

Yurtec
Integrated Report
2023

Corporate Philosophy

Yurtec cooperates with customers in creating value, and contributing to society.

Energy, environment and information
that support our daily life and society.
This vast and diverse field is the stage
for a general facility engineering company like Yurtec.
With state-of-art technologies and a humanitarian viewpoint,
Yurtec has consolidated performance through reliability.
Yurtec aims to foster an affluent and convenient life,
a comfortable and safe urban environment,
and an advanced and diverse information society.
Our reliable technology and humanitarian way with people
will create a comfortable life and society in the future.

Corporate Statement

In pursuit of safety, quality and reliability.

Yurtec specializes in the construction of power transmission and distribution facilities. We also construct and maintain electrical, air-conditioning and plumbing facilities and information-communication equipment installed in office buildings, factories, hospitals, and other similar buildings. Our services also include civil engineering work. Our mission is to create safe, secure, and comfortable social and business environments.

To pursue invariable value that is unwavering even in times of change; this is the enduring conviction that we have developed to date.

We will continue to strive to ensure and improve safety, quality, and reliability—things that are always valuable to us—in order to provide support for the everyday lives of our customers and the community at large.

Safety

We give
utmost priority
to safety
in our operations.

Quality

We constantly improve
the quality of
our construction work
(operations).

Reliability

We aim to become
a company that is
trusted and continuously
selected by society
and our customers.

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Editorial Policy

Our goal in publishing this integrated report is to provide insight into the Company by presenting key information, while keeping the following editorial policy and editing points in mind. We will bring together the elements of each page and the data that supports them to produce an integrated report.

1. Editorial Policy

- Ensure that our value creation system (the overall picture) is conveyed as a story
- Narrow down the report's selling points and clarify the points the Company wants to convey

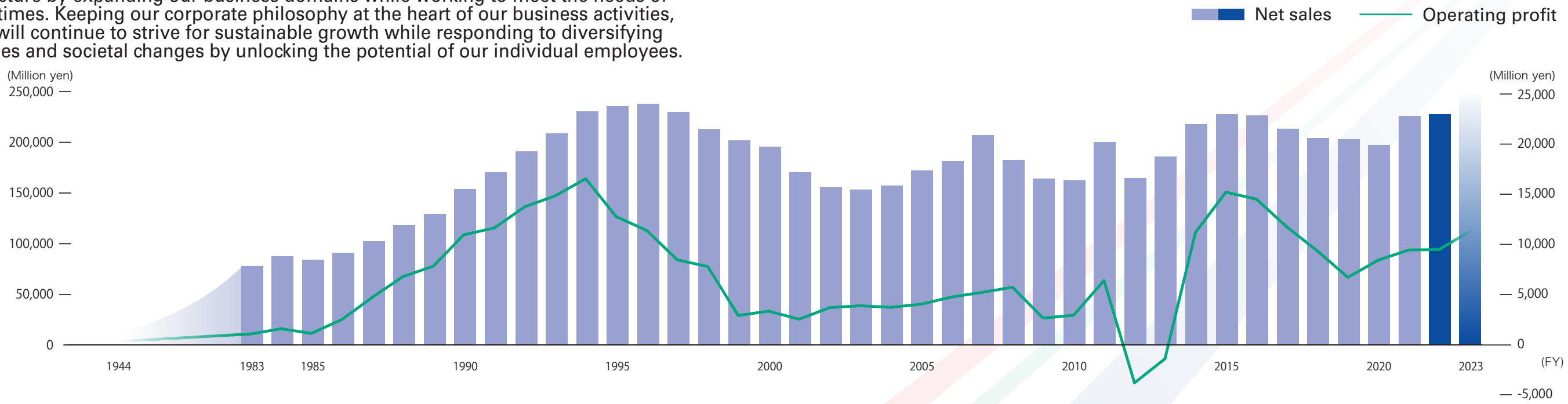
2. Key Editing Points

- The content to be covered in the report
- Specify company goals (economic value/social value) and the direction of change
- Identify value drivers (financial/non-financial)
- Show that a governance system (function) has been established to support long-term value creation

Introduction

Yurtec's History

In nearly 80 years since the Company's founding, we have built our current business structure by expanding our business domains while working to meet the needs of the times. Keeping our corporate philosophy at the heart of our business activities, we will continue to strive for sustainable growth while responding to diversifying values and societal changes by unlocking the potential of our individual employees.



Oct. 1944



Established as Tohoku Electrical Construction Co., Ltd.

Dec. 1977



Listed on the second section of the Tokyo Stock Exchange

Sep. 1983

Listed on the first section of the Tokyo Stock Exchange

Apr. 1991



Changed company name to Yurtec Corporation

Jun. 1992



Headquarters moved to Sendai Station East Exit (current location)

Sep. 1995



Made forays into Vietnam
Established Vietnam Office (currently called Ho Chi Minh Office)

Mar. 1997



Training Center (currently called Human Resource Development Center) moved to Tomiya City, Miyagi Prefecture

Mar. 2006



Acquired naming rights of Sendai Stadium and renamed it as "Yurtec Stadium Sendai"

Mar. 2011



The Great East Japan Earthquake occurred
Task force established, with restoration efforts carried out across whole company

Mar. 2015

Completion of Safety Promotion Center

Jun. 2021



Made Sigma Engineering JSC in Vietnam a wholly-owned subsidiary company

Apr. 2022

Listed on the Prime Market of the Tokyo Stock Exchange

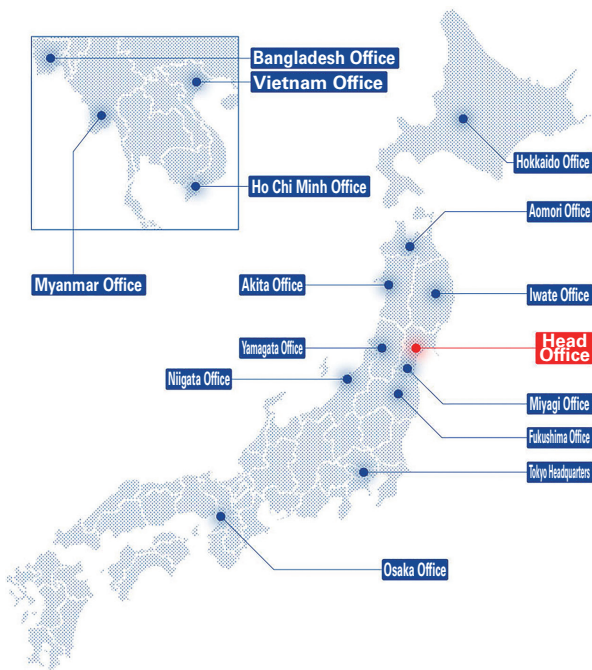
Jul. 2023

Established Renewable Energy Headquarters

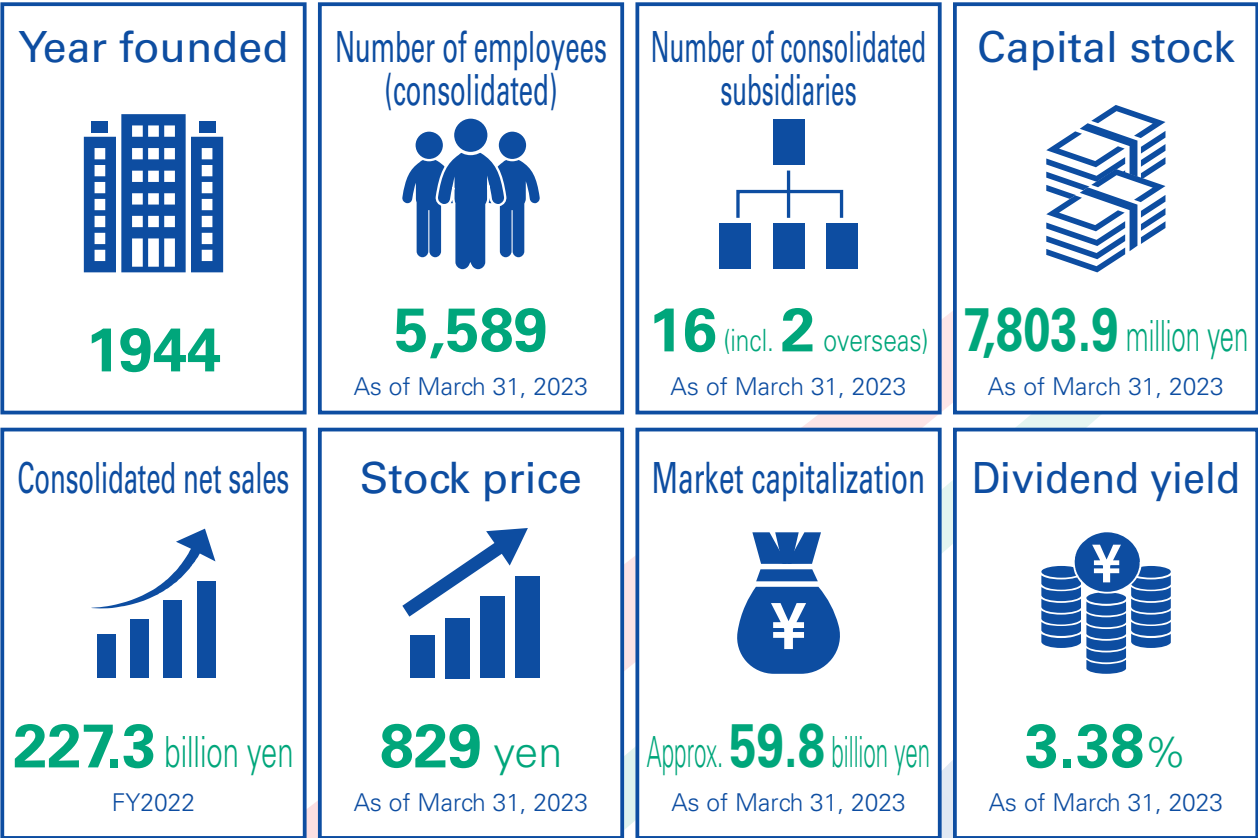
Introduction

At a Glance

■ This vast and diverse field is the stage for Yurtec.



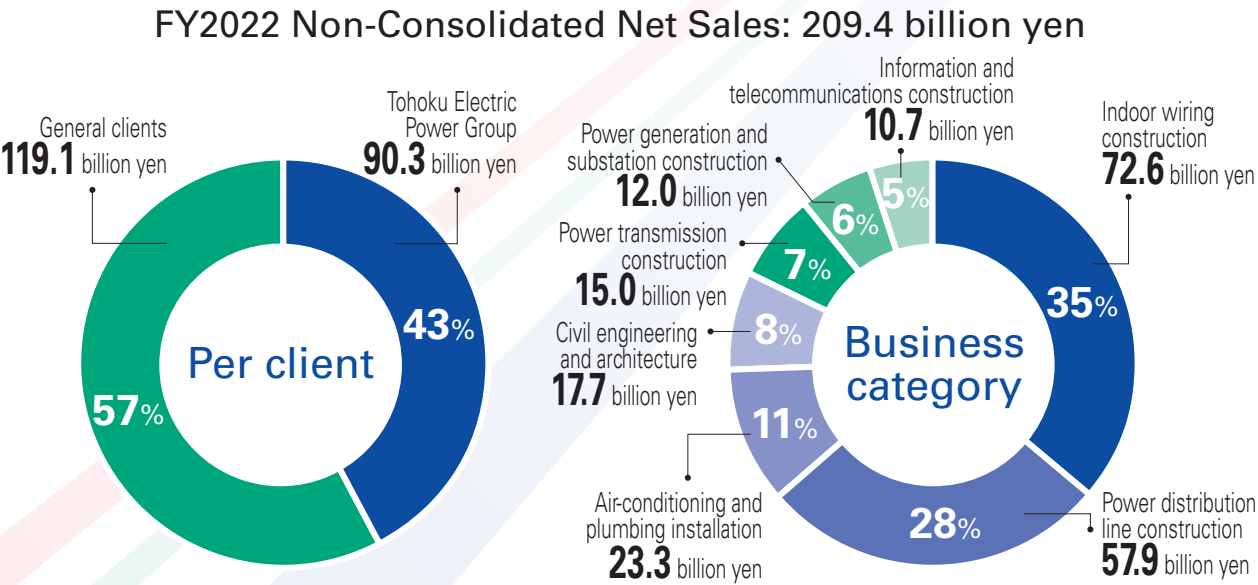
■ Yurtec in numbers



* ODA = Official Development Assistance. Support offered by governments and governmental organizations in developed countries for the social and economic development of developing countries.

■ Business composition of net sales

Indoor wiring, power distribution lines, and air-conditioning and plumbing installation account for approximately 70% of our business as core business categories.



■ Business composition of net sales

	Engineering Headquarters	Electric Power Infrastructure Headquarters	Renewable Energy Headquarters	Overseas Business Division
Business responsible for	<ul style="list-style-type: none"> Indoor wiring construction Air-conditioning and plumbing Information and telecommunications 	<ul style="list-style-type: none"> Power distribution Power transmission Power generation and substation Civil engineering and architecture 	<ul style="list-style-type: none"> Renewable energy 	<ul style="list-style-type: none"> Overseas
Business activities	<ul style="list-style-type: none"> Indoor wiring construction: Lighting equipment, power receiving and transforming equipment, in-house power generation facilities, facilities for disaster prevention, monitoring, etc., installation of electrical instruments Air-conditioning and plumbing: Heating/cooling facilities, air-conditioning facilities, water supply, drainage, and sanitary facilities, fire-fighting facilities Renewal work Information and telecommunications: Optical communication network installation, cable television installation, mobile communication system installation 	<ul style="list-style-type: none"> Power supply facilities: Power distribution line work, power feeder line work, construction of power plants and substations Civil engineering and architecture: Removing utility poles, installation of substations, dredging work, flow volume survey, site preparation and foundation construction, civil engineering 	<ul style="list-style-type: none"> Renewable energy: Photovoltaic power generation system, wind turbine generator system 	<ul style="list-style-type: none"> Overseas: Indoor wiring, air-conditioning and plumbing, renewable energy-related construction, ODA projects by the Japanese government (power transmission and distribution network construction, etc.)
Focus Areas	<ul style="list-style-type: none"> Expansion of information and telecommunications construction Expansion of the energy-saving and ZEB* markets ▶ Page 31 	<ul style="list-style-type: none"> Expansion of main power grid construction ▶ Page 33 	<ul style="list-style-type: none"> Expansion of renewable energy-related construction ▶ Page 35 	<ul style="list-style-type: none"> Expansion of overseas markets ▶ Page 30

* ZEB = Net Zero Energy Building. A building that aims to achieve annual primary energy consumption balance of zero while providing a comfortable indoor environment.

Introduction

The Six Capitals Supporting Yurtec

We conduct business as a general facility engineering company while developing regional infrastructure, mainly in the Tohoku and Niigata areas. In this section we will outline the six capitals that support our business and our strengths in these areas.

Management capital

Management capital	
Intellectual capital Industrial property rights: 44 R&D expenses: 152 million yen	We strive to ensure and improve the Yurtec brand of “safety,” “quality,” and “reliability,” and boast an ample construction project track record and strong technical capabilities. We own 44 industrial property rights, and are working to develop technologies that ensure safety, improve quality, increase work efficiency, and reduce workloads. We will also utilize the infrastructure restoration expertise gained in our efforts following the Great East Japan Earthquake in the event of a natural disaster.
Business capital Number of business locations in Japan: 81 (as of March 31, 2023) Consolidated subsidiaries: 16 (incl. 2 overseas) No. 1 market share as a general facility engineering company in the Tohoku and Niigata areas	As a general facility engineering company under the Tohoku Electric Power Group umbrella, we have a strong business network centered on the Tohoku and Niigata areas. We are carrying out business activities at 81 locations in Japan, mainly in the Tohoku area, our home base, and Niigata, and 3 overseas countries. Overseas, we have more than 20 years of experience in Vietnam. We will continue to earn the trust of our customers while pursuing “safety,” “quality,” and “reliability.”
Relationship capital Partner companies: Approx. 450 Client companies: Approx. 79,000	We are a member of the Tohoku Electric Power Group and carry out our operations in cooperation with approximately 450 partner companies. We have around 79,000 client companies. Our main clients include Tohoku Electric Power and Tohoku Electric Power Network, as well as general contractors, government agencies, and general corporations.
Environmental capital Medium- to long-term targets related to environmental management Striving to achieve carbon neutrality by FY2050 Endorsement of TCFD Recommendations	The Tohoku area has been deemed a suitable site for offshore wind power, for which the Japanese government has set high introduction targets. As a local company, we also have a home-field advantage built up over the years. We will contribute to the realization of a low-carbon society through the construction of energy-saving, ZEB, and other facilities, and will actively work to cut our CO ₂ emissions in half by FY2030 compared to FY2013, and achieve carbon neutrality by FY2050.
Human capital Number of employees (consolidated): 5,589 (as of March 31, 2023) Number of employees with construction-related qualifications: 2,082 (No. 1 among general facility engineering companies in Tohoku area)	We believe that technical capabilities and human resources are the foundation that supports our high reliability. We are thus establishing a safety culture through the Safety Promotion Center and handing down technology through the Human Resource Development Center. Moreover, in order to further expand our business, we aim to hire around 160 new employees every year through regular recruitment activities. At the same time, by FY2025, the final year of the current Medium-Term Management Plan, we aim to increase the number of technical personnel across the company by about 160 people compared to FY2021.
Financial capital Net assets:134.4 billion yen (as of March 31, 2023) Consolidated net sales: 227.3 billion yen (FY2022) Investment pool: 30.0 billion yen (through FY2024) Consolidated payout ratio target: 30%	Under our strong financial base, we have set an investment pool of 30.0 billion yen based on our growth strategies to be carried out through FY2024. With the aim of a consolidated payout ratio of 30%, our policy for dividends is to issue annual dividends of not less than ¥24 per share in order to provide stable dividends.

Strengths	
<ul style="list-style-type: none"> ● Creation of new technologies and products •A general facility engineering company that works in a wide variety of fields, including indoor wiring, air-conditioning and plumbing, and information and telecommunications construction (diverse business portfolio and corporate strength) •Constructive R&D system in four categories: Safety assurance, construction technologies, economic efficiency, and new markets ● Expertise in infrastructure restoration in the event of natural disasters Made all-out efforts to restore electric power facilities as quickly as possible in the aftermath of the Great East Japan Earthquake and other natural disasters that disrupted Japan's lifelines 	
<ul style="list-style-type: none"> ● Solid business foundation in the Tohoku and Niigata areas Nationwide business network (81 business locations in Japan), comprehensive strength that enables us to offer one-stop construction solutions across a wide range of fields, relationships of trust with clients built over many years, win-win relationships with partner companies (about 450 companies) ● Overseas business base Strong presence in Vietnam with a track record spanning over 20 years, strong partnership with Sigma Engineering JSC (major facility construction company in Vietnam) ● Reliable technology based on construction project track record Overwhelming track record of undertaking local projects as a company with roots in the Tohoku and Niigata regions and a framework that accumulates expertise and turns it into competitive strength (organizing and accumulating various information obtained through construction management undertaken thus far, then thoroughly examining this information leads to further improvement of technology proposal capabilities and utilization in new construction work) ● Mobility of construction workforce Provision of facility construction that meets the needs of our customers and the times via our network of 81 business locations in Japan and offices in three overseas countries 	
<ul style="list-style-type: none"> ● Stable business transactions with the Tohoku Electric Power Group Robust order pipeline and strong reliability within the industry for work ordered by Tohoku Electric Power and Tohoku Electric Power Network, such as for constructions on aging facilities and main power grids ● Ability to execute work in unison with partner companies Expertise cultivated through electric power facility construction carried out together with our company and strong engineering network rooted in the local community 	<div>  より、そう、ちから。 東北電力グループ Yurtec Cooperative Association </div>
<ul style="list-style-type: none"> ● Over 20 years of experience in renewable energy-related construction Marketing prowess and construction expertise gained through collaboration between the Sales Headquarters and the Renewable Energy Headquarters ● Technical capabilities that contribute to carbon neutrality Technology proposal capabilities to reduce CO₂ emissions, such as registering as a “ZEB Planner,” which provides business support for ZEB, such as consulting and design 	
<ul style="list-style-type: none"> ● Reliable technical base Technical personnel that work in a wide range of construction fields, such as indoor wiring, air-conditioning and plumbing, and information and telecommunications construction ● Ample facilities and systems for developing human resource System that develops independent human resources capable of flexibly responding to the management environment and solving issues via regular training at the Human Resources Development Center 	
<ul style="list-style-type: none"> ● Stable financial base Sound financial position with an equity ratio of 60.7% ● Investment pool of 30.0 billion yen based on growth strategies •Strengthen existing businesses through aggressive investments including M&As, based on growth strategies •Earnings growth via tapping into new fields and promoting DX •Cultivate talent to support growth 	

Introduction

Yurtec's Purpose

We are a general facility engineering company that supports and enriches people's lives.



We are **Yurtec**

Introduction

Yurtec's Growth Opportunities

Although our business environment is subject to risks such as the declining population in the Tohoku region, our main market, yen depreciation, and soaring material and labor costs, initiatives being pushed by the Japanese government aimed at adopting renewable energies, strengthening main power grids and enhancing mobile communication systems (expansion of 5G, rollout of 6G) have a close affinity with our business. Moreover, demand for our renewal work is expected to increase, fueled by the ongoing push toward carbon neutrality (expansion of energy-saving and ZEB markets), and our overseas business with over 20 years of experience is also likely to expand further.

Expansion of renewable energy-related construction

FY2025 net sales target

14.6 billion yen

Of offshore wind power generation output target of about 10 million kW by 2030 under the large-scale wind power plant construction plan^{*2}, 4.07-5.33 million kW to be generated in the Tohoku region.

Related information: page 33-36

Expansion of information and telecommunications construction

FY2025 net sales target

15.0 billion yen

Project to build more than 210,000 5G base stations by the end of FY2023^{*3}

Related information: page 17

Expansion of overseas markets

FY2025 net sales target

24.0 billion yen

Amid economic growth in Southeast Asia and Africa, we will strengthen and expand our businesses in Southeast Asia (particularly Vietnam) and Africa

Related information: page 16, 30

Yurtec's Five Areas of Expansion and Growth

Expansion of main power grid construction

Estimated net sales from the construction project (cumulative total)

Approx. 10.0 billion yen

Estimated total investments of approximately 6.0 to 7.0 trillion yen nationwide in power grid expansion project^{*1}

Related information: page 33-34

Expansion of the energy-saving and ZEB markets

FY2025 net sales target

41.7 billion yen

The Japanese government has declared that it will aim to achieve carbon neutrality by 2050 by reducing overall greenhouse gas emissions to zero

Related information: page 30-32


^{*1} Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry, Next-Generation Electric Power Networks

^{*2} Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry, Vision for Offshore Wind Power Industry

^{*3} Ministry of Internal Affairs and Communications, Beyond 5G Promotion Strategy

Value Creation Story

Message from the President



We will strive to balance and create both social value and economic value by providing social infrastructure that supports safe, secure, and comfortable lifestyles

Yoshiharu Ota
Representative Director
& President,
Chief Executive Officer

Please tell us about the lead-up to creating and publishing this integrated report for the first time, and what you hope to achieve

Until now, the Company has disclosed information focused mainly on financial results. However, to enable stakeholders to gain a deeper understanding of Yurtec by providing more detailed disclosure that includes not only financial information, but also non-financial information, we decided to issue an integrated report. In issuing this report, our goal was to convey our medium- to long-term value creation story in an easy-to-understand manner. To this end, we tried to provide stakeholders with an understanding of the Group's overall picture, as well as enhance non-financial information such as the Company's characteristics, the overarching direction of our management strategies, growth opportunities and risks. What I personally placed particular importance on was the concept of balancing and creating social value and economic value for the Group, which supports social infrastructure. To balance these two sets of values, we need to work to fulfill our social mission, while also having processes in place to sustainably strengthen our financial and non-financial management capital, the sources of value creation. In a rapidly changing management environment, we must create new value that meets the needs of society by taking proactive action and taking on the challenge of innovation. We will use this report as a tool for constructive dialog with our stakeholders, including our shareholders, investors, and business partners such as facility engineering companies and local communities, with the aim of effectively communicating our journey to enhancing corporate value.

Please explain your value creation system and its strengths

Under our corporate philosophy, "Yurtec cooperates with customers in creating value, and contributing to society," we believe that our mission is to support the creation of safe, secure, and comfortable social and business environments for our customers by engaging in the development of social infrastructure as a general facility engineering company. Since its establishment in 1944, the Company has played an important role in ensuring a stable supply of electricity, which is indispensable to our daily lives. Historically, when lifelines have been disrupted due to natural disasters such as the Great East Japan Earthquake, we have made every effort to restore electric power facilities as quickly as possible. We also have been taking measures to expand our business to respond to changing customer needs. As a general facility

engineering company that works in a wide variety of construction fields, including indoor wiring, air-conditioning and plumbing, and information and telecommunications, we have also focused on enhancing human resource development and improving our technologies and construction methods. Amid rapidly growing momentum toward decarbonization and digitalization in recent years, construction related to renewable energy, such as photovoltaic power generation and wind turbine generators, and construction related to energy conservation, such as the transition to ZEBs, offer a direction to us, where we can also contribute to the resolution of social issues, such as realizing a low-carbon and carbon neutral society that is friendly to people and the earth, and realizing a smart society through information and telecommunications construction.

As such, the value creation system of the Group can be seen as combining various management capital, such as technological capabilities, human capital, and networks to create social value and economic value. This system works to solve increasingly diverse and complex social issues together with stakeholders for future generations. The foundations for this value creation are our technological capabilities, backed by experience and trust, and our human resources that possess these technological capabilities. Based on the belief that "Yurtec's greatest assets are our human resources," we have been striving to enhance and strengthen education by raising the level of technical capabilities, improve customer satisfaction, and establish a culture of safety. Through regular training at The Human Resources Development Center in Tomiya City, Miyagi Prefecture, we are working to develop independent human resources capable of flexibly responding to the management environment and solving issues, with the aim of improving employees' on-site and workplace skills.

