



世紀東急工業株式会社

Corporate Report 2021

An infrastructure building company that helps create affluent communities

A truly strong corporate group that pursues personal and corporate growth in tandem and helps realize a sustainable society

To earn trust
To rise to the challenge for change
To take the lead and take action
To share our knowledge and technologies

1. To recognize that safety always comes first when executing our business.
2. To conduct fair and transparent business activities that not only naturally comply with all laws and regulations but also conform with internal rules.
3. To conduct fair and transparent decision making.
4. To conduct timely disclosure in an appropriate and fair manner.
5. To conduct appropriate accounting and reporting.
6. To focus on the market and provide products that customers trust.
7. To comply with environmental laws and regulations and conduct environment-conscious corporate activities.
8. To have absolutely no dealings with anti-social forces and to resolutely refuse any improper demands.
9. To provide and preserve fine, healthy workplace environments.
10. To seek to use electronic information fairly, maintain trust, and ensure confidentiality.
11. To recognize the importance of intellectual property and trade secrets and ensure they are both handled appropriately.
12. To always distinguish between public and private needs and never act in a way that would be detrimental to the Company's interests.
13. To never engage in insider trading or the sale of stocks or other items that could be considered suspect.

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Editing Policy

Our aim in publishing this report is to disclose initiatives designed to improve Seikitokyu Kogyo's medium- to long-term corporate value to our shareholders, investors, and all other stakeholders, and to encourage opportunities for dialogue. The report includes not only financial information, but also non-financial information on topics such as our long-term corporate vision, the environment, society, and governance.

We hope this report will help deepen your understanding of our corporate goals and approach.

Report Scope and Timeframe

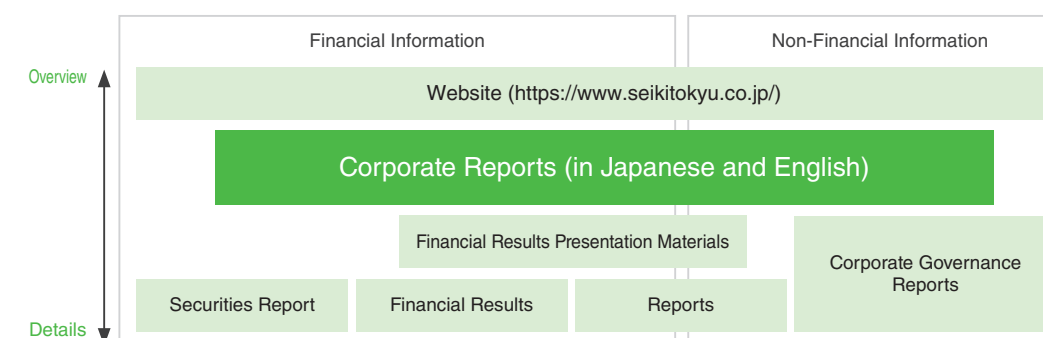
Timeframe: April 2020 to March 2021 (includes some activities that fall outside this period)

Scope: The whole Seikitokyu Kogyo Group. However, some of the non-financial information refers to SEIKITOKYU KOGYO CO., LTD. only.

Reference Guidelines

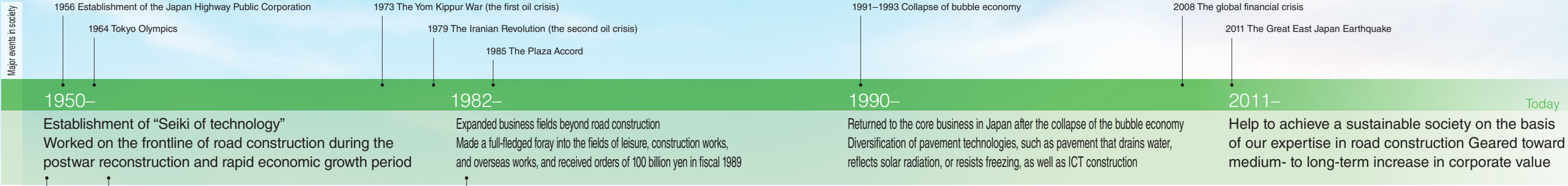
Environmental Reporting Guidelines, Japan's Ministry of the Environment
Guidance for Collaborative Value Creation, Japan's Ministry of Economy, Trade and Industry

Scope of Information



History of Seikitokyu Kogyo Group

We were established in January 1950 as SEIKI KENSETSU KOGYO CO., LTD. The Company changed its name to SEIKI KENSETSU CO., LTD. in April 1962, and later merged with Tokyu Road KK to establish SEIKITOKYU KOGYO CO., LTD. Today, our business encompasses (1) pavement construction works for expressways and other roads, airports, bridges, regulating reservoirs, and station platforms and maintenance of sports parks and athletic fields, as well as (2) pavement materials manufacturing and sales and acceptance of construction waste. The Seikitokyu Kogyo Group, which includes 12 subsidiaries, operates across Japan and in (3) Myanmar and Guam.



Tokyu Road (1967–1982)

In response to an increasing demand for road pavement, the Road Construction Unit of Tokyu Construction Co., Ltd. was separated from the company in January 1967 to establish Tokyu Road KK. While constantly delivering results as a company specialized in road construction, Tokyu Road was committed to building asphalt material plants. The material plants established in Asaka and Yokohama in the 1960s form the basis of the material network in the Kanto area, which constitutes our strength today. The 1970s saw the start of the urban court business. Environment and landscape technologies that originate here are used today for many sports facilities and parks, such as tennis courts, athletic fields, and promenades.



Kenzaburo Kondo
(The first president of Tokyu Road KK)

Kenzaburo Kondo played a central role in urban and road planning in Hsinking, the capital of Manchuria, and led road construction projects. He served as secretary general of the Japan Highway Users Conference after World War II and was known as a traffic policymaker and road theorist since early days.

SEIKI KENSETSU (1950–1982)

SEIKI KENSETSU KOGYO CO., LTD. was established in January 1950 by Masaaki Seto, Hidenobu Oshima, and others, who played a central role in urban planning and road construction in Manchuria. The Company worked on the frontline of road construction in postwar Japan and provided a foundation for reconstruction and rapid economic growth. Shortly after the establishment, the Company started to show its presence with great ambitions for road construction and advanced technologies, receiving an order for the first pavement construction work on service contract from the Ministry of Construction in 1955 and an order for the first pavement construction work from the Japan Highway Public Corporation in the following year. A laboratory was established in 1959, where research on asphalt pavement was conducted while concrete pavement was the mainstream at the time. This laid the foundation for what will later be called “Seiki of technology.” The first asphalt plant was established in 1951, and the first recycling plant was established at Myokenjima, Edogawa-ku in 1977, with an eye to changes of the times.



Pavement construction work at the time of the Company's foundation



Masaaki Seto
(The first president of SEIKI KENSETSU KOGYO CO., LTD.)

Masaaki Seto was the central figure of SEIKI KENSETSU KOGYO CO., LTD., both as the president and as an engineer. Although the Company was a relative latecomer to the business, he made its name known nationwide within a few years after the establishment and expanded the business scale.



The origin of the Company name of SEIKI KENSETSU KOGYO

The Company was established in the first year of the second half of the 20th century, and the road pavement works by the founders were recognized by a chief engineer of U.S. military as the best work humans have done in the century (*seiki*). The Company name derives from these events, expressing the ambition to continue to produce business achievements of the century.



(1) Asphalt pavement construction work



(2) Asphalt mixture plant



(3) Emulsion plant in Myanmar



After the collapse of the bubble economy, the Company concentrated its management resources on the core business. A wide range of pavement technologies were established, including pavement that drains water, which prevents water from staying on the surface and has become common in today's expressways; pavement that reflects solar radiation, which curbs the heat-island phenomenon; and pavement that resists freezing, which prevents car accidents caused by slippery road conditions in winter. In addition, the Company has satisfied the diversifying needs of society by using its technologies. For example, research and development, as well as actual use, of ICT construction has been under way, which can address various issues, including safety of construction works, productivity at construction sites, stabilization of quality, and future labor shortage.



Urban Cool (solar radiation reflective type) (Shibuya Crossing, Tokyo)



ICT construction technology

In 1999 and 2001, the Company received an order for the first pavement construction work on performance based contract and an order for the first pavement construction work based on the comprehensive evaluation contract respectively from the Ministry of Land, Infrastructure, Transport and Tourism. These once again showed internally and externally the ambitions and advanced technologies passed on since the establishment of the Company.

In addition to committing to the core business centered around road construction, the Company supports disaster restoration and reconstruction through a wide range of business activities. As the frequency and severity of large earthquakes, typhoons, torrential rains, and other natural disasters increase, the opportunity to engage in disaster restoration and reconstruction increases as well. Specifically, the Company eliminates road obstacles in expressways and other major roads, which is the first step of restoration; removes and takes in rubbles; works on full-fledged restoration of roads; constructs new, alternative routes; engages in bank protection works; decontaminates radioactively contaminated areas; and engages in works related to interim storage facilities that store soil removed in the course of decontamination and contaminated waste. As global warming and other environmental problems have become increasingly serious, the Company works on research and development of environmentally friendly products and construction methods, as well as introduces facilities to reduce environmental impact. In addition, initiatives are under way to shape the overall picture of environmentally friendly business activities. The Group will continue to give consideration to the global environment and help achieve a sustainable society, aiming for a medium- to long-term increase in corporate value.



Minamisoma Mixture plant established after the Great East Japan Earthquake (Fukushima)



Training center (TTC)

Major events in society

History of Seikitokyu Kogyo

TOPICS

- January 1950 SEIKI KENSETSU KOGYO CO., LTD. established
- October 1955 Received an order for the first pavement construction work from the Ministry of Construction
- November 1956 Received an order for the first pavement construction work from the Japan Highway Public Corporation
- September 1973 Listed shares on the Second Section of the Tokyo Stock Exchange
- May 1976 Established the equipment center
- May 1977 Installed the first recycling plant
- April 1980 New technology research laboratory established

- January 1967 Tokyu Road KK established
- 1967 Hakone Turnpike pavement construction work
- October 1967 Established Asaka bitumen plant
- December 1968 Established Yokohama bitumen plant
- 1970 Launched Tokyu Mix cold construction mixture
- September 1975 Acquired the urban court business

- May 1982 SEIKI KENSETSU CO., LTD. and Tokyu Road KK merged and changed corporate name to SEIKITOKYU KOGYO CO., LTD.
- November 1982 Changed listing to the First Section of the Tokyo Stock Exchange
- Tohoku Expressway Ichinohe pavement construction work
- Honshu-Shikoku Bridge (Kojima-Sakaide route) pavement construction work
- New Chitose Airport runway pavement construction work, etc.

- September 1996 Established the action guidelines
- March 1999 Received an order for the first pavement construction work on performance based contract from the Ministry of Construction
- March 2001 Made a successful bid for two construction projects out of the three for construction projects for the first pavement construction work based on the comprehensive evaluation contract ordered by the Ministry of Land, Infrastructure, Transport and Tourism
- September 2002 Established the Compliance Code of Conduct
- Trans-Tokyo Bay Highway bridge pavement construction work
- Central Japan International Airport apron pavement construction work
- New Transit Waterfront Line track construction work, etc.

- December 2015 Established the Seikitokyu Kogyo Corporate Governance Guidelines
- April 2016 Established the training center (TTC)
- January 2020 Celebrated the 70th anniversary of the Company's founding
- May 2021 Formulated Where We Should Be in 2030
- Shin-Tomei Expressway Shimizuishi pavement construction work
- Tokyo-Gaikan Expressway Ichikawa pavement construction work
- Naha Airport runway expansion and pavement construction work, etc.

