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May 12, 2025

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Name of representative: Shigeru Egusa, Representative
Director and President
(Securities code: 1938; Tokyo
Stock Exchange Prime Market)
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Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Update)

NIPPON RIETEC CO., LTD. (the “Company”) hereby announces that, at the meeting of the Board of Directors held on May 12, 2025, it has assessed and evaluated the current situation with regard to the Action to Implement Management that is Conscious of Cost of Capital and Stock Price, which was last published on December 21, 2023, and updated the policies and efforts aimed at improvement as per the appended document.



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Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Update)

Securities code: 1938
NIPPON RIETEC CO., LTD.
May 12, 2025

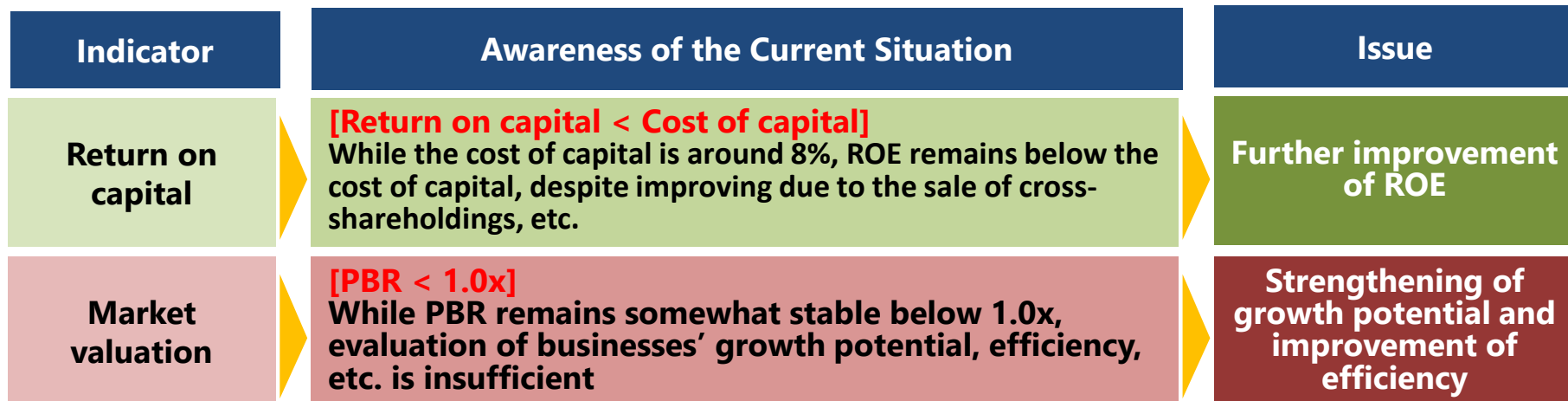
<http://www.j-rietec.co.jp/>

1. NIPPON RIETEC CO., LTD. (the "Company") published the Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Update) on December 21, 2023 and is working to resolve various issues.
2. In addition, the Company has completed RX2024, the medium-term management plan for fiscal years 2022 to 2024, and formulated a new medium-term management plan for fiscal years 2025 to 2027 called the "2027 Medium-Term Management Plan."
3. In the 2027 Medium-Term Management Plan, there are no changes to policies aimed at implementing management that is conscious of the cost of capital and stock prices, but the Action to Implement Management that is Conscious of Cost of Capital and Stock Price has been updated in conjunction with the publication of the 2027 Medium-Term Management Plan.
4. Aiming to be a company that meets the expectations of shareholders and investors and is chosen by them, NIPPON RIETEC will strive to resolve the various issues raised here.

Awareness of the Current Situation regarding Return on Capital and Market Valuation



• The Company has implemented a variety of measures since the publication of the Action to Implement Management that is Conscious of Cost of Capital and Stock Price on December 21, 2023, resulting in adequate results such as achieving the initial plan ahead of schedule. On the other hand, insufficient return on capital and market valuation are still recognized as ongoing issues.



