E·J Holdings Inc.

2153

Tokyo Stock Exchange Prime Market

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Contents

Summary

M&A significantly boosts sales to the private sector, leading to record-high results in FY5/26

E·J Holdings Inc. <2153> (hereinafter referred to as "the Company") is a major, comprehensive civil engineering consultant whose strength lies in its ability to provide services in all phases for public work, etc. from planning and development through plan formulation, surveys and design, construction management, and operations and maintenance management, with its subsidiary Eight-Japan Engineering Consultants Inc. as the core company. Previously, sales to government offices and agencies accounted for around 80% of total sales, but with the acquisition of TOKYO SOIL RESEARCH CO.,LTD. (hereinafter referred to as "TSR"), which mainly conducts geological surveys for the private sector, as a subsidiary in September 2024, sales in FY5/25 were around 70% of total sales. The Company aims to achieve further growth while strengthening its operations in the private sector and overseas business.

1. FY5/25 results overview

In the Company's FY5/25 consolidated results, net sales increased 14.8% year-on-year (YoY) to ¥42,705mn, while operating income was up 3.1% to ¥4,481mn. The effect of making TSR a subsidiary on the Company's performance was an increase in net sales by approximately ¥3.8bn, while the impact on operating income was minor when goodwill amortization and M&A expenses were included. Even on an existing business basis, the Company achieved steady growth, with single-digit increases in net sales and operating income. In addition, due in part to contributions from TSR, orders-received reached a record high for the third consecutive fiscal year at ¥44,651mn (up 15.2%). The total of orders-received from the six priority fields (environment and energy, natural disaster risk mitigation, urban and regional revitalization, infrastructure maintenance, public management, and digital infrastructure solutions) also increased steadily by 12.6% to ¥25,673mn. Although net sales exceeded the targets of the fifth medium-term management plan (net sales of ¥38,500mn and operating income of ¥4,850mn), operating income fell short due to increases in outsourcing costs and SG&A expenses.

2. Outlook for FY5/26

For FY5/26, the Company forecasts its consolidated results will reach a new record high, with a 10.1% YoY increase in net sales to ¥47,000mn and an 11.6% rise in operating income to ¥5,000mn. With a large order backlog (¥31,943mn at the end of FY5/25) and the continuation of robust public works investment expected in FY2025, the Company will expand its workforce and strengthen its organization to enhance operational capacity. In addition, the Company will continue investing in digital transformation (DX) while improving business efficiency, aiming to maintain and enhance profitability.

3. New medium-term management plan

The Company announced its sixth medium-term management plan "E • J-Plan2027," which will begin in FY5/26. In order to achieve the long-term vision of transforming into a future-oriented social infrastructure creation group, the Company has positioned the next three years as a period of expansion and evolution, following the four-year period of establishing and strengthening the foundation in the fifth medium-term management plan. The Company is focused on four basic policies: expansion of core businesses and development of new areas, initiatives for the expansion of overseas businesses, strengthening the value chain, and promotion of sustainability management, with the targets of net sales of ¥50.0bn and operating income of ¥5.9bn for FY5/28. With an annual average growth rate of 5% in net sales and 10% in operating income, the plan is designed not only to expand the scale of the business, but also to improve profitability. The planned figures are roughly the same as the targets set for FY5/31 in the long-term vision (net sales of ¥50.0bn and operating income of ¥6.0bn), which is three years ahead of schedule. The target figures did not take into account the impact of M&A, but the Company plans to continue to actively consider M&A going forward.

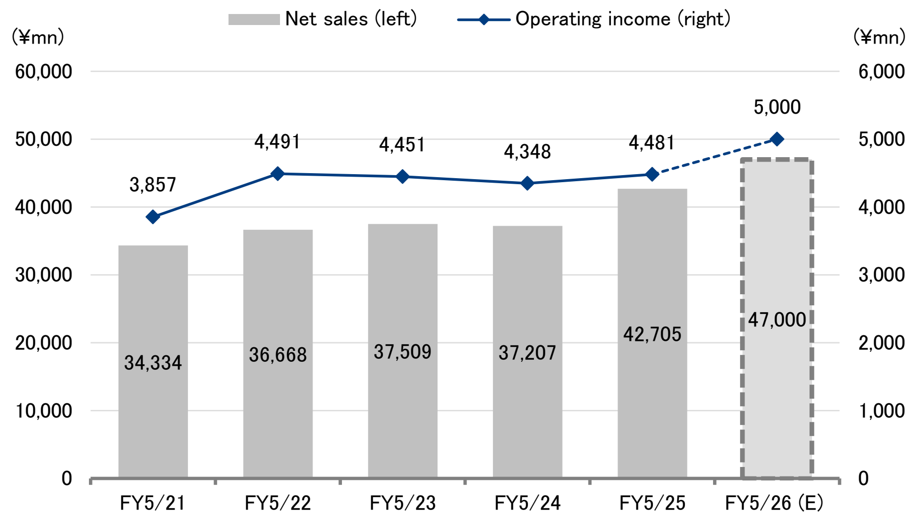
4. Shareholder return policy

The Company plans to continue paying progressive dividends with a target dividend on equity (DOE) of 3% or more. In FY5/25, the Company increased the dividend per share by ¥12.0 YoY to ¥67.0 (DOE of 3.2%), marking the eighth consecutive year of dividend increases. It also expects to increase the dividend by ¥2.0 to ¥69.0 (DOE of 3.2%) in FY5/26.

Key Points

- In FY5/25 results, net sales and orders-received reached record highs, and profits increased for the first time in three fiscal years
- In FY5/26, operating income and ordinary income are forecast to reach record highs for the first time in four fiscal years
- The Company announced the medium-term management plan aiming for net sales of ¥50.0bn and operating income of ¥5.9bn in FY5/28
- The Company maintains a progressive dividends policy, with a target dividend on equity of 3% or more

Result trends



Source: Prepared by FISCO from the Company's financial results

Company profile

A leading comprehensive civil engineering consultancy expanding its business domains through M&A

1. Company history

The Company is a holding company established in 2007 by a joint share transfer between Eight Consultants Co., Ltd. and Japan Engineering Consultants Co., Ltd.—two companies that primarily operated civil engineering consultancy businesses. After this, in 2008, Eight Consultants' measurement equipment rental business was succeeded by Japan Infrastructure Management Co., Ltd. through an absorption split, then in 2009, Japan Engineering Consultants' civil engineering consultancy business was succeeded by Eight Consultants. After these successions, Eight Consultants changed its company name to Eight-Japan Engineering Consultants Inc., and Japan Engineering Consultants changed its company name to EJ Business Partners Co., Ltd. (EJ Business Partners was merged into Eight-Japan Engineering Consultants Inc. through an absorption merger in 2015).

In 2010, the Company conducted a share exchange to make a subsidiary of Kindai-Sekkei Consultant, Inc., which is a construction consultancy business specializing in bridges, structures, and urban infrastructure. Then in 2017, it established Hokkaido Kindai-Sekkei Consultant Inc., from a company split from Kindai-Sekkei Consultant to expand its business in Hokkaido. Also, for overseas business development, Eight-Japan Engineering Consultants opened a representative office in Bangkok, Thailand, in 2014, and incorporated it locally as EJEC (Thailand) Co., Ltd, in 2020.

