

Financial Results Presentation for the First Half of the Fiscal Year Ending March 31, 2023

November 30, 2022

**Becoming a truly strong corporate
group**





Contents

1 Overview of Financial Results for the First Half of the Fiscal Year Ending March 31, 2023

Impact of the COVID-19 Pandemic	4
Business Environment During the First Half of FY2022	5
Financial Results (Consolidated and Non-consolidated)	6
Orders Received, Net Sales and Construction Contracts Brought Forward (Consolidated)	7
Construction Work Orders Received (Non-consolidated)	8
Product Manufacturing and Sales Results (Non-consolidated)	9
Net Sales and Profit (Loss) Results by Segment (Consolidated)	10
SG&A, Operating Income, Ordinary Income and Net Income (Consolidated)	11
Analysis of Factors Affecting Changes in Net Income (Consolidated)	12
Consolidated Financial Position and Cash Flows	13
Major Construction Works in Progress (Those We Received Orders for and Those Brought Forward)	14
Major Completed Construction Works	15
Compliance	16
Topics	17

2 Outlook for the Fiscal Year Ending March 31, 2023

Financial Results Forecast for FY2022 (Consolidated and Non-consolidated)	20
Net Sales and Profit (Loss) Forecast by Segment (Consolidated)	21
Forecast of Construction Work Orders to be Received (Consolidated and Non-consolidated)	22

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

Overview of the Medium-term Management Plan (FY2021–2023)	24
Key Performance Indicators (consolidated)(final year of the plan)	25
Individual Strategies / Key Strategies	26
Capital Policy (Investment Plans, Financial Plans and Shareholder Returns)	28

4 Reference Information

Corporate Philosophy / Company Profile	31
Main Offices, Laboratories, Consolidated Subsidiaries, etc.	32
Our Technologies	33
Consolidated Performance Indicators, etc.	34

1

Overview of Financial Results for the First Half of the Fiscal Year Ending March 31, 2023



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

Trends in orders for public works projects and product delivery status both remained steady, and impact on orders received was limited. A certain number of cases have been confirmed in the Company, but there has been no direct impact on the business performance.

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.

- The impact of the COVID-19 pandemic eased, and there were signs of recovery in economic activities.
- In the road construction market, public investment remained strong in relation to disaster prevention and mitigation and general measures to boost national resilience.
- The prices of energy and other resources continued to be on the rise due primarily to the impact of the weak yen in addition to the intensifying situation in Ukraine. We had to deal with a challenging business environment, which made it difficult for us to make a significant profit.



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

- Sales increased but profits decreased year on year on a consolidated and non-consolidated basis.
- Sales and profits fell short of the initial forecasts.
- The primary reason for the significant drop in profits was the sharp rise in the price of straight asphalt and other raw materials.

(Millions of yen)

Consolidated	1H of FY2021 results	1H of FY2022 results	YoY change (Amount)	YoY change (%)	Initial forecast for 1H of FY2022 (announced on May 11)	vs. forecast (Amount)	vs. forecast (%)
Net sales	38,663	41,892	3,229	8.4	42,800	(908)	(2.1)
Gross profit	4,538	3,332	(1,205)	(26.6)	4,500	(1,168)	(26.0)
Operating income	1,753	246	(1,507)	(86.0)	1,300	(1,054)	(81.1)
Ordinary income	1,737	246	(1,491)	(85.8)	1,300	(1,054)	(81.1)
Net income	1,191	90	(1,100)	(92.4)	800	(710)	(88.8)

Non-consolidated	1H of FY2021 results	1H of FY2022 results	YoY change (Amount)	YoY change (%)	Initial forecast for 1H of FY2022 (announced on May 11)	vs. forecast (Amount)	vs. forecast (%)
Net sales	37,043	39,755	2,711	7.3	40,800	(1,045)	(2.6)
Gross profit	4,113	2,931	(1,181)	(28.7)	4,000	(1,069)	(26.7)
Operating income	1,661	203	(1,457)	(87.7)	1,200	(997)	(83.1)
Ordinary income	1,641	207	(1,433)	(87.3)	1,200	(993)	(82.8)
Net income	1,162	115	(1,047)	(90.1)	800	(685)	(85.6)

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

- Orders received were at the highest level in the past 10 years. Orders received for construction increased year on year and exceeded the initial forecast.
- Net sales of finished goods fell short of the initial forecast but increased year on year.
- As extensive construction works in progress made progress, net sales of completed construction contracts increased. Construction contracts brought forward fell below those for the first half of the previous year, but remained at a high level.

(Millions of yen)

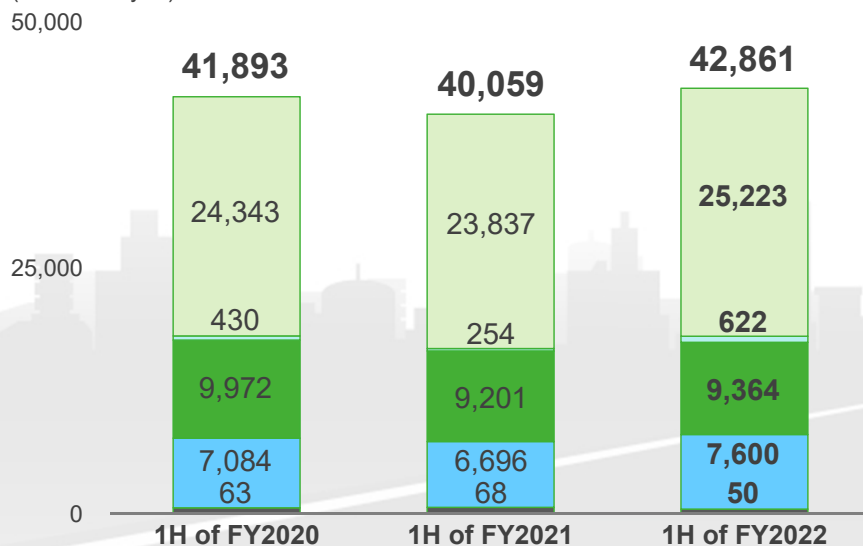
Orders received	1H of FY2020	1H of FY2021	1H of FY2022		YoY change (Amount)	YoY change (%)	Initial forecast for 1H of FY2022 (announced on May 11)	vs. forecast (Amount)	vs. forecast (%)
	Amount	Amount	Amount	Composition (%)					
Construction Business	34,746	33,294	35,210	82.2	1,916	5.8	34,850	360	1.0
Asphalt pavement	24,343	23,837	25,223	58.8	1,385	5.8	—	—	—
Concrete pavement	430	254	622	1.6	368	144.5	—	—	—
Civil engineering works, etc.	9,972	9,201	9,364	21.8	162	1.8	—	—	—
Pavement Materials Manufacturing and Sales Business	7,084	6,696	7,600	17.7	903	13.5	7,840	(240)	(3.1)
Electricity Sales Business, etc.	63	68	50	0.1	(17)	(26.2)	40	10	25.0
Total orders received	41,893	40,059	42,861	100.0	2,802	7.0	42,730	131	0.3

(Millions of yen)

Orders received

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

(Millions of yen)



