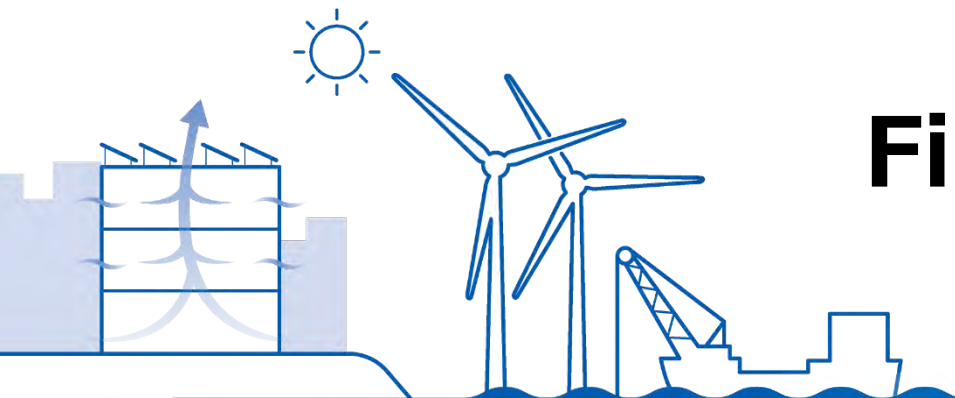


FY 2023

Financial Results Briefing

May 24, 2024



I . Digest of Financial Results for FY 2023 (P2)

II . Plan for FY 2024 (P9)

III . Major Business Challenges (P19)

IV . Topics (P24)



Digest of Financial Results for FY 2023





【Overview】 **Achieved the profit targets for the 1st year of the mid-term business plan (2023-2027)**

■ **Net sales: 186.7 bil. yen (10.9% increase on YoY, 3.0% decrease vs. plan)**

Mostly achieved the planned goals due to good progress of ongoing works for domestic civil engineering, domestic architecture and overseas

■ **Operating profit: 10.8 bil. yen (21.0% increase on YoY, 7.8% increase vs. plan)**

Achieved the plans (profits, profit margins) for domestic civil engineering, domestic architecture and overseas

■ **Order receipt (non-consolidated): 153.8 bil. yen (8.3% decrease on YoY, 18.2% decrease vs. plan)**

Domestic architecture steadily received orders. Orders for domestic civil engineering decreased by the reactionary fall due to the completion of a large work last year. The major factor for the shortfall was a failure to receive a large overseas order.

■ **Balance carried (non-consolidated): 167.7 bil. yen (3.7% decrease on YoY)**

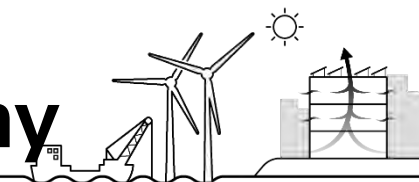
The major factor in the decrease of balance carried was a failure to receive a new large order overseas.

■ **Shareholder return: dividend/share from 63 yen (init. estimate) ⇒ raised to 74 yen**

Dividend ratio: 99.3%

Planning to provide interim dividend in FY 2024

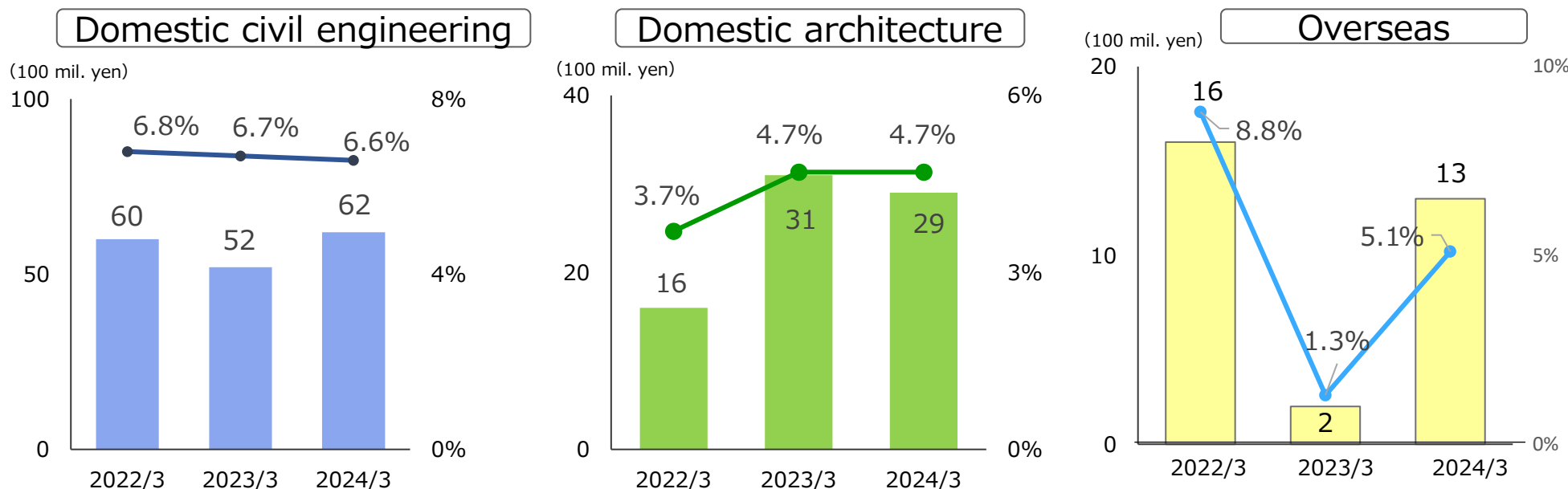
(Expecting 80 yen per year (interim 30 yen + term end 50 yen))



Prominent “Earning power”

Maintaining high operating profit ratio in each segment (ref. P6, P11, etc.)

- Maintaining high operating profit ratio even in phases such as soaring prices



For the works obtained, it is very rare to incur a loss.

- The end-of-term balance of provision for loss on construction contracts is less than 50 million yen for a third consecutive term.
- The ratio of balance of provision for loss on construction contracts to completed works has been in the range of 0.01% to 0.03% for the last three terms.

※The average value for comparable general contractors whose completed works are 150 ~ 250 billion yen is 0.76% ~ 0.90%

※Amount less than 100 mil. yen is discarded.

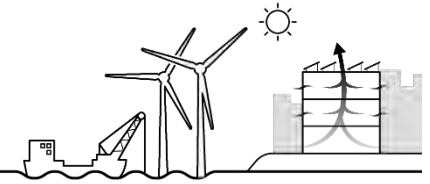
(an internal investigation).



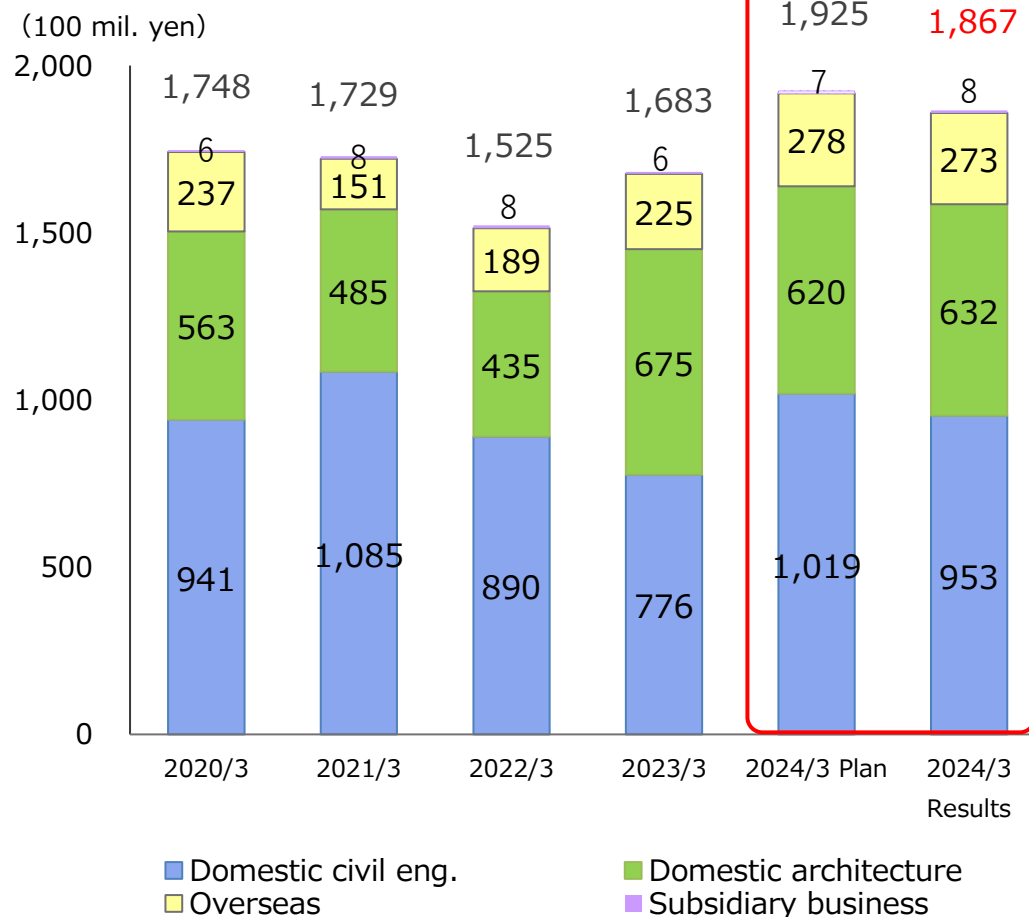


Digest of Financial Results

(Net sales _ consolidated)



Net sales (consolidated)



Domestic civil engineering

- Completed a large marine work that was ordered in the previous term
- Increased by 23% on YoY, decreased by 6% vs. plan

Domestic architecture

- Good progress of ongoing works including a large food factory
- Decreased by 6% on YoY, increased by 2% vs. plan

Overseas

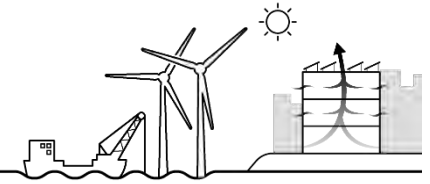
- Good progress of ongoing works in Philippines and Indonesia
- Increased by 22% on YoY, decreased by 6% vs. plan

※Amount less than 100 mil. yen is discarded.

