

ShinMaywa



A Value Co-creation Company that Continues to Respond to the Needs of Global Society

The ShinMaywa Group has been expanding the scope of its business and accelerating globalization in recent years. We are committed to fostering a corporate culture in which employees can look to the future and fully demonstrate their individual and collaborative creativity in giving shape to their vision.

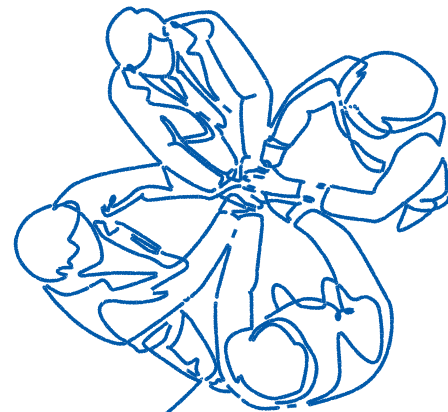


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Editorial Policy

The purpose of this publication is to present to our stakeholders the value that the ShinMaywa Group provides to society through its business and its environmental, social, and governance (ESG) activities. Through this report, we aim to provide you with an understanding of current and future activities, achievements, and challenges of the Group.

Disclaimer

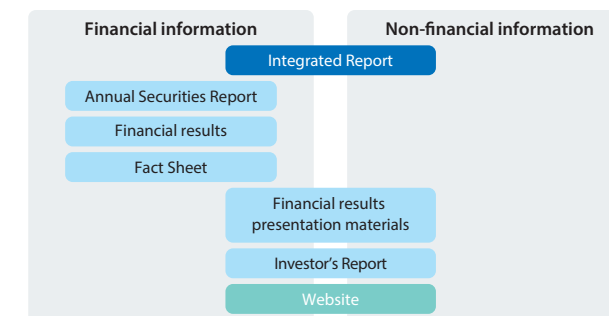
The forecasts of business performance, future prospects, strategies, targets, and other information in this report are presented based on information available to the Company at the present time and that are deemed reasonable, except for facts about the past or present. Please note that actual results may differ due to future changes in economic conditions and other factors.

Period and Scope

Period: FY2021 (April 2021 to March 2022)
*Some information concerning April 2022 and beyond is also included.

Scope: ShinMaywa Industries, Ltd. and its subsidiaries and affiliates

Disclosure map



Top page
<https://www.shinmaywa.co.jp/english/index.html>



Investor relations
(IR) information
<https://www.shinmaywa.co.jp/english/ir/index.html>



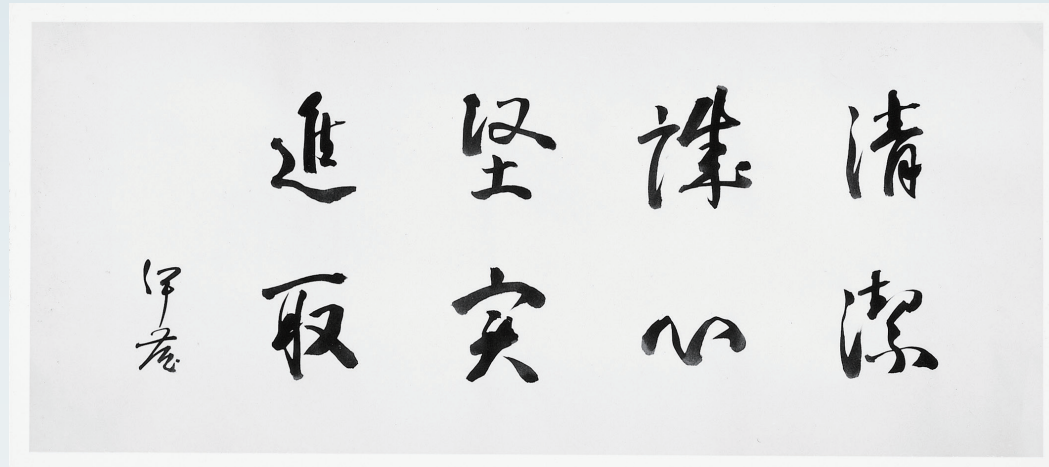
Corporate social responsibility
(CSR) information
<https://www.shinmaywa.co.jp/english/csr/index.html>

The ShinMaywa Group Philosophy

We are committed to the following philosophy and guidelines.

With the exception of our corporate principles, all of these policies were established in 2020 and 2021 on the occasion of the 100th anniversary of the Company's founding.

Corporate principles



The sense of value that ShinMaywa Group has cherished for many years along with our basic principles, which will never change.
Established in 1964

Action guidelines

1. We prioritize right and wrong over profit and loss with high ethical standards.
2. We strive to create new value with flexible ideas.
3. We judge and act quickly with a view to the world.
4. We understand the essence of what is required, and respond beyond expectations.
5. We work together to solve problems.
6. We accumulate knowledge and improve our techniques, which we will pass down to the next generation.
7. We have high aspirations and strive to improve ourselves with the future in mind.

Code of conduct

1. Conduct fair and proper business through complete compliance.
2. Have no relationships with antisocial forces or related organizations.
3. Strictly manage and appropriately use confidential company and personal information.
4. Provide safe, good quality products and services under corporate responsibility.
5. Increase transparency through appropriate information disclosure and acquire stakeholders' trust.
6. Respect an individual's sense of value and diversity and emphasize the human rights of all people.
7. Prepare work environments in consideration of the physical and mental health and safety of employees.
8. Always conduct thorough risk management and are prepared for threats to our corporate activities.
9. Contribute to the revitalization and sustainable development of local communities.
10. Strive to reduce the environmental burden and preserve the global environment.

Management philosophy

ShinMaywa Group will contribute to the overall well-being of humanity, bringing unstinting innovation for a stable society and positive living environment.

Long-term vision

To respond to global society needs, we will be a true value co-creation company that advances urban, transportation and environmental infrastructures.

Sustainability Management Policy

1. Products/services (E, S, G)

Tackle the creation of new value and contribute to the sustained development of society through the provision of safe, good quality products and services that help solve issues with society and the environment.

2. Global society (S)

Contribute to the development of countries and cities by working to solve global problems related to urban, transportation, and environmental infrastructure through our businesses.

3. Global environment (E)

Reduce our global environmental burden among all processes in our corporate activities.

4. Supply chain (E, S, G)

Promote purchasing that helps the environment, human rights, and ethics in conjunction with our business partners, as well as ensure compliance with laws, social norms, and so on.

5. Stakeholders (S, G)

Increase our corporate value sustainably through the co-creation of community value, as well as increase the transparency of our management through the appropriate disclosure of information and sincere dialogue, constructing a relationship of trust with all our stakeholders.

6. Governance and risk management (G)

Construct an effective governance system to minimize the impact of possible future risks and prepare for threats to our corporate activities through the strict control of confidential and personal information.

7. Human resources training/innovation (S)

Respect individual human rights, sense of values, and diversity, hire and retain people through training, developing, and utilizing people who can wield their own individual abilities and specializations to the maximum, preparing work environments that consider physical and mental health, and foster a sound organizational culture that generates new innovation.

8. Local communities (S)

Actively interact with the local communities to contribute to our co-existence and their development.

* E: environment, S: society, G: governance

History and Main Businesses

The ShinMaywa Group currently discloses its business results in six segments. We believe that these businesses are proof that we have supported Japan’s development and responded to the demands of society throughout our history exceeding 100 years. As a preface to the information that follows, here is an overview of the key events in ShinMaywa Group’s history and of its segments.

History of the ShinMaywa Group since its foundation

1920	Founded Kawanishi Machinery Company	1954	Completed the first self-priming pump Began production of garbage trucks (refuse compactors)
1947	Changed company name from Kawanishi Aircraft Company, Ltd. to Meiwa Industry Company Limited	1955	Began production of tail gate lifters Began aircraft overhaul
1949	Established Shin Meiwa Industry Company Limited	1956	Completed the first automatic wire stripping machine (wire processing system)
1950	Began production of rear dump body and tipping gear	1960	Changed company name to ShinMaywa Industries, Ltd.
1952	Completed the first three way dump body and tipping gear for export to Argentina		

1962	Stock listed on the Second Section of the Tokyo Stock Exchange and Osaka Securities Exchange	1979	Completed construction of refuse transfer station system for Jonan Sanity Control Association in Kyoto
1964	Established corporate principles: “Clean, Sincere, Steady, and Enterprising” Developed ShinMaywa Parking Tower, a rotary & vertical type car parking system Technical alliance with a Swedish partner for the manufacture of electric submersible pumps	1985	Completed brushless DC motor
1967	Stock reassigned to the First Section of the Tokyo Stock Exchange and Osaka Securities Exchange First flight of the PX-S (PS-1) first STOL amphibian prototype	1989	Share capital exceeded 10 billion yen
1969	Delivered the first two Jetway aircraft passenger boarding bridges to Tokyo International Airport	1993	Shipped wing-to body fairing for first Boeing 777 aircraft
1972	Started production of detachable container system	2002	Head Office relocated from Nishinomiya-shi to Takarazuka-shi in Hyogo
1974	First flight of the first PS-1 Kai (STOL search and rescue amphibian) prototype	2003	First flight of the US-1A Kai (STOL search and rescue amphibian) prototype
1976	Delivered first in-building refuse collecting and transporting system	2006	Shipped main wing spar for first Boeing 787 aircraft
		2020	Established the management philosophy and long-term vision in celebration of the 100th anniversary of the Company’ s founding
		2021	Established the tagline VISION WITH INSIGHT and formulated the long-term management plan SG-Vision 2030

*SG-Vision: Sustainable Growth with Vision

Special Purpose Truck Business

Business overview

- Manufacture, sale, and after-sales service of special purpose trucks
 - Construction-related vehicles
Dump body and tipping gear, concrete mixer trucks, etc.
 - Logistics-related vehicles
Tail gate lifters, fuel tanks, trailers, etc.
 - Environment-related vehicles
Refuse compactors, detachable container systems, etc.
- Manufacture, sale, and after-sales service of high-performance forestry machinery
- Manufacture and sales of hydraulic functional parts

Production bases 9 locations



Rear dump body and tipping gear



Refuse compactor



Trailer

Parking Systems Business

Business overview

- Manufacture, sale, maintenance, and renovation of parking equipment
 - Elevator type car parking system
 - Rotary & vertical type car parking system
 - Shuttle-type innovatory parking system
 - Multi-storied car parking system
- Operation of coin-operated parking (hourly parking lots)
- Manufacture, sale, and maintenance of aircraft passenger boarding bridges

Production bases 3 locations



Elevator type car parking system ELEPARK®



Aircraft passenger boarding bridge PAXWAY®

Industrial Machinery & Environmental Systems Business

Business overview

- Manufacture, sale, and maintenance of mechatronics products
 - Automatic electrical wire processing systems
 - Vacuum systems
 - Thin films and surface modification products
 - Special motors
 - Vacuum drying systems
- Construction and operation of environmental facilities
 - Refuse transfer station system
 - Refuse resources recycling centre
- Manufacture, sale, and maintenance of refuse collecting and transporting systems and equipment
 - Refuse storage and discharger

Production bases 5 locations



Automatic electrical wire processing systems



Vacuum thin film coating system



Refuse Transfer Station System

Fluid Business

Business overview

- Manufacture, sale, and maintenance of fluid products (submersible pumps and fluid equipment)
 - Submersible pumps
 - Submersible mixers
 - Roots/turbo blowers
 - High pressure washers
- Design and construction of pump equipment/water treatment facilities

Production bases 4 locations



Submersible pump



Submersible mixer



Turbo blower

Aircraft Business

Business overview

For Japan’s Ministry of Defense

- Manufacture and maintenance of amphibians
- Maintenance of Self-Defense Forces aircraft, etc.

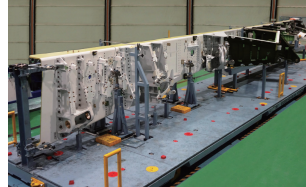
For private sector

- Manufacture of components for commercial aircraft
 - Boeing 787 main wing spar
 - Boeing 777 / 777X wing-to-body fairings
 - Bombardier G7500 rotor blades, etc.
- Development, design, and manufacture of fixed-wing unmanned aircraft

Production bases 5 locations



STOL search and rescue amphibian



Boeing 787 main wing spar

In addition, the Company operates construction, real estate, and IT-related businesses in the Others segment.

For detailed information on ShinMaywa Group’s history from its founding to the present day, please go to the History page from the Company Information menu on our website.

<https://www.shinmaywa.co.jp/english/company/history.html>



*Number of production bases includes Group companies and overseas bases.

Financial and Non-financial Highlights

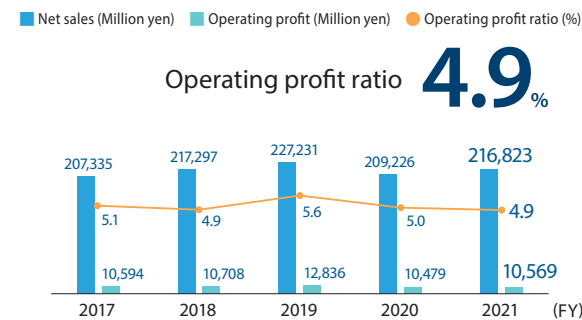
This section highlights the key financial and non-financial information for the five-year period beginning in FY2017 (fiscal year ended March 31, 2018).

Key financial data

Figures in the heading for each graph are actual results for the fiscal year ended March 31, 2022. Changes referred to in the comments below graphs are in comparison with the previous fiscal year.

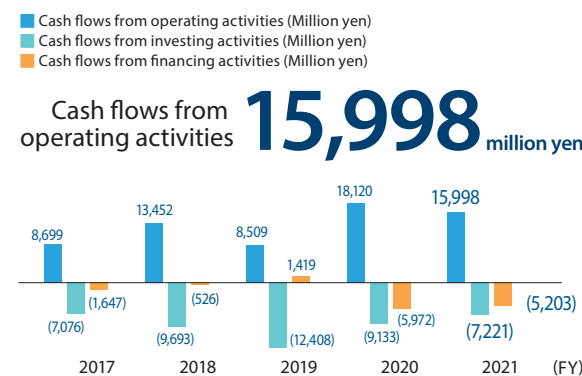
All figures are on a consolidated basis.

Net sales/operating profit/operating profit ratio



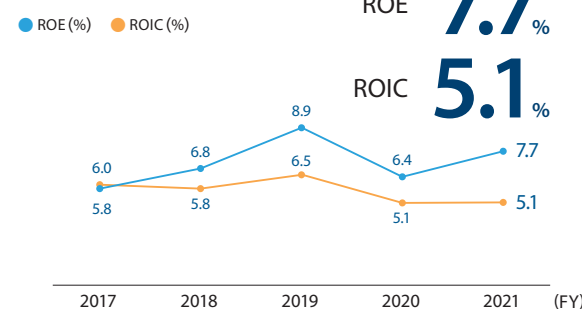
Net sales increased by 7.5 billion yen due to significant growth in the Industrial Machinery & Environmental Systems segment. Operating profit improved by 90 million yen, as soaring raw material costs and other factors were offset by increased revenue.

Cash flows from operating activities/cash flows from investing activities/cash flows from financing activities



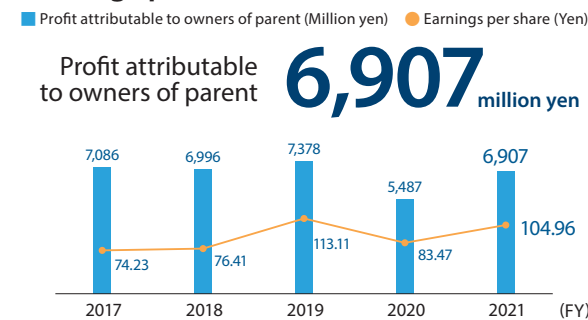
Net cash provided by operating activities decreased 2.1 billion yen, net cash used in investing activities decreased 1.9 billion yen, and net cash used in financing activities decreased 0.7 billion yen.

ROE / ROIC



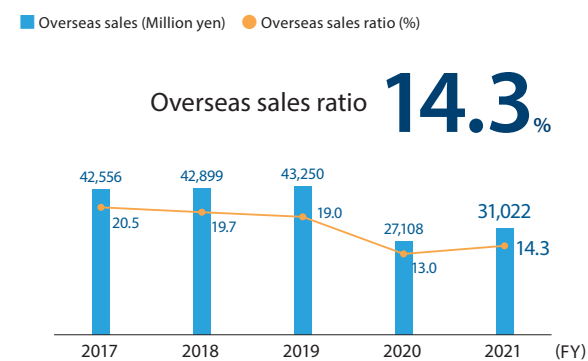
Return on equity (ROE) improved by 1.3%, reflecting the increase in profit attributable to owners of parent, while return on invested capital (ROIC) remained the same as in the previous fiscal year. Our expected weighted average cost of capital (WACC) is approximately 5%.

Profit attributable to owners of parent/earnings per share (EPS)



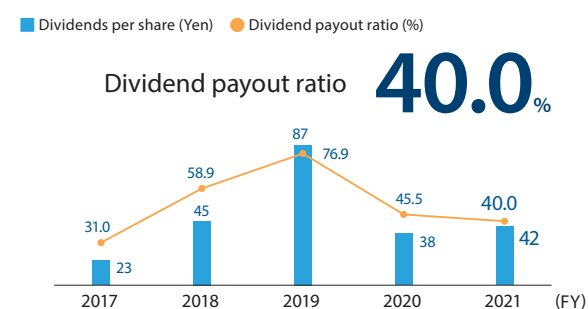
Profit increased by 1.4 billion yen due to foreign exchange gains resulting from the weaker yen and a decrease in extraordinary losses.

Overseas sales/overseas sales ratio



Overseas sales increased by 3.9 billion yen, mainly due to the effect of M&As conducted in the Fluid segment.

Dividends per share/dividend payout ratio

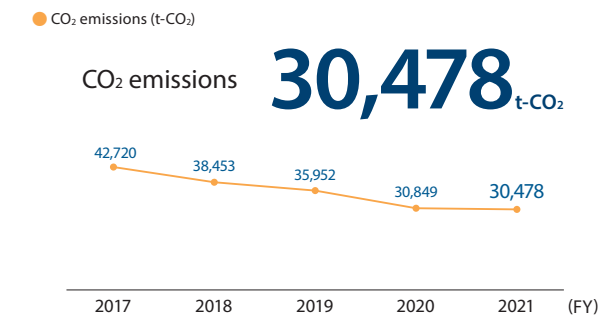


In line with the increase in profit attributable to owners of parent, the annual dividend was 42 yen, an increase of 4 yen per share for the full year compared to the previous fiscal year. Our basic policy is to maintain a consolidated dividend payout ratio of 40 to 50%.

Key non-financial data

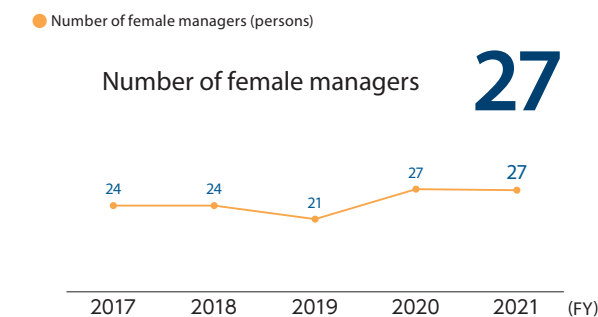
*1: Non-consolidated figures, *2: Figures for the Group as a whole

CO₂ emissions*¹



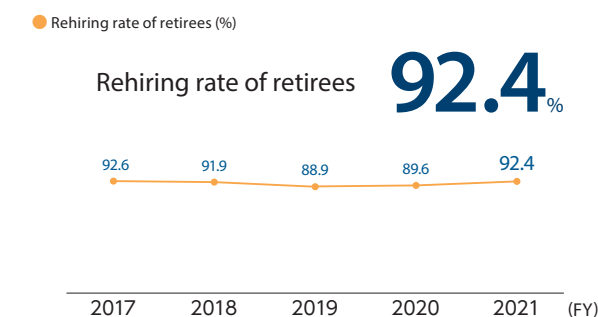
CO₂ emissions in FY2021 were down 12,242 t-CO₂ from FY2017 levels, representing a 28.7% reduction. (FY2030 target: reduce 38% compared to FY2017) ⇒ Page 52

Number of female managers*²



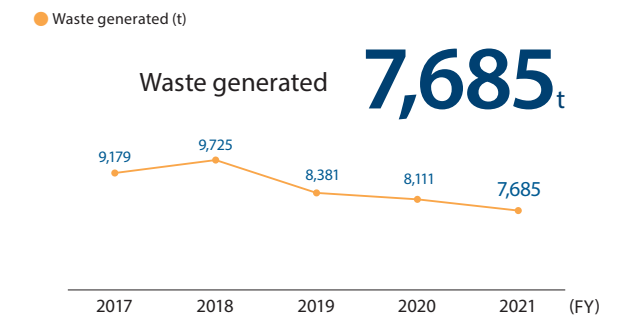
The ShinMaywa Group considers promoting the active participation of women to be an important element of diversity, and aims to be a corporate group where female employees can actively take on work challenges. In addition, we have set a goal of increasing the number of female managers to 60 by FY2030 in order to further promote their active participation. ⇒ Page 58

Rehiring rate of retirees*¹



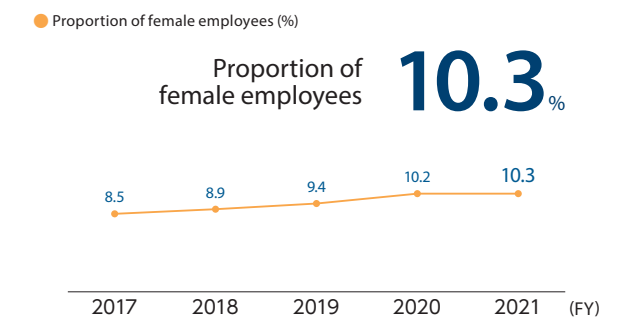
We introduced the system for hiring older workers in FY2003 with the aim of effectively utilizing the power of older human resources, who possess a wide range of know-how gained through practical experience, and to link work that gives them a sense of fulfillment to the Company's growth. ⇒ Page 59

Waste generated*¹



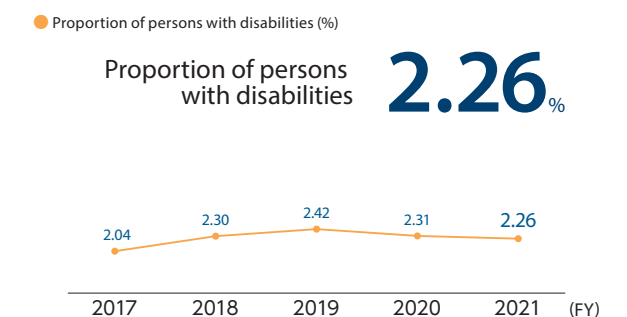
Waste generated in FY2021 totaled 7,685 tons. Compared to FY2020, the amount was down by 426 tons, which represents a reduction of 5.3%. (FY2030 target: reduce 10% compared to FY2020) ⇒ Page 53

Proportion of female employees (full-time employees)*²



The ShinMaywa Group considers promoting the active participation of women to be an important element of diversity, and aims to be a corporate group where female employees can work with peace of mind and actively take on work challenges, even while experiencing childbirth and childcare. ⇒ Page 58

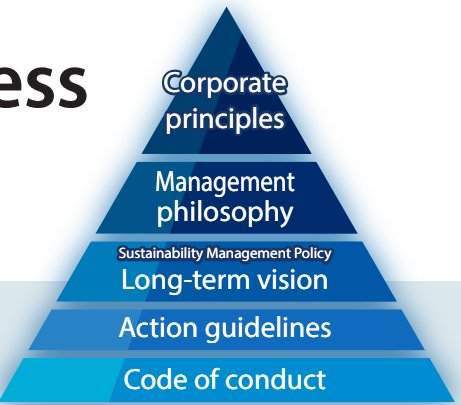
Proportion of persons with disabilities*²



The proportion of persons with disabilities was 2.26% in FY2021 due to a greater-than-expected increase in the number of Group companies in Japan, as a result of proactive M&As. However, we expect the proportion to increase through new hires in April 2022 and April 2023 at ShinMaywa Heartful, Ltd., a special subsidiary company. ⇒ Page 58

Value Creation Process

ShinMaywa Industries celebrated its 100th anniversary in 2020. We reviewed our management philosophy upon clarifying what we will carry on and what we will change towards the next 100 years, and established a long-term vision with 2030 as the target year. We will continue to meet the needs of global society by contributing to the advancement of social infrastructure as we have in the past, through continuous technological innovation.



> Page 3

Sustainable Development Goals (SDGs)

The ShinMaywa Group aims to contribute to the achievement of the Sustainable Development Goals (SDGs) through its business activities.



