

COMPANY RESEARCH AND ANALYSIS REPORT

JDC Corporation

1887

Tokyo Stock Exchange Prime Market

16-Oct.-2026

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Summary

Achieved substantial growth in both sales and profit in FY5/26. The Medium-Term Management Plan is off to a strong start

JDC Corporation <1887> (hereafter, also “the Company”) is a medium-sized general contractor rooted in mechanized construction, operating a Civil Engineering Business specializing in large-scale site development projects using heavy machinery, along with a diversified Building Business. In recent years, by developing related and new businesses such as real estate development and the Energy Business, it has built an end-to-end value chain that allows a single company to handle an entire project. Centered on its capabilities with machinery, which it positions as its greatest strength, the Company has achieved substantial labor savings and shorter construction periods through the in-house development of a self-propelled rotary crushing and mixing machine*¹ and through i-Construction*² initiatives such as the standardization of ICT-equipped construction machinery. Its other strengths include the recovery, reconstruction, disaster preparedness, and mitigation expertise it has built up through a track record extending from post-war reconstruction to the 2011 Great East Japan Earthquake and the 2024 Noto Peninsula Earthquake, as well as business development that goes beyond the scope of a conventional general contractor.

*¹ A self-propelled construction machine that crushes and mixes construction-generated soil on site, converting it into reusable improved soil. It was developed in-house at the Tsukuba Mirai Center, the Company’s R&D site.

*² An initiative that improves productivity in the construction industry by introducing ICT for various processes in construction projects, including measurement, surveying, design, construction, inspection, maintenance, management, and upgrading.

1. FY5/26 results trends and FY5/27 forecasts

In FY5/26, net sales were ¥135,207mn (up 9.6% year on year [YoY]) and operating profit was ¥7,150mn (up 208.4%), marking a strong start for the Medium-Term Management Plan in its first year. This was because profit-focused order intake and thorough cost management allowed high-margin backlog projects in the Building Business to progress faster than expected, while efforts to improve the earnings structure of the Civil Engineering Business began to bear fruit. The FY5/27 forecasts are net sales of ¥137,000mn (up 1.3% YoY) and operating profit of ¥6,300mn (down 11.9%). The forecast decline in profit reflects an expected pullback in the Building Business following its strong FY5/26 performance, but with earnings continuing to improve in the Civil Engineering Business and the Real Estate and Energy businesses returning to a normal pace, the Company remains on track against the Medium-Term Management Plan.

2. Medium-Term Management Plan

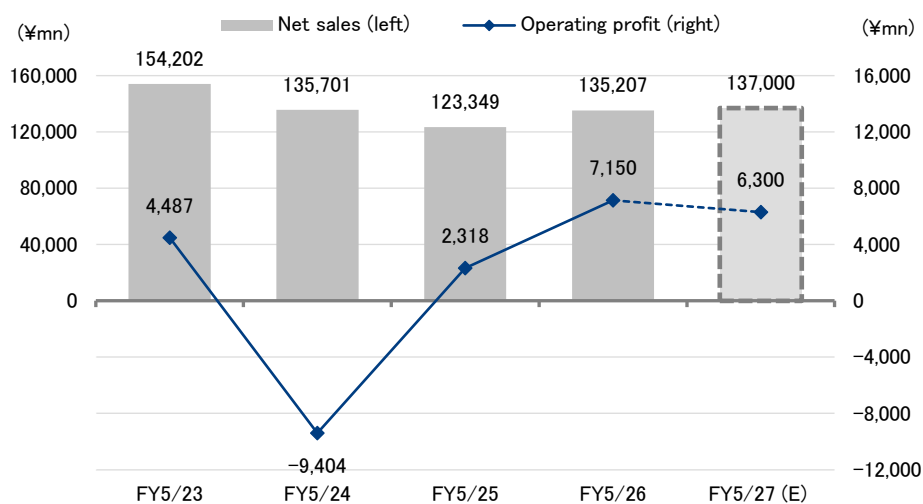
In July 2025, the Company formulated the Medium-Term Management Plan 2027 (FY5/26–FY5/28). Under its basic policies, the Civil Engineering Business plans to reestablish itself as a sustainable, stable business with an emphasis on profit, while the Building Business aims to transform itself into a growth business that supports the entire building lifecycle. In the Real Estate and Energy businesses, the Company plans to grow recurring revenue through disciplined investment that balances investment and recovery, while securing transactional revenue through well-timed real estate sales. In new businesses, ANION expects to expand sales of ADOX powder, a functional adsorbent, while Fukushima Ecocrete expects to stabilize earnings from its coal ash recycling business. By steadily implementing these basic policies, the Company will rebuild its management foundation and target an ROE of 8.0%, operating profit of ¥9.0bn, 3-year total investment of ¥74.0bn, and dividend on equity (DOE) of 3.0% to 3.5% in FY5/28.