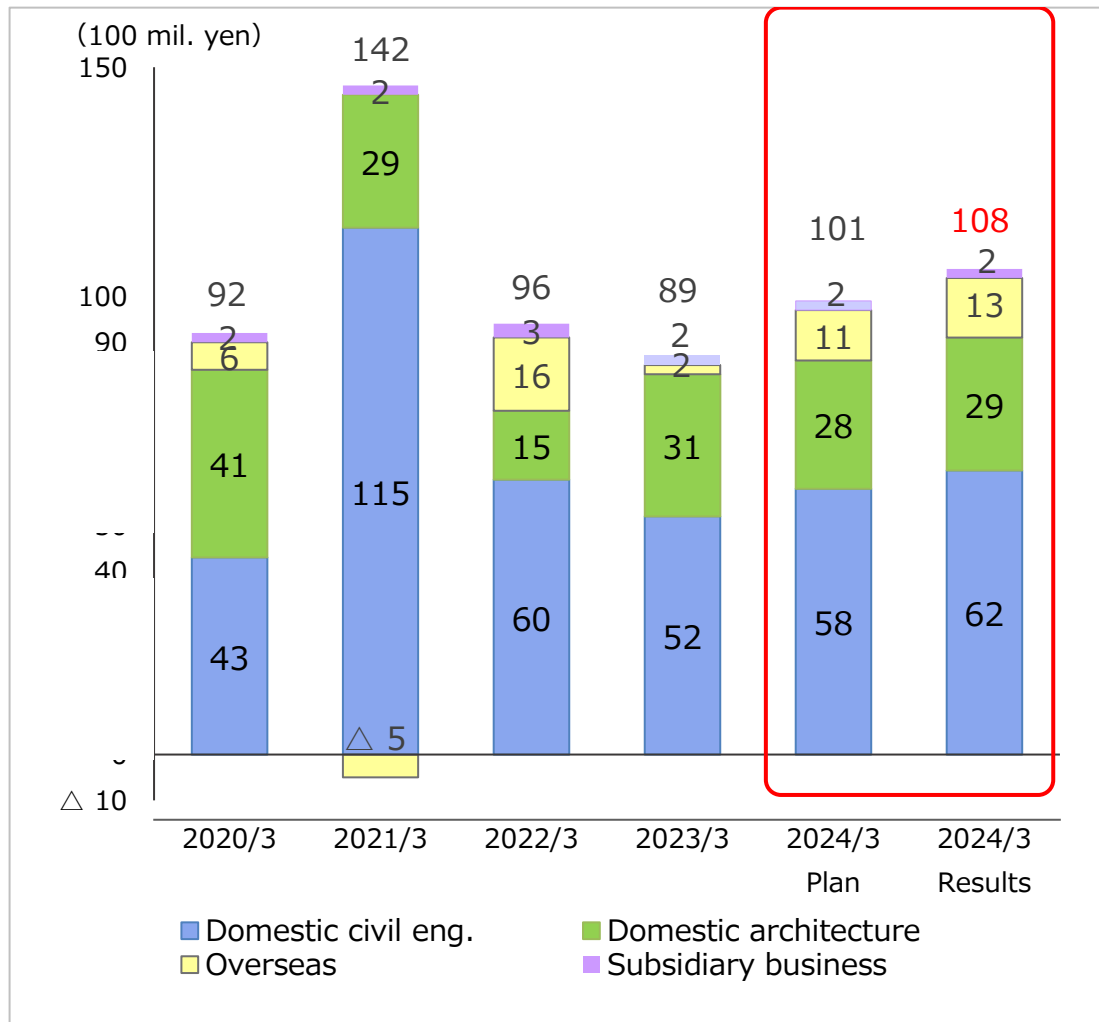


Digest of Financial Results

(Operating profit _ consolidated)



Operating profit (consolidated)



※Amount less than 100 mil. yen is discarded.

Domestic civil engineering

- Contributed by a large marine work that was ordered in the previous term
- **Securing a high profit rate** (6.7%→6.6%) around the same level of the previous term despite of the impact by accounting policy change (0.7 bil. yen)
- Profit amount increased by 20% on YoY, 8% vs. plan

Domestic architecture

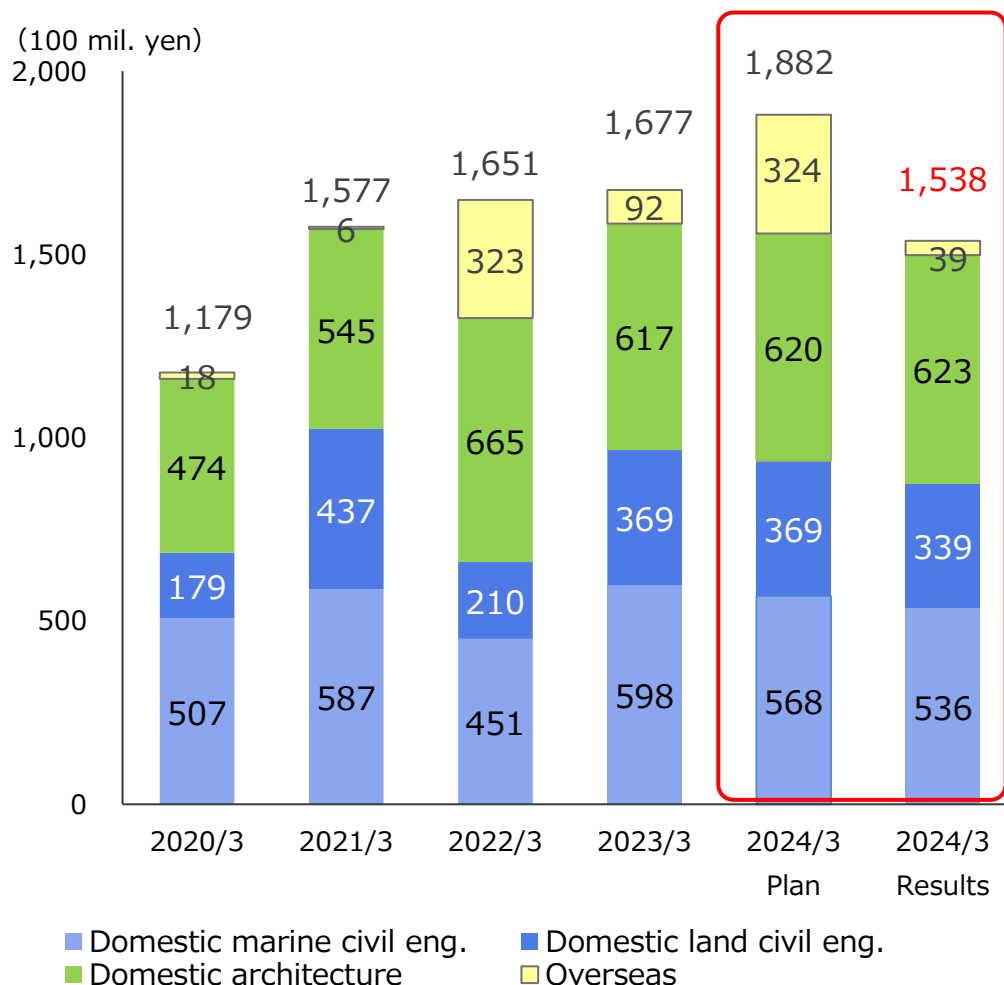
- **Steadily maintaining the same level of operating profit ratio as the previous term** through tenacious contract negotiations with customers and complete cost control (4.7%→4.7%)
- Profit amount decreased by 8% on YoY, increased by 2% vs. plan

Overseas

- Contributed by design changes of ongoing works (including obtaining a price-sliding)
- While impacted by repair costs in the previous term, **profit margin is recovered** in this term after eliminating the impact
- Profit amount became 4.7 times higher on YoY, increased by 24% vs. plan.



Order receipt (non-consolidated)



Domestic civil engineering

- **Failing to meet the plan** because of the reactionary fall after completion of a large work in the previous year and the delay in receiving a design change order
- Decreased by 9% on YoY, 7% vs. plan

Domestic architecture

- **Securing profit levels when awarded**, steadily receiving orders from logistics warehouses, factories and public sectors
- At the same level as the previous term; **achieving the plan**

Overseas

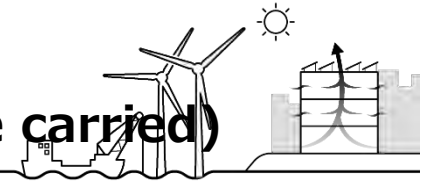
- Failing to receive a large ODA project order in Kenya, Africa
- Waiting for the bid opening for a large ODA project; the bidding process has been completed
- **Failing to meet the plan**

※Amount less than 100 mil. yen is discarded.

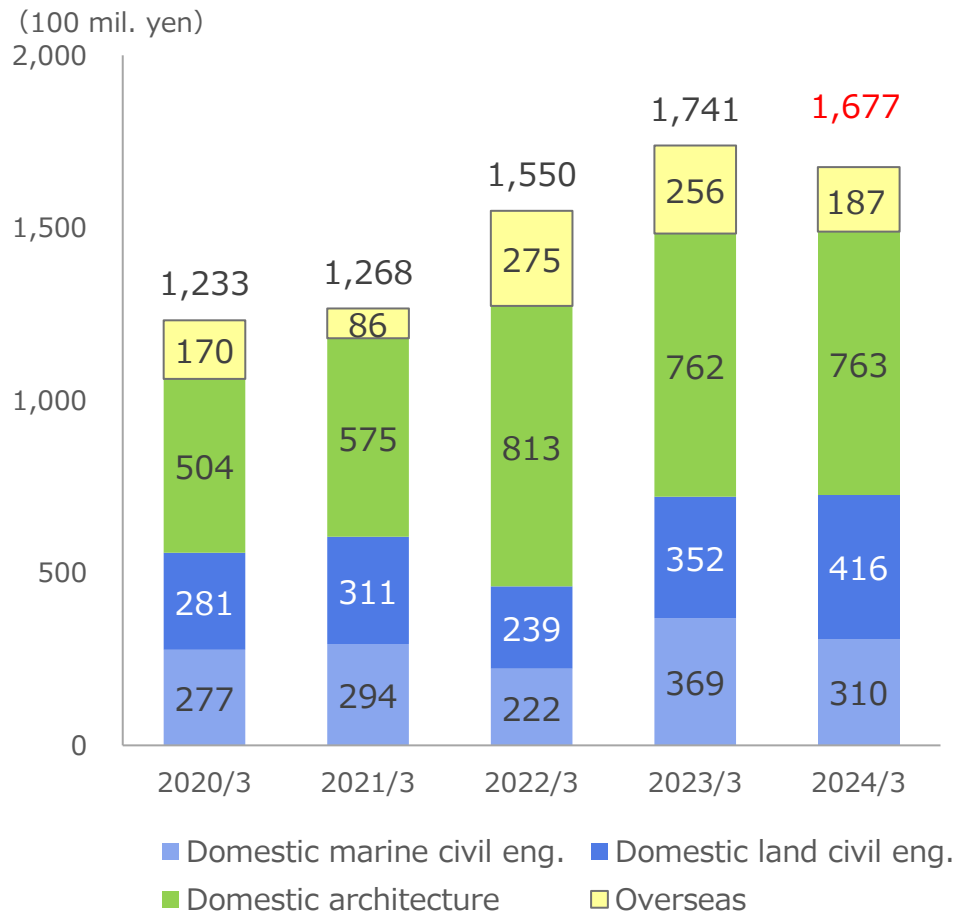




Digest of Financial Results (Status of balance carried)



Balance carried (non-consolidated)



- Domestic civil engineering and domestic architecture: maintaining the year-earlier-level
- Overseas: despite of good progress in ongoing works, decreased due to failure to receive new large works

※Amount less than 100 mil. yen is discarded.