INPUT

Changes in the external environment (megatrends and environmental changes)

Demographic changes

- Low birthrate, aging population, and labor shortage
- Diversity and work style reform
- Increase in the number of people without access to transportation due to population aging
- Increase in the number of foreign workers

Advance of urbanization

- Urban concentration of population, transportation, and logistics
- Increase in logistics volume, including waste
- Increasing polarization between urban and rural areas

Climate change and resource shortage

- Increase in natural disasters due to global warming
- Increase in CO₂ emissions
- Shift away from fossil fuels toward renewable energy

Technology evolution

- Acceleration of digitalization technology and expansion of the internet of things (IoT)
- Electrification, adoption of unmanned operations, manpower and labor saving
- Increase in security risks such as cyber-terrorism

Social and economic changes

- Evolution of mobility and diversification of means of transportation
- Business model transformation through digital transformation (DX)
- Pursuit of economic and social value
- Contribution to SDGs and promotion of management oriented towards the environment, society, and governance (ESG)
- Expansion of the global market
- Restructuring of supply chains in line with economic security
- Addressing human rights issues such as forced labor and child labor

Main input capital

Financial capital

Determination of cash allocation in accordance with the medium-term management plan

- Total assets: 221,206 million yen
- Equity ratio: 41.8%
- Net D/E ratio: 0.28 times

Human capital

Shift from human resource management to human resource value enhancement

- Number of employees (consolidated): 5,783
- Japan: 5,184, Overseas: 599

Manufacturing capital

Advanced manufacturing know-how and production technology to meet individual customer specifications/high-mix low-volume production

- Manufacturing bases: 17 in Japan, 9 overseas
- Number of employees with in-house certification of skill proficiency: 93
- Capital investment: 4,782 million yen

Intellectual capital

Create new value by appropriately integrating technologies and know-how cultivated through various businesses with cutting-edge external technologies

- Number of rights held (patents, utility models, and designs): 1,236
- Research and development costs: 2,282 million yen

Social and relational capital

Over 100 years of experience since founding in supporting people's daily lives and social infrastructure through technology, products, and services, as well as trust and a strong supply chain based on this experience

- Consolidated subsidiaries: 31 companies
- Procurement partners: Approximately 2,500 companies

Natural capital

Contribution to global warming prevention and a recycling-based society

- Energy consumption in crude oil equivalent: 18,031 kl
- Waste generated: 7,685 t (Of which, recycled: 7,558 t)
- Water consumed: 351.6 m³

As of March 2022

Long-term management plan

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Long-term business strategies



Strengthening of management foundations

OUTPUT

Medium-term management plan

> Page 21

Phase 1: Transformation Phase 2: Expansion Phase 3: Advancement

Business strategies > Page 29



Social value

Key issues (materiality) > Page 35

Environment	Preventing global warming Contributing to a recycling-based society
Society	Promoting diversity and inclusion Establishing comfortable workplaces
Governance	Enhancing corporate governance systems Establishing and strengthening risk management systems

OUTCOME

Economic value (Target level for FY2030)

Net sales
400 billion yen or more

Overseas sales
100 billion yen or more

ROE
12% or more

ROIC
10% or more

Value provided to stakeholders

Customers

Employees

Business partners

Shareholders

Local communities and society

The ShinMaywa Group's Strengths

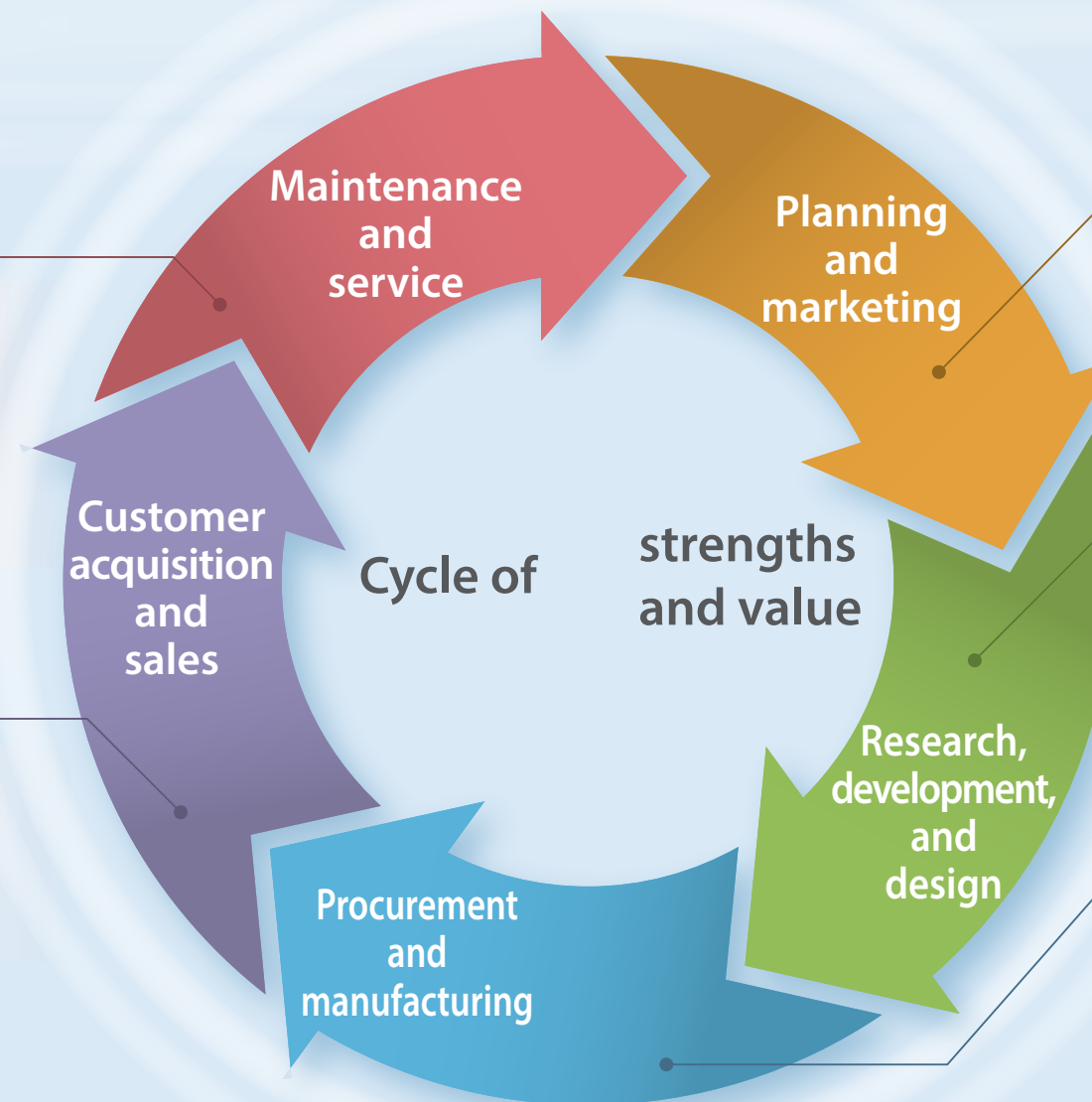
Over 100 years of experience since founding in supporting people's daily lives and social infrastructure through technology, products, and services, as well as trust based on this experience

- In-house maintenance/service capabilities (including domestic and foreign subsidiaries)
- Provision of advanced maintenance technology in collaboration with design departments (failure diagnosis, preventive maintenance and service life extension, etc.)
- Domestic and overseas service bases covering all customers (approximately 800 bases including affiliated service stations, etc.)

- Ability to propose products and services that meet customer needs
- Domestic sales bases located close to customers
- Global sales and service network (17 overseas subsidiaries in China, South Korea, and other parts of Asia, and in North America, etc.)

- Technology to construct mechanical structures through precise material processing and molding, and to precisely control these structures using hydraulic, pneumatic, and electric power
- Number of rights held (patents, utility models, and designs): 1,236 (as of March 31, 2022)

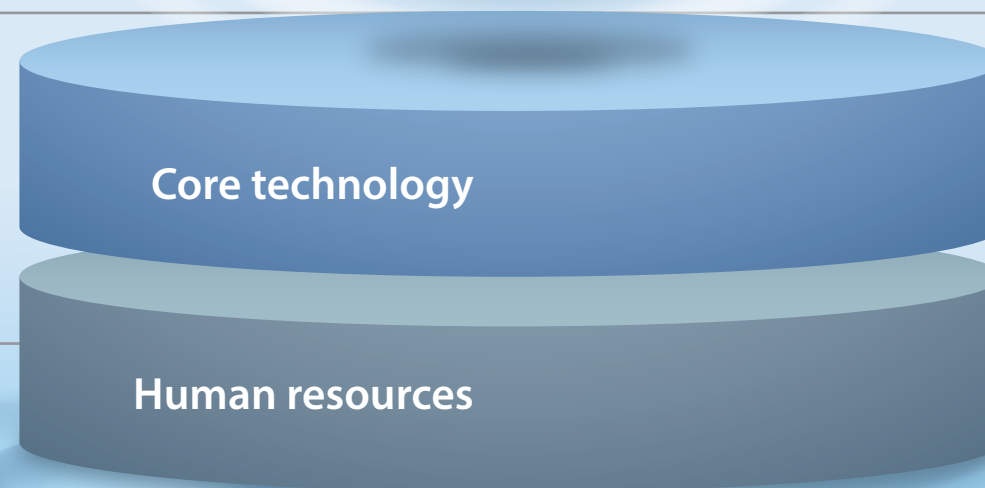
- The spirit of challenge and an enterprising approach that have led to the development of product groups with high market shares in many niche markets since the Company's founding
- Diligence, a sense of mission, and loyalty ingrained in the corporate culture



- High market share of core products
- Ability to gather information from government agencies and industry associations through connections made doing business with them
- Understanding market information and customer issues by conducting business activities together with customers

- Design capabilities to meet individual customer specifications and complex related regulations
- Technological development capabilities to optimally integrate core technologies with external advanced technologies
- Technology, knowledge, and know-how accumulated over many years of business activities

- Procurement network and production process to meet customer-specific specifications and high-mix low-volume production
- Supply chain for product and material distribution, adapted to the business continuity plan (BCP) (17 domestic and 9 overseas production bases, approx. 2,500 procurement partners)
- Certification of proficient technicians with extensive experience, knowledge, and advanced skills (93 employees certified under the in-house certification system)



- Hydraulic equipment control
- Artificial intelligence (AI; object detection/image classification/anomaly detection)
- Fluid analysis
- Structural/mechanical analysis
- Lightweight design
- High-efficiency design
- Vacuum thin film coating
- Seismic function design
- Heavy load transfer control
- Information and communication technology (ICT)
- Image processing
- Safety design (mechanical/control)
- Plant design/operation
- Aircraft control
- Aircraft maintenance
- Can manufacturing (cutting/forming/welding)
- Composite molding process
- Precision machining/assembly
- Surface treatment
- Coating
- Ultrasonic flaw detection

- Putting the ShinMaywa Group Philosophy into practice and demonstrating the abilities of each individual to pioneer the future

Network

The ShinMaywa Group is headquartered in Takarazuka-shi, Hyogo, and operates in key locations in Japan and overseas in view of the relationships with our customers and business partners.

In recent years, an increasing number of new companies have been welcomed into the Group as part of efforts to strengthen our management structure.

Special Purpose Truck Business

Special Purpose Truck Div.

Sano Plant ●
Samukawa Plant ●
Hiroshima Plant ●

Group companies in Japan

ShinMaywa Auto Engineering, Ltd.
Iwafuji Industrial Co., Ltd. ●
TOHO CAR CORPORATION ●
TOHO CAR SERVICE CORPORATION
ShinMaywa Auto Sales, Ltd.
Daiwa Sogyo Co., Ltd.
Moriyasu Industry Co., Ltd.
OSK, Ltd. ●
WAKO, Ltd. ●

Group companies overseas

Thai ShinMaywa Co., Ltd. ●
Chongqing Endurance & ShinMaywa Industries, Ltd.*² ●



High-performance forestry machinery by Iwafuji Industrial Co., Ltd.



Thai ShinMaywa Co., Ltd.

Parking Systems Business

Parking Systems Div.

Group companies in Japan

ShinMaywa Parking Technologies, Ltd. ●

Group companies overseas

ShinMaywa (Asia) Pte. Ltd.
Taiwan ShinMaywa Industries Co., Ltd.
ShinMaywa Aerobridge Singapore Pte. Ltd. ●
ShinMaywa Aerobridge Malaysia Sdn. Bhd. ●



Two-story/multi-storied mechanical car parking system by ShinMaywa Parking Technologies, Ltd.

Industrial Machinery & Environmental Systems Business

Industrial Machinery Systems Div.

Takarazuka Plant ●

Group companies in Japan

ShinMaywa Waste Technology, Ltd.
DIAVAC Limited ●

Group companies overseas

ShinMaywa (America), Ltd.
ShinMaywa (Shanghai) Trading Co., Ltd.
ShinMaywa (Bangkok) Co., Ltd.
ShinMaywa (Shanghai) High-Tech Machinery Co., Ltd. ●
ShinMaywa (Chongqing) Environmental Solutions Co., Ltd.*³ ●
KOREA VACUUM LIMITED ●
ShinMaywa Mexico S. A. de C. V.*³



Wastewater treatment facilities (Wuhan, China) by ShinMaywa (Chongqing) Environmental Solutions Co., Ltd.

Fluid Business

Fluid Div.

Ono Plant ●

Group companies in Japan

ShinMaywa Aqua Technology Service, Ltd.
FLUTECH Co., Ltd. ●

Group companies overseas

Thai ShinMaywa Co., Ltd. ●
TurboMAX Co., Ltd. ●
TurboMAX (ChangZhou) Technology Co., Ltd.*⁴
Shangdong TurboMAX Environment Technology Co., Ltd.*³



TurboMAX Co., Ltd.

Aircraft Business

Aircraft Div.

Konan Plant ●
Takarazuka Plant ●
Tokushima Plant ●
Harima Plant ●

Group companies in Japan

ShinMaywa Iwakuni Aircraft Maintenance, Ltd.
Tenryu Aero Component Co., Ltd. ●

Group companies overseas

ShinMaywa (California), Ltd.*¹



Tenryu Aero Component Co., Ltd.

Other Business

Maywa Komuten, Ltd.
ShinMaywa Shoji, Ltd.
ShinMaywa Soft Technologies, Ltd.
ShinMaywa Heartful, Ltd.*³
GODO SOLUTION Inc.*¹



Maywa Komuten, Ltd.
Completed project: Takarazuka Central Community Center (Hyogo)

*1 Non-consolidated subsidiary to which the equity method is applied

*2 Affiliate to which the equity method is applied

*3 Non-consolidated subsidiary to which the equity method is not applied

*4 Affiliate to which the equity method is not applied

● Production bases

Message from the President

In 2020, to mark the 100th anniversary of its founding, the ShinMaywa Group established a new management philosophy and a Long-term vision outlining its aspirations for 2030. Amid rapid changes in society, we also formulated SG-Vision 2030, a Long-term management plan that addresses continuous value creation as a measure for realizing our Long-term vision.

Under this plan, we are currently working to enhance our existing businesses and strengthen cooperation among business divisions to expand our business domain and to create new businesses, which has been a longstanding challenge.

The ShinMaywa Group will strive for sustainable growth while sincerely addressing domestic and international social challenges.

Tatsuyuki Isogawa

President & CEO



By realizing our Long-term vision, we aim to be a value co-creation company that helps to advance social infrastructure.

A corporate culture of meeting customer needs and expectations through technological capabilities, or *monozukuri*

The ShinMaywa Group currently has five business divisions: Special Purpose Truck, Parking Systems, Industrial Machinery Systems, Fluid, and Aircraft, through which we create a variety of products and services. These businesses share a common focus on enabling social infrastructure that supports people's peace of mind and comfortable living. We strive to provide added value by addressing current social issues such as reducing environmental impact, responding to natural disasters, and eliminating labor shortages.

Looking back at our history, our predecessors built our current five businesses by starting from the founding business of aircraft manufacturing and adapting to the changing times.

The forerunner of our company, Kawanishi Aircraft Company, was banned from aircraft manufacturing following the defeat in World War II. Guided by a strong commitment to rebuild the country and to protect employees' jobs, our predecessors began developing a variety of daily goods using leftover materials. This spirit of "make whatever we can" was passed down, leading to the manufacture of dump trucks, self-priming pumps, a range of industrial machinery, mechanical car parking systems, and, after the ban on domestic production was lifted,

aircraft. As a pioneer of these businesses, we have opened up new markets. This corporate stance of turning customer issues and requests into specific products runs through our Group's culture and it is a strength we are proud of.

The Group's business operations are sometimes seen as spreading management resources too thin. However, the COVID-19 pandemic has highlighted the advantages of diversified management. While our Aircraft segment is struggling because of the protracted halt in travel, including inbound tourism, demand remained firm for other core businesses due to their role in supporting social infrastructure. The COVID-19 pandemic created an unexpected opportunity for us to reaffirm the significance of diversified management through which we operate multiple businesses that can withstand rapid changes in the market environment.

Unlocking the new potential of our five businesses that drive the Group's growth: that is the challenge of our generation. We are working to enhance each business and also to expand our business domains with a view to driving co-creation between businesses. Bolstering the core of each business also creates opportunities for building new peripheral businesses. We are expanding our domains by contributing to advancing urban, transportation, and environmental infrastructure, and are addressing the challenge of creating new businesses beyond the boundaries of our existing businesses.

The ShinMaywa Group's strengths

Social contribution through business activities

Looking at the ShinMaywa Group's business results for FY2021, as mentioned earlier, segments other than the Aircraft segment, which faced a stagnant market due to the impact of the COVID-19 pandemic, benefited from their focus on supporting social infrastructure. As a result, while some segments were hit by soaring material costs, overall results were above our forecast at the start of the fiscal year.

In FY2022, however, production activities in several of our businesses were impacted by delays in the procurement of major parts and soaring materials costs against the backdrop of the prolonged COVID-19 pandemic and rising geopolitical risks, and this has made us acutely aware of the importance of stable parts procurement.

In this environment, our outlook for FY2022 is that, while the Aircraft segment has bottomed out, it will take some more time to reach the recovery stage. In the Special Purpose Truck segment, a high level of demand continues. However, the COVID-19 pandemic has delayed the procurement of key components and we expect that production will not return to its normal pace until the second half of the current fiscal year or later. On the other hand, the Industrial Machinery & Environmental Systems segment has shown remarkable growth since FY2021 and our mechatronics products and environmental business, which comprise the segment, are both performing well. Mechatronics products saw a boost in demand for automatic wire processing systems, the core product of the business, driven by the trend toward electrification of automobiles. Orders for vacuum dryers (manufactured and sold by our subsidiary in South Korea) for the production of lithium-ion batteries have also increased sharply over the past several years. In the environmental business, demand for renewal of mainstay refuse transfer station systems is increasing and the number of facilities that we are contracted to operate is also increasing. In the Fluid segment*, wastewater treatment equipment for local governments accounted for most of the sales and we addressed social issues such as protection

against localized heavy rainfall. As we did so, sales to the private sector and exports recovered, and high value-added products from the subsidiary in South Korea that newly joined the Group also contributed to the performance. The Parking Systems segment saw strong demand generated by the construction of high-rise condominiums in large cities, with their large-scale mechanical car parking systems and post-installation maintenance contracts serving as revenue streams.

* Made independent as a segment from the settlement of accounts for the three months ended June 30, 2022.

Opening up new possibilities through co-creation among businesses

We have put in place a Long-term management plan SG-Vision 2030 with a target year of 2030, and we are now carrying out its first phase, the Medium-term management plan SG-2023. While finding it difficult to make investment decisions and earn returns based on our previous three-year plans due to the nature of our five businesses, we are in the process of shifting to long-term oriented management in order to realize the Long-term vision that we have drawn for ourselves.

Our Long-term vision continues the good traditions we have cultivated over the years, while keeping in step with the times by stating our commitment to broadly meet the needs of society through co-creation with external partners as well as among our own divisions and groups. We are further growing our existing businesses, which are currently demonstrating our strengths, while looking ahead to the near future in 2030, focusing on creating value that will be needed by society then. To transform ourselves into a company guided by Long-term vision, we aim to create new solutions that the times demand. The concept of advancing urban, transportation, and environmental infrastructure, which is included in our Long-term vision, was established with the idea of creating new business opportunities from our five businesses and their adjacent domains. In the process of expanding the individual domains of our existing

businesses, our goal is to create areas of overlap that will in turn lead to the creation of new businesses. The separate strengths of our businesses are like points. Joining points creates a line and expanding a line creates a plane. With this concept, we will strengthen our competitiveness and increase our profitability.

As an example, in Thailand, the fluid business, the environmental business, and the parking systems business are currently working together to receive a bulk order for waste management infrastructure such as sewage and refuse collection and transport facilities for large complexes. Going forward, we will strengthen and promote these efforts that expand our strong points into lines and planes, both in Japan and overseas.

Completing the Group's business with after-sales service

When talking of the strengths of our Group, one cannot leave out our extensive after-sales service system. Even after delivering our products, we will keep close to our customers, staying connected so that we can gain greater trust. Our current business model covers product development and manufacturing, sales, and after-sales service, but for the Group to achieve sustainable business growth, it is imperative that we utilize the solutions developed from this model to establish a new business model.

A major influence behind my focus on the importance of after-sales service is my past experience. After joining the company in 1983, I was involved for a long time in the parking systems business. When the bubble economy collapsed, and the performance of the parking systems business quickly deteriorated, what then came to support our business was after-sales service, with maintenance at its core. While our competitors were pursuing the outsourcing of maintenance, our clients and users appreciated our stance of continuing to provide service ourselves in view of its importance, and as a result, after-sales service became a rock-solid source of revenue for our parking systems business. Since our employees regularly visit facilities, there are also such advantages as being

able to propose large-scale repairs or renovation work, and through this kind of experience, I have seen directly the importance of after-sales service.

The maintenance system of our parking systems business is now among the best in Japan. Employees involved in on-site inspections and repairs strive to build relationships of trust with customers through their daily work.

In each of our businesses, we focus on maintaining the best condition of our products by enhancing our service system after delivery. Our basic mindset is to ensure that our customers can always use our products with peace of mind, and as we continue to expand our global operations, we will naturally build an extensive after-sales service system and also create new business models based on solutions developed from this system.



Pursuing organizational reform to promote co-creation among business divisions

The phrase "value co-creation company" in our Long-term vision was coined to indicate, both internally and externally, the Group's stance to strengthen cooperation and create new value. In order to recognize and stay ahead of social changes and technological advances, we believe that the key is co-creation with others, both inside and outside the company, with whom we believe we can enhance each other's value.

The broadening of the domain indicated by our vision of "advancing urban, transportation, and environmental infrastructure" is also a theme for deepening cooperation among business divisions and promoting the search for new businesses. Each business will strive to create new solutions by leveraging the Group's unique diversified management while sharing their strengths and engaging in friendly competition.

In April 2022, we established the New Business Strategic Division as a new organization within the Head Office. Equivalent in level to a business

division, it specializes in nurturing the seeds of new businesses and is an organization that will focus on exploring and launching new businesses that go beyond the boundaries of our existing businesses. For example, the division is taking on the challenge of creating new businesses from a big-picture perspective, backcasting from what we aim to be 10 years into the future and identifying what issues need to be addressed at this point in time. From each business division, employees with a passionate desire to participate in this activity have raised their hands and we are assigning young employees as we take on the challenge of creating new businesses.

I myself have also set up regular face-to-face meetings with the five business division presidents to discuss business challenges and future value creation, and I emphasize the need for us to work more closely together across divisions and to move quickly to produce output that will drive business growth. I feel that these efforts have been effective in changing people's awareness, and communication has improved dramatically, with more opportunities for everyone to discuss each specific issue. We will continue to drive synergies between our business divisions and accelerate value co-creation.

Envisioning the achievement of economic and social value goals in 2030

We formed our Long-term management plan as a process for reaching our Long-term vision. To achieve our vision in terms of both economic and social value, we have set two management themes that we are addressing in parallel. These are: long-term business strategies, which focus on business activities that generate revenue; and strengthening of management foundations, which involves supporting our long-term business strategies from environmental, social, and governance (ESG) perspectives, with measures in human resources, finance, and other areas.

In the Long-term management plan, we aim to achieve net sales of 400 billion yen or more (including overseas sales of 100 billion yen or more), ROE of 12% or more, and ROIC of 10% or more in 2030, the target year. We see that these

are high hurdles rather than easy-to-reach levels. However, we pride ourselves not only on being solid and reliable but also on being devoted to taking on challenges to achieve our goals. The management team will show the way to tackle management issues, and each employee will take up the challenge with an understanding of his or her own role. We believe that this sincere attitude will be the driving force to close the gap between the current situation and our goals.

At the same time, we will steadily carry out the growth investment required to create new businesses while maintaining a healthy financial structure. In some cases, advance investments may cause our dividend payout ratio to fall below our target in the short term. At such times, we will carefully explain our growth strategy to our shareholders so that they understand our capital policy, and will meet their expectations for growth from a medium- to long-term perspective.

Strengthening of human resource base and promotion of M&A as essentials for accelerated growth

Strengthening our human resource base is vital for our sustainable growth in the future. As we pursue our Long-term vision, we must strengthen our line operations such as sales, development, design, manufacturing, production management, quality assurance, and after-sales service. We must also reinforce our human resources skilled in artificial intelligence (AI) and digital transformation (DX) fields if we are to create new businesses. In addition, in order to promote global expansion, which is a key issue for sustainable growth, we recognize the importance of hiring local human resources in target countries and regions where business growth is expected and creating an environment in which they can play an active role. We also realize that the administrative departments have a crucial role to play in supporting such management activities. Furthermore, in order to foster diversity of knowledge and experience, we will establish a system for promoting talented people to appropriate positions at an early stage by eliminating distinctions based on attributes such as being female, non-Japanese, or a mid-career hire.

