



世紀東急工業株式会社

Financial Results Presentation for the Fiscal Year Ended March 31, 2023

June 2, 2023

Becoming a truly strong corporate group





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1

Overview of Financial Results for the Fiscal Year Ended March 31, 2023



- The impact of the COVID-19 pandemic eased, and socioeconomic activities are being normalized gradually.
- In the road construction market, public investment remained strong in relation to disaster prevention and mitigation and general measures to boost national resilience.
- Increased tension in Ukraine, etc., continued to increase the prices of energy and other resources worldwide.
- Asphalt and other raw material prices remained high, which continued to make it difficult for us to make a significant profit.



Key Initiatives in the Fiscal Year Ended March 31, 2023

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)

- Net sales were at the highest level in the past 10 years, with a year-on-year increase of 8.6%. (Exceeded FY2020 results, where 90 billion yen was posted for the first time since FY2001.)
- We failed to avoid impacts of the sharp rises in the prices of raw materials, and profits decreased for a second consecutive fiscal year.
- Compared to the initial forecast (consolidated net sales of 92.6 billion yen, operating income of 5.0 billion yen, ordinary income of 5.0 billion yen, and net income of 3.3 billion yen), sales were in line with the forecast, but profits were halved.

(Millions of yen)

Consolidated	FY2020 results	FY2021 results	FY2022 results	YoY change (Amount)	YoY change (%)
Net sales	90,025	85,132	92,414	7,281	8.6
Gross profit	14,111	10,231	8,802	(1,429)	(14.0)
Selling, general and administrative expenses	5,640	5,812	6,132	320	5.5
Operating income	8,470	4,418	2,669	(1,749)	(39.6)
Ordinary income	8,395	4,358	2,647	(1,710)	(39.3)
Net income	5,180	3,304	1,127	(2,177)	(65.9)
Non-consolidated	FY2020 results	FY2021 results	FY2022 results	YoY change (Amount)	YoY change (%)
Net sales	84,699	81,168	87,676	6,507	8.0
Gross profit	12,971	9,238	7,823	(1,414)	(15.3)
Selling, general and administrative expenses	4,982	5,148	5,387	238	4.6
Operating income	7,988	4,089	2,436	(1,652)	(40.4)
Ordinary income	7,960	4,025	2,400	(1,625)	(40.4)
Net income	4,784	3,083	1,028	(2,054)	(66.6)

1

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

- With construction work orders received being strong and sales of finished goods exceeding the previous year, overall orders received increased 11.4%.
- With construction steadily progressing throughout the year, net sales increased 8.6% year on year.
- As in recent years, construction contracts brought forward remained at a sufficient level.

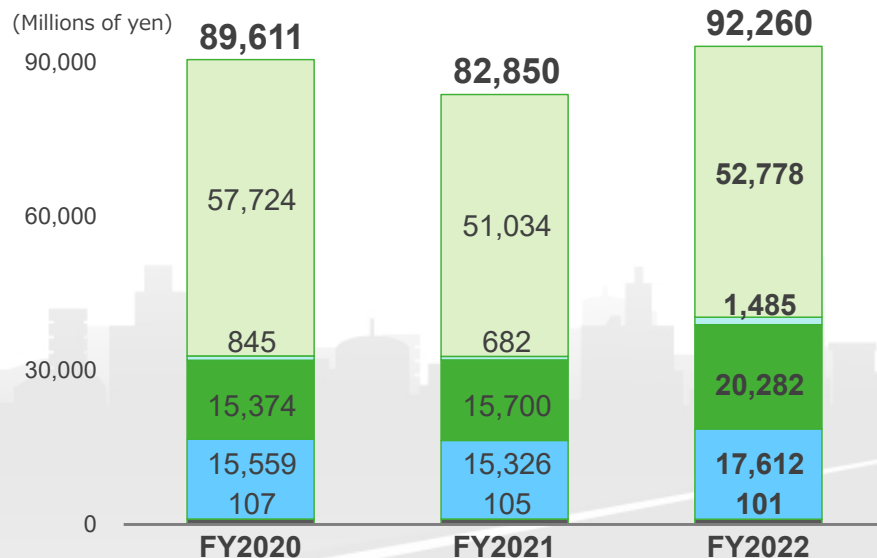
(Millions of yen)

Orders received	FY2020	FY2021	FY2022		YoY change (Amount)	YoY change (%)
	Amount	Amount	Amount	Composition (%)		
Construction Business	73,944	67,417	74,546	80.8	7,128	10.6
Asphalt pavement	57,724	51,034	52,778	57.2	1,744	3.4
Concrete pavement	845	682	1,485	1.6	803	117.8
Civil engineering works, etc.	15,374	15,700	20,282	22.0	4,581	29.2
Pavement Materials Manufacturing and Sales Business	15,559	15,326	17,612	19.1	2,286	14.9
Electricity Sales Business, etc.	107	105	101	0.1	(4)	(4.6)
Total orders received	89,611	82,850	92,260	100.0	9,410	11.4

Orders received

(Millions of yen)

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



Net sales

	FY2020	FY2021	FY2022
Construction Business	74,357	69,699	74,700
Asphalt pavement	58,615	53,810	56,557
Concrete pavement	1,770	640	1,075
Civil engineering works, etc.	13,972	15,249	17,067
Pavement Materials Manufacturing and Sales Business	15,559	15,326	17,612
Electricity Sales Business, etc.	107	105	101
Total	90,025	85,132	92,414

Construction contracts brought forward

(Millions of yen)

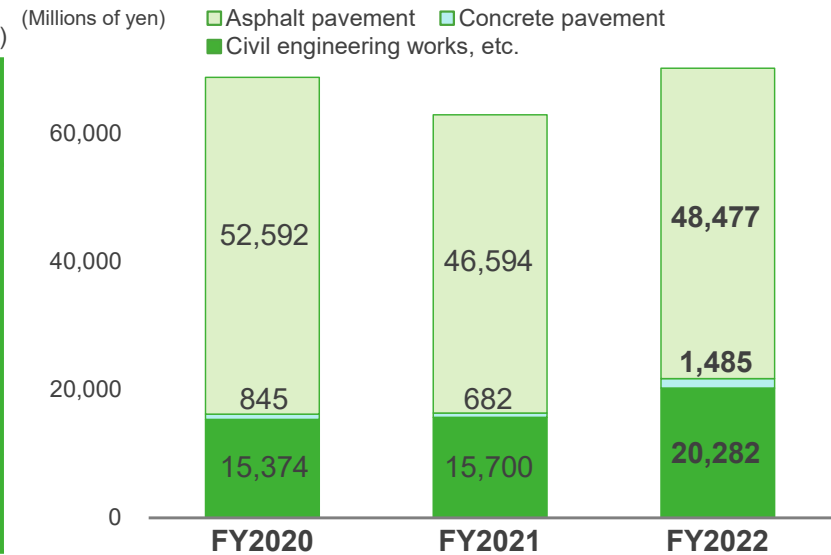
	FY2020	FY2021	FY2022
Construction Business	40,978	36,538	36,384
Asphalt pavement	30,416	26,195	22,417
Concrete pavement	308	325	736
Civil engineering works, etc.	10,253	10,017	13,231
Total	40,978	36,538	36,384

1 Construction Work Orders Received (Non-consolidated)

- All customer categories, which are the public sector, private sector and Tokyu Group, saw orders received increase.
- Although we did not receive extremely large-scale construction work orders exceeding 3.0 billion yen, we achieved 70 billion yen, our initial forecast, by increasing overall sales.
- We achieved the FY2030 target (non-consolidated construction work orders received of 70 billion yen) of the long-term vision ahead of schedule.

