August 9, 2023

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(Securities code: 3431, Prime Market, Tokyo Stock Exchange)
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Action to Implement Management that is Conscious of Cost of Capital and Stock Price

MIYAJI ENGINEERING GROUP, INC. (the "Company") hereby announces that it was resolved as follows at the Board of Directors meeting held today, regarding the action to implement management that is conscious of the cost of capital and stock price, with the aim of achieving sustainable growth and the enhancement of its corporate value over the medium to long term.

1. Evaluation of the current situation

The Group's ROE (return on equity) had remained at a level of 10% or higher up to FY2021. In FY2022, which was the first year of the Medium-Term Business Plan (FY2022 to FY2026), the ROE fell short of the 10% target under the Plan, due in part to the steady accumulation of equity capital. However, we believe that the Company has achieved a level of return on capital that is equivalent to or higher than the cost of shareholders' equity.

On the other hand, although it is on an improving trend thanks to a rise in share price, the PBR (price book-value ratio) has remained below 1.0. We believe this is due to the insufficient understanding we have managed to obtain from shareholders and investors regarding several matters, including the Group's business strategies for sustainable growth, the minimum level of equity capital requirement based on the type of business and the characteristics inherent in the industry, and our policy on shareholder returns.

(Millions of yen)

	FY2018 (Actual)	FY2019 (Actual)	FY2020 (Actual)	FY2021 (Actual)	FY2022 (Actual)	FY2023 (Forecast)
Net sales	52,062	63,841	55,268	58,002	60,279	69,000
Operating profit	4,350	5,241	5,501	5,810	5,127	6,600
Profit attributable to owners of parent	3,608	2,616	3,808	3,406	3,077	3,500
Equity ratio	43.8%	43.8%	49.6%	54.0%	56.3%	Target 55%
ROE	15.8%	10.4%	13.5%	10.7%	8.9%	Target 10%
Net assets per share (Yen)	3,580.73	3,844.08	4,429.74	4,904.97	5,217.96	—
Year-end share price (Yen)	1,870	1,620	2,369	3,460	3,740	—
PBR (Times)	0.52	0.42	0.53	0.71	0.72	—

2. Measures to be adopted

We will work to achieve a 10% ROE and 1.0 PBR by implementing the following measures, with the aim of achieving sustainable growth and the enhancement of our corporate value over the medium to long term.

(1) Achievement of the Medium-Term Business Plan (FY2022 to FY2026)

The Group aims to achieve the targets for the final year (FY2026) in the Medium-Term Business Plan of ¥75.0 billion in net sales, ¥7.5 billion in operating profit, and ¥4.0 billion in profit attributable to owners of parent, based on the track record and engineering capabilities we have accumulated over the years, in order to contribute to the safety and security of social infrastructure, as a company that thrives and grows along with its stakeholders under the Plan. We will steadily implement plans involving the well-balanced investment of management resources in large construction projects for new bridges, large-scale expressway renovation projects, highly difficult construction projects in the private sector, and other undertakings.

We are currently implementing the investment plan that was formulated for a business expansion of ¥18.0 billion to ¥20.0 billion in total, over the five years under the Medium-Term Business Plan for actively driving sustainable growth, with the particular aim of improving the efficiency and optimization of plant production and our on-site construction capacity, as well as developing new businesses and strengthening our general engineering functions.

(2) Implementation of active IR activities

The Company is actively engaged in dialogue with investors, primarily through the IR Office. As part of this effort, we continuously hold one-on-one meetings with institutional investors, in addition to biannual financial results briefings, while organizing tours for visiting plants and erection sites in an effort to help investors to have a better understanding of the Group.

In addition, we created an English website as part of the Company's website in May 2023, with a view toward expanding investments from overseas. We post timely disclosure materials in English, including a notice of the general meeting of shareholders and financial results.

Furthermore, we started publishing an integrated report from the fiscal year ended March 31, 2023. We will update its content annually, in an effort to help shareholders and investors to have a deeper understanding of the Group.

(3) Buy-back of shares

The total number of the Company's shares outstanding is 6,919,454 shares, while the daily trade volume in the market is roughly 10,700 shares (average in the period between January and June 2023). While a buy-back of shares may impair the liquidity of the Company's shares, we will consider it under special circumstances, such as another party's release of the Company's shares due to a reduction in our cross-shareholdings.

