

SankyoTateyama, Inc.
Integrated Report
2023

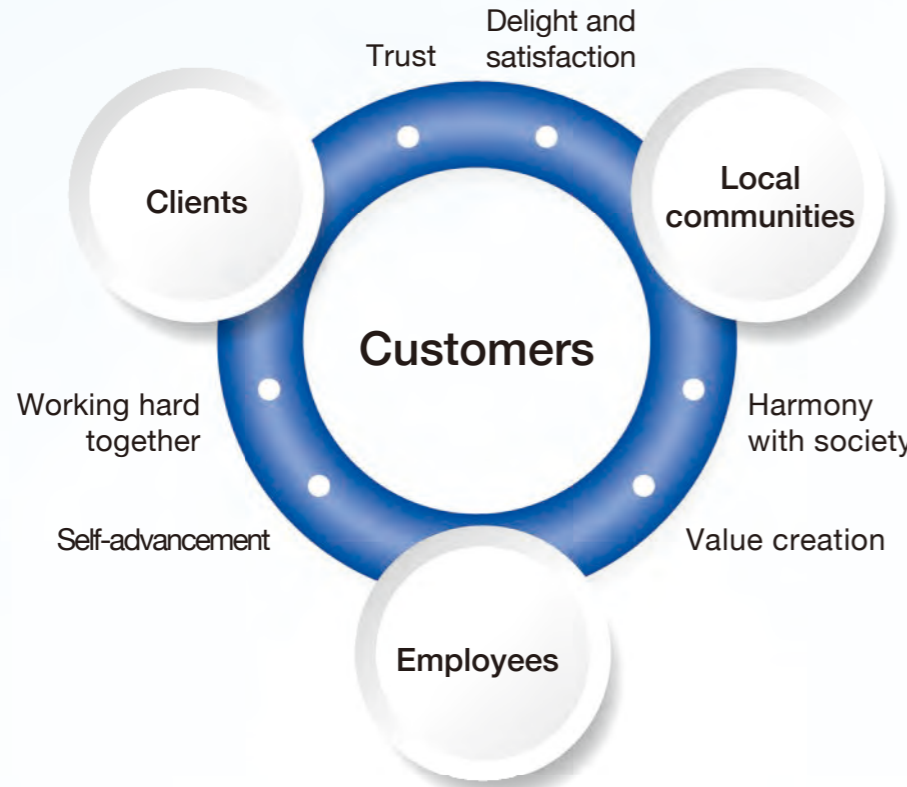


 **SankyoTateyama, Inc.**

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 **SankyoTateyama, Inc.**

Origin of value creation



Management Philosophy

Based on cooperation encompassing clients, local communities, and employees, we create new value and contribute to realizing a world of well-being by giving customers delight and satisfaction.

A Spirit of Cooperation among Three Parties

Sankyo Tateyama was founded in 1960 by Masataro Takehira, as Sankyo Aluminium Industry. One of his goals was to create a reliable place of employment for his hometown of Takaoka. The meaning of “Sankyo” comes from combining the efforts of three parties—our community, our clients and our employees—to grow together, and this has been our guiding philosophy since the company’s founding.

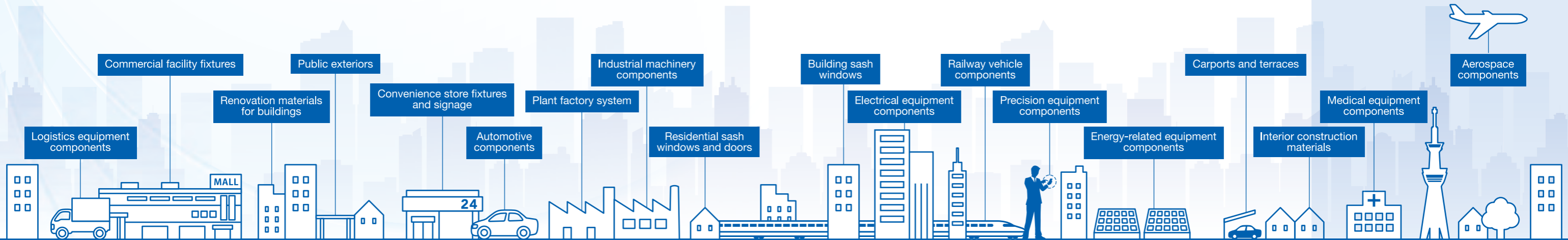


Domestic locations

- Sankyo Tateyama**
- 85 sales offices (including 5 showrooms)
 - 13 manufacturing plants
- 25 consolidated subsidiaries
7 non-consolidated subsidiaries
6 affiliated companies

Overseas locations

- 21 consolidated subsidiaries
1 affiliated company
- ※Information as of October 2023.



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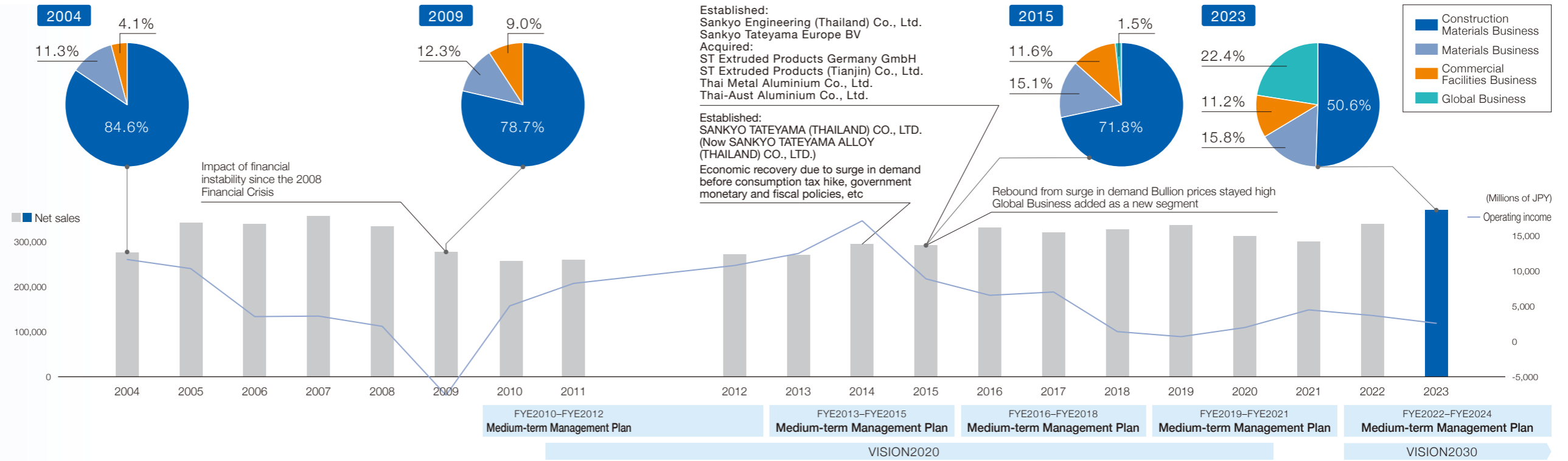
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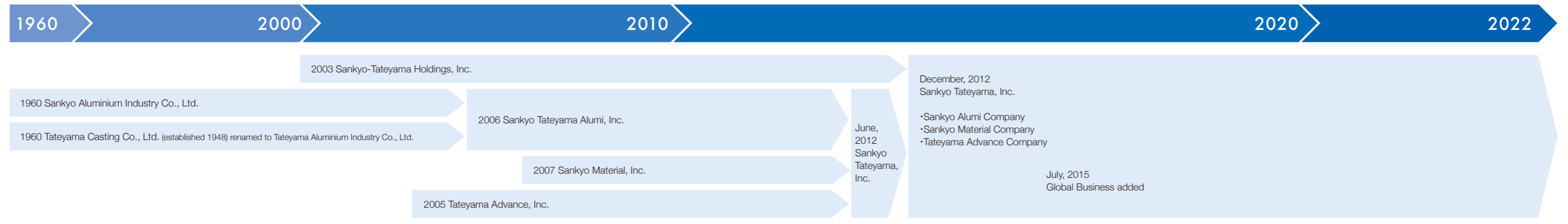
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At its founding, one basic philosophy of the company was “cooperation among three parties—our community, our clients and our employees—to grow together,” and we have continued to expand and develop our business in this spirit of three party cooperation.



Expanding business scale through integration and structural reform of unprofitable businesses → Entering into growing industrial fields and expanding overseas business by leveraging core technologies → Focusing resources on strengths, growing global business, and expanding business domains to become a value-creating company in the fields of building materials, spaces, and services.



1960 Sankyo
 Takaoka, the hometown of the company's founder, is transformed into an aluminum production center.


 The idea to bring the aluminum industry to Takaoka formed, sales of aluminum commodities begin nationwide
 Creation of the "Sankyo Nabe"

1964 Tateyama
 Support for new sales formats

 The focus of consumption shifts to department stores and supermarkets, sales where products are put on display become the norm
 "Two-way Aluminum Showcase" goes on sale

1998 Tateyama
 Contributing to energy conservation

 Developed Japan's first ventilation system using only natural energy
 Developed Japan's first "Swindow," a revolutionary natural ventilation system that automatically opens and closes windows in response to wind pressure differences, without the use of any artificial energy.

2008
 Promoting diversity

 Product development starts to take a female perspective
 Industry-first curved front door "Laforce Naturé Curved Door" goes on sale

2012
 Manufacturing to last for 100 years

 Aluminum reconstruction of the wooden sashes at the Tokyo Station Marunouchi Station Building
 Sashes provided by Sankyo Alumi Company used for all 450 windows in the Tokyo Station Marunouchi Station Building

2015
 Windows that withstand frequent heavy monsoon rain

 Released ALGEO, a main sash for residential use.
 Makes high-heat insulation and high durability possible by taking advantage of the benefits of both aluminum and resin.
 In 2019, ALGEO-Bv was released—an aluminum-resin composite sash for buildings.

2020
 Environmentally friendly manufacturing

 World's first successful demonstration of horizontal recycling of aluminum from one shinkansen in another
 Our extruded products made from recycled aluminum are adopted for luggage shelves in the new Tokaido Shinkansen trains (joint demonstration by Central Japan Railway Company; Nippon Sharyo, Ltd.; Hitachi, Ltd.; Harita Metal Co., Ltd. and Sankyo Material Company)

2021
 Building a new business model

 Contributing to sustainable agriculture
 Agri-cube ID, a plant factory system that provides one-stop services from construction to cultivation and operation support was delivered to a large plant factory (developed and marketed jointly with Daiwa House Industry Co., Ltd.)

Sankyo Sankyo Aluminium Industry Co., Ltd. Tateyama Tateyama Aluminium Industry Co., Ltd.

Message from the President

President Shozo Hirano



Establish sound management in terms of earnings to achieve stable growth

01 | Thoughts on management philosophy

The management philosophy of our company are “based on cooperation encompassing clients, local communities, and employees, we create new value and contribute to realizing a world of well-being by giving customers delight and satisfaction.” This philosophy, which is also the origin of our company name, was originally proposed by the founder of our predecessor, Sankyo Aluminium Industry. This management philosophy has been carried on and continues to be a pillar of our company today. We will proactively change what needs to be changed with changing times, while protecting and maintaining what needs to be maintained regardless of changing times. Like haiku poetry principle of “unchanging and ever-changing,” our company will steadfastly uphold its management philosophy and continue to move forward. In our global expansion, the way we conduct business in cooperation with our customers, local communities, and employees in each country and region is no different from in Japan. We will work with mutual respect in every country and region. We will continue firmly adhering to our globally accepted management philosophy and move forward based on this philosophy.

02 | Review of the fiscal year ended May 31, 2023

In the fiscal year ended May 31, 2023, while a gradual recovery was seen in the economic stagnation with the normalization and activation of economic activities, the environment remains uncertain due to factors like the rising cost of energy and various materials, the depreciation of yen accompanied by the escalation of prices, and the resulting decline in consumer confidence.

Under such circumstances, sales have increased by 8.8% compared to the previous year to 370.3 billion yen, due to increased sales linked to the rise in aluminum ingot prices in Japan and overseas, and customer acceptance of price revisions implemented based on the rise in various materials prices.

On the other hand, operating income was 2.6 billion yen, down 29.4% from the previous year. Aluminum ingot price soared to

nearly \$4,000 on the London Metal Exchange (LME) in early March 2022 but has now settled down between \$2,200 and \$2,300. Although the price has temporarily stabilized, it remains high compared to the pre-surge level of around \$1,600. The rise in energy and material prices continued, and the cost situation remained severe. Furthermore, in the Japanese construction market, which accounts for a large proportion of the markets we serve, the owner-occupied housing market was stagnant in the latter half of the previous fiscal year, and the Construction Materials Business in particular was affected by a decline in sales volume. The automotive market also continued to experience production cutbacks due to the semiconductor shortage, and the Materials Business was affected by a decrease in the volume of sales during the latter half of the previous fiscal year. The Commercial Facilities Business also saw decreased operating income due to rising prices of various materials and foreign exchange rates. Regarding the Global Business, the European subsidiary STEP-G saw an improvement of 2.3 billion yen in operating income from the previous fiscal year. However, the sales volume in the automotive segment was lower than projected, and the company could not achieve profitability. Regarding capital investment, we continue to focus on updating aging equipment in Japan. Overseas, we made growth investments to strengthen our production system further in the automotive segment at STEP-G.

03 | Outlook for the fiscal year ending May 31, 2024

The overall market environment is expected to pick up moderately as economic activity continues to normalize, and we expect that the rise in energy and various materials costs and even the rise in labor costs will continue. In addition, as can be seen in the trends of detached houses, etc., the decrease in consumer sentiments due to prices is a matter of concern, and the situation is expected to remain uncertain. In the Construction Materials Business, the number of new housing starts and the floor areas of non-wooden structure starts in the domestic construction market are expected to remain at the same level as the previous fiscal year in FY 2023, but new construction starts have seen a weak start this year. Under such circumstances, the Company will strive to restore

the profitability of the Construction Materials Business in the fiscal year ending May 31, 2024, through the effects of price revisions implemented in the previous fiscal year. In the Materials Business, we expect the Japanese market for aluminum extrusions to continue to see a downturn associated with semiconductor equipment; on the other hand, the automotive industry semiconductor shortage is nearly resolved, and we believe that the demand for automobiles will recover. The construction materials segment, which accounts for a considerable portion of the Materials Business, is expected to remain sluggish, as is the Construction Materials Business. In the Commercial Facilities Business, we expect construction starts for stores to decrease from the previous fiscal year, but on the other hand, we believe that new stores will continue to open aggressively, thanks to the business categories and companies that are in good standing, and investments in remodeling to save labor and reduce manpower will continue, and we will steadily secure that demand. In the Global Business, the weakening of the economy in Europe against the backdrop of high inflation is cause for concern; however, in Thailand, we expect the economy to recover due to its active tourist industry. As the impact of the automotive market semiconductor shortage is easing, we expect a moderate recovery in production volume in Europe and Thailand. Although the weakening economy is cause for concern, we expect the percentage of electric vehicles (EV) in Europe to increase further in the future, and we hope to make the segment profitable two years ahead of schedule through growth in the automotive sector, centered on EV-related products at our European subsidiary STEP-G.

04 | Progress of medium-term management plan

The sales target for the fiscal year ending May 2024, which is the final year of the current medium-term management plan, is projected at 375 billion yen, 45 billion yen higher than the initial planned target of 330 billion yen, due to an increase in sales linked to the rising aluminum ingot prices, the effects of price revisions, and an increase in volume in the automotive segment in the Global Business. On the other hand, operating income is projected at 6 billion yen, 3 billion yen lower than the initial planned value of 9 billion yen. This is because the prices of aluminum ingots, energy, and other materials are substantially higher than when the plan was formulated, and sales volumes have declined due to a stagnant construction market. In the current medium-term management plan, we have focused broadly on three basic policies: (1) Complete the reform of the Global Business, (2) Respond to the changing domestic market through a focus on strengths and the pursuit of efficiency, and (3) Prepare for long-term growth, under the

theme “Establish sound management in terms of earnings to become a corporate group with stable growth.” We have implemented various measures toward these.

Complete the reform of the Global Business

To reform the Global Business, we have been working to improve profitability by reducing fixed costs and improving the product mix to promote business structure reforms, including functional consolidation and higher added value of STEP-G, in the fiscal year ended May 31, 2023. In Thailand, we have been working on expanding our production capacity and capturing volume as per the plan, and have made steady progress in strengthening profitability through market expansion. Unfortunately, STEP-G was unable to become profitable during the fiscal year ended May 31, 2023, because of a higher-than-expected increase in energy prices, owing partly to the Ukraine crisis and lower-than-expected production volume of automobiles. However, we expect volume growth in the automotive segment, including EVs, which will lead to the realization of profitability in the Global Business in the fiscal year ending May 2024. As for the Thailand business, there is a risk of recession in major countries such as China and Europe, which have significant ties with Thailand’s economy. However, the recovery in Thailand’s tourist industry is expected to boost the entire economy. We expect the overall volume of business in Thailand to be at the same level as the previous fiscal year, with an increase in automobiles, no change from the previous fiscal year for construction materials, and a slight decrease in exports.



Responding to the changing domestic market

As part of our focus on strengths, we aim to secure volume in existing areas centered on construction materials, and expand our business by offering value to our customers. Our Sales, Technology, and Manufacturing Departments are working in unison with a focus on acquiring projects that will connect to

the future in the transportation segment and general machinery. In the Commercial Facilities Business, we are expanding the scope of orders through our major clients and strengthening our approach to adjacent areas. Investments in labor savings and manpower reductions are intensifying against the backdrop of a labor shortage in the retail industry, and we will continue to capture such demand for refurbishing existing stores. As part of our pursuit of efficiency, we are implementing operational reforms aimed at manpower reductions and automation in each of our businesses. We have also developed a promotion system for new work styles using digitalization. We will continue to implement these initiatives actively.

Preparing for the long-term growth

For long-term growth, we are grooming ourselves in three areas: strengthening of sustainability initiatives, creation of new strengths, and field expansion. As part of “strengthening of sustainability initiatives,” we established the Sustainability Promotion Department and the Sustainability Policy Committee in June 2021, and we are implementing various initiatives throughout the Company. As part of “creation of new strengths,” we strive to strengthen the Construction Materials Business in remodeling and renovation, launch differentiated products, strengthen our construction systems, and expand our fields. We will aggressively capture the favorable demand for renovation of condominiums, etc., and the demand for renovation of homes, which is growing due to subsidy programs launched by the government. As part of “field expansion,” we are considering business creation themes that address social issues, as we develop new applications and expand our business by utilizing our core technologies for our new businesses. One case study that we can discuss publicly is the plant factory business we are moving forward with in collaboration with Daiwa House Industry Co., Ltd.

05 | Initiatives to realize VISION 2030

Our long-term vision for the fiscal year ending May 31, 2031, VISION 2030, includes the two goals of “contributing to a sustainable and affluent lifestyle - Realizing an environmentally friendly, safe, and comfortable society” and “Diversified management - Toward a well-balanced business portfolio.”

Contributing to a sustainable and affluent life

Each business’s direction is clearly defined to realize an environmentally friendly, safe, and comfortable society. The Construction Materials Business is expected to see a shrinking Japanese market, and we will strive to maintain and improve our position in the market by focusing on efficient

business management in line with market changes and areas where our company is particularly strong in construction materials. Thus, by improving our market competitiveness, we will build stable profitability. In our Building and Housing Business, we will continue improving profitability by reinforcing our response to the remodeling and renovation market, which is predicted to remain strong. In our Exterior Business, based on the concept of our business brand Wonder Exterior, we will further expand our sales by offering products that our customers will find exciting and by promoting various measures. At the same time, we will explore areas adjacent to existing businesses.

The Materials Business, in cooperation with the Global Business, will work on expanding its business domain to become one of our core businesses in the future by creating global synergies centered on the automotive segment, both in Japan and overseas. Products handled by the Global Business are mostly those in the overseas materials field; therefore, the Global Business will respond to the growing demand for aluminum for electrification and weight reduction, especially for automobiles, while integrating its business operations with those of the Materials Business. The Global Business will promote its transformation into a business that contributes to revenues and strives to grow by continuing to capture the demand for electrification and weight reduction in the automotive segment, while utilizing production bases in Europe, Thailand, and China.

The Commercial Facilities Business will strive to expand its business domain using its current strong position in the industry. The retail industry is transitioning from opening new stores to remodeling, with demand for labor savings and manpower reduction growing against the backdrop of chronic labor shortages. We will strive to approach industries other than retail and grow our business in China, while promoting business expansion by steadily capturing the demand arising from such changes.

As mentioned earlier, as part of our new business, we are selling a plant factory system called “agri-cube ID,” developed jointly with Daiwa House Industry Co., Ltd. The market for plant factories is expected to grow in the future. We will continue developing products for business expansion and promoting our sales activities.

Diversified management

We aim to have a balanced business portfolio for diversified management. We recognize that the Japanese construction market is in a long-term downtrend. The Construction Materials Business will continue to improve its profitability as a core business; however, we believe it is necessary to create new growth areas to respond to future changes in the business environment. In the past, we have strengthened the

Materials Business in Japan and overseas through M&A of the Global Business and scaled up the Commercial Facilities Business through business succession. In the future, we will further expand our domains, strive to build a business structure that is not biased toward the Construction Materials Business, and strengthen our management base to respond flexibly to market changes.



06 | Toward realization of Sustainability VISION 2050

Our Group has long been committed to CSR and the SDGs under our management philosophy, and has worked to achieve harmony with the environment and society. As we are heading into an era where there is even greater demand for such initiatives, we believe that it is our mission to contribute to society through sound corporate activities under our management philosophy based on the spirit of collaboration, where the three parties—namely, clients, local communities, and employees—who form the core of our foundation, cooperate for mutual prosperity.

Achieving carbon neutrality

We have taken up the challenge of realizing carbon neutrality in 2050, in line with the Japanese government's goal to achieve carbon neutrality in 2050 by formulating the "Sustainability Vision 2050." As a roadmap to 2050, we aim to reduce greenhouse gas (GHG) emissions by 50% by FYE2031 compared to FYE2018 (Scope 1+2). To achieve this target, we have formulated and been executing a concrete plan for reduction, including CO2-free electricity and energy conservation at plant facilities, and updating facilities, such as switching to LED lights and introducing battery-powered forklifts. Since June 2022, we have achieved an annual reduction of about 3,000 tons of GHG emissions by switching the electricity used in our four domestic plants to CO2-free electricity. Our GHG emissions as of the fiscal year ended May 31, 2023, were approximately 226,000 tons, a 20.5%

reduction compared to FYE2014.

In June 2023, we started introducing CO2-free electricity at two sites, the Shinminato Plant of Sankyo Aluminum Company and the Shinminato-Higashi Plant of Sankyo Material Company. Beginning this fiscal year, we have set GHG emission reduction targets, including for our overseas subsidiaries, further accelerating emission reduction measures throughout the Group.

Promoting use of recycled aluminum

To reduce GHG emissions as covered in Scope 3, and promote the transition to a recycling-oriented economy, we are formulating measures and setting various milestones to increase the use of recycled aluminum. We are also strengthening our efforts to collect aluminum scrap from already-used products made of recycled aluminum and to process scrap generated during processing by customers by working with recycling companies and customers. In addition, we began joint research with the University of Toyama in August 2022 to improve aluminum recycling technology. We work jointly to tackle research challenges that would be difficult for our company to tackle alone. Through this joint research, we hope to create new synergies and contribute to expanding aluminum applications and realizing a recycling-oriented society and carbon neutrality.

Different aluminum alloys are used for different aluminum products. Various elements, including magnesium, are added to aluminum ingots to increase their strength and heat resistance, and their compositions differ depending on the desired performance for each application. At present, approximately 50% of raw materials used in our company are made of recycled aluminum, and the recycling rate has already reached a higher level for 6063, an aluminum alloy used in aluminum construction materials, which accounts for a high percentage of the total aluminum used in the company. In the next medium-term management plan, we want to aim for an even higher recycling rate by introducing furnaces used exclusively for recycling. However, one of the challenges in improving the aluminum recycling rate is the difficulty of securing scrap materials for each type of alloy, such as those used in automobiles, which require higher strength than construction materials. As we advance, we will establish concrete measures and targets within the company for securing the right scrap materials.

Connecting personnel and the future

While the decline in the working-age population is becoming a serious problem, our company is committed to investing in human resources and strengthening human resource development as one of our top priorities. "VISION 2030" portrays our vision aiming to achieve sustainable management and stable growth, and we believe that diverse human

resources are indispensable to realizing this vision. According to a survey by the Ministry of Health, Labour and Welfare, the percentage of women in managerial positions in Japanese companies is 12.7% as of FY 2022; however, the percentage of women in managerial positions at our company is only 1.9%. We place particular emphasis on ensuring diversity in the organization, even in the utilization of human resources, and we have set a target to increase the percentage of women in managerial positions to 10% by FYE2031 by first focusing on promoting active participation by female employees. In the future, we will strengthen our efforts by preparing individual development plans for female employees who are about to get promoted to managerial positions.