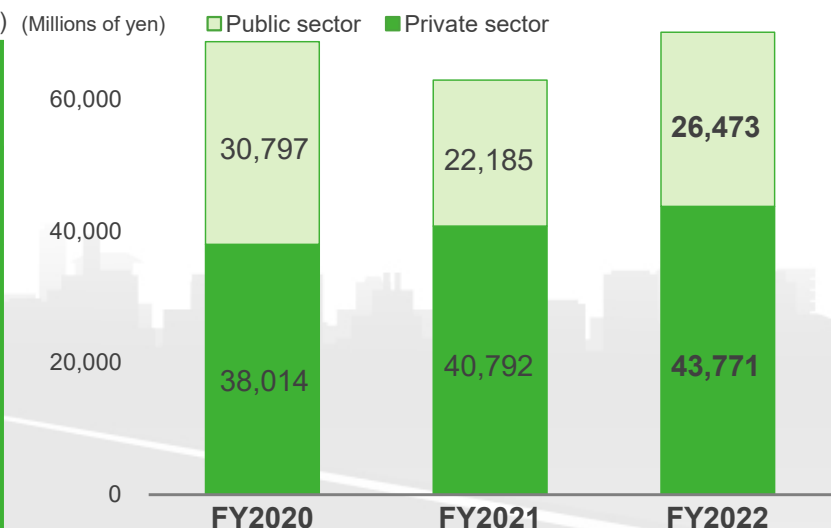
(Millions of yen)

Orders received by type of work	FY2020	FY2021	FY2022	YoY change (Amount)	YoY change (%)
Asphalt pavement	52,592	46,594	48,477	1,883	4.0
Concrete pavement	845	682	1,485	803	117.8
Civil engineering works, etc.	15,374	15,700	20,282	4,581	29.2
Total	68,812	62,977	70,245	7,267	11.5



(Millions of yen)

Orders received by public and private sector	FY2020	FY2021	FY2022	YoY change (Amount)	YoY change (%)
Public sector	30,797	22,185	26,473	4,288	19.3
Private sector	38,014	40,792	43,771	2,978	7.3
Tokyu Group	2,737	2,005	2,966	961	47.9
Total	68,812	62,977	70,245	7,267	11.5



1 Product Manufacturing and Sales Results (Non-consolidated)

- Although we are facing the difficult situation of continued sluggish demand, we secured year-on-year increases in both production volume and sales volume of asphalt composites.
- While variable expenses such as prices of energy and other resources, including those related to crude oil, remained high, selling prices increased to a certain extent, and net sales increased over 10%, although it was not enough to absorb the impacts to profits.

(Millions of yen)

		FY2020	FY2021	FY2022	YoY change(Amount)	YoY change(%)
Asphalt composites	Production volume (Kilotons)	1,680	1,642	1,649	7	0.4
	Sales volume (Kilotons)	1,293	1,230	1,257	27	2.2
	Sales	11,528	11,089	12,811	1,722	15.5
Sales of other products		4,378	4,476	5,044	568	12.7
Total net sales		15,906	15,566	17,855	2,289	14.7

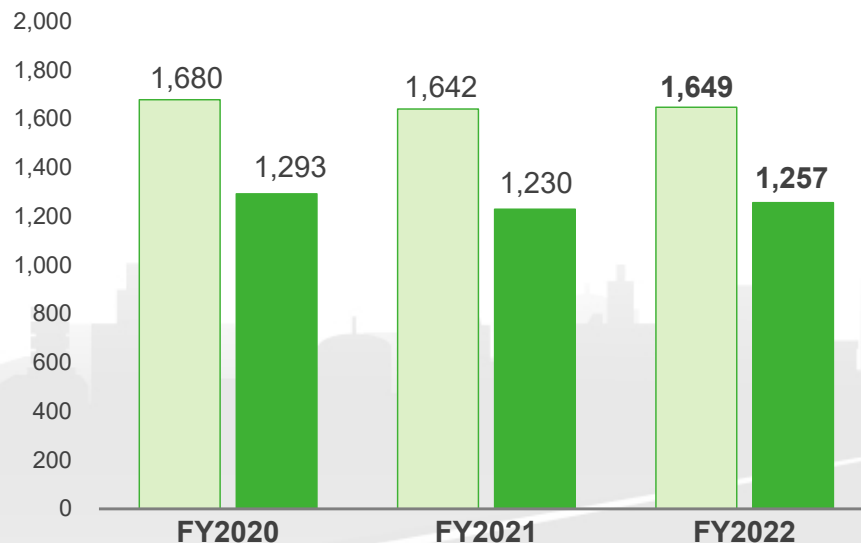
Notes

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

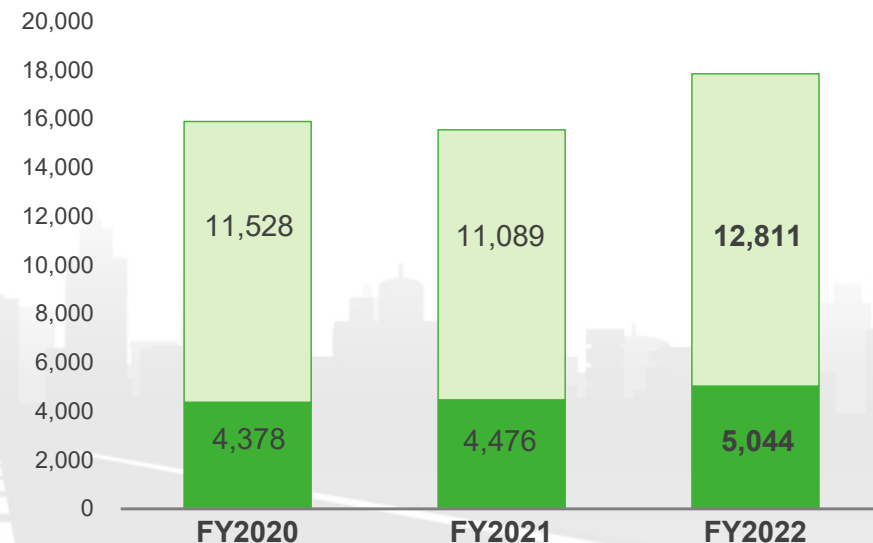
(Kilotons)



Net sales

□ Asphalt composites ■ Other products

(Millions of yen)



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

- In the Construction Business, construction work orders received were strong from the beginning of FY2022. With extensive construction works in progress at the beginning of FY2022 making steady progress, net sales increased. For profits, the margin declined due to the impacts of rising material prices, personnel expenses, etc., and segment profit decreased from the previous year.
- In the Pavement Materials Manufacturing and Sales Business, costs were at a high level throughout the year, and the margin decreased further. Although net sales increased from the previous year with a slight increase in selling prices, segment profit fell to the lowest level in the past 10 years.

(Millions of yen)

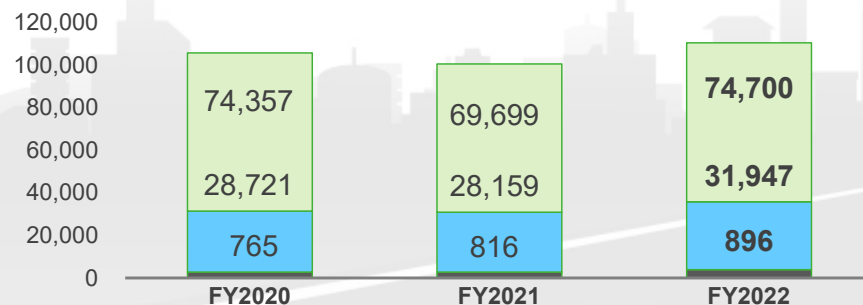
Net sales	FY2020	FY2021	FY2022	YoY change(Amount)	YoY change(%)
Construction Business	74,357	69,699	74,700	5,000	7.2
Pavement Materials Manufacturing and Sales Business	28,721	28,159	31,947	3,788	13.5
Electricity Sales Business, etc.	765	816	896	80	9.8
Adjustments	(13,819)	(13,543)	(15,130)	(1,587)	—
Total net sales	90,025	85,132	92,414	7,281	8.6

Operating income	FY2020	FY2021	FY2022	YoY change(Amount)	YoY change(%)
Construction Business	8,428	6,038	5,540	(497)	(8.2)
Pavement Materials Manufacturing and Sales Business	3,163	1,623	596	(1,027)	(63.3)
Electricity Sales Business, etc.	154	155	168	12	8.0
Adjustments	(3,275)	(3,398)	(3,635)	(236)	—
Total net sales	8,470	4,418	2,669	(1,749)	39.6

