

## President's Message



## Bolstering our business portfolio in response to a changing environment

**Tatsuya Kishimoto**

President and Representative Director

### Achieved 80% of our previous mid-term plan

If I were to review our performance based on the Medium-term Business Plan 2024 (herein “the previous mid-term plan”), I would give us a score of 80 out of 100. The previous mid-term plan aimed to lay the foundation for sustainable growth centered around large expressway projects. We achieved steady annual increases in both sales and profits, and the fact that FY2024 marked our 10th consecutive year of sales and profit growth was a satisfactory outcome. We attribute this stable growth to the favorable market environment, our enhanced strategy for securing project contracts, and the strengthening of our construction work capability. Firstly, in terms of market environment, there have been numerous contracts in the domestic road sector, which is our Group’s main business, not only for expressway renewal projects but also for public works projects to address aging infrastructure and disasters. We have enhanced our strategy to secure these contracts by leveraging the East/West Japan in-house company structure. Both in-house companies were in charge of reviewing contract bids and assigning personnel, considering wider-area optimization. We have managed to establish a system conducive to more profitable construction projects compared to the previous system in which our regional offices primarily secured contracts. In terms of strengthening our construction work capability, the previous mid-term plan stipulated a basic policy of honing SHO-BOND’s six inherent strengths. Within this context, we undertook initiatives to strengthen our development of human resources in order to bolster our construction work capability and our technological capability. To win the trust of our customers by leveraging SHO-BOND’s inherent strengths even in complex large-scale construction projects, we have extensively conducted advanced training of our new employees and the managers of our partner companies using the Tsukuba Training Center, and have also strengthened our on-site support departments, thereby raising the construction work capability of the entire Group. While only our highly experienced employees were previously eligible to work on expressway project contracts, by strengthening our employee training over the past three years we have managed to establish an efficient engineer development pathway whereby employees who have undergone prior training can gain experience in the field as assistants, learn construction techniques for large-scale projects, and eventually work on these projects on their own. As a result, the share of expressway projects as a

percentage of net sales has risen to 66%. Our consolidation of a system to unflinchingly pursue large construction orders has been a particularly significant achievement over the past three years.

We have also exceeded our own forecasts in terms of profitability and shareholder returns. SHO-BOND’s strength has always been its ability to generate revenue from repair and reinforcement work by strictly adhering to a policy of profitability and leveraging its expertise in this field. By capitalizing on the recent trend toward larger projects, we have succeeded in increasing our profitability by enhancing our strategy for securing project contracts and strengthening our construction work capability. Through the united efforts of our employees and taking pride in our role as a leading infrastructure maintenance company, we have achieved an operating profit margin of 23% and ROE of 14.2%. As a result, we have realized high shareholder returns as signified by 15 consecutive years of increased dividends and a high total return ratio of 75%.

However, there are also issues that remain to be addressed. The most significant of these is the delay in launching overseas operations, especially in Thailand. Within Japan, we are yet to resolve issues of local governments and capture demand in the private sector. I will discuss these issues in further detail below in the context of our Medium-term Business Plan 2027.

### Medium-term Business Plan 2027 —Enhancing corporate value in pursuit of economic efficiency and social progress—

In August 2024, we announced our Medium-term Business Plan 2027. Our basic policy is to “enhance corporate value in pursuit of economic efficiency and social progress.” We included not only economic efficiency but also social progress in the basic policy of the Medium-term Business Plan 2027 based on our own philosophy and external requirements. In formulating the Medium-term Business Plan 2027, we have reorganized our philosophy. While the importance of purpose has been a long-standing feature of corporate management, SHO-BOND has established the Corporate Philosophy as its ultimate management philosophy. Our message of “passing on social infrastructure to the next generation in good condition” has been handed down since the company’s founding, and is tantamount to our purpose and reason for being. We also refer to our social mission in “Our Vision” and in our Corporate Credo. The Group’s philosophy is therefore



President’s Message

inextricably linked to social contribution, which is in turn rooted in the beliefs of our founder. Our founder Akira Ueda was convinced of the growth potential and social significance of the infrastructure maintenance business long before it became the focus of attention. Based on this original mission, SHO-BOND employees have dedicated themselves to infrastructure maintenance.

The Beliefs of the Founder >P07

Meanwhile, the external requirements are the difficulties that our customers face. Local governments manage the majority of the nation’s bridges and tunnels but they are severely underfunded and understaffed, leaving them unable to repair and reinforce these structures in a timely manner. Our approach to this problem is one of the issues remaining to be addressed. Outside Japan, we are also receiving requests for cooperation as issues associated with aging infrastructure become increasingly evident several decades after their construction. In light of these internal and external factors, we have established the basic policy of the Medium-term Business Plan 2027 with the determination to realize enhanced corporate value by combining our Group’s identity-defining mission of contributing to society with the pursuit of corporate profitability.

<Current business environment>

First of all, in terms of our perception of the business environment, I generally believe that the favorable conditions for securing project contracts will continue in the domestic road sector, particularly for expressways. The Expressway Renewal Project in Japan is slated to continue until 2030, with progress sitting at 48% as of December 2023. The expressway companies have also announced a policy to accelerate seismic reinforcement of emergency transportation routes so we expect to see an increase in our contract order volume. However, we also recognize that increased bidding competition and fluctuations in annual contract order volumes are potential risks. New local and national government initiatives are also underway in the form of “Strategic Management for Revitalization of Regional Infrastructure Groups” and “Comprehensive Private Sector Outsourcing,” which we believe will provide opportunities to showcase SHO-BOND’s strengths.

Business Environment >P13

On the back of the current business environment, initiatives under the Medium-term Business Plan 2027 will broadly be divided into three areas.

