

Message from the President



President
Atsushi Nagai

Connecting the spirit of manufacturing and technology to the future

Cherishing the spirit of manufacturing and pursuing world-class technology, we will hold firm in our roots as we face the changes in society and the environment. We will continue to create new added value in order to support society.

Q: Please tell us about the environment surrounding Sinto in recent years.

The global economy was greatly affected by the COVID-19 pandemic. In particular, the disarray of international distribution dealt a large blow to manufacturing around the globe. With stagnation in marine transport due to weakened ports and harbors, the supply chain was torn apart, leading to shipping delays and supply shortages of important parts. With the global shortage of semiconductors on top of this, many industries, including the automotive industry, continued to face many restrictions in manufacturing.

At Sinto, we also faced difficulties in procuring materials such as control devices, and our production activities were largely affected. Additionally, with emergency response such as switching from marine to air transport, we saw a large increase in distribution costs. We were also forced to cope with the sudden rise in material prices of steel, scrap, etc., as well as energy costs. These conditions are gradually returning to normal, but it has been a long period of difficult conditions in direct contradiction to the concepts of “cost reduction” and “on-time delivery” that have been a major

focus for manufacturing plants.

On the other hand, due to COVID-19, the way we do business at Sinto has also greatly changed. Originally, we had planned to take some time to digitalize our work, but this schedule has been pushed forward, and we immediately implemented remote work and online meetings. Also, with limits to the movement of people between countries, it became difficult for us to send our engineering supervisors from Japan to our overseas group companies, so we shifted to remote training using digital technologies. As a result, we saw improvement in the skills and abilities of the local staff at each international group company to support customers around the world.

Q: How would you describe the progress of Sinto's business activities over the past year?

Up until now, Sinto's products have mainly been used in manufacturing industries such as automotive, aerospace, steel, and shipbuilding, but in recent years, we have been expanding our reach into new fields. In particular, during the past year, we have seen steady growth in primary

industries. Led by emerging nations such as India and Turkey, there has been active investment in agricultural fields, with increased demand for equipment using our foundry technologies. Also, with rising environmental consciousness, we have seen an increase in projects in fields related to next-generation energy.

On manufacturing sites, there is a constant risk of fires and explosions due to dust, which can lead not only to losses for manufacturing activities, but also to major harm done to employees, neighboring communities, and the environment. For this reason, we have developed a fire countermeasure system to decrease the risk of fires to as close to zero as possible. We will continue our never-ending efforts to create safe communities and workplaces in which people can work and live with peace of mind, as part of our efforts for SDGs.

In response to the declining birthrate and aging population that is causing the workforce to shrink, we are developing products for automation to respond to the social issue of increasing workloads. One such product is our 6-axis force sensor, which has received wide acclaim for enabling robots to replicate skilled human work by giving them a human

sense of force. This force sensor has already been approved as a standard or optional part for major robot manufacturers in Japan, and our advertisement “A Robot that Can Do More (6-axis force sensor)” received the grand prize for the 2023 Nikkei BP Marketing Awards.

Finally, to ensure that customers can continue to use our products with peace of mind after installation, we have made great efforts in expanding our after-sales services. With the goal of preventing the sudden stoppage of our equipment around the world, we not only have a global support network with highly skilled maintenance staff ready to perform inspections, surveys, and repairs, we have also built a timely support structure using digital tools, providing systems that can collect various types of data and monitor the status of equipment in a timely manner. This allows us to know the right timing for exchanging parts and to recognize early warning signs of abnormalities, making it possible to prevent sudden machine stoppage and to perform maintenance work with reduced staff.

We are working to expand our business range to respond to changes in the needs of the market.



Q: What are the fields Sinto hopes to strengthen as the company aims for further growth?

After manufacturing the first sand molding machine in Japan for iron molding of automotive engine parts, we have continued to deliver products and services related to foundry equipment under our business philosophy of “giving form and life to process materials”. To achieve even further growth, it is essential to respond to the major shifts in market needs resulting from changes in our society such as the decreasing birthrate and aging population, lifestyle changes, the development of information technology, the transformation of the industry structure, and more. For this reason, we are continuing to expand the range of our business. In particular, we will make advances in the areas of secondary processing of materials, digitalization of forming, and adding function through surface processing.