*Construction Industry Average (Prime Market Listing/FY2023 Financial Results Summary) vs. NIPPON RIETEC Results (FY2024 Financial Results)

Indicator	Industry Average	NIPPON RIETEC
Equity ratio	43.3%	67.3%
Operating profit margin on net sales	5.5%	7.6%
Return on assets	5.3%	6.3%
ROE	8.7%	7.7%

Indicator	Industry Average	NIPPON RIETEC
Price earnings ratio (PER)	14.8x	7.8x
Price book-value ratio (PBR)	1.2x	0.6x
Dividend payout ratio	42.7%	40.3%

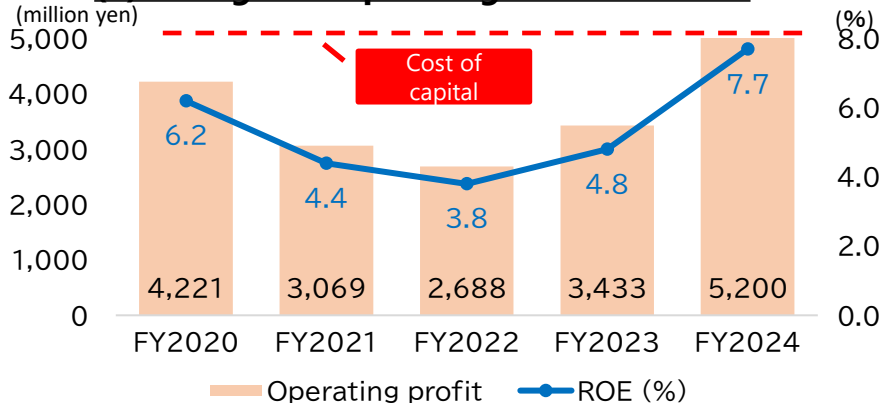
*Extracted from statistical data and survey reports of the Japan Exchange Group

*PER and PBR calculated based on stock price as of March 31, 2025 (1,487 yen)

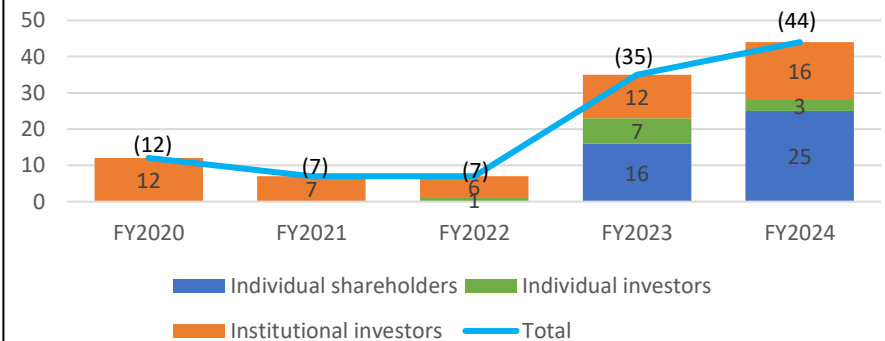
Analysis of the Current Situation

- While it is improving, ROE remains below the cost of capital
- Despite efforts to strengthen shareholder returns and dialogue with investors, stock price and PBR remain at low levels.