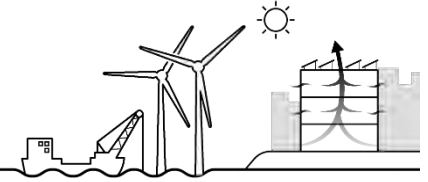
Plan for FY 2024

(Future business environment and our efforts)





Performance plan for FY 2024 (Overview)



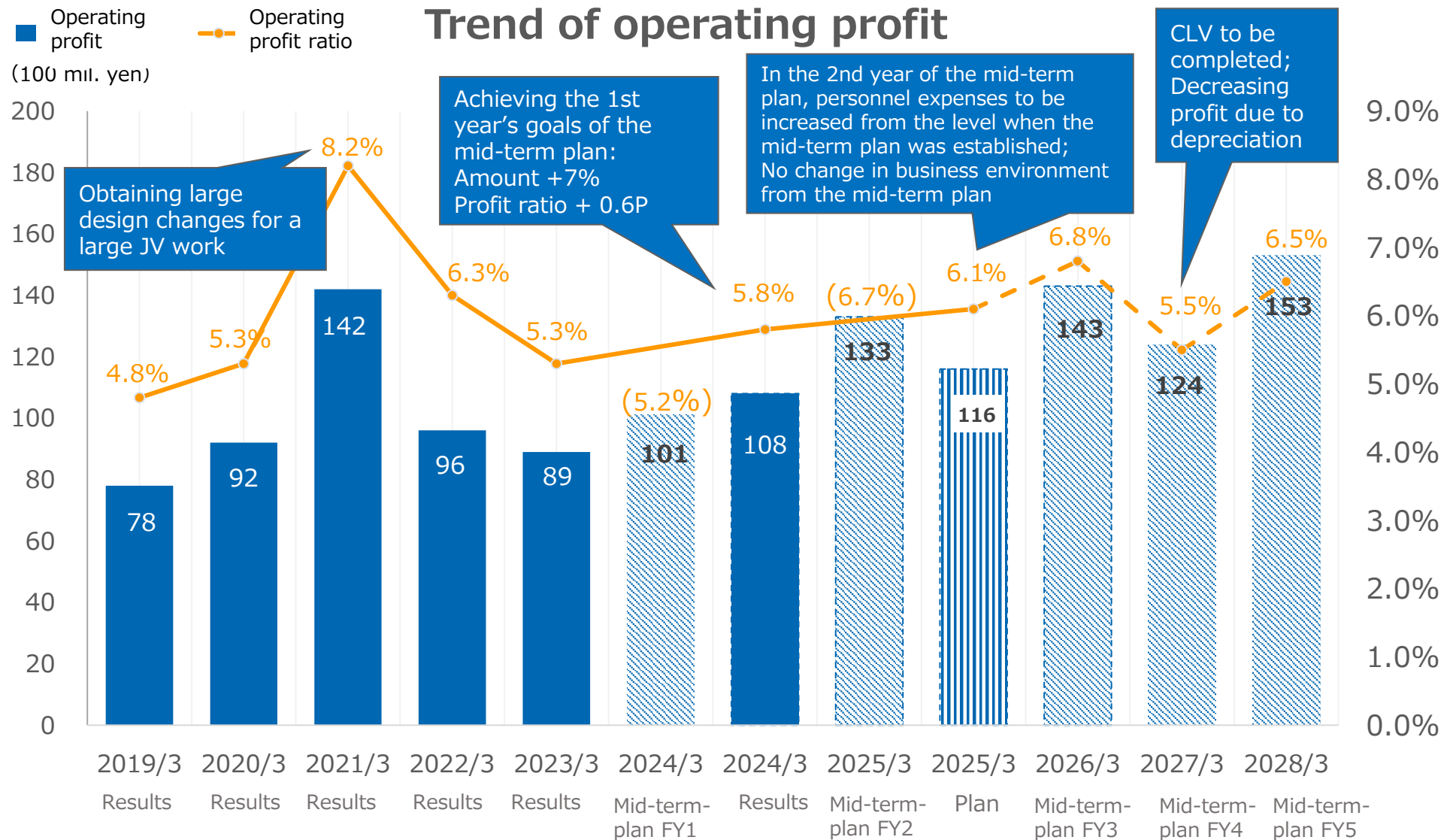
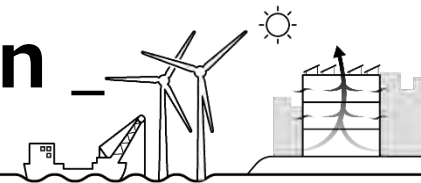
【Overview】

- **Net sales: 190 bil. yen (1.7% increase on YoY, 5.2% decrease vs. mid-term plan)**
Assuming good progress with securing a certain level of carried-forward in all segments
- **Gross profit: 24.1 bil. yen (3.3% increase on YoY, 2.8% decrease vs. mid-term plan)**
- **Operating profit: 11.6 bil. yen (6.5% increase on YoY, 12.8% decrease vs. mid-term plan)**
While the impact of accounting policy change will be eliminated, personnel expenses are expected to increase from the level when the mid-term plan was established.
While operating profit (amount, ratio) is expected to increase on YoY but decrease vs. mid-term plan.
- **Order receipt (non-consolidated): 187 bil. yen (21.5% increase on YoY, 4.4% increase vs. mid-term plan)**
It is highly likely that order receipt in overseas will recover (Japanese government ODA works in Philippines (continued work section)).
Extra level from the previous year's result for domestic civil engineering and domestic architecture
- **Shareholder return: planning dividend of 80 yen per share**
Dividend ratio: 99.1%
Planning to provide an interim dividend in FY 2024 (80 yen per year (interim 30 yen + term end 50 yen))



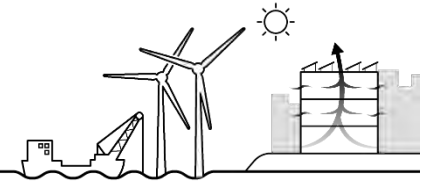
Progress of the Mid-term Business Plan

consolidated operating profit

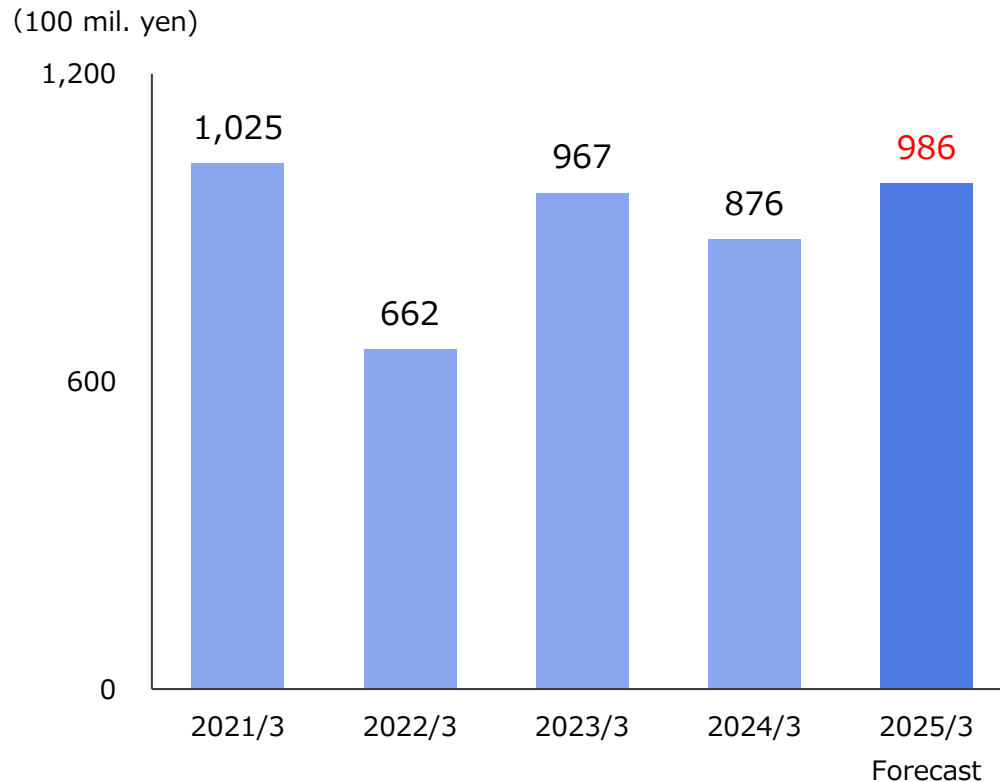




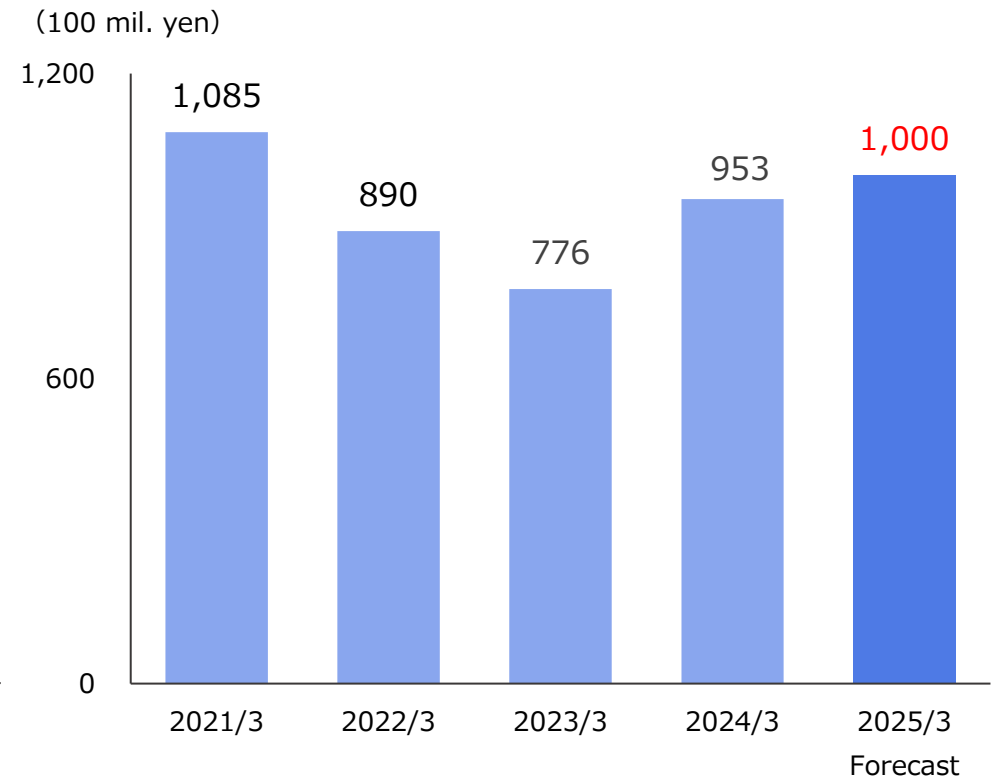
Domestic civil engineering business ①



Order receipt (non-consolidated)