<Steady revenue growth in domestic road sector>

In the domestic road sector which is currently our core business, we will maintain a high level of gross profit margin and continue the trend of increased profits through higher net sales. Our net sales target of 100 billion yen is a commitment to that goal. To achieve it, we will work to create a backlog of contract orders that will enable us to achieve a leveling off of construction sales by quarter over several years while responding flexibly to changes in nationwide contract trends based on a strategy for securing project contracts that recognizes the need for company-wide optimization. We will also consider how to effectively form joint ventures with a view to securing construction contracts of around 10 billion yen, and will make preparations to ensure our net sales volume without diminishing profitability. While undertaking these measures to enhance our strategy for securing project contracts, we will also maintain the construction work capability of our Group and partner companies. This will also require us to foster an interdependent safety culture that extends all the way to workers in our partner companies via our “Initiatives for Creating a SHO-BOND Culture of Safety” commenced under the previous Medium-term Business Plan. We will refine our process cycle of strategic contract procurement and highly efficient construction to deliver stable earnings growth.

<Diversification of revenue sources>

Even though we are performing well in the domestic road sector, we are not resting on our laurels and are nurturing the seeds of further growth. The key to this growth is our overseas business. In the previous mid-term plan, we sought to establish a business centered on sales of construction materials with a focus on SB&M, which is a joint venture with MITSUI & CO. Despite positive outcomes including our investment in Structural Technologies—a proven maintenance and repair business in the U.S.—and the booking of equity in earnings, the launch of our business in Thailand has been slower than expected even after accounting for the impact of the COVID-19 pandemic, with the inability to secure stable earnings posing an ongoing challenge. Our operations in Thailand over the last five or so years have taught us that the existence of damaged infrastructure alone is no guarantee of securing business. If the will to repair and maintain this infrastructure does not exist, our high-performance products will simply not sell no matter how much we attempt to market them. We must therefore pursue efforts to mature the market by promoting the concept that extending the

life of infrastructure through preventive maintenance will lead to a reduction in total costs. While Thailand’s current infrastructure situation is similar to that of Japan 20 to 30 years ago, the infrastructure maintenance market has grown to become an important part of the construction industry in Japan. We aim to develop this market in Thailand and are currently working with local Thai universities to promote greater awareness and standardization. We are receiving reliable local feedback by conducting briefings for public works officials and seminars on infrastructure maintenance. We will also restructure the very nature of our overseas business. Through our operations in overseas locales, we have learned that the need for comprehensive services was greater than we had initially imagined, especially in Thailand and other ASEAN countries. We therefore established a new Overseas Business Department within SHO-BOND CORPORATION and restructured our business model in order to combine the Group’s collective strengths to deliver comprehensive maintenance services. However, this does not imply that we will perform the onsite construction work ourselves. Rather, the aim of our restructured business model is to dispatch our Group’s engineers to each site to act as construction advisers and technology providers, and to provide feedback to the Overseas Business Department on the customer’s needs and issues in order to ensure optimal product supply and cooperation with other companies. I believe that the strengths our Group has developed in opening up Japan’s infrastructure maintenance market and continually meeting the demands of infrastructure administrators as maintenance experts can certainly be demonstrated overseas as well. In terms of the overall scale of our overseas business including North America and other regions currently under consideration, we are still in the start-up phase and are therefore currently unable to perceive the entire picture. That being said, we envision that our overseas business will comprise at least 5% of total profits in 5 years and 10% in 10 years.

Overseas Business Department >P41 We will also strengthen our approach to peripheral areas in Japan as well as overseas. Peripheral areas refer to infrastructure lying outside the current core area of roads. The KAKO-Group companies were originally active in cultivating relationships with private sector customers such as railways and port facilities. In the past few years, we have been oriented towards public civil engineering contracts with a focus on the road sector. However, the infrastructure in surrounding areas is also aging and in dire need of maintenance work. We will draw on our past experience to further

consolidate our operating base over the next three years. From the perspective of social progress, we also recognize the significance of repairing and reinforcing historic structures. In projects involving historic structures, we believe it is important to preserve their appearance and take structural considerations, and these are areas where our Group can leverage our experience. I also value the fact that our employees are motivated by their experience of being involved in the repair of well-known structures.

Feature: Passing on Cultural Heritage into the Future >P08

<Initiatives to resolve local government infrastructure issues>

In order to promote sustainable and efficient infrastructure maintenance among local governments, new project contracting schemes such as Comprehensive Private Sector Outsourcing are emerging. I believe this is a major area for our Group to leverage our strengths, from proposing mechanisms to supplying materials and construction work. There is also a pressing need to reduce manual maintenance and costs to address the structural issues of technical staff shortages and budget shortfalls. We are therefore aiming to provide our “*AI Shindanshi*,” diagnostic system which incorporates the expertise of SHO-BOND’s engineers in diagnosing concrete deterioration, as well as DIY methods and materials that allow facility administrators and inspectors to simply address minor





President’s Message

damage themselves. We hope to involve the local governments and local construction companies in discussing the optimal business model for the project in question.

