

# Financial Results Presentation for the First Half of the Fiscal Year Ending March 31, 2022

November 30, 2021

**Becoming a truly strong corporate  
group**



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# Overview of Financial Results for the First Half of the Fiscal Year Ending March 31, 2022



## Preventive measures

We take thorough measures to prevent the spread of COVID-19 and continue construction works and plant operations to stably and constantly operate our business and provide our services while ensuring the safety and health of executives, employees, suppliers, and other relevant parties.

## Impact on our business

We suspended some of construction works, but both trends of public work orders and product delivery status remained steady. We had no significant impact on our performance until the end of the second quarter.


## Financial conditions

We ensure a necessary cash position. We observe no impact on our business activities in terms of working capital. We will continue to maintain financial soundness while paying close attention to changes in trends of construction work orders that may be influenced by COVID-19 preventive measures.

- Economic activities remained stagnant due to the COVID-19 pandemic.
- In the road construction market, public investment remained strong in relation to disaster prevention and mitigation and general measures to boost national resilience.  
Crude oil price continued to rise, causing raw material prices to soar. This forced us to operate in a challenging business environment and made it difficult for us to make a significant profit.



## We promote strategies in the Medium-term Management Plan (FY2021–FY2023)

- 1 Expand stable earnings by further strengthening the competitiveness of our core businesses
  - 2 Rise to the challenge of expanding business areas and developing new business fields
  - 3 Create a virtuous cycle in the recruitment, retention, and development of human resources
  - 4 Establish new ways of working that help improve productivity
  - 5 Build a strong and sound management and financial base
-  **Becoming a truly strong corporate group that can respond to any future environmental changes**

# 1 Financial Results (Consolidated and Non-consolidated)

- We achieved year-on-year increases in both sales and profits on consolidated and non-consolidated bases. The changes in accounting policies caused both net sales and cost of sales to increase by 1,984 million yen and 1,990 million yen, respectively.
- In comparison to the first half of FY2020 and FY2019, operating income continued upward trend (operating income was 1,438 million yen and 1,390 million yen for the first half of FY2020 and FY2019, respectively).
- In comparison to the initial forecast for the first half of FY2022, we had lower sales but achieved higher profits. These results were mainly attributable to improved profit in the Construction Business.
- We had a significant year-on-year decrease in net income due to an increase in income taxes.

(Millions of yen)

Consolidated	1H of FY2020 results	1H of FY2021 results	YoY change (Amount)	YoY change (%)	Initial forecast for 1H of FY2021 (announced on May 12)	vs. forecast (Amount)	vs. forecast (%)
Net sales	34,950	38,663	3,713	10.6	41,300	(2,637)	(6.4)
Gross profit	5,012	4,538	(474)	(9.5)	4,300	238	5.5
Operating income	2,236	1,753	(482)	(21.6)	1,300	453	34.8
Ordinary income	2,230	1,737	(492)	(22.1)	1,200	537	44.8
Net income	2,007	1,191	(815)	(40.6)	800	391	48.9

Non-consolidated	1H of FY2020 results	1H of FY2021 results	YoY change (Amount)	YoY change (%)	Initial forecast for 1H of FY2021 (announced on May 12)	vs. forecast (Amount)	vs. forecast (%)
Net sales	32,611	37,043	4,431	13.6	39,700	(2,657)	(6.7)
Gross profit	4,598	4,113	(485)	(10.6)	3,900	213	5.5
Operating income	2,137	1,661	(476)	(22.3)	1,200	461	38.4
Ordinary income	2,162	1,641	(521)	(24.1)	1,200	441	36.8
Net income	1,885	1,162	(723)	(38.3)	800	362	45.3

# 1 Orders Received, Net Sales and Construction Contracts Brought Forward (Consolidated)

- Orders received declined by 4.4% year on year but increased by 3.3% compared to those in the first half of FY2019.
- Construction works steadily progressed; as extensive construction works in progress have made progress, net sales of completed construction contracts increased, increasing overall net sales.
- Construction contracts brought forward fell below those of FY2021, almost the same level as those in FY2020 (The level during the same period of FY2021 was the highest in the past 10 years).
- We had a 2,156 million yen decrease in the amount of construction contracts in progress at the beginning of FY2021 as a result of changes in accounting standards.

(Millions of yen)

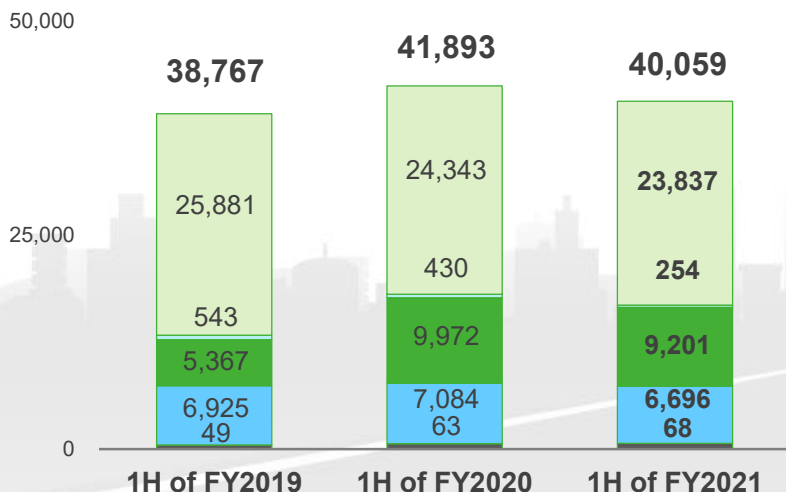
Orders received	1 H of FY2019	1H of FY2020	1H of FY2021		YoY change (Amount)	YoY change (%)	Initial forecast for 1H of FY2021 (announced on May 12)	vs. forecast (Amount)	vs. forecast (%)
	Amount	Amount	Amount	Composition (%)					
Construction Business	31,792	34,746	33,294	83.1	(1,451)	(4.2)	32,640	654	2.0
Asphalt pavement	25,881	24,343	23,837	59.5	(505)	(2.1)	-	-	-
Concrete pavement	543	430	254	0.6	(175)	(40.8)	-	-	-
Civil engineering works, etc.	5,367	9,972	9,201	23.0	(770)	(7.7)	-	-	-
Pavement Materials Manufacturing and Sales Business	6,925	7,084	6,696	16.7	(387)	(5.5)	7,330	(634)	(8.6)
Real Estate Business, etc.	49	63	68	0.2	5	8.5	50	18	36.0
<b>Total orders received</b>	<b>38,767</b>	<b>41,893</b>	<b>40,059</b>	<b>100.0</b>	<b>(1,834)</b>	<b>(4.4)</b>	<b>40,020</b>	<b>39</b>	<b>0.1</b>

(Millions of yen)

## Orders received

- Asphalt pavement
- Concrete pavement
- Civil engineering works, etc.
- Pavement Materials Manufacturing and Sales Business
- Real Estate Business, etc.

(Millions of yen)



## Net sales

	1H of FY2019	1H of FY2020	1H of FY2021
Construction Business	24,164	27,802	31,898
Asphalt pavement	19,749	22,213	25,098
Concrete pavement	172	967	261
Civil engineering works, etc.	4,242	4,621	6,539
Pavement Materials Manufacturing and Sales Business	6,925	7,084	6,696
Real Estate Business, etc.	49	63	68
<b>Total</b>	<b>31,139</b>	<b>34,950</b>	<b>38,663</b>

## Construction contracts brought forward

(Millions of yen)

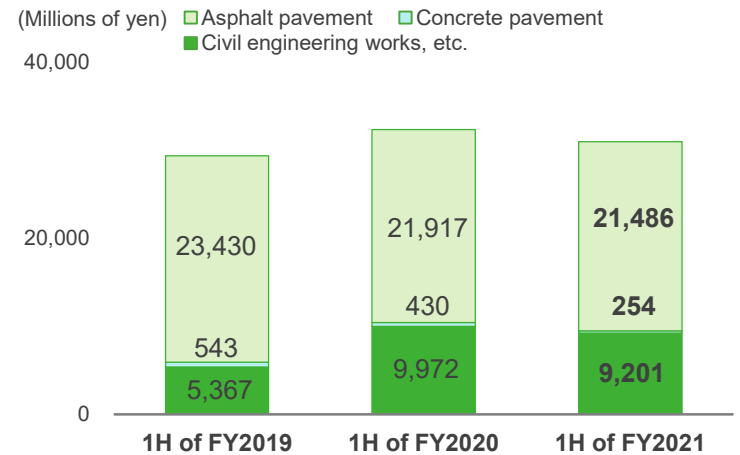
	1H of FY2019	1H of FY2020	1H of FY2021
Construction Business	40,761	48,335	40,217
Asphalt pavement	28,777	33,436	27,711
Concrete pavement	1,564	696	277
Civil engineering works, etc.	10,419	14,202	12,228
<b>Total</b>	<b>40,761</b>	<b>48,335</b>	<b>40,217</b>

# 1 Construction Work Orders Received (Non-consolidated) 世紀東急工業株式会社

- We continued to receive construction work orders from the private sector that we focus on. However, we had fewer large-scale construction work orders from the public sector, which fell below those during the same period of FY2020.
- We constantly received orders as a whole; however, some customers in these sectors mainly in Tokyo placed fewer orders partly due to the Olympic and Paralympic Games and the COVID-19 pandemic.

