

Business Report  
( From April 1, 2022  
to March 31, 2023 )

**1** Status of the Corporate Group

- (1) Business Progress and Results
  - (i) Management results and status of segments

During the consolidated fiscal year under review, relaxation of the COVID-19 restrictions spurred social and economic activity to normalize, leading to a mild recovery in the Japanese economy. Meanwhile, the chip shortage stemming from the protracted Russia-Ukraine situation and high inflation around the world caused in part by surging raw materials prices, together with rapid monetary tightening in the U.S. and Europe, kept the outlook murky.

The construction industry faced the challenge of securing leaders, while progress was slow in efforts to pass higher crude oil, material and labor expenses, as well as increased costs associated with addressing labor shortages on to customers through contracts with private-sector businesses, sparking concerns about the impact on earnings. However, public works spending remained solid thanks to the government's disaster prevention, mitigation and national resilience building program, while private-sector investment also recovered, and the volume of our projects remained consistent as a result.

In this environment, during the consolidated fiscal year under review, which is the final year of our mid-term business plan of "Being a Resilient Company," the Corporate Group thoroughly implemented key measures in each of our three core operations (domestic civil engineering, domestic construction and overseas construction), making progress toward achieving the plan's targets as we readied for the next steps necessary for becoming a resilient company\*.

In the domestic civil engineering business, with the aim of building a business foundation able to withstand changes in the environment, the Company strove to increase its market share for public maritime works, which is the Company's backbone business; win more orders for onshore works from private and public operators; bolster efforts in cable installation and other areas of offshore wind power business, which is a growth driver; and enhance productivity. Both net sales and profits in this segment declined on the year in the consolidated fiscal year under review due to a decrease in construction carried forward.

In the domestic construction business, the Company sought to reliably earn operating profit and thus endeavored to strengthen its organizational sales ability and cost competitiveness; put our energy into ReReC® (Renewal, Renovation and Conversion) as a measure to reinforce our efforts in the housing

stock market; and enhance productivity. With an increase in construction carried forward and large numbers of construction in hand, net sales and profit in this segment recorded significant year-on-year gains for the consolidated fiscal year under review.

In the overseas construction business, the Company continued to carry out locally-rooted operations and worked on identifying additional customers' needs, by improving productivity and strengthening on-the-ground autonomy, thereby bolstering our foundation in order to increase the volume of work and reliably secure profits. Net sales in the fiscal term under review increased from the prior year as the large port project in Kenya was completed and solid progress was made in construction in hand in the Philippines. Profit in this segment declined on the year because 1.015 billion yen was booked as repair costs, including reserves, for a defect in the domestic civil engineering work that had been completed in the Philippines in the past fiscal year.

Net sales	168,351 million yen
Operating profit	8,995 million yen
Ordinary profit	8,551 million yen
Profit attributable to owners of parent	5,656 million yen

In the Corporate Group's construction business, consolidated orders received in the domestic civil engineering business rose 34.0% on the year to 102.939 billion yen; consolidated orders received in the domestic construction business declined 7.2% on the year to 62.476 billion yen; and consolidated orders received in the overseas construction business decreased 37.2% on the year to 25.328 billion yen.

Major projects for which orders were received are as follows.

Ministry of Land, Infrastructure, Transport and Tourism	Fiscal 2022 Mageshima temporary pier construction (part 2)
City of Yokohama	Shin-honmoku wharf construction (part 28 external revetment B-2 foundation and main structure)
East Nippon Expressway Co., Ltd.	Ken-o Expressway, construction in Matsuo
Kobe-Osaka International Port Corporation.	Port Island (2 <sup>nd</sup> phase) area container southern wharf improvement project
Ministry of Defense, Okinawa Defense Bureau	Zukeran (R4) family housing construction project (part 4)

Peace Deli Co., Ltd. Peace Deli Chiba Honda project new building construction

In the Corporate Group's construction business, consolidated net sales in the domestic civil engineering business declined 12.8% on the year to 77.618 billion yen; consolidated net sales in the domestic construction business rose 55.0% on the year to 67.542 billion yen; and consolidated net sales in the overseas construction business increased 18.6% on the year to 22.515 billion yen.

Major projects that were completed are as follows.

Republic of Kenya, Kenya Ports Authority	Mombasa port container terminal development project (2 <sup>nd</sup> term)
Ministry of Land, Infrastructure, Transport and Tourism	Yokohama Port Shin-honmoku area revetment (breakwater) Eastern side construction
Iwate Prefecture	Restoration work for damage in Ofunato Port Chaya-mae area (23 Sai No. 166) sluice and other projects
Shikoku Railway Company	Yosan Line between Kaiganji and Takuma revetment restoration part 4
City of Takatsuki	Takatsuki Energy Center No. 1 factory dismantling and recycling facility construction
ES-Con Japan Ltd.	Hashima, Gifu Pref., logistics center development project

In the real estate business, net sales declined 33.3% on the year to 451 million yen. In the remaining operations, including insurance agency, goods sales and leasing, net sales rose 1.3% on the year to 224 million yen.

As a result, net sales in the consolidated fiscal year under review increased 10.4% on the year to 168.351 billion yen; operating profit declined 6.5% to 8.995 billion yen; ordinary profit decreased 6.4% to 8.551 billion yen; and profit attributable to owners of parent declined 3.5% to 5.656 billion yen.

As reported in the Business Report for the preceding term, a former director of Tachibana Kogyo Co., Ltd., a consolidated subsidiary of the Company, was charged with obstruction of auctions related to public contracts. The former director was subsequently sentenced with a penalty, and Tachibana Kogyo Co., Ltd. received a 120-day business suspension order from the Ministry of Land, Infrastructure, Transport and Tourism on September 2, 2022.

The Corporate Group takes this situation extremely seriously and has been once again making sure that all Corporate Group officers and employees strictly comply with laws and regulations. Specifically, the Corporate Group is carrying out training to enhance awareness of the importance of compliance for all officers and employees of Tachibana Kogyo Co., Ltd. and reviewing the compliance system there.

At the Company, we are also holding lectures on antitrust law for the Company's officers and the presidents of consolidated subsidiaries, stepping up our oversight of the management and auditing of our consolidated subsidiaries, and otherwise continuing our utmost efforts to prevent future incidents as the Corporate Group as a whole, with the aim of swiftly regaining the trust of all of our stakeholders.

\*Resilient company: a sustainable company with an unwavering foundation that is able to flexibly respond to the ever-changing environment and overcome serious adversity

(ii) Other

After receiving the proposal by Godo Kaisha Yamauchi-No.10 Family Office (previously Godo Kaisha Vpg) and Kabushiki Kaisha KITE for a tender offer of the Company's ordinary shares followed by squeeze-out procedures that would make the Company a wholly owned subsidiary ("Proposal"), the Company put in place an appropriate system for considering the Proposal and has carried out its consideration in a consistently appropriate manner.

For the purpose of eliminating any arbitrariness from the Company's decision-making concerning the Proposal and ensuring fairness, transparency, and objectivity in the decision-making process, in February 2023, the Company established a special committee composed of independent outside directors of the Company and an outside expert independent from the Company ("Special Committee"), and has moved forward with its consideration of the Proposal to the extent possible.

After receiving a report from the Special Committee on May 23, 2023, the Company's Board of Directors, respecting the content of such report, unanimously resolved to express an opinion of opposition to the Proposal on May 24, 2023.

The Corporate Group's Orders Received, Net Sales and Contracts Carried Forward

(unit: million yen)

Category		Carryforwards from the preceding term	Orders received	Net sales	Carryforwards to the next term
Construction business	Domestic civil engineering	51,294	102,939	77,618	76,615
	Domestic construction	81,388	62,476	67,542	76,322
	Overseas construction	(32,086) 33,268	25,328	22,515	36,081
	Total	(164,769) 165,951	190,744	167,676	189,020
Real estate business		0	451	451	0
Other businesses		0	224	224	0
Total		(164,769) 165,951	191,419	168,351	189,020

The Company's Orders Received, Net Sales and Contracts Carried Forward

(unit: million yen)

Category		Carryforwards from the preceding term	Orders received	Net sales	Carryforwards to the next term
Construction business	Domestic civil engineering	46,171	96,796	70,740	72,227
	Domestic construction	81,338	61,753	66,803	76,287
	Overseas construction	(27,554) 28,374	9,214	11,938	25,650
	Total	(155,063) 155,883	167,764	149,482	174,165
Real estate business		0	443	443	0
Total		(155,063) 155,883	168,207	149,925	174,165

(Note) 1. In the column for “Carryforwards from the preceding term” for the overseas construction business, the upper number in parentheses ( ) shows the amount of “carryforwards for the next term” in the preceding term; the lower number shows the amount reflecting the changes in foreign exchange rates during the term under review.

(2) Status of Capital Investment

The Company made capital investment totaling 1.2 billion yen during the fiscal term under review, with the funds used primarily for updating equipment on work vessels.

(3) Status of Financing

In March 2023, The Company executed a letter of commitment with a financial institution for a one-year, 5 billion yen committed credit line. In September 2020, the Company signed a letter of commitment with seven financial institutions for a three-year, 10 billion yen syndicated committed credit line.

