








Medium-term Management Plan 2028








“Toward a Company We Can Be Proud of”

- Challenges for a Sustainable Future Society -

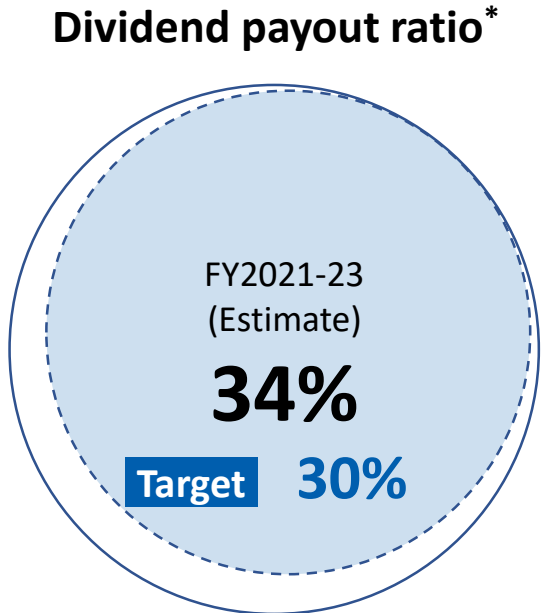
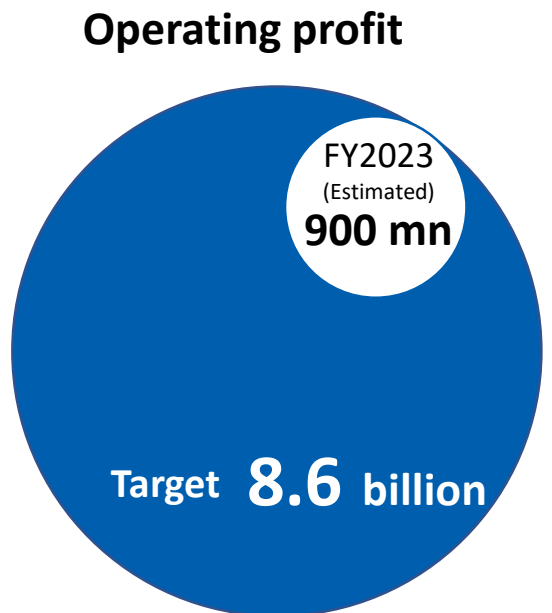
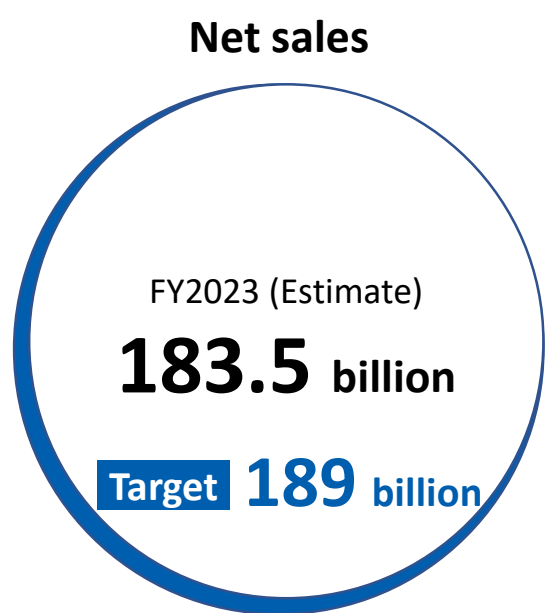
The forward-looking financial forecasts in this document are based on information available at the time they were released. Therefore, due to various factors, actual financial results may differ significantly from these forecasts.

-  I Medium-term Management Plan 2021-23 Summary
-  II Medium-term Management Plan 2028 Overall Picture
-  III Offensive Strategy  (Business strategies)
-  IV Offensive Strategy  (Infrastructure strategy)
-  V Capital and Shareholder Return Policies

-  I Medium-term Management Plan 2021-23 Summary
-  II Medium-term Management Plan 2028 Overall Picture
-  III Offensive Strategy ① (Business strategies)
-  IV Offensive Strategy ② (Infrastructure strategy)
-  V Capital and Shareholder Return Policies

Quantitative and segment-specific evaluations

FY2023 Consolidated quantitative indicators



*Payout ratio [%]=Total dividends for 2021-23 ÷ Total net profit attributable to owners of parent for 2021-23

Consolidated FY2023 Main reasons for not achieving the target

- Net sales**
- > Decrease in orders for railroad construction due to prolonged COVID-19 impact
 - > Decrease in orders due to intensified competition in Civil Engineering work

- Operating profit**
- > Lower profit margin due to stronger-than-expected construction price rises
 - > Increase in low-margin construction work due to intensifying competition for orders in domestic Architectural Construction work
 - > Decrease in profit due to lower sales
 - > Lower profit margin due to unexpected events in overseas construction and foreign exchange effects



Qualitative evaluation



Policy 1

Enhancement of public trust based on safety

- > Reduced the number of occupational accidents and injuries through continuous safety training
- > Strengthening of systems and development of measures focused on preventing the recurrence of quality problems (Quality Trouble Extinction Month)
- > Endorsement of TCFD Recommendations toward Carbon Neutrality by 2050 and SBT Certification

Policy 2

Promote business reform through the use of digital technology and ICT

- > Improving Infrastructure and educating employees to improve digital literacy to promote DX
- > On-site introduction and effective use of BIM
- > Use of 3D scanners/wearable cameras, etc. for construction management
- > Efforts to reform design and construction processes in collaboration with the JR East Group to improve productivity

Policy 3

Attaining customer satisfaction and expanding earnings by improving technological and sales capabilities

- > Strengthen planning and proposal capabilities by understanding customer needs at the order/project level and promoting technological development
- > Establishment of a new organization to improve design capabilities and strengthen design-build/ECI project initiatives
- > Strengthen on-site support, etc., to ensure appropriate allocation of support personnel and improve on-site productivity

Policy 4

Strengthening cooperation among corporate groups

- > Group Collaboration Meeting held to establish a construction cooperation system that contributes to group management
- > Raising the level of subcontractor training for the purpose of responsible construction and fostering young employees
- > Clarify the division of roles within the group in the Real Estate business and improve the group's overall organizational capabilities

Policy 5

Creating job satisfaction and employee happiness

- > Monthly monitoring and identification of issues to comply with the overtime work limit and achieve a 4-week, 8-day workweek
- > Creation of a corporate culture that facilitates both childcare and work and acquisition of Eruboshi (3 levels) and Kurumin certifications
- > Establish a new organization to promote human resource development and create a system to foster human resources who will lead the future of the Company

- I Medium-term Management Plan 2021-23 Summary
- II Medium-term Management Plan 2028 Overall Picture**
- III Offensive Strategy ① (Business strategies)
- IV Offensive Strategy ② (Infrastructure strategy)
- V Capital and Shareholder Return Policies

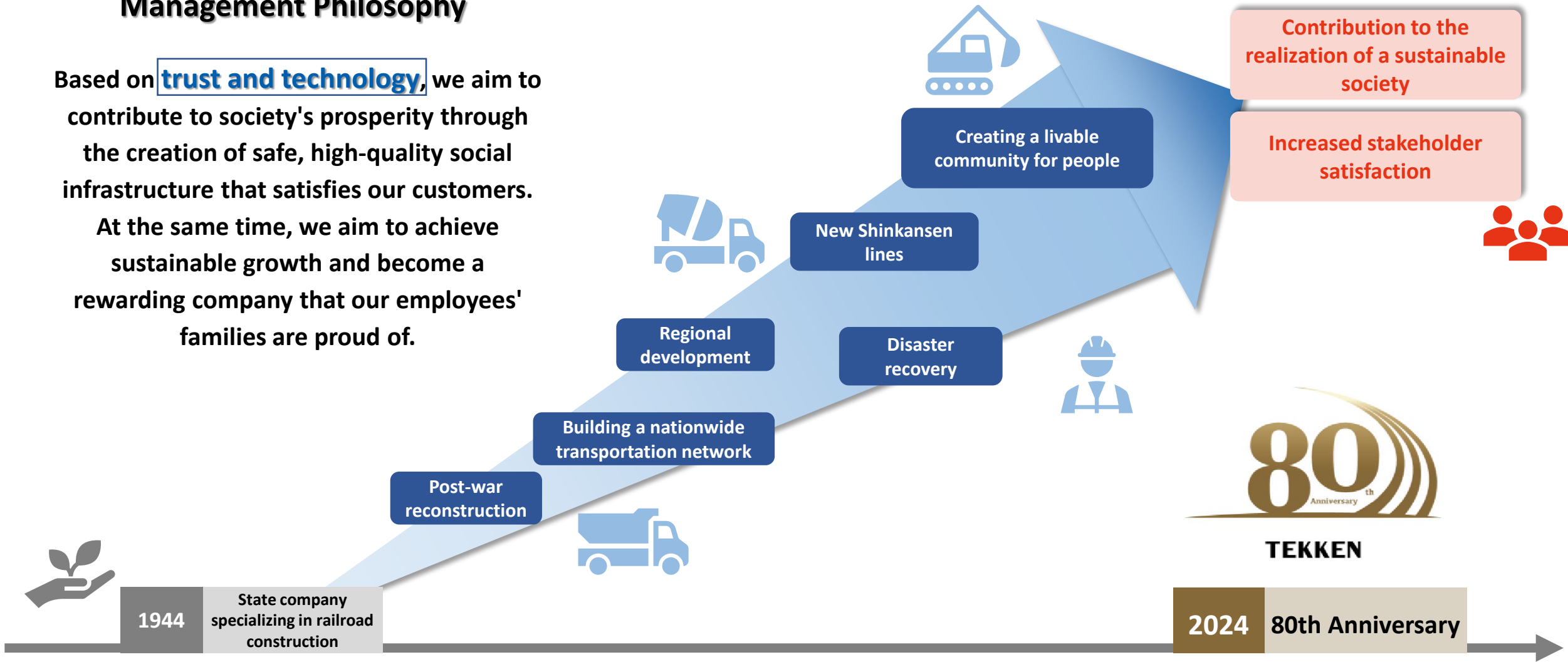


About our group

Management Philosophy

Based on **trust and technology**, we aim to contribute to society's prosperity through the creation of safe, high-quality social infrastructure that satisfies our customers.

At the same time, we aim to achieve sustainable growth and become a rewarding company that our employees' families are proud of.