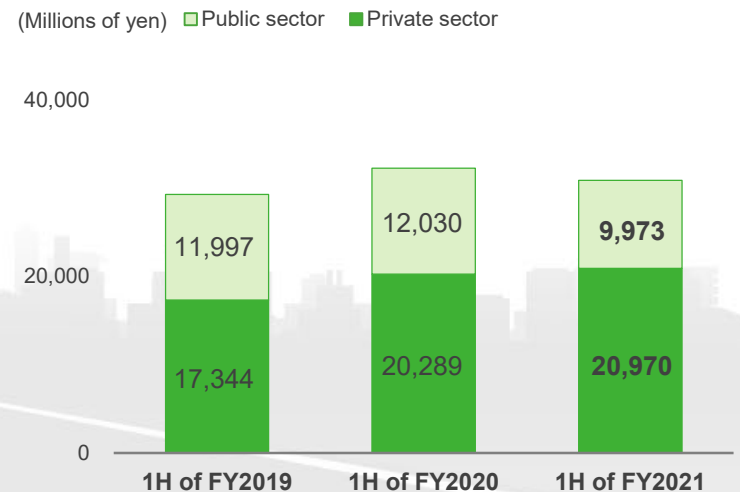
(Millions of yen)

Orders received by type of work	1H of FY2019	1H of FY2020	1H of FY2021	YoY change (Amount)	YoY change (%)
Asphalt pavement	23,430	21,917	21,486	(430)	(2.0)
Concrete pavement	543	430	254	(175)	(40.8)
Civil engineering works, etc.	5,367	9,972	9,201	(770)	(7.7)
<b>Total</b>	<b>29,341</b>	<b>32,319</b>	<b>30,943</b>	<b>(1,376)</b>	<b>(4.3)</b>



(Millions of yen)

Orders received by public and private sector	1H of FY2019	1H of FY2020	1H of FY2021	YoY change (Amount)	YoY change (%)
Public sector	11,997	12,030	9,973	(2,057)	(17.1)
Private sector	17,344	20,289	20,970	680	3.4
Tokyu Group	1,737	961	914	(47)	(4.9)
<b>Total</b>	<b>29,341</b>	<b>32,319</b>	<b>30,943</b>	<b>(1,376)</b>	<b>(4.3)</b>





# 1 Product Manufacturing and Sales Results (Non-consolidated) 世紀東急工業株式会社

- Both production volume and sales volume of asphalt composites fell below those during the same period of FY2020 due to sluggish product demand trends. While manufacturing and transportation costs increased, selling prices remained unchanged, which decreased sales.
- As we increased consignment sales, we had higher sales of other products. However, overall product sales fell below those of FY2020.

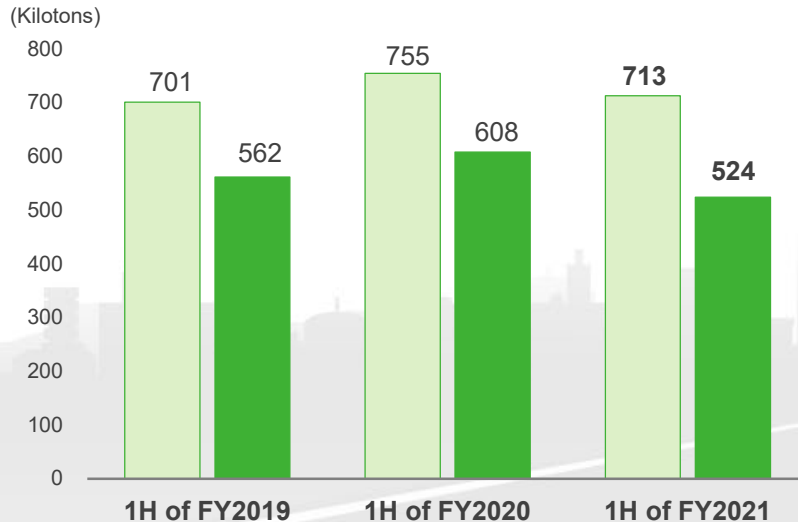
(Millions of yen)

		1H of FY2019	1H of FY2020	1H of FY2021	YoY change (Amount)	YoY change (%)
Asphalt composites	Production volume (Kilotons)	701	755	713	(42)	(5.6)
	Sales volume (Kilotons)	562	608	524	(84)	(13.8)
	Sales	5,110	5,454	4,667	(787)	(14.4)
Sales of other products		1,910	1,757	2,106	349	19.9
Total net sales		7,021	7,211	6,773	(438)	(6.1)

Notes 1. The difference between production volume and sales volume of asphalt composites is the quantity used for construction works we received orders for.  
2. Sales of other products were generated by the sales of asphalt emulsion, crushed stone, etc.

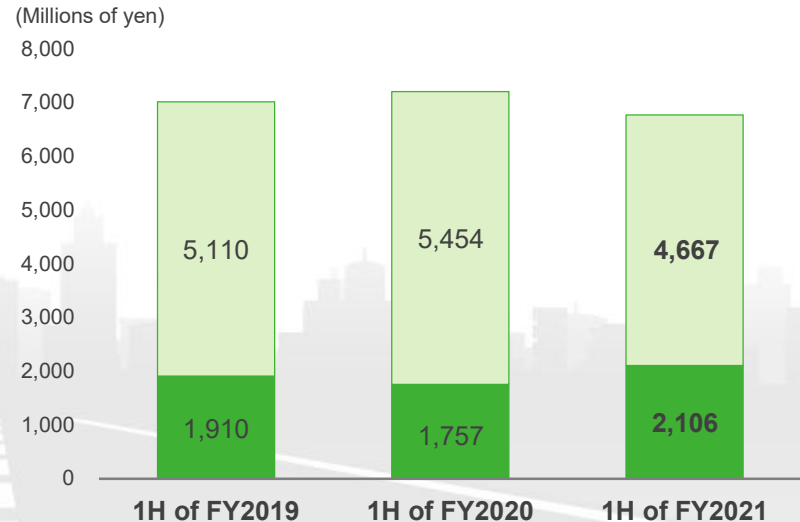
## Production volume and sales volume

■ Production volume ■ Sales volume



## Net sales

■ Asphalt composites ■ Other products



# 1 Net Sales and Profit (Loss) Results by Segment (Consolidated)

- In the Construction Business, extensive construction works in progress have made steady progress, increasing net sales of completed construction contracts. Changes in accounting standards resulted in an increase of 1,984 million yen in net sales, which slightly lowered the margin. However, we have maintained an increasing trend of segment profit in recent years.
- In the Pavement Materials Manufacturing and Sales Business, raw material prices remained high during the first half of FY2021, which were temporarily stable during the same period of FY2020. The margin significantly declined partly due to no progress made in the revision of selling prices and increased depreciation resulting from recent capital expenditure.

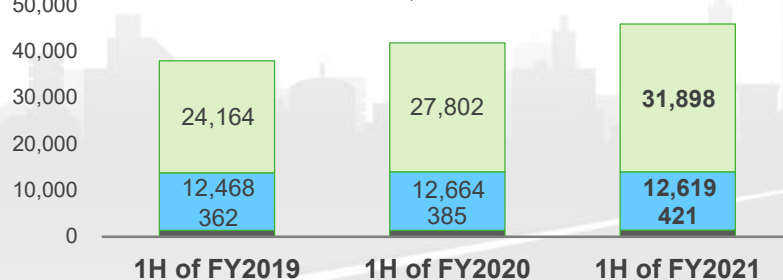
(Millions of yen)

Net sales	1H of FY2019	1H of FY2020	1H of FY2021	YoY change (Amount)	YoY change (%)
Construction Business	24,164	27,802	31,898	4,095	14.7
Pavement Materials Manufacturing and Sales Business	12,468	12,664	12,619	(45)	(0.4)
Real Estate Business, etc.	362	385	421	35	9.2
Adjustments	(5,856)	(5,903)	(6,276)	(373)	—
<b>Total net sales</b>	<b>31,139</b>	<b>34,950</b>	<b>38,663</b>	<b>3,713</b>	<b>10.6</b>

Operating income	1H of FY2019	1H of FY2020	1H of FY2021	YoY change (Amount)	YoY change (%)
Construction Business	1,882	2,291	2,532	240	10.5
Pavement Materials Manufacturing and Sales Business	936	1,522	736	(786)	(51.7)
Real Estate Business, etc.	75	86	92	5	6.6
Adjustments	(1,456)	(1,665)	(1,607)	57	—
<b>Total operating income</b>	<b>1,438</b>	<b>2,236</b>	<b>1,753</b>	<b>(482)</b>	<b>(21.6)</b>

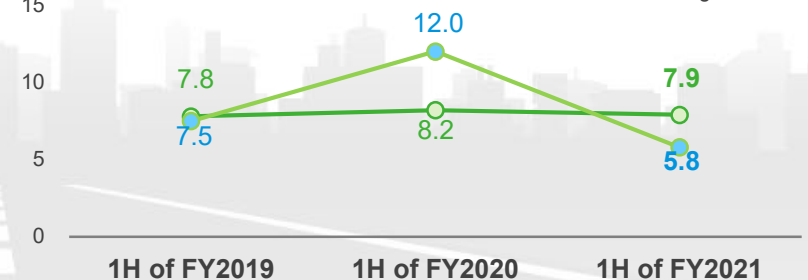
**Net sales** (Millions of yen)

- Construction Business
- Pavement Materials Manufacturing and Sales Business
- Real Estate Business, etc.



