

# Financial Strategy

## Financial developments in FY2024

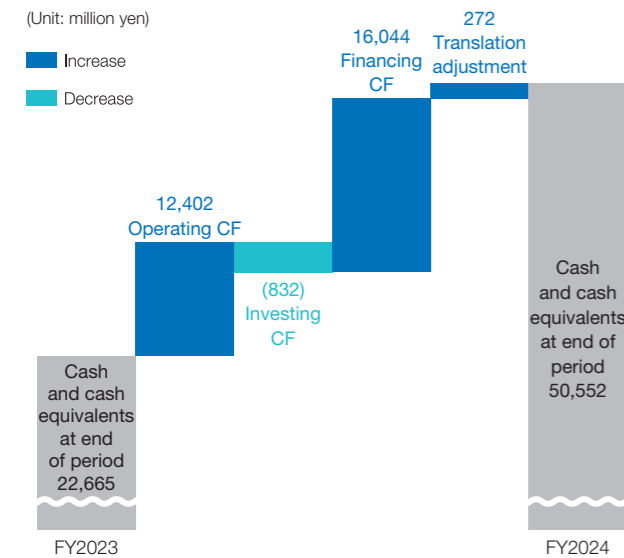
Our Group's basic financial strategy policy is to stably secure the funds necessary for business operations.

Working capital and regular capital investment funds are basically secured through funds generated from the settlement of notes receivable and electronically recorded monetary claims arising from sales cycle transactions as well as the collection of accounts receivable, with supplemental financing from financial institutions as needed. For the FY2024, we changed payment terms (switching to all-cash payments for cooperating companies with capital of 300 million yen or less), additionally acquired shares of Presico,

making it a consolidated subsidiary, and other measures to anticipate increased working capital needs due to business expansion; as a result, we borrowed 20.0 billion yen in April 2024.

The 20.0 billion yen loan was fully repaid in April 2025; however, as large-scale construction continues, there may be time lags between payment and receipt depending on individual payment conditions, so we will work to secure early collection of accounts receivable and continue utilizing flexible borrowing to stabilize cash flow.

### ► Breakdown of Cash Flows (Trend of Cash and Cash Equivalents at End of Period)



### ► Summary of Consolidated Management Indicators (Cash Flows)

	FY2023	FY2024	Change	Change Rate
CF from operating activities	596	12,402	11,805	—
CF from investing activities	(603)	(832)	(229)	—
CF from financing activities	(2,829)	16,044	18,874	—
Cash and cash equivalents at beginning of period	25,348	22,665	(2,682)	(10.6%)
Net increase/decrease in cash and cash equivalents	(2,682)	27,886	30,569	—
Cash and cash equivalents at end of period	22,665	50,552	27,886	123.0%

## Leveraging a Robust Financial Base for Growth Investments and Shareholder Returns

In conjunction with the revision of the Mid-Term Management Plan performance targets, we have reconsidered the three financial strategy indicators—capital efficiency, growth investment, and Shareholder Returns—as well as capital allocation for the three years through the FY2026.

With the improvement in net profit margin, we have set ROE at 12% or higher to ensure adequate capital for supporting increased working capital (cash outflow) accompanying business expansion. Regarding growth investments, we currently have four business areas: mechanical construction, electrical construction, overseas business, and regenerative medicine business. Mechanical construction and electrical construction are our core businesses, and we will strengthen the technological capabilities of our field engineers through investment in human capital, and promote DX investment to respond to regulations on overtime work and progressing shortages in human resources, thereby supporting future business expansion. For our overseas business, we anticipate further growth of local subsidiaries through staff increases, overseas training, and M&A-related investments. For the regenerative medicine business, we are investing in new businesses to establish it as a new source of revenue. For shareholder returns, while maintaining a dividend payout ratio of 40% or higher and aiming to provide stable dividends, we have raised the DOE lower limit from 4.0% to 4.8%.

