



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

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CSR REPORT 2022

FY2021 (fiscal year ended March 31, 2022)



Creating the society of the future, today.

The Kyokuto Kaihatsu Group aims to become a global comprehensive infrastructure manufacturer that contributes to the realization and development of a sustainable society through the spirit of outstanding technology, trust, and harmony that we have cultivated since our foundation.



Special Purpose Vehicles Division



Environmental Equipment and Systems Division



Parking Division, etc.

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Management Philosophy

Management Philosophy
Value technology and trust, make concerted efforts to develop the company, and widely contribute to 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 Principles

Company Principles
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, Harmony” as the guiding principles for our employees.

Editorial Policy

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

Organizations reported: This is a report of the activities of the Kyokuto Kaihatsu Group, with a particular focus on Kyokuto Kaihatsu Kogyo Co., Ltd., but also including the affiliated companies of the Group in Japan and overseas.
Period of report : April 1, 2021 to March 31, 2022 (Some articles include details from April 2022 and later.)
Target readers : All stakeholders who are involved with the Kyokuto Kaihatsu Group
Date of issue : October 2022
Reference guidelines : ISO 26000 guidelines, the Ministry of the Environment Environmental Reporting Guidelines (FY2018 version), the Ministry of Economy, Trade and Industry “Guidance for Collaborative Value Creation,” IIRC “International Integrated Reporting Framework”

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Tatsuya Nunohara

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

Working Together Under Our Long-Term Vision to Fulfill Our Mission as a Comprehensive Infrastructure Manufacturer

What the Kyokuto Kaihatsu Group Aims for in This Once-In-A-Century Period of Change

In May 2022, our Group announced the Long-Term Management Vision - **Kyokuto Kaihatsu 2030** -. This is because we believe that a longer-term perspective for sustainable growth is necessary in the automotive industry, which is said to be undergoing a once-in-a-century transformation. Our goal is to become a “leading global infrastructure manufacturer contributing to the realization and development of a sustainable society.” We see the changes of the times as opportunities rather than risks, and are using them as fuel for growth. “Medium-Term Management Plan 2022–24 -*Creating The Future As One*-” is the first step in our long-term management vision, and through it we will focus on building a foundation to respond to changes that may occur in the future and promote initiatives to address all risks and opportunities.

The Attitude toward Carbon Neutrality Expected by the Industry

Carbon neutrality is a huge challenge for the automotive industry. We recognize that our Group in particular is expected to play a leading role.

For example, we have set a target of reducing CO₂ emissions by 38% (compared to fiscal 2013) by FY2030. In the first three years, we are aiming for a 10% reduction (compared to FY2020). This is just the amount of CO₂ emitted through our business activities, and we also need to pay attention to CO₂ emissions from product use. Efforts to improve transportation efficiency, such as by developing energy-saving products and increasing the size of vehicles, are effective in reducing CO₂ emissions throughout society. Our Group aims to contribute to the early realization of carbon neutrality by capitalizing on its technological strengths.

Strengthening Synergies and Building a Corporate Structure That Can Respond Quickly to Changes in the Times

The key phrase in this is “strengthening synergies.” We will create an environment conducive to innovation by promoting not only cooperation among departments but also active technological exchange with other Group companies, combining the technologies and know-how accumulated by each company. We believe that delivering products to society that meet the needs of the times in a more timely manner is an essential element of the Group’s strength and sustainable growth.

In terms of governance, we welcomed a female outside director in June 2022, and are promoting diversity management and further information disclosure, which includes dialogue with shareholders, the issuance of integrated reports, and responses to TCFD. In the area of occupational health and safety, we are striving to establish a solid business foundation that supports corporate growth with the aim of acquiring ISO 45001 certification at our major sites during the period of the medium-term management plan.

Supporting a Changing Society Based on Unchanging Beliefs

“Value technology and trust, make concerted efforts to develop the company, and widely contribute to society,” and “Trust, Reliability, Harmony.” I really like both the management philosophy and the company principles that our Group has advocated since its foundation. “Technology” and “trust” are the very strengths of our Group, while “Harmony” reflects a corporate culture of mutual help rather than a mere performance-based approach.

We will continue to provide products that meet the needs of the times through technological innovation, striving to create a sustainable society based on the spirit of the management philosophy and company principles that we have nurtured since our founding.

We look forward to your continued understanding and support for our Group.

History of Growth

The Kyokuto Kaihatsu Group has always provided products that meet the needs of society and contribute to its development. We will continue to flexibly respond to the changing times and contribute to the realization of a sustainable society.

Sales (million yen)

140,000-

120,000-

100,000-

80,000-

60,000-

40,000-

20,000-

0-



1964
"Tailgate lifter" launched
 This reduced the burden of loading and unloading heavy loads by saving labor in cargo handling work.



1966
"Squeeze type concrete pump" launched
 This greatly improved the productivity of concrete pouring.



1967
"Pneumatic bulk carrier" launched
 This made efficient transportation of powder possible.



1970
Entry into the recycling plant business
"Vertical type pulverizer" launched
 This made it easier to landfill and incinerate bulky waste. We also contributed to the promotion of recycling and other recycling activities.



1972
"Press type refuse truck" launched
 By compressing collected refuse with strong force, volume reduction and transportation efficiency were achieved simultaneously.



1981
"Detachable body truck" launched
 Separating containers from vehicles made it possible to streamline logistics operations such as the transportation, cargo handling, and storage of goods. Greater efficiency in transportation and improved vehicle operation rates were also achieved by greatly streamlining cargo handling and saving labor.



1989
Entry into the mechanical multistory parking equipment business
Two-stage home parking system "CAR Pochette" launched
 In order to solve the problem of parking in urban areas, we developed multistory parking equipment using technology we developed for special purpose vehicles.



1991
"Single car carrier truck" launched
 By lowering the loading platform to the ground level, it can be used to load low-height luxury and sports cars.



1998
"CG1000 tailgate lifter" launched
 Even though it is a van type truck equipped with tailgate lifter, the rear door can be opened and closed at any time, so it can connect to a dock shelter. "An airtight device for filling the gap between the loading platform of a vehicle and the loading port of a warehouse or factory"



2017
"25-m double-trailer truck" launched
 Capable of transporting two large trucks with a single vehicle. Reduced CO₂ emissions and fuel consumption by approximately 40% while maintaining the logistics volume.



2020
"Refuse truck safety support system" launched
 Improved safety and workability have been achieved by adopting high-performance cameras and AI to detect "people."

1979
 Miki Plant went into operation

1971
 Company name changed to Kyokuto Kaihatsu Kogyo, Co., Ltd.
 Itami Plant went into operation

1962
 Yokohama Plant went into operation

1961
 Head Plant went into operation

1959
 Nagoya Plant went into operation

1955
 Kyokuto Kaihatsu Kikai Kogyo, Co., Ltd. established

2003
 Kyokuto Kaihatsu (Kunshan) Machinery Co., Ltd. (China) established

2002
 Shinko Automobile Co., Ltd. included in Group

1995
 Itami/Head Plant integrated into Miki Plant

2007
 Nippon Trex Co., Ltd. included in Group

2012
 PT. Kyokuto Indomobil Manufacturing Indonesia (Indonesia) established

2016
 Mori Plant Co., Ltd. included in Group

2018
 Hokuriku Heavy Industries, Ltd. included in Group

2020
 SATRAC ENGINEERING PRIVATE LIMITED (India) included in Group

Era of Establishment
 1955 -

Era of Growth
 1963 -

Era of Transformation
 1971 -

Era of Integration
 1987 -

Era of Selection and Concentration
 1995 -

Era of Sustainable Growth
 2006 -

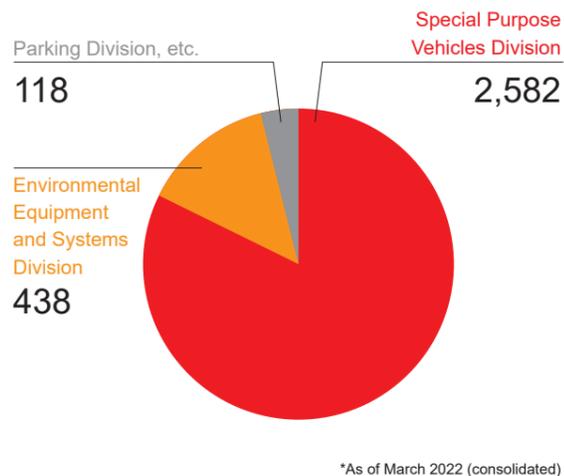
Our Group's Strengths

The Kyokuto Kaihatsu Group has its own unique capital that has been accumulated throughout its history. These capital are the strength that allows us to meet the expectations of our stakeholders and a source of sustainable growth.

Human capital

Number of employees **3,138**

A diverse range of employees work to support the Group.



Intellectual capital

R&D expenses **1.513 billion yen**

*FY2021 results (consolidated)

We are engaged in research and development activities in all fields so that we can respond quickly to the needs of society.



No. of applications for industrial property rights **70**

(Special Purpose Vehicles Division: 64, Environmental Equipment and Systems Division: 5, Parking Division, etc.: 1)
*FY2021 results (consolidated)

Professional engineers **11**

*As of March 31, 2022 (consolidated)

Social and relationship capital

Number of organizations joined **174**

*As of March 2022 (Kyokuto Kaihatsu Kogyo non-consolidated)

Aiming to collect information in various fields and contribute to local communities, we join various organizations and promote activities in cooperation with them.

Natural capital

Water consumption **280,869 tons**

*FY2021 results (Total for Kyokuto Kaihatsu Kogyo and Nippon Trex)

Electrodeposition coating (a substrate treatment using electricity) is used for many products, and a large amount of water is used in the pretreatment process. Our Group is working to conserve water at every stage of its operations, not only in terms of cost, but also to ensure that even when water use is restricted due to a disaster or other event, it does not interfere with business activities.

Manufacturing capital

Capital investment **5,157 million yen**

*FY2021 results (consolidated)

Aggressive capital investments are being made to strengthen and improve the efficiency of our production system, to expand our service system, to cope with risks such as aging and deterioration of each site, and to introduce new technologies.

Service plants

(Special Purpose Vehicles Division) **365 companies 432 locations**

*As of March 31, 2022 *Kyokuto Kaihatsu Kogyo service plants

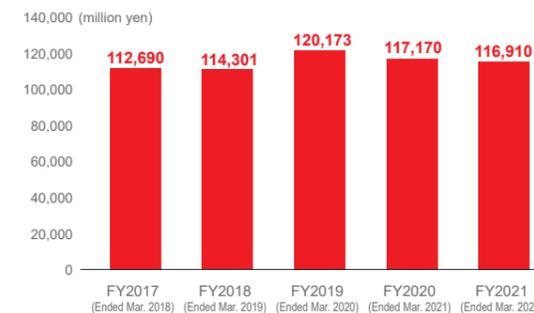
In cooperation with service plants throughout Japan, we have established a system to respond quickly to product troubles.

Financial Highlights

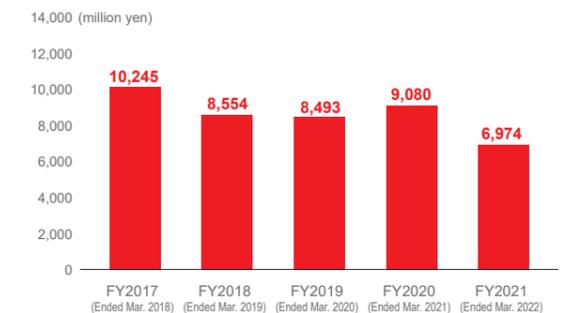
We are building a sound financial base that supports sustainable growth.

Financial capital

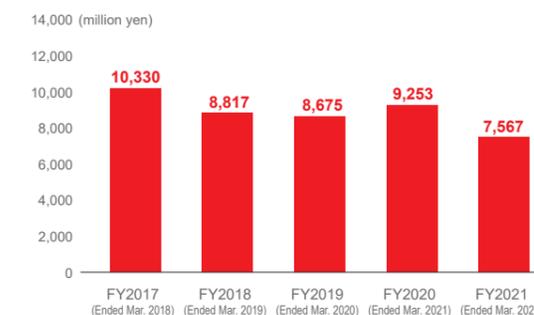
consolidated Sales



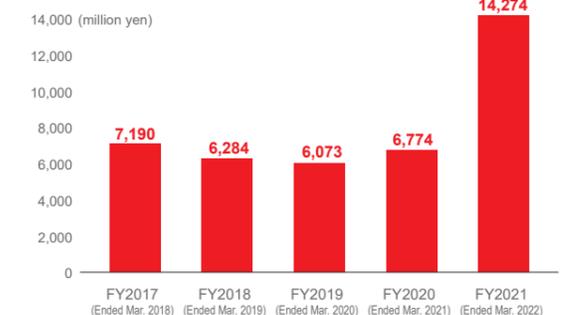
consolidated Operating profit



consolidated Ordinary income



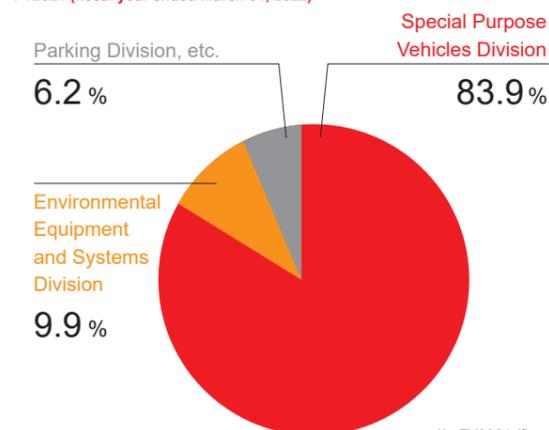
consolidated Net income attributable to owners of parent



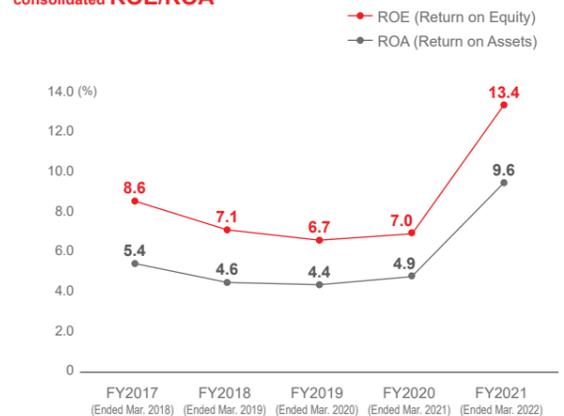
*In FY2021 (fiscal year ended March 31, 2022), an extraordinary income of 13.221 billion yen was recorded

Sales breakdown by segment

FY2021 (fiscal year ended March 31, 2022)



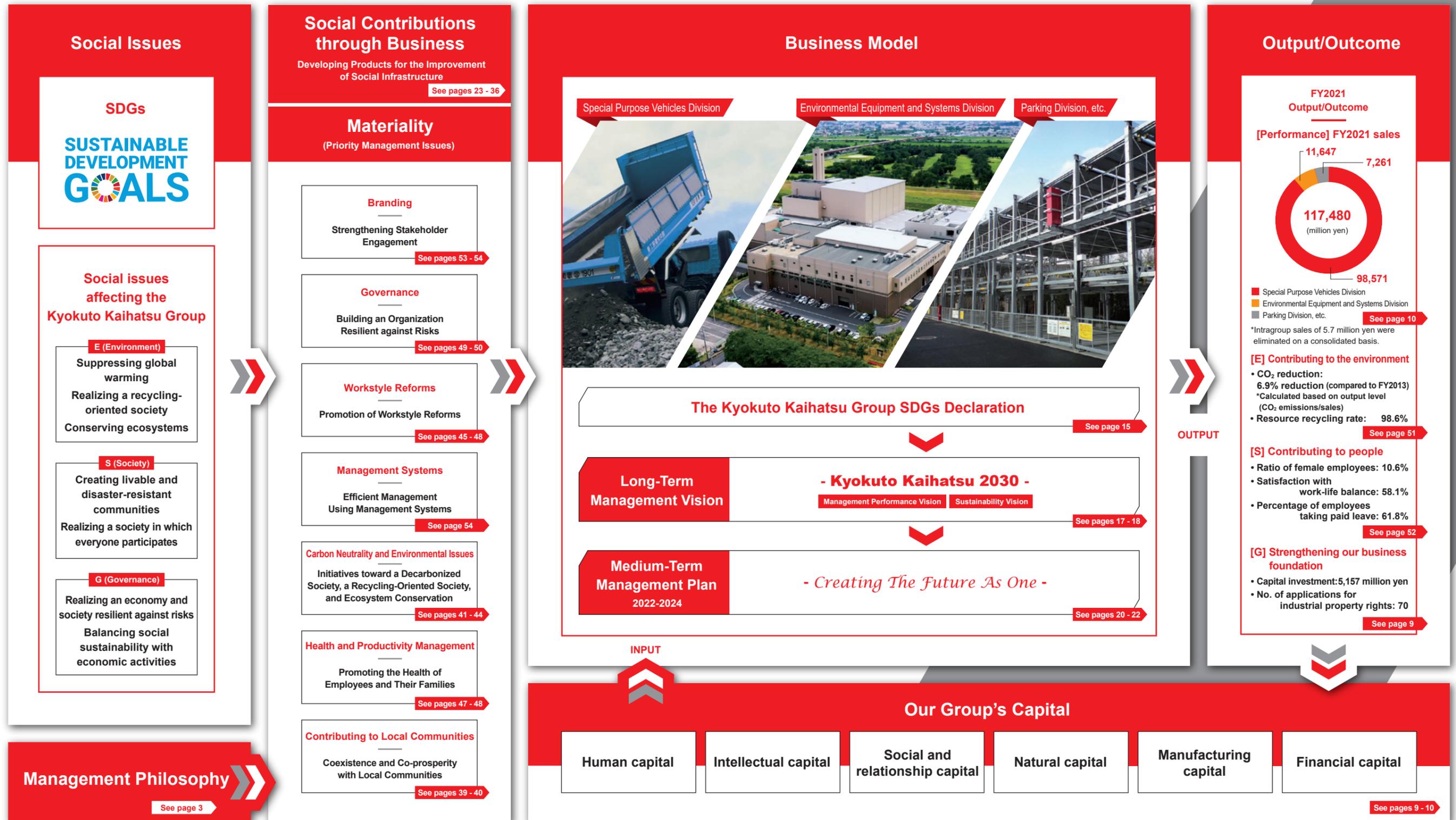
consolidated ROE/ROA



*In FY2021 (fiscal year ended March 31, 2022), an extraordinary income of 13.221 billion yen was recorded

Value Creation Model

In order to respond to changes in the external environment surrounding the Group and the needs and expectations of our stakeholders, we aim to both solve social issues and achieve sustainable growth as a company by effectively utilizing capital and continuing to create value with our stakeholders.

