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May 18, 2026

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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 a meeting of its Board of Directors held on May 18, 2026, it re-analyzed and re-evaluated the current situation regarding “Action to Implement Management that is Conscious of Cost of Capital and Stock Price,” and has updated its policies and initiatives for improvement, as outlined in the attached 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 18, 2026

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

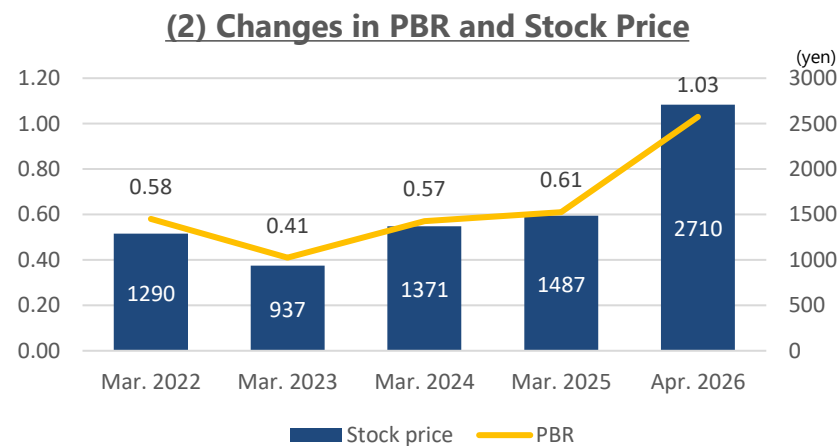
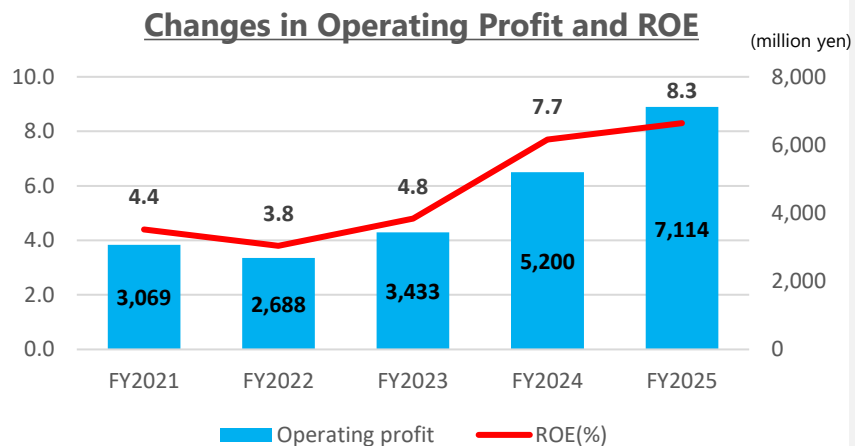
1. NIPPON RIETEC CO., LTD. (the “Company”) published the Action to Implement Management that is Conscious of Cost of Capital and Stock Price on December 21, 2023, and subsequently updated the contents on May 12, 2025.
2. Based on the progress made during the first year of the 2027 Medium-Term Management Plan announced on May 12, 2026, the Company has decided to provide an update on its initiatives over the past year regarding the Management that is Conscious of Cost of Capital and Stock Price.
3. Through various business strategies and capital policy initiatives, key management indicators and other financial metrics have shown signs of improvement. However, the Company recognizes that these results have not yet met the expectations of shareholders and investors.
4. Aiming to be a company that meets the expectations of shareholders and investors and is chosen by them, NIPPON RIETEC will continue striving to address various issues.

Awareness of the Current Situation



• Since the update of the “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” and the publication of the “2027 Medium-Term Management Plan” on May 12, 2025, the Company has implemented a variety of measures that have led to improvements in return on capital and market valuation. However, we recognize that these levels remain insufficient and continue to be issues.

Indicator	Awareness of the Current Situation	Issue
Return on capital	<p>[ROE (8.3%) < Cost of capital (8.6%)] > Although ROE exceeded 8%, it remains below the cost of capital</p>	Strengthening return on capital / further improvement of ROE
Market valuation	<p>[PBR (1.03x) ≒ 1.0x] > Although PBR exceeded 1.0x, it remains below the average level of Prime Market listed companies (1.5x).</p>	Strengthening growth potential / further improvement of stock price



Results of Initiatives Over the Past Year (1): Strengthening return on capital and Growth Investments



• Through initiatives based on the four business strategies set forth in the “2027 Medium-Term Management Plan,” the execution of growth investments, and efforts to improve profitability, we achieved higher order intake, secured projects in new business fields, and improved profit margins and operating cash flow. As a result, we achieved several targets for the final year of the Medium-Term Management Plan ahead of schedule.

*Figures shown in red indicate results for the final year of the Medium-Term Management Plan of targets that were achieved ahead of schedule as of the end of March 2026.