Net sales

(Millions of yen)

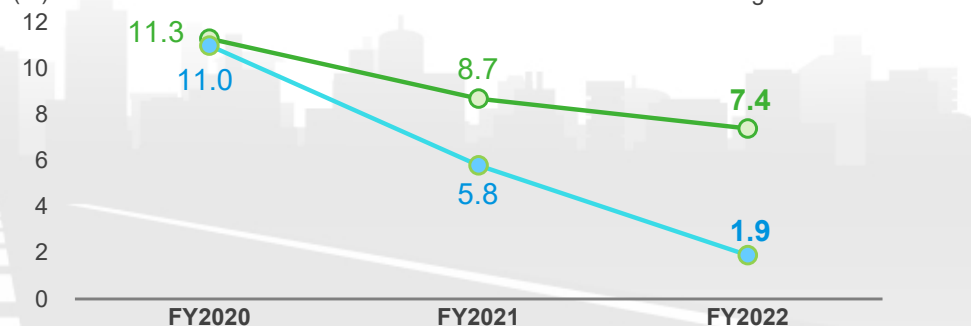
- Construction Business
- Pavement Materials Manufacturing and Sales Business
- Electricity Sales Business, etc.



Operating income

(%)

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



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

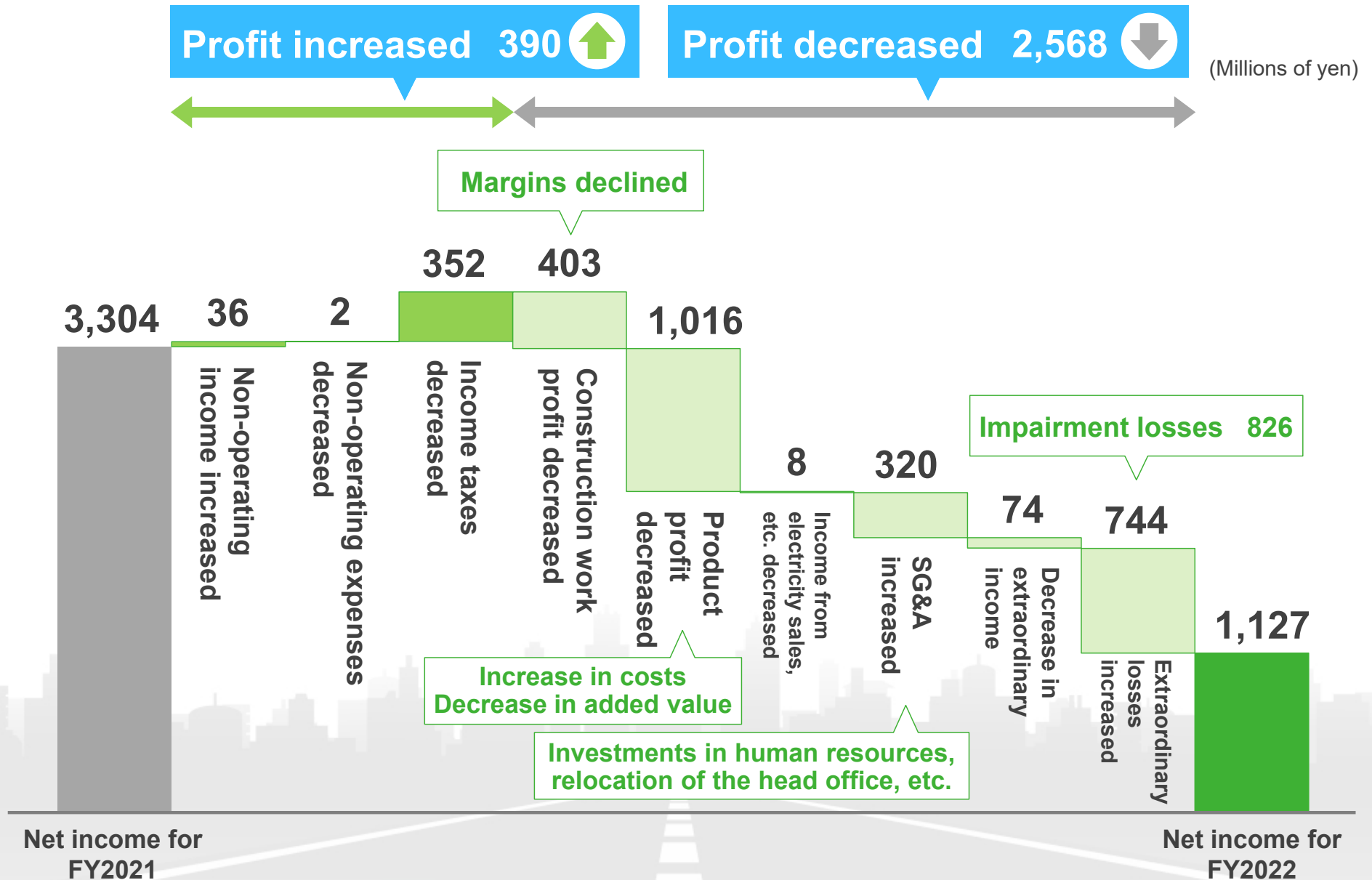
- Costs to invest in securing and developing human resources, such as personnel costs and training expenses, increased. (Including impacts of a rise in salaries and the resumption of activities amid the decreased impact of COVID-19.)
- Expenses were incurred from the head office relocation and the start of depreciation after the completion of the reconstruction of the head office building.
- The Pavement Materials Manufacturing and Sales Business, which faced a challenging business environment in terms of profits, incurred impairment losses of 826 million yen, stemming mainly from manufacturing facilities.

(Millions of yen)

	FY2021		FY2022		YoY change (Amount)	YoY change(%)
	Amount	Composition (%)	Amount	Composition (%)		
Net sales	85,132	100.0	92,414	100.0%	7,281	8.6
Gross profit	10,231	12.0	8,802	9.5%	(1,429)	(14.0)
Selling, general and administrative expenses	5,812	6.8	6,132	6.6%	320	5.5
Operating income	4,418	5.2	2,669	2.9%	(1,749)	(39.6)
Non-operating income	77	0.1	113	0.1%	36	46.8
Non-operating expenses	137	0.2	135	0.1%	(2)	(1.9)
Ordinary income	4,358	5.1	2,647	2.9%	(1,710)	(39.3)
Extraordinary income	98	0.1	24	0.0%	(74)	(75.1)
Extraordinary losses	128	0.2	873	0.9%	744	577.6
Profit before income taxes	4,327	5.1	1,798	1.9%	(2,529)	(58.5)
Income taxes -current	1,123	1.3	726	0.8%	(397)	(35.4)
Income taxes -deferred	(100)	(0.1)	(55)	(0.1%)	45	—
Net income	3,304	3.9	1,127	1.2%	(2,177)	(65.9)

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

- There were positive factors, such as a year-on-year increase in non-operating income and a decrease in non-operating expenses, but a significant decline in product profit, which led to an increase in extraordinary losses, and other factors resulted in a decrease of 2,177 million yen in net income.



