



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

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Company Information

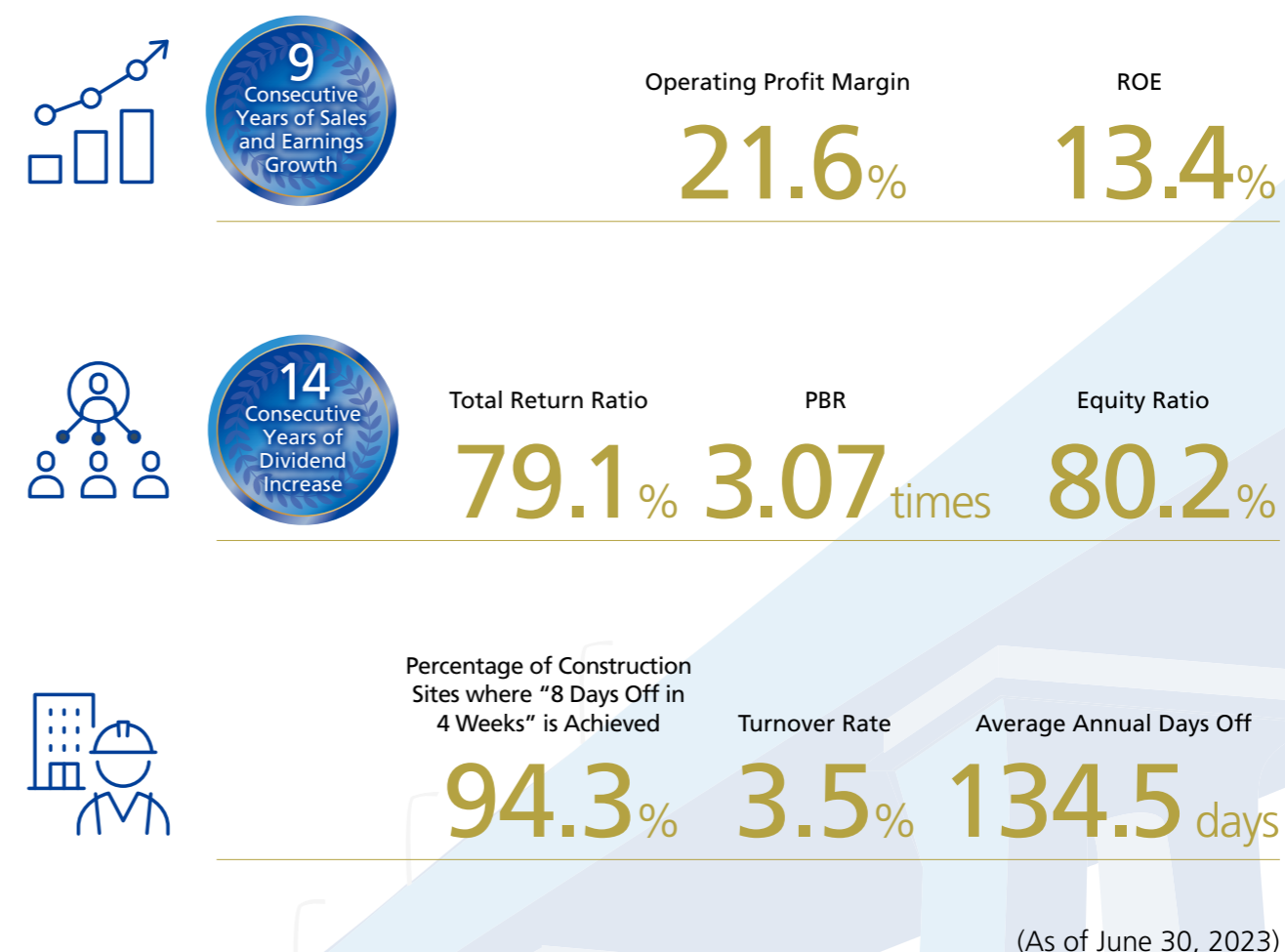
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At a glance

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



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.

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

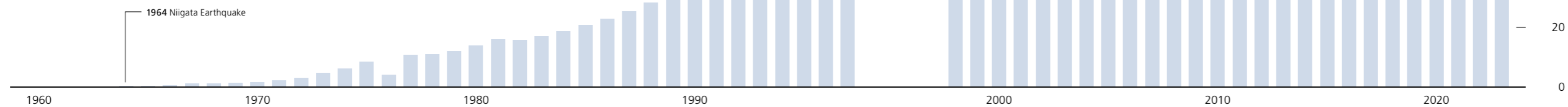
In 1975, SHO-BOND was split into two companies: SHO-BOND CORPORATION and SHO-BOND Chemical, which clarified our path to growth as a special construction company.

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.



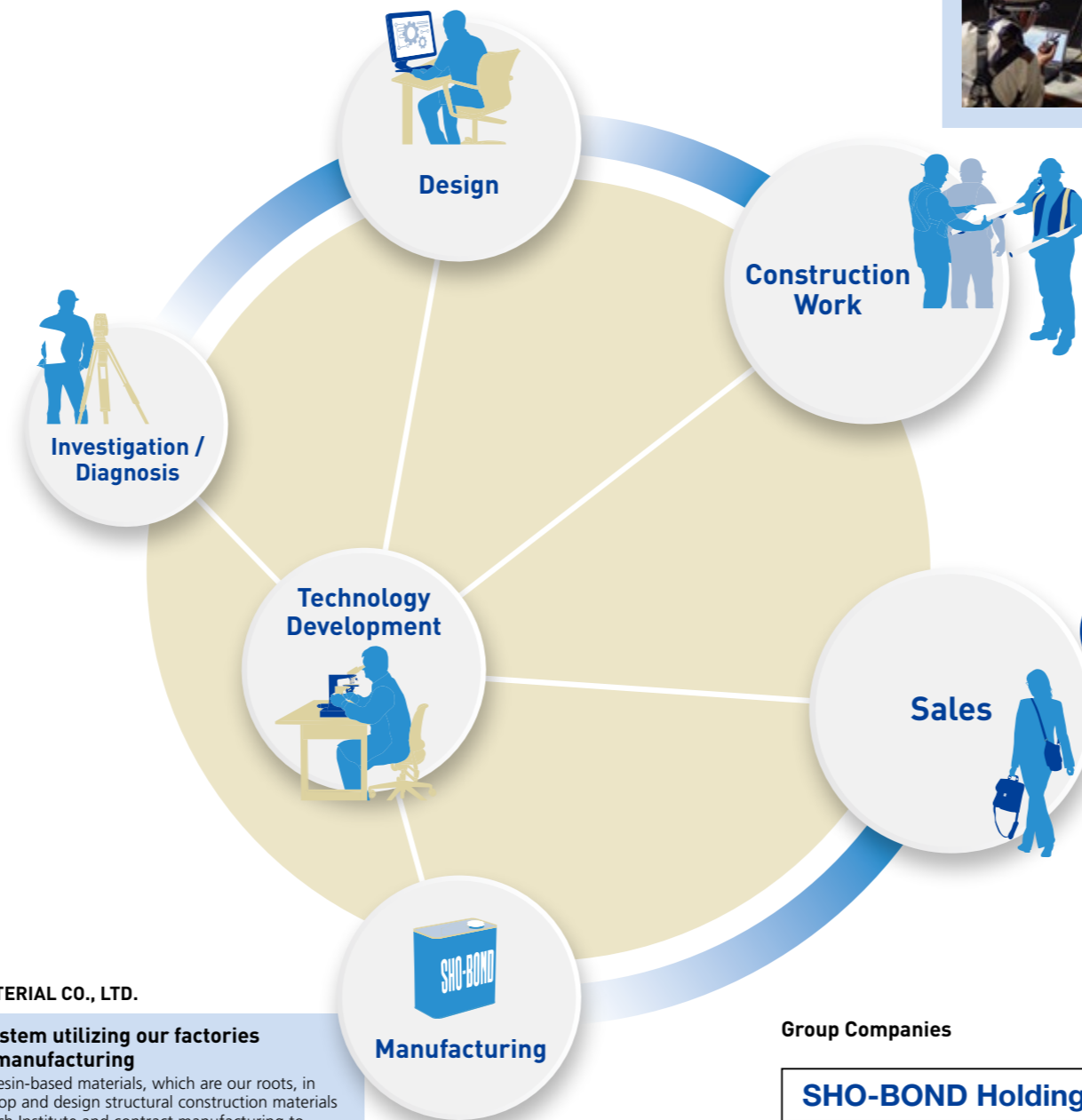
The 2020 online signing ceremony with CPAC for establishing a jointly-owned company



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 (fabless). 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

Global

SB&M

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

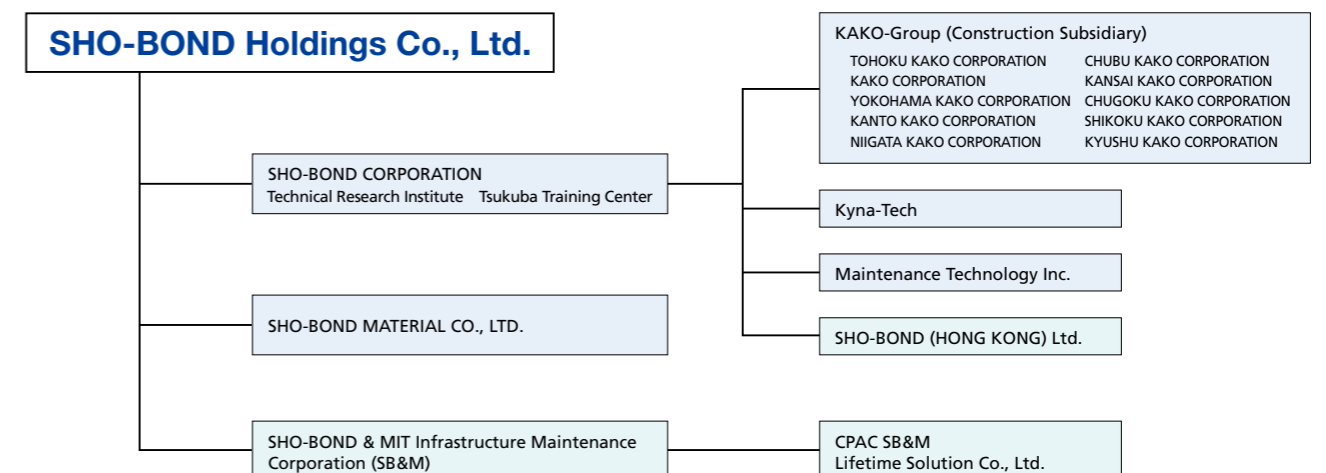
Group companies

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

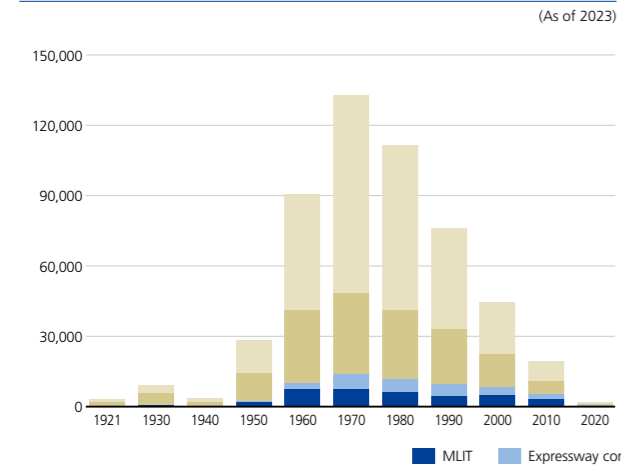


Business Environment –Accelerated Aging of Infrastructure–

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.

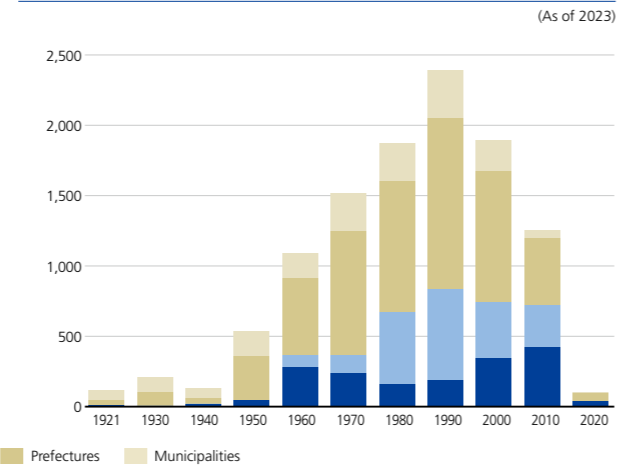
Number of Bridges by Year of Construction

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



Number of Tunnels by Year of Construction

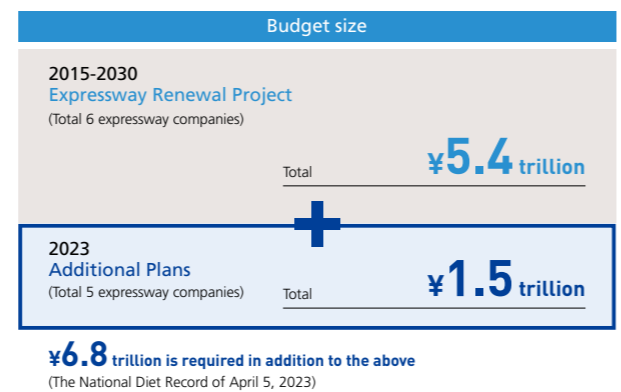
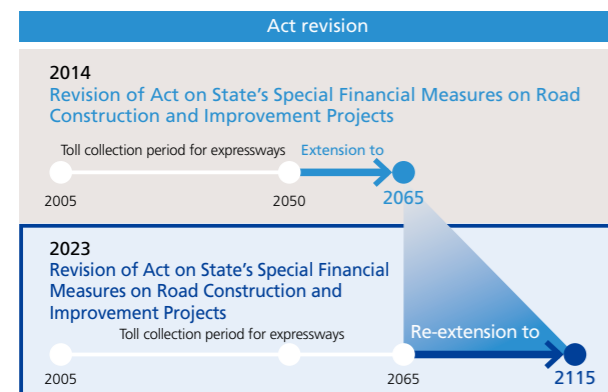
Total: Approx. 10,000 tunnels
Average age: 36 years



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.

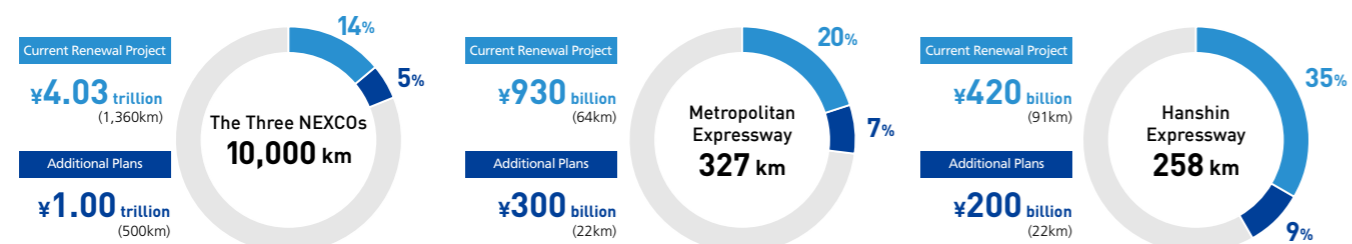
Expressway Renewal Project

[Current Progress]



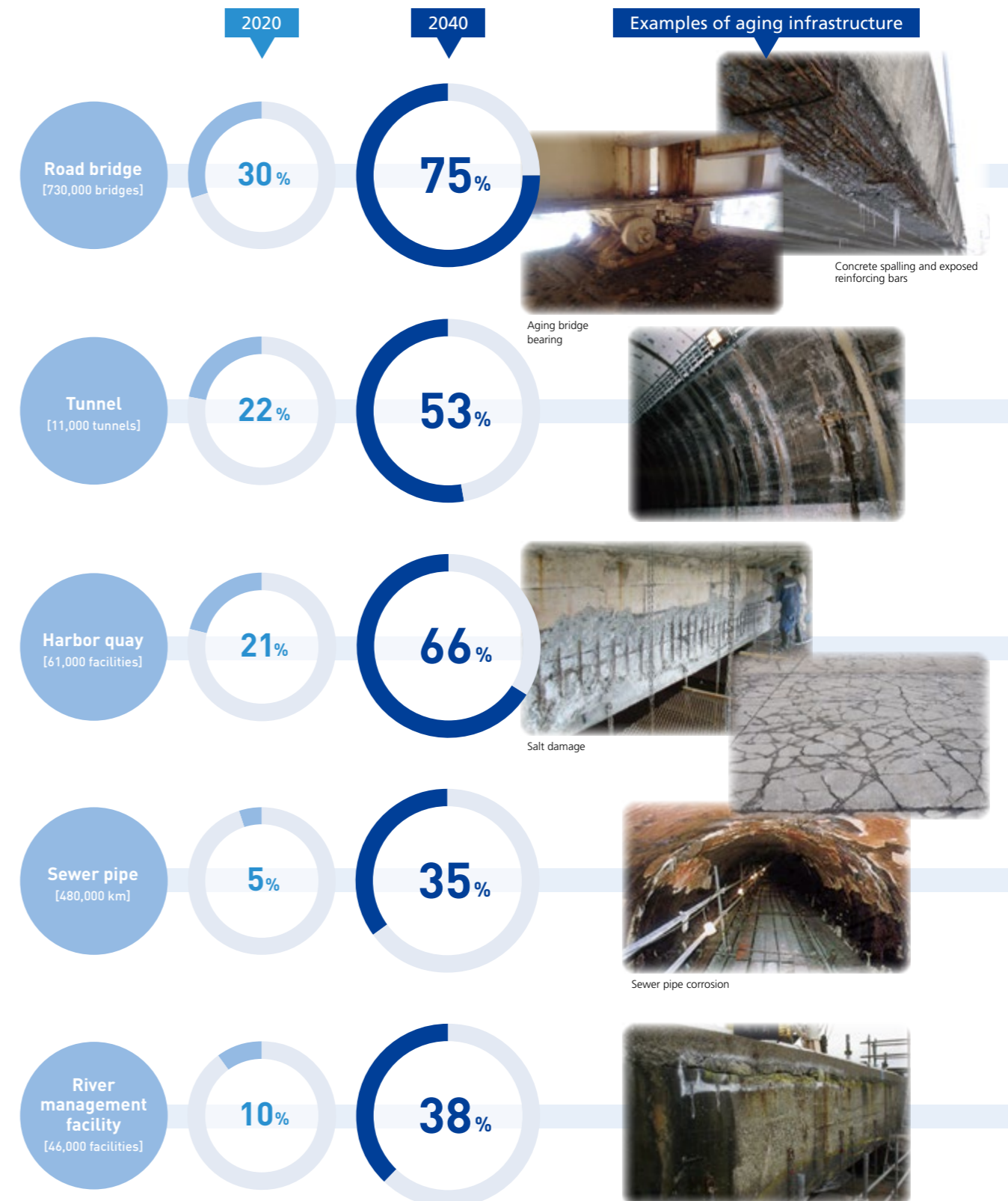
Source: Prepared by SHO-BOND based on MLIT data

[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



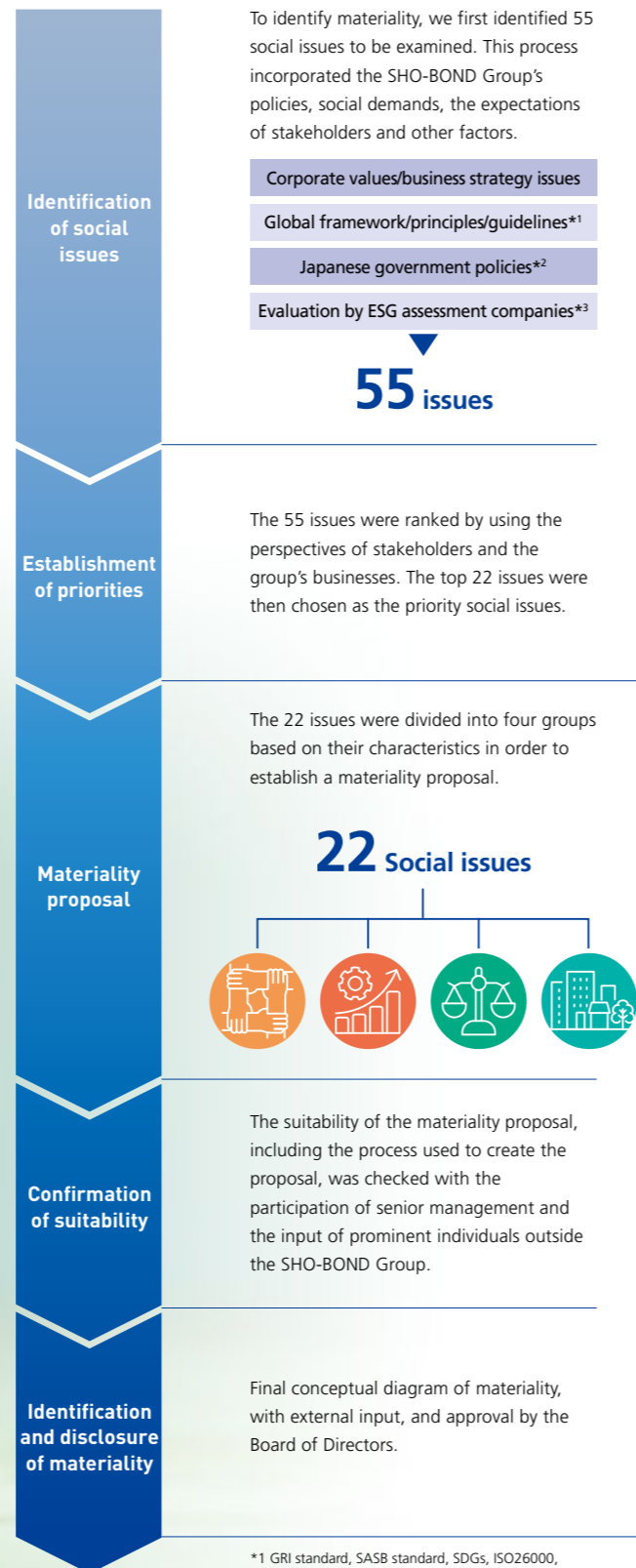
Materiality

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.

