

# Integrated Report 2024

SHO-BOND Holdings Co., Ltd.

# A Construction Company that doesn't Construct We create the future of social infrastructures

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





Number of Employees

1,019

**Operating Profit Margin** 

ROE

14.2%



PBR

2.91 times 79.2%

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

96.3%

Equity Ratio

Turnover Rate

2.3%

# **Corporate Philosophy**

With a sense of mission of

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

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

The purpose of SHO-BOND is to "inherit and pass on social infrastructure to the next generation in good condition." Guided by this purpose, we dedicate ourselves to the mission of utilizing our power of technology and contributing to a better society through our core business of comprehensive maintenance

# **Our Vision**

- · Fulfill our mission as a company specializing in maintenance
- Place priority on profitability and efficiency
- · Be a technology-oriented organization that combines chemical and civil engineering technologies to create new materials and construction methods

# **Corporate Credo**

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

#### **Editorial policy**

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

Period covered by this publication FY2024 (from July 1, 2023 to June 30, 2024) This report uses the latest information that was available at the date of publication.

Organizations covered by this publication SHO-BOND Holdings and its consolidated subsidiaries and affiliates

Date of issue December 2024

#### Note regarding forward-looking statements

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

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Our vision represents the ideal status of the group and the enduring endeavors we will keep pursuing. It has been passed down for several decades and its importance has not faded even as the times change. We are committed to continue refining the strengths we have accumulated from the past and pass them on to the next generation.

Corporate Credo is the values we share as a group. It is born from the beliefs of our founder and has deepened its significance over time, based upon which we act and make decisions at work.

#### Note regarding English translation

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

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# Broad Range of Structures We Work On

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



Silo Repair of wall surface degradation



**Harbor Quay** Protection from salt damage Prevention of concrete degradation



Tunnels Prevention of ceiling and wall spalling Stop groundwater leaks



**Road structures** Repair of expansion joints Noise reduction



**Irrigation Channels** Prevention of cracking Prevention of water leaks





**Bridges** Seismic retrofitting Prevention of concrete degradation



Railways Repair of damage at elevated railways Seismic retrofitting



**Buildings** Seismic retrofitting



Water Supply and Sewer Systems Protection from corrosion

# The Beliefs of the Founder

Our Medium-term Business Plan 2027 commencing in FY2025 states our basic policy of "enhancing corporate value in pursuit of economic efficiency and social progress." This basic policy encapsulates our philosophy of supporting infrastructure administrators, protecting the lifestyles of users, and passing on infrastructure to the next generation in good condition as a leading infrastructure maintenance company while also pursuing our underlying goal of corporate profitability. The concept of "contributing to society" is not only the core tenet of this basic policy, but was also a belief of our founder Akira Ueda and is part of our Corporate Credo.



Company founder Akira Ueda announcing our Corporate Credo at the Sasakawa Hall in 1979

In the publication commemorating SHO-BOND's 35th anniversary in 1993, Mr. Ueda made the following remarks:

"Reflecting on our 35-year history, I am filled with new emotions while also remaining keenly aware that we must contribute to society with an even more enterprising spirit and pave the way for the future while playing a role in public works projects.

There has been a major shift from the previous perception that concrete structures had a perpetual service life to the current awareness that appropriate maintenance and repair are essential. Infrastructure maintenance is also consistent with the current need for effective resource use so it is no surprise that our company's role in society is growing.

As a company that maintains and repairs infrastructure, we are keenly aware of our significant responsibility. Through these maintenance and repair operations, all of our employees will work together diligently to make a meaningful contribution to society."

While these words were written more than 30 years ago, they carry even greater significance today given the accelerated aging of infrastructure and the increasing severity and frequency of natural disasters

Since our founding, SHO-BOND has specialized in infrastructure maintenance based on the beliefs of our founder and the conviction of our social contribution, even before maintenance work became a major part of public works in Japan. We will continue to contribute to the realization of a prosperous and safe society by supporting the maintenance of not only our key business areas of roads and bridges but also various other potentially problematic infrastructure such as railroads and port facilities.

# Feature Passing on Cultural Heritage into the Future

Japan has many valuable cultural heritage sites that national and local governments and other administrators are working hard to preserve for future generations. In particular, buildings and civil engineering structures of great historical value must be properly repaired and reinforced to protect them from major natural disasters and deterioration over time. For more than 65 years since its founding, the SHO-BOND Group has been refining its technologies to "pass on social infrastructure to the next generation in good condition" through infrastructure maintenance, thereby contributing to the preservation of cultural heritage. Below are a few examples of our repair and reinforcement projects to preserve structures of historical value for the next generation.

### **Important Cultural Property &** Heritage of Industrial Modernization

# Kachidoki Bridge

Year completed: 1940 Location Administrator

Chuo Ward, Tokyo Tokvo Metropolitan Government Project description: Installation of stoppers for earthquake resistance. application of concrete protective coating, concrete sectional repair (2017)



### Important Cultural Property

# Old Amagi Tunnel

Year completed: 1904 Location: Administrator Project description: Waterproofing (1988)

Kawazu Town to Izu City Shizuoka Prefecture Shizuoka Prefectural Government

The Old Amagi Tunnel is a stone tunnel built near the Amagi Pass in the center of the Izu Peninsula. Built entirely of cut stone, work on the tunnel began in 1900 and was completed 5 years later. The tunnel has a total length of approx. 444.5 meters and a total width of approx. 4.1 meters, making it the longest existing stone road tunnel in Japan. The tunnel has appeared in many Japanese literary works including Yasunari Kawabata's "Izu no Odoriko" (The Dancing Girl of Izu), and is now popular as a hiking course. It has been designated as a national Important Cultural Property for its high degree of technical completeness as an existing stone road tunnel and for being representative of the late Meiji Period.

SHO-BOND performed waterproofing work on the tunnel in 1988 The tunnel's interior had deteriorated over the 80-plus years since its completion and was leaking heavily so we filled the joints with resin material to stop the water.

Kachidoki Bridge is a double-leaf bascule bridge spanning the Sumida River close to its mouth. Boasting the largest moving span in Japan, the bridge has a central section that can be raised to permit passage of large vessels. This bridge was also intended to serve as the main gateway to the site of the world exposition scheduled to be held in 1940, and was built with the most advanced technology of the time to demonstrate Japan's technological proficiency. It is designated as a national Important Cultural Property as a valuable structure in the history of Japan's bridge technology, and is recognized by the Minister of Economy, Trade and Industry (METI) as a Heritage of Industrial Modernization site serving as a testament to Japan's industrial modernization process.

SHO-BOND worked on Kachidoki Bridge between 2015 and 2017 to extend its service life. To ensure that this valuable bridge remains in good condition, we repaired the damaged concrete and applied a protective coating, replaced the expansion joints, and seismically reinforced the bearings.



orking on Kachidoki Bridge



# **History of SHO-BOND**

# 1958-

### Fusion of technologies in the fields of chemistry and civil engineering

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

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



nufacture of "SHO-BOND" adhesives in Kawaguchi Factory in 1961



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

Major Events Related to Infrastructure Maintenance

# 1975-

### Growth into a listed company by leveraging the "comprehensive maintenance system"

In 1975, SHO-BOND was split into two companies: SHO-BOND CORPORATION and SHO-BOND Chemical, which clarified our path to growth as a special construction company. The Central Technical Research Institute was relocated in 1977 and concentrated on creating products and construction methods combining chemical and civil engineering technologies. These activities reinforced SHO-BOND's reputation as a technology-oriented organization. Reforming its organization gave SHO-BOND comprehensive maintenance capabilities encompassing the development of technologies, supply of construction materials, and construction.

In the mid-1980s, as attention to infrastructure repair increased, our company's business also expanded, and in 1987 we were listed on the second section of the Tokyo Stock Exchange, and two years later we were promoted to the first section

1995-

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

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

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



The elevated bridge on the Hanshin Expressway colla due to the earthquake in 1995



Restraining Chain was developed in 1997

# 2011-

### **Unprecedented disasters highlight** the need for infrastructure maintenance

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

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

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

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



A construction site of the Expressway Renewal Project in 2018

Enactment of the Basic Act for National Resilience



09

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



We were listed on the second section of the Tokyo Stock Exchange in 1987

# 2019-

### Challenge overseas business

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

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



On-site supervision in Laos in 2023



We held an infrastructure maintenance seminar in Bangkok in 2024

Corporation (SB&M)



|    |   | KAKO-Group (Construction Su<br>Tohoku kako corporation<br>Kako corporation<br>Yokohama kako corporation<br>Kanto kako corporation<br>Niigata kako corporation | bsidiary)<br>CHUBU KAKO CORPORATION<br>KANSAI KAKO CORPORATION<br>CHUGOKU KAKO CORPORATION<br>SHIKOKU KAKO CORPORATION<br>KYUSHU KAKO CORPORATION |
|----|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| er | [ | Kyna-Tech                                                                                                                                                     |                                                                                                                                                   |
|    | [ | Maintenance Technology Inc.                                                                                                                                   |                                                                                                                                                   |
|    | [ | SHO-BOND (HONG KONG) Ltd                                                                                                                                      |                                                                                                                                                   |

| CPAC SB&M                   |
|-----------------------------|
| Lifetime Solution Co., Ltd. |

# **Business Environment**



Source: Prepared by SHO-BOND based on MLIT data

# Accelerated Aging of Infrastructure

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

# Percentage of Structural Infrastructures Built More Than 50 Years Ago



3. In addition to the above, there are approximately 200,000 bridges and 300 tunnels whose construction year is unknown

# **Materiality**

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

# Process to Identify Materiality

In April 2020, the SHO-BOND Group identified materiality with the participation of employees, senior management and prominent individuals outside the group.

The SHO-BOND Group will continue to upgrade Materiality initiatives with the input of the group's internal and external stakeholders.

# Materiality Matrix

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

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



perspectives of stakeholders and the group's businesses. The top 22 issues were then chosen as the priority social issues

Identification of social issues

Establishment of priorities

To identify materiality, we first identified 55 social issues to be examined. This process incorporated the SHO-BOND Group's policies, social demands, the expectations of stakeholders and other factors.

> Corporate values/business strategy issues Global framework/principles/guidelines\*1 Japanese government policies\*2 Evaluation by ESG assessment companies\*3



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





# The Value Creation Process

Our mission is to pass on social infrastructure to the next generation in good condition while bringing out the best in the distinctive comprehensive infrastructure maintenance business model.

We are dedicated to playing a role in maintaining a safe and affluent society for everyone. Through a continual approach to the four components of our Materiality, we provide solutions for social issues and create economic value, as well as promote the long-term growth of corporate value.



SHO-BOND 2024 Integrated Report

# **President's Message**





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

Tatsuya Kishimoto President and Representative Director

#### ment Strated

# Achieved 80% of our previous

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

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 guarter 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 "*Al 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



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.



