

Cover page

Document title	Annual Securities Report
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	June 26, 2024
Fiscal year	104th fiscal year (from April 1, 2023 to March 31, 2024)
Company name	TOYO CONSTRUCTION CO., LTD.
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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		100th fiscal year	101st fiscal year	102nd fiscal year	103rd fiscal year	104th fiscal year
Fiscal year-end		March 2020	March 2021	March 2022	March 2023	March 2024
Net sales	(Millions of yen)	174,805	172,976	152,524	168,351	186,781
Ordinary profit	(Millions of yen)	9,168	14,103	9,139	8,551	10,057
Profit attributable to owners of parent	(Millions of yen)	5,766	9,176	5,863	5,656	7,016
Comprehensive income	(Millions of yen)	5,635	9,991	6,376	5,964	9,549
Net assets	(Millions of yen)	57,329	65,875	69,899	73,984	80,800
Total assets	(Millions of yen)	135,516	148,953	135,582	153,717	164,160
Net assets per share	(Yen)	595.12	684.14	724.81	763.87	831.98
Earnings per share	(Yen)	61.31	97.65	62.40	60.17	74.51
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity ratio	(%)	41.3	43.1	50.2	46.7	47.6
Return on equity (ROE)	(%)	10.7	15.3	8.9	8.1	9.4
Price earnings ratio (PER)	(Times)	7.1	5.9	12.4	15.2	17.6
Net cash provided by (used in) operating activities	(Millions of yen)	(269)	(6,548)	22,287	11,785	(8,512)
Net cash provided by (used in) investing activities	(Millions of yen)	(2,966)	(961)	(1,109)	(485)	(7,881)
Net cash provided by (used in) financing activities	(Millions of yen)	(2,632)	(2,095)	(7,462)	(2,872)	572
Cash and cash equivalents at end of period	(Millions of yen)	26,181	16,670	30,485	39,008	23,475
Number of employees	(Persons)	1,619	1,658	1,631	1,603	1,656
[Average number of temporary employees]		[285]	[268]	[244]	[230]	[208]

- 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		100th fiscal year	101st fiscal year	102nd fiscal year	103rd fiscal year	104th fiscal year
Fiscal year-end		March 2020	March 2021	March 2022	March 2023	March 2024
Net sales	(Millions of yen)	156,689	154,798	136,570	149,925	162,010
Ordinary profit	(Millions of yen)	8,499	12,832	8,226	7,340	8,658
Profit	(Millions of yen)	5,663	8,487	5,423	4,869	6,533
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)	53,272	60,377	63,505	66,502	71,720
Total assets	(Millions of yen)	122,593	138,202	123,115	139,670	145,788
Net assets per share	(Yen)	566.63	642.72	675.72	707.33	763.62
Dividends per share						
Common shares	(Yen)	15.0	25.0	20.0	25.0	74.0
[Interim dividends per share]	(Yen)	[-]	[-]	[-]	[-]	[-]
Earnings per share	(Yen)	60.22	90.32	57.72	51.79	69.38
Diluted earnings per share	(Yen)	-	-	-	-	-
Equity ratio	(%)	43.5	43.7	51.6	47.6	49.2
Return on equity (ROE)	(%)	11.1	14.9	8.8	7.5	9.7
Price earnings ratio (PER)	(Times)	7.3	6.4	13.4	17.7	18.9
Dividend payout ratio	(%)	24.9	27.7	34.7	48.3	106.7
Number of employees	(Persons)	1,294	1,327	1,314	1,288	1,311
[Average number of temporary employees]		[176]	[172]	[158]	[148]	[140]
Total shareholder return	(%)	106.1	144.0	195.6	234.4	344.5
[Benchmark index: TOPIX]	(%)	[88.2]	[122.8]	[122.3]	[125.9]	[173.9]
Highest share price	(Yen)	606	627	833	998	1,444
Lowest share price	(Yen)	359	365	516	784	913

- 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
April 2024	Offshore Wind Div. established

3. Description of business

During the fiscal year under review, the Company's consolidated subsidiary Tecuos Co., Ltd. conducted an absorption-type merger of non-consolidated subsidiary Orient Ecology Co., Ltd. on April 1, 2023.

In addition, on October 3, 2023, the Company established a joint venture company, MOL-TOYO Offshore Wind Services, Ltd., with Mitsui O.S.K. Lines, Ltd. for offshore wind power construction business.

Consequently, the Corporate Group as of March 31, 2024 comprised the Company, six consolidated subsidiaries, two unconsolidated subsidiaries, one associate (not accounted for using equity method) and three other subsidiaries and associates. The main businesses were domestic civil engineering business, domestic architecture 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., Kusakabe Maritime Engineering Co., Ltd., and other one company are engaged.

(2) Domestic architecture 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.

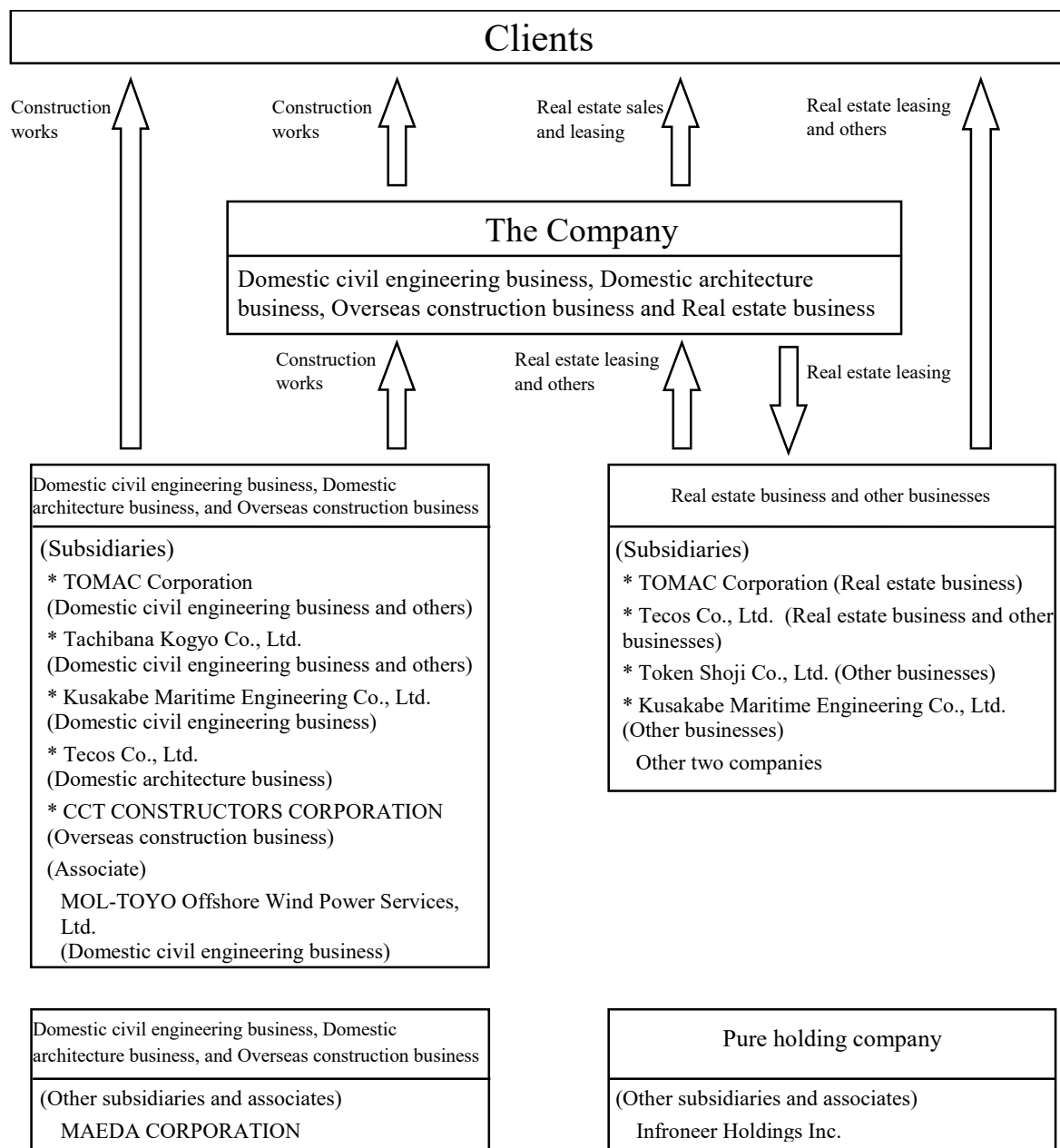
(5) Other businesses

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

There is no personal or business relationship between the Company and WK 1 Limited, another subsidiary and associate, and its joint holders.

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.

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, one transferred/relocated, two 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 Five concurrently serving as officers, one transferred/relocated, two seconded
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 architecture business Real estate business Other businesses	100	–	Orders for construction work Loan of funds Real property leasing and management Four concurrently serving as officers, seven transferred/relocated
(Note 3)						
CCT CONSTRUCTORS CORPORATION	Makati City, Philippines	500 million PHP	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, two transferred/relocated
(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 architecture 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	–	29	There are no 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, 2024

Segment name	Number of employees (Persons)	
Domestic civil engineering business	993	[46]
Domestic architecture business	339	[1]
Overseas construction business	72	[156]
Real estate business	3	
Other businesses	12	
Corporate (shared)	237	[5]
Total	1,656	[208]

Note: The number of employees indicates those engaged in work; for employees hired locally overseas (156) and temporary employees (52), the annual average is indicated in [] separately.

(2) Reporting company

As of March 31, 2024

Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average annual salary (Yen)
1,311 [140]	43.3	17.9	8,246,884

Segment name	Number of employees (Persons)	
Domestic civil engineering business	706	[45]
Domestic architecture business	313	[1]
Overseas construction business	55	[89]
Real estate business	–	
Other businesses	–	
Corporate (shared)	237	[5]
Total	1,311	[140]

Notes: 1. The number of employees indicates those engaged in work; for employees hired locally overseas (89) and temporary employees (51), 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, 2024				
Ratio of women in managerial positions (%) (Note 1)	Ratio of male workers taking childcare leave and (%) (Note 2)	Gender wage gap for workers (%) (Note 1)		
		All workers	Regularly employed workers	Part-time and fixed-term contract workers
0.7	71.9	56.3	57.0	39.5

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 5.8%, with many of them young women. The average length of service (major career path) is 17.8 years for men and 4.4 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), with a record date of April 1, 2024.
 2. Calculating the proportion of childcare leave and leave for the purpose of childcare 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).
 3. Regarding the consolidated subsidiaries, these three items are omitted because they have not been disclosed by the consolidated subsidiaries in accordance with the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” and 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.”

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 Corporate Identity 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 continue 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 progress steadily, although the growth rate may decrease.

On the other hand, the industry is facing urgent challenges such as a shortage of rising generation due to the aging of skilled workers and the need to comply with regulations on overtime work limits under the "Work Style Reform Law." As a result, there is a growing trend towards accelerating efforts in productivity improvement through DX initiatives and work style reform to establish a sustainable construction industry.

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

The Corporate Group continues to work towards the theme of the mid-term business plan, "transformation from defense to offense: a company that embraces challenges," and aims to 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.

The Corporate Group promotes capital efficiency management and sustainability management to become a resilient company, and is actively addressing the urgent challenges of "work style reform" and "securing the rising generation" in addition to strengthening governance to support sustainable growth. Furthermore, we are investing human capital, technology development, and growth funds proactively and effectively in the offshore wind power construction business, which is a growth driver, aiming to become a leading company in offshore wind power construction and working towards realizing carbon neutrality.

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

■ Strengthening of Corporate Governance System

The Company has decided to work on the evolution and sophistication of corporate governance to achieve medium- to long-term corporate value enhancement. We believe that continuing to promote optimal corporate governance and achieving medium- to long-term corporate value enhancement will be the foundation for the Company's survival as an enterprise that is trusted by shareholders, other stakeholders, and society as a whole.

● Implementation status in fiscal 2023

- (i) Conducted a review of the current governance system by independent outside directors
- (ii) Decided on measures to strengthen the governance system based on the review:

- Separated the Chairperson of the Board of Directors and the decision-makers of operations execution entities
- Established a Board of Directors with a majority of independent outside directors
- Appointed an independent outside director as Chairperson of the Director Nomination/Compensation Committee (with a continued majority of independent outside directors in the committee)
- Introduced the concept of “decision made by the organization” in the decision-making process of business execution
- Redefined the functions and operations of each Board and Committee, keeping in mind the separation of management oversight and execution

- Initiatives in fiscal 2024

- (i) Further sophistication of the governance system:
- (ii) Review of officer evaluation and compensation systems
- (iii) Check and review of the compliance status with the Corporate Governance Code

- Capital Efficiency Management

The Corporate Group is moving forward with transformation from “defense to offense,” transformation to a “high profit model,” and transformation to “capital efficient management” in order to increase corporate value over the medium to long term.

As part of capital efficiency management, when making investments in each business, in addition to qualitative judgments such as business strategy, we make quantitative judgments based on hurdle rates*. In terms of specific initiatives, regarding the construction of a self-propelled cable-laying vessel, in which we decided to invest in December 2023, after making a qualitative judgment as to whether this investment will contribute to growth that will transform the offshore wind construction business to a “high profit model,” we formulated a business revenue and expenditure plan that assumed various business fluctuation risks, and made a hurdle rate-based quantitative judgment at the Board of Directors.

Furthermore, in order to respond to the requests of shareholders and institutional investors, in addition to holding semi-annual financial results briefings, we will strive to achieve sustainable growth of the Corporate Group and improve market valuation by disclosing important information on risks and returns that affect investment decisions in a timely manner and proactively engaging in interviews and dialogue.

* After estimating the cost of equity using CAPM, WACC is calculated and used as a hurdle rate when making investment decisions.

- Initiatives for Work Style Reform and Securing the rising generation

The Corporate Group is committed to improving productivity and creating a better working environment for the healthy development of the construction industry. In particular, we consider the reduction of overtime work and realizing construction sites that are closed 8 days in a 4-week period as material issues and will implement various initiatives to enhance the attractiveness of the construction industry.

Moreover, through education and training, we continue to develop human resources so that they grow to be precious human resources who can play active roles in various fields. We also support our partner companies to contribute to the realization of a sustainable construction industry.

For details, please refer to pages 62 to 64 of the Integrated Report 2023.

https://www.toyo-const.co.jp/en/wp/wp-content/uploads/2024/03/CR2023E_allpage.pdf

■ Efforts to Tackle Climate Change

In order to realize a carbon-neutral society and reduce environmental impact, the Corporate Group is working on promoting the offshore wind power business, which is a growth driver, as well as ZEB (Net Zero Energy Building) and ZEH (Net Zero Energy House) initiatives, and reducing construction waste.

Regarding offshore wind power in Japan, the formation of projects is progressing smoothly particularly for bottom-fixed offshore wind. Amid advancements in the development of technology for floating offshore wind and the expansion of installation locations to EEZ, we are steadily making progress towards achieving the government's target of carbon neutrality by 2050. The Corporate Group has positioned the offshore wind power business as a growth driver in this situation and is actively engaged in capital investment and technology development. As the first step in aggressive growth investment, we have decided to proceed with the construction of a self-propelled cable-laying vessel. We are also progressing in the development of technology for foundation construction to participate in both bottom-fixed and floating offshore wind power projects. Furthermore, we have established a joint venture company with Mitsui O.S.K. Lines, Ltd. for offshore wind power generation business, and will contribute to the value chain as an engineering and solution company that responds to the broad range of demands in the offshore wind power generation business, meeting the demand for work vessels, which is expected to increase both in Japan and overseas.

In the construction business, we actively propose solutions aimed at reducing environmental impact, such as constructing ZEBs and ZEHs and implementing ReReC® (Renewal Renovation Conversion) for energy efficiency in existing buildings through conversion. We are working on energy efficiency improvement and low carbonization in facilities such as production plants and office buildings, as well as offering optimal solutions in every aspect of construction, to contribute to the public and society through our business development.

