



President Hiroshi Kubo

YAMABIKO CORPORATION(6250)



Company Information

Market	TSE Prime Market
Industry	Machinery (Manufacturing)
President	Hiroshi Kubo
HQ Address	1-7-2, Suehiro-cho, Ome-shi, Tokyo, Japan
Year-end	End of December
Homepage	https://www.yamabiko-corp.co.jp/english/

Stock Information

Share Price	Shares Outstanding	Total Market Cap	ROE Act.	Trading Unit	
¥1,149	44,108,428 shares	50,680 million	11.7%	100 shares	
DPS Est.	Dividend Yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥52.00	4.5%	¥192.40	6.0x	¥1,890.43	0.6x

*The share price is the closing price on September 16. The values of Share Outstanding, DPS, EPS and BPS were taken from the brief report on financial results for the second quarter of the term ending December 2022. ROE is actual results for the previous term.

Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
December 2018 Act.	118,049	6,290	5,957	4,188	101.39	40.00
December 2019 Act.	120,922	6,203	5,917	4,164	100.46	35.00
December 2020 Act.	131,972	9,643	9,402	6,635	159.90	40.00
December 2021 Act.	142,328	9,330	9,913	7,500	180.58	45.00
December 2022 Est.	148,000	9,700	10,300	8,000	192.40	52.00

*Unit: million yen or yen. Net income is profit attributable to owners of the parent. Hereinafter the same shall apply. The DPS of 40 yen for FY December 2018 includes the 5-yen dividend for commemorating the company's 10th anniversary. The Accounting Standard for Revenue Recognition (Accounting Standards Statement No. 29), etc. have been applied from the beginning of the year ending December 2022.

This report introduces YAMABIKO CORPORATION's earnings results for the second quarter of the Fiscal Year ending December 2022 and other financial details.

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Key Points

- In the second quarter of the term ending December 2022, net sales increased 4.2% year on year to 79.6 billion yen. Sales in Japan decreased 12.3% year on year. In addition to a decline in sales of outdoor power equipment and agricultural machinery due to the recoil from the last year's subsidies-driven demand, the procurement of purchased goods was delayed against the backdrop of the lockdowns of the cities in China. Sales of industrial machinery, whose recovery has been delayed due to COVID-19, were sluggish. Overseas sales increased 12.9% year on year. In the Americas, although sales of outdoor power equipment for homeowners decreased, sales to professional users remained strong, while those of agricultural machinery and industrial machinery increased. Operating income decreased 7.2% year on year to 6.3 billion yen. Gross profit grew 1.4% year on year, while SG&A expenses augmented 5.5% year on year due to rises in logistics expenses and overseas personnel expenses.
- The earnings forecast was revised. Net sales for the term ending December 2022 are expected to increase 4.0% year on year to 148 billion yen. In Japan, net sales are projected to drop with a shortage in procurement of purchased products due to the impact of the lockdown of Chinese cities, as well as the lower sales of agricultural machinery due to a decreased demand following last year's subsidies-driven demand. In the overseas markets, although sales of outdoor power equipment to homeowners are projected to decrease, sales to professionals are expected to remain strong, and sales are expected to increase due also to the impact of exchange rates.
- Operating income is expected to increase 4.0% year on year to 9.7 billion yen. As in 2021, soaring raw material prices and logistics costs are shrinking profits. The company will strive to reflect the increase in costs in sales prices and to secure profits by continuously improving productivity. The weaker yen is also expected to contribute to sales. There are no revisions to the dividend forecast. The interim and year-end dividends are both 26 yen/share, totaling 52 yen/share. The expected payout ratio is 27.0%.
- Although the full-year forecast has been revised downwardly, the progress rate of sales in the first half of the term is almost at the normal level, while the progress rate of operating income in the first half is at a somewhat lower level. However, there are still many uncertain factors, such as the global shortage of parts and the soaring prices of raw materials, as well as the impact on the economy of the Russian invasion of Ukraine. In addition, it is difficult to predict the impact of foreign exchange rates, which are factors contributing to the increase in operating income of 4.4 billion yen. We will pay close attention to whether the company can achieve the forecast targets for the current fiscal year with the penetration of price revisions and other factors, and also to sales trends in battery products, for which they have begun the full-scale rollout.

1. Company Overview

YAMABIKO CORPORATION develops, manufactures and sells outdoor power equipment (e.g., trimmers, chain saws etc.), agricultural machinery (e.g., pest control equipment, sloop mower), industrial machinery (e.g., generators, welders etc.) in Japan and overseas. The overseas sales occupy about 60% of their total sales. In terms of manufacturing and selling outdoor power equipment, the company not only has the top share in Japan but also a large share in the US. Its strength is owning unique production technology, a variety of product line-ups, and an excellent technical support system.

1-1 Corporate History

YAMABIKO CORPORATION started as a joint holding company established in December 2008 through a merger between KIORITZ CORPORATION (listed in the first section of the Tokyo, Osaka and Nagoya Stock Exchanges), which dealt with agricultural machinery in Japan and outdoor power equipment overseas, and Shindaiwa Corporation (listed in the second section of the Tokyo Stock Exchange), which dealt with outdoor power equipment and industrial machinery globally. In October 2009, YAMABIKO CORPORATION established its current business entity by merging both KIORITZ and Shindaiwa.

KIORITZ CORPORATION was established in 1947 in Tokyo and originally called KIORITZ AGRICULTURAL EQUIPMENT CORPORATION. It has been a leading company in both agricultural equipment business through which they developed “Japan’s first speed sprayers” and outdoor power equipment business through which they developed “Japan’s first motorized backpack trimmers” and “the world’s first handheld power blowers”. Furthermore, since its establishment, it has been focusing on self-development of engines for outdoor power equipment. The accumulative number of engines produced in 2008, before the merger, was about 40 million.

Shindaiwa Corporation was established in 1952 in Hiroshima and was originally called Asamoto Precision Manufacturer. It not only developed “Japan’s first electric chain saws” for the outdoor power equipment business, but also manufactured and sold engine generators and engine welders for the industrial machinery business. Its strength was high technological development capabilities, as can be seen in the development of the world’s first mixed fuel 4-cycle engine.

In the late 1990s, with growing concern about global warming caused by greenhouse effect gas, and as engine’s emission gas control became stricter in the Western countries, especially in the US, research and development expenses increased to comply with the new regulations. In the 2000s, the medium and small-sized companies that could not afford these expenses went through rapid industry restructuring on a global scale in the outdoor power equipment industry.

Moreover, the business environment became further uncertain due to a flood of cheaper products from newly emerging countries and diversification of customers’ needs.

Under these circumstances, the two companies concluded a business and capital alliance agreement in May 2007 on the premise of future business integration in order to strengthen the vitality to survive and win the intensifying competition.

In December 2008, YAMABIKO CORPORATION was established as a joint holding company to achieve better efficiency and expansion for all its businesses including development, manufacturing, logistics, sales and management. In October 2009, YAMABIKO CORPORATION conducted an absorption-type merger of KIORITZ and Shindaiwa and became the current business entity.

In April 2022, the company got listed on the Prime Market of TSE, due to market restructuring.

The company name “YAMABIKO” derives from the mountain god, “Yamabiko”. Its corporate philosophy is to “create the bridge that bonds people and nature with the future”. This expresses the company’s willingness to contribute to the conservation and improvement of the nature and environment.

1-2 Corporate Philosophy, etc.

YAMABIKO Group’s corporate philosophy is formed from three elements: “**Essence**”, “**Purpose of Existence**” and “**Code of Conduct**”.

“**Essence**”, which incorporates both “Purpose of Existence” and “Code of Conduct”, expresses in a single word what YAMABIKO Group aims to be as a company, and the essence of its corporate activities.

“**Purpose of Existence**” sets out the role and responsibilities of YAMABIKO Group in society and makes a commitment to this.

“**Code of Conduct**” defines the attitude of each YAMABIKO Group employee in relation to their work.



(From the Company's website)

<Essence>

*Create the bridge that bonds people and nature with the future.

<Significant Beliefs>

- *Offer the best products and service in the world.
- *Support people and companies committed to sustaining nature and the environment.
- *Lead the industry through the creation of new markets and customers, ultimately resulting in growth for tomorrow.
- *Provide a sense of fulfillment for all persons affiliated with YAMABIKO CORPORATION.

<Principles>

- *Observe change and anticipate the future.
- *Combine fact with theory.
- *Break the status quo through innovation and creativity.
- *Think and act with the spirit and vitality of a globally competitive company.
- *Conduct oneself with sincerity and grace.

In addition, the company established 14 detailed measures that augment the Code of Conduct to facilitate the implementation of business activities in accordance with the corporate philosophy.

1-3 Market Environment

Although no detailed statistics about the outdoor power equipment market is available, it is known that the largest market is in North America including the US, followed by Europe. In Japan, about 1 million outdoor power equipment/tools are sold per year. The indicators that may impact the company's trend in the earnings include "number of housing start", "commodity (grain) price", and "crude oil price" for the overseas market and "rice price" for the Japanese market.

