

Business Report
(April 1, 2023, to March
31, 2024)

1 Status of the Corporate Group

(1) Business Progress and Results

(i) Management results and status of segments

During the consolidated fiscal year under review, 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 leaders 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.

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. For the consolidated fiscal year under review, both net sales and profit in this segment increased (compared to the previous consolidated fiscal year; the same applies hereinafter) due to the increase in construction carried forward from the previous term.

In the domestic construction 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. For the consolidated fiscal year under review, both sales and profits declined due to delays in the start of construction for some projects.

In the 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 due to smooth progress in construction in hand, and profit in this segment increased significantly because one-time provision for expenses, which was recorded in the previous term, was not recorded in the term under review.

Net sales	186,781 million yen
Operating profit	10,887 million yen
Ordinary profit	10,057 million yen
Profit attributable to owners of parent	7,016 million yen

In the Corporate Group’s construction business, consolidated orders received in the domestic civil engineering business declined 8.0% on the year to 94.723 billion yen; consolidated orders received in the

domestic construction business rose 1.6% on the year to 63.447 billion yen; and consolidated orders received in the overseas construction business decreased 51.3% on the year to 12.330 billion yen.

Major projects for which orders were received are as follows.

Ministry of Land, Infrastructure, Transport and Tourism Tokyo	Fiscal 2023 Nagoya Port new sand and soil disposal site embankment construction (part 2) New Sea Surface Disposal Site (5) D block eastern side revetment construction
Chiyoda Ward	Kiji Bridge repair and reinforcement construction (No. 5)
Sanwa Dock Co., Ltd.	Sanwa Dock Co., Ltd. No. 7 dock extension construction
FRD JAPAN CO., LTD.	FRD JAPAN CO., LTD. Phase2 Land-based aquaculture plant (Futtsu City) construction
Soeda Town	Soeda Town Elementary and Junior High School Construction Project new school building construction

In the Corporate Group's construction business, consolidated net sales in the domestic civil engineering business rose 22.8% on the year to 95.316 billion yen; consolidated net sales in the domestic construction business declined 6.4% on the year to 63.224 billion yen; and consolidated net sales in the overseas construction business increased 21.5% on the year to 27.357 billion yen.

Major projects that were completed are as follows.

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 City of Yokohama	Fiscal 2023 Fukuoka Airport runway extension ground improvement works Shin-honmoku wharf construction (part 29 external revetment B-2 foundation and main structure)
Peace Deli Co., Ltd.	Peace Deli Chiba Honda project new building construction
Koge Town	Start of construction project No. 4 new gymnasium construction

In the real estate business, net sales declined 1.2% on the year to 445 million yen. In the remaining operations, including insurance agency, goods sales and leasing, net sales rose 94.8% on the year to 437 million yen.

As a result, net sales in the consolidated fiscal year under review increased 10.9% on the year to 186.781 billion yen; operating profit rose 21.0% to 10.887 billion yen; ordinary profit increased 17.6% to 10.057 billion yen; and profit attributable to owners of parent rose 24.0% to 7.016 billion yen.

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

■ Offshore wind power construction business: Announcement of the construction of a self-propelled cable-laying vessel

The Company announced the construction of a self-propelled cable-laying vessel, which is the first step in our "aggressive growth investment" strategy. 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. 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.

- Overview of the self-propelled cable-laying vessel

Primary specifications	Gross tonnage: approx. 19,000 t, Thrust power: approx. 13,000 kW, DPS Cass 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 scheduled)

- Construction schedule

Contract conclusion: December 11, 2023

Completion and delivery: First half of 2026

- Image of the self-propelled cable-laying vessel



(ii) Other

As of September 25, 2023, the Company received a proposal (“Proposal”) by Godo Kaisha Yamauchi-No.10 Family Office (“YFO”) and Kabushiki Kaisha KITE (collectively with YFO, “YFO etc.”) for a tender offer of the Company’s ordinary shares followed by squeeze-out procedures that would make the Company a wholly owned subsidiary.

For the purpose of eliminating any arbitrariness from the Company’s decision-making concerning the Proposal and ensuring fairness, transparency, and objectivity in the decision-making process, the Company’s Board of Directors established a special committee composed of independent outside directors of the Company (“Special Committee”) immediately after the receipt of the Proposal, and carefully considered the Proposal in accordance with the “Action Guidelines for Corporate Acquisitions” announced by the Ministry of Economy, Trade and Industry on August 31, 2023. After receiving a report from the Special Committee, the Company’s Board of Directors expressed an opinion of opposition to the Proposal on December 14, 2023, and the Proposal was withdrawn by YFO etc. on December 20, 2023.

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

(Unit: million yen)

Category		Carryforwards from the preceding term	Orders received	Net sales	Carryforwards to the next term
Construction business	Domestic civil engineering	76,615	94,723	95,316	76,022
	Domestic construction	76,322	63,447	63,224	76,545
	Overseas construction	(36,081) 37,907	12,330	27,357	22,879
	Total	(189,020) 190,846	170,501	185,898	175,448
Real estate business		0	445	445	0
Other businesses		0	437	437	0
Total		(189,020) 190,846	171,384	186,781	175,448

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

(Unit: million yen)

Category		Carryforwards from the preceding term	Orders received	Net sales	Carryforwards to the next term
Construction business	Domestic civil engineering	72,227	87,631	87,175	72,682
	Domestic construction	76,287	62,335	62,289	76,333
	Overseas construction	(25,650) 26,912	3,909	12,093	18,729
	Total	(174,165) 175,426	153,876	161,558	167,745
Real estate business		0	452	452	0
Total		(174,165) 175,426	154,328	162,010	167,745

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

(2) Status of Capital Investment

The Company made capital investment totaling 7.9 billion 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 "(1) (i) Management results and status of segments." The investment decision for the construction of the said vessel was made after discussions and consideration at the Board of Directors meetings, with a focus on capital costs and capital profitability.

