

Cover page

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Clause of stipulation	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	As of June 30, 2023
Fiscal year	103rd fiscal year (from April 1, 2022 to March 31, 2023)
Company name	TOYO CONSTRUCTION CO., LTD.
Title and name of representative	Haruhisa Obayashi, Representative Director, President
Address of registered headquarters	4-1-1 Koraibashi, Chuo-ku, Osaka-shi, Osaka
Telephone number	06-6209-8711
Name of contact person	Katsuhisa Takai, General Manager of Administration Dept. of Osaka Main Office
Nearest place of contact	1-105, Kandajimbocho, Chiyoda-ku, Tokyo
Telephone number	03-6361-5450
Name of contact person	Hisashi Tokimizu, General Manager of Administration Dept. of Administration Div.
Place for public inspection	Head Office of TOYO CONSTRUCTION CO., LTD. (1-105, Kandajimbocho, Chiyoda-ku, Tokyo) Yokohama Branch of TOYO CONSTRUCTION CO., LTD. (25-15 Yamashita-chou, Naka-ku, Yokohama-shi) Nagoya Branch of TOYO CONSTRUCTION CO., LTD. (2-12-14 Nishiki, Naka-ku, Nagoya-shi) Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Part I. Company Information

I. Overview of the Company

1. Summary of business results

(1) Business results of the Group

Term		99th fiscal year	100th fiscal year	101st fiscal year	102nd fiscal year	103rd fiscal year
Fiscal year-end		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(Millions of yen)	163,860	174,805	172,976	152,524	168,351
Ordinary profit	(Millions of yen)	8,069	9,168	14,103	9,139	8,551
Profit attributable to owners of parent	(Millions of yen)	5,445	5,766	9,176	5,863	5,656
Comprehensive income	(Millions of yen)	5,734	5,635	9,991	6,376	5,964
Net assets	(Millions of yen)	52,966	57,329	65,875	69,899	73,984
Total assets	(Millions of yen)	140,419	135,516	148,953	135,582	153,717
Net assets per share	(Yen)	549.48	595.12	684.14	724.81	763.87
Earnings per share	(Yen)	57.92	61.31	97.65	62.40	60.17
Diluted earnings per share	(Yen)	—	—	—	—	—
Equity ratio	(%)	36.8	41.3	43.1	50.2	46.7
Return on equity (ROE)	(%)	11.0	10.7	15.3	8.9	8.1
Price earnings ratio (PER)	(Times)	7.4	7.1	5.9	12.4	15.2
Net cash provided by (used in) operating activities	(Millions of yen)	9,348	(269)	(6,548)	22,287	11,785
Net cash provided by (used in) investing activities	(Millions of yen)	(2,239)	(2,966)	(961)	(1,109)	(485)
Net cash provided by (used in) financing activities	(Millions of yen)	(2,967)	(2,632)	(2,095)	(7,462)	(2,872)
Cash and cash equivalents at end of period	(Millions of yen)	32,040	26,181	16,670	30,485	39,008
Number of employees	(Persons)	1,564	1,619	1,658	1,631	1,603
[Average number of temporary employees]		[295]	[285]	[268]	[244]	[230]

- Notes:
1. “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 102nd fiscal year; the key management indices for the 102nd fiscal year and beyond are the indices after the application of such accounting standard.
 2. The amount of diluted earnings per share is not provided because there are no potential shares.
 3. The number of employees indicates the number of employees hired locally overseas and the average number of temporary employees in [] separately.

(2) Business results of the reporting company

Term		99th fiscal year	100th fiscal year	101st fiscal year	102nd fiscal year	103rd fiscal year
Fiscal year-end		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(Millions of yen)	148,759	156,689	154,798	136,570	149,925
Ordinary profit	(Millions of yen)	7,146	8,499	12,832	8,226	7,340
Profit	(Millions of yen)	4,879	5,663	8,487	5,423	4,869
Share capital	(Millions of yen)	14,049	14,049	14,049	14,049	14,049
Total number of issued shares						
Common shares	(Thousands of shares)	94,371	94,371	94,371	94,371	94,371
Net assets	(Millions of yen)	48,950	53,272	60,377	63,505	66,502
Total assets	(Millions of yen)	129,278	122,593	138,202	123,115	139,670
Net assets per share	(Yen)	520.63	566.63	642.72	675.72	707.33
Dividends per share						
Common shares	(Yen)	12.0	15.0	25.0	20.0	25.0
[Interim dividends per share]	(Yen)	[-]	[-]	[-]	[-]	[-]
Earnings per share	(Yen)	51.90	60.22	90.32	57.72	51.79
Diluted earnings per share	(Yen)	—	—	—	—	—
Equity ratio	(%)	37.9	43.5	43.7	51.6	47.6
Return on equity (ROE)	(%)	10.3	11.1	14.9	8.8	7.5
Price earnings ratio (PER)	(Times)	8.2	7.3	6.4	13.4	17.7
Dividend payout ratio	(%)	23.1	24.9	27.7	34.7	48.3
Number of employees	(Persons)	1,230	1,294	1,327	1,314	1,288
[Average number of temporary employees]		[191]	[176]	[172]	[158]	[148]
Total shareholder return	(%)	89.6	94.9	128.0	172.9	206.7
[Benchmark index: TOPIX]	(%)	[92.7]	[81.7]	[113.8]	[113.4]	[116.7]
Highest share price	(Yen)	536	606	627	833	998
Lowest share price	(Yen)	332	359	365	516	784

- Notes:
1. “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 102nd fiscal year; the key management indices for the 102nd fiscal year and beyond are the indices after the application of such accounting standard.
 2. The amount of diluted earnings per share is not provided because there are no potential shares.
 3. The number of employees indicates the number of employees hired locally overseas and the average number of temporary employees in [] separately.
 4. The highest share price and the lowest share price are those recorded on the Prime Market of the Tokyo Stock Exchange since April 4, 2022 and on the First Section of the Tokyo Stock Exchange before that date.

2. Company history

The Company was established in July 1929 as Hanshin Harbor Construction Co., Ltd. (Changed to the current company name in May 1964) in the City of Kobe with joint-funding by Yamashita Kisen (Yamashita Steamship) Co., Ltd. and the South Manchuria Railway. The objective of the business at the time of establishment was to construct an industrial site and industrial port in the Naruo District of Nishinomiya City, located between Osaka and Kobe, known as the Naruo Reclamation Project. However, the business was temporarily suspended due to economic conditions during the war, and the business has developed with contracting for ocean civil engineering works as the principal business.

The Naruo Reclamation Project was resumed in May 1967 and completed in September 1986. The Company has reached its current state through full scale efforts in land civil engineering works since 1965 and architectural construction works since 1975.

The main transitions since the Company's establishment are as follows.

March 1935	Head Office relocated to Osaka
October 1949	Completed registration of Minister of Construction Registration (a) No. 832 under the Construction Business Act
May 1960	Tokyo Branch opened
October 1961	Listed in Second Section of Osaka Stock Exchange
October 1962	Listed in Second Section of Tokyo Stock Exchange
May 1964	Company name changed to TOYO CONSTRUCTION CO., LTD.
August 1964	Listed in First Sections of Tokyo and Osaka Stock Exchanges
May 1965	Nagoya Branch and Kyusyu Branch opened
March 1966	Osaka Branch (now Osaka Main Office) opened
December 1966	Established Token Kaihatsu Co., Ltd. (now Tecuos Co., Ltd., a consolidated subsidiary)
June 1968	Hokuriku Branch, Chugoku Branch, and Shikoku Branch opened
May 1969	Tohoku Branch opened
April 1970	Merger of Hitachi Zosen Coastal Construction Co., Ltd.
November 1970	Established Hanchiku Shoji Co., Ltd. (now Token Shoji Co., Ltd., a consolidated subsidiary) and commenced insurance agency operations.
April 1971	Hokkaido Branch opened
December 1972	Obtained the Minister of Construction License (1) No. 1385 as a real estate broker under the Real Estate Brokerage Act (subsequently renewed)
April 1973	Overseas Business Dept. established (now International Branch)
May 1973	Manila Sales Office opened
December 1973	Received the Minister of Construction License (Toku-48) No. 2405 due to the revisions of the Construction Business Act (subsequently renewed)
June 1976	Established Tokyo Head Office and transferred control of the Head Office organization
July 1976	Invested in CCT CONSTRUCTORS CORPORATION (now a consolidated subsidiary)
April 1984	Yokohama Branch opened
July 1986	Established Token Techno Co., Ltd. (now Tecuos Co., Ltd., a consolidated subsidiary)
April 1988	Established Token Building Service Co., Ltd. (now Tecuos Co., Ltd., a consolidated subsidiary)

April 1990	Spun off the vessel construction department into a separate company and established TOMAC Corporation (now a consolidated subsidiary)
May 1990	Acquired capital in Tachibana Kogyo Co., Ltd. (now a consolidated subsidiary)
April 1992	Technical Research Institute established
April 2003	Kanto Architectural Construction Branch opened
November 2004	Hanoi Sales Office opened
April 2006	Merged the Tokyo Branch and Kanto Architectural Construction Branch Office and established the Kanto Branch
September 2007	Relocated the Head Office and some subsidiaries and associates, etc. to Koto-ku, Tokyo
April 2012	Jakarta Sales Office opened
April 2015	Separated the Architectural Construction Division of the Kanto Branch with the establishment of the Kanto Architectural Construction Branch Office
May 2016	Acquired all the shares of Kusakabe Maritime Engineering Co., Ltd. (now a consolidated subsidiary)
May 2016	Yangon Sales Office opened
February 2019	Relocated the Head Office and some subsidiaries and associates, etc. to Chiyoda-ku, Tokyo
April 2022	Yangon Sales Office reorganized to Yangon Sub-Branch Office
	Token Service Co., Ltd. conducted an absorption-type merger of Token Real Estate Co., Ltd. and Token Techno Co., Ltd., and changed its name to Tecuos Co., Ltd.
	Transferred from the First Section of the Tokyo Stock Exchange to the Prime Market due to the revisions to the market categories on the Tokyo Stock Exchange

3. Description of business

During the fiscal year under review, the Company's consolidated subsidiary Token Service Co., Ltd. conducted an absorption-type merger of Token Real Estate Co., Ltd. and Token Techno Co., Ltd. and changed its name to TecuosCo., Ltd.

In addition, the submission of the Statement of Large-Volume Holding (Change Report No.7) to the Kanto Local Finance Bureau in joint names of WK 1 Limited and its joint holders dated April 15, 2022 confirmed other changes in subsidiaries and associates.

Consequently, the Corporate Group as of March 31, 2023 comprised the Company, six consolidated subsidiaries, three unconsolidated subsidiaries and three other subsidiaries and associates. The main businesses were domestic civil engineering business, domestic construction business, overseas construction business, and real estate business.

The relationship between the Company's reporting segments and its group companies is as follows.

(1) Domestic civil engineering business

The Company, TOMAC Corporation, Tachibana Kogyo Co., Ltd. and Kusakabe Maritime Engineering Co., Ltd. are engaged.

(2) Domestic construction business

The Company and Tecuos Co., Ltd. are engaged.

(3) Overseas construction business

The Company, TOMAC Corporation, Tachibana Kogyo Co., Ltd. and CCT CONSTRUCTORS CORPORATION are engaged.

(4) Real estate business

The Company, TOMAC Corporation and Tecuos Co., Ltd. are engaged.

(5) Other businesses

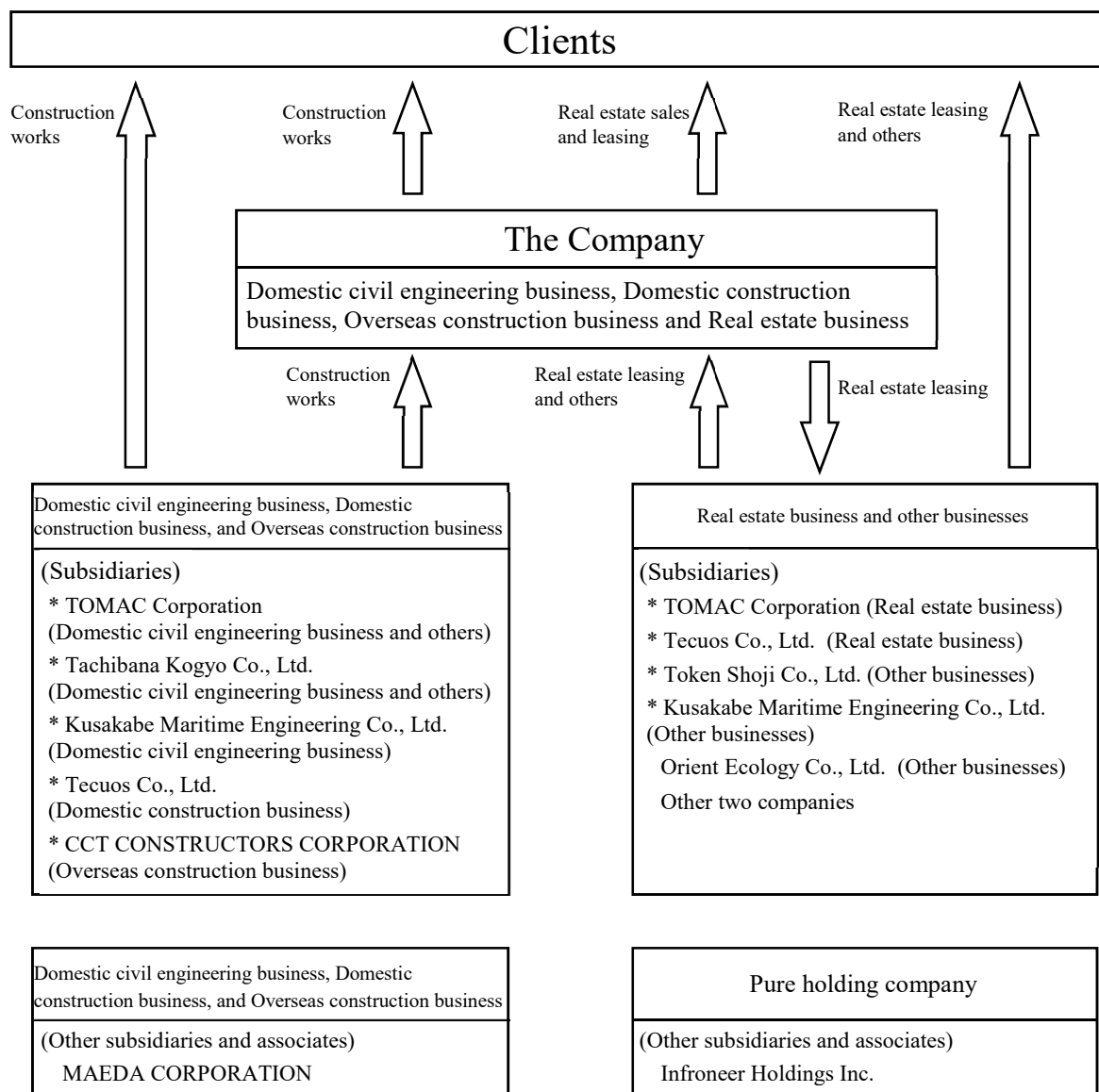
Token Shoji Co., Ltd. (insurance agency, goods sales and leasing), Kusakabe Maritime Engineering Co., Ltd. (leasing of vessels, etc.), Orient Ecology Co., Ltd. (manufacture and sales of sanitation facilities and equipment, and indoor and outdoor toilet facilities) and two other companies are engaged.

With the results of the Company's 101st Annual General Meeting of Shareholders held on June 27, 2023, seven directors and one corporate auditor were appointed from the candidates for directors and corporate auditors proposed by Godo Kaisha Yamauchi-No.10 Family Office, a joint holder of WK 1 Limited, an other subsidiary and associate, and one of those seven was appointed Representative Director, Chairman at the Board of Directors meeting held that same day. There are no other personal or business relationships.

In addition, together with MAEDA CORPORATION, another subsidiary and associate, we have received joint orders for private works and are conducting joint R&D, etc. Infroneer Holdings Inc. is the wholly-owning parent company of MAEDA CORPORATION.

Tecuos Co., Ltd. conducted an absorption-type merger of Orient Ecology Co., Ltd. on April 1, 2023. Consequently, the Corporate Group as of April 1, 2023 comprised the Company, six consolidated subsidiaries, two unconsolidated subsidiaries and three other subsidiaries and associates.

Our business structure is shown below.



* indicates a consolidated subsidiary.

4. Overview of subsidiaries and associates

Name	Address	Share capital (Millions of yen)	Major businesses	Ratio of voting rights holding (held) (%)		Relationship
				Ratio of holding	Ratio held	
(Consolidated subsidiaries)						
TOMAC Corporation	Chiyoda-ku, Tokyo	100	Domestic civil engineering business Overseas construction business Real estate business	100	—	Orders for construction work Guarantee of obligations Four concurrently serving as officers, three seconded
Tachibana Kogyo Co., Ltd.	Takamatsu-shi, Kagawa	70	Domestic civil engineering business Overseas construction business	70 [20]	—	Orders for construction work Loan of funds Four concurrently serving as officers, three transferred/relocated
Kusakabe Maritime Engineering Co., Ltd.	Chuo-ku, Kobe-shi	70	Domestic civil engineering business Other businesses	100	—	Orders for construction work Three concurrently serving as officers, one transferred/relocated, three seconded
Tecuos Co., Ltd.	Chiyoda-ku, Tokyo	48	Domestic construction business Real estate business	100	—	Orders for construction work Guarantee of obligations Real property leasing and management Three concurrently serving as officers, five transferred/relocated One seconded
(Note 3) CCT CONSTRUCTORS CORPORATION	Makati City, Philippines	500 million Peso	Overseas construction business	40	—	Two seconded officers
Token Shoji Co., Ltd.	Chiyoda-ku, Tokyo	15	Other businesses	100 [56]	—	Goods sales, leasing, insurance agency Three concurrently serving as officers, one transferred/relocated One seconded
(Other subsidiaries and associates) (Note 4)						
Infroneer Holdings Inc.	Chiyoda-ku, Tokyo	20,000	Other businesses	0	20 [20]	The wholly-owning parent company of MAEDA CORPORATION, it indirectly holds the Company's shares, and corresponds to a major other subsidiary and associate of the Company.
MAEDA CORPORATION	Chiyoda-ku, Tokyo	28,463	Domestic civil engineering business Domestic construction business Overseas construction business Other	—	20	Together with the Company, receives joint orders for construction work and conducts joint R&D, etc. None are concurrently serving as officers, etc.