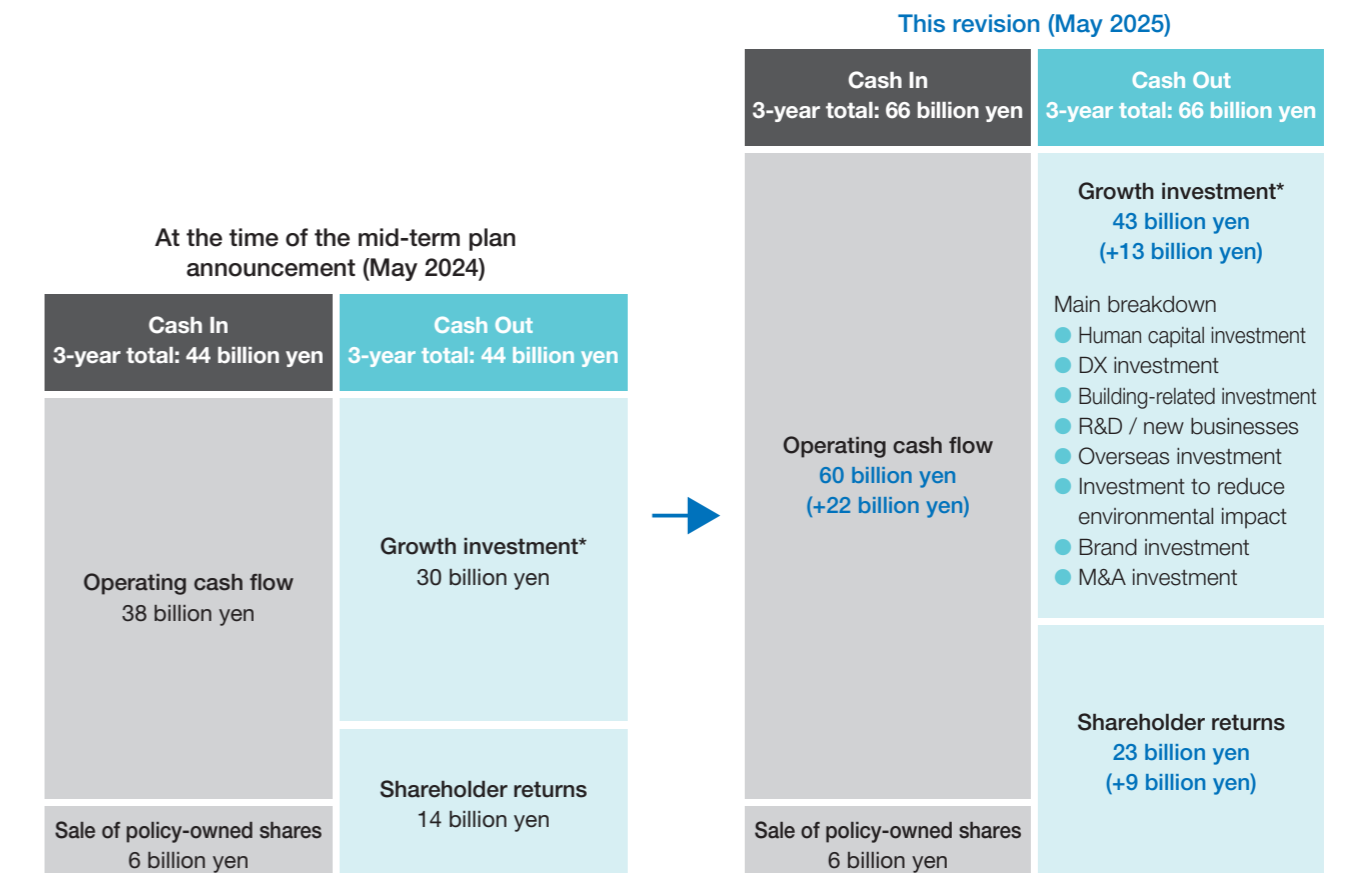
### ► Financial Strategy Indicator

	At the time of Mid-Term Management Plan announcement (May 2024)	This revision (May 2025)
Capital efficiency	ROE target 10% or higher	ROE target 12% or higher
Growth investment	Three-year cumulative total of 30 billion yen	Three-year cumulative total of 43 billion yen
Shareholder returns	Dividend Policy: Dividend payout ratio of 40% or higher and DOE 4.0%* as the lower limit <small>*ROE 10% × dividend payout ratio 40%</small>	Dividend Policy: Dividend payout ratio of 40% or higher and DOE 4.8%* as the lower limit <small>*ROE 12% × dividend payout ratio 40%</small>

For capital allocation, with increased cash generation from business activities, total cash-in over three years is set at 66 billion yen. Cash-out for growth investments will increase by 13 billion yen to 43 billion yen, and shareholder returns will increase by 9 billion yen to 23 billion yen.

We will aim for an optimal capital structure, taking into account the balance between shareholder returns and maintaining a sound financial position.

