Progress of the Medium-Term Management Plan (to 2027)

Let me walk you through our progress under the Medium-Term Management Plan.

Progress of the Medium-Term Management Plan (to 2027)

Year 1 of the Medium-Term Plan (FY2025): Summary

A year spent designing the “concept” of Group collaboration

Year 2 of the Medium-Term Plan (FY2026): Target

A year spent turning the “concept” of Group collaboration into “results”

In Year 1 of the Medium-Term Plan (fiscal year 2025), we focused on designing the "concept" of Group collaboration.

In Year 2 (fiscal year 2026), we aim to turn that “concept” of Group collaboration into “results.”

1. Rebuilding Our Earnings Base

Let me now turn to rebuilding our earnings base.

Why We Moved to a Holding Company Structure

From Standalone Management to Group Management

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Rebuild Our Future Earnings Base

One reason we moved to a holding company structure was to rebuild our earnings base for the future, by shifting our mindset from “standalone management” to “Group management.”

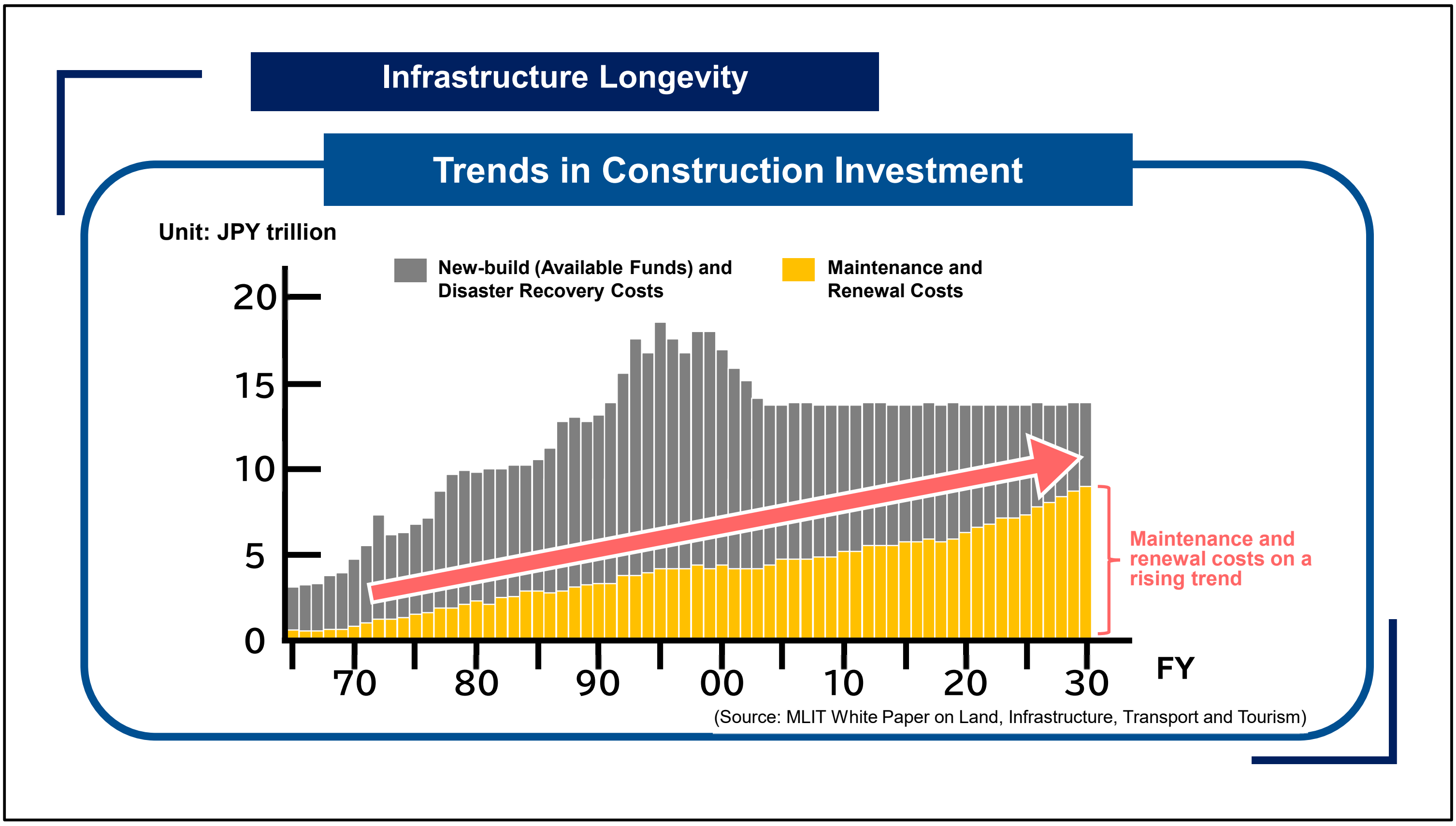
Two Pillars of Our Basic Strategy

Priority Segments

Expand the renewal, disaster prevention/mitigation, and environment (water and wood) segments

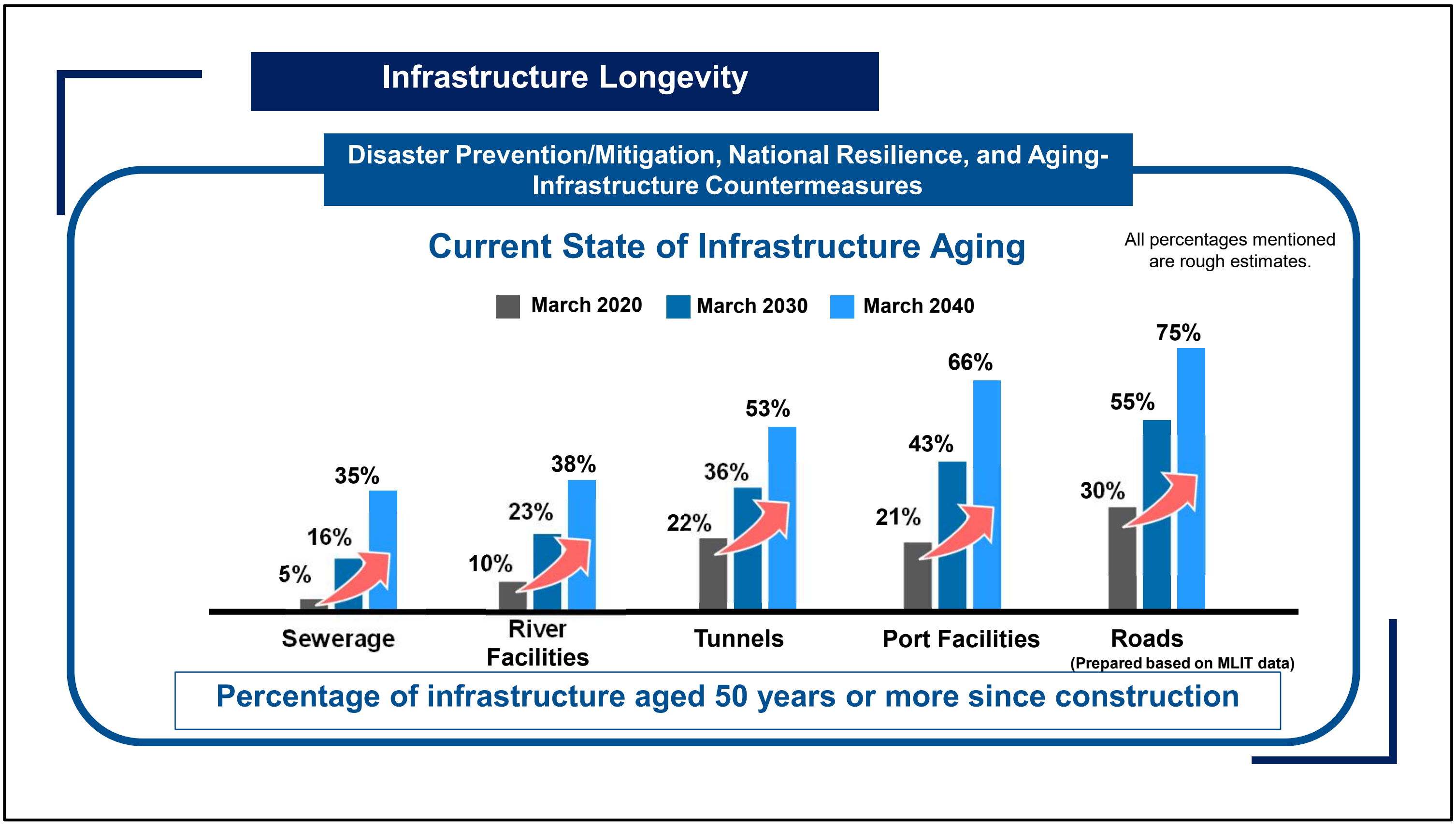
Our basic strategy rests on two pillars.

The first is our priority construction segments.
As priority segments, we are expanding our focus on renewal, disaster prevention/mitigation, and the environment — the water segment and the wood segment.



Overall construction demand is unlikely to decline sharply going forward.
But given the shift toward a recycling-oriented society and accelerating population decline, we don't believe a business model premised on new-build demand offers a clear path ahead for the construction industry.

- Construction investment has already begun shifting from new-build demand to renewal demand.



Japan’s infrastructure is aging rapidly, and we see an urgent need to redesign it to withstand increasingly severe disasters — not merely to extend service life or maintain existing functions.