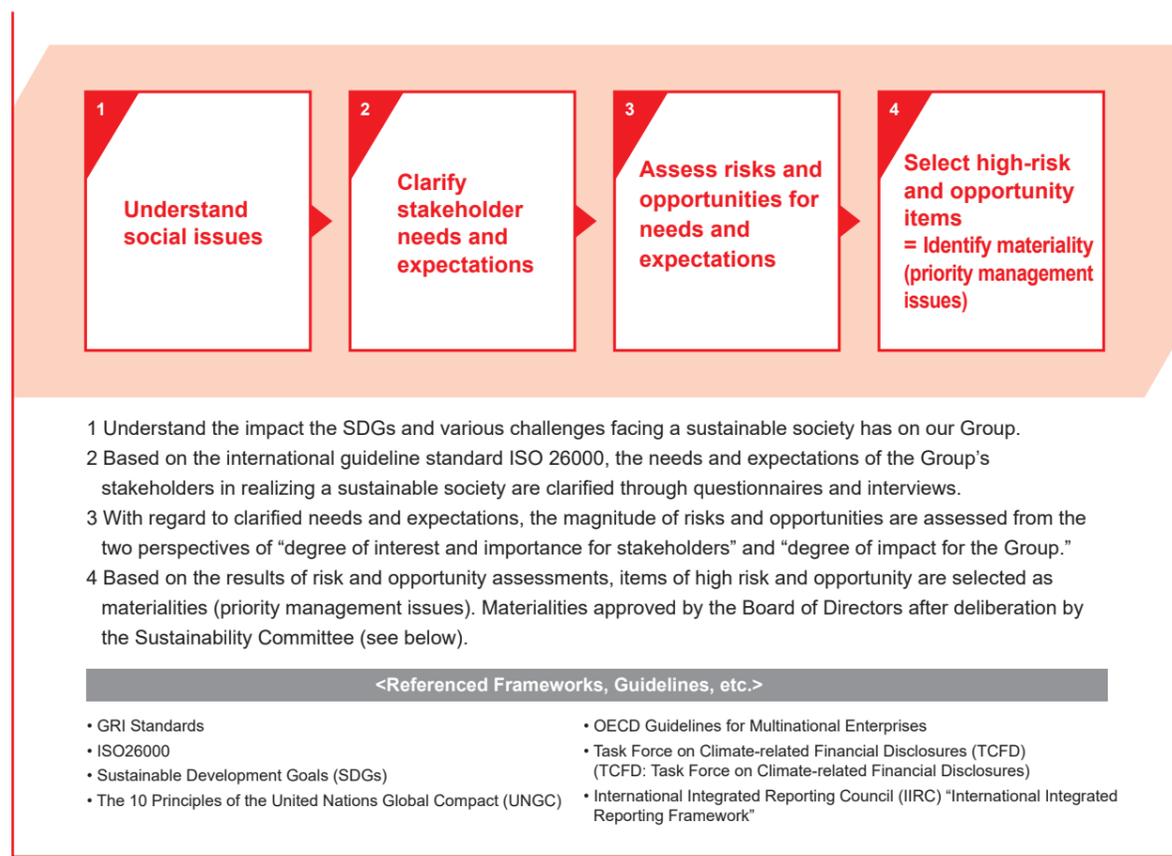


Risks and Opportunities/Materiality

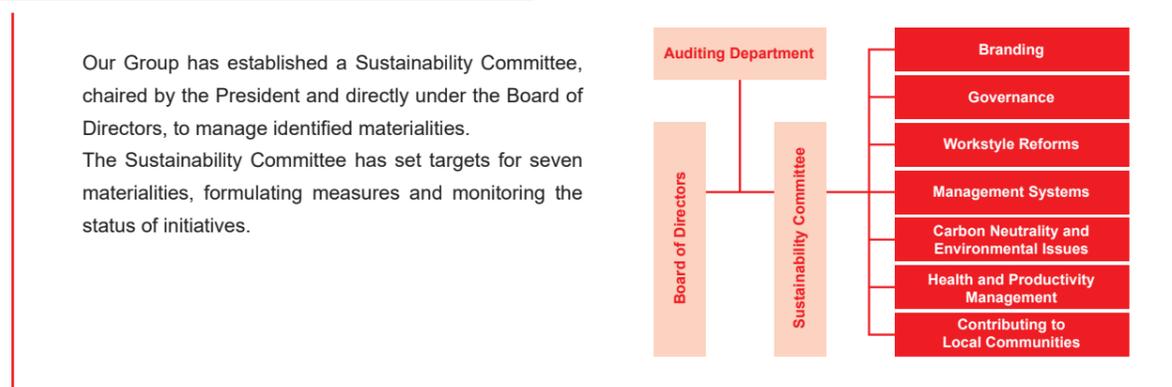
Our Group has incorporated sustainability at the core of its business strategy and is implementing sustainability management to meet the diverse needs and expectations of stakeholders in the context of social challenges. Our aim is to achieve both the realization of a sustainable society and the enhancement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



Flow for Identifying Materialities (Priority Management Issues)



Materiality Management System - Sustainability Committee -



Risks and Opportunities/Materiality List

Category	Need and Expectation	Risks and Opportunities	
Organizational governance	Stable and future-oriented management	Risk Opportunity	Inadequate responses to social changes that may affect the Group, and the risks and opportunities associated with them, may result in missed growth opportunities. Furthermore, corporate value will be improved by accurately grasping and responding to the situation.
	Continue stable business activities	Risk	Inadequate planning and implementation regarding business continuity risks could hamper business activities in the event of an emergency.
	Disclose information appropriately	Risk	Inadequacies in information disclosure, such as the disclosure of incorrect or misleading information, disclosures that do not comply with international standards, and disclosures that are inappropriate for users, can adversely affect investor and stakeholder judgment.
	Manage corporate information appropriately	Risk	Information leaks due to cyber attacks or information security deficiencies can harm stakeholders.
	Management that considers all stakeholders	Risk Opportunity	Failure to respond appropriately to the opinions of all stakeholders, whether latent or actual, may lead to management heading in the wrong direction. In addition, holding dialogues with a wide and diverse range of stakeholders may provide new insights and broaden the scope of management.
Human rights	Respond to human rights issues appropriately	Risk	In an increasingly globalized value chain, failure to properly understand human rights risks can lead to unexpected human rights violations.
	Avoid complicity in human rights violations	Risk	The use of parts containing conflict minerals or those related to forced labor may contribute to complicity in forced labor and human rights violations.
	Eliminate discrimination	Risk	While more and more people participate in society, delays in universal design for products and services may lead to discrimination.
Labor practices	Guarantee workers' rights	Risk	Long working hours based on outdated values and corporate culture may affect mental health and work-life balance.
	Consider occupational health and safety	Risk	With the declining birthrate, aging population, and participation of a diverse range of people in society, the number of unskilled workers will increase, raising the possibility of injuries and accidents in the production process. There is also the possibility that the high temperature of work environments caused by global warming may adversely affect the health of workers.
The environment	Pollution control	Risk	Issues in the manufacturing process, such as aging equipment or improper operation, can cause pollution such as leakage of environmental pollutants.
	Promote the use of sustainable resources	Risk Opportunity	Excessive resource consumption due to the inefficient manufacture of products and improper use of products, as well as new resource extraction due to the use of rare materials, can destroy the natural environment. On the other hand, the provision of products that contribute to the effective use of waste and raw materials can contribute to the formation of a recycling-oriented society.
	Mitigate climate change and global warming	Risk	A lack of decarbonization of products and manufacturing could hinder the realization of carbon neutrality.
	Adapt to disasters caused by climate change	Risk	Inadequate measures in the event of heavy rain or flooding due to climate change may hinder the stable supply of products and services.
Fair business practices	Ecosystem conservation (maintain biodiversity)	Risk	Improper use or disposal of products containing substances of concern or plastic parts may adversely affect the natural environment.
	Clean business activities with free of corruption	Risk	Corruption and compliance violations by management and employees could lead to issues such as lawsuits and disruptions in business activities.
Consumer issues	Consider and cooperate with the supply chain	Risk	Reputational risks from supplier scandals may reduce sales.
	Provide products and services that meet needs	Risk Opportunity	Providing products and services that do not meet the diversifying needs can cost users. At the same time, we can contribute to the further development of society by developing products and services that use AI and IoT to stimulate potential needs.
Community participation and cooperation	Provide safe products	Risk	As more and more people participate in society, delays in universal design for products and services may lead to user accidents.
	Provide sustainable products and services	Risk	Products with poor fuel efficiency and wasteful products and services can have a negative impact on the natural environment over the course of its use.
	Understand and participate in local communities	Risk	A lack of understanding of the region may prevent cooperation from the local community.
	Provide local employment opportunities (Return to the local economy)	Risk	Amid concerns about the decline of local economies, there is a possibility that the downsizing of business due to a deterioration in business performance may hinder local employment and the local economy.
	Invest in local communities	Opportunity	Returning management resources such as technology, people, and funds to local communities can revitalize society and lead to further returns to the company.



Commitment to the SDGs

The Kyokuto Kaihatsu Group SDGs Declaration

The Kyokuto Kaihatsu Group's management philosophy is to "value 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.

SDGs Partnerships

We are working with companies, governments, and organizations to resolve issues related to sustainability.

Activities	SDGs
<p>[Local communities] Sustainable "City and Community Building"</p> <ul style="list-style-type: none"> We will contribute to the development of disaster-resistant urban infrastructure. We will contribute to eliminating labor shortages in all fields by realizing efficient transportation and savings in labor. We will contribute to the creation of a recycling-oriented society by building a foundation for resource recycling. 	 
<p>[Environment] "Manufacturing" That Considers the Global Environment</p> <ul style="list-style-type: none"> We will strive to reduce the environmental impact at all stages of the supply chain. We will promote the 3Rs (Reduce, Reuse, Recycle) for our products and promote energy conservation to produce environmentally conscious products. 	 
<p>[People] "Creating a Society" in Which Each and Every Person Is Respected</p> <ul style="list-style-type: none"> We will strive to create a work environment in which all employees can demonstrate their abilities to the fullest extent possible with a sense of fulfillment and job satisfaction. We will promote the creation of products that are safe and easy to use for all customers. We will promote the creation of products that consider people at all stages of the supply chain. 	   
<p>[Governance] "Building an Organization" Trusted by Society</p> <ul style="list-style-type: none"> We will identify Group risks and opportunities, managing them with a management system. We will value dialogue with stakeholders and respond to their needs and expectations. We will promote sound corporate management in accordance with compliance. 	 

United Nations Global Compact (UNGC)

In November 2016, Kyokuto Kaihatsu Kogyo signed the United Nations Global Compact (UNGC). The subcommittees of the UNGC share the latest sustainability trends as well as examples of various initiatives, while also making efforts such as creating tools to support the promotion of sustainability for companies. We will fulfill our role as a member of the international community by implementing the Ten Principles of action that the United Nations calls for in relation to human rights, labor, the environment, and anti-corruption.



Participation in Regional Platforms

We are working with local governments as well as local companies to solve local issues and create new innovations.

Some of the platforms we are a part of

- SDGs for Regional Revitalization 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

Message from our Executive General Manager of Administration Head

Aiming for Continuous Improvement of Corporate Value by Developing Human Resource and the Organization

Long-Term Management Vision to Be Achieved by the Group

The "Medium-Term Management Plan 2022-24 -Creating The Future As One-" which is the first step of our "Long-Term Management Vision - **Kyokuto Kaihatsu 2030** -," defines the first three years, setting performance and sustainability targets and numerical targets for reducing CO₂ emissions, promoting recycling, and more. In the past, each business division had been engaged in their own sustainability activities, but by setting Group targets, we aim to shift our focus to cross-organizational activities. Improving sales and profits is of course important, but the sustainability of the underlying organization is a great concern to stakeholders. By promoting and sharing sustainability initiatives with our stakeholders, we aim to become a Kyokuto Kaihatsu Group that is highly regarded by society.

A Workplace Where Diverse Human Resources Are Recognized and Play an Active Role

One of the basic policies of the medium-term management plan is to build a solid business foundation that supports sustainable growth and innovation. The Management Division will take the lead in a wide range of activities, including BCP, promotion of diversity, strengthening of information security, effective disclosure of information, and acquisition of ISO 45001 (Occupational Safety and Health) certification. Especially, promotion of diversity is one of the key issues. I hope that by adopting new perspectives, such as by actively promoting employees in divisions that have not had a track record of hiring women, we will be able to create a workplace where everyone can feel a sense of job satisfaction. As a part of this, we are conducting "Training program of unconscious biases"

to foster an organizational culture in which employees can understand each other, recognizing unconscious biases based on factors such as gender and age.

Achieving a Work-Life Balance That Is Efficient and Safe

Telecommuting and online meetings, which were introduced during the COVID-19 pandemic, have already become widespread among employees and have had tangible effects. In addition to preventing the spread of infectious diseases, they have also reduced time lost through travel, reduced costs, and improved operational efficiency. In the future, we will strive to achieve a work-life balance for our employees by taking a two-pronged approach to improving both efficiency and safety measures, such as by mechanizing work traditionally performed by people using IT technology.

Building a Foundation for a Group That Is Resilient Against Risks and Continues to Contribute to Society

The Sustainability Committee was established in April 2022 to help our Group continue its business operations and contribute to society in the future (see page 13). We have set seven major levels for the Group's materialities (priority management issues), and have established a system for managing the progress of issues in each of those seven groups, which are made up of members from across each company, and reporting to stakeholders. We will strive to build a solid foundation for an organization that not only seeks profit by increasing sales, but also responds to risks and takes advantage of opportunities from a long-term perspective.



Takeo Norimitsu
Executive General Manager of Administration Head, Director, Associate Senior Executive Officer, Kyokuto Kaihatsu Kogyo, Co., Ltd.

