



Medium-term Business Plan 2027

(FY2025-FY2027)

August 9, 2024

SHO-BOND HOLDINGS CO., LTD.

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Philosophy

Corporate Philosophy

With a sense of mission of “inheriting and passing on social infrastructure to the next generation in good condition,” we will contribute to the realization of a safe and affluent society by utilizing our advanced technological development capability as a leading company in the structure maintenance business.

Our Vision

- ▶ Fulfill our mission as a company specializing in maintenance
- ▶ Place priority on profitability and efficiency
- ▶ Be a technology-oriented organization that combines chemical and civil engineering technologies to create new materials and construction methods

Corporate Credo

- *Make thoughtful decisions*
- *Take responsibility for your actions*
- *Unify the workplace*
- *Contribute to society*

The purpose of SHO-BOND is to “[inherit and pass on social infrastructure to the next generation in good condition.](#)” Guided by this purpose, we dedicate ourselves to the mission of utilizing our power of technology and contributing to a better society through our core business of comprehensive maintenance.

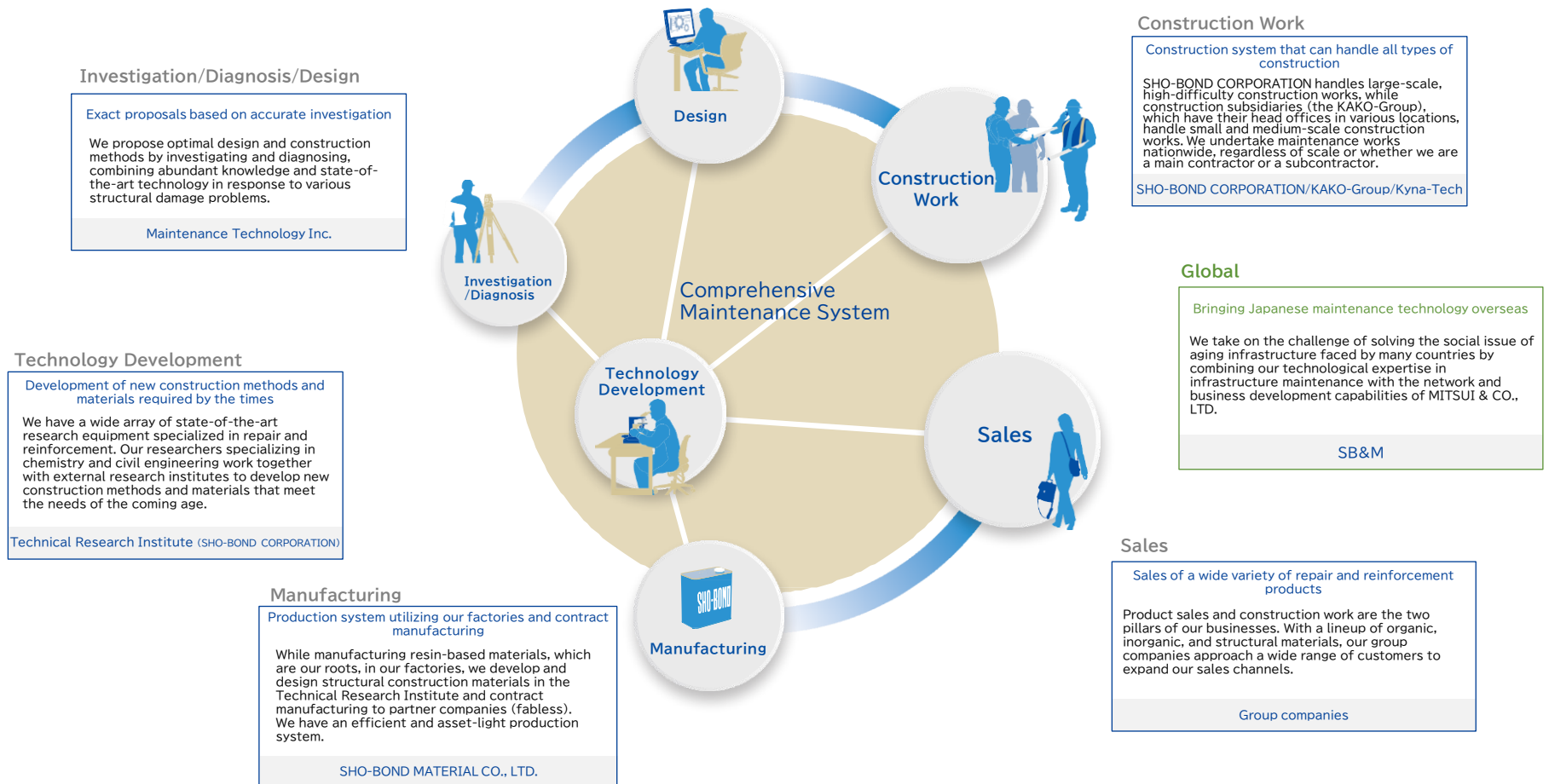
Our vision represents the ideal status of the group and the enduring endeavors we will keep pursuing. It has been passed down for several decades and its importance has not faded even as the times change. We are committed to continue refining the strengths we have accumulated from the past and pass them on to the next generation.

Corporate Credo is the values we share as a group. It is born from the beliefs of our founder and has deepened its significance over time, based upon which we act and make decisions at work.

Based on the above philosophies, we set forth the basic policy of the Medium-term Business Plan as “[Enhancing corporate value in pursuit of economic efficiency and social progress.](#)” To meet the expectations of multiple stakeholders, we aim for further profit growth while committing to resolving social issues through infrastructure maintenance that goes beyond the current main field.

Comprehensive Maintenance System

The SHO-BOND Group is a comprehensive maintenance company which specializes in repairing and reinforcing social infrastructures. We provide extensive support in social infrastructure maintenance, with a focus on design and construction services as a construction company, together with services ranging from R&D of materials and construction methods, to manufacturing and sales of developed materials and construction methods. The country's foremost and comprehensive maintenance system. This is SHO-BOND's characteristic, our strength.



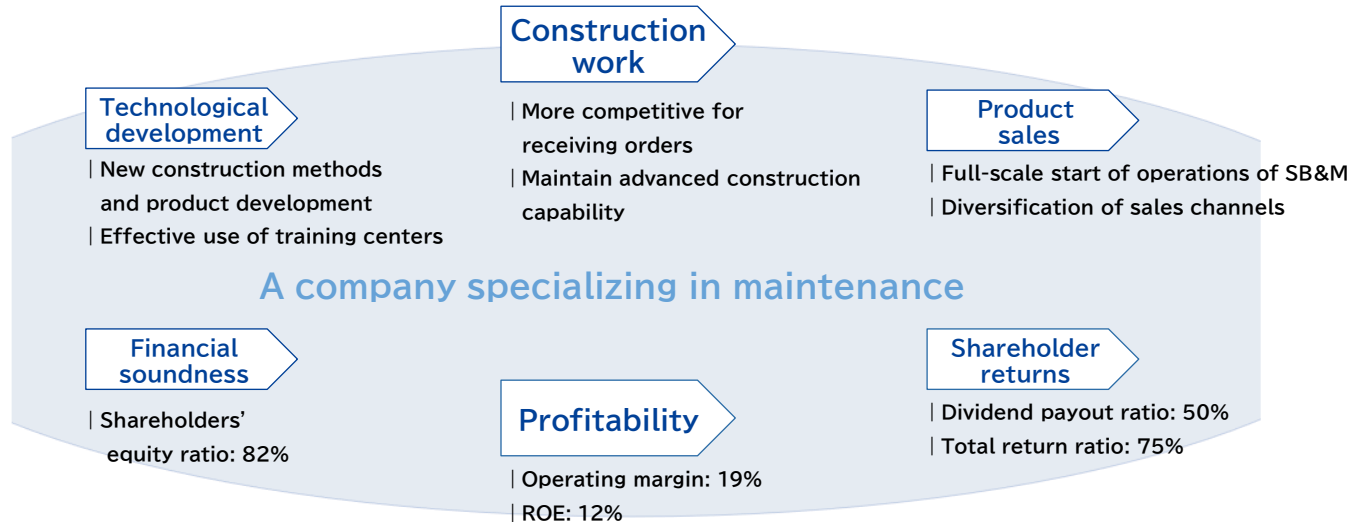
Following the Medium-term Business Plan 2021 that resulted in a significant increase in operating income over three years, during the Medium-term Business Plan 2024, we have been working to strengthen our construction, technological, and sales capabilities and maintain high levels of profitability, financial soundness, and shareholder returns under the basic policy of “Honing our inherent strengths what it is that makes us SHO-BOND.” Although there are still issues to be addressed in strengthening the sales capabilities of construction materials as well as overseas operations, we successfully achieved our profit targets by increasing orders for large-scale construction projects and improving the gross profit margin of construction work.

Medium-term Business Plan 2024

Basic Policy

"Honing our inherent strengths what it is that makes us SHO-BOND"

- 1 Further initiatives for large-scale construction by reinforcing organizational capabilities
- 2 Develop new technologies ahead of other companies and take on the challenge of a new product sales strategy
- 3 Increase orders through human resource development that can respond to market changes and the increase of productivity
- 4 Manage both profitability and financial soundness and enhance shareholder returns
- 5 More ESG activities and contributions to SDGs



Business Strategy

1 Upgrade the order receipt strategy utilizing the in-house company structure

The order receipt strategy has been upgraded under the in-house company system by strengthening the information sharing scheme, thoroughly selecting bidding projects, allocating optimal personnel, and confirming construction management capability including partner companies.

2 More activities for large projects and construction work capability

To strengthen our construction capabilities, we have had existing partner companies work in larger areas within each in-house company as well as selected new ones. We have established a group-wide inner consultation scheme for projects of 2 billion yen or more.

3 Challenge a new product sales strategy by SB&M

Despite the impact of the COVID-19 pandemic, we continued sales activities in Thailand and the USA. Results achieved in Thailand on receiving construction orders and selling products through JICA projects. In the USA, we invested in an infrastructure repair company.

4 More joint activities by increasing cooperation among group companies and other companies

We strengthened relationships with partner companies and expanded the number of distributors. Collaboration progressed in both the fields of construction and sales. In addition, earnings from Kyna-Tech and other affiliated companies have increased.

5 New technologies for preventive infrastructure maintenance

We have shortened delivery time and reduced costs for existing products, as well as made resin-based products non-deleterious. We also have begun to develop organic materials using plants and shells as the raw material. Lithium nitrite gel and an AI diagnosis system are implemented into practical use.

Strengthening the Foundation

1 To become more competitive for capturing orders by developing human resources capable of adapting to changing markets

We started practical training for young employees and partner companies at the Tsukuba Training Center. We also have strengthened support for acquiring qualifications, specialized education programs for technical employees, and unique human resource development measures for each in-house company.

2 Personnel system reforms that reflect the changing business environment

In preparation for revising the personnel system, we deepened internal discussions based on social conditions and employee needs. We also implemented work style reforms, institutionalized flexible work styles in consideration of female employees, raised wages, and improved compensation for senior employees.

3 A strong safety culture and rigorous on-site training

We have promoted an action plan to create a safety culture throughout the company and launched new initiatives such as e-learning. The LTI frequency and severity rate was lower than the national average, and in FY2023, we achieved zero fatal accidents and zero LTI frequency and severity of occupational accidents.

4 Use of the digital transformation (DX) for higher productivity

On-site DX has progressed, and the introduction of construction management apps and 3D design software is expanding nationwide. We have also completed the acquisition of basic 3D CAD techniques by technical employees at each branch office and the conversion of in-house developed devices into 3D data.

5 Build a framework for responding to ESG issues

We have established the Sustainability Committee for the entire group. In addition to calculating CO₂ emissions and formulating various policies and non-financial KPIs, we have enhanced disclosure by issuing an integrated report.

