

# INTEGRATED REPORT 2023

SEIKA CORPORATION

Our philosophy is to Contribute to Society Through the Expansion of Business.  
No matter how society changes,  
the Group is committed to conducting business that  
rewards all stakeholders and  
being a Valuable Business that contributes to the realization of an affluent society.

## Corporate motto

1. Being trustworthy is a priceless asset.
2. To always have a high appreciation of the significance of existence is the basis of the business activities of a trading company.
3. Fast and accurate information activities and effective responses win everything.
4. To make decisions and handle things using objective consideration and pursue necessity and rationality without being influenced by intuition.
5. To be driven by a pioneering spirit, be challenged, and be proud to overcome all difficulties, barriers, and turbulent times.

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## Our purpose

**supporting the sustainable generation of energy  
and industrial activities in harmony  
with the global environment.**

### Group Policy

Strive for excellence and foster a sustainable society with corporate integrity.

### Code of Conduct

Comply with laws and act with ethical standards to gain the trust of society.

### Group Mission

Create a fulfilling society together.

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## Editorial policy

This report is the first integrated report for the Group, created to help stakeholders, including investors and shareholders, understand the Company's medium to long-term growth potential and corporate value enhancement, through non-financial information including initiatives related to environment, society, and governance, in addition to financial information such as management performance and strategies. For the publication of this report, we referred to the International <IR> Framework of the International Integrated Reporting Council (IIRC, now part of the IFRS Foundation), and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation by the Ministry of Economy, Trade and Industry.

## Reporting period

The report covers information related to business activities for fiscal year 2022 (April 1, 2022, to March 31, 2023). However, some content includes information from the past and after April 1, 2023.

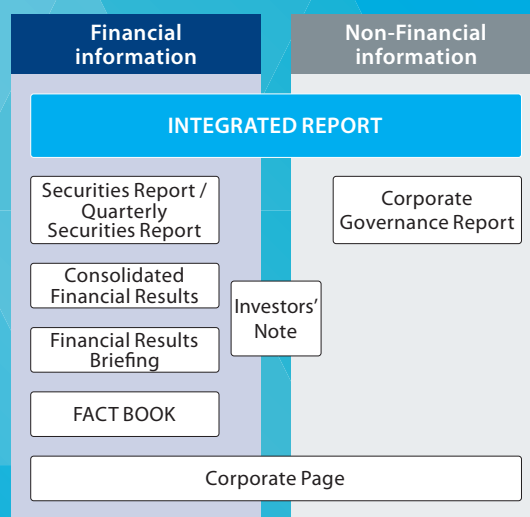
## Scope of report

The report includes Seika Corporation, and its Group companies. For matters that have a different reporting scope, the applicable scope is clearly indicated.

## Notes on forward-looking statements

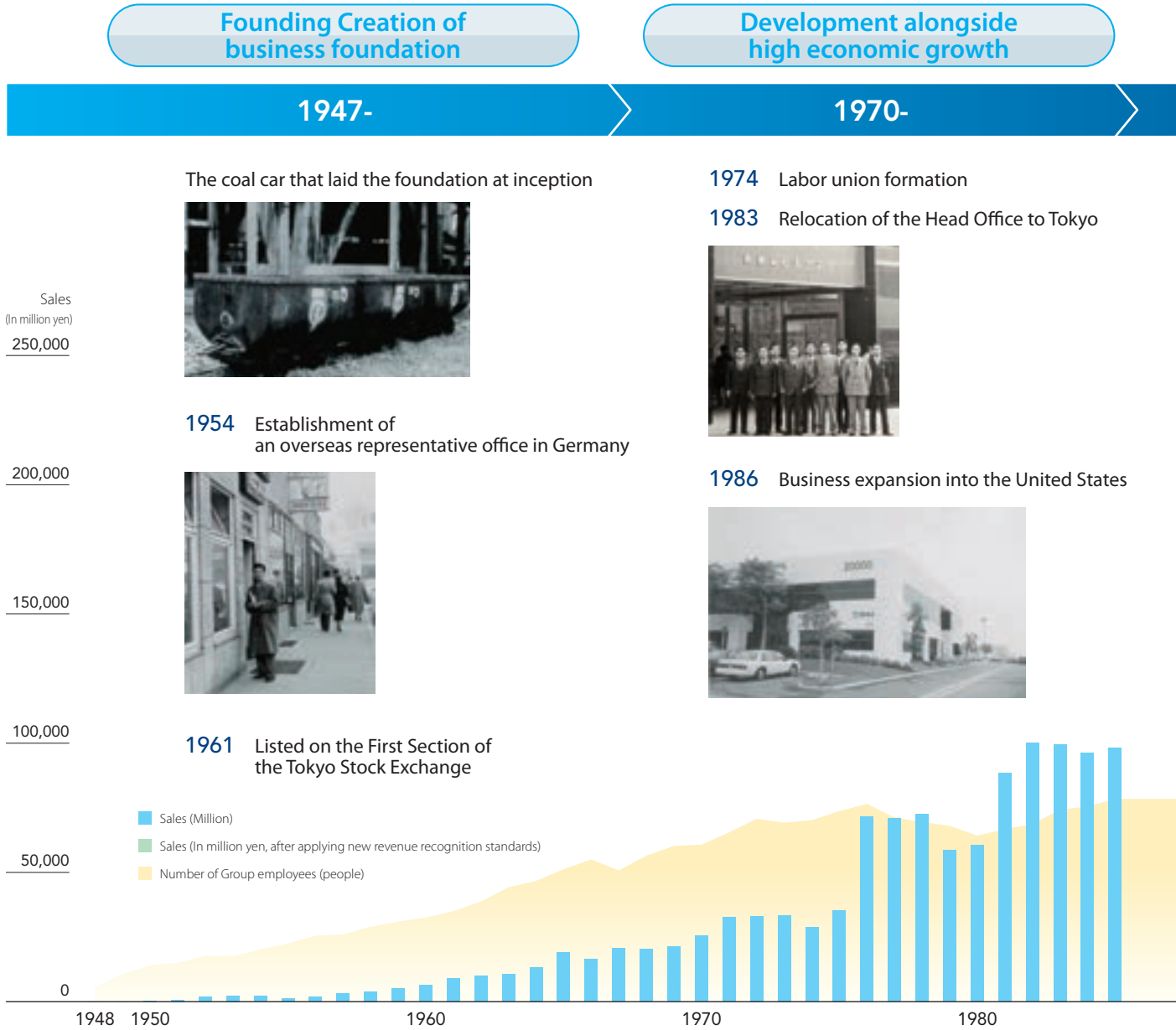
The forward-looking statements in this report, including earnings forecasts, are based on the Company's judgment at the time of booklet creation. Actual results may vary in the future, and the Company will not be responsible for any damage incurred as a result of the use of the information in this report by investors.

## Tool Map



# Corporate history

Seika Corporation celebrated its 75th anniversary on October 1, 2022. With tradition and transformation as the dual pillars of our business, we aim to achieve further leaps under the Medium-Term Management Plan “VIORB2030 Phase 1,” which started this fiscal year.



**Transitions of Seika Corporation**

Following the dissolution of the conglomerates, the machinery sales unit of Mitsubishi Corporation established a base in Moji, starting the business with coal car sales in the Kyushu region. We began handling power plant-related equipment, supporting post-war reconstruction. We also started the overseas expansion early. Our presence in Düsseldorf, which is now home to one of the largest Japanese communities in Europe, was very unique as a trading company at that time. It served as a bridge for local technology and facilitated imports.

In response to the rapid growth in demand for electric power, we deepened our power generation-related equipment business. We expanded into machinery businesses for the chemical industry, plants, and food, growing alongside the increase in capital investment demand in each industry. We relocated the Head Office to Tokyo and established offices in Europe, North America, and Taipei, laying the foundation for the global structure of the Seika Corporation Group that continues to this day.

**Social trends**

**1950**  
Outbreak of the Korean War

**1964**  
Tokyo Olympics

**1973**  
First oil crisis

Expansion of the Group and strengthening of management structure

Management towards a carbon-neutral society

1990-

2010-

1997 50th anniversary

2005 Acquisition of Nippon Daiya Valve as a subsidiary

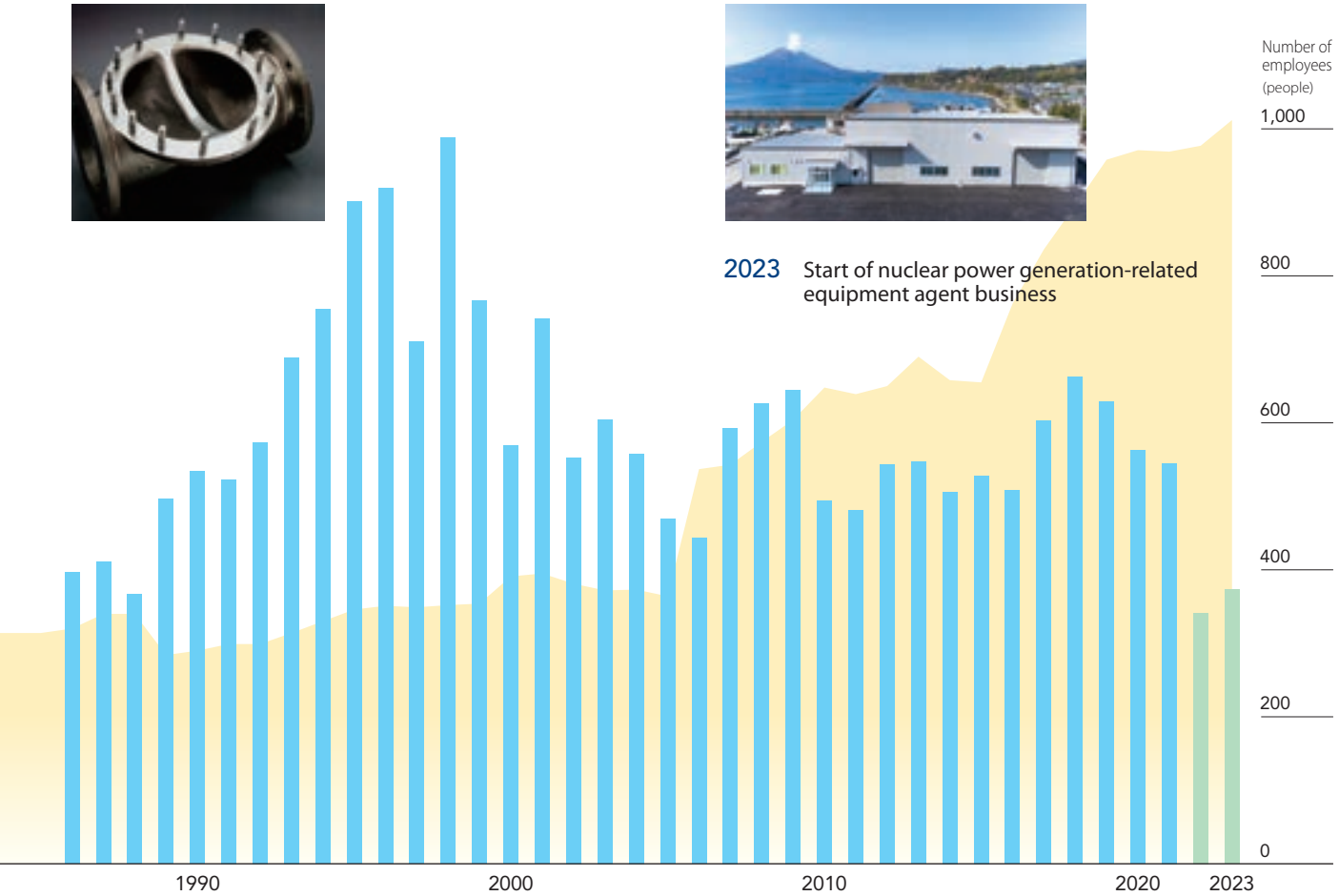


2016 Acquisition of Shikishimakiki as a subsidiary

2020 Establishment of Seika Daiya Engine



2023 Start of nuclear power generation-related equipment agent business



We developed business in various areas, centered on China and Asia. We also worked to expand business areas, including exports of textile machinery and cutting-edge equipment, as well as our own manufacturing operations. We began formulating a Medium-Term Management Plan. While aiming to continuously build our business and maximize corporate value, a clear policy of respecting employees was established, as we strove to create a "good company" as a global trading company.

We rolled out a medium to long-term management plan and growth strategy with environment as a theme, as a general trading company in energy and machinery.

- Promoted clean energy such as nuclear power generation, biomass power generation, and hydropower generation
- Expanded the sale of equipment that reduces environmental impact, such as resource conservation and automation
- Explored new businesses such as drones and ultra-lightweight solar panels

1989 Era changed to Heisei  
1991 Burst of the economic bubble

2008 Global financial crisis

2011 Great East Japan Earthquake

2019 Era changed to Reiwa

2020 Spread of COVID-19

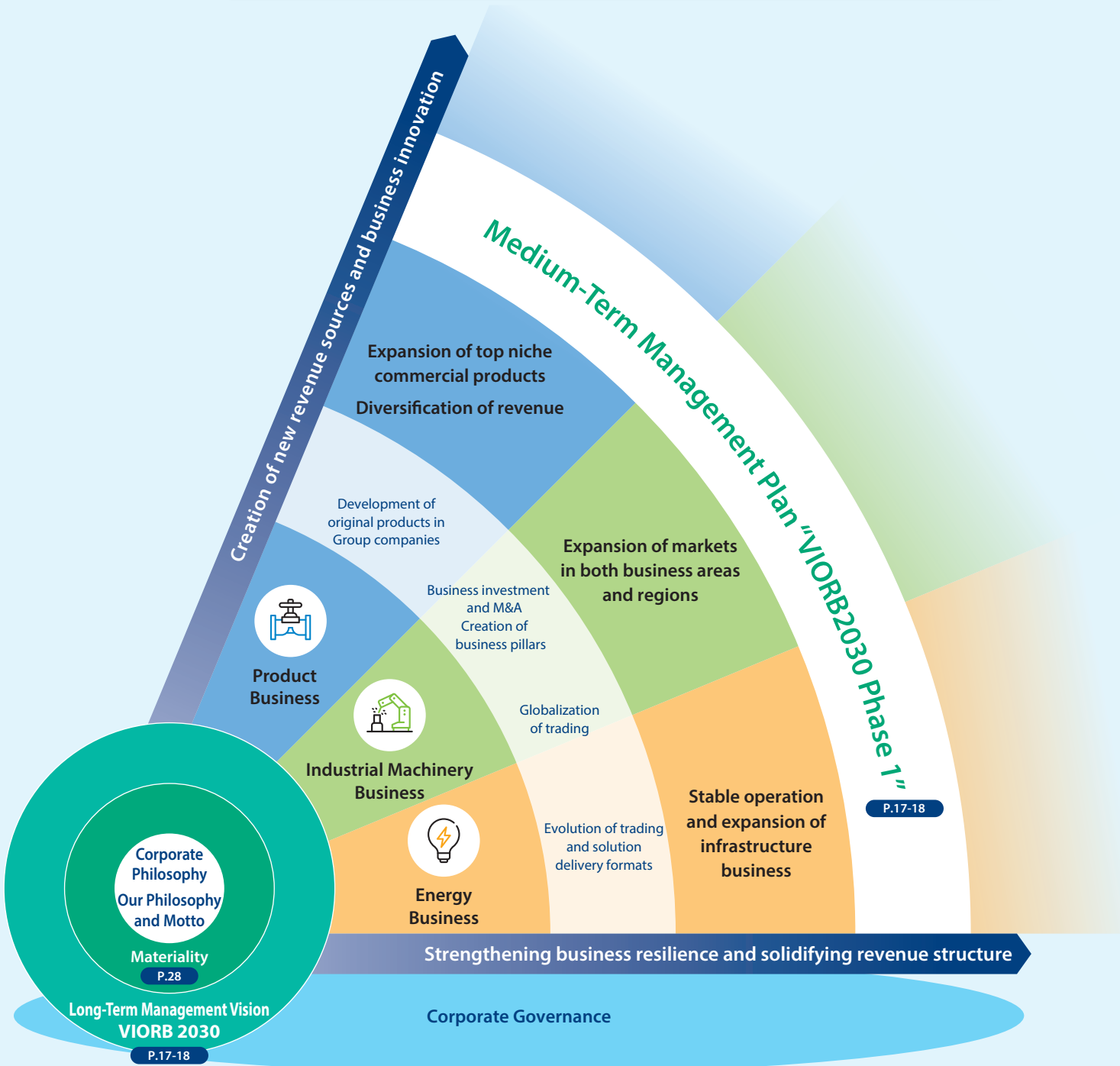
# Business Model

The Company's business, which started with the sale of mining equipment, expanded into various fields while meeting the needs of customers.




While valuing the know-how and business foundation built over 75 years since our establishment, and the relationships with customers, we accurately capture the changes of the times, provide value to society, and aim for our own sustainable growth.

## Strengths of Seika Corporation

- ✓ **Trading based on strong trust relationships** with major business partners
- ✓ **Development of unique products** with high competitiveness in niche markets
- ✓ **Ability to propose products** to a wide range of industries leveraging diverse manufacturer relationships



## Segment overview (FY2022 results)


	 Energy	 Industrial Machinery	 Product
Main products and services	Thermal, nuclear, renewable energy, and other energy generation-related equipment, etc.	Functional materials, food and beverage production equipment, plant machinery, etc.	Element machinery, automation devices, semiconductors, specialized measurement-related products, etc.
Sales (billion yen)	31.3	62.0	
Operating profit (billion yen)	2.1	2.6	
Number of affiliates (companies)	1	8	19
Number of employees (people)	123	173	650

## Value Chain

### Power generation equipment sales agent business

Serving as a pipeline supporting energy infrastructure

- Rolling out new construction and after-service operation for thermal and nuclear power plants in Japan
- Serving as a pipeline between electric power companies and manufacturers, coordinating contracts, pricing, and delivery for smooth negotiations and planning



### Trading business

Stable earnings base based on years of know-how

- Rolling out our trading business anchored by strong relationships with business partners
- Providing maximum added value to business partners by utilizing trading company functions such as product proposals including pre- and post-processing, providing information, and leveraging sales networks for horizontal deployment



### Comprehensive equipment service business

Total support that also serves manufacturer functions

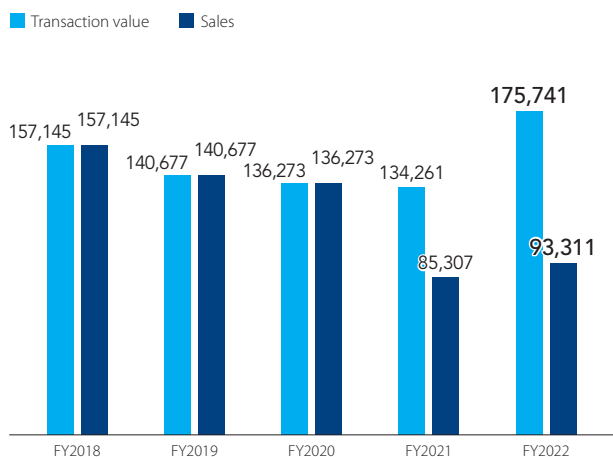
- We serve as a comprehensive contact point in Japan, not only selling equipment nationwide utilizing our unique network, centered around products we manufacture and those for which we hold exclusive agent rights, but also handling subsequent maintenance



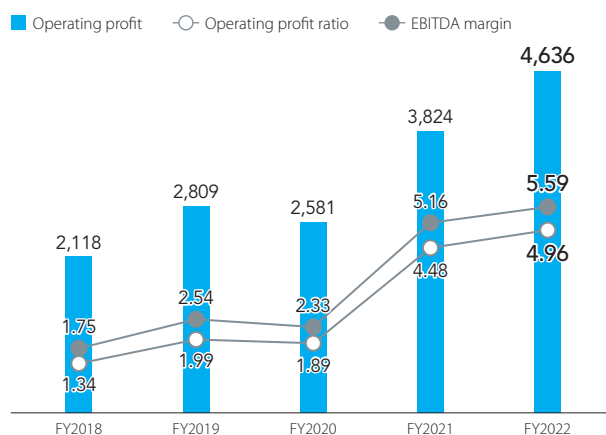
# Financial & Non-Financial Highlights

## Financial performance

### Transaction value/Sales\*(million yen)

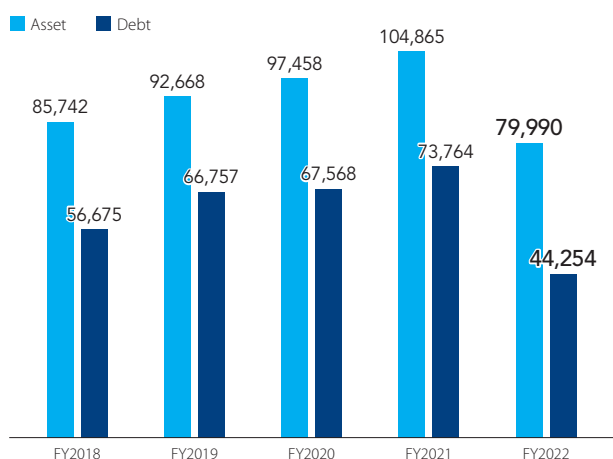


### Operating profit (million yen)/ Operating profit ratio/EBITDA margin (%)

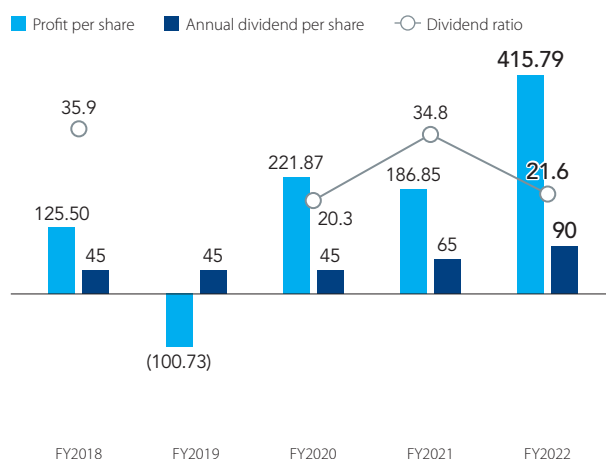


\*The "Accounting Standard for Revenue Recognition" and other standards have been applied from FY2021. Therefore, the figures are different from those before FY2020.

