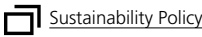


# Sustainability of SHO-BOND



## 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 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		FY2022	FY2023	FY2024	
		Target year				
<div>Contribution to the development of sustainable cities</div> <div></div>	Number of violations of environmental laws and regulations	0	Every year	0	0	
	CO <sub>2</sub> emissions (Scope 1 and 2) (vs. FY2022 [5,238t])	3,929t [-25%]	FY2031	5,238t [±0.0%]	5,474t [+4.5%]	5,012t [-4.3%]
	(CO <sub>2</sub> emissions intensity*)			(6.5 t-CO <sub>2</sub> / 100 million yen)	(6.5 t-CO <sub>2</sub> / 100 million yen)	(5.9 t-CO <sub>2</sub> / 100 million yen)
<div>Comprehensive maintenance system backed by the organizational capabilities</div> <div></div>	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	MLIT : 80.1 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%	Every year	85.9%	94.3%	96.3%
	Number of fatal accidents	0	Every year	0	0	0
<div>Productivity improvement through technology development</div> <div></div>	Lost Time Injury (LTI) frequency rate	0.7 or lower	Every year	0.67	0.00	1.13
	Percentage of female employees in regular recruiting	15% or more	Every year	9.5%	16.2%	25.8%
	Number of female engineers	42	FY2025	26	30	36 (Target: 38)
	Percentage of employees with disabilities	2.8% or more	Every year	3.3%	3.1%	4.3%
	Childcare leave rate of new fathers	100%	Every year	100.0%	74.0%	66.0%
<div>Sound governance and measures for more improvements</div> <div></div>	Rate of response to safety confirmation	100%	Every year	100%	100%	100%
	Compliance training participation rate	100%	Every year	98.8%	100%	100%
	Number of serious violations of laws and regulations	0	Every year	0	0	0
	Information security training participation rate	100%	Every year	90.3%	100%	100%

\* (Reference value) CO<sub>2</sub> emissions per consolidated net sales (100 million yen)

# Environmental Initiatives

Climate-Related Financial Disclosure Based on the TCFD Recommendations

## 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		
Changes expected	Description	
Changes in reputation among shareholders and investors	Opportunity	●Increased ESG investment in the SHO-BOND Group as an infrastructure maintenance specialist due to being highly regarded for its low CO <sub>2</sub> emissions
Introduction of carbon pricing Introduction of more aggressive targets / policies for CO <sub>2</sub> emissions reduction by countries around the world Changes in customer behaviors Rises in raw materials costs Acceleration of national resilience measures	Risks	●Increased procurement costs for energy and materials ●Decreased transactions due to our inability to adequately respond to customers’ requests for reducing CO <sub>2</sub> 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
	Opportunities	●Increased price competitiveness with the delivery of low-carbon construction services and products in the field of repair and reinforcement ●Due to CO <sub>2</sub> emissions regulations, the number of life-extending works of buildings and infrastructures increases while the amount of overall investments in construction decreases ●Increased competitiveness as an infrastructure maintenance specialist offering low-carbon construction, as low CO <sub>2</sub> emissions are highly regarded in tenders and selection of construction methods ●Increased demand for infrastructure maintenance to counter natural disasters
Increase in average temperature	Risks	●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
Growing severity of weather disasters	Risks	●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

Countermeasures
●Disclose information about CO <sub>2</sub> emissions (Scope 1, 2, and 3) and initiatives aimed at reducing CO <sub>2</sub> emissions (Scope 1 and 2)
●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. ●Develop low-carbon and decarbonization technologies ●Develop new technologies that support the preventive maintenance of infrastructure
●Develop technologies for improving on-site working environments and implement heat stroke countermeasures
●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

#### ● CO<sub>2</sub> Emissions Reduction Targets

Metrics		Base year	Targets	
		FY2022	FY2031	FY2051
CO <sub>2</sub> emissions (Scope1 and 2)	Total emissions	5,238t-CO <sub>2</sub>	3,929t-CO <sub>2</sub> (-25%)	Net zero

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 CO<sub>2</sub> emissions (Scope 1 and 2) 25%

from FY2022 levels by FY2031 and ultimately achieving carbon neutrality by FY2051.

#### ● CO<sub>2</sub> Emissions (Scope 1, 2, and 3)

(Unit : t-CO<sub>2</sub>)

Category	FY2022	FY2023	FY2024
Scope 1	2,667	2,805	2,595
Scope 2	2,571	2,669	2,417
Scope 1 + 2	5,238	5,474	5,012
CO <sub>2</sub> emissions intensity (t-CO <sub>2</sub> /100 million yen)	6.5	6.5	5.9
Scope 3	110,008	110,468	106,550
Scope 1 + 2 + 3	115,246	115,942	111,562

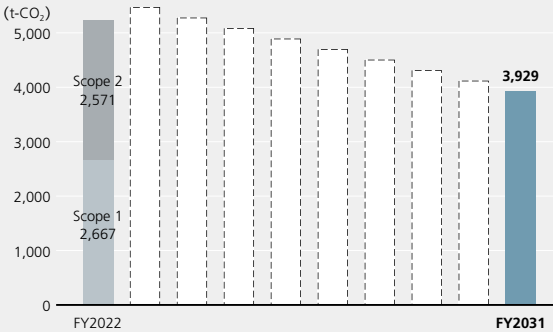
Coverage: Domestic group companies

## Specific Initiatives for Climate Change

### Switch to renewable energy and promote energy conservation during construction

Our group, due to its business characteristics as a maintenance specialist, has the feature of low CO<sub>2</sub> emissions. However, we will take multiple actions, such as utilizing non-fossil certificates, to achieve our CO<sub>2</sub> emission reduction target by FY2031.

#### ● CO<sub>2</sub> Emissions Reduction Target by FY2031



### Work together with the entire supply chain to strengthen BCP measures in preparation for disasters

Our couplings are designed in our factories and manufactured by partner companies. Although these factories are located in different places, both are at high risk of flooding and are aging. Therefore, we plan to construct a new factory that consolidates both factories in a location with a lower risk of flooding, thereby improving our business continuity.