### ► Capital Allocation



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

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**Yoji Sasaki**  
 Director, Senior Corporate Officer  
 CIO and Manager of General Administration Division

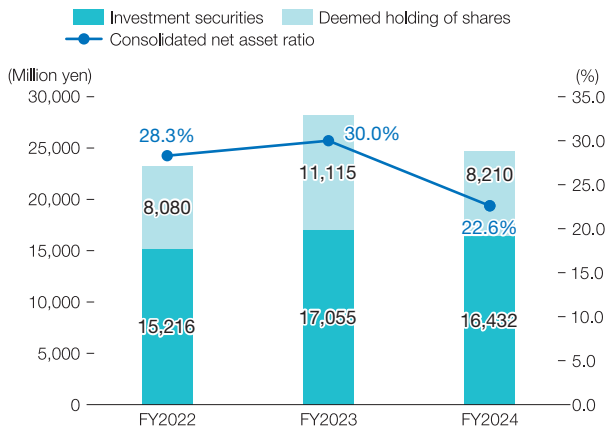
### Message from the Manager of General Administration Division

In the first year of the three-year Mid-Term Management Plan “Refining Stage” through March 2027, we exceeded performance targets and revised both performance goals and financial strategy indicators. We have set three financial strategy indicators: capital efficiency, growth investment, and shareholder returns. While maintaining financial soundness amid business expansion, we aim to improve corporate value by achieving performance goals and financial strategy indicators through appropriately allocating cash obtained through business activities and the reduction of cross-shareholdings to growth investments and shareholder returns. We sincerely appreciate your continued support as we continue to engage with our stakeholders and manage with close attention to capital costs and share price.

## Reduction of Cross-shareholdings

In principle, we will not hold shares unless we judge them necessary for our sustainable growth from a policy perspective, such as maintaining and enhancing favorable business relationships. For stocks already held, we will examine their medium- to long-term economic rationality, and if we determine that there is little holding value, we will reduce them.

Our policy to reduce policy cross-shareholdings targets



a ratio of less than 20% of consolidated net assets by FY2026. In the FY2024, including deemed held shares, we sold approximately 3.8 billion yen worth, resulting in a ratio of cross-shareholdings to consolidated net assets of 22.6%. We will continue to further reduce our holdings in order to achieve our target as early as possible.

### Trends in sale of policy-owned shares

	Sale Amount (Million Yen)	Number of stocks*
FY2022	723	4
FY2023	3,303	8
FY2024	3,826	6

\* Including partially sold stocks

## Towards Management Conscious of Capital Costs and Share Price

Stably achieving an ROE that surpasses the cost of shareholder equity is one of our most important management priorities. ROE for the FY2024 was 17.4%, significantly exceeding the 10% target set at the time the Mid-Term Management Plan was formulated.

As for shareholder returns, the policy is to pay out dividends from the remaining amount after deducting growth investments from cash-in generated by business activities and the sale of cross-shareholdings, and the dividend policy sets the lower limit at a dividend payout ratio of 40% and DOE of 4.8%.

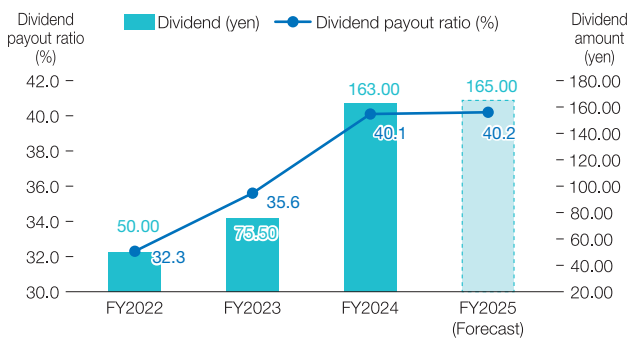
Until the FY2022, our PBR remained below 1 for consecutive years. Since low liquidity was considered a reason for our performance not being reflected in the stock price, in 2023, we implemented a capital policy—stock splits and share offerings—and enhanced dividend measures and

IR activities. As a result, PBR rose to 1.49 times in the FY2024.

With regard to IR activities, we have held IR meetings with numerous institutional investors in Japan and overseas, participated in IR fairs for individual investors, and established forums for dialogue beyond financial results briefings to exchange opinions. Through these opportunities, we have enabled a better understanding of our business and strategies, while also gaining new insights ourselves.

The performance targets for the FY2026 are 270 billion yen in consolidated net sales and 24 billion yen in consolidated operating profit. While aiming for stable growth by maintaining the high level of profitability achieved in FY2024, we will manage with an awareness of capital efficiency and execute financial strategies accurately to realize management that is conscious of capital cost and share price.

### Dividend Amount and Dividend Payout Ratio



### ROE and PBR Trends