Completed works (consolidated)



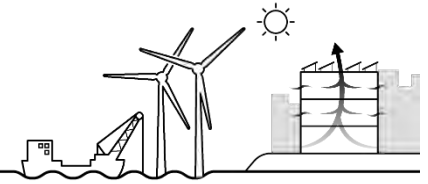
- Order receipt: for public construction investment, a continuing strong market environment (related to national resilience and national defense strategy, etc.) is expected. Strengthening efforts to deal with large projects, and securing 98.6 billion yen (currently, not including the reconstruction projects related to earthquake disaster in Noto Peninsula)
- Completed works: with the balance carried at the same level of previous year, the plan is achievable by securing order receipt (including obtaining design changes).

※Amount less than 100 mil. yen is discarded.

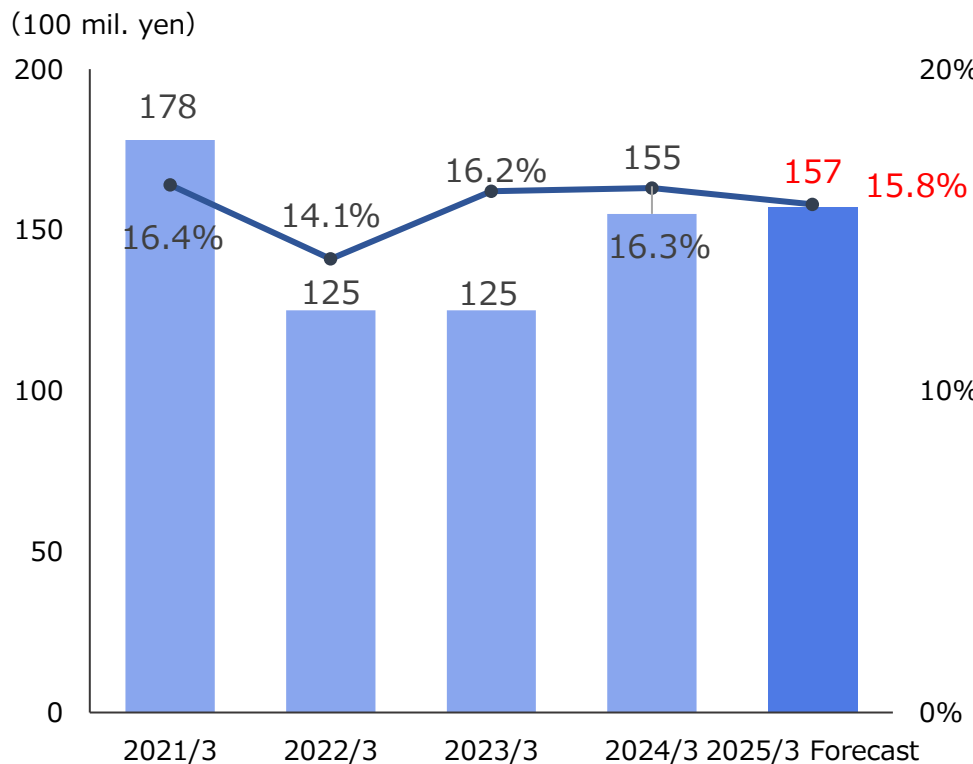




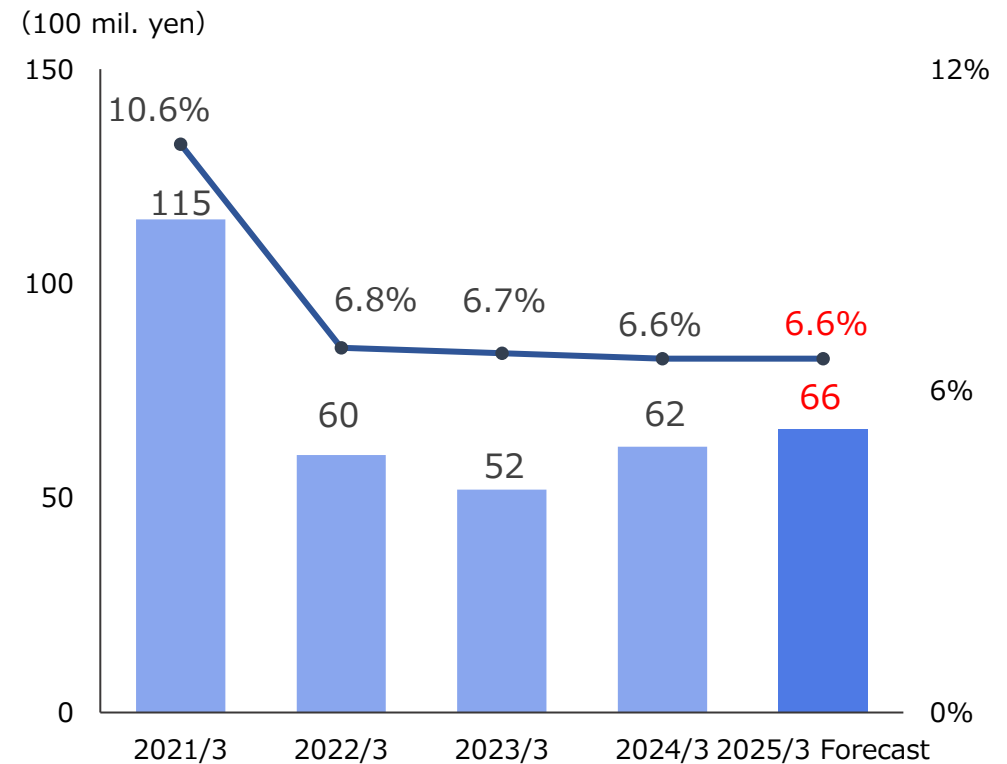
Domestic civil engineering business ②



Gross profit (consolidated)



Operating profit (consolidated)

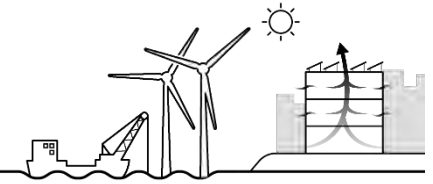


- While a large marine work was completed in the previous year, there is no large change in external environment that will decrease the profit ratio; maintaining a high profit ratio by obtaining design changes, etc.
- Assuming the same level for operating profit ratio in consideration of increased personnel expenses, etc., while eliminating the impact of accounting policy change

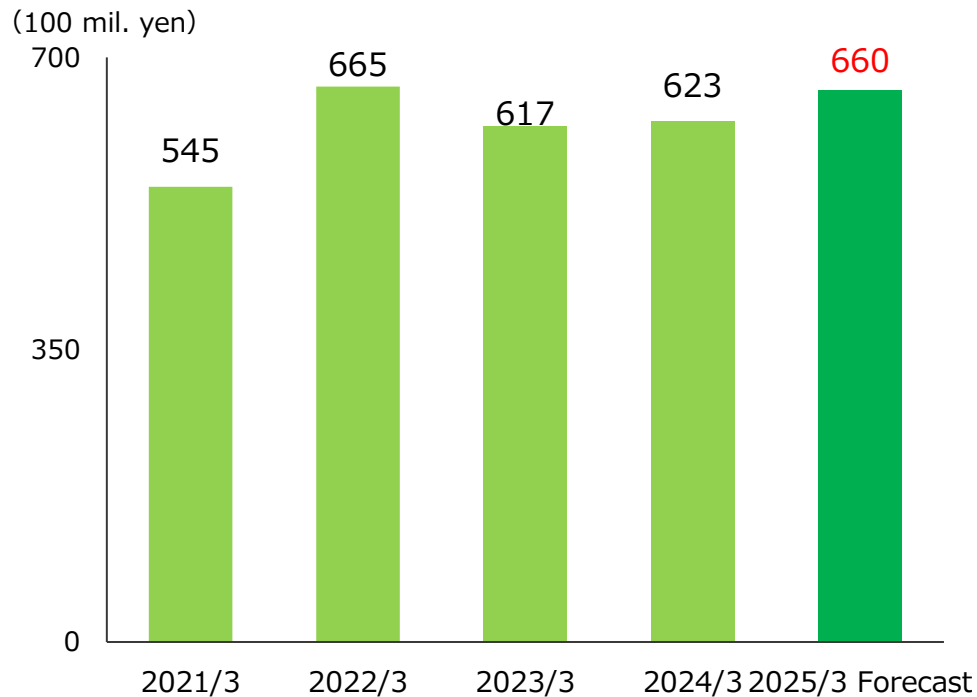
※Amount less than 100 mil. yen is discarded.