(4) Issues to be Addressed

In the construction industry, public works spending is projected to remain robust in light of disaster prevention and mitigation measures, steps to address rapidly aging infrastructure and the national defense strategy, while private-sector capital investment is expected to trend higher. Meanwhile, concerns are growing that the protracted Russia-Ukraine situation and changes in monetary policies in Japan and other countries will weigh on corporate earnings.

Moreover, as Japan's labor force declines in an aging society and the cap on overtime work under the "Work Style Reform Law" is set to apply to the construction industry in April 2024, businesses face the need to make their workplaces even more attractive in order to accelerate their efforts to improve productivity and reform work culture, as well as persistently ensure that they have talented corporate leaders.

In this climate, the Corporate Group formulated a new five-year mid-term business plan starting in fiscal 2023, which maps out a major management shift based on the three pillars of (i) transformation from "defense to offense", (ii) transformation to a "high profit model", and (iii) transformation to "capital efficiency management", with the aim of evolving into an even more resilient company. The new business plan also details our steps to actively work on promoting DX, advance our initiatives to enhance productivity and reform work style, as well as acquire and nurture diverse personnel who will support our "offense" business style. By thoroughly implementing this major transformation of management over the next five years, the Company seeks to grow and become a resilient company that is capable of flexibly responding to changes in the environment and eagerly take on the challenges stemming from an unfavorable environment ahead of its 100-year anniversary in 2029.

For Reference

■ Review of the previous mid-term business plan

Target (for the year ended March 2023)	Target	Actual result
Total consolidated operating profit for the 3 years	30.0 billion yen	32.8 billion yen
Consolidated operating margin	6% or greater	5.3%
Consolidated stated capital	70.0 billion yen	71.8 billion yen
Consolidated equity ratio	45%	46.7%
Consolidated ROE	10% or greater	8.1%

■ Status of progress in key initiatives for addressing issues (fiscal year 2022)

◇ Measures to address issues surrounding the Company

- Actively deploy digitalization tools (such as lending iPhones to all employees) to promote enhancement of productivity on the ground
- Percentage of work sites that are closed 8 days in a 4-week period: 47%; average number of days off taken in a year: 125 days (for all employees)
- Implementing an action plan for partner companies with close ties to the Company that lists 13 initiatives, including securing corporate leaders, enhancing productivity, reforming working style, achieving steady management and supporting operations
- Carrying out human resources system reform aimed at enhancing employees' fulfillment

◇ Main measures to address issues surrounding society (SDGs)

- Continue the development of technology designed to commercialize bottom-fixed (multi-buckets) and floating (TLP) offshore wind for the offshore wind power business
- Start design of cable-laying vessels for the offshore wind power business
- Has received one order each for a net-zero energy building (ZEB) warehouse and a ZEB factory



- Has completed the Company's first net-zero energy house/mansion condominium (ZEH-M) building
- Has completed four projects for waste processing facilities construction; carrying out five projects
- Completed the Mombasa port container terminal construction project in Kenya without any incidents even during the COVID-19 pandemic

■ Outline of the Mid-Term Business Plan covering fiscal years 2023 to 2027

(1) Basic Policy

“While succeeding as a resilient company\*, evolve into a company capable of taking on challenges”

- (i) Transformation from a “defense” business style to an “offense” business style
  - Carry out balanced use of the accumulated assets and external capital and aggressively invest in growth fields
- (ii) Transformation to a “high profit model”
  - Make a full-scale entry the into offshore wind power business and expand the ReReC®\* business to transform into a business structure having capabilities to generate higher earnings

\*ReReC®: collective name for Renewal, Renovation and Conversion

- (iii) Transformation to “capital efficiency management”
  - While continuing to emphasize on the “(profit) earning power,” transformation to a management style that emphasizes capital efficiency

(2) Priority Measures

- (i) Promoting Growth Drivers
  - Full-scale entry into offshore wind market
  - Accelerating localization of Overseas construction business
- (ii) Deepening Existing Business
  - Further strengthening of domestic civil engineering business
  - Business model development of domestic construction business
  - Productivity improvements through DX (TOYO DX)
- (iii) Strengthening Management Foundation

- Acquiring and developing precious human resources to support management transformation
- Enhancement of business management systems
- Strengthening governance structure
- (iv) Transition to Capital Efficiency Management
  - Setting KPIs with emphasis on capital efficiency
  - Strengthen allocation to growth investments

(3) Targets for fiscal year 2027 (in five years)

The term ending in March 2028

Net sales: 235 billion yen or more

Operating profit: 15 billion yen or more

Net profit: 9 billion yen or more

ROE: 12.0% or greater

D/E ratio: around 0.4

Return to shareholders: Dividend payout ratio for the 1<sup>st</sup> to 3<sup>rd</sup> year in the Mid-Term Business plan is 100% (lower limit: 50 yen).

For the 4<sup>th</sup> year and onwards (fiscal year 2026 and onwards), the plan is to continue proactively paying dividends with a target of equity ratio of 40% (lower limit: 50 yen).

\*Please visit the following URLs to see the details of the Mid-Term Business Plan.

○ Mid-Term Business Plan








[https://www.toyo-const.co.jp/en/wp/wp-content/uploads/2023/04/E\\_chukei\\_2023-2027.pdf](https://www.toyo-const.co.jp/en/wp/wp-content/uploads/2023/04/E_chukei_2023-2027.pdf)

○ Mid-Term Business Plan (supplemental materials)

[https://www.toyo-const.co.jp/en/wp/wp-content/uploads/2023/04/2023-2027\\_Mid-Term-Business-Plan-Supplementary-Material.pdf](https://www.toyo-const.co.jp/en/wp/wp-content/uploads/2023/04/2023-2027_Mid-Term-Business-Plan-Supplementary-Material.pdf)

■ The Corporate Group and Materiality

In July 2022, the Company identified issues that should be addressed through business activities as the Toyo Construction Group's materiality topics. In such identification, the Company embraced "double materiality," a concept taking root in the EU region, which leads international trends on sustainability. "Double materiality" is an approach for identifying material issues based on two aspects: how the Corporate Group impacts society and the environment and how sustainability issues affect our finances. The Corporate Group is committed to work on derived materiality through its mainstay operations and make contributions to sustainable society.

Related SDGs	Sub-issues	Materiality	
	①Participate in offshore wind power projects and contribute to the spread of renewable energy ②Engagement in ZEB/ZEH ③Reduction of greenhouse gas emitted from business activities	Realize carbon neutrality	E
	①Reduction of the load caused by business activities to the natural ecosystem ②Contribution to the circular economy by reducing construction waste ③Promotion of ReReC®	Reduce environmental impact	S
	①Improvement of technological capability and proposal capability to meet customer needs ②Securing quality of construction work	Provide high-quality structures that meet customer needs	S
	①Promotion of the R&D and technological development to contribute to the disaster-prevention, disaster-mitigation, and disaster-relief, etc.	Contribute to disaster prevention and mitigation	G
	①Enhancement of governance ②Thorough compliance ③Promoting efforts of supply chains for ESG ④Enhancement of information security	Continue to strengthen governance system	G
	①Promotion occupational safety and health ②Promotion of developing precious human resources & securing the rising generation ③Improvement of workplace environment	Establish an attractive construction industry	S
	①Promotion of diversity & inclusion ②Improvement of understanding & prevention of infringement of human rights	Ensure respect for human rights and promote diversity	S
Goals: All 17 goals	Realization of sustainable society by CSR activities		

Address societal issues through business  
Strengthen business foundation

(5) Changes in Status of Assets and Income

(i) Changes in Assets and Income of the Corporate Group

Item		FY2019 (100 <sup>th</sup> Term)	FY2020 (101 <sup>st</sup> Term)	FY2021 (102 <sup>nd</sup> Term)	FY2022 (103 <sup>rd</sup> Term)	
Orders received	(million yen)	135,703	173,110	185,301	191,419	
Net sales	(million yen)	174,805	172,976	152,524	168,351	
Break down	Construction business	(million yen)	174,166	172,173	151,626	167,676
	Sideline business	(million yen)	638	802	898	675
Operating profit	(million yen)	9,268	14,259	9,616	8,995	
Ordinary profit	(million yen)	9,168	14,103	9,139	8,551	
Profit attributable to owners of parent	(million yen)	5,766	9,176	5,863	5,656	
Earnings per share		61.31 yen	97.65 yen	62.40 yen	60.17 yen	
Total assets	(million yen)	135,516	148,953	135,582	153,717	
Net assets	(million yen)	57,329	65,875	69,899	73,984	

(Note) “The Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No. 29, March 31, 2020) was applied starting from the beginning of the 102<sup>nd</sup> term; the numbers for the 102<sup>nd</sup> term and beyond are the numbers after the application of such accounting standard.