**〈Financial and non-financial capital policies〉**  
 We have announced a policy to achieve an 80% total return ratio. Our profit distribution policy is steadily increasing profits and returning profits to shareholders in the form of higher dividends and to employees in the form of performance bonuses. Based on this policy, we will not be content with our 15 consecutive fiscal periods of increasing dividends and will strive to continue this positive trend into the future. At the same time, we are always conscious of maintaining a high level of ROE. Under the Medium-term Business Plan 2027, we will strive to achieve our ROE target of approx. 14.5% in FY2027 while continuing to buy back our own shares. Furthermore, we have formulated our capital policies in terms of both financial and non-financial aspects based on our belief that the value of our non-financial capital is the source of our Group’s high gross profit margin. We are placing particular emphasis on our human capital. To maintain our high gross profit margin for construction work generated by our high-level engineers, we plan to invest more than 5 billion yen over a three-year cumulative period. The first area of investment is in the hiring of human resources, which is directly related to our ability to secure project contracts and our construction work capability. In conjunction with our business strategies, we will strengthen our human resources in our construction, engineering, overseas business, and digital departments. We will also work to enhance our employee training in order to further develop our strength of providing a high level of service and earning the trust of our customers anywhere in Japan, no matter who is leading the project. Furthermore, under our new personnel system launched in July 2024, we will strengthen our employee retention management by developing an appropriate compensation system and operating a fair and transparent personnel evaluation system. Behind these people-oriented measures is a personal desire to ensure that our company remains attractive to our employees. Since my appointment as president, we have been promoting work-style reforms such as enhancing the role of supporting departments and conducting dialog-based safety patrols, and I believe that our employees are now more comfortable in their work than before. This is evident when I meet with on-site employees during my monthly President’s Safety Patrol. The change in work style has also led to friendly competition among employees of the same generation. I believe that these reforms to our personnel system

have brought us closer to realizing a backup system for employee self-improvement and an appropriate evaluation and compensation system that is commensurate with our employees’ willingness to develop and grow. I also believe that this emphasis on human capital will give us a competitive edge in securing human resources as the shortage of construction workers becomes a persistent issue.



Beyond the Medium-term Business Plan 2027

While expressway construction currently accounts for close to 70% of our net sales, we are looking to bolster our business portfolio so that we can respond to the ever-changing environment. In addition to organic growth in the domestic construction business, we are also considering strategies for inorganic growth. Specifically, we are seeking investments and partnerships on the scale of 5 to 10 billion yen, and expect to identify promising opportunities over the next three years so as to plant the seeds for the next 10 years of growth. Our aims are to expand the number of overseas partner companies, improve our ability to secure project contract orders by acquiring engineers in local regions, form business and capital tie-ups with venture companies and other entities to develop new materials and construction methods, and insource specialty construction to reduce construction costs. For instance, by insourcing the work that is often outsourced as part of repair and reinforcement work, such as water jet concrete demolition, we expect to reduce construction costs and improve gross profit margins. While this is a focal issue that is unique to the infrastructure maintenance industry, we are also considering insourcing

for other types of work.  
 In order to strengthen our business portfolio we must acquire human resources that do not fit the mold of SHO-BOND’s conventional business behavior. SHO-BOND has been in the public works contracting business for many years and therefore has a refined reach and presence. However, in future we will need to develop and execute novel ideas in peripheral and new areas in order to carve out new markets while also focusing on the respective issues faced by our customers. We intend to foster personnel who, rather than being overly attached to their past successes, are constantly on the lookout for new challenges. In this regard, I believe that our opportunity to do business with MITSUI & CO. through our joint venture SB&M is indeed a valuable one.  
 Strengthening our corporate governance is another crucial element in undertaking these long-term growth strategies. As we continue to tackle management challenges such as our overseas business and M&As, it is vital from a risk management perspective to achieve the right composition of our Board of Directors including outside directors, and to engage in effective discussions. Although we already have a certain degree of balance on our Board of Directors, we are always conscious of integrating corporate governance into our management operations, such as considering the invitation of outside directors with extensive international experience with a view to expanding our overseas business.

Remembering the Great Hanshin-Awaji Earthquake

As January 2025 marks the 30th anniversary of the Great Hanshin-Awaji Earthquake, we have included a special feature in this year’s Integrated Report. Prior to the earthquake, SHO-BOND had been a pioneer in the hitherto niche market of infrastructure maintenance. Following our company-wide efforts in restoring infrastructure damaged by the earthquake, we achieved recognition that provided the impetus for our subsequent growth. Around half of our current employees have been with the company for less than 10 years, and many young employees were born after the earthquake so most of them are unaware of the chaos that the disaster caused. We recognized that the 30th anniversary of the earthquake would also be a good opportunity for these newcomer or young employees to learn about the hardships faced by their predecessors who, in the face of a major disaster, not only protected infrastructure but also ensured

the continuity of our company and led it to growth.  
 Feature: Remembering the Great Hanshin-Awaji Earthquake >P45  
 In the 30 years since the Great Hanshin-Awaji Earthquake, attitudes regarding seismic reinforcement of infrastructure have changed dramatically. Structures that were thought to be absolutely safe collapsed due to seismic tremors, leading to nationwide recognition of the need for seismic reinforcement of infrastructure which then proceeded at a rapid pace. Since then, the technical standards for road bridges have been revised after every major earthquake, and seismic reinforcement has been conducted based on new seismic ground motion modeling. Our role in this process is to verify the effectiveness of the seismic reinforcement that we have applied in the past. On-site verification in the event of an earthquake is vital to improve subsequent technology and maximize cost-effectiveness. To protect lives and livelihoods from disasters, we cannot as infrastructure maintenance experts allow the potential consequences of a disaster to exceed our expectations. We will continue to gather enough data that would effectively enable us to manage infrastructure on behalf of the administrator, and to hone our technical proficiency in order to facilitate our research and development, construction work, and ability to assist infrastructure administrators. For instance, this assistance could involve advising a client on the need to update the aged reinforcing members of a bridge to meet current standards. Such is the highly professional attitude with which all SHO-BOND engineers approach their work.

Passing on social infrastructure to the next generation in good condition

The SHO-BOND Group’s reason for being is to pass on social infrastructure to the next generation in good condition, and we have consistently devoted ourselves to this mission since our founding. As society’s demand for infrastructure maintenance increases each year, I believe that my responsibility as president is to complete the Medium-term Business Plan 2027 with a view to where we will be in 10 years’ time. Both economic efficiency and social progress are essential elements for enhancing the Group’s corporate value. While remaining true to our founding mission, we will continue to leverage our wealth of infrastructure maintenance experience and technology to meet the needs of a wide range of customers both in Japan and overseas, and will work together as a Group to enhance our corporate value. We look forward to your continued support.



