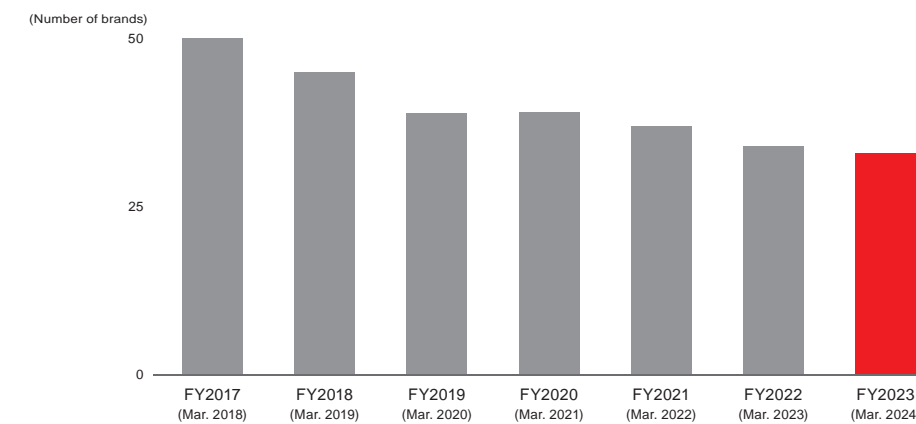
The compensation is paid within the limit of 48 million yen per year as resolved at the 73rd Ordinary Meeting of Shareholders held on June 25, 2008. Compensation for auditors is determined through discussions among auditors, taking into account the status of full-time or part-time roles and the division of duties.

## Policy Regarding Cross-shareholding

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

auditors, confirms and verifies the significance of cross holdings for each share. As a result, if there are any stocks that are not deemed to contribute to the expansion of the Group's corporate value over the medium to long term and the smooth promotion of business, we will comprehensively consider the profits and losses, financial plans, tax effects, etc. that will occur in the relevant fiscal year. The Board of Directors will determine details such as the shares to be sold and the number of shares to be sold, and after conducting necessary and sufficient communication with the target company, we will carry out the sale in a timely and appropriate manner. In addition, this progress will be followed up at the Board of Directors meeting every quarter.

#### State of cross-shareholding reduction



Number of sales since FY2017  
**18** specified brands  
Approx. **4.2** billion yen

## Sustainability Data Collection

## Environment

## Energy consumption

Kyokuto Kaihatsu Group (Domestic and Overseas)\*1

	FY2019	FY2020	FY2021	FY2022	FY2023
Energy consumption (kL)					
Domestic	11,204	11,134	10,999	10,505	9,705
Overseas	376	400	1,444	1,589	1,429
Group total	11,580	11,534	12,443	12,094	11,135

CO<sub>2</sub> emissions (t-CO<sub>2</sub>)

Kyokuto Kaihatsu Group (Domestic and Overseas)\*1

	FY2019	FY2020	FY2021	FY2022	FY2023
Scope 1 (Direct emissions)					
Domestic	8,643	7,556	7,853	7,863	8,063
Overseas	120	124	333	570	403
Total	8,763	7,680	8,186	8,433	8,466
Scope 2 (Indirect emissions)					
Domestic	14,774	14,162	14,549	11,683	13,076
Overseas	-	-	-	-	-
Market-based method <sup>2</sup> Total	14,774	14,162	14,549	11,683	13,076
Domestic	13,440	13,551	13,073	12,548	12,931
Overseas	685	936	3,922	4,161	5,167
Location-based method <sup>3</sup> Total	14,125	14,487	16,995	16,709	18,098
Total CO <sub>2</sub> emissions					
Market-based method <sup>4</sup>	24,222	22,778	26,657	24,277	26,709
Location-based method <sup>4</sup>	22,888	22,167	25,181	25,142	26,564

\*1 Calculated from FY2020 for Kyokuto Indomobil Manufacturing Indonesia. Calculated from FY2021 for F.E. Auto and SATRAC ENGINEERING PRIVATE LIMITED.

\*2 Market-based method: method that uses emission factors based on electricity purchase contracts. In Japan, emission coefficients by electric power company (Ministry of the Environment and Ministry of Economy, Trade and Industry) are used.

\*3 Location-based method: A method of calculation using the average emission coefficients for electricity generated in a specific area such as a country or region. In Japan, the national average coefficients (Ministry of the Environment and Ministry of Economy, Trade and Industry) are used. Overseas, IGES List of Grid Emission Factors (IGES) are used.

\*4 Domestic emissions are calculated using the market-based method, while overseas emissions are calculated using the location-based method.