- The medium-term plan 2028 is positioned as an action plan for the next five years to realize TEKKEN's 10-year vision

Medium-term Management Plan 2028 Themes

"Toward a Company We Can Be Proud of"

- Challenges for a Sustainable Future Society -

TEKKEN Group to celebrate 80 years in business in 2024

The first five years toward the 100th anniversary of the company's founding

TEKKEN Group to meet the needs of the next generation and achieve sustainable growth

Restore/strengthen
productivity and
profit generation

Active investment in
growth areas

Further enhancement
of **human capital** and
promotion of **ESG**

Shift to **capital efficiency**-conscious
management



Recognition of external environment and issues toward 2028

Recognition of external environment

- Decrease in working-age population and number of construction workers
- Aging social infrastructure
- Increasing severity and frequency of natural disasters
- Rapid progress of digitalization
- Increased geopolitical risk
- Social demands for a sustainable society
- Diversification of lifestyles and values
- Demand for management to be aware of cost of capital and stock price
- Substantiation of corporate governance reform

Our strengths

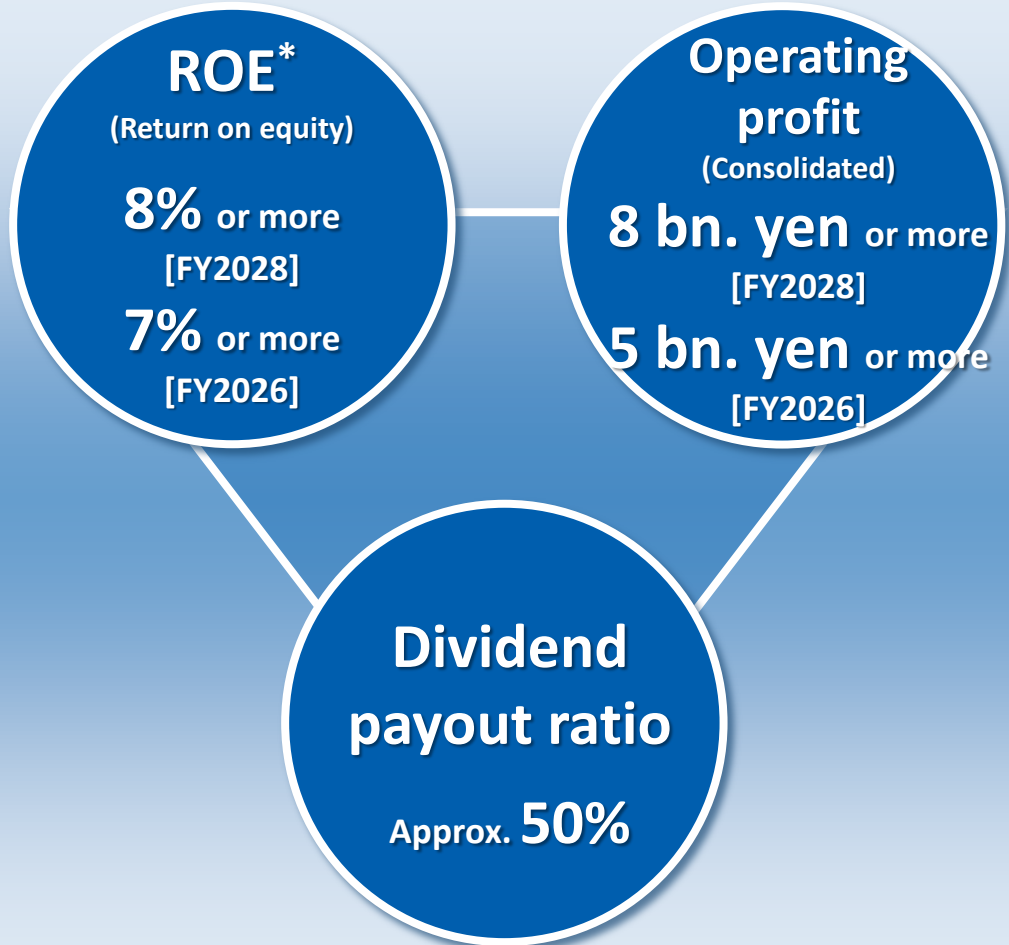
- Trust, technology, and know-how cultivated through our railroad construction business since our founding
- Providing safe, high-quality social infrastructure based on the "Customer First" principle
- Cooperation with JR East Group

Our challenges

- Increase sales and profit productivity
- Responding to the distorted age structure of the Group's employees
- Efforts to improve capital efficiency

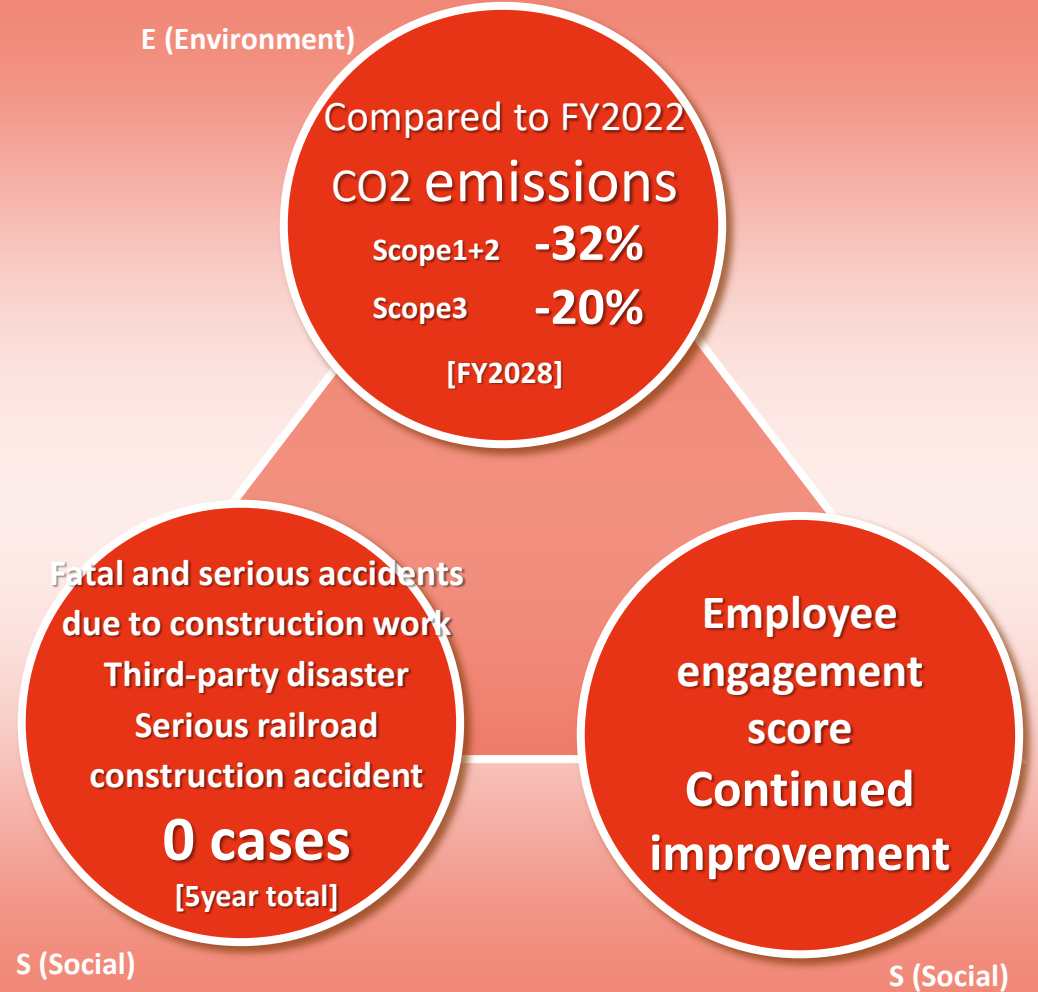
Medium-term management plan 2028 Quantitative targets

Financial KPI



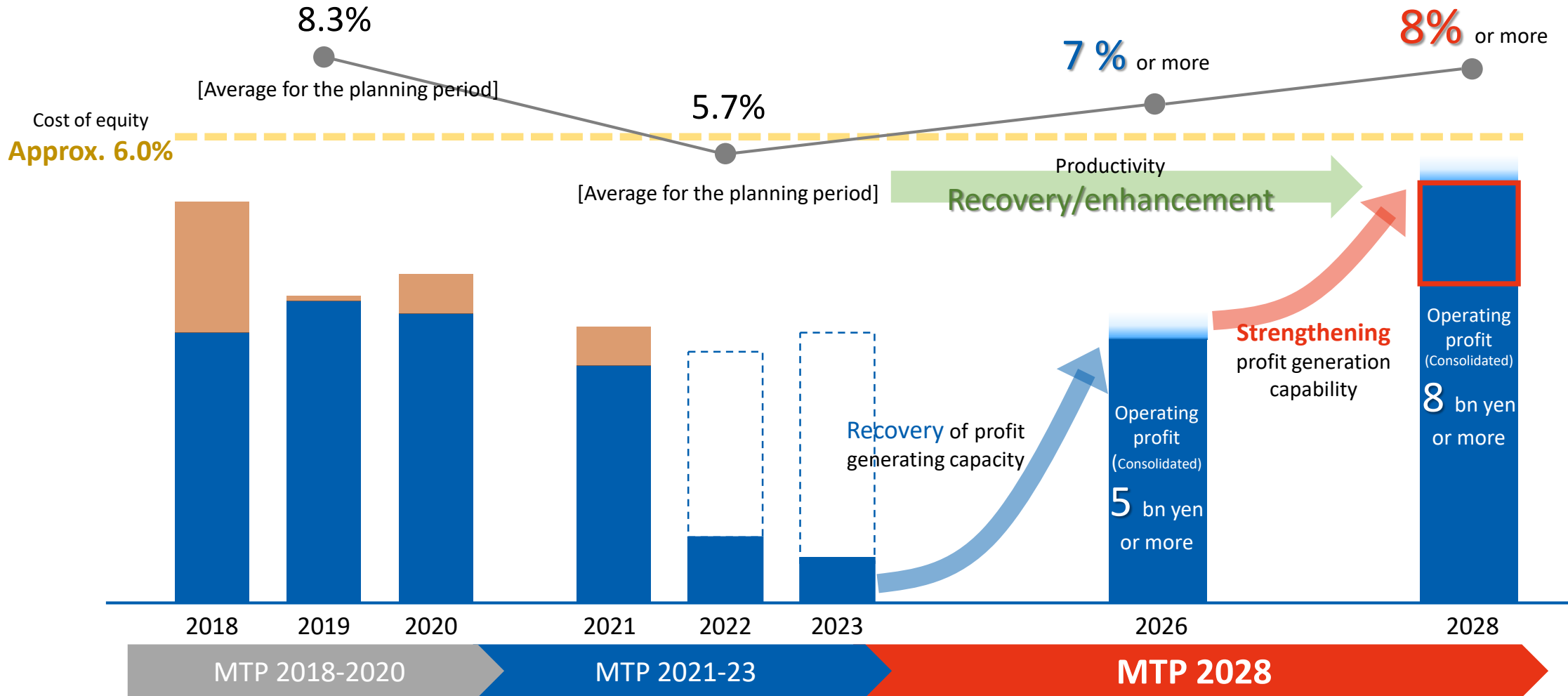
*ROE[%]=(net profit attributable to owners of parent)/(shareholders' equity)

Non-financial KPI



■ Basic **Operating profit** (OP margin **3.0%**) ≙ Current groundwork for profit generation
■ Temporary tailwind to the construction industry (e.g., special demand)

● ROE



- I Medium-term Management Plan 2021-23 Summary
- II Medium-term Management Plan 2028 Overall Picture
- III Offensive Strategy ① (Business strategies)**
- IV Offensive Strategy ② (Infrastructure strategy)
- V Capital and Shareholder Return Policies