# Initiatives to Develop Talent and Improve the Workplace Environment

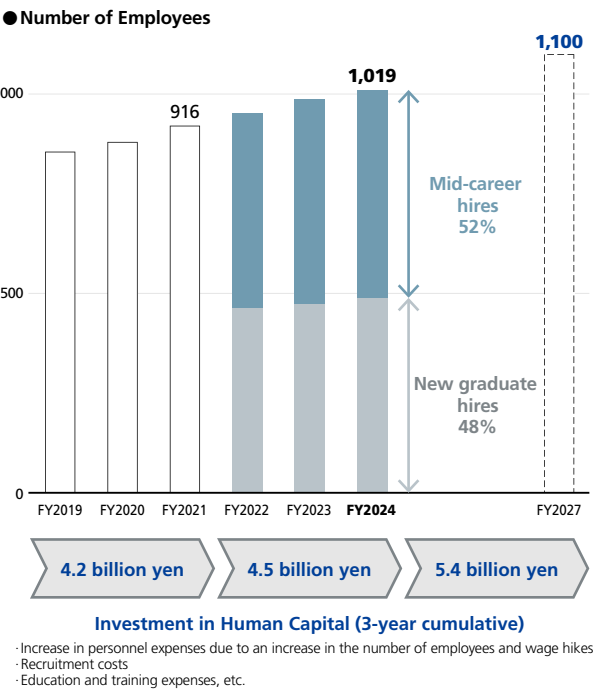
## Basic Views

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.

## Further Investment in Human Capital

The construction industry is currently facing a persistent shortage of workers. Our ability to continually secure outstanding human resources under these circumstances is crucial to our sustainable growth. During the three years of the Medium-term Business Plan 2027, we aim to increase the number of employees to 1,100 through active recruitment. We are also raising wages continually and expanding allowances for a long business trip or a remote transfer, due to wider-area maintenance work and overseas business, so that employees and their families can live without worries. Meanwhile, we will strengthen our human capital to realize our strategies by enhancing support for earning qualifications, increasing allowances for outstanding staff, and upgrading employee education. Through these human capital strategies, we plan to invest approximately 5.4 billion yen in human capital over the three-year period of the Medium-term Business Plan 2027.



## 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. SHO-BOND therefore invites students and instructors to visit the Technical Research Institute and Tsukuba Training Center and regularly sends our engineers to give special lectures on the campus.

In terms of our mid-career recruiting, we are working to secure a diverse range of human resources in line with our business strategy by establishing various recruiting channels such as an employee referral system, as well as hiring through recruitment agencies.

## 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, entrusting our trainees with tasks from a young age and giving them responsibility for their own work while encouraging them to solve work-related problems on their own to improve their abilities.

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 and e-learning. In 2021, we opened the Tsukuba Training Center, which is adjacent to the Technical Research Institute, for practical training programs. We will continue to develop the skills of everyone in the SHO-BOND Group from a long-term perspective while upgrading our training programs and encouraging our employees to learn new skills in a well-planned manner.

In FY2025, we have modified our training programs to address not only technical training but also human rights, the environment, and other social needs.

	General staff	Junior/middle managers	Department managers and higher positions
Rank-specific training	Training for new employees Follow-up training Training outside the group	Job-specific training	
OT	● 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	

**Support for obtaining qualifications**

The SHO-BOND Group gives employees a variety of support for earning professional qualifications and other certifications required for their jobs. In addition to covering the cost of qualification tests and registrations, SHO-BOND also provides monthly salary increases to employees who obtain certification. For Professional Engineer and other difficult qualifications, we provide supplementary lessons by

qualified employees and award commendations at the time of certification. Through these 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 both the qualifications required for their work and also advanced ones.

**Rank-Specific Training**

SHO-BOND has training programs structured to equip employees with the required knowledge and skills according to their specific job levels. These follow-up training programs extend from training for new employees to training for people with more experience, and cover subjects selected to enable the participants to advance their careers. Furthermore, the Tsukuba Training Center allows employees to obtain practical knowledge by providing training that closely mirrors the actual conditions at job sites.

## Employee Retention

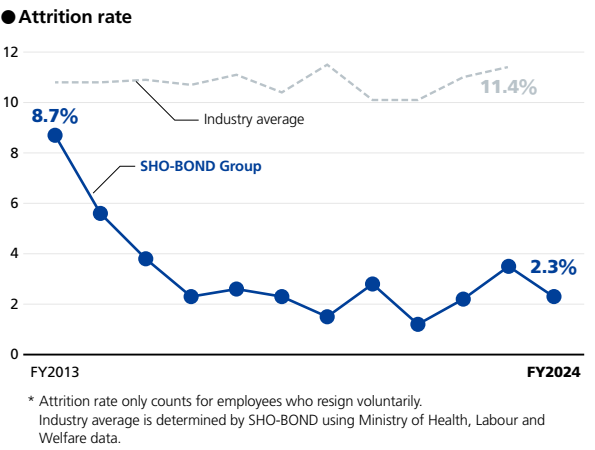
SHO-BOND conducts monthly surveys of employee job satisfaction, goals, and other items with an emphasis on younger employees and individuals returning from leave. Using the results, human resources personnel perform timely interviews and support those in need with the cooperation of their supervisors 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 have resulted in a higher retention rate.

In addition to these efforts, we have also started a new personnel system from FY2025 with the aim of further improving our employee retention.

● Employee surveys and human resource interviews

Time	Employee surveys			Interviews by HR personnel
	Target employees (total)	Respondents (total)	Response rate	Target employees (total)
April 2022- March 2023	2,385	2,297	96.3%	84
April 2023- March 2024	2,793	2,699	96.6%	74

