COMPANY RESEARCH AND ANALYSIS REPORT

MIRAIT ONE Corporation

1417

Tokyo Stock Exchange Prime Market

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Summary

Steadily expanding in growth areas to go “Beyond a Telecommunications Construction Company.” Orders received, net sales, and EBITDA reached record high levels

MIRAIT ONE Corporation <1417> (hereafter, also “the Company”) was established in July 2022 following the business integration of three communications infrastructure construction companies in October 2010. It is one of the leading companies in the communications construction industry. Taking into account that the communications construction market is gradually shrinking, the Company is proceeding with business restructuring to go “Beyond a Telecommunications Construction Company,” and it has been expanding its business in both size and scope, including through M&As. A particular focus is the growing customer needs associated with the increasingly complex and comprehensive social issues of urban and regional development, digital transformation (DX), and green transformation (GX). The Company is addressing these needs by realizing the Full-Value Model, which provides total solutions spanning from planning through to design, construction, and operation, not only in the communications field but also in a wide range of social infrastructure domains, including ICT, electricity, civil engineering, and construction, and by transforming its business portfolio. In May 2022, prior to the transition into its current group structure, the Company announced MIRAIT ONE Group Vision 2030 and a five-year medium-term management plan. Under the redefined purpose of “co-creating an exciting future through challenges and technology,” it plans to focus on practicing people-centric management and accelerating growth through the concentration of management resources in “MIRAI (future) Domains.” The Company defines these as four areas which have big potential in terms of growth and social contribution, namely “urban and regional development/corporate DX and GX,” “green energy business,” “software business,” and “global business.”

1. Overview of FY3/25 results

In the FY3/25 consolidated results, orders received increased by a considerable 14.6% year on year (YoY) to ¥629.1bn, while the growth in sales and profits also exceeded forecasts, with net sales increasing 11.6% to ¥578.5bn and operating profit increasing 57.0% to ¥27.9bn. EBITDA also increased significantly, representing record high results for net sales and EBITDA. In net sales, there was considerable growth in the Environmental and Social Innovation Business, which included a full-year contribution from Kokusai Kogyo Co., Ltd. (addition of nine-month portion). This meant the Company was able to grow steadily in its focus MIRAI Domains, which accounted for 43% of the sales mix (35% in FY3/24). On the profit front, the Company realized a large increase in operating profit due to the growth in sales also boosting growth in profit, as well as the reduction of unprofitable projects that had impacted the previous fiscal year’s results. The operating margin recovered to 4.8% (3.4% in FY3/24). In terms of activities, the Company made considerable progress on future-oriented development, including establishing a risk management framework (structures for preventing and monitoring unprofitable projects), creating synergies through its Trinity Approach which includes SEIBU CONSTRUCTION CO.,LTD. and Kokusai Kogyo, and enhancing efficiency through organizational reforms.

2. FY3/26 forecasts

For the FY3/26 consolidated results, the Company forecasts continued growth in sales and profit, with net sales to increase 7.2% YoY to ¥620.0bn and operating profit to increase 21.5% to ¥34.0bn. It also forecasts EBITDA to grow 15.1% to ¥48.0bn. This would represent record high business results (the 10th consecutive fiscal year for net sales). For net sales, it expects steady growth in the Corporate/Environmental and Social Infrastructure Domain as plenty of projects started in previous fiscal years reach completion, as well as solid sales in the Telecommunications Infrastructure Domain. On the profit front, it plans to realize a significant increase in profit by growing business in the Corporate/Environmental and Social Infrastructure Domain while enhancing productivity in the Telecommunications Infrastructure Domain. The operating margin is expected to improve to 5.5%. The dividend per share for FY3/26 is forecast to increase by ¥10.0 to ¥85.0. If achieved, it will be the sixth consecutive fiscal year in which the Company has raised its dividend.

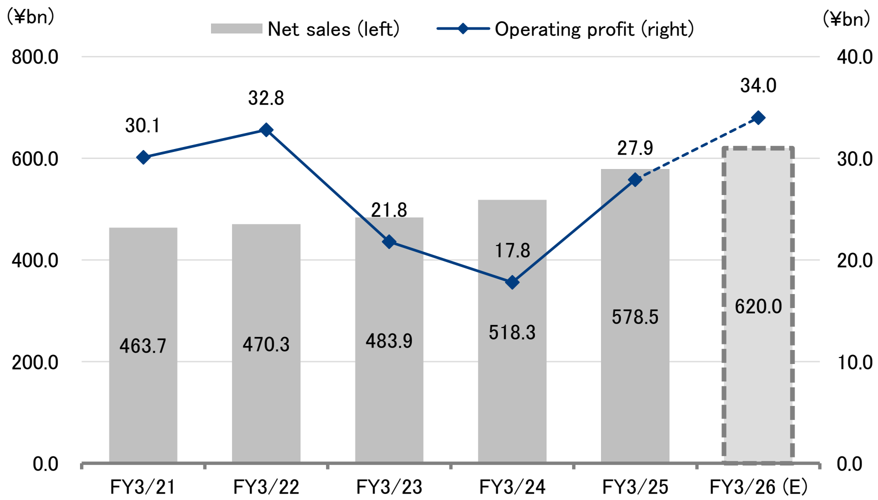
3. Medium- to long-term growth strategy

The Company is currently implementing its fifth medium-term management plan, with FY3/25 as the third year of the five-year plan period. In order to realize the goal of going “Beyond a Telecommunications Construction Company” (evolving into a corporate group that continues to contribute to solving a variety of social issues in a wide range of social infrastructure fields) outlined in MIRAIT ONE Group Vision 2030, the Company is pursuing five business transformations (Five Changes). The Five Changes are 1) people-centric management, 2) acceleration of business growth, 3) top-class profitability, 4) management based on data insights, and 5) strong foundation for ESG management. In particular, it will aim to expand in MIRAI Domains through the Full-Value Model and to enhance productivity in the Telecommunications Infrastructure Domain. Targets for the final year of the plan (FY3/27) are net sales of ¥720.0bn, operating margin of 6.5% or higher, EBITDA margin of 8.5% or higher, and ROE of 10% or higher. To achieve these, it will actively invest in growth (including M&As) while providing shareholder returns through stable dividend increases and the flexible acquisition of treasury shares, with a target total payout ratio of 50–70%.