Name	Address	Share capital (Millions of yen)	Major businesses	Ratio of voting rights holding (held) (%)		Relationship
				Ratio of holding	Ratio held	
WK 1 Limited WK 2 Limited WK 3 Limited Godo Kaisha Yamauchi-No.10 Family Office	Cayman Islands/ Minato-ku, Tokyo	Unknown	Other businesses	—	27	With the results of the Company's 101st Annual General Meeting of Shareholders held on June 27, 2023, seven directors and one corporate auditor were appointed from the candidates for directors and corporate auditors proposed by Godo Kaisha Yamauchi-No.10 Family Office, a joint holder, and one of those seven was appointed Representative Director, Chairman at the Board of Directors meeting held that same day. There are no other personal or business relationships.

- Notes:
1. The names in the “Major businesses” column are the segment names.
 2. The figure inside () for the ratio of voting rights held indicates the indirect holdings.
 3. The equity interest is not more than 50%, but it is deemed a consolidated subsidiary due to it being substantially controlled.
 4. Infroneer Holdings Inc. files an Annual Securities Report.

5. Information about employees

(1) Consolidated companies

As of March 31, 2023

Segment name	Number of employees (Persons)	
Domestic civil engineering business	946	[46]
Domestic construction business	341	[4]
Overseas construction business	63	[157]
Real estate business	3	
Other businesses	13	
Corporate (shared)	237	[23]
Total	1,603	[230]

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 [] separately.

(2) Reporting company

As of March 31, 2023

Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average annual salary (Yen)
1,288 [148]	43.4	18.2	8,021,319

Segment name	Number of employees (Persons)	
Domestic civil engineering business	688	[25]
Domestic construction business	314	[4]
Overseas construction business	49	[96]
Real estate business	—	
Other businesses	—	
Corporate (shared)	237	[23]
Total	1,288	[148]

Notes: 1. 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 [] separately.
2. Average annual salary includes bonuses and surplus wages.

(3) Status of labor union

There are no particular matters to describe in relation to labor-management relations.

- (4) Ratio of women in managerial positions, ratio of male workers taking childcare leave and gender wage gap for workers

Reporting company

Fiscal year ended March 31, 2023				
Ratio of women in managerial positions (%) (Note 1)	Ratio of male workers taking childcare leave and leave for the purpose of childcare (%) (Note 2)	Gender wage gap for workers (%) (Note 1)		
		All workers	Of which, regularly employed workers	Of which, part-time and fixed-term contract workers
0.61	34.3	55.5	55.2	40.0

Supplementary explanation:

The Company has no differences on the wages table due to gender. However, while we have continued to proactively hire women for major career paths in recent years, the ratio of women in major career paths is 5.9%, with many of them young women. The average length of service (major career path) is 18.5 years for men and 4.3 years for women which accounts for the difference in average wages. In addition, the fact that women have a high employment rate as “minor career path,” which has limited work locations and duties, also contributes to the wage gap.

- Notes:
1. Calculated in accordance with the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015).
 2. Calculating the proportion of childcare leave, etc. taken as set out in Article 71-4, item (ii) of the “Ordinance for the Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991) in accordance with the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).

II. Overview of Business

1. Management policy, management environment, issues to be addressed, etc.

The Corporate Group's management policy, business environment and issues to be addressed, etc. are as follows.

Items in the text below that concern the future were determined by the Corporate Group as of the end of the current fiscal year.

(1) 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.

(2) Management environment

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.

(3) Priority operational and financial issues that the Company should address

The Corporate Group formulated a new five-year mid-term business plan starting in FY2023, 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.

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

(Reference)

■ Review of the previous mid-term business plan

Target (for the fiscal year ended March 2023)	Target	Actual result
Total consolidated operating profit for the three years	30.0 billion yen	32.8 billion yen
Consolidated operating margin	6% or greater	5.3%
Consolidated equity	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 (FY2022)

◇ 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 eight days in a four-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 FY2023 to FY2027

(1) Basic policy

“Continue to be a resilient company and become a company that can stand up to adversity”

(i) Transformation from “defense to offense”

→ 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 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 the 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 FY2027 (in five years)

The term ending in March 2028

Net sales: 235.0 billion yen or more

Operating profit: 15.0 billion yen or more

Profit: 9.0 billion yen or more

ROE: 12.0% or greater

D/E ratio: around 0.4

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

For the 4th year and onwards (FY2026 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

○ Mid-Term Business Plan (supplemental materials)

https://www.toyo-const.co.jp/en/wp/wp-content/uploads/2023/07/Mid-Term-Business-Plan_Supplementary-Material_E.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 working on derived materiality through its mainstay operations and make contributions to sustainable society.

Relevant SDGs	Sub-issues	Materiality		
  	①Engage in offshore wind power business and contribute to increased use of renewable energy ②ZEB/ZEH efforts ③Reduce greenhouse gas emissions from business activities	Achieve carbon neutrality	E	Solve social issues through business activities
    	①Reduce impact from business on natural ecosystem ②Cut construction waste to contribute to the circular economy ③Promote ReReC®	Reduce environmental impact		
  	①Improve technology and proposal capabilities to meet customer needs ②Ensure building quality	Deliver buildings that are high-quality and meet customer needs	S	Enhance business foundation
  	①Promote technology and R&D that contribute to disaster prevention and mitigation, disaster restoration efforts	Contribute to disaster prevention and mitigation		
 	①Enhance governance ②Implement thorough compliance ③Promote supply chain's ESG initiatives ④Bolster information security	Continue to strengthen Governance Structure	G	
    	①Promote industrial safety and hygiene ②Promote HR development and talent obtainment ③Improve workplace environment	Achieve attractive construction industry	S	
    	①Promote diversity & inclusion ②Enhance understanding about human rights and prevent infringement of such rights	Ensure respect for human rights and promote diversity		
Goals: All 17 	Achieve sustainable society through community contribution activities			

* Please refer to the following URL for the KPI for each materiality, the FY2022 targets and results.
<https://www.toyo-const.co.jp/en/csr/materiality>

2. [Idea and initiatives concerning sustainability]

The Corporate Group's ideas and initiatives concerning sustainability are as follows.

Items in the text below that concern the future were determined by the Corporate Group as of the end of the current fiscal year.

(1) Governance

For the realization of the management philosophy, 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.

The sustainability of the Corporate Group is stipulated as "our contribution to sustainable social development in compliance with our Code of Conduct based on our Corporate Identity and by deploying fair and reliable business activities with better relationship with the society."

For deploying fair and reliable business activities, continuous enhancement of governance is essential, and for earning a reputation from society as a company listed on the Prime Market, we will continue to make sustained efforts.

At the "Sustainability Committee" as the organization that promotes sustainability activities, we examine the action policy concerning sustainability. Also, we review the activity results, etc., and report them to the board of directors.

Directors and corporate auditors with sustainability knowledge appropriately supervise whether or not such activities are consistent with the Company's management philosophy at the Board of Directors.

The breakdown of the Sustainability Committee is stated under "IV. Information About Reporting Company 4. Status of corporate governance, etc. (1) Overview of corporate governance."

(2) Strategy

(i) Climate change

In the construction industry, materials that emit a large amount of CO₂ during the manufacture such as iron or cement are used for the construction of buildings and structures. Moreover, since we use work vessels fueled by Bunker A, etc. at marine civil engineering works as our specialty, the CO₂ emission amount tends to be more than the amount at land civil engineering works or architectural construction works.

In such a background, based on the TCFD Recommendation, the Company is conducting an analysis of transition in the policies and market trends (transition risk, opportunity) and an analysis of the physical change of disasters (physical risk, opportunity). In our business activities, we are adopting hybrid-type and electric heavy machinery, installing solar panels at sites, partially motorizing our work vessels and introducing electric storage systems, etc. In addition, apart from conducting technology development for foundation engineering and designing cable-laying vessels for participation in the offshore wind power business, which is expected as an effective means of renewable energy, we appropriately address climate change risks and opportunities such as by proactively making proposals for ZEB projects to customers.

(ii) Human capital and diversity

The Company has declared "acquire and nurture diverse personnel who will support our 'offense' business style" to be the personnel strategy in the Mid-Term Business Plan starting FY2023, and we are implementing the following five measures.

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

Regarding the efforts toward positive activities of women, in order to hire women for the major career path steadily and continuously, we have set a target of 20 percent share of the new graduates. Also, we are developing the environment for women's active participation by introducing the

system (the Comeback System) that allows those staff who gave up continuing their career due to marriage or childcare to return to the Company when the issue is resolved, the system of appointment from a minor career path to a major career path, and the women's working wear, as well as the installation of women-only comfortable toilet at site, etc. In 2020, the Company was awarded "Eruboshi Certification" in recognition of being a company with excellent implementation of initiatives to promote women's participation and advancement in the workplace. In the Mid-Term Business Plan, to promote further diversity & inclusion, we work to develop the foundation to enable better participation and advancement of foreign employees and specialist personnel, which are forecast to increase, in addition to our efforts to date regarding the development of foreign engineers and skilled-workers.

- Achieve attractive treatment

The Company has continuously increased base salaries since 2014, and in the human resources system reform carried out in FY2022, we revised the grading system that enables selection of young staff, expanded the remuneration add-ons for highly evaluated staff and increased the salary levels for elderly employees, etc. At the same time, we also implemented measures to improve welfare benefits including changes to the company housing system and the introduction of subsidized payments of health screening fees for spouses. In future, to provide competitive benefits, we will work to improve the wage levels and enhance welfare benefits.

- Proactively strengthening recruitment including mid-career hires

Proactively hiring new graduates and mid-career hires to strengthen the HR foundation supporting growth. Putting effort into hire of specialists in growth fields such as the offshore wind power business in particular.

- Develop and select younger employees early and develop future managers

Improvement of the ability and qualification of each and every staff is not only an essential element for corporate growth, but also an element that leads to the staff's job satisfaction and motivation improvement. The Company is working on the effective competence development, by providing the stratified training, the occupational specialty training, the training by purpose, and the training program & support system for acquisition of recommended qualifications. In future, we will also introduce training that specializes in developing and turning out a great number of next-generation of leaders.

- Continuously monitor engagement status and examine enhancement measures

In addition to placing importance on the relationship of mutual trust between employees and the company and providing attractive awards and conditions, it is vital for corporate growth that employee engagement be improved by ensuring that the elements of job satisfaction and motivation are met. The current Mid-Term Business Plan introduces routine monitoring of employee engagement, with examination and implementation of engagement-enhancing measures (continuous PDCA).

In addition, the Corporate Group has stipulated "devotion to customer and public society" and "company's consistent growth and employees' welfare promotion" together with "Respect for Human Dignity" in our management philosophy. As we aim to increase the volume of our projects to improve corporate value, promoting the active participation and advancement of foreigners and women is indispensable in Japan, where there is a declining population. For this purpose, we must create a workplace environment where diverse personnel can demonstrate their abilities to the maximum extent without any form of discrimination or harassment, etc. so we established a human rights policy as the basis for that achievement dated April 1, 2023. In future, we will examine the status of the Corporate Group in regard to human rights risks and implement "human rights due diligence" that will lead to appropriate prevention and mitigation.

(3) Risk management

At the Corporate Group, the whole Group's risk management policies and management systems are stipulated in the "Risk Management Rules," with regular meetings of the "Risk Management Committee" held in accordance with those policies and systems in an effort to appropriately manage the risks surrounding the business and to prevent materialization of risks. On the other hand, as stated in "(1) Governance," to implement the Company's management philosophy "devotion to customer and public society," the Sustainability Committee analyzes the situation for both risk and opportunities and engages in social issues.

Details are stated in "II. Overview of Business 3. Business risks."

(4) Metrics and targets

(i) Climate change

Please refer to the following URL for the Company's FY2022 climate change related metrics and targets.

<https://www.toyo-const.co.jp/en/csr/materiality>

(ii) Human capital and diversity

The Company's human capital and diversity related metrics and targets are as follows.

KPI	Results (end of the fiscal year under review)	Target
Number of hired fresh female graduates for major career path	11.3% (FY2022 hiring results)	20% or more of hired fresh graduates
Increase rate of women in major career path (from FY2020)	118%	250% (FY2030)
Increase rate of female managers (from FY2020)	133%	500% (FY2030)
Employment rate of the handicapped	2.49% (Mandatory employment rate (2.30%))	Mandatory employment rate or more
Ratio of male employees taking childcare leave	34.3%	25% (FY2022)

Note: Ratio of male employees taking childcare leave includes the ratio of male employees taking leave for the purpose of childcare.

3. Business risks

Major risks that management recognizes may have a material effect on the Corporate Group's financial position, operating results and cash flows in relation to the Corporate Group's business development are as follows.

At the Corporate Group, the whole Group's risk management policies and management systems are stipulated in the "Risk Management Rules," with regular meetings of the "Risk Management Committee" held in accordance with those policies and systems in an effort to appropriately manage the risks surrounding the business and to prevent materialization of risks.

Items in the text below that concern the future were determined by the Corporate Group as of the end of the current fiscal year.

(1) Risks associated with laws and regulations and compliance

The Corporate Group's business is subject to statutory regulations such as Japan's Construction Business Act, the Building Standards Act, the Port Regulations Act, the Industrial Safety and Health Act, the Act on Promoting Quality Assurance in Public Works and the Antitrust Law, etc. In addition, the overseas business is subject to statutory regulations in each country as well as trade and sanction regulations.

In the event of a breach of these domestic and foreign laws and regulations, etc. or in the event that a human rights problem arises, there would not only be punishments under laws and regulations but possible loss of opportunity to receive orders and a loss of customer trust such as a deterioration in reputation and social sanctions.

A former director of Tachibana Kogyo Co., Ltd., a consolidated subsidiary of the Company, was sentenced to imprisonment, charged with obstruction of auctions related to public contracts. Tachibana Kogyo Co., Ltd. received a 120-day business suspension order from the Ministry of Land, Infrastructure, Transport and Tourism in accordance with the provisions of Article 28, paragraph (3) of the Construction Business Act on September 2, 2022. The impact of this business suspension on the Corporate Group's earnings is immaterial. 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 the Antitrust Law for the Company's officers and the presidents of consolidated subsidiaries, having oversight of the management and internal audits 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.

The Corporate Group is making efforts to prevent acts that breach compliance, by defining specific compliance related matters such as the Code of Conduct that should be the standard of business activities for each and every officer and employee as Behavioral Guidelines. In addition, we have formulated the Toyo Construction Group Human Rights Policy and are fulfilling our human rights responsibilities. Furthermore, in regards to overseas, we thoroughly comply with local laws and regulations and laws related to the prevention of bribery to foreign public officials.

In terms of system, in addition to a reporting system through an office organization, we have established and operate a whistle-blowing system with internal and external contacts for reporting.

(2) Risk of accidents and disasters arising during construction

The Corporate Group operates an occupational safety and health management system for workers and all other concerned persons and hopes to prevent work disasters and health problems in the workplace, with a flawless safe and healthy working environment. However, fatal and serious damages during construction, damage during construction from natural disasters such as storm and flood damage caused by great earthquakes, tsunamis, typhoons and torrential rain, damage to our assets such as vessels, equipment and buildings, suspension of construction, extension of the construction period and unexpected costs including damage compensation liability to third parties may have an impact on earnings.

In our efforts to prevent accidents and disasters, we implement risk mitigation measures by conducting risk assessments before commencing construction, manage the PDCA cycle to confirm and evaluate the

status of implementation during construction and make improvements while providing training to improve workers' sensitivity to danger, and thoroughly manage safety and health.

In response to natural disasters risk, we firmly grasp weather and nautical forecasts and very quickly suspend operations and take evacuation measures to minimize damage, while formulating a business continuation plan (BCP) during disasters, and building systems for prompt relief and restoration of the infrastructure and local communities in conjunction with national and local government institutions, confirming the status of damage and providing relief on sites and at customer facilities.

(3) Risk of defects in products and services

The Corporate Group operates a quality management system and hopes to ensure flawless quality. However, if by chance the quality standards are not achieved or defects arise such as safety issues, this may lead to a loss of customer trust as well as damage compensation due to contract non-conformity warranty and product liability as well as countermeasure costs that may have an impact on earnings. In response to such risk, we work on continuously improving our quality management system, always striving to be able to provide the best quality construction products and services.

(4) Risk of acquisition without consent

In the event that a non-consensual acquirer controls the Company by acquiring large volumes of the Company's shares, there may be a loss of personnel and a material impact on earnings depending on such acquirer's management policy. In addition, given the forecast material impact on future management systems and financial structure with the emergence of a large-scale share purchaser, credit rating agencies may impose constraints on credit ratings due to the uncertain outlook, which may impact funding from the market.

(5) Risk of climate change

In recent years, large-scale typhoons and sudden torrential rain have arisen due to climate change and further damage from these disasters may have an impact on earnings. In addition, the introduction of a cap on greenhouse gas emissions and a carbon tax, etc. may have an impact on business activities and earnings.

The Corporate Group has set a reduction rate for CO₂ emissions released from business activities as a KPI towards realization of a carbon-neutral society and is engaged in initiatives for CO₂ emission-reduction from construction equipment and vessels and for recycling construction by-products.

In addition, we participate in businesses related to the construction of offshore wind power generation facilities, and are engaged in the establishment of architectural technology for ZEB (Zero Energy Building) and ZEH (Zero Energy House).

