



Integrated Report

2021.7.1–2022.6.30

A Construction Company that doesn't Construct

We create the future of social infrastructures

The SHO-BOND Group is a comprehensive maintenance company that specializes in repairing and reinforcing social infrastructures.

SHO-BOND combines innovative chemical and civil engineering technologies to create new materials and construction methods that reflect the current requirements of the times. SHO-BOND has been a leading company in the structure maintenance business for many years. Repair and reinforcement work is urgently needed in many places because of the increasing age of infrastructure in Japan and other countries.

Dedicated to the mission of "Inheriting and passing on social infrastructure to the next generation in good condition," SHO-BOND meets the needs of society by using its diverse and powerful resources to provide comprehensive infrastructure maintenance. This is the mission of the SHO-BOND Group.

KEY FIGURES

(As of June 30, 2022)



Operating Profit

17.26 ¥bn



Operating Profit Margin

21.3 %



ROE

13.4 %



PBR

3.38 times



Equity Ratio

80.2 %



Total Return Ratio

75.1 %



Number of Employees

951



Group Companies

18



Preserving bridges in your memory

Focused on today's infrastructure,
looking ahead to the future



Constantly repairing and passing infrastructure
on to the next generation



Experience and Technologies
– Our contributions to safety and
quality in society –

Note regarding English translation

The content of this report is composed in Japanese. The Company provides the English version for your reference and convenience only without any warranty as to its accuracy. In case of any discrepancy between the English version and the Japanese original, the latter shall prevail.

Editorial policy

This is the first Integrated Report produced by SHO-BOND. We decided to begin issuing this report with the fiscal year that ended in June 2022 for the purpose of explaining to stakeholders the value that our business operations create and our commitment to sustained growth.

This publication is based on the International <IR> Framework of the International Integrated Reporting Council and the Guidance for Collaborative Value Creation of the Ministry of Economy, Trade and Industry. For more information about SHO-BOND, including news releases and other recent announcements, please visit our website.

Period covered by this publication

FY2022 (July 1, 2021 to June 30, 2022)

This report uses the latest information that was available at the date of publication.

Organization covered by this publication

SHO-BOND Holdings and its consolidated subsidiaries and affiliates

Date of issue

December 2022

Note regarding forward-looking statements

Plans, forecasts, strategies and other forward-looking statements in this report are based on information that is currently available and on judgments believed to be reasonable in accordance with certain assumptions. Actual results of operations may differ from these forward-looking statements due to numerous risk factors and uncertainties.

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Company Information

Inheriting and passing on social infrastructure to the next generation in good condition

We play an important role in the sustainability of cities by utilizing technologies acquired during more than 60 years in the infrastructure maintenance business for repairing and reinforcing a broad range of structures that are vital parts of the social infrastructure.



- Seismic retrofitting
- Prevention of concrete degradation

■ Bridges



- Prevention of ceiling and wall peeling
- Stop groundwater leaks

■ Tunnels



- Repair of expansion joints
- Noise reduction

■ Road structures



■ Harbor Quay

- Protection from salt damage
- Prevention of concrete degradation



■ Railways

- Repair of damage at elevated railways
- Seismic retrofitting



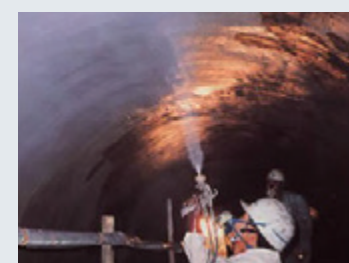
■ Irrigation Channels

- Prevention of cracking
- Prevention of water leaks



■ Water Supply and Sewer Systems

- Protection from corrosion



■ Buildings

- Seismic retrofitting



■ Silo

- Repair of wall surface degradation



History of SHO-BOND

The Origin of “SHO-BOND”

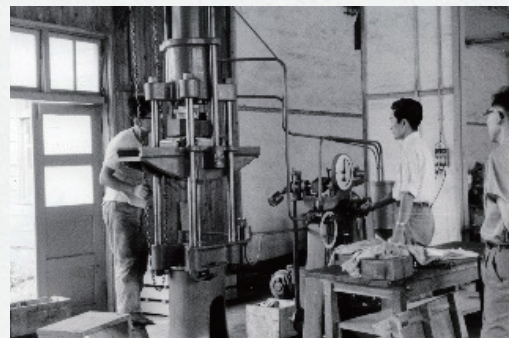


Akira Ueda when Showa Kogyo was established

Showa Kogyo Corporation was established in Setagaya-ku, Tokyo on June 4, 1958 by Akira Ueda, who was 31 years old.

Initially, the main business was construction involving rigid PVC pipes. In 1959, Showa Kogyo quickly repaired cracks at the spillway of the Yakuwa Dam by using PVC boards and epoxy resin. This accomplishment led to the development in September 1959 of a high-strength epoxy resin adhesive (currently equivalent to #101 adhesive). This was followed by the development of adhesives for specific applications that used the registered trademark “SHO-BOND”. Production of these adhesives started in November 1959.

In 1960, the head office moved to Chiyoda-ku, Tokyo and the sale of “SHO-BOND” and construction processes using this material started. To sell this product for civil engineering applications, whole numbers were used for the ratios of base agents and hardeners for all versions of SHO-BOND. Synthetic resin adhesives were soon widely used at construction sites in Japan.



(left) The manufacture of “SHO-BOND” adhesives
(right) A SHO-BOND adhesive test at the Institute of Industrial Science, the University of Tokyo

The corporate DNA as a company specializing in infrastructure maintenance

In 1989, 31 years after its establishment, the stock listing was moved to the first section of the Tokyo Stock Exchange. This was the peak of Japan's bubble economy as many companies were diversifying operations. At the Company-wide Sales Meeting, company president Akira Ueda declared that the company would focus exclusively on repair and reinforcement projects.

We, SHO-BOND have dedicated ourselves to the comprehensive maintenance of concrete structures and this commitment will not change. We will steadily establish a sound foundation for business operations in this field. We do not deviate from the mission, do not branch out into other businesses in response to short-term trends, and concentrate on serving society.

The corporate DNA as an infrastructure maintenance specialist, based on growth prospects backed by the aging of Japan's highway infrastructure, still defines the SHO-BOND Group today.



Akira Ueda at SHO-BOND's 30th anniversary

History of SHO-BOND

1958-

The special website for SHO-BOND's 60th anniversary (Japanese version only)
<https://www.sho-bond.co.jp/60th/>

June 4, 1958 Started operations as Showa Kogyo Corporation.

1963 The company was renamed SHO-BOND Co., Ltd. and the development of new products and construction methods started for the use of high-polymer materials at civil engineering and construction projects.

1964 SHO-BOND participated in the repair of cracks in the deck slab of the Showa Ohashi Bridge in Niigata, which collapsed during an earthquake shortly after the bridge was completed.

1964 Tokyo Olympics

1965 After a trial installation of the Cut-off Joint, an expansion device for highway bridge developed by SHO-BOND and Japan Highway Public Corporation, this innovation was used nationwide at expressway construction projects.

1965 Completion of the Meishin Expressway

1975 SHO-BOND split into two companies: SHO-BOND CORPORATION and SHO-BOND Chemical

1977 Relocated the Central Technical Research Institute to Omiya (now the city of Saitama) and started strengthening R&D capabilities to reinforce SHO-BOND's reputation as a technology-oriented organization. The institute develops new products and construction methods that combine chemical and civil engineering technologies.



1961 Founder Akira Ueda transports building materials to a dam construction site during a blizzard



1977 The Central Technical Research Institute in 1977



1981 The SHO-BOND BICS (Balloon Injection for Concrete Structures) Method for repairing cracks in concrete was used at the Japan-U.S. large earthquake resistance experiment at the Building Research Institute of the Ministry of Construction.

History of New Products and Construction Methods



1962 Concrete successive pour method using SHO-BOND #202 adhesive



1967 Installation of the Cut-off Joint at the Tomei Expressway Nagoya Interchange



1968 Developed and started sales of SHO-BOND Mini



1983 Developed the DD BICS Method

1982-

- 1982

Established an agreement with Straub, based on Switzerland, to manufacture Straub couplings in Japan.
- 1987

SHO-BOND was listed on the second section of the Tokyo Stock Exchange and moved to the first section in 1989 as progress continued as a provider of comprehensive maintenance services for concrete structures.
- 1989

Nikkei Stock Average reached an all-time high of ¥38,915
- 1995

Many elevated sections of the Hanshin Expressway collapsed during the 1995 Great Hanshin-Awaji Earthquake, but sections supported by columns with seismic reinforcement using SHO-BOND's steel plate jacketing method were not damaged. After this disaster, seismic reinforcement projects increased throughout Japan and SHO-BOND's sales and earnings increased significantly.
- 1995

The Great Hanshin-Awaji Earthquake
- 1996

The Technical Research Institute began operating. The development of new technologies and equipment at the institute for assessing durability and other properties have helped make SHO-BOND's construction methods and products even more reliable.
- 2005

Enactment of the Act on Promoting Quality Assurance in Public Works resulted in the use of a new evaluation method for the selection of winning bids by taking into account various considerations other than price. This gave SHO-BOND a big advantage due to the company's reliable technologies and long record of proven reliability at public-works projects.



1982 Signing the coupling manufacturing agreement with Straub



1991 Exterior work at the bridge over Nihonbashi



1995 A section of the Hanshin Expressway destroyed by the Great Hanshin-Awaji Earthquake



1995 Expressway columns reinforced shortly before the earthquake were intact



1996 The new Technical Research Institute

2008-

- 2008

Established SHO-BOND Holdings Co., Ltd.
- 2011

The Great East Japan Earthquake of 2011 showed the effectiveness of seismic reinforcement work that was done after the Great Hanshin-Awaji Earthquake. This disaster further increased the pace of work to make Japan's infrastructure more resistant to earthquakes. SHO-BOND established 12 regional construction subsidiaries (the Kako Group) as a framework for receiving orders from local governments.
- 2011

The Great East Japan Earthquake
- 2012

Sasago Tunnel ceiling collapse on the Chuo Expressway
- 2013

Amendment to the Road Traffic Act, and compilation of the Basic Plan for Life Extension of Infrastructure (the First Year of Social Infrastructures Maintenance)
- 2015

Beginning of the large-scale renewal and repair projects of expressway companies
- 2016

Kumamoto Earthquake
- 2017

Passing of Akira Ueda, founder and chairman.
- 2018

Reexamination of the Japanese government's Fundamental Plan for National Resilience
- 2019

SHO-BOND and MITSUI & CO., LTD. established SHO-BOND & MIT Infrastructure Maintenance Corp. (SB&M) to operate an infrastructure maintenance business outside Japan.
- 2020

SB&M and CPAC, a member of the Siam Cement Group of Thailand, established CPAC SB&M Lifetime Solution Co., Ltd. in Thailand.
- 2021

Opened the Tsukuba Training Center, which is adjacent to the Technical Research Institute.



