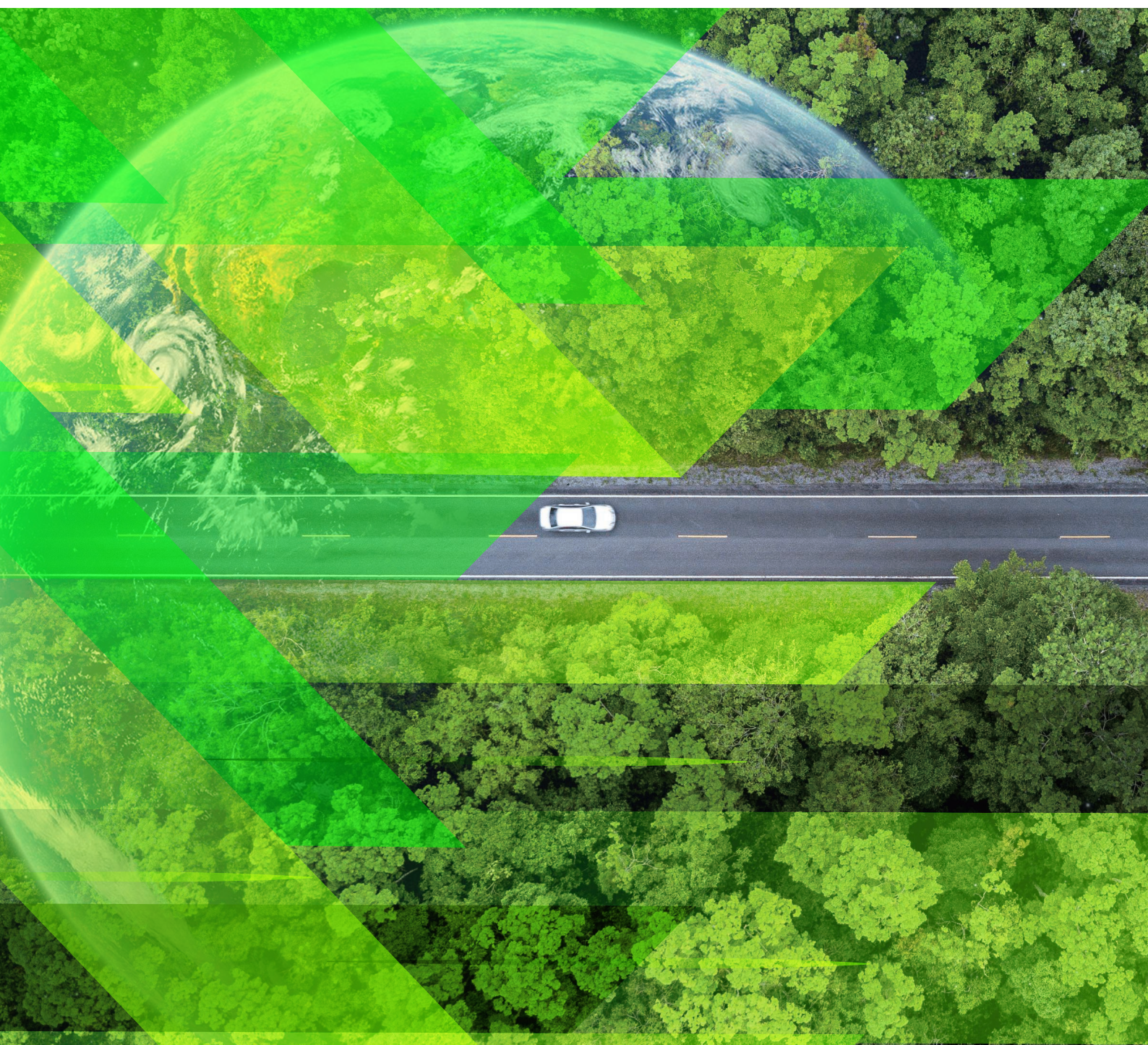




世紀東急工業株式会社

Integrated Report

2023

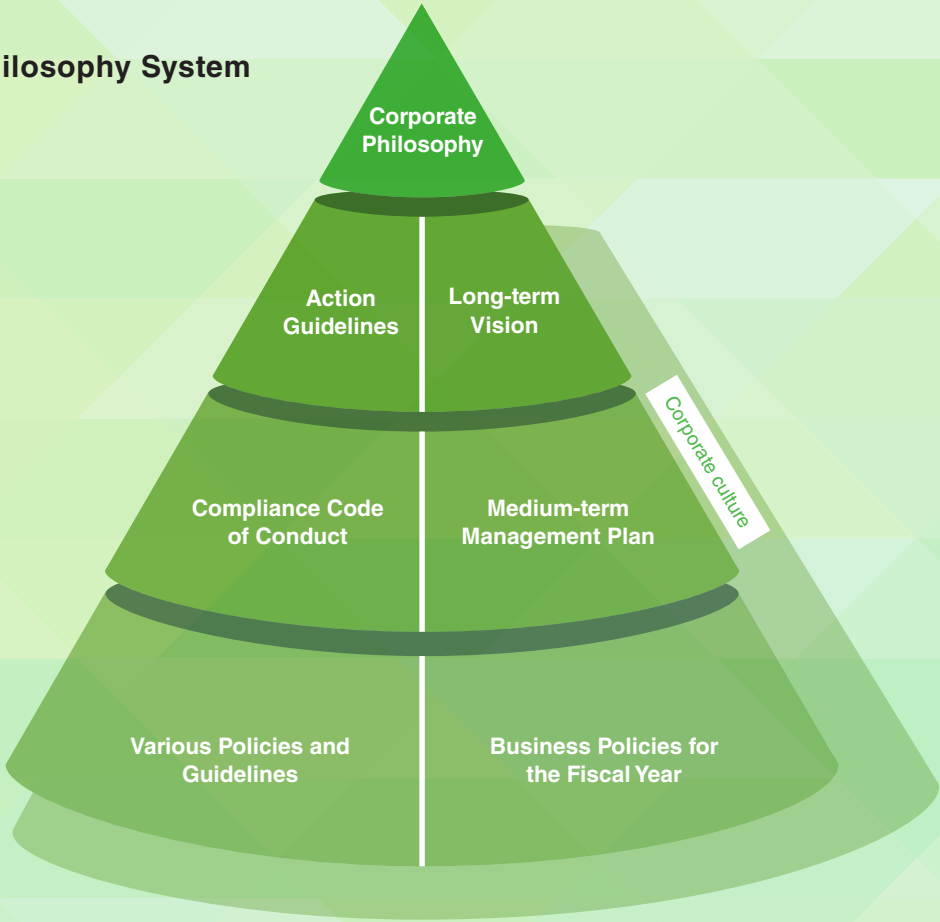


Corporate Philosophy

An infrastructure building company that helps create affluent communities

Based on our core pavement business, for supporting social infrastructure and distribution of goods, which we have developed over many years, we at Seikitokyu Kogyo are expanding our fields of business in areas such as manufacturing and sales of asphalt mixtures which are the basis of pavement technology, civil engineering works for creating urban and natural environments, as well as water use, sports facilities and landscaping. We are building a network to bring communities together by creating infrastructure for daily life there, with a primary focus on the projects and product facilities we are deploying throughout Japan.

Group Philosophy System



Long-term Vision (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

Medium-term Management Plan (2021-2023)

➔ Becoming a truly strong corporate group

Action Guidelines

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

Seikitokyu Kogyo Group Compliance Code of Conduct

- 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 Corporate 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 2022 to March 2023

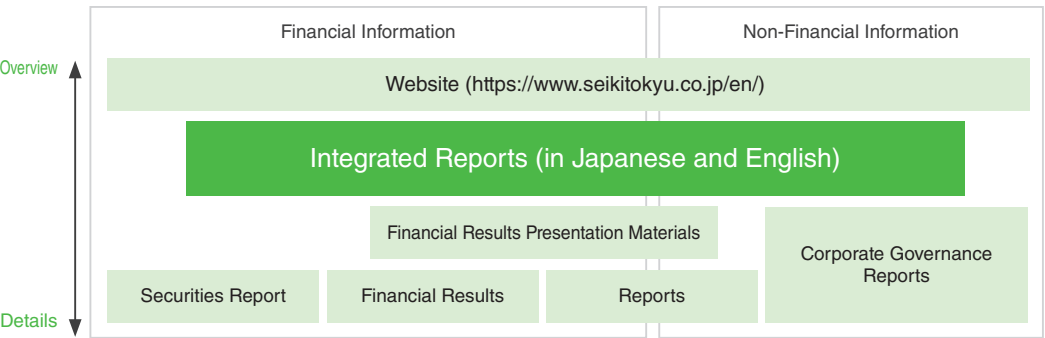
(includes some activities that fall outside this period)

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 SEKITOKYU 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.

1950

1956 Establishment of the Japan Highway Public Corporation

1964 Tokyo Olympics

1973 The Yom Kippur War (the first oil crisis)

1979 The Iranian Revolution (the second oil crisis)

Establishment of “Seiki of technology”

Worked on the frontline of road construction during the postwar reconstruction and rapid economic growth period

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.

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



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.

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.

TOPICS

- 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

1982

1985 The Plaza Accord

Expanded business fields beyond road construction

Made a full-fledged foray into the fields of leisure, construction works, and overseas works, and received orders of 100 billion yen in fiscal 1989

Seikitokyu Kogyo

As Japan saw the end of rapid economic growth and a transition to low growth, SEIKI KENSETSU KOGYO CO., LTD. and Tokyu Road KK merged on May 1, 1982, to establish SEKITOKYU KOGYO CO., LTD. The first large-scale merger in the road industry strengthened the business foundation and resulted in the gradual expansion into the golf course development and resort facility construction businesses in later years. In the fiscal year ended March 1990, the Company received orders of 100 billion yen, which was the target set at the time of the merger.

TOPICS

- May 1982 SEIKI KENSETSU CO., LTD. and Tokyu Road KK merged and changed corporate name to SEKITOKYU 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.



① Asphalt pavement construction work



② Asphalt mixture plant



③ Emulsion plant in Myanmar (Operations currently suspended)

1990

1991–1993 Collapse of bubble economy

Returned to the core business in Japan after the collapse of the bubble economy Diversification of pavement technologies, such as pavement that drains water, reflects solar radiation, or resists freezing, as well as ICT construction

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)



Anti-freezing pavement (Type G Zapeck method)



ICT construction technology

TOPICS

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.

- 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.

Help to achieve a sustainable society on the basis of our expertise in road construction Geared toward medium- to long-term increase in corporate value

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)

TOPICS

- 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.



Training center (TTC)

Business model

Business Overview



5 Strengths

1 Synergies from construction business and pavement materials manufacturing and sales business

For more information
➡ Strategies by Business Segment P19-20

The main businesses of our Group are construction business, which centers on road pavement construction, and pavement materials manufacturing and sales business, which mainly includes the production and sales of asphalt mixture, and we position both businesses as the core business that supports the management of our Group. Each of our business segments has a solid business foundation and works together as two wheels to create synergies that provide total value to a wide range of customers.

2 R&D, construction and products backed by high technological prowess

For more information
➡ Research & Development and Intellectual Property P21

Since our foundation, the Group has continued to grow as a “Seiki of technology” with its advanced technological capabilities, and even now, over 70 years later, the Group’s DNA is still alive. Even in these rapidly changing times, the Group continues to create new value in response to customer needs and changes in the social environment, such as reducing environmental impact through low carbon and resource recycling, improving the road and living environment, raising productivity and work efficiency, and providing multiple added values.

3 Full network of mixture plants in the Kanto area

The Group has more than 100 business locations in Japan (Business offices: 52 sites, Mixture plants: 49 sites, and others) and, in particular, the network of mixture plants in the Kanto area, the largest trade area in Japan, is well located, well equipped, and well organized compared to competitors. Currently, the Myokenjima Mixture Plant in Edogawa-ku, Tokyo, is undergoing a significant renovation. Upon completion, it will stand as the largest mixture plant within our Group.

4 Diverse and highly talented human resources

For more information
➡ Satisfying Work Environment P33

We have strived to create an environment where each employee can demonstrate their abilities to the fullest regardless of age, gender, nationality, or whether they are new graduates or new employees with previous experience. In particular, we have a long history of actively employing people with work experience, and with more than 10% of our core personnel occupying key positions, we have cultivated a culture in which the differing opinions and cultures of our diverse workforce can bring forward change.