Two Pillars of Our Basic Strategy

Priority Segments

Expand the renewal, disaster prevention/mitigation, and environment (water and wood) segments

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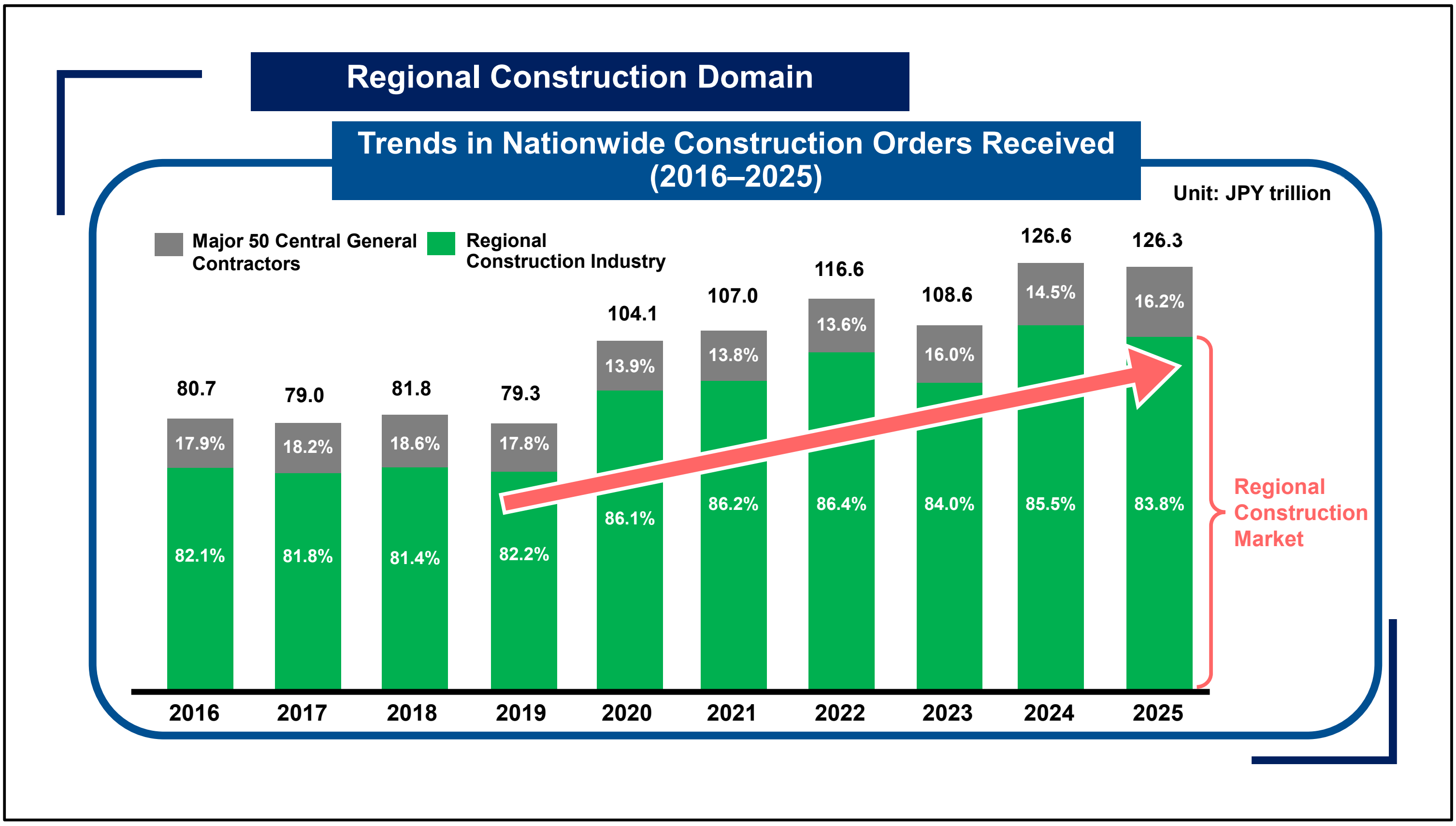
Priority Markets

Expand the regional construction domain, guided by our mission to sustain regional construction capacity

The second is our priority construction markets.
• As a priority market, we are expanding our focus on the regional construction domain.



The regional construction domain accounts for roughly 80% of the construction investment market.

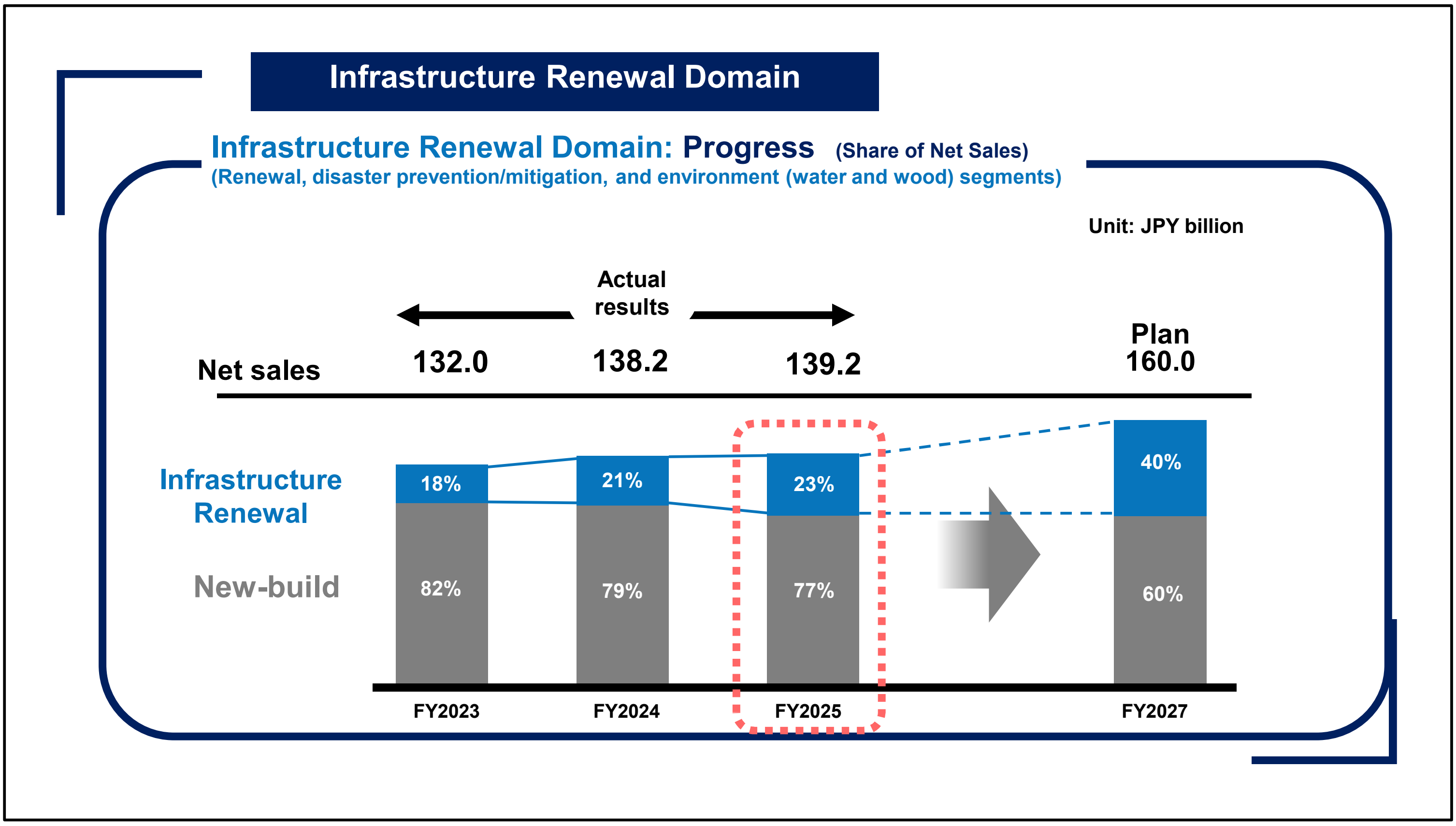
Regional Construction Domain

- ➢A large potential market for future construction demand
- ➢Sustaining regional construction capacity supports disaster response and the regional economy
- ➢Collaboration with regional construction companies opens a new business field and growth field for us

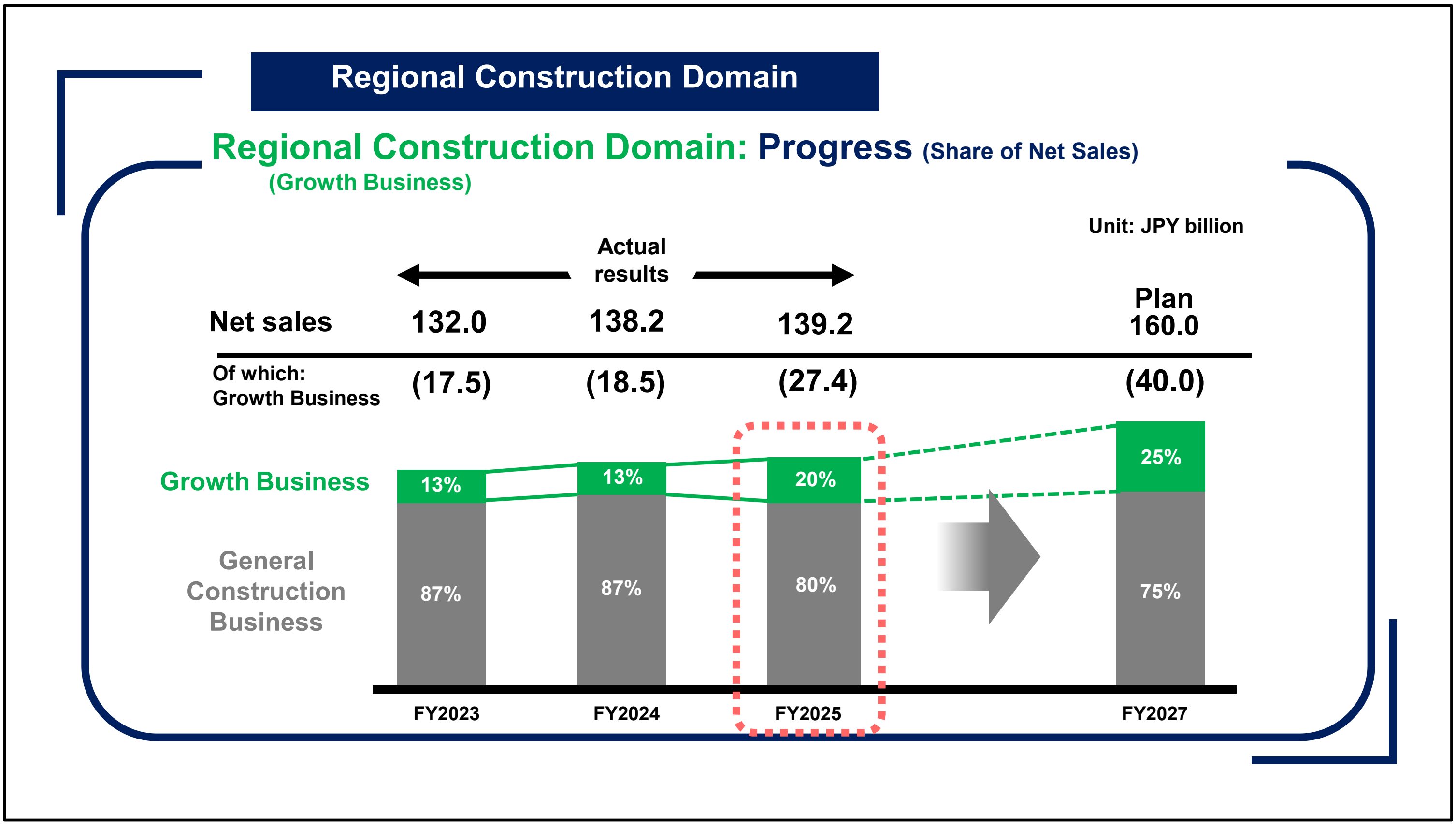
Given our priority segments, we see the regional construction business becoming a major potential market for future demand.

Sustaining regional construction capacity also supports disaster response and the regional economy.