(¥bn)

87.5

17.5

12.0

12.0%

Mid-term Plan

2024

Yasuhiro Sekiguchi

makes us SHO-BOND

enhance shareholder returns

productivity

Net Sales

**Operating Profit** 

Profit Attributable to

Owners of Parent

ROE

Managing Director, CFO

Basic Policy of the Medium-term Business Plan 2024

Honing our inherent strengths what it is that

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

that can respond to market changes and the increase of

FY2024

85.4

19.7

14 3

14.2%

Change

+6.7%

+25.0%

+26.3%

③ Increase orders through human resource development

Manage both profitability and financial soundness and

More ESG activities and contributions to SDGs

FY2021

80.1

15.7

11.3

13.0%

### 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

#### Strengthening the Foundation

| Strategic Initiative                                                                               | Review                                                                                                                                                                                                                                                                                                                     | Strategic Initiative                                                                                                           | Review                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Upgrade the order receipt<br>strategy utilizing the<br>in-house company structure                  | The order receipt strategy has been upgraded under the<br>in-house company system by strengthening the information<br>sharing scheme, thoroughly selecting bidding projects,<br>allocating optimal personnel, and confirming construction<br>management capability including partner companies.                            | To become more competitive for<br>capturing orders by developing<br>human resources capable of<br>adapting to changing markets | We started practical training for young employees and partner<br>companies at the Tsukuba Training Center. We also have<br>strengthened support for acquiring qualifications, specialized<br>education programs for technical employees, and unique human<br>resource development measures for each in-house company.                  |
| More activities for large<br>projects and construction<br>work capability                          | To strengthen our construction capabilities, we have had<br>existing partner companies work in larger areas within each<br>in-house company as well as selected new ones. We have<br>established a group-wide inner consultation scheme for projects<br>of 2 billion yen or more.                                          | Personnel system reforms that<br>reflect the changing business<br>environment                                                  | In preparation for revising the personnel system, we deepened<br>internal discussions based on social conditions and employee<br>needs. We also implemented work style reforms, institutionalized<br>flexible work styles in consideration of female employees, raised<br>wages, and improved compensation for senior employees.       |
| Challenge a new product sales strategy by SB&M                                                     | Despite the impact of the COVID-19 pandemic, we continued<br>sales activities in Thailand and the USA. Results achieved in<br>Thailand on receiving construction orders and selling products<br>through JICA projects. In the USA, we invested in an<br>infrastructure repair company.                                     | A strong safety culture and rigorous on-site training                                                                          | We have promoted an action plan to create a safety culture<br>throughout the company and launched new initiatives such as<br>e-learning. The LTI frequency and severity rate was lower than the<br>national average, and in FY2023, we achieved zero fatal accidents<br>and zero LTI frequency and severity of occupational accidents. |
| More joint activities by<br>increasing cooperation<br>among group companies and<br>other companies | We strengthened relationships with partner companies and<br>expanded the number of distributors. Collaboration progressed<br>in both the fields of construction and sales. In addition,<br>earnings from Kyna-Tech and other affiliated companies have<br>increased.                                                       | Use of the digital transformation<br>(DX) for higher productivity                                                              | On-site DX has progressed, and the introduction of construction<br>management apps and 3D design software is expanding<br>nationwide. We have also completed the acquisition of basic 3D<br>CAD techniques by technical employees at each branch office<br>and the conversion of in-house developed devices into 3D data.              |
| New technologies for<br>preventive infrastructure<br>maintenance                                   | We have shortened delivery time and reduced costs for existing<br>products, as well as made resin-based products non-deleterious.<br>We also have begun to develop organic materials using plants<br>and shells as the raw material. Lithium nitrite gel and an AI<br>diagnosis system are implemented into practical use. | Build a framework for responding to ESG issues                                                                                 | We have established the Sustainability Committee for the entire<br>group. In addition to calculating CO <sub>2</sub> emissions and formulating<br>various policies and non-financial KPIs, we have enhanced<br>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.

| Er<br>ec | nhancing corporate value in pursuit of<br>conomic efficiency and social progress.       |
|----------|-----------------------------------------------------------------------------------------|
| 1        | Strengthening competitiveness to increase orders for large-scale construction           |
|          |                                                                                         |
| 2        | Restructuring overseas business models                                                  |
|          |                                                                                         |
| 3        | Improving productivity and promoting work style reform through DX                       |
|          |                                                                                         |
| 4        | Action to implement management that is conscious of cost of capital and stock price     |
|          |                                                                                         |
| 5        | Further enhancement of corporate value through the utilization of non-financial capital |





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 ven. 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.

partnerships with other firms.

|                                            |        |                       | (¥bn)  |
|--------------------------------------------|--------|-----------------------|--------|
|                                            | FY2024 | Mid-term Plan<br>2027 | Change |
| Net Sales                                  | 85.4   | 100                   | +17.1% |
| Operating Profit                           | 19.7   | 22.0                  | +11.9% |
| Profit Attributable to<br>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.

| Business Strategy                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                 | • Strengthening the Foundation                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                          |  |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Group-wide strategy for<br>order receiving conscious of<br>order backlog          | We will allocate resources focusing on total<br>optimization and work to further enhance our order<br>strategy. This allows us to maintain high and<br>consistent quarterly construction sales by adapting<br>flexibly to changes in order trends and forming an<br>abundant order backlog.                                                                                                                     | Further investment in<br>human capital<br>(securing and developing<br>human resources) | In the next three years, we will invest more than<br>5 billion yen in human capital. We will continue our<br>active recruitment policy and aim to increase the<br>number of employees to 1,100 while increasing<br>construction, technology, and overseas staff in line<br>with our business strategy. We will also continue to<br>raise wages and further enhance education for our<br>employees and partner companies. |  |
| Restructuring of business<br>models for overseas business                         | We established a new overseas business division at<br>SHO-BOND CORPORATION to approach foreign<br>markets through various channels including SB&M.<br>In addition, we will expand our business model from<br>specializing in selling construction materials to<br>technical cooperation and construction<br>management, by mobilizing the group's collective<br>strengths.                                      | Retention management<br>through the new personnel<br>system                            | We launched a new personnel system that<br>emphasizes fulfillment, growth, a sense of security,<br>and a sense of satisfaction. Under this personnel<br>system, we aim to improve employee engagement<br>and reduce the turnover rate.                                                                                                                                                                                   |  |
| Participation in new<br>initiatives of national and<br>local governments in Japan | A trend of multiple wide-area and cross-border<br>ordering by the national and local governments has<br>emerged out of the lack of technical staff to manage<br>the facilities they own. We will utilize our cultivated<br>know-how and customizable construction materials<br>to meet their needs.                                                                                                             | Achieving a higher level of safety culture                                             | We will continue the Initiatives for Creating a<br>SHO-BOND Culture of Safety to establish a safety<br>culture closer to an interdependent type. We will<br>strive to ensure that safety culture permeates every<br>corner of all sites by developing educational content<br>that is easy to access from remote locations and<br>conducting safety culture training that includes<br>partner companies.                  |  |
| Strengthening peripheral<br>areas and opening up new<br>markets in maintenance    | In addition to our main target area of roads, we will<br>take an active approach to maintenance demand in<br>peripheral areas such as railways and ports, led by<br>the KAKO-Group (construction subsidiaries).<br>Meanwhile, we are exploring the possibilities of<br>expanding into new markets by insourcing special<br>construction work and forming business and capital<br>partnerships with other firms. | Improving productivity and<br>promoting work style reform<br>through DX                | We will further advance the transformation of<br>business flows through on-site and administrative<br>DX. On-site DX includes construction management,<br>safety patrols, and daily inspections. Administrative<br>DX means introducing IT tools for approval<br>procedures and expense reimbursement to realize<br>paperless operations and improve efficiency.                                                         |  |

#### 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



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.

| $\checkmark$                                                                                                                                    | Rei                                                                                                                  | nvestm           |
|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|------------------|
| Non-financi                                                                                                                                     | al Capital                                                                                                           |                  |
| Human Capital                                                                                                                                   |                                                                                                                      |                  |
| High-level engineers who generate profits by uti<br>and implement precise construction plans and a                                              | ilizing their abundant know-how to propose appropriate repair and reinforcement methods.                             | Integr<br>strate |
| Intellectual Capital                                                                                                                            |                                                                                                                      | Strong           |
| Advanced technological development capabilitie<br>construction methods and materials specialized<br>knowledge through the development and const | es at the Technical Research Institute to create<br>in repair and reinforcement; accumulation of<br>truction cycles. | manag<br>know-   |
| Social and Relationship Capital                                                                                                                 |                                                                                                                      | Cultiv           |
| A strong network with partner companies with construction skills.                                                                               | experienced people covering diversified                                                                              | compa<br>with o  |
| Manufactured Capital                                                                                                                            |                                                                                                                      |                  |
| Comprehensive capabilities to improve construct<br>the ideas and needs received from actual sites to<br>and materials.                          | tion efficiency and reduce costs by reflecting<br>o create on-demand construction methods                            | BCP m<br>Collab  |

Natural Capital

Reduction of environmental impact through maintenance work

return ratio of 80% or more.

We sold approximately 1.5 billion yen worth of crossshareholdings 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%.



 Maintaining High Profitability through the Enhancement of Non-financial Capital





# Financial and Non-financial Highlights

Financial





Non-financial



#### Operating Profit / Operating Profit Margin (¥bn/%)



Profit Attributable to Owners of Parent / ROE



Net Assets / Equity Ratio



Dividend / Purchase of Treasury Shares / (¥bn/%) **Total Return Ratio** 



Average Annual Days Off



Lost Time Injury (LTI) Frequency Rate





(According to the Japan Federation of Construction Contractors)



### CO<sub>2</sub> Emissions

# **Marketing and Sales Division**



The Marketing and Sales Division plans and implements the company-wide strategy for securing project contracts and is committed to achieving the Medium-term Business Plan target while partnering with East and West Japan In-house companies, which are tasked with on-site operations. In FY2024, the total contract volume for the entire Group including products and construction exceeded 100 billion yen and our business performance showed steady growth. These positive results were achieved through selective vetting of project contracts based on information sharing, human resource development, and appropriate resource allocation. Under our Medium-term Business Plan 2027, our strategy for securing contracts will continue to focus on large-scale construction projects for expressway companies. We are working to enhance our competitiveness to secure more expressway contracts and promoting strategies in line with national and local government public works schemes. We are also focusing on peripheral areas (i.e., areas other than roads) through efforts to expand our business areas as a comprehensive infrastructure maintenance company.

[Opportunities]

technologies

#### Takayasu Shimada

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

• Growing demand for life-extending works due to accelerated

• Growing demand for reinforcement works due to greater severity

•Increasing importance of preventive infrastructure maintenance

measures to address aging infrastructure

and frequency of natural disasters

### **Risks and Opportunities in Our Domestic Construction Business**

#### [Risk factors]

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

# Strengths

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

### Review of Previous Mid-term Plan and Overview of Medium-term Business Plan 2027

During the three years of the previous mid-term plan, we achieved a significant increase in contract orders due to our solid efforts in securing large-scale construction projects. Through closely-coordinated information sharing between our East/West Japan In-house companies and our head office divisions, we made a positive contribution to improving our profitability by undertaking a systematic review to thoroughly vet potential project contracts and optimize our resource allocation. In line with the Medium-term Policy strategy of pursuing more large-scale construction projects by strengthening our organizational capability, we have improved human resources management and optimized the size and number of our partner companies to secure contracts for expressway construction projects outside of our metropolitan regional offices, which have typically been responsible for procuring large-scale construction contracts. These efforts are already paying off. These 'beginner' regional offices started with expressway construction contracts of several hundred million to one billion yen and subsequently gained experience in completing large-scale construction projects through team-based construction

management. As a result, all of our regional offices now have a growing number of personnel with experience in large-scale construction projects, and are developing their capability in securing new contracts. We have also been strengthening our ties and collaborating with group companies and other companies, and have received a total of seven orders for large-scale construction projects through joint ventures with other companies over the past three years, marking an increase of four orders from the previous three years. As a result, construction contract orders per employee were approximately 91 million yen in FY2024, compared to approximately 73 million yen in FY2021.

Under the Medium-term Business Plan 2027, we will expand the scope of our strategy from optimization within our East/West In-house Japan companies to optimization on a company-wide scale. We will boost our competitiveness by promoting company-wide improvements in our overall contract bidding and technical proposal capabilities, and will strategically form a backlog of contract orders not only for a single year but for multiple years. Furthermore, we will

respond to the diversification of contract orders resulting from new national and local government initiatives such as the "Strategic Management for Revitalization of Regional Infrastructure Groups" and "Comprehensive Private Sector Outsourcing" by leveraging our group's comprehensive strengths across all project aspects from surveying to construction. In order to provide solutions to structural issues encountered by infrastructure administrators such as the shortage of engineers and budget shortfalls, we will lease our "AI Shindanshi" diagnostic system which consolidates our engineers' diagnostic expertise on concrete structure deterioration, and we will develop simple repair methods and materials enabling DIY repairs and maintenance by facility managers. In the peripheral area, we have received orders totaling approximately 500 million ven from several new private-sector clients in Japan through SB&M-our joint venture with MITSUI & CO. Going forward, we will strengthen our approach to addressing the aging of various infrastructure with a focus on KAKO-Group operations. In addition to applying our existing technologies to port structures, we are planning to undertake large-scale repair projects in the area of railways. We also see many opportunities for expanding and enhancing our business areas, such as proposing construction methods suited to construction sites with time constraints

To achieve sustainable profit growth by strengthening profitability and diversifying our revenue sources, the Marketing and Sales Division has established an internal project team to explore future business possibilities and has initiated discussions among our next generation of leaders. Themes to be discussed by the team include

# Improving Productivity and Promoting Work Style Reform Through DX

Our group has defined two main areas for DX (digital transformation): on-site and administrative DX. In on-site DX, we aim for improved productivity, enhanced safety management, and technology transmission. In administrative DX, we focus on improving productivity through work style reform. Of these two areas, on-site DX is being promoted mainly by the DX Promotion Office within the Marketing and Sales Division.

In terms of improving productivity, construction management tools have been in place for several years and we are seeing their increased uptake at work sites. The use of VR/AR technology is also increasing due in part to the proactive efforts of our working groups. In terms of enhancing safety management, we are developing and implementing on-site remote presence using webcams, as well as our proprietary "SB+" safety inspection app. In the area of technology transmission, we have developed "*AI Shindanshi*" to consolidate our engineers' high level of expertise in diagnosing concrete structure deterioration, and have also started developing an AI-based construction assistant to address the challenges of passing on knowledge and experience through digital technology.

