

Message from the Operating Officer Responsible for Management Planning



Progress of Medium-Term Management Plan 2026

The Group considers four years from June 2022 as a period for restoring and improving corporate value, and is working on Medium-Term Management Plan 2026 which involves implementing actions under three fundamental policies (1. growth strategy, 2. improvement in earnings structure, 3. improvement in asset efficiency) to achieve its targets for management indices which are net sales of 40.0 billion yen, operating income ratio of 5%, and ROE of 8%.

In the last fiscal year when the first two years ended, we had an order backlog at the end of the period that reached a record-high level thanks to the order received for a large project in Indonesia and others. Earnings came in well above the plan due to an improvement in profitability and increases in income from subsidiaries.

In order to improve capital efficiency, we are also reviewing our business portfolio, including the withdrawal and restructuring of operating companies in China whose profitability has deteriorated.

We also recognize that practicing sustainability management is becoming increasingly important in society, and that responding to such demand will lead to sustainable corporate growth and increased corporate value. In the previous fiscal year, we had many discussions at the Sustainability Committee and other forums as to what issues the Company should address on a priority basis in order to realize it, and determined five material issues to clarify what the Company should do.

We have also begun to set KPIs for specific actions. Although we believe it will still take time for the concepts of material issues and KPIs to be fully embraced by each and every employee, we will aim to get the entire company, from the management to the front lines, to contribute to the realization of a sustainable society, which is the company-wide goal, and to take optimal actions aimed at increasing corporate value.

In fiscal 2025, the third year of the plan and midpoint, we will make company-wide efforts to improve profitability and strengthen earnings structure by quickly converting the order backlog into sales and steadily implementing price revisions and other measures while pursuing value-added.

Regarding management with an awareness of capital costs

The Company's ROE levels continue to be below the capital costs expected by the market. As a result, PBR has been around 0.4x currently, remaining below 1x. This indicates the evaluation by the market that we are continuing to destroy corporate value, and we recognize that this is an important management issue for the Company. The Company will focus on "raising the profit level to improve ROE" in accordance with Medium-Term Management Plan 2026 and strive to achieve the target without fail.

Regarding shareholder returns

We will enhance shareholder returns and improve capital efficiency by restoring and increasing corporate value over the medium to long term and realizing sustainable growth through efforts to achieve an ROE of 8%, which we are pursuing in Medium-Term Management Plan 2026.

The Company's basic policy for dividends is to maintain a payout ratio of 30% or more and provide shareholder returns in a continuing and stable manner, and we plan to increase dividends by 10 yen for the fiscal year ending May 31, 2025. We also conducted a share buyback in the previous fiscal year, for the first time in six years, and are working on it on an ongoing basis.

In addition, in growth areas we will invest the proceeds from continuing efforts to reduce cross-shareholdings and the sale of underutilized assets.

Message from the Operating Officer Responsible for Human Resources



Making "empowerment of diverse talent" the cornerstone of management

At the start of the latter two years of Medium-Term Management Plan 2026 (started in June 2024), we established five material issues (key challenges) that should be addressed on a priority basis in order to achieve "sustainable growth and increased corporate value." Their significance and details are as explained in Message from the President, Representative Director at the beginning of the report.

We have first and foremost listed "empowerment of diverse talent" among our material issues to take on challenges for a new future while respecting the values that we have emphasized for more than 100 years since our founding.

We started working to reform our human resource system two years ago as a key measure under Medium-Term Management Plan 2026, and we have reaffirmed two points on the occasion of determining our material issues. The first point is to revise the perception of investments in human resources from conventional "personnel expenses" to "investments in capital for enhancing the company's value to achieve growth." And the second is to transform the relationship between employees and the Company from "employees being something to be managed and utilized by the company" to "the Company should be what employees can feel proud of and a place where they can find job satisfaction, self-fulfillment and pride."

Initiative on investments in human resources

Since detailed information on such specific actions are provided in this report as "Initiative in Valuing People and Communities" based on the Sustainability Policy, here I will add a few words on the policy on investments in talent and the initiative to review the relationship between employees and the Company.

Regarding investments in human capital, in addition to expanding basic investments such as raising salary and bonus levels, we are also strengthening measures and investments to encourage employee motivation and growth. These include more promptly promoting young employees to higher positions, activating senior employees, promoting female empowerment, and expanding education and training programs. We are also working to increase/strengthen human resources in areas responsible for "expansion of new businesses and products" in order to achieve corporate growth.

Regarding engagement initiatives

Regarding the relationship between the Company and its employees, we conducted our first full-scale engagement survey with the help of an outside expert organization in March 2024, and shared with all executives and employees our challenges based on comparisons with other companies.

Similar to the current share price and PBR representing the evaluation of the Company from the perspective of the equity market, we consider the result of this survey as the current evaluation of the Company from the perspective of the employees. And we have begun to work on improvement measures, such as enhancing dialogue between the employees and the Company, and sharing the direction the Company aims to head in.

A company is, after all, an aggregate of people, and engagement initiatives that increase empathy and trust in the company can be said to be efforts to enhance the "human ability of the company as a whole." We are promoting those initiatives along with those aimed at "increasing corporate value."