5 Co-creation opportunities with Tokyu Group

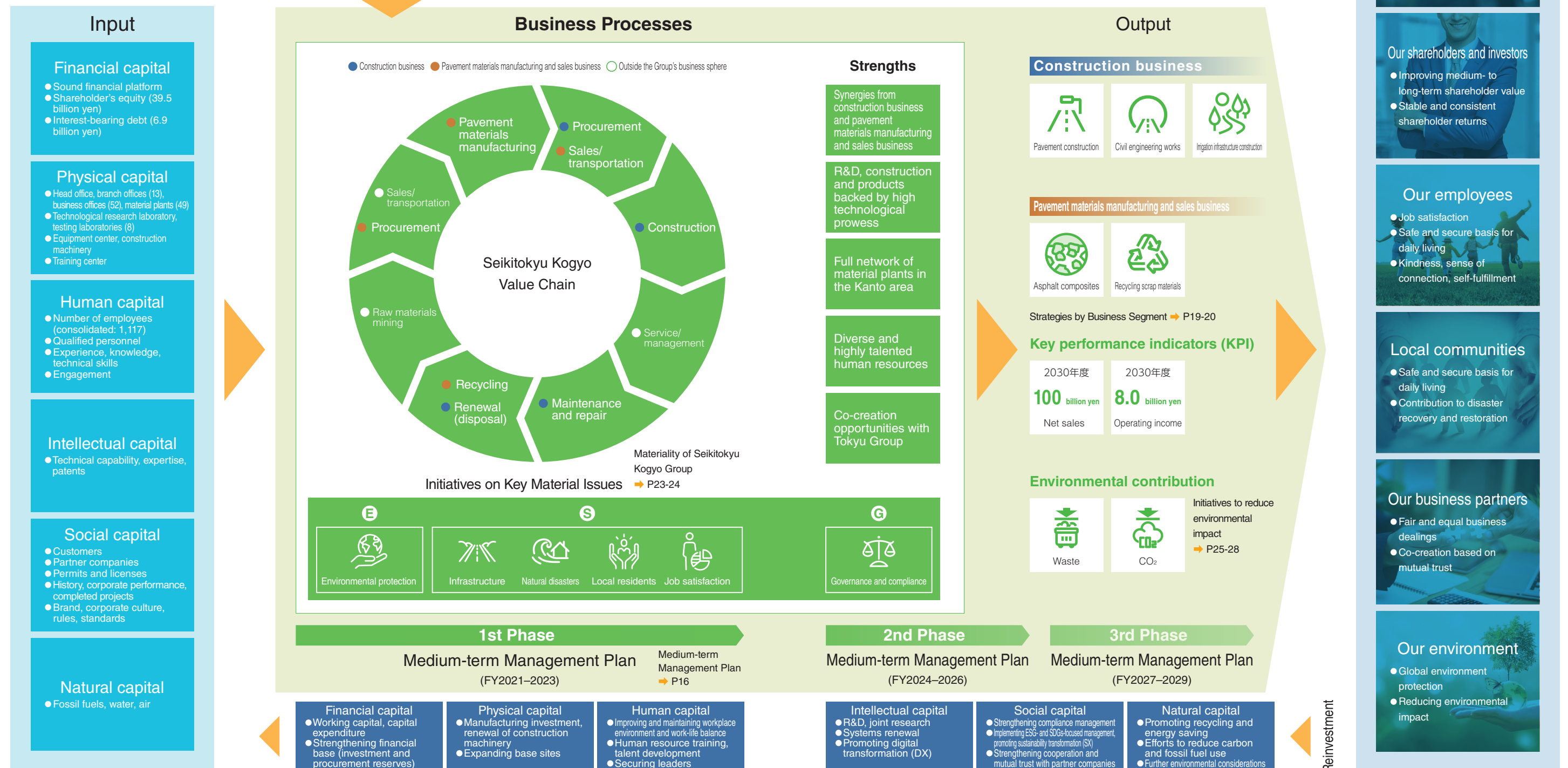
Our Group, as a member of the Tokyu Group, is responsible for a part of the construction business. Although sales to Tokyu Group companies account for only a few percent of the Group’s total net sales, and their share of net sales is not that large, having the opportunity to collaborate and co-create with group companies, as a member of the Tokyu Group, is a major management resource and an important differentiating factor from our competitors.

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

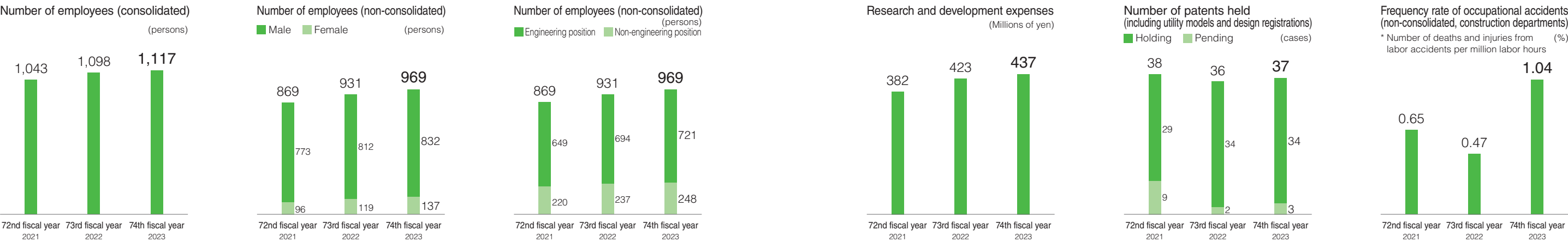


Financial and Non-Financial Highlights

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

		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	73rd fiscal year 2022	74th fiscal year 2023
	Unit												
Operating Results													
Orders received	(Millions of yen)	68,900	73,321	71,083	75,724		71,427	80,572	78,817	86,889	89,611	82,850	92,260
Net sales	(Millions of yen)	71,091	71,691	63,542	74,634		70,075	81,659	74,036	78,631	90,025	85,132	92,414
Operating income	(Millions of yen)	3,731	4,779	4,528	6,291		6,412	6,235	5,564	5,961	8,470	4,418	2,669
Ordinary profit	(Millions of yen)	3,551	4,730	4,487	6,261		6,338	6,239	5,584	6,009	8,395	4,358	2,647
Net profit attributable to owners of parent	(Millions of yen)	3,705	3,793	4,365	5,682		5,621	2,274	3,480	6,544	5,180	3,304	1,127
Cash Flows													
Cash flows from operating activities	(Millions of yen)	4,796	5,433	2,862	6,679		6,949	6,303	4,781	4,461	1,138	4,646	2,380
Cash flows from investing activities	(Millions of yen)	(608)	(1,407)	(1,234)	(1,658)		(4,896)	(2,231)	(1,777)	(3,808)	(3,622)	(3,668)	(5,028)
Cash flows from financing activities	(Millions of yen)	(4,828)	(1,551)	(1,604)	(1,603)		1,815	(1,684)	(2,005)	(2,919)	2,343	(2,232)	(2,022)
Cash and cash equivalents at end of year	(Millions of yen)	2,566	5,041	5,064	8,482		12,350	14,737	15,735	14,169	14,035	12,814	8,173
Financial Position													
Net assets	(Millions of yen)	11,344	12,791	17,083	21,231		26,072	28,098	31,543	36,632	40,790	40,497	39,660
Total assets	(Millions of yen)	48,106	50,809	56,079	57,544		66,444	72,192	70,906	74,656	79,409	78,295	78,762
Interest-bearing debt	(Millions of yen)	5,009	4,508	3,508	2,508		5,008	4,008	2,404	772	5,007	7,007	6,906
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)	19.36	95.48	108.13	140.78		139.26	56.35	86.16	162.40	128.45	84.81	30.73
Net assets	(Yen)	51.34	316.84	423.19	525.96		645.90	696.09	780.73	909.13	1,010.99	1,082.33	1,088.13
Dividends	(Yen)	—	15	15	17		17	10	27	47	43	30	30
Stock price at end of year	(Yen)	82	615	518	471		531	688	589	816	931	746	811
Financial Indicators													
Equity ratio	(%)	23.6	25.2	30.5	36.9		39.2	38.9	44.5	49.1	51.4	51.7	50.4
Return on equity	(%)	36.8	31.4	29.2	29.7		23.8	8.4	11.7	19.2	13.4	8.1	2.8
Price-earnings ratio	(Times)	4.24	6.14	4.79	3.35		3.81	12.21	6.84	5.02	7.25	8.80	26.39
D/E ratio	(Times)	0.4	0.4	0.2	0.1		0.2	0.1	0.1	0.0	0.1	0.2	0.2

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



Message from the President

To achieve the Long-term vision, we will enhance our ESG management with a focus on contributing to society, and endeavor to meet the expectations of our shareholders based on sound business continuity and sustainable growth.



The COVID-19 pandemic that began in 2020 caused unprecedented stagnation in global economic and social activities, and energy prices, including crude oil, fell sharply. Then, amid the spread of the COVID-19 pandemic, crude oil prices began to rise. In February 2022, oil prices rose as oil-producing countries cut production amid fears of a global economic slowdown, and Russia's military invasion of Ukraine and embargo measures against Russian crude oil and natural gas spurred a surge in energy prices. The effects are still far-reaching.

We celebrated our 70th anniversary on January 16, 2020, shortly after the first case of COVID-19 infection was identified in our country. In May 2021, in the midst of the spread of the infection, we formulated "Where We Should Be in 2030," a long-term vision that states "A truly strong corporate group that pursues personal and corporate growth in tandem and helps realize a sustainable society." This year marks the final year of our Medium-term Management Plan (FY2021–2023) as the first phase of the vision, and we will continue our efforts to realize our vision, based on the five policies of "Expand stable earnings," "Diversify revenue sources," "Execute people-centric management," "Establish new ways of working," and "Enhance management and financial base."

Representative
Director President

Yoshikazu Taira

While overcoming difficulties in the product business, we will be responsible for the maintenance and renewal of social capital and building national resilience.

With the business environment changing at an unpredictable pace, the Group's performance in the fiscal year ended March 31, 2023 were orders received of 92.260 billion yen (increased 11.4% year on year), net sales of 92.414 billion yen (increased 8.6% year on year), orders received for construction of 74.546 billion yen (increased 10.6% year on year), and net sales of completed construction contracts of 74.7 billion yen (increased 7.2% year on year), and in terms of orders received for construction, we were able to achieve the targets presented in "Where We Should Be in 2030" ahead of schedule. Construction contracts brought forward also came to the fore in fiscal 2023 at 36.384 billion yen, almost on par with the previous year.

In terms of profit and loss, however, there was an ordinary profit of 2.647 billion yen (down 39.3% year on year) and net profit attributable to owners of parent of 1.127 billion yen (down 65.9% year on year) due to the booking of impairment losses. In the product business, in particular, although net sales exceeded the previous year's level, results were depressingly harsh with an operating income of 596 million yen (down 63.3% year on year), which fell due to soaring raw material prices and other factors.

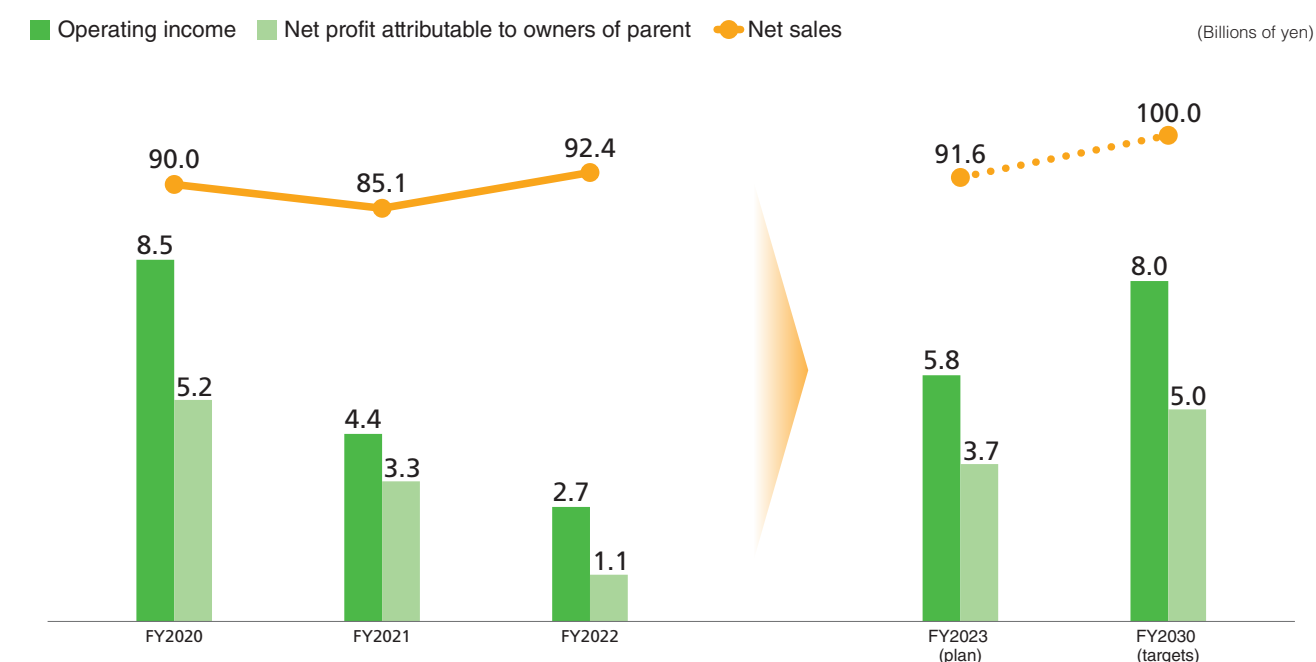
The future of the product business remains unpredictable, however, due to the lack of progress in measures to shift

the costs of soaring raw materials prices and sluggish demand in asphalt mixture, and the lawmaker-initiated legislation "Revised Basic Act for National Resilience" has recently been passed and the enactment of the "Mid-term Implementation Plan for National Resilience" as the successor to the current "Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience" (FY2021-2025) has raised expectations for the future. With an acute awareness of the critical situation currently facing the product business, we will build a virtuous cycle of continued capital investment and securing and retaining qualified workers, and as a road construction business that contributes to local communities, we will focus on strengthening our business structure as a united company to maintain and renew social capital and further strengthen national resilience.

Through appropriate control of capital adequacy levels, we will maintain and improve ROE and PBR

Regarding our capital policy, in order to maintain the return expected by shareholders over the medium to long term and ROE that exceeds shareholders' equity costs, in our long-term vision of "Where We Should Be in 2030", we have set the targets for fiscal 2030 in terms of Key Performance Indicators, which are "equity of 50 billion yen", "equity ratio of 50%", and "ROE of 10%". In the first phase of this long-term vision, which is our current Medium-term Management

2030 Plans/Targets



Plan, we have set “a target payout ratio of approximately 30% and a target total return ratio of 50% or higher”. We consecutively implemented shareholders returns which exceeded 100% in total shareholder return for two consecutive fiscal years, FY2021 and FY2022.