2011 SHO-BOND's work at the Kobe Ohashi Bridge received a Technology Award from the Japan Society of Civil Engineers Kansai Branch



2011 Repairing Tohoku Shinkansen columns damaged by the Great East Japan Earthquake



2020 A trial construction project in Thailand

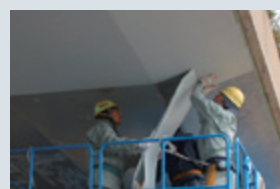
History of New Products and Construction Methods



1983 ST Joint



1997 Restraining Chain



2006 RAC-Sheet Method (prevents concrete degradation)



2006 Restraining Belt



2008 Shearing Stopper



2011 AI Joint



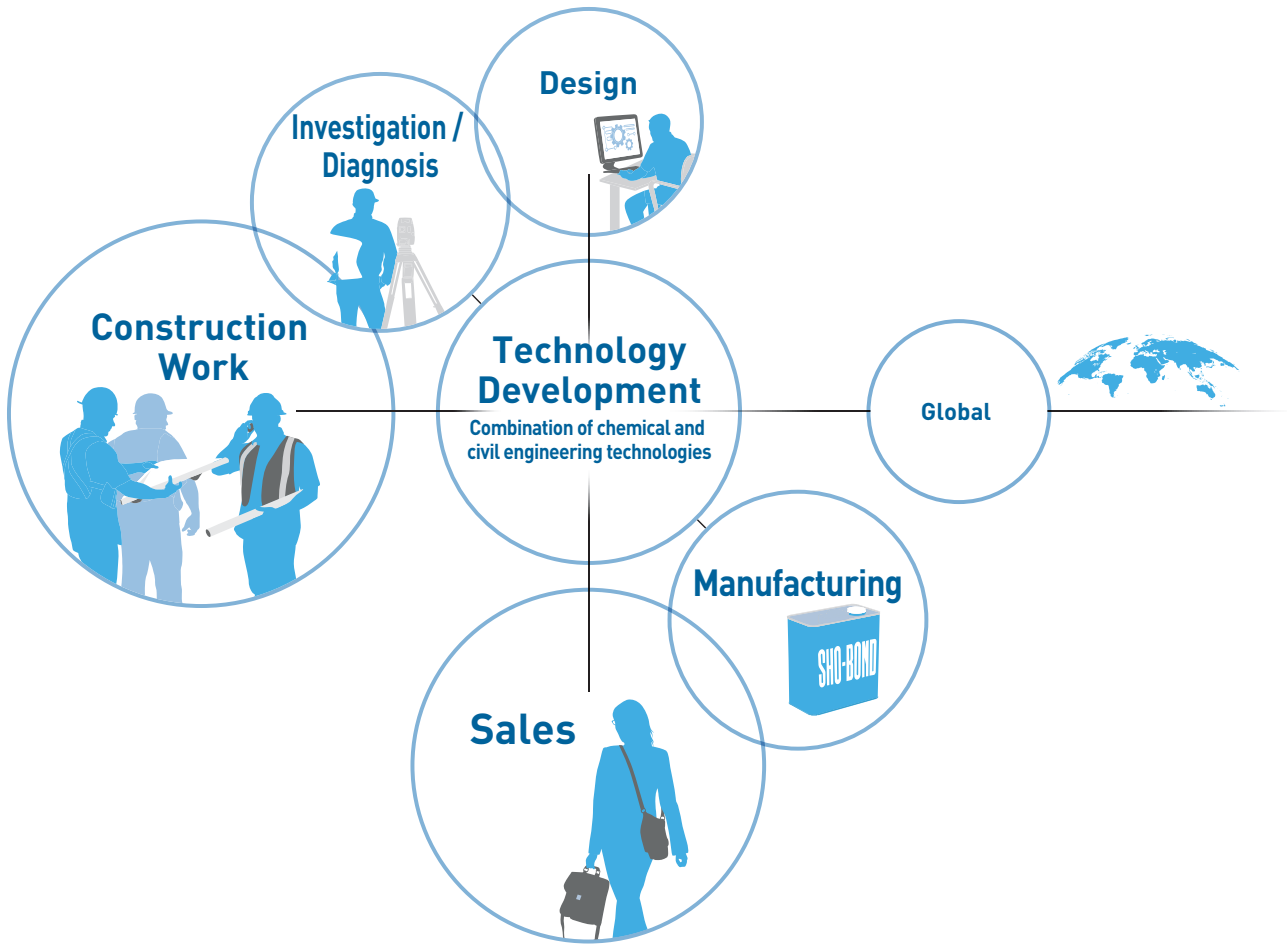
2017 Clear Protect Method



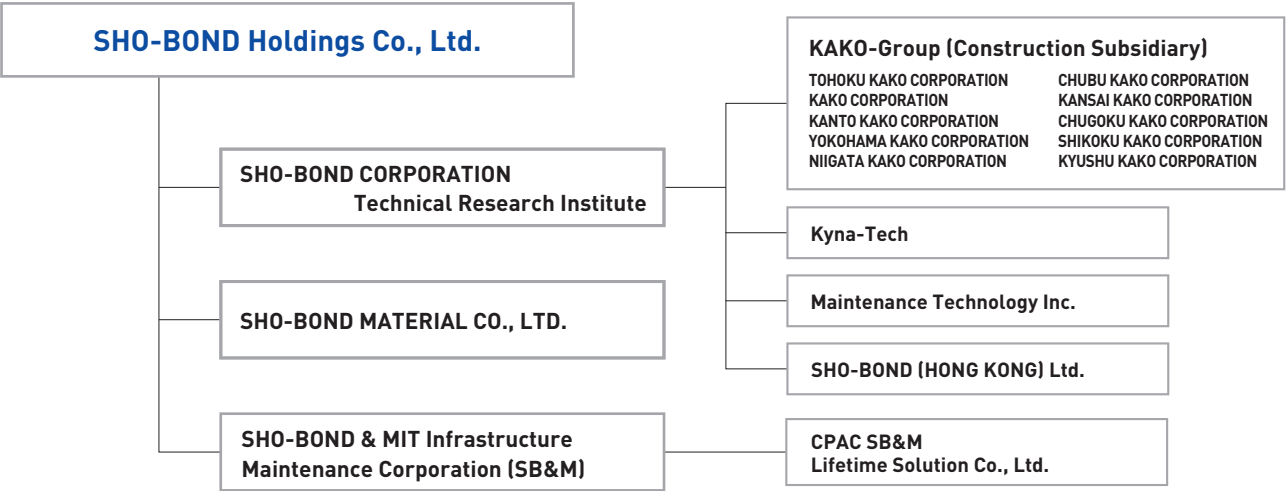
2020 CPJ-L

Comprehensive Maintenance System

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



Group Companies

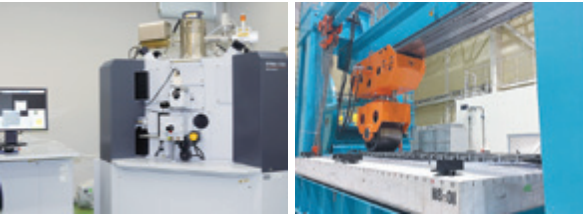


 Business
<https://www.sho-bondhd.jp/english/business/>

Technology Development Development of new construction methods and materials required by the times

We have a wide array of state-of-the-art research equipment specialized in repair and reinforcement. Our researchers specializing in chemistry and civil engineering work together with external research institutes to develop new construction methods and materials that meet the needs of the coming age.

Technical Research Institute (SHO-BOND CORPORATION)



Investigation / Diagnosis / Design Exact proposals based on accurate investigation

We propose optimal design and construction methods by investigating and diagnosing, combining abundant knowledge and state-of-the-art technology in response to various structural damage problems.

Maintenance Technology Inc.



Construction Work Construction system that can handle all types of construction

SHO-BOND CORPORATION handles large-scale, high-difficulty construction works, while construction subsidiaries (the KAKO-Group), which have their head offices in various locations, handle small and medium-scale construction works. We undertake maintenance works nationwide, regardless of scale or whether we are a main contract or a subcontractor.

SHO-BOND CORPORATION / KAKO-Group / Kyna-Tech



Manufacturing Production system utilizing our factories and contract manufacturing

While manufacturing resin-based materials, which are our roots, in our factories, we develop and design structural construction materials in the Technical Research Institute and contract manufacturing to partner companies (fabless). We have an efficient and asset-light production system.

SHO-BOND MATERIAL CO., LTD.



Sales Sales of a wide variety of repair and reinforcement products

Product sales and construction work are the two pillars of our businesses. With a lineup of organic, inorganic, and structural materials, our group companies approach a wide range of customers to expand our sales channels.

Group companies



Global Bringing Japanese maintenance technology overseas

We take on the challenge of solving the social issue of aging infrastructure faced by many countries by combining our technological expertise in infrastructure maintenance with the network and business development capabilities of MITSUI & CO., LTD.

SB&M



What is the SHO-BOND Group?