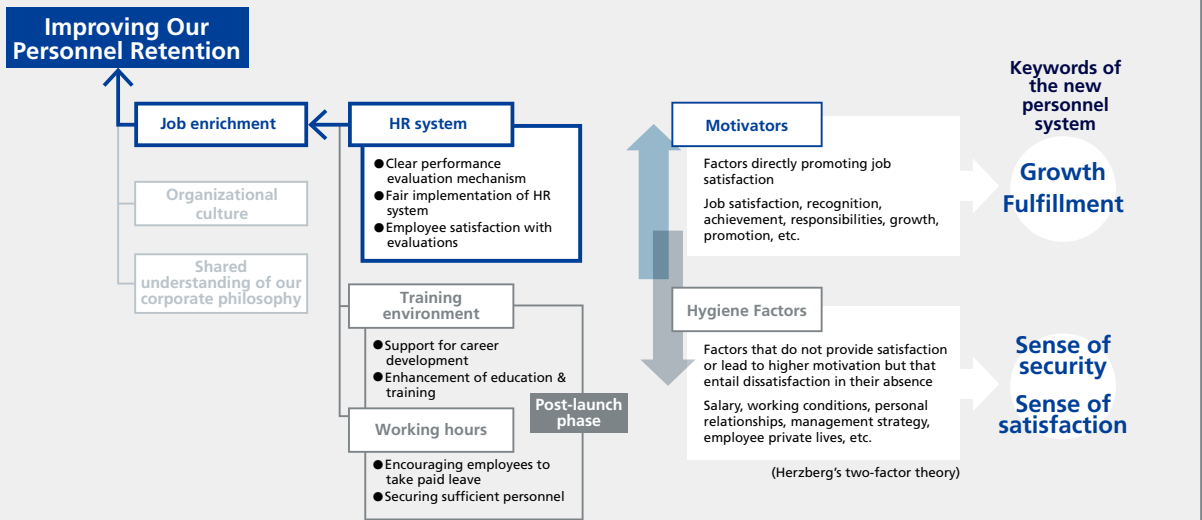


## Retention Management Based on Our New HR System

We have reformed our HR system in line with the changing times and environment, and have launched a new system emphasizing growth, fulfillment, a sense of security, and a sense of satisfaction based on an awareness of issues identified in our organizational analysis. Under our new HR system, we will improve our retention management and

maximize the value generated by our human capital.

Going forward, we will continue to improve our employee engagement and further reduce our turnover by raising awareness on career development and expanding our employee training programs.





Initiatives to Develop Talent and Improve the Workplace Environment

Workplace Environment Initiatives

Maintaining Proper Working Hours

In 2014, we began improving our working system and implementing no-overtime days with the aim of mitigating long working hours and encouraging employees to take their paid leave. Since then, we have been managing our employees' working hours and leave uptake, improving HR operating efficiency through the introduction of IT tools, and promoting a reduction in total working hours. As a result of these steady efforts, the average monthly overtime hours for FY2024 declined to 21.7 hours.

To foster a working environment that encourages our employees to take their paid leave, we established a month encouraging paid leave and raised awareness within the Group. As a result, we achieved the goal of “0 employees with less than 110 days off per year” in FY2023. We have continued to take action concerning paid leave to increase employees' use of their paid holidays.

From FY2024, a work overtime limit regulation has been applied to the entire construction industry. Our efforts to shorten total working hours and increase the use of paid leave by closing the office for eight days in a four-week period have been successful, and we are fully compliant with the legal overtime work limit but we will continue our efforts to further decrease total working hours.

	FY2020	FY2021	FY2022	FY2023	FY2024
Average annual days off	129.4	130.2	134.3	134.5	136.8
Average monthly overtime	19.6	24.2	23.9	22.8	21.7

Selection of Employment Category and Self-Declaration System

The SHO-BOND Group allows employees to flexibly choose an employment category with or without transfers to different locations. Several of our employees switch their work courses each year to accommodate their different life stages. The self-declaration system allows individuals to confirm their employment category and job status once a year.

Supporting Work-Life Balance and Childcare/Nursing Care

We provide an employee assistance program that exceeds the legal requirements, and promote the use of this program to allow employees to balance their work with their childcare or nursing responsibilities without anxiety. To increase the use of childcare leave by male employees, we started a system in 2019 of making one-off payments when they return from childcare leave. After creating a pamphlet and raising awareness of this system, the number of male employees taking childcare leave increased along with the number of employees taking extended childcare leave.

We have also established a telecommuting system and introduced staggered work hours for childcare and nursing care, and we are also taking other measures to provide flexible work arrangements to meet our employees' individual circumstances.

In 2020, we received “Kurumin” certification as a “childcare support company.”

We will continue to create a workplace where all of our employees can work comfortably while also considering their needs through our employee satisfaction surveys and other means.



	FY2020	FY2021	FY2022	FY2023	FY2024
Childcare leave rate of new fathers	80.0%	65.0%	100.0%	74.0%	66.0%

Diversity and Inclusion

To maintain diversity in our workforce, the SHO-BOND Group is striving to recruit diverse new employees, and follows non-discriminatory fair employment practices. We also select our management personnel based solely on each individual's capabilities and performance.

In terms of female participation in our workforce, SHO-BOND is striving to maintain a regular female recruiting rate of at least 15% with a medium- to long-term perspective of increasing our percentage of female managers. In FY2024, we achieved this 15% target. We have also set up workplace environment measures, training programs, and follow-up surveys for female engineers, which have resulted in a high employee retention rate. In October 2024, SHO-BOND CORPORATION received the “Eruboshi” second level certification as a company that has made outstanding efforts in promoting female participation.

To retain senior employees and continue benefiting from their many years of experience, we significantly raised their remuneration in FY2021 and FY2023. A benefit of this initiative is that 94.4% of employees who reached their mandatory retirement age in FY2024 decided to remain at SHO-BOND.

We have continued to actively recruit and promote mid-career hires for many years, and as of the end of June 2024, our mid-career hires accounted for 51.9% of all employees and 31.8% of all managerial positions.

The ratio of our foreign national employees was 1.5% as of June 30, 2024. We will continue to hire foreign nationals not only in Japan but also locally in other countries.

	FY2020	FY2021	FY2022	FY2023	FY2024
Number of female engineers	18	23	26	30	36
Percentage of female employees in regular recruiting	5.3%	17.2%	9.5%	16.2%	25.8%
Employee retention after mandatory retirement age	85.7%	80.0%	87.5%	100.0%	94.4%

Incorporation of HR Management into Business Strategy

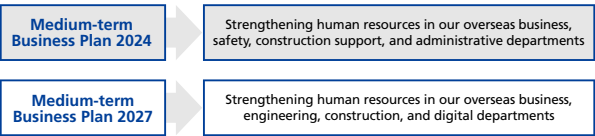
The Group is diversifying its human resources portfolio by hiring mid-career professionals in conjunction with its business strategy. Mid-career hires already account for about half of our employees, with a diverse range of experience and skills. During the three-year period from FY2022 to FY2024, we continued to strategically hire mid-career workers based on our Medium-term Business Plan, and actively accepted people from different industries, women, and foreign nationals.