(4) Implementation of a share split

The Company is scheduled to implement a share split effective October 1, 2023, in which one common share of the Company is split into two, with the aim of developing an investor-friendly environment by reducing the transaction amount per investment unit (share unit number), thereby enhancing the liquidity of the Company's shares while widening the range of investors.

(Outline of the share split)

i) Method of the share split

One common share of the Company held by shareholders who are registered or recorded in the final shareholder registry on September 30, 2023 shall be split into two.

ii) Time schedule of the share split

Date of public notice of the record date:	Thursday, August 31, 2023
Record date:	Saturday, September 30, 2023
Effective date:	Sunday, October 1, 2023

Note: For details regarding the share split, please refer to the "Notice on the Share Split, and the Partial Amendment to the Articles of Incorporation and the Revision (Increase) of Dividend Forecasts associated with the Share Split" disclosed today.

(5) Revision of the dividend policy (implementation of capital efficiency-conscious, flexible shareholder returns)

1) Basic dividend policy

The Company positions the return of profits to shareholders as an important management measure, and strives to maintain and increase shareholder returns.

We will achieve the profit target under the Medium-Term Business Plan (FY2022 to FY2026), with the aim of maintaining and further increasing the dividend per share. In addition, we will appropriately control the level of equity capital, paying careful attention to maintaining capital efficiency toward achieving a target of 10% ROE under the Plan, while flexibly implementing shareholder returns when performance is strong. At the same time, we have a basic policy of implementing a well-balanced capital policy, including investments for sustainable growth, which is a concept shared by all shareholders and stakeholders, and a certain level of capital reinforcement.

In accordance with the aforementioned policy, we paid a dividend per share of ¥140 based on the target dividend payout ratio of 30% in FY2021 and FY2022. In FY2023, we announced on May 15, 2023 a dividend forecast of ¥180 per share (35% dividend payout ratio), combining an ordinary dividend of ¥160 with a commemorative dividend of ¥20 to mark the 20th anniversary of the Company's establishment.

2) Matters that were considered in revising the dividend policy

i) Financial characteristics and the risk of damaging equity capital inherent in our business

Since the Group's business largely involves projects in which construction costs are collected in proportion to the progress in construction for each fiscal year, we tend to have more cash-in in the first half of the fiscal year and more cash-out in the second half, with net borrowing in the fourth quarter (January through March). In particular, in the case of large-scale expressway renovation projects, manufacturing in plants and on-site erection are carried out after the completion of design work. As a result, it continues to be difficult to recover fixed costs up to the completion of design work. Therefore, we need to maintain holding cash equivalent to two to four months of monthly sales, in consideration of the risk of a temporary loss of cash-in.

The Group's business involves many large-scale, highly difficult construction projects such as highway bridges, railway bridges, and special steel structures, which are exposed to the risk of accidents such as bridge girder falls during erection. Although we adopt thorough safety measures, in the event of an accident, obligations for compensation to third parties may arise along with additional costs for engineering, including remanufacturing and restoration, as well as a massive impact on the future business volume if the Group is suspended from bidding as a result of the accident.

Furthermore, our business is exposed to the risk of natural disasters. In the event of a major natural disaster that affects our plant and work sites across the country, our production activities may be suspended for a significant period of time.

ii) Required equity capital

We have set our equity ratio target at 55%, based on the estimation that the amount of equity capital equivalent to roughly seven months of monthly sales (60% of annual net sales) should be required to ensure the sustainable growth of the Group, in consideration of factors such as the working capital required to expand our scale of business under the Medium-Term Business Plan, costs for managing the risk of loss associated with highly difficult construction projects, and preparation for business continuity in the event of a major natural disaster.

