Tobishima Holdings Inc.

256A

Tokyo Stock Exchange Prime Market

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Summary

Secured profit growth in FY3/26. Profitability to improve in FY3/27, targeting a double-digit increase in operating profit

Tobishima Holdings Inc. <256A> (hereafter, also "the Company") was established as a wholly owning parent of Tobishima Corporation via a sole stock transfer. Currently, the Company is listed as a holding company on the Tokyo Stock Exchange Prime Market. On the business front, the Company is developing its core Construction Business (Civil Engineering Business and Building Construction Business) and is focused on expanding the Growth Business and others, including infrastructure development, disaster prevention and mitigation, and real estate development. The Company is developing and promoting the transformation of its business in line with its growth strategy of "A Story to Innovate the Future." This includes the Medium-Term Management Plan, which gives concrete form to the Medium- to Long-Term Management Vision.

1. Overview of FY3/26 results

FY3/26 results included net sales of ¥139,255mn (up 0.7% year on year (YoY)), operating profit of ¥6,910mn (up 7.5%), ordinary profit of ¥5,968mn (up 4.2%), and profit attributable to owners of parent of ¥4,845mn (up 30.2%). The substantial increase in profit attributable to owners of parent was due to the recording of a gain on bargain purchase as extraordinary income arising from new consolidation. Net sales decreased in the Construction Business (Civil Engineering Business) due to factors including clients' revisions to the progress of plans for large-scale projects. In the Construction Business (Building Construction Business), although growth in net sales was limited to a slight increase due to a reaction to the completion of large-scale projects in the previous fiscal year, the Company secured increased net sales overall due to increased net sales in the Growth Business and others. On the profit front, in addition to improved profitability, growth in the Growth Business and others contributed to an improved gross profit margin. Because SG&A expenses also remained within the budget range, an increase in operating profit was secured.

2. FY3/27 results forecast

For FY3/27, the Company forecasts net sales of ¥150,000mn (up 7.7% YoY), operating profit of ¥8,000mn (up 15.8%), ordinary profit of ¥7,000mn (up 17.3%), and profit attributable to owners of parent of ¥4,800mn (down 0.9%). The slight decrease in profit attributable to owners of parent is due to the absence of extraordinary income recorded in the previous fiscal year. The Company will advance the improvement of profit margins through a selective order policy in the construction field, including the Civil Engineering Business and Building Construction Business, and rigorous cost management. In addition, the Company aims to increase operating profit, for example, through the steady creation of group synergies in the Growth Business and others.

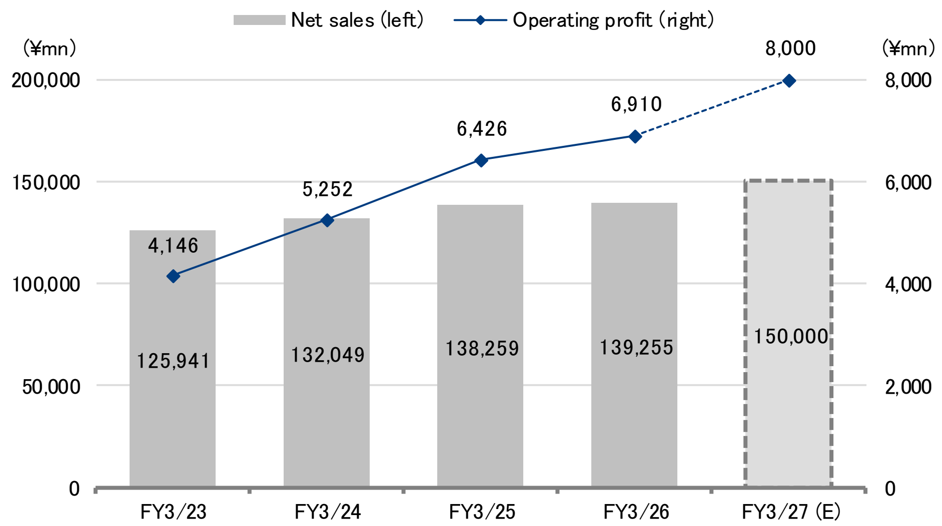
3. Progress of the Medium-Term Management Plan (to 2027)