(ii) Changes in Assets and Income of the Company

Item		FY2019 (100 <sup>th</sup> Term)	FY2020 (101 <sup>st</sup> Term)	FY2021 (102 <sup>nd</sup> Term)	FY2022 (103 <sup>rd</sup> Term)
Orders received	(million yen)	118,291	158,215	165,772	168,207
Net sales	(million yen)	156,689	154,798	136,570	149,925
Break down	Construction business (million yen)	156,345	154,304	135,913	149,482
	Real estate business (million yen)	343	494	657	443
Operating profit	(million yen)	8,258	12,983	8,463	7,823
Ordinary profit	(million yen)	8,499	12,832	8,226	7,340
Net profit	(million yen)	5,663	8,487	5,423	4,869
Earnings per share		60.22 yen	90.32 yen	57.72 yen	51.79 yen
Total assets	(million yen)	122,593	138,202	123,115	139,670
Net assets	(million yen)	53,272	60,377	63,505	66,502

(Note) “The Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No. 29, March 31, 2020) was applied starting from the beginning of the 102<sup>nd</sup> term; the numbers for the 102<sup>nd</sup> term and beyond are the numbers after the application of such accounting standard.

(6) Status of Principal Parent Company and Subsidiaries

(i) Status of Parent Company

Not applicable.

(ii) Status of Principal Subsidiaries

Name	Capital	Investment ratio (%)	Principal business
TOMAC Corporation	100 million yen	100	Civil engineering construction contracting; design, repair, leasing of construction vessels and machinery
Kusakabe Maritime Engineering Co., Ltd.	70 million yen	100	Civil engineering construction contracting; maritime shipping
Tachibana Kogyo Co., Ltd.	70 million yen	50	Civil engineering construction contracting; management and purchase/sale of construction vessels
Tecuos Co., Ltd.	48 million yen	100	Building management and construction/repair/renovation business, domestic construction business, real estate business, etc.
CCT CONSTRUCTORS CORPORATION	500 million PHP	40	Civil engineering and domestic construction contracting

(7) Description of Principal Businesses

Name	Business
Domestic civil engineering business Domestic construction business Overseas construction business	The Company, the main business operator, is licensed as a special construction business operator (“(Toku-4) No. 2405”) by the Minister of Land, Infrastructure, Transport and Tourism under the Construction Business Act and engages in maritime and onshore civil engineering, domestic construction and related businesses.
Real estate business	The Company, the main business operator, is licensed as a real estate broker (“(14) No. 1385”) by the Minister of Land, Infrastructure, Transport and Tourism under the Real Estate Brokerage Act, and engages in real estate-related businesses.
Other businesses	The Group, principally through subsidiaries, engages in the insurance agency business, goods sales and leasing businesses.

(8) Major Offices

(i) The Company

Main Office	4-1-1 Koraibashi, Chuo-ku, Osaka-shi, Osaka, Japan		
Head Office	1-105 Kandajinbocho, Chiyoda-ku, Tokyo, Japan		
Branches	Hokkaido Branch (Sapporo)	Tohoku Branch Office (Sendai)	
	Kanto Branch (Chiyoda-ku, Tokyo)	Kanto Architectural Construction Branch (Chiyoda-ku, Tokyo)	
	Yokohama Branch (Yokohama)	Hokuriku Branch (Kanazawa)	
	Nagoya Branch (Nagoya)	Osaka Main Office (Osaka)	
	Chugoku Branch (Hiroshima)	Shikoku Branch (Takamatsu)	
	Kyushu Branch (Fukuoka)	International Division (Chiyoda-ku, Tokyo)	
Technical Research Institute	Technical Research Institute, Naruo (Nishinomiya), Technical Research Institute, Miho (Miho, Inashiki-gun, Ibaraki Pref.)		
Overseas Offices	Manila Office, Hanoi Office, Jakarta Office		

(ii) Principal Subsidiaries

TOMAC Corporation	Head Office: Chiyoda-ku, Tokyo
Kusakabe Maritime Engineering Co., Ltd.	Head Office: Kobe, Hyogo Pref.
Tachibana Kogyo Co., Ltd.	Head Office: Takamatsu Kagawa Pref.
Tecuos Co., Ltd.	Head Office: Chiyoda-ku, Tokyo
CCT CONSTRUCTORS CORPORATION	Head Office: The Philippines



(9) Status of Employees (as of March 31, 2023)

(i) Status of Employees of the Corporate Group

Business	Employees	Change from the end of the previous term
Domestic civil engineering business	946 [46]	(3) [(10)]
Domestic construction business	341 [4]	(19) [4]
Overseas construction business	63 [157]	(1) [(10)]
Real estate business	3	0
Other businesses	13	0
Company-wide	237 [23]	(5) [2]
Total	1,603 [230]	(28) [(14)]

(Note) The number of employees indicates those engaged in work; for employees hired locally overseas (155) and temporary employees (75), the annual average is indicated in [ ].

(ii) Status of Employees of the Company

Employees	Change from the end of the previous term	Average age	Average years of service
1,288 [148]	(26) [(10)]	43.4	18.2

(Note) The number of employees indicates those engaged in work; for employees hired locally overseas (94) and temporary employees (54), the annual average is indicated in [ ].

(10) Principal Lenders (as of March 31, 2023)

Lender	Year-end Balance of Loans (million yen)
MUFG Bank, Ltd.	1,240
Mizuho Bank, Ltd.	560
Sumitomo Mitsui Banking Corporation	350

(11) Other Important Matters Regarding the Current Status of the Corporate Group  
Not applicable.

## 2 Matters Regarding the Company's Shares (as of March 31, 2023)

(1) Total number of authorized shares: 320,000,000 shares

(2) Total number of issued shares: 94,371,183 shares

- (Notes) 1. Authorized shares and issued shares are all ordinary shares.  
2. The total number of issued shares includes 44,131 treasury shares.

(3) Total number of shareholders: 7,201 persons

(4) Top 10 shareholders

Name	No. of shares held (thousand)	Shareholding ratio (%)
MAEDA CORPORATION	19,047	20.19
WK 1 Limited	9,200	9.75
WK 2 Limited	9,190	9.74
The Master Trust Bank of Japan, Ltd. (account in trust)	8,019	8.50
WK 3 Limited	5,890	6.24
PERSHING SECURITIES LTD CLIENT SAFE CUSTODY ASSET ACCOUNT	3,455	3.66
MSIP CLIENT SECURITIES	2,699	2.86
Custody Bank of Japan, Ltd. (account in trust)	2,473	2.62
Toyo Construction Kyoei-Kai	1,818	1.92
GOLDMAN SACHS INTERNATIONAL	1,743	1.84

- (Notes) 1. The shareholding ratios are computed without the Company's treasury shares (44,131). The treasury shares do not include the 307,335 shares held by the Officers' Compensation BIP Trust.  
2. Shares less than 1,000 are rounded down.

(5) Status of shares granted to Company officers during the fiscal year under review as consideration for performance of their duties

	Shares	No. of persons granted shares
Directors (excluding outside directors)	6,300 shares	1 person

- (Note) Details of the Company's stock compensation are found in 4. (2) Compensation etc. of Directors and Corporate Auditors.

(6) Other matters concerning shares

The 94th Ordinary General Shareholders Meeting on June 29, 2016 approved a resolution to adopt performance-linked stock compensation for the Company's directors and executive officers (excluding outside directors). This is a program in which a trust called the Officer Compensation BIP (Board Incentive Plan) Trust grants the Company's shares acquired in advance to directors, etc. according to the degree of achievement of medium- to long-term performance targets.

The Officer Compensation BIP Trust held 307,335 shares of the Company as of March 31, 2023.

### 3 Matters Relating the Company's Share Acquisition Rights

Not applicable.

### 4 Matters Relating the Company's Officers (as of March 31, 2023)

#### (1) Names etc. of Directors and Corporate Auditors

Position in Company	Name		Responsibilities and Material Concurrent Positions
Representative Director, President	Kyoji	Takezawa	Executive Officer, President
Director	Hiromi	Hirata	Vice President Executive Officer General Manager of Architectural Construction Div. and in charge of Safety and Environments Dept.
Representative Director	Takahiro	Yabushita	Senior Managing Executive Officer General Manager of Business Administration Div. and in charge of Sustainability
Director	Haruhisa	Obayashi	Senior Managing Executive Officer General Manager of Civil Construction Div. and in charge of Safety and Environment Dept.
Director	Mamoru	Sato	Managing Executive Officer, Deputy General Manager of Business Administration Div.
Director	Yoshio	Fukuda	Outside Director of Harmonic Drive Systems Inc. Auditor of Japan Indonesia Association, Inc. Auditor of Japan Sri Lanka Association, Inc.
Director	Yutaka	Yoshida	
Director	Yasuyuki	Fujitani	
Full-Time Corporate Auditor	Satoshi	Otonari	
Full-Time Corporate Auditor	Jiro	Fukuda	
Full-Time Corporate Auditor	Kiyokata	Somekawa	

Corporate Auditor	Shiho	Boda	Attorney at law of SAKURADA DORI PARTNERS Outside Corporate Auditor of DAIZ Inc. Outside Corporate Auditor of Metaplanet Inc.
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- (Notes)
1. Directors Yoshio Fukuda, Yutaka Yoshida, and Yasuyuki Fujitani are outside directors.
  2. Full-time corporate auditors Jiro Fukuda and Kiyokata Somekawa, and corporate auditor Shiho Boda, are outside corporate auditors.
  3. Directors Yoshio Fukuda, Yutaka Yoshida, and Yasuyuki Fujitani, full-time corporate auditors Jiro Fukuda and Kiyokata Somekawa, and corporate auditor Shiho Boda have filed with the Tokyo Stock Exchange as independent officers as specified in the rules of the Tokyo Stock Exchange.
  4. Full-time corporate auditor Satoshi Otonari has many years of experience in the Company's Accounting Department, and possesses considerable knowledge relating to financial affairs and accounting.
  5. Full-time corporate auditors Jiro Fukuda and Kiyokata Somekawa have administrative experience at financial institutions, and possess considerable knowledge relating to financial affairs and accounting.