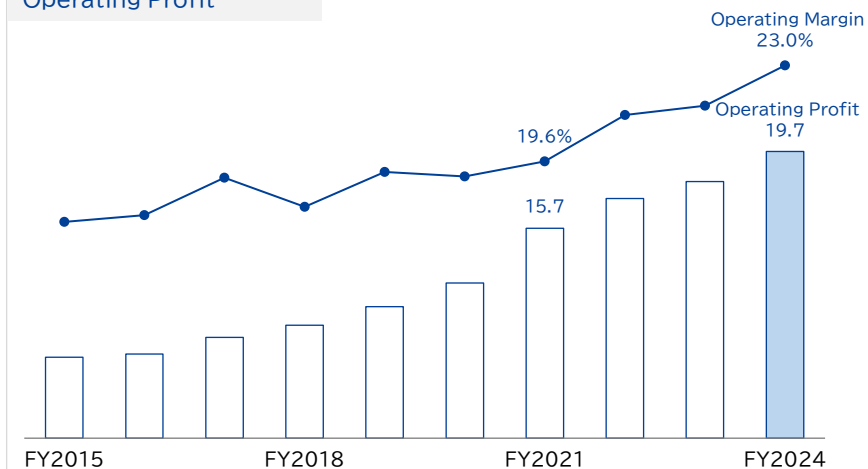
(Billion Yen)

	FY2021	FY2024	Change	Mid-term Plan 2024
Sales	80.1	85.4	+6.7%	87.5
Operating Profit	15.7	19.7	+25.0%	17.5
Profit Attributable to Owners of Parent	11.3	14.3	+26.3%	12.0
ROE	13.0%	14.2%	+1.2%	12.0%

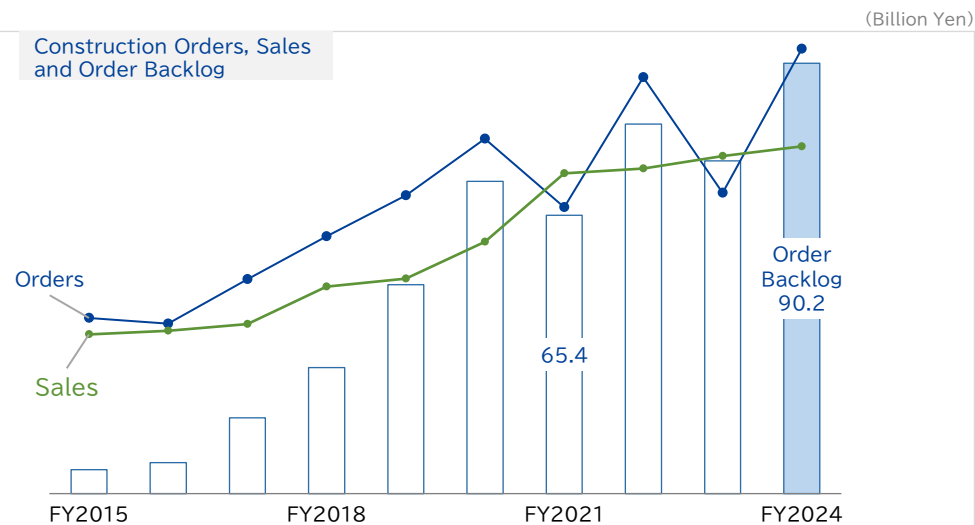
10th Consecutive Year of Increased Sales and Profits

- Net income for FY2024, the final year of the mid-term plan, was 14.3 billion yen. Profits increased by 26.3% over the last three years, marking the 10th consecutive year of increased sales and profits.
- Due to sluggish sales of construction materials, including overseas sales, net sales fell short of the target at 85.4 billion yen. On the other hand, we were close to achieving the construction sales plan thanks to the steady progress in large-scale projects. This progress is a result of strengthening our construction capabilities, including partner companies.
- The last three-year average of construction orders was around 83.2 billion yen/year, despite the fluctuation from year to year, and the current accumulated order backlog is at a new record level.

Operating Profit



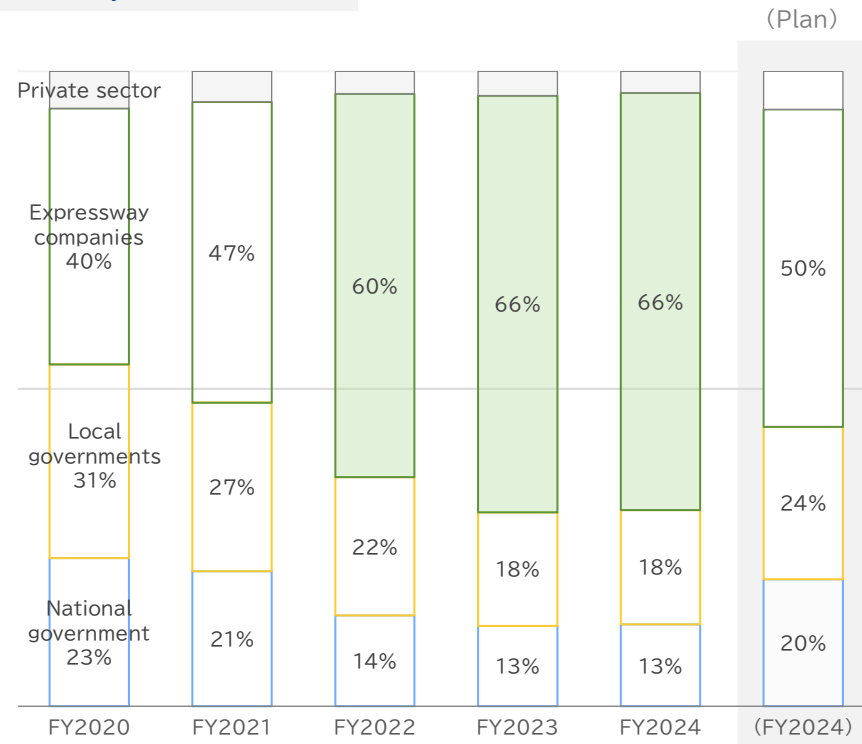
Construction Orders, Sales and Order Backlog



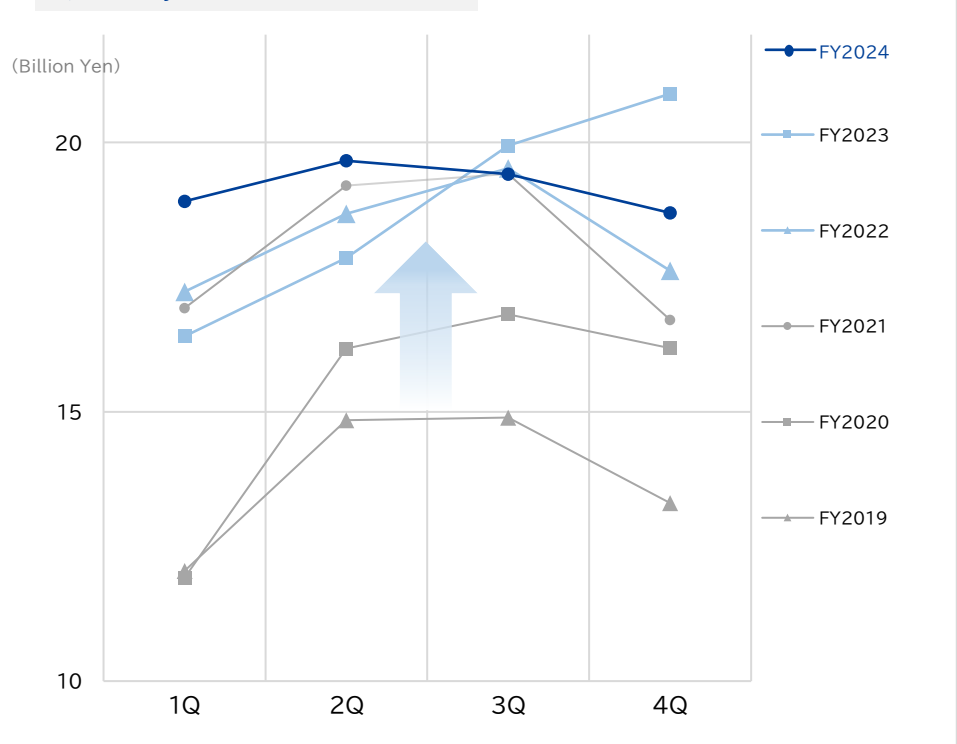
Construction Sales

- In terms of construction sales by client, the share of expressway companies rose to 66% in FY2024, far exceeding the 50% expectation in the mid-term plan.
- The number of engineers with the skills to take charge of large-scale construction work has steadily increased due to active recruitment and the enhancement of training supported by our aggressive investment in human capital.
- An upsurge and subsequent leveling in sales figures have been observed quarterly, as a result of the strategic order-taking and the strengthening of construction capabilities.

Sales by Client



Quarterly Construction Sales



	FY2021	FY2024
Dividend Payout Ratio	50.1%	50.8%
Total Return Ratio	50.1%	75.0%
Purchase of Treasury Shares (3-year total)	-	10 billion yen
Reducing Cross-shareholdings (3-year total)	-	1.5 billion yen

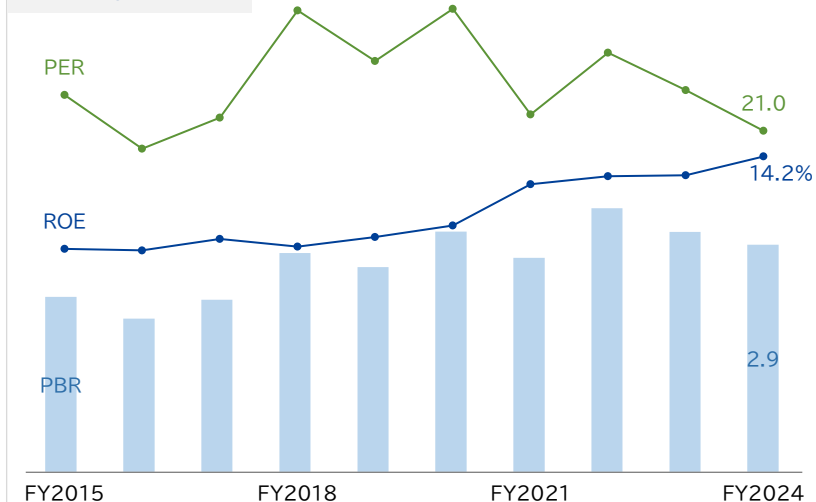
Total Return Ratio 75%

- Under the Medium-term Business Plan 2024, we kept a dividend payout ratio of 50% and implemented a share buyback of 10 billion yen in total, thereby maintaining a total return ratio of 75% or more each fiscal year.
- ROE in FY2024 has risen to 14.2%, as earning power improved due to the increase in the gross profit margin of expressway projects. By securing equity spreads, PBR remains at a high level of about 3 times.
- We sold approximately 1.5 billion yen worth of cross-shareholdings in the last three years as planned, but the ratio to net assets increased due to the rise in the stock market.

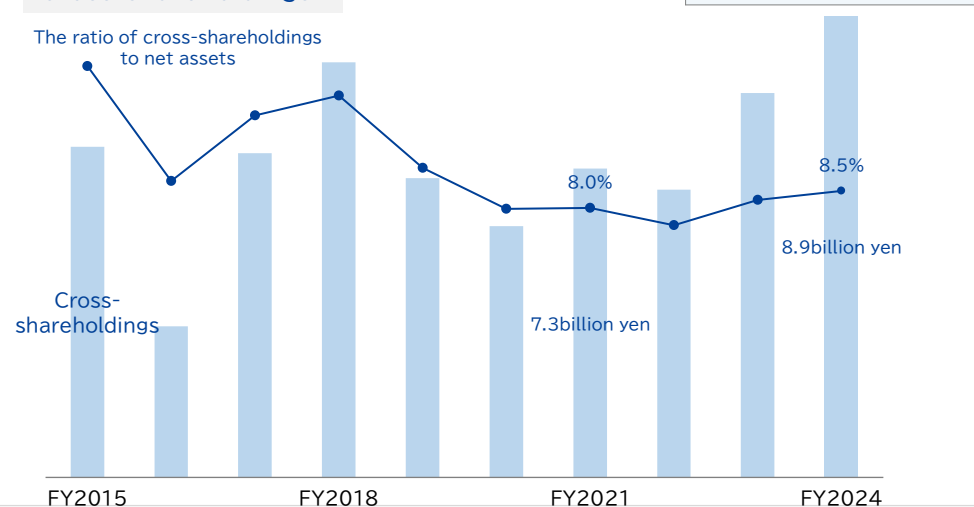
FY2022-FY2024 Result

Sale*	-1.5 billion yen
Changes in market value	+3.1 billion yen
	+1.6 billion yen

PBR·ROE·PER



Cross-shareholdings



* Based on the market value as of June 30, 2021

Non-financial Targets

We established the non-financial KPIs and disclosed the details in August 2022. In the selection process, we intended to include both *defensive* items related to risk management and compliance, as well as *offensive* items that are closely related to the improvement of business performance, while taking into account the characteristics of SHO-BOND, which is dedicated to infrastructure maintenance business and emphasize the value of quality, safety and human resources.