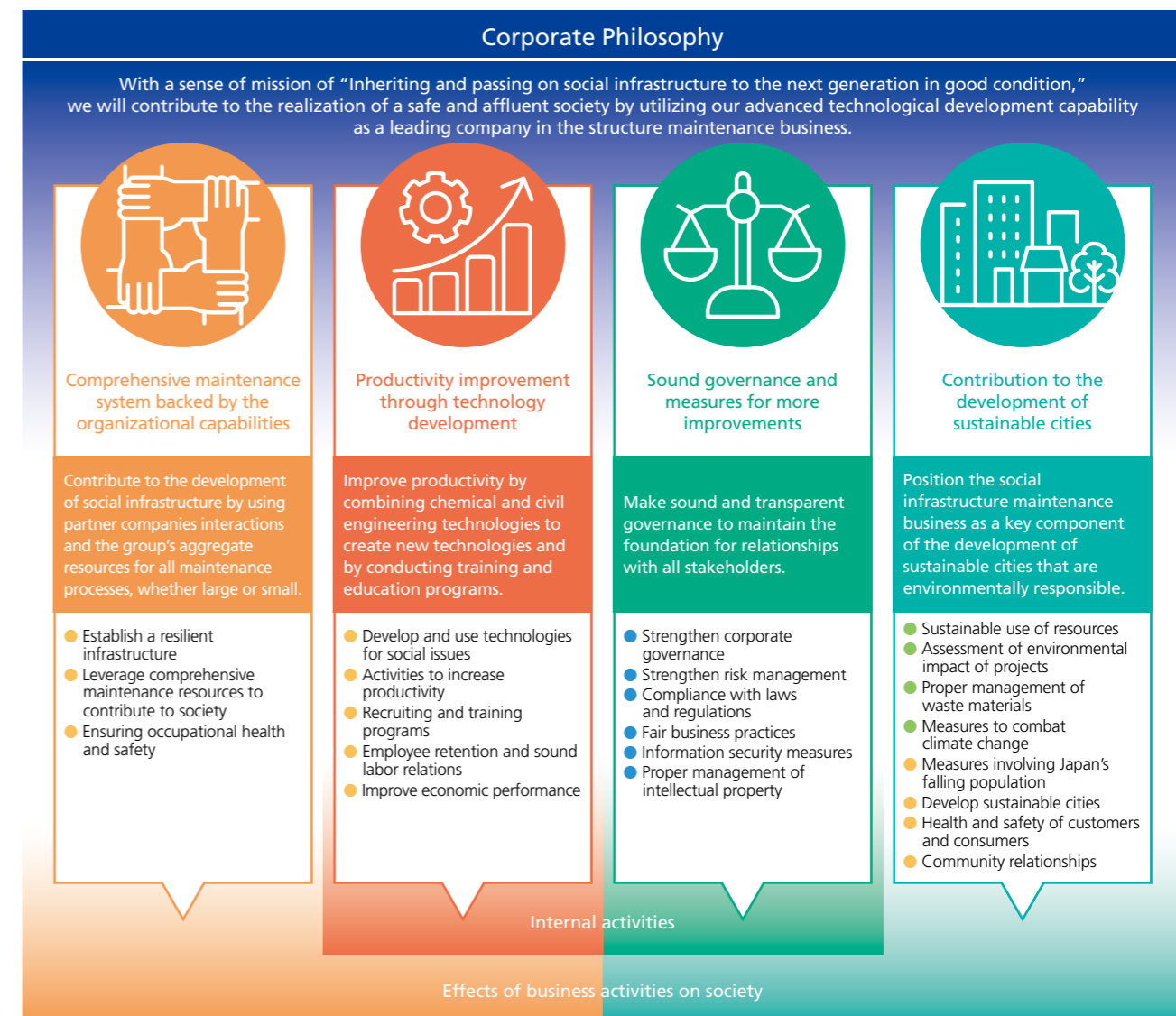


*¹ GRI standard, SASB standard, SDGs, ISO26000, 10 Principles of the UN Global Compact, OECD Guidelines for Multinational Enterprises, and others
*² Policies of the Ministry of Land, Infrastructure, Transport and Tourism for public works projects and other policies
*³ MSCI, FTSE, Robeco SAM and others

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.

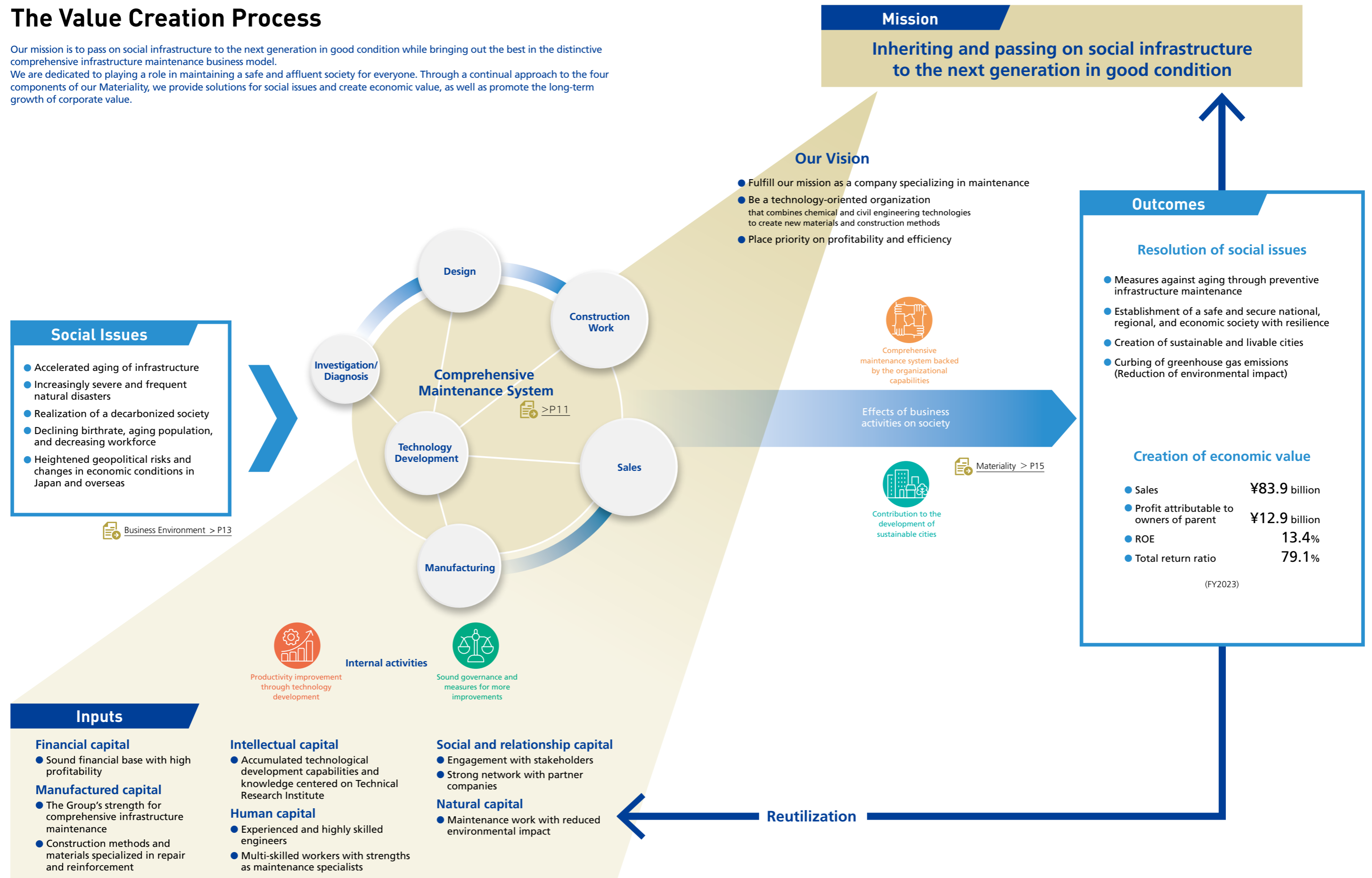
To determine importance to stakeholders, evaluations were



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.



Top Message

65 years of growth as a specialist
in infrastructure maintenance

We will steadfastly commit ourselves to
an affluent and safe society worldwide

Tatsuya Kishimoto

President and Representative Director

Guided by our mission of solving
social problems

Q. SHO-BOND reached its 65th anniversary on June 4, 2023. What are the main elements of the DNA that have defined SHO-BOND's operations since its inception?

A. Since the establishment of our company in 1958 by Akira Ueda, we have grown as an organization specializing in infrastructure maintenance. We are a construction company that does not build new structures. Mr. Ueda was the company's chairman when I joined SHO-BOND. I was awed by his powerful leadership and charisma emanating from his behavior.

Now I am in a position to lead the company as president. When I look back on the journey of growth and think about the sentiments of our founder, I can sense a lot from his motto, "Change in itself is progress," which he frequently said since the early days of our company. As the world and markets change, SHO-BOND, which specializes in repair and reinforcement without new construction work, has been a maverick of the construction industry, maintaining its unique style. At the time, we voluntarily surveyed and inspected bridges for local governments, reporting on their deterioration status and providing advice on necessary maintenance work. Governments and other organizations greatly appreciated our ability to create proposals from their perspectives, which boosted our growth. On the other hand, we also encountered challenging situations, such as unfavorable changes to bidding rules, which may cause us unable to take on new projects. We must survive and grow even amid such dramatic changes. I believe that "change in itself is progress" embodies the unique beliefs of Mr. Ueda who has successfully overcome many difficulties. Lacking the ability to change or keenly adhering to the past will make us fall behind. Now that infrastructure maintenance is in the spotlight, we must constantly take on new challenges without overconfidence. Bearing these in mind, this is how I am leading the management of the Group.

Everyone in our group has a resolute commitment to

the DNA originated from Mr. Ueda of never losing in the infrastructure repair and reinforcement market. I believe this spirit is what makes us SHO-BOND. We know more than our customers about the degradation of the structures they manage. We also have a comprehensive maintenance system that makes us a one-stop source of services in this sector. Leveraging these resources, we will respond to all requests from our customers. The dedication of our people to earning more and more trust from customers is the most valuable strength of the SHO-BOND Group. [>P07](#)

Q. What do you think Mr. Ueda would think of the organization that SHO-BOND has become today?

A. I think he would be happy to see how well we are doing. I also think he would check to be certain we are managing operations properly. He would want to confirm that we have been taking good care of long-time customers and doing a good job with small projects because the original characteristics of our group lie in steady sales activities that are close to clients and the accumulation of small-scale construction projects. Nowadays, our sales and earnings are increasing steadily mainly because of the large volume of expressway orders. Conversely, I'm concerned that our focus on securing large orders creates the risk of losing relationships with other long-term customers. As we make changes to cope with shifts in the operating environment, we must retain our commitment to the defining characteristics of our company. As the leader in the infrastructure maintenance field, our mission is to continue expanding our operations to cover a broader range of customers such as local governments and the private sectors at home, and even foreign markets, where the potential needs for structure maintenance remain to be met. I intend to develop our business with a sense of mission for the benefit of administrators and users in need, not just in pursuit of profit.

Local governments are responsible for about 80% of Japan's infrastructure. As Japan's population declines, these governments are having difficulty hiring people

and securing sufficient funds for infrastructure maintenance. As one way to help deal with this problem of limited human and monetary resources at local governments, we recently developed the SBLN GEL. Applying this gel-like substance, which contains lithium nitrite, to concrete slows down the rusting of rebar within the concrete. This innovation is highly anticipated by infrastructure managers because no special skills are needed to apply the SBLN GEL. [>P36](#) Infrastructure degrades in many ways. Some repairs require a major project and others can be completed quickly and inexpensively. If earnings are the only goal, the best policy is to take on primarily large repair and reinforcement projects. However, we should be the optimal maintenance provider who constantly develops products and makes proposals from the customer's perspective. To pass on this thinking, skills, and the fulfillment of work to younger employees, we have training programs led by experienced personnel.

Strong performance in Japan. Aiming to speed up growth overseas during the next Medium-term Business Plan

Q. FY2023 was the second year of the current Medium-term Business Plan. How do you assess last year's performance and what are your goals for the plan's final year?

A. I believe our operations in Japan have reached a fairly high level. Large expressway orders are almost 70% of our business, which is more than we expected. As a result, construction sales have been leveling off quarterly. I think our success in strengthening training programs for our employees and our network with partner companies were mainly responsible for this progress. These accomplishments and the large order backlogs give us confidence in determining an outlook for FY2025 and afterward.

In July 2023, we signed an investment and licensing agreement with Structural Technologies, LLC, a U.S. infrastructure repair maintenance company after a

five-year negotiation. [>P44](#) In addition to expecting an increase in profits through profit sharing, we also hope to increase future earnings by obtaining quality certification for SHO-BOND products in the United States, incorporating them into design, and providing construction guidance through the company.

Addressing the problem of profitability in Thailand is a pressing concern. Initially, the pandemic restricted sales activities and caused delays in our plan to meet the demand for infrastructure maintenance involving airports, railroads, highways, and other sectors. Now sales have slowly started to move up, backed partly by maintenance orders for wharves and silos. While highly skilled partner companies bring us high profitability in Japan, we have not yet sufficiently developed the subcontractors' network in Thailand and this is putting pressure on profits. While steadily training local workers, we will also focus on expanding the subcontractors' network by cooperating with the Siam Cement Group, to achieve constant profitability.

To establish a solid base for starting the next Medium-term Business Plan, we are developing an organizational structure to speed up growth overseas.

Q. Please explain your strategy for growth based on a time frame of 5 to 10 years.

A. There are good prospects for more growth in the demand for infrastructure maintenance. Current plans of Japan's expressway companies indicate that there will be a large volume of orders for at least the next decade. Furthermore, the number of bridges in Japan that are more than 50 years old will continue to increase, creating new sources of demand for repairs and reinforcement. [>P13](#) As the leader in this industry, we are determined to continue growing at a rate that keeps us far ahead of all our competitors.

In order to add more sources of revenue, we are sowing the seeds of new business and steadily working on potential sales and marketing activities. Our operations overseas are part of it. We are also paying attention to the activation of maintenance activities by

local governments and the private sector. The need for infrastructure maintenance is growing steadily worldwide. Meeting all of these needs directly is not possible with the current size of the SHO-BOND Group. This is why we are exploring ways, including M&A, to expand our business by leveraging our expertise as a maintenance specialist. In areas that we cannot cover by ourselves, I want to deliver our considerable expertise and cumulated know-how through licensing agreements with other companies or utilizing AI technology. We will create more innovative products, such as our *AI Shindanshi* packed with know-how on deterioration diagnosis of concrete structures, for customers to rent or purchase and provide support to the infrastructure managers. I intend to continue taking on such challenges steadfastly. [>P32](#)

Reinforcing our reputation as a technology-oriented organization is another element of our strategy for growth. Since our inception, the continuous cycle of replacements and updates of our construction materials and methods has underpinned our growth. A series of sheet methods preventing concrete from spalling and falling is one illustration. Initially, a complex process with manual steps was required. We solved this problem by developing improved products one after another with our customers for more convenience and better performance. Examples include the HYBRID SHEET METHOD, which reduces the number of steps, a transparent sheet that makes subsequent inspections easier, and a spray-type material for finishing work faster. To ensure greater convenience, we will continue the cycle of developing and updating our materials and methods based on customers' needs.

Create a comprehensive sustainability promotion framework across the entire group

Q. What types of activities are there at the SHO-BOND Group involving sustainability?

A. Maintenance services for extending the life of



To ensure greater convenience, we will continue the cycle of developing and updating our materials and methods based on customers' needs.

infrastructure make a big contribution to the reduction of greenhouse gases and waste materials by eliminating the need for demolition and reconstruction. Playing a role in combating global warming is therefore another reason for our desire to deploy our technologies for repairing and reinforcing aging infrastructures in every corner of Japan and overseas.

In FY2024, we transferred the Corporate Planning Department and ESG Promotion Office to the Holdings function to comprehensively and cross-sectionally address sustainability issues, not only for the core operating company SHO-BOND CORPORATION but also for SHO-BOND MATERIAL and SB&M.

E Environment

Japan's construction industry is developing many technologies, such as concrete that absorbs CO₂, as part of activities to accomplish the national goal of carbon

neutrality by 2050. On the other hand, we do not use large quantities of concrete and other materials because we work on only maintenance projects. To protect the environment, we are seeking ways to replace petroleum-derived materials with biological materials in resin-based materials that we manufacture and sell. Lowering our use of water is another goal. We already have programs at construction sites for the recycling and reuse of water for washing hands. Demonstration tests and other activities are underway to determine a



Our younger employees are very active in improving health and safety levels at construction sites, which motivates me to achieve more progress.

way to reuse the large amount of water required for the use of water jets. We will continue to work on solving the numerous obstacles one by one to create a practical water recycling system.

S Social

All construction companies in Japan are facing the challenge of a severe labor shortage, including our partner companies. To reduce the burden in this respect and make full use of our Tsukuba Training Center, we are offering training programs that cover not only our employees but also our partner companies. In addition, we plan to expand the targets of our training programs to trainees from other countries by coordinating with JICA (the Japan International Cooperation Agency), and our customers' engineers.

I also think workforce diversity is very important. We are taking many initiatives including gender, nationality, and career path. For our recruiting activities, we make efforts to maintain at least a 15% regular recruiting rate of females. We are generally hiring new graduates as planned, partly due to the increasing interest of students in infrastructure maintenance. Furthermore, the number of employees from other countries, mainly in Asia, is increasing as well. I hope to see these international staff members filling key positions in the future to support our global expansion. Another priority is the continuation of recruiting people with previous work experience who can be immediately productive. These mid-career people are already more than half of our workforce. Hiring people with experience in large projects and projects in categories new to our group will allow us to offer customers an even broader selection of services. We diversify our workforce actively to challenge new businesses and promote the dissemination of the knowledge of our employees to create an environment where people motivate each other to improve their skills and advance their careers. We use our internal publications, e-learning content, and other methods to make the thinking of outstanding and distinctive people in our group accessible to everyone.

Employee retention and workplace safety are two of our highest priorities. In the old days, SHO-BOND mainly took on subcontracted work, and there was a usual practice to assign one engineer to several different small job sites to earn more profits, which raised our attrition rate because of the high volume of work and also had a negative effect on safety. I experienced such conditions myself and felt that was unsustainable. After I became the president, I declared safety and quality as our vital issues and took steps to strengthen the departments supporting health and safety activities on the construction sites. Meanwhile, a timely support system was updated, by which managers attend the health and safety patrols to gather information about issues through dialogues with workers, identify the hidden risks, and respond promptly before it may cause serious troubles. In the conversation, managers and the site engineers share various information, such as what happened that day, what is planned for the next day, if there are any job site problems, etc. I believe these communications have improved the safety and quality of our construction and lowered our workforce attrition rate. I do a safety patrol once every month. Visiting construction sites and talking with our staff are valuable for reinforcing my confidence in our operations. In addition, our younger employees are very active in improving health and safety levels at construction sites, which motivates me to achieve more progress.

G Governance

I believe that the Board of Directors has a well-balanced composition as the whole Group, including outside directors and directors of major subsidiaries. To assist with the Group's management, the three outside directors frequently provide advice based on their independent and objective perspectives and many years of experience in their professions.

The Group is now taking on a variety of new challenges with activities that include equity alliances with companies in Japan and other countries. At the Board of Directors meeting, the outside directors examine proposals for new actions and share points,

especially regarding potential risks. I believe that live discussions, serving not only as an accelerator but also as a brake, are leading to improvements in the effectiveness of corporate governance. Outside directors have also offered useful input that we could not obtain internally, such as the public's expectations of SHO-BOND, and the ideal state of companies aspired by students, female engineers, and others in general. As we aim for growth overseas, we will consider adding outside directors with global knowledge and experience as well as other measures to make our governance even stronger.

Corporate value growth backed by the spirit of "change in itself is progress"

Q. What is your message to shareholders and other investors?

A. When I meet investors, I often hear about their expectations for an even more aggressive stance for growth as the market for structure maintenance continues to expand. Our business policy is to value both operational and social aspects of our business guided by the mission that has defined our activities since our inception. With proper risk management and human resource development, we intend to take on new challenges steadily for the diversification of our profit structure and growth of business operations.

We are now in the final year of our current Medium-term Business Plan. Work on formulating the next plan has started. During this important year, everyone at the SHO-BOND Group has a firm determination to leverage our strengths as much as possible. We will focus on measures embodying the spirit of "change in itself is progress" to increase corporate value and meet the expectations of all of our stakeholders. I appreciate your continuing support.

Medium-term Business Plan (FY2022 - FY2024)

In the Medium-term Business Plan (FY2022 - FY2024), we are working to achieve sustainable profit growth and enhance corporate value under the basic policy of "honing the inherent strengths what it is that makes us SHO-BOND." We defined the "inherent strengths" in terms of business as "construction work capability," "technological development capability" and "product sales capability," and in terms of management as "profitability," "financial soundness" and "shareholder returns." Per the Medium-term Business Plan, we are trying to refine SHO-BOND's strengths and build a system ready for the stage of further accelerated growth. In FY2022, we focused on proactive measures, including "upgrade the order receipt strategy

utilizing the in-house company structure" and "more activities for large projects and construction work capability." In FY2023, we achieved steady results from measures like "to become more competitive for capturing orders by developing human resources capable of adapting to changing markets," "personnel system reforms that reflect the changing business environment," and "a strong safety culture and rigorous on-site training" as stronger foundations for growth. In particular, we believe the achievement of zero fatal accidents, zero frequency rate, and zero severity rate of occupational accidents is the result of the company-wide Initiatives for Creating a SHO-BOND Culture of Safety.