During the three years of the Medium-term Business Plan 2027, we will proceed with efforts to integrate our decentralized data into the cloud and will focus on consolidating a security-conscious environment, in addition to our continued commitment to the above-mentioned initiatives. By improving the confidentiality, integrity, and availability of our data while digitizing and consolidating information, we are aiming to enhance information accessibility and maximize the benefits of DX. We will promote on-site DX within our group by effectively leveraging the latest digital technology in combination with accumulated data. the future of the infrastructure maintenance market, consolidation of new business areas, and development of markets that are new to our company. There is a growing need for repair and reinforcement work in various fields due to the emergence of increasingly severe and frequent natural disasters and aging infrastructure. We are working to comprehensively assess the needs of facility managers and develop new repair materials and construction methods.





# East Japan In-house Company

# West Japan In-house Company

The East Japan In-house Company's operating policy under the Medium-term Business Plan 2027 is to strengthen our construction base, maintain stable earnings, and expand into peripheral areas. To strengthen our construction base, we are enhancing our safety, quality, and technological proficiency by developing our human resources and pursuing shared prosperity with our partner companies. Building on this base, the strong will and motivation of each employee will be crucial in order to proactively pursue large-scale and complex construction projects and to maintain and grow our earnings. We will also diversify our revenue sources by developing our business in peripheral areas, and will strive to create a working environment where all employees can work together and achieve a sense of fulfillment.

#### Takayasu Shimada

Managing Director of East-Japan In-house Company SHO-BOND CORPORATION

# Topics

Our in-house company is proceeding to diversify our employee base, and we currently employ 14 female engineers and 6 foreign-born engineers. Several female engineers received the "CCI Tokyo Construction Industry Young Engineer & Female Engineer of the Year Award" in recognition of their outstanding skills as site managers. Our foreign-born engineers include personnel who have grown to be able to independently manage on-site operations as management engineers and female personnel who perform a series of design processes, such as 3D scanner-based site surveying, revision of construction plans, and calculation of structural intensity. We are also focusing on fostering young engineers by assigning on-site management roles at an early stage in their career according to their individual aptitude so that they can develop experience working in a position of responsibility. We will continue to create an environment where each employee can step up and find fulfillment in their work. In terms of helping to develop our partner companies, we offer secondment contracts to the next generation of partner company employees to improve their management techniques and technical skill levels as well as establish working groups in each type of work to improve our workplace health and safety. We will work with our



eers working on-site



Replacement of deck slabs at Tengu Bridg

partner companies to strengthen our respective systems by providing support for securing foreign workers to address the growing shortage of human resources.

We are also actively engaged in large-scale complex construction projects such as the Maehara Bridge project overseen by our Shutoken Hokuriku Regional Office, which involved removing an expressway overpass using multi-axle trolleys in what was a first for the SHO-BOND Group. The entire Tohoku Expressway, which has a daily traffic volume of over 90,000 vehicles, was closed to traffic, and the removal work was completed overnight without any accidents. Our Kita-Nihon Regional Office is currently overseeing a project to replace the deck slabs and seismically reinforce Tengu Bridge, which has a unique structure. This marks the first time that the NEXCO Tohoku Branch has replaced deck slabs using precast deck slabs on a steel box girder bridge. By continuing to secure a solid volume of these large-scale complex construction projects in the future, we will diversify and evolve our infrastructure maintenance operations through the training of engineers and the improvement and transmission of technical capabilities.

|                                         | SHO-BOND CORPORATION                                                                                 | Group Companies                                                                                                       |
|-----------------------------------------|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Kita-Nihon<br>Regional Office           | Hokkaido Branch /<br>Minami-Tohoku Branch /<br>Kita-Tohoku Branch                                    | TOHOKU KAKO CORPORATION                                                                                               |
| Shutoken<br>Hokuriku<br>Regional Office | Tokyo Branch / Chiba Branch /<br>Kanto Branch /<br>Hokuriku Branch /<br>Building Construction Branch | KAKO CORPORATION /<br>KANTO KAKO CORPORATION /<br>YOKOHAMA KAKO CORPORATION /<br>NIIGATA KAKO CORPORATION / Kyna-Tech |
|                                         | 8 branches                                                                                           | 6 group companies                                                                                                     |

#### **Overview of East Japan** In-house Company

The East Japan In-house Company consists of the Kita-Nihon Regional Office and Shutoken Hokuriku Regional Office. The regional offices include KAKO-Group companies and the Shutoken Hokuriku Regional Office also encompasses Kyna-Tech. Overall, this in-house company is responsible for operations in Hokkaido, Tohoku Kanto, and Hokuriku. As of June 30, 2024, this in-house company had 425 employees. Construction sales for FY2024 were 40.6 billion yen.

The West Japan In-house Company has been actively investing in human resources with the goal of creating an amenable working environment for all of our employees. In addition to these efforts, we will seek to ensure stable earnings by maintaining our existing markets while continually pursuing challenges and gaining insights in new markets to evolve in step with the times. As part of these efforts, the KAKO-Group positioned within the West Japan In-house Company will place a renewed emphasis on peripheral areas including railroads, electricity, and ports.

# Topics

We are working to improve our productivity by leveraging the in-house company system by unifying standards at the in-house company level and promoting active exchanges of people and products. We have succeeded in strategically capturing large-scale construction projects by aggressively expanding the operation area of partner companies across jurisdictions at each regional office. In response to requests from our regional offices, the West Japan In-house Company has established unified rules for safety, and the workplace health and safety council at each regional office in our company performs mutual patrols to extensively monitor the safety of each other's work sites. By unifying standards to improve the efficiency of safety management operations, and encouraging mutual interaction through safety patrols, the entire in-house company has managed to reform its work style and improve our safety and health level.

#### **Overview of West Japan** In-house Company

The West Japan In-house Company has three regional offices (Chubu, Kinki, and Nishi-Nihon) and each office is affiliated with KAKO-Group companies. Operations cover south and west Japan. As of June 30, 2024. this in-house company has 397 employees. Construction sales for FY2024 were 35.4 billion yen.

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



#### Tsuyoshi Koga

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

> We are also striving to further enhance the in-house company's specific employee training program. Under the Medium-term Business Plan 2027, we will conduct training for mid-level site engineers and discussion-based training for our veteran engineers, in addition to our existing training focusing on female and young employees. The mid-level construction training will aim to equip mid-level employees with a certain level of experience with even greater knowledge of civil engineering projects. The training will consist of in-person lectures by mid-career recruits based on project case studies. The discussion-based veteran engineer training will aim to improve the problem-solving abilities of our veteran engineers by having them each conduct a fishbone analysis of past failures and then discuss various issues and potential solutions. We will continue to enhance our training programs to better meet the needs of our employees, thereby improving their individual abilities and motivating them in order to play a role in human capital management.

> We are also actively recycling the used paper generated at our offices and construction sites. Through a system involving a social welfare corporation and a recycling company, our in-house company's used paper is recycled as originally labeled toilet paper. This service not only makes effective use of our used paper, but also has the added benefit of creating employment for people with disabilities. Our use of this service was initially proposed by one of our employees. Going forward, we will continue to actively adopt good ideas and promote sustainability.



On-site training inspection for female eng

34

# **Engineering Division**



The Engineering Division is chiefly responsible for gathering technical information and developing technologies related to our core business of infrastructure maintenance, and for supporting each of our Group's engineering departments. Amidst the recent increase in the scale and complexity of construction projects, we believe it is essential to improve the technical skills of our engineers. We have sought to address these issues by integrating new technologies with the proprietary technologies we have developed over the years. Following on from our AI-based technology for diagnosing concrete structure deterioration (AI Shindanshi), we intend to develop an AI assistant tool to support on-site engineers in order to address the shortage of engineers and improve quality. In terms of technology development, our Engineering Division is working with the Technical Research Institute to develop organic and inorganic products and construction methods leveraging these products in response to on-site requirements. We will continue to create unique and superior products and construction methods and contribute to society through technological development with an eye towards decarbonization.

#### Hiroshi Takemura

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

### Strengths

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

### Review of Previous Mid-term Plan and Overview of Medium-term Business Plan 2027

Under the previous mid-term plan, we focused on improving the technical skills of our employees in order to respond to the increasing size and complexity of construction project contracts. In addition to our human resource development initiatives including on-the-job training and support for obtaining gualifications, we proactively undertook the challenge of integrating our proprietary technologies with advanced digital technologies. In terms of human resource development, we organized on-the-job practical training for young engineers to engage in construction projects with detailed designs. The training enabled these engineers to improve their skills by gaining experience in dealing with design modifications based on site-specific conditions. We are also strengthening our system of support for employees seeking to obtain Professional Engineer certification with the assistance of our qualified engineers. In terms of integrating our technologies with advanced digital technologies, we have established a cross-functional working team to study and internally utilize advanced technologies such as 3D CAD, AR, and FEM analysis, and our flexibility to adapt to new technologies and ability to link these technologies to productivity improvements have steadily improved.

One outcome of our recent research and development in response to Japan's current full-scale expressway renewal work is bridge deck reinforcement technology, which we jointly developed and commercialized in a three-way partnership with an expressway company and a private-sector company. This technology improves fatigue durability by covering the bridge deck slab's upper surface with a special concrete that behaves the same way as the existing slab. The technology was developed through a joint initiative involving each of the Technical Research Institute's groups. Specifically, the Inorganic Group developed the special concrete and the Organic

Group developed the permeable resin, while the Structural Group verified the products' fatigue durability using our wheel load running testers.

#### ● SHO-BOND Group R&D Flowchart



Under the Medium-term Business Plan 2027, we will continue and expand our efforts to boost our technological capabilities with a key focus on large-scale, complex projects such as seismic reinforcement of special bridges, and our activities to increase productivity in response to labor shortages within the construction industry. We will expand the scope of our AI application beyond the diagnosis of concrete structure deterioration to include support for our engineers. In terms of technology development, we will pursue research and development targeting a wide variety of aging structures in addition to expressways and other high-specification roads. We will cooperate with the Marketing and Sales Division to pursue a product lineup that meets the

### Construction Engineering Technology Conference

Each year in June, SHO-BOND holds the Construction Engineering Technology Conference. Each regional office selects three to four of their construction projects for that year, and a representative gives a presentation on a technically-outstanding advanced case study. The conference is a major event that attracts around 100 employees from across Japan to the head office building, and is streamed online to all regional offices and branches. As each presenter is representing their own regional office, they rehearse thoroughly with the support of their office before the day of the presentation. After the presentations, awards for excellence are presented and employees interact with one another, thereby encouraging and motivating participants to do their best. We also offer other programs as the need arises to broaden the knowledge of our engineers, such as special lectures by outside academics.

At the Construction Engineering Technology Conference, we select relevant themes and seek submissions. In recent years, there have been many presentations related to digital transformation (DX), with more than half of all presentations in FY2024 pertaining to digital technologies with keywords such as AR, 3D models, CIM, FEM analysis, and AI. SHO-BOND is actively engaged in "on-site DX"





needs of our customers, such as process-reducing products for railroads that allow installation to be completed in the interval between the last train and the first train.

We will also focus on providing technical support for overseas projects. In March 2024, we enlisted the cooperation of entities including a Thai university and the Thailand Concrete Association to hold a seminar on infrastructure maintenance in Bangkok that was attended by members of local industry, government, and academia. We will continue to pursue these types of initiatives in cooperation with the Overseas Business Department to expand the Group's business areas and contribute to solving infrastructure maintenance issues overseas.

initiatives, and the overall trend toward infrastructure DX is progressing, as evidenced by the fact that BIM/CIM is being applied in principle to construction projects under the direct control of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) from FY2023. The case study in the figures below which was presented in FY2024 investigated the use of reinforcing components during jack-up within the bridge-bearing replacement process. In designing the reinforcing components for this project, the project team performed FEM analysis using 3D modeling that made it possible to avoid interference with existing components and to improve the structure by keeping the bending stress of fittings within the permissible range. By utilizing 3D data and 3D printer models to communicate with on-site workers, the team also managed to smoothly execute the highly complex process of jacking up and installing the reinforcing components. This construction project has since been completed with no accidents or disasters, and has received high praise from the client. This type of company-wide deployment of best practices, including new findings and innovations, has led to new discoveries and improved the technical skills of our employees.



nted 3D data and FEM analysis findings after improvement of reinforcing component



# **Technical Research Institute**

## **Overview of Technical Research Institute**

The SHO-BOND Group has contributed to society through the research and development of its own repair technology, believing that the combination of chemical and civil engineering technologies is important for effective infrastructure maintenance. The Technical Research Institute has played a central role in this effort. In 1996, the year after the Great Hanshin-Awaji Earthquake, SHO-BOND opened its third research laboratory (with a site area of approximately 22,000 m<sup>2</sup>) in Tsukuba Science City. We named it the Technical Research Institute (TRI) based on the philosophy of raising infrastructure repair skills to the level of scientific research. TRI focuses on identifying the

mechanisms of structural deterioration and damage, improving fatigue durability against large vehicles, and researching and developing effective reinforcement technologies for earthquakes. TRI is unique within Japan as a research facility that specializes in the repair and reinforcement of structures and that is well-equipped with state-of-the-art devices. Many materials and construction methods developed at the Institute have been adopted as standard repair methods. TRI is organized into three groups—the Organic Group, the Inorganic Group, and the Structural Group.



