

March 23, 2023

Dear valued shareholders:

Name of listed company: Toyo Construction Co., Ltd.
Representative: Kyoji Takezawa, President and Representative Director
(Code: 1890 Tokyo Stock Exchange Prime Market)
Contact for inquiries: Manabu Tokita,
Executive Officer, General Manager Business Planning Dept., Business Administration Div.
TEL: 03-6361-5461

Formulation of a Mid-Term Business Plan

We hereby announce that at a meeting of the board of directors convened today, the Company formulated a mid-term business plan for the five-year period commencing FY2023.

The basic policy of the Company under the current mid-term business plan, for which FY2022 is the final year, is as follows: “In order to be transfigured to a resilient company, we will have a linchpin (origin), cultivate human resources, face the issues, and increase value-added productivity.” Pursuant to this philosophy, the Company has engaged in the following: “Investment in precious human resources,” “maintaining production system,” “improvement in value-added productivity,” “strengthening of profitability in overseas construction markets,” and “growth by resolving social issues.” During this period, the Company has faced many issues such as the impact of Covid-19, dramatic changes in world affairs, and spikes in the prices of materials, but the Company has strengthened its financial basis and pushed forward to transfigure to “a resilient company,” and in FY2020 had record profits and is expected to achieve its numerical management targets.

While there are a number of positive external factors for the Company such as offshore wind power development that will play a large role in the realization of the goal unveiled by the government to reach carbon neutrality by 2050, and construction and maintenance of important infrastructure facilities pursuant to the National Defense Strategy and the Fundamental Plan for National Resilience, the environment surrounding the construction industry is ever-changing, and issues that the company will need to address include aggravation of labor shortages, working style reforms, lifestyle and working style changes, and the change in trend from “new construction” to “maintenance and refurbishment.”

To evolve into a “resilient company,” the period covered by the new mid-term business plan was extended to five years instead of the usual three years, and under such plan, the Company will make significant changes to management, with (i) transformation from “defense to offense,” (ii) transformation to a “high profit model,” and (iii) transformation to “capital efficiency management” as the three core pillars. By steadily implementing such major management changes over the following five years towards the 100th anniversary of the founding of the Company in 2029, the Company will respond flexibly to the ever-changing business environment, become a resilient company that directly takes on the challenges of a difficult environment, and seeks to be a company where “Everybody works together youthfully and with dreams, strives to serve customers and the public through new and productive technology, and contributes to the stable growth of the company and the improvement of the welfare of employees,” which is our management philosophy. We ask for your guidance and support.

Overview of the new mid-term business plan

1. Basic policy: “Continue to be a resilient company and become a company that can stand up to adversity.”

2. Numerical targets in five years (FY 2027)

Sales	235 billion yen or more
Operating Income	15 billion yen or more
Annual Net Profit	9 billion yen or more
ROE	12.0% or more
D/E ratio	Around 0.4
Shareholder Returns	More than double the dividend payout ratio during the period of the new Mid-Term Business Plan*/minimum 50 yen (details to be separately disclosed)

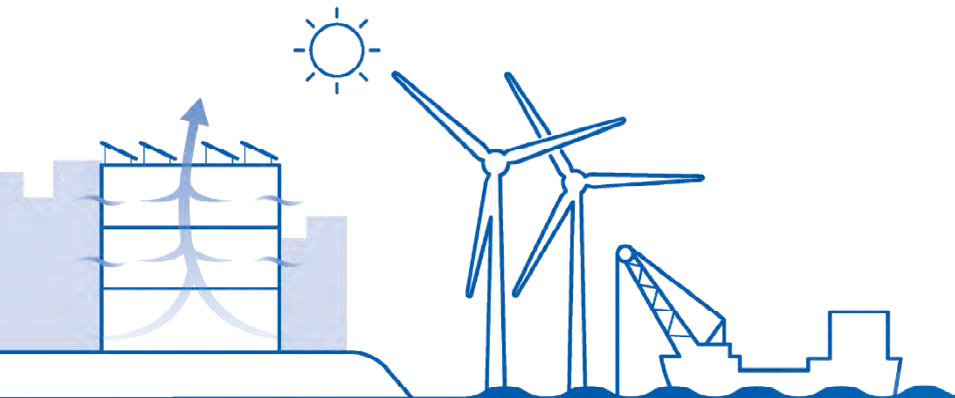
* Based on 20~30% of the announced policy of the current mid-term business plan.

For details, please see the attached Mid-Term Business Plan.

End

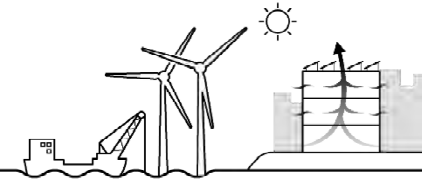
Toyo Construction Group
Mid-Term Business Plan

(2023-2027)





About the Formulation of the New Mid-Term Business Plan



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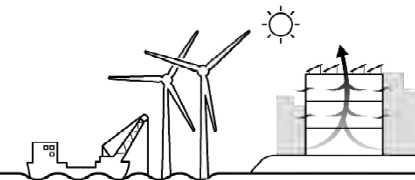
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We ask for your continued guidance and support.

*The Company expressed support for the INFONEER Holdings Inc. tender offer in March 2022, but the offer fell through in May 2022. On May 20, 2022, the Company announced that it intends to maintain the capital alliance with Maeda Corporation and improve the corporate value of the Company group, and the New Mid-Term Business Plan was formulated on the basis of such intention.

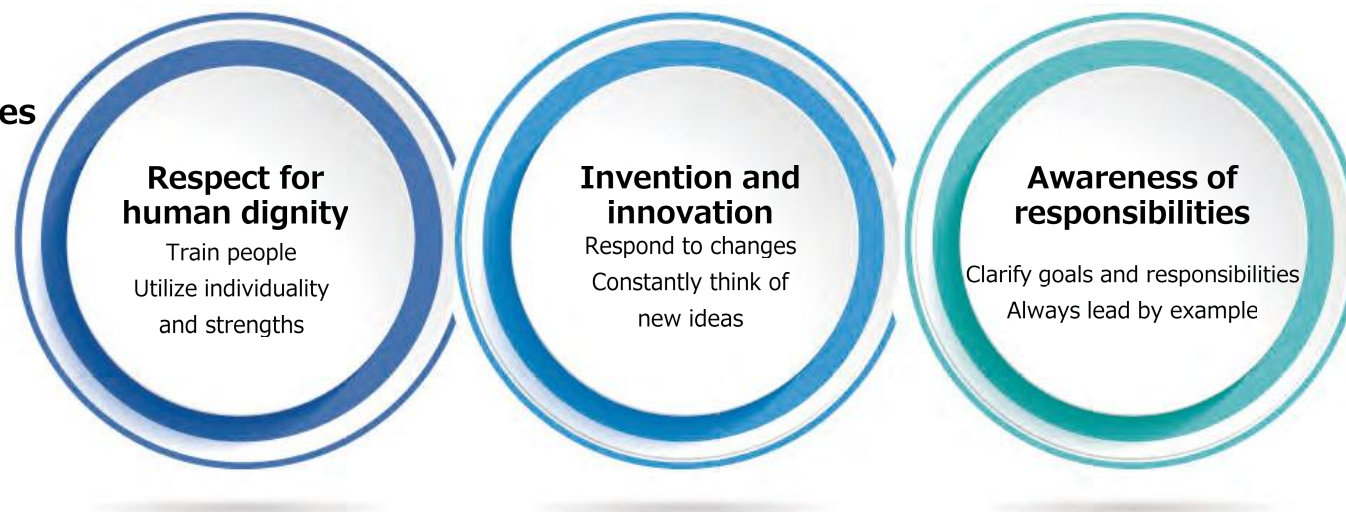


Toward Our 100th Anniversary



Management philosophy

Be a company where everyone works together youthfully and with dreams, strives to serve customers and the public through new and productive technology, and contributes to the stable growth of the company and the improvement of the welfare of employees



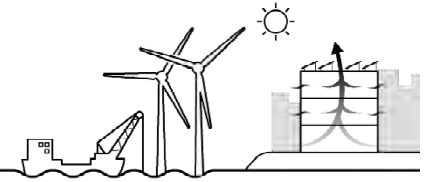
Top priority measures for realizing management philosophy: Fostering a culture of safety

Going forward, in order to ensure the safety and health of people involved in the construction industry, the Company will continue to strengthen health and safety measures, facilitate improvement of the workplace environment and working conditions, and strive to create an attractive work environment and foster a culture of safety.

Looking toward the Company's 100th anniversary

- Have a linchpin that does not lose sight of the management philosophy to realize the Company's purposes.
- Act always bearing in mind that the Company's purpose is "to serve customers and the public through technology."
- At the time of the 100th anniversary of the Company (FY2029), we will have transfigured to a "resilient company."

Toyo Construction's Source of Pride and Strength



Serve the public through **technology**

With the management philosophy of “strive to serve customers and the public through new and productive technology,” the Company is engaged in the **development of cutting-edge technologies** centered around the field of offshore engineering.

Through its technical strength, the Company is focused not only on economic benefits, but on prioritizing “the protection of the life and property of citizens,” which is the mission of the construction industry, **contributing to disaster prevention, disaster mitigation, and defense etc., improvement of the social structure that is the core element of the Japan, and actively contributing when a disaster etc. occurs.**



Top runner in **offshore engineering**

Since the Company's founding in 1929, the Company has been involved in countless national projects, and **has built a firm position as one of the Top 3 Marine Contractors.**

Compared to typical onshore engineering, offshore engineering has many technical aspects and requires investments in working vessels, and consequently, **it is a field with a high barrier to entry.**



A resilient company structure that is strong in both **civil engineering and construction**

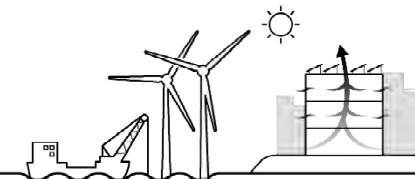
The Company's original business is offshore engineering, but the Company has been boldly expanding its business areas to construction and onshore engineering. The Company's **construction business** that was commenced about 40 years ago has survived a difficult period, and by actively improving its earning power, it has grown to **a source of revenue equal to the Company's civil engineering business in the last 10 years.**

By balancing civil engineering and construction, which have different economic sensitivities, we will build a resilient company that cannot easily be affected by the external environment, and the Company will continue to boldly challenge new areas.