In addition to our technological capabilities and human resources, the following differentiating factors set us apart from industry rivals: our regional business network (81 hubs in Japan), comprehensive capabilities that enable us to offer one-stop construction solutions across a wide range of fields, relationships of trust with customers built up over many years, and win-win relationships with partner companies (about 450 companies). The creation of the Yurtec brand of Safety, Quality, and Reliability is likely the biggest reason the Company has earned the No.1 position for facility engineering sales and trust in Niigata Prefecture and the six prefectures in the Tohoku region. Moreover, the government's large-scale power grid expansion project in the Tohoku area is well-positioned to capture markets with large potential, such as wind turbine generators and information and telecommunications. This also presents a major advantage for our value creation efforts going forward. We also plan to continue focusing our efforts on expansion into the Kanto region and overseas, such as in the rapidly-

Value Creation Story

Message from the President

growing Vietnamese market, in order to support the Company's overall growth. To this end, we are preparing systems that will enable us to meet growing demand in various fields.

Please tell us about the strategic themes and progress of the Medium-Term Management Plan

In our five-year Medium-Term Management Plan that started in April 2021, we set the basic medium-term goal of "Creating a New Era with Proactive Initiatives and Challenges for Change" – Adapting to environment changes and achieving speedy management –, under which we plan to carry out three basic strategies based on our relationships with clients in Niigata prefecture and the six prefectures in Tohoku: (1) increasing earnings in the Kanto region, (2) strengthening renewal sales, and (3) strengthening overseas business. Through these measures, we aim to achieve consolidated net sales of 240.0 billion yen and operating profit of 12.0 billion yen in FY2025, the final year of the plan. At present, many companies, including those in the semiconductor industry, are making forays into the Tohoku area, leading to robust capital investments. However, as the population decline is expected to continue, there are little to no prospects for large capital expenditures in the future.

For this reason, our basic strategy is to strengthen sales in the Kanto region, a growing market, and in our overseas businesses, as well as to place focus on renewal works, where steady growth is expected in areas such as energy-saving construction geared toward decarbonization. As such, how we capitalize on growth areas, where demand is increasing as part of the ongoing push to solve social issues, will be key to our future growth as a company.

To this end, we need to build a business foundation and further strengthen our competitiveness. We will also actively carry out investments for future growth, including human resource development and promoting DX. In particular, securing and developing human resources is both a foundation for value creation as well as an issue for the Group, which operates in a labor-intensive industry. With the construction industry already facing labor shortages, there is a strong impression that the work environment is tough. This is causing the issue of young people steering clear of the industry as a whole to become more serious. We seek to continue and further expand our work style reforms, increase engagement by investing in people, and create an attractive work environment for employees. We are also carrying out measures to increase the expertise of

individual employees by passing on and raising the level of technology and skills through group training and on-the-job training. At the same time, we are striving to secure construction capabilities by focusing on cooperation and support with recruitment activities and human resource development, including for group companies and partner companies. In July 2023, we launched the Human Resource Strategy Project. We are currently reviewing our overall personnel system, including how to strategically utilize our limited human resources ahead of the upper limit on overtime work that will come into effect in April 2024.

Promoting DX is also an important task in terms of addressing labor shortages. We established the DX Promotion Committee in April 2022, and are also actively promoting measures linked to three themes: Paperless office-based optimized business processes (digitize internal documents completely by the end of FY2025), expand use of tablets/smartphones, and utilize the latest digital technology. For example, previously we had to take printed drawings to worksites, take construction photos, and bring them back to the office to organize them. Now, we distribute tablets to employees and manage drawing data in the cloud. Corrections and revisions can be shared instantly as data, and photos taken at worksites can be organized on the spot, at the very least reducing travel time. In addition, the use of wearable cameras makes it possible for experienced technicians to provide remote guidance for technicians with little on-site experience, contributing significantly to productivity improvement.

We have also set a total growth investment pool of 30.0 billion yen in our Medium-Term Management Plan and are actively pursuing M&As and other investments based on our growth strategies to strengthen our business foundation.

Moreover, we will work to increase corporate value while considering capital investments to promote DX, promoting carbon neutrality, and cultivating new business domains.

Looking back on the progress made so far, while the impact of the COVID-19 pandemic is easing, the external environment remains unstable, including soaring transportation costs due to high crude oil prices, rising labor costs caused by labor shortages, and rising material prices stemming from supply chain disruptions. Despite this, both net sales and operating profit have remained on an upward trend, with net sales reaching a record high in the fiscal year ended March 31, 2023, thanks to the emergence of benefits from various measures carried out to expand our business and improve efficiency, as well as an increase in indoor wiring construction and power distribution line construction for large-scale logistics and commercial facilities. The number of construction contracts in progress at the end of the fiscal year also reached a record

We will strive to achieve sustainable growth by capitalizing on markets with large potential while basing our operations in local areas.



high, and our earnings performance remains robust. We are also making steady progress with our activities centered on the three basic strategies. For example, as part of efforts to increase earnings in the Kanto region, we are strengthening our construction system, particularly for partner companies. To strengthen renewal sales, we are actively offering proposals that meet clients' equipment updating needs, while also working to increase orders for energy saving-related construction work by utilizing our knowledge as a ZEB Planner with a view to achieving carbon neutrality by 2050. As for strengthening overseas businesses, in Vietnam, where recovery from the COVID-19 pandemic is progressing, we are deepening cooperation between our local subsidiaries YURTEC VIETNAM CO., Ltd. and Sigma Engineering JSC (a major Vietnamese facility engineering company), which we turned into a subsidiary in June 2021 to expand orders for indoor wiring/air-conditioning and plumbing installation for large hotels and building complexes and renewable energy-related construction. We are also actively working to increase orders for ODA projects in Africa and Southeast Asia through social infrastructure development projects such as construction for power transmission and distribution facilities.

What is your view on the future environmental awareness and medium-term growth strategy?

While the population decline in the Tohoku area, where our Group is based, is becoming an even

more serious issue as the overall population in Japan continues to decline, there are also many extremely positive factors we can benefit from. In anticipation of carbon neutrality in 2050, the Ministry of Economy, Trade and Industry (METI) has formulated the Master Plan for Wide-Area Interconnected Grid for the next-generation electric power networks to introduce a large amount of renewable energy and strengthen resilience. As part of this plan, METI also intends to reinforce power grids in the Tohoku area on a large scale. In its Vision for Offshore Wind Power Industry, METI states that Tohoku is a suitable location, and has set high introduction targets for 2030 and 2040. The Ministry of Internal Affairs and Communications has also announced a "Beyond 5G (6G) Promotion Strategy" aimed at introducing next-generation telecommunications infrastructure that will serve as the foundation for all industries and social activities. It is thus expected that the number and density of base stations will become enormous in terms of capital investments. Therefore, going forward we expect continued growth not only for renovation work for electric power infrastructure facilities, which will move into full swing going forward, but also for renewable energy-related construction centered on large-scale wind turbine generators and markets related to information and telecommunications.

Based on such environmental awareness, the Company will continue to strengthen its management base and expand earnings by promoting bulk orders for indoor wiring/air-conditioning and plumbing installation by leveraging its comprehensive strength, alongside implementation of the three basic strategies of increasing earnings in the Kanto region,

Value Creation Story

Message from the President

strengthening renewal sales, and strengthening overseas businesses. Looking further ahead into the future, we will also focus on capturing growth markets such as wind turbine generators and information and telecommunications construction, where demand is expected to grow over the medium- to long-term.

For wind turbine generator construction, although there have been many order postponements by operators, likely due to soaring material prices, delays with material deliveries, yen depreciation, and permit approval delays, we will continue to collaborate with these companies' design work to the best of our ability, as design requests for future projects remain active. In particular, the installation of power distribution lines is indispensable for onshore wind power generation facilities, and many of them are buried under municipal and other public roads. As such, obtaining permission for such installation requires detailed consultation with local government agencies and other authorities, as well as careful consideration of the local community. We have built up expertise over the years, such as through the construction of electric power facilities, and will leverage this and our home-field advantage as a local company to secure orders. In July 2023, we established the Renewable Energy Headquarters and started to strengthen our internal systems.

Meanwhile, in information and telecommunications construction, in addition to the increase in base stations as part of the Beyond 5G initiative, many customers are also looking for effective ways to utilize local 5G (private 5G) in telecommunication facilities incidental to building construction, including optical cables for Wi-Fi, LAN equipment, surveillance cameras, and security. We thus anticipate the markets for related construction to grow in the future. We plan to quickly grasp such needs and work to achieve order growth by carrying out specific proposal activities. We have also been strengthening our business foundation in this field, such as establishing an organization specializing in information and telecommunications construction at the Tokyo Headquarters in July 2021, and established the Mobile Communications Engineering Center in April 2023 to expand orders for mobile phone-related construction.

How about your sustainability initiatives?

As a member of the Tohoku Electric Power Group, the Company has identified "Tohoku Electric Power Group Sustainability Priorities" based on the Tohoku Electric Power Group Sustainability Policy, and is actively promoting sustainability initiatives. These Key Issues are to be prioritized

in order to contribute to the medium- and long-term improvement of corporate value and the sustainable development of society as a whole. As part of these efforts, we aim to cut our CO₂ emissions in half by FY2030 (compared to FY2013) and achieve carbon neutrality by FY2050 through the Carbon Neutral Challenge, a Group-wide initiative of the Tohoku Electric Power Group. Specifically, we are promoting initiatives for decarbonization, such as the facilitation of ZEBs at business locations and conversion of company-owned vehicles to EVs. We also endorse the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and strive to conduct activities and disclose information in accordance with these recommendations. In addition to providing environmentally-friendly facilities through renewable energy-related construction, we will also help build a resilient social infrastructure with the stable supply of electricity and disaster response capabilities through our core facility construction business.

At present, we are carrying out initiatives in line with the policies of our parent company, but eventually we will formulate our own Sustainability Policy, identify material issues that are more in line with our own business, and then link our sustainability initiatives to further increasing our corporate value. Meanwhile, we have a long history of making social contributions, including donating public street lights and providing support for the promotion of culture and sports. We recognize that our businesses support the comfortable lives of our customers, and that they are inextricably linked to our sustainability initiatives as a means to create a sustainable society. We will continue to develop our businesses while tackling the issues that must be resolved to secure the future of local communities, and strive to contribute to the sustainable development of society as a whole.

Please explain the characteristics and effectiveness of the Company's governance system

As a listed subsidiary under our parent company Tohoku Electric Power, we have been placing particular focus on strengthening our governance in order to dispel concerns over conflicts of interest. In June 2022, we transitioned from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee with the aim of strengthening the supervisory functions and speeding up the decision-making of the Board of Directors. With five of the 13 members being Independent External Directors, the Board of Directors as a whole is composed to ensure a balance of knowledge, experience, and capabilities, while

also taking into account diversity in terms of gender, career, and age, etc. Passionate about their roles, the Board of Directors members actively exchange opinions at meetings. Nevertheless, to continuously enhance the Board's effectiveness, we conduct a survey soliciting feedback from our board members once a year. Also, from the perspective of ensuring objectivity, in 2023 we established a system in which a third-party organization analyzes, evaluates, and reports its findings to the Board of Directors. In addition, the Company has established an Advisory Committee on Significant Transactions with Parent Company, etc. that deliberates on and considers the protection of interests of minority shareholders. In light of the above, we believe that our governance system is functioning sufficiently. We understand that the market has a negative view toward parent-subsidiary listings, and will therefore fully ensure the soundness, fairness, and transparency of our management.

In addition, the Nomination and Remuneration Advisory Committee, a majority of the members of which are Independent External Directors, deliberates on important matters such as the selection of Director candidates and remuneration for Directors, thereby ensuring the independence and objectivity of decision-making processes. In 2022, the Company introduced bonuses as performance-based remuneration and restricted share remuneration plan for Directors (excluding Directors who are Audit and Supervisory Committee Members and External Directors) and Executive Officers who do not concurrently serve as Directors. Our aim is to provide more incentives for improving the Company's medium- to long-term corporate value. Going forward, we will continue to promote further value sharing with our shareholders.

Lastly, please give a message to your stakeholders

With regard to our expansion into the Kanto region and of overseas business, which we are focusing on under our Medium-Term Management Plan, the initiatives carried out thus far have started to bear fruit. Therefore, we feel that we are making steady progress with our efforts toward future business growth. Meanwhile, although the Tohoku area continues to face rural flight and the population decline, our strength and purpose lies in creating both economic value and social value through our business, not only in helping the provision of a stable supply of electricity, but also in promoting the introduction of renewable energy, creating jobs, and realizing a smart society. As such, we will continue to contribute to the development of local communities by expanding construction

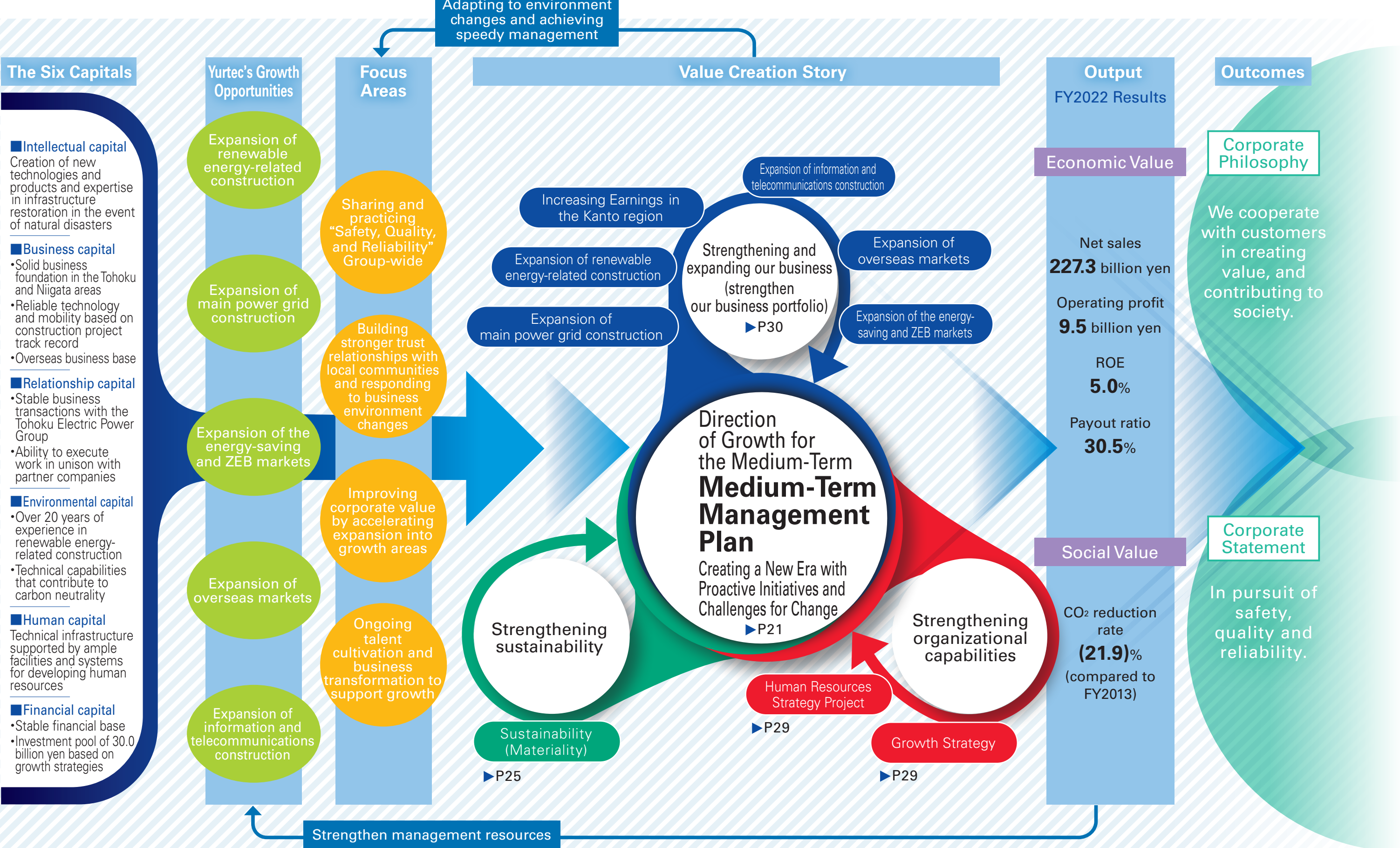
orders not only in the Kanto region and overseas businesses, but also in Niigata Prefecture and the six prefectures of Tohoku, where our business is deeply rooted. With regard to shareholder returns, the Company's basic policy for dividends is to issuing annual dividends of not less than 24 yen per share, with the aim of a consolidated payout ratio of 30%, while taking into account the balance with internal reserves for business development and growth in the future. In line with this policy, the Company will continue to aim for stable and steady increases in dividends through the realization of profit growth.

2024 will mark the 80th anniversary of the Company's founding. Thanks to the favorable order environment and the fruits of our own initiatives, we are currently at a record-high level for construction on hand, and are starting to see signs of entering a new stage of growth. While there are said to be many 100-year-old companies in Japan, we understand that this is likely the result of a harmonious coexistence with customers and local communities. We will continue to reconsider the origin of our corporate philosophy "Yurtec cooperates with customers in creating value, and contributing to society." As we do so, we will endeavor to fulfill our mission and responsibilities as a company that supports social infrastructure with a future-oriented approach based on our long-standing history. Moreover, we will not be swallowed up by rapid changes in the business environment, and boldly take on any challenge that comes our way with a spirit of "Aggressive Challenge." In doing so, we aim to become a 100-year-old company that works together with our stakeholders, thereby leading to further growth for the Group. We look forward to your continued support going forward.



Value Creation Story

Yurtec's Value Creation Model



Value Creation Story

Outline of the Medium-Term Management Plan

Management Environment Surrounding the Company

FY2021 Medium-Term Management Policy
(FY2021 - FY2025)

Basic Medium-Term Goal

Creating a New Era with Proactive Initiatives and Challenges for Change

– Adapting to environment changes and achieving speedy management –

Basic Approach to FY2021
Medium-Term Management Policy

Key Issues

- 1 Assuring safety, raising awareness of construction quality, adherence to corporate ethics and legal compliance, establishing and thoroughly enforcing initiatives
- 2 Strengthen sales and reduce costs in order to build an efficient system based on the volume of orders received for power works and to expand orders for general works
- 3 Strategic allocation of management resources and capturing growth markets through realization of investments
- 4 Expansion of earnings through initiatives for the Tohoku Electric Power Group Medium-Term Vision by taking advantage of the Company's strengths
- 5 Strengthening corporate structure and addressing work style reform through human resource development, productivity improvement, and ongoing business transformation

Basic Approach and Direction of Management

- "Safety, Quality, and Reliability" are our invariable value (the pillars of the Yurtec brand)
- Evolving into a resilient corporate structure in response to changes in the business environment
- Rapid and flexible business development based on management strategies
- Investment for growth and strengthening group management
- Promoting ESG Management and Sustainability

- #### Social trends
- Progress in declining birthrate, aging population and declining population (especially in the Tohoku region)
 - Promotion of the government's work style reforms
Overtime work cap regulations in the construction industry taking effect from April 2024
 - Establishment and acceleration of coexistence with/post-COVID trends
 - Acceleration of DX and promotion of digital infrastructure development by the government
 - Trends in ESG and SDGs management promotion in response to heightened interest in sustainability
 - The challenge of becoming carbon neutral by 2050

- #### Yurtec Initiatives and Challenges
- Strengthening our business system in Vietnam on a Group-wide scale
 - Holding business bases in the Kanto region, renewals, and overseas markets
 - Relationships of trust with customers in the Tohoku and Niigata regions
 - Investment capacity derived from a strong financial base
 - High level of governance that is required of companies listed on the TSE Prime Market
 - Distortion of age structure and constant labor shortages (persons, competence)

Construction Market Trends

- Signs of recovery from COVID-19 in construction investment
- Postponement of large-scale wind power projects
- Vietnam's steady economic recovery from COVID-19
- Increase in DX and mobile-related construction
- Soaring labor and materials costs, material shortages, and delivery delays
- Japanese manufacturers returning to Japan

Trends of Tohoku Electric Power

- Drastic reforms of the power supply business, including the introduction of a new revenue cap scheme on wheeling charges
- Promptly make our smart-society building projects profitable
- Renewable energy development (target: 2 million kW)
- Improvement of corporate value of power companies at a group-wide scale
- Identification of Tohoku Electric Power Group Sustainability Priorities
- Steady trend for construction to address aging of facilities, in addition to the full-scale enhancement construction of the 500kV system
- Promotion of initiatives to recover from a sudden deterioration in financial position

■ Based on the "FY2021 Medium-Term Management Policy (FY2021 - FY2025)," the Company has implemented key measures of "increasing earnings in the Kanto region," "strengthening renewal sales," and "strengthening overseas business," and these measures have gradually shown results.

■ The Company intends to make efforts to achieve the FY2025 quantitative target in the FY2023 Medium-Term Management Plan without making changes to previous policies, by promoting the rolling of the business plan through reviews of key measures in light of changes in the business environment.

FY2025

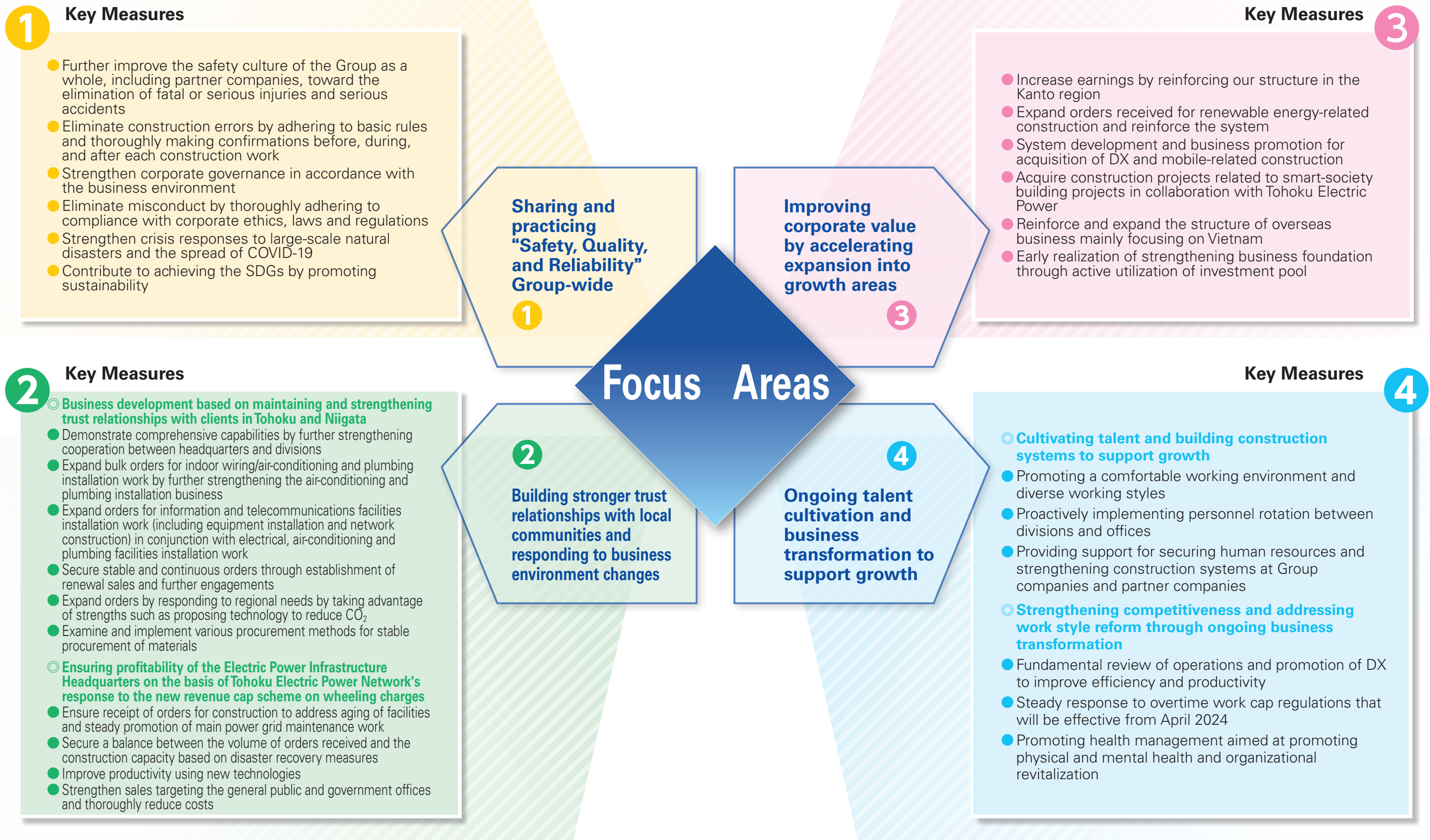
Quantitative Targets

	Net sales	Operating profit
Consolidated	240.0 billion yen	12.0 billion yen
Non-Consolidated	220.0 billion yen	10.0 billion yen

Investment pool based on **growth strategies 30 billion yen by fiscal 2024**

Value Creation Story

Outline of the Medium-Term Management Plan



Value Creation Story

Materiality

As a member of the Tohoku Electric Power Group, the Yurtec Group has identified “Tohoku Electric Power Group Sustainability Priorities” based on the Tohoku Electric Power Group Sustainability Policy, and is actively promoting sustainability initiatives. These Priorities (materiality topics or key issues) are to be prioritized in order to contribute to the medium- and long-term improvement of corporate value and the sustainable development of society as a whole.

Tohoku Electric Power Group Sustainability Priorities (Materiality Topics)

With sustainability at the core of its management, the Tohoku Electric Power Group has identified sustainability priorities (materiality topics) at Tohoku Electric Power that should be prioritized in order to contribute to the medium- to long-term improvement of corporate value and the sustainable development of society as a whole. The Company will also work to resolve identified materiality topics and aim to co-create social and corporate value together with future generations of stakeholders through the realization of “Working alongside next,” the Tohoku Electric Power Group’s Medium- to Long-Term Vision, and the Carbon Neutral Challenge 2050.

—Process for Identifying Tohoku Electric Power Group Sustainability Priorities (Materiality Topics) —

STEP 1

Identifying topics

In order to identify topics relevant to the Tohoku Electric Power Group’s business and stakeholders at Tohoku Electric, we conducted an analysis of the current situation from both external and internal environments. As a result, we listed 63 topics that need to be considered.

STEP 2

Evaluation of topics

An evaluation of the items identified in STEP1 was carried out with the cooperation of internal related divisions on the two axes of “importance to the Tohoku Electric Power Group” and “importance to stakeholders.” In addition, discussions were held at the Sustainability Promotion Meeting, and opinions of management were reflected in the evaluation. In terms of importance to stakeholders, we used the opinions collected through questionnaires and dialogues to introduce the opinions of the five stakeholders (customers, local communities, shareholders and investors, business partners and employees) which are valued by the Tohoku Electric Power Group.