Aerial view of the Technical Research Institute and Tsukuba Training Center

Example of EPMA analysis

# Organic Group

The Organic Group develops products and construction methods using organic materials (resins). Development themes range from concrete protection, steel protection, and modification of asphalt pavement and road base materials. We are developing mainly epoxy resin formulation technologies that we have cultivated over many years, and are also leveraging the characteristics of various resins such as urethane and MMA resins. In terms of practical applications, each product has diverse performance requirements so we use our various evaluation systems to check mechanical properties and durability while producing high-quality products that meet customer needs. We also perform follow-up surveys of structures we have previously repaired to verify the effectiveness of repair materials and provide feedback for product development.

Given the recent shortage of engineers in Japan, there is a growing demand for simple, process-saving products so we are actively promoting the development of single-component materials that can be used without mixing or stirring. We are also working to realize a sustainable society by replacing petroleum-based raw materials with plant-derived materials in an effort to reduce the carbon footprint of existing repair resin materials.



Transparent spalling prevention using single-component urethane resin



Spalling prevention using single-component water-based urethane resin



EPMA analysis of crack repair filling material 50 years after installation

# Inorganic Group

The Inorganic Group was formed in 2019 to independently develop inorganic materials such as cement and concrete, and to diversify SHO-BOND's product lineup in response to customer needs. Over the five years since the Inorganic Group was established, we have focused on establishing fundamental technologies that will serve as the basis for our inorganic material development, and have succeeded in developing the following: (1) material design technology for ultra-rapid hardening of concrete, (2) technology for improving durability through latex modification, (3) technology for controlling concrete's static modulus of elasticity, (4) technology for concrete mix designs of premixed materials, and (5) technology for preventive maintenance of rebar corrosion. These are highly original technologies that cannot be imitated by other companies, and can be combined in various ways to meet the complex and diverse needs of the infrastructure maintenance. As well as establishing these fundamental technologies through basic research, we are leveraging these technologies to develop products such as concrete for repairing top surfaces of bridge deck slabs, waterproof concrete for deck slabs, overlay concrete for deck slab top surfaces, bridge pavement concrete to protect deck slabs, and permeable rust inhabitor for rebars. These efforts have resulted in the development of outstanding products such as CPJ-L. Going forward, we will prudently leverage the fundamental technologies we have successfully developed to achieve even greater progress.

# Structural Group

The Structural Group develops and verifies materials and construction methods mainly related to structural mechanics. TRI's wheel load running testers (steel wheel and rubber tire models) and large fatigue testers are widely deployed, and in recent years are increasingly being used in our joint research with universities, expressway companies, and construction companies. In the area of bridges, we are utilizing our wheel load running testers to conduct joint research on the structural enhancement of composite-slab SUPER DECK SLAB and a method for replacing width-divided deck slabs. We are also working to improve the fatigue durability and waterproofing performance of expansion joints using fatigue testers and joint testers. In the area of earthquake resistance, we are conducting impact testing on shock-resistant devices such as RESTRAINING CHAIN and SHEERING STOPPER to verify their buffering effects and investigate the potential addition of new features.

We are also actively engaged in the latest digital technologies such as AI and VR/AR to promote on-site DX, and are currently



Wheel load running tes



Overlay concrete construction on top surface of bridge deck slab

studying on-site support tools using AR technology. At seismic retrofitting sites where large and complex-shaped components are installed in existing structures, digital technologies can be used to determine the interference between components and simulate the construction process so that all construction stakeholders can have a shared understanding of the project. We will aim to improve productivity by promoting on-site DX and the use of CIM while cooperating within the SHO-BOND Group.

Matterport 3D spatial capture of the training bridge in Tsukuba Training Center

# **Construction Division**



The Construction Division is responsible for improving the quality and safety of construction work. It cooperates with the regional offices to facilitate the on-site operations that are fundamental to a construction company such as ours. Most of our Group's construction work involves public works so our clients are generally public facility administrators and expressway companies. One of our key roles is to earn our clients' trust by ensuring high-quality construction work that will lead to future project contracts. Securing a competent workforce and passing on our unique construction expertise are both essential elements in achieving this goal. In order to diversify our revenue sources and strengthen our profitability into the future, we will leverage our accumulated repair and reinforcement construction expertise to complete construction projects of various sizes while also helping to foster our partner companies and secure our workforce.

#### Tsuneyuki Ashizawa

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

### Strengths

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

### Review of Previous Mid-term Plan and Overview of Medium-term Business Plan 2027

In the past few years, the infrastructure maintenance environment has changed significantly from small-scale, single-year projects to large-scale, multi-year projects. Amidst this shift, various challenges have emerged in terms of establishing construction and safety management systems, securing partner companies, and procuring the materials and equipment capable of handling large-scale projects.

The Construction Division places a particular emphasis on securing and training partner companies and site-support staff. On construction sites, our work typically involves collaboration between not only our core personnel such as our site manager and management engineer but also support staff and partner companies. We are therefore striving to raise the skill levels of the support staff and partner companies in order to handle the increasing size of construction projects and changing work practices. The Tsukuba Training Center (TTC) is the nexus of our employee training. The TTC operates for more than 100 days a year, with both Construction Division employees and Technical Research Institute personnel acting as instructors. These instructors provide training on on-site quality and safety management while also integrating practical elements. The Construction Division also promotes the company-wide dissemination of construction management tools with the aim of improving on-site management productivity. It has gradually achieved results not only by distributing software but also by providing detailed follow-up to each office and site, including training by external expert personnel and setting up a support desk.

Under the Medium-term Business Plan 2027, we will further promote the above initiatives to ensure our construction capacity while also conducting initiatives in earnest to secure our workforce and make more cost reductions. In terms of securing the workforce, we are supporting the recruitment of partner companies including foreign nationals. In terms of reducing costs, we are working to internalize the specialty construction that is frequently entailed in repair and reinforcement projects. In our water-jetting work, Kyna-Tech has already trained its own construction team. We are also reviewing whether to bring other essential types of work in-house through M&A or other types of business partnerships. Another challenge that we face is to train engineers who can flexibly handle not only large construction projects but also small and medium-sized repair works. While there are many advantages to focusing on large-scale project contracts, such as securing stable profits and ensuring the regular availability of engineers, we must also preserve our unique strength of being an infrastructure maintenance specialist capable of securing sufficient profits from small and medium-sized construction projects. Under the Medium-term Business Plan 2027, SHO-BOND will actively engage in relatively small projects for the national and municipal governments and the private sector, where we must achieve profitability by leveraging our small and medium-sized construction expertise accumulated since our founding. We will ensure that our unique construction techniques are passed down to the next generation by training and staffing our construction employees and by utilizing DX technology.

### SHO-BOND Construction Sites

#### **Concrete Sectional Repair**

We remove deteriorated parts of concrete using the water-jet method without damage to existing healthy parts of concrete structures and then repair them by spraying materials including mortar or putting them with a trowel.



#### Suspended Scaffolding

Suspended scaffolds are an indispensable part of bridge repair works. The photo below is of the Tengu Bridge on the Tohoku Expressway. As this is a V-shaped bridge traversing mountainous terrain, when repainting and seismically reinforcing the bridge, we erected scaffolding to encompass the bridge's long piers that extend in a V-shape from its base. The key to this type of repair work is setting up the most suitable scaffolding for each site according to the shape of the bridge and the type of work to be done. We plan to use this large-scale scaffold for two more years of construction at Tengu Bridge, and we will remain fully focused until the scaffolding is safely removed.



### Tsukuba Training Center

The Tsukuba Training Center (TTC), which was completed in 2021 and started operating in 2022, marked its third year in 2024. From its primary task of our employees' rank-specific training, the TTC is now providing training to our partner companies and site-support staff. We have recently been requested to train young engineers from municipalities and expressway companies that are struggling to maintain and manage their infrastructure. There has also been



Training Bridge

#### **Replacement of Bridge Bearings**

We have replaced many bearings on truss structures and other special bridges to improve their seismic performance. This is the most complex repair and reinforcement work as it requires jacking up the bridge with temporary supports to perform the work without disturbing the traffic on the bridge.



significant interest in our repair technology from overseas, with over 250 people from 27 countries visiting the TTC to date through the Japan International Cooperation Agency (JICA) and other organizations' introduction. Going forward, we aim to further enhance the TTC by installing our repair and reinforcement materials on the Training Bridge.



JICA visi

# **Overseas Business Department**



The issue of aging infrastructure around the globe is already becoming evident in some parts of the world but much of it is still latent so the global market for infrastructure maintenance is expected to grow in the future. Another pressing issue is how to address the disasters caused by earthquakes and climate change that are occurring in many parts of the world. The Overseas Business Department is tasked with responding to these challenges by globally deploying the infrastructure maintenance technologies that the SHO-BOND Group has developed over many years in Japan. We will contribute to society by extending the service life of global infrastructure by combining our on-site technical capabilities cultivated in Japan to meet the demand for repair and reinforcement of various structures with the best solutions.

#### Setsu Arai

Director of Sales Management, SHO-BOND Holdings Co., Ltd. Director and General Manager of Overseas Business Department, SHO-BOND CORPORATION President and Representative Director, SHO-BOND MATERIAL CO., LTD. President and Representative Director, SB&M

• Increasing public awareness worldwide of the need for maintenance of

• Joint activities with other Japanese companies for the dissemination of

• Growing need for protection against earthquakes, floods, and other

### **Risks and Opportunities in Overseas Businesses**

#### [Risk factors]

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

### Strengths

• SHO-BOND Group's technology development capacity for development and modification of construction methods and products to match the requirements of specific countries and regions

[Opportunities]

aging infrastructure

• Global business network and overseas development and management capacity of MITSUI & CO. in 63 countries and 128 business sites

# Review of Previous Mid-term Plan and Overview of Medium-term Business Plan 2027

The SHO-BOND Group's overseas operations began in earnest in April 2019 when SB&M was established in partnership with MITSUI & CO. We established the infrastructure repair company CPAC SB&M Lifetime Solution in Thailand with CPAC of the Siam Cement Group in 2020. Under the previous mid-term plan, we made steady progress by investing in Structural Technologies (ST), a company specializing in concrete structures in the U.S. in 2023.

In the Overseas Business Department, our business strategy under the Medium-term Business Plan 2027 is to restructure our overseas business model. Our overseas business has previously been focused on the sale of construction materials with a proven track record in Japan. However, we have received numerous client queries about our on-site expertise in repair work so we have responded by establishing the Overseas Business Department within SHO-BOND CORPORATION, which is our core company for performing construction work. By doing so, we have consolidated a structure enabling us to provide not only sales of construction materials but also a wide range of infrastructure maintenance services by mobilizing the Group's collective strengths from surveying and diagnosis of aging structures

### New Business Model

infrastructure technology proven in Japan

natural disasters around the world



to repair proposals, construction supervision, and provision of technology. Dispatching our engineers to overseas sites will enable us to identify the needs and issues in each country, propose optimal solutions, and develop new materials.

Our regional goal under the Medium-term Business Plan 2027 in Thailand is to enter the public sector construction business, specifically bridge repair projects, and to increase the volume of this work. Currently, the main source of revenue is private-sector construction. We are also preparing to undertake local manufacturing to strengthen the price competitiveness of our products. In the U.S., we will work to expand our business areas through ST. We will expand our repertoire of repair work by not limiting ourselves to SHO-BOND products and technologies but also introducing the technologies of other Japanese companies to ST.

Furthermore, we aim to increase the volume of our overseas business activities. We will double the number of our employees

# **On-Site Conditions**

Here we will introduce our business operations in Thailand. Two Japanese staff members are also stationed at CPAC SB&M where they work with local staff to maintain aging structures. In addition to repairing manufacturing and other facilities primarily for private clients while leveraging our ties with Japanese companies and the network of MITSUI & CO., we have also taken on the challenge of introducing Japanese products to local markets.