For the secondary processing of materials, with a focus on ceramics, we are proceeding with the development of materials that provide added value. We have deepened our partnerships with ceramics manufacturers, improving and refining our technologies. We are also working on powder manufacturing at the micron level in order to offer the fine powders that the market demands.

For the digitalization of forming, we are proactively utilizing 3D manufacturing technology. Up until now, we have used 3D printers for molding and printing high-precision parts in various fields. Moving forward, we are strengthening our efforts to expand our business range even more.

For adding function through surface processing, we transform the properties and form of material surfaces in order to create new functionality. Based on partnerships with automobile manufacturers, we are already working on developing technology that joins iron and resin using water. By removing

adhesion and assembly, we are able to simplify the manufacturing process and contribute to cost reduction. We are moving forward with our efforts for joining dissimilar materials to achieve high-functioning surface properties. Also, as with forging in the past that made swords stronger and longer-lasting by striking heated metal, increasing strength of materials continues to be indispensable in surface processing today. For this purpose, we use various shot peening technologies to harden surfaces, modifying surface properties to improve fatigue strength and durability.

For foundry, which is one of our main businesses, we are proactively responding to the three shifts that the industry is facing today: the shift to lighter materials, the shift from developed nations to emerging nations, and the shift to new needs such as carbon neutrality and other environmental concerns. We are doubling our efforts to provide lighter and more functional materials, expanding our products globally, and further diversifying our products and services.

With our stable profit structure, we have also built a stable financial base. From the perspective of sound management, we have been evaluated highly from within and outside of the company for our strong financial base. However, to further expand our business range in order to improve our corporate value and achieve continuous growth, one of our major challenges is to proactively use our retained assets to invest in growth.

From that perspective, we have made active venture investments, fusing our elemental technologies with new technologies in order to create new products. As a result, we have been able to produce new sprouts of business in many fields such as automation and robotics, medicine and nursing care, the food industry, and many more. The scale of new startup ideas and technologies still small and we have not yet achieved strong profitability, but we are hoping to develop new

business as a way to contribute to resolving social issues in each of these new fields. At the same time, to improve our corporate value, we are aggressively working on M&A and technical partnerships. From the perspective of cash allocation, amid this focus on investments for growth, we strive to provide stable and continuous returns to our shareholders. We will pay dividends based on DOE (dividend on equity) to reduce the effect of short-term changes in business results, and for our company's stock purchases, we will take appropriate actions with considerations made for our cash position and for stock market trends.

In terms of our efforts for globalization, initiatives by our overseas group companies play a very important role. The Sinto Group has about 4,000 employees worldwide, with 1,800 being overseas employees. We have formed a global network with locations in each region around the world, and we also have a high ratio of local management, with 21 out of 27 major locations led by local individuals, sharing our vision with these local partners.

We originally began building our global network based on our foundry business, but in the future, further evolution of our overseas locations will be necessary. We regularly share our vision and direction with the overseas group companies, and with a deep understanding of the characteristics and needs of each market, we ask each group company to build business based on the needs of their region. In this way, we develop our global business with each group company at the core, and for successful projects that can be applied in other regions, we utilize our global network to expand business across regions.

Q. Please tell us about Sinto's vision for society and the ideal company that Sinto aims to be.

Through our business and activities for contributions to society, we aim to realize an environmentally friendly circulating society; a safe, healthy, and affluent society through manufacturing; and a society in which people experience a sense of achievement, growth, and happiness. To achieve this, we believe that it is important to promote these initiatives not just as a single company, but rather, in cooperation with our business partners across the entire supply chain. For this reason, we established the “Sinto Business Partner Guidelines for our future comrades”, which includes information about our environmental direction along with guidelines that we ask our business partners to follow, such as rules against the use of controlled substances, conflict minerals, considerations for human rights, efforts to ensure safety and health, etc. Using these guidelines as a base, we are coming together with all related parties to promote our measures to protect the environment.

