COMPANY RESEARCH AND ANALYSIS REPORT

TENOX CORPORATION

1905

Tokyo Stock Exchange Standard Market

24-Mar.-2026

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Summary

Efforts aimed at construction of Linear Chuo Shinkansen get under way; Medium-term Management Plan target within sight

1. Specializes in foundation construction that safely supports structures. Boasts technological capabilities and reliability that rank among Japan's best

TENOX CORPORATION <1905> (hereafter, also "the Company") operates a construction business specializing in foundation construction. Given that foundation construction transfers the loads of detached houses, condominiums, factories, road and railway bridges, and other structures to the subsurface ground out of sight and gives them secure support, confidence in the construction work is a key prerequisite. In recent years, growing disaster-preparedness awareness in response to severe natural disasters that include major earthquakes, large typhoons, and torrential rains has also led to foundation construction being the subject of greater attention. A pioneer in foundation construction, the Company has developed TENOCOLUMN Method, which has achieved broad penetration in the industry for mid/low-rise buildings, and GANTETSU PILE Method, which is used in civil engineering projects that include expressways and Shinkansen lines. These are examples of how it boasts technological capabilities and reliability that rank among Japan's best. While the majority of the Company's net sales come from such domestic foundation construction, the Company is also operating an overseas construction business and general civil engineering and construction consulting business through its subsidiaries.

2. Possesses advantages in its construction lineup and other areas. Its technical proposals are frequently incorporated into designs

The Company's extensive lineup of construction methods gives it an advantage. It has long been adept in steel pipe piling work and deep ground improvement construction. In recent years, the Company has newly added CP-X Method (prefabricated concrete piles: high bearing capacity, medium excavation, widened foot protection method) and TENOCUBE Method (slurry-type shallow mixing ground improvement method), enabling it to handle diverse ground conditions from shallow to great depths. The Company's strengths also include a construction management system that enables real-time monitoring of construction progress, as well as high construction capability and quality supported by skilled construction workers and various equipment at its subsidiaries, and an integrated framework spans from the proposal of construction methods to project execution. As foundation construction is one of the most important processes for a structure, the Company is able to establish direct relationships with design companies and general contractors. This allows its technical proposals to be frequently incorporated into project designs, leading to increased orders from general contractors. The Company refers to this strength as its "ability to fold in," which represents a key advantage of its business model.

3. Secured higher operating profit through improved profitability despite a decline in net sales due to the Hokkaido Shinkansen extension project reaching its peak

In 1H FY3/26, net sales decreased 25.1% year on year (YoY) to ¥9,076mn, while operating profit increased 2.5% to ¥454mn. Despite an increase in large-scale ground improvement construction, net sales decreased as the extension project for the Hokkaido Shinkansen that had been driving earnings reached its peak. This was further affected by delays in some construction projects until the next fiscal year, caused by labor shortages on the client side. In addition, a CP-X Method project grew larger than expected, delaying associated orders to the next fiscal year or later. This also had a negative impact on net sales. Despite an increase in SG&A expenses, the Company secured higher operating profit supported by improved construction efficiency through KPI management, optimized contract terms resulting from sales efforts, and an improved gross profit margin due to certain one-off factors. Even excluding one-off factors, gross profit margin has improved significantly on a structural basis.

4. Medium-term Management Plan target of ¥1.5bn in ordinary profit within sight with Linear Chuo Shinkansen and delayed projects getting under way

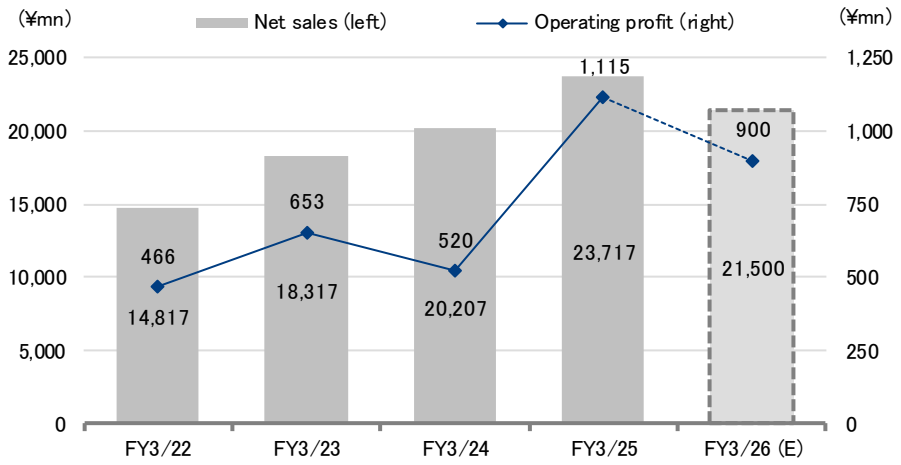
For FY3/26 forecasts, the Company is expecting net sales of ¥21,500mn, down 9.3% YoY, and operating profit of ¥900mn, down 19.3%. Due to unexpected delays in its construction schedule during 1H, the Company revised its net sales forecast downward by ¥2,000mn. However, it maintained its initial forecast for profit on the back of improved profitability. In FY3/27, the final year of the Medium-term Management Plan, the Linear Chuo Shinkansen project, which is expected to be of a comparable scale to the extension project for the Hokkaido Shinkansen, is scheduled to start. Moreover, expressway projects in the Kanto region and water and sewage facilities in the Tokai region, along with expressway and monorail projects in the Kansai region following the completion of the EXPO 2025 Osaka, Kansai, Japan, are expected to commence in stages. In addition, projects that were delayed in FY3/26 are expected to resume, and the factory in Vietnam, for which the Company reached a basic acquisition agreement in 2025, is also expected to start generating earnings. For these reasons, the ordinary profit target of ¥1.5bn set forth in the Company's Medium-term Management Plan now appears to be within sight.