KPIs Related to Sustainability	KPIs	Target year	FY2022	FY2023	FY2024
▪ Number of violations of environmental laws and regulations	0	Every year	0	0	0
▪ CO ₂ emissions (Scope 1 and 2) (vs. FY2022 [5,238t]) (CO ₂ emissions intensity*)	3,929t [-25%] (4.9 t-CO ₂ / 100 million yen)	FY2031	5,238t [±0.0%] (6.5 t-CO ₂ / 100 million yen)	5,474t [+4.5%] (6.5 t-CO ₂ / 100 million yen)	(Under calculation)
▪ Average scores for contractor performance evaluation in construction industry	MLIT: 78 or higher NEXCO: 80 or higher	Every year	MLIT: 80.0 NEXCO: 86.0	MLIT: 80.6 NEXCO: 86.5	MLIT: 80.1 NEXCO: 86.5
▪ Percentage of construction sites where “8 days off in 4 weeks” is achieved (according to the Japan Federation of Construction Contractors)	100%	FY2024	85.9%	94.3%	96.3%
▪ Number of fatal accidents	0	Every year	0	0	0
▪ Lost Time Injury (LTI) frequency rate	0.7 or lower	Every year	0.67	0.00	1.13
▪ Achievement rate of annual overtime limit of 720 hours	100%	FY2024	100%	100%	100%
▪ Percentage of female employees in regular recruiting	15% or more	Every year	9.5%	16.2%	25.8%
▪ Number of female engineers	38	FY2024	26	30	36
▪ Percentage of employees with disabilities	2.4% or more	Every year	3.3%	3.1%	4.3%
▪ Childcare leave rate of new fathers	100%	FY2024	100%	74.0%	66.0%
▪ Rate of response to safety confirmation	100%	Every year	100%	100%	100%
▪ Compliance training participation rate	100%	Every year	98.8%	100%	100%
▪ Number of serious violations of laws and regulations	0	Every year	0	0	0
▪ Information security training participation rate	100%	Every year	90.3%	100%	100%

* (Reference value) CO₂ emissions per consolidated net sales (100 million yen)

Medium-term Business Plan 2027

FY2025-FY2027

Business Environment

Social Issues



Countermeasures against ageing infrastructure

Disaster prevention measures

Sasago Tunnel Ceiling Collapse

The Great East Japan Earthquake

Kumamoto Earthquake

Basic Plan for Extending Service Life of Infrastructure (action plan)

Fundamental Plan for National Resilience

Mandatory inspection / 5 years

Expressway companies

National Gov./Local Gov.

Three-year emergency response plan

Emergency transportation roads' quake resistance

Preventing missing links when an earthquake occurs

Expressway Renewal Project

Infrastructure repair based on the Basic Plan for Extending Service Life of Infrastructure (action plan)

¥7 trillion

Road administrator	Implementation status
Expressway companies	78%
National Gov.	87%
Local Gov.	80%
Total	81%

¥5.5 trillion

Shifting from corrective maintenance to preventative maintenance

Five-year acceleration plan

Expressway companies' earthquake retrofitting plan

Accelerating seismic retrofitting of bridges

102 bridges/year → 290 bridges/year

Additional plans

¥1.5 trillion

Implementation of infrastructure management to maximize stock effects

Strategic Management for Revitalization of Regional Infrastructure Groups

Infrastructure Maintenance Phase 2

¥15 trillion

Act revision

Budget assured & mandatory

See the appendix for more details

(Source: Prepared by SHO-BOND based on MLIT data, etc.)

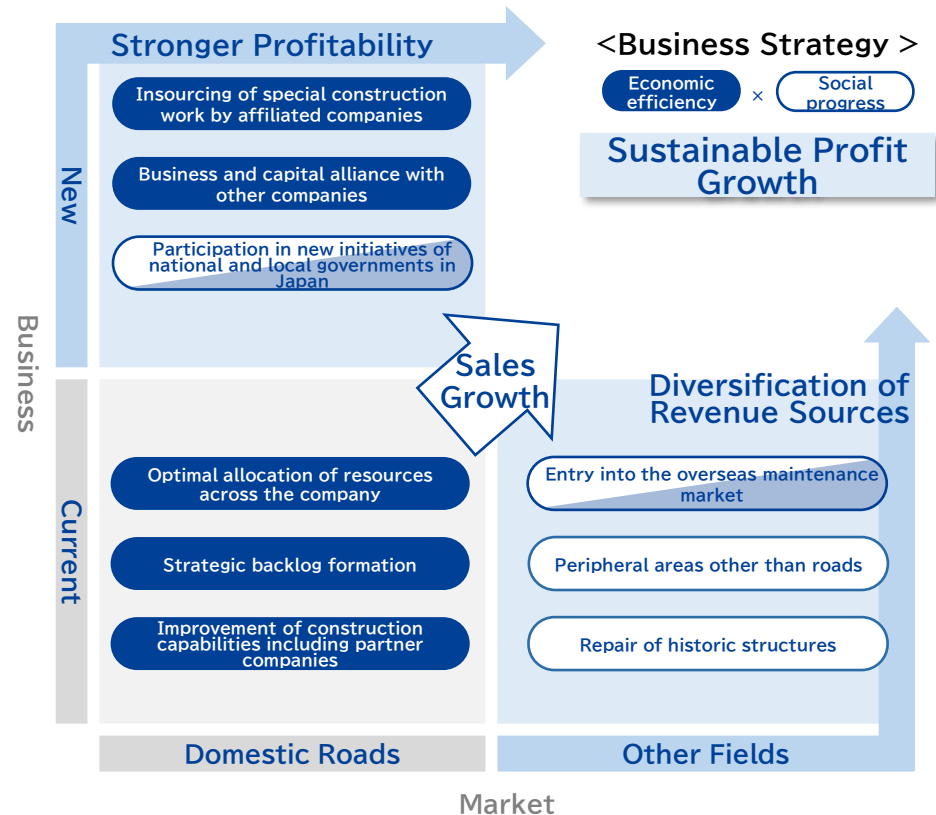
Basic Policy

In the Medium-term Business Plan 2027, we will strengthen sustainable profit growth while simultaneously addressing social issues under the basic policy of “Enhancing corporate value in pursuit of economic efficiency and social progress.” We will further capture large-scale construction orders by allocating resources optimally for the entire group, and continue the trend of increasing sales and profits. In addition, we will take on the challenge of new business areas in maintenance and work on projects outside of the domestic road field to diversify our revenue sources and strengthen profitability. In addition to more shareholder returns, we will further enhance our corporate value through both financial and non-financial capital policies, including the utilization of non-financial capital such as continued investment in human capital.

Basic Policy of the Medium-term Business Plan 2027

Enhancing corporate value in pursuit of economic efficiency and social progress.

- 1 Strengthening competitiveness to increase orders for large-scale construction
- 2 Restructuring overseas business models
- 3 Improving productivity and promoting work style reform through DX
- 4 Action to implement management that is conscious of cost of capital and stock price
- 5 Further enhancement of corporate value through the utilization of non-financial capital



Main Measures

Business Strategy

1 Group-wide strategy for order receiving conscious of order backlog

We will allocate resources focusing on total optimization and work to further enhance our order strategy. This allows us to maintain high and consistent quarterly construction sales by adapting flexibly to changes in order trends and forming an abundant order backlog.

2 Restructuring of business models for overseas business

We established a new overseas business department at SHO-BOND CORPORATION to approach foreign markets through various channels including SB&M. In addition, we will expand our business model from specializing in selling construction materials to technical cooperation and construction management, by mobilizing the group's collective strengths.

3 Participation in new initiatives of national and local governments in Japan

A trend of multiple wide-area and cross-border ordering by the national and local governments has emerged out of the lack of technical staff to manage the facilities they own. We will utilize our cultivated know-how and customizable construction materials to meet their needs.

4 Strengthening peripheral areas and opening up new markets in maintenance

In addition to our main target area of roads, we will take an active approach to maintenance demand in peripheral areas such as railways and ports, led by the KAKO-Group (construction subsidiaries). Meanwhile, we are exploring the possibilities of expanding into new markets by insourcing special construction work and forming business and capital partnerships with other firms.

Strengthening the Foundation

1 Further investment in human capital (securing and developing human resources)

In the next three years, we will invest more than 5 billion yen in human capital. We will continue our active recruitment policy and aim to increase the number of employees to 1,100 while increasing construction, technology, and overseas staff in line with our business strategy. We will also continue to raise wages and further enhance education for our employees and partner companies.

2 Retention management through the new personnel system

We launched a new personnel system that emphasizes fulfillment, growth, a sense of security, and a sense of satisfaction. Under this personnel system, we aim to improve employee engagement and reduce the turnover rate.

3 Achieving a higher level of safety culture

We will continue the Initiatives for Creating a SHO-BOND Culture of Safety to establish a safety culture closer to an interdependent type. We will strive to ensure that safety culture permeates every corner of all sites by developing educational content that is easy to access from remote locations and conducting safety culture training that includes partner companies.

4 Improving productivity and promoting work style reform through DX

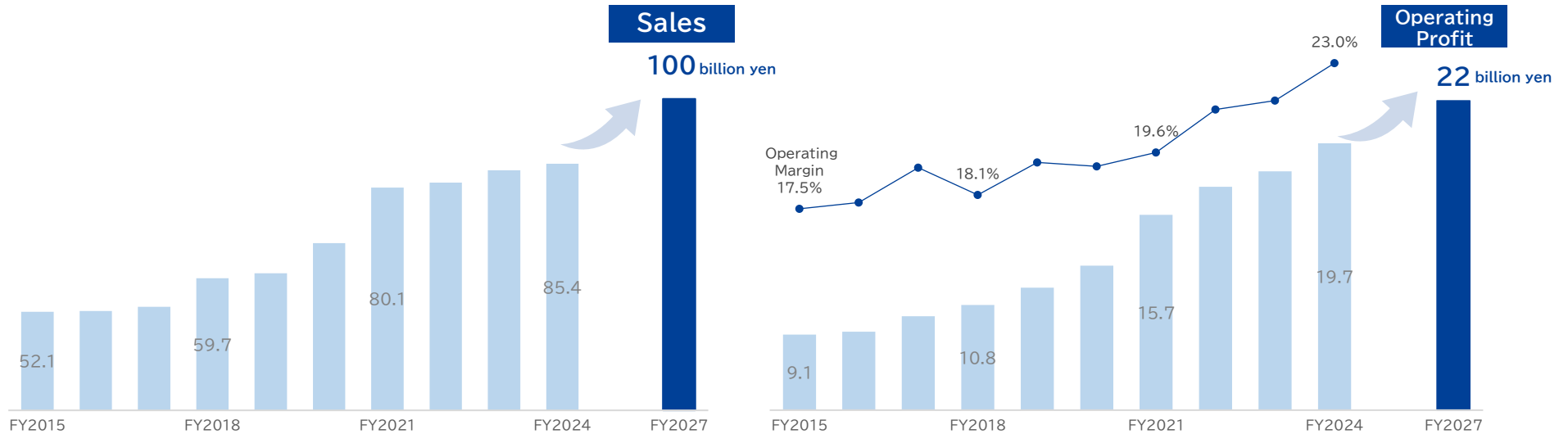
We will further advance the transformation of business flows through on-site and administrative DX. On-site DX includes construction management, safety patrols, and daily inspections. Administrative DX means introducing IT tools for approval procedures and expense reimbursement to realize paperless operations and improve efficiency.

Financial Targets

	FY2024	Mid-term Plan 2027	
Sales	85.4	100	+17.1%
Operating Profit	19.7	22	+11.9%
Profit Attributable to Owners of Parent	14.3	15.6	+8.9%
ROE	14.2%	Approx. 14.5%	

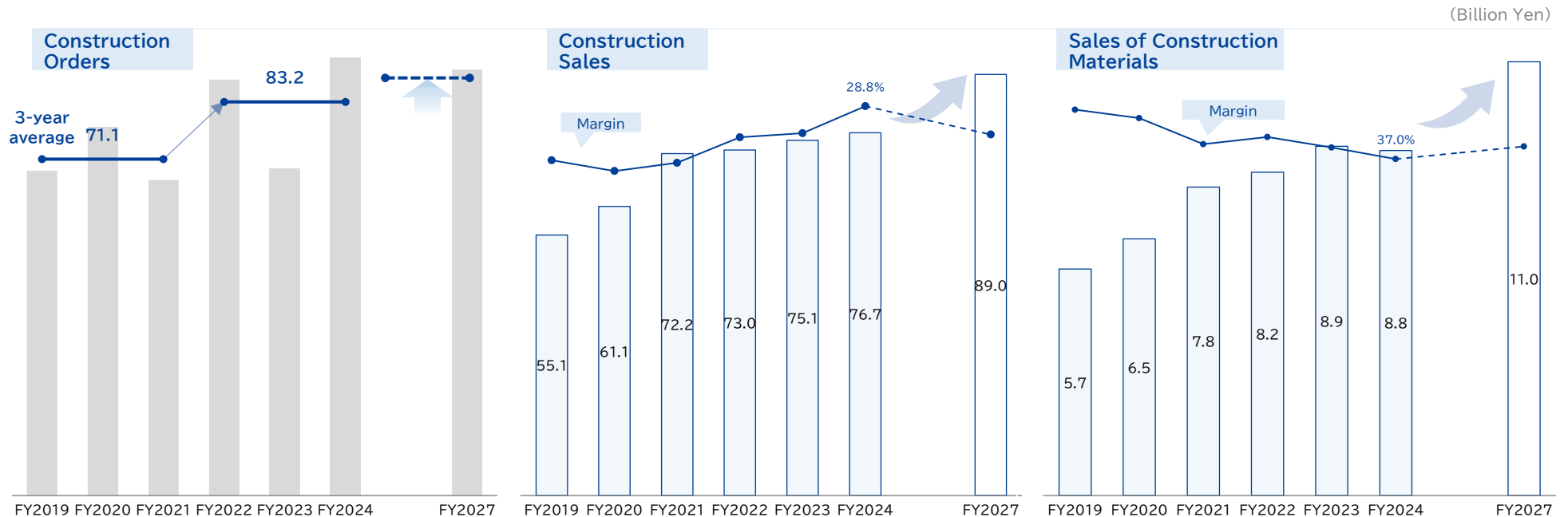
Net Sales: 100 Billion Yen

- We aim to achieve net sales of 100 billion yen in FY2027.
- In addition to further increasing the ratio of large-scale orders through the sophistication of our order strategy, we plan to significantly increase sales of construction materials by restructuring our overseas business, strengthening seismic reinforcement work at expressways, and initiatives in peripheral areas other than the road field.
- We anticipate an increase in personnel cost mainly due to continuous wage increases and assume an operating profit of 22 billion yen in FY2027, with the operating profit margin declining slightly.
- Profit attributable to owners of parent is planned to be 15.6 billion yen, including gains on the sale of cross-shareholdings. We aim to increase sales and profits for the 13th consecutive year.