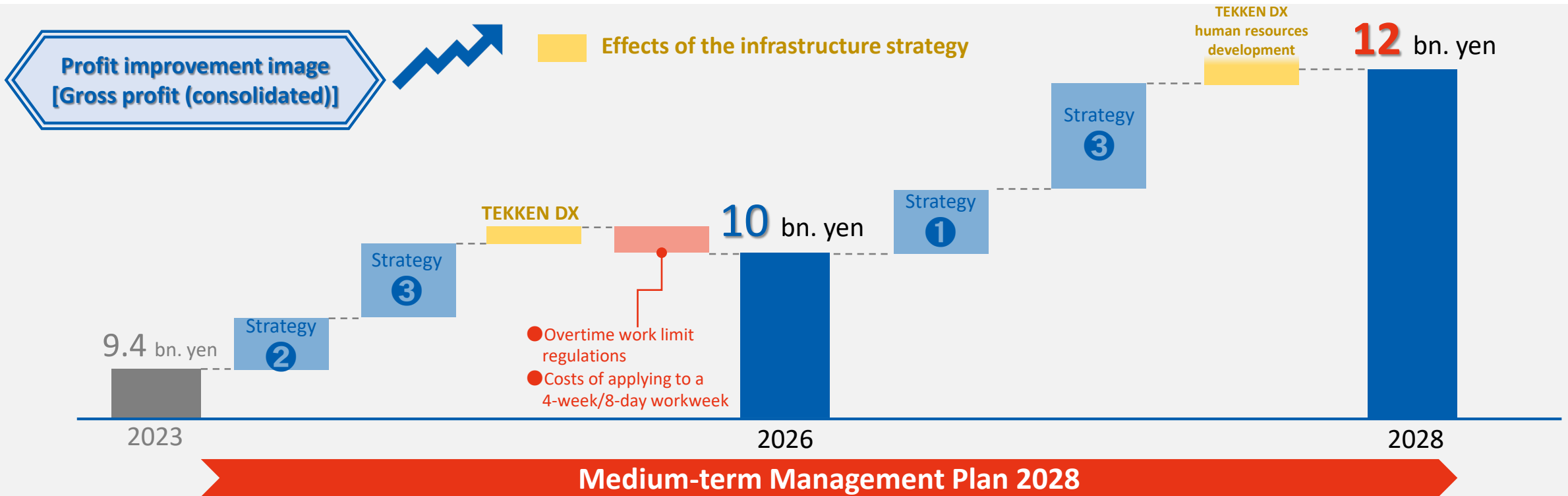
Priority Growth Strategies

- ① We will deepen the rail and road sector by leveraging our strengths.
- ② Learn from losses incurred in previous overseas construction projects and eliminate unprofitable construction projects.
- ③ Review work practices and strengthen organizational efforts to improve productivity.

Consolidated numerical targets

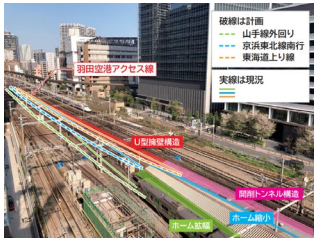
(Civil Engineering Segment)

	2023	2026	2028
Gross profit			
[Gross profit margin]	9.4 bn. yen [10.2%]	10 bn. yen [11.6%]	12 bn. yen [12.6%]
(Net sales)	(91.9 bn. yen)	(87 bn. yen)	(95 bn. yen)



Deepening the railway sector

- Further improving our technology as a top runner in railroad construction



New Haneda Airport Access Line



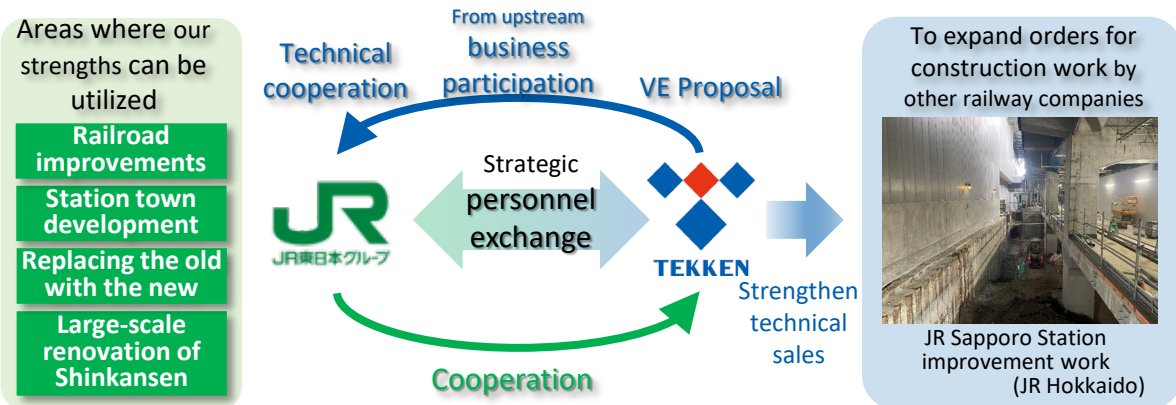
Shinjuku Station North Exit Plaza



Yatsuyama Bridge

<p>Technology Development capturing upstream information (Field to study)</p>	<p>Large-scale station development and station area development</p>	<p>Railroad-related construction with high construction difficulty</p>	<p>Tunnel construction for new railroad line construction</p>
--	--	---	--

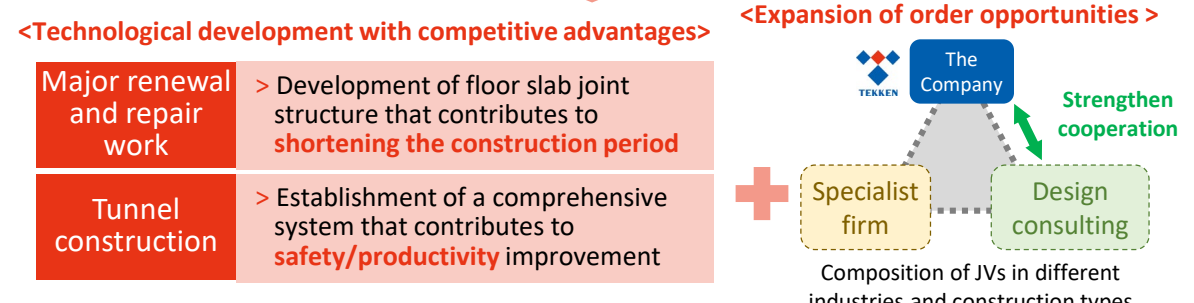
- Expand synergies by strengthening ties with JR East Group



Deepening the road sector

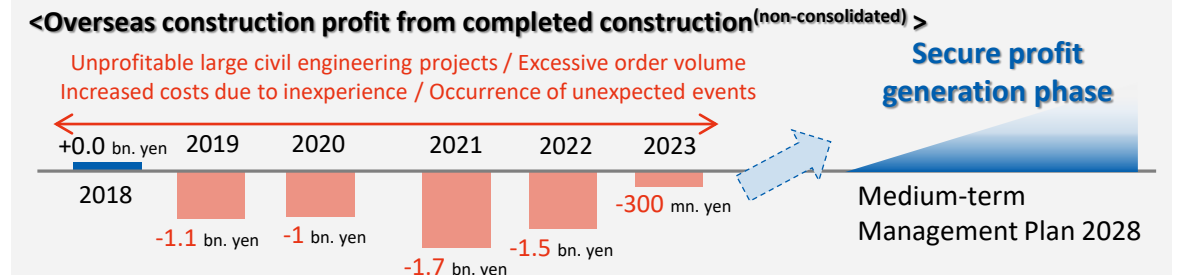
- Aiming to expand market share as a field of strength following railway

Client needs	<ul style="list-style-type: none"> > Increase in large-scale renewal and repair projects and seismic reinforcement projects > Design and construction methods that require advanced technical proposals
--------------	---



Overseas construction initiatives

- Eliminate unprofitable construction projects by optimizing the volume of orders and narrowing focus areas



Policy for initiatives	Order decisions that place the highest priority on securing profits	Further strengthen governance	Cooperation/ Collaboration with JR East Group	Focus on regions with construction experience and low country risk
------------------------	---	-------------------------------	---	--

Review of work practices/strengthening of organizational efforts

Awareness of the issues

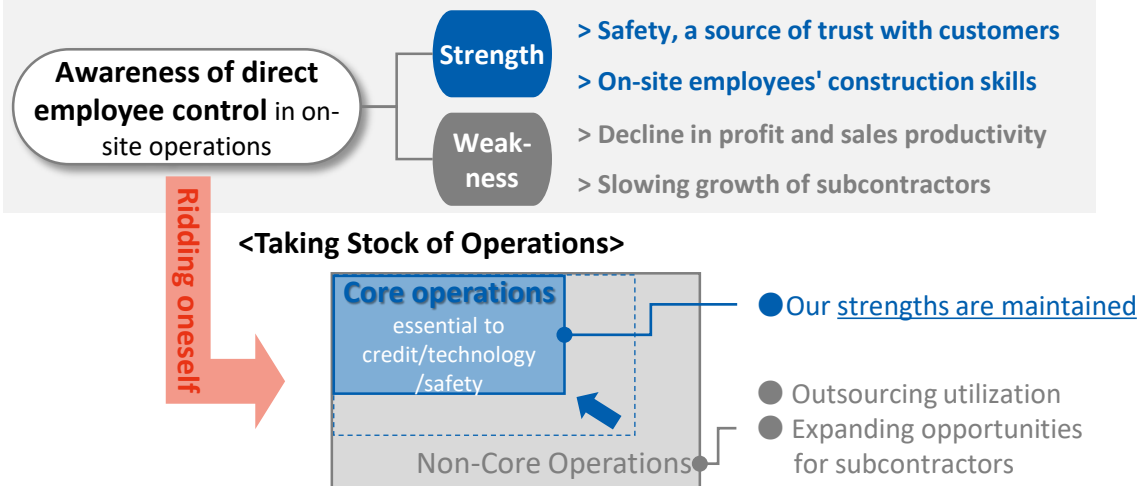
Distorted age structure of Civil Engineering segment employees

Sluggish sales/profit productivity

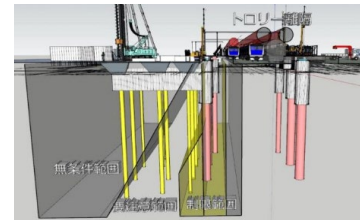
- > There will be many young workshop managers in 5 years
- > Majority of mainstay employees will be significantly rejuvenated in 10 years
- > Larger and more difficult construction projects

i Breaking away from a sense of direct employee control at on-site operations

- Structural reforms to sort out on-site operations and have employees focus on core operations



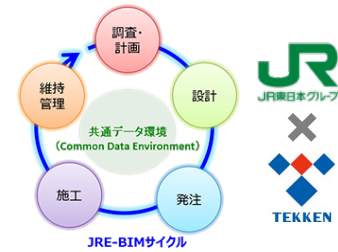
ii Active use/establishment of ICT technology



