Domestic Civil Engineering Business Unit

Goal to aim for

Achieving sustainable business expansion with high engineering capabilities

- National resilience, reinforcing defense forces, reorganization and restructuring of waterfront areas, offshore wind construction -

Basic strategies

In the Domestic Civil Engineering Business Unit, in addition to strong public investment such as measures to strengthen national resilience, international competitiveness of ports and airports, private capital investments remain robust. In FY 3/24, consolidated net sales was ¥266.4 billion and operating profit was ¥27.8 billion, significant increases from the previous year, thanks to the progress of the port construction project in association with one of Japan's largest-scale base construction for the self-defense force (awarded in FY 3/23), Kitakyushu Hibikinada Offshore Wind Power Project, and other abundant projects at hand.

As we expect continuous growth in public works for strengthening national resilience and defense capabilities as well as start of full-scale construction of offshore wind power facility in general sea areas from FY 3/28 onwards, we expect to witness a stable high level of business volume that exceeds ¥250 billion.

To further reinforce the business base of the Domestic Civil Engineering Business Unit, which is our main thrust, we will promote DX and GX as well as strengthening target-driven technology development and technical capabilities enhancement, as a leading company in the civil engineering field. Following the newly revised POC Code of Conduct, we will contribute to the development of a sustainable construction industry by thoroughly implementing other internal policies including the Human Rights Policy, Sustainable Supply Chain Policy and Guidelines, and Declaration of Partnership Building.

Business strengths, opportunities, and response to risks

Strengths (internal positive factors)

- Sophisticated marine civil engineering technology that has been cultivated in port, coastal, and waterfront areas
- Proprietary work vessels capable of responding to various construction projects
- Problem-solving ability by inter-departmental collaboration

Opportunities (external positive factors)

- Increase of public works related to strengthen national resilience and defense
- Restructuring of manufacturing hubs in port, coastal, and waterfront areas as well as expansion of private investments related to CN initiatives
- Expansion of offshore wind power and other renewable energy market

Specific measures

Demonstrating collective strengths by front-loading approach

- Strengthening efforts to win large-scale marine civil projects by leveraging collective strengths
- Strengthening and expanding the land civil field through strategic efforts

3) Promotion of GX

- CN initiatives in construction business activities (use of ICT and AI in crane work, increasing crane efficiency by electrification, and reducing carbon by using fuel economy enhancers or biofuels)
- ► Use of low-carbon materials (low-carbon/carbon-negative concrete, etc.)

Risks

- Securing and nurturing future workforce (engineers and skilled workers)
- Response to the increasing size of wind turbines
 CN initiatives in construction business activities, especially the reduction of CO₂ emissions from work vessels

Response to risks

- Securing and nurturing diverse human resources and promotion of DX (productivity improvement)
- Construction of work vessels compatible with the increasing size of wind turbines and expansion of the work vessel fleet
- Increasing efficiency of crane work of wok vessels (use of ICT and AI, electrification) and reducing carbon by using fuel economy enhancers and biofuels

2 Promotion of DX and productivity improvement

- Efficiency improvement and sophistication of construction management system through the use of BIM/CIM and AI
- Promotion of precast concrete (for both marine and land civil engineering projects)

4) Human Resource Development

- Securing and nurturing human resources in response to business volume expansion
- Work style reform and promotion of D&I



Medium-term management plan from FY 3/24 to FY 3/26

Final year targets Net sales: ¥265 bn Gross profit margin: 16.6% Operating profit: ¥30.7 bn



» Major construction projects completed in FY 3/24



This project involved upgrading of the Nikaho Kogen Wind Farm, which originally began operation in 2001, by replacing the existing 15 wind turbines (output 1,650 kW) with six wind turbines (output: 4,300 kW), the largest class onshore wind turbines in Japan. By incorporating various solutions for carrying the 60m-long turbine blades, including the deployment of a toable standing trolley (FTV), blades were successfully transported from Akita Port to the project site 78 km away.

Pier No. 3 at Mitsukojima Transshipment Wharf (Hiroshima)



This project involved the construction of a large-scale jetty (depth 18 m, extension 240 m) while keeping other existing facilities in use, at the Mitsukojima Pier, the largest receiving terminal for industrial salt in Japan. By using unprecedentedly massive precast blocks (1,600t/piece x 12 nos.) for the jetty superstructure, the project enabled speedy and cost-effective jetty construction. The project was awarded the JSCE (Japan Society of Civil Engineers) Award 2023, the Outstanding Civil Engineering Achievement Award and the "Nikkenren (Japan Federation of Construction Contractors) Award 2024, the 5th Civil Engineering Award".

