

YAHAGI CONSTRUCTION Group

Medium-Term Management Plan (FY2021 to FY2025)

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May 10, 2021



1. Review of the Previous Medium-Term Management Plan (FY2018 to FY2020)

Previous medium-term management plan Business policy

- Improve construction engineering capabilities
- Pursue business portfolio resilient to business environmental changes
- Promotion of “work-style reforms” to boost productivity and improve the working environment

Summary of the previous medium-term management plan

As a result of promoting initiatives based on business policies, we were able to:

- cultivate new customers and expand into new business areas in the construction business, such as receiving a large logistics facility project and a large land formation work project, thereby expanding the business size for both building construction and civil engineering;
- steadily sell land for a large-scale industrial park that we developed, and make smooth progress in the development of new land for industrial use in the real estate business;
- use the aforementioned results to successfully build a portfolio that strikes a balance between building construction, civil engineering and real estate;
- achieve our financial targets with record-level sales and profit growth; and
- achieve the ROE target for the entire period overall despite not achieving the ROE target for FY2020.

Consolidated operating results

(Millions of Yen)

	Previous medium-term management plan period			
	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2020 Target
Net sales	92,754	90,129	106,615	100,000
Building construction business	48,394	44,263	58,635	
Civil engineering business	29,564	29,618	33,771	
Real estate business	14,796	16,247	14,208	
Gross profit	16,509	16,300	15,699	
Building construction business	6,325	6,360	5,929	
Civil engineering business	5,412	5,097	5,760	
Real estate business	4,770	4,842	4,009	
Operating profit	7,705	7,764	7,362	7,000
ROE	9.5%	10.2%	6.2%	8% or higher

2. 10-Year Vision and the Positioning of the Medium-Term Management Plan

The Group set a 10-year vision as a plan for continual growth.

Aiming to achieve targets set for 10 years later, we positioned the current medium-term management plan period (FY2021 to FY2025) as one to develop the foundation for accelerated growth.

Recognition of the future market environment

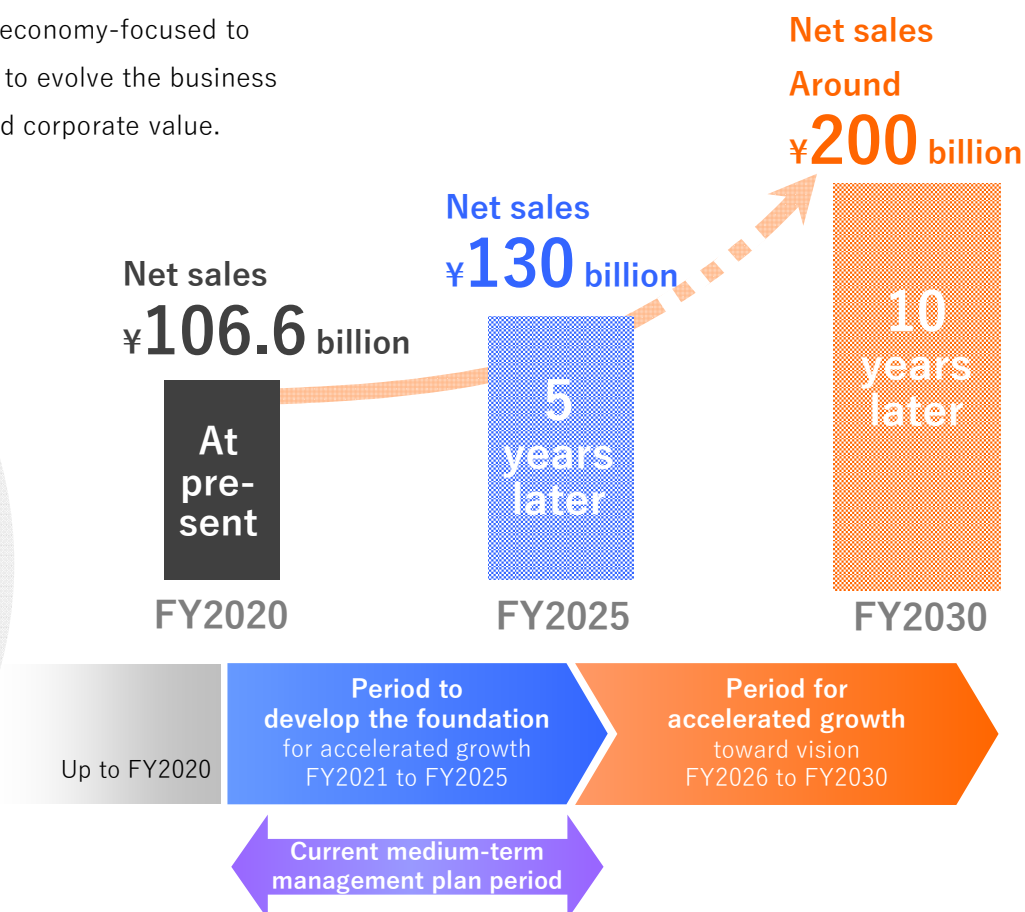
In addition to the shift in industrial structure and business models caused by the COVID-19 pandemic, society's values have shifted from economy-focused to sustainability-focused. In the future, it will be necessary to evolve the business model to a sustainable one while creating both social and corporate value.

10-Year Vision “Problem-solving and value-creating company”

A company that contributes to the sustainable development of customers, communities, and society by creating and providing new value through construction engineering in order to realize a better society, not just by solving problems faced by customers and communities.