Basic policy

"Honing our inherent strengths what it is that makes us SHO-BOND"

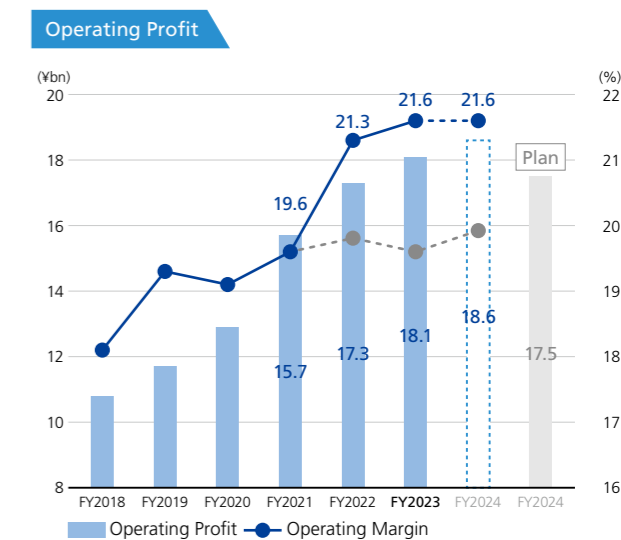
- 1 Further initiatives for large-scale construction by reinforcing organizational capabilities
- 2 Develop new technologies ahead of other companies and take on the challenge of a new product sales strategy
- 3 Increase orders through human resource development that can respond to market changes and the increase of productivity
- 4 Manage both profitability and financial soundness and enhance shareholder returns
- 5 More ESG activities and contributions to SDGs

Business Strategy		A Stronger Foundation for Growth	
Strategic Initiatives	Progress in FY2023	Strategic Initiatives	Progress in FY2023
Upgrade the order receipt strategy utilizing the in-house company structure	Each in-house company consolidates information on large-scale construction projects within their wide operation areas, and holds meetings to select projects for bidding, study measures to reduce construction costs, and check the workforce framework involving partner companies. They have taken strategic measures, such as reallocating engineers among regional offices according to the status of orders in each region.	To become more competitive for capturing orders by developing human resources capable of adapting to changing markets	The workforce reached 985 at the end of June 2023. To improve the capabilities of engineers, we strengthened support for getting public qualifications and implemented educational programs on the themes of 3D CAD and FEA (Finite Element Analysis). Each in-house company conducted a variety of training programs for young employees, female engineers, and others.
More activities for large projects and construction work capability	For large construction projects of ¥2bn or more, the Large-Scale Construction Management Committee is convened, and each department at the head office confirms the details of the project before receiving an order. Each regional office has made progress in having existing partner companies work in larger areas and selecting new ones.	Personnel system reforms that reflect the changing business environment	We integrated measures related to work style reforms and improvement of the work environment for female employees into in-house systems. In addition, we implemented a 3% salary increase for two straight fiscal years, as well as improved compensation for senior employees. We are also preparing for the new overtime cap that will take effect in the construction industry according to the revised Labor Standards Act in 2024 and further discussing new personnel systems.
Challenge a new product sales strategy by SB&M	The easing of the behavioral restrictions imposed under the COVID-19 pandemic has enabled SB&M to carry on a full-scale operation in Thailand. It has received construction orders of around ¥100mn and sold products through JICA technical projects. In July, SB&M reached an agreement to invest in Structural Technologies, LLC, a U.S. civil infrastructure repair company.	A strong safety culture and rigorous on-site training	Initiatives for Creating a SHO-BOND Culture of Safety have resulted in zero fatalities, as well as zero LTI frequency and severity rate in FY2023. Each regional office is also implementing safety activities frequently, raising awareness and moving closer to the independent and mutually enlightening model of safety culture.
More joint activities by increasing cooperation among group companies and other companies	Kyna-Tech's water jet ("WJ") construction business has been steadily increasing its performance, and in FY2024, the aim is to strengthen its construction team engaged in the WJ works. Maintenance Technology Inc. has also gradually increased its contribution to the SHO-BOND Group (the "Group"). SB&M is contributing to the Group by achieving results in developing clients outside the road sector. In addition, we have made progress in strengthening ties with various local partner companies.	Use of the digital transformation (DX) for higher productivity	In terms of on-site DX, the use of construction management applications became more widespread as a result of staff training and each regional office's workshops. In addition to the design engineers at each regional office acquiring 3D CAD skills, the conversion of in-house developed construction devices into 3D data was completed to comply with the government's request for the delivery of 3D models.
New technologies for preventive infrastructure maintenance	As a new research theme, we have begun replacing organic additives with plants and shells in consideration of the environment. The development of lithium nitrite materials, a preventive maintenance method for concrete structures, has been completed and advanced to the commercialization stage. Devices equipped with "AI Shindanshi," an artificial intelligence diagnosis system, were distributed to our engineers and began to be used in actual operations.	Build a framework for responding to ESG issues	We have enhanced the disclosure of non-financial information and established internal systems related to ESG and sustainability, including the release of related KPIs, the publication of an integrated report, and the holding of a Sustainability Committee meeting. We will promote disclosure of information on human capital and diversity, etc.

Financial Targets

	FY2022 Results	FY2023 Results	FY2024 Forecasts	FY2024 Targets (Mid-term Plan)
Net Sales	81.19 billion yen	83.92 billion yen	86.2 billion yen	87.5 billion yen
Operating Profit	17.26 billion yen	18.12 billion yen	18.6 billion yen	17.5 billion yen
Operating Profit Margin	21.3%	21.6%	21.6%	20.0%
Profit Attributable to Owners of Parent	12.36 billion yen	12.88 billion yen	13.3 billion yen	12.0 billion yen
ROE	13.4%	13.4%	13.0%	12.0%

Operating profit was ¥18,124 million and profit attributable to owners of parent was ¥12,887 million in FY2023. Due to this performance, the final year targets of the current Medium-term Business Plan were achieved one year early. More growth is expected in FY2024. However, sales are forecasted to be below the Medium-term Business Plan goal chiefly because the impact of the COVID-19 pandemic made it difficult to expand our overseas operations as initially planned, especially the sales of construction materials.

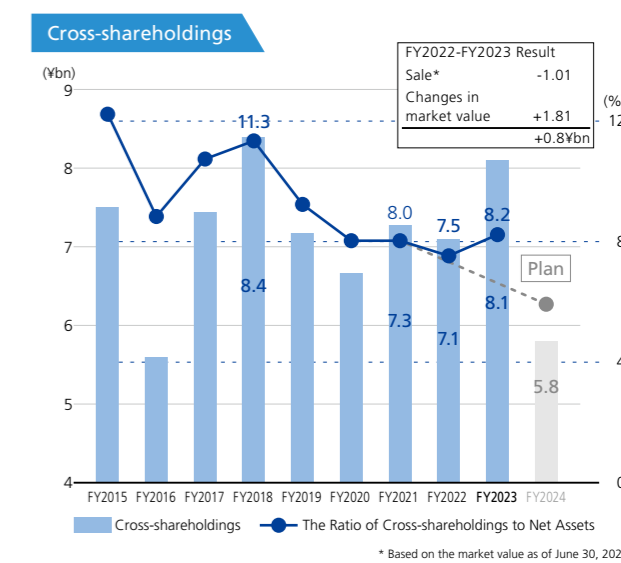


The operating margin was above 21% and the ROE was above 13%, both well above the Medium-term Business Plan targets. Selectively accepting orders, rigorously managing the cost of construction, and others make this possible. This accomplishment demonstrates the continuing progress with the high profitability that is a defining characteristic of SHO-BOND.

Capital Policy

	FY2022 Results	FY2023 Results	FY2024 Forecasts	FY2024 Targets (Mid-term Plan)
Dividend Payout Ratio	51.1%	52.1%	50.0%	50.0%
Total Return Ratio	75.1%	79.1%	75.0%	75.0%

Our policy is to maintain a dividend payout ratio of 50% as the basis for the continuous and stable distribution of earnings to shareholders. In FY2023, shareholders received a commemorative dividend of ¥5 per share to mark the 65th anniversary of the establishment of SHO-BOND CORPORATION. The total dividend for the fiscal year was ¥127, with a payout ratio of 52.1%. In addition, the current Medium-term Business Plan includes the purchase of treasury shares worth ¥10 billion. The combination of dividends and the purchase of treasury shares will increase the total return ratio to more than 75%.



Cross-shareholdings with a market value of ¥1,096 million were sold in the past two years. The intention is to reduce these holdings as a proportion of net assets. However, this percentage has risen due to the appreciation of the market value of the remaining cross-shareholdings.

CFO Message

Sales and earnings have increased for nine consecutive years and we have increased the dividend for 14 consecutive years. I believe this achievement is due to our steadfast adherence to the basic policy of “emphasizing profitability and selectively accepting orders” while flexibly changing our internal structure and ordering strategy in response to the expansion of the maintenance market. Our policy is not to forcefully pursue sales scale, but rather secure profits by maintaining high profit margins while considering the proper balance among shareholder returns, growth investments, and internal reserves.

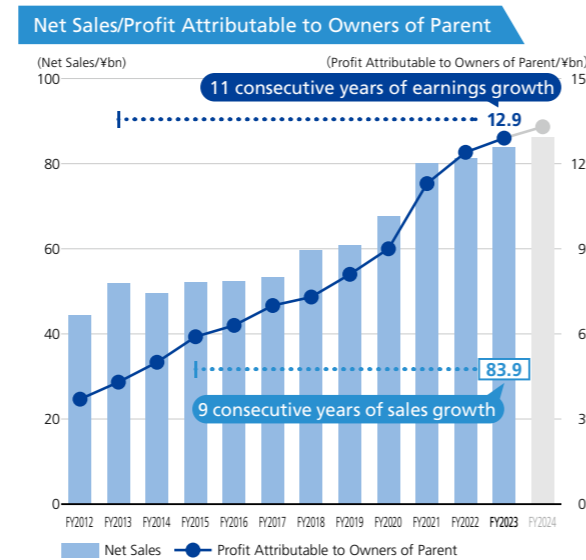


Yasuhiro Sekiguchi
Managing Director, CFO

Review of Performance

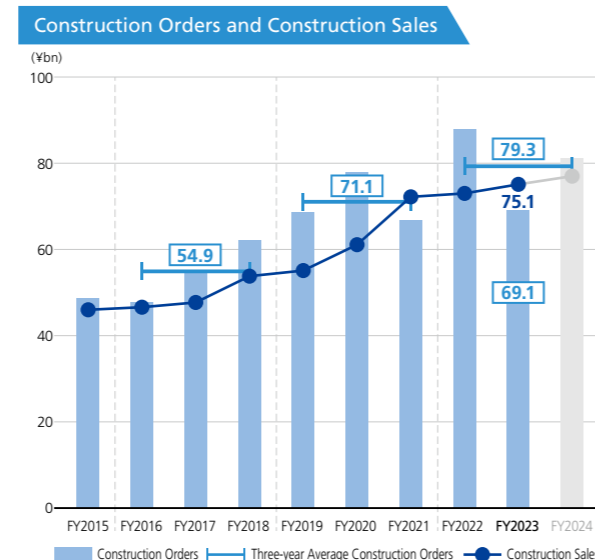
Sales and earnings increased for the ninth consecutive year in FY2023. Sales increased by 3.4% to ¥83,924 million. The main reasons are the steady progress of large projects and higher sales of expansion joints, couplings, and other construction materials. Regarding profit, in addition to the increase in sales, we were able to maintain a high gross profit margin of 28%, so profit attributable to owners of parent increased by 4.2% to ¥12,887 million. However, due to a decrease in orders for large-scale repair work from expressway companies, orders received decreased by 18.9% from the previous year to ¥77,945 million. Looking back at the past two years of the Medium-term Business Plan (from FY2022 to FY2024), the two-year cumulative orders received are regarded as having generally been in line with our plan, given respect to the visible fluctuations depending on the status of orders for large-scale projects. Furthermore, the progress of every three-year average orders in the past shows that we are steadily upgrading our ability to capture orders. Construction sales have been about the same as in our plan in each fiscal year but sales of construction materials were lower than planned mainly because the impact of the COVID-19 pandemic made it difficult to expand our overseas operations as initially planned. Operating profit and profit attributable to owners of parent have both surpassed the plan's goals for two consecutive years. Moreover, our construction gross margin has been above 26% for two consecutive years. Rigorous management of the construction cost and the ability to receive additional orders for design changes, which is

due to our advanced technologies and construction management skills, are the main reasons for this high profitability.



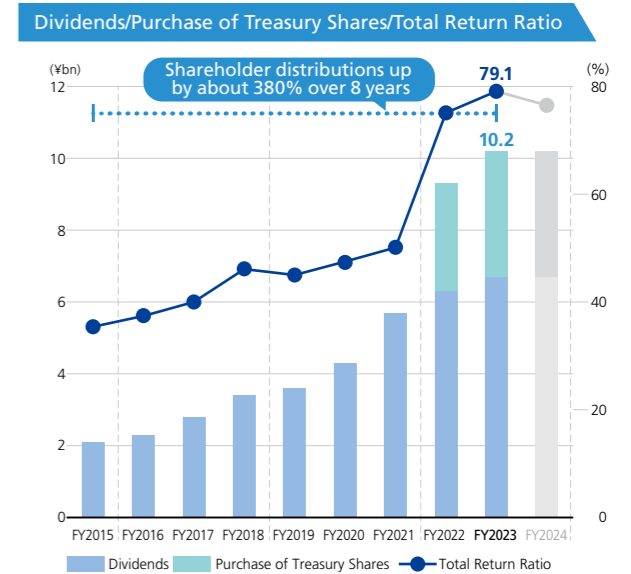
Cross-shareholdings

As a rule, the SHO-BOND Group does not purchase or hold the stock of suppliers and other business partners with the exception of cases when purchasing and holding stock helps in conducting business operations efficiently, maintaining and strengthening business relationships, and thereby contributing to the medium- to long-term growth of corporate value. When a company that holds our stock as a cross-shareholding notifies us of the intention to sell this stock, we will never make any attempt to stop this sale. In the past two years, we have sold cross-shareholding stock totaling ¥1,096 million based on market value. As a result, the number of stocks we cross-hold decreased from 22 to 19. In FY2024, we plan to sell an extra ¥500 million in cross-shareholding stock.



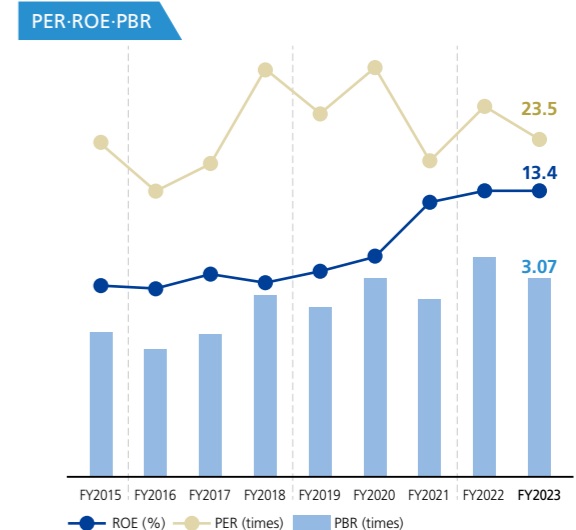
Shareholder Returns

Distributing earnings to shareholders is one of our highest priorities. The basic policy is to pay a dividend consistently that is based on the results of operations. The dividend for FY2023 was ¥127 per share, with a 52.1% payout ratio, which includes a ¥5 commemorative dividend for the 65th anniversary of the establishment of SHO-BOND CORPORATION. We have increased the dividend for 14 consecutive years. After adding the purchase of treasury shares for about ¥3.5 billion, the total return ratio was 79.1%. Over the eight years since FY2015, when we announced a policy of raising the dividend payout ratio by 2.5% every year, shareholder distributions have increased by approximately 380%. In FY2024, the planned dividend payout ratio is 50% and the purchase of treasury shares will be ¥3.5 billion, which will bring a total return ratio to more than 75%.



Capital Policy

Among several indicators of corporate value, the Group conducts management with PBR in mind. PBR is described as the product of PER and ROE. The PER of our company rose to 28.5 in FY2020 because of the growth of Japan's infrastructure maintenance market and the increase of SHO-BOND's sales and earnings. At the end of June 2023, PER is approximately 23. When reviewing our capital policy in line with the Medium-term Business Plan, we establish the goals for ROE after conducting thorough studies from various perspectives to ensure a proper balance among shareholder returns, investments for growth, and the equity ratio, while also considering movements in the PER. According to the residual income model, a high PBR can be sustained by maintaining an equity spread (the difference between ROE and the cost of equity). We focus on reducing the cost of equity by enhancing the visibility of our business operations for shareholders and other investors through proper disclosure of financial and non-financial information, as well as conducting sufficient IR activities.



Building a Base for the Next Medium-term Business Plan

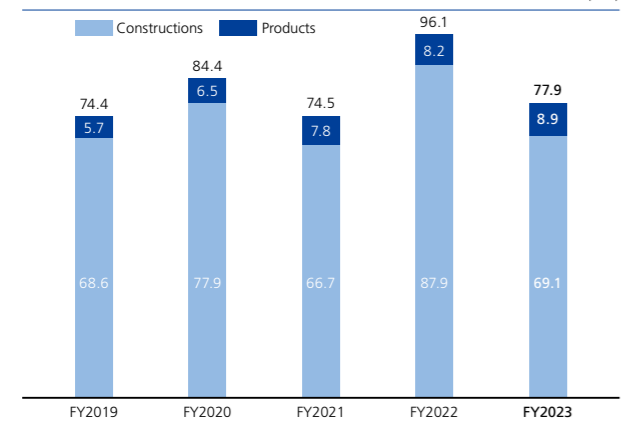
The enactment in May 2023 of the Amended Act on Special Measures concerning Road Construction and Improvement extended the end of the collection of expressway tolls in Japan from 2065 to as far away as September 30, 2115. Toll revenue will be used for repair and renewal works including the upkeep of aging highways and expanding expressways to four lanes. According to the Ministry of Land, Infrastructure, Transport and Tourism, expressway repairs and improvements between now and 2115 will cost an estimated ¥8,300 billion. This does not include the cost of the large-scale renewal and repair projects now underway by Japan's expressway companies. Meanwhile, Amendments to the Basic Act on National Resilience were approved in June 2023 in the Diet, in which the main content is to legalize the formulation of the “Medium-term Action Plan for National Resilience.” It means the efforts to build national resilience will be promoted continuously and stably, even after the Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience that will end in 2025 with a budget of about ¥15,000 billion. Furthermore, details and scale of particularly necessary measures are included in the “Medium-term Plan for National Resilience,” making it

possible to secure a budget for multiple years, similar to the current five-year plan. Demand for infrastructure maintenance in Japan is certain to continue for many more years because of these amendments and other activities. In the next Medium-term business plan, we would like to strengthen our “sustainable earning power” by leveraging the accomplishments of business strategies and foundation reinforcement in the current Medium-term (from June 2022 to June 2024). At the end of July 2023, SB&M, which is owned by SHO-BOND and MITSUI & CO., LTD., made an investment in U.S. infrastructure repair maintenance company Structural Technologies, LLC. SHO-BOND plans to use this partnership for the introduction of its broad range of proven maintenance technologies into the United States, where deterioration of infrastructure is becoming a serious social issue. The Group also has a jointly-owned company in Thailand. Measures, such as organizational change, are now being considered for strengthening overseas operations in order to catch up after the slowdown caused in part by the pandemic.

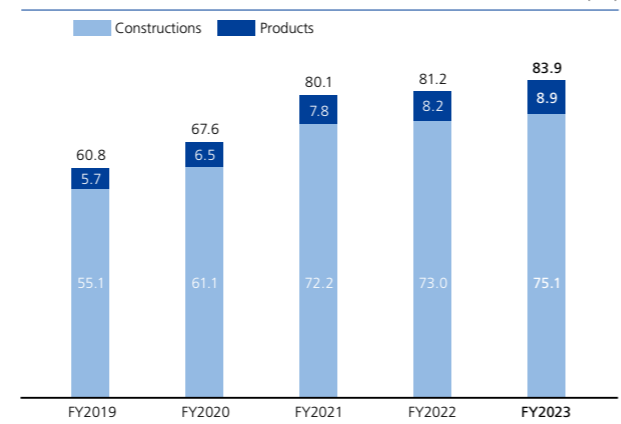
Financial and Non-financial Highlights

Financial

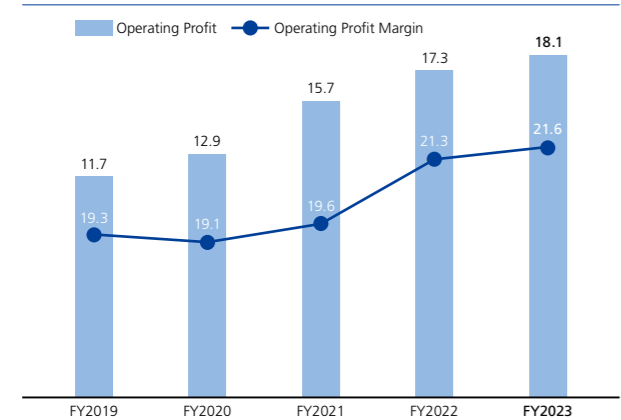
Orders



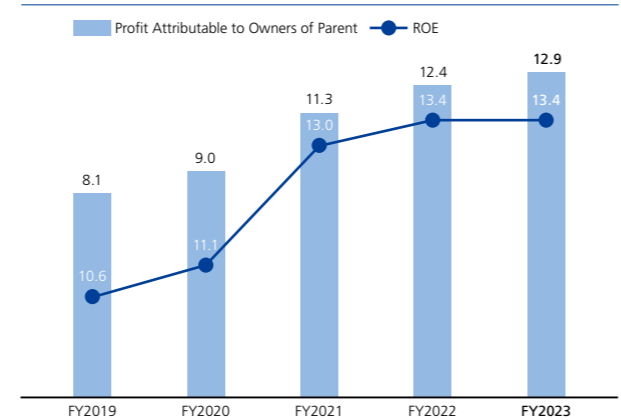
Net Sales



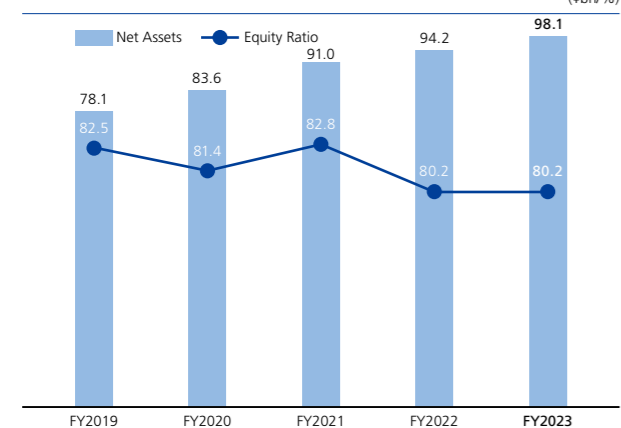
Operating Profit / Operating Profit Margin



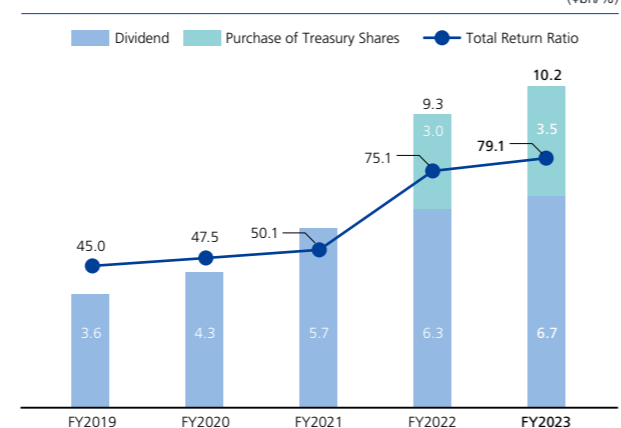
Profit Attributable to Owners of Parent / ROE



