

Financial Results Presentation for the Fiscal Year Ended March 31, 2022

June 3, 2022

Becoming a truly strong corporate group





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1

Overview of Financial Results for the Fiscal Year Ended March 31, 2022



Preventive measures

We take thorough measures to prevent the spread of COVID-19 and continue construction works and plant operations to stably and constantly operate our business and provide our services while ensuring the safety and health of executives, employees, suppliers, and other relevant parties.

Impact on our business

We suspended some of the construction works, but neither trends of public work orders nor product delivery status showed any significant changes. Impact on orders received for our domestic business was limited.

Meanwhile, as the world economy recovers from the COVID-19 pandemic, we saw a significant impact on our profit due to a marked rise in raw material prices caused by tight crude oil and material supplies.

Financial conditions

We ensure a necessary cash position. We observe no impact on our business activities in terms of working capital. We will continue to maintain financial soundness while paying close attention to changes in trends of construction work orders that may be influenced by COVID-19 preventive measures.

- Spread of COVID-19 continued to affect our business.
Production activities slowed down due to supply shortages of semiconductors and other parts.
- In the road construction market, public investment remained strong in relation to disaster prevention and mitigation and general measures to boost national resilience.
- Global demand recovery increased crude oil prices, and straight asphalt and other raw material prices were in the stratosphere.
- Increased tension in Ukraine further pushed up crude oil prices.
We continued to operate in a challenging business environment, which made it especially difficult for us to make a significant profit.

Key Initiatives in the Fiscal Year Ended March 31, 2022

We promote strategies in the Medium-term Management Plan (FY2021–FY2023)

- 1 Expand stable earnings by further strengthening the competitiveness of our core businesses**
- 2 Rise to the challenge of expanding business areas and developing new business fields**
- 3 Create a virtuous cycle in the recruitment, retention, and development of human resources**
- 4 Establish new ways of working that help improve productivity**
- 5 Build a strong and sound management and financial base**

▶ Becoming a truly strong corporate group that can respond to any future environmental changes

1 Financial Results (Consolidated and Non-consolidated) 世紀東急工業株式会社

- Neither sales nor profits avoided a year-on-year downturn. (For the previous fiscal year, net sales exceeded 90 billion yen for the first time since the fiscal year ended March 31, 2002, and we posted record high operating income and ordinary profit, significantly higher than the previous records, on both consolidated and non-consolidated bases.)
- Net sales were at the highest level in the past 10 years, apart from the results for the previous year.
- Overall, the results were for the most part in line with the initial forecast (consolidated net sales of 86.4 billion yen, operating income of 4.8 billion yen, ordinary profit of 4.7 billion yen, and net income of 3.1 billion yen).

(Millions of yen)

Consolidated	FY2019 results	FY2020 results	FY2021 results	YoY change (Amount)	YoY change (%)
Net sales	78,631	90,025	85,132	(4,892)	(5.4)
Gross profit	11,003	14,111	10,231	(3,879)	(27.5)
Selling, general and administrative expenses	5,042	5,640	5,812	172	3.1
Operating income	5,961	8,470	4,418	(4,051)	(47.8)
Ordinary income	6,009	8,395	4,358	(4,037)	(48.1)
Net income	6,544	5,180	3,304	(1,875)	(36.2)

Non-consolidated	FY2019 results	FY2020 results	FY2021 results	YoY change (Amount)	YoY change (%)
Net sales	74,176	84,699	81,168	(3,530)	(4.2)
Gross profit	9,990	12,971	9,238	(3,732)	(28.8)
Selling, general and administrative expenses	4,584	4,982	5,148	166	3.3
Operating income	5,405	7,988	4,089	(3,899)	(48.8)
Ordinary income	5,546	7,960	4,025	(3,934)	(49.4)
Net income	6,145	4,784	3,083	(1,700)	(35.6)

1

Orders Received, Net Sales and Construction Contracts Brought Forward (Consolidated)



- Both construction work orders and product sales decreased. Overall orders received declined by 7.5%.
- While construction works for the contracts in progress at the beginning of FY2021 steadily progressed, orders received, including product sales, declined. As a result, net sales fell short of those for the previous year.
- Changes in accounting standards (application of new revenue recognition standards) increased net sales by 11.1 billion yen and cost of sales by 14.4 billion yen.
- Construction contracts brought forward fell short of those for the previous year but maintained a sufficient level.

(Millions of yen)

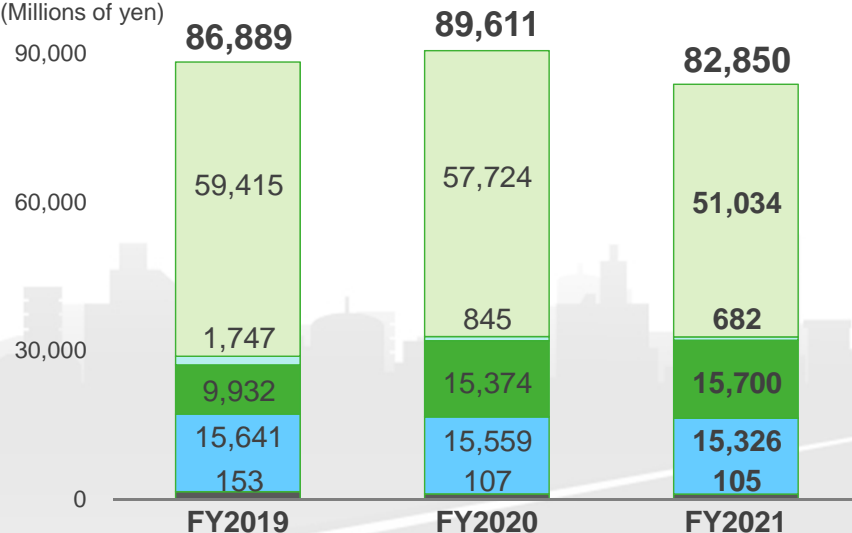
Orders received	FY2019	FY2020	FY2021		YoY change (Amount)	YoY change (%)
	Amount	Amount	Amount	Composition (%)		
Construction Business	71,095	73,944	67,417	81.4	(6,526)	(8.8)
Asphalt pavement	59,415	57,724	51,034	61.6	(6,690)	(11.6)
Concrete pavement	1,747	845	682	0.8	(162)	(19.3)
Civil engineering works, etc.	9,932	15,374	15,700	19.0	326	2.1
Pavement Materials Manufacturing and Sales Business	15,641	15,559	15,326	18.5	(232)	(1.5)
Real Estate Business, etc.	153	107	105	0.1	(1)	(1.8)
Total orders received	86,889	89,611	82,850	100.0	(6,761)	(7.5)

(Millions of yen)

Orders received

- Asphalt pavement
- Concrete pavement
- Civil engineering works, etc.
- Pavement Materials Manufacturing and Sales Business
- Real Estate Business, etc.

(Millions of yen)



Net sales

	FY2019	FY2020	FY2021
Construction Business	62,836	74,357	69,699
Asphalt pavement	50,754	58,615	53,810
Concrete pavement	1,707	1,770	640
Civil engineering works, etc.	10,375	13,972	15,249
Pavement Materials Manufacturing and Sales Business	15,641	15,559	15,326
Real Estate Business, etc.	153	107	105
Total	78,631	90,025	85,132

Construction contracts brought forward

(Millions of yen)

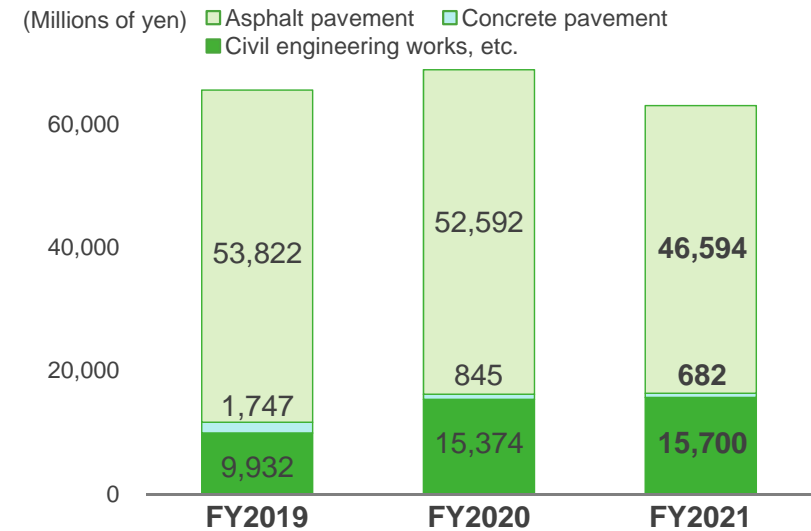
	FY2019	FY2020	FY2021
Construction Business	41,392	40,978	36,538
Asphalt pavement	31,306	30,416	26,195
Concrete pavement	1,233	308	325
Civil engineering works, etc.	8,851	10,253	10,017
Total	41,392	40,978	36,538

1 Construction Work Orders Received (Non-consolidated)

- Construction work orders from the private sector, which we focus on, increased by 7.3%. While construction work orders from the public sector grew in the second half of the fiscal year, overall construction work orders received failed to reach the initial forecast of 65 billion yen. One of the reasons for the decrease in construction works for the public sector is the restricted construction capacity in activities to receive orders during the first half of the fiscal year, despite a large number of construction contracts in progress at the beginning of FY2021.
- Some construction orders, mainly those from the private sector, were shelved due to the COVID-19 pandemic. This had minimal direct impact on orders received but raised concerns about intensified competition.