Along with our growth in the global market, mergers and acquisitions (M&As) are also a very important measure when considering the expansion of our five businesses and the expansion of the domains indicated in our vision of advancing urban, transportation, and environmental infrastructure. Fortunately, our past M&As have not only increased our size, but have also greatly contributed to improving the value of our presence in each of the markets in which the Group operates. We will continue to actively pursue M&As as a means of carrying out value co-creation.

Achieving our ideal as a value co-creation company

Becoming a brand trusted by global society

Under our Long-term management plan SG-Vision 2030, we aim to create a business model in the global market in which our Group will not only develop and sell products and provide after-sales services, but also manage the operation of those products. By continuing to respond to global society needs, we hope to change people's perception from "we need ShinMaywa's products and services" to "we need ShinMaywa as a company." That is the kind of entity we aspire to be. Through these efforts, we will work to increase the value of our presence in the global market, while always being conscious of our target for 2030 of overseas sales of 100 billion yen or more.

In addition, to strengthen the profitability and growth of each business in the future, we must examine and optimize our business portfolio. We are discussing this within our organization and it is also being discussed regularly at meetings of the Board of Directors, based on study materials that provide a broad perspective.

Through a shift to management with a long-term orientation, the Group is steadily moving forward to become a value co-creation company that responds to global society needs. We are tackling a variety of management challenges daily with the goal of achieving our 2030 targets. We hope that stakeholders will continue their interest in the activities of the Group and provide us with guidance and support.



Long-Term Management Plan/ Medium-Term Management Plan

To maintain sustainable growth beyond the 100th anniversary of its founding, the ShinMaywa Group has set forth a long-term vision as its future outlook with 2030 as the target year, based on its management philosophy.

Long-term management plan

Sustainable Growth with Vision 2030 (SG-Vision 2030)

Sustainable growth through value creation

Basic policy

Realize the economic value and social value indicated in the long-term vision and SG-Vision 2030 through the implementation of long-term business strategies and strengthening of management foundations

- Long-term business strategies: Aggressive strategies to enhance and expand existing businesses and to create new businesses
- Strengthening of management foundations: Defensive strategies to support the execution of long-term business strategies through structural reforms

Strategies and targets

Targets

	Management indicators	Target level
Economic value	Net sales	400 billion yen or more
	Overseas sales	100 billion yen or more
	ROE	12% or more
	ROIC	10% or more

	Key issues (materiality)	
Social value	Environment	Preventing global warming
		Contributing to a recycling-based society
	Society	Promoting diversity and inclusion
		Establishing comfortable workplace environments
	Governance	Enhancing corporate governance systems
		Establishing and strengthening risk management systems

Promotion plan

Long-term management plan	Sustainable Growth with Vision 2030 (SG-Vision 2030) Sustainable growth through value creation		
Medium-term management plan	FY2021 to FY2023	From FY2024	To FY2030
	Phase 1: Transformation Transformation to long-term oriented management	Phase 2: Expansion	Phase 3: Advancement

Strategies



Long-term business strategies

Under the three themes of enhancement of existing businesses, expansion of existing business areas, and creation of new businesses, we will enhance business in each segment and expand business areas, while also taking on the challenge of creating new businesses, leveraging our strengths in technology and capabilities.

In pursuing these three themes, we have established the following five challenges: segment growth strategy, acceleration of overseas expansion, new business creation, strategic M&As, and promotion of DX. We will shift to management with a long-term orientation by striving to achieve high targets, backcasting from SG-Vision 2030.

- Segment growth strategy**
 - Enhancement of existing businesses: Reduce costs, improve productivity, and develop high-value-added products
 - Expansion of existing business areas: Acquire new customers and markets, as well as new technologies and capabilities
- Acceleration of overseas expansion**
 - Positioning Asia as a growth engine, we will strengthen collaboration among all segments and subsidiaries and alliances with local companies.
 - Asia/Oceania: Aim to triple sales (compared to FY2021 results), including China and Oceania, with a focus on Southeast Asia.
 - North America: Accelerate sales expansion outside of passenger aircraft components
 - Europe: Seize the EV trend and develop the European market
- New business creation**
 - New Business Strategic Div. established in April 2022 as an organization to promote co-creation by leveraging our strengths without being bound by segment boundaries
 - Establish new business creation process
 - Promote and invigorate of Company-wide business idea generation activities
- Strategic M&As**
 - Promote vertical and horizontal integration for segment growth strategies
 - Implement strategic M&A for new business creation
- Promotion of DX**
 - Business process reform
By standardizing and universalizing value chain data, promote smarter operations and the aggregation of data, while building a management platform that enables the visualization of information and rapid decision-making
 - Business model transformation
Promote transformation to a business model based on the provision of solutions by combining customer data, in-house data, and open data to create new value through the use of AI, IoT, and data analytics

Strengthening of management foundations

Achieve sustainable growth by addressing the three issues of financial strategies and capital policy, human resources strategies, and ESG management, which support the progress of long-term business strategies.

- Financial strategy and capital policy**
 - Consider medium-term growth investments, shareholder returns, and other cash allocation based on long-term financial strategies (policies)
 - Transition to ROIC management
Implement ROIC improvement measures tailored to business characteristics and adopt cost of capital as a criterion for investment decisions and business reviews.
 - Business portfolio management
Aim for an optimal business portfolio that enables increases in the growth rate and ROIC of the business segment.
- Human resources strategy**
 - Our organizational goal is to build a robust organization and open-minded culture, and our goal as individuals is to nurture high levels of individual ability and intrapersonal diversity. By repeating the PDCA cycle for these goals, we will achieve both the sustainable improvement of corporate value and the improvement of employee engagement.
- ESG management**
 - Identify six key issues and strengthen ESG-related initiatives with an eye toward sustainable management

Long-Term Management Plan/ Medium-Term Management Plan

Medium-term Management Plan Sustainable Growth 2023 Phase 1: Transformation *Abbreviated as SG-2023

■ Direction of activities

The theme of the medium-term management plan SG-2023 is transformation. The ShinMaywa Group aims to be a corporate group that will always be needed even in a future undergoing drastic changes. Based on this aspiration, we are working to shift from a short-term orientation to a long-term orientation in order to realize our long-term vision, and are promoting a transition to

value creation for the future by pursuing DX and globalization with *monozukuri* (manufacturing) at the core of our operations. Through our products and services, the ShinMaywa Group will continue to make people's lives and society safer and more secure, as well as more comfortable and convenient.

(1) Promotion of long-term business strategies

Improving profitability of existing businesses	• Add more value to products and services through ICT/digital technology • Expand revenue from domestic businesses by strengthening business tie-ups and M&As
Accelerating expansion of overseas businesses	• Strengthen sales collaboration among segments, especially in Southeast Asia • Expand orders by strengthening alliances with local businesses and trading companies
Development of new businesses	• Promote the proposal and development of new business ideas through in-house co-creation • Create new business models through business tie-ups with IT companies, etc.
Optimizing business portfolios	• Business evaluation based on business growth potential (including market growth potential) and ROIC • Ensure ROIC management by setting hurdle rates

(2) Key measures to strengthen management foundations

Preventing global warming and contributing to a recycling-based society	• Contribute to a recycling-based society by reducing CO₂ emissions through promotion of energy conservation and by reducing waste • Develop and disseminate environmentally friendly products and services
Promoting diversity and inclusion	• Clearly define the human resource portfolio necessary to realize the management strategy and establish a system to hire required personnel • Implement educational measures to motivate individuals and organizations to achieve a sustainable competitive advantage
Enhancing corporate governance systems	• Strengthen the supervisory function of the Board of Directors by establishing new monitoring functions* • Introduce and operate a succession plan * Sustainability Committee: Functions to monitor and report on key ESG issues across the Company.
Establishing IT infrastructure for DX promotion	• Introduce external collaborative networks and implement security measures to address threats such as cyber-terrorism • Promote DX through innovation in core businesses

Target management indicators

Management indicators	SG-2023 Target level
Net sales	250 billion yen
Operating profit	15 billion yen
Overseas sales	45 billion yen
ROE	10% or more
ROIC	7% or more

Cash allocation	SG-2023 Target level
Growth investment	30 to 40 billion yen (Cumulative total for FY2021 to FY2023)
Dividend payout ratio	Implement with 40–50% as the basis
Purchase of treasury stock	Implement flexibly depending on stock price levels, etc.

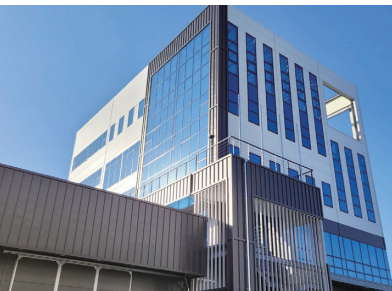
Targets, policies, and challenges by segment

Segment	Net sales	Operating profit	Policies and challenges
Special Purpose Truck	102 billion yen	6.9 billion yen	• Deepen connections with users and create new value by expanding SSC^{*1} • Expand sales routes for key components of special purpose trucks in the Asia/Oceania region
Parking Systems	47 billion yen	3.8 billion yen	• Mechanical Car Parking Systems: Develop and expand sales of parking systems to accommodate the spread of electric vehicles, and expand business in Southeast Asia • Aircraft Passenger Boarding Bridges: Make active proposals on fully automated docking systems and win orders in airport construction projects in Asia, which are on the rise
Industrial Machinery & Environmental Systems	28 billion yen	1.8 billion yen	• Mechatronics: Expand market share of vacuum products in secondary battery markets in Europe and the United States • Environmental Systems: Establish brand and expand revenues in the wastewater treatment business in China
Fluid	24 billion yen	3.1 billion yen	• Win orders in Japan by proactively addressing flooding countermeasures, the progress in expansion of municipalities and collaboration among them, and stock management projects • Strengthen sales synergies with TurboMAX and expand overseas orders by utilizing the Thai Plant
Aircraft	30 billion yen	0.7 billion yen	• Develop fixed-wing unmanned aircraft and plan new businesses through alliances • Expand comprehensive repair business toward the launch of PBL^{**2} business and develop the successor to the US-2 STOL search and rescue amphibian
Others ^{**3}	19 billion yen	1.4 billion yen	
Adjustment	—	(2.7 billion yen)	
Total	250 billion yen	15 billion yen	

*1 ShinMaywa Smart Connect: A communication tool to monitor the operational status of special purpose trucks.
*2 Performance Based Logistics: Contracting of a private company (ShinMaywa Industries) for the maintenance and servicing of US-2 STOL search and rescue amphibian supply parts, etc., conventionally performed by the Japan Self-Defense Forces.
*3 The Others business segment is not included in the reported segments and includes construction, real estate, software, and other businesses.

M&As (FY2021)

Company name	Date	Outline and aims
TurboMAX Co., Ltd.	June 2021	A Korean company that designs, manufactures, and sells low-noise, high-efficiency single-stage air foil bearing turbo blowers. We will create new value by fusing TurboMAX's core technologies with our own technologies, and expand overseas markets by taking advantage of the sales channels developed across the global market.
Tenryu Aero Component Co., Ltd.	July 2021	The company has strengths in the metal component market and in Japan's aircraft seats market. By combining the company's technology, products, and production infrastructure with our own, we will improve our competitiveness in the aircraft market and expand sales.
OSK, Ltd.	July 2021	The integration of the two companies into the Group will ensure the stable supply of key components for special purpose trucks, such as hydraulic pumps, speed reducers, and hydraulic equipment components. It will also enable the development of new functional parts, which in turn will raise the product quality of our special purpose trucks in general, allowing us to increase our competitiveness and sales in both the domestic and overseas markets.
WAKO, Ltd.		



TurboMAX Co., Ltd.



Tenryu Aero Component Co., Ltd.



OSK, Ltd.

Message from the Officer in Charge of Finance

Toshiki Kume

Director, Member of the Board
Managing Executive Officer
General Manager of Finance &
Accounting Dept.



We will strive both to
maintain a sound financial
structure and to actively
invest in creating future value.

First year of the Medium-term management plan SG-2023: from the COVID-19 pandemic to higher earnings and sales

The fiscal year ended March 31, 2022, was the first year of our Medium-term management plan SG-2023, the first phase of our Long-term management plan SG-Vision 2030.

In the second year of the COVID-19 pandemic, the Aircraft segment continued to struggle from the previous fiscal year and in other segments as well, the price of major materials rose, which caused difficulties in terms of management. However, our performance was solid.

Return on equity (ROE), one of our target indicators, increased by 1.3% year-on-year to 7.7% as a result of the increase in profit attributable to owners of parent. Return on invested capital (ROIC) was 5.1%, the same level as the previous fiscal year. (Note: our assumed weighted average cost of capital [WACC] is 5%.)

Over the past 10 years in the Aircraft segment, where performance has been sluggish, the

segment recorded a high level of net sales of 47.2 billion yen in the fiscal year ended March 31, 2016, but sales fell to less than half that level in the fiscal year ended March 31, 2022. As a result, the segment recorded an operating loss for two consecutive years. However, other segments offset this, resulting in an overall improvement on the previous fiscal year.

Although the COVID-19 pandemic continues for now, there are some signs of recovery in the aviation industry. We expect the downturn in the Aircraft segment to be transitory and that with the additional effect of the weaker yen, we will see a gradual recovery.

Anticipating exceptional financial risks in the COVID-19 pandemic

In response to the spread of COVID-19, we simulated various financial risks that could occur to the ShinMaywa Group. We carefully considered our cash flow in a worst-case scenario where net sales were halved, and we took measures to secure business funds, such as by asking financial

Summary of financial results for the fiscal year ended March 31, 2022

(Million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	209,226	216,823
Operating profit	10,479	10,569
Ordinary profit	11,182	11,821
Profit attributable to owners of parent	5,487	6,907
Overseas sales	27,108	31,022
ROE	6.4%	7.7%
ROIC	5.1%	5.1%

Consolidated balance sheets

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Cash and deposits	23,045	26,600
Trade receivables	73,747	70,945
Inventories	43,307	46,925
Total fixed assets	41,730	45,306
Other assets	30,229	31,429
Total assets	212,060	221,206
Trade payables	24,383	25,898
Interest-bearing debt	54,539	52,254
Other liabilities	44,299	48,792
Total liabilities	123,221	126,945
Equity	87,945	92,465
Other net assets	893	1,795
Total net assets	88,838	94,261
Total liabilities and net assets	212,060	221,206
Equity ratio	41.5%	41.8%

Consolidated statements of cash flows

(Million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities	18,120	15,998
Cash flows from investing activities	(9,133)	(7,221)
Free cash flows	8,986	8,777
Cash flows from financing activities	(5,972)	(5,203)
Cash and cash equivalents at end of period	22,667	26,549

institutions to double the usual commitment line (the maximum amount of financing a company can obtain at any time without the required review within a scope agreed in advance with the financial institution). Fortunately, for now, we have not been in a situation where we need to obtain such loans.

On the other hand, shutdowns of operations in the supply chain have resulted in delays in the procurement of some key components, and the effects of soaring raw material, fuel, and logistics costs continue to this day.

Focus on management that balances financial soundness with capital efficiency

The experience of the COVID-19 pandemic showed us that an advantage of the Group is in our diversified management, with a wide range of businesses related to social infrastructure. Our strength is that, although there are no dynamic changes, we are engaged in businesses that are consistently required by society. Therefore, even if some kind of headwind bears down on some of them, the other businesses can compensate for that.

The Group has roots in manufacturing, but with most of our products, such as mechanical car parking systems and fluid products, our job does not end on delivery of a product. We have also developed business in maintenance, repair, and other services as a mechanism to generate stable cash flow. In recent years, we have secured contracts to provide long-term operation and management services in our environmental business as well for an increasing number of properties and this has supported our financial performance.

The results of pursuing sound financial management also appear on the balance sheet. While illiquid assets, which are considered to be relatively risky, amount to approximately 70 billion yen, net assets, which represent retained earnings, exceed this amount by approximately 20 billion yen. This indicates that we have secured a certain level of financial soundness.

At the same time, as well as financial soundness, efforts to increase capital efficiency are important for managing a business. As part of these efforts, we conducted a 45 billion yen share buyback program in FY2018, which resulted in an improved ROE.

Maintaining financial soundness and improving

capital efficiency are among the priorities of our Medium-term management plan SG-2023. To maintain financial soundness, we have set our target net D/E ratio at about 50% in principle. In terms of cash allocation, we expect to make growth investments of 30 to 40 billion yen in capital investment and M&As during the current Medium-term management plan period. We will focus our capital investment on increasing capacity at, and addressing the aging of, major production facilities, and look to update them systematically. In doing so, in addition to the introduction of equipment that promotes labor savings and automation to address the expected labor shortage and improve productivity, ESG perspectives, such as environmental considerations, are also essential.

In terms of M&As, we expect to spend 10 to 15 billion yen during the Medium-term management plan period. In the first year, we acquired five companies for a total cost of 5 billion yen. M&As cannot be achieved with a one-sided approach and there needs to be mutual agreement for them to come to fruition. In that sense, our first fiscal year of this activity has fortunately got off to a smooth start. To reach the goal of 400 billion yen or more in net sales set forth in our Long-term management plan SG-Vision 2030, it will be difficult to achieve this goal just by growing existing businesses and expanding our business domains, and we believe that M&As are a necessary means for approaching this goal.

On the other hand, our policy on shareholder returns during the Medium-term management plan period sets the dividend payout ratio at 40 to 50% in principle, and in some circumstances, we will flexibly carry out share buybacks.

A business portfolio that generates future value

Starting in FY2021, we introduced return on invested capital (ROIC) as a management indicator. We are transitioning to management that emphasizes return on investment while recognizing the characteristics of each business with their different scopes and scales. However, as we have a mixture of businesses with production bases and businesses that are not engaged in production, and the amount of non-current assets held by each of them differs, it is difficult to judge their performance with ROIC figures alone. We

therefore need to implement ROIC improvement measures based on each business's characteristics.

As one measure to achieve this, we have created a business portfolio with net sales growth rate on the vertical axis and ROIC on the horizontal axis. This provides a way to visualize the current position of each business and product, and to identify issues and work toward their improvement. In the past, the idea of selection and concentration was common. However, if this is carried to an extreme, resilience against emergencies cannot be ensured. In particular, as we reflect on our history in the context of the COVID-19 pandemic, we are reaffirming the significance of pursuing a wide range of businesses.

Although our businesses are all in niche markets, our strength lies in the fact that we have high market shares that surpass those of specialized manufacturers. In the future, we will invest aggressively, focusing on areas with growth potential.

Performance targets for the fiscal year ending March 31, 2023

For the fiscal year ending March 31, 2023, we expect sales to increase in all segments except the Special Purpose Truck segment.

The price of steel used in large quantities by the Special Purpose Truck segment continues to soar and as we expect a significant decrease in profit as a result, the overall operating profit is also expected to decrease.

Forecast for fiscal year ending March 31, 2023

(Million yen)

Net sales		Operating profit	
Fiscal year ended March 31, 2022 (results)	Fiscal year ending March 31, 2023 (forecast)	Fiscal year ended March 31, 2022 (results)	Fiscal year ending March 31, 2023 (forecast)
216,823	225,000	10,569	9,000

(Note) The figures for the fiscal year ending March 31, 2023 (forecast), are forecasts as of the end of July 2022.

Emphasizing engagement with institutional investors

For institutional investors, we create an opportunity to discuss our performance after disclosing our quarterly financial results. In recent years, President Isogawa has also been actively



participating in these meetings to explain our management policies directly to investors and listen to their various opinions.

While the COVID-19 pandemic has required us to conduct the meetings online, we will create opportunities to meet with investors in person as the pandemic recedes.

In May 2022, when we disclosed once again our Long-term management plan SG-Vision 2030, one of our investors commented, "I now understand the direction in which the ShinMaywa Group is heading thanks to the fact that the plan based on a long-term view has been presented in an organized manner." Through the meetings, we feel that more attention is being paid to the progress of this plan and the degree to which it has been achieved. We will continue to make every effort to ensure that the ShinMaywa Group's direction and activities are well understood.

Society is changing at a dramatic pace. In this environment, sustainable growth cannot be achieved through half-hearted efforts. With our management philosophy in mind, we will focus our financial efforts to become a corporate group that is needed by global society through the realization of our Long-term vision oriented toward the year 2030. I would like to thank all our stakeholders for their continuing support.

At a Glance

Segment topics

Key developments for the fiscal year ended March 31, 2022 (April 2021 to March 2022) (extracted mainly from press releases)

* Sales figures have been rounded down to the nearest million yen and percentages to the nearest whole number.

Special Purpose Truck Business

- Acquired shares of OSK, Ltd. and WAKO, Ltd. (July)
- Launched loader dump truck with F-gate (November)
- Delivered an EV garbage truck (refuse compactor) to Atsugi-shi, Kanagawa (March 2022)



EV garbage truck (refuse compactor) delivered to Atsugi-shi

Parking Systems Business

- Delivered two units of our ELEPARK® elevator type car parking systems to the private office project Vanissa Building, marking our first delivery in Thailand (June)
- An ELEPARK® unit completed on the grounds of G-PARK Co., Ltd. (Bangkok), a local partner, as Thailand's first mechanical car parking system showroom (June)
- Delivered 4 units of ELEPARK® to the Council of Engineers Thailand, a Thai technical accreditation organization (March 2022)



Mechanical car parking system showroom (Bangkok, Thailand)

Fluid Business

- Acquired shares of TurboMAX Co., Ltd. (South Korea) (June)



TurboMAX's flagship product, air foil bearing turbo blower

Industrial Machinery & Environmental Systems Business

- Received an order (for material recycling promotion facility) from Tenri-shi, Nara (December)



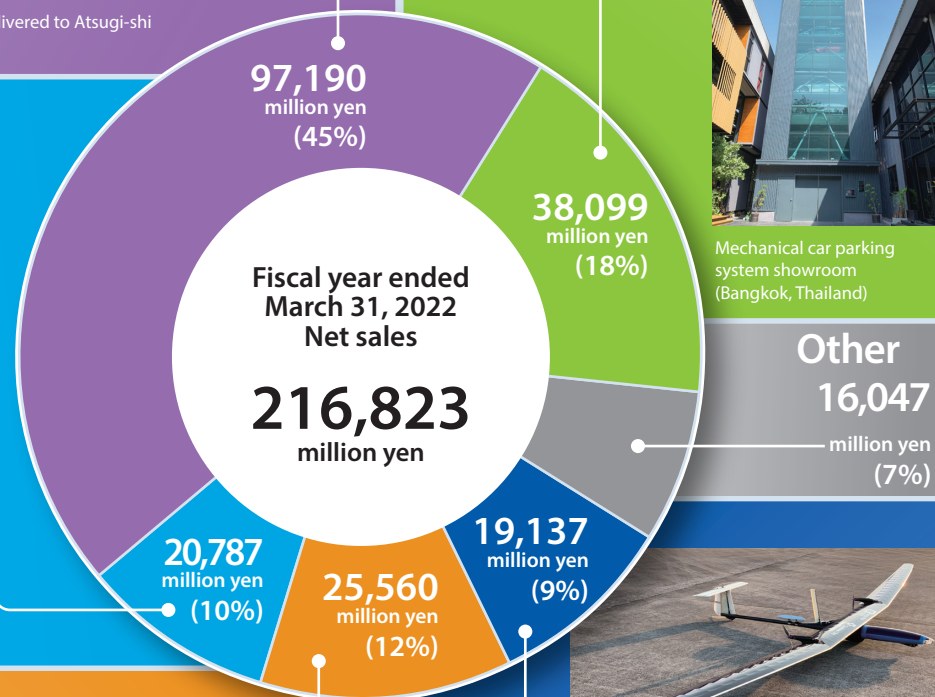
Rendering of material recycling promotion facility

Aircraft Business

- Concluded an agreement with Yamaha Motor Co., Ltd. for joint research on next-generation small aircraft (June)
- Acquired shares of Tenryu Aero Component Co., Ltd. (July)
- Conducted Japan's first aerial photography survey of marine debris through the level 3 flight of a fixed-wing unmanned aircraft in Tsushima-shi, Nagasaki (October to November)
- Proposal titled "Research and Development of Large Integrally Molded Aileron" submitted for NEDO's Green Innovation Fund Project: Next-Generation Aircraft Development was adopted (November)



Fixed-wing unmanned aircraft XU-5



Special Purpose Truck Business



Positioning

- The origin of the business is a contract to repair US military vehicles shortly after World War II. It has since expanded to include construction vehicles as well as special purpose trucks for environmental maintenance and logistics, becoming the Company's core business.

- It serves an important role in the social infrastructure business necessary to develop and maintain infrastructure and enrich the living environment.