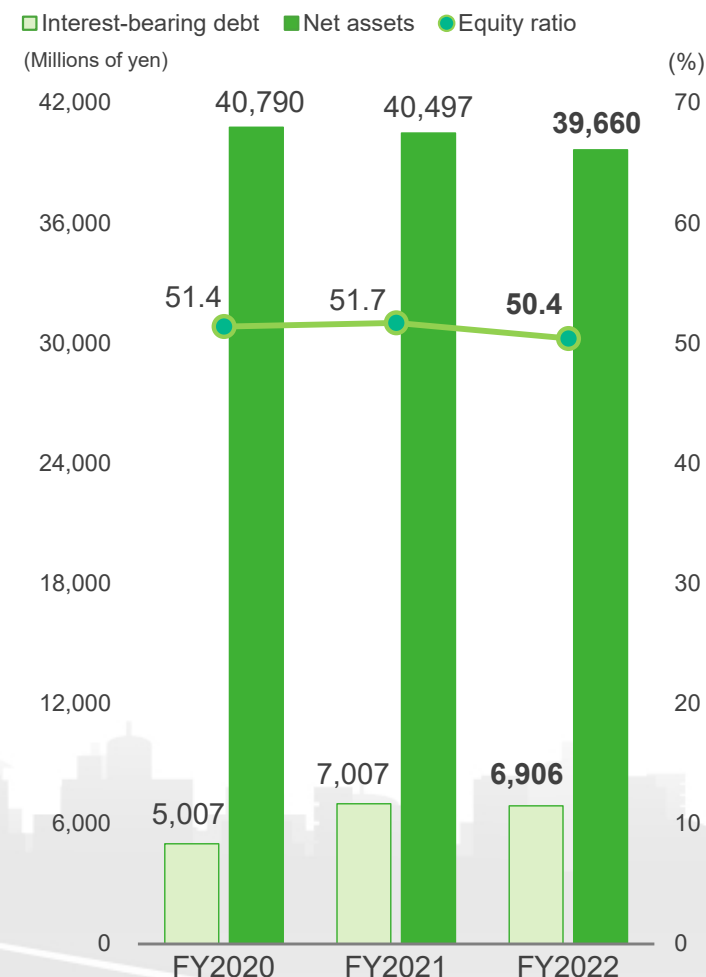
1 Consolidated Financial Position and Cash Flows

- Purchase of property, plant and equipment of 5,047 million yen, including construction of the head office building and acquisition of land for offices.
- Purchase of treasury shares of 799 million yen. ● Dividends paid of 1,120 million yen.
- Net cash provided by operating activities significantly decreased year on year due to a decrease in profit before income taxes in addition to an increase in trade receivables from an increase in sales.

Consolidated financial position

(Millions of yen)

	FY2020	FY2021	FY2022	YoY change
Total assets	79,409	78,295	78,762	466
Total liabilities	38,619	37,797	39,101	1,304
Interest-bearing debt	5,007	7,007	6,906	(101)
(Short-term borrowings)	7	107	106	(1)
(Long-term borrowings)	5,000	6,900	6,800	(100)
Net assets	40,790	40,497	39,660	(837)
Equity ratio	51.4%	51.7%	50.4%	—



Consolidated cash flows

(Millions of yen)

	FY2020	FY2021	FY2022
Net cash provided by (used in) operating activities	1,138	4,646	2,380
Net cash provided by (used in) investing activities	(3,622)	(3,668)	(5,028)
Net cash provided by (used in) financing activities	2,343	(2,232)	(2,022)
Effect of exchange rate change on cash and cash equivalents	6	33	28
Net increase (decrease) in cash and cash equivalents	(133)	(1,220)	(4,641)
Cash and cash equivalents at end of period	14,035	12,814	8,173

As of March 31

1 Major Construction Works We Received Orders for

Customer	Project	Site (Prefecture)
Hokkaido Regional Development Bureau, MLIT	New Chitose Airport South taxiway to connect to the runway found construction	Hokkaido
East Nippon Expressway Company Limited	Pavement repair work within the north district of the jurisdiction of Kitahiroshima Operation Office of Do-O Expressway	Hokkaido
East Nippon Expressway Company Limited	Pavement repair work within the jurisdiction of Akita Operation Office of Akita Expressway	Akita
Kanto Regional Development Bureau, MLIT	Pavement repair work near Inage area, Chiba City on Route 16	Chiba
Chubu Regional Development Bureau, MLIT	Utility tunnel construction work in the north area of Umenogo on Route 302 (FY2022)	Aichi
Central Nippon Expressway Company Limited	Pavement repair work (large-scale renewal project) within the jurisdiction of Nagoya Operation Office of the Tomei Expressway (FY2022)	Aichi
West Nippon Expressway Company Limited	Pavement repair work within the jurisdiction of Kyoto Operation Office (FY2022)	Kyoto
Hanshin Expressway Company Limited	Large-scale pavement repair work (2022-1-Kita)	Hyogo
Chugoku Regional Development Bureau, MLIT	Pavement repair and other work within the jurisdiction of Saijo Maintenance Branch Office (FY2022)	Hiroshima
Fukuoka International Airport Co., Ltd.	Curbside development construction work at Fukuoka Airport International Terminal	Fukuoka

1 Major Completed Construction Works

Customer	Project	Site (Prefecture)
East Nippon Expressway Company Limited	Sasson Expressway Hassamu Viaduct floor slab waterproof work	Hokkaido
TOKYU LAND CORPORATION	Artificial ground work for BRANZ Kita 24-jo West	Hokkaido
TOKYU CORPORATION and TOKYU RECREATION CO., LTD.	Construction work on minor road Line 72 and new building peripheral ward road	Tokyo
Kawasaki City	Construction work (switch) on Setagaya Machida Line, Tama-ku urban planning and road	Kanagawa
Kinki Regional Development Bureau, MLIT	Pavement and other work in Tano area on Ono Aburazaka Road	Fukui
Central Nippon Expressway Company Limited	Pavement improvement work in the Komagatake service area on Chuo Expressway (outbound line)	Nagano
Nagoya Expressway Public Corporation	Pavement repair work of Expressway No. 3 Odaka Route (FY2022) (Fourth construction zone)	Aichi
West Nippon Expressway Company Limited	Pavement repair work within the jurisdiction of Hanna Expressway Operation Office (FY2020)	Osaka
Fukuoka International Airport Co., Ltd.	Improvement work and No. 3 drainage replacement work at Fukuoka Airport Domestic Terminal	Fukuoka
Kyushu Regional Development Bureau, MLIT	Pavement work near Akagi area (Kiyotake to Kitago) on Higashi Kyushu Expressway	Miyazaki



Sasson Expressway Hassamu Viaduct floor slab waterproof work



Pavement and other work in Tano area on Ono Aburazaka Road



Pavement work near Akagi area (Kiyotake to Kitago) on Higashi Kyushu Expressway

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)

In January 2020, we filed a lawsuit against the Japan Fair Trade Commission for revoking some part 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.

- August 5, 2021: Tokyo District Court dismissed the Company's claim.
- June 8, 2022: Tokyo High Court dismissed the Company's claim.
- November 10, 2022: Supreme Court dismissed the Company's appeal and decided not to accept the case as the final appellate court.

By FY2019, the full amount of the surcharges was recognized as extraordinary losses and paid in full. There will thus be no impact on future business performance.

Purchase of treasury shares

1 Resolution to purchase treasury shares approved at the Board of Directors meeting held on May 11, 2022

(1) Class of shares to purchase	Common shares of the Company
(2) Total number of shares to purchase	1,200,000 shares (upper limit)
(3) Total purchase cost of shares	800,000,000 yen (upper limit)
(4) Purchase period	May 12, 2022 to March 20, 2023
(5) Purchase method	Market purchase on the Tokyo Stock Exchange

2 Cumulative total of treasury shares purchased based on the above resolution by the Board of Directors (Result of purchase)

(1) Total number of shares purchased	989,900 shares
(2) Total purchase cost of shares	799,917,375 yen

Cancellation of treasury shares

(1) Class of shares to cancel	Common shares of the Company
(2) Total number of shares to cancel	2,989,900 shares (7.40% of the total number of shares issued as of March 31, 2022)
(3) Date of cancellation	June 30, 2022 / March 31, 2023

Reference

Total number of shares issued after cancellation	37,424,507 shares
Number of treasury shares after cancellation	976,478 shares

Policy for holding and cancellation of treasury shares

We will continue to hold treasury shares of up to roughly 3% of the total number of shares issued, taking into consideration that they can be used for our restricted stock compensation plan, future strengthening of business foundation and flexible capital policy, demand for sale of shares less than one unit, and other purposes. Treasury shares exceeding the threshold will in principle be cancelled.