(6) Risks related to production systems and securing human resources

The Corporate Group conducts continuous technical education and guidance for subcontractors such as the internal development of human resources through staff educational training, but further declines in construction workers due to the decrease in the working age population and the aging of skilled construction workers may impact the implementation of the business plan and earnings.

To address these issues, in addition to upgrading ICT construction and promoting the application of BIM/CIM (*) to improve productivity, we are advancing DX efforts including the digitalization of operations, and the centralization and use of data, etc. In addition to providing training and support of qualification acquisition for subcontractors to maintain production systems, we established an action plan targeted at improving the attractiveness of the construction industry, and have strengthened efforts to secure leaders of subcontractors.

In addition, disadvantages such as damage to the health of staff caused by overwork or harassment or being subject to administrative disposition, etc. due to a breach of the Labor Standards Act may have an impact on earnings. To address such risk, we have improved the work environment through employee training and enhancements to welfare benefits, etc.

In regard to securing human resources, we proactively hire regular new graduates and mid-career hires and develop human resources for the future. Through various measures in the human resources system

under the reforms of working practices, we create an organization in which each and every staff member's particular skills, experience and values are utilized and enable participation in jobs that recognize their ability and experience. For overseas businesses, we work to develop the local staff in the respective target countries and for localization.

(*) Building/Construction Information Modeling Management:

A production system that promotes operational efficiency and sophistication by sharing information with all staff of planning, design, construction, and maintenance & management, through the use of the three-dimensional model utilizing IT technology.

(7) Fluctuations in the prices of raw construction materials and labor unit price

Escalating prices of raw construction materials and labor costs, or late delivery of materials and equipment, could cause deterioration in construction profitability and may impact the Corporate Group's earnings.

We are making efforts to obtain the recent market trends, procure materials as soon as possible and diversify suppliers. In addition, we are taking measures such as the inclusion of price indexation clauses in contracts with owners.

(8) Risks related to information security

In the events of leakage or loss of confidential sales and technological information and personal information due to external attacks or errors from staff, etc., and system failures, there may be an impact on earnings caused by damage to social trust, liability to pay compensation for damages and incurred restoration costs, etc.

The Corporate Group appropriately assesses the risk in consideration of the degree of importance of information assets, the vulnerability and importance of threats while also implementing technological countermeasures and security training for staff.

(9) Risks in overseas businesses

The Corporate Group is developing the construction business, mainly in Asia and Africa, and in the event of severe change in the business environment in such target countries including terrorism, political instability such as disputes, etc., fluctuations in the economic situation, changes in the legal system, and sudden fluctuations in exchange rates, there may be an impact on earnings.

When undertaking initiatives for overseas projects, the Board of Directors and the Executive Committee conduct examinations following adequate research on matters including the political and economic situation and security in such countries as well as the risk of procuring materials and equipment, including the global supply chain.

(10) Business risks from a worldwide spread of infection

In regard to the construction business, which is the Corporate Group's mainstay business, we forecast large-scale projects starting with initiatives for the government's national resilience building program, disaster prevention and mitigation, and national defense. However, a reduction or delay of construction and capital expenditure plans due to a worldwide spread of infection may have an impact on earnings.

In addition, delays to materials procurement for construction during construction as well as lockdowns and travel restrictions and insufficient logistics functions in the target countries for the overseas business may have an impact on net sales and construction gross profit.

Efforts that the Corporate Group focuses on include preventing the spread of infection; receiving orders, particularly customers with ongoing trading relationships, with certainty of conditions; maintaining stable procurement routes from excellent suppliers, and maintaining construction systems in the target countries.

4. Management analysis of financial position, operating results and cash flows

(1) Overview of operating results, etc.

An overview of the Corporate Group's financial position, operating results and cash flows during the fiscal year under review is as follows.

(i) Overview of the financial position and operating results

During the 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 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.

As a result, the financial position and operating results during the fiscal year under review is as follows.

a. Financial position

Total assets increased 18,135 million yen from the end of the previous fiscal year to 153,717 million yen, mainly due to an increase in notes receivable, accounts receivable from completed construction contracts and other.

Liabilities increased 14,050 million yen from the end of the previous fiscal year to 79,733 million yen, mainly due to an increase in notes payable, accounts payable for construction contracts and other.

Net assets increased 4,084 million yen from the end of the previous fiscal year to 73,984 million yen, mainly due to the implementation of a year-end dividend and the recording of profit attributable to owners of parent.

As a result of the above, the equity ratio fell 3.5 percentage points from 50.2% at the end of the previous fiscal year to 46.7%.

b. Operating results

Net sales in the fiscal year under review increased 10.4% year on year to 168,351 million yen due to the recovery in the domestic construction business, but operating profit decreased 6.5% year on year to 8,995 million yen, ordinary profit decreased 6.4% year on year to 8,551 million yen, and profit attributable to owners of parent decreased 3.5% year on year to 5,656 million yen due to decreased sales in the domestic civil engineering business and defect repairs in the overseas construction business.

Results by business segment are as follows.

(Domestic civil engineering business)

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. Net sales in the fiscal year under review

decreased 12.8% year on year to 77,618 million yen while profits in this segment declined 13.6% year on year to 5,217 million yen due to the decrease in construction carried forward compared to the previous term.

(Domestic construction business)

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. Net sales in the fiscal year under review increased 55.0% year on year to 67,542 million yen while profits in this segment doubled, increasing 99.6% year on year to 3,193 million yen, due to the increase in construction carried forward compared to the previous and the large numbers of construction in hand.

(Overseas construction business)

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 18.6% year on year to 22,515 million yen 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 82.4% year on year to 293 million yen because 1,015 million 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.

(Real estate business)

Net sales in the fiscal year under review decreased 33.3% year on year to 451 million yen, while profits in this segment decreased 11.9% year on year to 248 million yen.

(Other businesses)

This segment covers insurance agency, goods sales and leasing business, etc. Net sales in the fiscal year under review increased 1.3% year on year to 224 million yen, while profits in this segment increased 40.5% year on year to 43 million yen.

(ii) Cash flows

Net cash provided by operating activities was 11,785 million yen, mainly due to the recording of profit before income taxes. (Net cash of 22,287 million yen provided in the previous year)

Net cash used in investing activities was 485 million yen, mainly due to outflows to acquire property, plant and equipment and intangible assets. (Net cash of 1,109 million yen used in the previous year)

Net cash used in financing activities was 2,872 million yen, mainly due to repayment of long-term borrowings and payment of dividends (Net cash of 7,462 million yen used in the previous year)

As a result of the above, cash and cash equivalents at the end of the fiscal year under review were 39,008 million yen. (30,485 million yen at the end of the previous year)

Trends of cash flow indicators

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity ratio (%)	36.8	41.3	43.1	50.2	46.7
Equity ratio based on market value (%)	28.6	30.4	36.3	53.7	56.0
Interest-bearing debt to cash flow ratio (years)	1.3	—	—	0.3	0.4
Interest coverage ratio (times)	59.9	—	—	231.2	93.6

- * Equity ratio: equity (net assets - non-controlling interests)/total assets
Equity ratio based on market value: market capitalization/total assets
Interest-bearing debt to cash flow ratio: interest-bearing debt/cash flows
Interest coverage ratio: cash flows/interest payments
- (i) All indicators are calculated using consolidated financial figures.
 - (ii) Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of issued shares at the end of the period (after deducting treasury shares).
 - (iii) Cash flows use the cash flows from operating activities in the consolidated statement of cash flows. Interest-bearing debt refers to short-term borrowings and long-term borrowings under liabilities recorded in the consolidated balance sheet. In addition, interest payments use the amount of interest paid in the consolidated statement of cash flows.
 - (iv) In the event that cash flows are negative, they are not stated for such fiscal year.

(iii) Production, orders received and sales

(1) Orders received

(Millions of yen)

Segment name	Fiscal year ended March 31, 2023	Year-on-year comparison (%)
Domestic civil engineering business	102,939	34.0
Domestic construction business	62,476	(7.2)
Overseas construction business	25,328	(37.2)
Real estate business	451	(33.3)
Other businesses	224	1.3
Total	191,419	3.3

(2) Net sales results

(Millions of yen)

Segment name	Fiscal year ended March 31, 2023	Year-on-year comparison (%)
Domestic civil engineering business	77,618	(12.8)
Domestic construction business	67,542	55.0
Overseas construction business	22,515	18.6
Real estate business	451	(33.3)
Other businesses	224	1.3
Total	168,351	10.4

- Notes:
1. The Corporate Group does not state the “Results of Production” due to the difficulties of defining production results.
 2. Intersegment transactions are offset and eliminated.

The non-consolidated business overview of the reporting company is as follows.

Status of construction orders received (contract amount) and construction work performed

- (i) Construction orders received, net sales of completed construction contracts, construction carried forward and construction work performed

102nd fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Type	Construction carried forward in the previous year	Construction orders received in the current year	Total	Net sales of completed construction contracts in the current year	Contracts carried forward to the next year			Construction work performed in the current year
					Construction work in hand	Of which, construction work performed		
Construction business						%		
Marine civil engineering	[36,075] 35,702	75,617	111,319	62,376	48,942	0.5	230	62,085
Land civil engineering	[33,163] 32,579	22,912	55,492	30,709	24,782	0.9	214	30,761
Architectural construction	57,579	66,586	124,165	42,827	81,338	1.1	914	42,908
Total	[126,818] 125,861	165,115	290,977	135,913	155,063	0.9	1,360	135,755
Real estate business	—	657	657	657	—	—	—	—
Total	[126,818] 125,861	165,772	291,634	136,570	155,063	—	—	—

103rd fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

Type	Construction carried forward in the previous year	Construction orders received in the current year	Total	Net sales of completed construction contracts in the current year	Contracts carried forward to the next year			Construction work performed in the current year
					Construction work in hand	Of which, construction work performed		
Construction business						%		
Marine civil engineering	[48,942] 49,654	68,043	117,697	55,110	62,586	0.6	381	55,261
Land civil engineering	[24,782] 24,890	37,859	62,750	27,459	35,291	0.2	58	27,302
Architectural construction	81,338	61,861	143,199	66,912	76,287	0.5	389	66,387
Total	[155,063] 155,883	167,764	323,647	149,482	174,165	0.5	829	148,951
Real estate business	—	443	443	443	—	—	—	—
Total	[155,063] 155,883	168,207	324,090	149,925	174,165	—	—	—

Notes: 1. For orders received before the previous fiscal year, for which the contract amount has changed due to changes in the contract, the construction orders received in the fiscal year under review includes such change. Therefore, net sales of completed construction contracts in the fiscal year under review also includes the relevant change in amount.

2. The construction work performed on contracts carried forward to the next year is estimated from the construction work performed on contracts in hand based on costs.
3. Contracts carried forward to the next year (construction work in hand) is, except for the real estate business, the same as (construction carried forward in the previous year + construction orders received in the fiscal year under review - net sales of completed construction contracts in the fiscal year under review).
4. In the field for construction carried forward in the previous year, the upper number in parentheses () shows the amount of construction carried forward to the next year in the previous year; and the lower number shows the amount reflecting the change in amount due to fluctuations in foreign exchange rates during the fiscal year under review.

(ii) Ratio of construction orders received by method for receiving orders

The method for receiving construction orders is largely divided between negotiation and competition.

(Units: %)

By period	Category	Negotiation	Competition	Total
102nd fiscal year (from April 1, 2021 to March 31, 2022)	Marine civil engineering	4.6	95.4	100
	Land civil engineering	20.6	79.4	100
	Architectural construction	39.9	60.1	100
103rd fiscal year (from April 1, 2022 to March 31, 2023)	Marine civil engineering	10.0	90.0	100
	Land civil engineering	21.1	78.9	100
	Architectural construction	48.6	51.4	100

Notes: The calculation depends on the contract amount ratio

(iii) Net sales of completed construction contracts

(I) Net sales of completed construction contracts

(Millions of yen)

By period	Category	Domestic		Overseas		Total (B)
		Government	Private-sector	(A)	(A) / (B) (%)	
102nd fiscal year (from April 1, 2021 to March 31, 2022)	Marine civil engineering	41,315	10,623	10,438	16.7	62,376
	Land civil engineering	19,924	7,759	3,025	9.9	30,709
	Construction business	5,043	37,725	57	0.1	42,827
	Total	66,283	56,108	13,521	9.9	135,913
103rd fiscal year (from April 1, 2022 to March 31, 2023)	Marine civil engineering	35,315	9,795	9,999	1.8	55,110
	Land civil engineering	17,690	7,938	1,830	6.7	27,459
	Construction business	3,823	62,980	108	0.2	66,912
	Total	56,830	80,713	11,938	8.0	149,482

Notes: 1. The main completed constructions are as follows.

102nd fiscal year Main constructions with contract amounts of 1.0 billion yen or more

Republic of Indonesia New Patimban Port Development Project (Term 1-1 construction) Package 2

Ministry of Land, Infrastructure, Transport and Tourism Ground improvement works for Tokyo International Airport C runway and others (Part 2)

Miyagi Job number: FY2017 Prefectural bond 311 seismic disaster No. 1464-001, Disaster relief work of Nonoshima area coast

Kansai Airports	Installation work of wave-dissipating concrete block (#1 section) for Kansai International Airport, 1st-term Island
Kobe-shi	Construction of new Eastern Public Shed on Rokko Island
SENKO Group Holdings Co., Ltd.	Construction of new SENKO Group Holdings Iwatsuki Logistics Center (tentative name)

103rd fiscal year Main constructions with contract amounts of 1.0 billion yen or more

Republic of Kenya, Kenya Ports Authority	Mombasa port container terminal development project (2 nd term)
Ministry of Land, Infrastructure, Transport and Tourism	Construction of the bridge substructure for the approach to the Higashi-Ohgishima - Mizue-cho Line on Kawasaki Port Road
Tokyo	Construction and seismic strengthening due to the reconstruction of the Rokugo Pump facilities
Shikoku Railway Company	Yosan Line between Kaiganji and Takuma revetment restoration part 4
Takatsuki-shi	Takatsuki Energy Center No. 1 factory dismantling and recycling facility construction
ES-Con Japan Ltd.	Hashima, Gifu Pref., logistics center development project

2. Net sales of completed construction contracts and the proportion by counterparties accounting for at least 10% of the total net sales of completed construction contracts are as follows.

102nd fiscal year	Ministry of Land, Infrastructure, Transport and Tourism	29,286 million yen	21.5%
103rd fiscal year	Ministry of Land, Infrastructure, Transport and Tourism	24,309 million yen	16.3%

(II) Sales in real estate business

(Millions of yen)

By period	Category	Amount
102nd fiscal year (from April 1, 2021 to March 31, 2022)	Land and building sales income	239
	Lease income	417
	Total	657
103rd fiscal year (from April 1, 2022 to March 31, 2023)	Land and building sales income	—
	Lease income	443
	Total	443

(iv) Construction work in hand (as of March 31, 2023)

(Millions of yen)

Category	Domestic		Overseas	Total
	Government	Private-sector		
Marine civil engineering	25,692	11,243	25,650	62,586
Land civil engineering	30,476	4,814	—	35,291
Architectural construction	11,416	64,870	—	76,287
Total	67,585	80,928	25,650	174,165

Note: Main construction contracts in hand with contract amounts of 1.0 billion yen or more are as follows.

Ministry of Land, Infrastructure, Transport and Tourism	Fiscal 2022 Mageshima temporary pier construction (part 2)	Slated for completion in November 2023
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Peace Deli Co., Ltd.	Peace Deli Chiba Honda project new building construction	Slated for completion in February 2024
Kobe-Osaka International Port Corporation.	Port Island (2 nd phase) area container southern wharf improvement project	Slated for completion in April 2025
Republic of the Philippines	Pasig-Marikina River Channel Improvement Project (Phase 4) (Package 2)	Slated for completion in October 2025
Osaka	Column construction work for Osaka Monorail (Mishima section No. 2)	Slated for completion in January 2026
HirakataKyotanabe Environmental facilities association	Construction work to establish and operate wide-area treatment facilities for burnable garbage	Slated for completion in March 2026

(2) Management's analysis and discussion of operating results, etc.

Management's perception, analysis and discussion of the Corporate Group's operating results are as follows. Items in the text below that concern the future were determined as of the end of the current fiscal year.

(i) Perception, analysis and discussion of financial position and operating results

Orders received 168.2 billion yen (up 2.4 billion yen year on year) *the non-consolidated Company

- Domestic civil engineering business increased by 30.5 billion yen due to orders received for construction of large-scale self-defense force facilities, while domestic construction business decreased by 4.7 billion yen from the previous year because of controlling the orders received for environmental facilities projects in light of the required personnel and productivity, despite private-sector projects such as factories and warehouses remaining firm from the previous year. Overseas construction business decreased by 23.1 billion yen from the previous year due to it being a down period compared to the previous year for the appearance of ODA projects, on which the Company focuses. The total amount of orders received by the non-consolidated Company increased by 2.4 billion yen from the previous year.

Consolidated net sales 168.3 billion yen (up 15.8 billion yen year on year)

- Although construction carried forward decreased from the previous year in the domestic civil engineering business, construction carried forward increase in the domestic construction business, and there was a steady increase of construction in hand for each business, so consolidated net sales increased by 15.8 billion yen from the previous year.

Consolidated gross profit 19.5 billion yen (up 0.4 billion yen year on year)

- Despite a large increase in profits in the domestic construction business due to the increase in net sales from the previous year, net sales decreased in the domestic civil engineering business and, in the overseas construction business, defects also arose in civil engineering works completed in past years, so consolidated gross profit rose only slightly from the previous year.

Consolidated operating profit 8.9 billion yen (down 0.6 billion yen year on year)

- Despite the increase in gross profit, consolidated operating profit rose only slightly from the previous year due to the increase in general and administrative expenses such as personnel expenses and survey/research expenses.