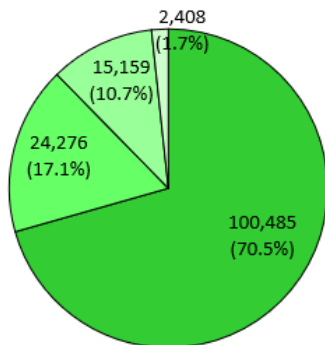
The company recognizes that there are two global manufacturers of outdoor power equipment in Europe (Germany and Sweden).

1-4 Business Description

1. Segment

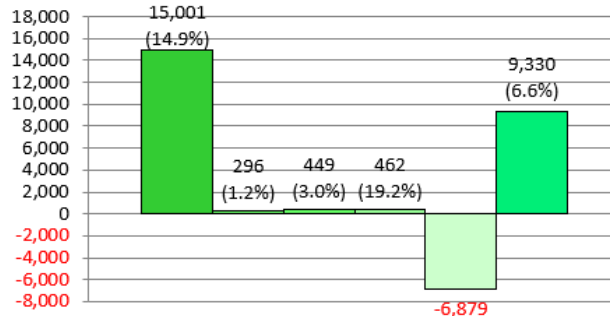
YAMABIKO Group operates businesses in three sectors: Outdoor power equipment, Agricultural machinery and Industrial machinery. These three segments are reported.

Composition of sales
(FY Dec. 2021, Unit: Million yen)



- Outdoor power equipment
- Industrial machinery
- Agricultural machinery
- Others

Composition of operating income
(FY Dec. 2021, Unit: Million yen)



- Outdoor power equipment
- Agricultural machinery
- Industrial machinery
- Others
- Adjustment
- Operating income

* The number in parenthesis represents the segment profit rate against segment sales

(Developed by us based on YAMABIKO CORPORATION's financial report.)

“Outdoor Power Equipment Business”

YAMABIKO CORPORATION manufactures and sells handheld or backpack-style forestry and landscape maintenance machinery powered by small internal combustion engines. The main products include chain saws, trimmers, power blowers, hedge trimmers, etc. In November 2014, the company acquired “Belrobotics SA,” a Belgian venture company, which develops, manufactures, and sells robotic mowers for professional use. (In Jan. 2017, Belrobotics SA was renamed “Yamabiko Europe SA” for the purpose of enhancing sales in Europe.)

Based on the accumulated experiences and know-how and excellent development capabilities that meet the customers’ needs, YAMABIKO CORPORATION continues to produce high performance, highly durable and high-quality engines.

<Chain saws>



<Trimmers>



<Power blowers>



(Gasoline engine system)

The engines for outdoor power equipment such as chain saws and trimmers are mainly 2-stroke gasoline engines. As described later, the company’s excellent capability to develop engines is one of their most important features/strengths.

Brief information concerning the company’s engines is provided below because knowing the gasoline engine system and characteristics of each engine type helps to understand the business of the company,

Basically, a gasoline engine generates power by moving the piston down with the combustion of gasoline through the following 4 steps.

Step	Overview
1. Intake	The air-fuel mixture is sucked in a cylinder.
2. Compression	The air-fuel mixture in the cylinder is compressed as the piston moves up.
3. Expansion	When the air-fuel mixture is compressed the most, a spark will be generated to ignite. Expansion from burning pushes the piston down.
4. Exhaust	The burned gas is discharged outside.

Reciprocating motion of the piston is converted into revolution by a crankshaft. The rotating motion turns the rotating shaft of axel of a car or revolving shaft of chain saws.

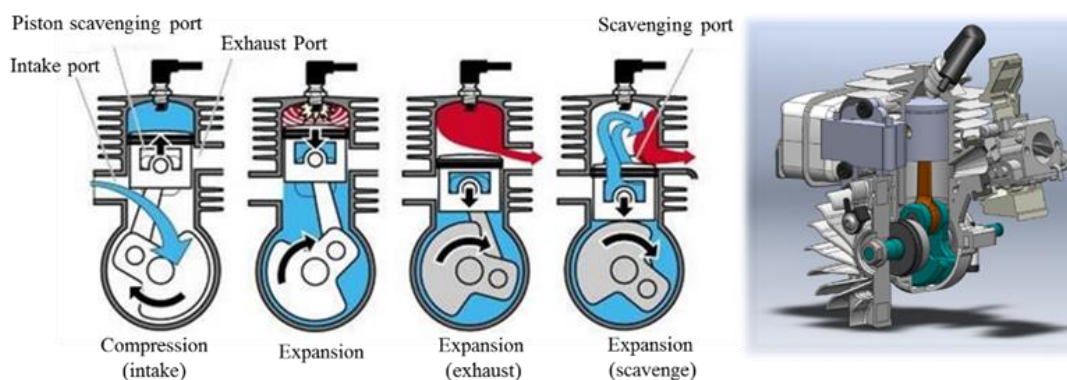
The gasoline engine is largely categorized in two types (2-stroke engine and 4-stroke engine), depending on the number of reciprocating motions by piston to complete “1 cycle” of the 4 steps.

“2-stroke engine”

One power cycle is completed by 2-stroke. In other words, a power is generated by “1 piston reciprocating motion, 1 crankshaft revolution”.

First stroke (piston moving up): “Intake” and “compression” of air-fuel mixture occurs.

Second stroke (piston moving down): Piston moves down due to the “expansion” of air-fuel mixture and “exhaust” occurs later.



“4-stroke engine”

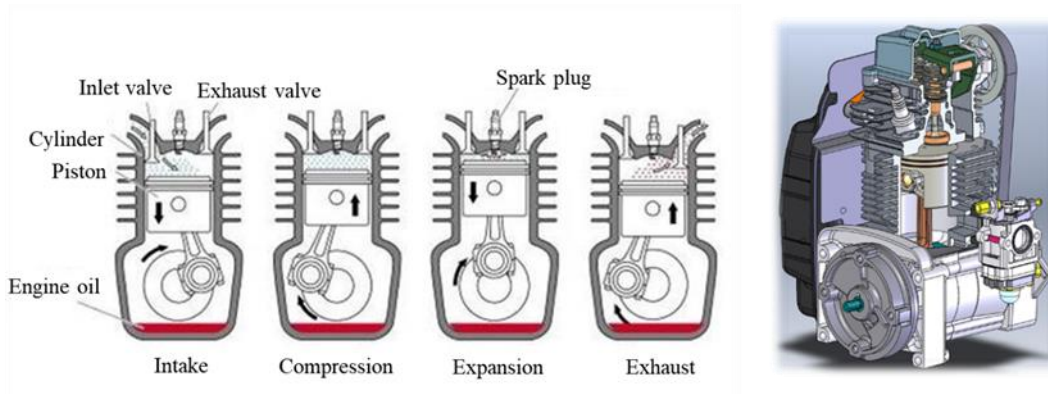
One power cycle is completed by 4-stroke. A power is generated by “2 piston reciprocating motions, 2 crankshaft revolutions”.

First stroke (piston moving down): “Intake” of air-fuel mixture occurs.

Second stroke (piston moving up): “Compression” of air-fuel mixture occurs.

Third stroke (piston moving down): Piston rapidly moves down as a result of “expansion”.

Fourth stroke (piston moving up): Combusted gas is “exhausted”.



The advantage of the 4-stroke engine is the easy control of intake and exhaust. However, its structure is complicated compared to a 2-stroke engine, because the intake/exhaust valves of a 4-stroke engine are installed at the cylinder head, while intake and exhaust of a 2-stroke engine occur at the port that is located on the body of the cylinder. Because of this structure, the weight of a 4-stroke engine is heavier than a 2-stroke engine.

On the other hand, a 2-stroke engine has a larger ratio of burning engine oil and fuel in order to make smooth piston motion and blow-by of air-fuel mixture. This means it releases more harmful substances in the exhaust gas as compared with a 4-stroke engine. However, because of its simple structure and smaller number of parts, the 2-stroke engine can be smaller and lighter. The overhaul is also easier for the same reasons. Therefore, a 2-stroke engine is the most appropriate engine for outdoor power equipment.

“Agricultural Machinery Business”

YAMABIKO CORPORATION manufactures and sells pest control equipment for Japan and agricultural harvesting equipment for North America.

Its major products include pest control equipment (speed sprayers, mounted equipment for cropland pest control, power sprayers), sloop mower, soy and potato harvesters, etc.

YAMABIKO CORPORATION’s technological strengths in this business segment are KIORITZ’s blowing, spraying, and pumping technology as well as technology to create small and light equipment. These technological capabilities have been built up over many years at KIORITZ.