Net sales

	1H of FY2020	1H of FY2021	1H of FY2022
Construction Business	27,802	31,898	34,241
Asphalt pavement	22,213	25,098	26,203
Concrete pavement	967	261	428
Civil engineering works, etc.	4,621	6,539	7,609
Pavement Materials Manufacturing and Sales Business	7,084	6,696	7,600
Electricity Sales Business, etc.	63	68	50
Total	34,950	38,663	41,892

(Millions of yen)

Construction contracts brought forward


	1H of FY2020	1H of FY2021	1H of FY2022
Construction Business	48,335	40,217	37,507
Asphalt pavement	33,436	27,711	25,215
Concrete pavement	696	277	520
Civil engineering works, etc.	14,202	12,228	11,772
Total	48,335	40,217	37,507

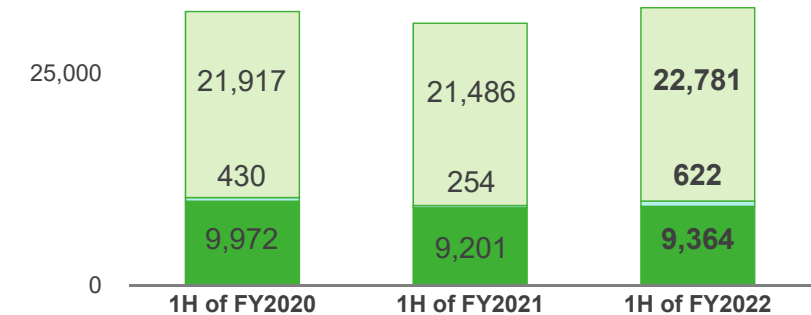
1 Construction Work Orders Received (Non-consolidated) 世紀東急工業株式会社

- Trends in orders for construction work held up well, and we constantly received orders in general.
- Despite the sluggishness of large-scale construction work orders, orders received from the public agencies as a whole increased. Construction work orders from the private sector, which we focus on, were almost the same as those for the first half of the previous year. As a result, overall construction work orders increased 5.9% year on year.

(Millions of yen)


Orders received by type of work	1H of FY2020	1H of FY2021	1H of FY2022	YoY change (Amount)	YoY change (%)
Asphalt pavement	21,917	21,486	22,781	1,294	6.0
Concrete pavement	430	254	622	368	144.5
Civil engineering works, etc.	9,972	9,201	9,364	162	1.8
Total	32,319	30,943	32,769	1,825	5.9

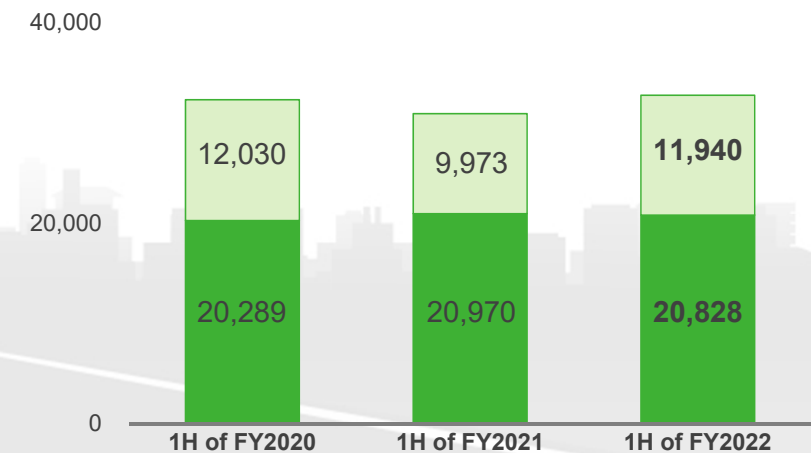
(Millions of yen) 50,000 



(Millions of yen)

Orders received by public and private sector	1H of FY2020	1H of FY2021	1H of FY2022	YoY change (Amount)	YoY change (%)
Public sector	12,030	9,973	11,940	1,967	19.7
Private sector	20,289	20,970	20,828	(141)	(0.7)
Tokyu Group	961	914	1,663	748	81.9
Total	32,319	30,943	32,769	1,825	5.9

(Millions of yen) 



1 Product Manufacturing and Sales Results (Non-consolidated)

- In spite of lackluster product demand, we focused our effort on sales activities and secured a year-on-year increase in both production volume and sales volume of asphalt composites.
- Selling prices also increased slightly year on year. As a result, net sales of finished goods increased 13.3% year on year.

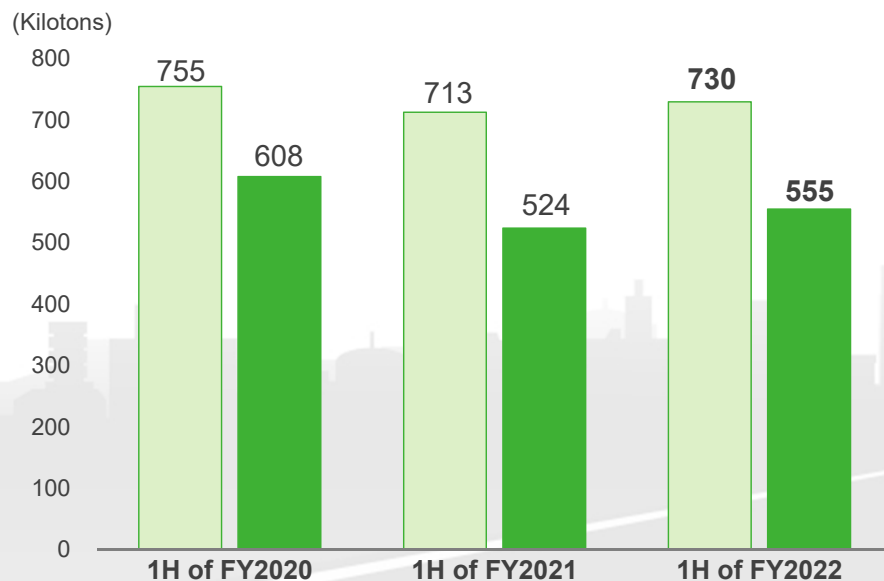
(Millions of yen)

		1H of FY2020	1H of FY2021	1H of FY2022	YoY change (Amount)	YoY change (%)
Asphalt composites	Production volume (Kilotons)	755	713	730	17	2.4
	Sales volume (Kilotons)	608	524	555	31	6.0
	Sales	5,454	4,667	5,448	781	16.7
Sales of other products		1,757	2,106	2,228	121	5.8
Total net sales		7,211	6,773	7,677	903	13.3

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.