The Company has been aggressively pursuing M&A since 2019 to expand its business domains. In 2019, it made Ark Consultants Co., Ltd., which operates a civil engineering consultancy business in Okayama Prefecture, i DEVELOP CONSULTANTS Co., Ltd., which provides client support and infrastructure management services in the Kyushu region, Futagami Architects & Associates, which conducts construction-related planning, surveys, and project planning as well as seismic diagnostics mainly in Hyogo Prefecture, and DAIMIC Co., Ltd., which is a leading civil engineering consultancy company in Tochigi Prefecture, subsidiaries in succession. More recently, in May 2024, the Company made Nichiei Planning Co., Ltd., which operates a civil engineering consultancy engineer dispatch business in the Kyushu region, a subsidiary, followed by TSR, which undertakes ground structure surveys and analysis, seismic diagnostics and the like from general contractors or other construction companies while mainly conducting geological surveys, in September 2024. In September 2024, in order to strengthen its overseas business, the Company acquired 35% of the shares of Dynamic Engineering Consultants Co., Ltd. (hereinafter referred to as "Dynamic")*, a civil engineering consultancy company in Thailand, making it an equity-method affiliate.

* It is one of the oldest civil engineering consultancy companies in Thailand, and the Company acquired 35% of the shares in September 2024. It operates domestically and internationally in both government offices/agencies and private sectors and has particular strengths in structural engineering. The annual sales scale is expected to be ¥500mn–¥600mn. The Company is considering increasing its investment ratio through EJEC (Thailand) Co., Ltd. in the future and making it a consolidated subsidiary.

Company history

Date	Major events
June 2007	Eight Consultants Co., Ltd. and Japan Engineering Consultants Co., Ltd. conducted a share exchange to establish E·J Holdings Inc., as the parent company listed on the Tokyo Stock Exchange Second Section
January 2008	Japan Infrastructure Management Co., Ltd. succeeded the measurement equipment rental business of Eight Consultants Co., Ltd. through an absorption split, while at the same time, the company acquired the shares of Japan Infrastructure Management Co., Ltd. held by Eight Consultants Co., Ltd.
June 2009	Eight Consultants Co., Ltd. succeeded the civil engineering consultancy business of Japan Engineering Consultants Co., Ltd. and changed its company name to Eight-Japan Engineering Consultants Inc., and Japan Engineering Consultants Co., Ltd. changed its company name to EJ Business Partners Co., Ltd.
June 2010	Made Kindai-Sekkei Consultant, Inc. a subsidiary through a share exchange
November 2014	Eight-Japan Engineering Consultants Inc. opened a representative office in Bangkok, Thailand
May 2015	Eight-Japan Engineering Consultants Inc. merged with EJ Business Partners through an absorption merger
December 2017	Hokkaido Kindai-Sekkei Consultant Inc. was established as a result of a company split from Kindai-Sekkei Consultant, Inc.
July 2018	Listed on the First Section of the TSE
March 2019	Made Ark Consultants Co., Ltd. a wholly owned subsidiary
July 2019	Made i DEVELOP CONSULTANTS Co., Ltd. a wholly owned subsidiary
November 2019	Entered into a capital and business alliance with Futagami Architects & Associates and made it a subsidiary Made DAIMIC Co., Ltd. a wholly owned subsidiary
August 2020	Eight-Japan Engineering Consultants Inc. established a local affiliate in Thailand, EJEC (Thailand) Co., Ltd.
April 2022	Changed to the Tokyo Stock Exchange Prime Market
May 2024	Made Nichiei Planning Co., Ltd. a wholly owned subsidiary
September 2024	Made TOKYO SOIL RESEARCH CO.,LTD. a wholly owned subsidiary Acquired 35% of the shares of Dynamic Engineering Consultants Co., Ltd. in Thailand, making it an equity-method affiliate

Source: Prepared by FISCO from the Company's website, annual securities report, and news release

The Group offers comprehensive services across all phases of a project, from planning and project formulation to management operations

2. Business overview

The Group's strength lies in its ability to provide one-stop services across all the phases of a project, from initial planning and concept development to plan formulation and project creation, surveys and design, construction management, and operations and maintenance management. These services are primarily provided for the public works projects of government offices and agencies. As of the end of May 2025, the Group consists of 14 consolidated subsidiaries (and 7 non-consolidated subsidiaries and 2 equity-method affiliates), with a total of 1,877 employees (an increase of 164 employees compared to the end of the previous fiscal year). One of its equity-method affiliates, ENZAN KOUBOU Co., Ltd. (investment ratio of 38.1%), develops and provides software to control tunnel construction control and data management, mainly in the construction and civil engineering fields.

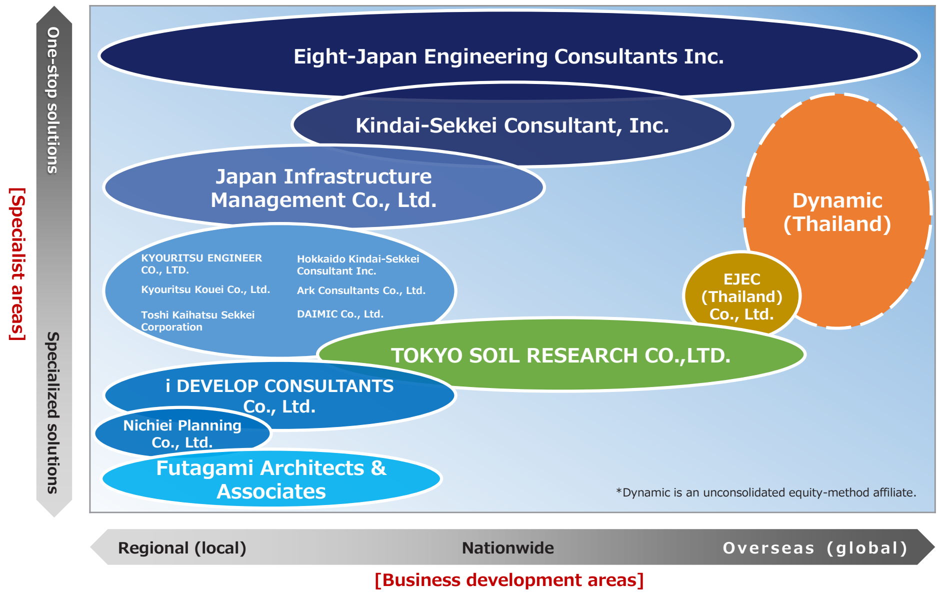
(1) Overview of subsidiaries

Eight-Japan Engineering Consultants Inc., the main subsidiary contributing a little over 60% of total consolidated net sales, provides civil engineering consultancy services, including planning, project formulation, surveys and design, diagnostics, and management. It also offers overseas consultancy services and engages in the regional development initiatives, such as tourist farms and agri-businesses.

Kindai-Sekkei Consultant, Inc., which provides slightly more than 10% of total net sales, conducts businesses including planning, design and construction management for roads, bridges, and other structures and client support projects. Its features include a strong track record for the electrical infrastructure projects that eliminate the utility poles that are being promoted by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) (planning and design, surveys, and maintenance-management support), with share of orders of more than approximately 20%. The three companies, including the newly acquired subsidiary TSR, account for more than 80% of consolidated net sales.

Other than the above, Japan Infrastructure Management Co., Ltd. conducts operations including measurement surveys, construction management, dispatches of engineers, and rentals and sales of measuring equipment; KYOURITSU ENGINEER CO., LTD., and Kyouritsu Kouei Co., Ltd., carry out measurement and geological surveys, and design work; and Toshi Kaihatsu Sekkei Corporation primarily formulates plans and conducts surveys and design work, including water supply and sewer systems, and roads. Ark Consultants Co., Ltd., i DEVELOP CONSULTANTS Co., Ltd., Futagami Architects & Associates, and DAIMIC Co., Ltd. have already been mentioned above.