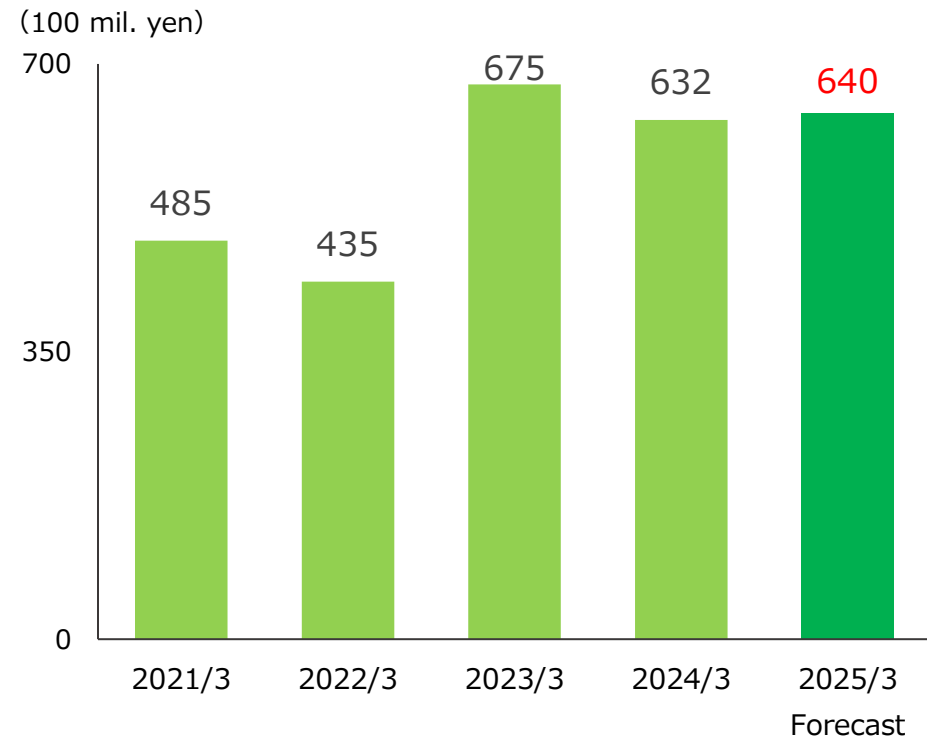
Domestic Architectural Business ①



Order receipt (non-consolidated)



Completed works (consolidated)

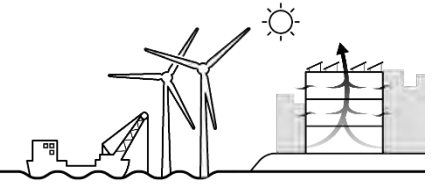


- Order receipt: continuously maintaining the level of more than 60 billion yen since FY 2021; achievable level for this term with a certain amount of yet-to-be-ordered unofficially awarded works carried from the previous term
- Completed works: maintaining balance carried at the level of more than 76 billion yen; achievable level of completed works of 64 billion yen

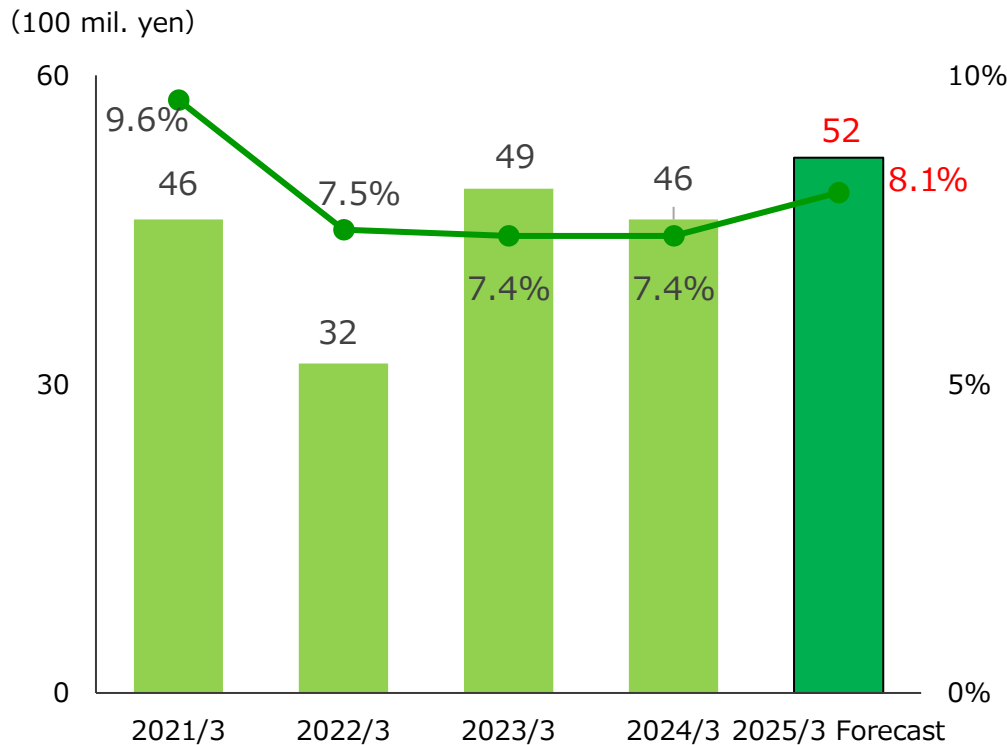
※Amount less than 100 mil. yen is discarded.



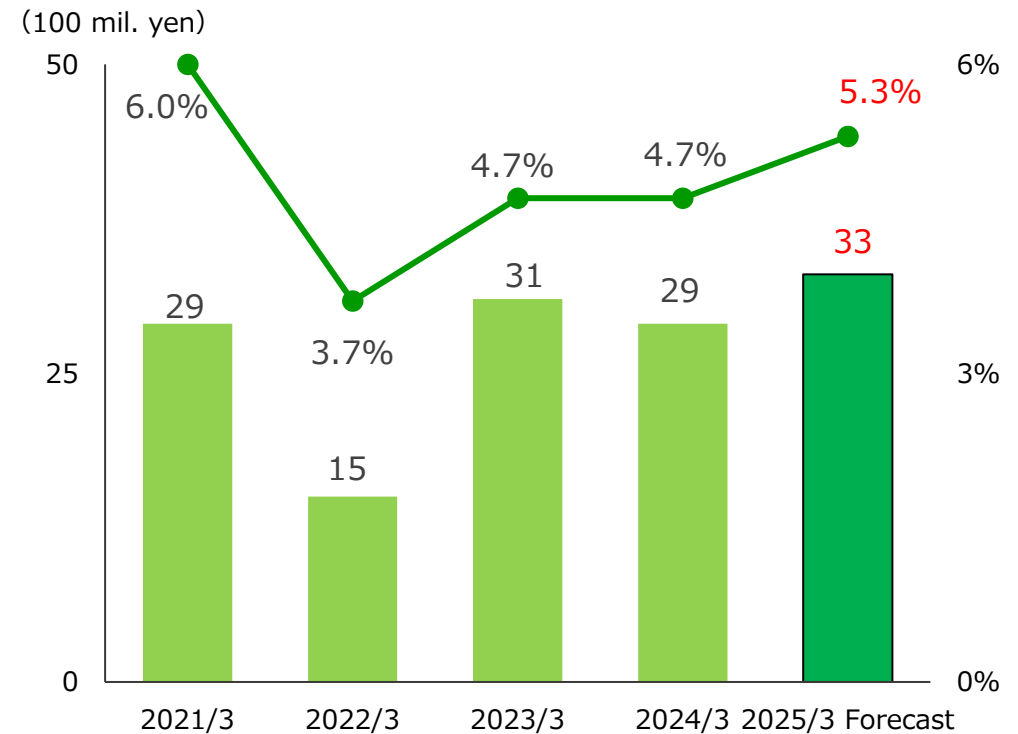
Domestic Architectural Business ②



Gross profit (consolidated)



Operating profit (consolidated)



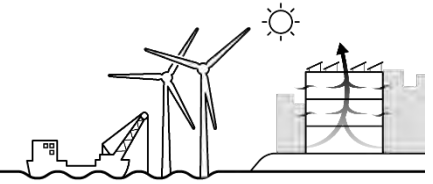
- Increasing profit ratio: by organizationally increasing profits of design & construction works at both design and construction stage, in addition to continuing efforts to secure the profit level at the time of receiving order in business promotion stage
- Increase of profit ratio contributed by the improvement of profit ratio in carried-forward and the order receipt of a large ReReC® project

※Amount less than 100 mil. yen is discarded.

