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To Shareholders with Voting Rights:

**Informational Materials for
the 16th Annual General Meeting of Shareholders**

(Items excluded in accordance with laws and regulations and the Company's Articles of Incorporation from paper-based documents delivered in response to a request for delivery of documents stating items subject to measures for electronic provision)

[Business Report]

- Current Systems and Operational Procedures for Ensuring Appropriateness of Business Operations

[Consolidated Financial Statements]

- Consolidated Statements of Changes in Net Assets
- Notes on Consolidated Financial Statements

[Non-consolidated Financial Statements]

- Non-consolidated Statements of Changes in Net Assets
- Notes on Non-consolidated Financial Statements

(July 1, 2022 to June 30, 2023)

SHO-BOND Holdings Co., Ltd.

In accordance with the provisions of laws and regulations and Article 14 of the Company's Articles of Incorporation, the above items are excluded from the paper-based documents delivered to shareholders who have made a request for delivery of such documents.

Note that, for this general meeting of shareholders, paper-based documents stating items for which measures for providing information in electronic format are to be taken, excluding the above items, will be delivered to all shareholders regardless of whether they have made a request for delivery of such documents.

Current Systems and Operational Procedures for Ensuring Appropriateness of Business Operations

1. Overview of the Resolution

By reflecting the change in institutional design to “a company with audit and supervisory committee” approved at the Annual General Meeting of Shareholders on September 25, 2015, the Company made the following changes to its “Systems for Ensuring Appropriateness of Business Operations (Internal Control Systems).” Details of the changes are as follows.

(1) System for ensuring that the performance of duties by Directors and Employees is in compliance with applicable laws, regulations and the Articles of Incorporation

- 1) Each Director receives reports on the business execution by other Directors at the Board of Directors Meeting and Executive Committee to supervise one another’s execution of business and ensure that they are in compliance with applicable laws, regulations and the Articles of Incorporation.
- 2) The Board of Directors stipulates the Compliance Policy (corporate credo and standards of corporate conduct), makes revisions as needed, and ensures a thorough understanding thereof by all Officers and Employees.
- 3) The Compliance Office is set up to provide and update rules and a handbook on compliance, arrange regular trainings and ensure thorough understanding by all Employees of the Compliance Policy (corporate credo and standards of corporate conduct).
- 4) An internal whistle blowing contact point serving as a venue for direct reporting/consultation by employees is set up regarding unlawful behavior or illegal acts, etc. If the responsible person of the whistle blowing contact point believes that the case violates laws, regulations or the Articles of Incorporation, he/she reports it to the Audit and Supervisory Committee immediately.
- 5) The Company shall resolutely resist, on a cross-organizational basis, unlawful demands made by antisocial forces, and has internal systems in place ensuring that it has no business or other relations of any kind with such antisocial forces.

(2) System for storage and management of information relating to performance of duties by Directors

The Company shall ensure appropriate and effective storage and management of information relating to performance of duties by Directors based on document management regulations.

(3) Rules and other systems for managing the risk of losses

- 1) Under the guidance and supervision of the responsible Officer(s) and based on the risk management rules, the department in charge of risk management shall create, improve and maintain a risk management system, and arrange awareness-raising and guidance for all departments and operational subsidiaries.
- 2) In the event of manifestation of risks as provided in the risk management rules, the heads of all departments and operational subsidiaries shall promptly report to the Officer(s) in charge of risk management and the Risk Management Committee secretariat. The Officer(s) in charge of risk management shall relay the reported details of the risk event to the Board of Directors and the Audit and Supervisory Committee.

(4) System for ensuring efficient performance of duties by Directors

- 1) To anchor our system to ensure efficient performance of duties by the Directors, a regular meeting of the Board of Directors shall be held in principle around once a month, with extraordinary meetings held as required. Regarding important matters relating to management policies, the President and other necessary Directors shall consult the Board of Directors in advance, after ample deliberations.
- 2) Execution of business operations based on decisions of the Board of Directors shall be under the supervision of agents appointed by the Board of Directors, as laid down in organizational regulations, business-specific regulations and regulations regarding delegation of duties.

(5) System for ensuring appropriateness of business operations in the corporate Group comprising the Company and its subsidiaries

- a. System regarding reporting to the Company on the business execution by Directors, etc. of the subsidiaries of the Company and system for ensuring the effective business execution by Directors, etc. of the subsidiaries of the Company
Regular reports shall be required detailing their operations and prior consultation shall be arranged regarding major issues, with due consideration given to the autonomy of each subsidiary.
- b. Rules and other systems for managing the risk of losses of the subsidiaries of the Company
The department in charge of risk management of the Company shall take control of the systems of the entire Group.
- c. System for ensuring that the performance of duties by Directors, etc. and Employees of the subsidiaries of the Company is in compliance with applicable laws, regulations and the Articles of Incorporation
The Officer(s) in charge of compliance and the Compliance Office of the Company shall take control of the system of the entire Group in this regard.