Roles and collaboration between Group companies

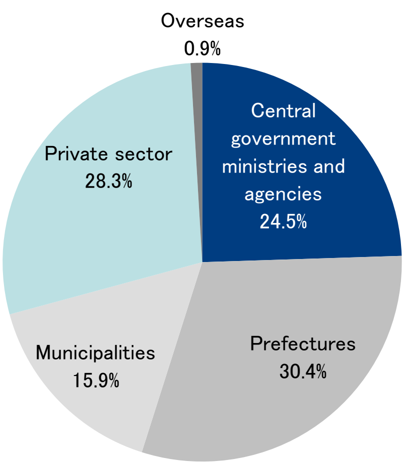


Source: The Company's results briefing materials

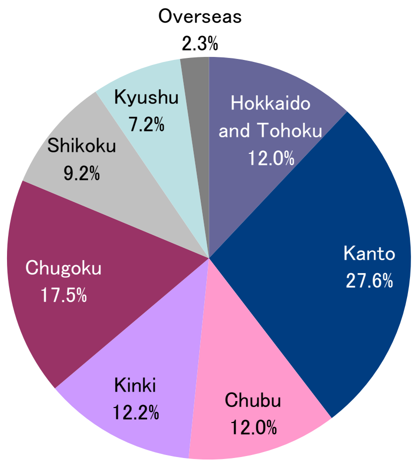
(2) Percentages of orders-received by ordering institution and region

Of the Company's orders-received, around 70% are provided by sales to government offices and agencies, and a feature is that a high percentage of those projects are related to traffic infrastructure, such as roads and bridges, and conservation of national land, including river and mountain flood management. In the FY5/25 results, the composition of orders-received by ordering institution was 24.5% for central government ministries and agencies, mainly for the MLIT; 30.4% for prefectures; and 15.9% for municipalities, therefore totaling 70.8% for government ministries and agencies, 28.3% for private sector companies, and 0.9% for overseas. For private sector companies, about half of projects are considered for expressway management companies such as NEXCO, and they can also be said to be in the public works field. For overseas, the majority of projects are for Official Development Assistance (ODA) projects obtained through the Japan International Cooperation Agency (JICA), including road maintenance, flood control, and water supply projects in the Asia and Africa regions. In the composition of orders-received by region, the highest is the Kanto area at 27.6%, followed by the Chugoku area, which is the location of the head office, at 17.5% and then Kinki at 12.2%, and those three regions provide more than 50% of the total.

Composition of orders-received by ordering institution (FY5/25)



Composition of orders-received by region (FY5/25)



Source: Prepared by FISCO from the Company's results briefing materials

Nearly all ordered projects are scheduled to be completed within a year. However, in the case of a continuous ordered project where construction period is divided into multiple phases, some long-term projects may span three to four years in total. Also, for projects for government offices and agencies, sales tend to concentrate in March, which is the acceptance-inspection period, so around 60% of net sales concentrated in the 4Q (March to May). We note that sales of client support projects are recorded on a percentage-of-completion basis. Therefore, it should be noted that a loss is typically recorded up to the 3Q, but that this is due to seasonal factor.

3. Corporate philosophy

The Group's mission is to "contribute to the creation of a truly affluent society through using our technology friendly to the global environment and our decision-making capabilities "aiming to become a leading solution consultant group for infrastructure in Japan by pursuing sustainable growth and enhancing corporate value."

In order to realize its management vision, the Company conducts its business activities in accordance with the Code of Conduct that it formulated from the four viewpoints of innovation*1, professionalism*2, integrity*3, and teamwork*4.

*1 Innovation: Aiming to ascertain changes in society and the environment and acting based on "glocal" (from global to local) thinking to solve problems in all infrastructure fields.
*2 Professionalism: As a group of professionals with excellent skills who are able to respond precisely to diverse and high-level needs, and who possess an abundance of sensitivity and sincere personalities, we work toward self-improvement in order to increase the value of our human resources and our corporate value.
*3 Integrity: Observing not only the relevant laws, but also corporate and professional ethics, and fulfilling our social responsibilities from a fair and neutral standpoint.
*4 Teamwork: Aware of being Japan's leading infrastructure solutions consultant group, always aiming for high targets, and taking on the challenge of achieving these targets using the Group's comprehensive strength.

Result trends

In FY5/25 results, net sales and orders-received reached record highs, and profits increased for the first time in three fiscal years

1. FY5/25 results overview

In the FY5/25 consolidated results, net sales increased 14.8% YoY to ¥42,705mn, operating income increased 3.1% to ¥4,481mn, ordinary income increased 0.8% to ¥4,633mn, and profit attributable to owners of the parent increased 5.6% to ¥3,203mn. Net sales increased for the first time in two fiscal years, and all kinds of profits increased for the first time in three fiscal years. Also, orders-received increased 15.2% to ¥44,651mn and order backlog increased 15.3% from the end of the previous fiscal year to ¥31,943mn. The Company achieved record highs in net sales, orders-received, order backlog, and profit attributable to owners of the parent.

Although the addition of eight months of results from TSR, a newly acquired subsidiary, added approximately ¥3.8bn to net sales and approximately ¥3.7bn to orders-received, existing businesses alone saw increases in both net sales of about 5% and orders-received of about 6%. In addition, operating income from TSR is estimated to have been about ¥200mn, but its impact was limited as it was mostly offset by goodwill amortization and M&A expenses*.

* Goodwill of ¥2,858mn (amortized equally over 10 years) was recognized against the acquisition cost of ¥7,598mn for all shares. In FY5/25, goodwill amortization was ¥190mn, and advisory and other expenses related to M&A were ¥18mn.

Consolidated business performance for FY5/25

(¥mn)

	FY5/24		FY5/25				
	Results	Ratio to net sales	Forecast	Results	Ratio to net sales	YoY	Vs. forecast
Orders-received	38,749	104.1%	38,500	44,651	104.6%	15.2%	16.0%
Net sales	37,207	-	38,500	42,705	-	14.8%	10.9%
Cost of sales	24,732	66.5%	25,550	28,453	66.6%	15.0%	11.4%
SG&A expenses	8,125	21.8%	8,100	9,770	22.9%	20.3%	20.6%
Operating income	4,348	11.7%	4,850	4,481	10.5%	3.1%	-7.6%
Ordinary income	4,597	12.4%	4,950	4,633	10.8%	0.8%	-6.4%
Profit attributable to owners of the parent	3,032	8.2%	3,350	3,203	7.5%	5.6%	-4.4%

Source: Prepared by FISCO from the Company's financial results and results briefing materials

The cost-of-sales ratio increased slightly from 66.5% to 66.6%. Although the rise in personnel expenses was reflected in the order unit price, the main factor behind the rise was an increase in outsourcing costs, such as the preparation of design drawings. The SG&A expense ratio rose 1.1 percentage points from 21.8% in FY5/24 to 22.9% in FY5/25, or up 20.3% on a value basis. Most of the increase was due to higher personnel expenses resulting from TSR becoming a subsidiary, goodwill amortization, and M&A expenses. As a result, the operating margin fell from 11.7% in FY5/24 to 10.5% in FY5/25, but increased profits were secured thanks to increased sales.

Non-operating income and expenses deteriorated by ¥97mn YoY. The financial account balance deteriorated by ¥95mn due to increased borrowings to fund M&A. Share of profit of entities accounted for using equity method decreased from ¥108mn in FY5/24 to ¥74mn in FY5/25 due to weaker earnings at ENZAN KOUBOU Co., Ltd. As a result, ordinary income only increased slightly. Profit attributable to owners of the parent increased 5.6% because a gain on sale of investment securities totaling ¥553mn was recorded as extraordinary income.

Compared to the forecast at the beginning of the fiscal year, net sales and orders-received exceeded the plan, even excluding the contribution of TSR's performance. Each income/profit fell slightly short due to higher-than-expected outsourcing costs and SG&A expenses. Note that TSR's annual performance is about ¥5.0bn–¥6.0bn in net sales and about ¥400mn–¥500mn in operating income. Founded in 1966, TSR specializes in geological surveys, seismic diagnostics of buildings from the viewpoint of ground structure, and proposals for environmental conservation and disaster prevention measures in construction projects. Based on its diverse technical capabilities and know-how, it has grown steadily, with major general contractors as its main clients, primarily in private sector projects. The business area is not only domestic but also overseas. Specifically, TSR conducts survey services on earthquake disasters in collaboration with local companies and research institutions, and also engages in technical partnerships. ORIX Corporation <8591> acquired shares of TSR in 2019 due to business succession issues and has been providing management support, but now the Company has acquired all shares in order to pursue further growth. Many of the projects undertaken by TSR involve construction consulting needs other than geological surveys. The Company intends to create synergies by utilizing its Group resources to meet these needs.