Key Points

- Operates construction business specializing in foundation construction; possesses advantages of extensive lineup of construction methods and construction capability
- In 1H, secured higher operating profit through improved profitability despite a decline in net sales due to the Hokkaido Shinkansen extension project reaching its peak
- Linear Chuo Shinkansen and numerous other projects putting Medium-term Management Plan target of ¥1.5bn in ordinary profit within sight for FY3/27

Summary

Results trends



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

Company profile

Handles various forms of foundation construction with extensive lineup of construction methods and construction technologies

1. Company profile

The Company engages in a construction business specializing in foundation construction, the sale of construction materials, and general civil engineering and construction consulting business. Overseas, its subsidiary engages in the construction business. In the core construction business, the Company undertakes foundation construction in the form of piling work and ground improvement construction that is conducted upon the construction of mid/low-rise buildings, which include detached houses, condominiums, schools, hospitals, commercial facilities, logistics facilities, factories, and data centers, as well as civil engineering structures, which include road and railway bridges, embankments, water and sewage facilities, and retaining walls. Few companies possess expertise in both piling work and ground improvement work. This extensive lineup of construction methods, paired with the construction capability to handle various forms of subsurface ground, constitute a major strength of the Company. Additionally, as a pioneer that has remained a dedicated specialist in this industry, the Company has leveraged its experience and expertise cultivated over many years to develop TENOCOLUMN Method for mid/low-rise buildings, which has seen wide industry penetration; GANTETSU PILE Method, which is used in civil engineering construction for expressways and railways; and construction management systems that elevate construction quality. This illustrates the top-tier construction technologies in Japan that are at the disposal of the Company, which enjoys a high level of trust through its "TENOX brand."

2. History

The Company was established in 1970 by founder Zenjiro Yasuda and began sales and construction of concrete piles as an agent for Asahi Chemical Industry Co., Ltd. (now Asahi Kasei Corporation <3407>). In 1977, the Company obtained a patent for the construction method of ready-made piles (inner excavation method), and in 1984, it obtained a patent for TENOCOLUMN Method, which continues to be used today in ground improvement construction across Japan. Backed by these construction technologies, the Company expanded its sales network nationwide from the late 1980s up through 1990. In 1991, the Company performed the over-the-counter registration of shares with the Japan Securities Dealers Association, after which it entered a phase of business expansion. In 1995, it developed GANTETSU PILE Method and acquired the associated technology review and certification, and also developed ATT Column Method, TN-X Method, PURE PILE Method, and other construction methods. Additionally, in the same year, the Company added Yamamotogumi K.K. to the group and changed its name to Tenox Giken Co., Ltd. In 1997, it established Integrated Geotechnology Institute Ltd. Furthermore, in 2015, the Company established TENOX ASIA COMPANY LIMITED in Ho Chi Minh City, Vietnam. In 2018, it acquired technical certification (TCCS) for TENOCOLUMN Method in Vietnam, and commenced overseas operations on a full scale. From 2020 onward, for the purpose of incorporating new technologies and enhancing its construction capability and other aims, the Company accelerated M&A and partnership strategy in Japan, which included the acquisition of Hiroshimagumi Co., Ltd., and alliances with Nippon Hume <5262> and Nippon Concrete Industries <5269>. In December 2025, it announced a capital and business alliance with Japan Home Shield Corporation (JHS). Overseas as well, the Company is proactively expanding its business scope. Examples of this include commencing construction operations in 2024 and reaching a basic agreement in 2025 to acquire a concrete pile manufacturing plant.

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Company profile

History

Year and month	Main events
July 1970	Established TENOX CORPORATION in Minato Ward, Tokyo. Started sales and construction of concrete piles as an agent of Asahi Chemical Industry Co., Ltd. (currently Asahi Kasei Corporation)
October 1976	Entered into a basic contract as a dealer of Asahi Kasei Construction Materials Corporation
February 1977	Obtained a patent for the construction method of ready-made piles (inner excavation method)
March 1980	Partnered with Shin-Nippon Seitetsu Co., Ltd. (currently Nippon Steel Corporation) for research and development of vibration-low and noise-low pile foundation methods using steel pipe piles and steel pipe sheet piles
May 1980	Acquired certification from the Minister of Construction for CMJ Method that was jointly researched and developed with Asahi Kasei Construction Materials Corporation
October 1983	Formed a research and development partnership with Sumitomo Cement Co., Ltd. (currently Sumitomo Osaka Cement Co., Ltd.) to use the soft ground hardening material in a low-rise building foundation method utilizing TENOCOLUMN Method (deep mixing method)
March 1984	Obtained a patent for TENOCOLUMN Method
May 1985	Acquired certification from the Minister of Construction for TN Method that was jointly researched and developed together with Shin-Nippon Seitetsu Co., Ltd.
late 1980s–1990	Promotes nationwide expansion of the sales network
June 1991	Partnered with Saga University for research and development of a lightweight soil method
November 1991	Performed over-the-counter registration of shares with Japan Securities Dealers Association
February 1993	Acquired certification from the Minister of Construction for super-large diameter piles in CMJ Method
March 1995	Acquired technology review and certification for GANTETSU PILE Method through the General Civil Engineering Method/Technology Review and Certification Project operated by the Japan Institute of Country-ology and Engineering
October 1998	Acquired certification from the Minister of Construction for GANTETSU PILE Method in regards to allowable bearing capacity as foundation pile Acquired technology review and certification for TENOCOLUMN Method through the Advanced Construction Engineering Method/Technology Review and Certification Project operated by the Advanced Construction Technology Center
July 2002	Acquired certification from the Minister of Land, Infrastructure, Transport and Tourism for ATT Column Method
July 2003	Acquired additional certification from the Minister of Land, Infrastructure, Transport and Tourism for increasing the diameter of ATT Column Method
December 2004	Canceled over-the-counter registration with the Japan Securities Dealers Association and listed shares on the JASDAQ Securities Exchange
June 2005	Acquired certification from the Minister of Land, Infrastructure, Transport and Tourism for TN-X Method
February 2010	Acquired construction technology performance certification for PURE PILE Method
February 2012	Acquired construction technology performance certification for PURE PILE Method II
September 2015	Established TENOX ASIA COMPANY LIMITED in Ho Chi Minh City, Vietnam
August 2018	Acquired technical certification for TENOCOLUMN Method in Vietnam
October 2020	Acquired and transformed into subsidiaries Hiroshimagumi Co., Ltd., and Kametake Sangyo Co., Ltd., in order to enter the pile removal business and fulfill other purposes
December 2020	Formed a business and capital partnership with Nippon Hume Corporation to strengthen concrete pile construction technology
January 2021	Formed a business and capital partnership with Nippon Concrete Industries Co., Ltd to strengthen cooperation in ESG management and the foundation construction field
April 2022	Acquired OHMISHIMA BUSSAN CO.,LTD., and transformed it into a subsidiary in order to reinforce construction system and sales capabilities in the Shizuoka region (non-equity-method non-consolidated subsidiary) Listed on the Standard Market of the Tokyo Stock Exchange
July 2024	TENOX ASIA COMPANY LIMITED acquired the construction business of TENOX KYUSYU VIET NAM CO., LTD a Vietnamese subsidiary of Tenox Kyushu Corporation
January 2025	Developed CP-X Method (prefabricated concrete piles: high bearing capacity, medium excavation, widened foot protection method) that can significantly reduce excavated soil
February 2025	Develops TENOCUBE Method, a shallow mixing method that achieves high quality through construction management equivalent to the deep mixing method
June 2025	Concluded a memorandum of understanding regarding the acquisition of concrete pile manufacturing plant with SINO-PACIFIC CONSTRUCTION CONSULTANCY CO., LTD. (Ho Chi Minh City, Vietnam)
December 2025	Formed a capital and business partnership with Japan Home Shield Corporation to develop and deploy highly earthquake-resistant foundation construction methods for detached houses, as well as to mutually utilize ground data and customer bases