**By responding flexibly to changes in the environment,
become a resilient company that directly takes on the
challenges of a difficult business environment**



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- V - 1 . Transition to Capital Efficiency Management
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- V - 4 . P/L Plan



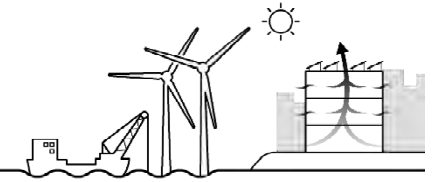


Basic Policy of the Mid-Term Business Plan





Review of Current Mid-Term Business Plan



Previous Mid-Term Business Plan

Challenge to a new stage

Current Mid-Term Business Plan

Being a resilient company

Goal
Achi
eved

Operating
Income
27.9 bil. Yen
(3-year total; consolidated)

Operating
Profit Ratio
5.5%
(consolidated)

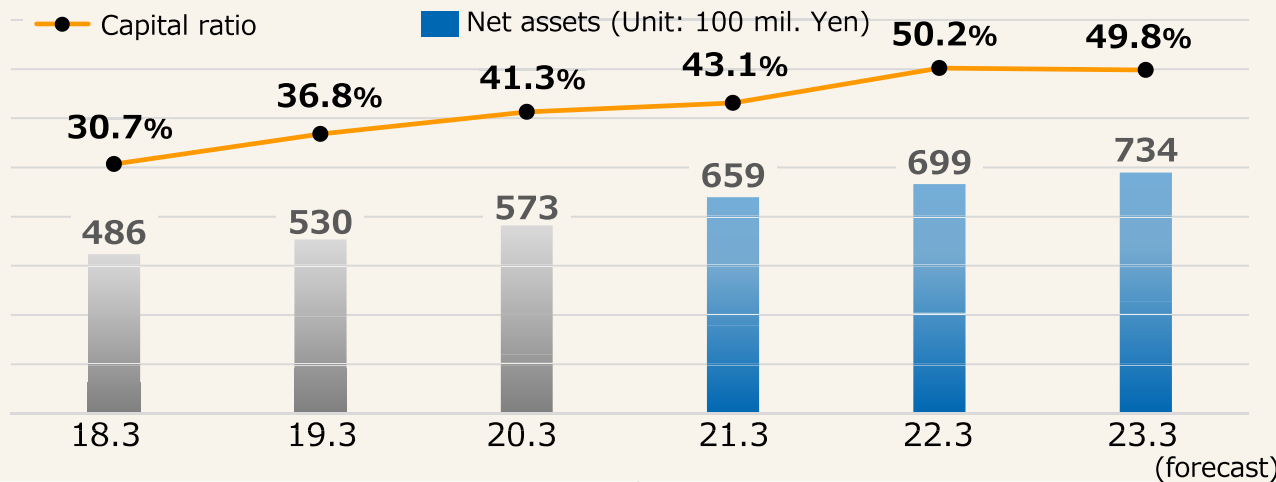
Operating
Income
31.9 bil. Yen
(3-year total; consolidated)

Operating
Profit Ratio
6.4%
(consolidated)

Goal
Achi
eved

It is expected that two consecutive mid-term business plans will have **achieved the goals**

Net Assets

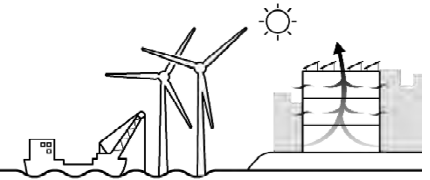


Stable net assets and improved financial soundness

Expected to **Achieve goals** with respect to net assets and equity ratio as well

I

Themes of the New Mid-Term Business Plan



"From Defense to Offense: A Company that Takes on Challenges "

-Three major management shifts-

Shift from "Defense to Offense"

We have been striving to improve our financial soundness, but going forward, **we will actively invest in growth areas by making good use of our accumulated assets and external capital in a balanced way.**

Shift to "High-Revenue Model"

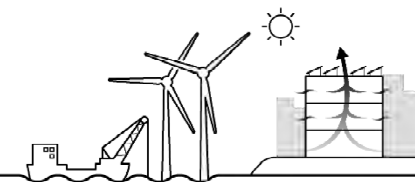
While continuing to focus on strengthening the profitability of existing businesses, **we will shift to a business structure with higher revenue-generating capacity through full-scale entry into the offshore wind power business and expansion of the ReReC® business.** *ReReC®: Our registered trademark collectively referring to **Renewal, Renovation, and Conversion.**

Shift to "Capital Efficiency Management"

While continuing to focus on "(profit) earning power," we will **shift to a management style that emphasizes capital efficiency** in light of active investment in the above growth areas and recent trends in corporate governance.

I

Awareness of External Environment and Our Business Challenges



Awareness of External Environment

Changes in Business Environment

- Declining domestic population
- Aging social infrastructure
- Aging of construction workers and labor shortage
- Diversification of work styles and lifestyles
- Soaring prices of materials and resources
- Growing social demand for decarbonization



Our Management Challenges

Acquisition and development of precious human resources and productivity improvements

Technical development toward to solve social and environmental issues

Establishing a balanced revenue base in existing businesses and growth areas

Upgrading and enhancing management monitoring systems

Requests from Capital Markets

- Emphasis on capital efficiency
- Strengthening Corporate Governance
- Appropriate disclosure to stakeholders



Improving capital efficiency by also using external funds

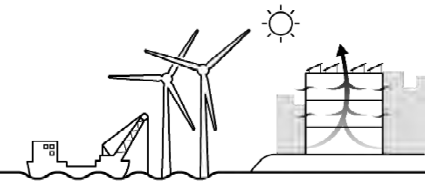
Setting KPIs with emphasis on capital efficiency

Appropriate allocation of funds

Establishing optimal disclosure and governance structure

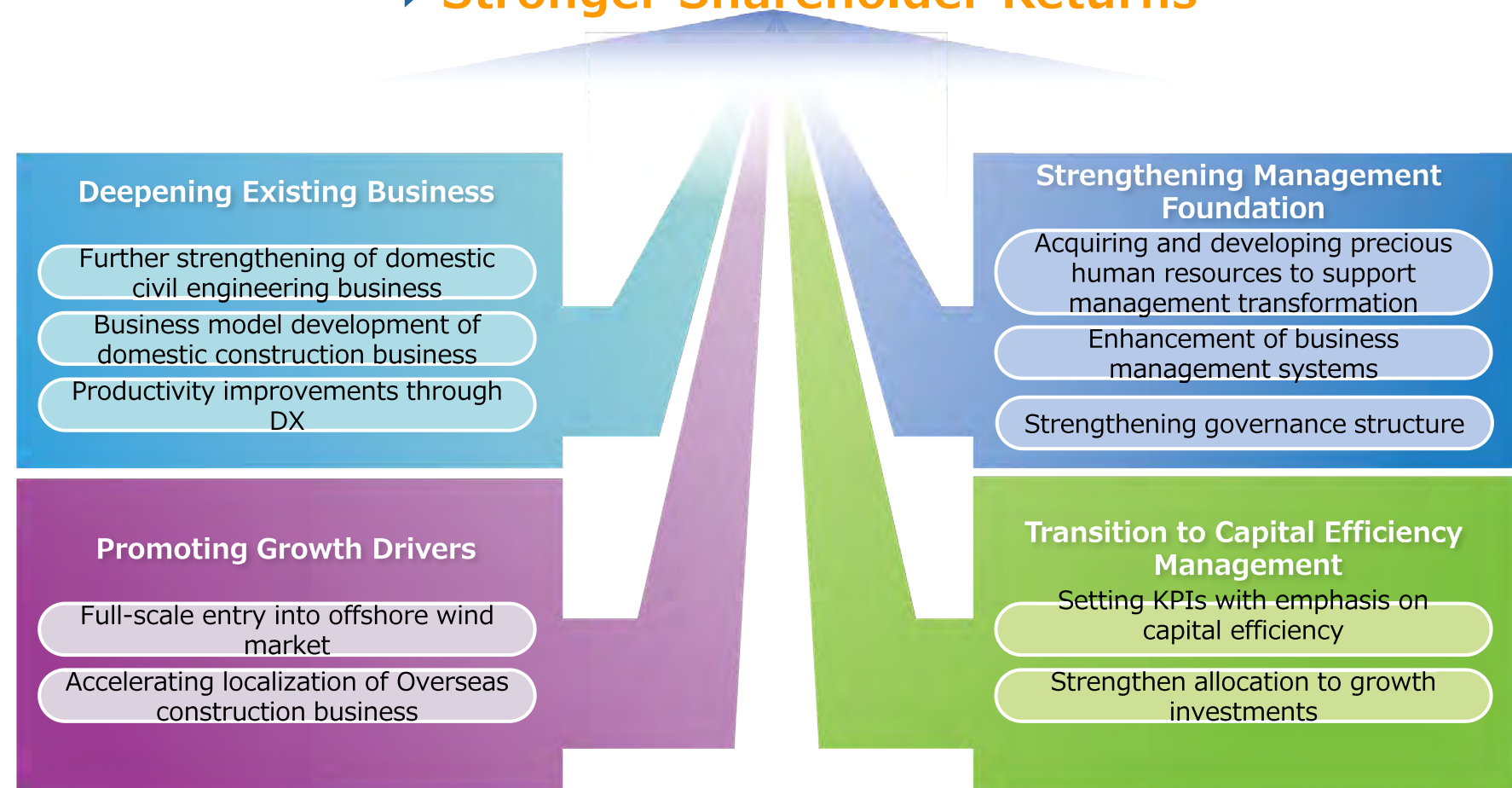
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Basic Policy and Priority Measures



"Transforming into a company that can take on challenges while continuing to be a resilient company."

➔ Stronger Shareholder Returns

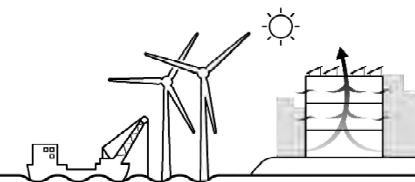


Pursuing "ambidextrous management" while maintaining grip on domestic construction contracting field

Sophisticated management infrastructure to support business transformation

I

Numerical Management Goals



Company-Wide Performance
(FY 2022 forecast)

Company-Wide Goals
(FY 2023)

Company-Wide Goals
(FY 2027)

Sales

171.0 bil. Yen

190.0 bil. Yen or more

235.0 bil. Yen or more

Operating income

8.0 bil. Yen

10.0 bil. Yen or more

15.0 bil. Yen or more

Annual net profit

4.9 bil. Yen

6.0 bil. Yen or more

9.0 bil. Yen or more

ROE

7.2 % or more

9.0 % or more

12.0 % or more

D/E ratio

0.08

Around 0.1

Around 0.4

Shareholder returns

20 Yen per share

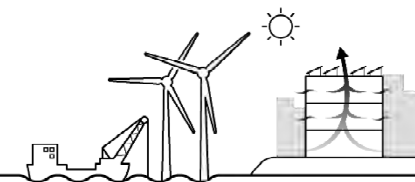
More than double the dividend ratio during the period of the new mid-term business plan*/ minimum 50 Yen

*Based on 20~30% of the announced policy of the current mid-term business plan; details to be separately disclosed.