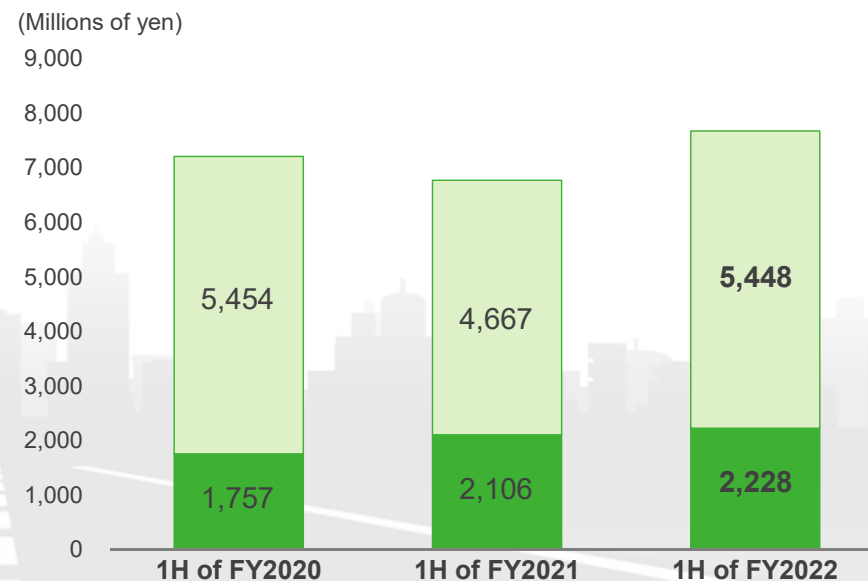
Production volume and sales volume

□ Production volume ■ Sales volume



Net sales

□ Asphalt composites ■ Other products



1 Net Sales and Profit (Loss) Results by Segment (Consolidated)

- In the Construction Business, the margin declined due to the lack of contributions from highly profitable, large-scale construction works during the first half of FY2022 in addition to the impact of rising material prices. Despite an increase in net sales of completed construction contracts, segment profit fell below the results of the past two years. (Segment profit for the first half of FY2019: 1,882 million yen)
- In the Pavement Materials Manufacturing and Sales Business, revision of selling prices did not progress sufficiently to offset the rise in raw material prices. As a result, we continued to suffer a segment loss, albeit the improvement from the first quarter (loss of 177 million yen).

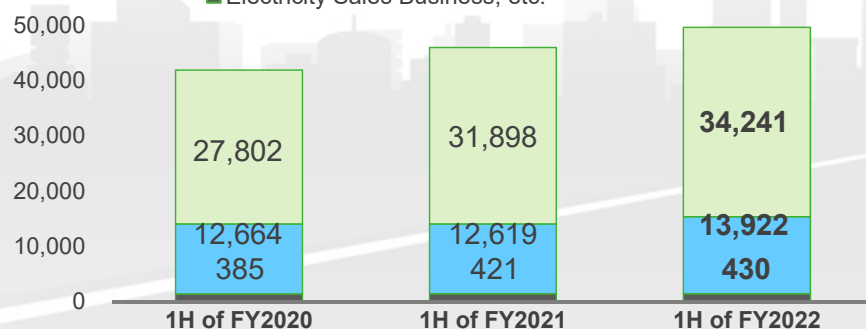
(Millions of yen)

Net sales	1H of FY2020	1H of FY2021	1H of FY2022	YoY change (Amount)	YoY change (%)
Construction Business	27,802	31,898	34,241	2,343	7.3
Pavement Materials Manufacturing and Sales Business	12,664	12,619	13,922	1,302	10.3
Electricity Sales Business, etc.	385	421	430	9	2.2
Adjustments	(5,903)	(6,276)	(6,702)	(425)	—
Total net sales	34,950	38,663	41,892	3,229	8.4

Operating income	1H of FY2020	1H of FY2021	1H of FY2022	YoY change (Amount)	YoY change (%)
Construction Business	2,291	2,532	2,033	(499)	(19.7)
Pavement Materials Manufacturing and Sales Business	1,522	736	(32)	(768)	—
Electricity Sales Business, etc.	86	92	82	(10)	(11.6)
Adjustments	(1,665)	(1,607)	(1,837)	(229)	—
Total operating income	2,236	1,753	246	(1,507)	(86.0)

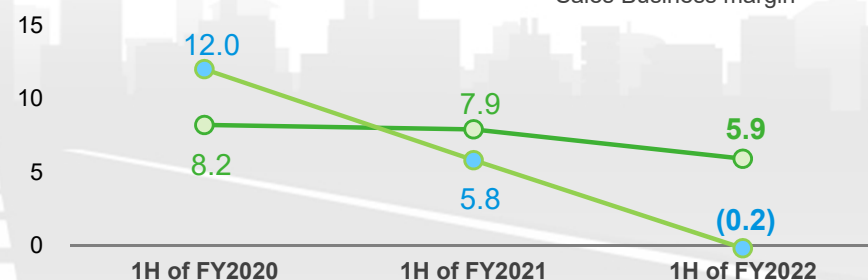
Net sales (Millions of yen)

- Construction Business
- Pavement Materials Manufacturing and Sales Business
- Electricity Sales Business, etc.



Operating income margin (%)

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



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

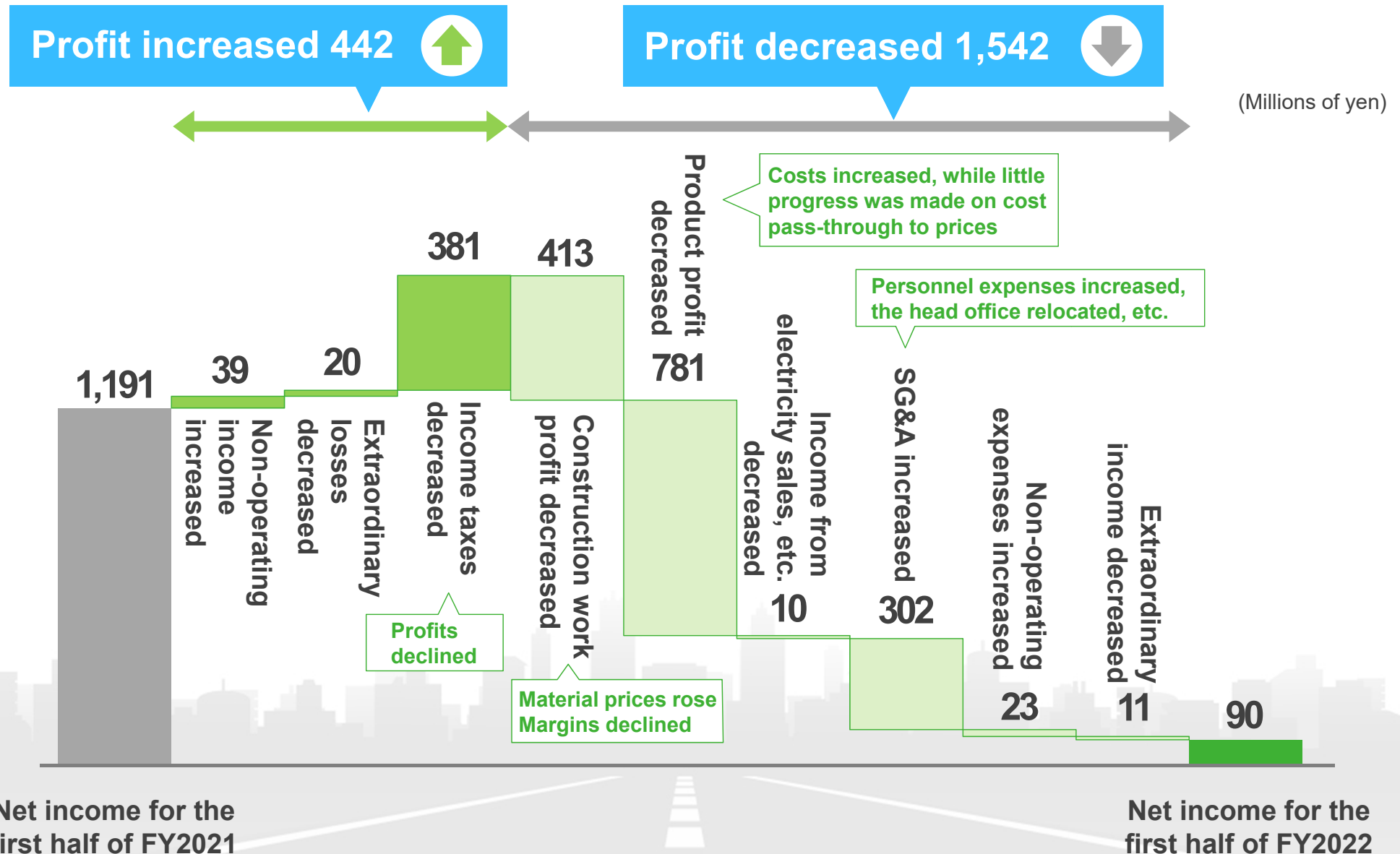
- Selling, general and administrative expenses increased due to factors, including our effort to raise salaries more than 3% and head office relocation expenses.
- We posted operating income, after having suffered an operating loss of 166 million yen in the first quarter. However, the impact of rising raw material prices on profits remained significant, and results continued to be frustrating.

