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Action to Implement Management that is Conscious of Cost of Capital and Stock Price (FY2026)

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 (FY2026)," 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

The Group formulated a business strategy under the Medium-Term Business Plan (FY2022 to FY2026), announced on May 13, 2022, to achieve the well-balanced investment of management resources in large construction projects for new bridges, large-scale expressway renovation projects, and highly difficult construction projects in the private sector. Under the Plan, the Group has been working to achieve the targets for indicators such as an operating profit margin of 10% or higher, ROE (return on equity) of 10% or higher, and an equity ratio of 55%.

Through FY2024, the midpoint of the Medium-Term Business Plan, the Group delivered strong performance supported by the steady progress of large-scale construction projects. As a result, ROE continued to remain at a level well above the cost of shareholders' equity (approximately 7% to 8%). In addition, we were able to maintain the PBR (price book-value ratio) of over 1x, partly supported by the dividend policy revised in FY2023, which aims to maintain and increase dividends per share based on a total payout ratio of 60%.

However, from FY2025 onward, during the second half of the Medium-Term Business Plan, although public investment (budget base) remained firm, order volume based on operational volume continued to decline due to impacts from soaring per-unit construction costs caused by rising wages and prices. In the Group's mainstay bridge business segment, order volume based on steel weight, which had remained at close to 200,000 tons through around FY2022, fell below 100,000 tons in FY2025. Furthermore, as for large-scale renovation and maintenance-related projects, which were expected to drive an increase in order volumes, the trend of scaling back or postponing new contracts continued, due in part to the need for major additional budgets for existing construction contracts. These challenging business conditions are expected to continue through the first half of the next Medium-Term Business Plan (FY2027 to FY2031).

In this difficult environment, net sales and profit both decreased, mainly due to the absence of projects in FY2025 that are similar to intensive construction work related to large-scale renovation and maintenance-related projects, which significantly boosted net sales in FY2024. As a result, ROE declined to 7.8%, and we were unable to maintain a sufficient equity spread (ROE less the cost of shareholders' equity). In addition, partly due to the downward revision of the FY2026 financial targets, the final year of the Medium-Term Business Plan, the Company's share price declined significantly compared with FY2024, when it reached an all-time high since listing, despite maintaining the PBR over 1x at the end of FY2025.

The Company takes this market evaluation seriously and recognizes that steadily recovering financial performance and improving return on capital are essential to restoring its share price.

The operating results, ROE, PBR and other performance indicators for the past five fiscal years, including the current fiscal year, as well as the financial result forecasts for FY2026, are as follows.

(Millions of yen)

	FY2021 (Actual)	FY2022 (Actual)	FY2023 (Actual)	FY2024 (Actual)	FY2025 (Actual)	FY2026 (Forecast)
Net sales	58,002	60,279	69,365	74,725	56,659	55,000
Operating profit	5,810	5,127	7,904	9,157	4,525	2,300
Profit attributable to owners of parent	3,406	3,077	4,354	4,851	3,264	2,000
Equity ratio	54.0%	56.3%	53.6%	45.0%	52.2%	—
ROE	10.7%	8.9%	11.6%	12.1%	7.8%	—
Net assets per share (Yen)*	1,226.84	1,305.09	1,458.95	1,535.65	1,615.51	—
Year-end share price (Yen)*	865.00	935.00	2,192.50	1,784.00	1,725.00	—
PBR (Times)	0.71	0.72	1.49	1.16	1.07	—

* 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 FY2021.

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) Formulation of the next Medium-Term Business Plan (FY2027 to FY2031)

During the period covered by the current Medium-Term Business Plan (FY2022 to FY2026), the Group achieved growth in both net sales and profit during the first three years. However, during the latter two years, the business environment deteriorated significantly compared with the outlook in 2022 when the Plan was formulated. As a result, we experienced declines in both net sales and profit (figures for FY2026 are based on financial result forecasts), and the numerical targets established at the time of formulation were revised downward on two occasions. We expect this harsh business environment to continue through the first half of the next Medium-Term Business Plan (FY2027 to FY2031).

In FY2026, the final year of the current Medium-Term Business Plan, the Group will continue to steadily implement various measures, further strengthen its business management control system as a Group, and strive to firmly establish a profit structure that is stable even amid a rapidly changing business environment. We will also seek to achieve sustainable growth and business development as one team with MIYAJI ENGINEERING CO., LTD. and MM BRIDGE CO., LTD., which form the core of the Group. We will 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), aligning with shifts and trends in the domestic steel bridge market. At the same time, we will strive to improve productivity through technology development and digital transformation (DX), secure and train human resources, promote the career advancement of women, and carry out work style reforms. In anticipation of the business environment that is expected to recover in the second half of the next Medium-Term Business Plan (FY2027 to FY2031), we plan to announce specific details of the next Medium-Term Business Plan, which will be aimed at ensuring its sustainable growth, during FY2026.