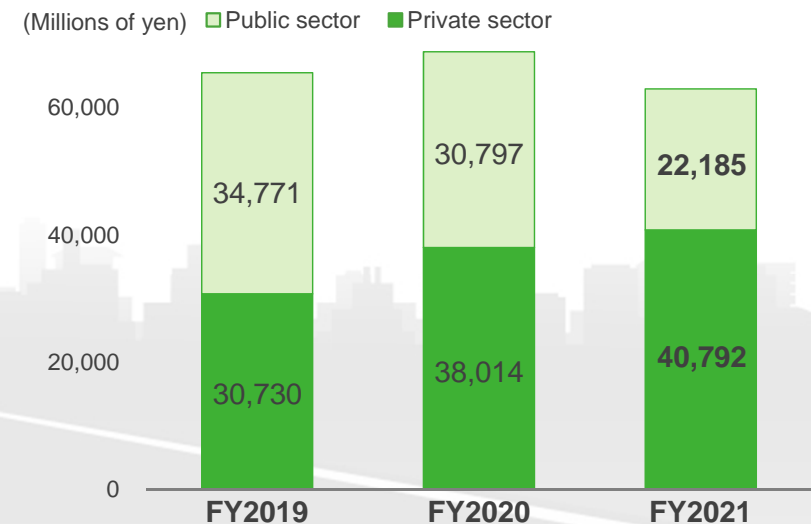
(Millions of yen)

Orders received by type of work	FY2019	FY2020	FY2021	YoY change (Amount)	YoY change (%)
Asphalt pavement	53,822	52,592	46,594	(5,998)	(11.4)
Concrete pavement	1,747	845	682	(162)	(19.3)
Civil engineering works, etc.	9,932	15,374	15,700	326	2.1
Total	65,502	68,812	62,977	(5,834)	(8.5)



(Millions of yen)

Orders received by public and private sector	FY2019	FY2020	FY2021	YoY change (Amount)	YoY change (%)
Public sector	34,771	30,797	22,185	(8,612)	(28.0)
Private sector	30,730	38,014	40,792	2,778	7.3
Tokyu Group	2,732	2,737	2,005	(732)	(26.8)
Total	65,502	68,812	62,977	(5,834)	(8.5)



1 Product Manufacturing and Sales Results (Non-consolidated) 世紀東急工業株式会社

- Demand continued to be sluggish, and production volume and sales volume of asphalt composites fell short of those for the previous year.
- Prices of raw materials and other materials, including those related to crude oil, remained high, significantly increasing manufacturing and transportation costs. This, however, was not reflected in selling prices, and unit selling prices remained unchanged on the whole.

(Millions of yen)

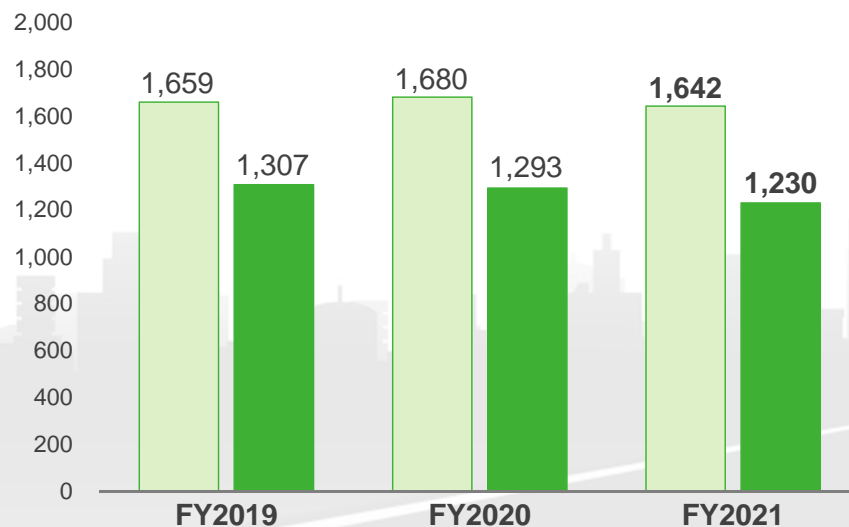
		FY2019	FY2020	FY2021	YoY change (Amount)	YoY change (%)
Asphalt composites	Production volume (Kilotons)	1,659	1,680	1,642	(38)	(2.3)
	Sales volume (Kilotons)	1,307	1,293	1,230	(62)	(4.9)
	Sales	11,847	11,528	11,089	(438)	(3.8)
Sales of other products		4,555	4,378	4,476	98	2.2
Total net sales		16,402	15,906	15,566	(340)	(2.1)

Notes 1. The difference between production volume and sales volume of asphalt composites is the quantity used for construction works we received orders for.
2. Sales of other products were generated by the sales of asphalt emulsion, crushed stone, etc.

Production volume and sales volume

□ Production volume ■ Sales volume

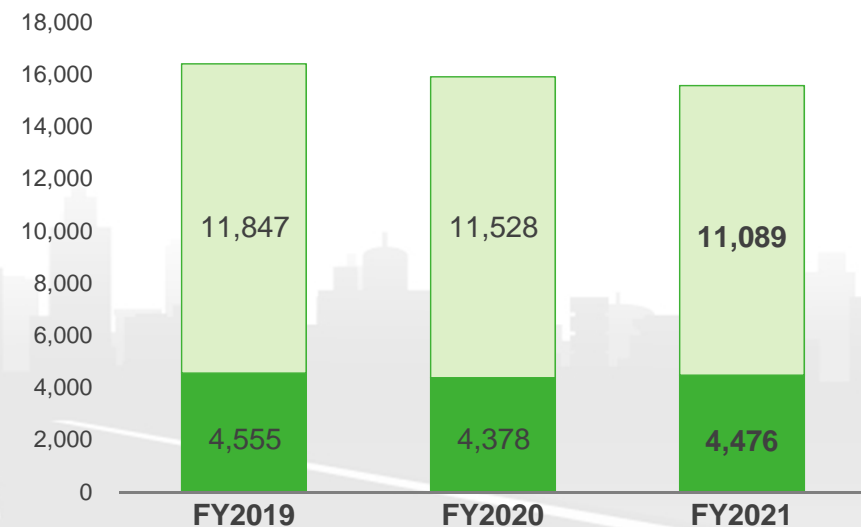
(Kilotons)



Net sales

□ Asphalt composites ■ Other products

(Millions of yen)



1 Net Sales and Profit (Loss) Results by Segment (Consolidated) 世紀東急工業株式会社

- The Construction Business remained firm, with extensive construction works in progress at the beginning of FY2021 making steady progress. However, net sales and segment profit decreased, showing a year-on-year downturn. (Up to the previous year, a series of highly productive, large-scale construction works markedly increased net sales of completed construction contracts and improved the margin. As a result, we posted decade-high profits in FY2019 and FY2020. Segment profit for FY2018 was 5,122 million yen.)
- In the Pavement Materials Manufacturing and Sales Business, net sales decreased slightly. Meanwhile, costs remained at high levels throughout the fiscal year, significantly reducing the margin. Segment profit fell below two billion yen, marking the lowest in the past 10 years.