Source: Prepared by FISCO from the Company's website

3. What is foundation construction?

Foundation construction is the work of transferring the loads of building and civil engineering structures to the subsurface ground out of sight to give those structures secure support. It is generally preferable to build structures directly on stable ground. When constructing buildings on soft ground, it is necessary to support them on the hard ground (bearing layer) beneath the soft ground, and creating foundation (foundation construction) appropriate to the ground and building conditions is required. Japan is prone to earthquakes, and most of its population is concentrated in plains on downstream of rivers where soil and sand have accumulated, and thus foundation construction is regarded as particularly important. Foundation construction can be mainly divided into shallow foundations, which are used when the bearing layer is a shallow ground, and pile foundations, which are used when the bearing layer is a deep ground. There are also various construction methods depending on ground conditions, including floating foundations on soft ground and foundations combined with liquefaction countermeasures.

Shallow foundations take on the following forms depending on the depth of the bearing layers: the method of constructing the foundation directly on the ground when the bearing layers have a very shallow depth of within 1m (or the building is very light), shallow ground improvement when the bearing layers are somewhat shallow at around 1–3m deep, and deep ground improvement when the bearing layers are somewhat deep at around 3–20m deep. Both shallow and deep ground improvement are construction methods that involve hardening the in-situ ground by mixing in improvers and other materials. They are employed not only in foundation construction but also in shoring and soil contamination countermeasures.

Pile foundations are a construction method generally used when the bearing layers lie deeper than 20m. Piles can be classified based on how they provide support to buildings, with end-bearing piles supporting loads by making the pile tips reach hard bearing layers and friction piles supporting loads through friction force between the pile surface and the subsurface ground. Piles can also be divided into precast piles, which are manufactured at factories and characterized by their uniformity and ease of installation, and cast-in-place piles, which are manufactured on construction sites and amenable to adjustments to their diameter and other parameters. Cast-in-place piles are largely used for high-rise buildings and other heavy structures and in special ground conditions where it is difficult to install precast piles. Precast piles can also be classified by material into steel pipe piles, which have high toughness (the flexibility to withstand major earthquakes) and are easy to fabricate, and concrete piles, which provide high bearing capacity due to the ultra-high-strength concrete. There are also hybrid composite piles that combine the advantages of cement and steel pipes.

Foundation construction is intended for buildings and civil engineering structures of all sizes built on various ground conditions, from detached houses to high-rise buildings and abutments. For that reason, the parties that perform foundation construction are diverse, ranging from individuals to SMEs and large corporations. Moreover, in foundation construction, because underground conditions cannot be visually confirmed, confidence in the construction work is a key prerequisite. In recent years, growing disaster-preparedness awareness in response to severe natural disasters that include major earthquakes, large typhoons, and torrential rains has also led to foundation construction being the subject of greater attention. In that industry, there are only a handful of companies that possess both piling work and ground improvement construction methods and can handle nearly all foundation construction, from shallow to great depths, other than that involving cast-in-place piles. This is a major strength of the Company. Another distinctive characteristic of the Company is that it enhances construction quality by carrying out the development of construction management systems and other endeavors.

Business overview

Extensive lineup of construction methods is greatest strength

1. Business description

In the field of foundation construction, the Company is especially adept at steel pipe piling work for civil engineering structures that include abutments and for mid/low-rise and other buildings, as well as in deep ground improvement construction using columnar ground improvement. Given the need to handle a variety of ground conditions, structures, and client requirements, the Company makes full use of diverse construction methods and construction work expertise to deliver reliable, optimal foundation construction. In recent years, in line with the demands of the times, the Company has also incorporated the likes of precast concrete piling work, existing pile extraction, and shallow ground improvement into its lineup, expanding the range of its offerings. Its domestic affiliates include the subsidiaries Tenox Giken, Hiroshimagumi, and OHMISHIMA BUSSAN CO.,LTD., which operate construction businesses specializing in foundation construction. These subsidiaries provide the Company with construction support that includes the dispatch of teams of skilled construction workers and the rental of various types of equipment. Overseas, TENOX ASIA operates a construction business in Vietnam. While the majority of its net sales are accounted for by these construction businesses, the Company also operates a general civil engineering and construction consulting business in which the Integrated Geotechnology Institute Limited conducts experiments, testing, analysis, design, and other work. In addition, the Company is engaged in other businesses as well, one of which is a real estate leasing business.

2. Construction business

In the Company's core construction business, steel pipe piling work and deep ground improvement construction currently account for the majority of net sales. The structures handled by the Company are mid/low-rise buildings that include detached houses, condominiums, logistics facilities, factories, and data centers, and civil engineering structures that include road and railway bridges, embankments, water and sewage facilities, earth-retaining structures, retaining walls, and steel towers. The purpose of the construction is not only to support such buildings but also to provide seismic reinforcement, liquefaction countermeasures, reduce environmental impact, prevent landslides, and so forth. The Company's main construction methods are described in detail below.

(1) GANTETSU PILE Method (Piling)

It is a pile foundation construction method jointly researched and developed with Nippon Steel <5401> and Kubota <6326>.In this composite piling method, cement milk* is injected into the ground and mixed to form a hardened body (soil cement column), and a steel pipe pile with protrusions on the outer surface is press-fitted into the center. Its features include the ability to support structures with fewer piles thanks to the high vertical and shaft bearing capacities of the soil cement columns, achieve high horizontal bearing capacity through the high toughness of the steel pipes, and reduce the generation of construction soil waste by making effective use of the ground to form hardened bodies. For these reasons, it can curb construction costs and shorten construction periods, and is widely used across the civil engineering field in road and railway bridges, water and sewage facilities, and so forth.