Social issues to be solved

- Stable supply of products and services that help solve environmental problems
- Response to labor shortage due to population decline, falling birthrate, and population aging

- Prevention and early recovery from natural disasters, which have been on the rise in recent years

Strengths

- Ability to access abundant market information due to the high market share of its core products
- Capability to develop not only truck bodies, but also functional components that are optimal for bodywork
- One of the largest service networks in the industry in Japan (approximately 700 service stations)

- Ability to design a wide variety of products and make proposals based on production experience, developed by giving shape to products that meet user needs, while complying with vehicle regulations and chassis manufacturer standards

Business opportunities

- Construction demand based on government-promoted disaster countermeasures
- Demand for new construction and maintenance/renewal of social infrastructure
- New demand for special purpose trucks that can be easily and safely operated by anyone

- In the overseas market, local truck body builders use our key components when mounting truck bodies onto chassis manufactured locally
- Provision of products and services adapted to the electrification of vehicles, etc.

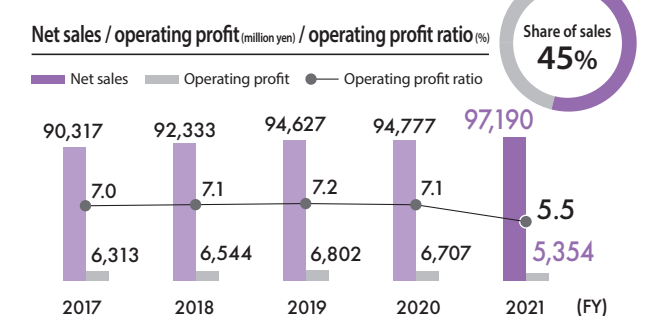
Strategic action

- Strengthen product development and services by building close relationships with users
- Develop special purpose trucks and services adapted to connected, autonomous, shared, and electric (CASE) mobility

- Strengthen overseas expansion by leveraging development capabilities in key components

Business overview

The slowdown in production activities due in part to delays in procurement of key components, which became apparent in the second half of FY2021, is expected to continue for a certain period of time in FY2022. In addition, steel prices and other prices continue to rise, and profitability is currently deteriorating. Although we have been implementing price revisions since the spring of 2022, as of the end of FY2021 we had an order backlog (for this business segment as a whole) of more than 10 months at the old prices, and we expect profit improvement to be delayed until FY2023.



Parking Systems Business



Positioning

- The business has contributed to the resolution of motorization-induced urban parking shortages and to the globalization-driven development of airport infrastructure around the world.
- It has formed trust with society through the provision of products including mechanical car parking systems and aircraft passenger boarding bridges for nearly 60 years.

- The business focuses not only on product delivery and installation, but also on post-installation after-sales service.
- It will continue to contribute to the advancement of urban and transportation infrastructures, which the ShinMaywa Group is aiming for.

Social issues to be solved

- Response to the motorized society of the future by creating a parking solution business adapted to changes in mobility (electrification, automation, etc.)

- Response to the need for new construction and expansion of airports in response to global growth in the number of passengers
- Response to the motorization and urbanization of Southeast Asian countries

Strengths

- One of the industry's leading maintenance organizations with approximately 400 service technicians in 49 locations across Japan
- Seismic design technology that integrates architecture and machinery, heavy-lift transport technology, safety design technology for people, vehicles, and aircraft, and maintenance service technology

- Ability to develop products and services using sensing, IoT, and AI technologies
- One-stop support encompassing sales, development, design, manufacturing and service

Business opportunities

- Mechanical Car Parking Systems**
- Needs for new systems in anticipation of automobile electrification and automated driving; needs for parking lots for luxury vehicles that provide secure parking
 - Growth of the parking systems market in Southeast Asia

- Aircraft Passenger Boarding Bridge**
- Increase in the number of aircraft operated and plans for new construction/expansion of airports in line with global growth in the number of passengers

Strategic action

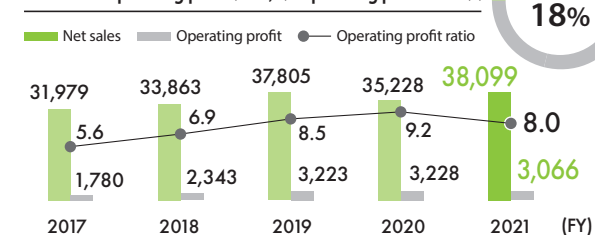
- Mechanical Car Parking Systems**
- Develop mechanical car parking systems in anticipation of the spread of electric vehicles and self-driving vehicles
 - Provide new services that enhance user convenience
 - Provide parking systems to meet new needs, such as parking for luxury cars
 - Propose business model for the provision of planning to operation and management, in addition to facilities
 - Expand parking system business in Thailand and promote marketing activities in Southeast Asian countries

- Aircraft Passenger Boarding Bridge**
- Develop products that contribute to rationalization and labor saving in airport operations while pursuing user safety and comfort
 - Expand strategic sales regions (Middle East, North America, etc.)
 - Apply fully-automated boarding bridge system functions to airport ground handling operations

Business overview

Although the environment for orders for aircraft passenger boarding bridges, which account for a portion of sales of this business, remains difficult due to the COVID-19 pandemic, orders for the mainstay mechanical car parking systems are expected to remain strong for new construction projects, as well as for maintenance and renovation projects, which are our main earnings drivers.

Net sales / operating profit (million yen) / operating profit ratio (%)



Share of sales
18%

Industrial Machinery & Environmental Systems Business



Positioning

- The mechatronics-related business, whose main products are automatic electric wire processing systems and vacuum systems, provides production equipment needed by related industries on a global basis.

- In the environmental systems business, which mainly involves the construction and operation of environmental facilities (refuse transfer station system and refuse resources recycling centre), we contribute to society by building a recycling-based society and reducing CO₂ emissions.

Social issues to be solved

- Mechatronics products**
- Contribution to CASE in the automotive industry
 - Development of new production facilities, particularly in line with next-generation technology innovations such as the shift to electric vehicles (EVs) and automated driving
 - Contribution to carbon neutrality by providing secondary battery facilities

- Environment-related business**
- Provision of facilities for wide-area treatment and aggregation of refuse in line with the decreasing amount of refuse generated due to population decline, as well as technology to compensate for labor shortages at these facilities

Strengths

- Mechatronics products**
- Comprehensive lineup of vacuum systems, including vacuum drying systems for secondary batteries and vacuum deposition systems (evaporation systems) for lamps, primarily for the automotive industry, and vacuum equipment and component products for the power semiconductor market
 - High competitiveness in the automotive wire harness industry with our detailed technical response to customer-specific specifications, excellent production capability, and processing quality
 - Global service network covering regions with auto-related production facilities
Vacuum systems: 23 locations in 10 countries (including 16 distributors)
Automatic electric wire processing systems: 28 locations in 14 countries (including 13 distributors)

- Environment-related business**
- Track record of continuously carrying out construction, maintenance, and management of social infrastructure related to refuse treatment
 - An expanded stock business achieved by undertaking the entire process from construction to operation of environmental facilities (refuse transfer station system and refuse resources recycling centre) with our proprietary technologies and extensive track record (number of facilities operated: 22)
 - Development of new business in China, from designing and manufacturing to operating wastewater treatment systems for environmental facilities (refuse transfer station systems, landfill sites, etc.)

Business opportunities

- Mechatronics products**
- Global deployment of equipment with enhanced productivity and reliability to meet the rapidly growing demand for secondary batteries due to the promotion of the shift to EVs
 - Increased demand for wire harnesses and the diversification and increased adoption of special electric wires for EVs, self-driving vehicles, etc.

- Expansion of sales of special motor products to the diversifying electrification industries (hydroelectric power generation systems, semiconductor manufacturing systems, aerospace, etc.)
- Environment-related business**
- Increased demand for renewal of environmental facilities (refuse transfer station system and refuse resources recycling centre)

Strategic action

- Mechatronics products**
- Develop a new type of vacuum drying system utilizing vacuum and automation technologies to meet the diversifying needs of secondary battery manufacturers
 - Establish a new plant and production system to meet the rapidly increasing demand in the secondary battery market
 - Develop processing systems for special electric wires used in EVs and self-driving vehicles

- Promote initiatives applying IoT and AI as appropriate for each overseas region
- Environment-related business**
- Provide automation and labor-saving systems that make full use of AI and IoT in environmental facilities, and construction of systems to supplement stable operation of related facilities through remote monitoring technology

Business overview

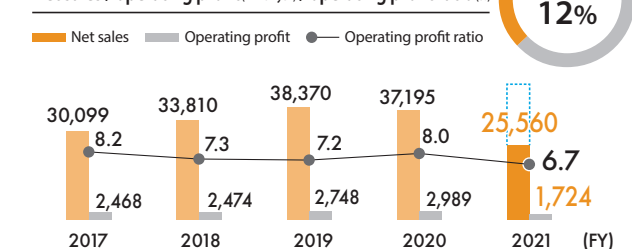
Mechatronics products

The business is recovering in line with the recovery of the automotive industry's intention to invest. In particular, our consolidated subsidiary in South Korea, which manufactures and sells vacuum drying system for lithium-ion secondary batteries for EVs, is seeing an increase in the number of inquiries.

Environment-related business

Demand for plant projects (new construction and renewal projects) is strong. The accompanying increase in stock business is also supporting the segment's performance.

Net sales / operating profit (million yen) / operating profit ratio (%)

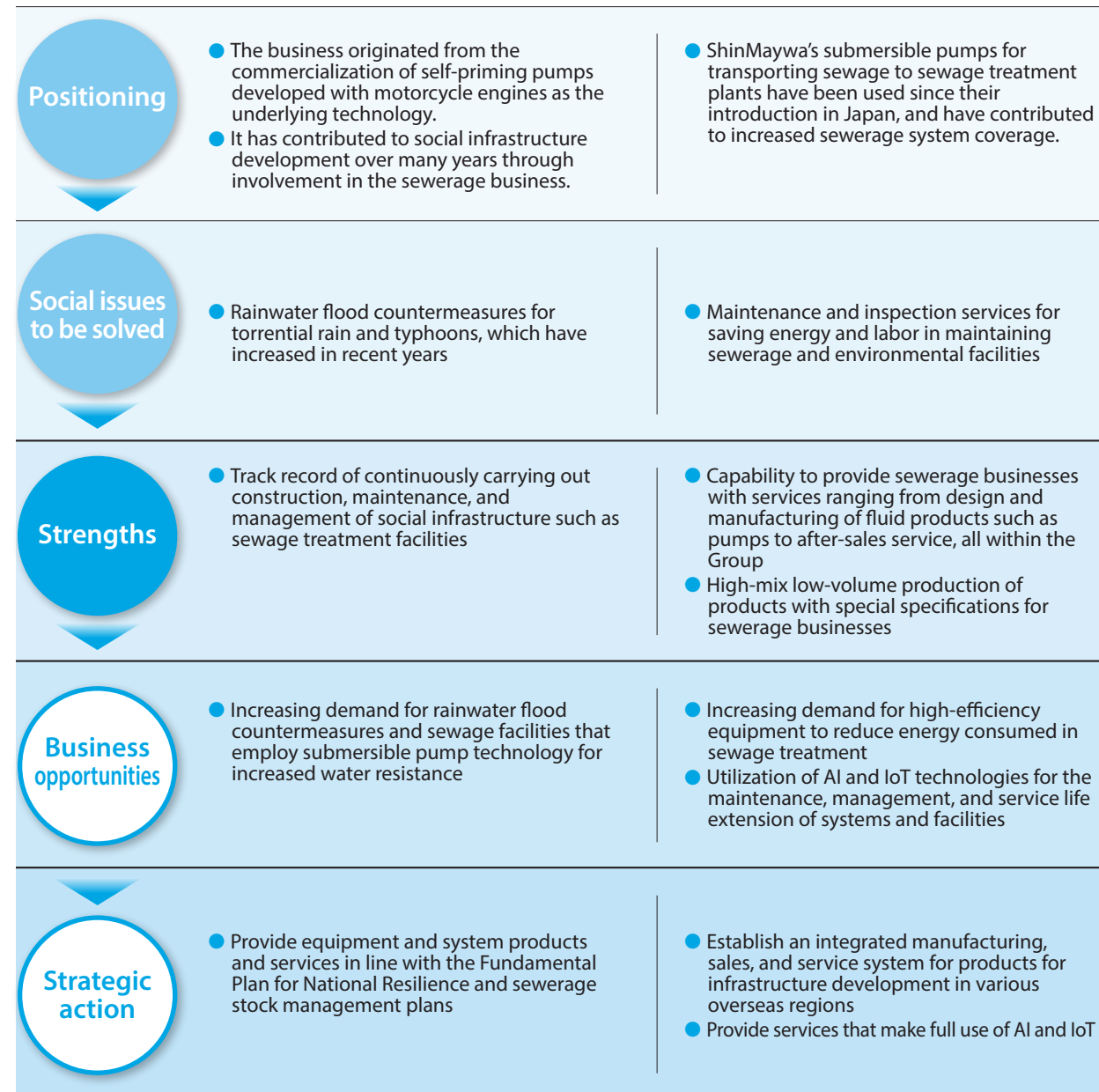


Share of sales
12%

Includes Fluid Business until FY2020. Shown separately from FY2021 (Page 33). The broken line in the graph for FY2021 shows the scale of business including the Fluid Business.



Fluid Business



Business overview

In addition to a recovery in private-sector demand, public sector demand is also expected to be firm in the maintenance and service business, as well as for renewals to achieve zero-emissions, stock management, and waterproofing against flooding. In addition, sales of the mainstay product (turbo blowers) of a consolidated subsidiary in South Korea are growing in India, Europe, and China, and with the same product also contributing to the development of new customers in Japan, overall sales are expected to be strong.

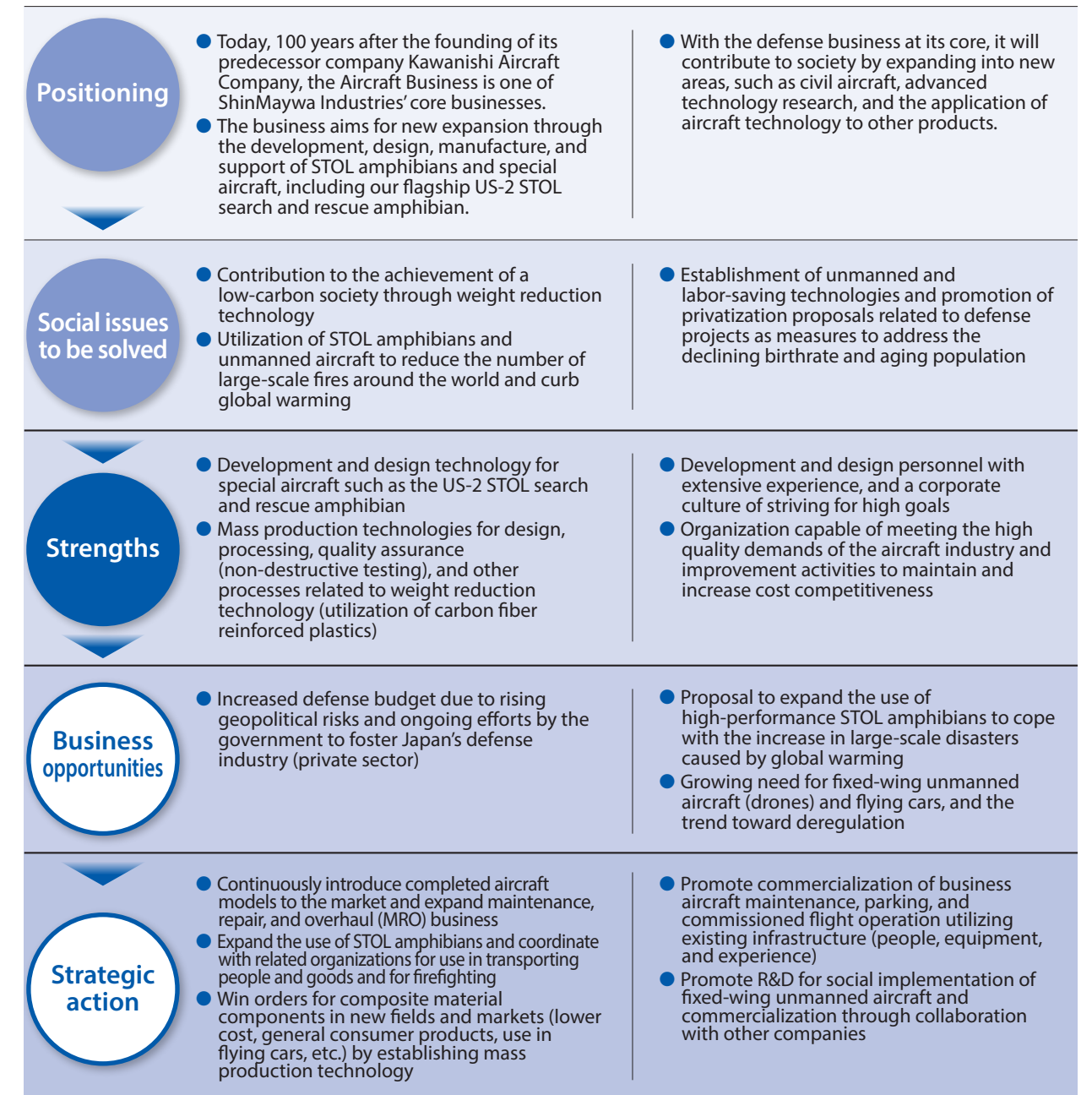
Net sales / operating profit (million yen) / operating profit ratio (%)

Net sales Operating profit Operating profit ratio

Financial information of the Fluid Business is being disclosed separately from the Industrial Machinery & Environmental Systems Business starting from the first quarter of FY2021.



Aircraft Business

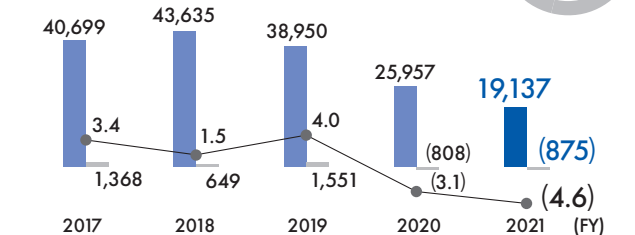


Business overview

Private-sector demand for aircraft continues to remain sluggish due to the decline in passenger demand caused by the COVID-19 pandemic, and recovery in the market for medium and large aircraft is not expected until FY2023 or later. On the other hand, for the Ministry of Defense, workload is expected to increase due to the order for a US-2 STOL search and rescue amphibian (No. 9), and capacity utilization is expected to increase accordingly.

Net sales / operating profit (million yen) / operating profit ratio (%)

Net sales Operating profit Operating profit ratio



Key ESG Issues (Materiality)

The ShinMaywa Group has identified material issues based on ESG perspectives in order to implement sustainability management and realize its long-term vision. Sustainability management will support our long-term business strategies for accelerating profit growth, and it aims to improve business sustainability through consideration of environmental, economic, and social sustainability. Going forward, we will work to sustainably enhance our corporate value by promoting the resolution of these issues.

Key ESG issues (Materiality)	Crucial themes	Key KPIs and Targets	Status in FY2021 and future outlook
Preventing global warming	Reducing greenhouse gas emissions from production activities (Scope 1, 2)	● Total CO ₂ emissions from energy use Reduce total CO ₂ emissions by 38% in FY2030 (compared to FY2017) 42,720 t (FY2017 result) ⇒ 26,486 t (-16,234 t FY2030 target)	Total CO ₂ emissions in FY2021: 30,478 t-CO ₂ * ¹
	Providing products and services with less environmental impact	Develop and sell energy-saving and low-carbon products and provide low-carbon services and businesses	⇒ Page 29 “Business Strategies”
		Conduct scenario analysis for climate change based on TCFD recommendations	Initial analysis to be completed in FY2022
Contributing to a recycling society	Reducing waste	● Total waste generated FY2030 target: Reduce by 10% (compared to FY2020) Total waste in FY2020 (actual): 8,111 t FY2030 total waste (target): 7,300 t (811 t reduction)	FY2021 total waste generated: 7,685 t* ¹
Promoting diversity and inclusion	● Nurturing an organizational culture that respects and supports diversity (heterogeneity) Build systems, raise awareness, improve environment ● Acquiring diversity inherent in individuals Human resources training, human resources development, and recruitment of diverse human resources ● Creating opportunities for individuals to make use of their diversity and “Will” Improve business competitiveness (strengthen management foundations) and integrate with long-term business strategies	● Number of female managers FY2023 target: 30 (2%); FY2030 target: 60 (3%)	Number of female managers in FY2021: 27 (2.4%) (%: number of female managers/total number of managers)* ²
		● Number of women in assistant manager position or above FY2023 target: 100 (4%); FY2030 target: 230 (6%)	Number of women in assistant manager position or above in FY2021: 90 (4.0%) (%: number of women in assistant manager position or above/total number of people in assistant manager position or above)* ²
		● Ratio of non-Japanese managers FY2023 target: 10% or more; FY2030 target: 10% or more	Proportion of non-Japanese managers in FY2021: 9.7% (%: number of non-Japanese managers/total number of managers)* ²
		● Proportion of managers who are mid-career hires FY2023 target: 28% or more; FY2030 target: 28% or more	Proportion of managers who are mid-career hires in FY2021: 26.8% (%: number of managers hired mid-career/total number of managers)* ²
Establishing comfortable workplaces		Conduct employee survey (issue identification)	Issue identification to be completed in FY2022
		Implement human rights due diligence based on Human Rights Policy	Starts in FY2023
		Acquire certification as a Health & Productivity Management Organization	Planned to be certified in FY2022
		Acquire national “Eruboshi” certification	Planned to be certified in FY2023 or later
Enhancing corporate governance systems	Strengthening the supervisory function of the Board of Directors	Clarify the skills and experience required of members of the Board of Directors	Utilization of the skills matrix ⇒ Page 42 “Corporate Governance”
		Ensure the systematic development and diversity of management personnel	Began operation of the succession plan in August 2021
	Ensuring legitimacy in execution of duties	Instill awareness of compliance among executives and employees	Regular implementation of awareness-raising activities and awareness surveys (once a year)
		Develop a control environment that includes subsidiaries	Establishment of a set of corporate regulations that also apply to subsidiaries (to be completed during FY2022)
Establishing and strengthening risk management systems	Establishing and strengthening of company-wide risk management systems	Develop a risk management system that includes subsidiaries and monitor important risks	Periodic reporting to the Executive Committee and Board of Directors (twice a year)
		Develop business continuity plans (BCPs) for natural disasters, infectious diseases, etc.	Training and review based on the results of implementation (once a year)
	Strengthening electronic information management systems	Review wide area networks (WANs), reform security regulations, and strengthen incident responses	Building of an external connection network (SD-WAN) (planned for FY2022)
	Ensuring quality and safety	Understand and support the status of quality control and product safety risk information, including subsidiaries	Continuous improvement based on monitoring results and ongoing sharing of product safety risk information and alerts
	Promoting CSR procurement	Formulate CSR requirements and build systems to execute CSR procurement rationally/effectively/continuously	Issuance of the ShinMaywa CSR Procurement Guidelines (FY2022) Establishment of a portal site for suppliers (planned for FY2023)

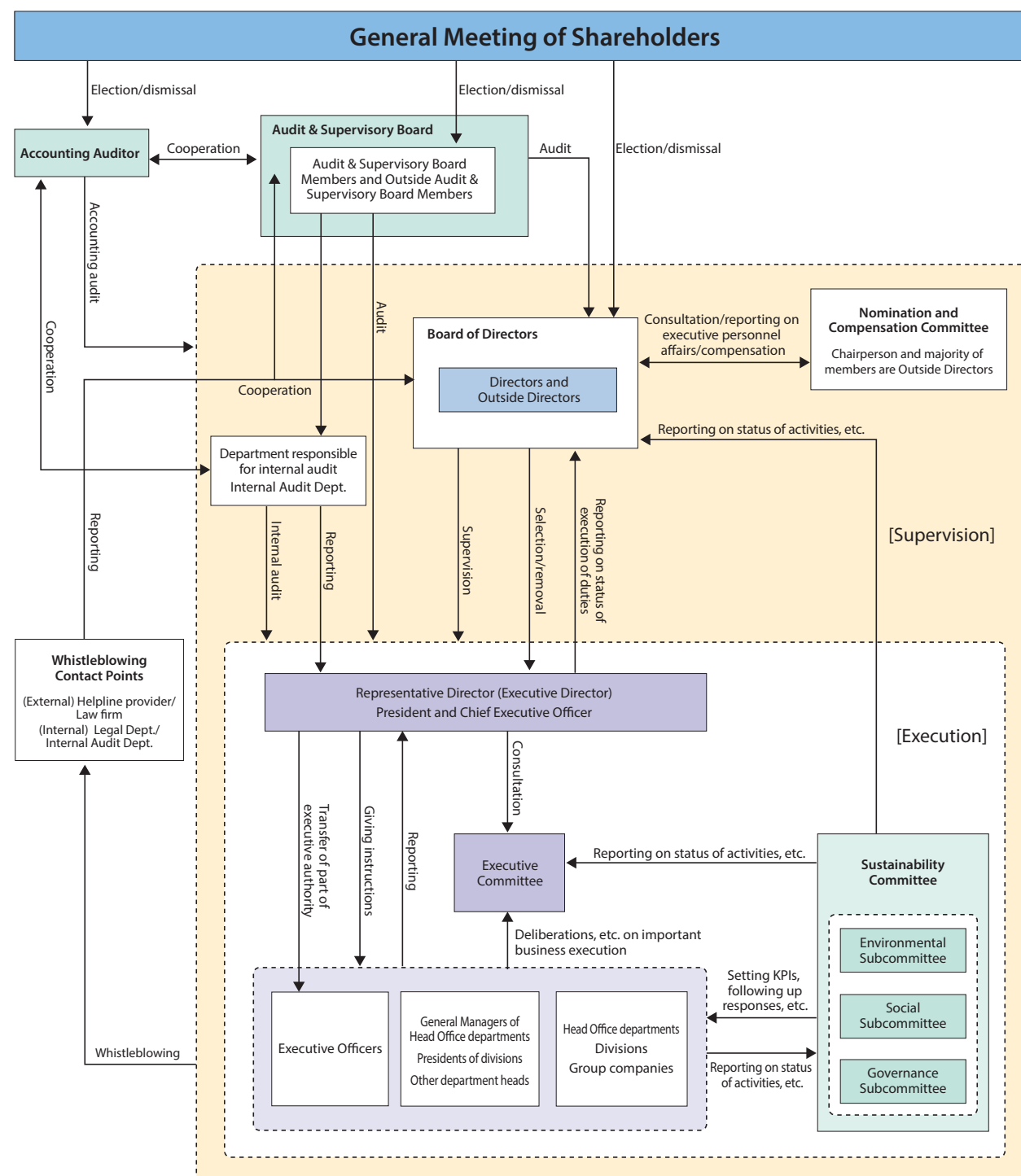
*1: Non-consolidated figures, *2: Figures for the Group as a whole