■ Materiality of Toyo Construction Group

In July 2022, the Corporate Group identified issues that should be addressed through business activities as the Toyo Construction Group's materiality topics and, in addition to achieving a carbon-neutral society as mentioned above, is continuously committed to promoting respect for human rights and diversity & inclusion.

In terms of respect for human rights, we conducted a risk assessment on human rights in fiscal 2023, and we plan to conduct human rights due diligence in fiscal 2024. Additionally, in the area of diversity & inclusion, we actively promote the hiring of foreign nationals and individuals with diverse backgrounds, and proceed with creating a workplace environment that is conducive for all employees, including women, seniors, and individuals with disabilities.

The Corporate Group will continue to contribute to the realization of a sustainable society through the resolution of various issues based on materiality.

	Related SDGs	Materiality	Sub-issues
Address societal issues through business	E	7 (AFFORDABLE AND CLEAN ENERGY), 11 (SUSTAINABLE CITIES AND COMMUNITIES), 13 (CLIMATE ACTION)	<ul style="list-style-type: none"> Realize carbon neutrality Promotion of offshore wind power facility construction Engagement in ZEB/ZEH Reduction of CO₂ emitted from business activities
		7 (AFFORDABLE AND CLEAN ENERGY), 9 (INDUSTRIAL INNOVATION AND INFRASTRUCTURE), 11 (SUSTAINABLE CITIES AND COMMUNITIES), 12 (RESponsible Consumption and Production), 14 (Life Below Water), 15 (Life on Land)	<ul style="list-style-type: none"> Reduce environmental impact Reduction of the load caused by business activities to the natural ecosystem Contribution to the circular economy by reducing construction waste Promotion of ReReC®
	S	9 (INDUSTRIAL INNOVATION AND INFRASTRUCTURE), 11 (SUSTAINABLE CITIES AND COMMUNITIES), 12 (RESponsible Consumption and Production)	<ul style="list-style-type: none"> Provide high-quality structures that meet customer needs Improvement of technological capability and proposal capability to meet customer needs Securing quality of construction work
		11 (SUSTAINABLE CITIES AND COMMUNITIES), 13 (CLIMATE ACTION)	<ul style="list-style-type: none"> Contribute to disaster prevention and mitigation Promotion of the R&D and technological development to contribute to the disaster-prevention, disaster-mitigation, and disaster-relief, etc.
Strengthen business foundation	G	Goals: All 17 goals	<ul style="list-style-type: none"> Continue to strengthen governance system Enhancement of governance Thorough compliance Promoting efforts of supply chains for ESG Enhancement of information security
		3 (GOOD HEALTH AND WELL-BEING), 4 (QUALITY EDUCATION), 6 (CLEAN WATER AND SANITATION), 8 (DECENT WORK AND ECONOMIC GROWTH), 10 (REDUCED INEQUALITIES)	<ul style="list-style-type: none"> Establish an attractive construction industry Promotion occupational safety and health Promotion of developing precious human resources & securing the rising generation Improvement of workplace environment
	S	4 (QUALITY EDUCATION), 5 (GENDER EQUALITY), 8 (DECENT WORK AND ECONOMIC GROWTH), 10 (REDUCED INEQUALITIES)	<ul style="list-style-type: none"> Ensure respect for human rights and promote diversity Promotion of diversity & inclusion Improvement of understanding & prevention of infringement of human rights
		Goals: All 17 goals	<ul style="list-style-type: none"> Realization of sustainable society by CSR activities

* Please refer to the following URL for the KPIs for each materiality as well as the goals and achievements for fiscal 2023.

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

■ Mid-Term Business Plan (FY2023 to FY2027)

● Targets for FY2027 (ending 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

* 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

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.

I Common

(1) Governance

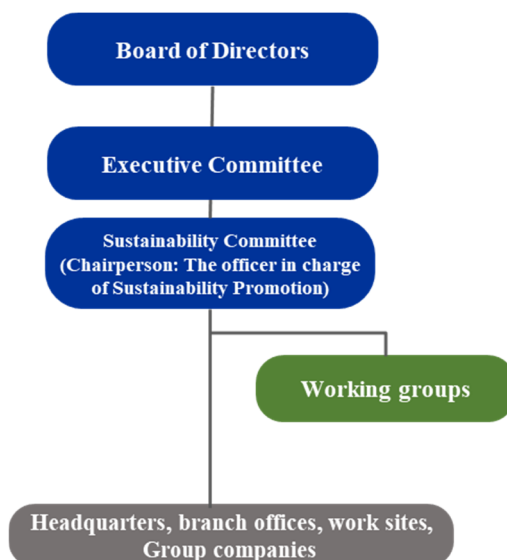
■ Basic sustainability policy

The Corporate Group's basic sustainability policy is to contribute to the development of a sustainable society by complying with our code of conduct based on our Corporate Identity, maintaining good relationships with society, and engaging in fair and reliable business activities.

■ System for promoting sustainability management

To ensure that Toyo Construction Group's business activities are based on its basic sustainability policy, we have established a Sustainability Committee as a permanent body directly under the Executive Committee. The Sustainability Committee is chaired by the officer in charge of Sustainability Promotion and consists of the general managers of the civil engineering, construction, and offshore wind business divisions, as well as the officer in charge of the Administration Group. The status of initiatives and future policies related to sustainability risks and opportunities are deliberated by the Sustainability Committee, reported to the Executive Committee and Board of Directors, and incorporated into management plans and business operations.

In fiscal 2023, the Sustainability Committee met twice.



(2) Strategy

■ Mid-Term Business Plan (FY2023 to FY2027)

For the realization of its Corporate Identity, the Corporate Group, in its Mid-Term Business Plan, sets forth the basic policy of "Continue to be a resilient company and become a company that can stand up to adversity," and is conducting its business operations with a focus on the following four priority measures: deepening existing business, strengthening management foundation, promoting growth drivers, and transition to capital efficiency management.

With regard to sustainability, we have identified the following four categories and are working on specific initiatives related to each: strengthening the corporate governance system, acquiring and developing human resources, entering the offshore wind power market to contribute to the realization of a decarbonized society, and improving productivity through DX.

Note that, with respect to strengthening the corporate governance system, we have implemented a wide range of measures, including changing the Board of Directors structure to one in which outside directors make up the majority and an outside director serves as chairperson, changing the Director Nomination/Compensation Committee structure to one in which outside directors make up the majority and an outside director serves as chairperson, restructuring the decision-making process for business execution with an awareness of the separation of management oversight and execution, and redefining the functions and positioning of various committees.

■ Materiality (important issues)

We have identified important issues from the perspectives of both risks and opportunities regarding the financial impact of environmental and sustainability challenges. These issues to be addressed through business activities are specifically designated as the materiality of the Toyo Construction Group as follows.

Address societal issues through business	Realize carbon-neutral society
	Reduce environmental impact
	Provide high-quality structures that meet customer needs
	Contribute to disaster prevention and mitigation
Strengthen business foundation	Continue to strengthen governance system
	Establish an attractive construction industry
	Ensure respect for human rights and promote diversity
	Realization of sustainable society by CSR activities

Furthermore, in line with this materiality, we have identified specific initiatives (sub-issues), set KPIs (Key Performance Indicators) for each sub-issue, and documented the details of these initiatives.

(3) Risk management

The KPIs and key sustainability-related measures of Materiality of Toyo Construction Group (sub-issues) are to be executed by the individual business divisions and regional business units, with their progress monitored by the Corporate Planning Department, the Civil and Architectural Planning & Administrative Departments, and the Sustainability Promotion Department (established on April 1, 2024), among others. The results of the progress are deliberated by the Sustainability Committee and reported to the Executive Committee and the Board of Directors.

(4) Metrics and targets

The KPIs related to the materiality (sub-issues) of the Toyo Construction Group are as follows.

(https://www.toyo-const.co.jp/en/wp/wp-content/uploads/2024/03/CR2023E_allpage.pdf#page=28)

Note that the actual results for each KPI for fiscal 2023 will be published in the Integrated Report 2024. (Scheduled for September 2024)

Materiality	Sub-issues	KPI	FY2022 results	FY2023 targets and mid-term targets	
E Address societal issues through business	Promote the construction of offshore wind power generation facilities	Installed capacity of offshore wind power generation facilities we have been involved in constructing (Total output per sea area = approximately 500 MW, one thermal power plant = approximately 50 MW)	-	1,500 MW or more (FY2030 (cumulative), recorded in the year of construction)	
	Engagement in ZEB/ZEH	Order receipt of ZEB / ZEH-M building	2 orders received (4 proposals submitted)	10 (number of proposals)	
	Realize carbon-neutral society	CO ₂ reduction rate SCOPE 1, 2 (Reduction rate from FY2013, primary unit as of construction) SCOPE 3 (Category 11, Reduction rate of CO ₂ emission from operation of design & construction building) * Compare CASBEE reference value and evaluation value for each property	SCOPE 1, 2: 44.9% SCOPE 3 (category 11): 37.6%	SCOPE 1, 2: 40% or more 45% or greater (FY2030) SCOPE 3 (category 11): 65% or more (FY2030)	
	Reduce environmental impact	Reduction of the load caused by business activities to the natural ecosystem	Number of biodiversity-friendly proposals & design	7	-
			Number of these publicized on R&D contributing to lowering environmental-load of biodiversity and natural ecosystem	5	15 (cumulative up to FY2027)
			Number of constructions contributing to biodiversity	6	-
		Contribution to the circular economy by reducing construction waste	Number of these publicized on R&D on carbon neutrality and blue carbon	6	20 (cumulative up to FY2027)
			Number of oil spill accidents	0	0
			Number of complaints about noise and vibration	0	0
	S Provide high-quality structures that meet customer needs	Improvement of technological capability and proposal capability to meet customer needs	Recycling rate of construction waste	97.6%	98% or more
Number of ReReC® proposals for saving energy			4	10 energy-saving projects implemented in existing buildings (cumulative up to FY2027)	
Securing quality of construction work		Order receipt of ReReC®	4.6 billion yen	6.0 billion yen	
		Number of patent applications	15	20	
Contribute to disaster prevention and mitigation	Promotion of the R&D and technological development to contribute to the disaster-prevention, disaster-mitigation, and disaster-relief, etc.	Number of R&D theses publicized	76	100 (cumulative up to FY2027)	
		Number of non-conformities and complaints	4	0	
		Average mark of the year for construction performance rating (Port works ordered by MLIT)	81	80 or more	
		Number of letters of appreciation and certificates of commendation on quality (private work)	9	10 or more	
		Number of R&D theses publicized on promotion of the R&D and technological development to contribute to the disaster-prevention, disaster-mitigation, and disaster-relief, etc.	10	40 (cumulative up to FY2027)	
Materiality	Sub-issues	KPI	FY2022 results	FY2023 targets and mid-term targets	
G Strengthen business foundation	Continue to strengthen governance system	Enhancement of governance	Number of meetings of Director Nomination & Compensation Committee	4 times	-
			Number of times effectiveness of the Board of Directors was evaluated	1 time	-
			Review of governance system by outside directors	-	-
			Number of serious violations of laws and regulations	0	0
	Thorough compliance	Attendance rate of compliance training (of total number of persons required to attend)	100%	100%	
		Attendance rate of e-learning on compliance	99%	100%	
	Promoting efforts of supply chains for ESG	Establishment of CSR procurement guidelines	Unestablished	Establishment of the guidelines	
	S Establish an attractive construction industry	Enhancement of information security	Number of serious information security incidents	0	0
			Number of fatal accidents	0	0
		Promotion occupational safety and health	Frequency rate	0.58	0.5 or less
Attendance rate of education to improve staff's ability			100%	100%	
Attendance rate of e-learning on occupational safety			98%	100%	
Retention rate of new graduate hires within 3 years			79%	-	
Promotion of developing precious human resources & securing the rising generation		Annual turnover rate within 3 years of joining	11%	5% or less	
		Number of employees who acquired a new qualification			
		Doctorate	0 persons	5 people or more (cumulative up to FY2027)	
		Professional Engineer, Concrete Engineer, Supervisor of Operation and Maintenance of Offshore & Marine Structure	327 persons (-0.9% compared to FY2019)	10% increase from FY2019 (330 people in FY2019)	
	First-class civil engineering construction management engineer	46.5%	The pass rate of 2nd examination: 60% or more		
	First-class architect	4 persons	3 persons		
First-class architectural construction management engineer	9 persons	The pass rate of 2nd examination: 60% or more			
	Number of introduction of ICT/DX tools contributing to productivity improvement	9	Addition of functions and implementation of tools: 3 (cumulative up to FY2027: 10)		
Improvement of workplace environment	Registration rate of skilled worker of Construction Career Up System	60%	100%		
		63%	Civil engineering work sites: 85%		
	Implementation rate of the 8-day off per 4 weeks	3%	Architectural construction work sites: 60%		
		40%	All work sites: no case for 6-day off per 4 weeks or less		
	Overtime work hours (all employees, including supervisors)	34 hours per month, 410 hours per year	45 hours or less per month / 480 hours or less per year		
	Annual vacation days taken by staff at site	120 days	122 days		
Ensure respect for human rights and promote diversity	Promotion of diversity & inclusion	Number of comfortable toilets installed at domestic construction sites (civil engineering)	Total of 84 units at 59 sites	-	
		Number of hired fresh female graduates for major career path	11%	20% or more of hired fresh graduates	
		Increase rate of women in major career path: from FY2020 (57)	118%	250% (145 people in FY2030)	
		Increase rate of female managers: from FY2020 (3)	133%	500% (16 people in FY2030)	
	Employment rate of the handicapped	2.49%	Mandatory employment rate (2.3%) or more		
	Ratio of post-retirement re-employment	88%	-		
	Percentage of male employees taking childcare leave (denominator is those eligible to take it)	34%	50%		
	Improvement of understanding & prevention of infringement of human rights	Attendance rate of harassment training (of total number of persons required to attend)	100%	100%	
		Formulation of human rights policy	Established on April 1, 2023	-	
	Realization of sustainable society by CSR activities	Attendance rate of training sessions on human rights (all employees)	-	100%	
Establishment of scholarship programs in the Philippines and Kenya		Not implemented			
Providing safe toilets overseas		Not implemented			
Number of times of participation in Eelgrass field development project, etc.		13	Implementing continuously		
	Number of beach cleanup activities	38 times (total of 285 participants)			
	Number of posting of handicapped person artwork	6 works at 4 sites			
	Amount of contribution to various groups	318,274 yen			

II Climate change

The Company is, upon request of the “Task Force on Climate related Financial Disclosures (TCFD)” for information disclosure, considering and responding to the governance related with climate change, the impact and countermeasure on our business, and risk management, etc.

(1) Governance

At the Sustainability Committee, we consider the action plan concerning sustainability including the response to climate change, review the activity results, report to the Executive Committee and the Board of Directors, and if necessary, conduct deliberations.

(2) Strategy

Based on the guidance recommended by TCFD, the Company analyzes and evaluates the impact of climate change on the Company, assuming the business environment up to 2040 with the methodology of scenario analysis. Furthermore, we consider how to respond to risks and opportunities that may have an impact and incorporate them into our business strategy.