Additionally, with the purpose of having each Sinto member contribute to the local community and raise their own health consciousness, we held an event to celebrate the 88th anniversary of the company's establishment. For this event,

Sinto members engaged in “plogging”, an eco-activity of picking up trash while jogging, and all of the domestic and international group companies participated. Also, to encourage each employee to take independent actions to resolve social issues, we created an 18th SDG as Sinto, environmental awareness as the basis for “actions for ourselves”, and asked each Sinto member to set their own action to take to contribute to society.

Cherishing the heart of manufacturing as we strive to contribute to society, we have developed our business in pursuit of world-class technology. We aim to be a company that always receives a “thank you” from our customers. To achieve this, it is essential for each employee to acquire world-class skills and technology, and to continue to evolve as the embodiment of HEART. Our human resource management is based on our idea of ability-oriented development, in which our employees engaged in business activities can find meaning in their work. We believe that if the employees' personal goals are aligned with the company's goals, they will be eager to make efforts to enhance their own abilities. For this reason, we enact personnel evaluation that rewards employees who strive to improve their own skills, and we also work to ensure an environment in which they are able to use those skills to the fullest.

Simultaneously, in order to always be chosen by customers, we offer comprehensive after-sales service that includes yearly visits to customers to identify any machine issues they may be having, as well as ensure optimal proposals to resolve those issues in the best way. These are part of our efforts to maintain and improve customer satisfaction.

As an indicator of these efforts, we set numerical targets for the number of new customers each year. No matter how the economy fluctuates, we want to continue to increase our number of customers, the number of people who turn to us if they need anything. By taking care of each and every customer and deepening our bonds with everyone around us, we aim to be a company that is always chosen by customers, no matter what era.



We will continue to aim to be a company that allows our employees to use their skills to the fullest, and a company that is always chosen by customers.

Value Creation Process

Based on our desire to cherish the spirit of manufacturing and make the world a better place, we have continued to pursue world-class technology. Our goal is to always be by our customers' side, providing new value to their manufacturing. We aim to be a company that creates deep bonds with all stakeholders and is always chosen by our customers, no matter what era.

» Social Issues

Environment

- Global warming, climate change
- Resource depletion
- Unknown infectious diseases

Technology/Industry

- IoT adoption, AI application, advance of digital transformation
- EV, self-driving vehicles

Society

- Declining birthrate and aging society
- Pursuit of health, safety, well-being, and comfort
- Changing values and lifestyles