Corporate Governance

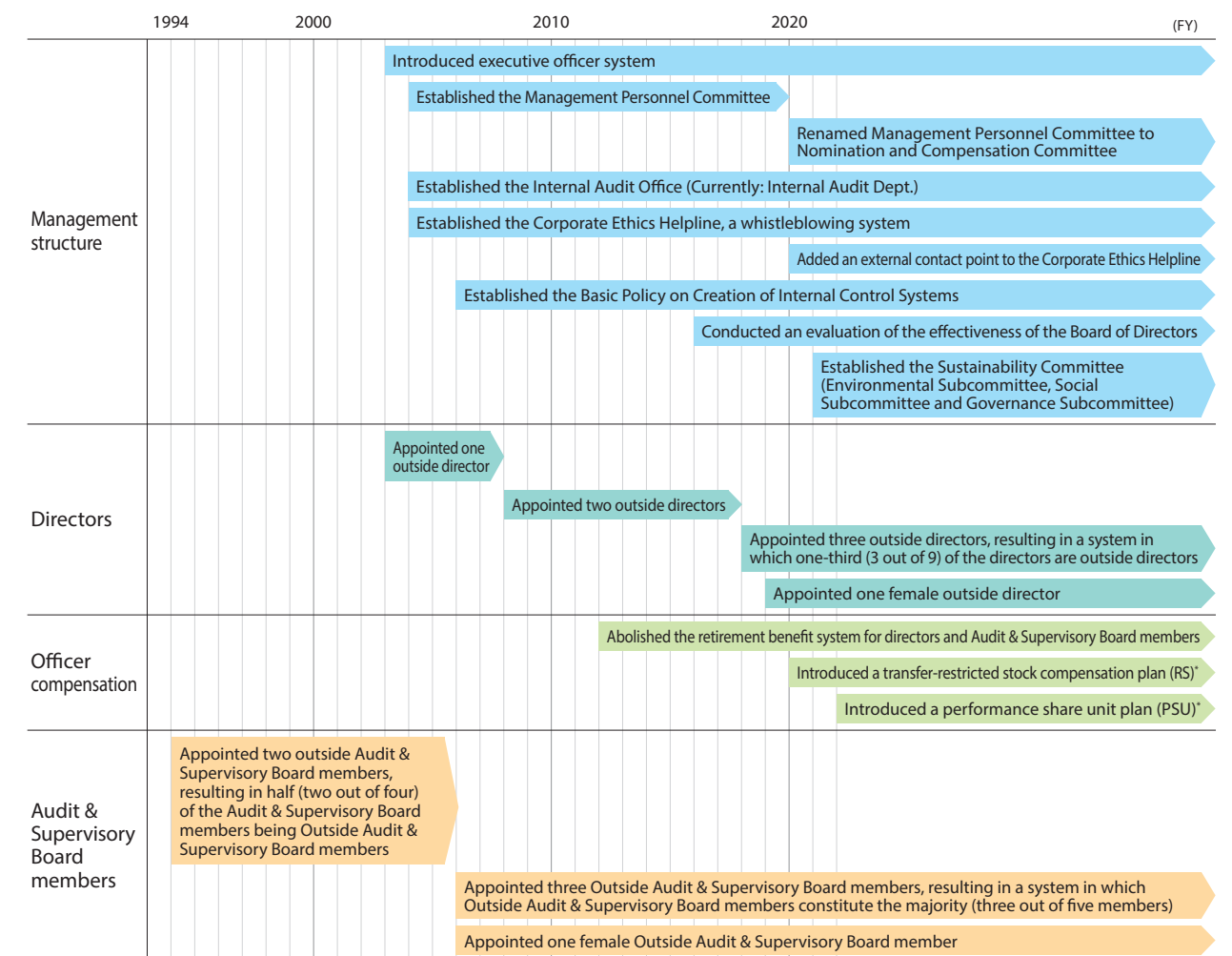
Basic approach

The ShinMaywa Group conducts corporate activities in accordance with relevant laws and regulations, as well as with social norms and common sense, and also ensures transparency and rationality in its management in order to sustainably increase its corporate value. In doing so, we believe that it is vital to create and operate a corporate governance system and also to continuously review and improve that system.

Corporate governance system



Governance system timeline



* Outside directors and Audit & Supervisory Board members are not eligible.

Management and execution structure

As part of its institutional design based on the Companies Act, ShinMaywa Industries has adopted the Company with a Board of Company Auditors system. It has introduced an executive officer system subsequent to establishment of the General Meeting of Shareholders, Board of Directors, Audit & Supervisory Board, and accounting auditor. The Company has adopted an executive officer system intended to strengthen management functions by transferring authority over individual business operations to executive officers in order to speed up decision-making processes and clarify executives' responsibilities while freeing up the Board members (Board of Directors) to focus on evaluating individual businesses, making decisions about the allocation of management resources, and exercising supervision over business operations from a company-wide perspective. Through this executive officer system, the Company aims to enhance its corporate governance and realize higher operational efficiency. In addition, from the perspective of building an effective governance structure, we have established an Executive Committee, a Sustainability Committee, and an Internal Audit Dept.

Board of Directors

The Company currently has nine directors, of which one-third (three) are outside directors. The Board of Directors' meetings are held once a month, in principle, to discuss and consider important management issues based on the medium- and long-term management plan and to monitor the execution of duties by Board members as appropriate. The outside directors are mainly expected to monitor management of the Company from an objective position that is independent of the management personnel, provide advice on management and provide broad and diverse perspectives for realizing increasing corporate value and sustainable growth over the medium to long term. They are selected from among persons who have management experience and other diverse experience, skills, and expertise and are effectively independent of the Company.

■ Audit & Supervisory Board

The Company has five Audit & Supervisory Board members, three of whom are outside Audit & Supervisory Board members.

Each Audit & Supervisory Board member attends the meetings of the Board of Directors and other important meetings to hear reports on the Company's operations from officers and employees, and audits the status of the execution of duties by directors. They also confirm the appropriateness of the auditing methods and audit results of the accounting auditor.

Applying their varied experience and backgrounds, Outside Audit & Supervisory Board members help to ensure neutrality and effectiveness of auditing by expressing their opinions on the execution of duties by directors, mainly from the perspectives of expertise in their specialized fields.

The Audit & Supervisory Board meets regularly with the president and chief executive officer to receive reports on the status of management and operations, and to exchange opinions based on the status and findings of the audit conducted by the Audit & Supervisory Board members. In addition, information and opinions are exchanged between Audit & Supervisory Board members and outside directors for the purpose of enhancing discussions at the meetings of the Board of Directors.

■ Nomination and Compensation Committee

The Company has voluntarily established a Nomination and Compensation Committee with a view to further improving the transparency and appropriateness of personnel affairs and compensation programs. The Committee is consulted in advance when selecting candidates for executive positions and determining executive compensation and bonuses.

The majority of the Committee members and the chairperson are outside directors, and this ensures the independence and fairness of the Committee.

■ Executive Committee

The Company has established the Executive Committee as an advisory body to the president, and it meets several times a month for the purpose of discussing medium- to long-term management plans, formulating Company-wide management strategies, and deliberating and reporting on important matters related to business execution.

■ Sustainability Committee

The Company has established a Sustainability Committee with the aim of promoting sustainability management that takes environmental (E), social (S), and governance (G) factors into account to sustainably enhance corporate value and create social value. The Committee is chaired by the executive officer in charge of sustainability and is composed of members including executive officers in

charge of *monozukuri* and of human resources and legal affairs. The Committee determines materiality and sets KPIs related to the ESG factors, and reports and makes proposals to the Board of Directors and the Executive Committee regarding the results of monitoring on the progress of related measures and other actions.

- Review and discuss management policies, issues, indicators, etc. related to CSR
- Review, discuss, and decide on matters to be discussed at the meetings of the Executive Committee and the Board of Directors
- Monitor the status of issue resolution and achievement of indicators, and make recommendations
- Report and express opinions to the Executive Committee and the Board of Directors on the status of achievement and improvements made, etc.
- Review and discuss the disclosure of CSR information through the Company's website and Integrated Reports, etc.

■ Internal Audit Dept.

The Internal Audit Dept. is in charge of internal audits in the ShinMaywa Group and consists of 12 members. Based on the annual audit plan, the Internal Audit Dept. verifies whether the internal control functions of the Company and its Group companies are functioning effectively, and makes proposals for improvement and streamlining based on the results. The results of internal audits are compiled into an audit report, which is presented to the Board of Directors.

Audit & Supervisory Board members, the accounting auditor, and the Internal Audit Dept. work together and coordinate with each other to conduct efficient audits.

■ Accounting auditor

Grant Thornton Taiyo LLC has been appointed as the accounting auditor in accordance with the Companies Act and the Financial Instruments and Exchange Act.

■ Appointment of officers

The Company clearly defines the experience, skills, and expertise that members of the Board of Directors should possess, and selects candidates for the Board of Directors from among those who possess such qualifications.

In addition, in order to make the evaluation and responsibilities of the management team clear, the term of office of directors and executive officers is set at one year, and a Nomination and Compensation Committee has been established to further improve the transparency and appropriateness of related personnel affairs and compensation programs.

■ Officer compensation

Directors' compensation consists of monthly compensation (fixed compensation), bonuses (performance-linked compensation), and stock compensation (non-monetary compensation). In addition, the compensation level is designed to serve as motivation for medium- to long-term performance improvement and the sustainable enhancement of corporate value based on our management philosophy and long-term vision, as well as an incentive to attract and retain excellent management personnel.

Stock compensation consists of a transfer-restricted stock compensation plan (RS), under which transfer restrictions are lifted upon retirement from the position of director, and a performance share unit plan (PSU), under which the payment rate is determined in the range of 0% to

200% based on the achievement rate of numerical targets during a certain performance evaluation period. On the other hand, outside directors and Audit & Supervisory Board members are paid only a monthly compensation (fixed compensation) in light of their role in supervising the Company's management from an independent and objective standpoint.

The Nomination and Compensation Committee, the majority of whose members are outside Directors, has been established to enhance the transparency and appropriateness of compensation. In determining the compensation of officers, the Committee is consulted in advance, and the Board of Directors adopts a resolution based on the Committee's report.

(Note) The performance share unit plan (PSU) was introduced in June 2022.

Composition of compensation (FY2022)

Basic compensation	Performance-linked compensation		
Fixed compensation	Annual bonus	RS	PSU
60%	25%	8%	7%

(Note) The share indicated for each compensation is for a standard model case (average of eligible officers) calculated based on the standard amount for when performance targets are achieved.

Details of compensation (FY2021)

Officer category	Total compensation (million yen)	Total compensation by type (million yen)			Number of officers eligible
		Basic compensation	Performance-linked compensation	Non-monetary compensation	
				RS	
Directors (of which, outside directors)	310 (28)	204 (28)	79 (—)	27 (—)	9 (3)
Audit & Supervisory Board members (of which, outside Audit & Supervisory Board members)	50 (18)	50 (18)	— (—)	— (—)	5 (3)

Details of the Board of Directors effectiveness evaluation and questionnaire survey

The Company has commissioned an outside organization to conduct a questionnaire survey of directors and Audit & Supervisory Board members regarding the effectiveness evaluation of the Board of Directors.

Given that the majority of opinions heard through the survey was on the positive side, we have judged that the directors and Audit & Supervisory Board members believe that the effectiveness of the Company's Board of Directors is ensured.

In this questionnaire survey, we received many recommendations for further improving the effectiveness of the Company's Board of Directors. From among the recommendations, we have identified the following as particular challenges.

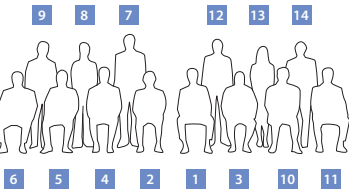
- Enhancing the monitoring of the progress of the medium-term management plan and the status of sustainability-oriented management initiatives

- Enhancing the discussions on the effective use of management resources, including growth investments and business portfolio management, and on the allocation of management resources from the perspective of overall optimization
- Enhancing the monitoring of human resource development and succession planning
- Strengthening the monitoring and supervision system for internal controls, including those of Group companies

Based on these recommendations, we decided to further enhance the discussions at Board of Directors meetings by developing an annual plan for the main agenda items to be discussed and by providing opportunities to discuss the agenda items related to each of the proposed issues without omission.

By implementing these measures, the Company will strive to further enhance the effectiveness of the Board of Directors as a means of improving corporate value.

Directors and Audit & Supervisory Board Members



Position/Name Career summary	
1	Tatsuyuki Isogawa President & CEO Apr. 1983 Joined the Company Apr. 2014 Executive Officer, President of Parking Systems Div. Jun. 2015 Director, Member of the Board Apr. 2017 Representative Director (up to present) President and Chief Executive Officer (up to present)
2	Kanji Ishimaru Director, Member of the Board, Deputy Chief Executive Officer, (Research & Development, Sustainability, and Digital Transformation Management) Apr. 1982 Joined the Company Apr. 2012 Managing Executive Officer President of Aircraft Div. Jun. 2012 Director, Member of the Board (up to present) Aug. 2018 Deputy Chief Executive Officer (up to present) Vice President of Corporate Planning Div. (up to present)
3	Katsuyuki Tanuma Director, Member of the Board, Senior Managing Executive Officer (Monozukuri [Manufacturing/procurement/production technology/quality assurance] Management) Apr. 1974 Joined the Company Apr. 2016 Managing Executive Officer President of Special Purpose Truck Div. Jun. 2016 Director, Member of the Board (up to present) Apr. 2017 Senior Managing Executive Officer (up to present)
4	Akira Nishioka Director, Member of the Board, Managing Executive Officer (Legal Affairs Management) Apr. 1982 Joined the Company Apr. 2013 Executive Officer General Manager of Human Resources & General Affairs Dept. (up to present) Apr. 2017 Managing Executive Officer (up to present) Jun. 2019 Director, Member of the Board (up to present)
5	Toshiki Kume Director, Member of the Board, Managing Executive Officer Apr. 1989 Joined the Company Apr. 2014 General Manager of Finance & Accounting Dept. (up to present) Apr. 2019 Managing Executive Officer (up to present) Jun. 2019 Director, Member of the Board (up to present)

Position/Name Career summary	
6	Takashi Kuniyara Director, Member of the Board, Managing Executive Officer (Sales and International Business Management) Apr. 1985 Joined the Company Apr. 2012 Executive Officer President of Fluid Div. Apr. 2016 Managing Executive Officer (up to present) Apr. 2022 Vice President of New Business Strategic Div. (up to present) Jun. 2022 Director, Member of the Board (up to present)
7	Yoshifumi Kanda Outside Director, Member of the Board Apr. 1974 Joined Hitachi, Ltd. Apr. 2012 Vice President and Executive Officer., Deputy General Manager, Corporate Sales & Marketing Group, and General Manager, Domestic Division, and General Manager, CS Promotion Center, and General Manager, Power Management Division, Power Systems Company, Power Systems Group, Hitachi, Ltd. Jun. 2017 Outside Audit & Supervisory Board Member Outside Director, Member of the Board of RENESAS EASTON Co., Ltd. (current Glosel Co., Ltd.) (up to present) Jun. 2018 Outside Director, Member of the Board (up to present)
8	Seiko Nagai Outside Director, Member of the Board Apr. 1983 Joined Japan Airlines Co., Ltd. Oct. 2014 Manager, Cabin Attendants Section 4, Haneda Airport, Japan Airlines Co., Ltd. Apr. 2015 Professor, College of Foreign Studies, Kansai Gaidai University (up to present) Jun. 2019 Outside Director, Member of the Board (up to present) Jun. 2021 Outside Director of the Board, Oji Holdings Corporation (up to present)
9	Toshiyuki Umehara Outside Director, Member of the Board Apr. 1984 Joined Nitto Denko Corporation Jun. 2019 Representative Director, Senior Executive Vice President, CTO, concurrently CIO of Nitto Denko Corporation Jul. 2020 Executive Director (part-time) at Hokkaido University (up to present) Aug. 2020 Project Professor at Keio University (up to present) Jun. 2021 Outside Director of FUJI OIL HOLDINGS INC. (up to present) Jun. 2022 Outside Director, Member of the Board (up to present) Outside Director of DAIIICHI KIGENSO KAGAKU KOGYO CO., LTD. (up to present)
10	Koji Nishida Full-Time Audit & Supervisory Board Member Apr. 1984 Joined the Company Apr. 2013 General Manager of the Internal Audit Office Jun. 2019 Full-Time Audit & Supervisory Board Member (up to present)

Position/Name Career summary	
11	Tadahiro Shimasaka Full-Time Audit & Supervisory Board Member Apr. 1980 Joined the Company Jun. 2014 Senior Vice President, Fluid Div., and General Manager, Business Development Dept. Jun. 2021 Full-Time Audit & Supervisory Board Member (up to present)
12	Tomosaburo Kinda Outside Audit & Supervisory Board Member Apr. 1974 Joined Taiyo Kobe Bank, Ltd (current Sumitomo Mitsui Banking Corporation) Oct. 2002 General Manager, Dojima Corporate Business First Office of Sumitomo Mitsui Banking Corporation Mar. 2009 Director, Managing Executive Officer and General Manager of Administration Division, Noritz Corporation Jun. 2018 Outside Audit & Supervisory Board Member (up to present)

Position/Name Career summary	
13	Eri Sugiyama Outside Audit & Supervisory Board Member Oct. 2001 Registered as a lawyer Joined Habataki Law Office Jul. 2013 Partner of Habataki Law Office (up to present) Jun. 2018 Outside Audit & Supervisory Board Member (up to present) Apr. 2022 Professor of Legal Practice at Kobe University Graduate School of Law (up to present)
14	Fumihiko Kimura Outside Audit & Supervisory Board Member Nov. 1976 Joined Tohmatsu Awoki & Co. (current Deloitte Touche Tohmatsu LLC) Mar. 1980 Registered as certified public accountant Jun. 2015 Auditor of The Kyoto University Foundation (up to present) Jan. 2019 Director of Fumihiko Kimura Certified Public Accountant Office (up to present) Jun. 2019 Outside Audit & Supervisory Board Member of KATSUYAMA KIKAI, LTD. (up to present) Jun. 2020 Outside Audit & Supervisory Board Member (up to present)

Skills matrix for directors and Audit & Supervisory Board members

	Management experience	Experience in multiple businesses	Finance (Accounting/ Capital policy)	Legal affairs (Compliance/ Risk management)	Corporate strategy (Corporate planning)	Human Resources (Labor affairs/ Human resource development)	Monozukuri (Manufacturing/ procurement/ production technology/ quality assurance)	Sales (CS/service/ marketing)	Engineering (R&D)	International experience	Sustainability (ESG)	Digital transformation (ICT)
Tatsuyuki Isogawa	●	●			●				●			
Kanji Ishimaru	●	●		●	●				●	●	●	●
Katsuyuki Tanuma	●				●		●		●			
Akira Nishioka	●	●		●	●	●					●	
Toshiki Kume	●	●	●		●							
Takashi Kuniyara		●						●	●			●
Yoshifumi Kanda	●	●			●			●		●		●
Seiko Nagai						●		●		●		
Toshiyuki Umehara	●	●			●		●	●	●	●		●
Koji Nishida			●	●								
Tadahiro Shimasaka	●	●			●			●				
Tomosaburo Kinda	●	●	●	●	●	●					●	
Eri Sugiyama				●								
Fumihiko Kimura			●	●								

Tripartite Discussion: Outside Directors x Executive Vice President



Kanji Ishimaru
Director, Member of the Board
Deputy Chief Executive Officer
Vice President of Corporate Planning Division

Yoshifumi Kanda
Outside Director, Member of the Board

Seiko Nagai
Outside Director, Member of the Board

Mr. Kanda and Ms. Nagai, who serve as outside directors of ShinMaywa Industries, shared their views on the strengths and challenges of the Group and how they work with management toward achieving sustainable growth. Deputy Chief Executive Officer Ishimaru joined them as a moderator in the discussion.

A corporate culture of approaching everything with sincerity

Kanda I initially joined the Company's management as an outside Audit & Supervisory Board member. That was in 2017. The following year, I was appointed as an Outside Director, Member of the Board, a position I hold to the present day. As with other companies, strengthening corporate governance based on the Corporate Governance Code presented in 2015 was high on the

agenda for our management. I was assuming the position at a time when our supervisory function was growing further in importance, and was keenly aware of the weight of that responsibility.

Since then, I have been working at the Board of Directors to make recommendations that contribute to the sustainable growth and the enhancement of corporate value of the ShinMaywa Group. While leaving business execution matters to the executive team, my role is to constantly supervise whether the company is

Promoting sustainable growth for the ShinMaywa Group from an outside perspective

appropriately addressing social issues such as environmental, social, and governance (ESG) challenges and the SDGs. At the same time, we need to remain grounded in good judgment when carrying out our supervisory functions. I strive to absorb new knowledge every day so I can respond to the constantly changing circumstances that surround business management and fulfill my mission.

Nagai It has been three years since I became an Outside Director, Member of the Board of the Company. As I have been previously engaged in cabin attendant work at an airline company and other related positions, I am not an expert in corporate management. I believe that what the Company needed from me was judgment and oversight in line with general common sense. If I have doubts about something based on my own sense of values, I ask about it in a straightforward way and give my views on it. In particular, I often express the thoughts of employees who work in various fields on their behalf and point out issues such as the challenges of working in the male-dominated community that is so typical of Japanese companies.

Ishimaru It has been 10 years since I assumed the position of a director, member of the Board of the Company. During that time, when the strengthening of corporate governance was being required, the frank

opinions of the two of you and our other outside directors and auditors have been invaluable, and we truly appreciate the insight you give us from society's viewpoint.

Our outside directors and auditors place a strong emphasis on communication, frequently sharing information and exchanging opinions from day to day. And after a certain amount of discussion, they provide us with various advice. I feel that this has helped to vitalize the Board of Directors.

Nagai Sometimes I ask simple questions from a layperson's point of view, but the earnest way in which everyone answers my questions gives me a sense of the sincerity of the Company.

Kanda Ms. Nagai mentions sincerity, and I think that is exactly the way to describe it. To look at it the other way around, I believe that one of the challenges is that the Company has not been able to actively promote itself, perhaps due to reticence. Going forward, in order to accelerate our overseas expansion, we must be proactive in appealing to stakeholders about the Company's strengths and future aspirations. In particular, achieving what we set forth in our Long-term vision will require us to find partners in Japan and abroad. For us to take the initiative in those partnerships, we will need to communicate our ideas properly and proactively.

Nagai I agree.
In recent years, the Company has used social media such as Instagram and Facebook to actively share information about the Company in a way that is easy to understand. I feel that the Company is being proactive in sharing content with younger audiences, such as students who could potentially have a role in our business in the future.



Aiming to become a corporate group with a conglomerate premium

Kanda President Isogawa has shown strong leadership in policy design and operation with respect to corporate governance, and I feel that has vitalized the discussions of the Board of Directors. Each participant is thinking about and discussing the ShinMaywa Group's value enhancement in earnest from a long-term perspective. In addition, as a supervisor of management, we focus on making recommendations on the premise of our future vision. Meeting materials that form the basis for

discussion are provided ahead of the meeting. The information is easy for us as outside directors and auditors to understand so we can use these materials to summarize our thoughts in advance before the meeting.

Nagai The information that the Company provides is always well laid out and comprehensive.

Kanda On the other hand, when I think of how the ShinMaywa Group could increase its value, I sometimes wonder whether the strong independence of the business divisions could present a hurdle. It is important to have a lot of discussion to align everyone's understanding of how the organization should exercise control. While respecting the Group's historical background, the challenge is to achieve a management style that can be referred to as a conglomerate premium.