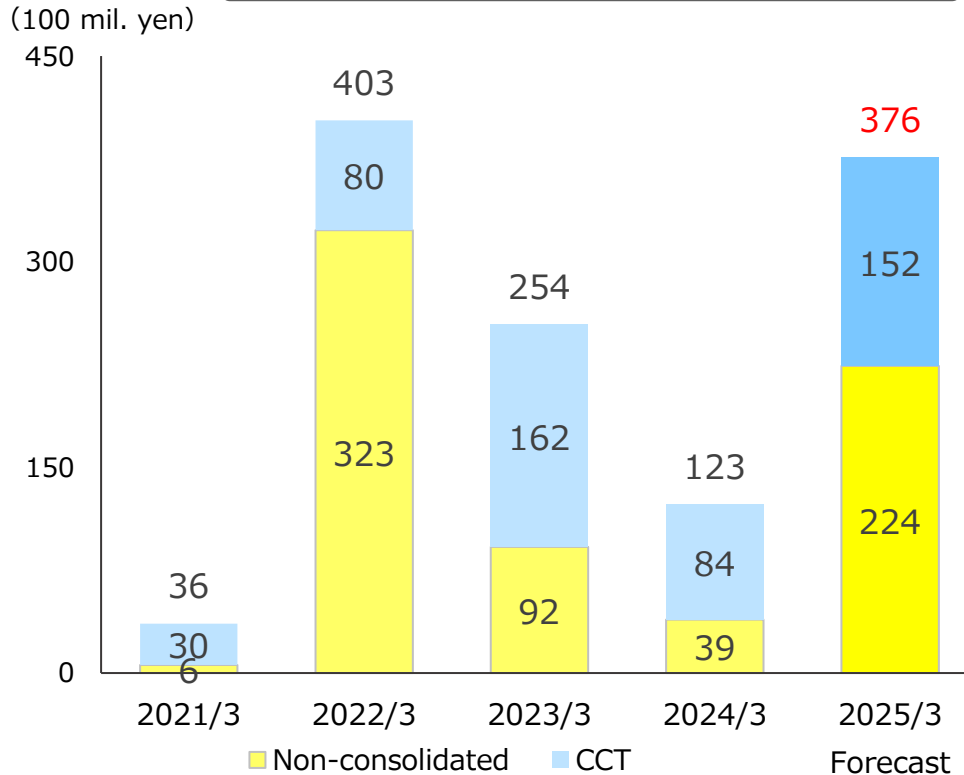




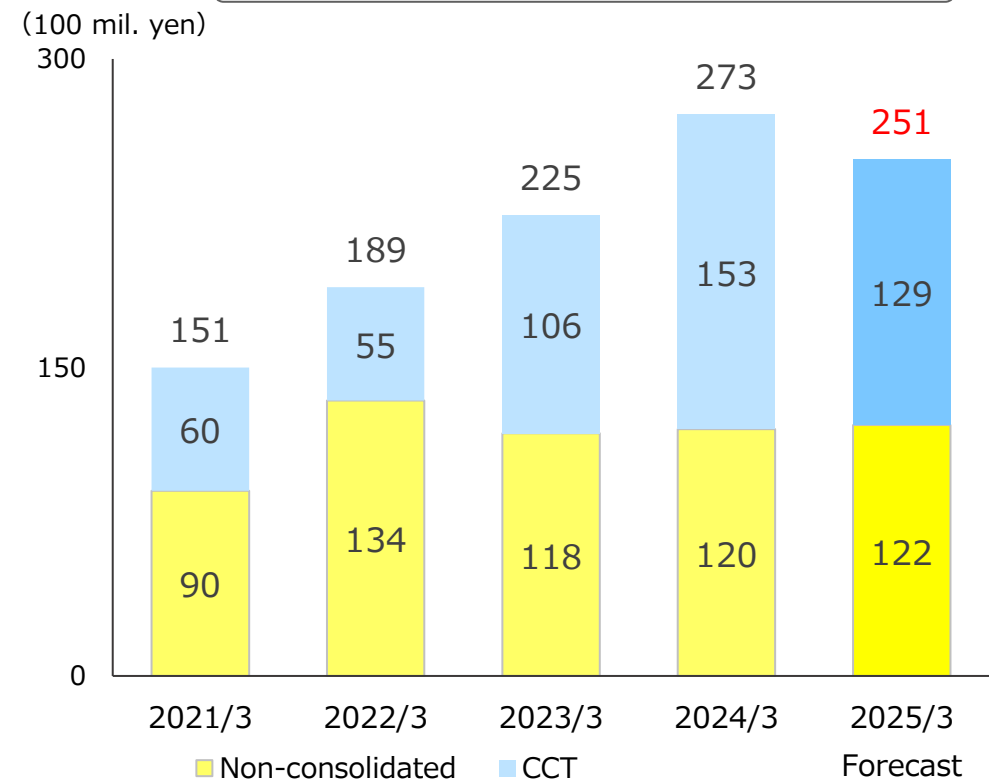
Overseas Business ①



Order receipt (non-consolidated)



Completed works (consolidated)



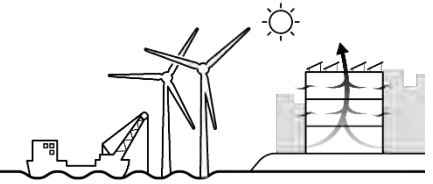
- Order receipt: assuming receiving order of Japanese government ODA works in Philippines (continuation of our ongoing works for river improvement project; bidding completed in March 2024) in addition to stable order receipt (mainly private architectural works) by CCT as the No.1 Japanese subsidiary in Philippines
- Completed works: achievable level by progress of ongoing works (CCT, Philippines-Indonesia ODA)

※Amount less than 100 mil. yen is discarded.

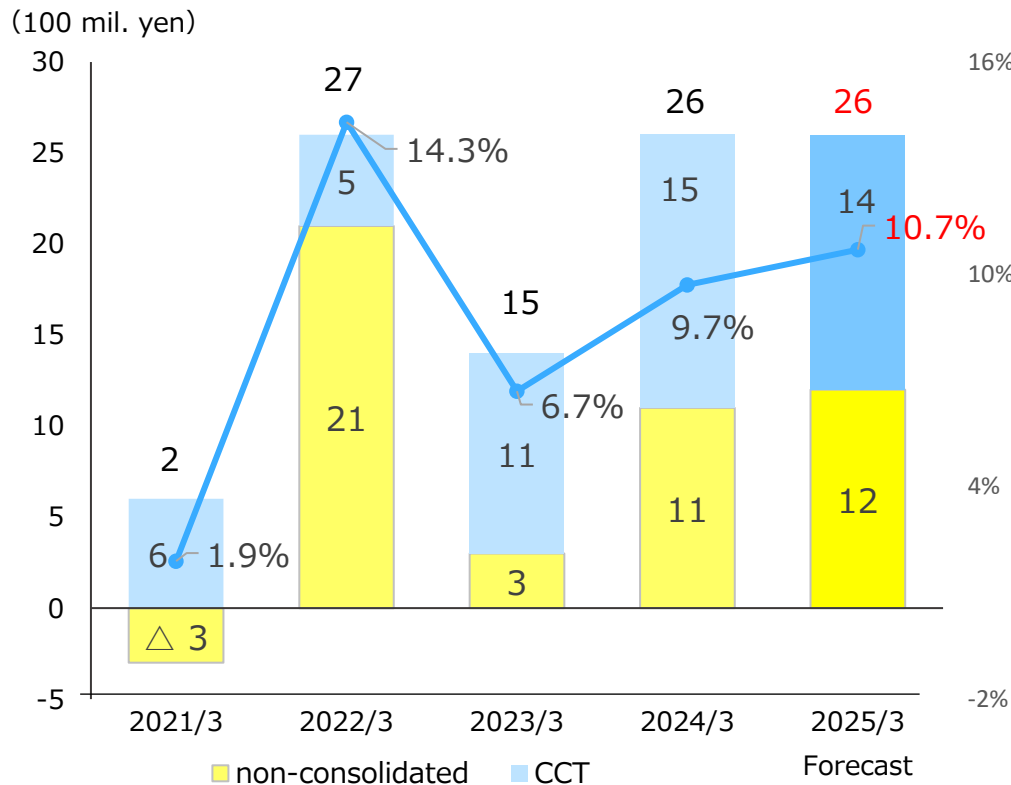




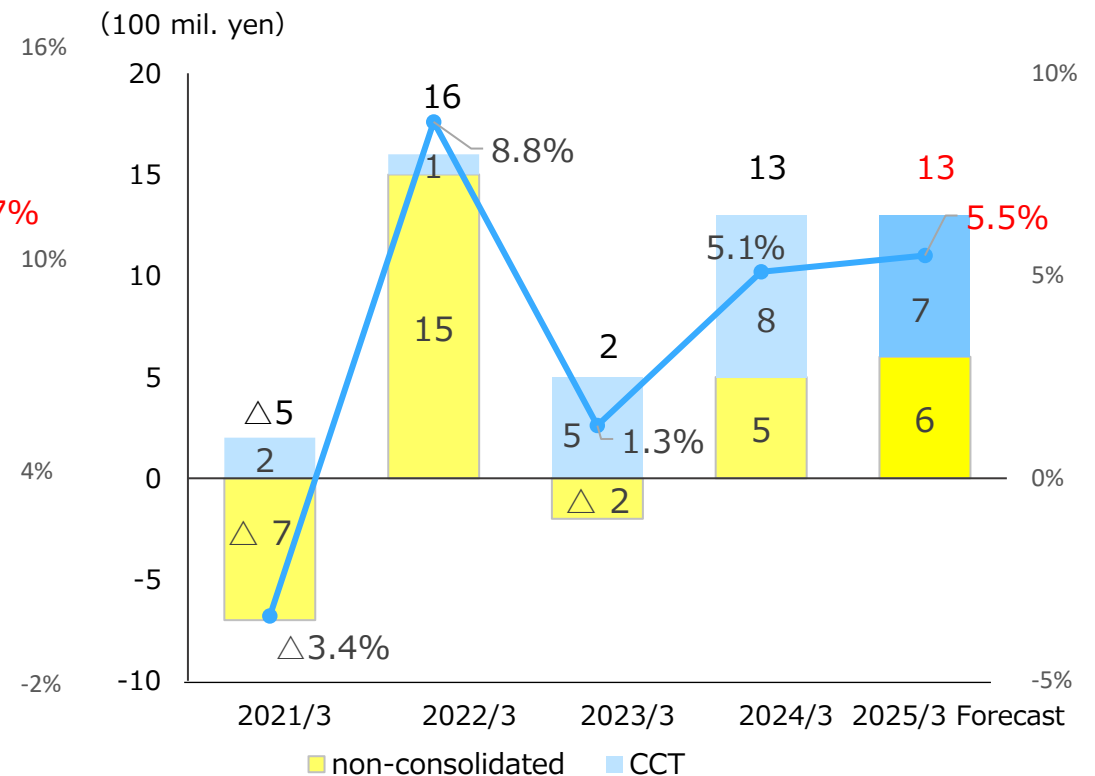
Overseas Business ②



Gross profit (consolidated)



Operating profit (consolidated)



- Focusing our resources on Philippines as the key base of our group's overseas business
- In addition to stable profit from CCT (private architectural works), securing profit mainly from ODA river improvement projects for which we have a long-standing construction achievement

※Amount less than 100 mil. yen is discarded.

II Overseas Business ③



Policies on dealing in each base: returning the core of profit to Philippines

※Reviewing the current overseas strategy due to the failure to receive an order of the Kenya ODA project

Philippines: the key base for overseas business

Focusing resources, reviving profitability, and aiming for stabilization.

FY 2024: aiming to obtain the river improvement project (Japanese government ODA) as continuation of our ongoing work (bidding completed in March 2024)

Stabilization of profits by CCT

Strengthening the stable revenue base of CCT having grown up as the No.1 Japanese company in architectural business

Kenya: assessing business viability

While regarding it as a main market in the future, determining whether it is possible to conduct a project in the country in terms of profitability and country risk

Indonesia / Indochina

Indonesia: making efforts to obtain ODA port works (continuation of our ongoing work) and private civil engineering projects
Indochina neighboring countries: deploying sales activities focusing on ODA port works

Numerical targets (consolidated)

Results in FY 2023 Plan for FY 2024

Order receipt

12.3	▶	37.6
bil. yen		bil. yen

Net sales

27.3	▶	25.1
bil. yen		bil. yen

Operating profit

1.3	▶	1.3
bil. yen		bil. yen

※“Assumed exchange rate” when the plan was established
1 dollar = 151.41 yen
(FX rate at the end of March 2024)

※Amount less than 100 mil. yen is discarded.