(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 FY2025, in addition to holding two financial results briefings, we also held a total of 38 one-on-one shareholder relations and investor relations meetings, and organized plant visits in an effort to help shareholders and investors have a better understanding of the Group.

Based on the opinions and requests received through these meetings and other opportunities for dialogue, we have promoted sustainability management by formulating a highly effective Human Rights Policy and a Health and Productivity Management Declaration for sustainable growth. In addition, we enhanced the content of Integrated Report 2025 (published in September 2025) and further expanded disclosure of non-financial information, with the aim of enabling not only institutional investors but also individual shareholders to deepen their understanding of the Company’s business and value creation process.

In FY2026, we will further promote sustainability management while continuing to engage in active dialogue with shareholders and institutional investors.

We plan to publish this fiscal year's Integrated Report 2026 around the end of September this year.

(3) Buy-back of shares

On August 8, 2024, 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%). The Company believes that this has produced certain positive results, including improved capital efficiency and greater flexibility in considering capital policy initiatives.

To further improve capital efficiency and enable the execution of a flexible capital policy, the Board of Directors resolved at today's meeting to implement another share buy-back. The maximum number of shares to be acquired is 400,000 shares (percentage of total number of issued shares (excluding treasury shares): 1.5%), and the maximum total acquisition cost is ¥633 million.

The shares acquired through the share buy-back will be retained for the time being, and the Company will consider utilizing them for a stock-based compensation plan.

For details of the share buy-back, please refer to the "Notice Concerning Acquisition of Treasury Shares and Repurchase of Treasury Shares Through Off-Auction Own Share Repurchase Trading System (ToSTNeT-3)," released today.

(4) Dividend policy (implementation of capital efficiency-conscious, flexible shareholder returns)

i) Basic dividend policy

From a medium- to long-term perspective, the Group considers the establishment of a highly sustainable corporate structure, the enhancement of corporate value, and the return of profits to shareholders as important management measures, while at the same time we have a basic policy of implementing a well-balanced capital policy, including investments for sustainable growth, a concept shared by all shareholders and stakeholders.

ii) Required equity capital

The Group has determined that an equity ratio of roughly 55% is necessary to ensure its sustainable growth, in consideration of factors such as the working capital required for the Group's business operations, 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 for FY2026, the final year of the Medium-Term Business Plan (FY2022 to FY2026)

In anticipation of the business environment that is expected to recover in the second half of the next Medium-Term Business Plan, we will use this time to further refine our advanced technical and construction capabilities and build up our strengths. While steadily implementing the employee returns and investment strategies required to help the Company make major advances in the medium to long term, we believe the current priority is to maintain a sound financial structure. To reward the shareholders who continue to support the Company even amid a decline in sales and profit, we will maintain our target equity-to-asset ratio of roughly 55% and allocate any remaining profits after implementing the necessary growth measures to shareholder returns. As announced on May 13 of this year, our dividend forecast for the fiscal year ending March 31, 2027 is ¥75 per share, which is equivalent to a payout ratio of approximately 100% (interim dividend of ¥27 and year-end dividend of ¥48).

As described in (3) above, the Company plans to implement a share buy-back with total acquisition costs of ¥633 million (maximum). Accordingly, the total payout ratio, including both annual cash dividends and the share buy-back, is expected to be roughly 130%.

(5) 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.

Under this policy, we have engaged in dialogue with investees and reduced the cross-shareholdings as planned with the aim of lowering the ratio of cross-shareholdings against consolidated net assets to 10% or less during the period of the Medium-Term Business Plan (FY2022 to FY2026), as shown below. However, due to the significant increase in the market value of the remaining shareholdings, the ratio had risen to 17.3% as of March 31, 2026.

(Millions of yen)

	FY2022 (March 2023)	FY2023 (March 2024)	FY2024 (March 2025)	FY2025 (March 2026)
Number of stocks reduced	1 stock	4 stocks	Partial sale of 2 stocks	Partial sale of 1 stock
Number of stocks held at fiscal year-end	17 stocks	13 stocks	13 stocks	13 stocks
Amount reduced (book value at the end of the previous fiscal year)	(213)	(282)	(189)	(201)
Change in the market value of stocks held at fiscal year-end	311	2,220	(22)	2,125
Book value at fiscal year-end	4,986	6,925	6,713	8,637
Ratio against consolidated net assets	12.0%	14.9%	13.8%	17.3%

Although it may be difficult in the short term as cross-shareholdings are experiencing a sharp rise in market value, we will continue to reduce cross-shareholdings as planned and reduce the ratio of cross-shareholdings against consolidated net assets to 10% or less on a book value basis ahead of the next Medium-Term Business Plan.