Management Strategies

Business Strategies

Sustainability

Corporate Governance

Company Information

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

Business Model

Our Vision

Fulfill our mission as a company

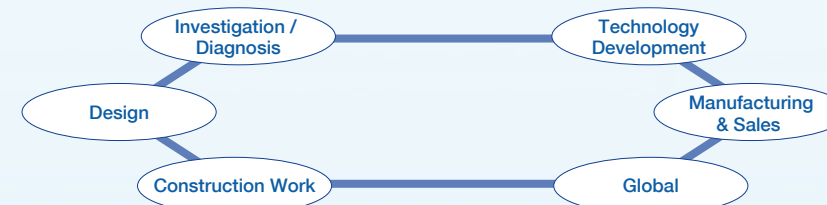
specializing in maintenance

Be a technology-oriented organization

that combines chemical and civil engineering technologies to create new materials and construction methods

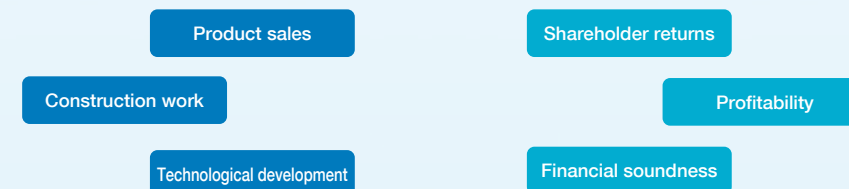
Place priority on profitability and efficiency

Comprehensive Maintenance

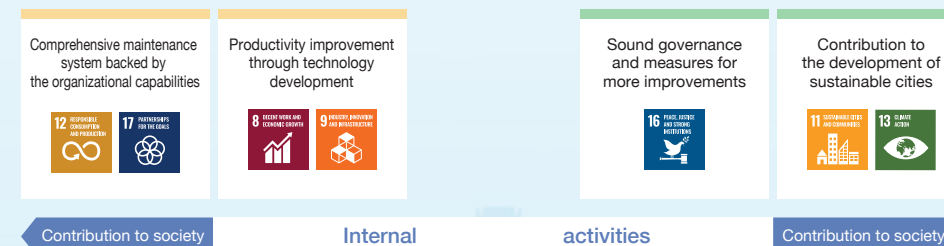


“Honing our inherent strengths what

it is that makes us SHO-BOND”



Materiality



Outcomes

Resolution of social issues

- Measures against aging through preventive infrastructure maintenance
- Establishment of a safe and secure national, regional, and economic society with resilience
- Creation of sustainable and livable cities
- Curbing of greenhouse gas emissions (Reduction of environmental impact)

Improvement of economic value

- Sales ¥87.5 billion
- Profit attributable to owners of parent ¥12.0 billion
- ROE 12%
- Total return ratio 75%

Medium-term Business Plan (FY2022 - FY2024)

Mission

Inheriting and passing on social infrastructure to the next generation in good condition

Social Issues

Accelerated aging of infrastructure

Increasingly severe and frequent natural disasters

Realization of a decarbonized society

Declining birthrate, aging population, and decreasing workforce

Heightened geopolitical risks and changes in economic conditions in Japan and overseas

Inputs

Financial capital

- Sound financial base with high profitability

Manufactured capital

- The Group's strength for comprehensive infrastructure maintenance
- Construction methods and materials specialized in repair and reinforcement

Intellectual capital

- Accumulated technological development capabilities and knowledge centered on Technical Research Institute

Human capital

- Experienced and highly skilled engineers
- Multi-skilled workers with strengths as maintenance specialists

Social and relationship capital

- Engagement with stakeholders
- Strong network with partner companies

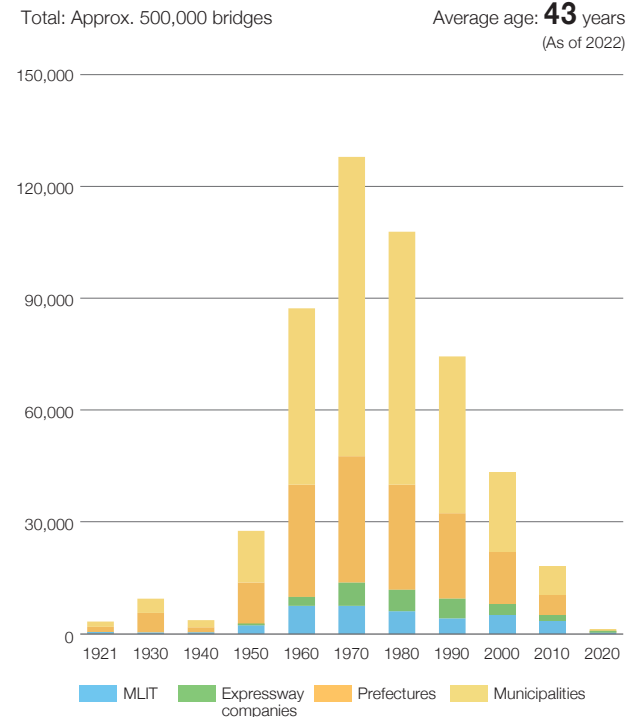
Natural capital

- Maintenance work with reduced environmental impact

Accelerated Aging of Infrastructure

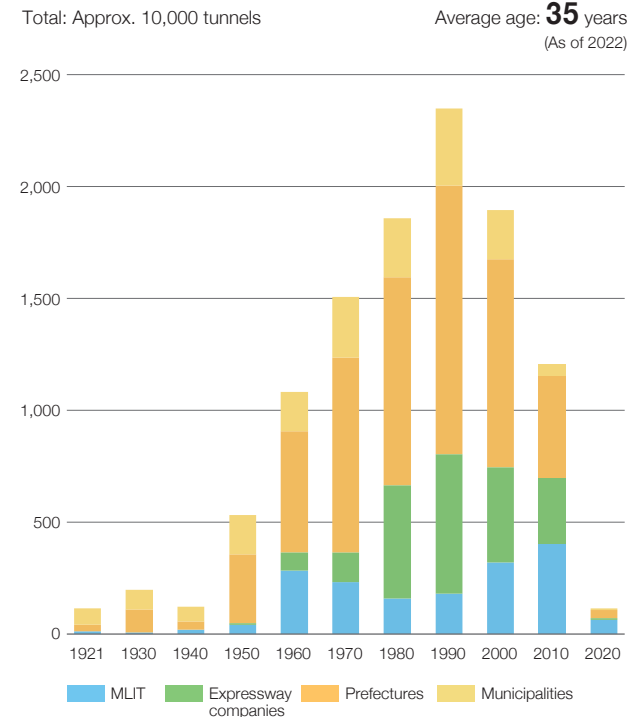
Most of the infrastructure in Japan was built after the high economic growth period, and its aging is expected to accelerate in the future. In response to these social issues, national and local governments are taking action nationwide to formulate plans for appropriately maintaining, managing, and renewing infrastructure and extending the service life.

Number of Bridges by Year of Construction



Notes:
1. Prepared by SHO-BOND based on MLIT data
2. Number of managed facilities by road administrator
3. In addition to the above, there are approximately 230,000 bridges and 400 tunnels whose construction year is unknown.

Number of Tunnels by Year of Construction



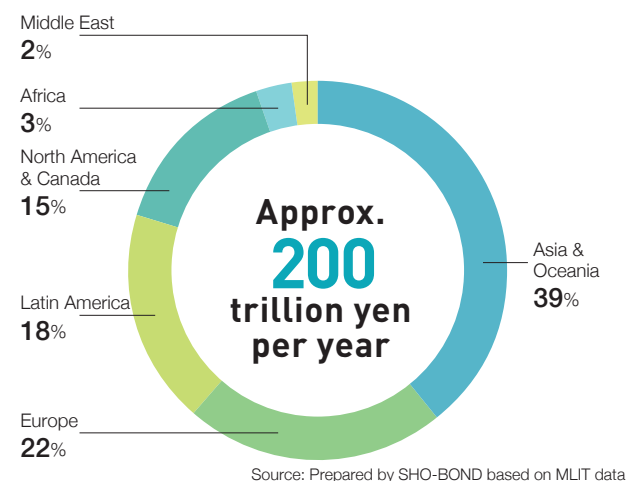
Estimated Costs of Domestic Infrastructure Maintenance and Renewal

MLIT	194.6 trillion yen
Railway companies	38.4 trillion yen
MAFF	29.3 trillion yen
Expressway companies	19.4 trillion yen

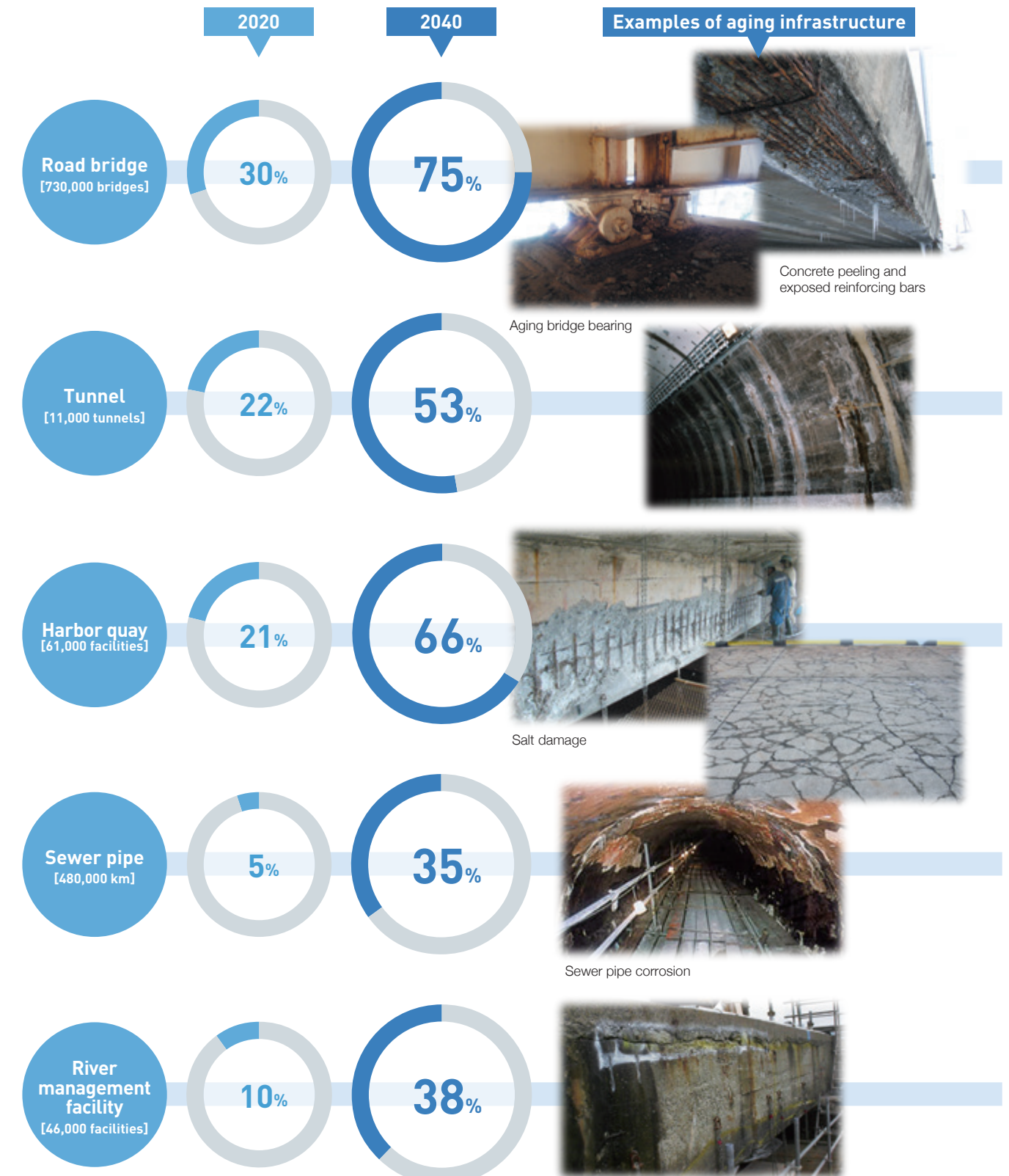
2018-2048 **282** trillion yen

Note: Based on FY2019 and FY2020 estimates. The maximum amount of infrastructure maintenance/renewal expenses during the next 30 years is estimated based on the preventive maintenance concepts of various organizations. These expenses for MLIT are about 50% higher after 30 years when this estimate is based on the corrective maintenance concepts. (Source: National government materials, newspaper articles and other sources)