(6) Matters regarding Directors and Employees serving as assistants to the Audit and Supervisory Committee in the performance of its duties, the independence of such Directors and Employees from other Directors (excluding Directors Serving as Audit and Supervisory Committee Members), and ensuring the effectiveness of the instructions by the Audit and Supervisory Committee to such Directors and Employees

One person from the Audit Office shall be assigned as an employee to assist the performance of the duties of the Audit and Supervisory Committee; and any related personnel and organizational changes shall be primarily based on the opinions of the Audit and Supervisory Committee. Furthermore, due consideration will be given to secure sufficient time for such Employee to engage in the assistant duties.

(7) Systems for reporting by Directors (excluding Directors Serving as Audit and Supervisory Committee Members) and Employees of the Company and its subsidiaries to the Audit and Supervisory Committee, other systems for reporting to the Audit and Supervisory Committee, and systems for ensuring that the persons who made such reports do not receive disadvantageous treatment on the grounds that they have made such report

- 1) In cases of incidence or suspected incidence of any event that causes significant harm to the Company, or on discovery of violation of applicable laws and regulations or unlawful behavior by Officers or Employees, or any other event that is deemed reportable to the Audit and Supervisory Committee, the Directors and Employees shall duly report such event to the Audit and Supervisory Committee Member. Regardless of the above, the Audit and Supervisory Committee Member may at any time request a report from the Directors or Employees when necessary.
- 2) Procedures shall be created for information to be provided to the Audit and Supervisory Committee Member in a timely manner as required, from Directors, Auditors and Employees of subsidiaries.
- 3) The Company prohibits disadvantageous treatment of Officers and Employees who have reported to the Audit and Supervisory Committee on the grounds that they have made such report, and shall ensure thorough understanding thereof among Officers and Employees.

(8) Matters regarding the policies for processing advance payment or reimbursement of expenses or handling other expenses or debts arising from performance of duties by Audit and Supervisory Committee Members (limited to those arising from the performance of duties by Audit and Supervisory Committee)

When demands are made by the Audit and Supervisory Committee Members for advance payment, reimbursement of expenses or other payments arising from performance of their duties, the Audit and Supervisory Committee Members shall have their expenses or debts owing to them processed promptly, except in cases where such payment is deemed to have been unnecessary for the execution of duties by the Audit and Supervisory Committee Members.

(9) Systems for ensuring the effectiveness of audits by the Audit and Supervisory Committee

Audit and Supervisory Committee Members shall attend the Executive Committee and other important meetings to fully understand the status of execution of business operations. They shall

also examine major approval documents (“ringisho”) and other important documents regarding business execution, and, where necessary, may seek explanations from Directors or Employees. In addition, they shall regularly exchange information with the Audit Office and the Accounting Auditor to discuss issues concerning business execution and financial affairs.

2. Overview of Current Systems and Operational Procedures

An overview of current systems and operational procedures for ensuring appropriateness of business operations is as follows.

(1) Current measures for ensuring that the performance of duties by Directors and Employees is in compliance with applicable laws, regulations and the Articles of Incorporation

The Company arranges ongoing training programs and aims to ensure rigorous compliance with the applicable laws, regulations and rules, etc., on the part of Officers and Employees. The Audit and Supervisory Committee Members serve as liaison officers for compliance consultation and event-reporting. We plan to further strengthen these systems by enabling legal offices outside the Company to be accessed for event-reporting purposes.

(2) Current measures for storage and management of information relating to performance of duties by Directors

Information relating to performance of duties by Directors is appropriately and effectively stored and managed by the General Affairs Department based on document management regulations.

(3) Current rules and other current measures for managing the risk of losses

With regard to management of the risk of losses, a system is set up in accordance with risk management rules for verification and renewal of risk management systems, including those of subsidiaries.

(4) Current measures to ensure the efficient performance of duties by Directors

The Board of Directors comprises eight (8) Directors consisting of four (4) Directors (excluding Directors serving as Audit and Supervisory Committee Members) and four (4) Directors serving as Audit and Supervisory Committee Members (including three (3) Outside Directors). The Board of Directors met thirteen (13) times during the fiscal year under review to deliberate agenda items and supervise current execution of business operations, etc. The Company believes that effective decision-making and supervision is thereby ensured, supported by lively exchanges of opinion.

(5) Current measures for ensuring the appropriateness of business operations in the corporate Group comprising the Company and its subsidiaries

The Group aims to ensure rigorous compliance on the part of Officers and Employees with applicable laws, regulations and rules, etc. by providing timely briefings on the details of amendments to applicable laws and regulations and arranging training programs at each business unit on an ongoing basis. With regard to compliance consultation and event-reporting systems, the Audit and Supervisory Committee Members serve as liaison officers, but the Company aims to further strengthen the system by setting up an event-reporting system enabling access to outside legal offices as well.

Additionally, ample prior discussion takes place regarding matters such as intra-Group transactions, decisions regarding individual subsidiaries on significant issues, irregular transactions and major new transactions; and decisions are taken appropriately, based on the Group’s decision-making criteria.