The Group has formulated and announced the Medium-Term Management Plan (to 2027) to enhance corporate value and achieve sustainable growth. In putting into practice its action plans, the Company will utilize its holdings function from the three perspectives of capital efficiency, business growth, and adapting to sustainability, thereby continuously revising its business portfolio and seeking to enhance corporate value and realize sustained growth. The following are set forth as specific strategies: Strengthen earnings foundations, raise capital efficiency, rebuild the supply chain, reform the corporate culture and rebuild human resources strategy, enhance governance, and implement stable shareholder returns. As for numerical targets, for FY3/28, the Company has set net sales of ¥160.0bn, operating profit of ¥9.6bn, and return on equity (ROE) of 10.0% or higher. Progress to date has been in line with the plan and at present, there are no changes to the target figures.

Key Points

- FY3/26 saw operating profit increase 7.5%, driven by the Growth Business and others
- Operating profit for FY3/27 is forecast to increase by 15.8%
- The Medium-Term Management Plan is generally on track. Aiming for ROE of 10.0% or higher in FY3/28

Results trends



Note: Figures for FY3/24 and earlier are results for Tobishima Corporation
Source: Prepared by FISCO from the Company's financial results

Company profile

Promoting expansion in the infrastructure renewal field and the regional construction business domain, with the Construction Business as the foundation

1. Company profile

The Company is a holding company that was established as a wholly owning parent of Tobishima Corporation via a sole stock transfer on October 1, 2024, and is listed on the Tokyo Stock Exchange Prime Market. The Group comprises 20 companies in total, with Tobishima Corporation, the main subsidiary, at its core. Tobishima Corporation has expanded its business base in Japan and overseas since the establishment of Tobishima-gumi in 1883. Since becoming a holding company, the Company has been building resilient, sustainable earnings foundations by utilizing M&A under a two-pronged basic strategy. While grounded in the Construction Business, it focuses on the segments of infrastructure renewal, disaster prevention and mitigation, and the environment (water and wood-based), and targets as its focus market the regional construction industry domain, which it pursues as a Growth Business.

History

Year	History
1883	Bunjiro Tobishima founded Tobishima-gumi. Received first contract for the dismantling of Fukui Castle
1960	Began over-the-counter trading of stock on the Tokyo Stock Exchange, then listed on the First Section of the TSE in 1961
2017	Acquired shares in Sugita Kensetsu Kogyo Co., Ltd. (now Sugita Construction Corporation), making it a subsidiary
2018	Acquired shares in Nodac Co., Ltd. (now Tequanauts Co., Ltd.), making it a subsidiary
2019	Acquired shares in For You, Inc., making it a subsidiary
2021	Acquired shares in Axisware, Inc., making it a subsidiary
2024	Tobishima Holdings Inc. established via a sole stock transfer as a holding company and listed on the Tokyo Stock Exchange Prime Market Acquired shares in Kyokuto Construction Co., Ltd., making it a subsidiary
2025	Acquired shares in KYOWA SEISAN Co., Ltd., making it a subsidiary
2026	Acquired shares in Tachi Construction Co., Ltd., making it a subsidiary

Source: Prepared by FISCO from the Company's and Tobishima Corporation's website, securities reports, and news releases

2. Overview of business segments

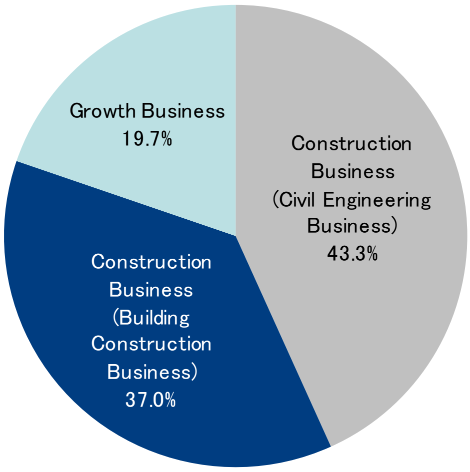
The Company's main business is the general construction business, and it numbers among Japan's 25 major companies. The Company comprises three business segments: Construction Business (Civil Engineering Business), Construction Business (Building Construction Business), and Growth Business and others.