07 | Our human resource utilization policy

To promote human resource diversity, we will expand the employment of diverse human resources, including the elderly, people with disabilities, non-Japanese people, and mid-career hires, in addition to promoting active participation by female employees as mentioned above; at the same time, we will focus on efforts that will enable employees to participate actively in their respective workplaces. The Human Resource Development Subcommittee, a subdivision of the Sustainability Promotion Committee, conducts discussions on policies to promote medium- and long-term directions and strategies aimed at creating an atmosphere facilitating the active participation of diverse human resources, and formulates concrete plans and promotes the implementation of policies by establishing a dedicated department to promote diversity, especially for promoting active participation by women and employment of people with disabilities. In addition, the subcommittee works on operational reforms and manpower reductions by promoting DX, including the use of conversational generative AI introduced this fiscal year. Regarding investment in human resources, we aim to develop human resources who can create new value to support the sustainable growth of our Group, and give delight and satisfaction to our customers. Beyond various forms of training, we assist our employees in self-improvement and career development by encouraging them to take correspondence courses, providing in-house e-learning, and offering incentives for obtaining licenses and certifications. We provide support to employees who have a willingness to grow on their own, to improve their skills through various educational programs according to their knowledge, abilities, and skill level. We also work to improve our internal environment. We are working on creating an environment where each employee can contribute to the company by demonstrating their ability,

while respecting each other's differences and utilizing the individuality of each employee. We have also established action plans to improve the working environment, including the creation of a comfortable workplace, promotion of diversity, and health and safety. Among these, the health and safety of our employees form the foundation of the company's existence, and we recognize that ensuring health and safety is the company's social responsibility. In 2019, we formulated the Health Management Declaration, and established the Health Care Promotion Council. In March 2023, our company was certified as an Excellent Health Management Corporation 2023 (Large Corporation Category) by an external organization in recognition of our initiatives. In addition, ST Logistics Service, a Group company, was also certified as an Excellent Health Management Corporation 2023 (Small and

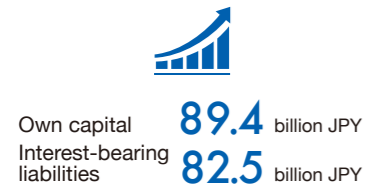
08 | Aiming for improvements in corporate value

Medium-Sized Corporation Category (Bright 500)). We are gradually diversifying our company's business portfolio to sustainably improve our corporate value. We will faithfully follow our basic principles regarding improving our corporate value and strengthening our management base to increase profitability and generate stable earnings. The next medium-term management plan will be a step toward realizing "VISION 2030", by further enhancing profitability with capital-cost-conscious management. We will consider further expansion of shareholder return measures in a balanced manner that will also ensure the soundness of our financial base. Though we are still halfway to realizing our ideal vision, we hope that we will meet the expectations of our stakeholders by putting in place a solid growth strategy and strengthening our profitability. Thank you for your continued support.



Capital to be utilized
(Input)

Financial capital



Manufacturing capital



Intellectual capital (Japan)



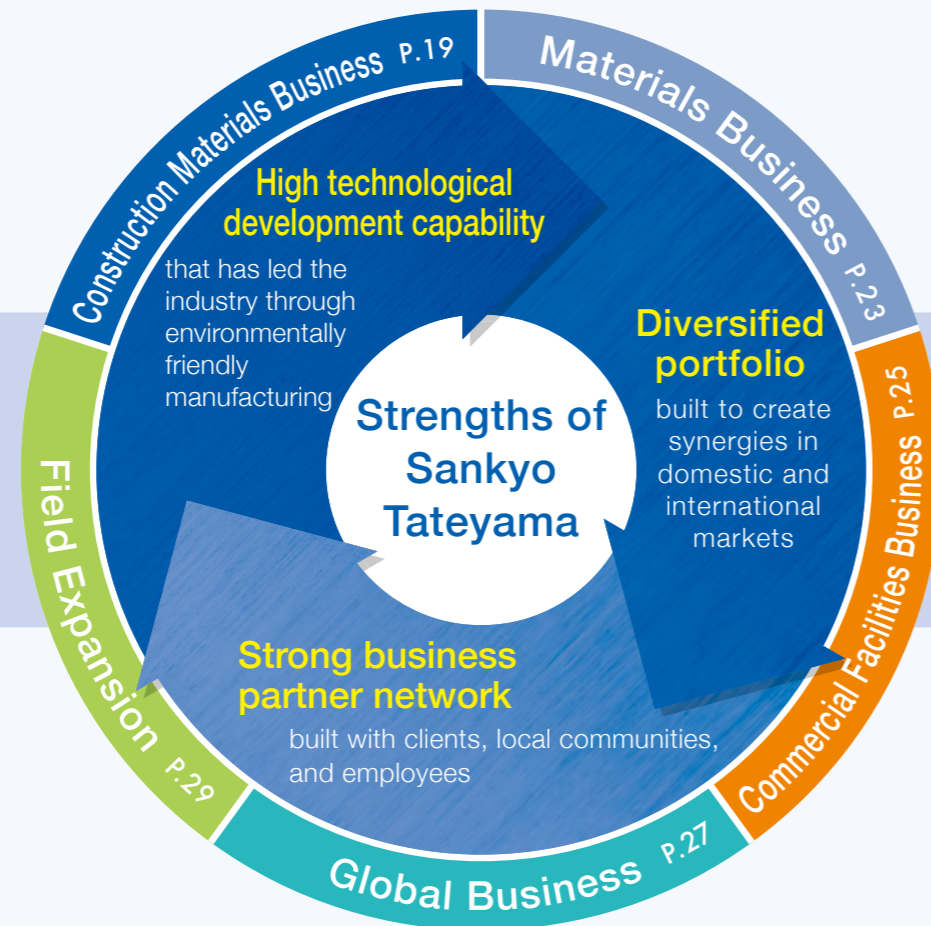
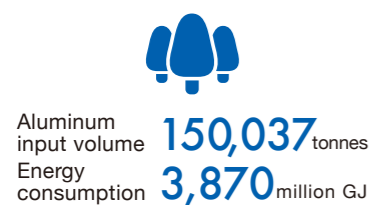
Human capital



Social and relational capital



Natural capital (Japan)



Sustainability at Sankyo Tateyama **P.31**

Sustainability Vision 2050
Materiality

The Philosophy of Sankyo Tateyama **P.1**

Management Philosophy /
A Spirit of Cooperation among Three Parties

Capital generated
(Output)

Financial capital



Manufacturing capital



Intellectual capital (Japan)



Human capital (Japan)



Social and relational capital (Japan)



Natural capital (Japan)



Our aims

VISION
2030

P.13

Contributing to
a sustainable and
affluent life

Realizing an environmentally
friendly, safe, and
comfortable society

Diversified
management

Toward a well-balanced
business portfolio

Medium-term
Management Plan

P.15

Further capitalizing on value enhancement

Sankyo Tateyama Group Long-term Roadmap

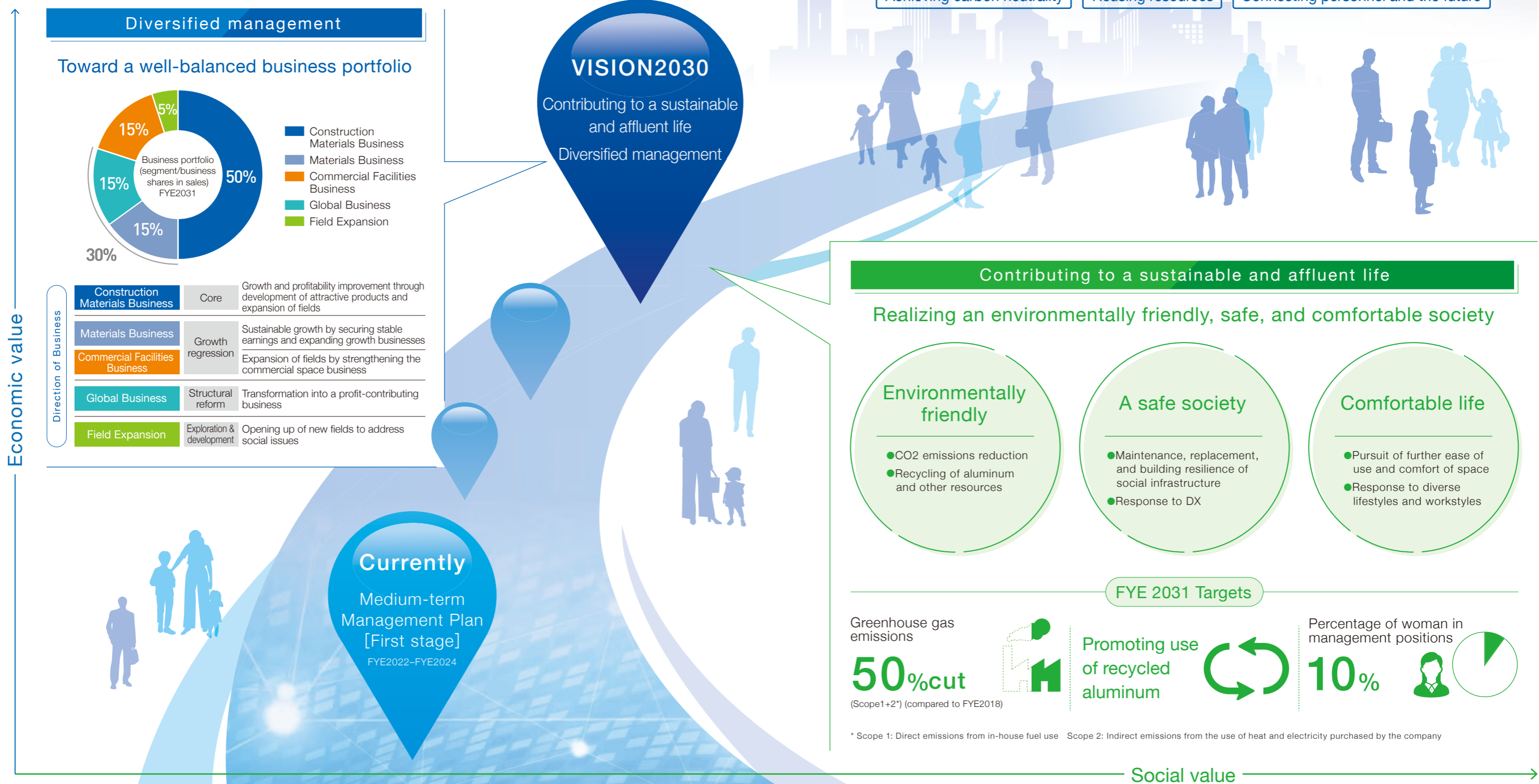
Looking to 2050, we have formulated the Sustainability Vision 2050 as a long-term direction for the Sankyo Tateyama Group based on our own management philosophy and past efforts (strengths), and have set targets for FYE2031. Toward VISION2030, we will create compelling value through our business activities based on the principles of “being environmentally friendly”, “a safe society”, and “a comfortable life”, and build a management foundation that can flexibly respond to market changes, with the aim to become a company that enables sustainable and affluent life.

Sustainability Vision 2050 Life with Green Technology

Achieving carbon neutrality

Reusing resources

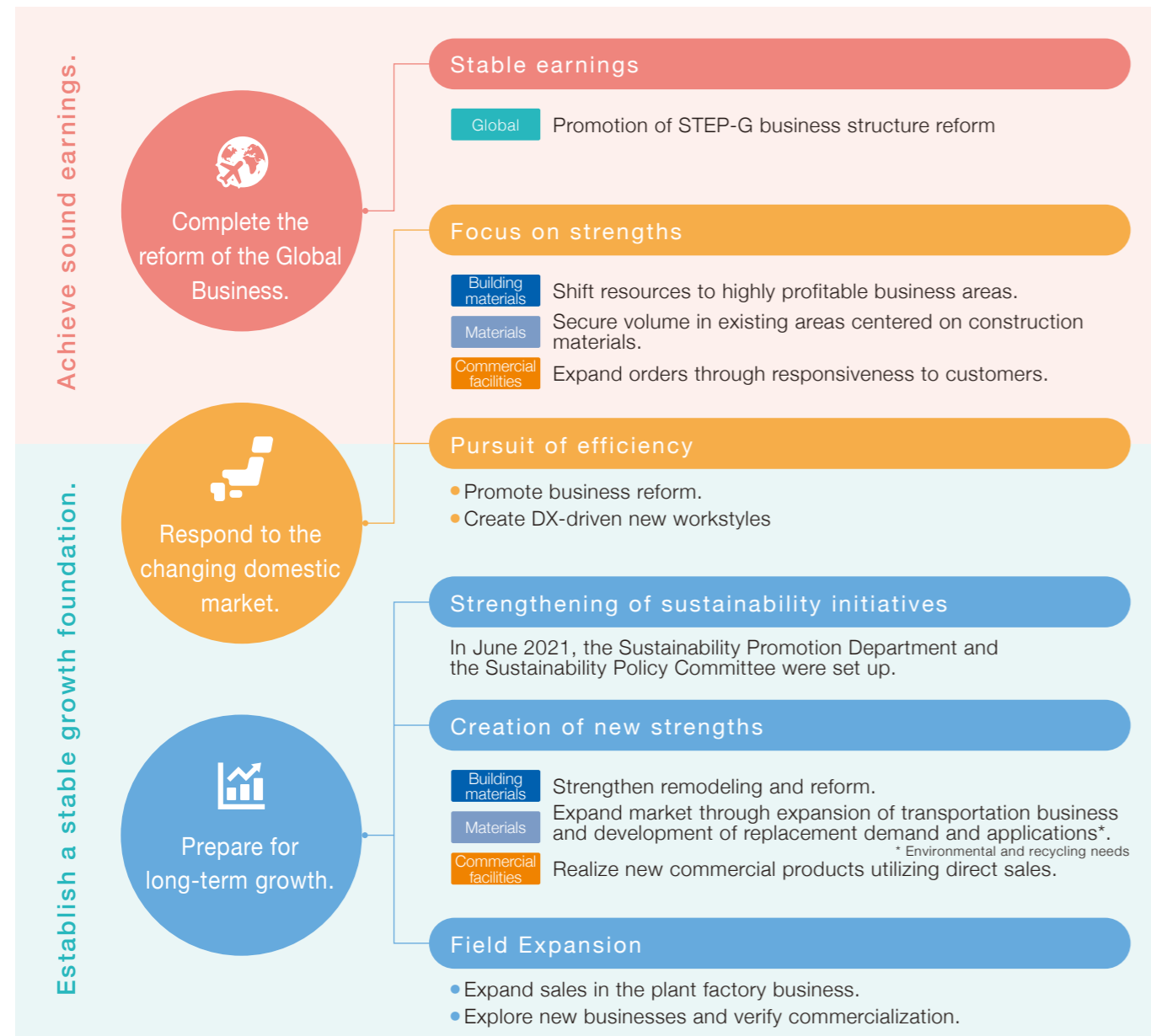
Connecting personnel and the future



Medium-term Management Plan (FYE2022–FYE2024)

As the first stage toward VISION 2030, we will promote measures based on the following policies in our medium-term management plan.

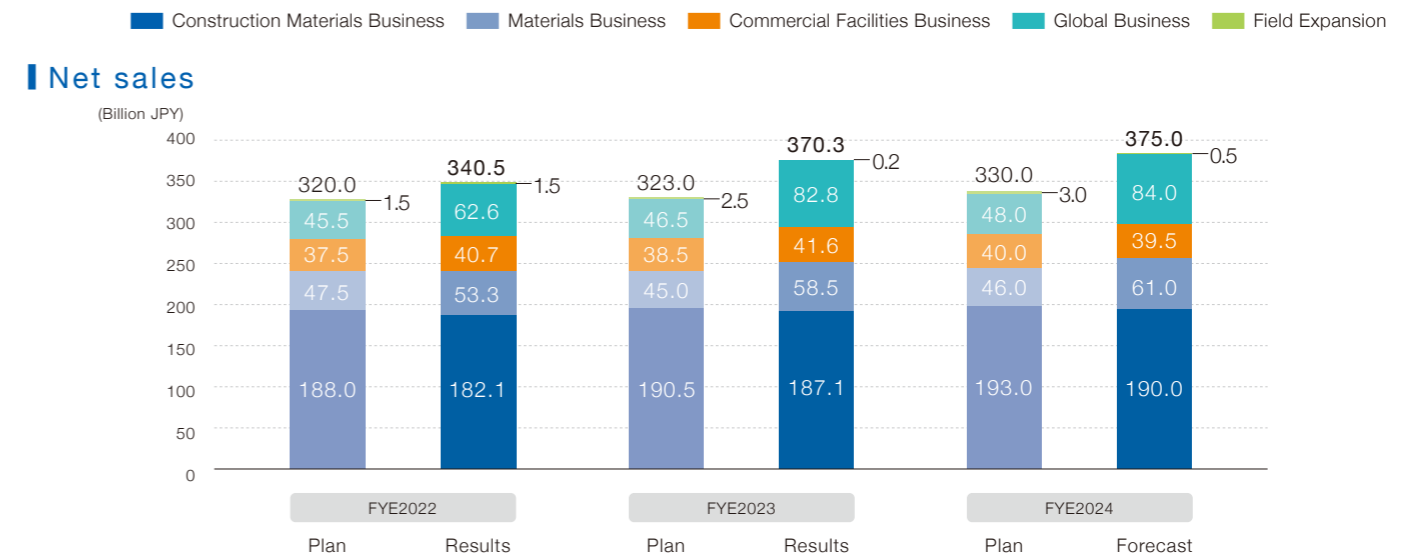
Establish sound management in terms of earnings to become a corporate group with stable growth.



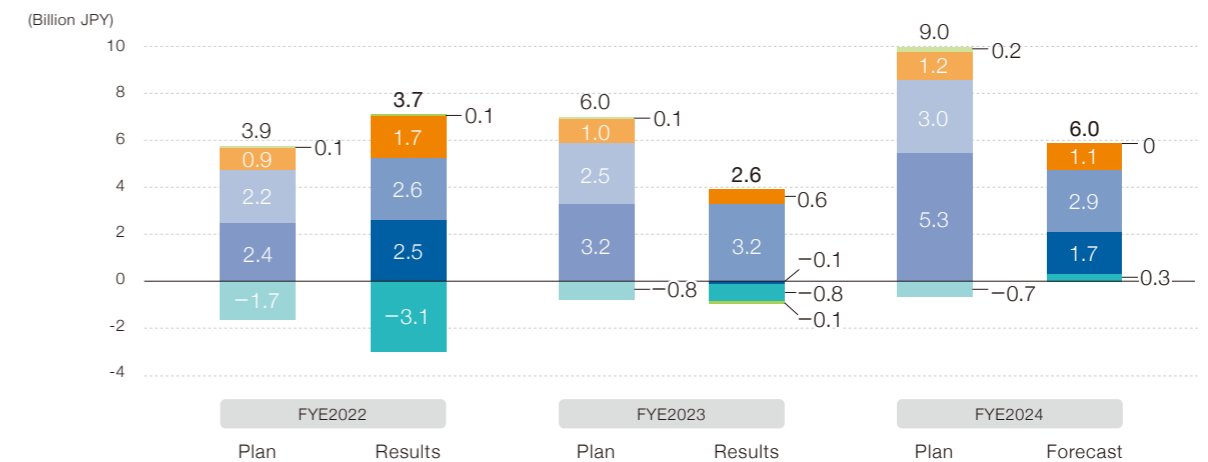
Management indicators

	FYE2021 results	FYE2024 targets
Capital adequacy ratio	32.1%	33% or more
Dividend	15 JPY per share	Paying stable dividends in principle while giving consideration to improving financial results and retained earnings
ROA (on a net income basis)	0.7%	1.9%
ROE (on a net income basis)	2.2%	5.9%

Review and outlook for the fiscal year ended May 31, 2023



Operating income



Retrospective on FYE2023

Net sales: 370.3 billion JPY, an increase of 47.3 billion JPY over the plan

- Increase in sales due to price revisions
- Increase in sales linked to aluminum ingot market in the material business and the Global Business

Operating income: 2.6 billion JPY, down 3.3 billion JPY from the plan

- Impact of the rising energy and material prices
- Decrease in sales volume in the Construction Materials Business due to stagnant market conditions

Forecasts for the third year of the Medium-term Management Plan (FYE 2024)

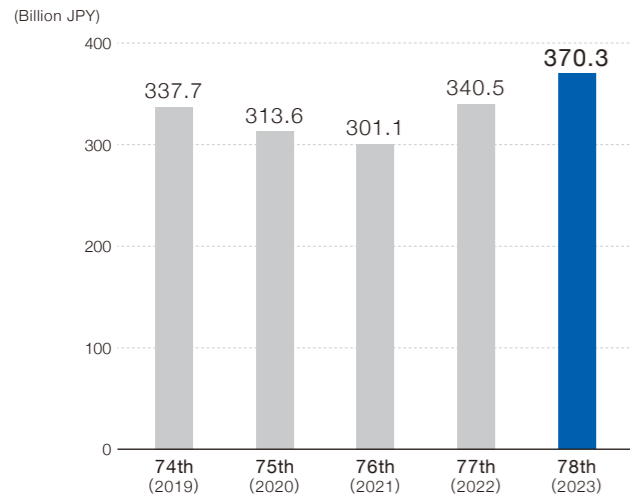
Net sales: 375 billion JPY, an increase of 45 billion JPY over the plan

- Increase in sales linked to aluminum ingot market and effects of price revisions
- Volume increase in the automotive segment for the Global Business

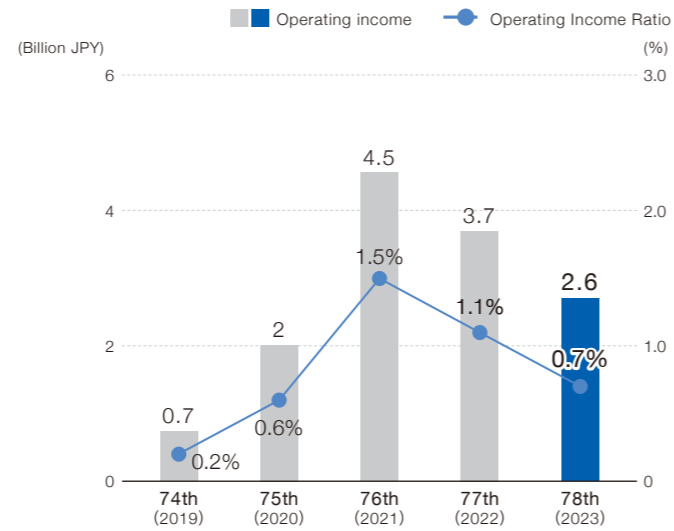
Operating income: 6 billion JPY, down 3 billion JPY from the plan

- The rise in prices of aluminum ingots and various materials, including energy, significantly exceeded the medium-term management plan
- Decrease in sales volume of the Construction Materials Business due to stagnant market conditions in domestic construction market
- The Global Business saw a return to profitability thanks to increased volumes in the automotive segment, as well as cost reductions

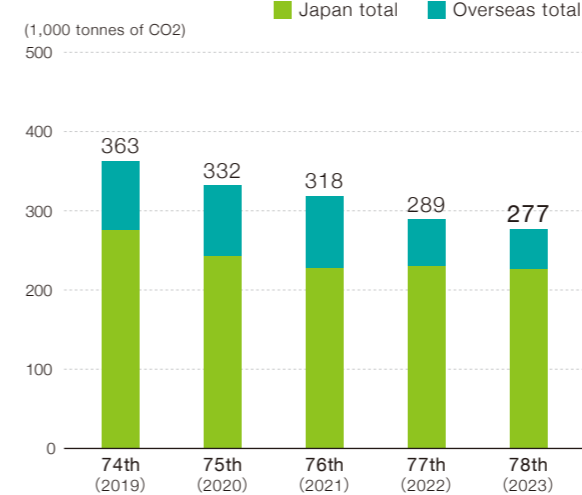
Net sales



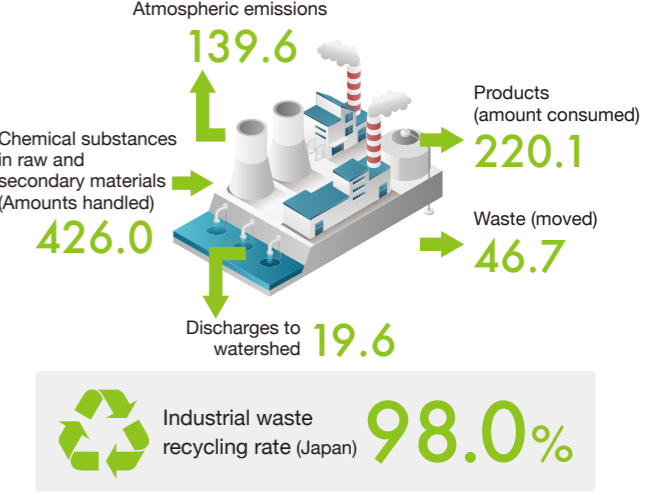
Operating income / Operating income ratio



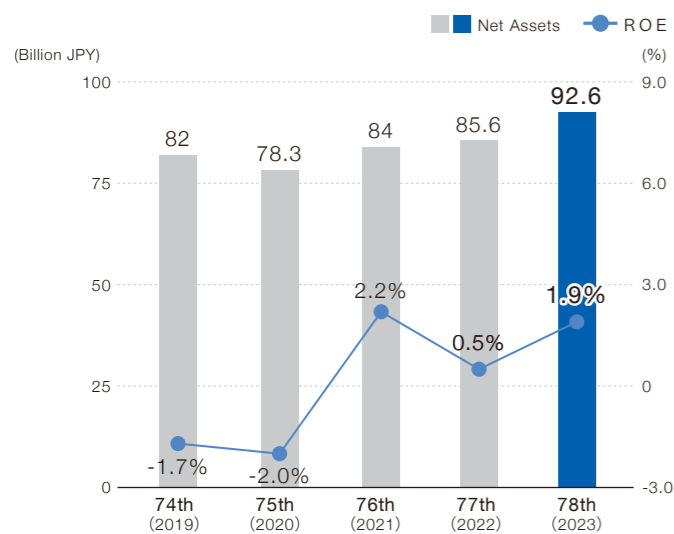
Greenhouse Gas (GHG) Emissions over Time - Japan/Overseas