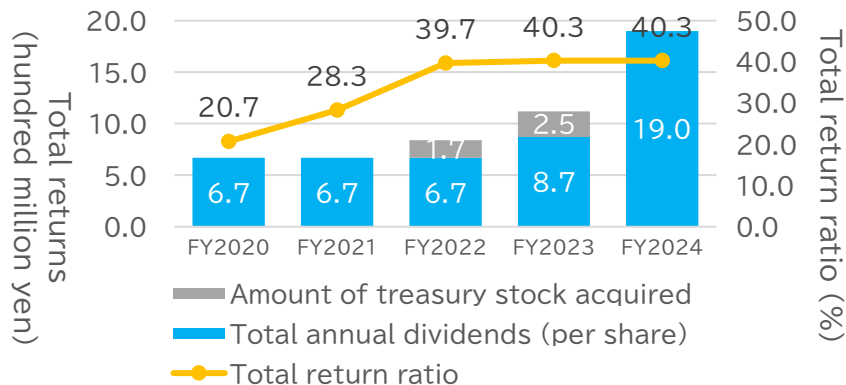
(1) Changes in Operating Profit and ROE



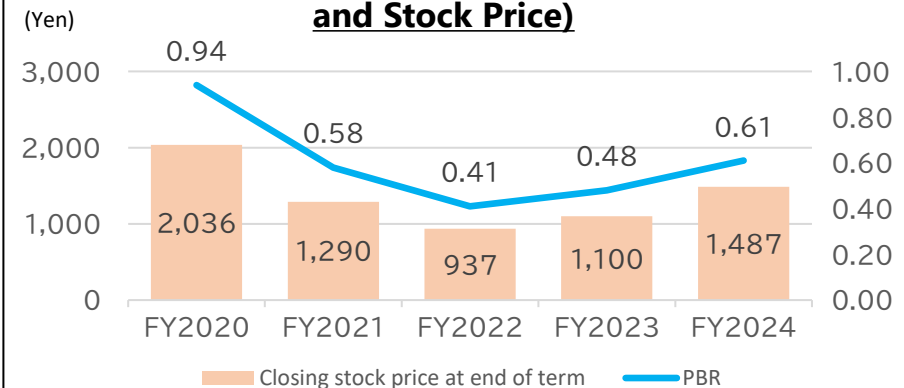
(3) Number of Responses to Inquiries from Shareholders and Investors



(2) Change in Shareholder Returns



(4) Market Valuation (Change in PBR and Stock Price)