In the Construction Business (Civil Engineering Business), the Company undertakes infrastructure projects—dams, roads, railways, ports, airports, energy and power generation facilities, etc.—and land development as focal points of a stable business base that accounts for just over 40% of total net sales (43.3% in FY3/26). The Construction Business plays a central role in driving business in the Group's traditional construction field.

The Construction Business (Building Construction Business) accounts for just under 40% (37.0%) of net sales, second to the Construction Business (Civil Engineering Business), and engages in the construction of offices and government buildings, educational, research, and cultural facilities, medical and welfare facilities, and more. Together with the Construction Business (Civil Engineering Business), it functions as one of the two pillars supporting the Group's robust earnings foundations.

The Growth Business and others account for approximately 20% (19.7%) of total net sales and are expanding as a new pillar of growth. These businesses comprise a diversity of domains engaged in by Group companies, primarily regional construction (infrastructure development in the exclusive economic zone, etc.), water infrastructure (installation and removal of underwater structures, maintenance and purification of water environments, etc.), timber and wood-based construction (timber and wood-based construction in non-residential fields, provision of sustainable buildings, etc.), disaster prevention and mitigation (development and sale of seismic control devices, etc.), and real estate development (one-stop support for all processes from land acquisition). Additionally, the Innovation Business, which is responsible for construction digital transformation (DX) and support for regional construction companies, is currently recorded under the Growth Business and others because its net sales are still minimal.

Net sales composition ratio
(FY3/26: ¥139,255mn)



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

3. Strengths and competition

The Company is highly competitive in its founding Construction Business (Civil Engineering Business). Including the Construction Business (Building Construction Business) that it subsequently expanded, its strengths now include flexibility backed by broad knowledge and experience, in addition to technical capabilities in a diversity of domains. In a broad sense, all civil engineering and building construction companies can be regarded as competitors. Ordinarily, however, examples include other quasi-major and mid-tier general contractors, and leading regional construction companies.

Results trends

FY3/26 saw operating profit increase 7.5%, driven by the Growth Business and others

1. Overview of FY3/26 results

FY3/26 results included net sales of ¥139,255mn (up 0.7% YoY), operating profit of ¥6,910mn (up 7.5%), ordinary profit of ¥5,968mn (up 4.2%), and profit attributable to owners of parent of ¥4,845mn (up 30.2%). The significant increase in profit attributable to owners of parent was due to the recording of a ¥499mn gain on bargain purchase as extraordinary income arising from the acquisition of newly consolidated subsidiaries.

In the Construction Business (Civil Engineering Business), net sales decreased due to factors including clients' revisions to the progress of plans for some projects. In the Construction Business (Building Construction Business), although growth in net sales was limited to a slight increase due to a reaction to large-scale projects completed in the previous fiscal year, because the Growth Business and others, a focus area, expanded significantly, overall, increased net sales were secured. On the profit front, in addition to improved profitability, the expansion of the Growth Business and others contributed, and the gross profit margin improved to 12.2% (11.4% in the previous fiscal year). SG&A expenses increased 7.0% YoY and remained within the budget range, so the increase in gross profit exceeded this, thereby securing growth in operating profit.

FY3/26 results

(¥mn)

	FY3/25		FY3/26		YoY	
	Results	Ratio of net sales	Results	Ratio of net sales	Change amount	Change %
Net sales	138,259	-	139,255	-	996	0.7%
Gross profit	15,797	11.4%	16,934	12.2%	1,137	7.2%
SG&A expenses	9,370	6.8%	10,024	7.2%	654	7.0%
Operating profit	6,426	4.6%	6,910	5.0%	484	7.5%
Ordinary profit	5,730	4.1%	5,968	4.3%	238	4.2%
Profit attributable to owners of parent	3,723	2.7%	4,845	3.5%	1,122	30.2%

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

2. Results by segment

(1) Construction Business (Civil Engineering Business)

Net sales in the Construction Business (Civil Engineering Business) were ¥60,229mn (down 12.3% YoY) and segment profit was ¥4,371mn (down 20.6%). This was mainly due to clients' revisions to the progress of plans for new projects, and with delays in the progress of construction, the gross profit margin decreased to 11.3% (12.0% in the previous fiscal year), while gross profit was ¥6.8bn (down ¥1.4bn).