(2) Compensation etc. of Directors and Corporate Auditors

(i) Policy for determining compensation etc. for individual directors

The Company's Board of Directors has adopted a policy for determining compensation etc. for each individual director, and the Board of Directors consults the Director Nomination/Compensation Committee on the specifics of the resolutions and receives a report from the committee in advance.

Further, in determining compensation etc. for each individual director, the deliberations by the Director Nomination/Compensation Committee include whether the compensation is in line with the relevant decision-making policy for determining compensation etc., and the Board of Directors respects the report of the Nomination/Compensation Committee and believes that the compensation etc. is in line with the relevant decision-making policy.

The following is a summary of the policy for determining compensation etc. for each individual director.

a. Policy relating to the composition and ratios of director compensation

Compensation for directors consists of three components: base compensation, performance-linked compensation etc., and non-monetary compensation etc. The Company determines the ratios of compensation to be paid to directors in order to appropriately motivate them to continuously increase corporate value, to share value with shareholders, and to attract and retain excellent management personnel, and ensures a balance between providing incentives to improve the Company's performance, preventing inappropriate risk-taking focused only on short-term performance improvement, and realizing management from a medium- to long-term perspective.

b. Policy relating to base compensation

The base compensation is fixed, and its level is determined based on the index set according to each position (for those with concurrent officer positions, their positions), with the President's set at 100.

c. Policy relating to performance-linked compensation etc.

Performance-linked compensation etc. is based on corporate performance, such as consolidated operating income, which reflects the results of the business activities of all officers and employees, as well as divisional and individual performance, which reflects the responsibilities and results of the work of the relevant directors, and is determined according to the degree of achievement of and contribution to the targets set in the annual plan.

d. Policy relating to non-monetary compensation etc.

Non-monetary compensation etc. is performance-linked stock compensation, and is determined according to performance evaluation points based on annual consolidated operating income, construction safety performance, and other indicators for the period subject to evaluation, with the aim of further incentivizing contributions to improving business performance, especially over the medium to long term.

e. Policy relating to timing and conditions for payment of compensation etc.

Base compensation and performance-linked compensation etc. for directors are paid monthly, and the maximum amount of compensation is 33 million yen per month (including 3 million yen per month for outside directors). Further, a trust has been established for non-monetary compensation, etc. with a maximum contribution limit of 454 million yen over four fiscal years, and the Trust will acquire a maximum of 960,000 shares and deliver common shares after the end of the period subject to evaluation according to performance evaluation points.

f. Decisions relating to compensation etc. other than the foregoing

Payment of non-monetary compensation etc. will be suspended in the event of a violation of laws and regulations or the Company's rules, or in the event that the recipient is determined to be inappropriate as a recipient under the system as a result of failure to perform duties, inappropriate language or behavior detrimental to the dignity of the Company, or for other reasons.

(ii) Policy for determining compensation etc. for individual corporate auditors

The compensation etc. of corporate auditors is determined according to the results of discussions with the corporate auditors, and such compensation is limited to base compensation only, with the maximum amount of compensation up to 6 million yen per month.

(iii) Total amount of compensation etc. in the fiscal year under review

Position	Amount of compensation etc. (million yen)	Total amount of compensation etc. by type (million yen)			Number of receiving officers
		Base compensation	Performance-linked compensation etc.	Non-monetary compensation etc.	
Directors (amount for outside directors)	211 (32)	165 (32)	31 (-)	14 (-)	9 (3)
Corporate auditors (amount for outside corporate auditors)	52 (35)	52 (35)	-	-	4 (3)
Total (amount for outside officers)	264 (68)	217 (68)	31 (-)	14 (-)	13 (6)

- (Notes)
- The number of officers and compensation amounts include one director who retired at the conclusion of the 100th Ordinary General Shareholders Meeting held on June 24, 2022.
  - Performance indicators such as performance-linked compensation and the reasons for selecting such indicators are as set forth in “(i) Policy for determining compensation etc. for individual directors.” Changes in consolidated operating income, including fiscal year under review, are as set forth in “1. (5) Changes in Status of Assets and Income.”
  - The content of non-monetary compensation etc. is as set forth in “(i) Policy for determining compensation etc. for individual directors.”
  - The maximum amount of compensation for directors was approved at the 98th Ordinary General Meeting of Shareholders held on June 26, 2020, to be no more than 33 million yen per month (including 3 million yen per month for outside directors). The number of directors at the time of the resolution was nine (including two outside directors). Further, as non-monetary compensation for directors separate from monthly compensation, the 98th Ordinary General Shareholders Meeting held on June 26, 2020 approved a resolution to establish a trust with a maximum amount of 454 million yen for the period subject to performance evaluation in four fiscal years (from the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2023), acquire up to 960,000 shares of the Company’s common stock through the Trust, and deliver them to directors (excluding outside directors) and executive officers according to their performance evaluation points. The number of directors subject to this system at the time of the resolution was seven, and 18 executive officers who do not have concurrent positions as directors were also included.
  - The maximum amount of compensation for corporate auditors was approved at the 76th Ordinary General Shareholders Meeting held on June 26, 1998, to be no more than 6 million



yen per month. The number of corporate auditors at the time of the resolution was four.

(3) Outline of the contents of directors and officers liability insurance agreements

The Company has executed an liability insurance agreement with an insurance company for officer etc. compensation liability insurance as stipulated in Article 430-3, paragraph (1) of the Companies Act, which covers compensatory damages, litigation expenses, and other damages incurred by the insured. The insured under such liability insurance agreement are the Company's directors, corporate auditors, executive officers, and other persons responsible for the execution of business. The insured does not pay any premiums. However, there are certain exclusions, such as that the policies do not cover damage caused by the insured's illegal receipt of personal benefits or favors.

(4) Matters Regarding Outside Officers

- (i) Material concurrent positions as executive officers of other corporations etc. and relationships with such other corporations etc.

Not applicable.

- (ii) Material concurrent positions as outside officers at other corporations etc., and relationships between the Company and such corporations etc.

Director Yoshio Fukuda is an outside director of Harmonic Drive Systems Inc., and a auditor of both Japan Indonesia Association, Inc. and Japan-Sri Lanka Association. There are no special relationships between the Company and his concurrent positions.

Corporate auditor Shiho Boda is an attorney at law of SAKURADA DORI PARTNERS, and an outside corporate auditor of both DAIZ Inc. and Metaplanet Inc. There are no special relationships between the Company and her concurrent positions.

- (iii) Familial relationships between executive officers and the Company or business operators having a certain relationship with the Company

Not applicable.

- (iv) Status of main activities in the fiscal year under review

		Board of Directors (30 meetings held)		Board of Auditors (19 meetings held)	
		Number of meetings attended (meetings attended)	Attendance rate (%)	Number of meetings attended (meetings attended)	Attendance rate (%)
Director	Yoshio Fukuda	30	100	–	–
Director	Yutaka Yoshida	29	97	–	–
Director	Yasuyuki Fujitani	17	94	–	–
Full-Time Corporate Auditor	Jiro Fukuda	30	100	19	100
Full-Time Corporate Auditor	Kiyokata Somekawa	30	100	19	100
Corporate Auditor	Shiho Boda	18	100	12	100

(Notes) 1. Because Director Yasuyuki Fujitani and corporate auditor Shiho Boda were appointed by a resolution of the 100th Ordinary General Shareholders Meeting held on June 24, 2022, their attendance rates for meetings of the Board of Directors and the Board of Auditors are calculated on the basis of the number of meetings held since they took office (18 Board of Directors meetings and 12 Board of Auditors meetings).

2. Summary of Comments Made to the Board of Directors and Board of Auditors etc. and Duties Performed in Relation to the Expected Roles of Outside Directors

Director Yoshio Fukuda, based on his extensive management experience and broad knowledge of global companies and overseas group companies, contributed to the strengthening of the Company's governance through his active participation in Board of Directors meetings, including providing opinions on sustainability initiatives and the management of subsidiaries, as well as advice from a shareholder's perspective.

Director Yutaka Yoshida, based on his extensive management experience and broad knowledge in manufacturing companies, contributed to the strengthening of the Company's governance through his active participation in Board of Directors meetings, including providing accurate advice on management and opinions on the promotion of compliance not only within the Company but also within Group companies.

Director Yasuyuki Fujitani, based on his extensive management experience in global companies and his broad knowledge of the power generation and infrastructure businesses, contributed to the strengthening of the Company's governance through his active participation in Board of Directors meetings, including providing opinions regarding the Company's overseas construction business strategy, which is a growth driver for the Company, and the development of the new mid-term management plan.

