



Integrated Report
2023

Corporate Philosophy

With a sense of mission of

Inheriting and passing on social infrastructure to the next generation in good condition,

we will contribute to the realization of a safe and affluent society by utilizing our advanced technological development capability as a leading company in the structure maintenance business.

A Construction Company that doesn't Construct

We create the future of social infrastructures





Integrated Report

2022.7.1-2023.6.30

Note regarding English translation

The content of this report is composed in Japanese. The Company provides the English version for your reference and convenience only without any warranty as to its accuracy. In case of any discrepancy between the English version and the Japanese original, the latter shall prevail.

Editorial policy

We decided to begin issuing this report from the fiscal year that ended in June 2022 to explain to stakeholders the value our business operations create and our commitment to sustained growth. This publication is based on the International <IR> Framework of the IFRS Foundation and the Guidance for Collaborative Value Creation of the Ministry of Economy, Trade and Industry. For more information about SHO-BOND, including news releases and other recent announcements, please visit our website.

Period covered by this publication

FY2023 (July 1, 2022 to June 30, 2023)

This report uses the latest information that was available at the date of publication.

Organizations covered by this publication

SHO-BOND Holdings and its consolidated subsidiaries and affiliates

Date of issue

December 2023

Note regarding forward-looking statements

Plans, forecasts, strategies, and other forward-looking statements in this report are based on information that is currently available and on judgments believed to be reasonable by certain assumptions. Actual results of operations may differ from these forward-looking statements due to numerous risk factors and uncertainties.

Contents

- 01 Corporate Philosophy
- 03 Contents

About Us

- 04 At a glance
- 05 Broad Range of Structures We Work On
- 07 The Beliefs of the Founder
- 09 History of SHO-BOND
- 11 Comprehensive Maintenance System
- 13 Business Environment
- 15 Materiality
- 17 The Value Creation Process

Management Strategies

- 19 Top Message
- 25 Medium-term Business Plan
- 27 CFO Message
- 29 Financial and Non-financial Highlights

Business Strategies

- 31 Marketing and Sales Division
- 33 East Japan In-house Company
- 34 West Japan In-house Company
- 35 Engineering Division
- 37 Construction Division
- 39 Technical Research Institute
- 40 Tsukuba Training Center
- 41 Maintenance Technology Inc./Kyna-Tech
- 42 SHO-BOND MATERIAL CO., LTD.
- 43 Overseas Businesses

Business Foundation

- 45 Sustainability of SHO-BOND
- 47 Efforts for Environment
- 49 Efforts to Develop Talent and Improve the Workplace Environment
- 51 Feature: SHO-BOND Training Programs
- 53 Efforts for Health and Safety
- 57 Corporate Governance
- 61 Risk Management
- 62 Compliance

Company Information

- 63 11-Year Data
- 65 Company Profile/Stock Information

At a glance

The SHO-BOND Group is a leading company in the structure maintenance business that has been specializing in the field of repair and reinforcement of social infrastructure since its establishment.

Number of Employees: **985** (consolidated basis) Number of Group Companies: **18**

KEY FIGURES



Broad Range of Structures We Work On

We play an important role in the sustainability of cities by repairing and reinforcing a diverse array of structures that form the essential fabric of social infrastructure.



Bridges
Seismic retrofitting
Prevention of concrete degradation



Tunnels
Prevention of ceiling and wall spalling
Stop groundwater leaks



Road structures
Repair of expansion joints
Noise reduction



Railways
Repair of damage at elevated railways
Seismic retrofitting



Irrigation Channels
Prevention of cracking
Prevention of water leaks



Buildings
Seismic retrofitting



Silo
Repair of wall surface degradation



Harbor Quay
Protection from salt damage
Prevention of concrete degradation



Water Supply and Sewer Systems
Protection from corrosion

The Beliefs of the Founder

変化こそ
進歩なり

Corporate Credo

- Make thoughtful decisions
- Take responsibility for your actions
- Unify the workplace
- Contribute to society

The credo of the SHO-BOND Group was established in June 1979 by Akira Ueda, who was then the company president. The credo was announced at a SHO-BOND annual conference attended by all employees to celebrate the company's 21st anniversary. When making the announcement, Mr. Ueda also stated that the company put a great emphasis on the company's benefits, which are supposed to guide employees in making optimal decisions. Only a prosperous company can invest more in promoting employees' happiness.

Today, more than four decades after this event, SHO-BOND has grown as a listed company with a commitment to the happiness of employees as well as shareholders, customers, and all other stakeholders. As expected, the Group's focus goes beyond profit and encompasses elements including governance, internal controls, transparency, and ethical conduct in our operations.

The thoughts at the time of its establishment and its modern significance resonate with each other, and the company credo has become the behavioural principle of all our executives and employees to this day.

"Change in itself is progress" is a mantra often used by our company's founder Mr. Ueda.

Mr. Ueda used this phrase repeatedly when telling everyone at the SHO-BOND Group about the importance of aiming for ambitious goals and constantly making improvements to achieve progress.