Based on these results, we narrowed down and grouped the most important topics. As a result, we created a draft of key topics consisting of 29 individual key topics and 8 materiality topics.

STEP 3

Evaluation of appropriateness

The appropriateness of key topics (draft) formulated in STEP2 were verified from the viewpoint of stakeholders through exchange of opinions with external experts.

Main opinions from external experts

- Sustainability priorities should be further expressed from the perspective of stakeholders.
- In promoting initiatives related to sustainability, it is important to actively engage in the utilization of DX, the promotion of diversity centered on the advancement of women, and participation in domestic and international initiatives.
- It is also necessary to respond to consideration of human rights throughout the supply chain, which is recently drawing further public attention.

STEP 4

Identifying sustainability priorities (materiality topics)

Based on the results of STEP3, the final materiality proposal was discussed at the Sustainability Promotion Meeting, and then resolved by the Board of Directors. Going forward, we will set and monitor targets and KPIs related to the identified materiality topics, and will review materiality topics as necessary in light of changes in the business environment and social issues.

Relationship between Tohoku Electric Power Group and Stakeholders

The Tohoku Electric Power Group recognizes customers, local communities, shareholders and investors, business partners, and employees as important stakeholders based on safety assurance, environmental considerations, adherence to corporate ethics, and legal compliance. The Group companies will engage in a unified effort to promote sustainability by continuing and stepping up diverse activities through mutual communication.



Tohoku Electric Power Group Sustainability Priorities		Yurtec Group Main Initiatives	Related SDGs
E Environment	The Challenge of Becoming Carbon Neutral	<ul style="list-style-type: none"> Renewable energy-related construction Proposal of environmentally-friendly facilities Promotion of ZEB at the time of new construction and renewal of business offices Promote sequential conversion of company-owned vehicles to EVs 	
	Formation of a Recycling-Oriented Society	<ul style="list-style-type: none"> Develop business activities to reduce environmental impact based on our environmental policy Reclamation of harvested trees by processing into chips Recycling of water bottles, bottle caps, and water servers in the soft drink manufacturing, sales, and delivery business 	
S Social	Realization of Comfortable, Safe, and Secure Lifestyles and Communities	<ul style="list-style-type: none"> Resolving social issues in the community and contribution to local revitalization and other efforts to stay close to the community 【Main Activities】Donation of food and beverage stockpiles for emergency disaster preparedness to food banks Donation of public street lights and cleaning activities for traffic signals using vehicles for working at height Proactive approach to overseas infrastructure ODA projects 	
	Building a Resilient Social Infrastructure	<ul style="list-style-type: none"> Contribution to the stable supply of electric power and enhancement of disaster response capabilities through facility construction 	
	Creating a Vibrant Workplace with a Diverse Workforce	<ul style="list-style-type: none"> Promotion of diversity (women’s advancement, employment of persons with disabilities, male birth parental leave, and other leave related to childcare) Promotion of health management, including measures to prevent lifestyle-related diseases Fundamental review of operations and promotion of DX to improve efficiency and productivity 	
	Respect for Human Rights of Various Stakeholders	<ul style="list-style-type: none"> Prevention of discrimination and harassment A group-wide effort to further improve safety culture toward ensuring occupational safety 	
G Governance	Sound and Transparent Corporate Management	<ul style="list-style-type: none"> Thorough adherence to corporate ethics and legal compliance Enhance and strengthen the governance system in line with the “Basic Policy on Corporate Governance” 	

Value Creation Story

Relationship between the External Environment and each Capital

External environment (growth opportunities)		Relevant management capital					Current status and direction of future initiatives				Focus Areas of the Medium-Term Management Plan				Specific Measures
		Intellectual	Business Relationship	Environment	Human Resources	Finance					①	②	③	④	
Expansion of power transmission construction through plans to strengthen and upgrade main power grids Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry, Next-Generation Electric Power Networks	<ul style="list-style-type: none">• In anticipation of carbon neutrality by 2050, the government formulated the Master Plan for Wide-Area Interconnected Grid for the next generation power network.• We estimated investments required at a total of approximately 6 to 7 trillion yen (Approx. 650 billion yen in the Tohoku region, and approx. 200 billion yen between the Tohoku region and Tokyo).• We expect continuous order opportunities through our solid business foundation in the Tohoku region and our high level of technical capabilities.	●	●	●	●				●	●	●		<ul style="list-style-type: none">• Securing the construction system through the implementation of the Labor Accommodation Coordination Meeting and planned placement of personnel from a medium- to long-term perspective• Planned procurement of special construction equipment		
Expansion of renewable energy-related construction through the planned construction of large wind power plants	<ul style="list-style-type: none">• National policy calling for large-scale wind power plants, mainly offshore wind power, to be constructed in the Tohoku region (Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry, Vision for Offshore Wind Power Industry)	●	●	●	●				●	●			<ul style="list-style-type: none">• Establishment of the Renewable Energy Headquarters to strengthen survey, design, and construction systems (P36)• Strengthening of the construction system through joint ventures (JV) with other companies of the same industry, in addition to the in-house construction system• Enhancement of our credibility through survey and design cooperation that utilizes our home-field advantage as a local company		
Expansion of information and telecommunications (mobile communications) construction due to increase in 5G base station construction work	<ul style="list-style-type: none">• The government is pursuing Beyond 5G (6G) as part of the Beyond 5G Promotion Strategy ("Beyond 5G Promotion Strategy," Ministry of Internal Affairs and Communications).• The number and density of base stations are expected to grow enormously, and the related market is expected to continue to grow in the future. 5G base station construction work by mobile carriers is expected to increase.	●	●	●	●				●	●			<ul style="list-style-type: none">• Established a division specializing in information and telecommunications at the Tokyo Headquarters (P17)• Established the Mobile Communications Engineering Center to expand orders for mobile communications construction work (P17)• Further sales development for information and telecommunication construction work (including equipment installation and network construction) and mobile telecommunication construction work in conjunction with indoor wiring/air-conditioning and plumbing installation work		
Expansion of the energy conservation and ZEB markets based on societal demands for carbon neutrality	<ul style="list-style-type: none">• Growing global concerns about climate change issues, and efforts of companies to achieve carbon neutrality in response to such concerns• Increase in market share for renewal work	●	●	●	●				●	●			<ul style="list-style-type: none">• Deployment of sales activities for customers in a timely manner by utilizing data compiled to understand the timing and scale of construction projects to expand orders for renovation work projects (P32)• Registration with the ZEB Planner System and the ZEB Leading Owner System (P32)		
Expansion of overseas markets due to economic growth in Southeast Asia	<ul style="list-style-type: none">• High economic growth rate and working-age population• Recovery of construction demand after the COVID-19 pandemic in Vietnam• Opening of the first Japanese industrial park in Bangladesh	●	●		●				●				<ul style="list-style-type: none">• Strengthening and expanding business in Vietnam (initiatives to win orders for and construct large-scale commercial facilities, and support for management systems for local subsidiaries) (P16)• System Development at Bangladesh Office• Active initiatives in ODA projects (power transmission and distribution network construction, etc.) (P16)		
Opportunities to acquire market positions due to strong construction demand in the Kanto region	<ul style="list-style-type: none">• Solid demand for construction, including of redevelopment projects, large-scale logistics facilities, and commercial facilities	●	●	●	●				●	●			<ul style="list-style-type: none">• Expand opportunities to win orders by sales operation for information and telecommunication construction work (including equipment installation and network construction) in conjunction with indoor wiring/air-conditioning and plumbing installation work• Revamp the number and allocation of personnel, promote efforts to increase partner companies, and expand the number of new construction companies		
External environment (risks)		Relevant management capital					Risk countermeasures				Focus Areas of the Medium-Term Management Plan	Specific Measures			
Recruitment difficulties and portfolio distortions due to population decline, declining birthrate and aging population	<ul style="list-style-type: none">• Increased difficulty in securing human resources both internally and externally (employees and partner companies)• Increase in the number of foreign workers in Japan (management risk)• Contraction of the facility installation work and construction markets• Population inflow into urban areas and depopulation of rural areas• Aging of skilled workers• Decline in new housing due to population decline						●	●	●			●	<ul style="list-style-type: none">• Strengthen regular recruitment and utilize the Human Resources Development Center →Securing and developing human resources (P47-48)• Sustainable management →Yurtec's environmentally-friendly facilities (P44) →Information disclosure based on TCFD recommendations (P41-42)• Corporate citizenship activities (contributing to a sustainable society) →Contribution to society (P51-52)• Promoting operational efficiency and cost reduction through business process reengineering (BPR) and DX• Establishing the DX Promotion Committee to promote business transformation, including paperless operations, increasing the use of tablets and smartphones, and utilizing the latest digital technologies →Improving operational efficiency by promoting DX (P50)		
Investment control	<ul style="list-style-type: none">• Control of power plant investment: Control of the volume of construction orders from Tohoku Electric Power and Tohoku Electric Power Network, which account for approximately 40% of sales• Control of private capital investment: Construction demand is sluggish due to declining birthrate, aging population, and population decline, as well as economic trends							●			●	●	<ul style="list-style-type: none">• Strive to increase earnings by making forays outside of the areas and increasing orders received for general and government construction• Strive to expand earnings by maintaining and strengthening relationships with existing customers, strengthening sales and construction systems, etc.• In addition to further expanding orders received for indoor wiring/air-conditioning and plumbing installation work, we will strive to secure earnings by expanding bulk orders combined with information and telecommunications construction work, increasing favorable orders, and thoroughly improving efficiency.		
Supply chain disruptions: Soaring material, fuel, and labor costs and material shortages	<ul style="list-style-type: none">• Rising energy prices in response to the situation in Ukraine, and rising material prices due mainly to the recent weakening of the yen• Deferral of orders for construction of large-scale wind power plants• Soaring outsourcing costs due to soaring labor costs (pressure on profits)						●				●		<ul style="list-style-type: none">• Discuss methods to reflect matters in construction contracts, and promote initiatives such as expansion of competitive ordering and volume discounts through centralized purchasing as cost reduction measures• Promote cost management		
Compliance	The Group's business results and financial condition may be affected if there is a delay in responding to the revision, abolition and new establishment of legal requirements under the Construction Business Act, the Antimonopoly Act, the Labor Standards Act, the Industrial Safety and Health Act, etc., or changes in applicable standards, etc., or if an event against compliance occurs and results in a deterioration of corporate image or a loss of public trust.	●			●	●				—	●	●	<ul style="list-style-type: none">• While closely monitoring legal revisions, etc., ensure that all officers and employees carry themselves in accordance with corporate ethics and legal compliance through the establishment of the Corporate Ethics Committee, the assignment of officers in charge of corporate ethics, and the establishment and giving instructions of the Yurtec Corporate Code of Conduct and the Corporate Ethics Code, which describe the code of conduct in the course of operations• Enhance and review training and education to further raise awareness of corporate ethics on a Group-wide scale →System for adherence to corporate ethics and legal compliance (P58)• Establish the Working Style Reform Promotion Committee to promote improvement of operations and efficiency improvement toward the overtime work cap regulations		
Natural disasters	The Group's business results and financial condition may be affected if large-scale natural disasters such as earthquakes and typhoons or the spread of new infectious diseases similar to COVID-19, etc. cause construction work to be interrupted or substantially delayed, or if business offices of the Group suffer large-scale damage and business activities become stagnant.			●		●				—	●		<ul style="list-style-type: none">• With regard to natural disasters, the Company will review and strengthen disaster prevention plans for each business site based on hazard maps designated by the national and local governments.• With regard to COVID-19 and new infectious diseases, the Crisis Management Headquarters will review and implement measures to prevent the infection and spread of the disease, ensure the safety of employees, and consider the impact on business continuity, in consideration of social trends.• After the infection has subsided, the Company will further strengthen the Business Continuity Plan (BCP) by reexamining issues related to responses, etc.		
M&A-related	The Group's brand may be damaged and the operating results and financial condition may be affected in the event of business deterioration, construction errors, problems, or misconduct at investee companies.					●				—	●		Ensure that external experts conduct pre-investment surveys (due diligence), post-investment management, and provides guidance and support		

Value Creation Story

Strengthening Our Business Base for Sustainable Growth



Our growth strategies

The Company has established a total of 30 billion yen as a growth investment budget in its Medium-Term Management Plan until FY2024. To date, the Company has steadily strengthened the base of its existing businesses by making Air Conditioning Enterprise Co., Ltd. and SIGMA ENGINEERING JSC in Vietnam wholly-owned subsidiaries, in September 2020 and in June 2021, respectively. In addition to strengthening existing businesses such as active investment based on growth strategies including M&As, we will continue to actively allocate resources to develop new areas, expand earnings through the promotion of DX, and develop human resources to support growth, thereby building a business base and strengthening competitiveness.

Investment in strengthening business base

Going forward, in order to strengthen our existing businesses, we will give top priority to investments such as increasing orders for indoor wiring, air conditioning renewal work, and work on information and telecommunications facilities incidental to building construction centered in the Tohoku and Niigata regions, and strengthening construction capacity to increase orders for renewable energy-related construction such as large-scale wind power plants planned in the Kanto region, overseas markets, and Tohoku regions.

At the same time, we will work to improve our corporate value with a view to developing new business areas, such as participating in smart society projects in collaboration with Tohoku Electric Power Group and promoting initiatives for carbon neutrality.

Message from the officer in charge

It is essential to establish a growth strategy to increase corporate value and achieve sustainable growth. The Company will work to achieve the quantitative targets of its Medium-Term Management Plan by formulating a growth strategy in line with the business environment and making swift adjustments to the course of our actions in response to changes in the business environment.

To promote DX, we will further improve the efficiency of on-site operations and increase earnings by digitalizing outsourcing contracts and utilizing digital technologies such as AI, going forward.

Investment in human capital

Based on the belief that “Yurtec’s greatest assets are our human resources,” we recognize that the realization of human capital management is an important issue to be addressed to realize sustainable growth of the Company, even in the face of significant changes in the business environment. Since human resources are the source of value creation for the Company, we are promoting the creation of a work environment in which each employee can experience growth and work satisfaction, and enhance their engagement.

Specifically, we are focusing on continuing and deepening work style reform, creating opportunities for diverse human resources to demonstrate their individuality and abilities, and creating a work environment that achieves work-life balance to provide a comfortable workplace for all. At the same time, we have been working on health management since 2021 based on our belief that maintaining and improving the health of our employees is essential to the development of the Company.

In addition, we are actively engaging in efforts to improve our corporate value by establishing the Human Resources Strategy Project, which examines and plans new human resources strategies, placing the work satisfaction and ease of working for young employees and those working on-site as the most important themes.

Going forward, as a general facility engineering company, we will continue to fulfill our social mission through the stable supply of electricity and responses to emergency disasters. We will also build and strengthen our business base by actively investing in existing businesses and growth fields to achieve both social value and economic value. We appreciate your continued expectations for the Group.

Business Overview of the Company

Sales Headquarters
Business & Sales Planning Department, Sales Department,
Solutions Sales Department, Overseas Business Division

Ikumi Kobayashi
Representative Director & Executive Vice President
General Manager of Sales Headquarters



Recognition of the external environment

Public investment has been firm, and private capital investment has also been on a recovery trend due to the rebound from the COVID-19 pandemic. Due to a trend toward returning to Japan in the manufacturing industry, new semiconductor and automobile-related factories are being established, as well as new data centers in response to the rising demand for cloud computing. At present, it is necessary for all companies to maximize the adoption of energy-saving and energy-generating measures to realize a decarbonized society, and we believe that this will become a corporate social responsibility in the future.

Review of FY2022

Orders received stood at approximately 111.0 billion yen, which exceeded those of the previous fiscal year, mainly due to bulk orders for the installation of indoor wiring/air-conditioning and plumbing for large-scale factories and hospitals in the Tohoku region and large-scale commercial facilities in the Kanto region. With regard to renewal work, we are actively offering sales proposals in line with customer needs and putting efforts into expanding orders. In the overseas business, we worked to expand our business by sharing the know-how of two overseas companies of the Yurtec Group, including receiving orders for large-scale complex facilities mainly in Vietnam.

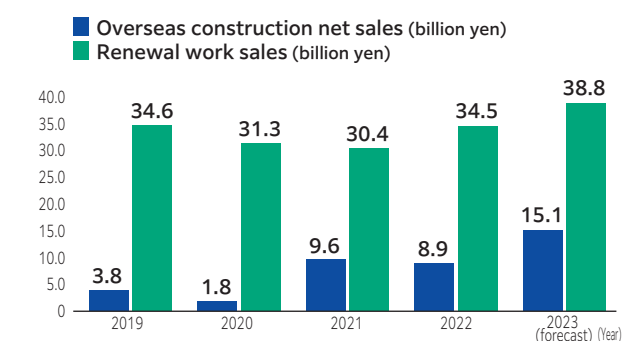
Business environment and future initiatives (focus initiatives)

We expect that the current situation will continue for several years to come as the number of requests from customers is increasing. The requirements of

customers and society for building facilities are becoming more sophisticated every year. To meet their requirements, it is necessary for us to participate in projects from the planning stage utilizing our advanced skills and experience. We will create a database of the results of past construction work and engage in efforts to promptly provide customers with the best technology proposals at the best time.

Business strategy (strengths and weaknesses)

In addition to areas where our business base has been established through community-based sales activities in the Tohoku and Niigata regions, etc., we will continue to expand into the Kanto region and overseas, which we position as growth areas, taking into consideration the changes in line with the times such as the declining population in Tohoku. Moreover, while continuing the renewal work that we have focused on in our business areas, we will continue to work on projects such as data centers that are expanding their market size with the aim of acquiring more customers.



Message from the officer in charge

Orders continue to be strong, thanks to the development of better relationships with customers and active sales proposals. Given that the volume of work for new properties and renewals is expected to remain steady in the future, we see this as an opportunity for further growth in the Company. By having our sales representatives conduct more proactive sales proposal activities than ever before, we will achieve an increase in

orders received not only for our mainstay indoor wiring work, but also for the air-conditioning and plumbing as well as information and telecommunications construction work, which still have room for growth.

Although the business environment continues to change daily, we will strive to improve our corporate value by identifying changes in global trends and actively taking on challenges in growth areas.

Value Creation Story



Engineering Headquarters
Electrical Installation Department, Air Conditioning and Plumbing
Installation Department, Information & Communications Department

Koji Miura
Director & Managing Executive Officer
General Manager of Engineering Headquarters

Recognition of the external environment

Although the volume of construction work has been on the rise in the post-COVID-19 period, such needs are not adequately addressed as a result of labor shortages. Furthermore, the construction industry is also facing the “2024 Problem.” In addition to the aging and decreasing workforce, which has been an issue for some time, there are also major challenges for each company, such as addressing stricter overtime work cap regulations, and issues of how to secure the number of human resources, which will become insufficient in line with the new regulations. There are extensive challenges that need to be solved, such as securing appropriate construction periods, improving work efficiency through adoption of DX, improving treatment of employees such as wages and benefits, and improving the public impression of the construction industry. The results that can be produced by the efforts of each company alone are limited, and the entire industry must face these issues sincerely and overcome them.

As the trend in building facilities advances toward the Zero Energy era in line with the changing times, energy-saving technologies that reduce energy consumption of water and electricity and energy-generating technologies that create energy for their own consumption are expected to further develop. Going forward, photovoltaic and wind turbine power generation systems will continue to be actively introduced. The extent of growth of other technologies such as hydrogen power generation is also gathering attention. In addition, the successful combination of these technologies and their generated energy with energy-storing technologies, is considered to be the solution to further accelerate the realization of a decarbonized society.

At the same time, we need to actively incorporate DX and AI technologies as a means to solve various issues in the construction industry. In addition, the full utilization of ICT technologies will enable faster and more efficient operations, and a further improvement in productivity is anticipated despite the faster-than-expected rate of decline in birthrates and aging population.

Review of FY2022

Net sales were 106,656 million yen (an increase of 6,916 million yen year-on-year), which exceeded the

previous fiscal year, as we secured more volume of on-hand construction projects than average at the beginning of FY2022 and the large-scale plant and facility construction progressed as planned in the Tohoku region. In addition, the amount of construction contracts in progress at the beginning of FY2023 has also significantly exceeded those of the previous fiscal year. We will continue to improve our earnings while enhancing our technical capabilities and securing construction systems. The next-generation synchrotron radiation facility NanoTerasu in Sendai City, is attracting attention from domestic and overseas companies, universities, and research institutes as a synchrotron radiation research facility. The Company’s technological capabilities are utilized in the electricity which provides power to the NanoTerasu. We will continue to contribute to the development of local communities and economic activities by actively contributing the Company’s technological capabilities to these iconic properties. As part of our efforts to address the overtime work cap regulations, we are working to reduce the burden on on-site agents by setting up Business Support Centers and Construction Chart Support Teams in our Head office and branch office organizations. We have also effectively utilized tools and systems that improve on-site operational efficiency to improve business efficiency and increase earnings. The in-house developed automatic illuminance measuring robot can measure whether lighting equipment is maintaining illumination (brightness) at any point of choice in a large area, which leads to efficiency improvements. In addition, the use of tools to manage documents such as blueprints, process schedules, and photographs taken on-site on tablet devices has improved efficiency through information sharing and reducing carried hard-copy materials through digitalization. We will continue to promote DX in order to maintain and strengthen our corporate competitiveness, and we will actively engage in the use of the latest digital technologies that lead to improvements in on-site work efficiency.

Business environment and future initiatives (focus initiatives)

Though it is possible to say that the business environment is improving since the Company has been able to secure a stable construction volume,

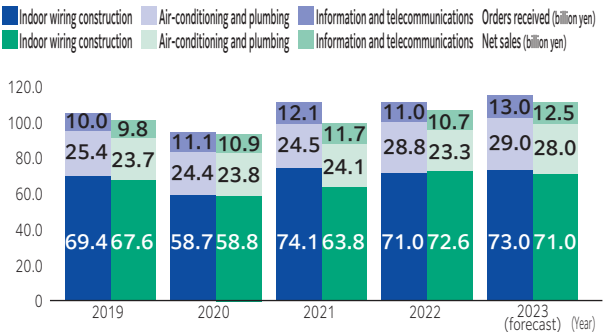
the Company will remain vigilant in the current situation, and proactively take measures against even minor challenges with a sense of urgency in order to achieve further growth. One of the initiatives that the Company will focus on in the future is technology proposals for customers through the effective use of proprietary data obtained in our track record of construction projects. As building facilities become more diverse and sophisticated, the Company must respond to each and every customer request with care, flexibility and precision. What is necessary to realize this is to effectively utilize the information and data obtained through experience and achievements in future construction projects. This will lead to the provision of facilities with high cost performance and high satisfaction to customers. In addition, we believe that companies that have the ability and track record of proposing energy-saving and energy-generating technologies will have an advantage in the planning and design procedures and construction of building facilities to realize a decarbonized society in the future. By organizing and accumulating various information that the Company has obtained through construction management, and further deepening our understanding of them, we hope to further improve our technology proposal capabilities and utilize it for new construction work, as well as connecting it to AI technology. Another focus is on nurturing human resources. To address the issue of labor shortage, we will review our previously standardized in-house education and seek to establish a new education system by introducing e-learning and other education systems to quickly increase the workforce of young employees and improve the overall level of employees. We aim to become a constantly growing company by enhancing our overall capabilities through challenging ourselves to solve various challenges.

Business strategy (strengths and weaknesses)

As a company with roots in the Tohoku and Niigata regions, we will actively engage in local projects and enhance our track record. Construction plans for

semiconductor- and automotive-related plants and data centers are expected to continue in the future. In particular, demand for the construction of data centers is expected to grow both in Japan and overseas. Accordingly, the Company will build its know-how by accumulating more results than ever before, thereby improving our competitiveness. At the same time, the Company will actively participate in the Sendai City Center Redevelopment Project which is currently being promoted by Sendai City to realize the city’s vision as a New City of Trees. We recognize that one of our social contributions is to play a role in the development of the region by working together with the government as a local company.

Renewal work in building facilities is expected to continue accelerating as a growth area from the viewpoint of sustainability and considering the declining birthrate and aging society. The Company will refine its skills more than ever as a good advisor and builder to its customers by creating a database of customers’ buildings it has previously worked on, and by proposing the most appropriate technology in accordance with the time of renovation of facilities and equipment. In addition to these methods, we will need knowledge of ZEB from energy-saving and energy-generating perspectives, as well as know-how to incorporate these technologies to the maximum extent, going forward. Since we completed registration with the ZEB Planner System and the ZEB Leading Owner System in 2022, we will strive to expand our business as a ZEB planner by utilizing our knowledge in the future.



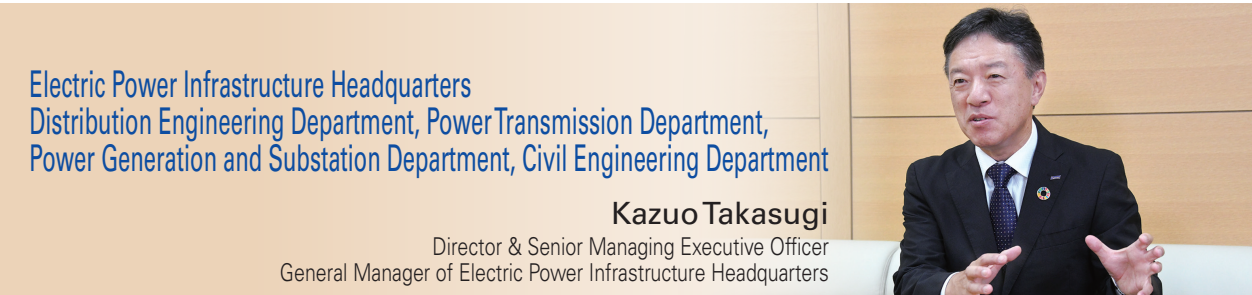
Message from the officer in charge

The construction market is on a recovery trend to return to pre-COVID-19 standards. At the Company, construction systems are being tightened due to an increase in the volume of construction in progress, and this situation has continued throughout the current fiscal year. On the other hand, since it is necessary to comply with the overtime work cap regulations, which will be applied to the construction industry from April 2024, we must further promote efficiency improvements such as human resource development and DX of construction management.

In the medium to long term, it is important to further build up our track record in construction

projects and pass on technology to the younger generation, with a view to strengthen and build technological capabilities that will take advantage of the Company’s strengths. We are working to improve the working environment so that we can handle daily construction management while boldly taking on any challenges we face.

Our mission is to firmly protect the Yurtec brand of Safety, Quality, and Reliability to address all matters in a future-oriented manner with a sense of urgency and strong determination, and aim to further increase profits and become the company of choice for our customers.