Category	Change of environment	Impact on business		Measures		
		1.5°C	4.0°C			
Transition in the policies and market trends	Risk	Introduction of carbon tax Enhancement of CO ₂ emission reduction	●Increase in cost due to the addition of carbon tax on construction materials and equipment price ●Decrease of private construction investment due to increase in construction cost	Large	–	●Promotion of decarbonization of construction machinery and work vessel ●Use of low-carbon type materials
	Opportunity	Expansion of demand for construction related to renewable & recyclable energy	●Expansion of construction investment in offshore wind power generation facilities ●Increased demand for buildings that meet ZEB and ZEH standards	Large	Small	●Participation in offshore wind power generation facility construction business ●Promotion of engagement in ZEB work
Physical change of disasters	Risk	Worse working environment at construction site due to temperature rise	●Increase in health hazards due to heatstroke, etc. ●Decline in productivity due to worse working environment, critical shortage of skilled worker	Medium	Large	●Promotion of creation of comfortable workplace environment ●Promotion of R&D and technological development for work saving at site
	Risk	Intensified natural disasters due to global warming	●Increased risk of damage to supply chains, in-house facilities, and construction sites due to abnormal weather	Medium	Large	●Establishment of BCP system
	Opportunity	Accelerating national resilience	●Increase of infrastructure improvement work such as the measures for accelerating disaster-prevention, disaster-mitigation and national resilience	Large	Large	●Promotion of R&D and technological development to make contribution in disaster-prevention, disaster-mitigation and disaster-relief

(3) Risk management

All business risks, including climate change, are reviewed and evaluated by the Risk Management Committee, which reports to the Board of Directors twice a year. The Head Office and business divisions carry out their operations while taking necessary measures to avoid and reduce risks inherent in their business processes. In addition, they review opportunities related to climate change in response to changes in the business environment and other factors.

(4) Metrics and targets

CO₂ emission reduction targets

Target Scope	Base year (2013) Primary unit as of construction	FY2022	FY2023 target	FY2030 target
Scope 1+2	62.1 t-CO ₂ per 100 million yen	34.2 t-CO ₂ per 100 million yen	37.2 t-CO ₂ per 100 million yen	34.2 t-CO ₂ per 100 million yen
	Reduction rate	-44.9%	-40% or less	-45% or less
Scope 3 Category 11	CO ₂ emissions reduction rate during operation of designed and constructed properties	-37.6%	-50% or less	-65% or less

* Scope 1+2 includes CO₂ emissions from construction work by our partner companies, based on the Environmental Information Disclosure Guidelines of the Japan Federation of Construction Contractors, Inc.

* The FY2023 results will be posted on the Company's website as soon as the calculations are completed. (Scheduled for the end of August 2024)

III Human capital

(1) Governance

In addition to establishing and revising employee wages and various personnel-related regulations, the Executive Committee and the Board of Directors deliberate and decide on important matters related to human capital, such as recruitment policies, education and training plans, diversity & inclusion, work style reform, and engagement.

(2) Strategy

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 (2023-2027), and we are implementing the following four measures.

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

The Corporate Group believes that creating a workplace that embraces diverse individual personalities and values and fosters positive collaboration is what maximizes the capabilities of our employees and leads to the revitalization and development of the company. We therefore making efforts to improve the workplace environment by considering and implementing a wide range of measures.

Regarding the efforts toward positive activities of women in the Company, in order to hire women for the major career path steadily and continuously, we have set a target of 20 percent for the female ratio in 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. We are also actively recruiting foreign engineers and working to establish a foundation in which a diverse workforce can perform at their best.

- Achieve attractive treatment

The Company has continuously increased base salaries since 2014. In fiscal 2023, we implemented a 3.7% increase in base salary, and we are also working to improve wage levels at our consolidated subsidiaries.

Due to the nature of our business, such as local one-off production in the construction industry and the deployment of engineers with the necessary qualifications and experience, job transfers within the Company tend to be more frequent than in other industries. This places a great burden not only on individuals but also on their families. Therefore, treating transfers as a performance achievement (a contribution to the company’s business), on November 1, 2023 we established a new transfer allowance system that pays a lump sum of up to 360,000 yen per transfer depending on the type of assignment.

In future, to provide attractive benefits, the Corporate Group will work to improve the wage levels and enhance welfare benefits.

- Proactively strengthening recruitment including mid-career hires

We are working to strengthen the HR foundation supporting growth. In addition to increasing the number of new graduates we hire, we are focusing on mid-career hires, and in particular specialists in growth areas such as the offshore wind power business, and personnel with specialized knowledge in the Corporate Sec. We will continue to consider and implement various recruitment channels, including alumni recruitment, in order to acquire human resources who will contribute to strengthening the Corporate Group’s management foundation.

- 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 Corporate Group is working on effective competence development, either jointly or on an individual company basis, by providing stratified training, occupational specialty training, training by purpose, and a training program & support system for acquisition of recommended qualifications.

We have also initiated training that specializes in developing and turning out a great number of next-generation of leaders, and we are working to develop human resources who will take on the management of the Company in the future. In the future, we will provide opportunities for employees to acquire the skills necessary to adapt to changes in the environment, including through reskilling programs.

(3) Risk management

In the construction industry, securing the rising generation is an urgent issue due to the decline in the working-age population and the aging of construction technicians, among other factors and we recognize that this is a major risk for business continuity. For this reason, we have identified “Establish an attractive construction industry” and “Promotion of diversity” as materiality and set “Promotion of developing precious human resources & securing the rising generation” and “Promotion of diversity & inclusion” as sub-issues. The Sustainability Committee reviews the implementation and progress of KPIs in these sub-issues, and after deliberations and decisions at the meetings of the Executive Committee and the Board of Directors, necessary measures are taken according to the situation.

In addition, in regard to human rights risks, now that a human rights risk assessment has been carried out, we have decided to examine the status of the Corporate Group in FY2024 and implement “human rights due diligence” that will lead to appropriate prevention and mitigation.

(4) Metrics and targets

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	23.8% (FY2023 hiring results)	20% or more of hired fresh graduates
Increase rate of women in major career path (from FY2020)	121.1%	250% (FY2030)
Increase rate of female managers (from FY2020)	133.3%	500% (FY2030)
Employment rate of the handicapped	2.69% (Mandatory employment rate (2.30%))	Mandatory employment rate or more
Ratio of male employees taking childcare leave	71.9%	50% (FY2030)

- Notes:
1. Ratio of male employees taking childcare leave includes the ratio of male employees taking leave for the purpose of childcare.
 2. It is difficult to provide a uniform description for these items due to differences in size, business format, and systems of each consolidated subsidiary, so the description applies to the reporting company alone.

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 of non-compliance, 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.

We are 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. Furthermore, in regards to overseas, in addition to creating and publicizing compliance guidelines for locally hired employees, 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

We operate an occupational safety and health management system for workers and all other concerned persons and commit to preventing work disasters and health problems in the workplace, with a flawless safe and healthy working environment. However, suspension of construction work due to fatal or serious damages or unforeseen major accidents during construction, as well as construction delays 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.

(3) Risk of defects in products and services

We operate a quality management system and commit to ensuring 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, product liability and 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 natural disasters and infectious diseases

Damage to construction work in progress due to natural disasters such as great earthquakes, tsunamis, typhoons, and storm and flood damage caused by heavy rains, damage to our assets such as vessels, equipment and buildings, suspension of construction, extension of the construction period and other

unexpected costs may have an impact on earnings. Furthermore, reduction or postponement of construction investment and delays in procurement of materials due to large-scale infectious disease outbreaks may have an impact on earnings.

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. Efforts that we are focused on include thoroughly implementing infection prevention measures against the risk of infectious diseases; receiving orders, particularly customers with ongoing trading relationships, with certainty of conditions; and maintaining stable procurement routes from excellent suppliers.

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

We conduct 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. 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 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 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 implemented efforts to secure the rising generation of subcontractors.

In regard to the Japanese government's regulations on overtime work limits in the construction industry starting in April 2024 following the revision of the Labor Standards Act, we are striving to reduce overtime work through initiatives such as promoting work-style reforms, improving business efficiency by utilizing DX, and securing appropriate project timelines, and we are implementing appropriate working hours management.

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 which enables 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.

(6) 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 our 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.

(7) Risk of acquisition without consent

We formulated a new five-year mid-term business plan starting in FY2023 and are proceeding with the execution of 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." We believe that the steady achievement of the targets set forth in this mid-term business plan and continuous efforts to

strengthen governance will lead to the Group's sustainable growth and enhancement of corporate value over the medium to long term. Under such circumstances, if we were to receive an acquisition proposal from a third party, we would make a judgment on whether to agree with the acquisition proposal or not after seriously and cautiously considering from the perspective of whether it contributes to the improvement of our corporate value based on the "Action Guidelines for Corporate Acquisitions" announced by the Ministry of Economy, Trade and Industry.

After going through this process, 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 of 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.

(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.

We appropriately assess 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

In addition to our construction business mainly in Asia, we are also building cable-laying vessels in Europe, 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) Risk of climate change

In recent years, large-scale typhoons and sudden torrential rain have arisen due to climate change and the intensification of disasters caused by these factors 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 earnings due to increased construction costs and other consequences.

We have set a reduction rate for CO₂ emissions released from business activities as a KPI towards realization of a carbon-neutral society and are 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).

(11) Human rights risk

We carry out our business activities based on respect for human rights, but there are a wide range of human rights issues to be addressed. In the event that a human rights issue arises within the Corporate Group or its supply chain, the resulting deterioration in our reputation could result in us losing the trust of our customers and potentially losing orders. The Corporate Group has formulated the Toyo Construction Group Human Rights Policy and is fulfilling its human rights responsibilities, and has also established a human rights due diligence system in order to prevent human rights issues from arising.

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 financial position and operating results

During the consolidated fiscal year under review, significant changes occurred in the macroeconomic environment of the Japanese economy including a 40-year high in the inflation rate due to recovery from the COVID-19 pandemic. Meanwhile, it is necessary to pay attention to the downside risks to overseas economic conditions, such as due to the deterioration of the Russia-Ukraine situation and the Middle East situation and the continued depreciation of the yen against the dollar and euro due to monetary tightening in the United States and Europe, as well as concerns about the future of the Chinese economy.

The construction industry saw a resilient trend in public works spending and a continuous recovery in private-sector capital investment. While the business volume remained consistent, crude oil and material prices, as well as labor expenses, remained high. The inability to fully transfer the cost increases to prices sparked concerns about the impact on earnings. Additionally, securing rising generation and addressing the limits on overtime work are urgent challenges that the industry is actively tackling.

In this climate, the Corporate Group has formulated a five-year mid-term business plan (fiscal 2023 to fiscal 2027) focusing on three pillars: (i) transformation from "defense to offense," (ii) transformation to a "high profit model," and (iii) transformation to "capital efficiency management," working towards evolution and growth into an even more resilient* company. Additionally, we have been striving to enhance productivity and reform work styles through DX initiatives, while working on acquiring and nurturing diverse personnel who will support our "offense" business style.

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

a. Financial position

Total assets increased 10,443 million yen from the end of the previous fiscal year to 164,160 million yen, mainly due to an increase in notes receivable, accounts receivable from completed construction contracts and other.

Liabilities increased 3,627 million yen from the end of the previous fiscal year to 83,360 million yen, mainly due to an increase in short-term borrowings.

Net assets increased 6,815 million yen from the end of the previous fiscal year to 80,800 million yen, mainly due to the recording of profit attributable to owners of parent.

As a result of the above, the equity ratio rose 0.9 percentage points from 46.7% at the end of the previous fiscal year to 47.6%.

b. Operating results

Thanks to smooth progress in the domestic civil engineering business, net sales in the consolidated fiscal year under review increased 10.9% year on year to 186,781 million yen; operating profit rose 21.0% to 10,887 million yen; ordinary profit increased 17.6% to 10,057 million yen; and profit attributable to owners of parent rose 24.0% to 7,016 million yen.

Results by business segment are as follows.

(Domestic civil engineering business)

In the highly competitive domestic civil engineering business, the Company focuses on securing business volume and strengthening profitability, and strives to certainly win orders for large-scale projects in public maritime works and win more orders for onshore works from private and public operators. In the offshore wind power construction business, which is a growth driver, we are working towards developing human resources for the future and expanding our entry into various positions, focusing on cable installation and other areas. In the fiscal year under review, net sales increased 22.8% to 95,316 million yen and profits in this segment increased 20.2% to 6,271 million yen due to an increase in construction carried forward from the previous fiscal year.

Furthermore, in the offshore wind power construction business, it was decided to build the largest self-propelled cable-laying vessel in Japan and establish a new offshore wind power business division. The investment decision for the construction of the self-propelled cable-laying vessel was made after discussions and consideration at the Board of Directors meetings, with a focus on capital costs and capital profitability.

(Domestic architecture business)

In order to expend revenue amid rapidly changing market conditions, the Company strives to strengthen its organizational sales ability, advance ReReC® (Renewal, Renovation and Conversion), a measure to reinforce our efforts in the housing stock market, establish a framework for exploring non-contractual areas, enhance productivity through DX initiatives, and develop human resources. Due to delays in the start of construction for some projects, net sales in the fiscal year under review decreased 6.4% to 63,224 million yen, while profits in this segment decreased 7.9% to 2,941 million yen.

(Overseas construction business)

The Company continues locally-rooted business development, particularly in Philippines and other countries where we have already been operating, and works on acquiring ODA projects, expanding private sector construction through our local subsidiary in Philippines, CCT CONSTRUCTORS CORPORATION, and developing local human resources to build a revenue base. For the consolidated fiscal year under review, net sales increased 21.5% to 27,357 million yen due to smooth progress in construction in hand, and profit in this segment increased 376.3% to 1,395 million yen because one-time provision for expenses, which was recorded in the previous term, was not recorded in the term under review.

(Real estate business)

Net sales in the fiscal year under review decreased 1.2% to 445 million yen, while profits in this segment decreased 29.2% to 176 million yen.

(Other businesses)

This segment covers insurance agency, goods sales and leasing business, etc. Net sales in the fiscal year under review increased 94.8% to 437 million yen, while profits in this segment increased 132.8% to 101 million yen.