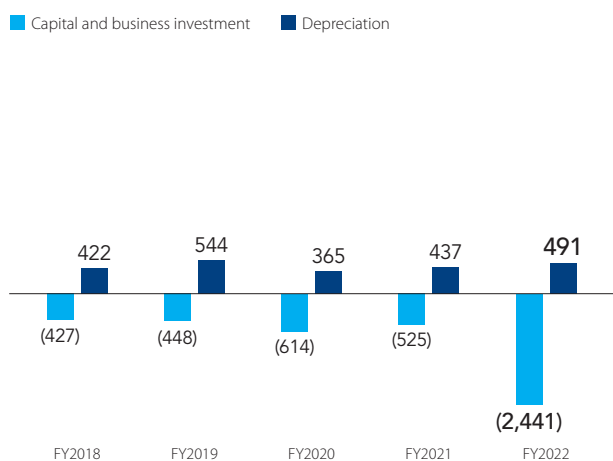
### Total assets/liabilities (million yen)



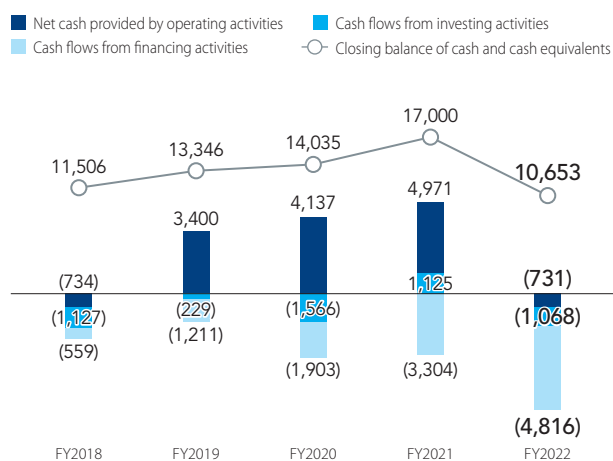
### Profit per share/Annual dividend (yen)/Dividend ratio (%)



### Capital and business investment/Depreciation (million yen)



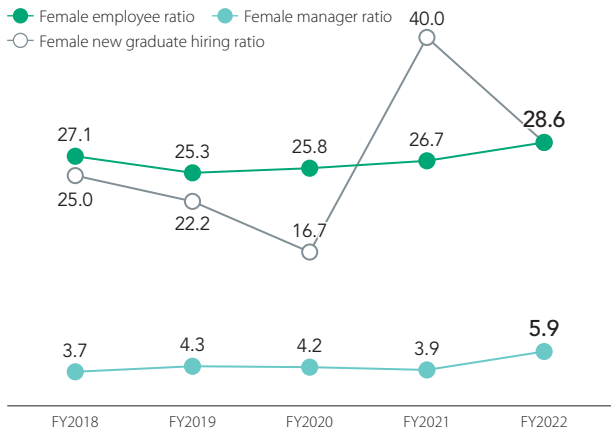
### Cash flows/Balance at the end of the period (million yen)



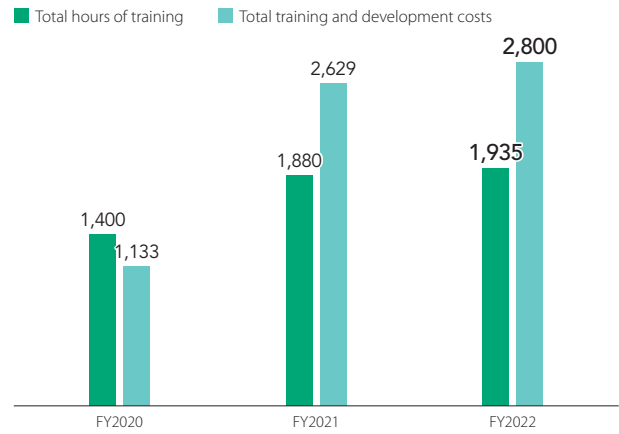


■ Non-Financial information

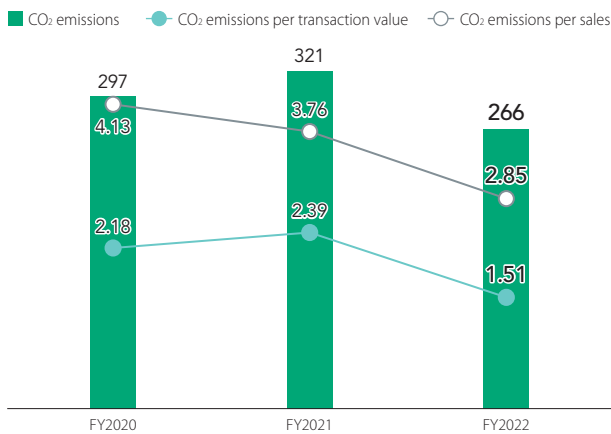
Female employee ratio/Female manager ratio/  
Female new graduate hiring ratio (%)



Total hours of training (hours) /  
Total training and development costs (10,000 yen)

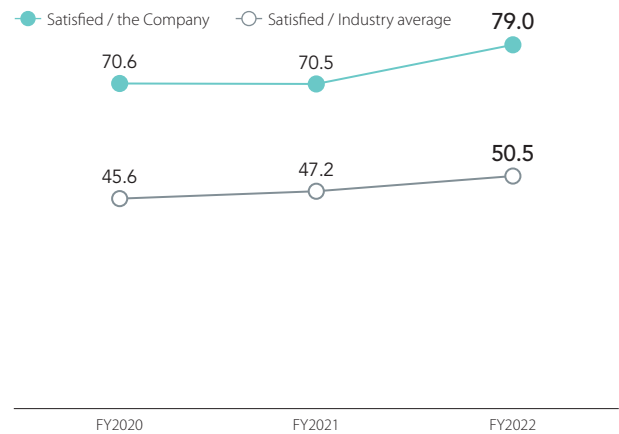


CO<sub>2</sub> emissions (t) /CO<sub>2</sub> emissions per transaction value /  
CO<sub>2</sub> emissions per sales (kg/million yen)

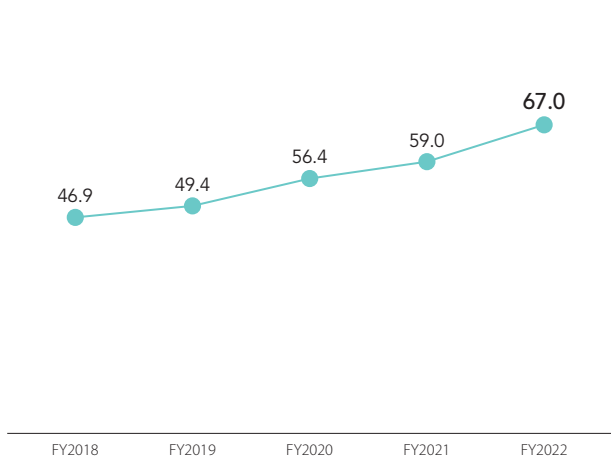


\*CO<sub>2</sub> emissions per sales for FY2020 are calculated based on net sales of 71,933 million yen, retrospectively applying the "Accounting Standard for Revenue Recognition."  
\*The scope of GHG emissions from FY2020 to FY2022 only includes Seika Corporation.

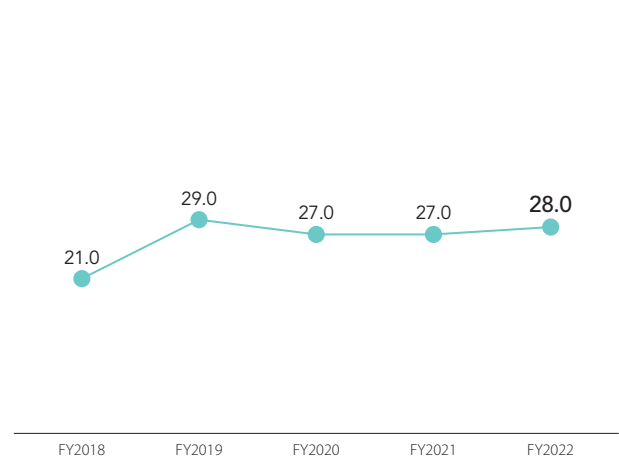
Employee satisfaction survey  
(the Company and industry average) (%)



Paid leave utilization rate (%)



Premium Friday utilization rate (%)



# Top Message



# We support the industry with the environment as a theme in the energy and industrial infrastructure domains to achieve both a contribution to a sustainable society and business growth

Akihiko Sakurai

Representative Director  
President and CEO

## On the publication of the integrated report

In FY2022, coinciding with 75th anniversary of the Company's founding, we formulated a new Long-Term Management Vision "VIORB 2030." In the following FY2023, we initiated a Medium-Term Management Plan based on this Long-Term Management Vision and started nuclear power-related operations, one of our main businesses going forward. On the occasion that can be called a turning point in our growth strategy towards the Company's sustainable growth, we decided to publish our first integrated report out of our desire to present an overall picture of the values and new strategies of the Group.

Going forward, we aim to continuously enhance both financial and non-financial information, and by carefully communicating to stakeholders how the Group creates new value and "contributes to society through the expansion of business," we aim to utilize the integrated report as a communication tool to foster constructive dialogue with everyone.

## ■ Our history

### Our "founding spirit," which we return to in times of difficulty and "three strengths" built up over 75 years of business activities

The Company was established in 1947 by seven volunteers from the machinery division of the former Mitsubishi Corporation, following the dissolution of conglomerates in the period after World War II. The three origins of the Japanese Kanji characters contained in the Company's name are: (1) The essence of commerce: mastering the essence of business. Earning profits for oneself while providing convenience for others. (2) Leader of the west: aiming to become the leader of western Japan. (3) Flower: being useful when trade with China flourishes in the future.

Although initially our main business was the sale of machinery for coal mines, we later entered the energy

business, handling power generation equipment. By responding to domestic needs during the reconstruction period, we continued our business expansion, and in 1961, we were listed on the First Section of the Tokyo Stock Exchange (current Prime Market). Immediately after that, in 1964, we faced the first crisis since our founding when the sales agent contracts with Mitsubishi Heavy Industries, an important business partner, were consolidated under Mitsubishi Corporation, resulting in the termination of our agent contract. However, under the belief since the Company's founding that if we have the determination to endure hardships and fight through, a way forward will open up, the management

team at that time succeeded in gaining its status as a subagent for Mitsubishi Corporation, thus avoiding the worst-case scenario of losing our commercial rights. Afterward, we have faced several events that put our survival into question, but I believe that the reason the Company has been able to overcome those events and continue growing to this extent is because the strong desire and spirit of the founders, demonstrated during times of crisis, have been inherited across generations and put into practice internally.

Since the 1970s, alongside strengthening our domestic base, we accelerated globalization and expanded our

sales channels to new business domains of industrial machinery such as chemicals, synthetic fibers, food, and electronics, in addition to the energy business, growing as a general trading company for machineries.

Today, with the strengths developed through years of business operations, such as “sales capabilities close to the field,” “high expertise in each business,” and “a network of 103 domestic and 26 overseas business locations (as of April 2023),” we are recognized as an indispensable business partner in industry.

## ■ Our Purpose and Long-Term Management Vision

### Supporting the sustainable generation of energy and industrial activities in harmony with the global environment

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Since its founding, the Group has expanded its business by providing society with value suitable for the times, based on its corporate philosophy, “Contribute to Society Through the Expansion of Business.”

Recently, with the growing social awareness of the environment, the business environment surrounding the Group is rapidly changing, as evidenced by the increasing demand for sustainability considerations in business operations and capital investments. These changes are naturally beginning to have a significant impact on the Group’s business development as well. Looking towards 2030, we have strongly recognized

the need to look further ahead and reconsider what we must do for our value to be acknowledged as a necessary presence in society, and where to find the significance of the Group’s existence, from a viewpoint of our original founding principles.

Starting with discussions among around six members of management, including myself, from 2020, and after extensive discussions, we reaffirmed that all businesses the Group operates are linked to the environment, and that especially in the energy and machinery industries, which the Group targets, many customers are facing new challenges such as carbon neutrality and the realization



of resource-recycling society. That this is why the value of the Group's existence lies in the development of businesses with environment as its theme.

As a corporate group with strengths in the energy and industrial infrastructure fields, we believe that supporting the industrial sector by providing green innovation-related commercial products will fulfill our social responsibility of contributing to a sustainable global environment and eventually enhance the corporate value of the Group. Based on this belief, we defined our purpose as "supporting the sustainable generation of energy and industrial activities in harmony with the global environment."

For the Group, which has always considered supporting the fulfillment of power generation infrastructure in industry as a crucial mission since its founding, how it can

support the sustainable "generation of energy in harmony with the global environment" in a decarbonizing society with increasing regulations on thermal power generation is a significant challenge for both its responsibility to society and its own sustainable growth. As part of our decarbonization efforts, we are promoting a shift to ammonia and hydrogen co-firing power generation in our conventional mainstay business of thermal power generation. In April 2023, we started agent operations for nuclear power generation facilities, a symbol of decarbonization. Together with the hydroelectric and biomass power generation businesses we are already engaged in, we will strengthen our response to the expansion of clean energy in a wide range of social and industrial fields.

## Long-Term Management Vision "VIORB 2030" Achieving a balance between the resolution of social issues and business growth in four priority business domains

We formulated the Long-Term Management Vision "VIORB 2030" in April 2022 to chart a course for contributing to the realization of a sustainable society and putting our purpose into practice. We will introduce new products and services in key areas that contribute to "supporting the sustainable generation of energy and industrial activities in harmony with the global environment." Internally, we will strive to improve capital efficiency and

strengthen human resources. Through these efforts, by the final year of FY2030, we aim to achieve a consolidated net profit of 4.5 billion yen and transaction value related to green innovation\* of 200 billion yen as the value we have provided to society.

\*Sales of equipment, devices, products, etc., with functions or performance that have a positive impact on or consider the environment

### ■ Review of previous Medium-Term Management Plan

## "Re-SEIKA 2023," with its goals of reform, re-challenge, recovery, and restart, achieved its numerical targets

The previous Medium-Term Management Plan "Re-SEIKA 2023," which ended in FY2022, aimed for a restart and recovery from a negative performance in FY2019, and we worked on the selection and concentration of resources and improvement of operational efficiency. As a result, we have achieved the set numerical targets in terms of operating profit and consolidated net profit.

In terms of business operation, we made progress in restructuring unprofitable businesses and renewing our business portfolio with new investments, and we were able to sign a sales agent contract for nuclear power plant-related equipment with Mitsubishi Heavy Industries. The trust built up in our thermal power

generation business over many years has led to the acquisition of new sources of revenue. While laying the foundation for improving the Group's basic earnings strength, the development of new commercial products in the industrial machinery business and product business has not progressed as expected, and we recognize this as an ongoing challenge for the future.

In terms of management operation, we have made progress in improving a working environment with the introduction of business process outsourcing (BPO) and the flex system, and the introduction of a cash management system (CMS) and a commitment line have led to more efficient capital use and debt reduction.



## ■ Medium-Term Management Plan “VIORB2030 Phase1”

### Four years to build a foundation for achieving the Long-Term Management Vision

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The four year Medium-Term Management Plan “VIORB 2030 Phase 1” (FY2023 to 2026), which has already started, covers the first half of the Long-Term Management Vision “VIORB 2030” and is positioned as a period for foundation building to lead to significant growth in the second half (FY2027 to 2030), aiming to achieve sales of 110 billion yen, operating profit of 5.2 billion yen, and consolidated net profit of 3.5 billion yen in the final year of FY2026.

In order to steadily advance initiatives based on the Long-Term Management Vision over the four years until FY2026, as a sales strategy, we will steadily implement “strengthening of business foundation focused on the energy business,” “resolving social issues and expanding business in four priority business domains,” and “strategic investment.” Especially in the energy business, we will verify and improve the operation of the nuclear power generation business, for which we started agent operations at the beginning of the fiscal year, to stabilize it at an early stage. To ensure growth in these focus areas, we will steadily implement “restructuring of the business portfolio” to select and concentrate on growth potential, and replace assets.

Regarding strategic investments, as stated in the Long-Term Management Vision, we will efficiently use investments without hesitation when judged to be effective, and we are advancing the establishment of systems and flows to rapidly execute the process of information gathering, research and analysis, investment decision making, and execution (capital investment). For the success of business creation through new investments, it is essential for the management team to work in coordination with people in the field and sales departments, and we consider this the most significant mission imposed on the management team.

Furthermore, in terms of management operation, we will promote “personnel measures to maximize performance” as a personnel strategy. We will work to create an environment where employees, who are considered as the most important management resources as a form of capital, can feel more motivated and fulfilled, aiming for growth and value enhancement of the Group as a whole, and advancing measures such as the shared use of administrative departments.

## ■ Sustainability

### Launch of the Sustainability Committee for the dissemination and strategic promotion of sustainability management

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The Group will further strengthen its sustainability efforts in line with the strategies set out in the Long-Term Management Vision, aiming for integration with management strategy and a balance with business growth.

To this end, we identified four priority materiality items to be addressed, along with major themes, in August 2023. [▶P.28](#) Prior to this, in July 2023, we established the Sustainability Committee chaired by the President and Chief Executive Officer, establishing a system to execute and manage the promotion of sustainability strategically. The committee formulates and monitors sustainability strategies for each of the three categories; “environmental response,” “management that values people,” and “improving management quality,” and will analyze sustainability-related information and assess risks related to sustainability.

Specific items to be promoted in the three categories include ISO14001 and TCFD in “environmental response,” working style reforms and promotion of the active participation of women in “management that values people,” and contribution to SDGs support funds and community coexistence, as set out in our Long-Term Management Vision, in “improving management quality.”

In addition, to flexibly respond to the rapidly changing management environment and strengthen our management structure, we are continuously working on strengthening and enhancing corporate governance systems and improving management efficiency. As part of these efforts, in June 2022, we transitioned from a “company with a board of auditors” to a “company with an audit and supervisory committee.” This has led to further acceleration of decision-making and business execution, and we view that the supervisory function



of the Board of Directors over business execution has been strengthened, improving the business execution function. Going forward, we will work on improving

Group governance, including overseas, to further enhance corporate governance and increase corporate value.

#### ■ Message

### Steadily executing our growth strategy to meet expectations along with promoting communication

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As a company listed on the Prime Market, we recognize that improving P/B ratio is an urgent issue, and our new Medium-Term Management Plan sets forth the challenge of achieving a P/B ratio of over 1.0x.

We will take further steps to improve the P/B ratio in response to requests from the Tokyo Stock Exchange to achieve management that is conscious of cost of capital and stock price. Firstly, regarding the Group's growth strategies, through communication with stakeholders including investors and shareholders, we aim to deepen their understanding of the Group's business development and future prospects by further enhancing disclosures and promoting constructive dialogues

through various media including integrated reports, as well as through financial results briefings and online seminars.

Most importantly, we recognize that continuously delivering results that meet everyone's expectations is crucial. All of our employees are committed to vigorously pursuing our goal of becoming an organization with a stronger profit structure by completing our Long-Term Management Vision "VIORB 2030." We hope that all of our stakeholders look forward to our efforts, and we thank you for your continued support.