Meanwhile, the order environment remained strong, and due to factors such as orders for large-scale private-sector projects, orders received totaled ¥66,489mn (up 12.6% YoY), thereby securing results that exceeded those for the previous fiscal year. As a result, the order backlog going into FY3/27 also remained at a high level at ¥123,734mn (up 5.3%).

(2) Construction Business (Building Construction Business)

Net sales in the Construction Business (Building Construction Business) were ¥51,535mn (up 0.8% YoY) and segment profit was ¥3,991mn (up 55.3%). With steady progress in construction, selective orders focused on profitability, thorough cost management, and other efforts proving successful, the gross profit margin improved significantly to 10.8% (8.3% in the previous fiscal year). As a result, gross profit was ¥5.5bn (up ¥1.3bn).

Meanwhile, orders received were limited to ¥46,041mn (down 16.1% YoY), reflecting stricter selection of projects and a reaction to large-scale projects in the previous fiscal year. Consequently, although the order backlog came to ¥69,107mn (down 7.1%), it remained at a high level.

(3) Growth Business and others

Net sales in the Growth Business and others were ¥27,490mn (up 48.7% YoY) and segment profit was ¥2,458mn (up 18.6%). In addition to steady real estate sales at For You, Inc., which is responsible for the Real Estate Development Division, three companies newly added to the Group—Kyokuto Construction Co., Ltd., KYOWA SEISAN Co., Ltd., and Tachi Construction Co., Ltd.—made significant contributions. Demonstrating steady progress in each business domain, gross profit increased to ¥4.5bn (up ¥1.2bn).

As for trends in the main business domains, first and foremost, net sales in regional construction handled by companies such as Sugita Construction Corporation and Tachi Construction Co., Ltd. grew substantially to ¥7.7bn (up ¥3.1bn YoY), and gross profit increased to ¥1.1bn (up ¥0.5bn). Water infrastructure projects handled by Tequanauts Co., Ltd. and Kyokuto Construction Co., Ltd., among others, have been performing steadily, with net sales of ¥5.2bn (up ¥0.4bn) and gross profit of ¥1.4bn (up ¥0.1bn). Timber and wood-based construction promoted by Wood Engineering, Inc. and KYOWA SEISAN Co., Ltd. recorded net sales of ¥0.8bn (up ¥0.8bn) and gross profit of ¥0.2bn (up ¥0.2bn). Real estate and others, in which For You, Inc. and other companies operate, secured net sales of ¥13.6bn (up ¥4.7bn) and gross profit of ¥1.8bn (up ¥0.4bn), driving growth for the segment as a whole.

Segment profit/loss (P&L) for FY3/26

(¥mn)

	FY3/25		FY3/26		YoY	
	Results	Composition ratio/ profit margin	Results	Composition ratio/ profit margin	Change amount	Change %
Net sales	138,259	-	139,255	-	996	0.7%
Construction Business (Civil Engineering Business)	68,669	49.7%	60,229	43.3%	-8,440	-12.3%
Construction Business (Building Construction Business)	51,106	37.0%	51,535	37.0%	429	0.8%
Growth Business and others	18,483	13.4%	27,490	19.7%	9,007	48.7%
Operating profit	6,426	4.6%	6,910	5.0%	484	7.5%
Construction Business (Civil Engineering Business)	5,507	8.0%	4,371	7.3%	-1,136	-20.6%
Construction Business (Building Construction Business)	2,570	5.0%	3,991	7.7%	1,421	55.3%
Growth Business and others	2,072	11.2%	2,458	8.9%	386	18.7%
Adjustment	-3,723	-	-3,911	-	-188	-