I like the phrase "change in itself is progress."

Periods with no difficulties at all will always come to an end.

Change produces challenges as well as progress.

History has demonstrated that only companies able to alter themselves to reflect changes in the business climate are able to compete and survive.

Excerpt of Mr. Ueda's 1990 New Year message



Mr. Ueda giving a speech at the 1972 Division Managers Conference

The publication to celebrate SHO-BOND's 40th anniversary included the following reflections of Mr. Ueda in the past four decades.

"For the past 40 years, I have always demanded and put into practice 'high expectations' when it comes to my company. In other words, I have set high goals and put them into practice based on the two slogans 'Change in itself is progress' and 'company's benefits are the standard for decision-making.' I have gritted my teeth and want to encourage you all."

By remaining true to his beliefs, Mr. Ueda saw his new company grow from five people at a single factory to Japan's leading company in the field of infrastructure maintenance.

The SHO-BOND Group will continue to take on new challenges with the founder's spirit of passion for constant progress.

History of SHO-BOND

1958-

Fusion of technologies in the fields of chemistry and civil engineering

Our company was originated from Showa Kogyo Corporation, established on June 4, 1958. Initially, our business was construction using PVC components, but in the process, we discovered and put into practical use the repair performance of concrete with epoxy resin, which opened up a new market of synthetic resin adhesives for civil engineering works.

The effectiveness of the company's new method for repairing concrete was demonstrated during work to repair damage to the Showa Ohashi Bridge caused by the 1964 Niigata Earthquake. This was the start of the company's reputation as an expert in repair and reinforcement work. In March 1965, trial installations started for the Cut-off Joint, an expansion device for highway bridges developed and patented jointly with Japan Highway Public Corporation. This innovation was subsequently used frequently throughout Japan for the construction of expressways.



The Showa Ohashi Bridge in Niigata collapsed in 1964 during a powerful earthquake

1995-

The rapid growth of seismic retrofitting after the Great Hanshin-Awaji Earthquake

The powerful earthquake that devastated the Kobe region in January 1995 caused many deaths and severely damaged structures, such as the collapse of expressway bridges. However, there was no damage to the piers that SHO-BOND had reinforced shortly before this disaster. The reliability of SHO-BOND's seismic retrofitting method was widely recognized, resulting in a rapid increase in orders for these projects in all areas of Japan. As a result, our sales and earnings increased significantly.

In 1996, operations began at the new Technical Research Institute in the city of Tsukuba in Ibaraki prefecture. Research involving devices for earthquake resistance produced new products including the Restraining Chain.



Piers of the expressway bridges reinforced shortly before the 1995 Kobe earthquake were not damaged by the powerful tremors

1975-

Emergence of a comprehensive maintenance system

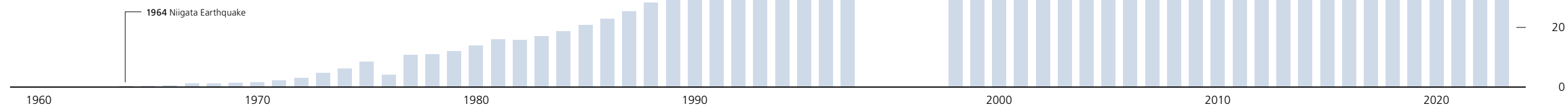
In 1975, SHO-BOND was split into two companies: SHO-BOND CORPORATION and SHO-BOND Chemical, which clarified our path to growth as a special construction company.

The Central Technical Research Institute was relocated in 1977 and concentrated on creating products and construction methods combining chemical and civil engineering technologies. These activities reinforced SHO-BOND's reputation as a technology-oriented organization. Reforming its organization gave SHO-BOND comprehensive maintenance capabilities encompassing the development of technologies, supply of construction materials, and construction.



The Central Technical Research Institute was moved to Orniya (now the city of Saitama) in 1977

Net Sales



A construction site of the Expressway Renewal Project in 2018

2011-

Unprecedented disasters highlight the need for infrastructure maintenance

Catastrophic disasters that occurred in Japan after 2010 further highlighted the importance of seismic retrofitting and repairing aging infrastructure. During this period, there was a large volume of infrastructure maintenance work in all areas.

Many maintenance and reinforcement projects have been implemented in accordance with the Fundamental Plan for National Resilience following the 2011 Great East Japan Earthquake. Currently, activities are underway based on the Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience that began in 2021.

The collapse of the ceiling of the Chuo Expressway Sasago Tunnel in 2012 again underscored the urgent need for repairing Japan's aging infrastructure. Based on a Japanese government Basic Plan for Life Extension of Infrastructure, the Expressway Renewal Project started in 2015 and will continue until 2030.

To meet the demands of this new business climate, SHO-BOND established the in-house company structure, strengthened the order-taking and construction system through close collaboration with partner companies, and increased emphasis on R&D for creating new technologies. To build a stronger base for these activities, training programs, reinforcement of the culture of safety, and other measures were given even more emphasis. Due to these initiatives, sales and earnings increased along with the growth of the infrastructure maintenance market.