And as we deepen collaboration with regional construction companies, this becomes a new business field and growth field for us.



Under this strategy, the infrastructure renewal domain reached 23% of Group net sales in fiscal year 2025, against our fiscal year 2027 target of 40%.



We address the regional construction domain through our Growth Business.
Against our fiscal year 2027 target of 25% of Group net sales, the Growth Business reached 20% in fiscal year 2025.

By increasing our focus on the "segments" and "markets" where we expect medium- to long-term demand growth, we are rebuilding an earnings base that can withstand changes in the social and economic environment.

Advancing Business Alliances through Growth Investment

Let me now turn to advancing business alliances through growth investment.

Why We Are Rebuilding Our Earnings Base

Building Competitive Strengths

Specialist Business Domains Beyond General Contracting

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Reskilling Our Technical Capabilities

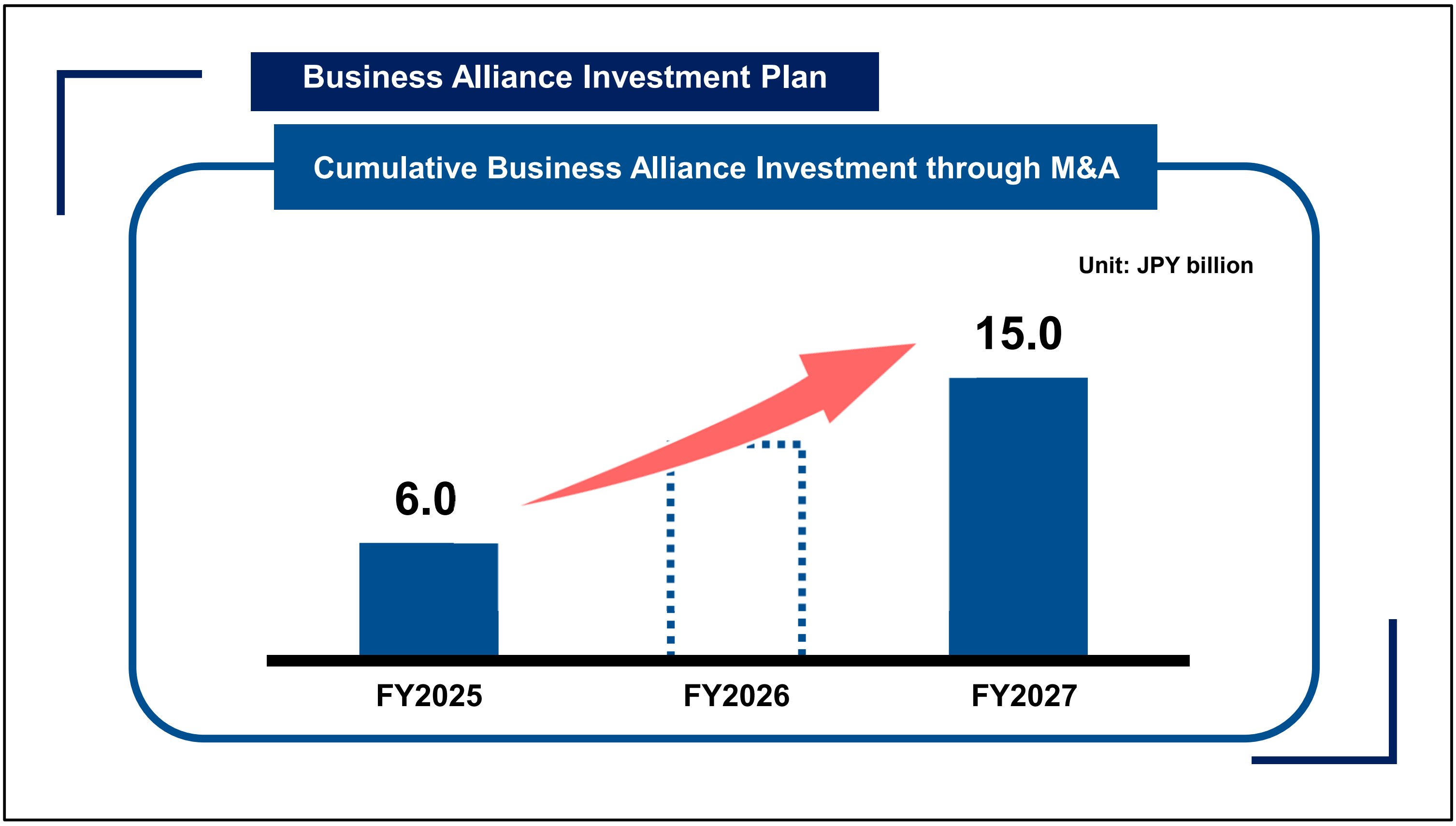
Executing our basic strategy in these priority segments and markets requires us to build competitive strengths through specialist business domains beyond general contracting and by reskilling our technical capabilities.

Why We Are Rebuilding Our Earnings Base

Building Competitive Strengths

Advance alliances with companies that hold specialized technologies or unique markets

To that end, we are advancing alliances with companies that hold specialized technologies and with regional construction companies that hold unique markets.



We are using M&A to advance business alliances.
• Under our Medium-Term Management Plan,
we plan to invest 15.0 billion yen in such alliances by fiscal year 2027;
we invested approximately 6.0 billion yen in fiscal year 2025.

FY2025 M&A Activity

Tachi Construction: Regional Construction/Disaster Prevention Domain

Head Office	Ritto City, Shiga Prefecture
Established	1972
Business Description	General construction, crushed stone production, gravel extraction, real estate leasing, etc.
Group Companies	5 (civil engineering works, ready-mixed concrete production, building materials trading, etc.)
Consolidated Net Sales	JPY7.6bn (3-year average, simplified consolidation)


Civil Engineering


Building Construction


Recycled Crushed-Stone Business


Gravel Extraction


Logistics Facility & Factory Leasing


Ready-Mixed Concrete Production

In the regional construction/disaster prevention domain:

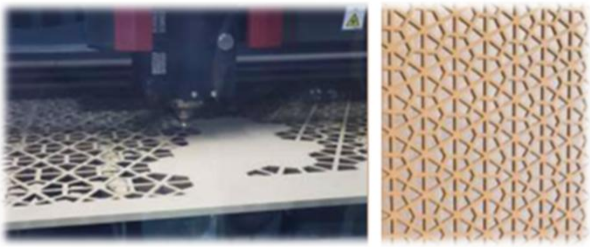
• Tachi Construction joined our Group — a company that holds a unique market in Shiga Prefecture and brings extensive experience and technical capability in regional infrastructure development.

• We expect this alliance to fill gaps in our regional coverage and generate synergies in disaster prevention.

FY2025 M&A Activity

Kyowa Seisan:
Technology/Environment (Wood) Domain

Head Office	Fujieda City, Shizuoka Prefecture
Established	1956
Business Description	Manufacture of wood building materials
Net Sales	JPY0.78bn [FY2025]



Laser Wood-Processing Technology

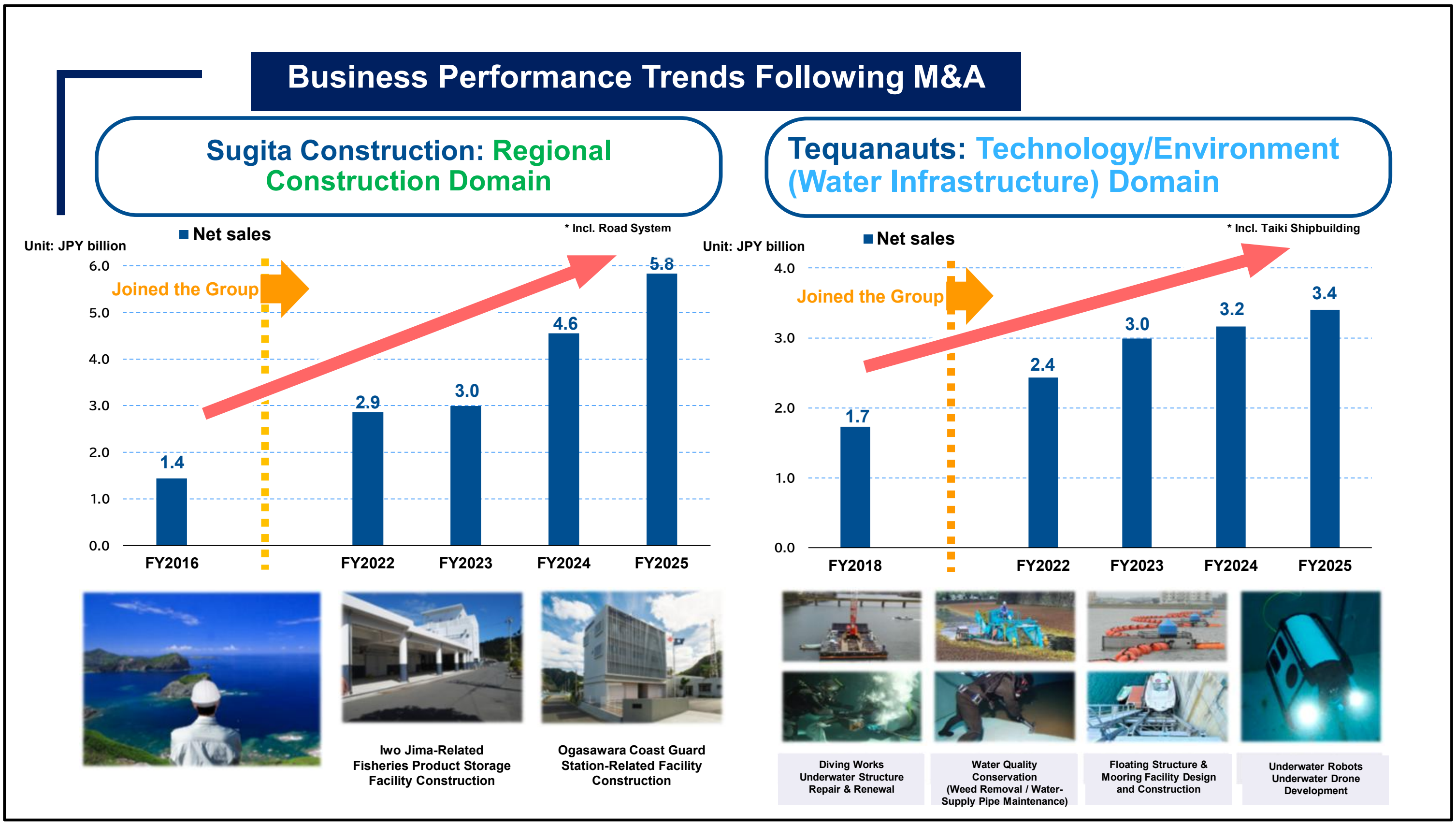
Collaboration Example: Construction/Development of a Wood-Frame Senior Care Facility

In the technology/environment domain:

• Kyowa Seisan joined our Group — a company with a production base in Shizuoka Prefecture and laser wood-processing technology.

