



世紀東急工業株式会社

Financial Results Presentation for the First Half of the Fiscal Year Ending March 31, 2024

November 30, 2023

**Becoming a truly strong corporate
group**





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1

Overview of Financial Results for the First Half of the Fiscal Year Ending March 31, 2024



- In the road construction market, public construction investment remained strong as disaster prevention and mitigation projects and measures to address aging and deteriorating infrastructure were promoted.
- High prices of energy and other resources persisted due primarily to the impact of the weak yen in addition to the prolonged situation in Ukraine.
While there has been some progress in cost pass-through to prices, it remains insufficient, which continued to make 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) 世紀東急工業株式会社

- Sales decreased but profits increased year on year on a consolidated and non-consolidated basis.
- Operating income experienced a sharp rise as a rebound from the significant drop in profits in the same period of the previous year due to higher raw material costs.
- However, operating income (consolidated) for 1H of FY2021 and 1H of FY2020 were 1,753 million yen and 2,236 million yen, respectively, indicating that the situation remains challenging.

(Millions of yen)

Consolidated	1H of FY2022 results	1H of FY2023 results	YoY change (Amount)	YoY change (%)	Initial forecast for 1H of FY2023 (announced on May 9)	vs. forecast (Amount)	vs. forecast (%)
Net sales	41,892	39,634	(2,257)	(5.4)	42,900	(3,266)	(7.6)
Gross profit	3,332	3,984	651	19.6	4,010	(26)	(0.6)
Operating income	246	993	746	303.4	880	113	12.8
Ordinary income	246	1,007	760	308.9	840	167	19.9
Net income	90	861	770	847.1	530	331	62.5

Non-Consolidated	1H of FY2022 results	1H of FY2023 results	YoY change (Amount)	YoY change (%)	Initial forecast for 1H of FY2023 (announced on May 9)	vs. forecast (Amount)	vs. forecast (%)
Net sales	39,755	37,899	(1,855)	(4.7)	40,600	(2,701)	(6.7)
Gross profit	2,931	3,578	647	22.1	3,580	(2)	(0.1)
Operating income	203	916	712	349.3	810	106	13.1
Ordinary income	207	939	731	352.2	770	169	21.9
Net income	115	854	739	642.4	540	314	58.1

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

- Total orders received and orders received for construction increased year on year and exceeded the initial forecast. They exceeded the results for 1H of the previous year, which were at the highest level in the past 10 years.
- Net sales of finished goods were generally in line with the initial forecast and secured a year-on-year increase due to higher selling prices.
- Net sales of completed construction contracts decreased, but remained at a high level. Construction contracts brought forward significantly exceeded those for 1H of the previous year.

(Millions of yen)

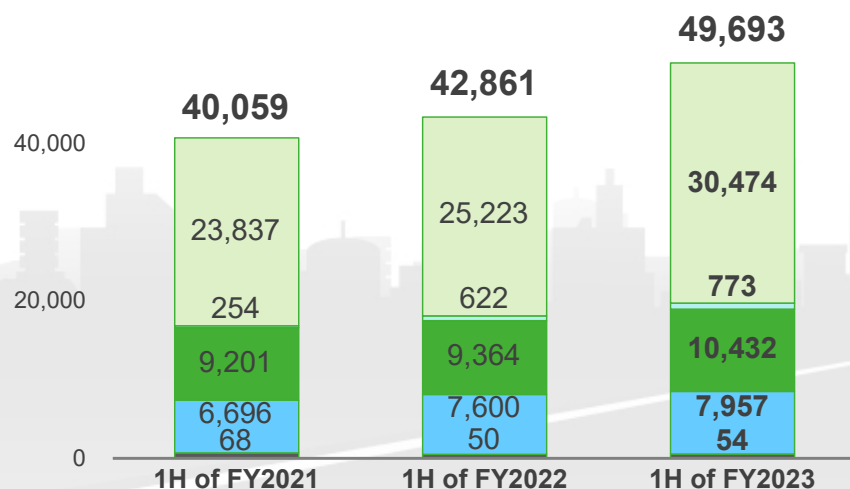
Orders received	1H of FY2021	1H of FY2022	1H of FY2023		YoY change (Amount)	YoY change (%)	Initial forecast for 1H of FY2023 (announced on May 9)	vs. forecast (Amount)	vs. forecast (%)
	Amount	Amount	Amount	Composition (%)					
Construction Business	33,294	35,210	41,680	83.9	6,470	18.4	38,790	2,890	7.5
Asphalt pavement	23,837	25,223	30,474	61.3	5,251	20.8	—	—	—
Concrete pavement	254	622	773	1.6	150	24.1	—	—	—
Civil engineering works, etc.	9,201	9,364	10,432	21.0	1,068	11.4	—	—	—
Pavement Materials Manufacturing and Sales Business	6,696	7,600	7,957	16.0	357	4.7	7,940	17	0.2
Electricity Sales Business, etc.	68	50	54	0.1	4	8.1	110	(56)	(50.9)
Total orders received	40,059	42,861	49,693	100.0	6,832	15.9	46,840	2,853	6.1

Orders received

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

(Millions of yen)

60,000



Net sales

	1H of FY2021	1H of FY2022	1H of FY2023
Construction Business	31,898	34,241	31,621
Asphalt pavement	25,098	26,203	23,356
Concrete pavement	261	428	450
Civil engineering works, etc.	6,539	7,609	7,814
Pavement Materials Manufacturing and Sales Business	6,696	7,600	7,957
Electricity Sales Business, etc.	68	50	54
Total	38,663	41,892	39,634

(Millions of yen)

Construction contracts brought forward

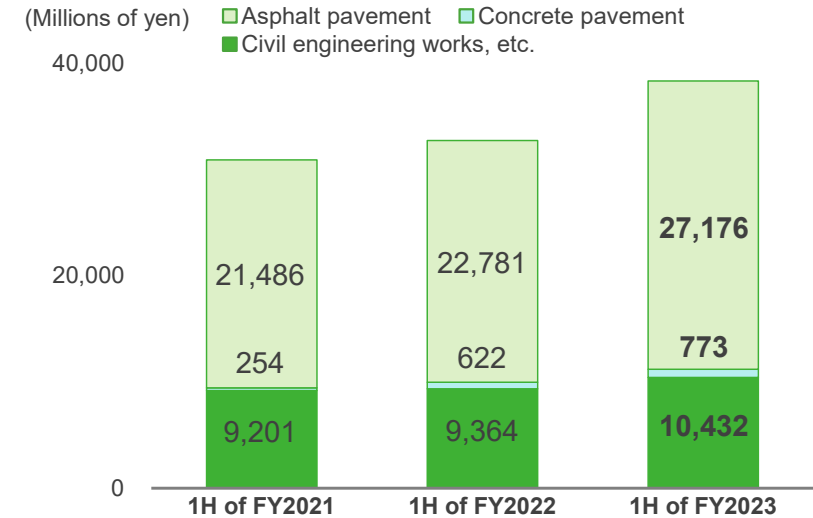
	1H of FY2021	1H of FY2022	1H of FY2023
Construction Business	40,217	37,507	46,443
Asphalt pavement	27,711	25,215	29,535
Concrete pavement	277	520	1,058
Civil engineering works, etc.	12,228	11,772	15,849
Total	40,217	37,507	46,443