Financial Targets

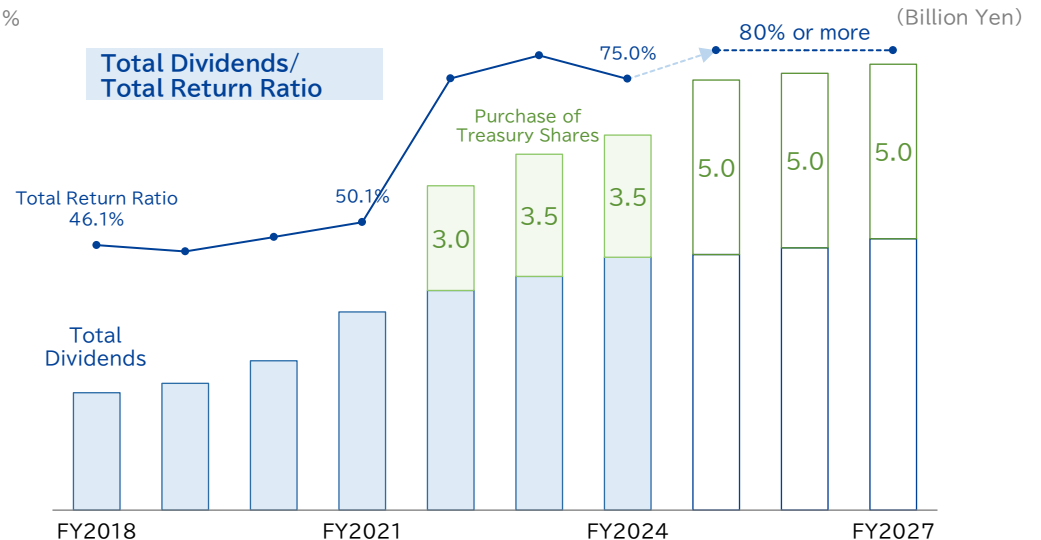
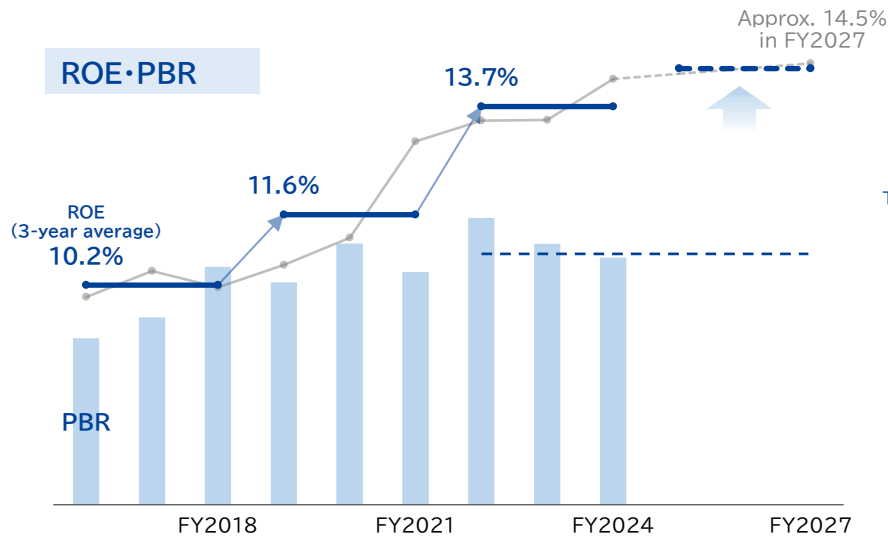
- On a three-year average, the amount of construction orders received will be higher than the previous mid-term plan, and the order backlog will remain at a high level. Our target for FY2027 is about 90 billion yen. While we expect a slight decline in FY2025 due to the exceptionally large construction orders in FY2024, we are committed to achieving this goal within the next three years.
- Construction sales in FY2027 are expected to be 89 billion yen due to an increase in the number of engineers, securing construction capabilities, and improving productivity at construction sites by introducing digital equipment. Although the gross profit margin of construction work is expected to decline slightly after a significant increase in FY2024, we will achieve sustainable growth by steadily increasing construction sales through construction and technological capabilities that we have strengthened in the previous mid-term plan.
- Sales of construction materials for FY2027 are planned to be 11 billion yen. In Japan, we expect to strengthen sales in peripheral areas other than roads to increase sales of existing products such as couplings. Meanwhile, we hope for the sales of new products that we have been developing recently. In addition, by restructuring our overseas business, we will increase sales through multiple sales channels.



	FY2024	Mid-term Plan 2027
Dividend Payout Ratio	50.8%	50%
Total Return Ratio	75.0%	80%
Purchase of Treasury Shares (3-year total)	10 billion yen	15 billion yen
Reducing Cross-shareholdings (3-year total)	1.5 billion yen	3 billion yen

Total Return Ratio: 80%

- We will enhance shareholder returns in the Medium-term Business Plan 2027. We aim to consistently provide a steady profit return by keeping the dividend payout ratio at 50% and strive to enhance dividends for 18 consecutive years.
- We aim to raise ROE to approximately 14.5% in FY2027 by acquiring 15 billion yen of treasury shares over the next three years and achieving a total return ratio of 80% or more.
- Although the long-term interest rate in Japan is expected to rise, we will maintain a high PBR by lowering the cost of equity through strategic IR activities and timely information disclosure to communicate with shareholders and investors the social nature of our business and the foreseeability of our operation.
- The policy of reducing cross-shareholdings will continue and about 30% of it will be sold by FY2027, worth approximately 3 billion yen based on the market value at the end of June 2024. Assuming the stock market remains unchanged, the percentage of net assets is expected to decrease from 8.5% to 5.5%.



Capital Policy

Basic Policy 4 Action to implement management that is conscious of cost of capital and stock price

Basic Policy 5 Further enhancement of corporate value through the utilization of non-financial capital

Maintaining High Profitability through the Enhancement of Non-financial Capital

$$ROE > COE \Rightarrow PBR > 1$$

The source of the group's high gross profit margin of construction work lies in the non-financial capital. We aim to enhance this further to generate sustainable profits. Meanwhile, we will improve the foreseeability of our operation through enhanced information disclosure and communication with shareholders and investors, aiming to lower the cost of equity and increase corporate value.



Lower cost of equity

COE

Natural Capital

Reduction of environmental impact through maintenance work

Foreseeability of operation

Dividend increase for 15 consecutive years
10th consecutive year of increased sales and profits

Social Progress

Contribution to national resilience
Repair and reinforcement of historic structures

Information Disclosure

Estimated CO₂ emission reduction effect of the Showa Ohashi bridge repair work we operated in 1964

	Repair	Disposal and Replacement
Volume of new materials (concrete, reinforcing bars, wooden forms, adhesives, etc.)	163.1t	2011.2t
CO ₂ emissions (Scope3)	43.7t-CO ₂	404.2t-CO ₂

1 Group-wide strategy for order receiving conscious of order backlog

- As of the end of December 2023, the six expressway companies have already signed a total of about 2,640 billion yen (about 48% of their total plan) for the Expressway Renewal Project, among which about 2,010 billion yen (about 49% of their plan) for the three NEXCOs, and a simple average of about 300 billion yen of construction orders/year has been placed.
- The figure below estimates the placed order value of the three NEXCOs over the past five years. The order of each company fluctuates from year to year, and such fluctuations are expected to continue during our Medium-term Business Plan 2027. We aim to increase the orders for large-scale construction by efficiently allocating resources guided by our analyses and predictions based on published order placement plans and other information.

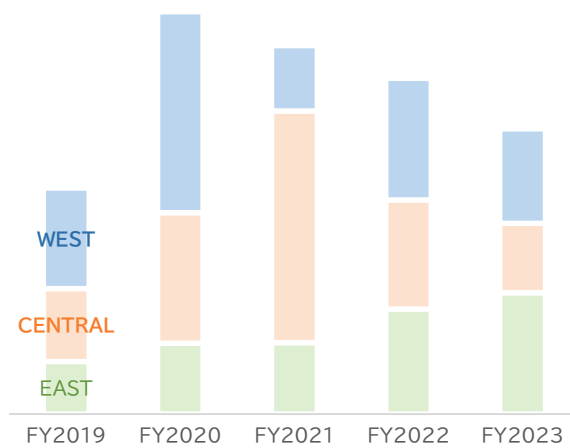
- In order to sustainably increase construction sales, it is important to maintain high productivity throughout the group by efficient personnel allocation. We aim to strategically build up an abundant order backlog to ensure consistent quarterly sales over the years.
- In FY2027, expressway companies are expected to account for about 70% of construction sales. Over the past few years, the number of engineers with the skills to take charge of highway projects has increased. As the number of people with experience in large-scale construction has increased, we have accumulated know-how on management, and more engineers are encouraged to take on new projects.

State of Progress (as of December 2023)

	(Billion Yen)		
	Budget	Contracted amount	Progress
3 NEXCOs	4,120	2,010	49%
Metropolitan Expressway	930	440	47%
Hanshin Expressway	420	170	41%
Honshu-Shikoku Bridge Expressway	27	12	46%
Total	5,500	2,640	48%

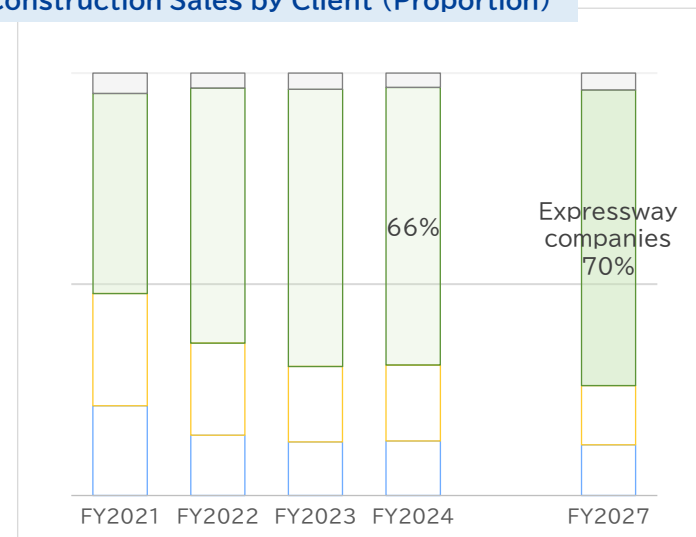
(Source: MLIT)

Expressway Renewal Project Ordered Amount of Each NEXCO



(Based on SHO-BOND's estimates)
(For illustrative purposes)

Construction Sales by Client (Proportion)

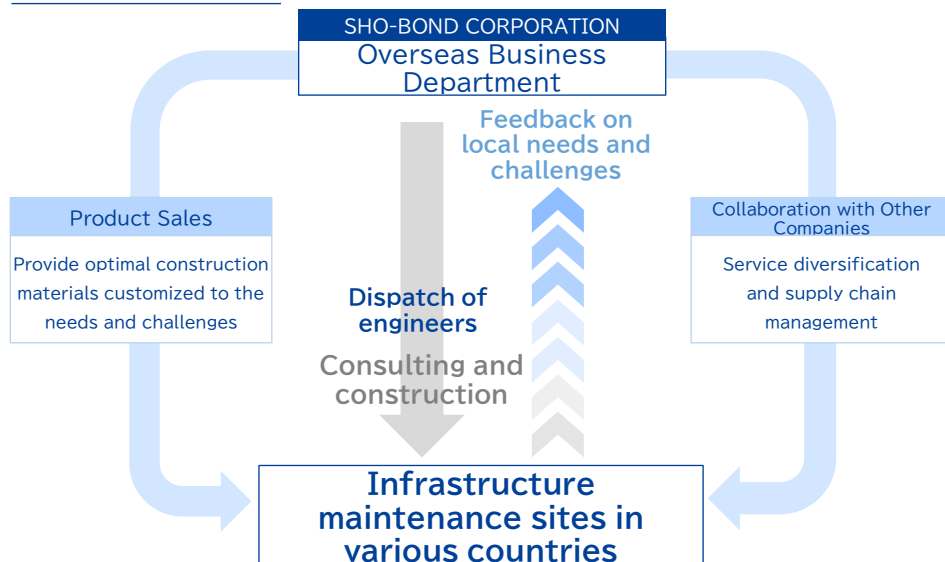


2 Restructuring of business models for overseas business

- Our group's overseas business began with the establishment of SHO-BOND & MIT Infrastructure Maintenance Co., Ltd. (SB&M: 51% owned by us, 49% by MITSUI & CO., LTD.) in April 2019 and we have been operated mainly in Thailand and the USA. In November 2020, we established a joint venture company, CPAC SB&M Lifetime Solution Co., Ltd. (hereinafter CPAC SB&M), with a local company in Thailand. In July 2023, we invested in the U.S. infrastructure repair company Structural Technologies, LLC (hereinafter ST).