Key Points

- Growth in sales and profit in FY3/25 exceeded forecast, helped by a full-year contribution from Kokusai Kogyo and reduction of unprofitable projects
- Steady growth in MIRAI Domains to go “Beyond a Telecommunications Construction Company” and firm progress made on synergies from the Trinity Approach
- Growth in sales and profit also forecast for FY3/26, including record high results for orders received, net sales, operating profit, and EBITDA (the 10th consecutive fiscal year for net sales)
- In its medium-term management plan, it is aiming to strengthen its business portfolio through the Full-Value Model and to enhance profitability by pursuing the Five Changes to go “Beyond a Telecommunications Construction Company”

Results trends



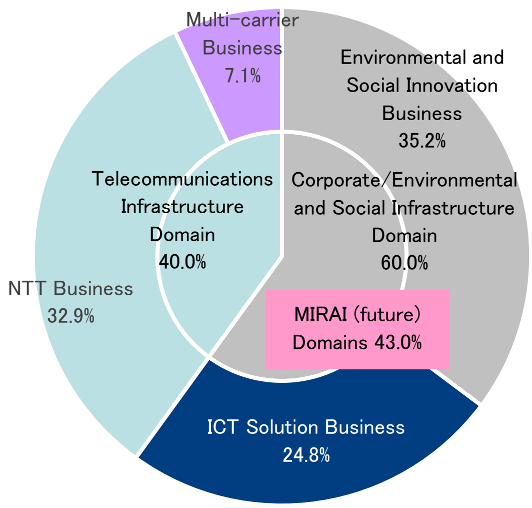
Source: Prepared by FISCO from the Company's financial results

Business overview

In addition to its original business in the Telecommunications Infrastructure Domain, the Company is also expanding its business area into the Corporate/Environmental and Social Infrastructure Domain

The Company's business is largely divided into two domains. These are the Telecommunications Infrastructure Domain, which is centered on its original business of constructing telecommunications infrastructure in Japan, and the Corporate/Environmental and Social Infrastructure Domain, where it has been strengthening efforts to expand its business area with a view to going "Beyond a Telecommunications Construction Company." It has four main business categories. The Corporate/Environmental and Social Infrastructure Domain comprises the 1) Environmental and Social Innovation Business and 2) ICT Solution Business, while the Telecommunications Infrastructure Domain comprises the 3) NTT Business and 4) Multi-carrier Business.

Composition of sales by business domain and business



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

Within the Corporate/Environmental and Social Infrastructure Domain, the Company has also defined the four growth area of "urban and regional development/corporate DX and GX," "green energy business," "software business," and "global business" as MIRAI Domains and its strategy is to accelerate growth by concentrating management resources in these areas, including the resources of SEIBU CONSTRUCTION and Kokusai Kogyo, new additions to the Group.

The Group comprises the Company and 83 consolidated subsidiaries (62 in Japan and 21 overseas), including Lantrovision (S) Ltd (Singapore), TTK Co., Ltd., SOLCOM CO., Ltd., Shikokutsuken Co., Ltd., SEIBU CONSTRUCTION, MIRAIT ONE SYSTEMS Corporation, and Kokusai Kogyo. (current as of March 31, 2025).

An overview of each business is as follows.

1) Environmental and Social Innovation Business

This business provides customers, mainly local governments and private sector companies, with a comprehensive set of solutions. These comprise construction work related to renewable energy, electrical and air conditioning construction, and social infrastructure construction (civil engineering and water supply), as well as building construction and renovation work by SEIBU CONSTRUCTION and planning and consultation services by Kokusai Kogyo.

2) ICT Solution Business

This business provides customers, mainly local governments and private sector companies, with construction of ICT infrastructure such as data center (DC) and cloud infrastructure, and office solutions (installation of LAN and Wi-Fi, security-related, etc.), as well as software services (call center solutions, etc.), global services (including DC-related business and communications tower business in 12 Asian countries and regions), and sales of physical goods.

3) NTT Business

This business services the NTT Group through the construction, maintenance, and operation of fixed and mobile communication facilities and support for the expansion of its Hikari fiber optic network and mobile network. It also plays a role in helping to maintain communications networks during disasters through emergency repair and restoration work. Although investment in communications construction by the NTT Group is on a downward trend, this business has become a stable revenue base for the Company by maintaining a steady share of the market. Furthermore, over many years of operating the NTT Business, the Company has developed onsite capabilities and carrier-grade technical abilities as core strengths and it is using these to develop business in growth areas.

4) Multi-carrier Business

This business provides the construction, maintenance, and operation of communication facilities, mainly mobile facilities, and support for making mobile networks high-speed and high-capacity to customers other than the NTT Group. At present, projects for expanding the service area of 5G networks are coming to an end.

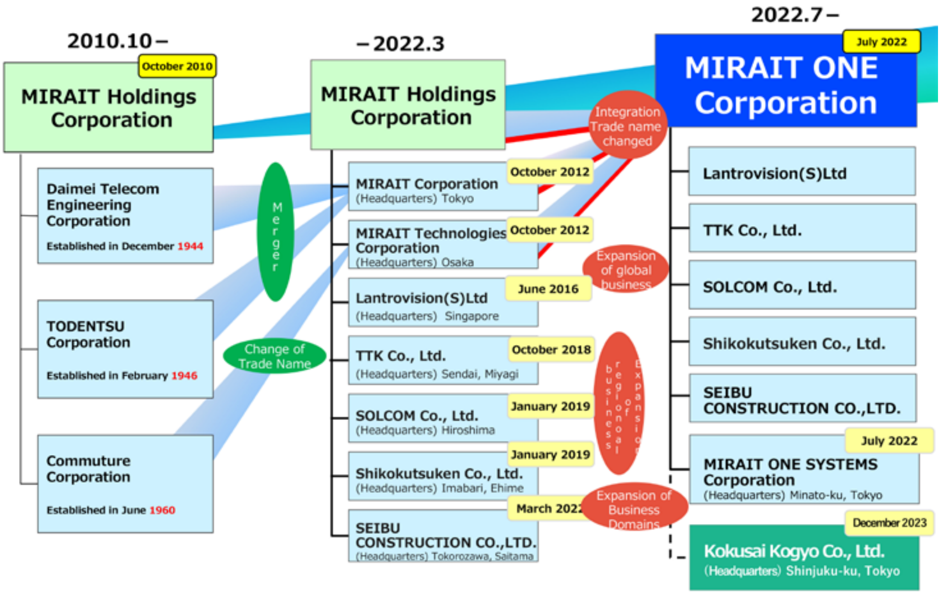
History

Established through the business integration of three communications construction companies. Expanding its business area, including through M&As

