

# The Mid-Term Management Plan “Refining Stage”

**Revision of the Performance Targets  
and Financial Strategy**

**May 9, 2025**



- The business results in the first year (Period ended March 2025) of the Mid-Term Management Plan exceeded the targets due to the favorable turnaround in the order environment, steady progress in large-scale construction projects, and the effects of measures of the Mid-Term Management Plan.
- Based on these results, the Company will revise the performance targets, in comprehensive consideration of factors such as the recent order trends, the uncertain outlook for capital investment in Japan and overseas due to the U.S. tariff policy, and the continued challenging situation concerning construction capacity.

	Period ended March 2025	Period ending March 2027	
	Actual results for the first year	Initial target	Revised target
<b>Consolidated net sales</b>	262.7 billion yen	260.0 billion yen +10.0 billion yen	<b>270.0 billion yen</b>
<b>Consolidated OP</b>	23.0 billion yen	16.0 billion yen +8.0 billion yen	<b>24.0 billion yen</b>
<b>ROE</b>	17.4 %	10% or more +2 points	<b>12% or more</b>

- Environmental change factors will be incorporated into our performance targets for the final year of the Refining Stage.

## Environmental change factors

Factors	Assessment
<b>Japan</b> Improvement in the order environment	<ul style="list-style-type: none"> <li>Profitability at the time of order receipt improved, backed by robust domestic construction demand.</li> <li>Gross profit margin of completed construction contracts in Japan improved by approx. 2.7 points from the final year of the Preparation Stage to the most recent operating results.</li> </ul>
<b>Japan</b> Rising material and equipment prices	<ul style="list-style-type: none"> <li>The construction price index increased by more than 10% compared to the final year of the Preparation Stage.</li> <li>Profit margins of uncompleted construction contracts improved as material and equipment price pass-through progressed.</li> </ul>
<b>Japan</b> Increasing human resources shortage	<ul style="list-style-type: none"> <li>With labor shortages, rising prices, etc., base-pay increases were made by approx. 12% compared to the final year of the Preparation Stage.</li> <li>Human capital investments pushed up fixed costs.</li> </ul>
<b>Japan</b> Tight construction capacity	<ul style="list-style-type: none"> <li>Construction capacity continues to be limited as an overtime cap was set.</li> </ul>
<b>Japan</b> Impact of US tariffs <b>Overseas</b>	<ul style="list-style-type: none"> <li>There are concerns about postponing or canceling plans, especially for domestic capital investment projects in the export industry.</li> <li>High US tariff rates on Thailand and Vietnam slow down industrial investments in these countries.</li> </ul>

## Impact on business performance

Results	Impact on business performance
<b>Japan</b> Higher order unit price	<b>Japan</b> Net sales (+) Operating profit (+) Cash flow (-)
<b>Japan</b> Improved profit margin at the time of order receipt	<b>Japan</b> Net sales (+) Operating profit (+)
<b>Japan</b> Increase in construction costs	<b>Japan</b> Net sales (+) Operating profit (-)
<b>Japan</b> Increase in unit labor cost	<b>Japan</b> Net sales (+) Operating profit (-)
<b>Japan</b> Limited order receiving capacity	<b>Japan</b> Net sales (-) Operating profit (-)
<b>Japan</b> Worsening order environment <b>Overseas</b>	<b>Japan</b> Net sales (-) Operating profit (-) <b>Overseas</b>