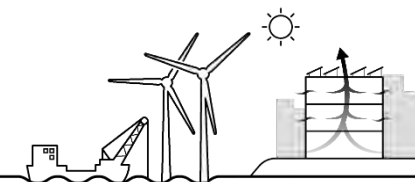
Major Business Challenges



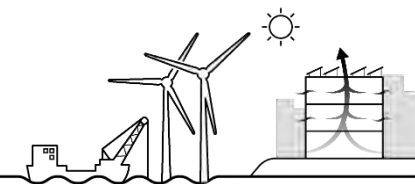


Managerial numerical targets

(Mid-term business plan FY 2023 ~ 2027)



	FY 2023 (Results)	FY 2024 (Plan)	FY 2027 (Targets)
Net sales	186.7 bil. yen	190 bil. yen	235 bil. yen or more
Operating profit	10.8 bil. yen	11.6 bil. yen	15.0 bil. yen or more
Current net profit	7.0 bil. yen	7.6 bil. yen	9.0 bil. yen or more
ROE	9.4 %	10.0 %	12.0 % or more
Shareholder return	74 yen/share	80 yen/share	Dividend ratio for 1st ~ 3rd year: 100% / Lower limit 50 yen 40~60% or more for 4th ~ 5th year / Lower limit 50 yen

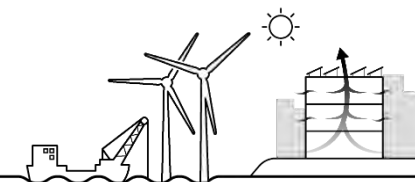


The Company regards shareholder return for shareholders as one of the most important business issues, and will implement shareholder return at the dividend ratio around 100% for three years from FY 2023 to FY 2025.

		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 (expected) ※1	FY 2024 (forecasted) ※2
Dividend per share (yen)	(Annual)	15	25	20	25	74	80
	(Interim)	-	-	-	-	-	(30)
	(Term -end)	(15)	(25)	(20)	(25)	(74)	(50)
Total amount of dividends (mil. yen)		1,414	2,358	1,886	2,358	6,980	-
Dividend ratio		24.5%	25.6%	32.1%	41.5%	99.3%	99.1%

※1 Dividend for FY 2023 is a matter to be referred to the annual general meeting of shareholders to be held in June 2024.

※2 Interim dividend will be provided from FY 2024 (subject to approval for the proposal for amendment of the articles of incorporation at the annual general meeting of shareholders)
The dividend amount is a forecast at present.



Free cash flow of FY 2023 was negative at 16.3 billion yen, and the end-of-term balance of cash and cash equivalents was 23.4 billion yen.

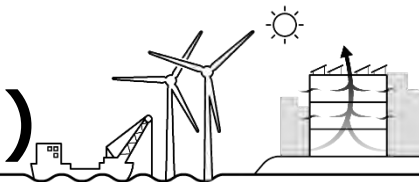
(100 mil. yen)	FY 2019 results	FY 2020 results	FY 2021 results	FY 2022 results	FY 2023 results	FY 2024 assumed
Operating CF	△ 2	△ 65	222	117	△ 85	86
Investing CF	△ 29	△ 9	△ 11	△ 4	△ 78	△ 172
Free CF	△ 32	△ 75	211	113	△ 163	△ 86
Financial CF	△ 26	△ 20	△ 74	△ 28	5	39
End-of-term balance of cash & cash equivalents	261	166	304	390	234	189
Capital ratio	41.3%	43.1%	50.2%	46.7%	47.6%	45.9%

- For FY 2023, operating CF incurred excessive expenditure at 8.5 billion yen due to increasing trade receivables (accounts due for completed works, etc.), and investing CF incurred excessive expenditure at 7.8 billion yen due to the expenses for growth investments such as CLV construction.
- Free CF is negative, however, utilizes a large positive portion for the term from FY 2021 to FY 2022.
- The major factor for the excessive expenditure of investing CF in FY 2024 was due to payments for CLV construction costs (scheduled two-time payments for the term).

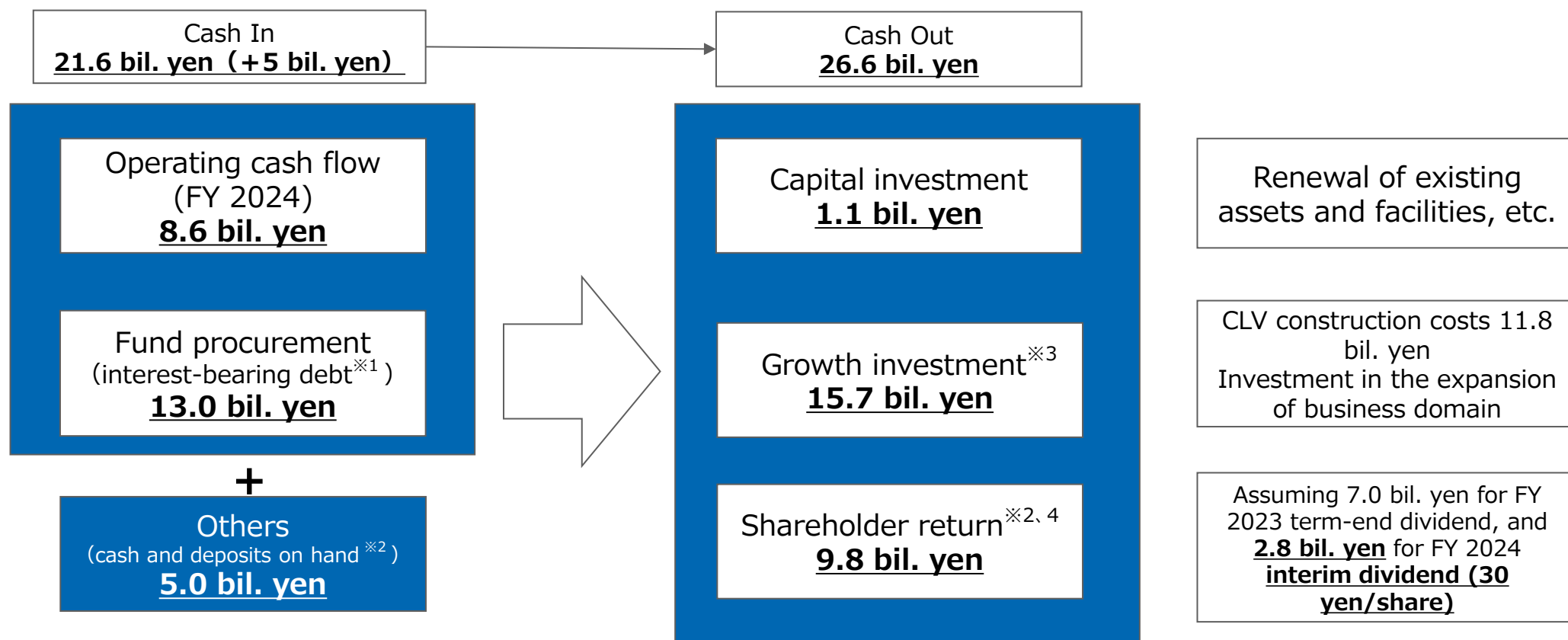
※Amount less than 100 mil. yen is discarded.



Cash Allocation (assumed for FY 2024)



Funded mainly with operating CF and fund procurement, giving priority to the investment to realize further growth, and further, providing proactive shareholder returns by utilizing cash and deposits on hand



※1 While shifting to capital efficient management by proactive shareholder return and interest-bearing debts utilization, also maintaining a certain level of financial soundness for the leverage.

※2 For the shareholder return of FY 2024, cash and deposits on hand will be utilized. Also, for working capital during the term, the commitment line will be utilized.

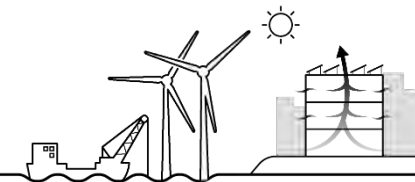
※3 Growth investment to achieve the mid-term business plan goals will be implemented.

※4 From FY 2024, provision of an interim dividend (2.8 bil. yen, 30 yen/share) is scheduled.



Topics



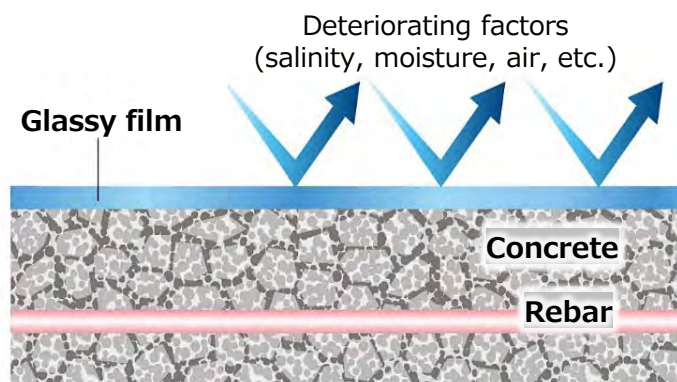


TOPICS

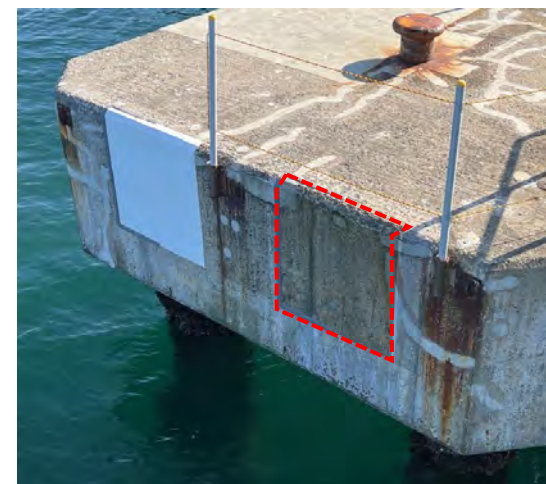
~Coating to enable visual observation with coat-protection for concrete surface~

Development of “Wonder Coating System W-MG”

- In collaboration with TAISEI ROTEC CORPORATION and FECT Inc Co., the Company has developed “Wonder Coating System W-MG (Marine Guard)”, a high-performance coating for concrete harbor structures that adapts the glassy film coating that has a proven track record in land-based reinforced concrete structures to reinforced concrete structures in harbors.
- In addition to its basic performance as a paint, it is colorless and transparent and can maintain its transparency for a long time. Even after application, it is possible to detect the deterioration of the concrete surface at an early stage in the cycle of visual inspection, diagnosis, evaluation of deterioration in performance, and maintenance and repair in the maintenance management.
- The technology has received a certificate of evaluation in the confirmation and evaluation program for harbor-related private sector technologies conducted by the Coastal Development Institute of Technology.
< Certificate of evaluation number > No. 23001 September 2023

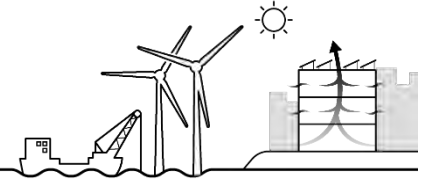


Conceptual scheme of Wonder Coating System



 Application area of Wonder Coating

Photos of application status at demonstration experiments
(left: bottom face of jetty, right: side of dolphin)



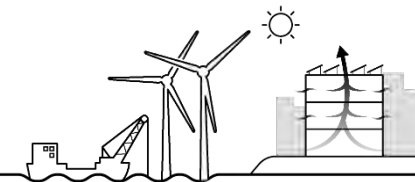
TOPICS

Completion of the first group common large food factory of Seven & i Holdings Co., Ltd.