(ii) Cash flows

Net cash used in operating activities was 8,512 million yen, mainly due to an increase of trade receivables. (Net cash of 11,785 million yen provided in the previous year)

Net cash used in investing activities was 7,881 million yen, mainly due to outflows to acquire property, plant and equipment. (Net cash of 485 million yen used in the previous year)

Net cash provided by financing activities was 572 million yen, mainly due to an increase of borrowings (Net cash of 2,872 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 23,475 million yen. (39,008 million yen at the end of the previous year)

Trends of cash flow indicators

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Equity ratio (%)	41.3	43.1	50.2	46.7	47.6
Equity ratio based on market value (%)	30.4	36.3	53.7	56.0	75.1
Interest-bearing debt to cash flow ratio (years)	–	–	0.3	0.4	–
Interest coverage ratio (times)	–	–	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, 2024	Year-on-year comparison (%)
Domestic civil engineering business	94,723	(8.0)
Domestic architecture business	63,447	1.6
Overseas construction business	12,330	(51.3)
Real estate business	445	(1.2)
Other businesses	437	94.8
Total	171,384	(10.5)

(2) Net sales results

(Millions of yen)

Segment name	Fiscal year ended March 31, 2024	Year-on-year comparison (%)
Domestic civil engineering business	95,316	22.8
Domestic architecture business	63,224	(6.4)
Overseas construction business	27,357	21.5
Real estate business	445	(1.2)
Other businesses	437	94.8
Total	186,781	10.9

- 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

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

(Millions of yen)

Type	Construction carried forward from the preceding fiscal year	Orders received in the fiscal year under review	Total	Net sales in the fiscal year under review	Carried forward to the next fiscal year			Construction work performed in the fiscal year under review
					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	–	–	–

104th fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

Type	Construction carried forward from the preceding fiscal year	Orders received in the fiscal year under review	Total	Net sales in the fiscal year under review	Carried forward to the next fiscal year			Construction work performed in the fiscal year under review
					Construction work in hand	Of which, construction work performed		
Construction business						%		
Marine civil engineering	[62,586] 63,848	57,316	121,164	71,418	49,746	0.7	349	71,386
Land civil engineering	35,291	34,225	69,516	27,850	41,665	0.2	93	27,885
Architectural construction	76,287	62,335	138,622	62,289	76,333	0.6	442	62,321
Total	[174,165] 175,427	153,876	329,303	161,558	167,745	0.5	864	161,593
Real estate business	–	452	452	452	–	–	–	–
Total	[174,165] 175,427	154,328	329,755	162,010	167,745	–	–	–

- Notes:
- For orders received before the previous fiscal year, for which the contract amount has changed due to changes in the contract, the orders received in the fiscal year under review includes such change. Therefore, net sales in the fiscal year under review also includes the relevant change in amount.
 - The construction work performed on carried forward to the next fiscal year is estimated from the construction work performed on contracts in hand based on costs.
 - Carried forward to the next fiscal year (construction work in hand) is, except for the real estate business, the same as (construction carried forward from the preceding fiscal year + orders received in the fiscal year under review - net sales in the fiscal year under review).
 - In the field for construction carried forward from the preceding fiscal year, the upper number in parentheses [] shows the amount of carried forward to the next fiscal year in the previous fiscal 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
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
104th fiscal year (from April 1, 2023 to March 31, 2024)	Marine civil engineering	12.0	88.0	100
	Land civil engineering	21.1	78.9	100
	Architectural construction	21.0	79.0	100

Note: 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) (%)	
103rd fiscal year (from April 1, 2022 to March 31, 2023)	Marine civil engineering	35,315	9,795	9,999	18.1	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
104th fiscal year (from April 1, 2023 to March 31, 2024)	Marine civil engineering	45,962	13,639	11,816	16.5	71,418
	Land civil engineering	20,121	7,452	276	1.0	27,850
	Construction business	5,586	56,703	–	–	62,289
	Total	71,670	77,795	12,093	7.5	161,558

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

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 Tokyo	Construction of the bridge substructure for the approach to the Higashi-Ohgishima - Mizue-cho Line on Kawasaki Port Road Construction and seismic strengthening due to the reconstruction of the Rokugo Pump facilities
Shikoku Railway Company Takatsuki-shi	Yosan Line between Kaiganji and Takuma revetment restoration part 4 Takatsuki Energy Center No. 1 factory dismantling and recycling facility construction
ES-Con Japan Ltd.	Hashima, Gifu Pref., logistics center development project

104th fiscal year Main constructions with contract amounts of 1.0 billion yen or more

Ministry of Land, Infrastructure, Transport and Tourism	Fiscal 2022 Mageshima temporary pier construction (part 2)
Ministry of Land, Infrastructure, Transport and Tourism	Fiscal 2021 Kagoshima Port (Taniyama second area) mooring facility construction (part 2)
Ministry of Land, Infrastructure, Transport and Tourism	Fiscal 2021 Tokyo International Airport G taxiway and other ground improvement works
City of Yokohama	Shin-honmoku wharf construction (part 28 external revetment B-2 foundation and main structure)
Koge Town	Start of construction project No. 4 new gymnasium construction
Peace Deli Co., Ltd.	Peace Deli Chiba Honda project new building construction

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.

103rd fiscal year	Ministry of Land, Infrastructure, Transport and Tourism	24,309 million yen	16.3%
104th fiscal year	Ministry of Land, Infrastructure, Transport and Tourism	45,524 million yen	28.2%

(II) Net sales in real estate business

(Millions of yen)

By period	Category	Amount
103rd fiscal year (from April 1, 2022 to March 31, 2023)	Land and building sales income	–
	Lease income	443
	Total	443
104th fiscal year (from April 1, 2023 to March 31, 2024)	Land and building sales income	2
	Lease income	449
	Total	452

(iv) Construction work in hand (as of March 31, 2024)

(Millions of yen)

Category	Domestic		Overseas	Total
	Government	Private-sector		
Marine civil engineering	22,220	8,796	18,729	49,746
Land civil engineering	34,174	7,491	–	41,665
Architectural construction	25,471	50,861	–	76,333
Total	81,866	67,149	18,729	167,745

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

Republic of the Philippines	Pasig-Marikina River Channel Improvement Project (Phase 4) (Package 2)	Slated for completion in October 2025
Chiyoda Ward	Kiji Bridge repair and reinforcement construction (No. 5)	Slated for completion in December 2030
East Nippon Expressway Co., Ltd.	Ken-o Expressway, construction in Matsuo	Slated for completion in May 2025
Kobe-Osaka International Port Corporation.	Port Island (2 nd phase) area container southern wharf improvement project	Slated for completion in September 2025
Soeda Town	Soeda Town Elementary and Junior High School Construction Project new school building construction	Slated for completion in February 2025
Yokohama Port Corporation	(Honmoku) D-5 Terminal Administration Building and other facilities	Slated for completion in March 2025

(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 154.3 billion yen (down 13.8 billion yen year on year) *the non-consolidated Company

- This included a decrease of 9.1 billion yen in the domestic civil engineering business compared to the previous fiscal year when orders for multiple large-scale projects were received; an increase of 0.5 billion yen in the domestic architecture business due to continued strength in private-sector projects such as factories and warehouses; and a decrease of 5.3 billion yen in the overseas construction business due to the loss of major projects that had been a focus. The total amount of orders received by the non-consolidated Company decreased by 13.8 billion yen from the previous year.

Consolidated net sales 186.7 billion yen (up 18.4 billion yen year on year)

- Construction carried forward increased significantly from the previous year in the domestic civil engineering business and there was a steady progress of construction in hand for each business, so consolidated net sales increased by 18.4 billion yen from the previous year.

Consolidated gross profit 23.3 billion yen (up 3.8 billion yen year on year)

- In addition to the increase in profits due to a significant increase in net sales compared to the previous fiscal year, in the overseas construction business, consolidated gross profit increased by 3.8 billion yen, due in part to the fact that a one-time provision for expenses, which was recorded in the previous fiscal year, was not recorded in the fiscal year under review.

Consolidated operating profit 10.8 billion yen (up 1.8 billion yen year on year)

- Due to the increase in gross profit, consolidated operating profit increased by 1.8 billion yen compared to the previous fiscal year.

(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 2023, the Company signed a letter of commitment with seven financial institutions for a one-year, 10.0 billion yen syndicated committed credit line. In March 2024, the Company executed a letter of commitment with a financial institution for a one-year, 5.0 billion yen committed credit line. In addition, in May 2024, the Company signed a syndicated green loan term loan agreement with 11 financial institutions for a total of 20 billion yen to borrow the funds necessary for the construction of a self-propelled cable-laying vessel.

Other than that, 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 1,615 million yen, and short-term borrowings were 6,534 million yen, while total interest-bearing debt increased by 3,443

million yen from the end of the previous fiscal year to 8,149 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

Plan achievement status for the fiscal year under review

	Consolidated	Fiscal year plan	Actual result	Achievement status
Performance indicator	Net sales	192.5 billion yen	186.7 billion yen	(Achievement rate 97.0%)
	Operating profit	10.1 billion yen	10.8 billion yen	(Achievement rate 107.8%)
	Operating margin	5.2%	5.8%	(Plan value+0.6 percentage points)
	Ordinary profit	9.6 billion yen	10.0 billion yen	(Achievement rate 104.8%)
	Profit attributable to owners of parent	6.0 billion yen	7.0 billion yen	(Achievement rate 116.9%)
Financial indicator	ROE (Return on equity)	8.1%	9.4%	(Plan value+1.3 percentage points)

5. Critical contracts for operation

At the Board of Directors meeting held on December 8, 2023, the Company resolved to construct a self-propelled cable-laying vessel as described below, and concluded a construction contract on December 11, 2023.

(1) Reason for construction

Projects of offshore wind power generation are progressing well mainly in the area of bottom-mounted type, and further together with technology development of floating type and consideration of EEZ expansion, are steadily advancing towards the realization of the 2050 Carbon Neutral in line with the government target. The Company will construct a self-propelled cable-laying vessel. This vessel is designed to cater to offshore construction projects, including those for offshore wind power generation, with expectations of market expansion, and will be one of the largest in Japan.

(2) Overview of the cable-laying vessel

The cable-laying vessel to be constructed is designed to fit the requirements of environmental conditions and construction conditions in Japan, which allows construction at a high utilization rate in a vast marine area, from shallow area to very deep area where floating wind power generation or DC power transmission projects are conducted.

In addition to being used as a self-propelled cable-laying vessel, with its high-performance crane and a large deck area, the vessel will be applicable to a wide range of fields, including bottom-mounted type foundation work, floating type offshore wind mooring construction, and marine resource-related projects.

Primary specifications	Gross tonnage: approx. 19,000 t, Thrust power: approx. 13,000 kW, DPS Class 2
	Ship's classification: Class NK
	Accommodation capacity: 90 people (all private rooms, fully equipped with shower & restroom)
Main dimensions of vessel	150 m long x 28 m wide x 12 m deep, max. draft: 7.0 m
Cable tank	Capacity: 9,000 t (including portable-type)
Main/Sub crane	Lifting capacity of 250 t / 100 t (with active heave compensation)
Other equipment	Helideck, 4-point mooring device (for works in shallow sea area), 2xROV system, Storage battery system
Investment value	Approx. 30.0 billion yen
Financing	Own funds and bank loan (Green Loan)

(3) Overview of contracting party

The contracting party is a foreign corporation, and there is no capital, personnel, or business relationship between our company and the contracting party that is required to be disclosed. In addition, the contracting party does not fall under the category of a related party of the Company.

(4) Construction schedule

Date of resolution of the Board of Directors	December 8, 2023
Contract conclusion:	December 11, 2023
Completion and delivery:	First half of 2026

(5) Future outlook

This investment has been reflected in the mid-term business plan announced on March 23, 2023, and its impact on the consolidated financial results will be negligible.

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 toward carbon neutrality, including offshore wind power-related business,” “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 architecture business and overseas construction business was 2,264 million yen.

(1) Adoption of construction technology verification of submarine cable burial machine for project to develop cost-reducing construction technology for offshore wind power generation

In 2023, the Company and Seki Kaiji Industry Co., Ltd. (hereinafter “SKI”) received notice of adoption of the Research and Development of Wind Power Generation Technologies / Research and Development of Offshore Wind Power Generation Technologies / Low-Cost Construction Technology Development for Offshore Wind Power Generation (Construction Technology Verification of Water Jet Type Submarine Cable Burial Machine) from the New Energy and Industrial Technology Development Organization (NEDO).

Since the area for offshore wind power generation facilities is very extensive, for burial of submarine cables in Japan’s complex and varied seabed, it becomes important to install them according to the variation of seabed conditions.

The Company has significant achievements in the development of foundation technologies including offshore wind power, and SKI has extensive experience and know-how in submarine cable installation including offshore wind power business. By utilizing the expertise of both companies and cooperating in the construction technology development of submarine cable burial, the companies will establish the cable burial technology that is applicable to the Japan-specific seabed conditions and will realize cost reduction.

(2) Implementation of deepwater construction experiment offshore at Ishikari Bay for the verification testing project of floating offshore wind power generation by TLP method

In 2023, the Company implemented a deepwater construction experiment using an ocean vessel (hereinafter the “Experiment”) offshore at Ishikari Bay in Hokkaido for the verification testing project of floating offshore wind power generation by the TLP method.

The Experiment is the on-site demonstration experiment of mooring foundation of which the Company is in charge, as part of the “Development of TLP floating offshore power generation facilities to realize low-cost and excellent social receptivity” which the consortium, consisting of the Company, MODEC, Inc., Furukawa Electric Industry Co., Ltd., and JERA Co., Ltd. was selected to conduct by NEDO under the Green Innovation Fund program. In the Experiment, we used the ocean vessel to verify the workability of foundation piles using large-diameter and long steel pipe piles and to measure the design pull-out force.

The Company already has various achievements in oceanic region and deepwater including the exclusive economic zone (EEZ), and we believe that the accomplishment of the Experiment will lead to a large step forward in the construction technology development of TLP mooring foundation.

At the same time, we also conducted Japan’s first pile pull-out experiment using cyclic loads in Ishikari Bay, Hokkaido. This experiment was the first of its kind in Japan, using the largest steel pipe pile in Japan as a test specimen and applying a cyclic load. In the future, based on the data obtained in both experiments, we will establish design and construction technology for TLP mooring foundations.

(3) Demonstration experiment for immobilization of CO2 into improved cement deep mixing slurry

The Company and AIR WATER INC. (hereinafter “AIR WATER”) conducted a demonstration experiment using the “ReCO2 STATION,” a small CO2 recovery equipment developed by AIR WATER, to immobilize the CO2 recovered from the exhaust gases of a deep mixing vessel into an improved cement deep mixing slurry.

In the demonstration experiment, CO2 was successfully immobilized by producing highly-pure liquefied carbon dioxide and dry ice through the recovery of CO2 emitted from the diesel generator (mounted on work vessels as power supply) and then mixing the dry ice into cement slurry. Analysis of the improved slurry after construction confirmed that the CO2 had been immobilized inside it.

The Company is planning to mount the recovery equipment on its own work vessels in 2024, and will continue to develop methods to supply CO2 captured from the exhaust gas of deep mixing vessels into cement slurry and the ground in various forms to increase the amount of immobilized CO2. We also plan to develop technologies to understand fluctuations in long-term CO2 immobilization amounts, maximize the amount of CO2 immobilized, and appropriately evaluate the immobilized amount.

(4) AI-based technology development (Flying View, AI Loading Navi)

◆ Efficient and economical creation of AI models from Flying View footage

In collaboration with GAUSS Co., Ltd. and OKI Electric Industry Co., Ltd. (hereinafter “OKI”), the Company has built an object detection system using image data of workers and ships displayed on the wide-area overhead video from OKI’s Flying View® real-time remote monitoring system*1. The system can efficiently and economically create AI models via the cloud.

By using the image data obtained from Flying View overhead footage and building an object detection system that can create an AI model through the cloud, we have made it possible for anyone, anywhere, to easily train AI using the footage from Flying View during construction work. As a result, we were able to reduce the implementation cost and the time to implement by more than 60% compared to previous methods.

*1 “FlyingView®” is a registered trademark of Oki Electric Industry Co., Ltd.

◆ Development of AI Loading Navi loading management support system for sand carriers

The Company has collaborated with Fujitsu Ltd. to co-develop AI Loading Navi*2, a system that assists with loading management by utilizing AI technology to analyze video footage from loading onto sand carriers.

This system supports signallers and operators by automatically determining the status of the loading position from the ratio of sand in each section. It does this by using AI to process, in real time, camera images of the cargo hold area of a sand carrier during grab dredging, and distinguishing sand, water, and walls on a pixel-by-pixel basis. The AI processing uses semantic segmentation*3, which is capable of high-precision image recognition, and is trained using two years’ worth of loading images as training data. The introduction of this system will enable instantaneous, quantitative, automatic decisions and is expected to improve work efficiency.

*2 A joint patent application for AI Loading Navi is pending.

*3 Semantic segmentation is an AI image recognition technology that can classify images into object-specific regions on a pixel-by-pixel basis.

(5) Development of TORe-4D that visualizes the construction status of large reclaimer vessels*4 in 4D

When using a reclaimer in landfill work, it is difficult to monitor the accumulation of the sand dumped into the water, so workers typically use a weight (called a “lead”) to check the water depth and manage the dumping of sand. To address this issue, we developed TORe-4D, which can visualize the underwater dumping of sand, which was previously difficult to monitor, by grasping the sand properties in advance and predicting the accumulation state after dumping. We have installed this system on our large reclaimer vessel, the No.2 Toyo-go.

The TORe-4D system uses a high-precision GNSS (Global Navigation Satellite System) mounted on the hull and the tip of the spreader to guide it to the exact dumping position, and manages the volume of

sand using a laser measurement device and a belt conveyor speed monitor. The system is characterized by its ability to combine and incorporate construction information from the air and underwater areas in a complex manner, in addition to sand conditions such as moisture content and slump measured in advance, and to manage and record it in four dimensions by adding the element of time (t) to the injection position and water depth data (X, Y, Z).

In the future, we plan to introduce this system to various work sites where the No.2 Toyo-go is in use, improve the model accuracy, and update the system to create a more accurate system to achieve work style reform and productivity improvement.

