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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 (FY2024)

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 Cost of Capital and Stock Price (FY2024)," 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

In FY2022, which was the first year of the Medium-Term Business Plan (FY2022 to FY2026), the Group's ROE (return on equity) fell short of the 10% target under the Plan, due in part to the steady accumulation of equity capital. However, in FY2023, we exceeded the target to achieve 11.6%, due to our revised dividend policy with a target equity ratio of 55% and strong performance, and we believe that the Company has continued to maintain a level of return on capital that is equivalent to or higher than the cost of shareholders' equity.

As a result of our efforts to gain recognition from the market regarding our initiatives on the "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" announce on August 9, 2023, the PBR (price book-value ratio) rose to 1.50 times at the end of FY2023, exceeding 1.0.

(Millions of yen)

	FY2019 (Actual)	FY2020 (Actual)	FY2021 (Actual)	FY2022 (Actual)	FY2023 (Actual)	FY2024 (Forecast)
Net sales	63,841	55,268	58,002	60,279	69,365	73,000
Operating profit	5,241	5,501	5,810	5,127	7,904	9,500
Profit attributable to owners of parent	2,616	3,808	3,406	3,077	4,354	4,400
Equity ratio	43.8%	49.6%	54.0%	56.3%	53.5%	Target 55%
ROE	10.4%	13.5%	10.7%	8.9%	11.6%	Target 10%
Net assets per share (Yen)*	1,922.04	2,214.87	2,452.49	2,608.98	2,916.70	—
Year-end share price (Yen)*	810.00	1,184.50	1,730.00	1,870.00	4,385.00	—
PBR (Times)	0.42	0.53	0.71	0.72	1.50	—

* Net assets per share and year-end share price have been calculated assuming that a two-for-one share split conducted on October 1, 2023 had been conducted at the beginning of FY2019.

2. Measures to be adopted

Continuing from the previous fiscal year, the Group will aim for medium- to long-term sustainable growth and further enhancement of its corporate value, with a target of 10% ROE by implementing the following measures.

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

The Group aims to achieve the targets for net sales, operating profit, and profit attributable to owners of parent in the final year (FY2026) of the Medium-Term Business Plan, in conjunction with the implementation of an investment plan of ¥18.0 billion to ¥20.0 billion in total over five years, 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.

Orders for highly difficult, large-scale construction projects, which we expected to start in FY2025 when we formulated the Medium-Term Business Plan (FY2022 to FY2026) in FY2021, are now expected to start more than two years later than originally anticipated. In addition, the number of orders for new construction projects from the Ministry of Land, Infrastructure, Transport and Tourism is unexpectedly decreasing, and we are therefore currently reviewing our business plan and targets for FY2026, the final year of the Medium-Term Business Plan. We plan to announce the results of our review at our financial results briefing in November this year.

(2) Implementation of active IR activities

The Company is actively engaged in dialogue with shareholders and investors, primarily through the Sustainable Management Promotion Office. In FY2023, in addition to holding two financial results briefings, we held a total of 53 one-on-one shareholder relations and investor relations meetings, and organized five plant visits in an effort to help shareholders and investors have a better understanding of the Group. In FY2024, we will continue to engage in active dialogue with shareholders and institutional investors.

In addition, we created an English version of our website, with a view toward expanding investments from overseas. Since FY2023, we have been posting timely disclosure materials in English, including Notices of General Meetings of Shareholders and financial results. We plan to further expand the content on the site in the future.

In May 2023, we published our first Integrated Report. We plan to publish reports annually going forward, with the next version being published around the end of September for this fiscal year.

(3) Buy-back of shares

At the time of the announcement of the “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” on August 9, 2023, we believed that the daily trade volume of our shares was low compared to the total number of the Company’s shares outstanding, and that a buy-back of shares may impair the liquidity of the Company’s shares. However, the effects of active IR activities and the share split implemented on October 1, 2023, have improved the liquidity of the Company’s shares.

In order to further improve capital efficiency and to enable the execution of a flexible capital policy in response to changes in the business environment, the Board of Directors, at a meeting held today, resolved to acquire treasury shares up to 350,000 shares (percentage of total number of issued shares (excluding treasury shares): 2.6%).

Note: For details regarding the share acquisition, please refer to the "Notice Concerning Acquisition of Treasury Shares and Repurchase of Treasury Shares Through Off-Auction Own Share Repuchase Trading System (ToSTNeT-3)" announced today.

(4) Implementation of a share split

The Company implemented a share split on 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 further enhancing the liquidity of the Company's shares while widening the range of investors.

As a result, the number of shareholders increased from 3,554 on March 31, 2023 to 13,332 on March 31, 2024 (3.8 times). Our PBR also improved from 0.72 on March 31, 2023 to 1.50 on March 31, 2024.

Given that the Company's share price has recently been hovering at ¥4,000 level, we will implement another two-for-one share split of the Company's common shares as last year, effective October 1, 2024.

(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, 2024 shall be split into two.

ii) Time schedule of the share split

Date of public notice of the record date:	Friday, August 30, 2024
Record date:	Monday, September 30, 2024
Effective date:	Tuesday, October 1, 2024

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 of Dividend Forecasts associated with the Share Split" announced today.

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

i) 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.

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 the engagement in highly difficult construction projects, and preparation for business continuity in the event of a major natural disaster.

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

Based on the content (shareholder returns that are conscious of maintaining an equity ratio of 55% and capital efficiency) of the "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" announced on August 9, 2023, we set the policy on shareholder returns for the period up to FY2026, the final year under the Medium-Term Business Plan. 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.

As mentioned in (4) above, the Company is scheduled to implement a share split whereby one common share of the Company is split into two, effective October 1, 2024. Accordingly, the year-end dividend forecast for the fiscal year ending March 31, 2025 will be revised. However, the total amount of dividends will remain unchanged.

Note: For details regarding the revision of the dividend forecast, please refer to the "Notice on the Share Split, and the Partial Amendment to the Articles of Incorporation and the Revision of Dividend Forecasts associated with the Share Split" announced today.

(6) 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, in the period under the Medium-Term Business Plan (FY2022 to FY2026).

Under this policy, we reduced seven stocks (book value of ¥601 million at the end of the previous fiscal year) in the past four years, including four stocks in FY2023 (book value of ¥282 million at the end of the previous fiscal year). However, an increase in market value of the stocks we continue to hold has resulted in the ratio to consolidated net assets rising to 14.9% at the end of March 2024.

We will continue to verify the significance of our shareholdings, and will work to reduce cross-shareholdings through a dialogue with the investees.