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

3. Financial position and cash flows

Current assets at the end of FY3/26 totaled ¥124,792mn (down ¥3,002mn from the end of the previous fiscal year). The main factors behind the change include a decrease in cash and deposits of ¥4,969mn, a decrease in notes receivable and accounts receivable from completed construction contracts and other of ¥1,587mn, and a decrease in costs on development business and other in progress of ¥3,853mn. Non-current assets were ¥38,256mn (up ¥8,947mn from the end of the previous fiscal year), due to an increase in property, plant and equipment of ¥6,931mn, a decrease in intangible assets of ¥81mn, and an increase in investments and other assets of ¥2,096mn. As a result, total assets were ¥163,096mn (up ¥5,930mn). It should be noted that the increase in property, plant and equipment was mainly due to the acquisition of newly consolidated subsidiaries.

Current liabilities were ¥100,270mn, an increase of ¥9,530mn compared with the previous fiscal year-end. Although notes payable and accounts payable for construction contracts and other decreased ¥1,408mn and advances received on construction contracts in progress decreased ¥1,266mn, short-term borrowings increased ¥8,361mn and deposits received increased ¥4,706mn, all of which were factors behind the change. Non-current liabilities totaled ¥8,416mn (down ¥7,558mn), mainly due to a decrease in long-term borrowings of ¥8,822mn. As a result, total liabilities were ¥108,687mn (up ¥1,972mn).

Total net assets were ¥54,409mn (up ¥3,959mn from the end of the previous fiscal year). This was mainly due to a ¥4,846mn increase in retained earnings and a ¥491mn increase in other valuation difference on available-for-sale securities, among other factors. As a result, the equity ratio at the end of FY3/26 was 33.3% (32.0% at the end of the previous fiscal year).

Balance sheet

(¥mn)

	End of FY3/25	End of FY3/26	Change amount
Total current assets	127,794	124,792	-3,002
Cash and deposits	25,839	20,870	-4,969
Notes receivable, accounts receivable from completed construction contracts and other	81,722	80,135	-1,587
Costs on development business and other in progress	9,969	6,116	-3,853
Total non-current assets	29,309	38,256	8,947
Property, plant and equipment	18,431	25,362	6,931
Intangible assets	1,666	1,585	-81
Investments and other assets	9,212	11,308	2,096
Total assets	157,166	163,096	5,930
Total current liabilities	90,740	100,270	9,530
Notes payable, accounts payable for construction contracts and other	28,060	26,652	-1,408
Short-term borrowings	22,089	30,450	8,361
Advances received on construction contracts in progress	8,909	7,643	-1,266
Deposits received	26,658	31,364	4,706
Total non-current liabilities	15,974	8,416	-7,558
Long-term borrowings	14,322	5,500	-8,822
Total liabilities	106,715	108,687	1,972
Total net assets	50,450	54,409	3,959
Retained earnings	38,325	43,171	4,846
Other valuation difference on available-for-sale securities	627	1,118	491

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

Cash flows from operating activities in FY3/26 resulted in inflows of ¥3,531mn. Main factors in inflows included profit before income taxes of ¥6,503mn, the recording of depreciation of ¥1,279mn, a decrease in trade receivables of ¥2,542mn, a decrease in costs on development business and other in progress of ¥3,907mn, and an increase in deposits received of ¥4,634mn. Meanwhile, an increase in real estate for sale of ¥4,646mn and a decrease in trade payables of ¥1,691mn, among other items, were the main factors in cash outflows.

Cash flows from investing activities resulted in an outflow of ¥4,654mn. This was mainly due to expenditure of ¥1,893mn for the acquisition of property, plant and equipment, as well as expenditure of ¥3,636mn for the acquisition of shares of subsidiaries associated with a change in the scope of consolidation, among other factors.

Cash flows from financing activities resulted in an outflow of ¥4,017mn. The main factors were expenditures such as a net decrease in short- and long-term borrowings of ¥2,241mn and dividend payments of ¥1,730mn.