- (6) Matters regarding Directors and Employees serving as assistants to the Audit and Supervisory Committee in the performance of its duties, the independence of such Directors and Employees from other Directors (excluding Directors serving as Audit and Supervisory Committee Members), and current measures to ensure the effectiveness of the instructions by the Audit and Supervisory Committee to such Directors and Employees**

One person from the Audit Office has been assigned as an employee to assist the performance of the duties of the Audit and Supervisory Committee; any related personnel and organizational changes were primarily based on the opinions of the Audit and Supervisory Committee. Furthermore, due consideration has been given to secure sufficient time for such Employee to engage in the assistant duties.

- (7) Systems for reporting by Directors (excluding Directors Serving as Audit and Supervisory Committee Members) and Employees of the Company and its subsidiaries to the Audit and Supervisory Committee, other systems for reporting to the Audit and Supervisory Committee, and current measures to ensure that the persons who made such reports do not receive disadvantageous treatment on the grounds that they have made such report**

An internal whistle blowing system with Audit and Supervisory Committee Members acting as contact point is in place to report on incidence or suspected incidence of any event that violates applicable laws and regulations, internal regulations and rules, as well as corporate credo and other standards of corporate conduct as they are discovered within the Group. Also, the Company stipulates in its internal whistle blowing system regulations that it prohibits disadvantageous treatment of the persons who have reported to the Audit and Supervisory Committee on the grounds that they have made such report.

- (8) Current measures for the policies for processing advance payment or reimbursement of expenses or handling other expenses or debts arising from performance of duties by Audit and Supervisory Committee Members (limited to those arising from the performance of duties by Audit and Supervisory Committee)**

When demands are made by the Audit and Supervisory Committee Members for reimbursement of expenses or other payments arising from performance of their duties, the Audit and Supervisory Committee Members have their expenses or debts owing to them processed promptly.

- (9) Current measures for ensuring the effectiveness of audits by the Audit and Supervisory Committee**

Audit and Supervisory Committee Members receive reports on business by Directors at the Board of Directors Meetings as they supervise the process and detail regarding the decisions made.

Audit and Supervisory Committee Members receive report on audits made by the Audit Office for close cooperation with the Audit Office to establish a system whereby effective audits are conducted. In addition, Audit and Supervisory Committee Members exchange opinions with Representative Director and the Accounting Auditor as needed.

Consolidated Statements of Changes in Net Assets

(July 1, 2022 to June 30, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,000	34,762	59,162	(5,514)	93,410
Changes during period					
Dividends of surplus			(6,369)		(6,369)
Profit attributable to owners of parent			12,887		12,887
Purchase of treasury shares				(3,503)	(3,503)
Reversal of revaluation reserve for land			(90)		(90)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	6,427	(3,503)	2,923
Balance at end of period	5,000	34,762	65,589	(9,017)	96,334

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,417	(1,606)	35	(102)	743	93	94,247
Changes during period							
Dividends of surplus							(6,369)
Profit attributable to owners of parent							12,887
Purchase of treasury shares							(3,503)
Reversal of revaluation reserve for land							(90)
Net changes in items other than shareholders' equity	843	90	24	(20)	938	(32)	905
Total changes during period	843	90	24	(20)	938	(32)	3,829
Balance at end of period	3,261	(1,515)	59	(122)	1,682	60	98,076

Notes on Consolidated Financial Statements

(Important Matters that Form the Basis for Preparing Consolidated Financial Statements)

1. Scope of consolidation

- | | |
|---|---|
| (1) Number of consolidated subsidiaries | 16 companies |
| (2) Principal consolidated subsidiaries | SHO-BOND CORPORATION
SHO-BOND MATERIAL CO., LTD. |

2. Application of the equity method

- | | |
|--|---------------------------------------|
| (1) Number of affiliate accounted for by the equity method | 1 company |
| Company name | CPAC SB&M Lifetime Solution Co., Ltd. |
| (2) Name, etc. of affiliate not accounted for by the equity method | Trusstech Co., Ltd. |

Reasons for not applying the equity method

The affiliate (one company) to which the equity method is not applied is excluded from the scope of application, since the impact of its exclusion on the consolidated financial statements in terms of profit/loss (amount corresponding to equity) and retained earnings (amount corresponding to equity), etc. is minimal and its overall importance is also insignificant.

3. Closing dates of consolidated subsidiaries

The closing dates of the consolidated subsidiaries are the same as the balance sheet date for consolidation.

4. Accounting policies

(1) Valuation standards and methods for important assets

1) Securities

Available-for-sale securities

Available-for-sale securities other than shares for which market prices are not available, etc.

Stated at fair market value (Unrealized gains and losses are reported as a separate component of net assets, and cost of sales is computed by the moving-average method.)

Shares for which market prices are not available, etc.