• We have already collaborated with them on the construction and development of a wood-frame senior care facility through Tobishima Corporation.

• Going forward, we plan to expand collaboration into areas such as wood-frame building construction and environmentally conscious facility construction.



With M&A, what matters most is what comes after: supporting growth and creating mutual synergies.

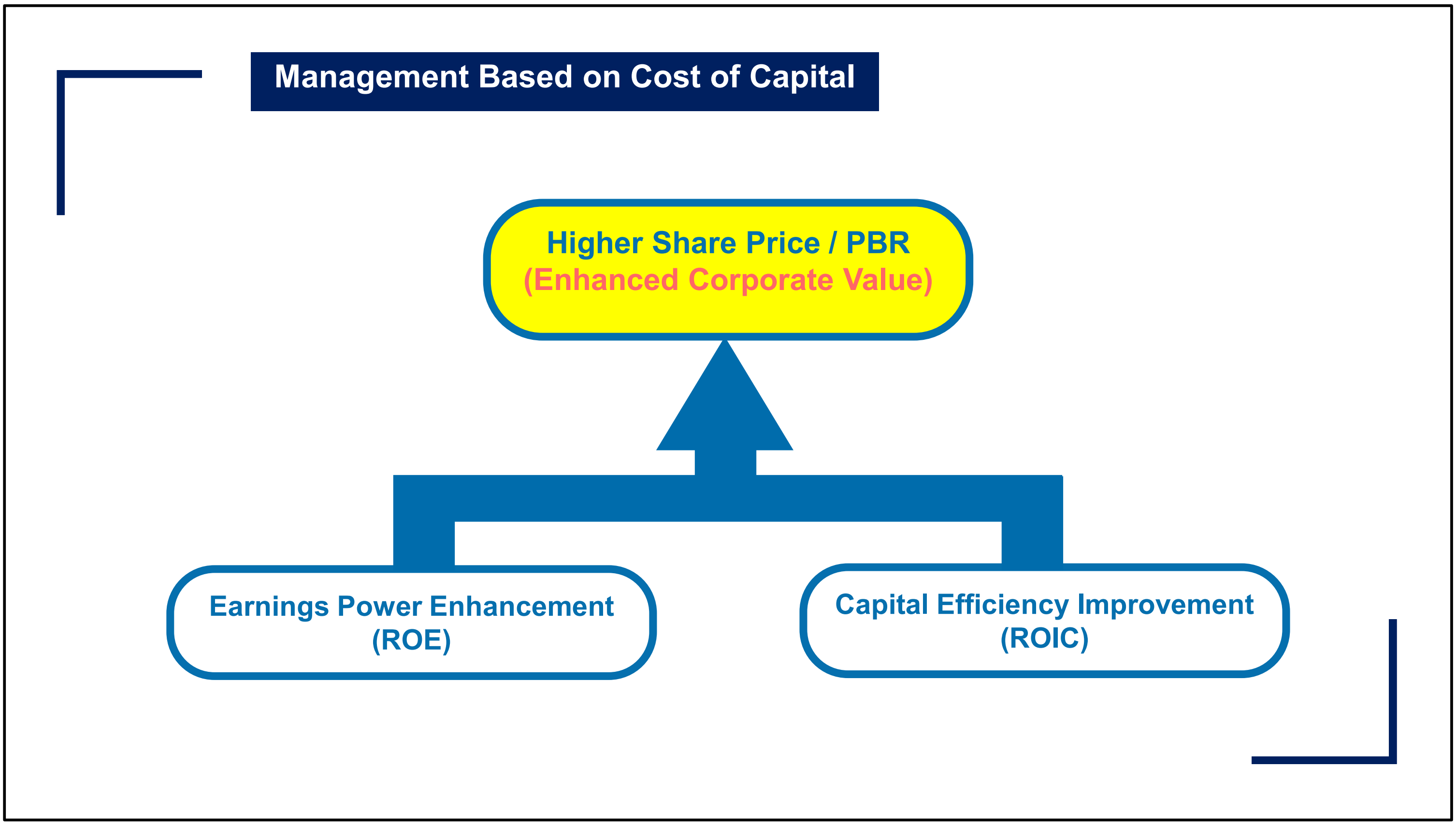
• In making these investments, we weigh the appropriateness of the acquisition price and the capital recovery plan, and we place particular emphasis on clarifying the growth scenario within three years of integration.

• Three years after integration, Sugita Construction and Tequanauts have grown steadily, driven by Group-wide collaborative order-winning activities and the mutual use of human resources.

• As a welcome side effect of this track record, we are also seeing more inquiries about potential alliances from regional construction companies.

2. Improving Our Profitability

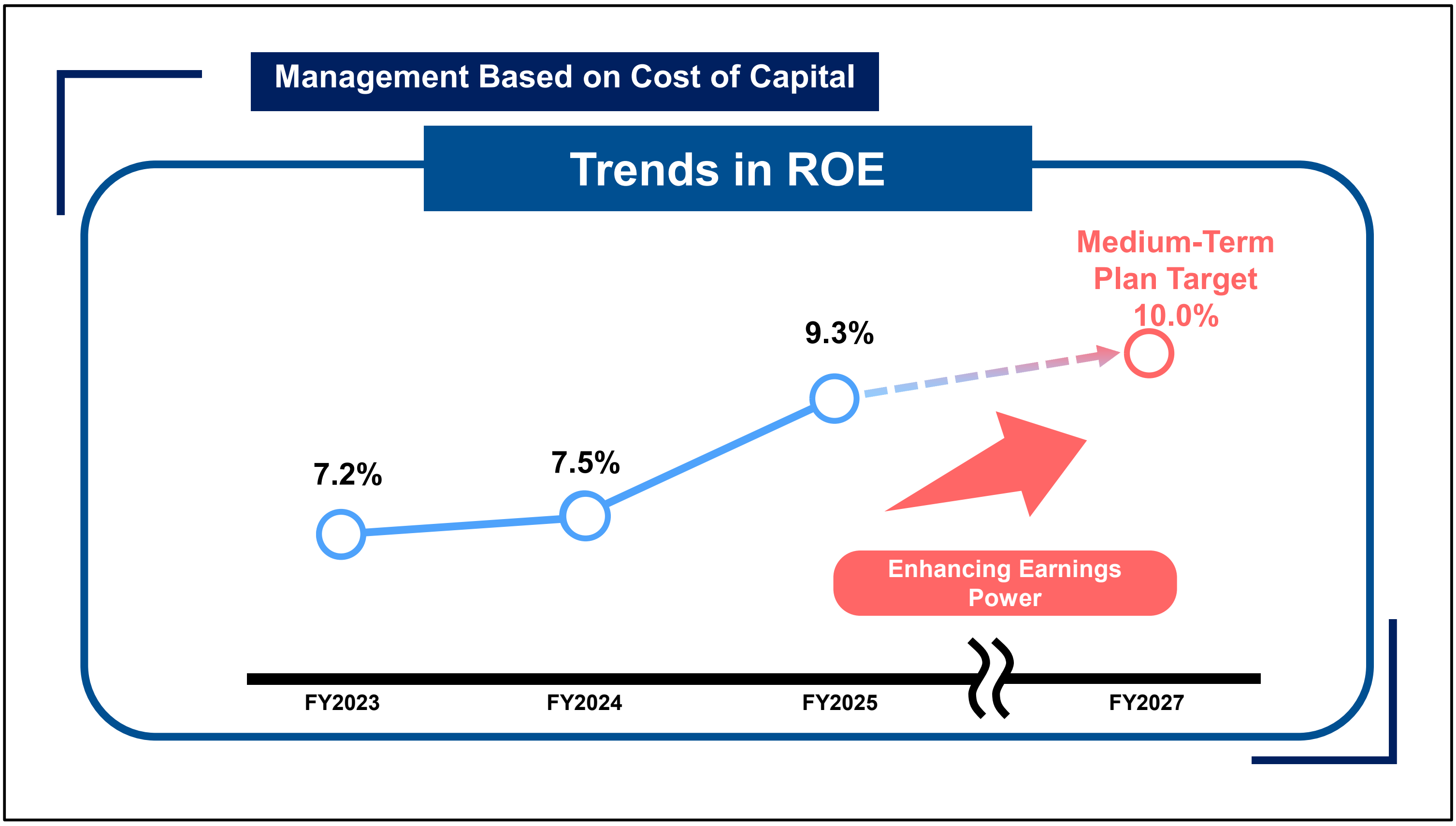
Let me now turn to improving our profitability.



Improving profitability starts with putting management based on cost of capital into practice.

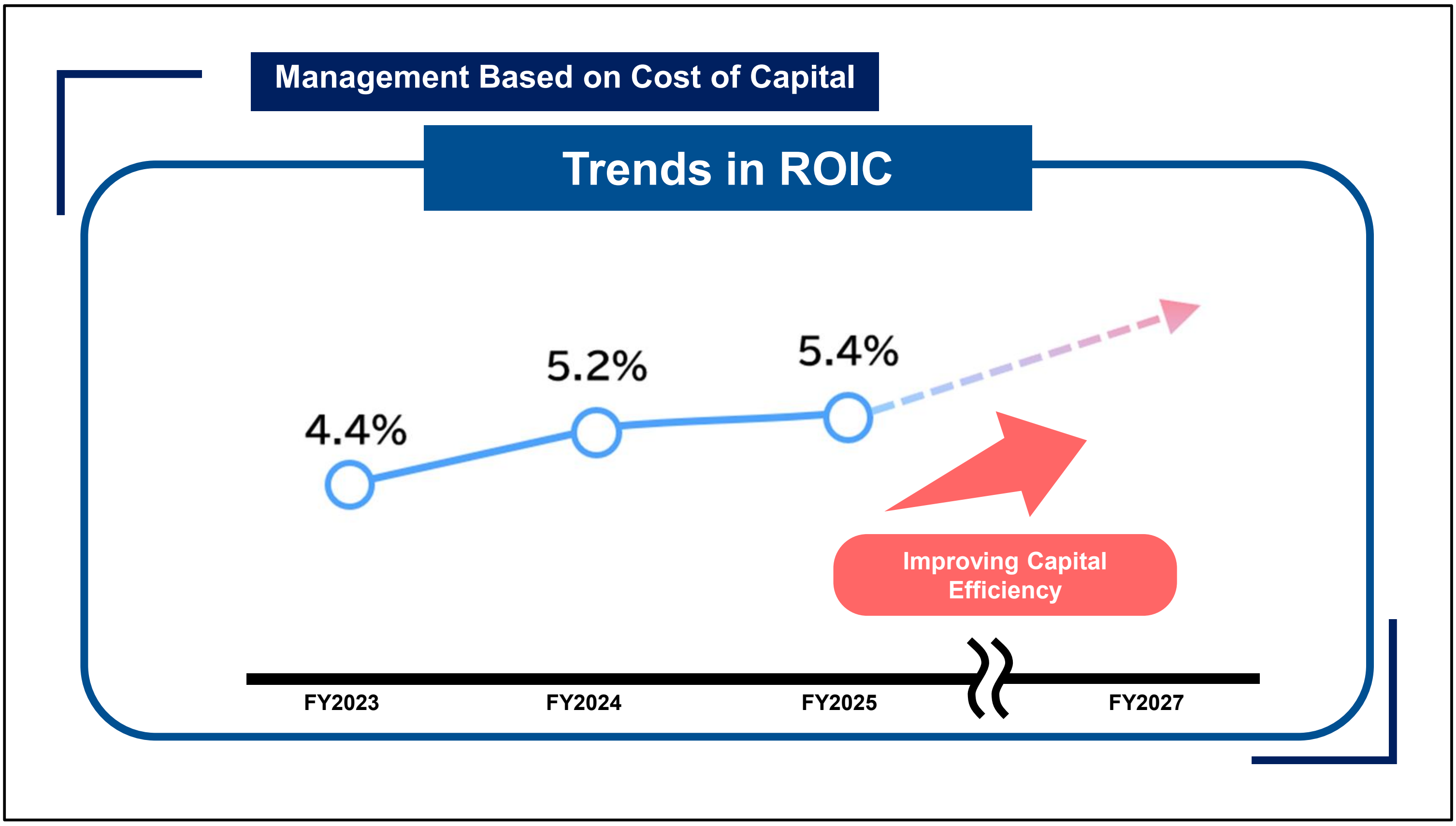
We treat ROE and ROIC as key management indicators.