Jiro Fukuda, Yutaka Yoshida and Yasuyuki Fujitani were each involved in the deliberations of officer personnel matters and compensation from an objective and neutral standpoint as members of the Director Nomination/Compensation Committee, and as members of the Special Committee, and each of them carefully examined and evaluated, from a fair and objective standpoint, the appropriateness and reasonableness of the proposal by Godo Kaisha Yamauchi - No.10 Family Office and Kabushiki Kaisha KITE for a tender offer for the Company's common shares from the perspective of the medium-to-long-term corporate value of the Company and the interests of shareholders.

Full-time corporate auditors Jiro Fukuda and Kiyokata Somekawa (based on their extensive management knowledge and experience), and corporate auditor Shiho Boda (based on her experience and professional knowledge as an attorney in Japan and overseas), fully carried out their audit functions by making remarks at Board of Directors and Board of Auditors meetings as appropriate from their respective professional perspectives, and by conducting audits of each department and subsidiary in accordance with the Company's audit policy.

Furthermore, each of the above outside officers contributed to the improvement of the Company's governance by sharing information and perceptions among themselves to invigorate discussions at Board of Directors meetings, as well as by actively communicating with executive officers.

3. Summary of response to misconduct at the Group

In response to the criminal case of a former director of the Company's consolidated subsidiary Tachibana Kogyo Co., Ltd. as set forth in "1. (1) (i) Management results and status of segments," and the subsidiary's suspension of operations, directors Yoshio Fukuda, Yutaka

Yoshida, and Yasuyuki Fujitani; full-time corporate auditors Jiro Fukuda and Kiyokata Somekawa; and corporate auditor Shiho Boda each made recommendations with a view toward compliance with laws and regulations for the entire Group and confirmed the status of the Company's supervision regarding the operation of the subsidiary's measures to prevent recurrence of misconduct.

(v) Outline of the contents of liability limitation agreements

Pursuant to Article 427, paragraph (1) of the Companies Act, the Company has executed agreements with each of the outside directors and outside corporate auditors to limit their damage compensation liability as stipulated in Article 423, paragraph (1) of the Act. The maximum amount of damage compensation liability pursuant to such agreements is the minimum liability amount stipulated by laws and regulations.

## 5 Accounting Auditor

(1) Name of Accounting Auditor: Ernst & Young ShinNihon LLC

(2) Amount of Compensation

- (i) Amount of compensation of the accounting auditor pertaining to the fiscal 56 million yen
- (ii) Total amount of money or other economic benefits to be paid by the Company and the Company's subsidiaries 56 million yen

- (Notes)
1. The Audit & Supervisory Board of Auditors gave consent to the amount of compensation of the accounting auditor after necessary verification of the appropriateness of the content of the accounting auditor's audit plan, the execution of the accounting auditor's duties, and the basis for calculating the compensation estimate.
  2. The audit agreement between the Company and the accounting auditor does not clearly distinguish between the amount of compensation for audits pursuant to the Companies Act and the amount of compensation for audits pursuant to the Financial Instruments and Exchange Act, and it is substantially impossible to do so; therefore, the total amount of these compensation is stated as the amount of compensation.
  3. The Company's principal overseas subsidiaries are audited by certified public accountants or audit corporation (including those with equivalent qualifications in foreign countries) other than the Company's accounting auditor.

(3) Contents of non-auditing services

The Company has entrusted the accounting auditor with services for issuing certificates for tax returns in foreign countries.

(4) Policies for determination of dismissal or refusal of reelection of the accounting auditor

The Audit & Supervisory Board of Auditors will consider dismissal or refusal of reelection of the accounting auditor if there is a problem with the execution of the accounting auditor's duties or the like, and if it finds it necessary, it will decide on a proposal relating to the dismissal or refusal of reelection of the accounting auditor.

Further, if the Audit & Supervisory Board of Auditors determines that the accounting auditor has violated or contravened the Companies Act, the Certified Public Accountants Act, or any other laws and regulations, it will consider the dismissal of the accounting auditor pursuant to the facts, and if it determines that dismissal is appropriate, it will dismiss the accounting auditor.

## 6 Basic Policy Regarding Control of the Company

### (1) Basic Policy Regarding Control of the Company

As a listed company, the Company is aware that, when a purchase proposal that will have a material impact on its basic management policy is made by a specific person, the question of whether to accept that proposal ultimately must be entrusted to the decision of the Company's shareholders.

However, if the large-scale purchases are carried out, it will be difficult for Company shareholders to appropriately assess the impact that such purchases will have on the Company's corporate value and the common interests of shareholders without receiving necessary and sufficient information from the large-scale purchaser. In addition, the large-scale purchases undeniably may encompass purchases that will harm the common interests of shareholders and the Company's medium-to-long-term corporate value that the Company has built and maintained for itself over time, including purchases intended to assume temporary control of management and transfer important tangible or intangible business assets to the purchaser or its group companies, etc.; purchases intended to appropriate the Company's assets for repayment of the purchaser's debts, etc.; purchases intended simply to cause the Company and/or its related parties to acquire Company shares at a high price, with no true intention of participating in management (so-called "greenmailing"); purchases intended to achieve temporary high dividends by having the Company sell off or otherwise dispose of high-value assets etc. in its possession; purchases which may damage the good relationship with the Company's stakeholders and impair the Company's medium-to-long-term corporate value; purchases which fail to provide the time or information reasonably necessary for the Company's shareholders or Board of Directors to discuss the particulars, etc. of the purchase and acquisition proposal and have the Company's Board of Directors present an alternative proposal; and purchases that otherwise cannot be said to reflect the Company's corporate value fully.

Based on this understanding, the Company believes that the Company's Board of Directors has a duty to (i) cause the specific shareholder group that includes the large-scale purchaser to provide information necessary and sufficient for shareholders to make a decision; (ii) provide the results of assessments and discussions by the Company's Board of Directors regarding the impact on the Company's medium-to-long-term corporate value and the common interests of shareholders of the proposal by the specific shareholder group that includes the large-scale purchaser; and, depending on the case, (iii) hold negotiations or consultations with the specific shareholder group that includes the large-scale purchaser regarding the large-scale purchase and/or the Company's management policies, etc., or present shareholders with an alternative proposal by the Board of Directors regarding management policies, etc.

Working from this basic approach, the Company's Board of Directors will request that the specific shareholder group that includes the large-scale purchaser provide information necessary and sufficient for Company shareholders to make a suitable assessment regarding whether to accept the large-scale purchase, so as to ensure maximization of the Company's medium-to-long-term corporate value and the common interests of shareholders; will make timely and appropriate disclosures of the information so provided to the Company; and will take any other action deemed appropriate, to the extent permitted under the Financial Instruments and Exchange Act, the Companies Act, other laws and regulations, and the Articles of Association.

(2) Summary of Special Efforts Contributing to Realization of Basic Policy

(i) Efforts to Enhance Company's Corporate Value and Shareholders' Common Interests

a) Management Policy

Guided by the principles of "Invention and Innovation", "Respect for Human Dignity", and "Awareness of responsibility" the Company adopts the management philosophy of "Everybody working together with dreams and youth, devoted to customer and public society with new and productive technology, striving toward company's consistent growth and employees' welfare promotion". In implementing this philosophy, the Company devotes itself, as an enterprise responsible for construction, to the study of construction technologies that are in line with societal demands, and strive to contribute to creating a better and valuable social foundation.

By putting into practice the three principles of "originality and innovation", "respect for people", and "awareness of responsibility", as well as the management philosophy of "with dreams and youth, all members of Toyo Construction in concert working to serve our customers

b) Mid-Term Business Plan to Embody Management Policy

In its mid-term business plan released on March 23, 2023, the Company set forth the basic policy of "Continue to be a resilient company and become a company that can stand up to adversity," with a basic strategy of (i) transformation from "defense to offense", (ii) transformation to a "high profit model", and (iii) transformation to "capital efficiency management". By steadily implementing such major management changes, the company will respond flexibly to the ever-changing business environment, and become a resilient company that directly takes on challenges in a difficult environment, guided by the Company's management philosophy.

(ii) Strengthening of Corporate Governance

The Company has undertaken the following specific initiatives for the further strengthening of its corporate governance.

(Corporate Governance System)

For the realization of the management philosophy of (i) a) Management Policy above, the Company sets forth the basic policy of “Continue to be a resilient company and become a company that can stand up to adversity”, values robust corporate governance as one of the most important objectives for management and is endeavoring to build optimal management systems to respond swiftly to changes in the business environment. The Company believes that ensuring robust corporate governance and efficient and transparent management will enhance corporate value and be the foundation for the Company’s survival as an enterprise that is trusted by shareholders, other stakeholders, and society as a whole.