# Our Vision

## Message from Executive Officer in charge of planning



**Regarding the Long-Term Management Vision “VIORB 2030” established in April 2022, I will explain the specific approach of our business strategy and the vision we aim for by 2030.**

**Yasumasa Kawana**

Senior Managing Executive Officer

Since its establishment in 1947, the Company has contributed to society through industrial development over 76 years amidst the various changes of the times, such as the post-war reconstruction period, the high economic growth period, and the lost 30 years after the burst of the economic bubble.

Now, amid a global rise in environmental awareness, there are strong calls for the realization of a sustainable society and the social responsibility of corporations. The Company has established the Long-Term Management Vision “VIORB 2030” in April 2022, to respond to the needs of the times by demonstrating our significance of existence of “supporting the sustainable generation of energy and industrial activities in harmony with the global environment.”

Under our Long-Term Management Vision “VIORB 2030,” we have set “decarbonization,” “energy and resources conservation,” “circular economy,” and “DX” as priority business domains in our business operation.

In particular, regarding environmental issues such as decarbonization, we are committed to accurately capturing the needs of industry, focusing on developing and providing commercial products and services, and addressing the issues of users including equipment aging and labor shortages through DX.

We will also pursue innovation of our own business style through DX.

In order to support business development, we have set and are working on the following five main measures in terms of management operation.

1. **Improve cash management systems to streamline funding**
2. **Invest around 10 billion yen in businesses to deepen businesses and expand domains**
3. **Establish 1 billion yen fund to support SDGs**
4. **Utilize BPO and increase productivity to introduce human resources in priority business domains**
5. **Concentrate management resources tailored to the characteristics of each Group company**

Advancing these measures will enable us to maximize and strategically allocate and distribute both funds and human resources, which in turn will expand and develop our business and strengthen group management, thus achieving business success.

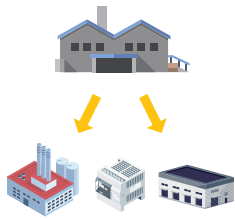
By steadily implementing these measures, we aim to contribute to the realization of a prosperous society by achieving a consolidated net profit of 4.5 billion yen and transaction value related to green innovation of 200 billion yen in the final year of “VIORB 2030” in FY2030.



## Priority business domains

### 1 Decarbonization

Quickly develop insight into users' needs related to decarbonization and technological innovation to commercialize solutions



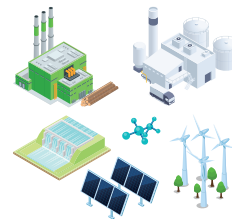
#### Energy saving and operational efficiency improvements

- EX) ● Renewal of manufacturing equipment  
● Renewal of aging equipment  
● Introduction of utility equipment, high-efficiency equipment, etc.



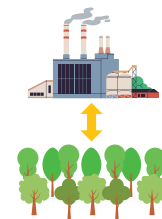
#### Zero emissions

- EX) ● Waste heat recovery, fuel reduction  
● Waste utilization, volume reduction, fuel conversion, recycling  
● Environmentally-friendly equipment, use of natural refrigerants, etc.



#### Renewable energy and combustion conversion

- EX) ● Renewable energy  
Woody biomass power generation  
● Reduction of fossil fuels, effective use of renewable energy, etc.



#### Net zero

- EX) ● Forest conservation (reforestation)  
CO<sub>2</sub> credits  
Carbon pricing, etc.

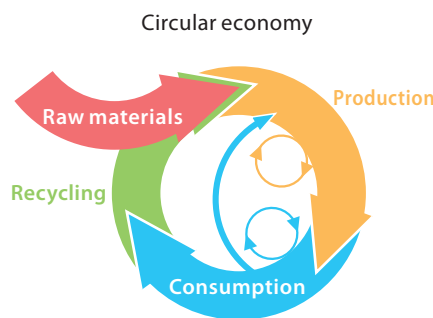
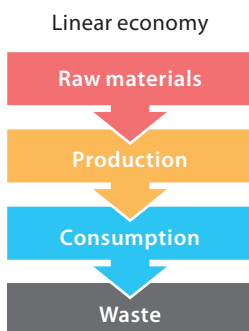
### 2 Energy and Resources conservation

Expand support to the permanent needs of the industrial circles for energy and resources conservation

Priority business domains	Value provided	Product examples
<b>Energy conservation</b>	<ul style="list-style-type: none"> <li>● Prolonging the life of manufacturing equipment</li> <li>● Automation of equipment management</li> </ul>	<ul style="list-style-type: none"> <li>● Quality assurance device for embankment materials used in general civil engineering work, etc.</li> <li>● Renewal of manufacturing equipment and aging equipment</li> </ul>
<b>Resources conservation</b>	<ul style="list-style-type: none"> <li>● Reduction of fuel used</li> <li>● Effective use of renewable energy (storage)</li> <li>● Waste utilization, volume reduction, fuel conversion, recycling</li> </ul>	<ul style="list-style-type: none"> <li>● Biomass power generation using wood chips or waste as fuel</li> <li>● Provision of utility equipment and high-efficiency equipment</li> </ul>

### 3 Circular economy

Accelerate progress and actions towards a circular economy



Product examples
<ul style="list-style-type: none"> <li>● Utility equipment and ancillary equipment related to recycling business</li> <li>● Extending the service life of equipment through the provision of maintenance services</li> <li>● Biomass power generation using wastes</li> <li>● Refrigeration equipment using natural refrigerant (CO<sub>2</sub>)</li> </ul>

### 4 DX

View digital transformation from a broad perspective to seek business opportunities

- In the infrastructure industry, structural issues such as aging and labor shortages are being addressed through DX.
- The Company, through a domestic general agency contract concerning drone inspection services with Terra Drone Corporation, is working towards the evolution of business and enhancement of corporate value by realizing smart security for plants and manufacturing equipment.



Inspection service using drones equipped with ultrasonic inspection devices



# Our Vision

## Long-Term Management Vision Medium-Term Management Plan

### ✓ Previous medium-term management plan Summary of “Re-SEIKA 2023”

FY2022	Target	Result
Operating profit	3.7 billion yen	→ 4.64 billion yen
Profit attributable to owners of parent	2.5 billion yen	→ 5.0 billion yen

Targets achieved in both consolidated operating profit and consolidated net profit

### Review of previous Medium-Term Management Plan

In terms of strengthening the earnings base, in the Industrial Machinery and Global units, the optimization of the business portfolio was implemented through the reorganization of unprofitable businesses and new investments. In expanding new sources of revenue, the trust we have cultivated over many years in the thermal power generation business from our business partners has been instrumental in acquiring the nuclear power generation business.

As part of our efforts to strengthen management foundation, internal infrastructure development and the introduction of flexible working hours significantly advanced the improvement of the internal environment. In addition, we transitioned to a company with an audit and supervisory committee in an aim to strengthen governance. In terms of finance, we introduced CMS and commitment lines, which led to efficient use of funds and a reduction in bank borrowing, while in terms of IR, we actively communicated information, including disclosures in response to TCFD.

### ✓ Business environment surrounding the Seika Corporation Group

#### Issues in the industry

- 1 Increase in energy and material costs
- 2 Measures for economic security (Strengthening BCP, diversifying supply chains)
- 3 Innovation in production processes and conversion from fossil fuels in response to the 2050 carbon neutrality goal
  - Green Transformation
- 4 Efforts towards realizing a resource-recycling society

#### Changes in the labor environment

- 1 Changes in people’s behavior patterns and values following the experience of COVID-19, leading to a transformation in business styles
- 2 Decrease in working population due to low birthrate and aging population
- 3 Reduction of working hours due to corporate work style reforms

## Long-Term Management Vision “VIORB 2030”

### Priority business domains

- 1 Decarbonization
- 2 Energy and Resources conservation
- 3 Circular economy
- 4 DX

### Key Management Measures

- 1 Improve **cash management** mechanisms to maximize funding capacity
- 2 **Invest around 10 billion yen** in businesses to deepen existing businesses and expand business domains
- 3 Establish **1 billion yen fund** to support businesses and activities working to achieve **the SDGs**
- 4 **Streamline the organization and increase productivity** to introduce human resources in priority domains
- 5 Clarify strengths based on the unique characteristics of individual **group companies** and **concentrate company resources**

Regarding the Long-Term Management Vision “VIORB 2030” and the Medium-Term Management Plan “VIORB2030 Phase 1” that covers its first half, we aim to achieve the final year targets through the following strategies and measures.

## Medium-Term Management Plan “VIORB2030 Phase 1”

### ✓ FY 2026 Target value

Sales	<b>110</b> billion yen	Operating profit	<b>5.2</b> billion yen
Profit attributable to owners of parent	<b>3.5</b> billion yen	Transaction value related to green innovation	<b>180</b> billion yen

### ✓ Growth strategy

- Sales strategy

Strengthen business foundations based on the energy business  
Solve social issue and expand business across priority domains on **VIORB 2030**, Strategic business investment for the development of new commercial rights and products
- Rebuilding of the business portfolio

Engage in selection and concentration based on careful examination of each business entity’s growth potential, and implement asset replacement
- Human resources strategy

Promote a wide range of recruitment activities including professional staff ex. career personnel, area specialists, career returnees  
Level up human resources with enhanced education and training

### ✓ Main Measures

- |   |   |
|---|---|
| <p style="text-align: center; font-weight: bold; color: #0070c0;">Business</p> <ul style="list-style-type: none"> <li>Transition to a three-segment structure of the Energy Business, Industrial Machinery Business, and Product Business</li> <li>Establish a structure that enables long-term stable business operation in the nuclear energy business</li> <li>Create new businesses in the fast-growing Southeast Asia region</li> <li>Acquire a new earnings base through a business investment of approximately 10 billion yen</li> <li>Strengthen the business foundations of coordinated Group companies under leadership of the Business Operation Division</li> </ul> | <p style="text-align: center; font-weight: bold; color: #0070c0;">Corporate</p> <ul style="list-style-type: none"> <li>Promote strategic BPO to aim for advanced operations and optimal personnel placement</li> <li>Introduction of personnel systems that champion the success of diverse individuals and provide job fulfillment to all employees</li> </ul> |
|---|---|

## Target for FY2030



FY2030  
Transaction value related to green innovation\*

200 billion yen



FY2030  
FY 2030 consolidated profit target

4.5 billion yen

\*Sales of equipment, devices, products, etc., with functions or performance that have a positive impact on or consider the environment

# Our Vision

## Message from General Manager of Business Operation division



**We will optimize the business to serve as a foundation for sustainable corporate value enhancement in the current Medium-Term Management Plan, which is the first half of the Long-Term Management Vision**

### Hirohisa Masuda

Director  
Executive Officer in charge of sales and marketing  
General Manager of Business Operation Division

Regarding the performance of the Group in FY2022, while each consolidated subsidiary's business was strong, the Company had more large-scale project deliveries than usual on a non-consolidated basis. As a result, sales increased 9.4% year-on-year to 93,311 million yen and operating profit increased 21.2% year-on-year to 4,636 million yen.

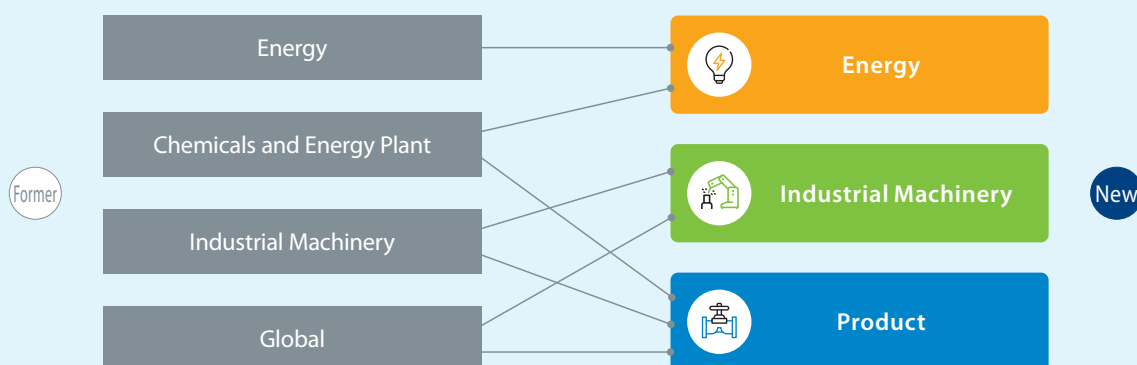
The Energy Business and the Chemicals and Energy Plant Business saw significant increases in sales and profit due to steady new installations and maintenance of power companies and private power generation facilities, and strong orders for peripheral equipment.

The Industrial Machinery Business achieved increased sales and profit, capturing new installations of factories and facilities related to films and health foods, and benefitted from the strong performance of subsidiary Nippon Daiya Valve.

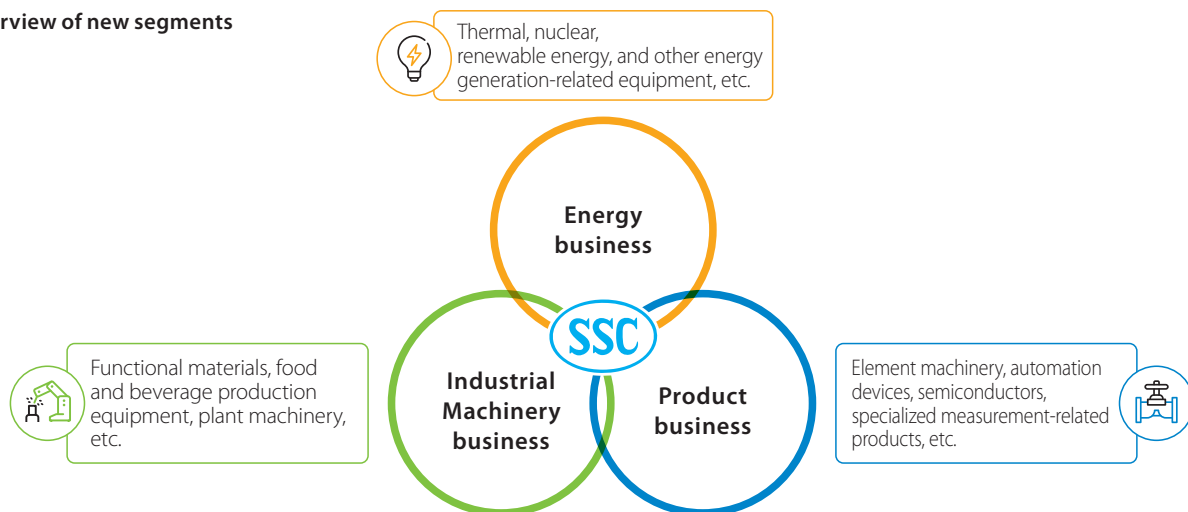
The Global Business saw significant decreases in sales and profit due to the impact of the COVID-19 pandemic, with a sharp decline in performance at business locations in China, Taiwan, and Southeast Asia.

Starting from the current fiscal year (FY2023), we have initiated a new Medium-Term Management Plan, which will be a major step towards realizing the Long-Term Management Vision. From this first fiscal year, to enable tracing of growth by clearly categorized segment over the long term, we changed our segments from the previous four segments (electric power, chemicals and energy, industrial machinery, and global) to three segments (energy, industrial machinery, and products).

### Outline of segment change



## Overview of new segments



In this Medium-Term Management Plan, the pillars of our sales strategy for “establishing a sustainable revenue structure” have been set as follows:

- ① Strengthen business foundations based on the energy business
- ② Four priority business domains of “decarbonization, energy and resources conservation, circular economy, and DX” for solving social issues and expanding business
- ③ Strategic business investment (drawing growth path with business partners, business investments and creation of innovation business aimed at securing commercial rights and commercial products, and developing new sources of revenue)

We believe that, without any of these three pillars, it would be difficult to achieve the Medium-Term Management Plan, and by solidly executing these three sales strategies, we can reach our goals.

In promoting this sales strategy, we will also work to strengthen business foundations of coordinated Group companies under the leadership of the Business Operation Division.

In addition, during this Medium-Term Management Plan period, we are considering business investments of approximately 10 billion yen in the following areas:

- i ) Creation of new businesses in rapidly growing Southeast Asia
- ii ) Development of new green innovation-related products
- iii) Acquiring a new earnings base through M&A

As an important measure in the Energy Business, we have started nuclear power plant-related sales agent operations for Mitsubishi Heavy Industries regarding nuclear power plants in west of the Kansai region from the current fiscal year.

For this, eight locations were established, staffed with approximately 30 employees.

While it is still the first fiscal year of the plan and it is unclear how much impact it will have on performance, the 12 power plants for which the Company is responsible for after-sales service have already restarted (as of October 2023), and our top priority for this fiscal year is to ensure their stable operation and to stabilize the business as soon as possible.

In addition, as long-term missions for each segment in this Medium-Term Management Plan, the Energy Business is committed to fulfilling the mission of supporting stable power supply and keeping pace with the accelerating GX. In the Industrial Machinery Business, we will realize comprehensive proposals responsive to societal environmental needs, while in the Product Business, we aim for uniqueness and enhancing product competitiveness and supply chain strength.

Furthermore, in terms of the strategic direction of each segment towards 2030, in the Energy Business, we will first stably implement the service business for nuclear power plants, while actively proposing solutions for thermal power plants regarding hydrogen, ammonia combustion and other GX related aspects.

In the Industrial Machinery Business, we will promote the automation, labor-saving, and the DX of factory processes for our business partners. In addition, we aim to achieve recycling and reuse of materials such as plastics and waste, and transition from selling individual machines to developing solution businesses tailored to customer needs.

In the Product Business, we will enhance production capacity, improve efficiency, and strengthen development capabilities in manufacturing companies, while seeking out stronger products from domestic and international markets on a non-consolidated basis.

By firmly implementing these measures, we believe that we can achieve transaction value related to green innovation of 200 billion yen and a consolidated net profit target of 4.5 billion yen by FY2030.

# Strategy by segment

## Business overview



### Energy business

The Energy segment supports power generation facilities, which are responsible for creating the energy indispensable in all social activities, from various aspects to ensure its smooth operation. Our main operations include negotiations for construction of new domestic power plants, regular inspections, and renovation works. As a sales agent for Mitsubishi Heavy Industries, we provide equipment and maintenance services to the private power generation facilities of major customers and the thermal and nuclear power plants of power companies in the western Japan area. We support the stable operation of power plants by delivering power generation equipment such as boilers and turbines, environmental conservation equipment including wastewater treatment, and after-sales maintenance of such equipment. As a pipeline between customers and manufacturers, we play an important role in adjusting prices and delivery times, and smoothly advancing each business negotiation. Recently, we are also focusing on fuel conversion and renewable energy markets that contribute to decarbonization.

## Strengths, risks, and opportunities in business

### Strengths

- Business stability as an agent for Mitsubishi Heavy Industries, which has strong product capabilities and market share in the power generation equipment market
- Strong trust relationships and business foundations developed with customers such as power companies and major chemical manufacturers

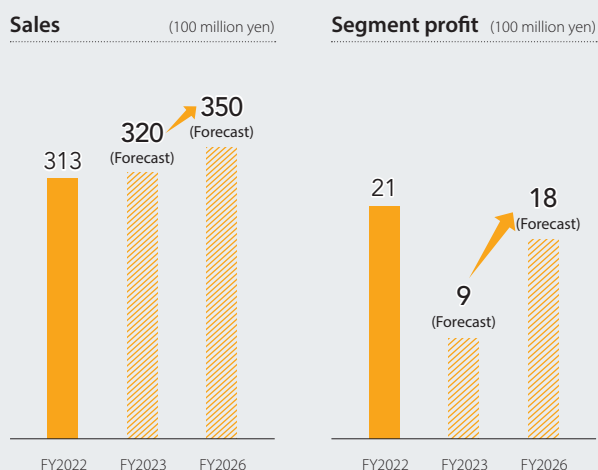
### Risks

- Significantly affected by external factors such as government energy policy, policies of power companies and manufacturers, and the natural environment
- Decrease in sales of conventional fossil fuel-based thermal power generation-related equipment due to the trend toward decarbonization of power sources

### Opportunities

- Market expansion due to the restart of nuclear power generation as a carbon-free base power source and the acceleration of long-term renewal plans
- Investment increase in the low-carbon and high-efficiency transformation of thermal power generation

## FY2023 Energy Business consolidated performance forecast (sales and profit)



### FY2022

- In addition to new projects, renewals and maintenance are progressing strongly

### FY2023

- Temporary increase in expenses due to upfront investments
- Large-scale project deliveries coming to a pause

### FY2026

- Stabilization of earnings from nuclear power-related business negotiations
- Increased demand due to hydrogen, biomass, and ammonia fuel conversion (exclusive burning and co-firing) at existing gas and coal power plants



### Main products and services

- Power generation and related equipment for nuclear power plants
- Power generation and related equipment for thermal power plants
- Renewable energy-related equipment such as hydropower and biomass power generation
- Regular inspections and after-sales maintenance of each power facility and plant
- Power plant peripheral equipment such as security devices and utility devices
- Decarbonization through exclusive burning and co-firing of ammonia and hydrogen in thermal power generation and promotion of various initiatives related to clean energy



## Strategies and issues based on the Medium-Term Management Plan

Fulfilling our mission to support a stable power supply, and following the accelerating pace of GX

### Nuclear power generation

- Establishing a stable business structure

### Thermal power generation

- Promotion of hydrogen and ammonia utilization
- Contributing to life extension of existing power generation facilities

### Renewable energy

- Expansion of sales of energy related equipment including solar, biomass and hydroelectric power and participation in these businesses

Even today, as energy infrastructure faces a major turning point, we continue our business activities with the primary mission of “contributing to stable power supply,” which we have been engaged in for many years.