Financial and Non-Financial Highlights

Financial Highlights (as of and for the years ended March 31)

	Unit	62nd fiscal year 2011	63rd fiscal year 2012	64th fiscal year 2013	65th fiscal year 2014		66th fiscal year 2015	67th fiscal year 2016	68th fiscal year 2017	69th fiscal year 2018	70th fiscal year 2019	71st fiscal year 2020	72nd fiscal year 2021
Operating Results													
Orders received	(Millions of yen)	61,010	70,329	68,900	73,321		71,083	75,724	71,427	80,572	78,817	86,889	89,611
Net sales	(Millions of yen)	59,365	61,106	71,091	71,691		63,542	74,634	70,075	81,659	74,036	78,631	90,025
Operating income	(Millions of yen)	2,109	2,294	3,731	4,779		4,528	6,291	6,412	6,235	5,564	5,961	8,470
Ordinary profit	(Millions of yen)	1,943	2,178	3,551	4,730		4,487	6,261	6,338	6,239	5,584	6,009	8,395
Net profit attributable to owners of parent	(Millions of yen)	1,715	1,886	3,705	3,793		4,365	5,682	5,621	2,274	3,480	6,544	5,180
Cash Flows													
Cash flows from operating activities	(Millions of yen)	1,217	2,945	4,796	5,433		2,862	6,679	6,949	6,303	4,781	4,461	1,138
Cash flows from investing activities	(Millions of yen)	(361)	(130)	(608)	(1,407)		(1,234)	(1,658)	(4,896)	(2,231)	(1,777)	(3,808)	(3,622)
Cash flows from financing activities	(Millions of yen)	(2,525)	(2,610)	(4,828)	(1,551)		(1,604)	(1,603)	1,815	(1,684)	(2,005)	(2,919)	2,343
Cash and cash equivalents at end of year	(Millions of yen)	3,006	3,206	2,566	5,041		5,064	8,482	12,350	14,737	15,735	14,169	14,035
Financial Position													
Net assets	(Millions of yen)	8,544	8,801	11,344	12,791		17,083	21,231	26,072	28,098	31,543	36,632	40,790
Total assets	(Millions of yen)	47,339	49,597	48,106	50,809		56,079	57,544	66,444	72,192	70,906	74,656	79,409
Interest-bearing debt	(Millions of yen)	9,650	8,659	5,009	4,508		3,508	2,508	5,008	4,008	2,404	772	5,007
Amount Per Share (after adjustments for the reverse stock split) *A one-for-five reverse stock split was conducted in October 2014. Figures as of and for the years ended March 31 after fiscal year 2014 reflect the effects of the reverse stock split.													
Net income	(Yen)	11.85	10.54	19.36	95.48		108.13	140.78	139.26	56.35	86.16	162.40	128.45
Net assets	(Yen)	8.77	31.50	51.34	316.84		423.19	525.96	645.90	696.09	780.73	909.13	1,010.99
Dividends	(Yen)	—	—	—	15		15	17	17	10	27	47	43
Stock price at end of year	(Yen)	89	66	82	615		518	471	531	688	589	816	931
Financial Indicators													
Equity ratio	(%)	18.1	17.7	23.6	25.2		30.5	36.9	39.2	38.9	44.5	49.1	51.4
Return on equity	(%)	20.3	21.7	36.8	31.4		29.2	29.7	23.8	8.4	11.7	19.2	13.4
Price-earnings ratio	(%)	7.51	6.26	4.24	6.14		4.79	3.35	3.81	12.21	6.84	5.02	7.25
D/E ratio	(Times)	1.1	1.0	0.4	0.4		0.2	0.1	0.2	0.1	0.1	0.0	0.1

Non-Financial Highlights (as of and for the years ended March 31)



Value Creation Process

As an infrastructure building company that helps create affluent communities, we aim to provide lasting value to society and improve our own corporate value over the medium- to long-term.

Social Issues (Risks and opportunities)

- Declining working-age population due to shrinking population, aging society, and low birth rate
- Uncertain future political, economic, and international situations
- More frequent and severe natural disasters
- Deteriorating infrastructure
- The soundness of central and local government financial situations
- Immature infrastructure in some Asian and developing countries
- Global environment protection and climate change issues
- Securing leaders
- Improving productivity
- Compact cities
- Public-works expenditure trends
- Private construction demand trends
- Fluctuation in crude oil price
- Increased awareness of disaster prevention and mitigation
- Greater national resilience
- Less construction of new roads
- Higher demand for maintenance/updating
- Infrastructure lifecycle costs
- More efficient upkeep management
- Vigorous infrastructure demand
- Low carbon, zero carbon
- Zero fossil fuels, energy saving
- Concerns over reduced straight asphalt supply volumes, and price fluctuation
- Renewable energy



Where We Should Be in 2030

Long-term Vision P13–14

A truly strong corporate group that pursues personal and corporate growth in tandem and helps realize a sustainable society

OUTCOME

Our customers

- Needs-focused services
- Providing high-quality construction and products

Our shareholders and investors

- Improving medium- to long-term shareholder value
- Stable and consistent shareholder returns

Our employees

- Job satisfaction
- Safe and secure basis for daily living
- Kindness, sense of connection, self-fulfillment

Local communities

- Safe and secure basis for daily living
- Contribution to disaster recovery and restoration

Our business partners

- Fair and equal business dealings
- Co-creation based on mutual trust

Our environment

- Global environment protection
- Reducing environmental impact

Message from the President

We intend to work toward 2030 as an infrastructure building company that contributes to communities based on a clear awareness of current circumstances and a commitment to full disclosure.

Director, President

Yoshikazu Taira


Looking Ahead to Where We Should Be in 2030

Seikitokyu Kogyo celebrated our 70th anniversary in 2020. We are extremely gratefully and delighted to have reached this major milestone thanks to the efforts of successive presidents and senior colleagues since our founding in 1950, as well as the help and support of multiple related parties and the sincere determination of each and every one of our employees.

In addition, in fiscal 2020, the final year of our previous Medium-term Management Plan which focused on taking on the challenge of sustainable growth and putting our business on solid footing for the next stage, net sales exceeded 90 billion yen for the first time in 19 years. We also achieved a record level of operating income, which illustrates the true power of our core businesses. We were able to execute our investment plans and capital policy as planned and steadily paved the way for future growth.

Furthermore, we announced our long-term vision which focuses on the next 10 years entitled: Where We Should Be in 2030. This is truly an opportune moment, and I feel that we have been steadily gathering and ordering the tasks that we need to fulfill without delay to secure that future.

Our corporate philosophy forms the backbone of our management strategy and the basis of our Where We Should Be in 2030 goals.

In 1982, SEIKI KENSETSU CO., LTD. and Tokyu Road KK merged and embarked on a new journey as SEIKITOKYU KOGYO CO., LTD. 10 years after the merger in 1992, we were trying ascertain what Seikitokyu Kogyo needed to do

as we approached the 21st century, and that was when we determined our corporate philosophy to serve as an infrastructure building company that helps create affluent communities.

However, at the time, we had been focusing on diversified management, such as golf course development, during Japan's bubble economy. When the bubble burst, the Company was hit hard, we reported huge losses, determined to restructure, and experienced 19 years of unrelenting decline as a non-dividend paying company. It was truly a trial to determine our survival or extinction.

Our corporate philosophy has always been a great source of strength even during such difficult times. Not only in regular times, but also in times of disaster, we seek to sincerely fulfil the responsibility expected of us by local communities as an infrastructure building company. We survived in order to help local communities and to serve as an unassuming backseat player. Our corporate philosophy serves as bedrock of our corporate management that will never falter, whatever the circumstances.

Based on this philosophy, the goal of our Where We Should Be in 2030 strategy is to become a truly strong corporate group that pursues personal and corporate growth in tandem and helps realize a sustainable society. Given our firm foothold in the road construction industry, we seek to help create sustainable local communities as a widely trusted infrastructure building company. That is the goal behind our high growth ambitions.

Human Resourcefulness Is What Expands Regional Bases

So, how will we move forward over the next 10 years as Japanese society is currently experiencing a period of major change? The construction business environment presents various challenges. We do expect to see firm underlying demand flowing from disaster prevention and mitigation and national resilience measures. However, public works projects are also expected to decline over the medium to long term as Japan's declining and aging population results in falling tax revenues.

Recognizing the current situation, we have established the following basic policies for realizing our Where We Should Be in 2030 strategy: (1) Expand stable earnings, (2) Diversify revenue sources, (3) Execute people-centric management, (4) Establish new ways of working, and (5) Enhance management and financial base. We intend to formulate strategies and measures based on these five basic policies and implement them reliably within our current Medium-term Management Plan of which fiscal 2021 is the first year.

We will progress all five basic policies simultaneously. However, I believe that a company is only able to grow when its employees are also growing individually, and vice versa. For that reason, we are placing particular emphasis on policy (3) Execute people-centric management.

We boast over 100 bases across Japan and our employees are dedicated to helping enrich the local community surrounding each of those bases. We need 100 managers for those 100 offices, so we have to nurture employees with resourcefulness and strong leadership skills if our business is to be successful. They are the very lifeline of the Company.

The branches that manage individual regions hold monthly managers meetings. These meetings are important pillar support venues for the Company, and head office executives, including myself, always attend them and work to synchronize the different vectors of

the Company, branches, and offices. Amid the COVID-19 pandemic, we are seeing a rise in teleworking and remote working. However, we still need opportunities to get together in person and talk directly, and smooth communication is essential for nurturing shared awareness.

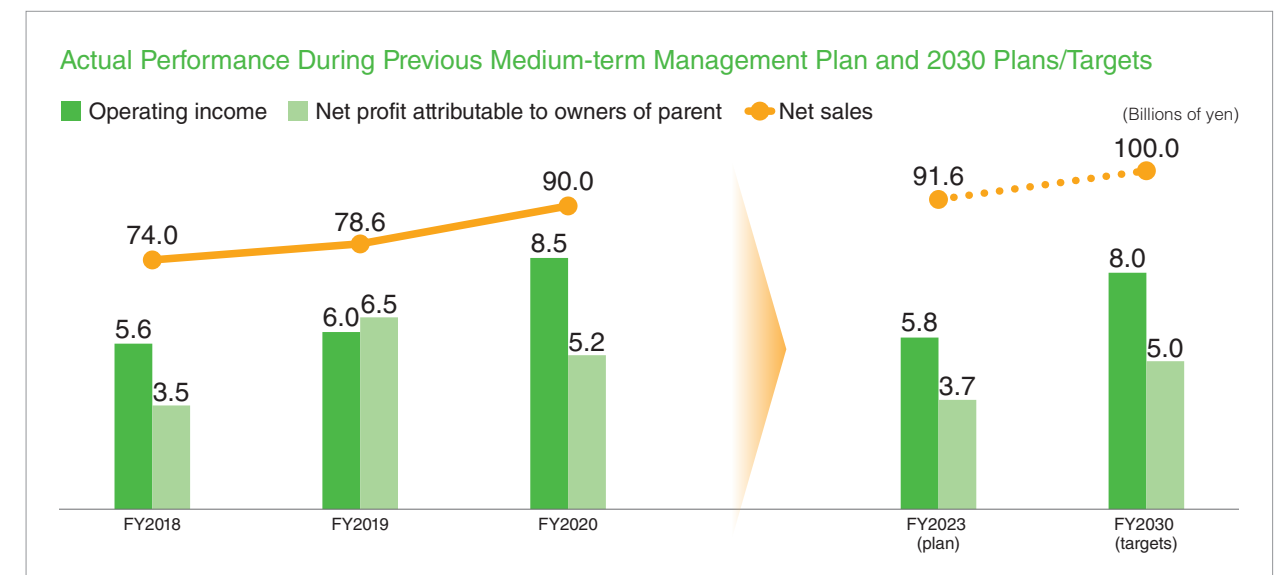
We regard human resources education as an investment rather than an expense, and we are pursuing various initiatives to make that happen, including inviting external lecturers to help foster next-generation leaders. We want to instill a personal training approach that enables all employees to develop an awareness of their desired career path and encourages department managers to fully grasp potential, personality, and motivation of each of the employees in their care and interact directly with them.

The Path to Growth Starts with Information Disclosure

The five basic policies for our Where We Should Be in 2030 strategy are connected at a fundamental level by environmental, social, and governance (ESG) initiatives designed to meet the stakeholder expectations.

The first basic policy of expanding stable earnings requires us to strength our two main businesses of road construction and pavement materials manufacturing and sales. We absolutely cannot do that without considering the environment.

In terms of the manufacturing of materials, we continue to strive to develop products with low environmental impact. For example, conventional asphalt composites are manufactured at high temperatures of roughly 160°C. However, we have perfected our own inhouse foaming technology which enables the composites to be manufactured at lower temperatures of roughly 130°C and still maintain quality. The 30°C difference is significant and is expected to help reduce CO₂ emissions.





In addition, while we have acquired ISO14001 certification to date, we are currently preparing to pursue SBT certification based on the international Science Based Targets initiative (SBTi). In the meantime, we intend to gain a clear grasp of the volumes of CO₂ emissions that our business operations generate, set reduction targets, and confirm more detailed initiatives.

The fourth basic policy of establishing new ways of working links to the social part of our ESG commitments. We regard the full participation of women to be an especially important issue and so, in 2020, we appointed Rena Shimizu, an expert on women's empowerment and a corporate manager, as an outside director of Seikitokyu Kogyo. We want to use the Ms. Shimizu's advice to strengthen our efforts to nurture female executive candidates and acquire "Eruboshi" certification as an excellent company in terms of women's participation and advancement. The women who work in the Company right now are sincere and highly talented, and I very much hope to see women becoming branch general managers and department heads in the future.

In terms of employing foreign nationals, we continue to recruit several students from Myanmar every year. In 2020, we set up a subsidiary firm in Myanmar to manufacture and sell pavement materials. We are unsure when we will be able to start operations due to the unstable local political situation, but our relationship with Myanmar is not for a short-term business. The road system in Myanmar remains underdeveloped and we want to work with our employees from Myanmar and use our own technology to help improve and maintain road infrastructure in that country as a long-term commitment.

Our fifth basic policy to enhance our management and financial base, along with our first policy to expand stable earnings, is directly linked to the governance element of ESG.