Summary

Key Points

- The Building Business performed better than expected in FY5/26, delivering substantial growth in both sales and profit
- A pullback is forecast for FY5/27, but the Medium-Term Management Plan is expected to remain on track
- Targeting an ROE of 8.0% and operating profit of ¥9.0bn in FY5/28

Results trends



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

Company profile

A medium-sized general contractor operating a Civil Engineering Business and a Building Business. Involved in reconstruction following the 2011 Great East Japan Earthquake

1. Company profile

The Company is a medium-sized general contractor operating a Civil Engineering Business and a Building Business, and under its management philosophy of “We will contribute to the creation of a more prosperous society,” it develops and provides a wide range of solutions that leverage its technological capabilities. The Civil Engineering Business undertakes large-scale public infrastructure projects using heavy machinery, such as dams, rivers, tunnels, and roads, thereby contributing to social infrastructure development in Japan. The Building Business is involved in the construction of a wide variety of buildings, including public facilities, office buildings, and logistics facilities. The Company also operates a Real Estate Business that engages in real estate development as well as land readjustment projects conducted in coordination with the Civil Engineering and Building businesses, and an Energy Business based on solar power generation. In addition, leveraging the extensive experience and track record accumulated in the Civil Engineering and Building businesses, it is actively pursuing new businesses such as Local Community Co-creation Businesses that address challenges facing local communities across Japan. As a result, it goes beyond the scope of a conventional general contractor: a single company can handle an entire project end to end, from upstream tasks (planning and proposal, such as development plans) to downstream tasks (operation and management, such as asset management).

2. History

The Company was founded in 1951 in response to a proposal by the Japanese Prime Minister at the time, Shigeru Yoshida, for the purpose of contributing to post-war reconstruction. Its main businesses were the rental of construction machinery, such as bulldozers, and the dispatch of operators. In 1953, following emergency recovery work on the Katsura River (Kyoto Prefecture), which flooded during Typhoon No. 13 that struck Kyoto and Shiga Prefectures, it was involved in construction of the Yokosuka Thermal Power Station and the third section of the Kurobe No. 4 Dam Omachi Route, pivoting to civil engineering project contracting using machinery. In the 1960s and 1970s, it was involved in the development of public infrastructure projects characteristic of Japan's high-growth era, such as highways and the Tokaido Shinkansen line, and as the construction market expanded, it established a construction division to transform itself into a general contractor and expanded its business by entering the real estate business. It was listed on the First Section of the Tokyo Stock Exchange (TSE) in 1964 and was also listed on the First Section of the Osaka Securities Exchange in 1970.

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Company profile

However, the collapse of the bubble economy and the subsequent economic slump led to a deterioration in its business performance, and in 1998 it filed for corporate reorganization, resulting in delisting in 1999. Its corporate reorganization proceedings were subsequently concluded in 2003. By returning to the reconstruction ethos on which it was founded and contributing to recovery efforts following the 2011 Great East Japan Earthquake, the Company entered a new phase of growth. In 2013, it entered the renewable energy business with solar power generation facilities that it developed in-house. In 2019, it relisted on the TSE First Section and also established the Tsukuba Mirai Center, an R&D site, in Tsukubamirai City, Ibaraki Prefecture. It won multiple recovery project contracts following the 2024 Noto Peninsula Earthquake, contributing to rapid recovery. After recording an operating loss in FY5/24 as a result of pursuing scale too aggressively, the Company shifted its focus to profit by establishing the Performance Management Countermeasures Division and taking other measures, and it has recently entered a phase of rapid earnings improvement.

History

Year	Event
1951	Founded in Chuo Ward, Tokyo, and started construction equipment and operator rental business
1953	Started taking civil engineering project contracts
1956	Started work on the Kurobe No. 4 Dam Omachi Route (access road) project
1957	Started land reclamation project for TEPCO Yokosuka Thermal Power Station (established first ripper method* in Japan)
1961	Listed on Tokyo Stock Exchange (TSE) Second Section
1962	With expansion of construction market, established new construction division and pivoted to general contractor business
1964	Listed on TSE First Section
1970	Listed on Osaka Securities Exchange (OSE) First Section
1973	Turned heavy machinery construction division into a separate company by establishing Kokudo Kaihatsu Industry Co., Ltd.
1974	Acquired license from Minister of Construction under the Real Estate Brokerage Act
1990	Built new technology research laboratory in Aikawa, Kanagawa Prefecture
1998	Filed for corporate reorganization due to the impact of the bubble economy's collapse
1999	Delisted from TSE and OSE
2001	Established Japan Adox Co., Ltd. (now Kokudo BuilACE Corporation) to strengthen the concrete refurbishment business
2003	Decided to end corporate reorganization proceedings
2005	Opened Taiwan Office (now Taiwan Branch)
2011	Involved in reconstruction after the 2011 Great East Japan Earthquake and handled tasks such as decontamination and interim storage
2013	Entered the renewable energy business
2019	Re-listed on TSE First Section
2019	Opened Tsukuba Mirai Center as R&D base
2020	Selected for the KENKO Investment for Health Stock Selection 2020 by Ministry of Economy, Trade and Industry and TSE (chosen four times in total through 2025)
2020	Completed large-scale mega-solar project, Matsushima Donguri Solar Power Plant (generation capacity: 50 MW)
2022	Listing changed from TSE First Section to Prime Market
2024	Developed TMSP1800, an autonomous rotary crusher and mixer
2025	Received an order from Bangladesh Fisheries Development Corporation in a project to improve a fish landing center

* Method of excavating hard soil and rock layers without relying on blasting by using a "ripper" (hooked/clawed metal part) attached to the rear of a bulldozer

Source: Prepared by FISCO from the Company's securities reports and corporate materials

Business description

Diversifying around the Civil Engineering and Building businesses. Real Estate Business and Energy Business newly disclosed as separate segments

With 14 consolidated subsidiaries, including Kokudo Kaihatsu Industry Co., Ltd. and Kokudo BuilACE Corporation, the Company provides solutions that leverage the technologies and expertise it has cultivated over many years to address a variety of social issues. Against this background, it has organically developed multiple businesses around the Civil Engineering and Building businesses and has transformed its business structure. To accurately reflect these recent changes in its business structure and to improve the clarity of its disclosure, from FY5/26 the Company revised its previous business segments of Civil Engineering Business, Building Business, and Development Business, and, in line with the growth of the Development Business, began disclosing the Real Estate Business and the Energy Business as separate segments. It also created a new Other segment to consolidate businesses that do not belong to a reportable segment, such as new businesses. Following the segment change, the FY5/26 breakdown of net sales (before adjustments) was 27.7% for the Civil Engineering Business, 67.2% for the Building Business, 1.8% for the Real Estate Business, 2.5% for the Energy Business, and 0.8% for Other.