↑ Repair work on the roof of an overseas Japanese company factory.



 $\uparrow$  Repair work on a port jetty at a Japanese chemical plant facility.

involved in overseas operations by hiring new overseas personnel and reallocating them within the Group. We are also aiming to increase our volume of overseas project contracts by expanding the scope of our business in areas such as surveying, diagnosis, and construction supervision, and we are aiming to expand our overseas revenue by increasing the number of products and construction methods that we handle, including deploying overseas technologies within Japan. In addition to Thailand and the U.S. where we have already launched, we will partner with local companies to develop our business in countries where infrastructure deterioration due to inadequate maintenance and management has had a significant impact on the lives of citizens. Despite numerous issues in these markets such as procuring the necessary budgets and materials, we will develop this business with the goal of achieving self-sufficiency in local maintenance.



↑ Repair work on a cement silo at a CPAC Group company plant involving the removal, re-design, and re-construction of the silo's internal structure.



↑ We are working with CPAC, one of Thailand's leading ready-mixed concrete manufacturers, to study ready-mixed concrete processing methods that will also contribute to decarbonization.

# SHO-BOND MATERIAL CO., LTD.

# Overview

SHO-BOND MATERIAL CO., LTD. is a core company of the SHO-BOND Group. It was established in July 2016 by the merger of SHO-BOND Chemical and SHO-BOND Coupling and became a manufacturer and

trading company that produces and sells resin products, construction materials, and couplings.

•Growing demand for extending the life of infrastructure as the

•Growing demand for reinforcement work as the frequency and

severity of natural disasters increase

•Demand for environmentally friendly products

pace of activities for repairing and reinforcing aging infrastructure

### **Risks and Opportunities in Our Construction Materials Manufacturing and Sales Business**

[Opportunities]

increases

#### [Risk factors]

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

### Strengths

- A diverse lineup of products for many types of degeneration and damage offered by a specialist in repairs and reinforcement
- Group-wide development capabilities for customizing products to meet specific market demands
- Asset-light manufacturing through a fabless framework (for structural construction materials and pipe joints)
- Flexible environmental response, such as using non-hazardous organic materials and plant-based ingredients for the fabrication of products to reduce CO<sub>2</sub> emissions

# **Review of Previous Mid-term Plan and Overview** of Medium-term Business Plan 2027

In the previous mid-term plan, we focused on strengthening sales of existing products and exploring new markets by addressing customer challenges and understanding on-site needs. One of our main products, couplings (pipe joints), has utilized its ease of installation to meet demand in the building maintenance market, leading to increased sales. Additionally, the process-saving surface coating method, NEO LINER EX METHOD, which was introduced in October 2023, was developed to address the needs of new customers, such as railway companies with tight construction schedules. This approach is anticipated to support future revenue growth and foster opportunities for new customer engagement.

In the Medium-term Business Plan 2027, we aim to align product sales and channel expansion with customer needs while enhancing sales trend analysis and marketing. To strengthen our sales capabilities, we plan to recruit new personnel. In line with the business strategy of the entire Group, we will pay close attention to initiatives by national and local governments in the road maintenance market and promote the sales of products in demand in peripheral areas outside of roads. Strengthening collaboration between internal organizations, such as the Marketing and Sales Division and the Technical Research Institute, will be key to these efforts, alongside the continuous implementation of the PDCA cycle. For existing products like couplings, which have shown steady growth, we are planning to make capital investments to improve operational efficiency by consolidating manufacturing and assembly bases as well as to increase production capacity and meet future demand. We also plan to leverage the manufacturing expertise developed domestically to support local production in overseas markets. By strengthening both sales capabilities and our involvement in building domestic and international supply chains, we aim to support the Group's growth

strategy and achieve our construction material sales target of 11 billion yen



NEO LINER EX METHOD



# Overview

Kyna-Tech became a wholly owned subsidiary of the SHO-BOND CORPORATION in 2016 through acquisition, as part of the Group's strategy to increase profitability and diversify its operations. The company is based in Saitama and had a workforce of 18 as of the end of June 2024. As a specialty construction company, Kyna-Tech

# Operations

#### High-frequency core drilling at concrete structures

Making anchor bolt holes using high-frequency core drilling is one of the primary activities of Kyna-Tech. When reinforcing an existing concrete structure, holes are drilled for the placement of reinforcing components to increase earthquake resistance. Kyna-Tech's high-frequency core drill can make holes up to 15 meters deep and in a direction that is not possible with conventional machinery. Furthermore, holes are made about 2.5 times faster. Another advantage is the core drill being fitted with a safety device, which eliminates the risk of damaging rebar in the concrete structure. We established the Waterjet Department in 2019 and have been building up our track record

in surface treatment and chipping work. Since 2024, we have been strengthening our construction capabilities through a directly managed team.



# Overview

Maintenance Technology Inc., established in 2011, is the only construction consulting company in the SHO-BOND Group. The company has sales offices in Tokyo, Nagoya, and Osaka. The workforce was 23 at the end of June 2024. The main activity is the investigation, diagnosis, analysis, repair plans, and other services

# Operations

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

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

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



urface preparation of concrete using

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



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

# Remembering the Great Hanshin-Awaji Earthquake

At 5:46 a.m. on the morning of January 17, 1995, a magnitude 7.3 earthquake struck with an epicenter at the northern part of Awaji Island, and a seismic intensity of 7 was recorded in Kobe City and other areas. The disaster caused by this earthquake is now known as the Great Hanshin-Awaji Earthquake. The human toll from this disaster was 6,437 dead or missing and 43,792 injured. It also caused extensive damage to housing and other buildings and to critical infrastructure such as expressways, railroads, and electricity, gas and water utilities, resulting in catastrophic destruction mainly in the Hanshin region (between Kobe and Osaka). January 17, 2025 marks the 30th anniversary of this unprecedented disaster.

On the occasion of the 30th anniversary of the Great Hanshin-Awaji Earthquake, this feature looks back on the mission we achieved in the aftermath of the quake based on excerpts from our 40th anniversary commemorative publication (published in 1998) and messages from our directors who experienced the disaster firsthand.

# The moment the earthquake struck

I awoke with the first tremor and immediately realized it was an earthquake. I quickly tried to reach my mother downstairs but I couldn't even crawl, let alone stand. Our house was shaking a great deal and I was jolted and tossed violently. Our wardrobes collapsed and I was aware of the sound of breaking crockery. Various objects were constantly being flung left and right before crashing to the floor. After a while, the shaking ceased. I quickly made my way downstairs only to find myself stepping in a pile of shattered glass. I tried to calm myself amidst the darkness. My mother was sitting on her knees in the scattered room with a look of stunned disbelief. A mirror stand lay half collapsed right beside the pillow of her bed. At the foot of her bed lay the television and wall clock in positions that defied explanation as to how they got there. And then another large tremor occurred. Gas was leaking into the room from the disconnected hose of our heater. Outside we could heard crushing sounds. Although the quake only lasted moments, it seemed like an eternity.

Our house had tilted on its foundations but had somehow managed not to collapse. I don't even recall getting changed. I looked down at my bleeding feet but oddly did not feel any pain. I made my way to the front door and tried to open it but it wouldn't budge. I could hear my heart thumping. I barely managed to squeeze my body through and made it outside, where I encountered the sight of heavily tilting telephone poles and cracked and buckled roads. The neighboring walls had collapsed, roof tiles were strewn across the street, and the smell of leaking gas filled the air. Covering my nose and mouth, I evacuated with my mother to the nearby middle school. (Experience of a Kobe Branch office employee recounted in our 40th commemorative publication)

In the heavily damaged Hanshin region, SHO-BOND CORPORATION's presence consisted of the Kobe Branch and Osaka Branch, as well as small and large sub-branches and subsidiary locations, collectively employing a total of 145 personnel at the time of the guake.

Communication and transportation networks were disrupted after the earthquake so it was very difficult to confirm the safety of our employees and their families, and it took two days after the disaster to confirm that everyone was safe. The letters that our employees contributed to our commemorative publication are a stark reminder of the confusion and fear that ensued immediately after this major earthquake

This major earthquake was incredible even for SHO-BOND engineers who are experts in seismic reinforcement of structures At around 30 to 40 minutes after the earthquake, the expressway was reported to have broken off at the median strip and collapsed. Not believing the report. I rode my bicycle to Route 43 and found that the elevated piltz structure section of the Hanshin Expressway Kobe Route 3 had collapsed. The expressway structure had also fallen, the PC piers had sheared and collapsed, and the steel piers had buckled locally. I genuinely couldn't believe my eyes.

The closer I got to Kobe, the more severe the damage I encountered, with condominiums and houses completely collapsed without any trace of their former state. Cars lay crushed under the collapsed structures of the expressway and people stood dumbfounded along the roadside. The entire scene defied belief.

On my way to the Kobe Branch at 9:00 a.m., I saw that the Fukae Bridge was significantly sagging in one area. The road was covered with sand boils triggered by liquefaction and the Kobe Branch building had collapsed to the northeast, with sand spewing out around the building due to liquefaction. I was shocked as this was the first time I had witnessed liquefaction. We used our Hanshin Sub-branch as an emergency response office, and cleared up the scattered desks and documents before going into action

(Experience of a former Senior Managing Director recounted in our 40th commemorative publication)



Collapsed expressway bridge (Hanshin Expressway Kobe Route No. 3)



Collapsed Shinkansen overpass (Sanyo Shinkansen)

### Company-wide commitment to restoration work

SHO-BOND established the "Southern Hyogo Prefecture Earthquake Response Headquarters" a few hours after the earthquake to mount a company-wide respond to this major disaster. From the day after the disaster, our directors from Tokyo were consecutively dispatched to the damaged area to lead the recovery efforts. In addition to our local employees and local partner companies, a total of more than 100 SHO-BOND employees and partner company personnel from Hokkaido to Kyushu rushed to the damaged area to help survey and inspect damaged structures and reinforce and restore them in order to prevent secondary disasters.

#### Timeline of SHO-BOND's response immediately after the quake

(excerpt from President's submission to 40th commemorative publication)

#### January 17, 1995 (the day of the earthquake)

Established "Southern Hyogo Prefecture Earthquake Response Headquarters" headed by the President to provide on-site support

#### January 18, 1995

General Manager of Construction Division arrives at Osaka Branch and establishes local Response HQ

#### January 19, 1995

Administrative department staff attend Response HQ meetings to strengthen lifestyle support for employees and partner companies

- Support personnel continue to arrive in Kobe from all over the country
- →A total of 62 SHO-BOND employees and 40 workers from 7 partner companies come to provide support
- SHO-BOND is inundated with requests for structural survey and construction work
- \* Contact was made with one employee whose safety had not been confirmed, and all employees were confirmed to be safe

#### January 20, 1995

Tokaido Shinkansen Line between Shin-Osaka and Kyoto re-opens

#### January 23-24, 1995

Our President, Vice President, and Managing Director visit the Osaka and Kobe Branches to strengthen the local Response

#### January 25, 1995

We organized local special construction systems for Japan Highway Public Corporation, JR Tokai, JR West, and Hanshin Expressway Public Corporation, and established a dynamically responsive system by delegating significant authority equivalent to that held by our branches.

#### From onset of the earthquake to Day 10

Immediately after the disaster, transportation, logistics, and information networks were in chaos, but all of our employees who were able to come to work did so. Our personnel in charge of each construction site performed status checks and began taking the initiative where feasible to remove hazardous materials from roads, ensure traffic flow, and survey the damage.

As time passed, we were inundated with requests for support from expressway, railroad, and other critical infrastructure administrators, and we responded by launching full-scale efforts on emergency surveys, inspections, and restoration work. Over the next 10 or so days, we began the immense, sleepless task of addressing infrastructure damage on a hitherto-unseen scale in order to expedite restoration of the infrastructure that acts as a lifeline to the Hanshin metropolitan area

On January 18, we mobilized after receiving successive requests for bridge surveys, inspections, and reinforcement and restoration of damaged roads and bridges from various government agencies and design firms. We used a conference room on the fifth floor of the Osaka Branch as temporary lodging, with tarpaulins spread on the floor and futons arranged in rows.

The Osaka Branch sent bedding, food, water, and construction materials to the Kobe Branch every day but it took six to seven hours (more than six times longer than usual) to transport them so the provided lunches arrived late at night.

On January 19, the first group of 11 support personnel arrived from the Head Office and immediately began group-based bridge inspection and survey work that continued every day late into the night. While the number of support personnel was later increased and some were replaced, a total of 62 employees came to provide support. Our system for earthquake restoration work was enhanced with the support of 40 workers from 7 partner companies including those from Hokkaido and elsewhere.