» Materiality

Environment

Achieving a circulating, sustainable society

Human Resources

Employees' growth and motivation in work and life

Technology, Development, and Manufacturing

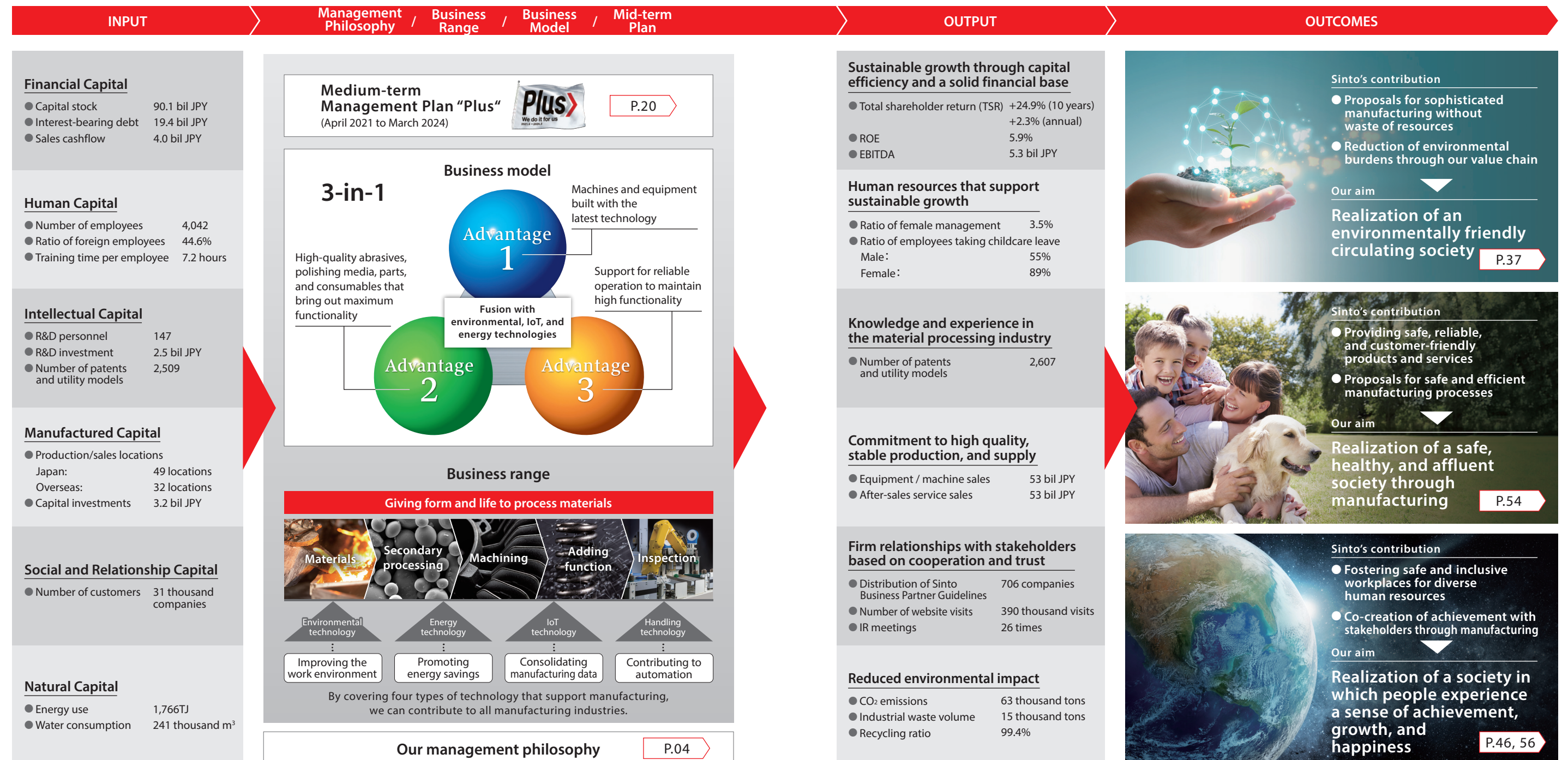
Technologies and manufacturing for sustainable growth

Stakeholders

Building bonds with stakeholders and society

Corporate Foundation





Healthy and sustainable management



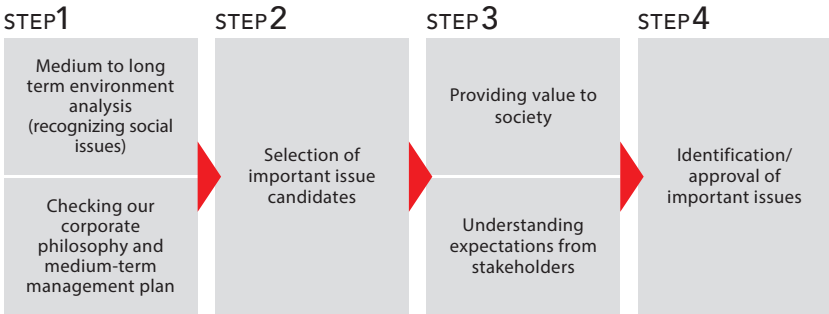
Materiality

When identifying important issues (materiality), we selected potential items by considering a variety of factors, such as future social issues due to environmental changes, the Sinto Group's corporate philosophy, the strengths we have developed, our initiatives in our medium-term management plan, and the society we would like to achieve. Then, internal discussions were held about the value we can provide to society as the Sinto Group and what our stakeholders expect. Finally, we narrowed the field to five major items and then gathered opinions from external directors before a final decision was reached by the Board of Directors.