# CFO Message

The Medium-term Business Plan 2027 started in FY2025. The plan aims to achieve sales of 100 billion yen in the final year and to increase operating income by approximately 12% over the three-year period. We will continue to follow the policy of “emphasizing profitability and selectively accepting orders” and maintain a high operating profit margin. In this mid-term plan, we have formulated a capital policy that includes non-financial capital. We recognize that the source of our high profit margin is the value of non-financial capital, including human capital. I believe that my mission is to maintain ROE exceeding the cost of equity through appropriate management of financial and non-financial capital.



Yasuhiro Sekiguchi  
Managing Director, CFO

## Review of the Medium-term Business Plan 2024

### Summary

Following the Medium-term Business Plan 2021 that resulted in a significant increase in operating income over three years, during the Medium-term Business Plan 2024, we have been working to strengthen our construction, technological, and sales capabilities and maintain high levels of profitability, financial soundness, and shareholder returns under the basic policy of “Honing our inherent strengths what it is that makes us SHO-BOND.” Although there are still issues to be addressed in strengthening the sales capabilities of construction materials as well as overseas operations, we successfully achieved our profit targets by increasing orders for large-scale construction projects and improving the gross profit margin of construction work.

### 10 Consecutive Years of Sales and Earnings Growth

Net income for FY2024, the final year of the mid-term plan, was 14.3 billion yen. Profits increased by 26.3% over the last three years, marking the 10th consecutive year of increased sales and profits. Due to sluggish sales of construction materials, including overseas sales, net sales fell short of the target at 85.4 billion yen. On the other hand, we were close to achieving the construction sales plan thanks to the steady progress in large-scale projects. This progress was a result of strengthening our construction capabilities, including partner companies. The last three-year average of construction orders was around 83.2 billion yen/year, despite the fluctuation from year to year, and the accumulated order backlog as of the end of FY2024 was at a new record level.

### ● Business Strategy

Strategic Initiative	Review
Upgrade the order receipt strategy utilizing the in-house company structure	The order receipt strategy has been upgraded under the in-house company system by strengthening the information sharing scheme, thoroughly selecting bidding projects, allocating optimal personnel, and confirming construction management capability including partner companies.
More activities for large projects and construction work capability	To strengthen our construction capabilities, we have had existing partner companies work in larger areas within each in-house company as well as selected new ones. We have established a group-wide inner consultation scheme for projects of 2 billion yen or more.
Challenge a new product sales strategy by SB&M	Despite the impact of the COVID-19 pandemic, we continued sales activities in Thailand and the USA. Results achieved in Thailand on receiving construction orders and selling products through JICA projects. In the USA, we invested in an infrastructure repair company.
More joint activities by increasing cooperation among group companies and other companies	We strengthened relationships with partner companies and expanded the number of distributors. Collaboration progressed in both the fields of construction and sales. In addition, earnings from Kyna-Tech and other affiliated companies have increased.
New technologies for preventive infrastructure maintenance	We have shortened delivery time and reduced costs for existing products, as well as made resin-based products non-deteriorous. We also have begun to develop organic materials using plants and shells as the raw material. Lithium nitrite gel and an AI diagnosis system are implemented into practical use.

### ● Basic Policy of the Medium-term Business Plan 2024

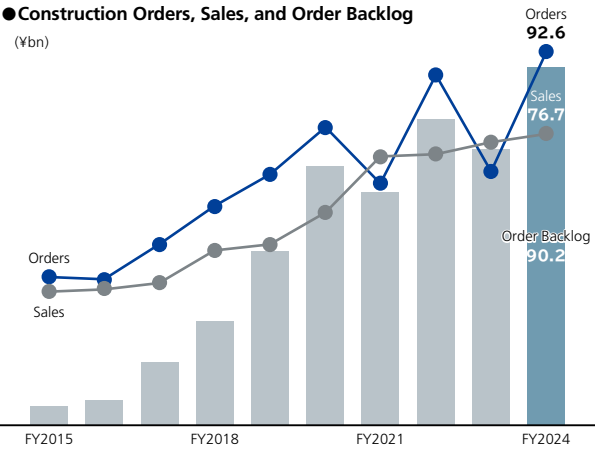
#### Honing our inherent strengths what it is that makes us SHO-BOND

- 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

	FY2021	FY2024	Change	Mid-term Plan 2024
Net Sales	80.1	85.4	+6.7%	87.5
Operating Profit	15.7	19.7	+25.0%	17.5
Profit Attributable to Owners of Parent	11.3	14.3	+26.3%	12.0
ROE	13.0%	14.2%		12.0%