**Operating income margin** (%)

- Construction Business margin
- Pavement Materials Manufacturing and Sales Business margin



# 1 SG&A, Operating Income, Ordinary Income and Net Income (Consolidated)

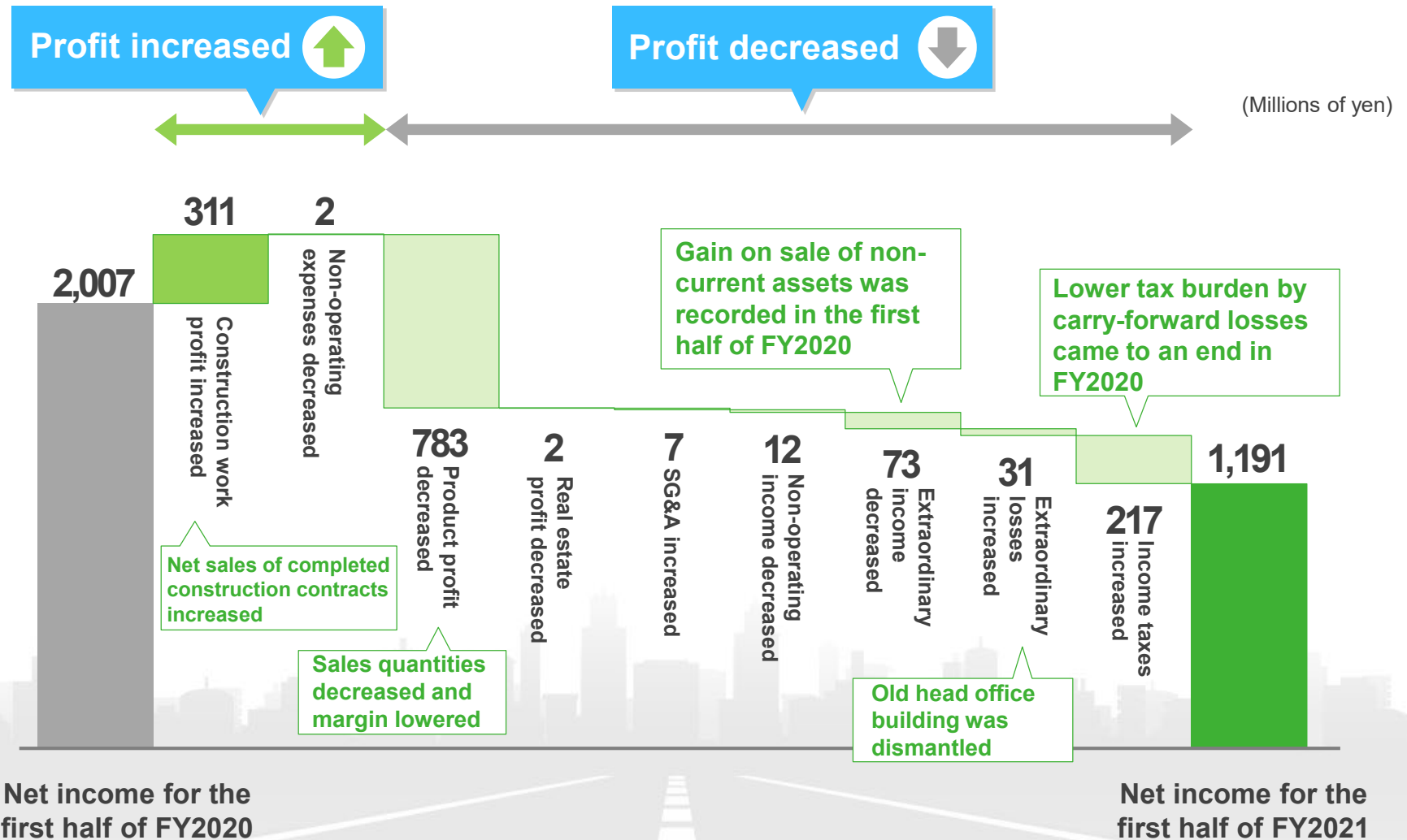
- Ordinary income decreased compared to the same period of FY2020, which marked record profit. Ordinary income increased compared to the same period of FY2020.
- Income taxes increased significantly compared to the same period of FY2020 because income tax burden was reduced by carry-forward losses until FY2020.

(Millions of yen)

	1H of FY2019		1H of FY2020		1H of FY2021		YoY change (Amount)	YoY change (%)
	Amount	Composition (%)	Amount	Composition (%)	Amount	Composition (%)		
Net sales	31,139	100.0	34,950	100.0	38,663	100.0	3,713	10.6
Gross profit	3,841	12.3	5,012	14.3	4,538	11.7	(474)	(9.5)
Selling, general and administrative expenses	2,403	7.7	2,776	7.9	2,784	7.2	7	0.3
Operating income	1,438	4.6	2,236	6.4	1,753	4.5	(482)	(21.6)
Non-operating income	33	0.1	44	0.1	31	0.1	(12)	(28.1)
Non-operating expenses	38	0.1	50	0.1	47	0.1	(2)	(5.0)
Ordinary income	1,433	4.6	2,230	6.4	1,737	4.5	(492)	(22.1)
Extraordinary income	1,541	5.0	88	0.3	14	0.0	(73)	(83.9)
Extraordinary losses	110	0.4	9	0.0	41	0.1	31	330.4
Profit before income taxes	2,863	9.2	2,308	6.6	1,710	4.4	(597)	(25.9)
Income taxes	238	0.8	301	0.9	518	1.3	217	72.2
Net income	2,625	8.4	2,007	5.7	1,191	3.1	(815)	(40.6)

# 1 Analysis of Factors Affecting Changes in Net Income (Consolidated)

- Net income decreased by 815 million yen because a continuous increase in construction work profit did not exceed a decline in product profit, and there was a multitude of negative factors such as income taxes.



# 1 Changes in Accounting Policies (Consolidated)

## Main effect of changes in accounting policies (application of the Accounting Standard for Revenue Recognition)

### ● Adjustment to the beginning balance of FY2021

(Millions of yen)

Retained earnings			Construction works in progress (net sales of construction contracts brought forward from FY2021)		
Before adjustment	Adjustment	After adjustment	Before adjustment	Adjustment	After adjustment
38,767	(88)	38,678	40,978	(2,156)	38,821

### ● Effect during the first half of FY2021

(Millions of yen)

Net sales			Cost of sales		
Consolidated statement of income	Effect (Net sales of completed construction contracts)	Net total	Consolidated statements of income	Effect (Cost of sales of completed construction contracts)	Net total
38,663	1,984	36,679	34,125	1,990	32,135

\* There were minimal impacts on profits.

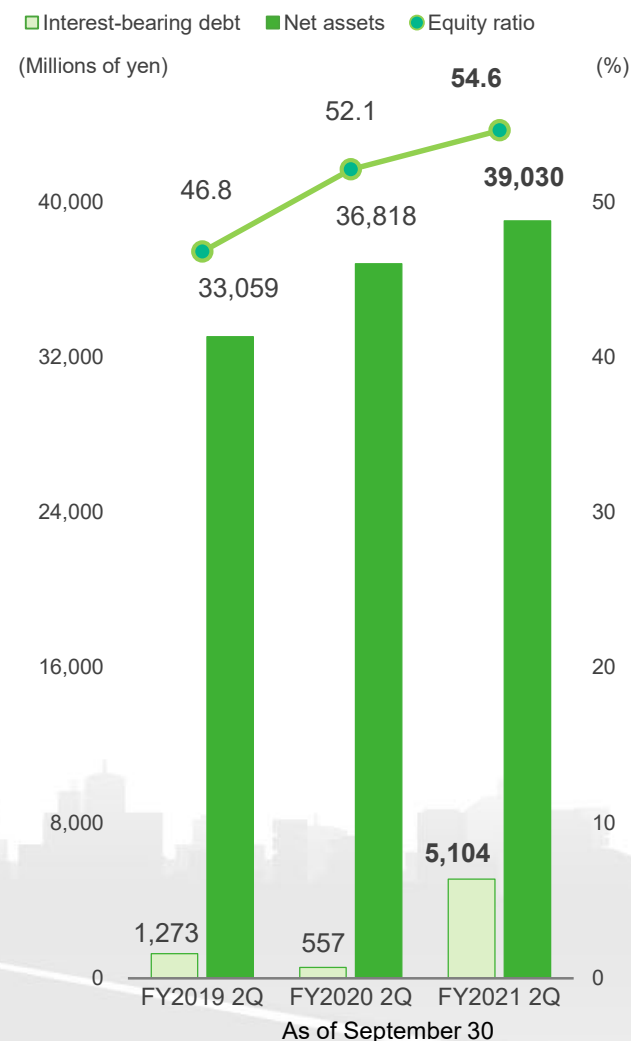
# 1 Consolidated Financial Position and Cash Flows

- Purchase of property, plant and equipment of 1,799 million yen
- Purchase of treasury shares of 1,248 million yen (the upper limit of purchasing treasury shares in FY2021 is 2,500 million yen or 3.5 million shares)
- We made long-term borrowings of 5,000 million yen in December 2020 to improve payment terms, etc.
- Dividends paid of 1,730 million yen

## Consolidated financial position

(Millions of yen)

	As of Sept. 30, 2019	As of Sept. 30, 2020	As of Sept. 30, 2021	YoY change
<b>Total assets</b>	70,636	70,629	71,472	843
<b>Total liabilities</b>	37,576	33,811	32,442	(1,368)
Interest-bearing debt	1,273	557	5,104	4,546
(Short-term borrowings)	823	407	104	(303)
(Long-term borrowings)	450	150	5,000	4,850
<b>Net assets</b>	33,059	36,818	39,030	2,212
<b>Equity ratio</b>	46.8%	52.1%	54.6%	—



## Consolidated cash flows

(Millions of yen)

	1H of FY2019	1H of FY2020	1H of FY2021
Net cash provided by (used in) operating activities	8,333	6,615	6,844
Net cash provided by (used in) investing activities	(1,382)	(1,663)	(1,993)
Net cash provided by (used in) financing activities	(2,312)	(2,106)	(2,882)
Effect of exchange rate change on cash and cash equivalents	(2)	(10)	3
Net increase (decrease) in cash and cash equivalents	4,636	2,835	1,972
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	696	—	—
<b>Cash and cash equivalents at end of period</b>	<b>21,067</b>	<b>17,004</b>	<b>16,007</b>