CO<sub>2</sub> emissions based on medium-term management plan targets (per unit of sales)

Kyokuto Kaihatsu Kogyo, NIPPON TREX, Kyokuto Kaihatsu Parking

	FY2020 (reference year)	FY2021	FY2022	FY2023
CO <sub>2</sub> emission volume (t)	21,277	21,353	18,091	19,725
Net sales (million yen)	110,260	107,099	100,248	113,530
Unit (t-CO <sub>2</sub> /million yen)	0.19	0.20	0.18	0.17
Results compared to FY2020 (%)	-	3.3	-6.5	-10.0

## Solar power generation

Kyokuto Kaihatsu Group (Domestic and Overseas)

	FY2019	FY2020	FY2021	FY2022	FY2023
Self-consumption					
Kyokuto Kaihatsu Kogyo Miki Plant: 1,999kW scale (kWh)	-	-	-	-	476,156
Kyokuto Kaihatsu Kogyo Nagoya Plant: 16.5kW scale (kWh)	-	-	-	-	2,555
Total	-	-	-	-	478,711

## Electricity sales

Kyokuto Kaihatsu Kogyo Fukuoka Plant: 1,500kW scale (kWh)	1,722,740	1,789,776	1,697,768	1,876,940	1,843,799
Kyokuto Kaihatsu Kogyo Former Tohoku Plant: 1,500kW scale (kWh)	2,347,819	2,166,445	2,369,608	2,134,630	2,224,989
Otowa Plant of NIPPON TREX: 350kW scale (kWh)	520,697	521,956	517,703	516,900	519,971
Total	4,591,256	4,478,177	4,585,079	4,528,470	4,588,759

## VOC emissions

Kyokuto Kaihatsu Kogyo

	FY2019	FY2020	FY2021	FY2022	FY2023
Total VOC emissions (t)	68	72	75	61	65
Intensity (g/m <sup>2</sup> )*	79	96	103	98	99

\*VOC emissions per unit of painted area

## Water resource input and discharge volumes

Kyokuto Kaihatsu Group (Domestic and Overseas)\*

	FY2019	FY2020	FY2021	FY2022	FY2023
Input amount (m <sup>3</sup> )	207,318	236,617	280,869	243,716	300,530
Discharge (m <sup>3</sup> )	184,348	203,474	201,625	228,197	264,196

\*Calculated from FY2022 for Shinko Automobile, Hokuriku Heavy Industries, Shinko Automobile, Hokuriku Heavy Industries, and FE-AUTO; from FY 2023 overseas bases.

## Waste emissions and recycling rate

Kyokuto Kaihatsu Kogyo, NIPPON TREX, Kyokuto Kaihatsu Parking

	FY2019	FY2020	FY2021	FY2022	FY2023
Total amount of waste (t)	2,681	2,345	2,426	2,132	2,593
Recycling volume (t)	2,639	2,303	2,388	2,068	2,537
Final disposal amount (t)	42	42	38	64	56
Recycling rate (%)	98.4	98.2	98.4	97.0	97.8

## Human Resources

## Basic information

Kyokuto Kaihatsu Group (Domestic and Overseas)  
\*Includes permanent and contract employees

FY2023 Employees (people)	Males		Females	
	Under 20s	20s	30s	40s
	28	577	690	672
	3	54	92	118
		668	224	24
		64	22	1
		24	1	
Total	2,883	354		
Average years of service (years)	13.7	10.1		

## Recruitment information

Kyokuto Kaihatsu Group (Domestic) \*Permanent employees only

FY2023 Hiring (people)	Males		Females	
	Under 20s	20s	30s	40s
	New graduates: 28	Mid-career: 0	New graduates: 2	Mid-career: 0
	21	59	3	9
		53		9
		23		10
		13		1
		1		0
Total	198	34		
Three-year turnover rate for new graduates (%)				16.7

## Diversity

Kyokuto Kaihatsu Group (Domestic and Overseas) \*Calculated based on permanent employees and contract employees

FY2023		All employees	Permanent employees	Contract employees / part-time employees
Promoting the active participation of women	Female managers (people)		4	
	Percentage of female managers (%)		1.0	
	Female assistant managers (people)		9	
	Percentage of female assistant managers (%)		3.5	
International employees	International employees (people)*		434	
	Technical intern trainees (people)		66	
	Specified technical intern trainees (people)		6	
Employees with disability (people)			54	
People rehired after retirement (people)			222	
Wage difference between male and female employees (%)				
	Kyokuto Kaihatsu Kogyo	62.2	66.3	63.9
	NIPPON TREX	71.4	71.7	74.4
	Domestic group consolidated	61.1	69.6	58.5

\*Calculated based on total wages including wages, salaries, allowances, and bonuses

## Work-life balance

Kyokuto Kaihatsu Group (Domestic)

\*Calculated for permanent and contract employees

FY2023		
Childcare leave taken (people)	Male	30
	Female	15
	Total	45
Childcare leave taken (%)	Male	43.9
	Female	100
Return rate after childcare leave (%)	Male	100
	Female	85.7
Retention rate after childcare leave (%)	Male	87.5
	Female	94.1
Paid leave*	Average number of days taken (days)	13.4
	Average acquisition rate (%)	77.4
Work hours (hours)*	Average total work hours	2,161.8
	Average monthly overtime hours	26.2

\*Paid leave and work hours calculated for permanent employees only

## Occupational health and safety

Kyokuto Kaihatsu Group (Domestic)

\*Calculated for permanent employees, contract employees, and employees of in-house partner companies

FY2023		
Number of occupational accidents (cases)		
	Number of accidents without lost work time	32
	Number of accidents with lost work time	13
	Number of fatal accidents	0
	Total	45

\* According to our Group standards, the number of accidents with lost work time is counted if even one day of work is missed due to the incident.