On-site management based on 3D models and BIM

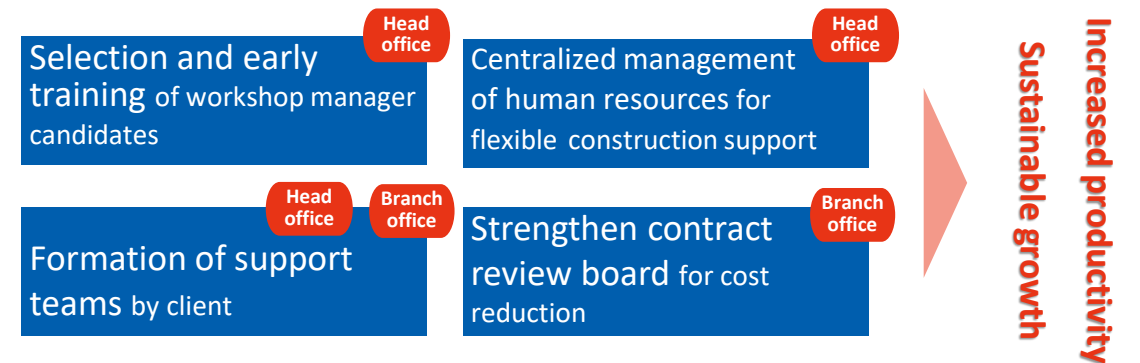


Smart construction management



Project management in cooperation with the client

iii Strengthening the backup system for the next generation for the next 5 to 10 years

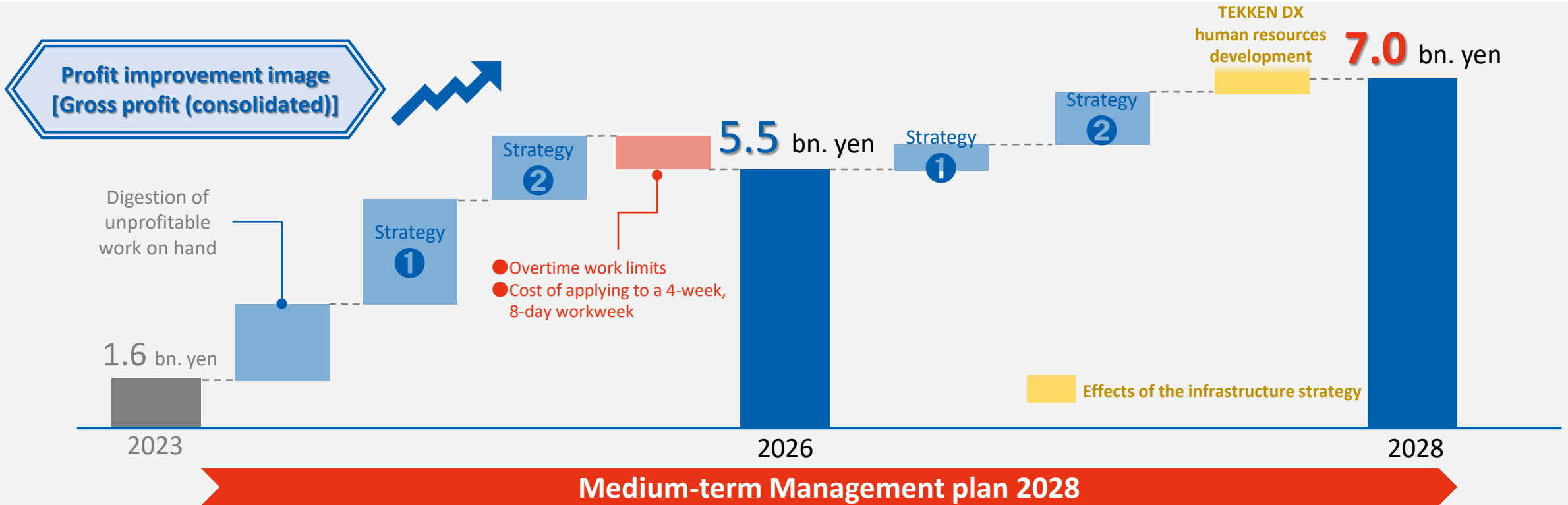


Architectural Construction (1/3) - Strategic framework and numerical targets -

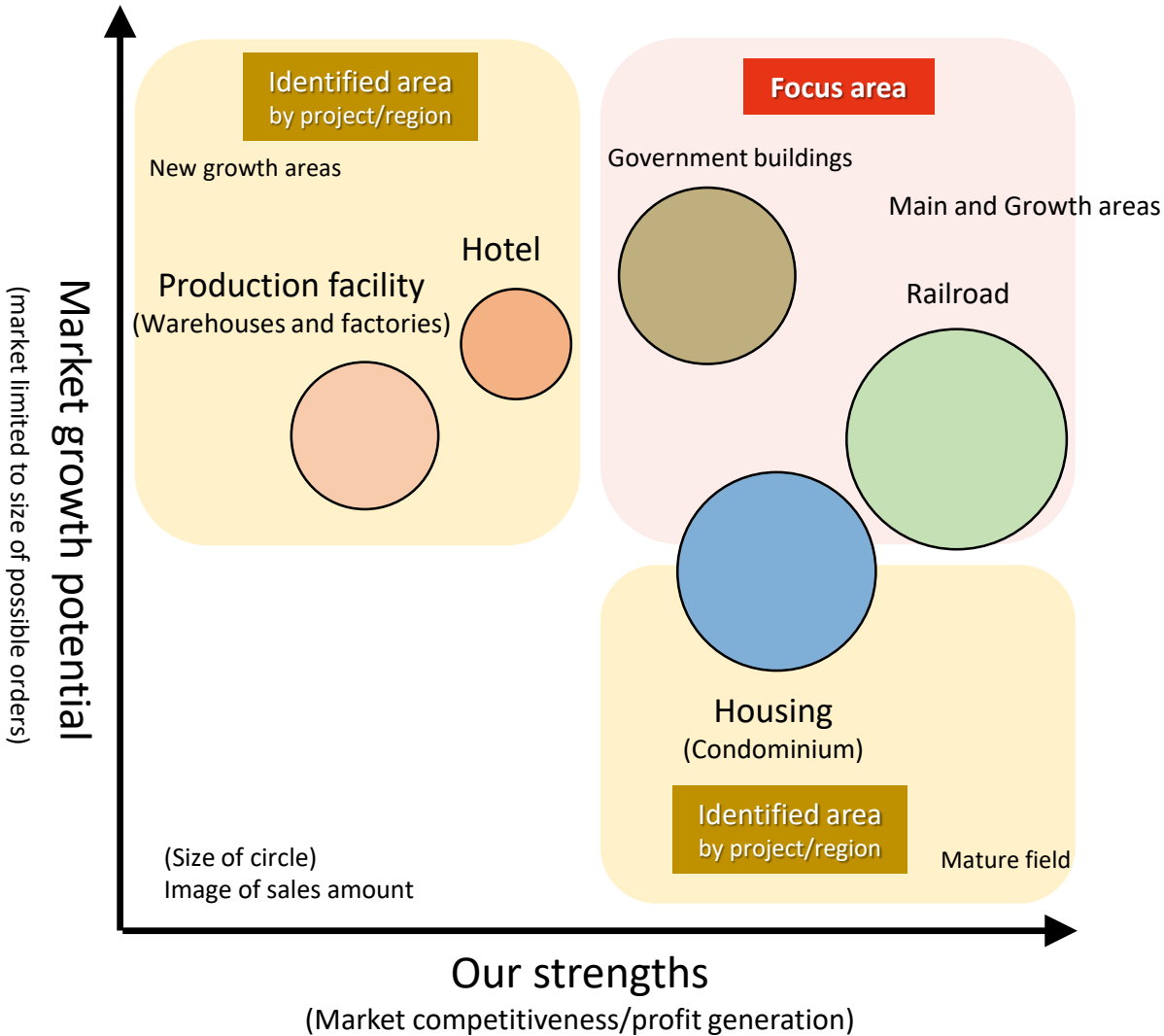
Priority growth strategies

- ① Build an optimal business portfolio for profit generation by building on new strengths in addition to railroads and by being more selective in the receipt of orders with priority on securing profits.
- ② Review work practices/organization to improve sales/profit productivity.

Consolidated numerical targets (Architectural Construction Segment)			
	2023	2026	2028
Gross profit [Gross Profit Margin]	1.6 bn. yen [1.8%]	5.5 bn. yen [6.1%]	7.0 bn. yen [7.4%]
(Net sales)	(88 bn. yen)	(90 bn. yen)	(95 bn. yen)



<Portfolio position>

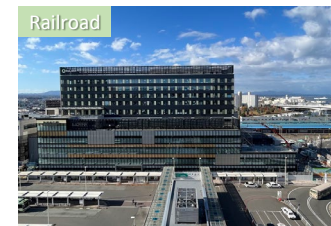


Restructuring of order portfolio for optimal profit generation

Focus area	Railroad	<p>As a top runner in railroads,</p> <ul style="list-style-type: none"> > Focus on renewal of rolling stock depot > Further refining our strengths with projects near terminal stations and train stations > Strengthening cooperation with JR East Group
	Government buildings	<p>Aiming to build new strengths,</p> <ul style="list-style-type: none"> > Challenges of large-scale facility renewal projects > Expand orders by leveraging construction experience and collaboration with civil engineering
Identified area	Housing (Condominium)	<p>We have been utilizing our extensive experience and know-how in construction since our establishment,</p> <ul style="list-style-type: none"> > Selecting projects where we can demonstrate our strengths to become a stable profit pillar > Challenges for large projects and skyscrapers
	Hotel, production facility, Other	<p>In consideration of profit margin, scale of construction, customers, etc,</p> <ul style="list-style-type: none"> > Thorough selection of orders by project and region > Technology transfer through risk diversification and ongoing initiatives



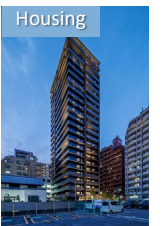
Station improvement



Station building



Government facility



High-rise condominium

Architectural Construction (3/3) - Priority growth strategies ② -

Increase sales/profit productivity

Awareness of the issues

Sluggish sales/profit productivity

- > Priority given to securing orders amid intensifying market competition
- > Increased burden on branch offices and on-site employees due to tight construction schedule, etc.

Distorted age structure of Architectural construction segment employees

- > Aging/declining number of highly skilled employees
- > Majority of mainstay employees will be significantly rejuvenated in 10 years

i Strengthening internal controls to increase profit awareness

- Review of the structure for independence/autonomy of the Architectural Construction segment

Short-term: 1 to 2 years

Restructuring of system
for stable profit generation

Medium-term: 3-5 years

Adherence to and strict application
of the restructured system and rules

● Strengthening governance

- > Stricter screening of orders in the initial stages of initiatives
- > Preventing profit decline through intensive management

(Cost Management Department)

● Sales reform

- > Curtail the volume of orders at branches that need to be restructured, and be selective in the receipt of orders, giving priority to securing profits.