- Since the inception of the business, we have primarily focused on the sale of construction materials with a proven track record in Japan. However, there is a growing demand for comprehensive services, including on-site supervision and technical support, particularly in Thailand and other ASEAN countries. Therefore, we established an overseas business department within SHO-BOND CORPORATION in April 2024 to restructure our business model. This will enable us to provide a wide range of services, from investigation and diagnosis to design and on-site supervision, by leveraging the full strength of our group.
- By dispatching our engineers to overseas individual sites, we will get feedback on the needs and challenges identified, leading to the supply of optimal products and collaboration with other companies. Through this new business model, we aim to expand our business area and manage our supply chain, while pursuing business opportunities in regions beyond Thailand and North America by leveraging MITSUI's network and business development capabilities.

New Business Model



Services Provided by SHO-BOND Overseas

Consulting

- Investigation and inspection
- Diagnosis and analysis
- Maintenance proposal
- Construction planning

Construction

- On-site supervision and training

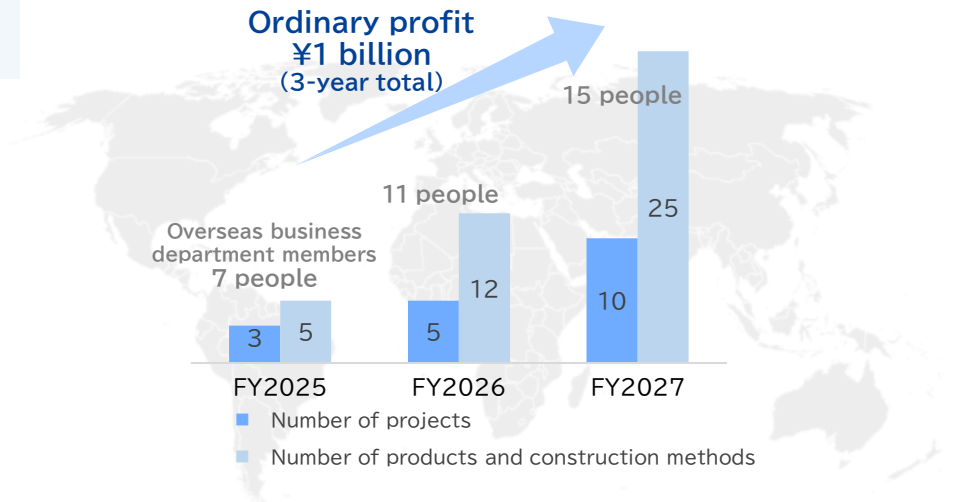
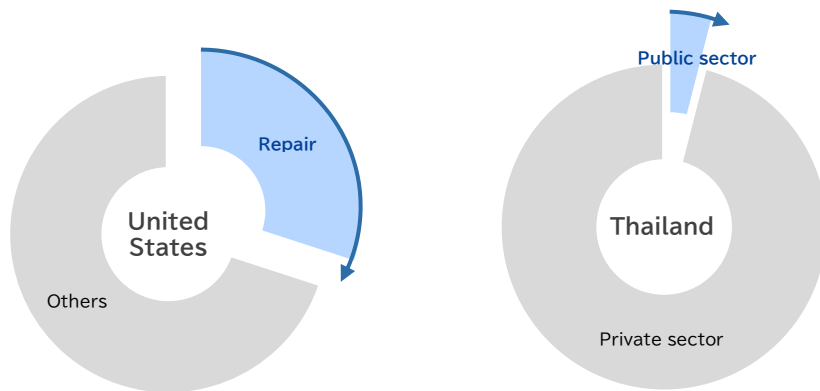
Product sales

- Product procurement and supply
- Development of new products customized to local needs

2 Restructuring of business models for overseas business

- In the United States, we aim to help expand ST's sales in the bridge repair market by introducing Japanese repair and reinforcement technologies. We will continue to support ST's marketing efforts with state governments and engineering firms to increase the chances of our solutions being chosen.
- In Thailand, about 96% of our projects are in the private sector (such as jetties, factories, and buildings). However, we will also leverage the network we have built with local academic institutions and public corporations to secure orders in the public sector (such as roads, ports, and airports). Additionally, we will dispatch SHO-BOND engineers to Thailand to participate in various projects by providing on-site supervision and technical support. This will not only enhance the construction capabilities of our local partner companies and their workers but also accumulate overseas experience for our engineers, which we aim to use as a driving force for further business expansion.

- In the next three years, we plan to increase staff in the overseas business department from 7 to 15 by recruitment and internal transfers. Additionally, we will increase the number of projects involving on-site supervision and technical support to 10, and the number of products and construction methods, including the introduction of overseas technologies domestically, to 25. Through these efforts, we aim for ordinary profit related to the overseas business of 1 billion yen in a 3-year total.



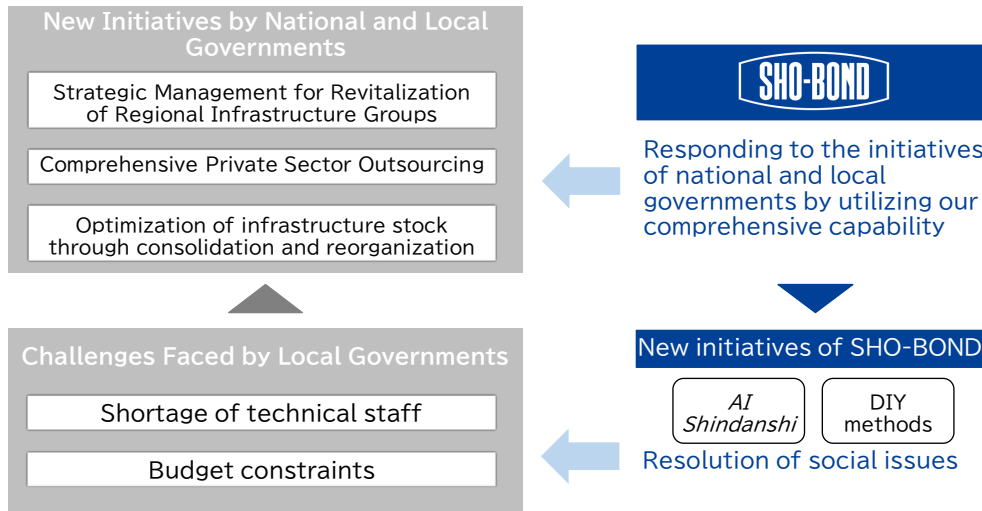
Business Strategy

3 Participation in new initiatives of national and local governments in Japan

- To manage multiple types of facilities scattered in a broad area more efficiently and effectively, national and local governments are promoting a new strategy to place wider-area and cross-bordering orders, focusing on managing infrastructure as a cluster. SHO-BOND is well-equipped to address evolving such needs, with refined comprehensive expertise over time.
- The serious shortage of technical staff is one of the factors that hinder national and local governments from implementing effective infrastructure maintenance. We will try to solve these issues by lending our *AI Shindanshi*, an AI-based concrete deterioration diagnosis system, and developing simple DIY methods for facility managers.

4 Strengthening peripheral areas and opening up new markets in maintenance

- Other than roads, our core business field, there are many other types of aging infrastructure in need of maintenance. We will strengthen approaches on railways and private facilities mainly by KAKO-Group companies to diversify our revenue sources.
- For renewed attempts such as new types of maintenance works we haven't taken so far and insourcing of special construction work, we will consider business and capital alliances with other companies on a scale of 5 billion–10 billion yen.



Percentage of Structural Infrastructures Built More Than 50 Years Ago

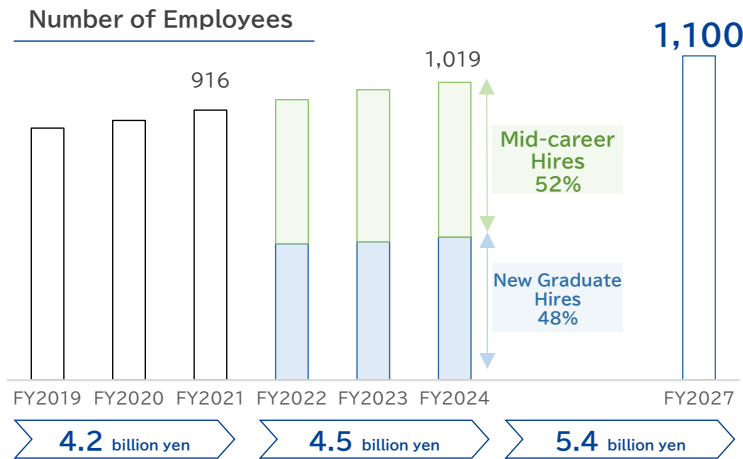
		2020	2030	2040	
Road bridge	730,000 bridges	30%	55%	75%	
Tunnel	11,000 tunnels	22%	36%	53%	
Harbor quay	61,000 facilities	21%	43%	66%	
Sewer pipe	480,000 km	5%	16%	35%	
River management facility	46,000 facilities	10%	23%	38%	
Railway	Bridge	12,000 bridges	55%	71%	85%
	Tunnel	5,000 tunnels	66%	83%	91%
Airport	95 airports	43%	60%	73%	

(Supplement) As of 2021, 33% of water pipe bridges have been in place for over 40 years

(Source: MLIT)

1 Further investment in human capital (securing and developing human resources)

- Our company must continue to secure excellent human resources, even under a permanent workforce shortage that the construction industry faces. In the three years of the Medium-term Business Plan 2027, we aim to increase the number of employees to 1,100 through active recruitment. We are also raising wages continually and expanding allowances for a long business trip or a remote transfer, due to wider-area maintenance work and overseas business, so that employees and their families can live without worries. Meanwhile, we will strengthen the human capital to realize our strategies by enhancing support for earning qualifications, increasing allowances for excellent staff, and upgrading employee education. We plan to invest approximately 5.4 billion yen over the next three years.



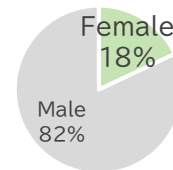
Investment in Human Capital (3-year cumulative)

- Increase in personnel expenses due to an increase in the number of employees and wage hikes
- Recruitment costs
- Education and training expenses, etc.

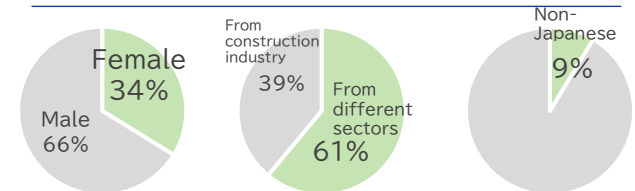
Incorporation of HR Management into Business Strategy

- We are diversifying our human resources portfolio. Half of our workforce is mid-career hires and human resources with diverse experiences and skills are actively engaged. Over the past three years, we have deliberately recruited experienced staff in line with our mid-term strategy and welcomed individuals from diverse backgrounds. Our recruitment of female new graduates has outperformed the set target.
- Rehiring and allocating experienced senior personnel to on-site supporting work strengthened safety management and construction efficiency. We will continue incorporating such HR management into our business strategy for the next three years.