The Company was originally established as MIRAIT Holdings Corporation in October 2010 through the business integration of Daimei Telecom Engineering Corporation, Commuture Corporation, and TODENTSU Corporation, three companies that had been engaged in business centered on constructing communications infrastructure for over half a century. Amid growing demand for telephones after the second world war and during Japan's period of rapid economic growth, the Group's three founding companies each realized growth primarily through transactions with Nippon Telegraph and Telephone Public Corporation (now Nippon Telegraph and Telephone Corporation <9432>; hereafter, "NTT"), thereby expanding their management resources and business base. The aim behind the integration was to accelerate a shift to business structural reforms in anticipation of the gradual shrinking of the Japanese communications construction market. The Company was listed on the First Section of the Tokyo Stock Exchange (TSE) and the Osaka Stock Exchange (it recently transferred to the TSE Prime Market).

Since the business integration, the Company has added to and expanded its business area through M&As and other means, as it advanced a structural transformation into a comprehensive engineering and services company. In October 2012, the three-operating-company organization was restructured into a two-company structure as Daimei and TODENTSU were merged to form MIRAIT Corporation and Commuture changed its name to MIRAIT Technologies Corporation. In June 2016, it grew its global business by making Singapore-based Lantrovision (S) Ltd into a subsidiary. It then further expanded its business base through business integrations with TTK in October 2018 and SOLCOM and Shikokutsuken in January 2019. Furthermore, in July 2022, it made a significant leap forward in its shift to the Full-Value Model by making SEIBU CONSTRUCTION into a subsidiary. The current MIRAIT ONE Corporation was formed in July 2022 through the three-way merger of MIRAIT Holdings, MIRAIT, and MIRAIT Technologies, with MIRAIT Holdings as the surviving company. At the same time, it established MIRAIT ONE SYSTEMS through the reorganization of the systems integration (SI) organizations of its Group companies as well as five SI business subsidiaries. In December 2023, it acquired Kokusai Kogyo and its 10 consolidated subsidiaries with the aim of demonstrating business synergies that can realize vertical integration to accelerate its Full-Value Model.

History of the Group (history of mergers and reorganization)



Source: The Company's financial results (appendix)

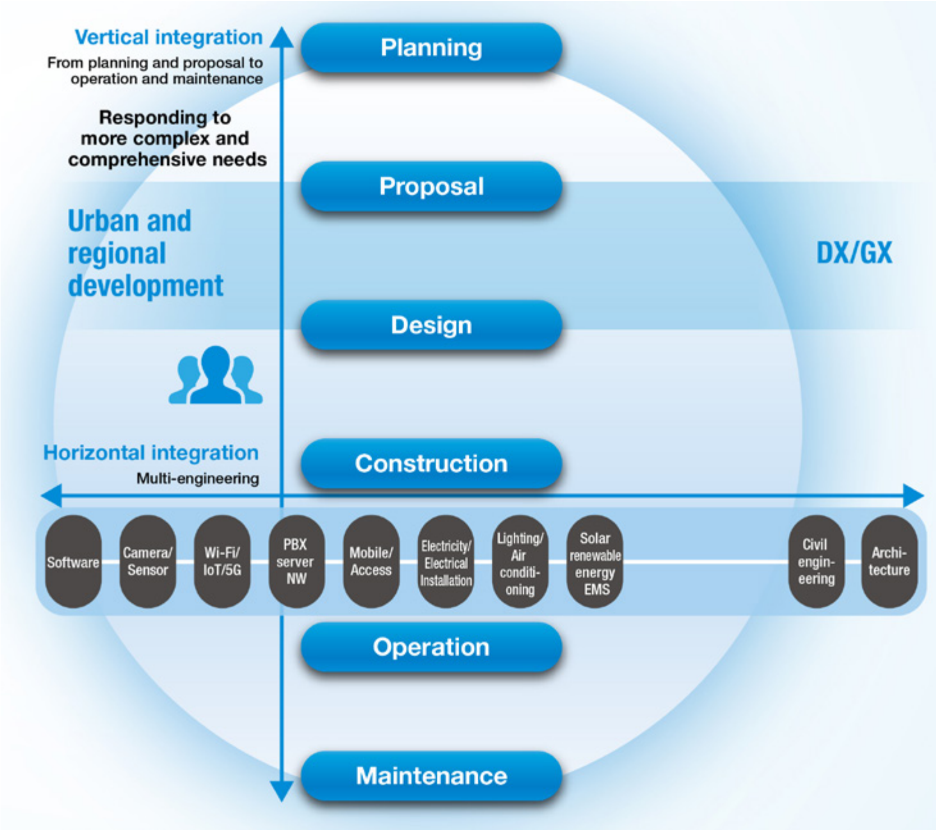
Company characteristics

Characterized by the Full-Value Model realized through the Trinity Approach

1. Business model

The Company has developed a business model in which it is expanding its business area and transforming its business portfolio through a succession of integrations and reorganizations with the aim of going "Beyond a Telecommunications Construction Company." It is a full-value model that is characterized by its simultaneous promotion of horizontal integration, which combines various technical fields such as telecommunications, electricity, ICT, civil engineering, and construction, and vertical integration, which is a comprehensive process from planning and proposal to maintenance and operation. By establishing this model, the Company wants to evolve beyond its previous telecommunications focus (handling individual orders) into a corporate group that continuously contributes to solving social problems in a broad area of social infrastructure.