# 1 Major Construction Works in Progress (Those We Received Orders for and Those Brought Forward)

## ● Construction works we received orders for

Customer	Project	Site (Prefecture)
Tohoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism (MLIT)	Maintenance and repair work on Route 6 in Soma area	Fukushima
Kawasaki City	Construction work (switch) on Setagaya Machida Line, Tama-ku urban planning and road	Kanagawa
Hokuriku Regional Development Bureau, MLIT	Third other utility tunnel construction work in Owaricho (2021)	Ishikawa
Central Nippon Expressway Company Limited	Pavement improvement work in the Komagatake service area on Chuo Expressway (outbound line)	Nagano
Hanshin Expressway Company Limited	Large-scale pavement repair work (Kobe Line, January 2021)	Hyogo

## ● Construction works brought forward from FY2020

Customer	Project	Site (Prefecture)
East Nippon Expressway Company Limited	Sasson Expressway Hassamu viaduct deck slab waterproofing work	Hokkaido
East Nippon Expressway Company Limited	Pavement repair work within the jurisdiction of Utsunomiya Management Office of Tohoku Expressway	Tochigi
TOKYU CORPORATION and TOKYU RECREATION CO., LTD.	Construction work on minor road Line 72 and new building peripheral ward road	Tokyo
East Nippon Expressway Company Limited	Pavement repair work within the jurisdiction of Yuzawa Operation Office of Kanetsu Expressway (2021)	Niigata
Central Nippon Expressway Company Limited	Pavement repair work (large-scale renewal project) within the jurisdiction of Toyama Operation Office of Hokuriku Expressway (FY2020)	Toyama

# 1 Major Completed Construction Works

Customer	Project	Site (Prefecture)
Tohoku Regional Development Bureau, MLIT	Route 45 Ube Ashigasawa area pavement construction work	Iwate
Kanto Regional Development Bureau, MLIT	New Line 4 Koushu area pavement construction work (2020)	Ibaraki
West Nippon Expressway Company Limited	Pavement repair work within the jurisdiction of Kyoto Operation Office (2019)	Kyoto
Hanshin Expressway Company Limited	Large-scale pavement repair work (loop line road, January 2019)	Osaka
West Nippon Expressway Company Limited	Pavement construction work between Okayama Junction and Ukan Interchange on Okayama Expressway	Okayama



Route 45 Ube Ashigasawa area pavement construction work



New Line 4 Koushu area pavement construction work (2020)



Large-scale pavement repair work (loop line road, January 2019)



## Prevent recurrence of violation of the Anti-Monopoly Act

- In response to the violations of the Anti-Monopoly Act that had taken place in the period up to January 2015, we will continue to implement measures laid out to prevent recurrence across the Company and strive to regain trust early.

### Outline of measures to prevent recurrence

#### Announced on March 25, 2016

Measures to Prevent the Recurrence of Anti-Monopoly Act Violations (Mainly includes measures against violations in bidding for construction works)

#### Announced on January 24, 2020

Specific Measures to Prevent Recurrence Compiled in Response to the Recommendations in the Investigation Report (Additional measures against violations in deciding mixture prices)

### Lawsuit for revoking an order to pay surcharges (issued on July 30, 2019)

As we announced on January 23, 2020, we filed a lawsuit against the Japan Fair Trade Commission for revoking one of their orders to pay surcharges because there were some divergences of views between the Company and the commission concerning net sales subject to the calculation of the surcharges.

On August 5, 2021, the Tokyo District Court rejected the Company's claim. However, the Company was dissatisfied with the judgment and appealed to the Tokyo High Court. The lawsuit is still ongoing. We will continue to seek a fair judgment in court.

## Purchase of treasury shares

### 1 Resolution to purchase treasury shares approved at the Board of Directors meeting held on May 12, 2021

(1) Class of shares to purchase	Common shares of the Company
(2) Total number of shares to purchase	3,500,000 shares (upper limit) (8.67% of the total number of shares issued excluding treasury shares)
(3) Total purchase cost of shares	2,500,000,000 yen (upper limit)
(4) Purchase period	May 13, 2021 to March 31, 2022
(5) Purchase method	Market purchase on the Tokyo Stock Exchange (discretionary investment method by a securities company)

### 2 Cumulative total of treasury shares purchased based on the above resolution by the Board of Directors (as of October 31, 2021)

(1) Total number of shares purchased	1,638,000 shares (46.8% to the upper limit)
(2) Total purchase cost of shares	1,415,174,051 yen (56.6% to the upper limit)

## Issuance of Corporate Report (September 2021)

In response to many requests from our stakeholders including shareholders and investors to disclose more information about sustainability, such as our efforts to address ESG issues and our contribution to achieve the SDGs, we compiled the key financial and non-financial information of the Group and issued our Corporate Report.

Going forward, we will regularly issue the report once a year. Please feel free to contact us if you have any requests or opinions about the report.

Website for contact form: <https://www.seikitokyo.co.jp/contact>

2

## Outlook for the Fiscal Year Ending March 31, 2022



## 2 Financial Results Forecast for FY2021 (Consolidated and Non-consolidated)

- We expect to continue to see firm underlying demand in the road construction market, such as disaster prevention and mitigation business and greater national resilience.
- In terms of profit, however, we expect a reactionary decline in profit following our recent strong performance supported by a multitude of positive factors. Profit will be affected by the end of the carry-forward period for carry-forward losses.
- Given the performance for the first half of FY2021, we expect to see better profit than our initial forecast.
- We do not expect any particular impact of the COVID-19 pandemic at this moment.

(Millions of yen)

Consolidated	FY2020	FY2021 (Forecast)	YoY change (Amount)	YoY change (%)	Initial forecast for FY2021 (announced on May 12)	vs. forecast (Amount)	vs. forecast (%)
Orders received	89,611	86,100	(3,511)	(3.9)	86,800	(700)	(0.8)
Net sales	90,025	88,600	(1,425)	(1.6)	86,400	2,200	2.5
Gross profit	14,111	10,800	(3,311)	(23.5)	10,800	—	—
Operating income	8,470	4,900	(3,570)	(42.1)	4,800	100	2.1
Ordinary income	8,395	4,800	(3,595)	(42.8)	4,700	100	2.1
Net income	5,180	3,300	(1,880)	(36.3)	3,100	200	6.5

Non-consolidated	FY2020	FY2021 (Forecast)	YoY change (Amount)	YoY change (%)	Initial forecast for FY2021 (announced on May 12)	vs. forecast (Amount)	vs. forecast (%)
Orders received	84,747	81,500	(3,247)	(3.8)	82,200	(700)	(0.9)
Net sales	84,699	84,500	(199)	(0.2)	82,200	2,300	2.8
Gross profit	12,971	9,800	(3,171)	(24.4)	9,800	—	—
Operating income	7,988	4,600	(3,388)	(42.4)	4,500	100	2.2
Ordinary income	7,960	4,400	(3,560)	(44.7)	4,400	—	—
Net income	4,784	3,100	(1,684)	(35.2)	3,000	100	3.3

# 2

## Net Sales and Profit (Loss) Forecast by Segment (Consolidated) 世紀東急工業株式会社

- Backed by extensive construction works in progress and solid orders received, we expect higher net sales of completed construction contracts than our initial forecast.
- We expect a decline in construction work profit following the significantly improved margin in FY2020.
- In the product business, we expect more challenging business environment than what we expected at the beginning of FY2021 due to rising manufacturing and transportation costs, but will strive to increase sales quantities and the ratio of value added, aiming to improve profit.

(Millions of yen)

Net sales	FY2020	FY2021 (Forecast)	YoY change (Amount)	YoY change (%)
Construction Business	74,357	72,400	(1,957)	(2.6)
Pavement Materials Manufacturing and Sales Business	28,721	29,430	709	2.5
Real Estate Business, etc.	765	800	35	4.6
Adjustments	(13,819)	(14,000)	(181)	-
<b>Total net sales</b>	<b>90,025</b>	<b>88,630</b>	<b>(1,395)</b>	<b>(1.5)</b>

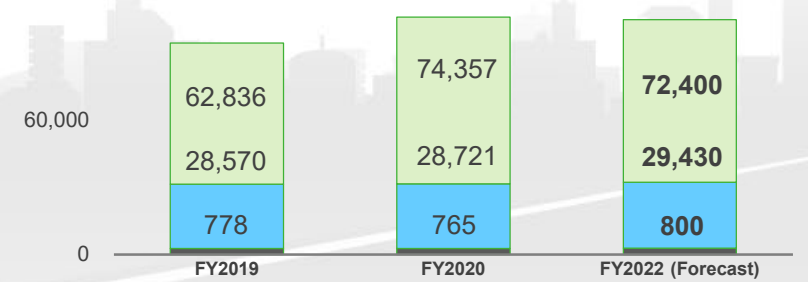
Initial forecast for FY2021 (announced on May 12)	vs. forecast (Amount)	vs. forecast (%)
70,000	2,400	3.4
29,000	430	1.5
760	40	5.3
(13,360)	(640)	-
<b>86,400</b>	<b>2,230</b>	<b>2.6</b>

Operating income	FY2020	FY2021 (Forecast)		YoY change (Amount)	YoY change (%)
	Amount	Amount	Margin (%)		
Construction Business	8,428	6,291	8.7	(2,137)	(25.4)
Pavement Materials Manufacturing and Sales Business	3,163	1,765	6.0	(1,398)	(44.2)
Real Estate Business, etc.	154	170	21.3	16	10.4
Adjustments	(3,275)	(3,300)	-	(25)	-
<b>Total operating income</b>	<b>8,470</b>	<b>4,926</b>	<b>5.6</b>	<b>(3,544)</b>	<b>(41.8)</b>