(ii) Liquidity and capital resources

a. Cash flows

Cash flows during the fiscal year under review are as stated in "II. Overview of Business 4. Management analysis of financial position, operating results and cash flows (1) (ii) Cash flows."

b. Need for funds

The need for funds in the Corporate Group's business activities can largely be divided into operating capital and funding for capital expenditures. In light of the nature of the construction business that tends to be impacted by seasonal fluctuations, the procurement of operating capital is through the establishment of committed credit line contracts. In September 2020, the Company signed a letter of commitment with seven financial institutions for a three-year, 10.0 billion yen syndicated committed credit line. In March 2023, the Company executed a letter of commitment with a financial institution for a one-year, 5.0 billion yen committed credit line.

Funding for capital expenditures is procured mainly from our major lender banks.

c. Financial policy

To ensure stability of operating capital and capital expenditures needed to promote the Corporate Group's business activities, we procure funds through borrowings from financial institutions.

As of the end of the fiscal year under review, long-term borrowings were 1,754 million yen, and short-term borrowings were 2,951 million yen, while total interest-bearing debt decreased by 886 million yen from the end of the previous fiscal year to 4,705 million yen. We continue to make efforts to reduce the cost of procuring funds.

(iii) Significant accounting estimates and the assumptions used in such estimates

The Corporate Group's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan. The significant accounting policies used in creating the consolidated financial statements are as stated in "V. Financial information 1. Consolidated financial statements, etc. (1) Consolidated financial statements Significant Matters that form the basis for creating the Notes to Consolidated financial statements."

When creating the consolidated financial statements, accounting estimates are required and estimates and considerations are carried out on the basis of past results and factors thought reasonable for the circumstances in relation to the recording of net sales of completed construction contracts and the cost of completed construction contracts, the valuation of real property for sale, the recording of important provisions including allowance for doubtful accounts, provision for warranties for completed construction and provision for loss on construction contracts, the recording of retirement benefit liability and the recording of deferred tax assets, etc. and those results are reflected in the consolidated balance sheet and the consolidated statement of income. However, the actual results may differ from these estimates due to the uncertainties from the estimates. In addition, for the following matters in particular, management's consideration of accounting estimates is thought to have a material effect on the Corporate Group's earnings.

- a. Net sales of completed construction contracts for which obligations are fulfilled over a certain period of time and revenue is recognized.

When recording net sales of completed construction contracts, we reasonably estimate the total revenue generated from construction, total cost of construction and the progress in construction as of the end of the fiscal year and record the net sales of completed construction contracts. In the event of fluctuations in the progress of construction due to factors such as unexpected costs due to accidents or disasters, etc. during construction, net sales of completed construction contracts and the cost of completed construction contracts could fluctuate and may have an impact on the Corporate Group's earnings.

(iv) Objective indicators, etc. for considering the achievement status of the management policy, management strategy and management targets

Achievement status of the Mid-Term Business Plan (2020 - 2022)

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

5. Critical contracts for operation

Not applicable

6. Research and development activities

The Company has declared a corporate message to “Be a company to fulfill responsibility towards human and the planet Earth.” This sings the spirit and determination that “Technology is for people and should be used for everyone living on the planet Earth. We who use technology should continue our business activities while understanding this.” In line with this determination, the Head Office technical division including the Technical Research Institute, are engaged in day-to-day training with a desire for the technologies in our research and development to be friendly for the global environment, while increasing productivity and for better safety.

In the fiscal year under review, we promoted research and development to address social issues including “initiatives for offshore wind power related business to contribute to becoming carbon neutral,” “improvements in productivity through the introduction of ICT and automation technology,” and “promotion of construction DX” etc.

The major results are as follows. The total amount of research and development activities undertaken for the domestic civil engineering business, domestic construction business and overseas construction business was 1,055 million yen.

(1) Demonstration experiment of mooring foundations for floating offshore wind power generation facilities through the TLP method

The Company is conducting demonstration experiments for the development of mooring foundation design methods and low-cost construction methods for the “Project to Develop Cost-Reducing Technology for TLP (Tension Leg Platform) Floating Offshore Wind Turbines,” as part of a Green Innovation Fund business adopted by the New Energy and Industrial Technology Development Organization (NEDO).

This business consists of a consortium comprised of the Company, MODEC, Inc., Furukawa Electric Co., Ltd., and JERA Co., Inc. (hereinafter, “Four Companies” including the Company). As part of the preparation for a demonstration experiment of the TLP method, in FY2022 we conducted seabed geotechnical investigation to understand the features and sea bed ground structures required for a demonstration experiment in Ishikari Bay, Hokkaido.

Based on the results of the sea bed examination, the Company aims to establish design technology for mooring foundations and low-cost construction technologies for mooring construction.

(2) Demonstration experiment of construction technology for suction bucket foundation (multi-type)

The Company is progressing joint development with Hitachi Zosen Corporation of suction bucket foundation engineering, which is foundation engineering for bottom-mounted type offshore wind power generation facilities, with the assistance of NEDO. Following the FY2021 demonstration experiment of mono-type in a real sea area, we conducted a demonstration experiment of multi-type in a real sea area for large-scale wind turbines of 15MW and more in FY2022.

Through this experiment, we confirmed the certain low environmental impact of complete removability, vibration, noise and pollution, which are features of the suction bucket engineering, and the excellent workability that more easily ensures vertical accuracy compared to the mono-type. In future, we are aiming for practical use of the suction bucket foundation by about 2026 following technology certification.

(3) “Visualization tool for safety rules” installed on a mobile handset

The Company installed “visualization tool for safety rules” on iPhones loaned to technology staff as a way of sharing safety rules and improving the transmission of safety instructions. In the past, confirming the rules required time and effort with young staff confirming the safety rules with a paper-based safety manual on site as well as confirming internal messages through the internal portal on a PC after returning to the workplace, etc.

The “visualization tool for safety rules” installed this time, incorporates a chatbot that has been programmed with the Industrial Safety and Health Act as well as internal safety regulations, complete with illustrations. By conducting a keyboard or voice search of target keywords, laws and regulations, internal notices and grassroot matters can be displayed through “visualization” with illustrations as well

as search words that have been instantly highlighted in yellow. Consequently, young staff can confirm safety points and company rules, etc. in an easy-to-understand way anywhere at any time while working using a mobile handset. We can also share information with subcontractors as necessary, sending them additions to the safety rule illustrations.

Main impact of the “visualization tool for safety rules”

- Plan for certainty of safety instructions and improved efficiency with the ability to simply search the safety rules at any place and time using the iPhone loaned to all technology staff.
- The search results in both the Industrial Safety and Health Act and the company rules are displayed together with illustrations in a one-page sheet as safety points, so even young staff can easily understand with a bird’s-eye view of the safety points for the relevant task.
- We can provide real time instructions and specific information sharing by using the talk function in the business chat “direct”^{*1}, adding handwritten circles and necessary messages to the search result illustrations then forwarding this to subcontractors.
- Using the development tool “eYACHO”^{*2}, we select from pulldown options, calculate safety ratios, and create work plans and safety patrol instruction sheets that have electronic seal and electronic signature function. By incorporating the “visualization tool for safety rules,” we create work plans that reflect rules to avoid serious accidents in advance, coordinate communications, and provide certain corrected instructions when making safety patrols.

The Company aims to improve the efficiency of operations and the levels of young staff through promotion of ICT, which contributes to the realization of an attractive construction industry for young people.

*1 “direct” is a registered trademark of L is B Corp.

*2 “eYACHO” is a registered trademark of MetaMoJi Corporation.

(4) Development of forecasting system by AI for longer course of vessel

The Company has developed the “AI forecasting system for long-term course of vessel” which enables to forecast the course of general vessels navigating close to the construction sea area by AIS (Automatic Identification System) data.

The AI forecasting system for long-term course of vessel is a system to forecast the course of general vessels such as tankers or freight vessels, up to next 60 minutes. This system applies the machine learning supervised by the previous AIS data of each port, by using the Seq2Seq (Sequence To Sequence^{*3}), a time-series forecasting model to handle variable-length time-series data, based on the AI technology of Fujitsu Limited that forecasts the future position of navigating vessel with high accuracy. During the operation, it forecasts the long-term course of vessel using the real-time AIS data transmitted from the navigating AIS-mounted vessel as its input data.

Previously, the Company used to grasp the general vessels navigating close to the construction sea area in real time by utilizing information of the AIS, ship radar, and GNSS (Global Navigation Satellite System), and the course up to next ten minutes was displayed by linear vector using the current information of vessel’s traveling direction and speed (“Mihari-chan” (watcher in English), a navigating vessel monitoring system developed by the Company). This development of the AI forecasting system for long-term course of vessel provides a capacity to forecast the course up to next 60 minutes by taking into consideration the changes of vessel’s traveling direction and speed due to the shape of harbor such as topography or shipping route. This will improve the navigation safety, not only because our work ship will be able to ensure that measures are taken to deal with approaching general vessels at an earlier stage, but also because the work ship’s master will be able to use the information as a judgment criterion when entering from the construction sea area into the shipping route where general vessels are drifting.

We will expand this system nationwide by having the system learn AIS data of main ports as well as ship radar information, which will lead to the development of a system to forecast the course of all ships including non AIS-mounted vessel, and also will continue to improve safety in marine construction.

*3 “Sequence To Sequence” is an AI model developed by Google, modeling the probability of conversion from a series to another series.

(5) Development of “Safety support system for crane operation” at construction site utilizing miniature AI stereo camera

The Company, in collaboration with RICOH Industrial Solutions Inc., jointly developed the “Safety support system for crane operation.”

A crane is usually operated by a crane operator according to the instructions by a signal person, however, in a certain work area, a crane operator may not be able to make a direct visual confirmation of the point of load lowering. In order to reduce such a risk, we have built up a system to notify a crane operator of approaching workers to the hoisted load, through identification of the hoisted load and the workers by the AI, installing a miniature AI stereo camera at the tip of a mobile crane operated at a construction site for identification of moving objects and recognition of the three-dimensional location of the object.

Because of its capability to identify the three-dimensional location of hoisted load, this system enables to detect the condition where the hoisted load is in dynamic lift off, therefore, the crane operator can grasp the upper and lower relationship with the addition of the level position of the hoisted load and the workers.

In addition, when this system judges a danger, the work image before and after the judgement is stored in the cloud. This image can be used to identify the cause of the dangerous work and provide feedback to concerned persons, etc.

Up to now, safety improvement was confirmed by the operation verification of the system, after making the AI camera learn the working conditions in marine works such as installation of wave-dissipating concrete blocks, driving steel pipe pile, and caisson manufacturing, etc. We will improve this system by application to the automated construction of construction work machine.

(6) Development of “Marine Work Digital Twin System”

The Company has developed the “Marine Work Digital Twin*4 System” that reflects and displays information such as work vessel location, stone material acceptance information and weather information, on the BIM (Building Information Modeling)/CIM (Construction Information Modeling) in a virtual space in real time.

This system is easy to understand and use intuitively due to the reproducibility of marine work status in a virtual space and the integrated display of information in real time, which allows the proper construction management. We are planning to expand the function according to the information obtained from various ICT systems.

Also, for a quantity acceptance work conducted prior to the stone material throw-in by a sand carrier with grab bucket*5, it was necessary to take pictures and conduct calculations using measurement rods and surveying poles by several people, therefore, there was a challenge that it took a lot of care and time before the reflection of data. This system displays on the digital twin system the acceptance data uploaded to the cloud from the “Measuring sand carrier with grab bucket (M.SOFT Co., Ltd.),” an automatic volume computation application applied with AR imaging technology, and also automatically outputs the data to the administration table. This has saved the labor for data input operation, and also by the data sharing through the cloud, it has become possible to manage the data in real time by the BIM/CIM in distant places such as sites or branch offices.

The Company has expanded the construction simulation technology of the BIM/CIM for the meticulous construction plan formation (Toyo Virtual Construction) and the ICT technology for productivity improvement at construction sites. The Company will continuously make efforts to promote the comprehensive DX, from the construction planning to construction site management, and will improve our construction technologies and productivity.

*4 Digital twin is a technology to reproduce on the virtual space the data collected from the real space.

*5 A gut ship is a work vessel to transport and throw in stone material, etc.

(7) Research and development of consistent BIM processes in design and construction

The Company is engaged in elemental technology to standardize and achieve BIM processes to enable the enjoyment of various benefits such as improved productivity, the creation of new value and improved services, etc. by spreading digital processes that utilize BIM and by having all persons concerned with building production processes and maintenance & management (owner, designer, examiner, builder, maintenance manager, etc.) utilize digital data through BIM.

As part of this, we applied to be a “Model project for building production and operation & maintenance process facilitation by utilizing BIM” implemented by the Ministry of Land, Infrastructure, Transport and our activity was adopted as a “leading entrepreneur type” project in FY2022. Our efforts for the “valuation & verification concerning the speeding up of cost calculation by a new design estimation method and the AI cost estimation and the valuation & verification concerning the remote supervision method of works (streamlining of progress management), by utilizing the BIM model and an autonomous drone” confirmed the following impact and feasibility.

(i) Valuation & verification concerning the speeding up of cost calculation by a new design estimation method and the AI cost estimation

As a result of the valuation & verification, we confirmed the ability to reduce the work for data coordination with the software exclusively for quantity survey and to substantially reduce the work volume to deal with information loss and errors when converting data from the design BIM software to the software exclusively for quantity survey with the “simple and new design estimation process,” which aligned the finish table and finishing unit price list created by the design BIM model and Excel. In addition, we also confirmed that it was easy to grasp the design estimation cost at the design stage. Furthermore, we also evaluated and conducted a proof of concept of the price prediction AI model for predicting future cost fluctuations and confirmed its effectiveness. Being able to grasp the cost fluctuation risk at the start of construction from the initial planning stage with the price prediction AI model will bring lots of advantages to the owner and the contractor.

(ii) Valuation & verification concerning the remote supervision method of works by utilizing an autonomous drone and the BIM model

As a result of the valuation & verification, we confirmed the possibility of introducing the supervision method of works that can be achieved remotely utilizing an autonomous drone and a properly built construction BIM model at the construction stage. With remote confirmation of the onsite status using autonomous drone becoming easy, it will be possible to reduce the travel time of the construction supervisor and increase the frequency of onsite confirmations. Through this, we hope to prevent reworking and improve productivity.

III. Information About Facilities

1. Overview of capital expenditures, etc.

In the fiscal year ended March 31, 2023 the Corporate Group made capital investment totaling 1,274 million yen, with the funds used primarily for updating equipment on work vessels.

2. Major facilities

Major facilities of the Corporate Group are as follows:

(1) Reporting company

As of March 31, 2023

As of March 31, 2023								
Office name (Location)	Segment name	Book value (Millions of yen)						Number of employees (Persons)
		Building Structures	Machinery, equipment and vehicles, and tools	Land		Leased assets	Total	
				Area (m ²)	Amount			
Head Office (Chiyoda-ku, Tokyo)	—	986	932	30,680	4,380	138	6,438	240
Technical Research Institute, Miho (Miho, Inashiki-gun, Ibaraki Pref.)	Domestic civil engineering business Domestic construction business	259	73	28,141	1,040	2	1,375	15
Technical Research Institute, Naruo (Nishinomiya)	Domestic civil engineering business	221	121	8,852	1,858	0	2,202	25
Hokkaido Branch (Chuo-ku, Sapporo- shi)	Domestic civil engineering business Domestic construction business	44	1	2,780	246	—	291	8
Tohoku Branch (Aoba-ku, Sendai- shi)	Domestic civil engineering business Domestic construction business	100	3	4,216	290	16	410	65
Kanto Branch (Chiyoda-ku, Tokyo)	Domestic civil engineering business	53	624	6,514 [3,340]	265	18	962	167
Kanto Architectural Construction Branch (Chiyoda-ku, Tokyo)	Domestic construction business	—	1	—	—	—	1	118
Yokohama Branch (Naka-ku, Yokohama-shi)	Domestic civil engineering business	32	1	1,705	513	—	547	44
Hokuriku Branch (Kanazawa-shi, Ishikawa)	Domestic civil engineering business Domestic construction business	34	4	2,080 [528]	222	25	287	48
Nagoya Branch (Naka-ku, Nagoya- shi)	Domestic civil engineering business Domestic construction business	2	231	2,625	140	20	394	78

Office name (Location)	Segment name	Book value (Millions of yen)						Number of employees (Persons)
		Building Structures	Machinery, equipment and vehicles, and tools	Land		Leased assets	Total	
				Area (m ²)	Amount			
Osaka Main Office (Chuo-ku, Osaka-shi)	Domestic civil engineering business Domestic construction business	1,831	62	57,242 [409]	10,699	29	12,622	157
Chugoku Branch (Higashi-ku, Hiroshima-shi)	Domestic civil engineering business Domestic construction business	43	1,510	4,823	141	20	1,716	54
Shikoku Branch (Takamatsu-shi, Kagawa)	Domestic civil engineering business Domestic construction business	14	2	1,248 [670]	89	9	115	49
Kyusyu Branch (Hakata-ku, Fukuoka- shi)	Domestic civil engineering business Domestic construction business	34	5	4,427 [68]	248	18	305	171
International Division (Chiyoda-ku, Tokyo)	Overseas construction business	—	—	—	—	—	—	21
Overseas office	Overseas construction business	17	480	[15,000]	—	—	498	28

(2) Domestic subsidiaries

As of March 31, 2023

As of March 31, 2023									
Company name	Office name (Location)	Segment name	Book value (Millions of yen)						Number of employees (persons)
			Buildings and structures	Machin- ery, equip- ment and vehicles, and tools	Land		Leased assets	Total	
					Area (m ²)	Amount			
TOMAC Corporation	Head Office (Chiyoda-ku, Tokyo)	Domestic civil engineering business Overseas construction business Real estate business	106	290	34,000 [400]	1,201	1	1,600	128
Tachibana Kogyo Co., Ltd.	Head Office (Takamatsu-shi, Kagawa)	Domestic civil engineering business Overseas construction business	273	717	7,500 [509]	188	0	1,181	102

Company name	Office name (Location)	Segment name	Book value (Millions of yen)						Number of employees (persons)
			Buildings and structures	Machin- ery, equip- ment and vehicles, and tools	Land		Leased assets	Total	
					Area (m²)	Amount			
Kusakabe Maritime Engineering Co., Ltd.	Head Office (Chuo-ku, Kobe-shi)	Domestic civil engineering business Other businesses	1	25	—	—	24	50	29
Tecuos Co., Ltd.	Head Office (Chiyoda-ku, Tokyo)	Domestic construction business Real estate business	61	1	1,436	337	—	399	29
Token Shoji Co., Ltd.	Head Office (Chiyoda-ku, Tokyo)	Other businesses	1	1	—	—	—	3	13

(3) Overseas subsidiaries

As of December 31, 2022

As of December 31, 2022									
Company name	Office name (Location)	Segment name	Book value (Millions of yen)						Number of employ- ees (persons)
			Buildings and structures	Machin- ery, equip- ment and vehicles, and tools	Land		Leased assets	Total	
					Area (m ²)	Amount			
CCT CONSTRUCTORS CORPORATION	Head Office (MAKATI CITY, PHILIPPINES)	Overseas construction business	0	33	—	—	2	37	75

- Notes: 1. Book value does not include construction in progress.
2. The reporting company's real estate business is conducted in each office, but the ratio is insignificant so it is omitted.
3. Some land and buildings are rented from outside the Corporate Group. The rent amount is 823 million yen and the area of land is shown in external writing inside [].
4. The main land and buildings currently loaned

Company name	Land (m ²)	Buildings (m ²)
TOYO CONSTRUCTION CO., LTD.	22,424	15,293

5. The main rented facilities with a leasing contract

Company name	Office name	Segment name	Facilities	Number of facilities	Lease period (years)	Annual lease fee (Millions of yen)
TOYO CONSTRUCTI ON CO., LTD.	Head office/ Branch	Domestic civil engineering business and others	PCs and others	3,305	3	80

6. The number of employees at overseas subsidiaries are stated with the inclusion of employees hired locally overseas

3. Planned additions, retirements, etc. of facilities

(1) Additions, etc. of significant facilities

Plans for significant capital expenditures for the purpose of expansion and upgrades to work vessels, business operating equipment and for research and development are as follows.