As a result, cash and cash equivalents decreased ¥5,067mn compared with the end of the previous fiscal year, and the balance of cash and cash equivalents at the end of the fiscal year was ¥20,425mn.

Cash flows

(¥mn)

	FY3/25	FY3/26
Cash flows from operating activities	2,806	3,531
Cash flows from investing activities	-1,294	-4,654
Cash flows from financing activities	307	-4,017
Balance of cash and cash equivalents at fiscal year-end	25,492	20,425

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

Outlook

Operating profit for FY3/27 forecast to increase by 15.8%

For FY3/27, the Company forecasts net sales of ¥150,000mn (up 7.7% YoY), operating profit of ¥8,000mn (up 15.8%), ordinary profit of ¥7,000mn (up 17.3%), and profit attributable to owners of parent of ¥4,800mn (down 0.9%). The slight decrease in profit attributable to owners of parent is due to the absence of extraordinary income recorded in the previous fiscal year in connection with new consolidation (gain on bargain purchase).

Although results forecasts by segment have not been disclosed, the Company aims to increase operating profit through profit-focused selective orders in the construction field—including the Civil Engineering Business and Building Construction Business—improvements in the profit margin through rigorous cost management, and the steady creation of group synergies in the Growth Business and others.

FY3/27 results forecast

(¥mn)

	FY3/26		FY3/27		YoY	
	Results	Ratio of net sales	Forecast	Ratio of net sales	Change amount	Change %
Net sales	139,255	-	150,000	-	10,745	7.7%
Operating profit	6,910	5.0%	8,000	5.3%	1,090	15.8%
Ordinary profit	5,968	4.3%	7,000	4.7%	1,032	17.3%
Profit attributable to owners of parent	4,845	3.5%	4,800	3.2%	-45	-0.9%

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

Overview and progress of the Medium-Term Management Plan

Medium-Term Management Plan generally on track. Aiming for ROE of 10.0% or higher in FY3/28

1. Purpose and summary of the Medium- to Long-Term Management Vision: A Story to Innovate the Future

The Company was established as a wholly owning parent of Tobishima Corporation via a sole stock transfer on October 1, 2024. In line with this, the Company is promoting "A Story to Innovate the Future." This includes a new management plan, which gives concrete form to the Medium- to Long-Term Management Vision announced by Tobishima Corporation on November 13, 2023.

The plan aims to break away from the existing image of the Group and implement a transformation to a new business structure. As part of the plan, the Group Vision has redefined the founding spirit to align with changes in the times and society. While leveraging the strengths it has cultivated, the Company's goal is to continue to be an indispensable company that supports future industry promotion and development.

Furthermore, the Innovate the Future Plan announced by the Company indicates the path to this transformation. The plan focuses on innovation for the future and is not constricted by conventional frameworks or methods. It clarifies a process of transformation for creating new value and possibilities.

In line with this, the Medium-Term Management Plan (to 2027), the final year of which will be FY3/28, has been formulated to present concrete action plans for enhancing the Group's corporate value and quantitative goals.

2. Overview of the growth strategy Innovate the Future Plan

In the plan's three processes—short term, passing the baton, and transformation—each main business is promoting transformation in line with the steps outlined below.