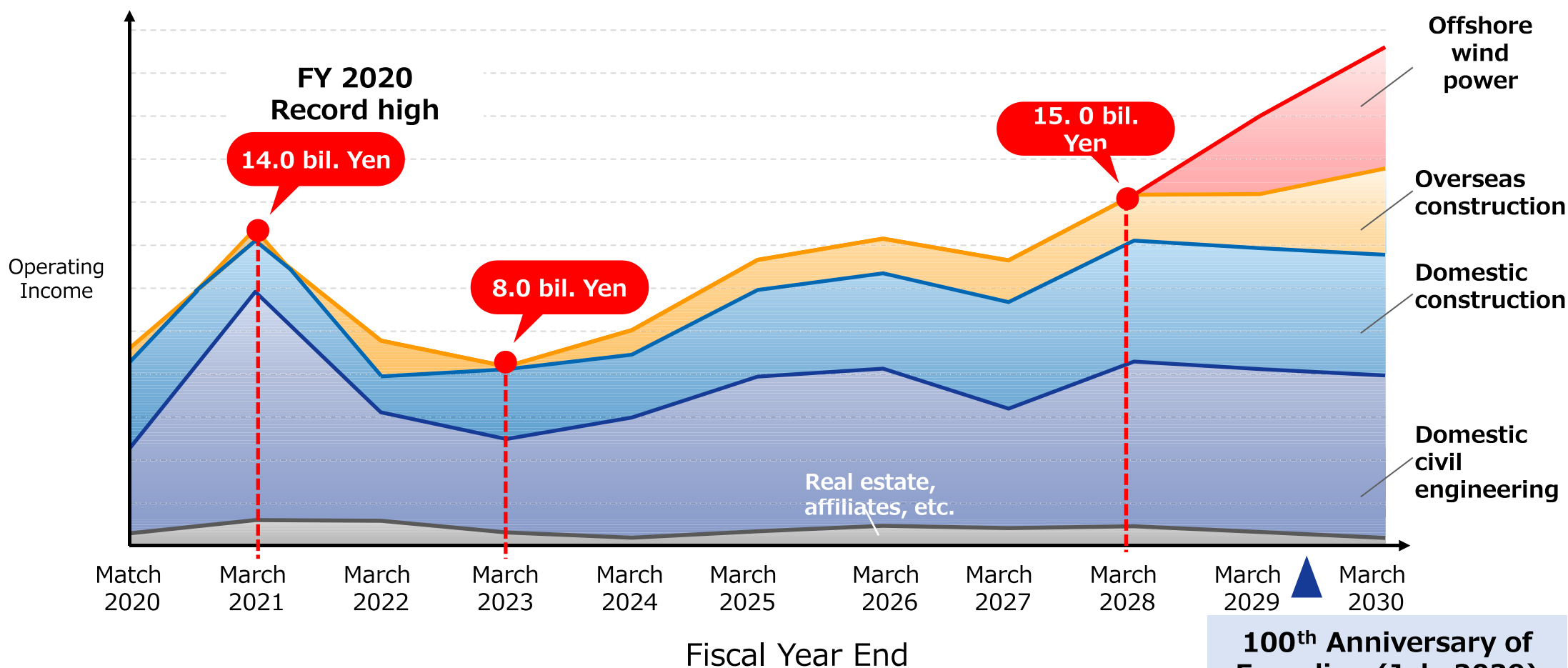


Mid-Term Operating Income Forecast (Graph)



Revenue structure centered on domestic construction contracting

Offshore wind and overseas construction as third and fourth earnings pillars





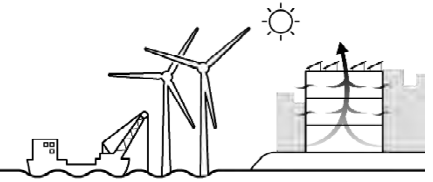
Strategy by Business

-Promoting Growth Drivers-

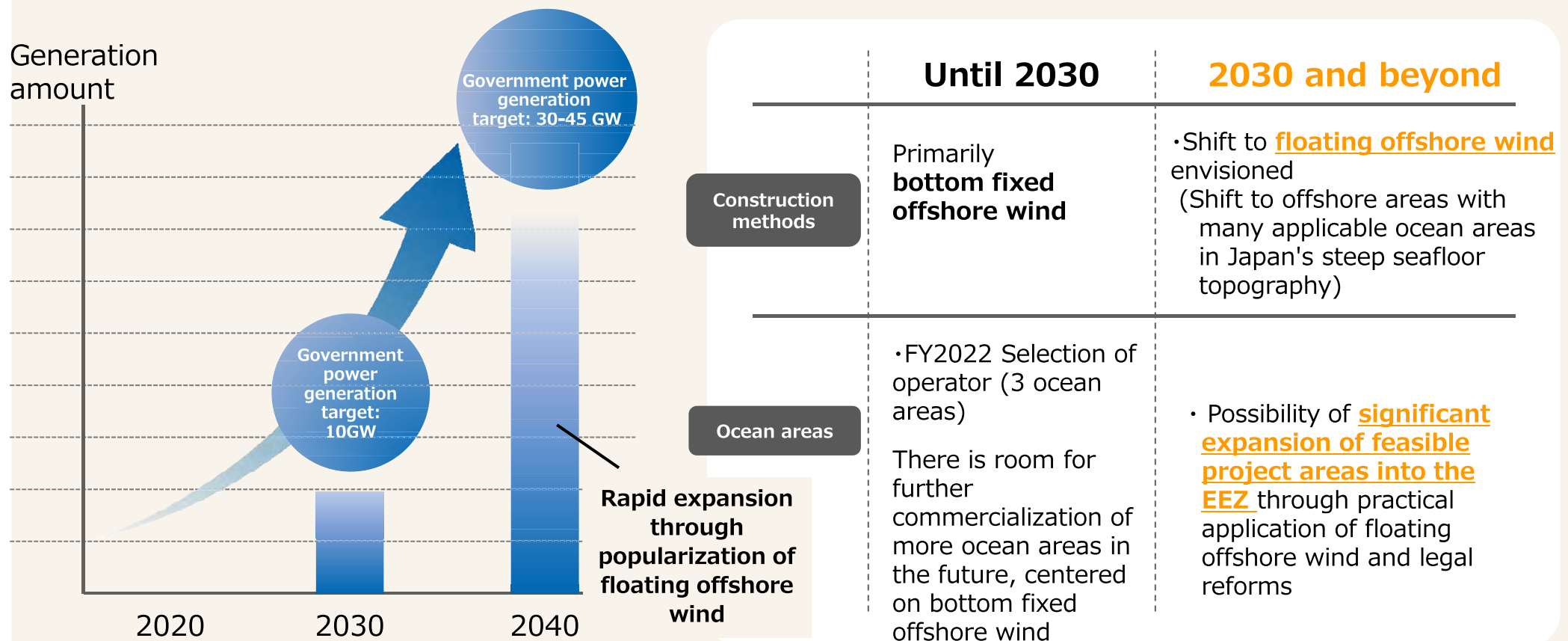




Offshore Wind Power Business (1/4): Awareness of Market Environment



The offshore wind power generation market in Japan is expected to expand significantly in the 2030s and beyond in order to achieve carbon neutrality by 2050.

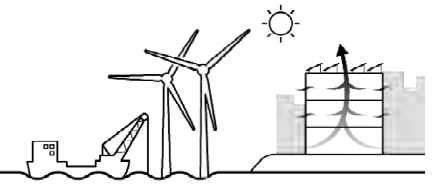


Source: "Offshore Wind Industry Vision (Phase 1)", a public-private consortium for enhancing the competitiveness of the offshore wind industry.



II

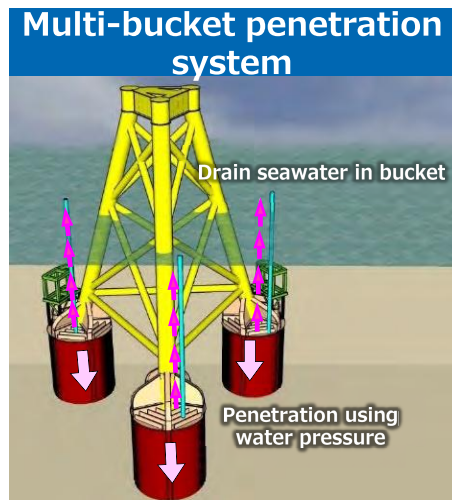
Offshore Wind Power Business (2/4): Technological Development Trends



Differentiating ourselves by strengthening our competitiveness and profitability by spearheading technological development for both bottom fixed and floating offshore wind.

Development of bottom fixed foundation technology

- Aiming to establish low-cost technology for bottom fixed foundation construction
- **Become a top runner in bottom fixed foundation construction** through technical development such as suction bucket foundation
- FY2021: Mono bucket experiment in actual sea area
⇒ Suction bucket technology workability established
- FY2022: Multi bucket experiment in actual sea area
- FY2026: Aiming for commercialization



Features of suction bucket foundation

- ◆ Construction method suitable for Japanese ground **contributes to expansion of suitable sites for offshore wind power**
- ◆ **Low cost** with no need for large facilities
- ◆ **Environmentally friendly** in terms of noise, vibration, and being removable
- ◆ Multi-bucket foundation technology, one of the suction bucket foundation methods, **is cost-effective and superior to larger wind turbines.**

Development of floating foundation technology

- Aiming to establish TLP floater mooring foundation technology
- **Develop TLP floater mooring technology**, the introduction of which is expected to expand, in order to **obtain an advantage in the volume of business** for floating mooring foundation construction
- FY2021: Selected for Green Innovation Fund Project
- FY2022: Design of mooring foundations and implementation of laboratory experiments
Conducted seabed geotechnical investigation in Ishikari Bay, Hokkaido
- Early FY2030: Aiming for commercialization

TLP float image



Courtesy of MODEC Inc.

Features of TLP floater mooring foundation

- ◆ **Occupies a smaller area of ocean** than other floating structures **and has less impact on the environment, including fisheries**
- ◆ Less turbulence from the floating structure is expected to **reduce the risk of wind turbine failure, contributing to lower life cycle costs (LCC).**

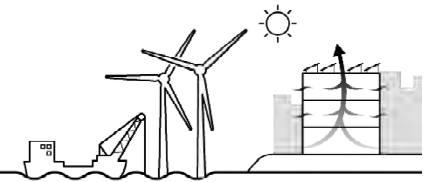
*Together with MODEC, Inc., Furukawa Electric Co., Ltd., and JERA Co., Inc., we are engaged in the "Project to Develop Cost-Reducing Technology for TLP Floating Offshore Wind Turbines" under the Green Innovation Fund (NEDO project).