Experienced senior personnel are making the most of their expertise not only in construction positions but also in safety and technical positions to strengthen our support for construction sites.

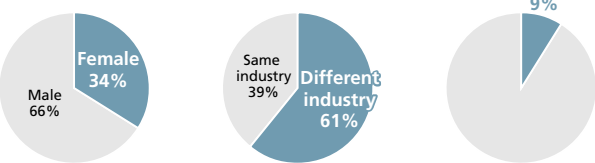


We will also keep promoting the diversification of our human capital according to the business strategies in our Medium-term Business Plan 2027.

Alignment with Business Strategy



Mid-career Hires (last 3 years)



New Graduate Hires (last 3 years)



Human Rights

SHO-BOND Human Rights Policy

In August 2022, we established a human rights policy in accordance with the United Nations Guiding Principles on Business and Human Rights to clarify the SHO-BOND Group's approach to human rights. Based on this policy, we will work together to respect human rights with all stakeholders including not only our group companies but also partner companies.

In our Group workplaces, people of different genders, nationalities, corporate affiliations, ages, and years of experience all work together. We believe that respect for human rights is extremely important to ensure that all of our employees can work with peace of mind.

Human Rights Initiatives

To broaden our employees' awareness of human rights, we provide training on human rights through new employee training, rank-specific training, and e-learning. In our human rights training, we strive to raise awareness among executives and employees of the importance of human rights, not only by providing conceptual explanations but also by addressing specific human rights issues such as typical cases of harassment.

To prevent harassment, which is a human rights risk, we conduct periodic self-checks on employee harassment and also address these risks within the supply chain in cooperation with our partner companies. The results of our human rights survey targeting our partner companies in 2022 did not reveal any cases of harassment but did identify several partner companies that felt they were at risk of harassment. In response to this risk, we took appropriate action such as displaying anti-harassment awareness posters in our site offices.

We recognize the importance of early detection of potential risks through daily communication in order to inhibit potential risks to human rights. At our construction sites, we strive to create a comfortable work environment for both our Group employees and partner company workers by maintaining close communication. We have also established a system to regularly check potential human rights risks within the company by conducting employee satisfaction surveys and other measures.

Human Rights Policy

1. Compliance with laws, regulations, and norms related to human rights

The SHO-BOND Group honors international human rights norms, such as the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. Furthermore, we will comply with the applicable laws and regulations of the countries and regions in which we carry out our business activities. Where these differ from international human rights norms, we follow higher standards, and in the event of any contradiction, we seek ways to respect international human rights norms.

2. Efforts related to the respect of human rights

We respect the diversity, values, personality, and individuality of our employees, and will fulfill our human rights responsibilities through the following initiatives.

- (1) Human rights due diligence  
We will formulate a framework for human rights due diligence, and continuously execute efforts to identify, prevent, and mitigate negative effects on human rights.
- (2) Remedy and relief  
If the SHO-BOND Group causes or is found to be complicit in any behavior that adversely affects human rights, we will take appropriate measures to correct and remedy the situation.
- (3) Education and training  
We provide appropriate education and training to all of our executives and employees to ensure that our Human Rights Policy is firmly entrenched in our business operations.
- (4) Dialogue and consultation with stakeholders  
We engage in ongoing dialogue and consultation with relevant stakeholders to address potential negative impacts on human rights.
- (5) Information disclosure  
We regularly disclose information on our efforts to respect human rights in accordance with our Human Rights Policy.

# Health and Safety Initiatives

## 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 work 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, our contract volume of large-scale construction projects has expanded, and our volume of complex construction projects such as expressways has been increasing. Completing these projects without any accidents demands a high level of safety skills along with a strong commitment to safety by everyone at the SHO-BOND Group and our partner companies. Based on this stance, we have established the following Health and Safety Policy for the three years from FY2025 to FY2027. The president of SHO-BOND also issued a directive in January 2020 to commence the “Initiatives for Creating a SHO-BOND Culture of Safety.”

## Initiatives for Creating a SHO-BOND Culture of Safety

Our goal is to raise SHO-BOND’s safety culture 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 promoting the Initiatives for Creating a SHO-BOND Culture of Safety.

**Initiatives for Creating a SHO-BOND Culture of Safety—Roadmap-based training for SHO-BOND employees and partner company management**

We are providing felt leadership training by external consultants to our Group employees and partner company management. This training aims to equip the trainees with the leadership skills to demonstrate their strong commitment to safety through action so

### Health and Safety Policy

- Striving for zero serious accidents**  
We will ensure implementation of risk assessments.
- Realizing a stronger safety culture**  
We will develop our safety culture from dependence on supervision to interdependence by all individuals.
- Establishing a health and safety management system**  
Our offices, work sites, and partner companies will work in unison to prevent workplace accidents and create a comfortable work environment.

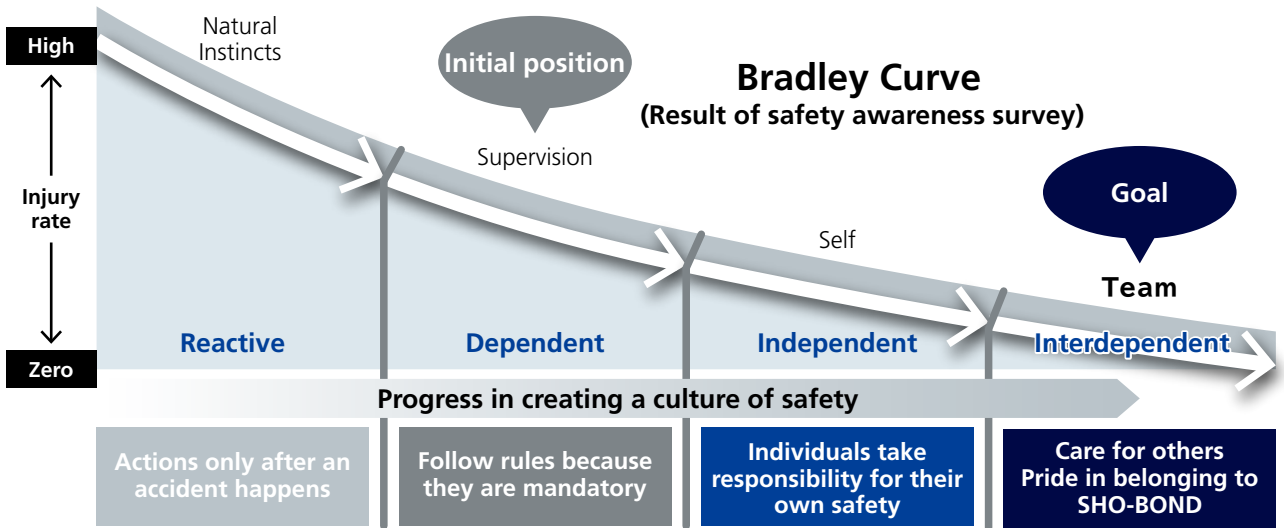
### Key Initiatives Based on the Health and Safety Policy Priority Actions in FY2025