Business performance and financial status of TOKYO SOIL RESEARCH CO.,LTD.

(¥mn)

	FY9/22	FY12/22	FY12/23
Net sales	5,708	1,136	5,833
Operating income	413	-130	504
Ordinary income	449	-115	532
Profit	290	-81	394
Net assets	4,371	4,289	4,084
Total assets	5,128	4,814	4,888

Number of employees: 242 (as of the end of May 2025)
Composition of sales by customer: Government offices/agencies 10%, private sector 90%
Source: Prepared by FISCO from the Company's published materials

Significant growth in sales to the private sector due to TSR becoming a subsidiary

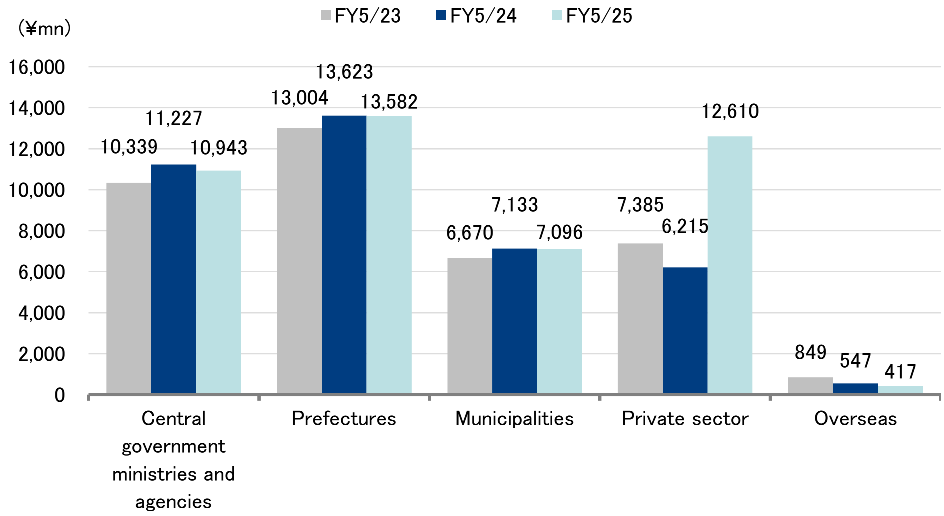
2. Trends in orders-received and net sales

(1) Trends in orders-received

In FY5/25, orders-received reached a record high for the third consecutive fiscal year at ¥44,651mn (up 15.2% YoY). While the number of orders-received increased significantly by 42.9% to 4,127 due to the contribution of TSR, the order unit price decreased by 19.3% to ¥10,819,000. This was due to the fact that TSR's order unit price was relatively low compared to existing businesses. In orders-received by business segment, construction consultancy services increased 10.2% to ¥37,470mn, and survey services increased 51.1% to ¥7,180mn.

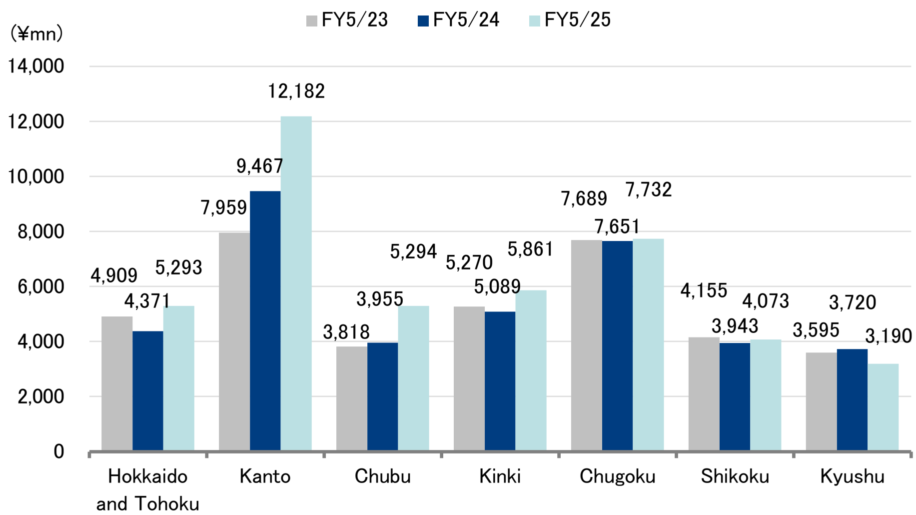
Looking at the change in orders-received in FY5/25 by ordering institution, orders-received from central government ministries and agencies decreased 2.5%, prefectures decreased 0.3%, municipalities decreased 0.5%, all of which were slight decreases. On the other hand, orders-received from private sectors saw a large increase of 102.9%. Regarding government offices and agencies, although demand remained strong for social infrastructure establishment such as national resilience measures and environment-related projects for creating a decarbonized society, the Company had a large order backlog and took orders selectively, resulting in a slight decrease. On the other hand, the increase in the private sector was due to the contribution of TSR. For overseas, the trend of decline continued, with a 23.8% decrease due to a small number of JICA projects. Looking at orders-received in Japan by region, due to the contribution of TSR, it saw double-digit YoY increases in Kanto (26.9%), Chubu (32.7%), Kinki (23.1%), and Hokkaido and Tohoku (19.6%), but saw decreases in Chugoku (0.2%) and Kyushu (13.6%).

Trends in orders-received by ordering institution



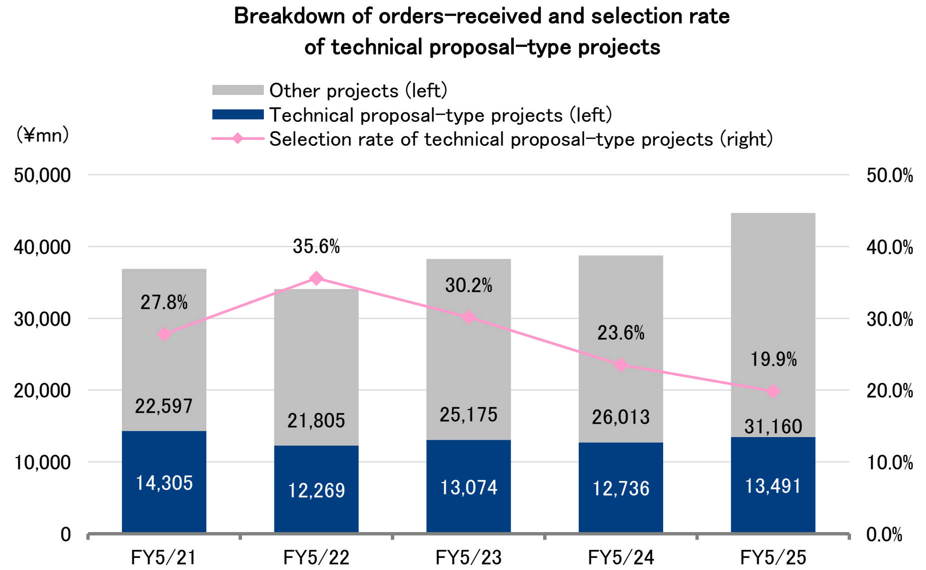
Source: Prepared by FISCO from materials provided by the Company

Trends in orders-received by domestic region



Source: Prepared by FISCO from materials provided by the Company

Of the orders-received, technical proposal-type projects, a focus area, increased by 5.9% YoY to ¥13,491mn, but were slightly below the plan. Although the number of submissions increased 13.2% to a record high of 1,591, the selection rate declined from 23.6% in FY5/24 to 19.9% in FY5/25. Increasing competition from year to year is seen as a factor in the decline in the selection rate. Since the selection rate also affects productivity, improving the selection rate will be an issue going forward.