Initial forecast for FY2021 (announced on May 12)	vs. forecast (Amount)	vs. forecast (%)
5,700	591	10.4
2,400	(635)	(26.5)
150	20	13.3
(3,450)	150	-
<b>4,800</b>	<b>126</b>	<b>2.6</b>

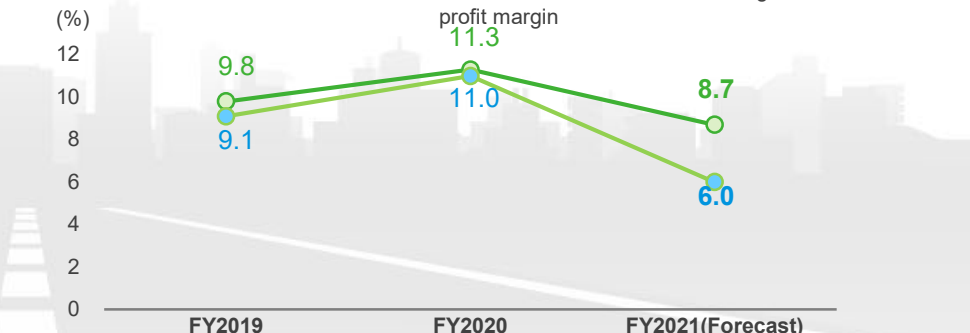
**Net sales** (Millions of yen)

- Construction Business
- Pavement Materials Manufacturing and Sales Business
- Real Estate Business, etc.



**Operating income margin**

- Construction Business profit margin
- Pavement Materials Manufacturing and Sales Business profit margin



## 2 Forecast of Construction Work Orders to be Received (Consolidated and Non-consolidated)

- As we expect a gradual decrease in public works in the future, we will continue to focus on strengthening the base of receiving construction orders from the private sector, taking into account medium- to long-term marketability.
- We intend to ensure that we receive public work orders equivalent to approximately 24,556 million yen (the same level as FY2019).
- We aim to further increase orders as we expect the firm underlying demand for construction.

(Millions of yen)

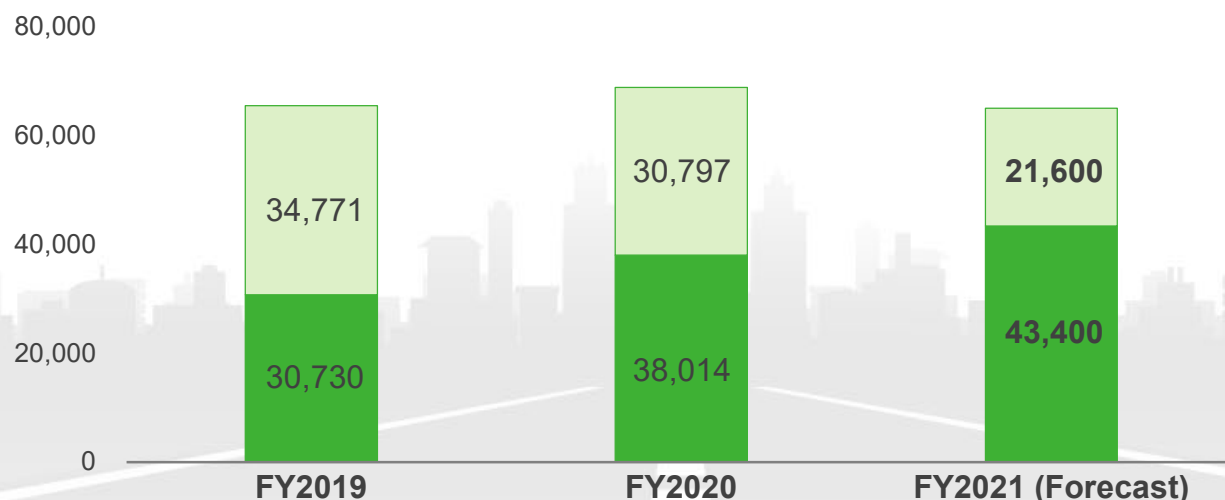
Consolidated	FY2020	FY2021 (Forecast)	YoY change (Amount)	YoY change (%)
Total construction work orders received	73,944	69,800	(4,144)	(5.6)

Initial forecast for FY2021 (announced on May 12)	vs. forecast (Amount)	vs. forecast (%)
70,400	(600)	(0.9)

Non-consolidated	FY2020	FY2021 (Forecast)	YoY change (Amount)	YoY change (%)
Public sector	30,797	21,600	(9,197)	(29.9)
Private sector	38,014	43,400	5,386	14.2
Tokyu Group	2,737	2,400	(337)	(12.3)
Total	68,812	65,000	(3,812)	(5.5)

Initial forecast for FY2021 (announced on May 12)	vs. forecast (Amount)	vs. forecast (%)
23,010	(1,410)	(6.1)
41,990	1,410	3.4
2,650	(250)	(9.4)
65,000	-	-

(Millions of yen)    □ Public sector    ■ Private sector



3

# Reference: Long-term Vision and Medium-term Management Plan



# 3 Where We Should Be in 2030

## Where We Should Be in 2030 (Vision)

### Corporate Philosophy

**An infrastructure building company that helps create affluent communities**

### Where We Should Be in 2030

**A truly strong corporate group that pursues personal and corporate growth in tandem and helps realize a sustainable society**

- Our people are the Company's most important management resource. Based on our corporate culture that promotes high employee engagement, we are determined to grow the Company further by encouraging employees who have polished their skills through our substantial training system to demonstrate their abilities without reserve.
- We intend to become a sustainable presence in the face of frequent unpredictable situations, such as the COVID-19 pandemic and natural disasters not by preparing for them, but by improving our fundamental strengths and crisis response capabilities and achieving true strength.
- We intend to help realize a sustainable society by sincerely fulfilling our responsibilities as an infrastructure building company in both regular and emergency times





# 3 Where We Should Be in 2030

## Where We Should Be in 2030 (Quantitative Targets)

### ● Key Performance Indicators (KPI, consolidated)

Item	FY2030 target
Net sales	100.0 billion yen
Operating income	8.0 billion yen
Net income	5.0 billion yen
ROE	10.0%
Equity	50.0 billion yen
Total assets	100.0 billion yen
Equity ratio	50.0%

### Our approach to achieving quantitative targets

#### Net sales: 100 billion yen

Our net sales target of 100 billion yen in our 2030 strategy is based on the idea that 100 billion yen in sales is the optimum scale of our business that would maximize profits, while having secured the necessary human resources for our current business divisions and capping the rise in management costs linked to an expansion of our current organizational structure and an increase in management personnel.

#### Operating income: 8.0 billion yen (operating income margin: 8.0%), net income: 5.0 billion yen

In recent years, our operating income margin has been one of the highest among those of so-called major paving companies. We intend to maintain this high operating income margin and to record a stable operating income total of 8.0 billion yen by expanding sales to 100 billion yen, and to expand our presence as a profitable company in the road construction industry. Our target figure for net income is set at 5.0 billion yen due to the fact that our corporate tax burden will return to normal levels after measures to reduce the tax burden using carry-forward losses ended in FY2020.

#### ROE: 10.0%, equity: 50.0 billion yen

During our revitalization phase that began in the early 2000s when our equity had suffered significant damage, ROE has remained consistently high at an average of 20% or above. However, as we have developed greater financial soundness and shifted into the renewed growth phase, ROE is expected to decline somewhat as our tax burden returns to regular levels. We aim to achieve ROE of 10.0% in the future while also creating a positive equity spread over the medium- to long-term.

## Basic Policies for Realizing Our Where We Should Be in 2030 Strategy

### 1. Expand stable earnings

In recent periods, we have successfully ensured a certain level of profit in the construction business whose primary activity is paving roads and the pavement materials manufacturing and sales business. We improve our technologies, accumulate experience, and further strengthen our competitiveness in these core businesses, thereby expanding stable earnings.

### 2. Diversify revenue sources

Since our businesses are greatly susceptible to domestic road construction market trends, we rise to the challenge of diversifying revenue sources with a view to expanding the existing business areas and developing new business fields and promote the building of business structure capable of responding to environmental changes.

### 3. Execute people-centric management

We regard human resources development cost as an investment rather than an expense because human resources are the foundation of competitiveness and seek to help our employees grow. Meanwhile, we ensure diverse human resources and provide them with an opportunity to play an active role, thereby improving our Group's organizational strength.

### 4. Establish new ways of working

We establish new ways of working that enable employees to achieve their work-life balance and the organization to improve productivity, by improving again the work environment and digitalizing and improving business processes, as well as eliminating long working hours. We then ensure that such new ways of working function effectively.

### 5. Enhance management and financial base

We continue to further improve corporate governance, strengthen risk management, foster the organizational culture that places priority on compliance, and make other efforts. Meanwhile, we strive to ensure financial soundness and provide stable shareholder returns, and build a strong and sound management and financial base.

**We formulate individual strategies and priority measures based on the five basic policies above and implement them reliably within the three-year Medium-term Management Plan, thereby aiming to realize our Where We Should Be in 2030 strategy.**

# 3 Where We Should Be in 2030

## Cash Flow Allocations

### ● Free cash flow use

**Operating cash flow  
(for 10 years cumulative)**

**Approx. 65.0 billion yen**

(Profit before income taxes: Approx. 64.0 billion yen)  
(Income taxes paid: Approx. (22.0) billion yen)  
(Depreciation: Approx. 23.0 billion yen)

■ Free cash flow use after dividend payments is allocated to the following based on management decision:

- Increase shareholder returns (Purchase treasury shares)
- Strengthen our financial position (Repay interest-bearing debt)
- Make additional investments, etc. (Make capital expenditure / strategic investment and human resources investment, provide support to partner companies, etc.)