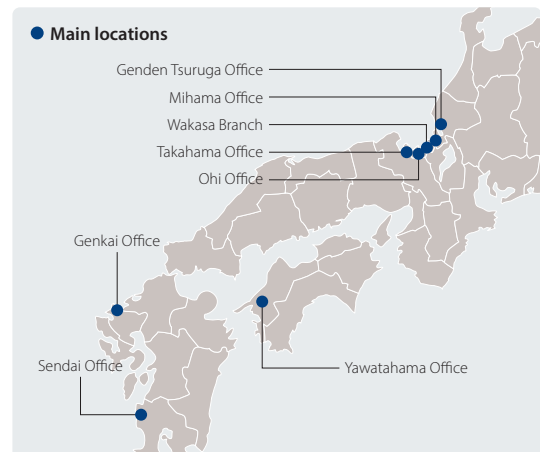
We will contribute to the best energy mix in Japan by ensuring the reliable maintenance of existing power generation facilities, promoting the diversification and decarbonization of energy forms, and our business activities at nuclear power plants, which started under an agent contract with Mitsubishi Heavy Industries in April 2023.

## TOPICS

Upon starting the sales agency operations for nuclear power plant-related equipment on April 1, 2023, we increased our staff by about 30 and opened eight new branches and offices.

Since its establishment, the Company has been engaged in sales agency operations for the thermal power plant equipment of Mitsubishi Heavy Industries, primarily for power companies in western Japan, and we believe that the agent contract was concluded based on the trust built over many years of business together.

As of October 2023, business transfer and orders are progressing smoothly, and we will continue our efforts to grow the business as the main axis of our earnings base while contributing to the stability of Japan’s energy infrastructure and CO<sub>2</sub> reduction.



# Strategy by segment

## Business overview



### Industrial Machinery business

The Industrial Machinery segment handles the sales and maintenance of production and logistics equipment for a wide range of industrial domains, such as textiles, films, food, and beverages. Reducing the environmental impact has become an important management issue for all companies, and in the industrial machinery domain, while assuming an energy-saving shift, we face various issues and topics depending on the industry, such as promoting resource conservation and reducing disposable plastics. In such a business environment, this segment offers the best solutions tailored to customer needs from the machinery and equipment of domestic and foreign partner manufacturers, with a sales force well-versed in each industry.

## Strengths, risks, and opportunities in business

### Strengths

- Information capabilities that utilize a network of over 100 business locations in Japan and overseas, and the speed of business development
- Proposal capabilities and on-site response capabilities to solve customer issues comprehensively, from general to specialized equipment, based on business transactions with about 1,000 manufacturers (in this segment)

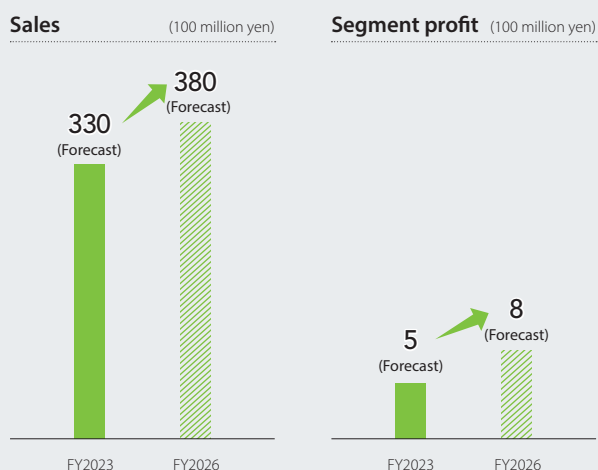
### Risks

- Loss of business opportunities if responses to stricter environmental regulations are delayed
- Decline in domestic investment sentiment within the business domain due to changes in economic conditions, etc.

### Opportunities

- Increased sales opportunities for environmentally-friendly products to business partners that require SDGs compliance
- Proposals for optimization from parts to the entire line through DX enhancement

### FY2023 Industrial Machinery Business consolidated performance forecast (sales and profit)



#### FY2023

- Contributions of sales from automation projects for production lines at major food companies and chemical manufacturers
- Contributions of sales from binding equipment for government agencies

#### FY2026

- Acceleration of sales of environmentally-friendly products
- Expand earnings from labor-saving related business negotiations



### Main products and services

- Plant process automation and labor-saving equipment
- Automated multi-story warehouses in plants
- Remote monitoring equipment utilizing AI, robots, etc.
- Freezer and air conditioning equipment for next-generation refrigerant (CO<sub>2</sub>, ammonia)
- Development devices for food and pharmaceutical lab plants
- Recycling fiber and other circular economy-related products



## Strategies and issues based on the Medium-Term Management Plan

### Achievement of comprehensive proposals responsive to social and environmental needs

#### Energy and resource conservation, DX

- Proposals for optimal automation and resource-saving equipment for each industry, such as food, beverages, and film
- Promotion of DX using robots

#### Circular economy

- Promotion of resource recycling and reuse business focused on textiles and plastics
- Exploration of new technologies and products and mixing with existing business

#### Solution business

- Further deepening sales that comprehensively address customer needs, rather than just selling individual equipment

The Industrial Machinery segment's efforts significantly relate to the priority business domains of "decarbonization," "energy and resources conservation," "circular economy," and "DX," listed in the Long-Term Management Vision. While deepening the development of commercial products and promotion of businesses specialized in the trends and needs of each industry, we broadly propose automation equipment, which we excel at, without limiting to specific industries or areas, thereby contributing to green innovation across the entire industry. In addition, as a strategy for business domain and market expansion, we focus on creating new businesses in Southeast Asia and dynamically promote business investments, including M&As.

## TOPICS Main products in the Industrial Machinery segment

### Automation equipment

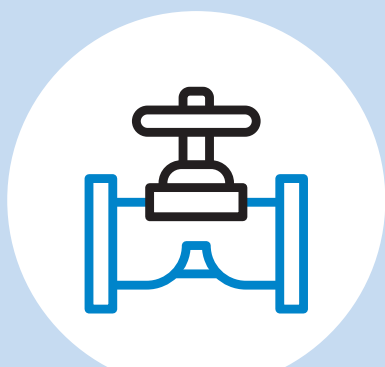
In some cases, customers' plants handling specialized products have unique manufacturing processes that are highly confidential. In such environments where trends strongly demand labor reduction and streamlining, the Company not only sells general automation equipment, but also proposes unique, safe, secure and optimal automation lines tailored to the customer by listening to the challenges and needs from the customer's perspective and by the flexible approach and equipment coordination unique to a trading company.

### Film-related equipment

We sell raw material equipment for functional films, film forming equipment, and recycling-related equipment both in Japan and overseas. As the global shift from gasoline to EVs progresses, the demand for lithium-ion batteries (LIB) is expected to increase further, and we will focus on selling LIB for EVs separator film manufacturing equipment, leveraging the strengths we have cultivated in this industry.

# Strategy by segment

## Business overview



### Product business

The Products segment consists of the measurement and electronic equipment-related business within Seika Corporation and Group companies specializing in products such as valves, submersible pumps, marine engines, and precision analysis equipment. Many of the products we handle have exclusive sales rights and are widely used in both Japan and overseas, solidifying their position and brand as Seika Group products. In addition, some products such as valves, are developed and manufactured in-house, and we are expanding our business by not only selling, but also providing total support for our products, including maintenance, seminars, and other services.

## Strengths, risks, and opportunities in business

### Strengths

- We have many specialized and highly competitive “strong products”
- By offering total services ranging from product sales to maintenance, we gain customer trust and establish a continuous and stable earnings base
- This segment’s products can be the starting point for exploring new industries and customers, and it functions as a segment mix element

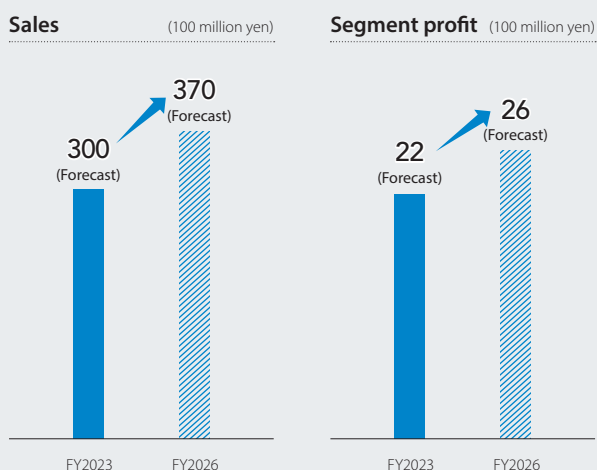
### Risks

- Dependence on specific business partners for responding to environmental regulations and maintaining and updating product competitiveness
- The impact of micro-industrial trends and new entrants on product demand is significant in niche areas

### Opportunities

- Increased demand for measurement and component equipment due to the introduction and tightening of environmental regulations
- Decrease in the working population is expected to expand opportunities for investment in existing manufacturers and startups related to productivity improvement

### FY2023 Product Business consolidated performance forecast (sales and profit)



#### FY2023

- Non-consolidated measurement and electronic equipment sales trended at the level of the previous fiscal year
- While the performance of major subsidiaries and affiliates is not expected to reach the previous fiscal year, it is predicted to progress steadily

#### FY2026

- Further business growth of strong affiliates such as Nippon Daiya Valve and Seika Daiya Engine

### Main products and services

- Marine engines
- Various valves centered on diaphragm valves
- Plant equipment inspection using UT drones
- Laser gas analyzers, temperature data loggers, and other measurement equipment
- Submersible pumps for construction work and wastewater treatment facilities
- Particle image velocimetry systems
- Diffuser pipes for wastewater treatment facilities



## Strategies and issues based on the Medium-Term Management Plan

Strengthen product competitiveness and supply chain with the aim of being truly unique

Overview of main Group companies and Seika Corporation sales locations within the segment

Seika Daiya Engine Shikishimakiki	Tsurumi (Europe) GmbH	Nippon Daiya Valve	Seika Corporation Seika Digital Image
Sales and service of marine engines in Japan	Sales of submersible pumps for construction work	Manufacturing and sales of industrial valves	Sales of measuring equipment, semiconductor and FPD-related equipment, UPS, etc.
<ul style="list-style-type: none"> <li>• Shikishimakiki is located in Hokkaido, while Seika Daiya Engine has business locations near fishing ports all over Japan, and holds a high market share in the fishing boat engine market</li> <li>• Strengths in on-site service and maintenance capabilities</li> </ul> <p>Action.</p> <ul style="list-style-type: none"> <li>• Developing related markets and equipment by leveraging experience in handling marine engine</li> </ul>	<ul style="list-style-type: none"> <li>• Developing business throughout Europe with Germany as a hub, where the head office is located</li> <li>• We have an independent sales network with agents established in each country</li> <li>• Adopting business forms suited to the culture of each country, such as product rentals</li> </ul> <p>Action.</p> <ul style="list-style-type: none"> <li>• Maintenance and expansion of sales agents in Europe</li> <li>• Capturing infrastructure projects in Europe and strengthening sales</li> </ul>	<ul style="list-style-type: none"> <li>• Possess technical expertise developed by addressing needs from a wide range of domains including chemistry, pharmaceuticals, food, semiconductors, steel, and power generation, earning high praise and trust from customers</li> <li>• Top domestic market share for mainstay diaphragm valves</li> </ul> <p>Action.</p> <ul style="list-style-type: none"> <li>• Capital investment for production and supply capacity enhancement</li> <li>• Development to ensure technical superiority</li> </ul>	<ul style="list-style-type: none"> <li>• Nationwide development focusing on measuring and analysis equipment in niche fields</li> <li>• Plant facility inspections using UPS equipment and UT drones, and other businesses connecting segments and locations to support the Group overall</li> </ul> <p>Action.</p> <ul style="list-style-type: none"> <li>• Discovering strong commercial products including overseas markets</li> <li>• Strengthening semiconductor business</li> </ul>

In the Product segment, each employee operates as an expert in the products they are responsible for. Products handled in niche areas boast a high level of recognition and strong reputation in each industry, forming an important part of the Seika Corporation Group's earnings foundation.

While the challenges, strategies, and specific initiatives vary for each company during the period of this Medium-Term Management Plan, our common mission is "expanding the handling of strong products" that can take advantage of the unique characteristics of each company. We aim to develop commercial products that will serve as pillars of our business and expand the range of Seika original products, while utilizing collaborations with business partners, business investments, and M&As, etc.

# Sustainability Management

To realize sustainability as stated in our basic policy, we are operating our business with a long-term strategy. In addition, we believe that solving social issues through our business will enhance the corporate value of the Group, and in 2023, we identified the materiality that we should have a particular focus on and also established the Sustainability Committee to accelerate our sustainability activities.

## Basic Policy

‘– Corporate philosophy “To Contribute to Society Through the Expansion of Business” – In line with the strategies set forth in the long-term management vision “VIORB 2030,” which was formulated based on this philosophy, our basic policy is to “achieve sustainable growth for the Seika Corporation Group and improve corporate value over the medium to long term” and “work toward the realization of a sustainable society” through the Group code of conduct and carrying out missions.

## Structure of the Sustainability Committee and Promotion Systems

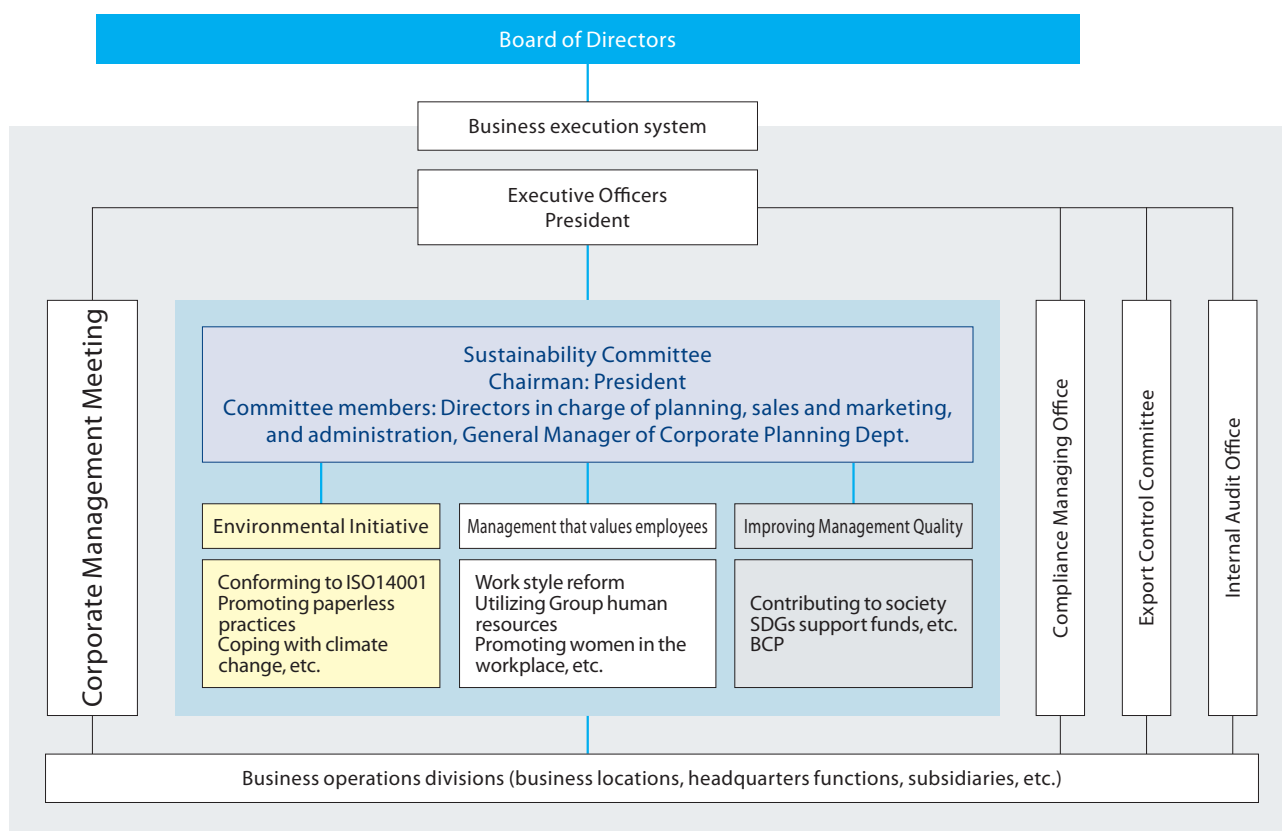
In order to operate the Sustainability Committee comprehensively and functionally, we sorted it out. We integrated the themes to be promoted into three categories: “Environmental Initiative,” “management that values people,” and “management quality improvement.” Under the Sustainability Committee, we established subcommittees to handle each category and formulated their respective policy for their initiatives. Each subcommittee acts as an execution team to realize sustainability management, examines and carries out specific measures based on its policy, and reports progress to the Sustainability Committee.

The Sustainability Committee comprises the President, Directors in charge of (planning, sales and marketing, and administration), and the General Manager of the Corporate Planning Dept. and monitors, analyzes, and evaluates each issue related to sustainability in accordance with the above basic policy.

Categories to be promoted	Specific items to be promoted	Related departments, etc.
Environmental Initiative	<ul style="list-style-type: none"> <li>• Conforming to ISO14001</li> <li>• Coping with climate change, etc.</li> <li>• Promoting paperless practices</li> </ul>	General Affairs & Human Resources Dept. System Planning Dept. Corporate Planning Dept. Paperless practices promotion team
Management that values employees	<ul style="list-style-type: none"> <li>• Work style reform</li> <li>• Promoting women in the workplace</li> <li>• Utilizing Group human resources</li> </ul>	General Affairs & Human Resources Dept. Group Administration Dept. Safety and Health Committee
Improving management quality	<ul style="list-style-type: none"> <li>• Social contribution/ coexistence with local communities</li> <li>• SDGs support funds</li> <li>• BCP</li> </ul>	Corporate Planning Dept. Group Administration Dept. General Affairs & Human Resources Dept.

## Governance chart of the Sustainability Committee

(As of October 1, 2023)



# Sustainability Issues (Materiality)

With the aim of contributing to the realization of a sustainable society through our business, and to further promote sustainability management that embodies our basic policy, we have identified four themes and 12 important issues as our materiality.

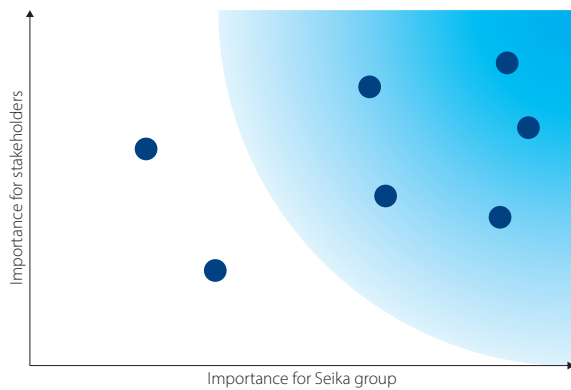
## Identification process

### STEP 1. Extracting social issues

From the international frameworks such as SASB and GRI, and 17 goals and 169 targets of SDGs, we extracted social issues related to our business

Extracted social issues that are highly relevant to our business			
Expansion of clean energy	Reinforcement of compliance system	Decarbonization of thermal power generation	Promotion of diversity
Enhancement of corporate governance	Conservation of biodiversity	Promotion of DX	Initiatives based on TCFD recommendations
Coexistence with local society	Promotion of circular economy	Respect for human rights	Contribution to the sustainability of marine resources
Climate change countermeasures	Building a sustainable supply chain	Promotion of energy and resource conservation	Improvement of employee engagement
Enhancing data security	Accelerating innovation	Prevention of air, water, and soil pollution	








### STEP 2. Assessing importance and identifying materiality



For the extracted social issues, we identified sustainability issues (materiality) by prioritizing importance for stakeholders based on our corporate philosophy, strengths, and business characteristics.