However, the situation regarding the valuation of the Company's shares remained difficult, and during the previous dialogues with shareholders, they showed their concerns over the achievement of the medium- to long-term ROE targets, taking into consideration the current business environment, business performance, capital structure, etc. Therefore, on May 9 of this year, the Company announced its financial and capital strategy for the future, taking into account, business performance, capital needs, capital efficiency, the expected rate of return in the stock market, and clarifying its policy to continue to actively return profits to shareholders while reaffirming appropriate control over capital adequacy in order to increase the likelihood of achieving the medium- to long-term ROE targets. For the time being, the Company has announced that it will raise its target for shareholder returns to a dividend payout ratio of 100% and adopt dividend on equity (DOE) as a complementary indicator.

While the PBR ratio currently exceeds 1x for the Company's stock, we will continue to implement measures to improve its valuation and further strengthen the earning power of our core business to maintain and improve ROE.

Towards the vision of ‘Where We Should Be in 2030,’ we are actively promoting ‘workstyle reform,’ ‘diverse human resources,’ and ‘sustainability.’

In relation to the long-term vision's basic policy of “establish new ways of working”, the overtime cap in accordance with the Work Style Reform Act will also apply to the construction industry from April 2024, and penalties for violations of the law will be tightened. Under the “workstyle reform project”, launched in 2017, we have been formulating and testing measures in line with our business sites and workplaces, to correct long working hours and realize a five-day workweek, etc. Our company-wide initiative aims to achieve a monthly overtime limit of 60 hours or less by the end of the fiscal year 2023.

“Executing people-centric management” is our most important policy, and we are focusing on the Diversity Promotion Project, which was launched in fiscal 2022, under the theme of “creating a virtuous cycle in the recruitment, retention, and development of human resources.” We are also working to improve our systems with an emphasis on the process of retaining women and foreign national human resources whom we already actively

appoint, creating career paths for them, and promoting them to senior management positions. In addition to creating an environment in which a diverse workforce can work comfortably, we believe that expanding opportunities for women, especially in technical and career-track positions, will be an opportunity to change our corporate structure and play a pioneering role for “diversity” in the road construction industry.

In 2022, we acquired SBT certification as the first in the road construction industry and also received a score certification as a company subject to the Carbon Disclosure Project (CDP), a global organization that evaluates climate change response strategies and efforts to reduce greenhouse gas emissions in cities and companies around the world. The Company's efforts to improve environmental sustainability and realize carbon-neutral business operations, are making steady progress toward the 2030 target of reducing greenhouse gas emissions.

In addition to these three projects, we are committed to faithfully fulfilling our responsibilities as a company playing a role in social capital development, to contribute to a sustainable society, reduce environmental impact, improve infrastructure, response to natural disasters, contribute to local communities as a corporate citizen, realize a rewarding workplace, and promote corporate governance, as well as further strengthen ESG management.

We will firmly uphold the determination to rely on technology, carrying forward the founding spirit, energy, and DNA.

In contributing to sustainability, reducing environmental impact, low-carbon and decarbonization initiatives are vital and broadly applicable to the road construction industry. One example gaining attention is the “Cement Foamed Asphalt (CFA) method” which lowers the production and installation temperature of asphalt mixtures by approximately 30°C below normal. The “Cement Foamed Asphalt method” uses a special device to foam asphalt during the production of mixture materials, which reduces the production temperature while ensuring the same level of workability and compaction effects as normal temperatures. In addition, the increased volume of asphalt relative to aggregate is expected to be effective in combatting reduced workability and compaction, both of which are concerns when using recycled asphalt mixtures, which now account for more than 75% of the total volume of asphalt used today.

While the adoption of the ‘Foamed Asphalt Method’ has been slow due to technological and cost considerations, our company proudly stands as the pioneer in introducing this technique to Japan. In 1961, during the era of the



former SEIKI KENSETSU KOGYO Co., LTD., we secured the manufacturing equipment and construction rights for ‘Foamed Asphalt’ from the U.S. foundation, the original developer of this technology. The first application of this method took place in 1963 during the pavement construction of Route 4 in the Nakaokachi-Machi area. Subsequently, it was successfully applied to projects like the pavement construction of Route 6 in the Shinchu area of Soma-gun and Route 7 at Bandai Bridge in Niigata etc., and further improvements have been made to expand its application to abrasion-resistant pavements in cold regions.

The Company was founded at a time when the scars of postwar devastation were still evident, and the founders, armed with nothing but ambition and passion, gathered under the leadership of our first president, Masaaki Seto, and embarked on the road construction business with aspirations to establish a technology-driven company.

In 1955, we secured the first contract for pavement construction under the Ministry of Construction's service contract. The following year, in 1956, we were awarded the contract for the inaugural pavement construction on expressways by the Japan Highway Public Corporation. In addition to the concrete pavement which was at the mainstream at that time, the Company laid the foundation for being called “Seiki of technology,” such as by researching the asphalt pavement technology that was in its introductory period. Before long, in 1982, the Company

merged with Tokyu Roadway KK, which had been established from the Road Construction Unit of Tokyu Construction Co., Ltd. and focused on asphalt mixture manufacturing technology and production facilities despite its late start. As a member of the Tokyu Group “Seikitokyu Kogyo”, we have consistently fulfilled our social mission and earned trust by creating a living environment that resonates with expectations, harmonizing with people, society, and nature.

Our corporate philosophy is to be ‘an infrastructure building company that contributes to creating affluent communities.’ This encompasses four action guidelines: ‘Earn trust,’ ‘Rise to the challenge for change,’ ‘Take the lead and take action,’ and ‘Share our knowledge and technologies.’ We take pride in our founding spirit and energy, rooted in high aspirations driven by technology. The corporate philosophy and action guidelines that carry on this DNA serve as our guiding principles.

As a company that places ‘personal growth’ at the core of our management, we consistently work towards fostering a fulfilling work environment and aim to meet the expectations of our shareholders and all stakeholders by providing work that is highly valued by our clients through compliance, construction quality and safety management, and consideration for the environment.

Long-term Vision

In May 2021, we formulated a 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 for realizing the vision 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



Medium-term Management Plan

From fiscal 2021, we are working on the Medium-term Management Plan (FY2021–2023) as the first phase of our Where We Should Be in 2030 long-term vision. We will transform into a truly strong corporate group resilient to environmental changes by promoting individual strategies and key strategies established based on our five basic policies for achieving our vision.



Becoming a truly strong corporate group

For achieving our vision (Where We Should Be in 2030), we have started to take actions under the five basic policies: “Expand stable earnings,” “Diversify revenue sources,” “Execute people-centric management,” “Establish new ways of working,” and “Enhance management and financial base,” to transform into a “truly strong corporate group” resilient to environmental changes.

Individual Strategies

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

Maintain and improve financial soundness
*Consider appropriate balance with capital efficiency
Shareholder returns with a targeted dividend payout ratio of 100% and DOE of 8% [Effective FY2023]

Key Performance Indicators

Indicator	FY2021 Actual	FY2022 Actual	FY2023 Plan	FY2023 Est.	FY2030 target
Net sales	85.1 billion yen	92.4 billion yen	91.6 billion yen	93.3 billion yen	100 billion yen
Operating income	4.4 billion yen	2.7 billion yen	5.8 billion yen	4.9 billion yen	8.0 billion yen
Net profit attributable to owners of parent	3.3 billion yen	1.1 billion yen	3.7 billion yen	3.3 billion yen	5.0 billion yen
ROE	8.1%	2.8%	Approx. 8.6%		10.0%
Equity	40.5 billion yen	39.7 billion yen	Approx. 43.0 billion yen		50.0 billion yen
Total assets	78.3 billion yen	78.8 billion yen	Approx. 86.0 billion yen		100 billion yen
Equity ratio	51.7%	50.4%	Approx. 50%		50.0%

Investment Plans

Consistent and strategic investment to build sustainable business foundation			
	FY2021 Actual	FY2022 Actual	Over three-year plan
Maintenance, renewal, acquisition of factories, offices, construction machinery, etc.	Approx. 3.4 billion yen	Approx. 5.0 billion yen	15.0 billion yen (5.0 billion yen/year)
Strategic investment (M&A, etc.)	—	—	1.5 billion yen (0.5 billion yen/year)
Total	Approx. 3.4 billion yen	Approx. 5.0 billion yen	16.5 billion yen (5.5 billion yen/year)

- 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 as planned.

Management with an awareness of equity cost and share prices

Equity cost-conscious management

As the Company's corporate philosophy is "creating infrastructure for living that contributes to the creation of a prosperous community," the Company aims to improve corporate value over the medium to long term by realizing healthy sustainability and continuous growth. In terms of return on capital as well, the Company does not pursue high figures in the short term, but instead believes it is important to strike a good balance between ongoing investment and financial soundness and to provide economic value that exceeds the cost of capital over the medium to long term.

In order to reflect this concept in our management, we have been striving to identify equity costs for some time, and this information is used in the formulation of the Medium-term Management Plan and in making important investment decisions in our day-to-day business operations.

In addition, the long-term vision that outlines the Group's "Where We Should Be in 2030" and the Medium-term Management Plan (FY2021-2023), which is the first phase of the long-term vision, clearly state the Group's direction to continuously maintain a positive equity spread, and set ROE targets of approx. 8.6% for fiscal 2023 and 10% for fiscal 2030, respectively, for the final fiscal years. Our shareholders' equity costs stand at 7.2%, which was estimated with advice from outside agencies during the formulation of this Plan. The weighted average cost of capital (WACC), which takes debt costs into account, is estimated to be 6.5%. The relationship between capital profitability and equity cost in the long-term vision and Medium-term Management Plan is as follows.



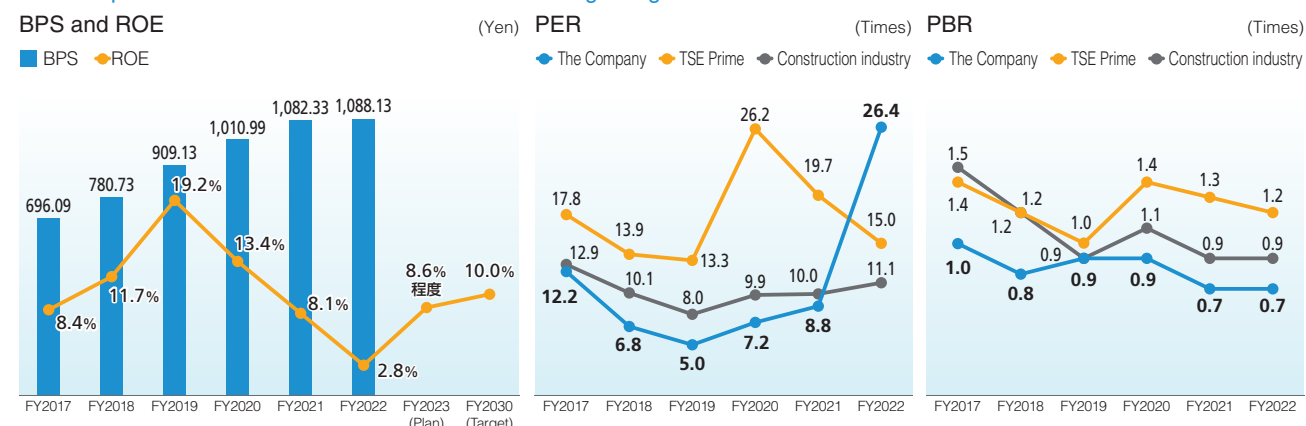
Analysis and evaluation of capital profitability and market valuation

The graph below illustrates the trend of stock price indicators, etc. Notably, as indicated in the Financial Highlights on pages 9-10, there has been a noticeable decline in ROE over the past few years. Upon closer examination of this trend, it reveals a downward trajectory in EPS, while BPS has consistently risen.

On the other hand, the market valuation of our stock has remained below average in comparison with the overall market and the construction industry as a whole, as shown in the graph below, with PBR ratios of 1x and PER ratios of below 10x over the past several years.

We have been aware of these issues for some time and have been discussing with our shareholders and investors, as well as with our advisors, to explore the factors contributing to this low performance and to consider strategies and approaches for improvement.

"Amount per share" and trends of "relevant indicators" regarding our shares



Note: Figures for "TSE Prime" in "PER" and "PBR" are for the First Section of the Tokyo Stock Exchange prior to the fiscal year ended March 31, 2022. Figures for "Construction" relate to the construction industry in TSE Prime.

- ▶ ROE is in a declining trend due to the accumulation of equity. Furthermore, we presume that we have been evaluated with a strict outlook due to our recent business environment and business performance.
- ▶ During dialogues with shareholders and institutional investors, multiple stakeholders showed their concerns over the achievement of the medium- to long-term ROE targets, taking into consideration the current business environment, trends in results, capital structure, etc.

Policy and goals for improving valuations

Considering these analyses, the Company, in a Board of Directors meeting in May 2023, reiterated its commitment to enhance efforts for "profitability improvement," "equity control," and "reduction of shareholders' equity costs." This strategic approach aims to boost the probability of achieving the KPIs outlined in the long-term vision, dispel market skepticism regarding the future maintenance and improvement of ROE, and ultimately enhance medium- to long-term corporate value, shareholder value, and the valuation of our stock.