Estimated Market Size of Overseas Infrastructure Maintenance



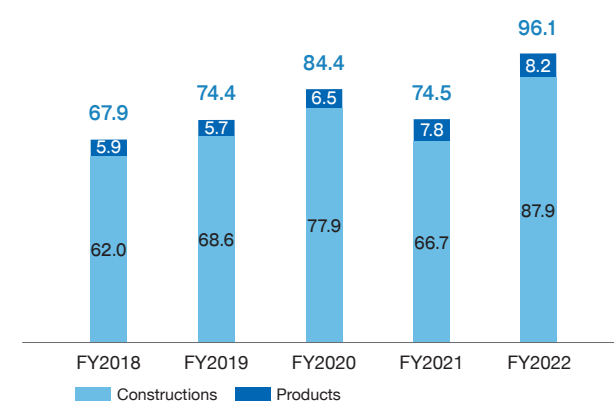
Percentage of Structural Infrastructures Built More Than 50 Years Ago



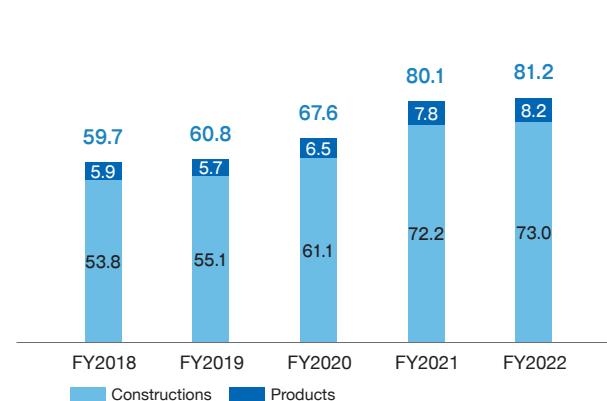
Financial and Non-financial Highlights

Financial

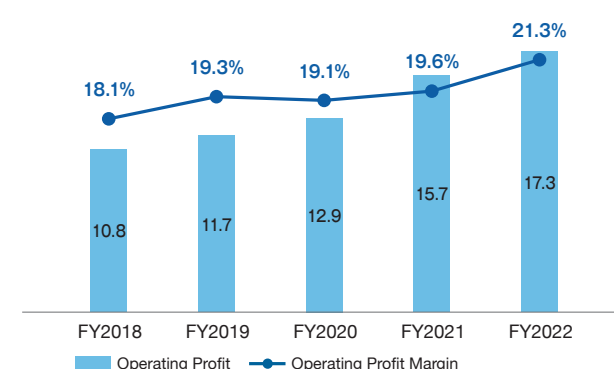
Orders (¥bn)



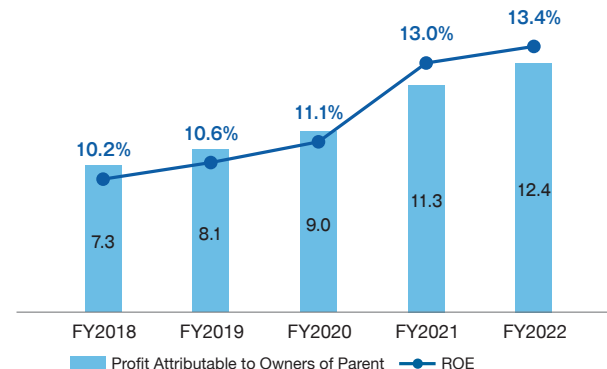
Net Sales (¥bn)



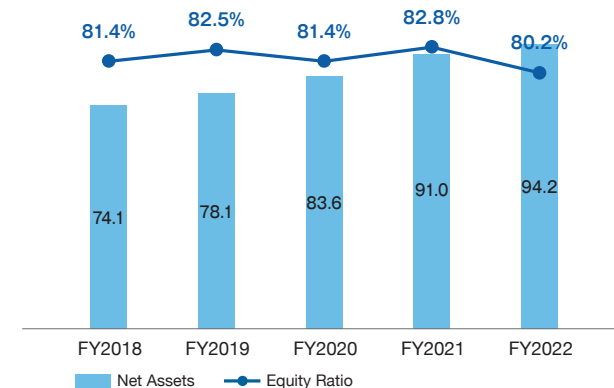
Operating Profit (¥bn) / Operating Profit Margin



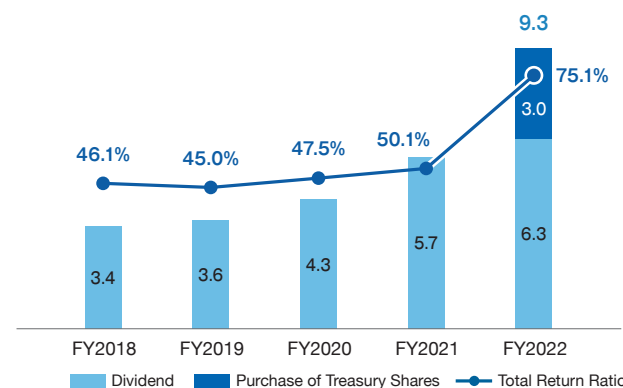
Profit Attributable to Owners of Parent (¥bn) / ROE



Net Assets (¥bn) / Equity Ratio

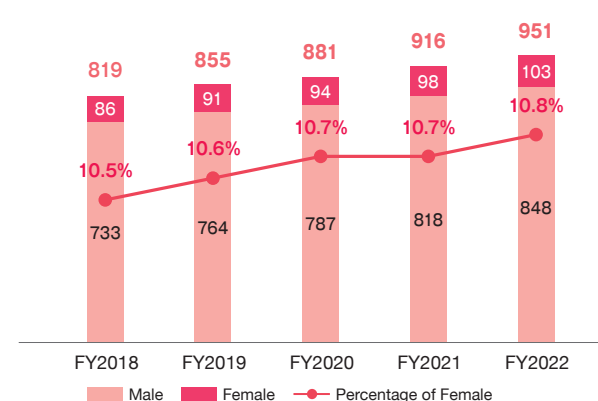


Dividend (¥bn) / Purchase of Treasury Shares (¥bn) / Total Return Ratio

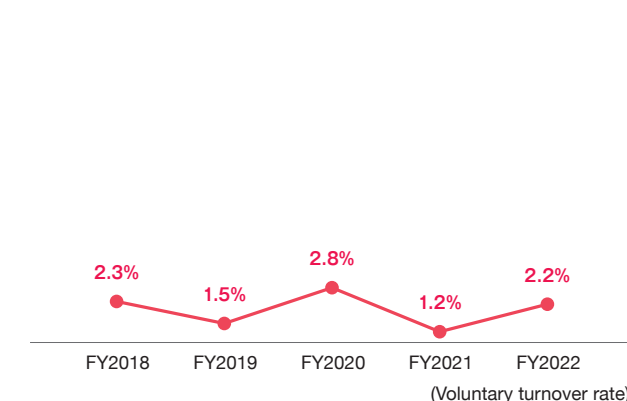


Non-financial

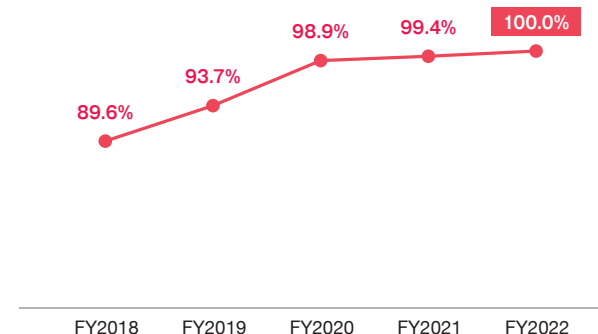
Number of Employees



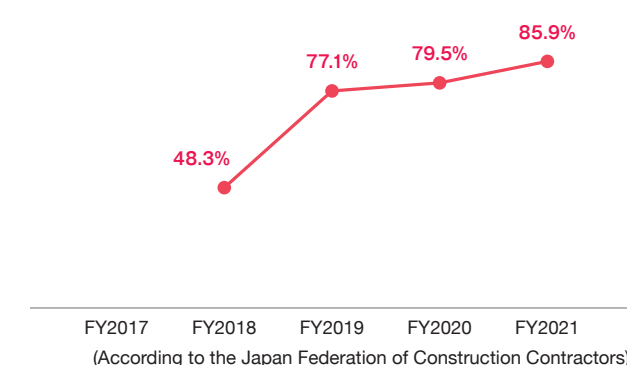
Turnover Rate



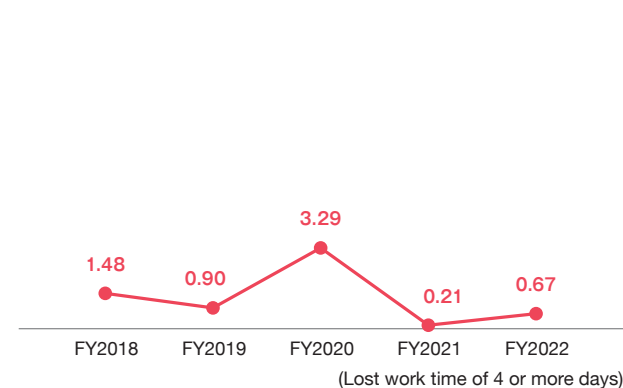
Percentage of Employees Taking 100 or More Days Off per Year



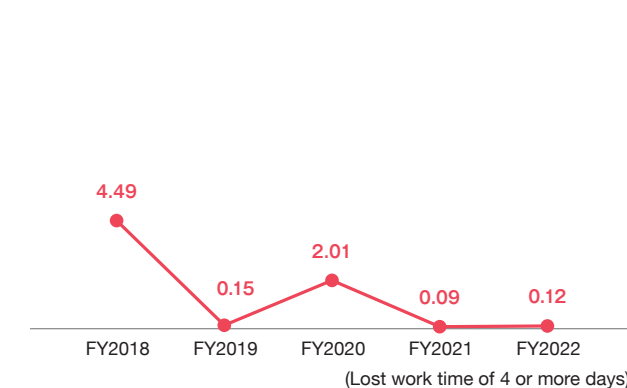
Percentage of Construction Sites where "8 Days Off in 4 Weeks" is Achieved



Lost Time Injury (LTI) Frequency Rate



Lost Time Injury (LTI) Severity Rate





SHO-BOND

President and Representative Director

Tatsuya Kishimoto

A Resolute Dedication to Using Knowledge and Technologies Backed by Many Years of Accomplishments to Contribute to Society

Q. Why is SHO-BOND issuing an integrated report for the first time?

A. The public's interest in infrastructure maintenance is increasing year after year. I believe that SHO-BOND, as a leading company in this business sector, should provide even more information within our organization and to the public about business activities.