(Millions of yen)

	1H of FY2020		1H of FY2021		1H of FY2022		YoY change (Amount)	YoY change (%)
	Amount	Composition (%)	Amount	Composition (%)	Amount	Composition (%)		
Net sales	34,950	100.0	38,663	100.0	41,892	100.0	3,229	8.4
Gross profit	5,012	14.3	4,538	11.7	3,332	8.0	(1,205)	(26.6)
Selling, general and administrative expenses	2,776	7.9	2,784	7.2	3,086	7.4	302	10.9
Operating income	2,236	6.4	1,753	4.5	246	0.6	(1,507)	(86.0)
Non-operating income	44	0.1	31	0.1	71	0.2	39	123.8
Non-operating expenses	50	0.1	47	0.1	71	0.2	23	48.7
Ordinary income	2,230	6.4	1,737	4.5	246	0.6	(1,491)	(85.8)
Extraordinary income	88	0.3	14	0.0	2	0.0	(11)	(83.6)
Extraordinary losses	9	0.0	41	0.1	20	0.0	(20)	(50.4)
Profit before income taxes	2,308	6.6	1,710	4.4	228	0.5	(1,482)	(86.7)
Income taxes	301	0.9	518	1.3	137	0.3	(381)	(73.6)
Net income	2,007	5.7	1,191	3.1	90	0.2	(1,100)	(92.4)

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

- Net income decreased significantly due to declines in construction work profit and product profit and a multitude of other negative factors, such as an increase in selling, general and administrative expenses.



1 Consolidated Financial Position and Cash Flows

- Dividends paid of 1,120 million yen.
- Purchase of treasury shares of 799 million yen.
- Purchase of property, plant and equipment of 2,902 million yen, including construction costs of the head office building.
- The increase in long-term borrowings is attributable to the fund borrowed in FY2021 to finance the reconstruction of the head office building.

Consolidated financial position

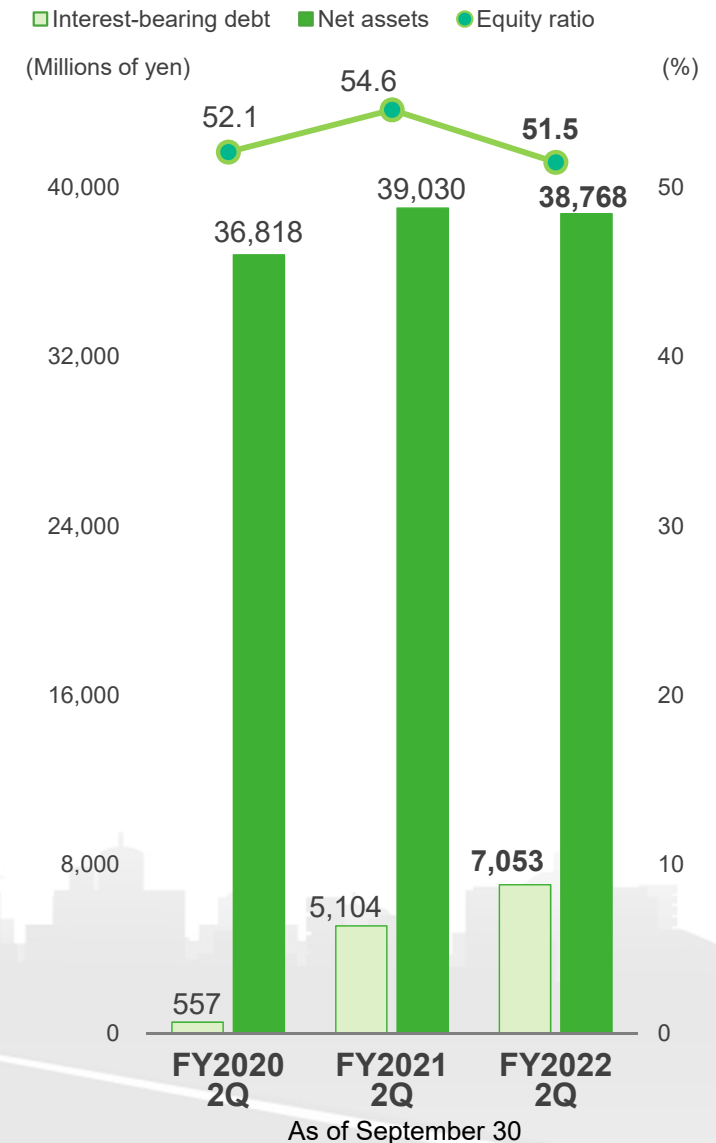
(Millions of yen)

	As of Sept. 30, 2020	As of Sept. 30, 2021	AS of Sept. 30, 2022	YoY change
Total assets	70,629	71,472	75,289	3,816
Total liabilities	33,811	32,442	36,520	4,078
Interest-bearing debt	557	5,104	7,053	1,948
(Short-term borrowings)	407	104	203	98
(Long-term borrowings)	150	5,000	6,850	1,850
Net assets	36,818	39,030	38,768	(261)
Equity ratio	52.1%	54.6%	51.5%	—

Consolidated cash flows

(Millions of yen)

	1H of FY2020	1H of FY2021	1H of FY2022
Net cash provided by (used in) operating activities	6,615	6,844	5,475
Net cash provided by (used in) investing activities	(1,663)	(1,993)	(2,909)
Net cash provided by (used in) financing activities	(2,106)	(2,882)	(1,874)
Effect of exchange rate change on cash and cash equivalents	(10)	3	57
Net increase (decrease) in cash and cash equivalents	2,835	1,972	748
Cash and cash equivalents at end of period	17,004	16,007	13,562