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

- Trends in orders for construction work held up well, and we constantly received orders in general.
- Orders received for construction ordered by public agencies increased significantly due to the contributions from large-scale construction work orders such as those related to expressways.
- Construction orders from the private sector, which we focus on, also grew steadily. As a result, overall construction work orders received showed 54.8% progress against the annual orders received of 70 billion yen in the initial forecast.

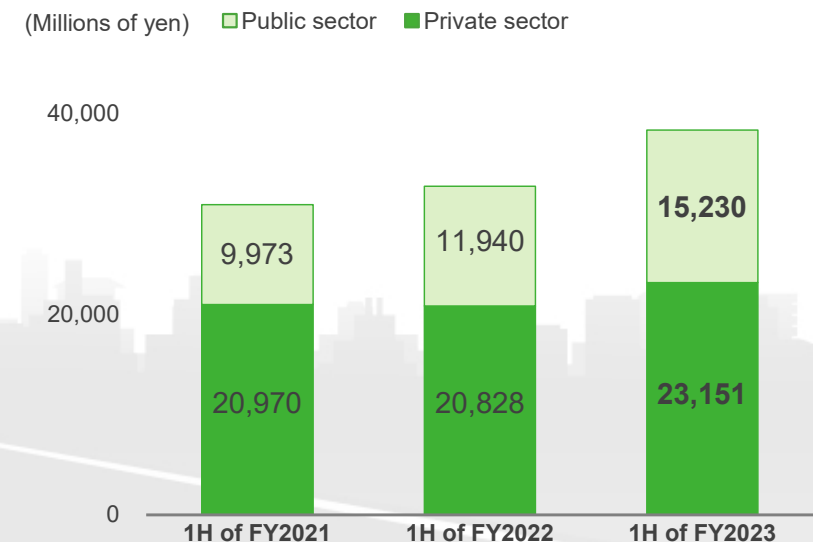
(Millions of yen)

Orders received by type of work	1H of FY2021	1H of FY2022	1H of FY2023	YoY change (Amount)	YoY change (%)
Asphalt pavement	21,486	22,781	27,176	4,394	19.3
Concrete pavement	254	622	773	150	24.1
Civil engineering works, etc.	9,201	9,364	10,432	1,068	11.4
Total	30,943	32,769	38,382	5,613	17.1



(Millions of yen)

Orders received by public and private sector	1H of FY2021	1H of FY2022	1H of FY2023	YoY change (Amount)	YoY change (%)
Public sector	9,973	11,940	15,230	3,289	27.6
Private sector	20,970	20,828	23,151	2,323	11.2
Tokyu Group	914	1,663	723	(939)	(56.5)
Total	30,943	32,769	38,382	5,613	17.1



1 Product Manufacturing and Sales Results (Non-consolidated)

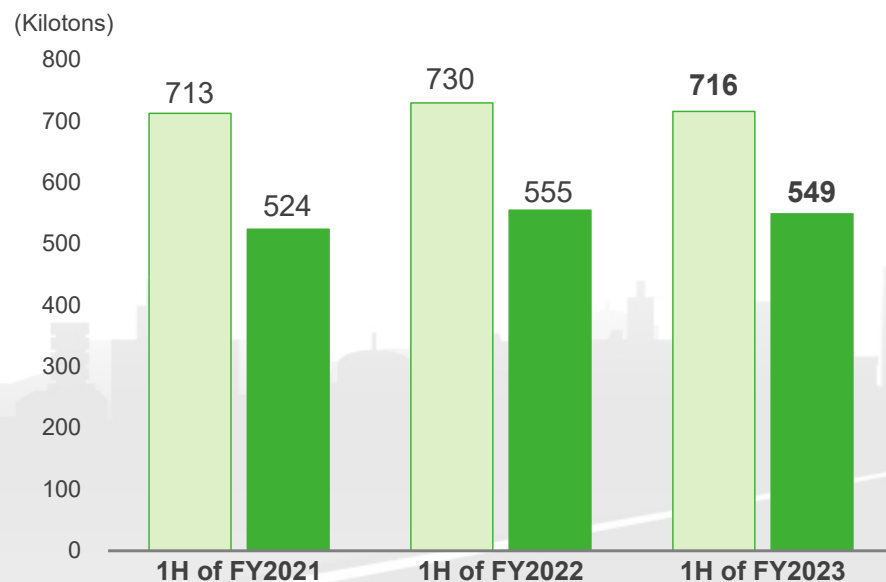
- In spite of sluggish product demand, we focused our effort on sales activities and generally secured both production volume and sales volume of asphalt composites at levels similar to those of 1H of the previous year.
- Net sales of finished goods increased 5.8% year on year due to an increase in sales of the recycling business, in addition to higher selling prices which partially reflected rising raw material prices.

		1H of FY2021	1H of FY2022	1H of FY2023	YoY change (Amount)	YoY change (%)
Asphalt composites	Production volume (Kilotons)	713	730	716	(14)	(2.0)
	Sales volume (Kilotons)	524	555	549	(6)	(1.1)
	Sales	4,667	5,448	5,744	295	5.4
Sales of other products		2,106	2,228	2,380	151	6.8
Total net sales		6,773	7,677	8,124	446	5.8

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.