2

Outlook for the Fiscal Year Ending March 31, 2024



2 Financial Results Forecast for FY2023 (Consolidated and Non-consolidated)

- We continue to see firm underlying demand in the road construction market, such as disaster prevention and mitigation business and greater national resilience.
- Net sales are forecast to be almost the same as the previous year, and profits are expected to recover to the FY2021 level.
- Forecasts at this moment do not factor in further deterioration of the revenue environment caused by risks related to geopolitics and infectious diseases.

(Millions of yen)

Consolidated	FY2021	FY2022	FY2023 (Forecast)	YoY change (Amount)	YoY change (%)
Orders received	82,850	92,260	93,700	1,440	1.6
Net sales	85,132	92,414	93,300	886	1.0
Gross profit	10,231	8,802	11,000	2,198	25.0
Operating income	4,418	2,669	4,920	2,251	84.3
Ordinary income	4,358	2,647	4,820	2,173	82.1
Net income	3,304	1,127	3,250	2,123	188.4

Non-consolidated	FY2021	FY2022	FY2023 (Forecast)	YoY change (Amount)	YoY change (%)
Orders received	78,572	88,114	88,000	(114)	(0.1)
Net sales	81,168	87,676	88,000	324	0.4
Gross profit	9,238	7,823	9,880	2,057	26.3
Operating income	4,089	2,436	4,480	2,044	83.9
Ordinary income	4,025	2,400	4,400	2,000	83.3
Net income	3,083	1,028	3,030	2,002	194.7

2 Net Sales and Profit (Loss) Forecast by Segment (Consolidated)

- In the Construction Business, we expect net sales of completed construction contracts and construction work profit to remain at high levels, backed by solid orders received. With material prices settling, we expect an improvement in margin by preventing loss of profits and expect increased profits.
- In the Pavement Materials Manufacturing and Sales Business, we will strive to realize appropriate selling prices reflecting manufacturing and transportation costs, to increase sales volume, and improve manufacturing efficiency, and thus we aim to recover profit.

(Millions of yen)

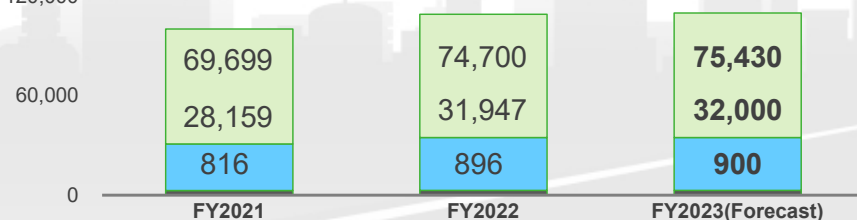
Net sales	FY2022	FY2023(Forecast)	YoY change (Amount)	YoY change (%)
Construction Business	74,700	75,430	730	1.0
Pavement Materials Manufacturing and Sales Business	31,947	32,000	53	0.2
Electricity Sales Business, etc.	896	900	4	0.4
Adjustments	(15,130)	(15,030)	100	—
Total net sales	92,414	93,300	886	1.0

Operating income	FY2022	FY2023(Forecast)		YoY change (Amount)	YoY change(%)
	Amount	Amount	Margin (%)		
Construction Business	5,540	6,000	8.0	460	8.3
Pavement Materials Manufacturing and Sales Business	596	2,300	7.2	1,704	285.9
Electricity Sales Business, etc.	168	170	18.9	2	1.2
Adjustments	(3,635)	(3,550)	—	85	—
Total net sales	2,669	4,920	5.3	2,251	84.3

Net sales

(Millions of yen)

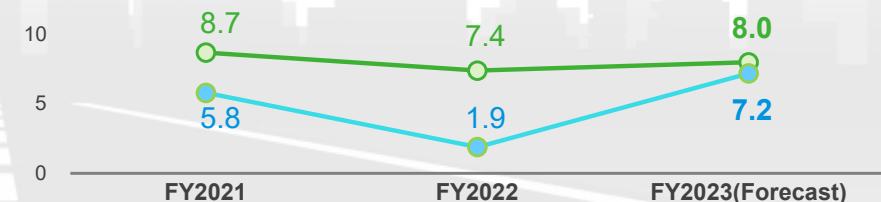
- Construction Business
- Pavement Materials Manufacturing and Sales Business
- Electricity Sales Business, etc.



Operating income margin

- Construction Business
- Pavement Materials Manufacturing and Sales Business

(%)

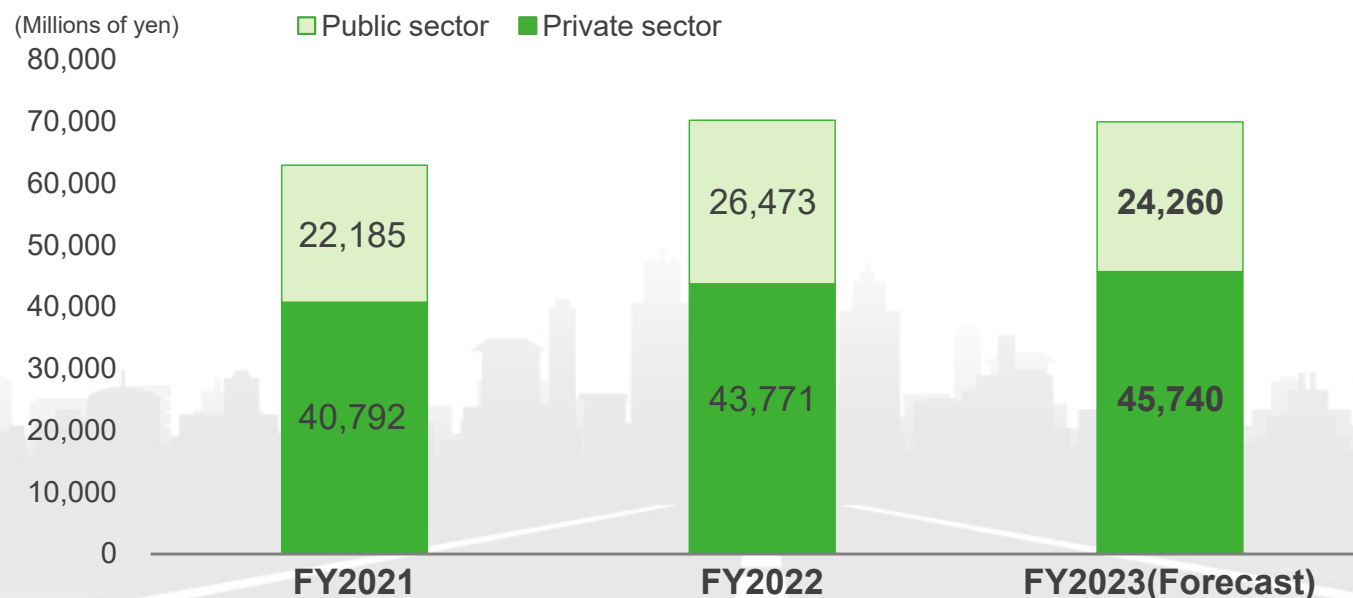


2 Forecast of Construction Work Orders to be Received (Non-consolidated)

- 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.
- While uncompleted construction works in progress remain at a high level, we currently expect to receive firm orders. We will strive to secure construction work orders from the public sector from the beginning of the fiscal year.
- We aim to receive construction work orders equivalent to 70 billion yen for a second consecutive fiscal year.

(Millions of yen)

Orders received by public and private sector	FY2022	FY2023 (Forecast)	YoY change (Amount)	YoY change (%)
Public sector	26,473	24,260	(2,213)	(8.4)
Private sector	43,771	45,740	1,968	4.5
Tokyu Group	2,966	2,890	(76)	(2.6)
Total	70,245	70,000	(245)	(0.3)





3

To Improve Valuation in the Stock Market



③ To Improve Valuation in the Stock Market

- ROE is in a declining trend due to the accumulation of equity. Furthermore, we presume that we will be evaluated with a strict outlook due to our recent business performance.