Stated at cost using the moving-average method

2) Inventories

Costs on construction contracts in progress

Inventories held for normal sales purpose

Stated at cost using the specific identification method

Other inventories

Stated at cost using the weighted-average method (Calculated using the inventory write-down method based on decreased profitability)

(2) Depreciation and amortization methods for important depreciable assets

- | | |
|---|--|
| 1) Property, plant and equipment
(excluding leased assets) | They are depreciated under the declining-balance method. However, buildings (excluding auxiliary buildings) acquired on or after April 1, 1998 are depreciated under the straight-line method. Auxiliary buildings and structures acquired on or after April 1, 2016 are depreciated under the straight-line method. |
| 2) Intangible assets
(excluding leased assets) | They are depreciated under the straight-line method. However, software for internal use is depreciated under the straight-line method based on their estimated useful lives (mainly 5 years). |
| 3) Leased assets | Finance lease transactions other than those that the ownership of the leased property transfers to the lessee are calculated by the straight-line method by considering the lease period to be the useful life and the residual value to be zero. |

(3) Accounting standards for significant reserves

- | | |
|--|--|
| 1) Allowance for doubtful accounts | To prepare for potential credit losses, estimated uncollectible amount is provided for in accordance with the historical bad debt ratio in the case of general receivables and provided against estimated future losses on collection based on the detailed credit analysis in the case of doubtful accounts and other specific receivables. |
| 2) Provision for bonuses for directors
(and other officers) | To prepare for payment of bonuses to directors, provision for bonuses for directors (and other officers) is provided for based on the payments expected. |
| 3) Provision for warranties for
completed construction | To prepare for possible expenses arising from guarantees for defects relating to completed construction, aside from the estimated amount of compensation based on historical costs, the estimated amount of future compensation is also provided for specified individual constructions of which losses are reasonably estimable. |
| 4) Provision for loss on construction
contracts | To prepare for future losses on construction contracts, provision for loss on construction contracts is provided for based on estimated losses on construction projects which were not completed at the end of the fiscal year under review. |
| 5) Provision for retirement benefits for
directors (and other officers) | To prepare for the payment of retirement benefits to directors, some consolidated subsidiaries provide for the amount of payment at the end of the fiscal year under review pursuant to the "Internal Rules of Directors' Retirement Benefits." |

(4) Accounting standards for significant income and expenses

Accounting standards for amount and cost of completed construction

The Group is principally engaged in the repairing and reinforcement of structures, and has a performance obligation to conduct the repairing and reinforcement of structures managed by customers and deliver the deliverables to customers based on construction contracts with customers. If control of goods or services is transferred to a customer over a certain period of time under these contracts, the Group uses the method where revenue is recognized over time as performance obligations to transfer goods or services are satisfied.

Measurement of the degree of progress toward satisfaction of performance obligations is based on the percentage of construction costs incurred by the end of each reporting period to the total expected construction costs. As for other construction contracts, revenue is recognized at the time when performance obligations are satisfied completely.

(5) Other significant matters on presenting Consolidated Financial Statements

1) Accounting for retirement benefits

- | | |
|---|---|
| 1. Periodic allocation of projected retirement benefits | In calculating projected benefit obligations, the Company attributes estimated retirement benefits to the periods up to the end of the fiscal year under review using the benefit formula basis. |
| 2. Method of amortizing actuarial differences | Actuarial differences are accounted for as expenses over a certain number of years within the average remaining years of service of the relevant employees (5 years) using the straight-line method, commencing with the fiscal year in which they were incurred. |

2) Amortization method and amortization period for goodwill

Goodwill is amortized by the straight-line method over 10 years.

(Notes to Changes in Accounting Policies)

Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter the “Guidance on Fair Value Measurement”) effective from the beginning of the fiscal year under review, and has applied the new accounting policy set forth by the Guidance on Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Guidance on Fair Value Measurement. There is no impact on the consolidated financial statements.

(Notes to Accounting Estimates)

Estimates in the method where performance obligations are satisfied and revenue is recognized over time

- (1) Amount recorded in the consolidated financial statements for the fiscal year under review
 Amount of completed construction in the method where revenue is recognized over time
¥74,060 million

(2) Information on details of significant accounting estimates concerning identified items

The amount of completed construction in the method where revenue is recognized over time is recorded in an amount calculated by multiplying the total amount of revenue from a construction by the degree of progress. Estimates of the degree of progress are based on the percentage of construction costs incurred by the period-end to the total expected construction costs.

When performing an estimate of the total amount of revenue from a construction, the Group uses a provision for the amount of consideration that was effectively agreed upon between parties in the construction contract. However, if a portion or all of that amount is linked to future uncertain events, the Group performs the estimate based on the execution budget for that construction.

When performing an estimate for the total amount of construction costs, the Group performs an estimate by creating an execution budget for the construction contract and carries out a revision of the estimate by comparing the estimate and the actual costs on a timely and appropriate basis.

If it is necessary to revise the relevant estimates or assumptions due to future uncertain changes in economic conditions, etc., such revision may have material effect on the amount and cost of completed construction in the consolidated financial statements in the following fiscal year or subsequent fiscal years.