We aim to improve performance through the twin pillars of strengthening earnings power and improving capital efficiency, ultimately driving a higher share price and PBR.

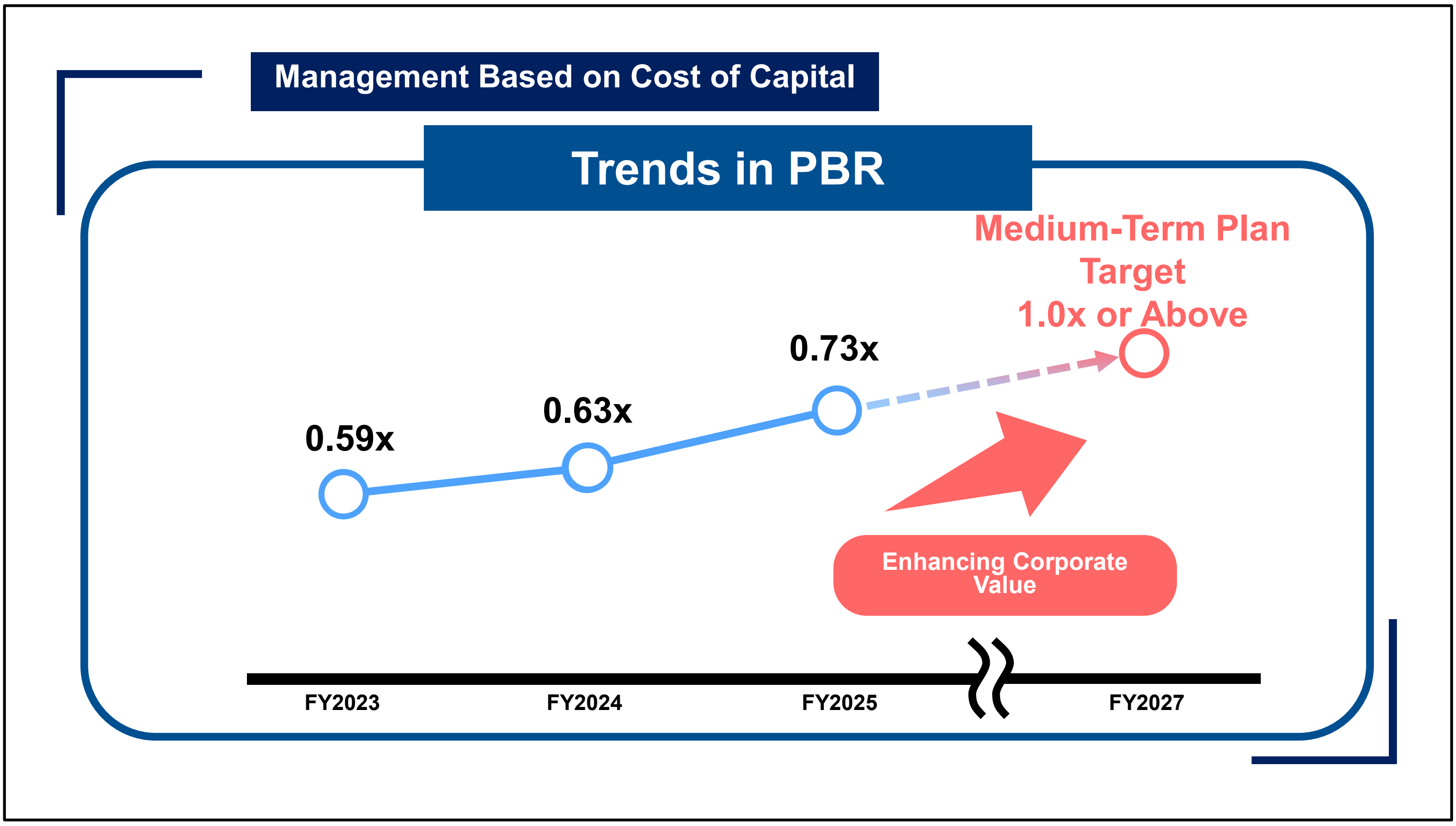


Let me start with how our key management indicators have trended.

• ROE (return on equity), our earnings power indicator, improved to 7.5% in fiscal year 2024 and 9.3% in fiscal year 2025,
against our fiscal year 2027 target of 10%.



ROIC (return on invested capital), our capital efficiency indicator, improved modestly to 5.2% in fiscal year 2024 and 5.4% in fiscal year 2025.



PBR (price-to-book ratio), our corporate value indicator,
rose to 0.63 times in fiscal year 2024 and 0.73 times in fiscal year 2025, against our near-term target of 1.0 time.

• We recognize the results are not yet fully visible, but we are making steady progress.

Strengthening Earnings Power

We are pursuing two concrete approaches to strengthen earnings power:
improving construction gross margin and generating Group synergies.