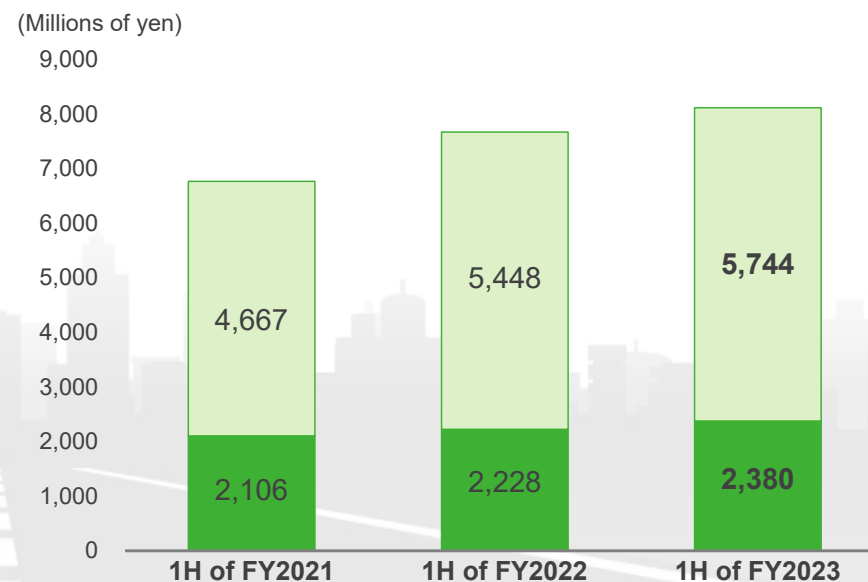
Production volume and sales volume

□ Production volume ■ Sales volume



Net sales

□ Asphalt composites ■ Other products



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

- In the construction business, net sales of completed construction contracts during 1H declined as a result of a rebound from the construction of several large-scale construction works in the same period of the previous year. Construction works in progress is scheduled to go into full swing from the third quarter onward. The margin remained at the same level as the previous year, and segment profit fell below the results of the past three years. (Segment profit for 1H of FY2019: 1,882 million yen, segment profit for 1H of FY2020: 2,291 million yen)
- In the pavement materials manufacturing and sales business, segment profit recovered to the level of the year before last, both in terms of the margin and amount, due to higher selling prices. However, the situation remains challenging compared to the earlier years. (Segment profit for 1H of FY2019: 936 million yen, segment profit for 1H of FY2020: 1,522 million yen)

(Millions of yen)

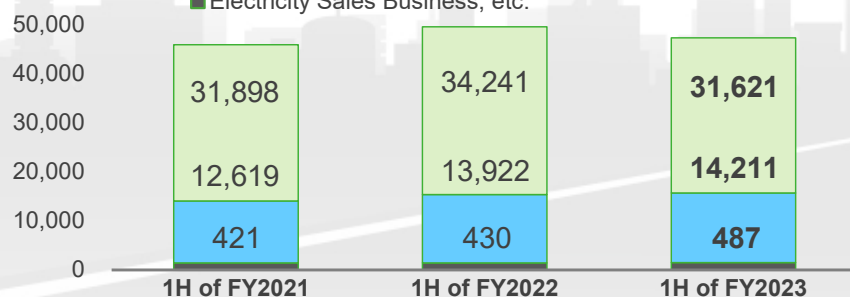
Net sales	1H of FY2021	1H of FY2022	1H of FY2023	YoY change (Amount)	YoY change (%)
Construction Business	31,898	34,241	31,621	(2,619)	(7.7)
Pavement Materials Manufacturing and Sales Business	12,619	13,922	14,211	289	2.1
Electricity Sales Business, etc.	421	430	487	56	13.2
Adjustments	(6,276)	(6,702)	(6,686)	15	—
Total net sales	38,663	41,892	39,634	(2,257)	(5.4)

Operating income	1H of FY2021	1H of FY2022	1H of FY2023	YoY change (Amount)	YoY change (%)
Construction Business	2,532	2,033	1,924	(108)	(5.4)
Pavement Materials Manufacturing and Sales Business	736	(32)	733	765	—
Electricity Sales Business, etc.	92	82	96	14	17.5
Adjustments	(1,607)	(1,837)	(1,761)	75	—
Total operating income	1,753	246	993	746	303.4

Net sales

(Millions of yen)

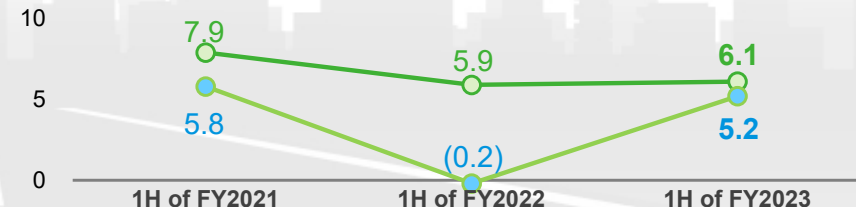
- Construction Business
- Pavement Materials Manufacturing and Sales Business
- Electricity Sales Business, etc.



Operating income margin

(%)

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



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

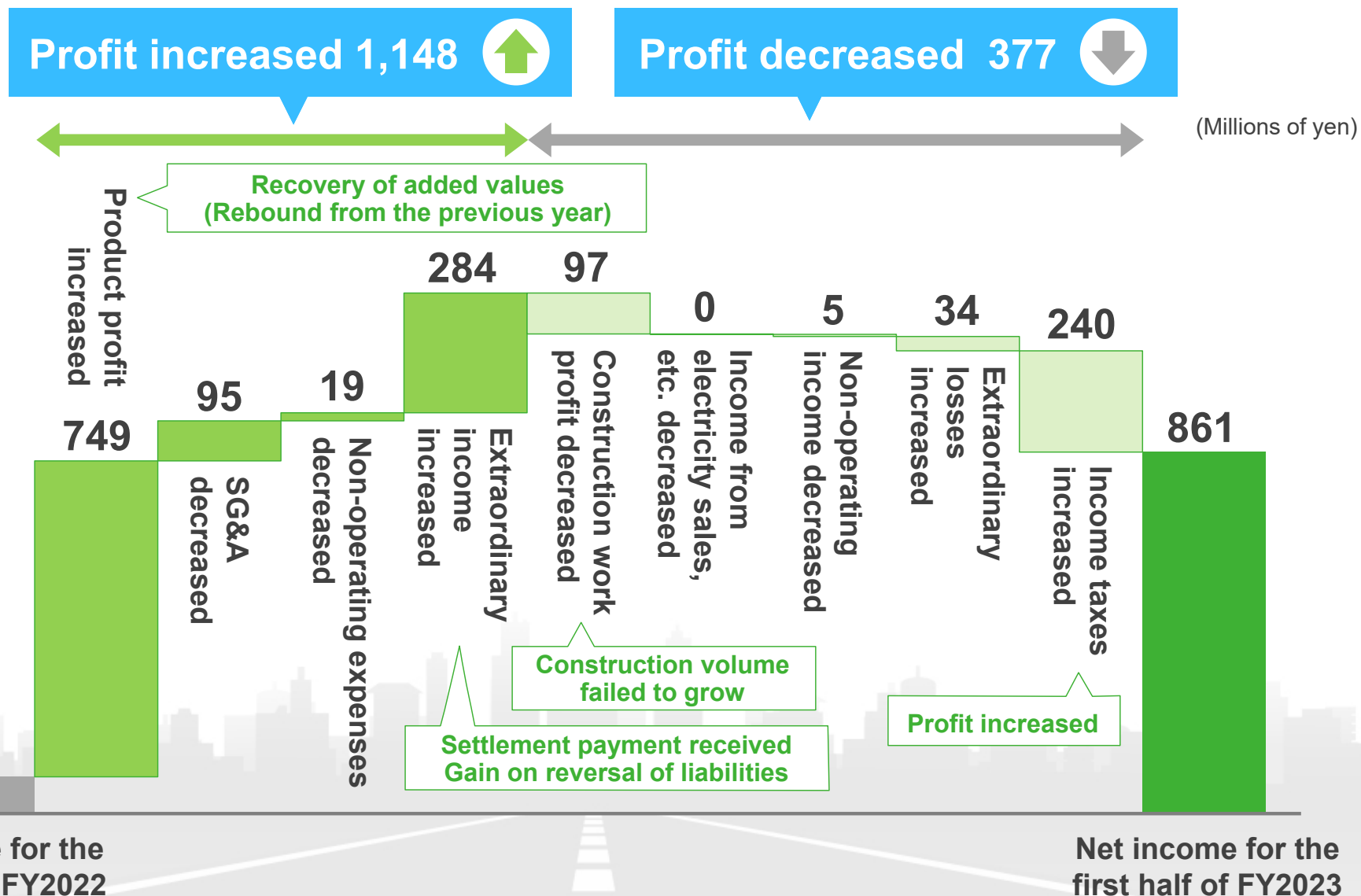
- While our effort to raise salaries 3% or more is underway, selling, general and administrative expenses decreased compared to 1H of the previous year, when expenses increased due to the head office relocation and other factors.
- Extraordinary income was booked primarily due to the receipt of a settlement payment (120 million yen) in a shareholder derivative lawsuit and the reversal of a penalty related to a construction contract due to the statute of limitations. The penalty was expected to be incurred in connection with the past violations of the Anti-Monopoly Act.
- Profits improved compared to the same period of the previous year, but the situation still remains difficult compared to the earlier years.