Diagram of the Full-Value Model



Source: The Company's Integrated Report 2024

2. Strengths

(1) Enhancing added value through the Trinity Approach

The Company is working to further enhance the value provided by its Full-Value Model through the Trinity Approach following the integration of SEIBU CONSTRUCTION and Kokusai Kogyo. Merging with SEIBU CONSTRUCTION considerably strengthened its capabilities in the civil engineering and construction fields and boosted horizontal integration by enabling the deployment of full package solutions. As a major construction company, SEIBU CONSTRUCTION's combined capabilities and onsite leadership abilities are particularly useful for winning large projects. The merger with Kokusai Kogyo is helping to strengthen vertical integration. It is providing new value in terms of information by combining spatial information from every kind of geographical space, from outer space to the ocean floor, acquired using a variety of measuring technologies, with a wide range of other data. As an expert organization containing a large number of professional engineers, it also provides local governments and private sector companies with planning and consulting services for national and regional development. This customer base covers national and prefectural governments, as well as more than two thirds of the 1,700 local governments in Japan. The Trinity Approach is creating added value unique to the Group by taking the Company's businesses in a wide range of engineering fields, including telecommunications, IoT, electricity, and energy, and combining them through horizontal integration by SEIBU CONSTRUCTION and vertical integration by Kokusai Kogyo.

(2) Technical abilities and a stable revenue base cultivated through the carrier businesses

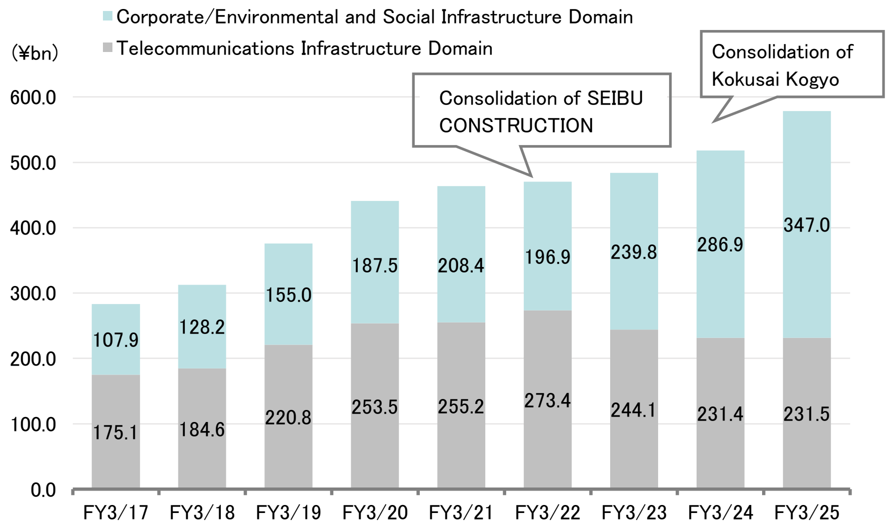
As the Company evolves toward the Full-Value Model, the technical abilities and quality it has cultivated over many years of engaging in infrastructure construction for telecommunications carriers remain important strengths. The Company's carrier-grade technical abilities and quality are used to develop business in growth areas. Also, while the communications construction business itself is gradually shrinking, as long as it remains at a certain size, then the market share established by the three companies as a business characteristic provides a stable revenue base.

Results trends

Profitability, which had temporarily dropped due to extraordinary factors, on a recovery trend due to business area expansion and sustained sales growth

Looking back over results for the last eight years, sales have largely followed a steady growth trajectory and in FY3/25, the Company achieved record high net sales for an eighth consecutive fiscal year. Since FY3/23, the increase in sales in the Corporate/Environmental and Social Infrastructure Domain (non-telecommunications) has been particularly notable, and two large M&A projects (SEIBU CONSTRUCTION and Kokusai Kogyo) have helped to boost top-line growth. On the other hand, sales in the Telecommunications Infrastructure Domain have levelled off, but it is fair to say that the stability that this business characterizes is the foundation that supports the Company's results.

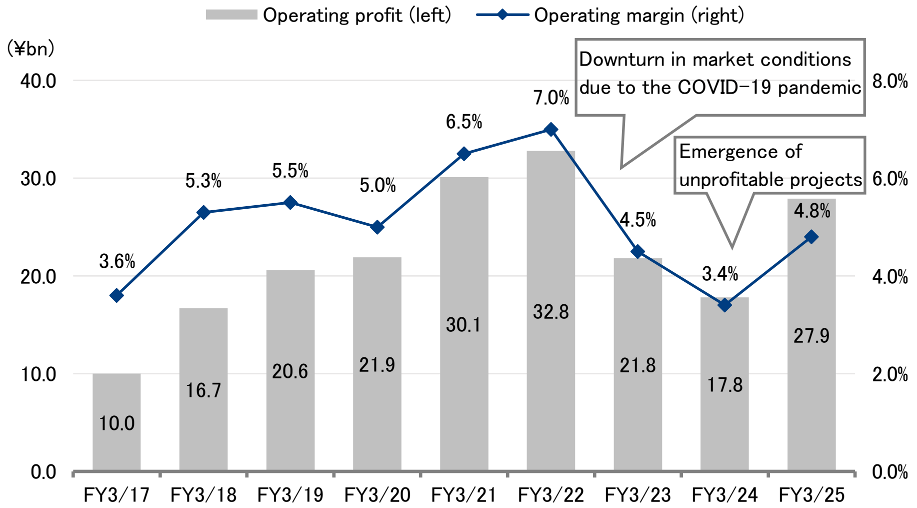
Trends in net sales (by business domain)