(Notes to Consolidated Balance Sheets)

1. The amount of receivables and contract assets created from contracts with our customers is as follows.

	(Million yen)
	As of June 30, 2023
Notes receivable	710
Accounts receivable from completed construction contracts	5,671
Contract assets	53,995
Accounts receivable - trade	1,273
Electronically recorded monetary claims - operating	1,434

2. The amount of contract liabilities is as follows.

	(Million yen)
	As of June 30, 2023
Advances received on construction contracts in progress	2,851

3. Accumulated depreciation of property, plant and equipment

¥9,209 million

4. Revaluation of land

SHO-BOND CORPORATION, the Company's subsidiary, revalued land used for business operations pursuant to the Act on Revaluation of Land (Act No. 34, March 31, 1998) and the Act for Partial Revision of the Act on Revaluation of Land (revised on March 31, 1999), and recorded the amount of tax associated with the revaluation difference as "deferred tax assets on revaluation on land" under assets and the amount of revaluation difference less the amount of such tax assets as "revaluation reserve for land" under net assets.

- Method of revaluation

The land value, which is the basis of calculation of land value tax amounts pursuant to Article 16 of the Land Value Tax Act (Act No. 69 of 1991), has been computed by a method determined and announced by the Commissioner of the National Tax Agency of Japan and adjusted reasonably pursuant to Article 2, item (iv) of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, March 31, 1998).

- Date of revaluation June 30, 2000
- Difference between the fair value of the revalued land at the end of the fiscal year under review and the carrying amounts after the revaluation ¥(944) million

(Notes to Consolidated Statements of Changes in Net Assets)

1. Total number of issued shares

Class of shares	Number of shares at the beginning of the fiscal year under review	Increase	Decrease	Number of shares at the end of the fiscal year under review
Common shares	56,745,180	-	-	56,745,180

2. Number of treasury shares

Class of shares	Number of shares at the beginning of the fiscal year under review	Increase	Decrease	Number of shares at the end of the fiscal year under review
Common shares	3,503,192	613,072	-	4,116,264

(Note) Outline of causes of change

Increase due to purchase of treasury shares based on a resolution by the Board of Directors	612,500 shares
Increase due to the purchase of shares constituting less than one unit	572 shares

3. Dividend distribution during the fiscal year under review

(1) Cash dividends paid

Resolution	Class of shares	Total cash dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
September 28, 2022 Annual General Meeting of Shareholders	Common shares	3,620	68.00	June 30, 2022	September 29, 2022
February 10, 2023 Board of Directors meeting	Common shares	2,749	52.00	December 31, 2022	March 10, 2023

(2) Dividends for which the record date falls in the fiscal year under review, but the effective date falls in the following fiscal year

Resolution	Class of shares	Total cash dividends (Million yen)	Dividend resource	Dividend per share (Yen)	Record date	Effective date
September 27, 2023 Annual General Meeting of Shareholders	Common shares	3,947	Retained earnings	75.00	June 30, 2023	September 28, 2023

(Notes to Financial Instruments)

1. Status of financial instruments

(1) Policy for the handling of financial instruments

The Group invests its funds in bank deposits, highly-rated bonds and other low-risk financial assets, while conducting financing activities, both in terms of short-term operating capital and capital expenditures, through the allocation of its own funds, with any shortfalls covered by bank loans.

(2) Details of financial instruments and associated risks

Notes receivable, accounts receivable from completed construction contracts and other, which are operating receivables, are exposed to the credit risks of clients.

Securities mainly comprise debt securities, etc., while investment securities mainly comprise stocks and debt securities of entities with which the Company has business relationships. Both are exposed to the risk of market price fluctuations.

Notes payable, accounts payable for construction contracts and other, which are operating payables, generally are due within four months. Income taxes payable, which are unpaid portions of corporation taxes, inhabitant taxes (prefectural inhabitant taxes and municipal inhabitant taxes) and enterprise taxes, generally are due within two months. Both are exposed to liquidity risks associated with financing activities.

(3) Risk management system for financial instruments

The Accounting Department of SHO-BOND CORPORATION, the Company's consolidated subsidiary, oversees the management of risks associated with financial instruments for the Group. The risk management system for each type of risk is as follows.

(i) Management of credit risk (Risks related to default of clients, etc.)

The Group, in accordance with group-wide Receivables Management Rules, manages due dates and outstanding balances of operating receivables by client and monitors the status of clients on a regular basis. Overdue receivables and receivables whose collection has become doubtful due to deterioration in the client's financial condition are reported regularly and measures are taken to reduce risks on an individual basis.

- (ii) Management of risks associated with the fluctuation of market prices (Risks associated with fluctuations in stock and debt security prices)

In terms of stocks, the Group takes into account the business benefits of holding stocks of the client as well as the client's financial condition and potential in purchasing such stocks, and works to regularly monitor the fair prices of the stocks and the financial condition of the issuer as well as deliberate the legitimacy of holding such stocks.