## Key Financial Data

 Changes in Key Management Indicators (11 years)

	Unit	FY2013 (As of end of Mar. 2014)	FY2014 (As of end of Mar. 2015)	FY2015 (As of end of Mar. 2016)	FY2016 (As of end of Mar. 2017)	FY2017 (As of end of Mar. 2018)	FY2018 (As of end of Mar. 2019)	FY2019 (As of end of Mar. 2020)	FY2020 (As of end of Mar. 2021)	FY2021 (As of end of Mar. 2022)	FY2022 (As of end of Mar. 2023)	FY2023 (As of end of Mar. 2024)
<b>Profit and loss information (fiscal year)</b>												
Net sales	Million Yen	90,911	99,331	103,862	106,745	112,690	114,301	120,173	117,170	116,910	113,089	128,026
Gross profit	Million Yen	20,207	20,958	22,110	23,492	23,241	22,310	22,945	23,161	21,168	16,007	20,702
Selling, general and administrative expenses (excluding R&D expenses)	Million Yen	10,774	10,054	10,200	10,829	11,418	12,350	12,972	12,571	12,680	13,431	14,288
Research and development expenses	Million Yen	1,394	1,485	1,409	1,515	1,577	1,405	1,479	1,509	1,513	1,583	1,589
Operating profit	Million Yen	8,037	9,418	10,500	11,146	10,245	8,554	8,493	9,080	6,974	991	4,825
Income before income taxes	Million Yen	7,213	7,026	9,449	10,753	9,889	9,155	8,699	9,126	20,671	5,251	5,328
Tax expenses	Million Yen	3,559	2,683	3,408	2,804	3,040	3,094	2,730	2,407	6,405	1,581	1,702
Net income attributable to parent company shareholders	Million Yen	3,645	4,332	6,034	8,130	7,190	6,284	6,073	6,774	14,274	3,580	3,501
<b>Financial status (end of fiscal year)</b>												
Total assets	Million Yen	110,743	119,120	120,539	128,542	138,859	138,878	136,579	142,740	154,350	158,156	170,398
Corporate bonds and borrowings	Million Yen	8,281	8,191	8,892	6,779	5,519	4,138	2,206	1,044	1,234	11,068	11,829
Net worth*	Million Yen	62,779	68,617	71,665	80,107	87,030	90,157	92,181	100,282	112,686	111,537	117,000
<b>Information per share</b>												
Net income per share	Yen	91.76	109.06	151.88	204.66	180.99	158.20	152.87	170.49	358.35	90.91	91.49
Net assets per share	Yen	1,580.16	1,727.14	1,803.87	2,016.39	2,190.68	2,269.44	2,320.42	2,522.28	2,825.08	2,910.33	3,052.00
Cash dividend	Yen	21.0	26.0	31.0	34.0	36.0	38.0	40.0	42.0	54.0	54.0	87.0
Dividend payout ratio	%	22.9	23.8	20.4	16.6	19.9	24.0	26.2	24.6	15.1	59.0	95.1
Total payout ratio	%	22.9	23.8	20.4	16.6	19.9	24.0	26.2	24.6	15.1	125.5	98.6
<b>Cash flow (fiscal year)</b>												
Cash and cash equivalents (end balance)	Million Yen	14,378	10,102	12,613	17,584	21,357	19,083	20,065	21,240	37,248	32,064	19,397
Cash flow from operating activities	Million Yen	9,387	1,097	6,910	11,973	10,857	4,029	5,799	8,263	6,867	-3,416	-1,845
Cash flow from investment activities	Million Yen	-2,038	-4,177	-3,434	-3,274	-4,083	-3,230	-2,746	-4,304	10,661	-6,823	-9,482
Cash flow from financing activities	Million Yen	476	-1,221	-948	-3,773	-2,973	-3,056	-2,284	-2,771	-1,555	5,121	-1,496
Depreciation and amortization expenses	Million Yen	1,678	1,792	1,979	2,212	2,528	2,644	2,624	2,805	2,908	2,883	3,069
<b>Other financial information</b>												
Gross profit margin	%	22.2	21.1	21.3	22.0	20.6	19.5	19.1	19.8	18.1	14.2	16.2
Operating profit margin	%	8.8	9.5	10.1	10.4	9.1	7.5	7.1	7.7	6.0	0.9	3.8
Return on total assets (ROA)	%	3.5	3.8	5.0	6.5	5.4	4.5	4.4	4.9	9.6	2.3	2.1
Return on equity (ROE)	%	6.0	6.6	8.6	10.7	8.6	7.1	6.7	7.0	13.4	3.2	3.1
Equity ratio	%	56.7	57.6	59.5	62.3	62.7	64.9	67.5	70.3	73.0	70.5	68.7
Capital investment	Million Yen	2,247	2,678	2,785	2,725	3,202	2,066	3,973	3,850	5,157	11,804	11,410