We have set a target for net sales of 100 billion yen as part of our Where We Should Be in 2030 strategy. We are also aiming to maintain a high operating profit margin, and to generate operating income of 8.0 billion yen and net profit attributable to owners of parent of 5.0 billion yen. Our target equity ratio is 50.0% and target ROE is 10.0%. To fulfil the targets, we plan to achieve net sales of

91.6 billion yen in fiscal 2023, along with ordinary profit of 5.8 billion yen and net profit attributable to owners of parent of 3.7 billion yen, in our current Medium-term Management Plan. As part of our capital policy, we are targeting a dividend payout ratio of approximately 30% and a total shareholders return of 50% or above.

Having said that, we will never forget the lessons learned from the punitive measures we incurred in previous fiscal years in relation to violations of the Antimonopoly Act and price cartels for composite materials, and we won't let it fade into a forgotten past event. We are keenly aware that fraud will crush a company, and we are determined to promote thorough awareness and establish thorough compliance frameworks across the Company.

Seikitokyu Kogyo develops our business as part of the road construction industry, but we are also always asking ourselves what value we can offer as a member of the Tokyu Group. Here, we are determined to adhere to the Tokyu Group slogan of Toward a Beautiful Age, and we continue to pursue creating beautiful living environments with almost tactless frankness following our own corporate philosophy that is centered around contributing to local communities.

Our approach to governance focuses on disclosing management information in a timely, appropriate, and fair manner and carefully explaining our thinking in order to improve our corporate value over the medium to long term. I am aware of my responsibility as company president to thoroughly instill and strengthen this awareness across every inch of the Company. I also believe we can grow the Company by clarifying information on actual management situations and further considering what we could do by promoting dialogue with many different stakeholders.

Take the Lead, Take Action, and Rise to the Challenge of Change

Back in 1996 when our company management was facing a difficult predicament, we created four action guidelines.

1. Earn trust
2. Rise to the challenge for change
3. Take the lead and take action
4. Share our knowledge and technologies

Even after a quarter of a century, these four declarations guide our future path as clearly as ever. These four action guidelines are written in our employee handbook and serve as the gospel to which all of our executives and employees should always adhere.

Our executives and employees are proud of our corporate philosophy, and we will strive to realize a sustainable society by following our action guidelines with great ambition and will and always seek to contribute to local communities.

POINT

Capital Policy and Financial Strategies

POINT Fundamental Approach

The Seikitokyu Kogyo Corporate Governance Guidelines describe our basic capital policy-related approach as: "The Company considers the securing of continued growth investment and a strong financial base to be essential for achieving sustainable growth and improving medium- to long-term corporate value and shareholder value. As such, the Company shall endeavor to maintain the necessary level of shareholder equity and consider an appropriate balance with capital efficiency." Financial soundness, safety, and stability are key to a company involved in public works projects, and capital efficiency is important as a listed company. We recognize the importance of balancing these two aspects at a high level.

POINT Maintain and Improve Financial Soundness

In terms of financial soundness, we have indicated that obtaining an A credit rating is one of the targets of our Where We Should Be in 2030 strategy. If we take into account business evaluations in the construction industry, we do not consider our current equity or equity ratio to be excessive.

In order to create an optimal capital structure that offers both stability and efficiency, we believe it is necessary to maintain a sound financial base with a target equity ratio of roughly 50%.

POINT Capital Efficiency and Shareholders' Equity Costs

With regard to capital efficiency, we have set a planned ROE of 10% in our 2030 strategy. At present, we recognize that our shareholders' equity costs stands at roughly 7–8% and so we believe it is necessary to maintain an ROE level of at least 8% from 2021 onward.

Regarding past extraordinary losses, to date the tax burden has been reduced by tax losses carried forward. However, the carry-forward period for these losses ended in fiscal 2021, so from fiscal 2022 onward, we will no longer be able to make such deductions, and the level of after-tax profit and EPS is expected to decline somewhat. As a result, we recognize that ROE, which has remained high

level to date, will also inevitably decline to a certain extent. However, as mentioned above, we will review our capital structure in terms of increased dividends and acquisition of treasury stock with a view to financial soundness and strive to ensure ROE exceeds shareholders' equity costs.

POINT Cash Position

In addition to securing stable working capital, we need to consider capital investment, strategic investment, and measures required to respond to natural disasters and any other unforeseen circumstances. As such, we believe that our cash position needs to be roughly twice the size of our average monthly sales.

The monthly funds figure will fluctuate owing to the fact that payments for sales tend to come in primarily in the latter part of the month while the settlement date for purchase obligations falls in the middle of the month. Therefore, the current cash balance on the balance sheet corresponds broadly to the maximum amount of funds recorded in the account during a particular month.

We need to consider our funding efficiency improvement and flexible financing, so we intend to maintain a stable cash position by utilizing commitment lines and other channels.

POINT Improving Shareholder Value

When it comes to improving shareholder value, we focus on total shareholder return (TSR) as an important progress indicator. We achieved a TSR of 30% in our previous three-year Medium-term Management Plan (2018–2020), and, based on our achievements to date, we raised the TSR target to a minimum of 50% in our new Medium-term Management Plan (2021–2023).

As mentioned above, while dividend yields are expected to decline to a certain extent due to declining EPS, we will continue to improve shareholder value by working on management and financial strategies to ensure TSR exceeds shareholders' equity costs.

What Is a Business Evaluation?

A business evaluation is an examination that all construction contractors looking to take on work directly from an issuer of public works contracts must undergo. Each institution that issues public works orders is meant to examine the qualifications of all construction companies intending to participate in competitive bidding. The institutions then assign a score to the objective and subjective elements of the examination, rank contractors in score order, and assign a rating. The business evaluation is part of the objective elements, which involves quantifying and evaluating a company's financial condition, business scale, technological capabilities, and other elements, such as sociability, etc. The analysis of financial conditions is conducted by a financial conditions analysis institution registered by the Minister of Land, Infrastructure, Transport and Tourism.



Management with a strong awareness of cost of capital

➔ <https://www.seikitokyu.co.jp/company/corporate-governance>

Long-term Vision

We have recently formulated a new long-term vision for the Group in the spirit of our Where We Should Be in 2030 strategy as: A truly strong corporate group that pursues personal and corporate growth in tandem and helps realize a sustainable society. We intend to promote ourselves as a truly strong corporate group that sincerely addresses various measures and can respond to any future environmental changes, and, as an infrastructure building company that helps create affluent communities, we will provide lasting value to society and enhance our corporate value over the medium to long term.

Where We Should Be in 2030

A truly strong corporate group that pursues personal and corporate growth in tandem and helps realize a sustainable society

- Our people are the Company's most important management resource. Based on our corporate culture that promotes high employee engagement, we are determined to grow the Company further by encouraging employees who have polished their skills through our substantial training system to demonstrate their abilities without reserve.
- We intend to become a sustainable presence in the face of frequent unpredictable situations, such as the COVID-19 pandemic and natural disasters not by preparing for them, but by improving our fundamental strengths and crisis response capabilities and achieving true strength.
- We intend to help realize a sustainable society by sincerely fulfilling our responsibilities as an infrastructure building company in both regular and emergency times.

Medium-term Management Plan

1st Phase

Medium-term
Management Plan
(FY2021–2023)

2nd Phase

Medium-term
Management Plan
(FY2024–2026)

3rd Phase

Medium-term
Management Plan
(FY2027–2029)

Five basic policies

1

Expand stable
earnings

2

Diversify revenue
sources

3

Execute people-centric
management

4

Establish new ways
of working

5

Enhance management
and financial base

Key Performance Indicators (KPI, consolidated)(final year of the plan)

Indicator	FY2030 target
Net sales	100 billion yen
Operating income	8.0 billion yen
Net profit attributable to owners of parent	5.0 billion yen
ROE	10.0%
Equity	50.0 billion yen
Total assets	100 billion yen
Equity ratio	50.0%

Net sales: 100 billion yen

Our net sales target of 100 billion yen in our 2030 strategy is based on the idea that 100 billion in sales is the optimum scale of our business that would maximize profits, while having secured the necessary human resources for our current business divisions and capping the rise in management costs linked to an expansion of our current organizational structure and an increase in management personnel.

Operating income: 8.0 billion yen (operating margin 8.0%), net profit attributable to owners of parent: 5.0 billion yen

In recent years, our operating profit margin has been one of the highest among those of so-called major paving companies. We intend to maintain this high operating margin and to record a stable operating profit total of 8.0 billion yen by expanding sales to 100 billion yen, and to expand our presence as a profitable company in the road construction industry. Our target figure for net profit attributable to owners of parent is set at 5.0 billion yen due to the fact that our corporate tax burden will return to normal levels after measures to reduce the tax burden using carry-forward losses ended in fiscal 2020.

ROE: 10.0%, equity: 50.0 billion yen

During our revitalization phase that began in the early 2000s when our equity had suffered significant damage, ROE has remained consistently high at an average of 20% or above. However, as we have developed greater financial soundness and shifted into the renewed growth phase, ROE is expected to decline somewhat as our tax burden returns to regular levels. We aim to achieve ROE of 10.0% in the future while also ensuring ROE exceeds shareholders' equity costs over the medium to long term.

Cash Flow Allocations

- Approximately 28.0 billion yen capital expenditure over 10 years
We also plan large-scale investments through fiscal 2025, including the rebuilding of some asphalt plants. From fiscal 2026, we expect to be investing in regular maintenance and updates, but will continue making necessary investments with due consideration of the environment and energy saving factors.
- Approximately 5.0 billion yen strategic investment over 10 years
We intend to continue making strategic investments with additional investment being channeled into overseas subsidiaries and M&A projects in Japan.
- Free cash flow use after dividend payments
We will consider fresh cash allocations depending on the immediate situation. This could include increased shareholder returns, strengthening our financial position, and additional investment.

Operating cash flow (10 years)

Approx. 65.0 billion yen

(Profit before income taxes: Approx. 64.0 billion yen)

(Income taxes paid: Approx. 22.0 billion yen)

(Depreciation: Approx. 23.0 billion yen)

Capital expenditure/
strategic investment

**Approx. 33.0
billion yen**

Shareholder
returns (TSR 50%)

**Approx. 21.0
billion yen**

Free cash flow after
dividend payments

**Approx. 11.0
billion yen**

Important Sustainability Themes (Materiality)

When considering our Where We Should Be in 2030 strategy, we reorganized the important issues for realizing a sustainable society and sustainable growth for the Company into important sustainability themes (materiality). The Group will continue to work to resolve important issues because we recognize that promoting materiality is a requisite for value creation.

Important sustainability themes	Our way to 2030	Relevant SDGs
Infrastructure	Helping develop infrastructure that can be used safely, securely, and comfortably by all people	3, 9, 11, 13, 15
Natural disasters	Helping restore regional economic activity and livelihoods through restoration and reconstruction work in the event of a natural disaster	13
Local residents	Helping create a better living environment as a good corporate citizen and local community member	3, 6, 11, 12, 15
Job satisfaction	Creating working environments with which everyone feels satisfied and transforming into a company that attracts leaders	5, 8, 10
Environmental protection	Contributing to the environment by reducing the environmental impact through our business activities and that of our own business activities	3, 7, 13, 15
Governance and compliance	Pursuing the best governance for the Group Regaining trust by promoting compliance management	16

New Medium-term Management Plan

We formulated our Medium-term Management Plan (FY2021–2023) to serve as the first phase of our new Where We Should Be in 2030 long-term vision.

External Environment

- Regarding the road construction industry, while we expect some solid public sector demand relating to disaster prevention and mitigation and general measures to boost national resilience, we are concerned that the market will shrink in the wake of the COVID-19 pandemic. In addition, it is hard to predict the future business environment over the medium to long term in view of the expected downward trend in public works spending as Japan's shrinking and aging population results in declines in national and regional tax revenues.
- The declining working-age population caused by a falling birthrate and aging population could make it increasingly difficult to secure the engineers, technical workers, and other human resources we would need to maintain and expand the scale of our business.

Internal Resources

- One of our key differentiating strengths is our ability to tap into the Tokyu brand power and having co-creation opportunities with Tokyu Group.
- With a thriving network of material plants in the Tokyo metropolitan area, we have secured certain business scales in both construction and product businesses in the Kanto area. In addition, continued orders from the Ministry of Land, Infrastructure, Transport and Tourism and expressway companies have supported our strong corporate performance in recent years.
- On the other hand, a shortage of onsite engineers has caused a bottleneck that is suppressing further sales growth.