Capital expenditure / strategic investment	Approx. 33.0 billion yen
Shareholder returns (TSR 50%)	Approx. 21.0 billion yen
<b>■ Free cash flow after dividend payments</b>	<b>Approx. 11.0 billion yen</b>

### Approx. 28.0 billion yen capital expenditure for 10 years (cumulative)

We also plan large-scale investments through FY2025, including the rebuilding of some asphalt plants. (FY2021–2022 plan includes the rebuilding of the head office based on the eco-friendly building concept.)

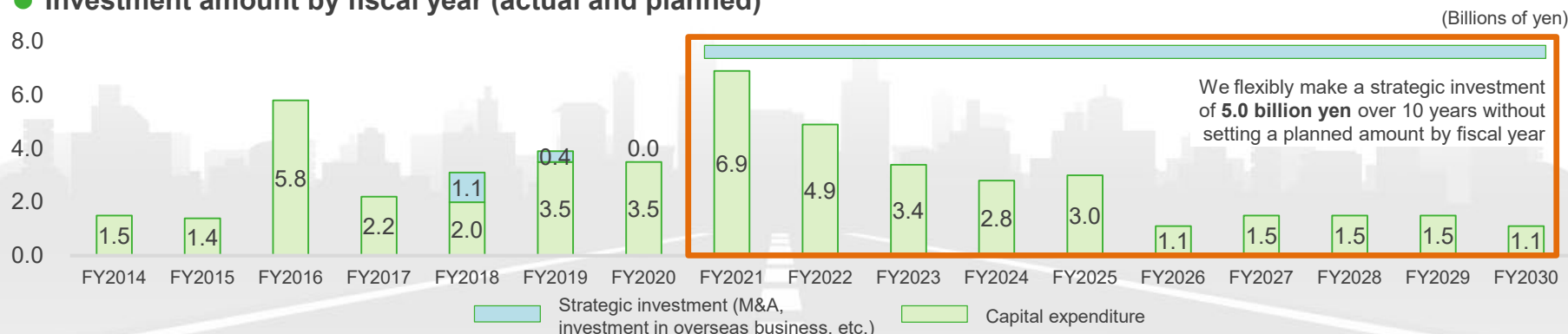
From FY2026, we expect to be investing in regular maintenance and updates but will continue making investments with due consideration of the environment and energy saving factors.

### Approx. 5.0 billion yen strategic investment for 10 years (cumulative)

We intend to continue making strategic investments\* with additional investment being channeled into overseas subsidiaries and M&A projects in Japan.

\* In M&A (in case of purchasing all the shares of the acquiree), the strategic investment amount is the actual investment amount after net cash at the time of the acquiree becoming a subsidiary has been subtracted from the purchase amount of the shares.

### ● Investment amount by fiscal year (actual and planned)



## Overview of the Medium-term Management Plan (FY2021-2023)

### Corporate Philosophy

**An infrastructure building company that helps create affluent communities**

### Vision

**A truly strong corporate group that pursues personal and corporate growth in tandem and helps realize a sustainable society**


### Basic Policies

#### **Becoming a truly strong corporate group**

For achieving our vision (Where We Should Be in 2030), we have started to take actions under the five basic policies: “Expand stable earnings,” “Diversify revenue sources,” “Execute people-centric management,” “Establish new ways of working,” and “Enhance management and financial base,” to transform into a “truly strong corporate group” resilient to environmental changes.

### Individual Strategies

- **Expand stable earnings by further strengthening the competitiveness of our core businesses**
- **Rise to the challenge of expanding business areas and developing new business fields**
- **Create a virtuous cycle in the recruitment, retention, and development of human resources**
- **Establish new ways of working that help improve productivity**
- **Build a strong and sound management and financial base**

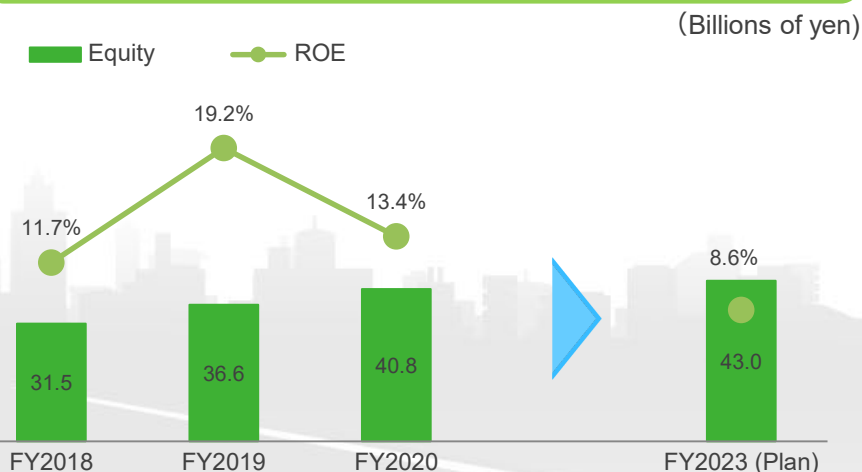
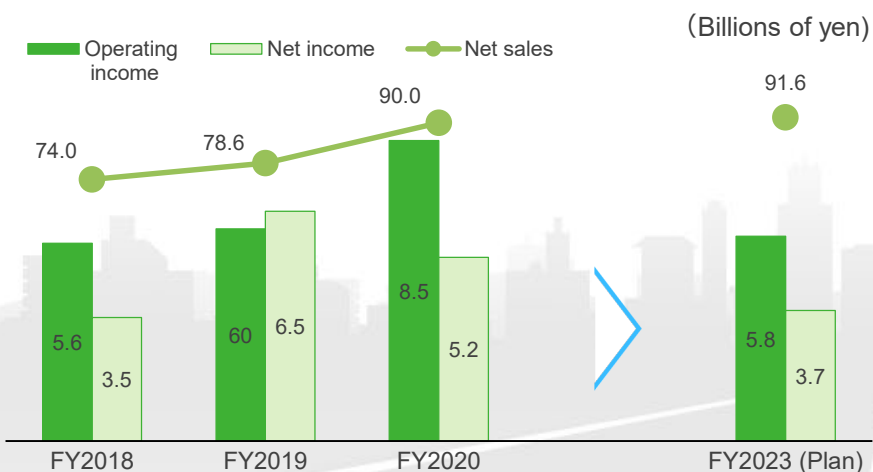


**Maintain and improve financial soundness \*Consider appropriate balance with capital efficiency**  
**Stable and consistent shareholder returns with a targeted dividend payout ratio of roughly 30% and total shareholders return of 50% or more**

## Key Performance Indicators (consolidated)(final year of the plan)

Indicator	FY2020 Actual	FY2023 Plan
Net sales	90.0 billion yen	91.6 billion yen
Operating income	8.5 billion yen	5.8 billion yen
Net income	5.2 billion yen	3.7 billion yen
ROE	13.4%	Approx. 8.6%
Equity	40.8 billion yen	Approx. 43.0 billion yen
Total assets	79.4 billion yen	Approx. 86.0 billion yen
Equity ratio	51.4%	Approx. 50%

- Operating income is assumed at the same level as FY2018 and FY2019, while projecting revenue growth. We estimate a decrease in large-scale projects to construct new roads awarded by public offices. To solidify the profit base during the period of the Plan, we will focus on private works (including subcontracted public works) which are less profitable than directly contracted public works, given the market trends in the medium- to long-term.
- Lower tax burden generated by carry-forward losses ended in FY2020, and net income decreased as a result of income tax payment returning to a normal level.
- [FY2023 net sales plan by business segment]
  - Construction (non-consolidated) 67.0 billion yen
  - Product business (non-consolidated) 18.0 billion yen
  - Domestic affiliates 8.8 billion yen
  - Overseas affiliates 1.0 billion yen
  - Elimination of transactions between consolidated companies -3.2 billion yen
 Gross profit: 11.7 billion yen (12.8%)  
 SG&A expenses: 5.9 billion yen  
 Operating income: 5.8 billion yen



## Individual Strategies / Key Strategies

### Strategy 1 Expand stable earnings by further strengthening the competitiveness of our core businesses

#### 【Construction Business】

- Increase competitiveness to win construction orders from the Ministry of Land, Infrastructure, Transport and Tourism and expressway companies, by building construction track record and strengthening our response capacity.
- Allow all construction sites (business offices) in Japan to support and sustain themselves in the local area to raise the level of infrastructure figures.
- Focus on addressing aging and deteriorating infrastructure where solid demand is expected, and developing sales in the areas of disaster prevention/mitigation, and renewable energy.

#### 【Pavement Materials Manufacturing and Sales Business】

- Secure sales volume in metropolitan areas with a large market size, by allocating sites to cover our construction works, and enhancing facilities and sales staff.
- Further expand market share by responding to customer needs such as enhancing the offering of eco-friendly products and product quality.

#### 【Technological Development】

- Create new added value by developing technologies foreseeing future changes in the role and function of road pavement.

### Strategy 2 Rise to the challenge of expanding business areas and developing new business fields

- Gain a competitive advantage to win orders of comprehensive maintenance works by further honing our technology. etc. to inspect and analyze road conditions.
- Set overseas business on a growth path, and create a new revenue pillar resilient to changes in the domestic construction market.
- Accelerate laying foundations for growth by pursuing M&A and partnership, etc., which help create synergies with existing businesses and expanding business fields and markets.

### Individual Strategies / Key Strategies

#### Strategy 3 Create a virtuous cycle in the recruitment, retention, and development of human resources

- Secure talents necessary to grow our business scale under the Plan, by hiring diverse human resources and strengthening ties with educational organizations.
- Drive employee engagement by further creating an “attractive workplace” where employees feel comfortable and motivated.
- Enhance capability of each employee by creating career paths for diverse talents and rebuilding the educational framework.