*4 A reclaimer is a work vessel used in offshore reclamation work to unload sand transported by sand carriers using a sand lifting device and then discharge it to a landfill site via a conveyor or other device.

(6) Development of Wonder Coating System W-MG, a high-performance coating for concrete harbor structures

In collaboration with TAISEI ROTEC CORPORATION and FECT Inc Co., the Company has developed Wonder Coating System W-MG, a high-performance coating for concrete harbor structures that adapts the glassy film coating that has a proven track record in land-based reinforced concrete structures to reinforced concrete structures in harbors.

The paint used in this technology has excellent salt, air, and water shielding properties, and by forming a coating layer on the concrete surface, it protects harbor structures that are subject to significant corrosion environments such as salt damage. In addition, the coating material's crack conformability and weather resistance have been confirmed, so long-term protection can be expected.

In addition to its basic performance as a paint, it is colorless and transparent and can maintain its transparency for a long time, so that even after application, it is possible to detect the deterioration of the concrete surface at an early stage in the cycle of visual inspection, diagnosis, evaluation of deterioration in performance, and maintenance and repair in the maintenance management.

The work process is generally four steps (four days): primer, undercoat, intermediate coat, and topcoat. This technology, however, requires less time to recoat, and the three-step process of applying the primer and two top coats can be completed in one day, significantly shortening the work period and minimizing the impact of sea conditions, which are unique to harbor construction and require waiting for bad weather to pass, on the work process.

To date, data has been collected through element tests using test specimens and demonstration experiments on actual structures. Going forward, we will conduct demonstration experiments to verify long-term performance and continue to develop construction methods that can be applied to a wider range of uses, thereby contributing to the maintenance and management of concrete harbor structures. The technology has received a certificate of evaluation in the confirmation and evaluation program for harbor-related private sector technologies conducted by the Coastal Development Institute of Technology.

(7) Design and construction process innovation through the development of generative AI applications in FY2023

In response to the increasing complexity of construction projects and the challenges of information sharing, the Company has developed and implemented a new digital workflow that utilizes generative AI technology. This initiative enables more efficient information access and decision-making in the design and construction process, and contributes to improving productivity, improving quality, and further enhancing safety.

A construction project is a complex process involving the exchange of vast amounts of information, from planning to design, construction and maintenance. In the past, designers had to quickly and accurately check a wide range of information, such as past issues, legal data, and disaster case studies, and spent a lot of time on information retrieval. In particular, improving business efficiency and reducing working hours have become urgent issues, and it is also an important challenge to nurture less experienced staff and share the experience of veteran engineers.

To solve these problems, the Company has adopted the RAG system, which is centered around Google Cloud's Vertex AI Search. This system integrates past issues, various legal data published by Japan's

Digital Agency, and failure and disaster case studies, and provides designers with quick answers and advice in the form of a chatbot.

The main benefits of introducing this system are as follows:

- Less time spent on information retrieval

We have managed to reduce search time by quickly and accurately extracting the information required by the designer from a vast amount of data.

- Construction of an environment that anyone can easily use

By adopting a chatbot format, we have created an environment that anyone can easily use, even without expertise in information retrieval.

- Early resolution of similar issues and creation of new value

By quickly referring to similar past cases, we were able to achieve early resolution of the same types of issues. In addition, through information analysis using generative AI, we also contribute to creating new value and preventing accidents before they occur.

- Sharing of experience and development of human resources

By accumulating the experience of veteran engineers in the system, we support the training of less experienced staff, thereby improving the efficiency of human resource development.

Following an internal trial run, the application was fully adopted in fiscal 2024. Moving forward, we are considering expanding the search range and integrating with external information, with the aim of accelerating the digital transformation of the entire construction industry.

Initiatives utilizing generative AI technology are an important pillar of our growth strategy, and we will continue to make efforts to further develop technologies and contribute to society.

- (8) Development of a generative AI design support system to support toilet layout consideration at the early stage of design

The Company has successfully applied image generation AI technology using deep learning developed by TECHTOM Ltd. (hereinafter “TECHTOM”) to automatically generate multiple toilet layout plans at the same time.

The construction industry is facing issues such as long working hours and a shortage of the rising generation, and there is a need for improvements in productivity and the transfer of technical skills. In architectural design too, there are various demands from clients for the layout of residences, logistics warehouses, commercial facilities, and so on, so a repertoire of proposals and creativity are required. This has led to challenges such as the time required to plan and consider a good layout, and the inability to arrive at the best layout in a short amount of time.

With this background in mind, we have been conducting demonstration experiments since 2021 on AI-based automatic toilet layout design with the aim of supporting designers’ creative ideas while streamlining the review process. In this demonstration experiment, in addition to the conventional genetic algorithm approach, we also used a deep learning approach, training the AI on approximately 1,400 design drawings, primarily those created in the past by our experienced designers. This makes it possible to generate human-like designs learned from the tendencies of past skilled technicians, without the need to describe the vast number of rules required for auto-design results.

As a result of this training, we succeeded in automatically generating multiple layout proposals just by specifying the area the designer wants to consider. In addition, in subsequent development, it became possible to automatically generate a layout plan that meets the specified criteria by designating the numbers of male and female bathrooms, toilets, urinals, and washbasins.

Based on the results of this demonstration experiment, we have begun operating an automated AI-based toilet layout design system, called AI Design Assistant, that uses the “Tektome” AI platform. In the future, we plan to evolve the system into one that can automatically generate layouts for facilities with various uses, thereby reducing the labor hours spent on repetitive tasks and enabling designers to focus on more creative work. In this way, we aim to improve the quality of design work while reducing the number of people and labor required for the work.

III. Information About Facilities

1. Overview of capital expenditures, etc.

The Corporate Group made capital investment totaling 7,988 million yen during the fiscal term under review, with the funds used primarily for advance payments for construction of a self-propelled cable-laying vessel. The details of the self-propelled cable-laying vessel are stated in “II. Overview of Business 5. Critical contracts for operation.”

Major facilities completed during the fiscal year under review are as follows.

Company name	Segment name	Facilities	Investment amount (Millions of yen)		Completion date	Funds procurement method
			Total	Payment amount for the fiscal year under review		
TOYO CONSTRUCTION CO., LTD.	Domestic civil engineering business	Vessels (DCM vessels)	253	19	August 2023	Funds on hand and borrowings

2. Major facilities

Major facilities of the Corporate Group are as follows:

(1) Reporting company

As of March 31, 2024

Office name (Location)	Segment name	Book value (Millions of yen)						Number of employees (Persons)
		Buildings Structures	Machinery, equipment and vehicles, and tools	Land		Leased assets	Total	
				Area (m ²)	Amount			
Head Office (Chiyoda-ku, Tokyo)	–	891	859	30,646	4,359	148	6,258	246
Technical Research Institute, Miho (Miho, Inashiki-gun, Ibaraki Pref.)	Domestic civil engineering business Domestic architecture business	174	96	28,141	1,040	1	1,312	14
Technical Research Institute, Naruo (Nishinomiya)	Domestic civil engineering business	267	66	8,852	1,858	–	2,192	21
Hokkaido Branch (Chuo-ku, Sapporo- shi)	Domestic civil engineering business Domestic architecture business	37	0	2,780	246	–	284	12
Tohoku Branch (Aoba-ku, Sendai-shi)	Domestic civil engineering business Domestic architecture business	71	2	4,216	290	15	379	64
Kanto Branch (Chiyoda-ku, Tokyo)	Domestic civil engineering business	48	11	6,514 [3,340]	265	14	340	158
Kanto Architectural Construction Branch (Chiyoda-ku, Tokyo)	Domestic architecture business	–	0	–	–	7	8	114
Yokohama Branch (Naka-ku, Yokohama- shi)	Domestic civil engineering business	20	0	1,705	513	–	535	52
Hokuriku Branch (Kanazawa-shi, Ishikawa)	Domestic civil engineering business Domestic architecture business	27	212	2,080 [528]	222	24	487	49
Nagoya Branch (Naka-ku, Nagoya-shi)	Domestic civil engineering business Domestic architecture business	2	0	2,625	140	19	162	71
Osaka Main Office (Chuo-ku, Osaka-shi)	Domestic civil engineering business Domestic architecture business	1,816	77	57,242 [409]	10,699	26	12,618	167

Office name (Location)	Segment name	Book value (Millions of yen)						Number of employees (Persons)
		Buildings Structures	Machinery, equipment and vehicles, and tools	Land		Leased assets	Total	
				Area (m ²)	Amount			
Chugoku Branch (Higashi-ku, Hiroshima-shi)	Domestic civil engineering business Domestic architecture business	49	3	4,818	139	19	211	52
Shikoku Branch (Takamatsu-shi, Kagawa)	Domestic civil engineering business Domestic architecture business	13	354	1,248	89	12	470	47
Kyushu Branch (Hakata-ku, Fukuoka- shi)	Domestic civil engineering business Domestic architecture business	31	1,180	4,427 [68]	248	17	1,478	189
International Division (Chiyoda-ku, Tokyo)	Overseas construction business	–	–	–	–	–	–	25
Overseas office	Overseas construction business	15	155	[15,000]	–	–	171	30

(2) Domestic subsidiaries

As of March 31, 2024

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	80	229	34,000	1,201	–	1,511	151
Tachibana Kogyo Co., Ltd.	Head Office (Takamatsu-shi, Kagawa)	Domestic civil engineering business Overseas construction business	256	603	7,500 [509]	188	0	1,049	103
Kusakabe Maritime Engineering Co., Ltd.	Head Office (Chuo-ku, Kobe- shi)	Domestic civil engineering business Other businesses	153	21	1,000	162	17	354	35
Tecuos Co., Ltd.	Head Office (Chiyoda-ku, Tokyo)	Domestic architecture business Real estate business	58	35	1,436	337	–	431	28

Company name	Office name (Location)	Segment name	Book value (Millions of yen)						Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles, and tools	Land		Leased assets	Total	
					Area (m ²)	Amount			
Token Shoji Co., Ltd.	Head Office (Chiyoda-ku, Tokyo)	Other businesses	1	1	–	–	–	3	12

(3) Overseas subsidiaries

As of December 31, 2023

Company name	Office name (Location)	Segment name	Book value (Millions of yen)						Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles, and tools	Land		Leased assets	Total	
					Area (m ²)	Amount			
CCT CONSTRUCTORS CORPORATION	Head Office (MAKATI CITY, PHILIPPINES)	Overseas construction business	–	11	– [406]	–	24	35	84

- 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 837 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 CONSTRUCTION CO., LTD.	Head office/ Branch	Domestic civil engineering business and others	PCs and others	2,265	3	89

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 CONSTRUCTION CO., LTD.	Domestic civil engineering business	Vessels (cable-laying vessels)	30,000	6,172	First half of 2026	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, 2024)	Number of issued shares as of filing date (shares) (as of June 26, 2024)	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 shares, 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, 2024

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	44	184	150	31	25,665	26,093	–
Number of shares held (Units)	–	113,459	27,595	245,198	374,778	243	181,889	943,162	54,983
Shareholding ratio (%)	–	12.03	2.93	26.00	39.74	0.03	19.29	100	–

- Notes: 1. The 44,568 treasury shares include 445 share units under “Individuals and others” and 68 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, 2024

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 Kabutocho, 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 Kabutocho, Chuo-ku, Tokyo)	9,190	9.74
The Master Trust Bank of Japan, Ltd. (account in trust)	1-8-1 Akasaka, Minato-ku, Tokyo	6,817	7.22
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
Godo Kaisha Yamauchi-No. 10 Family Office	6-2-35 Roppongi, Minato-ku, Tokyo	2,627	2.78
Custody Bank of Japan, Ltd. (account in trust)	1-8-12, Harumi, Chuo-ku, Tokyo	1,757	1.86
Toyo Construction Kyoei-Kai	Jinbocho Mitsui Building 1-105, Kandajimbocho, Chiyoda-ku, Tokyo	1,723	1.82
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (standing proxy: MUFG Bank, Ltd.)	PETERBOROUGH COURT 133 FLEET STREET LONDON EC4A 2BB UNITED KINGDOM (2-7-1 Marunouchi, Chiyoda-ku, Tokyo)	1,646	1.74
MUFG Bank, Ltd.	2-7-1 Marunouchi, Chiyoda-ku, Tokyo	1,300	1.37
Total	–	59,200	62.76

(7) Voting rights

(i) Issued shares

As of March 31, 2024

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 44,500	–	The number of shares per share unit: 100 shares
Shares with full voting rights (Other)	Common shares 94,271,700	942,717	(same as above)
Shares less than one unit	Common shares 54,983	–	Shares less than one unit (100 shares)
Total number of issued shares	94,371,183	–	–
Total number of voting rights	–	942,717	–

- 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 404,400 shares (4,044 voting rights) held by the officer remuneration BIP trust.
 2. The common shares in the “Shares less than one unit” field include 68 treasury shares held by the Company and 12 shares held by the officer remuneration BIP trust

(ii) Treasury shares, etc.

As of March 31, 2024

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	44,500	–	44,500	0.05
Total		44,500	–	44,500	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 404,400 shares (4,044 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 472 million yen and 404,412 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	437	552,238
Treasury shares acquired during the period from April 1, 2024 to the filing date of this Annual Securities Report	30	36,930

Note: The figure for treasury shares acquired during the period from April 1, 2024 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, 2024 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, 2024		From April 1, 2024 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	44,568	–	44,598	–

Note: The figure for treasury shares held during the period from April 1, 2024 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, 2024 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 and has positioned the transformation to “capital efficiency management” as one of our fundamental strategies to implement active shareholder returns. In the mid-term business plan that started in fiscal 2023, the Company has adopted a policy targeting a dividend payout ratio of 100% (minimum dividend: 50 yen per share) from fiscal 2023 to fiscal 2025, and a dividend payout ratio of 40% to 60% or greater (minimum dividend: 50 yen per share) from fiscal 2026 to fiscal 2027. Dividend amounts will be determined by taking into consideration a balance between growth, soundness, and efficiency.

Based on the above, the Company has decided on the year-end dividend for the fiscal year under review (the fiscal year ended March 31, 2024) of 74 yen per share.

With regard to our retained earnings, in accordance with our policy of shifting from a “defense” business style to an “offense” business style to deal with the changing environment surrounding the Company, we plan to effectively utilize them for aggressive growth investments, primarily in the offshore wind power business.

Note that, with regard to dividends of surplus, the Company pays dividends once a year at the end of the fiscal year, but at the 102nd Annual General Meeting of Shareholders held on June 26, 2024, the Company resolved to introduce an interim dividend system to enhance opportunities for returning profits to shareholders. The bodies that decide on dividends of surplus are the Board of Directors for interim dividends and the General Meeting of Shareholders for year-end dividends.

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)	Dividend per share (Yen)
Resolution at the Annual General Meeting of Shareholders held on June 26, 2024	Common shares	6,980	74.00

4. Status of corporate governance, etc.

(1) Overview of corporate governance

(i) Basic concept of corporate governance

For the realization of the Corporate Identity, 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 the realization of an optimal corporate governance system as one of the most important objectives for management and is endeavoring to build effective management systems to respond swiftly to changes in the business environment.