(3) Status of Financing

In September 2023, the Company executed a letter of commitment with seven financial institutions for a one-year, 10 billion yen syndicated committed credit line. In March 2024, the Company signed a letter of commitment with a financial institution for a one-year, 5 billion yen committed credit line.

The Company decided on April 2024 to execute the borrowing of funds (20 billion yen) through a green loan as the borrowing for funds needed for the construction of the self-propelled cable-laying vessel.

(4) Issues to be Addressed

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 leaders 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.

In light of these circumstances, 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 achieve to become a resilient company, and is actively addressing the urgent challenges of “work style reform” and “securing leaders” 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.

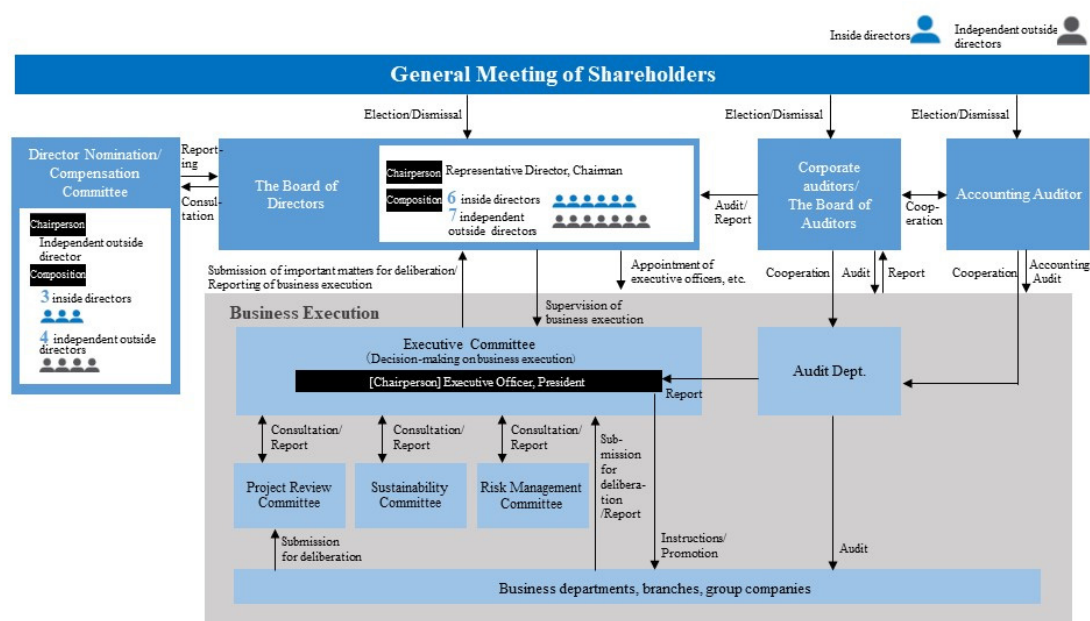
- Strengthening of Corporate Governance System

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 existing 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

Governance Organization Chart



- 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.

In addition, 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 Leaders

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 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/wp/wp-content/uploads/2024/01/CR2023_allpage.pdf

- Initiatives against 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 construction 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 construction 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.

■ The Corporate Group and Materiality

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		Realize carbon neutrality	<ul style="list-style-type: none"> Promotion of offshore wind power facility construction Engagement in ZEB/ZEH Reduction of CO² emitted from business activities
			Reduce environmental impact	<ul style="list-style-type: none"> 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		Provide high-quality structures that meet customer needs	<ul style="list-style-type: none"> Improvement of technological capability and proposal capability to meet customer needs Securing quality of construction work
			Contribute to disaster prevention and mitigation	<ul style="list-style-type: none"> 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	Continue to strengthen governance system	<ul style="list-style-type: none"> Enhancement of governance Thorough compliance Promoting efforts of supply chains for ESG Enhancement of information security
	S		Establish an attractive construction industry	<ul style="list-style-type: none"> Promotion occupational safety and health Promotion of developing precious human resources & securing the rising generation Improvement of workplace environment
			Ensure respect for human rights and promote diversity	<ul style="list-style-type: none"> Promotion of diversity & inclusion Improvement of understanding & prevention of infringement of human rights
		Goals: All 17 goals	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/csr/materiality>

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

- Progress status

(Unit: billion yen)

	The term ending in March 2024			The term ending in March 2025
	Mid-Term Business Plan	Actual result	Ratio to plan	Performance forecast
Net sales	192.5	186.7	(5.7)	190.0
Gross profit	22.2	23.3	1.1	24.1
Operating profit	10.1	10.8	0.7	11.6
Operating margin	5.2%	5.8%	0.6%	6.1%
Ordinary profit	9.6	10.0	0.4	11.1
Profit	6.0	7.0	1.0	7.6
ROE	8.1%	9.4%	1.3%	10.0%

- Targets for FY2027 (ending March 2028)
 - Net sales: 235.0 billion yen or more
 - Operating profit: 15.0 billion yen or more
 - Net profit: 9.0 billion yen or more
 - ROE: 12.0% or greater
 - D/E ratio: Around 0.4
 - Return to shareholders: Dividend payout ratio for the 1st to 3rd year in the Mid-Term Business plan is 100% (lower limit: 50 yen).
For the 4th year and onwards (fiscal year 2026 and onwards), the plan is to continue proactively paying dividends with a target of equity ratio of 40% (lower limit: 50 yen).