Basic Strategy

Becoming a truly strong corporate group

Individual Strategies

- Expand stable earnings by further strengthening the competitiveness of our core businesses
- Rise to the challenge of expanding business areas and developing new business fields
- Create a virtuous cycle in the recruitment, retention, and development of human resources
- Establish new ways of working that help improve productivity
- Build a strong and sound management and financial base

Key Performance Indicators (consolidated)

Indicator	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2023 Plan
Net sales	74.0 billion yen	78.6 billion yen	90.0 billion yen	91.6 billion yen
Operating income	5.6 billion yen	6.0 billion yen	8.5 billion yen	5.8 billion yen
Net profit attributable to owners of parent	3.5 billion yen	6.5 billion yen	5.2 billion yen	3.7 billion yen
ROE	11.7%	19.2%	13.4%	Approx. 8.6%
Equity	31.5 billion yen	36.6 billion yen	40.8 billion yen	Approx. 43.0 billion yen
Total assets	70.9 billion yen	74.6 billion yen	79.4 billion yen	86.0 billion yen
Equity ratio	44.5%	49.1%	51.4%	Approx. 50%

Capital Policy

Investment Plans

Consistent, strategic capital expenditure and technological development are essential for achieving future sustainable growth. We are currently orchestrating a qualitative turning point in our business assets designed to reduce environmental impact and improve productivity, and we intend to continue annual capital expenditure of approximately 5.0 billion yen for the duration of the plan.

	Over three-year plan	Annual average
Maintenance, renewal, acquisition of factories, offices, construction machinery, etc.	15.0 billion yen	5.0 billion yen
Strategic investment (M&A, etc.)	1.5 billion yen	0.5 billion yen
Total	16.5 billion yen	5.5 billion yen

Financial Plan

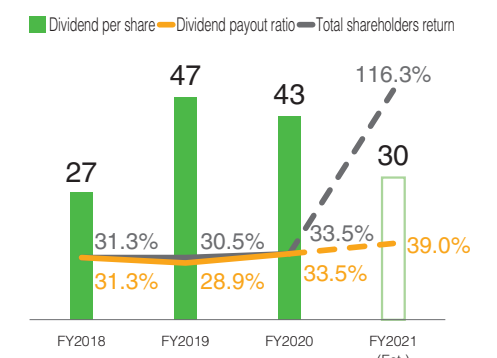
In fiscal 2020, a multitude of special factors served to boost profits and helped us record an outstanding level of operating income including the figures in past records (over 2.0 billion yen, or 32%, higher than our previous record-high profit). Given that the lower tax burden generated by carry-forward losses came to an end in fiscal 2020, our plan had to incorporate a year-on-year decline in profits and ROE. However, we do plan to keep ROE above shareholders' equity costs, while maintaining financial soundness.

Equity		Return on Equity (ROE)	
End FY2020	End FY2023	End FY2020	End FY2023
40.8 billion yen	Approx. 43.0 billion yen	13.4%	Approx. 8.6%

Shareholder Returns

In addition to strengthening our management base to support future sustainable growth and maintaining and improving our profitability, we will also strive to provide stable and consistent shareholder returns while also considering comprehensive factors such as performance trends, financial conditions, and our future business environment.

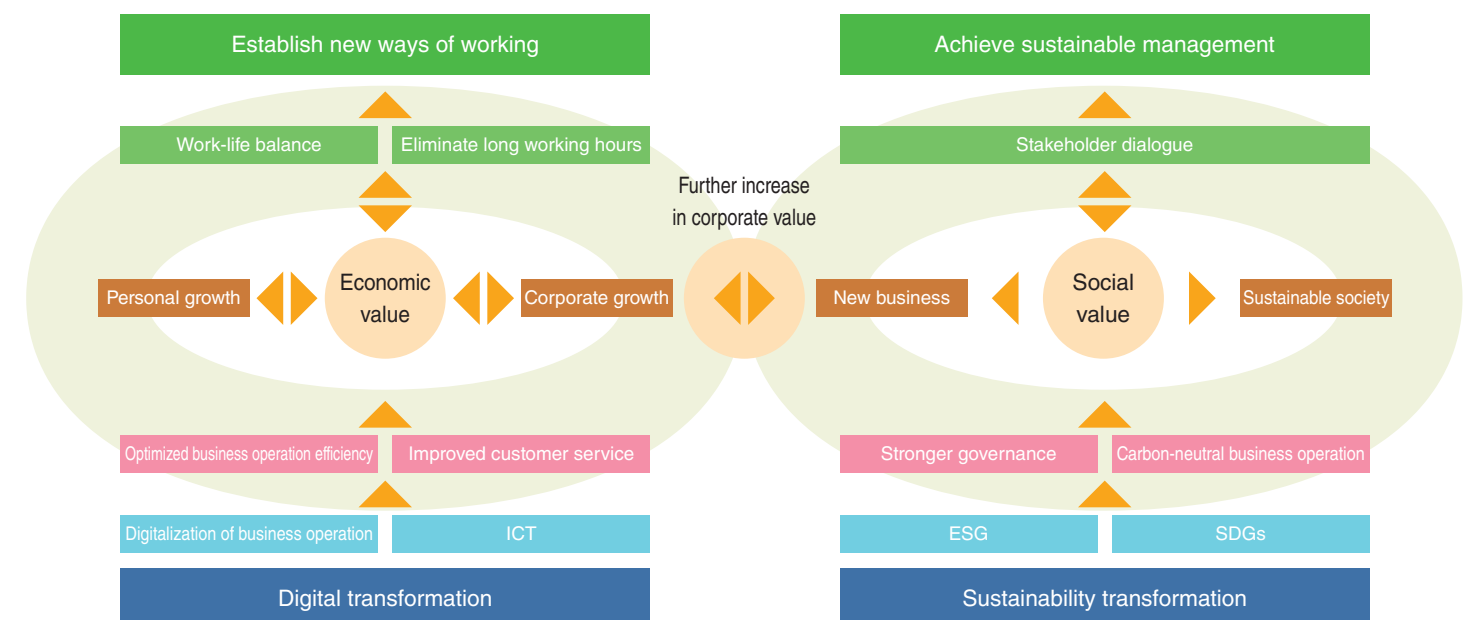
Dividend Per Share, Dividend Payout Ratio, Total Shareholders Return (Yen)



Stable, consistent shareholder returns with a targeted dividend payout ratio of roughly 30% and total shareholders return of 50% or more

Pursuing Further Improvements in Corporate Value

In order to enhance our corporate sustainability while proactively utilizing digital tools to respond to the post-COVID new normal, we are launching internal initiatives designed to promote digital transformation (DX) and sustainability transformation (SX) as means of further improving our corporate value.



Materiality of Seikitokyu Kogyo Group

Our Stance on Sustainability

The corporate philosophy, “A life infrastructure building company that helps to create affluent local communities,” forms the basis of Seikitokyu Kogyo Group’s business activities. For more than 70 years since the founding, the Group has been offering high quality services for social capital development, which resulted in a steady growth of its business. While road construction constitutes the main line of its business, the Group also engages in civil engineering works, works related to water use and environment, and pavement materials manufacturing and sales.

Due to the recent acceleration of changes in the social environment, businesses today face diverse expectations and challenges. Nevertheless, our mission remains unchanged, which is to sincerely fulfill its responsibilities as a company that plays a part in social capital development and to keep supporting the foundations of people’s lives and business activities.

In the long-term vision, we have set “A truly strong corporate group that pursues personal and corporate growth in tandem and helps realize a sustainable society” as Where We Should Be in 2030. The vision illustrates our intention to secure and develop human resources; strengthen our business foundation while valuing engagement with a wide range of stakeholders, such as customers, business partners, and local communities; and constantly address social issues.

We will continue to strive for fair business administration, as well as creation of a healthy and satisfying workplace, where employees and other actors in our business can fully demonstrate their abilities. In addition, we will work on further improvement of quality and safety, as well as reduction in the environmental burden, to contribute to the achievement of a sustainable society through our business activities.

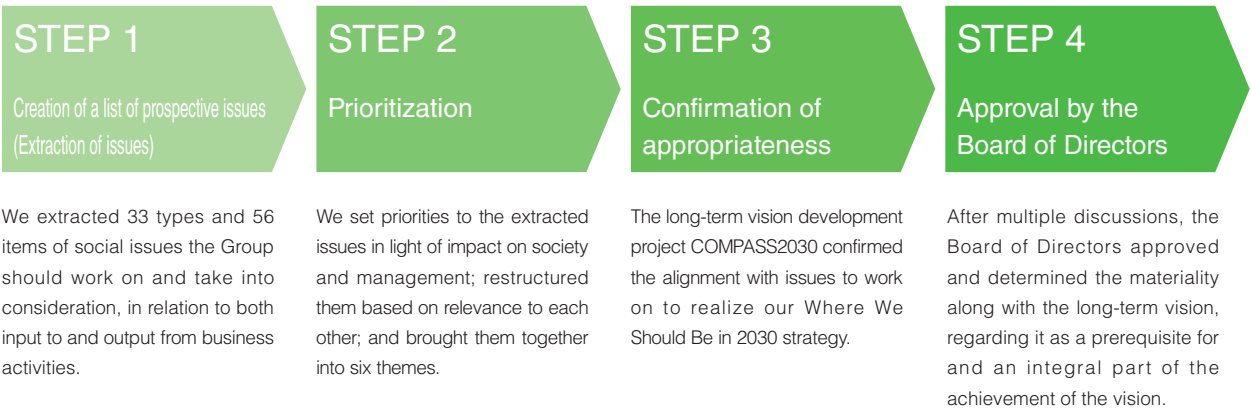
Sustainability of the Company

Sustainability of society

Initiatives to address ESG issues = Materiality

Process to Identify Materiality

























Based on the 17 SDGs and 169 targets, etc., we extracted social issues the Group should address, responsibilities the Group should fulfill in addressing them, and what the Group should develop (work on) to address them. What have been extracted were systematically organized into six items to constitute materiality, in light of various factors including a medium- to long-term picture of society, our business model, our strengths, and importance to the Company and society. After discussing the matter in relation to medium- to long-term management policies and management plans, the Board of Directors finalized the items as important sustainability themes that set directions for the Group to realize our Where We Should Be in 2030 strategy.



Important Themes and the Group’s Goals

The Group has identified materiality for the achievement of both a sustainable society and a sustainable growth of the Group. The relevance of our contribution to sustainability to the SDGs is shown below.

ESG Initiatives

	Important sustainability theme	Our way to 2030	Relevant SDGs
E	 Environmental protection	Contributing to the environment by reducing the environmental impact through our business activities and that of our own business activities <ul style="list-style-type: none">● Contribute to the development of infrastructure related to renewable energy● Contribute to the establishment of a recycling-oriented society by recycling and efficiently using resources and reducing waste● Contribute to climate change mitigation by promoting low carbon and zero carbon ➡P19,20	   
	 Infrastructure	Helping develop infrastructure that can be used safely, securely, and comfortably by all people <ul style="list-style-type: none">● Leverage our technologies in a wide range of fields, such as disaster prevention and mitigation, deterioration of infrastructure, traffic safety, environment, and water use ➡P3,4,21,33	    
	 Natural disasters	Helping restore regional economic activity and livelihoods through restoration and reconstruction work in the event of a natural disaster <ul style="list-style-type: none">● Be a disaster-resistant company and ensure contribution in times of emergency ➡P20,21,22	
S	 Local residents	Helping create a better living environment as a good corporate citizen and local community member <ul style="list-style-type: none">● Reduce noise, vibration, dust, smoke, accidents, etc.; engage in social contribution activities ➡P22	   
	 Job satisfaction	Creating working environments with which everyone feels satisfied and transforming into a company that attracts leaders <ul style="list-style-type: none">● Be a healthy, strong, and considerate company friendly to employees and their families● Correct long working hours, achieve gender equality, etc.● Establish an environment where employees can choose how close they live from the workplace and achieve work-life balance ➡P23,24,25,26	  
	 Governance and compliance	<ul style="list-style-type: none">● Pursue the best governance for the Group● Regain trust by promoting compliance management ➡P27,28,29,30	
G			

Environmental

Environmental Policy

1. SEKITOKYU KOGYO CO., LTD. (the “Company”) engages in design and construction of pavement and civil engineering works, research and development of technologies, and manufacturing and sales of pavement materials as its main lines of business. The Company works to reduce the environmental impact in all business activities, protect the global environment, and establish a recycling-oriented society.

2. The Company takes the following actions to strive for constant improvement of its environmental management system and prevention of environmental pollution.

(1) Promote appropriate disposal of industrial waste

(2) Reduce CO₂ emissions

(3) Promote resource saving, energy saving, and recycling

(4) Engage in research and development of environmentally friendly technologies

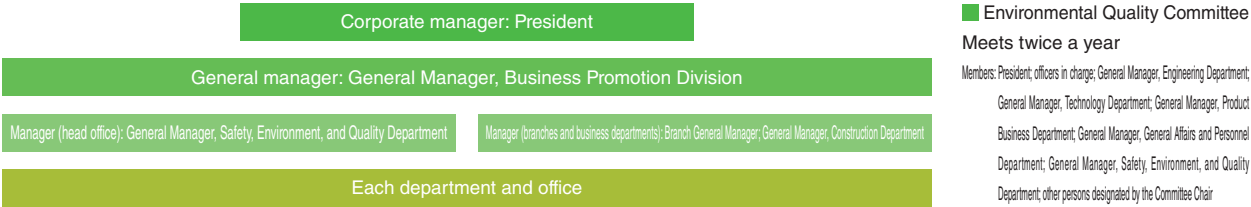
3. The Company complies with relevant legal regulations on the environment and other requirements it agreed on.

