# E·J Holdings Inc.

## 2153

Tokyo Stock Exchange Prime Market

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# Index

# Summary

## Robust order environment for social infrastructure; record results forecast for FY5/24

E·J Holdings Inc. <2153> (hereinafter referred to as "the Company") is a major, comprehensive construction consultant whose strength is that it is able to provide services in every process for public work, etc. from planning and development through plan formulation, surveys and design, construction management, and operations and maintenance management, with its subsidiary Eight-Japan Engineering Consultants Inc. as the core company. Orders-received from central and local government offices and agencies account for 80 to 90% of its total sales, and overseas, it has a track record of projects in Africa and Southeast Asia, etc. The Company is also involved in the planning and management of regional revitalization projects.

**1. FY5/23 results overview**

In the Company's FY5/23 consolidated results, net sales rose 2.3% year-on-year (YoY) to ¥37,509mn, increasing for the seventh straight year, but operating income fell slightly, down 0.6% to ¥4,462mn. Reasons for the profit decline included a rise in the cost-of-sales ratio in work carried over that does not reflect wage increases (the Company increased wages by 3% or more for basic pay as recommended by the government). SG&A expenses also went up by ¥130mn YoY due to investment in DX and extension/renovation work on its own building. Nonetheless, order trends remained brisk. Orders-received grew 12.3% YoY to ¥38,249mn (a record high for the first time in two years), with order growth centered on infrastructure maintenance including inspection and diagnostic services for aging bridges and roads.

**2. Outlook for FY5/24**

For FY5/24, the Company forecasts a 2.1% YoY increase in net sales to ¥38,300mn and 3.1% rise in operating income to ¥4,600mn. In addition to the sales growth effect, an improved cost-of-sales ratio from the contribution of net sales from work carried over that reflects the wage increase is a factor contributing to profit growth. The Company assumes flat YoY orders-received (up 0.1% YoY) at ¥38,300mn in FY5/24, because the Ministry of Land, Infrastructure and Transport's (MLIT) initial budget is about the same as the previous fiscal year at ¥6.1tn. However, given that demand is robust in the Company's six priority fields of environment and energy, natural disaster risk mitigation, urban and regional revitalization, infrastructure maintenance, Public management, and digital and infrastructure solutions, orders may exceed the Company's assumption. Starting in FY5/23, the Company continues to invest in DX for the purpose of improving business efficiency and fund development of a new cloud-based ERP system. It expects the impact of progress with DX on productivity improvement to materialize in FY5/25 onward, when the new ERP system is fully operational.

### 3. Long-term vision and the medium-term results target

In July 2021, the Company created a long-term vision for FY2030, E·J-Vision 2030, and formulated a policy of pursuing sustainable growth while contributing to the SDGs through the promotion of ESG management in order to become a future-oriented social infrastructure creation group. In its medium-term management plan to FY5/25, which is the first step of the vision, the Company will work, in terms of its basic policies, to strengthen existing businesses and expand the service areas, strengthen the ability to respond to diversifying needs, and construct a management foundation able to respond flexibly to environmental changes. It increased its initial budget for DX investment, improving workplace conditions, and innovation (including R&D) by roughly ¥1.0bn to ¥5.0bn, due in part because of the decision to relocate its Tokyo office. We at FISCO consider the Company's targets for FY5/25 (net sales of ¥38.5bn and operating income of ¥4.85bn) to be well within reach because the current favorable order environment appears likely to continue for some years. We think that in addition to organic growth through strengthening human capital, its M&A and alliance strategies will be an important factor affecting results targets set for FY5/31 in the long-term vision (net sales of ¥50.0bn and operating income of ¥6.0bn). Future developments will be followed closely.

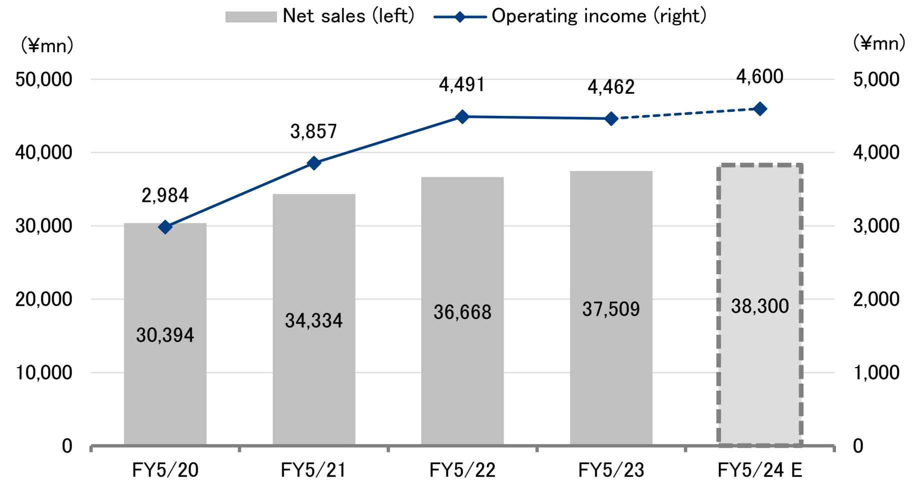
### 4. Shareholder return policy

The Company's basic shareholder return policy is to stably and continuously pay and increase the dividend, and it determines it on comprehensively considering factors including the business environment, the level of profits, and the dividend payout ratio, while targeting a dividend on equity (DOE) ratio of 3%. In FY5/24, it plans to increase the dividend per share by ¥5.0 YoY to ¥55.0, for the seventh consecutive period of higher dividends. The DOE level is 2.8%, but it appears to be aiming to increase it to the 3% level toward FY5/25. The Company has also introduced a shareholder benefits program, gifting to shareholders a QUO card according to the number of shares they hold at the end of November in each year (worth ¥1,000 for shareholders holding 100 or more but less than 1,000 shares).

### Key Points

- In FY5/23 results, orders-received and net sales reached record highs, but profit fell slightly due to a rise in the cost-of-sales ratio
- Outlook for further sales and profit growth in FY5/24 amid robust public works demand
- The fifth medium-term management plan mostly making solid progress toward FY5/25 targets of ¥38.5bn in net sales and operating income of ¥4.85bn
- The Company is aiming to transform into a future-oriented social infrastructure creation group and is targeting long-term growth while also promoting ESG management

Result trends




Source: Prepared by FISCO from the Company's financial results

# Company profile

## A comprehensive construction consultancy major that is currently expanding its business areas and fields through M&A

### 1. Company history

The Company is a holding company that was established in June 2007 by a joint share transfer between Eight Consultants Co., Ltd. and Japan Engineering Consultants Co., Ltd.—two companies that primarily operated construction consultancy businesses. After this, in January 2008, Eight Consultants' measurement equipment rental business was succeeded by Japan Infrastructure Management Co., Ltd. through an absorption split, and then in June 2009, Japan Engineering Consultants' construction consultant business was succeeded by Eight Consultants. After these successions, Eight Consultants changed its company name to Eight-Japan Engineering Consultants, and Japan Engineering Consultants changed its company name to EJ Business Partners Co., Ltd. (EJ Business Partners was merged into Eight-Japan Engineering Consultants through an absorption merger in May 2015).

In June 2010, the Company conducted a share exchange to make a subsidiary of Kindai-Sekkei Consultant, Inc., which is a construction consultancy business specializing in bridges, structures, and urban infrastructure. Then in December 2017, it established Hokkaido Kindai-Sekkei Consultant Inc., from a company split from Kindai-Sekkei Consultant in order to expand its business in Hokkaido. Also, for overseas business development, Eight-Japan Engineering Consultants opened a representative office in Bangkok, Thailand, in November 2014, and established the local subsidiary, EJEC (Thailand) Co., Ltd., in August 2020.

The Company is also proactively advancing M&A, and made subsidiaries of Ark Consultants Co., Ltd., which conducts construction consultancy business in Okayama Prefecture, in March 2019, and of i DEVELOP CONSULTANTS Co., Ltd., which provides customer support and infrastructure-management services in the Kyushu region, in July of the same year. In November of the same year, it made subsidiaries of Futagami Architects & Associates, which conducts construction-related planning, surveys, and project planning as well as seismic diagnostics, mainly in Hyogo Prefecture, and DAIMIC Co., Ltd., which is a leading construction consultancy company in Tochigi Prefecture.

**Company history**

| Date | Major events |
|---|---|
| June 2007 | Eight Consultants Co., Ltd. and Japan Engineering Consultants Co., Ltd. conducted a share exchange to establish E·J Holdings Inc., as the parent company. Listed on the Tokyo Stock Exchange Second Section. |
| January 2008 | Japan Infrastructure Management Co., Ltd. succeeded the measurement equipment rental business of Eight Consultants Co., Ltd. through an absorption split, while at the same time, the company acquired the shares of Japan Infrastructure Management Co., Ltd. held by Eight Consultants Co., Ltd. |
| June 2009 | Eight Consultants Co., Ltd. succeeded the construction consultancy business of Japan Engineering Consultants Co., Ltd. and changed its company name to Eight-Japan Engineering Consultants Inc., and Japan Engineering Consultants Co., Ltd. changed its company name to EJ Business Partners Co., Ltd. |
| June 2010 | Kindai-Sekkei Consultant, Inc. was made a subsidiary through a share exchange. |
| November 2014 | Eight-Japan Engineering Consultants opened representative office in Bangkok, Thailand |
| May 2015 | Eight-Japan Engineering Consultants, Inc. merged with EJ Business Partners through an absorption merger. |
| December 2017 | Established Hokkaido Kindai-Sekkei Consultant, Inc. from a company split from Kindai-Sekkei Consultant, Inc. |
| July 2018 | Listed on the First Section of the TSE. |
| March 2019 | Made a wholly owned subsidiary of Ark Consultants Co., Ltd. |
| July 2019 | Made a wholly owned subsidiary of i DEVELOP CONSULTANTS Co., Ltd. |
| November 2019 | Entered into a capital and business alliance with Futagami Architects & Associates and made it a subsidiary<br>Made a wholly owned subsidiary of DAIMIC Co., Ltd. |
| August 2020 | Eight-Japan Engineering Consultants established a local affiliate in Thailand, EJEC (Thailand) Co., Ltd. |
| April 2022 | Changed to the Tokyo Stock Exchange Prime Market |

Source: Prepared by FISCO from the Company's website, annual securities, and news release.

## The Group's strength is its ability to provide services for all processes in a social capital development project, from planning and project formulation through surveys, design, construction, and management operations

### 2. Business overview

The Group's strength is its ability to provide a one-stop service for all the processes in a project, from planning and concepts through plan formulation and project creation, surveys and design, construction management, and operations and maintenance management. This is mainly for the public works projects of government offices and agencies. As of the end of May 2023, the Group consisted of 12 consolidated subsidiaries (and 6 non-consolidated subsidiaries and 1 equity-method affiliate), and had a total of 1,721 employees (an increase of 35 employees compared to the end of the previous fiscal period). Also, its equity-method affiliate ENZAN KOUBOU Co., Ltd. (investment ratio of 38.1%) has its head office in Kyoto and develops and provides software to control surveying equipment and for data management, mainly in the construction and civil engineering fields.

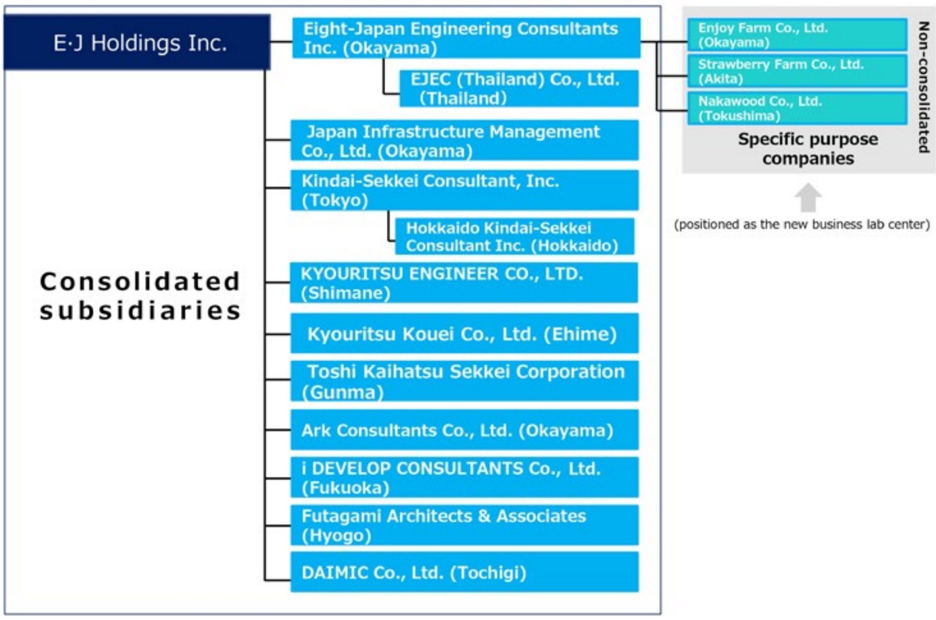
### (1) Overview of subsidiaries

Eight-Japan Engineering Consultants, the main subsidiary contributing nearly 70% of total consolidated net sales, provides construction consultancy services, including for planning, project formulation, surveys and design, diagnostics, and management. It also provides overseas consultancy services and the development of businesses leading to regional creation, such as tourist farms and agri-businesses.

Kindai-Sekkei Consultant, Inc. which provides slightly more than 10% of total net sales, conducts businesses including planning, design and construction management for roads, bridges, and other structures and customer support projects. Its features also include that it has a strong track record for the electrical projects that do not use utility poles that are being promoted by the MLIT (planning and design, surveys, and maintenance-management support), with a share of orders of more than approximately 20%. There are several methods for removing utility poles, but the basic method is to remove the above-ground utility poles, while moving the electrical wires and communications cables below ground. This requires close negotiations and adjustments between various operators, as it involves grouping cables together with other infrastructure that are buried under the road, such as gas and water pipes, and this expertise, which is the source of the Company's competitiveness, is shared throughout the Group.

Other than the above, Japan Infrastructure Management conducts operations including measurement surveys, construction management, dispatches of engineers, and rentals and sales of measuring equipment; KYOURITSU ENGINEER CO., LTD., and Kyoritsu Kouei Co., Ltd., carry out measurement and geological surveys, and design work; and Toshi Kaihatsu Sekkei Corporation primarily formulates plans and conducts surveys and design work, including water supply and sewer systems, and roads. Ark Consultants Co., Ltd., i DEVELOP CONSULTANTS Co., Ltd., Futagami Architects & Associates, and DAIMIC Co., Ltd. have been referred to above.

Overview of the E·J Group

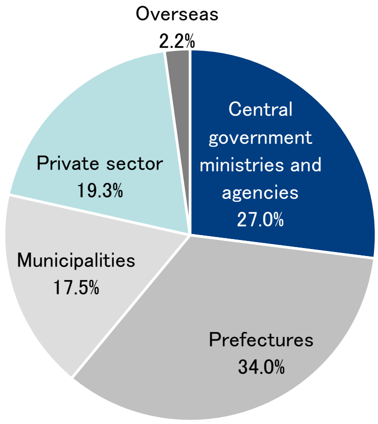



Source: Prepared by FISCO from the Company's results briefing materials

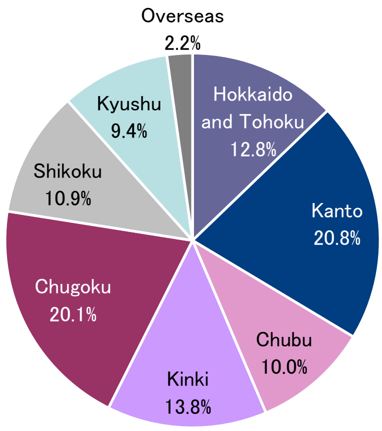
### (2) Percentages of orders-received by ordering institution and region

Of the Company's orders-received, around 80 to 90% are provided by sales to government offices and agencies, and a feature is that a high percentage of those projects are related to traffic infrastructure, such as roads and bridges, and conservation of national land, including river and mountain flood management. In the FY5/23 results, the composition of orders-received was 27.0% for central government ministries and agencies, mainly for the MLIT; 34.0% for prefectures; and 17.5% for municipalities, therefore totaling 78.5% for government ministries and agencies alone, 19.3% for private sector companies, and 2.2% for overseas. For private sector companies also, the majority of projects are for expressway management companies such as NEXCO, and they can also be said to be in the public works field. Overseas, the Group has a track record of orders in the Asia and Africa regions, including road maintenance, flood control, and water supply projects, with the majority being ODA projects obtained through the Japan International Cooperation Agency (JICA). In the composition of orders received by region, the highest is the Kanto area at 20.8%, followed by the Chugoku area, which is the location of the head office, at 20.1% and then Kinki at 13.8%, and those 3 regions provide more than 50% of the total.

Composition of orders-received by ordering institution (FY5/23)




Composition of orders-received by region (FY5/23)




Source: Prepared by FISCO from the Company's results briefing materials

Nearly all ordered projects are scheduled to end within a year. But in the case of a continuous ordered project in which construction periods are divided into multiple periods, there are long-term projects that last as long as three to four years in total. Also, for projects for government offices and agencies, sales tend to be concentrated in March, which is the acceptance-inspection period, so around 60% to 70% of net sales are concentrated in the 4Q (March to May). Therefore, it is necessary to be aware that in a typical year a loss is recorded up to the 3Q, but that this is a seasonal factor.

## 3. Corporate philosophy

The Group's mission is to "contribute to the creation of a truly affluent society through using our technological and decision-making capabilities that are kind to the global environment." Its management vision is "aiming to be a leading solution group for infrastructure in Japan by continuing to pursue sustainable growth and improving corporate value."

In order to realize its management vision, the Company conducts its business activities in accordance with the Code of Conduct that it formulated from the four viewpoints of innovation*1, professionalism*2, integrity*3, and teamwork*4.

*1 Innovation: Aiming to ascertain changes in society and the environment and to solve problems in all infrastructure fields by acting based on "glocal" (from global to local) thinking.
*2 Professionalism: As a group of professionals with excellent skills who are able to respond precisely to diverse and high-level needs, and who possess an abundance of sensitivity and sincere personalities, to work toward self-improvements in order to increase the value of our human resources and our corporate value.
*3 Integrity: Observing not only the relevant laws, but also corporate and professional ethics, and fulfilling our social responsibilities from a fair and neutral standpoint.
*4 Teamwork: Aware of being Japan's leading infrastructure solutions consultancy group, always aiming for high targets, and taking on the challenge of achieving these targets using the Group's comprehensive strength.

# Result trends

## In the FY5/23 results, orders-received and net sales renewed record highs, but profit down slightly due to a higher cost-of-sales ratio related to wage increases

### 1. FY5/23 results overview

In the FY5/23 consolidated results, net sales increased 2.3% YoY to ¥37,509mn, operating income decreased 0.6% to ¥4,462mn, ordinary income declined 1.5% to ¥4,636mn, and profit attributable to owners of the parent decreased 2.0% to ¥3,059mn, with profit down on higher net sales. Orders-received grew 12.3% YoY to ¥38,249mn.

Business performance for FY5/23 (consolidated)

(¥mn)

| | FY5/22 | | FY5/23 | | | | |
|---|---|---|---|---|---|---|---|
| | Results | Ratio to net sales | Forecast | Results | Ratio to net sales | YoY | Vs. forecast |
| Orders-received | 34,074 | - | 36,000 | 38,249 | - | 12.3% | 6.2% |
| Net sales | 36,668 | - | 37,000 | 37,509 | - | 2.3% | 1.4% |
| Cost of sales | 24,465 | 66.7% | 24,650 | 25,204 | 67.2% | 3.0% | 2.3% |
| SG&A expenses | 7,711 | 21.0% | 7,750 | 7,841 | 20.9% | 1.7% | 1.2% |
| Operating income | 4,491 | 12.3% | 4,600 | 4,462 | 11.9% | -0.6% | -3.0% |
| Ordinary income | 4,706 | 12.8% | 4,800 | 4,636 | 12.4% | -1.5% | -3.4% |
| Profit attributable to owners of the parent | 3,121 | 8.5% | 3,200 | 3,059 | 8.2% | -2.0% | -4.4% |

Source: Prepared by FISCO from the Company's financial results and results briefing materials

Although orders-received and net sales reached record highs in FY5/23, a 0.5 percentage point (pp) YoY rise in the cost-of-sales ratio to reflect wage increases and a ¥130mn rise in SG&A expenses due to investment in DX and extension/renovation work on its own building were negative factors for profit. The Company increased its wages (base pay) by 3% or more as recommended by the government*. Looking at order unit price, although the unit price rose to reflect the additional personnel expense, this increase was not reflected in work carried over from the previous fiscal year, resulting in a higher cost-of-sales ratio. There were also increases in some SG&A expense categories such as depreciation (¥43mn), travel and transportation expenses (¥38mn), and rent expenses (¥29mn).

* The Japanese government added wage increase from FY2022 as one of the assessment criteria for businesses bidding for public works projects as part of its policies to promote wage increases.

Looking at factors contributing to the difference between results and forecast, orders-received were stronger than expected in a favorable order environment such as sustained government budgets for national resilience and disaster reduction, mainly in the infrastructure maintenance field dealing with aging roads and bridges. Net sales were 1.4% higher than the Company forecast as a result of prioritizing the completion of work carried over from the previous fiscal year, but operating income fell short by ¥138mn. This was mainly due to the cost of sales ratio at 67.2% exceeding the planned 66.6%, because net sales from orders received in FY5/23 that reflect the wage increase were lower than expected. As well, SG&A expenses exceeded the Company's forecast by ¥92mn due to increases in DX investment, travel and transportation expenses, and cost of extending and renovating its own building.

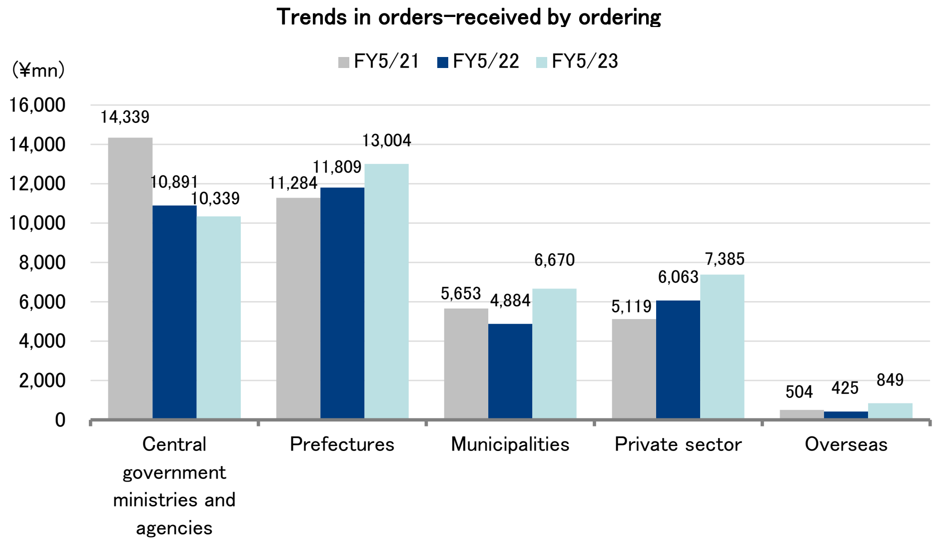
## Orders-received marked record high for first time in two years; expansion of six priority fields led by infrastructure maintenance

### 2. Trends in orders-received and net sales

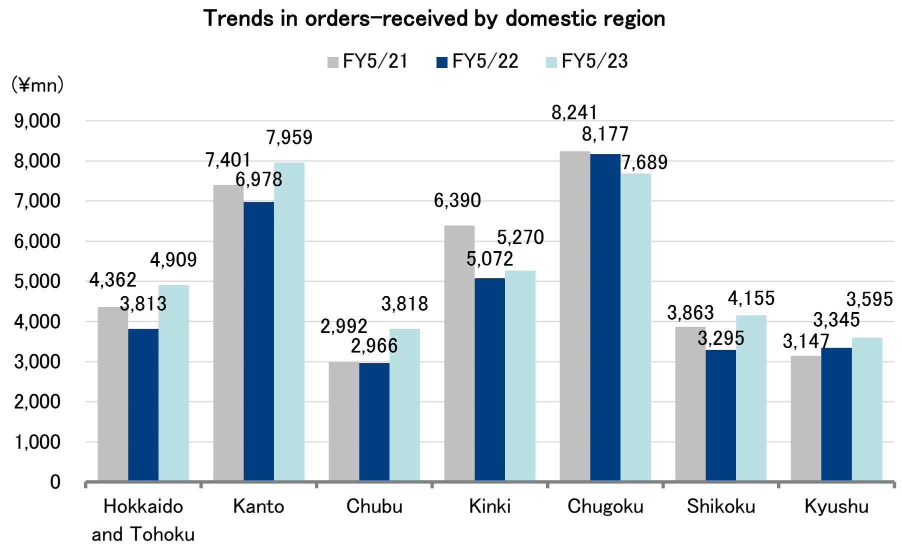
#### (1) Trends in orders-received

Orders-received increased 12.3% YoY to ¥38,249mn, marking a record high for the first time in two years. In FY5/22, orders-received declined YoY, because the Company took orders selectively amid a resource shortage and increased order backlog. However, it switched to a more aggressive stance in taking orders (especially proposal-type projects) in FY5/23, having cleared the order backlog. The number of orders-received rose 2.7% YoY to 3,184 and the average order unit price grew 9.3% to ¥12,103,000. A higher order unit price that reflected the wage increase contributed to growth of orders-received.

Looking at the change in orders-received in FY5/23 by ordering institutions, central government ministries and agencies fell 5.1% YoY, down for two years in a row, but prefectures increased by 10.1%, municipalities by 36.6%, private sector by 21.8%, and overseas by 99.8%, resulting in a new record high. For prefectures and municipalities, orders increased mainly as a result of budgets previously allocated to COVID-19 measures being freed up for social infrastructure establishment such as national resilience measures. Orders-received from the private sector remained brisk, mainly for expressway infrastructure maintenance such as inspection work on aging expressways and design work for reinforcing earthquake resistance. Although the impact of the COVID-19 pandemic still remains overseas, the Company's sales activities are beginning to produce results such as its first non-ODA order in Thailand worth approximately ¥30mn. Looking at orders-received in Japan by region, there was an increase across the board except in Chugoku, which recorded a 6.0% YoY decline. Orders-received reached record highs in all regions except Kinki and Chugoku.




Source: Prepared by FISCO from materials provided by the Company

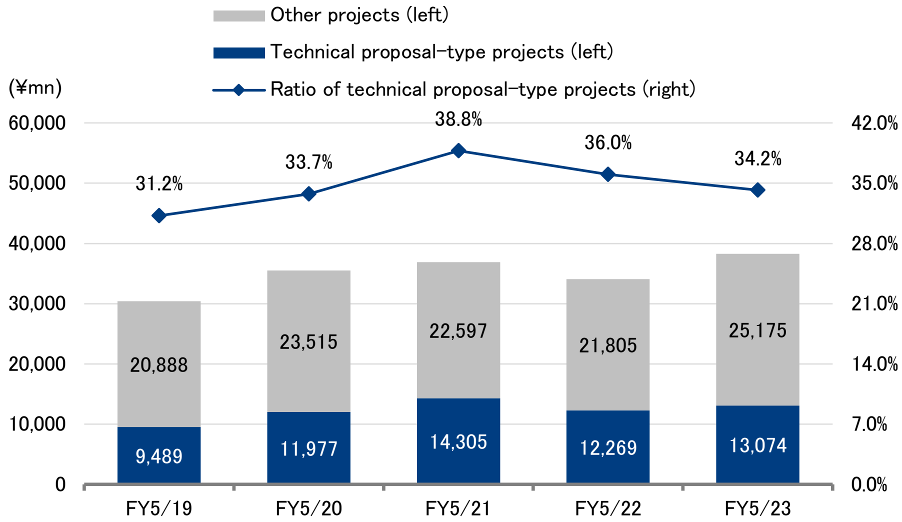



Source: Prepared by FISCO from materials provided by the Company

Orders-received for technical proposal-type projects (a focus area) grew 6.6% YoY to ¥13,074mn, although the share of the total contracted from 36.0% to 34.2%. The single-digit rate of increase is due to a smaller number of ongoing project orders after the Company adopted a selective stance to taking orders in FY5/22. Orders-received in the six priority fields also posted a single-digit increase of 8.2% YoY to ¥22,170mn with their share shrinking from 60.1% to 58.0%. It appears that the decline in ongoing project orders had a negative impact on orders-received in priority fields, because many of these are technical proposal-type projects. Breaking down orders-received by priority field, some performed better than others. Although infrastructure maintenance grew sharply by 51.2% YoY, and there were increases in the fields of environment and energy and urban and regional revitalization, orders-received decreased YoY in natural disaster risk mitigation, Public management, and digital infrastructure solutions.

Result trends

Breakdown of orders–received and trend in the order unit price




Source: Prepared by FISCO from the Company's results briefing materials

Trends in orders-received in the priority fields

(¥mn)

| | FY5/22 Results | FY5/23 | |
|---|---|---|---|
| | | Results | YoY |
| Environment and energy | 2,281 | 2,445 | 7.2% |
| Natural disaster risk mitigation | 4,944 | 4,458 | -9.8% |
| Urban and regional revitalization | 1,600 | 1,864 | 16.5% |
| Infrastructure maintenance | 4,550 | 6,879 | 51.2% |
| Public management | 6,173 | 5,673 | -8.1% |
| Digital infrastructure solutions | 943 | 851 | -9.8% |
| Total | 20,491 | 22,170 | 8.2% |
| Priority field ratio | 60.1% | 58.0% | - |

Source: Prepared by FISCO from materials provided by the Company

The 6 new priority fields

| | |
|---|---|
| Environment and energy | Green infrastructure promotion, resource circulation (waste processing and utilization), renewable energy, etc. |
| Natural disaster risk mitigation | Responses to build national resilience, measures for disaster prevention and mitigation, BCP, etc. |
| Urban and regional revitalization | Super cities, smart cities, urban regeneration, regional revitalization, renewal of towns, etc. |
| Infrastructure maintenance | Extending the useful lives of infrastructure facilities and increasing the sophistication of inspections and diagnoses |
| Public management | Ordering party support for CM/PM etc., PPP/PFI, infrastructure facilities management, etc. |
| Digital and infrastructure solutions | Promoting BIM/CIM*, utilizing robots and AI for surveys, inspections, etc., a disaster information system that utilizes IoT, etc. |

* Building information modeling (BIM) is a workflow that helps raise the business efficiency of construction projects through 3D digital models of buildings created on a computer. It is a solution for information-sharing and utilization of building databases with additional attribute data, including costs, finishings and management information, in all processes from building design and construction to maintenance and management. The Ministry of Land, Infrastructure, Transport and Tourism has created guidelines together with CIM to reduce the costs of public works and other projects. Construction information modeling/management (CIM) is an IT system for construction projects that uses 3D models from the planning, survey and design stages in order to increase the efficiency and sophistication of construction production systems. It allows 3D models to be linked and further developed at the subsequent construction and maintenance/management stages, simplifying the sharing of information among the people involved for the duration of a project.

Source: Prepared by FISCO from the Company's results briefing materials

Looking at the main orders received in priority fields, in the environment and energy field, the Company won an order for construction management and facility operation advisory work for a joint project between the municipal governments of Tsuruga City and Mihama Town in Fukui Prefecture to build a new garbage disposal facility. The Company also received an order to conduct a research project to review ecosystem restoration methods employed in FY2022 and pattern classification of degraded land that requires ecosystem restoration as part of the Ministry of the Environment's 30by30 Roadmap*.

* 30by30 Roadmap: An agreement reached at the G7 Summit held in June 2021 (G7 Nature Compact), 30by30 targets effective conservation of 30% or more of protected land and marine areas by 2030. It aims to prevent the loss of biodiversity and make "nature positive" changes. In Japan, the Environment Ministry launched the 30by30 Alliance in which companies and municipalities participate. The Alliance certifies areas that contribute to biodiversity conservation under Other Effective Area-Based Conservation Measures (OECM), which are registered on a global database.

In natural disaster mitigation, the Company received an order from Okayama City to conduct tidal wave simulations at different tide levels as part of a review of the timing of issuing evacuation alerts and orders and effective areas and a hazard map production order from Otake City, Hiroshima Prefecture. In urban and regional revitalization, the Company won an order for work to promote the Omiya Station Grand Central Station concept from Saitama City. The concept combines three projects—urban planning in the area around Omiya Station, transport infrastructure improvement centered on the station square, and upgrading station functions. As well, the Company received an order to produce reference materials that contribute to future urban planning in Saga City ("basic survey work for Saga City planning.")

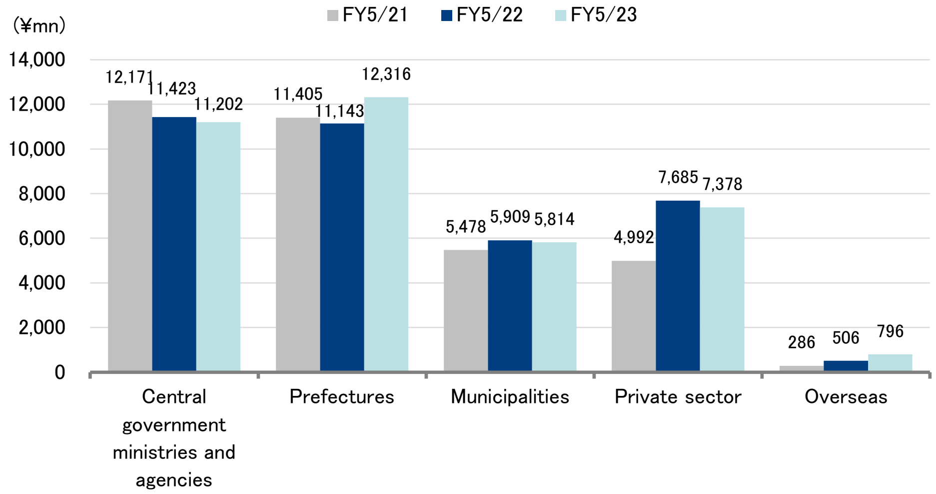
In the field of infrastructure maintenance, where orders-received grew sharply, the Company received a range of orders for maintenance work of aging social infrastructure. These include an order for scheduled inspections of 15 bridges each over 15 meters long managed by Joso Koji Jimusho (Joso construction branch office) in Ibaraki Prefecture, planning for extending the working life of erosion control-related facilities in the Miyoshi district of Tokushima Prefecture, and expressway inspection work. In Public management, the Company received an order from Moka City, Tochigi Prefecture for project management of plans related to the city's public facilities in FY2022 and review of details of a plan to redistribute public facilities, and an order from Obanazawa City, Yamagata Prefecture to formulate a public sewerage stock management plan for its specified environmental conservation areas. In digital infrastructure solutions, the Company received an order from MLIT's Kinki Regional Development Bureau to create a database that centrally manages road and bridge information in its jurisdiction from 2014 onward, including scheduled inspection results, "Bridge Doctor" diagnostics results, third-party inspection results, and construction work history for easy viewing. It also won an order from the Hokuriku Regional Development Bureau to plan and execute verification trials using drones and review suitability of evaluating the physical properties of the target object using AI image analysis to establish methods for conducting inspections of mountain streams in the Noborikawa River area in the Yuzawa Sabo Office jurisdiction.

**(2) Trends in net sales**

Looking at net sales by ordering institution, central government ministries and agencies declined by 1.9% YoY, municipalities by 1.6%, and the private sector by 4.0%, but prefectures increased by 10.5% and overseas by 57.3%, both categories recording double-digit growth and renewing record highs. Overseas, the Company won orders with Eight-Japan Engineering Consultants and a joint venture of its Thai subsidiary, which contributed to net sales. The orders were for formulating a concept design for an eco-town in Thailand, as well as producing a 3D video for presentations to stakeholders, attracting companies to the eco-town, etc. The project involves the development of an eco-town incorporating an eco-industrial park, eco-park, roadside stations (rest areas), residential areas, and a waste power generation system.

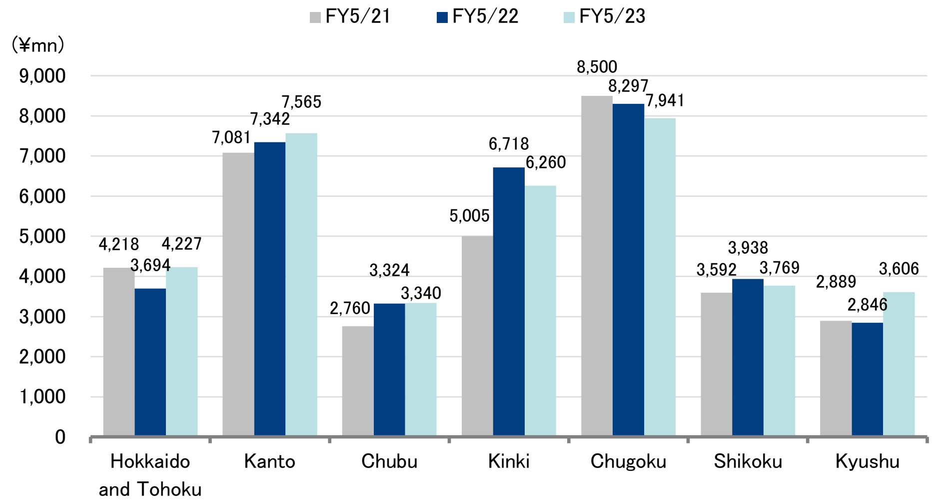
Regarding sales by region, Kinki marked a 6.8% YoY decline after a sharp increase in FY5/22, with Chugoku and Shikoku both recording declines of 4.3%. In contrast, Hokkaido and Tohoku both increased by 14.4% YoY, Kanto by 3.0%, Chubu by 0.5%, and Kyushu by 26.7%, all reaching record highs.

Trends in net sales by ordering institution




Source: Prepared by FISCO from materials provided by the Company

Trends in net sales by domestic region




Source: Prepared by FISCO from materials provided by the Company

## The Company's equity ratio rose to record level of 76.2% and its financial position is excellent

### 3. Financial position and management indicators

Looking at the Company's financial position as of the end of FY5/23, total assets increased ¥1mn compared to the end of the previous year to ¥39,241mn. The main change factors were, in current assets, an increase of ¥164mn in prepaid expenses and decreases of ¥998mn in cash and deposits and ¥632mn in inventories from completing work carried over. In non-current assets, property, plant and equipment increased by ¥372mn associated with the extension and renovation of an owned building, intangible assets rose by ¥632mn due to investment in development of a new ERP system, and investments and other assets increased by ¥128mn because of a capital increase by a non-consolidated subsidiary.

Total liabilities decreased ¥2,371mn from the end of the previous period to ¥9,325mn. There were decreases of ¥214mn in interest-bearing debt, ¥566mn in accounts payable – other, ¥621mn in income taxes payable, and ¥1,128mn in contract liabilities. Total net assets increased ¥2,371mn to ¥29,916mn. Retained earnings increased ¥2,368mn due to recording profit attributable to owners of the parent of ¥3,059mn and dividend payments of ¥691mn.

Looking at management indicators, the equity ratio, which expresses management stability, rose sharply from 70.2% at the end of the previous fiscal term to 76.2% as a result of decreases in liabilities and increased equity. Also, the extent of reliance on interest-bearing debt decreased from 1.5% to 0.9%, so it can be said that the Company's financial base has become stronger. Regarding profitability, although ROA, ROE, and the operating margin all declined slightly from the previous fiscal term-end, they have all maintained levels above 10% in the past several years. The Company plans to maintain this level going forward by strengthening technical-proposal type projects with high added value and working to improve productivity.

Consolidated balance sheet

(¥mn)

| | FY5/20 | FY5/21 | FY5/22 | FY5/23 | Increase/ decrease |
|---|---|---|---|---|---|
| Current assets | 20,580 | 26,480 | 27,683 | 26,553 | -1,130 |
| (Cash and deposits) | 14,138 | 18,975 | 18,090 | 17,092 | -998 |
| (Inventories) | 3,463 | 3,219 | 3,613 | 2,981 | -632 |
| Non-current assets | 10,604 | 11,032 | 11,556 | 12,688 | 1,132 |
| Total assets | 31,185 | 37,513 | 39,240 | 39,241 | 1 |
| Total liabilities | 10,860 | 12,015 | 11,696 | 9,325 | -2,371 |
| (Interest-bearing debt) | 1,324 | 927 | 571 | 357 | -214 |
| Total net assets | 20,324 | 25,497 | 27,544 | 29,916 | 2,371 |
| <Stability> | | | | | |
| Equity ratio | 65.2% | 68.0% | 70.2% | 76.2% | 6.0pt |
| Extent of reliance on interest-bearing debt | 4.2% | 2.5% | 1.5% | 0.9% | -0.6pt |
| <Profitability> | | | | | |
| ROA (return on assets) | 11.1% | 11.8% | 12.3% | 11.8% | -0.5pt |
| ROE (return on equity) | 10.5% | 12.2% | 11.8% | 10.7% | -1.1pt |
| Operating margin | 9.8% | 11.2% | 12.3% | 11.9% | -0.3pt |

Source: Prepared by FISCO from the Company's financial results

# Business outlook

## Sales and profit growth forecast for FY5/24 amid robust demand for public works projects

### 1. Outlook for FY5/24

The Company's forecasts for consolidated results in FY5/24 are as follows. Net sales are projected to increase by 2.1% YoY to ¥38,300mn, operating income, by 3.1% to ¥4,600mn, ordinary income, by 3.5% to ¥4,800mn, and profit attributable to owners of the parent, by 4.6% to ¥3,200mn, as sales and profits will increase. Orders-received are also forecast to be flat YoY (0.1% increase) at ¥38,300mn.

FY5/24 outlook (consolidated)

(¥mn)

| | FY5/23 | | FY5/24 | | |
|---|---|---|---|---|---|
| | Results | Ratio to net sales | Forecast | Ratio to net sales | YoY |
| Orders-received | 38,249 | - | 38,300 | - | 0.1% |
| Net sales | 37,509 | - | 38,300 | - | 2.1% |
| Cost of sales | 25,204 | 67.2% | 25,600 | 66.8% | 1.6% |
| SG&A expenses | 7,841 | 20.9% | 8,100 | 21.1% | 3.3% |
| Operating income | 4,462 | 11.9% | 4,600 | 12.0% | 3.1% |
| Ordinary income | 4,636 | 12.4% | 4,800 | 12.5% | 3.5% |
| Profit attributable to owners of the parent | 3,059 | 8.2% | 3,200 | 8.4% | 4.6% |
| EPS (¥) | 195.84 | - | 204.81 | - | - |

Source: Prepared by FISCO from the Company's financial results and results briefing materials

The Company will pursue the following five points as its priority policies in FY5/24.

a) Strengthen business strategies based on its core competencies while also incorporating the latest technologies such as AI, AR/VR, and drones, and expand business domains including the restructuring of its overseas business base.

b) Implement DX to visualize data required for administration of management and the organization to optimize the company-wide value chain and strengthen management foundation functions

c) Concentrate on improving corporate value by engaging in management with awareness of return on capital, P/B, and ROE

d) In accordance with its human rights policy, conduct regular human rights due diligence and pursue appropriate remedy process for human rights violations

e) Make progress with disclosure and problem-solving for responses to climate change and human capital management, etc., based on four elements of governance, strategy, risk management, and indicators and targets

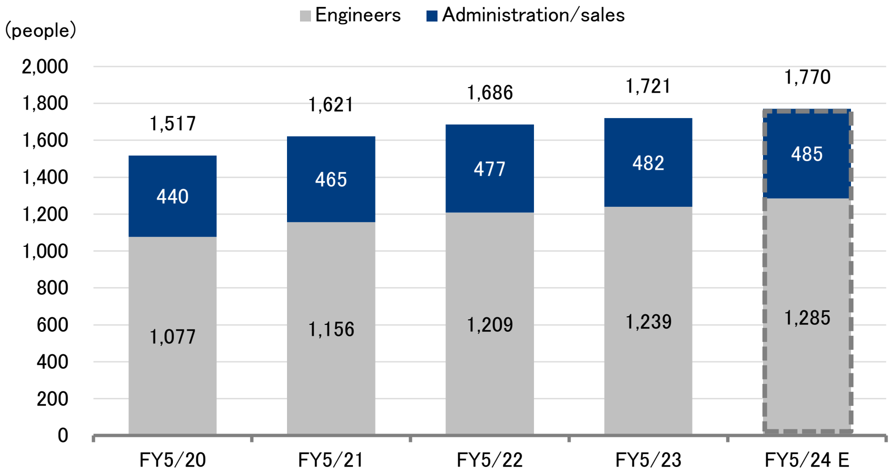
Regarding the business environment assumed by the policies, in Japan, the initial budget for public works in FY2023 of ¥6.1tn is about the same as the previous fiscal year, and to this is added the budget (FY2022 supplementary budget of ¥1.6tn and total of ¥15tn) for the Five-year Acceleration Measures for National Resilience. Therefore, firm demand for public works projects is expected from central government ministries and agencies. In addition, local governments are also expected to progress national resilience projects, because their budgets for pandemic measures have been freed up and public works projects are expected to remain active in FY2023. The Company also expects robust overseas demand, because the government's overseas development aid (ODA) budget for FY2023 is slightly up on FY2022 at ¥570.9bn.

In such an environment, in FY5/24 the Company plans to promote project creation-type sales mainly in the six priority fields, actively approaching central government ministries and agencies, working with infrastructure DX and regional revitalization that reflects Green Transformation (GX), and focusing on winning non-ODA overseas orders. Although the Company assumes flat YoY orders-received in FY5/24, we at FISCO see potential for an upward revision considering the favorable order environment. The Company forecasts net sales growth eight years in a row in FY5/24 by clearing its order backlog (¥26,171mn at end-FY5/23) at the earliest opportunity and improving productivity by harnessing DX and latest technologies. Steady progress with these initiatives increases the likelihood of surpassing the Company forecast, as in FY5/23.

The cost-of-sales ratio is projected to drop 0.4 percentage points to 66.8%. In FY5/23, the main factor putting upward pressure on the cost-of-sales ratio was carried over work that did not reflect the wage increase, but the labor expense ratio will likely fall in FY5/24, when this factor will be absent. The Company forecasts a 3.3% YoY increase in SG&A expenses, because it will continue IT investment to improve business efficiency as well as increase personnel expenses and training expenses to strengthen human resources and raise R&D expenses by ¥4mn to ¥100mn for business expansion. The Company forecasts operating income growth, with a rise in gross profit absorbing the SG&A expense increase.

Group companies have so far engaged in their own hiring activities, but in spring 2024, Group-wide hiring activities also began for new graduates in the form of hybrid format presentations (online and in person). The Company expects to increase employees by 49 from 1,721 at end-FY5/23 to 1,770 at end-FY5/24, of which engineers will increase by 46 to 1,285 (consolidated basis).

Trends in the no. of employees




Source: Prepared by FISCO from materials provided by the Company

Looking at orders-received forecasts by ordering institution, central government ministries and agencies are projected to increase 13.6% YoY, up for the first time in three years, while the overseas category is expected to maintain double-digit growth of 20.1% YoY. Orders-received are forecast to decline 3.9% YoY for prefectures, 8.5% for municipalities, and 6.0% for the private sector, due in part to high levels in FY5/23. Technical proposal-type projects are forecast to increase 8.7% YoY to ¥14,213mn, increasing its ratio to total orders by 2.9pp to 37.1%.

For net sales, the pattern is mixed, with central government ministries and agencies forecast to increase 9.7%, but declines of 0.3% projected for prefectures, 2.0% for municipalities, and 4.7% for private sector. FISCO expects the Company's overseas sales in countries recovering from the COVID-19 pandemic to compensate for the conservatively estimated domestic sales growth.

**Orders-received by ordering institution**

(¥mn)

| | FY5/20 | FY5/21 | FY5/22 | FY5/23 | FY5/24 E | YoY |
|---|---|---|---|---|---|---|
| Central government ministries and agencies | 12,704 | 14,339 | 10,891 | 10,339 | 11,740 | 13.6% |
| Prefectures | 11,058 | 11,284 | 11,809 | 13,004 | 12,500 | -3.9% |
| Municipalities | 6,365 | 5,653 | 4,884 | 6,670 | 6,100 | -8.5% |
| Private sector | 5,180 | 5,119 | 6,063 | 7,385 | 6,940 | -6.0% |
| Overseas | 183 | 504 | 425 | 849 | 1,020 | 20.1% |
| Total | 35,492 | 36,902 | 34,074 | 38,249 | 38,300 | 0.1% |
| Technical proposal-type projects | 11,977 | 14,305 | 12,269 | 13,074 | 14,213 | 8.7% |
| (share) | 33.7% | 38.8% | 36.0% | 34.2% | 37.1% | - |

Source: Prepared by FISCO from materials provided by the Company

**Net sales by ordering institution**

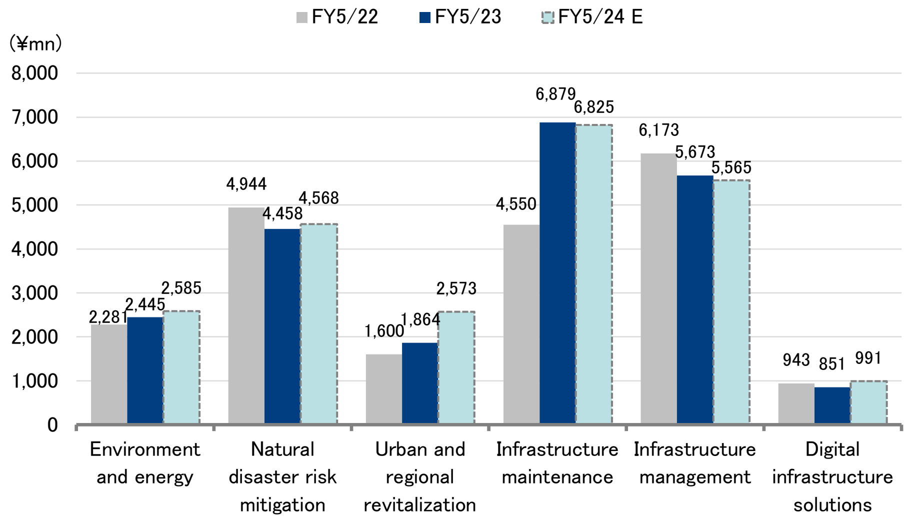
(¥mn)

| | FY5/20 | FY5/21 | FY5/22 | FY5/23 | FY5/24 E | YoY |
|---|---|---|---|---|---|---|
| Central government ministries and agencies | 9,987 | 12,171 | 11,423 | 11,202 | 12,290 | 9.7% |
| Prefectures | 10,117 | 11,405 | 11,143 | 12,316 | 12,280 | -0.3% |
| Municipalities | 5,951 | 5,478 | 5,909 | 5,814 | 5,700 | -2.0% |
| Private sector | 3,941 | 4,992 | 7,685 | 7,378 | 7,030 | -4.7% |
| Overseas | 396 | 286 | 506 | 796 | 1,000 | 25.6% |
| Total | 30,394 | 34,334 | 36,668 | 37,509 | 38,300 | 2.1% |

Source: Prepared by FISCO from materials provided by the Company

Orders-received in the six priority fields are forecast to increase 4.2% YoY to ¥23,107mn, and the ratio to total orders-received is expected to increase further, from 58.0% the previous year to 60.3%. Orders-received are projected to decline 0.8% YoY for infrastructure maintenance and 1.9% for Public management, but increase in the other four priority fields. In particular, the Company forecasts double-digit increases of 38.0% YoY for urban and regional revitalization and 16.5% for digital infrastructure solutions, driving overall growth.

Trends in orders-received in the six priority fields




Source: Prepared by FISCO from materials provided by the Company

## Fifth medium-term management plan mostly on track; targeting net sales of ¥38.5bn and operating income of ¥4.85bn in FY5/25

### 2. The fifth medium-term management plan

#### (1) Overview and results targets of medium-term management plan

In E·J-Plan 2024, which is the fifth medium-term management plan to start from FY5/22, the Company has set the theme of "Establishing an infrastructure for innovation and evolution" and positioned it as a period to work on building an infrastructure toward realizing its long-term vision E·J-Plan 2030. It has set three points as the basic policies: 1) strengthen existing businesses and expand the service areas, 2) strengthen the ability to respond to diversifying needs, and 3) construct a management foundation able to respond flexibly to environmental changes. For these policies, it works on five themes (building a structure to generate innovation, digital transformation, human resources development and training and workstyle reforms, rebuilding a glocal management structure, promoting ESG management and achieving the SDG targets).

In July 2022, the Company upwardly revised its numerical targets for the final year of the plan (FY5/25), because results in FY5/22 (the first year of the plan) were achieved ahead of the initial forecast. Specifically, the Company raised its targets for consolidated net sales from ¥38.0bn to ¥38.5bn, operating income from ¥4.6bn to ¥4.85bn, and profit attributable to owners of the parent from ¥3.1bn to ¥3.35bn. The Company is aiming for ROE of 10% or higher. Regarding the annual average growth rate over four years, the Company has sound plans of 2.9% for net sales and 5.9% for operating income. Although FY5/23 results were slightly below target for operating income, FISCO believes that this is a temporary factor and that the results targets are achievable given the outlook for robust consulting demand continuing for some years in the public works field.

Consolidated numerical management targets

(¥mn)

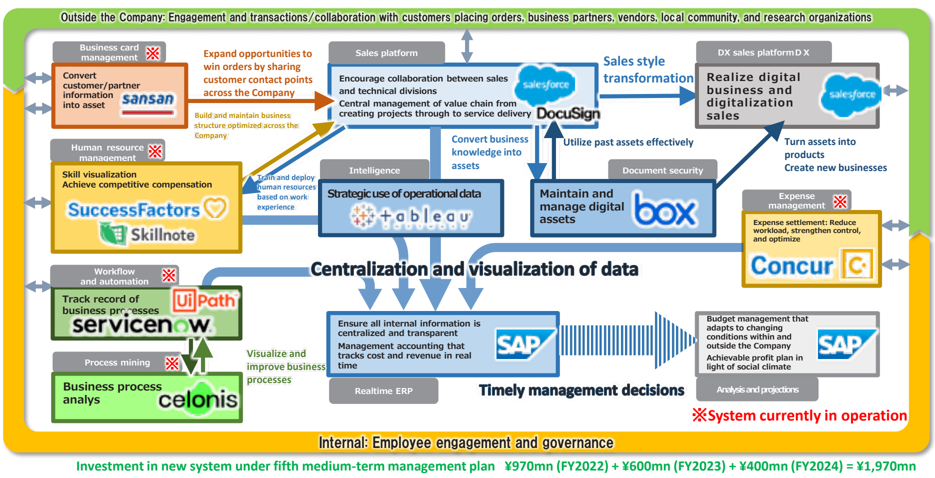
| | FY5/21 Results | FY5/25 Initial targets | FY5/25 Revised targets | CAGR (4 years) | FY5/31 Targets | CAGR (10 years) | Special notes |
|---|---|---|---|---|---|---|---|
| Net sales | 34,334 | 38,000 | 38,500 | 2.9% | 50,000 | 3.8% | Promoting alliances |
| Operating income | 3,857 | 4,600 | 4,850 | 5.9% | 6,000 | 4.5% | Profit margin, 12% |
| Profit attributable to owners of the parent | 2,784 | 3,100 | 3,350 | 4.7% | 4,000 | 3.7% | ROE, 10% or above |

Source: Prepared by FISCO from the Company's results briefing materials

Challenges are building up human resources and management DX. The Company is falling behind its target to increase its work force, because the construction consulting industry suffers from a chronic labor shortage. It revamped hiring-related content of Group companies' websites to strengthen hiring capability, seeking to hire more new graduates and mid-career employees online, as well as visiting schools to form connections. It also began Group-wide hiring activities. In addition, the Company aims to improve employee retention rates and increase the number of job applicants by improving workplace conditions, such as allowing hybrid working as part of work style reforms. As one of the measures to improve workplace conditions, the Company decided to relocate its Tokyo office in June 2024 to a new building (with 20 floors above ground) one minute by foot from JR Nakano Station. This will vastly improve working conditions compared with its current aging office building. The Company plans to book one-time expenses associated with the relocation in FY5/24 and FY5/25, but this will likely have minimal impact on earnings. Rent expenses are forecast to reduce slightly because of the smaller floor area of the new building.

As for management DX, in FY5/23, the Company started introducing in stages cloud services that visualize improvement of business efficiency and business processes. It is also progressing system development to begin operation of sales platform Salesforce and ERP system SAP in FY5/24. These new systems will all comprise cloud-based applications to ensure robust and sophisticated security and are updated several times a year to enable use of the latest features. The Company thus expects that these systems will contribute toward productivity improvement not only of back-office operations, but also of the order receiving process. Although we have no precise estimates of the effects of installing new systems, FISCO estimates roughly 10% productivity improvement effects.

Value chain evolution (introduction of new systems)




Source: Prepared by FISCO from the Company's results briefing materials

The Company planned to invest approximately ¥4.0bn in innovation over four years up to FY5/25, but expects to exceed this amount by around ¥1.0bn due to additional investment in strengthening DX and improving workplace conditions (including relocation of the Tokyo office). Specifically, this includes investment to reform business processes and improve production efficiency via DX, investment in BCP measures (including infection control measures) and in establishing workplace conditions for diversifying work styles, R&D investment for new technology development related to the national resilience business, which includes disaster prevention and mitigation and addressing aging infrastructure, and education- and training-related investment for recruiting and training diverse human resources. Among this, the Company invested ¥970mn in FY5/23 and is planning to invest ¥600mn in FY5/24 and ¥400mn in FY5/25 for a total of ¥1,970mn (versus an initial plan of ¥1,800mn) in new systems, including development of a new ERP system and introducing DX tools to realize business process DX. Also, apart from these investments, it is also planning to invest in M&A if a deal comes up that fulfills its conditions.

Innovation investment plan

(¥mn)

| Investment details | FY5/22 - FY5/23 | FY5/24 - FY5/25 | Special notes |
|---|---|---|---|
| Operating environment, IT equipment, etc. | 1,193 | Approx. 1,400 | Building, providing hybrid work environment |
| DX, R&D, education, etc. | 1,170 | Approx. 1,200 | Over 80% is DX investment |
| Total | 2,363 | Approx. 2,600 | |

Source: Prepared by FISCO from the Company's results briefing materials

**(2) Basic policies and initiative details**

**1) To strengthen existing businesses and expand the service areas**

a) The Company will incorporate the latest technologies, including AI, AR/VR, and drones, to deepen government support services, including national resilience, maintenance for aging infrastructure facilities, development of sustainable social infrastructure that considers the environment, and construction management (orderer support), and will engage in this as a priority issue.

b) Through the six priority fields that are based on its three core competencies (disaster prevention and conservation, the environment, and government support), it is aiming to expand and reform the business areas that expected to grow in the future.

c) Alongside economic development, centered on South East Asia in which the market for infrastructure establishment and maintenance is growing, it intends to rebuild its overseas business foundation, including through M&A, and increase orders not only of projects through JICA, but also of direct orders made locally.

d) It will accelerate the promote of DX by actively investing in R&D and digital equipment, and thereby secure competitive advantages over the competition. Also, when actually promoting DX, each Group company will progress initiatives while at the same time, Eight-Japan Engineering Consultants will deploy model cases in the Group. As an organization to fulfill this purpose, the EJ INNOVATION TECHNOLOGY CENTER was established in June 2021 (a developmental reorganization of the EJ Research Center for Disaster Risk Mitigation).

**2) To strengthen the ability to respond to diversifying needs**

a) The Company will promote development of new products and new services that utilize data, information assets, and ICT technologies.

b) The Company will deepen its business to solve problems (BtoBtoC, etc.) while utilizing existing agriculture and forestry businesses. Regarding the local solutions business, since 2012 the Company has been engaged in "sixth industrialization" activities in the agribusiness through joint investment with local public bodies, companies, and other organizations in Akita, Okayama, and Tokushima Prefectures. Strawberry Farm Co., Ltd. in Akita Prefecture cultivates a rare summer strawberry, Natsuakari, and sells around four tons each year to confectioneries and restaurants nationwide. This has grown into a business with annual sales of over ¥10mn. The company also began to transfer production technologies to local agricultural producers in 2021 and hopes to generate annual sales of ¥100mn when combined with its own production. The Company has been contracted by the local government for operation and management of Enjoy Farm Co., Ltd. in Okayama Prefecture since April 2013 (the contract runs through FY2027), which includes cultivating fruit on its farm and operating SUISHA NO SATO FRUIT TOPIA, an interactive facility for food education and farming. At Nakawood Co., Ltd. in Tokushima Prefecture, the Company works with local forestry cooperatives and businesses to establish forests and bamboo plantations for the purpose of promoting forestry (securing sources of carbon sequestration), expanding the use of timber products (carbon storage effect), and progressing arboriculture and environmental education (to train workers and increase the number of visitors). By combining its processing technologies with other industries, the Company seeks to develop products, foster human resources and help to spread and raise awareness of environmental education. Regarding its businesses in Akita Prefecture and Tokushima Prefecture, the Company plans to sell shares to local companies, etc. when they reach profitability, but it is expected that this will still take some time.

c) It will acquire findings and expertise on future-oriented social infrastructure, including green infrastructure, smart cities, and the promotion of distribution and logistics, and it will work to address new infrastructure needs.

d) It will actively promote alliances and conduct M&A that are necessary for strengthening new businesses and technological capabilities.

**3) To construct a management foundation able to respond flexibly to environmental changes**

a) Introduce a new IT system to visualize value chain in real time, thereby improving business efficiency, raising productivity, and ensure good quality outcomes

b) The Company will seek to marshal the Group's collective strengths in pursuit of higher corporate value. As a concrete initiative for realizing strong and flexible group management, it holds regular meetings of the Group Management Committee, which is made up of the management team, the Group Risk Management Committee, which is a group liaison committee made up of managerial employees, and Sustainability Promotion Committee.

c) Realize diverse work styles utilizing satellite offices and teleworking to develop a workplace that respects diversity and strengthen the Group's brand. Promote measures at all Group companies such as health management*, encouraging women to succeed in their careers*, improve workplace conditions to help raise employee motivation and retention rates, and hire diverse human resources, thereby growing human capital as the engine of growth.

* Four Group companies (Japan Infrastructure Management, KYOURITSU ENGINEER CO., LTD., Ark Consultants Co., Ltd., and Kyouritsu Kouei Co., Ltd.) were recognized by the Ministry of Economy, Trade and Industry (METI) as 2023 Certified Health & Productivity Management Outstanding Organizations. Eight-Japan Engineering Consultants Inc. and KYOURITSU ENGINEER CO., LTD. also obtained Eruboshi and Kurumin certifications as companies that empower working women and those that are supportive of employees' childcare needs, respectively.

d) The Company established “corporate schools”* in June 2021 to strengthen innovation and the development of managerial human resources. By improving basic and applied technical skills that cannot be obtained through on-the-job training, supporting certification acquisition, passing on operational know-how and implicit knowledge, raising productivity and quality through these initiatives, developing star engineers and other activities, it will raise the overall Group’s technical capabilities and further enhance its human resources.

* In the initial fiscal year, FY5/22, various (online) courses were established with outside instructors, including company retirees and university professors, for employees of Eight-Japan Engineering Consultants. From FY5/23, the scope of participants was expanded to all Group companies.

e) The Company will strengthen risk management and internal controls as a matter of course, and also build a robust governance system rooted in the Corporate Governance Code and increase management transparency in order to foster trust with shareholders and investors. The Company also actively discloses information about its climate change risk initiatives. It established a Sustainability Promotion Committee in May 2022, expressed its support for the Task Force on Climate-related Disclosures (TCFD), and disclosed on its official website details of its initiatives in accordance with TCFD Recommendations. In December 2022, the Company also announced that it had obtained from CDP, an international nonprofit that runs the global disclosure system for environmental impact assessment information, a score of B-* in the Climate Change Program evaluating climate change information disclosure activities conducted in 2022.

* The Company answered the CDP questionnaire for the first time in 2022 and was ranked fourth out of eight ranking stages. This exceeds the average score of C among companies and professional services in the Asia region.

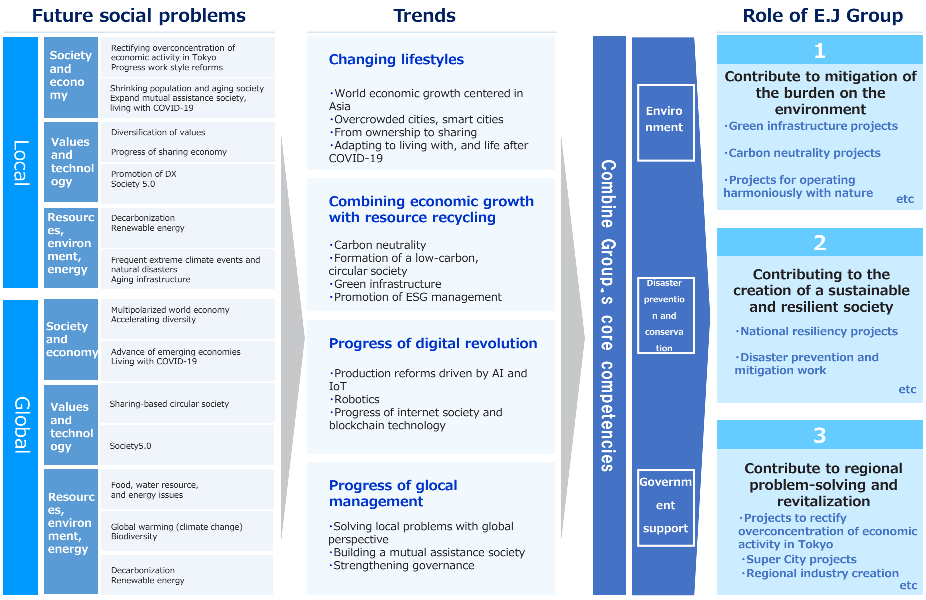
The Company set numerical targets for $CO_2$ emissions reduction and began implementing initiatives in FY5/24. For initiatives to reduce Scope 1 (direct) emissions, it aims to reduce $CO_2$ emissions (Scope 1 + Scope 2) by 42% by FY2030 by replacing all gasoline vehicles owned by the Group with hybrids and EVs. For initiatives to reduce Scope 2 (indirect) emissions, the Company targets 100% renewable energy use by FY2030 as well as progressively replacing all workplace lighting with LED lighting. For initiatives to reduce Scope 3 (supply chain) emissions, the Company targets 25% reduction of $CO_2$ emissions from employees’ business travel and commuting.

## Targeting long-term growth while evolving into a future-oriented social infrastructure creation group and promoting ESG management

### 3. The long-term vision E·J-Vision 2030

In its long-term vision E·J-Vision 2030, the Company aims to continue innovating and evolving, thereby contributing to the realization of a safe and promising sustainable society through the promotion of ESG management. Its four basic policies for ESG management are to strengthen measures to mitigate the burden on the environment, to contribute to the creation of a sustainable and resilient society, to practice diversity management, and to strengthen governance to build an optimal structure, as the Company aims to become a future-oriented social infrastructure creation group (transition from a problem solving-type to a value creation-type company). To achieve long-term growth, it will combine its know-how in three core competencies (disaster prevention and conservation, the environment, and government support) to deliver value creation-type services based on themes such as measures to mitigate the burden on the environment (projects to achieve green infrastructure, carbon neutrality, and operating harmoniously with nature), contribute to the creation of a sustainable and resilient society (national resilience projects, disaster prevention and mitigation work), and contribute to regional problem-solving and revitalization (projects to rectify overconcentration of economic activity in Tokyo, Super City initiatives, creating regional industries, etc.).

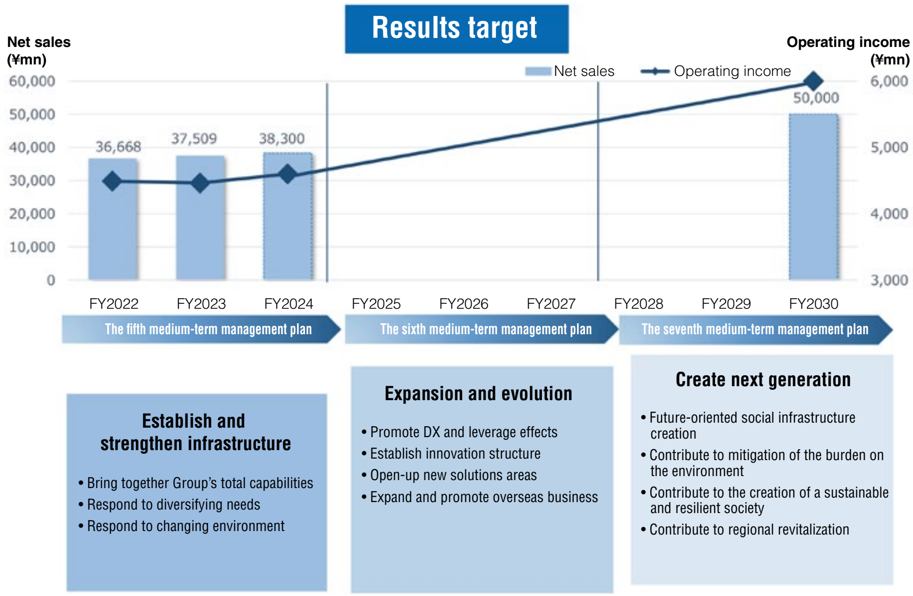
[Review of long-term vision] Role that the Group should play




Source: Prepared by FISCO from the Company's results briefing materials

The results targets set for FY5/31 in the long-term vision are net sales of ¥50.0bn, operating income of ¥6.0bn, profit attributable to owners of the parent of ¥4.0bn, and ROE of 10% or higher. Regarding the annual average growth rate over 10 years, the Company has sound plans of 3.8% for net sales and 4.5% for operating income. The Company has positioned the sixth medium-term management plan starting in FY5/26 as a period of expansion and evolution, when it plans to leverage the effects of DX promotion on productivity improvement and expand the overseas business. Although the Company continues to explore M&A in Japan and overseas, it has found very few deals that fulfill its criteria, which suggests that it may need to consider revising them. In Japan, it will be to increase sales in regions of low market share, supplement technical areas and secure personnel. Regionally, Kyushu, Hokuriku, Hokkaido, etc., are high priority, but in other regions as well, the Company intends to proactively consider M&A partners with which synergies can be expected. From an efficiency perspective, it will target companies with annual sales of over ¥0.5bn. By contrast, overseas, the Company is considering targeting local construction consulting companies. It will expand its overseas business by combining its advanced technical and consulting capabilities with the networks of local companies to aim for overseas sales of ¥5.0bn and overseas sales ratio of 10% in 10 years. However, the Company is currently taking a wait-and-see stance on overseas M&A due to the high acquisition cost of 10–15 times operating income.

[Review of long-term vision] Roadmap (growth strategy)




Source: Prepared by FISCO from the Company's results briefing materials

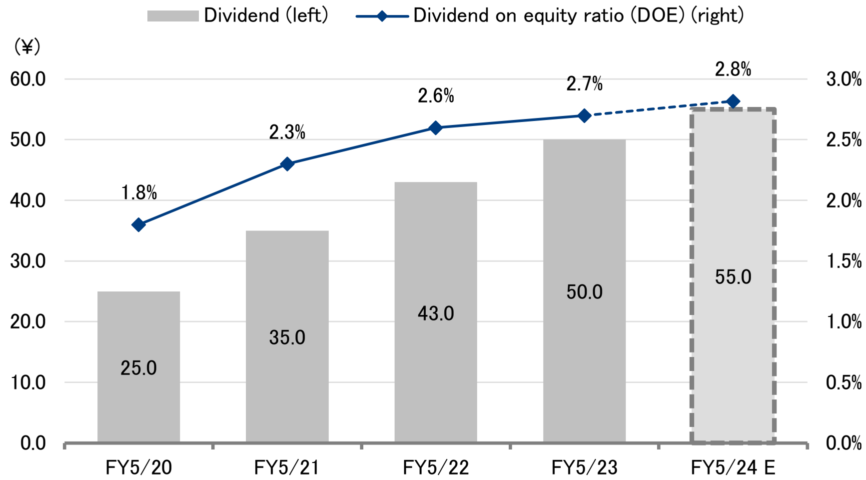
# Shareholder return policy

## To aim for stable and continuous dividend increases, targeting a DOE ratio of 3%

The Company returns profits to shareholders through dividends and the shareholder benefits program it has introduced. Its basic policy on dividends is to maintain stable and ongoing dividend growth, and for the immediate future it will determine its dividend upon comprehensively considering the business environment, profit levels, payout ratio, and other factors, aiming for a dividend on equity ratio (DOE) of 3%. The Company is planning a per-share dividend for FY5/24 of ¥55.0, an increase of ¥5.0 YoY that would be the seventh consecutive year of increases. DOE is at 2.8%, and the Company appears to be aiming for 3% by FY5/25. Supposing that results make progress in line with the Company's medium-term management plan and DOE reaches 3.0%, this would mean an increase in the dividend per share to around the middle of the ¥60-69 range in FY5/25.

Also, in the shareholder benefits program, the Company gifts a QUO card to shareholders at the end of November each year according to the number of shares that they hold. Specifically, shareholders holding 100 or more but less than 1,000 shares receive QUO cards worth ¥1,000, those holding 1,000 or more but less than 5,000 shares receive cards worth ¥3,000, and those holding 5,000 shares or more receive cards worth ¥5,000. The annual investment return (dividend + shareholder benefits) will be around 4% for a shareholder with 100 shares (based on the August 4, 2023 closing price of ¥1,574).

Dividend per share and dividend on equity ratio (DOE)




Note: Conducted a 2-for-1 share split in December 2020 and the past dividends have been retroactively adjusted
Source: Prepared by FISCO from the Company's financial results and results briefing materials

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