3) Shareholder returns (dividend policy) during the period under the Medium-Term Business Plan (FY2022 to FY2026)

We decided the following policy on shareholder returns for the period up to FY2026, the final year under the Medium-Term Business Plan, in consideration of the request made in March 2023 from the Tokyo Stock Exchange regarding the "Action to Implement Management that is Conscious of Cost of Capital and Stock Price."

i) Target total return ratio (shareholder returns that are conscious of maintaining an equity ratio of

55% and capital efficiency)

We have set our equity ratio target at 55%, to ensure the amount of equity capital that is required based on the Group's business characteristics. We will implement flexible shareholder returns that are commensurate with performance, with a target dividend payout ratio of 60%, with the aim of achieving the 10% ROE targeted under the Medium-Term Business Plan, thereby keeping the level of equity capital under adequate control.

ii) Revision of the forecast for the dividend per share for FY2023 (fiscal year ending March 31, 2024)

Based on a target total return ratio of 60% stated in i) above, we are revising the forecast for the annual dividend per share for FY2023 upward from the ¥180 (35% dividend payout ratio) announced on May 15, 2023, to an amount equivalent to a 60% annual dividend payout ratio.

As described in "(4) Implementation of a share split," the Company is scheduled to implement a share split, whereby one common share of the Company is split into two, effective October 1, 2023. The aforementioned revision includes a revision of the year-end dividend forecast due to the share split.

	Annual dividends per share for the fiscal year ending March 31, 2024		
	Second quarter-end	Fiscal year-end	Total
Previous forecast (announced on May 15, 2023)	Yen 100.00	Yen 80.00	Yen 180.00
Revised forecast (before reflecting the share split)	170.00 (170.00)	75.00 (150.00)	— (320.00)
(Reference) Actual dividends for the previous fiscal year (fiscal year ended March 31, 2023)	60.00	80.00	140.00

Notes:

1. Breakdown of dividends at the end of the second quarter of the fiscal year ending March 31, 2024

   Ordinary dividend: ¥150.00 Commemorative dividend: ¥20.00
2. The total amount of the revised forecast (on an annual basis) is not indicated due to the difficulty of a straightforward comparison as a result of the share split. The projected annual dividend without reflecting the share split is ¥320 per share, for an increase of ¥140 from the forecast before the revision (¥70 at the end of the second quarter, and ¥70 at the end of the fiscal year), and an increase of ¥180 compared with actual dividends for the previous fiscal year.
3. The annual dividend payout ratio after the revision shall be 62.2%, compared with the 35% dividend payout ratio forecast prior to the revision.
4. With regard to the revision of the dividend forecast, please also refer to the "Notice on the Share Split, and the Partial Amendment to the Articles of Incorporation and the

Revision (Increase) of Dividend Forecasts associated with the Share Split" disclosed today.

We will strive to maintain the revised forecast for FY2023 (¥320 on an annual basis without reflecting the share split, which is equivalent to ¥160 on an annual basis assuming that the share split were implemented at the beginning of FY2023), and further improve the level of shareholder returns.

(6) Presentation of QUO cards in commemoration of the 20th anniversary of the Company's establishment

The Company is celebrating its 20th anniversary in September this year (the 115th anniversary since the foundation of the former MIYAJI IRON WORKS CO., LTD. in 1908), since its establishment on September 29, 2003 through a share transfer between the former MIYAJI IRON WORKS CO., LTD. and the former MIYAJI CONSTRUCTION & ENGINEERING CO., LTD. (the two subsequently merged into MIYAJI ENGINEERING CO., LTD. in March 2011), and listing on the First Section of the Tokyo Stock Exchange. We would like to express our heartfelt gratitude to the shareholders and other concerned parties, as your support has been vital to our success over the years.

On this occasion, as a token of our appreciation for your continued support, we would like to present QUO cards in commemoration of the Company's 20th anniversary, to shareholders holding one unit or more shares, as recorded in the final shareholder registry on September 30, 2023, in addition to the aforementioned commemorative dividend (¥20 per share).

(7) Reduction of cross-shareholdings

The Group currently owns certain listed stocks on a cross-shareholding basis, with the aim of maintaining stable long-term business relationships. However, we will reduce such shareholding through a dialogue with the investees, if the significance of such shareholding is found to be insufficient following a multilateral verification of its significance. Accordingly, we are scheduled to reduce the ratio of cross-shareholdings against consolidated net assets to 10% or less on a book value basis, as early as possible in the period under the Medium-Term Business Plan (FY2022 to FY2026).

Under this policy, we reduced three stocks in the three years up to FY2022, while reducing a total of four stocks in FY2023.