* Cement milk: A mixture of cement and water with a milky consistency

GANTETSU PILE Method (Piling)

Source: The Company's results briefing materials

(2) TN-X Method (Piling)

It is a steel pipe pile method jointly developed with Nippon Steel. The method achieves high bearing capacity by using a hydraulic expansion/contraction drilling head to form expanded foot protections at the tips of steel pipe piles. Its features include the ability to support large structures with fewer piles due to the foot protections at the tips of the piles providing high end-bearing capacity, strong resistance to major earthquakes due to the high toughness of the steel pipe piles, reduced construction soil waste compared to cast-in-place piles and pre-bored pile methods due to the use of an inner excavation method, the capability to install large-diameter steel pipe piles to depths of 70m (construction length), and quality control enabled by the real-time monitoring of drilling depth and speed, cement milk injection amount, expansion/contraction blade diameter, and other items. The method is used in important building structures requiring high pile-bearing capacity, including government buildings, hospitals, and airport facilities, as well as large logistics warehouses and data centers.

TN-X Method (Piling)

Source: The Company's results briefing materials

(3) ATT Column Method (Piling)

It is a pile foundation construction method jointly researched and developed with Asahi Kasei Construction Materials Corporation. The method is used where the bearing layer depth is relatively shallow. Its defining feature is how, as a hybrid pile method in which a steel pipe pile with blades is embedded in a soil cement column (columnar ground improvement), it creates a synergy between the soil cement column and the steel pipe pile with blades to yield considerable circumferential friction force and high toughness, which in turn promises high horizontal bearing capacity even on soft ground. Other features include the ability to reduce construction soil waste by applying TENOCOLUMN Method (described later) and the ability to carry out construction in narrow spaces. In addition to being widely used as a foundation for mid/low-rise buildings and for outframe-type seismic retrofitting, the method can also be used at cramped sites and in narrow access routes, including pedestrian-bridge abutment foundations. Moreover, it is compatible with floating foundations that are not founded on clearly defined bearing layers, making the method highly regarded.

ATT Column Method (Piling)

Source: The Company's results briefing materials

(4) TENOCOLUMN Method (Ground improvement)

This pioneering method helped establish recognition of the use of ground improvement as a foundation construction method for buildings. The Company obtained its own patent related to the method in 1984. Soil cement columns are constructed by injecting a cement-based solidifying agent (solidifying material liquid) made into a slurry* into the ground and mechanically stirring and mixing it. Its features include the ability to construct columns with uniform strength for any soil quality, an extensive lineup of column diameters and construction equipment that allows alignment with construction specifications and site conditions, a real-time construction management system that enables shorter construction periods and lower costs, and environmentally-friendliness characterized by low vibration and noise and no groundwater contamination or secondary pollution. The method is used not only for the foundations of various types of building structures that include detached houses, condominiums, commercial facilities, mid/low-rise buildings, and factories, but also for a wide range of applications, including measures against liquefaction and circular slip. During major earthquakes that include the Great Hanshin-Awaji Earthquake, the Great East Japan Earthquake, and the Kumamoto Earthquake, structures that adopted TENOCOLUMN Method for their foundations suffered no damage. Consequently, confidence in the method was reaffirmed, and it currently boasts over 40,000 cumulative construction projects to date.

* Slurry: A mixture of cement and water with a milky consistency

TENOCOLUMN Method (Ground improvement)

Source: The Company's results briefing materials

3. New noteworthy construction methods

In early 2025, the Company developed CP-X Method (prefabricated concrete piles: high bearing capacity, medium excavation, widened foot protection method) and TENOCUBE Method (slurry-type shallow mixing ground improvement method), both of which are highly complementary to conventional construction methods, and it has begun building a construction track record with each method.

(1) CP-X Method (Piling)

The inner excavation construction method is superior to the pre-boring pile method in both dramatic reductions in the generation of construction soil waste, which has turned into a social issue, and in construction efficiency. It also boasts overwhelmingly higher load-bearing capacity than competitors' inner excavation methods for precast concrete piles. Another feature is that when combined with TN-X Method, which uses steel pipe piles and is well-suited to important building structures, CP-X Method can also deliver high bearing-capacity piling with superior cost efficiency (materials and construction costs) to address the required bearing capacity. For this reason, the target market for this construction method is expanding to include the likes of data centers and logistics facilities, where demand is surging. Currently, the Company is actively pursuing sales activities to design companies and general contractors. These include bundled proposals that combine CP-X Method foundation piles with liquefaction countermeasure methods and comparative proposals with TN-X Method.

(2) TENOCUBE Method (Ground improvement)

It is a shallow ground improvement method that complements TENOCOLUMN Method for deep ground, which is the forte of the Company, making it possible to handle more varieties of ground improvement construction than before. Naturally, TENOCUBE Method can also be used independently. Moreover, compared with the powder method, it generates no airborne dust, can substantially reduce surplus soil mixed with cement (industrial waste), and enables visualization of progress through a proprietary construction management system, thereby achieving high reliability on a level comparable to TENOCOLUMN Method. Generally, even within the same site, the depth of the bearing layers often varies. However, by combining two ground improvement methods, TENOCUBE for shallow ground and TENOCOLUMN for deep ground, construction can be handled all at once. This can be said to broaden the Company's target market and offer greater convenience for design companies and general contractors. In recent years in particular, against the backdrop of debris flow disasters caused by the illegal embankment of construction soil waste in Atami City, Shizuoka Prefecture and environmental issues, both methods have been attracting increasing attention.