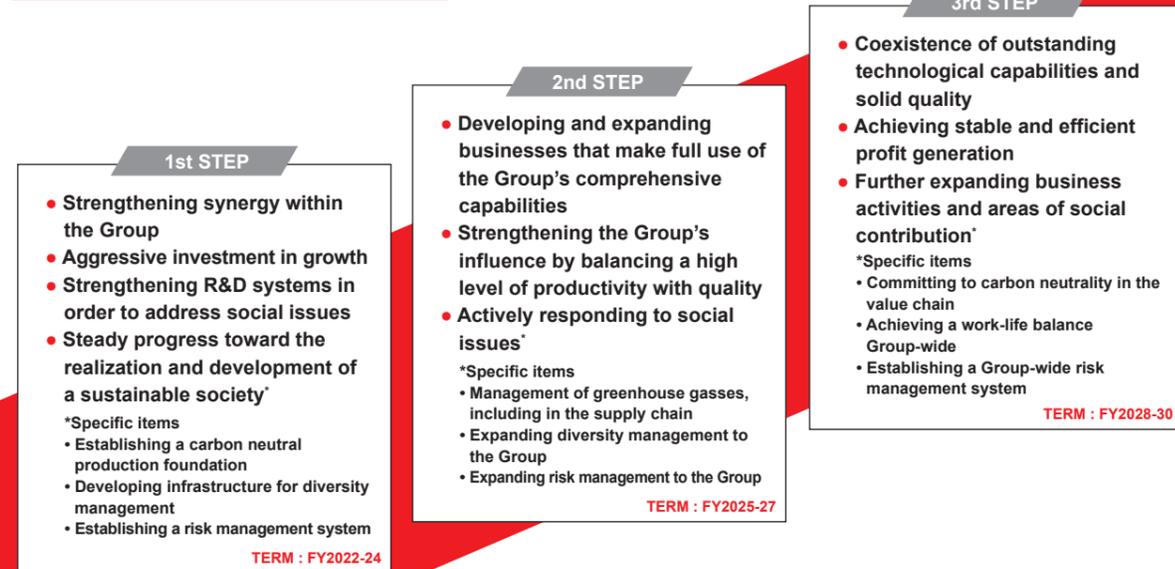
Long-Term Management Vision - Kyokuto Kaihatsu 2030 -

The Kyokuto Kaihatsu Group aims to realize a sustainable society by solving social issues related to local areas, the environment, and people, while pursuing corporate economic values. Through the Long-Term Management Vision **Kyokuto Kaihatsu 2030**, we aim to be a Group that continues to provide value to society while flexibly responding to dramatic changes in society.



Recognizing the changes in the social environment surrounding our Group as an opportunity, we will contribute to the realization of a sustainable society by concentrating all our management resources on solving social issues, building on the spirit of "technological capabilities," "trust," and "cooperation" that we have nurtured since our founding.

Three Steps for Realizing Our Vision



Management Performance Vision (FY2030)

Sales: 200 billion yen Operating margin: 10% or more ROE: 10%

Sustainability Vision (FY2030)

[Environment] Manufacturing Vision

38% reduction of CO₂ emissions^{*1}
(Compared to FY2013)

Decarbonization

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.

Maintain a recycling rate of 99.0% or higher
(Zero landfill waste)

Resource Conservation

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.

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

Conserving the Ecosystem

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 its products and promote the elimination of plastic in manufacturing.

[Human Resource] Social Development Vision

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.

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.

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 safety and health 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.

Ratio of women to men employed (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

Strengthening the risk management system and building a business continuity system (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.

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 Output level compared to FY2013 for Kyokuto Kaihatsu Kogyo, Nippon Trex, and Kyokuto Kaihatsu Parking (CO₂ emissions (tons)/sales (million yen))
 *2 FY2021 results: Kyokuto Kaihatsu Kogyo non-consolidated 58.1% (evaluated based on the results of employee awareness surveys)
 *3 Average results for the last three years: Kyokuto Kaihatsu Kogyo non-consolidated 11.8%

Review of the Previous Medium-Term Management Plan

Medium-Term Management Plan 2019–21 -To the Growth Cycle-

The previous medium-term management plan was formulated with the aim of growing into a “a global company with the flexibility to adapt to change” over the three-year period from April 1, 2019 to March 31, 2022. The results for those three years are as follows:

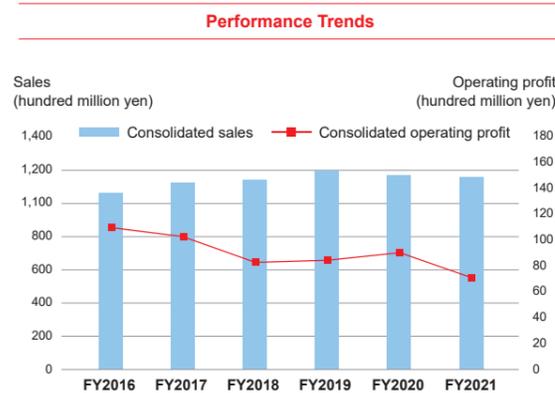
1. Summary

Due to IT developments and changes in lifestyles, the volume of transactions in the logistics industry, particularly small shipments, increased significantly in connection with e-commerce. At the same time, the shortage of drivers has become more serious, and the need for larger trucks to improve transportation efficiency has expanded. Demand for labor-saving and safety-related equipment has also increased. In response, our Group has restructured its production lines, developed safety devices using AI, expanded its service bases, and developed other systems to meet the diverse and vigorous demand. As part of our global efforts, we reorganized our business in Thailand and established a new base in India to develop and launch new products that meet the needs of each country.

From the middle of this plan period, the global economy stagnated due to the spread of COVID-19, and so we were affected by higher prices for energy, steel, and other raw materials than expected.

As a result, while we reached sales of 116.9 billion yen, surpassing the final year target of 110 billion or more on a consolidated basis, we were unable to achieve our operating profit target of 9 billion yen or more on a consolidated basis, reaching only 6.9 billion yen in operating profit. On the non-financial side, we have applied a quality management system based on ISO 9001 to our main plants, and have worked to build a system to respond appropriately to customer needs and other changing social issues. We also launched the Workstyle Reform Project to promote a diverse range of work styles, and launched initiatives in pursuit of job satisfaction regardless of gender or age.

Under the Medium-Term Management Plan 2022–24, we will strengthen these initiatives while at the same time focusing on initiatives that lead to the realization of a sustainable society, such as through carbon neutrality.



	FY2021 Previous Mid-Term Plan Target	FY2021 Actual	
Consolidated sales	110.0 billion yen or more	116.9 billion yen	Achieved (○ Increased)
Consolidated operating profit	9 billion yen or more	6.9 billion yen	Not achieved (× Decreased)

2. Major achievements and progress items for each basic policy

Basic Policy	Major Achievements and Progress Items
Productivity improvements and reinforcement of profitability	<ul style="list-style-type: none"> Full-scale operation of fabrication process line for medium duty rear dump truck at Yokohama Plant Promotion of service system development (establishment of FE-Auto, etc.) Developing of new systems such as the vehicle management support system and refuse truck safety support system
Creating future revenue sources	<ul style="list-style-type: none"> Creation of a profit base by restructuring overseas business Construction of new plants to increase production capacity of Hokuriku Heavy Industries Expansion of products for the forestry industry and improvement of industry recognition
Improving company quality and deepening social value	<ul style="list-style-type: none"> Acquisition of ISO 9001 certification and implementation of QMS at major plants Promotion of in-house production to improve manufacturing and pass on skills Promotion of work style reforms (such as improvements to work efficiency, introduction of new work styles, and promotion of women's participation in the workforce)



Supplying wood chips using a wood chip drying container system



SATRAC welding competition



Body Fabrication line for medium duty rear dump truck

Medium-Term Management Plan 2022–24

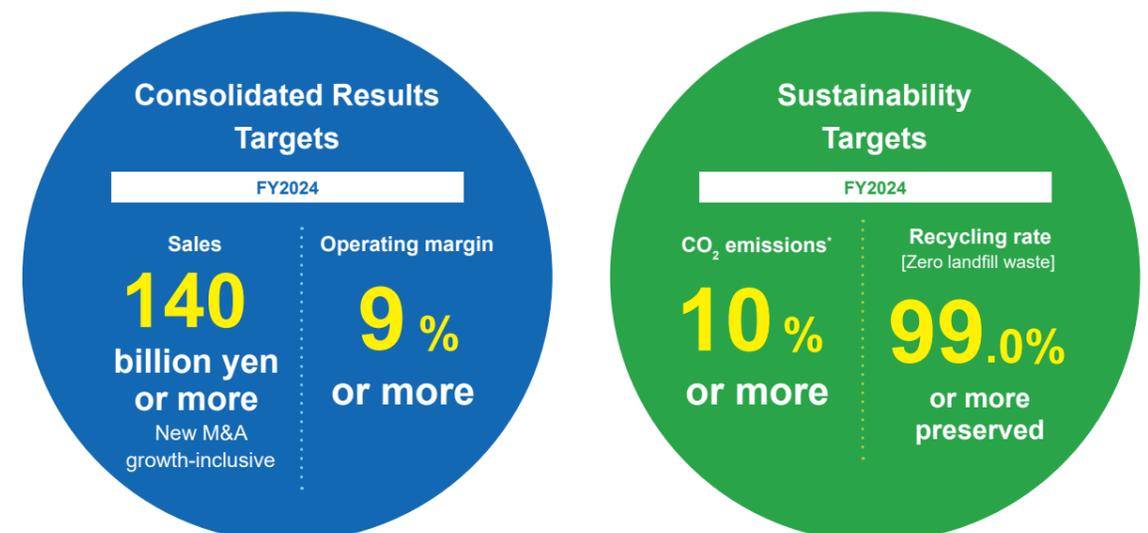
Creating The Future As One

Under the new medium-term management plan (April 1, 2022 to March 31, 2025), which is the first step in the long-term management vision - **Kyokuto Kaihatsu 2030** -, the Company will actively promote investments that will lead to increased corporate value, such as by strengthening synergies within the Group and enhancing risk tolerance and governance, with the aim of achieving further growth, and will lay the foundation for a sustainable future as a global company with irreplaceable high-level technological capabilities and productivity. The slogan of the new medium-term management plan, “Creating The Future As One,” means that the Group will unite and work together to create the future through sustainable growth and social contributions.



1. Target Values

As the first step toward realizing the Group's vision for FY2030, as set forth in our Long-Term Management Vision, we have set the following consolidated performance targets and sustainability targets for FY2024, the final year of our new medium-term management plan.



*Output level compared to FY2020 for Kyokuto Kaihatsu Kogyo, Nippon Trex, and Kyokuto Kaihatsu Parking

2. Basic Policy and Strategy

The new medium-term management plan aims to contribute to a sustainable society and increase corporate value through sustainable growth. The plan sets forth the following four basic policies, and is a solid first step toward realizing the long-term management vision.

1 Contributing to Solving Social Issues and Seeking to Provide Value

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 Division

Aggressive development and marketing of products that solve social issues

- Expanding sales of safe and secure products using AI and IoT
- Developing technologies and products that contribute to reducing CO₂, etc.

Sustainable business development by strengthening cooperation from after-sales service to used car sales

- Expanding service bases
- Strengthening used car sales bases, product development, etc.

Contributing to the resolution of issues in line with the situations of countries around the world

- Actively responding to ODA projects
- Establishing production capacity in order to meet the growing demand

Parking Division

Developing systems and services that meet social and market needs

- Developing multistory parking equipment that contributes to efficiency and safety improvements
- Cashless and flapless toll parking, etc.

Establishing a system to quickly provide the new values demanded by a sustainable society

Environmental Equipment and Systems Division

Responding to social needs regarding next-generation waste disposal

- Actively proposing refuse transfer facilities
- Promoting biomass and resource recycling businesses in moving toward carbon neutrality, etc.

Contributing to providing high-quality essential services

- Human resource strategies that enable stable operation and local job creation
- Establishing a safety management system, etc.

Other

Solving social issues through consolidated businesses as a whole

- Work style reforms that improve employee skills and satisfaction
- Establishing materialities and actively disclosing information, etc.

2 Productivity Improvements and Reinforcing Profitability

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

Special Purpose Vehicles Division

Expanding sales and strengthening sales capabilities across a wide range of areas to efficiently generate profits

- Strategic sales toward key products and targets
- Strengthening sales structure and cooperation, etc.

Realizing high productivity, quality, and technological capabilities as the basis for profit generation

- Improving productivity through automation, efficiency, procurement strategies, etc.
- Building foundations for high-quality products, etc.

Developing high-value after-sales services that support customers' safety and security

- Promoting servitization
- Strategy for Supplying efficient parts, etc.

Parking Division

Expanding the mechanical multistory parking equipment business and enhancing profitability

- Proactively receiving orders of renewal projects
- Proactively proposing maintenance and service works, etc.

Environmental Equipment and Systems Division

Actively responding to important and large-scale projects

- Strengthening highly reliable proposals and sales activities
- Promoting new technological proposals using new systems and methods, etc.

Building a foundation for future revenue generation

- Actively proposing refuse transfer facilities
- Promoting biomass and resource recycling business, etc.

Stable operation of environmental facilities

- Strengthening cooperation within the Group
- Implementing proposals for preventive maintenance, etc.

Expanding the scale and profitability of the toll parking business

- Developing highly profitable business sites
- Securing stable profits by operating large parking lots, etc.

Strengthening management efficiency in order to develop together with a sustainable society

3 Building a Solid Business Foundation That Supports Sustainable Growth and Innovation

We will build up human resources and organizations that can respond flexibly to changes in the environment by encouraging reform and taking on challenges at one's own volition, while at the same time pursuing work style reform, business improvement, human resource development, and safety assurance.

Strengthening branding

- Setting a purpose and promoting inner branding
- Conducting third-party evaluations and dialogues with stakeholders
- Enhancing and promoting information disclosure, etc.

Strengthening governance and risk tolerance

- Strengthening compliance education
- Expanding management systems (Acquisition of ISO 45001 certification, expansion of the scope of application of ISO 9001 and 14001)
- Implementing due diligence on human rights
- Enhancing BCP/BCM
- Balancing operational efficiency with information security, etc.

Work style reforms and promoting health and productivity management

- Strengthening collaboration and restructuring the organizational structure in a way that leads to synergy within the Group
- Promoting our Workstyle Reform Project
- Promoting diversity management
- Holding health promotion events
- Group-wide management and education regarding occupational safety and health, etc.

Promoting carbon neutrality and responding to environmental issues

- Introducing energy-saving equipment and facilities
- Switching to low-emission power plans
- Reducing waste in the production process
- Developing products related to energy conservation, resource recycling, and recycling
- Eliminating the use of substances with an environmental impact
- Reducing CO₂ emissions throughout the entire supply chain

Investing in local communities

- Establishing systems of cooperation with local governments and organizations
- Actively participating in local events

Building a strong and resilient organization in order to realize sustainable Group management

4 Optimal Distribution of Cash Flows to Improve Corporate Value

Cash flow from operations will be used for strategic investments and dividends to accelerate the growth cycle, taking into account the optimal balance between growth and returns.

Investments to Strengthen the Group's Management Base

Strengthening main plants in the Special Purpose Vehicles Division

- Strengthening and rationalizing the production system
- Expanding sites, enhancing facilities, etc.

Enhancing service plants directly operated by the Special Purpose Vehicles Division

- Strengthening profitability in the stock business
- Improving after-sales service quality, etc.

Strengthening overseas businesses

- Strengthening production and sales capabilities at sites, etc.

Strengthening group-wide R&D

- Strengthening core technologies and know-how
- Strengthening new product and technology development systems
- Expanding business, promoting entry into new fields, etc.

Investment and Returns Regarding Social Issues and Stakeholder Needs

Measures for achieving carbon neutrality

- Introducing renewable energy
- Switching to low-emission power plans, etc.

Efforts to achieve the SDGs, such as social contribution activities

- Enhancing and promoting information disclosure
- Actively participating in and sponsoring SDGs-related activities, etc.

Improving shareholder returns

- Implementing growth strategies that contribute to improving stock prices
- Improving total return ratios
- Stability and continuity of shareholder dividends
- Improving stock liquidity, etc.

Ensuring the safety and health of employees

- Promoting health and productivity management
- BCP measures at business sites and plants, etc.

Effective distribution of capital for sustainable growth of the Group, which supports a sustainable society

A Society Created by the Kyokuto Group

The Kyokuto Kaihatsu Group is working to solve every social issues in Japan and overseas through manufacturing.

Biomass

In order to contribute to carbon neutrality and resource recycling, we are engaged in the biomass business using waste and forest resources.

- Biogas plants
- Wood pellet air transfer units
- Wood chip drying container systems

Resource Recycling

Designing and constructing recycle facilities for each type of waste in order to contribute to a recycling-oriented society.

- Recycle facilities
- Vertical type pulverizers

Mining

At our overseas bases, we have developed special vehicles for use in mines, quarries, etc., to support efficient and safe on-site environments.

- Dump trucks (for mining)

Forestry

Contributing to the forestry industry by improving the efficiency of collection, transportation, and processing of lumber from forests.

- On-board log busters for forestry vehicles
- Tower yarders

Road Maintenance

Manufacture and sales of vehicles that contribute to slip prevention and road maintenance on highways and motorways.

- Wet salt spreaders
- Sprinkler trucks

Construction

Construction-related vehicles demonstrate their capabilities even in harsh working environments and contribute to efficient infrastructure development.

- Dump trucks
- Concrete pump vehicles
- Stationary concrete pumps
- Distributors
- Concrete mixer trucks
- Sprinkler trucks

After Sales Services

Maintaining vehicle safety by providing repair and inspection services nationwide.

- Repair and parts sales
- Used car sales

The environment

Manufacture and sale of environment-related vehicles for resource recovery and recycling. We are also developing technology that enables refuse collectors to use vehicles safely.