Net Assets / Equity Ratio

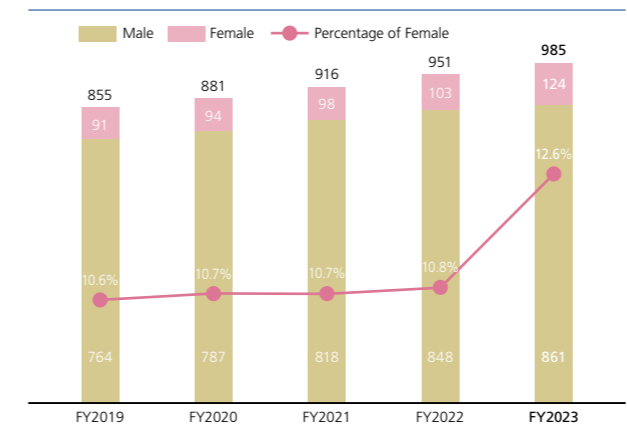


Dividend / Purchase of Treasury Shares / Total Return Ratio

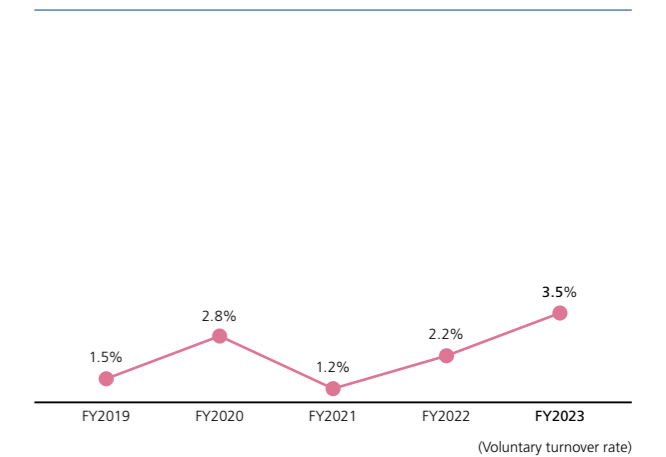


Non-financial

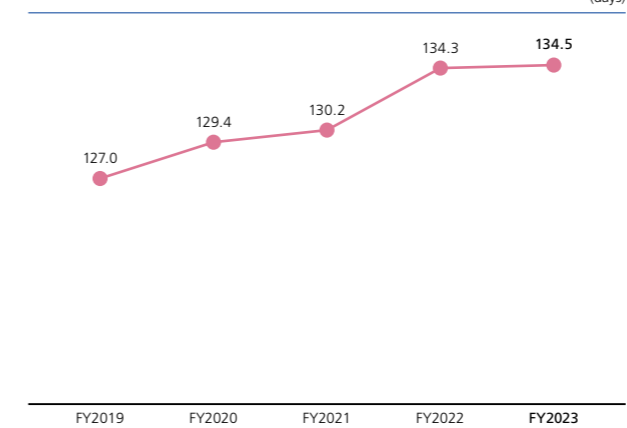
Number of Employees



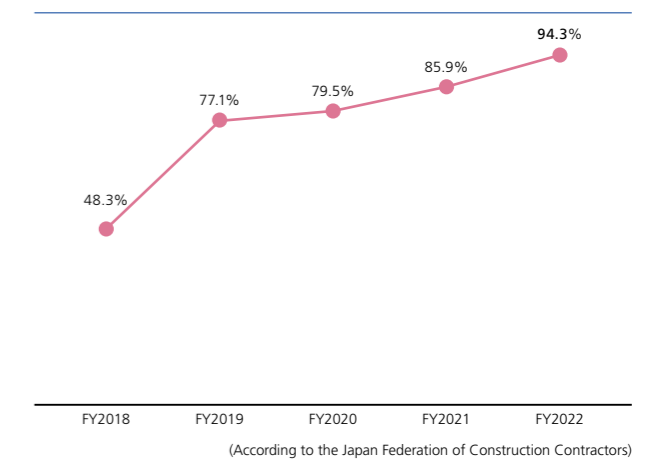
Turnover Rate



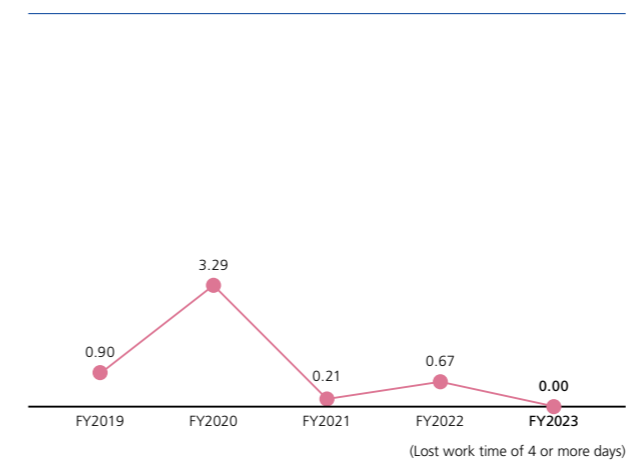
Average Annual Days Off



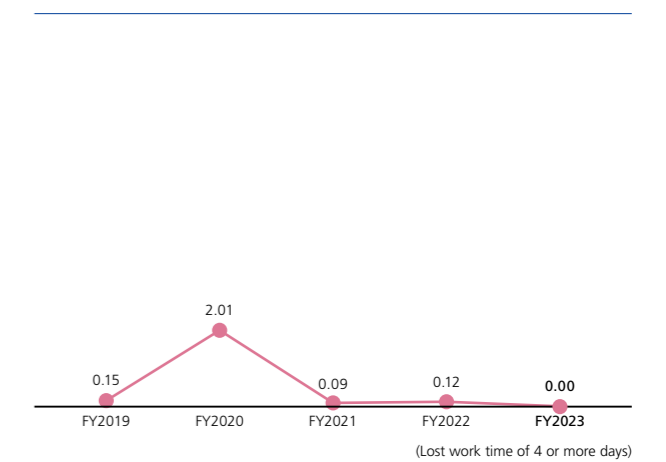
Percentage of Construction Sites where "8 Days Off in 4 Weeks" is Achieved



Lost Time Injury (LTI) Frequency Rate



Lost Time Injury (LTI) Severity Rate



Marketing and Sales Division

Accomplishing the goals of the Medium-term Business Plan is the primary objective of this division. Our main activities are planning and implementing strategies for capturing orders for the whole Group while working with in-house companies.

One of our priorities is the receipt of large orders involving the Expressway Renewal Project. Maintaining a relatively consistent level of quarterly construction sales is another goal. This requires the proper overall balance of orders while receiving small and midsize orders from national and local governments concerning the policy of Building National Resilience. I believe the business climate for new orders will be favorable in FY2024, with some variations among different regions of Japan. We will continue to be selective about the orders we receive by emphasizing profitability while optimizing the assignments of engineers as needed. We will also take on new challenges involving technological advances and diversification of types of work in the field of infrastructure maintenance. Activities are aimed at upgrading our technologies and our construction capabilities as well as the skills of our people. Another key role of this division across the organization is digital transformation initiatives for building an even stronger base for our business operations and managing construction sites more efficiently.



Takayasu Shimada

Director of Business Strategies,
SHO-BOND Holdings Co., Ltd.
Managing Director and General Manager of
Marketing and Sales Division,
SHO-BOND CORPORATION

Risk and Opportunity in the Japan Construction Business

[Risk factors]

- Shortage of construction workers due to Japan's falling population
- Risk involving accidents and other aspects of safety
- Quality management risk involving defects and other problems
- Intense competition for orders in the Expressway Renewal Project

[Opportunities]

- Growing demand for long-life construction due to accelerated measures to address aging infrastructure.
- Growing demand for reinforcement due to the greater severity and frequency of natural disasters
- Increasing importance of infrastructure preventive maintenance technologies

Strengths

- Comprehensive infrastructure maintenance capabilities from a broad range of perspectives
- Accomplishments spanning 65 years as a specialist in the field of infrastructure maintenance
- Construction skills and technologies available to provide the best methods for repairing various types of damage

Materiality



Activities of the Marketing and Sales Division reinforce the comprehensive maintenance system by utilizing the strengths of the entire organization of the SHO-BOND Group. In addition, digital technologies are improving the efficiency and productivity of on-site management.

Major Activities

For large-scale construction projects of ¥2 billion or more, the Large-Scale Construction Management Committee conducts pre-order examinations within the Group. The approaches to using a JV and challenging projects are also discussed. In FY2023, orders were down significantly, partly due to a decline in bridge repair work from some expressway companies. Despite this downturn, there was a construction gross profit mainly because of the receipt of additional orders caused by a large volume of design changes at ongoing projects.

In FY2024, we will work on complex construction and JV projects while maintaining our selective stance regarding new orders, aiming to achieve our construction order plan of ¥81 billion. I believe the key to accomplishing this goal are effective information acquisition and optimized resource allocation.

To motivate employees to develop innovative materials and increase sales, we have established several award systems. In addition, we have built integrated sales channels within the Group to maximize sales of construction materials.

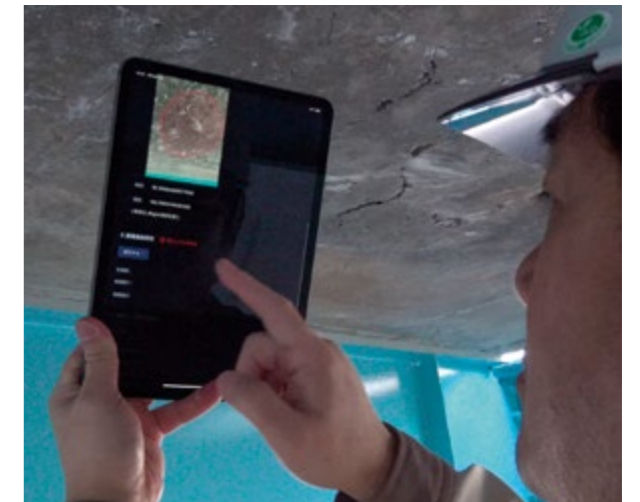
Digital Transformation Activities

The DX Promotion Office was established within the Marketing and Sales Division in 2021 to keep up with the rapid speed of digitization. Leading and supporting cross-departmental digitization to increase the efficiency of construction site management and strengthening the base for business operations are the main roles of this office.

A Stronger Foundation

Activities of the DX Promotion Office are centered on the effective utilization of data accumulated within the Group and the use of AI. The development of *AI Shindanshi*, an AI system that reproduces the advanced deterioration diagnosis technology of the Group's engineers, was finished in FY2022. In the future, SHO-BOND hopes to use *AI Shindanshi* to help local governments, private-sector companies, and organizations in other countries that have a shortage of engineers to place construction orders.

Data science and AI programming training programs are helping to increase the speed of the digital transformation at the Group.



Using *AI Shindanshi* at a job site



An example of an *AI Shindanshi* display



Events in other countries to explain *AI Shindanshi*'s features

Higher Efficiency to Respond to the New Overtime Restrictions

Starting in April 2024, construction companies in Japan will have to comply with a limit on overtime working hours. In the construction industry, companies are using IT to manage construction sites more efficiently. This will require verifying and using new software as well as developing applications specifically for the characteristics of the infrastructure maintenance business.

Space is extremely limited at infrastructure maintenance job sites because work must be done in tight spaces at a diverse array of existing structures. Furthermore, this type of work is characterized by constantly changing processes for completing projects. As a result, the use of machines and unified work processes is usually not practical. At the Group, the digital transformation does not entail large-scale initiatives like automated construction work and urban OS (a platform for data). The objective is to create a unique-style of the digital transformation that unifies the common parts of various sites of SHO-BOND.

East Japan In-house Company

During the current Medium-term Business Plan, our central goal is to build a robust foundation for the future to become a company that can keep pace with changes in the business climate. Under this basic policy, we have established and are pursuing a business strategy named "Triple P": (1) large-scale projects (Projects), (2) unified actions throughout our company (Policy), and (3) education and training programs (Progress). We will leverage our technologies and aim for more progress that connects to future generations.

One aspect of these activities is joint ventures with bridge manufacturers to take on large expressway projects. This collaboration started in the Tokyo area and has been producing benefits. We plan to expand collaboration activities to the Tohoku region next. Progress will require a construction framework and technologies capable of handling large projects. The employees of partner companies are receiving construction management training at SHO-BOND's Tsukuba Training Center. In addition, we will increase the emphasis of R&D activities on improving the efficiency of construction processes and the quality of our work.



Noriyuki Hosaka

Senior Managing Director and General Manager
of the East Japan In-house Company,
SHO-BOND CORPORATION

Major Activities

Recruiting and training people from other countries is an important part of "Triple P" activities concerning education and training programs. There are currently five non-Japanese employees at the East Japan In-house Company. They are assigned to three departments including construction, sales, and technology, with the expectation to cope with future changes in the business environment and play wide range of important roles, including in Japan and overseas.

An order for maintenance of the Tengu Bridge on the Tohoku Expressway received by a SHO-BOND joint venture with a bridge manufacturer demonstrates the benefits of measures taken for large-scale projects. The project involves a rigid frame bridge with V-shaped piers in a mountainous location. We are making the best of

our technical skills and know-how to meet the demands of seismic reinforcement to preserve the attractive profile of the bridge and ensure the ease of subsequent maintenance work.



Non-Japanese employees



The Tengu Bridge on the Tohoku Expressway

Topic

The East Japan In-house Company has a strong commitment to R&D to improve construction site efficiency and quality. One highlight is the development of a temporary support jack with a movement restriction function, resulting from cooperation between job site personnel and the Technical Research Institute. The jack is used to replace bearings between the piers of a bridge and its deck. This innovation greatly reduces the risk of a bridge deck collapse in the event of an earthquake during the jacking process. Furthermore, construction is faster and less expensive because several bearings can be replaced simultaneously. Increasing the use of this jack is expected to further differentiate SHO-BOND from competitors.

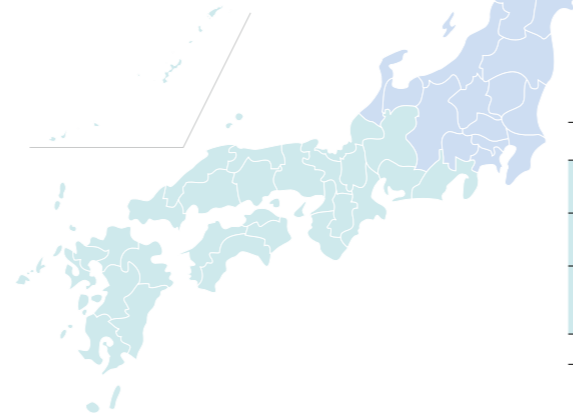


An installed jack featuring a movement restriction function

	SHO-BOND CORPORATION	Group Companies
Kita-Nihon Regional Office	Hokkaido Branch / Minami-Tohoku Branch / Kita-Tohoku Branch	TOHOKU KAKO CORPORATION
Shutoken Hokuuriku Regional Office	Tokyo Branch / Chiba Branch / Kanto Branch / Hokuriku Branch	KAKO CORPORATION / KANTO KAKO CORPORATION / YOKOHAMA KAKO CORPORATION / NIIGATA KAKO CORPORATION / Kyna-Tech
	7 branches	6 group companies

Overview of East Japan In-house Company

The East Japan In-house Company consists of the Kita-Nihon Regional Office and Shutoken Hokuuriku Regional Office. The operations of the regional offices include KAKO-Group companies and the Shutoken Hokuuriku Regional Office also encompasses Kyna-Tech. Overall, this company is responsible for operations in Hokkaido, Tohoku, Kanto, and Hokuuriku. Sales in FY2023 were ¥38.2 billion and there were 405 employees as of the end of June 2023.



West Japan In-house Company

West Japan In-house Company is now in its fourth year of operation. Initially, our primary goal was fully utilizing the advantages of the in-house company structure to improve order management and organizational operations to handle even larger projects. Today, we are investing in human resources with emphasis on "maintaining growth," "strengthening our base," and "educating employees." I believe that creating and providing more pleasant and productive workplaces for each employee will strengthen our base of operations and lead to further growth.

Large-scale orders from expressway companies are regarded as a project for the entire in-house company. These projects require an optimal construction framework and staffing. To accomplish this and provide outstanding quality, we will coordinate closely with deployment technicians and partner companies, regardless of the jurisdictional areas of the three branch offices.



Tsuyoshi Koga

Senior Managing Director and General Manager
of the West Japan In-house Company,
SHO-BOND CORPORATION

Major Activities

Human resource investments are one of the highest priorities of West Japan In-house Company. Training programs and support for earning professional qualifications are two major activities. Training by senior employees in various fields is conducted face-to-face and online to achieve a better understanding. For qualification-earning support, we have designed a system that allows employees to receive support and help from individuals who have passed the exams already.

This method enhances the motivation of both sides and contributes to the advancement of the whole Group as well.

Furthermore, we aim to create a culture of safety with our partners by sending employees from SHO-BOND and partner companies to the Tsukuba Training Center to improve each other's safety awareness and technical skills.

Topic

The West Japan In-house Company held its first symposium for women in administrative positions. Participants came from the three regional offices and the General Affairs Department of the head office. Based on the results of a preliminary questionnaire, participants shared thoughts about working more efficiently, dealing with various issues, working styles and career paths for women, and other subjects. There was also an opportunity to talk with the in-house company general manager. Participants reported learning about the operations of other offices and changing their thinking about career advancement after listening to the general manager and the female General Affairs Department manager. More of these activities will take place to enable women to realize their full potential and career goals.



The symposium for women in administrative positions

Overview of West Japan In-house Company

The West Japan In-house Company has three regional offices (Chubu, Kinki, and Nishi-Nihon) and each office is affiliated with KAKO-Group companies. Operations cover south and west Japan. Sales in FY2023 were ¥36.2 billion and there were 393 employees as of the end of June 2023.

	SHO-BOND CORPORATION	Group Companies
Chubu Regional Office	Nagoya Branch / Shizuoka Branch	CHUBU KAKO CORPORATION
Kinki Regional Office	Osaka Branch / Kyoto Branch / Kobe Branch	KANSAI KAKO CORPORATION
Nishi-Nihon Regional Office	Chugoku Branch / Shikoku Branch / Kyushu Branch	CHUGOKU KAKO CORPORATION / SHIKOKU KAKO CORPORATION / KYUSHU KAKO CORPORATION
	8 branches	5 group companies

Engineering Division

The roles of this division are collecting information about infrastructure maintenance technologies, developing new technologies, and overseeing the activities of technology units throughout the SHO-BOND Group.

Constantly upgrading the technological skills of employees is essential as the Group takes on projects that are even larger and more complex. Advances are backed by measures for the fusion of existing technologies at the Group and digital technologies through digital transformation. I think the Digital Transformation Technology Committee, which was formed two years ago, is steadily producing benefits in terms of improving the technical level of employees. The development of new technologies takes place mainly at the Technical Research Institute. We are creating organic/inorganic materials and innovative construction methods in which these materials are utilized while targeting the needs of job sites. We also aim for the realization of a decarbonized society through our unique technological development activities.



Hiroshi Takemura

Director, General Manager of Engineering Division,
and Director of Technical Research Institute,
SHO-BOND CORPORATION

Strengths

- Combining chemical and civil engineering technologies to create new technologies
- Construction methods and materials specialized in repair and reinforcement
- Accumulated technological development capabilities and knowledge centered on the Technical Research Institute

Materiality



Starting with the unique perspective of the fusion of chemical and civil engineering technologies, the Engineering Division utilizes 3D technology, AI, and many other advanced technologies. All activities have the goal of more efficient construction processes and higher productivity throughout the Group. The division has started programs involving the SDGs, such as research involving environmentally responsible organic materials.

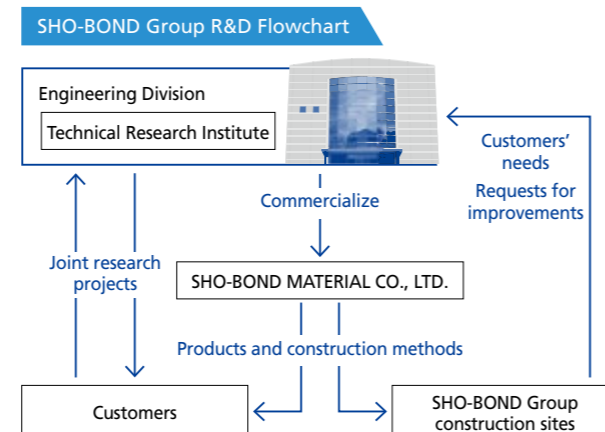
Major Activities

The scale and technological complexity of infrastructure maintenance work is increasing in Japan as progress continues with the Expressway Renewal Project. To perform this type of work even better, SHO-BOND established a committee to study and review how to deploy digital technology in the infrastructure maintenance field and started a program where employees can learn 3D CAD, finite element method (FEM) analysis and other advanced skills to raise the technical skills of all employees and improve productivity. Next, we plan to learn how to improve construction planning and management using 3D point cloud data, AR, VR, and other technologies, as well as FEM nonlinear analysis. At the same time, programs for earning professional qualifications have been strengthened. There are also many types of training programs for mid-career and young employees, female engineers, and other categories of employees.

For the deployment of AI, we developed a system called *AI Shindanshi*, which is an AI diagnosis system incorporating AI that can help engineers without maintenance knowledge check the level of degradation of concrete structures. In the future, we will develop other AI assistant tools for engineers at job sites.

In addition, by cooperating with the Technical Research Institute, we are developing DIY construction methods and materials that allow

property management personnel and others at local governments and companies to perform small repairs on their own.



SHO-BOND Innovations

Labor-Saving Surface Coating Method Using Water-Based Resin (NEO LINER EX METHOD)

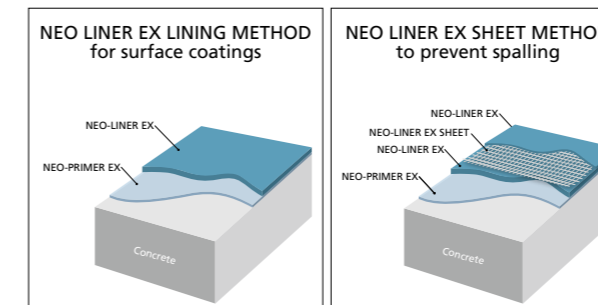
The corrosion of rebar and degradation of concrete, causing pieces to fall off, are problems with the aging infrastructure constructed in Japan during the rapid economic growth period. Over the years, surface coating and spalling-prevention methods have been used. However, the numerous and time-consuming steps required by these processes make them unsuitable for bridges and other locations with time restrictions. A new method that can be completed faster was needed.

SHO-BOND responded to this challenge by creating a revolutionary labor-saving coating method with fewer than half the steps required by conventional methods. Moreover, the use of the same substance for surface coatings and spalling prevention reduces the amount of unused and discarded materials. Using a weather-resistant water-based resin (NEO LINER EX), that can integrate an intermediate coating and top coating, shortens the process. This method is also environmentally friendly because it reduces odors and volatile organic compound (VOC) emissions.

This new coating method has much potential as a technique for extending the lives of concrete structures in a labor-saving and environmentally responsible manner.