Traffic congestion was particularly severe due to the collapsed bridges, and it took one hour to travel one kilometer in heavily damaged areas. The transportation of materials, equipment, and workers proved difficult for a number of days, and we were often unable to start work on time. We arranged cell phones for all of our employees and subcontract managers to facilitate communication but this was not always possible. The chaotic state of transportation and communication networks and the lack of information also complicated the process of receiving recovery instructions from our customers. All of our employees worked diligently to meet our customers' requests, even at the expense of eating and sleeping.

(Experience of the General Manager of the Osaka Branch Construction Department recounted in our 40th commemorative publication)





immediately prior to the earthquake

The damage to the Hanshin Expressway Kobe Route No. 3 was beyond imagination. Communication and transportation networks were severed and we did not have enough employees to conduct the necessary surveys and inspections amidst the ensuing chaos. We were therefore unable to perform detailed assessments of structural damage for two to three days after the earthquake.

The extent of damage to bridge piers required urgent inspection so various organizations (such as maintenance companies, general contractors, bridge manufacturers, and design firms) cooperated to conduct detailed surveys including photographs of damaged areas and measurement of crack dimensions, and to compile and report basic data for emergency repairs. After each aftershock during the survey period, we were asked to resurvey the site, inspect for abnormalities, and report back, which proved very difficult for our employees as they had no choice but to conduct surveys on foot.

(Experience of a former Senior Managing Director recounted in our 40th commemorative publication)

In the chaos immediately after the disaster, our work did not go smoothly. Materials were scarce and the only means of transportation to the site was on foot or by bicycle. Despite these challenges, everyone worked desperately to protect the city and its people.

At around midnight on January 23, the Hanshin Expressway Public Corporation sent us an urgent message requesting us to investigate emergency preventive measures for RC bridge piers and to brief their Kobe Administrative Department by 9:00 a.m. the following day. We investigated using the Steel Jacketing method as a means capable of resisting seismic forces.

One major issue was whether it would be possible to procure the necessary materials due to the inability to gather sufficient information amidst the disruption to communication and transportation networks.

On January 24, the Hanshin Expressway administration office determined that secondary disaster prevention was a basic policy. As a result of our emergency surveys and inspections, a construction method using steel plates and concrete was adopted as an emergency disaster prevention measure. We were instructed to do our utmost in order to complete work on the 80 bridge piers urgently requiring reinforcement by January 27.

All construction work was directed to be performed by six infrastructure maintenance contractors under the direction of SHO-BOND CORPORATION.

While materials procurement was a major issue during the investigative phase, we were reassured to learn that the Osaka branch of MITSUI & CO. was able to make arrangements and would cooperate.

As a result of the combined efforts of each company while also resolving a series of other issues, the reinforcement of 80 bridge piers was successfully completed on the morning of January 28.

(Experience of a former Senior Managing Director recounted in our 40th commemorative publication)

Coincidentally, SHO-BOND had been using the Steel Jacketing method to perform seismic reinforcement work on bridge piers near Tsukimiyama on the Kobe Route No. 3 of the Hanshin Expressway just prior to the earthquake in December 1994. While the piers that we had reinforced were not damaged in the Great Hanshin-Awaji Earthquake, the adjacent unfinished piers had sustained damage. The Steel Jacketing method consequently garnered increased attention as a method for reinforcing bridge piers against earthquakes, and it has since been adopted as a key method for earthquake restoration work. At the time, few construction companies had the technology and expertise to repair such structures, while we demonstrated our expertise as a maintenance specialist at each stage from the design to construction of emergency repair and reinforcement projects.

One notable achievement during this period was our emergency restoration work on the Tokaido Shinkansen Line between Shin-Osaka and Kyoto. We worked for three days and three nights largely without food or sleep and in extreme conditions to repair the piers and achieve our goal of re-opening the bridge to traffic on January 22.

Looking back on the experience of overcoming these harsh construction conditions, the then Director of the Osaka First Branch who oversaw the project wrote the following.

[Completing bridge pier repairs in the early morning of January 20 after 3 days and 3 nights work] The end of our work is finally in sight. The news over

the car radio is reporting quake damage in Kobe in what sounds like a major fire. I hadn't had time to listen to the radio until now. Now it is almost morning.

"Director, Doctor Yellow (a yellow-colored Shinkansen track inspection train) will be passing us soon" my colleague tells me. It is already past 6:00 a.m. as I get out of the car and stand at the intersection under the elevated Shinkansen track. If I move back slightly, I can see in the direction of Osaka but the noise barrier is too high and we are too close to see the train approaching. My colleague places his hand on the bridge pier that we have finished working on in an attempt to detect the oncoming train's vibrations. 60 seconds. Now 30 seconds. The sound of the approaching train reaches my ears. I look up but cannot see the train. A faint light passes and the train speeds away with almost no vibration. The Shinkansen line is now safely re-opened. I look at my colleague and we exchange a knowing glance. The line's re-opening is unexpectedly quick. I was hoping that the moment would be slightly more emotional but I couldn't see the train so I resign myself to the fact. My colleague and I ascend the scaffolding and check the wedge packed in the gap between the bridge girders and the temporary columns by tapping it with a hammer. We don't detect any anomalies. In fact, the work is a great success. I am filled with a guiet sense of satisfaction. The hardships of the past three days run through my mind like a revolving lantern. I'm sure my colleague feels the same. Before I know it, the sun's rays are bathing the site in sunlight.

Initial response to approx. 3 months after After our initial response which lasted around 10 days, we commenced

After our initial response which lasted around 10 days, we commenced full-scale restoration work without delay. This work was intended to further repair and reinforce the structures that were minimally repaired in the first 10 days in order to prevent secondary disasters and ensure transport capacity, thereby restoring these structures to levels approaching their normal condition. We organized a special system to enable dynamic responses to infrastructure administrators including then-Japan Highway Public Corporation, JR, and local governments, and subsequently undertook a major volume of construction projects.

However, the difficulties that hindered our employees during the first 10 days—such as repeated aftershocks, traffic chaos, mixed information, and shortages of construction materials, food, and other supplies—also continued into the full-scale restoration phase.

[Completing our initial response of reinforcing 80 bridge piers on the Hanshin Expressway]

As a measure to prevent secondary disasters, the Hanshin Expressway administration office issued a policy to expand the scope of safety measures in the event of aftershocks that are expected to cause instantaneous collapses and further damage to structures. In addition to the 80 bridge piers that had already been reinforced, the Hanshin Expressway administration office issued instructions to urgently reinforce another 170 piers by the end of February.

It seems like only yesterday that I again found myself pondering at length about whether or not we could make sufficient progress in procuring materials and coordinating our manufacturing, transportation, temporary storage, construction, and other processes given the disruption of communication and transportation networks, whether our maintenance subcontractors would be able to keep pace, and whether SHO-BOND's employees and workers could manage to sleep and rest. Each company in charge affirmed their sense of responsibility in completing their respective construction projects no matter what, and committed to doing their utmost.

The quantity of materials used for the 250 units (80 units + 170 units) was 1,500 tons of steel plates, 600,000 H.T. bolts, and 5,000 m<sup>3</sup> of concrete.

Our Steel Jacketing reinforcement was not performed during the installation of temporary columns. Rather, the girder support and bridge support temporary columns were done first and the Steel Jacketing was done after that. This required a great deal of time and effort, including partially dismantling the temporary columns already completed. Every time there was an aftershock we had to cope with our anxieties and concerns about the potential dangers, and we were driven solely by our mission of completing the restoration work.

(Experience of a former Senior Managing Director recounted in our 40th commemorative publication)



Reinforcing Shinkansen overpass piers using steel plate bonding

第一次の平住日

Reinforcing columns using CFRP

SHO-BOND employees slept in conference rooms in the Branch building or in hotels that could only be booked for one night, and they traveled around the Hanshin region on mopeds to perform restoration work. The Kobe Branch was built on reclaimed land and liquefaction after the quake caused the entire building to tilt by about 3 degrees and sink up to 70 cm, resulting in the government's assessment as completely destroyed. The water supply remained cut off so it was difficult to flush toilets but our employees came together and encouraged each other to complete the restoration work as quickly as possible.

Electricity and telephone services were restored relatively quickly at the Kobe Branch but there was no concrete timeline for restoring gas and water supplies, and the building's location on reclaimed land meant that it was among the last in Kobe City to have these services restored. Traveling by car in the Hanshin region inevitably meant becoming stuck in traffic jams so we leased moped bicycles to get around. Our employees who had difficulty commuting and those who were reluctant to sleep alone in their apartments after the earthquake instead slept in the 5th floor conference room and ate cup noodles while working tirelessly on emergency restoration projects including the Sanyo Shinkansen, JR commuter lines, and the Harbor Expressway.

(Experience of a former Kobe Branch Manager recounted in our 40th commemorative publication)

Kobe Branch building tilting after the earthquake

# In pursuit of stronger infrastructure

We completed our contracted restoration projects consecutively over the 3-month period following the disaster up to the end of April 1995.

We were subsequently engaged in the main restoration work for the full re-opening of the Hanshin Expressway Kobe Route No. 3 which sustained the most serious damage of all expressways. In addition to repairing and reinforcing damaged areas, our technology has been utilized in a wide range of repairs and improvements including reinforcing bridge deck slabs with carbon fiber reinforced plastic (CFRP), improving median strips, eliminating the need for joints through connecting girders, replacing existing bearings with seismic isolation bearings, removing bridge deck slabs and replacing joints using JACK BEAM METHOD, and installing noise barriers. After more than 18 months of restoration work since the disaster, the Hanshin Expressway Kobe Route No. 3 was fully re-opened to traffic on September 30, 1996, and is now even stronger than before the earthquake. With this re-opening, the Hanshin Expressway has finally regained its function as the main arterial route linking East and West Kansai

The Great Hanshin-Awaji Earthquake significantly shook the conventional belief that infrastructure cannot collapse. The earthquake led to emergency inspections of bridges throughout Japan and the

revision of technical standards for the design and construction of road bridges to establish new earthquake resistance standards, resulting in the expedited seismic reinforcement of road structures throughout the country. On the back of these developments, we have made further strides as an expert in seismic reinforcement by leveraging our experience in earthquake restoration work.

Today, three years after the earthquake, there is no trace of the 250 Steel Jacketing points that we constructed as part of emergency response work. Starting in 1995, the Japanese government implemented a 3-year seismic reinforcement plan.

This seismic reinforcement work has now been completed and work is proceeding on the final stage of installing sound absorption panels on the underside of the elevated expressway. At the end of March 1998, the Kobe Route No. 3 Expressway will be significantly improved compared to how it was prior to the earthquake.

(Experience of a former Senior Managing Director recounted in our 40th commemorative publication)

Natural disasters are becoming increasingly severe and frequent, and pose a major threat to our lives. The risk of earthquakes in particular has been increasing, with the Noto Peninsula earthquake occurring on January 1, 2024, and the Nankai Trough Earthquake Advisory issued in August.

These risks make it even more important to improve the strength and resilience of our infrastructure now. SHO-BOND will continue contributing to the realization of a safe and affluent society by drawing on the memories of the Great Hanshin-Awaji Earthquake that we experienced 30 years ago.



# **Experiences of Our Directors**

#### Hiroshi Takemura

Managing Director, General Manager of Engineering Division and Director of Technical Research Institute (then a member of the Shikoku Branch Engineering Department)

### SHO-BOND CORPORATION

Immediately after the disaster, I traveled to Osaka to offer my support. As we flew over Kobe, I looked out the airplane window and fell speechless as I witnessed a city in ruins that defied imagination. I was on my way to a site inspection while wearing a helmet bearing our company name when a site worker came dashing toward me and asked "Are you from SHO-BOND? When will you make it to our site? We have been waiting for your help three days already!" in a desperate tone. After a similar experience at a similar site, I became acutely aware of just how people were relying on our company to help fast-track the restoration work.