(Millions of yen)

	1H of FY2021		1H of FY2022		1H of FY2023		YoY change (Amount)	YoY change (%)
	Amount	Composition (%)	Amount	Composition (%)	Amount	Composition (%)		
Net sales	38,663	100.0	41,892	100.0	39,634	100.0	(2,257)	(5.4)
Gross profit	4,538	11.7	3,332	8.0	3,984	10.1	651	19.6
Selling, general and administrative expenses	2,784	7.2	3,086	7.4	2,991	7.5	(95)	(3.1)
Operating income	1,753	4.5	246	0.6	993	2.5	746	303.4
Non-operating income	31	0.1	71	0.2	65	0.2	(5)	(7.3)
Non-operating expenses	47	0.1	71	0.2	51	0.1	(19)	(27.1)
Ordinary income	1,737	4.5	246	0.6	1,007	2.5	760	308.9
Extraordinary income	14	0.0	2	0.0	286	0.7	284	—
Extraordinary losses	41	0.1	20	0.0	55	0.1	34	168.1
Profit before income taxes	1,710	4.4	228	0.5	1,238	3.1	1,010	443.2
Income taxes	518	1.3	137	0.3	377	1.0	240	175.5
Net income	1,191	3.1	90	0.2	861	2.2	770	847.1

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

- There were positive factors, such as an improvement in product profit, a decrease in selling, general and administrative expenses, and a booking of extraordinary income. As a result, net income recovered to a level exceeding the results of 1H of the previous year and the initial forecast, although it was not sufficient compared to the earlier years.



1 Consolidated Financial Position and Cash Flows

- Dividends paid of 1,090 million yen.
- Purchase of property, plant and equipment of 2,137 million yen, including facility upgrade of plants and rebuilding offices.
- The increase in long-term borrowings in 1H of FY2022 is attributable to the funds borrowed to finance the reconstruction of the head office building.

Consolidated financial position

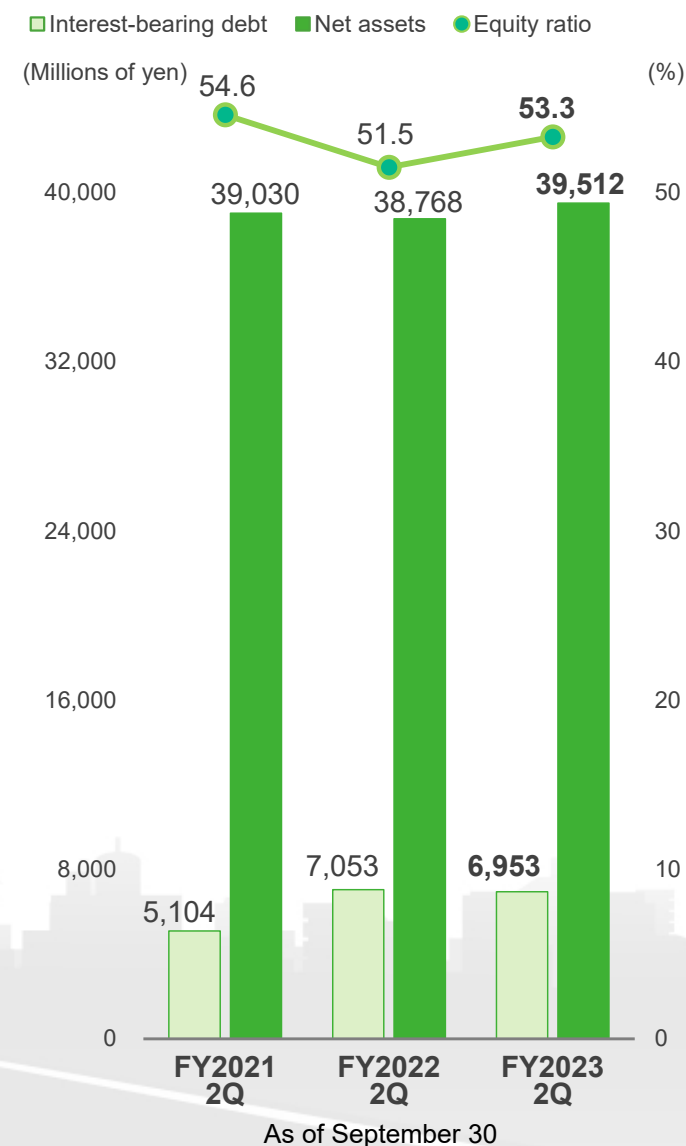
(Millions of yen)