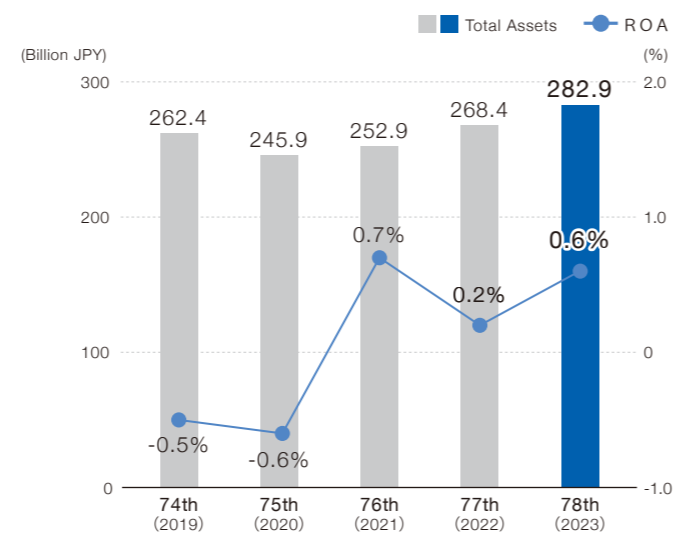
Company-wide material balance of PRTR substances (Japan)



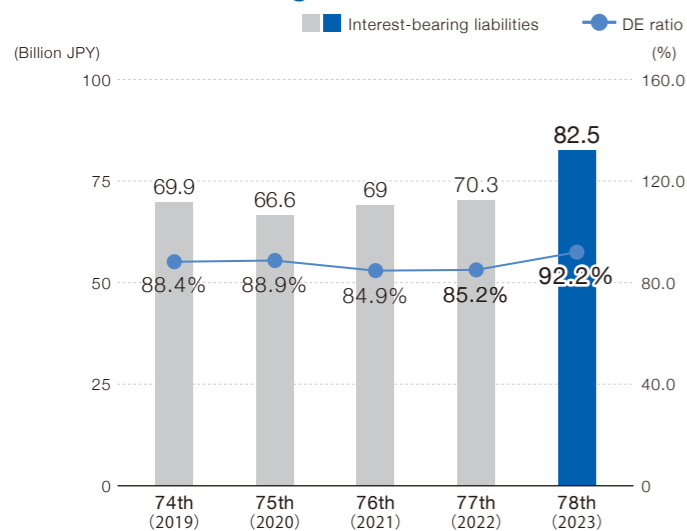
Net assets / ROE



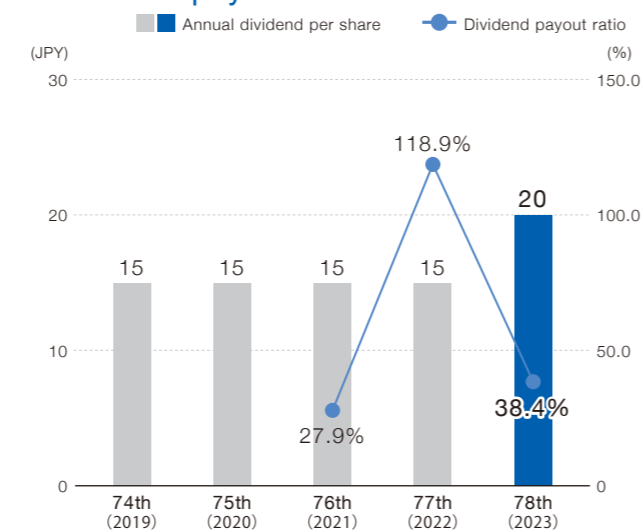
Total assets / ROA



Interest-bearing liabilities / DE ratio



Annual dividend per share / Dividend payout ratio

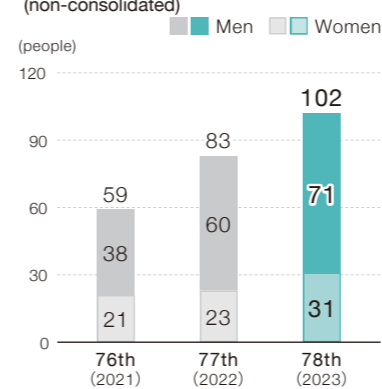


E Environment

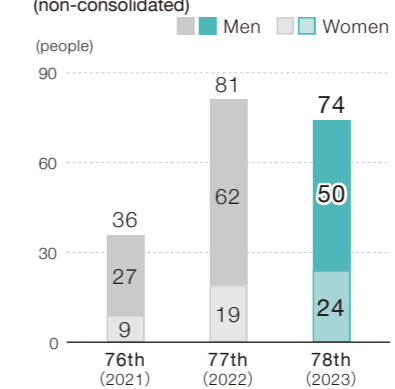
S Social

G Governance

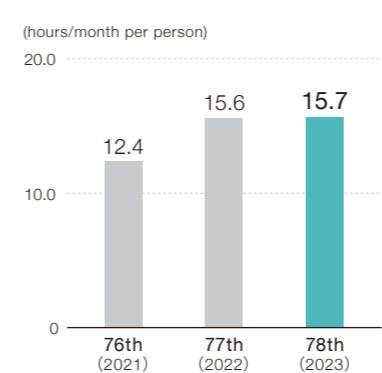
Number of new graduate hires (non-consolidated)



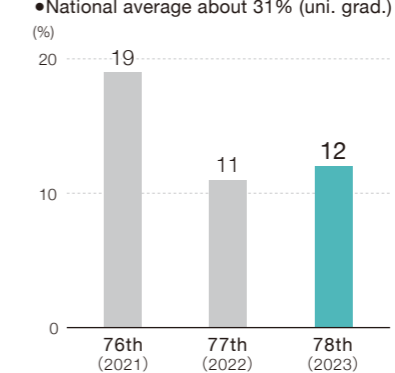
Number of mid-career hires (non-consolidated)



Overtime hours (non-consolidated)



New graduate turnover rate within 3 years (non-consolidated)



Years of service (non-consolidated)



Acquisition rate of childcare leave system (non-consolidated)



Number of directors (non-consolidated)

12

Number of outside directors (non-consolidated)

4

Number of audit committee members (non-consolidated)

5 (including 3 outside members)

Information security training (non-consolidated)

12

Compliance training (Japan)

10

Number of Board of Directors meetings (non-consolidated)

18

Attendance rate of directors and audit committee members at board meetings (non-consolidated)

98.7%

Number of serious information security incidents (non-consolidated)

0

Number of compliance whistleblower/consultation cases (Japan)

6



Construction Materials Business

Sankyo Alumi Company



Takahiro Nishi
President
Sankyo Alumi Company

INTERVIEW

The Construction Materials Business develops, manufactures, and sells building fixtures, housing fixtures, and exterior fixtures. Regarding the market environment surrounding the Construction Materials Business in the fiscal year ended May 31, 2023, owner-occupied housing starts, which has a major impact on the Housing and Exterior Business, fell sharply by approximately 88% compared to the previous year. In addition, although the total floor area of non-wooden structure starts, an indicator for the Building Business, remained almost the same as the previous year, the overall trend was weak due to an increase in factory construction requiring fewer sashes. The price of aluminum metal remained high, while the prices for various materials and energy rose more than expected. In this severe situation, we endeavored to control expenses and secure an appropriate profit level as well as revising product prices and promoting sales of remodeling products. While the normalization of economic activity will continue, the construction market in Japan is expected to become even more challenging. Despite these circumstances, we will continue to fulfill our responsibility as Sankyo Tateyama's core business and make every effort to ensure the stability and profitability of the business. To begin with, we will increase sales for the key sashes for mid- to low-rise buildings and enhance renovation and remodeling in the Building Business, improve profitability and strengthen our response to demand for energy conservation and renovation in the Housing Business, and strengthen our response to sales expansion and business growth by introducing new products in growth areas in the Exterior Business. Concerning our sustainability initiatives and various measures to reduce CO2 emissions, we will also intensify the development and sales of environmentally friendly products.

Although the business environment remains uncertain, each employee of the Company shall place the highest value on compliance and strive to improve our services to our customers by being cheerful, fun, and positive as our guiding principle.

Building fixtures

Sashes, doors, curtain walls, refurbishment, store fronts, handrails, interior & exterior fixtures, environmental products, etc.

Housing fixtures

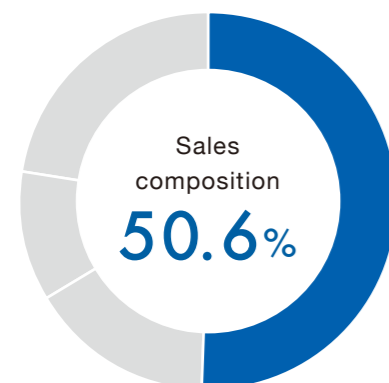
Front doors, windows, crime prevention-related products, interior fixtures, items for use around windows, etc.

Exterior fixtures

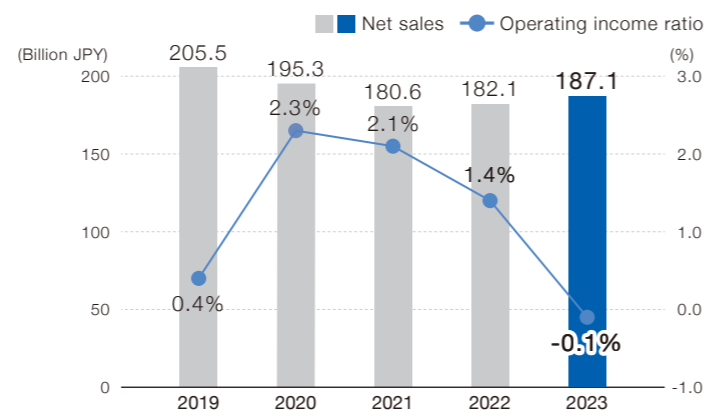
Gate doors, fences, carports, terraces, garden rooms, bicycle storage spaces, walkway shelters, etc.



Sales ratio by segment



Performance of Construction Materials Business



Building Business

Business environment

- Steady growth in redevelopment projects in urban areas
- Increase in demand for high-insulation renovation through the Housing Renovation Assistance Project.
- Accelerate initiatives for ZEB/ZEH toward carbon neutrality

Challenges and risks

- Shrinking new construction market
- Rise in construction costs due to soaring prices of construction materials, labor shortages, and shortage of skilled workers
- Intensifying price competition with other companies in the industry
- Implement measures for the impact of rising trends in the cost of energy and various materials

Business strengths

- A distributor sales network with sales capabilities and component assembly functionality
- Strong partnerships with contractors
- Pioneering natural ventilation products
- Leading handrail product brand strength with the largest market share in the industry

Responding to risk

- Strengthening of proposal and sales structure for the renovation market
- Establish a backup system to take advantage of distributors' functions and expand the range of products
- Reduce costs by introducing equipment for labor-saving, automation, and promotion of multi-skill development for workers
- Further penetration of prices revisions

Focus themes

Try to enter new market areas and expand carbon-neutral products and services

Develop and introduce products that contribute to reducing embodied carbon ^{*1}/operational carbon ^{*2}

Strengthen CRM ^{*3} using Sankyo BIZ ^{*4}

Expand distinctive products for fire door sashes for buildings

Promote measures to strengthen distributors from the perspective of both sales and products

*1 Embodied carbon: Environmental impact associated with production of products (total CO2 emissions released from construction to demolition and disposal of a building) *2 Operational carbon: Environmental impact generated during the use of a products (CO2 emissions associated with the operation of a building) *3 CRM: Customer Relationship Management *4 Sankyo BIZ: Official Building Division website for distributors and sales subsidiaries

TOPICS

Specifications expand for "Fireproof MTG-70R" building sash window, Minister of Land, Infrastructure, Transport and Tourism certified fire-resistant facility(individually certified)



Soundproofing
T-3

Since April 2019, it has been required to acquire individual certification for fire-resistant facilities for buildings, not general certification. In line with this change, Sankyo Tateyama released the "Fireproof MTG-70R," certified by the Minister of Land, Infrastructure, Transport and Tourism. Initially, only glass with wire mesh could be used, compromising the view from apartment complexes, etc. However, we have now acquired certification for heat-resistant tempered glass that does not obstruct the view from a building. Furthermore, adding gaskets in the groove of the double-glazed glass has achieved a sound insulation performance of T-3 (sliding window). We can now provide end-users with even more pleasant and comfortable spaces. Many production aspects were also considered during development, such as the standardization of frame materials.



Noritsugu Ishihara
Building Product Development Section 1,
Building Products Department,
Building Division,
Sankyo Alumi Company



[For further information (Japanese)]
https://buildingsash.net/products/bouka/bouka_sash/mtg70r/

Construction Materials Business

Sankyo Alumi Company

Housing Business

Business environment

- Decrease in number of new housing construction projects started
- Growth in the renovation and non-residential wooden construction markets
- Enhanced energy efficiency standards and increased demand for energy-saving products

Challenges and risks

- Shrinking new construction market
- Enhanced energy efficiency standards to achieve carbon neutrality
- Intensifying price competition with other companies in the industry
- Implement measures for the impact of rising trends in the cost of energy and various materials

Business strengths

- Nationwide distribution and sales system by distributors and sales companies
- Creation of safe, secure, and comfortable products
- Integrated product lineup and ability to respond to custom orders for sashes, entrance doors, and interiors
- Labor-saving production through the introduction of the latest technology

Responding to risk

- Strengthen response to the remodeling market.
- Strengthen development and proposal of products with high thermal insulation.
- Reduce costs by introducing equipment for laborsaving, automation
- Further penetration of prices revisions

Focus themes

Develop safe, secure and comfortable products that contribute to a carbon-neutral society

Strengthen the development of energy-saving products

Develop products for renovation and nonresidential wooden buildings, where demand is expected to grow

Strengthen promotion to end-users

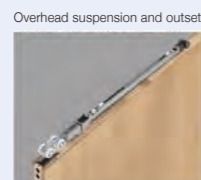
Promote support for distributors and construction companies

TOPICS

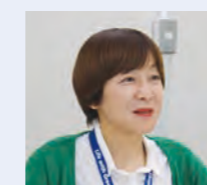
Interior construction material “LiVERNO” renovation

LiVERNO
ちょっといい、ちょうどいい。

Soft-close mechanism
Y-rail



The interior design industry is experiencing faster trend cycles, and end users are demanding even higher quality for their living spaces because of the COVID-19 pandemic. We developed a new series, “LiVERNO”, based on the concept of “Nice and just right” to provide end-users with comfortable living spaces in a rapidly changing environment. Additional handles in soothing colors and with anti-bacterial and antiviral treatments have been added to meet the diverse interior design needs. The parts of the softclose mechanism are unitized for simplified installation, and we have develop products considering the installation perspective.



Sumie Yoshino
Housing Product Planning Section,
Housing Products Department,
Housing Division,
Sankyo Alumi Company
* As of August 2023



[For further information (Japanese)]
<https://alumi.st-grp.co.jp/news/2023news/hk20230222.html>

Exterior Business

Business environment

- Decrease in the number of new housing construction projects started
- Diversification of end-user lifestyles
- Aging social infrastructure
- Acceleration of digitalization of catalogs, etc.

Challenges and risks

- Frequent natural disasters
- Decrease in the number of skilled workers and aging of the workforce
- Implement measures for the impact of rising trends in the cost of energy and various materials

Business strengths

- Distributor sales network with strong partnerships
- Highly original product development with a strong field of expertise (carports)

Responding to risk

- Development of resilient (flexible, supple, high-strength) products
- Improve the technical workforce’s construction skills and developing labor-saving products
- Reduce costs by introducing equipment for laborsaving, automation
- Further penetration of prices revisions

Focus themes

Expand business area through the creation of sustainability-driven business opportunities

Develop products from a semi-public, carbonneutral perspective

Conduct digital marketing-based sales promotions

Improve operational efficiency and customer satisfaction through the establishment of a back-office structure

Realize a secure and stable supply through production line construction (staffing saving, increased production capacity)

TOPICS

Facade and Garden “X.style (cross-style)” series

X.style
クロススタイル



Modern exterior design demands harmony with the exterior of the house and links between zones, such as car spaces, entrances and garden spaces. In addition, realizing the wide range of requests from owners and planners requires a flexible product mix and excellent site adaptability. “X.style (cross-style)” is a product focused on a simple, unified design, allowing flexible combinations of various items such as roofs, screens and garden rooms. We expand the scope of proposals to various scenes, including independent houses, apartment buildings, and public facilities, as exterior elements that enhance the value of the urban landscape.



Ryosuke Yokoi
Exterior Product Planning Section,
Exterior Product Development,
Exterior Division,
Sankyo Alumi Company



[For further information (Japanese)]
<https://alumi.st-grp.co.jp/products/xstyle/>

Materials Business

Sankyo Material Company



Shozo Hirano
President
Sankyo Material Company

INTERVIEW

The Materials Business manufactures, and sells aluminum and magnesium billets and profiles. Our products are used by customers in a variety of fields, including construction materials, industrial machinery, automobiles, and rolling stock.

In the fiscal year ending May 31, 2023, while the social and economic activities were going back to normal after the COVID-19 pandemic, the business environment was challenging due to the rising prices of energy and various materials putting pressure on earnings. In this environment, the company has been expanding existing areas centered on construction materials, acquiring projects with a future, such as in the transportation field, and working on processed goods projects to secure volume and profits and further growth.

Sales increased in the first half of the fiscal year due to a recovery in demand mainly from active semiconductor-related capital investment and an increase in sales linked to the aluminum ingot market. Although profitability was affected by the sharp rise in raw material prices for energy and various materials, profit increased because of profit improvement measures.

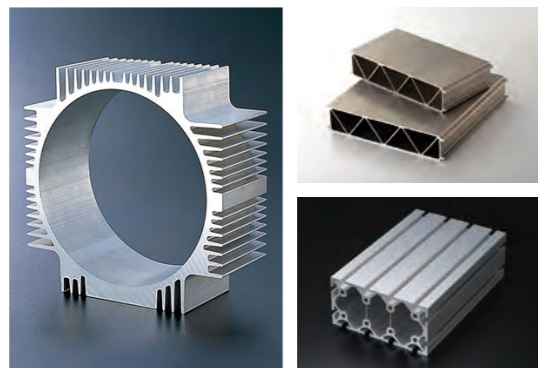
In the short term, the aluminum extrusion market saw a decline in the semiconductor equipment-related business; however, demand in the automotive sector showed a recovery trend and remained at the same level as the previous year. In the long term, while the construction market is expected to shrink, growth in demand is anticipated in the automotive, civil infrastructure, and semiconductor markets, and demand is expected to increase in the market as a whole.

The basic policy established for the Materials Business is to ensure stable earnings and sustainable growth through expanding growth businesses. We will promote initiatives to improve our competitive advantage, offer value-added solutions, expand applications, and build technologies by developing the potential of easily recyclable aluminum and magnesium to achieve carbon neutrality. We will work to advance the advancement of aluminum recycling, our mainstay business in line with the "Promoting use of recycled aluminum" outlined in the "Sustainability Vision 2050." In addition, we will work to create global synergies through collaboration with the Global Business.

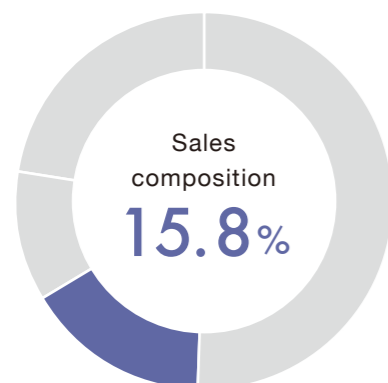
We will continue to build a foundation for future growth, taking environmental changes as opportunities for further innovation and growth.

Aluminum and magnesium billets and extrusions

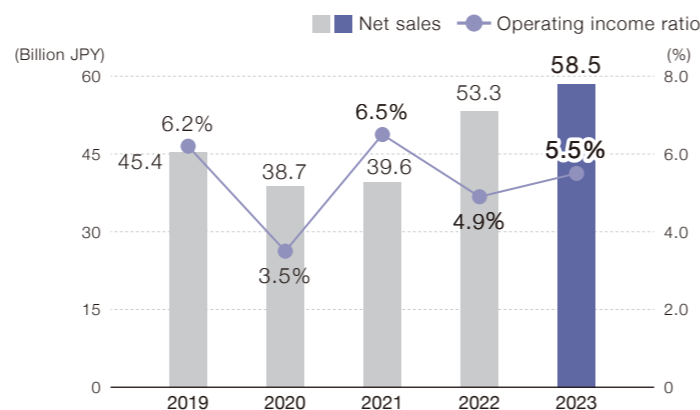
Application fields: Automotive, railway, industrial machinery, construction materials, electrical equipment, etc.



Sales ratio by segment



Performance of the Materials Business



Business environment

- Rising trends in the cost of energy and various materials
- Economic slowdown and procurement risks due to geopolitical uncertainties
- Acceleration of sustainability trends

Challenges and risks

- Securing and training human resources
- Address cost increases, such as rising price of raw material, energy, and various material prices
- Responding to procurement risks
- Responding to aging equipment
- Address social issues, such as carbon neutrality

Business strengths

- Integrated system of alloy casting, extrusion, and processing with one of the largest production capacities in Japan
- Ability to propose alloys, shapes, and structures to meet diverse needs
- Collaboration with international business, global bases in Japan, Europe, Thailand, and China

Responding to risk

- Improve efficiency of human work through laborsaving and automation
- Set sales prices reflecting the impact of rising prices of raw materials, energy, and various materials
- Take measures to achieve carbon neutrality
- Strengthen the supply chain in anticipation of production and procurement risks.
- Building a business foundation for future growth
- Promote workstyle reform and digital transformation (DX) through organization and utilization of human resources

Focus themes

Establish a business platform for future growth and contribute to group revenue

Expand market share in existing areas

Expand the automotive business

Promote aluminum recycling

TOPICS

Develop new Shinkansen railcar covers using flame-resistant magnesium alloys



Experimental Shinkansen train ALFA-X

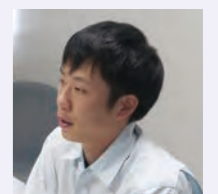


Shinkansen railcar cover

Photo by WAC

We are developing a prototype Shinkansen railcar cover made of flame-retardant magnesium alloy using the processing technology for magnesium alloy extrusion established with the NEDO*1 project. A developed product is currently mounted on the Experimental Shinkansen train (ALFA-X), and test runs are underway. Magnesium has the advantage of being the lightest among practical metals, but it also has the disadvantage of being more difficult to extrude than aluminum. We will boldly tackle these challenges and work towards achieving practical application through this development, which requires the production of large extruded aluminum with high precision.

*1 NEDO: New Energy and Industrial Technology Development Organization



Shun Kanitani
Magnesium Technology Section,
Technology Innovation
Promotion Department,
Technology Development Division,
Sankyo Material Company

Commercial Facilities Business

Tateyama Advance Company



Kazuhito Ikeda
President
Tateyama Advance Company

In the Commercial Facilities Business, we manufacture, sell, and install store display fixtures, cash register counters, signs and billboards, and provide various maintenance services. Utilizing our nationwide network, we can meet the various needs of various business categories, especially retailers with multiple store locations.

In the fiscal year ending May 31, 2023, there were some bright spots for our retail customers as the prolonged COVID-19 pandemic finally started to show signs of ending, with personal consumption, including inbound demand, on a recovery trend. On the other hand, repeated product price increases, chronic labor shortages, rising utility costs etc., had to be dealt with. Sales of Tateyama Advance Company experienced steady revenue growth due to the patronage of many companies. However, profit was significantly impacted by the soaring prices of various materials and foreign exchange rate fluctuations. Under these circumstances, we proceeded with reorganizing our factories and logistics bases in response to changes in the market environment. The retail market environment is expected to become increasingly difficult, due to reasons, including rising prices and the 2024 logistics problem. The Sankyo Tateyama Group is committed to making its efforts for "CO2 reduction" and "Resource circulation" advocated in its "Sustainability Vision 2050" also contribute to enhancing the value for our customers. We appreciate your cooperation on the price revisions, which we will use for capital investment, product development, and human resource development for the next generation. We will do our best to give back to society. Tateyama Advance Company will continue to evolve by thinking and acting together to solve any problems and work to create attractive commercial spaces by providing products and services that quickly capture market changes.