Company name	Segment name	Facilities	Slated investment amount (Millions of yen)		Date slated for completion	Funds procurement method
			Total	Amount already paid		
TOYO CONSTRUCTI ON CO., LTD.	Domestic civil engineering business	Vessels (DCM vessels)	366	234	March 2024	Funds on hand and borrowings

(2) Retirements, etc. of significant facilities

There are no plans for retirements, etc. of significant facilities

IV. Information About Reporting Company

1. Company's shares, etc.

(1) Total number of shares

(i) Authorized shares

Type	Number of shares authorized (shares)
Common shares	320,000,000
Total	320,000,000

(ii) Issued shares

Type	Number of issued shares as of fiscal year end (shares) (as of March 31, 2023)	Number of issued shares as of filing date (shares) (as of June 30, 2023)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Details
Common shares	94,371,183	94,371,183	Prime Market of the Tokyo Stock Exchange	The number of shares per share unit: 100 shares
Total	94,371,183	94,371,183	—	—

(2) Share acquisition rights

(i) Employee share option plans

Not applicable

(ii) Rights plans

Not applicable

(iii) Share acquisition rights for other uses

Not applicable

(3) Exercises of moving strike convertible bonds, etc.

Not applicable

(4) Changes in total number of issued shares, share capital, etc.

Date	Change in the total number of issued shares (Thousands of shares)	Balance of the total number of issued shares (Thousands of shares)	Change in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
March 11, 2015 to March 24, 2015 (Note)	14,300	94,371	3,365	14,049	3,365	5,840

Note: Due to the paid capital increase through public offering with a payment date of March 11, 2015 the total number of issued shares increased by 10,000,000 shares, share capital increased by 2,334 million yen, and legal capital surplus increased by 2,334 million yen. The issue price was 487 yen, the purchase price was 466.80 yen, and the additional paid-in capital was 233.40 yen.

Due to the paid capital increase through a third-party allotment with a payment date of March 11, 2015, total number of issued shares increased by 2,800,000 shares, share capital increased by 681 million yen, and legal capital surplus increased by 681 million yen. The purchase price was 487 yen and the additional paid-in capital was 243.50 yen.

Due to the paid capital increase through a third-party allotment with a payment date of March 24, 2015, the total number of issued shares increased by 1,500,000 share, capital increased by 350 million yen, and legal capital surplus increased by 350 million yen. The purchase price was 466.80 yen and the additional paid-in capital was 233.40 yen.

(5) Shareholding by shareholder category

As of March 31, 2023

As of March 31, 2023

Category	Shareholding status (Number of shares per share unit: 100 shares)								Shares less than one unit (shares)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors, etc.		Individuals and others	Total	
					Companies, etc.	Individuals			
Number of shareholders (Persons)	—	19	38	111	151	3	6,879	7,201	—
Number of shares held (Units)	—	134,523	24,661	234,456	479,886	75	69,780	943,381	33,083
Shareholding ratio (%)	—	14.26	2.61	24.85	50.87	0.01	7.40	100	—

- Notes: 1. The 44,131 treasury shares include 441 share units under “Individuals and others” and 31 shares under “Shares less than one unit.”
2. The number of units under “Other corporations” includes 14 share units registered in the name of Japan Securities Depository Center, Incorporated.

(6) Status of Major Shareholders

As of March 31, 2023

Name / Company Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (excluding treasury shares) (%)
MAEDA CORPORATION	2-10-2, Fujimi, Chiyoda-ku, Tokyo	19,047	20.19
WK 1 Limited (standing proxy: Phillip Securities Japan, Ltd.)	MOURANT GOVERNANCE SERVICES (CAYMAN) LIMITED, PO BOX 1348, 94 SOLARIS AVENUE, CAMANA BAY, GRAND CAYMAN KY1-1108, CAYMAN ISLANDS (4-2, Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)	9,200	9.75
WK 2 Limited (standing proxy: Phillip Securities Japan, Ltd.)	MOURANT GOVERNANCE SERVICES (CAYMAN) LIMITED, PO BOX 1348, 94 SOLARIS AVENUE, CAMANA BAY, GRAND CAYMAN KY1-1108, CAYMAN ISLANDS (4-2, Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)	9,190	9.74
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	8,019	8.50
WK 3 Limited (standing proxy: Tachibana Securities Co., Ltd.)	MOURANT GOVERNANCE SERVICES (CAYMAN) LIMITED, PO BOX 1348, 94 SOLARIS AVENUE, CAMANA BAY, GRAND CAYMAN KY1-1108, CAYMAN ISLANDS (1-13-14 Nihonbashi-Kayabacho, Chuo-ku, Tokyo)	5,890	6.24
PERSHING SECURITIES LTD CLIENT SAFE CUSTODY ASSET ACCOUNT (standing proxy: Citibank, N.A., Tokyo Branch)	ROYAL LIVER BUILDING, PIER HEAD, LIVERPOOL, L3 1LL, ENGLAND (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	3,455	3.66
MSIP CLIENT SECURITIES (standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	25 CABOT SQUARE, CANARY WHARF, LONDON E14 4QA, U.K. (Otemachi Financial City South Tower, 1-9-7 Otemachi, Chiyoda-ku, Tokyo)	2,699	2.86
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	2,473	2.62
Toyo Construction Kyoei-Kai	Jinbocho Mitsui Building 1-105, Kandajimbocho, Chiyoda-ku, Tokyo	1,818	1.92
GOLDMAN SACHS INTERNATIONAL (standing proxy: Goldman Sachs Japan Co., Ltd.)	PLUMTREE COURT, 25 SHOE LANE, LONDON EC4A 4AU, U.K. (Roppongi Hills Mori Tower, 6-10-1, Roppongi, Minato-ku, Tokyo)	1,743	1.84
Total	—	63,539	67.36

Notes: 1. In the Statement of Large-Volume Holdings provided for public viewing on April 22, 2022, although it stated that Asset Management One Co., Ltd. held the following shares as of April 15, 2022, the Company cannot confirm the actual number of shares held as of March 31, 2023, and as such, these are not included in the above Status of Major Shareholders.

The details of such Statement of Large-Volume Holdings are as follows.

Name / Company Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Asset Management One Co., Ltd.	1-8-2 Marunouchi, Chiyoda-ku, Tokyo	3,238	3.43
Total	—	3,238	3.43

2. In the Statement of Large-Volume Holdings (Change Report) provided for public viewing on April 6, 2023, although it stated that Nomura Securities Co., Ltd. and joint holders NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd. held the following shares as of March 31, 2023, the Company cannot confirm the actual number of shares held as of March 31, 2023, and as such, these are not included in the above Status of Major Shareholders.

The details of such Statement of Large-Volume Holdings are as follows.

Name / Company Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Nomura Securities Co., Ltd.	1-13-1 Nihonbashi, Chuo-ku, Tokyo	1,591	1.69
NOMURA INTERNATIONAL PLC	1 ANGEL LANE, LONDON EC4R 3AB, UNITED KINGDOM	35	0.04
Nomura Asset Management Co., Ltd.	2-2-1, Toyosu, Koto-ku, Tokyo	1,960	2.08
Total	—	3,587	3.80

(7) Voting rights

(i) Issued shares

As of March 31, 2023

Category	Number of shares (shares)	Number of voting rights (units)	Details
Shares without voting rights	—	—	—
Shares with restricted voting rights (Treasury shares, etc.)	—	—	—
Shares with restricted voting rights (Other)	—	—	—
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Common shares 44,100	—	The number of shares per share unit: 100 shares
Shares with full voting rights (Other)	Common shares 94,294,000	942,940	(same as above)
Shares less than one unit	Common shares 33,083	—	Shares less than one unit (100 shares)
Total number of issued shares	94,371,183	—	—
Total number of voting rights	—	942,940	—

- Notes: 1. The common shares in the “Shares with full voting rights (Other)” field include 1,400 shares (14 voting rights) registered in the name of the Japan Securities Depository Center and 307,300 shares (3,073 voting rights) held by the officer remuneration BIP trust.
2. The common shares in the “Shares less than one unit” field include 31 treasury shares held by the Company and 35 shares held by the officer remuneration BIP trust

(ii) Treasury shares, etc.

As of March 31, 2023

Name of shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under the name of others (shares)	Total (shares)	Shareholding ratio (%)
Treasury shares TOYO CONSTRUCTION CO., LTD.	4-1-1 Koraibashi, Chuo-ku, Osaka-shi, Osaka	44,100	—	44,100	0.05
Total		44,100	—	44,100	0.05

Note: Shares for which the Company’s name is recorded in the shareholder registry, but it does not effectively hold those shares includes 1,400 shares (14 voting rights) registered in the name of Japan Securities Depository Center, and 307,300 shares (3,073 voting rights) held by the officer remuneration BIP trust. These shares are not included in the above Treasury shares.

(8) Share ownership plan for directors (and other officers) and employees

(Performance-linked stock compensation plan for directors and executive officers)

1. Overview of the plan

The Company resolved at the 94th Annual General Meeting of Shareholders held on June 29, 2016 to introduce a performance-linked stock compensation plan (hereinafter, the “Plan”) from FY2016 as an incentive for the Company’s directors and executive officers (excluding outside directors; hereinafter, “directors, etc.”). The Plan is a compensation plan that is closely aligned to the Company’s earnings, with high transparency and objectivity, for the purpose of further raising awareness of contribution towards the medium to long-term achievement of increased performance and improvement of the corporate value.

Specifically, a trust named the officer remuneration BIP (Board Incentive Plan) trust is established, which issues the Company’s shares acquired from the officer remuneration BIP trust in advance to directors, etc. according to the degree of medium to long-term performance achieved.

2. The Company’s shares remaining in the trust

The Company’s shares remaining in the trust are recorded as treasury shares in net assets according to the book value in the trust. The book value of such treasury shares and the number of shares as of the end of the fiscal year under review were 129 million yen and 307,335 shares.

2. Acquisition and disposal of treasury shares

Class of shares, etc.

Acquisition of common shares under Article 155, item (vii) of the Companies Act

(1) Acquisitions by resolution of Shareholders Meeting

Not applicable

(2) Acquisition by resolution of Board of Directors meeting

Not applicable

(3) Acquisition not based on resolution of Shareholders Meeting or Board of Directors meeting

Category	Number of shares (shares)	Total value (Yen)
Treasury shares acquired during the current fiscal year	847	758,837
Treasury shares acquired during the period from April 1, 2023 to the filing date of this Annual Securities Report	—	—

Note: The figure for treasury shares acquired during the period from April 1, 2023 to the filing date of this Annual Securities Report does not include the number of shares arising from purchases of shares less than one unit from shareholders during the period from June 1, 2023 until the filing date of this Annual Securities Report.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Fiscal year ended March 31, 2023		From April 1, 2023 until the filing date of this Annual Securities Report	
	Number of shares (shares)	Total disposal value (Yen)	Number of shares (shares)	Total disposal value (Yen)
Acquired treasury shares offered for subscription	—	—	—	—
Acquired treasury shares that were disposed	—	—	—	—
Acquired treasury shares transferred for merger, share exchange, share delivery and company split	—	—	—	—
Other [-]	—	—	—	—
Treasury shares held	44,131	—	44,131	—

Note: The figure for treasury shares held during the period from April 1, 2023 to the filing date of this Annual Securities Report does not include the number of shares arising from purchases of shares less than one unit from shareholders during the period from June 1, 2023 until the filing date of this Annual Securities Report.

3. Dividend policy

The Company considers the return of profits to shareholders to be a management priority. Our basic policy is to provide a long-term and stable dividend while enhancing internal reserves for future capital investments and technology development aiming for entry into the offshore wind power generation construction market and further development of overseas business, etc.

Furthermore, the Company achieved “consolidated net assets of 70.0 billion yen or more” and “total of 30.0 billion yen in consolidated operating profit for three years,” which were its targets in the previous mid-term business plan, which ended in FY2022.

Based on the above, the Company has decided on the year-end dividend for the fiscal year under review of 25 yen per share. As a result, the consolidated dividend payout ratio for common shares in the fiscal year under review was 41.5% and the dividend payout ratio for common shares of the non-consolidated Company in the fiscal year under review was 48.3%.

In addition, the entire amount of the retained earnings brought forward after paying dividends was carried over to the next fiscal year for the stability of the management foundation.

Note that dividends of surplus are a once-a-year year-end dividend with the General Meeting of Shareholders being the decision-making body for the dividends of surplus.

Note: Dividends of surplus with record dates falling in the current fiscal year are as follows:

Resolution date	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Resolution at the Annual General Meeting of Shareholders held on June 27, 2023	Common shares	2,358	25.00

Kaisha Yamauchi-No.10 Family Office and Kabushiki Kaisha KITE for a tender offer of the Company's common shares.

- Board of Auditors and corporate auditors

On the basis of the fiduciary responsibility to the shareholders, corporate auditors conduct audits of the state of directors' performance of their duties, from an independent and objective standpoint for the benefit of the Company and the common interests of the Company shareholders. At the end of the fiscal year under review, the Board of Auditors consisted of four corporate auditors, including three full-time corporate auditors.

In addition, three of the four corporate auditors are outside corporate auditors.

- Director Nomination & Compensation Committee

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 as of the end of the fiscal year under review, making for a system that ensures suitable involvement by and advice from outside directors.

The Board of Auditors met a total of four times during the fiscal year under review, and in addition to fair examination through the processes that ensure transparency and objectivity in the selection and compensation of the candidates for directors and executive officers of the Company, considered revisions to officer compensation, and discussed the status of succession plans for officers and future issues.

- Attendance by individual officers and committee members at the Board of Directors and the Director Nomination & Compensation Committee during the fiscal year under review

Name	Position	Attendance at Board of Directors	Attendance at Director Nomination & Compensation Committee
Kyoji Takezawa	Representative Director, President	30/30	4/4
Masakazu Kawanobe	Director	12/12	—
Hiromi Hirata	Director	30/30	—
Takahiro Yabushita	Representative Director	30/30	4/4
Haruhisa Obayashi	Director	30/30	—
Mamoru Sato	Director	18/18	—
Yoshio Fukuda	Outside Director	30/30	4/4
Yutaka Yoshida	Outside Director	29/30	4/4
Yasuyuki Fujitani	Outside Director	17/18	1/1
Satoshi Otonari	Full-time Corporate Auditor	30/30	—
Jiro Fukuda	Outside Full-time Corporate Auditor	30/30	—
Kiyotaka Somekawa	Outside Full-time Corporate Auditor	30/30	—
Shiho Boda	Outside Corporate Auditor	18/18	—

Notes: 1. Masakazu Kawanobe retired as a director effective June 24, 2022.
2. Directors Mamoru Sato and Yasuyuki Fujitani assumed office as directors effective June 24, 2022.
3. Corporate Auditor Shiho Boda assumed office as a corporate auditor effective June 24, 2022.

- Risk Management Committee

As of the end of the fiscal year under review, the Risk Management Committee, which is a body under the direct control of the Representative Director, President, comprised the General Manager of Business Administration Div., the General Manager of Civil Construction Div., the General Manager of Architectural Construction Div., the General Manager of Audit Dept., the General Manager of Safety and Environment Dept. and one corporate auditor, with the Legal Dept. of the

Business Administration Div. as its secretariat. It establishes compliance policies, selects material risks for the Group as a whole, and provides instruction to pertinent departments, while reporting such activities to the Board of Directors.