CP-X Method

TENOCUBE Method

Source: The Company's results briefing materials

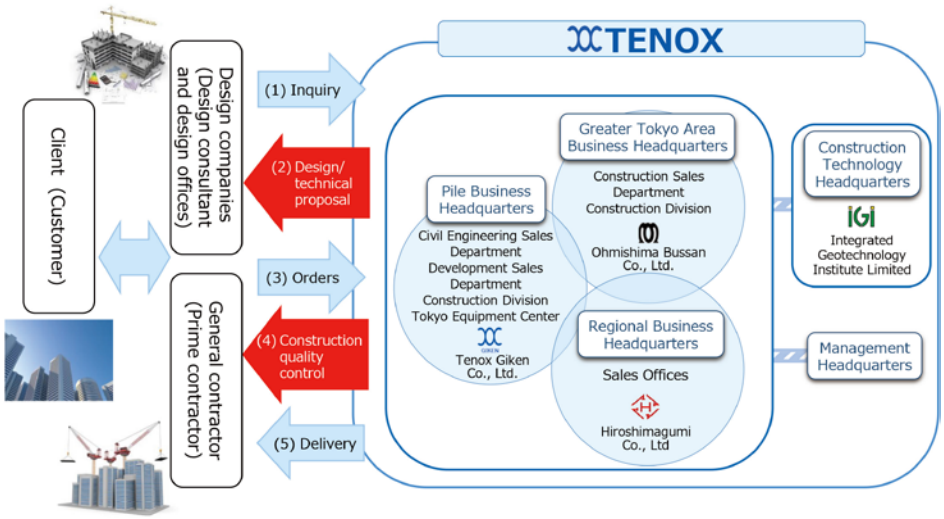
4. Key strengths and business model

The Company's greatest strength lies in its extensive lineup of construction methods developed in-house, which have been described above. The Company's construction capability, which includes safe, reliable work progress through subsidiaries' skilled construction teams and various forms of equipment, is another key strength. In addition, the Company has strengths in M&A and business alliances, and has actively promoted the expansion of its business domains and the strengthening of its construction capability as well as the adoption of new technologies. Examples are the incorporation of existing pile extraction and carbon sequestration technologies, the expansion of its customer base and value chain, and the reinvigoration of its precast concrete piling work. In Japan in particular, the number of the Company's M&A and business alliance deals is increasing against a backdrop of survival strategies, succession issues, and other factors. This appears to be a tailwind for the Company. Another key strength of the Company is the high construction quality maintained by systems, including: VCCS, a construction management system that enables the real-time verification of construction progress on mobile devices and the like; and an accelerated curing system that predicts strength after 28 days at one day of material age in TENOCOLUMN Method. Note that the Company plans to adopt VCCS across all its construction methods and, through integrating it with the new core system, improve the accuracy of construction planning and site management. The Company plans to further hone these strengths in construction technologies in order to brace itself for the anticipated contraction in the size of the construction market due to population decline and other factors.

In addition, on December 23, 2025, the Company entered into a capital and business alliance with JHS (30% equity stake). JHS, which comprehensively develops businesses ranging from geotechnical investigation and analysis to building inspections, structural design, and digital solutions, boasts the top share in the geotechnical investigation market for the wooden detached house sector. In FY2/25, its net sales were ¥11,576mn and operating profit was ¥336mn. The business alliance covers the development and rollout of foundation construction methods for detached houses that leverage the Company's technology, the development of solutions through mutual data utilization, the mutual utilization of each other's customer bases, the acceleration of growth through the overseas expansion of both companies' business models, and more. In particular, in developing solutions through the mutual utilization of data, the Company aims to build a database that overwhelmingly outclasses its competitors by combining 2.4 million geotechnical investigation records with JHS's geotechnical investigation data, which increases by 100,000 records each year, and the Company's detailed foundation ground construction results data, which exceeds 40,000 records. Furthermore, the Company intends to develop new digital solutions leveraging geotechnical analysis, AI, and BIM/CIM technologies based on this vast amount of data in order to provide a high-precision platform that responds quickly to client needs.

Incidentally, the construction of buildings and civil engineering structures is typically carried out by general contractors, who oversee subcontractors. While business operators with involvement in foundation construction also receive orders from general contractors, because foundation construction is the first and most important process, inquiries for technical proposals often come directly from design companies (design consultants and design offices) before orders are placed by general contractors. Afterwards, based on the drawings prepared by the design company, the client (owner) places an order with the general contractor, which then in turn places an order with the Company as a specialist firm. Upon completion of the work, the Company hands over the completed work to the general contractor. As this shows, while the Company is positioned as a subcontractor to general contractors in terms of commercial flow, from a value chain perspective, it has established an end-to-end framework that keeps it involved from design through construction and handover. This is also a key strength. Moreover, within this value chain, the Company can approach design companies early to demonstrate the appeal of its technologies and propose construction methods. Consequently, the Company's technical proposals are frequently incorporated into designs, which seems to be translating into increased opportunities for it to receive orders from general contractors. The Company calls this its "ability to fold in," and it constitutes a major strength of the Company's business model.

Business model



Source: The Company's results briefing materials

Results trends

Profitability improving sharply despite Hokkaido Shinkansen reaching peak

1. Results trends for 1H FY3/26

In 1H FY3/26, net sales were ¥9,076mn, down 25.1% YoY, operating profit was ¥454mn, up 2.5%, ordinary profit was ¥442mn, down 8.0%, and profit attributable to owners of parent was ¥304mn, up 3.7%. Progress toward the initial forecasts was 38.6% for net sales and 50.5% for operating profit, a reflection of how net sales were weak due to timing shifts in construction work, but operating profit was fairly steady owing to improved profitability. Also, while ordinary profit decreased as foreign exchange valuation gains and losses in non-operating income/expenses entered negative territory, profit attributable to owners of parent increased due to the absence of extraordinary loss incurred in the previous fiscal year.

1H FY3/26 results

(¥mn)

	1H FY3/25	Vs. net sales	1H FY3/26	Vs. net sales	YoY
Net sales	12,115	100.0%	9,076	100.0%	-25.1%
Gross profit	1,644	13.6%	1,754	19.3%	6.7%
SG&A expenses	1,201	9.9%	1,300	14.3%	8.3%
Operating profit	442	3.7%	454	5.0%	2.5%
Ordinary profit	480	4.0%	442	4.9%	-8.0%
Profit attributable to owners of parent	293	2.4%	304	3.4%	3.7%
Order backlog	12,380	-	9,926	-	-19.8%

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

The Japanese economy remained on a moderate recovery trend as exhibited by improvements in income conditions, a pickup in private consumption, and an increase in inbound tourists. Meanwhile, persistent inflation, the US tariff policy, and prolonged geopolitical instability in Ukraine and the Middle East kept the outlook uncertain both domestically and internationally. In the construction industry, in addition to public investment, private-sector investment, including that in factories and data centers, also increased modestly, and overall construction demand remained firm. At the same time, in addition to construction material prices remaining high, the aging of on-site workers, labor shortages, caps on overtime work, the resulting construction schedule delays, and other factors were indications of how structural challenges persisted. In this environment, the Company is pursuing its operations through the five key strategies under its new Medium-term Management Plan that commenced in FY3/25 (Business Segment Strategy, Development Strategy, Environmental and Digital Strategy, Strengthening the Management Foundation, and Promotion of Capital Efficiency Management) and is addressing evolving social issues as it aims to become a sustainable 100-year company.