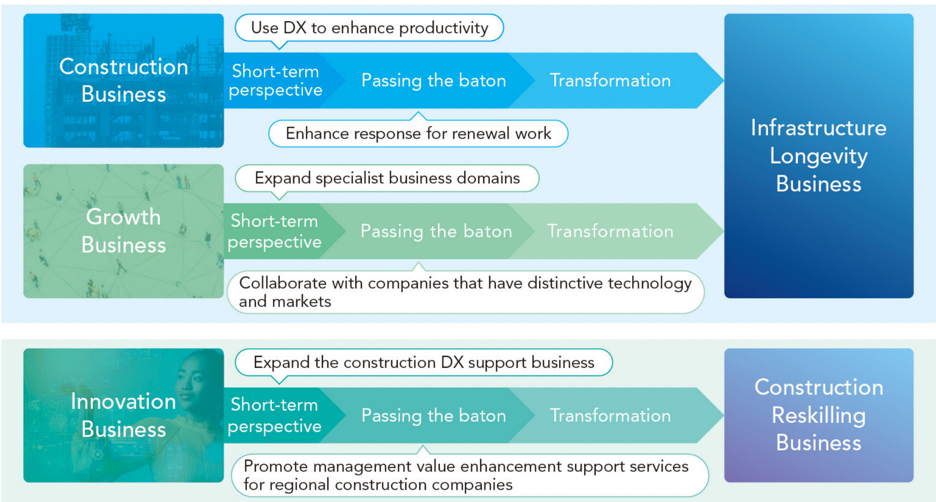
In the core Construction Business in the short term, the Company will improve productivity through DX and promote labor saving in construction processes by reviewing operations that utilize digital technology. In the subsequent passing the baton process, it will strengthen its response to the renewal market and improve cost competitiveness while looking ahead to the transition to a circular economy, with the ultimate aim of transforming into an infrastructure longevity business.

In the Growth Business in the short term, the Company will advance the expansion of specialized business domains, and in the passing the baton process, its aim is to collaborate (technology development, human resource development, and public–private partnerships) with companies that have distinctive technologies and markets—particularly those with infrastructure longevity technologies—and to expand new domains and technology development, thereby solidifying the transformation of the business structure.

In the Innovation Business in the short term, the Company will expand its construction DX support business, and in the passing the baton process, it will promote management value enhancement support services for regional construction companies. Ultimately, the plan is to achieve a transformation into the Construction Reskilling Business.

While promoting improved profitability by resolving current issues in its existing business, the Construction Business, the Group will position the Growth Business and the Innovation Business as domains for cultivating next-generation prospective core businesses, and accelerate investments for sustainable growth.

The growth strategy Innovate the Future Plan



Source: The Company's integrated report

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

(1) Quantitative goals

Targets for FY3/28, the final fiscal year of the plan, are net sales of ¥160.0bn, operating profit of ¥9.6bn, ordinary profit of ¥8.1bn, profit attributable to owners of parent of ¥5.5bn, and, as an indicator of capital efficiency, ROE of 10.0% or higher. In contrast, the plan for FY3/27 calls for net sales of ¥150.0bn and operating profit of ¥8.0bn, with progress toward the final targets being generally in line with the plan.

In building its business portfolio, the Company will execute ¥20.0bn in growth strategy investments, and aims to achieve ¥120.0bn in the core Construction Business and ¥40.0bn in the Growth Business and the Innovation Business (25% of net sales) in FY3/28. In FY3/26, of net sales totaling ¥139.2bn, the Growth Business and the Innovation Business expanded to ¥27.4bn (about 20% of net sales), and ROE also rose from 7.5% in FY3/25 to 9.3%, indicating that both profitability and capital efficiency are progressing favorably.

In addition, the Company is steadily building up shareholder returns without any reactionary decreases, and maintaining a trend of dividend increases in which the dividend rose from ¥90.0 in FY3/25 (actual) to ¥105.0 in FY3/26 (actual), and is forecast to be ¥110.0 in FY3/27.

Overview and progress of the Medium-Term Management Plan (to 2027)

(¥bn)

	FY3/25 Results	FY3/26 Results	FY3/27 Plan	FY3/28 Target
Net sales	138.2	139.2	150.0	160.0
Construction Business	119.8	111.8	-	120.0
Growth Business / Innovation Business	18.4	27.4	-	40.0
Operating profit	6.4	6.9	8.0	9.6
Ordinary profit	5.7	5.9	7.0	8.1
Profit attributable to owners of parent	3.7	4.8	4.8	5.5
ROE	7.5%	9.3%	-	10.0% or higher
Dividend	¥90.0	¥105.0	¥110.0	-

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

(2) Action plans for enhancing corporate value

In putting into practice the action plans in the Medium-Term Management Plan (to 2027), the Company will utilize its holdings function from the three perspectives of capital efficiency, business growth, and adapting to sustainability, thereby continuously revising its business portfolio and aiming to enhance corporate value and realize sustained growth.