### STEP 3. Organizing and verifying themes

Corporate Management Meeting members and outside directors discussed the identified 12 materiality to verify them. Then, materiality were categorized under four themes, and determined upon approval by the Board of Directors.

	Theme of Materiality	Important Issues	Relevant SDGs
Resolving social issue through the business	1. Contributing to the global environment for the next generation	<ul style="list-style-type: none"> <li>Expansion of clean energy</li> <li>Decarbonization of thermal power generation</li> <li>Initiatives based on TCFD recommendations</li> </ul>	 
	2. Contributing to sustainable growth of industry	<ul style="list-style-type: none"> <li>Promotion of energy and resource conservation</li> <li>Promotion of Digital Transformation</li> <li>Contributing to the sustainability of marine resources</li> </ul>	 
Reinforcement of management base for sustainable growth	3. Prosperous coexistence with Shareholders	<ul style="list-style-type: none"> <li>Improvement of employee engagement</li> <li>Promotion of diversity</li> <li>Coexistence with local society</li> </ul>	 
	4. Practicing transparent governance	<ul style="list-style-type: none"> <li>Enhancement of corporate governance</li> <li>Reinforcement of compliance system</li> <li>Enhancement of data security</li> </ul>	

# Environment

## Information Disclosure Based on TCFD Recommendations

### Basic Stance

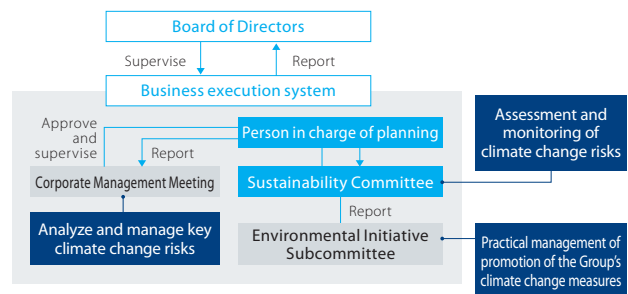
The Group formulated a long-term management vision for 2030, VIORB 2030, to help realize a fulfilling society by putting into practice our purpose of “supporting the sustainable generation of energy and industrial activities in harmony with the global environment.”

While working to realize a sustainable society from the standpoints of environment, society and economy and enable Seika to contribute to the global environment through initiatives to address climate change, we aim to balance these efforts with activities to achieve corporate growth.

### Governance and risk management

Under the supervision of the Board of Directors, practical management of promotion of the Group’s climate change measures is conducted by the Environmental Initiative Subcommittee under the Sustainability Committee. In addition, the Environmental Initiative Subcommittee works with the Group’s business departments, head office organizations, and subsidiaries to examine the application of climate change risks and opportunities into business strategies, measures to address climate change-related issues, management indicators, and targets, and reports to the Sustainability Committee. The Sustainability Committee assesses and analyzes climate change risks and monitors measures taken by the Environmental Initiative Subcommittee.

Important risks, etc. related to climate change are reported to the Corporate Management Meeting through CEO, and the degree of impact and management status are reported to the Board of Directors as necessary.



### Strategy: climate change risks and opportunities

Based on the TCFD framework, we conducted a qualitative analysis of the impact of climate change on our business and performance.

Scenarios	Scenario analysis was performed based on the following two scenarios. <b>Under 2-degree scenario: Scenario in which there is a transition to a low-carbon economy</b> <b>4-degree scenario: Scenario in which the physical climate change risk increases</b> For climate change scenarios, we used IPCC SSP1-2.6, and IPCC SSP5-8.5. The time frame of the analysis is basically based on 2030 for a transition risk and 2050 for a physical risk.
Target scope	Seika Corporation and the four subsidiaries, Nippon Daiya Valve Co., Ltd., Shikishimakiki Corporation, Seika Daiya Engine Co., Ltd., and Tsurumi (Europe) GmbH, were selected for analysis. The above analyzed companies account for more than 90% of the Company’s consolidated net sales and operating income.

Impact on operating income-legend    ---/+++ : 1,000 million yen or more    --/++ : 100 million yen or more    -/+ : less than 100 million yen

Scenario	Category	Global changes	Item	Impact on operating income	FY2026 Medium-term management plan initiatives
Under 2-degree scenario	Risks	Introduction of carbon taxes and GHG*1 emission regulations	• Increase in carbon taxes	-	<ul style="list-style-type: none"> <li>• Reduction in CO<sub>2</sub> emissions through promotion of paperless practices, etc.</li> </ul>
			• Reduced sales of thermal power generation facilities and maintenance	--	
		Structural transformation of energy mix	• Delays in handling products for high efficiency and reduced carbonization of thermal power generation		
			• Risk of customer defection due to delays in responding to climate change	--	
	Customer Reputation	• Risk of customer defection due to delays in responding to climate change	--		
		• Risk of customer defection due to delays in responding to climate change		--	
Opportunities	Introduction of carbon taxes and GHG*1 emission regulations	• Expanded business opportunities related to the introduction of energy-saving equipment (all segments)	+++		
		• Fuel conversion for private power generation facilities			
	• Expanded sales opportunities for renewable energy-related products				
Structural transformation of energy mix	• Expanded sales opportunities for nuclear power generation facilities	+++			
	• Expanded sales opportunities for nuclear power generation facilities				
Progress in technological development	• Expanded sales opportunities for high-efficiency and reduced-carbon thermal power generation facilities	+++			
	• Expanded sales opportunities related to CCUS*2				
4 degree scenario	Risks	Increase in average temperature	• Increased air conditioning costs	-	<ul style="list-style-type: none"> <li>• Industrial Machinery Business/Product Business</li> <li>• Promotion of automation and labor-saving systems using robots, etc.</li> <li>• Strengthen business competencies in solutions in field work environments</li> </ul>
			• Decrease in labor productivity outdoors		
	Intensification of extreme weather	• Damage at business locations due to flooding	-- (Envisaged maximum value and insurance coverage)		
		• Loss of sales opportunities due to supply chain disruption			
	Intensification of extreme weather	• Loss of sales opportunities due to supply chain disruption	-- (For one-time occurrence)		
		• Loss of sales opportunities due to supply chain disruption			
Opportunities	Intensification of extreme weather	• Increased demand for recovery of damaged facilities	Impossible to calculate		
		• Increased demand for disaster prevention, disaster mitigation, and BCP (business continuity plan)			

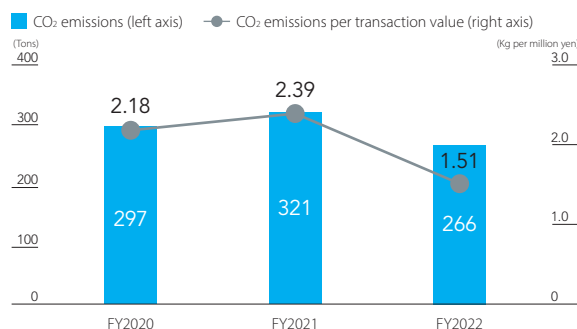
\*1 Greenhouse Gas    \*2 Carbon Capture, Usage, and Storage

## Indicators and targets

The CO<sub>2</sub> emissions of Seika Corporation (alone) are shown below. In the future, we will promote the acquisition of Scope 1 and 2\* greenhouse gas (GHG) emissions of Group companies, and quickly disclose the GHG emissions and reduction targets for the Group as a whole. In addition, we will promote information sharing with suppliers in the supply chain and make efforts to acquire Scope 3 GHG emissions for the Group.

- \*Scope 1: Direct GHG emissions produced by our own business (fuel combustion, industrial process)
- Scope 2: Indirect emissions related to the use of electricity, heat, and steam provided by other companies
- Scope 3: Indirect emissions beyond Scopes 1 and 2 (emissions by other companies related to business activities)

### CO<sub>2</sub> emissions of Seika Corporation (alone)



## Promotion of green innovation-related products

In addition, the Company is making proactive efforts to achieve carbon neutrality as a general machinery trading company by utilizing its experience and business infrastructure cultivated in the electric power business and chemical and energy business.

As specific efforts, the Company is promoting the deployment and expansion of “green innovation-related products” to help customers reduce GHG emissions, and our transaction results for FY2022 are shown below.

Transactions handled for green innovation-related products in FY 2022	Results The figures in ( ) show the percentage year-on-year changes.		
	FY2022	FY2026	FY2030
Products for energy and resources conservation and increased efficiency	85,800 million yen (+10%)		
Products to prevent pollution	9,700 million yen (+61%)	180,000 million yen	200,000 million yen
Products for recycling and reuse	1,000 million yen (+11%)		
Total	95,600 million yen (+14%)		

Based on the above efforts, we will also examine long-term targets for achieving carbon neutrality.

## Initiatives Related to Capturing GHG Emissions

The initiative to realize a decarbonized society is one of the basic policies of “VIORB 2030,” our long-term management vision.

In addition, we are continuing to perform scenario analysis to identify the GHG emissions of the Group, and we are making efforts to reduce these emissions.

Target scope	Seika Corporation and the four subsidiaries, Nippon Daiya Valve Co., Ltd., Shikishimakiki Corporation, Seika Daiya Engine Co., Ltd., and Tsurumi (Europe) GmbH, were selected for analysis. The above analyzed companies account for more than 90% of the Company’s consolidated net sales and operating income.
Aggregation target	CO <sub>2</sub> emissions (Scopes 1 and 2 and part of Scope 3)
Emission factors	1. Electric Power <ul style="list-style-type: none"> <li>• Japan: Use emission factors by electric utility (adjusted emission factors)</li> <li>• Overseas: Use CO<sub>2</sub> emission factors by country according to the International Energy Agency (IEA)</li> </ul> 2. Other <ul style="list-style-type: none"> <li>Use the “List of Calculation Methods and Emission Factors” for GHG emissions published by the Ministry of the Environment</li> </ul>

### Measures to reduce CO<sub>2</sub> emissions

**Use EVs**

**Adoption of CO<sub>2</sub> free electricity**

**Promote paperless practices**



# Environmental Business

## Basic principles

As a general machinery trading company specializing in selling a wide range of machines and plants, Seika Corporation believes that all of our employees have a responsibility as members of society to address environmental issues. We recognize that environmental problems are of paramount importance to the entire planet, and we strive to conserve and improve the global environment through all of our business activities with the aim of contributing to the achievement of a sustainable society as a creative partner that adds value to the industry.

## Examples of environmental businesses towards reducing environmental impacts

### Ultra-lightweight solar panels



Since our ultra-lightweight solar panels achieve a high conversion efficiency and are half the weight or less of conventional solar panels, they can be considered for installation on flat roofs and low load-bearing roofs that traditionally cannot support conventional solar panels, and they are expected to have a full-fledged power generation effect.



### Small-scale hydropower generation equipment



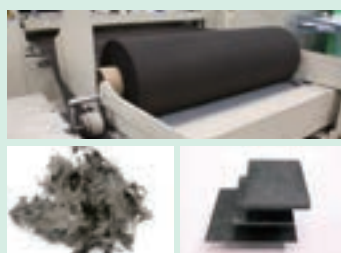
Small-scale hydropower can use smaller agricultural channels, water supply facilities, and industrial water in addition to rivers and dams (including regulating pond, reservoir, and weir systems). Small-scale hydropower generation has the same basic configuration as hydropower generation, the power output is small and the equipment is also on a smaller scale. To maximize the amount of power generation under these various conditions, Seika Corporation provides optimal equipment for various hydropower generation types throughout Japan for both new construction and renewal of existing facilities. In addition to turbines, we also supply inlet valves, power generators, control panels, and other equipment required for power generation facilities.



### Sale of recycled carbon fiber using processing technology with a low environmental impact



Amid this situation, Seika Corporation reuses carbon fiber and provides new carbon fiber composite materials as the exclusive Asian distributor for Rymyc s.r.l. in Italy. This company makes the most of its location in northern Italy, where vast amounts of high-quality CFRP end material are generated, to provide a stable supply of RCF that has been recycled using a proprietary method with low impact on the environment.



Decarbonization



Our Long-Term  
"VIORB"  
Priority Business



Circular economy



### Action guidelines

1. We comply with environment-related laws and regulations and local ordinances, as well as other requirements we accept.
2. We expand our lineup of environmentally friendly products and products that help mitigate global warming.
3. We actively improve operational efficiency in office and strive to reduce the environmental impact.
4. We continue to improve our environment management system and environmental performance for environmental protection.
5. This environmental policy is communicated to all persons who work in or for the organization.

Under our Long-Term Management Vision, "VIORB 2030," we are striving to expand sales and develop green innovation products that contribute to the environment by focusing on four priority business domains: decarbonization, energy and resource conservation, circular economy, and DX. The main activities of the Seika Corporation Group are as follows.

Energy and resources conservation



Management Vision  
2030"  
ness Domains



DX

#### SUSTEO, a next-generation biodiesel fuel for fishing boat engines



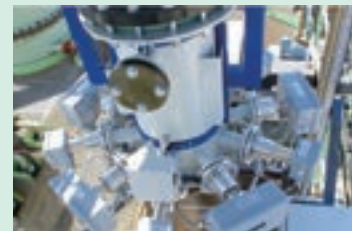
Seika Daiya Engine Co., Ltd., a Seika Group company, collaborated with Euglena Co., Ltd. on using a biofuel to supply for the first time a next-generation biodiesel fuel (SUSTEO) for fishing boat engines.



#### Laser-type gas analyzer for measuring toxic and corrosive gases



The Company handles laser-type gas analyzers from NEO Monitors AS in Norway. NEO Monitors AS is responsible for developing the world's first laser-type gas analyzer in 1995 and is a specialty manufacturer with a worldwide network of distributors and the top global share for this technology. We have been the exclusive distributor of this technology in Japan for more than 20 years since NEO Monitors AS was established, and we use our sales network of over 2,000 companies to provide everything from sales to installation, adjustment, and after-sales service (including regular inspection, calibration, and maintenance support).



#### Promotion of DX through AI autonomous navigation in small ships



Eight Knot Inc., a company that develops autonomous navigation technology for ships, and Seika Daiya Engine Co. Ltd., have formed a capital and business alliance to develop their business in Japan. By combining Eight Knot's highly unique technology with Seika Daiya Engine's strong sales and service network, we aim to solve various problems faced by maritime and marine businesses and improve sustainability.



# Human Resources

## Message from Officer in charge of administration



**We are promoting strategic review of our personnel system and human resources development policies, emphasizing human capital for sustainable enhancement of the corporate value.**

### **Tomoaki Hasegawa**

Director;  
Senior Executive Officer in charge of administration

## **Basic stance on investment in human capital and human resources**

One of the growth strategies in the Medium-Term Management Plan is the human resources strategy, and various measures are being promoted under the themes of personnel system, human resources development, and recruitment.

In terms of the personnel system, we are working to reform the system so that diverse personalities can play an active role and all employees will be able to enjoy job fulfillment. In terms of human resources development, we have set a policy to raise skills of our employees by enhancing training programs, and we will make sufficient investments to strengthen the Group. We are also promoting the improvement of diversity in recruitments, and we

will continue to work to become a company where each employee can feel safe and proud by reinforcing our human resource investment.

With regard to employee engagement, which has been attracting attention in recent years, we are working to increase understanding of the Company and employee's unity toward corporate philosophy through communication from management, and to encourage spontaneous action to lead to success. In addition, we recognize that respect for human rights should be emphasized by all companies, and our Group addresses this as an important issue for compliance.

## **Personnel system reform and review of salary standards**

We have been promoting a system that will be introduced from April 2024, which reflects the actions and achievements of individuals regardless of age, with the aim of maximizing the capacity of the organization by improving the ability and motivation of employees and assigning the best people for the job.

The Company's current personnel system has been in operation for a long time, and we believe it has not been able to adequately respond to changes in the business environment and the demands of adapting to diversity. Under the new system, we will devise measures in the areas of grades, evaluation, and compensation, focusing on the following four items.

- Moving away from seniority-based operations
- Building systems that promote individual growth and contribute to the improvement of organizational capabilities and functions
- Proper evaluation of individual abilities and reflecting it in salary increases, etc.
- We will make bold and prudent efforts to eliminate the job categories such as career position and non-career position, and drastically reconsider our existing personnel management to ensure the optimal allocation of human resources.

In addition, prior to the new personnel system, we raised salary standards in April 2023 in order to maintain and

improve employee motivation and attract skilled personnel. Previously, over a long period of time, the Company rarely raised its salary base, and its salary standards were lower compared with those of its peers. Therefore, in light of the current rise in prices and other social conditions, we raised the monthly salary base of all employees by 15,000 yen in

FY2023. Including regular salary increases, the average wage increase of the Company was about 5%, and we were able to demonstrate our positions in negotiations with labor unions.

At the same time, the starting salary for new graduates (university graduates) was raised from 215,900 yen to 250,000 yen.

## Human resources development policy

We are promoting the creation of an environment that respects the individuality of each employee and enhances the motivation of employees to develop their skills. We are working to develop human resources who are responsible for the realization of management strategies, with the aim of improving practical skill with a high level of expertise and acquiring a wide range of knowledge and capabilities.

The main programs are; hierarchical training for the purpose of acquiring the job performance skills which is expected at each rank in accordance with their year of employment and job titles; goal-oriented training that lets employees to voluntarily attend training and seminars

on a variety of topics in line with their own objectives; self-development programs that supports the voluntary acquisition of foreign languages and qualifications in order to enhance expertise and education; global human resources training that nurtures human resources who can play an active role internationally by dispatching training to overseas subsidiaries of the Group or by secondment; and human resources development program for management that aims to nurture candidates who will be responsible for the Group's future management. In addition, we have established a succession plan to promote solid growth as a manager through active and systematic development.

### System of employee education and training to promote individual growth and improve organizational capabilities and functions

Target/Type	Goal-oriented training	Hierarchical training	Opportunity to unify minds	Self-development	Global human resources training	On-the-Job Training
Executive Officers	Succession planning					
General managers	Human resources development for management	Training for new location managers and section managers				
Section managers	Webinars (training based on company recommendations and employee requests) • Training to increase the number of persons capable of responding to the Construction Business Act, etc. • Information security related education • Lectures sponsored by various organizations		Meetings to exchange opinions with management	Providing support for getting qualifications • TOEIC • Bookkeeping skill • Trade practice • Telecommunications construction management engineers, etc.	Overseas training Determine suitability for overseas life and work through language training, etc.	Training for OJT mentors
Deputy Manager/ Assistant Manager						
Younger employees						
New employees		Onboarding training Follow-up training				Mentoring training
People with offer of employment		Follow-up training for people with offer of employment (interaction with employees)				
Overseas Branches: Taipei Branch and Seoul Branch			Visiting the head office		Creation of training opportunities	
Group companies	Attend various webinars RPA briefing (supervised by the Accounting Department) Intercompany exchange within the Group	Onboarding training Follow-up training Participating in training for new location managers and section managers	Visiting the head office			

	FY2020	FY2021	FY2022
Total hours of training	1,400	1,880	1,935
Total training and development costs	11 million yen	26 million yen	28 million yen

## Recruitment policy

In order to secure sustainable growth of the Group and to strengthen its business, we are promoting recruitment from a variety of perspectives over the medium- to long-term. This includes regular recruitment of new graduates, career recruitment based on specialization and area, and career return recruitment for personnel who have worked at the Company and whom we know of their abilities, experience, and personality.

## Policies to promote women's active engagement in the workplace, etc.

Since April 2023, we have been promoting a 3-year action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on the Promotion of Women's Active Engagement in Professional Life. We will further improve the working environment and diligently promote the active participation of female workers so that they can demonstrate their abilities and aptitudes while balancing work with childcare and caregiving. Please refer to pages 35 and 36 to see the indicators we value.

# Human Resources

## Promotion of work style reform

### Measures to increase the paid leave utilization rate

Based on the Safety and Health Plan, we are analyzing trends and discussing the status of paid leave utilization by location and job type, and we are proposing measures to improve the paid leave utilization rate.

### Introduction of flexible working style

The Company has introduced systems such as flexible working hours, no overtime days (every Wednesday) and premium Fridays.

The flextime system allows employees to set their own daily starting and ending time as well as their working hours within the scope of the specified total working hours. By using this system, employees can change their work hours to accommodate the time they drop off or pick up their children and to avoid rush hours when commuting to work. These efforts are aimed at reducing overtime work.

In addition to paid leaves, we have summer vacation and New Year's holiday. Also, we adopted a system of accumulated leave that can be used in the event of an employee's injury or illness or to care for family members, and a system of return leaves for overseas employees.

	Paid leave utilization rate	Monthly overtime hours(Hours)	Premium Friday utilization rate
FY2018	46.9%	13 hours	21.0%
FY2019	49.4%	8.8 hours	29.0%
FY2020	56.4%	10.3 hours	27.0%
FY2021	59.0%	10.3 hours	27.0%
FY2022	67.0%	12.5 hours	28.0%

## Improvement of working environment, promotion of diversity and inclusion

### Status of Compliance with the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on the Promotion of Women's Active Engagement in Professional Life

We believe that placing diverse talent in the right place and enabling them to make the most of their individual abilities is indispensable to the sustainable growth and development of the Company.