1. Civil Engineering Business

The Civil Engineering Business, which can be regarded as the Company's original business, provides construction management for a wide range of projects, including social infrastructure development such as dams, rivers, bridges, tunnels, roads, water and sewerage systems, and site development, as well as reconstruction support projects following disasters, large-scale site development projects, and land readjustment projects. A feature of this business is its development of diverse proprietary technologies and methods that leverage the civil engineering skills it has cultivated since its founding and the latest ICT. Technologies developed to date include the Rotary Crushing and Mixing Method (commonly known as the Twister Method), which refines and recycles improved soil for use as a construction material; Capillary Barrier, a new landfill cover technology that uses natural materials; and a dynamic consolidation method that can also be applied to waste volume reduction.

In recent years, as a provider of technical solutions, the Company has also devoted effort to research and development that responds to the needs of society and the times, developing and manufacturing in-house a self-propelled rotary crushing and mixing machine that improves the quality of soil required for development projects such as embankment reinforcement, as well as shield tunneling machines for excavating sewerage pipes and the like. Scrapers* are also a strength in shortening construction periods and saving labor on large-scale site development projects. Civil engineering projects tend to have long construction periods, so project turnover takes time; even so, the Company is steadily improving profitability by raising margins on its backlog and pursuing profit-focused order intake. Among its subsidiaries, Kokudo Kaihatsu Industry handles civil engineering construction and the manufacture and sale of shield tunneling machines, while Marine Engineering Co., Ltd. undertakes ground improvement projects using approaches such as the dynamic consolidation method to stabilize the ground.

* A type of heavy machinery. A single machine can perform a series of earthmoving operations, from excavation to loading, transportation, disposal, and leveling.

Business description

Construction machinery developed and manufactured in-house



Source: The Company's results briefing materials

2. Building Business

The Building Business is the Company's mainstay business, with an extensive track record in a variety of large building structures, including office buildings, condominiums, multi-tenant logistics facilities, public facilities, and stadiums. A key feature of this business is its combination of construction management capabilities and design-build capabilities. It also possesses renovation technologies such as building diagnostics, repair, and reinforcement that respond to the needs of a recycling-oriented society, as well as a proprietary floor seismic isolation system that has been adopted for server rooms and for critical facilities used for precision testing and disaster management control across Japan. Moreover, year by year, it is expanding its track record in net zero energy building (ZEB) and net zero energy house (ZEH)* construction, which is attracting interest as a response to global warming. Its subsidiary Kokudo BuilACE, which mainly undertakes building construction centered on renovation work, has recently been growing rapidly.

* ZEB and ZEH are approaches that combine energy-saving measures and renewable energy so that the annual balance of energy consumed by buildings is zero.

3. Real Estate Business

The Real Estate Business operates across a broad range of areas, including development projects such as real estate development, real estate investment (including overseas), and land readjustment projects, as well as real estate leasing and brokerage. Its revenue consists of transactional revenue from real estate sales via real estate development and land readjustment projects for which the Company is the business operator, and recurring revenue from real estate leasing and brokerage; by accumulating recurring revenue, it has built a stable revenue portfolio that does not depend on transactional revenue.*

* Transactional revenue refers to short-term revenue obtained from asset sales and similar transactions. Recurring revenue refers to long-term, stable revenue obtained from leasing and similar activities.

4. Energy Business

In the Energy Business, the Company's policy is to treat recurring revenue from operating solar power stations as a stable earnings base while selling the power stations it develops at appropriate times to flexibly capture transactional revenue. It is currently working to further strengthen this stable earnings base by acquiring secondary (already operating) projects and expanding into next-generation energy businesses. Through these efforts, it plans to expand the total generation capacity of projects developed in-house, which stood at 132 MW as of August 2026, to 200 MW in 2030. It is also growing recurring revenue with the battery storage business and PPAs* as growth drivers. In the battery storage business, in December 2025 it started operating a night-dispatching solar power plant paired with battery storage in Miyako City, Iwate Prefecture.

* A scheme under which an electricity consumer purchases power generated by renewable energy facilities under a long-term power purchase agreement (PPA).

Important disclosures and disclaimers appear at the back of this document.

5. New Businesses

Fukushima Ecocrete manufactures and sells OR crete, a coal ash composite material used as a roadbed material whose main raw material is coal ash discharged from coal-fired power plants. It is advantageous in that it uses coal ash, a waste product, has a low specific gravity, and offers stable quality, and although the amounts involved are not large, it already accounts for the majority of net sales in the Other segment. ANION mainly manufactures and sells ADOX powder, a functional nitrate-type adsorbent used as an additive in resin and concrete materials to prevent salt damage. It began full-scale sales after the Minamisoma Plant commenced operations in autumn 2025, and it aims to contribute to profit from FY5/28 onward.

Strengths include advanced capabilities with machinery, recovery and reconstruction expertise, and an end-to-end value chain

6. Strengths

Backed by its civil engineering expertise and in-house development capabilities, the Company has strengths in three areas: capabilities with machinery; expertise in recovery, reconstruction, disaster preparedness, and mitigation; and its value chain.