*Construction methods other than suction bucket foundation: Monopile, jacket, and gravity based structure

*Methods other than TLP floater mooring foundation: Semi-submersible type, spar type

II

Offshore Wind Power Business (3/4): Entry Approach/Positioning



Planning to enter the market in various positions by taking advantage of our strengths in marine engineering (abundant knowledge, superior technology, and working vessels)

Offshore Wind Power Business Field

○ : Market entry under consideration

● : Our entry area (planned)

Bottom fixed offshore wind

Foundation / ancillary

- SEP vessel, etc.
- AUGUST EXPLORER (owned)
- * Suction technology (under development)

Wind turbine assembly

- SEP vessel

Undersea cable

- Cable-laying vessel (to be built)
- AUGUST EXPLORER (owned)

O&M

Floating offshore wind

Floating structure fabrication

Moorings

- AHTS vessel
- AUGUST EXPLORER (owned)
- Cable-laying vessel (to be built)
- * TLP technology (under development)

Wind turbine assembly

- onshore crane

Undersea cable

- Cable-laying vessel (to be built)
- AUGUST EXPLORER (owned)

O&M

Also considering entering offshore wind power-related business

- **Strengths include superior technology that differentiates us from other companies and ownership of working vessels**
- **Diverse positions available for entry**

Image of completed cable-laying vessel



Image of collaboration with Mitsui O.S.K. Lines



Toyo Construction

Extensive knowledge of offshore construction
Technical development of offshore wind power



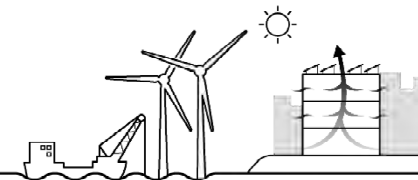
Mitsui O.S.K. Lines

Extensive experience in building, owning and operating vessels



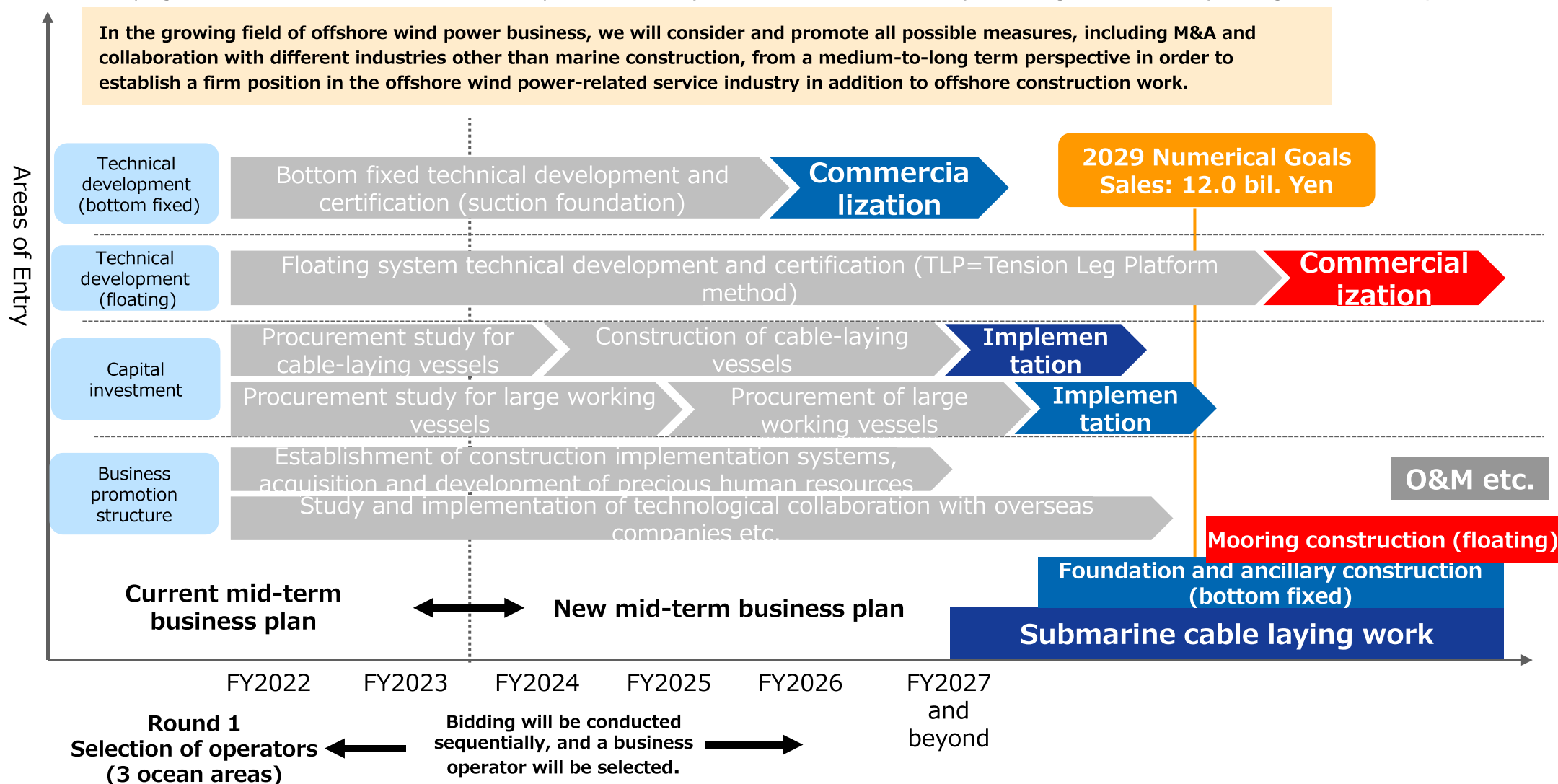
Offshore Wind Power Business (4/4):

Roadmap / Numerical Goals



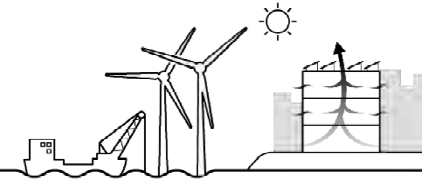
Gain a top-class share in the offshore construction field of the offshore wind power business* and make it a pillar of Toyo Construction's earnings

*Cable laying construction, foundation and ancillary construction (bottom fixed offshore wind), mooring construction (floating offshore wind), O&M, etc.



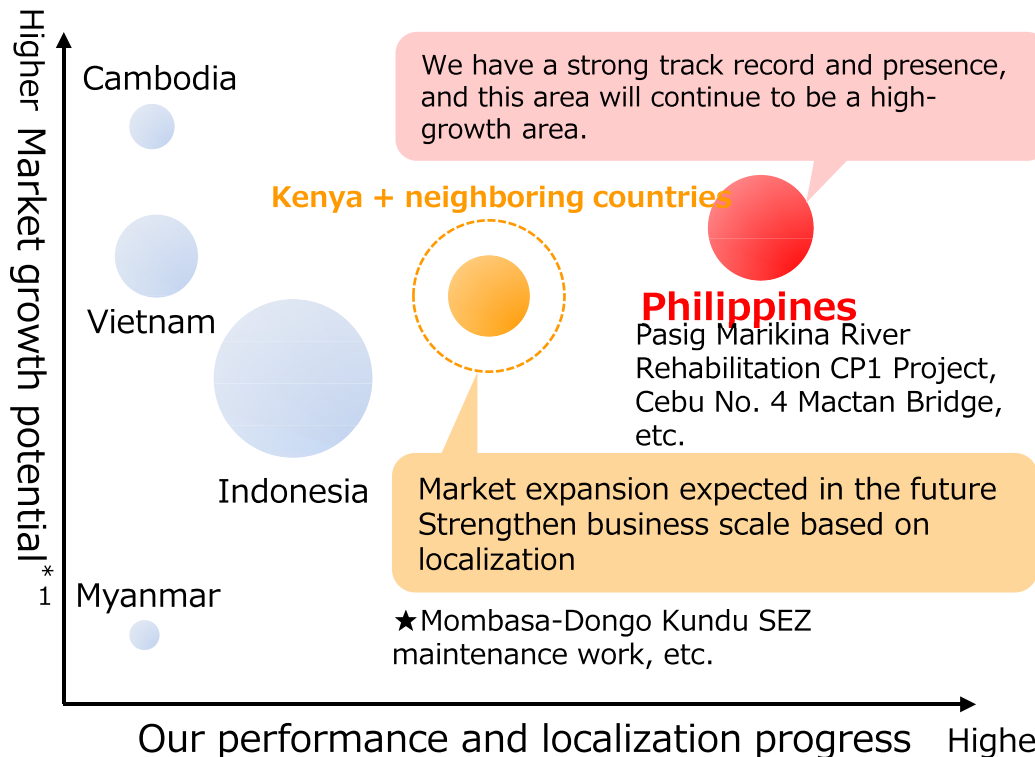
II

Overseas Construction Business (1/2)



Positioning of our overseas bases

(Size of sphere: Size of construction market in each country, as of 2022)



Overseas development of high-quality infrastructure systems through public-private partnerships
Acceleration of "Free and Open Indo-Pacific (FOIP)" - Policy of active involvement in infrastructure development, including ports in Asia and Africa

*1: Construction market growth forecast from 2022 to 2030, source: Fitch Connect

Our Strengths

1 Extensive experience in ODA projects on port sector

- High-quality project management backed by experience and know-how
- Developing local precious human resources through construction and contributing broadly to local communities



Cagayan de Oro, Philippines
Container wharf construction



Mombasa, Kenya
Container terminal construction

2 High presence in the Philippines/private construction area

- Have promoted localization for about 50 years; No. 1 in market share among Japanese companies*
- Strengthen local precious human resource development in collaboration with domestic businesses

*Comparison of local subsidiary sales share of other Japanese construction companies (based on our research)



Logistics warehouse construction

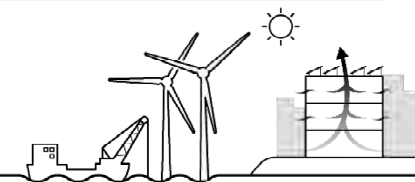


Training of local employees in Japan



II

Overseas Construction Business (2/2)



Vision and Strategic Framework

Develop localization, commit to building local revenue bases outside of ODA, clarify the strategic positioning of each country, and invest resources

Philippines

Strengthen localization and stabilize infrastructure

- Strengthen foundation of local consolidated subsidiary CCT
- Shift from focus on Japanese construction clients to non-Japanese and civil engineering clients

Expand Philippines business model

Localization: Business operations with local roots, led by local precious human resources

Kenya + neighboring countries
Strengthen infrastructure and promote localization

- Strengthen foundation for establishment of local corporations
- Steadily acquiring and securing revenue from ODA projects

Indonesia / Indochina*
Search for opportunities

- Review of initiatives for local private projects and ODA projects

✓ Consideration and implementation of resource enhancement through hiring precious local precious human resources and M&A

✓ Build local networks (strengthen alliances)

✓ Enhancement of information gathering and sales capabilities

- Build a network of excellent subcontractors and material suppliers in each country of operation
- Create a local staff-centered structure and framework by utilizing local precious human resources and enhancing related processes

*Cambodia, Vietnam, and Myanmar

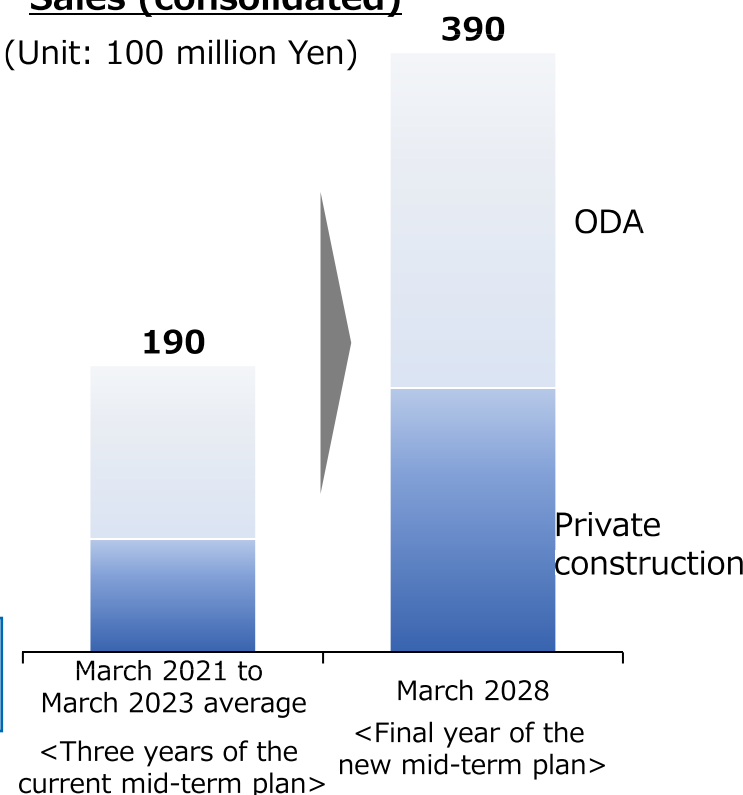
Numerical Goals

Operating income (consolidated)