Available-for-sale securities and investment securities are positioned as temporary investment of surplus funds, and investment criteria have been established, under which funds are invested only in investment-grade debt securities, etc. Such investment criteria take into account the market environment and are reviewed on a regular basis. The Group also deliberates the legitimacy of holding such debt securities, in addition to regularly monitoring the fair prices of the bonds and the financial condition of the issuer.

- (iii) Management of liquidity risk associated with financing activities (Risks whereby the Group may fail to execute payment on the due dates)

The Group manages liquidity risk by formulating funding plans in a timely manner.

2. Fair values, etc. of financial instrument

The amounts of financial instruments recorded in the consolidated balance sheets, their fair values and the differences between these values as of June 30, 2023 are as follows.

(Million yen)

	Amount in consolidated balance sheets	Fair value	Difference
(1) Notes receivable, accounts receivable from completed construction contracts and other	61,651	61,651	–
(2) Securities and investment securities Available-for-sale securities	18,645	18,645	–
Total assets	80,297	80,297	–

(Notes) 1. Information is omitted as the fair values of cash and deposits approximate their carrying amounts due to their being cash and their short-term maturities.

2. Information is omitted as the fair values of electronically recorded monetary claims - operating, notes payable, accounts payable for construction contracts and other, electronically recorded obligations - operating, and income taxes payable approximate their carrying amounts due to their short-term maturities.

3. Shares for which market prices are not available, etc. are not included in “(2) Securities and investment securities.” The amount of these financial instruments in consolidated balance sheets is as follows.

(Million yen)

Category	Amount in consolidated balance sheets
Shares of unlisted companies	65

3. Breakdown of fair values of financial instruments by level, etc.

Fair values of financial instruments are classified into the following three levels, according to observability and significance of inputs for fair value measurement.

Level 1 fair value:	Fair value determined based on quoted prices formed in an active market for an asset or liability that is the subject of the fair value measurement, of observable inputs for fair value measurement
Level 2 fair value:	Fair value determined using inputs for fair value measurement other than Level 1 inputs, of observable inputs for fair value measurement
Level 3 fair value:	Fair value determined using unobservable inputs for fair value measurement

If multiple inputs that have significant impact on fair value measurement are used, the fair value is classified to the lowest priority level of fair value measurement in which each input belongs.

(1) Financial instruments recorded at fair value in the consolidated balance sheets

(Million yen)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities Available-for-sale securities	8,079	10,565	–	18,645
Total assets	8,079	10,565	–	18,645

(2) Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheets

(Million yen)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	–	61,651	–	61,651
Total assets	–	61,651	–	61,651

(Note) Explanation of valuation techniques used to measure fair values and inputs for fair value measurement

Securities and investment securities

Shares of listed companies and debt securities are valued using quoted prices. As shares of listed companies are traded in active markets, their fair values are classified as Level 1 fair value. Because debt securities are infrequently traded in markets and their prices are not deemed as quoted prices in an active market, their fair values are classified as Level 2 fair value.

Notes receivable, accounts receivable from completed construction contracts and other

Their fair values are determined using the discounted cash flow method based on the amount of receivables and the interest rate that reflects the period up to maturity and credit risks, for each receivable that is categorized by a certain period, and are classified as Level 2 fair value.

(Notes to Revenue Recognition)

(1) Information on disaggregation of revenue from contracts with customers

(Million yen)

	Reportable segment	Others (Note)	Total
	Domestic construction		
Construction	74,842	225	75,067
Construction materials	5,431	3,425	8,857
Revenue from contracts with customers	80,273	3,651	83,924
Other revenue	–	–	–
Net sales to external customers	80,273	3,651	83,924

(Note) “Others” includes overseas construction, domestic construction, product manufacturing and sales business, and domestic and overseas product sales business.

(2) Information that forms a basis for understanding revenue from contracts with customers

Information that forms a basis for understanding revenue is provided in “(4) Accounting standards for significant income and expenses” in “4. Accounting policies” in “Important Matters that Form the Basis for Preparing Consolidated Financial Statements.”

(3) Information to understand the amount of revenue in the fiscal year under review and in and after the following fiscal year

(i) Contract asset and contract liability balances

(Million yen)

	Fiscal year under review	
	Balance at beginning of period	Balance at end of period
Receivables created from contracts with customers	11,869	9,090
Contract assets	40,088	53,995
Contract liabilities	943	2,851

Contract assets are related to, of rights to consideration for revenue recognized according to construction progress, unbilled ones, and are transferred to receivables created from contracts with customers at the time when the right to consideration becomes unconditional.

Contract liabilities are related to advances received for which the performance obligation is not satisfied with regard to construction contracts with customers but that are received based on payment conditions, and are reversed as revenue is recognized according to the construction progress.

Basically all the balance of contract liabilities at the beginning of period is included in revenue from contracts with customers for the fiscal year under review.

In addition, the amount of revenue recognized in the fiscal year under review from performance obligations that were satisfied in past periods is insignificant.