1 Major Construction Works in Progress (Those We Received Orders for and Those Brought Forward)

● Construction works we received orders for

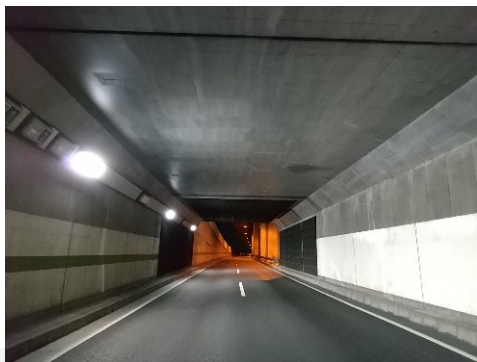
Customer	Project	Site (Prefecture)
Hokkaido Regional Development Bureau, MLIT	New Chitose Airport South taxiway to connect to the runway found construction	Hokkaido
Kanto Regional Development Bureau, MLIT	Maintenance work within the jurisdiction of Hachioji National Highway Branch Office (FY2022 and FY2023)	Tokyo
Central Nippon Expressway Company Limited	Pavement repair work (large-scale renewal project) within the jurisdiction of Nagoya Operation Office of the Tomei Expressway (FY2022)	Aichi
Hanshin Expressway Company Limited	Large-scale pavement repair work (2022-1-Kita)	Hyogo
Chugoku Regional Development Bureau, MLIT	Pavement repair and other work within the jurisdiction of Saijo Maintenance Branch Office (FY2022)	Hiroshima

● Construction works brought forward from FY2021

Customer	Project	Site (Prefecture)
East Nippon Expressway Company Limited	Sasson Expressway Hassamu Viaduct floor slab waterproof work	Hokkaido
TOKYU CORPORATION and TOKYU RECREATION CO., LTD.	Construction work on minor road Line 72 and new building peripheral ward road	Tokyo
Kawasaki City	Replacement work of the No. 2 water pipe (600 mm and 300 mm) in Chiyogaoka and water pipes (100 mm) in Mukaibara 1-chome	Kanagawa
Central Nippon Expressway Company Limited	Pavement repair work (large-scale renewal project) within the jurisdiction of Toyama Operation Office of Hokuriku Expressway (FY2020)	Toyama
West Nippon Expressway Company Limited	Pavement repair work within the jurisdiction of Hanna Expressway Operation Office (FY2020)	Osaka

1 Major Completed Construction Works

Customer	Project	Site (Prefecture)
Kanto Regional Development Bureau, MLIT	Repair work of a box culvert near the Yaguchi area, Misato City on Route 298 (FY2021)	Saitama
Japan Racing Association	Nakayama Racecourse roadbed reconstruction work on the front turf road (4th corner side) and turf replacement work on the turf road	Chiba
Tokyo Metropolitan Government	Surface repair work (FY2021, Kita-Tama South-6, two-layer low-noise pavement) and road sign installation work (FY2021, Kita-Tama South-1)	Tokyo
Kanto Regional Development Bureau, MLIT	Second utility tunnel construction work in Midori-cho, Fuchu City on Route 20 (FY2020)	Tokyo
Hanshin Expressway Company Limited	Large-scale pavement repair work (2020-3-Kan)	Osaka



Repair work of a box culvert near the Yaguchi area, Misato City on Route 298 (FY2021)



Nakayama Racecourse roadbed reconstruction work on the front turf road (4th corner side) and turf replacement work on the turf road



Surface repair work (FY2021, Kita-Tama South-6, two-layer low-noise pavement) and road sign installation work (FY2021, Kita-Tama South-1)



Large-scale pavement repair work (2020-3-Kan)

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)

In January 2020, we filed a lawsuit against the Japan Fair Trade Commission for revoking some part 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.

- August 5, 2021: Tokyo District Court dismissed the Company's claim.
- June 8, 2022: Tokyo High Court dismissed the Company's claim.
- November 10, 2022: Supreme Court dismissed the Company's appeal and decided not to accept the case as the final appellate court.

By FY2019, the full amount of the surcharges was recognized as extraordinary losses and paid in full. There will thus be no impact on future business performance.

Purchase of treasury shares

1 Resolution to purchase treasury shares approved at the Board of Directors meeting held on May 11, 2022

(1) Class of shares to purchase	Common shares of the Company
(2) Total number of shares to purchase	1,200,000 shares (upper limit) (3.21% of the total number of shares issued excluding treasury shares)
(3) Total purchase cost of shares	800,000,000 yen (upper limit)
(4) Purchase period	May 12, 2022 to March 20, 2023
(5) Purchase method	Market purchase on the Tokyo Stock Exchange

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	989,900 shares
(2) Total purchase cost of shares	799,917,375 yen

Cancellation of treasury shares

(1) Class of shares to cancel	Common shares of the Company
(2) Total number of shares to cancel	989,900 shares (Total number of treasury shares purchased as described above) (2.58% of the total number of shares issued before cancellation)
(3) Scheduled date of cancellation	March 31, 2023

Reference

Total number of shares issued after cancellation	37,424,507 shares
Number of treasury shares after cancellation	976,443 shares (*)

*The figure was calculated by subtracting the number of shares to cancel indicated above from the number of treasury shares held as of Sep 30, 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.

SBT Certification Obtained

The Science Based Targets initiative (SBTi) (*1) certified in August 2022 that the Group’s greenhouse gas emissions reduction targets for FY2030 are in line with the levels required by the Paris Agreement (*2) and based on scientific evidence.

To achieve carbon-neutral business operation, we aim to achieve reduction targets that meet SBT standards and will continue to accelerate preparation for information disclosure in line with the Task Force on Climate-related Financial Disclosures (TCFD).

- *1: Joint initiative by CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI), and the World Wide Fund for Nature (WWF)
- *2: Commitment to curbing global temperature rise to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C



● Greenhouse Gas Emissions Reduction Targets (Base year: FY2020)

	Reduction targets for the 10 years leading up to FY2030
Scope 1 Scope 2	Reduce total emissions for Scope 1 and Scope 2 by a yearly average of 4.2%, and by 42% in the 10 years leading up to FY2030. [Level of 1.5°C]
Scope 3 Category 1	Reduce emissions related to purchased products and services, classified into Category 1, by a yearly average of 2.5%, and by 25% in the 10 years leading up to FY2030. [Level of Well Below 2°C]

Scope 1: Direct greenhouse gas emissions associated with the use of fuels by the Company

Scope 2: Indirect greenhouse gas emissions associated with the use of electricity by the Company

Scope 3: Indirect greenhouse gas emissions from the entire supply chain (except for Scope 1 and Scope 2)



2

Outlook for the Fiscal Year Ending March 31, 2023



2 Financial Results Forecast for FY2022 (Consolidated and Non-consolidated)

- We continue to expect firm underlying demand in the road construction market, such as disaster prevention and disaster mitigation business and building national resilience.
- Given the performance for the first half of FY2022, we expect operating income to fall short of the initial forecast. However, we do expect it to be larger than that for the first half of FY2021.
- Net income is expected to reach the initial forecast on a consolidated and non-consolidated basis, as we anticipate a decline in income taxes.
- Forecasts at this moment do not factor in further deterioration of the revenue environment caused by geopolitical and other risks.