\*Equity Capital = Total net assets - Non-controlling interests

## Consolidated Balance Sheet

Assets	(Unit: million yen)	
	Previous Consolidated FY (March 31, 2023)	Current Consolidated FY (March 31, 2024)
<b>Current assets</b>		
Cash and deposits	19,331	15,740
Notes receivable	4,475	5,486
Accounts receivable	22,107	28,275
Contract assets	1,715	2,286
Electronically recorded monetary claims	8,416	9,651
Securities	14,300	3,700
Goods and products	1,371	2,192
Work in progress	8,452	8,989
Raw materials and supplies	11,459	12,574
Prepaid expenses	416	385
Other	1,482	2,185
Allowance for doubtful accounts	-53	-62
<b>Total current assets</b>	<b>93,474</b>	<b>91,405</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures (net)	12,343	17,544
Machinery, equipment and vehicles (net)	5,052	5,873
Land	27,552	29,148
Construction in progress	2,224	2,988
Others (net amount)	1,060	1,244
<b>Total tangible fixed assets</b>	<b>48,233</b>	<b>56,799</b>
<b>Intangible fixed assets</b>		
Goodwill	684	661
Customer related assets	422	436
Other	1,190	1,092
<b>Total intangible fixed assets</b>	<b>2,296</b>	<b>2,190</b>
<b>Investments and other assets</b>		
Investment securities	12,546	17,149
Long-term loans	420	221
Long-term prepaid expenses	341	297
Retirement benefit-related assets	-	1,187
Deferred tax assets	342	343
Other	1,395	1,521
Allowance for doubtful accounts	-895	-718
<b>Total investments and other assets</b>	<b>14,151</b>	<b>20,002</b>
<b>Total fixed assets</b>	<b>64,681</b>	<b>78,992</b>
<b>Total assets</b>	<b>158,156</b>	<b>170,398</b>

Liabilities	(Unit: million yen)	
	Previous Consolidated FY (March 31, 2023)	Current Consolidated FY (March 31, 2024)
<b>Current liabilities</b>		
Notes and accounts payable - trade	9,618	9,141
Electronically recorded monetary claims	9,291	13,373
Short-term loans	902	1,684
Long-term loans scheduled to be repaid within one year	25	8
Accrued corporate taxes, etc.	1,483	733
Accrued consumption tax, etc.	596	813
Accrued expenses	4,649	5,098
Product warranty reserve	721	868
Reserve for construction losses	898	374
Other	1,651	2,337
<b>Total current liabilities</b>	<b>29,838</b>	<b>34,433</b>
<b>Fixed liabilities</b>		
Corporate bonds	2,800	2,800
Long-term loans	7,340	7,336
Liabilities related to retirement benefits	98	40
Reserve for directors' retirement benefits	107	79
Deferred tax liability	4,814	6,775
Other	1,193	1,280
<b>Total fixed liabilities</b>	<b>16,353</b>	<b>18,313</b>
<b>Total liabilities</b>	<b>46,192</b>	<b>52,746</b>
<b>Net assets</b>		
<b>Shareholder equity</b>		
Capital	11,899	11,899
Capital surplus	11,679	11,750
Earned surplus	85,362	86,719
Treasury stock	-1,801	-1,836
<b>Total shareholders' equity</b>	<b>107,139</b>	<b>108,533</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,402	7,419
Foreign currency translation adjustments	96	366
Cumulative amount of adjustments related to retirement benefits	-100	680
<b>Total accumulated other comprehensive income</b>	<b>4,397</b>	<b>8,466</b>
<b>Non-controlling interests</b>	<b>426</b>	<b>652</b>
<b>Total net assets</b>	<b>111,964</b>	<b>117,652</b>
<b>Total liabilities and net assets</b>	<b>158,156</b>	<b>170,398</b>



## Consolidated Profit and Loss statement

(Unit: million yen)

	Previous Consolidated FY From April 1, 2022 To March 31, 2023	Current Consolidated FY From April 1, 2023 To March 31, 2024
Net sales	113,089	128,026
Cost of sales	97,081	107,324
Gross profit	16,007	20,702
Selling, general and administrative expenses	15,015	15,877
Operating profit	991	4,825
Non-operating income		
Interest and dividends received	343	394
Exchange gains	-	386
Equity method investment gains	-	83
Insurance surrender value	114	-
Miscellaneous income	105	145
Total non-operating income	562	1,009
Non-operating expenses		
Interest expenses	42	63
Equity method investment losses	5	-
Exchange loss	160	-
Miscellaneous expenses	158	154
Total non-operating expenses	366	217
Ordinary income	1,187	5,617
Extraordinary income		
Gains on sales of fixed assets	3,283	1
Gains on sale of investment securities	988	61
Subsidy income	-	295
Other	11	2
Total extraordinary income	4,282	10,661
Extraordinary loss		
Loss on disposal of fixed assets	121	288
Fixed asset reduction loss	-	295
Loss on sale of investment securities	19	14
Losses due to disaster	23	11
Other	53	39
Total extraordinary losses	218	650
Income before income taxes	5,251	5,328
Corporate tax, resident tax and business tax	2,575	1,433
Corporate tax adjustment amount	-994	269
Total corporate taxes, etc.	1,581	1,702
Net income	3,669	3,626
Net income attributable to non-controlling interests	88	124
Net profit attributable to owners of parent	3,580	3,501
Net income	3,669	3,626
Other comprehensive income		
Valuation difference on available-for-sale securities	-195	3,015
Foreign currency translation adjustments	25	283
Adjustments related to retirement benefits	-36	781
Share of other comprehensive income of entities accounted for using equity method	23	21
Total other comprehensive income	-182	4,101
Comprehensive income	3,486	7,728
(Breakdown) Comprehensive income related to owners of parent	3,385	7,570
Comprehensive income related to non-controlling shareholders	101	157