	As of Sept. 30, 2021	As of Sept. 30, 2022	As of Sept. 30, 2023	YoY change
Total assets	71,472	75,289	74,085	(1,204)
Total liabilities	32,442	36,520	34,572	(1,948)
Interest-bearing debt	5,104	7,053	6,953	(100)
(Short-term borrowings)	104	203	203	—
(Long-term borrowings)	5,000	6,850	6,750	(100)
Net assets	39,030	38,768	39,512	744
Equity ratio	54.6%	51.5%	53.3%	—

Consolidated cash flows

(Millions of yen)

	1H of FY2021	1H of FY2022	1H of FY2023
Net cash provided by (used in) operating activities	6,844	5,475	10,868
Net cash provided by (used in) investing activities	(1,993)	(2,909)	(2,082)
Net cash provided by (used in) financing activities	(2,882)	(1,874)	(1,043)
Effect of exchange rate change on cash and cash equivalents	3	57	13
Net increase (decrease) in cash and cash equivalents	1,972	748	7,756
Cash and cash equivalents at end of period	16,007	13,562	15,929



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)
East Nippon Expressway Company Limited	Pavement work on the Onahama Road in Yamada-machi	Fukushima
East Nippon Expressway Company Limited	Pavement work in Narita area on Higashi-Kanto Expressway	Chiba
Hanshin Expressway Company Limited	Large-scale pavement repair work (2023-4-Wan)	Osaka
Kobe City	Repair work for the Universiade Memorial Stadium in the Kobe Sports Park	Hyogo
West Nippon Expressway Company Limited	Pavement work on the Hayato Road in the Hayato Higashi area (FY2023)	Kagoshima

● Construction works brought forward from FY2022

Customer	Project	Site (Prefecture)
East Nippon Expressway Company Limited	Pavement repair work within the jurisdiction of Hachinohe Operation Office of Hachinohe Expressway	Aomori
East Nippon Expressway Company Limited	Pavement repair work within the jurisdiction of Akita Operation Office of Akita Expressway	Akita
Central Nippon Expressway Company Limited	Pavement repair work (large-scale renewal project) within the jurisdiction of Toyama Operation Office of the Hokuriku Expressway (FY2020)	Toyama
West Nippon Expressway Company Limited	Pavement repair work within the jurisdiction of Kyoto Operation Office (FY2022)	Kyoto
Fukuoka International Airport Co., Ltd.	Curbside development construction work at Fukuoka Airport International Terminal	Fukuoka

1 Major Completed Construction Works

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 jurisdiction of Utsunomiya Operation Office of the Tohoku Expressway	Tochigi
Central Nippon Expressway Company Limited	Pavement work on the Tokai-Hokuriku Expressway in Nanto City	Toyama
Hanshin Expressway Company Limited	Large-scale pavement repair work (2021-10-Wan)	Osaka
Chugoku Regional Development Bureau, MLIT	Pavement repair and other work within the jurisdiction of Saijo Maintenance Branch Office (FY2022)	Hiroshima



Pavement repair work within the jurisdiction of Utsunomiya Operation Office of the Tohoku Expressway



Pavement work on the Tokai-Hokuriku Expressway in Nanto City



Large-scale pavement repair work (2021-10-Wan)



Pavement repair and other work within the jurisdiction of Saijo Maintenance Branch Office (FY2022)

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)

Settlement of the shareholder derivative lawsuit (Tokyo District Court, Case No. wa-32120 [2020])

In December 2020, one shareholder filed a lawsuit against four former directors of the Company, seeking compensation for damages caused to the company due to violations in deciding mixture prices.

- March 28, 2022: Tokyo District Court ruled in favor of the plaintiff's claim.
- January 26, 2023: Tokyo High Court ruled in favor of the plaintiff's claim.
- June 22, 2023: A settlement was reached at the Tokyo High Court.

- Settlement payment: 120 million yen
- The Company paid 18 million yen as a legal fee for the plaintiff.



2

Outlook for the Fiscal Year Ending March 31, 2024



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

- We continue to expect firm underlying demand in the road construction market, such as disaster prevention and disaster mitigation business and building national resilience.
- Given trends in raw material prices and other factors, both consolidated and non-consolidated forecasts for each figure remain unchanged from the initial forecasts.
- Forecasts at this moment do not factor in a sudden deterioration of the revenue environment caused by risks related to geopolitics and other factors.

(Millions of yen)

Consolidated	FY2022	FY2023 (Forecast)	YoY change (Amount)	YoY change (%)	Initial forecast for FY2023 (announced on May 9)	vs. forecast (Amount)	vs. forecast (%)
Orders received	92,260	93,700	1,440	1.6	93,700	—	—
Net sales	92,414	93,300	886	1.0	93,300	—	—
Gross profit	8,802	11,000	2,198	25.0	11,000	—	—
Operating income	2,669	4,920	2,251	84.3	4,920	—	—
Ordinary income	2,647	4,820	2,173	82.1	4,820	—	—
Net income	1,127	3,250	2,123	188.4	3,250	—	—

Non-consolidated	FY2022	FY2023 (Forecast)	YoY change (Amount)	YoY change (%)	Initial forecast for FY2023 (announced on May 9)	vs. forecast (Amount)	vs. forecast (%)
Orders received	88,114	88,000	(114)	(0.1)	88,000	—	—
Net sales	87,676	88,000	324	0.4	88,000	—	—
Gross profit	7,823	9,880	2,057	26.3	9,880	—	—
Operating income	2,436	4,480	2,044	83.9	4,480	—	—
Ordinary income	2,400	4,400	2,000	83.3	4,400	—	—
Net income	1,028	3,030	2,002	194.8	3,030	—	—

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

- Backed by extensive construction works in progress and solid orders received, we expect a year-on-year increase in net sales of completed construction contracts. As for construction work profit, despite concerns about rising material prices and personnel expenses, the margin is expected to improve slightly due to anticipated contributions from large-scale construction works which are going into full swing.
- In the product business, we will strive to secure sales volume, reasonably pass on costs to selling prices, and improve manufacturing efficiency. Thus, we aim to improve profit, though there are concerns about rising manufacturing and transportation costs.