- Refuse trucks
- Detachable body trucks
- Trash dump trucks

Parking

Providing total planning to solve all parking problems.

- Multistory parking equipment
- Toll parking
- Drum-type waste storage and discharge equipment

Logistics/Labor Saving

Manufacture and sales of logistics vehicles and labor-saving equipment that safely and efficiently transport liquids, powders, packages, and other loads and support the logistics infrastructure.

- Fuel tank trucks
- Pneumatic bulk carriers
- Tailgate lifter
- Dump trailers
- Single-vehicle carriers
- Rail containers
- Wing truck bodies
- Temperature control vehicles
- Low-floor semi trailers

DMV (Widening Multipurpose Vehicle)

Manufacture and sales of vehicles that can be used for various purposes, such as a command post or simple lodging during a disaster.

- DMV (widening multipurpose vehicle)

Railways

Manufacture of maintenance vehicles for diesel locomotives and railway inspections. Contributing to a safe infrastructure environment.

- Diesel locomotives
- Track motor cars

Disasters/Emergencies

Water tankers, which provide water to support lifelines in emergencies, have been delivered to developing countries. We are also developing disinfectant sprayer vehicles to meet the needs of people affected by the coronavirus pandemic.

- Water tankers

Strategies for Each Business

Special Purpose Vehicles Division

We manufacture and sell special purpose vehicles (working vehicles) that are used in fields such as "construction," "logistics and labor-saving," and "the environment." We also offer repairs, after-sales service, used vehicle sales, and more.



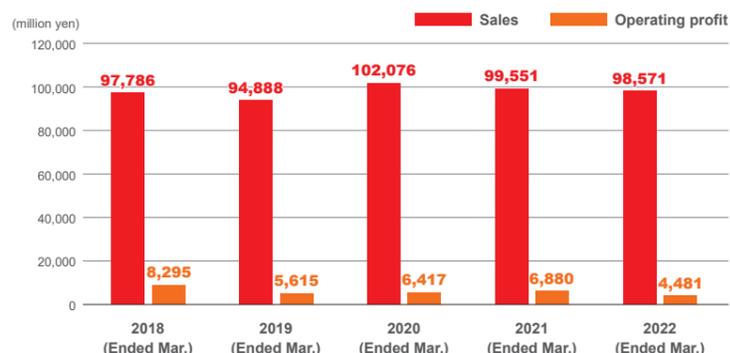
Future Market Conditions (Potential Risks and Opportunities)

Social Issues	Risks and Opportunities
Climate change	<ul style="list-style-type: none"> In order to achieve carbon neutrality, the demand for products that contribute to a decarbonized society, such as special purpose EVs, will increase. Due to the intensification of climate change-related disasters and the deterioration of social infrastructure, public investment related to national resilience, such as disaster prevention and mitigation, will expand over the long term, and demand for special purpose construction vehicles will remain steady. The mining market will remain strong as demand for nickel increases due to the shift of automobiles to EVs. In addition, the demand for tank trucks for watering and water supply will increase due to drying and drought in urban areas caused by global warming as well as disaster reconstruction assistance.
BCP (business continuity)	<ul style="list-style-type: none"> The supply chain continues to be unstable as a result of COVID-19, and production and sales activities are disrupted due to employee illness. Production and sales will be affected by a global shortage of semiconductors and rising steel and materials prices.
Manpower shortage	<ul style="list-style-type: none"> Due to labor shortage issues, the users of special purpose vehicles, including drivers, are diversifying, and the need for product safety in particular is increasing. Demand for heavy duty vehicles such as trailer continue to grow in the logistics industry due to a shortage of drivers.

Long-Term Strategies

- Develop products to realize carbon neutrality in the value chain and establish production systems for special purpose EVs, lithium-ion battery railcars, and hybrid railcars
- Respond to the need for larger vehicles, which combats driver shortages and offers more efficient logistics*
*Efficient logistics also contribute to carbon neutrality
- As users continue to diversify, create products that can be used safely by everyone through AI and IoT
- Work to reduce user burdens and extend the life of products that promote the 3Rs by expanding service bases

Special Purpose Vehicles Division Performance Trends (Including Overseas Business Division)



Although domestic demand remained firm, there was an impact on earnings as a result of production stagnation due to semiconductor shortages and other factors, as well as higher prices for steel products.

Our Group aggressively secured orders while taking measures against infectious diseases, and promoted productivity improvements through the introduction of new products and the streamlining of production facilities.

Creating the Next Generation of Special Purpose Vehicles That Will Help Solve Social Issues around the World

Improving Transport Efficiency through Technology and Contributing to a Carbon Neutral Society

The role and responsibility of the automobile industry in realizing a carbon neutral society is enormous. In the Special Purpose Vehicles Division, we have been promoting hardware-based measures such as switching to energy-saving equipment and insulating buildings. Currently, we are focusing our efforts on two major areas: reducing CO₂ emissions in the manufacturing process and improving the environmental performance of our products.

For example, with "HARDOX," our large rear dump truck with abrasion-resistant steel plating, we have succeeded in reducing weight while maintaining durability. In addition, the use of heavy duty trucks, such as trailers and double-coupled trucks, provides value to both the environment and society, improving transportation efficiency while also addressing the growing shortage of drivers in the logistics industry, which is a serious issue. The need for larger and lighter vehicles is expected to increase in the future. We are working to strengthen synergies within the Group by, for example, conducting technical exchanges with Nippon Trex, which has extensive experience with large vehicles. In addition, the shift to electric trucks (EVs) and fuel cells (FCVs) is in full swing. It is necessary to obtain information quickly, promoting product design and production ahead of other companies.

Establishing a System Capable of Responding to Changes and Tackling Global Social Issues

In recent years, India has experienced remarkable economic development, and the development of social infrastructure has become an urgent issue. As a result, demand for rear dump trucks and particulate transport trailers is increasing. In Indonesia, the mining market is expected to be revitalized. We will continue to actively listen to local issues and needs and will contribute to the development and expansion of infrastructure

in developing countries. On the other hand, global demand for semiconductors has increased, and supply chains have been disrupted by COVID-19 pandemic and regional conflicts. The diversified purchases that the Group has pursued in order to diversify risk have been successful, and have not lead to any major problems. We will continue to monitor trends in the supply of truck chassis, which has been affected by the semiconductor shortage, and maintain a system that allows us to respond flexibly to changes.

Aiming for Special Purpose Vehicles That Can Be Safely Used by Anyone

Launched in 2020, the "vehicle management support system" is an IoT system that supports customer vehicle management. By accumulating data on operations and functionality and proposing timely maintenance and replacement of consumables, the product can be used more safely. Furthermore, the refuse truck safety support system installed in refuse trucks continues to be popular. The need for safety and convenience is expected to increase as a result of the labor shortage and the diversification of human resources. As a company that supports society, we will continue to develop products that are safe and easy for everyone to use.



Teruyuki Kizu
 SPV Division Director,
 Director, Associate Senior
 Executive Officer,
 Kyokuto Kaihatsu Kogyo,
 Co., Ltd.

FY2021 Topics

*Some results for FY2022 are also shown.

Toward the Realization of a Safe Refuse Collection Service

In November 2021, Kyokuto Kaihatsu Kogyo delivered 31 units of refuse trucks equipped with refuse truck safety support systems to Fukaya City in Saitama Prefecture. The refuse truck safety support system is capable of detecting "human" with high accuracy using high-performance cameras and unique AI image recognition technology. Through the delivery of the refuse truck safety support system, we are contributing to the establishment of a safe refuse collection service by preventing accidents involving loading equipment during refuse collection.



Refuse truck safety support system indicator lamp
High-performance camera (Can also be used as a back eye camera)



Vehicles delivered to Fukaya City (equipped with a refuse truck safety support system)

A Horse Transport Vehicle That Meets the Needs of the Local Community

In December 2020, Shinko Automobile received an order from Northern Farm (Yufutsu-gun, Hokkaido), a company that raises racehorses, to install a horse transport for two horses. (Delivered in February 2022)

The rear of the vehicle is equipped with a ramp that allows horses to board safely, windows are installed at the eye level of horses so that they can be transported comfortably, and equipment such as cushioning materials and anti-slip rubber are installed inside to prevent injuries.

We will continue to flexibly respond to the needs of local stakeholders and contribute to the development of local communities.



Horse transport vehicle

Support for Safe Vehicle Use

In January 2022, Nippon Trex opened the Trex Service Center Kyushu. The center repairs and inspects various trailers, wings, and van truck bodies, and provides community-based services in the Kyushu region. We are strengthening our service system to ensure the safe and long-term use of vehicles that are active in the region.



Trex Service Center Kyushu

Next-Generation Locomotives Contributing to a Decarbonized Society

In January 2021, Hokuriku Heavy Industries received an order for two next-generation lithium-ion battery locomotives powered by lithium-ion batteries and motors. (Delivery is scheduled for one in March and one in April 2023) The Group is contributing to the formation of a decarbonized society by promoting the production of vehicles that do not use fossil fuels in the railway sector.



New lithium-ion battery locomotive (image)

Improving the Environment of Developing Countries through Public-Private Partnerships

In July 2022, two Kyokuto Kaihatsu Kogyo-made refuse trucks, which had operated in the city of Nishinomiya, Hyogo Prefecture until their service periods ended, were serviced by FE-Auto and then donated to the city of Honiara, Guadalcanal, Solomon Islands by Kyokuto Kaihatsu Kogyo in cooperation with Nishinomiya. This is just one example of the public and private sectors working together to build relationships in local communities and contributing to the improvement of environmental health in developing countries.



Donated refuse truck



One Story

Tailgate lifters play an active role in cities

Tailgate Lifters Contribute to a Logistics System That Anyone Can Use Safely

A Logistics Industry in Need of Improved Transportation Efficiency

From the aspect of safety and security, the demand for personal delivery has been on the rise due to the coronavirus. In addition, electronic commerce (EC) is becoming more familiar as information technology advances, and its demand continues to increase as well. On the other hand, in the logistics industry, which supports commercial transactions, a shortage of drivers and the aging of society are serious problems, and prompt solutions are needed. Our Group is actively engaged in the field of efficient transportation in order to support the economy that supports people's livelihoods and the logistics that underpin it.

Aiming for Tailgate Lifters That Can Be Used Safely and Securely

The Kyokuto Kaihatsu Kogyo tailgate lifter is a product that reduces the amount of labor required for loading and unloading heavy loads by using a lifting platform attached to the rear of the truck bed. Tailgate lifters are widely used in the logistics industry because they enable safe and efficient handling of goods. Amid growing demand, we launched a new "safety package" in October 2021 as an option for tailgate lifters (gate and contained gate types) to ensure the safe use of distribution vehicles by everyone.



Tailgate lifter with safety package

Improving the Safety of Tailgate Lifters

Tailgate lifters are also used at night, and so the challenge to improve safety in dark places has been undertaken. LED lights and reflective materials were used to make it easier for those around the equipment to grasp the situation while working. In addition, red paint and reflective tape have been applied on the caster stoppers to enhance safety during cargo handling. These safety devices have been packaged together and made into an optional "safety package." We will continue to develop products that contribute to the safety and security of our customers.



Hideki Kiyofuji
Kyokuto Kaihatsu Kogyo Nagoya Plant
Tailgate Lifter Center Design Division

Customer Feedback

Cargo Can Now Be Handled Safely Even in the Dark

Our company places the utmost importance on safety during cargo handling operations. Vehicles equipped with the "safety package" have LED lights on the platform and caster stoppers to improve visibility not only for workers but also for everyone in the surrounding environment. In addition to being able to carry goods safely even in dark unloading areas such as station buildings, the fall prevention angles on the sides of the platform eliminates the risk of cargo falling, allowing workers to work with peace of mind.



Mr. Hiroshi Iwabuchi
Fresh Logistics Corporation

Strategies for Each Business

Environmental Equipment and Systems Division

We are developing businesses related to resource recycling, such as the development of waste pulverizers and the design, construction, and operation of recycle facilities, as well as the biomass business using waste and forest resources.



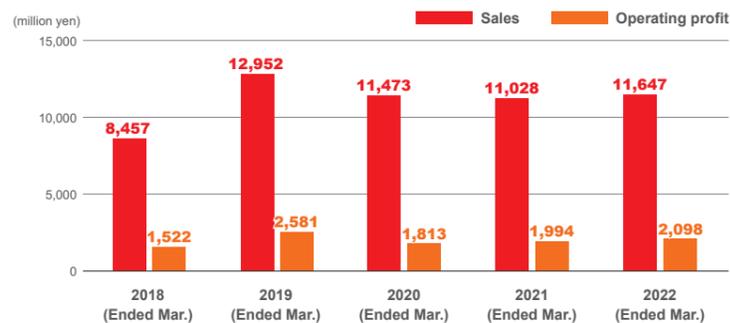
Future Market Conditions (Potential Risks and Opportunities)

Social Issues	Risks and Opportunities
Declining population, declining birthrate, and aging population	<ul style="list-style-type: none"> Despite the considerable impact of a decreasing population and accompanying mergers of municipalities, bids for recycle facilities are expected to remain stable to a certain extent. As waste treatment becomes more widespread, the demand for transfer facilities installed between collection points and treatment facilities will increase in order to collect refuse efficiently. From the viewpoint of risk diversification and regional revitalization, smart community development using small-scale clean power generation as an energy source is progressing, and the demand for projects that contribute to the utilization of regional energy will increase in the future.
Refuse issues	<ul style="list-style-type: none"> Due to the shortage of land at final disposal sites, especially in urban areas, the public demand for the 3Rs (Reduce, Reuse, Recycle) is increasing, and recycling plants require high sorting accuracy. The number of lithium batteries, which can generate heat and ignite, is on the rise, and so equipment that does not cause fires at recycle facilities is required.
Climate change	<ul style="list-style-type: none"> Increased rainfall, etc., due to global warming will increase the risk of landslides, landfalls, etc., due to abandoned forests in mountainous regions, increasing demand for biomass-related products that contribute to the use of timber from forest thinning. Energy shifts in the context of carbon neutrality and the policies of resource-rich countries will increase energy costs year by year, and private power generation using solar and other natural resources as energy sources will increase in companies and regions.

Long-Term Strategies

- 1 Amidst population decline and regional depopulation, propose equipment development and solutions tailored to the needs of each local government
- 2 Develop technologies related to biomass energy suitable for self-sustaining and distributed energy
- 3 Develop highly safe facilities and equipment for a diverse workforce

Environmental Equipment and Systems Division Performance Trends



In recent years, construction of facilities has progressed steadily, and both sales and operating profit have stabilized.

Operating profit also increased compared to the previous fiscal year thanks to solid performance in stock business fields such as operation and maintenance, which are one of the Group's important revenue bases.

Aiming to Improve Value as a Community Partner by Entering the Biomass Business

Making the Biomass Business a New Pillar of Carbon Neutrality

The Environmental Equipment and Systems Division has been conducting business based on the two pillars of "design and construction" and "operation and maintenance" of recycle facilities. Since Mori Plant joined our Group in 2016, the Company has entered the biogas power generation business by utilizing its extensive experience and technology for converting animal manure into energy.

We are also making efforts to make effective use of local forest resources. We are proposing the use of our wood chip drying container system to dry pruned branches and wood chips using waste heat that were previously unused and discarded, and to use those as fuel for boilers in hot bath facilities in golf courses, nursing homes, etc. Reducing the use of fossil fuels such as heavy oil in boilers not only contributes to carbon neutrality, but also promotes resource recycling and revitalizes local economies.

Efficient Refuse Collection through the Introduction of Transfer Facilities (Satellite Centers)

Our Group installed its first recycle facility in Matsudo City, Chiba Prefecture, in 1970, and since then has constructed about 200 recycle facilities nationwide. Since the sorting method and the nature and amount of waste generated varies from region to region, the system is designed to meet the needs of local governments. In recent years, the consolidation of recycling and incineration facilities has been progressing due to mergers of local governments caused by population decline and outflow. The consolidation of facilities has advantages in terms of operating efficiency, but losses are increasing in terms of waste collection. One answer to this problem is transfer facilities (satellite centers).

First, we collect refuse generated in homes and offices using small collection vehicles and transport it to a transfer facility. A certain amount of refuse accumulated in the transfer facility is then transported to a treatment facility using large vehicles. Installing a transfer facility while keeping a balance between the amount of waste and the distance to be transported not only reduces work, but also reduces CO₂ emissions.

Providing Value for Next-Generation Waste Treatment by Combining Technologies and Supplementing Human Resources

The Environmental Equipment and Systems Division aims to further expand its business and improve its position in the industry by 2030.

The key to achieving this goal is not only to improve the functionality of our recycle facilities and thoroughly maintain and manage said facilities, but also to promote technological proposals that take advantage of our know-how. In order to build a business structure that can respond to local community issues, such as the biomass business and transfer facilities mentioned above, we will further strengthen synergies among the Group and promote technological improvements. In addition, we will continue to provide new value to meet the needs of the next generation of waste treatment by increasing the hiring rate of female engineers and mid-career employees, and by ensuring a diverse and unbiased range of human resources, taking into account perspectives not seen before in the industry.