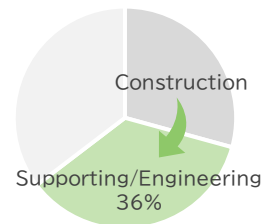
New Graduate Hires (last 3 years)



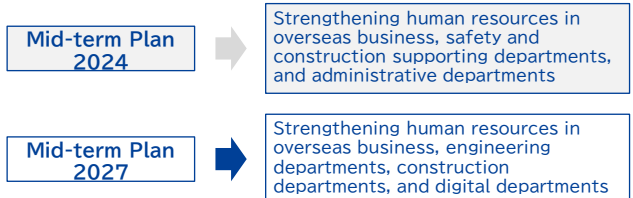
Mid-career Hires (last 3 years)



Job Distribution of Rehired Retirees



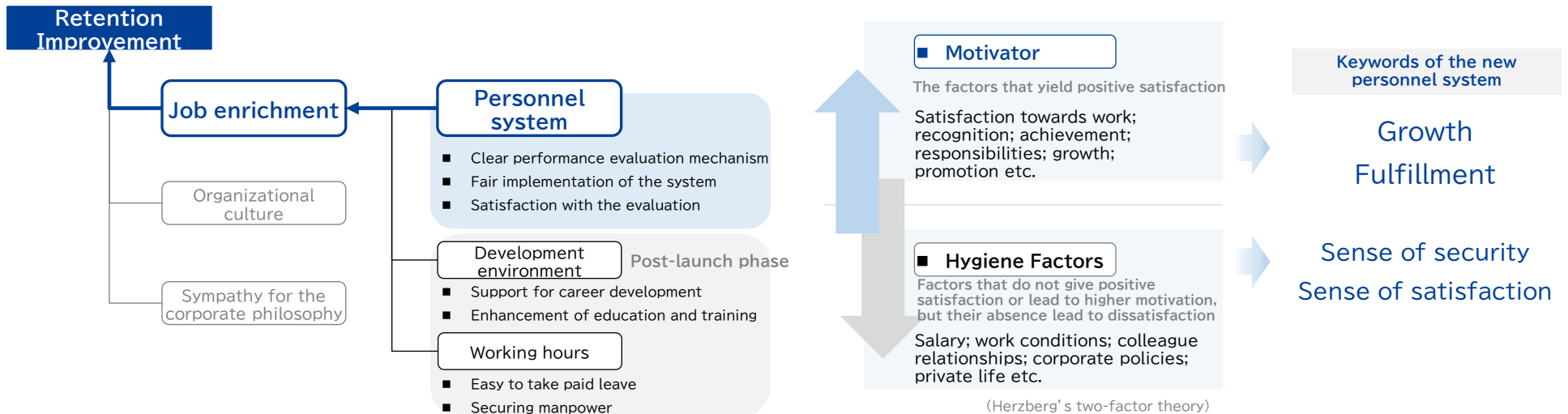
Alignment with Business Strategy



2 Retention management through the new personnel system

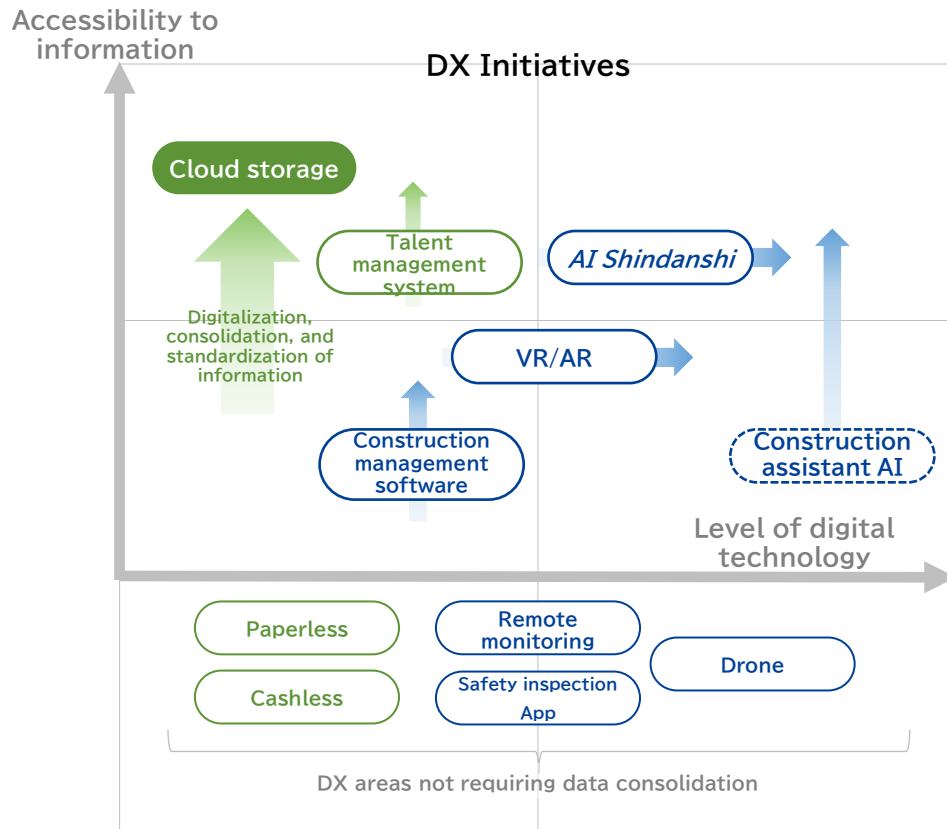
- Under the new personnel system, we will improve retention management and attempt to maximize the value created by human capital. As a result of our efforts to create a comfortable working environment by shortening total working hours, encouraging employees to take paid leave, and expanding childcare and nursing care support measures, the turnover rate has improved and remained at a low level in recent years. To maintain this high-level retention into the future, we have revamped our personnel system in line with changes in the times and environment, emphasizing growth, fulfillment, a sense of security, and a sense of satisfaction based on our organizational analysis. We will expand the enlightenment about career development and employee education programs to improve employee engagement and reduce the turnover rate.

- We have reviewed the definition of each grade in the grading system. Under the new system, employees can more easily envision their careers in five or ten years because the criteria for evaluations and promotions are clearly described. In addition, we have established clear rules for treatment and course changes for each work track. This provides each personnel a sense of satisfaction while securing work-style flexibility by enabling them to choose styles that adapt to their lives.
- In addition to enhancing the fairness and transparency of personnel evaluations linked to grading, we have revised the evaluation system to support the improvement actions of employees through appropriate feedback and lead to their fulfillment and growth. We have also expanded the qualification allowance and reviewed the remuneration system so that excellent staff can receive competitive payment.



4 Improving productivity and promoting work style reform through DX

DX in SHO-BOND



- Our group has defined two main areas for DX (digital transformation): on-site and administrative DX. We aim for improved productivity, enhanced safety management, and technology transmission in on-site DX. In administrative DX, we focus on improving productivity through work style reform.
- To realize DX and maximize its effects, we recognize the importance of promoting the digitalization and consolidation of information while enhancing the confidentiality, integrity, and availability of data to improve accessibility to information. We are advancing the consolidation of dispersed data into the cloud storage and focusing on creating a secure environment. Additionally, we are actively incorporating digital technologies in design and construction work, such as AI, VR/AR, and drone technology. We will keep promoting on-site DX by combining accumulated data with the latest digital technologies and utilizing them effectively.
- Meanwhile, about information that does not require secondary use, we will promote cashless and paperless operations for work-style reforms in conjunction with reviewing workflows.

Efforts for Environment (Climate-related Information Disclosure Based on TCFD Recommendations)

- In 2022, our group expressed support for the TCFD recommendations and identified and assessed the risks and opportunities related to the transition to a low-carbon economy and the physical changes caused by climate change. We will continue to steadily implement measures to address the identified risks and opportunities.

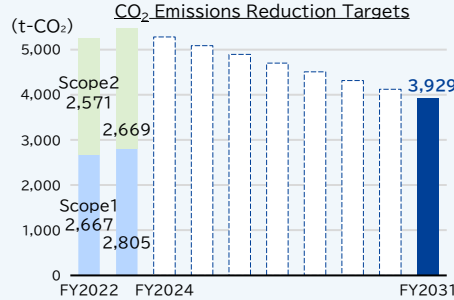
Risks / Opportunities covered			Countermeasures
Changes expected	Description		
Changes in reputation among shareholders and investors	Opportunity	<ul style="list-style-type: none"> Increased ESG investment in the SHO-BOND Group as an infrastructure maintenance specialist due to being highly regarded for its low CO₂ emissions 	<ul style="list-style-type: none"> Disclose information about CO₂ emissions (Scope 1, 2, and 3) and initiatives aimed at reducing CO₂ emissions (Scope 1 and 2)
Introduction of carbon pricing Introduction of more aggressive targets/policies for CO ₂ emissions reduction by countries around the world Changes in customer behaviors Rises in raw materials costs Acceleration of national resilience measures	Risks Opportunities	<ul style="list-style-type: none"> Increased procurement costs for energy and materials Decreased transactions due to our inability to adequately respond to customers' requests for reducing CO₂ emissions Surges in the purchase prices of resin-based materials and steel materials as a result of decreased production of naphtha and iron ore Increased demand for watershed flood control and disaster restoration work, rather than seismic reinforcement work and service life extension work, in the face of growing severity of weather disasters Increased price competitiveness with the delivery of low-carbon construction services and products in the field of repair and reinforcement Due to CO₂ emissions regulations, the number of life-extending works of buildings and infrastructures increases while the amount of overall investments in construction decreases Increased competitiveness as an infrastructure maintenance specialist offering low-carbon construction, as low CO₂ emissions are highly regarded in tenders and selection of construction methods Increased demand for infrastructure maintenance to counter natural disasters 	<ul style="list-style-type: none"> Promote green procurement, including switching to low-carbon materials Switch to renewable energy and promote energy conservation during construction 1 Invest in solar power generation for own consumption, etc. 2 Develop low-carbon and decarbonization technologies Develop new technologies that support the preventive maintenance of infrastructure 3
Increase in average temperature	Risks	<ul style="list-style-type: none"> Decreased productivity in line with increased heat stroke cases among on-site workers Increased costs for improving working environment and introducing equipment, etc. to prevent heat stroke Worsening worker shortages due to deteriorating outdoor working conditions 	<ul style="list-style-type: none"> Develop technologies for improving on-site working environments and implement heat stroke countermeasures 5
Growing severity of weather disasters	Risks	<ul style="list-style-type: none"> Increased costs due to process delays at disaster-stricken sites Supply chain disruption Damage to or shutdown of operations at disaster-stricken own factories or contracted manufacturing plants 	<ul style="list-style-type: none"> Work together with the entire supply chain to strengthen BCP measures in preparation for disasters 4 Manage sanitation related to water in a sustainable manner 6

(See next page for more details)

Specific Initiatives for Climate Change

1 Switch to renewable energy and promote energy conservation during construction

Our group, due to its business characteristics as a maintenance specialist, has the feature of low CO₂ emissions. However, we will take multiple actions, such as utilizing non-fossil certificates, to achieve our CO₂ emission reduction target by FY2031.



3 Develop new technologies that support the preventive maintenance of infrastructure

As one of our preventive maintenance technologies, SBLN GEL has been developed. This gel contains a high amount of lithium nitrite, which has a rust-preventive effect on rebar and can protect rebar simply by applying it to the concrete surface. We will continue to develop such technologies.



SBLN GEL

5 Develop technologies for improving on-site working environments and implement heat stroke countermeasures

We recognize that interdependent safety activities are important for preventing heatstroke. As a result of our group's efforts to foster mutual safety awareness, there have been zero heatstroke incidents in the past three years. We will continue these activities.

2 Invest in solar power generation for own consumption, etc.

Our group is promoting the installation of solar power generation equipment on the rooftops of our buildings to reduce CO₂ emissions. Solar panels were installed on the rooftop of the Kyoto Branch in 2021 and the Kita-Nihon Regional Office in 2023. We will continue to explore and advance the installation.



Kita-Nihon Regional Office

4 Work together with the entire supply chain to strengthen BCP measures in preparation for disasters

Our couplings are designed in our factories and manufactured by partner companies. Although these factories are located in different places, both are at high risk of flooding and are aging. Therefore, we plan to construct a new factory that consolidates both factories in a location with a lower risk of flooding, thereby improving our business continuity.

6 Manage sanitation related to water in a sustainable manner

Our construction sites use a lot of water for tasks such as concrete chipping and handwashing by workers. To maximize reuse, we are promoting the on-site introduction of circulating handwashing units that reuse handwashing water.

変化こそ 進歩なり

The SHO-BOND Group will continue to take on new challenges with the founder's spirit of passion for constant progress.

"Change in itself is progress" is a mantra often used by our company's founder Mr. Ueda.

Mr. Ueda used this phrase repeatedly when telling everyone at the SHO-BOND Group about the importance of aiming for ambitious goals and constantly making improvements to achieve progress.

I like the phrase "change in itself is progress."

Periods with no difficulties at all will always come to an end.

Change produces challenges as well as progress.

History has demonstrated that only companies able to alter themselves to reflect changes in the business climate are able to compete and survive.

Excerpt of Mr. Ueda's 1990 New Year message



Mr. Ueda giving a speech at the 1972 Division Managers Conference

The publication to celebrate SHO-BOND's 40th anniversary included the following reflections of Mr. Ueda in the past four decades.