- A large food factory of Peace Deli was completed in February 2024
- First common central kitchen with both a central kitchen unit for prepared foods and a fresh food processing unit.
- “Infrastructure food factory” project to provide goods for approximately 230 group stores in the Tokyo metropolitan area

*Peace Deli is a company established as a “common infrastructure operation subsidiary” based on the Seven & i Holdings’ group food strategy for possession and operation of common directly-managed factories, and also a core company for group’s food strategy in charge of enlargement and strengthened functions of common procurement including direct import, supply of fresh foods and meal kits for convenience stores (Seven-Eleven), as well as creation of group synergy with a view to providing goods for other business companies and partner companies.





TOPICS

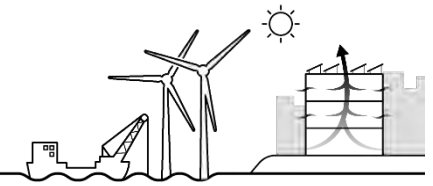
A large ReReC® project

on the relocation of new headquarters buildings of Roland Corporation, an electronic music instrument giant

- In addition to repairing existing buildings (office building and factory building), making a conversion to an office space with a feeling of release by connecting those two separate buildings by means of extension and covering the center portion with an atrium roof
- Currently, detailed designing is ongoing for the commencement of work in 3rd quarter of FY 2024



IV Topics (Overseas -1)



TOPICS

Completion of the 3rd factory of BROTHER PHILIPPINES

following the 1st factory in 2012 and the 2nd factory in 2013

- Completed the 3rd factory of BROTHER INDUSTRIES (PHILIPPINES), INC. in January 2024
- We constructed the 3rd factory, a large factory exceeding 200,000m², followed by the 1st factory in 2012 and the 2nd factory in 2013.
- The 3rd factory utilizes regenerated energy by installing solar panels and reusing rainwater, and contributes to the realization of carbon-neutrality.

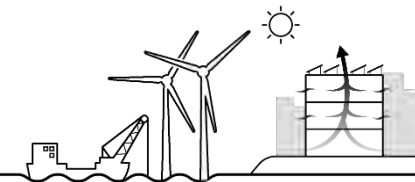


Outward appearance



Full view

IV Topics (Offshore wind power -1)



TOPICS

~Business transformation from the defensive to the proactive in the expanding offshore wind power market~

Constructing a nation's largest self-propelling cable-laying vessel (good progress toward the completion in the first half of FY 2026)



Primary specifications

gross tonnage: approx. 19,000t, thrust power: approx. 13,000kw

150m long x 28m wide x 12m deep max. draft: 7.0 m

cable-laying modules (detachable), storage battery system

accommodation capacity: 90 persons (all private rooms, fully equipped with shower & restroom)

- **Aiming to acquire a top-class share** in marine work area of offshore wind power business

- **Introducing a large-scalable self-propelling cable laying vessel** as a core of submarine cable engineering value building

- ◎ Laying not only offshore wind power generation cables, but also long submarine cables in great depth including DC transmission

- ◎ Various ocean works such as foundation construction for offshore wind power

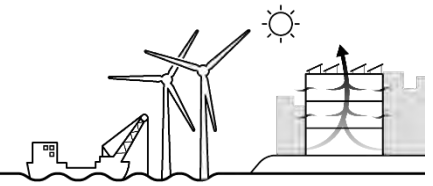
- ◎ Enhancement of competitiveness by technology development ("Technology development for submarine cable burial" with Seki Kaiji Industry Co., Ltd., etc.)

- Contributing to GX by **restraining carbon dioxide emissions** through the introduction of a state-of-the art battery system

- **Hedging the foreign currency risk by an exchange contract at the construction contract conclusion**

- Funds for investment in the vessel to be procured by Green Loan (20 bil. yen)

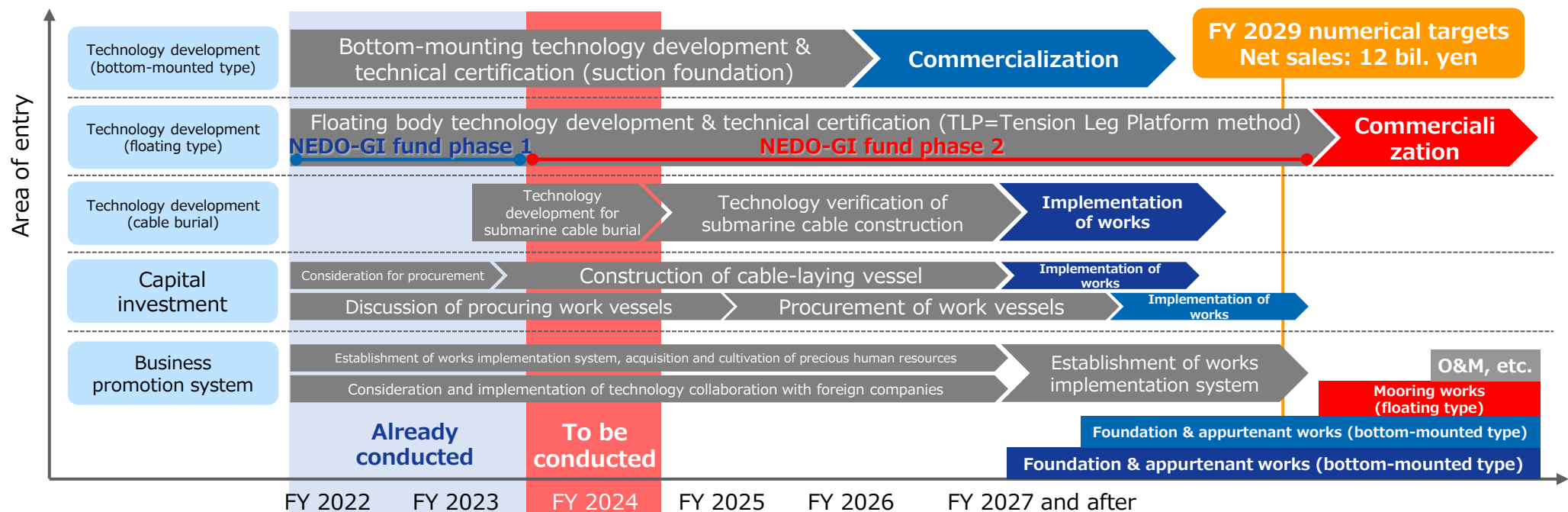
IV Topics (Offshore wind power -2)



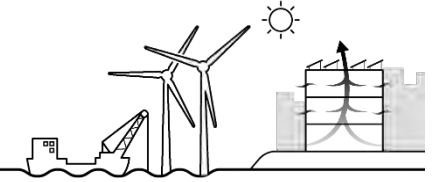
Strategic Framework / Roadmap

Acquiring a top-class share in marine work area* of offshore wind power business for a primary source of revenue of Toyo Construction *Cable laying work, foundation & appurtenant works (bottom-mounted type), mooring works (floating type), O&M, etc.

Primary specifications	gross tonnage: approx. 19,000t, thrust power: approx. 13,000kw, DPS Class 2, ship's classification: Class NK
Dimensions of vessel	accommodation capacity: 90 person (all private rooms, fully equipped with shower & restroom)
Cable tank	150m long x 28m wide x 12m deep, max.draft: 7.0 m
Main/Sub crane	capacity: 9,000 t (including portable-type)
Other equipment	lifting capacity of 250t / 100t (with the rolling alleviation function)
Investment value	helideck, 4-point mooring device (for works in shallow sea area), 2xROV system, storage battery system
	approx. 30 bil. yen



Response to social issues (overtime work cap regulations)



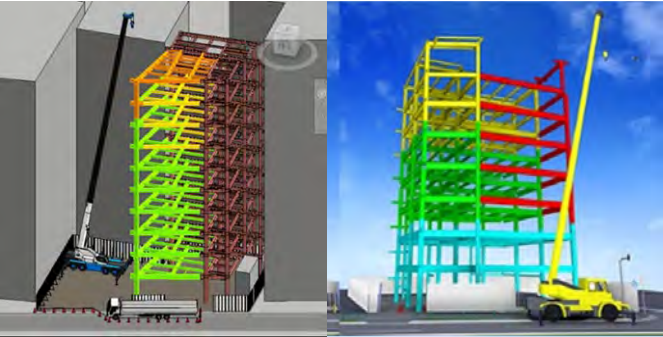
The overtime work cap regulations of “Work-style reform related law” are applied to the construction industry. Committing to productivity improvement and overtime work reduction

Specific countermeasures

- Visualizing the upper limit of overtime work by developing and introducing job analysis tools
- Introducing the overtime management system to sites
- Institutionalizing the flexible response to staggered working hours (responding to work type having morning assembly early, such as marine works)

Examples of productivity improvement approaches at construction sites

Productivity improvement



Evaluation whether the steel frame erection method is suitable or not

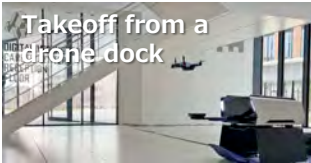
【Model project for conducting experimental implementation to verify the merit of BIM introduction (partner entrepreneur type)】adopted by MLIT

Productivity improvement


Appearance inspection




Takeoff from a drone dock



Remote control from the headquarters



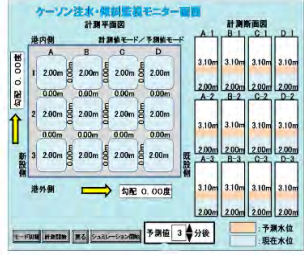
Corridor area inspection



Remote supervision of works by autonomous drone

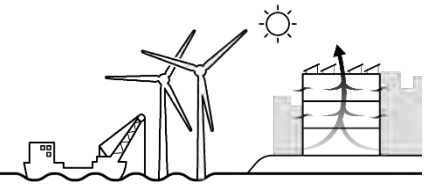
【Model project for building production and operation & maintenance process facilitation by utilizing BIM (leading entrepreneur type)】adopted by MLIT

Productivity improvement

“Box-navi”, a caisson installation system; construction management system utilizing the 360-degree VR images, etc.

Winning the “Award for Excellence, Infrastructure DX Awards” by the “Quay (-14m) construction work at Tsuruga Port (southern Maruyama area) (No. 3)”, a project ordered from Hokuriku Regional Development Bureau of MLIT



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