We will work to advance initiatives towards solving societal issues in accordance with these materialities, in order to contribute to the development

Materiality and Related SDGs	Mid-term Action Items	Initiatives for FY2022 (Goals)
Environment 	<ul style="list-style-type: none">● Reducing greenhouse gases● Advancing resource recycling● Measures for reducing hazardous substances● Building green awareness	Stronger environmental measures through One Global Sinto initiatives
		An all-hands approach to environmental conservation activities
		Promoting 3Rs (reduce, reuse, recycle)
		Participation in TCFD declarations, climate change scenario and impact analysis, setting of indicators
Human Resources 	<ul style="list-style-type: none">● Promoting One Global Sinto● Promoting diversity and the idea of the workplace as extended family● Initiatives for promoting health● Fostering a pleasant work environment	Stronger management training for raising up next-generation leadership candidates
		Expanding opportunities for women (training women for management)
		Establishing a health management declaration, developing "actions for ourselves", and setting a Health Month
		Enriched internal communication and business efficiency through digital initiatives
Technology, Development, and Manufacturing 	<ul style="list-style-type: none">● New business development through combining technology● Stronger strategy for intellectual property● Safe and reliable production	Pursuit of elemental technologies and acceleration of initiatives for rapid commercialization
		Expanding IoT solutions business
		Improved verification of safety functions by certified safety assessors
Stakeholders 	<ul style="list-style-type: none">● Developing customer relationships● Developing business partner relationships● Communication with shareholders/investors● Contributing to local communities	Promotion of activities to always be chosen by customers, strengthening and expanding our support network
		Development of policies to reduce environmental burdens throughout our supply chain based on revised business partner guidelines
		Information sessions and improved information disclosure for institutional/private investors
Corporate Foundation 	<ul style="list-style-type: none">● Corporate governance● Compliance● Risk management	Strengthening our performance-based compensation system
		Promotion of a shareholding policy
		Risk map visualization and continuous reinforcement of awareness
		Enhancement of concrete actions for the business continuity plan (BCP)
		Improvement/expansion of information security measures

of our local and global communities. Decisions about identified materialities are not permanent but should be updated as needed based on the direction of environmental change and business activities. We plan to review these regularly.