Results trends

Despite an increase in large-scale ground improvement construction, net sales decreased due to a decline in large-scale piling work. The reason for this decline was because, the extension project for the Hokkaido Shinkansen that had been driving earnings reached its peak in line with initial forecast, which was compounded by a delay in some construction projects until the next fiscal year amid labor shortages on the client side. In addition, a CP-X Method project took on a larger scale than expected, and the receipt of associated orders was pushed back to the next fiscal year or later. This also contributed negatively to net sales. As a result, approximately ¥0.9bn in the extension project for the Hokkaido Shinkansen and ¥1.1bn in a CP-X Method project were deferred to the next fiscal year or later. Meanwhile, the Company's order backlog decreased 19.8% YoY. This could be called a reactionary decline following the surge in orders in the same period of the previous fiscal year as the extension project for the Hokkaido Shinkansen approached its peak. The backlog is at a high level relative to usual years. For this reason, FISCO believes there is no need to be concerned about either deferrals or the order backlog.

Although SG&A expenses increased due largely to wage hikes, increased hiring, and system development, the gross margin improved significantly to 19.3%, up 5.7 percentage points (pp) YoY. This enabled the Company to secure higher operating profit in line with the initial forecast despite recording lower net sales and falling short of target. The improvement in the gross profit margin is attributable to improvements in construction efficiency, optimization of contract terms, and certain one-off factors. The factors behind the improvement in construction efficiency were the new ability to track profit performance during construction projects through KPI management plus heightened cost consciousness in the sales and construction functions, which became organizationally closer following the introduction of a business division system in June 2025. The optimization of contract terms stemmed from sales efforts, with the timely price pass-through of specification changes during construction and cost increases being a key factor. Steel pipe piling work is contracted on a materials-plus-construction basis, in this 1H, however, there was coincidentally a larger share of construction-only work, which compressed net sales due to the absence of materials expenses and lifted the gross profit margin. This is one of certain one-off factors. Note that even if the one-off factors are excluded, the gross profit margin stands at 17.4%, and is on a structural improvement trend owing to the higher construction efficiency and optimized contract terms.

1H FY3/26 results by segment

(¥mn)

Net sales	1H FY3/25	Vs. net sales	1H FY3/26	Vs. net sales	YoY
Construction business	12,041	99.4%	8,981	99.0%	-25.4%
General civil engineering and construction consulting business	60	0.5%	80	0.9%	33.8%
Other businesses	13	0.1%	13	0.1%	0.0%

Profit by business	1H FY3/25	Profit margin	1H FY3/26	Profit margin	YoY
Construction business	520	4.3%	530	5.9%	1.8%
General civil engineering and construction consulting business	-82	-	-80	-	-
Other businesses	4	29.6%	5	37.0%	12.4%

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

By segment, in the core construction business, net sales were ¥8,981mn, down 25.4% YoY, and segment profit was ¥530mn, up 1.8%. Although large-scale ground-improvement construction for factories and logistics facilities increased, net sales decreased due to the extension project for the Hokkaido Shinkansen reaching its peak and delays in infrastructure-related large-scale piling works caused by labor shortages and work style reforms. Results in Vietnam by and large trended steadily. On the profit side, while the impact of rising labor costs became evident in general, improved construction efficiency, the optimization of contract terms, and certain one-off factors resulted in improved profitability, enabling the Company to secure higher profit. In the general civil engineering and construction consulting business, net sales were ¥80mn, up 33.8% YoY, and segment loss was ¥80mn compared to a loss of ¥82mn in the same period of the previous fiscal year. While net sales increased due to growth in experimental and testing services, given that the actual situation reflects a front-loading of expenses, the Company recorded a loss for 1H, just as it did in the same period of the previous fiscal year. Note that results in other businesses are primarily comprised of rental income from real estate the Company owns in Kawasaki City, Kanagawa Prefecture. This contributes steadily to profits, albeit in small amounts.

2. FY3/26 forecasts

For FY3/26 forecasts, the Company expects net sales of ¥21,500mn, down 9.3% YoY, operating profit of ¥900mn, down 19.3%, ordinary profit of ¥950mn, down 18.4%, and profit attributable to owners of parent of ¥650mn, down 13.3%. Although both net sales and operating profit were expected to decline in FY3/26 due to the Hokkaido Shinkansen extension project reaching its peak, steady improvements in profitability can be seen as a positive heading into FY3/27, the final year of the Company's Medium-term Management Plan. The Company considers the impact of its capital and business alliance with JHS on FY3/26 results to be minimal and has therefore not revised its forecasts for the fiscal year. However, significant synergies from the alliance are expected to materialize, at least over the medium term.

FY3/26 forecasts

(¥mn)

	FY3/25	Vs. net sales	FY3/26 forecasts	Vs. net sales	YoY
Net sales	23,717	100.0%	21,500	100.0%	-9.3%
Domestic construction business	22,240	93.8%	19,950	92.8%	-10.3%
Overseas construction business	951	4.0%	950	4.4%	-0.2%
General civil engineering and construction consulting business	524	2.2%	600	2.8%	14.3%
Gross profit	3,623	15.3%	-	-	-
SG&A expenses	2,507	10.6%	-	-	-
Operating profit	1,115	4.7%	900	4.2%	-19.3%
Ordinary profit	1,164	4.9%	950	4.4%	-18.4%
Profit attributable to owners of parent	749	3.2%	650	3.0%	-13.3%

Note: The breakdown of net sales is approximate
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Although the Japanese economy is expected to continue a moderate recovery, geopolitical risks that include the prolonged situation in Ukraine and trends in the US trade policy, a slowdown in private consumption amid soaring prices, and other factors are cause for concern. The outlook, then, is that the situation is expected to remain uncertain. In the construction industry, public works are expected to hold steady owing largely to disaster prevention and mitigation efforts and measures to strengthen national resilience. Additionally, private-sector investment is expected to remain firm on the back of improved corporate earnings. However, against a backdrop of structural issues, including a chronic shortage of on-site workers and concerns that investment plans will be postponed or reconsidered due largely to surging construction material prices and labor shortages, the environment surrounding the industry is envisioned to become even more severe.