## Consolidated Statement of Comprehensive Income

## Consolidated Statement of Changes in Net Assets

Previous Consolidated Fiscal Year (April 1, 2022 to March 31, 2023)

(Unit: million yen)

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

Current Consolidated Fiscal Year (April 1, 2023 to March 31, 2024)

(Unit: million yen)

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net income
	Capital	Capital surplus	Profit surplus	Treasury stock	Total Shareholders' equity	Other valuation difference on securities	Foreign currency translation adjustments	Cumulative adjustment amount related to retirement benefits	Total accumulated other comprehensive income		
Balance at the beginning of the current period	11,899	11,679	85,362	-1,801	107,139	4,402	96	-100	4,397	426	111,964
Payment of dividends	-	-	-2,144	-	-2,144	-	-	-	-	-	-2,144
Net income attributable to parent company shareholder	-	-	3,501	-	3,501	-	-	-	-	-	3,501
Acquisition of treasury stock	-	-	-	-122	-122	-	-	-	-	-	-122
Disposal of treasury stock	-	71	-	87	158	-	-	-	-	-	158
Current period changes in items other than shareholders' equity (net amount)	-	-	-	-	-	3,016	270	781	4,068	225	4,294
Total amount of changes for the current period	-	71	1,357	-34	1,393	3,016	270	781	4,068	225	5,688
Balance at end of current period	11,899	11,750	86,719	-1,836	108,533	7,419	366	680	8,466	652	117,652

## Consolidated Cash Flow Statement

(Unit: million yen)

	Previous Consolidated FY From April 1, 2022 To March 31, 2023	Current Consolidated FY From April 1, 2023 To March 31, 2024
<b>Cash flow from operating activities</b>		
Income before income taxes	5,251	5,328
Depreciation and amortization expenses	2,883	3,069
Goodwill amortization amount	94	97
Increase/decrease in liability related to retirement benefits (- indicates a decrease)	-141	-122
Increase/decrease in allowance for doubtful accounts (- indicates decrease)	-3	8
Increase/decrease in other provisions (- indicates a decrease)	-133	117
Interest and dividends received	-343	-394
Interest expenses	42	63
Other non-operating profits and losses (- indicates a profit)	63	-230
Equity method investment profit/loss (- indicates a profit)	5	-83
Gain/loss on sale of securities (- indicates a profit)	-968	-47
Gain/loss on sale of fixed assets (- indicates a profit)	-3,283	-1
Gain/loss on disposal of fixed assets (- indicates a profit)	44	78
Increase/decrease in trade receivables (- indicates an increase)	1,803	-8,867
Increase/decrease in inventories (- indicates an increase)	-2,041	-2,366
Increase/decrease in trade payables (- indicates a decrease)	-4,242	3,503
Increase/decrease in accrued consumption taxes, etc. (- indicates a decrease)	-423	220
Other	-207	-243
Subtotal	-1,599	130
Amount of interest and dividends received	400	405
Interest payment amount	-42	-64
Amount of corporate tax etc. paid	-2,174	-2,316
Cash flow from operating activities	-3,416	-1,845
<b>Cash flow from investment activities</b>		
Expenditures for acquisition of fixed assets	-11,421	-10,818
Proceeds from sale of fixed assets	3,934	4
Expenditures for acquisition of investment securities	-89	-69
Proceeds from sale of investment securities	2,208	311
Expenditures for acquisition of subsidiary shares	-	-369
Expenditures for acquisition of securities	-1,500	-
Proceeds from redemption of securities	-	1,500
Increase/decrease in short-term loans (- indicates an increase)	10	-91
Payments of long-term receivable	-5	-8
Collection of long-term receivable	40	30
Other	-1	26
Cash flow from investment activities	-6,823	-9,482
<b>Cash flow from financing activities</b>		
Increase/decrease in short-term loans payable (- indicates a decrease)	-72	767
Proceeds from long-term loans payable	7,200	-
Repayments of long-term loans payable	-103	-21
Proceeds from issuance of corporate bonds	2,800	-
Purchase of treasury stock	-2,379	-122
Proceeds from sale of treasury shares	87	-
Repayments of lease obligations	-54	-46
Proceeds from contributions from non-controlling shareholders	-	68
Cash dividends paid	-2,356	-2,142
Cash flow from financing activities	5,121	-1,496
Effect of exchange rate change on cash and cash equivalents	-66	158
Increase/decrease in cash and cash equivalents (- indicates a decrease)	-5,184	-12,666
Cash and cash equivalents at beginning of period	37,248	32,064
Cash and cash equivalents at end of period	32,064	19,397