We will continue to further improve the working environment so that employees can demonstrate their abilities and aptitudes while balancing work with childcare and caregiving. We will also actively promote the active participation of female workers and strive to create an environment where employees can work more enthusiastically.

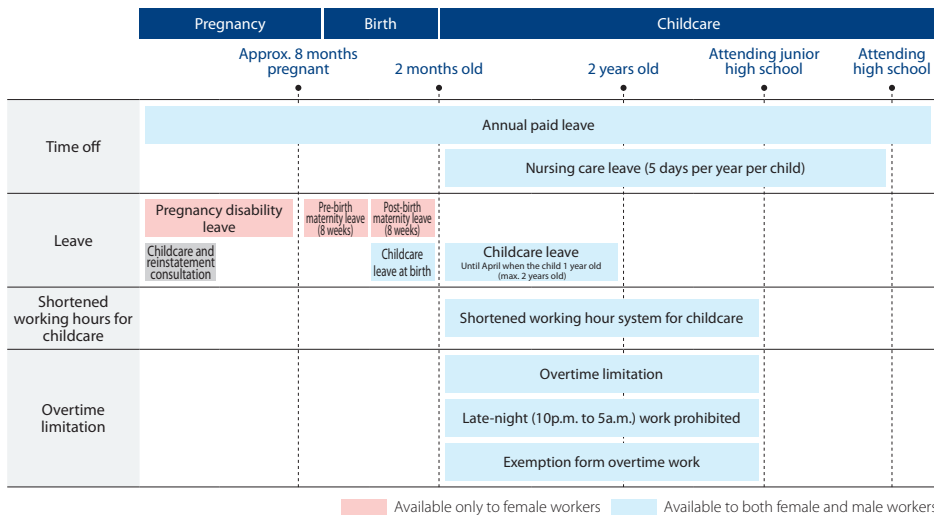
(Planned period: Three years from April 1, 2023 to March 31, 2026)

① Improve the childcare and caregiving system	In order to enable employees to participate more in child-rearing, we are actively conducting activities to make known various systems, such as childcare leave at birth, and are working to improve the working environment so that employees can easily use the systems. We are also enhancing the caregiving system.
② Challenging new work styles	Through the promotion of Business Process Outsourcing (BPO), we aim to realize our ambitions of challenging ourselves to achieve more sophisticated business operations by improving operational efficiency and optimizing our organization and structure. In addition, we will further promote the flextime system to support the balance of work and family life, and aim to increase the current usage rate from 70% to 80%.
③ Developing a system in which female workers can play an active role	With the introduction of the new personnel system, we are reviewing the current grading system, expanding the range of roles for employees, and enhancing feedback on the results of evaluation and assessments to support building career paths, thereby providing various work style options and developing a system that allows female workers to play an active role. In addition, we aim to enhance the training content for both regular and contract employees in order to improve their abilities, and to achieve a 100% participation rate for female employees.
④ Discussion and examination by senior management	We have established a forum where senior management, female employees, and young employees who will lead the next generation exchange opinions on a regular basis. Upon taking into account the needs regarding overall work styles, including matters related to childcare and caregiving, the Board of Directors, the Corporate Management Meeting, etc. conduct discussions and examination for further improvement of specific action plans.

### Supporting Childcare and Caregiving in the Workplace

In order to support the balance between work and childcare, we have established various leave systems, a shortened working hour system for childcare, restrictions on overtime and late-night work during the period from pregnancy until the child enters high school. All systems are available to both men and women, except for pregnancy and childbirth-related leave systems.

In order to balance work and caregiving, we have established a leave system that supports the preparation period for caregiving and balance with work, and a system that allows employees to choose a work style that suits their work situation, such as shorter working hours. We have also introduced a caregiving leave system.



#### Balance between work and caregiving

- Caregiver leave
- Exemption from overtime work (overtime, holiday, and late-night work)
- Overtime limitation
- Caregiver leave (up to 5 days (40 hours when working hourly) per year when caring for 1 person, or 10 days (80 hours when working hourly) when caring for 2 or more people)
- Use of special reserve for paid vacation (up to 40 days)

#### Extended caregiver leave

- Extended caregiver leave

## Recruitment that promote diversity

### Diversification of recruitment systems

We promote various recruitment activities based on the following overall policy.

- 1 Recruit the necessary talent in order to secure sustainable growth of the Group and to strengthen its business.
- 2 Looking beyond immediate personnel demand for medium- to long-term business growth.
- 3 Systematically recruit human resources from a medium- to long-term perspective, mainly for basic profit-making businesses such as the energy business, to respond to staff shortages caused by rapid expansion of business and unexpected employee departure.
- 4 Personnel who are necessary for strengthening the functions of the corporate departments will be recruited in consideration of specialization, scarcity, etc., in order to enhance the sophistication of the Group's management.

Expert	Actively recruit personnel with high level of expertise and experience that are essential to the characteristics of each business.
Area (Region limited)	Actively employ personnel whose work area will be limited to each business site, in order to ensure business continuity at each site in accordance with the characteristics of each business and the business environment such as locality, and to respond to the diversity of work styles of employees.
Return	Recruiting those who worked for Seika Corporation and retired for personal reasons in the past.
Use of Group personnel	Efforts to deepen coordination of personnel information (job openings and job departures) among Group companies and to optimize the assignment of skilled personnel within Group companies.

#### Mid-career hiring ratio of full-time workers

FY2019	50%
FY2020	25%
FY2021	40%
FY2022	67%

## Employee satisfaction survey

In order to create a comfortable working environment for our employees, we conduct an annual employee satisfaction survey for all employees, examine and implement improvement measures, and monitor changes in indicators.

The survey results for FY2022 (response rate 81%) showed a 79% satisfaction rate, an 8.5% improvement from the previous survey. We believe that the Town Hall Meetings, which we started in FY2021, have led to an improvement in the work environment through enhanced empathy with the attitude of management communicating with employees and with management's words and actions.

In addition, results of survey items such as "comfortable working systems are provided" and "diverse working styles are available" improved significantly from the previous survey.

We will continue to provide opportunities for dialogue with employees and work to further improve our business environment.

### Employee Satisfaction Survey (Overall Satisfaction)

	The Company		Industry average	
	Satisfaction	Dissatisfaction	Satisfaction	Dissatisfaction
FY2020	70.6%	13.3%	45.6%	24.3%
FY2021	70.5%	15.1%	47.2%	23.6%
FY2022	79.0%	9.3%	50.5%	21.9%

## Occupational health and safety initiatives

### Employee health initiatives

In order to maintain and improve the health of its employees, the Company fully covers the cost of checkups to prevent lifestyle-related diseases or medical checkups, tumor marker tests, and influenza vaccinations for employees and officers who are aged 30 and over, in addition to statutory health checkups as part of its welfare package

We also conduct stress checks for all employees as part of our regular health checks. In addition, we provide opportunities for employees to hold interviews with physicians in response to their requests regarding the exam results, and employees will be able to take corrective measures based on the advice of physicians.

# List of Directors

## Director



**Akihiko Sakurai**

President and CEO

Attendance at  
Board of Directors Meetings  
100% (14/14 times)

- February 1989 Joined the Company
- April 2005 General Manager, Machinery Department II, Osaka Operations Division II
- April 2009 President, Seika Shanghai Co., Ltd.
- April 2011 General Manager, Strategic Planning Department, Corporate Planning Division and General Manager, Asian Market Department, the Company
- April 2013 Executive Officer; General Manager, Tokyo Operations Division I
- April 2014 Executive Officer; Deputy General Manager, Business Control Division, Industrial Machinery Region
- June 2014 Director; Senior Executive Officer; Deputy General Manager, Business Control Division, Industrial Machinery Region
- April 2015 Director; Managing Executive Officer; General Manager, Business Control Division, Industrial Machinery Region
- April 2016 Director; Managing Executive Officer; General Manager, Business Control Division
- April 2018 Representative Director; President and CEO (to present)



**Yasumasa Kawana**

Director; Senior Managing Executive Officer in charge of planning

Attendance at  
Board of Directors Meetings  
100% (14/14 times)

- April 1984 Joined the Company
- April 2010 General Manager, Strategic Planning Department, Corporate Planning Division and Deputy General Manager, Internal Audit Office and Deputy General Manager, Affiliated Company Supervision Division
- April 2011 General Manager, Nagoya Branch, Osaka Operations Division II
- April 2013 Director and Deputy President, Nippon Daiya Valve Co., Ltd. (seconded)
- July 2013 President and CEO
- April 2015 Executive Officer, the Company President and CEO, Nippon Daiya Valve Co., Ltd. (seconded)
- April 2016 Senior Executive Officer, the Company President and CEO, Nippon Daiya Valve Co., Ltd. (seconded)
- April 2017 Senior Executive Officer, the Company; General Manager, Subsidiary and Affiliate Business Strategy Division and General Manager, Subsidiary and Affiliate Administration Department
- June 2017 Director; Senior Executive Officer, the Company; General Manager, Subsidiary and Affiliate Business Strategy Division and General Manager, Subsidiary and Affiliate Administration Department
- April 2019 Director; Managing Executive Officer; General Manager, Subsidiary and Affiliate Business Strategy Division
- October 2020 Director; Managing Executive Officer; General Manager, Subsidiary and Affiliate Business Strategy Division and General Manager, Business Strategy Department
- November 2020 Director; Managing Executive Officer; General Manager, Subsidiary and Affiliate Business Strategy Division
- October 2021 Director; Managing Executive Officer; General Manager, Corporate Planning Division and General Manager, Subsidiary and Affiliate Business Strategy Division
- April 2022 Director; Senior Managing Executive Officer in charge of planning (to present)



**Hirohisa Masuda**

Director; Managing Executive Officer in charge of sales and marketing; General Manager, Business Operation Division

Attendance at  
Board of Directors Meetings  
100% (10/10 times)

- April 1983 Joined the Company
- April 2008 General Manager, Nagasaki Branch, Kyushu Business Operation Division
- April 2013 General Manager, Strategic Planning Department, Corporate Planning Division; Deputy General Manager, Internal Audit Office
- April 2014 Deputy General Manager, Business Control Division, Chemicals and Energy Plant Region
- April 2015 Executive Officer; Deputy General Manager, Business Control Division, Chemicals and Energy Plant Region
- April 2016 Executive Officer; General Manager, Global Business Division; General Manager, Overseas Business Department
- April 2017 Executive Officer, the Company; Director and President, Nippon Daiya Valve Co., Ltd. (seconded)
- April 2019 Senior Executive Officer, the Company Director and President, Nippon Daiya Valve Co., Ltd. (seconded)
- April 2022 Managing Executive Officer in charge of sales and marketing; General Manager, Business Operation Division, the Company
- June 2022 Director; Managing Executive Officer in charge of sales and marketing; General Manager, Business Operation Division (to present)



**Tomoaki Hasegawa**

Director; Senior Executive Officer in charge of administration

Attendance at  
Board of Directors Meetings  
100% (14/14 times)

- April 1986 Joined the Company
- April 2011 General Manager, Accounting Department, General Administration Division and Deputy General Manager, Affiliated Company Supervision Division
- April 2013 General Manager, Accounting Department, General Administration Division; President, Seika Sangyo GmbH and President, Tsurumi (Europe) GmbH
- April 2016 General Manager, Accounting Department, General Administration Division and President, Seika Sangyo GmbH
- April 2019 Executive Officer; Deputy General Manager, General Administration Division and General Manager, Accounting Department, General Administration Division
- April 2021 Senior Executive Officer; General Manager, General Administration Division
- June 2021 Director; Senior Executive Officer; General Manager, General Administration Division
- April 2022 Director; Senior Executive Officer in charge of administration (to present)

\*The stated Attendance at Board of Directors Meetings is based on the Board of Directors meetings held in and after June 2022 after his assumption of office as Director.



**Kiyomi Miyata**

Outside Director

Attendance at  
Board of Directors Meetings  
100% (14/14 times)

- April 1969 Joined HOSOKAWA MICRON CORPORATION
- December 1998 Director
- December 2003 Vice President
- December 2008 Representative Director, President
- February 2009 Director, The Japan Society Of Industrial Machinery Manufacturers
- June 2012 Vice Chairman, Hosokawa Powder Technology Foundation
- October 2014 Chairman, HOSOKAWA MICRON CORPORATION
- December 2017 Full-time Adviser
- January 2019 Adviser (Part-time)
- June 2020 Outside Director, the Company (to present)



**Masanori Kagami**

Outside Director

Attendance at  
Board of Directors Meetings  
100% (10/10 times)

- January 1980 Joined Nippon Yusoki Co., Ltd. (currently Mitsubishi Logisnext Co., Ltd.)
- June 2010 Director, Executive Officer Representative Director and President, Nichiyu MHI Forklift Co., Ltd. Director, Kitakanto Nichiyu Co., Ltd. (to present)
- April 2013 Director, Senior Executive Officer, Mitsubishi Nichiyu Forklift Co., Ltd. (currently Mitsubishi Logisnext Co., Ltd.)
- June 2015 Director, Managing Executive Officer
- October 2017 Director, Executive Vice President, Mitsubishi Logisnext Co., Ltd.
- June 2020 Director and Chairman; Chairman of the Board of Directors
- June 2021 Senior Executive Advisor Vice Chairperson, Japan Industrial Vehicles Association Member, Kyoto Chamber of Commerce and Industry
- June 2022 Outside Director, the Company (to present)

\*The stated Attendance at Board of Directors Meetings is based on the Board of Directors meetings held in and after June 2022 after his assumption of office as Director.



## Director serving as a member of the Audit and Supervisory Committee



### Masanori Abe

Director  
Audit & Supervisory Committee

Attendance at  
Board of Directors Meetings  
100% (10/10 times)

April	1982	Joined the Company
April	2010	General Manager, General Affairs & Personnel Department
June	2016	Director, General Manager, General Administration Division; General Manager, General Affairs & Personnel Department, Nippon Daiya Valve Co., Ltd. (seconded)
March	2017	Retired from the Company
April	2017	Joined Nippon Daiya Valve Co., Ltd. Director, General Manager, General Administration Division; General Manager, General Affairs & Personnel Department
June	2020	Retired from Nippon Daiya Valve Co., Ltd.
June	2020	Auditor, the Company
June	2022	Director, Full-time Audit & Supervisory Committee(to present)

\*The stated Attendance at Board of Directors Meetings is based on the Board of Directors meetings held in and after June 2022 after his assumption of office as Director and a Member of the Audit and Supervisory Committee.



### Yuko Shirai

Outside Director  
Audit & Supervisory Committee

Attendance at  
Board of Directors Meetings  
100% (14/14 times)

April	1986	Registered as attorney (Tokyo Bar Association)
April	1991	Established Wing Law Office (formerly Shin-Yotsuya Law Office) (Partner)
April	2004	Director, Kanto Federation of Bar Associations
April	2005	Expert Committee Member and Conciliation Committee Member, Tokyo District Court
May	2009	Chair, Shinjuku Ward Board of Education
April	2010	Auditor, Japan Federation of Bar Associations
April	2011	Auditor, Japan Intellectual Property Arbitration Center
April	2012	Vice-President, Tokyo Bar Association
October	2013	Chair, Shinjuku Ward Board of Education
June	2015	Outside Director, the Company(to present)
April	2016	Audit Commissioner, Shinjuku Ward, Tokyo (Part-time)
April	2019	Chief Audit Commissioner (Part-time) (to present)
June	2021	Independent Director, ANEST IWATA Corporation
June	2022	Outside Director, Audit & Supervisory Committee (to present)



### Yoshihiko Nakamura

Outside Director  
Audit & Supervisory Committee

Attendance at  
Board of Directors Meetings  
100% (10/10 times)

October	2003	Partner, KPMG AZSA & Co. (currently KPMG AZSA LLC)
June	2019	Retired
July	2019	Established Certified Public Accountant Yoshihiko Nakamura Accounting Office(to present)
June	2020	Outside Director, MITSUBISHI MOTORS CORPORATION(to present)
June	2020	Outside Auditor, the Company
June	2022	Outside Director, Audit & Supervisory Committee (to present)

\*The stated Attendance at Board of Directors Meetings is based on the Board of Directors meetings held in and after June 2022 after his assumption of office as Director and a Member of the Audit and Supervisory Committee.

## Skills matrix

	Name	Independence	<div style="display: flex; align-items: center;"> <div style="width: 10px; height: 10px; background-color: #333; margin-right: 5px;"></div> Male  <div style="width: 10px; height: 10px; border-left: 1px solid #333; border-right: 1px solid #333; border-bottom: 1px solid #333; margin-right: 5px; margin-left: 5px;"></div> Female         </div>	Skills expected by the Company (knowledge, experience, abilities)				
				Corporate management/ business strategy	Finance / Accounting	Legal affairs/ Compliance	Industry knowledge/ Marketing	ESG* Sustainability
Directors (excluding Members of the Audit and Supervisory Committee)	Akihiko Sakurai		■	●	●	●	●	●
	Yasumasa Kawana		■	●		●	●	●
	Hirohisa Masuda		■	●	●	●		
	Tomoaki Hasegawa		■	●	●	●		
	Kiyomi Miyata	●	■	●			●	●
	Masanori Kagami	●	■	●			●	●
Director serving as a member of the Audit and Supervisory Committee	Masanori Abe		■		●			
	Yuko Shirai	●	◆			●	●	
	Yoshihiko Nakamura	●	■		●			●

\*The table above does not present all skills possessed by each candidate.

# Corporate Governance

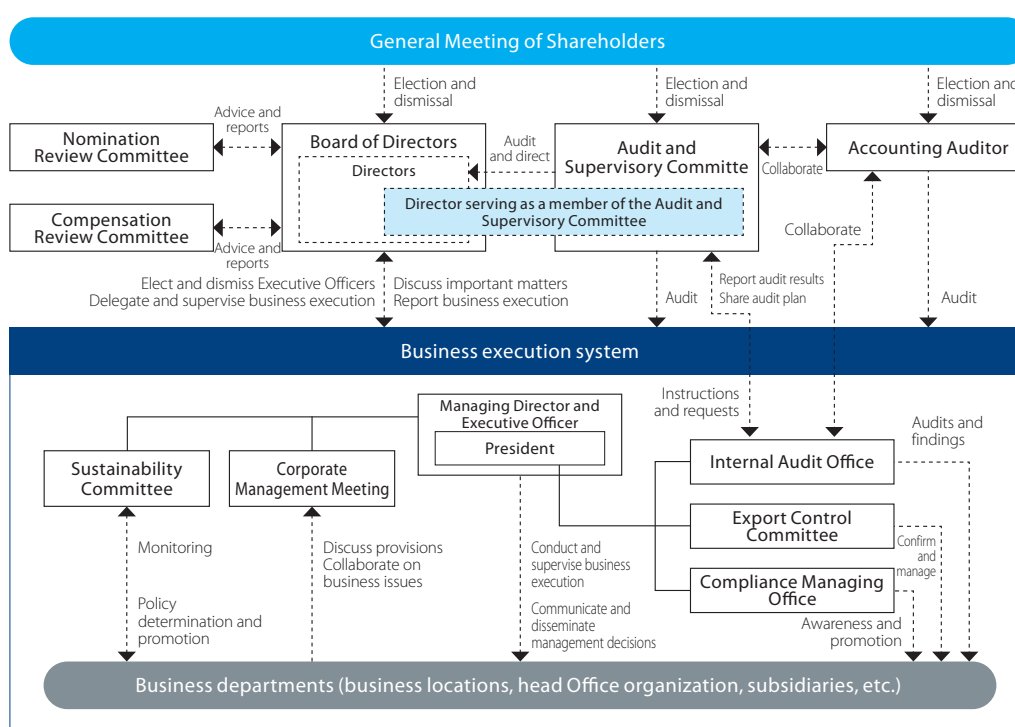
## Basic Stance on Corporate Governance

The Company's corporate philosophy is to Contribute to Society Through the Expansion of Business. Based on this philosophy, we are working to enhance our corporate value over the medium- to long-term while building good relationships with all stakeholders. We believe that soundness and transparency of management and prompt decision making and implementation are essential for realizing this, and we are working to enhance our corporate governance. The Company is strengthening its management supervision system through its independent Outside Directors and independent Outside Auditors.

## Internal Control

In order to appropriately conduct business while complying with laws and regulations and the Articles of Incorporation, we have established and operate an internal control system and we are working to continuously enhance and improve the system. The current internal control system was established in the Basic Policy of Internal Control System, which was revised on June 28, 2022.