### ● Strengthening the Foundation

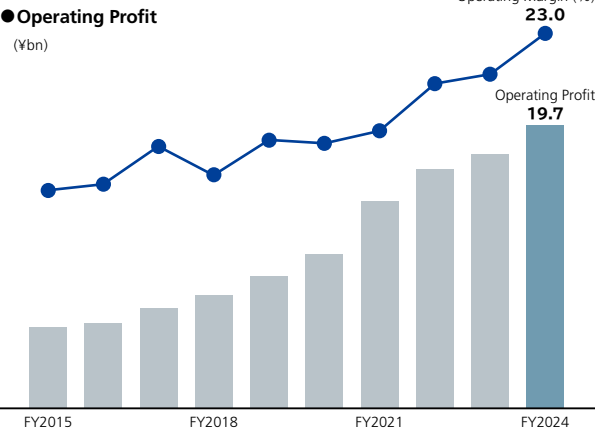
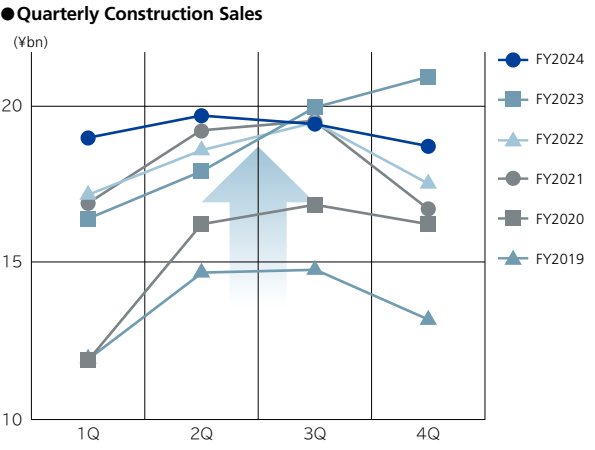
Strategic Initiative	Review
To become more competitive for capturing orders by developing human resources capable of adapting to changing markets	We started practical training for young employees and partner companies at the Tsukuba Training Center. We also have strengthened support for acquiring qualifications, specialized education programs for technical employees, and unique human resource development measures for each in-house company.
Personnel system reforms that reflect the changing business environment	In preparation for revising the personnel system, we deepened internal discussions based on social conditions and employee needs. We also implemented work style reforms, institutionalized flexible work styles in consideration of female employees, raised wages, and improved compensation for senior employees.
A strong safety culture and rigorous on-site training	We have promoted an action plan to create a safety culture throughout the company and launched new initiatives such as e-learning. The LTI frequency and severity rate was lower than the national average, and in FY2023, we achieved zero fatal accidents and zero LTI frequency and severity of occupational accidents.
Use of the digital transformation (DX) for higher productivity	On-site DX has progressed, and the introduction of construction management apps and 3D design software is expanding nationwide. We have also completed the acquisition of basic 3D CAD techniques by technical employees at each branch office and the conversion of in-house developed devices into 3D data.
Build a framework for responding to ESG issues	We have established the Sustainability Committee for the entire group. In addition to calculating CO <sub>2</sub> emissions and formulating various policies and non-financial KPIs, we have enhanced disclosure by issuing an integrated report.



### Construction Sales

In terms of construction sales by client, the share of expressway companies rose to 66% in FY2024, far exceeding the 50% expectation in the mid-term plan. This is mainly because the number of engineers with the skills to take charge of large-scale construction work has steadily increased due to active recruitment and the enhancement of training supported by our aggressive investment in human capital.

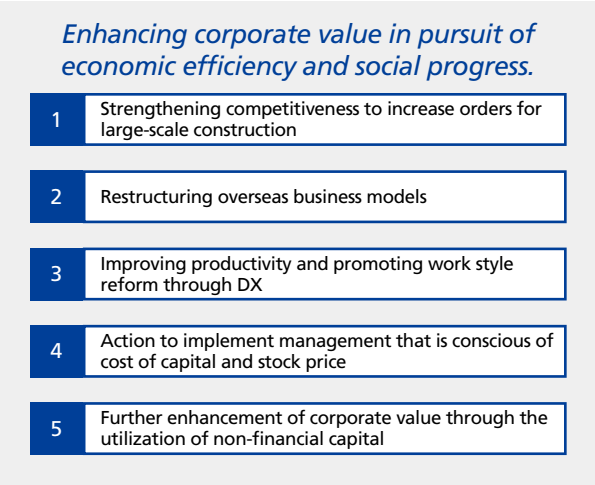
An upsurge and subsequent leveling in sales figures have been observed quarterly, as a result of the strategic order-taking and the strengthening of construction capabilities.



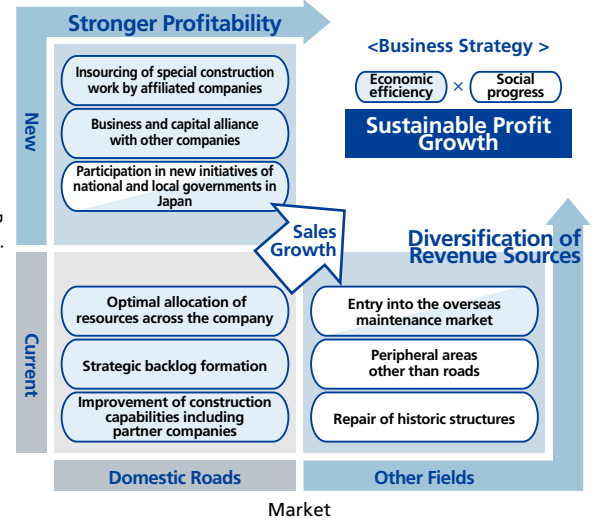
## Medium-term Business Plan 2027

### Basic Policy

In the Medium-term Business Plan 2027, we will strengthen sustainable profit growth while simultaneously addressing social issues under the basic policy of “Enhancing corporate value in pursuit of economic efficiency and social progress.” We will further capture large-scale construction orders by allocating resources optimally for the entire group, and continue the trend of increasing sales and profits.



In addition, we will take on the challenge of new business areas in maintenance and work on projects outside of the domestic roads to diversify our revenue sources and strengthen profitability. In addition to more shareholder returns, we will further enhance our corporate value through both financial and non-financial capital policies, including the utilization of non-financial capital such as continued investment in human capital.





Financial Targets

We aim to achieve net sales of 100 billion yen in FY2027. In addition to further increasing the ratio of large-scale orders through the sophistication of our order strategy, we plan to significantly increase sales of construction materials by restructuring our overseas business, strengthening seismic reinforcement work at expressways, and initiatives in peripheral areas other than roads.