(1) Capabilities with machinery

The Company positions its capabilities with machinery as its greatest strength; the DNA of promoting mechanized construction using heavy construction machinery, which was the purpose of its founding, has been passed down and has continued to evolve over more than 70 years since its establishment. As a specific example, the Company's proprietary Rotary Crushing and Mixing Method, used in development projects such as embankment reinforcement, is one of the strongest examples of its capabilities with machinery. This soil improvement method crushes and refines (breaks down) ground materials using the striking force of multiple chains rotating at high speed inside a cylinder while evenly dispersing added materials, allowing soil recovered from flood-damaged sites to be recycled on the spot into improved soil and used as material for reinforcing river embankments. Plant-type equipment installed on site had previously been the mainstream approach, but in 2024 the Company developed in-house the TMSP1800, a self-propelled rotary crushing and mixing machine compact enough for transport on a single trailer and capable of being moved by remote operation. It offers excellent mobility, including use on confined sites and shorter assembly times, and also reduces transportation costs. At the Tsukuba Mirai Center, the R&D site that leads this technology development, the Company is promoting DX in construction and greater efficiency using AI and ICT. The Company develops and manufactures heavy machinery and shield tunneling machines in-house, and sells some of them to other companies.

The Company is also focusing on improving productivity through the use of machinery, promoting shorter construction periods and labor savings on large-scale site development projects through the introduction of scrapers. It is also actively engaged in the i-Construction initiative promoted by the Ministry of Land, Infrastructure, Transport and Tourism, making heavy machinery operations more efficient by, for example, digitizing topographic data obtained through 3-D measurement using UAVs (drones) to easily prepare soil transportation plans. In addition, it is working to reduce personnel requirements and shorten construction periods through the standardization of ICT-equipped construction machinery, the introduction of scrapers, and the use of digital twins that simulate operations in virtual space.

Business description

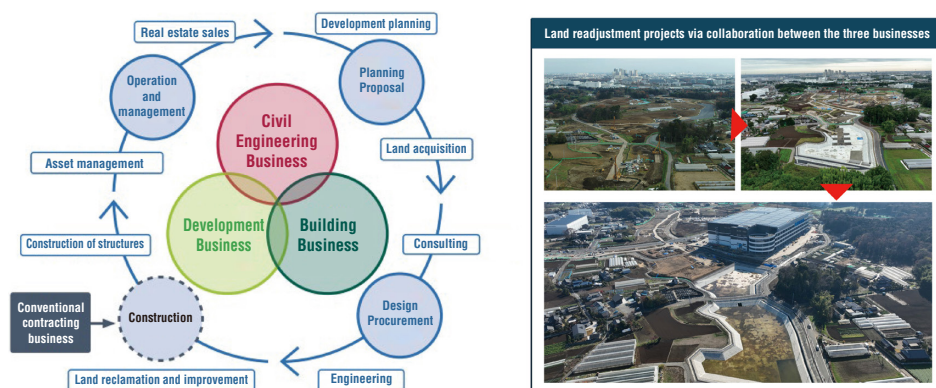
(2) Recovery, reconstruction, disaster preparedness, and mitigation expertise

The Company was founded in the context of post-war reconstruction, and its strengths include the expertise it has accumulated through reconstruction support following disasters such as the 2011 Great East Japan Earthquake. In reconstruction projects after the 2011 Great East Japan Earthquake, it was responsible for all processes in decontamination work following the release of radioactive materials in the Fukushima Daiichi nuclear accident, from decontamination work in Minamisoma City, Fukushima Prefecture, to the temporary storage, volume reduction, and interim storage of removed soil and other materials. It also undertook projects such as land-raising work in Otsuchi Town, Iwate Prefecture, which suffered severe damage from the massive tsunami, and river embankment repair work in Minamisoma City. Leveraging its track record of involvement in recovery and reconstruction from numerous major disasters, the Company contributes to disaster-resilient urban development where residents can continue to live with peace of mind, including measures tailored to the disasters anticipated in each region (flooding, landslides, earthquakes, tsunamis, etc.). At present, it has won multiple recovery project contracts following the 2024 Noto Peninsula Earthquake and is working on rapid recovery in the affected areas.

(3) Value chain

With the growth of the Real Estate and Energy businesses, the Company has become able to handle an entire project end to end, from upstream to downstream, rather than being limited to contracted construction work in civil engineering and building. This is the strength of the Company's value chain, and it constitutes a unique business model that enables business development beyond the scope of a conventional general contractor, such as leading land readjustment projects on its own. It already has a track record: it has carried out a land readjustment project in Kashiwa City, Chiba Prefecture, and is currently developing the Matsushima Innovation Hills industrial park in Matsushima Town, Miyagi Prefecture.

Strength of value chain



Source: Materials provided by the Company

Results trends

The Building Business performed better than expected in FY5/26, delivering substantial growth in both sales and profit

1. Results trends in FY5/26

In FY5/26, net sales were ¥135,207mn (up 9.6% YoY), operating profit was ¥7,150mn (up 208.4%), ordinary profit was ¥6,566mn (up 237.5%), and profit attributable to owners of parent was ¥5,450mn (up 308.9%). Net sales exceeded the initial forecast by ¥4,207mn and operating profit by ¥3,650mn, marking a strong start for the Medium-Term Management Plan in its first year.