# How We Review Targets

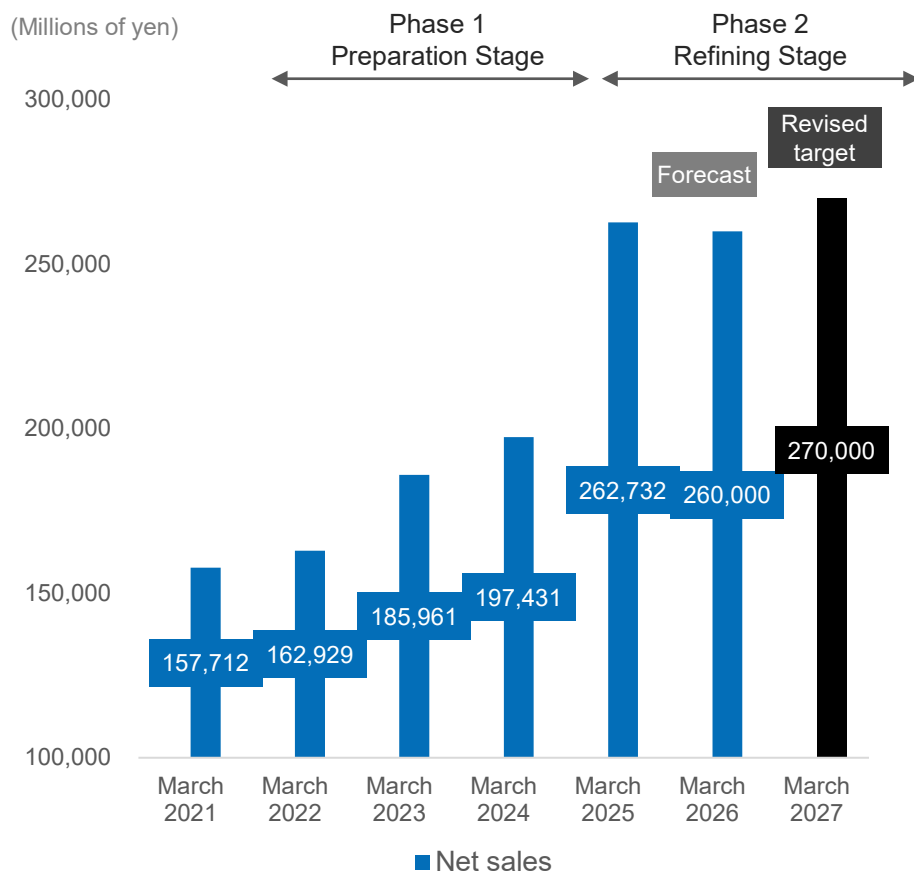
- We will upwardly revise our performance targets for the final year of the Refining Stage, taking comprehensive consideration of the following situations.

	Revised target details	Factors for increase	Factors for decrease
<b>Consolidated net sales</b>	<p>Despite negative factors, we strive to continue expanding our business by assessing construction capacity.</p> <p>Initial target <b>260.0 billion yen</b> + 10.0 billion yen → Revised target <b>270.0 billion yen</b></p> <ul style="list-style-type: none"> <li>↑ Steady progress in large-scale construction projects such as semiconductor and automotive battery factories</li> <li>↑ Increase in order unit price against the backdrop of price pass-through</li> <li>↓ Continued limitations on the construction resource side due to the overtime cap</li> <li>↓ Concerns about the postponement and cancellation of capital investment plans affected by the US tariff policy</li> </ul>	<p>Japan: Improvement in the order environment</p> <p>Japan: Rising material and equipment prices</p>	<p>Japan: Tight construction capacity</p> <p>Japan: Impact of US tariffs</p> <p>Overseas: Impact of US tariffs</p>
<b>Consolidated OP</b>	<p>Maintain profit margins by continuing appropriate order receipt policies and productivity improvement measures.</p> <p>Initial target <b>16.0 billion yen</b> + 8.0 billion yen → Revised target <b>24.0 billion yen</b></p> <ul style="list-style-type: none"> <li>↑ Improved profitability at the time of order receipt and profit margins of uncompleted construction contracts in the booming construction market</li> <li>↑ Appropriate reflection of increased construction costs and labor costs in unit prices</li> <li>↓ Forward-looking investment in human capital to deal with the worsening human resource shortage</li> <li>↓ Concerns about the postponement and cancellation of capital investment plans affected by US tariff policies</li> </ul>	<p>Japan: Improvement in the order environment</p>	<p>Japan: Increasing human resource shortage</p> <p>Japan: Impact of US tariffs</p> <p>Overseas: Impact of US tariffs</p>
<b>ROE</b>	<p>Pursue maximizing cash flow and optimizing capital structure, thereby maximizing ROE.</p> <p>Initial target <b>Over 10%</b> + 2pt → Revised target <b>Over 12%</b></p> <ul style="list-style-type: none"> <li>↑ Improvement of net profit margin, a component of ROE*</li> <li>↓ Securing appropriate capital to accommodate the increase in working capital (cash-out) for business expansion, etc.</li> </ul> <p>*ROE = Profit ratio × Turnover ratio × Financial leverage</p> <p>*Actual net profit margin: Final period of the Preparation Stage: 4.6% → Result of the previous period: 6.6%</p>	<p>Japan: Improvement in the order environment</p>	