(Millions of yen)

Consolidated	FY2021	FY2022 (Forecast)	YoY change (Amount)	YoY change (%)	Initial forecast for FY2022 (announced on May 11)	vs. forecast (Amount)	vs. forecast (%)
Orders received	82,850	92,900	10,050	12.1	92,600	300	0.3
Net sales	85,132	92,600	7,468	8.8	92,600	—	—
Gross profit	10,231	10,800	569	5.6	11,200	(400)	(3.6)
Operating income	4,418	4,700	282	6.4	5,000	(300)	(6.0)
Ordinary income	4,358	4,700	342	7.8	5,000	(300)	(6.0)
Net income	3,304	3,300	(4)	(0.1)	3,300	—	—

Non-consolidated	FY2021	FY2022 (Forecast)	YoY change (Amount)	YoY change (%)	Initial forecast for FY2022 (announced on May 11)	vs. forecast (Amount)	vs. forecast (%)
Orders received	78,572	88,000	9,428	12.0	88,000	—	—
Net sales	81,168	88,000	6,832	8.4	88,000	—	—
Gross profit	9,238	9,800	562	6.1	10,100	(300)	(3.0)
Operating income	4,089	4,400	311	7.6	4,700	(300)	(6.4)
Ordinary income	4,025	4,400	375	9.3	4,600	(200)	(4.3)
Net income	3,083	3,100	17	0.6	3,100	—	—

2 Net Sales and Profit (Loss) Forecast by Segment (Consolidated)

- Backed by extensive construction works in progress and solid orders received, we expect a year-on-year increase in net sales of completed construction contracts. As for construction work profit, it should be difficult to improve the margin as material prices are rising and we cannot expect contributions from highly profitable, large-scale construction.
- In the product business, we will strive to increase sales volume, reasonably pass on costs to selling prices, and improve manufacturing efficiency. Thus, we aim to improve profit, though manufacturing and transportation costs are expected to remain high.

(Millions of yen)

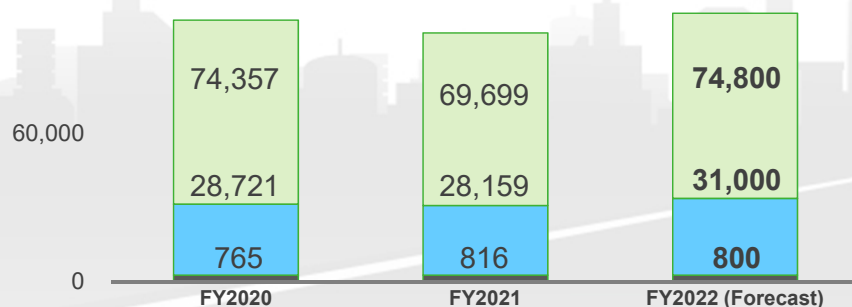
Net sales	FY2021	FY2022 (Forecast)	YoY change (Amount)	YoY change (%)	Initial forecast for FY2022 (announced on May 11)	vs. forecast (Amount)	vs. forecast (%)
Construction Business	69,699	74,800	5,101	7.3	74,800	—	—
Pavement Materials Manufacturing and Sales Business	28,159	31,000	2,841	10.1	31,000	—	—
Electricity Sales Business, etc.	816	800	(16)	(2.0)	800	—	—
Adjustments	(13,543)	(14,000)	(457)	—	(14,000)	—	—
Total net sales	85,132	92,600	7,468	8.8	92,600	—	—

Operating income	FY2021 Amount	FY2022 (Forecast)		YoY change (Amount)	YoY change (%)	Initial forecast for FY2022 (announced on May 11)	vs. forecast (Amount)	vs. forecast (%)
		Amount	Margin (%)					
Construction Business	6,038	6,150	8.2	112	1.9	6,400	(250)	(3.9)
Pavement Materials Manufacturing and Sales Business	1,623	1,800	5.8	177	10.9	1,850	(50)	(2.7)
Electricity Sales Business, etc.	155	150	18.8	(5)	(3.2)	150	—	—
Adjustments	(3,398)	(3,400)	—	(2)	—	(3,400)	—	—
Total operating income	4,418	4,700	5.1	282	6.4	5,000	(300)	(6.0)

Net sales

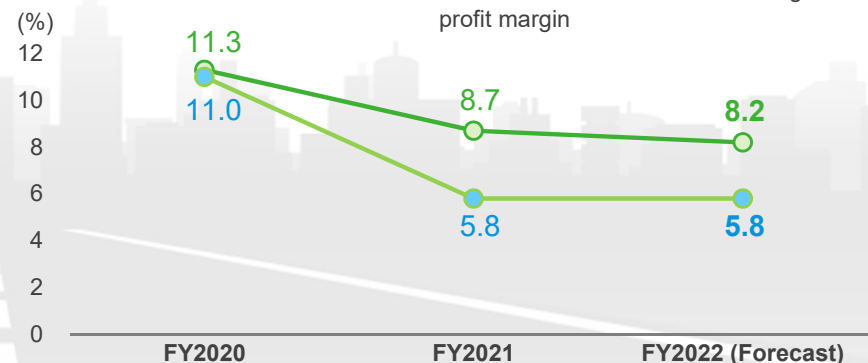
(Millions of yen)
120,000

- Construction Business
- Pavement Materials Manufacturing and Sales Business
- Electricity Sales Business, etc.



Operating income margin

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



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

- We will continue to focus on strengthening the base of receiving construction orders from the private sector, taking into account the gradual downward trend in the amount of public works in the future and medium- to long-term marketability.
- We intend construction work orders from the public sector to exceed the initial forecast, in light of the current status of construction works in progress and the outlook for orders from the third quarter onward.
- As we expect firm underlying demand for construction, we aim to receive orders for construction equivalent to 70 billion yen on a non-consolidated basis, which is more than we received in FY2020.

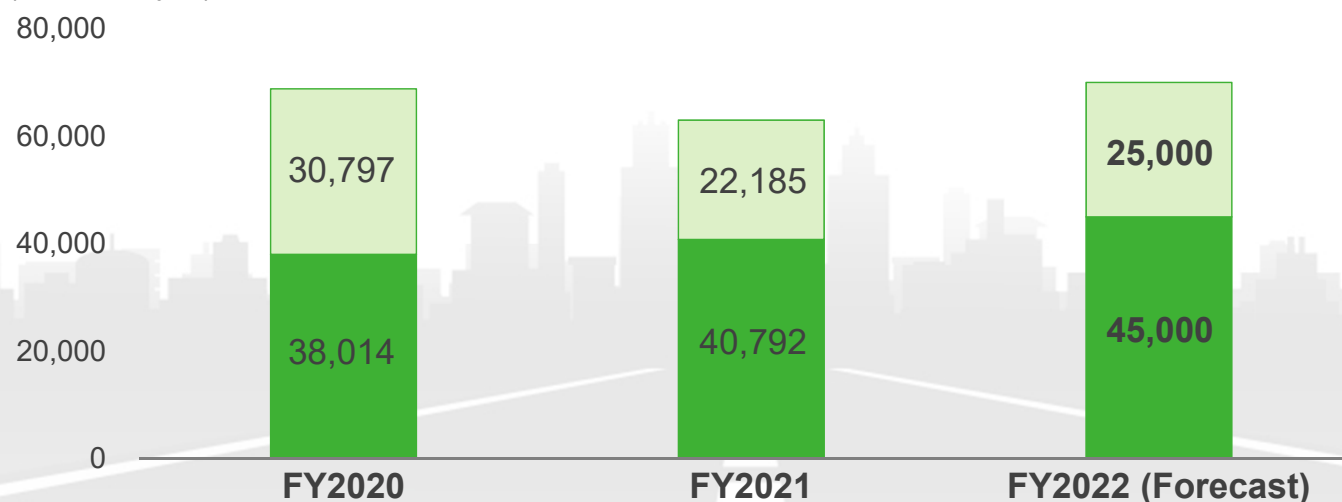
(Millions of yen)

