

August 7, 2025

Company name: M s IYAJI ENGINEERING GROUP, INC.
Representative: Masahiro Ikeura, President and
Representative Director
(Securities code: 3431, Prime Market,
Tokyo Stock Exchange)
Inquiries: Akinobu Endo, Senior Operating Officer
and General Manager, Planning and
Management Department
(E-mail: meg.IR@miyaji-eng.co.jp)

Action to Implement Management that is Conscious of Cost of Capital and Stock Price (FY2025)

MIYAJI ENGINEERING GROUP, INC. (the “Company”) hereby announces that it was resolved as follows at the Board of Directors meeting held today, regarding the “Action to Implement Management that is Conscious of Cost of Capital and Stock Price (FY2025),” with the aim of achieving sustainable growth and the enhancement of its corporate value over the medium to long term.

1. Evaluation of the current situation

In FY2022, which was the first year of the Medium-Term Business Plan (FY2022 to FY2026), the Group’s ROE (return on equity) fell short of the 10% target under the Plan, due in part to the steady accumulation of equity capital. However, in FY2024, we once again exceeded the target, as in FY2023, to achieve 12.1%, due to our revised dividend policy with an equity ratio of roughly 55% and strong performance, and we believe that the Company has continued to maintain a level of return on capital that is equivalent to or higher than the cost of shareholders’ equity.

As a result of our efforts to gain recognition from the market regarding our initiatives on the “Action to Implement Management that is Conscious of Cost of Capital and Stock Price (FY2024)” announced on August 7, 2024, following the previous fiscal year’s disclosure, we were able to maintain the PBR (price book-value ratio) of at least 1.1 times for the second consecutive year in FY2024.

(Millions of yen)

	FY2020 (Actual)	FY2021 (Actual)	FY2022 (Actual)	FY2023 (Actual)	FY2024 (Actual)	FY2025 (Forecast)
Net sales	55,268	58,002	60,279	69,365	74,725	58,000
Operating profit	5,501	5,810	5,127	7,904	9,168	4,000
Profit attributable to owners of parent	3,808	3,406	3,077	4,354	4,863	2,500
Equity ratio	49.6%	54.0%	56.3%	54.0%	45.0%	Target 55%
ROE	13.5%	10.7%	8.9%	11.6%	12.1%	Target 10%
Net assets per share (Yen)*	1,108.03	1,226.84	1,305.09	1,469.70	1,535.67	—
Year-end share price (Yen)*	592.25	865.00	935.00	2,192.50	1,784.00	—
PBR (Times)	0.53	0.71	0.72	1.49	1.16	—

* The Company conducted two-for-one share splits on October 1, 2023 and October 1, 2024. Net assets per share and year-end share price have been calculated assuming that these share splits had been conducted at the beginning of FY2020.

2. Measures to be adopted

For the current fiscal year, the Group will continue to aim for medium- to long-term sustainable growth and further enhancement of its corporate value, with a target of 10% ROE by implementing the following measures.

(1) Achievement of the Medium-Term Business Plan (FY2022 to FY2026)

Compared to FY2021, when the current Medium-Term Business Plan was formulated, the market environment has changed significantly in FY2024, with rising prices and other factors causing a decrease in order volume for new construction-related projects, measured by weight, and a growing trend toward the scaling down of construction work for new contracts due to the need for significant budget additions for existing construction contracts. Furthermore, in light of impact from delays of several years in construction periods for large-scale construction projects with high-level technical difficulties, caused by difficulties in detailed design and discussions with third parties, we revised our financial result forecasts for the fiscal year ending March 31, 2026 and the fiscal year ending March 31, 2027 at the time of the financial results briefing for the six months ended September 30, 2024 (November 2024). While we expect current market conditions to persist for some time, in order to achieve the Group's sustainable growth and business development, we will continue to optimize our management by appropriately allocating management resources to new construction-related, large-scale renovation and maintenance-related, and private-sector projects (including railroad-related, buildings with large interior spaces and special buildings, and coastal structures projects). In addition, by improving productivity through technology development and digital transformation (DX), securing and training human resources, promoting the career advancement of women, and carrying out work style reforms, we will strive to exceed the goals of our revised Medium-Term Business Plan.

(2) Implementation of active IR activities

The Company is actively engaged in dialogue with shareholders and investors, primarily through the Sustainable Management Promotion Office. In FY2024, in addition to holding two financial results briefings, we also held a total of 59 one-on-one shareholder relations and investor relations meetings, and organized six plant visits in an effort to help shareholders and investors have a better understanding of the Group. In FY2025, we will continue to engage in active dialogue with shareholders and institutional investors.