Initiatives to improve valuations

Improving profitability, sustainability, resilience

Steadily implementing measures of the current Medium-term Management Plan (FY2023 being the final year), the first phase toward where we should be in 2030, we will then move forward to the next Medium-term Management Plan (beginning in FY2024), the second phase.

Review of financial and capital strategies

We consecutively implemented shareholder returns which exceeded 100% in total shareholders return both in FY2021 and FY2022, which curbed the increase in equity. The Company clarified its policy to continue to actively return profits to shareholders and control shareholders' equity in order to achieve the KPIs indicated in its long-term vision.

Changes to the shareholder return policy (announced May 9, 2023)

For the time being from fiscal 2023, shareholder return policy will be "shareholder returns with a targeted dividend payout ratio of 100% and DOE of 8%," and to curb the buildup of shareholders' equity, while working to improve profitability with a view to achieving the target ROE value for fiscal 2030 as early as possible.

*Concept of target DOE **DOE: 8% = ROE: 8% × Dividend payout ratio: 100%**

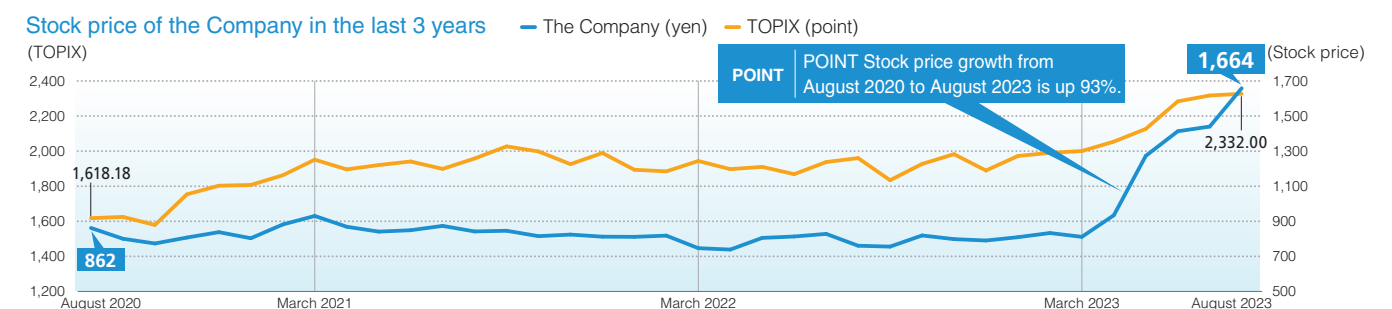
Thorough information disclosure and continuing dialogue

We aim to lower shareholder equity costs by continuing to strive for dialogue with shareholders and investors and thorough information disclosure for deeper understanding of the Company as well as mitigating asymmetrical provision of information.

Aiming for further valuation improvement

As of August 31, 2023, the PBR ratio for the Company's shares remained above 1x, and the Company considers continuing to implement measures to improve its valuation to be one of its most important management challenges.

We will, therefore, steadily implement the current Medium-term Management Plan, which ends this year, not only to maintain and improve profitability but also to address sustainability issues to ensure the sound existence and sustainable growth of the Group. In addition, in the next Medium-term Management Plan (the second phase toward "Where We Should Be in 2030"), which is currently being formulated, the Company will continue to strive for stable, continuous, and positive shareholder returns and to maintain and improve ROE while striking a balance with financial soundness, and by doing so we intend to improve the valuation of our shares in the stock market.



(Reference: Calculation method of shareholders' equity costs and estimated value for fiscal 2022)

*Calculation of shareholders' equity costs uses the capital asset pricing model (CAPM) and is estimated using values including the Company's share price fluctuation rate and the fluctuation rate of the stock market overall in the expected rate of return for stable assets such as government securities and the stock market's risk premium.

[Shareholders' equity costs = Risk-free rate + risk premium × beta]

Risk-free rate: 0.6%-1.1%

Risk premium: 6.2%-6.6%

Beta: 0.60-0.66

▶ Shareholders' equity costs: 5.0%-6.0%

Strategies by Business Segment

Construction Business

Overall Status of the Construction Business

In the Construction Business centered on road pavement, in addition to promotion of projects based on the “Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience” formulated by Cabinet decision on December 11, 2020 and the “Expressway Renewal Project,” large-scale renewal and repair work projects by expressway companies, both public and private orders were strong due to an increase in renewable energy facilities focused on carbon neutrality.

On the other hand, we recognize that measures in preparation for the future, such as for the long-term declining trend in construction ordered by public agencies reflected the financial situation of national and local governments, and acceleration of the shift from new construction to maintenance and renewal in infrastructure development, are indispensable going forward. In addition, securing leaders has become a significant issue in the construction industry. The Company is also working actively on measures to improve productivity using ICT and AI, efforts to optimize infrastructure maintenance and management, and workstyle reform to rectify long working hours, and on updating offices to improve the working environment and promoting diversity.

Although orders for construction increased, and net sales from completed construction contracts rose in the fiscal year ended March 31, 2023, compared to the previous year, profits declined due to the impact of rising material prices. However, it's worth noting that both sales and profits have demonstrated stability over the past several years.

We also expect the stable order environment to continue in the fiscal year ending March 31, 2024 and will actively develop our business activities to achieve increases in both sales and profits.

Initiatives to Achieve the Long-Term Vision

Amid an expected declining trend in medium- to long-term construction demand, we strive to prevail in the intense competition and contribute to realizing a sustainable society as an infrastructure building company that helps create affluent communities. In our current Medium-term Management Plan, we are working on the following strategies.

Key Strategies in the Medium-term Management Plan: Major Items

- Increase competitiveness to win construction orders from the Ministry of Land, Infrastructure, Transport and Tourism and expressway companies, by building construction track record and strengthening our response capacity.
- Allow all construction sites (business offices) in Japan to support and sustain themselves in the local area to raise the level of infrastructure figures.
- Focus on addressing aging and deteriorating infrastructure where solid demand is expected, and developing sales in the areas of disaster prevention/mitigation, and renewable energy.

Completed Construction (1 Customer 2 Project 3 Site(Prefecture))



1 East Nippon Expressway Company Limited
2 Sasson Expressway Hassamu Viaduct floor slab waterproof work
3 Hokkaido



1 Kinki Regional Development Bureau, MLIT
2 Pavement and other work in Tano area on Ono Aburazaka Road
3 Fukui



1 Kyushu Regional Development Bureau, MLIT
2 Pavement work near Akagi area (Kiyotake to Kitago) on Higashi Kyushu Expressway
3 Miyazaki

Pavement Materials Manufacturing and Sales Business

Overall Status of the Pavement Materials Manufacturing and Sales Business

In the Pavement Materials Manufacturing and Sales Business, which focuses on the production and sale of asphalt mixtures, both production and sales quantities have been struggling amid a challenging competitive environment and a sluggish domestic demand trend in Japan.

In addition, due to the impact of the soaring price of crude oil in these times, price for purchasing straight asphalt, which is a main material, and for fuel expenses pertaining to manufacturing and transportation remain at a high level, so this continues to compel a very harsh revenue environment. The Company has so far engaged in initiatives to introduce machines with highly efficient combustion as well as switch some of our fuel oil with gas in conjunction with the upgrading of manufacturing equipment. These initiatives are not only reducing environmental impact, but also reducing the costs associated with energy consumption, so we will continue these initiatives as planned in the future.

Performance for the fiscal year ended March 31, 2023, showed a year-on-year increase in net sales due to a certain level of increase in product selling prices amid high manufacturing costs, including those related to crude oil, but this was not enough to absorb the impact of the increased cost, and we were forced to record a substantial decrease of the profit for the second consecutive fiscal year.

Since March of this year, there have been some signs of a calming trend in the price of crude oil, but it remains difficult to expect dramatic improvements in the external environment, such as the tense international situation, in the fiscal year ending March 31, 2024; therefore, the Company will continue to work concertedly to obtain customers' understanding regarding ensuring reasonable selling prices, securing the quantity for manufacturing and sales, and cost control.

Initiatives to Achieve the Long-Term Vision

Regarding our medium- to long-term strategy, we perceive expansion of sales quantity, carbon neutrality initiatives, and improvement of customer convenience and realization of workstyle reform through DX promotion as significant pillars and are proceeding with various initiatives.

With our current Medium-term Management Plan exposed to external risk factors including trends in crude oil prices and concerns over supply of straight asphalt, we are committed to improving our competitiveness by positioning securing our sales quantity, which is our business base, and expanding our share of the market as key strategies.

Key Strategies in the Medium-term Management Plan: Major Items

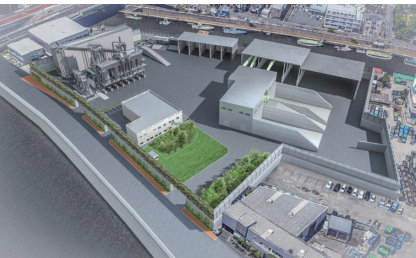
- Secure sales volume in metropolitan areas with a large market size, by allocating sites to cover our construction works, and enhancing facilities and sales staff.
- Further expand market share by responding to customer needs such as enhancing the offering of eco-friendly products and product quality.

Equipment Upgrade Plan

Myokenjima Mixture Plant Renovation Plan (Edogawa-ku, Tokyo)

By upgrading equipment, we will improve customer convenience, safety, and revenue, and implement renovations to create an environmentally friendly plant that takes its surroundings into consideration.

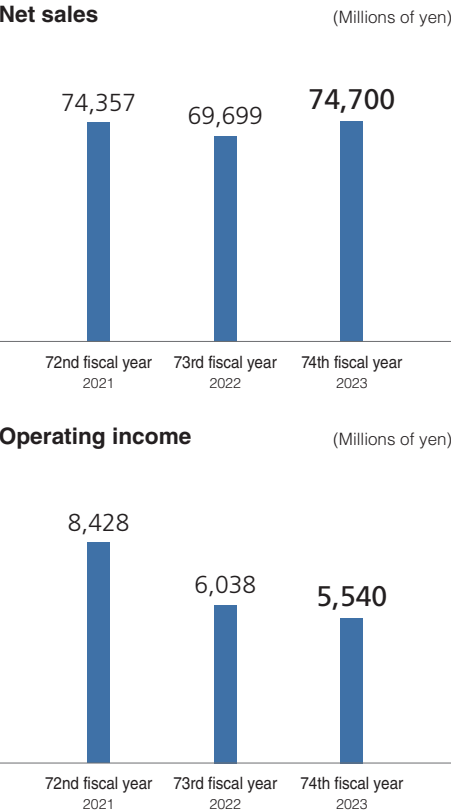
Myokenjima Mixing Plant renovation plan (architectural drawing of the planned facility when completed)



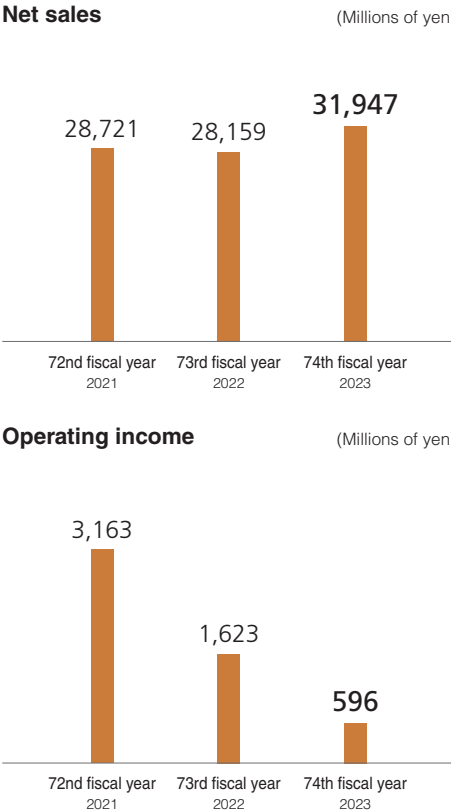
Establishment of new business sites

Saitama Mixture Plant established in Kawagoe, Saitama and Itami Mixture Plant established in Itami, Hyogo

In April 2023, new business sites were inaugurated through participation as joint venture operators in existing asphalt mixture plants operated by other companies.



Note: Respective amounts before adjustment, including internal transactions between segments.



Note: Respective amounts before adjustment, including internal transactions between segments.

Research & Development and Intellectual Property



The Group's research and development takes into consideration societal technological demand, such as trends in international society and needs within Japan, and is conducted mainly by the Research and Development Department at the center of the Technology Division.

At present, we have selected decarbonization and optimization, long life, and productivity improvement for road infrastructure development as important development themes to contribute to the realization of a sustainable society as a Group that plays a part in developing social capital, and we are working on research and development focused on these areas.

Recent Initiatives

Decarbonization and Low-Carbon Initiatives

Development of Technologies That Contributes to Carbon Neutrality
We are working to become carbon neutral by focusing on asphalt mixtures and the manufacturing process of asphalt mixtures in asphalt plants.

Asphalt mixtures are designed to reduce CO₂ emissions by replacing existing materials such as asphalt, aggregate, and filler, which make up the mixture, with naturally occurring or CO₂ adsorption and fixation materials. We are in the process of confirming the properties and verifying the effectiveness of the mixtures that replaced the previous materials.

We are also working on the development of asphalt mixtures that can be used for large-scale construction without the need for heating, and are currently selecting formulations and confirming indoor properties. We intend to conduct test construction in the future to verify workability, quality, and effectiveness.

Regarding asphalt plants, we are advancing considerations for reducing fuel consumption and exploring the recovery and reuse of emissions (CO₂).