(Millions of yen)

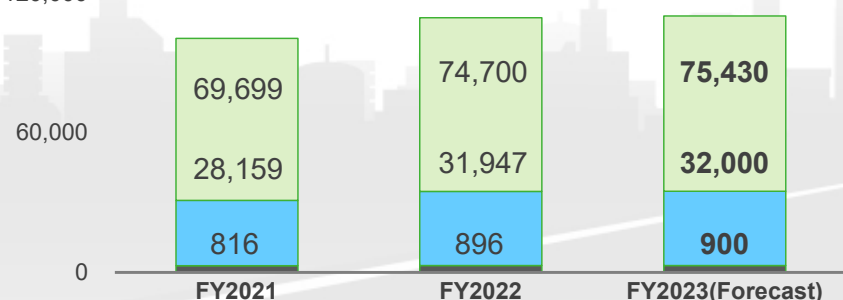
Net sales	FY2022	FY2023 (Forecast)	YoY change (Amount)	YoY change (%)	Initial forecast for FY2023 (announced on May 9)	vs. forecast (Amount)	vs. forecast (%)
Construction Business	74,700	75,430	730	1.0	75,430	—	—
Pavement Materials Manufacturing and Sales Business	31,947	32,000	53	0.2	32,000	—	—
Electricity Sales Business, etc.	896	900	4	0.4	900	—	—
Adjustments	(15,130)	(15,030)	100	—	(15,030)	—	—
Total net sales	92,414	93,300	886	1.0	93,300	—	—

Operating income	FY2022	FY2023 (Forecast)		YoY change (Amount)	YoY change (%)	Initial forecast for FY2023 (announced on May 9)	vs. forecast (Amount)	vs. forecast (%)
	Amount	Amount	Margin (%)					
Construction Business	5,540	6,000	8.0	460	8.3	6,000	—	—
Pavement Materials Manufacturing and Sales Business	596	2,300	7.2	1,704	285.9	2,300	—	—
Electricity Sales Business, etc.	168	170	18.9	2	1.2	170	—	—
Adjustments	(3,635)	(3,550)	—	85	—	(3,550)	—	—
Total operating income	2,669	4,920	5.3	2,251	84.3	4,920	—	—

Net sales

(Millions of yen)

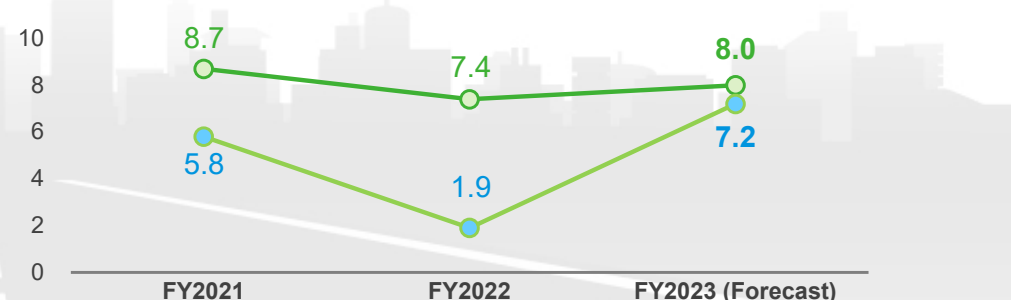
120,000



Operating income margin

(%)

12



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

- We will continue to focus on strengthening the base of receiving construction orders from the private sector, taking into account the gradual downward trend in the amount of public works in the future and medium- to long-term marketability.
- We intend construction work orders from the public sector to exceed the initial forecast, in light of the status of orders received during 1H and the outlook for orders from the third quarter onward.
- As we expect firm underlying demand for construction, we aim to receive construction work orders equivalent to 70 billion yen on a non-consolidated basis, which is the FY2030 target, as we did in the previous fiscal year.

(Millions of yen)

Consolidated	FY2022	FY2023 (Forecast)	YoY change (Amount)	YoY change (%)
Total construction work orders received	74,546	75,800	1,254	1.7

Non-consolidated	FY2022	FY2023 (Forecast)	YoY change (Amount)	YoY change (%)
Public sector	26,473	26,600	127	0.5
Private sector	43,771	43,400	(371)	(0.8)
Tokyu Group	2,966	2,590	(376)	(12.7)
Total	70,245	70,000	(245)	(0.3)

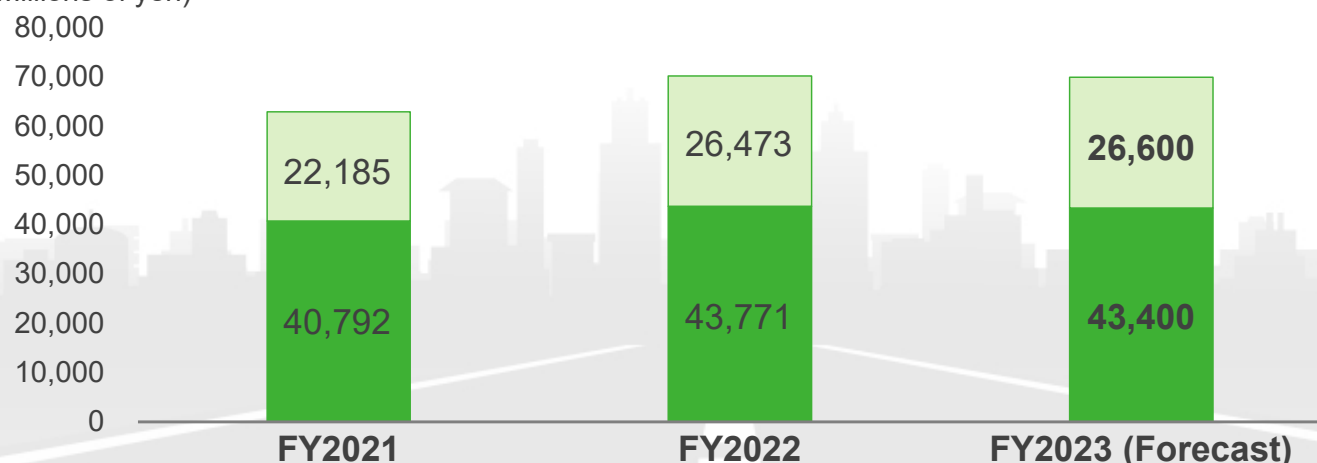
Initial forecast for FY2023 (announced on May 9)	vs. forecast (Amount)	vs. forecast (%)
75,800	—	—

Initial forecast for FY2023 (announced on May 9)	vs. forecast (Amount)	vs. forecast (%)
24,260	2,340	9.6
45,740	(2,340)	(5.1)
2,890	(300)	(10.4)
70,000	—	—

Trend in orders received for construction (non-consolidated)

(Millions of yen)