We anticipate an increase in personnel cost mainly due to continuous wage increases and assume an operating profit of 22 billion yen in FY2027, with the operating profit margin declining slightly. Profit attributable to owners of parent is planned to be 15.6 billion yen, including gains on the sale of cross-shareholdings. We aim to increase sales and profits for the 13th consecutive year.

On a three-year average, the amount of construction orders received will be higher than the previous mid-term plan, and the order backlog will remain at a high level. Our target for FY2027 is about 90 billion yen. While we expect a slight decline in FY2025 due to the exceptionally large construction orders in FY2024, we are committed to achieving this goal within the next three years.

Construction sales in FY2027 are expected to be 89 billion yen due to an increase in the number of engineers, securing construction capabilities, and improving productivity at construction sites by introducing digital equipment. Although the gross profit margin of construction work is expected to decline slightly after a significant increase in FY2024, we will achieve sustainable growth by steadily increasing construction sales through construction and technological capabilities that we have strengthened in the previous mid-term plan. Sales of construction materials for FY2027 are planned to be 11 billion yen. In Japan, we expect to strengthen sales in peripheral areas other than roads to increase sales of existing products such as couplings. Meanwhile, we hope for the sales of new products that we have been developing recently. In addition, by restructuring our overseas business, we will increase sales through multiple sales channels.

	FY2024	Mid-term Plan 2027	Change
Net Sales	85.4	100	+17.1%
Operating Profit	19.7	22.0	+11.9%
Profit Attributable to Owners of Parent	14.3	15.6	+8.9%
ROE	14.2%	Approx. 14.5%	

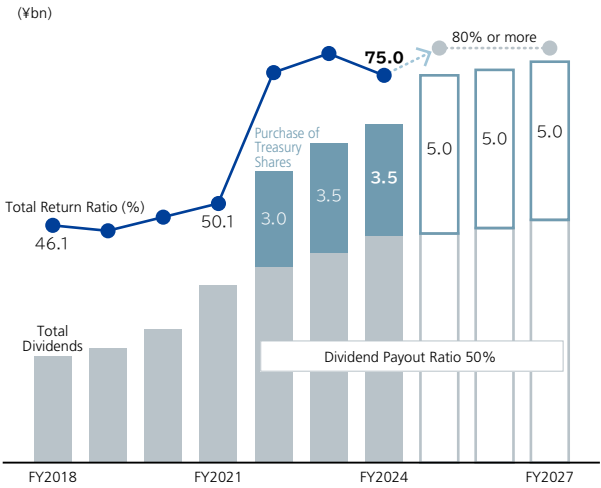
Strengthening the Foundation

The main measures of the Medium-term Business Plan 2027 are as follows. In terms of strengthening our foundations, we believe that “further investment in human capital” and “retention management” are crucial. Our company must continue to secure excellent human resources, even under a permanent workforce shortage that the construction industry faces. We aim to have 1,100 employees by the final year of the mid-term plan, and we will strengthen the human capital to realize our strategies. We plan to invest approximately 5.4 billion yen in human capital over the three-year period.

Capital Policy

Under the Medium-term Business Plan 2024, we kept a dividend payout ratio of 50% and implemented a share buyback of 10 billion yen in total, thereby maintaining a total return ratio of 75% or more each fiscal year. We will further enhance shareholder returns in the Medium-term Business Plan 2027. We aim to consistently provide a steady profit return by keeping the dividend payout ratio at 50% and strive to enhance dividends for 18 consecutive years. We also aim to raise ROE to approximately 14.5% in FY2027 by acquiring 15 billion yen of treasury shares over the next three years and achieving a total

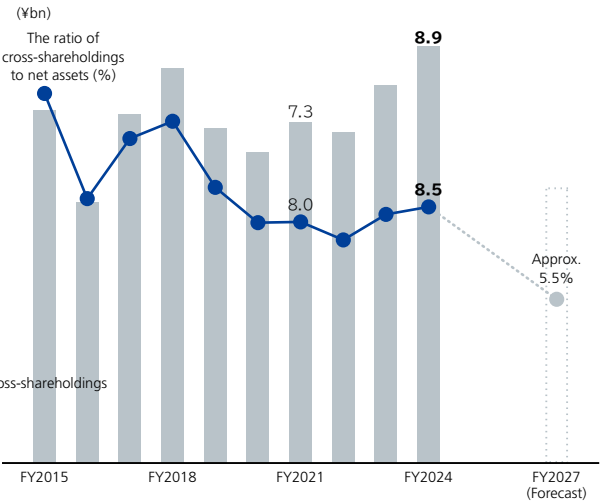
●Total Dividends / Total Return Ratio



return ratio of 80% or more.

We sold approximately 1.5 billion yen worth of cross-shareholdings under the Medium-term Business Plan 2024, but the ratio to net assets increased due to the rise in the stock market. The policy of reducing cross-shareholdings will continue under the Medium-term Business Plan 2027 and about 30% of it will be sold by the final year, worth approximately 3 billion yen based on the market value at the end of June 2024. Assuming the stock market remains unchanged, the percentage to net assets is expected to decrease from 8.5% to 5.5%.