- Visualizing and ensuring implementation of measures to identify and mitigate risks for serious accidents**  
Our offices and construction sites will implement these measures as part of their respective duties and responsibilities.
- Nipping potential accidents in the bud through workplace patrols by our on-site managers**
- Creating comfortable and smart workplaces and construction sites**

that their improved awareness will spread to those around them, thus creating a comfortable workplace environment and organization, and fostering a culture of safety.



Felt leadership training



## 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 health and safety KPIs. Although we achieved the KPI of zero fatalities in FY2024, we failed to achieve the KPI for the LTI frequency rate. Going forward, all parties will work together in promoting measures to prevent occupational accidents to the best of their ability.

Health & Safety KPI	FY2023 Result	FY2024 Result
Number of fatal accidents	0	0
Lost time injury (LTI) frequency rate*	No higher than 0.7 0.00	1.13

\*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 system is used to perform well-planned health and safety management operations at all business sites. We conduct health and safety patrols at construction sites to improve the level of health and safety. In FY2024, the president, regional and branch office general managers, and other senior managers performed 3,600 patrols, which is an average of 1.4 patrols per month at each construction site.

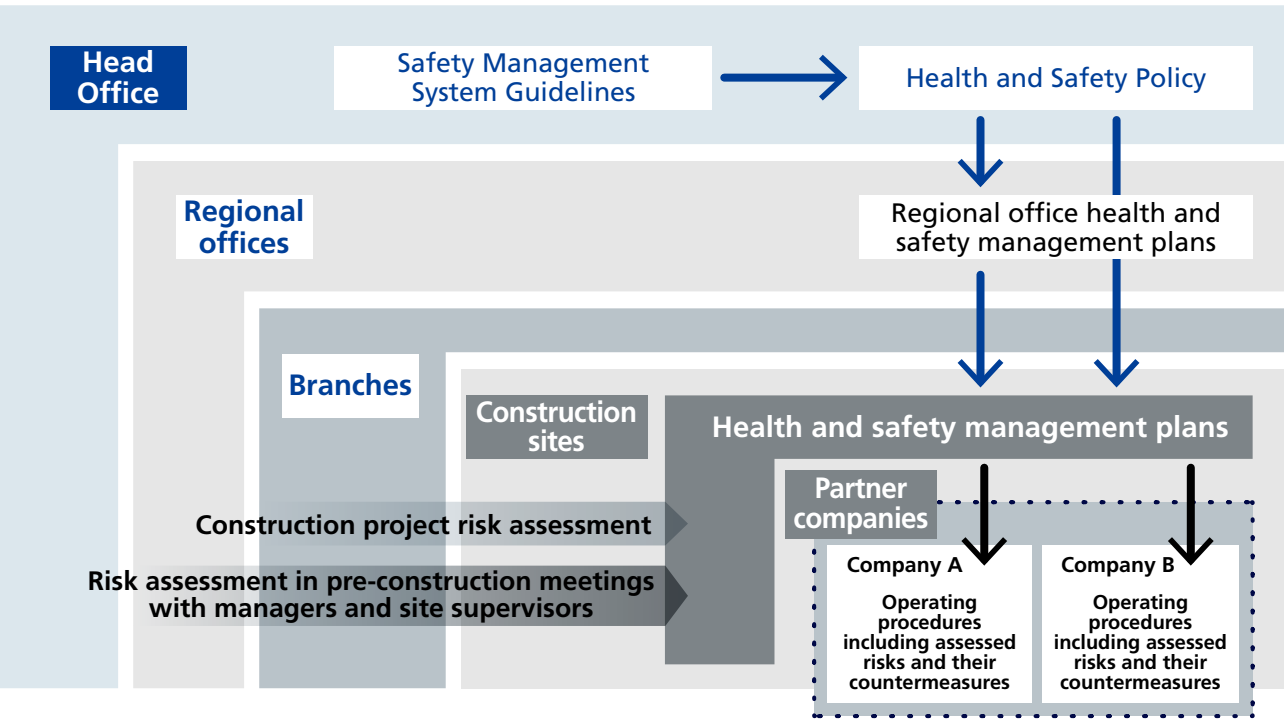
### ● Basic Responsibilities

President	Determine the Group's Health and Safety Policy and set health and safety targets
General Managers of Regional Offices	Create annual health and safety management plans for SHO-BOND's regional offices based on the Health and Safety Policy
Branch Managers and Site Supervisors	Create and announce a construction health and safety policy, and set targets for construction health and safety Create, implement, review, and improve construction health and safety management plans
Partner Companies	Create risk assessment operating procedures



Health and safety patrols by the company president

### ● Health and Safety Management Organization Chart





## Health and Safety Initiatives

### Key Initiatives

#### Health and Safety Training

The SHO-BOND Group provides safety training programs to employees of the Construction Department, Marketing and Sales Department, and Engineering Department in July every year. The July 2024 program included reports about workplace accidents and property damage caused by accidents during FY2024 and priority actions for the next fiscal year. We also provided special training as well as health and safety training by SHO-BOND instructors to our engineers and 943 employees from 269 partner companies in FY2024.

#### New employee safety training—Hands-on experience in scaffolding assembly

As part of our safety training for new employees, we provide a hands-on experience on how to assemble scaffolding. Although the scaffolding at actual worksites is assembled by workers from our partner companies, this hands-on training teaches our new employees what they need to know as SHO-BOND Group employees (such as the different applications and roles of scaffolding according to type and material). The fact that this is a hands-on program means that new employees can learn first-hand about the hazards involved in scaffold assembly.