● Strengthening competitiveness

- > Cost reduction through development of new subcontractors and further expansion of centralized purchasing
- > Promotion of expansion and application of developed technologies

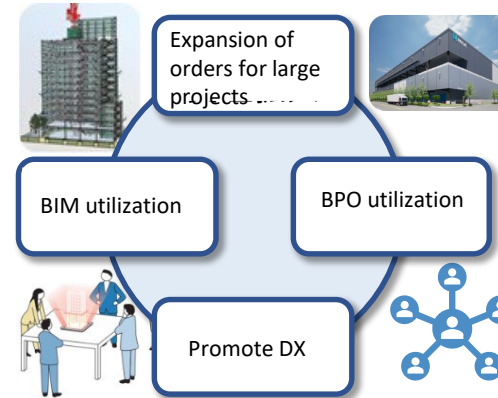
● Improvement of planning ability

- > Strengthen business strategy planning function through analysis of accumulated data and both bright and dark cases.

ii 20% efficiency improvement in on-site operations to increase sales productivity

- Accelerate streamlining of on-site operations to apply to the revised Labor Standards Law of 2024 and to achieve happier employees.

[Work/organizational change]



- Establishment of a **centralized on-site support system**

Centralized support department (in-house)



Remote support

Workshop (on-site)

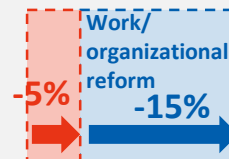


[Awareness raising/human resource development]

- Accelerate the transformation of consciousness not bound by conventional ways of working (executives and employees)
- Reinforcement of employee development by revamping training programs to promote young workshop managers at an early stage.

<Image of streamlining on-site operations>

Awareness raising/human resource development



Same results in **80%** of the people and time
(On-site employees focus on more specialized tasks)



Real Estate

- Accelerate investment in the Real Estate business, which has a high affinity with our business, and review our real estate holdings to improve asset efficiency

Participation in development businesses

- Development area**
 - > Metropolitan area where much demand is expected
 - > Local metropolitan area with branch offices
- Building use**
 - > Rental housing, silver facilities, hotels, etc., for which we have extensive construction experience

Determining the rental business

> Determine real estate holdings to improve capital efficiency

Retained real estate

- Profit improvement possible**
 - > Renewal
 - > Value add
- Profit improvement difficulty**
 - > Sale or Disposal
 - > Change of use

Asset Turnover

Equity investment

- > Establish a special purpose company with partners to support planning and development projects
- > Reduction of risk in development projects and acquisition of development profits in proportion to investment share

Investment decision

Basis

IRR (Internal rate of return) \geq 3 - 4% (Refer to WACC)

Comprehensive consideration

- NOI Yield
- Business profit ratio

Consolidated numerical targets (Real Estate and New Business Segments)

	2023	2026	2028
Gross profit* [Gross profit margin]	800 mn. yen [22.2%]	1.2 bn. yen [18.4%]	1.5 bn. yen [15.0%]
(Net sales)	(3.6 bn. yen)	(6.5 bn. yen)	(10.0 bn. yen)

*Including non-operating income (loss) in Real Estate business

New business

- Aiming to balance economic value and social value to promote sustainability management

CO₂ emissions reduction **Community revitalization**

Establishment of revenue pillars

Agricultural business (Strawberry farm)

Small-scale hydroelectric power generation business

Early paulownia cultivation business

- I Medium-term Management Plan 2021-23 Summary
- II Medium-term Management Plan 2028 Overall Picture
- III Offensive Strategy ① (Business strategies)
- IV Offensive Strategy ② (Infrastructure strategy)**
- V Capital and Shareholder Return Policies

● Given our distorted age structure, we will strengthen our investment in human resources to ensure sustainable growth.

Increased engagement

Employee engagement score with survey/measure implementation

Continuous improvement



● Sustainable growth of employees

- Cultivation of autonomous "individuals"
- Improvement of organizational capability



● Providing a good place to work

- Creating a workplace for growth
- An organization that will be chosen by the next generation



Investment in human capital

- Training and placement in line with management strategy
 - > Early training of young workshop managers
 - > Implementing talent management
- Review of evaluation system and compensation
 - > Review of personnel evaluation system
 - > Consideration of improving employee benefits, including extending retirement age

Work-Life balance

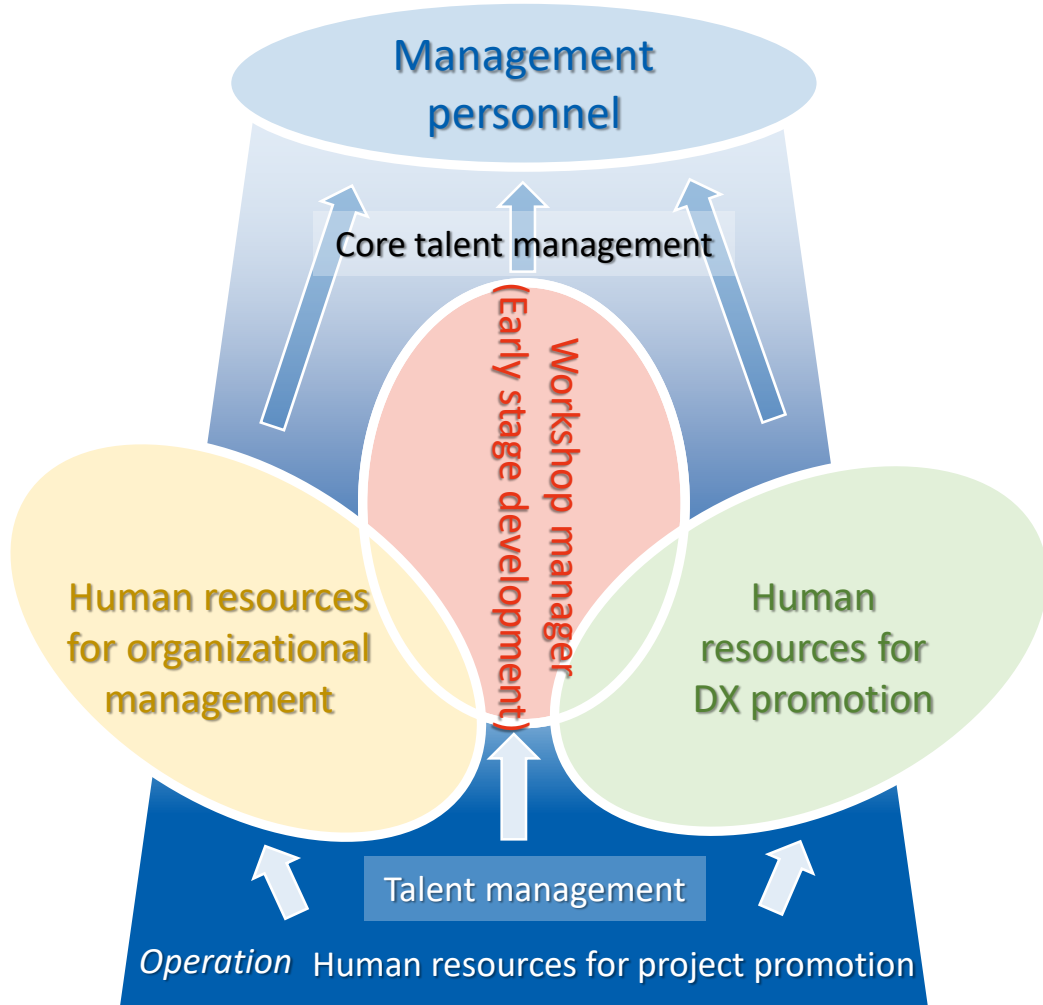
- Realization of flexible work
 - > Infrastructure/system development linked to DX strategy
- Creating a climate conducive to utilizing the system
- Promoting health management / creating a safe workplace
 - > Enhancement of benefits and improvement of workplace environment
 - > Promoting employee health and wellness

DE&I

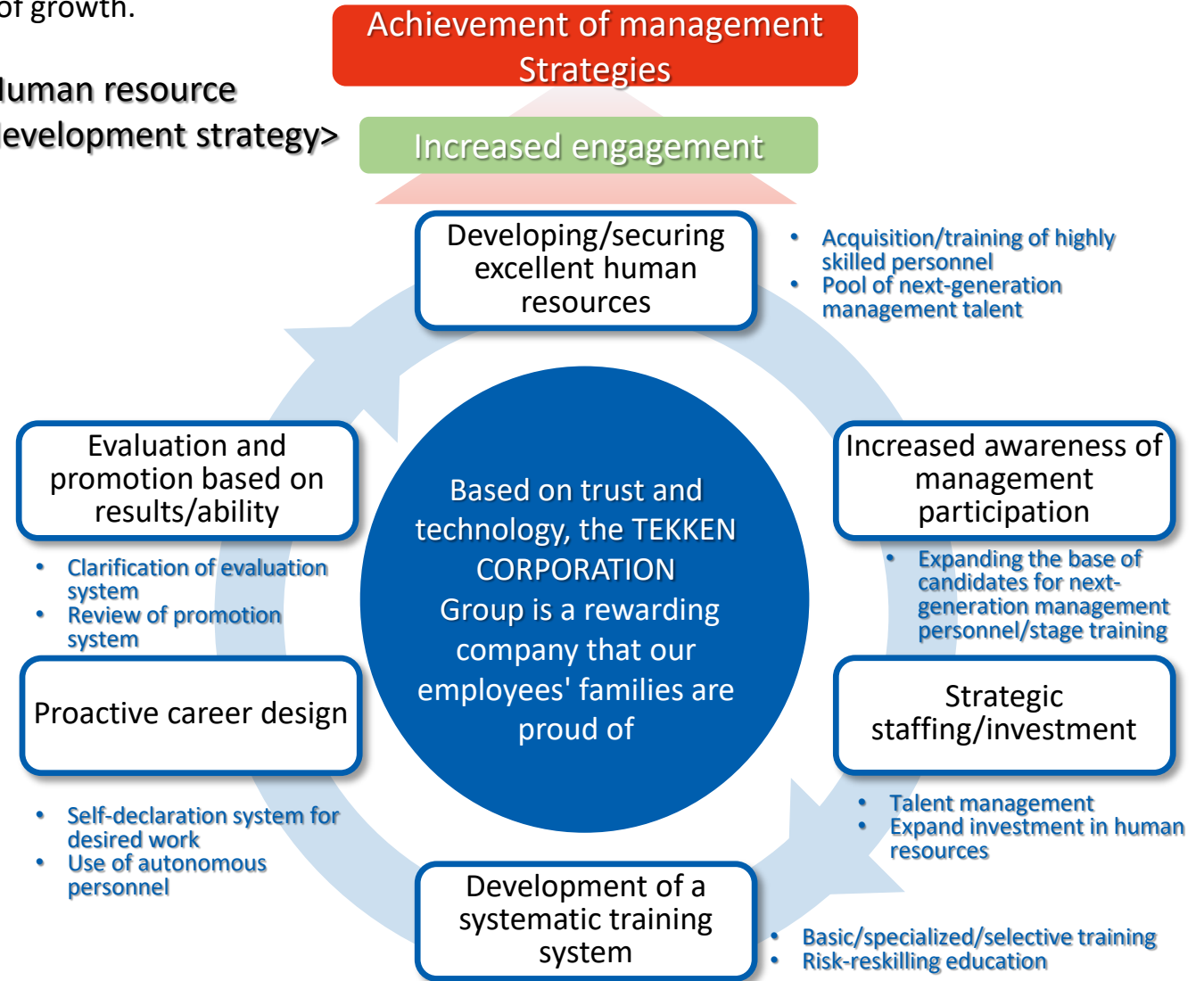
- Realization of diverse workforce/careers
 - > Promoting women's advancement through career support
 - > Enhancement of systems and creation of an environment conducive to their utilization
- Respect for human rights
 - > Conduct human rights due diligence and mitigation measures for human rights risks

- Accelerate the development of "human resources," the driving force of growth.