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

○ Mid-Term Business Plan

https://www.toyo-const.co.jp/wp/wp-content/uploads/2023/11/2023-2027_Mid-Term-Business-Plan_J.pdf

○ Mid-Term Business Plan (supplemental materials)

https://www.toyo-const.co.jp/wp/wp-content/uploads/2023/07/Mid-Term-Business-Plan_Supplementary-Material_J.pdf

(5) Changes in Status of Assets and Income

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

Item		FY2020 (101st Term)	FY2021 (102nd Term)	FY2022 (103rd Term)	FY2023 (104th Term)
Orders received	(million yen)	173,110	185,301	191,419	171,384
Net sales	(million yen)	172,976	152,524	168,351	186,781
Break down	Construction business	(million yen) 172,173	(million yen) 151,626	(million yen) 167,676	(million yen) 185,898
	Sideline business	(million yen) 802	(million yen) 898	(million yen) 675	(million yen) 882
Operating profit	(million yen)	14,259	9,616	8,995	10,887
Ordinary profit	(million yen)	14,103	9,139	8,551	10,057
Profit attributable to owners of parent	(million yen)	9,176	5,863	5,656	7,016
Earnings per share		97.65 yen	62.40 yen	60.17 yen	74.51 yen
Total assets	(million yen)	148,953	135,582	153,717	164,160
Net assets	(million yen)	65,875	69,899	73,984	80,800

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

(ii) Changes in Assets and Income of the Company

Item		FY2020 (101st Term)	FY2021 (102nd Term)	FY2022 (103rd Term)	FY2023 (104th Term)
Orders received	(million yen)	158,215	165,772	168,207	154,328
Net Sales	(million yen)	154,798	136,570	149,925	162,010
Break down	Construction business	(million yen) 154,304	(million yen) 135,913	(million yen) 149,482	(million yen) 161,558
	Real estate business	(million yen) 494	(million yen) 657	(million yen) 443	(million yen) 452
Operating profit	(million yen)	12,983	8,463	7,823	9,279
Ordinary profit	(million yen)	12,832	8,226	7,340	8,658
Net profit	(million yen)	8,487	5,423	4,869	6,533
Earnings per share		90.32 yen	57.72 yen	51.79 yen	69.38 yen
Total assets	(million yen)	138,202	123,115	139,670	145,788
Net assets	(million yen)	60,377	63,505	66,502	71,720

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

(6) Status of Principal Parent Company and Subsidiaries

(i) Status of Parent Company

Not applicable.

(ii) Status of Principal Subsidiaries

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

(7) Description of Principal Businesses

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

(8) Major Offices

(i) The Company

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

(ii) Principal Subsidiaries

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

(9) Status of Employees (as of March 31, 2024)

(i) Status of Employees of the Corporate Group

Business	Employees		Change from the end of the previous term	
Domestic civil engineering business	993	[46]	47	[0]
Domestic construction business	339	[1]	(2)	[(3)]
Overseas construction business	72	[156]	9	[(1)]
Real estate business	3		0	
Other businesses	12		(1)	
Company-wide	237	[5]	0	[(18)]
Total	1,656	[208]	53	[(22)]

(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 [].

(ii) Status of Employees of the Company

Employees	Change from the end of the previous term	Average age	Average years of service
1,311 [140]	23 [(8)]	43.3	17.9

(Note) 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 [].

(10) Principal Lenders (as of March 31, 2024)

Lender	Year-end Balance of Loans (million yen)
MUFG Bank, Ltd.	2,990
Mizuho Bank, Ltd.	1,380
Sumitomo Mitsui Banking Corporation	1,160

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

2 Matters Regarding the Company's Shares (as of March 31, 2024)

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

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

(Notes) 1. Authorized shares and issued shares are all ordinary shares.

2. The total number of issued shares includes 44,568 treasury shares.

(3) Total number of shareholders: 26,093 persons

(4) Top 10 shareholders

Name	No. of shares held (thousand)	Shareholding ratio (%)
MAEDA CORPORATION	19,047	20.19
WK 1 Limited	9,200	9.75
WK 2 Limited	9,190	9.74
The Master Trust Bank of Japan, Ltd. (account in trust)	6,817	7.22
WK 3 Limited	5,890	6.24
Godo Kaisha Yamauchi-No.10 Family Office	2,627	2.78
Custody Bank of Japan, Ltd. (account in trust)	1,757	1.86
Toyo Construction Kyoei-Kai	1,723	1.82
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	1,646	1.74
MUFG Bank, Ltd.	1,300	1.37

(Notes) 1. The shareholding ratios are computed without the Company's treasury shares (44,568). The treasury shares do not include the 404,412 shares held by the Officers' Compensation BIP Trust.