Store Fixtures

Display fixtures, counters, showcases, register cabinets and interior work

Signage

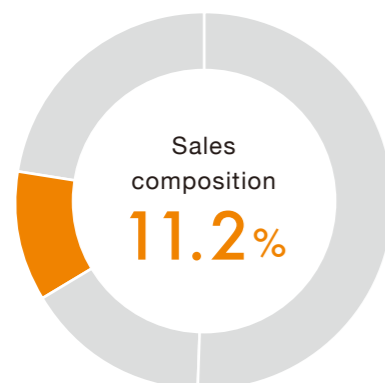
Externally lit signage, standing signs, façade signs, projecting signboards, and noticeboards

Store maintenance

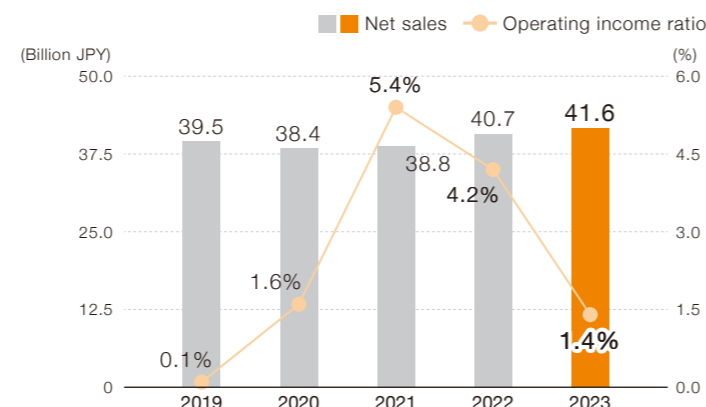
Emergency maintenance, regular maintenance, and call center services



Sales ratio by segment



Performance of Commercial Facilities Business



Business environment

- The number of new store constructions is declining, but the good-performing ones are still actively opening new stores
- Renovation, labor-saving and manpower-saving investments continue for the enhancement of existing stores
- Personal consumption, including inbound demand, is on a recovery trend
- Initiatives for environmentally friendly stores are in full swing

Challenges and risks

- Decrease in the opening of stores due to high prices and chronic labor shortages
- Rising prices of various materials and the impact of foreign exchange rate fluctuations
- The 2024 logistics problem
- Opportunity loss due to delays in responding to the rapidly changing retail market
- Respond to legal revisions and improving operational efficiency through the use of DX

Business strengths

- Top market share in both store fixtures and signage
- Sales and product development capabilities that enable us to fulfill our client requests
- A nationwide network that provides consistent service
- Flexible production and procurement systems to meet market needs
- 24/7/365 store maintenance service
- Nearly 20 years of experience and local staff in Shanghai, China

Responding to risk

- Revise sales prices in response to soaring prices of materials and overhead costs
- Optimize production procurement and logistics bases in response to changes in the market
- Promote initiatives for legal reforms and sustainability
- Strengthen overseas sales by leveraging the base in China

Focus themes

Enhance collective strengths to respond flexibly to the rapidly changing market environment and quickly meet customer needs

Take on the challenges of new order areas and products

Make further reforms for production procurement and logistics in response to changes in the external environment

Reduce workload and improve efficiency by promoting DX

Build a platform for overseas business expansion

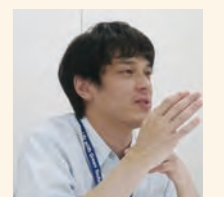
TOPICS

"A small internally illuminated one-side signboard"



"A small internally illuminated one-side signboard" is a product that uses highly energy efficient and long-life LEDs as the internal light source, which reduces CO2 emissions and contributes to a sustainable society. Further, it is possible to emit light that has volume and is more uniform with little unevenness by using an acrylic molded plate along with T-LED^{*1}, which can spread light over a wide area while consuming less power, enabling the signboard to be displayed effectively. We use extruded aluminum for the frames. The Group's advanced aluminum extrusion and bending technologies ensure a beautiful finish to the smallest detail.

^{*1} T-LED: Standard LED from Tateyama Advance Company. This LED lighting is an efficient system similar to conventional fluorescent lamp fixtures, with a design considering the display surface luminescence and safety during lighting.



Takanori Mori
Signage Development Section,
Signage Development Department,
Development Division,
Tateyama Advance Company

[For further information (Japanese)]
<https://advance.st-grp.co.jp/products/sign/oneside/>



Global Business



Hideki Matsuda
Representative of Global Business

INTERVIEW

The Global Business consists of our overseas subsidiaries in Europe (Germany and Belgium), China, and Thailand, which perform aluminum billet casting, profile extrusion, and processing, providing products mainly to clients in the automotive, railroad, engineering, and construction material industries.

In the fiscal year ending May 31, 2023, global energy and material price hikes and inflation caused by Russia's invasion of Ukraine continued, economic growth slowed mainly in Europe, and the future remained uncertain. The automotive market, a major segment, is gradually recovering as supply chain problems such as semiconductor shortages have eased, and the EV (electric vehicle) market continues to expand.

In this business environment, the most important issue is to reform and make STEP-G, a major subsidiary, profitable. We are implementing various measures, such as steadily capturing automobile demand and improving the product mix. Profitability improved significantly year-on-year due to cost improvement measures and sales price revisions despite the impact of higher energy and other prices. In addition, Thai Metal Aluminium Co., Ltd. and Sankyo Tateyama Alloy (Thailand) Co., Ltd. expanded sales of products mainly in the transport segment. Our company will continue to focus on initiatives to generate revenue, such as implementing company-wide measures to improve profitability and strengthening its response to EV demand, which is expected to grow further.

In addition, as part of our sustainability-related activities, we will work towards a 50% reduction in greenhouse gas emissions (Scope 1+2) in 2030 by introducing CO2-free electricity and solar power generation at overseas subsidiaries and taking other carbon-neutral measures across the group.

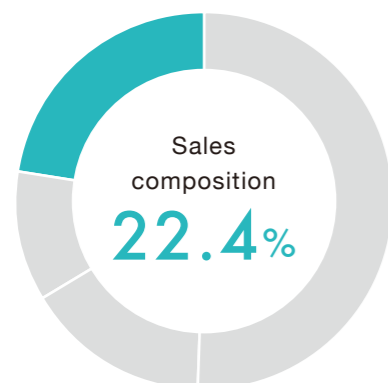
The Global Business will continue its transformation to a profitable structure by steadily implementing improvement measures at each site and contribute to realizing the "Sustainability Vision 2050" set by the Sankyo Tateyama Group.

Aluminum billets, extrusions and construction materials (Europe, Thailand, China)

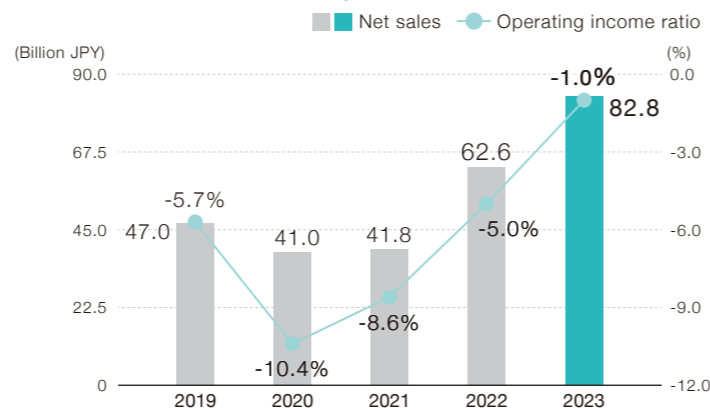
Application fields: Automotive, railway, aircraft, industrial machinery, construction materials, etc.



Sales ratio by segment



Global Business performance trends



Business environment

- Cost of energy and various materials remaining high
- Easing of supply chain issues, such as shortage of semiconductors
- Increase in demand for electric vehicles (EVs)

Challenges and risks

- Improve the profitability of the Global Business through STEP-G reforms
- Minimize risk of energy and raw material price hikes.
- Addressing social issues such as carbon neutrality

Business strengths

- Global bases in Japan, Europe, Thailand and China
- Integrated production system for alloy casting, extrusion, and processing
- A system that enables the supply of the same products with the same quality in each region
- Advanced automated aluminum profile processing technology in the automotive (EV) field

Responding to risk

- Establish a stable product supply system in the EV and automotive segment, where demand is expected to increase
- Set sales prices reflecting the impact of rising prices of energy and various materials
- Promote initiatives to achieve sustainability and carbon neutrality.

Focus themes

Reform to a profitable structure and realize a profitable contribution to the group

Establish mass production system for STEP-G large EV projects, securing stable revenues

Enhance added value of products and strengthen high-difficulty support for major segment such as automobiles

Further expand areas of differentiation

TOPICS

The President of the UN ECOSOC visited a joint UNIDO project at Thai Metal Aluminium Co., Ltd.

On May 22, 2022, Collen Vixen Kelapile, President of the United Nations Economic and Social Council, visited Thai Metal Aluminium Co., Ltd. and observed the Regenerative Burner Project, which aims to reduce gas emissions to the atmosphere during billet casting and fuel costs in collaboration with the United Nations Industrial Development Organization (UNIDO). President Supat gave a tour of the extrusion process, etc., and introduced the company's efforts to reduce energy consumption and the environmental impact of its operations.



Site visit



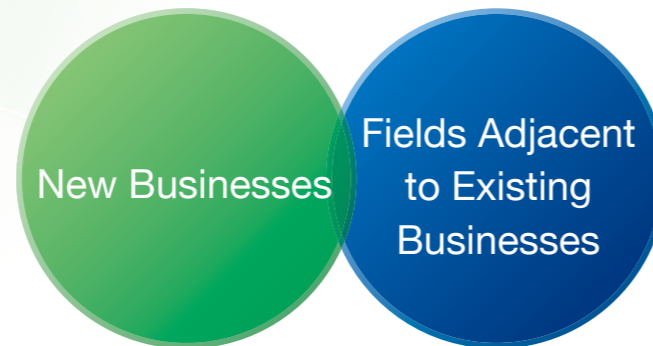
From left
Dr. Edgar Sisa, Minister Counselor, Supat, President
Mr. Stein Hansen, UNIDO Regional Director and Representative
H.E. Collen Vixen Kelapile, President of UN ECOSOC
Mr. Suchart Trisangrujira, Advisor to the Minister of Industry
Ms. Gita Sabharwal, UN Resident Coordinator in Thailand

Field Expansion

Business Development Department

Research, planning, business feasibility verification, and execution of business development related to business domain expansion

- Plant factory business
 - Agri-Engineering Department
- Sales of plant systems for plant factories



Building New Business Models for Sustainable Growth

Business Development Department

In developing the next business areas according to VISION 2030, it is necessary to identify new businesses through “our strengths × co-creation”, targeting social issues and growth areas. The Business Development Department aims to build a new business model that will lead to increased corporate value by strengthening open innovation initiatives to create further business opportunities and collaborate with more different industries.

Initiatives

[Utilization of incubation facilities]

We explore highly reliable business themes by interacting daily with many industries in incubation facilities where major companies and startups with unique technologies gather, directly connecting with departments responsible for new businesses.

We are also working to expand into new areas by developing in-house information that can be used for our resources.



[Development of a small plant cultivation unit]

As an example of using our resources, we are developing a small plant cultivation unit using our cultivation technology.



Plant factory business Agri-Engineering Department

As a plant factory manufacturer, we develop products and construct plant facilities for plant factories based on our proprietary cultivation technology and plant operation expertise accumulated in our own factories. In October 2019, we began selling agri-cube ID, a plant factory system jointly developed with our business partner Daiwa House Industry, and this has been rated the top cultivation facility in Japan in terms of performance. We will continue to strengthen our sales, design/construction, and technology development systems and work toward commercialization.

Market environment

In the commercial vegetable market, which is the main sales channel for vegetables from plant factories, the supply of lettuce and other vegetables has become unstable due to frequent abnormal weather conditions such as heavy rain and high temperatures. The food processing and food service industries are faced with the supreme necessity of stable procurement of food ingredients, and are now moving into procurement in earnest from plant factories in order to solve this problem. In this market context, the vegetable-supplying plant factory industry has seen an upsurge in the construction of new plant factories to meet robust demand. Using its position as a plant factory plant manufacturer, Sankyo Tateyama, together with Daiwa House Industry Company, will open up new markets and build plant factories that can meet these demands.



Looking back over the past year

Recently, there have been increasing reports that plant factories are not profitable due to rising electricity costs and other factors; however, there are more and more cases where existing plant factories are overcoming these problems and actively working to improve profits.

As part of this process, we received orders for production improvement consulting and equipment upgrades from plant factories that appreciated our technological capabilities. Customers requesting these services have appreciated Sankyo Tateyama's technological capabilities, which have enabled them to foresee an improvement in their income and expenditure. In addition, this year, Sankyo Tateyama completed construction and started operations of a technology research facility for plant factories to improve technologies further. We will continue to demonstrate our technical expertise and contribute to the development of the plant factory industry by constructing new plant factories and improving production.



Messages from section members Employee feedback

We believe that "operating with the correct cultivation technologies after the construction of a plant factory" is of the utmost importance. The key part of this is cultivation support, and we have been diligently providing guidance on cultivating and operating the facility from the early stages of operation. We had a busy year with our customers requesting the addition of new varieties and further operational efficiency, and we were able to move forward with our customers because they trusted us. In the future, we want to hone our technological skills further in the new research facility.



Chiharu Miyajima
Technology Development Section,
Agri-Engineering Department,
Business Development Division



[For further information (Japanese)] <https://www.st-grp.co.jp/products/agri/>

Sustainability Vision 2050 Life with Green Technology



Achieving carbon neutrality

We aim to carbon neutral by striking a balance between reducing greenhouse gas emissions resulting from our business activities and reducing the greenhouse gas emissions of the products and services that we create with environmental technologies.



Reusing resources

To help bring about a recycling-oriented society, we will encourage recycling of major materials and promote the reuse of waste.



Connecting personnel and the future

By promoting personnel training that values diversity and human rights, we will foster a dynamic corporate culture, which is how we connect the personnel—who are the driving force behind our efforts to make lives richer—with the future.

FYE2031 Targets

Greenhouse gas emissions

50% cut

(Scope1+2*) (compared to FYE2018)



Promoting use of recycled aluminum



Percentage of women in management positions

10%



*Scope1: Direct emissions from in-house our fuel use Scope2: Indirect emissions from the use of heat and electricity purchased by the company
*In June 2023, the scope was expanded from the Japan group to the entire group, including overseas subsidiaries.
In addition, the target criteria were changed from FYE2014 to FYE2018.

E Environment	Environment	<ul style="list-style-type: none"> Response to climate change <ul style="list-style-type: none"> Reducing greenhouse gas emissions Contributing to reduced CO2 emissions during product use 	
	Effective use of resources	<ul style="list-style-type: none"> Promoting use of recycled aluminum Promoting resource recovery for resins Continuing waste reduction activities 	

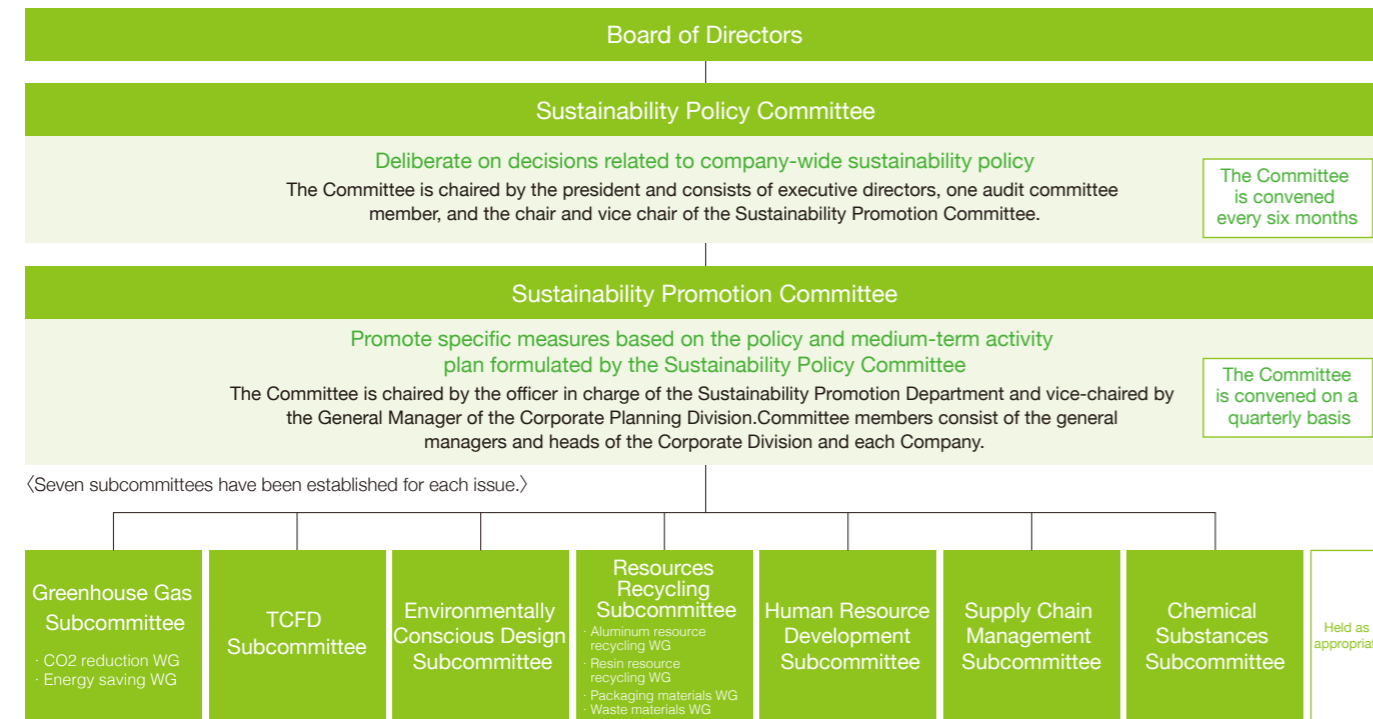
S Social	Labor practices	<ul style="list-style-type: none"> Positive working environments <ul style="list-style-type: none"> Developing a system that takes on board employee feedback Health and safety <ul style="list-style-type: none"> Establishing a working environment that promotes health and safety 	
	Diversity and personnel training	<ul style="list-style-type: none"> Securing and training highly creative personnel Promoting greater participation by female employees Promote greater participation by older employees and rehiring of retired workers 	
	Fair business practice	<ul style="list-style-type: none"> Fair dealings and corruption prevention <ul style="list-style-type: none"> Complying with laws and regulations Supply chain management <ul style="list-style-type: none"> Promoting green, CSR procurement 	
	Consumer issues	<ul style="list-style-type: none"> Pursuit of customer satisfaction <ul style="list-style-type: none"> Offering products and services that meet customers' CSR policies and wishes Enhancing quality through cooperation with business partners 	
	Product safety	<ul style="list-style-type: none"> Managing and reducing use of hazardous chemicals 	

G Governance	Corporate management	<ul style="list-style-type: none"> Corporate governance <ul style="list-style-type: none"> Strengthening internal controls Improving product safety and quality Promoting sustainability measures 	
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Sustainability promotion system

In June 2021, the Sustainability Promotion Department was newly established as an organization directly under the President of Sankyo Tateyama. As part of the sustainability promotion structure, a Sustainability Policy Committee consisting of executive directors has been established to deliberate on decision-making related to company-wide sustainability policies, such as climate change response. Among the results of deliberations, important matters such as company-wide policies and medium-term activity plans are presented to the Board of Directors. In addition, the

Sustainability Promotion Committee has been established as an organization to implement the sustainability policy, and is responsible for formulating and promoting specific measures based on the policy and medium-term action plan formulated by the Sustainability Policy Committee. The Sustainability Promotion Department serves as the secretariat for each committee and subcommittee.



[Major initiatives of the subcommittee]

Subcommittee	Materiality	Enhancing policies	Targets and indices	Main initiatives
Greenhouse Gas Subcommittee	Response to climate change	Reduction of greenhouse gas emissions	Achieving a 50% reduction in greenhouse gas emissions from the FYE2018 level by FYE2031	<ul style="list-style-type: none"> Introducing energy-saving equipment at production plants Introducing CO2-free electricity at 6 plants in Japan Introducing CO2-free electricity in Germany Establishing solar power equipment in Thailand
TCFD Subcommittee		Planning measures for risk and opportunities	Utilizing TCFD to address climate change as a social contribution and as a business for the whole company	<ul style="list-style-type: none"> Analysis and Devising Measures: Identifying risks and opportunities to the business stemming from climate change, and devising and analyzing measures using the TCFD framework Creating Mechanisms: Business strategies that take into account the carbon neutral initiatives Information Transmission: Enhance the quality and quantity of information disclosure based on TCFD recommendations, and increase corporate value
Environmentally Conscious Design Subcommittee		Contributing to the reduction of CO2 emissions during product use	Expanding contributions to reducing CO2 emissions during product use by continuously creating environmentally friendly products	<ul style="list-style-type: none"> Calculating and expanding the amount of contributions to CO2 emissions reductions during product use Calculating the amount of CO2 emissions during production of each product
Resources Recycling Subcommittee	Effective use of resources	Resource recycling of aluminum	Promoting the use of recycled aluminum	<ul style="list-style-type: none"> Increasing the use of recycled aluminum Increasing the capacity of the scrap melting furnace Increasing input to casting and melting furnaces
		Resource recycling of resin	Contributing to a recycling-oriented society through manufacturing that promotes resin recycling	<ul style="list-style-type: none"> Promoting in-house recycling of resin extrusions Recycling demonstration experiments of major resin components Formulating design guidelines with resource recycling in mind
		Waste reduction	Contributing to a recycling-oriented society through packaging methods that control packaging material waste and promote recycling	<ul style="list-style-type: none"> Limiting packaging waste Promoting environmentally friendly materials Promoting reuse of packaging materials
Human Resource Development Subcommittee	Diversity and personnel training	Promoting greater participation by female employees	Achieving a 10% of woman in management positions by FYE2031	<ul style="list-style-type: none"> Company-wide awareness training Development and implementation of training programs for female employees
Supply Chain Management Subcommittee	Supply chain management	Promoting green procurement and CSR procurement	Coexistence and co-prosperity with suppliers who agree with the Basic Procurement Policy	<ul style="list-style-type: none"> Disseminating of the basic procurement policy to suppliers Implementing evaluations based on procurement guidelines
Chemical Substances Subcommittee	Product Safety	Managing and reducing the use of hazardous chemicals	Establishing a system for implementing surveys on the content of chemical substances in products	<ul style="list-style-type: none"> Revising substances managed by Sankyo Tateyama Establishing management systems and accumulating chemical substance data Training leaders and auditors in chemical substance management

TOPICS Internal Sustainability Awareness Activities

In promoting sustainability activities, the Sankyo Tateyama Group conducts a variety of in-house educational activities to ensure that Group employees acquire knowledge about sustainability and are familiar with our activities.

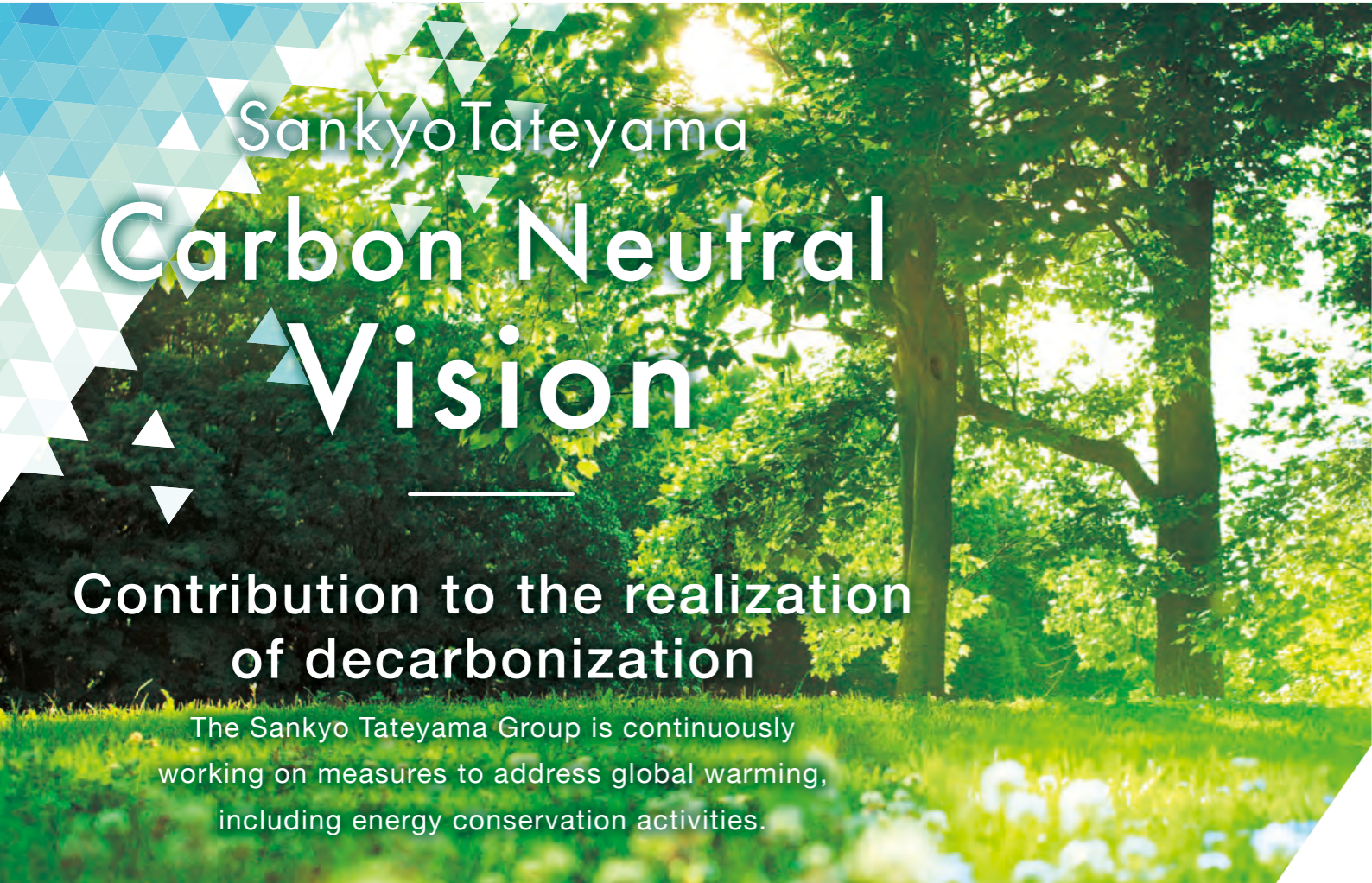
[e-learning]

Since February 2022, we have been offering the sustainability course, an e-learning program to help employees acquire knowledge on sustainability and deepen their understanding of Sankyo Tateyama's sustainability activities, policies, and measures. The Sustaina-Course has been attended by more than 90% of employees each time, leading to an increase in employee awareness of sustainability.

Sustaina-Course	Course Content
Comprehension ①	What is Sustainability?
Comprehension ②	On reducing greenhouse gas emissions
Comprehension ③	On promoting the use of recycled aluminum
Comprehension ④	Promoting greater participation by female employees
Comprehension ⑤	SDGs for companies

[Sustainability Message]

To promote internal awareness, we have posted a message for employees from a director who is a member of the Sustainability Policy Committee, titled "The Sustainability We Aim for". In the message, the committee members discuss their thoughts on promoting our sustainability policy and the importance of understanding sustainability.