## Overview of Corporate Governance System



## Board of Directors

- **Purpose, Authority:** Deliberate and decide on matters stipulated in the Regulations of the Board of Directors in addition to those stipulated in laws and regulations or the Articles of Incorporation.
- **Members:** [Chairperson] Akihiko Sakurai (President and CEO), Yasumasa Kawana, Hirohisa Masuda, Tomoaki Hasegawa, Masanori Abe, Kiyomi Miyata (Outside Director), Masanori Kagami (Outside Director), Yuko Shirai (Outside Director), Yoshihiko Nakamura (Outside Director)

## Audit and Supervisory Committee

- **Purpose, Authority:** Attend major meetings, including the Board of Directors meetings with voting rights, to express opinions based on the audit policy and audit plan, and audit the execution of duties by Directors through reports from accounting auditors, internal audit offices, investigations of subsidiaries and affiliates, investigations of the status of business and assets, etc.
- **Members:** [Chairperson] Masanori Abe, Yuko Shirai (Outside Director), Yoshihiko Nakamura (Outside Director)

## Corporate Management Meeting

- **Purpose, Authority:** Prior consultation on matters to be submitted to the Board of Directors and deliberation and decision on matters delegated by the Board of Directors.
- **Members:** [Chairperson] Akihiko Sakurai (CEO), Yasumasa Kawana, Hirohisa Masuda, Tomoaki Hasegawa, Noriyuki Takahashi, Tatsuhiko Nojiri, Akira Yumen, Yuji Honda, Katsumi Nakamura



## ■ Nomination Review Committee

- **Purpose, Authority:** Review the personnel proposal prepared by the President and Chief Executive Officer in response to consultation from the Board of Directors, and report the results to the Board of Directors.
- **Members:** [Chairperson] Kiyomi Miyata (Outside Director), Masanori Kagami (Outside Director), Yuko Shirai (Outside Director and Audit & Supervisory Committee)  
[Observer] Yoshihiko Nakamura (Outside Director and Audit & Supervisory Committee)

The Nomination Review Committee, which is voluntarily established as an advisory body to the Board of Directors, consists of four people, including three committee members who are Outside Directors and one observer. Five regular meetings were held during the fiscal year under review, all of which were attended by all the members and the observer. Based on consultation from the Board of Directors, the Committee deliberates on the selection criteria for candidates for positions of Representative Director and Director, reviews the selection process and evaluation details of candidates for positions of Representative Director and Director, and reviews the evaluation details of the selection of Executive Officers with titles and reports to the Board of Directors. In addition, meetings to exchange opinions with the President and Chief Executive Officer and the Audit and Supervisory Committee, individual interviews with Executive Officers who are not Directors, and individual interviews with persons eligible for the human resources development program for management are also being vigorously conducted, and the Committee is fulfilling its intended role in supporting the Succession Plan.

## ■ Compensation Review Committee

- **Purpose, Authority:** Prepare assessment proposal for executive bonuses of Representative Directors and deliberate assessment proposals for executive bonuses of other Directors and Executive Officers, and report the results to the Board of Directors.
- **Members:** [Chairperson] Masanori Kagami (Outside Director), Kiyomi Miyata (Outside Director), Yoshihiko Nakamura (Outside Director and Audit & Supervisory Committee), Akihiko Sakurai, Tomoaki Hasegawa  
[Observer] Yuko Shirai (Outside Director and Audit & Supervisory Committee)

The Compensation Review Committee, which is voluntarily established as an advisory body to the Board of Directors, consists of five committee members (three Outside Directors, two Internal Directors) and one observer who is an Outside Director. Eight regular meetings were held during the fiscal year under review, all of which were attended by all the members and the observer. In the course of these discussions, changes to the stock remuneration-type stock options system and a review of the assessment range of executive bonuses, etc. were considered and discussed, and the results were reported to the Board of Directors. In addition, under the composition of the Committee for the previous fiscal year prior to June 2022, and with the participation of members limited to those who are Outside Directors, regarding executive bonuses for Managing Directors, the Committee proposed a bonus assessment plan for the President and Chief Executive Officer. It then conducted a review of bonus assessment plans for those other than the President and made reports, fulfilling its expected role as Compensation Review Committee.

## ■ Reasons for Election of Outside Directors and Main Activities

Name	Reasons for election	Main activities
<b>Kiyomi Miyata</b> Outside Director	Mr. Kiyomi Miyata has monitored and supervised the Company's management from an independent perspective as an Outside Director since June 2020. He has also been active in both the Nomination Review Committee and the Compensation Review Committee, fulfilling his duties appropriately. Mr. Miyata previously held important posts such as Representative Director and President of HOSOKAWA MICRON CORPORATION. Based on his extensive experience, he has a higher viewpoint and broad view and can be expected to provide advice and supervision from a perspective different from internal directors. Thus, the Company has elected him as an Outside Director.	Mr. Kiyomi Miyata attended all of the meetings of the Board of Directors held during the fiscal year under review, expressing accurate views and providing useful opinions on matters ranging from overall management to sales-related issues, based on his extensive experience and insight as a business manager, and contributing to enhancing the Company's corporate value. He also serves as a member of the Compensation Review Committee, which provides opinions and recommendations on the assessment of bonuses for Directors and on the review of the executive remuneration system, and as the Chairperson of the Nomination Review Committee, which examines the selection process and evaluation of candidates for Representative Directors and Directors and reports the results to the Board of Directors. During the fiscal year under review, the Nomination Review Committee met five times and the Compensation Review Committee met eight times, and Mr. Kiyomi Miyata attended all of these meetings.
<b>Masanori Kagami</b> Outside Director	Mr. Masanori Kagami assumed the position of Outside Director in June 2022 and has monitored and supervised the Company's management from an independent perspective. He has also been active in both the Nomination Review Committee and the Compensation Review Committee. He has held a number of important positions such as Director and Chairman of Mitsubishi Logisnext Co., Ltd. Based on his experience, he has a practical sense and a higher viewpoint and can be expected to make proposals from a perspective different from internal directors. Thus, the Company believes that he is capable of contributing to the enhancement of management structure of the Company, and has elected him as an Outside Director.	Mr. Masanori Kagami attended all of the meetings of the Board of Directors held after his assumption of office of Outside Director, expressing accurate views and providing useful opinions on matters ranging from overall management to sales-related issues, based on his extensive experience and insight as a business manager, and contributing to enhancing the Company's corporate value. He also serves as the Chairperson of the Compensation Review Committee, which provides opinions and recommendations on the assessment of bonuses for Directors and on the review of the executive remuneration system, and as a member of the Nomination Review Committee, which examines the selection process and evaluation of candidates for Representative Directors and Directors and reports the results to the Board of Directors. During the fiscal year under review, the Nomination Review Committee met five times and the Compensation Review Committee met eight times, and Mr. Masanori Kagami attended all of these meetings.
<b>Yuko Shirai</b> Outside Director Audit & Supervisory Committee	Ms. Yuko Shirai has monitored and supervised the Company's management from an independent perspective as an Outside Director since June 2015. She has also been active as Chairperson of the Nomination Review Committee, fulfilling her duties appropriately. She has specialized knowledge and insight as an attorney, mainly relating to corporate legal affairs, as well as an objective perspective overlooking society in general. The Company judges that she will contribute to ensuring transparency and fairness from a perspective different from internal directors, and thus elected her as an Outside Director serving as a Member of the Audit and Supervisory Committee.	Ms. Yuko Shirai attended all of the meetings of the Board of Directors and meetings of the Audit and Supervisory Committee held during the fiscal year under review, and provided advice not only from her professional perspective as an attorney but also from an objective perspective overlooking society in general, to ensure the transparency and fairness of the decisions made by the Board of Directors. She also serves as a member of the Nomination Review Committee, which examines the selection process and evaluation of candidates for Representative Directors and Directors and reports the results to the Board of Directors. During the fiscal year under review, the Nomination Review Committee met five times, and Ms. Yuko Shirai attended all of these meetings.
<b>Yoshihiko Nakamura</b> Outside Director Audit & Supervisory Committee	Mr. Yoshihiko Nakamura has served as an Outside Auditor of the Company since June 2020. He has provided fair and impartial judgments from an objective perspective on the legality of the Directors' execution of their duties and the appropriateness of accounting audits, and contributed to ensuring the soundness of the Company's management. As a certified public accountant, he has been involved in a number of corporate accounting audits and M&A projects, and has a high level of expertise in corporate accounting and auditing. The Company expects him to provide advice and supervision from a perspective different from internal directors, and thus elected him as an Outside Director serving as a Member of the Audit and Supervisory Committee.	Mr. Yoshihiko Nakamura attended all of the meetings of the Board of Directors and meetings of the Audit and Supervisory Committee held during the fiscal year under review, and made comments from his professional perspective as a certified public accountant, to ensure the legality and validity of the decisions made by the Board of Directors as a Member of the Audit and Supervisory Committee. In addition, he gave advice on the development of internal control of overseas subsidiaries of the Company based on his experience in auditing global companies at a leading auditing firm. He also serves as a member of the Compensation Review Committee, which provides opinions and recommendations on the assessment of bonuses for Directors and on the review of the executive remuneration system. During the fiscal year under review, the Compensation Review Committee met eight times, and Mr. Yoshihiko Nakamura attended all of these meetings.

## ■ Evaluation of the Effectiveness of the Board of Directors

In order to confirm whether the Board of Directors is effectively fulfilling its roles and responsibilities, and to identify issues and improvement measures to build a better Board of Directors, the Company has established a system for evaluating the effectiveness of the Board of Directors since FY2017, and has been conducting a self-evaluation questionnaire for Directors. In FY2020, analysis and evaluation were also conducted by external organizations.

The implementation guidelines for the evaluation of the effectiveness of the Board of Directors and results of its analysis and evaluation for FY2022 (April 2022 to March 2023) are as follows.

### 1. Method of evaluation

(i) All of the Company's Directors (including Directors serving as Members of the Audit and Supervisory Committee) answered a self-assessment questionnaire as well as open-ended questionnaires regarding issues to be addressed, etc.

(ii) The secretariat of the Board of Directors compiled the results of the questionnaire, analyzed the results, and conducted a comprehensive evaluation, and its summary was reported to the Board of Directors.

(iii) The contents of the summary was acknowledged and reviewed by the Company's Board of Directors and respective Directors, and they shared their awareness of issues to be addressed in the future, etc. (Self-Evaluation Questionnaire)

- ① Composition and operation of the Board of Directors (10 questions)
- ② Management strategy and business strategy (7 questions)
- ③ Corporate ethics and risk management (6 questions)
- ④ Monitoring of business execution and nomination and compensation of management (5 questions)
- ⑤ Dialogue with shareholders (2 questions)
- ⑥ General question (1 question)

### 2. Analysis and evaluation results

The effectiveness of the Board of Directors is judged to be ensured, in light of the fact that all members of the Board of Directors have affirmatively self-assessed and responded to the general question "Overall, the Board of Directors is functioning effectively." With regard to individual questions, there was a considerable amount of self-evaluation and answers that said "improvements should be made" in reviewing the business portfolio, monitoring the progress of the management plan, understanding risks and establishing countermeasures, etc., and specific issues were also mentioned. Therefore, the Board of Directors identified the areas for improvement.

### 3. Initiatives going forward

With regard to issues and matters to be improved identified by this evaluation of the effectiveness of the Board of Directors, the Board of Directors will adopt them individually as proposals at future meetings of the Board of Directors, and fully discuss improvement measures, etc., and follow up on their responses and implementation.

## ■ Executive Remuneration System (Details of Remuneration)

### Policy on determining the amount of executive remuneration, etc. and its calculation method

#### Director (excluding Directors serving as Members of the Audit and Supervisory Committee)

Remuneration, etc. for Directors (excluding Directors Serving as Members of the Audit and Supervisory Committee) of the Company consists of basic remuneration (fixed remuneration) based on internal regulations, as well as (excluding Outside Directors) bonuses linked to short-term performance, and (excluding Outside Directors) stock remuneration-type stock options linked to medium- to long-term performance.

In order to conduct the management conscious of expanding Group revenue, bonuses are calculated by multiplying consolidated operating profit and consolidated profit before income taxes, without consideration for the amount of size-based corporate taxes, by a calculation rate based on the achievement of the numerical targets for consolidated operating profit under the Medium-Term Management Plan and a factor depending on rank for payment.

Remuneration for Directors (excluding Directors Serving as Members of the Audit and Supervisory Committee) of the Company was limited to a maximum of 300 million yen per annum (including up to 30 million yen for Outside Directors) by resolution of the General Meeting of Shareholders held on June 28, 2022. At the time, six (6) Directors (excluding Directors Serving as Members of the Audit and Supervisory Committee; including two (2) Outside Directors) were subject to this resolution, but the limit of 300 million yen per annum was calculated on the premise of a maximum of eleven (11) Directors, which is the maximum number allowed under the Company's Articles of Incorporation. Remuneration in the form of stock remuneration-type stock options was limited to a

maximum of 60 million yen per annum by resolution of the General Meeting of Shareholders held on June 28, 2022. At this time, four (4) Directors (excluding Directors Serving as Members of the Audit and Supervisory Committee and Outside Directors) are subject to this resolution, but the limit of 60 million yen per annum is calculated on the premise of a maximum of eleven (11) Directors, which is the maximum number allowed under the Company's Articles of Incorporation, reduced by the number of Outside Directors.

Under the decision policy described above, remuneration, etc. for Directors (excluding Directors Serving as Members of the Audit and Supervisory Committee) of the Company is paid based on regulations resolved by the Board of Directors after extensive discussions, and within the limit approved by resolution of the General Meeting of Shareholders. Remuneration, etc. for Directors (excluding Directors Serving as Members of the Audit and Supervisory Committee) for the fiscal year under review is therefore deemed to be in accordance with the decision policy described above.

In order to reinforce fairness, objectivity, transparency and accountability, the Company has established the Compensation Review Committee as a voluntary body under the Board of Directors. A majority of the members of the Compensation Review Committee are Independent Officers (Outside Directors). Remuneration, etc. for individual Directors is decided by the Board of Directors after deliberation and recommendations by the Compensation Review Committee.

#### Director serving as a member of the Audit and Supervisory Committee

Remuneration for Directors Serving as Members of the Audit and Supervisory Committee of the Company was limited to a maximum of 51 million yen per annum by resolution of the General Meeting of Shareholders held on June 28, 2022. At the time, three (3) Directors Serving as Members of the Audit and Supervisory Committee were subject to this resolution, and the limit of 51 million yen per annum

was calculated on the premise of a maximum of four (4) Directors Serving as Members of the Audit and Supervisory Committee, which is the maximum number allowed under the Company's Articles of Incorporation.

Individual amounts are determined upon consultation with the Directors serving as Members of the Audit and Supervisory Committee.

## Total amount of remuneration, etc. for each category of officers, total amount by type of remuneration, etc., and number of eligible recipients

Category of officers	Total remuneration (Million Yen)	Total remuneration by type (Million Yen)			Number of eligible recipients
		Fixed remuneration	Performance-linked remuneration	Non-monetary remuneration	
Director (excluding Members of the Audit and Supervisory Committee and Outside Directors)	277	127	119	30	6
Audit & Supervisory Committee(excluding Outside Directors)	14	14	–	–	1
Auditors (excluding Outside Auditors)	10	10	–	–	2
Outside Directors and Outside Auditors	34	34	–	–	6

Notes: 1 The Company transitioned from a company with a board of auditors to a company with an audit and supervisory committee as of June 28, 2022.

2 Performance-linked remuneration consists of a bonus of 119 million yen for Directors (excluding Members of the Audit and Supervisory Committee and Outside Directors).

3 Non-monetary remuneration consists of stock remuneration-type stock options of 30 million yen for Directors (excluding Members of the Audit and Supervisory Committee and Outside Directors).

## Cross-shareholdings

### Policy on cross-shareholdings

The Company holds shares of companies that it deems necessary to maintain and strengthen business relationships in light of the nature of transactions with business partners and the size and duration of transactions. The Company's basic policy is to dispose of and reduce cross-shareholdings, as soon as possible, when they are deemed to have little significance in holding them. Each year, the Board of Directors closely examines whether the purpose of holding individual cross-shareholdings is appropriate and whether the benefits and risks associated with holding them are commensurate with the cost of capital, and discloses the results of the verification in the Annual Securities Report.

### Policy on exercising voting rights in cross-shareholdings

With respect to the exercise of voting rights in shares held by the Company, the Company will review each proposal to determine whether it contributes to the enhancement of the Company's corporate value over the medium- to long-term, while respecting the management policy of the relevant company, and make a comprehensive judgment.

### Number of issues and amounts reported in the balance sheet

	Number of issues	Total amount reported in the balance sheet (Million Yen)
Unlisted stock	26	471
Shares other than unlisted shares	32	7,128

### Issues whose number of shares increased in the fiscal year under review

	Number of issues	Total acquisition cost for the increase in the number of shares (Million Yen)	Reason for the increase in the number of shares
Unlisted stock	3	68	Necessity for operating activities
Shares other than unlisted shares	–	–	–

### Issues whose number of shares decreased in the fiscal year under review

	Number of issues	Total sale price for the decrease in the number of shares (Million Yen)
Unlisted stock	2	5
Shares other than unlisted shares	7	1,373

Note: Issues of shares other than unlisted shares includes decreases due to the additional acquisition of shares in TVE Co., Ltd. and transferring them to shares of subsidiaries and associates.

# Compliance

## ■ Basic Policy

We comply with laws, regulations, and company rules and conduct corporate activities in conformity with our management philosophy and corporate ethics, according to the spirit set forth in our company precepts, Group Policy, and code of conduct, which are based on our corporate philosophy, "Contribute to Society Through the Expansion of Business." With this as our basic policy, we are working to ensure compliance by implementing various measures and building systems to ensure the appropriateness of our operations.

## ■ Promotion System

We established a Compliance Manual as a basic guideline for practicing compliance, and we are working to improve awareness and understanding among all employees. In addition, We created a Compliance Managing Office under the direct control of the President, which conducts compliance awareness activities, and the compliance status is verified by the Internal Audit Office.

### Compliance items in the Compliance Manual

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#### 1. Compliance with employment regulations, etc.

01. Observe company rules and regulations
02. Prohibit concurrent employment
03. Prohibit sexual harassment
04. Prohibit power harassment
05. Prohibit leaks of company information (including personal information)
06. Prohibit unjustifiable personal gain
07. Prohibit acts that go against the interests of the company

#### 2. Compliance with Laws

01. Compliance with antitrust and related laws
02. Prohibition of unfair interest infringement against subcontractors
03. Prohibition of unfair trading of shares (Insider trading)
04. Security Trade Control
05. Respect for Intellectual Property Rights
06. Strict control of company information (including personal information)
07. Compliance with laws and regulations
08. Prohibition of the provision of benefits to anti-social forces
09. Prohibition of bribery
10. Prohibition of excessive business entertainment

## ■ Initiatives

### Harassment prevention

We have established a Policy for Preventing Harassment with the understanding that it is our responsibility to ensure a healthy working environment where people can build positive relationships based on mutual trust. In working to create a workplace free of harassment, we have established a system with a whistleblower contact for responding appropriately to specific cases.

### Policy for Preventing Harassment

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1. The Group respects human rights and individuality, and creates an organization that embraces diverse values of individuals.
2. The Group does not tolerate discriminatory language, harassing behavior, acts of violence, or other behavior that undermines individual dignity.
3. The Group prohibits the following harassing behavior:
  - Power harassment of any kind
  - Sexual harassment of any kind
  - Harassment related to pregnancy, childbirth, childcare, or caregiving
  - Harassment that deteriorates the workplace atmosphere or interferes with workplace order
4. This policy is subject to Directors, employees, etc. (Executive Officers, special workers, employees, contract employees, dispatched employees, and part-time employees), people working at Group companies as well as executives and employees of customers and suppliers.
5. The Company has established a whistleblower contact for responding to specific cases. Whistleblowers and those who cooperate with confirming facts will not be treated unfairly.
6. We will take strict action against harassers including disciplinary action, based on our employment regulations. In addition, we will take necessary measures to improve the victims' working conditions and workplace environment.

### Education and awareness

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To improve compliance awareness and ensure that all employees are aware of the related regulations included in the Compliance Manual, we strive to raise awareness through various training programs, seminars, awareness surveys, and various initiatives during compliance enhancement month.

### Internal Reporting System

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The Company has established Internal Reporting System Regulations to ensure early detection of noncompliance behavior and rules regarding confidentiality of informants and prohibition of their disadvantageous treatment. Furthermore, we have established a whistleblower contact at the Audit and Supervisory Committee, which is independent of management, and at an outside law firm in addition to the General Affairs & Human Resources Department and the Internal Audit Office under the direct control of the President, and we have a system to ensure independence in terms of its operation.