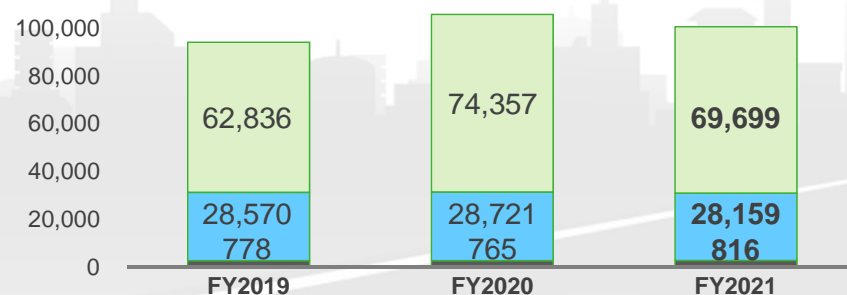
(Millions of yen)

Net sales	FY2019	FY2020	FY2021	YoY change (Amount)	YoY change (%)
Construction Business	62,836	74,357	69,699	(4,657)	(6.3)
Pavement Materials Manufacturing and Sales Business	28,570	28,721	28,159	(562)	(2.0)
Real Estate Business, etc.	778	765	816	51	6.7
Adjustments	(13,553)	(13,819)	(13,543)	276	—
Total net sales	78,631	90,025	85,132	(4,892)	(5.4)

Operating income	FY2019	FY2020	FY2021	YoY change (Amount)	YoY change (%)
Construction Business	6,173	8,428	6,038	(2,390)	(28.4)
Pavement Materials Manufacturing and Sales Business	2,586	3,163	1,623	(1,540)	(48.7)
Real Estate Business, etc.	166	154	155	1	1.0
Adjustments	(2,964)	(3,275)	(3,398)	(122)	—
Total operating income	5,961	8,470	4,418	(4,051)	(47.8)

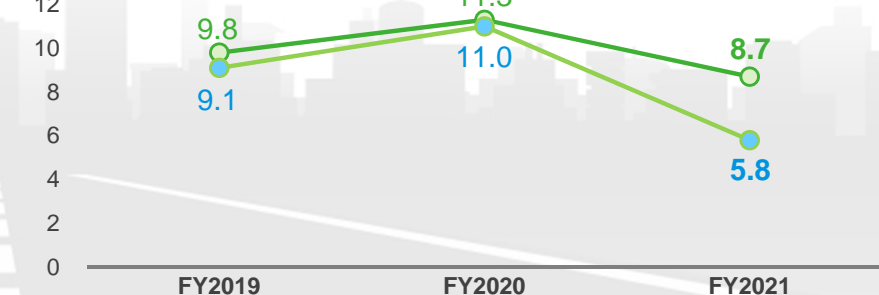
Net sales (Millions of yen)

- Construction Business
- Pavement Materials Manufacturing and Sales Business
- Real Estate Business, etc.



Operating income margin (%)

- Construction Business margin
- Pavement Materials Manufacturing and Sales Business margin



1 SG&A, Operating Income, Ordinary Profit and Net Income (Consolidated)

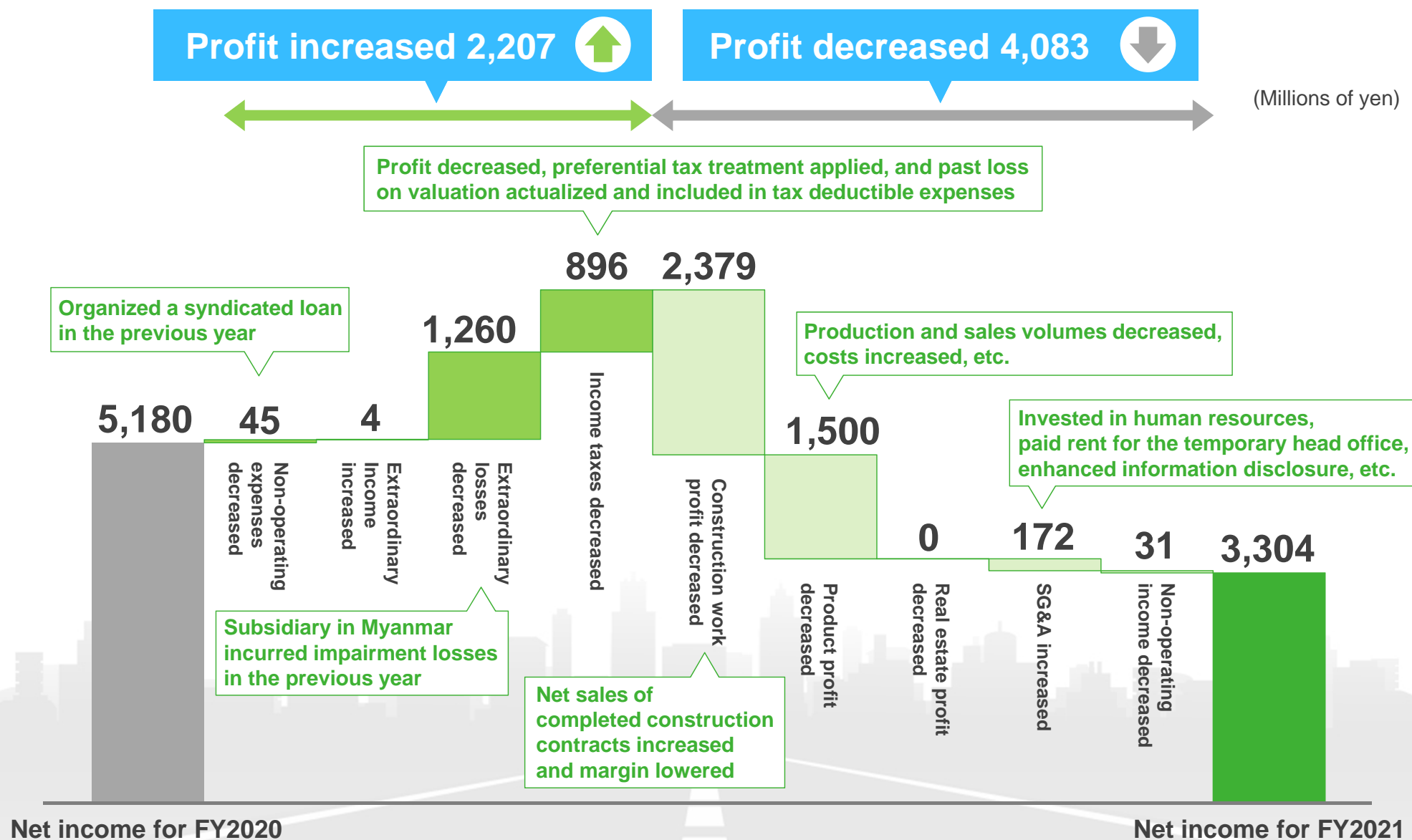
- Costs to invest in securing and developing human resources, such as personnel costs and training expenses, increased.
- Extraordinary losses decreased mainly because our subsidiary in Myanmar had incurred impairment losses of 1,150 million yen in the previous year.
- We sold the assets for which we had incurred accounting loss on valuation in the past. This actualized the loss, and the loss was included in tax deductible expenses.
- Preferential tax treatment (R&D tax credit, tax credit for promotion of securing human resources) was applied.

(Millions of yen)

	FY2020		FY2021		YoY change (Amount)	YoY change (%)
	Amount	Composition (%)	Amount	Composition (%)		
Net sales	90,025	100.0	85,132	100.0	(4,892)	(5.4)
Gross profit	14,111	15.7	10,231	12.0	(3,879)	(27.5)
Selling, general and administrative expenses	5,640	6.3	5,812	6.8	172	3.1
Operating income	8,470	9.4	4,418	5.2	(4,051)	(47.8)
Non-operating income	108	0.1	77	0.1	(31)	(29.0)
Non-operating expenses	183	0.2	137	0.2	(45)	(25.0)
Ordinary income	8,395	9.3	4,358	5.1	(4,037)	(48.1)
Extraordinary income	94	0.1	98	0.1	4	4.3
Extraordinary losses	1,389	1.5	128	0.2	(1,260)	(90.7)
Profit before income taxes	7,100	7.9	4,327	5.1	(2,772)	(39.0)
Income taxes - current	1,332	1.5	1,123	1.3	(209)	(15.7)
Income taxes - deferred	586	0.7	(100)	(0.1)	(687)	—
Net income	5,180	5.8	3,304	3.9	(1,875)	(36.2)

1 Analysis of Factors Affecting Changes in Net Income (Consolidated)

- While there were positive factors, such as year-on-year increase in extraordinary income and decrease in extraordinary losses, marked declines in construction work profit and product profit resulted in a decrease of 1,875 million yen in net income.



1 Consolidated Financial Position and Cash Flows

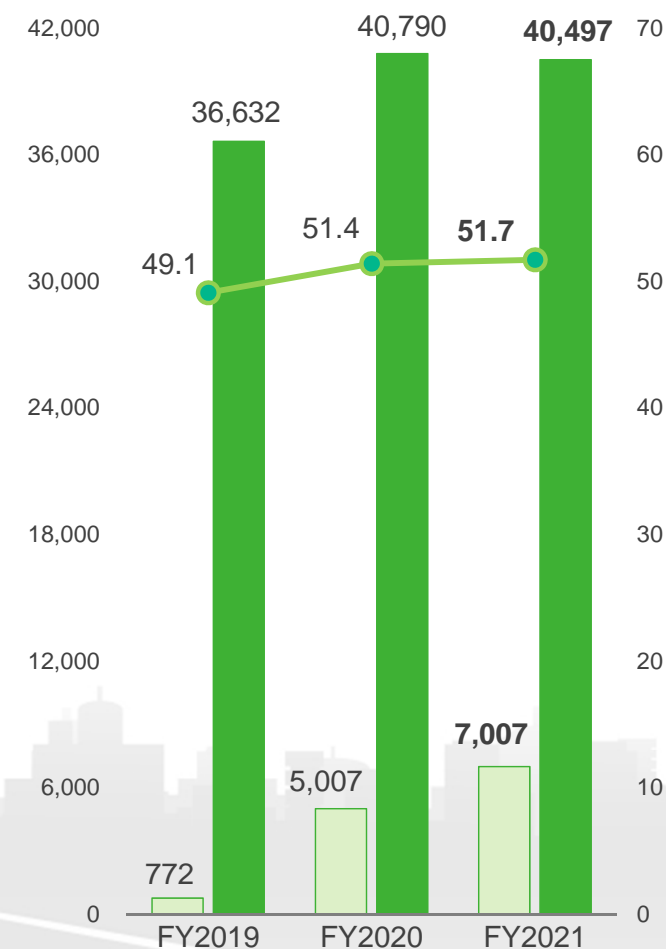
- Purchase of property, plant and equipment of 3,516 million yen, including expenses for office rebuilding
- Purchase of treasury shares of 2,500 million yen
- Dividends paid of 1,731 million yen
- Borrowing increased by 1,999 million yen (Borrowed 2,000 million yen to secure funding for the rebuilding of the head office)
- While profit before income taxes decreased, net cash provided by operating activities significantly increased year on year due to increase/decrease in trade receivables, advances received on uncompleted construction contracts, etc.