0.4 bil. Yen ➔ **2.0** bil. Yen

Sales (consolidated)

(Unit: 100 million Yen)





Strategy by Business

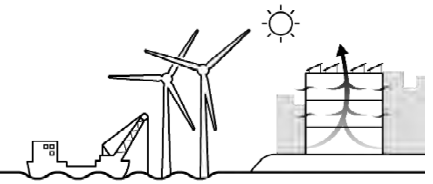
-Deepening Existing Businesses-





Domestic Civil Engineering Business

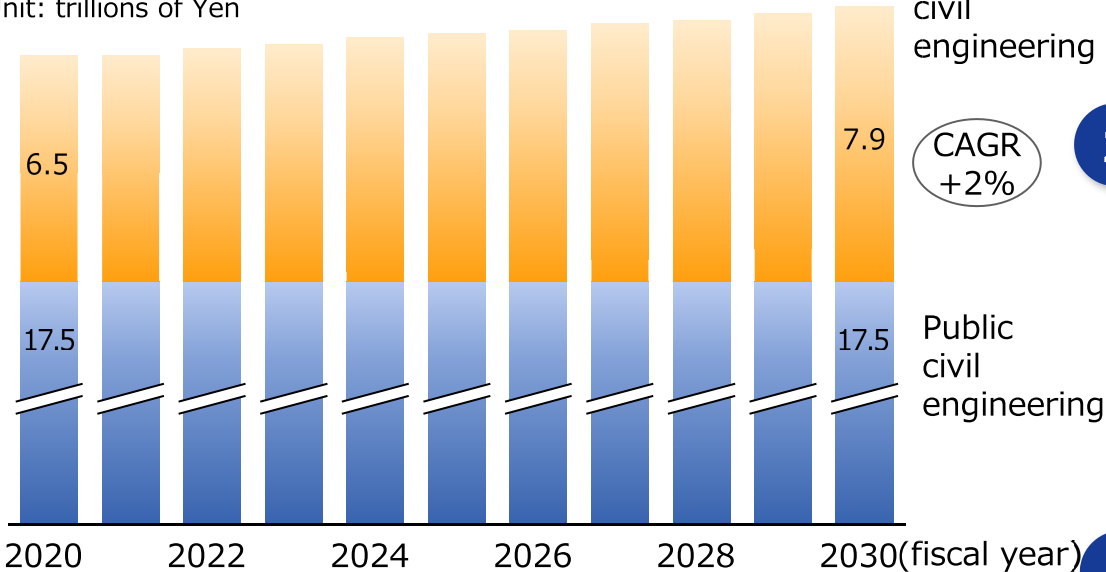
(1/2)



Environment Surrounding Domestic Civil Engineering Business

Civil engineering-related market size trends

Unit: trillions of Yen



Source: "Outlook for Construction Investment (January 2023)" and "No. 73 Construction Economy Report (March 2021)", Research Institute of Construction and Economy

- **Room for continued growth in private civil engineering** with investment needs for development, maintenance, and renewal centered on the electric, manufacturing, and transportation sectors
- Larger projects, ECI(Early Contractor Involvement) method, standardization of design-build projects (private sector)
- Increased defense-related construction due to the government's "National Defense Strategy"

Our Strengths

- 1 Solid revenue base as a Top 3 marine construction company**
 - Presence as one of the major players, **mainly in the government maritime sector**
 - Supported by our expertise in the marine field and our **ability to develop reliable construction methods**
 - Good relationships with stakeholders built through construction

- 2 Technology contributing to the superiority in the marine sector**
 - **Marine construction top-class** high technology and construction management capabilities



Offshore soil improvement work



Quay wall construction

- 3 Ownership of research facilities and special working vessels**

- **Japan's leading** technical development capabilities, research facilities, and special working vessels



Technical Research Institute (wave basin)



Self-propelling multi-purpose vessel



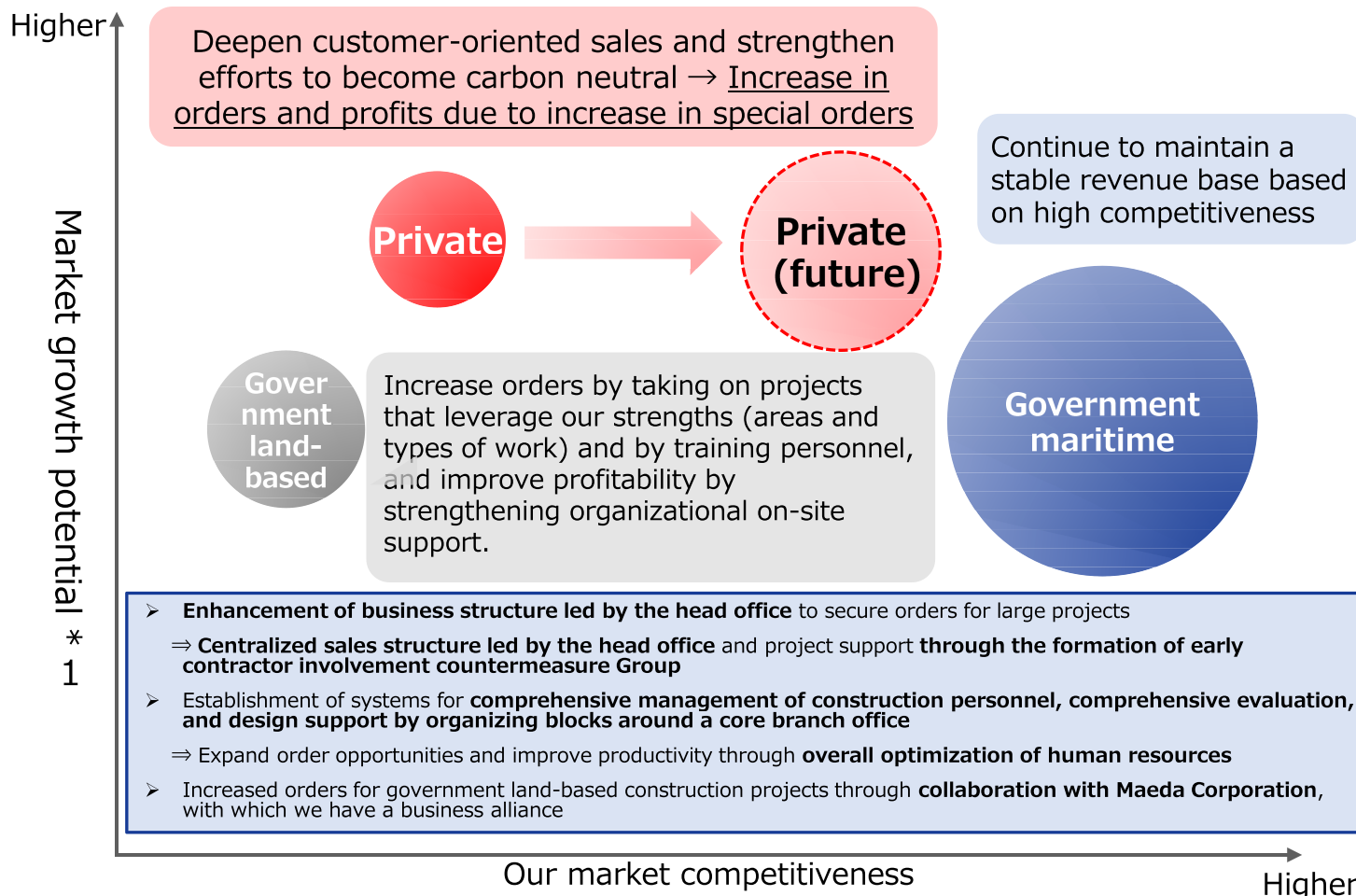
Domestic Civil Engineering Business (2/2)



Strategic Framework and Goals

Maintain portfolio strategy / further expansion of private civil engineering

(Size of sphere: Image of order and profit amounts)



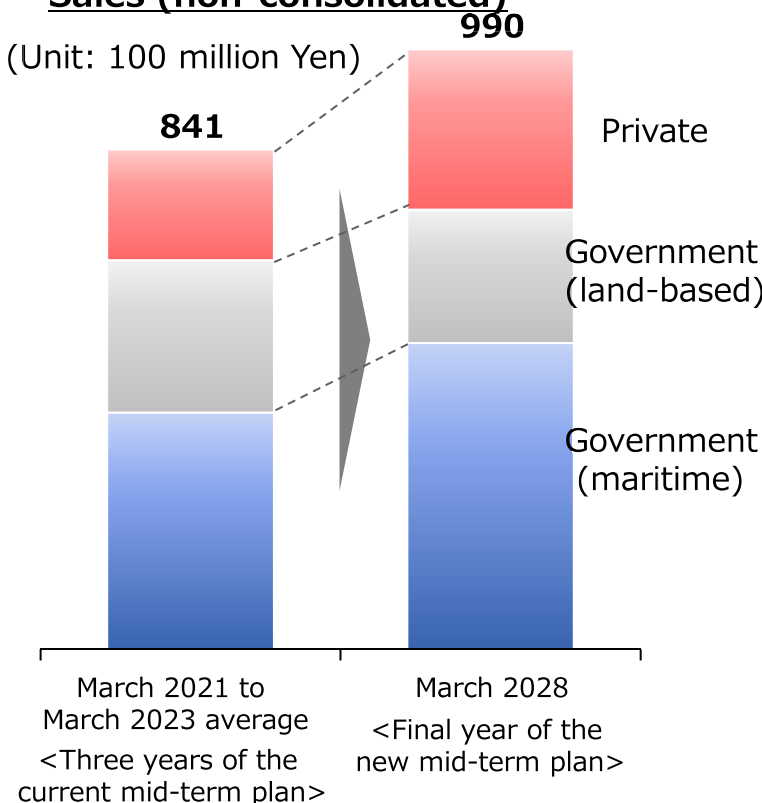
Numerical Goals

Operating Income (non-consolidated)

6.6 bil. Yen → **7.5** bil. Yen

Sales (non-consolidated)

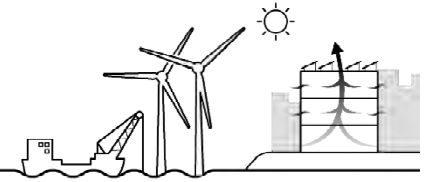
(Unit: 100 million Yen)



Source: "Outlook for Construction Investment (January 2023)" and "No. 73 Construction Economy Report (March 2021)", Research Institute of Construction and Economy