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

FY2021 Topics

*Some results for FY2022 are also shown.

Initiatives for Local Production and Consumption of Energy

The wood chip drying container system uses unused waste heat from factories and facilities to dry wood chips, which are used as raw materials for biomass power generation. In order to realize a decarbonized society and an independent and decentralized energy society, Kyokuto Kaihatsu Kogyo is conducting a NEDO (New Energy and Industrial Technology Development Organization) demonstration project using the wood chip drying container system in Kobe City, Hyogo Prefecture.

Overview of the demonstration model

- 1 Convert hot water generated by a dry-chip boiler to hot air using a heat exchanger
- 2 The hot air is fed into a wood chip drying container system to produce dry chips
- 3 Part of it is supplied once more to the chip boiler for the drying heat source
- 4 The surplus is supplied as fuel for chip boilers installed in neighboring facilities



Kobe Lab Drying Center

Creating Farms That Are Friendly to Animals and People Using IoT

In May 2021, JA Miyazaki Keizai Ren started operation of a purification and deodorization/disinfection facility at the Yamada No. 2 Fattening Farm for Pig Farming that incorporated Mori Plant's membrane treatment equipment. A wastewater treatment remote monitoring system utilizing IoT technology collects and grasps information on the operation status of wastewater treatment, "visualizing" the data. Deodorization and disinfection equipment contributes to the sanitary management of piggeries. This has made the farm convenient and safe for employees as well as the piggens themselves.



Overview of the Yamada 2nd Fattening Farm for Pig Farming demonstration

Contributing to the Recycling of Plastic Waste

In recent years, the problem of marine plastics, which is plastic waste that has not properly been disposed of and which flows into rivers and affects ecosystems, has become a social issue. Kyokuto Service Engineering received an order from Otsu City for operation management of plastic facilities* and started operation in April 2022.

Recycled plastic waste is mainly recycled as materials for pallets for logistics, park benches, artificial trees, etc. We will continue to contribute to the conservation of ecosystems in the rich natural environment near Lake Biwa.

*Opened in February 2007, this is a plastic container recycling facility (constructed by Kawasaki Environmental Plant Engineering) at the Northern Clean Center in Otsu City.



Plastic container recycling facility

Realizing a Recycling-Oriented Society through Highly Efficient Refuse Collection

As the population decreases and local economies shrink, municipalities will expand their refuse disposal areas.

In June 2022, we received an order from Kitahiroshima City, Hokkaido, for the construction of a combustible waste transfer facility, which contributes to the efficient and economical transport of refuse.

By collaborating with recycle facilities that have been operating for a long time, the project is expected to be an initiative toward simultaneously realizing a recycling-oriented society and a sustainable local economy.

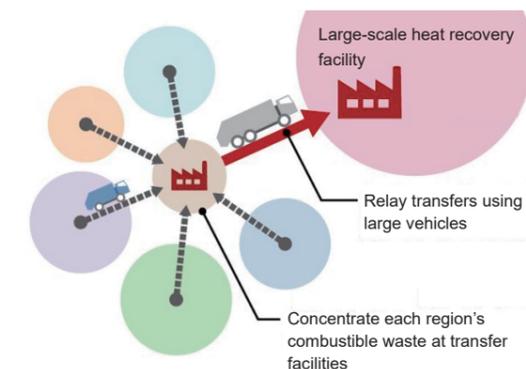
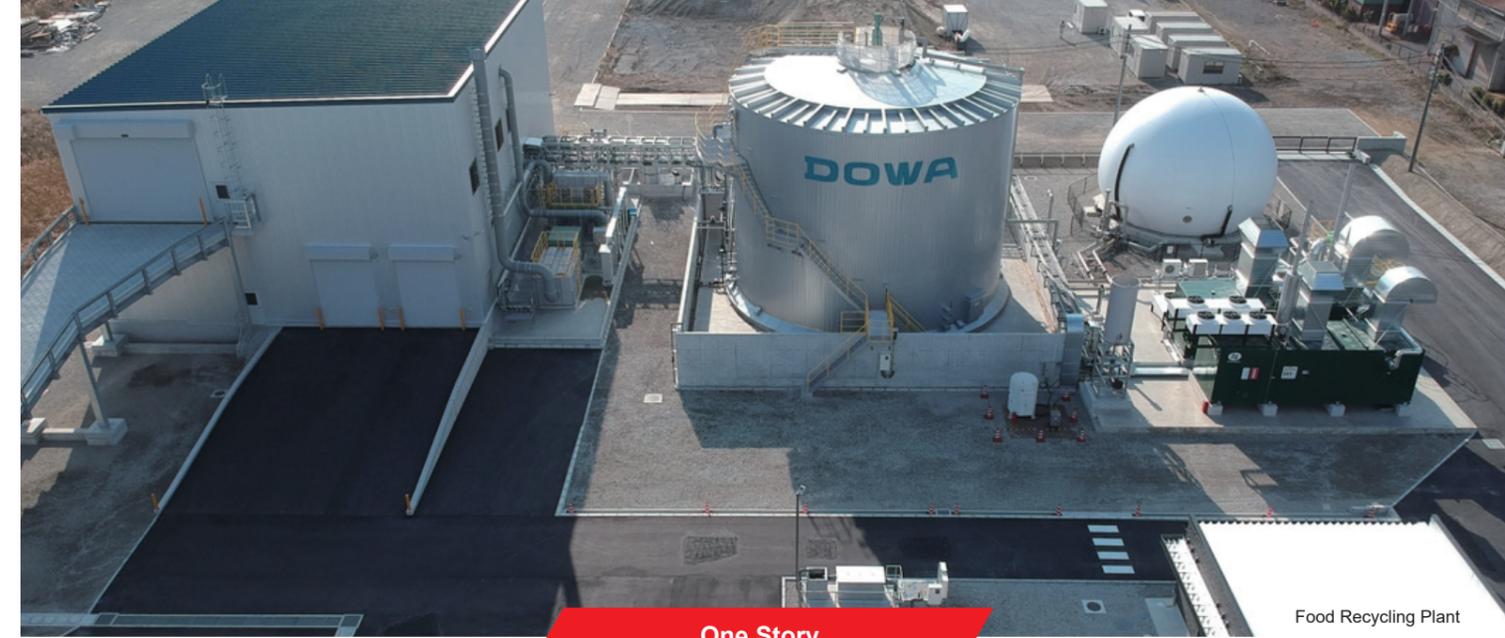


Image of a refuse transfer facility



One Story

Food Recycling Plant

Future Clean Energy Generated from Food Waste

Large Quantities of Food Are Disposed of as Garbage

In Japan, as much as 6.12 million tons* of food is thrown away every year, which is equivalent to 1 bowl of rice per person every day. In the food retail and food service industries, in particular, a large amount of waste is generated due to remains from cooking, leftover food, and expired food. However, the recycling rate remains at around 50%. The reason for this is that there are few facilities that can separate packaging.

*Ministry of Agriculture, Forestry and Fisheries FY2017 estimated value

Contributing to the Future with Biogas Plants

The Food Recycling Plant, which was ordered by Biodiesel Okayama Co., Ltd., of the DOWA Group and was completed in January 2021, converts food waste into renewable energy. In this facility, packaging containers such as lunch boxes are crushed by a separator and can then be separated from food. The sorted food is undergoes a methane fermentation process, and the biogas generated there is burned to generate electricity. Our Group's biogas plant, which effectively utilizes conventionally discarded food waste to generate clean electricity, is making a significant contribution to the creation of a recycling-oriented society for the future.

Biogas Plants Utilizing the Crushing and Sorting Technology of Recycle Facilities

In biogas plants, which use food leftovers as raw materials, organic materials is separated from containers and packaging (unsuitable for fermentation) as a pretreatment process. The separated organic materials is then crushed and converted into raw materials for biogas power generation, and methane fermentation (biogasification) is performed. This technology is based on the crushing and sorting technology that we have cultivated in our recycle facilities up to now, and we can propose facilities that meet the needs of our customers and then proceed with construction. We will continue to work together with our customers to contribute to a carbon neutral society.



Yukihiko Hatanaka (Photo: Center right) Kyokuto Kaihatsu Kogyo, Co., Ltd. Environmental Equipment and Systems Division Environmental Solutions Department

Customer Feedback

Appreciation for Your Polite Dialogue and Response

After thorough discussions, we were able to incorporate our ideas and requests into the plant and proceed with construction. As a result, we were able to respond quickly to various issues without any major initial problems, and the facility is operating smoothly. Thank you very much.



Mr. Atsushi Santo Biodiesel Okayama Co., Ltd.

Strategies for Each Business

Parking Division, etc.

We manufacture and sell mechanical multistory parking equipment for condominiums and operate toll parking facilities.

We also lease some of our real estate holdings, operate mega solar power plants, and provide damage insurance agency services.



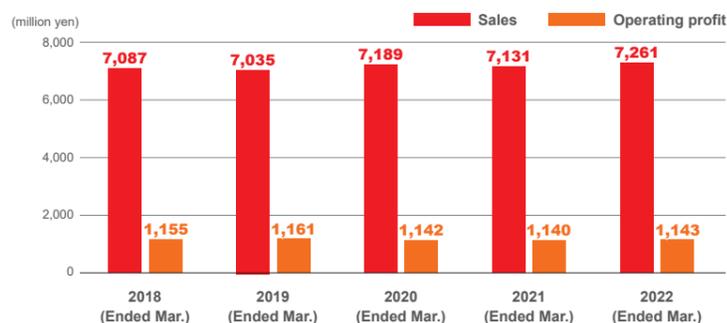
Future Market Conditions (Potential Risks and Opportunities)

Social Issues	Risks and Opportunities
Climate change	<ul style="list-style-type: none"> In order to realize carbon neutrality, the adoption of EVs is advancing, and the demand for EV chargers in parking lots is increasing. The number of private cars will decrease due to rising energy costs and population decline.
Lifestyle changes	<ul style="list-style-type: none"> Against the backdrop of an aging and declining population, the development of compact cities, which includes living environments, welfare, and transportation, is progressing. The concept of universal design in facilities and equipment, with the social participation of various people, such as the elderly, the disabled, and foreigners, will be required. Subscriptions such as on-demand transportation and car sharing will gradually become popular as a means of transportation in areas that do not rely on private cars. Cashless settlements are becoming more common.
Traffic congestion in major cities in developing countries	<ul style="list-style-type: none"> As the population of developing countries increases, the number of cars in the country also increases, causing traffic congestion in urban areas to become more severe and increasing the demand for multistory parking equipment and toll parking.

Long-Term Strategies

- 1 Develop efficient and highly safe multistory parking equipment
- 2 Promote cashless and barrier-free toll parking
- 3 Spread multistory parking equipment overseas and develop equipment to meet local needs

Parking Division, Etc. Performance Trends



In the mechanical multistory parking equipment business, we continued to focus on our stock business that includes renovation and maintenance, as well as on our efforts to win orders for new properties.

The toll parking business experienced a gradual improvement in occupancy rates from the decline caused by COVID-19.

Pursuing Added Value in Parking and Contributing to the Realization of a Next-Generation Mobility Society

Establishing Stock Business through Maintenance Business

Our Group has sold about 2,900 units of mechanical multistory parking equipment. We have positioned maintenance activities as a core of our stock business and have included it in our long-term vision. That's where IoT comes in.

For example, the "remote monitoring system" currently under development is capable of proposing early recovery of problems and proper maintenance through constant monitoring with IoT. In addition, the vast amount of information accumulated can be utilized in the development of the next system.

The remote calling system, which we have started receiving orders for as the first attempt in the industry, is also an IoT based initiative. This product has cleared strict standards, allowing remote control from a slight distance to call the car, which up to now had been based on direct operation for safety reasons. I am confident that the convenience of multistory parking equipment will continue to improve through the active use of IoT.

New Multistory Parking Equipment Supporting Carbon Neutrality

An increasing number of inquiries have been made in recent years regarding the retrofitting of charging equipment to existing multistory parking lots for condominiums. The spread of electric vehicles (EVs) is the reason for this, but it is not something that can be completed simply by installing devices. There are various issues to be addressed, such as a system for managing the power capacity of the condominium and charging order, and a system for settling charging costs. Therefore, we have set up a specialized team who are working to comprehensively resolve these issues. By taking measures to support the spread of EVs, we aim to establish a solid position as a pillar of our business.

Toll Parking That Is Chosen by Responding to the Needs of the Times

In the toll parking business, we have put a system in place that enables smarter operation than ever before. One of these is the "flapless" system, which uses sensors and cameras to detect when a car is entering or exiting instead of the car stop flap plate (lock plate), enabling smooth entry and

exit while reducing the construction and maintenance burdens. Cashless payment machines, which do not require cash, not only eliminate the need for users to prepare coins, but are also hygienic as they are non-contact. There are also advantages in terms of operation, as in addition to eliminating coin problems such as jamming and shortage of coins, it also eliminates collection work, making usage and management safer and smoother. By listening to the opinions of users, exchanging opinions with equipment manufacturers, and continuing to make improvements, we are striving for a relationship where land owners feel a sense of trust precisely because we are Kyokuto.

Strengthening Ties with Stakeholders and Developing Business as a Third Pillar

We aim to further expand the business scale of both the mechanical multistory parking equipment business and the toll parking business by 2030. It is important to strengthen relationships with stakeholders, not just to reach target figures. In order to respond appropriately to the changing needs of society, we will emphasize dialogue and strengthen synergies.



Hiroaki Kuriyama
Representative Director,
President, CEO
Kyokuto Kaihatsu Parking,
Co., Ltd.

FY2021 Topics

*Some results for FY2022 are also shown.



Solving Transport Challenges in Developing Countries

In August 2021, we delivered large-scale multistory parking equipment to Indonesia. In addition to the increasing use of automobiles, the shortage of parking lots in urban areas in Indonesia has become a serious problem due to the increasing population. Multistory parking equipment that maximizes the use of limited space contributes to reducing congestion and conserving the landscape in urban areas.



Multistory parking equipment installed in Indonesia. The four-level structure allows for a total of 76 cars.

Toward Toll Parking That Is Easy for Everyone to Use

In FY2021, the toll parking business, which is responsible for the effective use of land and solving transportation issues in urban areas, opened 2,274 new parking spaces across 58 properties.

We are also working to make toll parking safer and more convenient for everyone by supporting cashless payments and flapless parking that does not have a flap plate (lock plate), which may cause accidents.



Flapless parking lot

Toward More Convenient Multistory Parking Equipment

The Parking Division has developed a remote calling (remote control) system for mechanical multistory parking equipment utilizing IoT technology, and has begun receiving orders. In the past, it was mandatory to operate the equipment in front of the control panel for safety reasons when loading or unloading vehicles, but this system has made it possible to operate it from a remote location, improved user convenience.

Customer Feedback

Making Effective Use of Inherited Land

By leasing my inherited land and buildings (demolished) as toll parking, I can earn a stable income every month while letting you manage the land, leaving me with peace of mind. Above all, I am very grateful that I did not sell my inherited land.



Mr. A from Hyogo
Land owner

Strategies for Each Business

Overseas Business Division

We have established production plants in China, India, and Indonesia, and sales bases in Malaysia, Vietnam, Australia, New Zealand, and more, and are contributing to the resolution of various issues around the world.



Future Market Conditions (Potential Risks and Opportunities)

Social Issues	Risks and Opportunities
Rapid economic growth	<ul style="list-style-type: none"> Japan's ODA budget will remain at the same level as the previous year, and export demand to overseas countries will remain firm. In the Southeast Asian region, as urban areas expand due to population growth and economic development, the development of social infrastructure advances, and demand for civil engineering special purpose vehicles increases. Economic development will raise labor costs and reduce the cost benefits of manufacturing parts for Japan in Asia.

Long-Term Strategies

- 1 Establish local production bases and expand production capacity to meet the strong demand
- 2 Develop products overseas through ODA and other forms of international cooperation
- 3 Expand parts procurement functions for Japan

FY2021 Topics

Building Vehicles to Meet the Needs of Each Country



Concrete mixer for Taiwan

In February 2022, Kyokuto Kaihatsu (Kunshan) Machinery obtained an order for 100 concrete mixers for Taiwan. The company's concrete mixers have been exported around the world, mainly to Southeast Asia and Australia, contributing to community development in those countries. In addition to conventional performance, this concrete mixer for Taiwan has been designed to meet the needs of the customers through changes such as weight reductions and improved operability. To meet these needs and the unique specifications of Taiwan, we have proactively adopted aluminum materials, installed sewage tank equipment, and more.