<Mounted equipment for cropland pest control>



<Speed sprayers>



BRIDGE REPORT



<Sloop mowers>



“Industrial Machinery Business”

YAMABIKO CORPORATION manufactures and sells equipment for construction, civil engineering and iron works. Its major products include generators, welders, lighting equipment, cutting machines and high-pressure washers.

Technological strengths in this business segment are established by the R&D knowledge accumulated since YAMABIKO CORPORATION started business as Shindaiwa, and such strengths can be found in alternator designing capability enhanced by their efforts for alternative current motor development, as well as technologies for electronic control and noise prevention.

<Generators>



<Welders>



“Accessories and Parts”

The company manufactures and sells accessories and the parts for after purchasing service for various machines and equipment. The profitability in this segment is the highest among all segments.

<Maintenance kit>



<Nylon trimmer line>



<Fuel/Oil>



2. Brand

YAMABIKO CORPORATION was established based on the integration of two companies. The products of both companies are well recognized both in Japan and overseas for many years. Therefore, YAMABIKO CORPORATION maintains the brand names as KIORITZ, Shindaiwa, and ECHO.

YAMABIKO CORPORATION is proactively investing in marketing activities as well as exploring new sales routes to enhance its brand values.

 Domestic brand that sells outdoor power equipment and agricultural machinery.	 Global brand that sells outdoor power equipment and industrial machinery.	 Global brand that sells outdoor power equipment and agricultural machinery.
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3. Development structure

Each business segment is working on development with a focus on the following priority issues.

Business	Priority issues for development
Outdoor power equipment	*To comply with exhaust gas regulations at the global level *To comply with fuel permeability regulations in North America *To comply with noise and vibration regulations in Europe *To create smaller and lighter equipment with low noise, low fuel consumption and high durability *To enhance safety
Agricultural machinery	*To achieve reduction of drift, proper quantity of spraying, high performance, and easy operation
Industrial machinery	*To create smaller and lighter machinery with low noise, high performance, high function, and low fuel consumption

The exhaust gas regulations are expected to be further tightened in the future. Therefore, addressing them is of paramount importance. In addition, the company is conducting research on control technology in the field of electronic control.

4. Production structure

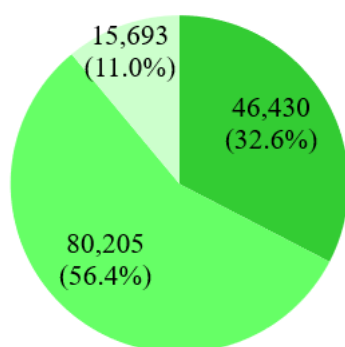
The company has 3 plants (Yokosuka, Morioka, and Hiroshima) and 4 production related subsidiaries in Japan and a total of 10 production related subsidiaries in the USA, Belgium, China and Vietnam.

5. Sales route and sales methods

The company supplies its products in over 90 countries for about 28,000 stores.

More than 60% of the sales are from overseas sales.

Sales by region
(FY Dec. 2021, Unit: Million yen)



■ Japan ■ Americas ■ Other overseas

(Developed by us based on YAMABIKO CORPORATION's financial report.)

<Domestic market>

Seven sales subsidiaries, which were separated mainly by region, were merged into YAMABIKO JAPAN CO., LTD. in April 2017, with the aim of allocating management resources in a more efficient manner, strengthening sales capabilities, and improving customer services through a unified management system and integral operation of business assets.

YAMABIKO JAPAN CO., LTD sells the products to distributors, ZEN-NOH (National Federation of Agricultural Cooperative Associations), home centers, and construction machinery rental companies, etc. Through them, the products are supplied to the end users including farmers/foresters, companies in the construction, civil engineering and iron industries and landscapers.

The company presents their products in exhibitions in collaboration with dealers and distributors and facilitates sales through demonstration and test drive.

Furthermore, the company accompanies dealers to visit end users to understand their needs and utilize the information for product development.

<North American market>

ECHO Incorporated Group, one of the company's subsidiaries, sells the products to The Home Depot (*) and other distributors, through which the products are supplied to the end users such as landscapers, homeowners, farmers/foresters, and companies in the construction/civil engineering industry.

*The Home Depot: The Home Depot, Inc. is the world's largest home center and construction products and services. It was established in 1978. Sales in 2021 were US\$151.2 billion and net income was US\$16.4 billion. It has over 2,296 stores in the US, Canada and Mexico. It is listed on the New York Stock Exchange. (Excerpted from the company's website)

The Home Depot classifies their products into GOOD, BETTER and BEST in accordance with the quality. It is only YAMABIKO CORPORATION that supplies the high-quality BEST products to The Home Depot. This is one of the proofs that the company's products are highly reputed in the North American market.

In the Central and South American market, ECHO Incorporated, one of the company's subsidiaries, sells the products to the distributors of each country, and made their products supplied to the end users through dealers.

Yamabiko Europe SA in Europe and ECHO MACHINERY (SHENZHEN) Co., Ltd. in China, both of which are subsidiaries of Yamabiko, sell products to distributors in their respective countries. Asia and other areas, YAMABIKO CORPORATION sells the products to the distributors in each country.

The overseas dealers display the products by brand, and salesperson conducts person-to-person sales while understanding the needs of the end users.

The home center also displays the products by type and price. The end users purchase the products based on the needs, budget and image they have from advertisement, etc.

1-5 Characteristics and Strengths

① Unique production and technological capabilities and vertically integrated production

The most important characteristics and strengths of the company are the “unique production and technological capabilities and vertically integrated production capabilities”.

Their mainstay 2-stroke engines that are mounted to the outdoor power equipment are manufactured by an integrated production system solely by the company from development, procurement of aluminum, molding, parts production, processing to assembly, which is said to be unique anywhere in the world. The power sources for the products of agricultural machinery and industrial machinery are also engines, but they are mostly procured externally.

The company have solved various issues with their unique technologies including iron plating and electric discharge processing. This results in the quality improvement and production capacity improvement of the company.

Specifically, the company has established the following technologies.

<Example 1: Iron plating>

Plating is a surface covering method in which the surface of a metal is covered by a thin layer of another metal. For engine production, inside of the cylinder should be plated to avoid abrasion caused by dispute with a piston.

The conventional method is to use chrome plating from durability and cost perspectives. However, chrome plating gives negative impact on the environment. Its production efficiency is also low. Therefore, there was an increasing demand for different materials for plating.

The company has been working on “iron plating” since 1978 to reduce environmental load.

Initially, they could produce only hundreds per day. However, as a result of enhanced productivity, enhanced plating precision, and reduction of environmental load, the company now has the iron plating technology that does not require finish processing. Their technology has drastically smaller environmental load. Furthermore, their daily production capacity increased significantly, reaching thousands. The company holds 5 patents related to iron plating.

<Example 2: Electric discharge processing>

As described above, a 2-stroke engine requires a smaller number of parts and has a simpler structure as compared to a 4-stroke engine. Therefore, it is most suitable for the “handheld” and “backpack-style” outdoor power equipment. However, it releases some fuel mixed gas. In order to respond to the increasingly strict exhaust gas regulations globally, the company was faced with a challenge to control the flow of the fuel mixed gas for efficient burning.

In order to achieve it, the company explored the production methods to modify the internal shape of the cylinder (by installing a wall between the fuel mixed gas passage and internal shape of the cylinder).

A “wall” can be created by die-casting (*), but it requires a horizontal hole to lead the fuel mixed gas to a combustion chamber. With die-casting, it was impossible to create a horizontal hole. It was also difficult to carry out machining due to small space in the chamber. The company came up with the idea of using “electric discharge processing (*)” to create a form while taking advantage of die-casting.

Although electric discharge processing enabled to create complicated forms, it was costly due to long processing time and high electrode consumption. The company conducted research on processing conditions for a large volume production and developed designs of special electrode form. As a result, it succeeded in producing a large volume of products, by shortening processing time, saving personnel, lowering the cost of electrode and enhancing efficiency.

Having obtained three patents related to electrode processing, the company has established the unique technology that cannot be imitated by other companies.

(* Die-casting

Die-casting is one of the metal mold casting methods. By injecting melted metal in a metallic mold, a large amount of casting with high precision can be produced within a short period of time. It enables to create a thin product at low cost.

(* Electric discharge processing

Electric discharge processing is a machine processing method to remove a part of the surface of a non-processed workpiece through repeated electrode discharge at short cycles between electrode and the non-processed workpiece. It enables to cut out complicated outline on extremely hard steel.

With “advanced capabilities for creation” such as the above-mentioned technologies, the Company not only complies with exhaust gas regulations but also responds to various needs including weight reduction, enhancing durability and cost reduction. It succeeded in developing and mass-producing “a light weight and highly durable 2-stroke engine that meets the exhaust gas regulations”.

While many companies in the world are forced to leave the industry because they cannot address these issues, YAMABIKO CORPORATION continues to make further development as a leading manufacturer.

② Unique research and development capabilities for each business segment

The company’s capability to address environmental issues is high. The company possesses one of the highest number of US Environmental Protection Agency (EPA)-accredited engines in the world.