Improving Construction Gross Margin

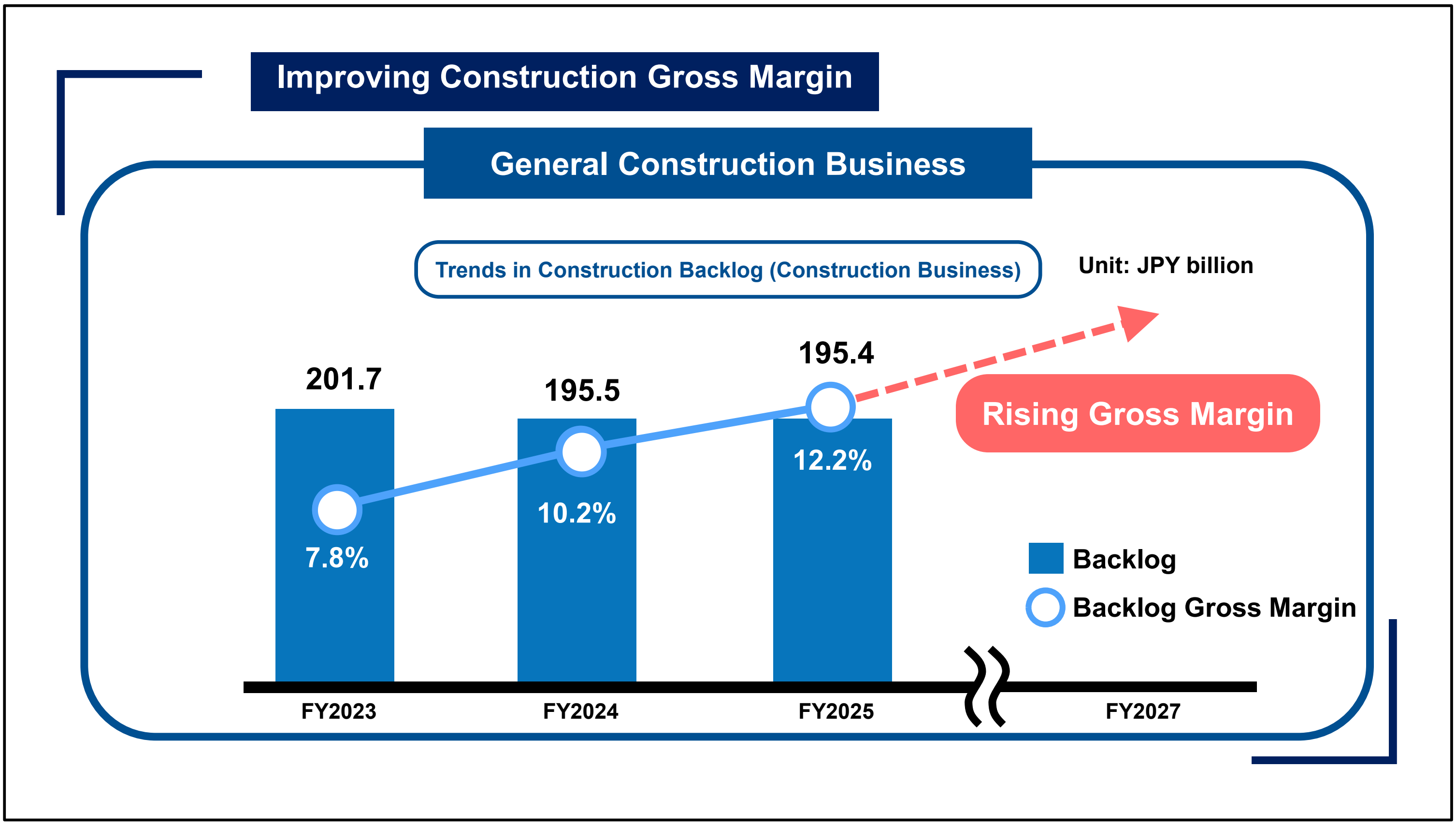
General Construction Business

Improving Construction Gross Margin

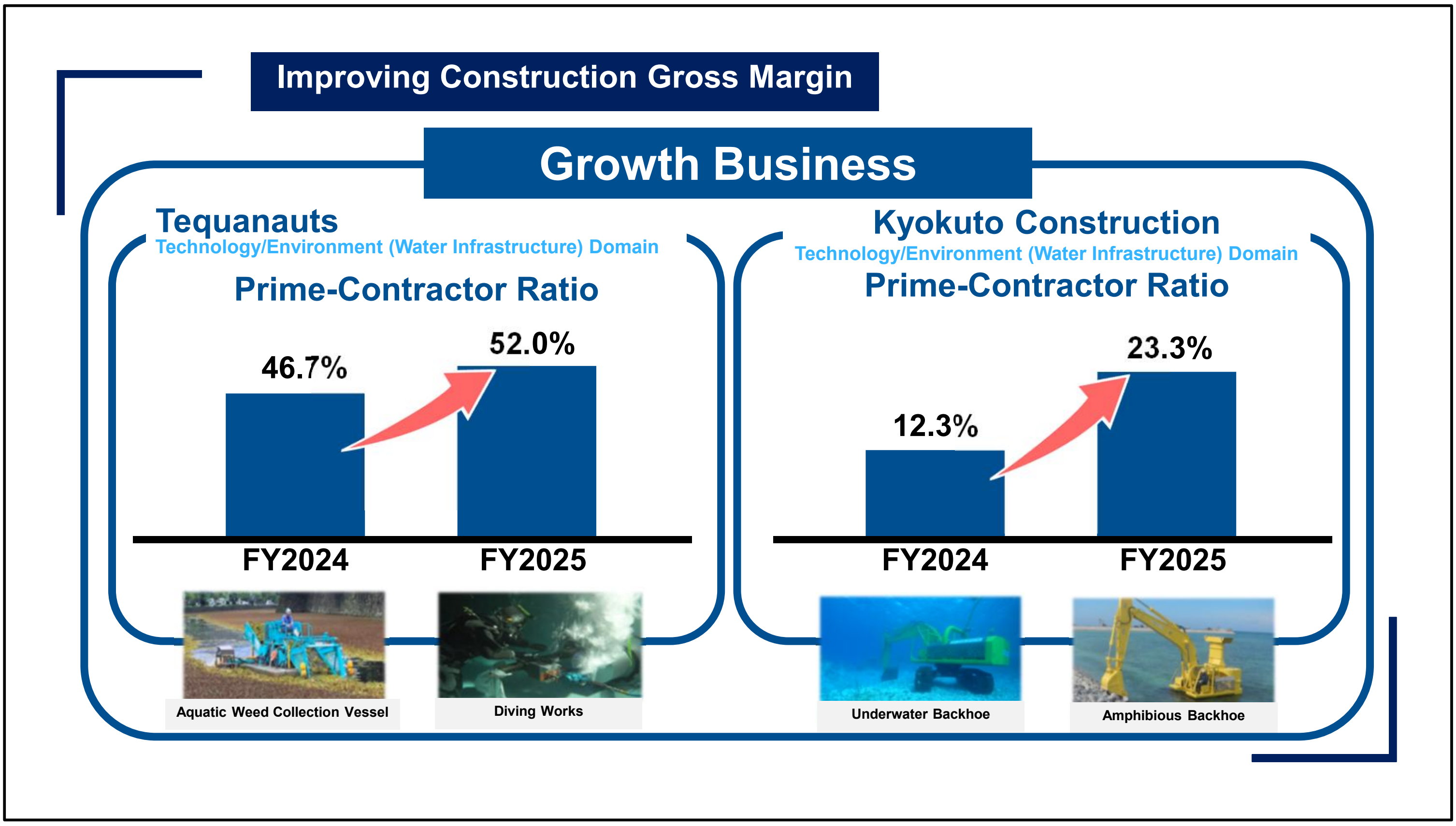
- ➢Advance DX in on-site operations
- ➢Recalculate marginal cost through a revised cost-estimation policy, raising the appropriate profit level
- ➢Raise the hurdle rate (minimum target profit margin) for project intake decisions
- ➢Negotiate price pass-through with clients

(and more)

Improving construction gross margin is the foundation for all of this.
In our General Construction Business,
we have raised our hurdle rate for project intake decisions by advancing DX in on-site operations, recalculating marginal cost through a revised cost-estimation policy, and raising the appropriate profit level with ROE in mind.
• Amid inflationary pressure on materials and labor costs, we have also pursued price pass-through negotiations with our clients.



These measures are paying off: the gross margin of our construction backlog — a future source of earnings — has been rising.

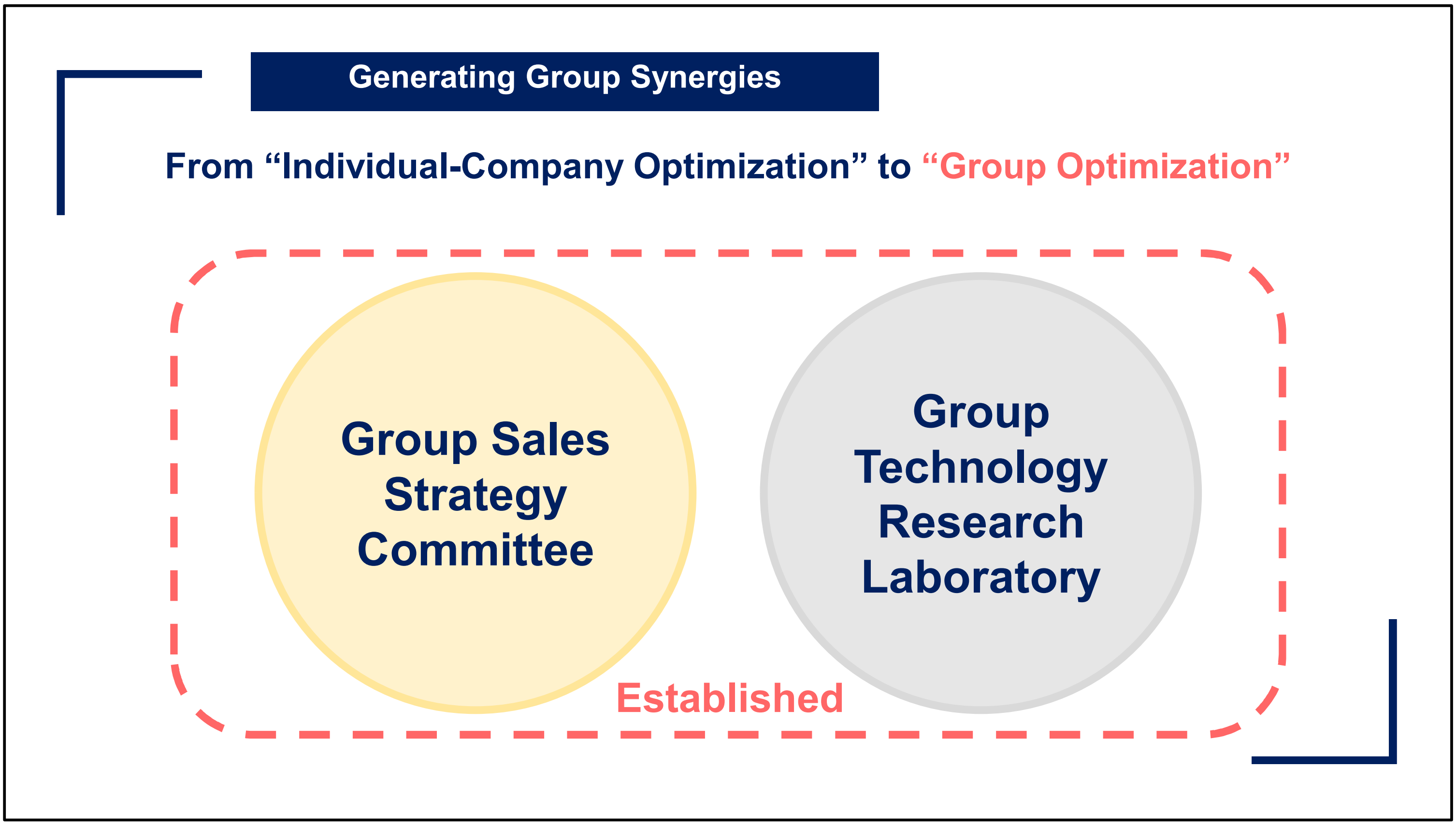


In our Growth Business:
• We have shifted our order-taking strategy from subcontracting toward
prime contracts and larger-scale projects, which has raised production efficiency and pushed gross margin higher.

Generating Group Synergies

Improving Construction Gross Margin × **Generating Group Synergies**

Improving earnings power further also depends on generating Group synergies.



A key principle in how we manage the Group is judging every decision by “Group optimization,” not “individual-company optimization.”

Under our holding company structure, we established the Group Sales Strategy Committee and the Group Technology Research Laboratory.

Group Sales Strategy Committee

Newly established as the "intelligence function" for Group sales strategy

➡ A Strategy of "generating results through collaboration"

Quantitatively manages the outcomes of Group-wide collaborative order-winning activities

We established the Group Sales Strategy Committee as the "intelligence function" for our Group sales strategy.

Group management calls for a sales strategy built on "generating results through collaboration."

The Committee quantitatively manages the outcomes of our Group-wide collaborative order-winning activities.