Consolidated financial position

(Millions of yen)

	As of Mar. 31, 2020	As of Mar. 31, 2021	As of Mar. 31, 2022	YoY change
Total assets	74,656	79,409	78,295	(1,113)
Total liabilities	38,023	38,619	37,797	(821)
Interest-bearing debt	772	5,007	7,007	1,999
(Short-term borrowings)	472	7	107	99
(Long-term borrowings)	300	5,000	6,900	1,900
Net assets	36,632	40,790	40,497	(292)
Equity ratio	49.1%	51.4%	51.7%	—

Interest-bearing debt (Millions of yen) Net assets (Millions of yen) Equity ratio (%)



Consolidated cash flows

(Millions of yen)

	FY2019	FY2020	FY2021
Net cash provided by (used in) operating activities	4,461	1,138	4,646
Net cash provided by (used in) investing activities	(3,808)	(3,622)	(3,668)
Net cash provided by (used in) financing activities	(2,919)	2,343	(2,232)
Effect of exchange rate change on cash and cash equivalents	3	6	33
Net increase (decrease) in cash and cash equivalents	(2,262)	(133)	(1,220)
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	696	—	—
Cash and cash equivalents at end of period	14,169	14,035	12,814

As of March 31

1 Major Construction Works We Received Orders for

Customer	Project	Site (Prefecture)
TOKYU LAND CORPORATION	Artificial ground work for BRANZ Kita 24-jo West	Hokkaido
East Nippon Expressway Company Limited	Pavement repair work within the jurisdiction of Morioka Management Office of Tohoku Expressway (2022)	Iwate
Tohoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism (MLIT)	Maintenance and repair work on Route 6 in Soma area	Fukushima
Kanto Regional Development Bureau, MLIT	Second utility tunnel surface restoration work on Route 4 Shitaya (2) (2021)	Tokyo
Tokyo Metropolitan Government	Surface repair work (2021, 5-6, two-layer low-noise pavement)	Tokyo
Kawasaki City	Construction work (switch) on Setagaya Machida Line, Tama-ku urban planning and road	Kanagawa
Hokuriku Regional Development Bureau, MLIT	Third other utility tunnel construction work in Owaricho (2021)	Ishikawa
Central Nippon Expressway Company Limited	Pavement improvement work in the Komagatake service area on Chuo Expressway (outbound line)	Nagano
Hanshin Expressway Company Limited	Large-scale pavement repair work (Kobe Line, January 2021)	Hyogo
West Nippon Expressway Company Limited	Pavement repair work within the jurisdiction of Yonago Operation Office of Yonago Expressway (FY2021)	Tottori

1 Major Completed Construction Works

Customer	Project	Site (Prefecture)
East Nippon Expressway Company Limited	Pavement repair work within the jurisdiction of Towada Management Office of Tohoku Expressway	Aomori
Tohoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism (MLIT)	Route 45 Ube Ashigasawa area pavement construction work	Iwate
Kanto Regional Development Bureau, MLIT	New Line 4 Koushu area pavement construction work (2020)	Ibaraki
East Nippon Expressway Company Limited	Pavement repair work within the jurisdiction of Mito Management Office of Joban Expressway	Ibaraki
Central Nippon Expressway Company Limited	Pavement construction work between Nagoya-nishi Junction and Asuka Junction on Mei-Nikan Expressway	Aichi
West Nippon Expressway Company Limited	Pavement repair work within the jurisdiction of Kyoto Operation Office (2019)	Kyoto
Hanshin Expressway Company Limited	Large-scale pavement repair work (loop line road, January 2019)	Osaka
Kinki Regional Development Bureau, MLIT	Route 42 pavement repair and other work in Tanabe	Wakayama
West Nippon Expressway Company Limited	Pavement construction work between Okayama Junction and Ukan Interchange on Okayama Expressway	Okayama
Kyushu Regional Development Bureau, MLIT	Fourth other runway expansion and taxiway construction work at Fukuoka Airport (FY2020)	Fukuoka



Pavement repair work within the jurisdiction of Towada Management Office of Tohoku Expressway



Pavement construction work between Nagoya-nishi Junction and Asuka Junction on Mei-Nikan Expressway



Pavement construction work between Okayama Junction and Ukan Interchange on Okayama Expressway

Prevent recurrence of violation of the Anti-Monopoly Act

- In response to the violations of the Anti-Monopoly Act that had taken place in the period up to January 2015, we will continue to implement measures laid out to prevent recurrence across the Company and strive to regain trust early.

Outline of measures to prevent recurrence

Announced on March 25, 2016

Measures to Prevent the Recurrence of Anti-Monopoly Act Violations (Mainly includes measures against violations in bidding for construction works)

Announced on January 24, 2020

Specific Measures to Prevent Recurrence Compiled in Response to the Recommendations in the Investigation Report (Additional measures against violations in deciding mixture prices)

Lawsuit for revoking an order to pay surcharges (issued on July 30, 2019)

As we announced on January 23, 2020, we filed a lawsuit against the Japan Fair Trade Commission for revoking one of their orders to pay surcharges because there were some divergences of views between the Company and the commission concerning net sales subject to the calculation of the surcharges.

On August 5, 2021, the Tokyo District Court rejected the Company's claim. However, the Company was dissatisfied with the judgment and appealed to the Tokyo High Court. The lawsuit is still ongoing. We will continue to seek a fair judgment in court.

Purchase of treasury shares

1 Resolution to purchase treasury shares approved at the Board of Directors meeting held on May 12, 2021

(1) Class of shares to purchase	Common shares of the Company
(2) Total number of shares to purchase	3,500,000 shares (upper limit) (8.67% of the total number of shares issued excluding treasury shares)
(3) Total purchase cost of shares	2,500,000,000 yen (upper limit)
(4) Purchase period	May 13, 2021 to March 31, 2022
(5) Purchase method	Market purchase on the Tokyo Stock Exchange (discretionary investment method by a securities company)

2 Cumulative total of treasury shares purchased based on the above resolution by the Board of Directors (Result of purchase)

(1) Total number of shares purchased	2,973,900 shares
(2) Total purchase cost of shares	2,499,998,712 yen

Cancellation of treasury shares

(1) Class of shares to cancel	Common shares of the Company
(2) Number of shares to cancel	2,000,000 shares (4.95% of the total number of shares issued before cancellation)
(3) Scheduled date of cancellation	June 30, 2022

Reference

Total number of shares issued after cancellation	38,414,407 shares
Number of treasury shares after cancellation	996,909 shares (*)

*The figure was calculated by subtracting the number of shares to cancel indicated above from the number of treasury shares held as of March 31, 2022.

Policy for holding and cancellation of treasury shares

We will continue to hold treasury shares of up to roughly 3% of the total number of shares issued, taking into consideration that they can be used for our restricted stock compensation plan, future strengthening of business foundation and flexible capital policy, demand for sale of shares less than one unit, and other purposes. Treasury shares exceeding the threshold will in principle be cancelled.

2

Outlook for the Fiscal Year Ending March 31, 2023



2 Financial Results Forecast for FY2022 (Non-consolidated)

- We continue to see firm underlying demand in the road construction market, such as disaster prevention and mitigation business and greater national resilience.
- Net sales, operating income, and ordinary profit are expected to increase.
- Forecasts for net income remain at the same level as the previous year's results, given an increase in the tax burden from the previous fiscal year, when measures to reduce the corporate tax burden were in place.
- Forecasts at this moment do not factor in further deterioration of the business environment caused by the spread of COVID-19 or geopolitical risks.