●Cross-shareholdings



●Maintaining High Profitability through the Enhancement of Non-financial Capital

**ROE > COE ⇒ PBR > 1**

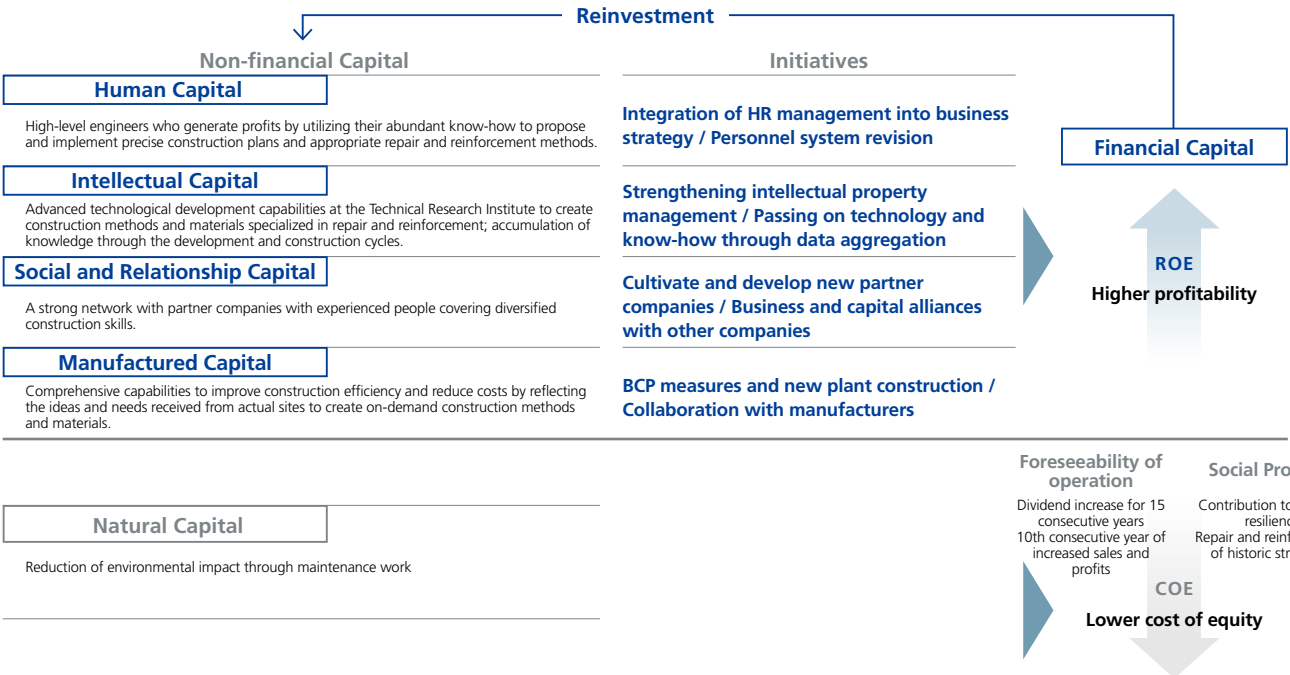
●Business Strategy

Group-wide strategy for order receiving conscious of order backlog	We will allocate resources focusing on total optimization and work to further enhance our order strategy. This allows us to maintain high and consistent quarterly construction sales by adapting flexibly to changes in order trends and forming an abundant order backlog.
Restructuring of business models for overseas business	We established a new overseas business division at SHO-BOND CORPORATION to approach foreign markets through various channels including SB&M. In addition, we will expand our business model from specializing in selling construction materials to technical cooperation and construction management, by mobilizing the group's collective strengths.
Participation in new initiatives of national and local governments in Japan	A trend of multiple wide-area and cross-border ordering by the national and local governments has emerged out of the lack of technical staff to manage the facilities they own. We will utilize our cultivated know-how and customizable construction materials to meet their needs.
Strengthening peripheral areas and opening up new markets in maintenance	In addition to our main target area of roads, we will take an active approach to maintenance demand in peripheral areas such as railways and ports, led by the KAKO-Group (construction subsidiaries). Meanwhile, we are exploring the possibilities of expanding into new markets by insourcing special construction work and forming business and capital partnerships with other firms.

●Strengthening the Foundation

Further investment in human capital (securing and developing human resources)	In the next three years, we will invest more than 5 billion yen in human capital. We will continue our active recruitment policy and aim to increase the number of employees to 1,100 while increasing construction, technology, and overseas staff in line with our business strategy. We will also continue to raise wages and further enhance education for our employees and partner companies.
Retention management through the new personnel system	We launched a new personnel system that emphasizes fulfillment, growth, a sense of security, and a sense of satisfaction. Under this personnel system, we aim to improve employee engagement and reduce the turnover rate.
Achieving a higher level of safety culture	We will continue the Initiatives for Creating a SHO-BOND Culture of Safety to establish a safety culture closer to an interdependent type. We will strive to ensure that safety culture permeates every corner of all sites by developing educational content that is easy to access from remote locations and conducting safety culture training that includes partner companies.
Improving productivity and promoting work style reform through DX	We will further advance the transformation of business flows through on-site and administrative DX. On-site DX includes construction management, safety patrols, and daily inspections. Administrative DX means introducing IT tools for approval procedures and expense reimbursement to realize paperless operations and improve efficiency.