Source: Prepared by FISCO from materials provided by the Company

Orders-received in the six priority fields increased 12.6% YoY to a record-high ¥25,673mn due to the contribution of TSR, and exceeded the Company's plan (¥23,700mn). Although the composition ratio decreased from 58.8% in FY5/24 to 57.5% in FY5/25, orders-received are steadily increasing. Orders-received increased in five of the six fields, except natural disaster risk mitigation. In particular, infrastructure maintenance saw a significant increase of 26.9% YoY, while public management increased 17.9% and urban and regional revitalization increased 12.4%, recording double-digit increases.

Trends in orders-received in the six priority fields

(¥mn)

	FY5/22	FY5/23	FY5/24	FY5/25	YoY
Environment and energy	2,281	2,445	2,817	2,946	4.6%
Natural disaster risk mitigation	4,944	4,458	4,934	4,567	-7.4%
Urban and regional revitalization	1,600	1,864	2,051	2,306	12.4%
Infrastructure maintenance	4,550	6,879	7,073	8,974	26.9%
Public management	6,173	5,673	5,040	5,941	17.9%
Digital infrastructure solutions	943	851	879	939	6.8%
Total	20,491	22,170	22,794	25,673	12.6%
Priority field ratio	60.1%	58.0%	58.8%	57.5%	

Source: Prepared by FISCO from the Company's results briefing materials

The six priority fields

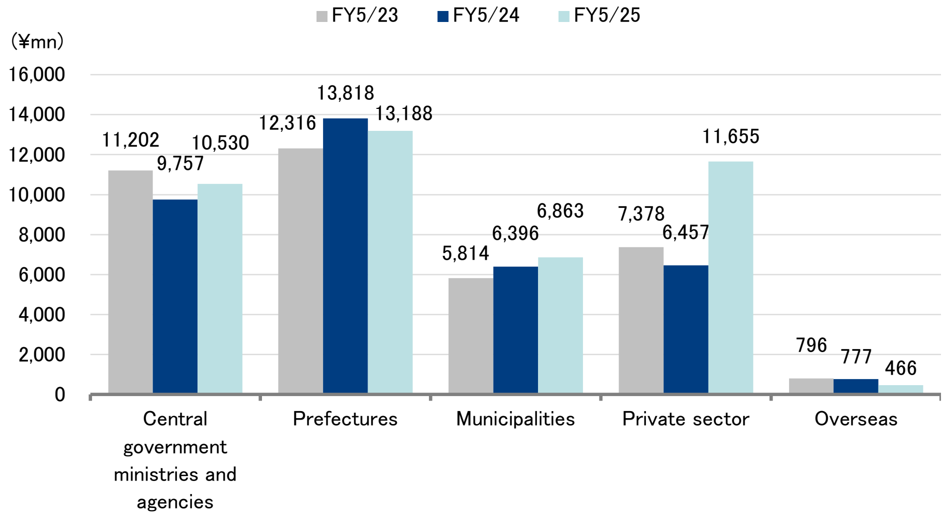
Field	Keywords
Environment and energy	Environmental assessment, global warming, resource circulation and recycling, renewable energy, planning and design of parks and green spaces, etc.
Natural disaster risk mitigation	River flooding, urban flood prevention, slope disaster prevention, BCP, national resilience, storm surge and tsunami countermeasures, earthquake countermeasures, disaster-resistant city planning
Urban and regional revitalization	Transportation planning, master plans for urban development, surveys, planning, and design for base development and urban development, etc.
Infrastructure maintenance	Facility maintenance and useful life extension, seismic diagnostics, repair and reinforcement
Public management	Public-private partnerships, public facility management, administrative (client) support
Digital infrastructure solutions	Information and communication systems, BIM/CIM*, AI, disaster prevention information systems, measurement management, Web GIS (geographic information systems), etc.

* Building information modeling (BIM) is a workflow that helps raise the business efficiency of construction projects through 3D digital models of buildings created on a computer. It is a solution for information-sharing and utilization of building databases with additional attribute data, including costs, finishings and management information, in all phases from building design and construction to maintenance and management. MLIT has created guidelines together with CIM to reduce the costs of public works and other projects. Construction information modeling/management (CIM) is an IT system for construction projects that uses 3D models from the planning, survey and design stages in order to increase the efficiency and sophistication of construction production systems. It allows 3D models to be linked and further developed at the subsequent construction and maintenance/management phases, simplifying the sharing of information among the people involved for the duration of a project.
Source: Prepared by FISCO from the Company's results briefing materials

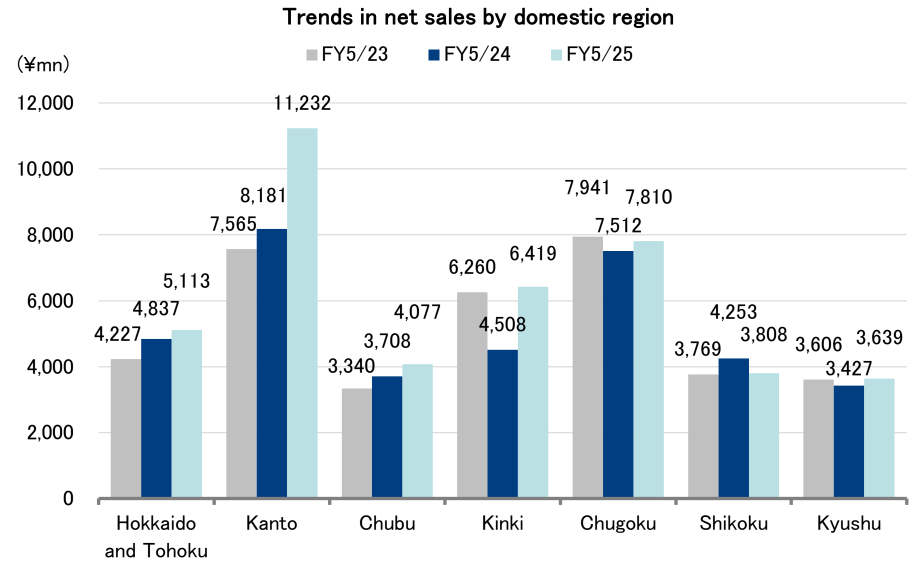
(2) Trends in net sales

Looking at net sales by business segment, construction consultancy services rose 3.2% YoY to ¥33,643mn, while survey services significantly increased 100.2% to ¥9,232mn. In terms of net sales by ordering institution, supported by a strong backlog of orders, central government ministries and agencies increased 7.9%, municipalities increased 7.3%, and private sector increased 80.5%, while prefectures decreased 4.6% and overseas decreased 40.0%. In addition, net sales by domestic region increased in all areas except Shikoku, with significant increases in Kanto by 39.1% and in Kinki by 41.3%.

Trends in net sales by ordering institution



Source: Prepared by FISCO from materials provided by the Company



Source: Prepared by FISCO from materials provided by the Company

Although equity capital decreased due to M&A, financial condition remains strong

3. Financial position and management indicators

At the end of FY5/25, total assets increased ¥10,587mn from the end of the previous fiscal year to ¥52,011mn. The main factor behind this increase was the consolidation of TSR as a subsidiary. In current assets, cash and deposits increased to ¥2,273mn, accounts receivable - trade, and contract assets increased ¥2,832mn, and inventories increased ¥783mn. In non-current assets, property, plant and equipment increased ¥1,713mn, intangible assets increased ¥2,506mn, and investments and other assets increased ¥691mn.