Consolidated	FY2021	FY2022 (Forecast)	YoY change (Amount)	YoY change (%)	Initial forecast for FY2022 (announced on May 11)	vs. forecast (Amount)	vs. forecast (%)
Total construction work orders received	67,417	75,100	7,683	11.4	74,800	300	0.4

Non-consolidated	FY2021	FY2022 (Forecast)	YoY change (Amount)	YoY change (%)	Initial forecast for FY2022 (announced on May 11)	vs. forecast (Amount)	vs. forecast (%)
Public sector	22,185	25,000	2,815	12.7	24,640	360	1.5
Private sector	40,792	45,000	4,208	10.3	45,360	(360)	(0.8)
Tokyu Group	2,005	3,250	1,245	62.1	2,580	670	26.0
Total	62,977	70,000	7,023	11.2	70,000	—	—

Trend in orders received for construction (non-consolidated)

(Millions of yen) □ Public sector ■ Private sector





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

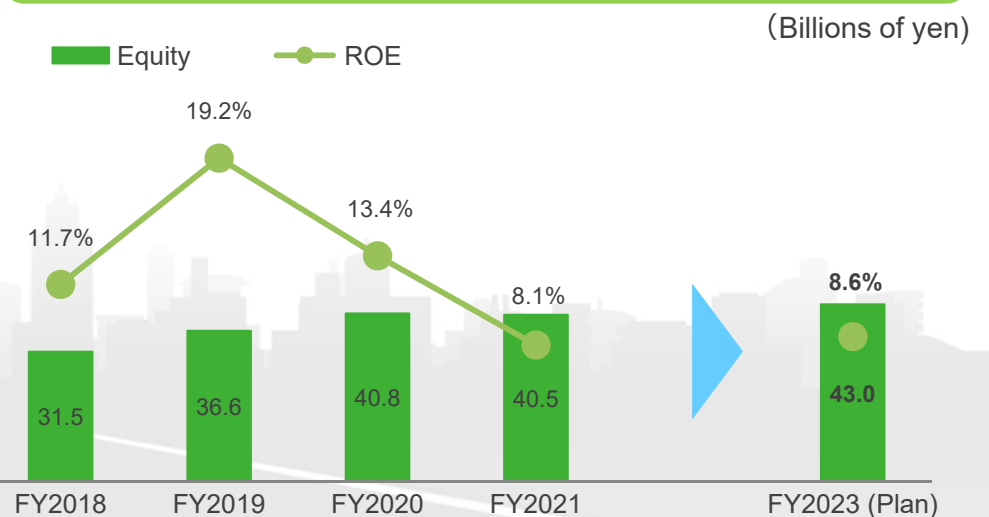
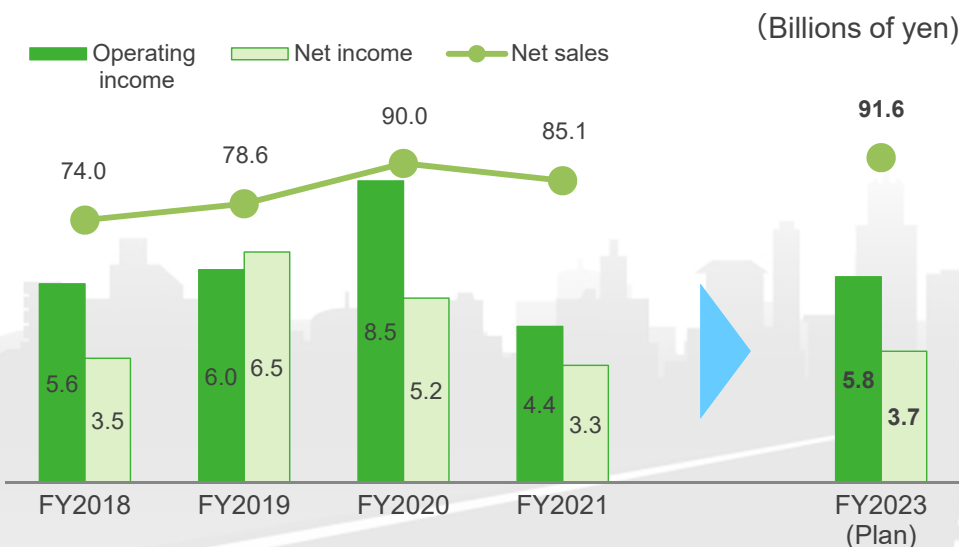
3 Medium-term Management Plan (FY2021–2023)

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]

<ul style="list-style-type: none"> • Construction (non-consolidated) 67.0 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 	Gross profit: 11.7 billion yen (12.8%) SG&A expenses: 5.9 billion yen Operating income: 5.8 billion yen
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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.

*Shareholders' equity costs: 7.2% < Planned ROE value for FY2023: 8.6% < Target ROE value to achieve in the future: 10.0%

3 Medium-term Management Plan (FY2021–2023)

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

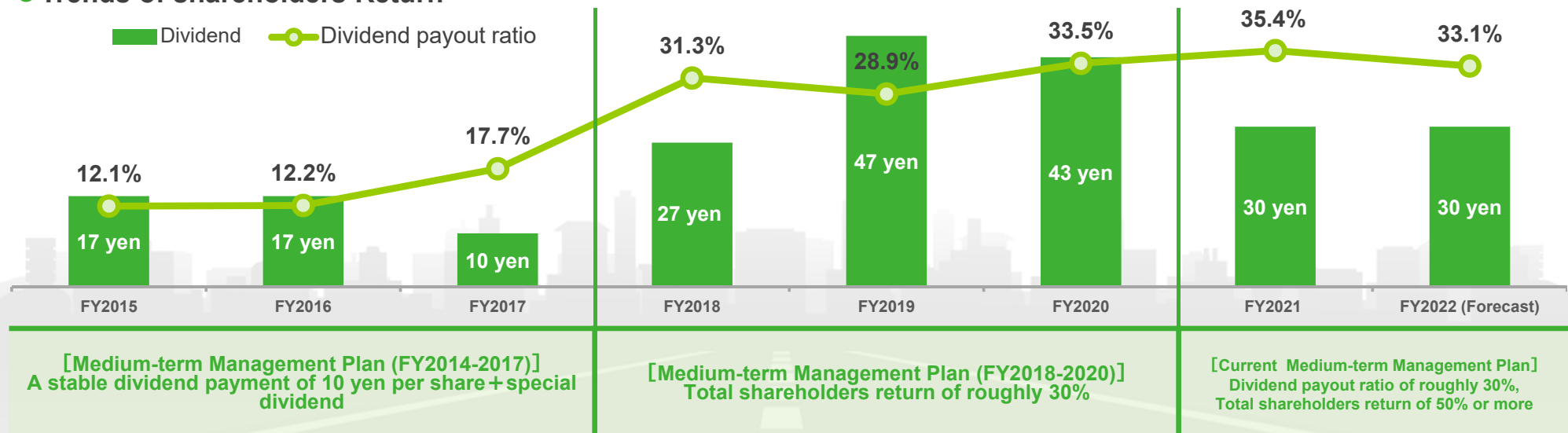
Stable, consistent shareholder returns with a targeted dividend payout ratio of roughly 30% and total shareholders return of 50% or more

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	90.54
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	33.1
Total shareholders return (%)	12.2	17.7	31.3	30.5	33.5	109.6	(*1) 57.4
ROE (%)	23.8	8.4	11.7	19.2	13.4	8.1	