2019-

Challenge overseas business

In April 2019, SHO-BOND and MITSUI & CO., LTD. established SHO-BOND & MIT Infrastructure Maintenance Corporation (SB&M) to operate an infrastructure maintenance business overseas. The aim is to use SHO-BOND's proven technologies to help solve problems in other countries involving aging infrastructure.

In Thailand, SB&M and CPAC, a member of the Siam Cement Group, established CPAC SB&M Lifetime Solution Co., Ltd. in 2020. In the United States, SB&M invested in Structural Technologies, LLC, an infrastructure repair maintenance company, in July 2023.



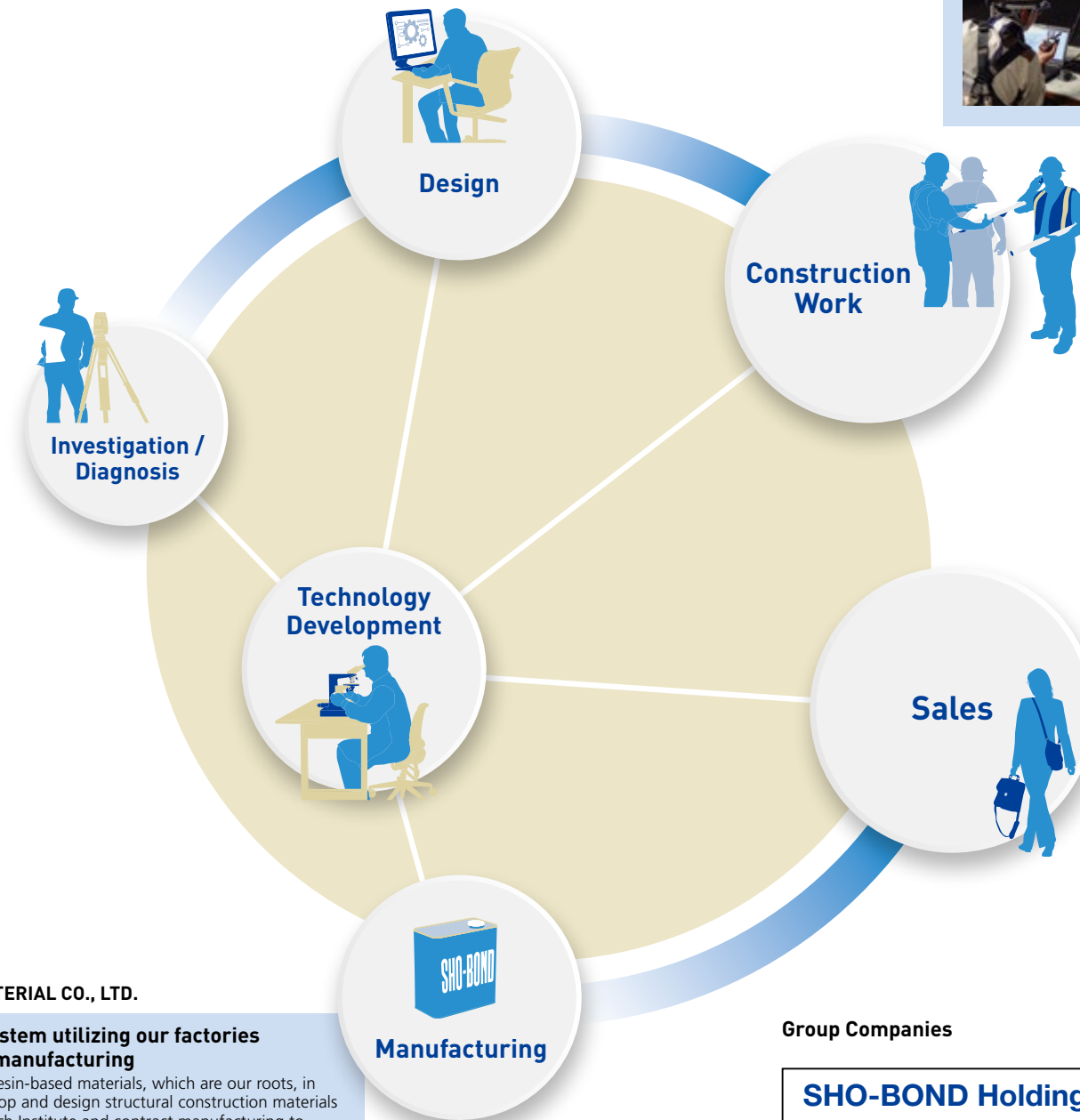
The 2020 online signing ceremony with CPAC for establishing a jointly-owned company



The 2023 signing ceremony with Structural Technologies for an investment by SB&M

Comprehensive Maintenance System

The SHO-BOND Group is a comprehensive maintenance company which specializes in repairing and reinforcing social infrastructures. We provide extensive support in social infrastructure maintenance, with a focus on design and construction services as a construction company, together with services ranging from R&D of materials and construction methods, to manufacturing and sales of developed materials and construction methods. The country's foremost and comprehensive maintenance system. This is SHO-BOND's characteristic, our strength.