- Sustainability Committee

As of the end of the fiscal year under review, the Sustainability Committee, which is under the direct control of the Board of Directors, comprised the General Manager of Business Administration Div., the General Manager of Civil Construction Div., and the General Manager of Architectural Construction Div., with the officer in charge of sustainability as the chairperson. The PR Dept., Business Administration Div. is the secretariat and it examines the overall sustainability of the Company for the realization of a sustainable society, and reports such activities to the Board of Directors.

- Executive Committee

In addition to the Board of Directors, which aims to improve the efficiency of business operations, promptly responding to changes in the business environment, the Executive Committee, which discusses and determines policies for the execution of duties, meets twice a month. As of the end of the fiscal year under review, this Executive Committee comprised all directors, the General Manager of Business Planning Dept., Business Administration Div. and one corporate auditor.

- Independent Outside Committee

We established the Independent Outside Committee with the objective of exchanging information and recognition sharing between outside directors and outside corporate auditors. As of the end of the fiscal year under review, the Committee comprised all outside directors and all outside corporate auditors, with one outside director appointed as the head.

- The composition and chairpersons of the Board of Directors and its voluntary committees as of the end of the fiscal year under review are as follows.

	Name	Position	Board of Directors	Director Nomination & Compensation Committee	Risk Management Committee	Sustainability Committee	Executive Committee	Independent Outside Committee
1	Kyoji Takezawa	Representative Director, President	◎	◎			◎	
2	Hiromi Hirata	Director	○		○	○	○	
3	Takahiro Yabushita	Representative Director	○	○	◎	◎	○	
4	Haruhisa Obayashi	Director	○		○	○	○	
5	Mamoru Sato	Director	○				○	
6	Yoshio Fukuda	Outside Director	○	○			○	◎ Head
7	Yutaka Yoshida	Outside Director	○	○			○	○
8	Yasuyuki Fujitani	Outside Director	○	○			○	○
9	Satoshi Otonari	Full-time Corporate Auditor	○		△		○	
10	Jiro Fukuda	Outside Full-time Corporate Auditor	○					○
11	Kiyotaka Somekawa	Outside Full-time Corporate Auditor	○					○
12	Shiho Boda	Outside Corporate Auditor	○					○

- (1) ○ means a member, ◎ means the chairperson, △ means an observer, respectively.
- (2) Because the corporate auditors are obliged to attend the Board of Directors meeting and state their opinion, they are marked “○.”
- (3) For Risk Management Committee, besides the representation, one lawyer may be appointed as an adviser.

(iii) Other matters concerning corporate governance

- Status of internal control system

- (1) System to ensure that the execution of duties of directors and employees is in compliance with the laws and regulations, and the Articles of Association
- Directors, executive officers and employees shall execute their duties with the “Management Philosophy,” the “Code of Conduct” and the “Conduct Guidelines” as the top priority basic judgment standards.
 - The Risk Management Committee under direct control of President shall “develop the compliance policy,” “determine a policy so that employees are aware of risk management,” and “select key risks of the whole group,” and shall report their activities to the Board of Directors while instructing pertinent departments.
 - The Legal Dept. shall provide education, guidance etc. necessary for compliance by each department.
 - If General Manager of the Legal Dept. becomes aware of a questionable act pertaining to compliance with laws and regulations, the manager shall report its investigation to the Risk Management Committee in a timely and appropriate manner, and provide necessary guidance.

- e. The Audit Dept. shall verify the status of execution of duties, and the effectiveness and appropriateness of internal control for each department to ensure the adequate execution of duties.
 - f. A whistle-blowing system with internal and external contacts for report has been established as an internal report system.
- (2) System to ensure that directors' duties are executed in an efficient manner
- a. A system for proper execution of directors' duties shall be established pursuant to the Basic Management Rules, the Organizational Rules etc.
 - b. By introducing an executive officer system, the number of directors shall be reduced in an effort to speed up the business decision-making process.
- (3) Rules and other systems for management of risk of loss
- a. Each competent department shall manage predetermined day-to-day risks in accordance with the Risk Management Rules and the Disaster Prevention Rules.
 - b. In the event of a large-scale disaster or any other event requiring emergency response, in order to minimize damage and loss, an emergency control headquarters with President as the general manager shall be set up.
 - c. A BCP (business continuation plan) has been formulated under assumption of an earthquake occurring directly beneath the Tokyo Metropolitan Area.
- (4) System for retaining and controlling information on the execution of directors' duties
- a. Important meeting minutes, requests for managerial decision for important matters, contracts, and materials relating thereto shall be properly retained in accordance with laws and regulations, and the assorted rules for document management and information security.
 - b. The documents administrator pursuant to the document rules shall properly manage documents.
- (5) System to ensure the appropriateness of business activities of the corporate group consisting of the Company and its subsidiaries
- a. Pursuant to the Affiliated Company Management Rules, the Affiliated Business Strategy Dept., the Civil Planning & Administrative Dept. and the Architectural Planning & Administrative Dept. shall formulate a management plan for the corporate group consisting of the Company and its subsidiaries, provide consultation and guidance prior to important decision-making, and summon subsidiary presidents on a regular basis to hear the status of management including progress in the management plan in which the Company was involved in formulating.
 - b. The Audit Dept. shall verify the status of execution of duties, and the effectiveness and appropriateness of internal control at the corporate group consisting of the Company and its subsidiaries to ensure the adequate execution of duties, and the efficiency and soundness of management.
 - c. The Legal Dept. shall provide education, guidance, support etc. necessary for compliance by the corporate group consisting of the Company and its subsidiaries.
 - d. The whistle-blowing system's contacts for report have been set at the corporate group consisting of the Company and its subsidiaries to enhance the effectiveness of compliance at the corporate group level.

- (6) System for the Company's and subsidiaries' directors and employees to report to corporate auditors, and any other system for report to corporate auditors
- a. Corporate auditors can attend the Company's Board of Directors meetings and other important meetings, and if necessary, request the Company's and subsidiaries' directors and employees to allow the viewing of and submit documents concerning execution of duties.
 - b. If there is a likelihood of violation of laws and regulations or the Articles of Association, or of significant disrepute or damage to any of the companies, the Company's and subsidiaries' directors and employees shall report to corporate auditors without delay.
 - c. If a corporate auditor requests a report on business and business activities, the Company's and subsidiaries' directors and employees shall quickly comply with such request in an appropriate manner.

- (7) System to ensure that a person who reports pursuant to (6) above will not be treated unfavorably on the grounds of such report

Persons who provide information to corporate auditors shall not be treated unfavorably on the grounds of such provision of information.

- (8) Other systems to ensure effective audit by corporate auditors

- a. Directors, executive officers and employees shall cooperate so that audits by corporate auditors in accordance with the Board of Auditors rules and Board of Auditors bylaws shall be carried out in an effective manner.
- b. Corporate auditors shall cooperate with accounting auditors, the Audit Dept. and subsidiaries' corporate auditors to enhance the effectiveness of audits.
- c. If a corporate auditor makes request to the Company for advance payment of expenses for execution of its duties, such expenses or obligations shall be promptly settled.

- (9) Matters regarding employees assisting corporate auditors, matters regarding the independence of such employees from directors, and matters to ensure the effectiveness of instructions to such employees

If a corporate auditor or the Board of Auditors requests to have an assistant to help execute its duties, such assistant shall be appointed. Such assistant shall comply with directions and orders from the corporate auditor, and shall not receive directions from directors.

- (10) System to ensure the reliability of financial reports

- a. As internal control of financial reports, related rules etc. shall be established and properly operated to prepare financial reports with reliability.
- b. The Audit Dept. shall carry out internal control audits pertaining to financial reports, and enhance the reliability of financial reports by detecting any insufficiencies in internal control and having the relevant departments correct them.

- Elimination of Anti-social Forces

- (1) Basic approach

The Company shall take a firm stand against anti-social forces which threaten the order and safety of civil society, and any relationship with them shall be blocked as a company-wide effort.

- (2) Efforts to eliminate anti-social forces

- a. The Administration Dept., Administration Div. shall be the governing department.
- b. The head office shall cooperate with the National Center for Removal of Criminal Organizations, the Federation for Special Violence Prevention Measures under the jurisdiction

of the Metropolitan Police Department and the Kanda District Special Violence Prevention Measures Council, and each branch shall also cooperate with councils and other external bodies in its area of operation, to consult and collect information, and strive to eliminate anti-social forces.

- c. The Compliance Manual specifies the guidelines for conduct against anti-social forces, and such guidelines shall be thoroughly disseminated by providing training on a regular basis.
 - d. For the purpose of eradicating transactions with anti-social forces, a clause for elimination of antisocial forces shall be stipulated in any contracts used for transaction between the Company and vendors.
- Status of risk management systems

We establish rules concerning overall risk management, and maintain systems able to manage the risk of damage to the reputation of the Company's management, and the loss of or damage to physical and personal property and to respond appropriately when risks materialize.

In the event that unforeseen circumstances arise, we establish a task force led by the President, and maintain systems to minimize the impact through a precise response.
- Outline of the operating status of the system to ensure the appropriateness of business activities
 - (1) With the "Basic Policy on Internal Control" as resolved by the Board of Directors as the basic policy to be consistently applied, the Company carries out review of such policy as appropriate and ensures that the policy is thoroughly disseminated throughout the Company and its subsidiaries.
 - (2) The "Risk Management Committee" is convened twice a year to consider and implement compliance and risk-related issues, and details thereof are periodically reported to the Board of Directors.
 - (3) The Audit Dept. audits business activities of the head office, as well as the 11 branches and sales offices of the Company, and three subsidiaries, and audit results are periodically reported to the Board of Directors.
- 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.
- Outline of the contents of directors and officers' liability insurance agreements

The Company has executed a 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.
- Number of Directors

The Articles of Association stipulate that the number of directors of the Company shall be 15 or fewer.

- Resolution conditions for appointment and dismissal of directors

The Articles of Association stipulate that a resolution to elect a Director of the Company shall be adopted by a majority of the voting rights of shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their voting rights are present, and such resolution shall not be held by cumulative voting.

- Matters to be resolved at the General Meeting of Shareholders that can be resolved at the Board of Directors

(1) Acquisition requirements for the Company's own shares

The Articles of Association stipulate that the Company's own shares may be acquired through market transactions pursuant to a resolution of the Board of Directors in accordance with the provisions of Article 165, paragraph (2) of the Companies Act to ensure flexible execution of capital policies in response to change in the business environment.

(2) Exemption of directors and corporate auditors' liabilities

The Articles of Association stipulate that the Company may, if a case falls under requirements specified by laws and regulations regarding the liability of directors (including former directors) and corporate auditors (including former corporate auditors) under Article 423, paragraph (1) of the Companies Act, exempt their damage compensation liability by limiting the liability to the amount obtained by deducting the minimum liability amount stipulated by laws and regulations from the damage compensation liability amount to ensure that directors and corporate auditor can adequately demonstrate their abilities and fulfill their expected roles when executing their duties.

- Requirements for special resolution of a General Meeting of Shareholders

To facilitate the smooth operation of the General Meeting of Shareholders, the Articles of Association stipulate that resolutions that should be in accordance with the provisions of Article 309, paragraph (2) of the Companies Act shall be adopted by at least two-thirds of the votes of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their voting rights are present.

- 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.

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. As of the end of the fiscal year under review, 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. As of the end of the fiscal year under review, 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 accounting 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.

(2) Information about officers

(i) List of officers

Officers include 15 males and 2 females. (Percentage of female officers: 11.8%)

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (shares)
Representative Director, Chairman (Executive Officer, Chairman)	Shinya Yoshida	December 8, 1960	<p>April 1985 Joined Mitsubishi Corporation</p> <p>April 2013 Executive Officer, General Manager of Corporate Planning, Mitsubishi Corporation</p> <p>April 2016 Managing Executive Officer, New Industry Financial Business Group CEO, Mitsubishi Corporation</p> <p>April 2019 Managing Executive Officer, Officer in Charge of Corporate (domestic) & Kansai Branch President, Mitsubishi Corporation</p> <p>June 2019 Representative Director & Managing Executive Officer, Officer in Charge of Corporate (domestic) & Kansai Branch President, Mitsubishi Corporation</p> <p>April 2020 Representative Director & Managing Executive Officer, Officer in Charge of Corporate (domestic development) & Kansai Branch President, Mitsubishi Corporation</p> <p>February 2022 Advisor to the Chairman for Special Missions, Nippon Densan Co., Ltd. (currently known as NIDEC Corporation)</p> <p>April 2022 Managing Executive Officer, Nippon Densan Co., Ltd.</p> <p>May 2022 Managing Executive Officer, Chief Administrative Officer and Executive Officer in Charge of Corporate Planning, Nippon Densan Co., Ltd.</p> <p>July 2022 Senior Executive Officer, Chief Administrative Officer and Executive Officer in charge of Corporate Planning, Nippon Densan Co., Ltd.</p> <p>October 2022 Part-time Advisor, Nippon Densan Co., Ltd.</p> <p>June 2023 Representative Director, Chairman and Executive Officer, Chairman of the Company (current position)</p>	(Note 4)	—
Representative Director, President (Executive Officer, President)	Haruhisa Obayashi	August 21, 1959	<p>April 1982 Joined the Company</p> <p>April 2005 General Manager of Civil Construction Dept. of Kyushu Branch Office</p> <p>April 2011 General Manager of Civil Construction Dept. of Kanto Branch Office</p> <p>April 2015 General Manager of Civil Construction Dept. of Civil Construction Div.</p> <p>April 2016 Executive Officer, General Manager of Civil Construction Dept. of Civil Construction Div.</p> <p>August 2017 Executive Officer, Deputy General Manager of International Division, General Manager of Construction Dept.</p> <p>April 2019 Managing Executive Officer, General Manager of Civil Construction Div., and in charge of Safety and Environment Dept.</p>	(Note 4)	27,900

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
			June 2019 April 2021	Director Senior Managing Executive Officer, General Manager of Civil Construction Div., and in charge of Safety and Environment Dept.		
			June 2023	Representative Director, President and Executive Officer, President (current position)		
Representative Director, Vice President (Vice President Executive Officer), General Manager of Architectural Construction Div., and in charge of Safety and Environment Dept.	Hiromi Hirata	March 11, 1957	April 1979 April 2006 April 2011 January 2013 April 2014 June 2014 April 2016 April 2018 July 2022 June 2023	Joined the Company General Manager of Architectural Construction Dept. of Architectural Construction Div. Executive Officer, Supervisor of Architectural Construction Business of Osaka Main Office Executive Officer, Deputy General Manager of Architectural Construction Div., and General Manager of Architectural Construction Dept. Managing Executive Officer, General Manager of Architectural Construction Div. Director Senior Managing Executive Officer, General Manager of Architectural Construction Div. Senior Managing Executive Officer, General Manager of Architectural Construction Div., and in charge of Safety and Environment Dept. Vice President Executive Officer, General Manager of Architectural Construction Div., and in charge of Safety and Environment Dept. (current position) Representative Director and Vice President (current position)	(Note 4)	41,500

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (shares)
Director, Managing Executive Officer, in charge of Administration Div. and General Manager of MX Promotion Div. and in charge of Sustainability	Mamoru Sato	December 12, 1969	<p>April 1994 Joined the Company</p> <p>February 2002 General Manager of Administration Dept. of Orient Ecology Co., Ltd. (seconded)</p> <p>April 2011 Manager of Purchase Dept. of Business Administration Div.</p> <p>July 2015 Manager of Corporate Strategy Office</p> <p>April 2016 General Manager of Secretary Dept.</p> <p>April 2020 General Manager of Administration Dept. of Business Administration Div. and General Manager of Secretary Dept.</p> <p>April 2021 Executive Officer, Deputy General Manager of Business Administration Div., General Manager of Administration Dept., and General Manager of Secretary Dept.</p> <p>April 2022 Managing Executive Officer, Deputy General Manager of Business Administration Div., General Manager of Administration Dept., and General Manager of Secretary Dept.</p> <p>June 2022 Director (current position)</p> <p>July 2022 Managing Executive Officer, Deputy General Manager of Business Administration Div.</p> <p>June 2023 Managing Executive Officer, in charge of Administration Div. and General Manager of MX Promotion Div. and in charge of Sustainability (current position)</p>	(Note 4)	2,800
Director, Managing Executive Officer, General Manager of Civil Construction Div., and in charge of Safety and Environment Dept.	Tatsuyoshi Nakamura	June 4, 1962	<p>April 1985 Joined the Company</p> <p>April 2007 Director of Tokyo Sales Office</p> <p>April 2012 General Manager of Civil Construction Business Dept. 1 of Kanto Branch Office</p> <p>April 2016 Deputy Director of Kanto Branch Office, General Manager of Civil Construction Business Dept. 1</p> <p>April 2018 Deputy Director of Kanto Branch Office</p> <p>April 2019 Executive Officer, Director of Kanto Branch Office</p> <p>April 2022 Managing Executive Officer, Deputy General Manager of Civil Construction Div. (in charge of Business) and Director of Kanto Branch Office</p> <p>April 2023 Managing Executive Officer Deputy General Manager of Civil Construction Div., and in charge of Offshore Wind Dept.</p> <p>June 2023 Director, Managing Executive Officer, General Manager of Civil Construction Div., and in charge of Safety and Environment Dept. (current position)</p>	(Note 4)	5,500

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director (Managing Executive Officer)	Akira Tosaka	June 3, 1959	April 1983	Joined Fujita Engineering Co., Ltd. (currently known as Fujita Corporation)	(Note 4)	—
			April 2008	General Manager of Construction Management Department, Construction Division, Fujita Engineering Co., Ltd.		
			April 2010	General Manager of Construction Management Department of the East Japan Regional Office & Deputy General Manager of the Kanto Branch, East Japan Regional Office, Fujita Engineering Co., Ltd.		
			April 2012	General Manager of Construction Management Department of the Tokyo Metropolitan Branch & Deputy General Manager of the Tokyo Branch, Fujita Engineering Co., Ltd.		
			April 2017	Deputy Chief of Construction Headquarters & Director of Productivity Promotion & Director of Inspection, Fujita Engineering Co., Ltd.		
			April 2020	Executive Member, Construction Headquarters, Fujita Engineering Co., Ltd.		
			February 2022	Director & Executive Officer, Frontier Construction & Partners Co., Ltd. (current position)		
			April 2022	Director & Senior Executive Officer, Contec Ltd. (current position)		
			June 2023	Director and Managing Executive Officer (current position)		