## Stock Information

\*As of March 31, 2024

### Basic Information

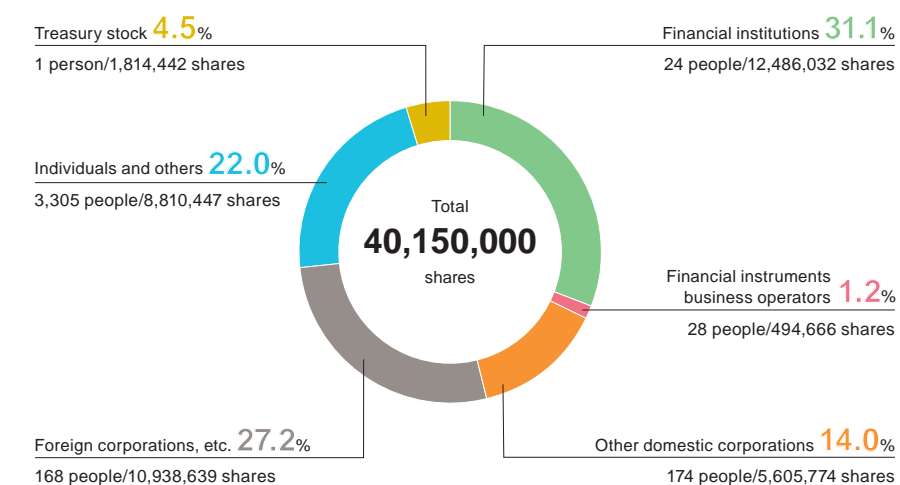
Listing Exchange	Tokyo Stock Exchange Prime Market	Number of Shares Constituting One Unit	100 shares
Ticker Symbol	7226	Total Number of Authorized Shares	170,950,672 shares
Fiscal Year	From April 1 to March 31 of the following year	Total Number of Issued Shares	40,150,000 shares
Ordinary General Meeting of Shareholders	Every June	Number of shareholders	3,700 people
Dividend Recipient Shareholder Determination Date	End of period March 31st Interim period September 30th		

### Major Shareholders

	Number of shares owned (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account).....	4,101	10.70
INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP .....	2,101	5.48
Sumitomo Mitsui Banking Corporation.....	1,600	4.17
Kyokuto Kaihatsu Kyoeikai .....	1,540	4.02
Custody Bank of Japan, Ltd. .... (Resona Bank re-trust portion / Minato Bank retirement benefit trust account)	1,498	3.91
Kyokuto Kaihatsu Employee Stock Ownership Association.....	1,094	2.85
Custody Bank of Japan, Ltd. (trust account) .....	1,089	2.84
Mitsubishi UFJ Trust and Banking Corporation .....	1,012	2.64
Ikuo Miyahara .....	814	2.12
INTERTRUST TRUSTEES CAYMAN LIMITED AS TRUSTEE OF JAPAN-UP UNIT TRUST .....	754	1.97

(Note) Shareholding ratio is calculated after deducting Company held treasury stock (1,814,000 shares).

### Stock Distribution by Owner



## Company Overview (As of March 31, 2024)

Company Name	Kyokuto Kaihatsu Kogyo Co., Ltd.
Head Office	Kyokuto Kaihatsu Group Head Office Building 2-5-11 Awajimachi, Chuo-ku Osaka 541-8519 Japan Phone 06-6205-7800
Website	www.kyokuto.com
Establishment	June 1, 1955
Capital	11,899 million yen
Number of Employees	Consolidated 3,237 people Non-consolidated 1,133 people