Technology to Achieve Optimization and Long Life for Road Infrastructure

CRACK REPAIR

CRACK REPAIR is a repairing material that can be flown naturally and injected into concrete cracks. Due to its superior performance, roads can be opened to traffic approximately one hour after construction works. The product, jointly developed with TOKYU CONSTRUCTION CO., LTD., helps to extend the life of infrastructure.

Acquisition of ISO 55001 Asset Management System Certification
In March 2021, we obtained the ISO 55001:2014 certification for our asset management system.

By proposing optimal cost maintenance and repair plans and VE for assets owned by the ordering party (asset owner), we will contribute to the reduction of life cycle costs of the assets, increase in asset value, and efficient implementation planning, 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://contents.xj-storage.jp/xcontents/AS03190/52862dc0/4c01/416f/b110/2ab1e2b6cf24/20220121155204773s.pdf> (in Japanese)

Pursuit of Productivity Improvement

Development of DX (Digital Transformation) Technology

For the purpose of improving pavement technology, we have developed a guidance system for pavement rollers that reduces load by braking when a vehicle turns and improves evenness. In addition to the guidance function, this system also has a flatness measurement function and a pavement surface temperature measurement function, which are expected to further improve pavement quality and reduce manpower. In the future, we will install this on rollers to verify its adaptability and effectiveness with operators at construction sites.

In the construction industry, efforts are being made to remotely operate construction equipment and to make it unmanned for the purposes of improving productivity, and responding to chronic labor shortages, and work style reform. In light of this, we have developed a remotely operated system for the asphalt finisher, a key construction machine in pavement construction. Now that it is possible to remotely operate a portion of the laying-leveling work, we will continue to develop the system with a view to eventually making the paving operation unmanned through further on-site verification.



Initiatives to Achieve the Long-Term Vision

From a long-term perspective, we have positioned development of next-generation pavement technology that takes into consideration decarbonization according to Japan's plans to achieve carbon neutrality by 2050 as an important topic. From a short- to medium-term perspective, important topics include rapid population aging, decline in the work force, DX (digital transformation) to contribute to resolving the issue of coping with infrastructure deterioration, optimization of infrastructure development, long life of infrastructure, and improving productivity.

Investment related to intellectual property, including in research and development and study of technology, is a critical factor in our survival as a company that bears responsibility for infrastructure development. Therefore, we will continue to make important investments in line with system-related development to support a new workstyle.

Key Strategies in the Medium-term Management Plan: Major Items

- Create new added value by developing technologies foreseeing future changes in the role and function of road pavement.
- Gain a competitive advantage to win orders of comprehensive maintenance works by further honing our technology. etc. to inspect and analyze road conditions.
- By leveraging ICT and implementing efficient operations, enhance productivity, correct long working hours, and realize eight holidays in four weeks.



Technical Information

→ <https://www.seikitokyu.co.jp/business/> (in Japanese)

Capital Policy and Financial Strategies



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.

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%.

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.

Cash Flow Allocations

In Where We Should Be in 2030, the Company has set the targets for fiscal 2030 in terms of Key Performance Indicators (KPI), which are "equity of 50.0 billion yen," "equity ratio of 50%" and "ROE of 10%." In terms of cash flow allocations, while maintaining a total return ratio of 50% or higher, the Company plans to allocate the remaining free cash flow in a best possible manner by finding out the best balance of measures including additional shareholder return, strengthening its financial position and additional investment, based on management decisions as occasions arise, with a view to attaining the long-term vision.

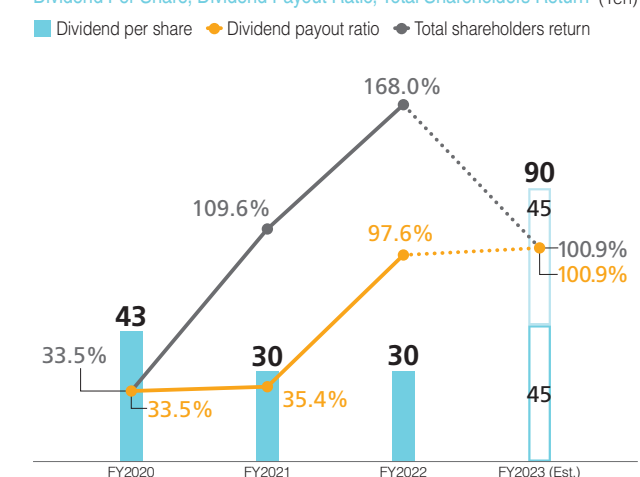
Shareholder Returns

With regard to the distribution of profits, the Company has a basic policy of implementing stable and continuous shareholder returns while comprehensively taking into account the business results for the current fiscal year, financial condition, future business environment, etc., while strengthening the management base for sustainable growth and maintaining and improving profitability. Under the current "Medium-term Management Plan (FY2021 - FY2023)," the Company set out its stance on shareholder returns to "stable and continuous shareholder returns with a target payout ratio of approximately 30% and a target total return ratio of 50% or higher," and has strived to achieve the targets.

Based on these policies, the dividends for the fiscal year ended March 31, 2023 were 30 yen per share (total return ratio of 97.6%), and the Company purchased its own shares at a total cost of 0.8 billion yen. As a result, the total shareholder return ratio was 168.0%. As described on page 18, the shareholder return policy has been changed since fiscal 2023, and the dividend forecast for the fiscal year ending March 31, 2024 is 90 yen per share (45 yen as interim dividend and 45 yen as year-end dividend) based on the new policy of "dividend payout ratio of 100% and DOE of 8%."

*DOE = (Interim dividends + Year-end dividends) / Equity [average during the year] x 100

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



Note: The Company plans to resume payment of interim dividends from the fiscal year ending March 31, 2024.

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.

STEP 1

Creation of a list of prospective issues (Extraction of issues)

We extracted 33 types and 56 items of social issues the Group should work on and take into consideration, in relation to both input to and output from business activities.

STEP 2

Prioritization

We set priorities to the extracted issues in light of impact on society and management; restructured them based on relevance to each other; and brought them together into six themes.

STEP 3

Confirmation of appropriateness

The long-term vision development project COMPASS2030 confirmed the alignment with issues to work on to realize our Where We Should Be in 2030 strategy.

STEP 4

Approval by the Board of Directors

After multiple discussions, the Board of Directors approved and determined the materiality along with the long-term vision, regarding it as a prerequisite for and an integral part of the achievement of the vision.

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 ➡P19,20,21,25,26,27,28	   
	 Infrastructure	Helping develop infrastructure that can be used safety, 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 ➡P3,4,29	    
	 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 ➡P3,4,22,30	
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 ➡P31	   
	 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 ➡P29,30,31,32,33,34	  
	 Governance and compliance	<ul style="list-style-type: none">● Pursue the best governance for the Group● Regain trust by promoting compliance management ➡P35,36,37,38,39,40	
G			



Seikitokyu Kogyo Group and SDGs

➡ <https://www.seikitokyu.co.jp/sustainability/sdgs/> (in Japanese)

Environmental

Environmental protection

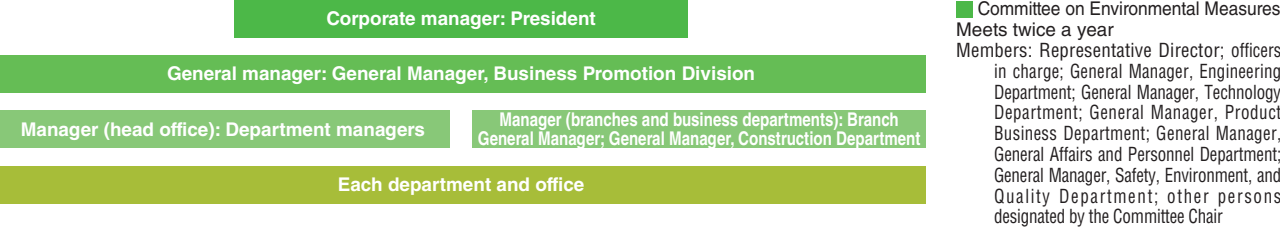
Environmental Policy

- 1. SEIKITOKYU 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, 2023, 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 6-1st surveillance audit in 2023

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

ISO14001
➔ <https://www.seikitokyu.co.jp/company/iso>
(in Japanese)



Permission to Engage in the Industrial Waste Disposal Business

We have the permission to engage in intermediate processing of industrial waste at 22 facilities in 16 administrative districts, where construction waste, etc. is recycled.

As of March 2023, 15 of these facilities 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	2020	2021	2022
Volume of industrial waste	288,214t	342,953t	271,051t
Volume of general waste	454t	277t	262t
Rate of recycling	97.9%	96.4%	96.2%

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 FY2022

Rebuilding the Joetsu Business Office

Reconstruction of the Joetsu business office in Joetsu, Niigata was completed in March 2023. The new office building is a two-story heavy steel-frame building, and part of the site is equipped with a solar power generation equipment, making it a disaster-resistant, ZEB* certified, environmentally friendly business office.

* Abbreviation of Net Zero Energy Building
A building designed to provide a comfortable indoor environment while reducing the annual primary energy balance consumed by the building to zero.



Joetsu Business Office



New Construction of the Minamisoma Business Office

The new Minamisoma business office in Minamisoma, Fukushima, was completed, and operations began in February 2023. Solar panels on the office building's roof contribute to powering the facility.

Moving forward, in conjunction with the Minamisoma Mixture Plant (refer to page 4), we aspire to create an office that is cherished by the local community.



Minamisoma Business Office



Facility Upgrade of the Sapporo Recycled Mixture Plant

The recycling plant facilities, which have been in operation for 34 years since 1987, have been upgraded with new dryers, burners, and other equipment. Upgrading aging facilities has improved environmental performance, and the Company will continue to contribute to the community through its continuously stable operations.



Sapporo Recycled Mixture Plant

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.

Sustainable Management Strategy Project

In pursuit of the “Where We Should Be in 2030” strategy and further increase in corporate value, we launched an internal project in April 2021 aimed at promoting sustainability transformation (SX) and digital transformation (DX), and we reorganized and systematized development of both projects (SX promotion project and DX promotion project) as the Sustainable Management Strategy Project in April 2022.

To achieve carbon-neutral business operation, we are now considering specific initiatives led by this project to achieve the reduction targets of greenhouse gas emissions which have received SBT (*) certification in August 2022 and would also like to be able to report on our emission reduction plan at the earliest stage possible.

The Group will continue to promote initiatives to realize carbon-neutral business operations, actively utilize digital technology, and practice sustainable management.

*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.

Outline of disclosure of climate change-related information (disclosure based on the framework of TCFD recommendations)

Governance

1. Board of Directors’ supervisory framework for climate change-related risks and opportunities

In the process of formulating our long-term vision, the Board of Directors deliberates on risks and opportunities related to climate change along with the measures to address them, and those details are reflected in the Group’s “Where We Should Be in 2030,” “Materiality,” and “Medium-term Management Plan.”

The Board of Directors is informed of important issues related to sustainability, including compliance, climate change, and human capital issues, and oversees the Group’s sustainability initiatives.

2. Role of management in assessing and managing climate change-related risks and opportunities

The risk management of the Company is undertaken by the officer in charge of Business Administration Division as General Manager of risk management, and the President as the officer taking ultimate responsibility for risk management.

In addition, we have established the Sustainable Management Strategy Project as an organization to formulate policies, set targets, and promote initiatives related to sustainability, including climate change. This project has been established as an organization that operates under the direct control of the President, and reports the status of its efforts to the Board of Directors for supervision as appropriate.

Overall environmental measures, including climate-related measures, are discussed by the Committee on Environmental Measures, which is chaired by the President and includes the General Manager of the environmental management system, who is the officer in charge of the Business Promotion Division, and several other members. As necessary, instructions are given regarding the investment of managerial resources and the addition or modification of environmental measures, and any matters of importance are reported to the Board of Directors.

Risk Management

Company-wide risks and opportunities, including those related to sustainability, are examined and managed by the respective departments in charge in the course of normal business activities. When necessary, the Committee on Risk Management is formed with the General Manager of risk management as the chairperson and the Internal Control Department, which has an internal audit function, as the executive office, to establish and operate an effective risk management system. The most significant risks (including, but not limited to, sustainability-related risks) and measures to address them are reported to the Board of Directors, and climate change-related measures are also integrated into this risk management process.

Strategy

1. Risks and opportunities and financial impact

Overview of climate change-related risks and opportunities

Category	Impacting changes (main)
Transition risks	Increased costs due to introduction of carbon pricing
	Rising prices of energy, materials, etc.
	Changing evaluation axis of customers and other stakeholders
Physical risks	Natural disasters (direct damage, construction schedule delays, plant shutdowns, etc.)
	Health risks and a declining labor productivity due to higher summer temperatures
Opportunities	Expand investment in infrastructure such as national resilience and renewable energy
	Growing needs for low-carbon and decarbonization technologies

Scenario analysis and financial impact

At this point in time, we have not conducted a precise scenario analysis and quantitative estimation of financial impact related to climate change, but we intend to further our study focusing on the 1.5°C scenario, taking into account the GHG emissions reduction target for which we obtained SBT certification in August 2022.

2. Resilience in a changing climate

In formulating our long-term vision “Where We Should Be in 2030,” we have taken into consideration the future social vision on a medium- to long-term time horizon, our business model, our strengths, weaknesses, risks and opportunities, and the importance of our company and society. At the same time, we have systematically reorganized the key issues for achieving both a sustainable society and a sustainable growth of the Group, and have identified and announced an important sustainability theme (Materiality) as an integral part of the long-term vision.

We will clarify our vision for 2030 and work to reduce our own greenhouse gas emissions and focus on areas where demand is expected to grow, such as the development of renewable energy-related infrastructure and the repair and maintenance of infrastructure. Additionally, we are strategically investing in human capital, intellectual capital, facilities and equipment, and M&A, taking into account sustainability risks and opportunities, including those related to climate change.