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (shares)
Director	Takashi Narusawa (Notes 1, 3)	December 8, 1949	<p>October 1973 Joined Nomura Research Institute, Ltd.</p> <p>November 1983 General Manager of Investment Investigation Dept. of Nomura Research Institute Europe Limited (U.K.)</p> <p>April 1990 President of Nomura Research Institute Germany Limited (then)</p> <p>June 1994 Director, General Manager of Management System Consulting Dept, Nomura Research Institute, Ltd.</p> <p>April 1997 Director, General Manager of Consulting Div., Nomura Research Institute, Ltd.</p> <p>April 2000 Managing Director, General Manager of Consulting Depts., Nomura Research Institute, Ltd.</p> <p>April 2002 Representative Director, Senior Managing Executive Officer and General Manager of Consulting Depts., Nomura Research Institute, Ltd.</p> <p>April 2004 Representative Director, Senior Managing Executive Officer and Supervisor of Business Depts., Nomura Research Institute, Ltd.</p> <p>April 2007 Representative Director Vice President, Supervisor of Business Depts., Nomura Research Institute, Ltd.</p> <p>April 2008 Representative Director Deputy Chairperson, Nomura Research Institute, Ltd.</p> <p>April 2009 Director Deputy Chairperson, Nomura Research Institute, Ltd.</p> <p>March 2009 Outside Director of Tokyo Coca-Cola Bottling Inc. (current Coca-Cola Bottlers Japan Inc.)</p> <p>June 2011 Outside Director of The Nisshin OilliO Group, Ltd.</p> <p>July 2012 Senior Managing Executive Officer of Starts Corporation Inc.</p> <p>June 2016 Outside Corporate Auditor of Ricoh Company, Ltd.</p> <p>June 2016 Outside Director of Hirata Corporation</p> <p>June 2018 Director of Kamiyama Foundation (current position)</p> <p>June 2018 Outside Director of LOTTE CO., LTD.</p> <p>June 2023 Director of the Company (current position)</p>	(Note 4)	—

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (shares)
Director	Kazumichi Matsuki (Notes 1, 3)	August 17, 1951	<p>April 1976 Joined Mitsubishi Corporation</p> <p>June 1979 Acquired LL.M. at Harvard Law School</p> <p>January 2003 General Manager of Legal Department, Mitsubishi Corporation</p> <p>April 2007 Executive Member, Mitsubishi Corporation</p> <p>May 2007 Chairman, The Association of Corporate Legal Department</p> <p>April 2009 Assistant Officer in Charge of Corporate Affairs & General Manager of Compliance, Mitsubishi Corporation</p> <p>April 2010 Visiting Professor, Graduate Schools for Law and Politics of University of Tokyo</p> <p>April 2011 Executive Officer, Hokuetsu Kishu Paper Co., Ltd. (currently known as Hokuetsu Corporation)</p> <p>June 2011 Director, Hokuetsu Kishu Paper Co., Ltd. Member of the Special Working Group on the Criminal Justice System for a New Era, Committee of the Legislative Council of the Ministry of Justice</p> <p>June 2013 Executive Managing Director, Hokuetsu Kishu Paper Co., Ltd.</p> <p>June 2016 Outside Director (Audit & Supervisory Committee Member), Dream Incubator Inc. Outside Corporate Auditor, Sanden Holdings Corporation (currently known as Sanden Corporation)</p> <p>June 2017 Board Member of Japan Criminal Policy Society (current position)</p> <p>June 2018 Outside Director, Anest Iwata Corporation</p> <p>March 2019 Outside Director, Nissha Co., Ltd. (current position)</p> <p>March 2020 Executive Member, Japan International Dispute Resolution Center (current position)</p> <p>June 2020 Outside Director, Anest Iwata Corporation (Auditor and Supervisory Committee Member) (current position)</p> <p>June 2023 Director of the Company (current position)</p>	(Note 4)	—

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director	Taizo Nishikawa (Notes 1, 3)	March 18, 1955	<p>April 1979 Joined Ministry of International Trade and Industry (current Ministry of Economy, Trade and Industry)</p> <p>July 1999 Manager of International Certification Section of Agency of Industrial Science and Technology of said ministry</p> <p>July 2001 Manager of Certification Section of Industrial Science and Technology Policy and Environment Bureau of said ministry</p> <p>October 2003 General Manager of Electronic and Information Technology Development Dept. of New Energy and Industrial Technology Development Organization (NEDO)</p> <p>November 2005 Deputy General, Commerce and Information Policy Bureau of Ministry of Economy, Trade and Industry</p> <p>July 2007 Deputy General of Cabinet Office (in charge of Science Technology and Innovation Policies) and Deputy Director of Cabinet Nuclear Energy Policy Office</p> <p>July 2009 Representative of Tokyo Office of United Nations Industrial Development Organization (UNIDO)</p> <p>January 2012 Acting Secretary-General and Senior Managing Director/Deputy Managing Director of said organization</p> <p>January 2020 Representative Director of Kabushiki Kaisha UNSDGs Consulting Co., Ltd. (current position)</p> <p>December 2022 Director and Vice Chairman of Machinery and Information Industry Roundtable (current position)</p> <p>June 2023 Director of the Company (current position)</p>		(Note 4)	—
Director	Masato Uchiyama (Notes 1, 3)	July 23, 1955	<p>April 1978 Joined Electric Power Development Co., Ltd. (J-Power)</p> <p>March 2005 General Manager of Energy Operation, Electric Power Development Co., Ltd.</p> <p>June 2009 Executive Officer & General Manager of Energy Operations Department, Electric Power Development Co., Ltd.</p> <p>December 2011 Managing Executive Officer, Electric Power Development Co., Ltd.</p> <p>June 2013 Director & Managing Executive Officer, Electric Power Development Co., Ltd.</p> <p>June 2015 Director & Executive Vice President, Electric Power Development Co., Ltd.</p> <p>June 2016 Representative Director & Executive Vice President, Electric Power Development Co., Ltd.</p> <p>April 2019 Representative Director & Vice President Executive Officer, Electric Power Development Co., Ltd.</p> <p>June 2023 Director of the Company (current position)</p>		(Note 4)	—

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director	Masaharu Okada (Notes 1, 3)	May 7, 1956	April 1979 August 1996 October 2005 June 2009 April 2013 April 2015 June 2020 April 2021 June 2023	Joined Taisei Corporation Construction Work Site Manager, Kanto Branch, Taisei Corporation General Manager of Construction Department, Kanto Branch, Taisei Corporation General Manager of Sales Department, Kanto Branch (Construction), Taisei Corporation Executive Officer & General Manager of Kanto Branch, Taisei Corporation Managing Executive Officer & General Manager of Construction Sales Division, Taisei Corporation Senior Executive Officer & General Manager of Construction Sales Division III, Taisei Corporation Advisor, Taisei Corporation Director of the Company (current position)	(Note 4)	—
Director	Katsuya Natori (Notes 1, 3)	May 15, 1959	April 1986 June 1990 July 1992 July 1993 January 1995 January 1998 March 2002 January 2004 April 2010 February 2012 April 2012 March 2015 April 2016 June 2019 June 2020 December 2020 June 2021 March 2023 June 2023	Joined Masuda & Ejiri (currently known as Nishimura & Asahi) Joined Davis Wright Tremaine Joined Wilmer, Cutler & Pickering Joined Esso Sekiyu K.K. (currently known as ENEOS Corporation) Joined Apple Computer, Inc. (currently known as Apple Japan G.K.) Director, Sun Microsystems K.K. (currently known as Oracle Information Systems (Japan) G.K.) Executive Officer, Fast Retailing Co., Ltd. Director & Executive Officer, IBM Japan, Ltd. Executive Officer, IBM Japan, Ltd. Established Natori Law Office Head of Natori Law Office Outside Director, Olympus Corporation Outside Director, MODEC, Inc. Supervisory Officer, Global One Real Estate Investment Corporation (current position) Outside Director & Chairman of the Auditor and Supervisory Committee, Olympus Corporation Outside Director, Recruit Holdings Co., Ltd. (current position) Outside Corporate Auditor, Pasona Tquila Inc. (currently known as Circlace Co., Ltd.) (current position) Managing Partner, ITN Partners (current position) Outside Director, Tokyo Rope Mfg. Co., Ltd. (current position) Outside Corporate Auditor, Hino Motors Ltd. (current position) Director of the Company (current position)	(Note 4)	—

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director	Shinichi Kato (Notes 1, 3)	June 29, 1962	<p>April 1986 Joined The Mitsui Bank, Ltd. (currently known as Sumitomo Mitsui Banking Corporation)</p> <p>August 1998 Deputy General Manager, Structured Finance Department, Tokyo Branch, Credit Lyonnais (currently known as Credit Agricole CIB)</p> <p>April 2004 General Manager of Sales Development Headquarters, GE Capital Leasing K.K. (currently known as GE Japan K.K.)</p> <p>July 2007 General Manager, Leveraged Finance Department, Tokyo Branch, Calyon Bank (currently known as Credit Agricole CIB)</p> <p>June 2011 Chief Financial Officer, Tokyo Star Bank, Ltd.</p> <p>December 2016 Managing Director & COO, Equis Energy Japan K.K. (currently known as Vena Energy Japan K.K.)</p> <p>December 2017 Business Development Director, Acacia Renewables, K.K.</p> <p>July 2018 Representative Director & CEO, juwi Nippon Energy K.K.</p> <p>June 2019 Japan Chair & President, RWE Renewables Japan G. K.</p> <p>March 2022 President & CEO, Progression Energy Japan G.K. (current position)</p> <p>June 2023 Director of the Company (current position)</p>		(Note 4)	—
Full-time Corporate Auditor	Kiyotaka Somekawa (Notes 2, 3)	February 16, 1956	<p>April 1978 Joined The Industrial Bank of Japan, Limited</p> <p>April 2002 Advising Officer, International Planning Department, Mizuho Corporate Bank, Ltd. President of Mizuho Corporate Bank (Germany) A.G.</p> <p>April 2005 General Manager of Asset Audit Division, Mizuho Corporate Bank, Ltd.</p> <p>March 2006 General Manager of Compliance Division, Mizuho Corporate Bank, Ltd.</p> <p>April 2008 Executive Officer, Head of Risk Management and Finance Group, Mizuho Securities Co., Ltd.</p> <p>June 2010 Full-time Audit & Supervisory Board Member, Mizuho Securities Co., Ltd.</p> <p>June 2012 Director and President, Mizuho Real Estate Inspection Services Co., Ltd.</p> <p>March 2013 Managing Executive Officer, Rating and Investment Information, Inc.</p> <p>June 2018 Full-time Corporate Auditor of the Company (current position)</p>		(Note 6)	4,600

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Corporate Auditor	Shiho Boda (Notes 2, 3)	January 7, 1966	<p>April 1988 Joined Yamaichi Securities Co., Ltd.</p> <p>August 1992 Joined Salomon Brothers Asia Limited (currently Citigroup Global Markets Japan Inc.)</p> <p>January 2014 Admitted to the bar of Japan (Tokyo Bar Association)</p> <p>December 2017 Joined Ando Toshio Law Office</p> <p>November 2019 Jeff Leong, Poon & Wong (Malaysia)</p> <p>April 2020 Kasame & Associates (Thailand)</p> <p>March 2022 Joined SAKURADA DORI PARTNERS (current position)</p> <p>June 2022 Outside Auditor of DAIZ Inc. (current position)</p> <p>February 2023 Corporate Auditor of the Company (current position)</p> <p>February 2023 Outside Corporate Auditor of Metaplanet Inc. (current position)</p>		(Note 7)	—
Corporate Auditor	Tomoko Nonaka (Notes 2, 3)	June 3, 1956	<p>April 1995 Registered with the Tokyo Bar Association</p> <p>April 1999 Kawabata Law Office</p> <p>April 2009 Managing Lawyer, Tokyo Ginza Law Office</p> <p>October 2013 Instructor of Civil Defense at The Legal Training and Research Institute of the Supreme Court of Japan</p> <p>February 2018 Bar Examiner for New Bar Examination & Preliminary Bar Examination (Code of Civil Procedure), Ministry of Justice</p> <p>June 2019 Managing Lawyer, Nonaka & Kawarabayashi Law Office (current position)</p> <p>June 2023 Outside Director, Fukuyama Transporting Co., Ltd. (current position)</p> <p>June 2023 Corporate Auditor of the Company (current position)</p>		(Note 5)	—

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (shares)
Corporate Auditor	Koichi Kawaguchi (Notes 2, 3)	December 16, 1957	<p>April 1982 Joined ITOCHU Corporation</p> <p>February 2001 Representative Director and President of ColinQ Corporation</p> <p>April 2006 General Manager of Coal Dept. of Metal Company of ITOCHU Corporation</p> <p>April 2013 General Manager of Coal, Nuclear and Solar Div., ITOCHU Corporation</p> <p>April 2015 Assistant General Manager of ASEAN and Southwestern Asia of ITOCHU Corporation, and President of ITOCHU Indonesia</p> <p>June 2017 Director and Executive Officer, General Manager of Occupational Function Div. and in charge of Compliance of ITOCHU-SHOKUHIN Co., Ltd.</p> <p>April 2019 Director and Managing Executive Officer, General Manager of Administration Supervisory Dept, General Manager of Administration Div. and in charge of Compliance, ITOCHU-SHOKUHIN Co., Ltd.</p> <p>April 2022 Director and Officer, ITOCHU-SHOKUHIN Co., Ltd.</p> <p>June 2022 Officer, ITOCHU-SHOKUHIN Co., Ltd. (current position)</p> <p>June 2023 Corporate Auditor of the Company (current position)</p>	(Note 5)	—
			Total		82,300

- Notes:
1. Directors Takashi Narusawa, Kazumichi Matsuki, Taizo Nishikawa, Masato Uchiyama, Masaharu Okada, Katsuya Natori, and Shinichi Kato are outside directors.
 2. Full-time corporate auditor Kiyotaka Somekawa, and corporate auditors Shiho Boda, Tomoko Nonaka and Koichi Kawaguchi are outside corporate auditors.
 3. Directors Takashi Narusawa, Kazumichi Matsuki, Taizo Nishikawa, Masato Uchiyama, Masaharu Okada, Katsuya Natori, and Shinichi Kato, and full-time corporate auditor Kiyotaka Somekawa, and corporate auditors Shiho Boda, Tomoko Nonaka and Koichi Kawaguchi are reported independent officers in accordance with the stipulation of the Tokyo Stock Exchange.
 4. One year from the conclusion of the Annual General Meeting of Shareholders held on June 27, 2023.
 5. Four years from the conclusion of the Annual General Meeting of Shareholders held on June 27, 2023.
 6. Four years from the conclusion of the Annual General Meeting of Shareholders held on June 26, 2020.
 7. Four years from the conclusion of the Annual General Meeting of Shareholders held on June 24, 2022.
 8. The Company has introduced an executive officer system and the responsible duties are consigned to executive officers.
 9. A resolution to change the Representative Directors was made at the Board of Directors meeting that followed the 101st Annual General Meeting of Shareholders held on June 27, 2023.

Name	Title and position	
	After the change	Before the change
Shinya Yoshida	Representative Director, Chairman	—
Haruhisa Obayashi	Representative Director, President	Director
Hiromi Hirata	Representative Director and Vice President	Director
Kyoji Takezawa	—	Representative Director, President
Takahiro Yabushita	—	Representative Director

The names, titles and responsible duties of executive officers as of June 30, 2023 are as follows. (* indicates persons concurrently serving as directors)

Title and position	Name	Responsibility
* Executive Officer, Chairman	Shinya Yoshida	
* Executive Officer, President	Haruhisa Obayashi	
* Vice President Executive Officer	Hiroshi Hirata	General Manager of Architectural Construction Div., and in charge of Safety and Environment Dept.
Senior Managing Executive Officer	Toshiro Tanabe	In charge of Civil Engineering
Senior Managing Executive Officer	Yoichi Kawashima	In charge of Architectural Design
Senior Managing Executive Officer	Takashi Gunjishima	Deputy General Manager of Administration Div. and General Manager of Affiliated Business Strategy Dept.
Managing Executive Officer	Narumi Motosugi	General Manager of Osaka Main Office
* Managing Executive Officer	Mamoru Sato	In charge of Administration Div. and General Manager of MX Promotion Div. and in charge of Sustainability
* Managing Executive Officer	Tatsuyoshi Nakamura	General Manager of Civil Construction Div., and in charge of Safety and Environment Dept.
* Managing Executive Officer	Akira Tosaka	
Managing Executive Officer	Akira Tateshita	General Manager of Kanto Branch Office
Managing Executive Officer	Takayuki Goto	General Manager of Kanto Architectural Construction Branch Office
Managing Executive Officer	Atsushi Miyazaki	General Manager of Administration Div.
Managing Executive Officer	Manabu Tokita	Deputy General Manager of MX Promotion Div. and General Manager of Business Planning Dept. and PR Dept.
Executive Officer	Shuya Torii	General Manager of Sales Promotion Dept., Architectural Construction Div.
Executive Officer	Katsutoshi Ogura	General Manager of Civil Engineering Dept.
Executive Officer	Mitsutoshi Seya	Deputy General Manager of Osaka Main Office and Supervisor of Architectural Dept.
Executive Officer	Masahiko Furuichi	General Manager of Architectural Design Dept.
Executive Officer	Hiroki Fujii	General Manager of Chugoku Branch Office
Executive Officer	Shuichi Aikawa	General Manager of International Div.
Executive Officer	Akira Nagaoka	General Manager of Shikoku Branch Office
Executive Officer	Toshiyuki Takashima	General Manager of Kyushu Branch Office
Executive Officer	Tomohiko Kodama	General Manager of Nagoya Branch Office
Executive Officer	Yasuo Kotake	General Manager of Technical Research Institute Naruo, Civil Construction Div.