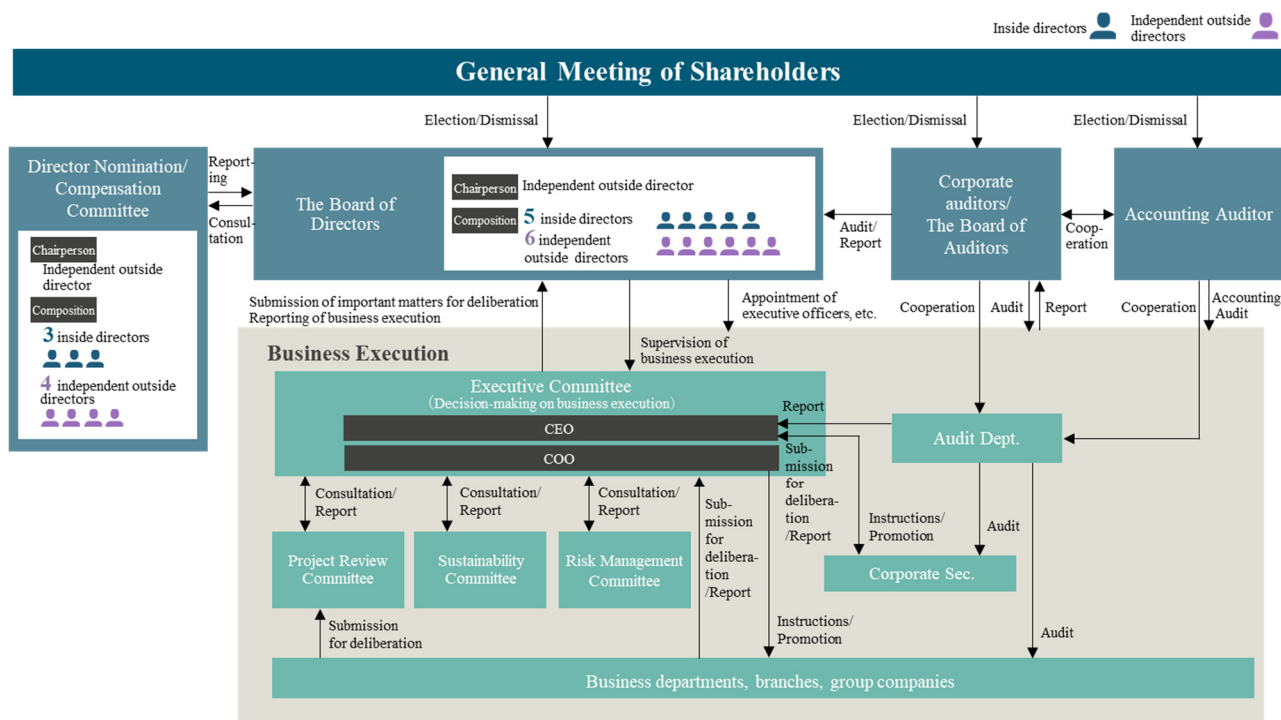
(ii) Overview of corporate governance system and reasons for adopting the system

As part of its corporate governance system, the Company has established a Board of Auditors and is conducting oversight and monitoring of its business affairs through the Board of Directors and the Board of Auditors. The Company has a system where the Chairperson of the Board of Directors is an independent outside director and is separated from the decision-makers of operations execution entities in order to advance the separation of management oversight and execution.

We believe that continuing to promote optimal corporate governance and achieving medium- to long-term corporate value enhancement will be the foundation for the Company’s survival as an enterprise that is trusted by shareholders, other stakeholders, and society as a whole.

• Overview of corporate governance structure

The organizational chart for the Company’s corporate governance structure is as follows.



• Board of Directors and directors

As of the date of filing, the Board of Directors consists of 11 directors, including six outside directors and four corporate auditors. In addition, an outside director serves as the chairman of the Board of Directors, enhancing the independence and objectivity of the Board of Directors’ functions and ensuring effective oversight of business execution. In addition, important matters relating to the Company’s management are examined and decided at the Board of Directors, with the Board of Directors meeting monthly to make appropriate and prompt decisions as well as holding extraordinary Board of Directors meetings as necessary, in a system enabling flexible operations.

The Board of Directors met a total of 28 times during the fiscal year under review, monitoring the management execution of the Corporate Group, as well as approving important matters including the

determination of director and corporate auditor candidates, the appointment of executive officers, the acquisition and disposal of material assets, and the budget, as well as considering proposals by Godo Kaisha Yamauchi-No.10 Family Office and Kabushiki Kaisha KITE for a tender offer of the Company's common shares, reviewing the corporate governance system, and approving the sustainability procurement policy and guidelines.

- 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. As of filing date, the Board of Auditors consists of four corporate auditors, including one full-time corporate auditor. 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. As of the filing date, the committee membership consists of three representative directors and four outside directors, and the committee is chaired by an outside director, making for a system that ensures suitable involvement by and advice from outside directors.

Director Nomination & Compensation Committee met a total of five 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, and discussed future issues such as the standards for officer compensation, the evaluation process, and the evaluation period.

- Number of meetings of and 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
Shinya Yoshida	Representative Director	18/18	2/2
Haruhisa Obayashi	Representative Director	28/28	2/2
Hiroshi Hirata	Representative Director	28/28	2/2
Mamoru Sato	Director	28/28	–
Tatsuyoshi Nakamura	Director	18/18	–
Akira Tosaka	Director	18/18	–
Takashi Narusawa	Outside Director	18/18	2/2
Kazumichi Matsuki	Outside Director	18/18	–
Taizo Nishikawa	Outside Director	18/18	–
Masato Uchiyama	Outside Director	18/18	2/2
Masaharu Okada	Outside Director	18/18	2/2
Katsuya Natori	Outside Director	18/18	–
Shinichi Kato	Outside Director	18/18	2/2
Kiyotaka Somekawa	Outside Full-time Corporate Auditor	28/28	–
Shiho Boda	Outside Corporate Auditor	28/28	–
Tomoko Nonaka	Outside Corporate Auditor	18/18	–
Koichi Kawaguchi	Outside Corporate Auditor	18/18	–
Kyoji Takezawa	Former Representative Director, President	10/10	3/3
Takahiro Yabushita	Former Representative Director	10/10	3/3

Name	Position	Attendance at Board of Directors	Attendance at Director Nomination & Compensation Committee
Yoshio Fukuda	Former Outside Director	10/10	3/3
Yutaka Yoshida	Former Outside Director	9/10	3/3
Yasuyuki Fujitani	Former Outside Director	10/10	3/3
Satoshi Otonari	Former Full-Time Corporate Auditor	10/10	–
Jiro Fukuda	Former Outside Full-time Corporate Auditor	10/10	–

- Notes:
1. Kyoji Takezawa, Takahiro Yabushita, Yoshio Fukuda, Yutaka Yoshida, Yasuyuki Fujitani, Satoshi Otonari, and Jiro Fukuda retired at the conclusion of the 101st Annual General Meeting of Shareholders held on June 27, 2023, so the attendance figures listed here reflect their attendance record during their term of office.
 2. The attendance figures listed here for Representative Director Shinya Yoshida and Directors Tatsuyoshi Nakamura, Akira Tosaka, Takashi Narusawa, Kazumichi Matsuki, Yasuzo Nishikawa, Masato Uchiyama, Masaharu Okada, Katsuya Natori, and Shinichi Kato reflect their attendance record after being elected at the 101st Annual General Meeting of Shareholders held on June 27, 2023.
 3. The attendance figures listed here for Corporate Auditors Tomoko Nonaka and Koichi Kawaguchi reflect their attendance record after being elected at the 101st Annual General Meeting of Shareholders held on June 27, 2023.

- Risk Management Committee

The Risk Management Committee is chaired by the officer in charge of Risk Management and is comprised of the officer in charge of the Administration Group of Corporate Sec., the general managers of the business divisions, the General Manager of the Audit Dept., and the General Manager of Safety and Environment Dept., with one full-time corporate auditor attending as an observer. With the Legal Department serving as its secretariat, the Risk Management Committee formulates compliance policies, selects key risks of the whole group, and reports their activities to the Executive Committee and the Board of Directors while instructing pertinent departments.

- Sustainability Committee

The Sustainability Committee is chaired by the officer in charge of Sustainability Promotion and is comprised of the officer in charge of the Administration Group of Corporate Sec. and the general managers of the business divisions. With the Sustainability Promotion Department serving as its secretariat, the Sustainability Committee examines the overall sustainability of the Company for the realization of a sustainable society, and reports such activities to Executive Committee and the Board of Directors.

- Executive Committee

In addition to the Board of Directors, in order to aim 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. The Committee is chaired by the Executive Chairperson and CEO and is comprised of the Executive Vice Chairperson, the President and COO, the Executive Vice President, the officers in charge of the Corporate Sec. groups, the general managers of the business divisions, the deputy general managers of the business divisions, and the general manager of the Corporate Planning Department, with one full-time corporate auditor attending as an observer.

- Independent Outside Committee

We established the Independent Outside Committee with the objective of exchanging information and sharing recognition among outside directors. The committee is composed of all outside directors, with one selected as the chairperson.

- The composition and chairpersons of the Board of Directors and its voluntary committees as of the filing date are as follows.

	Name	Position	Board of Directors	Director Nomination & Compensation Committee	Executive Committee	Independent Outside Committee
1	Shinya Yoshida	Representative Director	○	○	◎	
2	Haruhisa Obayashi	Director	○		○	
3	Tatsuyoshi Nakamura	Representative Director	○	○	○	
4	Hiromi Hirata	Representative Director	○	○	○	
5	Takashi Gunjishima	Director	○		○	
6	Takashi Narusawa	Outside Director	○	○		◎ Head
7	Kazumichi Matsuki	Outside Director	◎			○
8	Masato Uchiyama	Outside Director	○	◎		○
9	Masaharu Okada	Outside Director	○	○		○
10	Katsuya Natori	Outside Director	○			○
11	Yoshiko Fujii	Outside Director	○	○		○
12	Katsunori Tanabe	Full-Time Corporate Auditor	○		△	
13	Shiho Boda	Outside Corporate Auditor	○			
14	Tomoko Nonaka	Outside Corporate Auditor	○			
15	Koichi Kawaguchi	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) In addition to those listed above, executive officers and others are appointed to serve on the Executive Committee.

(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
 - a. Directors, executive officers and employees shall execute their duties with the “Corporate Identity,” the “Code of Conduct” and the “Conduct Guidelines” as the top priority basic judgment standards.
 - b. The Risk Management Committee 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 Executive Committee and the Board of Directors while instructing pertinent departments.
 - c. The Legal Dept. shall provide education, guidance etc. necessary for compliance by each department.
 - d. 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 Group, Corporate Sec. 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 Executive Committee and the Board of Directors.
- (3) The Audit Dept. audits business activities of the head office, as well as the ten branches and sales offices of the Company, and four 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 of said insurance policy are the Company directors, corporate auditors, executive officers and other persons who execute the operations, and the insured do not pay the insurance premium. However, the policy contains an exclusion clause, such as any damage arising from the insured unlawfully receiving personal gains or advantages will not be paid.

- 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.

(3) Interim dividends

To enhance the opportunities for the return of profits to shareholders, the Company has stipulated in a resolution of the Board of Directors that the Company can pay dividends of surplus (interim dividends) in accordance with the provision of Article 454, paragraph (5) of the Companies Act.

- 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 largescale 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 Corporate Identity 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 Corporate Identity.

(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 Corporate Identity 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 the realization of a corporate governance system as one of the most important objectives and is endeavoring to build optimal management systems to respond swiftly to changes in the business environment. The Company believes that working on the evolution and sophistication of corporate governance under the policy of advancing the separation of management oversight and execution to achieve medium- to long-term corporate value enhancement will be the foundation for the Company’s survival as an enterprise that is trusted by shareholders, other stakeholders, and society as a whole.

As part of its corporate governance system, the Company has established a Board of Auditors and is conducting oversight and monitoring of its business affairs through the Board of Directors and the Board of Auditors. The Company has a system where the Chairperson of the Board of Directors is an independent outside director and is separated from the decision-makers of operations execution entities in order to advance the separation of management oversight and execution. As of the filing date, the Company’s Board of Directors consists of 11 directors, of whom six are independent outside directors. Likewise, the system is such that four corporate auditors, including three outside corporate auditors, attend meetings of the Board of Directors to audit the directors’ conduct of business, and all of the outside corporate auditors are independent outside auditors. Furthermore, to enhance the independence and objectivity of the function of the Board of Directors with regard to the nomination and compensation, etc. of directors and executive officers, Director Nominating/Compensation Committee is in place beneath the Board of Directors to consult on nominations and compensation. The committee membership consists of representative directors and independent outside directors, with the majority being independent outside directors, and the committee chairperson is an independent outside director, making for a system that ensures suitable involvement by and advice from outside directors.

(Auditing by Corporate Auditors and Internal Audits)

On the basis of the fiduciary responsibility to the shareholders, auditors conduct audits of the state of directors’ performance of their duties, in accordance with the Board of Directors Regulations and the Detailed Board of Auditors Regulations, from an independent and objective standpoint for the benefit of the Company and the common interests of the Company shareholders. In addition, to enhance the effectiveness of audits, auditors maintain partnerships with financial auditors, the Audit Department, and auditors of subsidiaries. Auditors attend meetings of the Board of Directors and other important meetings and, if necessary, can request at any time that directors and employees of the Company or subsidiaries access or provide materials relevant to business affairs.

In addition, the Company has established the Audit Department, and ensures the propriety of its business activities and the efficiency and soundness of its management by confirming the state of performance of the duties of each department and the effectiveness and reasonableness of internal controls. The Audit Department, in accordance with the auditing plan, conducts operational audits of the Company’s headquarters, 10 Company branches and offices, and 4 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 June 26, 2024).

(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, since the Company's basic policy is 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.

(2) Information about officers

(i) List of officers

Officers include 12 males and 3 females. (Percentage of female officers: 20.0%)

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (shares)	
Representative Director (Executive Chairperson and CEO)	Shinya Yoshida	December 8, 1960	April 1985	Joined Mitsubishi Corporation	(Note 4)	-
			April 2006	General Manager of Satellite Communications Business of Mitsubishi Corporation		
			April 2009	General Manager of Corporate Planning of Mitsubishi Corporation		
			April 2013	Executive Officer, General Manager of Corporate Planning of Mitsubishi Corporation		
			April 2016	Managing Executive Officer, New Industry Financial Business Group CEO of Mitsubishi Corporation		
			June 2019	Representative Director & Managing Executive Officer, Officer in Charge of Corporate (domestic) & Kansai Branch President of Mitsubishi Corporation		
			June 2021	Advisor of Mitsubishi Corporation		
			February 2022	Advisor to the Chairman for Special Missions of Nippon Densan Co., Ltd. (current NIDEC Corporation)		
			April 2022	Managing Executive Officer of Nippon Densan Co., Ltd.		
			May 2022	Managing Executive Officer, Chief Administrative Officer and Executive Officer in Charge of Corporate Planning of Nippon Densan Co., Ltd.		
			July 2022	Senior Executive Officer, Chief Administrative Officer and Executive Officer in charge of Corporate Planning of Nippon Densan Co., Ltd.		
October 2022	Part-time Advisor of Nippon Densan Co., Ltd.					
June 2023	Representative Director, Executive Officer and Chairman of the Company					
June 2024	Representative Director, Executive Chairperson and CEO (current position)					

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director (Executive Vice Chairman) In charge of Special Missions	Haruhisa Obayashi	August 21, 1959	<p>April 1982 April 2005 April 2011 April 2015 April 2016 August 2017 April 2019 June 2019 April 2021 June 2023 June 2024</p>	<p>Joined the Company General Manager of Civil Construction Dept. of Kyushu Branch Office General Manager of Civil Construction Dept. of Kanto Branch Office General Manager of Civil Construction Dept. of Civil Construction Div. Executive Officer, General Manager of Civil Construction Dept. of Civil Construction Div. Executive Officer, Deputy General Manager of International Division, General Manager of Construction Dept. Managing Executive Officer, General Manager of Civil Construction Div., and in charge of Safety and Environment Dept. Director Senior Managing Executive Officer, General Manager of Civil Construction Div., and in charge of Safety and Environment Dept. Representative Director, Executive Officer, President Director, Vice Chairman, Executive Officer in charge of Special Missions (current position)</p>	(Note 4)	35,700
Representative Director (President and COO)	Tatsuyoshi Nakamura	June 4, 1962	<p>April 1985 April 2007 April 2012 April 2016 April 2018 April 2019 April 2022 April 2023 June 2023 June 2024</p>	<p>Joined the Company Director of Tokyo Sales Office General Manager of Civil Construction Business Dept. 1 of Kanto Branch Office Deputy Director of Kanto Branch Office, General Manager of Civil Construction Business Dept. 1 Deputy Director of Kanto Branch Office Executive Officer, Director of Kanto Branch Office Managing Executive Officer, Deputy General Manager of Civil Construction Div. (in charge of Business) and Director of Kanto Branch Office Managing Executive Officer Deputy General Manager of Civil Construction Div., and in charge of Offshore Wind Dept. Director, Managing Executive Officer, General Manager of Civil Construction Div., and in charge of Safety and Environment Dept. Representative Director, President and COO (current position)</p>	(Note 4)	10,800