"For the past 40 years, I have always demanded and put into practice 'high expectations' when it comes to my company. In other words, I have set high goals and put them into practice based on the two slogans 'Change in itself is progress' and 'company's benefits are the standard for decision-making.' I have gritted my teeth and want to encourage you all."

By remaining true to his beliefs, Mr. Ueda saw his new company grow from five people at a single factory to Japan's leading company in the field of infrastructure maintenance.

Appendix

Appendix: Overview of Infrastructure Maintenance Policy in Japan (Source: Prepared by SHO-BOND based on MLIT data, etc.)

Countermeasures against ageing infrastructure

Disaster prevention measures

2012 Sasago Tunnel Ceiling Collapse

Ceiling plates and partition wall fell for about 130 meters, multiple moving vehicles bumped into accidents and 9 dead.

2011 The Great East Japan Earthquake

2013 Revise of Road Act ...mandatory inspection/5 years as countermeasures against disaster and ageing infrastructure,

Revise of Act on Special Measures Concerning Road Construction and Improvement

National Resilience Basic Act

The First Year of Social Infrastructures Maintenance

Basic Plan for Extending Service Life of Infrastructure (action plan)

Fundamental Plan for National Resilience

More than 50 emergency transportation roads were closed
 →Profound impact on disaster recovery and disaster support
 →Urgent need to eliminate the missing link in disaster

2015 Expressway Renewal Project

¥5.5 trillion

6 expressway companies

Contract progress
48%

2018 Three-year emergency response plan

¥7 trillion

2016 Kumamoto Earthquake

Emergency transportation roads' quake resistance

Road administrator	Implementation status
Expressway companies	78%
National Gov.	87%
Local Gov.	80%
Total	81%

2021 Five-year acceleration plan

¥15 trillion

2023 Act revision

2023 Act revision

Additional plans

5 expressway companies ¥1.5 trillion

Budget assured & mandatory

Expressway companies' earthquake retrofitting plan

Improvement of bridges' quake resistance
 Speed up from 102 bridges/year to 290 bridges/year

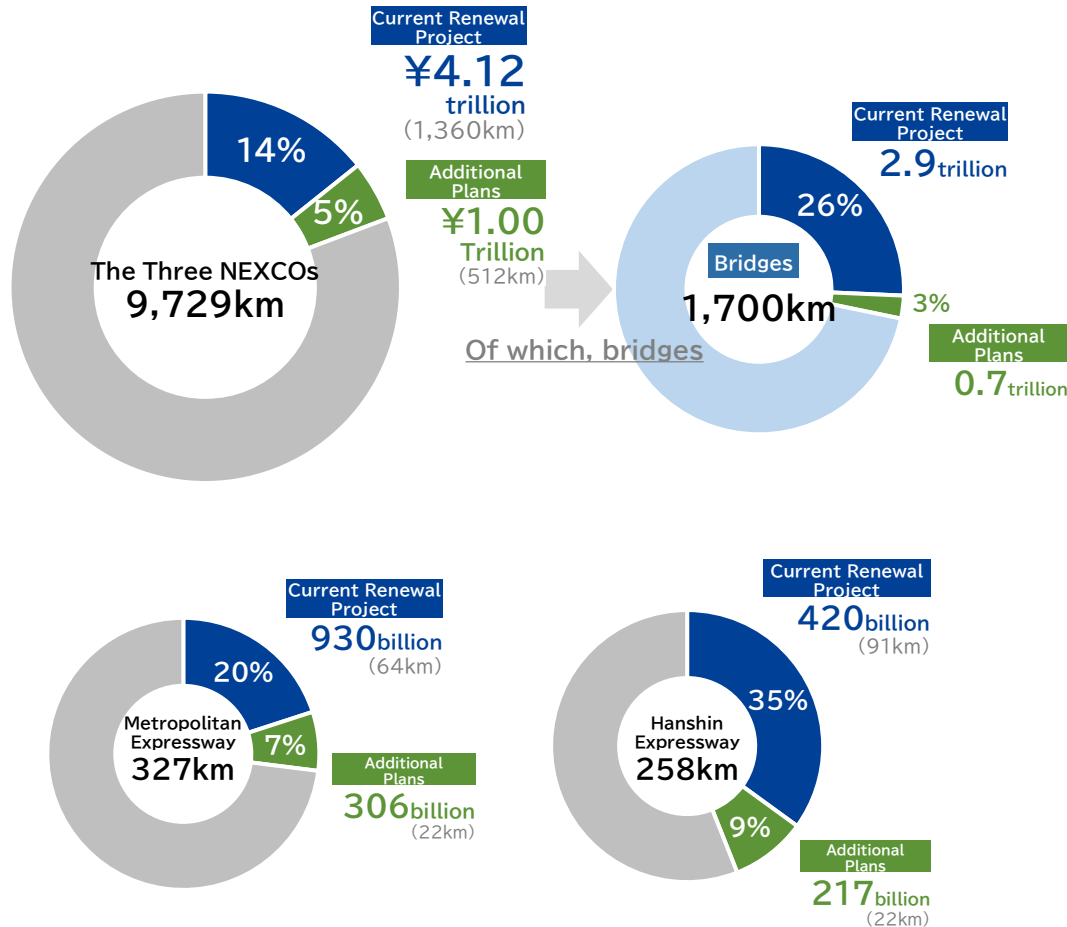
2030 Estimated that an additional ¥6.8 trillion will be required

Appendix: Expressway Renewal Project and Earthquake Retrofitting Plan by Expressway Companies

(Source: Prepared by SHO-BOND based on MLIT data, etc.)

Expressway Renewal Project

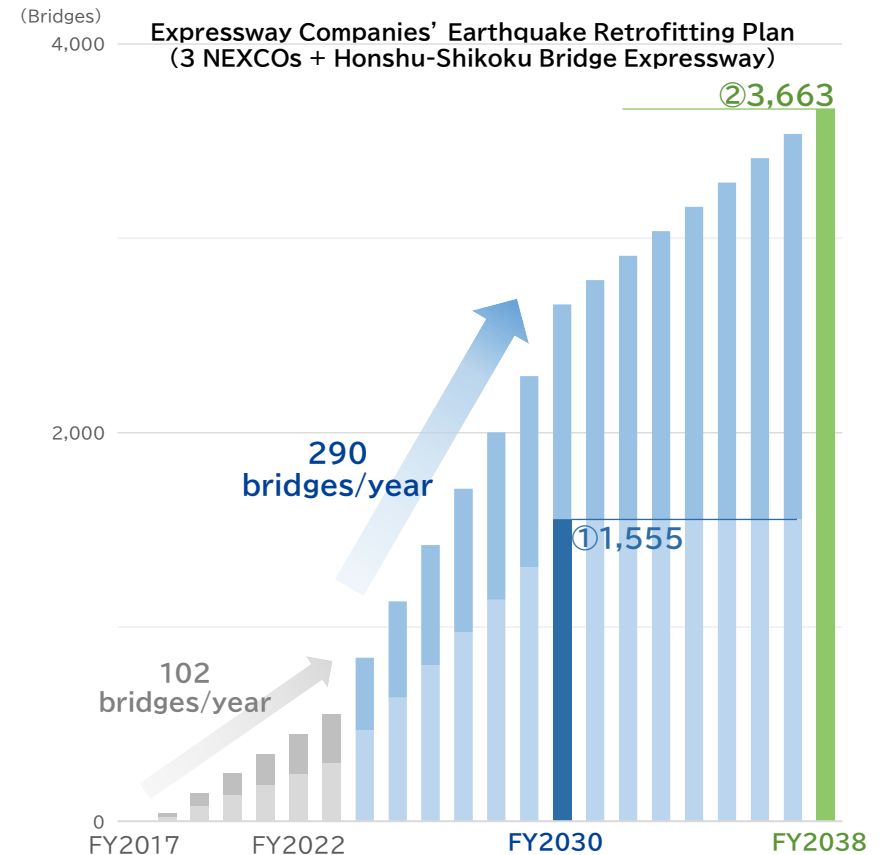
...Proportion of total length covered by the project



Expressway Companies' Earthquake Retrofitting Plan

...Bridge reinforcement plan to ensure the function of emergency transport roads during major earthquakes

Elimination of missing links during major earthquakes in regions with occurring probability ①26% or higher ②the other



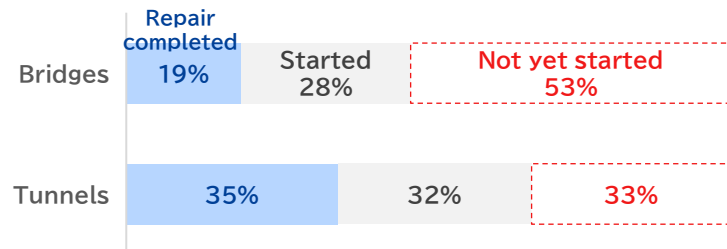
Appendix: Status of Domestic Road Infrastructure

(Source: MLIT)

- Following the revision of the Road Act in 2013, all road administrators have conducted close visual inspections once every 5 years since FY 2014.

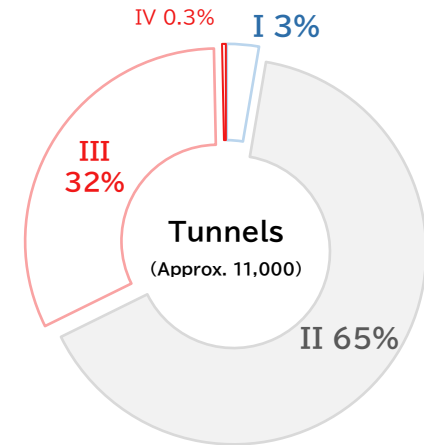
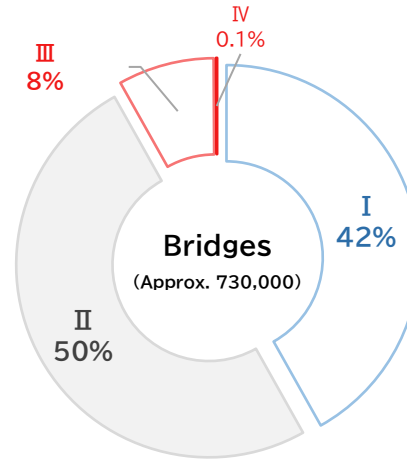
I Soundness	The function of the structure is intact.
II Preventative maintenance stage	The function of the structure is intact, but it is desirable to take measures from the viewpoint of preventative maintenance.
III Early action stage	The function of the structure may be impaired, and measures should be taken at an early stage.
IV Emergency action stage	The function of the structure is already impaired or is highly likely to be impaired, and measures should be taken immediately.

Repair Status of Infrastructure in Category III and IV (subject to corrective maintenance) (As of March 2023)



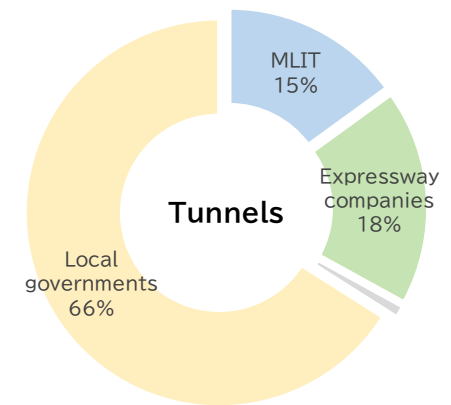
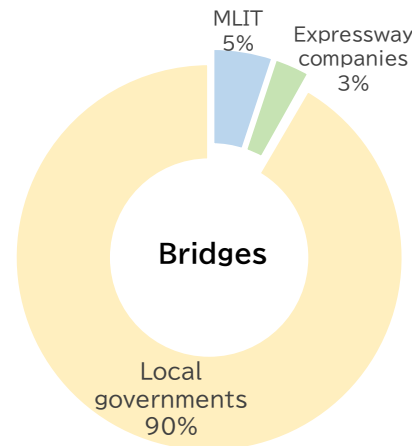
Number of Facilities by Category

(As of March 2023)



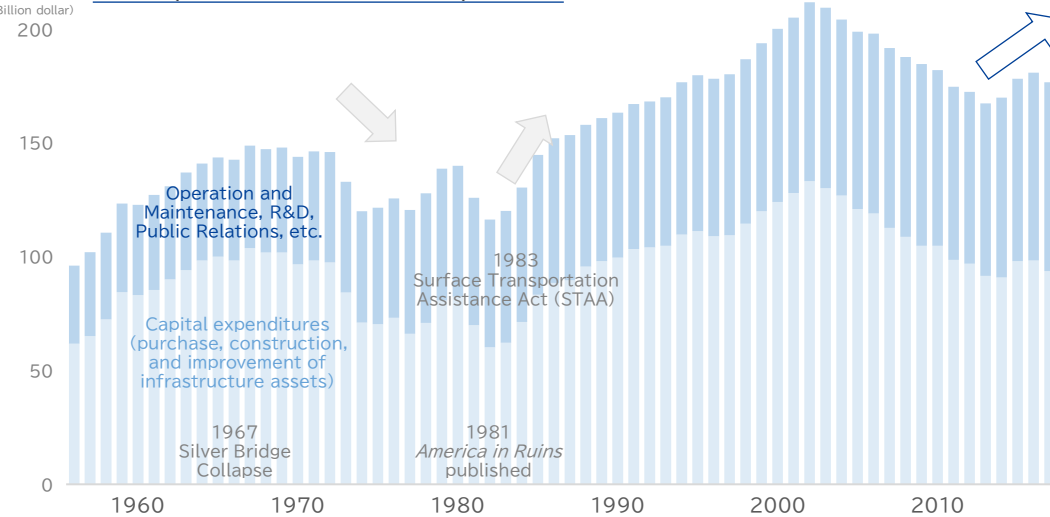
Number of Facilities by Administrator

(As of March 2023)



Appendix: Congressional Budget on Roads in the United States

Public Spending for Highways, 1956-2017 (billions of 2017 dollars)



(Source: Prepared by SHO-BOND based on MLIT data, etc.)