(Millions of yen)

Consolidated	FY2020	FY2021	FY2022 (Forecast)	YoY change (Amount)	YoY change (%)
Orders received	89,611	82,850	92,600	9,750	11.8
Net sales	90,025	85,132	92,600	7,468	8.8
Gross profit	14,111	10,231	11,200	969	9.5
Operating income	8,470	4,418	5,000	582	13.2
Ordinary income	8,395	4,358	5,000	642	14.7
Net income	5,180	3,304	3,300	(4)	(0.1)

Non-consolidated	FY2020	FY2021	FY2022 (Forecast)	YoY change (Amount)	YoY change (%)
Orders received	84,747	78,572	88,000	9,428	12.0
Net sales	84,699	81,168	88,000	6,832	8.4
Gross profit	12,971	9,238	10,100	862	9.3
Operating income	7,988	4,089	4,700	611	14.9
Ordinary income	7,960	4,025	4,600	575	14.3
Net income	4,784	3,083	3,100	17	0.6

2 Net Sales and Profit (Loss) Forecast by Segment (Consolidated) 世紀東急工業株式会社

- In the Construction Business, we expect higher net sales of completed construction contracts and construction work profit, backed by solid orders received.
While we continue to face a challenging business climate due to consistently high material prices, we expect to maintain the margin by improving productivity.
- In the Pavement Materials Manufacturing and Sales Business, we will strive to increase sales volume, reasonably pass on costs to selling prices, and improve manufacturing efficiency. Thus, we aim to recover profit despite concerns over further increases in manufacturing and transportation costs.

(Millions of yen)

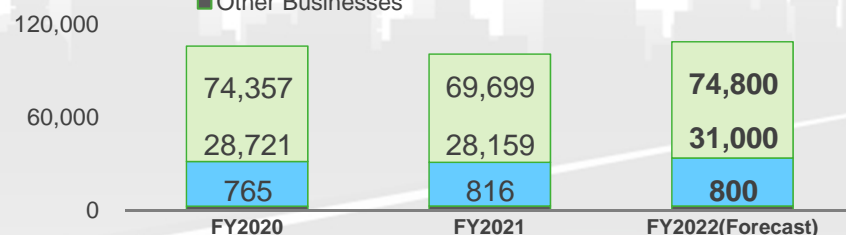
Net sales	FY2021	FY2022 (Forecast)	YoY change (Amount)	YoY change (%)
Construction Business	69,699	74,800	5,101	7.3
Pavement Materials Manufacturing and Sales Business	28,159	31,000	2,841	10.1
Other Businesses	816	800	(16)	(2.0)
Adjustments	(13,543)	(14,000)	(457)	—
Total net sales	85,132	92,600	7,468	8.8

Operating income	FY2021	FY2022 (Forecast)		YoY change (Amount)	YoY change (%)
	Amount	Amount	Margin (%)		
Construction Business	6,038	6,400	8.6	362	6.0
Pavement Materials Manufacturing and Sales Business	1,623	1,850	6.0	227	14.0
Other Businesses	155	150	18.8	(5)	(3.2)
Adjustments	(3,398)	(3,400)	—	(2)	—
Total operating income	4,418	5,000	5.4	582	13.2

Net sales

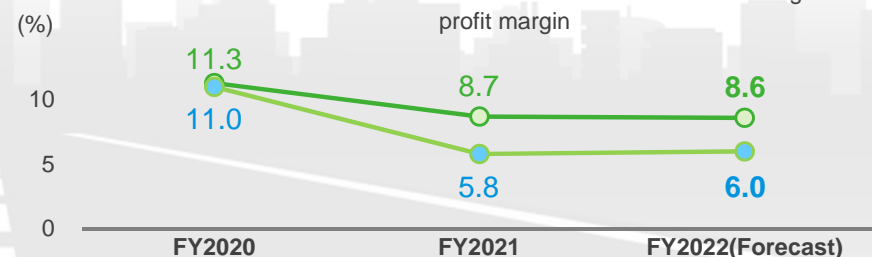
(Millions of yen)

- Construction Business
- Pavement Materials Manufacturing and Sales Business
- Other Businesses



Operating income margin

- Construction Business profit margin
- Pavement Materials Manufacturing and Sales Business profit margin

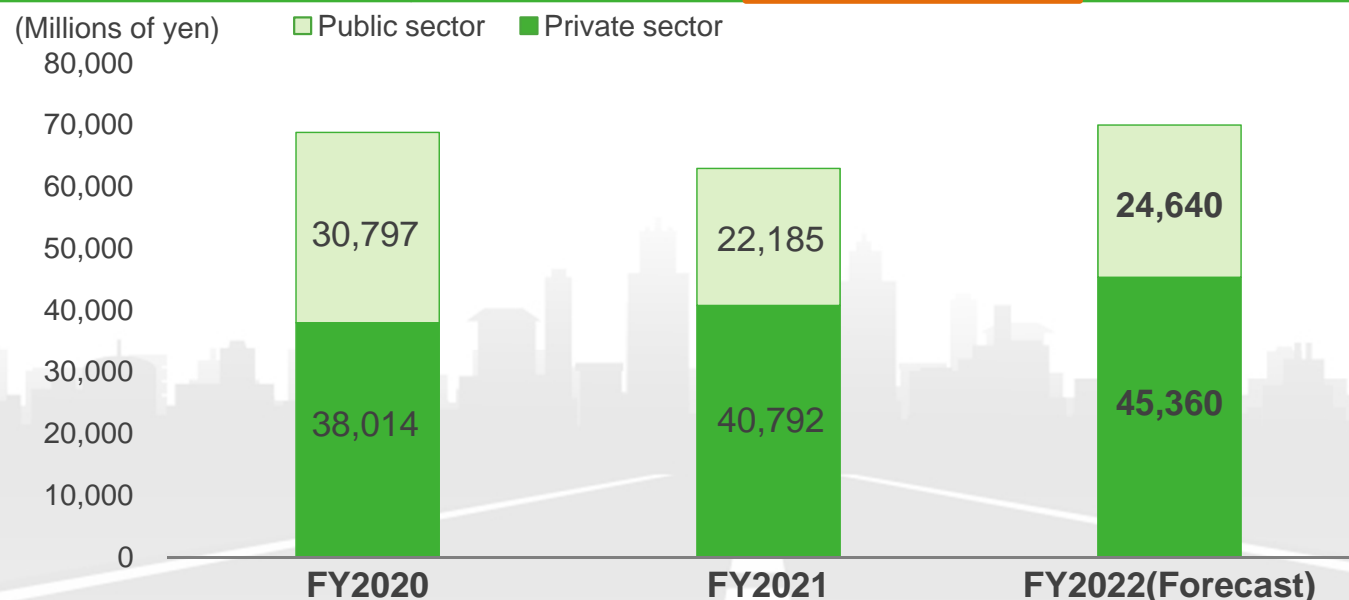


2 Forecast of Construction Work Orders to be Received (Non-consolidated)

- As we expect a gradual decrease in public works in the future, we will continue to focus on strengthening the base of receiving construction orders from the private sector, taking into account medium- to long-term marketability.
- While uncompleted construction works in progress remain at a high level, concerns over construction capacity will ease compared with the beginning of the previous fiscal year.
We will strive to secure construction work orders from the public sector from the beginning of the fiscal year, as we expect firm underlying demand for construction.
- We aim to receive construction work orders equivalent to 70 billion yen, which is more than we received in FY2020.

(Millions of yen)

Orders received by public and private sector	FY2021	FY2022 (Forecast)	YoY change (Amount)	YoY change (%)
Public sector	22,185	24,640	2,454	11.1
Private sector	40,792	45,360	4,567	11.2
Tokyu Group	2,005	2,580	574	28.7
Total	62,977	70,000	7,022	11.2



3

Reference: Medium-term Management Plan (FY2021–2023)



Overview of the Medium-term Management Plan (FY2021-2023)

Corporate Philosophy

An infrastructure building company that helps create affluent communities

Vision

A truly strong corporate group that pursues personal and corporate growth in tandem and helps realize a sustainable society


Basic Policies

Becoming a truly strong corporate group

For achieving our vision (Where We Should Be in 2030), we have started to take actions under the five basic policies: “Expand stable earnings,” “Diversify revenue sources,” “Execute people-centric management,” “Establish new ways of working,” and “Enhance management and financial base,” to transform into a “truly strong corporate group” resilient to environmental changes.