Amount per share [consolidated]

(Yen)

Fiscal year	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
EPS	56.35	86.16	162.40	128.45	84.81	30.73
BPS	696.09	780.73	909.13	1,010.99	1,082.33	1,088.13
Dividends	10	27	47	43	30	30
Stock price at end of year	688	589	816	931	746	811

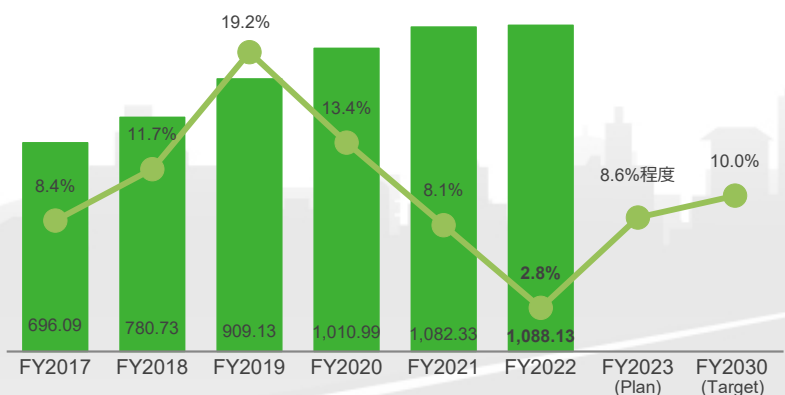
PBR, etc.

Fiscal year	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (Plan)	FY2030 (Target)
ROE	8.4%	11.7%	19.2%	13.4%	8.1%	2.8%	Approx. 8.6%	10.0%
PER	12.2 times	6.8 times	5.0 times	7.2 times	8.8 times	26.4 times		
PBR	1.0 times	0.8 times	0.9 times	0.9 times	0.7 times	0.7 times		

BPS and ROE

(Yen)

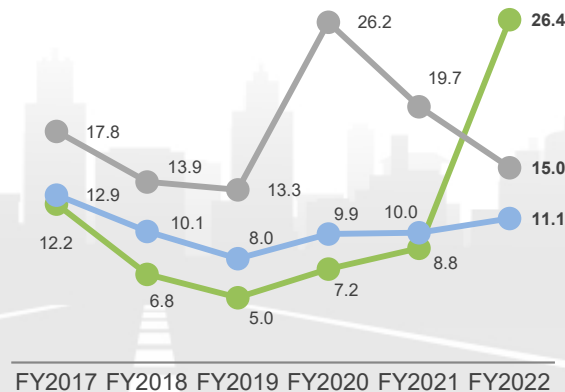
■ BPS ● ROE



PER

(Times)

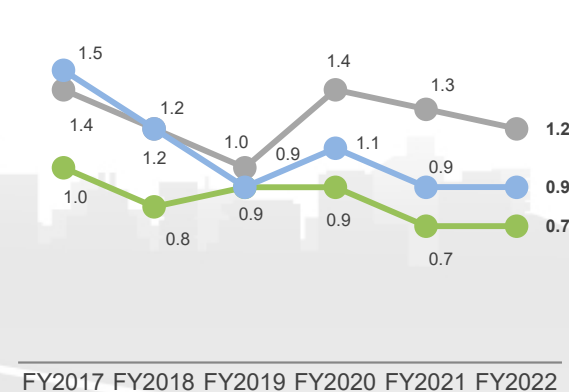
● The Company
● TSE Prime
● Construction industry



PBR

(Times)

● The Company
● TSE Prime
● Construction industry



■ Dialogue

During dialogues with shareholders and institutional investors, multiple stakeholders showed their concerns over the achievement of the medium- to long-term ROE targets, taking into consideration the current business environment, trends in results, capital structure, etc.

We will promote the following initiatives to increase the likelihood of achieving the long-term vision (ROE targets, etc.) and dispel skepticism of maintaining and improving ROE in the future towards improving medium- to long-term corporate value and shareholder value.

■ Improved earnings and sustainability

Steadily implementing measures of the current Medium-term Management Plan (FY2023 being the final year), the first phase toward where we should be in 2030, we will then prepare the next Medium-term Management Plan (beginning in FY2024), the second phase.

■ Changes to the shareholder return policy (announced May 9, 2023)

We consecutively implemented shareholder returns which exceeded 100% in total shareholders return both in FY2021 and FY2022, which curbed the increase in equity. With the view to early achievement of the FY2030 ROE target, we clarified the policy for continuing active shareholder returns while controlling equity. Our shareholder return policy for the time being from FY2023 is as follows.

From FY2023

- Shareholder returns with a targeted dividend payout ratio of 100% and DOE of 8%.
- Pay interim dividends (resumption of payment)

*DOE = (Interim dividends + Year-end dividends) / Equity [average during the year] x 100

■ Thorough information disclosure and continuing dialogue

We aim to lower shareholder equity costs by continuing to strive for dialogue with shareholders and investors and thorough information disclosure for deeper understanding of the Company as well as mitigating asymmetrical provision of information.



4

Reference: Medium-term Management Plan (FY2021–2023)



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

*Shareholder returns with a targeted dividend payout ratio of 100% and DOE of 8% [Effective FY2023]

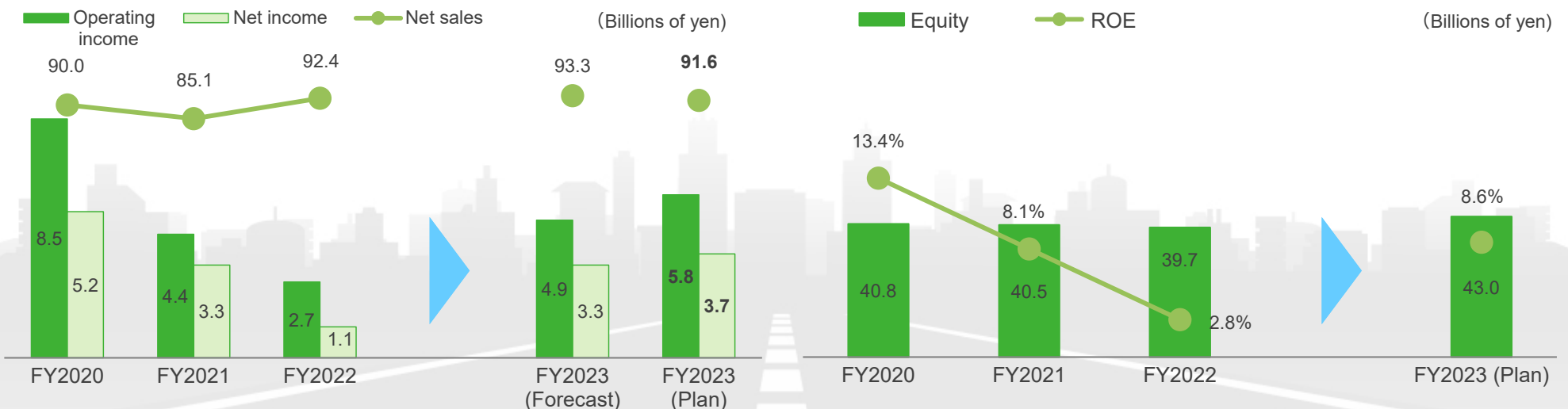
4 Medium-term Management Plan (FY2021–2023)

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

Indicator	FY2021 Actual	FY2022 Actual	FY2023 Forecast	FY2023 Plan
Net sales	85.1 billion yen	92.4 billion yen	93.3 billion yen	91.6 billion yen
Operating income	4.4 billion yen	2.7 billion yen	4.9 billion yen	5.8 billion yen
Net income	3.3 billion yen	1.1 billion yen	3.3 billion yen	3.7 billion yen
ROE	8.1%	2.8%	—	Approx. 8.6%
Equity	40.5 billion yen	39.7 billion yen	—	Approx. 43.0 billion yen
Total assets	78.3 billion yen	78.8 billion yen	—	Approx. 86.0 billion yen
Equity ratio	51.7%	50.4%	—	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	} Gross profit: 11.7 billion yen (12.8%) SG&A expenses: 5.9 billion yen Operating income: 5.8 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	



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

	FY2021	FY2022	Over three-year plan
Maintenance, renewal, acquisition of factories, offices, construction machinery, etc.	Approx. 3.4 billion yen	Approx. 5.0 billion yen	15.0 billion yen (5.0 billion yen/year)
Strategic investment (M&A, etc.)	—	—	1.5 billion yen (0.5 billion yen/year)
Total	Approx. 3.4 billion yen	Approx. 5.0 billion yen	16.5 billion yen (5.5 billion yen/year)

- 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 FY2022	End of FY2023 (plan)	Return on Equity(ROE)	End of FY2022	End of FY2023 (plan)
	39.7 billion yen	Approx. 43.0 billion yen		2.8%	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.