2. Shares less than 1,000 are rounded down.

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

	Shares	No. of persons granted shares
Directors (excluding outside directors)	21,400 shares	2 persons

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

(6) Other matters concerning shares

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

The Officer Compensation BIP Trust held 404,412 shares of the Company as of March 31, 2024.

3 Matters Relating the Company's Share Acquisition Rights

Not applicable.

4 Matters Relating the Company's Officers (as of March 31, 2024)

(1) Names etc. of Directors and Corporate Auditors

Position at Company	Name	Responsibilities and Material Concurrent Positions
Representative Director, Chairman	Shinya Yoshida	Executive Officer, Chairman
Representative Director, President	Haruhisa Obayashi	Executive Officer, President
Representative Director	Hiroimi Hirata	Vice President Executive Officer General Manager of Architectural Construction Div., in charge of Risk Management, in charge of Safety and Environments Dept.
Director	Mamoru Sato	Managing Executive Officer, in charge of Administration Div., General Manager of MX Promotion Office, in charge of Sustainability
Director	Tatsuyoshi Nakamura	Managing Executive Officer, General Manager of Civil Construction Div., in charge of Safety and Environments Dept.
Director	Akira Tosaka	Managing Executive Officer, Deputy General Manager of Architectural Construction Div.
Director	Takashi Narusawa	Outside Director of Anest Iwata Corporation (Auditor and Supervisory Committee Member)
Director	Kazumichi Matsuki	Outside Director of Nissha Co., Ltd.
Director	Taizo Nishikawa	
Director	Masato Uchiyama	
Director	Masaharu Okada	
Director	Katsuya Natori	Managing Partner of ITN Partners Outside Director of Tokyo Rope Mfg. Co., Ltd. Outside Audit and Supervisory Board Member of Recruit Holdings Co., Ltd. Outside Corporate Auditor of Circlace Co., Ltd. Supervisory Officer of Global One Real Estate Investment Corporation
Director	Shinichi Kato	Senior Director of EXEO Group, Inc.
Full-time Corporate Auditor	Kiyotaka Somekawa	
Corporate Auditor	Shiho Boda	Attorney at law of SAKURADA DORI PARTNERS Outside Corporate Auditor of Metaplanet Inc.
Corporate Auditor	Tomoko Nonaka	Managing Lawyer of Nonaka & Kawarabayashi Law Office
Corporate Auditor	Koichi Kawaguchi	Outside Director of Fukuyama Transporting Co., Ltd.

(Notes) 1. Directors Takashi Narusawa, Kazumichi Matsuki, Taizo Nishikawa, Masato Uchiyama, Masaharu Okada, Katsuya Natori, and Shinichi Kato are outside directors.

2. Full-time corporate auditor Kiyotaka Somekawa, and corporate auditors Shiho Boda, Tomoko Nonaka, and Koichi Kawaguchi are outside corporate auditors.

3. Directors Takashi Narusawa, Kazumichi Matsuki, Taizo Nishikawa, Masato Uchiyama, Masaharu Okada, Katsuya Natori, and Shinichi Kato, full-time corporate auditor Kiyotaka Somekawa, and corporate auditors Shiho Boda, Tomoko Nonaka, and Koichi Kawaguchi have filed with the Tokyo Stock Exchange as independent officers as specified in the rules of the Tokyo Stock Exchange.

4. Full-time corporate auditor Kiyotaka Somekawa has administrative experience at financial institutions, and possess considerable knowledge relating to financial affairs and accounting.

5. Transfers of material concurrent positions in the fiscal year under review are as follows:

Position	Name	Material Concurrent Positions	Details of Transfer	Date of Transfer
Director	Taizo Nishikawa	Representative Director of Kabushiki Kaisha UNSDGs Consulting Co., Ltd.	Retirement	September 20, 2023
Director	Shinichi Kato	President & CEO of Progression Energy Japan G.K.	Retirement	February 29, 2024

(2) Compensation etc. of Directors and Corporate Auditors

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

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

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

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

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

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

b. Policy relating to base compensation

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

c. Policy relating to performance-linked compensation etc.

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

d. Policy relating to non-monetary compensation etc.

Non-monetary compensation etc. is performance-linked stock compensation, and is determined according to performance evaluation points based on annual consolidated operating income, construction safety performance, and other indicators for the period subject to evaluation, with the aim of further incentivizing contributions to improving business performance, especially over the medium to long term. 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 etc. for directors are paid monthly, and the maximum amount of compensation is 33 million yen per month (including 12 million yen per month for outside directors). Further, a trust has been established for non-monetary compensation, etc. with a maximum contribution limit of 565 million yen over five fiscal years (however, following this applicable period, the maximum for each fiscal year shall be 113 million yen, and the amount shall be 113 million yen times the number of years of the new applicable period), 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.

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

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

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

Position	Amount of Compensation (million yen)	Total amount of compensation etc. by type (million yen)				Number of receiving officers
		Base compensation	Performance-linked compensation etc.	Non-monetary compensation etc.	Other compensation	
Directors (amount for outside directors)	281 (74)	225 (72)	38 (-)	14 (-)	2 (2)	18 (10)
Corporate auditors (amount for outside corporate auditors)	44 (40)	44 (40)	-	-	-	6 (5)
Total (amount for outside officers)	325 (115)	269 (112)	38 (-)	14 (-)	2 (2)	24 (15)

- (Notes)
- 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.
 - Performance indicators for performance-linked compensation etc. apply 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. Changes in consolidated operating income, including fiscal year under review, are as set forth in "1. (5) Changes in Status of Assets and Income."
 - The content of non-monetary compensation etc. is as set forth in "(i) Policy for determining compensation etc. for individual directors." The granting status during the fiscal year under review is as set forth in "2. (5) Status of shares granted to Company officers during the fiscal year under review as consideration for performance of their duties."
 - 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.
 - 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.
 - 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.