FY5/26 results

	FY5/25		FY5/26		YoY
	Result	vs. net sales	Result	vs. net sales	
Net sales	123,349	-	135,207	-	9.6%
Operating profit	2,318	1.9%	7,150	5.3%	208.4%
Ordinary profit	1,945	1.6%	6,566	4.9%	237.5%
Profit attributable to owners of parent	1,332	1.1%	5,450	4.0%	308.9%

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

The Japanese economy continued to recover moderately, supported by improving employment and income conditions. On the other hand, heightened tensions surrounding Iran, continued price increases, downside risks to the economy from U.S. trade policy, and instability in financial and capital markets were sources of concern. In the construction industry, overall construction investment was firm, supported by resilient public investment and a recovery in private capital investment. However, cost concerns persisted, including elevated prices for construction materials and energy and tight labor supply and demand.

In this environment, the Company strategically pursued profit-focused order intake and thorough cost management. As a result, backlog projects in the Building Business progressed smoothly, and net sales in that business grew by more than 20%. On the profit side, margins improved significantly as large projects in the Building Business proved highly profitable and the Civil Engineering Business worked to improve its earnings structure. As a result, operating profit more than tripled. The main reasons for substantially exceeding the initial forecast were the smooth progress of backlog projects in the Building Business, together with greater-than-expected progress in profit-focused order intake and thorough cost management.

Results trends

FY5/26 results by segment

(¥mn)

<Net sales>	FY5/25		FY5/26		YoY
	Result	Share	Result	Share	
Civil Engineering Business	37,052	29.6%	38,031	27.7%	2.6%
Building Business	74,629	59.6%	92,467	67.2%	23.9%
Real Estate Business	5,278	4.2%	2,519	1.8%	-52.3%
Energy Business	7,449	6.0%	3,471	2.5%	-53.4%
Other	724	0.6%	1,043	0.8%	44.1%

<Segment profit>	FY5/25		FY5/26		YoY
	Result	Margin	Result	Margin	
Civil Engineering Business	-4,511	-12.2%	318	0.8%	-
Building Business	2,582	3.5%	6,987	7.6%	170.5%
Real Estate Business	2,421	45.9%	507	20.1%	-79.0%
Energy Business	3,656	49.1%	1,331	38.3%	-63.6%
Other	-211	-29.1%	-174	-16.7%	-

Note: Both net sales and segment profit are before adjustments. FY5/25 segment information has been restated in line with the reclassified segments

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

The Civil Engineering Business returned to profitability as the shift to profitable projects and measures to prevent the recurrence of construction problems took hold, eliminating major unprofitable projects. Contributing factors included a strengthened sales structure and the promotion of order activities based on technical proposals, improvements in the quality of work performed by younger employees following the establishment of the Construction Guidance Enhancement Office (upgraded to the Construction Guidance Enhancement Department on June 1, 2026), stricter profitability screening at the order acceptance stage centered on private-sector projects, and thorough management of priority sites by the Performance Management Countermeasures Division. As a result, profitability, which had declined under the previous pursuit of scale, improved, and the Company established a system for identifying and addressing, at an early stage, construction problems that could lead to losses.

In the Building Business, both project progress and margins exceeded expectations, and results were strong, substantially surpassing the initial plan. Contributing factors included growth in completed construction revenue as large projects ordered in FY5/25 progressed smoothly, favorable margins on those large projects, and the acquisition of high-margin additional work, mainly in 1H. This can be seen as the result of shifting to a profit-focused order structure ahead of the Civil Engineering Business. In particular, improved on-site capabilities have enabled appropriate site operation, including margin management. All unprofitable projects that had arisen in previous years were completed and resolved by FY5/25.

In the Real Estate Business, net sales declined in the absence of the large sale of real estate for sale recorded in FY5/25, but leasing revenue was largely in line with plan. The slight shortfall against the initial plan was due to the sale of a property it held being carried over to the following fiscal year. The Real Estate Business operates on a capital recycling model in which both development and sales are executed within a set plan, but its results fluctuate depending on the scale of sales in each fiscal year.

In the Energy Business as well, net sales declined in the absence of a large-scale sale of power generation facilities held for sale like that recorded in FY5/25, but recurring revenue from electricity sales remained stable. Since recurring revenue from electricity sales is the mainstay of the Energy Business, the Company will continue to develop projects in-house and acquire secondary projects while strengthening recurring revenue through initiatives such as entering the battery storage business. Meanwhile, the Company plans to sell power generation facilities held for sale when the timing is appropriate.

Results trends

In the Other segment, new businesses progressed steadily, with the ANION business getting off the ground and Fukushima Ecocrete driving earnings.

A pullback is forecast for FY5/27, but the Medium-Term Management Plan is expected to remain on track

2. FY5/27 forecasts

For FY5/27, the Company forecasts net sales of ¥137,000mn (up 1.3% YoY), operating profit of ¥6,300mn (down 11.9%), ordinary profit of ¥5,700mn (down 13.2%), and profit attributable to owners of parent of ¥4,000mn (down 26.6%). The forecast decline in profit reflects a pullback from the strong results of FY5/26, but the figures are in line with those planned for the second year of the Medium-Term Management Plan, and the Medium-Term Management Plan 2027 is expected to progress smoothly.