*1: Purchase of treasury shares during FY2022 (totaling 799 million yen) [announced on August 4, 2022]

Trends of shareholders Return





4 Reference Information



Corporate Philosophy

An infrastructure building company that helps create affluent communities

Company name	SEIKITOKYU KOGYO CO., LTD.
Established	January 16, 1950
Head office location	2-9-3, Shibakoen, Minato-ku, Tokyo,
Representative	Yoshikazu Taira, Director, President
Share capital	2,000 million yen (March 31, 2022)
Net sales	81,168 million yen (FY2021)
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 - 4) No. 1962

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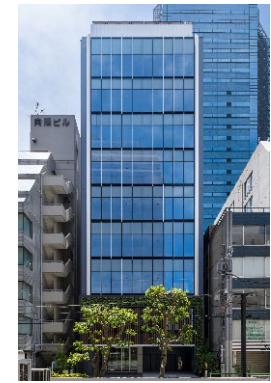
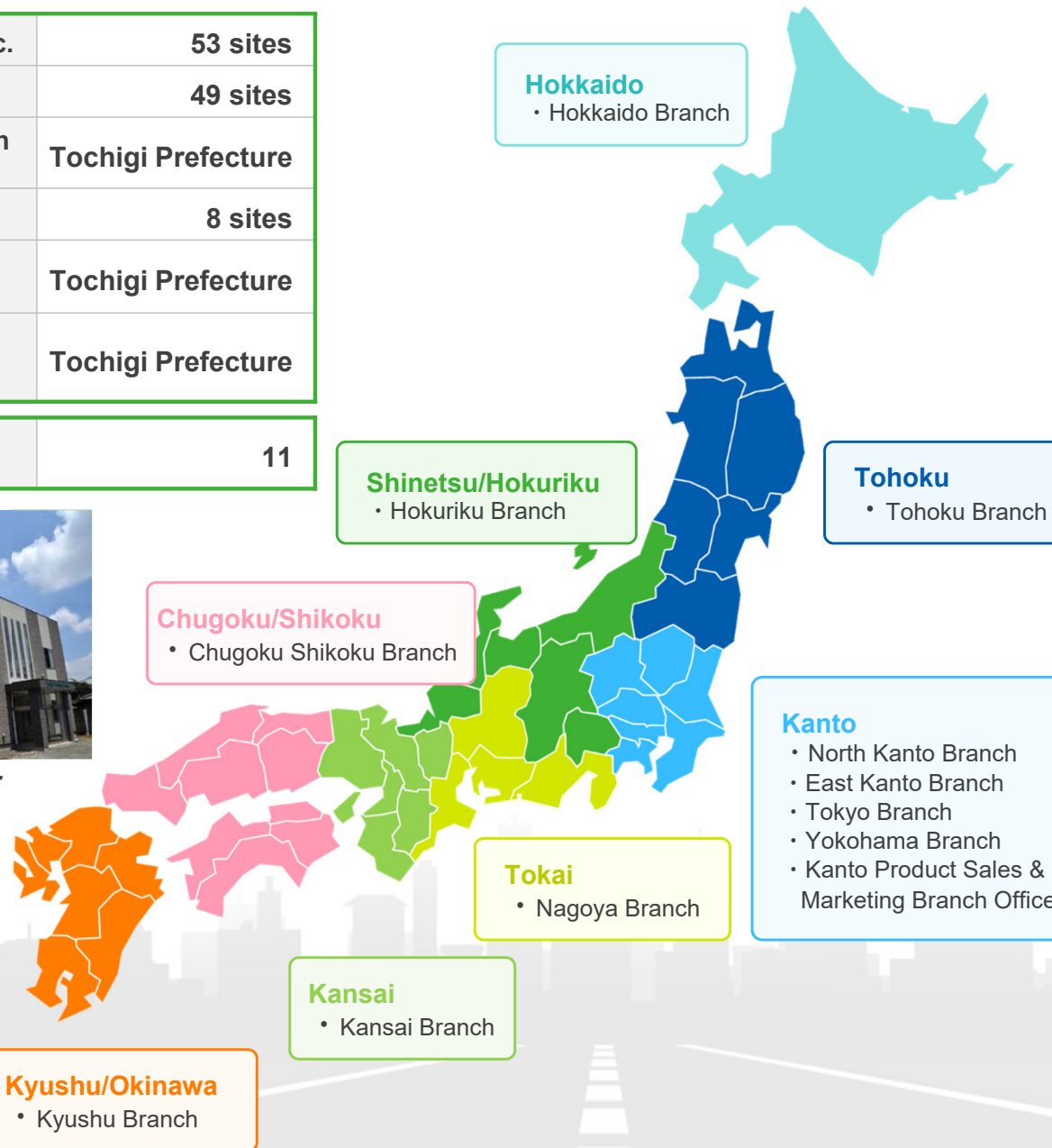
Main Offices, Laboratories, Consolidated Subsidiaries, etc.

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

Consolidated subsidiaries	11
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Training center



Head office



Sakura Material Plant



Central Kanagawa business office



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.



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.



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.



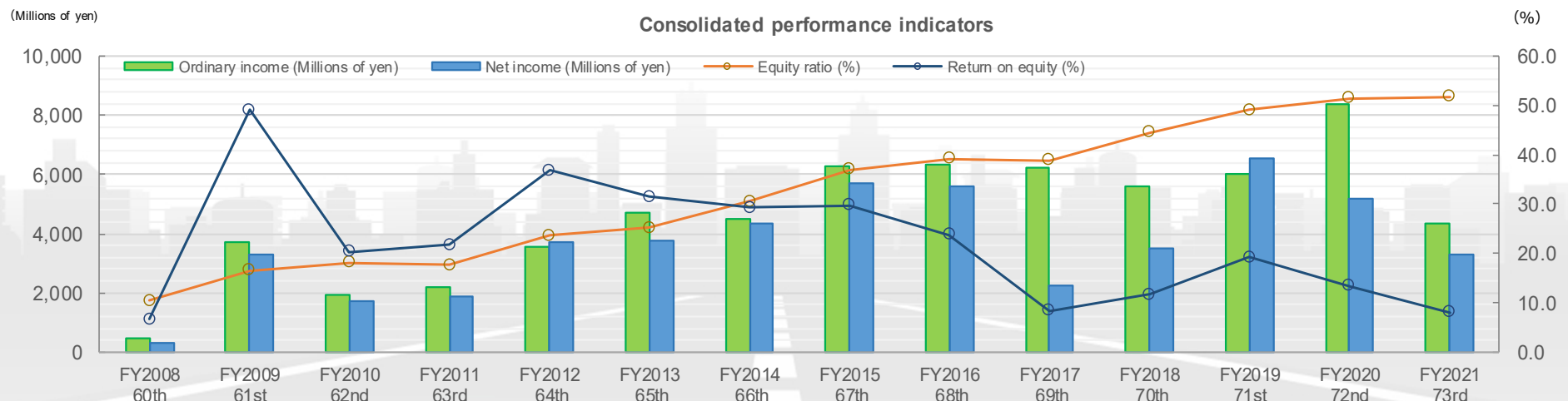
Cold asphalt mixture "Ecomix"

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	(Times)	—	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

SEIKITOKYU KOGYO CO., LTD.
2-9-3, Shibakoen, Minato-ku, Tokyo, 105-8509, 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