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

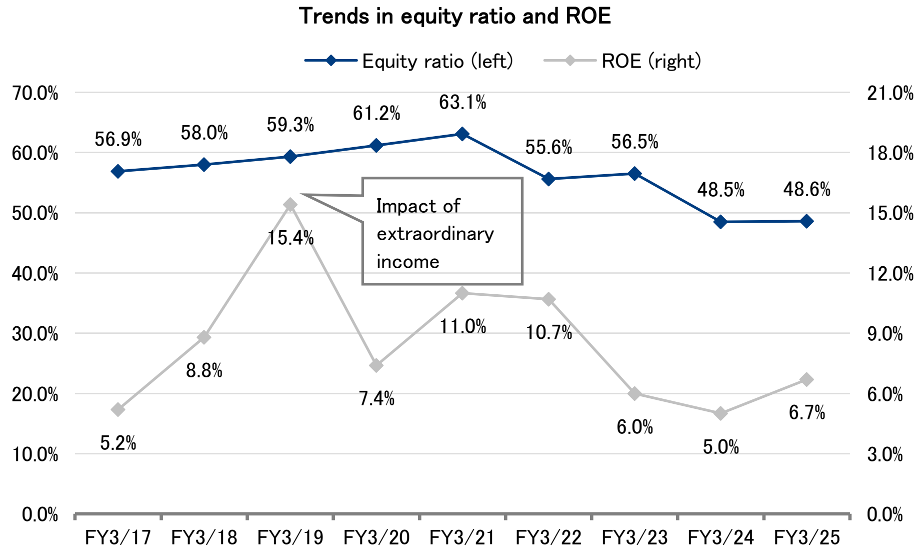
Looking at profit, up to FY3/22, profit was on an upward trend in conjunction with the growth in sales. In FY3/22, the Company achieved record high operating profit and the operating margin peaked at 7.0%. However, profit declined over the next two fiscal years, mainly due to a downturn in market conditions caused by the COVID-19 pandemic (including the impact of semiconductor shortages) and the emergence of unprofitable projects. However, profitability returned to its original levels in FY3/25 due to factors including the reduction of unprofitable projects and improvements to the sales mix. EBITDA, which indicates cash generation capabilities, also reached a record high level.

Trends in operating profit and operating margin



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

In regard to finances, total assets have increased considerably following large-scale M&A projects, while the equity ratio, which indicates financial stability, has remained generally stable within the 50–60% range. In addition to this, ROE, which indicates profitability in relation to equity, has moved largely in accordance with operating profit except in FY3/19, when it increased considerably due to extraordinary factors (extraordinary income associated with business integration). In FY3/21 and FY3/22, ROE exceeded 10%, but then dipped in the following fiscal years. It is now on a recovery trend.



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

Financial summary

Increases in sales and profit in FY3/25 exceeded forecast

1. Overview of FY3/25 results

In the FY3/25 consolidated results, the Company achieved increases in both sales and profit. Orders received increased 14.6% YoY to ¥629.1bn, net sales increased 11.6% to ¥578.5bn, operating profit increased 57.0% to ¥27.9bn, ordinary profit increased 47.0% to ¥27.4bn, and profit attributable to owners of parent increased 37.0% to ¥17.1bn. EBITDA, which is a focus for the Company, also increased by a considerable 48.9% to ¥41.7bn. These represent record high results for net sales and EBITDA.

In net sales, there was considerable growth in the Environmental and Social Innovation Business, which included a full-year contribution from Kokusai Kogyo (addition of nine-month portion). Meanwhile, in the ICT Solution Business, there was only marginal growth in net sales as some large-scale projects (including LAN projects) ended, but the Company did make progress on improving the sales mix and other initiatives. Net sales in the NTT Business grew as NTT invested in improving the quality of its mobile networks, but net sales in the Multi-carrier Business declined as capital investment remained limited. As a result of the above, there was steady growth in the proportion of overall sales in MIRAI Domains, a focus for the Company, and these accounted for 43% of the sales mix (35% in FY3/24).

On the profit front, the Company realized a large increase in operating profit due to the growth in sales also boosting growth in profit, as well as the reduction of unprofitable projects that had impacted the previous fiscal year's results. The operating margin recovered to 4.8% (3.4% in FY3/24).

There was no significant change in the Company's financial position, as total assets increased 3.4% from the end of the previous fiscal year to ¥537.7bn, mainly due to an increase in trade receivables accompanying the increase in sales.

Financial summary

FY3/25 results

(¥bn)

	FY3/24		FY3/25		YoY		FY3/25			
	Results	% of net sales	Results	% of net sales	Change amount	% change	Forecast	% of net sales	Change	Progress rate
Net sales	518.3		578.5		60.2	11.6%	570.0		8.5	101.5%
Environmental and Social Innovation Business	143.8	27.7%	203.7	35.2%	59.9	41.7%	208.5	36.6%	-4.7	97.7%
ICT Solution Business	143.1	27.6%	143.2	24.8%	0.1	0.1%	142.5	25.0%	0.7	100.6%
NTT Business	181.8	35.1%	190.5	32.9%	8.7	4.8%	175.5	30.8%	15.0	108.5%
Multi-carrier Business	49.6	9.6%	41.0	7.1%	-8.6	-17.3%	43.5	7.6%	-2.5	94.3%
Cost of sales	456.6	88.1%	493.7	85.3%	37.1	8.1%	487.0	85.4%	6.7	101.4%
Gross profit	61.7	11.9%	84.8	14.7%	23.0	37.3%	83.0	14.6%	1.8	102.2%
SG&A expenses	43.9	8.5%	56.8	9.8%	12.9	29.4%	56.0	9.8%	0.8	101.5%
Operating profit	17.8	3.4%	27.9	4.8%	10.1	57.0%	27.0	4.7%	0.9	103.6%
EBITDA	28.0	5.4%	41.7	7.2%	13.7	48.9%	40.0	7.0%	1.7	104.3%
Ordinary profit	18.6	3.6%	27.4	4.7%	8.7	47.0%	28.0	4.9%	-0.5	98.1%
Profit attributable to owners of parent	12.5	2.4%	17.1	3.0%	4.6	37.0%	18.0	3.2%	-0.8	95.4%
Depreciation	8.5		11.2		2.7	32.3%				
Amortization of goodwill	1.7		2.4		0.7	42.2%				

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

FY3/25 financial condition (simplified)

(¥bn)

	End of FY3/24 Results	End of FY3/25 Results	YoY	
			Change amount	% change
Current assets	304.6	321.1	16.5	5.4%
Cash and deposits	50.0	53.4	3.4	6.9%
Trade receivables	205.2	222.8	17.6	8.6%
Non-current asset	215.3	216.5	1.2	0.6%
Property, plant and equipment	100.1	101.1	0.9	1.0%
Intangible assets	75.6	76.5	0.9	1.2%
Investments and other assets	39.5	38.8	-0.6	-1.7%
Total assets	519.9	537.7	17.7	3.4%
Current liabilities	192.6	160.9	-31.6	-16.5%
Trade payable	64.0	66.4	2.4	3.9%
Interest-bearing debt	78.6	47.0	-31.6	-40.2%
Non-current liabilities	67.1	106.8	39.6	59.0%
Interest-bearing debt	38.4	80.4	42.0	109.4%
Net assets	260.0	269.8	9.7	3.8%
Shareholders' equity	251.8	261.5	9.6	3.8%
Total liabilities and net assets	519.9	537.7	17.7	3.4%

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

An overview of the results in each business is as follows.