FY5/27 forecasts

	FY5/26		FY5/27		YoY
	Result	vs. net sales	Forecast	vs. net sales	
Net sales	135,207	-	137,000	-	1.3%
Operating profit	7,150	5.3%	6,300	4.6%	-11.9%
Ordinary profit	6,566	4.9%	5,700	4.2%	-13.2%
Profit attributable to owners of parent	5,450	4.0%	4,000	2.9%	-26.6%

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

Although the outlook for the construction industry is uncertain in terms of labor costs, material prices, and securing personnel, the Company plans to continue pursuing an order strategy that emphasizes appropriate margins and to strengthen its business portfolio by reinforcing its earnings base and investing in growth businesses. Although it expects a pullback after FY5/26 results substantially exceeded the initial forecast, its earnings base continues to strengthen and the order environment is favorable, so the Medium-Term Management Plan is on track. With regard to the impact of the situation in the Middle East, which is generally said to affect material prices, the Company accepts orders taking price fluctuations into account so that risks do not become excessive, and applies thorough margin management on a project-by-project basis.

FY5/27 forecasts by segment

<Net sales>	FY5/26		FY5/27		YoY
	Result	Share	Forecast	Share	
Civil Engineering Business	38,031	27.9%	45,000	32.4%	18.3%
Building Business	92,467	67.7%	83,000	59.7%	-10.2%
Real Estate Business	2,519	1.8%	5,500	4.0%	118.3%
Energy Business	3,471	2.5%	5,600	4.0%	61.3%

<Segment profit>	FY5/26		FY5/27		YoY
	Result	Margin	Forecast	Margin	
Civil Engineering Business	318	0.8%	700	1.6%	120.1%
Building Business	6,987	7.6%	3,500	4.2%	-49.9%
Real Estate Business	507	20.1%	1,900	34.5%	274.8%
Energy Business	1,331	38.3%	2,100	37.5%	57.8%

Note: Both net sales and segment profit are before adjustments. The Other segment is omitted, and shares are calculated using the total of the four segments shown as the denominator

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

Results trends

By segment, the Building Business, which drove the strong FY5/26 results, is forecast to post lower sales and profit, while the Civil Engineering Business is expected to continue improving earnings and the Real Estate and Energy businesses are expected to return to profit growth as they revert to a normal pace.

The Civil Engineering Business, where the shift to profitable projects has progressed, is moving from a phase of absorbing legacy losses to a phase of generating stable profits, and it will work to establish a sustainable, stable earnings base by continuing to strengthen its construction management structure. It will also position projects such as shield tunneling and disaster preparedness and national resilience as growth drivers, while aiming to return to a stable profit structure through selective order intake that secures appropriate margins. The Building Business will strengthen sales in priority areas and priority markets and apply thorough quality control and construction management to improve profitability and reinforce its growth base. In terms of orders, it will secure projects offering favorable environments and strong margins, such as logistics facilities and food processing facilities, while also winning somewhat smaller projects suited to developing the next generation of talent. Although the forecast is conservative, factoring in the pullback from the strong FY5/26 results as well as the risk of rising construction costs for materials and labor, progress toward the profit target for the final year of the Medium-Term Management Plan can be considered on track.

The Real Estate Business is forecast to post a substantial increase in profit, reflecting multiple real estate sales, including large deals, and the recognition of revenue from development projects. It will also pursue the acquisition of prime income-generating assets, the diversification of asset types, and the acquisition of land readjustment projects, aiming for sustained profit growth by combining recurring and transactional revenue.

The Energy Business will expand its earnings base by increasing generation capacity through in-house development and the acquisition of secondary projects, and by expanding into the battery storage and PPA businesses. It will also enhance the value of existing facilities in order to accumulate recurring revenue on a long-term, stable basis.

In new businesses, the Company will continue to create Local Community Co-creation Businesses as a partner to address challenges facing local communities. In particular, ANION will work to expand sales of ADOX powder manufactured at the Minamisoma Plant, aiming to move into a full-scale monetization phase within the period of the Medium-Term Management Plan. Fukushima Ecocrete expects to generate continuous profits from its coal ash recycling business and to grow as a business that combines environmental value with stable earnings.

Medium-term management plan

Targeting an ROE of 8.0% and operating profit of ¥9.0bn in FY5/28

1. Medium-Term Management Plan 2027

The Japanese economy continues to recover, supported by improving employment and income conditions, but the outlook for overseas economies has become uncertain due to geopolitical risks and other factors. The growth of Japanese companies is therefore expected to slow down going forward. The construction market is performing firmly, and investment related to decarbonization and national resilience is expected to expand. On the other hand, given concerns that profitability will decline due to a shortage of workers, soaring material and labor costs, and reduced investment in residential construction associated with the falling birthrate, companies are seeking to reduce working hours and improve productivity by advancing DX using AI, ICT, and other technologies. Furthermore, with the probability of major disasters such as large earthquakes and torrential rain rising, the role of the construction industry in the recovery and reconstruction of affected areas is expected to grow.

Against this reading of the external environment, in July 2025 the Company formulated the Medium-Term Management Plan 2027 (FY5/26–FY5/28). Under the Medium-Term Management Plan 2027, it has set the mission of rebuilding a management foundation that generates profits sustainably and achieving a return to a growth trajectory. It also plans to steadily improve profitability with the aim of achieving an ROE of 10.0% in FY5/31, the final year of its long-term vision. To this end, under the Medium-Term Management Plan 2027, each business will pursue strategies in line with the basic policies described below, thereby rebuilding and strengthening a management foundation that generates profits on a stable basis. For FY5/28, the final year, the Company has set key management targets of an ROE of 8.0% (vs. 2.0% in FY5/25; the Company estimates its cost of equity at around 6.0% to 7.0%), operating profit of ¥9.0bn (vs. ¥2.3bn), 3-year total investment of ¥74.0bn (vs. ¥33.0bn under the previous Medium-Term Management Plan), and dividend on equity (DOE) of 2.5% to 3.5% (vs. 2.5% to 3.0%), and it plans to pursue aggressive growth investment and stronger shareholder returns in parallel.