In this environment, the Company intends to continue in 2H to promote its human capital strategy, intensifying the proposals for new construction methods, specifically CP-X Method and TENOCUBE Method, and support for the development of infrastructure resilient to liquefaction in line with the key strategies of its Medium-term Management Plan. As part of its environmental measures, the Company will endeavor to promote the widespread adoption of the “DHJ-15E” electric small pile driver and petroleum alternative fuels (environmentally friendly RD fuel). In Vietnam, following the acquisition of a construction business in 2024, the Company entered into a basic agreement in June 2025 with SINO-PACIFIC CONSTRUCTION CONSULTANCY CO., LTD. (Vietnam) for the acquisition of a concrete pile manufacturing plant. Going forward, it will proceed with putting a framework in place for building a value chain.

As a result, for net sales, the Company revised its initial forecast downward by ¥2,000mn to reflect the shortfall in 1H caused by delays in the extension project for the Hokkaido Shinkansen and delays in the receipt of orders stemming from a CP-X Method project that was up-scaled. As for 2H, steady progress is expected on the project backlog for ground improvement construction methods and GANTETSU PILE Method, with no particular delays of concern. Meanwhile, due to personnel expenses rising as a result of wage hikes and headcount increases and the extension project for the Hokkaido Shinkansen reaching its peak, the Company initially forecast a double-digit decline in operating profit. It has left this initial forecast unchanged due to improved construction efficiency and optimization of contract terms, which have significantly lifted the gross profit margin even when one-off factors are excluded.

By business, the Company forecasts that its domestic construction business will record net sales of ¥19,950mn, down 10.3% YoY. This has been revised downward by ¥1,950mn from the initial forecast. Although the civil engineering business is focusing on receiving orders for new, community-based projects, it appears the Company is expecting net sales to decline due to net sales from the extension project for the Hokkaido Shinkansen reaching their peak and certain projects being deferred to the next fiscal year. In the construction business, although the receipt of orders for a CP-X Method project has been delayed, due in part to personnel, equipment, and machinery that had been allocated to Hokkaido returning, ground improvement construction, including that at factories and other sites that had been deferred, will increase. Demand is also expected to grow for liquefaction countermeasures, for which needs have been rising at hospitals, fire stations, and other critical structures as a means of as mitigating earthquake damage. In addition, product sales that were not factored into the initial forecast appear to be increasing steadily. In Vietnam, where there has been progress in putting a framework in place, amid the improving economy, demand is intensifying as exhibited by local companies’ automobile plants, AEON Co., Ltd.’s plan to open a large number of shopping centers, and plans to build Japanese-affiliated food factories. Growth is therefore expected to accelerate from the next fiscal year onward. The civil engineering and construction consulting business anticipates substantial growth in net sales, as it plans to further increase experimentation, testing, and analysis services that grew in the previous fiscal year as well as increase design services, which were limited in the previous fiscal year.

Medium-term Management Plan

Ordinary profit target of ¥1.5bn in Medium-term Management Plan within view

1. Medium-term Management Plan

In 2018, the Company formulated a long-term vision outlining its future goals. Under its Management Philosophy of "respect for people, technological orientation, and active consistency," the Company is actively committed to technological innovation aligned with society's long-term, evolving needs to create new value and markets. It aims to be a provider of "peace of mind" and "safety" through engaging in foundation construction, enabling all stakeholders to live in prosperity, and to achieve sustainable management with the goal of becoming a 100-year company. To realize this long-term vision, to date the Company has formulated Medium-term Management Plans and achieved a certain level of results. However, it also has to address labor shortages, workstyle reforms, and other changes in the labor environment, as well as shifts in social issues that include surging prices, supply uncertainty, and the accelerated shift toward an environmentally conscious society. Additionally, with the Tokyo Stock Exchange (TSE) calling for companies to enhance corporate value, there is also a need to pursue capital-efficient management.

To this end, in its Medium-term Management Plan (from FY3/25 to FY3/27), which constitutes Phase 3 of its long-term vision, under the slogan "A New Step toward the Future" and based on the business results achieved under previous medium-term management plans, the Company will roll out five key strategies: Business Segment Strategy, Development Strategy, Environmental and Digital Strategy, Strengthening the Management Foundation, and Promotion of Capital Efficiency Management. Moreover, to complement its businesses and various strategies, the Company has adopted a policy of pursuing M&A even more actively. Based on the above, the Company has set FY3/27 targets of net sales of ¥27.0bn, ordinary profit of ¥1.5bn, and ROE of 8%. Note that by segment, the targets established are net sales of ¥8.85bn and ordinary profit of ¥0.40bn for the domestic civil engineering business, net sales of ¥16.4bn and ordinary profit of ¥1.04bn for the domestic construction business, net sales of ¥1.2bn and ordinary profit of ¥0.045bn for the overseas business, and net sales of ¥0.7bn and ordinary profit of ¥0.035bn for the civil engineering and construction consulting business. Also, based on the TSE request for "management that is conscious of cost of capital and stock price," the Company aims to improve profitability, strengthen management that is conscious of cost of capital, and achieve ROE exceeding cost of shareholders' equity.

2. Progress under the Medium-term Management Plan

Progress under the Medium-term Management Plan could be termed considerably smooth, as stronger earning power is generating cash that is being allocated into various investments and producing results. For the improvement of earning power, the Company has set target KPIs for each construction project and introduced a system capable of visualizing progress to enforce KPI management. With that as a foundation, by promoting the improvement of equipment utilization, the elimination of loss-making construction, and thorough safety and quality management, and by optimizing contract terms, the Company successfully improved its gross profit margin despite the difficult phase between the COVID-19 pandemic and the inflationary period. It also managed to deliver results in aspects like operational streamlining and work style reforms. Furthermore, the business division system introduced in June 2025 is helping along the improvement of earning power.

The cash generated as a result is being allocated to investments in growth areas and existing businesses as well as to dividends (discussed below), manifesting itself in the form of various results in the immediate term. As part of its investments in growth fields, the Company has reached a basic agreement to acquire a concrete pile manufacturing plant in Vietnam. This is expected to contribute to earnings from the next fiscal year. As part of its investments in new construction methods, the Company developed TENOCUBE Method, a shallow ground improvement method, and CP-X Method, an inner excavation method for precast concrete piles that provides high bearing capacity. Both methods significantly reduce construction soil waste. TENOCUBE Method can be implemented in combination on the same site with the well-established TENOCOLUMN Method, and the Company is already building a construction track record. Proposing CP-X Method as a package together with liquefaction countermeasure methods has had the secondary effect of greater inquiries for TN-X Method as well. In December 2025, the Company also entered into a capital and business alliance with JHS to develop and roll out a highly earthquake-resistant foundation construction method for detached houses. With significant synergies expected in the medium term, in FY3/27, the results of JHS, which will become an equity-method affiliate, are expected to be reflected in the Company's results.