Individual Strategies

- **Expand stable earnings by further strengthening the competitiveness of our core businesses**
- **Rise to the challenge of expanding business areas and developing new business fields**
- **Create a virtuous cycle in the recruitment, retention, and development of human resources**
- **Establish new ways of working that help improve productivity**
- **Build a strong and sound management and financial base**



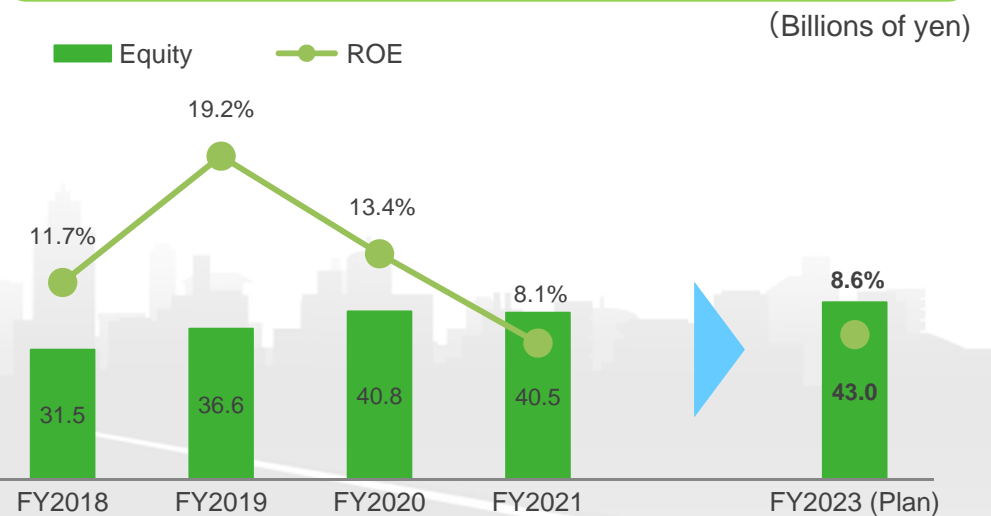
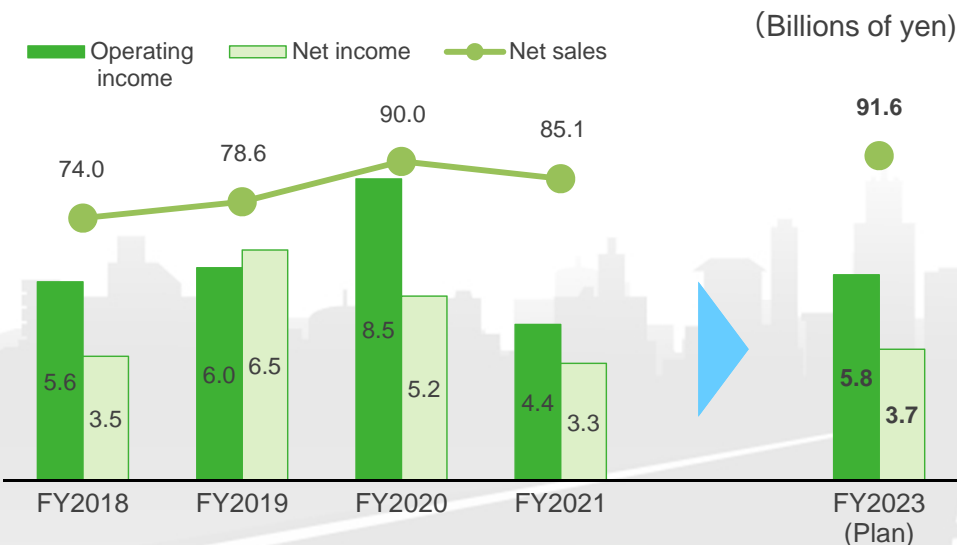
Maintain and improve financial soundness *Consider appropriate balance with capital efficiency
Stable and consistent shareholder returns with a targeted dividend payout ratio of roughly 30% and total shareholders return of 50% or more

Key Performance Indicators (consolidated)(final year of the plan)

Indicator	FY2020 Actual	FY2021 Actual	FY2023 Plan
Net sales	90.0 billion yen	85.1 billion yen	91.6 billion yen
Operating income	8.5 billion yen	4.4 billion yen	5.8 billion yen
Net income	5.2 billion yen	3.3 billion yen	3.7 billion yen
ROE	13.4%	8.1%	Approx. 8.6%
Equity	40.8 billion yen	40.5 billion yen	Approx. 43.0 billion yen
Total assets	79.4 billion yen	78.3 billion yen	Approx. 86.0 billion yen
Equity ratio	51.4%	51.7%	Approx. 50%

- Operating income is assumed at the same level as FY2018 and FY2019, while projecting revenue growth. We estimate a decrease in large-scale projects to construct new roads awarded by public offices. To solidify the profit base during the period of the Plan, we will focus on private works (including subcontracted public works) which are less profitable than directly contracted public works, given the market trends in the medium- to long-term.
- Lower tax burden generated by carry-forward losses ended in FY2020, and net income decreased as a result of income tax payment returning to a normal level.
- [FY2023 net sales plan by business segment]

· Construction (non-consolidated)	67.0 billion yen	} Gross profit: 11.7 billion yen (12.8%) SG&A expenses: 5.9 billion yen Operating income: 5.8 billion yen
· Product business (non-consolidated)	18.0 billion yen	
· Domestic affiliates	8.8 billion yen	
· Overseas affiliates	1.0 billion yen	
· Elimination of transactions between consolidated companies	-3.2 billion yen	



Individual Strategies / Key Strategies

Strategy 1 Expand stable earnings by further strengthening the competitiveness of our core businesses

【Construction Business】

- Increase competitiveness to win construction orders from the Ministry of Land, Infrastructure, Transport and Tourism and expressway companies, by building construction track record and strengthening our response capacity.
- Allow all construction sites (business offices) in Japan to support and sustain themselves in the local area to raise the level of infrastructure figures.
- Focus on addressing aging and deteriorating infrastructure where solid demand is expected, and developing sales in the areas of disaster prevention/mitigation, and renewable energy.

【Pavement Materials Manufacturing and Sales Business】

- Secure sales volume in metropolitan areas with a large market size, by allocating sites to cover our construction works, and enhancing facilities and sales staff.
- Further expand market share by responding to customer needs such as enhancing the offering of eco-friendly products and product quality.

【Technological Development】

- Create new added value by developing technologies foreseeing future changes in the role and function of road pavement.

Strategy 2 Rise to the challenge of expanding business areas and developing new business fields

- Gain a competitive advantage to win orders of comprehensive maintenance works by further honing our technology. etc. to inspect and analyze road conditions.
- Set overseas business on a growth path, and create a new revenue pillar resilient to changes in the domestic construction market.
- Accelerate laying foundations for growth by pursuing M&A and partnership, etc., which help create synergies with existing businesses and expanding business fields and markets.

Individual Strategies / Key Strategies

Strategy 3 Create a virtuous cycle in the recruitment, retention, and development of human resources

- Secure talents necessary to grow our business scale under the Plan, by hiring diverse human resources and strengthening ties with educational organizations.
- Drive employee engagement by further creating an “attractive workplace” where employees feel comfortable and motivated.
- Enhance capability of each employee by creating career paths for diverse talents and rebuilding the educational framework.

Strategy 4 Establish new ways of working that help improve productivity

- By leveraging ICT and implementing efficient operations, enhance productivity, correct long working hours, and realize eight holidays in four weeks.
- Enhance efficiency by digitalizing business processes and further promote the development of an environment to achieve work-life balance.

Strategy 5 Build a strong and sound management and financial base

- Fully implement measures to prevent violation of Anti-Monopoly Act and ensure strict compliance with other laws and regulations, to regain trust and confidence from stakeholders.
- Continue initiatives to strengthen corporate governance and promote management transparency by enhancing disclosure of information.
- Respond appropriately to changes in the accounting standards and taxation system, by further standardizing our accounting process and strengthening internal training on accounting practice.

Capital Policy (Investment Plans, Financial Plans and Shareholder Returns)

Consistent and strategic investment to build sustainable business foundation

	FY2021	Over three-year plan
Maintenance, renewal, acquisition of factories, offices, construction machinery, etc.	Approx. 3.4 billion yen	15.0 billion yen (5.0 billion yen/year)
Strategic investment (M&A, etc.)	–	1.5 billion yen (0.5 billion yen/year)
Total	Approx. 3.4 billion yen	16.5 billion yen (5.5 billion yen/year)

- Consistent strategic capital expenditure and technological development are essential for achieving future sustainable growth. We are currently orchestrating a qualitative turning point in our business assets designed to reduce environmental impact and improve productivity, and we intend to continue annual capital expenditure of approximately 5.0 billion yen as planned.

Maintain and improve financial soundness / Capital efficiency / Consider appropriate balance with capital efficiency

Equity	End of FY2021	End of FY2023	Return on Equity (ROE)	End of FY2021	End of FY2023
	40.5 billion yen	Approx. 43.0 billion yen		8.1%	Approx. 8.6%

- Obtain an A credit rating to maintain and improve financial soundness
 - Target equity is approx. 43.0 billion yen and achieve an equity ratio of roughly 50%
- Maintain solid liquidity on hand worth approx. two-month net sales
 - Incorporate the impact of an upfront cost business model (time difference between the payment of trade payables and recovery of trade receivables) and construction projects becoming larger in size
 - Unable to fulfill our social responsibility if running for financing in emergency
 - Utilize overdraft facility agreement and commitment lines as cash buffer
- During our revitalization phase that began in the early 2000s when our equity had suffered significant damage, ROE has remained consistently high at an average of 20% or above. However, as we have developed greater financial soundness and shifted into the renewed growth phase, ROE is expected to decline somewhat as our tax burden returns to regular levels. We aim to achieve ROE of 10.0% in the future while also ensuring ROE exceeds shareholders' equity costs in the meantime.