Domestic Building Construction Business Unit

Goal to aim for

Strengthening management base eyeing sustainable business expansion

- Enhancement of proposal and construction capabilities backed by technological expertise -

Basic strategies

Although the Domestic Building Construction Business Unit faces an increase in prices of construction materials, supply constraints, and other factors, we expect to witness robust construction activities in the domestic market backed by vigorous demand for logistics and urban redevelopment projects, the manufacturing industry returning to Japan, and restructuring of domestic factories from the perspective of economic security. In addition, we expect an increase in public investments, such as enhancing resilience of facilities of the self-defense force for strengthening defense capabilities. In this context, consolidated net sales was ¥189.3 billion and operating profit was ¥4.9 billion in FY 3/24, exceeding the target figures forecast in the Medium-term Management Plan, thanks to the order received in the previous fiscal year for the largest-scale domestic redevelopment project and the start of the full-scale construction of other multiple large-scale logistic centers.

Backed by robust construction demand for logistics and waste treatment facilities, redevelopment projects, data centers, commercial facilities, and large-scale defense-related projects, we expect the business volume to be stable at a high level exceeding ¥220 billion.

To ensure the continued expansion of the Domestic Building Construction Business Unit, we will promote a front-loading approach through inter-departmental collaboration between business units as well as collaboration with external entities and promote DX and GX to strengthen the ability to make effective proposals and construction capabilities backed by technology. Following the newly revised POC Code of Conduct, we will contribute to the development of a sustainable construction industry by thoroughly implementing other internal policies including the Human Rights Policy, Sustainable Supply Chain Policy and Guidelines, Declaration of Partnership Building.

Business strengths, opportunities, and response to risks

Strengths (internal positive factors)

- Abundant design and construction track record of logistic facilities, etc.
- Ability to undertake projects in waterfront areas, underground constructions in urban areas, and large-scale development projects through collaboration with the Civil Engineering Business Unit
- Track record of overseas construction work (hospitals, high-rise buildings, etc.) and promotion of BIM through collaboration with the International Business Unit
- Early implementation of ZEB and other CN-related technologies and track record of design-and-build projects

Opportunities (external positive factors)

- Vigorous demand for logistics facilities, redevelopment projects, data centers, etc.
- Increasing resilience of facilities of the self-defense force for strengthening defense capabilities
- Promotion of ZEB and other environment-friendly technologies

» Specific measures

Demonstrating collective strengths by front-loading approach

- Front-loading approaches to promote comprehensive strength (marketing, design, engineering and construction)
- Strengthening initiatives for large-scale statutory redevelopment and redevelopment projects led by private sectors to achieve commercial success at an early stage

3) Promotion of GX

- Promotion of application of ZEB and ZEH-M in design-and-build projects
- Active application of environment-friendly concrete

Risks

- Increase in construction costs due to escalation of prices of construction materials, supply constraints, etc.
- Securing and nurturing future workforce (engineers and skilled workers)

Response to risks

- Implementation of front-loading approach for projects, productivity improvement through labor-saving, manpowersaving, and unitization technologies, and establishment of sustainable supply chains with business partners
- Use of on-site ICT tools and development of a work environment that allows flexible workstyle

2 Promotion of DX and productivity improvement

- Promoting application of Digital Twin technology using BIM
- Promoting the standard use of on-site ICT tools
- Active on-site introduction of labor-saving, manpowersaving, and unitization technologies

4) Human Resource Development

- Securing and nurturing human resources in response to business volume expansion
- Providing employees with practical training for eight years after joining the Company through the Task Support Center
- Creation of a work environment that allows work style reform and promotion of D&I



Wedium-term management plan from FY 3/24 to FY 3/26

Final year targets Net sales: ¥215 bn Gross profit margin: 6.0% Operating profit: ¥4.8 bn



» Major construction projects completed in FY 3/24



This facility was created in collaboration with the Toyosu fish market to provide the distinctive enthusiasm and energy unique to the Toyosu area. The facility includes the "Tokyo Toyosu Manyo Club", which offers an open-air bath overlooking Tokyo Bay and fresh spring water that is trucked in from Hakone and Yugawara. Additionally, the "Toyosu Jyogai Edomae Ichiba", which is reminiscent of the old Edo street scape, is home to numerous shops and eateries. As a new attraction offering dining and relaxation experiences, it is expected to become many customers' favorites, as its Japanese name implies.

Seino Kosei Hospital (Gifu)



This project involved the construction of a new 400-bed Seino Kosei Hospital to recognize the beds of former Ibi Kosei Hospital and Nishimino Kosei Hospital. While providing top-notch patient care with the latest medical equipment devices to further enhance medical services in the region, the hospital is also capable of serving as an emergency center in times of disaster. As the central hub for the local health care system, the hospital is expected to serve a diverse range of patients.