<Human resource development system chart>



<Human resource development strategy>



- Review the training system and promotion system to achieve self-directed learning and improve employees' willingness to design their own careers.

<As is-To be gap>

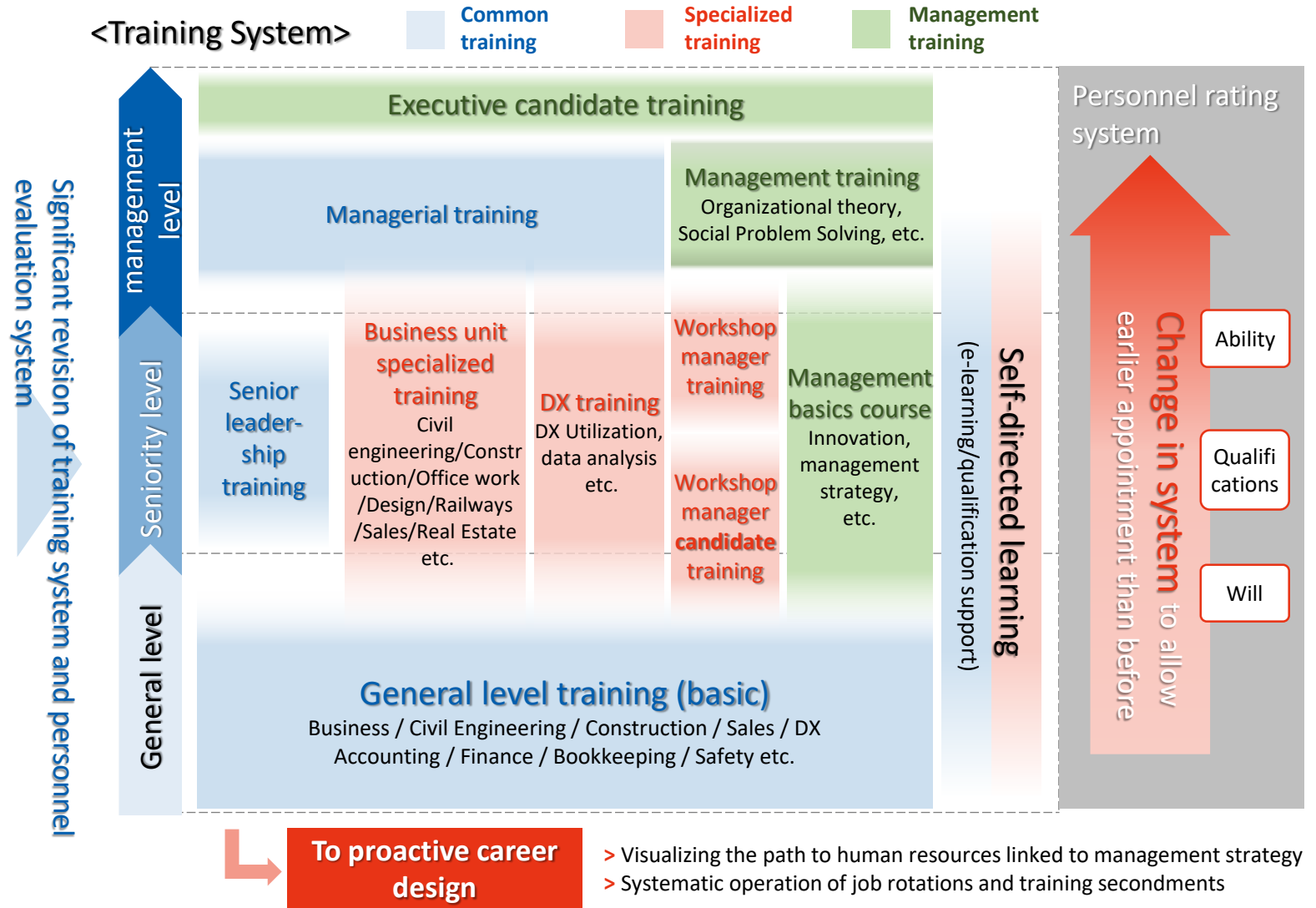
As is

- Rigid/uniform training and promotion system
- It takes years to train employees for key posts that support the company, such as on-site office managers
- Lack of mechanisms and receptacles to promote independent learning

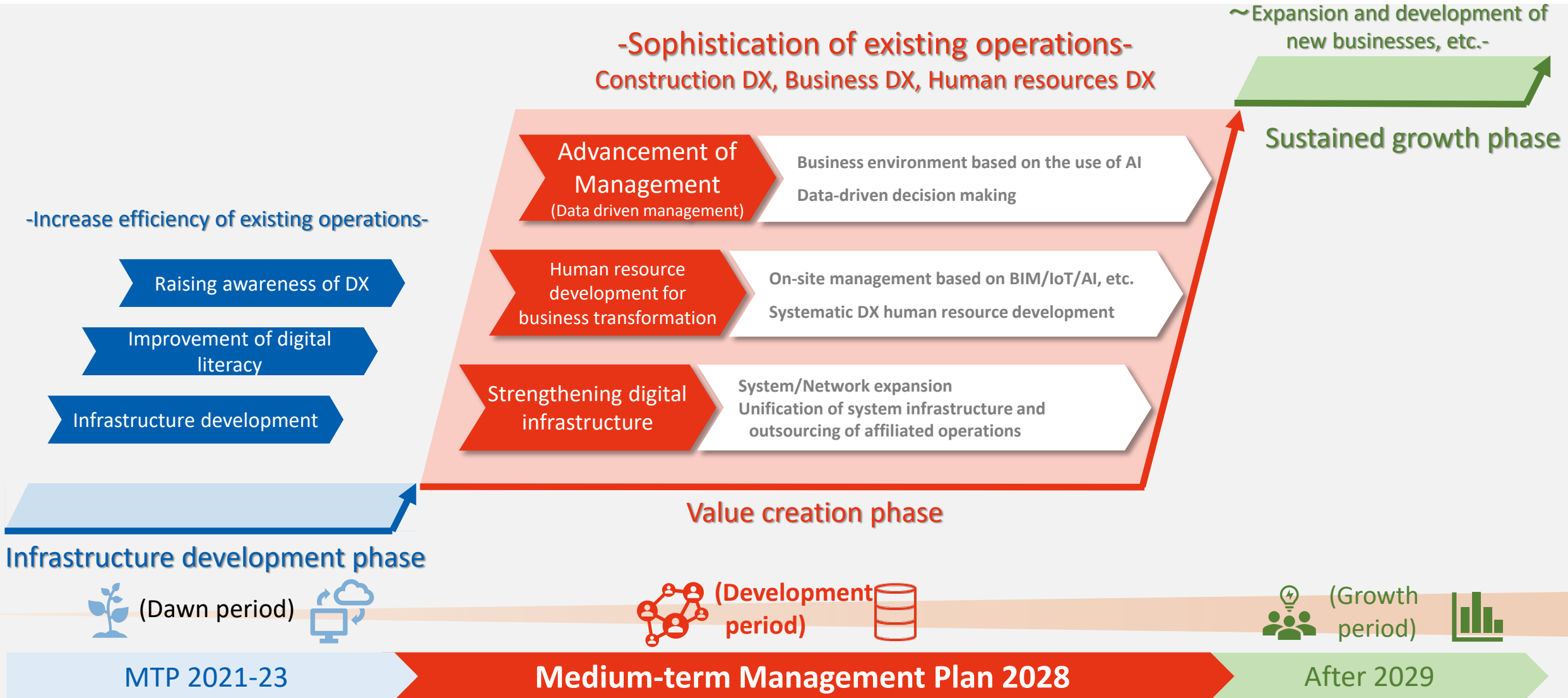


To be

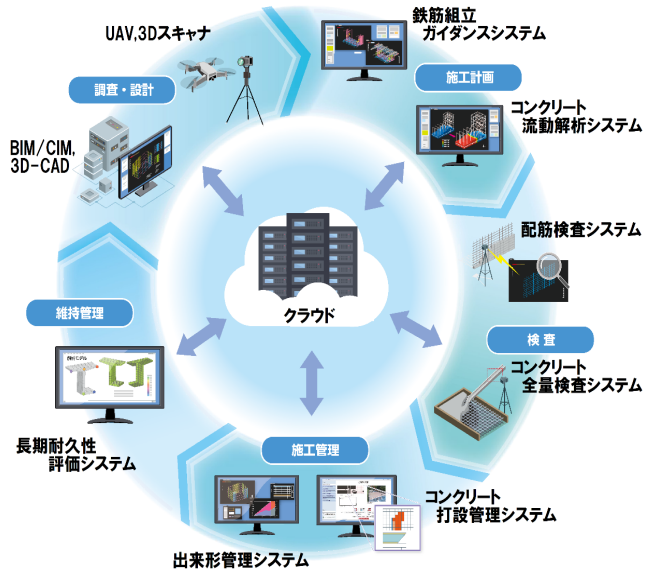
- Human resource development system in line with management strategy
- Flexible and diverse training system and evaluation/promotion system based on employees' motivation and abilities
- Company systems that support self-directed learning
- A system that encourages proactive career design



- Increase digital maturity and create new value.