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (shares)
Representative Director (Executive Vice President) General Manager of Architectural Construction Div., in charge of Risk Management, and in charge of Safety and Environment Dept.	Hiroimi Hirata	March 11, 1957	April 1979 Joined the Company April 2006 General Manager of Architectural Construction Dept. of Architectural Construction Div. April 2011 Executive Officer, Supervisor of Architectural Construction Business of Osaka Main Office January 2013 Executive Officer, Deputy General Manager of Architectural Construction Div., and General Manager of Architectural Construction Dept. April 2014 Managing Executive Officer, General Manager of Architectural Construction Div. June 2014 Director April 2016 Senior Managing Executive Officer, General Manager of Architectural Construction Div. April 2018 Senior Managing Executive Officer, General Manager of Architectural Construction Div., and in charge of Safety and Environment Dept. July 2022 Vice President Executive Officer, General Manager of Architectural Construction Div., and in charge of Safety and Environment Dept. June 2023 Representative Director (current position) December 2023 Vice President Executive Officer, General Manager of Architectural Construction Div., in charge of Risk Management, and in charge of Safety and Environment Dept. June 2024 Executive Vice President, General Manager of Architectural Construction Div., in charge of Risk Management, and in charge of Safety and Environment Dept. (current position)	(Note 4)	50,400

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director (Senior Managing Executive Officer) In charge of Corporate Strategy Group and Finance and Accounting Group, Corporate Sec.	Takashi Gunjishima	March 6, 1961	April 1984	Joined The Sanwa Bank, Limited (current MUFG Bank, Ltd.)	(Note 4)	29,700
			May 2009	General Manager of CIB Promotion Division (current Japanese Corporate & Investment Banking Business Planning Division) of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.)		
			May 2011	Administrative Officer of Corporate Banking Group No. 3, and General Manager of Corporate Banking Division No. 10 of The Bank of Tokyo-Mitsubishi UFJ, Ltd.		
			January 2014	Joined the Company Senior Advisor of Corporate Planning & IR Dept. of Business Administration Div.		
			April 2014	Executive Officer, Deputy General Manager of Business Administration Div.		
			June 2014	Director		
			April 2015	Director, Executive Officer, Deputy General Manager of Business Administration Div., General Manager of Corporate Strategy Office		
			April 2019	Director, Managing Executive Officer, Deputy General Manager of Business Administration Div., General Manager of Affiliated Business Strategy Dept.		
			June 2019	Managing Executive Officer, Deputy General Manager of Business Administration Div., General Manager of Affiliated Business Strategy Dept.		
			April 2023	Senior Managing Executive Officer, Deputy General Manager of Administration Div., General Manager of Affiliated Business Strategy Dept.		
			April 2024	Senior Managing Executive Officer in charge of Corporate Strategy Group and Finance and Accounting Group, Corporate Sec. (current position)		
			June 2024	Director (current position)		

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (shares)
Outside 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 1991 General Manager of Planning Dept. of Nomura Research Institute, Ltd.</p> <p>June 1994 Director, General Manager of Management System Consulting Dept. of 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. of Nomura Research Institute, Ltd.</p> <p>April 2004 Representative Director, Senior Managing Executive Officer and Supervisor of Business Depts. of 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 2018 Outside Director of Hirata Corporation</p> <p>June 2018 Outside Director of LOTTE CO., LTD.</p> <p>June 2023 Outside 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)
Outside 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>April 2009 Assistant Officer in Charge of Corporate Affairs & General Manager of Compliance of Mitsubishi Corporation</p> <p>April 2010 Visiting Professor, Graduate Schools for Law and Politics of University of Tokyo</p> <p>April 2011 Executive Officer of Hokuetsu Kishu Paper Co., Ltd. (current Hokuetsu Corporation)</p> <p>June 2011 Director of Hokuetsu Kishu Paper Co., Ltd.</p> <p>June 2013 Executive Managing Director of Hokuetsu Kishu Paper Co., Ltd.</p> <p>June 2016 Outside Director (Audit & Supervisory Committee Member) of Dream Incubator Inc. Outside Corporate Auditor of Sanden Holdings Corporation (current Sanden Corporation)</p> <p>June 2018 Outside Director, Anest Iwata Corporation</p> <p>March 2019 Outside Director, Nissha Co., Ltd. (current position)</p> <p>June 2020 Outside Director, Anest Iwata Corporation (Auditor and Supervisory Committee Member) (current position)</p> <p>June 2023 Outside Director of the Company (current position)</p>	(Note 4)	—	
Outside 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 of 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, General Manager of Energy Sales Headquarters of Electric Power Development Co., Ltd.</p> <p>April 2019 Representative Director & Vice President Executive Officer, General Manager of Energy Sales Headquarters of Electric Power Development Co., Ltd.</p> <p>April 2020 Director of Electric Power Development Co., Ltd.</p> <p>June 2020 Advisor of Electric Power Development Co., Ltd.</p> <p>June 2023 Outside 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)
Outside Director	Masaharu Okada (Notes 1, 3)	May 7, 1956	<p>April 1979 Joined Taisei Corporation</p> <p>August 1996 Construction Work Site Manager of Kanto Branch of Taisei Corporation</p> <p>October 2005 General Manager of Construction Department, Kanto Branch of Taisei Corporation</p> <p>June 2009 General Manager of Sales Department, Kanto Branch (Construction) of Taisei Corporation</p> <p>April 2013 Executive Officer & General Manager of Kanto Branch, Taisei Corporation</p> <p>April 2015 Managing Executive Officer & General Manager of Construction Sales Division, Taisei Corporation</p> <p>June 2020 Senior Executive Officer & General Manager of Construction Sales Division III, Taisei Corporation</p> <p>April 2021 Advisor, Taisei Corporation</p> <p>June 2023 Outside 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)
Outside Director	Katsuya Natori (Notes 1, 3)	May 15, 1959	April 1986	Joined Masuda & Ejiri (current Nishimura & Asahi)	(Note 4)	-
			June 1990	Joined Davis Wright Tremaine		
			July 1992	Joined Wilmer, Cutler & Pickering		
			July 1993	Joined Esso Sekiyu K.K. (currently known as ENEOS Corporation)		
			January 1995	Joined Apple Computer, Inc. (currently known as Apple Japan G.K.)		
			January 1998	Director, Sun Microsystems K.K. (currently known as Oracle Information Systems (Japan) G.K.)		
			March 2002	Executive Officer of Fast Retailing Co., Ltd.		
			January 2004	Director & Executive Officer of IBM Japan, Ltd.		
			April 2010	Executive Officer, IBM Japan, Ltd.		
			February 2012	Established Natori Law Office Head of Natori Law Office		
			April 2012	Outside Director, Olympus Corporation		
			March 2015	Outside Director, MODEC, Inc.		
			April 2016	Supervisory Officer, Global One Real Estate Investment Corporation (current position)		
			June 2019	Outside Director & Chairman of the Auditor and Supervisory Committee, Olympus Corporation		
			June 2020	Independent Audit and Supervisory Board Member of Recruit Holdings Co., Ltd. (current position)		
			December 2020	Outside Corporate Auditor of Pasona Tquila Inc. (current Circlace Co., Ltd.) (current position)		
			December 2020	Managing Partner of ITN Partners (current position)		
June 2021	Outside Director, Tokyo Rope Mfg. Co., Ltd. (current position)					
March 2023	Outside Corporate Auditor of Hino Motors Ltd.					
June 2023	Outside Director of the Company (current position)					

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Outside Director	Yoshiko Fujii (Notes 2, 3)	July 11, 1965	April 1988	Joined Orient Leasing Co., Ltd. (current ORIX Corporation)	(Note 4)	-
			January 2014	General Manager of Corporate Planning Department of ORIX Corporation		
			January 2018	Executive Officer, Deputy General Manager of ERM Headquarters of ORIX Corporation		
			April 2018	Supervisory Board Member of ROBECO INSTITUTIONAL ASSET MANAGEMENT ADVISORS (the Netherlands)		
			June 2019	Executive Officer in charge of Global General Counsel Office of ORIX Corporation		
			January 2020	General Manager of Control Department of Nippon Densan Co., Ltd. (current NIDEC Corporation)		
			June 2021	Vice President, Department Manager of Global Performance Management Department of Nippon Densan Co., Ltd.		
			June 2022	Executive Officer, CFO in charge of Finance and Accounting of Enewill Inc. (current position)		
			June 2024	Outside Director of the Company (current position)		
Full-Time Corporate Auditor	Katsunori Tanabe	April 9, 1965	April 1988	Joined the Company	(Note 5)	1,000
			August 2007	General Manager of Administration Dept. of International Division		
			November 2017	Manager of Audit Dept.		
			April 2019	General Manager of Audit Dept.		
			June 2024	Full-time Corporate Auditor (current position)		
Outside Corporate Auditor	Shiho Boda (Notes 2, 3)	January 7, 1966	April 1988	Joined Yamaichi Securities Co., Ltd.	(Note 6)	-
			August 1992	Joined Salomon Brothers Asia Limited (currently Citigroup Global Markets Japan Inc.)		
			January 2014	Certified as attorney (Tokyo Bar Association) Joined Ando Toshio Law Office		
			December 2017	Jeff Leong, Poon & Wong (Malaysia)		
			November 2019	Kasame & Associates (Thailand)		
			April 2020	Joined SAKURADA DORI PARTNERS (current position)		
			June 2022	Outside Corporate Auditor of the Company (current position)		
			February 2023	Outside Corporate Auditor of Metaplanet Inc. (current position)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Outside Corporate Auditor	Tomoko Nonaka (Notes 2, 3)	June 3, 1956	April 1995	Registered with the Tokyo Bar Association Kawabata Law Office	(Note 7)	-
			April 1999	Managing Lawyer, Tokyo Ginza Law Office		
			April 2009	Instructor of Civil Defense at The Legal Training and Research Institute of the Supreme Court of Japan		
			October 2013	Bar Examiner for New Bar Examination & Preliminary Bar Examination (Code of Civil Procedure), Ministry of Justice		
			February 2018	Managing Lawyer, Nonaka & Kawarabayashi Law Office (current position)		
			June 2019	Outside Director, Fukuyama Transporting Co., Ltd. (current position)		
			June 2023	Outside Corporate Auditor of the Company (current position)		
Outside Corporate Auditor	Koichi Kawaguchi (Notes 2, 3)	December 16, 1957	April 1982	Joined ITOCHU Corporation	(Note 7)	-
			February 2001	Representative Director and President of ColinQ Corporation		
			April 2006	General Manager of Coal Dept. of Metal Company of ITOCHU Corporation		
			April 2013	General Manager of Coal, Nuclear and Solar Div., ITOCHU Corporation		
			April 2015	Assistant General Manager of ASEAN and Southwestern Asia of ITOCHU Corporation, and President of ITOCHU Indonesia		
			June 2017	Director and Executive Officer, General Manager of Occupational Function Div. and in charge of Compliance of ITOCHU-SHOKUHIN Co., Ltd.		
			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.		
			April 2022	Director and Officer, ITOCHU-SHOKUHIN Co., Ltd.		
			June 2022	Officer, ITOCHU-SHOKUHIN Co., Ltd. (current position)		
			June 2023	Outside Corporate Auditor of the Company (current position)		
Total						127,600

- Notes:
1. Directors Takashi Narusawa, Kazumichi Matsuki, Masato Uchiyama, Masaharu Okada, Katsuya Natori, and Yoshiko Fujii are outside directors.
 2. Corporate auditors Shiho Boda, Tomoko Nonaka and Koichi Kawaguchi are outside corporate auditors.
 3. Directors Takashi Narusawa, Kazumichi Matsuki, Masato Uchiyama, Masaharu Okada, Katsuya Natori, and Yoshiko Fujii, 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 26, 2024.
 5. Four years from the conclusion of the Annual General Meeting of Shareholders held on June 26, 2024.
 6. Four years from the conclusion of the Annual General Meeting of Shareholders held on June 24, 2022.
 7. Four years from the conclusion of the Annual General Meeting of Shareholders held on June 27, 2023.
 8. The Company has introduced an executive officer system and the responsible duties are consigned to executive officers. The names, titles and responsible duties of executive officers as of June 26, 2024 are as follows. (* indicates persons concurrently serving as directors)

Title and position	Name	Responsibility
* Executive Chairperson and CEO	Shinya Yoshida	
* Executive Vice Chairman	Haruhisa Obayashi	In charge of Special Missions
* President and COO	Tatsuyoshi Nakamura	
* Executive Vice President	Hiromi Hirata	General Manager of Architectural Construction Div., in charge of Risk Management, in charge of Safety and Environments Dept.
Senior Managing Executive Officer	Yoichi Kawashima	In charge of Architectural Design of Architectural Design Dept.
* Senior Managing Executive Officer	Takashi Gunjishima	In charge of Corporate Strategy Group and Finance and Accounting Group, Corporate Sec.
Senior Managing Executive Officer	Akira Tosaka	Deputy General Manager of Architectural Construction Div. and in charge of Technical Research Institute
Managing Executive Officer	Narumi Motosugi	General Manager of Osaka Main Office
Managing Executive Officer	Mamoru Sato	In charge of Procurement of Civil Construction Div.
Managing Executive Officer	Akira Tateshita	General Manager of Civil Construction Div., and in charge of Safety and Environment Dept.
Managing Executive Officer	Takayuki Goto	General Manager of Kanto Architectural Construction Branch Office
Managing Executive Officer	Manabu Tokita	General Manager of Business Planning Dept. and PR Dept., Corporate Strategy Group, Corporate Sec.
Managing Executive Officer	Atsuhiko Tadokoro	In charge of Civil Engineering of Civil Construction Div.
Executive Officer	Katsutoshi Ogura	General Manager of Civil Engineering Dept. of Civil Construction Div.
Executive Officer	Masahiko Furuichi	General Manager of Architectural Design Dept.
Executive Officer	Hiroki Fujii	General Manager of Kanto 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
Executive Officer	Hideki Chida	General Manager of Hokuriku Branch
Executive Officer	Syunsuke Fujiwara	General Manager of Tohoku Branch Office
Executive Officer	Hiroki Nakazawa	Director, Chairperson of CCT CONSTRUCTORS CORPORATION
Executive Officer	Masaru Onda	General Manager of Civil Construction Dept. of Civil Construction Div.
Executive Officer	Yousuke Aibe	In charge of Sales for Private Sector of Architectural Construction Div. and General Manager of Solution Business Dept.
Executive Officer	Hisashi Tokimizu	In charge of Administration Group of Corporate Sec. and Sustainability Promotion
Executive Officer	Teruhisa Izumi	General Manager of Offshore Wind Div.

9. A resolution to change the Representative Directors was made at the Board of Directors meeting that followed the Annual General Meeting of Shareholders held on June 26, 2024.

Name	Title and position	
	After the change	Before the change
Haruhisa Obayashi	Director	Representative Director
Tatsuyoshi Nakamura	Representative Director	Director

(ii) Outside officers

The Company has six outside directors and three outside corporate auditors.

The relationship between the outside directors and other officers and the Company, the reasons for their appointment, and their anticipated roles are as follows.