In addition, it is vital to transfer more authority to the executive side to ensure agility in management. I would like to continue discussing these issues at the Board of Directors.

Nagai When it comes to the business division-based organizational structure, I do not think there is a right or wrong answer. Instead of trying to align the organization by force, what's important is to gather executives and members of business divisions and headquarters to talk things through. I believe that is how to find the right solution for the Company. During my time at Japan Airlines Co., Ltd., the company went bankrupt, which was a tough experience to go through. But in the midst of the crisis, everyone listened to the message from top management and we discussed it seriously at each workplace. That made me aware of how the mindset can change within an organization. With that in mind, consider the ShinMaywa Group. President Isogawa has conveyed his thoughts to many people through Zoom, even during the COVID-19 pandemic. As

a result, it can be said that his ideas permeated those at the general manager level, but there is no guarantee that they are getting through to each business location and young employees. Mr. Kanda and I have often shared our thoughts on the operation of business divisions. This is a subject that I would also like to continue to discuss at the Board of Directors.

Ishimaru Thank you for your honest opinions. Every year, we use an external evaluation agency to carry out a survey targeting members of the Board of Directors about the operation of the Board of Directors. The evaluation agency made a comment that with no other company do they see so many opinions written into the free comments section. I see that as proof of the passion of the directors and Audit & Supervisory Board members who make up our Board of Directors. From time to time, we have changed how the Board of Directors meetings are run to better reflect members' individual ideas in the management of the Company. Currently, agenda items are divided into three categories: items for resolution, items to be reported, and items for deliberation. Management issues such as M&As and DX, which are essential for the realization of the Long-term management plan, are regularly reported and discussed. In addition, with regard to the succession plan for training management personnel, members of the Nomination and Compensation Committee have asked to visit each business division and meet with officer candidates on-site. I would like to move forward with that as soon as possible.

Nagai I am also a member of the Nomination and Compensation Committee, and I highly appreciate the fact that, starting from the current round of selection of director candidates, we have been given the opportunity to speak directly with candidates. The revised procedure allows the Committee to make judgments based

on its knowledge of the character of each candidate.

Kanda From the standpoint of chairing the Nomination and Compensation Committee, I have suggested that each president of a division present their business operation policy from a long-term perspective at a meeting of the Board of Directors. This would enable each of them to share their individual vision for the future and it would also give us a sense of their character through their words and actions at the time of the presentation. I would like to use these opportunities as a venue for finding management talent.



Shifting to a corporate culture that values challengers

Kanda The Company has many strengths but its biggest strengths are its track record built through delivering products and services that underpin the social infrastructure for over a century, its sense of mission that has driven such operations, and the social trust backed by these strengths. The challenge is how to use these strengths going forward.

Nagai As I said at the beginning, I also believe that one of the Company's greatest strengths is its corporate culture of sincerity. On the other hand, I feel that the Company being too seriously rigid can also be an issue. Thinking more flexibly and taking on the challenge of innovation are also important. I would like to see the Company cultivate a corporate culture where it is common for employees to come up with new ideas themselves and boldly take on challenges.

Ishimaru Our corporate culture has been cultivated over a century. However, young employees do not have a proper understanding of such history or of the struggles of our predecessors, partly because of the wide range of our businesses. Knowing the history of the Company is also important for reaffirming the strengths of each business.

Nagai At the company I worked for, after the bankruptcy, we focused again on teaching the company's history to all employees, right down to the new hires. As a result of that, I feel that we became strongly aware that the company exists thanks to the management foundation that was built by our predecessors. I believe that foundation gave us the strength to promote management reform. I also think that creating opportunities to learn about the history of ShinMaywa can provide a means of rediscovering its strengths.

Kanda The corporate culture of sincerity is something that we must protect going forward. On the other hand, as the industry landscape changes dramatically, it is also necessary to understand the Company's weaknesses and risks and to take countermeasures. There could also be cases where, with the evolution of information and communication technology, players from different industries suddenly enter the market, in addition to existing competitors. In fact, there are many examples of well-known

companies that have seen their main businesses disappear in a short period of time. Traditional value chains can also be interrupted due to changes in the external environment, as symbolized by the geopolitical risks that have recently emerged. For this reason, it is important to identify the risks to which the ShinMaywa Group may be exposed in the future and with those risks in mind, we must incorporate countermeasures into our long-term plan. I believe that this is a topic that we will need to watch closely at the Board of Directors going forward.

Nagai Given Japan's declining birthrate and aging demographics, it is expected that the market for each business will shrink and that securing human resources will become ever more difficult. Looking at the future of Japan, such a situation is bound to come and therefore I believe that forward-looking measures are essential.

Ishimaru When we draw up management plans, we tend to focus on feasibility and try to be as specific as possible. For this reason, we generally tend to have conservative plans. However, we will take the advice we have received and build a corporate culture where we can try new things without fear of failure.

Kanda I do have the impression that ShinMaywa is somewhat reserved about defining dreams and pursuing them.

I also felt the serious rigidness of the Company when formulating the Long-term management plan. In these times of change, it is important to give performance targets for five or ten years from now to show our stakeholders how we see ourselves in the future. Regarding these numerical targets, there were comments to the effect that we cannot present target figures that we cannot promise to achieve. But I said that was wrong. A performance goal for ten years into the future is different from a commitment. It is not the type of thing that you can promise. However,

presenting the performance level of 400 billion yen as one of the factors to measure our achievement of the Long-term vision is meaningful in itself and I believe that, without including such goals, the Company's vision will not be well received by institutional investors.

I believe that taking the lead in explaining the importance of defining a vision and communicating to stakeholders our efforts to achieve this vision as a company is one of the missions of the outside directors.

Management that meets the expectations of young employees

Ishimaru Thanks to your advice, a corporate culture that encourages taking on challenges is steadily emerging, and the movement to take risks and create new businesses is accelerating. When we look back, many of our current mainstay products, such as dump trucks, submersible pumps, and mechanical car parking systems, were launched by our predecessors nearly from scratch. They had to go through many challenges to develop these products into businesses.



Nagai When I hear that, I feel it is even more important to learn from the achievements and history of past challenges.

Kanda I'm looking forward to seeing the Company accelerate its activities toward realizing the Long-term vision for 2030. In doing so, it is important for each business division as well to envision a path that leads to the Long-term vision. Where do we see ourselves in 2030? What management resources do we need to get there? How can we procure the missing pieces? Answering such questions will be the steps to clarifying our business strategies, but I would also like the sustainability perspective to be included, such as how the business can contribute to the SDGs.

Nagai I believe that sharing the Long-term vision throughout the Company is the key to success. I would like everyone to understand the future of the Company outlined in the Long-term vision and would like to see measures to unite our individual strengths to achieve this.

Kanda As Director Nagai mentioned, for a company to create new value it is essential that it be a place where each and every employee can think about the future and put their thoughts into action.

Ishimaru We will sincerely reflect on the opinions you have shared, and we will continue carrying out measures to instill an understanding of the Long-term vision throughout the Company, although this may take some time to accomplish.

One thing that I find heartening is the level of awareness in relation to ESG and the SDGs among young employees. When I ask them about their motivation for joining the Company, I get a straight answer: "Because this is a company that can contribute to society through its business activities." We must respond to the aspirations of these young people, while working toward the sustainability of the ShinMaywa Group.



Environment

All figures on non-consolidated basis

Basic Philosophy and Action Guidelines regarding Environmental Protection

In April 2022, the ShinMaywa Group newly established its Basic Philosophy regarding Environmental Protection and revised its Environmental Protection Action Guidelines. Going forward, all employees will join forces to further strengthen our commitment to the environment based on the Philosophy and Guidelines, and strive for environmentally friendly corporate activities.

ShinMaywa Group Basic Philosophy regarding Environmental Protection

Based on our “Sustainability management policy,” the ShinMaywa Group strives to be environmentally considerate in all processes of our corporate activities, and to positively contribute to a recycling-based society and the prevention of global warming. We also strive to solve social issues and achieve sustainable development by developing and providing products and services that help reduce the environmental burden.

ShinMaywa Group Environmental Protection Action Guidelines

1. Initiatives to help prevent global warming

We will contribute to the prevention of global warming through various initiatives within our production activities such as introducing energy-efficient machinery and equipment, improving productivity, and utilizing renewable energy.

2. Initiatives to help realize a recycling-based society

We will contribute to the realization of a sustainable society through recycling and resource-saving initiatives at each stage of our products' lifecycle, including design, procurement, production, logistics, use, and disposal.

3. Reducing environmental burden by providing products and services

We will strive to reduce the burden on the environment by providing society with energy-efficient products and services achieved through constant technological innovation.

4. Initiatives to help protect the environment

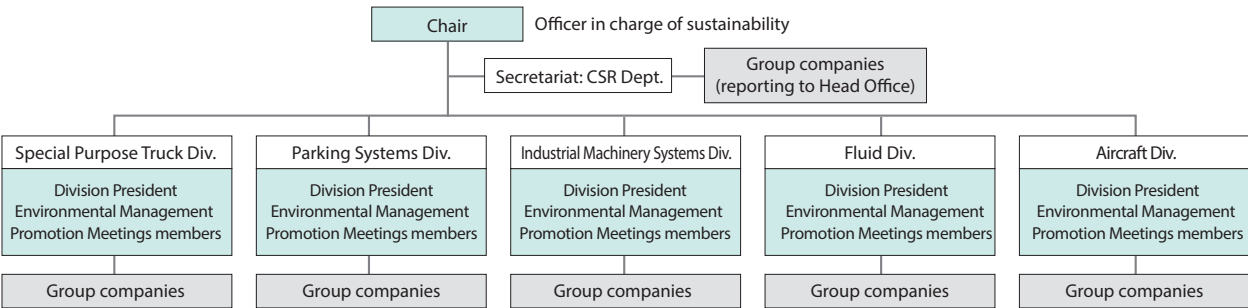
- We will strive to protect the environment by establishing a cross-business promotion structure and not only ensure we comply with environmental laws and regulations, but also set voluntary standards as necessary.
- We will raise the environmental awareness of employees and implement environmental protection activities from a broad range of perspectives.
- We will strive to disclose information and communicate with stakeholders, and to create mutual understanding and cooperative relationships with them.

Environmental Management System

Environmental Management Promotion Meetings

We have established the Environmental Management Promotion Meetings as a cross-organizational function for reducing the environmental impact caused by our business activities through such efforts as the promotion of energy conservation, reduction of total waste emissions, and conversion of waste to resources with value. The Meetings set Group-wide goals, and continue to promote efforts such as monitoring and improvement throughout our business activities.

ShinMaywa Group Environmental Management Promotion Meetings Organization Chart



Environmental management system

The ShinMaywa Group is promoting the acquisition of ISO 14001 certification, an international standard for environmental management systems (EMS), and we are working to continuously improve our environmental protection efforts through operations based on the standard.

Each of our business sites that has acquired ISO 14001 certification promotes initiatives to address social issues including energy conservation and waste reduction, and shares the details of these efforts within the Group through the Environmental Management Promotion Meetings.

Divisions and Group companies	Entity obtaining certification, etc.	Date certified
Fluid Div.	Ono Plant and some Group companies	June 1998
Aircraft Div.	Organization consisting of the Konan Plant and its sub-factories, collectively referred to as the Konan Area	December 1999
Special Purpose Truck Div.	Organization consisting of Sano Plant, Samukawa Plant, Hiroshima Plant, and category 1 Group companies, collectively referred to as the Special Purpose Truck segment	December 1999

Environmental protection activities

The ShinMaywa Group continuously monitors CO₂ emissions, energy consumption, and other factors as it works to facilitate the reduction of its environmental burden.

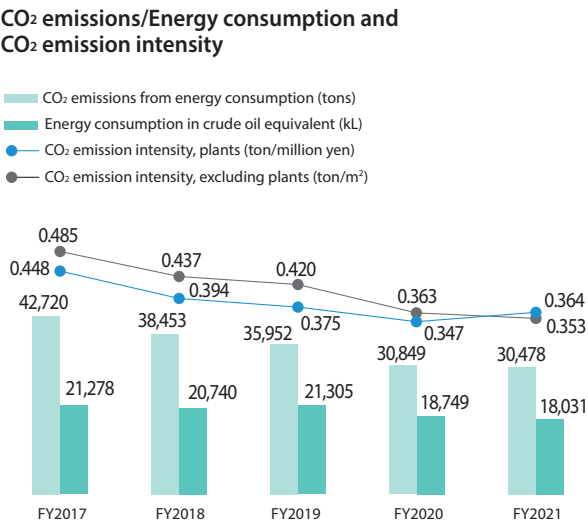
Measures to reduce the environmental burden and combat climate change

Since the 1980s, we have been working for many years to prevent global warming by making effective use of fossil fuels (natural resources) mainly at our plants.

In 2012, the Company was designated as a specified business operator under the revised Act on Rationalizing Energy Use, and we have been engaged in Company-wide efforts to further conserve energy.

In addition, from FY2022, we have set a new goal of reducing total CO₂ emissions by 38%^{*1} by FY2030, and we are implementing measures aimed at achieving this goal.

^{*1} Compared to our peak value recorded in FY2017.

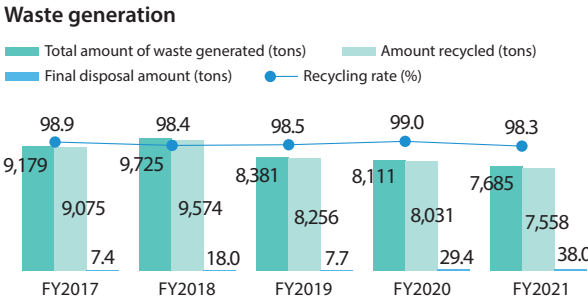


Environment

Waste reduction

ShinMaywa Industries is committed to reducing waste and recycling through the 3Rs (Reduce, Reuse, Recycle) as well as Refuse (not accepting things that will end up as garbage). In our efforts to realize a recycling-based society, we have also set new targets in FY2022 of reducing total waste emissions by 10%^{*2} by FY2030 and achieving a recycling rate^{*3} of 99% or more.

^{*2} Compared to FY2020.
^{*3} Recycling rate: Amount of waste recycled/Total amount of waste generated × 100 (%).



Cooperation in the training for enhancement of capacity for waste management

Based on its Sustainability Management Policy, the Group aims to contribute broadly to society through its business activities. Since FY2011, we have been cooperating in the training for enhancement of capacity for waste management organized by Japan International Cooperation Agency (JICA) Kansai Center. The Learning and Ecological Activities Foundation for Children (LEAF), an NPO corporation entrusted with the project by JICA, provides this training to national and municipal government officials of the Pacific, Asia, Latin America, and other regions. By also collaborating with the Japanese Technical Cooperation Project for Promotion of Regional Initiative on Solid Waste Management (J-PRISM), the training aims to improve the administrative capacity of national and municipal government

officials involved in waste disposal in countries in these regions. Through the manufacture of refuse compactors (garbage trucks) in our Special Purpose Truck business, we offer efficient refuse collecting, transporting, and recycling systems to society, and as a leading company in this business, we are contributing to all stages of waste management, from collection to recycling, to realize a recycling-based society. At training sessions, we explain the safe operation and maintenance of refuse compactors and present our initiatives to create a recycling-based society. In FY2020 and FY2021, the training was suspended due to the COVID-19 pandemic, but it is planned to resume after the pandemic has receded.

Past sessions of JICA training for enhancement of capacity for waste management

Date	Target countries	Participants
June 20, 2019	Barbados, Micronesia, Samoa, Timor-Leste, Tonga	Five people
November 7, 2019	Bangladesh, Democratic Republic of the Congo, Kosovo, Lao PDR, Lebanon, Nigeria, Sudan, Papua New Guinea	Nine people



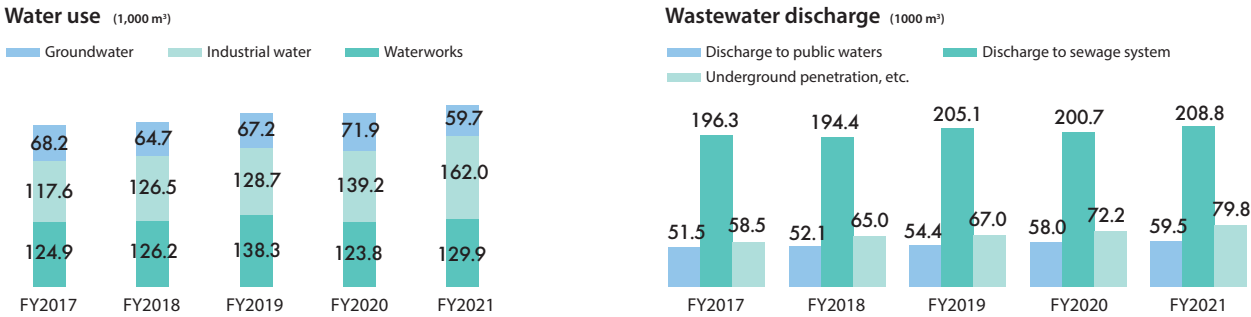
Explaining about the refuse compactor at Special Purpose Truck Div. Hiroshima Plant (June 2019)



After training (November 2019)

Protecting water resources and reducing water use

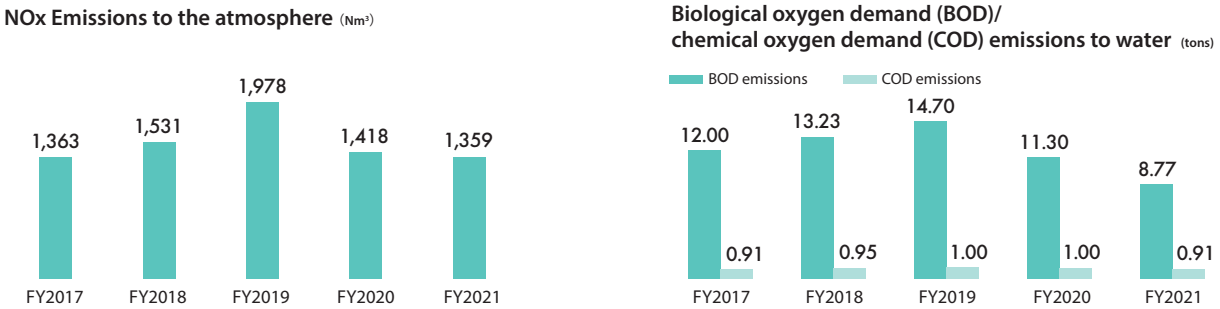
Saving water, a limited and precious resource, also leads to energy savings in the water purification process. Our plants are thus committed to proper management of both its water consumption and wastewater discharge.



Reducing emissions of pollutants

For substances discharged from our plants into the atmosphere and water, we set voluntary emission limits that are stricter than legal regulations^{*4} in our efforts to reduce our environmental impact.

^{*4} Examples—NOx: Approximately 30–70% of the legal limit; BOD: 50% of the legal limit (Aircraft Division Konan Plant).





*1: Non-consolidated figures, *2: Figures for the Group as a whole

ShinMaywa Group Basic Policy on Human Resources —Diversity & inclusion: Utilizing diverse human resources

The three pillars of ShinMaywa Group Basic Policy on Human Resources

The ShinMaywa Group has established a Basic Policy on Human Resources consisting of three key themes to realize our management philosophy. On the basis of the theme of fostering awareness—to accept and respect diverse values, perspectives, and personalities, as well as to appreciate teamwork—we will pursue the theme of developing human resources. This will be achieved through efforts on the theme of respecting human rights and establishing internal environments, which will enable diverse human resources to play active roles. We aim to develop a relationship that allows individuals and the Company to grow sustainably and continuously by maximizing the application of abilities and specializations gained through obtaining diversity within each individual.

Developing human resources

Developing a relationship that allows the company to grow sustainably and continuously by maximizing the application of abilities and specializations gained through obtaining diversity within each individual

...Enhancing both employee engagement and business competitiveness

We will develop the abilities and advanced specializations of our employees with a wide range of diversity within each individual, thereby realizing both personal growth as well as reliable and sustainable innovation to co-create value as an organization.

Respecting human rights and establishing internal environments

Establishing workplace environments where human rights are respected

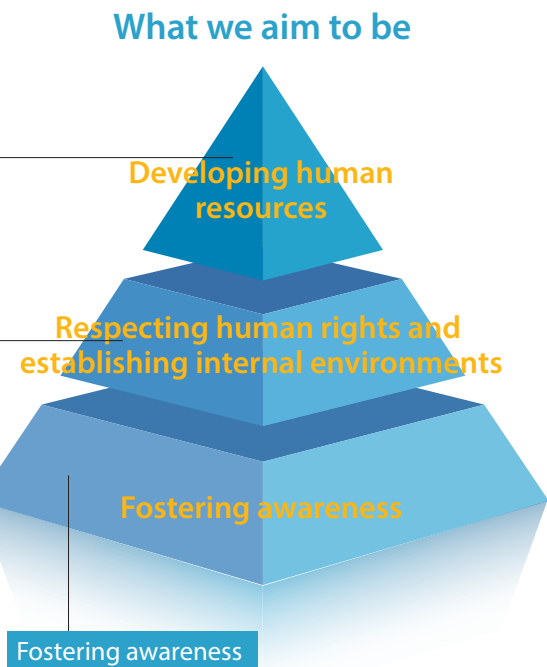
We will set forth a human rights policy that expressly shows our respect for human rights, respect individual characters and personalities, and establish workplace environments where human rights are not violated.

Creating an organizational culture that draws on diverse human resources

We will recruit and assign diverse human resources regardless of factors such as gender, age, nationality, race, religion, disability, educational background, and sexual orientation, and advance efforts to promote the creation of an organizational culture that draws on diversity.

Developing systems to allow for diverse working styles

We will boost our productivity by enhancing systems that allow for diverse and flexible working styles and advancing efforts to realize work-life balance through work style reforms.



Developing awareness to accept and respect diverse values, perspectives, and personalities, as well as to appreciate teamwork

We will foster a united sense of awareness among employees by accepting and respecting differences in one another's value, perception, and individuality with a sincere attitude.

Fostering awareness

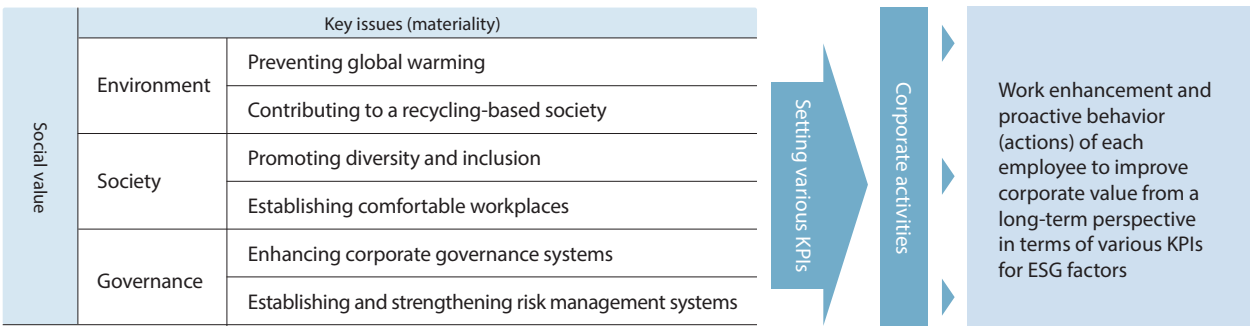
The ShinMaywa Group has set forth a long-term vision of what it aims to be in 2030 based on its management philosophy. Realizing this vision will depend on promoting diversity and inclusion while fostering the diversity of individuals who sustain innovation. We will need diverse human resources who can work actively facing the same direction and with a sense of unity. We are working to foster awareness by clearly defining the type of the human resources we seek and carrying out our evaluations based on this.

Expectations for human resources and personnel evaluation

Expectations for human resources and evaluation items

Expectations for human resources	Evaluation item	Definition
Acts fairly and sincerely based on high ethical standards	Fairness	Did the employee contribute to ensuring our fairness as a corporation by continuously making judgments based on social morals rather than profit and loss as their value standard, with a fair sense of ethics? (The underlined section is linked to G among the ESG factors.)
Enhances technology and skills, and mindfully passes them on to the next generation	Personal growth and passing down skills	Did the employee work toward personal growth by developing and enhancing their knowledge, skills, and techniques involved in the job for which they are responsible, and toward expanding their job scope beyond their area of responsibility? Did the employee actively apply their wisdom, abilities, and skills to their work or share them with others, helping to maintain and enhance the overall skill level of the workplace and to foster the growth of junior employees?
Embraces the challenge of innovation and creates new value	Value creation through intellectual adventurousness	Did the employee boldly take on challenges without fear of failure and use failure to fuel their efforts to help expand the Company's potential? Has the person taken proactive steps to improve corporate value by linking the Company's ESG initiatives and contributions to the environment and society to their own work and actions? (The underlined section is linked to E and S among the ESG factors)
Takes a broad, high-level view of matters, and acts promptly to achieve results	High-level view of issues	Did the employee perceive the problem from a global and high-level perspective, uncover and identify issues, and propose and execute solutions in a timely manner? Did the employee pursue the true purpose of their assigned work and the core problems of the issue at hand, and strive to improve them?
	Motivation to achieve results quickly	Has the employee persevered in tackling even difficult tasks without giving up until they have achieved targets and solved issues? Has the employee taken the initiative in striving for results that go beyond targets and expectations? Has the employee always pursued speed, efficiency, and productivity to complete their work in less time?
Values teamwork and unifies efforts to solve problems	Respect for diversity and teamwork	Does the employee understand the importance of diversity, and build smooth relationships with a wide range of people by being receptive of various people and ideas? Did the employee cooperate and collaborate with their supervisors and colleagues, and actively contribute to solving issues and improving the performance of their division? (The underlined section is linked to S among the ESG factors)
	Supportive leadership (designated ability grade level and above)	Did the employee actively contribute to improving the performance of their division by sharing their goals and challenges with colleagues and junior employees to assist their supervisor, and by motivating others through advice, guidance, and training based on the awareness gained through attentive listening?