Sankyo Tateyama Carbon Neutral Vision

Contribution to the realization of decarbonization

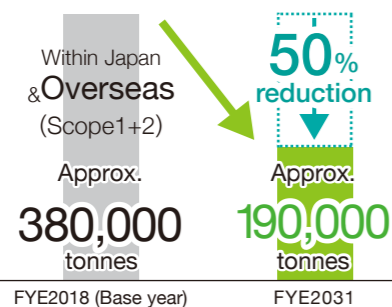
The Sankyo Tateyama Group is continuously working on measures to address global warming, including energy conservation activities.

Sankyo Tateyama promotes initiatives to enhance corporate value through contributions to a sustainable society to achieve Sustainability Vision 2050, "Life with Green Technology," formulated in 2021. Among these, we have set "response to climate change" as one of the materialities with FYE2031 as the goal, and to realize a decarbonized society, we are pushing forward with ongoing activities to counter global warming. Last year, we set a target to reduce greenhouse gas emissions for our group within Japan, and we have now re-set our target for reducing greenhouse gas emissions from our business activities to the entire group, including overseas emissions, which account for about 20% of the entire Sankyo Tateyama Group (FYE2018 results). In response to the global risk represented by climate change, our company, which operates on a global scale, believes that it is important to

expand our targets for greenhouse gas emission reduction overseas and that we have to take measures against climate change as a group-wide effort to fulfill our corporate responsibility. Our efforts include implementing energy-saving measures in business activities, making electricity CO2-free and introducing solar power generation etc., aiming at a 50% reduction (compared to FYE2018) in the greenhouse gas emissions of Sankyo Tateyama Group by FYE2031.

※We had set the base year for the target of our group within Japan as FYE2014 during the last fiscal year, in line with the national base year. However, after expanding the scope to include the entire group, including overseas subsidiaries, we changed the base year to FYE2018, for which we have data for overseas subsidiaries. The global emissions for FYE2023 were 277,000 tons, a reduction of about 28% compared to FYE2018.

[Target for FYE2031]
Greenhouse Gas Emissions
50% reduction



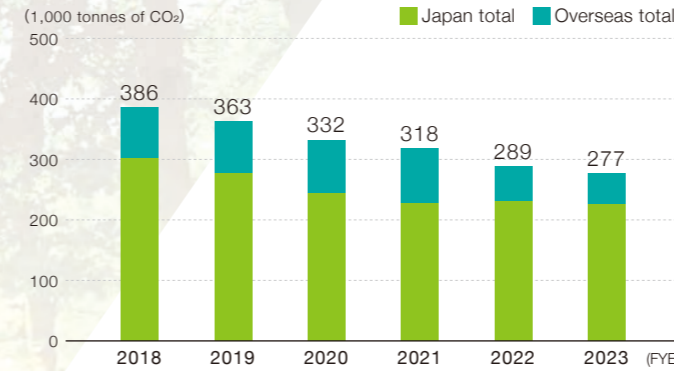
[Main Overseas Subsidiaries]

- STEP-G (Production plants: Germany, Belgium, China)
- Thai Metal Aluminium Co., Ltd.
- Sankyo Tateyama Alloy (Thailand) Co., Ltd.

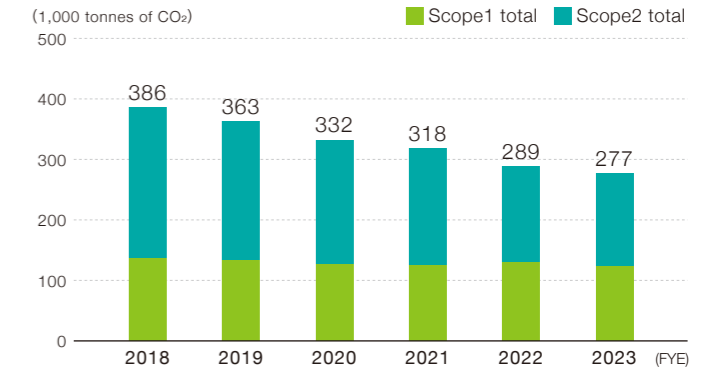
Scope 1: Direct emissions from in-house our fuel use
Scope 2: Indirect emissions from the use of heat and electricity purchased by the company

The results of greenhouse gas (GHG) emissions from FYE2018 (base year) to FYE2023 are shown in the figure.

GHG emissions in Japan/Overseas



GHG emissions Scope 1 / Scope 2

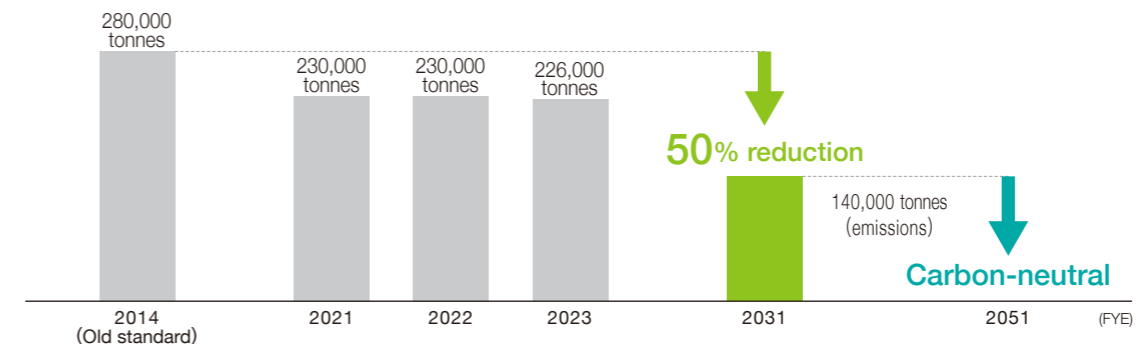


At overseas subsidiaries, Scope 2 has decreased from FYE2022 by introducing CO2-free electricity in Germany and installing solar power generation equipment in Thailand.

Progress of the group within Japan in FYE2023 (Target set for FYE2022)

Through measures such as introducing CO2-free electricity to our four Japan plants in Fukuno, Himi, Fukuoka, and Fukuoka Nishi, CO2 emissions decreased by approximately 3,000 tons from the previous year, a reduction of 20.6% compared to FYE2014. This year, we will introduce CO2-free electricity to our plants in Shinminato and Shinminato Higashi,

and we expect CO2 emissions to be reduced by 11,000 tons per year at these two factories. Additionally, we are proceeding with switching to electric forklifts as per plan, contributing to reducing CO2 emissions and improving the working environment at the same time by eliminating exhaust gases.



The posters on the right are displayed at business sites where CO2-free electricity is introduced, to raise awareness about our environmental contribution.

Contributing to reduced CO2 emissions during product use

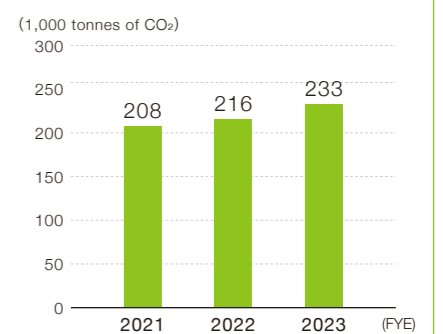
The Sankyo Tateyama Group is working to provide products with low environmental impact, to achieve carbon neutrality in society.

One of our efforts is to contribute to reducing CO2 emissions when using the product. We contribute to the reduction of CO2 emissions by using insulated sashes and doors to reduce energy consumption for air conditioning and lighting, and also by reducing the power consumption for sign lighting. Our contribution to reducing CO2 emissions in FYE2023 is expected to be 233,000 t-CO2/year based on the sales results of these products.

Under our Sustainability Vision 2050, we will pursue customer satisfaction, develop products that are even more effective in reducing CO2 emissions, and strengthen the sales of environmentally friendly products.

※For insulated sashes and doors, the reduction in energy consumption was calculated based on the Technical Information on the Evaluation of Energy Consumption Performance following 2016 Energy Conservation Standards (Residential) as given on the Building Research Institute website, and the calculated reduction was converted into a contribution to CO2 reduction using the CO2 emission coefficient. For sign lighting, the reduction in power consumption was converted into a contribution to CO2 reduction using the CO2 emission coefficient.

Contribution to CO2 Emission Reductions



Disclosure based on TCFD recommendations



Basic Concepts

In 2021, the Sankyo Tateyama Group formulated its “Sustainability Vision 2050” to set our longterm direction, based on which the materiality has been set with FYE2031 as the target year. In addition, in July 2021, we established “VISION 2030” as our long-term vision, and one of our key strategies is “contributing to a sustainable and affluent lifestyle.” We promote the reduction of greenhouse gas emissions from our business activities; promote the recycling of aluminum, our main raw material; and promote the recycling of waste. In support of the December 2021 recommendations of the TCFD, we collect and analyze

necessary data on the impact of climate change-related risks and opportunities on our business activities, business strategies, and financial plans and disclose information. In 2022, when we conducted our first analysis, we identified climate-related risks and opportunities for the Construction Materials Business. In 2023, the second year of the analysis, we expanded the scope to include the Materials and Commercial Facilities Businesses, and the TCFD Subcommittee will continue to refine and enhance the identification and assessment of climate-related risks and opportunities in the future.

Governance

Responding to climate change is one of the Sankyo Tateyama Group’s materialities, and efforts are made within the Sustainability Promotion System. In December 2022, we established a new TCFD Subcommittee as an organization of the Sustainability Promotion Committee to report to the

Board of Directors on the risks to the business from climate change, growth opportunities and materialities.

[Sustainability Promotion System ▶▶▶ P.33](#)

Strategy

In identifying risks and opportunities due to climate change, the entire value chain of our Group’s three businesses in Japan was organized according to the TCFD framework, and evaluated for importance. Next, based on external scenarios published by international organizations, we developed two future world views for our three businesses

in Japan: the 1.5°C and 4°C scenarios. We developed scenarios of external environmental changes worthy of consideration in FYE2031. Risks and opportunities were then identified. We have also categorized them into three levels—large, medium, and small—according to their impact magnitude on business income.

[Scenario analysis]

1.5°C Scenario

Environmental policies and regulations are strengthened, and carbon pricing is introduced. Energy and raw material procurement costs will increase due to the demand for investment in introducing renewable energy, low-carbon technologies, and the supply of environmentally friendly products. Meanwhile, the market will see an increase in demand for decarbonization-related commercial products and a significant shift toward environmentally friendly products. Technological innovations related to renewable energy and energyconservation will also progress.

▶ Reference scenario **Net Zero Emissions Scenario (NZE)**

4°C Scenario

Environmental policies and regulations are postponed, CO2 emissions are not reduced, and carbon pricing is not introduced. Therefore, as global warming further progresses, typhoons and floods caused by extreme weather events will increase and become more severe, increasing the cost of maintaining factories and supply chains. In addition, nationalism will rise and geopolitical risks will increase. Meanwhile, demand for disaster prevention products will increase due to the need to prepare for severe disasters.

▶ Reference scenario **Current Policy Scenario (CPS), SSP3**

[Evaluation criteria]

	Short term	Medium term	Long term
Occurrence timing	FYE2022–FYE2024 (Medium-term Management Plan)	FYE2025–FYE2031 (VISION 2030)	FYE2032–FYE2051 (Sustainability Vision 2050)

Impact Estimated financial impact in FYE2031, rated as large, medium, or small

[Risk and opportunity through scenario analysis and impact assessment]

	Risk/opportunity		Impact on business (impact on our company)	Occurrence timing	Impact			
					Construction Materials	Materials	Commercial Facilities	
1.5°C	Transition risk	Laws and regulations	Introduction of carbon tax	Increase in operating costs due to the introduction of carbon tax	Medium to long term	Large*1		
			Passing on price increases for raw materials	Increase in aluminum ingot procurement costs	Medium to long term	Large*1		
		Enforcement of the zero-carbon-compliant Building Standards Act	Lost sales opportunities due to failure to meet carbon footprint reduction requirements	Medium to long term	Small	Small	—	
	Markets & reputation	Increased demand for recycled aluminum	Costs incurred for review of melting furnace line concept	Medium to long term	Medium*1			
Opportunity		Increased demand for renovation to improve insulation	Increased demand for high-insulation products	Short to long term	Medium	—	—	
		Increased demand for recycled aluminum	Increased demand for products that are manufactured using recycled aluminum	Medium to long term	*2		—	
4°C	Physical risks	Acute	Increasing severity and intensity of extreme weather (flooding)	Loss of sales opportunities due to damage to the company plants	Short to long term	Large*1		
		Chronic	Outbreaks and spreads of infectious diseases due to climate	Domestic and international supply chain disruption due to infectious diseases	Short to long term	—	—	Small
	Opportunity		Increasing severity and intensity of extreme weather	Increased demand for disaster prevention-related commercial products	Short to long term	Medium	—	—

*1 The impact is stated for the three businesses combined *2 Due to the lack of parameters necessary for quantification, the financial impact is not calculated, and the impact level is not stated.

[Response status to high-impact risks and opportunities]

Increase in operating costs due to the introduction of carbon tax 【Response】 Reduction of CO2 emissions	Initiatives to reduce greenhouse gas emissions ▶▶▶ P.36
Increase in aluminum ingot procurement costs 【Response】 Promote the use of recycled aluminum	Effective use of resources ▶▶▶ P.39

Risk management

The Sankyo Tateyama Group has established a TCFD Subcommittee under the Sustainability Promotion Committee, which is attended by the personnel concerned from the business planning, sales, development, and production departments of each company, to analyze climate-related risks and opportunities related to direct operations and upstream and downstream value chains in terms of their frequency of occurrence and scope of impact, and to assess and prioritize response measures comprehensively. High-priority risks and opportunities are discussed based on this process. After a series of discussions on the countermeasures, etc., at the workshops conducted by the TCFD Subcommittee and the relevant departments of each company, we report them to the Sustainability Promotion Committee and the Sustainability Policy Committee, which meet regularly four times a year. All risks and opportunities identified as significant by both committees are reported to the Board of Directors, and feedback is provided to the relevant departments through the TCFD Sub-Committee. In addition, progress is regularly reported to the Sustainability Promotion Committee and the Sustainability Policy Committee, and the initiatives are monitored.



Indices and targets

The Sankyo Tateyama Group has set forth achieving carbon neutrality in its “Sustainability Vision 2050,” and is working on response to climate change as a materiality. As a medium-term materiality goal, we aim to reduce greenhouse gas emissions by 50% of the Sankyo Tateyama Group’s Scope 1+2, compared to FYE2018, by FYE2031.

Target area	Target scope	Target (Base year:FYE2018)
Sankyo Tateyama group	Scope1+2	FYE2031 50% reduction

Effective use of resources

Promoting the use of recycled aluminum

The resource recycling of aluminum is becoming increasingly important as the trend towards decarbonization is accelerating and due to a growing demand from customers for building a recycling-oriented supply chain that reuses used aluminum as a material.

In addition, “the Strategy for a Growth-Oriented, Resource-Autonomous Circular Economy” formulated by the Ministry of Economy, Trade and Industry recommends aiming to increase demand for recycled aluminum within Japan. There is a need to shift from the conventional linear economy of mass production, mass consumption, and mass disposal to a circular economy that focuses on creating and utilizing limited resources and selling their value. Sankyo Tateyama is also moving toward a circular economy by promoting the use of recycled aluminum to achieve carbon neutrality in our supply chain.

[FYE2023 Activity Report]

Over the past 10 years, we have been utilizing scrap melting equipment to cast billets used for extruded aluminum, one of our main products, further increasing our use of recycled aluminum. Our aluminum recycling rate, including return materials generated during in-house manufacturing processes, is 50%, while our use rate of recycled aluminum, excluding in-house return materials, is about 20%.

We held study sessions for employees on social and industry trends and the Company’s initiatives and direction concerning recycling aluminum resources to enhance our employees’ knowledge and disseminate company policies.

To promote the use of recycled aluminum, we participate in the activities of various committees of the Japan Aluminum

Association and engaged in recycling research through industry-academia collaboration. Sankyo Tateyama established a joint research course with the University of Toyama at the Institute of Light Metals in August 2022 to conduct innovative research on aluminum recycling and extrusion processing, and are working to build an upgraded recycling technology that can convert recycled aluminum alloys into extruded materials. In addition, we support “the Creation of a Resource Recycling-based Society Model in Toyama”, a project to create an industry-academia fusion hub to revitalize aluminum-related industries in Toyama Prefecture. We are promoting activities through industry-government-academia-private sector collaboration.

[FYE2024 Activity Plan]

Sankyo Tateyama will continue to promote initiatives to increase the use of recycled aluminum and conduct research on recycling through industry-academia-government collaboration by taking advantage of our strength in owning a foundry and the ability to procure materials and mix the materials used in casting in-house.



Recycled aluminum

Promoting resource recovery for resins

[FYE2023 Activity Report]

We aim for manufacturing with an awareness of circular economy to promote recycling of resources and waste and reduce our environmental impact. We have worked particularly hard to reduce the amount of scrap generated during the production of resin extrusions used for sashes and achieved an internal recycling rate of more than 50% for processed scrap material.

[FYE2024 Activity Plan]

In FYE2024, Sankyo Tateyama will promote technical studies for the practical application of recycling acrylic resin components and scrap materials used extensively in signboards, etc. As part of our efforts to contribute to a sustainable society, we will participate in a collaborative effort between industry-government-academia intending to establish a recycling system for the post-use disposal of resin windows.



Aluminum-resin composite sash



Processed scrap material of extruded resin

A Joint Research Course established with the University of Toyama

(The project is for the innovation of aluminum recycling and extruding at the Institute of Light Metals)

Sankyo Tateyama and the University of Toyama have established a joint research course at the Institute of Light Metals*1 in August 2022 to conduct innovative research on aluminum recycling and extrusion processing. When recycled materials are melted to make aluminum products, energy consumption is lower, and CO2 emissions are reduced to about 3% compared to new construction from natural resources and petroleum-derived electricity. However, aluminum alloys contain various additives. In reusing scrap among them, impurities are particularly difficult to separate from molten aluminum alloys, and their removal is a major challenge. Although it is possible to recycle used window sashes to manufacture window sashes or similar products, it is difficult to manufacture products from scrap that is a mixture of aluminum cans, window sashes, and automotive parts.

■ Research topics

- ① Research on impurity control of aluminum scrap
- ② Research on extrusion and heat treatment processes for ultra-high-strength aluminum alloys

■ Joint research system

Sankyo Tateyama will contribute one faculty member and four researchers to this joint research course.



News conference

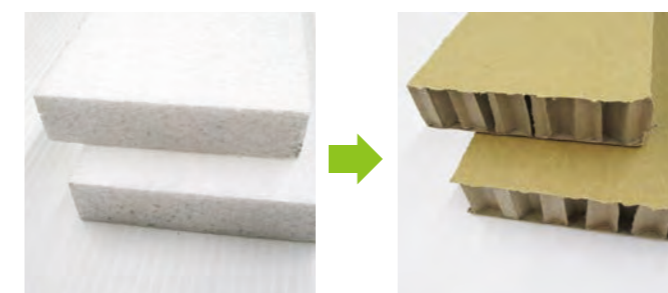
* 1 Institute of Light Metals: Established in 2021 by the University of Toyama in collaboration with Kumamoto University to set up Japan's first international research and education center for light metals. The Ministry of Education, Culture, Sports, Science and Technology has approved it as a Joint Usage / Joint Research Hub.

* 2 Joint Research Course (from the Regulations on Joint Research Courses of the University of Toyama): The purpose of this program is to contribute to the development and enhancement of the University's research by establishing and operating a joint research program with the University, utilizing funds received from the private sector and other external organizations that conduct joint research with the University on common issues.

Promoting environmentally friendly packaging materials

To reduce our environmental impact and help create a recycling-oriented society, we work to minimize the amount of packaging material waste generated. We also promote the switch to recyclable materials and materials with low CO2 emissions.

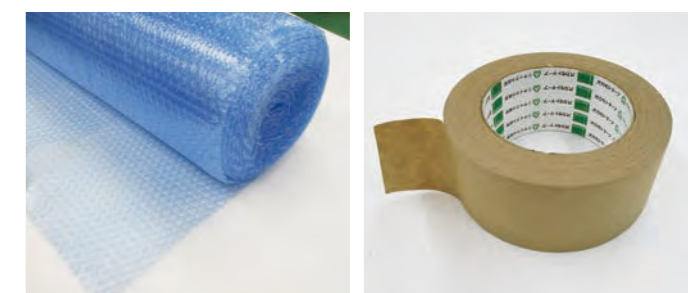
Changed from Styrofoam to paper for cushioning material



[Styrofoam]

[Paper honeycomb board]

Packaging materials made from recycled materials



[Buffer material]

[Adhesive tape]

- Replacing styrofoam cushioning material with paper, which can be used repeatedly, has allowed us to reduce the styrofoam waste generated at our product delivery sites. In addition, we use packaging materials made from recycled materials with low CO2 emissions.

- We will gradually adopt measures such as reducing the volume of stretch film used to transport products and reusing packaging materials after we verify that there are no quality issues.

Ten years of Twin Leaf Forest Development Activities

Sankyo Tateyama has been involved in “Twin Leaf Forest Development Activities” since July 2013, to contribute to preserving the local environment. This is a forest creation and conservation activity in which employees and their families volunteer to plant and maintain trees in the Montlacs Takaoka wooded area of Takaoka City, as part of the corporate forest-planting program promoted by Toyama Prefecture. Our activities are carried out with the guidance of Toyama Prefecture, Takaoka City, and the Western Toyama Forestry Association, with safety as the top priority. Since 2013, we have planted 500 seedlings of broad-leaved trees, such as cherry blossoms and Japanese white oak, every autumn. This activity is followed by compacting the soil in the spring of the following year, and cutting the underbrush in summer. Over five years, we have planted 2,500 seedlings. Currently, as part of our sapling cultivation activities, we are cutting vines that have become entangled with the saplings, and attaching tape as markers when cutting the underbrush.

CO2 absorption amount from planting 2,500 trees: Approximately 2.9t-CO2 per year
 ※Reference: Visualization guideline for the amount of carbon dioxide absorbed and fixed through forest creation and wood use by companies, prepared in February 2016 by the Forestry Economic Research Institute

Activity history

- April 2013: Participated in corporate forestplanting conducted by Toyama Prefecture, and signed a Forest Creation Agreement with Takaoka City.
- July 2013 ① Underbrush-cutting activities
- August 2013: The name of the activities was decided as “Twinleaf Forest-Planting” based on internal submissions.
- November 2013 Commemorative ceremony, ② Tree-planting activities
- April 2014 ③ Soil-compacting activities
- Marked five years of activities ①②③ in April 2018
- From June 2018 onwards: Continued with seedling cultivation activities

Fun event after forest-creation activities

A fun event was held after the forest-creation activities, and parents and children enjoyed taking part.



Acorn plant potting



Planting shiitake mushrooms



Watermelon-splitting



Acorn crafts



BBQ



Log-cutting competition

Future activities

Creating a forest is not just about planting saplings; it is also important to maintain them over a long period until they have fully grown. We will continue this activity until the saplings grow further (until 2028), contributing to the maintenance of the beautiful forests of Takaoka City.



The 21st annual activities can be seen on the Toyama Forest Growing Support Center website. (Japanese) <https://www.taff.or.jp/saposen/topics/2174/>

※Toyama Forest Growing Support Center: An organization that provides comprehensive and specialized support to forest volunteers and others to promote forest development with the participation of the people of Toyama Prefecture.





Building Materials

Materials

Connecting personnel and the future

By promoting personnel development that values diversity and human rights, we will foster a dynamic corporate culture, which is how we connect personnel—who drive our efforts to make lives richer—with the future.



Commercial facility

Global Business

We aim for management that connects human capital investment to value creation for customers

The Sankyo Tateyama Group aims to cultivate human talent capable of creating new value, and to create a safe, healthy, and comfortable workplace so that we can provide joy and satisfaction to our customers.

Responding with a *sense of speed* while collaborating with the departments concerned



The Housing Division plans and promotes sales and priority measures for house manufacturers and leading builders, and provides sales support for branches in collaboration with the concerned departments. Demand for insulation and energy savings in the housing market is increasing, which has become the cornerstone of our sales strategies. To realize a decarbonized society, we would like to understand the needs of our customers, think further about these needs, and move forward with a sense of speed. I believe my mission is to convey the joy and depth of sales to our junior colleagues.

Creating global business through *collaboration* among diverse human resources



Currently, to promote the aluminum construction materials business in Taiwan, we are coordinating with the departments concerned within the company to provide operational support and performance management to local joint ventures and partners. Our mission is to expand the overseas aluminum construction materials business of Sankyo Alumi Company, and I want to show my strengths in planning and to promote overseas strategies within the company in the future. We also believe collaboration among diverse human resources is important to create global business in the future. I want to work on increasing the number of people with this kind of awareness in our company.

Building a flexible and strong production system with *new opinions and ideas* all the time



Sankyo Material Company is engaged in various industrial fields, and the production and management methods required have become highly stringent in recent years. We want to build a flexible and robust production system from traditional methods and ways of thinking while maintaining a compliant production base. I expect many new opinions and ideas to emerge, as there are many young employees in the Production Management Section, and I want to create a work environment where they feel comfortable expressing their opinions.

Contributing to the creation of stores *tailored* to the future social environment



We propose and develop store fixtures for customers in various retail industries. We have recently started development of fixtures for unmanned-payment stores. There is a very high need for countermeasures against the labor shortage, which is also a social issue, and we are working closely with our sales personnel to respond to customer requests. In the future, I want to continue taking on the challenges of work that allows us to contribute to creating stores tailored to the future social environment.

Human Capital of Sankyo Tateyama

Sankyo Tateyama has adopted “based on cooperation encompassing clients, local communities, and employees, we create new value and contribute to realizing a world of well-being by giving customers delight and satisfaction” as a management philosophy. In VISION 2030 and the medium-term management plan formulated in July 2021, we have defined the creation of new strengths and field expansion as measures to prepare for long-term growth, and we recognize the need to strengthen human resource development and create safe, healthy and comfortable workplaces to realize these measures.