Name	Relationship to the Company	Reasons for appointment and anticipated roles
Takashi Narusawa (Outside Director)	There are no other personal relationships, capital relationships, business relationships or other interests with the Company.	<p>Mr. Narusawa has expertise in corporate management and abundant experience in overseas business acquired through management consulting work in Japan and abroad over the years at Nomura Research Institute, Ltd. He also has practical experience in operating companies, having taken initiative at Starts Corporation Inc. as Senior Managing Executive Officer in the overseas development of said company.</p> <p>By utilizing these experiences and knowledge, the Company believes that he will continue to provide advice and supervision of the Company's overall management from an analyst's viewpoint.</p> <p>Furthermore, we have determined that he meets the requirements for independent directors set by the Tokyo Stock Exchange as well as the independence standards for outside directors established by the Company.</p>
Kazumichi Matsuki (Outside Director)	There are no other personal relationships, capital relationships, business relationships or other interests with the Company.	<p>Mr. Matsuki has expertise based on a wide range of practical experience, including leading legal and compliance departments at Mitsubishi Corporation, where he handled complex legal issues. As an outside director of several companies, he also has extensive experience in governance of listed companies.</p> <p>By utilizing these experiences and knowledge, the Company believes that he will continue to provide advice to strengthen the governance function of the Company's Board of Directors from an independent standpoint.</p> <p>Furthermore, we have determined that he meets the requirements for independent directors set by the Tokyo Stock Exchange as well as the independence standards for outside directors established by the Company.</p>
Masato Uchiyama (Outside Director)	There are no other personal relationships, capital relationships, business relationships or other interests with the Company.	<p>Mr. Uchiyama has extensive experience and expertise from his experience in finance, HR, planning and general administration, as well as energy-related operations, at Electric Power Development Co., Ltd. (J-Power). He also has extensive experience and expertise in corporate management, as he led that company by serving in positions as Director and Managing Executive Officer and Representative Director & Vice President Executive Officer.</p> <p>By utilizing these experiences and knowledge, the Company believes that he will continue to provide advice on how to improve the oversight and governance of the offshore wind power construction business, which is a growth driver for the Company.</p> <p>Furthermore, we have determined that he meets the requirements for independent directors set by the Tokyo Stock Exchange as well as the independence standards for outside directors established by the Company.</p>
Masaharu Okada (Outside Director)	<p>There are no other personal relationships, capital relationships, business relationships or other interests with the Company.</p> <p>The Company has a business contract with Taisei Corporation, where Mr. Okada was an executing person in the past; however, the volume of the transaction is 0.18% of the Company's consolidated sales.</p>	<p>Mr. Okada has extensive experience and expertise in areas including private construction sales strategies, having served as General Manager of Construction Department, Kanto Branch and General Manager of Sales Department, Kanto Branch (Construction) of Taisei Corporation, and also as an executive officer to lead the construction sales division of 20 locations globally, including Southeast Asia.</p>

Name	Relationship to the Company	Reasons for appointment and anticipated roles
		<p>By utilizing these experiences and knowledge, the Company believes that he will continue to provide advice and oversight on initiatives to develop sales strategies for the private construction business. Furthermore, we have determined that he meets the requirements for independent directors set by the Tokyo Stock Exchange as well as the independence standards for outside directors established by the Company.</p>
Katsuya Natori (Outside Director)	<p>There are no other personal relationships, capital relationships, business relationships or other interests with the Company.</p>	<p>Mr. Natori is not only an international lawyer with extensive experience but has also been involved in the management of several Japanese and foreign-affiliated companies, and has expertise in legal affairs, compliance, risk management, as well as in management and governance of listed companies. By utilizing these experiences and knowledge, the Company believes that he will continue to provide oversight on strengthening the governance at the Board of Directors and the overall execution of business operations. Furthermore, we have determined that he meets the requirements for independent directors set by the Tokyo Stock Exchange as well as the independence standards for outside directors established by the Company.</p>
Yoshiko Fujii (Outside Director)	<p>There are no other personal relationships, capital relationships, business relationships or other interests with the Company. The Company has a business contract with ORIX Corporation, where Ms. Fujii was an executing person in the past; however, the volume of the transaction is less than 0.1% of the Company's consolidated sales.</p>	<p>Ms. Fujii has extensive business experience and a high level of expertise in finance and investment, having worked in the finance and planning divisions of ORIX Corporation, and she also has experience in business management, having served as an Executive Officer of said company. Inorganic growth is essential for the Company's sustainable growth in the future, and by utilizing these experiences and knowledge, the Company believes that she will provide appropriate advice and oversight on future strategic investment initiatives. Furthermore, we have determined that she meets the requirements for independent directors set by the Tokyo Stock Exchange as well as the independence standards for outside directors established by the Company.</p>
Shiho Boda (Outside Corporate Auditor)	<p>There are no other personal relationships, capital relationships, business relationships or other interests with the Company.</p>	<p>Ms. Boda has experience and a proven track record as an attorney in Japan as well as in Malaysia and Thailand, and has acquired specialized knowledge based on that experience, and the Company believes that she will enhance the audit function from an independent and objective standpoint. It should be noted that she does not have experience in corporate management other than as outside officer in the past, but for the reasons above, the Company believes that she can appropriately execute the duties of outside corporate auditor. Furthermore, we have determined that she meets the requirements for independent directors set by the Tokyo Stock Exchange as well as the independence standards for outside directors established by the Company.</p>
Tomoko Nonaka (Outside Corporate Auditor)	<p>There are no other personal relationships, capital relationships, business relationships or other interests with the Company.</p>	<p>Ms. Nonaka has many years of experience as a lawyer and extensive experience dealing with a wide range of legal issues. Among other positions, she has served as Instructor of Civil Defense at The Legal Training and Research Institute of the Supreme Court of Japan and as a Bar Examiner for New Bar Examination & Preliminary Bar Examination, Ministry of Justice. Her legal knowledge and expertise are highly regarded, and the Company believes that she will enhance the</p>

Name	Relationship to the Company	Reasons for appointment and anticipated roles
		<p>audit function from an independent and objective standpoint.</p> <p>It should be noted that she does not have experience in corporate management other than as outside officer in the past, but for the reasons above, the Company believes that she can appropriately execute the duties of outside corporate auditor.</p> <p>Furthermore, we have determined that she meets the requirements for independent directors set by the Tokyo Stock Exchange as well as the independence standards for outside directors established by the Company.</p>
Koichi Kawaguchi (Outside Corporate Auditor)	There are no other personal relationships, capital relationships, business relationships or other interests with the Company.	<p>Mr. Kawaguchi has business experience in Japan and abroad at ITOCHU Corporation and has abundant experience and expertise in overall business administration, governance, business risk management and compliance through involvement in business administration work as the head of the management area of ITOCHU-SHOKUHIN Co., Ltd. The Company believes that he will enhance the audit function from an independent and objective standpoint.</p> <p>Furthermore, we have determined that he meets the requirements for independent directors set by the Tokyo Stock Exchange as well as the independence standards for outside directors established by the Company.</p>

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 six outside directors and three 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 director.”

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 internal 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 Katsunori Tanabe has considerable knowledge concerning finance and accounting in the construction industry.

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, 2024 is as follows.

Name	Full-time/ Part-time	Internal/ Outside	Number of meetings held	Number of meetings attended	Attendance rate (%)
Kiyotaka Somekawa	Full-time	Outside	19	19	100
Shiho Boda	Part-time	Outside	19	19	100
Tomoko Nonaka	Part-time	Outside	13	13	100
Koichi Kawaguchi	Part-time	Outside	13	13	100
Satoshi Otonari	Full-time	Internal	6	6	100
Jiro Fukuda	Full-time	Outside	6	6	100

- Notes:
1. The term of office of full-time corporate auditor Kiyotaka Somekawa ended at the conclusion of the 102nd Annual General Meeting of Shareholders held on June 26, 2024, and new full-time corporate auditor Katsunori Tanabe was appointed at the 102nd Annual General Meeting of Shareholders.
 2. Part-time corporate auditor Tomoko Nonaka and part-time corporate auditor Koichi Kawaguchi were appointed at the 101st Annual General Meeting of Shareholders held on June 27, 2023, so the number of meetings held and the number of meetings attended refer to the numbers since assuming office.

3. 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, so the number of meetings held and the number of meetings attended refer to the numbers during their term of office.
4. There are no special interests between outside corporate auditors and the Company.
5. 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, 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 general managers of the business divisions and the executive officers in charge of the Corporate Sec. groups, to exchange opinions with the Audit Dept., to exchange opinions with the Legal Dept., to interview the accounting auditor, to listen to opinions from the execution departments as necessary, and to browse important approval documents, among other activities.

(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 four-person structure, under the direct control of the Representative Director, Executive Chairperson and CEO, which conducts the internal control audit and audits business activities 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. and the results of the internal audit are reported to the Board of Directors, etc. including the Representative Director, Executive Chairperson and CEO.

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

22 years

c. Certified public accountants who executed the audit duties

Masahiko Nagasaki (Engagement Partner; Consecutive audit period: 5 years)

Teppei Tajima (Engagement Partner; Consecutive audit period: 1 year)

d. Breakdown of support staff for audit operations

Support staff for financial audit operations consist of six certified public accountants and 16 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.

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) professional ethics and independence, (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 expertise, 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, 2023		Fiscal year ended March 31, 2024	
	Fees for audit certification services	Fees for non-audit services	Fees for audit certification services	Fees for non-audit services
Reporting company	56	0	58	0
Consolidated subsidiaries	–	–	–	–
Total	56	0	58	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, 2023		Fiscal year ended March 31, 2024	
	Fees for audit certification services	Fees for non-audit services	Fees for audit certification services	Fees for non-audit services
Reporting company	3	–	4	–
Consolidated subsidiaries	4	0	5	1
Total	8	0	9	1

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. 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 policy on determination of the amounts of compensation paid to officers and the calculation method thereof is set by the Board of Directors. When deciding on this policy, the Director Nomination/Compensation Committee is consulted in advance and its report is submitted to the Board of Directors.

Further, in determining compensation etc. for each officer, 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.

At the Board of Directors meeting held on June 26, 2024, the compensation system for executive directors was partially revised. The outline of the revisions is as follows.

- a. Composition and ratios of compensation

The Company's executive compensation consists of base compensation, performance-linked compensation, and non-monetary compensation, etc. The ratios are as follows.

Outside directors receive only flat-rate base compensation.

Executive Officer Position	Base compensation	Performance-linked compensation	Non-monetary compensation etc.
Executive Chairperson, Executive Vice Chairperson, President, Executive Vice President	60%	25%	15%
Senior Managing Executive Officer, Managing Executive Officer	65%	25%	10%
Executive Officer	70%	20%	10%

b. Base compensation

Base compensation is fixed compensation determined according to the position of the executive officer, plus a flat-rate compensation for directors added for those who concurrently serve as directors.

c. Performance-linked compensation

Performance-linked compensation is determined based on the results of the performance evaluation of each executive officer for the previous fiscal year. The performance evaluations of executive officers are conducted by more senior executive officers based on the performance of the department they are assigned to and their degree of achievement and contribution to solving qualitative individual goals and company-wide management issues. The final evaluation and decision is made by the Director Nomination/Compensation Committee.

d. Non-monetary compensation etc.

Non-monetary compensation etc. is performance-linked stock compensation (stock delivery trust). Its purpose is to provide clearer incentives for directors and executive officers to achieve the Mid-Term Business Plan, to link their compensation to the Company's performance, to raise their awareness of their contribution to improving the Company's performance and corporate value over the medium to long term, and to share profits with shareholders. The amount is determined according to performance evaluation points based on annual consolidated operating profit, ROE, construction safety performance, and other indicators for the period subject to evaluation.

The period subject to evaluation shall be the fiscal years corresponding to the period of the mid-term business plan.

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

Base compensation and performance-linked compensation 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 for 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 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)	104th fiscal year (FY2023)
Mid-Term Business Plan	8.1	9.1	12.8	10.1
Fiscal year plan	8.1	9.2	9.7	10.1
Actual result	14.2	9.6	8.9	10.8

(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 for the fiscal year under review

Category	Amount of compensation, etc. (Millions of yen)	Total amount of compensation etc. by type (million yen)				Number of receiving officers
		Base compensation	Performance-linked compensation	Non-monetary compensation etc.	Other compensation	
Director (of which, outside director)	281 [74]	225 [72]	38 [-]	14 [-]	2 [2]	18 [10]
Corporate Auditor (of which, outside corporate auditor)	44 [40]	44 [40]	- [-]	- [-]	- [-]	6 [5]
Total (of which, Outside officers)	325 [115]	269 [112]	38 [-]	14 [-]	2 [2]	24 [15]

- Notes: 1. The number of officers and compensation amounts include five directors (including three outside directors) and two corporate auditors (including one outside corporate auditor) who retired at the conclusion of the 101st Ordinary General Shareholders Meeting held on June 27, 2023.
2. The indicators for performance-linked compensation etc. apply to divisional and individual performance of the relevant directors because they are indicators showing the results of the business activities as well as the responsibilities and results of the work of the relevant directors. 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. Non-monetary compensation etc. is performance-linked stock compensation, and is determined according to performance evaluation points based on annual consolidated operating income, construction safety performance, and other indicators for the period subject to evaluation, with the aim of further incentivizing contributions to improving business performance, especially over the medium to long term.
4. The maximum amount of compensation for directors was approved at the 101st Ordinary General Shareholders Meeting held on June 27, 2023, to be no more than 33 million yen per month (including 12 million yen per month for outside directors). The number of directors at the time of conclusion of the General Shareholders Meeting was 13 (including seven outside directors). Further, as non-monetary compensation for directors separate from monthly compensation, the 101st Ordinary General Shareholders Meeting held on June 27, 2023 approved a resolution to establish a trust with a maximum amount of 565 million yen for five fiscal years, acquire up to 240,000 shares of the Company’s common stock through the Trust for each fiscal year, 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 conclusion of the General Shareholders Meeting was six, 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 Ordinary General Shareholders Meeting held on June 26, 1998, to be no more than 6 million yen per month. The number of corporate auditors at the time of the resolution was four.
6. Other compensation is compensation for matters whose consideration was delegated by the Board of Directors to outside directors serving 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)	21,400 shares	2 persons

(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 (i.e., for the purpose of maintaining and developing important collaboration and transactional relationships in our business strategy, to enhance our corporate value; 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 cross-shareholdings, and holds only those that it deems will contribute to the smooth execution of business and financial strategies from a mid- to long-term perspective, thereby strengthening transactional relationships and ultimately contributing to the development of the Company’s business. As of the end of the fiscal year under review, cross-shareholdings accounted for 1% of total assets and 2% of net assets.

For the listed shares it holds, the Company verifies the rationale for holding these every year quantitatively and qualitatively, for example by comparing the business transaction benefits with the cost of capital, and considering whether the holdings strengthen transactional relationships based on smooth execution of business and financial strategies, with an emphasis on whether the holdings contribute to improving corporate value over the medium to long term. The details of the verification are confirmed and then approved by the Board of Directors at its meeting.

For those shares for which holding has little significance, the Company negotiates with its business partners and sells them looking at the share prices and the market trends of the stocks in question.

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 increased 301 million yen from the end of the previous fiscal year to 1,859 million yen.

When exercising voting rights on its shares held, the Company will make use of the exercise of such rights to strengthen relationships with the business partner, unless the situation where shareholder value is significantly compromised occurs, or there is a serious concern over corporate governance.

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	816

(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, 2024	Fiscal year ended March 31, 2023	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
	418	227		
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
	254	177		
Tsukishima Holdings Co., Ltd.	100,000	100,000	To maintain and strengthen the transactional relationship and for the smooth promotion of business activities, etc.	Yes
	143	108		

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, 2024		Fiscal year ended March 31, 2023	
	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	509	5	424

Category	Fiscal year ended March 31, 2024		
	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	4	–	391