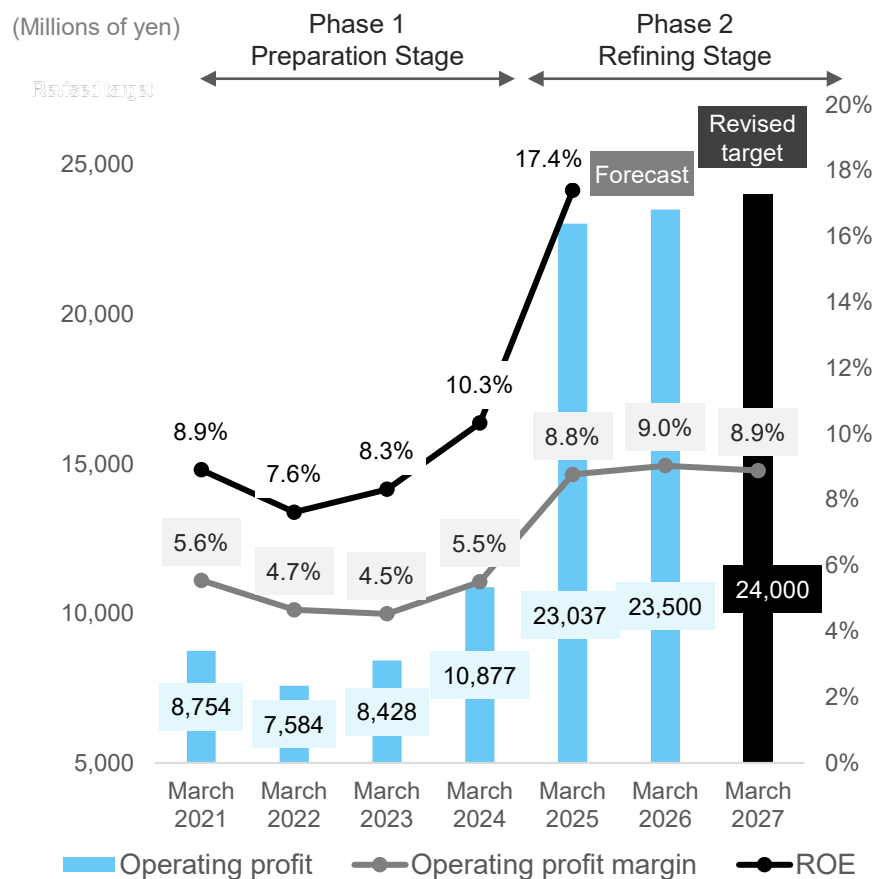
# Trends Up to the Refining Stage

- We will maintain significantly increased net sales and profit margins and will strive to continue achieving stable growth.

## Trends in consolidate net sales



## Trends in consolidated OP, profit ratio, and ROE



Figures for the period ending March 2026 and for the period ending March 2027 are based on earnings forecasts and revised targets, respectively.

## Financial strategy indicator review

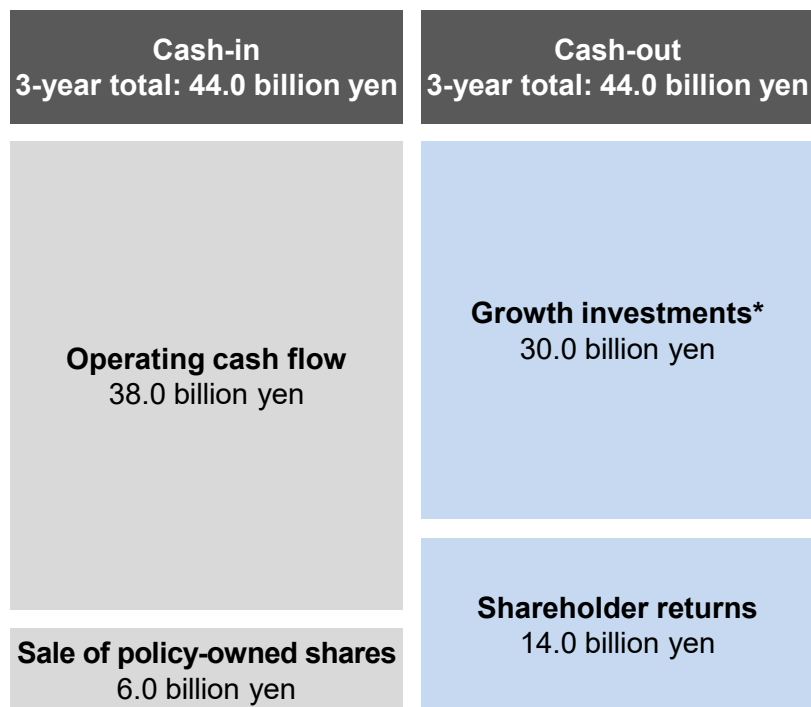
- We will pursue stable growth by enhancing our equity capital in line with business expansion while keeping capital efficiency in mind.