Reflection of ESG elements in personnel evaluations



Society

Respecting human rights and establishing internal environments

Human Rights Policy

Based on our recognition that respect for human rights is an important corporate social responsibility, and as a company that aims to maintain sustainable corporate growth with an eye on the global market, ShinMaywa Group sets forth a human rights policy to uphold the International Bill of Human Rights adopted by the United Nations and expressly show our stance toward respecting human rights based on international standards.

1. Human Rights Policy

(1) Respect for fundamental human rights

We will respect fundamental human rights through sound business activities following internationally recognized human rights principles.

(2) Elimination of discrimination

We will not unfairly discriminate based on such factors as race, religion, nationality, gender, sexual orientation, age, disability, and educational background.

(3) Ban on harassment

We will not engage in speech, behavior, or other forms of harassment that violate human rights based on factors such as gender and social standing.

(4) Respect for labor rights

We will comply with national and regional labor laws and practices, as well as establish a sound labor-management relationship by respecting the right of collective bargaining and engaging in sincere dialogue with labor unions and individual employees.

(5) Ban on child labor and forced labor

We will not engage in child labor or forced labor in any country or region in which we conduct business activities. We will also respect children's rights based on the Children's Rights and Business Principles developed by the United Nations Children's Fund (UNICEF).

(6) Establishment of comfortable workplace environments

We will establish workplace environments where all employees can work in a safe, healthy, and lively manner. For our wage payment, we will comply with laws on the minimum wage, legal benefits and so forth of all nations and regions in which we conduct business activities. At the same time, we will comply with laws on working hours and overtime work.

(7) Contribution to local communities

As a good company and citizen, we will develop a relationship of trust with local communities and strive to undertake our activities by considering factors such as the social circumstance, culture, and practices of the local communities while endeavoring to collaborate with them to resolve regional issues.

2. Responsibility to Respect Human Rights

In the event that our business activities negatively impact human rights, we will fulfill our responsibility to respect human rights by taking appropriate steps to rectify the situation.

3. Education and Training

To comply with our policy on respect for human rights, we will continuously provide all officers and employees with appropriate education and training on respect for human rights to have the policy incorporated in all of our business activities and effectively implemented.

4. Identifying and Responding to Negative Impact on Human Rights Issues (Human Rights Due Diligence)

To prevent or alleviate negative impacts on human rights that arise from our business activities and can potentially affect society, we will conduct preventive surveys and evaluations as necessary and strive to conduct appropriate improvement activities and monitoring that take into consideration the risks involved.

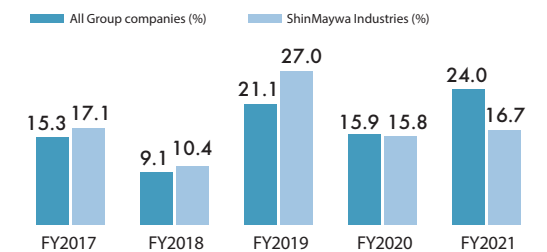
Creating an organizational culture that draws on diverse human resources

The ShinMaywa Group will recruit and assign diverse human resources regardless of factors such as gender, age, nationality, religion, disability, educational background, and sexual orientation, and advance efforts to promote the creation of an organizational culture that draws on diversity.

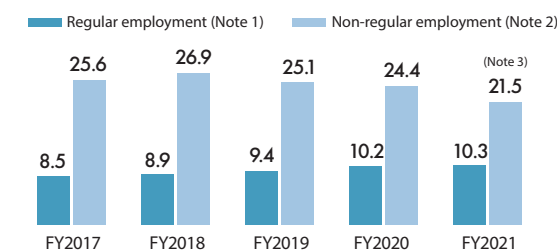
Promoting the active participation of women

The Group believes that promoting the active participation of women is an important element of diversity, and aims to be a corporate group where female employees can work with peace of mind and actively take on work challenges, even while experiencing childbirth and childcare. To this end, we have established various systems that allow employees to continue to work after life events such as childbirth and childcare, and we support both male and female employees in balancing work and family responsibilities.

Proportion of female new graduate hires [Number of graduate school, university, and technical college graduates/females]

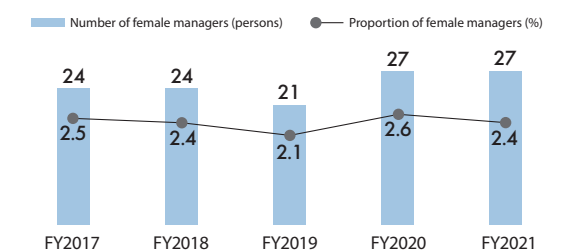


Proportion of female employees (%)^{*2}



(Note 1) Full-time employees
(Note 2) Directly employed workers such as part-time workers, contract workers, and rehired retirees. Dispatched staff are excluded.
(Note 3) The decline is due to a decrease in the number of female employees (non-regular), and an increase in the number of non-regular employees joining the Group through M&As.

Number and proportion of female managers^{*2}



We are promoting efforts to appoint female managers, and expect to achieve our target of 30 female managers in FY2022.

Promoting the hiring of people with disabilities

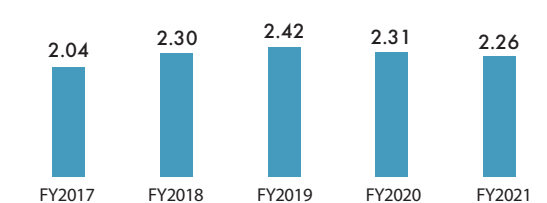
The Group is committed to establishing an inclusive society, where anyone who wants to work and has the ability to do so can take part in society through their work, regardless of disabilities. Diverse human resources give rise to synergies that energize our organization. We view this and other benefits as important elements in building an organizational culture that harnesses the power of diversity.

We are actively working to hire people with disabilities. As part of this effort, in 2015, we established ShinMaywa Heartful, Ltd., a special subsidiary company for promoting the employment of people with disabilities.

Following proactive M&As in FY2021, the number of our Group companies in Japan has increased more than expected. As a result, the proportion of persons with disabilities in the Group

was 2.26%. However, we expect to reach the mandatory proportion through our hiring plans at ShinMaywa Heartful, Ltd., with intakes planned in April 2022 and April 2023.

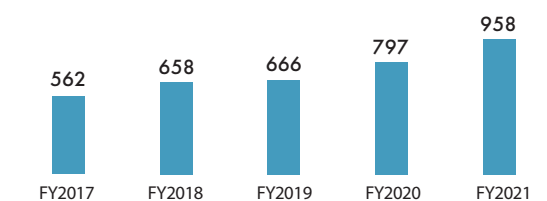
Proportion of persons with disabilities (%)^{*2}



Hiring human resources at overseas locations

The Group believes that expanding its presence in overseas markets is essential for enhancing existing businesses and expanding our business domains. We have set a target of 100 billion yen in overseas sales in FY2030. In recent years, we have been proactively pursuing M&As of overseas companies as we work to gear up our overseas expansion.

Human resources hired at overseas locations (persons)^{*2}

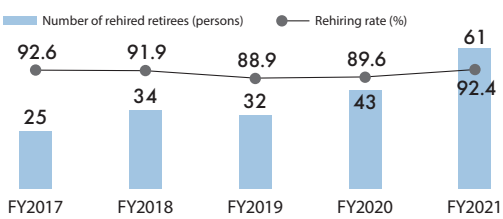


Society

Promoting the employment of older people

In FY2003, we introduced and promoted a system for hiring older workers, who have a wide range of know-how gained through practical experience. The purpose of the system is to fully utilize the strengths of older human resources and to make work more fulfilling for them while supporting the growth of the Company. From FY2022, we raised the retirement age to 65.

Rehired retirees and the rehiring rate*1



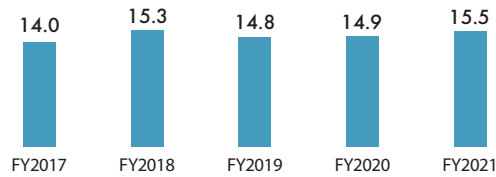
Developing systems to allow for diverse working styles

To enable our employees to balance work with their personal lives, we are enhancing our systems so that we can create a work environment that is comfortable for our diverse workforce.

Initiatives for preventing long working hours and for promoting the use of paid leave

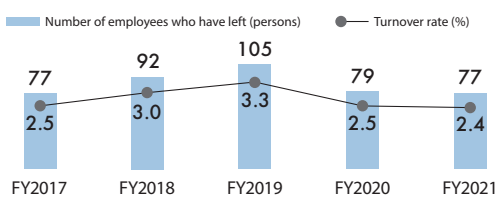
As well as strengthening management of work hours in line with the establishment of legal limits on overtime hours, the Company has put in place various measures for reducing overtime work. To prevent long working hours, for example, we have set a company-wide day on which everyone leaves the office at the close of business hours. We are also working to promote the use of paid leave through our planned leave system.

Number of paid leave days used (average per employee) (days)*1



Employee turnover

Number of employees who have left and turnover rate*1

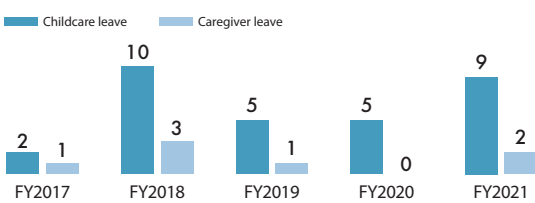


Our turnover rate remains low and is on a downward trend.

Various systems for childcare and caregiving

We have introduced childcare and caregiver leave systems and a shortened working hour system for employees with childcare and caregiving responsibilities. Using these systems, employees can take care of their children and family members without having to resign.

Number of users of the childcare and caregiver leave systems (persons)*1



Prenatal and postnatal maternity leave	Special leave of eight weeks before and eight weeks after childbirth is available.
Childcare leave	In principle, childcare leave is available for one year, and up to two years if the Company deems it necessary.
Time for childcare	For the first year following childbirth, employees may take at least 30 minutes of time twice a day for childcare, in addition to break periods.
Reduced work hours for childcare	This system allows employees to work shorter hours so that they can tend to childcare responsibilities such as nursery school or kindergarten drop-off and pick-up. Employees can continue to utilize the program until their child graduates from elementary school.
Flextime system	Our flextime system has no core hours, making it flexible enough to accommodate employees with childcare and caregiving responsibilities.
Nursing leave	Five days of leave per year are available per each family member in need of nursing care.
Planned leave	This system allows employees to apply in April of each year to receive three consecutive days of paid leave once a year in a planned manner.
Consultation on child-rearing	This system allows employees to consult with a specialist about their childcare concerns.
Reemployment system	This is a system for rehiring former employees who wish to return to the Company, having previously had to resign due to personal circumstances, such as the transfer of a spouse, childcare, or caregiving.
Caregiver leave	A leave totaling one year is available to care for a family member who has been certified as requiring caregiving.

Promotion of remote work

We are working to improve labor productivity, prevent long working hours, and enable diverse work styles through the promotion of remote work.

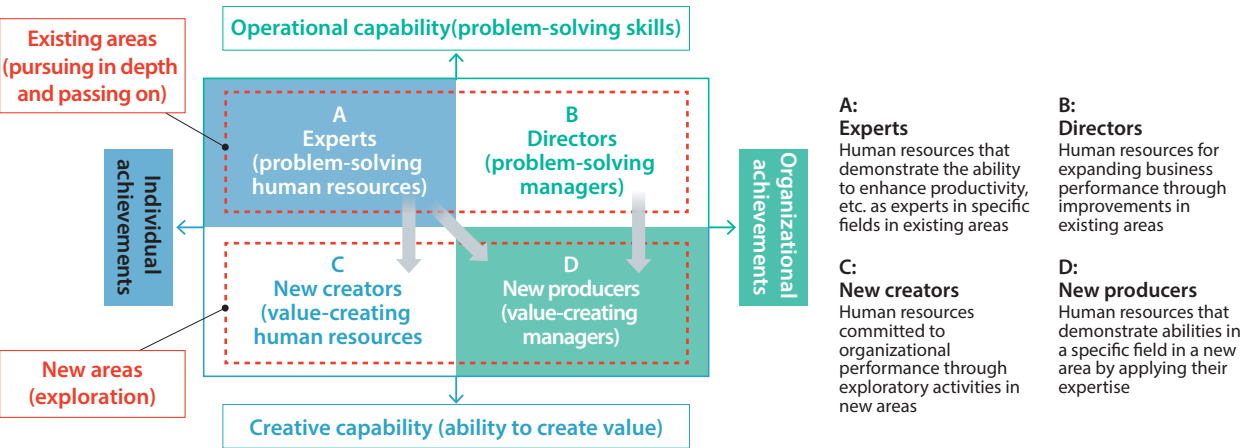
Developing human resources

At ShinMaywa Industries, we aim to maximize our employees' individual abilities and expertise with the aim of building relationships that drive the sustainable growth of the Company. To this end, we are implementing various measures to enhance employee engagement and strengthen business competitiveness.

Human resources portfolio

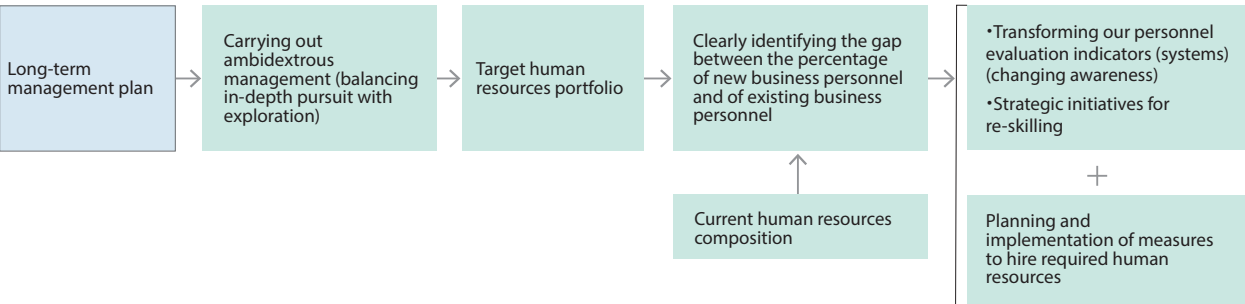
Visualization of the roles of human resource

We visualize our human resources composition by type based on the roles played, and are building a strategic human resources structure from the perspective of human capital.



Managing our human resources portfolio

We aim to maximize effectiveness by appropriately allocating human resources in accordance with our long-term business strategies. As we manage our human resources portfolio, we will analyze the overall composition in quantitative and qualitative terms, and respond flexibly according to each business strategy.



Human resource development programs and training

Next-Generation Executive Development Program

Amid dramatic changes in our business environment, we are systematically training employees that exhibit high potential as future business leaders. At an early stage, we select employees who can be expected to take charge of management from a medium- to long-term perspective, and enable them to develop the basic skills needed to transform our business. The program

also incorporates liberal arts learning and EQ coaching to train human resources to become capable of building and carrying out their own growth strategy stories. The final assignment of the program is to develop an idea for a new business with the aim of solving social issues and achieving business growth. So far, 88 participants have completed this program.

Society

Training program up to the third year with the Company

We have prepared a training program to train new graduates as professionals who can identify issues from the conditions at hand and make improvements. The aim is that by their third year, they will be able to play an active role as full-fledged business people.

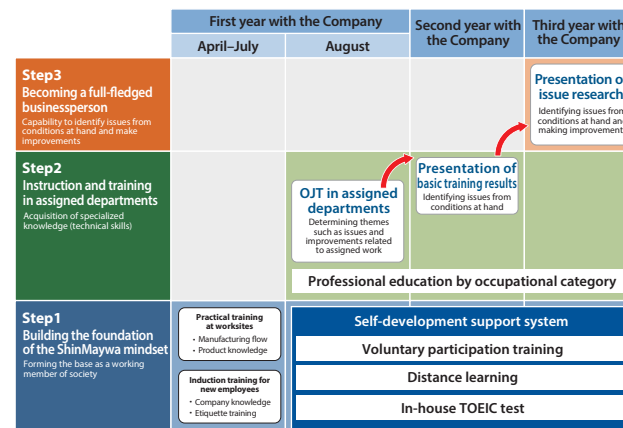
Self-development support system

We have put in place the following systems to support the self-development of our employees.

- Distance learning courses for engaging in active self-development
- Voluntary participation training programs in a wide range of genres
- In-house TOEIC test to improve English skills and scores

In-house skills competition and maintenance skills competition

To bring joy and pride to manufacturing and to maintain and enhance necessary skills, we hold in-house skills competitions and maintenance skills competitions once a year including employees of contractors. Through these contests, we aim to enhance skill levels and morale at production sites by awarding those with outstanding skills.



Although the maintenance skills competition was not held in FY2021 due to the COVID-19 pandemic, the in-house skills competition was held with infection prevention measures in place, with 389 participants. We will continue striving to enhance the skill level of the Group as a whole, including our overseas locations.



Competition at Hiroshima Plant (structural steelwork)



Competition at Takarazuka Plant (machine assembly finishes)



Competition at Sano Plant (press)

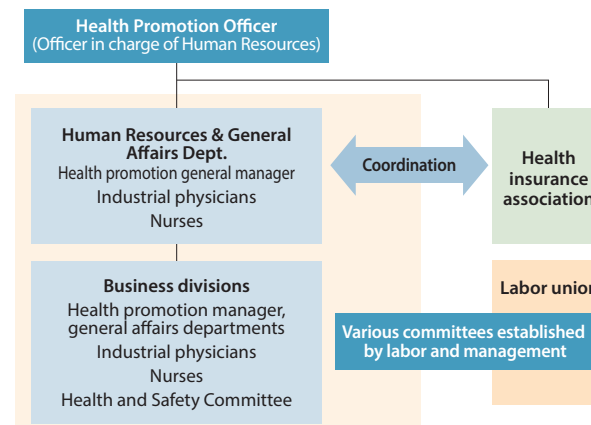
Health management

Health management declaration

The ShinMaywa Group is committed to practicing its corporate principles of Clean, Sincere, Steady, Enterprising, and believes that its mission is to realize the management philosophy to "contribute to the overall well-being of humanity, bringing unstinting innovation for a stable society and positive living environment." With the aim of creating an environment to accomplish these missions, we are committed to creating a healthy and safe work environment and further raising health awareness so that each employee can continue working in good health of mind and body, cheerfully and energetically.

Health management promotion system

We carry out initiatives for maintaining and promoting good health. These initiatives are led by the officer in charge of Human Resources, who is responsible for health management, with the Human Resources & General Affairs Dept. as the primary coordinator, in coordination with the General Affairs departments of each business division and also with the health insurance association. In addition, the Health and Safety Committee and various committees established by labor and management will take up relevant health management issues as agenda items in a timely manner, and will coordinate with labor and management to promote health management.



Occupational health and safety

Basic principles of occupational health and safety

The ShinMaywa Group acts in accordance with its basic principles of occupational health and safety, which state that safety and health take precedence over everything else. We are working to build a safe working environment and to achieve zero accidents.

Occupational Health and Safety Policy

- We act in accordance with our basic principles of occupational health and safety, which state that safety and health take precedence over everything else. Led by our general safety and health managers, we are engaged in Company-wide efforts to address health and safety.
- We monitor each other's compliance with basic rules (rules, regulations, procedures, etc.) and communicate closely so that we can ensure each other's safety.
- Managers and supervisors are strongly determined to prevent accidents from occurring in their own workplace, and are striving to foster a work environment in which all employees are united in their efforts in health and safety activities.
- We use risk assessment effectively to eliminate disaster risk. We actively utilize the PDCA (plan, do, check, act) cycle of our safety measures with the goal of creating a safe and secure working environment.
- To prevent accidents caused by people's unsafe behavior, we make improvements to achieve inherent safety. This is so that even if a worker makes an error, it does not lead to an accident.
- Each worker is deeply aware that unsafe work behavior causes accidents, and is committed to daily work with a determination to never act unsafely.

Health and safety action guidelines (Company-wide key safety themes)

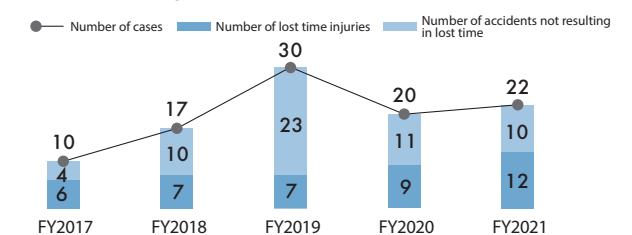
Each fiscal year, we define a Company-wide key safety theme, and set ourselves a goal as a means of preventing industrial accidents among our employees. We are joining forces to engage in health and safety activities to create a safe and secure working environment.

Company-wide key safety theme for FY2022

Before starting work (or before leaving for offsite work [business trip]) make sure to check the procedures and the required protective equipment, as well as how to use the equipment!

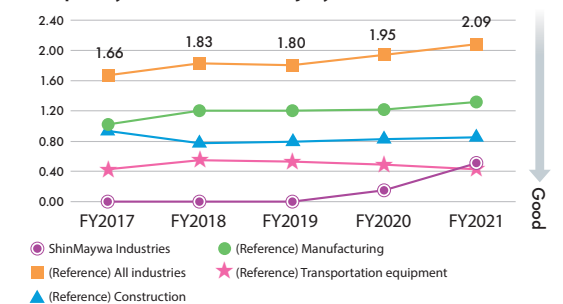
Occupational accidents

Number of occupational accidents (number of cases)^{*2}



Lost time injury frequency rate

Frequency rate of lost time injury (%)^{*1}



Source: Ministry of Health, Labour and Welfare, Results of Survey on Industrial Accidents

Specific initiatives in occupational health and safety

The ShinMaywa Group has established departments in charge of health and safety in each division and at each Group company, with the aim of preventing occupational accidents among employees. We have formulated health and safety policies and prepared action plans based on these policies. We are working to improve safety measures in both tangible and intangible ways, with the Health and Safety Committee serving as a central body to establish, operate, and improve risk assessment systems and utilize IT and digital technologies to prevent accidents.

In addition, we are also focusing on health and safety training for employees. Through various measures, we are working to establish a training system that is tailored to each organization and business structure. For example, we hold safety conferences to share the results of health and safety activities in each business division and at each Group company, provide special training to new employees and to those changing workplaces, and offer thorough guidance through on-site training and safety and health patrols during on-the-job training.

Society

Communication with stakeholders

Investor relations (IR)

We strive to provide our shareholders and investors with fair, timely, and accurate information taking advantage of the characteristics of each communication channel.

Item	Content	Disclosure method	Link to website
Timely disclosure	Timely and voluntary information disclosure based on the standards set by the Tokyo Stock Exchange	• Registered with Timely Disclosure Information of the Tokyo Stock Exchange	IR news
IR information	General information for shareholders and investors	• Posted on website	IR information
Shareholder newsletter (booklet version)	Includes financial reports and business topics for the reporting period, as well as a message from the president	• Mailed to shareholders in June and November • PDF file posted on website	Investors' report
Financial results presentations (periodic)	Presentation of financial results and medium- and long-term management plans, mainly for institutional investors	• Held in Tokyo in May and November* *In May and November 2021, presentation videos were streamed online to prevent the spread of COVID-19. In May 2022, a live video feed was provided.	Financial results presentations
Fact Sheet	Provides information on key performance indicators for the past 10 years in Japanese and English	• PDF file posted on website	Fact Sheet

Community involvement

Kawanishi Memorial ShinMaywa Education Foundation

Established in 1992 by Mr. Hajime Kawanishi, a former officer of the Company, the Foundation supports education. It provides assistance for attending school by offering scholarships and information to privately funded international students from overseas, especially from Asia, who are studying at universities or graduate schools in Hyogo Prefecture. It also provides subsidies for basic or applied research in science and technology, as well as research in the field of physical science, at universities in Hyogo.

Hyogo Prefectural Mukogawa School for Students with Special Needs

We were consulted by the Hyogo Prefectural Mukogawa School for Students with Special Needs, located adjacent to our Head Office, about the lack of facilities for students to exercise. We are providing use of our athletic field and gymnasium to the school until their new school building is completed in FY2025. As a member of the school council, we also support students in enhancing their academic efforts in school life.



For employees

Since the publication of the *ShinMaywa Newsletter* in 1963, we have positioned our in-house newsletter as an important internal communication tool. We use it to continuously share the thoughts of senior management and provide updates on our business activities and other internal information.