Recognition of the external environment

The external environment surrounding our Headquarters includes the need to respond to severe natural disasters such as heavy rains and wind storms, which have been intensifying over recent years, and to strengthen the resilience of aging power facilities, as well as the full-scale development of the backbone power grid and large-scale wind power plants to expand the introduction of renewable energy considering the achievement of carbon neutrality by 2050.

Damage to power infrastructure facilities caused by natural disasters has occurred in recent years. In the instance of facility damage due to heavy rains in Aomori and Niigata Prefectures in August 2022 and heavy snow on the Sea of Japan coast, mainly in Sado City, Niigata Prefecture, in December 2022, we have received requests from Tohoku Electric Power Network to support disaster recovery efforts.

With regard to the aging of facilities, as many transmission and distribution facilities were installed during the period of high economic growth, Tohoku Electric Power Network plans to systematically update major facilities, such as steel towers, concrete columns, electric wires and cables, and transformers, in order to maintain facilities. Considering this, the Company makes it its challenge to provide actively design cooperation, technical support, and proposals for construction methods to receive orders.

With regard to the backbone power grid maintenance plan, construction has begun in the enhancement and maintenance work within the Tohoku Electric Power Network, including the construction for two-route conversion for the 500 kV Tohoku-Tokyo interconnection line on the Pacific side, and the construction of a new 500 kV transmission and substation facility and the step-up construction from 275 kV to 500 kV on the Sea of Japan side.

With regard to renewable energy-related construction, the large-scale introduction of renewable energy is planned with a view to achieving carbon neutrality by 2050, and the Tohoku region is listed as a suitable location in the Vision for Offshore Wind Power Industry of the Ministry of Economy, Trade and Industry. The challenge we are facing is how to expand orders received for renewable energy-related construction, which is a growing market, by taking advantage of our experience in receiving and executing many large-scale wind power plant construction projects.

Review of FY2022

Looking back at FY2022, the renewable energy power plant construction plans for general construction projects

was postponed by each business operator in light of the international situation. However, orders received for Tohoku Electric Power and Tohoku Electric Power Network projects, such as construction to address the aging of facilities and maintenance work on the backbone power grid remained firm. In addition, as a result of efforts to improve productivity through the conversion of ordering methods and the utilization of new technologies and mechanical capabilities, orders received by our Headquarters increased slightly from the previous year. Although net sales and operating income were slightly lower compared to the strong performance in the previous fiscal year, they remained high in terms of orders, sales, and operating income, in light of past results.

Looking at trends in each division, the Power Distribution Division steadily received orders for construction to address aging of facilities. It was able to make progress in construction by increasing the efficiency of electrical workers by placing split orders with civil engineering companies for prospecting and excavating utility pole holes, and by increasing productivity through the expanded introduction of the single-person indirect hot-line work technique.

In the Power Transmission Division, we received an order for a large-scale contract for maintenance work on the backbone power grid, such as the construction of new steel towers for the Dewa main line. We are engaged in construction work while working to improve efficiency by utilizing new technologies and mechanical capabilities, such as the use of drones for the construction and inspection of transmission lines.

In the Power Generation and Substation Division, in addition to the construction of a new 500-kV wide-area interconnection switchyard, we received a number of orders for the renovation work of extra-high voltage transformer facilities for general customers such as factories.

In the Civil Engineering Division, the progress of construction work such as underground pipeline work and power generation and substation buildings was favorable. It is also working to respond to and secure orders for route surveys, measuring, and design work related to renewable energy.

Business environment and future initiatives (focus initiatives)

As mentioned in the external environment section at the beginning, in recent years, the risk of major damage to power infrastructure facilities has increased due to the effects of large-scale natural disasters such as earthquakes, typhoons, heavy rains, and heavy snows.

In the event of an emergency, the Company plays the role of contributing from the construction perspective to the early restoration and stable supply of electricity based on requests from Tohoku Electric Power and Tohoku Electric Power Network. Therefore, we are constantly working to pass on our technology and skills to the younger generation and to establish a communication system and support system in the event of an emergency.

In addition, investment plans for aging facilities that contribute to the stable supply of electricity and the strengthening of disaster resilience, as well as the maintenance of the backbone power grid for the expansion of the introduction of renewable energy, are expected to remain robust under the new wheeling charge system for electricity rates.

In addition, although construction plans for renewable energy-related construction are currently being postponed due to soaring material prices and delayed deliveries, many large-scale wind power projects are planned in the Tohoku area, which is the base of our company's business. Thus, the number of related work is expected to increase further in the future, due to the brisk demand for route surveys and design work for interconnected lines.

Going forward, we will continue to focus on increasing orders for electric power construction, renewable energy-related construction, and general and government construction in a best-mix manner, while striving to secure earnings by reducing costs and improving productivity.

Business strategy (strengths and weaknesses)

As mentioned above, it is important to secure orders for each construction project in a best-mix manner, and to link them to construction. However, the labor shortage due to the declining and aging population has become a social issue, and it is a challenge to secure construction capacities, including those of the Group and of partner companies.

Message from the officer in charge

Our Headquarters' role is mainly to support the social infrastructure of the Tohoku area, such as electric power facilities, renewable energy-related facilities, and power receiving and transforming equipment of our customers from construction perspectives, thereby contributing to the stable supply of electric power and the development of local communities, and the expansion of our earnings.

The first of our initiatives to achieve this goal, is to make efforts to restore power infrastructure as quickly as possible when it is damaged by natural disasters such as earthquakes, typhoons, heavy rain, and heavy snow, by utilizing the technical capabilities and experience we have accumulated over the years, as well as our construction capabilities, including those of Group companies and partner companies.

Second, we will focus on securing construction capacity and nurturing human resources in order to ensure that we receive orders and conduct construction to address

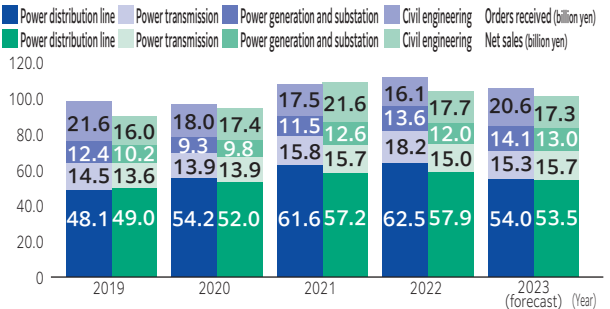
At the same time, we recognize that it is necessary to strengthen our sales capabilities and thoroughly reduce costs to enhance our competitiveness.

To secure construction capacity, we are focusing on our recruitment activities, and providing various support, such as creating recruitment PR materials on the websites of Group companies and partner companies, and accompanying them to school visits during recruitment activities.

In addition, in order to make the workplace more attractive and comfortable for young people to work in, we are working to secure holidays and promote taking leave by adjusting construction schedules. We are engaged in efforts to improve the working environment by utilizing machinery and IT equipment to save labor and improve efficiency. We are also working to enhance the content of our employee-training curriculum so that employees can work with good communication and a sense of work satisfaction.

To strengthen our sales capabilities, we will work with our Sales Headquarters and Renewable Energy Headquarters to expand the number of orders.

As for cost reduction, we will conduct cumulative cost assessment, including material procurement costs, when we estimate and receive orders for construction projects, to reduce costs through VE proposals that are better meet customer needs. We will also increase work efficiency and improve productivity through the use of special vehicles, such as vehicles for replacing utility poles in their original positions, and drones that shorten the construction period.



the aging of facilities that contribute to resilience, as well as for the maintenance of the backbone power grid and renewable energy-related construction with a view toward achieving carbon neutrality.


Third, we will make efforts to secure days off from work for workers, improve the work environment, and improve productivity and operational efficiency through mechanical capabilities and new technologies to realize a more comfortable and attractive workplace, amidst the ever-changing environment surrounding the construction industry.

These efforts are based on the safety of the workplace, the quality of work, and the trust of stakeholders, and therefore shall be prioritized.

Going forward, we will continue to work in collaboration with each headquarters and division to learn from each other through friendly competition, and strive to increase earnings and enhance corporate value.

Renewable Energy Headquarters
Renewable Energy Division

Hideaki Yoshizaki
Managing Executive Officer
General Manager of Renewable Energy Headquarters and
General Manager of Renewable Energy Division



Recognition of the external environment

Due to the impact of the recent invasion of Ukraine by Russia and the depreciation of the yen, power generation companies were forced to review their plans due to rising procurement costs and delays in delivery dates.

On the other hand, with a view to achieving carbon neutrality by 2050, the Vision for Offshore Wind Power Industry of the Ministry of Economy, Trade and Industry indicates that the Tohoku region is a suitable location, and many large-scale offshore wind-related construction projects are being planned, which is currently attracting attention. However, there are overlapping projects scheduled to start operations by 2030 in the renewable energy business plan centered on offshore wind power generation, and securing construction capacity is expected to be an issue, as construction work will concentrate in the Tohoku area at the same time. In addition, due to growing demand for preparedness against climate change and increasingly severe disasters, locally produced and consumed energy systems, which combine distributed power sources and power storage systems to enable self-sufficiency in electricity, are also attracting attention.

Under such an external environment, the Company will make the most of its capabilities as a general facility engineering company by utilizing the technological and construction capabilities it has cultivated thus far to realize the government's goal of carbon neutrality.



Eurus Higashiyurihara Wind Farm (Akita Prefecture)

Review of FY2022

In FY2022, due in part to the external environment described above and the rebound from orders received for large-scale wind power generation projects in the previous fiscal year, new orders received totaled 8,119 million yen (down 6,715 million yen and 45.3% year-on-year) which is significantly lower than the previous fiscal year.

Net sales decreased significantly from the previous fiscal year to 14,850 million yen (down 9,120 million yen and 38.0% year-on-year), mainly due to a decrease in new orders received.

However, as the number of design requests for future projects from power generation companies and others remain robust, we will respond to customer requests as much as possible and actively work to win orders for future projects.



Nihonmatsu Solar Power Plant (Fukushima Prefecture)

Business environment and future initiatives (focus initiatives)

One of our issues is securing and strengthening construction capacity. As a local company, we have a network of construction capacity throughout the Tohoku region. We will make the best use of these local community advantages to secure construction capacity.

In large-scale renewable energy-related work, private power transmission lines, which link the generated electricity to power transmission lines, have become longer. In particular, private power transmission lines using underground cables have become mainstream. As we receive many bulk orders for construction projects involving multiple construction types, such as civil engineering, power transmission, power generation and substation, and information and telecommunications, we will strive to demonstrate the comprehensive capabilities of the Company's Construction Department. In particular, in the construction of transmission lines using underground cables, many of them will be buried under public roads such as prefectural and municipal roads and it is necessary to consult meticulously with local governments and give due consideration to local communities in order to obtain permission. The Company has accumulated technological capabilities and know-how through the construction of electric power facilities and has been supporting customers as a local company.

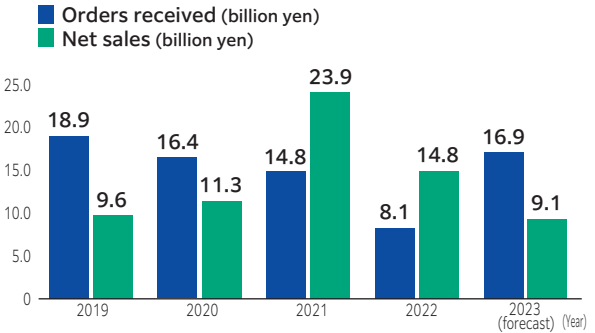
In addition, in July 2023, we established the Renewable Energy Headquarters, and began reinforcing our internal system to enable design across multiple construction projects. Furthermore, we are working to strengthen our systems with a view to carbon neutrality in general, such as by strengthening our construction systems by expanding our workforce and planning future disposal of solar panels. We will continue to work to secure new hires and experienced employees, and will also put in efforts to nurture human resources to develop their skills at an early stage.

Business strategy (strengths and weaknesses)

In renewable energy, as exemplified by photovoltaic and wind turbine power generation, it has been difficult to generate a constant amount of electricity due to weather conditions. To resolve this issue, demand for storage batteries is expected to increase. We will focus on the design and construction of stable power supply systems in addition to the building of power generation facilities we have conducted to date.

In addition, with regard to the operation and maintenance (O&M) business of power generation facilities related to renewable energy, we will contribute to the sustainable operation of power generation facilities in cooperation with the Group companies of the parent company, Tohoku Electric Power Co., Ltd.

On the other hand, with regard to the renewal and disposal of photovoltaic and wind power generation facilities at the end of the FIT period, we will continue to collect information and work to expand our business so that we can demonstrate the technological capabilities and know-how we have accumulated from our construction experience when such opportunity arises.



Message from the officer in charge

The Company has been engaged in the renewable energy business for more than 20 years, and possesses technological capabilities and know-how cultivated through an extensive track record in construction and experience. In the Tohoku region, a number of large-scale wind power-related construction projects, including offshore wind power generation, are being planned. To contribute to this market with such a huge potential, as a local company, we will make full use of our construction capacity network that utilizes the advantage of the local community of the Tohoku region, and provide

our customers with advanced technical capabilities as a comprehensive facility engineering company.

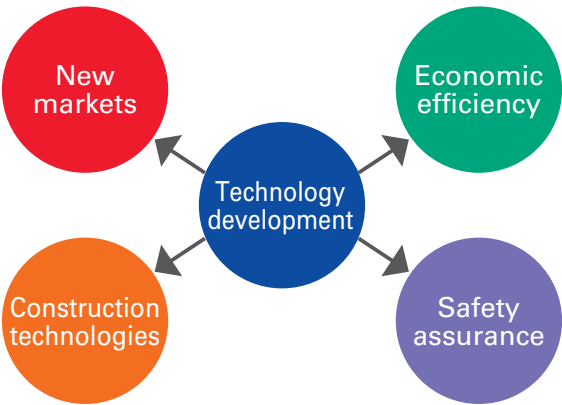
In addition, as the movement toward carbon neutrality accelerates, there is a growing need for the introduction of renewable energy, and the Tohoku Electric Power Group is actively engaged in sales activities. In this context, the Company will continue to collaborate with the Group in the installation of photovoltaic power generation equipment at customer facilities (PPA business) and the storage battery business to promote the introduction of renewable energy.

Value Creation Story

Technology Development Initiatives

Basic concepts on technology development

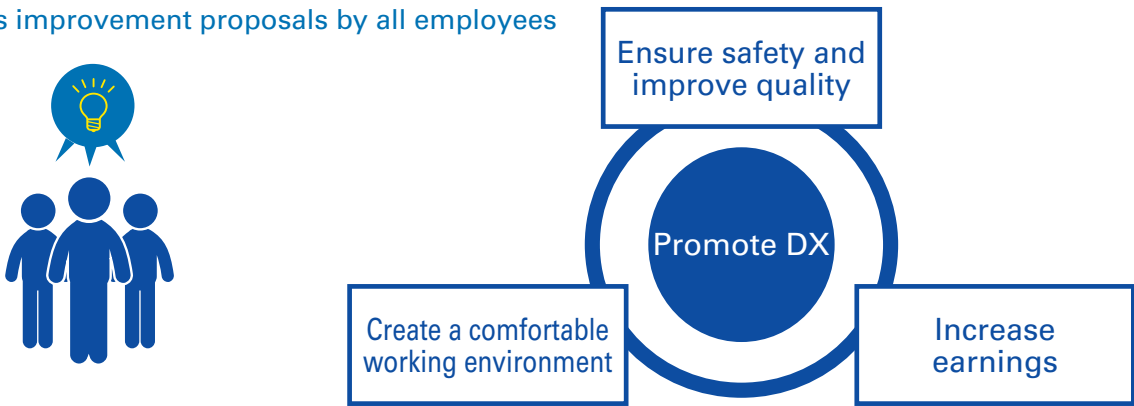
As a pioneer in technology, Yurtec considers technology development to be its core business. This business drives the construction of more sophisticated and quality facilities and the development of systems, and allows our corporate activities to advance to the next stage. It is essential for us to pioneer new concepts in a flexible manner with a great deal of forethought and creativity. We enthusiastically strive to build new markets and enhance economic efficiency by launching our technologies, while improving our construction technologies and assuring safety in response to the demands from our clients and society.



Basic Policies in the Medium-Term Management Plan

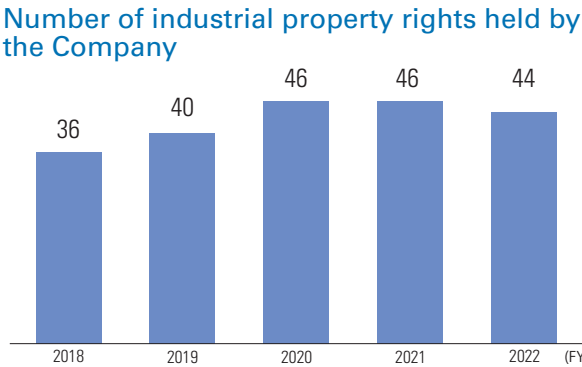
The social environment surrounding the Company is changing rapidly, including the establishment and acceleration of coexistence with/post-COVID trends, the challenge of becoming carbon neutral by 2050, and accelerating DX. In addition, there are many issues to be solved, such as the eliminating serious disasters and addressing rising labor and material costs. In order to respond to these changes in the business environment and refine the Yurtec brand, we will develop technologies based on the three perspectives with a view to DX. We will also promote business improvement proposals by all of our employees to ensure safety and improve quality, as well as to increase earnings and create a comfortable working environment.

Business improvement proposals by all employees



Initiatives for industrial property rights

We are promoting the acquisition of rights through industrial property rights to protect and utilize the results of technological development (patents, utility models, designs and trademarks).
In FY2022, four patents and one trademark were filed, and one trademark was registered. As of March 2023, the Company holds 44 industrial property rights (30 patents, 4 utility models, 8 designs, and two trademarks).



Specific technological development initiatives

Technology development is a very important task for the development of the Company. The Company has set “a company that further improves construction technology capabilities and actively pursues research and development of new technologies” as one of its corporate images, and is actively and vigorously promoting technological development. This section introduces the Company’s specific technological development results.

Cable rack vibration control system

Development of a system to reduce vibrations by mitigating seismic load on cable racks with anti-seismic rubber

Following the Great East Japan Earthquake, there were cases whereby cable racks were damaged due to strong tremors and considerable time was required for restoration and re-starting electricity transmission. In principle, the cable rack vibration control system is a device that utilizes the elasticity of rubber, which can reduce earthquake acceleration by up to 40% and reduce seismic load applied to the rack, thereby mitigating tremors. It can also be installed onto existing hanging bolts. There are expectations for this device as a tool that contributes substantially to the Business Continuity Plan (BCP) by minimizing damage.

- Major industrial property rights: Patent No. 5934172 “Vibration control structure of cable support material”



Utility Pole Replacement Method Using the Original Hole: Utility Pole Base Location Reconstruction Vehicle (SQUIP)

Development of a relocation device that can complete the long-term construction for utility pole replacement using the original hole as fast as half a day

The replacement work for utility poles using the original hole was a two-step work, as we would relocate the distribution line to the temporary pole built near the original utility pole, then reinstall distribution lines back to the new pole. Therefore, in order to eliminate the simultaneous use of temporary poles and new poles, as well as to reduce the number of work blackouts and shorten the construction period, we have developed three types of equipment in phases: a weight type original hole tool, a sloping ground compatible (jack type) original hole tool, and a utility pole base location reconstruction vehicle (SQUIP). In particular, SQUIP is expected to reduce the impact on the surrounding residents by drastically shortening the construction period. As of March 2023, this system has been deployed at 16 sites and is used in our daily construction works.

- Major industrial property rights: Patent No. 6499789 “Device for utility pole replacement using the original hole, vehicle for utility pole replacement using the original hole, and utility pole replacement method using the original hole”



Protective ground panels for shallow layers

Development of protective panels installed between buried pipelines and the ground surface to prevent damage to buried pipelines during ground excavation

The Ministry of Land, Infrastructure, Transport and Tourism is promoting the removal of roadside utility poles and laying electric wires underground. Since many of these works are installed underground, they are more expensive than the overhead wiring method. As such, there are requests to install them in shallower layers in order to cut costs, while it is also necessary to take measures against damage when excavating the ground. This development is a protective plate made of aramid fiber at a low cost with improved strength, which protects electric wires from cutters and electric picks while cutting pavement.



- Major industrial property rights: Design No. 1671030 “Protective equipment for underground installments”
- NETIS Registered product for underground base course: MHB-4560MY
- Product jointly developed with Mirai Industry Co., Ltd.

Sustainability Initiatives

Sustainability Promotion System

In response to climate change issues and the intensification of natural disasters, sustainability initiatives are particularly being strongly called for towards achieving the Sustainable Development Goals (SDGs) adopted by the United Nations as common global development goals to be achieved by 2030.

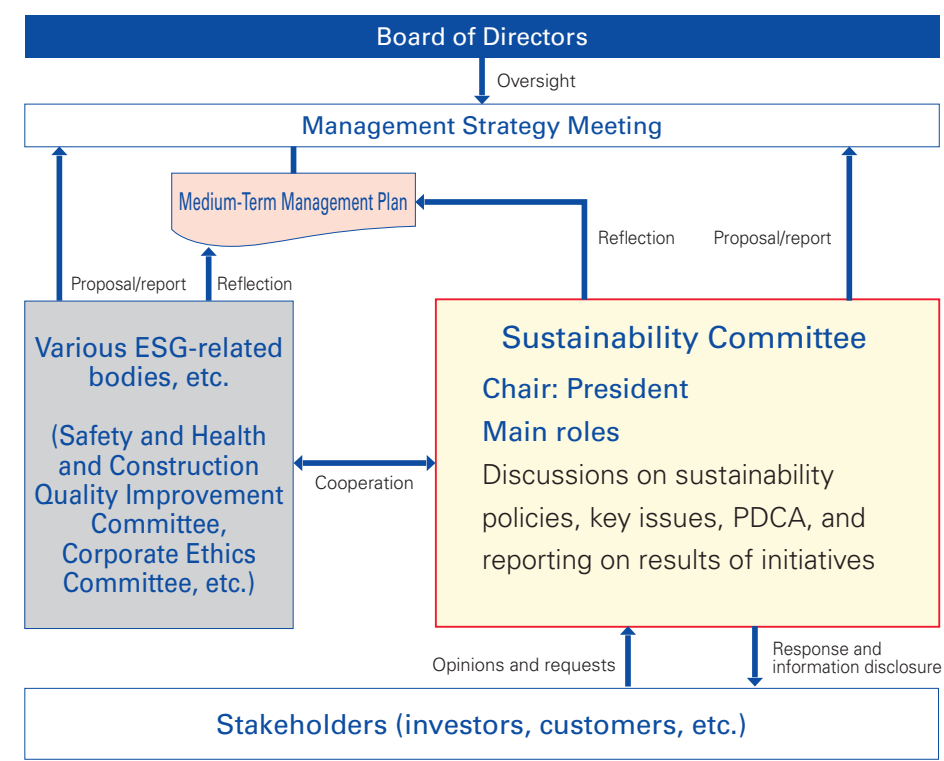
Particularly our stronghold regions, the Tohoku region and Niigata Prefecture, are faced with serious social issues such as climate change, intensification of natural disasters, decreasing population, declining birthrates and aging population, and we are actively promoting sustainability initiatives from the perspectives of environment, social, and governance to tackle these challenges, aiming for sustainable growth and improvement of corporate value.

Under these circumstances, issues such as utilization of human capital including diversity as well as human rights have become more apparent in recent years, in addition to consideration for the environment. As such, taking into account the trends of society and the perspective of stakeholders, we have comprehensively reviewed the sustainability issues the Company should prioritize, and to reflect the future direction in our Medium-Term Management Plan, we established the Sustainability Committee chaired by the President in October 2023, and also set up a Sustainability Group within the General Affairs Department to serve as the driving force for sustainability initiatives.

The Sustainability Committee deliberates on the sustainability policy, key issues, and PDCA, and reports on the results of the Company-wide sustainability initiatives, broadly discussing the Company's approach to social issues related to sustainability. In addition, the content of deliberations is overseen by the Board of Directors with the aim of strengthening governance, and the perspectives of External Directors are also utilized in our sustainability initiatives.

Through the establishment of such sustainability promotion system, under the leadership of the President who chairs the Sustainability Committee, the entire Company will continue to promote sustainability initiatives and work together with stakeholders to co-create social and economic value.

Diagram of Sustainability Promotion System



Environmental Efforts

Environmental Policy

As a general facility engineering company, the Company operates and manages business spanning from research, planning, design, construction, to maintenance services in the fields of electric power distribution facilities, electrical, air conditioning, water supply and drainage, information and telecommunication facilities, and civil engineering.

We are also actively engaged in the research and development of efficient use of natural energy that is in harmony with the global environment, and the reuse of waste through the establishment of a recycling business company.

We will conduct our business activities with due consideration of reducing our environmental impact based on our Basic Environmental Policy of "We will actively promote environmental management activities and implement continuous improvement in consideration of the impact on the environment, while complying with environmental regulations and agreements for the future of people and the planet."

Yurtec's Action Guidelines

1. We promote the application of the environment management system in an effort to continuously enhance environment management activities, prevent environmental contamination, and work toward environmental conservation.
2. We strictly observe environmental laws, ordinances, regulations, agreements, etc.
3. We promote the reduction of environmental burdens by recognizing the impact on the environment, which is brought about by business activities and affairs relating to design, construction work and work management, and implementing a variety of activities relating to the prevention of environmental pollution, reduction of waste, recycling, resources, and energy-saving.
4. To alleviate the impact on the environment, we designate environmental goals and objectives, and revise and improve them from time to time.
5. As a member of the community, we attempt to cooperate and live together with local residents, and preserve the environment.
6. We ensure that the entire personnel of our head office and branch offices as well as our suppliers are aware of our environmental policies, strive to reinforce their awareness for environmental issues, and disclose such policies to the public.
7. We deploy various efforts to reduce environmental burdens, and implement environmental management activities on a company-wide basis.

International Standard ISO Certification

The Company operates and manages business based on our Corporate Philosophy of "We cooperate with customers in creating value, and contributing to society."

We consider initiatives for environmental issues as one of our key management issues for fulfilling corporate social responsibility, and we are engaging in activities utilizing a variety of environmentally-friendly technologies for the future of humanity and the planet.

Out of this commitment to the environment, we have obtained the international standard certification ISO 14001 Environment Management System, and are resolved to further improve and enhance our environmental initiatives.