	When the Refining Stage was announced (May 2024)	Progress assessment	This revision (May 2025)
Capital efficiency	<ul style="list-style-type: none"> <li>• <b>ROE target: Over 10%</b> (+5pt compared to the Preparation Stage)</li> <li>• Early reductions of consolidated net asset ratio of policy-owned shares: Less than 20%</li> <li>• Equity-to-asset ratio: Approx. 50%</li> </ul>	<ul style="list-style-type: none"> <li>✓ ROE reached 17.4%, exceeding the target of over 10%.</li> <li>✓ After the sale of approx. 3.8 billion yen of policy-owned shares (including deemed shareholdings), consolidated net asset ratio at the end of March 2025 came to 22.6%.</li> <li>✓ We used borrowings to prepare for changes in payment terms and increased working capital associated with business expansion, resulting in an equity-to-asset ratio of 49.7%. Despite using financial leverage, a certain level of financial soundness has been maintained.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>ROE target: Over 12%</b> (+7pt compared to the Preparation Stage)</li> <li>• Early reductions of consolidated net asset ratio of policy-owned shares: Less than 20% (continued)</li> <li>• Equity-to-asset ratio: Approx. 50% (continued)</li> </ul>
Growth investments	<ul style="list-style-type: none"> <li>• <b>Amount of growth investments: Accumulated total of 30.0 billion yen over a period of three years</b></li> <li>• Optimizing capital allocation with a focus on cash generation through business activities</li> </ul>	<ul style="list-style-type: none"> <li>✓ Approx. one-third of the planned growth investments were invested mainly in purchasing additional shares in Presico and human capital investments.</li> <li>✓ Working capital for business growth has increased due to changes in payment terms and an increase in large-scale construction projects in keeping with business expansion.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Amount of growth investments: Accumulated total of 43.0 billion yen over a period of three years</b></li> <li>• Optimizing capital allocation with a focus on cash generation through business activities (continued)</li> </ul>
Shareholder returns	<ul style="list-style-type: none"> <li>• <b>Dividend policy:</b> <ul style="list-style-type: none"> <li>• <b>Dividend payout ratio of 40% or higher</b> (+5pt compared to the Preparation Stage) <b>and</b></li> <li>• <b>A minimum DOE of 4.0%*</b></li> </ul> </li> </ul> <p><small>*ROE 10% × Payout ratio 40%</small></p>	<ul style="list-style-type: none"> <li>✓ Dividend increase in line with improved business performance                             <ul style="list-style-type: none"> <li>• Initial forecast: 104 yen ⇒ Revised dividend: 163 yen</li> <li>• [Reference] EPS: 406.82 yen × Payout ratio 40%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Dividend policy:</b> <ul style="list-style-type: none"> <li>• <b>Dividend payout ratio of 40% or higher</b> (+5pt compared to the Preparation Stage) <b>and</b></li> <li>• <b>A minimum DOE of 4.8%*</b></li> </ul> </li> </ul> <p><small>*ROE 12% × Payout ratio 40%</small></p>

## Capital allocation review

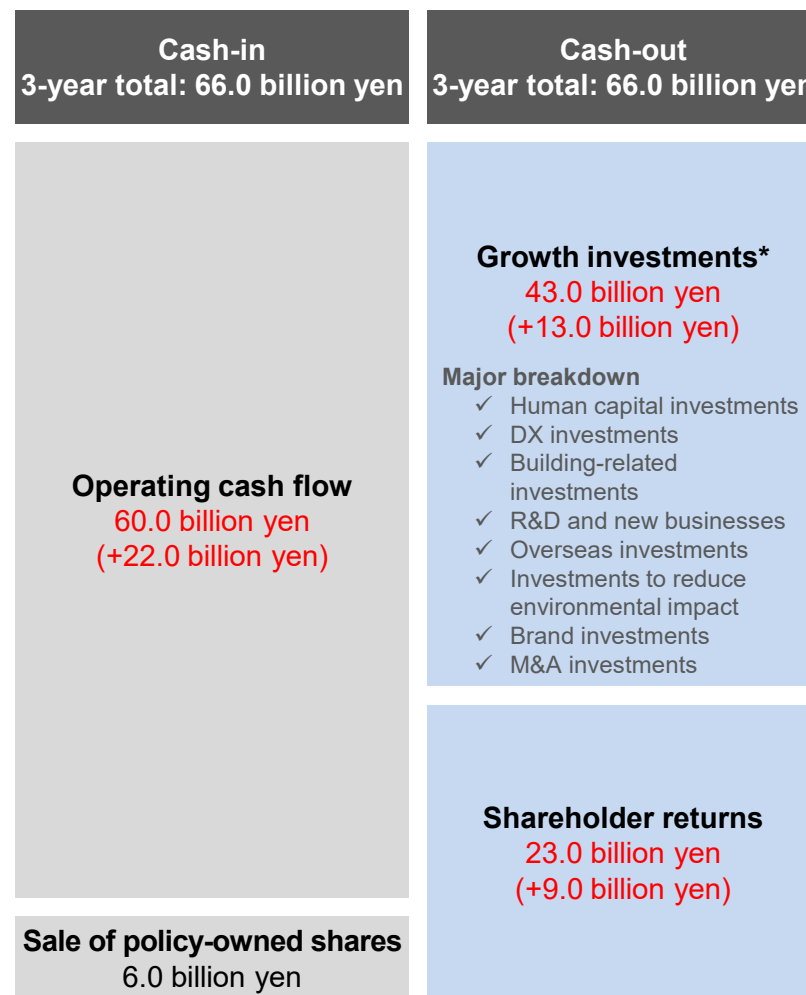
- With the revision of performance targets, we will review capital allocation and increase shareholder returns and growth investments.