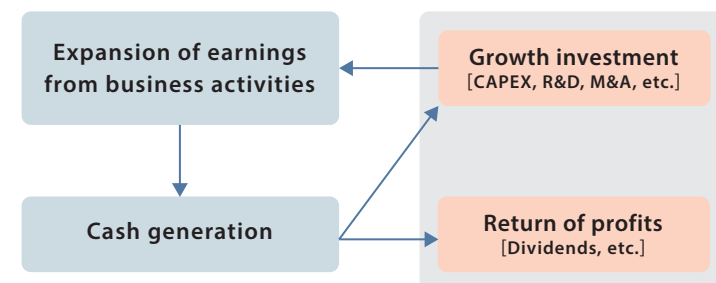
○ Achieved △ In progress × Not achieved

Initiatives for FY2022 (Results)	Self-evaluation	Initiatives for FY2023 (Goals)	Related pages
<ul style="list-style-type: none">● Review of CO₂ reduction targets (upward revision)● Review of environmentally friendly products (199 products registered)	○	<ul style="list-style-type: none">● Continue our One Global Sinto environmental initiatives● Continue all-hands environmental conservation activities● Continue promotion of 3Rs● Analyze effects of climate change scenarios and promote activities to achieve targets● Set targets and enact reduction measures for Scope 3	P.37-45
<ul style="list-style-type: none">● One Global Sinto Plogging (event for 88th anniversary of Sintokogio)	○		
<ul style="list-style-type: none">● Reduction of wood waste (review of pallet operation rules in the factories, increasing utilization of cardboard packing)	△		
<ul style="list-style-type: none">● Quantitative evaluation of business impact based on scenario analysis, clarification of measures to be taken	○		
<ul style="list-style-type: none">● Plus One Training and Sinto Management Training● Certification of qualifications for Sinto's career system	△	<ul style="list-style-type: none">● Review our personnel development structure, strengthen management● Enact new initiatives for the employment of disabled individuals● Improve ratio of female management and strengthen training opportunities Ratio of female management: 5%+ by April 2024● Improve ratio of male childcare leave● Promotion of health management Ratio of persons at appropriate weight: 65.0% Ratio of sufficient sleep: 60.0% Ratio of regular exercise: 25.0%	P.46-53
<ul style="list-style-type: none">● Establishment of project team to promote women's empowerment● Participation in external organizations (J-Win)	△		
<ul style="list-style-type: none">● Study sessions on support for employee health promotion● Reinforcement of measures to quit smoking	○		
<ul style="list-style-type: none">● Establishment of RPA Promotion Working Group	△		
<ul style="list-style-type: none">● Exclusive distribution agreement with Exentis for 3D printer related products in Japan● Establishment of cooperative business with SOLIZE in metal additive manufacturing	○	<ul style="list-style-type: none">● Promote domestic sales of 3D printers (Exentis)● Expand contract surface processing, develop and promote after-processing for metal 3D products (cooperative business with SOLIZE)● Promote and improve product appeal of ePVS and C-BOX (IoT solutions business)● Continue strengthening safety through Safety Assessor certification	P.54-55
<ul style="list-style-type: none">● Development of sensing solutions business (visualization of and improvement on equipment problems, actual energy consumption, etc.)	△		
<ul style="list-style-type: none">● Promotion of Safety Assessor certification based on international safety standards● Training sessions for performance level	○		
<ul style="list-style-type: none">● Opening of Online Solution Site● Continued improvement of employees' skills through the Safety and Skill Training Center and Product Demonstration Center	○		
<ul style="list-style-type: none">● Distribution of Sinto Business Partner Guidelines	○	<ul style="list-style-type: none">● Continue to improve skills of sales staff● Strengthen support of customer maintenance using IoT● Renovate Support Center● Track and reduce environmental impact of supply chain● Increase engagement with institutional investors● Hold facility tours for private investors	P.56-58
<ul style="list-style-type: none">● Facility tours for institutional investors● Participation in IR fairs for private investors● Website renewal	○		
<ul style="list-style-type: none">● Introduction of a restricted stock unit plan for internal directors	○		
<ul style="list-style-type: none">● Sale of shares held by Sinto	○		
<ul style="list-style-type: none">● Risk map update (addition of TCFD compliance)● PC virus awareness activities	○	<ul style="list-style-type: none">● Expand use of restricted stock compensation system● Strengthen cashflow management● Take concrete BCP measures● Take measures for climate change risks● Promote risk reduction through evaluation of management of risk items● Continue to promote and strengthen information security measures	P.59-71
<ul style="list-style-type: none">● Preparation for TCFD compliance risks	○		
<ul style="list-style-type: none">● Regular security training● Tightened restrictions on the use of USB memory devices (generally prohibited)	○		

Financial Strategy

Basic policy of the financial strategy

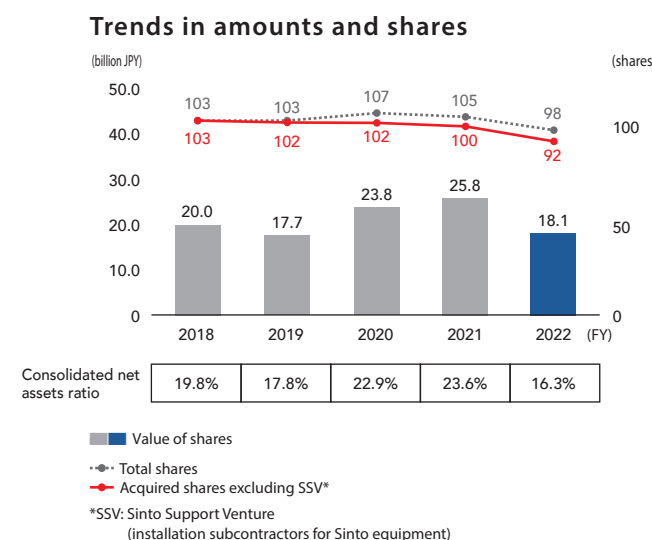
To contribute to solving social issues and increase corporate value, our financial strategy policy is to continue to provide shareholders with stable profit returns, along with prioritizing strategic investments for R&D, capital investment, and M&A to achieve sustainable growth. We will make strategic use of the cashflow generated from our business activities, prioritizing growth investments in key areas such as our surface treatment business, as well as returns to shareholders.