Maintenance Technology Inc.

Investigation / Diagnosis / Design

Exact proposals based on accurate investigation

We propose optimal design and construction methods by investigating and diagnosing, combining abundant knowledge and state-of-the-art technology in response to various structural damage problems.

Maintenance Technology Inc. > P41
 Engineering Division > P35

Technical Research Institute (SHO-BOND CORPORATION)

Technology Development

Development of new construction methods and materials required by the times

We have a wide array of state-of-the-art research equipment specialized in repair and reinforcement. Our researchers specializing in chemistry and civil engineering work together with external research institutes to develop new construction methods and materials that meet the needs of the coming age.

Engineering Division > P35
 Technical Research Institute > P39

SHO-BOND MATERIAL CO., LTD.

Manufacturing

Production system utilizing our factories and contract manufacturing

While manufacturing resin-based materials, which are our roots, in our factories, we develop and design structural construction materials in the Technical Research Institute and contract manufacturing to partner companies (fables). We have an efficient and asset-light production system.

SHO-BOND MATERIAL CO., LTD. > P42

SHO-BOND CORPORATION / KAKO-Group / Kyna-Tech

Construction Work

Construction system that can handle all types of construction

SHO-BOND CORPORATION handles large-scale, high-difficulty construction works, while construction subsidiaries (the KAKO-Group), which have their head offices in various locations, handle small and medium-scale construction works. We undertake maintenance works nationwide, regardless of scale or whether we are a main contractor or a subcontractor.

Construction Division > P37
 East/West Japan In-house Company > P33-34
 Kyna-Tech > P41

SB&M

Global

Bringing Japanese maintenance technology overseas

We take on the challenge of solving the social issue of aging infrastructure faced by many countries by combining our technological expertise in infrastructure maintenance with the network and business development capabilities of MITSUI & CO., LTD.

Overseas Businesses > P43

Sales

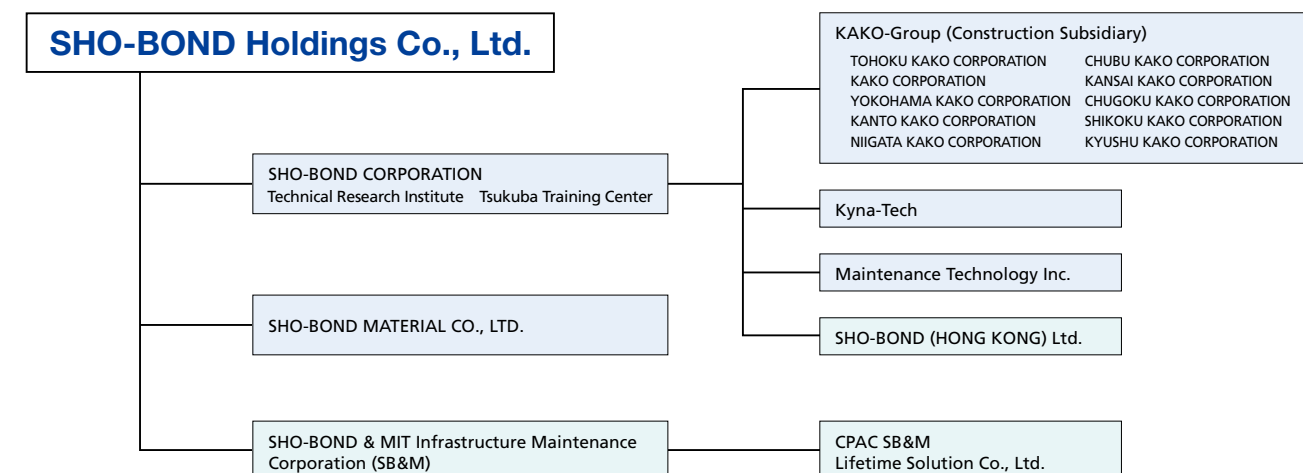
Group companies

Sales of a wide variety of repair and reinforcement products

Product sales and construction work are the two pillars of our businesses. With a lineup of organic, inorganic, and structural materials, our group companies approach a wide range of customers to expand our sales channels.

Marketing and Sales Division > P31
 SHO-BOND MATERIAL CO., LTD. > P42

Group Companies

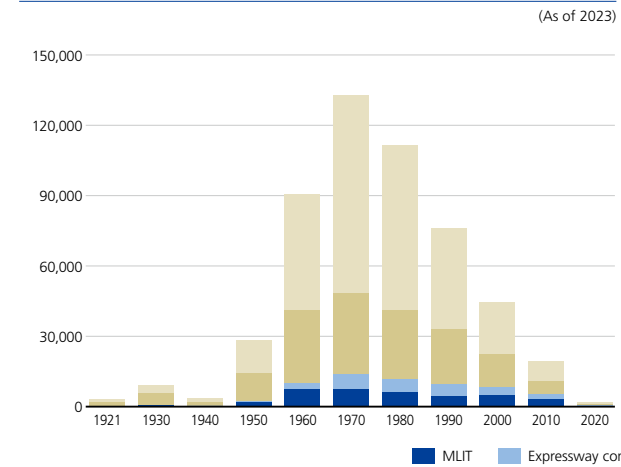


Business Environment –Accelerated Aging of Infrastructure–

Most of the infrastructure in Japan was built after the high economic growth period, and its aging is expected to accelerate in the future. In response to these social issues, national and local governments are taking action nationwide to formulate plans for appropriately maintaining, managing, and renewing infrastructure and extending the service life.