For more than 60 years, the SHO-BOND Group has contributed to society as a company specializing in the repair and reinforcement of infrastructure. We did not place emphasis on public relations activities because we operated mainly as a subcontractor in prior years and most of our work is public-sector projects. However, the frequency of calls from other countries about our services is increasing along with the importance of infrastructure maintenance. MITSUI & CO., LTD. contacted us about working together and we have recently started a joint overseas business. These events made us realize that we needed to give the public even more information about our organization.

Our integrated report is also a means of explaining to our workforce the philosophy and commitment of the SHO-BOND Group's senior management. We are determined to continue taking on new challenges. Most of our operations are currently in Japan. I believe that expanding our activities outside Japan will be vital to our ability to continue to grow. This is why the senior executives have a strong commitment to taking on the challenge of launching and enlarging operations in other countries. We want everyone in our group to be aware of this goal and understand the thinking behind it.

I believe that this report will help our employees and their family members to share the SHO-BOND's Purpose and to realize that we are contributing to society through our business activities of infrastructure repair and reinforcement.

Q. How would you describe SHO-BOND from your standpoint as the president?

A. We are a unique company that specializes in repair and reinforcement work and is capable of providing a full line of services for these projects.

Repair and reinforcement projects differ from the construction of new structures with regard to designs. For new construction, a company is basically required only to finish the project as designed. At our projects, there is a drawing but we cannot know the true status of a structure's deterioration until we start working at the site. Only then can we know what types of procedures will be needed as well as the volume of work. For instance, what initially appears to be a mild sprain may turn out to be a broken bone requiring a completely different type of treatment. Another difference regarding repair and reinforcement work is time constraints because a structure often continues to be used during a project. This makes our work very difficult and explains why our customers seek a company with a broad range of expertise. SHO-BOND has a long record of providing customers with a full line of services, extending from analysis of deterioration to proposals for reinforcement, the supply of materials, and the actual repair and reinforcement procedures. I believe this breadth of our capabilities is why we have earned a reputation for reliability among our customers. Earning and retaining this trust is not easy. At SHO-BOND, this reputation is largely backed by our team of highly skilled engineers. We have a large number of engineers who are repair and reinforcement work enthusiasts and find this to be an extremely interesting and rewarding job.

Our Technical Research Institute (note 1) is one of our greatest strengths. Repair engineering (note 1) is a registered trademark of ours. This term expresses our commitment to shifting the basis of repair and reinforcement work from simply the experience of workers to the level of scientific research. Furthermore, this institute does not use our company name. This is because we want to advance repair and reinforcement technologies for society overall rather than only for

ourselves. The institute has a full lineup of state-of-the-art analytical equipment used for this field of study. I believe that no other laboratory anywhere is better equipped to study the degradation of concrete structures. To some extent, we accept requests for experiments or analysis from people outside our group to support progress involving repair engineering. One recent accomplishment is the use of knowledge acquired over many years to develop *AI Shindanshi*, an artificial intelligence diagnosis system (note 2) for the degradation of concrete structures.

 Comprehensive Maintenance System ▶P11

 Research and Development ▶P39

Notes:

1. Repair engineering (“補修工学”[®]) and the Technical Research Institute (“補修工学研究所”[®]) are registered trademarks of SHO-BOND CORPORATION in Japan.
2. *AI Shindanshi* (“AI診断士”[®]) is a registered trademark of SHO-BOND CORPORATION in Japan as of March 2023.

Q. What are you doing now to make SHO-BOND even more powerful?

A. SHO-BOND is a unique company in the construction industry as a provider of a comprehensive maintenance services. But we should not become complacent. We want to preserve our competitive edge of being able to provide the same high level of work anywhere in Japan precisely because we specialize in maintenance. This is why we need to constantly upgrade our capabilities.


Our highest priority is human resource development. Large projects on expressways require advanced skills. The size of bridges, volume of traffic and other characteristics of these projects present big challenges. Only engineers with the necessary know-how and experience can handle this type of work. Years ago, we at times accepted expressway project orders where our



Safety patrols by the president

skills were inadequate. We learned difficult lessons as projects were delayed, we lost the trust of customers and our employees were overworked. To prevent this situation from happening again, we have been strengthening training programs, including by opening the Tsukuba Training Center in 2021. We are already receiving positive feedback from people who attend classes at this center.

In addition to human resource development, we are taking many other actions based on the current Medium-term Business Plan for building an even stronger foundation for our operations. Reinforcing our safety-first culture is one of our most important initiatives. Even a small oversight regarding safety can result in a fatality. A serious accident could also impact our sales and earnings if clients force us to suspend business operations. To reinforce everyone's commitment to safety, our entire group is conducting initiatives for creating SHO-BOND culture of safety. Training programs at the Tsukuba Training Center based on actual jobsite tasks and safety awareness campaigns have proven to be effective. We are also implementing other strategic initiatives to create a stronger foundation for more growth.

 Medium-term Business Plan ▶P25

Q. Why did you decide to leave your position at another company to join SHO-BOND?

A. After graduation, I started working at Kumagai Gumi, a large general contractor, because I wanted to work on big civil engineering projects. My 15 years at this company were very fulfilling as I participated mainly as a design engineer at tunnel, levee and other projects. During the construction sector downturn that began when Japan's bubble economy collapsed, I realized that the industry was likely to shift from building new structures to the repair and reinforcement of existing ones. My visit to SHO-BOND's Technical Research Institute convinced me that I wanted to become part of this organization.

Another reason I chose Kumagai Gumi was the large scale of the company's operations outside Japan. The company had the intention of expanding their civil engineering business to other countries. In fact, overseas orders were a large share of their total sales. This may partly explain why I decided that we should expand SHO-BOND's operations to other countries.



Q. What were some of your most memorable jobs at SHO-BOND?

A. My first job at SHO-BOND was a repair project of about ¥50 million at the Sennin Tunnel in Iwate prefecture. Traffic restrictions at the two-lane tunnel, which is about 2.5km long, made this project very challenging. We had to work on one side while vehicles used the single lane on the other side. Drivers had to wait as long as 15 minutes to enter the tunnel. I came up with the idea of providing a rest area to allow drivers to get out of their vehicles to relax and enjoy the beautiful scenery of this area. In addition, I hired a person who was friendly and particularly good at communicating as a guard at the tunnel project. With these measures in place, work to repair the tunnel went well. This type of challenge would not exist when building something new. I learned a valuable lesson about the importance of maintaining close ties with people living near a jobsite in order to complete a project.

Complaints that force a suspension of work are one of the biggest problems at construction projects. Work must take place in a manner that does not disturb nearby residents or create concerns for anyone else associated with the project. This is especially important for repair and reinforcement work on roads where traffic

needs to be restricted. A skillful field representative who can manage these matters differs somewhat from others.

In addition, the Sennin Tunnel project showed me where improvements were needed at SHO-BOND. In those days, there was little education and follow-up support for workers at the jobsite. As a result, there were differences in the skills of the people assigned to manage construction sites. This is one reason that I am now placing so much emphasis on human resource development.

Another memorable job is a bridge project where I learned a lesson by overcoming a mistake. We were driving large steel parts into a road but had not sufficiently checked what was underneath the road. We hit a water pipe that spewed water high into the air. Until then, most of SHO-BOND's projects were at bridges and there were not many engineers accustomed to placing materials in the ground. Though I was not in charge of the project, I rushed to the jobsite and help them as an excavation expert. I used my soil excavation know-how acquired at Kumagai Gumi and was able to stop the leak after about one month.

My experience at Kumagai Gumi was very helpful for the underground work. This taught me the importance of a workforce with diverse backgrounds. When an unfamiliar accident happens, someone with the know-how to respond properly will be needed. Maintaining a team of engineers encompassing many types of skills and experience reduces our exposure to risk concerning these accidents. Therefore, I always tell people to keep this diversity of backgrounds in mind when hiring new employees.

Q. What is your view of the current business climate and the outlook?

A. Repair and reinforcement projects are accounting for a steadily larger share of the demand in the construction industry. In Japan's expressway sector, the large-scale renewal and repair projects, totaling about ¥5 trillion between 2015 and 2030, are progressing. The outlook is positive, but we are always looking ahead to after these projects are completed. Local governments are responsible for the maintenance of most bridges in Japan. Many governments are encountering difficulties finding people with the right skills and the funding for maintenance. I believe that we can help them to solve these problems by using our decades of experience and highly skilled workforce. Other countries have similar problems concerning infrastructure maintenance. There is an increasing awareness that preventive maintenance can lower the total cost of the utilization of a bridge or other structure. However, most governments are not yet establishing budgets for these maintenance procedures. We need to pay attention to these issues and try to assist them by using our knowledge and experience.

In other countries, we are at the stage of raising awareness of the importance of preventive maintenance in order to start receiving orders. To accomplish this, we are working with MITSUI & CO., LTD. and seeking prominent partner companies in countries where we want to do business. We want to share our unique technologies, construction methods and materials with these partner companies that perform construction activities in other countries. We are also seeking to utilize our AI diagnosis expertise as we expand overseas. Our main targets are Thailand and other Southeast Asian countries, as well as North America. Every region has its own distinctive needs. In Thailand, for instance, we plan to use materials that are easy to work with because construction workers may have little or no experience at repair and reinforcement projects. In North America, we can share our exclusive earthquake resistance technologies that we have acquired over the years at our projects in Japan. Receiving orders there will require receiving official certifications and explaining our technologies and other innovations to design consultants. This process takes time, but I am confident that creating a sound base for our operations like this will start producing significant benefits in the near future.