The Sankyo Tateyama Group aims to cultivate human talent capable of creating new value to support the sustainable growth of the Sankyo Tateyama Group and provide delight and satisfaction to our customers. As expressed in our management philosophy, which is based on the spirit of cooperation and co-prosperity among clients, local communities, and employees, the starting point of our company, we will continue to support our employees who have the will to grow by themselves by providing them with various training programs according to their knowledge, ability, and skill levels, to help them improve their skills.

• Employee training

Starting with tutor training, we provide step-by-step follow-up training for new hires over their first three years of employment, to make them competitive and quickly establish them in the workplace. We also plan and implement various training programs to incorporate the necessary skills by job level, and work to develop human resources and the next generation of business leaders who can accurately resolve the various issues surrounding the business environment.

• Selective training

Selective training is education for excellent personnel the company selects to train future managers and management candidates. It includes training management and reform leaders (approximately 30 personnel annually). In addition, through participation in training organized by local administration to develop female leaders, participation in training for young leaders at external institutions (about 10 per year) and other exchanges with people from other industries, the company develops human resources who can hone their leadership qualities and utilize new perspectives within the company.

• Support for personal development

We support the personal development and career development of our employees by encouraging them to take correspondence courses, providing means of independent study such as in-house e-learning, and offering rewards for obtaining official licenses and qualifications.

Strategy

Sankyo Tateyama takes various steps to increase the employment of diverse human resources, including women, elderly people, people with disabilities, foreign nationals and mid-career hires, as well as to increase its ability to respond to the changing business environment and to retain and develop future leaders and maintain the organization. The Human Resource Development Subcommittee, established under the Sustainability Promotion Committee, aims to create a climate where a diverse workforce can flourish by formulating and promoting medium- and long-term directions and strategies. In addition, a dedicated department for diversity promotion, including promoting women and employing people with disabilities, develops specific plans and measures.



Sankyo Tateyama has been working to create an environment where every employee can respect each other’s “differences” and utilize each individual’s “individuality” to demonstrate their abilities and contribute to the Company, and has established an action plan to improve the employment environment further.

- Promoting diversity and a diverse workforce
- Promoting greater participation by female employees ▶▶▶ P.47
- Promoting greater participation by senior employees and rehiring of retired workers

We have ensured continued employment for all employees (approximately 80% of those eligible for retirement) who wish to continue working until age 65. We will work to extend the age of employment further.

• Mid-career hires

We hire people throughout the year with work experience who are ready to work immediately (approximately 74 in FYE2023). Taking advantage of our nationwide network of offices also proactively supports those who wish to move from the big city to another city or out to the countryside to match the lifestyle they seek. We also actively hire people with no experience in the industry or from other industries to create new value by leveraging their previous knowledge and experience.

- Creating a safe, healthy, and comfortable workplace ▶▶▶ P.48



Sankyo Tateyama's Promotion of Greater Participation by Women

《Past initiatives for promoting women's participation》

The Sankyo Tateyama Group has been promoting employee diversity and establishing support systems for work-life balance since 2007. The Company's early initiatives to foster an environment where female employees raising children can easily work, including awareness-raising initiatives, have created a workplace culture that makes it easier for employees to work longer while experiencing life events. The average years of service, which can be considered one indicator of working comfort, is relatively long at 23.5 and 19.5 years for men and women, respectively (as of FYE2023), and the gender gap is narrowing.

《Current initiatives for promoting women's participation》

A Human Resource Development Subcommittee has been established within the Sustainability Promotion Committee for "promoting greater participation by female employees" as one of our materiality.

Sustainability promotion system ▶▶▶ P.33

We have been working on promoting diversity for many years, which has resulted in longer average years of service for female employees, and we have created an environment where female employees find it easier to work while maintaining a good work-life balance. We will work to expand further the scope of workplaces and operations where female employees can play an active role, create an environment in which each employee can fully demonstrate their abilities, and encourage more female employees to participate in decision-making at divisional meetings, etc.

As an indicator, the Company has set a target to increase the female manager ratio to 10% by FYE2031, aiming to involve female employees in the decision-making process of departments and the Company as core human resources and talented people who can bring a management perspective. Our initiatives to promote the active participation of women involve elevating female employees to managerial positions and increasing opportunities for them to use their abilities and experience and play an active role in various business operations.

A women's empowerment seminar titled "Why we must promote the active participation of women now" was held in 2023, with a lecture delivered by Ms. Hiroko Shinoda of CREO Ltd. The lecture was streamed online to offices nationwide and attended by directors and other managers across Japan. In addition, we provided unconscious bias training for all employees and support for strengthening human resource development for female management candidates and their supervisors.



Women's empowerment seminar for executives, "Why we must promote the active participation of women now"



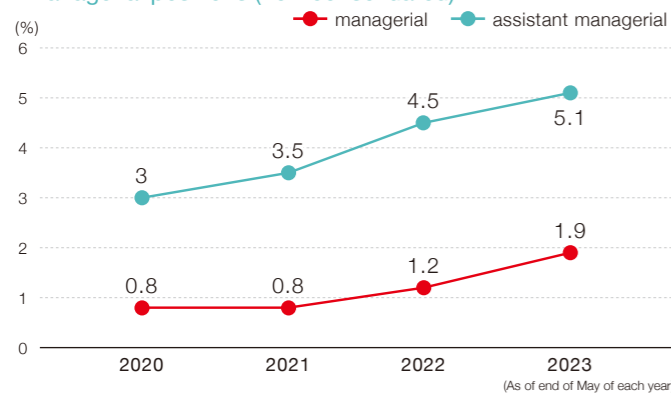
Masayo Ihori

General Manager, Technology Development Department, Technology Division

In addition to value addition such as high functionality and high quality for products, "Kotozukuri (experience enhancement)" has become indispensable from the perspective of customers and markets; however, as a manufacturer, we want to remain committed to manufacturing. Our division is engaged in research and development of materials for recycling resources and reducing environmental impact, and establishing technologies for their production methods to support manufacturing and realize our VISION 2030 initiative, "Contributing to a sustainable and affluent life".

Engineers tend to be very detail-oriented, which can result, have a narrow perspective. However, people who are particular but flexible, have a holistic view, and are willing to take on new challenges will lead the way to the future. For this reason, we encourage human resources in our division to not only engage with other employees inside the Company, but also to proactively go out and interact with people in a wide range of fields, obtain first-hand information that is not gleaned from a computer screen, and gain various experiences. In an era where the future is uncertain, we aim to nurture individuals who can imagine and create the future, and a group of engineers dedicated to "Monozukuri (the art of making things)".

Ratio of women in managerial and assistant managerial positions (non-consolidated)



We will continue to develop various measures to create a corporate culture where diverse human resources, including women, can play an active role.

Occupational Safety and Health

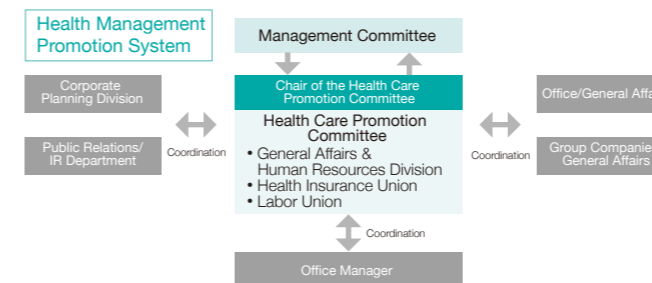
(Establishing a working environment that promotes health and safety)

《Basic philosophy》

The safety and health of employees form the foundation of the Company's existence, and we believe that ensuring safety and health is the Company's social responsibility. The Sankyo Tateyama Group's basic philosophy is to respect people, and all employees participate in safety and health activities principled on safety first, staying healthy, and improving fitness.

《Health management》

In October 2019, we formulated the Health Management Declaration, appointed the officer in charge of human resources as the Chair of the Health Care Promotion Committee to promote health management, and established the Health Care Promotion Committee to serve as an organ to formulate, implement, and verify the effectiveness of measures.



In March 2023, Sankyo Tateyama was certified by the Ministry of Economy, Trade and Industry as an Excellent Health Management Corporation 2023 (Large Corporation Category) in recognition of our excellent health management initiatives, in which employee health management is considered from a management perspective and strategically implemented. In addition, ST Logistics Service has been certified as an Excellent Health Management Corporation 2023 (Small and Medium-Sized Corporation Category (Bright 500) under the same program.



《Health activities》

Enhancement of health checkups

To improve the rate of employees receiving health checkups and secondary health checkups, the general managers and

public health nurses at each worksite, in coordination with the health insurance union, provide guidance to employees who have not yet received health checkups as well as their supervisors; and, in doing so, the rate of employees receiving health checkups has reached 100%. In addition, we are enhancing the range of medical examinations by conducting half-day physical examinations for employees aged 40, 45, 50, 55, and 59, and gynecological checkups for female employees. As part of our cancer prevention efforts, we are promoting measures to increase the screening rate for stomach, colon, breast, uterus, and prostate cancers, and are making particular efforts to ensure that female doctors are available for gynecological checkups as much as possible. In addition, we mail health checkup information and application forms to dependents in April every year to enable them to receive checkups free of charge.

Improvements to healthy living

All menu items at the employee cafeteria (in Toyama Prefecture) are labeled with calories and ingredients (protein, sugar, salt, and fat) to improve healthy lifestyle habits and raise awareness of dietary issues. In addition to general set menus, we also offer healthy meal sets low in calories, salt, and fat.



Establishing a health consultation and counseling system

To prevent health problems caused by long working hours, we strive to provide interview-based counseling by industrial physicians for employees who work long hours and reallocate work duties to reduce overtime work. As a health consultation service, we have established a system that allows employees to consult with our in-house health staff, online (Zoom) consultations, and an external 24-hour counseling service.

《Safety activities》

Based on the principles that every person is irreplaceable and safety takes precedence over everything else, we are working to eliminate hazards by conducting risk assessments, 5S activities, near-miss activities, and labor-management safety patrols to reduce hazards in the workplace.

Safety and Health Management Policy: Priority Items

- ①Hazard and hazard reduction activities ②Cultivation of safety-conscious employees ③Promotion of mental and physical health ④Strengthening collaboration among affiliated and cooperating companies of the Group.

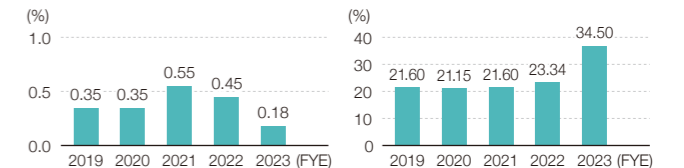
Safety and Health Promotion System

A meeting of the Safety and Health Committee is held monthly at each worksite with safety managers, health managers and labor union representatives to share and discuss risk improvement results and the status of safety activities. In addition, a Safety and Health Conference is held annually with safety managers from production worksites to share information on safety policies and key practices.

Number of occupational accidents in FYE2023

The number of accidents in FYE2023 was 12, with none being serious (including fatalities).

Percentage of lost time (Accidents) | Percentage of lost time (Illness)



Calculation of frequency (accidents) (Number of cases per million hours)

$$\text{Frequency rate} = \frac{\text{Total number of hours worked}}{\text{Number of occupational accidents}} \times 1,000,000$$

Calculation of frequency (illnesses) (Number of cases per million hours)

$$\text{Frequency rate} = \frac{\text{Number of cases of illness}}{\text{Number of occupational accidents}} \times 1,000,000$$

Intensity

Fiscal year of End	2021	2022	2023
Intensity	0.88	1.04	1.00

Unit: %

Together with our business partners

The Sankyo Tateyama Group will continue to maintain good business relationships with our suppliers and build relationships that promote mutual prosperity.

Supply chain management

Formulation of Basic Approach to Procurement

1. Background and Purpose of Establishment

The Sankyo Tateyama Group believes that our mission is to contribute to society through sound corporate activities with our Management philosophy “based on cooperation encompassing clients, local communities, and employees, we create new value and contribute to realizing a world of well-being by giving customers delight and satisfaction”. In recent years, there has been an increasing demand to resolve issues throughout the supply chain, such as efforts to achieve carbon neutrality and to prevent human rights and labor problems. As a response to this context, in September 2022, we formulated the Sankyo Tateyama Group Basic Procurement Policy to clarify and demonstrate to society the

ideas we have already been working on with our business partners and established the Procurement Guidelines based on the policy.

2. Application of policy

In developing the Basic Procurement Policy, we held a briefing session for the suppliers of our Purchasing Department. Those business partners will be asked to agree to the Basic Procurement Policy and submit written consent. We received letters of consent from many of our suppliers (459 companies) after the October 2022 presentation.

We are gradually sharing the Basic Procurement Policy with other suppliers.

Sankyo Tateyama Group Basic Procurement Policy

The Sankyo Tateyama Group has been engaged with CSR and SDGs following our management philosophy, which is founded on the spirit of cooperation and co-prosperity among clients, local communities, and employees—the origin point of our Company—to achieve harmony with the environment and society. We believe that our mission is to help people achieve sustainable and affluent life, and we promote procurement activities with supply chain management as one of our materialities to achieve “Sustainability Vision 2050.”

We have formulated a new procurement policy reiterating what we have asked our suppliers to do in their daily procurement activities. We ask for your understanding and support of this policy.

〈Mutual prosperity with our business partners〉

In our procurement, Sankyo Tateyama practices the spirit of cooperation among three parties—clients, local communities, and employees—which is the origin point of our Company’s founding. To maintain fair and good business relationships with our business partners, we set the terms of business after thorough dialogue with our business partners.

〈Respecting human rights〉

Sankyo Tateyama aims, through its corporate activities, to help build a society in which human rights are respected. Moreover, we promote human resource development for our employees and create a healthy and safe work environment based on the principle of safety over everything else.

〈Sustainable society〉

Sankyo Tateyama advances corporate activities toward achieving a sustainable society. We will continue our efforts to bring about a decarbonized world and build a recycling-based society. We will extend the philosophy of Sankyo Tateyama to our future clients, local communities, and employees.

Workshop on Antimonopoly Act and Subcontract Act

On June 26, 2023, we held a workshop on the Antimonopoly Act and Subcontract Act, attended by 151 employees, mostly from the Company’s production division.

To maintain fair and good business relationships with our suppliers, we provide our employees with opportunities for in-house training on the Subcontract Act every year. This year’s workshop was led by a lawyer and focused on raising awareness about the need for regular price negotiations.



Announcement of the Declaration of Partnership Building

In August 2022, Sankyo Tateyama drew up and announced a Declaration of Partnership Building to support the aims of the Council on Promoting Partnership Building for Cultivating the Future promoted by the Cabinet Office, the Small and Medium Enterprise Agency, and other organizations.

“Declaration of Partnership Building” Portal Site

<https://www.biz-partnership.jp/index.html>

Sankyo Tateyama’s Declaration of Partnership Building

<https://www.biz-partnership.jp/declaration/15770-05-15-toyama.pdf>



Together with our shareholders

Sankyo Tateyama is committed to continuously improving its corporate value and meeting the expectations of shareholders by strengthening the management base and increasing the profitability of the entire group.

IR*activities

IR activities are handled by the Public Relations and Investor Relations Department. We disclose corporate information in a timely and accurate manner so that shareholders, investors, and all other stakeholders can have a deeper understanding of the Sankyo Tateyama Group’s corporate activities and make a sound evaluation of the Group.

Sankyo Tateyama’s website contains financial disclosure materials such as financial summaries, financial results presentation materials, and securities reports (quarterly reports), as well as semiannual shareholder newsletters and other materials, which are easily accessible to investors at any time. For institutional investors, we hold financial results briefings after the second quarter and year-end financial results. Individual meetings are also held at the time of quarterly financial results or upon request.

In the fiscal year ending May 31, 2023, we held 56 individual meetings with institutional investors from Japan and overseas. In addition, we also accept factory inspections upon request. For individual investors, we held company information sessions.

Opinions and advice on the status of dialogue received from stakeholders through IR activities are regularly fed back to the Board of Directors by the officer in charge to be utilized in future management.

* Investor Relations (IR): Overall activities by a company to provide shareholders and investors with information necessary for investment decisions in a timely, fair, and on-going manner.

Dialogue with shareholders and investors for the fiscal year ending May 31, 2023

Track record of communication

•Briefing of financial results

Event date	Person in charge	Target persons	Number of participants
January 13, 2023	President Vice President	Institutional investors Analysts	34
July 13, 2023	President Vice President	Institutional investors Analysts	41

•Individual meetings

Duration	Person in charge	Target persons	Number of times (total)
From October 2022 to August 2023	Officer in charge Public Relations/ IR Department	Institutional investors Analysts	56

•Briefing for individual investors

Event date	Person in charge	Target persons	Number of participants
February 21, 2023	Officer in charge Public Relations/ IR Department	Individual investors	60 (online)

(Japanese)

<https://www.st-grp.co.jp/ir/dialogue.html>



Approach to information disclosure

Sankyo Tateyama will endeavor to disclose information in compliance with the Financial Instruments and Exchange Act and other laws and regulations, as well as the Securities Listing Regulations established by the Tokyo Stock Exchange (the ‘Listing Regulations’), and will also promptly disclose information that is considered useful for stakeholders to gain a better understanding of the Sankyo Tateyama Group. Information that falls under the listing regulations will be disclosed through TDnet (Company Announcements Disclosure Service) provided by the Tokyo Stock Exchange in accordance with the Listing provided by the Tokyo Stock Exchange in accordance with the Listing Regulations. Information that may have an impact on investment decisions will be disclosed promptly in a timely and appropriate manner depending on the importance and urgency of the situation.

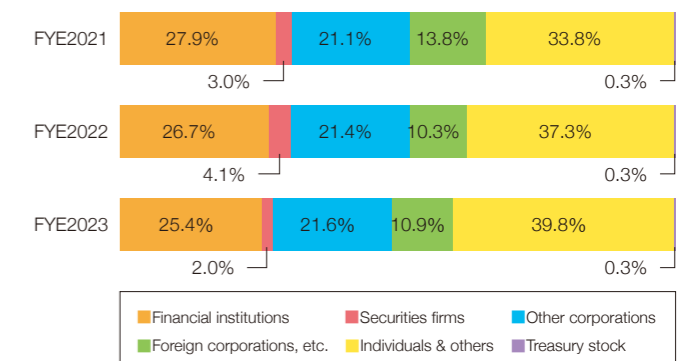
Shareholder composition (As of May 31, 2023)

Total number of authorized shares: 150,000,000
Total number of shares issued: 31,554,629
Number of shareholders: 19,593

Distribution of shares by shareholder (As of May 31, 2023)

Classification	Number of shares	Ratio
Government and local governments	0	0%
Financial institutions	8,018,468	25.4%
Securities firms	624,240	2.0%
Other corporations	6,820,890	21.6%
Foreign corporations, etc.	3,422,685	10.8%
Individuals & others	12,569,027	39.8%
Treasury stock	99,319	0.3%
Total	31,554,629	100%

Changes in shareholder composition





Feature article Roundtable Discussion by Outside Directors

We will continue to work on strengthening and improving governance by pursuing our corporate culture of “diligence.”

The Sankyo Tateyama Group has appointed individuals with extensive knowledge and experience as outside directors to enhance corporate governance further. In this discussion, our outside directors spoke candidly about governance reforms that we made and our future goals.

-How will you assess the current governance status at our company and the effectiveness of the Board of Directors, and what are the challenges we face according to you?

Hasegawa: After we changed from a company with Auditors to a company with an Audit and Supervisory Committee, we strengthened our corporate governance system by formulating a fundamental policy for corporate governance and establishing a nominating and compensation committee with a majority of outside directors. Furthermore, we have been delegating authority for individual business operations to improve discussions at Board of Directors meetings by focusing on operations requiring more important management strategies and decision-making. I appreciate that the effectiveness of the Board of Directors, which forms the crux of governance, is also evaluated yearly, the evaluation results are disclosed, and efforts are made for further improvement.

Yoshikawa: That’s right. I have been working as an outside director of the company since last August; however, in the contents of the corporate governance reports and other reports, I don’t find any concerns worth mentioning regarding the company’s current governance system, including the Board of Directors and the Internal Control Committee, which meets four times a year. I appreciate that the company is working as necessary on matters that need to be improved constantly, e.g., the Group’s risk incident system was strengthened by establishing the Comprehensive Risk Management Department within the General Affairs & Human Resources Division in June this year.

Aramaki: Considering the fact that we have an in-house company system, the Comprehensive Risk Management Department was created to carefully manage risks in the entire company that are likely to be overlooked falling into the gaps between the three companies. This is proof that suggestions from outside directors are taken seriously by

the executive side, and the good thing about our company is that we take measures after carefully listening to suggestions, even when the suggestions are painful from a management perspective.

Hasegawa: Yes, that’s right. We have made proper improvements in our system and framework by strengthening the management from a Group-wide perspective. As an improvement measure for strengthening the governance at our overseas subsidiaries, another task at hand, we have established a department exclusively in charge of our overseas subsidiaries. The Board of Directors has taken steps to monitor the department’s status periodically.

Yoshikawa: Various recommendations are made not only by outside directors but also by in-house directors during discussions at Board of Directors meetings. I feel that improvements are being made daily to increase effectiveness. Outside directors must monitor the management; therefore, if any problems that need correction are detected, outside directors must advise other directors and work with the Audit and Supervisory Committee to solve the problems. If I perceive a risk in a situation or the risk management system or detect a problem not only at a Board of Directors meeting but also in a site visit report from the Internal Control Committee or Audit Department, I point out the risk or problem every time from a legal perspective.

Hasegawa: I believe preliminary briefings on agenda items of a Board of Directors meeting are effectively utilized to deepen our understanding of issues before attending the meeting. The company also accepts and assimilates opinions of outside directors, who are outsiders from an internal perspective, and uses them for new developments and reconsiderations. Simply put, we are a very diligent company. We also work diligently on issues identified in questionnaires to evaluate the effectiveness of the Board of Directors, and it is characteristic of us to always act upon opinions from outside the company. I have worked at government financial institutions and handled public pension fund management; therefore, I always advise from a medium- to long-term perspective so that we do not fall into overly short-term thinking in our management. I would also like to contribute from a market perspective. Specifically, it has been difficult for the company to achieve business performance partly due to changes in the external environment. Therefore, I advise strengthening IR, including storytelling for the capital markets and sharing the results of these efforts.

Aramaki: At Board of Directors meetings, the directors are busy passing resolutions on individual agenda items, and there is a large number of agenda items, because of which, enough time is still not allotted to strategic discussions that should essentially be carried out. This problem needs to be tackled in the future. In addition, it would be good to have more in-depth discussions on technical, product, and human resource strategies at Board of Directors meetings in the future. As Mr. Hasegawa mentioned, we are a very diligent company, where suggestions are taken as “instructions,” and a report indicating the resolution

progress is submitted every time. I believe that we are on our path to improvement.

-Please tell us your thoughts on further enhancing governance.

Aramaki: I believe that safety and compliance, environmental sustainability and quality are prerequisites for profit, and it is of utmost importance for these to take firm root for governance. Think about how frequently words like “safety” and “compliance” used in everyday conversations at work, and whether these words used more frequently than the word “profit.” The more often employees hear these words in the workplace, the spiritual power of these words becomes part of their souls and takes root in the culture. I believe that strengthening our structure of initiatives with a high awareness of safety and governance will lead to further enhancement of governance.

Yoshikawa: Unlike Mr. Aramaki’s viewpoint as a manager, I check from a legal perspective whether the company is properly implementing each principle of the Corporate Governance Code and whether the internal control system is being properly operated. Even though I believe that we are a very diligent company, I will continue to monitor to check if we are not letting our guard down or if there is no decline in quality due to personnel changes.

Hasegawa: The spirit of “cooperation among three parties” advocated by our founders has something in common with the SDGs and sustainable management, which are global standards. This spirit has been handed down to us as our



Hirokazu Hasegawa Outside Director (Full-time Auditor)

DNA and corporate culture. I believe that working on strengthening and improving governance diligently and properly in the future by using this DNA will lead to further enhancement of governance.

Toda: I am in the office only for a short time and am still getting a better understanding of the company. I heard everyone say that we are a diligent company, and I felt that being diligent is a good thing, but being over-diligent also carries the risk of incorrect information getting into

management and the risk of creating a culture of speculation. Therefore, I want to monitor this aspect as well closely.

Hasegawa: Yes, that's right. It is also necessary for an organization to establish measures and systems to avert such risks. I will continue to have a frank and openminded discussion while maintaining good communication with the understanding that directors are the final check, who are in a position to say appropriate things to prevent top management from becoming an emperor without clothes.

-Tell us about things you expect or feel ardent about that will enhance the corporate value of our company.

Toda: I share the founding spirit and management philosophy of our company. I think it is especially wonderful that we advocate giving back and contributing to the local community broadly, which will benefit the company and our community, clients, and employees. Aluminum recycling and other such initiatives are very significant from an ESG perspective, and the fact that our company views its human resources as "human capital" or a "treasure" has created a positive image for me, even as an outsider. Until recently, I have closely watched companies and managers, from listed companies to small enterprises, as a member of the National Tax Agency. As part of my work, I have visited worksites and interacted with various managers, and in my opinion, you cannot know the truth without being on the site. In our company, various systems and frameworks, such as committees and codes of conduct, are already in place as boxed structures. The question is whether those systems and frameworks are actually functioning. As we advance, I want to watch and thoroughly examine the actual worksite and offer my opinions and suggestions in a way that will lead to further enhancement in our corporate value. If we are a kind of company where people who have worked for us feel "happy to have worked in this company" when they quit, they have embodied our corporate philosophy, and I will do my best to lead our employees in this direction.