Construction DX



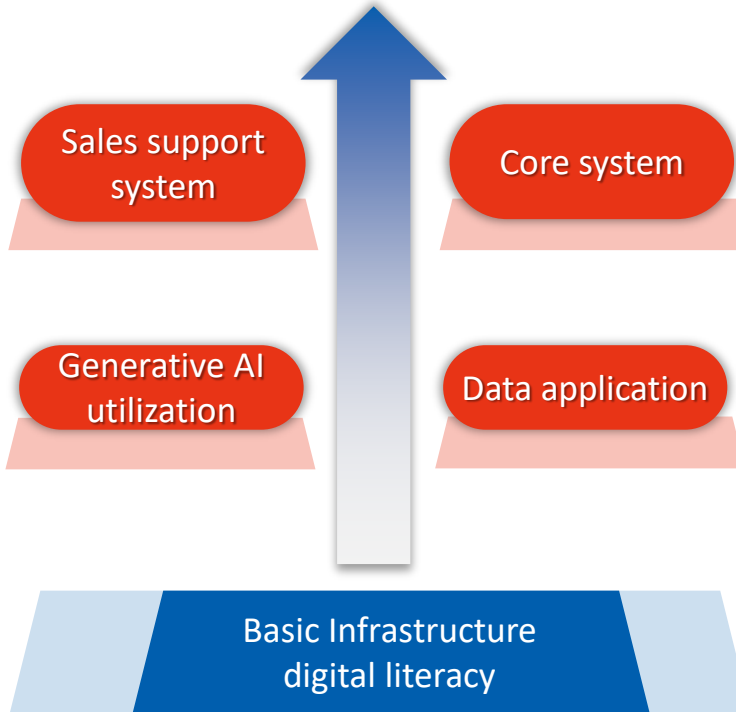
TK Construction Flow 360



DX CASEBOOK

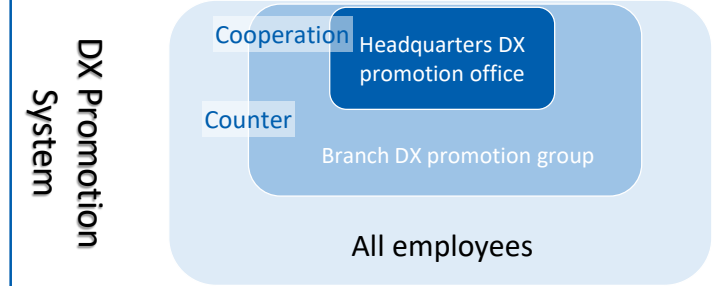
Business DX

More value in the same time

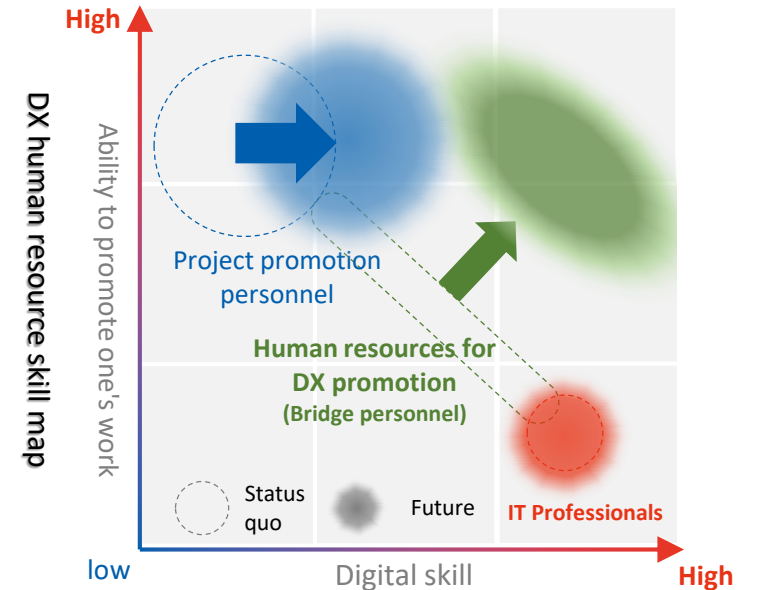


Strengthening the digital infrastructure to Support TEKKEN DX

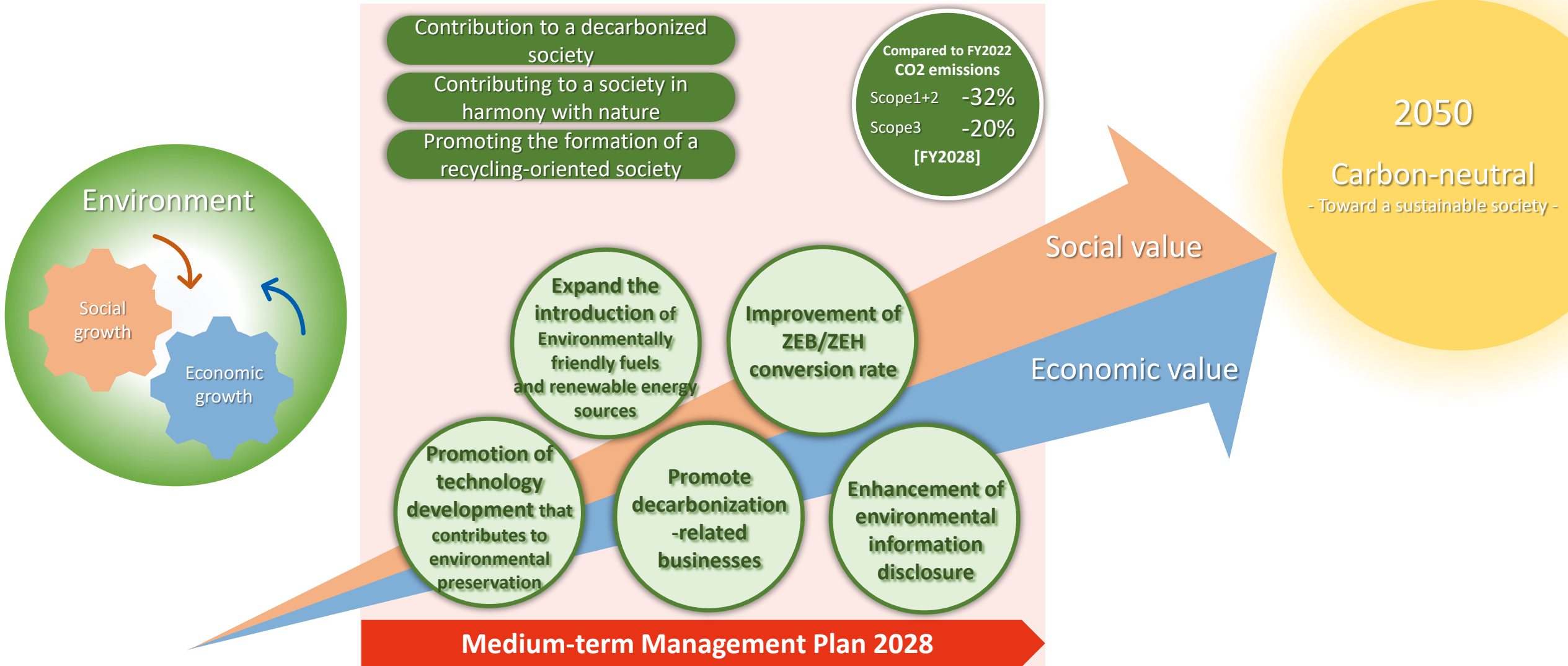
Human resources DX



DX Promotion System



- Aiming to achieve both social and economic values toward achieving carbon neutrality by 2050.



● Strengthen governance for the realization of the Medium-term management plan 2028 and sustainable growth.

Improving the effectiveness of the board of directors

- **PDCA cycle to strengthen supervision and improve effectiveness**
 - > Evaluate the effectiveness of the Board of Directors through a questionnaire and confirm efforts to address issues/identify further issues
 - > Regular monitoring of management issues
- **Stimulation of discussion at Board of Directors meetings**
 - > Regularly hold Management Issues Meetings attended only by outside directors
- **Review of executive compensation system**
 - > Revision of the compensation system to draw out medium- and long-term corporate value creation

Strengthening of enforcement agencies

- **Realization of prompt management decisions through the transfer of authority**
 - > Review of authority according to importance
 - > Use of specialized committees to strengthen management and executive functions

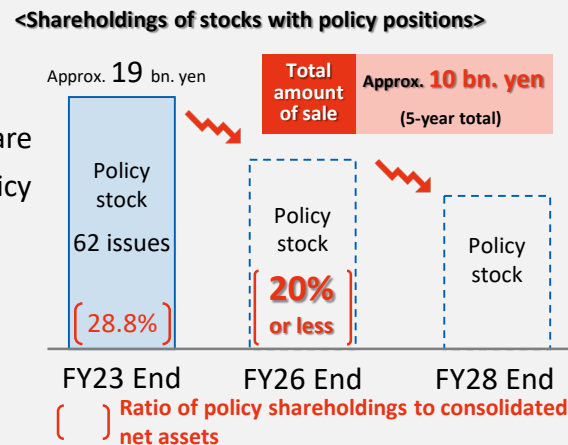


(Installed/operated since FY2023)

- **Strengthening of internal control system**
 - > Review of issue sharing system by strengthening the organization

Improvement of capital efficiency

- **Policy on Policy Stocks**
 - > Based on the cost of capital and fundraising, hold only those stocks that are necessary for business operations as policy stock holdings
 - > Reduce net asset ratio to 20% or less by FY2026



Compliance / Risk management / BCP Enhancement

- **Thorough legal compliance**
 - > Strengthen employee training to ensure compliance with relevant laws and regulations, including the Construction Industry Law and the Health and Safety Law
- **Risk monitoring and early response to abnormalities**
 - > Thorough monitoring of business risks, information risks, employment and personnel risks, and other risks, and early response when they materialize

- I Medium-term Management Plan 2021-23 Summary
- II Medium-term Management Plan 2028 Overall Picture
- III Offensive Strategy ① (Business strategies)
- IV Offensive Strategy ② (Infrastructure strategy)
- V Capital and Shareholder Return Policies**



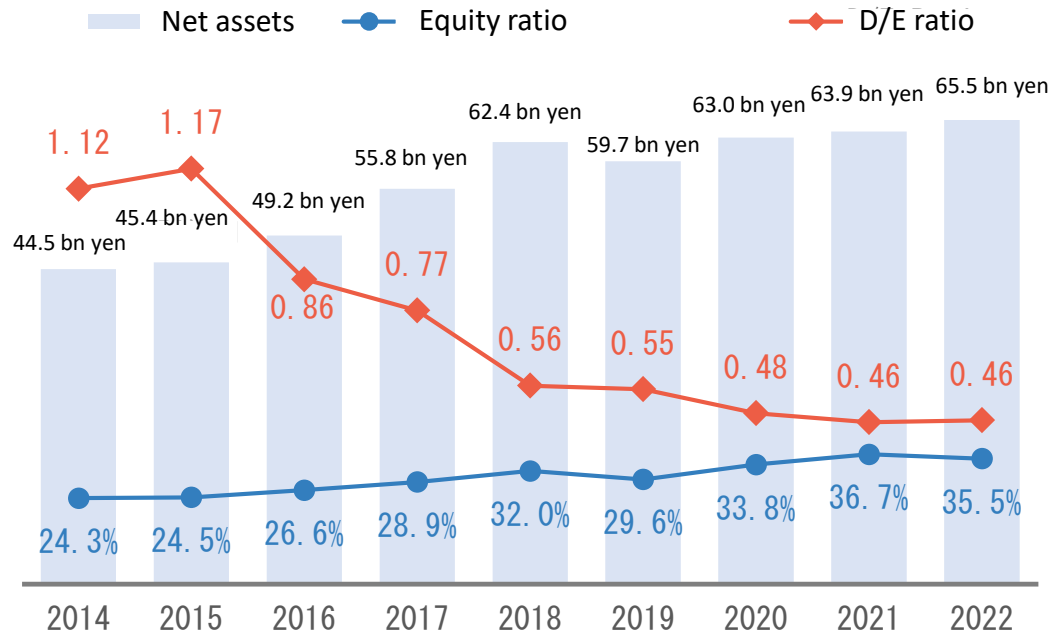
Shift to capital efficiency-conscious management



Past management policies

P/L oriented management to improve financial soundness

- > Improvement of safety indicators such as D/E ratio and equity ratio as an important management issue
- > Priority on the consistent reduction of interest-bearing debt and enhancement of net assets
- > Over the past 10 years, the D/E ratio has declined significantly and the equity ratio has been enhanced to around 35%.