## Affiliated Company Information (As of March 31, 2024)

### Special Purpose Vehicles Business

#### Domestic bases

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

#### International bases

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

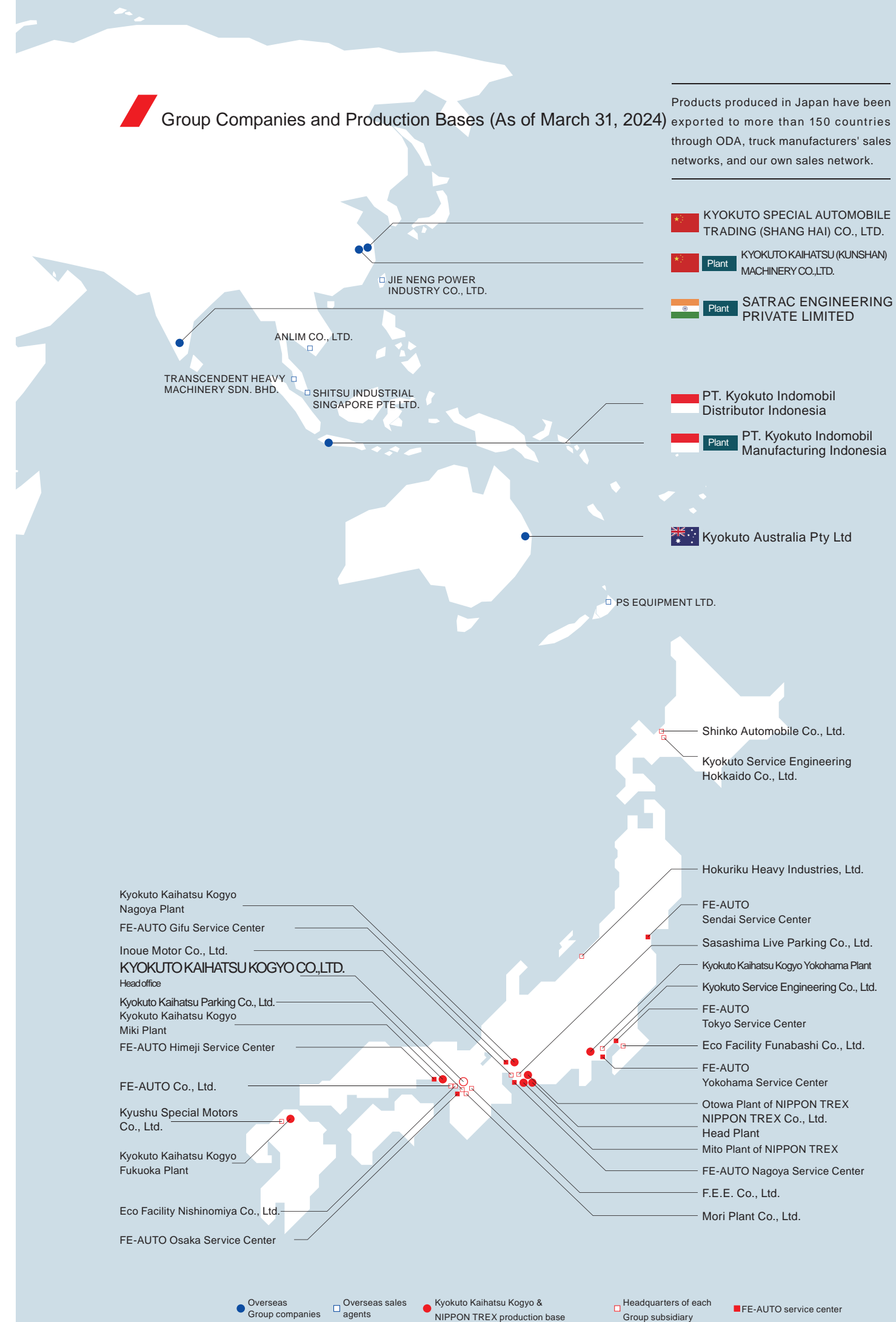
### Environmental Equipment and Systems Business

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

### Car Parking Systems Business

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

## Group Companies and Production Bases (As of March 31, 2024)



### Third-party assurance of CO<sub>2</sub> emissions data

Kyokuto Kaihatsu Group underwent an independent third-party verification by LRQA Limited to enhance the reliability of CO<sub>2</sub> emissions performance data.

▷ See here for more details. URL: [www.kyokuto.com/en/company/pdf/IndependentAssurance2023.pdf](http://www.kyokuto.com/en/company/pdf/IndependentAssurance2023.pdf)

\*The published assurance results are for CO<sub>2</sub> emissions in FY2023.



### External evaluation & awards

#### SRI (Socially Responsible Investment)

Kyokuto Kaihatsu Kogyo has been selected as a constituent of the FTSE Blossom Japan Sector Relative Index, which recognizes Japanese companies excelling in Environmental, Social, and Governance (ESG) initiatives. This index has been adopted as a benchmark for ESG passive investment by the Government Pension Investment Fund (GPIF), the world's largest pension fund, and Kyokuto Kaihatsu Kogyo has been selected for the third consecutive year.



**FTSE Blossom  
Japan Sector  
Relative Index**

#### Environment

Kyokuto Kaihatsu Kogyo discloses information on climate change and water security through the CDP, an international non-profit organization that operates an environmental information disclosure system. In 2023, the Company was selected as a B List Company for climate change and a C List Company for water security.



#### Health Management

Kyokuto Kaihatsu Kogyo and NIPPON TREX have been certified as a Health and Productivity Management Outstanding Organizations 2024 (Large Enterprise Category) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. Kyokuto Kaihatsu Kogyo has received this certification for four consecutive years, while NIPPON TREX has been recognized for five consecutive years.