Aramaki: In the transportation sector, especially in the case of automobiles, weight reduction has become a major issue



Hirotoshi Aramaki Outside Director (Auditor)

globally as the shift to electrification accelerates. As a material that contributes to such weight reduction, aluminum is increasingly used worldwide. To enhance corporate value in the future, it is important for our company to successfully ride this wave and contribute to the transportation sector through our businesses. Even I consider aluminum recycling, mentioned by Mr. Toda, a really important topic. Since the amount of fuel used in recycling is just a few percent of the electricity used for making aluminum from bauxite, promoting recycling is both a major challenge and a business opportunity for the entire aluminum industry. I have high expectations for innovation in resource recycling and product development, as innovation is crucial. President Hirano says at Board of Directors meetings and other meetings, "We are in a transition period". Because this is a transition period, making one last effort will help improve our profits, motivate our employees further, and allow us to introduce better products.

Hasegawa: Even I consider the sectors mentioned by both of you as growth areas. I believe it is necessary to focus considerably on expanding our business, especially into the transportation field, as a business field that aligns with our sustainability policy. On the other hand, it is necessary for the Construction Material Business to successfully correct the course, considering Japan's demographics and other factors. In transportation, I have high expectations from our technology and design capabilities to enable us to launch products with high-added value that do not fall prey to price competition. As per our sustainability policy, we must focus on both social sustainability as well as business sustainability to create corporate value in the medium and long run and generate future cash flows. Responding to capital market reforms is a pressing issue; in other words, management should focus on the cost of capital represented by PBR, as requested by the TSE. As mentioned earlier, we need to take separate measures for each time frame to determine how to tackle the situation where deteriorating business performance impacts share prices. In the short term, we need to organize measures for shareholder returns, and in the medium- to long-term, we need to firmly demonstrate measures for growth and investment in the capital market, focusing on restructuring the business portfolio. Beyond that, the question is how to calculate overall corporate value by quantifying non-financial values such as ESG. The current period is the time to proceed with such very important discussions for the next medium-term management plan, and we want to ensure that we are also involved in discussions.

Yoshikawa: As a company with social responsibility that considers ESG from a global perspective, I want us to pursue sustainability from various perspectives without being limited to items for which numerical targets have been set in our "Sustainability Vision 2050". For example, electric vehicle components and aluminum under development by our European subsidiary are products expected to contribute to decarbonization as a measure against climate change in the future. Thus, I also expect that we solve social issues through our products. Also, as a female outside director, I would like to contribute to the promotion of active

participation of women in our company. While I am aware that it takes time to promote in-house female human resources and that uneven distribution of human resources across regions has become an issue, there is room for improvement in the current situation where the ratio of female managers in the company is very low. I want to assist



Miho Yoshikawa Outside Director

in improving diversity and greater participation of women in our company.

Aramaki: It is a big challenge for the management to hire, nurture and secure talented human resources. During this shortage of staffing, being able to motivate each employee gives you a feeling that you are growing, and being able to secure commensurate compensation is proof of that growth. For our company, which is in a transition period and transforming its business portfolio, stabilization of earnings is a pressing task; however, I believe that generated profits should be returned to employees and at the same time, we need to work on improving the workplace environment including the way we work. It is a reality that female managers are unevenly distributed across departments, with the number being very low in the production departments compared to the management departments, and even though it is challenging to increase diversity with few role models, it is important to push forward toward a new way of working.

Hasegawa: Yes, that's right. I believe it is very important to improve the motivation of women in particular, which I strongly feel will help them find job satisfaction and settle in their jobs. Therefore, such measures, policies, and action plans must be implemented at all costs. Also, we need to discuss whether the 10% target set for the percentage of female managers is sufficient. There may also be some debate on whether such an indicator is important. However, I think a step after that is to have workplaces where one can find job satisfaction; therefore, I feel that we need to make efforts to have women experience management positions and create role models to motivate those who will follow in their footsteps. Production sites also require multi-tasking by people with multiple skill sets; we must steadily secure

human resources by utilizing senior personnel and foreign nationals without being limited to females. Furthermore, we need to focus on social and business sustainability and on creating attractive workplaces that will retain competent human resources through DX investments that lead to labor savings and rationalization, with positive benefits returned by society.

Toda: To secure human resources, diversity in human resources is important in addition to reforms in working style. We must create a user-friendly worksite by promoting work assistance and workload reduction through DX so that females and foreign nationals can work comfortably. Looking at our board members, I feel that we are a company where diverse opinions emerge, and I look forward to future discussions on establishing such a system.

Aramaki: In the future, in the course of formulating the next medium-term management plan, we will think about



Kazunori Toda Outside Director (Auditor)

reflections on the current medium-term management plan and crossing the bridge to realize VISION 2030, along with future growth policies. Also, when conveying what has been decided to people inside and outside the company, such as shareholders and employees, it is a good idea to be aware of the power and importance of words. We must ask what the strengths and potential of our company are, and how we can secure stable profits. When explaining these matters, if we can fulfill our accountability by using words carefully and then implement the PDCA cycle steadily, I believe our company can achieve further growth.

Hasegawa: Yes, that's right. As outside directors with voting rights, we want to be aware of a proactive approach to governance for growth by encouraging reasonable risk-taking while knowing that passive governance is also important.

Yoshikawa: Yes. Since the Global Business is also growing, we want to closely monitor the situation to continue taking risks while strengthening our risk management without being overly afraid of taking risks.

Key principles for corporate governance

The Sankyo Tateyama Group's basic management policy is to build the trust of shareholders, other stakeholders, and society and to develop together. To that end, we consider striving to strengthen corporate governance and enhance corporate value to be our most important management tasks. Specifically, we recognize that Sankyo Tateyama's important role is to formulate group management plans and strategies,

provide guidance and supervision to its group companies, and ensure accountability and transparency to stakeholders. In addition, Sankyo Tateyama will assume clear business responsibilities within the business fields and functions it is responsible for, and will seek to enhance the value of the entire Group by further strengthening its market competitiveness.

Progress of Corporate Governance

Institutional design: Company with an Audit and Supervisory Committee

:Internal :External

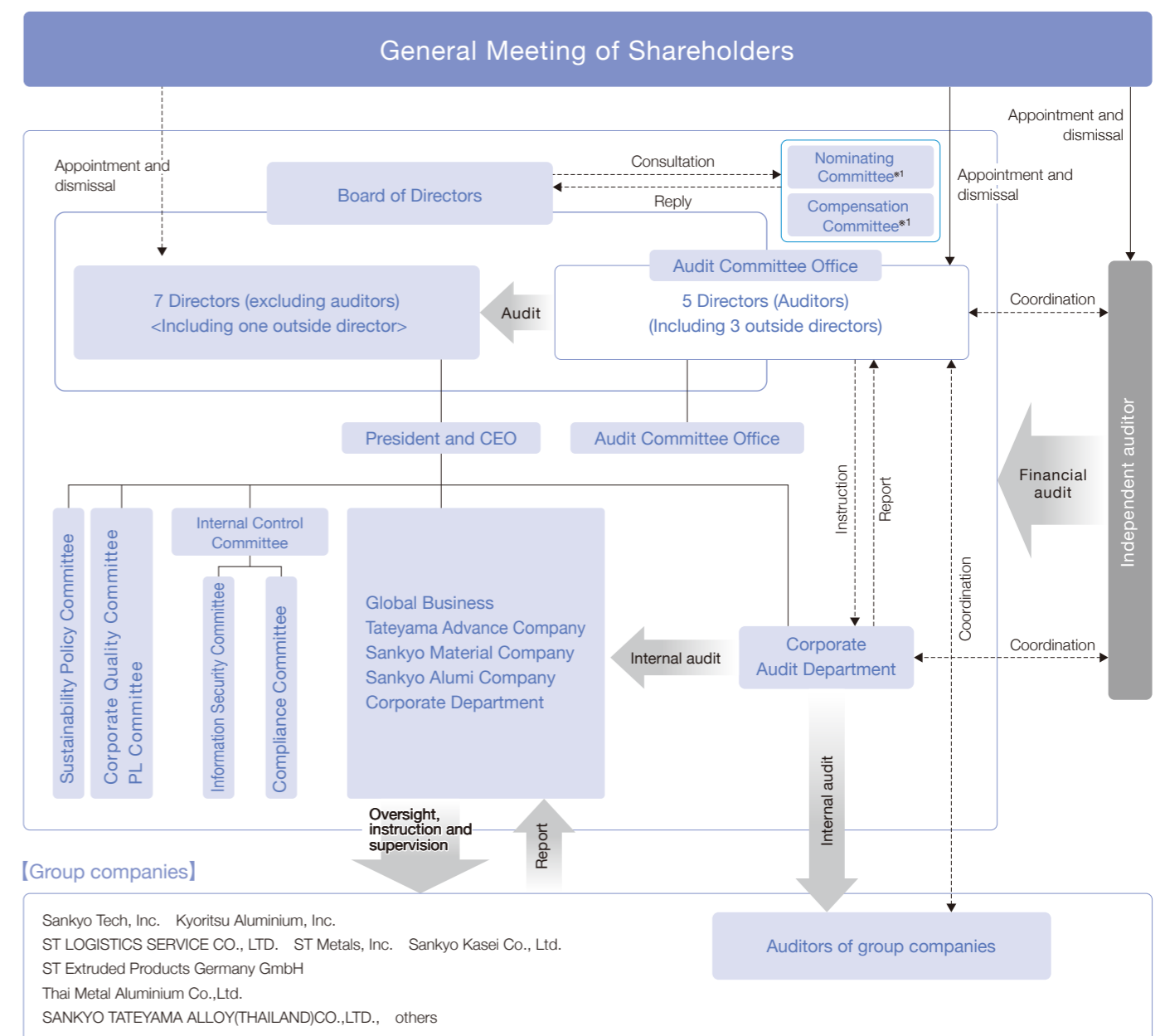
	Composition of Board of Directors	Upper level: Excluding auditors Lower level: Auditors	Ratio of outside directors	Ratio of female directors	Topic
FYE2016	14		21%	—	Transition to a company with an Audit and Supervisory Committee
FYE2017	14		21%	—	Started evaluating the effectiveness of the Board of Directors
FYE2018	13		23%	—	
FYE2019	14		29%	7%	Appointment of female directors Establishment of Nominating Committee and Compensation Committee
FYE2020	14		29%	7%	
FYE2021	13		31%	8%	
FYE2022	12		33%	8%	Independent outside directors appointment of at least one-third Abolished the business officer system and shifted to an executive officer system
FYE2023	12		33%	8%	
FYE2024	12		33%	8%	

Corporate governance structure

Sankyo Tateyama has an Audit Committee and has established a system for supervising and auditing the execution of duties by directors at Sankyo Tateyama and the Sankyo Tateyama Group in accordance with the basic policy of the internal control system. Outside directors with a high degree of independence and directors with knowledge of finance and accounting are appointed as auditors. The audit and supervisory functions of the Board of Directors are strengthened by the fact that Directors

who are Audit Committee members have voting rights on the Board. Furthermore, to ensure that the functions of the Audit Committee are effectively performed, the Company has established a system under which the Audit Committee supports the audits. The current governance structure has been adopted based on the judgment that these measures will further enhance Sankyo Tateyama's corporate governance.

Corporate governance structure



*1 Our company has an Audit and Supervisory Committee, and the Nominating Committee and Compensation Committee are voluntary committees.

Board of Directors

The Board of Directors currently consists of seven directors (excluding those who are auditors) and five directors who are auditors and meets at least once a month. The Board of Directors makes decisions on important matters regarding the management of the Sankyo Tateyama Group and Sankyo Tateyama Inc., determines basic management strategies and supervises overall management, and deliberates on Group-wide management issues and important matters concerning each of the Group companies. A total of 18 meetings, including the Extraordinary Board of Directors' Meeting, were held during the fiscal year that ended on May 31, 2023.

Sankyo Tateyama has introduced an executive officer system to clarify responsibilities for business execution and accelerate decision-making. In addition, the term of office of directors (excluding those who are auditors) and executive officers is set at one year to clarify their responsibilities for the business year, manage the Company with a heightened sense of responsibility, and build a management structure that can quickly respond to changes in the business environment.

The Board of Directors meeting is chaired by the President

and Representative Director and attended by the presidents of the in-group companies Sankyo Alumi, Sankyo Materials, and Tateyama Advance, as well as the Representative of Global Business, to ensure that business conditions are swiftly identified.

In addition, a management committee consisting of members of the Board of Directors, business managers and departmental general managers has been established by Sankyo Tateyama to deliberate and decide on matters related to basic management policies and separate important matters of Sankyo Tateyama, as well as to deliberate and share information on important matters submitted to the Board of Directors.

In December 2021, Sankyo Tateyama delegated some individual business matters that were to be resolved by the Board of Directors to the President and Representative Director or the Management Committee to enhance discussion of important matters concerning management oversight and directionality at the Board of Directors meetings. The separate business matters that were delegated are monitored by the Board of Directors.

Activities of the Board of Directors for the fiscal year ending May 31, 2023

Job Title	Name	Attendance at Board of Directors meetings for the fiscal year ending May 31, 2023
President Chief Executive Officer	Shozo Hirano	18/18
Vice President Vice President Executive Officer	Satoshi Kurosaki	18/18
Director Managing Executive Officer	Kazuhiro Ikeda	18/18
Director Managing Executive Officer	Takahiro Nishi	18/18
Director Managing Executive Officer	Tsuneaki Yoshida	18/18
Director Managing Executive Officer	Kensuke Kubota	18/18
Outside Director	Miho Yoshikawa	15/15
Outside Director	Naoko Takeshima	3/3
Director Full-time Auditor	Toru Hongawa	18/18
Director Full-time Auditor	Takao Nishioka	18/18
Outside Director Full-time Auditor	Hirokazu Hasegawa	18/18
Outside Director Auditor	Nagahito Tsuru	16/18
Outside Director Auditor	Hirotohi Aramaki	17/18

* As Miho Yoshikawa was newly elected as a Director at the 77th Regular General Meeting of Shareholders held on August 30, 2022, the attendance at the Board of Directors meetings is shown after her appointment.
* As Naoko Takeshima retired from the position of Director at the conclusion of the 77th Regular General Meeting of Shareholders held on August 30, 2022, the attendance at the Board of Directors meetings held during her term of office is shown.
* The number of meetings of the Board of Directors does not include resolutions adopted in writing.

Composition of the Board of Directors and Management Meeting for the fiscal year ending May 31, 2024 (© indicates the chairman)

Job Title	Name	Board of Directors	Management Committee
President Chief Executive Officer	Shozo Hirano	©	©
Director Managing Executive Officer	Kazuhiro Ikeda	○	○
Director Managing Executive Officer	Takahiro Nishi	○	○
Director Managing Executive Officer	Tsuneaki Yoshida	○	○
Director Managing Executive Officer	Kensuke Kubota	○	○
Director Managing Executive Officer	Yasuyuki Kurohata	○	○
Outside Director	Miho Yoshikawa	○	○
Director Full-time Auditor	Toru Hongawa	○	○
Director Full-time Auditor	Takao Nishioka	○	○
Outside Director Full-time Auditor	Hirokazu Hasegawa	○	○
Outside Director Auditor	Hirotohi Aramaki	○	○
Outside Director Auditor	Kazunori Toda	○	○

Audit Committee

Sankyo Tateyama's Audit Committee consists of five members (including three outside directors) and meets at least once a month. There are three full-time Auditors, including one outside Director. Following the audit policy, audit plan, and allocation of audit duties determined by the Audit Committee, each Auditor attends meetings of the Board of Directors and other major meetings, inspects important documents for resolution, and strives to audit the legality and suitability of the business conduct of directors, excluding those who are Auditors, and

also meets regularly with top management to exchange opinions. The Company strives to ensure the audit environment of the entire Group by receiving reports on the status of internal controls from the corporate auditors of each Group company and by coordinating with the corporate auditors of each Company. A total of 18 meetings were held during the fiscal year ended on May 31, 2023. An Audit Committee Office has been established to assist the Audit Committee in its duties to enhance the functions of the Audit Committee.

(© indicates the chairman)

Rank and position	Name	Attendance for the fiscal year ending May 31, 2023	Members for the fiscal year ending May 31, 2024
Full-time Auditor	Toru Hongawa	18/18	©
Full-time Auditor	Takao Nishioka	18/18	○
Full-time Auditor (Outside)	Hirokazu Hasegawa	18/18	○
Auditor (Outside)	Nagahito Tsuru	18/18	○
Auditor (Outside)	Hirotohi Aramaki	18/18	○
Auditor (Outside)	Hirotohi Aramaki	—	○

Nominating Committee

Sankyo Tateyama has established the Nominating Committee (December 2018) and the Compensation Committee, which are voluntary advisory bodies to the Board of Directors whose principal members are independent outside directors. The Nominating Committee comprises two internal and three external directors and is chaired by an external director. The Nominating Committee considers the overall balance and diversity of the Board of Directors in

terms of knowledge, experience, and abilities related to management and business and consults with the Board of Directors on the results of comprehensive deliberations from the perspective of optimal placement, including the selection and dismissal of the President and Representative Director of Sankyo Tateyama, and the selection of candidates for the Board of Directors. A total of 5 meetings were held during the fiscal year ended on May 31, 2023.

Job Title	Name	Attendance for the fiscal year ending May 31, 2023	Members for the fiscal year ending May 31, 2024
President Chief Executive Officer	Shozo Hirano	—	○
Vice President Vice President Executive Officer	Satoshi Kurosaki	5/5	○
Director Managing Executive Officer	Tsuneaki Yoshida	5/5	○
Outside Director	Naoko Takeshima	2/2	○
Outside Director Full-time Auditor	Hirokazu Hasegawa	5/5	○
Outside Director Auditor	Nagahito Tsuru	3/3	○
Outside Director Auditor	Hirotohi Aramaki	5/5	○
Outside Director Auditor	Hirotohi Aramaki	—	○

* As Naoko Takeshima retired from the position of Director at the conclusion of the 77th Regular General Meeting of Shareholders held on August 30, 2022, the attendance at the Board of Directors meetings held during her term of office is shown.
* The chair is to be determined at the next meeting of the Committee, and is undecided at this time.

Compensation Committee

Like the Nominating Committee, Sankyo Tateyama has established the Compensation Committee (May 2019) as a voluntary advisory body to the Board of Directors whose principal members are independent outside directors. The Compensation Committee comprises two internal and three external directors and is chaired by an external director. The Compensation

Committee deliberates on matters related to the compensation of directors (excluding directors who are members of the Audit Committee) and consults the Board of Directors. The Company strives for objectivity and transparency in determining the compensation. A total of 4 meetings were held during the fiscal year ended on May 31, 2023.

Job Title	Name	Attendance for the fiscal year ending May 31, 2023	Members for the fiscal year ending May 31, 2024
President Chief Executive Officer	Shozo Hirano	4/4	○
Director Managing Executive Officer	Tsuneaki Yoshida	4/4	○
Outside Director	Miho Yoshikawa	2/2	○
Outside Director	Naoko Takeshima	2/2	○
Outside Director Full-time Auditor	Hirokazu Hasegawa	4/4	○
Outside Director Auditor	Nagahito Tsuru	4/4	○
Outside Director Auditor	Kazunori Toda	—	○

* As Miho Yoshikawa was newly elected as a Director at the 77th Regular General Meeting of Shareholders held on August 30, 2022, the attendance at the Board of Directors meetings is shown after her appointment.
* As Naoko Takeshima retired from the position of Director at the conclusion of the 77th Regular General Meeting of Shareholders held on August 30, 2022, the attendance at the Board of Directors meetings held during her term of office is shown.
* The chair is to be determined at the next meeting of the Committee, and is undecided at this time.

Executive compensation

Issues regarding the policy for determining the details of compensation, etc., for individual directors

● Basic policy

Sankyo Tateyama's Board of Directors adopted a resolution at its meeting held on February 24, 2021 on the policy for determining the compensation, etc. of individual directors. Compensation for directors (excluding those who are members of the Audit Committee) is designed to contribute to improving corporate performance and corporate value, to be at a level that enables the Company to secure diverse and talented human resources, and to be determined through a highly transparent process.

● Structure of compensation

Individual compensation for directors (excluding those who are members of the Audit Committee) consists of fixed compensation in monetary terms, compensation as a director, compensation as a representative director, and compensation as an executive officer; and, is determined each fiscal year based on an evaluation of the individual's position, responsibilities, and performance in the previous fiscal year. In addition, the Company sets targets for consolidated ordinary income and consolidated net income, and may pay bonuses in addition to fixed compensation if the Company achieves these targets.

● Basic policy

The amount of compensation for directors (excluding those who are members of the Audit Committee) is drafted by the executive directors within the maximum amount of compensation set by the General Meeting of Shareholders,

reported by the Compensation Committee, and discussed with the Audit Committee before being submitted to the Board of Directors. The Compensation Committee, consisting of a majority of independent outside directors, is established as a voluntary advisory body to the Board of Directors. The amount of compensation for directors who are members of the Audit Committee is determined through consultation among the directors who are members of the Audit Committee.

The Board of Directors has determined that the details of individual compensation for directors (excluding those members of the Audit Committee) for the current fiscal year are consistent with the policy on individual compensation for directors determined at the Board of Directors meeting held on February 24, 2021. Therefore, the Board of Directors has determined that the details are in line with this policy.

Issues regarding resolutions of the General Meeting of Shareholders on compensation, etc., of directors

The maximum annual total amount of compensation for directors of Sankyo Tateyama is set by the 70th Regular General Meeting of Shareholders held on August 27, 2015, at 400 million JPY or less for directors (excluding those who are members of the Audit Committee) and 130 million JPY or less for directors who are members of the Audit Committee. As of the conclusion of this Regular General Meeting of Shareholders, the number of directors (excluding those who are members of the Audit Committee) is nine, and the number of directors who are members of the Audit Committee is five (including three outside directors).

Total amount, etc. of compensation of directors

Compensation paid to directors during the current fiscal year (June 1, 2022 to May 31, 2023) was as follows.

Classification of Officers	Total amount of compensation (Millions of JPY)	Total amount of compensation, etc., by type (Millions of JPY)			Number of Officers subject to compensation (people)
		Basic compensation	Performance-linked compensation, etc.	Non-monetary compensation, etc.	
Director (excluding Audit Committee members and outside directors)	196	196	—	—	6
Auditor (excluding outside directors)	45	45	—	—	2
Outside director	39	39	—	—	5

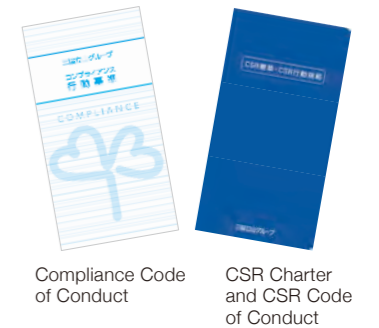
Note 1: The above includes one director (excluding those who are members of the Audit Committee) who retired at the conclusion of the 77th Regular General Meeting of Shareholders held on August 30, 2022.

Note 2: The number of Board of Directors meetings does not include resolutions adopted in writing.

Establishment of Internal Control System

- The Company has established Management Philosophy, code of conduct, CSR code of conduct, compliance code of conduct, etc., which are distributed to all officers and employees in the form of portable cards and booklets to ensure thorough awareness.
- The Internal Control Group has been established within the Corporate Audit Department as an organization to support the internal control of the Sankyo Tateyama Group.
- The Internal Control Committee was established to build an effective internal control system for the Sankyo Tateyama Group. The Committee meets four times a year to discuss the basic policies of the internal control system and to discuss internal control and risk management in general. A specialized department was also established to strengthen the ability to respond to risks within the Sankyo Tateyama Group.
- The Compliance Committee meets four times a year to check annual activities related to the promotion of compliance, identify problems, and make improvements.
- We have been implementing Compliance Training, Compliance Self-Checks, and the distribution of the Compliance Information Magazine to instill compliance with laws and regulations and corporate ethics among all officers and employees; and, to improve their awareness and knowledge of compliance.
- The Sankyo Tateyama Group has established the Comp-line, a whistleblower system, with in-house contact points (the General Affairs Department and the Audit Committee Office) as well as external contact points to ensure that whistleblowers have easy access to the system.
- The Corporate Audit Department conducts internal audits of each group company to confirm the effectiveness of internal controls for the entire group. Moreover, we appropriately handle internal control over financial reporting based on the Financial Instruments and Exchange Act and in accordance with the Annual Basic Plan.
- The Internal Control Committee takes the lead in identifying and promoting countermeasures against major company-wide risks by centrally managing the risk information of the Sankyo Tateyama Group.
- The Sankyo Tateyama Group also promotes BCP* initiatives to prepare for unforeseen circumstances. In the event of an unforeseen event, the Sankyo Tateyama Group has a system in place to respond appropriately by, for example, holding a countermeasures meeting following the Crisis Management Regulations and Crisis Management Manual and establishing a countermeasures headquarters depending on the severity of the situation.
- As our basic approach to the exclusion of antisocial forces, we clearly state in our Compliance Code of Conduct that we do not make use of, do not fear, and do not pay antisocial forces; and, we appoint a person responsible for preventing unreasonable demands and maintain a cooperative system with external specialized agencies.

* BCP: Business Continuity Plan



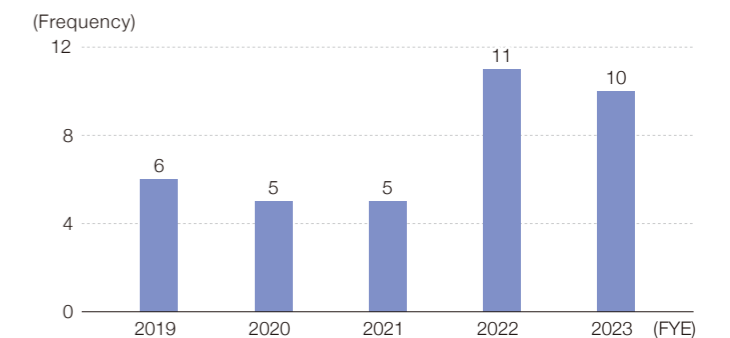
Promoting compliance

The Sankyo Tateyama Group considers compliance to be one of our most important management issues, and we have established the Sankyo Tateyama Compliance Committee, chaired by the director in charge of promoting compliance, to pursue activities based on the Basic Policy for Compliance Promotion.