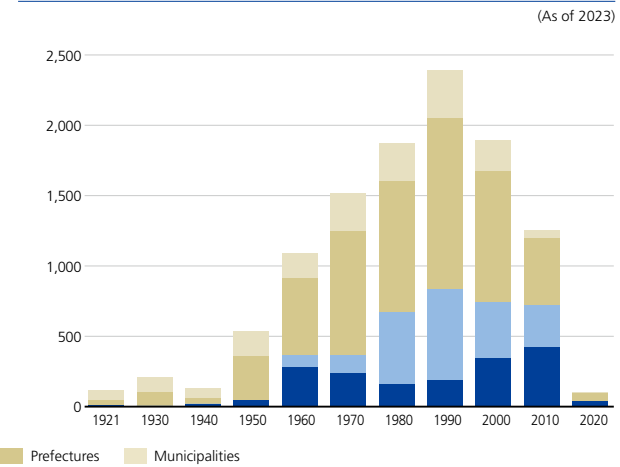
Number of Bridges by Year of Construction

Total: Approx. 520,000 bridges
Average age: 44 years



Number of Tunnels by Year of Construction

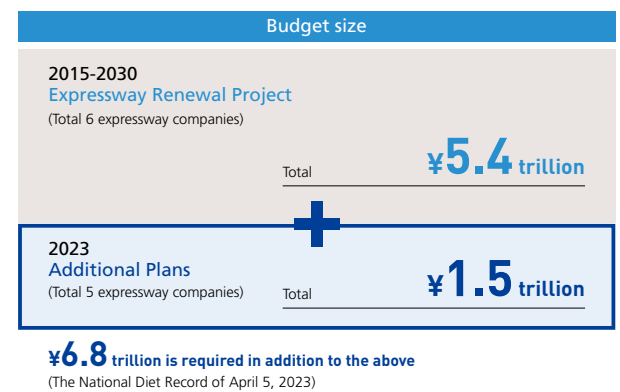
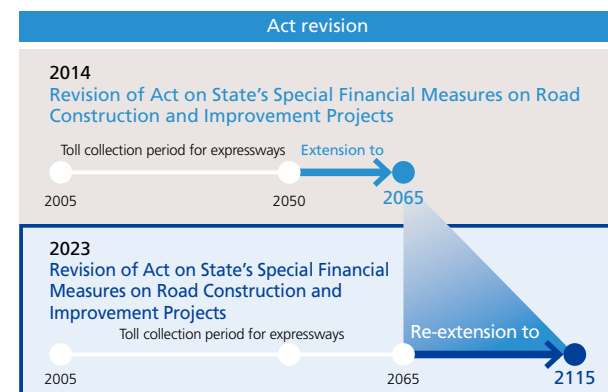
Total: Approx. 10,000 tunnels
Average age: 36 years



Notes: 1. Prepared by SHO-BOND based on MLIT data
2. Number of managed facilities by road administrator
3. In addition to the above, there are approximately 210,000 bridges and 300 tunnels whose construction year is unknown.

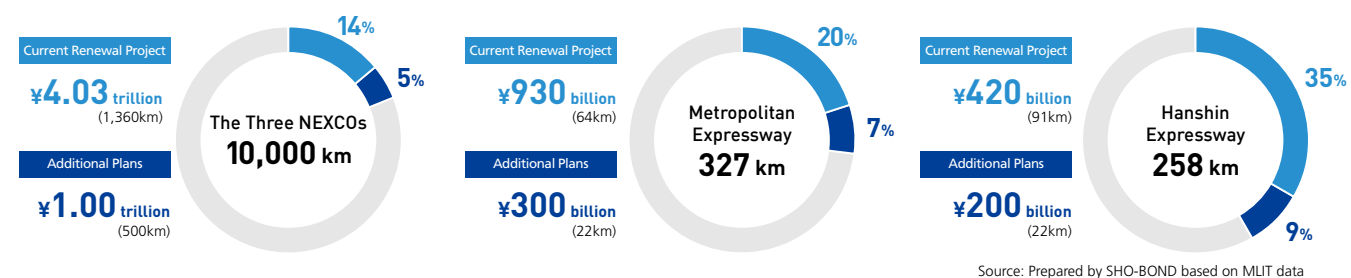
Expressway Renewal Project

[Current Progress]