Overview of climate change-related risks and opportunities

➡ <https://www.seikitokyu.co.jp/sustainability/environment/measures/#section03> (in Japanese)

Indices and Targets

We have set the following targets to reduce greenhouse gas emissions from our business activities and acquired SBT certification in August 2022. The progress of emission reductions is disclosed in our Integrated Report and on our website.

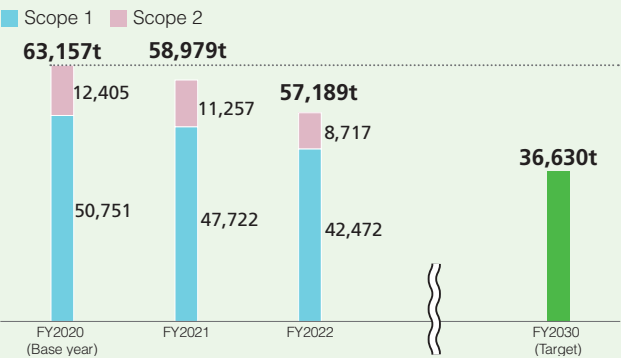
Greenhouse Gas Emissions and Reduction Targets

	CO ₂ emissions in fiscal 2020	Reduction targets for the 10 years leading up to fiscal 2030	CO ₂ emissions in fiscal 2022
Scope 1	50,751 t	Reduce total emissions for Scope 1 and Scope 2 by a yearly average of 4.2%, and by 42% in the 10 years leading up to fiscal 2030. [Level of 1.5°C]	42,472 t
Scope 2	12,405 t		8,717 t
Scope 3	419,722 t	Reduce emissions related to purchased products and services, classified into Category 1, by a yearly average of 2.5%, and by 25% in the 10 years leading up to fiscal 2030. [Level of Well Below2°C]	368,749 t
Category 1	356,629 t		305,767 t

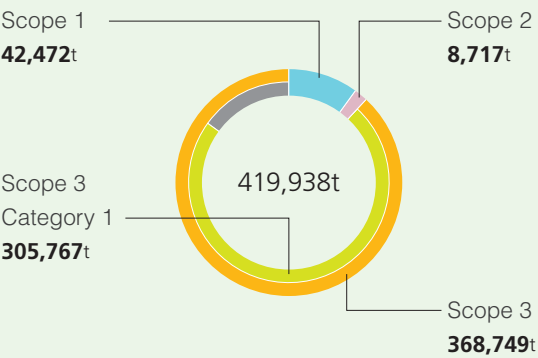
Specific initiatives to achieve the reduction targets are currently being studied mainly by the aforementioned Sustainable Management Strategy Project, and we would also like to be able to report on our emission reduction plan at the earliest stage possible.

At the current time, we have not established any indices and targets other than the above greenhouse gas reduction targets with respect to our response to climate change-related risks and opportunities, but we plan to further study the establishment of additional indices and targets in conjunction with scenario analysis and quantitative estimation of financial impacts.

Progress toward greenhouse gas reduction targets (Scope 1 and 2)



Breakdown of CO₂ emissions in FY2022



Our Technologies

We consider contributing to the creation of a sustainable society to be one of our important issues, and are engaged in the research and development of technologies that bring gentleness and comfort to the global environment, society, and people’s lives. This includes the establishment of a recycling-oriented society, reducing greenhouse gas emissions, traffic safety, and improving the efficiency of road maintenance and management. Additionally, we offer a wide range of environmentally friendly products and construction methods, including technologies that have already been put into practical use to reduce CO₂ emissions, mitigate the heat-island phenomenon, and recycle resources.

Example of environmentally friendly products and construction methods

Urban Cool (Heat Barrier Type) (Common Name: Heat Barrier Pavement)

By applying a special heat-blocking paint to the road surface, infrared rays from the sun are efficiently reflected, and the rise in pavement temperature and the amount of heat stored are suppressed, thereby contributing to the mitigation of the heat-island phenomenon. We have achieved many results, such as Shibuya Crossing.



Mibble-eco (Common Name: Foamed Asphalt Mixture)

Asphalt and aggregate can be mixed easily with an additive to foam fine bubbles in asphalt, which enables mixing and application at a temperature approx. 30°C lower than that of general asphalt. This contributes to the expansion of supply areas, improvement of asphalt workability in winter season and in cold areas, reduction of the traffic restriction time, and alleviation of environmental impact.



Recycled Cold Asphalt Mixture “Eco-mix”

Eco-mix 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.



Social

Infrastructure

Quality Assurance

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, 2023, 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 8-1st surveillance audit in 2023

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

ISO9001
➔ <https://www.seikitokyu.co.jp/company/iso> (in Japanese)



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, 2023, the Association consists of 839 member companies.



"Paving machinery and civil engineering project training for supervising engineers" organized by the Accident Prevention Association Headquarters



Environmental Considerations

To continue business activities, coordination with partner companies is also essential to initiatives to reduce environmental impact. For example, we have asked for cooperation in reducing packaging materials for construction materials procured by the Company since October 2011 and are working on waste reduction with all our suppliers.

The Group will continue to contribute to the realization of a sustainable society along with all parties comprising the supply chain in the future.

Initiative to Reduce Packaging Materials (Request)
➔ <https://www.seikitokyu.co.jp/assets/file/pdf/company/iso/konpou.pdf> (in Japanese)

Ensuring an Appropriate Wage Level for Technical Workers

One social issue is ensuring an appropriate wage level for technical workers and improving their treatment, with a view to securing future leaders. By reliably paying the necessary labor costs (labor wages) for increasing salaries to a level commensurate with technical skills, we will promote a virtuous cycle as a prime contractor. Therefore, the Company released its “Declaration of Respect for Labor Cost Estimates” on July 20, 2020.

Declaration of Respect for Labor Cost Estimates
➔ <https://www.seikitokyu.co.jp/dev/wp-content/uploads/2020/07/20200717.pdf> (in Japanese)

Natural disasters

Support to Disaster Restoration and Reconstruction

Appreciation for support after natural disasters

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.



June 2023
Central Nippon Expressway Company Limited presented us with a letter of appreciation for our contribution to winter traffic security by swiftly responding to snow and ice in fiscal 2022.

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 2023. 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 2023 was in progress when this report was being compiled and is scheduled to be completed in October 2023.)



Information Security

Item (10) of the Seikitokyu Kogyo Group Compliance Code of Conduct states that the Company strives “To seek to use electronic information fairly, maintain trust, and ensure confidentiality.” This clearly indicates our basic policy that we will seek to understand laws and the Company's rules, and will work to preserve and ensure the security of electronic information.

In addition to establishing and applying regulations for basic matters regarding the handling of electronic information and electronic equipment and information security, the Company works to minimize risks related to information security by undertaking specific initiatives to understand threats and risks of damage and violations, and to consider and implement countermeasures, as well as implementing training for all executives and employees, and regular system audits, and taking out insurance against cyber risks.

Local residents

Site Visits


To facilitate understanding of infrastructure and our business, we invite residents in the neighborhood, children, and students for site visits during and after construction and conduct other activities including implementing internships and cooperating in school education. 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.

Received a letter of appreciation for The-PEC Melody Type Construction Method (March 20, 2023)
As part of our social contribution activities, Yamagata City presented us with a letter of appreciation for our contribution to the creation of a new tourist resource and the creation of a safe and secure road, in connection with the PR construction of The-PEC Melody Type (Anti-Freezing and Musical Pavement) on a 230-meter section in the Omori area in Yamagata City.

The-PEC Melody Type combines music road technology that sounds a specific melody when a car passes over the grooves made on the road surface and the PEC Process which suppresses freezing by grooving. In this example, the Hanagasa Dance Song melody is played for about 20 seconds, but each of the other examples of construction also has a melody that is tailored to the characteristics of the region.



The-PEC Melody Type (photo of actual site)

 The-PEC Melody Type (Common Name: Anti-Freezing and Musical Pavement)
➔ <https://www.seikitokyu.co.jp/business/products/486/> (in Japanese)

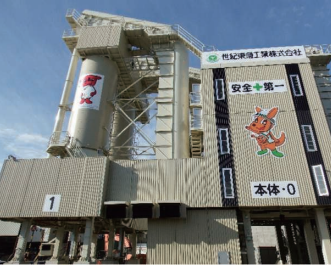
Locally Rooted Activities

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 the 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.

Case Studies

Sakura material plant
(Chiba, with “CHI-BA+KUN”)



Yamato material plant
(Kumamoto, with “Kumamon”)



Job satisfaction

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.

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



Safety and Health Committee
Meets once a year
Members : Officers in charge; industrial physicians; persons in charge of management from the head office; persons in charge of health management; other designated persons

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, 2023, 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 1-2nd surveillance audit in 2023

Category	Good practice	Improvement opportunity	Observation	Improvement needed (Nonconformity)
No. of cases	2	5	0	0

 ISO45001
➔ <https://www.seikitokyu.co.jp/company/iso> (in Japanese)

Safety Initiatives

We are working on improving occupational safety and health through various activities such as daily safety management at construction sites; safety inspection tours by responsible departments at all offices, branch offices, and the head office; coordination with the Accident Prevention Association; onsite inspections by executives; and patrols by female employees.



An onsite inspection by executives

Number of Accidents (Non-consolidated)

FY	2020	2021	2022
Occupational accidents (absence from work for four or more days)	4	4	7
Public accidents	46	49	43
Traffic accidents	63	50	55

Note: Public accidents: Harm or inconvenience to the life, body, or property of any third party

Satisfying Work Environment

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. These include those directly linked to the shortening of working hours, such as commuting to construction sites directly from home, introducing mobile devices, strictly managing working hours through personal computer log management, and discussing reform together with partner companies. It also includes activities that look ahead to diverse workstyles of the future, such as staggered working hours and remote working.

In April 2022, we extensively reorganized previous project activities and clarified the position of the workstyle reform project as a structure to promote various policies for the individual strategy in the Medium-term Management Plan, which seeks to “establish new ways of working that help improve productivity.” In addition to improving the working environment to comply with the maximum working hours limit in the construction industry, which will be applied from April 2024, we will take such changes in a society in a positive way and accelerate our efforts to secure qualified workers and improve productivity as an opportunity to transform our business structure into a sustainable one.

Achievement Rate of Overtime Hour Targets (Non-consolidated)

FY		2020	2021	2022
Construction departments	Target	780 hours/year	720 hours/year	720 hours/year
	Achievement rate	85.8%	77.9%	86.8%
Products departments	Target	720 hours/year	720 hours/year	720 hours/year
	Achievement rate	100.0%	100.0%	99.5%

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

FY		2020	2021	2022
Target		6 days off in 4 weeks	7 days off in 4 weeks	7 days off in 4 weeks
	Achievement rate	94.8%	90.7%	92.1%

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.

Initiatives for diversity promotion progressed in the “Securing Leaders Project” launched in 2020. The project was reorganized and systematized as the Diversity Promotion Project in April 2022 in light of its importance, and its promotion structure was made clear. The Company has previously implemented training for corporate managers and senior executives that increase awareness of unconscious bias hindering the empowerment of women, held classes by Outside Director Rena Shimizu for female employees, and conducted information exchange meetings and discussions between senior executives and all Myanmarese employees, as part of initiatives to change the mindset in the Company. In the future, we will further accelerate initiatives for diversity promotion, with a focus on this project.



Information exchange meetings with Myanmarese employees

Target Indices • Plan of Action for General Business Owners (2021.4-2024.3) Percentage of women among new graduates recruited of 15% or more
• Where We Should Be in 2030 Target for number of women on an executive career path Present: 3 persons in FY2022 ▶ 7 persons in FY2030

Fair Evaluation and Engagement

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, in fiscal 2021, we introduced a regular employee engagement survey as a way to understand how employees see the Company. While the score itself is only for reference, we intend to put the information to use in solving problems to improve employee engagement by analyzing the results as an index for visualizing existing conditions of our organization to identify our strengths and weaknesses.

Results of the engagement survey in May 2023 Engagement rating: B

Of the 11 levels, B is the sixth level from the top in the appraisal of the survey service provided by an external expert organization. In a comparison with data collected from over 2 million people, the Company was placed roughly in the middle, and issues were extracted linked with management problems, including those relating to securing technicians and concerns related to holiday, vacation, and working hour circumstances.

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 next-generation leader development training and successive-generation leader development training for prospective branch general managers and next-generation and successive-generation corporate leaders, 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.



Education System

▶ <https://www.seikitokyu.co.jp/recruit/system.html> (in Japanese)



Next-generation leader development training

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.

In June 2022, our new corporate headquarters was successfully completed. During the fiscal year 2022, both the Hokkaido and Tokyo branches underwent relocations. Additionally, for the fiscal year 2023, plans for relocation and renovation are progressing across several offices. We will continue to work systematically on improving the work environment throughout the Company.

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

FY	2020	2021	2022
No. of employees who took maternity leave	5	7	5

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

FY	2020	2021	2022
Average years of service	15.2	16.0	15.2
Turnover rate (voluntary resignation)	3.7%	3.3%	3.3%

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.

Employment of Persons with Disabilities and Creating Employment Opportunities on Farms for Persons with Disabilities

As part of our initiative to promote employment of persons with disabilities, we opened Itabashi Farm, our farm using rented farmland. By hiring people with disabilities as staff at the farm, we will help them become economically independent and further promote understanding of persons with disabilities among our employees. Furthermore, as part of our community engagement efforts, we collaborate with farm staff to cultivate vegetables, which are then donated to local children's cafeterias and other community initiatives.