Capital Policy (Investment Plans, Financial Plan and Shareholder Returns)

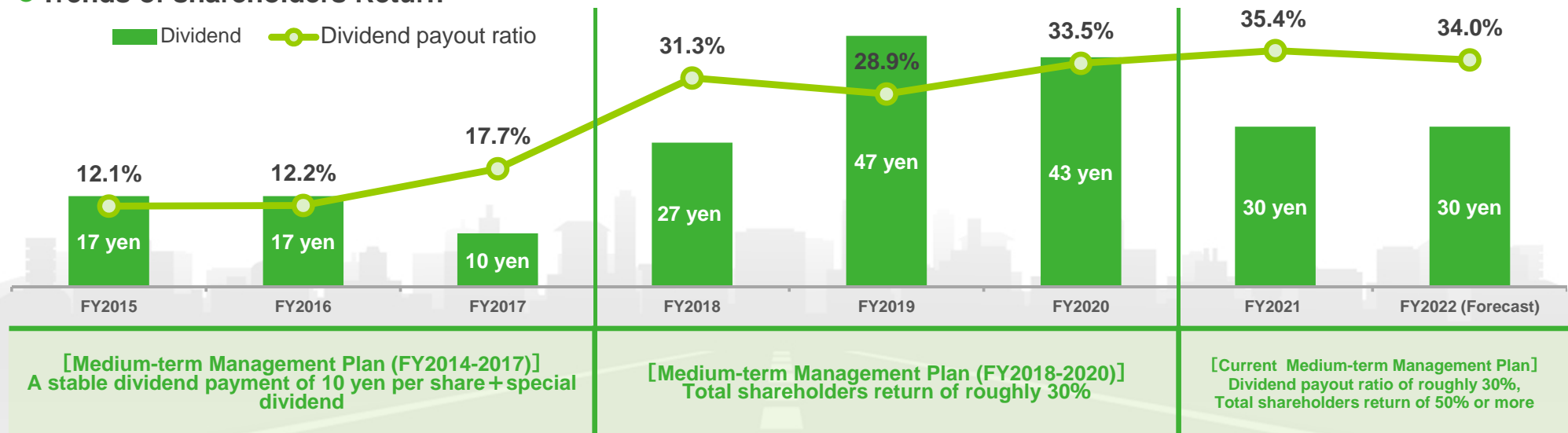
Stable, consistent shareholder returns with a targeted dividend payout ratio of roughly 30% and total shareholders return of 50% or more

Trends of relevant indicators

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (Forecast)
Equity (million yen)	26,072	28,098	31,543	36,632	40,790	40,497	
Net assets per share (yen)	645.90	696.09	780.73	909.13	1,010.99	1,082.33	
Equity ratio (%)	39.2	38.9	44.5	49.1	51.4	51.7	
Net income per share (yen)	139.26	56.35	86.16	162.40	128.45	84.81	88.19
Dividend per share (yen)	17	10	27	47	43	30	30
Dividend payout ratio (%)	12.2	17.7	31.3	28.9	33.5	35.4	34.0
Total shareholders return (%)	12.2	17.7	31.3	30.5	33.5	109.6	(*1) 57.2
ROE (%)	23.8	8.4	11.7	19.2	13.4	8.1	

*1 We have been purchasing treasury shares in FY2022 (up to 0.8 billion yen in total or 1.2 million shares) [Announced on May 11, 2022]

Trends of shareholders Return





4 Reference Information



Corporate Philosophy

An infrastructure building company that helps create affluent communities

Company name	SEKITOKYU KOGYO CO., LTD.
Established	January 16, 1950
Head office location	3-13-16 Mita, Minato-ku, Tokyo
Representative	Yoshikazu Taira, Director, President
Share capital	2,000 million yen (March 31, 2021)
Net sales	84,699 million yen (FY2022)
Number of employees	931 (March 31, 2022)
Listing	Prime Market of the Tokyo Stock Exchange
Construction business license	Special construction business license issued by the Minister of Land, Infrastructure, Transport and Tourism (Special - 29) No. 1962 (Special - 30) No. 1962

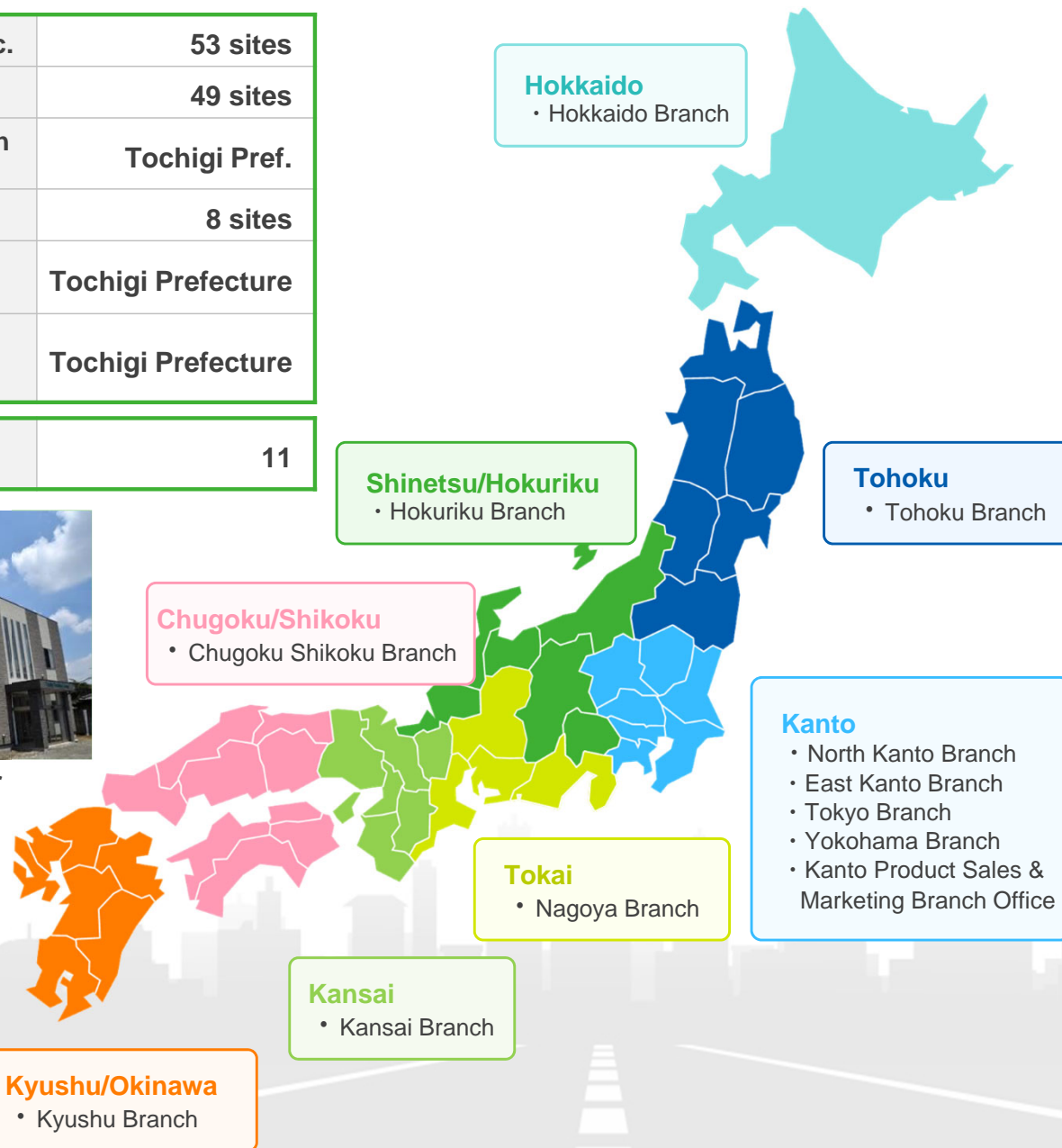
4 Main Offices, Laboratories, Consolidated Subsidiaries, etc.

Business offices, etc.	53 sites
Material plants, etc.	49 sites
Technology research laboratory	Tochigi Pref.
Testing laboratories	8 sites
Equipment center	Tochigi Prefecture
Training center	Tochigi Prefecture

Consolidated subsidiaries	11
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Training center



Iwate Branch Office



Akita Material Plant



Sakura Material Plant

4 Our Technologies



CRACK REPAIR

CRACK REPAIR is an ultra-low viscosity polyurethane-based repairing material that can be flown naturally and injected into concrete cracks. Its superior performance enables to open roads to traffic approximately one hour after construction works. The product, jointly developed with TOKYU CONSTRUCTION CO., LTD., helps to extend the life of infrastructure.