4. To attain the environmental policy, the Company sets environmental goals within the scope that is technologically and economically possible, strives to achieve them, and reviews them on a periodic basis.

Environmental Management System

Seikitokyu Kogyo has implemented an environmental management system covering the head office and all branches, business offices, and mixture plants. Following the PDCA cycle, we strive for a constant improvement of environmental protection activities.

Organizational Structure



Acquisition of ISO 14001 Certification

Since April 2004, we have an environmental management system based on ISO 14001 in place. Periodic audits by external auditors and internal audits by internal auditors facilitate the appropriate implementation and sophistication of the system.

As of March 31, 2021, we have acquired the ISO 14001:2015 certification for the head office, branches, and offices (excluding some departments) in Japan.

Results of the Most Recent External Audit

The 5-1st surveillance audit in 2020

Category	Good practice	Improvement opportunity	Observation	Improvement needed (Nonconformity)
No. of cases	1	2	0	0

Web

ISO14001

→ <https://www.seikitokyu.co.jp/company/iso>



Permission to Engage in the Industrial Waste Disposal Business

We have the permission to engage in intermediate processing of industrial waste at 21 facilities in 16 administrative districts, where construction waste, etc. is recycled. Of the facilities, 14 in 11 administrative districts have been certified as excellent industrial waste disposal operators.

*Excellent Industrial Waste Disposal Operator Certification System: A system where prefectural governors and designated city mayors accredit industrial waste disposal operators that conform to the Criteria for Industrial Waste Disposal Businesses with Excellent Capabilities and Track Record (Excellency Criteria)

Measures to Reduce Waste

To reduce the final disposal volume of waste, we proactively take the measures listed below.

- 1 Recycle all concrete and asphalt waste
- 2 Simplify the packaging of procuring materials
- 3 Prevent reworking and returning
- 4 Promote sorting activities

Waste Volume (Non-consolidated)

FY	2018	2019	2020
Volume of industrial waste	125,401t	212,884t	288,214t
Volume of general waste	480t	416t	454t
Rate of recycling	97.6%	98.3%	97.9%

Reduction of CO₂ Emissions

As environmental problems have worsened on a global scale and addressing them has become a common important challenge across the world, we consider it natural as a business operator to work on the reduction of CO₂ emissions.

While asphalt material plants are the main source of CO₂ emissions at the Company, other sources include heavy equipment for construction works, offices, and vehicles for

travelling. In the environmental management system, each department sets out their policies and works on the control and reduction of CO₂ emissions.

CO₂ Emissions (Non-consolidated, Scope 1, Approximation)

FY	2018	2019	2020
CO ₂ emissions (approximation)	55,000 t	58,000 t	55,000 t

Global Environmental Protection and Climate Change

Based on the recognition that protection of the global environment constitutes an important business challenge, we take various measures to reduce the environmental impact and contribute to environmental protection. Specific measures include improvement of manufacturing facility functions, which takes place simultaneously with facility upgrade; replacement of fuels; and introduction of solar power generators. They are taken in the process of promoting growth strategies, with an eye on long-term prospects.

Major Facility Upgrade in FY2020

Plant upgrade works at the Sakura material plant in Sakura, Chiba were completed. The ignition ceremony took place on December 24, 2020.

CO₂ emissions decreased due to the improvement of fuel efficiency. Building a concrete silo for the material stockyard reduced dust and heavy equipment works and made the material plant environmentally friendly.



After the upgrade



Before the upgrade

Rebuilding the Head Office Building

As announced on July 16, 2020, we are rebuilding our half a century old head office building.

The new head office building will offer a secure and comfortable workplace environment for employees and, with reduced environmental impact and energy consumption, be certified as “ZEB Ready.” Furthermore, we plan to reduce actual energy use to the level of “Nearly ZEB,” possibly by using unaccredited technologies. In addition, the building will demonstrate excellent earthquake-proof performance and be equipped with facilities to tackle flood, supply electricity, and secure water supply and drainage. We will thus strengthen our BCP functions with an eye on natural disasters.



Perspective illustration of the completed building

SX Promotion Project

To realize our Where We Should Be in 2030 strategy and further increase corporate value, the SX promotion project was launched in April 2021.

As the first step, we are currently working to calculate the volume of greenhouse gas emissions in the entire supply chain, in accordance with the global GHG Protocol standards for the calculation and reporting. We hope to start reporting the Scope 3 figures from the next fiscal year.

To achieve carbon-neutral business operation, our Group will consider and promote specific initiatives led by this project. To begin with, we will set reduction targets that meet SBT* standards and aim to obtain the SBT certification in fiscal 2022. In addition, we will accelerate the preparation for the information disclosure in line with the Task Force on Climate-related Financial Disclosures (TCFD).

*Science Based Targets (SBT): Targets to reduce greenhouse gas emissions that are aligned with the level required in the Paris Agreement and are set by businesses for a 5- to 15-year timeframe.

Our Technologies

We have a large number of environmentally friendly products and construction methods, including those that help reduce CO₂ emissions, mitigate the heat-island phenomenon, and recycle resources. Below are examples of such products and construction methods.

Recycled Mixture

Full-fledged research and development has been in progress since the 1970s to recycle asphalt pavement materials for roads, aiming for the standardization of recycling technologies to use them as construction materials. We established our first recycling plant at Myokenjima, Edogawa-ku in 1977. Today, our material plants across Japan engage in the manufacturing and sales of recycled mixture.



Cold Asphalt Mixture “Ecomix”

The Ecomix is an environmentally friendly cold asphalt mixture, which contains 50% or more aggregate recycled from asphalt. It is an Eco Mark certified product that ensures a certain level of workability and demonstrates a high level of strength.



List of our technologies

Web

→ https://www.seikitokyu.co.jp/product/products/list.php?category_id=93

Social

Initiatives for Infrastructure Development

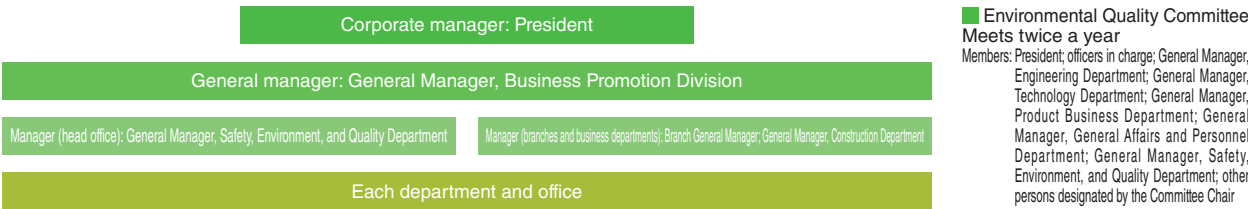
Quality Policy

- “Satisfy customers and win trust from them”
- 1. We think from customers’ perspectives and offer products that satisfy them.
 - 2. We constantly improve the effectiveness of the quality management system.

Quality Management System

As a construction company that plays a part in developing roads and other social infrastructure, Seikitokyu Kogyo has established and implemented a quality management system covering head office departments, branches, and business offices engaging in the construction business, to continue offering the stable quality and services that meet customers’ expectations. Following the PDCA cycle, we constantly improve the system.

Organizational Structure



Acquisition of ISO 9001 Certification

Since March 1998, we have a quality management system based on ISO 9001 in place. Periodic audits by external auditors and internal audits by internal auditors facilitate the appropriate implementation and sophistication of the system.

As of March 31, 2021, we have acquired the ISO 9001:2015 certification for the head office, branches, and offices (excluding some departments) engaging in the construction business.

Results of the Most Recent External Audit

The 7-1st surveillance audit in 2020

Category	Good practice	Improvement opportunity	Observation	Improvement needed (Nonconformity)
No. of cases	1	2	0	0

ISO9001
→ <https://www.seikitokyu.co.jp/company/iso>



Response to Natural Disasters, Etc.

Business Continuity Plan

We have had a business continuity plan (BCP) since the past, based on the recognition that continuing with our business even in the case of natural disasters or other contingencies and fulfilling the social responsibility as a company links directly to the reason we exist.

External Evaluation

In 2009, we received the Certificate for Basic Business Continuity Capabilities from the Kanto Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism (MLIT). Since then, we have undergone reviews for renewal every other year up to 2021. We have also concluded agreements on emergency response to disasters with National Highway Offices of MLIT and other entities in charge of road management.



Certificate (The review in 2021 was in progress when this report was being compiled and is scheduled to be completed in October 2021.)

Measures Against Infectious Diseases

We have developed and implemented a manual of measures against new strains of influenza. Based on the manual, we have taken equivalent measures to prevent the spread of infections* and continued business operations under the COVID-19 pandemic. We will continue our business operations while ensuring the safety of employees and partner companies, and fulfill our social responsibility as a corporate group that plays a part in infrastructure development.

*We put into practice gargling, hand washing, alcohol disinfection, and coughing manners. We also take measure to ensure the health of employees and relevant parties and reduce human traffic, including checking body temperature and state of health before starting work, social distancing, installing partitions between office seats and at reception counters, promoting remote work and staggered working hours, and imposing restrictions on business travels and dining with people from within and outside the Company.

Support to Disaster Restoration and Reconstruction

Construction companies are expected to support restoration and reconstruction after natural disasters, such as earthquakes, torrential rains, and heavy snowfalls. Through business activities, our Group has eliminated road obstacles, removed and taken in rubbles, and offered other types of support in many disaster-affected areas.

In addition, we directly and indirectly help the restoration and reconstruction of disaster-affected areas by donating aid money and essential supplies through the Tokyu Group, industry groups, etc.

Not only the Company but also our subsidiaries based in areas such as Kumamoto, Miyagi, and Iwate play an important role in such activities. The Seikitokyu Kogyo Group will remain to be a healthy corporate group that plays a part in infrastructure development and continue to sincerely meet the expectations from society.



April 1, 2021
We received a letter of appreciation from Central Nippon Expressway Company Limited for emergency restoration works after the July 2020 sediment runoff from a slope in the Chuo Expressway.

Acquisition of ISO 55001 Asset Management System Certification

In March 2021, we obtained the ISO 55001:2014 certification for our asset management system. The asset management system has already been adopted in the bidding conditions for the maintenance of sewage systems. In the future, the application is expected to expand to the comprehensive management of roads and other infrastructure.

By proposing maintenance and repair plans and VE for assets owned by the ordering party, we will contribute to the reduction of life cycle costs of the assets and increase in asset value, and offer the value appropriate to the times of infrastructure maintenance.

- Certified organizations: Engineering Department, Business Promotion Division; Technology Department, Technology Division
- Scope of certification: Comprehensive maintenance and proposal with regard to roads (pavement and structures)
- *Obtained certification as a non-asset owner (service provider)

ISO55001
→ <https://www.seikitokyu.co.jp/dev/wp-content/themes/twenty十六teen/pdf/info/20210412.pdf>

Supply Chain

Collaboration with Partner Companies

Partner companies are vital to our business. They are suppliers of materials and equipment, and also provide us with technology and skilled labor. Collaboration with partner companies is essential in particular to ensure health and safety in our business activities. We engage in a range of activities, including joint safety patrols and technical training at our training center (training for mastering basic skills, obtaining qualifications related to civil engineering construction methods, and acquiring ICT construction and other cutting-edge skills), with member companies of the Seikitokyu Kogyo Accident Prevention Association established in 1994. A mutual aid society established in 1976 was the predecessor organization of the Accident Prevention Association. As of March 31, 2021, the Association consists of 809 member companies.

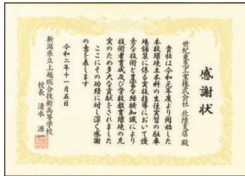
Revision of Payment Terms

To improve the financial standing of partner companies and enhance their trust with us, we revised our payment terms in fiscal 2020. Specifically, bill maturities for payments were shortened from 95 days to 60 days.

Local Communities

Site Visits

To facilitate understanding of infrastructure and our business, we invite residents in the neighborhood, children, and students to site visits and other activities during and after construction works. Such activities not only help us secure and develop next-generation supporters but also spread understanding of infrastructure development, thereby contributing to the achievement of a sustainable society.



November 5, 2020
We received a letter of appreciation from Niigata Prefectural Joetsu General Technical High School for our assistance to the training of Environmental and Civil Engineering Course students in developing engineers and enhancing the educational environment.

Locally Rooted Activities

As we declare to be “an infrastructure building company that helps create affluent communities,” each office engages in locally rooted business activities at each site.

As a member of local community, they conclude agreements on disaster restoration, organize site visits and cleaning activities, and participate in and offer support to community activities, not to mention engage in emergency disaster restoration works. A wide range of recent initiatives include painting a picture of a local mascot character on the renewed plant wall. Each office thus uses their ingenuity to be favorably accepted by local communities.