Quantitative targets of the Medium-Term Management Plan 2027

	(¥mn)			
	FY5/25	FY5/26	FY5/27 (E)	FY5/28 (target)
ROE	2.0%	7.9%	5.7%	8.0%
Operating profit	2,318	7,150	6,300	9,000
Segment profit				
Civil Engineering Business	-4,511	318	700	2,300
Building Business	2,582	6,987	3,500	3,500
Real Estate Business	2,421	507	1,900	5,000*
Energy Business	3,656	1,331	2,100	
DOE	2.7%	2.9%	2.5–3.0%	3.0–3.5%

* Total of the Real Estate Business and the Energy Business

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

2. Basic policies

(1) Civil Engineering Business

In the Civil Engineering Business, the Company will improve its business structure over three years through order activities that secure appropriate margins and a stronger construction management structure, while focusing on businesses that leverage its strengths in order to reestablish itself as a stable, sustainable business. Through these efforts, it plans to achieve net sales of ¥50.0bn (vs. ¥37.7bn in FY5/25) and segment profit of ¥2.3bn (vs. a segment loss of ¥4.5bn) in FY5/28. As basic measures, it will strengthen its efforts in infrastructure renewal, disaster preparedness and mitigation, and reconstruction, thereby contributing to solving social issues. It also plans to expand projects that use the Rotary Crushing and Mixing Method, in which it excels, as well as large-scale site development projects, while continuing to focus on the productivity improvements it has been pursuing since the previous Medium-Term Management Plan.

(2) Building Business

In the Building Business, the Company will conduct order activities aimed at securing appropriate margins and apply thorough site management centered on quality control, while supporting the entire building lifecycle from design and construction through to maintenance, in order to transform itself from a stable business into a growth business. Based on this, in FY5/28 it plans to achieve net sales of ¥87.0bn (vs. ¥74.6bn in FY5/25) and segment profit of ¥3.5bn (vs. ¥2.5bn) in the Building Business. As a basic measure, it plans to establish priority markets by area, centered on its main domains of logistics facilities, office buildings, and food processing facilities. It will also strengthen its estimating and procurement capabilities as well as the quality of its design and construction, thereby improving profitability not only for itself but also for its customers. In addition, the Company will manage and maintain constructed buildings after handing them over, and aims to evolve into a total support partner for buildings as it stays close to its customers.

(3) Real Estate Business and Energy Business

In the Real Estate and Energy businesses, the Company will grow recurring revenue through disciplined investment that balances investment and recovery, while securing transactional revenue through well-timed real estate sales, targeting a 3-year total of approximately ¥14.0bn in gross profit and approximately ¥12.0bn in segment profit through FY5/28. For financing, it intends to diversify its methods, including project financing*¹ and structured financing*².

*¹ A method of obtaining financing for a specific business or project, using the cash flow generated by the business or project as the source of repayment and its assets as collateral.

*² A method of raising funds based on specific assets or businesses, unlike conventional fundraising through borrowing or capital increases.

Medium-term management plan

As basic measures in the Real Estate Business, the Company will grow recurring revenue through the acquisition of prime income-generating assets, the diversification of asset types, and land readjustment projects, while accumulating transactional revenue through well-timed sales of development real estate. It will also enter adjacent fields by establishing an asset management company and promote the development of and investment in new real estate businesses, including overseas. In the Energy Business, it will use secondary projects in addition to in-house development, targeting total generation capacity of 200 MW in 2030. It also aims to become a Long-term Stable Qualified Solar Power Generation Operator* while building a stable earnings base by entering the grid-scale energy storage business, enhancing the value of existing power stations, and selling high-unit-price FIT (feed-in tariff) projects. In particular, it plans to steadily capture growing demand driven by robust urban redevelopment and the 7th Strategic Energy Plan of the Agency for Natural Resources and Energy.

* An operator certified by the Minister of Economy, Trade and Industry, under the enforcement regulations of the Act on Special Measures Concerning the Promotion of the Use of Electricity Generated from Renewable Energy Sources, as capable of operating solar power generation on a long-term, stable, and self-sustaining basis.

(4) New businesses

In new businesses, the Company will build a next-generation earnings base to support growth in the 2030s through the launch of full-scale sales at ANION, the stabilization of earnings at Fukushima Ecocrete, and the commercialization of Local Community Co-creation projects. At ANION, it will expand sales of ADOX powder, a proprietary product manufactured at the Minamisoma Plant, aiming for a full-scale profit contribution from FY5/28 onward. Fukushima Ecocrete, which handles coal ash recycling, will be developed as a business that combines environmental value with stable earnings. The Company will also promote Local Community Co-creation Businesses that combine community revitalization and public-private partnerships across Japan, seeking to create new revenue opportunities.

(5) Strengthening the management foundation

The Company plans to strengthen its management foundation in terms of human capital, DX, and finance. Under its human capital strategy, it will create an attractive workplace environment through workstyle reform and job satisfaction reform, while maximizing the use of human capital by promoting the active participation of diverse talent and implementing talent management through hiring, employee retention, and employee training. Under its DX strategy, it will promote DX in construction by pursuing the introduction and development of systems and tools and transformation of human capital and organizations in tandem, working to improve productivity, reduce costs, address labor shortages, improve quality and safety, and reduce environmental impact.