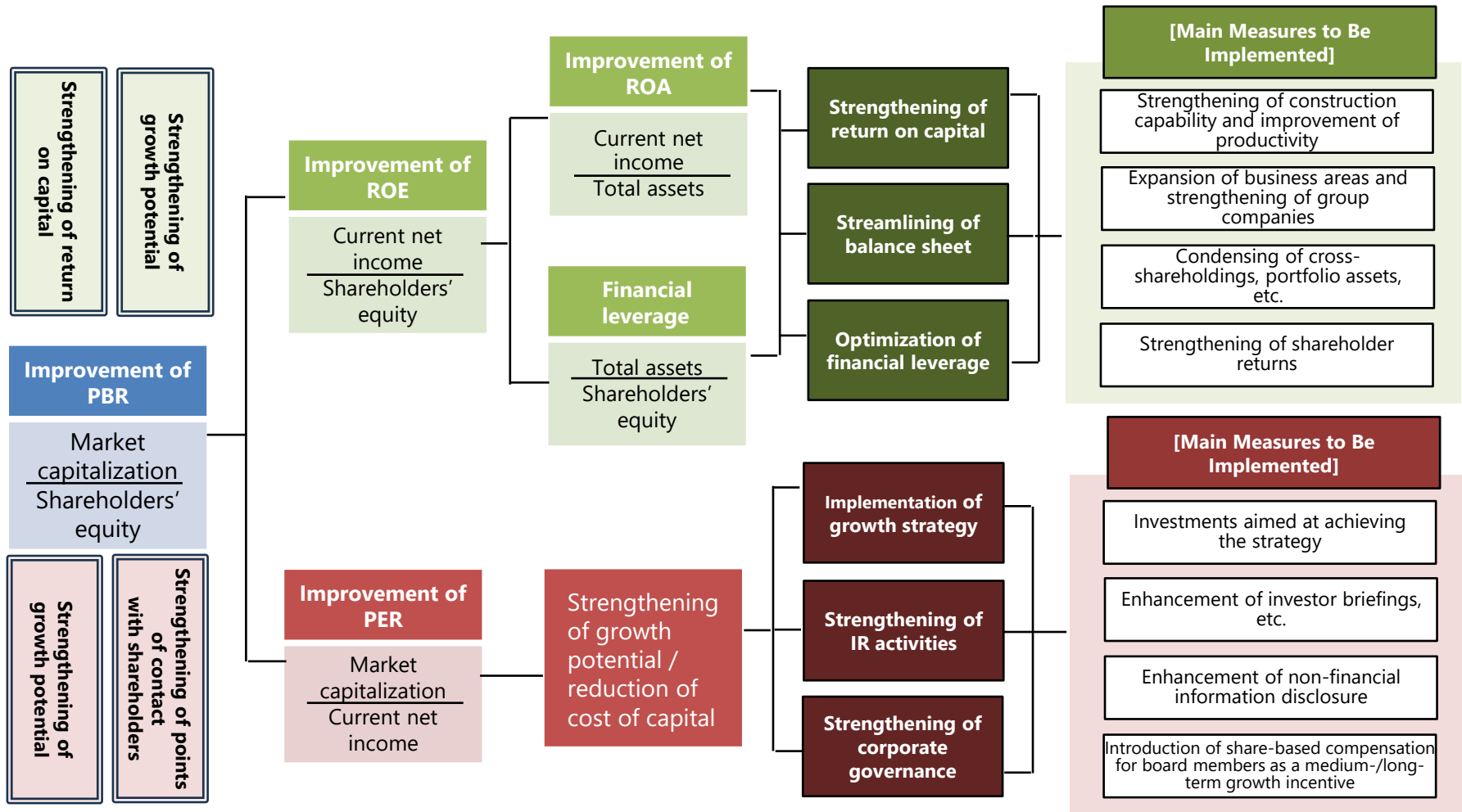
Current Situation regarding Targets

• The targets for FY2027 set in the previous publication were achieved ahead of schedule during FY2024, but we will aim for further improvement based on the 2027 Medium-Term Business Plan.

	FY2027 Targets Set in the December 2023 Publication		Situation as of the End of FY2024
Return on capital	Consolidated operating profit margin	7% level	7.6%
	Total return ratio	40% or more	40.3%
	ROE	5.5%	7.7%
Market valuation	Consolidated net sales	63.0 billion yen	68.7 billion yen
	Consolidated operating profit	4.5 billion yen	5.2 billion yen
	Growth investments	5.0 billion yen (Annual average: 1.0 billion yen)	1.6 billion yen (FY2024)

Main Measures to Be Implemented

• In order to improve PBR, the Company is working on various measures aimed at further strengthening return on capital, growth potential, etc. (For details on the various measures, please refer to the 2027 Medium-Term Management Plan.)



• The Company's basic policy on shareholder returns and shareholder return indicators have been revised as follows.

Revision of Approach to Dividends

[Basic Policy on Shareholder Returns (Existing)]

The Company positions the return of profits to shareholders as an important management issue and aims to enhance shareholder returns and improve capital efficiency through the continued provision of stable dividends and the flexible acquisition of treasury shares. With regard to profit distribution, we strive to optimize distribution and to balance preparing for future sustainable growth with returning profits to shareholders. To this end, we will set a guideline of 40% for total return ratio.

[Basic Policy on Shareholder Returns (Revised)]

The Company positions the return of profits to shareholders as an important management issue and aims to enhance shareholder returns and improve capital efficiency through the continued provision of stable dividends and the flexible acquisition of treasury shares. With regard to shareholder returns, **in order to provide stable and progressive dividends that will not be influenced by short-term performance, we will set a guideline of 3.2% for DOE.**

Revision of Shareholder Return Indicators

[Reasons for Revising Shareholder Return Indicators]

- 1) To strengthen the stability of shareholder returns that are not influenced by short-term performance fluctuations
- 2) To continue providing progressive shareholder returns
- 3) To strongly commit to achieving the main target values published by the Company