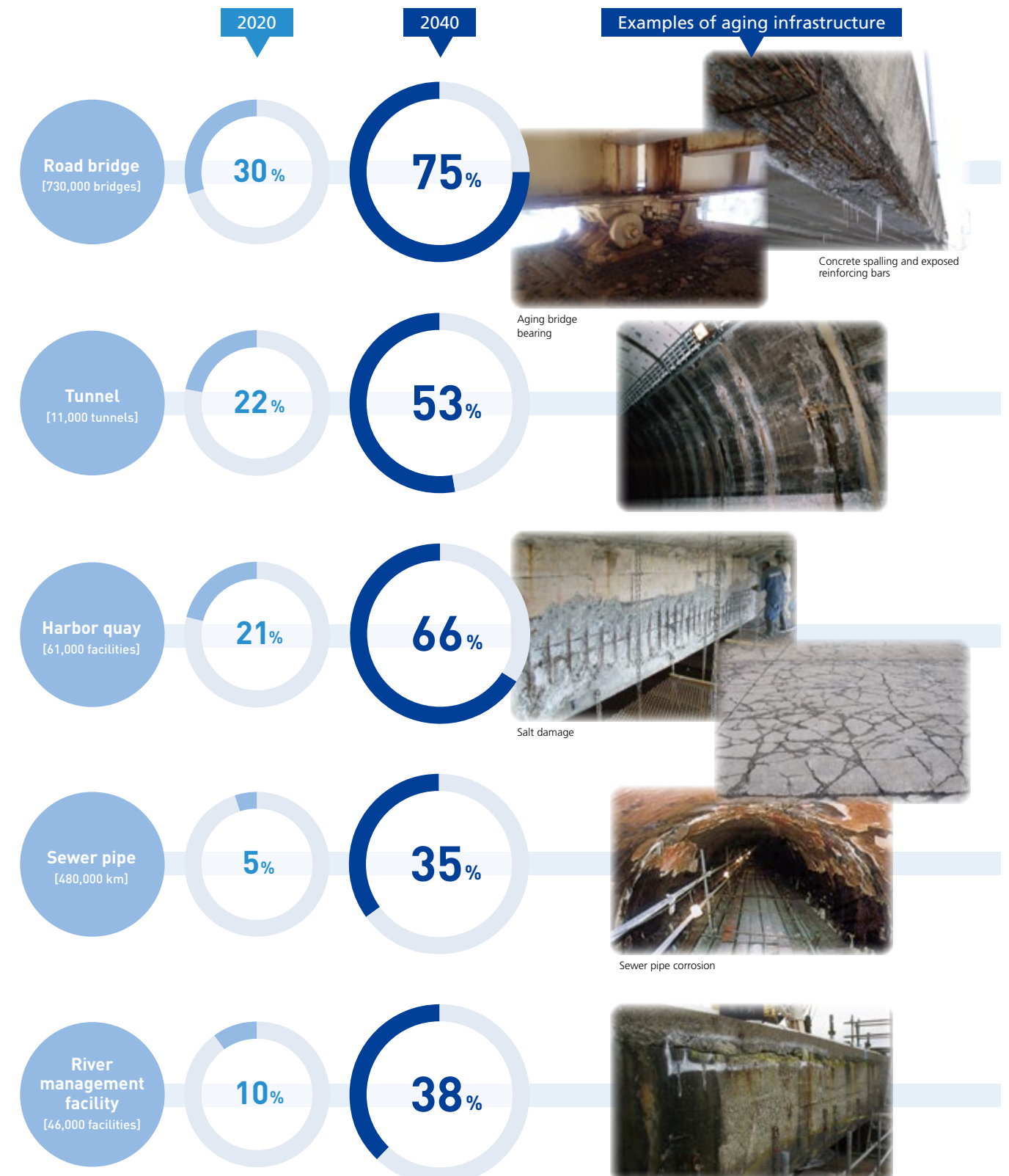
Source: Prepared by SHO-BOND based on MLIT data

[Percentage of total length covered by the project]