Application of SBLN GEL on a concrete structure

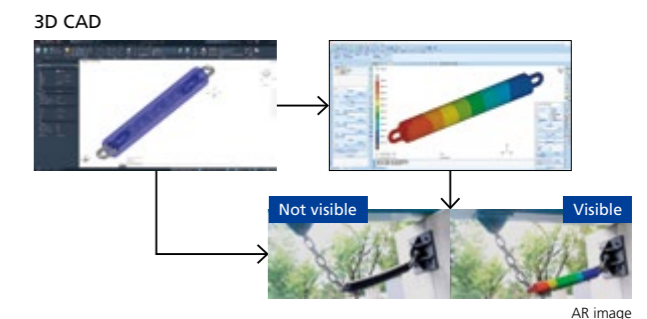


Augmented Reality (AR) for More Efficient and Labor-Saving Construction Management

As the digital transformation of the infrastructure sector advances, the Ministry of Land, Infrastructure, Transport and Tourism made the use of building/construction information modeling (BIM/CIM) mandatory in the 2023 fiscal year. As the use of BIM/CIM grows, almost anyone at a construction site will soon be able to easily read blueprints and other drawings. At the Group, technicians are using 3D scanners to measure structures, generate point cloud data as polygon mesh models, and create 3D data of fabricated parts to be installed on existing structures. By displaying these data on-site using AR technology, we can make construction management tasks more efficient. For example, AR display at construction sites makes it possible to confirm if different materials are interfering with each other and to simulate the transportation of manufactured parts. In repair and reinforcement projects, where the placement of large materials and items with complex shapes at the construction site is often required, AR simulations conducted before the actual work are very helpful. AR displays that include results of FEM analysis give job site personnel a picture of how installation parts will function. Displays also provide visualization of tasks requiring caution during construction to make everyone aware of the need for safety measures.

Thickener Permeable Rust Prevention Agent for Rebar (SBLN GEL)

Less than 10 years from now, more than 60% of the highway bridges in Japan will be at least 50 years old. Maintenance for a longer life is urgently needed. As one way to meet this need, SHO-BOND developed SBLN GEL, a thickener permeable rust prevention agent containing a large amount of lithium nitrite, which is effective at preventing the rusting of rebar. The gel-like substance can be simply applied to concrete. SBLN GEL then soaks into the concrete, resulting in a large volume of lithium nitrite reaching the rebar quickly. Corrosion of the rebar can be prevented for a long time, even in concrete structures vulnerable to salt damage and carbonation. SBLN GEL received building construction technology certification from the Japan Construction Information Center (JACIC) in March 2023. There are expectations for this new technology to play an important role in extending the lives of many buildings and civil engineering structures.



Construction Division

This division is responsible for working with the regional offices that manage construction sites to continue making improvements to the quality of our work and safety at these sites. Construction staff assigned to construction sites are more than half of the 985 employees of the SHO-BOND Group. These people perform the critical role of interacting directly with customers to complete projects that meet customers' expectations and generate earnings for the Group.

Construction know-how acquired over many years of performing small repair and reinforcement projects is a major strength of SHO-BOND. As a specialist in maintenance, we have decades of experience with earning a suitable profit from performing small jobs. This gives us a corporate culture that differs greatly from those of other construction companies. Construction projects have been becoming larger and longer year after year. Nevertheless, small jobs are at the heart of repair and reinforcement work. We are utilizing the expertise we acquired from these jobs to maintain a high profit margin as we handle many large projects. I want to be certain to pass this distinctive tradition on to our young engineers to maintain and strengthen our competitive edge as a leader in the field of repairs and reinforcement.



Tsuneyuki Ashizawa

Senior Executive Officer,
General Manager of Construction Division,
and Director of Tsukuba Training Center,
SHO-BOND CORPORATION

Strengths

- A strong team of engineers capable of earning profits from even small projects
- Large network of partner companies with experienced people covering a diverse array of construction skills
- Close relationship with factories that fabricate steel components one by one to match the requirements of individual projects
- Low cost of construction by performing projects requiring specialized skills without using subcontractors

Materiality



The Construction Division uses expertise accumulated over many years as a specialist in infrastructure maintenance to create construction plans that are safe and efficient. In addition, we perform special construction internally and use other strengths to hold down the cost of construction and raise productivity. Our mission is to use the best methods for maintenance and repair projects of all sizes, from large expressway bridges to small pedestrian bridges, to contribute to the development of sustainable cities.

Major Activities

All companies of the Group place priority on passing on repair and reinforcement technologies backed by many years of experience to the next generation of construction engineers. The Tsukuba Training Center offers many types of training programs for newly hired employees, partner company employees and others. In FY2023, we conducted more than 100 training programs. Successful repair and reinforcement work requires the efficient planning and execution for small projects. Giving engineers the skills to carefully plan and construct each stage of a project and make it profitable will lead to the efficient management of large-scale construction projects. Furthermore, as many employees are assigned to large projects, each person's role must be clearly defined. The site manager is responsible

for the oversight and guidance of younger engineers. To pass on construction skills efficiently, education programs are customized to match specific projects. Cost reduction in repair and reinforcement projects is another priority. One way is to perform internally specialized construction methods for repair and reinforcement tasks. Furthermore, we analyze a broad range of construction processes to determine cost-reduction methods for each one that can be used throughout the Group. For example, the group company Kyna-Tech makes it possible to perform work requiring high-pressure water jets internally. Furthermore, we will use IT tools more widely to increase efficiency and productivity, as well as to comply with the upper limit on overtime work in construction industry that will begin in April 2024.

SHO-BOND Construction Sites

Replacement of Bridge Bearings

Bearings are a vital component of bridges that link the deck of a bridge with its piers. Timely replacements are essential because the potential inability of old bearings to withstand a major earthquake could cause a bridge to collapse. For safety, replacements must be done in accordance with an earthquake-resistant plan. To replace bearings without disrupting traffic on a bridge, work must be performed safely while raising the deck using jacks and other equipment. Projects of this type require highly advanced skills.



A bridge with new bearings in place



One step of the bridge-bearing replacement process

Prevention of Concrete Spalling

As concrete ages, water, salt and other substances can seep in through cracks, causing corrosion and expansion of rebar within the concrete. If nothing is done, this can result in an accident when chunks of concrete fall off. The Group has performed a large number of projects that involve the application of sheets to prevent this problem.



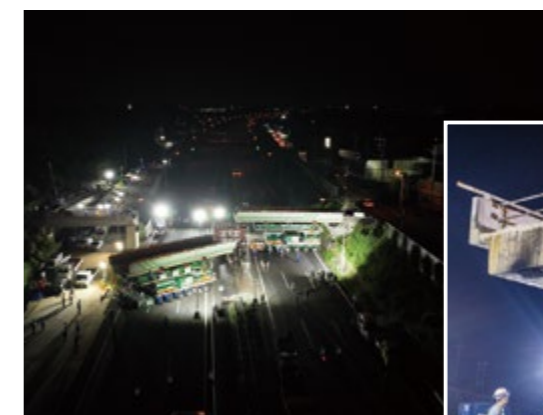
Applying a sheet to prevent chunks of concrete from breaking off and falling



A section of spalling concrete

Removal of Old Bridges

Of the enormous number of expressway overpasses in Japan, many were built more than 50 years ago and retrofitting is needed for safety during an earthquake and other reasons. In some cases, overpass bridges that are no longer needed are removed instead. The SHO-BOND Group uses its infrastructure repair and reinforcement technologies to dismantle and remove these bridges safely and efficiently.



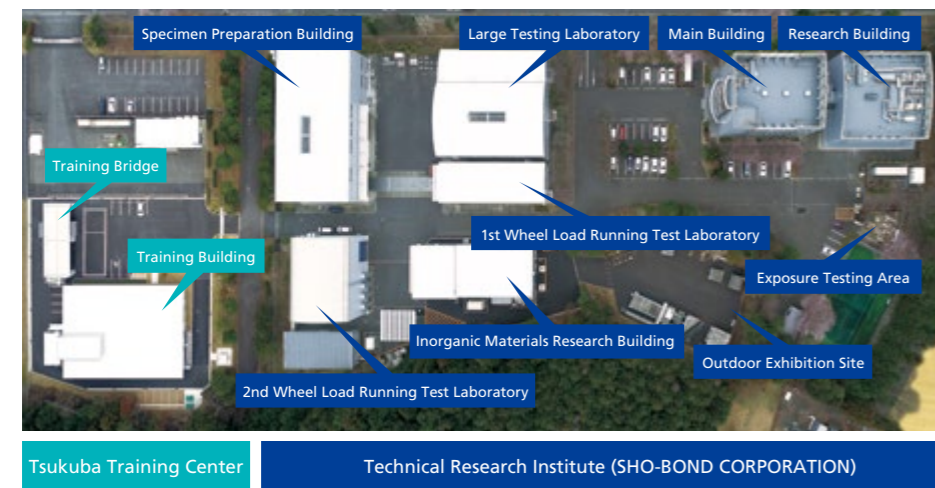
Removal of an expressway overpass bridge

Technical Research Institute

Overview of Technical Research Institute

The SHO-BOND Group has contributed to society through the research and development of its own repair technology, believing that the combination of chemical and civil engineering technologies is important for effective infrastructure maintenance. Technical Research Institute played a central role in this effort. In 1996, the year after the Great Hanshin-Awaji Earthquake, SHO-BOND opened its third research laboratory (with a site area of approximately 22,000 m²) in Tsukuba Science City. We named the institute the Technical Research Institute based on the philosophy of raising repair skills to the level of scientific research. The institute focuses on clarifying the mechanisms

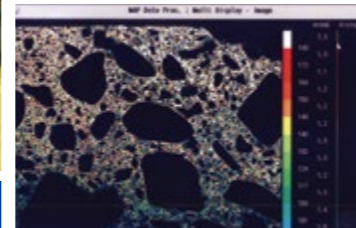
of structural deterioration and damage, improving fatigue durability against large vehicles, and researching and developing effective reinforcement technology for earthquake disasters. The research facility specializing in the repair and reinforcement of structures and equipped with a lot of state-of-the-art equipment is unique in Japan, and many materials and construction methods developed have been adopted as standards for repair methods. The research staff consists of researchers with backgrounds in chemistry (organic materials) and civil engineering (inorganic materials and structures).



Aerial view of the Technical Research Institute and Tsukuba Training Center



Wheel load running test



Example of EPMA analysis

Various Research and Development Themes

In recent years, we have been working on the following research and development themes:

- A transparent concrete spalling prevention method that uses a single pack (pre-mixed) resin which is easy to use and has low cost and outstanding workability
- Development of a surface thickening method combining a permeable water resistance material, an adhesive, and low-elasticity latex-modified fast-curing concrete (CPJ-L)
- Wheel Load Running Test is conducted to confirm the fatigue durability of bridge deck slabs after significantly thickening their surfaces, which have been weakened by years of heavy vehicle traffic

In addition to these themes, we are constantly conducting research and development on several other themes.

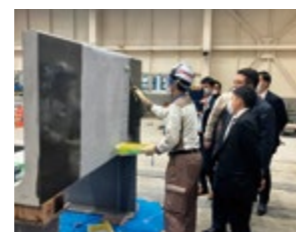
In February 2022, the Institute received the Special Award at the First Infrastructure Maintenance Awards from the Japan Society of Civil Engineers (JSCE) for its longstanding research and development activities that have contributed to the development of infrastructure maintenance.



CPJ-L demo attended by customers



Wheel Load Running Test attended by customers



NEO-LINER EX demo attended by customers



Received the Special Award at the First Infrastructure Maintenance Awards from JSCE

Tsukuba Training Center

Motivation for Establishment

Providing Learning Opportunities Based on Practical Training

Recently, a wide variety of structural repair methods, including preventive maintenance, anti-deterioration, seismic reinforcement, and component replacement methods have been developed. Materials have also become diverse, including concrete, steel, resin materials, and new materials such as aramid and carbon fiber. Familiarity with these methods and materials is essential to ensure construction quality. In addition, the Group's abundant proprietary methods and materials are valuable assets, and we consider it an important task to ensure that these technologies are passed on to the next generation. In order for all employees to master these technologies, we decided that a full-scale training center would be necessary because the existing classroom lectures and on-the-job training at construction sites were insufficient. For these reasons, in October 2021 we established the Tsukuba

Training Center with an area of approximately 5,000m² near the Technical Research Institute.



Full view of Tsukuba Training Center

Concept of the Facilities

The concept of the facilities is to provide classroom lectures on the intention of adopting each construction method and material, points to note in construction, safety, and others, and then to provide practical training during the training period to consolidate the knowledge. With an eye on training not only for our employees but also for employees of domestic and overseas partner companies that have little experience in repair work, we use the same repair objects and materials in the practical training as those at the construction site so that they can experience the feeling of the site. The main facilities are a seminar room, a construction training room, a safety training room (with a real scaffold, mannequins, danger experience equipment, and VR danger experience equipment), and a full-scale training bridge (a two-span simply supported three I-girder bridge).



Training bridge

Overview of the Facilities

- Training building (total floor space of approx. 1,000m²)
 - Seminar room: A classroom for up to 54 participants
 - Construction training room: A seminar room where participants can learn how to handle repair materials
 - Safety training room: A seminar room where participants can experience the significance of safety activities
- Training bridge (10m x 20m)



Practical training in tightening high-strength bolts



Practical training in jacking up bridges



Practical training in making a photographic record of construction work



Practical training in installing seismic retrofitting equipment



Practical training in marking

Overview

Maintenance Technology Inc., established in 2011, is the only construction consulting company in the SHO-BOND Group. The company has sales offices in Tokyo, Nagoya, and Osaka. The workforce was 23 at the end of June 2023. The main activity is investigation, diagnosis, analysis, repair plans, and other services involving bridges,

tunnels, and other public-sector structures under requests from other construction consultants. We also measure structures, analyze resin products, and perform other services to improve the quality of work at our construction sites.

Operations

Structure measurements and 3D CAD data generation using a 3D measuring instrument

Repair and reinforcement work consists primarily of installing or replacing various materials in existing structures. Obtaining accurate measurements is often difficult because existing structures have complex shapes and narrow spaces. We use a recently developed wide-area 3D measuring instrument capable of measuring existing structures quickly and accurately. Furthermore, we also perform tasks such as converting point cloud data obtained from 3D measurements into 2D and 3D CAD formats, enabling us to check data for components in fabrication and component interference levels.



The status of measuring anchor bolt drilling positions using a 3D measuring instrument

Overview

Kyna-Tech became a wholly owned subsidiary of the SHO-BOND CORPORATION in 2016 through acquisition, as part of the Group's strategy to increase profitability and diversify its operations. The company is based in Saitama and had a workforce of 22 as of the end of June 2023. As a specialty construction company, Kyna-Tech

enhances the Group's profitability through its expertise in advanced machinery construction technology, including high-frequency core drilling and water jets. Moreover, conducting water jet construction in-house leads to cost reductions and contributes to the profitability of the entire Group.

Operations

High-frequency core drilling at concrete structure

Making anchor bolt holes using high-frequency core drilling is one of the primary activities of Kyna-Tech. When reinforcing an existing concrete structure, holes are drilled for the placement of reinforcing components to increase earthquake resistance. Kyna-Tech's high-frequency core drill can make holes up to 15 meters deep and in a direction that is not possible with conventional machinery. Furthermore, holes are made about 2.5 times faster. Another advantage is being fitted with a safety device, which eliminates the risk of damaging rebar in the concrete structure. Our outstanding technology is essential for supporting the safety and security of infrastructures.



The use of high-frequency core drilling for anchor bolt holes

SHO-BOND MATERIAL is a manufacturer and trading company that supplies a large lineup of products used in repair and reinforcement projects. The manufacture and sale of these construction materials is a key element of the SHO-BOND Group's operations along with the core construction business.

We are focusing on developing and expanding sales channels in new market sectors and getting more customers to accomplish the current Medium-term Business Plan's goal of penetrating and upgrading SHO-BOND technologies by taking on new challenges. Besides standard products, we are focusing on developing customized products to precisely meet customers' requirements, as well as developing and modifying couplings (pipe joints) to cover a broad array of needs.

The demand for structure maintenance will continue to grow. It is our mission to respond to a diverse array of needs related to emergency measures and permanent responses to aging infrastructure and intensifying natural disasters internationally and to help protect these vital lifelines by solving the issues of our customers.



Shigeru Naraoka
President and Representative Director,
SHO-BOND MATERIAL CO., LTD.

Risk and Opportunity in the Construction Materials Manufacturing and Sales Business

[Risk factors]

- High cost of energy, construction materials, and raw materials
- Damage and disruption of operations caused by natural and other disasters at factories of SHO-BOND MATERIAL and its contract suppliers
- Measures needed to cope with the restriction on overtime work concerning logistics starting in Japan in 2024

[Opportunities]

- Growing demand for extending the life of infrastructure as the pace of activities for repairing and reinforcing aging infrastructure increases
- Growing demand for reinforcement work as the frequency and severity of natural disasters increase
- Demand for environmentally friendly products

Strengths

- As a specialist in repairs and reinforcement, the company has a diverse lineup of products for many types of degradation and damage
- Group-wide development capabilities for customizing products to meet specific market demands
- Asset-light manufacturing through a Fables framework (for structural construction materials and pipe joints)
- Flexible environmental response, such as using non-hazardous organic materials and plant-based ingredients for the fabrication of products to reduce CO₂ emissions.

Major Activities

In addition to conventional products, we are also focusing on sales of new products and construction methods released in the past few years. Shipments of CPJ-L, a low-elasticity latex-modified fast-curing concrete for repairing the upper surface of concrete deck slabs, increased significantly, mainly due to highway repair work by NEXCO. In the future, we will expand the sales of CPJ-L nationwide, including the national and local governments. The Galette Sandwich Method is used to repair concrete block walls along railway lines without removing the existing wall. This reduces waste materials and accommodates restrictions on time and workspaces that are common at railway projects. An increasing number of companies have become regular users of this method, indicating that sales will continue to grow. Regarding couplings, we are working on enhancing our large-diameter couplings and increasing inventories, focusing on the need for repairing water and sewage pipes and water pipe bridges, and for emergency response after water leaks.

We are currently working on solving various challenges, such as large-scale renovation of expressways and railways, by not only developing by ourselves but also collaborating with our customers. We



A railway concrete block wall reinforced using the Galette Sandwich Method



A utility water pipe bridge using SHO-BOND MATERIAL couplings

are looking forward to the products that we plan to release in the next few years, and we aim for further growth with the Group companies.

Overview of SHO-BOND MATERIAL CO., LTD.

SHO-BOND MATERIAL CO., LTD. is a core company of the SHO-BOND Group. It was established in July 2016 by the merger of SHO-BOND Chemical and SHO-BOND Coupling and became a manufacturer and trading company that produces and sells resin products, construction materials, and couplings.

Overseas Businesses



SHO-BOND & MIT Infrastructure Maintenance Corporation

SHO-BOND & MIT Infrastructure Maintenance Corporation (SB&M) will leverage the synergy between SHO-BOND's technological capabilities and MITSUI & CO., LTD. (MITSUI)'s network and business development capabilities to provide solutions for infrastructure and private-sector facilities in Japan and overseas, build and develop a new business foundation for the SHO-BOND Group and promote activities that create a safe and secure society.

Risk and Opportunity in Overseas Businesses

[Risk factors]

- Country risk due to economic and political instability
- Uncertainty involving laws and regulations and logistics for shipments of products
- Rising cost of materials and exportation and uncertainty about foreign exchange rates
- Cost competition with local companies and other entrants

[Opportunities]

- Increasing public awareness worldwide of the need for maintenance of aging infrastructure
- Joint activities with other Japanese companies for the dissemination of infrastructure technology proven in Japan
- Growing need for protection against earthquakes, floods, and other natural disasters around the world

Strengths

- The technology development capacity of the SHO-BOND Group for the development and modification of construction methods and products to match the requirements of specific countries and regions
- The global business network and overseas development and management capacity of MITSUI, in 63 countries and 128 business sites

Major Activities

SB&M was established in April 2019 with a 51% stake in SHO-BOND and a 49% stake in MITSUI, with the aim of "creating a sustainable infrastructure society in Japan and overseas with the technology of SHO-BOND." By leveraging the resources of the SHO-BOND Group and MITSUI, in November 2020, we established a joint venture CPAC SB&M Lifetime Solution Co., Ltd. (hereinafter referred to as CPAC SB&M) with a local company in Thailand, and in July 2023, we invested in a U.S. infrastructure repair maintenance company Structural Technologies, LLC (hereinafter referred to as ST). Currently, we are developing infrastructure maintenance business in the ASEAN region and the United States, with the two bases in Thailand and the United States. In addition to supplying construction materials for JICA projects in the ASEAN region and providing on-site construction guidance by our engineers, as part of JICA's international cooperation, we accept trainees from overseas at the SHO-BOND CORPORATION's Technical Research Institute and Tsukuba Training Center to provide lectures, practical training, and tours on the importance of infrastructure maintenance and repair methods.

As the need for structural repair, reinforcement, and seismic countermeasures is attracting attention worldwide, we will create greater synergies and expand our business by combining the knowledge and experience accumulated from operations in Thailand and the United States with SHO-BOND's technology development capability and the business development capability of MITSUI. In addition, amid an increasingly serious global environmental problem and growing shortage of construction workers, we are also promoting business development related to work efficiency through digital technology.



CPAC Head Office



JICA trainees at the Technical Research Institute (above) and SHO-BOND engineers guiding a construction site in Laos (below)

Scene at the Site

Thailand

Thailand is located in Southeast Asia with a land area of about 514,000km² (about 1.4 times that of Japan) and a population of about 66.09 million (about half that of Japan). Many Japanese companies, primarily manufacturers, have operations in Thailand. In Bangkok, the capital city where approximately 10% of the country's population is concentrated, much of the infrastructure was constructed at least 30 years ago, and the problem of deterioration is becoming apparent.

CPAC, with which we established a joint venture in November 2020, is a core company in the building material business under the umbrella of Siam Cement Group (SCG), one of Thailand's leading conglomerates. CPAC SB&M's office is in the Bang Sue district, about 17km away from Bangkok's Japanese quarter. SCG's head office building is also in this area and in front of it is Bang Sue Grand Station, one of the largest terminal railway stations in ASEAN.

We look forward to using Thailand as a base for the growth of the infrastructure maintenance business throughout Southeast Asia.



CPAC Head Office

USA

A large percentage of the U.S. infrastructure was constructed many decades ago with some parts dating back to the 1920s and about 40% of the bridges in the United States are more than 50 years old. Over the years, many large bridges have collapsed. Today, there is widespread awareness of the need for maintenance. In some regions, particularly the West Coast, there is also a need to reinforce structures to resist earthquakes.

ST, in which we invested in July 2023, is affiliated with Structural Group, Inc. (SGI), the third-largest concrete construction company in the U.S. by revenue, and specializes in bridges. SGI has a management philosophy of "Making structures stronger and last longer" and has a high affinity with SHO-BOND.

SHO-BOND plans to use its relationship with ST to utilize technologies created and proven in Japan at infrastructure maintenance projects in the United States.