Road Infrastructure Laws and Its Budgets in the United States

1992 ISTEAL	5 years	\$155.3 billion (\$31.1 billion/year)
1998 TEA21	5 years	\$218 billion (43.6)
2005 SAFETEA-LU	5 years	\$244.1 billion (48.8)
2013 MAP21	2 years	\$105 billion (52.5)
2015 FAST	5 years	\$305 billion (61.0)
2021 IJA	5 years	\$973 billion (194.6)

(Source: Prepared by SHO-BOND based on Japan Expressway Holding and Debt Repayment Agency data)

(President Trump)

- 2019 Agreed with the opposition to start a discussion on a **\$2 trillion** infrastructure investment bill over 10 years, but the discussion was cut off due to impeachment proceedings.
- 2021 **Infrastructure Investment and Jobs Act (IIJA)** (President Biden) [Approximately **\$1 trillion** over 5 years]
\$400 billion for the repair and reinforcement of roads and bridges
15,000 out of **45,000** bridges in poor conditions are targeted
- 2023 It is estimated that more than **\$319 billion** is needed to repair and reinforce approximately **220,000** bridges that require maintenance. (Source: American Road & Transportation Builders Association 2023 Report)

(Billion dollar)

Budget Progress (From November 2021 onwards)

	Budget Progress	
Transportation	644.4	300.3
Roads, Bridges and Major Projects (Including repair and reinforcement of roads and bridges)	400.0	181.4
Passenger and Freight Rail	66.0	34.7
Public Transportation	91.2	42.5
Airports and Federal Aviation Administration Facilities	25.0	11.6
Ports and Waterways	16.7	9.7
Safety	38.0	14.3
Electric Vehicles, Buses and Ferries	7.5	6.1
(Others)		
Climate, Energy, and the Environment	126.0	98.3
Broadband	65.0	60.8
Other Programs	※137.6	1.6
(Total)	973.0	461.1

(Source: Prepared by SHO-BOND based on White House data)
(No expense breakdown is given for some of these items)

Appendix: Examples of Repair and Reinforcement Works (SHO-BOND)

Repair

■ Emergency repair of pavement and road surface



■ Concrete crack repair



■ Cross-Sectional restoration materials and Adhesives



Prevention

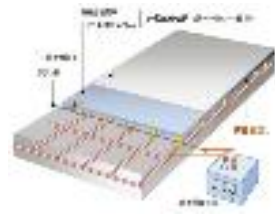
■ Prevention of concrete deterioration



■ Spalling prevention



■ Cathodic protection (salt damage)



Reinforcement

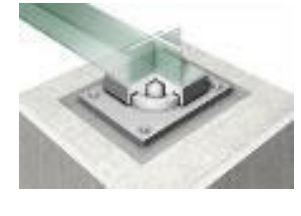
■ Deck slab replacement



■ Reinforcement method

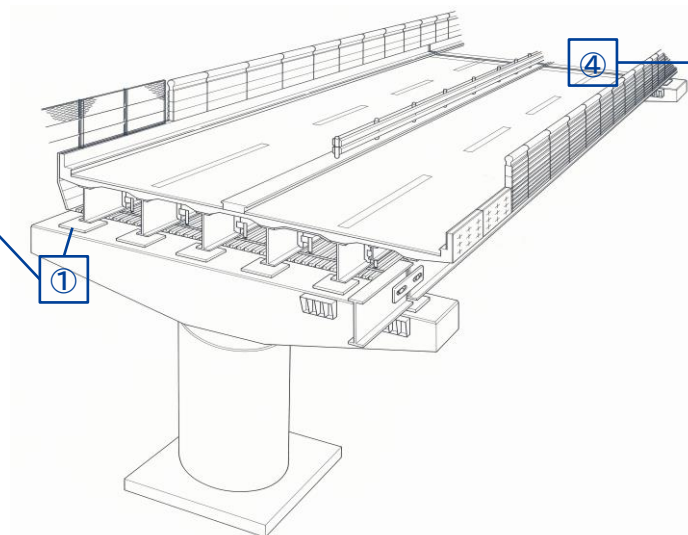


■ Seismic retrofitting



Appendix: Examples of Repair and Reinforcement Works (SHO-BOND)

Repair or replacement of Bridge bearing①



④ Expansion joints



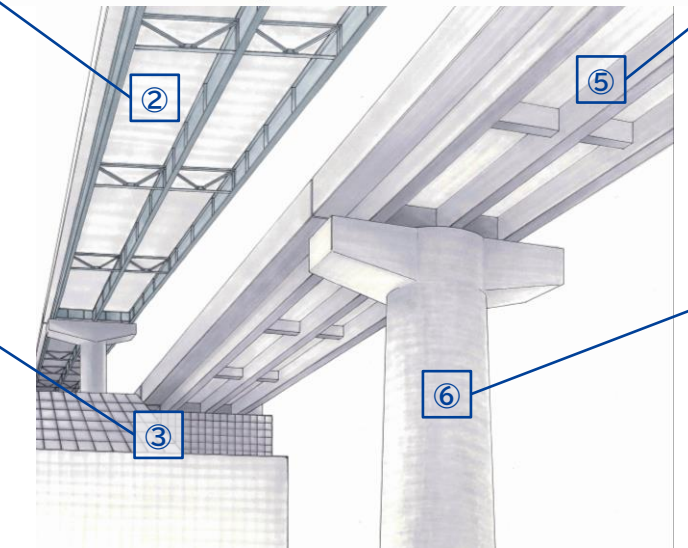
Sound absorbing plate②



⑤ HYBRID sheet for preventing the peeling off



Prevention device for bridge fall③

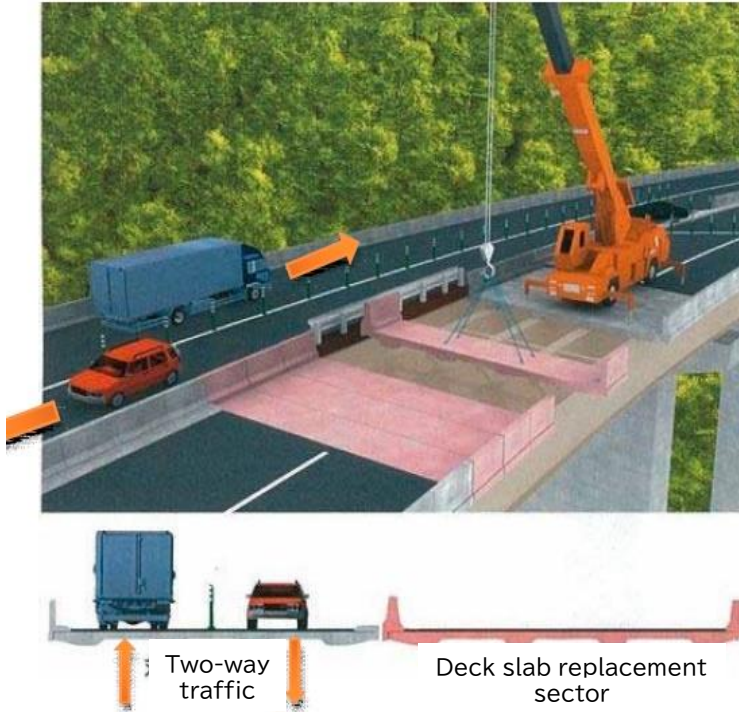


⑥ Winding RC for reinforcement



Appendix: Expressways (Example of a Large Renewal Project)

Highlights of a major renewal project

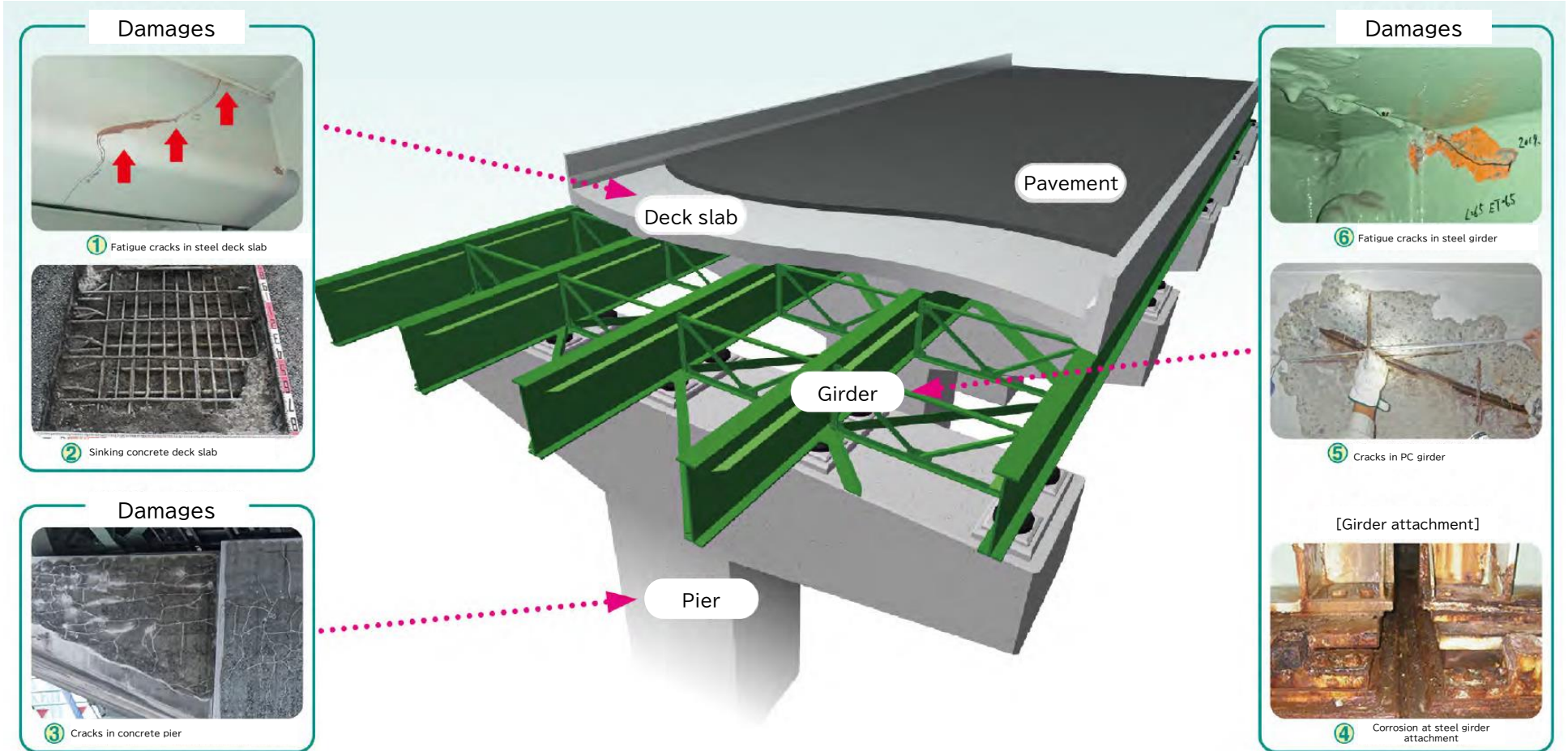


NEXCO CENTRAL manages approximately 2,000 km of Expressway such as the Tomei Expwy and Chuo Expwy. Meishin Expwy has been aging for more than 50 years since the whole line was opened, and about 60% of the roads have been in service for more than 30 years.

Source: Prepared by SHO-BOND based on NEXCO CENTRAL websites

Appendix: Expressways (Example of a Large Repair Project)

Highlights of a major repair project



Source: Hanshin Expressway

Disclaimer

This document is an English translation of the announcement titled “Medium-term Business Plan 2027” released in Japanese on August 9, 2024. The Company provides this translation for your reference and convenience only without any warranty as to its accuracy. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail.