E·J Holdings Inc.

2153

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Contents

Summary

Forecasting record-high results in FY5/25 amid robust public works investment

E·J Holdings Inc. <2153> (hereinafter referred to as "the Company") is a major, comprehensive construction consultant whose strength lies in its ability to provide services in all phases 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. Concerning overseas markets, it has a solid track record of projects in Africa, Asia, etc. The Company is also involved in the planning and management of regional revitalization projects.

1. FY5/24 results overview

In the Company's FY5/24 consolidated results, net sales fell 0.8% year-on-year (YoY) to ¥37,207mn, while operating income was down 2.3% to ¥4,348mn, undershooting the Company forecast of ¥38,300mn in net sales and ¥4,600mn in operating income. Although orders-received increased 1.3% YoY to reach a record-high ¥38,749mn, net sales and operating income missed the Company forecast due to delays in booking sales of several projects, including the extended construction period of a bridge-related project. Orders received from the six priority fields (environment and energy, natural disaster risk mitigation, urban and regional revitalization, infrastructure maintenance, public management, and digital infrastructure solutions) increased a solid 2.8% YoY to ¥22,794mn and its share of the total also increased from 58.8% in FY5/23 to 61.6% in FY5/24.

2. Outlook for FY5/25

For FY5/25, the Company forecasts a turn to sales and profit growth, with a 3.5% YoY increase in net sales to ¥38,500mn and an 11.5% rise in operating income to ¥4,850mn, both record highs. We at FISCO think that the forecast is achievable given the ongoing brisk public works investment and large order backlog (¥27,713mn at the end of FY5/24), provided the Company is not impacted by construction period extensions and delays as in FY5/24. The Company expects the operating margin to go up from 11.7% in FY5/24 to 12.6% in FY5/25, with some contribution from improved productivity stemming from management DX, including the new core IT system starting operation in June 2024.

3. Progress of the medium-term management plan and long-term vision

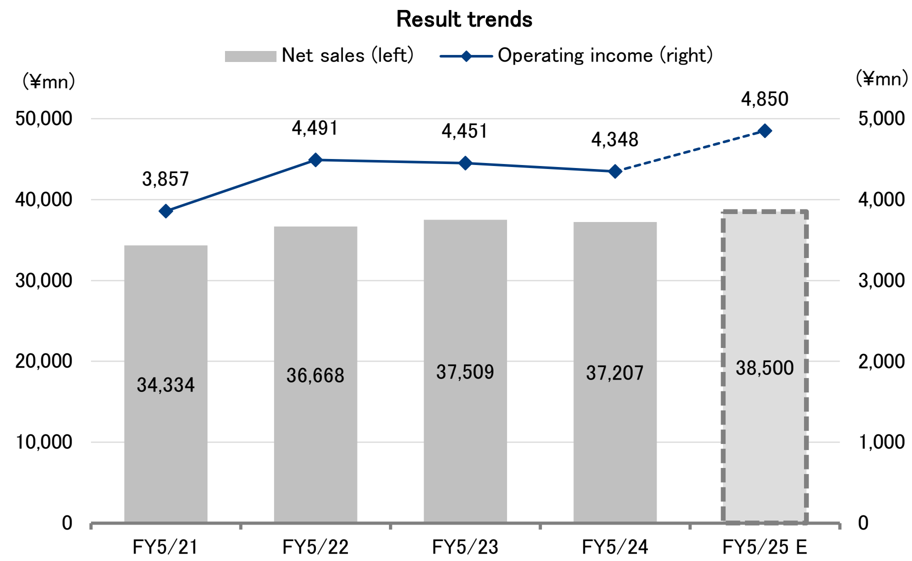
In its long-term vision E.J-Vision 2030 announced in July 2021, the Company set out its policy of transforming into a future-oriented social infrastructure creation group and seeking sustainable growth by contributing to SDGs through the promotion of ESG management. In the medium-term management plan ending in FY5/25, the Company is focused on three 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. In terms of results, the Company expects to attain its initial targets. The long-term targets set for FY5/31 are net sales of ¥50.0bn and operating income of ¥6.0bn. This calls for CAGR of net sales of over 4%. However, we at FISCO think that the Company can increase the probability of achieving its target by continuing to work on its M&A and alliance strategy as well as organic growth of its business, given the outlook for robust demand for social infrastructure establishment and maintenance.

4. Shareholder return policy

The Company has been increasing its dividend based on a policy of stable and continuous dividend payments. To clarify that it plans to continue this performance, the Company adopted a progressive dividend policy and will determine its dividend upon comprehensively considering the business environment, profit levels, payout ratio, and other factors while aiming for a dividend-on-equity ratio (DOE) of 3% or more. Accordingly, it will pay a dividend twice a year with the introduction of an interim dividend in FY5/25, although it will end the shareholder benefits program. In FY5/25, it plans to increase the dividend per share by ¥10.0 to ¥65.0 (including a ¥25.0 interim dividend), for the eighth consecutive period of higher dividends. The DOE level is 3.0%, and the Company expects to increase the dividend in FY5/26 onward if results trends are robust.

Key Points

- In FY5/24 results, net sales and profit fell slightly due to delayed projects, but orders received reached a record high
- Outlook for a turn to net sales and profit growth in FY5/25 amid ongoing strong public works demand
- Targets net sales of ¥50.0bn and operating income of ¥6.0bn in FY5/31 by transformation into a future-oriented social infrastructure creation group through the promotion of ESG management
- Announced progressive dividend policy targeting DOE of over 3%



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 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, 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 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 has been aggressively pursuing M&A since 2019. In March 2019, it made Ark Consultants Co., Ltd., which operates a construction consultancy business in Okayama Prefecture, a subsidiary, followed by i DEVELOP CONSULTANTS Co., Ltd., which provides client support and infrastructure management services in the Kyushu region, in July 2019. 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. More recently, in May 2024, the Company made Nichiei Planning Co., Ltd., which operates a construction consultancy engineer dispatch business in the Kyushu region, a subsidiary.

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 a 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	Established 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 Established 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
May 2024	Established a wholly owned subsidiary of Nichiei Planning Co., Ltd.

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

The Group's strength lies in its ability to provide services for all phases 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 lies in its ability to provide a one-stop service for all the phases 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 2024, the Group consists of 12 consolidated subsidiaries (and 7 non-consolidated subsidiaries and 1 equity-method affiliate), and has a total of 1,713 employees (a decrease of 8 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.

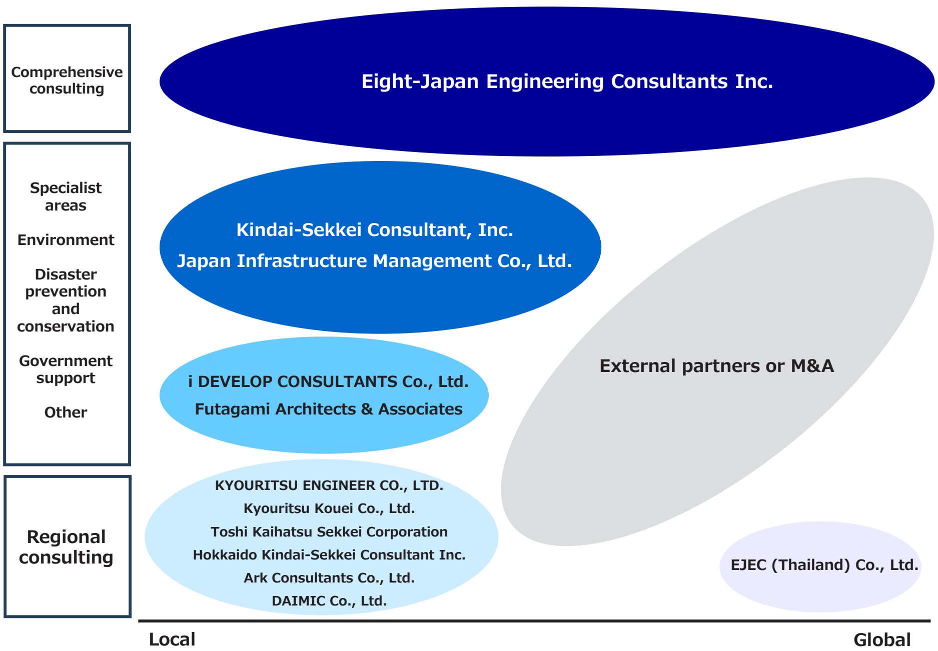
(1) Overview of subsidiaries

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 client support projects. Its features also include 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 one involves removing the above-ground utility poles, while moving the electrical wires and communications cables underground. This requires close negotiations and adjustments between various operators, as it involves grouping cables 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 Kyouritsu Kouei Co., Ltd., carries 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.

Roles and collaboration between Group companies

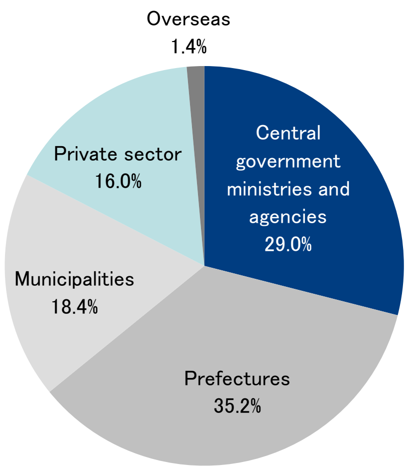


Source: The Company's results briefing materials

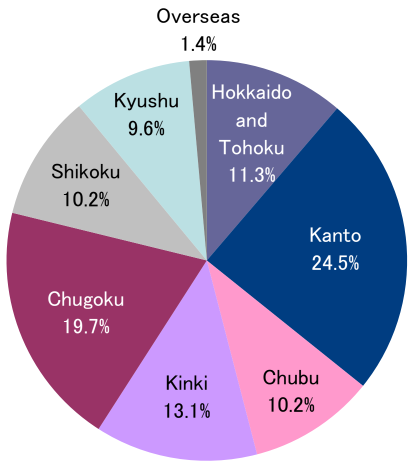
(2) Percentages of orders-received by ordering institution and region

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 FY5/24 results, the composition of orders-received by ordering institution was 29.0% for central government ministries and agencies, mainly for the MLIT; 35.2% for prefectures; and 18.4% for municipalities, therefore totaling 82.5% for government ministries and agencies alone, 16.0% for private sector companies, and 1.4% for overseas. For private sector companies, 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 Official Development Assistance (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 24.5%, followed by the Chugoku area, which is the location of the head office, at 19.7% and then Kinki at 13.1%, and those three regions provide more than 50% of the total.

Composition of orders-received by ordering institution (FY5/24)



Composition of orders-received by region (FY5/24)



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 concentrate in March, which is the acceptance-inspection period, so around 60% of net sales concentrated in the 4th quarter (March to May). We note that sales of client support projects are recorded on a percentage-of-completion basis. 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 can respond precisely to diverse and high-level needs, and who possess an abundance of sensitivity and sincere personalities, to work toward self-improvement 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 FY5/24 results, net sales and profit fell slightly due to delayed projects, but orders received reached a record high

1. FY5/24 results overview

In the FY5/24 consolidated results, net sales fell 0.8% YoY to ¥37,207mn, operating income decreased 2.3% to ¥4,348mn, ordinary income was down 0.6% to ¥4,597mn, and profit attributable to owners of the parent decreased 0.6% to ¥3,032mn. Net sales and all profit lines were slightly lower YoY and undershot the Company’s forecast. This was mainly due to delays in booking sales of several projects, including an extended construction period of a large bridge-related project. Extended construction periods appear to be impacting public works construction projects, mainly caused by labor shortages. That being said, business conditions remain upbeat. Demand for natural disaster risk mitigation, environmental measures, and social infrastructure establishment and maintenance remains robust, resulting in record-high orders-received for the second year running at ¥38,749mn (up 1.3% YoY). The order backlog at the end of FY5/24 was also a record high, increasing 5.9% YoY to ¥27,713mn.

Business performance for FY5/24 (consolidated)

(¥mn)

	FY5/23		FY5/24				
	Results	Ratio to net sales	Forecast	Results	Ratio to net sales	YoY	Vs. forecast
Orders-received	38,249	102.0%	38,300	38,749	104.1%	1.3%	1.2%
Net sales	37,509	-	38,300	37,207	-	-0.8%	-2.9%
Cost of sales	24,977	66.6%	25,600	24,732	66.5%	-1.0%	-3.4%
SG&A expenses	8,080	21.5%	8,100	8,125	21.8%	0.6%	0.3%
Operating income	4,451	11.9%	4,600	4,348	11.7%	-2.3%	-5.5%
Ordinary income	4,624	12.3%	4,800	4,597	12.4%	-0.6%	-4.2%
Profit attributable to owners of the parent	3,051	8.1%	3,200	3,032	8.2%	-0.6%	-5.2%

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

The cost-of-sales ratio improved slightly from 66.6% to 66.5%. Although labor expenses rose as a result of wage increases* for the second year in a row, this was absorbed by a rise in the order unit price. The SG&A expense ratio rose 0.3 percentage points from 21.5% in FY5/23 to 21.8% in FY5/24, or ¥45mn on a value basis. Bonuses decreased, but usage fees and depreciation of new business systems increased amid the push for management DX, and rent expenses also increased. As a result, the operating margin fell slightly from 11.9% in FY5/23 to 11.7% in FY5/24.

* The Japanese government added wage increase of over 3% in FY2022 as one of the assessment criteria for businesses bidding for public works projects as part of its policies to promote wage increases and continued the policy in FY2023.

Orders-received mark record high two years in a row, mainly in the six priority fields

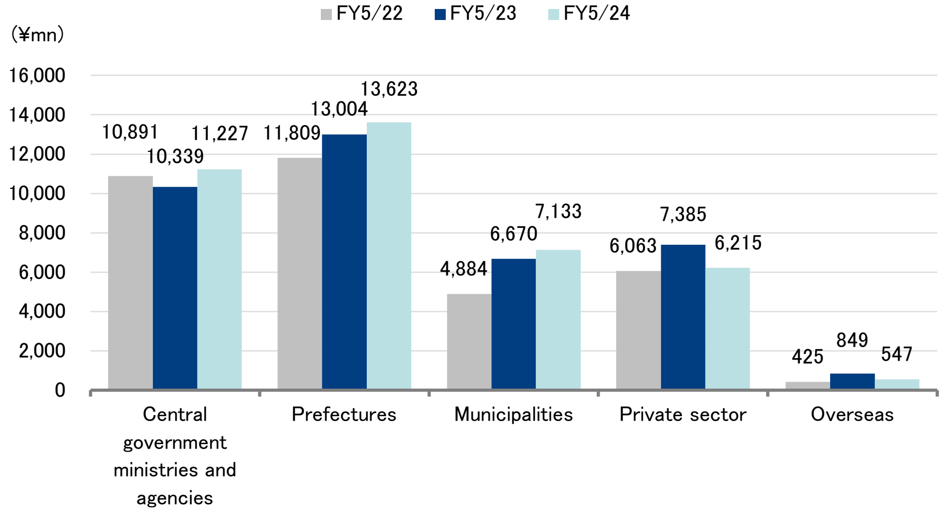
2. Trends in orders-received and net sales

(1) Trends in orders-received

In FY5/24, orders-received increased 1.3% YoY to ¥38,749mn, marking a record high two years in a row. The number of orders-received fell 9.3% YoY to 2,889, turning down for the first time in three years, because the Company took orders selectively, taking into consideration its capacity to fulfill orders while clearing its backlog. However, orders-received increased due to an 11.7% YoY increase in the order unit price to ¥13,413,000.

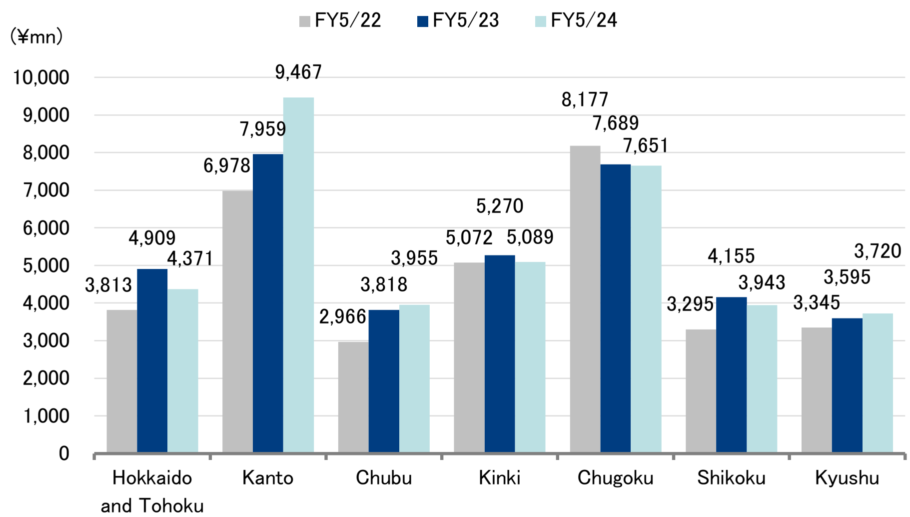
Looking at the change in orders-received in FY5/24 by ordering institution, central government ministries and agencies increased 8.6% YoY, turning up for the first time in three years. Prefectures increased 4.8% and municipalities by 6.9%, both reaching record highs. Investment continued to increase in social infrastructure establishment such as national resilience measures and environment-related projects for creating a decarbonized society. In contrast, orders-received from the private sector declined 15.8% YoY and overseas orders-received by 35.5%, both turning down from FY5/23. In the private sector, design work for reinforcing earthquake resistance appeared to peak out, although expressway infrastructure inspection work remained brisk. Overseas orders-received turned down due to the dropout of a non-ODA project in Thailand received in FY5/23 and sluggish growth of JICA projects. Looking at orders-received in Japan by region, there were YoY increases in Kanto (18.9%), Chubu (3.6%), and Kyushu (3.5%), which all marked record highs, but decreases in Hokkaido and Tohoku (11.0%), Kinki (3.4%), Chugoku (0.5%), and Shikoku (5.1%).

Trends in orders-received by ordering institution



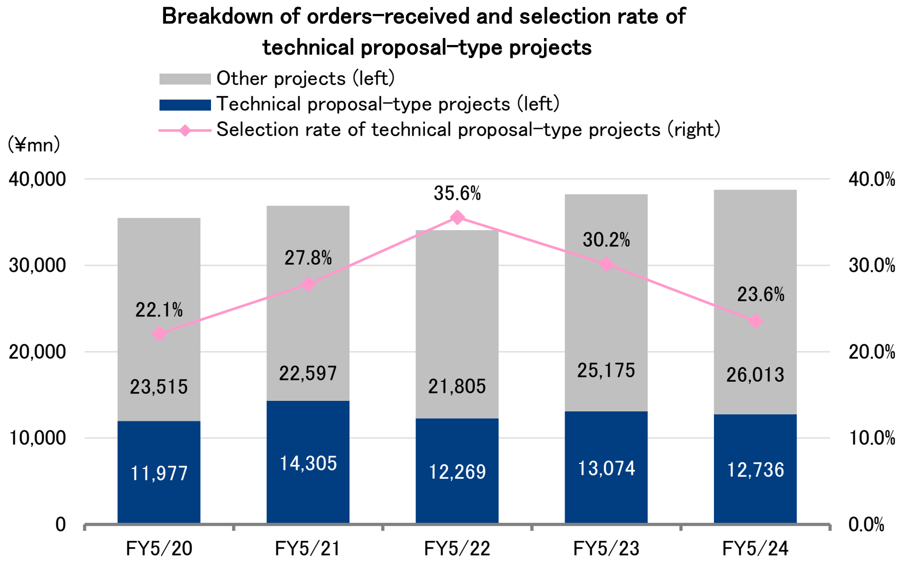
Source: Prepared by FISCO from materials provided by the Company

Trends in orders-received by domestic region



Source: Prepared by FISCO from materials provided by the Company

Orders-received in the six priority fields increased 2.8% YoY to a record-high ¥22,794mn, and the share of the total increased from 58.0% in FY5/23 to 58.8% in FY5/24. Orders-received increased in five of the six fields except public management, with three fields recording double-digit increases (15.2% YoY in environment and energy, 10.7% in natural disaster risk mitigation, and 10.0% in urban and regional revitalization).



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

Orders-received in the six priority fields increased 2.8% YoY to a record-high ¥22,794mn, and the share of the total went up from 58.0% in FY5/23 to 58.8% in FY5/24. Orders-received increased in five of the six fields except public management, with three fields recording double-digit increases (15.2% YoY in environment and energy, 10.7% in natural disaster risk mitigation, and 10.0% in urban and regional revitalization).

Trends in orders-received in the six priority fields

(¥mn)

	FY5/23 Results	FY5/24	
		Results	YoY
Environment and energy	2,445	2,817	15.2%
Natural disaster risk mitigation	4,458	4,934	10.7%
Urban and regional revitalization	1,864	2,051	10.0%
Infrastructure maintenance	6,879	7,073	2.8%
Public management	5,673	5,040	-11.2%
Digital infrastructure solutions	851	879	3.3%
Total	22,170	22,794	2.8%
Priority field ratio	58.0%	58.8%	-

Source: Prepared by FISCO from materials provided by the Company

The six 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	Orderer support for CM/PM etc., PPP/PFI, infrastructure facilities management, etc.
Digital 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 phases from building design and construction to maintenance and management. MLIT 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 design, etc., of a final waste disposal facility as one of the projects for promoting a circular society progressed by Kyotango City. The Company conducted detailed reviews and design work covering quantitative and geological surveys, ground reinforcement work, construction of an emergency water storage pond, and subsidence prevention measures. It also won on an ongoing basis a project to conduct a follow-up survey of an environmental impact assessment based on the follow-up survey plan for a project to build a garbage incineration plant for East Tottori Wide-Area Administrative Management Association.

In natural disaster risk mitigation, the Company received orders from MLIT for surveys for setting conditions to create a flooding risk map and for reviewing measures to prevent/mitigate mudflow and flooding in the Class A Miyagawa River system. In urban and regional revitalization, the Company won orders for formulating an urban facility location plan from Miyako City and quantity survey and design for the third industrial park at Miyakonojo Interchange in Miyazaki Prefecture.

In the field of infrastructure maintenance, the Company received orders for reviewing preventative maintenance type management of facilities to prevent the collapse of steep slopes and landslides on land administered by the Tokyo Metropolitan Government. This entailed periodic inspection and survey of each facility, review of preventative maintenance plan renewal, and survey and review of the potential of applying new technologies such as drones in more sophisticated maintenance and management. The Company also received an order for bridge inspection work in the service area of MLIT River National Highway Office in western Yamaguchi Prefecture. It used drones and other technology to improve work efficiency and accuracy of inspections.

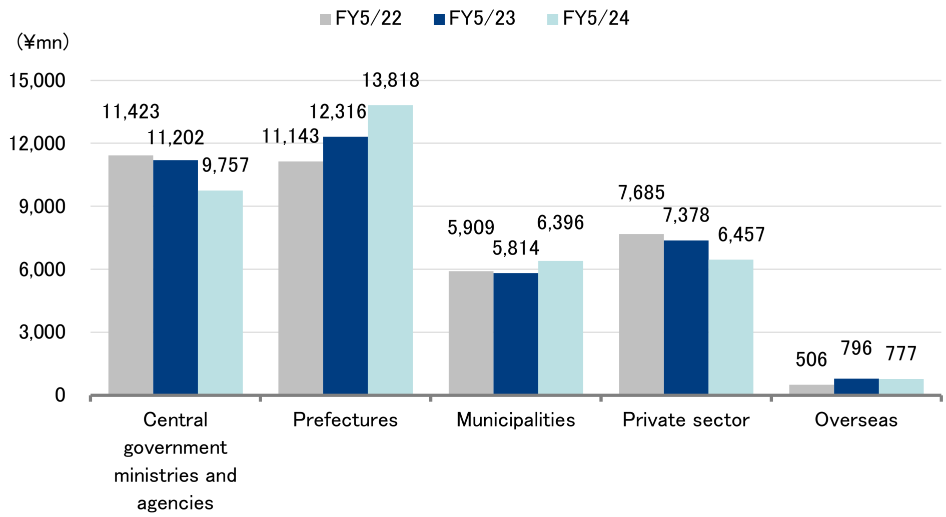
In public management, the Company received an order from Saitama City for advisory work for an agricultural education and community facility construction project, which entailed interview surveys of private-sector companies, preparation of public advertisement and other documents, examinations for PPP/PFI candidates, screening of PPP/PFI plans, and support for concluding a provisional basic agreement. It also won an order from Sendai City for a project to review the policy for establishment of a coastal park in Fujitsuka District. Sendai City designated part of Fujitsuka District (the former site of mass evacuations after the Great East Japan disasters) a public use zone. The Company reviewed policy for establishment of the park and conducted a range of surveys to create a new park in the public use zone as a place for experiencing and learning about nature.

In digital infrastructure solutions, the Company received an order from MLIT Tohoku Regional Development Bureau for detailed design of tunnels in the Ushibuse district. It analyzed structural parts using 2D FEM analysis and used 3D noise simulation to determine noise prevention measures during tunnel construction, selecting sound insulating doors and wall, low-noise equipment, etc., as well as producing easy-to-understand information documents using BIM/CIM models for local residents. As well, the Company won an order from the Hokuriku Regional Development Bureau to continue with the work of reviewing the use of autonomous flight drones for more sophisticated inspection of erosion control and other facilities. It used drones to inspect mountain streams in the Noborikawa River system in the Yuzawa Erosion Control Office service area, conducting verification flights and verification of real-time image communication as well as reviewing the applicability of target physical property evaluation using AI analysis of drone photography images. Based on the results, the Company produced an inspection plan proposal of the Noborikawa River system using autonomous flight drones.

(2) Trends in net sales

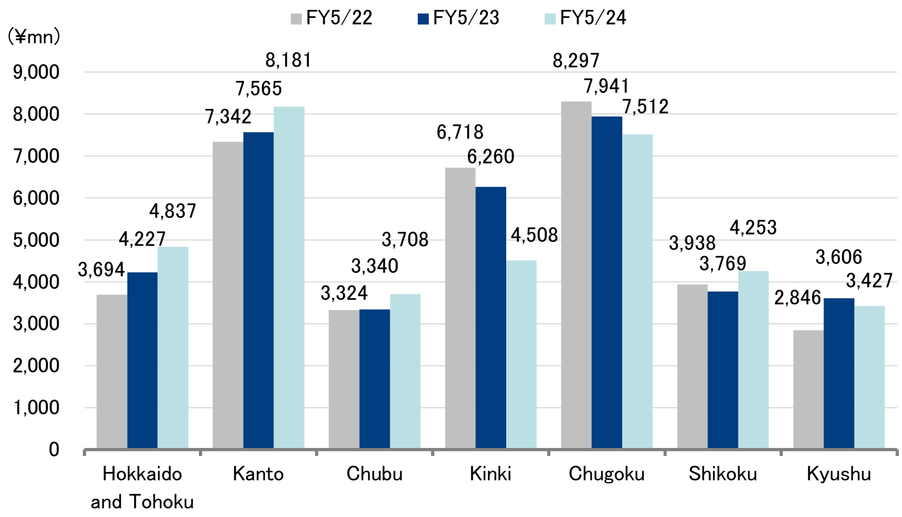
Looking at net sales by ordering institution, central government ministries and agencies declined by 12.9% YoY, partly due to extended project construction periods, private sector by 12.5%, and overseas by 2.4%. However, prefectures increased by 12.2% and municipalities by 10.0%, renewing record highs. Regarding sales by region, Kinki marked a 28.0% YoY decline, while Chugoku and Kyushu recorded declines of 5.4% and 5.0%, respectively. In contrast, Hokkaido and Tohoku increased by 14.4% YoY, Kanto by 8.1%, Chubu by 11.0%, and Shikoku by 12.8%, all renewing 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 a record high of 78% and its financial position is excellent

3. Financial position and management indicators

At the end of FY5/24, total assets increased ¥2,229mn from the end of the previous period to ¥41,423mn. The main change factors were, in current assets, a ¥486mn decrease in accounts receivable - trade, which was offset by an increase of ¥2,094mn in cash and deposits. In non-current assets, property, plant and equipment increased by ¥106mn, and intangible assets rose by ¥313mn due to investment in the new core system, and investment securities by ¥157mn because of the acquisition of Nichiei Planning Co., Ltd.

Total liabilities decreased ¥494mn from the end of the previous period to ¥8,831mn. There was an increase of ¥502mn in income taxes payable, and decreases of ¥229mn in interest-bearing debt, ¥219 in unpaid expenses, ¥282mn in contract liabilities, and ¥360mn in retirement benefit liability. Total net assets increased ¥2,723mn to ¥32,592mn. Retained earnings increased ¥2,229mn due to recording profit attributable to owners of the parent of ¥3,032mn and dividend payments of ¥803mn. Accumulated other comprehensive income also increased ¥443mn due to factors such as price increase of shares held.

Looking at management indicators, the equity ratio, which expresses management stability, increased from 76.2% at the end of FY5/23 to 78.7% at the end of FY5/24 as a result of decreases in liabilities and increased equity. Also, the extent of reliance on interest-bearing debt decreased from 0.9% to 0.3%, 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 all maintained levels above 10%. The Company has aggressively invested in IT to improve business efficiency in the past few years and began operation of its new core system in FY5/25. As its in-house developed system became obsolete, the Company introduced ERP system SAP and customer management system Salesforce, linking them with other business systems to improve business efficiency and visualize management status, expected to speed up management decisions in the medium term.

Consolidated balance sheet

(¥mn)

	FY5/21	FY5/22	FY5/23	FY5/24	Increase/ decrease
Current assets	26,480	27,683	26,485	28,151	1,666
Cash and deposits	18,975	18,090	17,092	19,186	2,094
Inventories	3,219	3,613	2,913	2,924	11
Non-current assets	11,032	11,556	12,708	13,271	563
Total assets	37,513	39,240	39,194	41,423	2,229
Total liabilities	12,015	11,696	9,325	8,831	-494
Interest-bearing debt	927	571	357	128	-229
Total net assets	25,497	27,544	29,869	32,592	2,723
<Stability>					
Equity ratio	68.0%	70.2%	76.2%	78.7%	2.5pt
Dependency on interest-bearing debt	2.5%	1.5%	0.9%	0.3%	-0.6pt
<Profitability>					
ROA (return on assets)	11.8%	12.3%	11.8%	11.4%	-0.4pt
ROE (return on equity)	12.2%	11.8%	10.6%	9.7%	-0.9pt
Operating margin	11.2%	12.2%	11.9%	11.7%	-0.2pt

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

Business outlook

Turn to sales and profit growth forecast for FY5/25 as demand for public works remains robust

1. Outlook for FY5/25

The Company's forecasts for consolidated results in FY5/25, the final year of the fifth medium-term management plan, are unchanged from the upwardly revised forecast announced in July 2022. Net sales are projected to increase by 3.5% YoY to ¥38,500mn, operating income by 11.5% to ¥4,850mn, ordinary income by 7.7% to ¥4,950mn, and profit attributable to owners of the parent by 10.5% to ¥3,350mn. Orders-received are forecast to remain relatively flat, decreasing 0.6% YoY to ¥38,500mn.

FY5/25 outlook (consolidated)

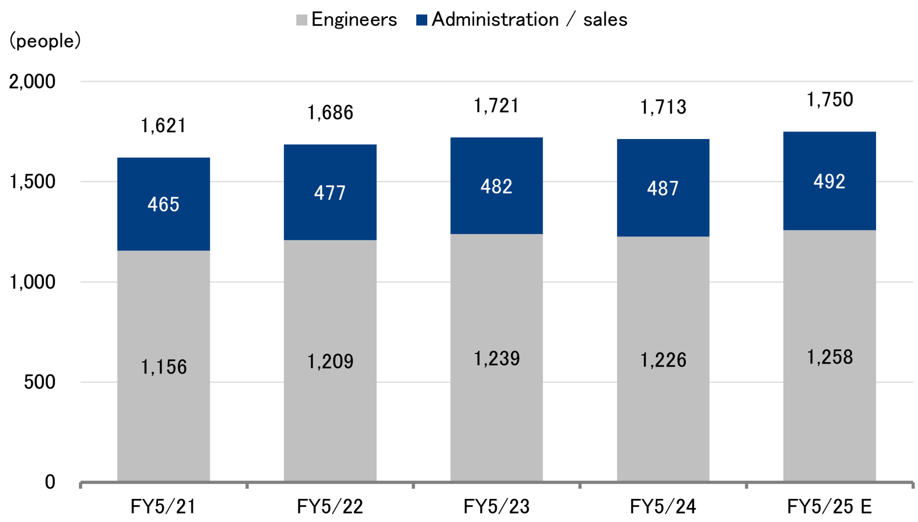
(¥mn)

	FY5/24		FY5/25		
	Results	Ratio to net sales	Forecast	Ratio to net sales	YoY
Orders-received	38,749	104.1%	38,500	100.0%	-0.6%
Net sales	37,207	-	38,500	-	3.5%
Cost of sales	24,732	66.5%	25,550	66.4%	3.3%
SG&A expenses	8,125	21.8%	8,100	21.0%	-0.3%
Operating income	4,348	11.7%	4,850	12.6%	11.5%
Ordinary income	4,597	12.4%	4,950	12.9%	7.7%
Profit attributable to owners of the parent	3,032	8.2%	3,350	8.7%	10.5%
EPS (¥)	193.62		213.90		

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

The FY2024 MLIT public works budget, on which the Company's forecast is based, is expected to be little changed from FY2023 at ¥7.2tn including an approximately ¥2tn supplementary budget. MLIT's budget for other projects related to the Group's business will be increasing YoY, including progress of disaster prevention and mitigation and national resilience measures, sustainable infrastructure maintenance, focused support on disaster prevention and mitigation measures and addressing aging infrastructure, strategic and planned promotion of social capital development, and progressing Green Transformation (GX). Thus, the domestic business is likely to continue attracting a stable volume of work, while the ODA budget for FY2024 is forecast to drop slightly to ¥565.0bn for the overseas business. The Company will therefore continue actively hiring and targets a 2.2% YoY increase in its work force in FY5/25, with the number of new graduate recruits increasing from under 30 in FY5/24 to 50 in FY5/25. The Company is raising its profile by holding a joint presentation with Group companies and revamping its website to strengthen its recruitment capability amid intensifying competition for personnel. We at FISCO think that the business environment offers scope for an earnings overshoot if the Company can secure more human resources than planned as a result of these measures.

Trends in the number of employees



Source: Prepared by FISCO from materials provided by the Company

(1) Priority measures

FY5/25 is positioned as a year to push ahead with building a business foundation for innovation and evolution ahead of sixth medium-term management plan. The Company will pursue the following four points as its priority policies in FY5/25.

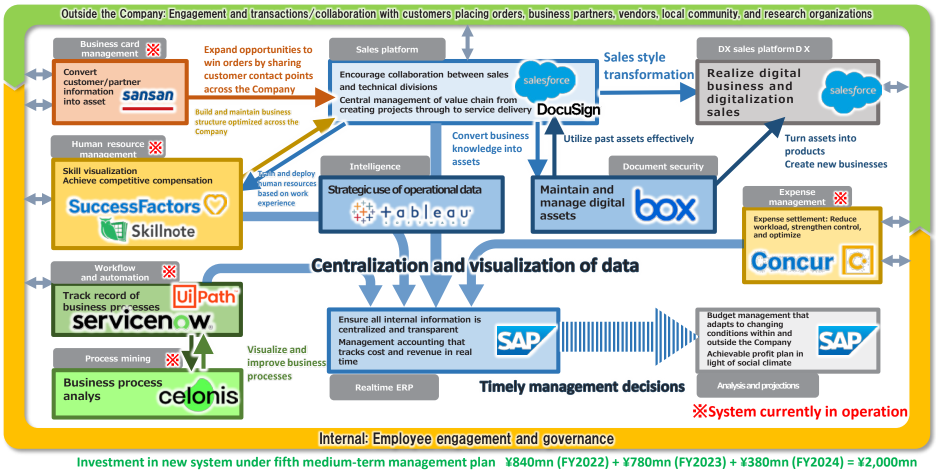
(a) Strengthen business strategy and expand business areas

The Company plans to strengthen business strategies based on its core competencies while incorporating the latest technologies such as AI, AR/VR, and drones, as well as expand its market by progressing M&A. Its M&A strategy targets companies with annual sales of ¥500mn–¥6.0bn. Nichiei Planning had annual sales of ¥100mn and over 20 employees, but the Company made it a subsidiary at the end of FY5/24 to increase its market share in the Kyushu region. Although the Company has been approached regarding M&A deals on a similar scale, it will not consider acquiring companies unless they offer technological capabilities or customer base that Group companies do not have from an efficiency perspective.

(b) Optimize company-wide value chain and strengthen management foundation functions

The Company will implement DX to visualize data required for administration of management and the organization to promote management that is efficient and effective in the value chain. It transitioned to its new core system centered on SAP and Salesforce in June 2024, seeking to centralize and visualize data to enable speedy management decisions by linking to other business systems. Although it will take time for employees to become accustomed to operating the new system, it is expected to help improve productivity. The Company spent a total of ¥2.0bn on the new system in the three years through FY5/24.

Value chain evolution (introduction of new systems)



Source: The Company's results briefing materials

(c) Management with awareness of cost of capital and share price

The Company will engage in management with awareness of return on capital and ROE to improve P/B and corporate value.

(d) Sustainability initiatives

In tackling its challenges, the Company will disclose its responses to climate change and human capital management, etc., based on the four elements of governance, strategy, risk management, and indicators and targets, to promote ESG management

(2) Business plan

The Company forecasts flat YoY orders-received as a result of progressing project creation-type sales mainly in the six priority fields, actively approaching central government ministries and agencies, rebuilding its overseas infrastructure, working with infrastructure DX, and engaging in regional revitalization that reflects Green Transformation (GX). The Company plans a 4.0% YoY increase in orders-received in the six priority fields to ¥23,700mn, targeting higher orders-received across the board. The share of orders-received in the six priority fields are forecast to increase from 58.8% of the total to 61.6%. By improving the selection rate of technical proposal-type projects, the Company also aims to increase total orders-received for these projects by 9.9% YoY to ¥14,000mn, up for the first time in two years. It also targets a 46.3% YoY increase in orders-received of the overseas business despite a small decrease in the FY2024 ODA budget by focusing on attracting non-ODA projects.

Orders-received by ordering institution

(¥mn)

	FY5/22	FY5/23	FY5/24	FY5/25 E	YoY
Central government ministries and agencies	10,891	10,339	11,227	11,300	0.7%
Prefectures	11,809	13,004	13,623	13,200	-3.1%
Municipalities	4,884	6,670	7,133	7,000	-1.9%
Private sector	6,063	7,385	6,215	6,200	-0.2%
Overseas	425	849	547	800	46.3%
Total	34,074	38,249	38,749	38,500	-0.6%
Technical proposal-type projects	12,269	13,074	12,736	14,000	9.9%
Share	36.0%	34.2%	32.9%	36.4%	

Source: Prepared by FISCO from materials provided by the Company

Trends in orders-received in the six priority fields

(¥mn)

	FY5/22	FY5/23	FY5/24	FY5/25 E	YoY
Environment and energy	2,281	2,445	2,817	3,000	6.5%
Natural disaster risk mitigation	4,944	4,458	4,934	5,300	7.4%
Urban and regional revitalization	1,600	1,864	2,051	2,100	2.4%
Infrastructure maintenance	4,550	6,879	7,073	7,100	0.4%
Public management	6,173	5,673	5,040	5,200	3.2%
Digital infrastructure solutions	943	851	879	1,000	13.8%
Total	20,491	22,170	22,794	23,700	4.0%
Priority field ratio	60.1%	58.0%	58.8%	61.6%	

Source: Prepared by FISCO from materials provided by the Company

The Company forecasts net sales growth and a new record high in FY5/25 by clearing its order backlog (¥27,713mn at the end of FY5/24) at the earliest opportunity and improving productivity by harnessing business DX to improve work efficiency and the latest technologies including drones and BIM/CIM. By ordering institution, the Company forecasts an 11.7% increase for central government ministries and agencies due to contributions from projects that were postponed from the previous fiscal year, 9.4% for municipalities, and 15.8% for overseas, expected to absorb decreases in prefectures and private sector.

Net sales by ordering institution

(¥mn)

	FY5/22	FY5/23	FY5/24	FY5/25 E	YoY
Central government ministries and agencies	11,423	11,202	9,757	10,900	11.7%
Prefectures	11,143	12,316	13,818	13,500	-2.3%
Municipalities	5,909	5,814	6,396	7,000	9.4%
Private sector	7,685	7,378	6,457	6,200	-4.0%
Overseas	506	796	777	900	15.8%
Total	36,668	37,509	37,207	38,500	3.5%

Source: Prepared by FISCO from materials provided by the Company

The cost-of-sales ratio is projected to drop 0.1 percentage points to 66.4%. The rise in labor expenses due to wage increases is likely to be offset by a higher order unit price, with the sales growth effect contributing to the slight improvement. The Company forecasts a 0.8 percentage point decrease in the SG&A expense ratio to 21.0% and flat SG&A expenses (down 0.3%). Personnel expenses and training expenses will increase due to strengthening human resources and R&D expenses will also go up by ¥24mn to ¥100mn, but these are expected to be absorbed by business efficiency improvements from progressing DX. As a result of these initiatives, the Company forecasts a 0.9 percentage point rise in the operating margin to a record-high 12.6%. Having relocated the Tokyo office of Eight-Japan Engineering Consultants Inc. in June 2024, the Company will book as SG&A expenses and extraordinary loss the purchase cost of fittings and consumables and restoring the old office to its original state, but expects to absorb this by the sales growth effect.

Mostly steady progress with basic policy and results targets of fifth medium-term management plan

2. Progress of the medium-term management plan

(1) Progress of earnings 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 has worked 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). As noted above, the Company’s forecasts for consolidated results in FY5/25, the final year of the plan, are unchanged from the upwardly revised forecast announced in July 2022.

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

* Figures announced in July 2022
Source: Prepared by FISCO from the Company’s published 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 FY2023. In addition, the Company is working on raising retention rates and increasing the number of job applicants by improving workplace conditions, such as the establishment of a hybrid working system (combination of working from home and in the office) at the new Tokyo office of Eight-Japan Engineering Consultants as part of work style reforms. The new Tokyo office is located on the 13th and 14th floors of a new 20-storey office building a minute's walk from JR Nakano Station, providing a vastly improved workplace environment compared with the aging previous office. Rent expenses are expected to decline slightly YoY due to a reduced floor area.

Turning to management DX initiatives, the Company began operation of its new core IT system in FY5/25. It will initially improve efficiency and reduce costs by standardizing each business process. Next, it aims to speed up management decisions and improve competitiveness by analyzing and visualizing management data in real time. Although the Company has not calculated precisely the effect of introducing the new system, we at FISCO estimate that it will provide around 10% improvement in productivity.

The Company planned to invest approximately ¥4.0bn in innovation the four years through FY5/25, but now expects the total to be around ¥3.0bn. Specifically, this includes investment to reform business processes and improve production efficiency through 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 ¥840mn in FY5/23, ¥780mn in FY5/24, and plans to invest ¥380mn in FY5/25 for a total of ¥2.0bn (versus the initial plan of ¥1.8bn) in new systems, including development of a new core system and introducing DX tools to realize business process DX. Also, apart from these investments, it is planning to invest in M&A.

(2) Progress with basic policies

The Company focuses on the following four initiatives under the motto "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 (client 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 are 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 promotion of DX by actively investing in R&D and digital equipment, and thereby secure competitive advantages over the competition. Also, when essentially promoting DX, each Group company will progress initiatives while at the same time, Eight-Japan Engineering Consultants will deploy model cases in the Group.

Looking at progress through FY5/24, we think the domestic business is mostly on track, with order-received marking a record high as a result of strengthening initiatives in the six priority fields. In the overseas business, however, the Thai subsidiary is struggling to win orders locally, and the Company intends to restructure its operations. With regard to the business impact of R&D, the Company is at the stage of accumulating know-how by building up a track record of verification projects using drones and other technologies.

The Company has been working on the following four initiatives under the point "strengthen the ability to respond to diversifying needs."

a) In the development and promotion of new products and services harnessing data, information assets, and ICT, the Company prepared VR content for tsunami evacuation by developing visualization technology that utilizes BIM/CIM models and spatial-numerical information. It also worked on the practical application of infrastructure inspection work for bridges, rivers, dams, and other structures using drones, smart glasses, 360-degree cameras, and AI technologies.

b) For initiatives in the business to solve problems while utilizing existing agriculture and forestry businesses, the Company has been engaged in "sixth industrialization" activities in agribusiness through joint investment with local public bodies, companies, and other organizations in Akita, Okayama, and Tokushima Prefectures since 2012. 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. This company also began to transfer production technologies to local agricultural producers in 2021 and hopes to generate annual sales of ¥100 mn 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 Okayma 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 to promote 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 various products using wood powder, foster human resources and help to spread and raise awareness of environmental education. Further, a proposal by the Company in a partnership to create "trash bins made from unused timber that revitalize forests and communities" was selected by Co-Design Challenge 2024, a special co-creation program associated with Expo 2025 Osaka, Kansai, which takes place in May 2025. The bins will be supplied to and installed at the Expo venue. The Company will also plan and operate a "total forest experience tour" of a bamboo timber raw material production facility for Expo visitors from Japan and overseas. The Company intends to sell shares in its businesses in Akita and Tokushima Prefectures to local businesses and other investors once they turn profitable, but this will take some time. As well, DAIMIC Co., Ltd. is working to improve the efficiency of forestry management and optimize forest management. In FY2023, it won its first order from Nasushiobara City for work relating to the formulation of a plan to amalgamate forestry rights (rights to manage and administer forests) as part of a forestation program to achieve carbon neutrality in 2050. It intends to continue expanding its business domain into the forestry sector.

c) Initiatives to acquire knowledge, know-how, and technologies for future-oriented social infrastructure such as green infrastructure, smart cities, and promoting distribution and logistics include surveys to review the introduction of comprehensive management (model project that combines infrastructure with small concession) and support for the introduction of a water PPP (partnership between public and private sectors in water supply and sewerage). The Company also won orders for a survey for a smart island project (building a model for animal pest control measures tailored to remote islands) and a demonstration trial of the use of next-generation marine mobility (autonomous underwater vehicles) for verification of the effectiveness of 3D measurement technology for water quality monitoring.

d) Regarding active promotion of alliances and M&A that are necessary for strengthening new businesses and technological capabilities, the Company made Nichiei Planning a subsidiary in May 2024 and will continue to consider more options.

The Company worked on the following five initiatives under the point “construct a management foundation able to respond flexibly to environmental changes.”

a) A new core system began operation at Eight-Japan Engineering Consultants in June 2024 to improve business efficiency, raise productivity, and ensure good quality outcomes through value chain evolution.

b) As initiatives to marshal the Group’s collective strengths in pursuit of higher corporate value, the Company held a joint presentation with Group companies to attract internship program participants (more than 160 students took part, including some online participants). It also held a Group Forum for employees (more than 1,200 Group employees took part, including some online participants). The purpose of the Forum was to enhance a sense of belonging and solidarity through Group-wide discussions and harnessing group energy to inspire the knowledge and power needed to break through the status quo.

c) To realize diverse work styles by utilizing satellite offices and teleworking to develop a workplace that respects diversity and strengthen the Group’s brand, the Company improved workplace conditions by opening the new Tokyo office of Eight-Japan Engineering Consultants and promoted use of the DX Room for BCP in a disaster and fostering young personnel. Six Group companies (Japan Infrastructure Management, KYOURITSU ENGINEER, Ark Consultants, Kyouritsu Kouei, Toshi Kaihatsu Sekkei, and DAIMIC) were recognized by the Ministry of Economy, Trade and Industry (METI) as Certified Health & Productivity Management Outstanding Organizations. Eight-Japan Engineering Consultants, KYOURITSU ENGINEER, and DAIMIC also obtained Eruboshi certification as companies that empower working women, and Eight-Japan Engineering Consultants also obtained Kurumin certification as a company supportive of employees’ childcare needs.

d) The Company established “the corporate academy”* 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. The Company began hiring new graduates from India and three Para athletes who have won international competitions to secure diverse 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.

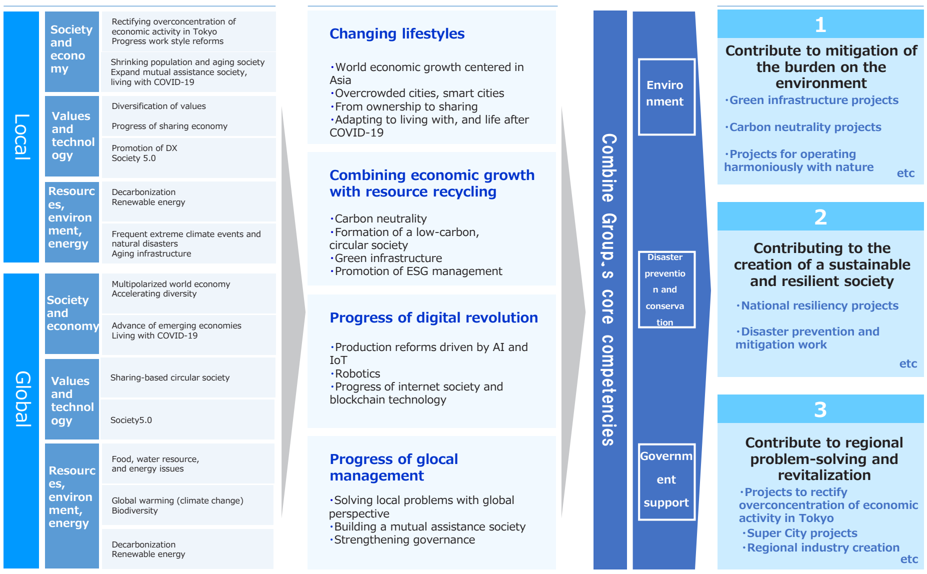
e) As initiatives to strengthen risk management and internal control, specifically building a solid governance structure based on the Corporate Governance Code and improving management transparency, the Company held four Group Management Committee meetings, two each of group liaison committee and Group Risk Management Committee meetings, and one Sustainability Promotion Committee meeting in FY5/24.