(ii) Outside officers

The Company has seven outside directors and four outside corporate auditors, who hold the Company's shares as stated under "(i) List of officers," but there are no other personal relationships, capital relationships, business relationships or other interests with the Company.

The Company works to utilize outside directors and outside corporate auditors to ensure the effective supervision of independent and objective management and the candidates are selected in accordance with the "Toyo Construction's Criteria for Determining Independence of Outside Officers" established by the Company. In addition, the Company has submitted to the Tokyo Stock Exchange that the seven outside directors and four outside corporate auditors are independent officers in accordance with the provisions of the Tokyo Stock Exchange.

<Toyo Construction's Criteria for Determining Independence of Outside Officers>

From among candidates for outside director and outside corporate auditor, person who does not fall under any of the following 1 to 10 is determined as "independent outside officer."

1. A person who, at present or in the past, is or was an executing person of the Company and/or its group companies.
2. A shareholder who holds 10% or more of a total number of voting rights of the Company share or its executing person.
3. An executing person of a company whose voting rights are held by the Company and/or its group companies, directly or indirectly, with 10% or more of a total number of voting rights.
4. An executing person of a client whose sales account for 2% or more of consolidated sales of both or either of the Company group or a company to which a candidate belonged in any of the past three fiscal years.
5. An executing person of a financial institution which is a major lender shown in the immediately preceding Business Report.
6. A person set forth in any of the preceding 2 through 5 in any of the past three years.
7. A person belonging to an audit corporation which is the Company's accounting auditor.
8. An expert such as an attorney, accountant or consultant (in the case of a recipient of compensation being a corporation, a person belonging to the corporation) which has received 5 million yen or more of compensation on average for the past three years from the Company and/or its group companies.
9. A person belonging to a university or association which has received 10 million yen or more of donation on average for the past three years from the Company and/or its group companies.
10. A spouse or relative within the second degree of a person set forth in any of the preceding 1 through 9.

- (iii) Supervision or audit and internal audit by the outside directors or outside corporate auditors, the mutual cooperation with the auditing by corporate auditors and the accounting audit, and the relationship with the internal control department

Outside directors, in addition to attending important meetings such as the Board of Directors, etc., exchange opinions with the Representative Directors, and also exchange opinions with the corporate auditors as necessary.

Outside corporate auditors attend important meetings such as the Board of Directors, etc., and, in addition to onsite inspections of the Company's main branches and group companies, exchange opinions with Representative Directors, interview directors, etc., exchange opinions with the Audit Department and interview the accounting auditor, etc. The audit results of the audit of business activities and internal control audit are also reported to the corporate auditors, with regular exchange of opinions about such status, etc., which is also coordinated with the internal control audit conducted by the accounting auditor, with exchange of opinions as necessary.

(3) Status of audit

(i) Status of Auditing by corporate auditors

Auditing by corporate auditors at the Company is an activity focused on the Board of Auditors, which, as of the filing date, comprised one full-time corporate auditor (including one outside corporate auditor) and three part-time corporate auditors (including three outside corporate auditors), who attend important committee such as the Board of Directors, etc., and audit the execution of directors' duties through measures including onsite inspections of the Company's main branches and each group company.

Full-time corporate auditor Kiyotaka Somekawa has practical experience at financial institutions, so he has considerable knowledge concerning finance and accounting.

In addition, outside corporate auditors have track records as managers of multiple companies or track records in the legal profession in Japan or overseas. Against this background, they provide the Company's management with useful advice while demonstrating the audit function from an independent perspective, and appropriately execute their respective duties.

In addition to the regular monthly Board of Auditors meetings, extraordinary Board of Auditors meetings are held as necessary, and the attendance of each corporate auditor during the fiscal year ended March 31, 2023 is as follows.

Name	Full-time/ Part-time	Internal/ Outside	Number of meetings held	Number of meetings attended	Attendance rate (%)
Satoshi Otonari	Full-time	Internal	19	19	100
Jiro Fukuda	Full-time	Outside	19	19	100
Kiyotaka Somekawa	Full-time	Outside	19	19	100
Shiho Boda	Part-time	Outside	12	12	100

- Notes:
1. The term of office of full-time corporate auditor Satoshi Otonari and full-time corporate auditor Jiro Fukuda ended at the conclusion of the 101st Annual General Meeting of Shareholders held on June 27, 2023, and new part-time corporate auditor Koichi Kawaguchi and part-time corporate auditor Tomoko Nonaka were appointed at the 101st Annual General Meeting of Shareholders.
 2. Part-time corporate auditor Shiho Boda was appointed at the 100th Annual General Meeting of Shareholders held on June 24, 2022, so the number of meetings held and the number of meetings attended refer to the numbers since assuming office.
 3. There are no special interests between outside corporate auditors and the Company.
 4. The Company has submitted to the Tokyo Stock Exchange that the Outside corporate auditors are independent officers in accordance with the provisions of the Tokyo Stock Exchange.

Details of specific discussion at the Board of Auditors include the establishment of the audit plan, verification of the decision making at the Board of Directors, etc. (Business Judgement Principles), verification of competing transactions and conflicts of interest, verification of the Group's internal control systems (including internal controls pertaining to financial reports), verification of statutory disclosure information, etc., progress in business planning, audit of business report, equivalence assessment of accounting auditor's audit (including choice of key audit matters (KAM)), appropriateness of reelection of the accounting auditor, verification pertaining to the consent of the accounting audit fees, verification of the proposals submitted by the directors to the General Meeting of Shareholders, progress of reforms in working practices, operational status of core systems installed during the previous year, etc.

The main activities of full-time corporate auditors are, in addition to attending major committee such as the Board of Directors, etc. and conducting onsite inspections of the Company's main branches and group companies, to exchange opinions with the Representative Directors, the General Manager of Administrative Div., the General Manager of Civil Construction Div., and the General Manager of Architectural Construction Div., to exchange opinions with the Audit Dept., interview the accounting auditor, coordinate with outside directors, participate in liaison meetings with Group corporate auditors, irregularly listen to opinions from the execution departments, and browse important approval documents, etc.

(ii) Status of internal audit

The internal audit at the Company, as of the filing date, was the responsibility of the Audit Dept., with a five-person structure, under the direct control of the Representative Director, President, which audits business activities and conducts the internal control audit of the Company and each group company at any time as necessary.

To ensure the effectiveness of the internal audit, the evaluation of the internal controls in accordance with the audit by the Audit Dept. is reported to the Board of Directors in addition to the Representative Director, President.

In addition, the audit results are also reported directly to the corporate auditors, and in addition to having regular meetings about such status, etc., exchange of opinions occur at any time, and is also coordinated with the internal control audit conducted by Ernst & Young ShinNihon LLC, as well as exchange of opinions as necessary.

(iii) Status of accounting audit

a. Name of audit firm

Ernst & Young ShinNihon LLC

b. Consecutive audit period

21 years

c. Certified public accountants who executed the audit duties

Masanobu Saito (Engagement Partner; Consecutive audit period: 5 years)

Masahiko Nagasaki (Engagement Partner; Consecutive audit period: 4 years)

d. Breakdown of support staff for audit operations

Support staff for financial audit operations consist of five certified public accountants and 10 others.

e. Policies and reasons for selecting audit firm

When selecting the certified public accountants, etc. for audits (reelection of the accounting auditor), discussion is based on the “Policies for determination of election or dismissal or refusal of reelection of the accounting auditor” established by the Company’s Board of Auditors.

Notes: Policies for determination of election or dismissal or refusal of reelection of the accounting auditor

1. 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.

2. Policies for determination of election of the accounting auditor

The Board of Auditors shall, when it is necessary to elect a new accounting auditor, elect candidates following consultation with directors and the pertinent internal departments, evaluate such candidates in light of assessment criteria, and when obtaining sufficient assurance of their suitability as the Company’s accounting auditor, decide on a proposal for such candidates to be the candidates for accounting auditor.

f. Assessment of audit firm by Board of Auditors

The Board of Auditors, in addition to holding regular meetings and exchange of opinions with the audit firm on matters such as the audit plan briefing, the quarterly review results report, and the year-end audit results report, grasped the status of execution of the audit throughout the year by witnessing the accounting audit at Head Office and branches, etc.

To consult on the reappointment of the accounting auditor, we interviewed the audit firm at year-end about the audit policies for the Company, etc. and exchanged opinions, while confirming that

the Company's audit team took appropriate measures so as to not lose the effectiveness of the audit when dealing with the spread of COVID-19.

In addition, the Company's Accounting Department listened to opinions about the state of the audit firm's audit quality.

Furthermore, assessment was conducted using the assessment sheet (consisting of the state of compliance with (i) audit quality and quality management, (ii) independence and professional ethics, (iii) professional expertise, (iv) effectiveness and efficiency of the audit, (v) audit fee, (vi) communication with the Company, and (vii) "Principles for Effective Management of Audit Firms (March 24, 2023)") in accordance with the assessment criteria stipulated in the "Policies for determination of election or dismissal or refusal of reelection of the accounting auditor."

As a result, in addition to the audit firm being comprised of an appropriate team, having good communication with the Company's management and Board of Auditors, while maintaining independence, and conducting audits of the Company's main branches and domestic and overseas subsidiaries without problems in audit quality, the results of the assessment sheets were overall good, so the decision was made to reelect as accounting auditor.

(iv) Details of audit fee, etc.

a. Remuneration to certified public accountants, etc. for audits

(Millions of yen)

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Fees for audit certification services	Fees for non-audit services	Fees for audit certification services	Fees for non-audit services
Reporting company	55	0	56	0
Consolidated subsidiaries	—	—	—	—
Total	55	0	56	0

The contents of the non-audit services at the Company are the entrustment to certified public accountants, etc. with the procedures pertaining to services for issuing certificates for tax returns in foreign countries.

b. Fees to certified public accountants, etc. for audits that are organizations belonging to the same network (Ernst & Young) (excluding a.)

(Millions of yen)

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Fees for audit certification services	Fees for non-audit services	Fees for audit certification services	Fees for non-audit services
Reporting company	2	—	3	—
Consolidated subsidiaries	4	1	4	0
Total	7	1	8	0

The contents of non-audit services at consolidated subsidiaries are the fees for advice, etc. on tax returns in foreign countries.

c. Contents of fees based on other important audit certification services

Not applicable

d. Policy on determining audit fee

Determined in light of the number of days, etc.

- e. Rationale for Board of Auditors' agreement on remuneration of the Accounting Auditor, etc.

The reason the Company's Board of Auditors provided approval under Article 399, paragraph (1) of the Companies Act in relation to the fees, etc. for accounting auditor proposed by the Board of Directors is as a result of conducting the necessary consideration of the appropriateness of the grounds for calculating the fee estimate based on contents of the accounting auditor's audit plan and audit time, etc. The fee for the audit time, etc. including the time to consider changes to the Company's significant accounting policies is considered appropriate, while the accounting auditor demonstrates independence and the amount is considered appropriate to be able to conduct an audit that maintains adequate audit quality.

(4) Remuneration, etc. for officers

- (i) Matters regarding the policy on determination of the amounts of compensation paid to officers and the calculation method thereof

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

Performance-linked compensation etc. is based on corporate performance, such as consolidated operating profit, 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 profit, 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 12 million yen per month for outside directors). Further, a trust has been established for non-monetary compensation, etc. with a maximum contribution limit of 565 million yen over five fiscal years (however, following the current period subject to evaluation, the cap will be 113 million yen each fiscal year, with the amount calculated as 113 million multiplied by the number of years in the new period subject to evaluation), and the Trust will acquire a maximum of 240,000 shares each fiscal year 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.

In addition, in determining compensation etc. for the corporate auditors, the compensation etc. 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.

(ii) Trend in metrics pertaining to performance-linked compensation (consolidated operating profit)

(Billions of yen)			
Category	101st fiscal year (FY2020)	102nd fiscal year (FY2021)	103rd fiscal year (FY2022)
Mid-Term Business Plan	8.1	9.1	12.8
Fiscal year plan	8.1	9.2	9.7
Results	14.2	9.6	8.9

(iii) Total amount of compensation, etc. by each category of Directors and executive officers, total amount of compensation, etc. by type, and number of Directors and executive officers to be paid

Category	Amount of compensation, etc. (Millions of yen)	Total amount of compensation, etc. by type (Millions of yen)			Number of recipient directors (and other officers) (Persons)
		Base compensation	Performance-linked compensation	Non-monetary compensation etc.	
Director (of which, outside director)	211 [32]	165 [32]	31 [-]	14 [-]	9 [3]
Corporate Auditor (of which, outside corporate auditor)	52 [35]	52 [35]	– [-]	– [-]	4 [3]
Total (of which, Outside officers)	264 [68]	217 [68]	31 [-]	14 [-]	13 [6]

- Notes:
1. The number of officers and compensation amounts include one director who retired at the conclusion of the 100th Annual General Meeting of Shareholders held on June 24, 2022.
 2. The performance metric for performance-linked compensation and the reason for selecting such metric is as stated in “(i) Matters regarding the policy on determination of the amounts of compensation paid to officers and the calculation method thereof.” The trend in consolidated operating profit, including for the fiscal year under review, is shown under “(ii) Trend in metrics pertaining to performance-linked compensation (consolidated operating profit).”
 3. The contents of non-monetary compensation, etc. are as stated in “(i) Matters regarding the policy on determination of the amounts of compensation paid to officers and the calculation method thereof.”
 4. The maximum amount of compensation for directors was approved at the 98th Annual 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 Annual General Meeting of Shareholders 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.
 5. The maximum amount of compensation for corporate auditors was approved at the 76th Annual General Meeting of Shareholders 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.
 6. Other compensation is compensation for matters entrusted by the Board of Directors for consideration by Outside officers as members of a special committee.

- (iv) 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

(5) Ownership of shares

(i) Classification criteria and approaches for investment shares

The Company categorizes investment shares as “shares held for the purpose of pure investment (shares held exclusively for the purpose of receiving profit from fluctuations in the share price or from dividends pertaining to the shares)” and “shares held for any purpose other than pure investment (so-called cross-shareholdings).”

(ii) Investment shares held for any purpose other than pure investment

- a. Holding policy and the method to verify the reasonableness of the holding, as well as details of such verification by the Board of Directors concerning the appropriateness of the holding of the respective stocks

The Company endeavors to hold the necessary minimum of shares held for any purpose other than pure investment (so-called cross-shareholdings) to strengthen transactional relationships only when considered an investment in the development of the Company’s business. This is reviewed yearly and issues for which holding has little significance are sold looking at share prices and the market trends as necessary.

As a result, the Company held 32 issues of shares held for any purpose other than pure investment as of the end of the fiscal year under review (of which three were listed shares), and the total carrying amount decreased 12 million yen from the end of the previous fiscal year to 1,557 million yen.

The Board of Directors conducts a comprehensive verification of the return on investment through the stock price and dividends as well as the proportion of the Company’s assets and status of transactions in the fiscal year, and determines whether to continue holding.

b. Number of issues and carrying amount

	Number of issues (security titles)	Total carrying amount (Millions of yen)
Shares not listed	29	1,043
Shares other than those not listed	3	514

(Issues for which the number of shares held increased in the fiscal year under review)

	Number of issues (security titles)	Total acquisition price pertaining to the increase in the number of shares (Millions of yen)	Reason for increase in number of shares
Shares not listed	—	—	—
Shares other than those not listed	—	—	—

(Issues for which the number of shares held decreased in the fiscal year under review)

	Number of issues (security titles)	Total sales price pertaining to the decrease in the number of shares (Millions of yen)
Shares not listed	—	—
Shares other than those not listed	—	—

- c. Information on the number of shares and carrying amount by issue of specified investment shares and shares subject to deemed shareholding

Specified investment shares

Issue name	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding, overview of business alliance, etc., quantitative holding effect and reason for increasing the number of shares held	Holding of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Mitsubishi UFJ Financial Group, Inc.	268,700	268,700	To maintain and strengthen the transactional relationship and for the smooth promotion of business activities, etc.	Yes
	227	204		
DAISUE CONSTRUCTION CO., LTD.	152,900	152,900	To maintain and strengthen the transactional relationship and for the smooth promotion of business activities, etc.	Yes
	177	191		
Tsukishima Kikai Co., Ltd.	100,000	100,000	To maintain and strengthen the transactional relationship and for the smooth promotion of business activities, etc.	Yes
	108	108		
The Hyakujushi Bank, Ltd.	—	13,500	—	Yes
	—	22		

Note: Investment shares held by the Company for any purpose other than pure investment (listed shares) are the above three issues.

Deemed shareholdings

Not applicable

(iii) Investment shares held for the purpose of pure investment

Category	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2022	
	Number of issues (security titles)	Total carrying amount (Millions of yen)	Number of issues (security titles)	Total carrying amount (Millions of yen)
Shares not listed	—	—	—	—
Shares other than those not listed	5	424	5	442

Category	Fiscal year ended March 31, 2023		
	Total received dividends (Millions of yen)	Total profit and loss on sale (Millions of yen)	Total unrealized profit and loss (Millions of yen)
Shares not listed	—	—	—
Shares other than those not listed	6	18	305

Note: The above received dividends, profit and loss on sale and unrealized profit include amounts from the Hyakujushi Bank, Ltd., for which the purpose of holding investment shares changed from being for any purpose other than pure investment to the purpose of pure investment during the fiscal year under review.

- (iv) Issues for which the purpose of holding investment shares changed from being for any purpose other than pure investment to the purpose of pure investment during the fiscal year under review.

Issue name	Number of shares (shares)	Carrying amount (Millions of yen)
The Hyakujushi Bank, Ltd.	13,500	24