In the past, there was a time when the Company's employment rate of persons with disabilities stood below the statutory rate because of difficulties working at construction sites and plants. Going forward, however, we will continue to promote the employment of persons with disabilities and ensure an employment level exceeding the statutory rate through such initiatives.

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.

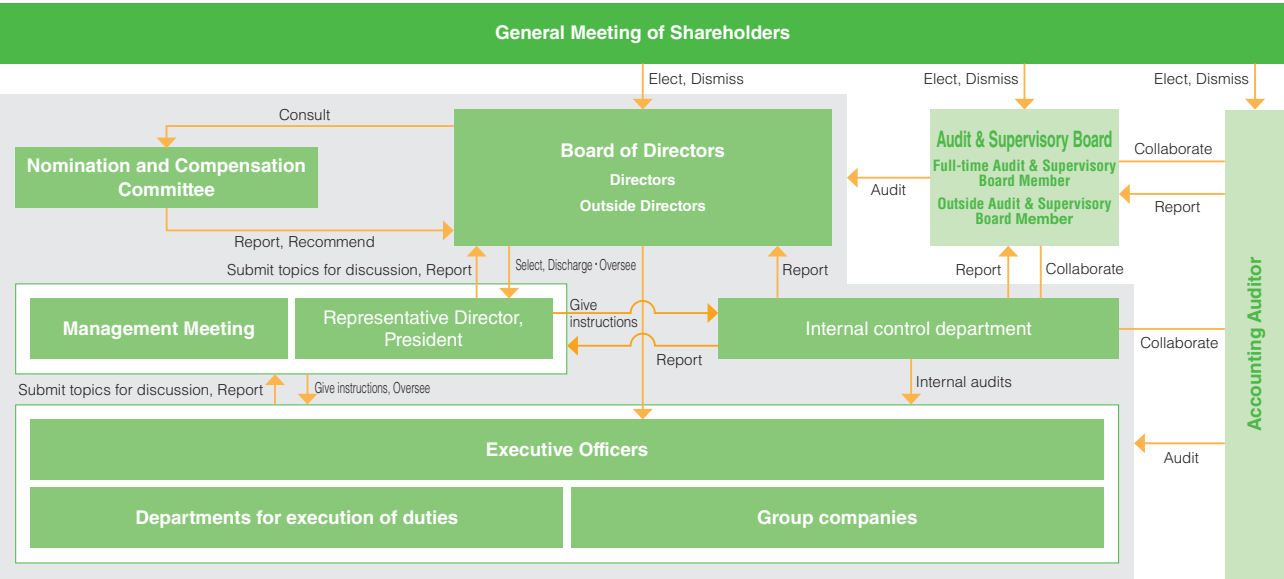
- 1 We ensure substantial equality among shareholders, respect the rights and interests of shareholders and all other stakeholders, and build harmonious relationships with them.
- 2 Directors and Audit & Supervisory Board Members recognize their fiduciary responsibilities and fulfill expected roles and 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/assets/file/pdf/sustainability/governance/corporate/20211221_1.pdf (in Japanese)

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 2022, the effectiveness of the Board of Directors as a whole was analyzed and evaluated at the Board of Directors meeting, 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 the state of discussions on medium- to long-term management issues including initiatives for problems surrounding sustainability, the Board is functional enough to ensure effectiveness, with steady improvements in the matters recognized as issues in the previous evaluations.

For fiscal 2022, we commissioned an outside organization to conduct, tabulate, and analyze questionnaires and interviews with all Directors and Audit & Supervisory Board Members, and Following the receipt of reports on the outcomes, the Board of Directors engaged in discussions regarding the evaluation.

In the following and subsequent years, the Company intends to conduct an evaluation utilizing the knowledge of an external institution every three to five years (the last external evaluation was in fiscal 2018), and will enhance the functions of the Board of Directors by constantly analyzing and evaluating the effectiveness of the Board and making improvements.


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.

Please refer to the following document for the systems to ensure the appropriateness of operations and the status of implementation of the systems (Fiscal year ended March 31, 2023).

Internet Disclosure Matters for Notice of the 74rd Annual General Meeting of Shareholders

➔ <https://contents.xj-storage.jp/xcontents/AS03190/6e6f8aaa/14d3/427c/b8b2/38e846a07d57/140120230530587082.pdf> (in Japanese)

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.

The specific implementation status is shown in the table below. Based on the “Policy on Dialogues with Stakeholders” set forth in the Seikitokyu Kogyo Corporate Governance Guidelines, the President and other senior management members are entering into more rewarding dialogue with shareholders and investors through IR/SR activities and other means. In addition, useful opinions and requests obtained through IR/SR activities are shared regularly and in a timely manner at management meetings and Board of Directors meetings to improve information disclosure and improve corporate and shareholder value.

In the process of formulating our “Where We Should Be in 2030” strategy and the Medium-term Management Plan announced in May 2021, as well as in the consideration of measures to improve the valuation of our shares (see pages 15-18), we took into consideration a lot of feedback received in the dialogues, which is partly reflected in the final vision, plan, policy, etc.

Dialogue in FY2022

Financial results presentation	IR meeting (individual)	SR meeting (individual)
June, November	10	22

Officers

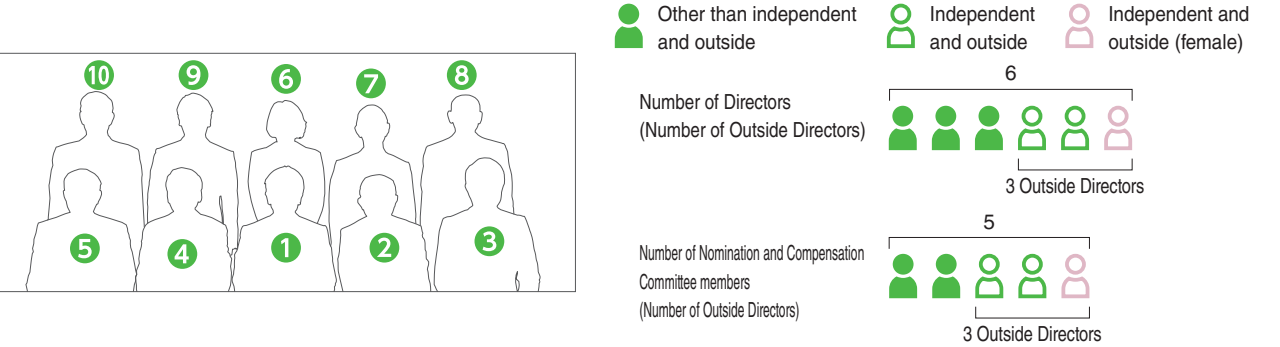
Officer Compensation

Total Amount of Compensation, Etc. for Directors and Audit & Supervisory Board Members (FY2022)

	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	156 million yen	18 million yen	174 million yen	9
Of which Outside Directors	25 million yen	—	25 million yen	3
Audit & Supervisory Board Members	45 million yen	—	45 million yen	5
Of which Outside Audit & Supervisory Board Members	30 million yen	—	30 million yen	4

Reference: 1. Basic compensation, variable compensation, and stock compensation accounted for approximately 70%, 20%, and 10% respectively of the compensation for executive directors.
2. The above amounts include the amount of compensation for two Directors and one Outside Audit & Supervisory Board Member who left office at the conclusion of the 73rd Annual General Meeting of Shareholders held on June 23, 2022.
3. 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.
4. 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.

Officers (As of September 30, 2023)



Name	Positions, responsibilities, and significant concurrent positions	Outside Officer	Areas where officers have particular expertise and experience							
			Nomination and Compensation Committee	Main work experience						
				Administration and sales field	Engineering field	Management experience	Legal affairs/compliance	Administrative experience	Finance/accounting	Human resources/labor affairs
1 Yoshikazu Taira	Representative Director, President		○		●	●				
2 Kazushi Ishida	Representative Director; Senior Managing Executive Officer; General Manager, Business Administration Division; General Manager, Corporate Planning Department		○	●			●			
3 Yuji Ooteki	Director; Managing Executive Officer; General Manager, Business Promotion Division; General Manager, Engineering Department, Work Style Reform Project Leader				●					
4 Shinya Fukuda	Director (Outside Director); Certified Public Accountant	○	◎						●	●
5 Masato Tamura	Director (Outside Director)	○	○			●		●		
6 Rena Shimizu	Director (Outside Director); Representative Director, President, CHANCE for ONE Co., Ltd.; Director (Outside Director), ATOM Corporation	○	○			●				●
7 Masayuki Koide	Full-time Audit & Supervisory Board Member			●			●		●	
8 Tsunehisa Otsuki	Full-time Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	○			●	●				
9 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.	○					●			
10 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.

The Company designates the skills (knowledge, experience, and abilities) that our Board of Directors should possess in order to appropriately demonstrate their decision-making and supervisory functions for the Company's continuous growth and improvement of medium- to long-term corporate value. We have formulated a skills matrix summarizing the relevant skills possessed by the Directors and Audit & Supervisory Board Members. Outside Directors are required not only to have a deep understanding of the Company's business but also to be equipped with a good overall balance of skills as members regarding the business departments and business management as a whole. Outside Directors are also required to possess specialization, abundant experience, and wide-ranging knowledge to leverage in giving useful advice covering supervision of business execution and management overall. Skills and background considered particularly important at the present time are as specified in the table above. We will reexamine the necessary skills for the Board of Directors and Audit & Supervisory Board as needed, in accordance with changes in the business environment, medium- to long-term management trends, and revisions to our business strategy.

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 2022 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 2022, 86 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.				Status of Internal Audits			
FY	2020	2021	2022	FY	2020	2021	2022
No. of participants (cumulative total)	619	1,790	1,224	No. of offices (cumulative total)	107	105	113


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.

Violations of the Anti-Monopoly Act
The Group is working to the best of its ability on measures to prevent recurrence to thoroughly eliminate violations of the Anti-Monopoly Act and recover trust at an early stage.

 **Chronological Order of the Series of Violations of the Anti-Monopoly Act**
➔ <https://www.seikitokyu.co.jp/dev/wp-content/themes/twentytwentyone/pdf/company/compliance.pdf> (in Japanese)

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

 **Measures to Prevent Recurrence for Compliance with the Anti-Monopoly Act**
➔ <https://www.seikitokyu.co.jp/wp-content/uploads/2016/03/20160325.pdf> (in Japanese)
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)

 **Specific Measures to Prevent Recurrence Compiled in Response to the Recommendations in the Investigation Report**
➔ <https://www.seikitokyu.co.jp/dev/wp-content/uploads/2020/01/20200124.pdf> (in Japanese)

Status of Implementation of Recurrence Prevention Measures
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> (in Japanese)

Messages from the Outside Directors

In order to improve medium- to long-term corporate value through sound survival and sustainable growth, we are focusing on strengthening governance from both “defensive” and “offensive” perspectives. In this Report, we asked three Outside Directors to speak about their assessment of the current situation, the issues they face, and their expectations for the future of the Group from their respective perspectives.



I will provide opinions and advice from a perspective of fairness and transparency, and contribute to sustainable growth and increased corporate value.

Director (Outside Director) Shinya Fukuda

During my 36 years as a certified public accountant at a major auditing firm, I was involved in statutory audits of listed companies and accounting audits of companies preparing for listing, and I have worked to establish internal control systems for listed companies and to ensure the reliability of their published financial statements and other information. After retiring from the auditing firm, I worked as a Member of the Securities and Exchange Surveillance Commission for over six years, monitoring capital markets and securities fraud including disclosure violations such as misstatements (e.g., prosecution of window dressing cases, recommendation of order to pay surcharges), and worked to ensure fairness and transparency in capital markets and to protect investors.

The role of an Outside Director is to provide opinions and advice on overall management based on their experience and broad knowledge in order to achieve sustainable growth of the company and increase medium- to long-term corporate value, and to maintain and improve the soundness and transparency of management from a standpoint independent of the business execution divisions in order to ensure the effective monitoring of management by the Board of Directors.

This is my eighth term as Outside Director of the Company (since my third term, I have chaired the newly established Nomination and Compensation Committee), and in addition to utilizing my past experience and insight, I have actively endeavored to provide opinions and advice on general management issues that I have come to understand since assuming this position. Over this period, the Company has placed emphasis on bringing in outside knowledge and recruiting a diverse workforce and, consequently, Outside Officers now account for 60% of the Company's Board of Directors. I firmly believe that Outside Officers giving opinions and advice from a diversity of perspectives on sustainability management and other issues will stimulate discussion at Board of Directors meetings, thereby strengthening governance and increasing corporate value.

In the past, we have suffered significant losses from the construction of golf courses and condominiums for lease, as well as the payment of surcharges, so we will strive to strengthen the management auditing role of the Board of Directors to prevent corporate value from being eroded again, and to contribute to the sustainable growth and enhancement of corporate value in the future.



I look forward to personal growth, enhancing governance, and realizing the corporate image that we aspire to. I will fulfill my responsibilities based on my accumulated experience.

Director (Outside Director) Masato Tamura

I was hired by the former Ministry of Construction in 1971 as a then senior administrative/legal officer, and have experienced a wide range of construction administration fields with different departments (including the Ministry Office, Kanto Regional Construction Bureau, National Land Agency, Okinawa Development Agency, and including secondment to the Metropolitan Expressway Public Corporation, Japan Sewage Works Agency, and Hiroshima Prefectural Government). After retiring in 1998, I worked for four years for a foundation that constructs and manages parking lots using the National Highway Underground; four years for a company that guarantees advance payments for public works project; and nine years for an incorporated association of mid-sized housing and real estate companies before being appointed as Outside Director of the Company in June 2016, now in my eighth term.