Furthermore, not only for outdoor power equipment, the company also has unique research and development capabilities for the agricultural machinery and industrial machinery.

Based on the technological capacities that have been accumulated by KIORITZ and Shindaiwa for many years, the company is further brushing up the capabilities.

③ Extensive product lineup and expansion of sales network and domestic services network

The company has an extensive lineup of products that meet various needs of the customers in each of the three business segments. It also currently supplies the products to about 28,000 stores in more than 90 countries across the world.

As a result of merging KIORITZ and Shindaiwa, YAMABIKO CORPORATION’s product lineup and sales network were further expanded.

With the aim of improving the satisfaction level of diversifying users, the company established “Yamabiko Service Shop” inside Japan in 2013, and is operating service systems for maintenance, repair a failure, etc., which are not offered by competitors, throughout Japan. The number of affiliated shops is 342 as of Mar.2020.

④ Excellent technical support system

The company also provides excellent technical support in order to enhance credibility of the products and strengthen the relationships with distributors and dealers.

In addition to offering about 40 service schools annually both in Japan and abroad, in 2018, the company started to provide a new e-learning course using its originally developed teaching materials targeted at overseas distributors in an attempt to enhance their repair skills and deepen their understanding of the mechanism of the engines.

Furthermore, the European subsidiaries of the company recently organize road show-style education and training sessions for nurturing trainers at distributors, and lecture classes designed for distributors’ salespersons, endeavoring to further fortify its service capabilities.

⑤ High product share

By demonstrating the above-mentioned characteristics and strengths (1-5-1) to (1-5-4) in an integrated manner, the company is becoming highly competitive at a global level. For the outdoor power equipment business, the company has the top market share (more than 30%) in Japan and is ranked high in North America, the largest market.

1-6 Return on Equity (ROE) Analysis

	FY 3/13	FY 3/14	FY 3/15	FY 3/16	FY 3/17	FY 12/17	FY 12/18	FY 12/19	FY 12/20	FY 12/21
ROE(%)	8.7	14.5	12.4	10.4	5.1	9.9	7.9	7.6	11.4	11.7
Net income margin [%]	2.72	4.48	4.67	4.15	2.12	4.79	3.55	3.44	5.03	5.27
Total asset turnover [times]	1.13	1.28	1.18	1.21	1.20	1.05	1.18	1.18	1.23	1.24
Leverage [times]	2.85	2.52	2.26	2.08	2.00	1.98	1.91	1.84	1.81	1.79

*Margin is the return on sales. Turnover is total assets turnover.

Thanks to margin improvement, ROE rose as well as previous year.

2. Second quarter of the Fiscal Year ending December 2022 Earnings Results

2-1 Consolidated Business Results

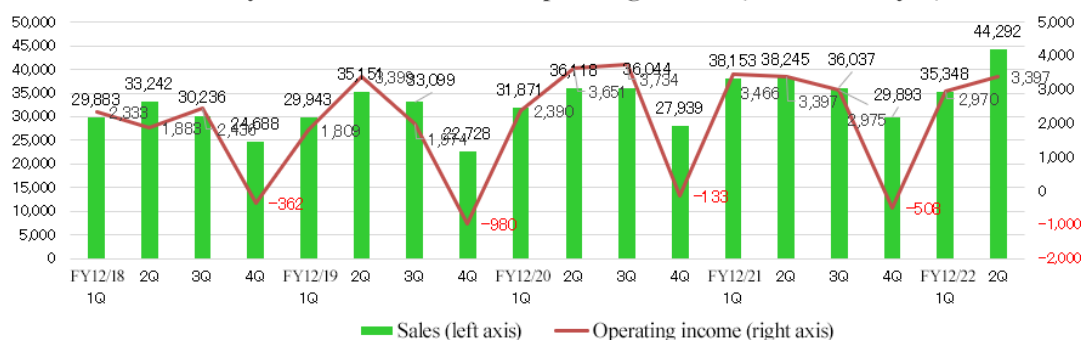
	FY 12/21 2Q	Ratio to sales	FY 12/22 2Q	Ratio to sales	YoY
Sales	76,398	100.0%	79,640	100.0%	+4.2%
Domestic	26,260	34.4%	23,023	28.9%	-12.3%
Overseas	50,137	65.6%	56,616	71.1%	+12.9%
The Americas	42,230	55.3%	46,951	59.0%	+11.2%
Others Overseas	7,907	10.3%	9,664	12.1%	+22.2%
Gross Profit	21,270	27.8%	21,573	27.1%	+1.4%
SG&A	14,407	18.9%	15,205	19.1%	+5.5%
Operating Income	6,863	9.0%	6,367	8.0%	-7.2%
Ordinary Income	7,264	9.5%	7,568	9.5%	+4.2%
Quarterly Net Income	5,393	7.1%	5,850	7.3%	+8.5%

*Unit: million yen. Net income means profit attributable to owners of parent.

Sales increased but net profit decreased.

Net sales increased 4.2% year on year to 79.6 billion yen. Sales in Japan decreased 12.3% year on year. In addition to a decline in sales of outdoor power equipment and agricultural machinery due to the recoil from the last year's subsidies-driven demand, the procurement of purchased goods was delayed against the backdrop of the lockdowns of the cities in China. Sales of industrial machinery, whose recovery has been delayed due to COVID-19, were sluggish. Overseas sales increased 12.9% year on year. In the Americas, although sales of outdoor power equipment for homeowners decreased, sales to professional users remained strong, while those of agricultural machinery and industrial machinery increased. Operating income decreased 7.2% year on year to 6.3 billion yen. Gross profit grew 1.4% year on year, while SG&A expenses augmented 5.5% year on year due to rises in logistics expenses and overseas personnel expenses.

Quarterly transition of sales and operating income (unit: million yen)



2-2 Trends by Segment and Region

	FY 12/21 2Q	Ratio to sales	FY 12/22 2Q	Ratio to sales	YoY
Outdoor Power Equipment	54,358	71.2%	58,350	73.3%	+7.3%
Agricultural Machinery	13,488	17.7%	13,009	16.3%	-3.5%
Industrial Machinery	7,406	9.7%	7,309	9.2%	-1.3%
Others	1,145	1.5%	969	1.2%	-15.3%
Sales	76,398	100.0%	79,640	100.0%	+4.2%
Outdoor Power	9,224	17.0%	9,128	15.6%	-1.0%

BRIDGE REPORT



Equipment					
Agricultural Machinery	254	1.9%	468	3.6%	+84.2%
Industrial Machinery	339	4.6%	555	7.6%	+63.6%
Others	211	18.4%	173	17.9%	-17.9%
Adjusted Amount	-3,166	-	-3,957	-	-
Operating Income	6,863	9.0%	6,367	8.0%	-7.2%

*Unit: million yen. The composition ratio for operating income means the ratio of operating income to sales.

◎Outdoor Power Equipment

	FY 12/22 2Q	YoY
Sales	58,350	+7.3%
Japan	7,757	-5.2%
Overseas	50,593	+9.6%

*Unit: million yen

(Japan)

Sales dropped due to a reactionary decline in sales after the higher demand driven by the government's business continuity subsidies.

(Overseas)

In North America, the company's primary market, the sales of the professional products remained strong although sales of those for homeowners declined. In addition to the significant increase in sales in Europe, sales increased due to the impact of exchange rates and other factors.

◎Agricultural Machinery

	FY 12/22 2Q	YoY
Sales	13,009	-3.5%
Japan	9,117	-16.2%
Overseas	3,892	+49.5%

*Unit: million yen

(Japan)

Sales decreased due to a reactionary decline in sales after the higher demand driven by the government's business continuity subsidies. In addition, sales opportunities were missed due to the delay in the procurement of purchased products against the backdrop of the lockdown of Chinese cities.

(Overseas)

Supported by the market environment in which grain prices are high and stable, sales of soybean harvesters and potato harvesters were favorable, resulting in a significant increase in sales in North America.

◎Industrial Machinery

	FY 12/22 2Q	YoY
Sales	7,309	-1.3%
Japan	5,181	-14.4%
Overseas	2,128	+57.1%

*Unit: million yen

(Japan)

BRIDGE REPORT



Although demand for the construction work products such as welders and lighting equipment is on a recovery trend, sales of generators particularly decreased due to the COVID-19's impact.

(Overseas)

In North America, sales increased due to the recovery in demand for generators in the entertainment market as the COVID-related social restrictions have been eased.

◎Others

	FY 12/22 2Q	YoY
Sales	969	-15.3%

*Unit: million yen

Sales decreased as sales of snowplows declined.