*Shareholders' equity costs: 7.2% < Planned ROE value for FY2023: 8.6% < Target ROE value to achieve in the future: 10.0%

4 Medium-term Management Plan (FY2021–2023)

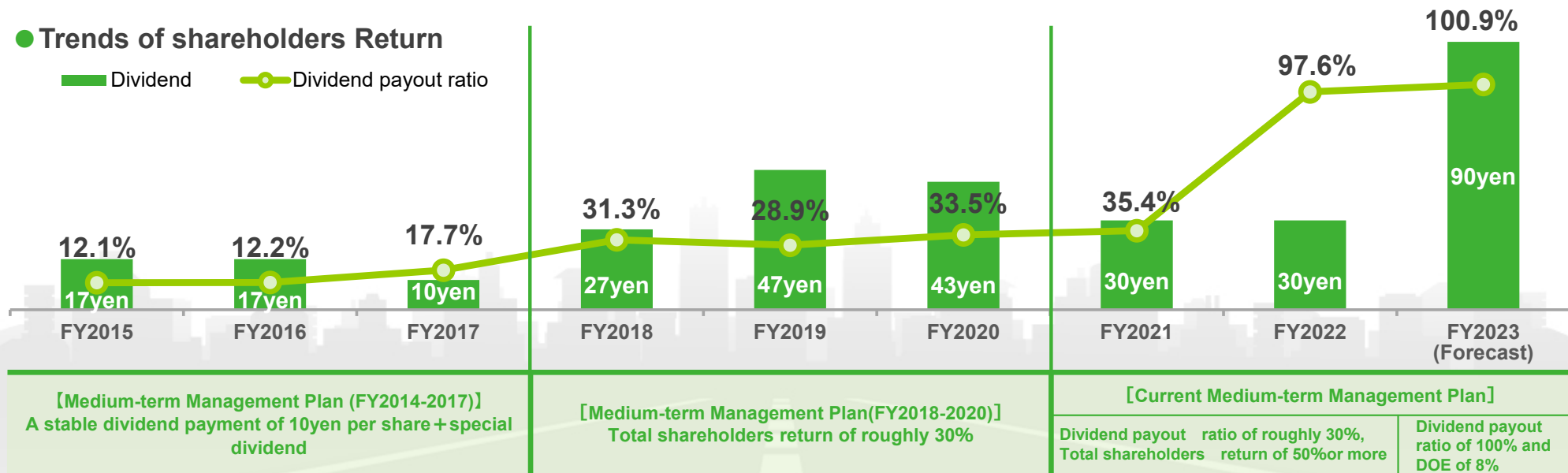
Capital Policy (Investment Plans, Financial Plan and Shareholder Returns)

Shareholder returns with a targeted dividend payout ratio of 100% and DOE of 8% [Effective FY2023]

Trends of relevant indicators

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (Forecast)
Equity (million yen)	28,098	31,543	36,632	40,790	40,497	39,660	
Net assets per share (yen)	696.09	780.73	909.13	1,010.99	1,082.33	1,088.13	
Equity ratio (%)	38.9	44.5	49.1	51.4	51.7	50.4	
Net income per share (yen)	56.35	86.16	162.40	128.45	84.81	30.73	89.17
Dividend per share (yen)	10	27	47	43	30	30	90
Dividend payout ratio (%)	17.7	31.3	28.9	33.5	35.4	97.6	100.9
Total shareholders return (%)	17.7	31.3	30.5	33.5	109.6	168.0	
ROE(%)	8.4	11.7	19.2	13.4	8.1	2.8	

Trends of shareholders Return





5 Reference Information



Corporate Philosophy

An infrastructure building company that helps create affluent communities

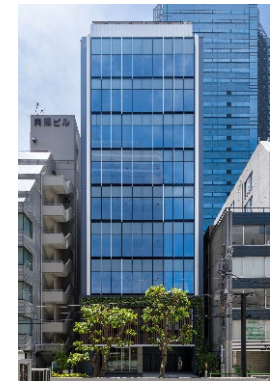
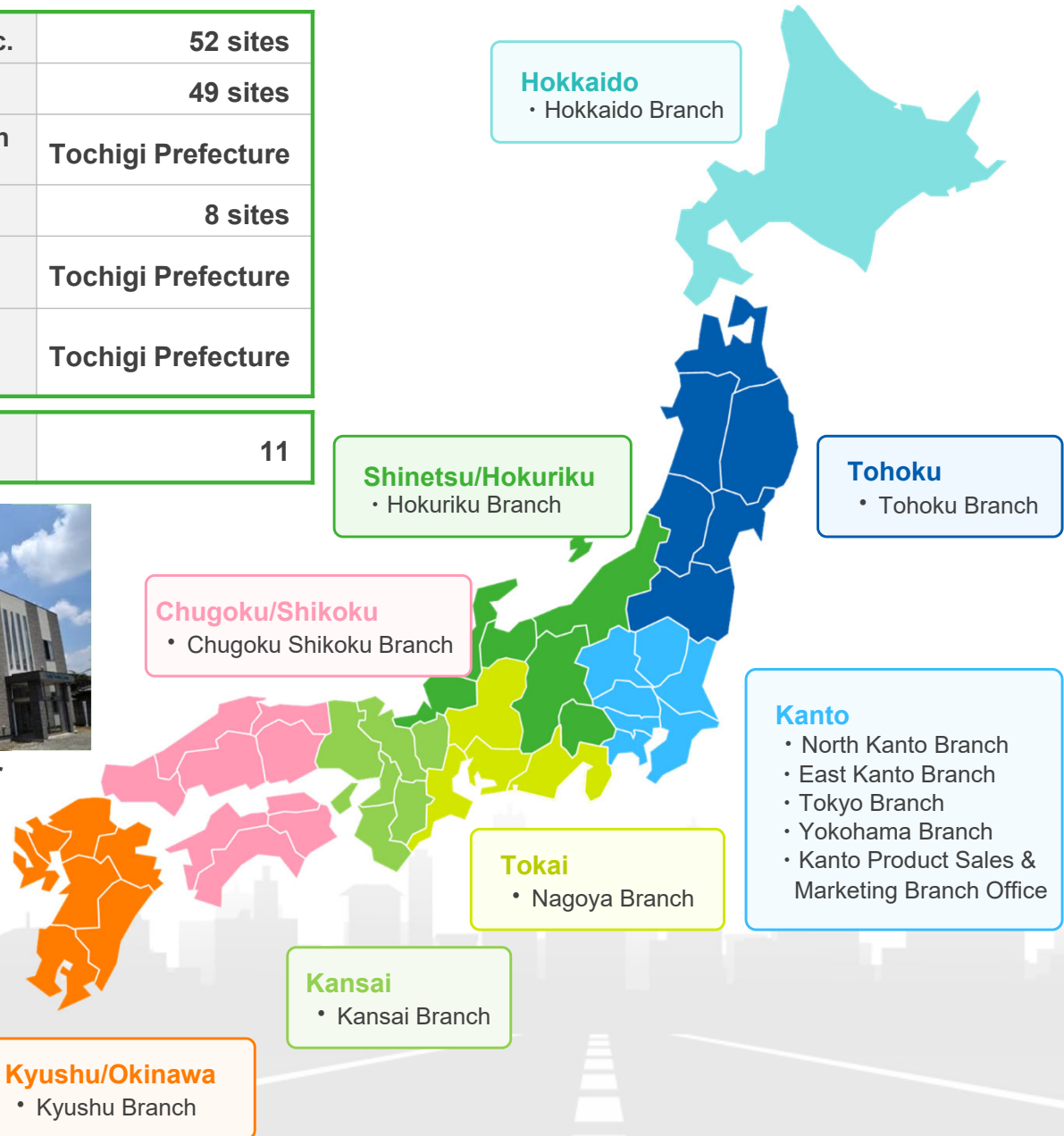
Company name	SEIKITOKYU KOGYO CO., LTD.
Established	January 16, 1950
Head office location	2-9-3, Shibakoen, Minato-ku, Tokyo,
Representative	Yoshikazu Taira, Director, President
Share capital	2,000 million yen (March 31, 2023)
Net sales	87,676 million yen (FY2022)
Number of employees	969 (March 31, 2023)
Listing	Prime Market of the Tokyo Stock Exchange
Construction business license	Special construction business license issued by the Minister of Land, Infrastructure, Transport and Tourism (Special - 4) No. 1962