ISO 14001 Certification

Certification date: December 20, 2001
 Certification body: Management System Assessment Center (MSA)
 Certified systems: Headquarters operations related to the design and construction of electrical, air conditioning, water supply and drainage, power distribution, power transmission, power generation and substation, civil structures, buildings, information and telecommunication facilities
 Related organizations included in the scope of certification: all departments within Headquarters

Sustainability Initiatives

Information Disclosure based on TCFD Recommendations

Disclosure based on TCFD Recommendations

Task Force on Climate-related Financial Disclosures

As a member of the Tohoku Electric Power Group, based on the Tohoku Electric Power Group Sustainability Policy, we are actively promoting sustainability initiatives through the realization of “Working alongside next,” the Tohoku Electric Power Group’s Medium- to Long-Term Vision and the Carbon Neutral Challenge 2050. We recognize that addressing climate change is a key issue in realizing a sustainable social environment. As such, we endorse the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and are advancing initiatives and information disclosures in line with the TCFD framework.

TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Governance

The Company positions sustainability promotion as a key management issue that should be addressed with priority, and under the responsibility of the officer in charge of general affairs, the General Affairs Department and related departments (Corporate Planning Department, Solutions Sales Department, Renewable Energy Division, etc.) take the lead to conduct cross-organizational discussions aimed at information disclosure in accordance with TCFD recommendations. Analysis and discussions with each department are conducted regularly (at least once a year), discussing various environmental issues including responses to climate change, and these issues are brought to the Management Strategy Meeting. In addition, climate-related agenda items at the Management Strategy Meeting are reported to the Board of Directors through the officer in charge of general affairs.

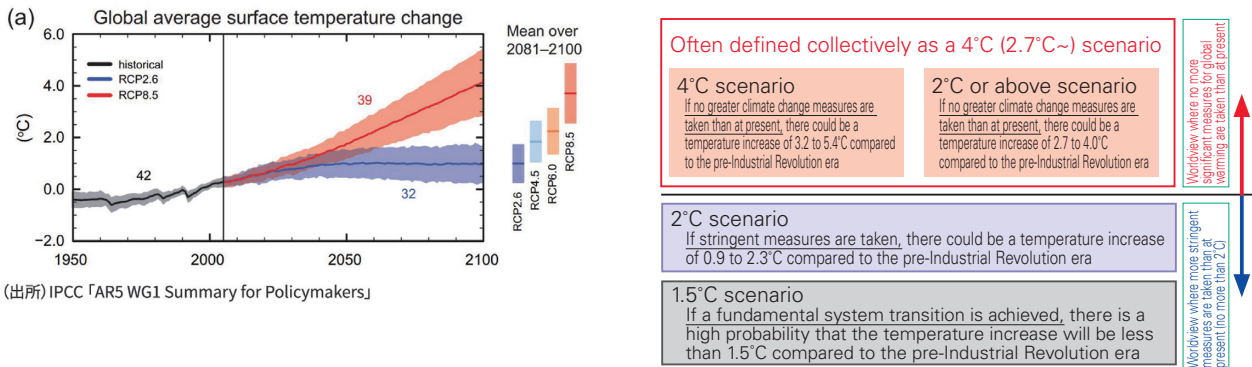
Strategy

Global warming, which is said to be the cause of the rapidly progressing climate change, is currently believed to be due to the increase in greenhouse gases (GHGs). The Intergovernmental Panel on Climate Change (IPCC) has concluded that it is highly probable that GHG emissions have increased due to the expansion of human activities since the Industrial Revolution, leading to the progress of global warming, and research on scientific evidence and frameworks for reducing GHG emissions have been advanced.

In the IPCC’s Fifth Assessment Report, climate predictions and impact assessments are carried out based on Representative Concentration Pathways, and analyses are conducted for multiple scenarios referred to as RCP1.9 to RCP8.5 based on differences in radiative forcing by the end of the 21st century.

Based on these IPCC reports, the International Energy Agency (IEA) and the Japanese government have also researched and published impact scenarios for the energy situation and social aspects under multiple temperature bands of 1.5°C to 4°C, and the Company is conducting scenario analyses by referring to these scenarios.

Under the oversight of the Board of Directors, the General Affairs Department and related departments (Corporate Planning Department, Solutions Sales Department, Renewable Energy Division, etc.) led the analysis and discussions on how climate-related issues and social responses to these issues could potentially impact the Company’s business and the entire supply chain, and identified climate-related risks and opportunities.



Risks

The scenario analysis identified that the introduction of policy measures to advance climate change mitigation, such as the implementation of a carbon tax and the enhancement of energy-saving policies, as well as risks such as extreme weather events and the rise in average temperatures, could significantly impact the Company’s performance.

No.	Types of risks as defined by TCFD		Overview of risks assumed by the Company	Impact on the Company				Measures to reduce risk	
				1.5 °C, 2 °C scenario*1		4 °C scenario*2			
				2030	2050	2030	2050		
R1	Transition (policies and regulations)	Progression of GHG emissions pricing <introduction of carbon tax>	A carbon tax would be imposed on the CO ₂ emissions during production for construction materials purchased by the Company for its business, resulting in increased prices for construction materials and higher procurement costs.		High	High	Low	Low	•Reduction of procurement costs by adopting construction materials with reduced CO ₂ emissions during manufacturing (low-carbon materials)
R2			A carbon tax will be imposed on CO ₂ emissions from equipment and construction work (fuel for construction vehicles and heavy machinery), which would increase construction costs and business costs		High	High	Low	Low	•Introduction of energy-saving vehicles and the development of construction methods that contribute to saving energy •Promotion of decarbonization through collaboration with subcontractors and manufacturers (decarbonization of construction machinery, etc.)
R3		Strengthening of energy-saving policies	Energy-saving measures within the business (such as saving electricity) would be called for, leading to the need for facility renovations to introduce energy-saving measures (introduction and renovation of low-energy-consumption equipment) and thus increasing capital investment costs.		Medium	Medium	Low	Low	•Installation of energy-saving air conditioning equipment •Installation of renewable energy equipment such as photovoltaic power generation systems in offices where installation is possible
R4	Physical (acute)	An increase in the severity and frequency of extreme weather events such as cyclones and floods	If the frequency of large typhoons and heavy rains increases, damage from flooding and destruction of office buildings may be incurred, which could hinder business continuity and lead to a decrease in sales and incurred costs to restore facilities.		Low	Low	Medium	Medium	•Consideration of business continuity plans such as relocating bases to avoid flood damage, renovating buildings to prevent destruction, securing evacuation areas for vehicles, and layout changes such as placing offices on the second floor.
R5			An increase in the frequency of large typhoons and heavy rains could make it difficult to commute and respond on-site, which can disrupt business continuity and lead to decreased sales.		Low	Low	High	High	•Formulating detailed action plans for business continuity during heavy rain and similar events (such as backup support from other business offices) •Preventing damage to personnel and minimizing the impact on business continuity
R6	Physical (acute/chronic)	An increase in the severity and frequency of extreme weather events such as cyclones and floods Extreme fluctuations in weather patterns	If the frequency of flooding and snow disasters increases in specific regions where customers are located, customers may relocate their plants and offices from disaster risk areas to avoid natural disasters, which can lead to decreased customers and a loss of sales.		Low	Low	High	High	•Proposing facilities that would be unaffected by natural disasters (installation of power receiving and transforming equipment at high locations, snow melting equipment, etc.) to prevent customer relocation
R7	Physical (chronic)	Rise in average temperature	An increase in temperatures during the summer can lead to insufficient capacity of air conditioning equipment, necessitating renovations to enhance the capacity of air conditioning equipment at each office, resulting in the burden of renovation costs.		Low	Low	Medium	Medium	•Phased implementation of air conditioning capacity enhancement through planned capital investment
R8			An increase in temperatures during the summer can increase heat stress, leading to decreased labor productivity and construction delays, which may require an increase in the number of workers, leading to increased business costs such as labor costs		Low	Low	Medium	Medium	•Improvement of working environment to combat heat (expanding the introduction of air-conditioned clothing, etc.)

*1: Worldview where more stringent measures are taken than at present (no more than 2°C) *2: Worldview where no more significant measures for global warming are taken than at present

Opportunities

As a result of the scenario analysis, we identified that providing products that meet the low-carbon needs of society and customers, and offering services aimed at adapting to climate change, could have a significant impact on the Company’s performance.

No.	Types of opportunities as defined byTCFD		Overview of the opportunities assumed by the Company	Impact on the Company				Measures for capturing opportunities
				1.5°C, 2°C scenario*1		4°C scenario*2		
				2030	2050	2030	2050	
O1	Products and services	Adaptation to the climate and response to risks through insurance	An increase in annual average temperatures will lead to increased needs for updating and enhancing capacity of air conditioning equipment, which could lead to an increase in sales along with the increase in order opportunities.	Low	Low	Medium	Medium	•Identification of needs for updating air conditioning equipment in line with an increase in the temperature and actively proposing equipment updates
O2	Products and services	Development and expansion of low-carbon goods and services	Sales will increase in line with growing demand for renewable energy-related construction work toward a decarbonized society. *Growing demand for renewable energy-related construction (wind power generation equipment, self-consumption type generation equipment, biomass power generation facilities) *Expansion of storage battery installation accompanying the installation of photovoltaic power generation equipment (storage of generated power)	High	High	Low	Low	•Promotion of technology development for design and construction aimed at the advancement of renewable energy-related business
O3	Products and services	Development and expansion of low-carbon goods and services	Opportunities to propose environmentally friendly facilities (ZEB, etc.) aimed at reducing CO ₂ emissions will increase, which could lead to an increase in sales along with the increase in order opportunities.	High	High	Low	Low	•Strengthen technology development and proposal capabilities aimed at realizing the business feasibility and comfort of ZEB conversion
O4	Products and services	Development and expansion of low-carbon goods and services	With the increase of electric vehicles, the expansion of related facilities (such as charging stations) could lead to an increase in order opportunities, thereby increasing sales.	Medium	Medium	Low	Low	•Identifying needs through information collection from customers (both new and existing)
O5	Products and services	Adaptation to the climate and response to risks through insurance	Due to the increased occurrence of weather disasters (typhoons, snow damage, flooding damage, etc.), demand for facility enhancement with a view toward BCP measures will increase, which will lead to increased sales.	Low	Low	Medium	Medium	•Promotion of technology development related to BCP disaster prevention, and disaster mitigation •Promotion of measures related to BCP disaster prevention, and power supply quality measures, as well as technology development for such measures
O6	Products and services	Adaptation to the climate and response to risks through insurance	Due to the increased occurrence of weather disasters (typhoons, snow damage, flooding damage, etc.), construction related to the relocation of customer plants and offices to avoid natural disasters will lead to increased sales.	Low	Low	Medium	Medium	•Establishment of an early acquisition system for relocation information through information collection from business partners (owners, general contractors, design offices, and other related supporters)

*1: Worldview where more stringent measures are taken than at present (no more than 2°C) *2: Worldview where no more significant measures for global warming are taken than at present

Sustainability Initiatives

Information Disclosure based on TCFD Recommendations

Risk Control

With regard to climate change-related risks, the General Affairs Department and related departments (Corporate Planning Department, Solutions Sales Department, Renewable Energy Division, etc.) are leading cross-organizational discussions, identifying and evaluating risks, and analyzing and discussing the appropriateness of response measures to minimize impacts in the event that risks materialize. The details of such risks are submitted to the Management Strategy Meeting, then reported regularly to the Board of Directors through the officer in charge of general affairs, and identified, evaluated, and managed in the same way as other business risks.

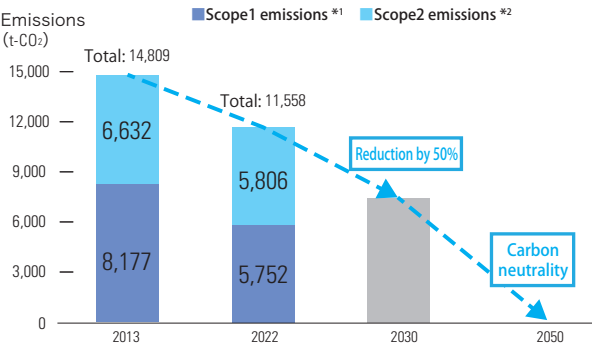
Indicators and Targets

CO₂ emissions can become a significant risk factor for the Company's finances due to the impact of carbon taxes, etc. Alternatively, providing products that are accepted in a decarbonized society can also lead to business opportunities. We recognize that the reduction of the Company's overall CO₂ emissions is one of the most important issues in sustainability, and we set and manage targets aimed at reduction of CO₂.

The Company's Scope 1 and 2 emissions and medium to long-term CO₂ emission reduction targets

As a member of the Tohoku Electric Power Group, we are taking on the challenge of the Carbon Neutral Challenge 2050 set by Tohoku Electric Power.

We have also set the following medium to long-term CO₂ emission reduction targets, and are working towards reducing CO₂ emissions.



*1 Scope 1: Direct greenhouse gas emissions by the business operator (vehicle fuel, etc.)
*2 Scope 2: Indirect emissions from the use of electricity, heat, and steam supplied by other companies

- **FY2030 targets**
Aim to reduce CO₂ emissions **by 50%** compared to FY2013
- **FY2050 targets**
Aim to achieve **carbon neutrality**

【Issues to be considered towards achieving targets】
Energy-saving through ZEB conversion at the time of reconstruction of offices owned by the Company and facility updates
EV conversion of vehicles owned by the Company during updates, etc. (excluding special vehicles that cannot be electrified)



The Tohoku Electric Power Group will take on the challenge of achieving carbon neutrality by 2050, on the premise of securing S+3E*.
We will accelerate CO₂ emission reduction efforts for the Tohoku Electric Power Group and contribute to the decarbonization of local communities, by reducing customer CO₂ emissions in the Tohoku and Niigata regions through the realization of a smart society.

*S+3E: Simultaneous achievement of environmental sustainability, economy, and stable supply on the premise of safety

Yurtec's Environmentally-Friendly Facilities

Fulfilling customer needs while **contributing to the realization of a low-carbon society** that is friendly to people and the planet

Construction examples Installation of multiple highly energy-saving systems (new construction)



Akita Prefecture Civilian Association Central Kitchen (Akita Prefecture)



Kitchen equipped with a ceiling ventilation system (top of the photo)



High-efficiency heat pump external air conditioner

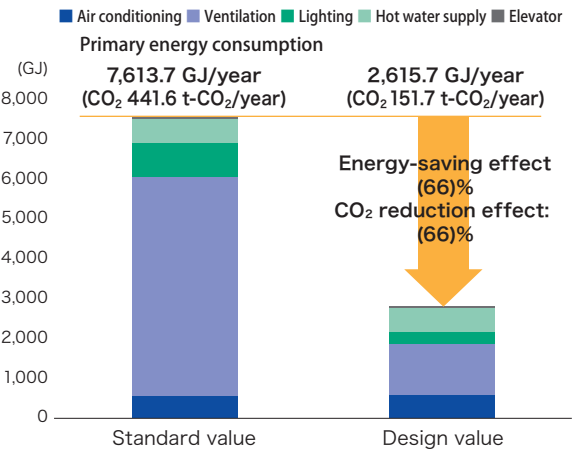
Due to the effects from introduction of ZEB Ready*

*As a building with advanced construction looking towards ZEB, it is equipped with high-insulated building envelope and high-efficiency energy-saving equipment

Energy saved: **4,998 GJ/year**
CO₂ emission reduction rate: **66%**



*BELS is an objective evaluation of energy-saving performance by registered BELS institutions registered with the Association for Evaluating and Labeling Housing Performance. Primary energy consumption is shown using a five-star mark system based on the amount.



Results of ZEB Introduction at Ofunato Sales Office

We have considered the introduction of ZEB to our Ofunato Sales Office, and **acquired the ZEB Ready status by achieving a 51% reduction** in the design primary energy consumption value excluding renewable energy **compared to the standard primary energy consumption value**.



Appearance of Ofunato Sales Office



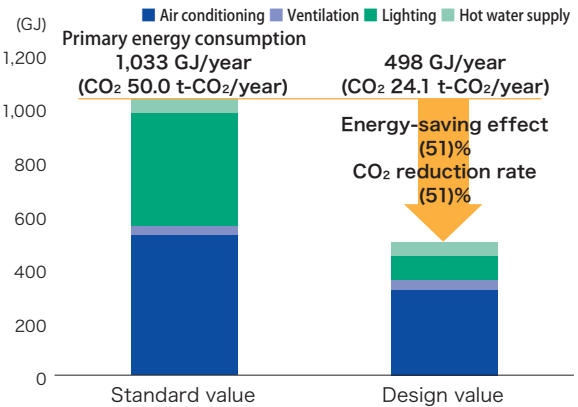
Multi-air conditioner for buildings with high-performance cold climate specifications



High-efficiency high-ceiling LED fixtures



Ofunato Sales Office BELS evaluation report



*Evaluation results excluding energy use by outlets and other energy sources.

Sustainability Initiatives

Safety Initiatives

Safety and Health Management Policy

Based on our philosophy of respecting human life by protecting the lives of our colleagues, we recognize that safety and health are the foundation of corporate activities, and strive to ensure safety and maintain and enhance health, with the aim to further improve our safety culture and promote health management through the united efforts of the Yurtec Group.

Safety Targets for FY2023

Zero fatal accidents, zero serious accidents (*), zero major accidents, and a 30% reduction in work-related traffic accidents compared to the previous fiscal year

*Extremely severe impact on life (excerpted from the Ministry of Health, Labour and Welfare website), conditions such as a comatose state or similar symptoms where the patient has lost their consciousness, with no prospect of recovery (as determined by a doctor)

Priority Implementation Items

- 【Safety】**
- 1.Thorough safety guidance by supervisors, site managers, etc.
 - 2.Elimination of risks through compliance with laws, regulations and basic rules, and hazard prediction
 - 3.Promotion of traffic safety awareness and efforts to prevent accidents
 - 4.Support and guidance for the independent safety management activities of Group companies and partner companies

Safety Management Activities (Safety Promotion Center)

We educate our employees, as well as colleagues from Group and partner companies, about the dangers using facilities that allow for simulated fearful experiences of dangers faced at work sites.



Reproduction of a short circuit



Electric shock experience



Reproduction of a suspended load fall



Load swing impact experience



Reproduction of overcurrent overload



Experiencing a fall while working on a stepladder



Safety harness hanging experience



Entanglement experience with a V-belt rotating shaft

Safety Education Using VR Equipment to Simulate Hazards

Using VR equipment to simulate hazards, we conduct education to enhance sensitivity to hazards by experiencing dangerous operations from the perspective of the victims, such as disasters including falling from scaffolding, electric shock, and heavy machinery disasters caused by vehicle construction machinery, which cannot be experienced in real life.

By using VR equipment to simulate hazards, it is possible to experience case studies of disasters and accidents at various construction sites faithfully reproduced in the VR space through virtual reality.

Furthermore, because the training can be implemented in conference rooms and training rooms, VR also has the advantage of enabling safe training.

Feedback from employees who have used the equipment includes many positive comments such as, "It was a valuable and meaningful experience," "It felt very real and was very frightening," and "Experiencing it through VR helped me understand fear and the degree of risk."



Initiatives to Improve On-site Capabilities (Five On-site Capabilities)

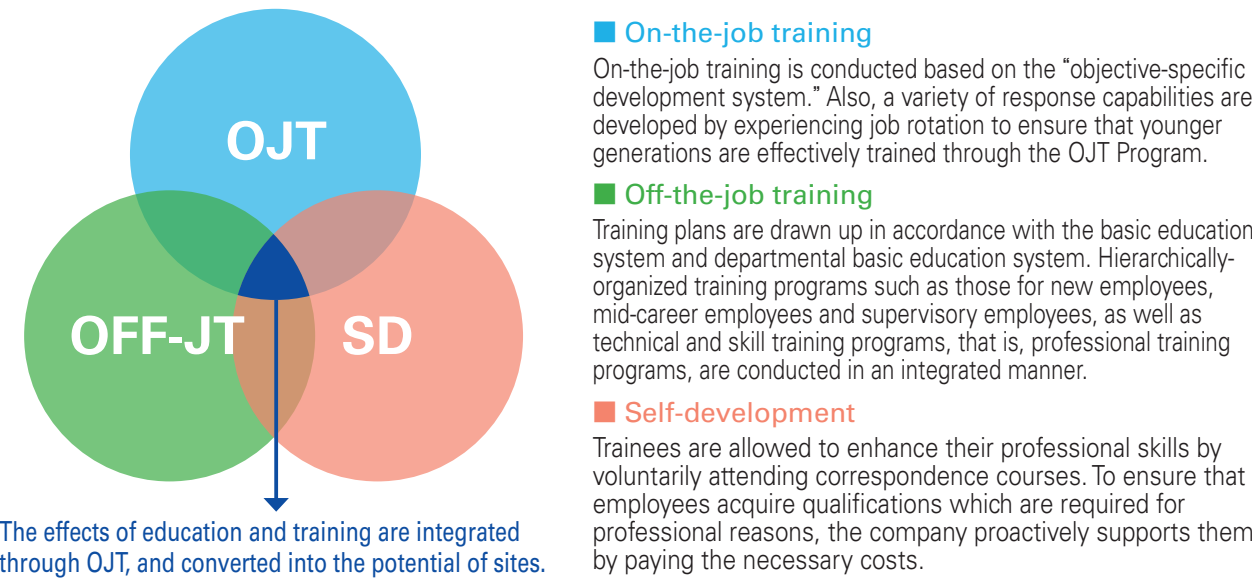
We recognize once again that safety must take precedence over everything else, and are working daily on our tasks towards the eradication of major accidents by ensuring that each employee practices the five onsite capabilities.

Five on-site capabilities	Overview
1. Observe the site well	Carefully observe the site conditions to fully understand where the hazardous areas are, such as openings or no-entry zones during crane operations.
2. Follow the basic rules	Strictly follow the basic rules that have been established for work sites.
3. Follow the work procedures	Adhere to prescribed work procedures without any omissions.
4. Learning from past disasters	Many accidents are recurring disasters, and by learning from the lessons of the past and implementing countermeasures, disasters can be significantly reduced.
5. Cultivate a sensitivity to perceive danger as danger	Young and inexperienced people do not possess this sensitivity. It is important to call out dangers to colleagues to prompt awareness at the sight of danger and cultivate this sensitivity.

Sustainability Initiatives

Securing and Developing Human Resources

In the belief that Yurtec owns the wealth called “human resources,” we develop human resources willing to strive for an objective by raising the level of technical skill of younger generations, improving clients’ satisfaction, and amplifying and reinforcing training opportunities with the aim of firmly entrenching safety culture. To develop human resources, attempts are made to enhance the potential of sites and workplaces based on the 3 core precepts: on-the-job training (OJT), self-development (SD), and off-the-job training (OFF-JT).



Cultivate Talent to Support Growth

◆ Refine the Yurtec brand of Safety, Quality, and Reliability further



We educate our employees, as well as colleagues from Group and partner companies, about the dangers using facilities that allow for simulated fearful experiences of dangers faced at work sites.

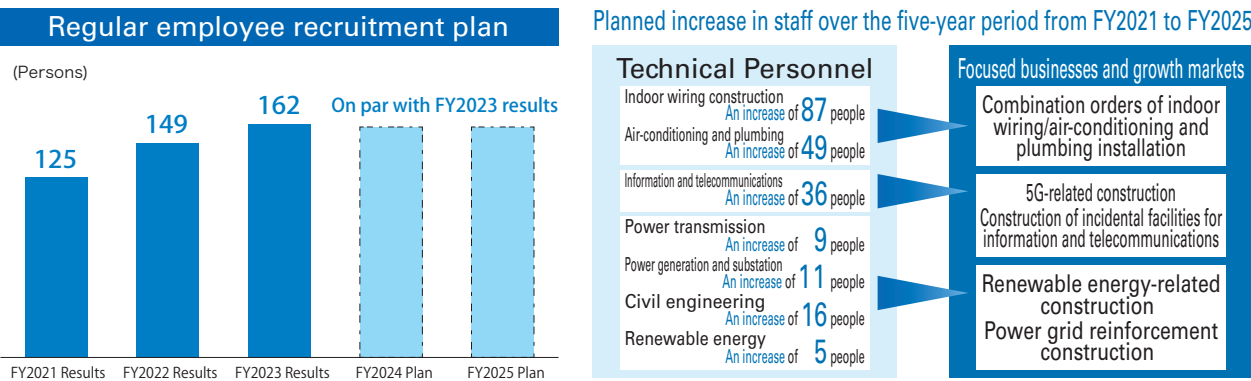


The Human Resource Development Center is a facility designed to develop human resources capable of adapting to advanced and specialized technology and to develop their abilities. It includes the main building, which serves as training and accommodation facilities, along with a practical training building for the construction department, the Safety Promotion Center, a gymnasium, and a sports ground.



Secure Talent to Support Growth

◆ Secure human resources to support medium- to long-term growth



Initiatives to Promote the Active Participation of Women

Policy on promoting the active participation of women

We aim to create opportunities for diverse human resources to demonstrate their individuality and abilities, and create a work environment which achieves work-life balance to provide a comfortable workplace for all.

Yurtec Action Plan

■ Plan period April 1, 2021 to March 31, 2026 (5 years)

■ Target and details of initiatives

Target	Details of initiatives
Target 1: Hire at least 20 female engineers during the plan period	Target 1 ◆ From April 2021 We will make an active promotion for the hiring of female engineers during information sessions and hiring activities
Target 2: Increase the number of female managers to at least 1.5 times the number as of April 2021 (10 people) by the end of March 2026 (15 people or more)	Target 2 ◆ From April 2021 We will systematically advance personnel assignments necessary for the career development of female employees. We will appropriately evaluate highly capable female employees and actively promote them to managerial positions.
Target 3: Increase the average number of leave days taken by employees, combining annual paid leave and planned special leave, to at least 15 days	Target 3 ◆ From May 2021 Through the activities of the Work-life Balance Promotion Committee, we will promote a balanced way of working and encourage employees to take annual paid leave.