Total liabilities increased ¥9,126mn from the end of the previous fiscal year to ¥17,957mn. There was an increase of ¥7,235mn in interest-bearing debt due to borrowings to fund M&A, and increases of ¥542mn in accounts payable - operating, ¥524mn in contract liabilities, ¥177mn in income taxes payable, and ¥199mn in accrued consumption taxes. Total net assets increased ¥1,461mn to ¥34,053mn. While valuation difference on available-for-sale securities decreased ¥465mn due to the sale of cross-shareholdings, retained earnings increased ¥1,917mn due to the recording of profit attributable to owners of parent.

Looking at management indicators, the equity ratio, which expresses management stability, decreased from 78.7% at the end of FY5/24 to 65.5% at the end of FY5/25 as a result of increase in liabilities, and the extent of reliance on interest-bearing debt increased from 0.3% to 14.2%. However, net cash (cash and deposits minus interest-bearing debt) remained ample at just over ¥14.0bn, and the Company's financial condition is considered to be good. On the other hand, profitability continued to decline slightly, with ROA at 9.9%, ROE at 9.6%, and operating margin at 10.5%. The reasons for this are that the Company has aggressively invested in IT to improve business efficiency in the past few years, which has increased depreciation expenses, and that the increase in costs due to rising prices and wages has not been fully reflected in the order unit price. Therefore, the Company plans to continue promoting DX in management and improve productivity in order to maintain and improve profitability.

Consolidated balance sheet

(¥mn)

	FY5/22	FY5/23	FY5/24	FY5/25	Increase/ decrease
Current assets	27,683	26,485	28,151	33,829	5,677
Cash and deposits	18,090	17,092	19,186	21,459	2,273
Inventories	3,613	2,913	2,924	3,707	783
Non-current assets	11,556	12,708	13,271	18,181	4,910
Goodwill	862	741	621	3,178	2,557
Total assets	39,240	39,194	41,423	52,011	10,587
Total liabilities	11,696	9,325	8,831	17,957	9,126
Interest-bearing debt	571	357	128	7,363	7,235
Total net assets	27,544	29,869	32,592	34,053	1,461
<Stability>					
Equity ratio	70.2%	76.2%	78.7%	65.5%	-13.2pp
Dependency on interest-bearing debt	1.5%	0.9%	0.3%	14.2%	13.8pp
<Profitability>					
ROA (return on assets)	12.3%	11.8%	11.4%	9.9%	-1.5pp
ROE (return on equity)	11.8%	10.6%	9.7%	9.6%	-0.1pp
Operating margin	12.2%	11.9%	11.7%	10.5%	-1.2pp

Source: Prepared by FISCO from the Company's financial results

Business outlook

In FY5/26, operating income and ordinary income are expected to reach record highs for the first time in four fiscal years

1. Outlook for FY5/26

For FY5/26, the Company forecasts its consolidated results will reach a new record high for the first time in four years. Net sales are projected to increase by 10.1% YoY to ¥47,000mn, operating income by 11.6% to ¥5,000mn, ordinary income by 10.1% to ¥5,100mn, and profit attributable to owners of the parent by 4.6% to ¥3,350mn.

FY5/26 outlook (consolidated)

(¥mn)

	FY5/25		FY5/26		
	Results	Ratio to net sales	Forecast	Ratio to net sales	YoY
Orders-received	44,651	104.6%	47,000	100.0%	5.3%
Net sales	42,705	-	47,000	-	10.1%
Cost of sales	28,453	66.6%	30,800	65.5%	8.2%
SG&A expenses	9,770	22.9%	11,200	23.8%	14.6%
Operating income	4,481	10.5%	5,000	10.6%	11.6%
Ordinary income	4,633	10.8%	5,100	10.9%	10.1%
Profit attributable to owners of the parent	3,203	7.5%	3,350	7.1%	4.6%
EPS (¥)	204.06		188.14		

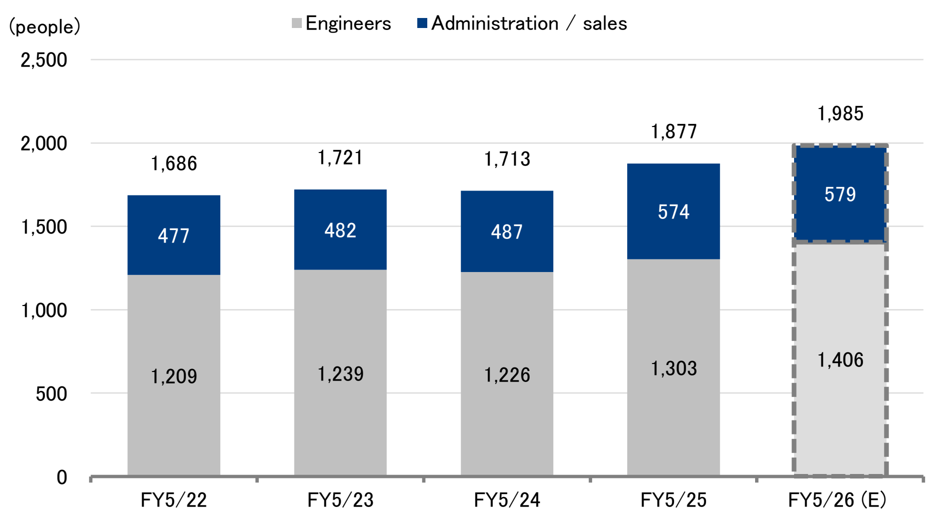
Source: Prepared by FISCO from the Company's financial results and results briefing materials

The FY2025 MLIT public works budget, which forms the basis of the Company's forecast, allocated ¥6.1tn to public works-related expenses, which is roughly the same level as the previous fiscal year. The Company expects that areas such as disaster prevention and mitigation and national resilience measures and infrastructure maintenance, which the Group has positioned as priority areas, will continue to perform strongly. Meanwhile, for overseas, the ODA budget for FY2025 is planned at ¥566.4bn, representing a slight increase over the previous fiscal year. Against this backdrop, the Company expects orders-received to increase 5.3% YoY to ¥47,000mn by expanding its six priority fields, entering new businesses (such as projects to solve regional issues through public-private partnerships), developing new markets (private sector), and expanding its overseas business. For overseas, the Company aims to increase orders in Southeast Asia by utilizing the network of Dynamic, a Thai civil engineering consultancy company that became an equity-method affiliate in September 2024. In addition, it aims for a 23.4% increase in orders-received for technical proposal-type projects to ¥16,650mn, by improving the selection rate.

Regarding net sales, the Company expects an increase in the 10% to 19% range, due to the fact that it has a large amount of carryover business with an order backlog of ¥31,943mn at the end of the previous fiscal year, and the full contribution of TSR's performance. Regarding net sales by ordering institution, central government ministries and agencies are expected to increase 10.7% YoY, prefectures by 6.4%, municipalities by 2.4%, private sector by 16.3%, and overseas by 56.4%. For the private sector and overseas, the sales growth rate is high due in part to the full-year contribution of TSR's performance.

The Company plans to aggressively expand its personnel structure to increase its business processing capacity, and has hired 54 new graduates in spring 2025, the highest number ever. Including mid-career hires, the consolidated number of employees at the end of the fiscal year will increase by 108 from the end of the previous fiscal year to 1,985. The cost-of-sales ratio is expected to decline from 66.6% in the previous fiscal year to 65.5% due to the renewal of production processes through the use of cutting-edge technologies (AI, robots, etc.) and productivity improvement through the use of IT. SG&A expenses are expected to increase 14.6% YoY due to increased investment in DX and R&D, as well as increased recruitment costs and education and training expenses. However, this will be absorbed by the increase in gross profit, and the operating margin is expected to remain at 10.6%, roughly the same level as the previous fiscal year. Profit attributable to owners of the parent will remain in the single-digit increases due to the absence of the gain on sale of investment securities recorded in the previous fiscal year.