***The Company has published the following numerical targets with a focus on ROE and shareholder returns**

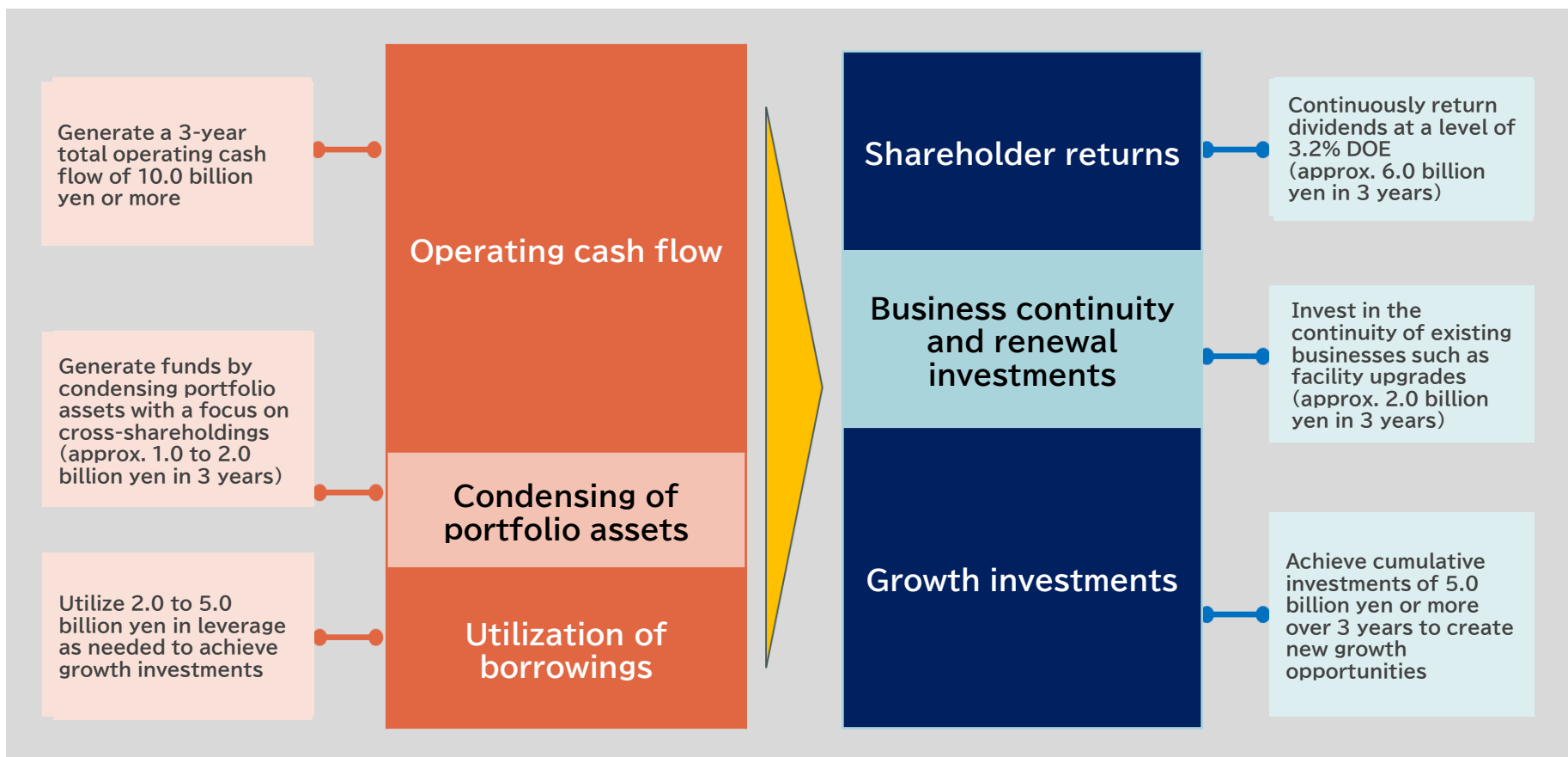
ROE: 8%	Total return ratio: 40%
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New Shareholder Return Indicators

Implement shareholder returns with a guideline of 3.2% for DOE

***DOE (3.2%) = ROE (8%) × dividend payout ratio (40%)**

- We will build an optimal capital allocation system in which capital generated from operating cash flow and rebalancing of the balance sheet is invested in shareholder returns, business continuity and renewal, creation of new growth opportunities, etc.



FY2027 Targets (Revised from December 2023)