Structural Technologies Corporate Headquarters



A construction site meeting



A Structural Technologies construction site



Sustainability of SHO-BOND

Basic Concept for Sustainability

With its Corporate Philosophy at the core of management, the Group has designated material issues (Materialities) to get close to its vision. Four designated Materialities involve internal activities and how business activities affect society. We believe that all of these activities are sustainability management that contributes to accomplishing the SDGs and achieving our Corporate Philosophy. We have established a Sustainability Policy and ESG-related policies to provide guidelines for constant activities in accordance with materiality priorities. In August 2022, we set KPIs for each of the priorities to measure their progress and disclosed targets and results.

We will enhance our corporate value over the medium to long term and contribute to creating a sustainable society by continuing to upgrade sustainability initiatives with the input of our internal and external stakeholders. Specifically, we will improve our promotion framework, consider measures, and regularly review them to upgrade the initiatives.

Sustainability Philosophy



Strengthening Our Sustainability Promotion Framework

The Group has established a Sustainability Committee, chaired by the President and Representative Director and composed of all inside and outside directors. The Committee meets once a year as a general rule to discuss sustainability issues including social and environmental

issues. The Committee also submits and reports the results of discussions on important matters to the Executive Committee and the Board of Directors. The Committee mainly discusses general important matters related to sustainability such as the development of policies and measures related to sustainability, the identification, assessment, and management of climate-related risks and opportunities, and the management of KPIs for non-financial information.

We have also established an ESG Promotion Office to integrate activities related to sustainability. The ESG Promotion Office holds

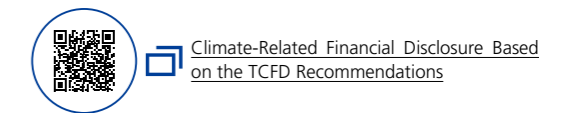
meetings with ESG promoters from each department and Group company as needed to ensure that the Group as a whole collaborates at the practical level. Under such a structure, we are committed to staying and becoming more sustainable through organic cooperation among the management team, the ESG Promotion Office, respective departments, and Group companies.

KPIs Related to Sustainability

Materiality	KPIs	Target year	FY2022	FY2023		
 Contribution to the development of sustainable cities	Number of violations of environmental laws and regulations	0	Every year	0	0	
	CO ₂ emissions (Scope 1 and 2) (vs. FY2022 [5,238t])	3,929t [-25%]	FY2031	5,238t [±0.0%]	5,474t [+3.5%]	
	(CO ₂ emissions intensity*)	(4.9 t-CO ₂ / 100 million yen)		(6.5 t-CO ₂ / 100 million yen)	(6.5 t-CO ₂ / 100 million yen)	
 Comprehensive maintenance system backed by the organizational capabilities	Average scores for contractor performance evaluation in construction industry	MLIT : 78 or higher NEXCO : 80 or higher	Every year	MLIT : 80.0 NEXCO : 86.0	MLIT : 80.6 NEXCO : 86.5	
	Percentage of construction sites where "8 days off in 4 weeks" is achieved (according to the Japan Federation of Construction Contractors)	100%	FY2024	85.9%	94.3%	
	Number of fatal accidents	0	Every year	0	0	
	Lost Time Injury (LTI) frequency rate	0.7 or lower	Every year	0.67	0.00	
	Achievement rate of annual overtime limit of 720 hours	100%	FY2024	100%	100%	
	Percentage of female employees in regular recruiting	15% or more	Every year	9.5%	16.2%	
 Productivity improvement through technology development	Number of female engineers	38	FY2024	26	30	
	Percentage of employees with disabilities	2.4% or more	Every year	3.3%	3.1%	
	Childcare leave rate of new fathers	100%	FY2024	100.0%	74.0%	
	 Sound governance and measures for more improvements	Rate of response to safety confirmation	100%	Every year	100%	100%
		Compliance training participation rate	100%	Every year	98.8%	100%
		Number of serious violations of laws and regulations	0	Every year	0	0
Information security training participation rate	100%	Every year	90.3%	100%		

* (Reference value) CO₂ emissions per consolidated net sales (100 million yen)

Efforts for Environment



Climate-related Financial Disclosure Based on the TCFD Recommendations

The SHO-BOND Group (the "Group") expressed its support for the TCFD recommendations and joined the TCFD Consortium in July 2022. Based on its corporate philosophy of "Inheriting and passing on social infrastructure to the next generation in good condition," the Group is committed to "contribution to the development of sustainable cities" as one of its Materialities and is aware that combatting climate change is an important management challenge.

Based on the recognition that a longer service life of infrastructure contributes to reducing greenhouse gas emissions, we will make efforts so that we can contribute to realizing a sustainable society. These efforts include information disclosure and other initiatives related to climate change, in addition to core business activities as an infrastructure maintenance specialist.

Strategy

The Group conducted a scenario analysis to identify and assess the impact on its overall business management of the risks and opportunities associated with the "transition" to a low-carbon economy and those associated with the "physical" changes brought about by climate change.

As assumptions for the scenario analysis, we selected the 2°C or lower and 4°C scenarios by referring to several existing scenarios published by the International Energy Agency (IEA), the Intergovernmental Panel on Climate Change (IPCC), and other organizations. Businesses subject to the analysis are the domestic construction business and the manufacturing and sales business of repair and reinforcement materials; the time horizon is assumed to be up to the year 2030. For the climate-related risks and opportunities identified, we have sorted out necessary countermeasures as shown in the table below.

By implementing the countermeasures identified in this report, we will contribute to developing sustainable cities and will achieve sustainable growth by enhancing the resilience of our business.



Risks / Opportunities covered		Countermeasures
Changes expected	Description	
Changes in reputation among shareholders and investors	<ul style="list-style-type: none"> ● Increased ESG investment in the SHO-BOND Group as an infrastructure maintenance specialist due to being highly regarded for its low CO₂ emissions 	<ul style="list-style-type: none"> ● Disclose information about CO₂ emissions (Scope 1, 2, and 3) and initiatives aimed at reducing CO₂ emissions (Scope 1 and 2)
Introduction of carbon pricing Introduction of more aggressive targets / policies for CO ₂ emissions reduction by countries around the world	<ul style="list-style-type: none"> ● Increased procurement costs for energy and materials ● Decreased transactions due to our inability to adequately respond to customers' requests for reducing CO₂ emissions ● Surges in the purchase prices of resin-based materials and steel materials as a result of decreased production of naphtha and iron ore ● Increased demand for watershed flood control and disaster restoration work, rather than seismic reinforcement work and service life extension work, in the face of growing severity of weather disasters 	<ul style="list-style-type: none"> ● Promote green procurement, including switching to low-carbon materials ● Switch to renewable energy and promote energy conservation during construction ● Invest in solar power generation for own consumption, etc.
Changes in customer behaviors Rises in raw materials costs Acceleration of national resilience measures	<ul style="list-style-type: none"> ● Increased price competitiveness with the delivery of low-carbon construction services and products in the field of repair and reinforcement ● Due to CO₂ emissions regulations, the number of life-extending works of buildings and infrastructures increases while the amount of overall investments in construction decreases ● Increased demand for infrastructure maintenance to counter natural disasters 	<ul style="list-style-type: none"> ● Develop low-carbon and decarbonization technologies ● Develop new technologies that support the preventive maintenance of infrastructure
Increase in average temperature	<ul style="list-style-type: none"> ● Decreased productivity in line with increased heat stroke cases among on-site workers ● Increased costs for improving working environment and introducing equipment, etc. to prevent heat stroke ● Worsening worker shortages due to deteriorating outdoor working conditions 	<ul style="list-style-type: none"> ● Develop technologies for improving on-site working environments and implement heat stroke countermeasures
Growing severity of weather disasters	<ul style="list-style-type: none"> ● Increased costs due to process delays at disaster-stricken sites ● Supply chain disruption ● Damage to or shutdown of operations at disaster-stricken own factories or contracted manufacturing plants 	<ul style="list-style-type: none"> ● Work together with the entire supply chain to strengthen BCP measures in preparation for disasters ● Manage sanitation related to water in a sustainable manner

Metrics and Targets

CO₂ Emissions Reduction Targets

Metrics		Base year	Targets	
		FY2022	FY2031	FY2051
CO ₂ emissions (Scope1 and 2)	Total emissions	5,238t-CO ₂ (6.5t-CO ₂ /100 million yen)	3,929t-CO ₂ (-25%) (4.9t-CO ₂ /100 million yen)	Net zero
	(CO ₂ emissions intensity*)			

* (Reference value) CO₂ emissions per consolidated net sales (100 million yen)

To realize a decarbonized society—the basic principle underlying the Act on Promotion of Global Warming Countermeasures, the Group has set targets of reducing its CO₂ emissions (Scope 1 and 2) 25% from FY2022 levels by FY2031 and ultimately achieving carbon neutrality by FY2051.

CO₂ Emissions (Scope 1, 2, and 3)

Category	(Unit : t-CO ₂)	
	FY2022	FY2023
Scope1	2,667	2,805
Scope2	2,571	2,669
Total of Scope1 and 2	5,238	5,474
CO ₂ emissions intensity (t-CO ₂ /100 million yen)	6.5	6.5
Scope3	110,008	110,468
Total of Scope1, 2, and 3	115,246	115,942

Coverage: Domestic group companies

Measures to Combat Climate Change

The operations of the SHO-BOND Group generate a relatively small amount of CO₂ emissions due to the characteristics of the infrastructure maintenance business, which left us limited options for Scope 1 and 2 reduction measures. Factoring in these circumstances, the Group examines various types of methods for CO₂ emission reductions and carbon offsets mainly in the Sustainability Committee.

The Kita-Nihon Regional Office of SHO-BOND CORPORATION, which is in the city of Sendai in Miyagi prefecture, was relocated in FY2023 to a building that received ZEB (Net Zero Emission Building) certification under the BELS (Building-Housing Energy-efficiency Labeling System). ZEB certification requires zero or negative net primary energy consumption annually by using energy-efficient facilities and renewable energy sources. The Group assessed the design and equipment of the building including estimates of cost-effectiveness based on the building's location, sunshine exposure, and other parameters.

The Group will continue activities to achieve carbon neutrality by 2050 while examining a diverse array of measures.



Efforts to Develop Talent and Improve the Workplace Environment



Productivity improvement through technology development

Basic Views

Employees are the most valuable asset of the SHO-BOND Group. For the Group to survive and grow while fulfilling its social responsibilities and contributing to the development of a sustainable society, we believe every employee of the Group must have a dream and feel a sense of fulfillment by demonstrating their abilities.

Therefore, we aim to create a workplace where every employee is mentally and physically healthy and can continue their work for a long time with confidence while having the opportunity to maximize their abilities and potential.

Recruiting

Explaining the need for infrastructure repair and reinforcement and the social significance of these activities is an effective way to attract new university or technical college graduates, especially in the fields of civil engineering and architecture. For this purpose, SHO-BOND invites students and instructors to visit the Technical Research Institute and Tsukuba Training Center and send our engineers to give special lectures on the campus regularly.

When it comes to hiring people with previous work experience, we use many channels including an employee referral system to diversify our human resources.

Talent Development

Experience is a critical component of repair and reinforcement construction activities. For this reason, we provide education mainly through on-the-job training, and we are working to improve their ability to solve problems independently by delegating responsible tasks and putting them in charge of them in their early stages.

As for off-job training, we select effective and efficient learning methods for each theme, and offer our employees various training opportunities according to their stage of growth, such as internal/external education programs, e-learning, etc. In 2021, we opened the Tsukuba Training Center, which is adjacent to the Technical Research Institute, for hands-on training programs. We will continue to develop the skills of everyone in the Group from a long-term perspective while upgrading education programs and encouraging people to learn new skills in a well-planned manner.

	General staff	Junior/middle managers	Department managers and higher positions
Job-specific training	Training for new employees		
Rank-specific training	Follow-up training Training outside the group	Job-specific training	
OJT	● Interviewing system ● Self-declaration system ● Skill and performance evaluation system ● Job rotation		
Self-development	● Support for earning public qualifications ● Information about correspondence courses ● Reference book recommendations	● Information about correspondence courses ● Reference book recommendations	
	Safety training		

Training for Specific Job Levels

SHO-BOND has training programs structured to give employees the knowledge and skills required depending on their specific job levels. These follow-up training programs extend from education for new employees to training for people with more experience, which cover subjects selected to enable the participants to advance to the next step of their careers. Furthermore, the Tsukuba Training Center has lessons that are very similar to conditions at job sites and the employees can obtain practical knowledge.

Support for Earning Certifications

The Group gives employees a variety of support for earning professional qualifications and other certifications required for their jobs. Not only is the cost of tests and registrations for certifications covered but receiving certifications also raises the monthly income of employees. For Professional Engineer and other difficult qualifications, we have carried out measures including supplementary lessons by the employees who have been certified and commendation at the time of certification. Through such promotion measures, the number of those qualified has been steadily increasing.

We will continue to expand these programs in order to enable our staff to earn the certifications required for their work and even difficult qualifications.

Employee Retention

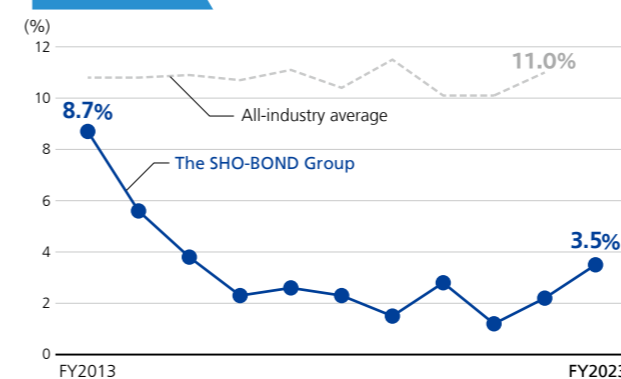
SHO-BOND conducts monthly surveys of employee job satisfaction, goals, and other items with an emphasis on younger employees and individuals returning from leave. Using the results, human resources personnel timely interview and support those in need with the cooperation of the supervisors and others. These activities let employees know that there is a framework in place to help them deal with various problems and relieve their anxiety.

In addition, we offer opportunities to work at home and select staggered working hours for more flexibility. Measures like these to constantly improve the workplace environment based on the employees' needs result in a higher retention rate.

Employee Surveys and Human Resources Interviews

Time	Employee Surveys			Interviews by human resources personnel
	Subjects (including duplication)	Responses (including duplications)	Response rate	Interviews (including duplications)
April 2021-March 2022	1,468	1,429	97.3%	63
April 2022-March 2023	2,385	2,297	96.3%	84

Attrition Rate



*Attrition rate only counts for employees who resign voluntarily. All-industry average is determined by SHO-BOND using Ministry of Health, Labour and Welfare data.

Workplace Environment Initiatives

Maintaining Proper Working Hours

The Proper Working Time Project was started in 2014 with measures that include improvements to the rules of employment and the initiation of no overtime days to prevent excessive working hours and encourage employees to take time off.

In 2017, the Group started using a new system for recording working time. This framework allows efficient monitoring of the number of job hours and the situation of weekend or holiday attendance.

To promote the tendency to use vacation days more easily, we have designated a month when employees are encouraged to take paid holidays. In FY2023, we achieved the target of no employee having fewer than 110 days off per year. We have continued to take action concerning paid leave, increasing the use of vacation time.

Starting in April 2024, construction companies in Japan will have to comply with a limit on overtime working hours. We are committed to complying with these regulations by making continual improvements such as reducing total working time and increasing the use of paid leave.

Average annual days off	FY2019	FY2020	FY2021	FY2022	FY2023
	127.0	129.4	130.2	134.3	134.5

Supporting Employees in Balancing Work and Childcare and/or Nursing Care

We provide employee assistance programs that exceed the legal requirements and promote the use of these programs to allow employees to balance work with childcare and nursing care without anxiety. To increase the use of



childcare leave by male employees, we started a system of making one-off payments when they return from childcare leave in 2019. To raise awareness of that, we have made a pamphlet for introduction and it has raised the number of male employees taking childcare leave as well as the number with long-time childcare leave.

In 2020, SHO-BOND CORPORATION received Kurumin certification as a company that supports childcare.

Childcare leave rate of new fathers	FY2019	FY2020	FY2021	FY2022	FY2023
	45.8%	80.0%	65.0%	100.0%	74.0%

Selection of Employment Category and the Self-Declaration System

The Group gives employees the flexibility to choose an employment category with or without transfers to different locations. Many individuals change their status to reflect the current stage of their lives. Every year, some employees ask to be shifted. The self-declaration system allows individuals to confirm their employment category and job status once every year.

Diversity and Inclusion

To maintain diversity in our workforce, the Group makes efforts to recruit diverse new employees as well as conduct the selection process in a fair and non-discriminatory manner. In addition, the Group selects management personnel based solely on each individual's capabilities and performance.

To increase the participation of women in the workforce, we make efforts to maintain at least a 15% regular recruiting rate of females, and from a longer perspective, we hope to encourage the participation of more females in management and other higher levels of work. The 15% goal was achieved in FY2023. In addition, there are workplace environment measures and a training program with follow-up surveys for female engineers that result in a high retention rate.

To retain elder employees and continue benefiting from their many years of experience, the remuneration for these people was raised significantly in FY2021 and FY2023. Partly because of that, all employees who reached their mandatory retirement age in FY2023 decided to remain at SHO-BOND.

For many years, we have hired large numbers of people with prior work experience. At the end of June 2023, mid-career employees were 52.3% of the entire workforce and 33.5% of all managers. We remain committed to maintaining a diverse workforce.

	FY2019	FY2020	FY2021	FY2022	FY2023
Number of female engineers	16	18	23	26	30
Percentage of female employees in regular recruiting	2.8%	5.3%	17.2%	9.5%	16.2%
Employee retention after mandatory retirement age	65.0%	86.0%	80.0%	88.0%	100.0%

SHO-BOND Training Programs

A new employee learning on-site practices from an experienced individual now in his sixth year at the Group



[Training for new employees]

Training for new employees is designed as a first phase to let them acquire know-how essential for working at the Group and become the core members of the workforce. This one-year training consists of an introductory course mainly in the form of classroom lectures and practical training at workplaces where new employees are temporarily assigned.

[Introductory training]

The main purposes of the 45-day introductory training are to (1) give them the proper mindset as a businessperson, (2) acquire basic knowledge about their jobs, and (3) foster a sense of solidarity among them as employees of the Group. Many of the new employees have majored in civil engineering and construction in college or university but most of them are introduced to the maintenance field for the first time at SHO-BOND. We design training programs in a way that allows them to acquire the fundamental knowledge needed to advance to the on-the-job training phase.

[On-the-job training]

On-the-job training accounts for the majority of the one-year training for new employees. This training is an important process for new employees to apply the knowledge acquired during the introductory training under the guidance of experienced employees. We believe that the fundamentals of every job within the Group are learned at work sites, regardless of future career paths. This is why on-the-job training is provided mainly at construction sites where new employees acquire repair and reinforcement skills.



Training at the Technical Research Institute

[The Group-wide Construction Engineering Technology Conference]

Every year, SHO-BOND holds a Construction Engineering Technology Conference at the head office to allow our employees to share knowledge and experience and further upgrade their skills. The event is attended by about 100 engineers of all ages from all areas of Japan. Selected employees give presentations about timely themes and innovations in maintenance work, which can cultivate the essential ability of communication. Therefore, this event provides every participant with valuable learning opportunities. After the pandemic started, online links with regional offices nationwide have been used to enable engineers unable to attend in person to participate.



Participants listen to a construction engineering presentation



Award winners pose with the Engineering Division general manager

[Education matching the requirements of in-house companies]

One of the goals of the Group's current Medium-term Business Plan is to upgrade the order receipt strategy utilizing the in-house company structure and to increase activities for large projects and construction work capability. One element of these activities is the reinforcement of training, field trips, and classes specifically for in-house companies. Within the Group, the condition differs depending on workforce composition, regional characteristics of projects, and other factors. Training programs must reflect these differences. This is why we give people practical know-how and skills that cover precise requirements.



A field trip for female engineers of the West Japan In-house Company

New Employee Training – Hands-on Lessons for Practical Knowledge



The Sumida River, which flows through downtown Tokyo, is home to bridges of such diverse designs and structures that it can be said to be a “bridge exhibition.” On their field trip to this river, new employees hear explanations of bridge structures and components from members of the Engineering Division. Seeing bridges from this perspective gives everyone a sound understanding of the structure of bridges, which will be part of their future maintenance activities.



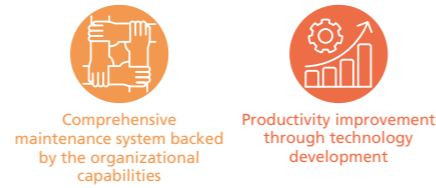
As part of introductory training, new employees complete hands-on lessons at the Technical Research Institute and the Tsukuba Training Center about construction site processes and quality and tasks involving safety management. The hands-on lessons include special experience such as handling the same tools and materials used at job sites, assembling scaffolding, etc., which enables trainees to simulate the actual construction process.

New employees need to understand what types of work take place at construction sites, precautions that are required, and other points about their jobs. Giving them this practical knowledge allows them to do their jobs at these sites with confidence. The instructors are experienced engineers of SHO-BOND, mainly from the Technical Research Institute, Construction Division, and Safety Management Department.



Activities centered on hands-on experiences are a distinctive feature of training at SHO-BOND as a specialist in infrastructure maintenance. Using this methodology gives new employees the basic knowledge and skills needed for this field of construction and the subsequent transition to actual job sites will also be smooth. We will continue to make further improvements to our training programs to enhance the effectiveness of job introductions.

Efforts for Health and Safety



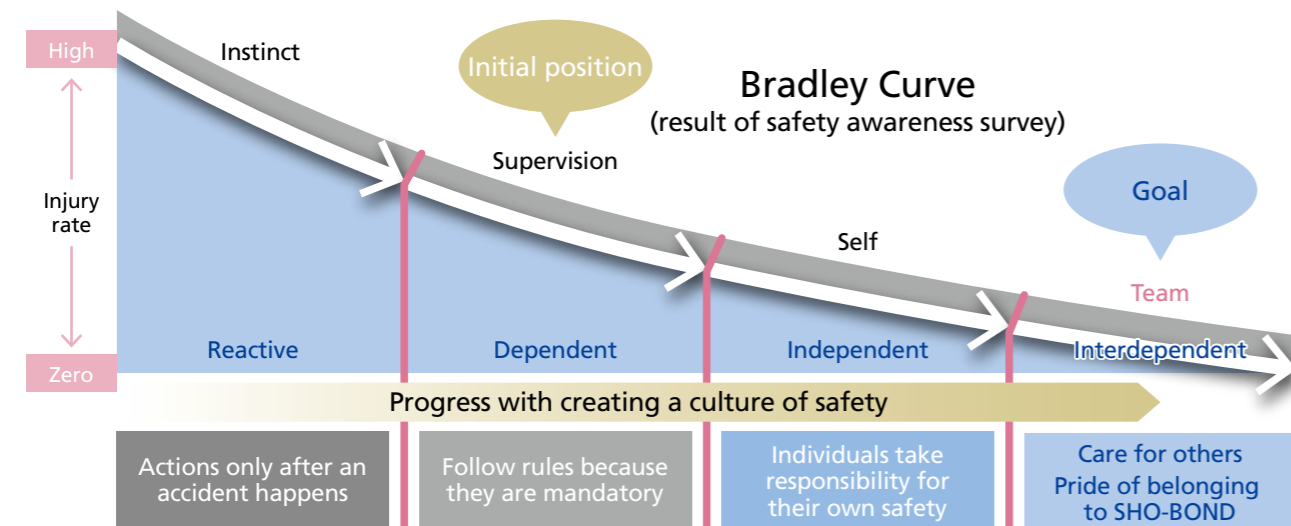
Basic Views

In addition to complying with laws and regulations related to occupational health and safety, the SHO-BOND Group aims to create a comfortable working environment in which everyone strives to eliminate occupational accidents, while maintaining and improving their health, based on the philosophy that “respect for human life and safe construction take precedence over everything else.”