Source: Prepared by SHO-BOND based on MLIT data

Percentage of Structural Infrastructures Built More Than 50 Years Ago

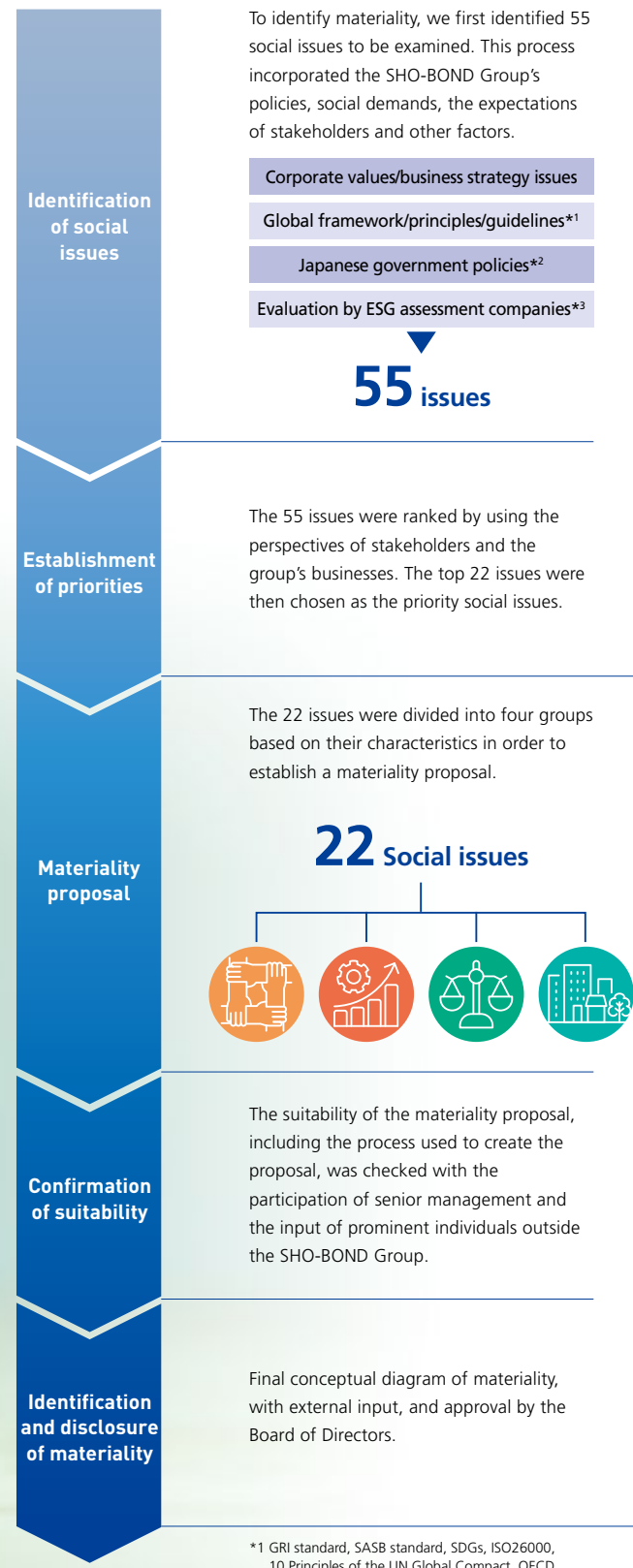


Materiality

The SHO-BOND Group has designated four Materialities based on social demands and the expectations of stakeholders. The Materialities are our priorities in order to achieve sustainable growth with our stakeholders as the Group plays a role in solving social issues while continuing to increase corporate value. The Group will continue to leverage business activities for constant progress concerning these Materialities in order to contribute to long-term sustainable growth and the development of a sustainable society.