India's largest bulk tank trailer

In India, where construction demand is growing rapidly, in FY2021 SATRAC developed and sold one of the largest bulk tank trailers in India (total length 13 m, gross vehicle weight 60 tons), capable of carrying 55m³. This enabled SATRAC to simultaneously maximize the transportation volume and reduce the weight of the vehicle. This contributes to reducing CO₂ emissions while also saving resources and lowering costs in the manufacturing process. The use of compressors made in Japan ensures that the product can be used safely and stably.



Dump truck for coal mines

In Indonesia, there is an increasing need for dump trucks for large-volume mines. The ability to transport large quantities in one trip is an important quality and capability of trucks. To meet these needs, in FY2021 Kyokuto Indomobil Manufacturing Indonesia and Kyokuto Indomobil Distributor Indonesia developed and launched an ultra-large coal transport rear dump truck. This dump truck overcomes the difficulties of increasing the size of the body while ensuring performance that can cope with the increased risk of vehicle rollover and severe road conditions, contributing to improving the work efficiency of customers.

[Local Communities]

Sustainable “Community Development”

In order to provide products and services for sustainable community development, coexistence with local communities is essential.

In order to meet the needs of people in the community, the Kyokuto Kaihatsu Group is working to improve its technology and service capabilities and pass on the skills that support them.

Trusted
ManufacturingParticipating
in Local
Communities

Trusted Manufacturing

It is our Group's responsibility to continuously provide better and safer products and services for communities. We are promoting various initiatives to build a robust production system that is not affected by changing social conditions.



Improving Quality and Passing on Skills

Creating an Environment for Better Products

In order to continue to produce products that meet customer needs, we are promoting various activities through our in-house project entitled “Q-Pro (Quality Project).”

Since FY2020, we have been engaging in our Three “Don’t” Activities (don’t manufacture, don’t pass on to the following processes, and don’t accept defective products from previous processes) in order to achieve higher levels of quality and efficiency.

In order to properly comply with internal standards, we are also striving to foster an open organizational culture.

-Example Initiatives for the Three “Don’t” Activities-

- Promoting completion in one’s own processes**
 Strictly adhering to the principle of “settling any defects that occur in the process.”
- Implementation of leveling meetings**
 Practicing “The Three Actuals” in order to stabilize quality and pass on skills.
 *The Three Actuals ... The concept of observing the “actual product” at the “actual site” in order to see the “actual situation” before solving a problem.
- Development of skill maps**
 “Visualizing skills” in order to reliably respond to diversifying and ever more sophisticated customer needs.

Achieving Quality That Continues to Be Appreciated by Customers

The Three “Don’t” Activities are those undertaken by all major domestic plants of Kyokuto Kaihatsu Kogyo to improve quality. As part of our activities to ensure employees “don’t manufacture defective products and don’t pass on defective products to the following process,” related departments regularly gather together to conduct quality leveling meetings while checking actual products. For “don’t accept defective products from previous processes” activities, we check the products delivered from the previous process, and if there are any defects, we use the “Not Accepted Sheet” to provide feedback to the previous process. We also conduct quality improvement activities throughout the plant. Two years have passed since the start of the Three “Don’t” Activities, and the quality awareness of each employee has changed significantly. In the future, we will continue to evolve our quality improvement activities, incorporating “don’t allow for a recurrence of defective products” activities as the “fourth don’t” in order to contribute to society by aiming for products that continue to be chosen by customers.



Quality Management System

A quality management system based on ISO 9001 is in place at the main bases of the Special Purpose Vehicles Division. In FY2021, the Road Service Department was newly certified. We will further expand the scope of application of this system moving forward.

Responding to Customer Feedback

Questionnaires are used by each Group company to check whether they are fulfilling their responsibilities to the utmost through their products and services. We will continue to expand the scope of these surveys.



SATRAC customer satisfaction survey



Kyokuto Special Automobile Trading (Shanghai) quality inspection

Passing on Skills

We hold seminars and training on various technologies to improve quality and pass on skills.

We also conduct a “welding skills exam” and a “painting skills exam” for workers engaged in product manufacturing to ensure the quality of important parts.

The exams, which are conducted in the form of a contest, also motivate workers to improve their skills.

In FY2013, the Group established the Kyokuto Kaihatsu Group Engineers Association to promote mutual growth and nurture younger employees.



Pipe welding skills exam

Improvement and Enhancement of Services

Service Bases

In order to ensure the long and safe use of products delivered to customers, we have established service bases throughout Japan and provide a full range of after-sales services.

In FY2021, we expanded our stock business by establishing and renewing the following facilities, strengthening our service system.

- ◆ Nippon Trex, Trex Service Center Kyushu: Newly established
- ◆ FE-Auto Gifu Service Center: Relocation and expansion



FE-Auto Gifu Service Center

Service Training Courses

Training on repair and maintenance, including “product handling,” “safety,” and “technology,” are held for customers and designated repair plants.

We also provide education for acquiring certifications within the Group.



Passing down service skills at Inoue Motor

Maintenance Packs

Sudden break down and trouble lead not only to loss to customers but also to secondary disasters that adversely affect surroundings.

To prevent break down and trouble during product use, we provide our customers with “maintenance pack” and “perfect maintenance pack” services, which provide periodic inspections and maintenance at a fixed price.



Employees cleaning their community



Convenience store operated by Nippon Trex

Developing Relationships with Business Partners

Information Exchange Meetings

Group companies conduct regular visits and information exchange meetings with partner companies and local governments.

By increasing opportunities for dialogue, we are promoting the exchange of information on customer needs, etc., and the creation of relationships.

Periodic Surveys

In order to conduct fair transactions, we conduct credit checks, on-site inspections, and periodic audits of business partners.

Award System for Internal Partner Companies

In order to raise awareness and motivation for quality, we have been giving awards to companies that have contributed to improving product quality.



Award ceremony for Iraha Kogyo Co., Ltd., an internal partner company of Kyokuto Kaihatsu Kogyo

Participating in Local Communities

In a variety of situations, we are working to resolve regional issues, collaborate with local communities, and nurture the next generation.



Coexistence with Local Communities

Regional Environmental Conservation Activities

At each Group base, we periodically clean the areas surrounding our business sites.

We also participate in the Yamato Environment Improvement Association in Yamato City, Kanagawa Prefecture, and the Environmental Plan Evaluation Council in Nishinomiya City, Hyogo Prefecture, and are proactively working to improve the local environment.

The Saitama City Sakura Environmental Center, to which the Saitama Office of Kyokuto Service Engineering belongs, holds their Eco Festa once a year to enlighten local residents about the environment and the SDGs.



Eco Festa held at the Saitama City Sakura Environmental Center (Kyokuto Service Engineering Saitama Office)

Local Disaster Prevention Activities

At the same time that we protect local communities from fires at our plants, we also participate in local volunteer fire brigades so as not to interfere with business continuity.

Kyokuto Kaihatsu Kogyo's Miki Plant is a member of the "Corporate fire brigade," which engages in firefighting activities in cooperation with local fire brigades.

Participation in Events

We participate in and support various festivals and events organized by local organizations.

By exhibiting our products at events, we help local residents understand the roles that the Group's products play in society, and contribute to the promotion of local industries and regional revitalization.

*In FY2021, many scheduled events were canceled due to COVID-19.



Participating in an event at Tojoko Toy's Kingdom (FY2019)

Convenience Store Operation

Nippon Trex operates a convenience store on the premises of its head office. Not just our employees, but also the general public use this service, and we contribute not only to the welfare of our employees, but also to the community development.

Promoting Local Employment

In order to promote local employment and regional development, we actively employ local residents at our overseas bases.

Mori Plant also gives priority to placing orders with local contractors for public work projects.

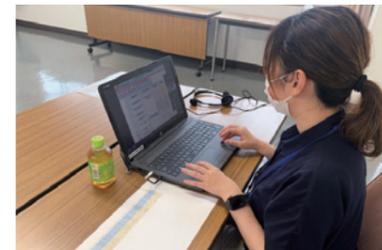
Nurturing the Next Generation

Cooperation in the Field of Education

Our Group accepts internships and work experience requests. By having students engage in those experiences, we help them learn how to develop professional values and career plans so they can use them for job hunting in the future.

Additionally, Kyokuto Kaihatsu Kogyo provides support to nurture students who will lead the next generation by participating in the "My Career Study Group" (commonly known as Wata-Caree), a program in which female university students consider their own careers through corporate research.

We also hold educational activities, such as giving lectures by our President to regional universities and special lectures to neighboring high schools.



Online internships were offered during the COVID-19 pandemic.

Content Aimed at Children

We provide content for children on our website and in booklets.

Our Group promotes education for the next generation, and understanding of our Group by introducing our products and activities in a fun and easy-to-understand way.



"Working Vehicle Drill" for elementary school students

Plant Tours

We hold tours of our plants and completed facilities for local residents and students with the aim of raising interest in manufacturing, deepening understanding of local industries, and promoting local settlement.



Plant tour and opinion exchange meeting held by Shinko Automobile

Interacting With Neighboring University Students

We held a company tour and exchange meeting with students from the Hokkaido University of Science, of which several of our employees are alumni. Nine students from the Faculty of Mechanical Engineering took part in the tour, looked around the plant, products such as tailgate lifters and tank trucks, and the employees working there. At an opinion exchange meeting with young employees who were also alumni of the university, the students actively made questions, and we could see that they were strongly interested in our company. We will continue to provide such opportunities to raise awareness for local students.



Shinichi Ono
Shinko Automobile Co., Ltd.
Manufacturing Division

[Environment]

“Manufacturing” That Considers the Global Environment

The Kyokuto Kaihatsu Group aims to develop communities through manufacturing while at the same time promote the conservation of the global environment and ecosystems throughout the supply chain.



Toward Decarbonized Society

Toward Recycling-Oriented Society

Conserving ecosystems

Responding to Climate Change Risks

Kyokuto Kaihatsu Kogyo solar panels on the site of the former Tohoku Plant

Toward Decarbonized Society

We are working to realize decarbonized society and carbon neutrality through a variety of measures, and we are promoting sustainable manufacturing.



Reducing CO₂ Emissions in Manufacturing

Introducing Energy-Saving Equipment and Eco-Cars

The entire Group is promoting the use of LEDs for plant lighting. We are also taking measures to insulate and shield plant buildings to create a comfortable working environment. We are switching to electric and hybrid vehicles for our corporate vehicles to prevent environmental pollution and reduce CO₂ emissions.



LED lighting in the new Hokuriku Heavy Industries plant

Reducing CO₂ Emissions through Productivity Improvements

We are working to improve productivity and reduce complaints, thereby reducing CO₂ emissions.

*Productivity improvements... See page 46
Claim reductions... See pages 37 - 38

Video and Web Conferencing

By utilizing videoconferencing and web conferencing, we are contributing to the reduction of indirect CO₂ emissions associated with traveling.

Solar Power Generation Business

We generate solar power at three locations: Kyokuto Kaihatsu Kogyo's Fukuoka Plant, the site of our former Tohoku Plant, and Nippon Trex's Otowa Plant.

Toward Recycling-Oriented Society/Conservation of Ecosystems

We are promoting the 3Rs (Reduce, Reuse, Recycle) through the reduction of waste generated in our business activities and the recycling of products. We also identify environmental pollution that occurs in our product value chain and control it.



Reducing Waste in Manufacturing

Waste Recycling

The entire Group is promoting initiatives to reduce waste. We aim to achieve zero landfill waste by reusing scrap, packaging, and other waste generated at our plants as raw materials for recycling.

Product Recycling

At the request of the Society for Promotion of Japanese Diplomacy, FE-Auto modifies and repairs vehicles that have been retired from local governments and donates them to developing countries.

*FY2021 results: 1 fire engine (Argentina), 1 refuse truck (Cambodia), 1 water truck (Tonga)



Water trucks donated to Tonga were used in water supply activities during the volcanic eruption disaster in January 2022.

Promoting the 3Rs

We have established our own evaluation standards for the 3Rs (Reduce, Reuse, Recycle) in product design, such as weight reduction of parts and materials derived from recycled materials.

We are also promoting the application of “New Environmental Standard Compliance Labels” on products that meet the various requirements of the Japan Auto-Body Industries Association.



New environmental standard compliance label

Necessary Requirements

- (1) Preparation and utilization of the “3R Criteria Guidelines”
- (2) Preparation and disclosure of disassembly manuals
- (3) Display of manufacturer names
- (4) Display of resin part material names
- (5) 95% recyclability rate for vehicle body product components
- (6) Meet the “voluntary standards for four heavy metal substances” established by the Japan Auto-Body Industries Association
- (7) Manufacture at plants that have acquired environmental certification by third-party organizations, such as ISO 14001 or Eco Action 21

Reducing Food Loss

Reducing Food Loss

F.E.E., which operates the employee cafeterias, is working to reduce food loss by controlling the number of meals and recording the amount of leftover food.

In November 2021, we registered as a “food loss reduction partner of Nishinomiya City.”



Nishinomiya City Food Loss Reduction Partner sticker

Conserving ecosystems

Management of Chemical Substances

We are promoting the manufacturing of products that do not use SOC (chemical substances harmful to human bodies and the environment).

SOC-free products are marked and displayed in our product catalogs and brochures.



This product has contributed to the reduction of the use of cadmium, lead, mercury, and hexavalent chromium.

SOC-free mark

Forestation Activities

Since May 2004, Nippon Trex has been planting acacia trees in Sabah, Malaysia, to promote coexistence with limited forest resources.

Logs from the acacia trees that were planted by Nippon Trex are used as floorboard of products.



Acacia trees planted by Nippon Trex

Responding to Climate Change Risks

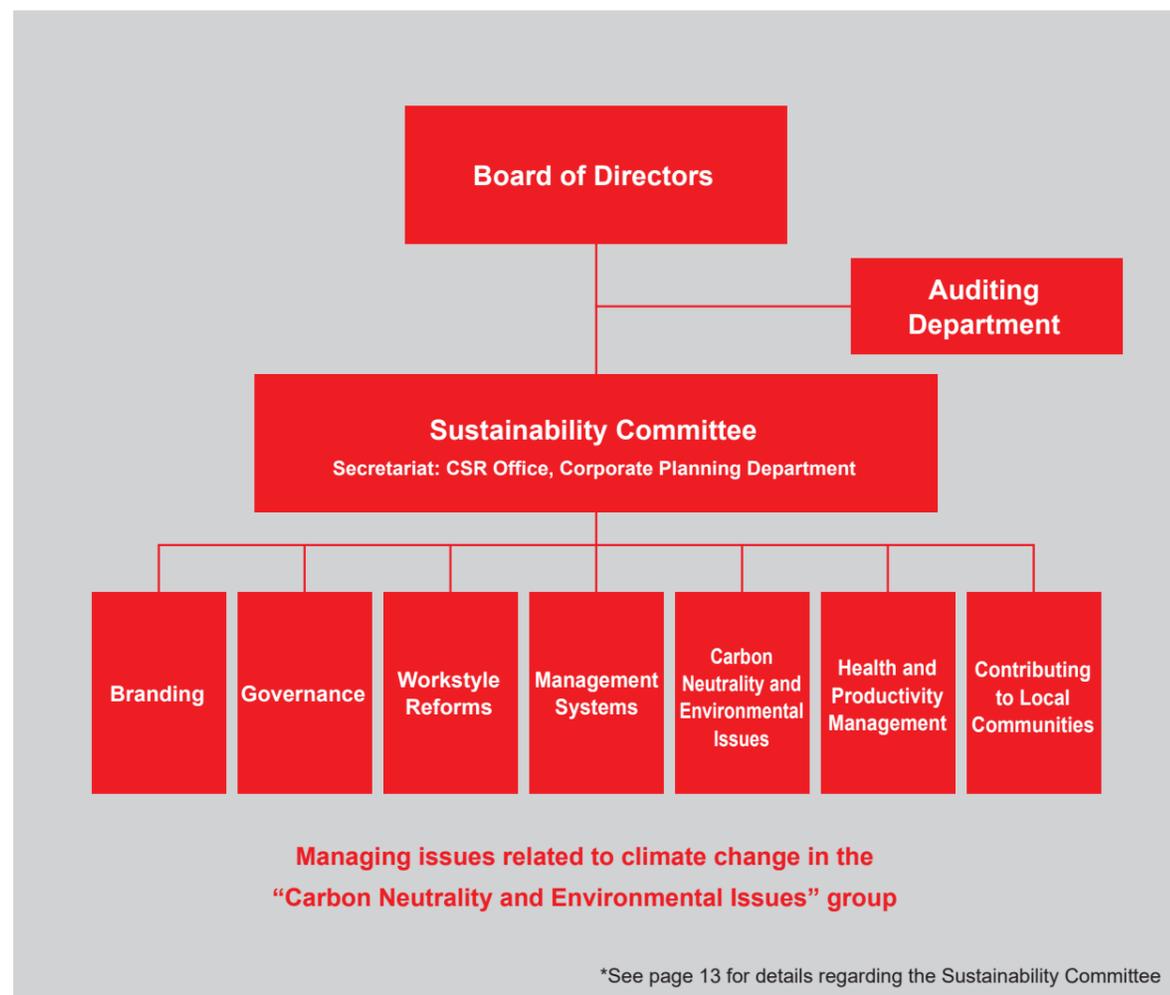
*Responding to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Governance

Our Group recognizes that addressing environmental issues, including climate change, is an important management issue, and has addressed it in both the “Long-Term Management Vision - **Kyokuto Kaihatsu 2030** -” and “Medium-Term Management Plan 2022–24 -*Creating The Future As One.*”

The Sustainability Committee (Chairperson: President, held twice a year), which is directly under the Board of Directors, evaluates and manages risks and opportunities related to climate change, decides on plans for improvement, and monitors the situation.