2-3 Financial Standing and Cash Flows

◎Main Balance Sheet

	End of December 2021	End of June 2022	Increase/ Decrease		End of December 2021	End of June 2022	Increase/ Decrease
Current Assets	89,775	119,910	+30,135	Current Liabilities	40,459	66,405	+25,946
Cash	12,167	13,593	+1,426	Payables	26,246	29,427	+3,181
Receivables	27,937	44,299	+16,361	ST Borrowings	3,784	21,926	+18,142
Inventories	46,346	59,685	+13,339	Noncurrent Liabilities	13,236	11,202	-2,034
Noncurrent Assets	32,799	36,362	+3,563	LT Borrowings	11,000	8,800	-2,200
Tangible Assets	24,169	26,470	+2,301	Total Liabilities	53,695	77,608	+23,913
Intangible Assets	587	670	+83	Net Assets	68,879	78,664	+9,785
Investment, Other Assets	8,042	9,221	+1,179	Retained earnings	50,966	54,940	+3,974
Total Assets	122,574	156,273	+33,699	Total Liabilities and Net Assets	122,574	156,273	+33,699

*Unit: million yen. Receivables include electrically recorded account receivable; Payables include electronically recorded accounts payable.

Total assets increased by 33.6 billion yen from the end of the previous fiscal year to 156.2 billion yen, mainly due to an increase in receivables and inventories.

Total liabilities increased by 23.9 billion yen to 77.6 billion yen due to an increase in payable, ST Borrowings etc.

Net assets increased by 9.7 billion yen to 78.6 billion yen due to an increase in retained earnings and foreign currency translation adjustments.

As a result, capital adequacy ratio decreased by 5.9 points from the end of the previous fiscal year to 50.3%.

◎Cash Flow

	FY 12/21 2Q	FY 12/22 2Q	Increase / Decrease
Operating Cash Flow	1,686	-9,333	-11,019
Investing Cash Flow	-1,358	-1,989	-631
Free Cash Flow	328	-11,322	-11,650
Financing Cash Flow	-3,139	12,005	+15,144
Term End Cash and Equivalents	10,598	13,457	+2,859

*Unit: million yen

Operating CF and free CF turned negative.

The cash position has increased.

2-4 Topics

◎ Solar power generation equipment installed in the U.S. subsidiary building

In August 2022, solar power generation equipment was installed on the roof of the building of ECHO Incorporated, a U.S. subsidiary of the company.

In total, 8,600 solar panels were installed and the annual power generation from these panels is expected to be 3.3 million kWh and generate about 40% of the annual power consumed by ECHO Inc.

In Japan, solar panels have already been installed at the business base in Hiroshima, which also has a power generation capacity of approximately 40% of the annual power consumption.

At the business base in Yokosuka, the company is actively promoting the use of renewable energy such as the planned conversion to microgrids in addition to solar power generation, and focuses on reducing the environmental impact of their business activities.

◎ Innovation Center opened

In May 2022, in response to diversifying market needs, the company opened the Innovation Center as a research institute to release the world-leading environmental technologies and innovative, safe and reliable professional equipment in the world.

On top of the daily gatherings of the employees of the development department with different expertise to promote active exchanges of ideas, external lecturers may be invited to give talks. Such conscious efforts are made to build an ecosystem through open innovation and work to develop innovative products that generate trust and excitement.

3. Fiscal Year ending December 2022 Earnings Forecasts

3-1 Earnings Forecasts

	FY 12/21	Ratio to sales	FY 12/22 Est.	Ratio to sales	YoY	Revision ratio	Progress rate
Sales	142,328	100.0%	148,000	100.0%	+4.0%	-1.3%	53.8%
Gross Profit	39,447	27.7%	42,200	28.5%	+7.0%	-4.7%	51.1%
SG&A	30,117	21.2%	32,500	22.0%	+7.9%	-0.3%	46.8%
Operating Income	9,330	6.6%	9,700	6.6%	+4.0%	-17.1%	65.6%
Ordinary Income	9,913	7.0%	10,300	7.0%	+3.9%	-9.6%	73.5%
Net Income	7,500	5.3%	8,000	5.4%	+6.7%	-5.9%	73.1%

*Unit: million yen. The forecast was those released by the company.

*Exchange assumptions

	FY 12/21	FY 12/22 Est.
1 dollar	110 yen	130 yen
1 euro	130 yen	140 yen

*The dollar is based on a rate assumed by YAMABIKO CORPORATION

Revised Forecasts

The company revised its earnings forecast. Sales are expected to increase 4.0% year on year to 148.0 billion yen.

In Japan, sales of agricultural machinery declined due to a reactionary drop in demand from last year's subsidies, as well as shortages in procurement of purchased products due to the impact of the blockade of Chinese cities. Overseas, sales of outdoor power equipment to homeowners are expected to decline, but sales to professionals are expected to remain strong, and foreign exchange rates are expected to have a positive impact.

Operating income is expected to increase 4.0% year on year to 9.7 billion yen.

Soaring raw material prices and distribution costs will put pressure on profits like in 2021. The company continue reflection of the cost increase in the selling prices and improve productivity to increase profit. The company also expects a contribution to sales from a depreciation of the yen.

No revision to the dividend forecast. An interim dividend will be paid from this term. An interim dividend of 26 yen/share and a year-end dividend of 26 yen/share will be paid for a total of 52 yen/share. The expected dividend ratio is 27.0%.

3-2 Basic policies and priority measures in each segment

YAMABIKO Group reaffirms the "Essence: Create the bridge that bonds people and nature with the future" as the significance of the company's existence and aims to remain an indispensable company that creates the infrastructure that supports people's lives through the company's strengths that have not changed over time, including the research and development capabilities, provision of efficient machinery, and an integrated production system.

Based on this philosophy, the company set the following basic policies and priority measures for each segment for the term ending December 2022.

(1) Basic policy

* Expansion of sales and improvement of profitability

* Promotion of measures for carbon neutrality

(2) Priority measures in each segment

① Outdoor power equipment

Market	Market environment	Priority measures
North America	<ul style="list-style-type: none"> • COVID-driven demand has decreased due to higher prices and the easing of social restrictions, resulting in stagnating demand from homeowners. • Disruption of supply chains such as logistics and raw material procurement • California tightening its emission regulations 	<ul style="list-style-type: none"> • To focus on expanding sales of the X series targeted at professionals, which remains in high demand • Full-scale sales of DC products • To prepare for the risk of supply shortages by utilizing the U.S. warehouse purchased in the previous fiscal year, and strengthening logistics functions • Sales promotion through digital marketing
Europe	<ul style="list-style-type: none"> • Demand from housebound customers seems to have subsided, but the high demand from professional users continues. • Sales of DC products to general users and others exceed the sales of engine products, mainly in North Europe 	<ul style="list-style-type: none"> • To focus on expanding sales of the high-value-added X series for professionals • To handle a new DC product lineup from this term to meet the expanding demand for DC products
Japan	<ul style="list-style-type: none"> • Demand from people staying for a longer time at home due to the spread of the novel coronavirus has subsided. • Users are aging, and the number of agricultural and forestry workers is decreasing. • Recoil from the increase in demand driven by the previous year's subsidies 	<ul style="list-style-type: none"> • To expand the sales of mainstay engine models • To strengthen the sales of high value-added products • To strengthen the sales of DC products

② Agricultural machinery

Market	Market environment	Priority measures
Japan	<ul style="list-style-type: none"> • Declining and ageing farming workforce and the need to improve farming efficiency and further security. • the incorporation of agriculture is growing. 	<ul style="list-style-type: none"> • Ensuring safe and secure manufacturing • Urgent need to improve profitability. <p>⇒Reorganizations of development organization and establishment of Agricultural Machinery Reform Office.</p>

BRIDGE REPORT



	<ul style="list-style-type: none"> Recoil from the increase in demand driven by the previous year's subsidies Supply shortages due to the lockdown of Chinese cities 	⇒Review of lineups <ul style="list-style-type: none"> Focus on developing new models Boost sales of products for smart agriculture.
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③Industrial machinery

Market	Market environment	Priority measures
Japan	<ul style="list-style-type: none"> Continued restrictions on sales activities Restricted sales activities continue. Expo-related demand Demand for resuming events associated with people going back to their normal lifestyles Repeated disasters 	<ul style="list-style-type: none"> To work on new product development ⇒ Multi-phase generators ⇒ Hybrid welding equipment <ul style="list-style-type: none"> To promote the sale of remote monitoring systems To expand the sales of products that address disaster prevention, disaster mitigation, and national resilience
Overseas	Recovery in demand for construction work products in North America	<ul style="list-style-type: none"> To focus on expanding the sales of high value-added products such as remote monitoring systems and hybrid welding equipment To promote the sales of remote monitoring systems

(3) Sales target

◎Outdoor power equipment

	FY 12/21	FY 12/22 Est.	FY 12/22 Revised Est.	YoY
Sales	1,004	1,072	1,051	+4.7%
Japan	146	147	144	-1.4%
Overseas	857	925	907	+5.8%

*Unit: hundred million yen. Made by us based on YAMABIKO CORPORATION's financial report.