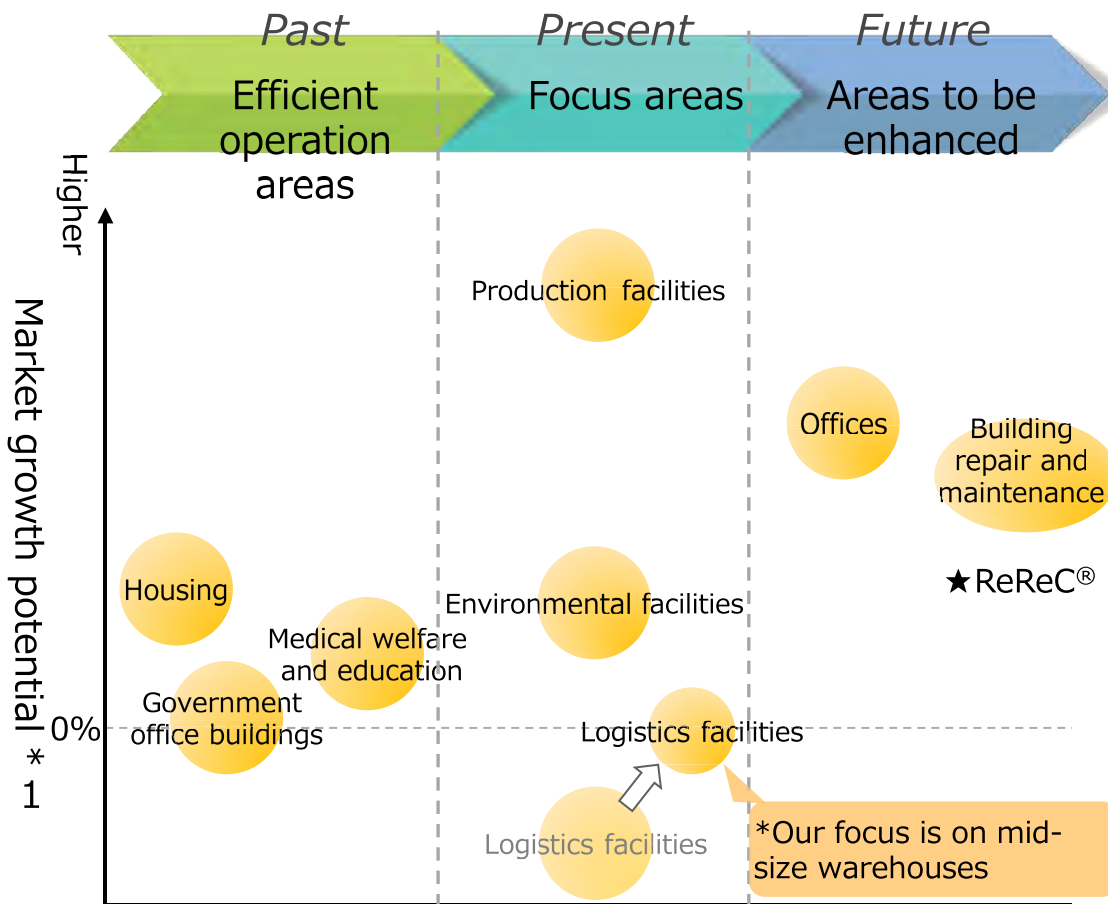


Domestic Construction Business (1/2)



Positioning of our focus areas

Our Strengths



1 Build a stable portfolio by establishing focus areas

- **Diversification** to avoid volatility and stabilize earnings
- Divide portfolio into stages based on future potential **and incrementally strengthen competitiveness in each area**

2 Cultivating trust and special orders in focus areas

[Specialty Areas] Freezing and refrigerated warehouses, food factories



Refrigerated warehouse construction



Food factory construction

3 Respond to changing market needs (stock market shift)

- **Launch and develop a new solution (ReReC®) to prepare for declining investment in new construction and to respond to stock market shift.**

*ReReC®: Our registered trademark collectively referring to **R**enewal, **R**enovation, and **C**onversion.

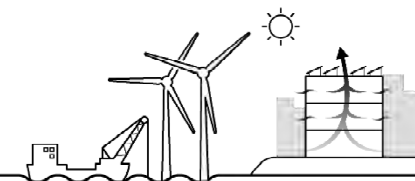
*1: Expected growth from March 2022 to March 2028

Source: "No. 73 Construction Economy Report (March 2021)", Research Institute of Construction and Economy





Domestic Construction Business (2/2)



Strategic Framework and Goals

New construction contracting and new areas of "ReReC®" and "non-contracting" are interrelated, strengthening the business model

Cultivation of focus areas

- Continue to strengthen mainly logistics and production facilities
- Work with Civil Engineering to obtain large government building projects
- Developing office clients through ReReC® linkage



Stage up initiatives, strengthen new development

- Develop business for large-scale repairs and renovations of offices and factories
- Strengthening of mid-size office business by strengthening cooperation with Toyo Eco Support
- To this end, strengthen ZEB* proposals and promote M&A

Sowing the seeds for future growth and core business

- Launching a dedicated department and establish best practices
- First, target ReReC® derivative projects (we will acquire properties and promote renewal and reconstruction)

Numerical Goals

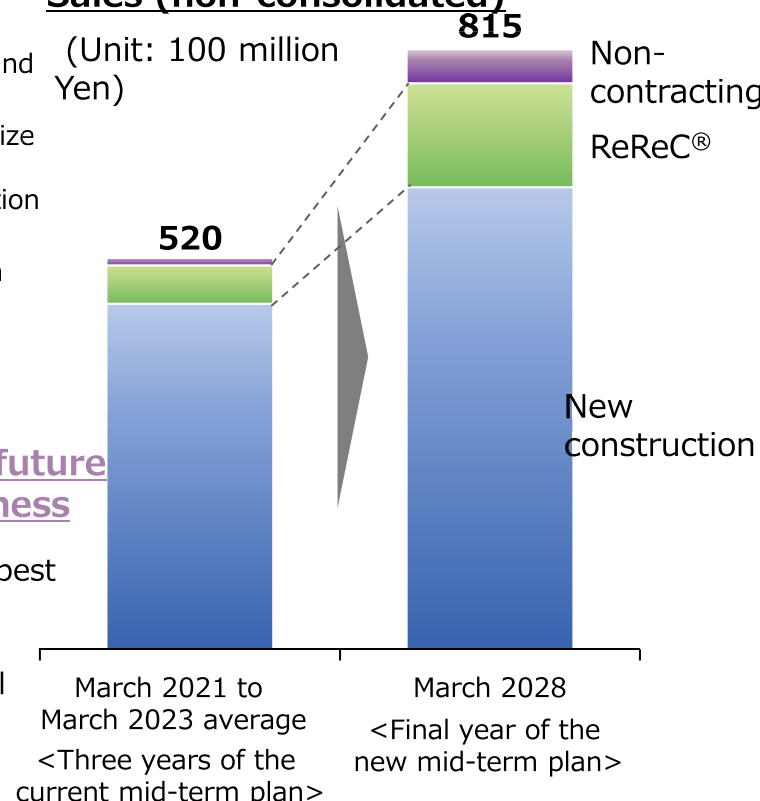
Operating Income (non-consolidated)

2.6 bil. Yen → **5.5** bil. Yen

Expanding high profit margin ReReC® business

Sales (non-consolidated)

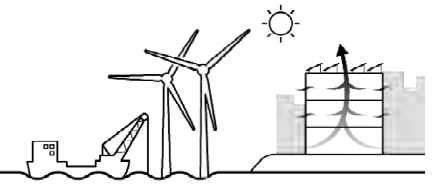
(Unit: 100 million Yen)



*ZEB: Net Zero Energy Building



TOYO DX (1/3): TOYO DX Vision



Creating the Customer Experience (CX/UX)

- ☒ Confirmation of deliverables and reflection of intentions from the design and construction phases
- ☒ Improvement and enhancement of building life cycle management

Dramatic Productivity Improvements

- ☒ Efficiency through utilization of digital technology
- ☒ Create an environment that allows employees to focus on high-value-added work

Sustainability Contributions (SX)

- ☒ Realization of a carbon neutral society through offshore wind and ZEB
- ☒ Reduction of environmental impact

Promoting Visualization

- ☒ Pursuit of standardization and efficiency through business digitalization
- ☒ Data centralization and utilization

TOYO DX Vision

Digitalizing the "Toyo of Technology"

-Everything starts onsite, for the benefit of society and the customer-

Business Collaboration



Collaboration / alliances with start-ups



Open innovation



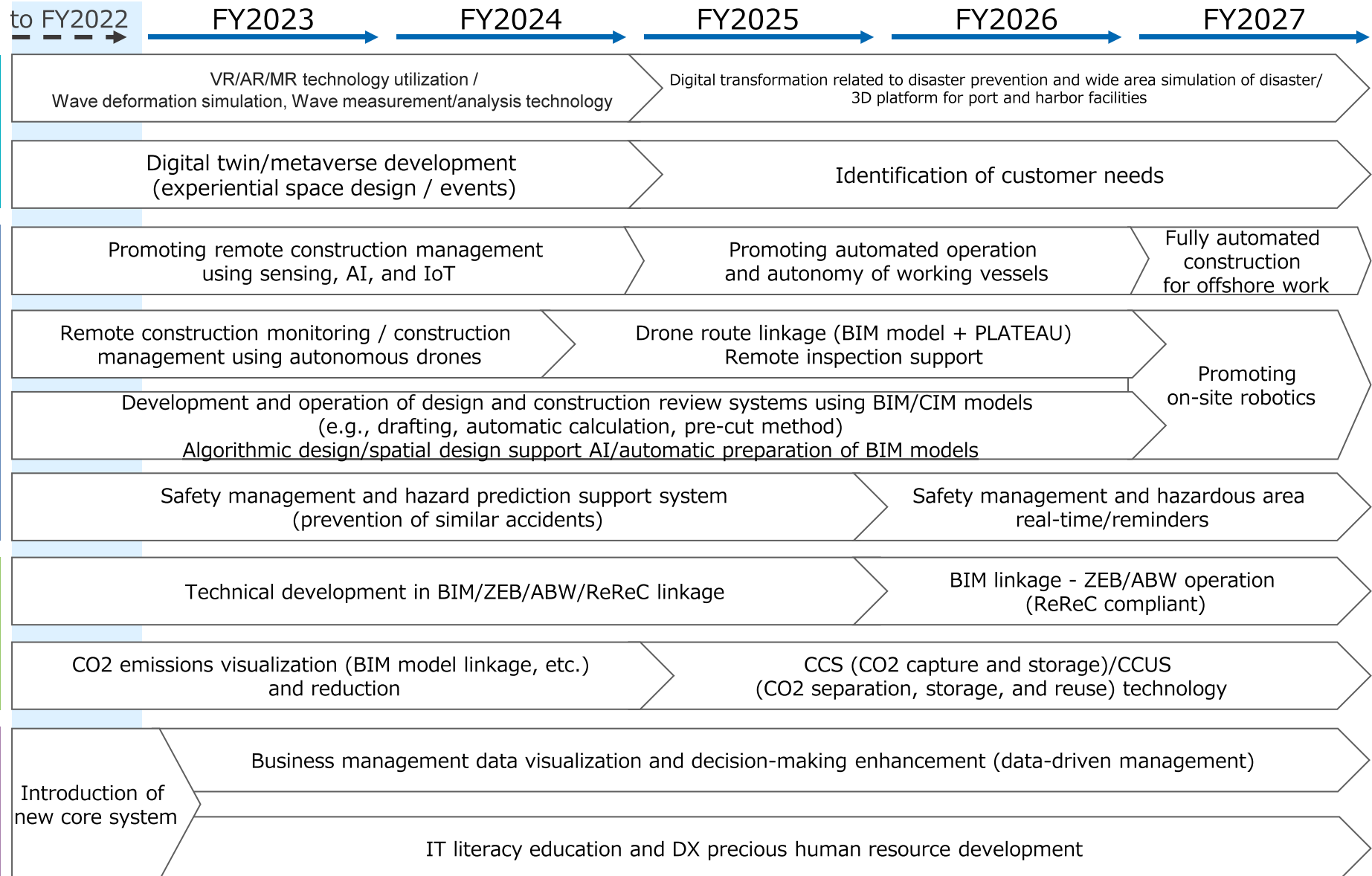
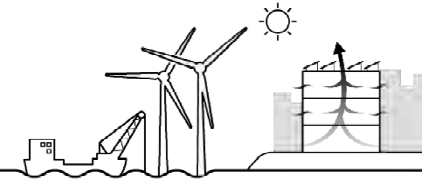
Industry-academia-government collaboration