The status of these matters is then reported at the Board of Directors meeting held at the end of the fiscal year.



Strategy

Climate change risks handled by the Group in our management strategy are assessed by the CSR department and other related departments, deliberated by the Sustainability Committee, and given final approval by top management.

These assessments are based on the IEA scenario and RCP2.6/SSP1-2.6 (2°C increase scenario) of the IPCC Fifth Assessment Report.

Risk Management

Classification of Risk		Business Impact		Risk Response Status			
Class	Subclass	Indicator	Observations	Contents	Measures Taken	Ongoing	Not Yet begun
Transition risks Risks arising from changes in the social system toward decarbonized society	Price of carbon	Expenditure *1	<ul style="list-style-type: none"> The introduction of a carbon tax on procurement materials and the fuel for its transportation, increases transportation costs. Manufacturing costs increase in countries where the price of carbon is high. 	<ul style="list-style-type: none"> Monitoring of carbon price policy trends 		○	
	Changes in the energy mix	Expenditure	<ul style="list-style-type: none"> Changes in emission factors due to energy mix affect CO₂ emission reduction targets, and lead to review of electricity supply and demand contracts, which in turn increase electricity costs. 	<ul style="list-style-type: none"> Promoting energy conservation Switching to low-emission power plans 		○	
Physical risks Risks associated with climate change, such as heat waves, droughts, floods, storms, and sea-level rise	Rise in average temperature	Expenditure	<ul style="list-style-type: none"> The cost of measures related to room temperature control, such as heatstroke in plants, will increase. 	<ul style="list-style-type: none"> Expansion of air conditioning systems in plants Thermal insulation measures for plant buildings 		○	
	Droughts and other water stress	Revenue *2	<ul style="list-style-type: none"> Due to abnormal drying, demand for sprinkler trucks for dust control of roads and forestation maintenance increases. 	<ul style="list-style-type: none"> Expansion of water tank truck production lines 		○	
	Intensification of abnormal weather	Expenditure Revenue	<ul style="list-style-type: none"> If damage to inventory or production facility troubles occur due to frequent torrential rains or typhoons, repair and restoration costs will increase. If there is an abnormality in the supply of materials due to damage to outsourcing contractors and the supply chain, plant operations will be suspended or stalled. There will be increased demand for relief water tankers and vehicles for collecting disaster waste for areas affected by the overflow of rivers and flooding damage. Demand for special purpose civil engineering vehicles will increase as urban infrastructure for disaster prevention is expanded. 	<ul style="list-style-type: none"> Risk assessment within the company and supply chain Measures against the intrusion of water into plants Expansion of water tank truck production lines Renewal of body production line for mid-size rear dump trucks 		○	
	Changes in biodiversity	Expenditure	<ul style="list-style-type: none"> Due to a pandemic caused by an unknown pathogen, business activities may be suspended or stagnant, resulting in lower sales and a decline in trust with stakeholders. 	<ul style="list-style-type: none"> Promotion of staggered work hours and telecommuting Promotion of online meetings 		○	

*1 Expenditure: Negative impact on revenue *2 Revenue: Positive impact on revenue

Indicators and Targets

- CO₂ emissions in 2024: 10% reduction compared to FY2020
- CO₂ emissions in 2030: 38% reduction compared to FY2013

*Output level (emissions/sales) *Calculated based on actual results for Kyokuto Kaihatsu Kogyo, Nippon Trex, and Kyokuto Kaihatsu Parking

[Human Resource]

“Creating Society” in Which Each and Every Person Is Respected

We are promoting the creation of workplaces where all employees of the Kyokuto Kaihatsu Group can make the most of their individuality and ideas with peace of mind.

Diversity Management

Achieving Work-Life Balance

Creating Rewarding Workplaces

Occupational Safety and Health

Health and Productivity Management

Consideration for Human Rights

Diversity Management (Utilization of Diverse Human Resources)

Our Group considers the diversity of each and every employee as an asset, and promotes the creation of workplace environment in which everyone can make the most of their individuality and strength.



Promoting Diversity

Utilization of Diverse Human Resources

Our Group promotes and utilizes a diverse range of human resources which are not bound by gender, age, nationality, disability, or experience.



Kyokuto Kashiwa Farm, a place where people with disabilities can work in their own way



An example of the creation of an age-friendly office at Kyokuto Service Engineering (see comment below)

Education to Promote Diversity

In order to promote the creation of workplaces that makes the most of diversity, we promote education on unconscious biases (unconscious belief and prejudice) and basic education on diversity.

Age-Friendly Activities Reduce Risks to Everyone

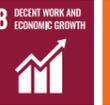
The Eco House Komaki Office of Kyokuto Service Engineering has a large number of elderly people, and is implementing various safety and burden reduction measures. For example, we made benches with shoe storage so that they can easily change their shoes. Even for not elderly persons, changing shoes while standing is a risk of falling and places burden on bodies. Safety measures that consider the elderly people also focus on residual risks, and I feel that it leads to create a “friendlier” work environment for everyone, not just the elderly people.



Toru Niwa
Kyokuto Service Engineering Co., Ltd.
Eco House Komaki Office

Achieving Work-Life Balance

We are promoting the creation of environment in which both work and life can be enriched and a virtuous cycle can be created through improvement in productivity and development of internal systems.



Initiatives Aimed at Improving Productivity

Digitization of Indirect Operations

In order to improve work efficiency, we are promoting digitization of simple and analog tasks by utilizing AI, IoT, and various systems.

Examples of Digitization

- Use of AI-OCR
- RPA of routine work
- Introduction of a process control system
- Introduction of a scheduler system
- Introduction of a location management system (to reduce the time required to search for vehicles)
- Digitalization of expense reimbursements, payslips, field forms, contracts, receipt management, recruitment activities, seals, and more

Automation in Manufacturing Processes

Our Group is promoting robotization in its manufacturing processes to stabilize product quality and improve work efficiency and safety.



Full-scale operation of the mid-size rear dump truck fabrication work line has begun at the Kyokuto Kaihatsu Kogyo Yokohama Plant.



At the new Hokuriku Heavy Industries head plant, processes has been shortened by the introduction of a 30-ton crane which lifts and transfers.

Capital Investment Toward Efficiency

We are actively promoting capital investment to reduce waste and ensure safe and efficient operations.

Promoting Diverse Ways of Working

Flexible Working System/Support for Child Care, Nursing Care, Injury and Disease, Etc.

We have established systems such as reduced working hours, vacations, staggered working hours, and telecommuting so that we can support our employees in accordance with various conditions, such as their family situation or their own health. We also conduct in-house education to promote understanding of these systems.

In case of COVID-19, we responded flexibly so that special leave could be taken for vaccinations and temporary school closures for children.



Kyokuto Kaihatsu Kogyo has published a Maternity and Childcare Leave Manual (Before Childbirth) to promote understanding between employees taking childcare leave and their superiors.

I Am Able to Do My Best Thanks to Work Environment That Makes It Easy to Balance Work and Childcare

Initially, I was planning on taking childcare leave for a bit less than a year before returning to work, but I got pregnant with my second child during the leave, so it was extended for a year. I was worried about returning to work, but the people around me, including the staff at my branch, made it possible for me to work at my own pace, and so I was able to return to work smoothly. Thanks to this, I feel relieved to be able to go to work every morning even though I'm busy with housework and childcare (lol). It's really hard to balance work and childcare, but I feel motivated to my best when I think that my children are doing their best as well at a nursery school.



Yuka Itamori
Nippon Trex Co., Ltd.
Hiroshima Branch



A typical meeting



SATRAC employee awards

Creating Rewarding Workplaces

We aim to create workplaces where employees are aware of their own roles and can actively and independently grow.



Education and Awareness Raising for Employees

Various Types of Training

We offer "job-level-specific training" to help employees acquire skills necessary for their duties, along with "career training" to support individual career development.

Encouraging Self-Development/Qualifications

In order to promote the voluntary development of employees' abilities, we have established various programs related to self-development, such as the "Self-Development Correspondence Education Incentive Program," "Qualification Subsidy Program," and "Video Training Service."

Welfare Programs

Employee Commendation System

In order to increase employees' motivation, our Group presents awards to employees who have made a significant contribution to the company's development.

Welfare Programs

We provide a variety of benefits within the Group, including club activities, recreation assistance, a system for using company-contracted resort facilities, and a loan system.

Occupational Safety and Health

We promote various education and activities to protect safety and health of our employees, which are the most important items of the Group.



Creating a Workplace Free From Industrial Accidents

Safety Patrols

We conduct safety patrols at each of the Group's business site to identify unsafe conditions and behavior in operations and with facilities, and work to rectify and prevent these issues. Information on sources of danger is shared, and the entire Group strives to prevent similar accidents from occurring.



Kyokuto Service Engineering Hokkaido safety patrol

Safety Education

In parallel with our daily safety education, we offer hands-on safety experience education that simulates accidents that could occur during actual operations, education using safety VR experience equipment, and more.

We are also promoting and sharing near-miss incidents and workplace risk assessments throughout the Group.



A safety work training vehicle with sensory devices onto a wing van

Health and Productivity Management

To ensure that all employees can continue to work in good health for a long period of time, we work together with the labor and health insurance unions to promote health and productivity management.



Health Support

Health Promotion Events/Subsidies

We provide various events and assistance to support the health of employees, including prevention of lifestyle-related diseases and infectious diseases, and support in quitting smoking.

Example Events/Subsidies

- Walking campaigns
- Holding seminars for women
- Sports competitions (SATRAC)
- COVID-19 workplace vaccination program
- Subsidies for secondary inspection costs
- Influenza vaccine subsidies
- Dental checkup subsidies
- Optional checkups at regular health checkups
- Free (Colorectal cancer testing) (Nippon Trex)

Mental Health

We conduct stress checks for employees and interviews with medical specialists to create workplaces where mental health problems are prevented.

Employee Cafeteria

F.E.E. operates cafeterias for employees of Kyokuto Kaihatsu Kogyo and Nippon Trex, where menus are designed and provided by registered dietitians. We also participate in TABLE FOR TWO Program, in which school lunches are gifted to children in developing countries by eating healthy meals in our cafeterias. (FY2021 results: 7,406 school meals were donated)



We regularly hold "health cafeteria" events that provide healthy menus in line with particular themes.

Consideration for Human Rights

We promote activities that consider human rights at all stages of our value chain.



Manufacturing That Considers Human Rights

Elimination of Conflict Minerals and Security of Exports

We are working to produce products that do not use conflict minerals as raw materials, which could be a cause of human rights violations, environmental destruction in conflict areas, and source of funds for armed groups.

In order to maintain international peace and security, we also apply "Security Export Regulations" to the export of goods and the provision of technology.

Sustainable procurement

Throughout the entire supply chain, we promote sustainable procurement that considers not only our own profits but also the environment and human rights.

Responding to Employees' Human Rights

Prevention of Harassment/Hotline

In order to create workplaces where everyone can work with peace of mind, we have implemented harassment training programs for managers with specialized instructors. We have also established the "Corporate Ethics Helpline" as a point of contact for employees to safely consult on ethical violations in the workplace. We maintain and operate a follow-up system that ensures anonymity and prevents disadvantages to persons who make a report or hold discussions.

[Governance]

“Building an Organization” Trusted by Society

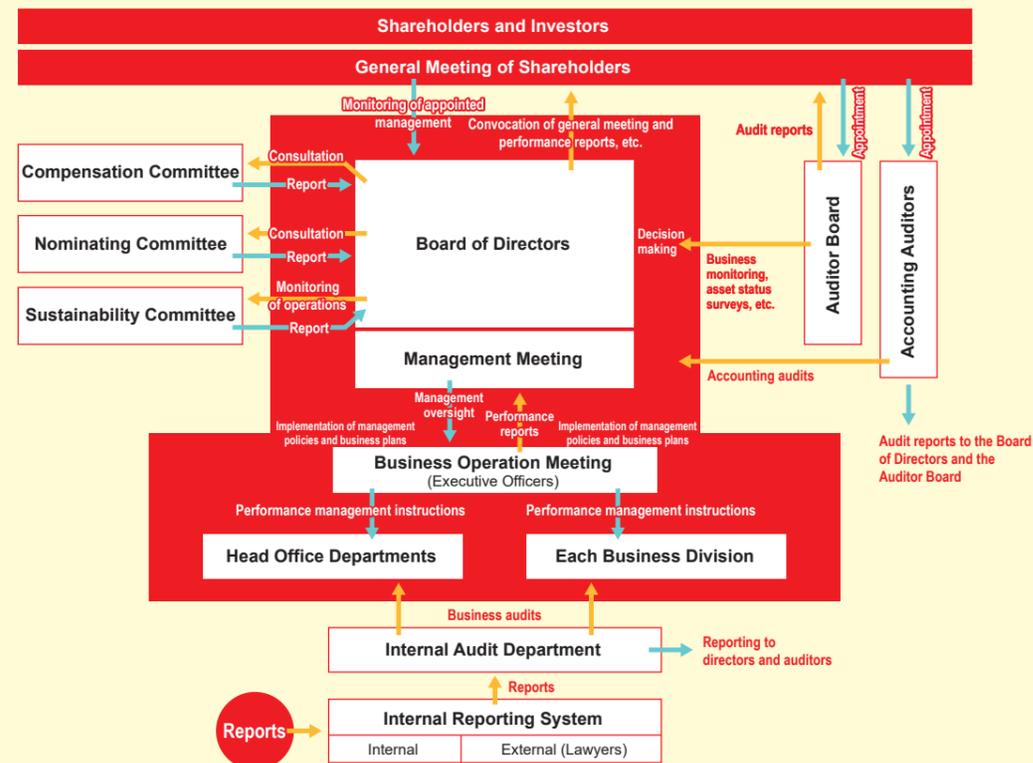
Corporate Governance

Basic Approach to Corporate Governance

Our Group manages its businesses with the aim of expanding its corporate value by swiftly making decisions on management policies and strategies in response to changes in the environment, and by strengthening its systems to implement those policies and strategies in a speedy, firm, and timely manner. We are also strengthening our auditing and supervisory functions to ensure thorough compliance with laws and regulations throughout the process, from decision making to execution.

An important management issue is to build good relationships with a variety of stakeholders, including customers, employees, business partners, shareholders and investors, and local communities, while enhancing corporate ethics and maintaining an awareness of our social responsibilities and roles both as a company and as a member of society through sound corporate activities.

[Corporate Governance System Diagram, Including Outline of Internal Control System]



Characteristics of the Corporate Governance System

Strengthening Management and Monitoring Systems

We have appointed two outside corporate auditors (one of whom is qualified as a lawyer) in order to strengthen the decision-making function of the Board of Directors and the function of managing the execution business by executive officers, as well as management oversight functionality. We have established a system in which external oversight functions adequately thanks to supervision by outside directors and audits by outside corporate auditors.

*Strengthened to 3 outside directors from the end of June 2022.

Monitoring Sustainability Initiatives

Our Group recognizes sustainability as an important management issue. The Sustainability Committee, which is supervised by the Board of Directors, identifies materialities through the evaluation of risks and opportunities of the Group, reviews measures, and manages its progress.

Implementing Three-Way Audits

We have set up the Auditing Department as the internal auditing organization, which consists of four staff members to conduct audits of our Group's operations based on the audit plans established for each fiscal year. The results are reported to the directors and auditors to promote the establishment of checking systems and proper execution of operations. The auditors, accounting auditors, and Auditing Department communicate and coordinate with each other to ensure the efficient implementation of three-way audits.

Constructive Dialogue with Shareholders and Investors

Our Group recognizes that engaging in active dialogue with shareholders and investors on a daily basis, and taking their opinions and suggestions seriously to improve management, is particularly important for enhancing corporate value. In addition to the General Meeting of Shareholders, we also hold financial results briefings for investors. As a point of contact for communication with shareholders and investors, we have appointed a director in charge of SR/IR, with the General Affairs Department as the department in charge. Basically, we hold separate meetings for institutional investors and analysts on a quarterly basis and whenever a request is made, top management at the level of director or above responds. Opinions received from shareholders and investors as a result of our SR/IR activities are fed back to our directors and auditors as an important factor in making management decisions.