#### Health and Safety DX initiatives (SB+ and eYACHO)

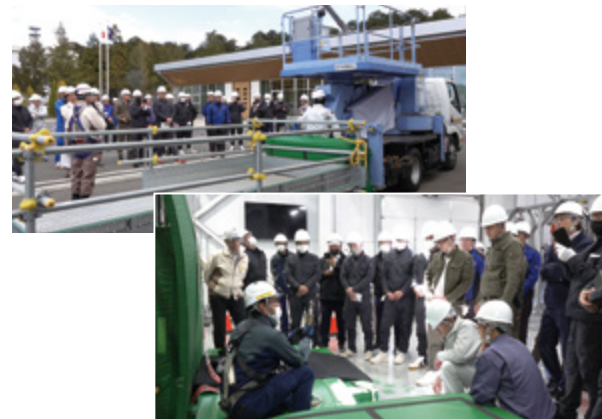
We are currently developing and testing a SHO-BOND proprietary safety inspection application called “SB+” to improve the effectiveness of on-site safety patrols and machinery inspections. Furthermore, construction management support application “eYACHO” enables various documents to be shared between the site and the office without having to travel back and forth, leading to more effective health and safety management and labor saving.



#### Hands-On Safety Training for Partner Companies

We conducted hands-on training at the Tsukuba Training Center for our Group's major partner companies. This training is intended to raise safety awareness and develop risk perception among our major partner companies that frequently work at our Group's construction sites. A total of 26 workers from 12 partner companies attended the training and directly experienced the severity of accidents and the importance of safety by using various hands-on content at the Tsukuba Training Center.

Participant comments included the following: “I thought I had a good understanding of safety after reading the precautions and accident case studies but the hands-on experience was more realistic and gave me new insights about safety”; “I want the other employees at my company to experience this training”; “The variety of training content exceeded my expectations”; and “I want to share my experiences within my company.”



#### Initiatives on Automation and Robotization of Site Operations (Transport Robots)

Amidst the growing challenges posed by the shortage of construction industry workers and the aging of site workers, the SHO-BOND Group is pursuing the automation and robotization of various site operations. Automation and robotization will make a significant contribution to improved safety by reducing the labor intensity of site operations. As part of these initiatives, we are conducting trials on introducing transport robots to carry scaffolding and other materials and equipment.



### The Road to Safety—Leaders’ Challenge—Vol. 2. Kinki Regional Office

As part of our “Initiatives for Creating a SHO-BOND Culture of Safety,” we are producing and distributing original e-learning content for use by our employees and partner companies. This content includes a documentary entitled “The Road to Safety” which follows the SHO-BOND employees who play a leading role in maintaining on-site safety and gives a full account of their outstanding efforts. As the second volume in the series, this documentary features the activities of the Kinki Regional Office, which achieved the milestone of 3 million accident-free hours in December 2023. Below is a description of initiatives by the regional office and construction site leaders that have helped to achieve more than four years without any accidents.

#### [Champion of Safety Quiz]

The Kinki Regional Office has designated the third Monday of each month as Safety Day, and holds safety training sessions attended by its own employees and also workers from partner companies. One of its programs is a competitive quiz called the “Champion of Safety Quiz.” Participants use their smartphones to answer about 20 questions within the time limit, with cash prizes awarded to those with the highest scores. The introduction of this quiz has encouraged active participation not only by employees but also by workers from partner companies, leading to increased safety awareness and communication at our construction sites.



“Champion of Safety Quiz”

#### [Unannounced Patrols]

Unlike regular safety patrols, unannounced patrols are inspections of construction sites performed by our branch managers without prior notice. As workers are unaware when the branch manager may appear on their site, these unannounced patrols create a sense of tension that encourages everyone to take safety initiatives more seriously. The impromptu nature of these patrols also allows branch managers to hear the direct opinions of employees and partner company workers. We believe that the communication that takes place on these interactive safety patrols is crucial in maintaining a safe workplace.



Unannounced Patrol by Osaka Branch Manager

#### [Digital Signage]

Our construction sites feature a bulletin board describing the day's work. The Kinki Regional Office operates construction sites where digital signage is installed on its bulletin boards. The digital signage enables easy-to-understand briefings on precautions and other information to partner company workers, and is also used to encourage communication during breaks.



Briefing using digital signage

Selecting a lunch venue using digital signage

#### [Safety Specialists]

The term “safety specialist” is used to refer to site staff who specialize in maintaining a safe work environment by visiting multiple construction sites overseen by the Kinki Regional Office. Their tasks posting bulletins, protecting single pipes used in scaffolding and other areas, and repairing protective sheeting on scaffolds and work structures. Safety specialists have considerable safety expertise due to their experience on various construction sites. By assigning these safety specialists, the Kinki Regional Office has raised its overall safety conditions.



Safety specialist at work

#### [One Team]

The phrase “One Team” is constantly displayed on construction site bulletin boards and in site offices. We believe that the shortest route and the only genuine approach to achieving safety is for our regional office, construction sites, and partner companies to work as one team. We emphasize the importance of building relationships based on consideration for others and open communication, and the Kinki Regional Office is keenly aware of the One Team concept.





# Corporate Governance

## Basic Views

The SHO-BOND Group (the “Group”) is engaged in comprehensive maintenance of infrastructure under its corporate philosophy of “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.”

As a leader in the maintenance industry, corporate governance is one of the most important management issues to earn the trust of stakeholders, including shareholders, investors, and employees, and to achieve sustainable growth and increase corporate value over the medium to long term. We will continue sound management by enhancing corporate governance that enables transparent, fair, prompt, 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