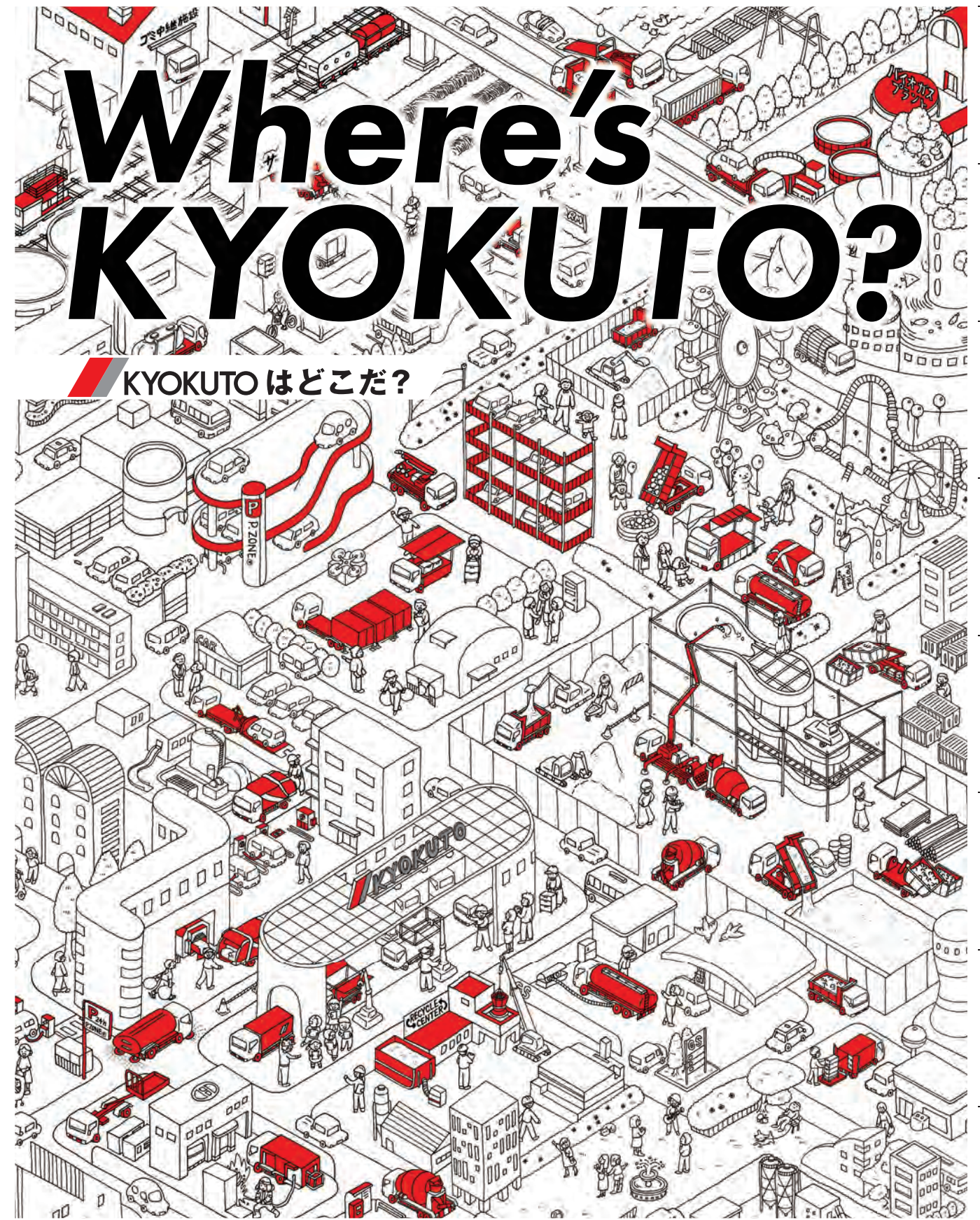
#### Other

- The Company has been re-certified as an Aichi Brand Company. [NIPPON TREX]
- The Company has received a letter of appreciation for our social contribution activities from the management association of the industrial park in which our plant is located. [Kyokuto Indomobil Manufacturing Indonesia]
- The Company has received a letter of appreciation from the Purwakarta City Fire Department for fire training. [Kyokuto Indomobil Manufacturing Indonesia]

### Dialogue with stakeholders

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

Stakeholders	Purpose of the Dialogue	Method
Customers	<ul style="list-style-type: none"> <li>■ Promoting mutual understanding and building better relationships</li> <li>■ Producing better products</li> </ul>	<ul style="list-style-type: none"> <li>■ Various seminars</li> <li>■ Customer consultation desk, disclosure of recall information</li> </ul>
Employees	<ul style="list-style-type: none"> <li>■ Improving the workplace environment, reviewing labor and personnel policies</li> <li>■ Strengthening labor-management relations, and building a comfortable and rewarding workplace</li> </ul>	<ul style="list-style-type: none"> <li>■ Various research</li> <li>■ Collective bargaining</li> <li>■ Evaluation interviews, employee awareness surveys</li> <li>■ Labor-management council</li> </ul>
Business Partners	<ul style="list-style-type: none"> <li>■ Promoting mutual understanding and building better relationships</li> </ul>	<ul style="list-style-type: none"> <li>■ Various meetings and training</li> <li>■ Business partner evaluation</li> </ul>
Shareholders Investors	<ul style="list-style-type: none"> <li>■ Improving the quality of management through dialogue</li> </ul>	<ul style="list-style-type: none"> <li>■ Ordinary General Meeting of Shareholders</li> <li>■ Financial results briefing</li> <li>■ Issuance of Securities Report and Quarterly Report</li> <li>■ Issuance of IR report</li> <li>■ Publication of corporate governance report</li> </ul>
Local Community	<ul style="list-style-type: none"> <li>■ Promoting mutual understanding and building better relationships</li> <li>■ Understanding social needs</li> </ul>	<ul style="list-style-type: none"> <li>■ Organizing events and plant tours</li> <li>■ Participation in local events</li> <li>■ Participation in economic/industry organizations and local organizations</li> </ul>



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