# Risk management

## Basic Approach to Risk Management

The Company has established the Regulations of the Board of Directors, the Corporate Management Meeting Regulations, the Regulations on Various Sales Requests, etc. to clarify the authority associated with the execution of duties of Directors, Executive Officers and employees, and to manage the risk related to the execution of these duties.

As for the risk management process, the Company has constructed systems to enable risk to be managed in accordance with the duties and responsibilities of each division, based on the Organization Table. Business risks are managed by the Business Operation Division, human resources and disaster risks are managed by the General Affairs & Human Resources Department, accounting and financial risks are managed by the Accounting Department, and system risks are managed by the System Planning Department. In addition, the following departments and committees deal with individual risks to identify, respond to, and monitor risks. Risk management in each of these departments is assessed for adequacy based on the advice of the Legal & Control Department.

## Management System

Individual Response Department	Roles and Overview
<b>Sustainability Committee</b>	Development, monitoring and risk assessment of sustainability strategies
<b>Export Control Committee</b>	Strengthen control systems for the appropriate implementation of security exports
<b>Compliance Managing Office</b>	Thorough compliance with laws and regulations
<b>Legal &amp; Control Dept.</b>	Legal and credit management in business transactions and factual survey of business transactions
<b>Business Operation Division (Business promotion Dept.)</b>	Management of regulations in business transactions and deliberation on various sales requests
<b>System Planning Dept.</b>	Management of regulations regarding information systems and enhancement of information security
<b>General Affairs &amp; Human Resource Dept.</b>	Enlightenment and guidance on safety activities in preparation for disaster, and activities to eliminate, prevent, and avoid risks in advance Lead the Disaster Response Headquarters in the event of a disaster
<b>Internal Audit Office</b>	Audits of internal control and business processes in each department

In addition, risks identified with high importance are submitted and reported to the Board of Directors and the Corporate Management Meeting. Company-wide risks and individual risks that may potentially affect the entire Company are handled by the Corporate Management Meeting, which conducts comprehensive management through risk countermeasures, subsequent evaluation, etc. and holds prior discussions on matters to be submitted to the Board of Directors.

Regarding the company-wide or individual risk management system as mentioned above, the Internal Audit Office under the direct control of the President provides advice and recommendations to improve risk management systems through periodic auditing and monitoring.

# Information security

The Group recognizes the importance of information security as a trading company that promotes its business based on its relationships with many stakeholders, and has established the Basic Policy on Information Security with the aim of protecting the Company's information assets, and constructs systems to handle these assets correctly and safely.

As we aim to further develop our business areas and expand our various initiatives with our business partners going forward, we believe that ensuring information security and mitigating risks are our biggest challenges. Therefore, the System Planning Department, under the supervision of its General Manager, is taking the lead in strengthening information security, understanding and responding to the latest trends in cyber-attacks, etc., and continuing to enhance information security education for employees. In addition to strengthening these software aspects, we will further review and improve management regulations to enhance the effectiveness of information security.

# Summary of Financial Data Over 11 Years

	FY2012	FY2013	FY2014	FY2015
<b>Operating results (Million Yen)</b>				
Total sales* <sup>1</sup>	136,670	126,487	132,033	127,101
Gross profit	12,315	11,527	13,209	12,614
Operating profit	2,824	2,193	3,400	2,174
EBITDA	3,153	2,545	3,786	2,646
Ordinary income	3,110	2,496	3,939	2,426
Net profit* <sup>4</sup>	1,743	1,399	2,188	1,750
<b>Financial conditions (Million Yen)</b>				
Total assets	65,081	72,474	77,414	89,427
Total liabilities	42,008	47,869	49,825	62,941
Total net assets	23,072	24,605	27,589	26,486
<b>Cash flows (Million Yen)</b>				
Net cash provided by operating activities	2,547	1,088	2,115	935
Cash flows from investing activities	287	(855)	626	(1,823)
Cash flows from financing activities	(1,154)	(524)	(516)	(1,393)
Closing balance of cash and cash equivalents	13,302	13,320	15,650	13,159
Free cash flow* <sup>6</sup>	2,834	233	2,741	(888)
Capital investments (acquisition cost of tangible and intangible assets within investment cash flow)	(333)	(663)	(441)	(876)
Depreciation	292	283	351	415
<b>Per share data(yen)*<sup>3</sup></b>				
Profit per share	23.56	19.58	31.66	25.66
Annual dividend per share	6	7	11	9
Net assets per share	316.64	353.13	394.42	388.87
<b>Financial indicators</b>				
Operating profit ratio(%)* <sup>1</sup>	2.07	1.73	2.58	1.71
EBITDA margin (%)* <sup>1</sup>	2.31	2.01	2.87	2.08
Net profit ratio (%)* <sup>1</sup>	1.28	1.11	1.66	1.38
Return On Assets(%)	2.6	2.0	2.9	2.1
Return On Equity(%)	7.8	5.9	8.5	6.6
Total asset turnover ratio (times)	2.06	1.84	1.76	1.52
Financial leverage(times)	2.85	2.97	2.84	3.43
Debt to equity ratio (times)	0.33	0.34	0.31	0.34
Shareholder's equity ratio (%)	35.13	33.68	35.22	29.18
Interest coverage ratio (times)	27.94	21.92	30.15	19.83
Dividend ratio(%)	24.8	34.6	34.8	34.5
<b>Other information</b>				
Number of employees at the end of the period (people)	690	658	655	762
Number of consolidated subsidiaries (companies)	10	10	11	14
Number of equity-method affiliates (companies)	3	3	3	4
Number of outstanding shares at the end of the period (excluding number of treasury shares at the end of the period) (shares)* <sup>3</sup>	72,208,969	69,128,376	69,122,380	67,112,276
<b>Non-financial indicators</b>				
Scopes 1 and 2 CO <sub>2</sub> emissions per transaction value (Kg per million yen)* <sup>5</sup>				
Scopes 1 and 2 CO <sub>2</sub> emissions per sales (Kg per million yen)* <sup>2*5</sup>				
Composition of transaction value for green innovation (consolidated) (%)				
Female manager ratio (%)				
Paid leave utilization rate (%)				

\*1 The "Accounting Standard for Revenue Recognition" and other standards have been applied from FY2021. Therefore, the figures are different from those of FY2020.

\*2 CO<sub>2</sub> emissions per sales for FY2020 are calculated based on net sales of 71,933 million yen, retrospectively applying the "Accounting Standard for Revenue Recognition."

\*3 Effective October 1, 2017, the Company implemented a reverse stock split to change the number of shares in each share unit from 1,000 to 100. Therefore, the figures for FY2017 onward are those affected by the reverse stock split.



FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
150,742	165,585	157,145	140,677	136,273	85,307	<b>93,311</b>
14,655	14,588	14,035	14,906	14,672	18,026	<b>19,941</b>
3,046	2,598	2,118	2,809	2,581	3,824	<b>4,636</b>
3,666	3,287	2,763	3,574	3,185	4,407	<b>5,225</b>
3,390	2,877	2,418	3,122	2,906	3,879	<b>6,286</b>
2,140	1,655	1,587	(1,262)	2,721	2,246	<b>5,001</b>
118,254	98,470	85,742	92,668	97,458	104,865	<b>79,990</b>
89,613	69,481	56,675	66,757	67,568	73,764	<b>44,254</b>
28,641	28,988	29,066	25,911	29,889	31,101	<b>35,736</b>
3,566	1,339	(734)	3,400	4,137	4,971	<b>(731)</b>
(1,262)	126	(1,127)	(299)	(1,566)	1,125	<b>(1,068)</b>
(1,465)	(1,706)	(559)	(1,211)	(1,903)	(3,304)	<b>(4,816)</b>
14,157	14,096	11,506	13,346	14,035	17,000	<b>10,653</b>
2,304	1,465	(1,861)	3,101	2,571	6,096	<b>(1,799)</b>
(1,726)	(585)	(427)	(448)	(614)	(525)	<b>(2,441)</b>
420	444	422	544	365	437	<b>491</b>
32.26	128.38	125.50	(100.73)	221.87	186.85	<b>415.79</b>
11	35	45	45	45	65	<b>90</b>
433.21	2,245.33	2,246.34	2,058.12	2,365.06	2,516.57	<b>2,907.20</b>
2.02	1.56	1.34	1.99	1.89	4.48	<b>4.96</b>
2.43	1.98	1.75	2.54	2.33	5.16	<b>5.59</b>
1.42	0.99	1.00	(0.89)	1.99	2.63	<b>5.35</b>
2.1	1.5	1.7	(1.4)	2.9	2.2	<b>5.4</b>
7.9	5.9	5.6	(4.7)	10.0	7.6	<b>15.4</b>
1.45	1.52	1.70	1.57	1.43	0.84	<b>1.00</b>
4.18	3.45	3.00	3.64	3.32	3.45	<b>2.27</b>
0.31	0.31	0.32	0.35	0.26	0.18	<b>0.06</b>
23.90	28.94	33.32	27.45	30.03	28.97	<b>44.02</b>
29.06	24.00	17.88	25.36	19.21	50.02	<b>143.91</b>
33.5	42.8	35.9	–	20.3	34.8	<b>21.6</b>
836	896	958	971	969	977	<b>1,012</b>
16	16	15	15	16	16	<b>16</b>
4	4	4	4	4	4	<b>5</b>
65,103,561	12,637,120	12,657,613	12,262,745	12,265,772	11,962,850	<b>12,037,118</b>
				2.18	2.39	<b>1.51</b>
				4.13	3.76	<b>2.85</b>
						<b>54.85</b>
		3.73	4.33	4.25	3.91	<b>5.92</b>
		46.90	49.40	56.40	59.00	<b>67.00</b>

\*4 From FY2015 onward, profit attributable to owners of parent.

\*5 The scope of GHG emissions from FY2020 to FY2022 only includes Seika Corporation.

\*6 Free cash flow is the sum of cash flows from operating activities and cash flows from investing activities.

\*7 Figures are rounded down to the nearest one million yen.

# Company Outline

## Overview of the Group

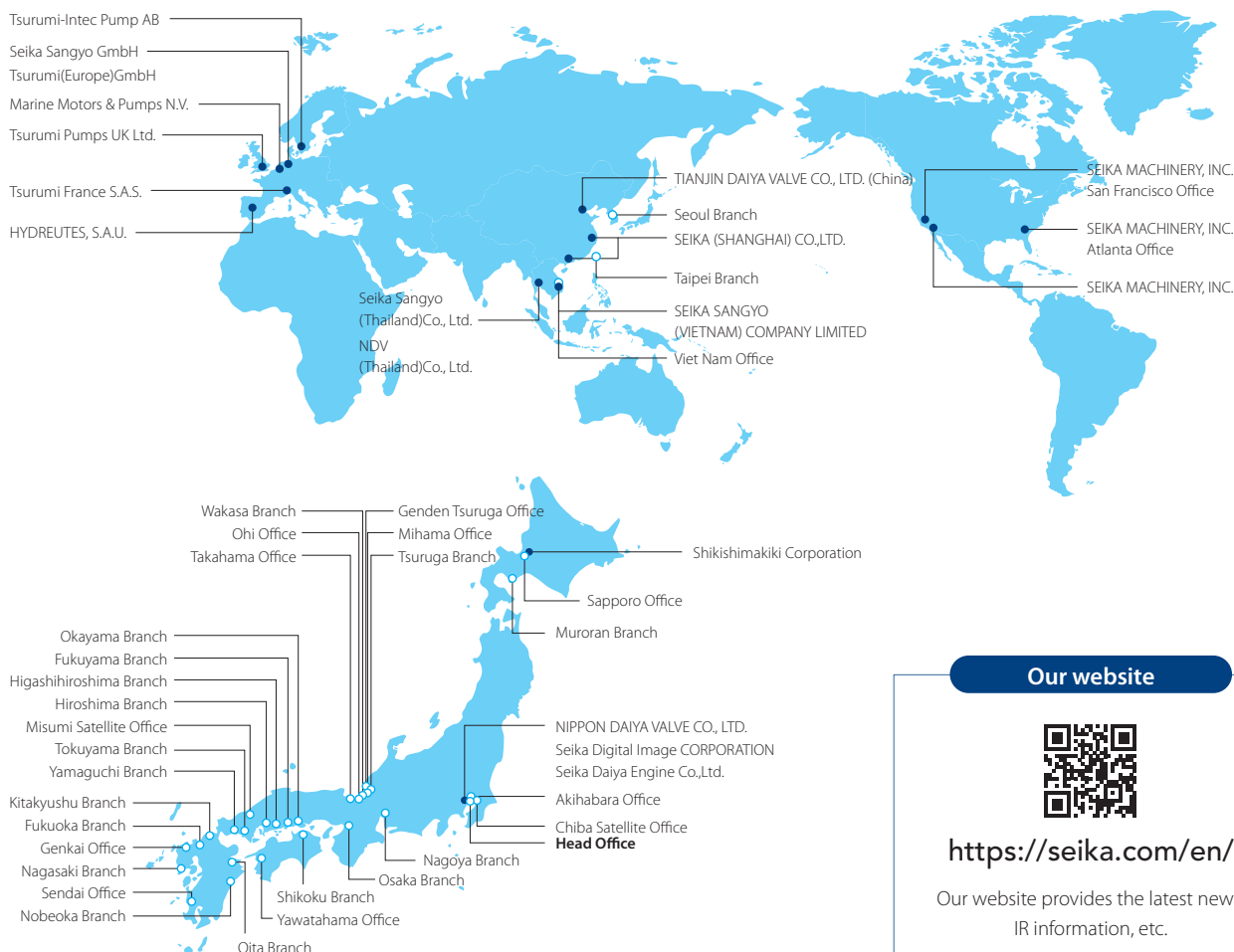
(As of September 30, 2023)

<b>Date of establishment</b>	Oct 1, 1947
<b>Capital</b>	6,728 million yen
<b>Office</b>	<p>① Principal offices of the Company            Head Office: Chiyoda-ku, Tokyo            Branch office: Osaka City            Other branches: Nagoya City, Hiroshima City, Fukuoka City and other major cities in Japan and overseas</p> <p>② Principal offices of subsidiaries            NIPPON DAIYA VALVE CO., LTD. (Shinagawa-ku, Tokyo)            Seika Digital Image CORPORATION (Bunkyo-ku, Tokyo)            Shikishimakiki Corporation (Sapporo-shi, Hokkaido)            Seika Daiya Engine Co., Ltd. (Shinjuku-ku, Tokyo)            Seika Sangyo GmbH (Germany)            Tsurumi (Europe) GmbH (Germany)            Tsurumi France S.A.S. (France)            HYDREUTES, S.A.U. (Spain)            Marine Motors &amp; Pumps N.V. (Belgium)            Tsurumi UK Limited (United Kingdom)            Tsurumi Pumps UK Ltd. (United Kingdom)            SEIKA MACHINERY, INC. (U.S.A.)            SEIKA (SHANGHAI) CO., LTD. (China)            TIANJIN DAIYA VALVE CO., LTD. (China)            Seika Sangyo (Thailand) Co., Ltd. (Thailand)            SEIKA SANGYO (VIETNAM) COMPANY LIMITED (Viet Nam)</p>
<b>Number of employees</b>	1,012 (consolidated) 316 (non-consolidated)

## Executive Officer

(As of June 27, 2023)

President and CEO	Akihiko Sakurai
Senior Managing Executive Office	Yasumasa Kawana
Managing Executive Officer	Hirohisa Masuda
Senior Executive Officer	Tomoaki Hasegawa
Outside Director	Kiyomi Miyata
Outside Director	Masanori Kagami
Audit & Supervisory Committee	Masanori Abe
Outside Director	Yuko Shirai
Audit & Supervisory Committee	Yoshihiko Nakamura
Outside Director	Noriyuki Takahashi
Audit & Supervisory Committee	Tatsuhiko Nojiri
Senior Executive Officer	Kazutoshi Usui
Senior Executive Officer	Akira Yumen
Executive Officer	Yuji Honda
Executive Officer	Susumu Koide
Executive Officer	Katsumi Nakamura



**Our website**

<https://seika.com/en/>

Our website provides the latest news, IR information, etc.

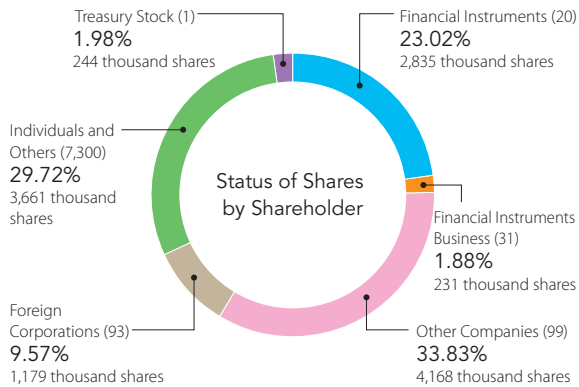
# Stock Information

## Overview of shares

(As of September 30, 2023)

### Number of shareholders and shares

Total number of shares authorized to be issued	37,705,800 shares
Number of shares outstanding	12,320,650 shares
Number of shareholders	7,544



Note: Figures less than one thousand shares are rounded down.

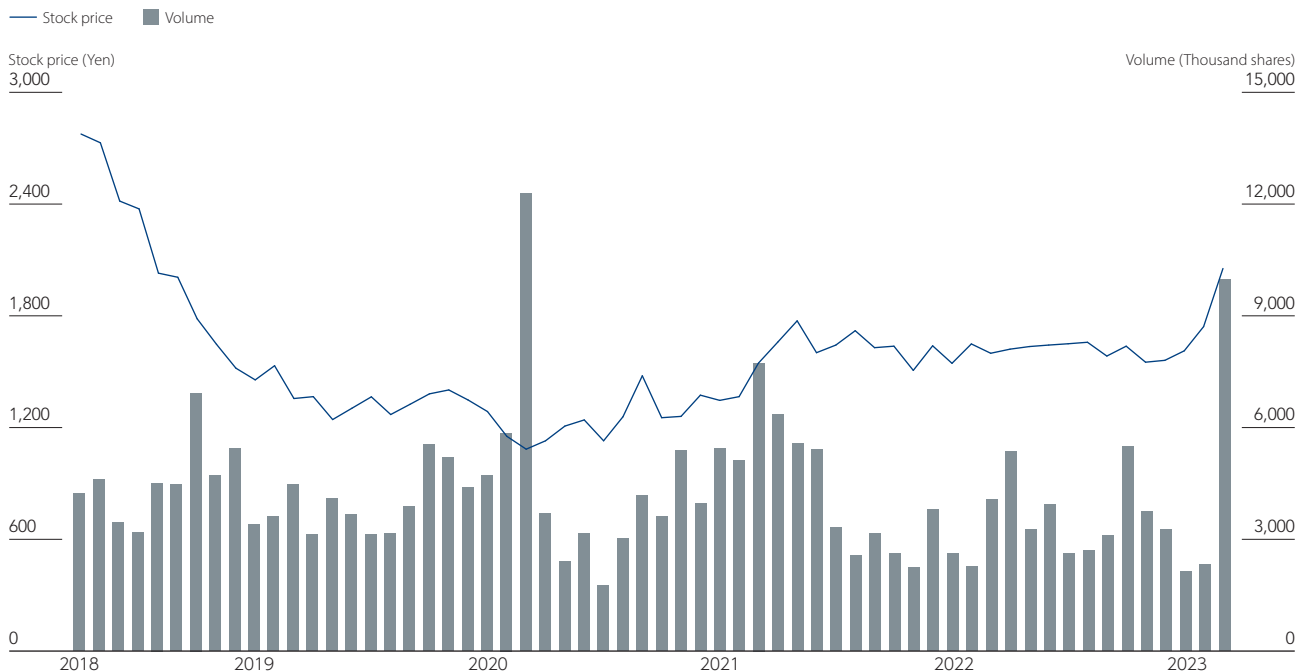
### Major Shareholders

Name of shareholders	Number of holding shares (Thousand shares)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,006	8.33
Hikari Tsushin K.K.	891	7.38
Mitsubishi Heavy Industries, Ltd.	612	5.07
UH Partners 2, Inc.	593	4.91
MUFG Bank, Ltd.	400	3.31
Yamaguchi Bank, Ltd.	352	2.92
Mitsubishi Electric Corporation	286	2.37
Custody Bank of Japan, Ltd. (Trust Account)	280	2.33
Tsurumi Manufacturing Co., Ltd	267	2.21
Sumitomo Mitsui Banking Corporation	234	1.94

Note: Figures less than one thousand shares are rounded down.

The Company holds 244,265 treasury shares, which are excluded from the above list of major shareholders. In addition, ratio of holding shares is calculated excluding treasury shares.

## Changes in stock price



## Changes in dividends per share (annual)

(Yen)

FY2018	FY2019	FY2020	FY2021	FY2022
45	45	45	65	90