From the next day I was engaged in a damage survey. We traveled almost entirely on foot and I still don't know how many kilometers we walked each day. All I remember is that I was completely exhausted every day. I learned firsthand the severity of the damage, including the bending and shear cracks at the base of concrete piers, the buckling of steel piers and steel box girders, and the destruction of bearings. The ensuing hardships faced not only by our employees on site but also our Engineering Department personnel responsible for determining construction methods and designs were simply unfathomable. I recall being impressed by the senior staff who, in order to

#### Masaaki Konomi

Director and General Manager of Planning Department. West Japan in-house Company, Kyushu Branch Manage (then a member of the Engineering section, Precast Deck Slab Promotion Office) SHO-BOND CORPORATION

When I was asked to write this submission, I was reminded once more that 30 years have passed since the earthquake. When I attempted to recall the earthquake and its aftermath, I came to the realization that whatever humans can build can also break down or be destroyed. On that day, an entire area and Kobe City in particular was simply destroyed along with many buildings and other structures that we had previously used without any concerns

I was working at the Head Office at the time and I vividly recall seeing a Metropolitan Expressway engineer in tears when he saw images of the immediate aftermath of the earthquake. I felt that something truly terrible had occurred when the engineer expressed his surprise at the fact that, even though economic design was once standard practice in Japan\*1, a structure built according to technical standards\*<sup>2</sup> could be destroyed so suddenly. Even in the midst of this chaos, we could contribute to disaster recovery efforts by leveraging our experience in completing numerous repair projects under strict time constraints as a repair specialist since our founding.



respond to the constant influx of repair consultations, researched the relevant scientific literature in a brief period of time and then determined how to respond while also drawing on our company's previous experience.

I was officially transferred to the Osaka Branch Engineering Department in April of the following year, and for the next 20 years I was engaged in the front-line reconstruction of the Kansai region. The two devices we use to help prevent bridge collapses are the "Restraining Chain" and the "Shearing Stopper," which we developed to cope with major seismic events after the Great Hanshin-Awaji Earthquake. We verified the effective functioning of these devices in preventing bridge collapses in the subsequent Great East Japan Earthquake. Kumamoto Earthquake, and Noto Peninsula Earthquake. As the General Manager of the Engineering Division, I am proud that SHO-BOND's technology developed through our experiences of the Great Hanshin-Awaji Earthquake continues to protect infrastructure today.

The technical standards that serve as the basis for designs have been repeatedly revised to the point where we are now required to expect the unexpected. The increased scale of all aspects of our operational response-including the size of disasters we must anticipate and the scope of the countermeasures—has provided both opportunities for our company to grow and challenges for us to overcome

In the 30 years since the Great Hanshin-Awaji Earthquake, Japan has suffered many other disasters with an ever-increasing level of damage. I believe that we must accept these various disasters as a part of our daily life, and must constantly remind ourselves that disaster countermeasures are an issue that we all must address. As a leading infrastructure maintenance company, the SHO-BOND Group will continue to support the strength and resilience of Japan's land structures.

\*1: Economic design refers to the practice of designing structures with an emphasis on cost reductions in order to curb construction expense

\*2: Technical standards for bridges and elevated roads, etc., stipulated by the national dove

# 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

#### KPIs Related to Sustainability

| Materiality                                                           | KPIs                                                                                                                                                | Γ                                           | Target year | FY2022                           | FY2023                           | FY2024                           |
|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|-------------|----------------------------------|----------------------------------|----------------------------------|
| Contribution to the                                                   | Number of violations of environmental laws and regulations                                                                                          | 0                                           | Every year  | 0                                | 0                                | 0                                |
| sustainable cities                                                    | CO <sub>2</sub> emissions (Scope 1 and 2)<br>(vs. FY2022 [5,238t])                                                                                  | 3,929t<br>[-25%]                            | FY2031      | 5,238t<br>[±0.0%]                | 5,474t<br>[+4.5%]                | 5,012t<br>[-4.3%]                |
|                                                                       | (CO2 emissions intensity*)                                                                                                                          |                                             |             | (6.5 t-CO₂ /<br>100 million yen) | (6.5 t-CO₂ /<br>100 million yen) | (5.9 t-CO₂ /<br>100 million yen) |
| Comprehensive                                                         | Average scores for contractor performance evaluation in construction industry                                                                       | MLIT : 78 or higher<br>NEXCO : 80 or higher | Every year  | MLIT : 80.0<br>NEXCO : 86.0      | MLIT : 80.6<br>NEXCO : 86.5      | MLIT : 80.1<br>NEXCO : 86.5      |
| maintenance system<br>backed by the<br>organizational<br>capabilities | Percentage of construction sites where<br>"8 days off in 4 weeks" is achieved<br>(according to the Japan Federation of<br>Construction Contractors) | 100%                                        | Every year  | 85.9%                            | 94.3%                            | 96.3%                            |
|                                                                       | Number of fatal accidents                                                                                                                           | 0                                           | Every year  | 0                                | 0                                | 0                                |
|                                                                       | Lost Time Injury (LTI) frequency rate                                                                                                               | 0.7 or lower                                | Every year  | 0.67                             | 0.00                             | 1.13                             |
| Productivity<br>improvement                                           | Percentage of female employees in regular recruiting                                                                                                | 15% or more                                 | Every year  | 9.5%                             | 16.2%                            | 25.8%                            |
| development                                                           | Number of female engineers                                                                                                                          | 42                                          | FY2025      | 26                               | 30                               | 36<br>(Target: 38)               |
| <b>т</b>                                                              | 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%                            |
|                                                                       | Rate of response to safety confirmation                                                                                                             | 100%                                        | Every year  | 100%                             | 100%                             | 100%                             |
| Sound governance<br>and measures for<br>more improvements             | Compliance training participation rate                                                                                                              | 100%                                        | Every year  | 98.8%                            | 100%                             | 100%                             |
|                                                                       | Number of serious violations of laws<br>and regulations                                                                                             | 0                                           | Every year  | 0                                | 0                                | 0                                |
|                                                                       | Information security training participation rate                                                                                                    | 100%                                        | Every year  | 90.3%                            | 100%                             | 100%                             |

Sustainability Policy

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.

 $^{\star}$  (Reference value) COz emissions per consolidated net sales (100 million yen)

# **Environmental Initiatives**

### 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.

# TASK FORCE ON TCFD CLIMATE-RELATED FINANCIAL

#### 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  $^\circ C$  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.

### Metrics and Targets

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

| Metrics                                     |                 | Base year  | Targets                          |          |  |
|---------------------------------------------|-----------------|------------|----------------------------------|----------|--|
|                                             |                 | FY2022     | FY2031                           | FY2051   |  |
| CO <sub>2</sub> emissions<br>(Scope1 and 2) | Total emissions | 5,238t-CO2 | 3,929t-CO <sub>2</sub><br>(-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%

|                                                                                                               |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                            | ● CO <sub>2</sub> Emissions (Scope                                          | l, 2, and 3) |          | (Unit : t-CO <sub>2</sub> ) |
|---------------------------------------------------------------------------------------------------------------|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|--------------|----------|-----------------------------|
| Changes expected                                                                                              |               | Risks / Opportunities covered                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Countermeasures                                                                                                                                                                            | Category                                                                    | FY2022       | FY2023   | FY2024                      |
| changes expected                                                                                              |               | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                            |                                                                             |              |          |                             |
| Changes in reputation<br>among shareholders and<br>nvestors                                                   | Opportunity   | <ul> <li>Increased ESG investment in the SHO-BOND Group as an infrastructure<br/>maintenance specialist due to being highly regarded for its low CO<sub>2</sub><br/>emissions</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                           | <ul> <li>Disclose information about<br/>CO<sub>2</sub> emissions (Scope 1, 2,<br/>and 3) and initiatives aimed<br/>at reducing CO<sub>2</sub> emissions<br/>(Scope 1 and 2)</li> </ul>     | Scope 1                                                                     | 2,667        | 2,805    | 2,595                       |
| ntroduction of carbon<br>oricing<br>ntroduction of more<br>aggressive targets /<br>policies for CO2 emissions | Risks         | <ul> <li>Increased procurement costs for energy and materials</li> <li>Decreased transactions due to our inability to adequately respond to customers' requests for reducing CO<sub>2</sub> emissions</li> <li>Surges in the purchase prices of resin-based materials and steel materials as a result of decreased production of naphtha and iron ore</li> <li>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</li> </ul> | <ul> <li>Promote green procurement,<br/>including switching to<br/>low-carbon materials</li> <li>Switch to renewable energy<br/>and promote energy<br/>conservation during</li> </ul>      | Scope 2                                                                     | 2,571        | 2,669    | 2,417                       |
| eduction by countries<br>around the world<br>Changes in customer<br>behaviors<br>Rises in raw materials       |               | <ul> <li>Increased price competitiveness with the delivery of low-carbon construction services and products in the field of repair and reinforcement</li> <li>Due to CO<sub>2</sub> emissions regulations, the number of life-extending works of buildings and infrastructures increases while the amount of overall</li> </ul>                                                                                                                                                                                                                                                    | construction<br>Invest in solar power<br>generation for own<br>consumption, etc.<br>Develop low-carbon and                                                                                 | Scope 1 + 2                                                                 | 5,238        | 5,474    | 5,012                       |
| costs<br>Acceleration of national<br>resilience measures                                                      | Opportunities | <ul> <li>investments in construction decreases</li> <li>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</li> <li>Increased demand for infrastructure maintenance to counter natural disasters</li> </ul>                                                                                                                                                                                                              | <ul> <li>Develop new technologies</li> <li>Develop new technologies<br/>that support the preventive<br/>maintenance of infrastructure</li> </ul>                                           | CO <sub>2</sub> emissions intensity<br>(t-CO <sub>2</sub> /100 million yen) | 6.5          | 6.5      | 5.9                         |
| ncrease in average<br>remperature                                                                             | Risks         | <ul> <li>Decreased productivity in line with increased heat stroke cases among on-site workers</li> <li>Increased costs for improving working environment and introducing equipment, etc. to prevent heat stroke</li> <li>Worsening worker shortages due to deteriorating outdoor working conditions</li> </ul>                                                                                                                                                                                                                                                                    | • Develop technologies for<br>improving on-site working<br>environments and implement<br>heat stroke countermeasures                                                                       | Scope 3                                                                     | 110,008      | 110,468  | 106,550                     |
| Growing severity of<br>weather disasters                                                                      | Risks         | <ul> <li>Increased costs due to process delays at disaster-stricken sites</li> <li>Supply chain disruption</li> <li>Damage to or shutdown of operations at disaster-stricken own factories or contracted manufacturing plants</li> </ul>                                                                                                                                                                                                                                                                                                                                           | <ul> <li>Work together with the entire supply chain to strengthen BCP measures in preparation for disasters</li> <li>Manage sanitation related to water in a sustainable manner</li> </ul> | Scope 1 + 2 + 3                                                             | 115,246      | 115,942  | 111,562                     |
|                                                                                                               |               | I                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                            |                                                                             |              | <u> </u> |                             |

Climate-Related Financial Disclosure Based on the TCFD Recommendations

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

# **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.





FY2022

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.

#### Number of Employees



Increase in personnel expenses due to an increase in the number of employees and wage hikes Recruitment costs Education and training expenses, etc.

### 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.



#### 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.

# **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



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





Industry average is determined by SHO-BOND using Ministry of Health, Labour and Welfare data

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.

### 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<br>annual days<br>off  | 129.4  | 130.2  | 134.3  | 134.5  | 136.8  |
| Average<br>monthly<br>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.



| Childcare<br>leave rate of –<br>new fathers | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 |
|---------------------------------------------|--------|--------|--------|--------|--------|
|                                             | 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 midcareer 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<br>engineers                                 | 18     | 23     | 26     | 30     | 36     |
| Percentage of<br>female employees<br>in regular<br>recruiting | 5.3%   | 17.2%  | 9.5%   | 16.2%  | 25.8%  |
| Employee<br>retention after<br>mandatory<br>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





# 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, rankspecific 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.

- 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.
- 2. Realizing a stronger safety culture We will develop our safety culture from dependence on supervision to interdependence by all individuals.
- 3. 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.
- 2. Nipping potential accidents in the bud through workplace patrols by our on-site managers
- 3. 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 & Sa                               | fety KPI           | FY2023 Result | FY2024 Result |
|-------------------------------------------|--------------------|---------------|---------------|
| Number of fatal<br>accidents              | 0                  | 0             | 0             |
| Lost time injury<br>(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<br>Regional Offices |                      | Create annual health and safety management plans for<br>SHO-BOND's regional offices based on the Health and<br>Safety Policy                                                                                    |
| Branch Managers and<br>Site Supervisors |                      | Create and announce a construction health and safety<br>policy, and set targets for construction health and safety<br>Create, implement, review, and improve construction<br>health and safety management plans |
|                                         | Partner<br>Companies | Create risk assessment operating procedures                                                                                                                                                                     |



Health and safety patrols by the company president

## 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 Qu

#### [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 Manage

### [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<br>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<br>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 thirdparty 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 guarter. In addition to such one-to-one meetings, we hold a small meeting attended by the President after announcing the fullyear 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<br>(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.