Item	Content	Disclosure method
ShinMaywa Group internal newsletter <i>Face</i> (booklet version)	Management information such as messages from the president, details of business activities, internal communications, etc.	Distributed to all employees of the Group, five times a year as a general rule
ShinMaywa Group <i>Web Face</i> (web version)	Timely posting of ShinMaywa Group news and topics	Updated as needed on the intranet *For employees who do not have a computer for work, an abridged, printed edition containing extracts of the contents of Web Face is published and posted at business sites.
ShinMaywa Group Global Newsletter <i>ShinMaywa Group Newsletter</i>	English-language Group newsletter for local employees working at overseas subsidiaries. Issued twice* a year * Planned to be issued six times a year from FY2022.	The English original and Japanese translation posted on the intranet

Support for community medical care (Meiwa Hospital)

Meiwa Hospital, which the ShinMaywa Group had a role in founding, has served the local community as a core hospital of the region. Based on this background, we are providing continuous support to the hospital to promote better medical care.



Collection activities

We collect used and unneeded Bellmarks, used stamps, and foreign coins, and utilize them to support local elementary schools and to provide medical and education support in developing countries through various groups and organizations.

CSR/Sustainable procurement

The ShinMaywa Group works closely with its business partners in a fair and sound environment to create a sustainable society together.

CSR Procurement Policy

- 1. Partnerships**
We value trust and will deepen mutual understanding based on better partnerships with all our business partners.
- 2. Open doors**
Whether in Japan or overseas, we conduct the best transactions based on the principle of free competition.
- 3. Maintaining fair business relationships**
We always deal fairly and equitably with all of our business partners.
- 4. Choosing business partners**
We choose our business partners through appropriate procedures based on quality, cost, and delivery (QCD) and CSR evaluations of factors including quality, delivery, and price of materials; management reliability and technological development capabilities; and environmental friendliness.
- 5. Providing information and maintaining confidentiality**
We respond to the requests of our business partners in good faith and provide them with the information necessary to conduct business with us. At the same time, we ask for useful information from our business partners, and securely manage any trade secrets provided to us, striving to maintain confidentiality.

CSR/Sustainable Procurement Standards

- 1. Strict adherence to corporate ethics**
We understand and comply with the content and trends of laws and regulations applicable to the Company and the spirit of those laws and regulations (observance of laws). We also explicitly understand our Clean Procurement Declaration, which states that we will not provide or accept entertainment, gifts, or money to or from interested parties.
- 2. Rejection of antisocial forces**
We have no contact with antisocial forces, whether through personal relations of employees or organizational connections.
- 3. Ensuring information security**
We identify and securely manage confidential and personal information that must be protected.
- 4. Quality assurance**
We have built an internal environment where the safety of products, merchandise, and services is the top priority. Employees maintain this stance from day to day, and investigate if someone spots anything amiss.
- 5. Information disclosure**
We manage information that should be disclosed separately from information that should be kept confidential.
- 6. Respect for human rights**
We have a system in place for carrying out measures to prevent human rights violations and harassment, and for facilitating reporting and consultation.
- 7. Creating a safe work environment**
We have built an internal environment where health and safety are top priorities in our work environment as well. Employees maintain this stance from day to day, and investigate if someone spots anything amiss.
- 8. Thorough risk management and training**
We conduct in-house training for avoiding violation of laws and regulations, and we regularly check our compliance status.
- 9. Contributing to the local community**
We contribute to the local community with an awareness of mutual coexistence, through activities such as neighborhood cleanups by employees.
- 10. Reducing our environmental impact**
We carry out specific environmentally friendly initiatives, addressing issues such as global warming, pollutants, and protection of the natural environment.

Society

New supplier evaluation procedures

(1) Potential business partners

New business partners are asked to submit such necessary documents as a supplier survey form and a request form concerning receipt of transaction proceeds, indicating their company name, business address, main customers, suppliers, and other information.

(2) Credit check/judgment

After we receive the required documents, we conduct a credit review, which includes a review regarding association with antisocial forces.

(3) New account opening procedures/survey form registration/signing of basic contract

After confirming that a "transaction possible" decision has been reached after review, a contract is signed and the contents of the survey form are registered in our system.

(4) Management assessment

We check for any dangerous signs related to people, things, or money, and monitor these aspects.

(5) Evaluation of CSR activities

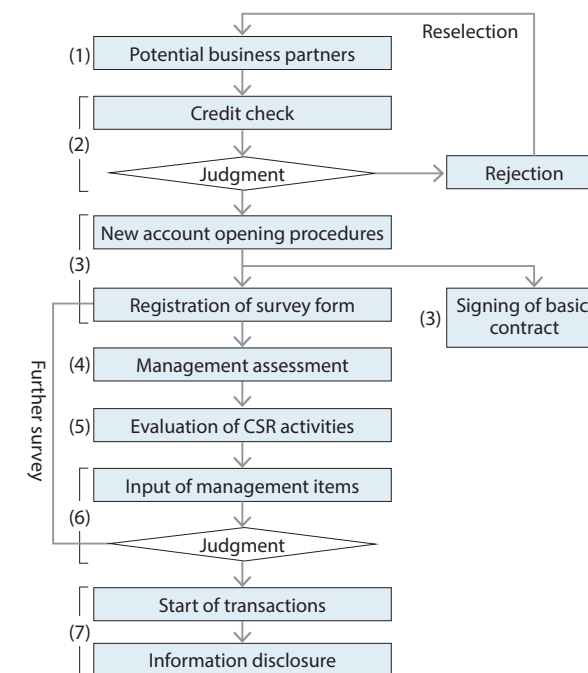
Business partners are requested to answer questions such as those regarding their efforts on human rights and other social issues, as well as on environmental protection. If the content of responses do not exceed a certain level, a further survey will be conducted. (For CSR, we plan to update our survey form based on new procurement guidelines to be established in the future.)

(6) Input of management items/judgment

We register in our system information such as the business partner's quality control system and whether the Subcontract Act applies. A further survey will be conducted for any insufficient information.

(7) Start of transactions/information disclosure

After these procedures, a trading account is opened, a supplier code is created, and the supplier is registered in the procurement system, which will allow procurement personnel to handle the system and begin transactions.



CSR/results of sustainable procurement activities

Activities in FY2021

1. In-house training held for procurement departments at business divisions

Every year, we provide training (briefings) for representatives of procurement departments of each business division on the SDGs, ESG factors, and other CSR topics. We began this training program in December 2019, when the Head Office launched corporate value enhancement activities.

This regular training focuses on sharing general CSR ideals, ensuring understanding of the current status of supplier management by our procurement departments. The training also highlights the gap between the common corporate ideal and the current status (issues) and presents the results of the examination of these issues. The primary aim of the program is to promote understanding and raise awareness among the heads of each business division's procurement department of their own department's role in CSR.

At the internal training held in December 2021 during the scope of this report, our specific initiatives and procedures regarding CSR procurement was explained. We aim to determine the urgency of CSR-oriented and sustainable procurement in the value chain of each of our businesses, and

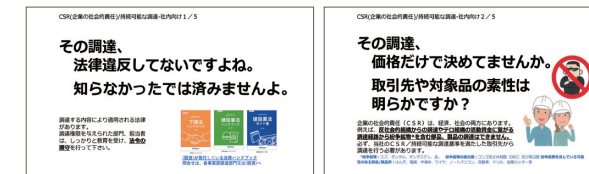
reliably achieve results every year through practical initiatives. To this end, we shared an awareness of the importance of raising the overall level of CSR activities through resource allocation and employee training based on our assessment of the current status as part of our sustainability management.



In-house training for business division procurement departments

2. Regular posting of messages for all employees

We posted messages titled "Corporate Social Responsibility (CSR)/Sustainable Procurement" on the digital bulletin board for all employees. The contents were decided at the Company-wide regular meeting of procurement departments and was updated on a weekly basis during March 2022.



Posted content(examples)

3. Formulation of procurement guidelines

As we do business with the cooperation of suppliers of various scale and from various regions, we have established the CSR/Sustainable Procurement Standards as a minimum mandatory rule and the ShinMaywa CSR Procurement Guidelines defining items that require compliance, respect, and consideration.

For the Standards, we focus on the actions that should be actively taken by people involved in CSR/sustainable procurement, and whether our suppliers have implemented organizational initiatives to encourage such actions.

In addition, we share with our suppliers the ideal state based on our Guidelines, including the degree of impact that each of our businesses has on society and changes in society in each region. Together with our suppliers, we pursue both growth and sustainability.

We hope that our suppliers will cooperate with us in achieving CSR/sustainable procurement by carrying out various activities from a risk management standpoint while keeping the Guidelines in mind.

We will review the Standards periodically in response to changes in society and work together with our suppliers to create a sustainable society.

Quality and product safety

Approach to quality assurance activities

Based on our management philosophy, long-term vision, action guidelines, and code of conduct established in April 2020, the ShinMaywa Group will put in place guidelines for ensuring product safety, and meet customer expectations and trust by delivering products and services created with safety as our top priority.

Status of quality management system certification

Our major production bases have acquired ISO 9001 certification, the international standard for quality management systems. We are working to continuously improve quality through operations based on this standard.

Divisions and Group companies		Certification obtained	Date certified
Industrial Machinery Systems Div.	Takarazuka Plant	JIS Q9001:2015/ISO9001:2015	October 1997
Fluid Div.	Ono Plant	JIS Q9001:2015/ISO9001:2015	November 1996
Parking Systems Div.		JIS Q9001:2015/ISO9001:2015	October 2000
Aircraft Div.		JIS Q9100:2016& JIS Q9001:2015/ ISO9001:2015	June 2002
Special Purpose Truck Div.	Sano Plant	JIS Q9001:2015/ISO9001:2015	August 1999
	Samukawa Plant	JIS Q9001:2015/ISO9001:2015	November 1997
	Hiroshima Plant	JIS Q9001:2015/ISO9001:2015	March 2000

Financial Summary (Consolidated)

Financial indicators

	(FY)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Management results												
Net sales (Millions of yen)		108,974	150,918	174,010	193,131	203,917	201,204	207,335	217,297	227,231	209,226	216,823
Operating profit (Millions of yen)		2,269	5,840	10,872	13,635	15,260	13,067	10,594	10,708	12,836	10,479	10,569
Operating profit ratio (%)		2.1	3.9	6.2	7.1	7.5	6.5	5.1	4.9	5.6	5.0	4.9
Profit attributable to owners of parent (Millions of yen)		(266)	11,372	7,444	9,159	10,281	8,954	7,086	6,996	7,378	5,487	6,907
Ratio of profit to net sales (%)		(0.2)	7.5	4.3	4.7	5.0	4.5	3.4	3.2	3.2	2.6	3.2
Return on equity (ROE) (%)		(0.3)	13.6	8.1	9.1	9.4	7.7	5.8	6.8	8.9	6.4	7.7
Return on invested capital (ROIC) (%)		1.5	3.9	6.8	8.3	9.1	7.7	6.0	5.8	6.5	5.1	5.1
Financial situation												
Total assets (Millions of yen)		136,138	155,248	167,460	182,167	186,780	188,632	190,001	209,195	214,157	212,060	221,206
Total assets turnover (times)		0.82	1.04	1.08	1.10	1.11	1.07	1.10	1.09	1.07	0.98	1.00
Equity (Millions of yen)		78,023	88,941	95,130	105,865	112,993	118,268	124,893	82,340	82,946	87,945	92,465
Equity ratio (%)		57.3	57.3	56.8	58.1	60.5	62.7	65.7	39.4	38.7	41.5	41.8
Interest-bearing debt (Millions of yen)		10,012	8,000	6,000	4,188	2,000	150	90	49,893	57,568	54,539	52,254
Net D/E ratio (times)		(0.13)	(0.08)	(0.07)	(0.08)	(0.13)	(0.16)	(0.15)	0.32	0.46	0.36	0.28
Cash flows												
Cash flows from operating activities (Millions of yen)		4,131	11,758	6,477	9,485	14,767	14,342	8,699	13,452	8,509	18,120	15,998
Cash flows from investing activities (Millions of yen)		(2,130)	(6,502)	(5,554)	(5,817)	(6,458)	(6,039)	(7,076)	(9,693)	(12,408)	(9,133)	(7,221)
Cash flows from financing activities (Millions of yen)		782	(10,364)	(3,390)	(3,503)	(4,023)	(6,619)	(1,647)	(526)	1,419	(5,972)	(5,203)
Cash and cash equivalents at end of period (Millions of yen)		19,855	14,790	12,550	12,920	17,085	18,772	18,750	21,952	19,342	22,667	26,549
Others												
Dividends per share (Yen)		10	10	12	14	14	14	23	45	87	38	42
Dividend payout ratio (%)		—	8.8	16.1	15.2	13.6	15.0	31.0	58.9	76.9	45.5	40.0
Earnings per share (Yen)		(2.68)	114.04	74.67	91.88	103.15	93.17	74.23	76.41	113.11	83.47	104.96
Capital investments (Millions of yen)		2,520	5,117	5,834	4,408	5,657	6,854	6,525	6,442	7,100	9,205	4,782
Depreciation (Millions of yen)		3,135	3,609	3,978	4,093	4,362	4,763	5,025	5,064	5,442	5,768	5,564
Research and development expenses (Millions of yen)		2,019	2,118	2,313	2,789	2,845	2,717	2,836	2,575	2,401	2,356	2,282
Number of employees (people)		3,727	4,507	4,588	4,612	4,700	4,726	4,773	5,037	5,075	5,288	5,783
Overseas sales (Millions of yen)		20,944	30,452	36,039	45,608	48,142	43,076	42,556	42,899	43,250	27,108	31,022
Overseas sales ratio (%)		19.2	20.2	20.7	23.6	23.6	21.4	20.5	19.7	19.0	13.0	14.3

Note: ROIC calculation
ROIC = operating profit x (1 - effective tax rate) / average of invested capital (= interest-bearing debt + equity) at the beginning and end of the period

Consolidated Balance Sheets

Assets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Current assets		
Cash and deposits	23,045	26,600
Notes and accounts receivable - trade	61,137	—
Notes and accounts receivable - trade, and contract assets	—	62,114
Electronically recorded monetary claims - operating	12,610	8,831
Merchandise and finished goods	4,013	4,067
Work in process	20,304	21,619
Raw materials and supplies	18,989	21,238
Other	1,959	4,266
Allowance for doubtful accounts	(55)	(121)
Total current assets	142,004	148,615
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,567	19,185
Machinery, equipment and vehicles, net	8,370	7,196
Land	10,010	13,237
Construction in progress	460	775
Other, net	1,904	2,034
Total property, plant and equipment	39,312	42,430
Intangible assets	2,417	2,876
Investments and other assets		
Investment securities	12,165	11,588
Long-term loans receivable	238	231
Retirement benefit asset	4,080	3,711
Deferred tax assets	7,235	6,703
Other	4,634	5,076
Allowance for doubtful accounts	(28)	(26)
Total investments and other assets	28,325	27,284
Total non-current assets	70,055	72,590
Total assets	212,060	221,206

Liabilities

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Current liabilities		
Notes and accounts payable - trade	24,383	25,898
Current portion of bonds payable	800	800
Short-term borrowings	2,142	2,891
Current portion of long-term borrowings	2,527	2,443
Accrued expenses	10,852	12,786
Income taxes payable	2,634	2,527
Provision for bonuses of directors (and other officers)	219	281
Provision for product warranties	4	42
Provision for loss on construction contracts	3,395	3,194
Other	12,797	15,036
Total current liabilities	59,756	65,903
Non-current liabilities		
Bonds payable	2,400	1,600
Long-term borrowings	46,669	44,519
Deferred tax liabilities	84	154
Deferred tax liabilities for land revaluation	47	47
Retirement benefit liability	12,828	12,962
Other	1,435	1,758
Total non-current liabilities	63,464	61,041
Total liabilities	123,221	126,945

Net assets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Shareholders' equity		
Share capital	15,981	15,981
Capital surplus	15,780	15,737
Retained earnings	61,445	65,852
Treasury shares	(6,082)	(5,954)
Total shareholders' equity	87,125	91,617
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,587	1,096
Revaluation reserve for land	(376)	(376)
Foreign currency translation adjustment	139	821
Remeasurements of defined benefit plans	(530)	(694)
Total accumulated other comprehensive income	820	847
Non-controlling interests	893	1,795
Total net assets	88,838	94,261
Total liabilities and net assets	212,060	221,206

Consolidated Statements of Income

	(Millions of yen)	
	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net sales	209,226	216,823
Cost of sales	175,664	181,709
Gross profit	33,561	35,114
Selling, general and administrative expenses	23,082	24,544
Operating profit	10,479	10,569
Non-operating income		
Interest income	58	60
Dividend income	310	175
Share of profit of entities accounted for using equity method	299	335
Rental income	68	68
Dividend income of insurance	156	166
Foreign exchange gains	86	721
Other	258	278
Total non-operating income	1,238	1,807
Non-operating expenses		
Interest expenses	207	205
Cost of inactive noncurrent assets	51	164
Borrowing fees	48	11
Loss on securitization of receivables	81	39
Other	146	134
Total non-operating expenses	535	555
Ordinary profit	11,182	11,821
Extraordinary income		
Gain on sales of non-current assets	14	—
Gain on sales of investment securities	184	—
Gain on bargain purchase	90	486
Total extraordinary income	288	486
Extraordinary losses		
Loss on disposal of non-current assets	646	209
Impairment losses	1,102	—
Loss on COVID-19	679	—
Loss on valuation of investment securities	—	165
Loss on valuation of shares of subsidiaries and associates	33	—
Loss on valuation of investments in capital of subsidiaries and associates	—	243
Total extraordinary losses	2,461	619
Profit before income taxes	9,009	11,689
Income taxes - current	3,509	3,659
Income taxes - deferred	(90)	815
Total income taxes	3,418	4,474
Profit	5,590	7,214
Profit attributable to non-controlling interests	103	307
Profit attributable to owners of parent	5,487	6,907

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Profit	5,590	7,214
Other comprehensive income		
Valuation difference on available-for-sale securities	1,045	(490)
Foreign currency translation adjustment	156	438
Remeasurements of defined benefit plans, net of tax	908	(163)
Share of other comprehensive income of entities accounted for using equity method	24	259
Total other comprehensive income	2,135	43
Comprehensive income	7,726	7,258
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,629	6,934
Comprehensive income attributable to non-controlling interests	96	323

Consolidated Statements of Changes in Equity

	(Millions of yen)							
	Shareholders' equity					Accumulated other comprehensive income	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity			
For the fiscal year ended March 31, 2021								
Balance at beginning of period	15,981	15,780	58,587	(6,081)	84,268	(1,322)	734	83,680
Cumulative effects of changes in accounting policies					—			—
Restated balance	15,981	15,780	58,587	(6,081)	84,268	(1,322)	734	83,680
Changes during period								
Dividends of surplus			(2,629)		(2,629)			(2,629)
Profit attributable to owners of parent			5,487		5,487			5,487
Purchase of treasury shares				(0)	(0)			(0)
Disposal of treasury shares					—			—
Net changes in items other than shareholders' equity						2,142	159	2,301
Total changes during period	—	—	2,857	(0)	2,856	2,142	159	5,158
Balance at end of period	15,981	15,780	61,445	(6,082)	87,125	820	893	88,838
For the fiscal year ended March 31, 2022								
Balance at beginning of period	15,981	15,780	61,445	(6,082)	87,125	820	893	88,838
Cumulative effects of changes in accounting policies					—			—
Restated balance	15,981	15,780	61,445	(6,082)	87,125	820	893	88,838
Changes during period								
Dividends of surplus			(2,499)		(2,499)			(2,499)
Profit attributable to owners of parent			6,907		6,907			6,907
Purchase of treasury shares				(0)	(0)			(0)
Disposal of treasury shares			(43)	128	85			85
Net changes in items other than shareholders' equity						27	902	930
Total changes during period	—	(43)	4,407	128	4,492	27	902	5,422
Balance at end of period	15,981	15,737	65,852	(5,954)	91,617	847	1,795	94,261

Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	9,009	11,689
Depreciation	5,768	5,564
Impairment losses	1,102	—
Increase (decrease) in retirement benefit liability	512	308
Increase (decrease) in allowance for doubtful accounts	(20)	8
Interest and dividend income	(369)	(235)
Interest expenses	207	205
Share of loss (profit) of entities accounted for using equity method	(299)	(335)
Loss (gain) on disposal of non-current assets	646	209
Decrease (increase) in trade receivables	8,676	4,046
Decrease (increase) in inventories	(169)	(2,008)
Increase (decrease) in trade payables	(3,226)	1,122
Increase (decrease) in other non-current liabilities	(259)	(8)
Other, net	(314)	(867)
Subtotal	21,264	19,698
Interest and dividends received	375	324
Interest paid	(210)	(211)
Income taxes paid	(3,310)	(3,812)
Net cash provided by (used in) operating activities	18,120	15,998
Cash flows from investing activities		
Payments into time deposits	(606)	(101)
Proceeds from withdrawal of time deposits	432	484
Purchase of property, plant and equipment	(5,760)	(4,485)
Proceeds from sales of property, plant and equipment	35	11
Purchase of intangible assets	(610)	(819)
Purchase of investment securities	(1,637)	(411)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,156)	(1,429)
Other, net	171	(469)
Net cash provided by (used in) investing activities	(9,133)	(7,221)
Cash flows from financing activities		
Proceeds from short-term borrowings	184	788
Repayments of short-term borrowings	(51)	(85)
Proceeds from long-term borrowings	—	29
Repayments of long-term borrowings	(2,452)	(2,350)
Redemption of bonds	(800)	(800)
Purchase of treasury shares	(0)	(0)
Dividends paid	(2,629)	(2,499)
Repayments of finance lease liabilities	(222)	(285)
Net cash provided by (used in) financing activities	(5,972)	(5,203)
Effect of exchange rate change on cash and cash equivalents	47	308
Net increase (decrease) in cash and cash equivalents	3,062	3,881
Cash and cash equivalents at beginning of period	19,342	22,667
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	262	—
Cash and cash equivalents at end of period	22,667	26,549

Company Profile

Company Profile (As of March 31, 2022)

Date of establishment	November 5, 1949
Share capital	15,981,967,991 yen
Number of employees	2,932
Number of employees (consolidated)	5,783

Status of shares (As of March 31, 2022)

- (1) Total number of authorized shares 300,000,000 shares
- (2) Total number of shares issued 70,000,000 shares
- (3) Number of shareholders 25,132
- (4) Major shareholders

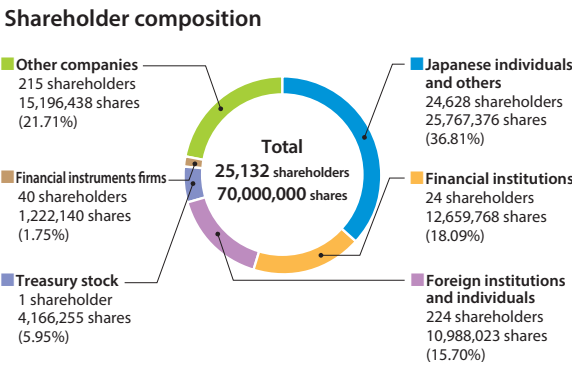
Shareholder name	Number of shares held	Shareholding ratio
	Shares	%
SANSHIN CO., LTD.	8,233,065	12.50
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,931,900	12.04
ShinMaywa Employees' Stock Ownership	2,814,391	4.27
Custody Bank of Japan, Ltd. (Trust Account)	2,221,900	3.37
Sumitomo Realty & Development Co., Ltd.	1,837,800	2.79
TOYO BLDG. MAINTENANCE CO., LTD.	1,391,300	2.11
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/ JASDEC/JANUS HENDERSON HORIZON FUND	955,100	1.45
STATE STREET BANK WEST CLIENT - TREATY 505234	925,400	1.40
JP MORGAN CHASE BANK 385781	733,914	1.11
Topre Corporation	719,000	1.09

(Note) Shareholding ratio is calculated after deducting treasury stock (4,166,255), and rounded down to two decimal places.

Directors, Members of the Board and Audit & Supervisory Board Members (As of June 24, 2022)

President & CEO	Tatsuyuki Isogawa
Director, Member of the Board, Deputy Chief Executive Officer	Kanji Ishimaru
Director, Member of the Board, Senior Managing Executive Officer	Katsuyuki Tanuma
Director, Member of the Board, Managing Executive Officer	Akira Nishioka
Director, Member of the Board, Managing Executive Officer	Toshiki Kume
Director, Member of the Board, Managing Executive Officer	Takashi Kunihara
Outside Director, Member of the Board	Yoshifumi Kanda
Outside Director, Member of the Board	Seiko Nagai
Outside Director, Member of the Board	Toshiyuki Umehara
Full-Time Audit & Supervisory Board Member	Koji Nishida
Full-Time Audit & Supervisory Board Member	Tadahiro Shimasaka
Outside Audit & Supervisory Board Member	Tomosaburo Kinda
Outside Audit & Supervisory Board Member	Eri Sugiyama
Outside Audit & Supervisory Board Member	Fumihiko Kimura

Distribution of shares (As of March 31, 2022)



Our website

Our website provides the latest information, such as company information, IR information, and CSR information. Please refer to it alongside this report.

<https://www.shinmaywa.co.jp/english/index.html>