Securing assets for growth investment

For shares held by Sinto, taking a medium-term perspective to enhance corporate value based on a comprehensive consideration of business strategy, business relationships with suppliers, and other factors, we promote collaboration with business development cooperation partners and start-ups for the creation of new businesses. In order to achieve sustainable growth in the long term, we retain financial resources so that we can always invest in growth opportunities even in times of inflation, and in the short term, by obtaining earnings through dividends, we secure a free cashflow that can be used in case of emergencies.

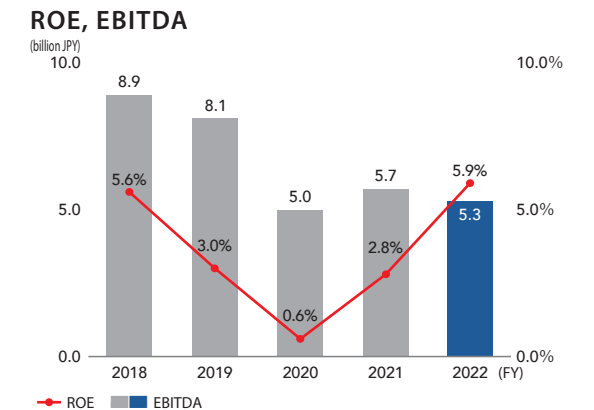
Once per year at the Board of Directors meeting, we confirm consistency with the holding objective, and we also confirm the appropriateness of holdings by comparing benefits (such as operating income, dividends, and capital gains) and risks, based on the capital cost and the value of the shareholding policy as a whole. In February 2023, as the first step for expanding our business value through M&A, we had a strategic sale of some of our stocks. We will use these funds to continue our investment in business growth.



Sustainable growth through efficient use of capital

We will actively invest in growth, including capital investment, R&D investment, and M&A, to resolve social issues and maximize corporate value. We will generate profits by investing in growth, securing cash sustainably for the next cycle of value creation and reinvestment.

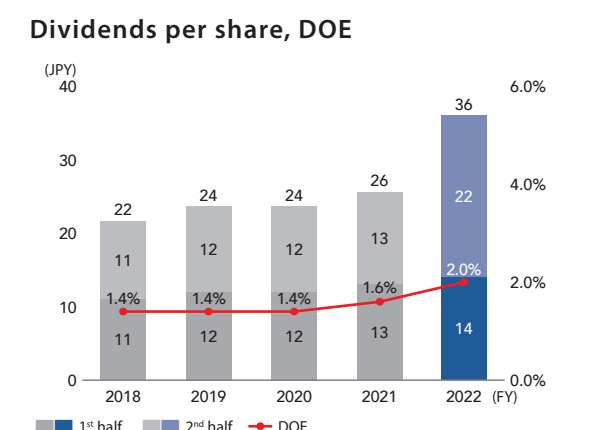
EBITDA is used as an indicator of cash generation capability, and along with a goal of securing 10 billion JPY, we will first strive to ensure ROE of 5% or more.



Stable return of profits for shareholders

Our basic policy on shareholder returns has traditionally been to link shareholder returns to performance based on stable dividends and to build up dividends in line with increases in consolidated net profit. We will always aim to pay dividends with a DOE of 1.5% or higher to return profits to shareholders.

Considering our business performance in FY2022, we set a payout ratio of 30% for dividends of 36 JPY per share. We plan on dividends of 40 JPY per share for FY2023. We will continue to move forward in line with our basic policy, balancing investment in sustainable growth with stable profit returns to shareholders.



Stability of the financial platform

In order to withstand the effects of economic fluctuations and achieve sustainable business growth, it is necessary to secure financing through a stable financial base.

Equity ratio and liquidity on hand (used as indicators of financial stability) indicate a high degree of stability, and we aim to maintain an equity ratio of 50% or more. With this strong financial base, we will actively invest in growth while providing continuous and stable returns to shareholders.