Information Disclosure on the Current Status of the Active Participation of Women (As of April 1, 2023)

(1) Percentage of female workers among all workers (unit: persons)

Category	Male (A)	Female (B)	Total (C = A + B)	Percentage of women (B/C)
Employees and permanent staff	3,427	295	3,722	7.9%
Re-employed staff	242	17	259	6.6%
Temporary staff	302	127	429	29.6%
Dispatched worker	193	197	390	50.5%
Total	4,164	636	4,800	13.3%

(2) Average number of leave days taken by employees, combining annual paid leave and planned special leave (FY2022): 15.8 days

(3) Difference in average years of continuous employment between men and women (unit: years)

Category	Male (A)	Female (B)	Difference (A-B)
Workers with no fixed term contract of employment	18.4	16.6	1.8

Sustainability Initiatives

Health and Productivity Management Initiatives

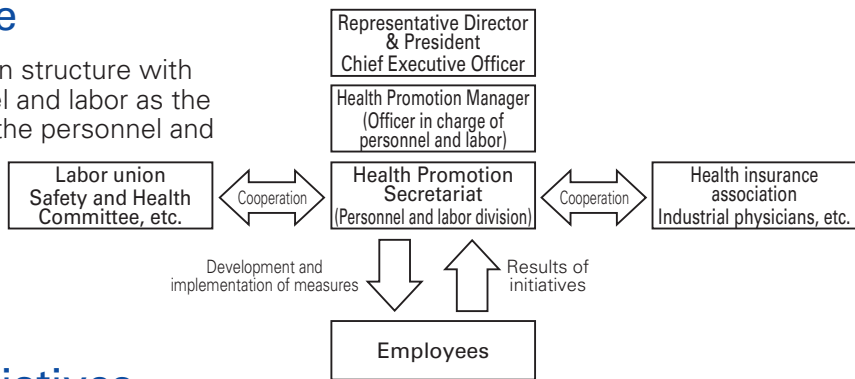
Health and Productivity Management Initiatives

The Company has been undertaking various initiatives concerning the health of its employees. Based on the belief that further maintenance and enhancement of health is essential for the development of the company, we issued a Health Management Declaration in April 2021 and have started health management, in which we strategically implement health management from a managerial perspective. 《Recognized as a 2023 Health & Productivity Management Outstanding Organization (Large Enterprise Category)》 As a result of these initiatives, the Company has been recognized for the second consecutive fiscal year, as of March 8, 2023, under the Certified Health & Productivity Management Outstanding Organizations Recognition Program of the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi, as a 2023 Health & Productivity Management Outstanding Organization (Large Enterprise Category). The Certified Health & Productivity Management Outstanding Organizations Recognition Program is a system that commends corporations such as large enterprises and small and medium-sized enterprises that are particularly excellent in practicing health management based on community-specific health initiatives and health promotion efforts advanced by the Nippon Kenko Kaigi.



Promotion Structure

We have established a promotion structure with the officer in charge of personnel and labor as the Health Promotion Manager and the personnel and labor division as the secretariat, and are developing and implementing various measures in cooperation with labor unions and health insurance associations.



Details of Major Initiatives

Measures to prevent lifestyle-related diseases

Numerical targets	Achievement targets for FY2026: obesity rate of no more than 32.0%, smoking rate of no more than 25.0%
Checkups for all employees and early detection	100% attendance for regular health checkups including cancer screening items (stomach cancer, lung cancer, colorectal cancer, and breast cancer) Reimbursement of examination costs for employees subject to reexamination for regular health checkups and 100% checkup attendance
Preventative measures	Implementation of education for younger employees in their 20s and 30s related to lifestyle improvements such as obesity prevention and smoking cessation (approximately 350 participants expected annually)
Improvement support	Encouragement of health guidance sessions for lifestyle improvements for employees in their 40s or older with risks of lifestyle-related diseases (in collaboration with health insurance associations) Reduction in smoking rates through full subsidy of smoking cessation outpatient treatment fees for employees who smoke (in collaboration with health insurance associations)
Follow-up activities	Implementation of health consultations and health guidance by in-house public health nurses in each prefecture (in collaboration with industrial physicians)

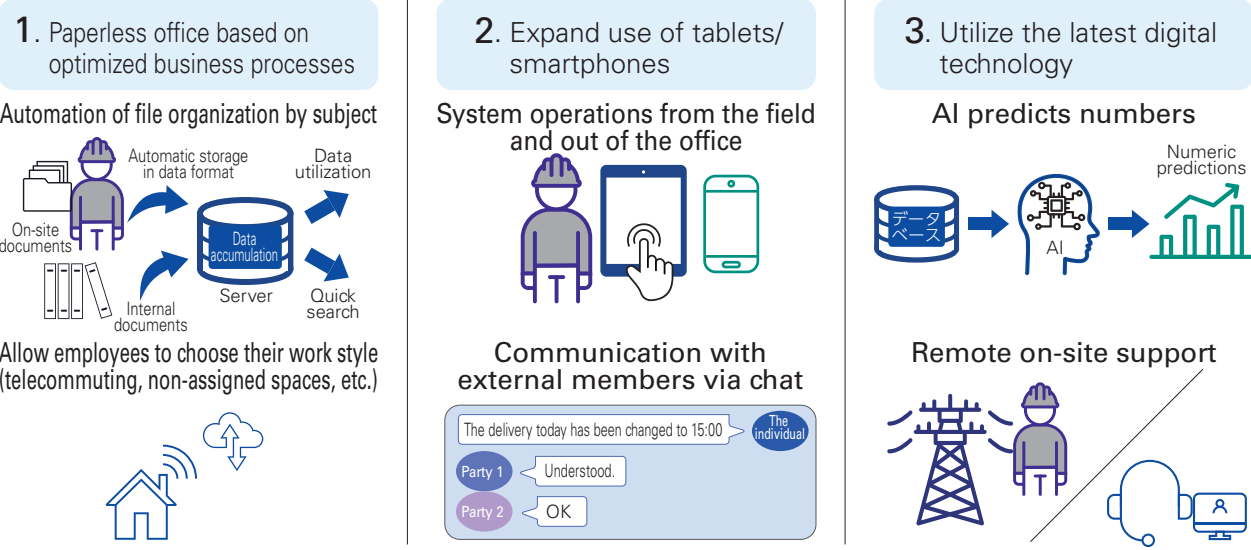
Mental health measures

Checkups and early detection	Simultaneous implementation of web-based stress checks
Preventative measures	Improvement of self-care skills through regular training by mental health professionals
Improvement support	Careful and proactive support system through a return-to-work support program for people with mental health issues
Follow-up activities	Implementation of health consultations by in-house public health nurses in each prefecture (in collaboration with industrial physicians)

Improving Operational Efficiency by Promoting DX

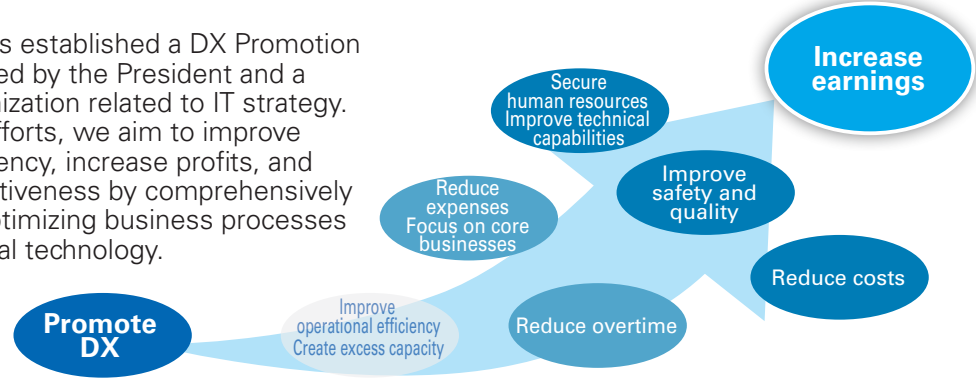
Improving Operational Efficiency by Promoting DX

The Company is promoting DX based on three themes and aims to completely digitalize internal documents by FY2025.



Business Transformation via DX Promotion

The Company has established a DX Promotion Committee chaired by the President and a specialized organization related to IT strategy. Through these efforts, we aim to improve operational efficiency, increase profits, and improve competitiveness by comprehensively reviewing and optimizing business processes and utilizing digital technology.



Our Digital Transformation		
Specific measures	A. Paperless office based on optimized business processes "Aim to fully digitalize internal documents by FY2025"	1. Digitize on-site documents 2. Digitize accounting-related operations 3. Digitize documents stored upon the completion of construction 4. Simplify decision-making and reporting 5. Digitize contract-related administration
	B. Expand use of tablets/smartphones	6. Expand tablet/smartphone app compatibility and usage with internal systems 7. Review security restrictions to improve convenience
	C. Utilize the latest digital technology	8. Utilize data, including AI 9. Streamline on-site operations by utilizing the latest digital technology
	Common to A-C	10. Raise employee awareness

Sustainability Initiatives

Contribution to Society

We aspire to be a company that supports a comfortable livelihood for the people in our business regions, and is trusted as a close partner. As one of the means to put this philosophy into practice, we participate in regional activities in various locations.

We conduct initiatives that contribute to solving regional issues and truly benefit the region and contribute to the sustainable development of the community, while each employee builds a relationship of trust with the region through constant communication and coordination.

Volunteer Activities

To contribute to the prevention of traffic accidents and the creation of beautiful towns, we conduct cleaning activities using high-lift vehicles for public street lights and traffic signals, and clean up roads and riverbanks in various locations.

As a member of the community, we are also actively engaged in volunteer activities, such as cooperating in the installation of lighting for various events.



Cleaning of street lights



Installation of lighting for cherry blossom illumination

Community Coordination Activities

In order to create opportunities to deepen interactions with local residents, we have established a Local Festival holiday unique to the Company.

By utilizing Local Festival holidays, we are contributing to further revitalization as a member of the community through participation in regional events held in the locations of each of our offices, including the Aomori Nebuta Festival and the Donto Matsuri, Hadaka Mairi in Sendai.



Aomori Nebuta Festival



Donto Matsuri, Hadaka Mairi in Sendai

Learning and Employment Support Activities

We participate in the “Miyagi Craftsmen 21” project, aimed at developing and securing manufacturing talent for the future and passing on skills and techniques to the next generation, as well as the “Wakuwaku School,” where companies from various fields provide on-site classes.

Our employees leverage their technical skills cultivated to date to provide opportunities for understanding the appeal of manufacturing and acquiring knowledge about electricity.



Miyagi Craftsmen 21



Wakuwaku School

Contribution to Local Communities

Since 2016, in collaboration with Miyagi Prefecture, we have been providing the grounds within the Human Resource Development Center premises as a temporary landing and takeoff site for doctor helicopters, playing a role in local medical care.

In addition, every year we donate public street lights and crime prevention lights in various places, contributing to the crime prevention and safe community building in the region.



Provision of a temporary landing and takeoff site for doctor helicopters



Letters of appreciation for the donation of public street lights

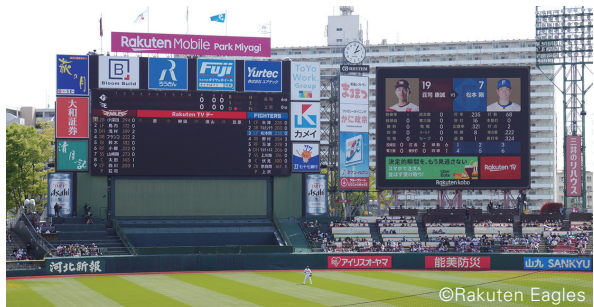
Project for Supporting the Local Professional Sports Team

We obtained the naming rights for an exclusive football stadium owned by Sendai City in 2006, which is familiarly known as Yurtec Stadium Sendai (Yursta).

By supporting the local professional sports team, we are contributing to the development of the region and backing the people who love sports.



Acquisition of naming rights

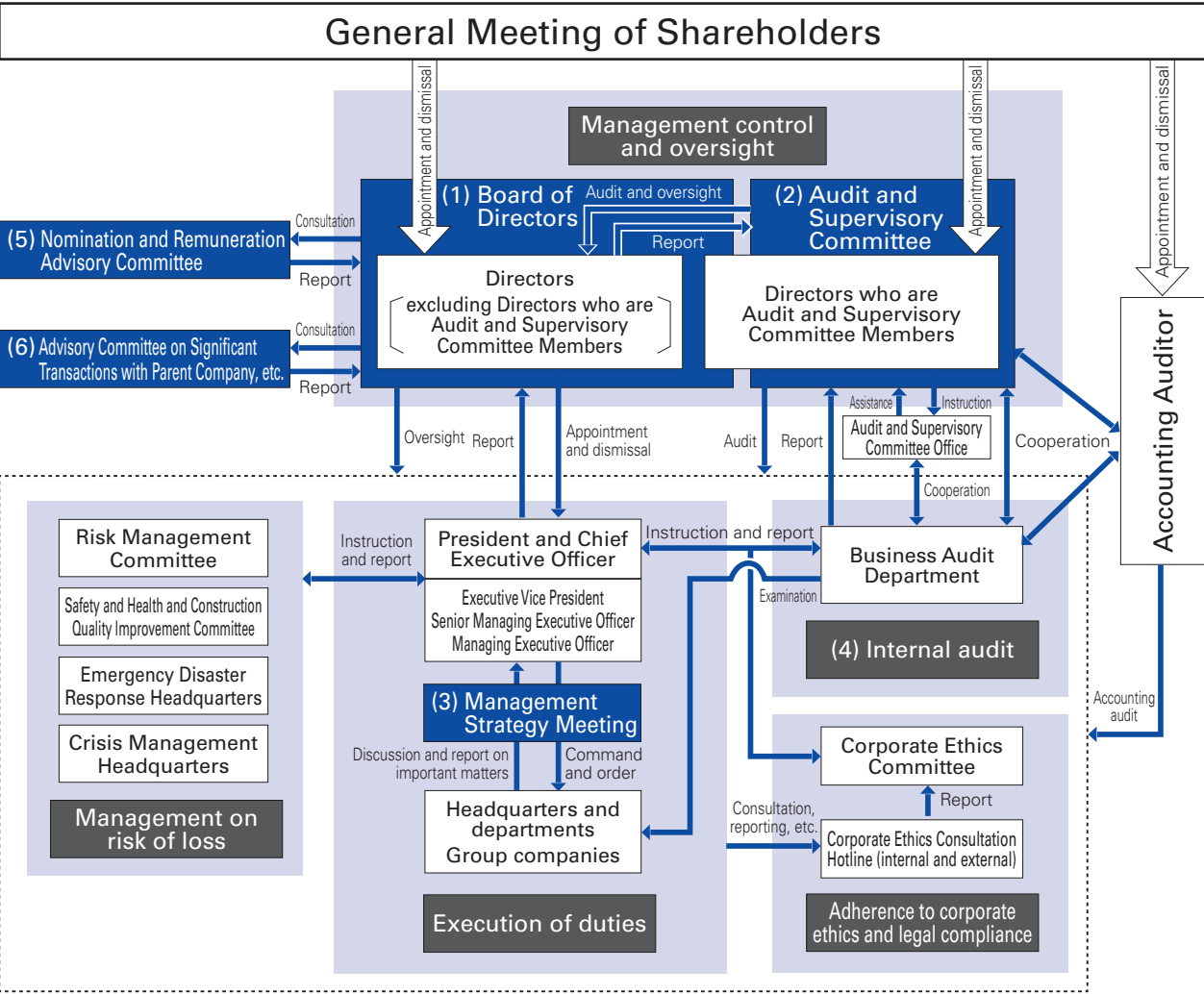


Sponsorship for local professional sports

Basic Approach to Corporate Governance

The Company is committed to the sustainable development and improvement of corporate value as a total supporter of the lifeline that supports daily life, while building a deep relationship of trust with the community and society, with the aim of cooperating with customers in creating value and contributing to society. Based on this philosophy, to properly conduct business operations, we are dedicated to thoroughly adhering to corporate ethics and legal compliance, strengthening internal control and risk management, and continuing to further enhance corporate governance with the aim of improving the soundness, fairness, and transparency of management. In addition, the Company discloses our basic approach to corporate governance and operational policies in the Basic Policy on Corporate Governance.

Internal Control and Corporate Governance Schematic Diagram



Reasons for Adopting the Current Corporate Governance Structure

The Company aims to enhance the supervisory function of the Board of Directors as well as speed up its decision-making, by including Audit and Supervisory Committee Members among the members of the Board of Directors to supervise the execution of duties of Directors. With the purpose of further enhancing corporate governance, we transitioned to a company with an Audit and Supervisory Committee based on the resolution at the 108th Annual General Meeting of Shareholders held on June 24, 2022. In addition, in order to separate the decision-making and oversight functions of management from the business execution function, and in terms of improving fairness and transparency, we have introduced an executive officer system with management positions. Furthermore, as voluntary committees equivalent to the Nomination Committee and Remuneration Committee in a company with a Nomination Committee, etc., we have established a Nomination and Remuneration Advisory Committee. By having a majority of its members comprised of Independent External Directors, we are ensuring the independence and objectivity of the nomination process of candidates for Director and Executive Officer as well as determination process of their remuneration. In this manner, our corporate governance structure ensures adequate soundness, fairness, and transparency in our management, and thus we will continue to adopt the current system.

- (1) Board of Directors**
The Board of Directors consists of 13 members, including five Independent External Directors who do not have a risk of conflict of interest with general shareholders, and convenes as necessary in accordance with the Companies Act and internal regulations. At these meetings, the Board makes decisions on important matters regarding the execution of the Company's business, including important management plans, and has Directors oversee each other's execution of duties, with regular reports on business execution from the Directors and Executive Officers.
- (2) Audit and Supervisory Committee**
Three of the four Directors who are Audit and Supervisory Committee Members are Independent External Directors, ensuring objectivity and neutrality in the management oversight function.
Moreover, we have appointed one full-time Audit and Supervisory Committee Member and by having the member attend important meetings such as the Management Strategy Meeting, listen to reports on the execution of duties from business execution departments, conduct visiting audits of offices, and coordinating with the internal audit department, we are enhancing the effectiveness of our auditing and oversight functions.
We have also positioned one Audit and Supervisory Officer to assist the duties of the Audit and Supervisory Committee and have established an Audit and Supervisory Committee Office (with four dedicated staff members) as an organization dedicated to support the Committee in its duties.
- (3) Management Strategy Meeting**
In principle, the meeting is held weekly to deliberate on the general policy and plan for business management and the execution of important business based on the resolutions of the Board of Directors.
- (4) Internal audit department**
The Business Audit Department (12 members), which is directly under the President and Chief Executive Officer, conducts internal audits based on the examination plan, promoting the appropriateness of business processing and enhancing and strengthening internal checks and balances. The Department prompts the relevant departments to take corrective actions for each identified case, and the results of the examinations are reported to the President and Chief Executive Officer, as well as to the Board of Directors and Audit and Supervisory Committee on a regular basis. Furthermore, we strive to improve the effectiveness of internal audits by coordinating and cooperating with the Audit and Supervisory Committee and the Accounting Auditor.
- (5) Nomination and Remuneration Advisory Committee**
As an advisory body to the Board of Directors, we have established a Nomination and Remuneration Advisory Committee, which performs the functions of both a voluntary committee equivalent to the Nomination Committee and a voluntary committee equivalent to the Remuneration Committee.
This Committee, from the perspective of ensuring independence and objectivity in nomination and remuneration, has a majority of its members as Independent External Directors, and receives and deliberates on consultations related to nomination and remuneration for Directors from the Board of Directors and provides reports.
- (6) Advisory Committee on Significant Transactions with Parent Company, etc.**
As an advisory body to the Board of Directors, the Company has established an Advisory Committee on Significant Transactions with Parent Company, etc., which deliberates on and considers matters for the purpose of protecting interests of minority shareholders.
The Committee is composed of Independent External Directors to ensure independent and objective procedures, and deliberates and reports on the appropriateness and fairness of significant conflict of interest transactions and exceptional transactions with the parent company and its wholly-owned subsidiaries, upon consultation from the Board of Directors.

Approach to the Overall Balance, Diversity, and Scale of the Board of Directors

The Company has set its policy of building an effective management structure required for a company engaged in the construction business, and for its Board of Directors to be composed of the number of members necessary and appropriate to ensure substantial discussion and monitoring functions on business execution. The number of Directors shall be not more than seventeen (17) and Independent External Directors shall be appointed, as stipulated in the Company's Articles of Incorporation.

By composing the Board of Directors based on the criteria mentioned to the right, while considering diversity such as gender, internationality, career background, and age, we ensure a balance of knowledge, experience, and capabilities across the Board of Directors as a whole and strive for efficient business execution and appropriate business management. In addition, Directors who are Audit and Supervisory Committee Members are striving to strengthen the oversight function by being involved in the audit function and in the nomination and remuneration of Directors.

Furthermore, the Company has identified the skills that should be possessed by the Board of Directors, and has created a Skill Matrix showing the list of skills possessed by the current Directors based on their career backgrounds, which is disclosed in the Notice of the Annual General Meeting of Shareholders.

[Composition members]

- (1) Internal Directors (excluding Directors who are Audit and Supervisory Committee Members)
Individuals who are suitable for appointment as officers of the Company in terms of personality, insight, competence, experience, and ethics, who were selected among those who are knowledgeable about their respective fields, taking into account the balance of expertise, extensive business experience, knowledge on management overall, etc.
- (2) External Directors (excluding Directors who are Audit and Supervisory Committee Members)
Individuals who are capable of appropriate decision making and management oversight at the Board of Directors, with their practical experience based on corporate management, etc., and their extensive knowledge on social and economic trends, etc.
- (3) Directors who are Audit and Supervisory Committee Members
Individuals who are capable of properly carrying out their duties as Audit and Supervisory Committee Members using their experiences and knowledge, performing audits of and overseeing the execution of Directors' duties. Of which, those who are External Directors who are Audit and Supervisory Committee Members shall be capable of performing audits and overseeing those matters objectively and impartially.

Effectiveness Evaluation of the Board of Directors

The Company conducts an annual questionnaire on Directors regarding the overall effectiveness of the Board of Directors, and reports the results to the Board of Directors. The Board of Directors evaluates its overall effectiveness based on the questionnaire results, and confirms initiatives for further enhancing effectiveness.

[Initiatives for enhancing the effectiveness of the Board of Directors in FY2022]

In FY2022, we advanced the following initiatives toward enhancing the effectiveness of the Board of Directors.

- (1) Securing deliberation time through the simplification and clarification of meeting materials
- (2) Further enhancing training opportunities and information provision for Officers

[Summary of effectiveness evaluation results for FY2022]

In the questionnaire conducted in March 2023, an external organization was utilized to ensure objectivity. Five main categories (composition and operation of the Board of Directors, management strategy and business strategy, corporate ethics and risk management, performance monitoring and evaluation and remuneration of management, dialogue with shareholders, etc.) were set, and evaluations were made for each question in each category.

Following a review of the results of this questionnaire at the Board of Directors meeting held in May 2023, it was evaluated that the overall effectiveness of the Board of Directors was generally secured. Nonetheless, we will undertake the following measures in FY2023 to further enhance the effectiveness of the Board of Directors.

- (1) Timely verify the PDCA cycle concerning important management matters and implement monitoring of management control
- (2) Continuously conduct training, briefings, and site tours that contribute to a better understanding of the management and business of the Company and its Group companies
- (3) Share information with the Board of Directors about the criteria for nominating Directors and the nomination process, which are deliberated by the Nomination and Remuneration Advisory Committee

Support System for External Directors

The Company provides support through various communication mediums for the execution of duties of External Directors (excluding Directors who are Audit and Supervisory Committee Members) and External Directors who are Audit and Supervisory Committee Members, via the Secretariat Group of Human Resources Department and the Audit and Supervisory Committee Office as their respective contact points.

Furthermore, to enhance discussions at the Board of Directors, we provide External Directors with opportunities as needed to understand the content of our operations through preliminary distribution and explanation of materials for the Board of Directors, provision of related information, explanations of our business at the time of appointment, visits to our offices, and dialogue and discussions with the Representative Directors, and we will continue these initiatives going forward.

Policies, etc. for Determining Remuneration for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

- (1) Basic policy on remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members)
The remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) consists of a fixed remuneration, bonuses as performance-linked remuneration, and restricted stock remuneration.
However, only fixed remuneration will be provided for External Directors in view of their roles and independence.
- (2) Policy on determining the amount or calculation method of individual remuneration and the timing of payments
 - a. Fixed remuneration
The amount of individual remuneration will be set at an appropriate level according to the position, giving comprehensive consideration to the medium- to long-term management environment and management policies, and will be paid monthly in cash.
 - b. Bonuses
A variable remuneration system is set based on consolidated operating profit, an important indicator under the Medium-Term Management Plan.
The amount of individual remuneration will be determined based on a set standard amount according to the fixed remuneration corresponding to the position, adjusted within the range of 75% to 125% according to the degree of achievement of the target value of consolidated operating profit for each fiscal year, and will be paid in cash after the expiration of the Directors' terms of office in June every year.
 - c. Restricted stock remuneration
The number of shares granted to each individual is determined based on a standard amount according to the fixed remuneration corresponding to the position, decided upon using the stock price on the business day prior to the Board of Directors' resolution date concerning the share allocation. The Board of Directors will resolve the share allocation within one month of a Director's appointment, and issue the shares within another month from the said resolution date.
- (3) Policy on determining the proportion of individual remuneration payments
To ensure that the remuneration effectively functions as an incentive for improving corporate value, the payment ratio of fixed remuneration and performance-linked remuneration (bonuses and restricted stock remuneration) for Directors (excluding Directors who are Audit and Supervisory Committee Members) will be approximately 70% and 30% respectively (approximately 20% for bonus and approximately 10% for restricted stock remuneration) upon achieving targets. However, External Directors shall only be provided fixed remuneration.
- (4) Method of determining individual remuneration
Fixed remuneration and performance-linked remuneration, etc. (bonuses and restricted stock remuneration) for Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be determined by a resolution of the Board of Directors within the total amount approved at the General Meeting of Shareholders, after deliberation by the Nomination and Remuneration Advisory Committee, the majority of whose members consist of Independent External Directors.
- (5) Method of determining the decision-making policy
The policy regarding the remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members) is determined by a resolution of the Board of Directors after deliberation by the Nomination and Remuneration Advisory Committee, the majority of whose members consist of Independent External Directors.
- (6) Content of resolution by the General Meeting of Shareholders
 - a. Fixed remuneration
For Directors (excluding Directors who are Audit and Supervisory Committee Members), up to 200 million yen in total per year (including up to 20 million yen for External Directors)
 - b. Bonuses
For Directors (excluding Directors who are Audit and Supervisory Committee Members and External Directors), up to 100 million yen in total per year
 - c. Restricted stock remuneration
For Directors (excluding Directors who are Audit and Supervisory Committee Members and External Directors), up to 50 million yen and 100,000 shares in total per year

Corporate Governance

Risk Management/Adherence to Corporate Ethics and Legal Compliance

Policies, etc. for Determining Remuneration for Directors Who Are Audit and Supervisory Committee Members

The policy for determining the content of remuneration for Directors who are Audit and Supervisory Committee Members is determined by the discussion among the Directors who are Audit and Supervisory Committee Members.