### **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<br>Directors<br>(persons) | Amount      | Total amount of<br>remuneration<br>by type: Basic<br>remuneration |
|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------|-------------------------------------------------------------------|
| Directors (excluding<br>Directors serving as<br>Audit and Supervisory<br>Committee Members)<br>[of which, Outside<br>Directors] | 5<br>[–]                            | 86<br>[-]   | 86<br>[-]                                                         |
| Directors<br>(Audit and<br>Supervisory<br>Committee Members)<br>[of which, Outside<br>Directors]                                | 4<br>[3]                            | 48<br>[21]  | 48<br>[21]                                                        |
| Total                                                                                                                           | 9<br>[3]                            | 134<br>[21] | 134<br>[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<br>stock issues sold | 3      | 3      | 3      |
| Sales amount<br>(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





April 2023

loined SHO-BOND CORPORATION Executive Officer and General Manager of Kinki Regional Office enior Executive Officer and General Manager of hutoken Hokuriku Regional Office

September 2023 Director and General Manager of Shutoken Hokuriku Regional Office April 2024 Director and General Manager of Overseas Business Department (current position) September 2024 Director of Sales Management of the Company (current position) President and Representative Director of SHO-BOND MATERIAL CO., LTD. (current position)





Audit and Supervisory Committee

Fstablished Miura C.P. A. Office (to present) lune 1990 Outside Corporate Auditor of NODA CORPORATION (current position) Corporate Auditor of Toukei Computer Co., Ltd. Outside Director (Audit and Supervisory Committ February 2015 March 2015 Outside Director (Audit and Supervisory Committee September 2017

September 2021 Auditor of SHO-BOND CORPORATION

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

| No. | Name               | Inside<br>Outside | Corporate<br>management | Finance/<br>Accounting |
|-----|--------------------|-------------------|-------------------------|------------------------|
| 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           |                         |                        |



(current position)



Anril 1988

April 1995 April 2010

September 2017



65

#### Yasuhiro Sekiguchi

Managing Director Chief Financial Office Corporate Administration

Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank,

General Manager of Strategic Investment Division oined SHO-BOND CORPORATION

Director, Deputy General Manager of Corporate Administration Division, and General Manager of

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

September 2022 Managing Director, General Manager of Corporate Administration Division, General Manager of Corporate Planning Department, and General Manager of ESG Promotion Office, Corporate Planning Department

September 2023 Managing Director, General Manager of Corporate Administration Division of SHO-BOND CORPORATION

Managing Director of Corporate Administration and General Manager of Corporate Planning Department of the Company (current position)



April 1992 April 2020 April 2021

April 2023 September 2023

April 2024

Takayasu Shimada Director Business Strategie

Joined SHO-BOND CORPORATION Director and General Manager of Chubu Regional

Director and General Manager of Shutoken

Hokuriku Regional Office Director, General Manager of Marketing and Sales Division, and General Manager of DX Promotion

Office Division, and 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

September 2024 Managing Director, General Manager of Marketing and Sales Division, and General Manager of the East Japan In-house Company (current position)



Director and Full-time Audit and Supervisory Committee Membe

ctor and General Manager of Kita-Nihon Regional

ctor and General Manager of Shutoken Hokuriku

Vanaging 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

September 2024 Corporate Auditor of SHO-BOND CORPORATION (current position)

Director (Full-time Audit and Supervisory Committee Member) of the Company (current position)

Audit and Supervisory Committee

Registered as attorney at law (to present) Established Hongo sogo Law Office (to present) Professor of Keio University Law School (current

Outside Director (Audit and Supervisory Committee Member) of the Company (current position)



April 1989 October 2001 April 2006 July 2013

September 2017

Outside Director

Reiko Kuwano

Audit and Supervisory Committee Membe

Joined TAISEI CORPORATION

Research Associate of the University of Tokyo Senior Researcher of Public Works Research

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)



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

# **Risk Management**

# Compliance

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

# **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 trainin

# 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.

# 11-Year Data

|                                                    |                  | FY2014   | FY2015   | FY2016   | FY2017   | FY2018   | FY2019   | FY2020   | FY2021   | FY2022   | FY2023   | FY2024   |
|----------------------------------------------------|------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Orders                                             | (million yen)    | 55,546   | 54,811   | 53,509   | 60,536   | 67,859   | 74,380   | 84,436   | 74,548   | 96,065   | 77,945   | 101,324  |
| Net Sales                                          | (million yen)    | 49,599   | 52,124   | 52,334   | 53,250   | 59,682   | 60,824   | 67,590   | 80,065   | 81,193   | 83,924   | 85,419   |
| Gross Profit                                       | (million yen)    | 10,614   | 12,643   | 12,709   | 13,797   | 14,781   | 16,082   | 17,319   | 20,782   | 22,555   | 23,470   | 25,343   |
| Gross Profit Margin                                | (%)              | 21.4     | 24.3     | 24.3     | 25.9     | 24.8     | 26.4     | 25.6     | 26.0     | 27.8     | 28.0     | 29.7     |
| Selling, General and Administrative Expenses       | (million yen)    | 3,078    | 3,499    | 3,406    | 3,637    | 4,000    | 4,354    | 4,389    | 5,050    | 5,288    | 5,346    | 5,676    |
| Operating Profit                                   | (million yen)    | 7,535    | 9,144    | 9,303    | 10,160   | 10,781   | 11,727   | 12,930   | 15,732   | 17,267   | 18,124   | 19,666   |
| Operating Profit Margin                            | (%)              | 15.2     | 17.5     | 17.8     | 19.1     | 18.1     | 19.3     | 19.1     | 19.6     | 21.3     | 21.6     | 23.0     |
| Ordinary Profit                                    | (million yen)    | 7,932    | 9,480    | 9,648    | 10,516   | 11,187   | 12,165   | 13,507   | 16,302   | 17,669   | 18,637   | 20,436   |
| Profit Attributable to Owners of Parent            | (million yen)    | 5,008    | 5,926    | 6,267    | 6,997    | 7,301    | 8,080    | 9,005    | 11,340   | 12,366   | 12,887   | 14,321   |
|                                                    |                  |          |          |          |          |          |          |          |          |          |          |          |
| Total Assets                                       | (million yen)    | 70,708   | 75,784   | 77,327   | 84,266   | 90,976   | 94,595   | 102,667  | 109,807  | 117,423  | 122,280  | 130,141  |
| Net Assets                                         | (million yen)    | 56,081   | 61,470   | 63,701   | 69,243   | 74,096   | 78,108   | 83,617   | 90,960   | 94,247   | 98,076   | 104,425  |
| Equity Ratio                                       | (%)              | 79.3     | 81.1     | 82.4     | 82.2     | 81.4     | 82.5     | 81.4     | 82.8     | 80.2     | 80.2     | 79.2     |
| ROE                                                | (%)              | 9.3      | 10.1     | 10.0     | 10.5     | 10.2     | 10.6     | 11.1     | 13.0     | 13.4     | 13.4     | 14.2     |
| ROA                                                | (%)              | 7.1      | 8.1      | 8.2      | 8.7      | 8.3      | 8.7      | 9.1      | 10.7     | 10.9     | 10.8     | 11.3     |
|                                                    |                  |          |          |          |          |          |          |          |          |          |          |          |
| Net Cash Provided by (Used In) Operating Activiti  | es (million yen) | 4,835    | 4,804    | 4,386    | 7,484    | 1,734    | 4,550    | 4,540    | 2,737    | 7,834    | 3,751    | 19,406   |
| Net Cash Provided by (Used In) Investing Activitie | s (million yen)  | -4,807   | -690     | -2,365   | -3,793   | -2,063   | -5,572   | 16,778   | -2,638   | 5,315    | 1,693    | 2,492    |
| Net Cash Provided by (Used In) Financing Activitie | es (million yen) | -1,503   | -1,801   | -2,152   | -2,606   | -3,147   | -3,312   | -4,179   | -4,485   | -9,177   | -9,894   | -9,209   |
| Cash and Cash Equivalents at End of Period         | (million yen)    | 14,803   | 17,127   | 16,981   | 18,073   | 14,594   | 10,256   | 27,395   | 23,012   | 27,023   | 22,587   | 35,304   |
|                                                    |                  |          |          |          |          |          |          |          |          |          |          |          |
| Basic Earnings per Share                           | (yen)            | 93.05    | 110.11   | 116.43   | 130.00   | 135.64   | 150.11   | 167.30   | 210.68   | 231.06   | 243.53   | 273.73   |
| Net Assets per Share                               | (yen)            | 1,041.82 | 1,141.93 | 1,183.40 | 1,286.36 | 1,376.52 | 1,450.27 | 1,553.10 | 1,688.64 | 1,768.42 | 1,862.41 | 1,981.15 |
| Dividend per Share                                 | (yen)            | 32.00    | 39.00    | 43.50    | 52.00    | 62.50    | 67.50    | 79.50    | 105.50   | 118.00   | 127.00   | 139.00   |
| Dividend Payout Ratio                              | (%)              | 34.4     | 35.4     | 37.4     | 40.0     | 46.1     | 45.0     | 47.5     | 50.1     | 51.1     | 52.1     | 50.8     |
| Total Return Ratio                                 | (%)              | 34.4     | 35.4     | 37.4     | 40.0     | 46.1     | 45.0     | 47.5     | 50.1     | 75.1     | 79.1     | 75.0     |
| PER                                                | (times)          | 24.9     | 23.2     | 19.9     | 21.8     | 28.4     | 25.3     | 28.5     | 22.0     | 25.8     | 23.5     | 21.0     |
| PBR                                                | (times)          | 2.22     | 2.24     | 1.96     | 2.20     | 2.80     | 2.62     | 3.07     | 2.74     | 3.38     | 3.07     | 2.91     |
|                                                    |                  |          |          |          |          |          |          |          |          |          |          |          |
| Number of Employees                                |                  | 744      | 752      | 759      | 788      | 819      | 855      | 881      | 916      | 951      | 985      | 1,019    |

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

# Company Profile / Stock Information (As of June 30, 2024)

# Major Bases



# Company Profile

| Company name                             | SHO-BOND Holdings Co., Ltd.                                                                                                                                                          |  |  |  |  |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|
| Date of establishment                    | January 4, 2008                                                                                                                                                                      |  |  |  |  |
| Head office                              | 7-8, Nihonbashihakozaki-cho, Chuo-ku, Tokyo, Japan                                                                                                                                   |  |  |  |  |
| TEL                                      | +81-3-6892-7101 (Representative)                                                                                                                                                     |  |  |  |  |
| President and<br>Representative Director | Tatsuya Kishimoto                                                                                                                                                                    |  |  |  |  |
| Amount of capital                        | ¥5.0 billion                                                                                                                                                                         |  |  |  |  |
| Business                                 | Establishment of corporate strategies, management,<br>and related operation of businesses of subsidiaries<br>engaged in civil engineering and construction work<br>contracting, etc. |  |  |  |  |
| Number of employees                      | 1,019 (consolidated basis)                                                                                                                                                           |  |  |  |  |
| Principal consolidated subsidiaries      | SHO-BOND CORPORATION<br>SHO-BOND MATERIAL CO., LTD,                                                                                                                                  |  |  |  |  |

# Status of Major Shareholders

| Shareholder name                                            | Number of shares<br>(Thousand shares) | Shareholding<br>ratio (%) |
|-------------------------------------------------------------|---------------------------------------|---------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust account)        | 5,947                                 | 11.43                     |
| General Incorporated Foundation Ueda Memorial<br>Foundation | 5,408                                 | 10.40                     |
| SSBTC CLIENT OMNIBUS ACCOUNT                                | 5,057                                 | 9.72                      |
| Custody Bank of Japan, Ltd. (Trust account)                 | 4,235                                 | 8.14                      |
| MUFG Bank, Ltd.                                             | 2,592                                 | 4.98                      |
| The Dai-ichi Life Insurance Company, Limited                | 2,420                                 | 4.65                      |
| NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS                 | 1,874                                 | 3.60                      |
| Meiji Yasuda Life Insurance Company                         | 1,425                                 | 2.74                      |
| Custody Bank of Japan, Ltd. (Trust account 4)               | 885                                   | 1.70                      |
| JP MORGAN CHASE BANK 385781                                 | 627                                   | 1.20                      |

Note: Treasury shares (4,706,885 shares) are excluded in the calculation of the shareholding ratio.

# Our Websites



#### SHO-BOND CORPORATION





# Stock Information

Total number of shares authorized to be issued 120,000,000 shares Total number of issued shares Stock exchange listing Securities code Number of shareholders Accounting period Annual general meeting of shareholders Shareholder registry administrator Account management institution for specific accounts

56,745,180 shares Tokyo Stock Exchange Prime 1414 14,346 June 30, each year September each year

Mitsubishi UFJ Trust and Banking Corporation





## Shareholders Ratio (Percentage of Owned Shares)



# SHO-BOND Holdings Co., Ltd.

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