As part of its corporate governance system, the Company has established a Board of Auditors and is conducting oversight and monitoring of its business affairs through the Board of Directors and the Board of Auditors. The Board of Directors is chaired by the Representative Director, President and consists of eight directors, of whom three are independent outside directors. Likewise, the system is such that four corporate auditors, including three outside corporate auditors, attend meetings of the Board of Directors to audit the Directors’ conduct of business, and all of the outside corporate auditors are independent outside auditors. Furthermore, to enhance the independence and objectivity of the function of the Board of Directors with regard to the nomination and compensation, etc. of directors and executive officers, Director Nominating/Compensation Committee is in place beneath the Board of Directors to consult on nominations and compensation. The committee membership consists of two representative directors and three outside directors, making for a system that ensures suitable involvement by and advice from outside directors.

(Auditing by Corporate Auditors and Internal Audits)

On the basis of the fiduciary responsibility to the shareholders, auditors conduct audits of the state of directors’ performance of their duties, in accordance with the Board of Directors Regulations and the Detailed Board of Auditors Regulations, from an independent and objective standpoint for the benefit of the Company and the common interests of the Company shareholders. In addition, to enhance the effectiveness of audits, auditors maintain partnerships with financial auditors, the Audit Department, and auditors of subsidiaries. Auditors attend meetings of the Board of Directors and other important meetings



and, if necessary, can request at any time that directors and employees of the Company or subsidiaries access or provide materials relevant to business affairs.

In addition, the Company has established the Audit Department, and ensures the propriety of its business activities and the efficiency and soundness of its management by confirming the state of performance of the duties of each department and the effectiveness and reasonableness of internal controls. The Audit Department, in accordance with the auditing plan, conducts operational audits of the Company's headquarters, 11 Company branches and offices, and 3 subsidiaries, thus confirming the state of business affairs and the effectiveness and reasonableness of internal controls in the corporate group comprising the Company and its subsidiaries. Further, the Audit Department conducts internal control audits of financial reports, and improves the reliability of financial reports by detecting internal control failures, etc. and correcting departments. The Audit Department also reports the results of audits regularly to the Board of Directors.

(Other)

In addition to the foregoing, the Company, works earnestly to strengthen corporate governance in accordance with Japan's latest Corporate Governance Code. For the details of the Company's corporate governance system, please refer to the Company's Corporate Governance Report (dated April 25, 2023).

(3) Summary of Efforts to Prevent Decisions on Company's Financial and Business Policies from Being Controlled by Persons that are unsuitable in Light of the Basic Policy

As set forth in (1) above, the Company will take measures deemed appropriate, to the extent permitted under the Financial Instruments and Exchange Act, the Companies Act, other laws and regulations, and the Articles of Association based on the basic policy.

(4) Determination of the Company's Board of Directors Regarding Specific Efforts and the Reasons Therefor

The purpose of the efforts of (2) and (3) above is to secure and improve the Company's medium-to-long-term corporate value and the common interests of shareholders.

Therefore, the Company believes that the efforts of (2) and (3) above are in line with the basic policy of (1) above, that these initiatives do not harm the Company's medium-to-long-term corporate value or the common interests of the shareholders, and that they are not for the purpose of maintaining the status of the Company's current officers.

## Consolidated Balance Sheet

(As of March 31, 2023)

(Unit: million yen)

Description (Assets)	Amount	Description (Liabilities)	Amount
<b>Current assets</b>	<b>115,014</b>	<b>Current liabilities</b>	<b>70,235</b>
Cash and deposits	39,108	Notes payable, accounts payable for construction contracts and other	33,729
Notes receivable, accounts receivable from completed construction contracts and other	63,153	Short-term borrowings	2,951
Costs on construction contracts in progress	2,158	Income taxes payable	2,268
Advances paid	2,384	Advances received on construction contracts in progress	12,537
JV business receivables	4,770	Deposits received	5,996
Other	3,450	Accrued consumption taxes	8,525
Allowance for doubtful accounts	(11)	Provision for warranties for completed construction	1,053
		Provision for loss on construction contracts	25
		Provision for bonuses	1,233
		Other	1,915
<b>Non-current assets</b>	<b>38,703</b>	<b>Non-current liabilities</b>	<b>9,497</b>
<b>Property, plant and equipment</b>	<b>31,013</b>	Long-term borrowings	1,754
Buildings and structures	13,086	Deferred tax liabilities	135
Machinery, vehicles, tools, furniture and fixtures	26,052	Deferred tax liabilities for land revaluation	2,206
Land	21,346	Other provisions	9
Construction in progress	186	Retirement benefit liability	4,826
Accumulated depreciation	(29,658)	Other	564
<b>Intangible assets</b>	<b>977</b>	<b>Total liabilities</b>	<b>79,733</b>
<b>Investment and other assets</b>	<b>6,711</b>	<b>(Net assets)</b>	
Investment securities	2,528	<b>Shareholders' equity</b>	<b>68,680</b>
Deferred tax assets	2,513	Share capital	14,049
Retirement benefit asset	366	Capital surplus	6,074
Other	1,400	Retained earnings	48,701
Allowance for doubtful accounts	(97)	Treasury shares	(145)
		<b>Accumulated other comprehensive income</b>	<b>3,138</b>
		Valuation difference on available-for-sale securities	576
		Revaluation reserve for land	3,070
		Foreign currency translation adjustment	35
		Remeasurements of defined benefit plans	(543)

		<b>Non-controlling interests</b>	<b>2,165</b>
		<b>Total net assets</b>	<b>73,984</b>
<b>Total assets</b>	<b>153,717</b>	<b>Total liabilities and net assets</b>	<b>153,717</b>

## Consolidated Statement of Income

(April 1, 2022, to March 31, 2023)

(Unit: million yen)

Description	Amount	
<b>Net Sales</b>		
Net sales of completed construction contracts	167,676	
Net sales in sideline businesses	675	<b>168,351</b>
<b>Cost of sales</b>		
Cost of sales of completed construction contracts	148,609	
Cost of sales in sideline businesses	214	<b>148,823</b>
<b>Gross profit</b>		
Gross profit on completed construction contracts	19,066	
Gross profit on sideline businesses	460	<b>19,527</b>
<b>Selling, general and administrative expenses</b>		<b>10,531</b>
<b>Operating profit</b>		<b>8,995</b>
<b>Non-operating income</b>		
Interests and dividend income	167	
Foreign exchange gains	74	
Other	80	321
<b>Non-operating expenses</b>		
Interest expenses	132	
Restructuring expenses	486	
Commitment fees	27	
Other	118	765
<b>Ordinary profit</b>		<b>8,551</b>
<b>Extraordinary income</b>		
Gain on sale of non-current assets	149	
Gain on sale of investment securities	222	
Other	10	382
<b>Extraordinary losses</b>		
Loss on sale of non-current assets	24	
Loss on retirement of non-current assets	24	
Other	3	51
<b>Profit before income taxes</b>		<b>8,882</b>
Income taxes - current	3,166	
Income taxes - deferred	(247)	2,918
<b>Profit</b>		<b>5,964</b>
Profit attributable to non-controlling interests		307
<b>Profit attributable to owners of parent</b>		<b>5,656</b>

## Balance Sheet

(As of March 31, 2023)

(Unit: million yen)

Description (Assets)	Amount	Description (Liabilities)	Amount
<b>Current assets</b>	<b>103,374</b>	<b>Current liabilities</b>	<b>64,620</b>
Cash and deposits	33,240	Notes payable - trade	944
Notes receivable - trade	646	Electronically recorded obligations	7,132
Electronically recorded monetary claims	3,129	Accounts payable for construction contracts	21,693
Accounts receivable from completed construction contracts	55,122	Short-term borrowings	2,211
Securities	92	Lease obligations	87
Costs on construction contracts in progress	1,900	Income taxes payable	2,017
JV business receivables	4,837	Accrued consumption taxes	8,421
Advances paid	2,387	Advances received on construction contracts in progress	11,935
Other	2,028	Deposits received	6,280
Allowance for doubtful accounts	(11)	Provision for warranties for completed construction	1,058
<b>Non-current assets</b>	<b>36,296</b>	Provision for loss on construction contracts	25
<b>Property, plant and equipment</b>	<b>28,287</b>	Provision for bonuses	1,095
Buildings and structures	12,007	Other	1,715
Accumulated depreciation	(8,329)	<b>Non-current liabilities</b>	<b>8,547</b>
Machinery and vehicles	16,235	Long-term borrowings	1,754
Accumulated depreciation	(12,731)	Lease obligations	237
Tools, furniture and fixtures	2,202	Deferred tax liabilities for land revaluation	2,206
Accumulated depreciation	(1,648)	Provision for retirement benefits	4,032
Land	20,136	Asset retirement obligations	23
Leased assets	516	Other	292
Accumulated depreciation	(216)	<b>Total liabilities</b>	<b>73,167</b>
Construction in progress	116		
<b>Intangible assets</b>	<b>947</b>	<b>(Net assets)</b>	
Software	827	<b>Shareholders' equity</b>	<b>62,969</b>
Leased assets	3	<b>Share capital</b>	<b>14,049</b>
Other	116	<b>Capital surplus</b>	<b>5,840</b>
<b>Investment and other assets</b>	<b>7,061</b>	Legal capital surplus	5,840
Investment securities	1,981	<b>Retained earnings</b>	<b>43,224</b>
Shares of subsidiaries and associates	1,595	Legal retained earnings	195
Long-term loans receivable	197	Other retained earnings	43,028
Distressed receivables	62	General reserve	3,000
Long-term prepaid expenses	4	Retained earnings brought forward	40,028
Deferred tax assets	1,724	<b>Treasury shares</b>	<b>(145)</b>
Other	1,587	<b>Valuation and translation adjustments</b>	<b>3,533</b>
Allowance for doubtful accounts	(91)	Valuation difference on available-for-sale securities	462