Collaboration with other companies in the industry



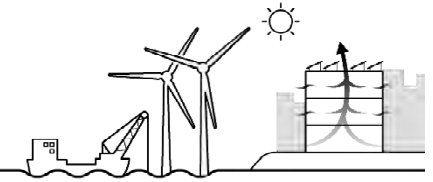
TOYO DX (2/3): DX Initiatives and Roadmap



Initiatives already launched

III

TOYO DX (3/3): DX Initiatives



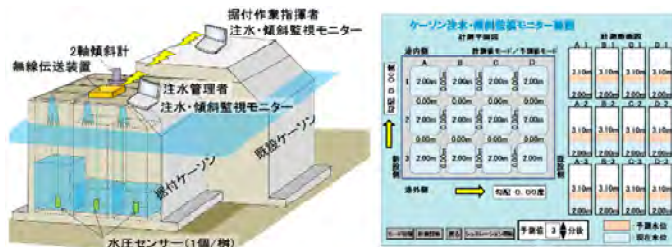
Creating the Customer Experience (CX/UX)



Marine construction digital twin

Tested and put into practical use in the "Port of Nagoya New Sediment Disposal Site Reclamation and Revetment Foundation Work" ordered by the Chubu Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism.

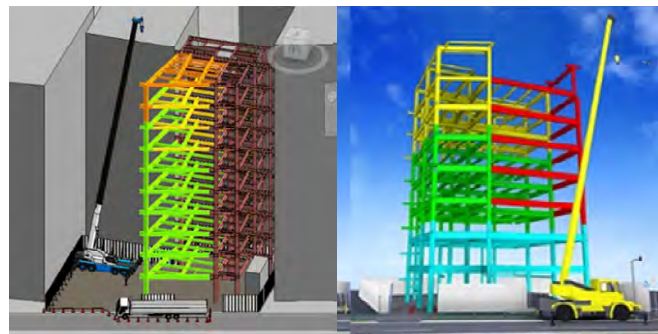
Dramatic Productivity Improvements



Caisson installation system kan-navi, construction management system using 360-degree VR images, etc.

Tsuruga Port (Mariyama South Area) Quay (-14m) Construction (No. 3) ordered by Hokuriku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism won the Infrastructure DX Award for Excellence

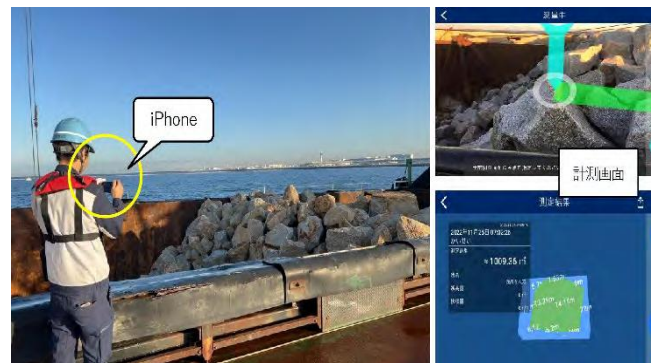
Dramatic Productivity Improvements



Determining possibility of steel frame construction

Adopted by the Ministry of Land, Infrastructure, Transport and Tourism Model Project for Pilot Verification of the Merits of BIM Introduction (Partner Business Type)

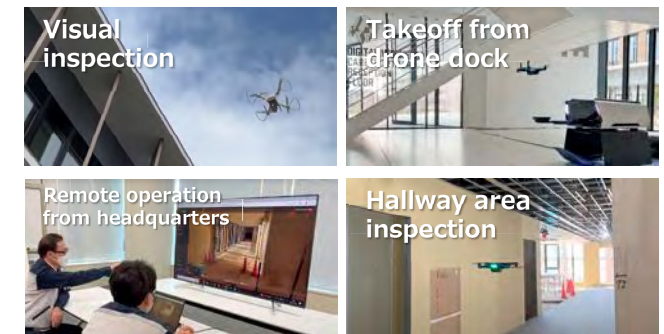
Promoting Visualization



On-site digitalization

Automatic volume calculation app based on AR image technology

Dramatic Productivity Improvements



Autonomous drone remote construction supervision

Adopted by Ministry of Land, Infrastructure, Transport and Tourism Model Project for Facilitating Building Production and Maintenance and Management Processes Using BIM (Leading Business Operator Type)

Promoting Visualization



Digital management of operational processes

Design verification/BIM coordination meetings, AI analysis dashboard of findings

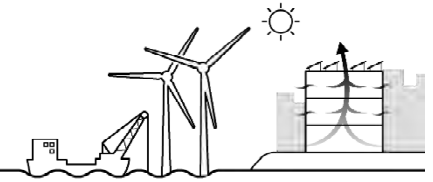


Strengthening Management Foundation



IV

Precious Human Resource Strategy



Acquire and cultivate diverse precious human resources to support the transformation to "offense"

Put in order the foundation that enables diverse precious human resources to thrive

- Create a foundation (incl. personnel system) that also enables women, foreign nationals and specialists to flourish

Achieve attractive treatment

- Provide competitive treatment (improve pay standards, offer top-level benefits in industry)

Proactively bolster hiring, incl. midcareer professionals

- Proactively hire new graduates and midcareer professionals to strengthen the HR foundation supporting growth
- Promote hiring of specialists in growth fields in particular

Develop and select younger employees early and develop future managers

- Strategically allocate HR and step up development to promote succession of technology and development of future managers (selective education and training system, etc.)

Continuously monitor engagement status and examine enhancement measures

- Routinely monitor employee engagement in the Company
- Examine and implement engagement-enhancing measures (continuous PDCA)

IV

Enhancement of Business Management Systems



Enhance company-wide strategic planning

- Carry out optimal resources allocation in accordance with business growth potential
- Establish financial framework with a long-term perspective
- Re-allocate resources based on monitoring results
- Examine and promote M&As, new businesses and other company-wide strategies

Business investment standards have been introduced

- Investment management featuring hurdle rates was adopted under the previous mid-term business plan
- Continue applying strict investment standards going forward

Promote proactive disclosure

- Enhance framework of disclosure for stakeholders in and outside of Japan
- Strengthen disclosure of non-financial indicators (human capital, efforts to fight climate change)
- Enhance IR communications and framework

Enhance monitoring and rolling

- Build framework for prompt information-sharing from employees to management using management dashboard, etc.
- Strengthen investment return and capital efficiency monitoring
- Based on monitoring results and the analysis thereof, promptly adjust directions and craft new policies

IV

Materiality of Toyo Construction Group



Solving social issues by implementing management missions (business activities)

Relevant SDGs	Sub-issues	Materiality	
<div><div><div>7</div><div>環境・エネルギー</div><div></div></div><div><div>11</div><div>持続可能な都市とコミュニティ</div><div></div></div><div><div>13</div><div>気候変動に具体的な対策を</div><div></div></div></div>	<div>①Engage in offshore wind power projects and contribute to increased use of renewable energy</div> <div>②ZEB/ZEH efforts</div> <div>③Reduce greenhouse gas emissions from business activities</div>	Achieve carbon neutrality	E
<div><div><div>9</div><div>産業・イノベーション、基盤</div><div></div></div><div><div>11</div><div>持続可能な都市とコミュニティ</div><div></div></div><div><div>12</div><div>持続可能な消費と生産</div><div></div></div><div><div>14</div><div>海の豊かさを守ろう</div><div></div></div><div><div>15</div><div>陸の豊かさを守ろう</div><div></div></div></div>	<div>①Reduce impact from business on natural ecosystem</div> <div>②Cut construction waste to contribute to the circular economy</div> <div>③Promote ReReC®</div>	Reduce environmental impact	
<div><div><div>9</div><div>産業・イノベーション、基盤</div><div></div></div><div><div>11</div><div>持続可能な都市とコミュニティ</div><div></div></div><div><div>12</div><div>持続可能な消費と生産</div><div></div></div></div>	<div>①Improve technology and proposal capabilities to meet customer needs</div> <div>②Ensure building quality</div>	Deliver buildings that are high-quality and meet customer needs	S
<div><div><div>7</div><div>環境・エネルギー</div><div></div></div><div><div>11</div><div>持続可能な都市とコミュニティ</div><div></div></div><div><div>13</div><div>気候変動に具体的な対策を</div><div></div></div></div>	<div>①Promote technology and R&D that contribute to disaster prevention and mitigation, disaster restoration efforts</div>	Contribute to disaster prevention and mitigation	
<div><div><div>9</div><div>産業・イノベーション、基盤</div><div></div></div><div><div>16</div><div>平和と公正</div><div></div></div></div>	<div>①Enhance governance</div> <div>②Implement thorough compliance</div> <div>③Promote supply chain’s ESG initiatives</div> <div>④Bolster information security</div>	Continue to strengthen Governance Structure	G
<div><div><div>3</div><div>元気で元気に暮らす</div><div></div></div><div><div>4</div><div>質の高い教育をみんなに</div><div></div></div><div><div>6</div><div>清潔な水とトイレを世界中に</div><div></div></div><div><div>8</div><div>働きがい、経済成長</div><div></div></div><div><div>10</div><div>人や国々の格差をなくす</div><div></div></div></div>	<div>①Promote industrial safety and hygiene</div> <div>②Promote HR development and talent obtainment</div> <div>③Improve workplace environment</div>	Achieve attractive construction industry	
<div><div><div>3</div><div>元気で元気に暮らす</div><div></div></div><div><div>4</div><div>質の高い教育をみんなに</div><div></div></div><div><div>6</div><div>清潔な水とトイレを世界中に</div><div></div></div><div><div>8</div><div>働きがい、経済成長</div><div></div></div><div><div>10</div><div>人や国々の格差をなくす</div><div></div></div></div>	<div>①Promote diversity and inclusion</div> <div>②Enhance understanding about human rights and prevent infringement of such rights</div>	Ensure respect for human rights and promote diversity	S
Goals: All 17 <div></div>	Achieve sustainable society through community contribution activities		