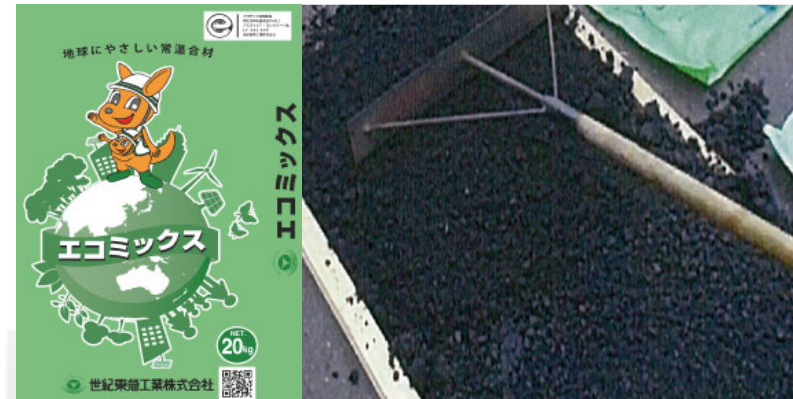
Road Surface Properties Measuring Vehicle

The vehicle records the status of road surface using cameras in the survey unit, which can be installed on a passenger car. The vertical and horizontal laser scanners check the conditions of road surface and provides crack percentages and other data. Using AI, the product also calculates rutting percentages and detects potholes and fading lines.



Mible-eco (generic term: foamed asphalt mixture)

Asphalt and aggregate can be mixed easily with an additive to foam fine bubbles in asphalt, which enables mixing and application at a temperature approx. 30°C lower than that of general asphalt. This contributes to the expansion of supply areas, improvement of asphalt workability in winter season and in cold areas, reduction of the traffic restriction time, and alleviation of environmental impact.



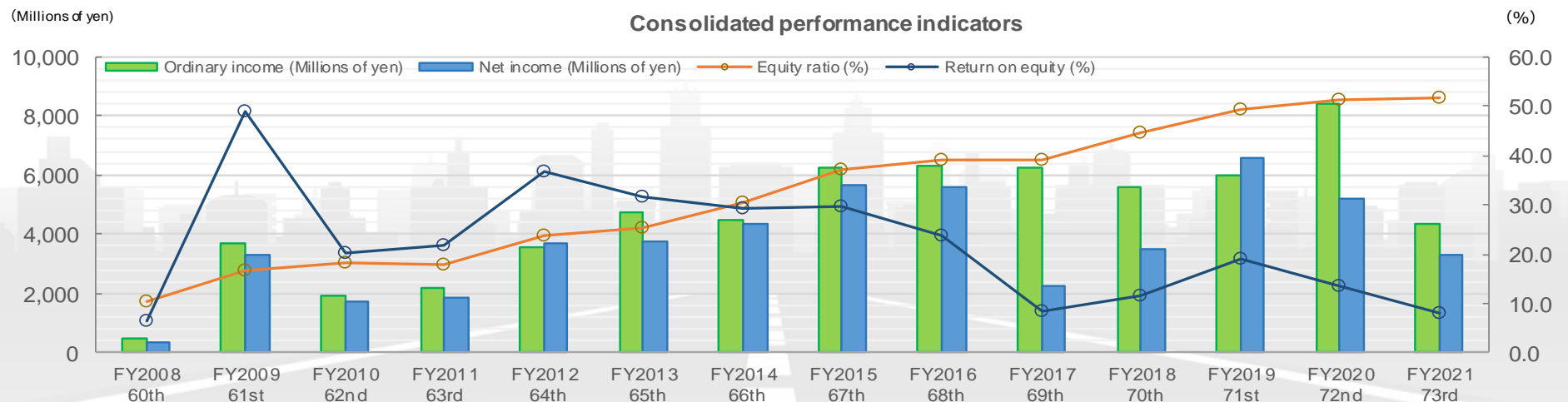
Cold asphalt mixture "Ecomix"

Ecomix is an environmentally friendly cold asphalt mixture, which contains 50% or more aggregate recycled from asphalt. It is an Eco Mark certified product that ensures a certain level of workability and demonstrates a high level of strength.

4 Consolidated Performance Indicators, etc.

Business term	57th	58th	59th	60th	61st	62nd	63rd	64th	65th	66th	67th	68th	69th	70th	71st	72nd	73rd
Fiscal year	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Net sales (Millions of yen)	64,204	70,442	71,172	62,598	71,589	59,365	61,106	71,091	71,691	63,542	74,634	70,075	81,659	74,036	78,631	90,025	85,132
Operating income (Millions of yen)	38	617	822	825	4,085	2,109	2,294	3,731	4,779	4,528	6,291	6,412	6,235	5,564	5,961	8,470	4,418
Operating profit ratio (%)	0.1	0.9	1.2	1.3	5.7	3.6	3.8	5.2	6.7	7.1	8.4	9.2	7.6	7.5	7.6	9.4	5.2
Ordinary income (Millions of yen)	-770	220	493	489	3,705	1,943	2,178	3,551	4,730	4,487	6,261	6,338	6,239	5,584	6,009	8,395	4,358
Net income (Millions of yen)	-15,218	752	224	326	3,283	1,715	1,886	3,705	3,793	4,365	5,682	5,621	2,274	3,480	6,544	5,180	3,304
Comprehensive income (Millions of yen)	—	—	—	—	—	1,705	1,887	3,720	3,794	4,899	4,754	5,527	2,712	3,822	6,243	6,010	3,992
Net assets (Millions of yen)	3,980	4,626	4,780	5,065	8,349	8,544	8,801	11,344	12,791	17,083	21,231	26,072	28,098	31,543	36,632	40,790	40,497
Total assets (Millions of yen)	53,649	49,082	49,237	48,069	50,348	47,339	49,597	48,106	50,809	56,079	57,544	66,444	72,192	70,906	74,656	79,409	78,295
BPS (yen)	-43.02	-37.70	-36.43	-32.07	-4.27	8.77	31.50	51.34	316.84	423.19	525.96	645.90	696.09	780.73	909.13	1,010.99	1,082.33
EPS (yen)	-151.19	5.39	1.61	2.30	22.48	11.85	10.54	19.36	95.48	108.13	140.78	139.26	56.35	86.16	162.40	128.45	84.81
Diluted EPS (yen)	—	2.47	0.74	0.77	10.72	5.80	7.19	16.00	—	—	—	—	—	—	—	—	—
Equity ratio (%)	7.4	9.4	9.7	10.5	16.6	18.1	17.7	23.6	25.2	30.5	36.9	39.2	38.9	44.5	49.1	51.4	51.7
Return on equity (%)	-277.1	17.5	4.8	6.6	49.0	20.3	21.7	36.8	31.4	29.2	29.7	23.8	8.4	11.7	19.2	13.4	8.1
Price-earnings ratio (X)	—	17.44	45.34	13.04	2.58	7.51	6.26	4.24	6.14	4.79	3.35	3.81	12.21	6.84	5.02	7.25	8.80
Cash flows from operating activities (Millions of yen)	4,306	4,137	496	2,040	6,372	1,217	2,945	4,796	5,433	2,862	6,679	6,949	6,303	4,781	4,461	1,138	4,646
Cash flows from investing activities (Millions of yen)	-875	-46	-932	-1,184	-997	-361	-130	-608	-1,407	-1,234	-1,658	-4,896	-2,231	-1,777	-3,808	-3,622	-3,668
Cash flows from financing activities (Millions of yen)	-3,182	-4,703	-629	-794	-1,580	-2,525	-2,610	-4,828	-1,551	-1,604	-1,603	1,815	-1,684	-2,005	-2,919	2,343	-2,232
Cash and cash equivalents at the end of year (Millions of yen)	1,819	1,220	819	880	4,675	3,006	3,206	2,566	5,041	5,064	8,482	12,350	14,737	15,735	14,169	14,035	12,814
Dividend per share (yen)	—	—	—	—	—	—	—	—	15	15	17	17	10	27	47	43	30
Dividend payout ratio (%)	—	—	—	—	—	—	—	—	15.0	13.9	12.1	12.2	17.7	31.3	28.9	33.5	35.4
Employees (persons)	803	798	869	865	860	840	824	797	792	825	863	904	896	907	1,031	1,043	1,098
[plus average number of part-time staff]	[317]	[311]	[235]	[230]	[236]	[240]	[245]	[251]	[268]	[279]	[275]	[275]	[274]	[274]	[289]	[293]	[277]

* A 1-for-5 reverse stock split was conducted in October 2014. "Net assets per share," "Net income per share," and "Dividend per share" for FY2014 onwards reflect the effects of the reverse stock split.



This material contains financial results forecasts, projections, and other forward-looking statements, which are based on available information and certain assumptions that are considered reasonable at the time of preparation. Various factors including changes in future business environment may cause actual results to be materially different from those expressed in these forward-looking statements.



世紀東急工業株式会社

Contact

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108-8309, Japan
Inquiries: <https://www.seikitokyu.co.jp/contact> (in Japanese)

ST and K (Seiki Tokyu Kogyo mascot characters)

ST and K, our mascot characters, were born in January 2020 on the occasion of our 70th anniversary. They will help promote safety at construction sites and asphalt plants across the country, improve the industry's image, and conduct public relations activities.

世紀東急工業キャラクター
エスティとケイ