Public sector Private sector





3

**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]

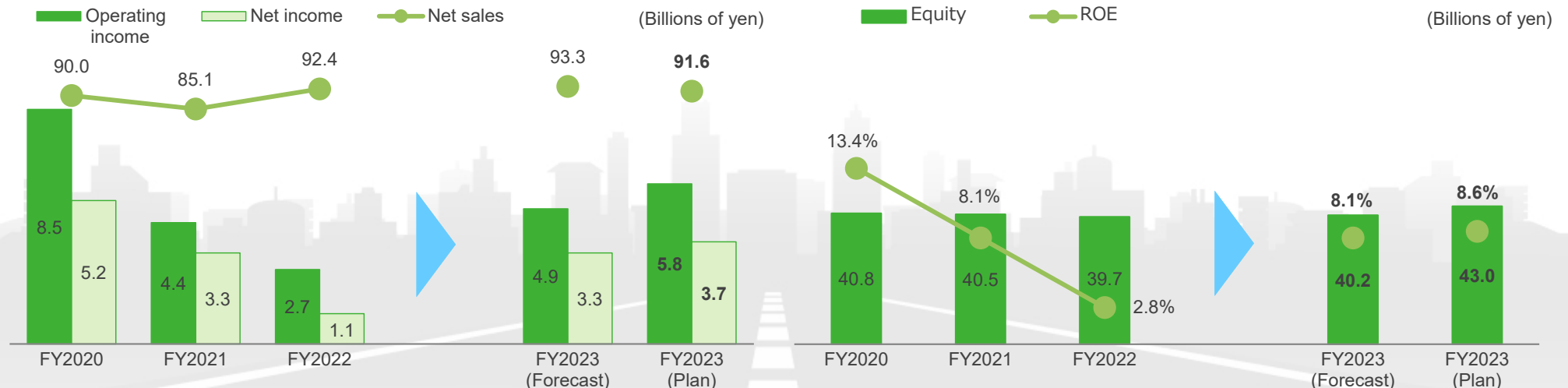
Key Performance Indicators (consolidated)(final year of the plan)

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%	8.1%	Approx. 8.6%
Equity	40.5 billion yen	39.7 billion yen	40.2 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
 - 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

(Note) Equity in the forecast for FY2023 is calculated as follows: "Equity at the end of the previous fiscal year" + "Estimated net income for the fiscal year" - "Interim dividend" + "Fluctuation due to disposal of treasury shares as restricted stock (RS).



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%

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

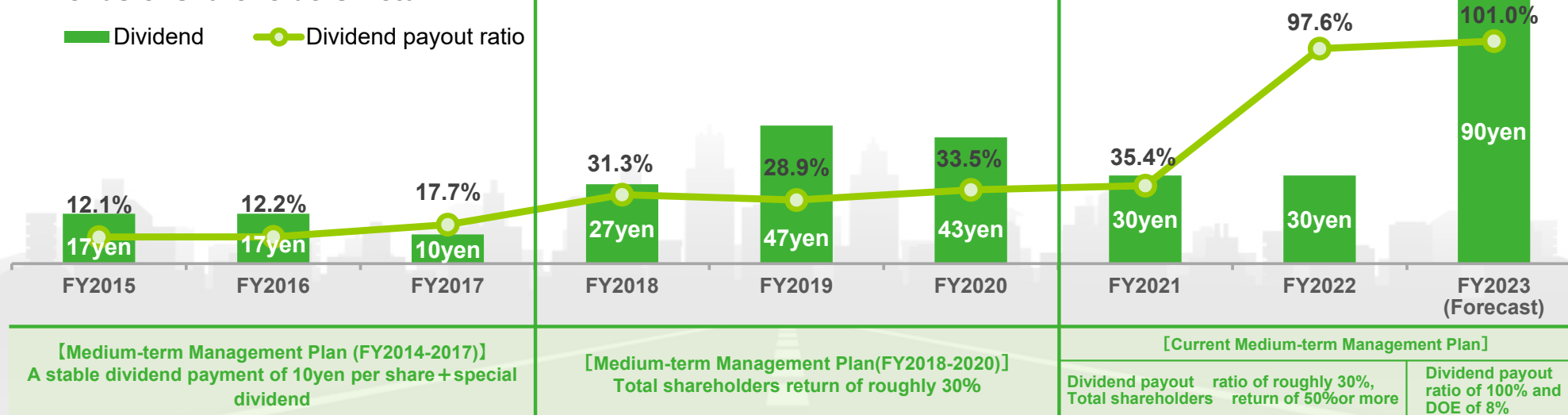
Shareholder returns with a targeted dividend payout ratio of 100% and DOE of 8% [Effective FY2023]

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	40,205
Net assets per share (yen)	696.09	780.73	909.13	1,010.99	1,082.33	1,088.13	1,102.45
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	89.12
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	101.0
Total shareholders return (%)	17.7	31.3	30.5	33.5	109.6	168.0	101.0
DOE(%)	1.5	3.7	5.6	4.5	2.9	2.8	8.2
ROE(%)	8.4	11.7	19.2	13.4	8.1	2.8	8.1

(Note) Equity in the forecast for FY2023 is calculated as follows: "Equity at the end of the previous fiscal year" + "Estimated net income for the fiscal year" - "Interim dividend" + "Fluctuation due to disposal of treasury shares as restricted stock (RS).