#### Strategy 4 Establish new ways of working that help improve productivity

- By leveraging ICT and implementing efficient operations, enhance productivity, correct long working hours, and realize eight holidays in four weeks.
- Enhance efficiency by digitalizing business processes and further promote the development of an environment to achieve work-life balance.

#### Strategy 5 Build a strong and sound management and financial base

- Fully implement measures to prevent violation of Anti-Monopoly Act and ensure strict compliance with other laws and regulations, to regain trust and confidence from stakeholders.
- Continue initiatives to strengthen corporate governance and promote management transparency by enhancing disclosure of information.
- Respond appropriately to changes in the accounting standards and taxation system, by further standardizing our accounting process and strengthening internal training on accounting practice.

## Capital Policy (Investment Plans, Financial Plans and Shareholder Returns)

### Consistent and strategic investment to build sustainable business foundation

	Over three-year plan	Annual average
Maintenance, renewal, acquisition of factories, offices, construction machinery, etc.	15.0 billion yen	5.0 billion yen
Strategic investment (M&A, etc.)	1.5 billion yen	0.5 billion yen
<b>Total</b>	<b>16.5 billion yen</b>	<b>5.5 billion yen</b>

- Consistent strategic capital expenditure and technological development are essential for achieving future sustainable growth. We are currently orchestrating a qualitative turning point in our business assets designed to reduce environmental impact and improve productivity, and we intend to continue annual capital expenditure of approximately 5.0 billion yen as planned.

### Maintain and improve financial soundness / Capital efficiency / Consider appropriate balance with capital efficiency

Equity	End of FY2020	End of FY2023	Return on Equity (ROE)	End of FY2020	End of FY2023
	40.8 billion yen	Approx. 43.0 billion yen		13.4%	Approx. 8.6%

- Obtain an A credit rating to maintain and improve financial soundness
  - Target equity is approx. 43.0 billion yen and achieve an equity ratio of roughly 50%
- Maintain solid liquidity on hand worth approx. two-month net sales
  - Incorporate the impact of an upfront cost business model (time difference between the payment of trade payables and recovery of trade receivables) and construction projects becoming larger in size
  - Unable to fulfill our social responsibility if running for financing in emergency
  - Utilize overdraft facility agreement and commitment lines as cash buffer
- During our revitalization phase that began in the early 2000s when our equity had suffered significant damage, ROE has remained consistently high at an average of 20% or above. However, as we have developed greater financial soundness and shifted into the renewed growth phase, ROE is expected to decline somewhat as our tax burden returns to regular levels. We aim to achieve ROE of 10.0% in the future while also ensuring ROE exceeds shareholders' equity costs in the meantime.



## Capital Policy (Investment Plans, Financial Plan and Shareholder Returns)

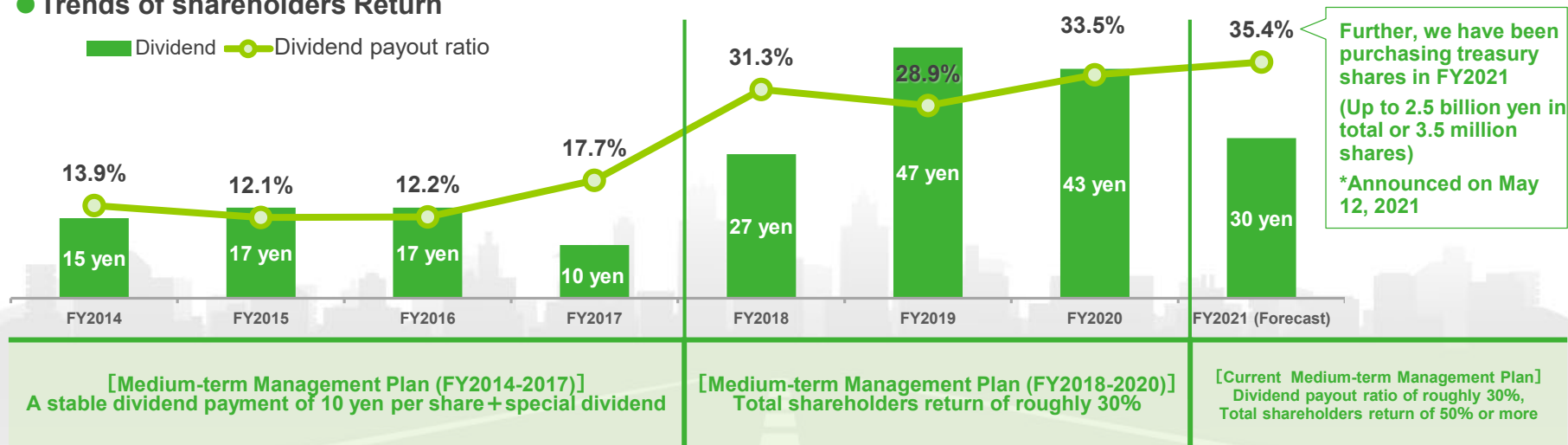
Stable, consistent shareholder returns with a targeted dividend payout ratio of roughly 30% and total shareholders return of 50% or more

### ● Trends of relevant indicators

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021 (Forecast)
Equity (million yen)	21,231	26,072	28,098	31,543	36,632	40,790	
Net assets per share (yen)	525.96	645.90	696.09	780.73	909.13	1,010.99	
Equity ratio (%)	36.9	39.2	38.9	44.5	49.1	51.4	
Net income per share (yen)	140.78	139.26	56.35	86.16	162.40	128.45	84.72
Dividend per share (yen)	17	17	10	27	47	43	30
Dividend payout ratio (%)	12.1	12.2	17.7	31.3	28.9 <sup>(*1)</sup>	33.5	35.4
ROE (%)	29.7	23.8	8.4	11.7	19.2	13.4	

\*1 Total Shareholders Return in FY2019 was 30.5% combined with purchase of treasury shares (purchased in May 2019)

### ● Trends of shareholders Return



## 4 Reference Information



## Corporate Philosophy

# An infrastructure building company that helps create affluent communities

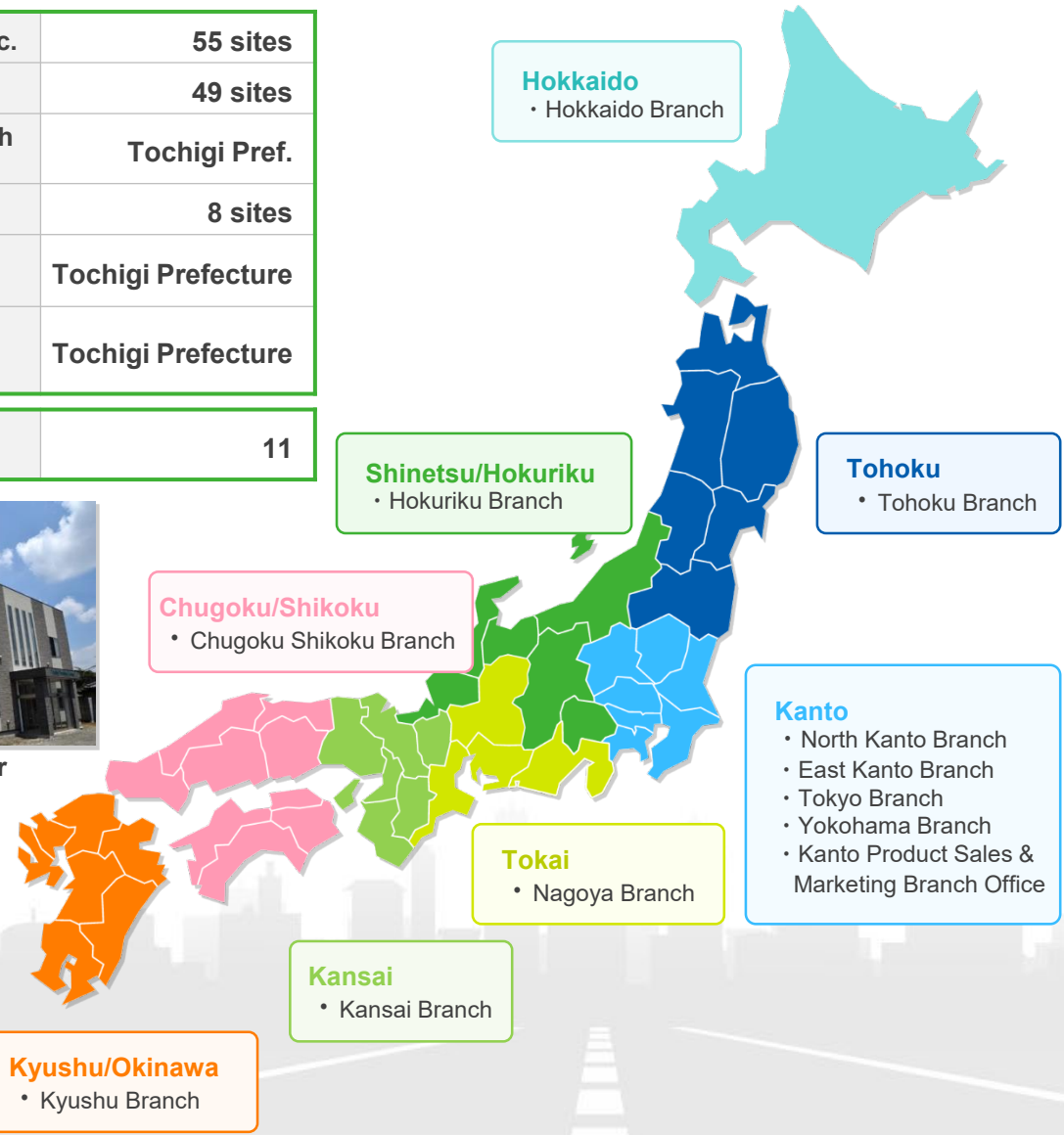
Company name	SEIKITOKYU KOGYO CO., LTD.
Established	January 16, 1950
Head office location	3-13-16 Mita, Minato-ku, Tokyo
Representative	Yoshikazu Taira, Director, President
Share capital	2,000 million yen (March 31, 2021)
Net sales	84,699 million yen (FY2021)
Number of employees	869 (March 31, 2021)
Listing	First Section of the Tokyo Stock Exchange
Construction business license	Special construction business license issued by the Minister of Land, Infrastructure, Transport and Tourism (Special - 29) No. 1962 (Special - 30) No. 1962