(ii) Transaction price allocated to remaining performance obligations

Transaction price allocated to remaining performance obligations as at the end of the fiscal year under review is ¥74,323 million, and relevant revenue is expected to be recognized basically within six years.

(Notes to Per Share Information)

1. Net assets per share	¥1,862.41
2. Basic earnings per share	¥243.53

(Notes to Significant Subsequent Events)

Purchase of treasury shares

The Company resolved at a meeting of the Board of Directors held on August 10, 2023, to purchase its treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied by replacing certain terms under the provisions of Article 165, paragraph (3) of the same Act.

1. Reasons for purchase of treasury shares

As part of the capital policy of the Medium-term Business Plan, the Company will purchase ¥10,000 million of the Company shares for three years, which is in line with this plan.

2. Details of matters relating to purchase

(1) Class of shares subject to purchase:	Common shares of the Company
(2) Total number of shares to be purchased:	750,000 shares (maximum) (1.4% of total number of issued shares (excluding treasury share))
(3) Total amount for share purchase:	¥3,500 million (maximum)
(4) Purchase period of shares:	From August 14, 2023 to June 30, 2024

Addition of equity method affiliate due to investment

The Company's consolidated subsidiary SHO-BOND & MIT Infrastructure Maintenance Corporation (51% owned by the Company, 49% owned by MITSUI & CO., LTD; hereinafter "SB&M") acquired, on July 31, 2023, membership interest in Structural Technologies, LLC (head office: U.S.; hereinafter "ST") a U.S. infrastructure

repair company which provides proprietary products, engineering support and contracting services through SHO-BOND & MIT USA, INC., a consolidated subsidiary of the Company (wholly owned subsidiary of SB&M).

Through this acquisition, the Company plans to make ST an equity method affiliate.

1. Purpose of investment

ST is a subsidiary of Structural Group, Inc. (head office: U.S.), which was founded in 1976 and is one of the largest civil infrastructure repair companies in the U.S. ST delivers value-added solutions to owners, engineering companies and contractors by developing and integrating unique products and engineering support with repair and construction services.

This investment is a concrete example of “Challenge a new product sales strategy by SB&M,” which is set forth in the Group’s Medium-term Business Plan (the fiscal year ended June 30, 2022 - the fiscal year ending June 30, 2024). By leveraging the maintenance technology accumulated by the Group through its 65 years of experience since establishment and the business development capabilities and network of MITSUI & CO., LTD, we will contribute to “inheriting and passing on social infrastructure to the next generation in good condition” in the U.S. as well.

2. Overview of investment

Investment amount: US\$15 million
 Investment execution date: July 31, 2023

3. Corporate profile

Official name	Structural Technologies, LLC
Head office location	Maryland, U.S.
Representative	Peter Emmons
Business activities	Provision of products, engineering support and contracting services to the infrastructure sector

Non-consolidated Statements of Changes in Net Assets

(July 1, 2022 to June 30, 2023)

(Million yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of period	5,000	1,250	33,333	34,583
Changes during period				
Dividends of surplus				
Profit				
Purchase of treasury shares				
Total changes during period	-	-	-	-
Balance at end of period	5,000	1,250	33,333	34,583

	Shareholders' equity				Total net assets
	Retained earnings		Treasury shares	Total shareholders' equity	
	Other retained earnings	Total retained earnings			
	Retained earnings brought forward				
Balance at beginning of period	13,337	13,337	(5,514)	47,406	47,406
Changes during period					
Dividends of surplus	(6,369)	(6,369)		(6,369)	(6,369)
Profit	10,287	10,287		10,287	10,287
Purchase of treasury shares			(3,503)	(3,503)	(3,503)
Total changes during period	3,917	3,917	(3,503)	414	414
Balance at end of period	17,254	17,254	(9,017)	47,821	47,821

Notes on Non-consolidated Financial Statements

(Matters Related to Significant Accounting Policies)

1. Valuation standards and methods for securities

Shares of subsidiaries Stated at cost using the moving-average method

2. Depreciation and amortization methods for non-current assets

(1) Property, plant and equipment

They are depreciated under the declining-balance method.

(2) Intangible assets

They are depreciated under the straight-line method. However, software for internal use is depreciated under the straight-line method based on their estimated useful lives (mainly 5 years).

3. Accounting standards for reserves

Provision for retirement benefits

To prepare for the payment of retirement benefits for employees, provision for retirement benefits is recorded based on the amounts of projected benefit obligations and plan assets at the end of the fiscal year under review.

1) Periodic allocation of projected retirement benefits
In calculating projected benefit obligations, the Company attributes estimated retirement benefits to the periods up to the fiscal year under review using the benefit formula basis.

2) Method of amortizing actuarial differences
Actuarial differences are accounted for as expenses over a certain number of years within the average remaining years of service of the relevant employees (5 years) using the straight-line method, commencing with the fiscal year in which they were incurred.