Under its financial strategy, the Company intends to strengthen its financing while maintaining financial soundness. During the Medium-Term Management Plan period, it plans to maintain an equity ratio of 40% or above and a D/E ratio of 0.7x or below. Assuming equity of ¥72.0bn in FY5/28, the Company also aims to strategically expand its capacity to raise funds through interest-bearing debt. Meanwhile, to strengthen profitability and expand its business base, it plans total investment of ¥74.0bn over three years, comprising ¥42.0bn for the Real Estate Business, ¥22.0bn for the Energy Business, ¥1.8bn for research and development, and ¥8.2bn for new businesses, M&A, DX, and other purposes.

A strong start in the first year of the Medium-Term Management Plan, with the Civil Engineering Business returning to profit and ROE and finances also improving

3. Progress of the Medium-Term Management Plan

In FY5/26, the first year of the Medium-Term Management Plan, steady execution of the basic policies produced the strong progress described above. Reflecting the FY5/26 results, the Company announced an operating profit forecast of ¥6.3bn for FY5/27. It plans to close the ¥2.7bn gap versus the FY5/28 target of ¥9.0bn for the final year through earnings improvement in the Civil Engineering Business as well as growth in the Real Estate and Energy businesses. Segment profit in the Building Business is projected to remain flat at ¥3.5bn from FY5/27 onward. This factors in a pullback from the substantial profit recorded in FY5/26, and depending on future order trends it could provide a buffer for achieving the target.

By business, the Civil Engineering Business saw profitability recover through securing order margins and strengthening construction management, and it returned to profit as the unprofitable projects seen in FY5/25 were resolved. In the Building Business, the completion of several large projects received in FY5/25, improved margins on multiple projects in particular, and the acquisition of high-margin additional work delivered better-than-expected results in strengthening profitability. In the Real Estate and Energy businesses, although there was a pullback from property sales in FY5/25, the Company executed steady growth investments and reliably accumulated recurring revenue. In new businesses, ANION began full-scale sales of ADOX powder and Fukushima Ecocrete generated continuous profits through its coal ash recycling business, marking smooth progress in the shift from the R&D stage to commercialization and monetization.

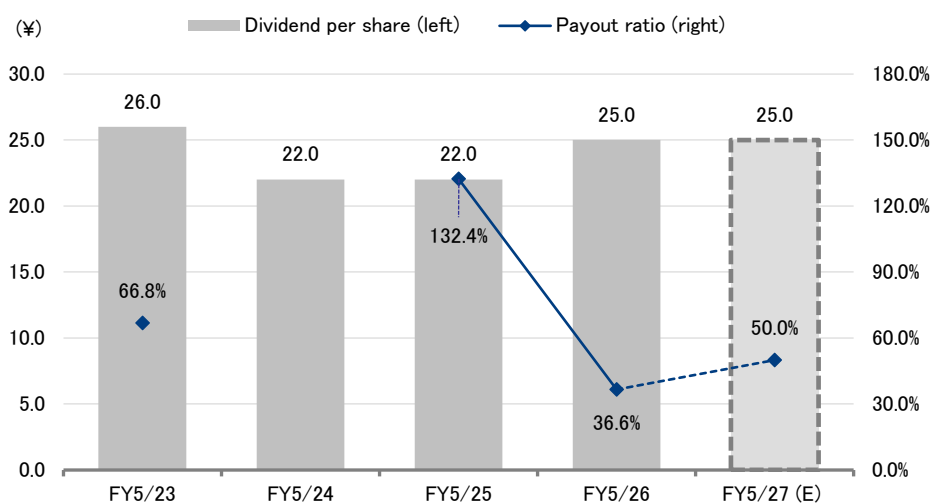
In terms of strengthening its financial base, equity rose to ¥71.1bn as of the end of FY5/26, bringing the target of ¥72.0bn within sight. The Company has set a long-term financial target of equity of ¥80.0bn in FY5/31, and it will maintain its policy during the Medium-Term Management Plan period of an equity ratio of 40% or above and a D/E ratio of 0.7x or below. On the investment side, although the start was more cautious than the planned pace, it executed ¥14.2bn of growth investment in the first year. ROE is also progressing well, reaching 7.9% and exceeding the plan on the back of the strong Building Business. Going forward, the Company plans to further strengthen shareholder returns and IR activities and to raise its price-to-earnings ratio (PER) by deepening engagement with stakeholders, thereby improving its price-to-book ratio (PBR).

Shareholder return policy

Targeting DOE of 3.0% to 3.5% in the final year of the Medium-Term Management Plan

The Company positions shareholder returns as one of its key management issues, and its basic policy is to maintain stable dividends by continuing to pay dividends twice a year, an interim dividend and a year-end dividend, while comprehensively taking into account its results and the business environment and securing internal reserves to prepare for future business development. Based on this policy, the annual dividend per share for FY5/26 was set at ¥25.0, an increase of ¥3.0 (interim dividend of ¥10.0 and year-end dividend of ¥15.0, of which ¥5.0 is a special dividend). For FY5/27, it plans a dividend of ¥25.0 (interim dividend of ¥10.0 and year-end dividend of ¥15.0). For its dividend policy, the Company uses DOE, which is based on shareholders' equity, and under the Medium-Term Management Plan 2027 it plans to raise the DOE level in stages, premised on a recovery in earnings. DOE was 2.9% in FY5/26, and the Company targets 2.5% to 3.0% in FY5/27 and 3.0% to 3.5% in FY5/28, the final year. To raise its PBR, it will also strengthen initiatives over the medium to long term from the perspectives of stability, profitability, future potential, and relationships with stakeholders.

Dividend per share and dividend payout ratio



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

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