Trends in the number of employees



Source: Prepared by FISCO from materials provided by the Company

In July 2025, the Company conducted equity financing to raise funds for capital investment and research and development to strengthen its business, as well as dry powder for M&A in the construction consultancy business, funds for partial repayment of borrowings, and to increase liquid shares. Specifically, the Company raised ¥3,138mn by issuing 2.3mn new shares through a public offering and third-party allotment (issue price: ¥1,439/share) to raise funds with a minimum dilution ratio. Of this amount, ¥1,489mn is used as investment and loan funds for Eight-Japan Engineering Consultants Inc., ¥1,000mn as dry powder for M&A, and ¥109mn as capital investment funds for Futagami Architects & Associates, and the remaining amount is used to repay loans. Any unused amount of dry powder for M&A by the end of May 2027 will be allocated to the repayment of borrowings.

Announced the medium-term management plan aiming for net sales of ¥50.0bn and operating income of ¥5.9bn in FY5/28

2. The sixth medium-term management plan

(1) Positioning and results targets of the sixth medium-term management plan

In the long-term vision E.J. Vision 2030, the Company aims to become a future-oriented social infrastructure creation group that contributes to mitigating the burden on the environment, creation of a resilient society, and regional problem-solving and revitalization communities. The Company is pursuing a medium-term management plan with three steps starting in FY2021 to realize this vision.

The first step of the fifth medium-term management plan (FY5/22–FY5/25) has focused on establishing and strengthening the foundation to achieve sustainable growth. Regarding management performance, the Company achieved net sales of ¥42.7bn, operating income of ¥4.48bn, operating margin of 10.5%, and ROE of 9.6%, compared to the initial targets (net sales of ¥38.0bn, operating income of ¥4.6bn, operating margin of 12%, and ROE of 10% or more). Although profitability fell slightly short of the initial target due to rising prices and wages and an increase in the volume of work carried over, it is evaluated that the results were within the expected range. Regarding the results of efforts to implement the basic policies, although there remain issues regarding overseas expansion and expansion into new areas (new businesses and new markets), the Company is evaluated as having made steady progress in establishing and strengthening the foundation, with progress being made in expanding existing businesses and achieving multiple M&A deals.

The second step, the sixth medium-term management plan (FY5/26–FY5/28), is positioned as a period of expansion and evolution, with the numerical management targets of ¥50.0bn in net sales, ¥5.9bn in operating income, ¥3.9bn in profit attributable to owners of the parent, and ROE of 10% or more for FY5/28. The annual average growth rate is 5.4% in net sales and 9.6% in operating income, and the plan is conscious of not only expanding net sales but also profit growth. The new numerical management targets are almost the same level as the results targets set in the long-term vision for FY5/31 (net sales of ¥50.0bn and operating income of ¥6.0bn), and the Company aims to expand its performance three years ahead of schedule. This is largely due to the effect of M&A, which was not included in the plan. We at FISCO think that it will be particularly easy to create group synergies with TSR. The challenge is to expand the human resources necessary to meet strong demand, and the key to achieving this goal is thought to be how to reduce turnover by not only strengthening recruitment of new graduates and mid-career employees, but also by enhancing education and training and improving the work environment. The Company plans to announce revised numerical management targets for FY5/31, at a later date.

Consolidated numerical management targets

(¥mn)

	FY5/21 Results	FY5/25 Initial targets	FY5/25 Revised targets*	FY5/25 Results	CAGR (4 years)	FY5/28 Targets	CAGR (3 years)	FY5/31 Initial targets
Net sales	34,334	38,000	38,500	42,705	5.6%	50,000	5.4%	50,000
Operating income	3,857	4,600	4,850	4,481	3.8%	5,900	9.6%	6,000
Profit margin	11.2%	12.1%	12.6%	10.5%		11.8%		12.0%
Profit attributable to owners of the parent	2,784	3,100	3,350	3,203	3.6%	3,900	6.8%	4,000
ROE	12.2%	10% or more		9.6%		10% or more		10% or more

* Figures announced in July 2022
Source: Prepared by FISCO from the Company's published materials

(2) Basic policies and basic strategies

The Company will promote the following four basic policies and strategies to achieve the goals of its medium-term management plan.

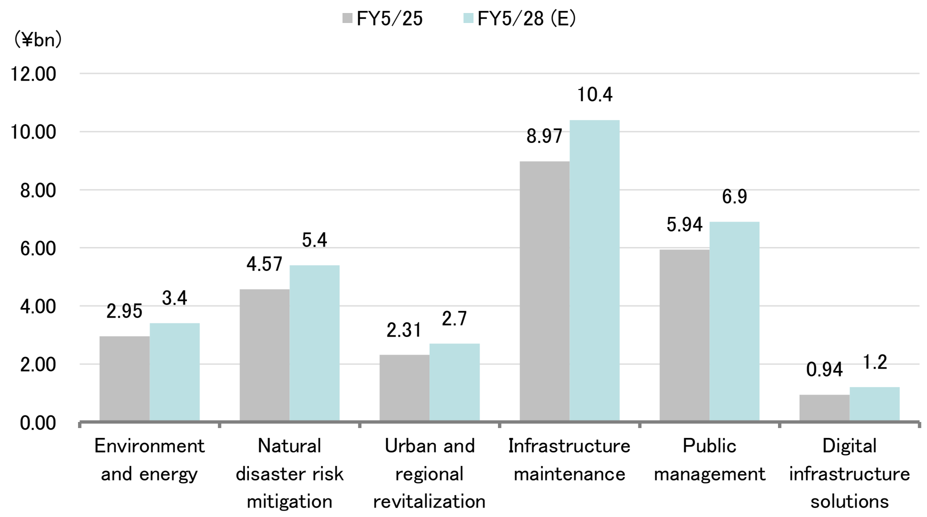
a) Expansion of core businesses and development of new areas

In order to promote its medium- to long-term growth strategy, the Company plans to expand its core business while also focusing on developing new businesses and new markets. In the core business, the Company will actively promote business development in six priority fields to further strengthen its core competencies (environment, disaster prevention and conservation, and government support). Specifically, the Company will increase orders-received in the six priority fields from ¥25.7bn in FY5/25 to ¥30.0bn in FY5/28, and raise the composition of the total from 57.5% to 60.0%.

In the environment and energy field, the Company will actively promote participation in projects to promote green infrastructure and other activities in order to achieve carbon neutrality. In the natural disaster risk mitigation field, the Cabinet approved the First Medium-Term Plan for National Resilience in June 2025, which is estimated to cost ¥20tn and will cover a five-year period starting from FY2024. As a countermeasure against frequent heavy rains and earthquakes, slope disaster prevention and geological risk-related operations are expected to expand, and synergies with TSR are expected to be created. In the urban and regional revitalization field, the Company aims to increase orders by participating in smart island and compact city initiatives, and by working on urban disaster prevention and reconstruction support-related projects. In the infrastructure maintenance field, the Company will utilize cutting-edge technologies such as AI and drones to improve maintenance techniques for bridges, tunnels, etc., and to increase productivity, as well as work to expand the scope of target structures (water supply and sewerage infrastructure, etc.). In addition, NEXCO announced in January 2024 that it plans to carry out new large-scale renewal projects worth ¥1tn over the next 15 years for expressways due to the advancement of inspection and investigation technologies. The Company aims to expand orders for these projects. In the public management field, the Company will work to increase orders for PFI projects* targeting public infrastructure and comprehensive infrastructure management services in collaboration with local governments. In the digital infrastructure solutions field, the Company will promote quality improvement and advanced utilization (AR/VR, landslide CIM, etc.) using BIM/CIM, and provide new solutions through the development of measurement and inspection robots, leading to increased orders and improved productivity.