## Overview of Corporate Governance System

### Board of Directors

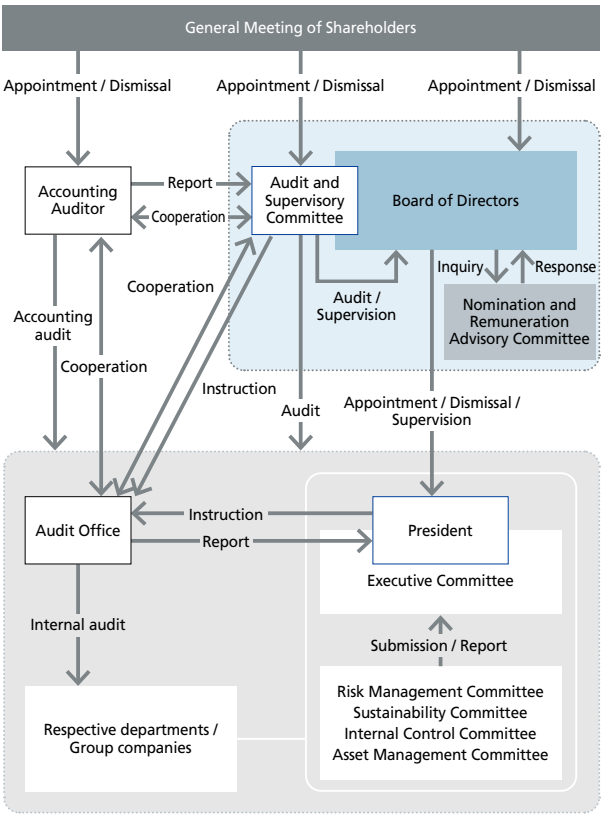
The Board of Directors has eight members including four directors who are members of the Audit and Supervisory Committee. The directors discuss and reach decisions about important matters involving management as prescribed by laws and regulations and the rules for the Board of Directors. As a rule, the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

(Number of meetings in FY2024: 12 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

### Corporate Governance Structure



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 FY2024: 10 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 FY2024: 3 times)

### 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 FY2024: 20 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.

## 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 June 2024, a third-party external advisor was appointed to conduct a questionnaire survey of all directors (including Audit and Supervisory Committee Members). The Board of Directors analyzed and evaluated the responses and confirmed that the Company’s Board of Directors is properly operated and generally secures its effectiveness. In the fiscal year ending June 2025, we will strive to improve the effectiveness of the Board of Directors by continuously conducting executive seminars and lunch meetings, as well as reviewing the criteria for submitting proposals in the Board of Directors Regulations to develop human resources for executive management and strengthen their business promotion capabilities.

## 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 providing oversight and advice from an independent standpoint drawing on their respective knowledge and experience. None of the three Outside Directors has 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 Corporate Planning Department and General Affairs Department are primarily responsible for dialogues with shareholders and other investors. As a rule, the Chief Financial Officer and the Corporate Planning Department handle dialogues with institutional investors. Directors and executives with knowledge about specific business activities also provide assistance as needed in order to ensure that investors receive adequate explanations. 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, 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 Board of Directors receive feedback periodically 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 (FY2024)
Information meetings for individual shareholders*	2 times
Information meetings for institutional investors (attended by President and Chief Financial Officer)	2 times
One-to-one meetings	96 times

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

Corporate Governance

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.

●Total amount of compensation, etc. for the fiscal year ended June 30, 2024 (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 [–]	86 [–]	86 [–]
Directors (Audit and Supervisory Committee Members) [of which, Outside Directors]	4 [3]	48 [21]	48 [21]
Total	9 [3]	134 [21]	134 [21]

Cross-shareholdings

As a rule, SHO-BOND 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 and 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.

SHO-BOND will reduce the ratio of cross-shareholdings to net assets by selling about 30% of its stock holdings, worth approximately 3 billion yen based on the market value at the end of June 2024, as part of the Medium-term Business Plan 2027 (FY2025–FY2027). Voting decisions concerning the stock of other companies are based on the goals of increasing shareholder value for SHO-BOND and contributing to the medium to long-term growth of the corporate value of the other companies.

●Sales of Cross-shareholdings

	FY2022	FY2023	FY2024
Number of stock issues sold	3	3	3
Sales amount (million yen)	566	529	724

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.

The Internal Control Committee is held in principle twice a year, during which it evaluates the effectiveness of internal control based on reports from each department and group company, extracts issues related to internal control, and considers countermeasures, providing instructions to related departments.

In addition, we have established the Audit Office under the direct control of the President as the internal audit department. In accordance with the Internal Audit Regulations, the Audit Office audits the management and control system for the entire Group's operations and the status of business execution, and makes recommendations as necessary based on the results of internal audits to each department which implements self-control. The results of the internal audits are reported to the president, the Board of Directors, the Audit and Supervisory Committee, and the Internal Control Committee.

Directors



Tatsuya Kishimoto  
President and Representative Director

April 2001  
April 2011  
July 2012  
September 2012  
April 2013  
April 2015  
April 2017  
September 2017

Joined SHO-BOND CORPORATION  
Director and Executive Officer, and General Manager of Kinki Regional Office  
Senior Managing Director and General Manager of Kinki Regional Office  
Director of the Company  
Senior Managing Director and General Manager of Marketing and Sales Division of SHO-BOND CORPORATION  
Executive Vice President and Director  
President and Representative Director (current position)  
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  
May 2014  
July 2017  
December 2017  
September 2018  
April 2020  
September 2022  
September 2023

Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)  
General Manager of Strategic Investment Division  
Joined SHO-BOND CORPORATION  
Director, Deputy General Manager of Corporate Administration Division, and General Manager of Corporate Planning Department  
Director and General Manager of Corporate Planning Department of the Company  
Managing Director, Deputy General Manager of Corporate Administration Division, and General Manager of Corporate Planning Department of SHO-BOND CORPORATION  
Managing Director, General Manager of Corporate Administration Division, General Manager of Corporate Planning Department, and General Manager of ESG Promotion Office, Corporate Planning Department  
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)



Takayasu Shimada  
Director Business Strategies

April 1992  
April 2020  
April 2021  
April 2023  
September 2023  
April 2024  
September 2024

Joined SHO-BOND CORPORATION  
Director and General Manager of Chubu Regional Office  
Director and General Manager of Shutoken Hokuriku Regional Office  
Director, General Manager of Marketing and Sales Division, and General Manager of DX Promotion Office  
Managing Director, General Manager of Marketing and Sales Division, and General Manager of DX Promotion Office of SHO-BOND CORPORATION  
Director of Business Strategies of the Company (current position)  
Managing Director and General Manager of Marketing and Sales Division of SHO-BOND CORPORATION  
Managing Director, General Manager of Marketing and Sales Division, and General Manager of the East Japan In-house Company (current position)



Setsu Arai  
Director Sales Management

April 1995  
April 2021  
April 2023  
September 2023  
April 2024  
September 2024