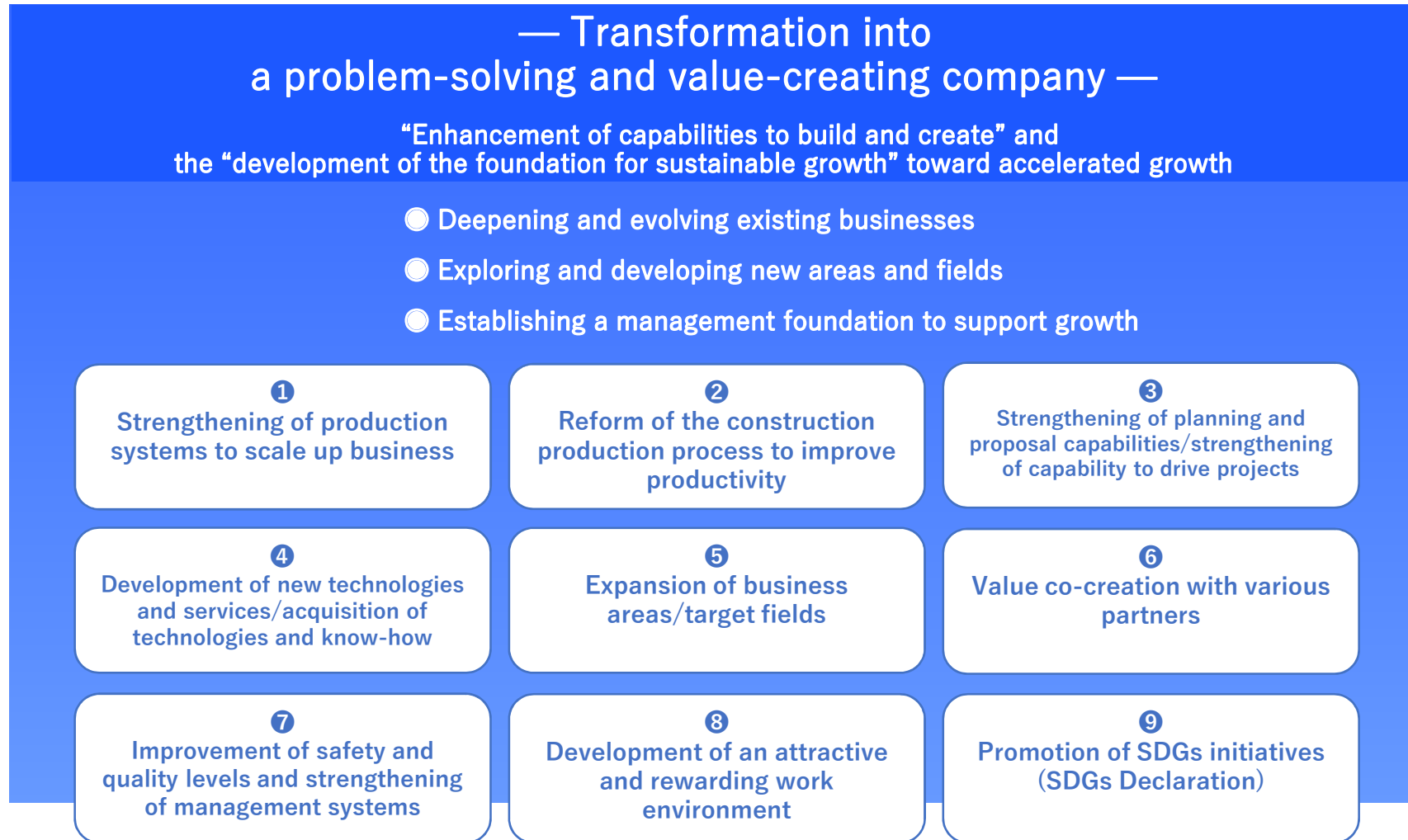
A company that expands business beyond the Tokai area to the maglev economic zone, and has strong competitiveness in specific customers and fields within the areas.

We aim for net sales of around ¥200 billion.



3. Business Policy

In the current medium-term management plan, we have set forth the following business policy to deepen and evolve existing businesses, while also exploring and developing new areas and fields in order to establish a foundation for accelerated growth in the five year period of the next medium-term business plan.



4. Numerical Targets and Dividend Policy

◆ Numerical targets (consolidated)

	FY2020 Actual	FY2025 Target
Net sales	¥106.6 billion	¥130 billion
Operating profit	¥7.3 billion	¥10 billion

◆ Dividend policy

- Provide continuing and stable shareholder returns, while taking into account consolidated financial results and financial conditions.
- Target **payout ratio of 30% or more**.
- Consider purchasing treasury shares flexibly as needed, in light of growth investment conditions and market trends.

	Previous medium-term management plan period			Current medium-term management plan period
	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 to FY2025 Target
Annual dividends	¥28	¥34*	¥34	Payout ratio 30% or more
Payout ratio	27.1%	28.6%	44.8%	

*Including commemorative dividend of ¥4 for the 70th anniversary of foundation

5. Investment Plan

- Make growth investment to build the foundation for realizing the 10-year vision
- Plan to make growth investment in the amount of **approx. ¥30 billion** over **5 years**

	Previous medium-term management plan period			Current medium-term management plan period
	FY2018	FY2019	FY2020	FY2021 to FY2025
	Actual	Actual	Actual	Plan
Growth investment	¥7.5 billion	¥5.1 billion	¥3.4 billion	Approx. ¥30 billion <ul style="list-style-type: none">• Real estate investment• R&D investment• Human resource investment• Investment in information technology
	(For three years) ¥16 billion			
		¥5.3 billion/year		



Every part of the forward-looking statements contained in this material are assumptions based on information currently available to the Company at the time of the release of this material. Please keep in mind that actual results may differ from the forecasts due to various factors.