Health and safety management is one of the most important management issues of the Group. In recent years, orders for large-scale construction have expanded, and the number of high-difficulty construction projects such as expressways has been increasing. Completing these projects with no accidents demands a high level of safety skills along with a strong commitment to safety among everyone at the Group and partner companies. Based on this stance, we have established the following Health and Safety Policy for the three years ending in June 2024. In addition, the president of SHO-BOND directed in January 2020 the start of the Initiatives for Creating a SHO-BOND Culture of Safety.

Initiatives for Creating a SHO-BOND Culture of Safety

Our goal is to raise the SHO-BOND culture of safety from a “dependent” structure, where supervisors oversee safety measures, to an “independent” and “interdependent” structure in which individuals act independently and promote safety among themselves. We believe these changes will establish accident-free workplace environments where people can do their jobs with even greater safety and confidence. To accomplish these goals, we are taking actions based on the Initiatives for Creating a SHO-BOND Culture of Safety.



Health and Safety Policy

1. We will achieve a safety culture at an even higher level.
2. We will establish a health and safety management system.
3. We will ensure the accurate implementation of risk assessments.
4. We will carry out measures for the reduction of occupational accidents involving third parties and severe workplace accidents.
5. We will execute thoroughgoing health and safety education toward our own employees and the staff of our partner companies.
6. We will ensure thorough preventive measures for occupational diseases.
7. We will promote work style reforms for the prevention of health disorders caused by overwork.
8. We will thoroughly ensure the prevention of property damage accidents.

Key Initiatives Based on the Health and Safety Policy

Priority Actions in FY2022 and FY2023

1. Promote the Initiatives for Creating a SHO-BOND Culture of Safety
2. Promote initiatives to motivate people involved in construction projects, such as commending our employees and partner companies for their outstanding performance in health and safety management
3. Promote digital transformation and other methods for more effective and efficient health and safety management activities

Priority Actions in FY2024

1. Ensure that a series of measures are taken, from the identification of risk factors that can cause serious accidents to the implementation of mitigation measures and confirmation of their implementation
2. Health and safety officers perform daily workplace patrols and nip accidents in the bud
3. Create comfortable and smart workplaces and construction sites

Targets and Accomplishments

The Group has set “zero fatal accidents” and “a lost time injury (LTI) frequency rate of no more than 0.7” as KPIs related to health and safety. In FY2023, we achieved zero fatal accidents and the workplace accident frequency rate and severity rate were both zero. Both KPIs were below the average of Japan’s general construction sector for the third consecutive year.

	Targets	FY2022 results	FY2023 results
Number of fatal accidents	0	0	0
Lost time injury (LTI) frequency rate*	Maximum of 0.7	0.67	0.00

* Lost work time of 4 or more days

Health and Safety Management System

SHO-BOND has a health and safety management system in which everyone from the president to supervisors at all levels has clearly defined roles, responsibilities, and authority. This structure is used to perform well-planned health and safety management activities at all business sites.

We conduct health and safety patrols at construction sites to improve the level of health and safety. In FY2023, the president, regional and branch office general managers, and other senior managers performed 3,791 patrols, which is an average of 1.5 patrols per month at each construction site.

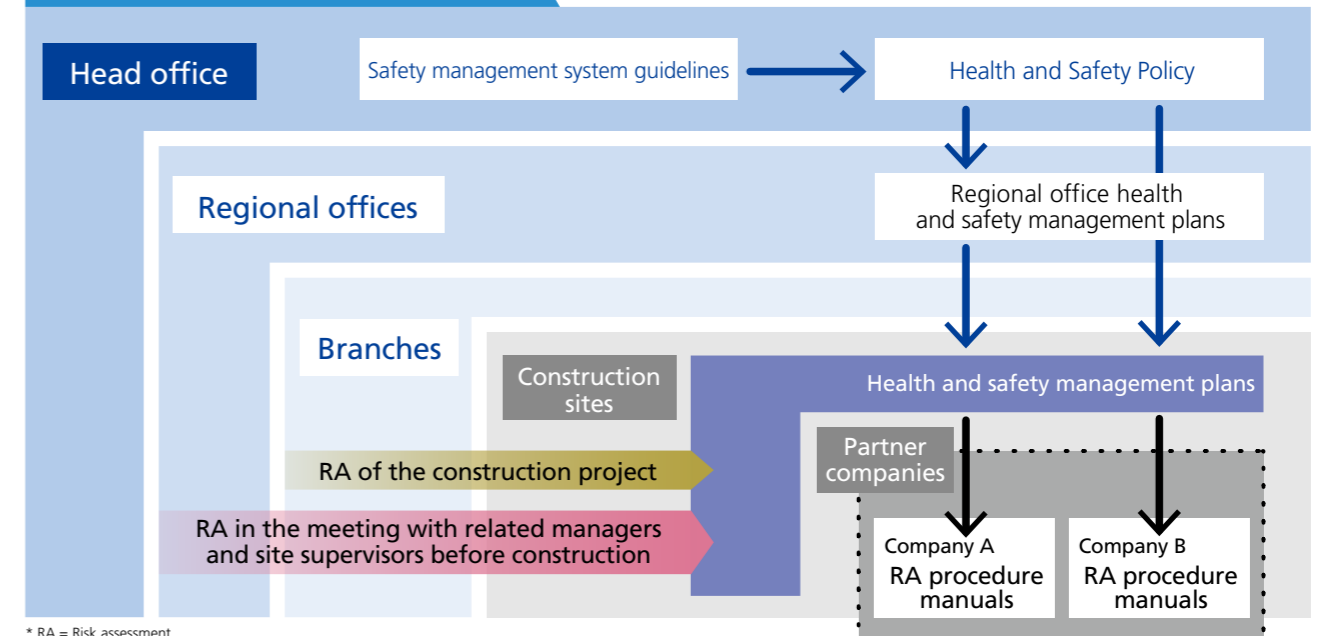
Basic Responsibilities

President	Determine the basic principles and set goals for health and safety management
General Managers of Regional Offices	Set and publicize annual safety and health management plans for the regional office based on the SHO-BOND Health and Safety Policy
Branch Managers and Site Supervisors	Make and publicize the policy, and set goals for construction health and safety Create, implement, and improve construction health and safety management plans
Partner companies	Create risk assessment procedure manuals



Health and safety patrols by the company president

Health and Safety Management Organization Chart



* RA = Risk assessment

Major Activities

Health and Safety Training

The Group provides safety training programs to employees of the Construction Department, Marketing and Sales Department, and Engineering Department in July every year. The July 2023 program included reports about workplace accidents and property damage caused by accidents during FY2023 and priority actions for the next fiscal year. We also provided special education as well as health and safety training by SHO-BOND instructors to our engineers and 350 employees from 65 partner companies in FY2023.

Training under the Initiatives for Creating a SHO-BOND Culture of Safety Roadmap

Felt leadership training for new senior executives and managers takes place at the Group, with the support of the external consultants. In FY2024, felt leadership training will be expanded to managers of partner companies and younger employees of SHO-BOND.

This training aims to equip employees with the leadership skills to demonstrate their strong commitment to safety through their actions so that an improvement of awareness will spread to the people around them, creating a comfortable environment and organization, and fostering a culture of safety.



Construction Site Health and Safety Patrols by Administrative Personnel

Health and safety patrols are also performed by employees in administrative departments, who do not have construction site jobs. Some people go to the construction site for the first time through these patrols. It is expected to raise awareness of health and safety throughout the Group while improving the level of safety and health on sites since they can see construction sites from a viewpoint unlike that of construction personnel, which creates synergies for further health and safety improvements.

Many office workers who visit construction sites are surprised to see that these locations are not dangerous nor dirty. They are pleased to see the positive atmosphere of these workplaces and impressed with the numerous health and safety measures that even people with no construction experience can notice.



Digital Transformation (DX) of Health and Safety Activities

The Group promotes DX in health and safety activities to improve effectiveness and reduce on-site workers' workloads. To accomplish these goals, we formed a Safety DX Promotion Working Team. While identifying areas for improvement in current health and safety activities, we are working on specific initiatives to promote DX, such as setting targets.

Using web conferences, chat tools, and other methods, we are implementing initiatives such as early resolution promptly by checking the status of work and sharing problems through real-time communications between regional and branch offices and construction sites.



Emergency Relief Training with Fire Departments and Rescue Units

As part of on-site safety activities, we conducted joint rescue and evacuation drills with the local fire department and external emergency response organizations.

We aim to enhance the understanding of health and safety activities among construction workers through real experiences of the whole process, including checking the contact list and evacuation sites, providing first aid for people requiring help, requesting emergency services, and conducting ambulance activities in case of an emergency. We also hope that each individual will develop their own safe behavior, thinking, and value through such activities.



Somatosensory Health and Safety Education at the Tsukuba Training Center

The Tsukuba Training Center has a full range of facilities for conducting effective health and safety education. To foster an awareness of health and safety, including risk perception, judgment criteria, and beliefs, we conduct employee training at the time of joining the company and when they are promoted to a higher level. In addition, we also provide hands-on education on health and safety to partner companies and overseas trainees, using actual training bridges and scaffolding, as well as VR and other hands-on equipment.



VR systems are used (right) to generate realistic views of accidents (left).



Training inside the scaffolding on the actual training bridge

Recreating Accidents with Mannequins

In the accident simulation area, actual accidents are reproduced using mannequins to show the potential causes of accidents and their severe consequences.

There is a training corner where employees can learn how to recognize unsafe locations and unsafe behavior on scaffolding. We also make it possible to intuitively learn about the dangers of disasters by checking unsafe situations in which accidents have occurred, such as accidents caused by vehicles for high lift work and accidents in which people injured their hands and feet while using a power tool.



Trial Dangle with a Torso Belt and Body Harness

Repairing and reinforcing bridges involves numerous tasks at elevated heights, such as erecting and dismantling scaffolding. For the sake of safety, it is inevitable to equip safety belts or harnesses for fall prevention. Therefore, ensuring everyone on-site using this safety equipment properly is essential for health and safety management. During training, participants are suspended by torso belts and body harnesses, so that they can tell the difference of the burden on their body, and learn how to help themselves relieve the burden they are taking by using a supplementary leg support attachment while waiting for help.



Training participants are suspended by a harness (left) and torso belt (right).

Simulating Falls with Mannequins

What would happen if people fell without wearing a safety belt or if the support rail for the harness hook was improperly placed? To demonstrate such accidents, we use mannequins weighing the same as typical workers. Experiencing the forceful shock firsthand, individuals learn to appreciate the gravity of occupational accidents and the importance of proper use of safety belts.



Corporate Governance



Sound governance and measures for more improvements

Basic Views

The SHO-BOND Group positions corporate governance as one of the highest management priorities to realize our 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."

By fulfilling our social responsibility as a company that specializes in the maintenance business, we will work together with our shareholders and all other stakeholders to achieve sustainable growth and enhance our corporate value over the medium to long term. In addition, we will aim for highly sound and transparent management by developing and promoting a corporate governance system that enables swift and decisive decision-making.

Progress in Strengthening Corporate Governance

We transitioned to the holding company system ahead of our industry peers and later became a company with an Audit and Supervisory Committee to strengthen corporate governance. We will continue maintaining a proper governance system while keeping a close eye on social circumstances.

Date	Event
January 2008	Transitioned to the holding company system
September 2015	Transitioned to a company with an Audit and Supervisory Committee and shortened directors' term of office to one year
September 2017	Increased the number of Outside Directors to three
July 2018	Started evaluating the effectiveness of the Board of Directors
November 2018	Established the Nomination and Remuneration Advisory Committee
August 2022	Established the Sustainability Committee

Executive Committee

The President and Representative Director presides over the Executive Committee as a body to assist his decision-making in management. This committee consists of directors outside the Audit and Supervisory Committee and senior executives nominated by the President, including the executives of SHO-BOND subsidiaries. As a rule, the committee meets twice every month and meets at other times as needed in order to reach decisions quickly. (Number of meetings in FY2023: 23 times)

Internal Committees

Major committees related to business execution include the Risk Management Committee, Sustainability Committee, Internal Control Committee, and Asset Management Committee. Important management issues are continuously discussed by theme at these committees and submitted and reported to the Executive Committee as needed.

providing oversight and advice from an independent standpoint drawing on their respective knowledge and experience. None of the three Outside Directors have personal, capital, or business relationships or any other special interests with the Company. In addition, the standards for Independent Outside Directors in the Company's Corporate Governance Guidelines comply with the independence standards of financial instruments exchanges. We seek to provide the Outside Directors with information in an efficient and in-depth manner so that they can fully understand the Group and exercise their abilities to the fullest. In promoting smooth communication, relevant executive officers directly give explanations to the outside directors as needed when they make inquiries.

Dialogue with Shareholders and Investors

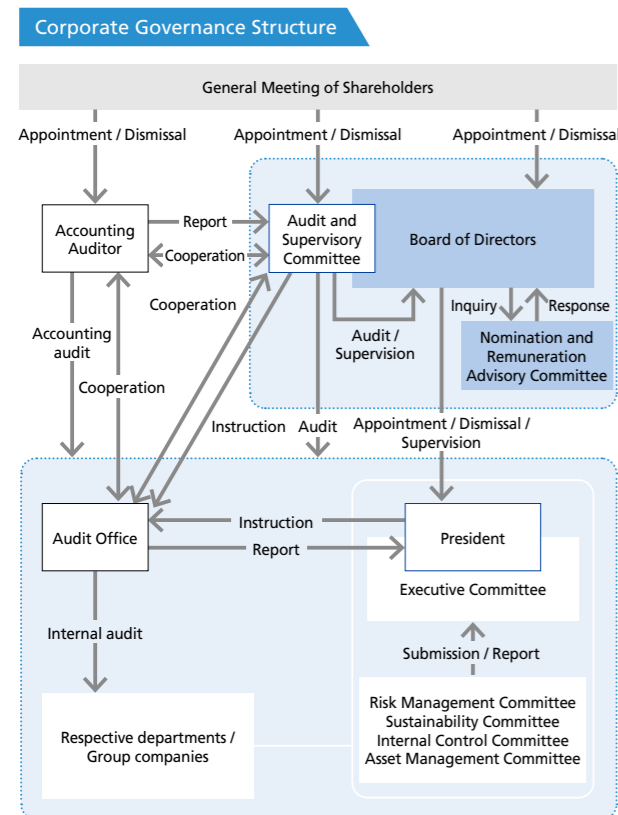
The Group places importance on information disclosure and dialogue with shareholders, institutional investors, analysts, and other interested parties. For institutional investors, we hold an information meeting about financial results twice a year as well as one-to-one meetings held every quarter. In addition to such one-to-one meetings more than 100 times a year, we hold a small meeting attended by the President after announcing the full-year financial results. For individual shareholders, we hold information meetings in Tokyo and Osaka in March every year after transitioning to the holding company system in 2008. Dialogues are consistent with the spirit of fair disclosure, and care is exercised to prevent the disclosure of insider information. The Executive Committee and the Board of Directors periodically receive feedback concerning the opinions and concerns of shareholders, which help achieve sustainable growth.

The basic policy for investor relations is to provide accurate, fair, and timely information about our management strategies, business activities, financial conditions, and other items. The purpose is to build long-term relationships rooted in trust and receive a proper evaluation from all stakeholders. This policy is posted on our website.

Activity	Frequency (FY2023)
Information meetings for individual shareholders*	2 times
Information meeting for institutional investors (attended by President and Chief Financial Officer)	2 times
One-to-one meetings	114 times

* The meetings are held in Tokyo and Osaka in March every year.

Overview of Corporate Governance System



Board of Directors

The Board of Directors has eight members including four directors who are members of the Audit and Supervisory Committee. The directors discuss and reach decisions about important matters involving management as prescribed by laws and regulations and the rules for the Board of Directors. As a rule, the board meets once every month and meets at other times as needed in order to reach decisions quickly. (Number of meetings in FY2023: 13 times)

Audit and Supervisory Committee

SHO-BOND is a company with an Audit and Supervisory Committee. The Audit and Supervisory Committee has four members, of whom three are Outside Directors. As a rule, the committee meets once every month and meets at other times as needed. The Audit and Supervisory Committee, as an independent body, audits and supervises the performance of directors who are not members of the Audit and Supervisory Committee. The committee also prepares audit reports and reaches decisions on other stipulated matters based on laws and regulations, the Articles of Incorporation, and Audit and Supervisory Committee rules and audit standards. The Audit and Supervisory Committee works with the accounting auditor and the Audit Office to perform audits efficiently. (Number of meetings in FY2023: 12 times)

Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee has four members: three Outside Directors and the President and Representative Director. This committee is actively involved in the formation and execution of the succession plan for the President and has adequate discussions on directors' nomination and remuneration while giving opinions and advice to the Board of Directors. (Number of meetings in FY2023: 4 times)

Method of Evaluating Effectiveness of the Board of Directors

To evaluate the effectiveness of the Board of Directors, a third-party external adviser is invited every other year for objectivity considerations. The evaluation is performed by asking all directors, including members of the Audit and Supervisory Committee, to complete questionnaires, which will be analyzed and reviewed by the Board of Directors. The issues recognized here will be approached and reviewed with self-analysis and evaluation in the next year.

Summary of Evaluation Results

For the fiscal year ended in June 2023, we confirmed the effectiveness of the Board of Directors as a result of the evaluation based on the self-analysis, after implementing the action plan formulated based on the results of the questionnaire conducted by an external advisor in the previous fiscal year.

To address one of the issues in the action plan, which was offering continuous training for executives, we held three directors' study sessions to improve their knowledge and abilities. We will continue to improve the effectiveness of the Board of Directors by providing further opportunities for dialogue, such as lunch meetings between outside directors and senior managers, and providing more training for executives.

SHO-BOND's Outside Directors

The Company elects three Outside Directors who are Audit and Supervisory Committee members.

Mr. Satoru Miura has knowledge and experience as a certified public accountant as well as a corporate accounting advisor. Mr. Akira Hongo has knowledge and experience as an attorney as well as a corporate consulting attorney. Ms. Reiko Kuwano has considerable academic expertise and experience in the field of civil engineering as a professor at the University of Tokyo. The three of them play a role in ensuring the properness of the business execution of the Company by

Details of Compensation for Directors (and Other Officers)

At the Board of Directors, the Company resolved the policy regarding the details of the compensation, etc. for each Director (excluding Directors serving as Audit and Supervisory Committee Members; hereinafter "Directors"), and the details of such are as follows:

As the Company is a holding company that is in charge of supervising Group companies, the compensation for the Company's Directors comprises basic compensation only. Furthermore, the payment of basic compensation shall be monthly fixed compensation in cash.

The Company's Directors concurrently serve as Directors of subsidiaries. Compensation is determined by proportionately taking into consideration the weight of the business of both the Company and its subsidiaries, and multiplying it by the monthly compensation of subsidiaries.

Furthermore, bonuses, which are paid depending on financial results, are paid by the subsidiaries to which the Directors belong.

In determining compensation, etc., the President and Representative Director prepares a compensation proposal, including the portion to be paid by subsidiaries, that is determined at a Board of Directors meeting after consulting the Nomination and Remuneration Advisory Committee, which comprises the Company's Outside Directors and the President and Representative Director.

Cross-shareholdings

As a rule, the Company does not purchase or hold the stock of suppliers and other business partners, with the exception of cases where purchasing and holding stock helps conduct business operations efficiently, maintain and strengthen business relationships, thereby contributing to the medium- to long-term growth of its corporate value. Stock holdings of other companies are examined individually by taking into consideration qualitative and quantitative benefits and risk factors, including holding purposes, the number of transactions with these companies, their operating environment, results of operations and financial position, dividend yields as a return of investments and stock price fluctuation risks. Stock holdings are reduced when there is little need to continue owning the stock in accordance with the current Medium-term Business Plan. Voting decisions concerning the stock of other companies are based on the goals of increasing shareholder value and contributing to the long-term growth of the corporate value of them.

Internal Control

The SHO-BOND Group has a system of internal controls for ensuring that all business operations are conducted properly in accordance with the Companies Act and Ordinance for Enforcement of the Companies Act. In addition, the Board of Directors has established The Basic Policy for Constructing an Internal Control System that has the goals of efficient business activities, reliable reports, strict compliance with laws and regulations, and other items.

We are taking various measures, including the establishment of an Internal Control Committee and a department in charge of promoting internal control in FY2019, in order to further strengthen internal control within the Group and permanently ensure a favorable control environment.