Joined SHO-BOND CORPORATION  
Executive Officer and General Manager of Kinki Regional Office  
Senior Executive Officer and General Manager of Shutoken Hokuriku Regional Office  
Director and General Manager of Shutoken Hokuriku Regional Office  
Director and General Manager of Overseas Business Department (current position)  
Director of Sales Management of the Company (current position)  
President and Representative Director of SHO-BOND MATERIAL CO., LTD. (current position)



Noriyuki Hosaka  
Director and Full-time Audit and Supervisory Committee Member

April 1981  
April 2015  
October 2017  
April 2018  
April 2020  
April 2021  
April 2023  
September 2024

Joined SHO-BOND CORPORATION  
Director and General Manager of Kita-Nihon Regional Office  
Director and General Manager of Shutoken Hokuriku Regional Office  
Managing Director and General Manager of Shutoken Hokuriku Regional Office  
Managing Director, General Manager of the East Japan In-house Company, and General Manager of Shutoken Hokuriku Regional Office  
Managing Director and General Manager of the East Japan In-house Company  
Senior Managing Director and General Manager of the East Japan In-house Company  
Corporate Auditor of SHO-BOND CORPORATION (current position)  
Director (Full-time Audit and Supervisory Committee Member) of the Company (current position)



Outside Director  
Satoru Miura  
Audit and Supervisory Committee Member

April 1981  
June 1990  
February 2015  
March 2015  
March 2017  
September 2017  
September 2021

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



Outside Director  
Akira Hongo  
Audit and Supervisory Committee Member

April 1988  
April 1995  
April 2010  
September 2017

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



Outside Director  
Reiko Kuwano  
Audit and Supervisory Committee Member

April 1989  
March 1999  
October 2001  
April 2006  
July 2013  
September 2017

Joined TAISEI CORPORATION  
Research Associate of the University of Tokyo  
Senior Researcher of Public Works Research Institute  
Associate Professor, Institute of Industrial Science of the University of Tokyo  
Professor (current position)  
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	Takayasu Shimada	Inside	●		●	●		
4	Setsu Arai	Inside	●	●			●	
5	Noriyuki Hosaka	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

Our group aims to prevent the occurrence of risks and minimize losses in case risks do occur by establishing risk management regulations and setting up a Risk Management Committee.

The core entity responsible for our risk management is the Risk Management Committee. The Committee, chaired by the President, meets in principle once every quarter. It examines and deliberates on policies, measures, and the current state of group risk management as well as causes and recurrence prevention when risks occur while consolidating risks discussed in each internal committee and other risks reported by group companies. Results of the discussion are submitted and reported to the Board of Directors as necessary. 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 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.

### Risk Categories and Internal Committees

Each internal committee is responsible for collecting information from Group companies on the risks under their jurisdiction, examining them, and reporting them to the Risk Management Committee as necessary. The table below shows the relationships between risk categories and internal committees. Risks without a “responsible internal committee” are directly discussed in the Risk Management Committee.

Responsible Internal Committee	
1 Market risk	Asset Management Committee
2 Credit risk	
3 Financial risk	Asset Management Committee
4 Human risk	
5 Administrative risk	
6 Compliance risk	
7 Legal risk	Intellectual Property Committee
8 Quality risk	Quality Management Committee
9 Safety risk	Safety and Health Committee
10 IT risk	IT Promotion Committee
11 Natural and other disaster risk	
12 Country risk	
13 Reputation risk	

## 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. We have established basic policies and regulations regarding information security and are thoroughly managing risks against threats to information security. Additionally, we work to raise information security awareness throughout the entire Group through e-learning courses, spoofed e-mail training, and lectures in rank-specific training sessions. Additionally, we are working to improve our business continuity capabilities by developing response manuals and conducting training to deal with cyber attacks.

## Business Continuity Plan

The Group has a business continuity plan (BCP) to address disaster risks including great earthquakes. 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.

As part of our BCP, we conduct an annual emergency drill, with the participation of bases other than the head office, assuming a large-scale disaster at the head office. We also conduct training to switch to backup servers in the event of a system failure, and other measures to check important elements for carrying out business operations in the event of a disaster and build a system for business continuity.

# 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.

Everyone in the Group is dedicated to the achievement of the action principles “Corporate Credo” and the Corporate Philosophy by using a broad range of activities to earn the trust of society and all stakeholders.

## Compliance Promotion Framework

A compliance promotion program is in place throughout the Group. The SHO-BOND Group Code of Conduct clearly states the rules of behavior that all employees and executives 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 everyone in the Group to raise compliance knowledge and awareness.

## Compliance Training

We hold company-wide e-learning once a year. At the same time, we provide compliance education in training sessions such as new employee training and rank-specific training. The e-learning program explains basic compliance knowledge and the Group’s policies and uses confirmation tests for better retention. In training sessions, we inform participants of the Construction Industry Law as well, which construction companies must comply with.

To prevent harassment, we conduct regular self-checks and e-learning programs to create a comfortable working environment by encouraging each personnel to be aware of the issue.



Lecture on new employee training

## Whistleblowing Contact Points

The Group has internal and external contact points for whistleblowers to report any kind of violation they detect, including harassment, 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.

## Anti-corruption

Public works projects account for a large proportion of our Group’s net sales, so ensuring the fairness and transparency of operations is particularly important to us. Regarding the prevention of bribery, we established an Anti-Bribery Policy in August 2022 to clarify our stance on preventing any corruption, in addition to the SHO-BOND Group Code of Conduct, in which stipulating a complete elimination of bribery. To ensure that nobody in our Group becomes involved in bribery, we have established standards for the use of entertainment expenses and are committed to acting ethically according to recipients. We also make all executives and employees aware of the risks of bribery and how to deal with them through training programs.

Based on the SHO-BOND Group Code of Conduct, we will continue to uphold high ethical standards to prevent corruption and continue to ensure fair and sound relationships with our customers and all other stakeholders.

## Elimination of Antisocial Forces

The Group has established “Eliminate antisocial forces” in the SHO-BOND Group Code of Conduct and stipulated that all unlawful demands by antisocial forces shall be eradicated and relationships shall be cut off.

We recognize that any relationship with antisocial forces, including unlawful demands from them, is a serious compliance risk. We manage risks following the policies and systems set forth in the risk management rules and strive to prevent damage by regular communication with the local police and companies to collect information on antisocial forces.

We also thoroughly educate all officers and employees on eliminating antisocial forces through compliance manuals, company-wide e-learning, and rank-specific training.