Targeting net sales of ¥50.0bn and operating income of ¥6.0bn in FY5/31 by transforming into a future-oriented social infrastructure creation group through the promotion of 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). By combining its know-how in its three core competencies (disaster prevention and conservation, the environment, and government support), it will provide value creation-type services to achieve long-term growth. To this end, it will focus the themes of mitigating the burden on the environment (continue to expand orders-received in the environment and energy field, reduce CO_2 emissions), contributing to the creation of a sustainable and resilient society (continue to expand orders-received in the natural disaster risk mitigation, infrastructure maintenance, and urban and regional revitalization fields), and contributing to regional problem-solving and revitalization communities (continue to expand orders-received in the public management field, create regional industries by harnessing know-how in agriculture and forestry, etc.).

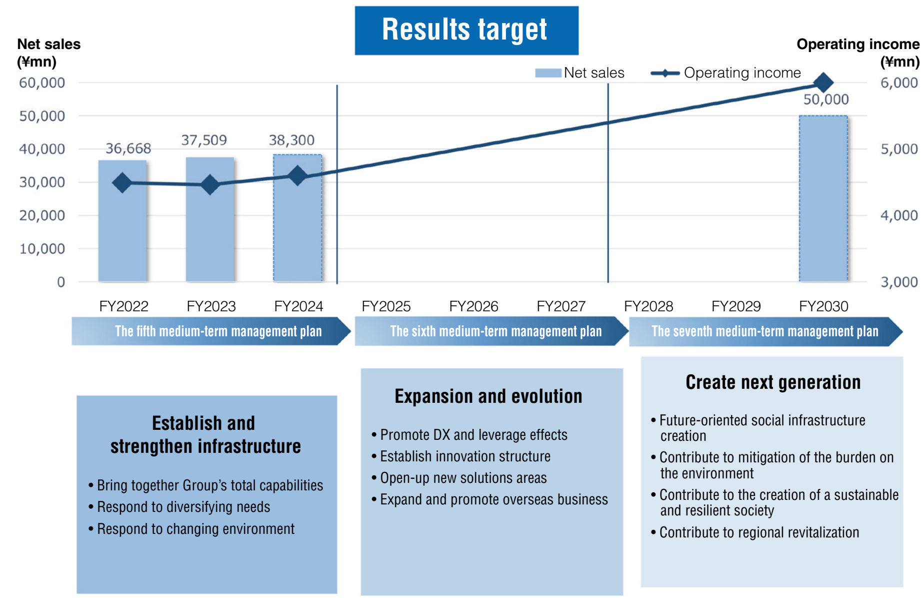
[Review of long-term vision] Role that the Group should play



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

The performance 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 the next seven years based on the FY5/24 results, the Company targets 4.3% for net sales and 4.5% for operating income, which we consider to be achievable. 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, pioneer a new business field of solutions, and expand the overseas business. It is actively considering M&A as a way to achieve its targets. In Japan, M&A will aim to increase sales in regions of low market share, supplement business and technical areas, and secure personnel. 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. 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 FY5/31. 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: The Company's results briefing materials

The Company set numerical targets for CO_2 emissions reduction (one of the initiatives for mitigating the burden on the environment) and began implementing initiatives in FY5/23. For initiatives to reduce Scope 1 (direct) and Scope 2 (indirect) emissions, the Company aims to reduce the total of Scope 1 and Scope 2 emissions by replacing all gasoline vehicles owned by the Group with hybrids and EVs (70–80% of gasoline vehicles were replaced with hybrids in FY5/24) as well as progressively replacing all workplace lighting with LED lighting and using renewable energy to reduce CO_2 emissions by 42% versus FY5/22 (32% reduction in FY5/23). As a diversity management initiative, the Company targets a ratio of women managers of over 10% in FY5/30 (4.7% in FY5/24) and a ratio of women recruits of over 30% (18.6% in FY5/24) in FY5/30, as well as 100% of men taking parental leave (60.9% in FY5/24).

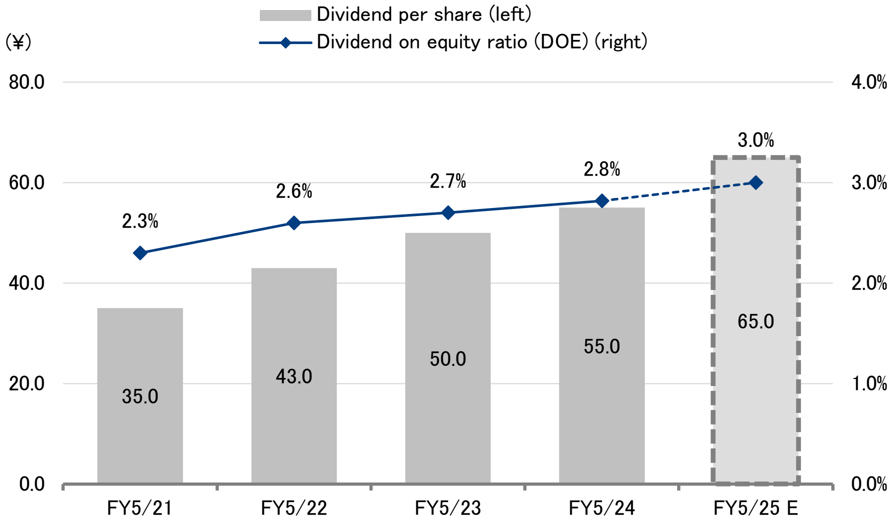
Shareholder return policy

Announced progressive dividend policy targeting DOE of over 3%

In July 2024, the Company announced a change in its dividend policy and that it would end its shareholder benefits program* to ensure equality in shareholder returns. Its dividend policy has been to maintain stable and ongoing dividend growth, and determine its dividend (paid once a year at period-end) upon comprehensively considering the business environment, profit levels, payout ratio, and other factors, aiming for a dividend on equity ratio (DOE) of 3%. From FY5/25, it introduced a progressive dividend policy targeting DOE of over 3.0%, comprehensively considering the business environment, profit levels, payout ratio, and other factors, and decided to pay a dividend twice a year with the introduction of an interim dividend. In FY5/25, it plans to increase the dividend per share by ¥10.0 (DOE 0.2%) YoY to ¥65.0 (including a ¥25.0 interim dividend), for the eighth consecutive period of higher dividends. The DOE level is 3.0%, and the Company expects to increase the dividend in FY5/26 onward if results trends are robust.

* In the shareholder benefits program, the Company gifted a QUO card to shareholders at the end of November each year according to the number of shares that they hold. Shareholders holding 100 or more but less than 1,000 shares received QUO cards worth ¥1,000, those holding 1,000 or more but less than 5,000 shares received cards worth ¥3,000, and those holding 5,000 shares or more received cards worth ¥5,000.

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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