Yamato material plant (Kumamoto)

Employees

Putting People-Centered Management into Practice

In presenting Where We Should Be in 2030, we sent a clear message within and outside the Company that the most important management resource for us is people, and that the Company will grow further when there is a corporate culture of high employee engagement and each employee fully demonstrates their abilities honed through an extensive education system. Putting people-centered management into practice and enhancing capabilities of the entire organization will be the key to increase corporate value.

Based on the recognition that the growth of individual employees leads to the development of the Company, we listen to the voice of employees, create systems to place the right people in the right jobs and let them fully demonstrate their abilities, and take other measures to encourage self-sustaining growth of employees.

Ensuring Occupational Safety and Health

Occupational Safety and Health Policy

1. We strive to prevent accidents by eliminating occupational safety and health hazards and utilizing risk assessments to mitigate risks.
2. We comply with laws and regulations, as well as internal rules, related to occupational safety and health.
3. We establish an occupational safety and health management system and constantly improve the system.
4. All our officers, employees, temporary employees, and contract employees, as well as employees of partner companies who work under our supervision, will work to ensure occupational safety and health.

Occupational Safety and Health Management System

Seikitokyu Kogyo Group Compliance Code of Conduct states that the Company strives “(1) To recognize that safety always comes first when executing our business” and “(9) To provide and preserve fine, healthy workplace environment.”

To prevent occupational accidents, we have established and implemented an occupational safety and health management system covering the head office and all branches, business offices, and material plants. Following the PDCA cycle, we constantly improve the system.

Organizational Structure



Occupational Safety and Health Management Committee
Meets twice a year
Members: President; officers in charge; General Manager, Engineering Department; General Manager, Technology Department; General Manager, Product Business Department; General Manager, General Affairs and Personnel Department; General Manager, Safety, Environment, and Quality Department; other persons designated by the Committee Chair

Acquisition of ISO 45001 Certification

Since June 2018, we have an occupational safety and health management system based on ISO 45001 in place. Periodic audits by external auditors and internal audits by internal auditors facilitate the appropriate implementation and sophistication of the system.

As of March 31, 2021, we have acquired the ISO 45001:2018 certification for the head office, branches, and offices (excluding some departments).

Results of the Most Recent External Audit

The 2nd surveillance audit in 2020

Category	Good practice	Improvement opportunity	Observation	Improvement needed (Nonconformity)
No. of cases	1	3	1	0

ISO45001
➡ <https://www.seikitokyu.co.jp/company/iso>



Initiatives for Traffic Safety

To eradicate traffic accidents that ruin the lives of employees, their families, and relevant parties, we take various measures for traffic safety.

All company cars are equipped with in-vehicle devices that record driving data and footage of inside and outside the car. We have also introduced equipment that allows easy online tracking of vehicle operation and driving status, especially to prevent accidents caused by young, inexperienced drivers. In addition, new employees take an aptitude test in the induction training. In accordance with their driving skills, we offer driving lessons, dual instruction in assigned departments, and other types of training to prevent the occurrence and recurrence of traffic accidents.

Safety Indicators

Number of Accidents (Non-consolidated)

	2018	2019	2020
Occupational accidents (absence from work for four or more days)	11	8	7
Public accidents	51	56	46
Traffic accidents	70	63	63

Frequency rate (non-consolidated)

	2018	2019	2020
Construction departments	1.65	0.97	0.65
Products departments	—	2.80	—

Creating a Satisfying Workplace

Workstyle Reform and Work-Life Balance

The workstyle reform project, launched in May 2017, has introduced a range of systems and policies, focusing on the correction of long working hours and the realization of a five-day workweek. Specific initiatives include those directly linked to the shortening of working hours, such as commuting to construction sites directly from home, introducing mobile personal computers, strictly managing working hours through personal computer log management, and discussing reform together with partner companies. In addition, the project engages in activities that look ahead to diverse workstyles of the future, such as staggered working hours and remote working.

In fiscal 2020, the COVID-19 pandemic unexpectedly drove us to adopt workstyles that are flexible in terms of time and location, including remote working and online meetings. Taking such changes in a positive way, we would like to accelerate the reform, without missing the opportunity.

Achievement Rate of Overtime Hour Targets (Non-consolidated)

		2019	2020	FY2021 (plan)
Construction departments	Target	840 hours/year	780 hours/year	720 hours/year
	Achievement rate	90.3%	85.8%	—
Products departments	Target	720 hours/year	720 hours/year	720 hours/year
	Achievement rate	100.0%	100.0%	—

Achievement Rate of a five-day workweek (Non-consolidated)

	2019	2020	FY2021 (plan)
Target	6 days off in 4 weeks	6 days off in 4 weeks	7 days off in 4 weeks
Achievement rate	96.0%	94.8%	—

Number of Days of Paid Leave Taken (Non-consolidated)

	2018	2019	2020
No. of days taken	5.2	7.4	12.0

Diversity & Inclusion and Empowerment of Women

We recognize that promoting the employment of people with diverse backgrounds is essential in continuing to secure human resources and create value. Since several years ago, we have been actively hiring women, foreign nationals, and people with work experience. In addition, we strive to foster a culture where employees accept and respect each other's differences, regardless of gender, age, or nationality, and to create an environment where each employee can demonstrate their abilities to the fullest.

Specific initiatives in fiscal 2020 included training for the corporate manager and senior executives that let them become aware of unconscious bias hindering the empowerment of women and discussion between senior executives and all Myanmarese employees. They took place as part of initiatives to change the mindset in the Company.

Number of Women, Foreign Nationals, and Mid-career Employees Who Joined the Company (Non-consolidated)

	2018	2019	2020
Women (technicians)	11 (3)	14 (2)	17 (5)
Foreign nationals (technicians)	2 (2)	—	7 (6)
Mid-career employees (technicians)	27 (17)	24 (14)	44 (29)

Note: Employees who fall under more than one category are included in all applicable categories. (There is some overlapping.)

Status of Female Managers (Non-consolidated)

FY	2018	2019	2020
Number of female managers (percentage)	2 (0.9%)	2 (0.9%)	2 (0.9%)

Fair Evaluation

To achieve the management plan of the Company, our management by objectives system sets specific and clear goals for individual employees, after linking them to organizational goals. To evaluate employees fairly, we strive to implement the system in an impartial and reasonable manner by properly taking into consideration not only the results against the goals but also the process and actions that led to the results.

In addition, an employee engagement survey will be conducted twice a year from fiscal 2021, as a way to understand how employees see the Company. The results will be used to resolve specific issues in the following fiscal years.

Education and Training

We encourage self-sustaining growth and career development of employees by offering various education and training opportunities to selected personnel and employees eager to learn, in addition to job- and rank-specific education, so that employees can develop management skills, obtain qualifications, and gain expertise.

In the corporate manager training and next-generation leader development training for branch general managers and corporate manager candidates, we offer the opportunity to gain a broad, future-oriented corporate view from the corporate manager perspective, as well as to enhance strategic thinking and insight into business and build the foundation as a corporate manager.

A number of support systems for obtaining qualifications are also in place to enhance employees' expertise and skills, such as relevant training, opportunities to take correspondence courses, and payment of subsidies.



Final presentation by corporate manager training participants



Discussion by next-generation leader development training participants

Respect for Human Rights

As the basic policy concerning the statement, “(9) To provide and preserve fine, healthy workplace environment,” in our Compliance Code of Conduct, we clearly state, “We respect each person's human rights, aim to create a healthy and positive workplace environment, and strive to constantly improve the environment,” “Under any circumstances, we will not tolerate discrimination or harassment on the basis of age, gender, place of origin, belief, religion, or disability,” and “We will prevent and eliminate sexual harassment through actions based on the correct understanding of gender difference.” We thus strive to prevent direct and indirect violation of human rights.

Specifically, our employees undergo education to prevent human rights violation in the induction training and rank-based training. Compliance and sexual harassment hotlines offer a system where anyone can feel secure to consult about such issues. We thus strive to create and maintain a healthy workplace environment.

Creating a Safe and Satisfying Workplace Environment

For a company to secure human resources and maintain competitiveness, it is essential to create an employee-friendly workplace environment.

We strive to create a satisfying workplace environment by establishing and implementing an occupational safety and health management system and introducing relevant systems and policies, such as the Occupational Safety and Health Committee, health checkups, mental health care, and support for childcare and nursing care.

Improving the workplace environment in terms of safety, health, and comfort is also imperative in the tangible aspects that support our business. Over the past few years, we have been proactively working on the rebuilding and upgrading of not only manufacturing facilities but also office buildings and other facilities.

As announced in July 2020, our head office building is being rebuilt. If the works progress as planned, the new office building will be completed in summer 2022.

Employees Who Took Maternity Leave and Childcare Leave (Non-consolidated, including Contract Employees)

	2018	2019	2020
No. of employees who took maternity leave	2	4	5
No. of employees who took childcare leave	7	4	4
Rate of taking childcare leave	24.1%	14.8%	13.3%

Average Years of Service and Turnover Rate (Non-consolidated)

	2018	2019	2020
Average years of service	15.6	15.7	15.2
Turnover rate (voluntary resignation)	3.5%	3.2%	3.7%

Recent Office Building Upgrades

Osaka Business Office



After the upgrade



Before the upgrade

Iwate Business Office



After the upgrade



Before the upgrade

Employment of Persons with Disabilities

While persons with disabilities work at the head office and branches, the employment rate stands below the statutory 2.3% because it is difficult for them to work at construction sites or plants.

We will continue to strive for the employment of a larger number of persons with disabilities, in collaboration with external institutions.

Employment Rate of Persons with Disabilities (Non-consolidated, including Contract Employees)

	2018	2019	2020
Employment rate of persons with disabilities	2.07%	1.96%	1.78%
No. of employees with disabilities	19	18	17

Initiatives Outside Japan

Infrastructure Development in Myanmar

To expand the Group's business fields, we opened a field office in the Republic of the Union of Myanmar in 2015 and have been offering technical guidance and support in road construction, although business activities in the country are currently suspended due to the political instability and COVID-19 pandemic. In July 2018, we founded SEIKITOKYU MYANMAR ROAD COMPANY LIMITED, a subsidiary in Myanmar that engages mainly in the manufacturing and sales of pavement materials, and proceeded with plant construction and procedures for the start of operation. In addition, we have constantly hired employees from Myanmar, mainly as technicians. As of March 31, 2021, 17 employees (including contract employees) work in Japan and Myanmar.

At the moment, we have no prospect of resuming business in Myanmar. Nevertheless, we intend to continue with the hiring and make other preparations for the resumption of business activities, so that when the activities resume, we can contribute to the infrastructure development in Myanmar as a road development professional and become the bridge between the two countries.

Governance

Corporate Governance

Basic Stance on Corporate Governance

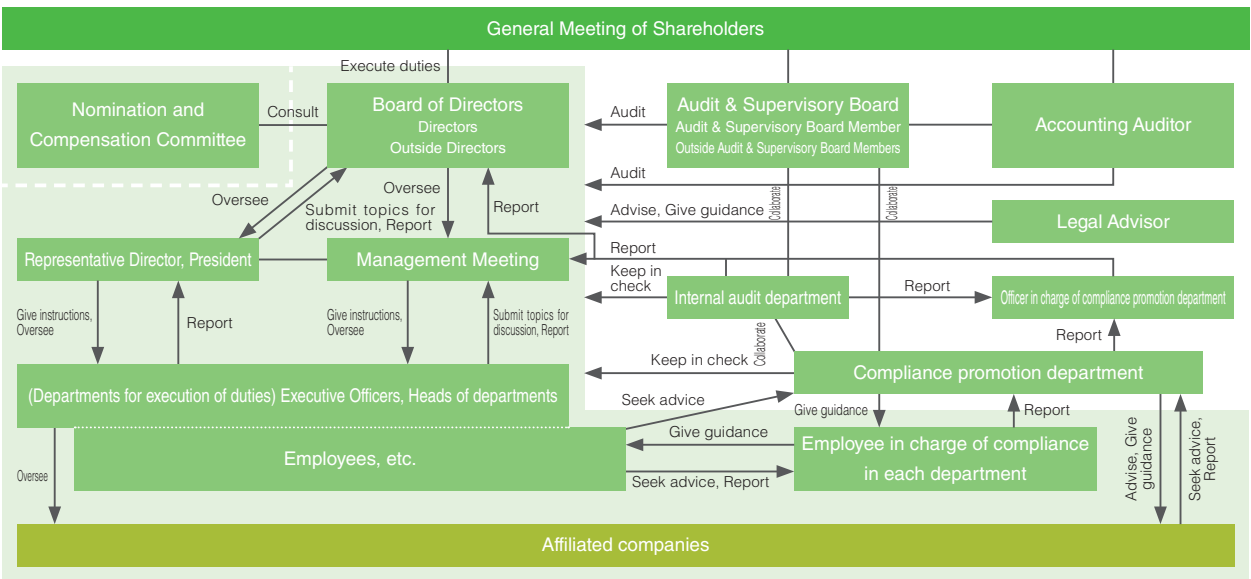
To sincerely fulfill our responsibility as “an infrastructure building company that helps create affluent communities (our corporate philosophy),” live up to expectations from society, and achieve a sustainable growth of the Company and a medium- to long-term increase in corporate value, we recognize that enhancing corporate governance to ensure the fundamental fairness, health, and efficiency of management is one of the top priorities in management. We strive to enhance corporate governance in accordance with the following basic stance.