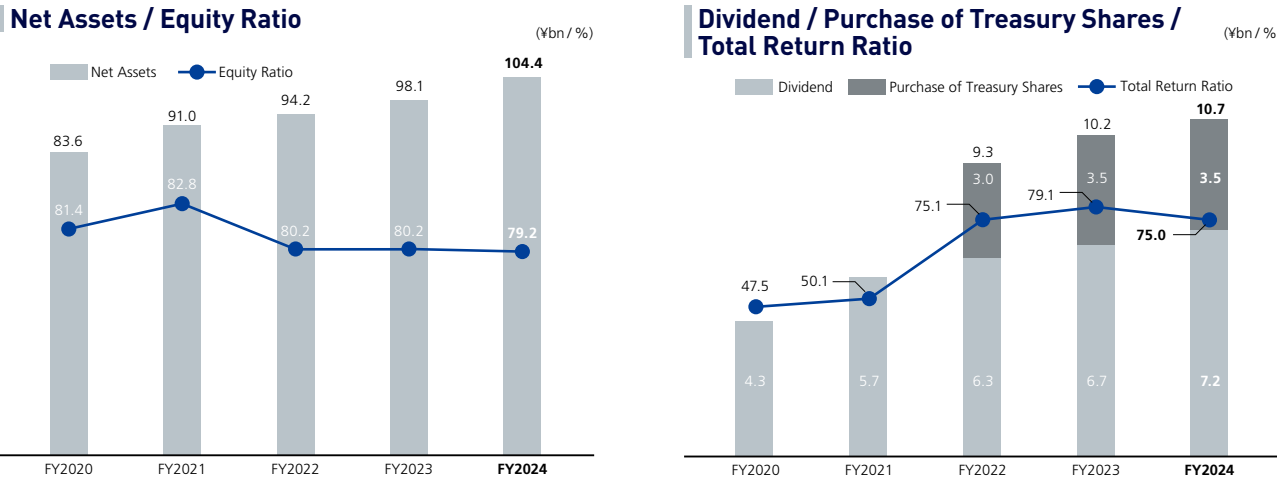
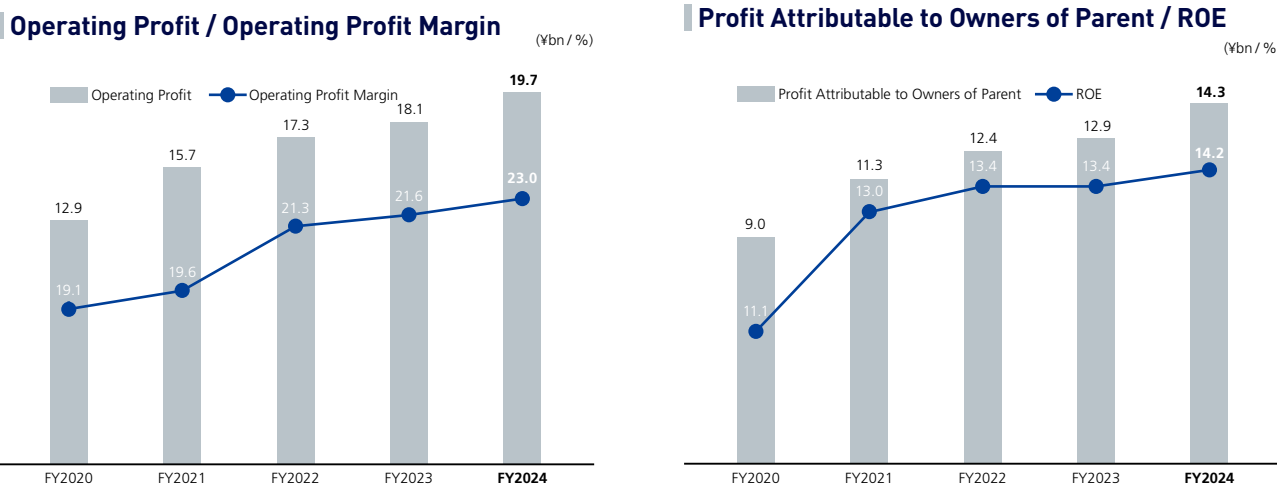
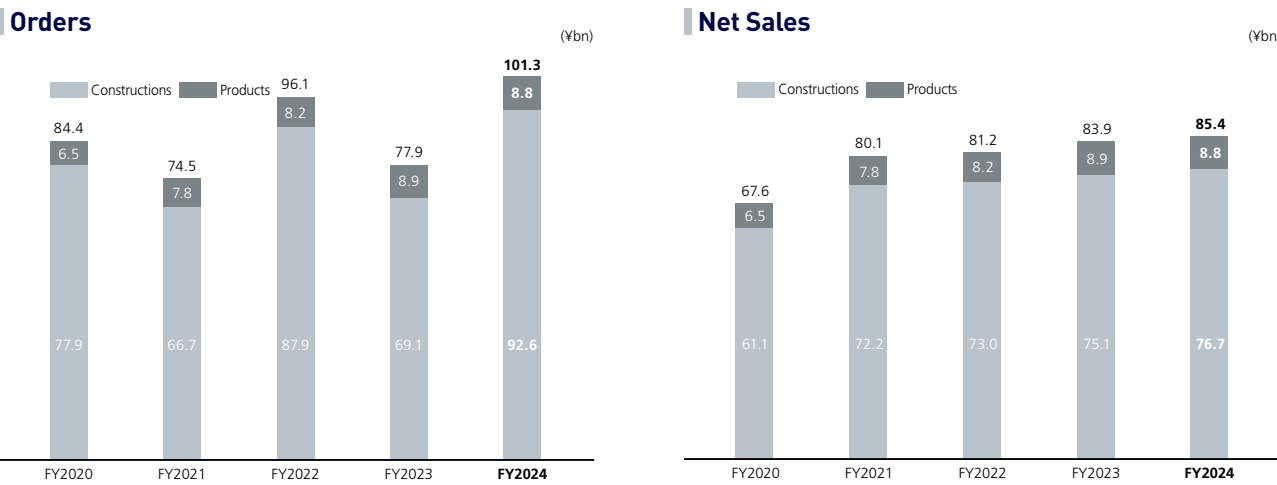
The source of the group's high gross profit margin of construction work lies in the non-financial capital. We aim to enhance this further to generate sustainable profits. Although it is conceivable that the cost of equity rise due to increased long-term interest rate in Japan, we will maintain a high PBR by lowering COE through strategic IR activities and timely information disclosure to communicate with shareholders and investors the social nature of our business and the foreseeability of our operation.





# Financial and Non-financial Highlights

## Financial



## Non-financial