【Basic Policy for Compliance Promotion】

- ① All officers and employees shall recognize the social mission and responsibilities of the Sankyo Tateyama Group and faithfully comply with laws, regulations, corporate ethics, and internal rules.
- ② We shall place the highest value on compliance, and in cases where there is a conflict between profit and compliance, we shall give priority to compliance.
- ③ Decisively reject any illegal or unreasonable demands from outside parties.
- ④ If a compliance-related problem arises within the Group, we will immediately correct it.

Compliance training (inside Japan)



Number of compliance whistleblower/consultation cases (Japan) **6** (FYE2023)

Ensuring information security

Number of serious information security incidents:0 (FYE2023)

The Sankyo Tateyama Group places the highest priority on protecting customers' personal and transactional information when it comes to ensuring information security, and we ensure that every employee acquires the appropriate knowledge and behavior regarding information security.

Basic Policy on Information Security

The Sankyo Tateyama Group will ensure information security throughout the Group so that the Group continues to be trusted by customers, suppliers, and local communities.

1.Management system

The Sankyo Tateyama Group has established regulations for information security and maintains and operates the necessary management system.

2.Protection of Information Assets

The Sankyo Tateyama Group takes technical, physical and personnel measures to protect the confidentiality, integrity, and availability of its information assets.

3.Implementation of training

The Sankyo Tateyama Group implements education and awareness-raising activities related to information security to ensure that those who use the Group's information assets recognize the importance of information assets.

4.Compliance with laws and regulations

The Sankyo Tateyama Group complies with all laws, regulations and standards related to information security.

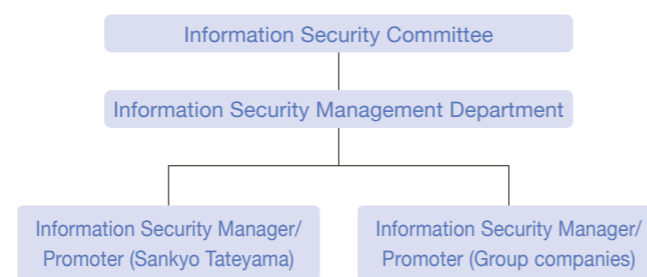
5.Continuous improvements

The Sankyo Tateyama Group evaluates and reviews the regulations, compliance status and measures related to information security in line with changes in laws, regulations, and information technology, and strives for continuous improvement.

Management system

The Sankyo Tateyama Group has established the Information Security Committee, chaired by the director in charge of information systems, to determine the activities and issues throughout the Group and policies to deal with these issues. The decisions made by the Committee are thoroughly communicated to all employees by approximately 300 information security managers and information security promoters assigned to each division and Group Company under the supervision of the Information Security Management Department, which is responsible for implementing and promoting the Committee's decisions.

Information security management system (as of June 1, 2023)



Main measures

① Training and Awareness

To strengthen the governance of the entire Group, including subsidiaries, we have established a Basic Policy on Information Security and rules and detailed regulations. Further, to make employees more security-conscious in their conduct, we implement training that consists of watching security videos, performing self-checks, and learning how to handle potential viruses in emails.

② Information leakage prevention

Mobile PCs taken outside the Company are installed with encryption software to prevent third parties from stealing data stored on them if they are stolen. In addition, as a countermeasure against targeted email attacks, we have introduced a system to block suspicious emails and detect unknown threats.

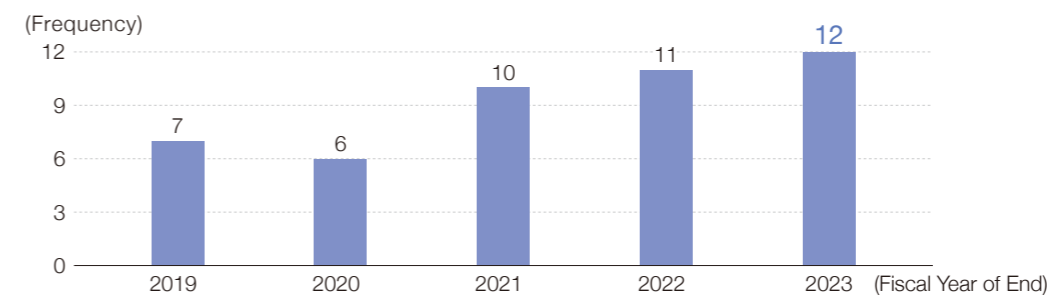
③ Appropriate management of access rights

To reduce the risk of information leaks from within the Company, we conduct periodic re-verification (checking the user and authority) of user IDs entered when accessing server resources and IDs used for applications.

④ Physical access countermeasures

Host computers and servers are installed in the data center, which is protected by high security like surveillance cameras and entry/exit control. Moreover, the building's seismic isolated structure and redundant power supply reduce the risk of system outages due to earthquakes and electrical blackouts. Furthermore, we are taking measures to enhance the security of our systems against cyberattacks, including implementing measures at the entry points, internally, and at the exit points.

Information security training (non-consolidated)



[e-learning] "Attack email aimed at virus infection"

Created an instructional video to teach the techniques and characteristics of the attacks and how to avoid infection regarding "Attack email aimed at virus infection", which has been increasing in recent years, and ensured that all employees who use PCs for work are fully aware of them. Although the threat of cyber-attacks is expected to increase further, we will continue to work on educational activities for employees, including e-learning.



Management of Personal Information

Personal information is appropriately managed by maintaining internal rules and regulations and handling the information within the scope of the specified intended use. In addition, our Company complies with the Amended Personal Information Protection Act, which came into force in April 2022.

Sankyo Tateyama will continue to manage personal information appropriately and stringently, following the relevant laws and regulations and Sankyo Tateyama's privacy policy.

● Privacy policy of Sankyo Tateyama (Japanese) <https://www.st-grp.co.jp/aboutweb/privacy.html>



Officers



Shozo Hirano
President, Chief Executive Officer
President, Sankyo Material Company



Kazuhito Ikeda
Director, Managing Executive Officer
President, Tateyama Advance Company



Takahiro Nishi
Director, Managing Executive Officer
President, Sankyo Alumi Company



Tsuneaki Yoshida
Director, Managing Executive Officer
General Manager of General Affairs & Human Resources Division
General Manager of Information System Division
and in charge of Corporate Audit Department



Kensuke Kubota
Director, Managing Executive Officer
General Manager of Finance & Accounting Division



Yasuyuki Kurohata
Director, Managing Executive Officer
General Manager of Corporate Planning Division



Miho Yoshikawa
Outside Director
Currently: General Manager of Takaokaekinan Law Office



Toru Hongawa
Director (Full-time Auditor)



Takao Nishioka
Director (Full-time Auditor)



Hirokazu Hasegawa
Outside Director (Full-time Auditor)
Former Position: Director, Fund Management Department,
Federation of National Public Service Personnel Mutual Aid
Associations



Hirotoashi Aramaki
Outside Director (Auditor)
Former Position: Director, Executive Vice President and
Executive Officer, General Manager of Technology
Development Division in charge of Technology of NSK Ltd.



Kazunori Toda
Outside Director (Auditor)
Currently: Kazunori Toda, Head of Tax
Accountant's Office

Skill matrix of the Board of Directors






Rank and position		Name	Corporate Management	Global Business	Sales & Marketing	Manufacturing, Technology Development & IT/Digital Skills	Human Resources Development & Labor Relations	Legal & Compliance	Finance & Accounting
President	Chief Executive Officer	Shozo Hirano	○	○	○				
Director	Managing Executive Officer	Kazuhito Ikeda	○	○	○	○			
Director	Managing Executive Officer	Takahiro Nishi	○		○	○		○	
Director	Managing Executive Officer	Tsuneaki Yoshida	○	○	○		○		○
Director	Managing Executive Officer	Kensuke Kubota			○		○	○	○
Director	Managing Executive Officer	Yasuyuki Kurohata			○				
Outside Director		Miho Yoshikawa				○		○	
Director	Full-time Auditor	Toru Hongawa	○		○	○			
Director	Full-time Auditor	Takao Nishioka	○					○	○
Outside Director	Full-time Auditor	Hirokazu Hasegawa		○	○			○	○
Outside Director	Auditor	Nagahito Tsurii	○			○			
Outside Director	Auditor	Hirotoashi Aramaki					○	○	○

Note: The above list does not represent all of the experience and expertise possessed by each individual

Executive Officer

Rank and position	Name	Responsibilities and entrusted duties
Managing Executive Officer	Katsuyoshi Shirai	General Manager of Building Division, Sankyo Alumi Company, in charge of MONOS Promotion Department
Managing Executive Officer	Yoshitaka Yasui	President, ST LOGISTICS SERVICE CO., LTD.
Managing Executive Officer	Hideki Matsuda	Representative of Global Business
Managing Executive Officer	Fumiro Toyooka	General Manager of Business Management Division, Sankyo Alumi Company
Executive Officer	Satoshi Hisaminato	General Manager of Production Division, Sankyo Material Company
Executive Officer	Yasunori Yoshida	Deputy General Manager of Finance & Accounting Division
Executive Officer	Katsuhiro Kurata	General Manager of Sales Division and Market Development Division, Sankyo Material Company
Executive Officer	Satoru Hanaki	General Manager of Technology Division and Executive Vice President of Sankyo Material Company
Executive Officer	Keizo Ogura	In charge of Purchasing Department, Sankyo Alumi Company
Executive Officer	Yasushi Fujimaki	General Manager of Tokai Building Construction Materials Branch, Sankyo Alumi Company
Executive Officer	Yukio Sezaki	General Manager of Business Development Division
Executive Officer	Tsutomu Yamazaki	General Manager of Kanto Housing Construction Materials Branch, Sankyo Alumi Company
Executive Officer	Yutaka Kondo	General Manager of Exterior Division, Sankyo Alumi Company
Executive Officer	Kazumasa Okutani	General Manager of Housing Division, Sankyo Alumi Company
Executive Officer	Risho Haginaka	General Manager of Reform Promotion Division, Deputy General Manager of Global Business Division, and in charge of Sustainability Promotion Department
Executive Officer	Nobuyuki Yamazaki	General Manager of Production Division, Sankyo Alumi Company
Executive Officer	Hajime Funaki	Chairman, President & CEO, Shanghai Tateyama Commercial Facilities Co., Ltd., and Chairman, Vice President, Shanghai Tateyama Trading Co., Ltd.
Executive Officer	Yukihiro Nakashima	President, Sankyo Tech Inc., and Deputy General Manager of Housing Division, Sankyo Alumi Company
Executive Officer	Kazuhiko Hase	Deputy General Manager of Global Business Division (in Europe) and CEO, Sankyo Tateyama Europe BV
Executive Officer	Ichiro Azuma	General Manager of Kyushu Branch, Sankyo Alumi Company
Executive Officer	Yukio Yamato	General Manager of Sales Division and Development Division, Tateyama Advance Company
Executive Officer	Hiroshi Arashikawa	Deputy General Manager of General Affairs & Human Resources Division, and General Manager of Sales Subsidiary Company Division, Sankyo Alumi Company
Executive Officer	Yoshinari Nekomiya	General Manager of Kanto Building Construction Materials Branch, Sankyo Alumi Company

Key Financial Data 10-Year Trends (06/01/2013–05/31/2023)

Item	69th June 1, 2013– May 31, 2014	70th June 1, 2014– May 31, 2015	71st June 1, 2015– May 31, 2016	72nd June 1, 2016– May 31, 2017	73rd June 1, 2017– May 31, 2018	74th June 1, 2018– May 31, 2019	75th June 1, 2019– May 31, 2020	76th June 1, 2020– May 31, 2021	77th*3 June 1, 2021– May 31, 2022	78th June 1, 2022– May 31, 2023
Consolidated Profit and Loss Statement										
Net sales	295,236	292,391	332,168	320,817	328,409	337,789	313,691	301,184	340,553	370,385
Operating income	16,613	8,541	6,251	6,713	1,201	738	2,015	4,568	3,782	2,669
Ordinary income	15,553	7,928	5,395	6,842	1,536	616	1,611	5,251	4,198	3,419
Net income before adjustment for taxes, etc.	13,528	7,876	3,031	4,858	1,081	-487	1,336	4,616	2,905	3,104
Net income attributable to owners of parent	12,698	5,949	94	2,122	-731	-1,419	-1,533	1,683	395	1,630
Consolidated Profit and Loss Statement by Segment*1										
 the Construction Materials Business	Net sales 225,706	209,894	208,938	203,913	196,943	205,563	195,314	180,652	182,191	187,141
	Operating income 12,365	4,432	4,371	2,716	-2,107	749	4,574	3,723	2,515	-118
 the Materials Business	Net sales 38,309	44,077	42,099	41,325	46,178	45,458	38,718	39,675	53,397	58,550
	Operating income 3,007	3,160	3,246	3,906	3,814	2,802	1,340	2,575	2,614	3,211
 the Commercial Facilities Business	Net sales 31,080	33,993	34,904	35,781	38,584	39,567	38,436	38,894	40,749	41,631
	Operating income 1,287	1,722	1,757	1,774	1,081	48	622	2,094	1,718	603
 the Global Business	Net sales —	4,276	46,077	39,644	46,558	47,075	41,097	41,807	62,624	82,857
	Operating income -10	-797	-3,069	-1,640	-1,535	-2,704	-4,290	-3,586	-3,147	-833
 Other	Net sales 139	149	148	153	145	124	125	154	1,590	204
	Operating income -35	23	-52	-43	-51	-158	-231	-238	82	-192
Consolidated Balance Sheets										
Total Assets*2	234,243	270,557	254,630	254,139	269,260	262,426	245,980	252,935	268,470	282,932
Net Assets	72,241	85,148	80,102	84,147	86,079	82,087	78,327	84,081	85,605	92,667
Net assets per share (JPY)	2,266.96	2,654.96	2,481.13	2,601.01	2,656.60	2,522.22	2,390.00	2,592.48	2,633.27	2,854.68
Consolidated Statements of Cash Flows										
Cash flows from operating activities	22,002	12,261	15,710	7,144	7,530	12,656	9,358	7,847	2,405	-171
Cash flows from investing activities	-6,919	-22,120	-11,167	-11,470	-12,401	-7,550	-6,724	-9,104	-7,586	-7,269
Cash flows from financing activities	-8,315	8,945	-7,637	-1,021	13,975	-9,524	-3,941	-663	274	10,554
Free cash flows	15,083	-9,858	4,543	-4,325	-4,871	5,106	2,634	-1,256	-5,181	-7,440
Management Indicators										
Capital adequacy ratio (%)*2	30.4	30.8	30.6	32.1	31.0	30.2	30.5	32.1	30.8	31.6
ROA (%)*2	5.6	2.4	0.0	0.8	-0.3	-0.5	-0.6	0.7	0.2	0.6
ROE (%)	18.3	7.7	0.1	2.7	-0.9	-1.7	-2.0	2.2	0.5	1.9
Annual dividend per share (JPY)	35	35	35	35	15	15	15	15	15	20
Dividend payout ratio (%)	8.7	18.5	—	51.8	—	—	—	27.9	118.9	38.4
Interest-bearing liabilities	55,993	69,087	62,608	63,070	78,694	69,919	66,655	69,021	70,304	82,551
DE ratio (%)	78.6	82.9	80.4	77.3	94.4	88.4	88.9	84.9	85.2	92.2
Other Reference Information										
Closing stock price (JPY)	1,923	2,008	1,549	1,610	1,543	1,139	962	787	583	630
Employees (people)	8,841	11,320	11,310	11,373	11,256	11,188	10,881	10,577	10,375	10,373
Research & development costs	3,011	2,935	3,222	3,087	2,659	2,594	2,856	2,401	2,379	2,387
Capital investment	6,690	6,116	10,527	10,884	9,691	5,226	7,302	7,643	10,371	9,687
Depreciation	5,676	6,089	8,146	8,471	8,975	8,598	8,083	8,079	8,006	8,210

*1: The Global Business was established in the 70th fiscal year and the 69th fiscal year were prepared based on the new reporting segment classification and measurement method.

*2: Partial Amendments to Accounting Standard for Tax Effect Accounting etc. are applied from the 74th fiscal year, and the management indices, etc. for the 73rd fiscal year are retroactively applied to those accounting standards.

*3: Accounting Standard for Revenue Recognition and others were applied from the 77th fiscal year.

(Millions of JPY, unless otherwise stated)

Consolidated Financial Statement

Consolidated Balance Sheets

Assets				Liabilities			
Item	(Millions of JPY)			Item	(Millions of JPY)		
	Previous fiscal year May 31, 2022	Current period May 31, 2023	Change YoY		Previous fiscal year May 31, 2022	Current period May 31, 2023	Change YoY
Current assets	141,698	151,268	9,570	Current liabilities	121,826	128,008	6,181
Cash and deposits	18,420	22,377	3,957	Notes and accounts payable	49,361	45,284	-4,076
Notes and accounts receivable	55,105	—	-55,105	Electronically recorded liabilities	20,339	20,698	359
Notes and accounts receivable and contract assets	—	57,247	57,247	Short-term loans	12,103	23,761	11,657
Electronically recorded receivables	5,486	6,653	1,167	Long-term debt due within one year	17,501	16,528	-972
Marketable securities	1,492	10	-1,481	Other	22,520	21,734	-786
Merchandise and finished goods	19,507	21,637	2,129	Fixed liabilities	61,039	62,256	1,217
Works in process	15,931	16,399	468	Long-term loans	40,698	42,261	1,562
Raw materials and supplies	17,407	19,249	1,841	Deferred tax liabilities	1,130	1,624	493
Other	9,105	8,298	-806	Liabilities for retirement benefits	10,595	8,976	-1,618
Allowance for doubtful accounts	-758	-606	152	Other	8,614	9,394	779
Fixed asset	126,772	131,664	4,891	Liabilities	182,865	190,265	7,399
Tangible fixed assets	102,115	103,577	1,461	Net assets	(Millions of JPY)		
Buildings and structures (Net amount)	22,609	22,149	-459	Shareholders' equity	72,864	74,002	1,137
Machinery, equipment and vehicles (Net amount)	19,849	20,488	638	Capital	15,000	15,000	—
Land	54,350	54,478	127	Capital surplus	31,929	31,932	3
Other (Net amount)	5,307	6,461	1,154	Retained earnings	26,188	27,324	1,136
Intangible fixed assets	4,207	3,745	-461	Treasury stock	-252	-255	-2
Goodwill credit	1,674	1,152	-522	Accumulated other comprehensive income	9,699	15,493	5,793
Other	2,533	2,593	60	Non-controlling interests	3,040	3,172	131
Investments and other assets	20,449	24,341	3,891	Net Assets	85,605	92,667	7,062
Investment securities	11,133	11,848	714	Liabilities and net assets	268,470	282,932	14,461
Other	9,980	13,181	3,200				
Allowance for doubtful accounts	-664	-688	-23				
Assets	268,470	282,932	14,461				

Consolidated Profit and Loss Statement

Item	(Millions of JPY)		
	Previous fiscal year June 1, 2021–May 31, 2022	Current period June 1, 2022–May 31, 2023	Change YoY
Net sales	340,553	370,385	29,832
Cost of sales	271,272	303,115	31,843
Gross profit	69,281	67,269	-2,011
Selling, general and administrative expenses	65,498	64,600	-898
Operating income	3,782	2,669	-1,113
Interest income	35	50	15
Dividend income	191	257	66
Equity in earnings of affiliates	267	362	94
Other	988	1,430	441
Non-operating income	1,483	2,101	617
Interest expenses	599	911	312
Other	467	439	-27
Non-operating expenses	1,066	1,351	284
Ordinary income	4,198	3,419	-779
Profit on sales of fixed assets	261	413	152
Other	233	15	-217
Extraordinary profit	494	429	-65
Loss on disposal of fixed assets	435	386	-48
Other	1,352	357	-994
Extraordinary loss	1,787	744	-1,043
Net income before adjustment for taxes, etc.	2,905	3,104	198
Income taxes	2,260	1,351	-908
Net income	645	1,752	1,106
Net income attributable to non-controlling interests	249	121	-128
Net income attributable to owners of parent	395	1,630	1,235

Consolidated statements of comprehensive income

Item	(Millions of JPY)		
	Previous fiscal year June 1, 2021–May 31, 2022	Current period June 1, 2022–May 31, 2023	Change YoY
Net income	645	1,752	1,106
Total of other comprehensive income	1,676	5,790	4,114
Net unrealized gains (losses) on available-for-sale securities	-227	246	474
Deferred gains or losses on hedges	-601	-393	208
Foreign currency translation adjustments	1,380	1,038	-342
Adjustment for retirement benefits	1,165	4,894	3,729
Share of other comprehensive income of affiliates accounted for by the equity method	-40	4	44
Comprehensive income	2,321	7,542	5,220
Comprehensive income attributable to owners of the parent	2,057	7,401	5,344
Comprehensive income attributable to non-controlling interests	264	140	-123

Consolidated Financial Statement

Consolidated Statements of Cash Flows

Item	(Millions of JPY)		
	Previous fiscal year June 1, 2021–May 31, 2022	Current period June 1, 2022–May 31, 2023	Change YoY
Cash flows from operating activities	2,405	-171	-2,576
Net income before adjustment for taxes, etc.	2,905	3,104	198
Depreciation	8,006	8,210	203
Impairment loss	1,270	340	-930
Increase (decrease) in trade receivables	-8,448	-2,651	5,797
Increase (decrease) in inventories	-7,880	-3,338	4,541
Increase (decrease) in notes and accounts payable	12,301	-4,143	-16,444
Other	-3,324	481	3,805
Subtotal	4,832	2,002	-2,829
Interest and dividends received	316	393	76
Interest expenses paid	-619	-891	-272
Income taxes paid	-2,124	-1,675	449
Cash flows from investing activities	-7,586	-7,269	317
Income from sale of marketable securities	—	1,548	1,548
Purchase of tangible fixed assets	-7,567	-7,612	-45
Income from sale of tangible fixed assets	460	54	-405
Payments for purchases of investment securities	-396	-89	306
Income from sale of investment securities	424	122	-302
Other	-507	-1,292	-784
Cash flows from financing activities	274	10,554	10,279
Net increase (decrease) in short-term loans	-1,140	11,510	12,650
Income from long-term loans	19,416	18,863	-552
Payments for repayment of long-term loans	-16,704	-18,602	-1,898
Dividends paid	-780	-468	312
Payments for acquisition of subsidiaries' stock without change in scope of consolidation	—	-1	-1
Other	-516	-747	-230
Net increase (decrease) in cash and cash equivalents	-5,443	3,528	8,972
Cash and cash equivalents at beginning of year	22,369	16,926	-5,443
Cash and cash equivalents at end of year	16,926	20,455	3,528
Free cash flows	-5,181	-7,440	-2,259

About Us (As of May 31, 2023)

Company name	Sankyo Tateyama, Inc.
Date of establishment	June 20, 1960
Address	Head office: 70 Hayakawa, Takaoka city, Toyama, Japan Tokyo Office: 20F Sumitomo Nakano Sakaue Building 1-38-1 Chuo, Nakano-ku, Tokyo
Representative	Shozo Hirano President
URL	https://www.st-grp.co.jp/
Capital	15.0 billion JPY
Employees	Consolidated :10,373/Non-consolidated:4,968

Consolidated net sales	370,385 million JPY
Operating income	2,669 million JPY
Total Assets	282,932 million JPY
Major business	<ol style="list-style-type: none"> 1. Research, development, manufacture and sale of building fixtures, housing fixtures, exterior fixtures. 2. Casting, extrusion and processing of aluminum and magnesium, and sales thereof. 3. Sales of commercial and general-purpose display fixtures; manufacture and sale of standard signboards and other signage; maintenance of stores and related equipment.

Editorial Policy

The Sankyo Tateyama Group has been publishing Integrated Reports since October 2021 to facilitate deeper communication with shareholders, investors, and various other stakeholders, and to provide a comprehensive understanding of the economic and social value created by the Group through financial and non-financial information. We will continue to publish this Integrated Report in the future and use this report as an important communication tool with our stakeholders to further strengthen our relationship with you via active dialogue, as well as a means to enhance our corporate value in a sustainable manner.

Reporting Period

Fiscal year ending May 31, 2023 (June 1, 2022 to May 31, 2023)
In this Report, the above period is referred to as FYE2023.
Some parts of this report include activities and other information before or after the period in question.

Scope of Report

Sankyo Tateyama Group (Sankyo Tateyama Inc. and its consolidated subsidiaries)

Reference Guidelines

The IIRC International Integrated Reporting Framework was used as a reference in the editing of this Report. For non-financial information, we also refer to the GRI Standards (international guidelines for corporate sustainability reporting) and ISO 26000 (international guidance standard on social responsibility).

Special Note Regarding Forward-Looking Statements

The forecasts and forward-looking statements contained in this document are based on information available to the Company at the time of publication of this document and involve potential risks and uncertainties. Therefore, changes in various factors could cause actual results to differ materially from those discussed in the forward-looking statements.

“Twin Leaf” Logo

Our logo of a new sprout with heart-shaped leaves is a familiar and impression-building shape. We hope that through this logo we can build good communication not only with our customers, clients, shareholders, and investors, but also with people in our local communities and our employees.

The symbol, with its free-hand curved lines, is a gentle expression of the connection between people and people, and between society and our Company. We hold it to be a symbol that connects the hearts and minds of our Company with society, with our customers, and with the environment.