In May 2025, as part of investments in the environment that reflect the aspirations of founder Zenjiro Yasuda and also constitute the Company's raison d'être, the Company put a prototype electric small pile driver into practical use at a construction site using TENOCOLUMN Method in Kokubunji, Tokyo with a view to making improvements to it. In addition, petroleum alternative fuels are not only seeing a steady increase in use cases and generating more earnings, but the fact that the Ministry of Land, Infrastructure, Transport and Tourism has expressed interest also appears to be a differentiator. As a result of the above, the Company reduced emissions by approximately 100t-CO_2 over the past 18 months (Scopes 1 and 2*1). In addition, at a piling work site in Kobe City, Hyogo Prefecture, the use of electric furnace steel pipes*2 and blast furnace type-C cement*3 reduced approximately 500t-CO_2 (Scope 3*1). As it aims for reductions of 2,000t-CO_2 in Scopes 1 and 2 and 60,000t-CO_2 in Scope 3 by FY3/30 compared with FY3/22, the Company intends to continue these efforts going forward.

*1 Scopes 1, 2, and 3 are classification methods for capturing greenhouse gas (GHG) emissions emitted across the entire span of corporate activities, including raw material procurement, manufacturing, logistics, sales, and disposal. Note that t-CO_2 is a unit that expresses greenhouse gas emissions in CO_2-equivalent terms.

*2 Electric furnace steel pipe means a JIS-compliant steel pipe made from recycled materials in an electric arc furnace. CO_2 emissions can be reduced.

*3 Blast furnace type-C cement means cement blended with blast furnace slag, contributing to lower CO_2 emissions. Blast furnace type-C cement has a blast furnace slag content of 60–70% (commonly-used blast furnace type B cement has 30–60%), exhibits high seawater resistance, and has already been applied at the site using GANTETSU PILE Method on the Osaka Bay Coastal Road Western Extension.

On the human investment side, hiring has been steadily increasing, leading to the expansion of proactive sales activities. The Company provides a diverse range of training programs for outstanding personnel, facilitating their evolution into human capital that continuously creates the value demanded by society. In recent years, the Company has also utilized training programs to enhance the skills of general managers and officers. Furthermore, in 2Q FY3/27, the Company plans to relocate its head office to the Sumitomo Shibakoen Building in Shiba, Minato Ward, Tokyo. The purpose of the relocation is to establish a foundation that supports sustainable growth while accelerating the development of sustainable businesses that tie into the next generation by promoting new workstyles that enable each employee to bring forth innovation in an environment equipped with incubator functions that nurture new value.

Concrete pile manufacturing plant (Vietnam)

Electric small pile driver

Source: The Company's results briefing materials

3. Image for final year of Medium-term Management Plan

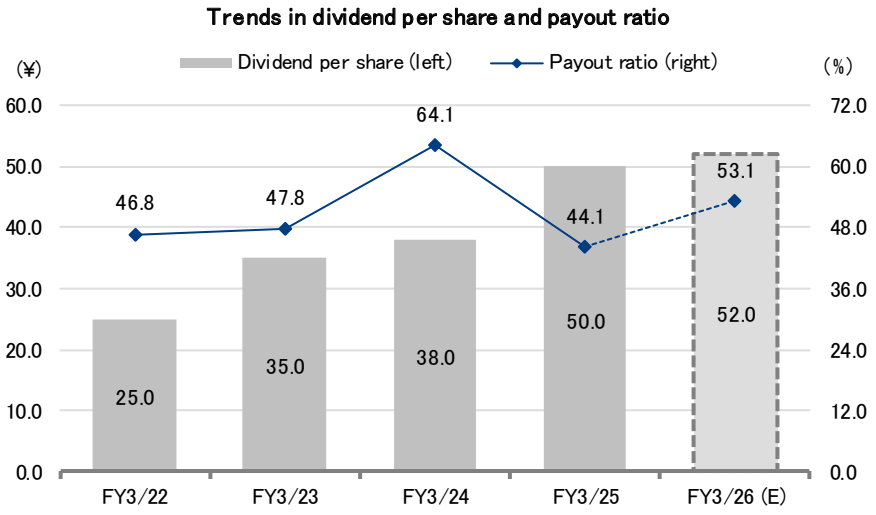
FY3/26 results are plateaued because the extension project for the Hokkaido Shinkansen has reached its peak. However, in FY3/27, which constitutes the final year of the Medium-term Management Plan, the Linear Chuo Shinkansen project, though slightly delayed, is expected to begin generating earnings, including the commencement of Phase I of piling work. In addition, expressway projects in the Kanto region are expected to move forward, as are expressway and monorail projects in the Kansai region following construction for the EXPO 2025 Osaka, Kansai, Japan and the Osaka IR (integrated resort). In addition, the resumption of the postponed extension project for the Hokkaido Shinkansen, large-scale construction using CP-X Method, and the generation of earnings by the factory in Vietnam are also anticipated. Furthermore, profitability is also in the process of improving. As such, it is likely that the ¥1.5bn ordinary profit target under the Medium-term Management Plan will come into view.

The Linear Chuo Shinkansen is expected to be comparable in scale to the extension project for the Hokkaido Shinkansen which contributed to profits significantly. While railway-related projects may be delayed, the Company's railway business itself will not decline, and projects will be successively realized. Looking ahead, various large-scale railway projects, including the extension project for the Hokuriku Shinkansen and the Shikoku Shinkansen, are planned. The Company intends to steadily advance preparations to secure such projects.

Shareholder return policy

Policy of continuing to increase dividends with targeted DOE of 2% or higher

Since its establishment, the Company has made endeavoring to improve business performance and strengthen its financial position the foundation of its management, and has positioned shareholder returns as one of its key priorities. Accordingly, the Company's policy is to determine stable dividends after taking into account its results and financial position as well as its outlook over the medium term. Under this dividend policy, and as it advances capital-efficient management under its Medium-term Management Plan, the Company intends to meet shareholders' expectations by actively paying dividends targeting a DOE of 2% or higher, continuing to increase dividends as its net assets accumulate, and executing flexible share buybacks. Accordingly, the Company is planning a dividend per share for FY3/26 of ¥52.0 (consisting of an interim dividend of ¥26.0 and year-end dividend of ¥26.0). Note that while the DOE was 2.6% in FY3/25, significantly exceeding the target, as its Medium-term Management Plan is progressing smoothly, the Company intends to continue to actively pursue shareholder returns.



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

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