During this period, the environment surrounding listed companies has continued to change, with several revisions of the Corporate Governance Code and amendment of the Companies Act, which has affected the position and expected role of the Outside Director. We feel that we have responded appropriately to the changes in circumstances to date.

We are a traditional company with a long history of playing a role in road maintenance in Japan for more than 70 years since our establishment. Our corporate philosophy is to be a company that creates infrastructure for people's lives. We have established “Where We Should Be in 2030” and are now moving forward with clear objectives under our three-year Medium-term Management Plan. We believe that we will continue to move forward with our efforts to improve medium- to long-term corporate value, while demonstrating our commitment to our shareholders and investors. Based on my experience, I intend to fulfill my responsibilities while providing advice and guidance to the best of my ability.

As for future issues, I have already presented them, but I believe that governance aspects are important given the recent situation of our company. I also believe that the growth of our people is an important theme.

We are committed to improving our medium- to long-term corporate value and meeting the expectations of our shareholders and investors.



By supporting diversity management, I hope to realize a corporate culture in which all employees can reach their full potential.

Director (Outside Director) Rena Shimizu

I was inspired by the theme of “empowerment of women” when I was a student, and after working for a company, I have been running a company that supports diversity management based on the promotion of women's empowerment in companies and organizations since 2012.

Since my appointment as Outside Director of the Company in June 2021, I have been utilizing my experience and knowledge in my areas of expertise to contribute to the Board of Directors, namely, the promotion of women's empowerment and human resource development. In addition to the Board of Directors meetings, I have been provided with numerous opportunities to gain a better understanding of the workplace, such as by serving as an advisor to the Diversity Promotion Project under the direct supervision of the President and visiting road paving construction sites and offices where female employees work to talk with them.

The Company has a short history of diversity management, which is why concrete figures, such as the number of female managers and employees, are still lagging behind. However,

to solve the fresh challenges facing us today, such as sustainable management and workstyle reform, it is necessary to harness the knowledge and experience of employees with diverse profiles.

At present, the Company is actively working to build a framework for recruiting women and training female executives. Specifically, various measures are under consideration, including a work system that allows employees to balance career advancement while raising children; education and training programs; and an improved work environment that also caters to women. In addition, over the last several years, we have been actively recruiting foreign nationals as full-time employees, and they are active as mid-career professionals in their respective fields, both on-site and inside the office.

As a result of these initiatives, I will do my utmost to help establish a corporate culture that enables all employees to realize their full potential.

Financial Information

Consolidated Balance Sheets for the Years Ended March 31 (Millions of Yen)

	73rd fiscal year 2022	74th fiscal year 2023		73rd fiscal year 2022	74th fiscal year 2023
Assets			Liabilities and net assets		
Current assets	51,489	49,992	Current liabilities	29,307	31,164
Cash and deposits	12,814	8,173	Total trade payables	20,722	23,262
Trade receivables	34,942	38,829	Short-term loans payable	107	106
Cost on uncompleted construction contracts	459	228	Income taxes payable	494	214
Raw materials and supplies	401	331	Advances received on uncompleted construction contracts	1,921	1,570
Other current assets	2,871	2,430	Provision for warranties for completed construction	32	40
Non-current assets	26,806	28,769	Provision for loss on construction contracts	5	4
Property, plant and equipment	24,852	26,750	Provision for bonuses	1,861	1,655
Buildings and structures	9,824	11,857	Other current liabilities	4,163	4,311
Machinery, equipment, vehicles, tools, furniture and fixtures	21,511	22,117	Non-current liabilities	8,490	7,936
Land	14,217	14,897	Long-term loans payable	6,900	6,800
Construction in progress	763	878	Net defined benefit liability	1,505	1,049
Accumulated depreciation	(21,464)	(23,000)	Other long-term liabilities	84	87
Intangible assets	250	239	Total liabilities	37,797	39,101
Other intangible assets	250	239	Net assets		
Investments and other assets	1,703	1,779	Shareholders' equity	40,266	39,506
Investment securities	290	302	Share capital	2,000	2,000
Deferred tax assets	947	1,002	Capital surplus	521	500
Other investments and other assets	464	474	Retained earnings	40,248	37,810
Total assets	78,295	78,762	Treasury stock	(2,502)	(803)
			Accumulated other comprehensive income	231	153
			Unrealized gain (loss) on investment securities	22	34
			Foreign currency translation adjustment	4	(20)
			Remeasurements of defined benefit plans	203	139
			Total net assets	40,497	39,660
			Total liabilities and net assets	78,295	78,762

Consolidated Statements of Income for the Years Ended March 31 (Millions of Yen)

	73rd fiscal year 2022	74th fiscal year 2023
Net sales	85,132	92,414
Cost of sales	74,901	83,612
Gross profit	10,231	8,802
Selling, general and administrative expenses	5,812	6,132
Operating income	4,418	2,669
Other income	77	113
Other expenses	137	135
Ordinary profit	4,358	2,647
Extraordinary income	98	24
Extraordinary losses	128	873
Profit before income taxes	4,327	1,798
Income taxes - current	1,123	726
Income taxes - deferred	(100)	(55)
Net income	3,304	1,127
Net profit attributable to non-controlling interests	—	—
Net profit attributable to owners of parent	3,304	1,127

Consolidated Statements of Cash Flows for the Years Ended March 31 (Millions of Yen)

	73rd fiscal year 2022	74th fiscal year 2023
Cash flows from operating activities	4,646	2,380
Cash flows from investing activities	(3,668)	(5,028)
Cash flows from financing activities	(2,232)	(2,022)
Effect of exchange rate change on cash and cash equivalents	33	28
Net increase (decrease) in cash and cash equivalents	(1,220)	(4,641)
Cash and cash equivalents at beginning of year	14,035	12,814
Cash and cash equivalents at end of year	12,814	8,173

Consolidated Statements of Comprehensive Income for the Years Ended March 31 (Millions of Yen)

	73rd fiscal year 2022	74th fiscal year 2023
Net income	3,304	1,127
Other comprehensive income (loss)	687	(77)
Comprehensive income	3,992	1,049

ESG Data

Environmental Data

			Scope	Unit	FY2020	FY2021	FY2022
Greenhouse gas	Scope 1	Direct emissions by the reporting company (the use of fuel and industrial processes)	Consolidated	Thousand tons of CO ₂	50	47	42
	Scope 2	Indirect emissions from the use of electricity, heat, and steam provided by other companies	Consolidated	Thousand tons of CO ₂	12	11	8
	Scope 3	Indirect emissions not included in Scope 1 or 2 (emissions of other companies related to the activities of the reporting company)	Consolidated	Thousand tons of CO ₂	419	370	368

Social Data

No. of employees	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
No. of employees	Consolidated	Persons	907	1,031	1,043	1,098	1,117
No. of employees		Persons	846	841	869	931	969
Male	SEIKITOKYU KOGYO CO., LTD.	Persons	766	755	773	812	832
Female		Persons	80	86	96	119	137
Diversity	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Composition of employees							
Percentage of women		%	9.5	10.2	11.0	12.8	14.1
Percentage of foreign nationals	SEIKITOKYU KOGYO CO., LTD.	%	0.6	0.6	1.4	1.6	3.4
Percentage of mid-career employees		%	27.1	27.6	30.0	31.3	33.0
Recruitment status							
Percentage of women		%	14.7	29.6	21.3	23.5	21.2
Percentage of foreign nationals	SEIKITOKYU KOGYO CO., LTD.	%	2.7	–	8.8	4.1	21.2
Percentage of mid-career employees		%	34.7	46.3	55.0	43.9	46.5
Status of managers							
Percentage of women		%	0.9	0.9	0.9	0.8	1.3
Percentage of foreign nationals	SEIKITOKYU KOGYO CO., LTD.	%	–	–	–	–	–
Percentage of mid-career employees		%	12.6	11.4	11.5	12.8	13.1
Childcare leave	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Rate of taking childcare leave (Male)	SEIKITOKYU KOGYO CO., LTD.	%	–	–	–	9.5	14.3
Rate of taking childcare leave (Female)		%	100.0	100.0	100.0	100.0	100.0
Annual paid leave	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
No. of days of paid leave taken (average)	SEIKITOKYU KOGYO CO., LTD.	Days	5.2	7.4	12.0	11.3	12.0
Employment of persons with disabilities	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Employment rate of persons with disabilities	SEIKITOKYU KOGYO CO., LTD.	%	2.07	1.96	1.78	2.86	2.98
Safety and health	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Frequency rate of occupational accidents							
Construction departments	SEIKITOKYU KOGYO CO., LTD.	–	1.65	0.97	0.65	0.47	1.04
Products departments		–	–	2.80	–	1.22	1.20

Governance Data

Composition of the Board of Directors	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Total no. of Directors	SEIKITOKYU KOGYO CO., LTD.	Persons	7	8	9	9	7
No. of Outside Directors		Persons	3	2	3	3	3
Status of holding of Board of Directors meetings	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
No. of meetings held	SEIKITOKYU KOGYO CO., LTD.	Times	14	14	14	14	14
Rate of attendance of Outside Directors		%	100.0	100.0	100.0	100.0	100.0
Status of holding of Audit & Supervisory Board meetings	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
No. of meetings held	SEIKITOKYU KOGYO CO., LTD.	Times	5	5	13	9	9
Rate of attendance of Outside Audit & Supervisory Board Members		%	100.0	100.0	100.0	100.0	100.0
Compliance	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
No. of compliance training participants (cumulative total)	SEIKITOKYU KOGYO CO., LTD.	Persons	1,068	1,154	619	1,790	1,224
Status of internal audits		Offices	107	125	107	105	113

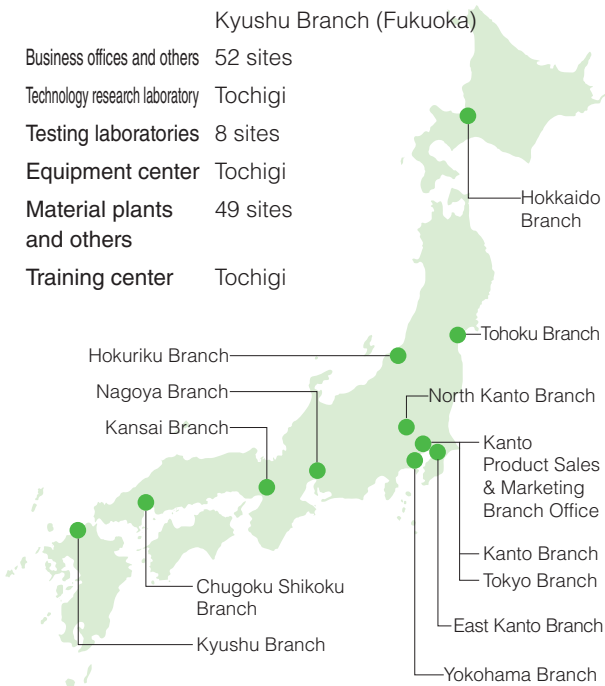
Company Profile and Stock Information (as of March 31, 2023)

Company Profile

Corporate name	SEIKITOKYU KOGYO CO., LTD.
Established	January 16, 1950
Head office location	2-9-3, Shibakoen, Minato-ku, Tokyo, Japan
Share capital	2.0 billion yen
Number of employees	969

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

Stock Information

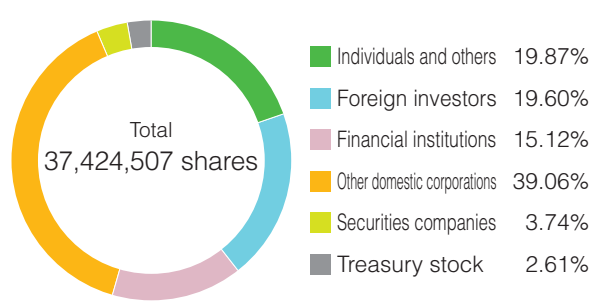
Total number of shares authorized	150,000,000 shares
Total number of shares issued	37,424,507 shares
Number of shareholders	7,115
Listed stock exchange	Prime Market of the Tokyo Stock Exchange

Major Shareholders

Names of shareholders	Number of shares held (Thousand of shares)	Shareholding ratio (%)
TOKYU CONSTRUCTION CO., LTD.	8,931	24.51
INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP	3,883	10.66
The Master Trust Bank of Japan, Ltd. (trust account)	3,262	8.95
Hikari Tsushin K.K.	2,732	7.50
TOKYU CORPORATION	1,533	4.21
Tachibana Securities Co., Ltd.	997	2.74
Seikitokyu Employees' Shareholding Association	989	2.72
JAPAN SECURITIES FINANCE CO., LTD.	920	2.53
Custody Bank of Japan, Ltd. (trust account)	792	2.17
MSIP CLIENT SECURITIES	600	1.65

Notes: 1. The Company holds 976,478 shares as treasury stocks and is excluded from the above major shareholders. The shareholding ratio was calculated after deducting treasury stock.
2. In the change report of the large shareholding report, which is available for public inspection as of March 1, 2023, Strategic Capital, Inc. is listed as holding 5,829,000 shares as of February 21, 2023, but as we are unable to confirm the number of shares actually held by the said company as of the end of the fiscal year under review, it is not included in the above major shareholders.

Distribution of Shares by Types of Ownership





世紀東急工業株式会社

SEIKITOKYU KOGYO CO., LTD.

2-9-3, Shibakoen, Minato-ku, Tokyo, 105-8509, Japan

Inquiries: <https://www.seikitokyu.co.jp/en/>

Issued in November 2023

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
ESディ&ケイ