I am also thinking about what kind of organization SHO-BOND should be 10 or 20 years from now. First of all, we must continue to make our highway and bridge maintenance business, which is our key strength, the



central component of our growth. Furthermore, although this is still only a rough idea, we should think about using this maintenance expertise to extend operations to railways, electric utilities and other market sectors in Japan. Building a network of relationships with companies in various industries could allow us to raise the awareness of the necessity of repair and reinforcement and to increase utilization of the technologies and knowledge we have cultivated. The market for the maintenance of structures is enormous. The SHO-BOND cannot cover all categories of this market by itself. Expansion to more markets will therefore require the creation of networks with other companies.

Business Environment ▶P15

Overseas Business ▶P38

Q. What is SHO-BOND's stance regarding sustainability?

A. The SHO-BOND Group is a provider of maintenance for infrastructure and many other types of structures. By extending the lives of structures with proper maintenance, we significantly lower the consumption of energy and resources. This is much more responsible than using a structure until it fails and then replacing it. Maintenance lowers CO₂ emissions too. A lower cost over a structure's entire life cycle is another benefit. Consequently, our business activities are supporting progress regarding sustainability.

The contribution of our core business activities is not our only involvement with sustainability. We also have a large number of initiatives based on ESG materiality. For example, we use our business activities to reduce CO₂ emissions, we have rigorous water quality and hygiene management programs, we provide our people with safe, pleasant, productive workplaces, and we are always seeking ways to strengthen our governance.

Materiality ▶P29

Sustainability of SHO-BOND ▶P43

Q. What is your message to the stakeholders of the SHO-BOND Group?

A. The importance of the SHO-BOND Group in society will continue to increase as the public becomes more aware of the need for infrastructure maintenance. We are one of only a very few companies specializing in this field. I believe that we have a responsibility to meet the expectations of shareholders, employees and all other stakeholders by resolutely dedicating ourselves to using knowledge and technologies backed by many years of accomplishments to contribute to society. This integrated report with information about our past, present and vision for the future is one way to express our commitment to fulfill this responsibility. I want everyone at our group to read this report so that we can all move forward as a unified team to accomplish the goals that we all share.

Our corporate philosophy is the fundamental guideline for all of our group's activities. The philosophy embodies the thinking of our founder Akira Ueda. The spirit of Mr. Ueda, who identified trends in the business climate and was first to recognize the need for

infrastructure repair and reinforcement services, lives on in our corporate philosophy. Our senior executives embrace this philosophy and make it an integral part of their words and actions. Our employees use the philosophy as a guiding principle for the activities needed to accomplish their respective missions. I want the SHO-BOND Group to continue advancing together by adhering to this philosophy.

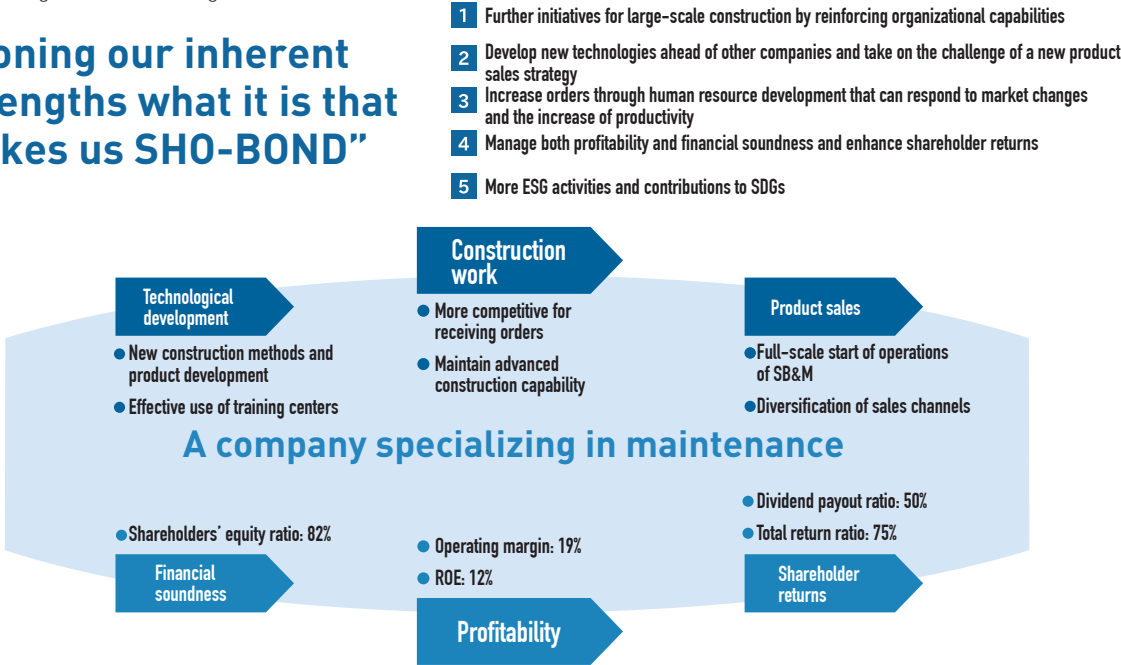
I am very grateful for the support of our shareholders. We will continue to aim for sustained growth along with suitable distributions to shareholders. I hope that our shareholders will share with us the awareness of the importance of contributing to society through our business activities. I look forward to your continued support.



Medium-term Business Plan

In the "Medium-term Business Plan (the fiscal year ended June 30, 2022 - the fiscal year ending June 30, 2024)," we will work to achieve sustainable profit growth and the improvement of corporate value under the basic policy of "Honing our inherent strengths what it is that makes us SHO-BOND." We defined the "what it is that makes us SHO-BOND" in terms of business as "construction work capability," "technological development capability" and "product sales capability," and in terms of management as "profitability," "financial soundness" and "shareholder returns." In accordance with the Medium-term Business Plan, we are trying to refine SHO-BOND's strengths and proceeding with building a system ready for the stage of further accelerated growth. For the fiscal year ended June 30, 2022, we set steady results for "upgrade the order receipt strategy utilizing the in-house company structure" and "more activities for large projects and construction work capability" as business strategy. In terms of stronger foundations for growth, we focused on various measures related to human resources operation, such as "to become more competitive for capturing orders by developing human resources capable of adapting to changing markets" and "a strong safety culture and rigorous on-site training."

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

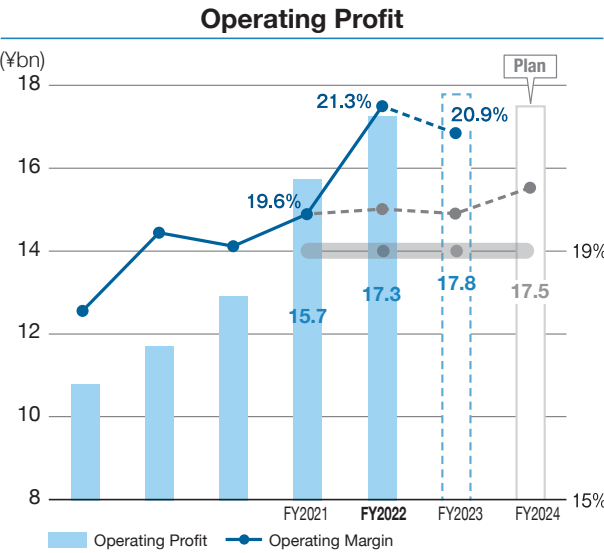


Business Strategy	
Strategic Initiatives	Progress in FY2022
Upgrade the order receipt strategy utilizing the in-house company structure	In-house companies hold the large project review meetings to discuss the order receipt strategy and check the optimal appointment of engineers, leveling of quarterly sales, and the construction work capability involving partner companies.
More activities for large projects and construction work capability	Both in-house companies have sought to secure construction work capabilities by appointing partner companies in larger areas than ever. SHO-BOND received 21 large orders of 1 billion yen or more (9 orders in the previous fiscal year), and the share of sales from expressway companies rose up to 60% (47% in the previous fiscal year).
Challenge a new product sales strategy by SB&M	We have worked on business activities in Thailand and North America, and approached new private companies and sales of foreign products in Japan though the impact of the COVID-19 crisis is still significant. In May 2022, we have started local manufacturing of our products in Thailand.
More joint activities by increasing cooperation among group companies and other companies	We as a whole have aimed to reduce construction costs by having Kyna-Tech undertake water jet construction work within the group. In addition, a new cross-company team has been established in order to strengthen partnerships with partner companies and to pursue further cost reduction measures.
New technologies for preventive infrastructure maintenance	We are researching new technologies in various fields, and some developed inorganic materials have been utilized in construction projects. We have also worked to shorten delivery time and reduce costs for existing products and to make resin-based ones non-poisonous.

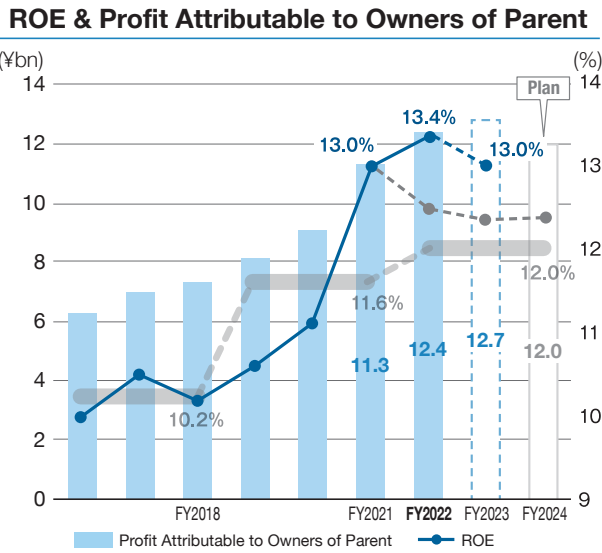
A Stronger Foundation for Growth	
Strategic Initiatives	Progress in FY2022
To become more competitive for capturing orders by developing human resources capable of adapting to changing markets	The workforce reached 951 at the end of June 2022 (916 at the end of June last year). The operation has been started at Tsukuba Training Center in January 2022, providing practical training for SHO-BOND young people and the staff of partner companies. Both in-house companies also have implemented their own human resource development measures to raise the level of personnel capabilities.
Personnel system reforms that reflect the changing business environment	With the keywords of "satisfaction", "growth", "confidence" and "sense of fulfillment", we have embarked on a reform of personnel systems. External consultants were brought in to ensure objectivity, and the project is being carried out while taking into account internal needs.
A strong safety culture and rigorous on-site training	The action plans for creating a safety culture are steadily progressing, and new initiatives such as remote and video-based training have been started. The frequency rate (0.67), the KPI, is below the national average.
Use of the digital transformation (DX) for higher productivity	In terms of on-site DX, we have encouraged broad use of digital tools such as construction management applications and 3D design software, and the development of an AI damage diagnosis system has advanced to the level of a practical study.
Build a framework for responding to ESG issues	In July 2022, we expressed our support for the TCFD recommendations and calculated our greenhouse gas emissions under the guidance of external consultants. In addition, we have promoted the disclosure of non-financial information, including the formulation of various policies and KPIs related to ESG.