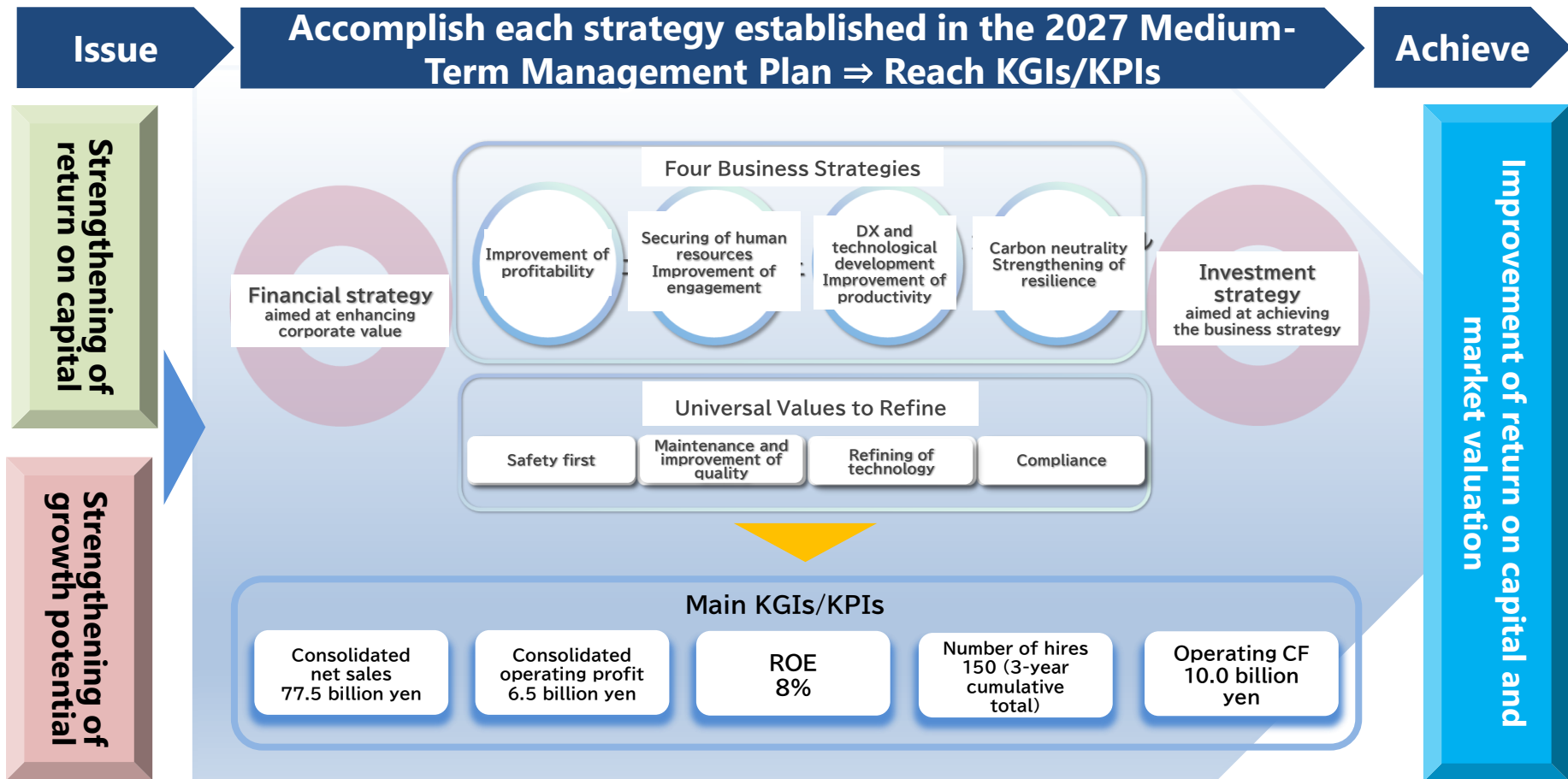
• In order to help achieve the priority implementation items of the financial strategy established in the 2027 Medium-Term Management Plan, the FY2027 targets will be revised as follows.

	FY2027 Targets Set in the December 2023 Publication		Situation as of the End of FY2024	Targets Set in the 2027 Medium-Term Management Plan
Return on capital	Consolidated operating profit margin	7% level	7.6%	8.4%
	Shareholder returns	Total return ratio: 40% or more	Dividend payout ratio: 40.3%	DOE: 3.2% level
	Reduction of cross-shareholdings	—	10% reduction compared to the end of FY2023 based on acquisition price	25% reduction compared to the end of FY2024 based on acquisition price
Market valuation	Consolidated net sales	63.0 billion yen	68.7 billion yen	77.5 billion yen
	Consolidated operating profit	4.5 billion yen	5.2 billion yen	6.5 billion yen
	Growth investments	5.0 billion yen (5-year cumulative total)	1.6 billion yen (FY2024)	5.0 billion yen or more (3-year cumulative total)
	ROE	5.5%	7.7%	8.0%
	Briefings for institutional and individual investors	—	Once each year	Twice each year

Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Summary)



• With regard to the Company's issues of strengthening profitability and strengthening growth potential, by accomplishing each of the strategies established in the 2027 Medium-Term Management Plan and reaching the numerical targets established in the plan, we will improve return on capital and market valuation.



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