		Revaluation reserve for land	3,070
		<b>Total net assets</b>	<b>66,502</b>
<b>Total assets</b>	<b>139,670</b>	<b>Total liabilities and net assets</b>	<b>139,670</b>

## Statement of Income

(April 1, 2022, to March 31, 2023)

(Unit: million yen)

Description	Amount	
<b>Net Sales</b>		
Net sales of completed construction contracts	149,482	
Net sales in real estate business	443	
		<b>149,925</b>
<b>Cost of sales</b>		
Cost of sales of completed construction contracts	132,972	
Cost of sales in real estate business	225	
		<b>133,198</b>
<b>Gross profit</b>		
Gross profit on completed construction contracts	16,509	
Gross profit on real estate business	217	
		<b>16,727</b>
<b>Selling, general and administrative expenses</b>		<b>8,904</b>
<b>Operating profit</b>		<b>7,823</b>
<b>Non-operating income</b>		
Interests and dividend income	143	
Foreign exchange gains	30	
Other	51	
		225
<b>Non-operating expenses</b>		
Interest expenses	123	
Restructuring expense	486	
Commitment fees	27	
Other	70	
		707
<b>Ordinary profit</b>		<b>7,340</b>
<b>Extraordinary income</b>		
Gain on sale of non-current assets	20	
Gain on sale of investment securities	18	
		39
<b>Extraordinary losses</b>		
Loss on sale of non-current assets	1	
Loss on retirement of non-current assets	21	
		23
<b>Profit before income taxes</b>		<b>7,356</b>
Income taxes - current	2,640	
Income taxes - deferred	(153)	
		2,487
<b>Profit</b>		<b>4,869</b>

Consolidated Financial Statements Accounting Audit Report

Independent Auditor's Audit Report		May 18, 2023
To: Board of Directors Toyo Construction Co., Ltd.	Ernst & Young ShinNihon LLC Tokyo Office	
	Designated Liability Engagement Partner	Limited Certified Public Accountant Masanobu Saito
	Designated Liability Engagement Partner	Limited Certified Public Accountant Masahiko Nagasaki



#### Audit Opinion

Pursuant to the provisions of Article 444, paragraph 4 of the Companies Act, we conducted an audit of the consolidated financial statements, i.e., the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements of Toyo Construction Co., Ltd. for the consolidated fiscal year from April 1, 2022 to March 31, 2023.

We believe that the above consolidated financial statements present fairly, in all material respects, the status of the assets, losses, and income of the corporate group consisting of Toyo Construction Co., Ltd. and its consolidated subsidiaries for the period covered by the consolidated financial statements, in accordance with accounting principles generally accepted in Japan.

#### Basis for Audit Opinion

We conducted our audit in accordance with generally accepted auditing standards in Japan. Our responsibilities under those standards are described in “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements.” In accordance with regulations on professional ethics in Japan, we are independent from the Company and its consolidated subsidiaries, and have fulfilled all other ethical responsibilities required of us as auditors. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

#### Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and disclosure of the other information. Further, corporate auditors and the Board of Auditors are responsible for monitoring the execution of duties by directors in the development and operation of the reporting process for the other information.

Our audit opinion on the consolidated financial statements does not cover the other information, and accordingly, we express no opinion on the content thereof.

Our responsibility in the audit of the consolidated financial statements is to read through the other information and, in the course of doing so, to consider whether there are any material differences between the content of the other information and the consolidated financial statements or knowledge that we have acquired in the course of our audit, and, in addition to such material differences, to pay attention to whether there are any other indications of material errors in the content of the other information.

If, on the basis of the work we have performed, we determine that there are material errors in the other information, we are required to report them.

There are no matters that we should report in relation to the other information.

#### Responsibilities of Management, the Corporate Auditors, and Board of Auditors with Respect to the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes the development and operation of internal control that management determines is necessary in order to prepare and present fairly the consolidated financial statements free from material misstatement due to fraud or error.

In preparing the consolidated financial statements, management is responsible for evaluating whether it is appropriate to prepare the consolidated financial statements on the going concern basis of accounting and for disclosing such matters if it is necessary to disclose matters relating to being a going concern in accordance with accounting principles generally accepted in Japan.

The corporate auditors and the Board of Auditors are responsible for monitoring the execution of duties by directors in the development and operation of the financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

We are responsible for obtaining reasonable assurances about whether the consolidated financial statements, as a whole are free from material misstatement due to fraud or error, on the basis of our audit, and expressing an independent opinion on the consolidated financial statements in the audit report. Misstatements can arise from fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to affect the decisions of the users of the consolidated financial statements.

We will exercise professional judgment throughout the audit process in accordance with auditing standards generally accepted in Japan, and shall maintain professional skepticism in carrying out the following:

- Identify and assess the risks of material misstatement due to fraud or error. Further, propose and implement audit procedures that address the risks of material misstatements. The selection and application of audit procedures are at our discretion. Furthermore, obtain sufficient and appropriate audit evidence to provide a basis for expressing an opinion.
- The purpose of the audit of the consolidated financial statements is not to express our opinion on the effectiveness of internal control; however, in making risk assessments, we will consider internal control relating to audits in order to propose audit procedures that are appropriate to the circumstances.
- Assess the appropriateness of the accounting policies adopted by management and the application thereof, and the reasonableness of the accounting estimates made by management and the adequacy of related notes.
- Conclude whether it is appropriate for management to prepare the consolidated financial statements on the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists with respect to events or conditions that may cast significant doubt on the assumption that the Company is a going concern. If any material uncertainty regarding the assumption that the Company is a going concern is found, we are required to draw attention in the audit report to the notes to the consolidated financial statements or, if notes to the consolidated financial statements relating to material uncertainties are inadequate, to express an opinion on the matters to be excluded in the consolidated financial statements. Our conclusion is based on audit evidence obtained up to the date of the audit report; however, future events or conditions may cause the Company to become unable to continue as a going concern.
- Assess whether the presentation of the consolidated financial statements and the notes thereto comply with accounting principles generally accepted in Japan, the presentation, structure, and content of the consolidated financial statements, including related notes, and whether the consolidated financial statements represent the underlying transactions and events

in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence relating to the financial information of the Company and its consolidated subsidiaries in order to express an opinion regarding the consolidated financial statements. We are responsible for directing, supervising, and performing the audit of the consolidated financial statements. We are solely responsible for the audit opinion.

We will report to corporate auditors and the Board of Auditors on the planned scope and timing of the audit, material audit findings identified during the course of the audit, including any material deficiencies in internal control, and other matters required by auditing standards.

We will report to corporate auditors and the Board of Auditors the fact of our compliance with provisions relating to professional ethics in Japan with respect to independence, any matters that may reasonably be considered to affect our independence, and any safeguards that have been taken to remove or mitigate impediments.

#### Conflicts of Interest

There are no conflicts of interest between the Company or any of its consolidated subsidiaries and our firm or any of our engagement partners that are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act.

End

Financial Statements Accounting Audit Report

Independent Auditor's Audit Report		May 18, 2023
To: Board of Directors Toyo Construction Co., Ltd.	Ernst & Young ShinNihon LLC Tokyo Office	
	Designated Liability Engagement	Limited Partner Certified Public Accountant
	Designated Liability Engagement	Certified Public Accountant
		Masanobu Saito
		Masahiko Nagasaki

#### Audit Opinion

Pursuant to the provisions of Article 436, paragraph 2, item (1) of the Companies Act, we conducted an audit of the financial statements, i.e., the balance sheet, statement of income, statement of changes in equity, notes to non-consolidated financial statements, and supplementary schedules thereto ("Financial Statements etc.") of Toyo Construction Co., Ltd. for the 103<sup>rd</sup> fiscal year from April 1, 2022 to March 31, 2023.

We believe that the above Financial Statements etc. present fairly, in all material respects, the status of the assets, losses, and income for the period covered by Financial Statements etc., in accordance with accounting principles generally accepted in Japan.

#### Basis for Audit Opinion

We conducted our audit in accordance with generally accepted auditing standards in Japan. Our responsibilities under those standards are described in "Auditor's Responsibilities for the Audit of the Financial Statements etc." In accordance with regulations on professional ethics in Japan, we are independent from the Company, and have fulfilled all other ethical responsibilities required of us as auditors. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

#### Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and disclosure of the other information. Further, corporate auditors and the Board of Auditors are responsible for monitoring the execution of duties by directors in the development and operation of the reporting process for the other information.

Our audit opinion on the Financial Statements etc. does not cover the other information, and accordingly, we express no opinion on the content thereof.

Our responsibility in the audit of the Financial Statements etc. is to read through the other information and, in the course of doing so, to consider whether there are any material differences between the content of the other information and the Financial Statements etc. or knowledge that we have acquired in the course of our audit, and, in addition to such material differences, to pay attention to whether there are any other indications of material errors in the content of the other information.