Financial Targets

SHO-BOND will aim for sustainable growth of 10% or more over three years with the operating profit target of ¥17,500 million in the final year by increasing net sales further and maintaining the operating profit ratio at a high level. By continuing management that prioritizes capital efficiency, return on equity (ROE) will be maintained at 12% or more through the medium-term period.

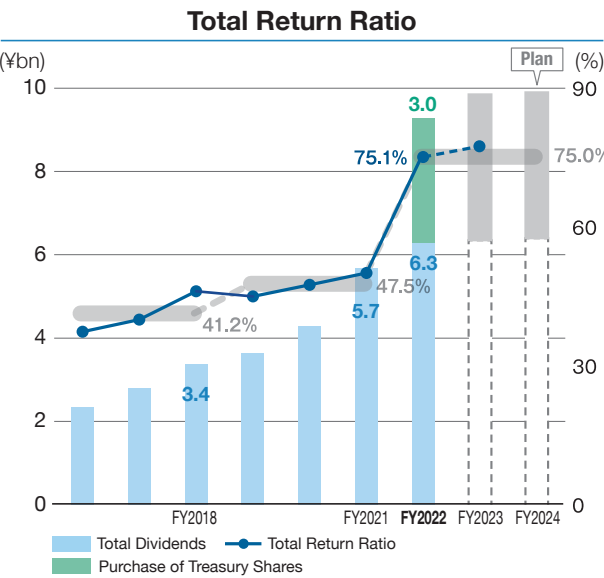


	FY2022 Results	FY2024 Targets
Net Sales	81.19 billion yen	87.5 billion yen
Operating Profit	17.26 billion yen	17.5 billion yen
Profit Attributable to Owners of Parent	12.36 billion yen	12.0 billion yen
ROE	13.4%	12.0%

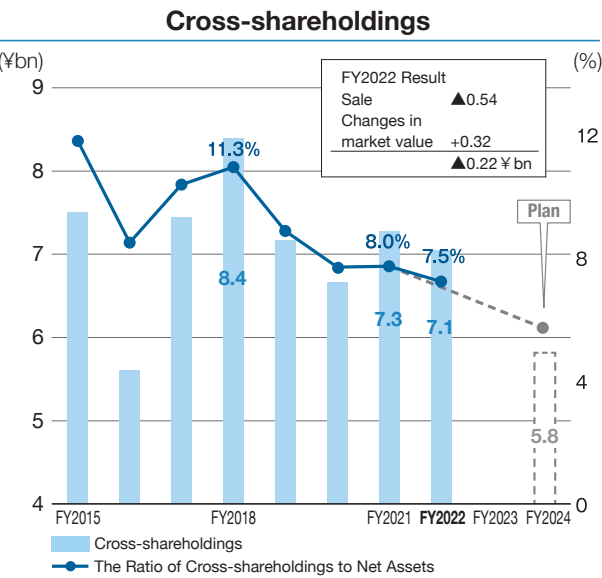


Capital Policy

About dividends for the continuous and stable return of profits, SHO-BOND will aim to steadily increase the dividend amount per share by maintaining a dividend payout ratio of 50% or more. Additionally, we will purchase ¥10,000 million of treasury shares over three years, and maintain a total return ratio of 75% or more. We will reduce the ratio of cross-shareholdings to net assets by selling 20% on a fair value basis.



	FY2022 Results	FY2024 Targets
Dividend Payout Ratio	51.1%	50.0%
Total Return Ratio	75.1%	75.0%



Message from the Chief Financial Officer



SHO-BOND is the only listed construction company in Japan that is a specialist in infrastructure maintenance. The stock has a high PBR due to this unique identity and financial management with emphasis on the ROE by prioritizing profitability and carefully selecting orders to accept.

Director and General Manager of Corporate Planning Department
Yasuhiro Sekiguchi

Results of Operations

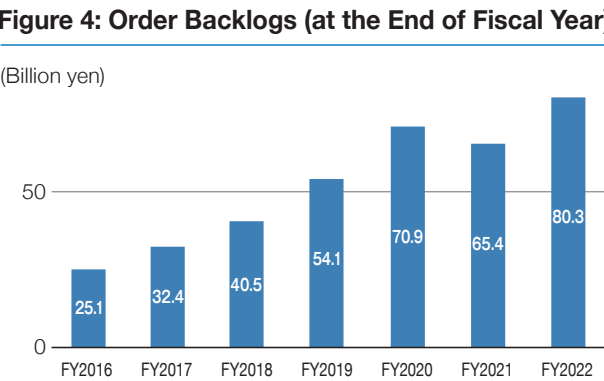
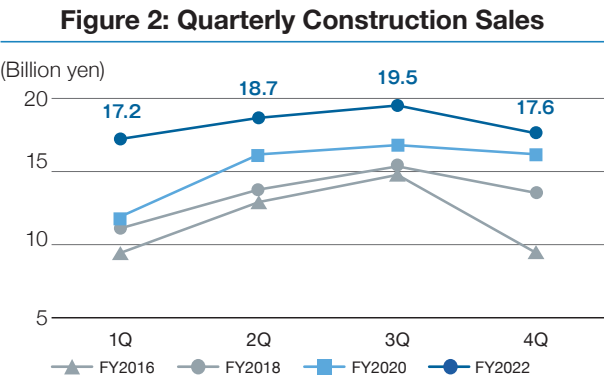
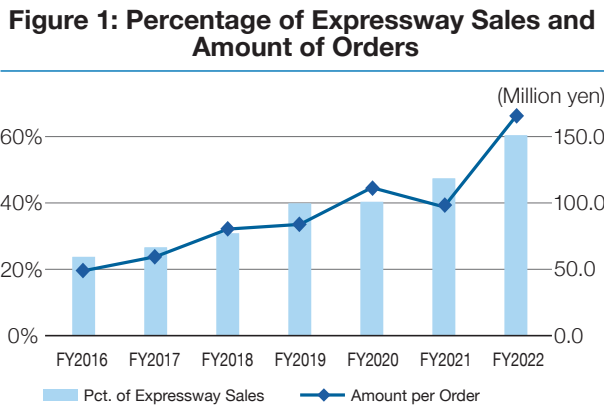
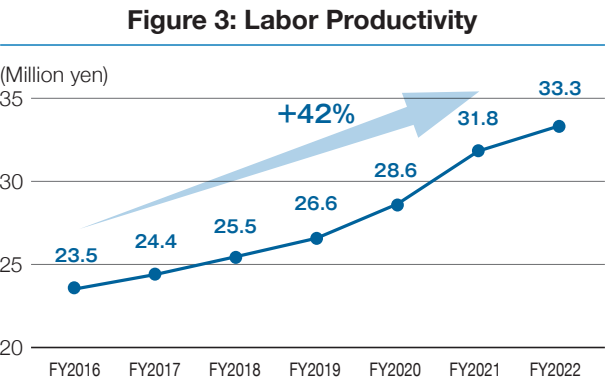
The start of large-scale renewal and repair projects by all expressway companies has greatly changed Japan's infrastructure maintenance market. These very costly projects are difficult and will take a few years to complete. As a result, the characteristics of this market differ from prior years when most orders were from the national and local governments.

The SHO-BOND Group is taking many actions to take on these large expressway projects. One measure is revisions to the internal infrastructure for conducting business operations that began with the previous Medium-term Business Plan (FY2019-FY2021). As shown in Figure 1, the size of each new order has been increasing and expressway company projects rose to 60% of all construction sales in FY2022.

The large-scale renewal and repair projects of the expressway companies will not be based on the fiscal year of the Japanese government, which makes these activities different from public-works projects of the national and local governments. Orders can be received and work can proceed throughout the year. The resulting higher utilization rate of construction engineers is levelling off, as shown in Figure 2.

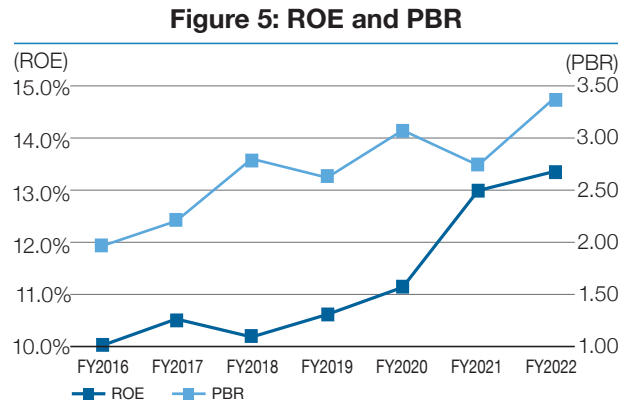
The increase in large projects, backed by benefits of numerous initiatives and the efforts of our engineers, has significantly raised our labor productivity, as shown in Figure 3. During the past six years, this figure has increased about 42%.

Another big change due to the larger number of big projects is the ability to maintain large order backlogs at the end of every fiscal year, as shown in Figure 4. Most national and local government orders can be completed in the same fiscal year that the orders were received. Therefore, these orders generally do not become part of the fiscal year-end backlogs. The larger volume of this backlogs has raised the stability of sales and earnings. As a result, beginning with the previous Medium-term Business Plan, we have been increasing the workforce and further upgrading our ability to receive orders.



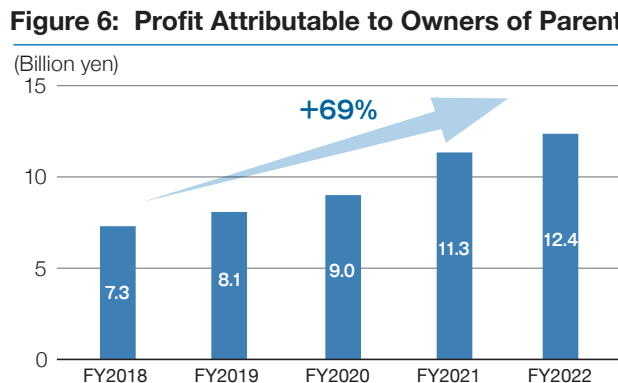
Financial Management Policy

"Honing our inherent strengths what it is that makes us SHO-BOND" is the central theme of the current Medium-term Business Plan (FY2022-FY2024). In terms of finances, what makes us SHO-BOND are financial soundness, profitability and shareholder returns. Figure 5 shows our return on equity (ROE) and price-to-book ratio (PBR) during the past several years. For a high PBR, we must maintain an equity spread by keeping our ROE higher than the cost of equity. We will continue to place priority on the ROE. In addition, we will enhance the disclosure of non-financial information, including environment-related information, as we continue the IR activities that we have been focusing on. We believe that raising the visibility of the outlook for results of operations will hold down the cost of equity.