- (1) We ensure substantial equality among shareholders, respect the rights and interests of shareholders and all other stakeholders, and build harmonious relationships with them.
- (2) Directors and Audit & Supervisory Board Members recognize their fiduciary responsibilities and fulfill expected roles and responsibilities.
- (3) We disclose corporate information in an appropriate manner and ensure transparency.
- (4) We engage in constructive dialogues with stakeholders.

We have compiled basic matters on corporate governance as Seikitokyu Kogyo Corporate Governance Guidelines, which can be found on our website.

Seikitokyu Kogyo Corporate Governance Guidelines Web
➔ <https://www.seikitokyu.co.jp/dev/wp-content/themes/twenty sixteen/pdf/company/2019070102.pdf>

Organizational Structure for Corporate Governance



Evaluation of the Effectiveness of Board of Directors

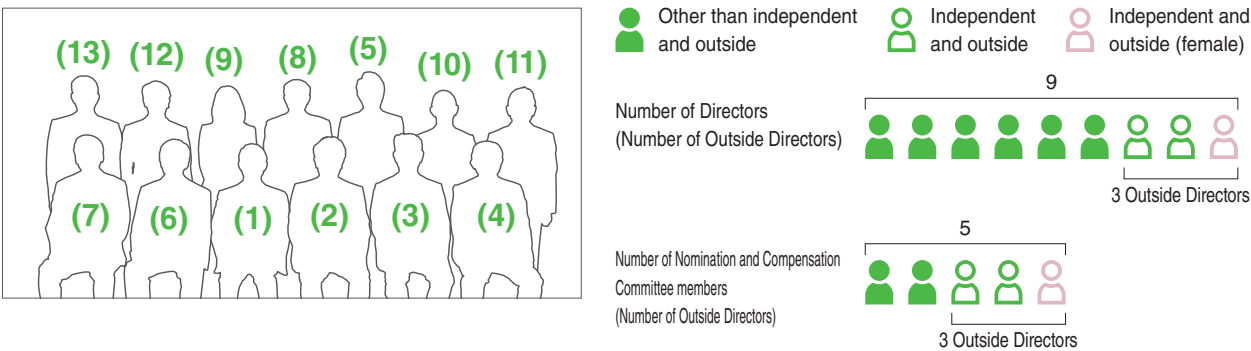
To ensure an effective and appropriate oversight over corporate management by the Board of Directors and enhance its functions, we analyze and evaluate the effectiveness of the Board of Directors as a whole every year, by taking into consideration self-evaluation by each Director and other indicators. An overview of the results is disclosed.

For fiscal 2020, the effectiveness of the Board of Directors as a whole was analyzed and evaluated at the Board of Directors meeting held on May 25, 2021, based on the evaluation by and opinions of all Directors and Audit & Supervisory Board Members on the composition of the Board of Directors, its administration, and other factors. The Board of Directors considers that although there is room for further improvement in terms of free and open-minded discussions, oversight of the status of compliance, and independence of the composition of the Nomination and Compensation Committee, the Board is functional enough to ensure effectiveness, with steady improvements in the matters recognized as issues in the previous evaluation.

The shared awareness of issues is reflected in the composition of the Nomination and Compensation Committee after the Annual General Meeting of Shareholders held on June 23, 2021. Outside Directors, who are highly independent, now consist of more than half of the Committee members.

External evaluation is also conducted every three to five years (the last evaluation was in fiscal 2018). We will further enhance the functions of the Board of Directors by constantly analyzing and evaluating the effectiveness of the Board and making improvements.

Officers (As of September 30, 2021)



Name	Positions, responsibilities, and significant concurrent positions	Independent Officer Nomination and Compensation Committee	Areas where officers have particular expertise and experience							
			Non-engineering field	Engineering field	Business administration	Construction	Products	Management experience	Legal affairs/compliance	Administrative experience
(1) Toshiaki Sato	Representative Director, Chairman	○	●	●	●	●	●	●	●	●
(2) Yoshikazu Taira	Representative Director, President; President, Executive Officer	○	●	●	●	●	●	●	●	●
(3) Tsukasa Furukawa	Representative Director; Senior Managing Executive Officer; General Manager, Business Promotion Division		●	●	●	●	●	●	●	●
(4) Kazushi Ishida	Director; Managing Executive Officer; General Manager, Business Administration Division; General Manager, Corporate Planning Department		●	●	●	●	●	●	●	●
(5) Yuji Ooteki	Director; Managing Executive Officer; Deputy General Manager, Business Promotion Division; General Manager, Engineering Department, Business Promotion Division		●	●	●	●	●	●	●	●
(6) Tsuneo Iizuka	Director; Director, Chairman, TOKYU CONSTRUCTION CO., LTD.		●	●	●	●	●	●	●	●
(7) Shinya Fukuda	Director (Outside Director); Certified Public Accountant; Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member); Kitoku Shinyo Co., Ltd.	○	○						●	●
(8) Masato Tamura	Director (Outside Director); Director (Outside Director); NISSHIN GROUP HOLDINGS Company, Limited	○	○					●	●	●
(9) Rena Shimizu	Director (Outside Director); Representative Director, President, CHANCE for ONE Co., Ltd.	○	○					●	●	●
(10) Masayuki Koide	Full-time Audit & Supervisory Board Member		●	●	●	●	●	●	●	●
(11) Yoshihiko Suzuki	Full-time Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)		●	●	●	●	●	●	●	●
(12) Yoichi Saito	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member); Lawyer; Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member); TOKYU CONSTRUCTION CO., LTD.	○						●	●	●
(13) Yukio Ono	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member); Certified Public Accountant; External Audit & Supervisory Board Member; TIS Inc.	○							●	●

Note: ○ in the "Nomination and Remuneration Committee" column indicates that the person chairs the committee.

Officer Compensation

At the 57th Annual General Meeting of Shareholders held on June 29, 2006, it was resolved that the total amount of annual compensation for Directors and Audit & Supervisory Board Members shall be not more than 324 million yen (excluding employee's salary for Directors who also serve as employees) and not more than 60 million yen respectively. The actual amounts of compensation for Directors and Audit & Supervisory Board Members are determined based on the resolution of the Board of Directors and discussion by the Audit & Supervisory Board Members respectively, within the range of the total amount, in accordance with the position, and taking performance and other factors into consideration.

At the 69th Annual General Meeting of Shareholders held on June 22, 2018, it was resolved that a restricted stock compensation plan shall be introduced for Directors (excluding Outside Directors), that the amount of monetary compensation receivables provided from the total amount of compensation for Directors shall be not more than 60 million yen per year, and that the number of common shares issued or disposed of as restricted stock shall be not more than 50,000 per year.

Total Amount of Compensation, Etc. for Directors and Audit & Supervisory Board Members (FY2020)

	Basic compensation (basic compensation + variable compensation)	Stock compensation (cost incurred based on the restricted stock compensation plan)	Total amount of compensation	No. of eligible persons
Directors	168 million yen	21 million yen	189 million yen	9
Of which Outside Directors	18 million yen	—	18 million yen	3
Audit & Supervisory Board Members	39 million yen	—	39 million yen	5
Of which Outside Audit & Supervisory Board Members	25 million yen	—	25 million yen	4

Reference: 1. In fiscal 2020, basic compensation, variable compensation, and stock compensation accounted for approximately 60%, 30%, and 10% respectively of the compensation for executive directors.
2. The above amounts include the amount of compensation for one Outside Audit & Supervisory Board Member who left office at the conclusion of the 71st Annual General Meeting of Shareholders held on June 23, 2020.

Internal Control and Risk Management

We recognize that the development of an internal control system is an important management issue to ensure compliance with laws and regulations and the Articles of Incorporation in Directors' execution of duties, as well as the appropriateness of operations.

To this end, we have developed a range of rules, manuals, etc. and established and implemented a whistle-blowing system that ensures anonymity of whistleblowers and protects them from disadvantageous treatment. In addition, we conduct periodic internal audits to monitor business execution from various perspectives, including legality. The audit results are reported to Directors and Audit & Supervisory Board Members as occasion arises, as well as to the Management Meeting and Board of Directors twice a year.

In April 2007, the Internal Control Department was established in the head office to strengthen and promote internal control. We constantly work on the review of existing systems and the establishment of systems to ensure the appropriate and efficient execution of duties and the appropriateness of financial reporting.



Systems to Ensure the Appropriateness of Operations and the Status of Implementation of the Systems (Fiscal year ended March 31, 2021)
➔ <https://www.seikitokyu.co.jp/dev/wp-content/themes/twenty sixteen/pdf/info/202105312.pdf>

Dialogue with Shareholders and Investors

Dialogue with Shareholders and Investors

We strive to promote constructive dialogues with shareholders and investors to pay attention to management-related analysis, opinions, etc. offered by capital providers, including shareholders, and in turn achieve sustainable growth and medium- to long-term increase in corporate value.

In the process of formulating our Where We Should Be in 2030 strategy and the Medium-term Management Plan (FY2021–FY2023) announced on May 12, 2021, we took into consideration a lot of feedback received in the dialogues, which is partly reflected in the final vision and plan.

Dialogue in FY2020

Financial results presentation	IR meeting (individual)	SR meeting (individual)	Other meeting
June, November	15 times	18 times	7 times

Note: To prevent the spread of COVID-19, the June 2020 financial results presentation was cancelled and replaced with the distribution of relevant documents.

Compliance

Initiatives to Enhance Compliance

To promote compliance management, we have established the Seikitokyu Kogyo Group Compliance Code of Conduct. We strive to ensure the effectiveness of the Code of Conduct by developing and implementing a whistle-blowing system, etc., offering periodic training by the department in charge, and taking other relevant measures.

For enhanced compliance, we constantly took action in fiscal 2020 to raise awareness of officers and employees of the Company and its subsidiaries, which includes thorough education to that end. We also take thorough measures to prevent the recurrence of the Anti-Monopoly Act violation. The Board of Directors constantly monitors the state of affairs.

Systems to Ensure Compliance

Compliance Promotion Officer

Our system to ensure compliance with laws and regulations, etc. includes a department in charge of compliance, which centrally handles issues related to the matter, and Compliance Promotion Officers appointed in each department. In fiscal 2020, 87 offices had Compliance Promotion Officers, for whom a dedicated training program was in place.

Compliance Hotline (Whistle-blowing System)

A compliance hotline has been set up in the department in charge of compliance, so that employees, etc. of the Company and its Group companies can directly seek advice on or report possible violations of laws and regulations, etc. The system contributes to the prevention, early detection, and correction of such violations. What is discussed or reported, as well as results of investigations, will be reported to the Management Meeting and the Board of Directors.

Systems to Ensure Compliance with the Anti-Monopoly Act

We have developed internal systems to eliminate any violation of the Anti-Monopoly Act. Specifically, we update the Anti-Monopoly Act compliance manual as necessary, take strict disciplinary actions against violations, have set up a hotline dedicated to Anti-Monopoly Act violations, ensure thorough education and training, carry out appropriate job rotation, and conduct internal audits.

Status of Compliance Training, Etc.

FY	2018	2019	2020
No. of participants (cumulative total)	1,068	1,154	619

Status of Internal Audits

FY	2018	2019	2020
No. of offices (cumulative total)	107	125	107

Compliance with the Anti-Monopoly Act

Between September 6, 2016 and July 30, 2019, the Japan Fair Trade Commission took multiple measures against our violations of the Anti-Monopoly Act, which had taken place in the period up to January 27, 2015. After recognizing that violations had taken place, the Group has constantly carried out measures to prevent recurrence, which we laid out with the help of external experts. We will remember past mistakes, make sure to implement measures to prevent recurrence, promote compliance management across the entire Company, and strive to eliminate any illegal activities.

Measures to Prevent Recurrence

Announced on March 25, 2016Measures to Prevent the Recurrence of Anti-Monopoly Act Violations (Mainly includes measures against violations in bidding for construction works)



➔ <https://www.seikitokyu.co.jp/wp-content/uploads/2016/03/20160325.pdf>

Announced on January 24, 2020 Specific Measures to Prevent Recurrence Compiled in Response to the Recommendations in the Investigation Report (Additional measures against violations in deciding mixture prices)



➔ <https://www.seikitokyu.co.jp/dev/wp-content/uploads/2020/01/20200124.pdf>

Progress of the Measures to Prevent Recurrence

The Group monitors the status of implementation of the measures to prevent recurrence and makes periodic reports to the Board of Directors and the Management Meeting.