The company revised its forecast downwardly due to lower sales of the products aimed at homeowners in North America resulting in the sales lower than initially expected.

◎Agricultural machinery

	FY 12/21	FY 12/22 Est.	FY 12/22 Revised Est.	YoY
Sales	242	226	236	-2.5%
Japan	177	159	154	-13.0%
Overseas	63	66	82	+30.2%

*Unit: hundred million yen. Made by us based on YAMABIKO CORPORATION's financial report.

Although the outlook was revised upwardly for North America due to the strong grain market conditions, procurement of some products was delayed due to the impact of the lockdown of Chinese cities resulted in the declined sales in Japan.

◎Industrial machinery

	FY 12/21	FY 12/22 Est.	FY 12/22 Revised Est.	YoY
Sales	151	178	170	+12.6%
Japan	115	140	119	+3.5%
Overseas	36	38	51	+41.7%

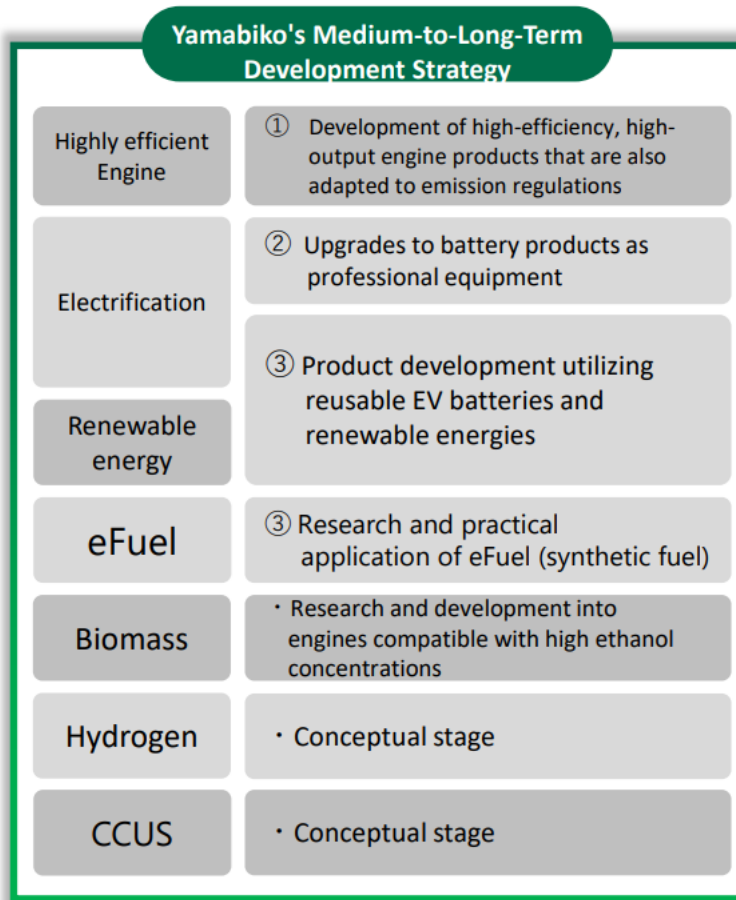
*Unit: hundred million yen. Made by us based on YAMABIKO CORPORATION's financial report.

Although sales in North America increased, the outlook was revised downwardly due to continued restrictions on domestic sales activities due to COVID-19.

4. Carbon neutrality and the company's development strategies

In the medium/long term, even though the demand for engine products might be impacted by emission regulations and technological innovation trends, the demand for products for professional users will remain strong. On the other hand, the commercialization of DC is accelerating, and the size of the market including engines and DC is expected to expand.

The company is establishing and promoting the following development strategies for this market environment.



(Extracts from the company material)

(1) Concrete Efforts

① Innovation in response to emission regulations

The standard values of emission regulations set by the EPA (the United States Environmental Protection Agency) required manufacturers to significantly reduce emissions by 80% in the four years from 2001 to 2005. However, many manufacturers were unable to comply with this, and they are being weeded out.

It is expected that the EPA will continue to lower the standard value.

Even in such a harsh environment, the company continues to comply with regulations by relying on its integrated production system for small engine manufacturing, which is rare in the world, from development to material procurement, casting, metal processing, machining, and assembly, as well as development and technical capabilities. The company is one of the leading companies with a high number of EPA certifications in the world.

② Variety of battery products

In the U.S., which is the company's main market, a battery R&D center was set up at the subsidiary ECHO Inc. At this R&D Center, the company will promote the development and manufacturing of global DC products, establish a global platform, and start full-scale operation from this year.

From 2022, the company will develop new battery products that can be used as common batteries in the North American, European, and Japanese markets.

The company has provided two types, high output and medium output, to meet different work needs.

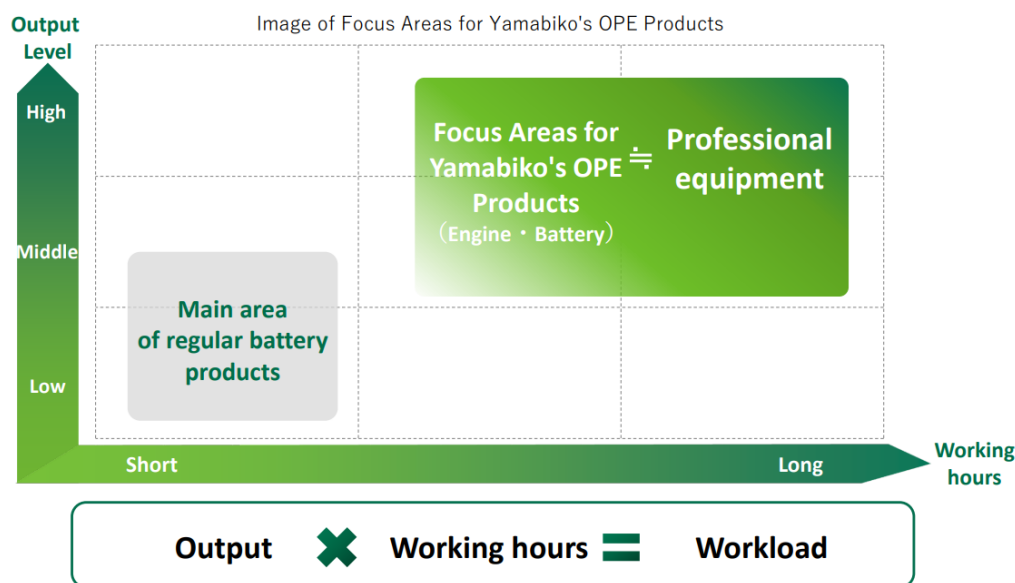
Efficient output is possible by managing the battery's heat, charge, and discharge with the company's unique control technology.

The company will develop two battery product series in each market in the X series, which have high performance and excellent durability and satisfy professional users. In addition to being presented at GIE+EXPO, the nation's largest garden management machinery trade fair held in Kentucky, USA in 2021, it was also introduced at the U.S. Agency Conference held in July 2022, and received high praise from distributors.

Today's main area for batteries is "low and medium power and short working time."

On the other hand, the company's focus is on machines that work efficiently to meet the needs of users and applications with a heavy workload that requires high and medium output and long working hours.

In the field of hand-held and back-mounted work machines, the company plans to promote the development and sales of outdoor power equipment that are carbon neutral, meeting various emission regulations, and to gradually expand its lineup from next fiscal year onward.



(Extracts from the company material)

The company is actively developing technologies to expand its lineup.

In 2020, the number of new patent applications for the electrical products exceeded that for engine products.

③ Alliance initiatives

The company is promoting the following alliances.

Alliance	Overview
Joining the eFuel Alliance (May 2021)	The company joined the eFuel Alliance, which aims to popularize environmentally friendly synthetic fuels, and started research
Concluded a joint research and development agreement with eSep, Inc.	They aim to develop eFuel optimized for OPE engines

<p>Concluded a capital and business alliance with MIRAI-LABO Co., Ltd.</p>	<p>The company will enhance the collaborative system for achieving a low-carbon, recycling-oriented society through efforts such as developing and commercializing the hybrid autonomous energy systems and electrification of outdoor power equipment and mobile battery charging systems.</p>
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*** eFuel**

Synthetic fuel is a fuel produced by synthesizing CO₂ (carbon dioxide) and H₂ (hydrogen). Since CO₂ in the atmosphere is used as a material, the amount of CO₂ in the atmosphere does not increase even if CO₂ is emitted by fuel combustion. Also, the H₂ used in eFuel is procured from renewable energy-derived electricity so that CO₂ is not emitted even during the manufacturing process of H₂.