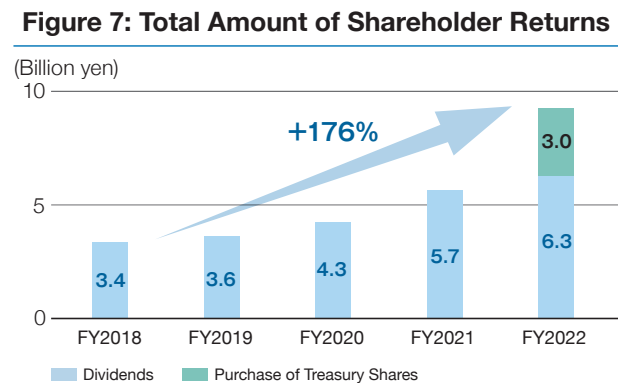
Shareholder Returns

Distributing earnings to shareholders is one of our highest priorities. The basic policy is to pay a dividend consistently that is based on results of operations. Figures 6 and 7 show our net income and shareholder returns during the past four years. Since FY2018, net income has increased 69% and shareholder returns, including the purchase of treasury shares, are up 176%. Furthermore, the average annual income of employees increased 35%. Based on our policy of distributing earnings to shareholders and employees, improving remuneration for employees is a priority along with raising shareholder returns.



Cross-shareholdings

As a rule, the SHO-BOND Group does not purchase or hold the stock of suppliers and other business partners with the exception of cases where purchasing and holding stock helps conduct business operations efficiently and maintain and strengthen business relationships, thereby contributing to the medium to long-term growth of its corporate value. When a company that holds our stock as a cross-shareholding notifies us of the intention to sell this stock, we will never make any attempt to stop this sale. The current Medium-term Business Plan includes the plan to reduce the ratio of cross-shareholdings to net assets from about 8% to 6% by selling 20% on a fair value basis (as of June 30, 2021).



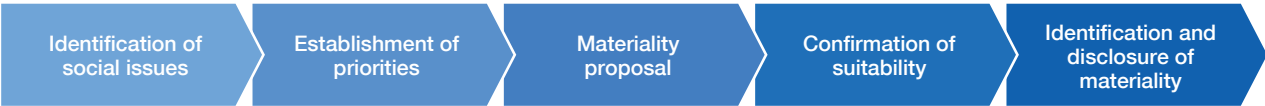
Further Challenges for Improving Productivity

As was explained earlier, Japan's infrastructure maintenance market has been growing year after year since 2016. Sales and earnings of the SHO-BOND Group have increased significantly along with measures to receive orders for large-scale projects. We believe that the expansion of this market will continue at a moderate pace. Numerous activities are under way for more improvements in productivity. At the Tsukuba Training Center, our employees as well as people from partner companies receive training that will enable them to perform construction tasks even more efficiently. In addition, we plan to use the operations of our overseas infrastructure maintenance joint venture with MITSUI & CO., LTD. for raising earnings per employee in our construction material sales business. The SHO-BOND Group, as a specialist in infrastructure maintenance, will continue using productivity initiatives possible only at an organization with our expertise and resources in order to aim for the consistent growth of sales and earnings.

Materiality

The SHO-BOND Group has designated four Materialities based on social demands and the expectations of stakeholders. The Materialities are our priorities in order to achieve sustainable growth with our stakeholders as the SHO-BOND Group plays a role in solving social issues while continuing to increase corporate value.
To identify Materiality, we evaluated social issues from the standpoints of the importance to stakeholders and the importance to business operations. Then 22 social issues that were particularly important from both standpoints were selected as the issues that the SHO-BOND Group should target.
We have also established a Sustainability Policy to improve the medium to long-term corporate value, and contribute to creating a sustainable society by continuously implementing initiatives in accordance with materiality priorities.

Process to Identify Materiality



Materiality and the Sustainable Development Goals

Social issues	Materiality	Corresponding SDGs
<ul style="list-style-type: none">Establish a resilient infrastructureLeverage comprehensive maintenance resources to contribute to societyEnsuring occupational health and safety	Comprehensive maintenance system backed by the organizational capabilities Contribute to the development of social infrastructure by using partner companies interactions and the group's aggregate resources for all maintenance processes, whether large or small.	<ul style="list-style-type: none">12 RESPONSIBLE CONSUMPTION AND PRODUCTION17 PARTNERSHIPS FOR SUSTAINABLE DEVELOPMENT
<ul style="list-style-type: none">Develop and use technologies for social issuesActivities to increase productivityRecruiting and training programsEmployee retention and sound labor relationsImprove economic performance	Productivity improvement through technology development Improve productivity by combining chemical and civil engineering technologies to create new technologies and by conducting training and education programs.	<ul style="list-style-type: none">8 ECONOMIC GROWTH9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
<ul style="list-style-type: none">Strengthen corporate governanceStrengthen risk managementCompliance with laws and regulationsFair business practicesInformation security measuresProper management of intellectual property	Sound governance and measures for more improvements Make sound and transparent governance to maintain the foundation for relationships with all stakeholders.	<ul style="list-style-type: none">16 PEACE, JUSTICE AND STRONG INSTITUTIONS
<ul style="list-style-type: none">Sustainable use of resourcesAssessment of environmental impact of projectsProper management of waste materialsMeasures to combat climate changeMeasures involving Japan's falling populationDevelop sustainable citiesHealth and safety of customers and consumersCommunity relationship	Contribution to the development of sustainable cities Position the social infrastructure maintenance business as a key component of the development of sustainable cities that are environmentally responsible.	<ul style="list-style-type: none">11 SUSTAINABLE CITIES AND COMMUNITIES13 CLIMATE ACTION

Environment Social Governance

Sustainability Policy

Comprehensive Maintenance System backed by the organizational capabilities

- Comprehensive maintenance capabilities (investigation, designs, construction) for public safety and confidence
 - We work closely with customers on every stage of maintenance projects, including investigation, designs and construction, and draw on the strengths of all group companies to provide services of the highest quality for ensuring infrastructure safety.
 - We use our expertise as an infrastructure maintenance specialist for infrastructure repair and reinforcement projects for resistance to natural disasters and other threats.
- Workplace health and safety
 - Our highest priorities are the protection of life and the safety of construction activities. Based on this philosophy, our goal is no workplace accidents at construction and manufacturing sites. We have rigorous health and safety measures that include activities for reducing vulnerability to risk factors.
 - There are many programs for the physical and mental well-being of employees, including measures to eliminate long working hours and provision of mental health care.

Productivity improvement through technology development

- Develop and use technologies for social issues
 - We use advanced technologies combining technologies in the fields of chemistry and civil engineering for the development of environmentally and socially responsible materials and construction methods.
- Recruiting and training programs
 - We do everything possible to hire many types of people and make hiring decisions with fairness and no discrimination of any kind.
 - We maintain a training and education infrastructure for giving people the knowledge to play key roles in the sustainable growth of the SHO-BOND Group. We are dedicated to giving everyone the opportunity to reach his or her full potential.
 - We will use a fair personnel system for evaluating performance to retain talented people and ensure that knowledge is passed on. We will put focuses especially on giving younger employees opportunities to advance and providing many job opportunities for seniors.
- Activities to increase productivity
 - Strengthening technological skills and improving operating efficiency results in more added value and working style reform activities contribute to higher productivity.
 - We use many types of equipment for raising productivity in order to raise the efficiency of all tasks required for investigation, design, construction and other types of work.
- Employee retention and sound labor relations
 - We comply with all labor laws and regulations and have established numerous programs and frameworks for maintaining pleasant and productive workplaces at group companies and our partner companies.
 - We maintain sound labor relations by encouraging dialogues between labor and management, providing access to consultations and using other measures.

Sound governance and measures for more improvements

- Strengthen corporate governance
 - To meet the expectations of stakeholders for sustainable growth, our corporate governance is structured for transparency, fairness, and the ability to make management decisions with speed and confidence.
- Strengthen risk management
 - Numerous measures are taken for the proper management of risk, including a system of internal controls, a culture of recognizing and prudently taking on risk, and a risk identification, evaluation and monitoring system that incorporates ESG considerations.
- Strict compliance with laws and regulations/fair and ethical business practices
 - There are extensive education and training programs about compliance for employees as well as monitoring and other activities in order to maintain a framework for fair business practices.
- Information security measures
 - IT systems and other measures are used for information security and there are strict measures for the protection of personal and other confidential information. In addition, education and training programs are provided to employees in order to reinforce their commitment to information security.
- Proper management of intellectual property
 - We properly manage and protect our intellectual property rights and perform surveys and other procedures to prevent the infringement of the rights of others.

Contribution to the development of sustainable cities

- Sustainable use of resources
 - We contribute to the sustainability of public-sector resources by using advanced maintenance technologies for life extension of infrastructure.
 - We are dedicated to playing a role in creating a society where resources are recycled. We use renewable resources and parts across the entire supply chain as much as possible and utilize resources in a manner that supports sustainability.
- Proper management of waste materials
 - We use proper and responsible activities for the management and disposal of waste materials created by our business operations.
- Measures to combat climate change
 - We are contributing to the fight against climate change by constantly working on the reduction of greenhouse gases generated by our business operations.
 - We understand that life extension of infrastructure helps lower greenhouse gas emissions. Skills as an infrastructure maintenance specialist are used for the utilization of business operations to play a part in combating climate change.
 - We are committed to using infrastructure reinforcement for natural disaster resilience and other business activities in order to play a role in the fight against climate change on the entire society.
- Assessment of environmental impact of projects
 - We will comply with the environmental requirements of every project and take other actions for minimizing the effects of our activities on the environment and society.
- Development of sustainable cities as Japan's population ages and declines
 - We will use our maintenance expertise to supply practical and effective solutions for problems involving aging infrastructure and other public facilities as Japan's population declines.
- Health and safety of customers and consumers
 - We will maintain the management systems required to ensure the health and safety of the people who use the infrastructure we help maintain and of customers who purchased building materials from us. We will respond properly if a problem occurs.
- Community relationships
 - We understand that the infrastructure can have a significant effect on communities and regions and will maintain strong lines of communication in order to earn the trust of the public.

What is the SHO-BOND Group? Management Strategies Business Strategies Sustainability Corporate Governance Company Information