If, on the basis of the work we have performed, we determine that there are material errors in the other information, we are required to report them.

There are no matters that we should report in relation to the other information.

The Responsibilities of Management, the Corporate Auditors, and the Board of Auditors with Respect to the Financial Statements etc.

Management is responsible for the preparation and fair presentation of the Financial Statements etc. in accordance with accounting principles generally accepted in Japan. This includes the development and operation of internal control that management determines is necessary in order to prepare and present fairly the Financial Statements etc. free from material misstatement due to fraud or error.

In preparing the Financial Statements etc., management is responsible for evaluating whether it is appropriate to prepare the Financial Statements etc. based on the going concern basis of accounting and for disclosing such matters if it is necessary to disclose matters relating to being a going concern in accordance with accounting principles generally accepted in Japan.

The corporate auditors and the Board of Auditors are responsible for monitoring the execution of duties by directors in the development and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements etc.

We are responsible for obtaining reasonable assurances about whether the Financial Statements etc., as a whole are free from material misstatement due to fraud or error, on the basis of our audit, and to express an independent opinion on the Financial Statements etc. in the audit report. Misstatements can arise from fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to affect the decisions of the users of the Financial Statements etc.

We will exercise professional judgment throughout the audit process in accordance with auditing standards generally accepted in Japan, and shall maintain professional skepticism in carrying out the following:

- Identify and assess the risks of material misstatement due to fraud or error. Further, propose and implement audit procedures that address the risks of material misstatements. The selection and application of audit procedures are at our discretion. Furthermore, obtain sufficient and appropriate audit evidence to provide a basis for expressing an opinion.
- The purpose of the audit of the Financial Statements etc. is not to express an opinion on the effectiveness of internal control; however, in making risk assessments, we will consider internal control relating to audits in order to propose audit procedures that are appropriate to the circumstances.
- Assess the appropriateness of the accounting policies adopted by management and the application thereof, and the reasonableness of the accounting estimates made by management and the adequacy of related notes.
- Conclude whether it is appropriate for management to prepare the Financial Statements etc. on the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists with respect to events or conditions that may cast significant doubt on the assumption that the Company is a going concern. If any material uncertainty regarding the assumption that the Company is a going concern is found, we are required to draw attention in the audit report to the notes to the Financial Statements etc. or, if notes to the Financial Statements etc. relating to material uncertainties are inadequate, to express an opinion on the matters to be excluded in the Financial Statements etc. Our conclusion is based on audit evidence obtained up to the date of the audit report; however, future events or conditions may cause the Company to become unable to continue as a going concern.
- Assess whether the presentation of the Financial Statements etc. and the notes thereto comply with accounting principles generally accepted in Japan, the presentation, structure, and content of the Financial Statements etc., including related notes, and whether the Financial Statements etc. represent the underlying transactions and events in a manner that achieves fair presentation.

We will report to corporate auditors and the Board of Auditors on the planned scope and timing of the audit, material audit findings identified during the course of the audit, including any material deficiencies in internal control, and other matters required by auditing standards.

We will report to corporate auditors and the Board of Auditors the fact of our compliance with provisions relating to professional ethics in Japan with respect to independence, any matters that may reasonably be considered to affect our

independence, and any safeguards that have been taken to remove or mitigate impediments.

Conflicts of Interest

There are no conflicts of interest between the Company and our firm or our engagement partners that are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act.

End

## Board of Auditors Audit Report

### Audit Report

In regard to the execution of duties by directors for the 103rd fiscal year from April 1, 2022 to March 31, 2023, we, the Board of Auditors, have deliberated on the basis of the audit reports prepared by each corporate auditor, and have prepared this Audit Report as the unanimous opinion of the corporate auditors and report as follows.

#### 1. Method and Details of Audit by corporate auditors and the Board of Auditors

- (1) The Board of Auditors established the audit policies and audit plans, etc., received reports from each corporate auditors regarding the status and results of audits, received reports from directors, etc. and the accounting auditor regarding the status of the execution of their duties, and requested explanations as necessary.
- (2) Each corporate auditors, in compliance with the audit standards for corporate auditors established by the Board of Auditors and in accordance with the audit policies, audit plans, etc., communicated with the directors, the Audit Department and other employees, etc. using the Internet and other means, endeavored to collect information and develop an environment for auditing, and conducted the audit in accordance with the following methods.
  - (i) Attended meetings of the Board of Directors and other important meetings, received reports from directors and employees, etc. regarding the execution of their duties, requested explanations as necessary, perused important approval documents, etc., and investigated the status of operations and assets at the head office and branch offices, etc. Further, with respect to subsidiaries, attended affiliate president meetings, etc., visited subsidiaries, communicated and exchanged information with directors and corporate auditors, etc. of subsidiaries, and examined the status of their businesses and assets.
  - (ii) With respect to the content of resolutions of the Board of Directors relating to the development of systems to ensure that the execution of duties by directors complies with laws, regulations and the Articles of Association and other systems stipulated in Article 100, paragraphs 1 and 3 of the Regulations for the Enforcement of the Companies Act as necessary to ensure the appropriateness of operations of the corporate group consisting of a stock company and its subsidiaries, as well as the systems (internal control systems) that have been developed pursuant to such resolutions stated in the business report, received reports from directors and employees, etc., regarding the status of the development and operation of such systems on a regular basis, requested explanations as necessary, and expressed opinions.
  - (iii) Reviewed the contents of the basic policies under Article 118, item (3), sub-item (a) of the Regulations for Enforcement of the Companies Act, and the efforts under sub-item (b) of the same item, as described in the business report, in light of the status of deliberations in the Board of Directors, etc. and other factors.
  - (iv) With respect to internal control concerning financial reporting under the Financial Instruments and Exchange Act, received reports from directors, etc. and Ernst & Young ShinNihon LLC regarding the status of discussions between them and the assessment and audit of such internal control, and requested explanations as necessary.
  - (v) With respect to internal audits, received an explanation of the audit plans in advance from the Audit Department, reviewed reports on the results of the audits conducted, received explanations as necessary, and expressed opinions.
  - (vi) Monitored and verified whether the accounting auditor maintained independence and conducted an appropriate audit, received reports from the accounting auditor on the execution of its duties, and requested explanations as necessary. Further, received notice from the accounting auditor that “systems for ensuring that the performance of the duties is being carried out correctly” (the matters set forth in the items of Article 131 of the Regulation on Corporate Accounting) are maintained in accordance with the “Standards for Quality Control of Audits” (Business Accounting Council, October 28, 2005) and other standards, and requested explanations as necessary.



Based on the above methods, we have reviewed the business report and its supplementary schedules, the financial statements (balance sheet, statement of income, statement of changes in equity, and notes to non-consolidated financial statements) and their supplementary schedules, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements) for the fiscal year under review.

## 2. Audit Results

### (1) Audit results for the business report, etc.

- (i) We believe that the business report and the supplementary schedules thereto present fairly the status of the Company in accordance with laws and regulations and the Company's Articles of Association.
- (ii) We have found no misconduct or material facts that violate any laws or regulations or the Company's Articles of Association relating to the execution of duties by directors.
- (iii) We believe that the content of resolutions by the Board of Directors relating to internal control systems (including internal control for financial reporting) is appropriate. Further, we have found no matters that should be pointed out with respect to the content of the business report or the execution of duties by directors relating to such internal control systems.
- (iv) We have found no matters that should be pointed out with respect to the basic policy relating to the persons who control the decisions on the Company's financial and business policies stated in the business report. We believe that each of the efforts under Article 118, item 3, sub-item (b) of the Regulations for Enforcement of the Companies Act, as described in the business report, is in line with such basic policy, does not harm the common interests of the Company's shareholders, and is not intended to maintain the status of the Company's corporate officers.

As noted in the business report, a former director of Tachibana Kogyo Co., Ltd., a consolidated subsidiary of the Company, was indicted for obstruction of auctions related to public contracts, and the criminal penalty became final and binding. Tachibana Kogyo Co., Ltd. was ordered to suspend its business for 120 days by the Ministry of Land, Infrastructure, Transport and Tourism as of September 2, 2022. All officers and employees of the Company and its group will ensure compliance with laws and regulations, and make efforts for the prevention of any recurrence. The Board of Auditors will monitor and verify the Company's implementation of such efforts.

(2) Audit results of financial statements and supplementary schedules  
We believe that the methods and results of the audit by accounting auditor Ernst & Young ShinNihon LLC are reasonable.

### (3) Audit results of consolidated financial statements audit

We believe that the methods and results of the audit by accounting auditor Ernst & Young ShinNihon LLC are reasonable.

May 22, 2023

Toyo Construction Co., Ltd., Board of Auditors

Full-Time Corporate Auditor	Satoshi Otonari [seal]
Full-Time Corporate Auditor (Outside Corporate Auditor)	Jiro Fukuda [seal]
Full-Time Corporate Auditor (Outside Corporate Auditor)	Kiyokata Somekawa [seal]
Corporate Auditor (Outside Corporate Auditor)	Shiho Boda [seal]

End