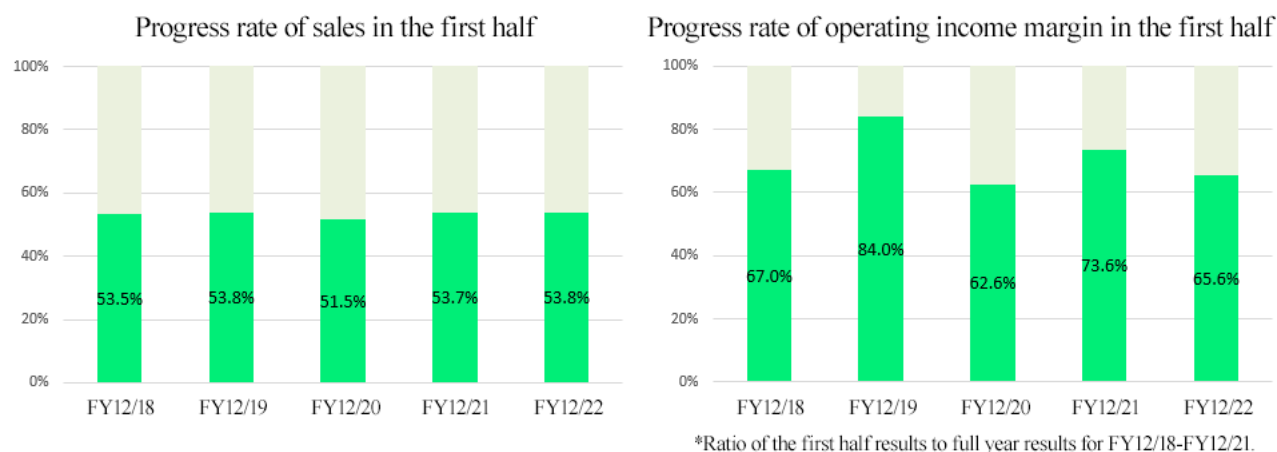
*** eFuel Alliance**

It is an organization that aims to develop and distribute carbon-neutral synthetic fuels that would contribute to the prevention of global warming and use them worldwide. Its headquarter is in Germany. Companies, organizations, and individuals from various industries of petroleum, automobiles and automobile parts, machinery/plant engineering, aviation/marine transport, chemicals, and energy are members.

5. Conclusions

Although the full-year forecast has been revised downwardly, the progress rate of sales in the first half of the term is almost at the normal level, while the progress rate of operating income in the first half is at a somewhat lower level.

However, there are still many uncertain factors, such as the global shortage of parts and the soaring prices of raw materials, as well as the impact on the economy of the Russian invasion of Ukraine. In addition, it is difficult to predict the impact of foreign exchange rates, which are factors contributing to the increase in operating income of 4.4 billion yen. We will pay close attention to whether the company can achieve the forecast targets for the current fiscal year with the penetration of price revisions and other factors, and also to sales trends in battery products, for which they have begun the full-scale rollout.



<Reference 1: Outline and Key Initiatives of the Medium-term Management Plan 2022>

(1) Policies and Key Initiatives Set in the Mid-term Management Plan 2022

① Basic policy

The basic policy set in the previous Mid-term Management Plan will be continued.

We will contribute to the development of society with our strong management foundation and sustainable growth, giving happiness to everyone connected to Yamabiko.

We will enhance our corporate value by creating innovative products and expanding manufacturing, sales, and services globally, while also adapting to the diverse set of values of everyone connected to Yamabiko.

② Goals and strategies in each segment

As to the major market environment, the demand for engine products is expected to remain strong in the professional market for outdoor power equipment where long-lasting products that can tolerate heavy loads are demanded, the company will shift to the professional market further.

As for agricultural machinery and industrial machinery, the Japanese agricultural and construction industries are seeing the shortage of manpower and the aging of workers, so labor-saving and energy-saving products are in demand.

◎Outdoor power equipment business

The priority measures are (1) to develop engine products ahead of the strict environmental regulations, (2) to monetize the robot business, and (3) to augment the lineup of DC products.

Market	Target Sales (FY12/22)
Japan	14.4 billion yen
Overseas	90.7 billion yen

(North America)

The company will enhance marketing strategies targeted at professionals, strive to grow sustainably, expand its presence in the market of engine products, and aim to expand its market share, which has been increasing steadily.

As priority measures, the company will augment the lineup of “X Series,” which is a highly functional product lineup for professionals and continue to enhance digital marketing activities. The company will strive to enhance its brand recognition, by diffusing professionals’ comments on the latest products via social media, optimizing marketing activities for each generation, and posting ads in baseball (MLB) and football (MLS), which attract users.

At the Home Depot, which is the primary sales route, the company will concentrate on the sale of flagship products, expand sales area, and continue effective expansion of product sales for a limited period of time.

In addition, the company will put energy into the cultivation of the U.S. market for robot products.

(Europe)

The company will promote the sales of products –conforming to the needs of the market and enhance its brand recognition level.

As priority measures, the company will promote the sales of “X Series,” which is the lineup for professionals, and augment the lineups of battery products and engine products that comply with regulations on emissions, promote the sales of robot products, cultivate the relative market, and enhance the market recognition through digital marketing activities, etc.

(Japan)

As priority measures, the company will launch top handle chain saws as a new DC product, continue effective campaigns, promote the launch of labor-saving, efficient products (robotic mowers), and enhance the sales via home centers.

◎Agricultural Machinery Business

Market	Target Sales (FY12/22)
Japan	15.4 billion yen
Overseas	8.2 billion yen

Specifically, the company will engage in efforts to reduce production costs and improve profitability by integrating development, production, and sales, expanding sales routes, continuing effective campaigns, and responding to smart agriculture.

◎Industrial Machinery Business

Market	Target Sales (FY12/22)
Japan	11.9 billion yen
Overseas	5.1 billion yen

(Japan)

As there is the initiative of investment in infrastructure for preventing and mitigating natural disasters and promoting national resilience, the company will continue effective sales campaigns and enhance the sale to rental companies, so as to meet the increased demand adequately.

(Overseas)

The company will build a market on a full scale targeting at wide-area rental companies in North America, and build new sales networks in Asia and Africa.

③ Key initiatives

◎Total cost reduction and product quality improvement

The company will keep improving production efficiency for further cost reduction.

The company will aim to establish a new production system for shortening manufacturing lead time and reducing inventory of products and also improve quality control continuously for actualizing “absolute quality.”

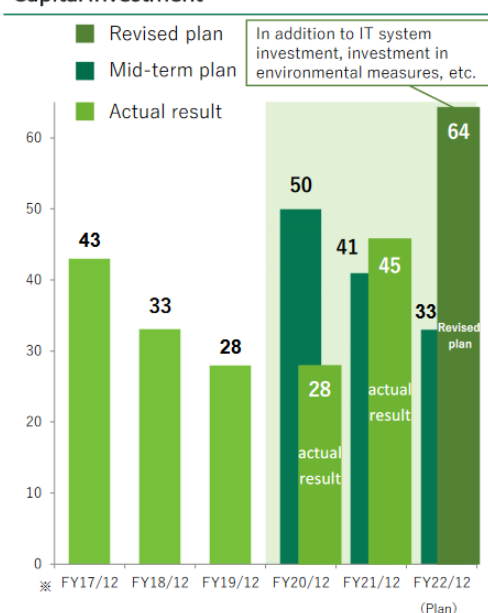
◎Strengthening of service capabilities

The company will strive to enhance its service capabilities, which would lead to the improvement in profitability.

The company will concentrate on the augmentation and expansion of sales of highly profitable service parts and accessories, the augmentation promotion of service materials for each product, the strengthening of training systems, the reduction of total logistics costs, the decrease of inventory, etc.

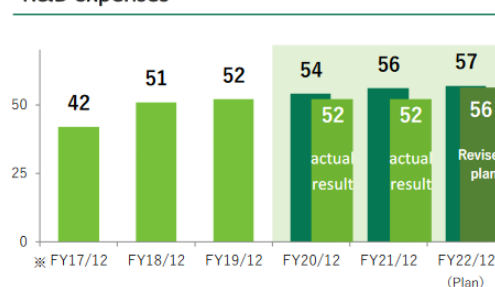
(2) Capital investment, R&D costs, and depreciation

Capital investment

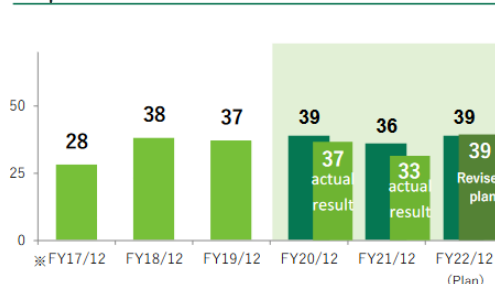


(Hundred millions of yen)

R&D expenses



Depreciation



※Due to a change in the fiscal year, the fiscal year ended in December 2017 was a nine-month fiscal period.

(Extracts from the company material)

In terms of capital investment, a total of 9.1 billion was planned for the first two years. However, the actual result was not achieved at

7.3 billion yen, so the plan of 3.3 billion yen for the final year 2022 was revised to 6.4 billion yen. The three-year plan of 12.4 billion has been revised to 13.7 billion. In addition to investment in IT systems, focus on investment in environmental measures.