International Business Unit

Goal to aim for

Recovery of the International Business Unit and steps towards its sustainable development

- Target-oriented and profit-focused initiatives -

Basic strategies

Although the International Business Unit continuously achieved positive operating profit for 14 consecutive years from FY 3/08 to FY 3/21, it has been in the red for three consecutive years since FY 3/22. Delays in the progress of construction caused by the COVID-19 pandemic, rise in material prices, a shortage of laborers, rise in labor costs, and other factors have resulted in large construction losses in civil engineering projects in Singapore, Hong Kong, and Africa. Amidst such an environment, in FY 3/24, although consolidated net sales increased to ¥150.6 billion due to the progress of projects at hand including loss-making projects, we recorded an operating loss of ¥4.2 billion due to non-operation of proprietary fleet of vessels, impact of foreign exchange, and other factors.

However, we expect favorable construction demand to continue in Singapore and Hong Kong, which are our major international markets, as well as in Southeast Asia.

To reconstruct the International Business Unit, which is one of our main business thrusts, we will identify technological issues, risks related to foreign exchange, material procurement and geopolitical risks, through implementing a front-loading approach from the bidding stage and conduct profit-focused initiatives. While promoting DX and GX, we will also promote sustainable construction business overseas, following the newly revised POC Code of Conduct by thoroughly implementing other internal policies including the Human Rights Policy, Sustainable Supply Chain Policy and Guidelines, Declaration of Partnership Building.

Business strengths, opportunities, and response to risks

Strengths (internal positive factors)

- Long track records and the foundation of trust in Singapore, Hong Kong, etc.
- ► Inter-departmental collaboration with the civil
- engineering and building construction teams in Japan
 Proprietary fleet of work vessels with global operational capabilities

Opportunities (external positive factors)

- ▶ Vigorous construction demands in Singapore, Hong Kong, Southeast Asia, etc.
- Export of high-quality infrastructure promoted by the Japanese government

Specific measures

Demonstrating collective strengths by front-loading approach

- Identification of technical challenges and risks, early response, and selection of projects
- Demonstration of technological capabilities through inter-departmental collaboration with the business units in Japan, and thorough quality and safety control
- Enhancement of marketing abilities, cost competitiveness and construction capabilities through collaboration with group companies in Singapore UG M&E Pte. Ltd: An M&E contracting subsidiary (proportion of shares owned: 100%) Koh Brothers Eco Engineering Ltd. (KBE): Civil engineering, equity method affiliate (proportion of shares owned: 28.74%)

3) Promotion of GX

- Introduction of green-related technologies, materials/ equipment, and biofuels, and verification of their effect
- Development of GX mindset and improvement of GX literacy through education

Risks

- Geopolitical risks and country risk of newly entered markets
 Securing and nurturing local employees capable of assuming senior management positions
- Maintenance and operation of proprietary fleet of work vessels

Response to risks

- Early information sharing for the identification of technical challenges and various risks, to take organizational and prompt measures
- Promotion of further localization and globalization
- Strengthening marketing strategies for increasing the operation rate of proprietary fleet of vessels

2 Promotion of DX and productivity improvement

- Information sharing and visualization of project progress by use of integrated platforms
- Introduction of advanced technologies, modularized construction methods, such as DfMA, MiC, and PCa, as well as construction robots DfMA: Design for Manufacturing and Assembly MiC: Modular Integrated Construction PCa: Precast Concrete

4) Human Resource Development

- Imparting sustainability management in each country
- Nurturing local employees and promoting them to senior management positions
- Strategic development of employees capable of working globally



Wedium-term management plan from FY 3/24 to FY 3/26

Final year targets Net sales: ¥170 bn Gross profit margin: 2.9% Operating profit: ¥2.2 bn



» Major construction projects completed in FY 3/24

Contract for Construction of Port Facilities for Nacala Port Development Project Phase I & II (Mozambique)



This Japanese ODA Yen Loan project was awarded by the government of Mozambique to expand the existing Nacala Port through reclamation and deepening, followed by the rehabilitation of the existing port facilities including a wharf dedicated to container vessels. Nacala Port serves as a gateway to the Nacala Corridor, an international logistics route that links northern Mozambigue to the landlocked countries in the peripheral region. Strengthening the logistics capacity of Nacala Port is expected to contribute to the further development and local revitalization of the countries along the Nacala Corridor.

Creative Humanities Hub (The Hang Seng University of Hong Kong) (Hong Kong)



This project involved the construction of a new school building as part of the campus expansion plan of the Hang Seng University of Hong Kong. As the construction work proceeded on the occupied campus, we paid particular attention to ensuring safety. The active utilization of BIM, such as sharing of construction processes and finishing images among related parties, contributed significantly to the smooth progress of the project. The new school facility included academic offices as well as a lecture hall with state-of-the-art acoustic and lighting systems, allowing for a diverse range of educational and research activities.