In addition, we created an English version of our website, with a view toward expanding investments from overseas. Since FY2023, we have been posting timely disclosure materials in English, including Notices of General Meetings of Shareholders and financial results. We will continue these efforts along with shareholder relations and investor relations meetings.

We plan to publish this fiscal year's Integrated Report 2025 around the end of September.

(3) Buy-back of shares

As announced on August 7, 2024 in "Action to Implement Management that is Conscious of Cost of Capital and Stock Price (FY2024)," the Company implemented a buy-back of shares of ¥1,494 million (350,000 shares/percentage of total number of issued shares (excluding treasury shares): 2.6%) on August 8, 2024 to enable the execution of a flexible capital policy.

With the aim of continuing to execute a flexible capital policy going forward, the Company will

consider implementing share buy-backs under special circumstances, such as when companies intend to sell shares to reduce cross-shareholdings, and will also consider the effective use of treasury shares, such as reviewing the officer remuneration system.

(4) Share split

Effective October 1, 2023 and October 1, 2024, the Company implemented two-for-one share splits of its common shares, bringing the current total number of issued shares to 27,677,816 shares. These share splits were conducted with the aim of developing an investor-friendly environment by reducing the transaction amount per investment unit (share unit number), thereby further enhancing the liquidity of the Company's shares while widening the range of investors.

As a result, the number of shareholders increased from 3,554 on March 31, 2023 to 13,332 on March 31, 2024 (3.8 times of the previous fiscal year), and significantly increased to 31,222 on March 31, 2025 (2.3 times of the previous fiscal year), thereby improving liquidity. Our PBR has also consistently remained at or above 1.1 times, which we believe demonstrates a certain level of effectiveness. Going forward, we will consider implementing additional share splits depending on the situation with the aim of improving liquidity.

(5) Continuation of the dividend policy (implementation of capital efficiency-conscious, flexible shareholder returns)

i) Basic dividend policy

The Company positions the return of profits to shareholders as an important management measure, and strives to maintain and increase shareholder returns. We will achieve the profit target under the Medium-Term Business Plan (FY2022 to FY2026), which was announced in the financial results briefing for the six months ended September 30, 2024, with the aim of maintaining and further increasing the dividend per share. In addition, we will appropriately control the level of equity capital, paying careful attention to maintaining capital efficiency toward achieving a target of 10% ROE under the Plan, while flexibly implementing shareholder returns when performance is strong. At the same time, we have a basic policy of implementing a well-balanced capital policy, including investments for sustainable growth, which is a concept shared by all shareholders and stakeholders, and a certain level of capital reinforcement.

ii) Required equity capital

We have set our equity ratio target at roughly 55%, based on the estimation that the amount of equity capital equivalent to roughly seven months of monthly sales (60% of annual net sales) should be required to ensure the sustainable growth of the Group, in consideration of factors such as the working capital required to expand our scale of business under the Medium-Term Business Plan, costs for managing the risk of loss associated with the engagement in highly difficult construction projects, and preparation for business continuity in the event of a major natural disaster.

iii) Shareholder returns (dividend policy) during the period under the Medium-Term Business Plan (FY2022 to FY2026)

Based on the content (shareholder returns that are conscious of maintaining an equity ratio of 55% and capital efficiency) of the "Action to Implement Management that is Conscious of Cost of Capital

and Stock Price (FY2024)” announced on August 7, 2024, we plan to set the policy on shareholder returns for the fiscal year ending March 31, 2026 at ¥97.50 as a lower limit, with a target total payout ratio of 60%, as announced in the financial results briefing for the six months ended September 30, 2024.

(6) Reduction of cross-shareholdings

The Group currently owns certain listed stocks on a cross-shareholding basis, with the aim of maintaining business relationships, such as building stable long-term relationships with investees. Regarding shareholdings, we conduct a multifaceted review of business performance, share price, dividends, growth potential, etc. for each investee every fiscal year, the results of which are discussed and approved by the Board of Directors. As a result, if the significance of such shareholdings is found to be insufficient or not appropriate to the cost of capital, we will reduce the shareholdings after engaging in dialogue with the investees.

We will also proceed with planned sales and are scheduled to reduce the ratio of cross-shareholdings against consolidated net assets to 10% or less on a book value basis, in the period under the Medium-Term Business Plan (FY2022 to FY2026).

Under this policy, we reduced nine stocks (sold all holdings for seven stocks) in the past five years, including selling a portion of our holdings in two stocks in FY2024 (book value of ¥189 million at the end of the previous fiscal year). However, an increase in the stock prices of our remaining shareholdings has resulted in the ratio to consolidated net assets accounting for 13.9% at the end of March 2025. Going forward, we will systematically sell stocks over FY2025 and FY2026, with the aim of reducing the ratio to 10% or less in the period covered by the current Medium-Term Business Plan.