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

The Company has entered into a directors and officers liability insurance policy as provided in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The liability amount,

lawsuit expenses and other damage that the insured would need to bear would be covered by said insurance policy. 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.

(4) Matters Regarding Outside Officers

- (i) Material concurrent positions and relationships between the Company and the relevant other corporations etc.

The material concurrent positions of outside officers are as set forth in “(1) Names etc. of Directors and Corporate Auditors,” and there are no special relationships between the Company and each officer’s concurrent positions.

- (ii) Familial relationships between executive officers or officers who are not executive officers and the Company or business operators having a certain relationship with the Company

Not applicable.

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

Name	Number of Board of Directors meetings attended	Number of Board of Auditors meetings attended	Summary of Comments Made to the Board of Directors and Board of Auditors etc. and Matters Performed in Relation to the Expected Roles of Outside Directors
Takashi Narusawa (Outside Director)	18/18 times	-	Based on his extensive experience acquired through management consulting work over the years, he provided important and accurate opinions from an investor’s perspective during the deliberations of various agendas, and adequately fulfilled the function of management supervision. Additionally, he was involved in the deliberations of officer personnel matters and compensation from an objective standpoint as a member of the Director Nomination/Compensation Committee; and as a member of the Special Committee, he carefully discussed and examined the proposal by YFO etc. for a tender offer for the Company’s common shares under the guidance of external advisors.
Kazumichi Matsuki (Outside Director)	18/18 times	-	Based on his extensive business experience and broad knowledge in the field of corporate law and compliance, he provided important and accurate opinions mainly during deliberations aimed at strengthening governance, and adequately fulfilled the function of management supervision. Additionally, as the Chairperson of the Special Committee, he carefully discussed and examined the proposal by YFO etc. for a tender offer for the Company’s common shares under the guidance of external advisors, and endeavored to lead and manage the operations of the Committee.

Name	Number of Board of Directors meetings attended	Number of Board of Auditors meetings attended	Summary of Comments Made to the Board of Directors and Board of Auditors etc. and Matters Performed in Relation to the Expected Roles of Outside Directors
Taizo Nishikawa (Outside Director)	18/18 times	-	Based on his extensive experience and expertise in industrial policies and development policies, he provided important and accurate opinions mainly during deliberations on the offshore wind power business and the overseas construction business, and adequately fulfilled the function of management supervision. Additionally, as a member of the Special Committee, he carefully discussed and examined the proposal by YFO etc. for a tender offer for the Company's common shares under the guidance of external advisors.
Masato Uchiyama (Outside Director)	18/18 times	-	Based on his extensive experience and expertise in energy-related operations and corporate management, he provided important and accurate opinions mainly during deliberations on the construction of a cable-laying vessel, and adequately fulfilled the function of management supervision. Additionally, he served as the Chairperson of the Director Nomination/Compensation Committee, was involved in the deliberations of officer personnel matters and compensation from an objective standpoint, and endeavored to lead and manage the operations of the Committee; and as a member of the Special Committee, he carefully discussed and examined the proposal by YFO etc. for a tender offer for the Company's common shares under the guidance of external advisors.
Masaharu Okada (Outside Director)	18/18 times	-	Based on his extensive experience and expertise in sales strategy etc. in the private sector construction business domain, he provided important and accurate opinions mainly during deliberations on human resources strategy and business strategy, and adequately fulfilled the function of management supervision. Additionally, he was involved in the deliberations of officer personnel matters and compensation from an objective standpoint as a member of the Director Nomination/Compensation Committee; and as a member of the Special Committee, he carefully discussed and examined the proposal by YFO etc. for a tender offer for the Company's common shares under the guidance of external advisors.
Katsuya Natori (Outside Director)	18/18 times	-	As an attorney, and based on his expertise in legal affairs, compliance, and risk management, as well as abundant insights into management and governance of listed companies, he provided important and accurate opinions mainly during deliberations aimed at strengthening governance, and adequately fulfilled the function of management supervision. Additionally, as a member of the Special Committee, he carefully discussed and examined the proposal by YFO etc. for a tender offer for the Company's common shares under the guidance of external advisors.