(1) Environmental and Social Innovation Business

Net sales increased by a considerable 41.7% YoY to ¥203.7bn. In addition to receiving a full-year contribution from Kokusai Kogyo (increasing sales by ¥36.5bn), the business also saw sales growth in each of the renewable energy, electrical and air conditioning, and civil engineering and water supply fields. SEIBU CONSTRUCTION also achieved strong sales in the construction and renovation field. The Company was also able to secure an order amount that exceeded forecasts due to the steady creation of synergies through its Trinity Approach with SEIBU CONSTRUCTION and Kokusai Kogyo.

(2) ICT Solution Business

Net sales remained roughly level, increasing 0.1% YoY to ¥143.2bn. Although sales of LAN services and physical goods declined as large-scale projects came to an end, sales of as DC and cloud services, as well as global services (DC cabling, etc.), increased amid growing demand and software also performed steadily. This enabled the Company to maintain sales at a level comparable with the previous fiscal year while also advancing efforts such as improvements to the sales mix.

(3) NTT Business

Net sales were firm, increasing 4.8% YoY to ¥190.5bn. Sales to NTT grew in both the fixed and mobile sectors. Notably, investment by NTT in improving the quality of its mobile networks provided a tailwind.

(4) Multi-carrier Business

Net sales declined 17.3% YoY to ¥41.0bn. Sales in each of the mobile, fixed, and CATV sectors decreased as the construction of 5G base station facilities came to an end and CATV-related sales shrank.

2. Summary of FY3/25 results

In summary of FY3/25, the Company achieved positive business results, including increases in sales and profit that exceeded forecast, and also made considerable progress on future-oriented initiatives such as the establishment of a risk management framework, the creation of synergies through the Trinity Approach, and improvements to efficiency through organizational reforms. In particular, it was able to grow its business, especially in the MIRAI Domains, while also enhancing productivity and practicing balanced management that focused on preventing and monitoring unprofitable projects. Managing to achieve results in each of these endeavors is a point for which the Company can be highly evaluated. Additionally, although the consolidation of SEIBU CONSTRUCTION and then Kokusai Kogyo increased the amortization of goodwill, this was absorbed by the profits accumulated as a result of the mergers, including from the synergies created, and in terms of cash, it also resulted in record high levels of EBITDA. In this way, these M&A projects achieved their objectives by raising corporate value.

Outlook

Growth in sales and profit to continue in FY3/26, particularly in MIRAI Domains

For the FY3/26 consolidated results, the Company is forecasting continued growth in sales and profit, with net sales to increase 7.2% YoY to ¥620.0bn, operating profit to increase 21.5% to ¥34.0bn, ordinary profit to increase 23.8% to ¥34.0bn, and profit attributable to owners of parent to increase 22.2% to ¥21.0bn. EBITDA is also expected to grow 15.1% to ¥48.0bn. If the Company manages to achieve these forecasts, it would represent record high results for net sales, operating profit, and EBITDA (the 10th consecutive fiscal year for net sales).

Net sales are forecast to grow smoothly in the Corporate/Environmental and Social Infrastructure Domain, particularly in MIRAI Domains, while remaining steady in the Telecommunications Infrastructure Domain.

On the profit front, the operating margin is forecast to improve to 5.5% (4.8% in FY3/24) and EBITDA margin to improve to 7.7% (7.2%) as the Company expects to realize a considerable increase in profit due to sales growth in the Corporate/Environmental and Social Infrastructure Domain driven by business expansion, as well as improved productivity in the Telecommunications Infrastructure Domain.

FY3/26 forecast

(¥bn)

	FY3/25		FY3/26		YoY	
	Results	% of net sales	Forecast	% of net sales	Change amount	% change
Net sales	578.5		620.0		41.5	7.2%
Environmental and Social Innovation Business	203.7	35.2%	221.0	35.6%	17.3	8.4%
ICT Solution Business	143.2	24.8%	164.5	26.5%	21.3	14.8%
NTT Business	190.5	32.9%	194.5	31.4%	4.0	2.1%
Multi-carrier Business	41.0	7.1%	40.0	6.5%	-1.0	-2.4%
Gross profit	84.8	14.7%	93.0	15.0%	8.2	9.6%
Operating profit	27.9	4.8%	34.0	5.5%	6.0	21.5%
EBITDA	41.7	7.2%	48.0	7.7%	6.3	15.1%
Ordinary profit	27.4	4.7%	34.0	5.5%	6.5	23.8%
Profit attributable to owners of parent	17.1	3.0%	21.0	3.4%	3.8	22.2%

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

Medium- to long-term growth strategy

Advancing structural reforms with the aim of being a company that contributes to the solution of social problems in a broad area of social infrastructure

1. MIRAIT ONE Group Vision 2030 and direction of the fifth medium-term management plan

In May 2022, the Company announced MIRAIT ONE Group Vision 2030, its long-term vision for the period up to 2030. This redefined the Company's purpose and mission, and drew a roadmap for realizing the Full-Value Model. This model provides total solutions spanning from planning through to design, construction, and operation, not only in the communications field but also in a wide range of social infrastructure domains, including ICT, electricity, civil engineering, and construction, and for fully transforming its business portfolio to go "Beyond a Telecommunications Construction Company." At the same time, the Company launched its fifth medium-term management plan (five-year plan) focused on five business transformations ("Five Changes"). The Five Changes are 1) people-centric management, 2) acceleration of business growth, 3) top-class profitability, 4) management based on data insights, and 5) strong foundation for ESG management. The Company has also defined the areas it is particularly focusing on with a view to the future as MIRAI Domains. These are "urban and regional development/corporate DX and GX," "software business," "green energy business," and "global business." It plans to accelerate growth through the concentration of management resources in these domains.