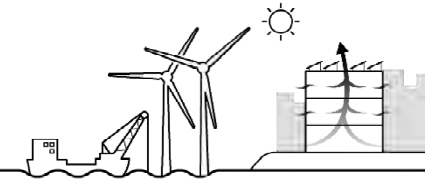
Solve social issues through business activities

Enhance business foundation



IV

Strengthening Governance Structure



Offshore
wind
business

Overseas
construction
business

Domestic
civil
engineering
business

Domestic
construction
business

Governance System supporting Businesses

Continue to strengthen company-wide Governance Structure anchored by the Board of Directors

- Build optimal governance system through measures such as enhancement of the Board's diversity (incl. appointment of female directors)
- Ensure that the Nomination and Remuneration Committee (where outside directors account for a majority) choose optimal people for directors
- Consistently promote efforts to build and strengthen optimal governance structure, including separation of management and execution

Further enhance awareness about the importance of compliance

- Continue to ensure strict compliance with domestic and international laws and regulations, including the Construction Business Act, Antitrust Law and various safety and health laws

Strengthen risk management

- Continue strict monitoring of business and information security risks and address them at an early stage

IV Group Company Strategy



Strengthen synergy from collaboration with group companies

- **Strengthen collaboration with group companies to enhance earnings power**
 - Increase sharing of business strategies and plan progress updates between the business headquarters and group companies
 - Increase intra-group personnel exchange to achieve swifter support
- **Strengthen foundation to maximize group synergy**
 - Bolster business management system through business operation with a focus on operating CF, adoption of investment management using hurdle rates, etc.
 - Carry out measures to strengthen group foundation, incl. business re-examinations and alliances with other companies

<
Prioritize
autonomy



Promote autonomy of group companies

- **Develop autonomous business operating structure by increasing non-group sales**
 - Share sales information and supplier networks among group companies to promote increase in non-group sales at group companies
- **Build group support system to aid autonomous operation**
 - Establish a system that enables support to group companies through advice and business resource allocation
 - With the lesson learned from the past compliance issue at Tachibana Kogyo, implement strict recurrence-prevention program using double checks by companies and the business headquarters
 - Help group companies "develop safety-first culture"

Enhance earnings power and capital efficiency of the entire Group

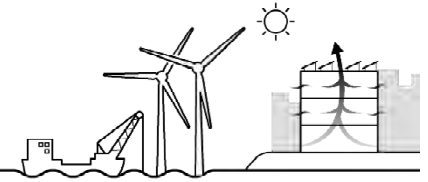


Transition to Capital Efficiency Management





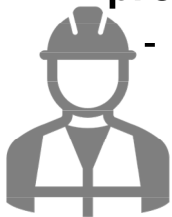
Transition to Capital Efficiency Management



Past management style

Business structure

- **Business portfolio dominated by domestic construction contract projects**



- Business model having domestic civil engineering and construction projects as main income earner
(*maritime civil engineering involves investment in vessels; its varying recovery periods and applicable scopes make construction profit relatively important)

Management style going forward

- **(Starting with the next mid-term plan,) the ratio of offshore wind projects to all profits will grow to a certain level of importance**



- Offshore wind projects have a strong equipment industry aspect with large investment in facilities (*Compared with maritime civil engineering, the notion of "vessels also driving profits" is expected to increase)
- Necessary to manage different business models

The way of management

- **Management having "profit" as key indicator**

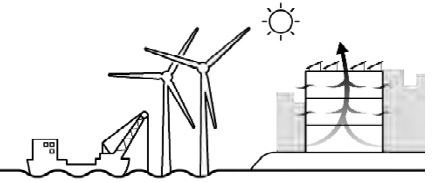
- Mostly manage project profitability + indirect costs + management costs
- Particular focus on "strong profits" on PL in the phase of strengthening financial health

- **Management having "capital efficiency" as key indicator**

- Continue to focus on profitability while placing the most emphasis on return on invested capital
- Optimize B/S balance, such as growth-oriented investment and shareholder returns, and equity capital and borrowings (company-wide)
- Engage in sales, contract negotiations and business operations (existing businesses) aimed at improving operating CF and Operating Income



Investment Policy



Under the policy of transformation “from defense to offense,” make proactive investments centering around offshore wind business to build earnings-driving foundation for growth areas and further strengthen existing businesses

Growth-oriented investment

34 billion Yen+

Offshore wind

26 billion Yen+ ➤ Investment in vessels, incl. cable-laying vessel

Domestic construction

2.0 billion Yen+ ➤ ZEB-related investment

R&D
DX, etc.

6.0 billion Yen+ ➤ Technical Research Institute (up-front investment in technology R&D)
➤ DX/ICT, M&A, etc.

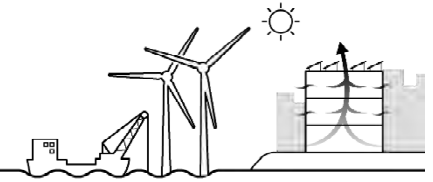
Other investments

4.0 billion Yen ➤ Continued investment in existing assets

(5-year total)



Capital Policy

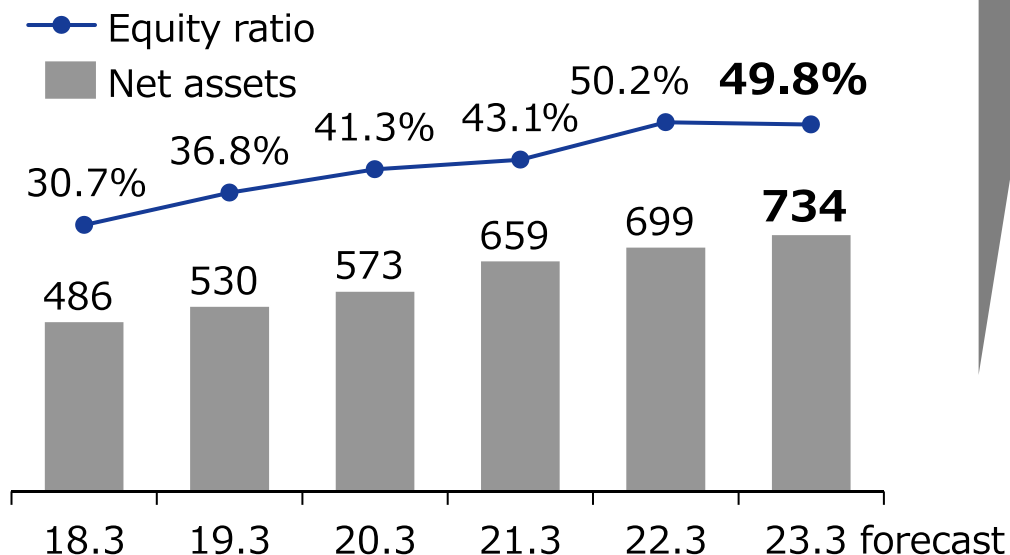


Past capital plan

Built up net assets and bolstered financial health

- Focused on building net assets to shore up financial foundation to be able to engage in growth fields
- As a result, equity ratio reached 49.8% and net assets increased to 73.4bn Yen

Equity ratio and net assets



Capital policy under new mid-term plan

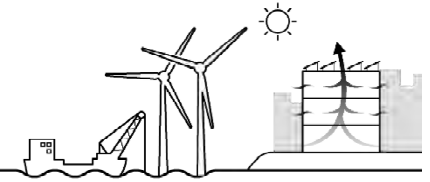
Proactively make growth-oriented investments and returns to shareholders

- To proactively make growth-oriented investment, inject funds, incl. **external loans at appropriate levels** (even with an eye toward using loans in the amount comparable to competitors)
- While maintaining the equity ratio at around 40%, **proactively pay dividends to enhance shareholder return**
- Expect to pay dividends significantly higher than in the past. More than double the dividend payout ratio during the period of the new mid-term business plan*/lower limit: 50 Yen

*Based on 20~30% of the announced policy under the current mid-term business plan; details to be separately disclosed



P/L Plan

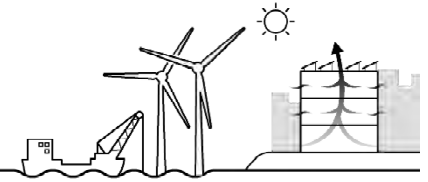


(100 million Yen)

Parent-only	(Forecast for the year ending March 2023)					Forecast for the year ending March 2024					Forecast for the year ending March 2028					5-year total
Segment	Dom. civil eng.	Dom. Const.	Overseas const.	Other	Total	Dom. civil eng.	Dom. Const.	Overseas const.	Other	Total	Dom. civil eng.	Dom. Const.	Overseas const.	Other	Total	Total
Orders	1,028	600	90	—	1,718	938	620	324	—	1,882	1,015	841	250	—	2,106	9,645
Sales	750	662	113	4	1,530	949	610	121	4	1,685	1,005	814	220	4	2,045	9,314
Gross profit (Gross profit margin %)	109 (14.6)	49 (7.4)	1 (1.1)	2 (47.2)	162 (10.6)	138 (14.6)	45 (7.5)	6 (5.5)	1 (35.6)	192 (11.4)	145 (14.4)	76 (9.4)	16 (7.3)	2 (48.3)	239 (11.7)	1,106 (11.9)
Operating income (Operating profit margin %)	42 (5.6)	32 (4.8)	△5 (△5.0)	1 (45.1)	70 (4.6)	55 (5.8)	28 (4.7)	1 (1.0)	1 (33.3)	86 (5.1)	62 (6.2)	54 (6.7)	8 (4.0)	2 (46.1)	127 (6.2)	561 (6.0)
Ordinary income	—	—	—	—	68	—	—	—	—	84	—	—	—	—	126	554
Pretax profit	—	—	—	—	68	—	—	—	—	84	—	—	—	—	126	554
Net profit	—	—	—	—	43	—	—	—	—	56	—	—	—	—	84	372
Consolidated	(Forecast for the year ending March 2023)					Forecast for the year ending March 2024					Forecast for the year ending March 2028					5-year total
Segment	Dom. civil eng.	Dom. Const.	Overseas const.	Other	Total	Dom. civil eng.	Dom. Const.	Overseas const.	Other	Total	Dom. civil eng.	Dom. Const.	Overseas const.	Other	Total	Total
Sales	811	671	220	7	1,710	1,019	620	278	7	1,925	1,144	831	394	6	2,377	10,689
Operating income (Operating profit Margin %)	46 (5.7)	32 (4.8)	△0 (△0.0)	2 (40.3)	80 (4.8)	58 (5.7)	28 (4.6)	11 (4.1)	2 (38.2)	101 (5.2)	74 (6.5)	54 (6.6)	20 (5.2)	3 (55.8)	153 (6.5)	656 (6.1)
Ordinary income	—	—	—	—	79	—	—	—	—	96	—	—	—	—	149	637
Net profit attributable to parent	—	—	—	—	49	—	—	—	—	60	—	—	—	—	95	408

*Figures are rounded down to the nearest unit and percentages are rounded to the nearest unit





TOYO CONSTRUCTION CO., LTD.

This material contains matters relating to the future such as the Company's forecasts, targets, plans and strategies of the Company (including consolidated subsidiaries).

These matters regarding the future are based on judgments and assumptions pursuant to information currently available to the Company and are not promises or guarantees of the Company's future performance or growth.

Please note that in using this material, results may differ from forecasts.