- The remuneration for Directors who are Audit and Supervisory Committee Members shall consist only of a monthly fixed remuneration and shall be paid in cash each month.
- The remuneration for Directors who are Audit and Supervisory Committee Members is determined by the discussion of the Directors who are Audit and Supervisory Committee Members within the total amount approved at the General Meeting of Shareholders.

[Contents of resolutions by the General Meeting of Shareholders]
Up to 60 million yen in total per year

Risk Management System

System for managing risk of loss

- (1) Organizations, job authorities, and internal regulations are maintained to ensure that risk management is carried out appropriately at both the Company-wide and departmental levels.
- (2) For risks that could have a significant impact on management, each department regularly identifies and evaluates risks related to business activities and incorporates their countermeasures into the business plan formulated each year, practicing risk management within the management cycle.
- (3) For risks related to natural disasters, regular training is conducted, and in the event that such events occur, an Emergency Disaster Response Headquarters is established based on internal regulations in order to respond appropriately.
- (4) We have established a safety and construction quality management system, and we have defined internal regulations and set up an internal committee to enhance employees' awareness of safety and construction quality, prevent labor accidents before they occur, and ensure construction quality. In addition, we have established internal regulations to prevent the occurrence of non-performing loans that could have a significant impact on our earnings.
- (5) We have established a Risk Management Committee and engage in training and information sharing to improve our risk response capabilities, in order to prevent crises that could significantly impact the Company's assets and social trust and to minimize damage in the event of a crisis. In the event of any of these events, we will establish a response headquarters based on internal regulations and respond appropriately.
- (6) The status of risk management is regularly reported to the Board of Directors.

Recognized Risks for Business, etc. and Countermeasures

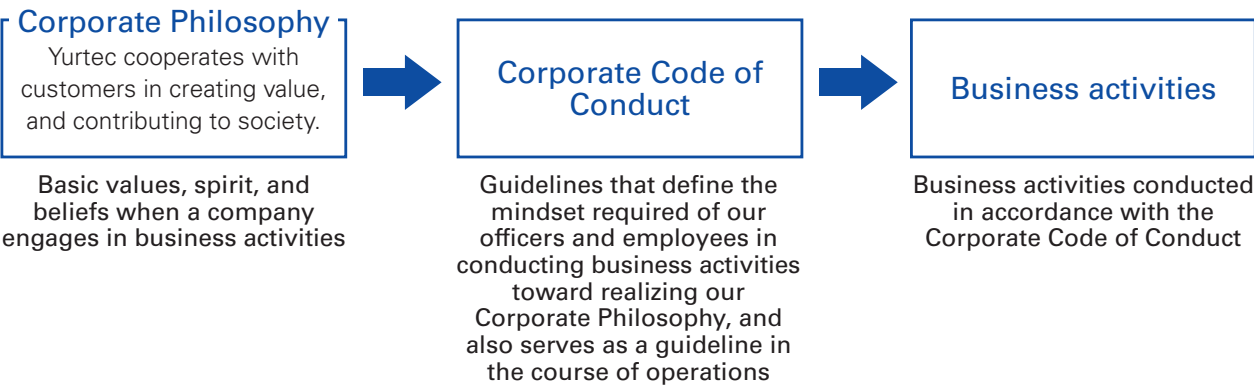
Risks/opportunities	Countermeasures
① Curtailement of investment in electric power facilities Controlled construction orders by Tohoku Electric Power and Tohoku Electric Power Network, which account for approximately 40% of sales, and expanded competitive ordering, resulting in decreased construction orders received and intensified competition for orders	Expand beyond areas and increase orders received for general and government construction
② Curtailement of private sector capital investment Decreased construction orders received and intensified competition for orders in the event of a downturn in construction demand due to factors such as the progression of a declining birthrate, aging population, declining population, and economic trends	Maintain and enhance relationships with existing customers, and strengthen sales and construction systems, etc.
③ Occurrence of natural disasters, etc. Possibility of work interruptions or significant delays, or substantial damage to the Group's business offices due to large-scale natural disasters or the spread of infectious diseases such as COVID-19	Review and strengthen disaster prevention plans for each business office based on hazard maps designated by the national and local governments Regarding infectious diseases, review and implement measures to prevent the infection and spread of the disease, ensure the safety of employees, and consider the impact on business continuity

Risks/opportunities	Countermeasures
④ Rising material and labor costs, etc. Significant additional costs due to construction delays, amid rising material and labor costs owing to increases in raw material prices and labor shortages	Discuss methods to reflect matters in construction contracts, and expand competitive ordering and volume discounts through centralized purchasing as cost reduction measures
⑤ Earnings related to construction contracts Fluctuations in construction conditions on which estimates are based	Continue to ensure reliability of revenue recognition by calculating estimates appropriately and reasonably
⑥ Compliance with laws and regulations Revision or abolition of legal requirements under the Construction Business Act, the Antimonopoly Act, the Labor Standards Act, the Industrial Safety and Health Act, etc., establishment of new acts, or changes in applicable standards, etc., or if an event against compliance occurs	While closely monitoring legal revisions, etc., establish the Corporate Ethics Committee, assign officers in charge of corporate ethics, and establish and implement the Yurtec Corporate Code of Conduct and the Corporate Ethics Code, which describe the code of conduct in the course of operations
⑦ Risks associated with M&A, etc. Business deterioration, construction errors, problems, or misconduct at investee companies	Ensure that external experts conduct pre-investment surveys (due diligence), post-investment management, and provides guidance and support
⑧ Goodwill impairment risk Significant revisions to the business plans of investee companies due to changes in their business environment, preventing the expected generation of cash flow	Regularly monitor investee companies' business plans, and provide guidance and support

System for Adherence to Corporate Ethics and Legal Compliance

Under our Corporate Philosophy of "Yurtec cooperates with customers in creating value, and contributing to society," we are conducting business while building deep relationships of trust with local communities and society. In recent years, against the backdrop of changes in social conditions and the business environment, the social demand for sincere corporate behavior has rapidly increased, making corporate behavior based on higher ethical standards more essential than ever before. Corporate behavior and business activities are, in essence, the sum of the actions of each officer and employee (including our employees, permanent staff, temporary staff, and dispatched workers). This Yurtec Corporate Code of Conduct defines the mindset required of our officers and employees for us to become a company trusted by stakeholders such as customers, business partners, shareholders, investors, local communities, and society, and also serves as a guideline in the course of operations.

Positioning of Corporate Code of Conduct



Corporate Ethics Consultation Hotline

We have established a Corporate Ethics Consultation Hotline with the purpose of early detection and resolution of legal violations or issues regarding corporate ethics within the Group, accepting consultations and reports not only from the Group's officers and employees but also from people in companies with business relations with the Group.

Corporate Governance

Message from External Directors



We expect steady progress in the Medium-Term Management Plan and sustainability initiatives aimed at medium- to long-term enhancement of corporate value.

Seiichi Mitsui
Director

■ Career summary
April 1966 Joined Shinko Sogo Bank, Ltd. (current The Sendai Bank, Ltd.)
June 2001 President, Shinko Sogo Bank, Ltd. (current The Sendai Bank, Ltd.)
June 2010 Corporate Auditor, the Company (left office in June 2015)
October 2012 Chairman of the Board, Jimoto Holdings, Inc. (left office in June 2013)
June 2013 Chairman of the Board, The Sendai Bank, Ltd.
June 2014 Corporate Adviser, The Sendai Bank, Ltd.
June 2015 Director, the Company (to present)
June 2019 Outside Director, Kamei Corporation

Impressions of Yurtec

I joined the Company as an External Corporate Auditor in 2010 and became an External Director in 2015, and this year marks my eighth year. Having monitored the Company for a long time, I feel first that as a member of the Tohoku Electric Power Group, it has a high level of trust and has established a solid position in the industry, and second, that it is a company where everyone from the officers to the employees is very serious about their work. Furthermore, as a person from a financial institution, I highly value the fact that the business is debt-free and the financial constitution is extremely sound.

In addition, we regard employees as human assets essential for achieving sustainable growth and enhancing corporate value over the medium- to long-term, and we are focusing on creating a workplace environment where all employees can find a sense of fulfillment in their work. This corporate philosophy and approach have been highly valued in local communities as a company that is friendly to people, which I believe has led to an advantage in hiring activities, such as being ranked highly in the regional popularity rankings of companies for job seekers by major newspapers.

Role of External Directors and effectiveness of the Board of Directors

On the Board of Directors, we recognize that protecting the interests of shareholders, who are stakeholders, is the role of External Directors, and we strive to provide comments and advice while focusing on corporate governance and compliance with a view to improving the Company's corporate value over the medium- to long-term. In addition, as the chair of the Advisory Committee on Significant Transactions with Parent Company, etc. established in 2021, I verify the rationality of transactions with the parent company and others to ensure they do not harm the interests of minority shareholders.

Regarding the enhancement of the functions of the Board of Directors, as of June 2022, with the transition to a company with an Audit and Supervisory Committee, the ratio of Independent External Directors on the Board of Directors has become one-third or more, which I believe has established a system that further enhances the objectivity and strategic nature of management. In addition, regarding the composition of external officers, a new female Director has joined, and the backgrounds of officers are diverse, including corporate executives, lawyers, associate professors, and certified public accountants.

These initiatives have stimulated discussions, and I evaluate the current effectiveness of the Board of Directors as being at a high level.

Toward the sustainable growth of Yurtec

The Group is engaged in initiatives aimed at sustainable growth and increasing corporate value, based on the basic strategies of increasing earnings in the Kanto region, strengthening renewal sales, and strengthening overseas businesses. These initiatives are gradually becoming tangible as results, and I will to continue to closely monitor future progress.

On the other hand, persistent investment is essential for promoting sustainability and DX for the next generation from a medium- to long-term perspective. In terms of sustainability, although various measures are being implemented, it is crucial to continue and establish these measures not as something special, but as natural operations. We should avoid hasty execution and aim to steadily introduce DX, which is being accelerated under the DX Promotion Committee.

In strengthening human capital, which is key to achieving sustainable growth, securing and training the next generation of human resources is an urgent issue. It is essential to reform systems, including enhancing recruitment and education and introducing a well-balanced salary system. We also recognize that we are still in the process of laying the foundations for increasing the ratio of female officers, which has become a social requirement. However, the number of female managers and engineers is steadily increasing, and I look forward to the early emergence of a female Director from our own ranks.

Expectations for Yurtec

We are strengthening our IR activities along with the transition to the Tokyo Stock Exchange Prime Market, and in doing so, we intend to actively disclose not only financial, but also non-financial information, which I believe will broaden social recognition and understanding of the direction and growth strategy that the Group aims for.

Over the years, the Company has been involved in infrastructure development with our management principles of safety first, improving installation and operation quality, and building customer trust, and it has created and provided unique value in doing so. I hope that we continue to meet societal expectations and remain a valuable presence going forward.

I look forward to us being a company that can contribute to society through its business and achieve sustainable growth and medium- to long-term enhancement of corporate value.

■ Career summary
April 1987 Joined Miyagi Prefectural Government (retired from the prefectural government in March 1999)
December 2006 Joined Shin Nihon Audit Corporation (current Ernst & Young ShinNihon LLC) (retired from the audit corporation in June 2014)
July 2014 Representative, Yashima CPA Office (current Office Yashima-CPA)
June 2021 Corporate Auditor, the Company
June 2022 Director and Audit and Supervisory Committee Member, the Company (to present)

Tokuko Yashima

Director and Audit and Supervisory Committee Member, the Company



About my role

I was appointed as an External Corporate Auditor of the Company in June 2021, followed by being appointed as an External Director and Audit and Supervisory Committee Member in June 2022, a year later.

I believe that as an External Director, it is my role to fulfill the governance function as a representative of stakeholders, including shareholders. From that perspective, I am committed to actively expressing opinions and raising questions at the Board of Directors and the Audit and Supervisory Committee, using my knowledge and experience as a certified public accountant, as well as an external perspective.

The Company transitioned to the Tokyo Stock Exchange Prime Market in April 2022, and in June 2022, it transitioned from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee. Various discussions, including on the governance system, were held regarding the transition to the Prime Market and an Audit and Supervisory Committee structure. As a result, I believe we now have a system in place with regard to corporate governance, along with heightened awareness.

In addition, the effectiveness evaluation of the Board of Directors is conducted annually, and improvements are being made. The agenda of the Board of Directors is explained to the External Directors in advance, which is helpful for us as it allows for sufficient discussion on the day of the meeting. In addition, there is an opportunity every year to inspect branch offices and construction sites and to engage in individual dialogues with employees, enhancing our understanding of the Company and bringing the issues faced by employees in the field into focus.

Yurtec's strengths

The primary strength of the Company is its business network centered in Tohoku and Niigata, and its track record up until now have built the Yurtec brand of Safety, Quality, and Reliability. The Company has 81 offices mainly in Tohoku and Niigata, and I understand that we are maintaining and strengthening relationships of trust with customers in these regions.

Secondly, the Company has strengths in growing markets such as renewable energy-related construction and mobile communications construction. For example, there are plans to construct large-scale wind power facilities, focusing on offshore wind

power, in various parts of Tohoku as part of Japan's national policy, and as a local company, we expect to win orders by leveraging our home-field advantage.

The third strength is our expected contribution to carbon neutrality. We have superior technical capabilities related to ZEB, and we expect to receive more orders in the future.

Yurtec's sustainable growth

The Medium-Term Management Policy sets the basic goal of "Creating a New Era with Proactive Initiatives and Challenges for Change" - Adapting to environment changes and achieving speedy management -, and has the basic strategies of increasing earnings in the Kanto region, strengthening renewal sales, and strengthening overseas business. The challenge is a significant business opportunity. However, I believe there will also be situations that require risk management. As an External Director and Audit and Supervisory Committee Member, I intend to raise issues from that perspective.

Regarding overseas businesses, we have two subsidiaries in Vietnam, and I believe the difficulty of dealing with legal, linguistic, and cultural differences is significantly higher compared to domestic subsidiaries in Japan. I believe that continuous support in terms of human resources and systems is also essential to ensure the permeation of the awareness of being a part of the Yurtec Group.

For the Company to continue to grow sustainably, it is essential to hire and nurture excellent human resources. This requires an investment in human capital and the promotion of DX to create a workplace where a diverse range of human resources can work actively.

Expectations for Yurtec

The Company has been conducting business that supports social infrastructure as a general facility engineering company. While sustainable growth and enhancing medium- to long-term corporate value are our top priorities, we also hope to be a company that contributes to society through its business.

Perhaps due to our corporate culture of simplicity and fortitude, I feel that we have not had many opportunities to actively appeal to our strengths and technological advantages up until now. Accordingly, we have decided to publish an integrated report, and I believe that such active disclosure of information to stakeholders is essential to gain their understanding and support.

Corporate Governance

Message from the Representative Director & Chairman of the Board

We aim to be a company that earns the trust of society, makes a solid profit, and where employees can work actively with pride.

Toshinori Abe
Representative Director &
Chairman of the Board



On becoming Chairman

I was appointed Chairman of the Board at the General Meeting of Shareholders and the Board of Directors in June of this year. As a general facility engineering company that represents Tohoku, which will celebrate its 80th anniversary next year, I feel a great responsibility and motivation in leading the management.

I want to make the Company an even better company. A good company is (1) a company that earns the trust of society, (2) a company that makes a solid profit, and (3) a company where employees can work actively with pride.

I will do my utmost to make the Company even better and meet the expectations of our shareholders and all our many other stakeholders.

Since becoming Chairman, I have been visiting various business sites and continuing to dialogue. With over 400 partner companies, the Company's technical capabilities, construction system, and connections with the local community are things of which we can be proud.

In terms of protecting the regional power infrastructure, when natural disasters such as the Great East Japan Earthquake of 2011 have occurred, the Company has been actively involved in restoration efforts working day and night, protecting the lives and industrial activities of the local community.

Moreover, within the Tohoku Electric Power Group, the Company is the affiliate with the highest sales and profits and a relatively high ratio of external sales, occupying an important position. We will continue to contribute to the enhancement of Tohoku Electric Power Group's corporate value by further expanding profits as a core company within the Group.

The management environment, recognition of issues, and growth strategies

Now, I would like to look at the management environment and challenges surrounding the Company.

The last fiscal year marked a significant change for the Company as we transitioned to the Tokyo Stock Exchange Prime Market and revised our institutional design as a company with an Audit and Supervisory Committee. Regarding our business performance, although there were concerns including soaring material prices and the postponement of construction projects caused by the Russian invasion of Ukraine, the depreciation of the yen, and other conditions, ultimately we were able to achieve results that surpassed those of the previous fiscal year.

On the other hand, the management environment surrounding the Company has escaped the recession caused by the temporary effects of the COVID-19 pandemic, and both public investment and corporate capital investment are recovering robustly, indicating an upward trend in corporate performance. Nonetheless, there is no shortage of management issues that we must continue to address.

First, in terms of securing a profit, it is a fundamental premise that the Company, which bases its business foundation in Tohoku and Niigata, will steadily build up a track record in these regions. However, to achieve the targets set for FY2025 in the current Medium-Term Plan, it is crucial that each department captures its targeted markets, namely the Kanto region, overseas, and renewals, which are the three main pillars of our business.

In addition, against the backdrop of a structural shortage of human resources, from FY2024, regulations on the upper limit of overtime work will be applied to the construction industry, making the shortage of construction capacity a serious issue. The Company intends to achieve compliance with the regulations on the upper limit of overtime work one year early through working style reforms, operational efficiency through DX, and encouraging stakeholders such as clients to take action.

It is ultimately people who support the growth of a company, so valuing people, developing people, and utilizing people are the Company's good traditions that we will continue responding appropriately to societal changes and employee needs, and making the Company a place where employees feel a sense of both fulfillment and of purpose in their work.

Additionally, as a medium- to long-term issue, there is the challenge of realizing a carbon-neutral and recycling-oriented society. As society undergoes significant changes, it is indispensable for the Company to continually transform and grow in order

to prevail in competition and be chosen by our customers. We will establish systems that enable us to propose solutions that respond immediately to the trends of the society.

At the same time, we will boldly take on the challenge to create new business opportunities originating from the Company, by leveraging our technological and construction capabilities.

About my role

As the Chairman of the Board, I will focus on supervising and monitoring the execution of business, including the progress of the Medium-Term Management Plan, the formulation of growth and investment strategies, and strive to strengthen the corporate governance system from the perspective of shareholders and investors.

In particular, regarding the Board of Directors, I will ensure that discussions among Directors are more substantial than ever before. I believe it is important to actively incorporate the knowledge of External Directors with diverse backgrounds and qualities into our growth and human resource strategies.

In addition, the Board of Directors will discuss material ESG issues, including carbon neutrality, and reflect them in management going forward.

Safety, health, and compliance

We will especially focus on safety, health, and compliance, which are the foundations of our business operations. Safety and health are the foundations and starting points for everything.

Recently, the Company has experienced a series of serious labor accidents, making it necessary for each and every employee to independently think about safety and further enhance a culture of safety and mutual education. We will endeavor to eradicate serious accidents through comprehensive measures under the strong will of the management.

In addition, we will further promote the health management that we introduced in FY2021.

Regarding compliance, we will thoroughly enforce the principle of right or wrong rather than profit or loss in decision making. At all times, whether something is right as a person and as a company comes first, and only then comes the consideration of profit or loss. As a matter of course, we will thoroughly implement this policy from the front line to the headquarters and affiliates.

To our stakeholders


The Company will continue to enhance communication with all of our stakeholders and face various challenges head-on.

We kindly ask for your continued guidance and encouragement for the Company.


Corporate Governance

List of Board of Directors/Skill Matrix


List of Board of Directors (*) Representative Director




Toshinori Abe (*)
Representative Director & Chairman of the Board




Yoshiharu Ota (*)
Representative Director & President, Chief Executive Officer




Ikumi Kobayashi (*)
Representative Director & Executive Vice President
In charge of Business Operation Overall, General Manager of Sales Headquarters; In charge of Corporate Ethics; In charge of IR




Kazuo Takasugi (*)
Representative Director & Senior Managing Executive Officer
General Manager of Electric Power Infrastructure Headquarters




Koji Miura
Director & Managing Executive Officer
General Manager of Engineering Headquarters; Deputy General Manager of Electric Power Infrastructure Headquarters




Yasuhiro Suzuki
Director & Managing Executive Officer




Hiromitsu Takano
Director




Seiichi Mitsui
Director




Keiichi Takano
Director




Kazunari Sugawara
Director & Audit and Supervisory Committee Member



Koichi Ono
Director & Audit and Supervisory Committee Member



Yasunari Takaura
Director & Audit and Supervisory Committee Member



Tokuko Yashima
Director & Audit and Supervisory Committee Member

Skill Matrix

Name	Audit and Supervisory Committee Member	External Director/Independent Officer	Directors' Skills						
			Corporate management/Management strategy	Sales/Marketing	Technology/Safety & Quality	Legal matters/Risk control	Finance/Accounting	Global understanding	Sustainability promotion
Toshinori Abe			●	●		●			
Yoshiharu Ota			●	●	●	●			●
Ikumi Kobayashi			●	●	●			●	●
Kazuo Takasugi			●		●	●			●
Koji Miura			●	●	●			●	●
Yasuhiro Suzuki			●	●			●		●
Hiromitsu Takano			●	●		●			
Seiichi Mitsui		○	●	●			●		
Keiichi Takano		○	●	●				●	
Kazunari Sugawara	○		●			●	●		
Koichi Ono	○	○				●	●		
Yasunari Takaura	○	○					●		●
Tokuko Yashima	○	○				●	●		

(Notes) 1. ● indicates the main skills possessed by each Director.
2. This table does not show all the skills possessed by each Director.

Corporate Governance

List of Executive Officers

List of Executive Officers (excluding officers concurrently serving as Directors)



Hisaaki Hasegawa
Senior Managing Executive Officer
General Manager of Niigata Office



Naoki Fujii
Senior Managing Executive Officer
General Manager of Tokyo Headquarters



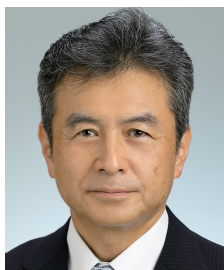
Syunji Nakahata
Managing Executive Officer
General Manager of Fukushima Office



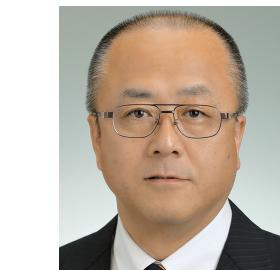
Masaru Tada
Executive Officer
General Manager of Power Transmission Department,
Electric Power Infrastructure Headquarters



Tsutomu Kogawa
Executive Officer
General Manager of Aomori Office



Yoshimi Kato
Executive Officer
General Manager of Power Generation and Substation
Department, Electric Power Infrastructure Headquarters



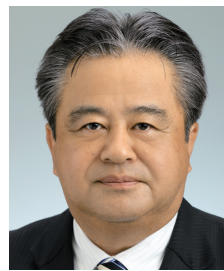
Koichi Nakamura
Managing Executive Officer
General Manager of Distribution Engineering Department,
Electric Power Infrastructure Headquarters



Hiroshi Naganuma
Managing Executive Officer
General Manager of Miyagi Office



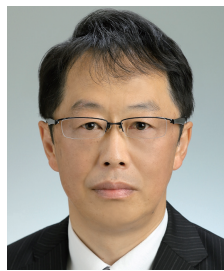
Kunimitsu Hino
Managing Executive Officer
General Manager of General Affairs
Department



Hitoshi Nakanishi
Executive Officer
General Manager of Akita Office



Tatsuya Koizumi
Executive Officer
General Manager of Human
Resource Development Center



Akio Sakuma
Executive Officer
General Manager of Yamagata Office



Takehiro Tamura
Managing Executive Officer
General Manager of Corporate
Planning Department



Masamichi Watanabe
Managing Executive Officer
General Manager of Iwate Office



Hideaki Yoshizaki
Managing Executive Officer
General Manager of Renewable Energy
Headquarters and General Manager of
Renewable Energy Division



Mitsuru Sato
Executive Officer
Deputy General Manager of Sales
Headquarters and General Manager
of Sales Department



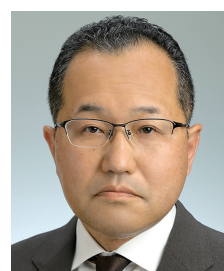
Takashi Chiba
Executive Officer
Deputy General Manager of Engineering
Headquarters and General Manager of Air
Conditioning and Plumbing Installation Department



Hiroshi Kawano
Executive Officer
Deputy General Manager of Engineering
Headquarters and General Manager of
Information & Communications Department



Tomoyuki Sasaki
Managing Executive Officer
Deputy General Manager of Sales
Headquarters and General Manager of
Business & Sales Planning Department



Makoto Saito
Executive Officer status
Audit and Supervisory Officer

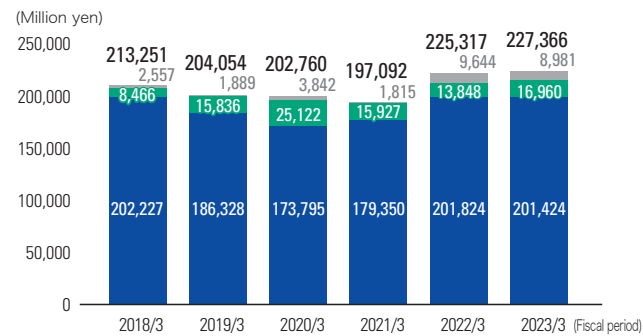
Data Section

Financial and Non-Financial Highlights

Financial information

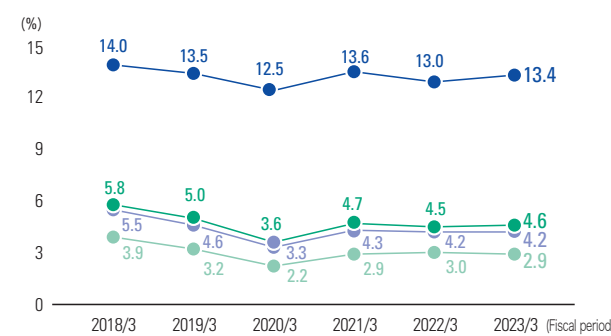
Net sales by region (consolidated)