* Private finance initiative (PFI) is a method to construct, maintain/manage, and operate public facilities by utilizing private funds, management capabilities, and technical skills.

Orders-received in the six priority fields



Source: Prepared by FISCO from the Company's results briefing materials

Regarding new businesses, with keywords such as regional creation and green transformation (GX), the Company will participate in public-private partnership projects such as next-generation mobility research and AI demand transportation projects. In addition, the Company will promote collaboration with other industries (insurance, banking, energy, mobility, etc.) and technical collaboration agreements with local governments to develop new solutions that contribute to disaster prevention and mitigation, environmental conservation, and regional problem-solving. Regarding new markets, the Company plans to develop markets for the private sector and individuals. Specific examples include expanding into construction projects for private sector companies and projects related to biodiversity, providing solutions using BIM/CIM technology to construction companies and other companies in the same industry, collaborating with IT/AI companies to develop and sell various apps and tools, and developing the market for offshore wind power plant inspections using autonomous underwater vehicles (AUVs). As part of a new initiative to collaborate with IT/AI companies, in March 2025, the Company announced a strategic business partnership with Mind Foundry Ltd. (hereinafter referred to as "MF"), a British AI development company. In the future, the Company and MF plan to jointly develop an in-house damage assessment support system based on MF's image matching AI technology, which matches the latest inspection images of bridges, roads, etc. with past inspection reports to detect damaged areas. The Company aims to increase orders-received for these new markets and businesses from ¥12,611mn in FY5/25 (including TSR's orders-received for the private sector) to ¥15,000mn or more in FY5/28.

b) Initiatives for the expansion of overseas businesses

The Company aims to increase overseas sales from ¥1.0bn in FY5/25 to ¥1.5bn in FY5/28 by promoting the three strategies of expansion of areas of strengths leveraging regions x fields, promotion of localization of bases in regions of strengths, and strengthening partnerships with group companies. With respect to expansion of areas of strengths leveraging regions x fields, the Company will work to increase orders for projects in the environmental and disaster prevention fields in Asia, the waste materials field in Southeast Asia, and the road, bridge, and water supply infrastructure fields in Africa by utilizing the experience and know-how it has cultivated through its past achievements.

With respect to promotion of localization of bases in regions of strengths, the Company will work to localize projects and strengthen relationships with governments by establishing sales bases in East Africa and Central Asia, and will also work to localize production. With respect to strengthening partnerships with group companies, the Company aims to expand its business in Thailand and Southeast Asia through collaboration with Dynamic, and to expand its business by acquiring projects from Japanese companies using its Thai subsidiary and collaborating with TSR.

c) Strengthening the value chain

The Company builds a foundation for medium- to long-term growth by evolving its value chain and strengthening its competitiveness, co-creation capabilities, and collective strengths. The Company aims to improve its competitiveness by engaging in product innovation (transformation of products and technologies) and process innovation (transformation of business processes through the promotion of DX). In addition, it aims to deepen and evolve its co-creation capabilities by working on co-creation innovation (co-creation both within and outside the group), thereby strengthening its competitiveness and collective strengths.

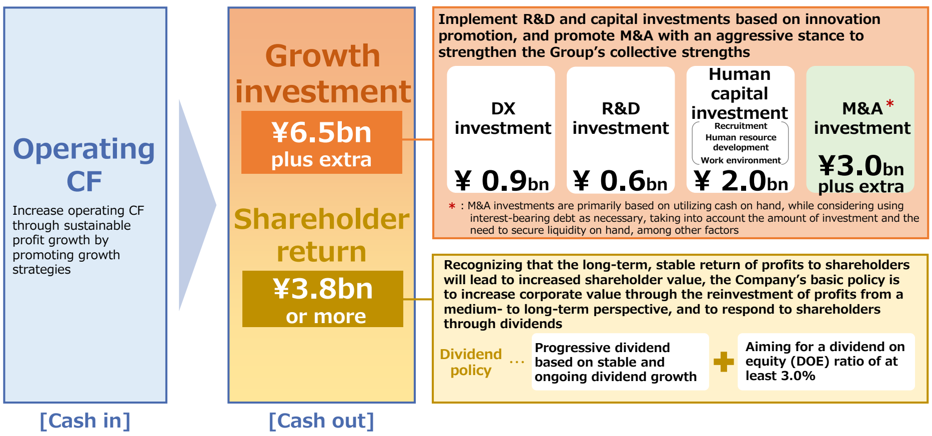
d) Promotion of sustainability management

The Company will contribute to the realization of a sustainable society by working to reduce environmental impact (E), address social responsibility and human capital (S), and strengthen governance (G), and aims to quickly achieve an ROE of 10% or more and a PBR of over 1 by implementing management that takes into account capital costs and stock prices.

(3) Basic policy for cash allocation

The Company's basic policy for cash allocation over the next three years is to cash out ¥6.5bn plus extra for growth investments and return ¥3.8bn or more to shareholders. The breakdown of growth investment is as follows: ¥900mn for DX investment, ¥600mn for R&D investment, ¥2.0bn for human capital investment (recruitment and training expenses, workplace environment improvement expenses, etc.), and ¥3.0bn plus extra for M&A investment. The Company plans to primarily use cash on hand to fund M&A, and will consider using interest-bearing debt depending on the situation. The target companies will be those in areas where the Company has a low market share in the construction consultancy business (Hokkaido, Tohoku, Hokuriku, Kyushu) and those engaged in business activities where resources are lacking.

Basic policy for cash allocation

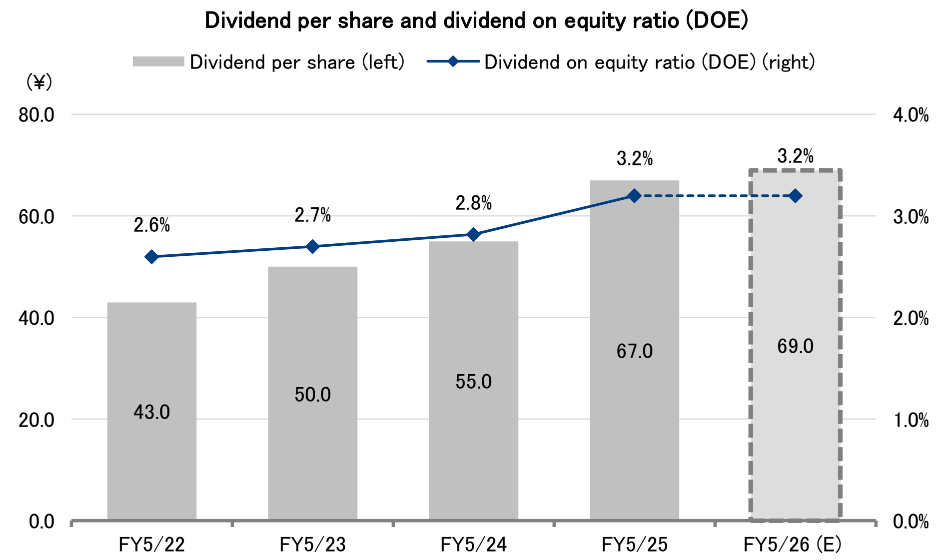


Source: The Company's results briefing materials

Shareholder return policy

Continues to pay progressive dividends with a target dividend on equity of 3% or more

The Company has adopted a dividend policy of paying progressive dividends based on stable and ongoing dividend growth, with a target dividend on equity (DOE) ratio of 3% or more. Based on this policy, in FY5/25, the Company increased the dividend per share by ¥12.0 YoY to ¥67.0 (DOE of 3.2%), for the eighth consecutive period of higher dividends. The Company plans to increase the dividend by ¥2.0 to ¥69.0 (DOE of 3.2%) in FY5/26. If shareholder equity per share continues to increase, further dividend increases are expected.



Source: Prepared by FISCO from the Company's results briefing materials

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