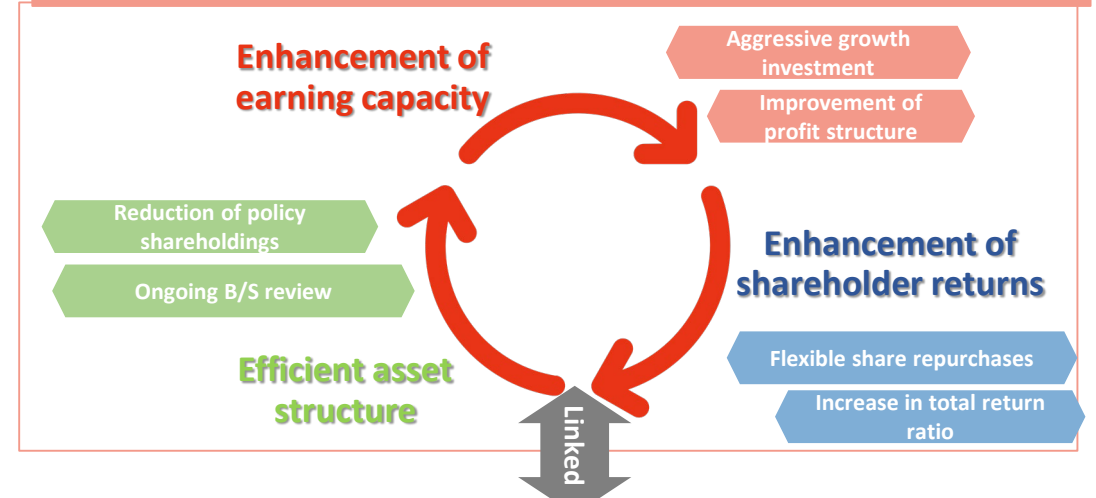
Future management policy

Capital efficiency-conscious management and medium- to long-term improvement of corporate value

Financial health built up over the years

Strengths and expertise mainly in railroads

Achieving ROE in excess of cost of shareholders' equity



Priority infrastructure strategies that contribute to medium- to long-term growth

Human capital policy linked to business strategy

TEKKEN DX strategy to contribute to productivity improvement

Environmental strategy for a decarbonized society

Evolution of governance to enhance the effectiveness of management strategies

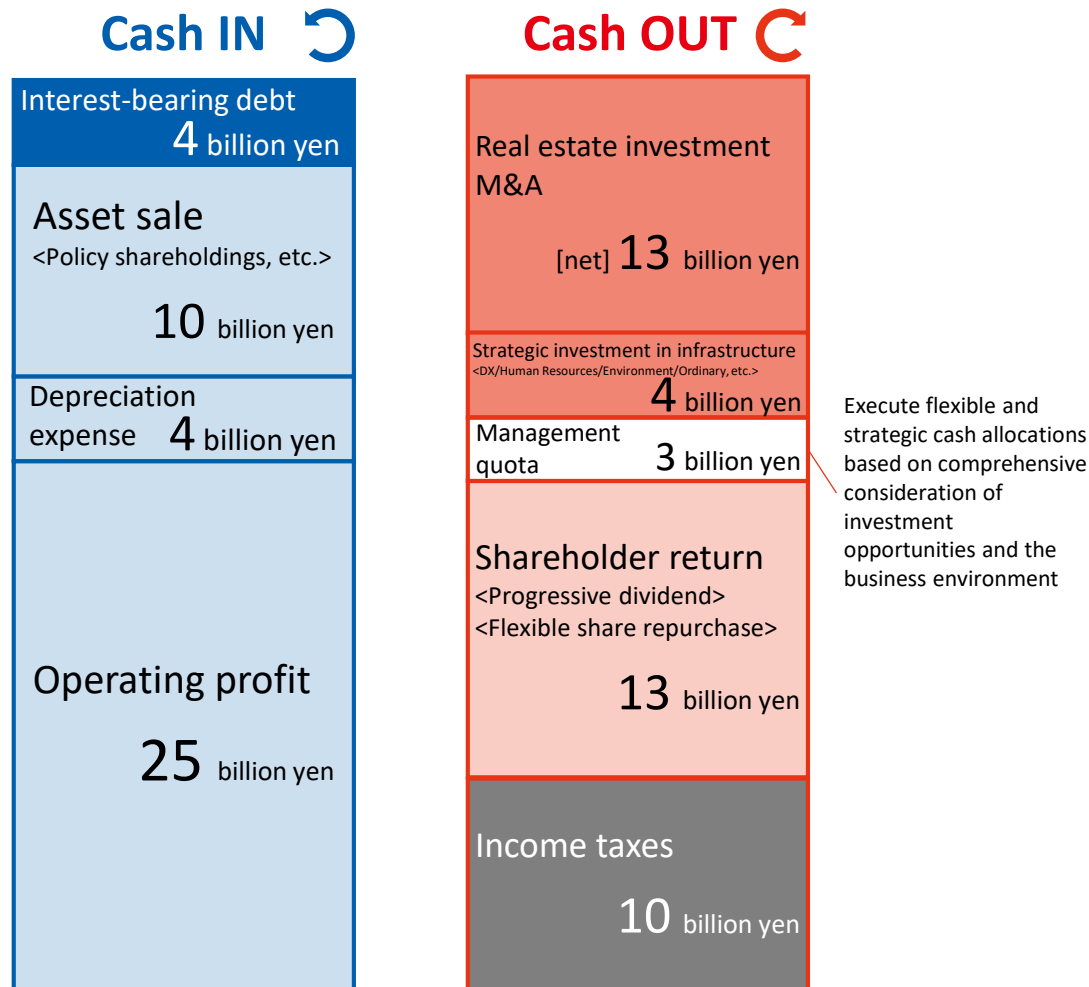


Medium-term Management Plan 2028 Cash allocation

● Flexible and strategic cash allocation, with the aim of capital efficiency-conscious management and increased corporate value.

> Cash allocation (5 years)

> Financial soundness Targets



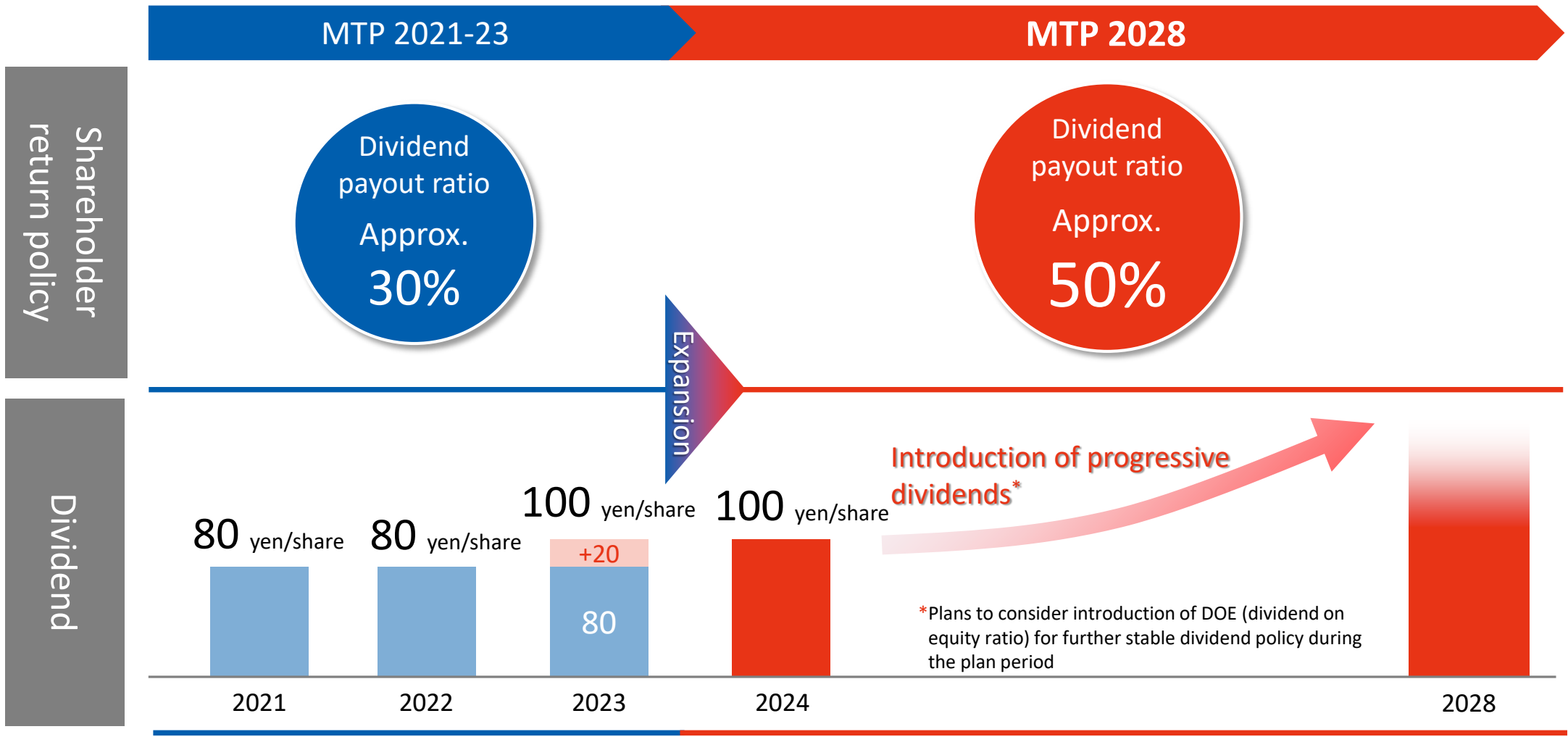
	End of FY2023 (Forecast)	MTP 2028	Long term
Equity ratio	Approx. 34%	30% or more [End of each fiscal year]	35-40%
D/E ratio	Approx. 0.5 times	Up to 0.8 times [End of each fiscal year]	Approx. 0.5 times



Shareholder return policy



- We will introduce a progressive dividend to further increase shareholder returns and to further stabilize its dividend policy.



Trust and Technology





(Ref-1)

Numerical plan



	FY2023 (Forecast)	FY2024 (Plan)	FY2026 (Plan)	FY2028 (Plan)
Net sales	183.5 bn. Yen	175.0 bn. yen	183.5 bn. yen	200.0 bn. yen
Civil Engineering	91.9 bn. Yen	86 bn. yen	87 bn. yen	95 bn. yen
Architectural Construction	88 bn. Yen	86 bn. yen	90 bn. yen	95 bn. yen
Real Estate, New Business, etc.	3.6 bn. yen	3 bn. yen	6.5 bn. yen	10 bn. yen
Gross profit	11.9 bn. yen	14.0 bn. yen	16.7 bn. yen	20.5 bn. yen
Civil Engineering	9.4 bn. yen	9 bn. yen	10 bn. yen	12 bn. yen
Architectural Construction	1.6 bn. yen	4 bn. yen	5.5 bn. yen	7 bn. yen
Real Estate, New Business, etc.*	800 million yen	1 bn. yen	1.2 bn. yen	1.5 bn. yen
Operating profit	900 mn. yen	1.7 bn. yen	5 bn. yen or more	8 bn. yen or more
Equity ratio	Approx. 34%	About 32%	Approx. 31%	Approx. 33%
D/E ratio	Approx. 0.5	Approx. 0.6	Approx. 0.7	Approx. 0.6
ROE	Approx. 6.0	Approx. 4.0%	7.0% or more	8.0% or more

*Including non-operating income (loss) in Real Estate