Total amount of compensation, etc. for the fiscal year ended June 30, 2023 (Million yen unless otherwise stated)

Category	Number of Directors (persons)	Amount	Total amount of remuneration by type: Basic remuneration
Directors (excluding Directors serving as Audit and Supervisory Committee Members) [of which, Outside Directors]	5 [-]	85 [-]	85 [-]
Directors (Audit and Supervisory Committee Members) [of which, Outside Directors]	4 [3]	41 [21]	41 [21]
Total	9 [3]	127 [21]	127 [21]

Directors



Tatsuya Kishimoto
President and Representative Director

April 2001 Joined SHO-BOND CORPORATION
April 2011 Director and Executive Officer, and General Manager of Kinki Regional Office
July 2012 Senior Managing Director and General Manager of Kinki Regional Office
September 2012 Director of the Company
April 2013 Senior Managing Director and General Manager of Marketing and Sales Division of SHO-BOND CORPORATION
April 2015 Executive Vice President and Director
April 2017 President and Representative Director (current position)
September 2017 Director and General Manager of Corporate Planning Department of the Company
President and Representative Director of the Company (current position)



Yasuhiro Sekiguchi
Managing Director
Chief Financial Officer
Corporate Administration

April 1989 Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)
May 2014 General Manager of Strategic Investment Division
July 2017 Joined SHO-BOND CORPORATION
December 2017 Director, Deputy General Manager of Corporate Administration Division, and General Manager of Corporate Planning Department
September 2018 Director and General Manager of Corporate Planning Department of the Company
April 2020 Managing Director, Deputy General Manager of Corporate Administration Division, and General Manager of Corporate Planning Department of SHO-BOND CORPORATION
September 2022 Managing Director, General Manager of Corporate Administration Division, General Manager of Corporate Planning Department, and General Manager of ESG Promotion Office, Corporate Planning Department
September 2023 Managing Director, General Manager of Corporate Administration Division of SHO-BOND CORPORATION (current position)
Managing Director of Corporate Administration and General Manager of Corporate Planning Department of the Company (current position)



Shigeru Naraoka
Director
Sales Management

May 1989 Joined SHO-BOND CORPORATION
July 2012 Director and Executive Officer, and General Manager of Chubu Regional Office
July 2016 Director and General Manager of Sales Management Department of SHO-BOND MATERIAL CO., LTD.
April 2017 Director and General Manager of Marketing and Sales Department, Marketing and Sales Division of SHO-BOND CORPORATION
April 2018 President and Representative Director of SHO-BOND MATERIAL CO., LTD. (current position)
April 2019 Director and General Manager of Sales Management Department, Marketing and Sales Division of SHO-BOND CORPORATION
September 2019 Director and General Manager of Sales Management Department of the Company
September 2023 Director of Sales Management (current position)



Takayasu Shimada
Director
Business Strategies

April 1992 Joined SHO-BOND CORPORATION
April 2017 Executive Officer and General Manager of Chubu Regional Office
April 2020 Director and General Manager of Chubu Regional Office
April 2021 Director and General Manager of Shutoken Hokuriku Regional Office
April 2023 Director, General Manager of Marketing and Sales Division, and General Manager of DX Promotion Office
September 2023 Managing Director, General Manager of Marketing and Sales Division, and General Manager of DX Promotion Office of SHO-BOND CORPORATION (current position)
Director of Business Strategies of the Company (current position)



Shunya Tojo
Director and Full-time Audit and Supervisory Committee Member

November 1990 Joined SHO-BOND CORPORATION
July 2012 Director and General Manager of Administration and Human Resources Department of SHO-BOND CORPORATION
April 2014 Managing Director, General Manager of Corporate Planning Division, and General Manager of Administration and Human Resources Department
September 2015 Director, General Manager of General Affairs Department, and General Manager of Compliance Department
September 2017 Managing Director, General Manager of Corporate Administration Division, and General Manager of Administration and Human Resources Department of SHO-BOND CORPORATION
April 2019 Director and General Manager of Public Relations Department of the Company
Senior Managing Director, General Manager of Corporate Administration Division, and General Manager of Administration and Human Resources Department of SHO-BOND CORPORATION
September 2022 Director and General Manager of General Affairs Department of the Company
Director (Full-time Audit and Supervisory Committee Member) of the Company (current position)



Satoru Miura
Outside Director
Audit and Supervisory Committee Member

April 1981 Registered as certified public accountant (to present)
June 1990 Established Miura C.P. A. Office (to present)
February 2015 Outside Corporate Auditor of NODA CORPORATION (current position)
March 2015 Corporate Auditor of Toukei Computer Co., Ltd.
March 2017 Outside Director (Audit and Supervisory Committee Member)
September 2017 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)
September 2021 Auditor of SHO-BOND CORPORATION



Akira Hongo
Outside Director
Audit and Supervisory Committee Member

April 1988 Registered as attorney at law (to present)
April 1995 Established Hongo sogo Law Office (to present)
April 2010 Professor of Keio University Law School (current position)
September 2017 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)



Reiko Kuwano
Outside Director
Audit and Supervisory Committee Member

April 1989 Joined TAISEI CORPORATION
March 1999 Research Associate of the University of Tokyo
October 2001 Senior Researcher of Public Works Research Institute
April 2006 Associate Professor, Institute of Industrial Science of the University of Tokyo
July 2013 Professor (current position)
September 2017 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)

Knowledge, experience, skills, etc. of each Director (skill matrix)

No.	Name	Inside/Outside	Corporate management	Finance/Accounting	HR	Legal affairs/Compliance/Risk management	Global	Technology / R&D
1	Tatsuya Kishimoto	Inside	●		●	●		●
2	Yasuhiro Sekiguchi	Inside	●	●		●	●	
3	Shigeru Naraoka	Inside	●				●	●
4	Takayasu Shimada	Inside	●		●	●		
5	Shunya Tojo	Inside	●		●	●		
6	Satoru Miura	Outside	●	●		●		
7	Akira Hongo	Outside			●	●		
8	Reiko Kuwano	Outside					●	●

* The table is not indicative of all the expertise and experience possessed by the Directors.

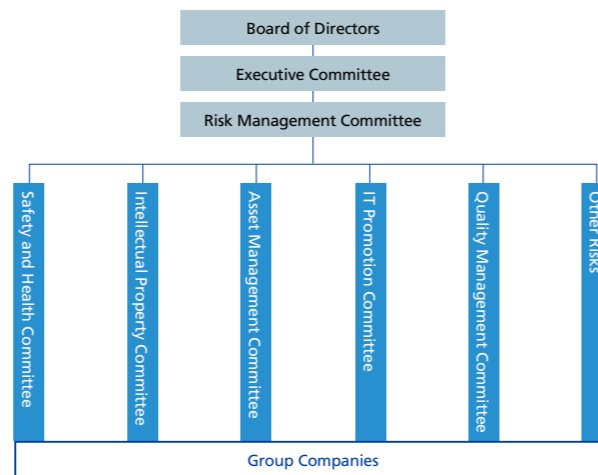
Risk Management

Risk Management Framework

The Group has risk management rules and a Risk Management Committee to guide events that can have a major impact on business activities and reduce exposure to these risk factors. Risk management also includes measures to minimize damage and losses if a crisis occurs and to prevent incidents from happening again.

The Risk Management Committee plays a central role in risk management at the Group. The Committee chaired by President and Representative Director meets once a quarter as a general rule. The Committee puts together individual risks discussed in other internal committees to (1) identify risks and implement preventive measures, (2) act as an emergency response headquarters when a crisis may occur, and (3) develop actions to prevent incidents from happening again across the Group. The Committee periodically evaluates risk factors according to the established process, and constantly reexamines the risk management process itself to reflect current changes in the social and business environment.

Risk Management Framework Chart



Information Security Measures

With the acceleration of DX and changes in the usage environment of information systems, information security risk has been increasing these days, such as the growing sophistication of external cyberattacks. In the construction industry in particular, ensuring information security is an urgent issue as construction site offices are exposed to major information security risks. We therefore raise awareness of these risks among employees by taking such measures as having all employees including the executive officers complete e-learning courses, conducting a phishing drill, and distributing awareness posters to our construction sites across Japan. Going forward, we will prevent unauthorized access from outside the Group and computer viruses by sequentially taking more defensive and detective network security measures.

Business Continuity Plan

The Group has a business continuity plan (BCP) to address disaster risk such as a great earthquake. We strive to improve our capability to continue business operations based on the BCP on a regular basis to avoid the disruption of key operations as much as possible in the event of a major disaster and to return to normal operations early if disrupted.

We periodically conduct an evacuation drill and first aid training on the assumption that a great earthquake has occurred. We also conduct a drill of responding to a safety confirmation email and have each site regularly check the items of an emergency kit. We will continue to upgrade the BCP and expand the scope of areas covered by it to reduce disaster risk.

Risk Management Process

Process	Explanation
① Risk identification	Business risk factors of the SHO-BOND Group are divided into Risk Categories and specific potential problems are identified for each risk factor. Magnitude of risk is defined as "the impact of an incident" multiplied by "the probability of the incident happening."
② Risk analysis and monitoring	Studies to determine numerical and other indicators for individual risk factors and the methods for monitoring them. Monitoring for changes in "the impact of an incident" and "the probability of the incident happening." Estimates of changes in risk exposure by using a qualitative analysis of changes in regulations, amendments to laws, government financial policies and other items that are difficult to measure numerically.
③ Risk control	Prepare lists of business tasks that every business unit performs periodically in order to measure and monitor risk factors. Next, check to confirm that risk factors are being controlled by these business tasks.
④ Risk evaluation	By using the reports from business units, the executive in charge of risk management assesses the magnitude of every risk factor and submits a report to the Risk Management Committee. The Risk Management Committee determines priorities concerning the magnitude and categories of risk factors and discusses methods for the efficient management of risk.
⑤ Responses to incidents	Emergency response manuals to be prepared for incidents. Perform studies concerning crisis management activities, such as direct responses to incidents, crisis management meetings, reports to government offices and agencies, public announcements about emergencies, and other responses to incidents.

Compliance

Basic Concept for Compliance

The SHO-BOND Group believes that a sound compliance framework is vital to conducting business activities that meet high standards of social responsibility and are capable of sustainable growth. The SHO-BOND Group Code of Conduct enables all employees to do their jobs based on a thorough understanding of socially acceptable behavior, laws and regulations, internal rules and other guidelines.

All employees at the Group are dedicated to the achievement of the action principles "Corporate Credo" and the Corporate Philosophy by using a broad range of activities for earning the trust of society and all stakeholders.

Compliance Promotion Framework

The Group implements a compliance program. The SHO-BOND Group Code of Conduct clearly states the rules of behavior that its employees are expected to follow. We also have a compliance manual to ensure that all employees are aware of the importance of compliance.

In addition, we have close cooperation among Group companies by establishing a Compliance Office responsible for compliance matters and assigning a compliance leader to each site.

Further, we provide education and training to all employees of the Group to raise compliance awareness.

Compliance Training

The Group provides compliance education as part of training for new employees and follow-up training* provided each year. In the training, we give a general compliance lecture and urge employees to observe the SHO-BOND Group Code of Conduct. We also ensure that employees are aware of the Construction Business Act that must be observed as a construction company.

We seek to create an employee-friendly work environment by periodically having all employees do a self-check and providing them with e-learning to prevent all forms of harassment.

* Follow-up training is targeted at employees for their second year and those who have just got promoted.

Whistleblowing Contact Points

The Group has internal and external contact points for whistleblowers to report any kind of violation they detect, regardless of its agent (individual or organization) and the type of regulations violated (applicable laws, the rules of employment, the SHO-BOND Group Code of Conduct, etc.). The purpose is to investigate and eradicate such violations as soon as we can.

We pay due care so that whistleblowers will remain anonymous as a general rule and will not suffer any disadvantages.

Establishment of Anti-bribery Policy

The Group has sought to maintain sound business practices. In August 2022, we established an Anti-bribery Policy to clarify our anti-corruption philosophy from a sustainability perspective. Based on the SHO-BOND Group Code of Conduct, we will continue to uphold high ethical standards to prevent bribery, and continue to ensure fair and sound relationships with our customers and all other stakeholders.

The SHO-BOND Group Code of Conduct

Social mission

- Earn customer satisfaction and trust**
We will fulfill all of our contractual obligations with customers and, based on sound communications with customers, provide the best possible construction services and products by making proper and timely decisions.
- Provide outstanding technologies and quality**
We will constantly develop new technologies and aim for even higher quality.

Take responsibility for your actions

- Perform sales activities properly**
We refuse to engage in collusion, bribes, dumping and other improper activities for receiving orders and will never accept any invitation to participate in these types of activities. We will work closely with project owners and prime contractors in order to receive orders in a fair manner and to clearly define contract terms.
- Remain focused on suitable construction operations and safety**
At all projects, we will establish a framework for compliance with the Construction Business Act and other construction laws and regulations, preventing accidents, and facilitating mutual understanding and cooperation with partner companies and suppliers.

- Ensure that accounting procedures and disclosure activities are proper**
We will establish and adhere to fair and appropriate procedures for accounting activities to ensure the reliability of financial reports and disclose information required by our stakeholders.

- Eliminate antisocial forces**
We refuse to respond to improper requests from antisocial forces and will never have any relationship with antisocial forces.

- Maintain a sound crisis management framework**
We have an organizational crisis management framework in order to respond immediately to a natural disaster, cyberattack, terrorism or other crisis.

Unify the workplace

- Contribute to maintaining a pleasant and productive workplace environment**
We will maintain healthy and safe workplace environments through measures to improve employment terms and other working conditions.
- Show respect for human rights**
We will never allow discrimination or other improper treatment of our employees regarding employment and compensation based on their nationality, gender, beliefs or other personal characteristics.
- Play a role in placing the right people in the right jobs**
We will perform fair and appropriate performance evaluations and provide compensation and training with the goal of enabling our employees to fully utilize their capabilities.

Contribute to society

- Participate in community involvement**
We will increase opportunities for communications with communities in order to participate in many programs for contributing to society.
- Be part of environmental conservation activities**
We will reduce the environmental impact of our construction projects through many activities in order to combat global warming, conserve energy and protect the environment in other ways.

11-Year Data

		FY2013	FY2014	FY2015	FY2016		FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Orders	(million yen)	47,229	55,546	54,811	53,509		60,536	67,859	74,380	84,436	74,548	96,065	77,945
Net Sales	(million yen)	51,792	49,599	52,124	52,334		53,250	59,682	60,824	67,590	80,065	81,193	83,924
Gross Profit	(million yen)	10,300	10,614	12,643	12,709		13,797	14,781	16,082	17,319	20,782	22,555	23,470
Gross Profit Margin	(%)	19.9	21.4	24.3	24.3		25.9	24.8	26.4	25.6	26.0	27.8	28.0
Selling, General and Administrative Expenses	(million yen)	3,443	3,078	3,499	3,406		3,637	4,000	4,354	4,389	5,050	5,288	5,346
Operating Profit	(million yen)	6,856	7,535	9,144	9,303		10,160	10,781	11,727	12,930	15,732	17,267	18,124
Operating Profit Margin	(%)	13.2	15.2	17.5	17.8		19.1	18.1	19.3	19.1	19.6	21.3	21.6
Ordinary Profit	(million yen)	7,221	7,932	9,480	9,648		10,516	11,187	12,165	13,507	16,302	17,669	18,637
Profit Attributable to Owners of Parent	(million yen)	4,349	5,008	5,926	6,267		6,997	7,301	8,080	9,005	11,340	12,366	12,887
Total Assets	(million yen)	70,259	70,708	75,784	77,327		84,266	90,976	94,595	102,667	109,807	117,423	122,280
Net Assets	(million yen)	51,797	56,081	61,470	63,701		69,243	74,096	78,108	83,617	90,960	94,247	98,076
Equity Ratio	(%)	73.7	79.3	81.1	82.4		82.2	81.4	82.5	81.4	82.8	80.2	80.2
ROE	(%)	8.7	9.3	10.1	10.0		10.5	10.2	10.6	11.1	13.0	13.4	13.4
ROA	(%)	6.5	7.1	8.1	8.2		8.7	8.3	8.7	9.1	10.7	10.9	10.8
Net Cash Provided by (Used In) Operating Activities	(million yen)	4,058	4,835	4,804	4,386		7,484	1,734	4,550	4,540	2,737	7,834	3,751
Net Cash Provided by (Used In) Investing Activities	(million yen)	-1,511	-4,807	-690	-2,365		-3,793	-2,063	-5,572	16,778	-2,638	5,315	1,693
Net Cash Provided by (Used In) Financing Activities	(million yen)	-1,370	-1,503	-1,801	-2,152		-2,606	-3,147	-3,312	-4,179	-4,485	-9,177	-9,894
Cash and Cash Equivalents at End of Period	(million yen)	16,277	14,803	17,127	16,981		18,073	14,594	10,256	27,395	23,012	27,023	22,587
Basic Earnings per Share	(yen)	80.79	93.05	110.11	116.43		130.00	135.64	150.11	167.30	210.68	231.06	243.53
Net Assets per Share	(yen)	962.22	1,041.82	1,141.93	1,183.40		1,286.36	1,376.52	1,450.27	1,553.10	1,688.64	1,768.42	1,862.41
Dividend per Share	(yen)	27.50	32.00	39.00	43.50		52.00	62.50	67.50	79.50	105.50	118.00	127.00
Dividend Payout Ratio	(%)	34.0	34.4	35.4	37.4		40.0	46.1	45.0	47.5	50.1	51.1	52.1
Total Return Ratio	(%)	34.0	34.4	35.4	37.4		40.0	46.1	45.0	47.5	50.1	75.1	79.1
PER	(times)	24.2	24.9	23.2	19.9		21.8	28.4	25.3	28.5	22.0	25.8	23.5
PBR	(times)	2.03	2.22	2.24	1.96		2.20	2.80	2.62	3.07	2.74	3.38	3.07
Number of Employees		755	744	752	759		788	819	855	881	916	951	985

Note: The Company has conducted a stock split of two common shares for every one common share on July 1, 2019.

Company Profile/Stock Information (As of June 30, 2023)

Major Bases

Domestic

- SHO-BOND Holdings Co., Ltd.
- SHO-BOND CORPORATION

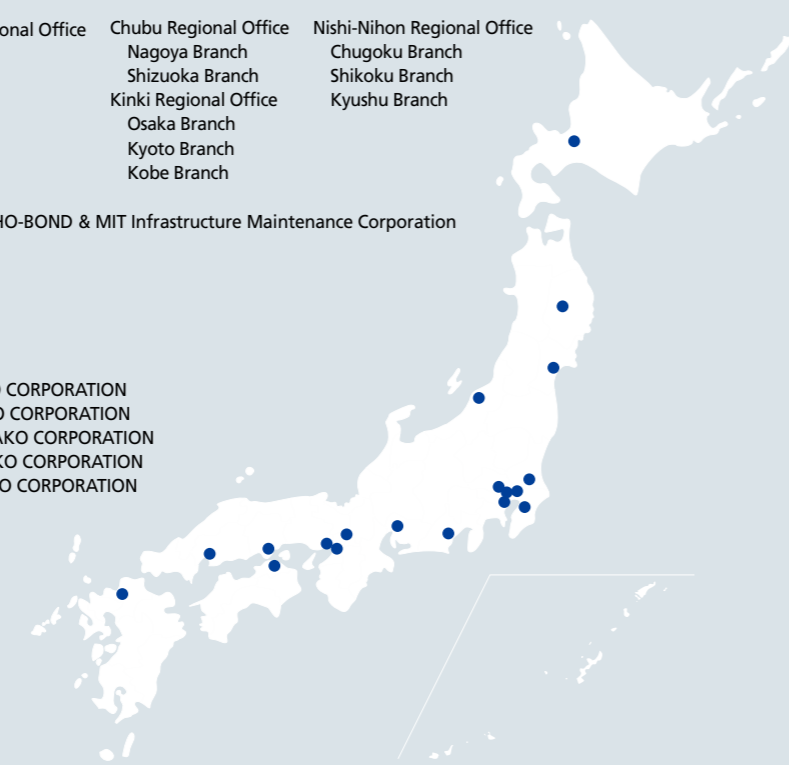
Head Office	Shutoken Hokuriku Regional Office	Chubu Regional Office	Nishi-Nihon Regional Office
Technical Research Institute	Tokyo Branch	Nagoya Branch	Chugoku Branch
Kita-Nihon Regional Office	Chiba Branch	Shizuoka Branch	Shikoku Branch
Hokkaido Branch	Kanto Branch	Kinki Regional Office	Kyushu Branch
Kita-Tohoku Branch	Hokuriku Branch	Osaka Branch	
Minami-Tohoku Branch		Kyoto Branch	
		Kobe Branch	
- SHO-BOND MATERIAL CO., LTD.

Head Office/Kawagoe Factory	SHO-BOND & MIT Infrastructure Maintenance Corporation
Tokyo Branch/Overseas Business Department	
Osaka Branch	
Misato Factory	
- KAKO-Group

TOHOKU KAKO CORPORATION	CHUBU KAKO CORPORATION
KAKO CORPORATION	KANSAI KAKO CORPORATION
KANTO KAKO CORPORATION	CHUGOKU KAKO CORPORATION
YOKOHAMA KAKO CORPORATION	SHIKOKU KAKO CORPORATION
NIIGATA KAKO CORPORATION	KYUSHU KAKO CORPORATION
- Kyna-Tech
- Maintenance Technology Inc.

Overseas

- SHO-BOND (HONG KONG) Ltd. [Hong Kong]
- CPAC SB&M Lifetime Solution Co., Ltd. [Bangkok]



Company Profile

Company name SHO-BOND Holdings Co., Ltd.
 Date of establishment January 4, 2008
 Head office 7-8, Nihonbashihakozaki-cho, Chuo-ku, Tokyo, Japan
 TEL +81-3-6892-7101 (Representative)
 President and Representative Director Tatsuya Kishimoto
 Amount of capital ¥5.0 billion
 Business Establishment of corporate strategies, management, and related operation of businesses of subsidiaries engaged in civil engineering and construction work contracting, etc.
 Number of employees 985 (consolidated basis)
 Principal consolidated subsidiaries SHO-BOND CORPORATION, SHO-BOND MATERIAL CO., LTD.

Stock Information

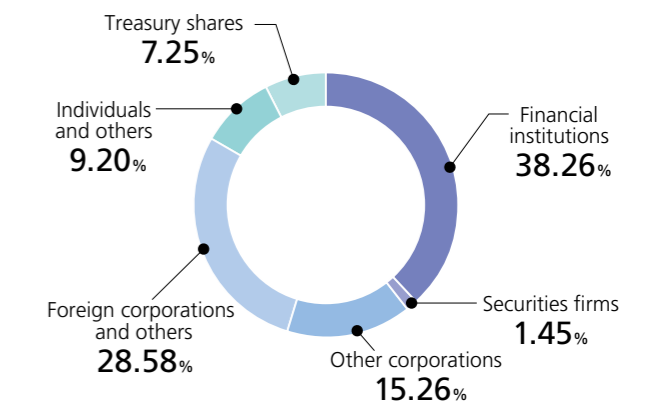
Total number of shares authorized to be issued 120,000,000 shares
 Total number of issued shares 56,745,180 shares
 Stock exchange listing Tokyo Stock Exchange Prime
 Securities code 1414
 Number of shareholders 11,869
 Accounting period June 30, each year
 Annual general meeting of shareholders September each year
 Shareholder registry administrator Mitsubishi UFJ Trust and Banking Corporation
 Account management institution for specific accounts

Status of Major Shareholders

Shareholder name	Number of shares (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	6,548	12.45
SSBTC CLIENT OMNIBUS ACCOUNT	6,118	11.63
General Incorporated Foundation Ueda Memorial Foundation	5,408	10.28
Custody Bank of Japan, Ltd. (Trust account)	3,826	7.27
MUFG Bank, Ltd.	2,658	5.05
The Dai-ichi Life Insurance Company, Limited	2,420	4.60
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,874	3.56
Meiji Yasuda Life Insurance Company	1,584	3.01
Custody Bank of Japan, Ltd. (Trust account 4)	1,456	2.76
Sompo Japan Insurance Inc.	612	1.16

Note: Treasury shares (4,116,264 shares) are excluded in the calculation of the shareholding ratio.

Shareholders Ratio (Percentage of Owned Shares)



Our Websites

[SHO-BOND Holdings Co., Ltd.](#)



[SHO-BOND CORPORATION](#)



[SHO-BOND MATERIAL CO., LTD. \(Japanese version only\)](#)



[SHO-BOND official channel \(Japanese version only\)](#)





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