A Conversation with Our Outside Directors



The Long-Term Management Vision and New Medium-Term Management Plan

Norimitsu The Group has announced the “Long-Term Management Vision -Kyokuto Kaihatsu 2030-” and the “Medium-Term Management Plan 2022-24 -Creating The Future As One,” which depict the dual achievement of both sustainable society and sustainable management. I would like to begin by asking your opinion on these.

Kaneko The basic policy of the new medium-term management plan begins with contributing to solving social issues and seeking to provide value. Today, the depletion of resources and demand for recycling are global issues, but I believe these issues can also be an opportunity for the Group. I think society expects us to take on these challenges based on strategic analysis.

Terakawa Looking back on the history of the Group, I get the strong impression that it is one of technical competence. We will promote research and development to improve our technical capabilities while valuing the technology, trust, and spirit of harmony that we have cultivated over many years. This is reflected in our long-term management vision and new medium-term management plan. Although the goals we set are high hurdles, I would like everyone to unite in taking on the challenge with the slogan of “Creating the Future as One.”

Sustainability Initiatives

Norimitsu The long-term management vision in particular sets long-term goals not only for business performance but also for sustainability. As a manufacturing industry that consumes energy and resources and requires cooperation of many people, all items are essential.

Michigami It is true that there has never been a time where environmental issues have been raised as much as now. In addition to the issue of greenhouse gases, it is necessary to simultaneously and actively promote measures such as banning the use of hazardous chemical substances and curbing the use of plastics. It can be said that there is no future for companies that do not undertake these measures. In terms of people, I believe that addressing the issue of diversity, not only by increasing the number of female employees, but also by addressing diversity with regard to age and nationality, will lead to global development.

Kaneko The Special Purpose Vehicles Division and the Environmental

Equipment and Systems Division can contribute both directly and indirectly to carbon neutrality and sustainability through products and manufacturing, gaining substantial expectation from society.

Additionally, in the past few years the law has been revised and it has become necessary to establish an internal reporting desk to solve problems that lie hidden in the workplace, such as harassment. In addition to losing opportunity to receive input from young people, women, and other people with different perspectives, the traditional workplace culture that tends to exist in the manufacturing industry runs the risk of creating companies that cannot adapt to change. I would not like to end with a topic on goals other than that of the environment set out in the long-term management vision.

Terakawa My impression has been that the CSR reports published so far have summarized these things in an easy-to-understand manner. Sustainability initiatives can only be realized with the understanding of employees, so we hope that these tools will be used to further raise awareness.

Stance on Governance

Norimitsu It is no exaggeration to say that the realization of sustainable society depends on corporate management activities. In order to achieve environmental conservation, human rights protection, and economic development at the same time, we have set goals for governance in our long-term management vision.

Michigami Companies should not be mere profit-seeking entities. Companies that develop while paying attention to all aspects of the environment, human rights, and governance are the ones that will win the trust of society. In order for our Group to continue to develop, I think we should focus more heavily on governance.

Kaneko I have specialized in corporate legal affairs, information security, and global governance. By proposing awareness from the perspective of risk management and social responsibility, I hope to be able to contribute as much as possible to the creation of a Group resilient against risks.

Norimitsu We are now in an era in which corporate management is threatened by a complex web of various factors, such as COVID-19, climate change, and regional conflicts. Risk management is becoming increasingly important for our Group, which is expanding globally. By making effective use of all the management resources we have cultivated over the years, we will open the door to the future.

Sustainability Data

The environment

CO₂ Emissions

Kyokuto Kaihatsu Kogyo

*Calculation of Scope 3 emissions started from FY2019

Category	Calculation method	Emissions (tons-CO ₂)				
		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Scope 1	Direct emissions from in-house fuel use	4,265	4,257	4,452	4,248	4,310
Scope 2	Indirect emissions from externally purchased electricity and heat usage	9,606	9,699	10,578	9,503	10,325
Scope 3	Indirect emissions other than those in Scope 1 and 2 (Emissions by other companies related to our activities)	—	—	85,125	88,092	100,868
Category 1	Purchased products and services	—	—	37,472	33,185	36,112
Category 2	Capital goods	—	—	3,523	12,897	17,603
Category 3	Fuel- and energy-related activities	—	—	2,334	2,459	2,245
Category 4	Transport and distribution (upstream)	—	—	7,409	9,796	11,466
Category 5	Waste generated from business	—	—	601	516	618
Category 6	Business trips	—	—	135	139	142
Category 7	Employee commuting	—	—	1,099	1,187	1,296
Category 12	Disposal of products sold	—	—	30,577	26,504	29,531
Category 15	Investments	—	—	1,975	1,409	1,855
Total		—	—	100,155	101,843	115,503

CO₂ Emissions per Unit of Production

Total for Kyokuto Kaihatsu Kogyo, Nippon Trex, and Kyokuto Kaihatsu Parking

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
CO ₂ emissions (tons)	20,885	21,985	22,543	20,175	21,995
Sales (million yen)	109,890	110,987	115,171	110,260	107,099
Output level	0.190	0.198	0.196	0.183	0.205
Actual compared to FY2013 (%)	-13.9	-10.2	-11.3	-17.1	-6.9
Actual compared to FY2020 (%)	—	—	—	—	12.2

Chemical Substance Emissions (Total VOC Emissions)

Kyokuto Kaihatsu Kogyo

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total VOC (tons)	83	71	68	72	75
Output level (g/m ²)	99	89	79	96	103

Volume of Water Resources Input and Emissions

Total for Kyokuto Kaihatsu Kogyo and Nippon Trex

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Volume of input (m ³)	205,349	223,693	207,318	236,617	280,869
Volume of emissions (m ³)	171,827	188,600	184,348	203,474	201,625

Status of Waste Management

Total for Kyokuto Kaihatsu Kogyo and Nippon Trex

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total volume of waste (tons)	2,679	2,674	2,931	2,537	2,608
Recycled volume (tons)	2,638	2,632	2,888	2,495	2,571
Final disposal volume (tons)	41	42	43	42	37
Recycling rate (%)	98.5	98.4	98.5	98.3	98.6

Solar Power Generation

All of the Kyokuto Kaihatsu Group

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Kyokuto Kaihatsu Kogyo Fukuoka Plant: 1.5 MW (kWh)	2,012,120	1,908,170	1,722,740	1,789,776	1,697,768
Kyokuto Kaihatsu former Tohoku Plant: 1.5 MW (kWh)	2,287,990	2,218,019	2,347,819	2,166,445	2,369,608
Nippon Trex Otowa Plant: 0.35 MW (kWh)	544,588	525,965	520,697	521,956	517,703
Total	4,844,698	4,652,154	4,591,256	4,478,177	4,585,079

People

Basic Information

All of the Kyokuto Kaihatsu Group

Item	FY2021
	(As of March 31, 2022)
Total	3,138
Male	2,804
Female	334
10 - 19 y.o.	41
20 - 29 y.o.	633
30 - 39 y.o.	762
40 - 49 y.o.	828
50 - 59 y.o.	607
60 - 69 y.o.	250
70 y.o. and over	17
Average age	43.1
Average years of service	10.7
Number of new graduates hired	58
Male	54
Female	4
Number of mid-career hires	142
Male	118
Female	24
New graduate turnover rate after three years (%)	0.5

Diversity

All of the Kyokuto Kaihatsu Group

Item	FY2021
	(As of March 31, 2022)
Number of female managers	5
Ratio of female managers (%)	0.2
Number of female assistant managers	13
Ratio of female assistant managers (%)	0.4
Number of foreign employees	74
Number of foreign technical intern trainees	59
Number of persons with disabilities	57
Number of persons rehired after retirement	195

Work-Life Balance

All of the Kyokuto Kaihatsu Group excluding overseas bases

Item	FY2021
	(As of March 31, 2022)
Total	31
Male	8
Female	23
Number of employees taking childcare leave	0
Average number of paid holidays (days)	12.0
Percentage of employees taking paid leave (%) ¹⁾	61.8
Total hours worked (hours)	1,971.7
Average overtime per month (hours)	14.8
Satisfaction with work-life balance (%) ²⁾	58.1
Total	53
Accidents without lost work time	43
Accidents resulting in lost work time	9
Accidents resulting in death	1

A serious fatal accident occurred at an in-house contractor. The Group as a whole is pursuing the cause of the accident and implementing measures to prevent its recurrence, ensuring that all employees are fully aware of the cause. We will continue to thoroughly manage risks to prevent such accidents from occurring again.

¹⁾ Number of paid holidays taken in the fiscal year/Number of paid holidays newly granted in the fiscal year (excluding carryover)

²⁾ Evaluation based on the results of employee awareness surveys. Only implemented for Kyokuto Kaihatsu Kogyo

³⁾ Occupational accidents at partner companies and subcontractors working in factories are included in the number of accidents.

• Accidents without lost work time... Occupational accidents in which an employee received an examination at a medical institution but did not miss a day of work from the day after the accident (includes less than a full day of work lost)

• Accidents resulting in lost work time... Occupational accidents resulting at least one day of lost work

Governance

Kyokuto Kaihatsu Kogyo

Item	FY2017	FY2018	FY2019	FY2020	FY2021
	(As of March 31, 2018)	(As of March 31, 2019)	(As of March 31, 2020)	(As of March 31, 2021)	(As of March 31, 2022)
Total	9	8	8	8	8 ¹⁾
Male	9	8	8	8	8
Female	0	0	0	0	0
Under 30 y.o.	0	0	0	0	0
30 - 50 y.o.	0	0	0	0	0
50 y.o. and over	9	8	8	8	8
Number of outside directors	2	2	2	2	2
Ratio of outside directors (%)	22	25	25	25	25
Number of meetings of the Board of Directors	13	13	13	13	13
Average attendance rate (%)	99	99	100	99	100
Average attendance rate of outside directors (%)	96	96	100	96	100
Number of officers	15	14	16	13	12
Directors (excluding outside directors) (million yen)	153	139	117	132	158
Auditors (excluding outside corporate auditors) (million yen)	22	22	23	24	24
Outside officers (million yen)	32	31	32	32	32

¹⁾As of June 30, 2022: 8 people (7 men and 1 woman)

Company Profile (As of March 31, 2022)

Company Name	Kyokuto Kaihatsu Kogyo, Co., Ltd.
	KYOKUTO KAIHATSU KOGYO CO.,LTD.
Head Office	6-1-45, Koshienguchi, Nishinomiya-shi, Hyogo 663-8545, Japan
	TEL: +81-798-66-1000
Website	www.kyokuto.com
Establishment	June 1, 1955
Capital	11.899 billion yen
Number of employees	Consolidated: 3,138, Non-consolidated: 1,093



Socially Responsible Investment (SRI)

- In June 2022, we were selected for the "FTSE Blossom Japan Sector Relative Index*" as a Japanese corporate brand with outstanding ESG (Environment, Society, Governance) initiatives. This index has been adopted as a passive ESG investment benchmark by the Government Pension Investment Fund (GPIF). [Kyokuto Kaihatsu Kogyo]



FTSE Blossom Japan Sector Relative Index

*493 companies were selected from the FTSE Japan All Cap Index 1390. (As of March 31, 2022)

Occupational Safety and Health

- An employee received the Occupational Safety Award from the Minister of Health, Labour and Welfare, which recognizes excellent foremen who have a high level of safety awareness and have implemented appropriate safety guidance. [Kyokuto Kaihatsu Kogyo]

ISO Certification

- Our Group has obtained certification for its quality management system (ISO 9001) and environmental management system (ISO 14001). Through the application of ISO-based management systems, we are working to improve quality as well as customer satisfaction, and to protect the environment.

Affiliated Company Information

Special Purpose Vehicles Division

Domestic bases

Nippon Trex Co., Ltd.
Manufacturing, sales, repair, and parts sales of trailers, wing truck bodies, etc.
FE-Auto Co., Ltd.
Repairs and parts sales of special purpose vehicles, sales of used trucks
Shinko Automobile Co., Ltd.
Manufacturing, sales, repairs, and parts sales of special purpose vehicles
Hokuriku Heavy Industries, Ltd.
Manufacturing, sales, repairs, and parts sales of railcars and special purpose vehicles
Inoue Motor Co., Ltd.
Repairs and parts sales of special purpose vehicles

Overseas bases

Kyokuto Special Automobile Trading (Shanghai) Co., Ltd. (China)
Parts procurement of special purpose vehicles
Kyokuto Kaihatsu (Kunshan) Machinery Co., Ltd. (China)
Manufacturing, sales, repairs, and parts sales of special purpose vehicles
SATRAC ENGINEERING PRIVATE LIMITED (India)
Manufacturing, sales, repairs, and parts sales of special purpose vehicles
PT. Kyokuto Indomobil Manufacturing Indonesia (Indonesia)
Manufacturing of special purpose vehicles
PT. Kyokuto Indomobil Distributor Indonesia (Indonesia)
Sales of special purpose vehicles

Environmental Equipment and Systems Division

Kyokuto Service Engineering Co., Ltd.
Repairs and operation of environmental maintenance apparatus and facilities
Kyokuto Service Engineering Hokkaido Co., Ltd.
Repairs and operation of environmental maintenance apparatus and facilities
Mori Plant Co., Ltd.
Design, construction, and maintenance of environmental equipment plants
Eco Facility Funabashi Co., Ltd.
Maintenance and management of environmental maintenance facilities

Parking Division, etc.

Kyokuto Kaihatsu Parking, Co., Ltd.
Manufacturing, sales, and repair of multistory parking equipment and car park management (toll parking)
Sasashima Live Parking Co., Ltd.
Management of multistory parking lots
F. E. E. Co., Ltd.
Canteen management and damage insurance agency business

Health and Productivity Management

- Recognized as an "Outstanding Health and Productivity Management Organization 2022" by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. [Kyokuto Kaihatsu Kogyo, Nippon Trex]
- Received the "Mayor's Award" in the health business category of the Yamato City Industrial Worker Commendations. [Kyokuto Kaihatsu Kogyo]
- Received the Minister of Health, Labour and Welfare Commendation at the 57th National Blood Donation Promotion Convention. [Kyokuto Kaihatsu Kogyo]



Others

- Received a letter of appreciation from The Society for Promotion of Japanese Diplomacy for cooperation in overseas aid projects. [FE-Auto] (See page 42)
- Received an award from Daimler India Commercial Vehicles (DICV) as an excellent body maker. [Kyokuto Indomobil Manufacturing Indonesia]
*DICV truck chassis exported from India are being mounted in Indonesia.
- The Nippon Trex Mitsu Plant employee cafeteria received the "Excellent Store Award" from the Toyokawa Public Health Center. [F.E.E.]
- Employees received awards from the Niigata Corporation Association for their excellence in accounting. [Hokuriku Heavy Industries]
- Commended as an "excellent cooperative company" by the registered Waigaoqiao Free Trade Zone. [Kyokuto Special Automobile Trading (Shanghai)]

External Assessment and Awards

Design and Performance

The 10-ton heavy duty rear dump truck wear-resistant steel plate (HARDOX) specification won a "2021 Good Design Best 100" award, and the refuse truck safety support system won a "2021 Good Design Award". [Kyokuto Kaihatsu Kogyo]

Award Highlights

10-ton heavy duty rear dump truck wear-resistant steel plate (HARDOX) specification



Wear-resistant steel plates (HARDOX) have been adopted to improve durability and reduce weight, while the body design has an integrated structure that uses curved surfaces without stiffeners (reinforced columns), greatly improving the appearance of the vehicle.



Refuse truck safety support system



The use of high-performance cameras and AI to detect "people" has improved the safety of collection operations without compromising workability. It was highly evaluated for ensuring the safety of not only the operators, but anyone and everyone around the vehicle.



Dialogue with Stakeholders

Through dialogues with our stakeholders, we promote initiatives that can respond to each of their issues and expectations.

Stakeholder	Themes	Means	Related Pages
Customers	1) Promoting mutual understanding and building better relationships 2) Creating better products	1) Various training courses 2) Customer service desk, disclosure of recall information	P37-38
Employees	1) Improvement of the workplace environment and review of labor and personnel policies 2) Strengthening labor-management relations, creating pleasant, and rewarding workplaces	1) Various research and evaluation interviews and employee awareness surveys 2) Collective bargaining and labor-management meetings (10 times a year or more)	P45-48
Clients	1) Promoting mutual understanding and building better relationships	1) Various meetings and training 2) Client evaluations	P39
Shareholders and investors	1) Improving the quality of management through dialogue	1) Ordinary General Meeting of Shareholders (once a year) 2) Financial results briefings (once a year) 3) Issuance of "securities reports" and "quarterly securities reports" (four times a year) 4) Issuance of IR reports (twice a year)	Our website
Local communities	1) Promoting mutual understanding and building better relationships 2) Understanding of social needs	1) Holding events/plant tours and participating in local events 2) Participation in economic/industry organizations and local organizations	P39-40