### When the Refining Stage was announced (May 2024)



\*Includes an increase in working capital along with larger projects.

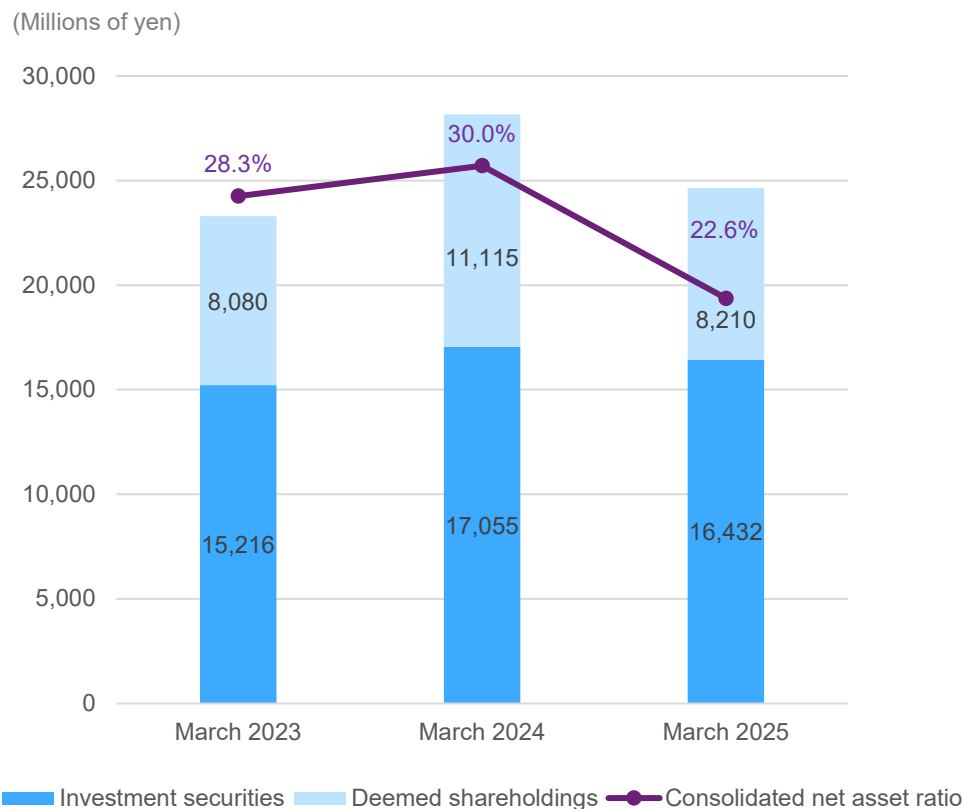
### This revision (May 2025)



\*Includes an increase in working capital along with larger projects.

## Reduction of policy-owned shares (including deemed shareholdings)

- In the fiscal year ended March 31, 2025, after the sale of approx. 3.8 billion yen (market value at the time of sale) of policy-owned shares, including deemed shareholdings, the consolidated net asset ratio came to 22.6%.
- We will continue to steadily reduce the ratio of policy-owned shares, including deemed shareholdings, to less than 20% of consolidated net assets by the fiscal year ending March 31, 2027.



## Trends in sale prices of policy-owned shares

	Sale price (Million yen)	Number of stocks*
Period ended March 2023	723	4
Period ended March 2024	3,303	8
Period ended March 2025	3,826	6

\*Includes partially sold stocks.

## Disclaimer

The forecast concerning future business results, including future plans and strategies, disclosed by the Company is based on assumptions deemed reasonable at the time of announcement. Therefore, actual business results may differ from the forecast due to various factors.

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