Business offices, etc.	55 sites
Material plants, etc.	49 sites
Technology research laboratory	Tochigi Pref.
Testing laboratories	8 sites
Equipment center	Tochigi Prefecture
Training center	Tochigi Prefecture

Consolidated subsidiaries	11
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Training center



Iwate Branch Office



Akita Material Plant



Sakura Material Plant

# 4 Our Technologies



**Pavement that reflects solar radiation**

Heat-shielding paint applied on road surface efficiently reflects solar infrared radiation, curbs the rise of pavement surface temperature and heat storage, contributing to the mitigation of urban heat island effect. Various applications include Shibuya's Hachiko-mae scramble crossing.



**Mible-eco (generic term: foamed asphalt mixture)**

Asphalt and aggregate can be mixed easily with an additive to foam fine bubbles in asphalt, which enables mixing and application at a temperature approx. 30°C lower than that of general asphalt. This contributes to the expansion of supply areas, improvement of asphalt workability in winter season and in cold areas, reduction of the traffic restriction time, and alleviation of environmental impact.



**Melody Way (Zapeck type)**

Melody Way is a construction method that combines both the functions of acoustic road technology on an acoustic road where melody sounds when a vehicle runs on channels placed on the road surface and anti-freezing pavement technology. In spring, summer and fall it draws drivers' attention, prevents dozing and reduces speed. In winter, with snow coverage, it prevents skidding accidents from happening.



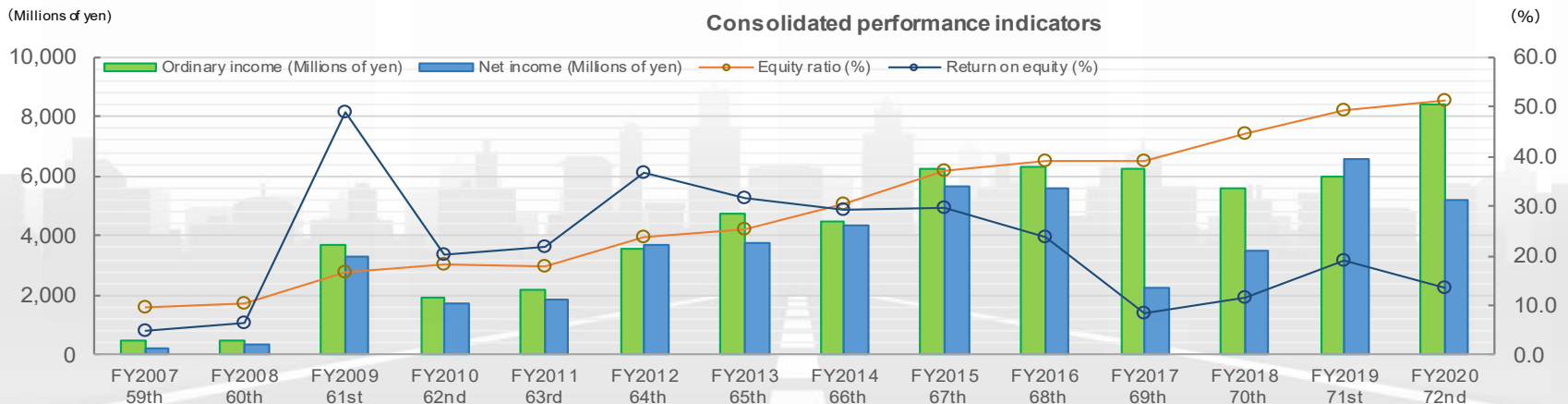
**Cold asphalt mixture "Ecomix"**

Ecomix is an environmentally friendly cold asphalt mixture, which contains 50% or more aggregate recycled from asphalt. It is an Eco Mark certified product that ensures a certain level of workability and demonstrates a high level of strength.

# 4 Consolidated Performance Indicators, etc.

Business term	56th	57th	58th	59th	60th	61st	62nd	63rd	64th	65th	66th	67th	68th	69th	70th	71st	72nd
Fiscal year	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Net sales (Millions of yen)	70,279	64,204	70,442	71,172	62,598	71,589	59,365	61,106	71,091	71,691	63,542	74,634	70,075	81,659	74,036	78,631	90,025
Operating income (Millions of yen)	994	38	617	822	825	4,085	2,109	2,294	3,731	4,779	4,528	6,291	6,412	6,235	5,564	5,961	8,470
Operating profit ratio (%)	1.4	0.1	0.9	1.2	1.3	5.7	3.6	3.8	5.2	6.7	7.1	8.4	9.2	7.6	7.5	7.6	9.4
Ordinary income (Millions of yen)	315	-770	220	493	489	3,705	1,943	2,178	3,551	4,730	4,487	6,261	6,338	6,239	5,584	6,009	8,395
Net income (Millions of yen)	-4,072	-15,218	752	224	326	3,283	1,715	1,886	3,705	3,793	4,365	5,682	5,621	2,274	3,480	6,544	5,180
Comprehensive income (Millions of yen)	—	—	—	—	—	—	1,705	1,887	3,720	3,794	4,899	4,754	5,527	2,712	3,822	6,243	6,010
Net assets (Millions of yen)	7,001	3,980	4,626	4,780	5,065	8,349	8,544	8,801	11,344	12,791	17,083	21,231	26,072	28,098	31,543	36,632	40,790
Total assets (Millions of yen)	74,515	53,649	49,082	49,237	48,069	50,348	47,339	49,597	48,106	50,809	56,079	57,544	66,444	72,192	70,906	74,656	79,409
BPS (yen)	114.10	-43.02	-37.70	-36.43	-32.07	-4.27	8.77	31.50	51.34	316.84	423.19	525.96	645.90	696.09	780.73	909.13	1,010.99
EPS (yen)	-66.35	-151.19	5.39	1.61	2.30	22.48	11.85	10.54	19.36	95.48	108.13	140.78	139.26	56.35	86.16	162.40	128.45
Diluted EPS (yen)	—	—	2.47	0.74	0.77	10.72	5.80	7.19	16.00	—	—	—	—	—	—	—	—
Equity ratio (%)	9.4	7.4	9.4	9.7	10.5	16.6	18.1	17.7	23.6	25.2	30.5	36.9	39.2	38.9	44.5	49.1	51.4
Return on equity (%)	-45.2	-277.1	17.5	4.8	6.6	49.0	20.3	21.7	36.8	31.4	29.2	29.7	23.8	8.4	11.7	19.2	13.4
Price-earnings ratio (X)	—	—	17.44	45.34	13.04	2.58	7.51	6.26	4.24	6.14	4.79	3.35	3.81	12.21	6.84	5.02	7.25
Cash flows from operating activities (Millions of yen)	3,122	4,306	4,137	496	2,040	6,372	1,217	2,945	4,796	5,433	2,862	6,679	6,949	6,303	4,781	4,461	1,138
Cash flows from investing activities (Millions of yen)	-36	-875	-46	-932	-1,184	-997	-361	-130	-608	-1,407	-1,234	-1,658	-4,896	-2,231	-1,777	-3,808	-3,622
Cash flows from financing activities (Millions of yen)	-3,037	-3,182	-4,703	-629	-794	-1,580	-2,525	-2,610	-4,828	-1,551	-1,604	-1,603	1,815	-1,684	-2,005	-2,919	2,343
Cash and cash equivalents at the end of year (Millions of yen)	1,571	1,819	1,220	819	880	4,675	3,006	3,206	2,566	5,041	5,064	8,482	12,350	14,737	15,735	14,169	14,035
Dividend per share (yen)	—	—	—	—	—	—	—	—	—	15	15	17	17	10	27	47	43
Dividend payout ratio (%)	—	—	—	—	—	—	—	—	—	15.0	13.9	12.1	12.2	17.7	31.3	28.9	33.5
Employees (persons)	852	803	798	869	865	860	840	824	797	792	825	863	904	896	907	1,031	1,043
[plus average number of part-time staff]	[295]	[317]	[311]	[235]	[230]	[236]	[240]	[245]	[251]	[268]	[279]	[275]	[275]	[274]	[274]	[289]	[293]

\* A 1-for-5 reverse stock split was conducted in October 2014. "Net assets per share," "Net income per share," and "Dividend per share" for FY2014 onwards reflect the effects of the reverse stock split.





# 世紀東急工業株式会社

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This material contains financial results forecasts, projections, and other forward-looking statements, which are based on available information and certain assumptions that are considered reasonable at the time of preparation. Various factors including changes in future business environment may cause actual results to be materially different from those expressed in these forward-looking statements.

## ST and K (Seiki Tokyu Kogyo mascot characters)

ST and K, our mascot characters, were born in January 2021 on the occasion of our 70<sup>th</sup> anniversary.

They will help promote safety at construction sites and asphalt plants across the country, improve the industry's image, and conduct public relations activities.

世紀東急工業キャラクター  
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