The following are set forth as specific strategies—strengthen earnings foundations, raise capital efficiency, rebuild the supply chain, reform the corporate culture and rebuild human resources strategy, enhance governance, and implement stable shareholder returns—and the status of progress for KPIs associated with each plan is generally favorable.

Looking at current trends toward the final targets for FY3/28, first, the share of net sales reflecting strengthened earnings foundations and accounted for by the renewal and specialized business domains was 23% in FY3/26 and is increasing toward the target of 40%. The share of net sales from the Growth Business and others, which are keys to business portfolio transformation, reached 20% in FY3/26 and is steadily increasing toward the 25% target. ROE, which is a key indicator of capital efficiency, was secured at 9.3% in FY3/26, and the Company expects to achieve its target of 10.0% or higher.

Furthermore, the Company is implementing measures to raise the work engagement score, which indicates the results of its human resources strategy, from 50.8 in FY3/26 to its target of 51 or higher, and to raise DOE, which is an indicator of stable shareholder returns, from 3.8% in FY3/26 toward its target of 4.0% or higher.

Overview and progress of the Medium-Term Management Plan

	FY3/26 results	FY3/28 targets
Ratio of renewal and specialized business domains in net sales	23%	40%
Growth Business net sales ratio	20%	25%
ROE	9.3%	10.0% or higher
Work engagement score	50.8	51 or higher
DOE	3.8%	4.0% or higher

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

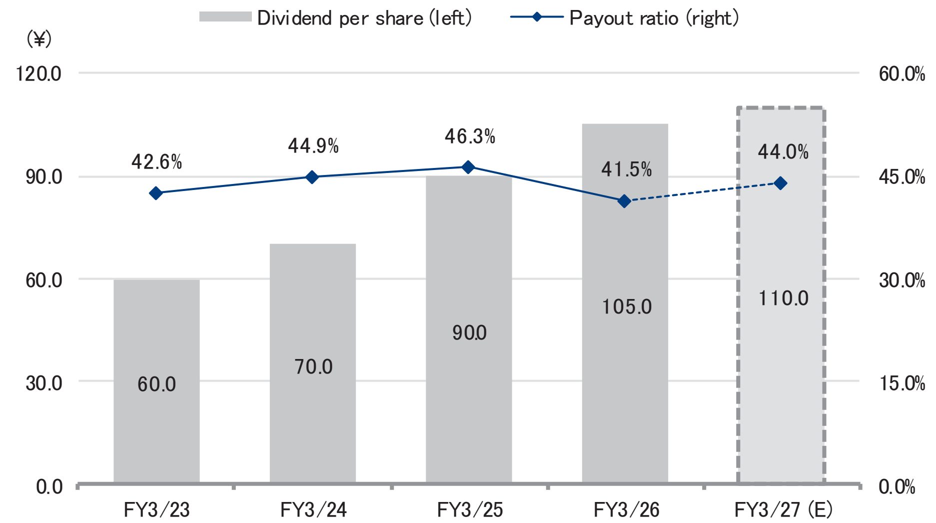
Shareholder return policy

FY3/26 annual dividend increased to ¥105.0. Dividend increase also planned for FY3/27

The Company has a basic policy of conducting stable shareholder returns with consideration for striking a balance between financial soundness and growth investment to enhance corporate value. Based on this policy, the annual dividend per share increased from ¥90.0 in FY3/25 to ¥105.0 in FY3/26, while the Company plans to increase the dividend once more to ¥110.0 in FY3/27.

Furthermore, in FY3/28, the final fiscal year of the Medium-Term Management Plan (to 2027), the Company has declared its target of achieving DOE of 4.0% or higher as a KPI. The Company is conscious of building up stable dividends during the period of the Medium-Term Management Plan, and further expansion of shareholder returns is expected as results progress going forward.

Dividend per share and payout ratio trends



Note: Figures for FY3/24 and earlier are results for Tobishima Corporation
Source: Prepared by FISCO from the Company's financial results and integrated report

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