Process to Identify Materiality

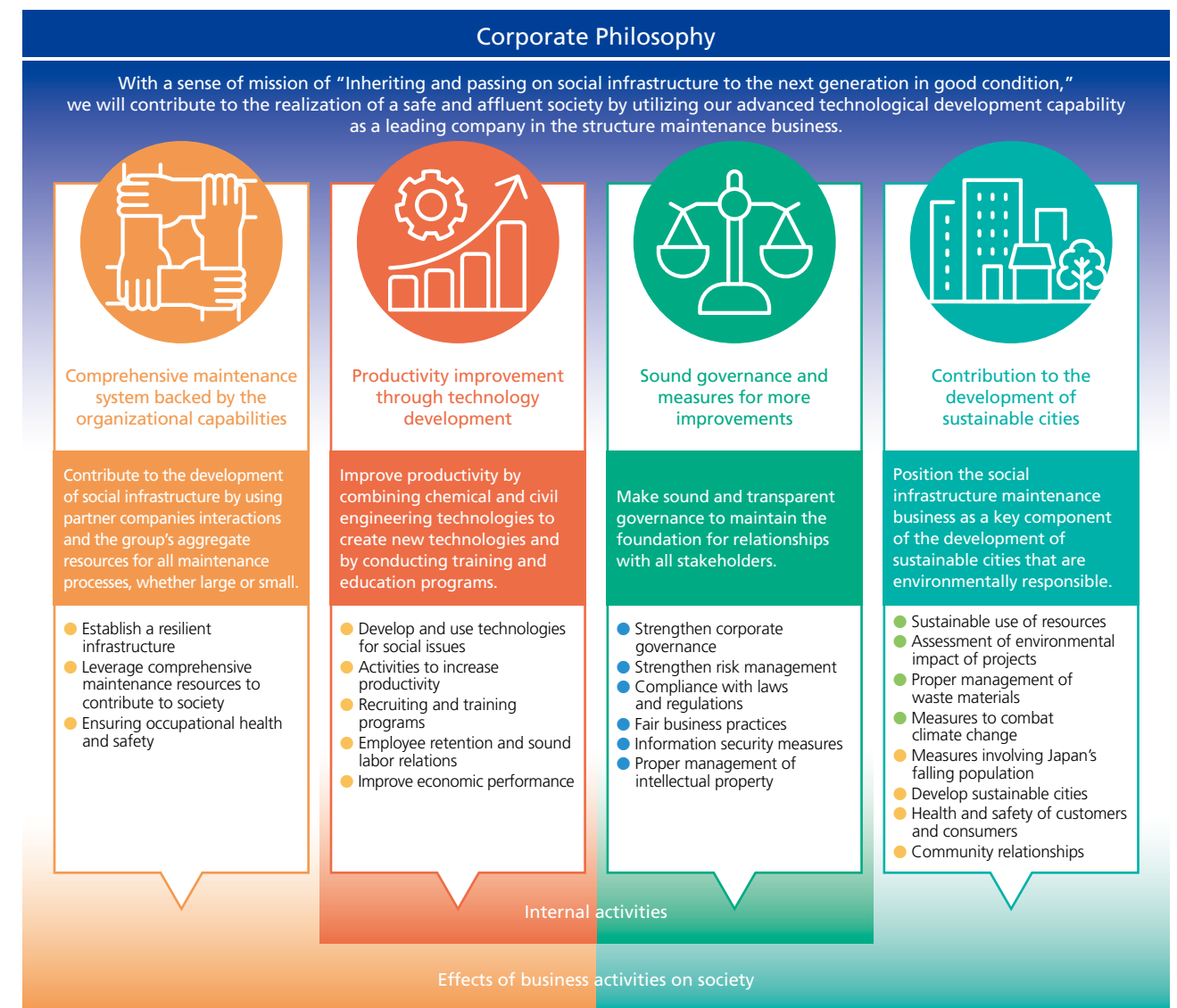
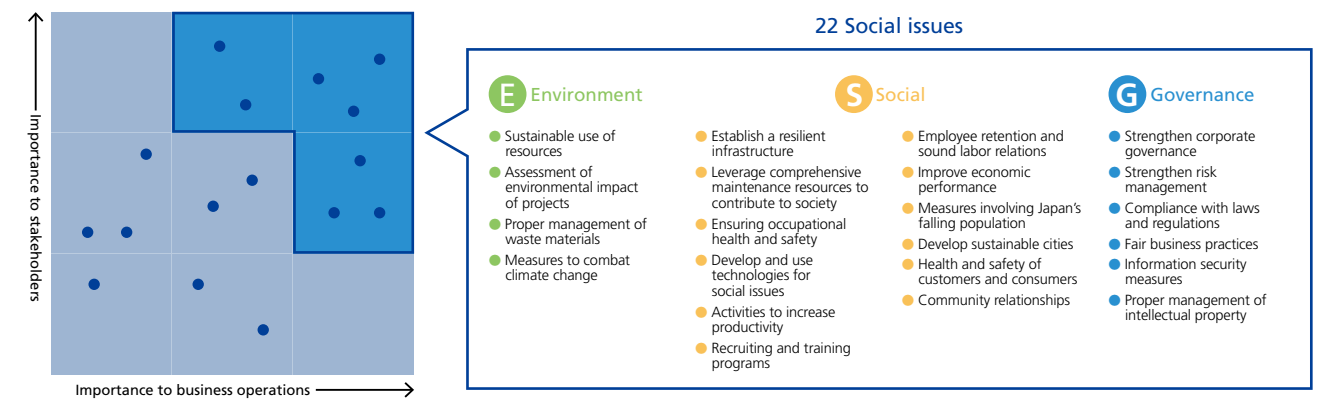
In April 2020, the SHO-BOND Group identified materiality with the participation of employees, senior management and prominent individuals outside the group. The SHO-BOND Group will continue to upgrade Materiality initiatives with the input of the group's internal and external stakeholders.



*1 GRI standard, SASB standard, SDGs, ISO26000, 10 Principles of the UN Global Compact, OECD Guidelines for Multinational Enterprises, and others
 *2 Policies of the Ministry of Land, Infrastructure, Transport and Tourism for public works projects and other policies
 *3 MSCI, FTSE, Robeco SAM and others

Materiality Matrix

To identify materiality, a materiality matrix was created by evaluating social issues from the standpoints of the importance to stakeholders and the importance to business operations. Then 22 social issues that were very important from both standpoints were selected as the issues that the SHO-BOND Group should target.



performed by using the perspectives of shareholders and other investors in Japan and other countries, local governments, government agencies and other sources of orders for the SHO-BOND Group, manufacturers of building materials, chemicals and other materials procured by the group, construction firms and other subcontractors, residents near business sites and other members of society, government actions and policies, and other stakeholders. For importance to business operations, evaluations were performed by the group's senior management, including outside directors, and employees.

The Value Creation Process

Our mission is to pass on social infrastructure to the next generation in good condition while bringing out the best in the distinctive comprehensive infrastructure maintenance business model. We are dedicated to playing a role in maintaining a safe and affluent society for everyone. Through a continual approach to the four components of our Materiality, we provide solutions for social issues and create economic value, as well as promote the long-term growth of corporate value.