Group Technology Research Laboratory

Innovation Function for Group Technology Strategy

Our Technology "Strategy" Research Laboratory

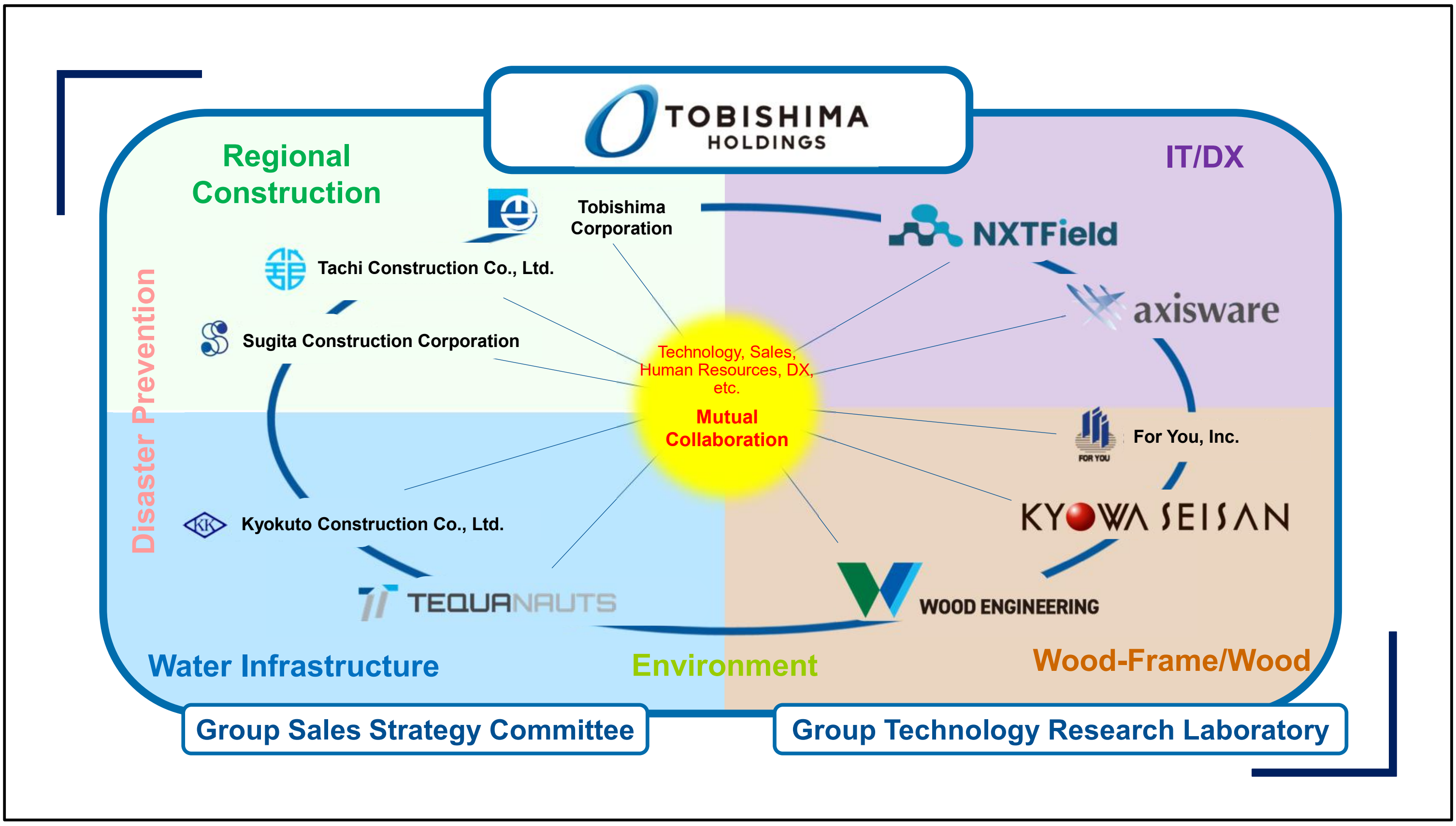
➡Technology development and application based on IT/DX — not just "winning orders," but "winning on terms where we can succeed"

Supports data-science-based technology development across Group companies

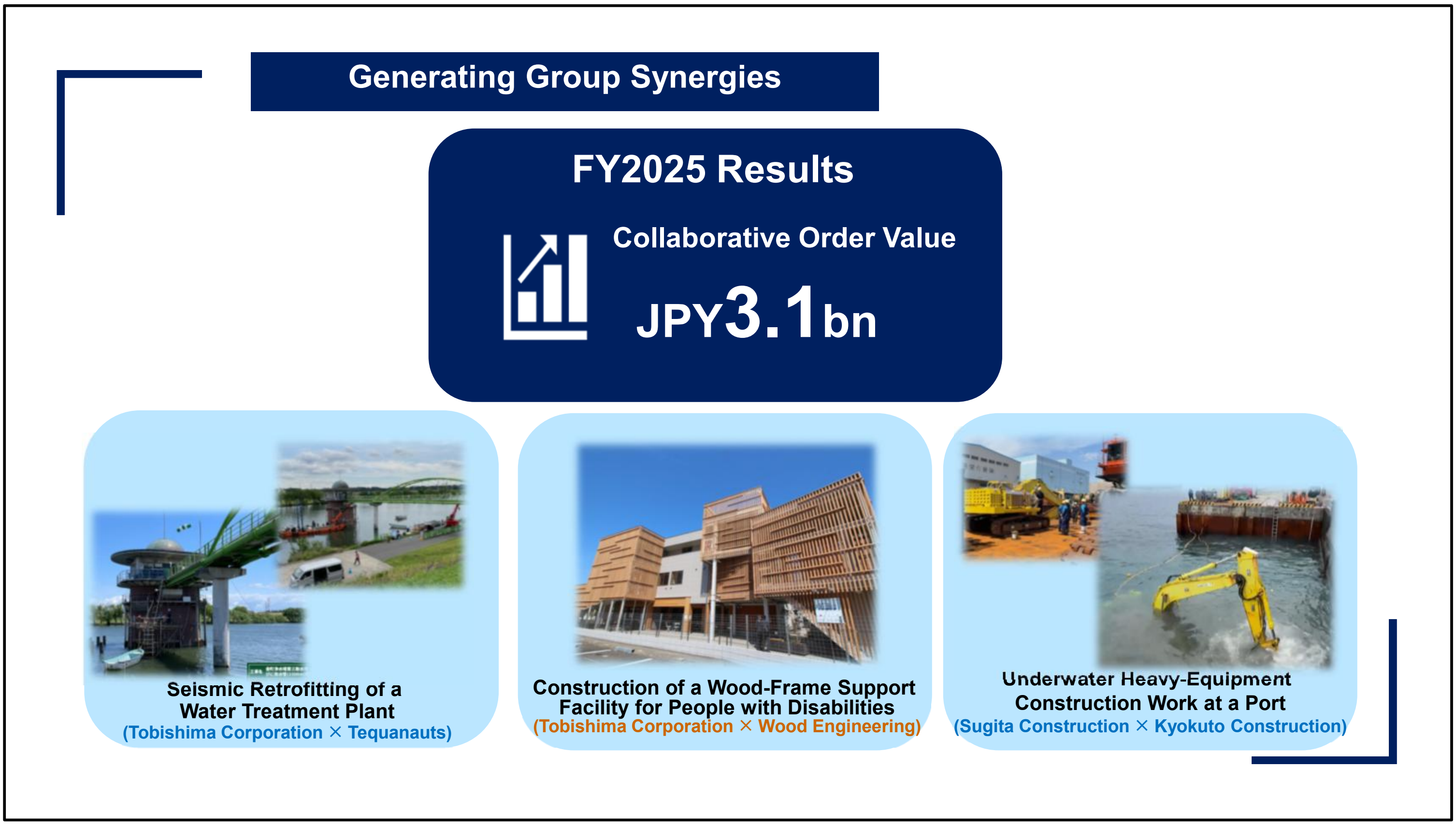
We established the Group Technology Research Laboratory as the innovation function for our Group technology strategy, reorganizing Tobishima Corporation's existing "Technology" Research Laboratory into our Group's Technology "Strategy" Research Laboratory.

Winning not just any order, but orders on terms where we can succeed, requires technology development and application built on IT/DX.

The laboratory centrally manages the technologies held across our Group companies and supports data-science-based technology development addressing competitive advantage, efficiency, and environmental considerations.



Through these two Group-synergy-generating functions, we are advancing collaborative **sales activities** and **technical proposals** across the Group.



In fiscal year 2025, these efforts generated approximately 3.1 billion yen in orders through collaborative order-winning.

Improving Capital Efficiency

Responding to Changes in the Economic Environment

The other of our twin pillars is improving capital efficiency.
• The economic environment has shifted to a "world with interest rates."
And we now have to treat interest as a real cost.
• In response, we are advancing measures to improve capital efficiency.

Improving Capital Efficiency

1. Introduction of a Group Finance Structure

Tobishima Holdings centrally manages Group-wide funds

Uses funds more efficiently and lowers financing costs

Strengthens financial governance

We have introduced a Group finance structure.

By having Tobishima Holdings centrally manage Group-wide funds, we are using funds more efficiently, reducing financing costs, and strengthening financial governance.

Improving Capital Efficiency

2. Reduction of Cross-Shareholdings

Reviewed for business strategy rationale, comparison of dividend income against cost of capital, and growth opportunities

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Reduce cross-shareholdings to effectively zero

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Reinvest for growth

We are reducing our cross-shareholdings.

Our Board of Directors reviews the rationale for holding each cross-shareholding every year.

Under our Medium-Term Management Plan, we have set a target of reducing cross-shareholdings to effectively zero.
This policy remains unchanged.

We will time each reduction based on business relationships and strategic fit, and complete this within the plan period.

Improving Capital Efficiency

3. Review of Held Assets

Sold 3 business-use real estate properties in FY2025 following review of individual business returns

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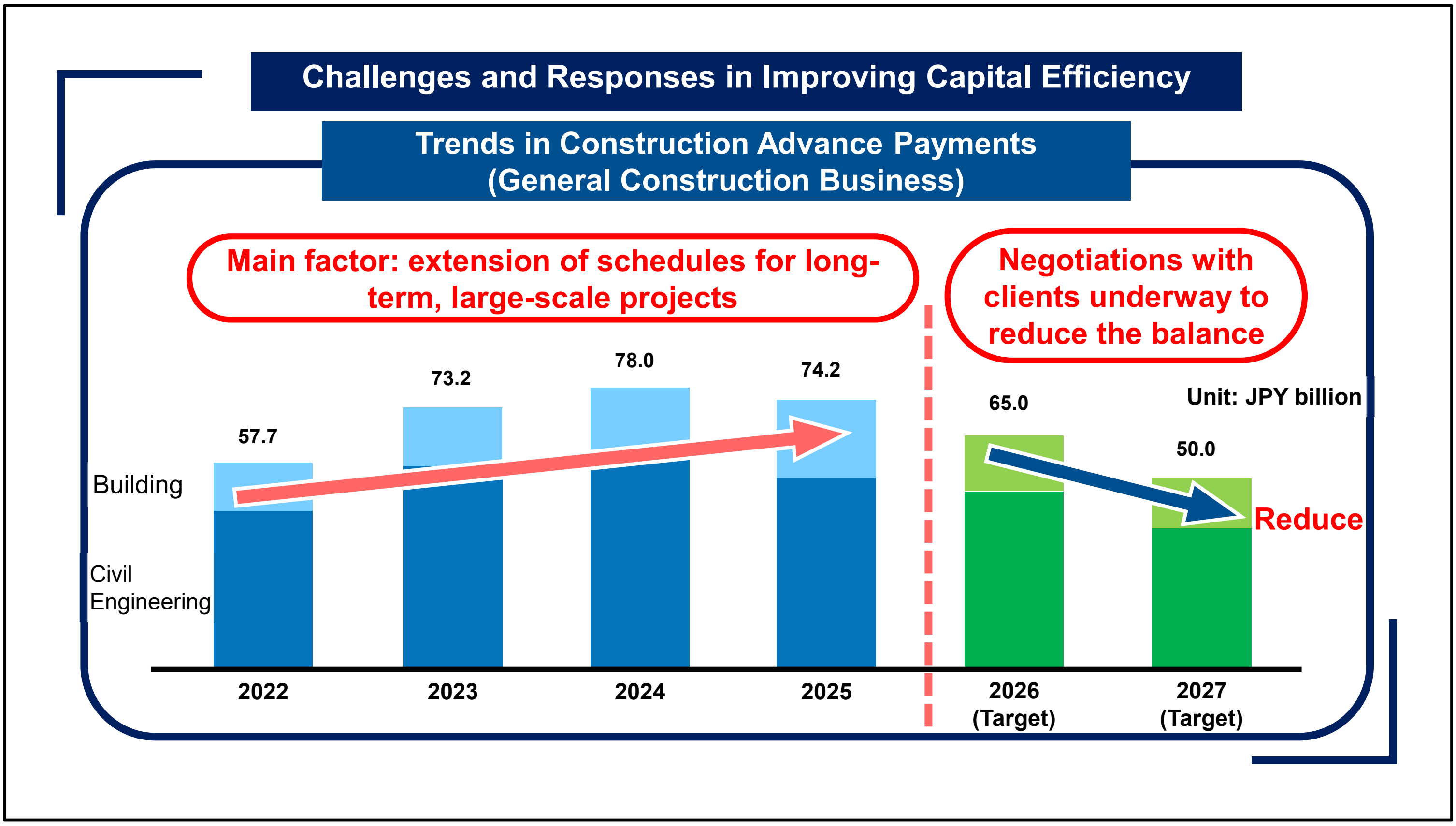
Reinvest for growth

We are ahead of schedule on reviewing our held assets.