2. The Five Changes business strategy and current progress

(1) People-centric management

The aim of this change is to realize the following beneficial cycle: Invest in human capital → Establish MIRAIT ONE work-lifestyles → Enhance employee engagement and satisfaction → Realize growth for the Company → Invest in human capital. In particular, the Company is working to achieve business growth through human capital investment by transferring 1,000 employees from the Telecommunications Infrastructure Domain to the Corporate/Environmental and Social Infrastructure Domain. To achieve this, it is advancing measures including strategic human resource development (such as Mirai College, an inhouse educational institute), flexible human resources systems (such as expanding job-based employment and internal side jobs, and promoting diversification), and health-oriented management (such as enhancing employee engagement). Looking at the progress made to date, the Company has produced steady results in each of its KPIs, including the number of personnel transferred (just over 700), the number of courses offered by Mirai College and course uptake, employee engagement scores, and health and productivity management indicators.

(2) Acceleration of business growth

This change involves accelerating business growth by 1) implementing initiatives in the MIRAI Domains, 2) creating synergies through a Trinity Approach with SEIBU CONSTRUCTION and Kokusai Kogyo, and 3) expanding data center business in line with growing demand. For 1) implementing initiatives in the MIRAI Domains, the Company has made smooth progress towards meeting sales targets in regard to urban and regional development/corporate DX and GX businesses (target: ¥30.0bn), expanding the green energy business (target: ¥30.0bn), and expanding global business (target: ¥50.0bn). In urban and regional development/corporate DX and GX businesses in particular, projects such as work on a large-sports complex*1 have contributed to an upswing in results. In regard to 2) creating synergies through a Trinity Approach, the Company has captured more orders than forecast by engaging in cooperative sales and reciprocal orders with SEIBU CONSTRUCTION, and by advancing Trinity collaboration that includes Kokusai Kogyo in which it leverages Kokusai Kogyo's network and know-how regarding local governments to engage in zero carbon city projects (renovation of municipal facilities to ZEB standards, etc.) and public utility infrastructure management projects (comprehensive road management projects for municipalities, etc.). In regard to 3) data center business strategy, it is developing business (such as DC cabling projects) in 12 Asian countries and regions, primarily through the Singapore subsidiary, while in Japan, it is aiming to raise the order amount by transferring personnel to realize a Full-Value Model spanning from communication equipment, electricity, air conditioning, containerized DCs, and O&M*2 through to buildings.

*1 Stadium construction, etc.
*2 Acronym for operation and maintenance. The Company also operates its own data center in the Kansai region.

(3) Top-class profitability

This change involves 1) pursuing the effects of the three-company integration*1, 2) reforming the value chain, and 3) increasing efficiency through organizational reform. In regard to 1) pursuing the effects of the three-company integration, the Company promoted cost-cutting measures, including reducing communication costs, reviewing insurance contracts, and bringing training in-house, which resulted in steady progress toward the final-year target of ¥4.0bn. In regard to 2) value chain reform, it improved gross profit in the Telecommunications Infrastructure Domain through measures including reviewing the division of roles and overlapping tasks, removing area limits on indirect operations, and promoting the development of multi-skilled workers for both fixed and mobile sectors. For 3) increasing efficiency through organizational reform, it worked to consolidate duplicated operations in NTT's fixed-line business and to expand the business area through the launch of MIRAIT ONE NEXT*2.

*1 Streamlining and other effects of the three-way merger of MIRAIT Holdings, MIRAIT, and MIRAIT Technologies.
*2 Established in January 2025 through the merger of five access-related subsidiaries in east Japan

(4) Management based on data insights

This change involves 1) DX human resource development, 2) the utilization of generative AI, and 3) data science initiatives, and the Company has made smooth progress in each area. In regard to 1) DX human resource development in particular, it has cultivated around 2,500 people as DX core human capital, fulfilling the plan's medium target of 2,000 people ahead of schedule.

(5) Strong foundation for ESG management

Under the leadership of the ESG Management Promotion Committee, the Company is advancing initiatives that link materiality, growth strategy, and sustainability. In regard to 1) environment, it produced steady results in efforts such as reducing greenhouse gas (GHG) emissions. In regard to 2) safety and quality, it continued to aim for zero serious facility accidents and zero accidents resulting in injury or death (permanent targets).

Progress on the main KPIs for business changes

	FY3/25 Results	FY3/26 Forecast	FY3/27 Targets
People-centric management			
Personnel shifted to growth areas	700 people +	900 people +	1,000 people +
Number of courses offered in Mirai College			
Number of courses	432	450	500 or more
Partner company utilization ratio	56.3%	60.0%	65% or higher
Promotion of work-lifestyle reform			
Engagement survey score	50.4	51 or more	52 or more
Certified as KENKO Investment for Health Outstanding Organization	2025	-	White 500
Acceleration of business growth			
MIRAI Domain initiatives			
Promotion of urban and regional development/corporate DX and GX (net sales)	¥10.0bn	¥7.5bn	¥30.0bn
Green energy business expansion (net sales)	¥19.0bn	¥29.0bn	¥30.0
Global business expansion (net sales)	¥45.0bn	¥46.0bn	¥50.0bn
Trinity synergies (order amount)	¥9.07bn	¥20.0bn	¥30.0bn
Data center business strategy (order amount)	¥46.0bn	¥50.0bn	¥65.0bn
Top-class profitability			
Effects of the three-company integration (cost reduction)	¥1.9bn	¥2.6bn	¥4.0bn
Value chain reform (improvement in gross profit in the Telecommunications Infrastructure Domain) Increase in efficiency through organizational reform (improvement in gross profit in the Telecommunications Infrastructure Domain)	1.6pp (Cumulative)	-	3.0pp or higher (compared to FY2022)
Management based on data insights			
DX core human capital development	2,500 people	2,000 people	Achieved
Strong foundation for ESG management			
Environment			
Renewable energy electricity adoption at Company-owned buildings	82%	100%	
Replacement of general-purpose vehicles	33%	40% or higher	
GHG cumulative reduction rate (Scope 1 and 2)	Prior to disclosure	Prior to disclosure	-42% (FY2030 target)
GHG cumulative reduction rate (Scope 3)	Prior to disclosure	Prior to disclosure	-25% (FY2030 target)
Safety and quality			
Number of serious facility accidents	0	0	0
Number of accidents resulting in injury or death	1	0	0