Trends of shareholders Return





4 Reference Information



Corporate Philosophy

An infrastructure building company that helps create affluent communities

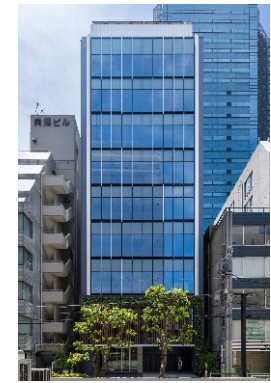
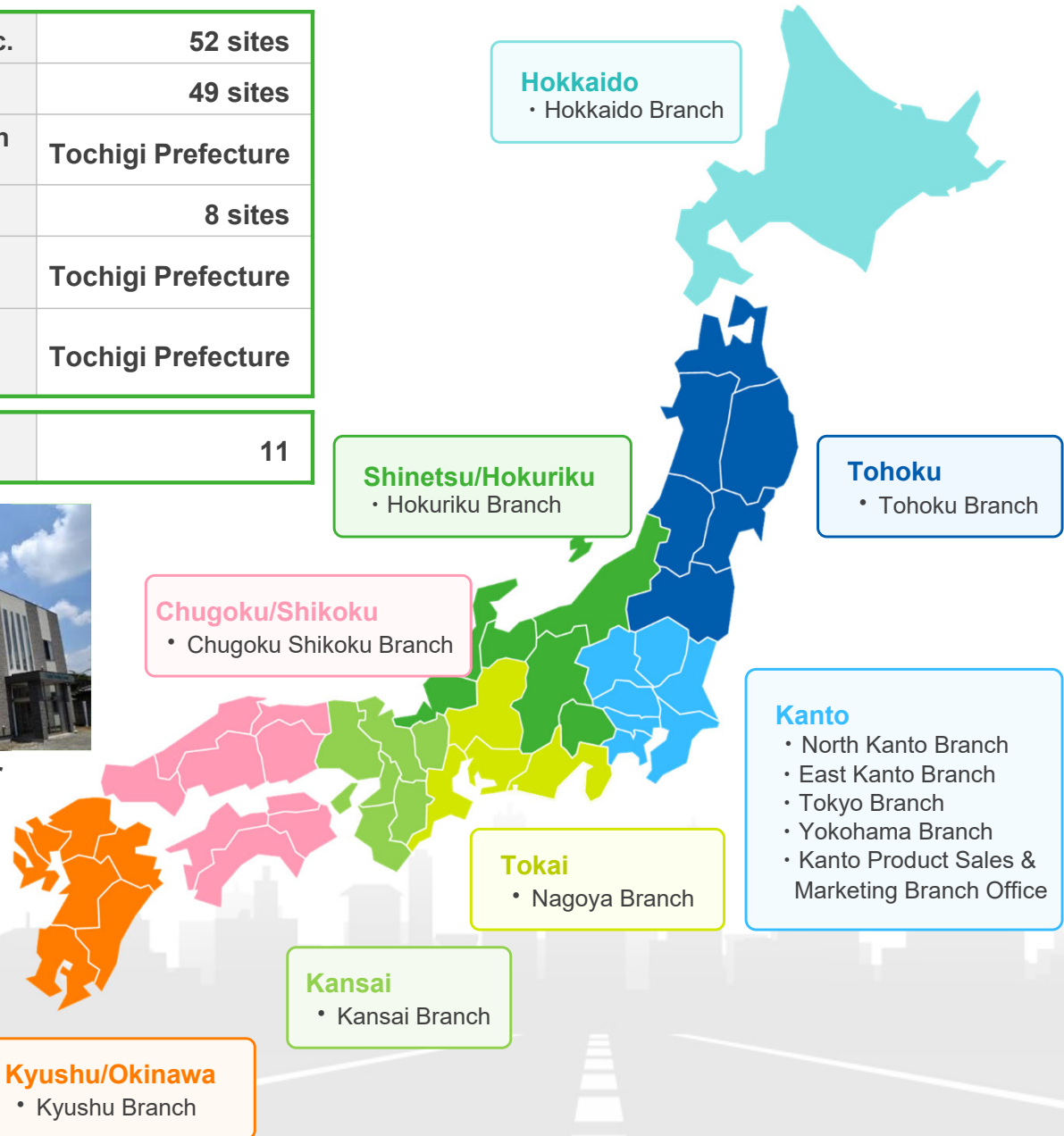
Company name	SEKITOKYU KOGYO CO., LTD.
Established	January 16, 1950
Head office location	2-9-3, Shibakoen, Minato-ku, Tokyo,
Representative	Yoshikazu Taira, Director, President
Share capital	2,000 million yen (March 31, 2023)
Net sales	87,676 million yen (FY2022)
Number of employees	969 (March 31, 2023)
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

4 Our Technologies



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.



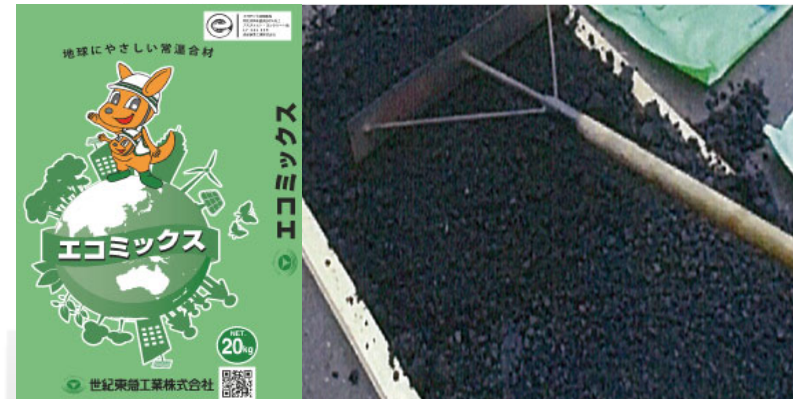
Road Surface Properties Measuring Vehicle

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.



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.



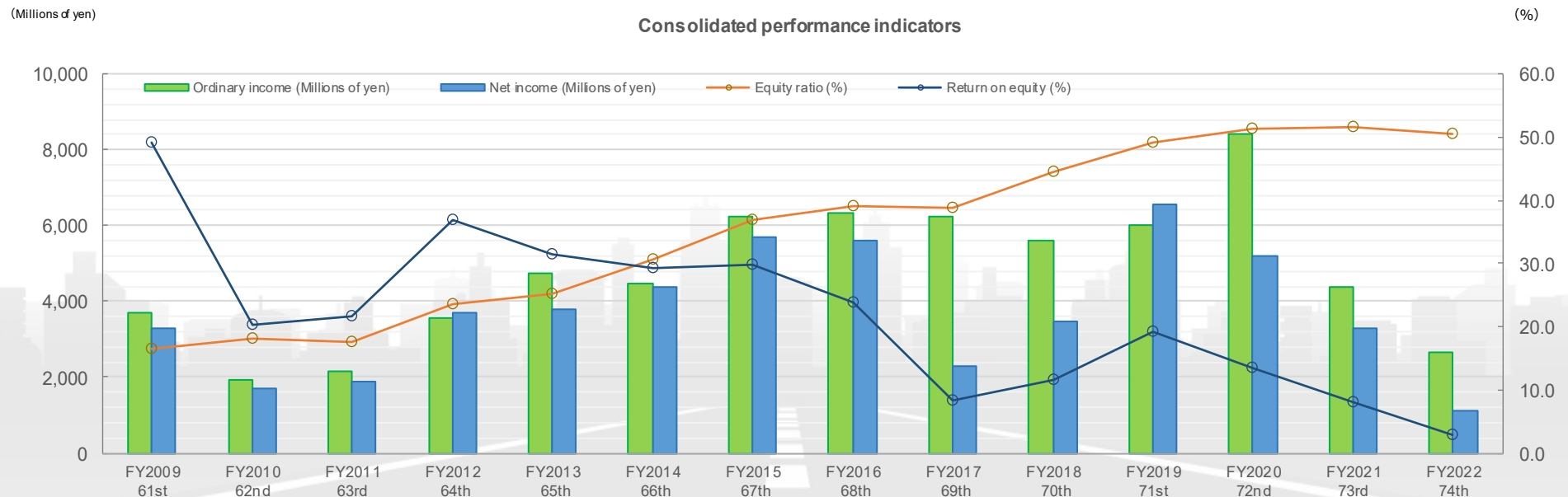
Cold asphalt mixture "Ecomix"

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

SEIKITOKYU KOGYO CO., LTD.
2-9-3, Shibakoen, Minato-ku, Tokyo, 105-8509, Japan
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