■ Tohoku (including Niigata Prefecture) ■ Kanto and other regions ■ Overseas



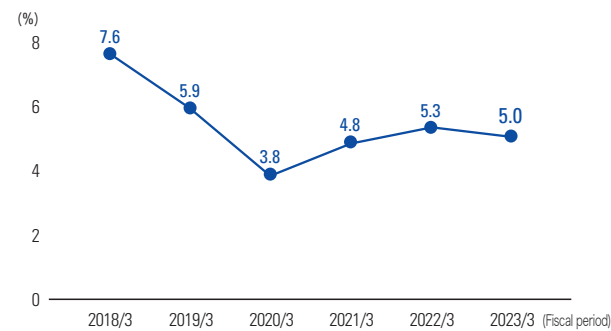
Profit margin (consolidated)

● Gross profit ratio ● Operating profit ratio
● Ordinary profit ratio ● Net profit margin attributable to owners of parent



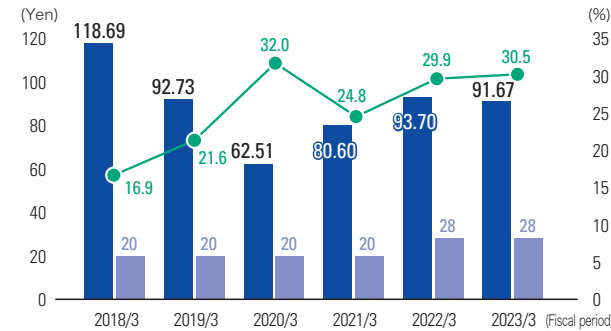
ROE (consolidated)

● ROE



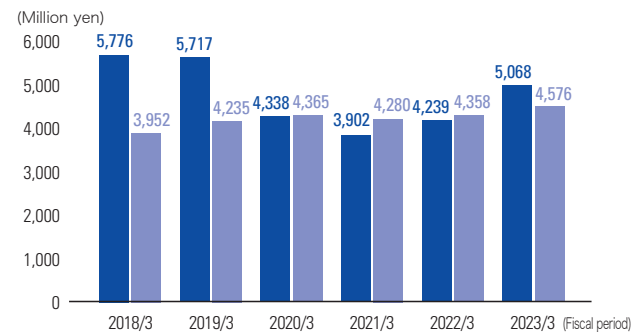
EPS, dividends (consolidated)

■ EPS (basic earnings per share) ■ Dividend per share
● Consolidated payout ratio



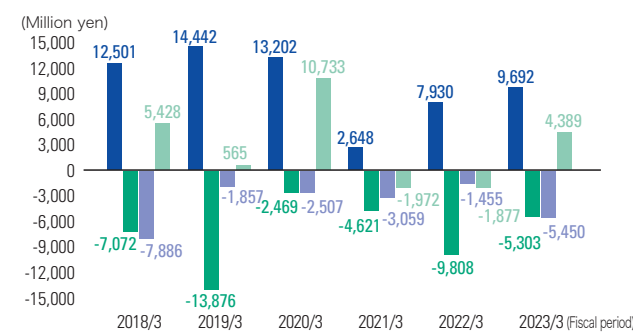
Capital investment, depreciation (consolidated)

■ Capital investment ■ Depreciation



Cash flows (consolidated)

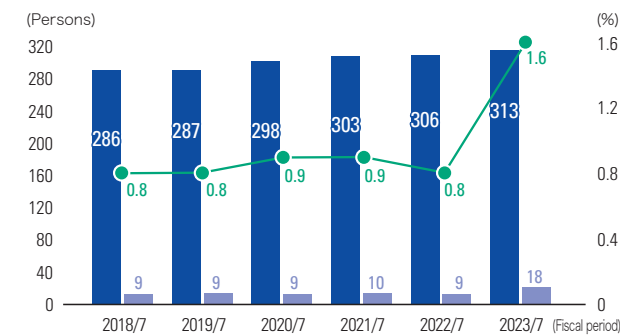
■ Cash flows from operating activities
■ Cash flows from investing activities
■ Cash flows from financing activities
■ Free cash flows



Non-financial information

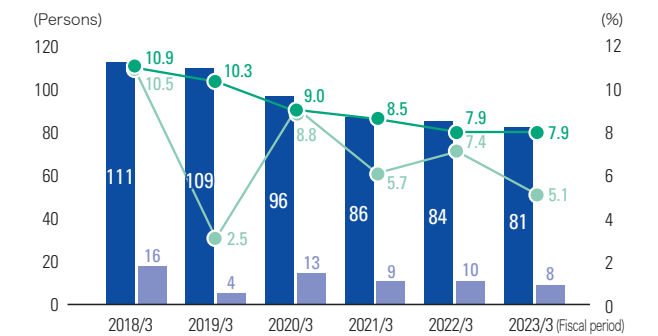
Percentage of women in management positions (non-consolidated)

■ Number of female employees ■ Number of women in management positions
● Percentage of women in management positions and above



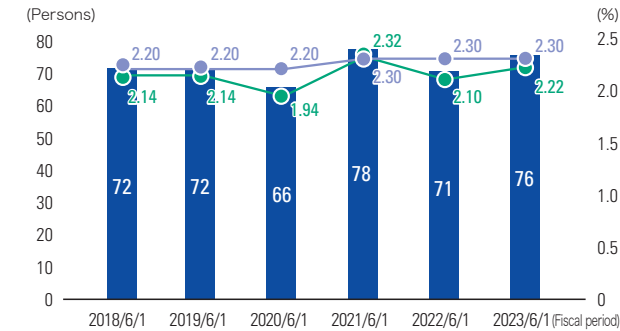
Mid-career hires promoted to management positions/ mid-career hiring results (non-consolidated)

■ Number of mid-career hires in management positions ■ Number of mid-career hires
● Percentage of mid-career hires in management positions and above ● Employment rate of mid-career hires



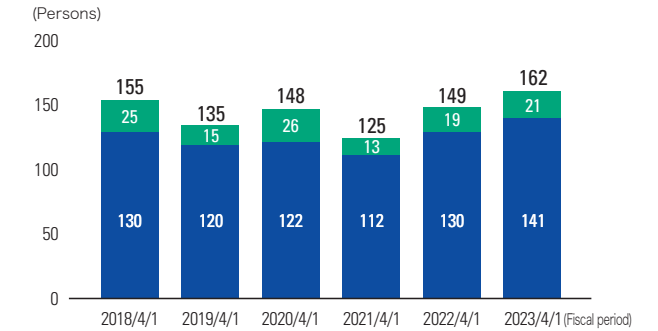
Employment rate of people with disabilities (non-consolidated)

■ Number of employees with disabilities
● Employment rate of people with disabilities ● Statutory employment rate



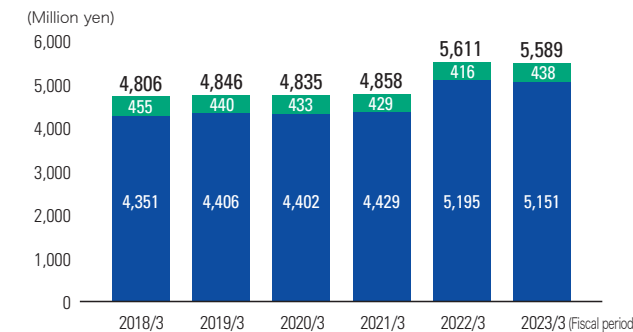
Regular employment results (non-consolidated)

■ Technical position ■ Clerical position



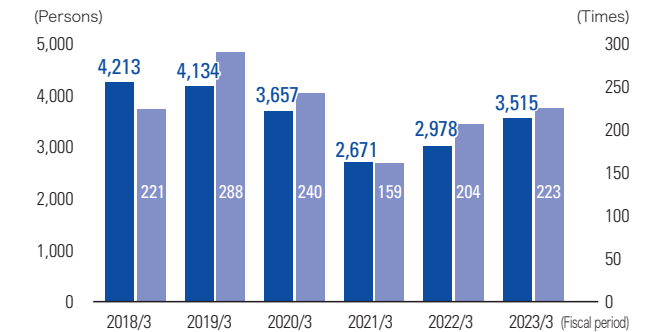
Number of employees (consolidated, full-time employees)

■ Facility engineering business ■ Other businesses



Number of training sessions and participants

■ Number of participants in group training
■ Number of group training sessions held



(1) Overview of Operating Results for the Fiscal Year under Review (FY2022)

The Japanese economy during the fiscal year ended March 31, 2023, amid the prolonged impact of the COVID-19 pandemic, showed signs of recovery thanks to the effects of the various government policies. Meanwhile, soaring energy and raw material prices caused by the Russian invasion of Ukraine, rapid exchange rate fluctuations, and other conditions that must be carefully watched continued. In the construction industry, public-sector investments continued to be firm, and private-sector capital investment showed signs of recovery, on the back of an improvement trend in corporate earnings.

Under these circumstances, the Company pursued business expansion, based on the FY2022 Medium-Term Management Plan, by promoting the basic strategies of increasing earnings in the Kanto region, strengthening renewal sales, and strengthening overseas business, while building on our relationships with our clients in the Tohoku and Niigata regions. Specifically, in the Kanto region, we have worked to increase earnings by strengthening sales to clients that are performing well in growth areas, with the aim of obtaining turnkey orders for indoor wiring/air-conditioning and plumbing installation work and increasing orders received for information and telecommunications installation work.

In terms of renewal projects, the Company concentrated its efforts on increasing the number of orders received by making well-timed proposals to clients based on historical information on constructed properties and offering one-stop services ranging from design and construction to maintenance, servicing, and management. Additionally, we worked to propose technology to reduce CO₂ emissions to our clients, including our registration as a "ZEB Planner" in September 2022, which provides business support, namely ZEB consulting and designs for achieving a zero-energy balance in the annual energy consumption of buildings, in an effort to achieve carbon neutrality by 2050.

In the overseas business, efforts were made, primarily by Sigma Engineering JSC, our consolidated subsidiary, to increase orders received for indoor wiring/air-conditioning and plumbing installation work of large hotels and building complex projects, as well as renewable energy-related construction.

Furthermore, in electric power infrastructure construction work, we reliably received orders for maintenance work on main power grids and planned renewal work on power transmission and distribution facilities, which were fully under way, and strove to improve productivity especially by proposing efficient methods of construction and using mechanical power such as a vehicle for replacement of a power pole at the original position, suction excavators, and drones.

Additionally, we made efforts to further increase revenue by working to increase orders received for

construction related to the large-scale wind-power generation plants planned for various parts of the Tohoku region, and 5G-related work in the information and telecommunications division.

In addition, the DX Promotion Committee, established in April 2022, has taken the lead in raising efficiency and increasing revenue through the promotion of digital technology-driven business transformation and reinforcing our corporate competitiveness.

As a result of these business operations, the performance for the current fiscal year on a consolidated basis was as follows.

Facility engineering business

The performance of the facility engineering business, which forms the core of the Group, resulted in net sales to outside customers of ¥224,075 million, an increase of ¥2,093 million (up 0.9%) year on year, and segment profit of ¥8,749 million, an increase of ¥171 million (up 2.0%) year on year.

Other

In other businesses, centered on leasing businesses such as vehicles, office equipment, and construction machinery, as well as security services and the production of mineral water, net sales to outside customers amounted to ¥3,291 million, a decrease of ¥44 million (down 1.3%) year on year, and segment profit was ¥875 million, a decrease of ¥138 million (down 13.7%) year on year.

(2) Overview of Financial Position for the Fiscal Year under Review (FY2022)

Overview of assets, liabilities, and net assets

Assets

Total assets were ¥221,400 million, an increase of ¥5,384 million compared with the end of the previous fiscal year. This is mainly attributable to increases of ¥4,170 million in notes receivable, accounts receivable from completed construction contracts and other, ¥2,978 million in cash and deposits, and ¥1,539 million in electronically recorded monetary claims - operating and a decrease of ¥3,960 million in deposits paid.

Liabilities

Total liabilities were ¥86,912 million, an increase of ¥442 million compared with the end of the previous fiscal year. This is mainly attributable to increases of ¥2,166 million in notes payable, accounts payable for construction contracts and other, and ¥1,605 million in advances received on construction contracts in progress and a decrease of ¥2,540 million in short-term borrowings.

Net assets

Total net assets were ¥134,488 million, an increase of ¥4,941 million compared with the end of the previous fiscal year. This is mainly attributable to increases of ¥4,299 million in retained earnings and ¥595 million in foreign currency translation adjustment. The equity ratio increased by 0.8 points from the end of the previous fiscal year to 60.7%.

(3) Cash Flows for the Fiscal Year under Review (FY2022)

Cash flows from operating activities

Cash provided by operating activities was ¥9,692 million (compared to cash provided of ¥7,930 million in the previous fiscal year), due to factors such as profit before income taxes of ¥10,430 million and income taxes paid of ¥4,202 million. Compared to the previous fiscal year, this is an increase in income of ¥1,761 million, mainly due to an increase in advances received on construction contracts in progress by ¥2,386 million.

Cash flows from investing activities

Cash used in investing activities was ¥5,303 million (compared to cash used of ¥9,808 million in the previous fiscal year), due to factors such as purchase of property, plant and equipment, including buildings and fixtures, of ¥3,863 million and purchase of intangible assets of ¥823 million. Compared to the previous fiscal year, there was a decrease in expenditures of ¥4,504 million, mainly due to the fact that there were expenditures of ¥4,462 million in the previous fiscal year for the purchase of shares of subsidiaries resulting in change in scope of consolidation to include SIGMA ENGINEERING JSC in the scope of consolidation.

Cash flows from financing activities

Cash used in financing activities was ¥5,450 million (compared to cash used of ¥1,455 million in the previous fiscal year), due to factors such as the net decrease in borrowings of ¥2,695 million and dividends paid of ¥2,285 million. Compared to the previous fiscal year, there was an increase in expenditures of ¥3,995 million, mainly due to the replacement of SIGMA ENGINEERING JSC's borrowings with intercompany loans, resulting in a reduction of short-term borrowings by ¥2,411 million.

(4) Future Outlook

In forecasts for the Japanese economy, economic conditions are expected to improve as the legal status of COVID-19 is downgraded to Class 5 and the normalization of economic activities proceeds accordingly. However, soaring energy and raw material prices, material supply constraints, fluctuations in forex markets, and other conditions that must be carefully watched are likely to continue. In the construction industry, public-sector investments are expected to remain firm due in part to the effectiveness of a supplementary budget set by the government, while the recovery trend of private-sector capital investment is also expected to continue on the back of strong corporate earnings.

Under such circumstances, the Company reviewed some of the policies in its FY2022 Medium-Term Management Plan and formulated its FY2023 Medium-Term Management Plan, based on the business

environment these days. Underpinned by clients in the Tohoku and Niigata regions as its foundations and pursuing its basic strategies of increasing earnings in the Kanto region, strengthening renewal sales, and strengthening overseas business, the Company is aiming to achieve the quantitative targets of ¥240.0 billion in consolidated net sales, ¥12.0 billion in consolidated operating profit, ¥220.0 billion in non-consolidated net sales, and ¥10.0 billion in non-consolidated operating profit in FY2025.

Specifically, in the Kanto region, in addition to further increasing orders received for indoor wiring/air-conditioning and plumbing installation work, we will expand sales activities to win turnkey orders for work including information and telecommunications installation work and make efforts to reinforce our system by encouraging construction companies to become partner companies and increasing new construction companies.

In terms of renewal projects, the Company will actively offer proposals that meet clients' equipment updating needs and strengthen sales of energy saving-related construction work including the facilitation of ZEBs that helps to achieve carbon neutrality by 2050 in an effort to increase orders received.

In the overseas business, the Company will continue efforts to strengthen and expand operations primarily in Vietnam by strengthening its alliances with its local subsidiaries, YURTEC VIETNAM CO., LTD. and Sigma Engineering JSC.

Furthermore, in electric power infrastructure construction work, we will contribute to the stable supply of electricity by ensuring construction capacity that takes disaster recovery response into consideration. While monitoring the impact of the newly introduced revenue cap scheme, we will strive to increase orders received by making provisions for maintenance work on main power grids, planned renewal work on power transmission and distribution facilities, and other such work for which orders are expected to be placed based on the electric supply plans of Tohoku Electric Power Network.

Additionally, we have been working to further promote our operations. We set up the Mobile Communications Engineering Center in April 2023 to win orders for mobile phone-related construction. The Renewable Energy Headquarters was also established in July 2023, with the aim of expanding our renewable energy business and further strengthening our systems.

In addition, through the use of investment pool based on its growth strategies, the Company will actively pursue investments in quality projects to strengthen its business foundations and improve corporate value. At the same time, the Company will push forward with its efforts for sustainability, contributing to the sustainable growth of society as a whole.

Data Section

11-Year Financial and Non-Financial Summary (Consolidated)

Financial data

(Million yen)

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3
Fiscal year											
Net sales	164,617	185,823	217,712	227,067	226,042	213,251	204,054	202,760	197,092	225,317	227,366
Ordinary profit	(2,402)	(252)	12,324	15,677	15,121	12,435	10,176	7,338	9,172	10,040	10,501
Ordinary profit ratio (%)	(1.5)	(0.1)	5.7	6.9	6.7	5.8	5.0	3.6	4.7	4.5	4.6
Profit attributable to owners of parent	(3,666)	3,503	12,160	10,470	10,118	8,378	6,631	4,470	5,763	6,700	6,561
Comprehensive income	(3,553)	3,525	14,088	8,831	11,325	9,269	6,550	4,528	6,606	7,071	7,176
Total assets	146,937	157,021	180,723	187,598	190,390	191,201	195,444	197,050	200,116	216,016	221,400
Net assets	73,137	74,431	92,564	99,801	109,601	110,490	115,608	118,734	123,908	129,546	134,488
Net assets per share (yen)	912.47	928.67	1,156.70	1,254.40	1,377.91	1,544.57	1,616.11	1,659.80	1,732.08	1,810.82	1,877.71
Basic earnings per share (yen)	(46.06)	44.02	152.81	131.62	127.23	118.69	92.73	62.51	80.60	93.70	91.67
Equity ratio (%)	49.4	47.1	50.9	53.2	57.6	57.8	59.1	60.2	61.9	59.9	60.7
Return on equity (ROE) (%)	(4.9)	4.8	14.7	10.9	9.7	7.6	5.9	3.8	4.8	5.3	5.0
Price earnings ratio (times)	(6.4)	9.0	5.2	7.1	6.0	7.1	8.7	9.8	10.1	7.4	9.0
Cash flows from operating activities	968	908	16,706	(218)	14,389	12,501	14,442	13,202	2,648	7,930	9,692
Cash flows from investing activities	3,148	3,209	(13,104)	(508)	(7,206)	(7,072)	(13,876)	(2,469)	(4,621)	(9,808)	(5,303)
Cash flows from financing activities	(1,342)	(1,378)	(609)	(861)	(12)	(7,886)	(1,857)	(2,507)	(3,059)	(1,455)	(5,450)
Cash and cash equivalents at end of period	29,189	32,153	35,494	33,709	40,855	38,316	37,123	45,301	40,284	37,039	36,334

Non-financial data

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3
Number of employees (persons)	5,308	5,219	5,342	4,719	4,742	4,806	4,846	4,835	4,858	5,611	5,589

Data Section

Corporate Profile

Basic Information (As of March 31, 2023)

Company name	Yurtec Corporation
Established	October 1944
Location	Sendai City, Miyagi Prefecture
Business segment	Construction (Facility engineering business)
Number of employees	3,750
Consolidated subsidiaries	16 (incl. 2 overseas)
Capital	7.8039 billion yen
Market	Tokyo Stock Exchange (Prime Market)
Securities code	1934
Parent company	Tohoku Electric Power Co., Inc.



Yoshiharu Ota
Representative Director
& President,
Chief Executive Officer

Logo



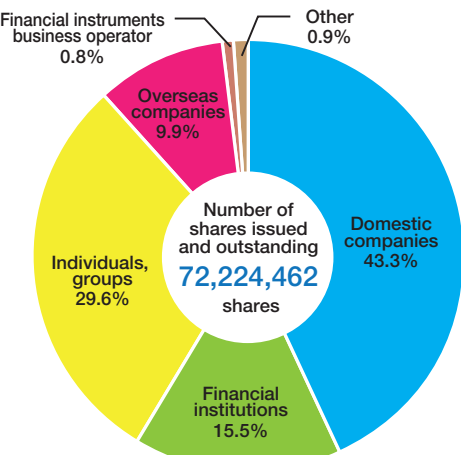
A stroke of the initial letter of the corporate name "Yurtec" is stressed with three sharp lines symbolizing "technology," "creation" and "challenge" to give an image of dynamic extension.

Stock Information

Fiscal closing date	March 31
Annual General Meeting of Shareholders	June
Date of record for year-end dividends	March 31
Date of record for interim dividends	September 30
Number of shares issued and outstanding	72,224,462 shares
Number of shareholders	8,231
Major shareholder	Tohoku Electric Power Co., Inc. (Holdings: 41.78%)

Stock Information (As of March 31, 2023)

Shareholdings by shareholder



(Note) Treasury shares are included in "Other."

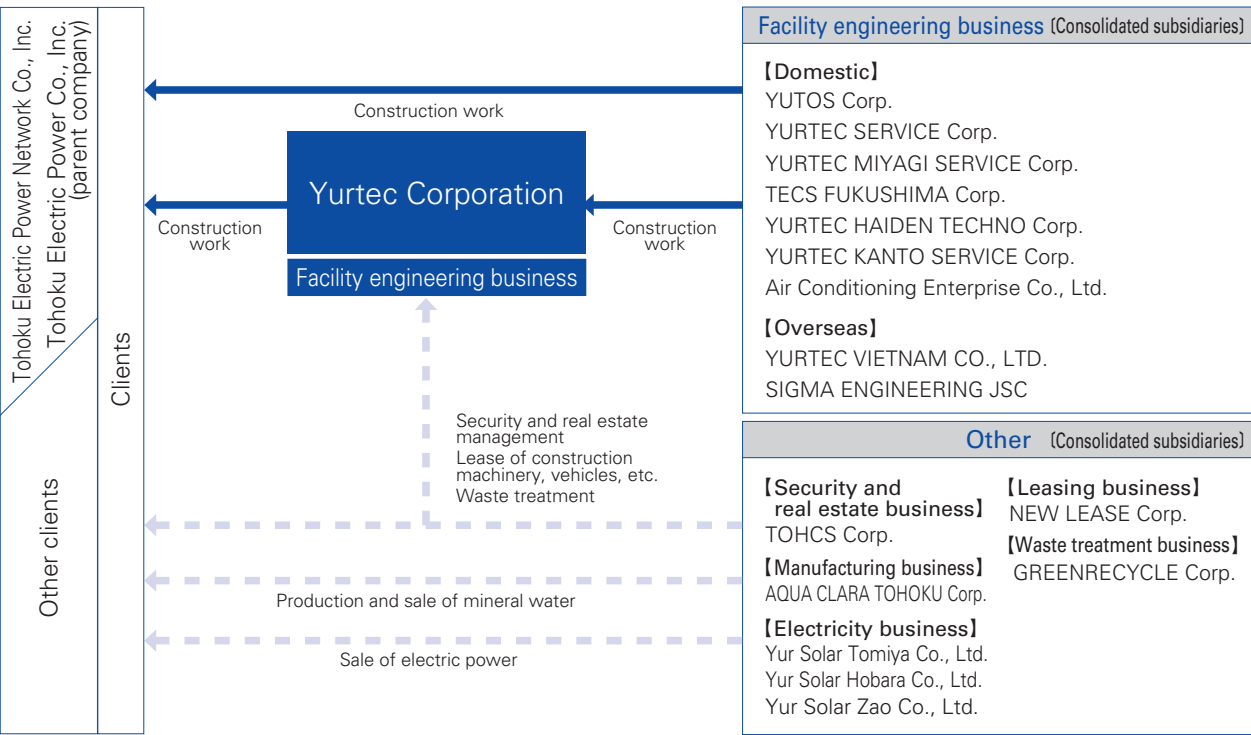
Major shareholders	No. of shares (thousand shares)	Ownership (%)
1 Tohoku Electric Power Co., Inc.	29,915	41.78
2 Yurtec Employee Stock Ownership Plan	5,908	8.25
3 The Master Trust Bank of Japan, Ltd. (Trust Account)	5,252	7.34
4 Custody Bank of Japan, Ltd. (Trust Account)	1,737	2.43
5 Nippon Life Insurance Company	1,381	1.93
6 DFA International Small Cap Value Portfolio	1,018	1.42
7 The 77 Bank, Ltd.	942	1.32
8 BBH BOSTON FOR NOMURA JAPAN SMALLER CAPITALIZATION FUND 620065	505	0.71
9 Meiji Yasuda Life Insurance Company	459	0.64
10 JPMorgan Chase Bank 385781	410	0.57

(Notes) 1. The Company holds 630 thousand treasury shares, which are excluded from the above major shareholders.
Ownership ratio is calculated by deducting treasury shares.
2. The above shareholder names are based on the notice to all shareholders.

Corporate Information

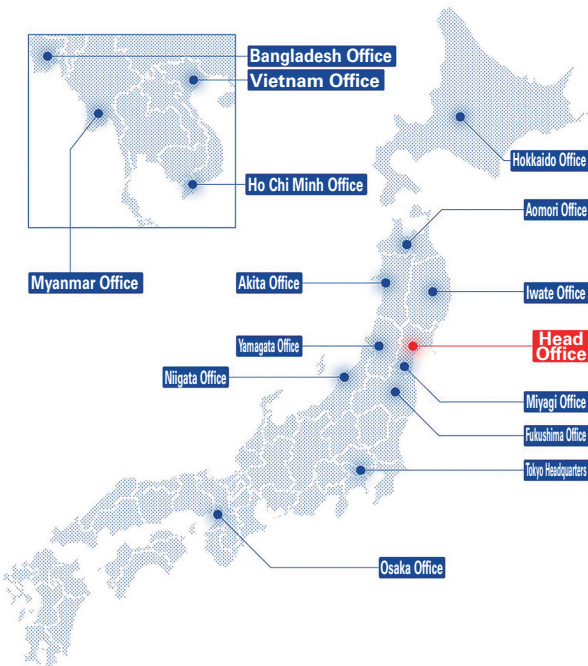
The Yurtec Corporate Group

Total consolidated subsidiaries: 16



Service Area

There are 81 business locations in Japan, primarily in the Tohoku region and Niigata Prefecture, as well as the Kanto region, Hokkaido, and Osaka Prefecture, and offices in 3 overseas countries (Vietnam, Myanmar, Bangladesh). We have established a system capable of quickly responding to customer needs with technical expertise that totally supports lifelines through a community-based network.



Head Office Building
Sendai City, Miyagi Prefecture



Yurtec Corporation

4-1-1 Tsutsujigaoka, Miyagino-ku, Sendai City, Miyagi 983-8622, Japan

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