4. Accounting standards for significant income and expenses

The Company's revenue is management fee income and dividend income from subsidiaries. As for management fee income, corporate management and guidance such as development of management strategies and support for implementation of business strategies based on the management strategies for subsidiaries have been identified as performance obligations. The Company has judged that these performance obligations are satisfied over time, and mainly recognizes revenue in an amount equally divided for a period over the contract term. As for dividend income, revenue is recognized on the effective date for the dividend.

5. Other important matters that form the basis for preparing non-consolidated financial statements

Accounting for retirement benefits

The accounting method used for unrecognized actuarial differences for retirement benefits is different from that used in the consolidated financial statements.

(Notes to Changes in Accounting Policies)

Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Guidance on Fair Value Measurement") effective from the beginning of the fiscal year under review, and has applied the new accounting policy set forth by the Guidance on Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Guidance on Fair Value Measurement. There is no impact on the non-consolidated financial statements.

(Notes to Changes in Presentation)

“Accounts payable - other,” “accrued expenses” and “dividends payable,” which were included in “other” under “current liabilities” for the previous fiscal year, are shown as a separate item from the fiscal year under review in order to enhance the clarity in presentation. “Accounts payable - other,” “accrued expenses” and “dividends payable” for the previous fiscal year were ¥6 million, ¥0 million and ¥22 million, respectively.

(Notes to Non-consolidated Balance Sheets)

Short-term monetary payables to subsidiaries and associates ¥5 million

(Notes to Non-consolidated Statements of Income)

Total amount of trading volume with subsidiaries and associates:

Total amount of trading volume executed as operating transactions: ¥10,664 million

Total amount of trading volume executed as non-operating transactions: ¥21 million

(Notes to Non-consolidated Statements of Changes in Net Assets)

Number of treasury shares at the end of the fiscal year under review: common shares 4,116,264 shares

(Notes to Tax Effect Accounting)

Main causes of deferred tax assets are as following.

Deferred tax assets	(Million yen)
Accrued enterprise tax	5
Accrued bonuses	2
Other	0
<hr/> Total deferred tax assets	<hr/> 7

(Notes to Related-party Transactions)

Subsidiaries and associates

Type	Company name	Capital or investments in capital (Million yen)	Line of business or occupation	Ownership ratio of voting rights (held)	Detail of the relationship		Detail of transactions	Trading amount (Million yen)	Item	Balance at end of period (Million yen)
					Interlocking of officers	Business relationship				
Subsidiary	SHO-BOND CORPORATION	10,100	Civil engineering and construction work	100%	Three (3) officers	Corporate management, and loan of funds	Management consulting fee	376	-	-
							Dividends received	9,865	-	-
							Loan of funds	3,220	-	-
							Interest received	21	-	-
Subsidiary	SHO-BOND MATERIAL CO., LTD.	230	Manufacture and sales of products	100%	One (1) officer	Corporate management	Management consulting fee	8	-	-
							Dividends received	407	-	-

Terms of transactions and policies for determining the terms of transactions

- (Notes) 1. The terms of transactions are determined based on the corporate management agreements concluded between the Company and each of its subsidiaries.
2. Interest rates in loans of funds are reasonably determined in consideration of the market interest rate. Trading amounts show the average outstanding balances during the fiscal year under review.
3. Of the amounts above, trading amount does not include consumption taxes. Balance at end of period includes consumption taxes.

(Notes to Revenue Recognition)

Information that forms a basis for understanding revenue from contracts with customers

As stated in “4. Accounting standards for significant income and expenses” in “Matters Related to Significant Accounting Policies.”

(Notes to Per Share Information)

1. Net assets per share	¥908.65
2. Basic earnings per share	¥194.39

(Notes to Significant Subsequent Events)

Purchase of treasury shares

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1. Reasons for purchase of treasury shares

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2. Details of matters relating to purchase

(1) Class of shares subject to purchase:	Common shares of the Company
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(3) Total amount for share purchase:	¥3,500 million (maximum)
(4) Purchase period of shares:	From August 14, 2023 to June 30, 2024

Capital increase of subsidiary

The Company increased the capital of consolidated subsidiary SHO-BOND & MIT Infrastructure Maintenance Corporation on July 27, 2023, based on a resolution of the Board of Directors on June 20, 2023. The overview is as follows.

1. Purpose of capital increase

The purpose of the capital increase is to invest in a U.S.-based infrastructure repair company through SHO-BOND & MIT USA, INC., a wholly owned subsidiary of the Company’s consolidated subsidiary SHO-BOND & MIT Infrastructure Maintenance Corporation.

2. Overview of company to receive capital increase

(1) Name	SHO-BOND & MIT Infrastructure Maintenance Corporation
(2) Location	7-8, Hakozaiki-cho, Nihonbashi, Chuo-ku, Tokyo
(3) Share capital	¥50 million (before capital increase)

3. Overview of capital increase

(1) Amount of capital increase	¥2,326 million
(2) Amount paid by the Company	¥1,186 million
(3) Share capital after capital increase	¥1,213 million
(4) Payment date	July 28, 2023
(5) Investment ratio before the capital increase	51.0%
(6) Investment ratio after the capital increase	51.0%