In addition, an overview of the monitoring results is disclosed on our website to help regain trust from stakeholders.



➔ <https://www.seikitokyu.co.jp/company/compliance>

Financial Information

Consolidated Balance Sheets for the Years Ended March 31

(Millions of Yen)

	71st fiscal year 2020	72nd fiscal year 2021		71st fiscal year 2020	72nd fiscal year 2021
Assets			Liabilities and net assets		
Current assets	49,051	53,821	Current liabilities	33,908	30,877
Cash and deposits	14,169	14,035	Total trade payables	23,632	21,767
Trade receivables	26,004	34,150	Short-term loans payable	472	7
Cost on uncompleted construction contracts	6,007	2,565	Income taxes payable	558	1,147
Raw materials and supplies	310	386	Advances received on uncompleted construction contracts	5,216	2,070
Short-term loans receivables	0	—	Provision for warranties for completed construction	15	15
Other current assets	2,559	2,683	Provision for loss on construction contracts	44	7
Non-current assets	25,604	25,588	Provision for bonuses	1,267	1,645
Property, plant and equipment	22,805	23,655	Other current liabilities	2,701	4,216
Buildings and structures	8,774	9,220	Non-current liabilities	4,114	7,742
Machinery, equipment, vehicles, tools, furniture and fixtures	19,358	20,681	Long-term loans payable	300	5,000
Land	14,195	14,327	Net defined benefit liability	3,742	2,597
Construction in progress	751	245	Other long-term liabilities	72	144
Accumulated depreciation	(20,275)	(20,820)	Total liabilities	38,023	38,619
Intangible assets	463	263	Net assets		
Other intangible assets	463	263	Shareholders' equity	37,919	41,246
Investments and other assets	2,335	1,669	Share capital	2,000	2,000
Investment securities	263	288	Capital surplus	510	519
Deferred tax assets	1,434	847	Retained earnings	35,480	38,767
Other investments and other assets	637	533	Treasury stock	(71)	(40)
Total assets	74,656	79,409	Accumulated other comprehensive income	(1,286)	(455)
			Unrealized gain (loss) on investment securities	(2)	21
			Foreign currency translation adjustment	(16)	(15)
			Remeasurements of defined benefit plans	(1,267)	(461)
			Total net assets	36,632	40,790
			Total liabilities and net assets	74,656	79,409

Consolidated Statements of Income for the Years Ended March 31

(Millions of Yen)

	71st fiscal year 2020	72nd fiscal year 2021
Net sales	78,631	90,025
Cost of sales	67,627	75,914
Gross profit	11,003	14,111
Selling, general and administrative expenses	5,042	5,640
Operating income	5,961	8,470
Other income	111	108
Other expenses	63	183
Ordinary profit	6,009	8,395
Extraordinary income	1,558	94
Extraordinary losses	203	1,389
Profit before income taxes	7,363	7,100
Income taxes - current	891	1,332
Income taxes - deferred	(73)	586
Net income	6,544	5,180
Net profit attributable to non-controlling interests	—	—
Net profit attributable to owners of parent	6,544	5,180

Consolidated Statements of Comprehensive Income for the Years Ended March 31

(Millions of Yen)

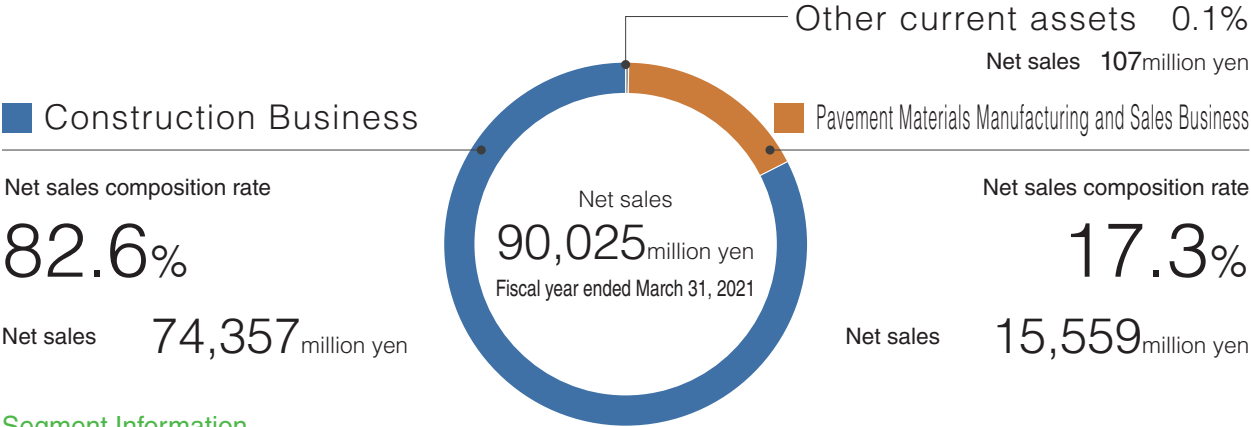
	71st fiscal year 2020	72nd fiscal year 2021
Net income	6,544	5,180
Other comprehensive income (loss)	(300)	830
Comprehensive income	6,243	6,010

Consolidated Statements of Cash Flows for the Years Ended March 31

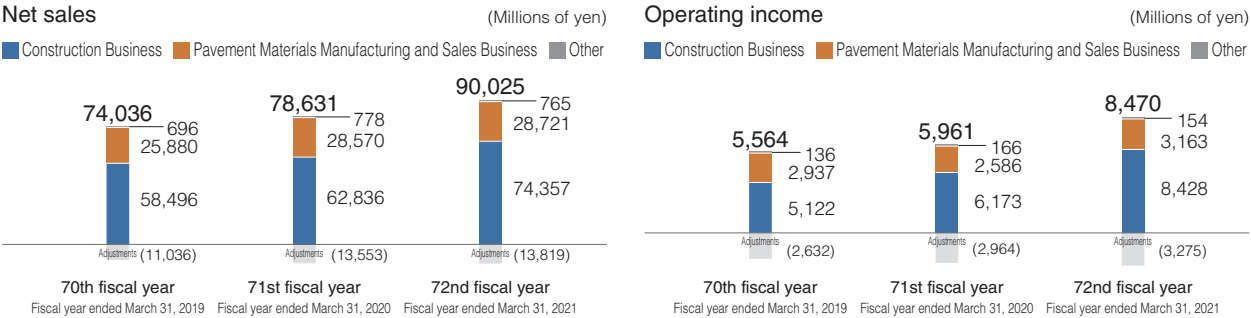
(Millions of Yen)

	71st fiscal year 2020	72nd fiscal year 2021
Cash flows from operating activities	4,461	1,138
Cash flows from investing activities	(3,808)	(3,622)
Cash flows from financing activities	(2,919)	2,343
Effect of exchange rate change on cash and cash equivalents	3	6
Net increase (decrease) in cash and cash equivalents	(2,262)	(133)
Cash and cash equivalents at beginning of year	15,735	14,169
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	696	—
Cash and cash equivalents at end of year	14,169	14,035

Segment Information and Business Description



Segment Information



Road construction and pavement needs technologies and construction methods that suit different conditions and characteristics, such as the application, environment, scale, traffic volume, and construction period. Since its founding, we have been involved in the development and implementation of a multitude of technologies and construction methods, which we have used for the betterment of wide range of infrastructure such as expressways, runways, and port facilities for more than 70 years. Our paving technologies cover asphalt pavements and cement concrete pavements and meet diverse needs in the optimal way.

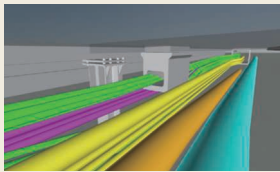
Our expertise in civil engineering technology, which we have cultivated since our founding, has been used in various fields, ranging from general earthworks, such as residential land development, to special fields such as improvements of reservoirs, embankments, and rivers. Today, we also apply our technologies to works related to disaster prevention and mitigation, including the development of infrastructure for renewable energy, and contribute to safe and secure future urban development.

A variety of our pavement technologies are used for sports facilities, such as athletic tracks, baseball parks, and tennis courts; shrines; temples; and park facilities, in addition to roads in general. We also engage in a wide range of landscape pavement works to create a comfortable and beautiful life environment in harmony with the surrounding environment and nature by adding beauty and accents to the inorganic pavement surface.

We manufacture and sell asphalt mixtures on a nationwide scale and supply a variety of high-quality pavement materials to the market in a timely manner. We are also actively working to reduce the environmental burden by contributing to the achievement of a recycling-oriented society through 100% reuse of asphalt waste and by improving the efficiency of facilities and changing fuels used to save energy and reduce CO₂ emissions.

Technological Development

We will seek to secure the quality and improve the productivity in the entire process at the production site, from the basic stage of construction work to the management and maintenance of roads, by developing products and construction methods geared to energy efficiency, such as an earth conscious low-carbon asphalt mixture, the full introduction of ICT, and the use of drones and 3D data.



Company Profile and Stock Information (as of March 31, 2021)

Company Profile

Corporate name	SEIKITOKYU KOGYO CO., LTD.
Established	January 16, 1950
Head office location	3-13-16 Mita, Minato-ku, Tokyo, Japan
Share capital	2.0 billion yen
Number of employees	869

Sites

Branches	Hokkaido Branch (Hokkaido) Tohoku Branch (Miyagi) Hokuriku Branch (Niigata) Kanto Branch (Tokyo) North Kanto Branch (Saitama) East Kanto Branch (Chiba) Tokyo Branch (Tokyo) Yokohama Branch (Kanagawa) Kanto Product Sales & Marketing Branch Office (Tokyo) Nagoya Branch (Aichi) Kansai Branch (Osaka) Chugoku Shikoku Branch (Hiroshima) Kyushu Branch (Fukuoka)
Business offices and others	55 sites
Technology research laboratory	Tochigi
Testing laboratories	8 sites
Equipment center	Tochigi
Material plants and others	49 sites
Training center	Tochigi

Group Companies

Subsidiaries	HODOU KOGYO CO., LTD. HOEI KENSETSU KOGYO CO., LTD. MICHINOKU KOGYO CO., LTD. YAMABIKO KOGYO CO., LTD. CHUGAI ENGINEERING CO., LTD. ST SERVICE CO., LTD. NITTOU ROAD CO., LTD. TAKAMATSU KOUMUTEN CO., LTD.	SHINSEIKI KOGYO CO., LTD. ST KENZAI CO., LTD. KUMAREKI KOGYO CO., LTD. SEIKITOKYU MYANMAR ROAD COMPANY LIMITED STK PACIFIC CORPORATION
Affiliates	GULF-SEAL KOGYO CORPORATION NOTO ASCON CORPORATION	

Note: Effective July 1, 2021, all shares of ST KENZAI CORPORATION were transferred outside the Group.

Stock Information

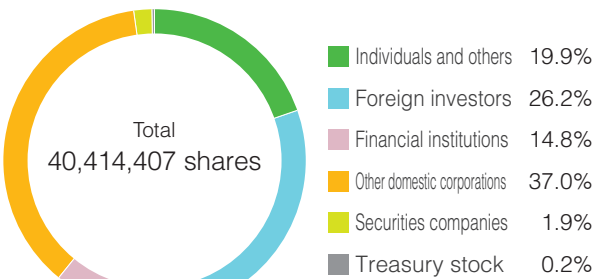
Total number of shares authorized	150,000,000 shares
Total number of shares issued	40,414,407 shares
Number of shareholders	8,010

Major Shareholders

Names of shareholders	Number of shares held (Thousand of shares)	Shareholding ratio (%)
TOKYU CONSTRUCTION CO., LTD.	8,931	22.14
Hikari Tsushin K.K.	2,978	7.38
The Master Trust Bank of Japan, Ltd. (trust account)	2,186	5.42
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	1,650	4.09
TOKYU CORPORATION	1,533	3.80
INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP	1,416	3.51
INTERTRUST TRUSTEES (CAYMAN) LIMITED AS TRUSTEE OF JAPAN-UP UNIT TRUST	1,400	3.47
Custody Bank of Japan, Ltd. (trust account)	1,050	2.60
Seikitokyu Employees' Shareholding Association	764	1.90
BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	600	1.49

Note: The shareholding ratio was calculated after deducting 67,641 shares of treasury stock.

Distribution of Shares by Types of Ownership





世紀東急工業株式会社

SEIKITOKYU KOGYO CO., LTD.

9F, Mita 43 MT Building, 3-13-16, Mita, Minato-ku, Tokyo, 108-8309, Japan

Inquiries: <https://www.seikitokyu.co.jp/contact> (in Japanese)

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ST and K

(Seikitokyu Kogyo's mascot characters)

ST and **K**, our mascot characters, were born in January 2020 on the occasion of our 70th anniversary. They will help promote safety at construction sites and asphalt plants across the country, improve the industry's image, and conduct public relations activities.

世紀東急工業キャラクター
エスディとケイ