Name	Number of Board of Directors meetings attended	Number of Board of Auditors meetings attended	Summary of Comments Made to the Board of Directors and Board of Auditors etc. and Matters Performed in Relation to the Expected Roles of Outside Directors
Shinichi Kato (Outside Director)	18/18 times	-	Based on his extensive management experience and expertise in the domain of offshore wind power and finance, he provided important and accurate opinions mainly during deliberations on offshore wind power business strategy and capital policy, and adequately fulfilled the function of management supervision. Additionally, he was involved in the deliberations of officer personnel matters and compensation from an objective standpoint as a member of the Director Nomination/Compensation Committee; and as a member of the Special Committee, he carefully discussed and examined the proposal by YFO etc. for a tender offer for the Company's common shares under the guidance of external advisors.
Kiyotaka Somekawa (Full-time Outside Corporate Auditor)	28/28 times	19/19 times	Based on his business experience in financial institutions and abundant knowledge in corporate management, he, as a Full-time Corporate Auditor, made remarks at Board of Directors and Board of Auditors meetings as appropriate. Additionally, he conducted audits of each department and subsidiary in accordance with the audit policy established by the Board of Auditors, and fully carried out his audit functions as a Full-time Corporate Auditor.
Shiho Boda (Outside Corporate Auditor)	28/28 times	19/19 times	As an attorney, and based on her legal experience in Southeast Asia and expertise in corporate law both in Japan and overseas, she made remarks at Board of Directors and Board of Auditors meetings as appropriate. Additionally, she conducted audits of each department and subsidiary in accordance with the audit policy established by the Board of Auditors, and fully carried out her audit functions.
Tomoko Nonaka (Outside Corporate Auditor)	18/18 times	13/13 times	As an attorney, and based on her broad knowledge in corporate law, compliance, and governance of listed companies, she made remarks at Board of Directors and Board of Auditors meetings as appropriate. Additionally, she conducted audits of each department and subsidiary in accordance with the audit policy established by the Board of Auditors, and fully carried out her audit functions.
Koichi Kawaguchi (Outside Corporate Auditor)	18/18 times	13/13 times	Based on his broad experience and knowledge in overall corporate management, business risk management, and compliance, he made remarks at Board of Directors and Board of Auditors meetings as appropriate. Additionally, he conducted audits of each department and subsidiary in accordance with the audit policy established by the Board of Auditors, and fully carried out his audit functions.

(Note) Because nine outside officers other than Kiyotaka Somekawa and Shiho Boda were appointed by a resolution of the 101st Ordinary General Shareholders Meeting held on June 27, 2023, the number of their attendance is stated on the basis of the number of meetings held since they took office (18 Board of Directors meetings and 13 Board of Auditors meetings).

(v) Outline of the contents of liability limitation agreements

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

5 Accounting Auditor

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

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

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

- (3) Contents of non-auditing services
The Company has entrusted the accounting auditor with services for issuing certificates for tax returns in foreign countries.

- (4) Policies for determination of dismissal or refusal of reelection of the accounting auditor
The Audit & Supervisory Board of Auditors will consider dismissal or refusal of reelection of the accounting auditor if there is a problem with the execution of the accounting auditor's duties or the like, and if it finds it necessary, it will decide on a proposal relating to the dismissal or refusal of reelection of the accounting auditor.
Further, if the Audit & Supervisory Board of Auditors determines that the accounting auditor has violated or contravened the Companies Act, the Certified Public Accountants Act, or any other laws and regulations, it will consider the dismissal of the accounting auditor pursuant to the facts, and if it determines that dismissal is appropriate, it will dismiss the accounting auditor.

6 Basic Policy Regarding Control of the Company

(1) Basic Policy Regarding Control of the Company

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

However, if the large-scale purchases are carried out, it will be difficult for Company shareholders to appropriately assess the impact that such purchases will have on the Company's corporate value and the common interests of shareholders without receiving necessary and sufficient information from the 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 management philosophy of "Everybody working together with dreams and youth, devoted to customer and public society with new and productive technology, striving toward company's consistent growth and employees' welfare promotion." In implementing this philosophy, the Company devotes itself, as an enterprise responsible for construction, to the study of construction technologies that are in line with societal demands, and strive to contribute to creating a better and valuable social foundation. By putting into practice the three principles of "originality and innovation," "respect for people," and "awareness of responsibility," as well as the management philosophy of "with dreams and youth, all members of Toyo Construction in concert working to serve our customers."

b) Mid-Term Business Plan to Embody Management Policy

In its mid-term business plan released on March 23, 2023, the Company set forth the basic policy of "Continue to be a resilient company and become a company that can stand up to adversity," with a basic

strategy of (i) transformation from “defense to offense,” (ii) transformation to a “high profit model,” and (iii) transformation to “capital efficiency management.” By steadily implementing such major management changes, the company will respond flexibly to the ever-changing business environment, and become a resilient company that directly takes on challenges in a difficult environment, guided by the Company’s management philosophy.

(ii) Strengthening of Corporate Governance

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

(Corporate Governance System)

For the realization of the management philosophy of (i) a Management Policy above, the Company sets forth the basic policy of “Continue to be a resilient company and become a company that can stand up to adversity,” values the realization of an optimal 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 separated from the decision-makers of operations execution entities in order to advance the separation of management oversight and execution. The Company’s Board of Directors is chaired by the Representative Director, Chairman and consists of 13 directors, of whom seven are independent outside directors. Likewise, the system is such that four 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 May 10, 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.

Consolidated Balance Sheet

(As of March 31, 2024)

(Unit: million yen)

Description (Assets)	Amount	Description (Liabilities)	Amount
Current assets	119,007	Current liabilities	74,174
Cash and deposits	23,575	Notes payable, accounts payable for construction contracts and other	32,397
Notes receivable, accounts receivable from completed construction contracts and other	74,856	Short-term borrowings	6,534
Costs on construction contracts in progress	2,105	Income taxes payable	1,105
Advances paid	4,133	Advances received on construction contracts in progress	15,353
JV business receivables	9,218	Deposits received	3,923
Other	5,127	Accrued consumption taxes	10,480
Allowance for doubtful accounts	(8)	Provision for warranties for completed construction	925
		Provision for loss on construction contracts	46
		Provision for bonuses	1,279
		Other	2,129
Non-current assets	45,153	Non-current liabilities	9,185
Property, plant and equipment	36,188	Long-term borrowings	1,615
Buildings and structures	13,383	Deferred tax liabilities	234
Machinery, vehicles, tools, furniture and fixtures	26,326	Deferred tax liabilities for land revaluation	2,204
Land	21,486	Other provisions	44
Construction in progress	6,241	Retirement benefit liability	4,506
Accumulated depreciation	(31,249)	Other	580
Intangible assets	914	Total liabilities	83,360
Investments and other assets	8,050	(Net assets)	
Investment securities	3,190	Shareholders' equity	73,002
Deferred tax assets	1,735	Share capital	14,049
Retirement benefit asset	1,168	Capital surplus	6,074
Other	2,073	Retained earnings	53,367
Allowance for doubtful accounts	(117)	Treasury shares	(488)
		Accumulated other comprehensive income	5,139
		Valuation difference on available-for-sale securities	1,019
		Deferred gains or losses on hedges	1,087
		Revaluation reserve for land	3,066
		Foreign currency translation adjustment	99
		Remeasurements of defined benefit plans	(134)
		Non-controlling interests	2,658
		Total net assets	80,800
Total assets	164,160	Total liabilities and net assets	164,160

Consolidated Statement of Income

(April 1, 2023, to March 31, 2024)

(Unit: million yen)

Description	Amount	
Net sales		
Net sales of completed construction contracts	185,898	
Net sales in sideline businesses	<u>882</u>	186,781
Cost of sales		
Cost of sales of completed construction contracts	163,027	
Cost of sales in sideline businesses	<u>426</u>	163,453
Gross profit		
Gross profit on completed construction contracts	22,871	
Gross profit on sideline businesses	<u>456</u>	23,328
Selling, general and administrative expenses		12,440
Operating profit		10,887
Non-operating income		
Interest and dividend income	125	
Foreign exchange gains	443	
Other	<u>59</u>	627
Non-operating expenses		
Interest expenses	145	
Restructuring expenses	1,091	
Commitment fees	72	
Other	<u>148</u>	1,457
Ordinary profit		10,057
Extraordinary income		
Gain on sale of non-current assets	<u>51</u>	51
Extraordinary losses		
Loss on sale of non-current assets	2	
Loss on retirement of non-current assets	122	
Impairment losses	14	
Other	<u>13</u>	152
Profit before income taxes		9,955
Income taxes - current	2,609	
Income taxes - deferred	<u>(7)</u>	2,601
Profit		7,354
Profit attributable to non-controlling interests		<u>337</u>
Profit attributable to owners of parent		7,016

Balance Sheet

(As of March 31, 2024)

(Unit: million yen)

Description (Assets)	Amount	Description (Liabilities)	Amount
Current assets	103,916	Current liabilities	65,719
Cash and deposits	16,607	Notes payable - trade	737
Notes receivable - trade	82	Electronically recorded obligations - operating	7,013
Electronically recorded monetary claims - operating	3,203	Accounts payable for construction contracts	18,085
Accounts receivable from completed construction contracts	65,057	Short-term borrowings	6,034
Securities	216	Lease liabilities	95
Costs on construction contracts in progress	2,041	Income taxes payable	937
JV business receivables	9,293	Accrued consumption taxes	10,269
Advances paid	4,621	Advances received on construction contracts in progress	14,713
Other	2,801	Deposits received	3,778
Allowance for doubtful accounts	(8)	Provision for warranties for completed construction	891
Non-current assets	41,871	Provision for loss on construction contracts	21
Property, plant and equipment	33,153	Provision for bonuses	1,119
Buildings and structures	12,145	Other	2,021
Accumulated depreciation	(8,677)	Non-current liabilities	8,348
Machinery and vehicles	15,699	Long-term borrowings	1,615
Accumulated depreciation	(13,217)	Lease liabilities	235
Tools, furniture and fixtures	2,352	Deferred tax liabilities for land revaluation	2,204
Accumulated depreciation	(1,811)	Provision for retirement benefits	3,944
Land	20,114	Provision for stock compensation for directors (and other officers)	39
Leased assets	564	Asset retirement obligations	24
Accumulated depreciation	(256)	Other	283
Construction in progress	6,241	Total liabilities	74,067
Intangible assets	882	(Net assets)	
Software	798	Shareholders' equity	66,805
Other	83	Share capital	14,049
Investments and other assets	7,835	Capital surplus	5,840
Investment securities	2,369	Legal capital surplus	5,840
Shares of subsidiaries and associates	1,642	Retained earnings	47,403
Long-term loans receivable	60	Legal retained earnings	195
Distressed receivables	59	Other retained earnings	47,208
Long-term prepaid expenses	4	General reserve	3,000
Deferred tax assets	1,047	Retained earnings brought forward	44,208
Other	2,763	Treasury shares	(488)
Allowance for doubtful accounts	(111)	Valuation and translation adjustments	4,915
		Valuation difference on available-for-sale securities	761
		Deferred gains or losses on hedges	1,087
		Revaluation reserve for land	3,066
Total assets	145,788	Total net assets	71,720
		Total liabilities and net assets	145,788

Statement of Income
(April 1, 2023, to March 31, 2024)

(Unit: million yen)