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

3. Investment plan

In regard to investment in growth over the five-year plan period, the Company has allocated more than ¥50.0bn for human capital investments, organic growth business investments, and DX investments. As of the end of FY3/24, it had invested a total of ¥20.8bn. The Company has also allocated just over ¥100.0bn for M&A projects that can accelerate growth in MIRAI Domains, about half of which was used to acquire Kokusai Kogyo. Going forward, it will continue to consider M&A projects in MIRAI Domains and it will aim to cover the goodwill costs by generating business synergies.

4. Numerical target

The aim of the plan is to realize top-line growth and improve profit margins by expanding business in the Corporate/Environmental and Social Infrastructure Domain, with a focus on MIRAI Domains, while enhancing productivity in the Telecommunications Infrastructure Domain. Targets for the final year (FY3/27) are net sales of ¥720.0bn, operating margin of 6.5% or higher, EBITDA margin of 8.5% or higher, ROE of 10.0% or higher, and EPS growth rate of 10.0% or higher.

Fifth medium-term management plan (financial targets)

	1st year FY3/23 Results	2nd year FY3/24 Results	3rd year FY3/25 Results	4th year FY3/26 Forecast	Final year FY3/27 Plan
Net sales (¥bn)	483.9	518.3	578.5	620.0	720.0
EBITDA margin	6.4%	5.4%	7.2%	7.7%	8.5% or higher
Operating margin	4.5%	3.4%	4.8%	5.5%	6.5% or higher
ROE	6.0%	5.0%	6.7%	8.0%	10.0% or higher
EPS (¥, CAGR)	151.20	133.34	189.40	236.73	10.0% or higher

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

5. Medium- to long-term focus by FISCO

At FISCO, we judge the Company's strategy of launching business structural reforms as quickly as possible in anticipation of changes in the environment and accelerating growth by shifting management resources to growth areas to be extremely rational. More than anything, we are highly impressed by the results it has achieved by dynamically strengthening structures, such as purposefully realizing quality large-scale projects. Naturally, the full trajectory of the Full-Value Model, including the Trinity Approach, will only become apparent in the future, so we will need to closely follow how it develops in terms of growth potential and profitability going forward. With two years of the medium-term management plan remaining, fulfilling its targets is certainly not an easy hurdle to clear. However, there is sufficient potential for achieving its top-line targets when taking into consideration various positive factors such as the progress the Company has made in expanding the scale of projects through the Trinity Approach and other initiatives, the anticipated growth of transactions with local governments realized through collaboration with Kokusai Kogyo, and the expectation that it will capture DC projects as demand grows in both Japan and overseas. However, the key to whether it can achieve its operating margin (EBITDA margin) target will be realizing added value in projects and enhancing productivity in the Telecommunications Infrastructure Domain. We will also watch how the Company utilizes its remaining M&A budget (approximately ¥50.0bn). If it can grow in scale and create synergies with a sense of speed, then there is plenty of upside potential in terms of results. On the other hand, one cause for concern is whether its risk management capabilities are keeping pace with the growing size of projects. On this point, we will watch closely to determine whether the newly established Business Risk Management Office is able to prevent unprofitable projects and demonstrate oversight functions without hindering business growth.

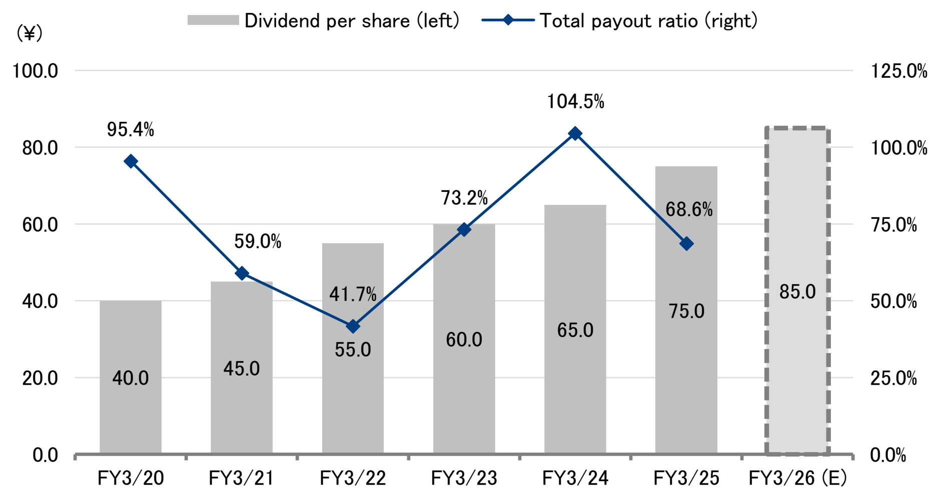
Shareholder return policy

Basic policy of a total payout ratio of 50–70%, with dividend forecast to increase by ¥10.0 in FY3/26

The Company's basic shareholder return policy is to stably increase dividends and flexibly carry out acquisitions of treasury shares, with a target total payout ratio of 50–70%.

In FY3/25, the dividend per share increased by ¥10.0 YoY to ¥75.0 (¥35.0 interim and ¥40.0 year-end) and the Company acquired treasury shares amounting to around ¥5.0bn (total payout ratio of 68.6%). In FY3/26, the dividend is forecast to increase by ¥10.0 YoY to ¥85.0 (¥40.0 interim and ¥45.0 year-end) and the Company plans to acquire treasury shares amounting to around ¥3.0bn (to be executed on September 30, 2025). If achieved, it will be the sixth consecutive fiscal year in which the Company has raised its dividend.

Dividend per share and total payout ratio



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

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