In fiscal year 2025, we sold three properties, including business-use real estate, following a review of the returns of individual businesses.

We are reinvesting the proceeds in M&A and other growth initiatives.



Let me now turn to the challenges and responses in improving capital efficiency.

Our current challenge in improving capital efficiency is the rise and persistently high level of “construction advance payments” in our General Construction Business.
• This increase has raised our working-capital borrowing costs.

It stems mainly from schedule extensions on long-term, large-scale projects, which have also weighed on completion volume in our civil engineering business and, in turn, delayed profit recognition.
We continue to negotiate with our clients to bring these advance payments down.

3. Strengthening Shareholder Returns

Let me now turn to strengthening shareholder returns.

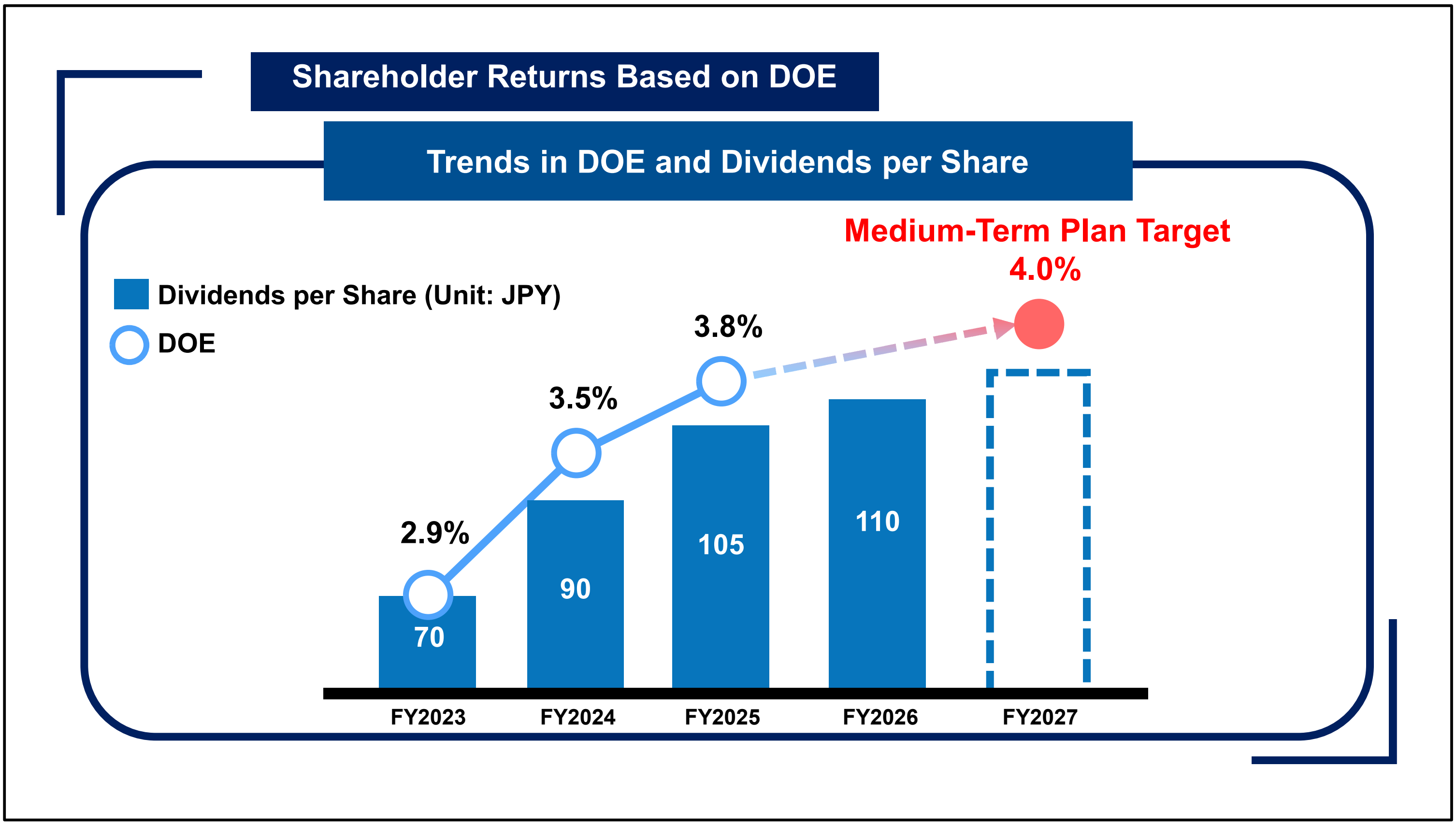
Shareholder Returns Based on DOE

We regard returning profit to our shareholders as a key management priority

➡ **Stable dividends as our basic policy — dividends linked to medium- to long-term corporate growth, and shareholder returns unaffected by temporary fluctuations in profit**

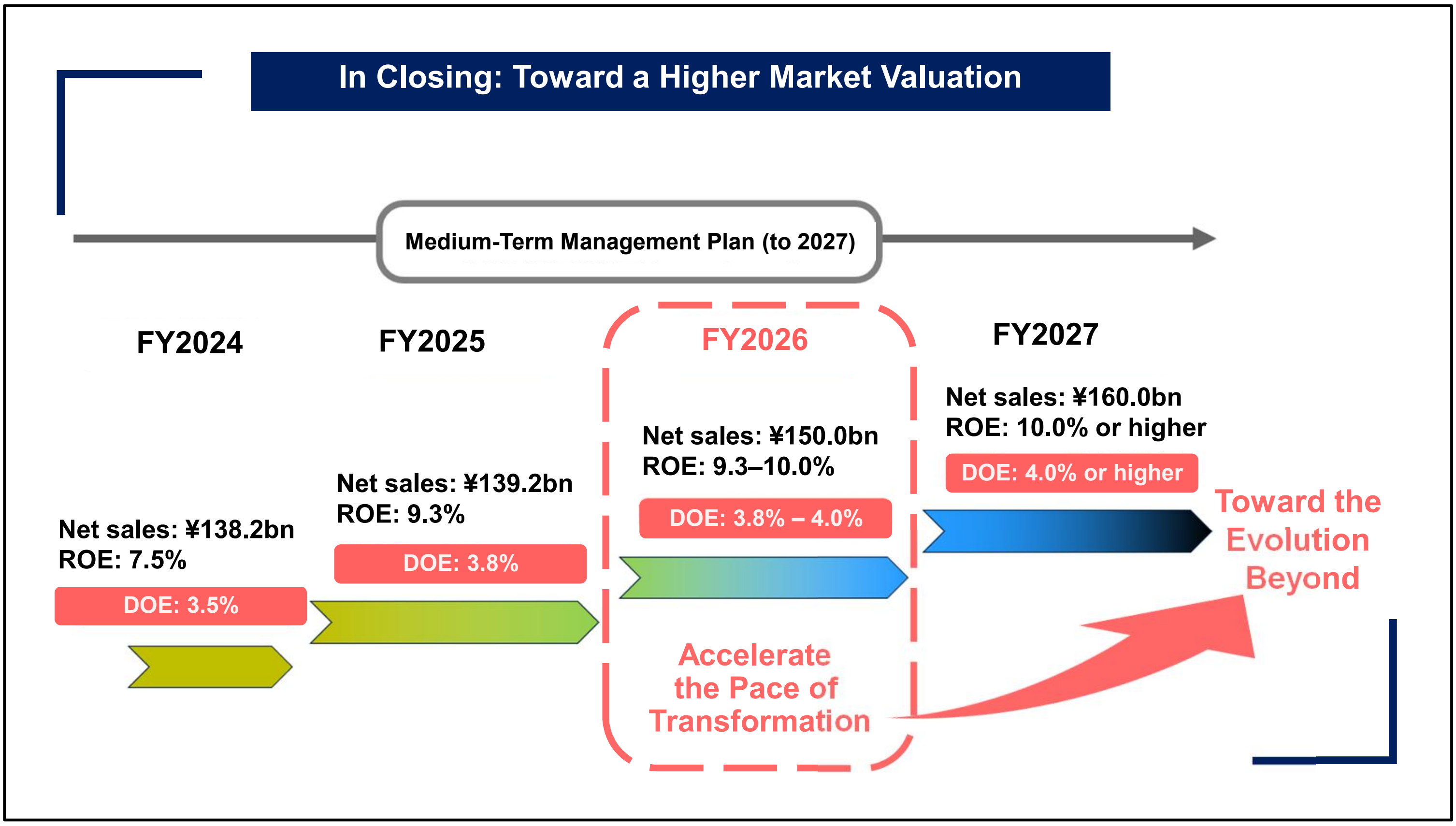
We regard returning profit to our shareholders as a key management priority.

Our basic policy is stable shareholder returns; we pay dividends based on DOE (dividend on equity),
linking medium- to long-term corporate growth with dividends and delivering shareholder returns that are
not swayed by temporary swings in profit.



Based on this policy, we have set a target of achieving DOE of 4% or more by fiscal year 2027.

• For fiscal year 2025, we raised the dividend by 5 yen from our initial plan of 100 yen to 105 yen (approximately DOE 3.8% level); for fiscal year 2026, we plan a dividend of 110 yen (approximately DOE 3.8% to 4.0% level).



In closing: toward a higher market valuation.
We take it seriously that our current market valuation — including our share price and PBR — is not yet where it should be.
We believe earning a higher market valuation is fundamentally about achieving sustained growth, not short-term measures — though we are also mindful that speed matters.

Given our business model, centered on construction, it inevitably takes meaningful time before the results of transformation become visible.
Going forward, we will accelerate the pace of our transformation, while also strengthening our engagement with investors and shareholders to build understanding of the time lag between our initiatives and the results they produce.

We thank you, our shareholders, for your continued support.