Business offices, etc.	52 sites
Material plants, etc.	49 sites
Technology research laboratory	Tochigi Prefecture
Testing laboratories	8 sites
Equipment center	Tochigi Prefecture
Training center	Tochigi Prefecture

Consolidated subsidiaries	11
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Training center



Head office



Sakura Material Plant



Central Kanagawa business office



CRACK REPAIR

CRACK REPAIR is an ultra-low viscosity polyurethane-based repairing material that can be flown naturally and injected into concrete cracks. Its superior performance enables to open roads to traffic approximately one hour after construction works. The product, jointly developed with TOKYU CONSTRUCTION CO., LTD., helps to extend the life of infrastructure.



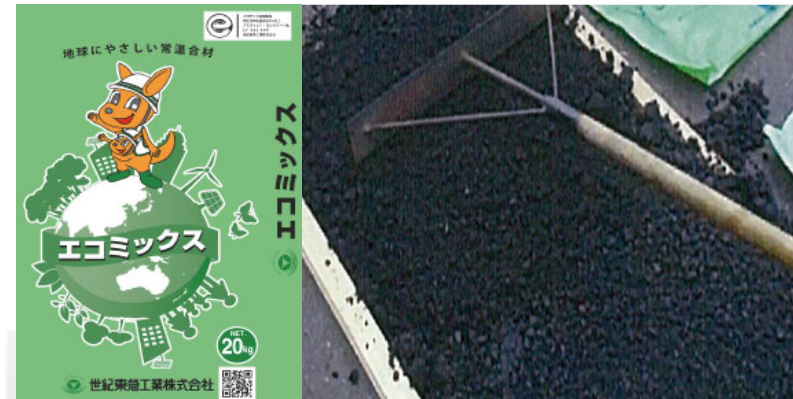
Mible-eco (generic term: foamed asphalt mixture)

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.



Road Surface Properties Measuring Vehicle

The vehicle records the status of road surface using cameras in the survey unit, which can be installed on a passenger car. The vertical and horizontal laser scanners check the conditions of road surface and provides crack percentages and other data. Using AI, the product also calculates rutting percentages and detects potholes and fading lines.



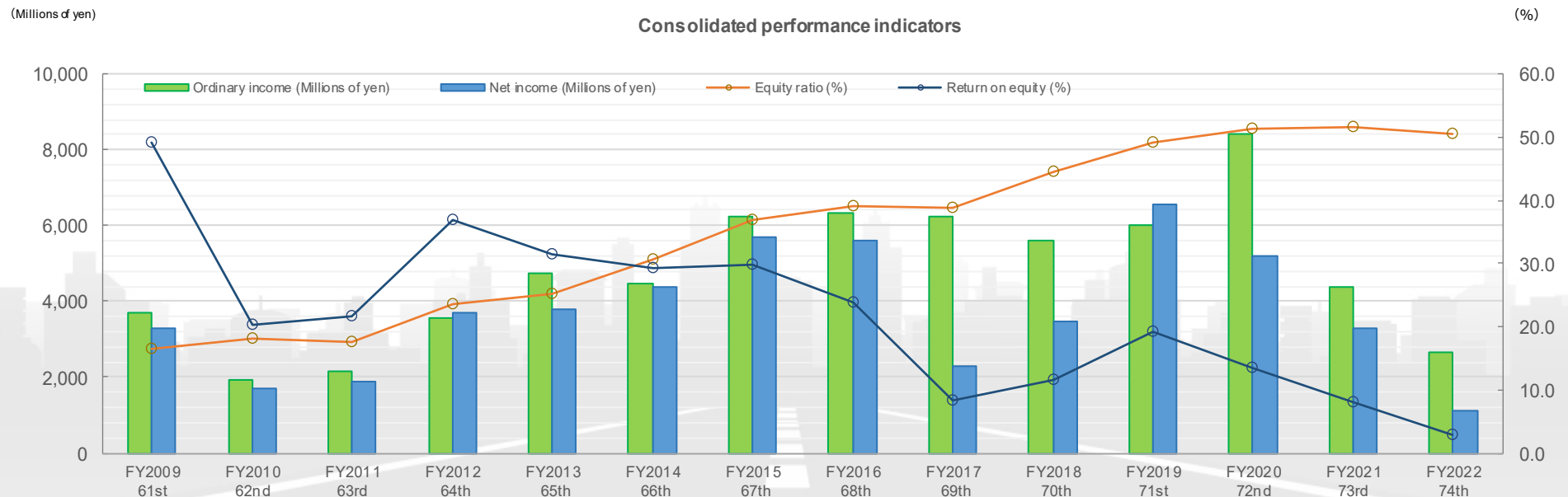
Cold asphalt mixture "Ecomix"

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	58th	59th	60th	61st	62nd	63rd	64th	65th	66th	67th	68th	69th	70th	71st	72nd	73rd	74th
Fiscal year	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Net sales (Millions of yen)	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	85,132	92,414
Operating income (Millions of yen)	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	4,418	2,669
Operating profit ratio (%)	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	5.2	2.9
Ordinary income (Millions of yen)	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	4,358	2,647
Net income (Millions of yen)	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	3,304	1,127
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	3,992	1,049
Net assets (Millions of yen)	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	40,497	39,660
Total assets (Millions of yen)	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	78,295	78,762
BPS (yen)	(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	1,082.33	1,088.13
EPS (yen)	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	84.81	30.73
Diluted EPS (yen)	2.47	0.74	0.77	10.72	5.80	7.19	16.00	—	—	—	—	—	—	—	—	—	—
Equity ratio (%)	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	51.7	50.4
Return on equity (%)	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	8.1	2.8
Price-earnings ratio (Times)	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	8.80	26.40
Cash flows from operating activities (Millions of yen)	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	4,646	2,380
Cash flows from investing activities (Millions of yen)	(46)	(932)	(1,184)	(997)	(361)	(130)	(608)	(1,407)	(1,234)	(1,658)	(4,896)	(2,231)	(1,777)	(3,808)	(3,622)	(3,668)	(5,028)
Cash flows from financing activities (Millions of yen)	(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	(2,232)	(2,022)
Cash and cash equivalents at the end of year (Millions of yen)	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	12,814	8,173
Dividend per share (yen)	—	—	—	—	—	—	—	15	15	17	17	10	27	47	43	30	30
Dividend payout ratio (%)	—	—	—	—	—	—	—	15.0	13.9	12.1	12.2	17.7	31.3	28.9	33.5	35.4	97.6
Employees (persons)	798	869	865	860	840	824	797	792	825	863	904	896	907	1,031	1,043	1,098	1,117
[plus average number of part-time staff]	[311]	[235]	[230]	[236]	[240]	[245]	[251]	[268]	[279]	[275]	[275]	[274]	[289]	[293]	[277]	[292]	[292]

* 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.



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.



世紀東急工業株式会社

Contact

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Inquiries: <https://www.seikitokyu.co.jp/contact> (in Japanese)

ST and K (Seiki Tokyu Kogyo mascot characters)

ST and K, our mascot characters, were born in January 2020 on the occasion of our 70th 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
エスティとケイ