(3) Numerical goals

The company aims to achieve “sales of 148 billion yen and an operating income of 9.7 billion yen” in the term ending December 2022.

<Reference 2: Concerning Corporate Governance>

*Composition of the organizational structure, directors, and auditors

Organizational structure	Company with an auditor
Directors	8(including 4 outside director)
Auditors	4 (including 2 outside auditors)

◎Corporate Governance Report

Last update date: July 1st, 2022

<Basic policy>

YAMABIKO CORPORATION (“the company”) actively promotes various measures to enhance the corporate value of the entire Group, including an optimization strategy and supervision function at the Group level, as well as the allocation of resources in order to achieve the Group’s global management strategy and growth.

To realize these objectives, the company implements sound and highly transparent Group management in order to deliver value to all of its stakeholders, including regional companies, shareholders, customers and employees. We do this by building a robust corporate culture based on our Corporate Philosophy and Code of Conduct, while enhancing and strengthening a system of corporate governance focused on Group compliance and risk management.

Our board of directors is composed of 8 directors, including 4 outside ones, and makes important decisions regarding our group’s management policy and strategy, and the guidance and supervision for business administration of group companies. In the board of directors, directors monitor and oversee the work of other directors and report their own performance regularly at their meetings. In order to put resolutions of the board of directors into action accurately and swiftly, the management strategy council deliberates them to a sufficient degree.

Our company adopted the auditor system, organizing the board of auditors with a total of 4 auditors, composed of 2 corporate auditors and 2 outside ones.

Auditors participate in the meetings of the board of directors, the management strategy council, and operating officers, and other important in-house meetings, to audit the business execution of directors, and secure the effectiveness of audit in cooperation with accounting auditor and the internal audit section, in accordance with the regulations for the board of auditors and the standards for auditors’ audit.

<Reasons for Non-Compliance with the Principles of the Corporate Governance Code (Excerpts)>

The information is based on the revised Code of June 2021 (including principles for the Prime Market applicable from 4 April 2022 onwards).

Principle	Reasons for not following the principle
【Supplementary principle 3-1-3. Disclosure in accordance with the TCFD framework.】	Recognizing that addressing climate change is one of our most important management issues, we are moving forward with efforts to realize carbon neutrality. In addition, we have begun formulating a basic policy to achieve carbon neutrality and are working to reduce our environmental burdens by developing products with low environmental burdens, expanding battery-powered products, and strengthening research on synthetic fuels such as eFuel. The Company is in the process of summarizing its domestic GHG emission targets and measures based on the TCFD framework, and will

	continue to enhance the quality and quantity of disclosures for the entire Group.
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<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principles	Disclosure contents
[Principle 1-4 the strategically held shares]	<p>(1) Policy Regarding Strategic Shareholding Our company conducts business in landscaping, agriculture, construction and civil engineering, and a variety of other fields inside and outside Japan. Therefore, it is required for our company to cooperate with a number of firms involved in each of our businesses. We will strategically hold shares when we have judged that doing so will contribute to improving our corporate value in the medium- and long-term. Meanwhile, when we have determined that the significance of strategically holding shares is not sufficient, we will have dialogue with a relevant company, and then sell or reduce all or part of the strategically held shares by comprehensively taking into account various factors, such as the impact on the market.</p> <p>Each year, regarding the strategically held shares of each listed company, our Board of Directors carefully verifies a multitude of matters, including the purposes of strategically holding the shares, such as maintenance and strengthening of partnerships, and economic rationality, and then determines whether or not our company will continue holding the shares and reviews the number of shares to hold strategically.</p> <p>Since the adoption of the Corporate Governance Code in 2015, our company has reduced the number of corporations in which we hold shares from 25 to 15 after verifying them.</p> <p>(2) Criteria for Exercising a Voting Right in Regard to Strategic Shareholding Our company properly exercises our voting rights on the strategically held shares after making comprehensive judgment by taking into consideration not only business performance, but also whether or not strategically holding shares will contribute to properly strengthening the corporate governance framework and improving shareholder value, and the impact on our company. Furthermore, we hold dialogue with a relevant company as necessary regarding the contents of a proposal.</p>
[Supplementary principle 2-4-1 Ensure diversity in the recruitment of core personnel, etc.]	<p><Ensuring Diversity></p> <p>The Company has adopted various human resource promotion measures that allow employees to maximize their abilities regardless of gender, nationality, or employment status, and will continue to promote diverse workers to managerial positions.</p> <p>In terms of the advancement of women, we have positioned this as an important issue and have established an action plan with a deadline of March 2024, based on the Law for the Promotion of Women's Advancement, with the following three goals.</p> <p>Goal① Achieve a female ratio of more than 20% among regular and mid-career hires.</p> <p>Goal② More than double the number of female managers compared to 2018</p> <p>Goal③ Pursue efficient work styles and foster an organizational culture that allows employees to balance work and family life.</p> <p>Regarding the progress of these goals, the Goal① is to achieve a ratio of 22% of female employees hired in 2020. The Goal② is 33% increase in the number of female managers in 2020 compared to 2018. As for goal (3), we</p>

	<p>conducted work-life balance seminars for line managers and formulated and promoted an action plan to help employees balance work and child rearing, which resulted in acquisition of the Kurumin Mark. Regarding foreign employees, we will further promote the recruitment of foreign employees to management positions in order to develop our business in the global market, including the appointment of the presidents of our overseas subsidiaries as our executive officers. In addition, with regard to mid-career hires, we have been actively recruiting people with diverse backgrounds, and mid-career hires have accounted for 33% of our total hires over the past three years. Furthermore, mid-career hires account for 36% of management positions, and we will continue our efforts to secure diverse human resources through mid-career hiring and actively promote them to management positions.</p> <p><Human resource development policy and internal environment policy to ensure diversity></p> <p>The Company is committed to human resource development through the creation of diverse work styles and a system to evaluate their achievements, as well as by providing learning opportunities and fostering an organizational culture that encourages learning. In addition, in order to create a comfortable working environment for employees, we are actively working to improve the environment by introducing a paid leave system on an hourly basis and a system to support employees with childcare, nursing care, etc.</p>
<p>[Supplementary principle 3-1-3 Disclosure of Sustainability Approaches, etc.]</p>	<p>1. Sustainability Initiatives</p> <p>We have continued to develop and provide products to support nature and the environment, and the activities of companies and people involved in them, throughout the world, including agriculture, forestry, and green space management. We believe that our business activities themselves, which are linked to our corporate philosophy of "connecting people, nature, and the future," contribute to solving problems in the natural and social environment. Furthermore, by addressing various customer issues and continuing to pursue the best manufacturing and service in the world, we will develop sustainability-oriented products that respond to social and economic conditions.</p> <p>2. investment in human capital and intellectual property, etc.</p> <p>We consider the human resources of our company are our most important management resource. We will enhance our corporate value by proactively investing in human resource development, such as by strengthening the operation of our education system and conducting an awareness survey of all employees every three years to improve employee engagement.</p> <p>We regard intellectual property as an indispensable management resource for achieving stable growth. As priority areas where significant growth is expected in the future, we will actively promote the acquisition of rights for electric product-related technologies, robot work equipment, IoT technologies, etc. In addition, the Company is working to establish a quantitative value evaluation method for acquired intellectual property, and is efficiently operating and managing intellectual property.</p>
<p>[Principle 5-1 Policies Regarding Constructive Dialogue with Shareholders]</p>	<p>Our company implements the following measures as policies for maintaining a framework and making efforts to promote constructive dialogue with shareholders and investors.</p> <p>(1) In order to promote the understanding of our company and contribute to the sustainable improvement of corporate value by disclosing company</p>

information fairly and in a timely manner, IR personnel (including corporate planning officers) actively engage in dialogue with shareholders and investors.

(2) With the IR & Public Relations Section, Corporate Planning Department, Planning & Accounting Division at the helm, other relevant internal departments that assist in dialogue with investors, such as the general affairs, accounting, and sales departments, conduct their duties while actively collaborating with one another to create constructive dialogue, for example, by producing and reviewing materials to be disclosed and sharing necessary information.

(3) As a means of dialogue other than individual meetings with shareholders and investors, we regularly hold briefings for financial highlights and plant tours for institutional investors and distribute booklets summarizing our company's topics and business performance to shareholders. Furthermore, we use feedback and requests from shareholders and investors to improve the content of our website. We plan to improve our news releases page in the future.

(4) For information sharing, we give the thoughts of shareholders understood in dialogue to directors and relevant departments as feedback via the distribution of reviews and reports in a meeting body.

(5) Our company has set up the Insider Trading Management Regulation to prevent insider trading and thoroughly manage information on insider trading such as promoting the understanding and awareness within our company by posting articles on insider trading at new employee training program and in our company's internal bulletin.

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