Description	Amount	
Net sales		
Net sales of completed construction contracts	161,558	
Net sales in real estate business	452	162,010
Cost of sales		
Cost of sales of completed construction contracts	141,757	
Cost of sales in real estate business	299	142,057
Gross profit		
Gross profit on completed construction contracts	19,800	
Gross profit on real estate business	152	19,953
Selling, general and administrative expenses		10,673
Operating profit		9,279
Non-operating income		
Interest and dividend income	219	
Foreign exchange gains	431	
Other	43	694
Non-operating expenses		
Interest expenses	107	
Restructuring expense	1,091	
Commitment fees	72	
Other	44	1,315
Ordinary profit		8,658
Extraordinary income		
Gain on sale of non-current assets	163	163
Extraordinary losses		
Loss on sale of non-current assets	1	
Loss on retirement of non-current assets	120	
Impairment losses	14	
Other	13	150
Profit before income taxes		8,671
Income taxes - current	2,073	
Income taxes - deferred	64	2,137
Profit		6,533

Independent Auditor's Audit Report

May 20, 2024

To: Board of Directors
TOYO CONSTRUCTION CO., LTD.

Ernst & Young ShinNihon LLC
Tokyo Office

Masahiko Nagasaki
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Teppey Tajima
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to the provisions of Article 444, paragraph 4 of the Companies Act, we conducted an audit of the consolidated financial statements, i.e., the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements of TOYO CONSTRUCTION CO., LTD. for the consolidated fiscal year from April 1, 2023 to March 31, 2024.

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

Basis for Audit Opinion

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

Emphasis of Matter

As stated in the Notes Regarding Changes in Accounting Policies Difficult to Distinguish from Changes in Accounting Estimates and Changes in Accounting Estimates, the Company and its consolidated subsidiaries changed the depreciation method for property, plant and equipment from the declining balance method to the straight-line method and changed the residual value of property, plant and equipment to memorandum value, effective from the consolidated fiscal year under review.

These changes do not affect our opinion.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

- Assess whether the presentation of the consolidated financial statements and the notes thereto comply with accounting principles generally accepted in Japan, the presentation, structure, and content of the consolidated financial statements, including related notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence relating to the financial information of the Company and its consolidated subsidiaries in order to express an opinion regarding the consolidated financial statements. We are responsible for directing, supervising, and performing the audit of the consolidated financial statements. We are solely responsible for the audit opinion.

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

We will report to corporate auditors and the Board of Auditors the fact of our compliance with provisions relating to professional ethics in Japan with respect to independence, any matters that may reasonably be considered to affect our independence, as well as any countermeasures that have been established to eliminate impediments to our independence or any safeguards that have been applied to reduce impediments to allowable levels.

Conflicts of Interest

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

End

Independent Auditor’s Audit Report

May 20, 2024

To: Board of Directors
TOYO CONSTRUCTION CO., LTD.

Ernst & Young ShinNihon LLC
Tokyo Office

Masahiko Nagasaki
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Teppei Tajima
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to the provisions of Article 436, paragraph 2, item (1) of the Companies Act, we conducted an audit of the financial statements, i.e., the balance sheet, statement of income, statement of changes in equity, notes to non-consolidated financial statements, and supplementary schedules thereto (“Financial Statements etc.”) of TOYO CONSTRUCTION CO., LTD. for the 104th fiscal year from April 1, 2023 to March 31, 2024.

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

Basis for Audit Opinion

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

Emphasis of Matter

As stated in the Notes Regarding Changes in Accounting Policies Difficult to Distinguish from Changes in Accounting Estimates and Changes in Accounting Estimates, the Company and its consolidated subsidiaries changed the depreciation method for property, plant and equipment from the declining balance method to the straight-line method and changed the residual value of property, plant and equipment to memorandum value, effective from the fiscal year under review.

These changes do not affect our opinion.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Statements etc., including related notes, and whether the Financial Statements etc. represent the underlying transactions and events in a manner that achieves fair presentation.

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

We will report to corporate auditors and the Board of Auditors the fact of our compliance with provisions relating to professional ethics in Japan with respect to independence, any matters that may reasonably be considered to affect our independence, as well as any countermeasures that have been established to eliminate impediments to our independence or any safeguards that have been applied to reduce impediments to allowable levels.

Conflicts of Interest

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

End

Audit Report

In regard to the execution of duties by directors for the 104th fiscal year from April 1, 2023 to March 31, 2024, we, the Board of Auditors, have deliberated on the basis of the audit reports prepared by each corporate auditor, and have prepared this Audit Report as the unanimous opinion of the corporate auditors and report as follows.

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

Based on the above methods, we have reviewed the business report and its supplementary schedules, the financial statements (balance sheet, statement of income, statement of changes in equity, and notes

to non-consolidated financial statements) and their supplementary schedules, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements) for the fiscal year under review.

2. Audit Results

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

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

(2) Audit results of financial statements and supplementary schedules

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

(3) Audit results of consolidated financial statements audit

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

May 22, 2024

TOYO CONSTRUCTION CO., LTD., Board of Auditors

Full-Time Corporate Auditor (Outside Corporate Auditor) Kiyotaka Somekawa [seal]

Corporate Auditor (Outside Corporate Auditor) Shiho Boda [seal]

Corporate Auditor (Outside Corporate Auditor) Tomoko Nonaka [seal]

Corporate Auditor (Outside Corporate Auditor) Koichi Kawaguchi [seal]

End