Main Initiatives

(1) Securing large-scale construction projects

- Interlocking device replacement at the Makuhari Rolling Stock Center [Railroad]
- Signal system improvements at Morioka Station on the Tohoku Main Line [Railroad]
- New installation of facilities for the Shin-Omiya Ageo Route on the Metropolitan Expressway [Road]
- Electric facility renovation works at the Tokyo International Exhibition Center (Tokyo Big Sight) [Indoor/Outdoor]
- New steel tower construction for the Dewa Main Line [Power Transmission Line]

(2) Expansion into new business fields

- Entry into grid-scale storage battery installation works
- Entry into data center-related works

(3) Strengthening of construction capabilities

- Merger of subsidiaries and establishment of NR DENKI-SYSTEM Co., Ltd.
- Enhancement of engagement through revisions to the personnel system

(4) Improvement of productivity

- Improvement of productivity through the development of new technologies
- Improvement of operational efficiency through the use of DX

Management Indicators / KPIs	Target for Final Year of Medium-Term Management Plan	Results as of March 31, 2026
Consolidated net sales	77.5 billion yen	74.0 billion yen
Consolidated operating profit	6.5 billion yen	7.1 billion yen
Consolidated operating profit margin	8.4%	9.6%
ROE	8.0%	8.3%
Completed construction sales per person	80 million yen	80.6 million yen
Operating profit per person	7 million yen	7.2 million yen
Orders from newly-entered markets	3-year cumulative 3.0 billion yen	3.4 billion yen
Operating cash flow	3-year cumulative 10.0 billion yen	First-year result 4.74 billion yen
Growth investments	3-year cumulative 5.0 billion yen	First-year result 2.7 billion yen
Shareholder returns	DOE: 3.2% level	Target DOE: 3.6% level

Results of Initiatives Over the Past Year (2): Improvement of Market Valuation

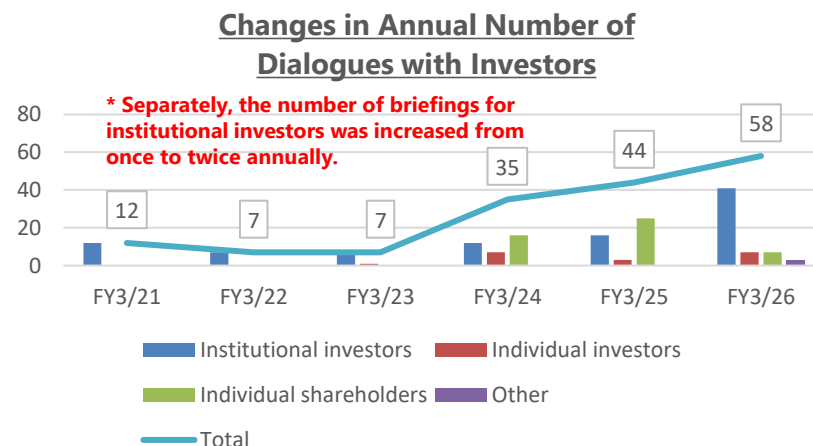
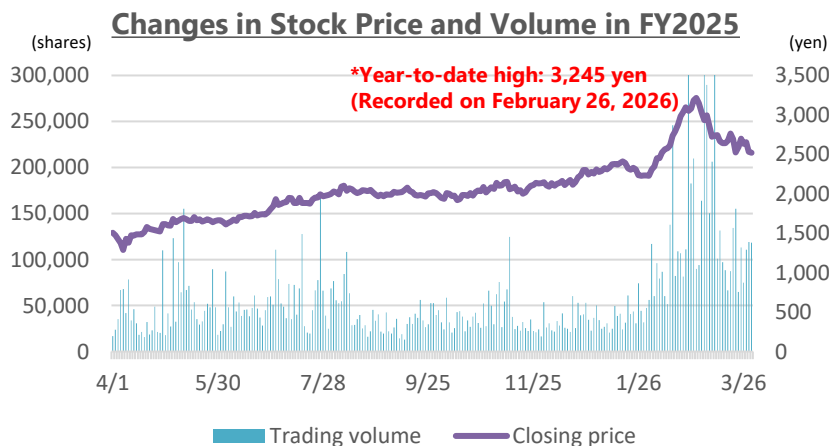


• We strengthened our IR activities by holding our first-ever interim results briefing for institutional investors and increasing opportunities for meetings with both institutional and individual investors. In addition, through initiatives addressing investor expectations for “enhanced shareholder returns” and “improved stock liquidity,” we achieved improvements in both our stock price and trading volume.

Main Initiatives

- (1) Adoption of DOE as a shareholder return indicator**
- Realization of stable and progressive dividend returns
- (2) Execution of a secondary offering**
- Reduction of cross-shareholdings of strategically held shares and enhancement of stock liquidity

Major Performance Indicators	FY2024	FY2025
Fiscal year-end stock price	1,487 yen	2,521 yen
Average monthly trading volume (March)	32,393 shares / day	60,999 shares / day
Annual number of dialogues with investors	44 times / year	58 times / year



Enhancement of Shareholder Returns



- Based on the improvement in profitability (earning power) achieved through initiatives over the past year, we will further enhance shareholder returns.

Profitability has improved, with operating profit achieving the target level for the final year of the Medium-Term Management Plan ahead of schedule.

ROE has also achieved the “8%” target originally set for the final year of the Medium-Term Management Plan ahead of schedule.

With the achievement of the ROE target, we have reached a level at which it is possible to review the level of shareholder returns through dividends.

As stated in the Medium-Term Management Plan, generated funds will continue to be allocated primarily toward dividend returns and growth investments.

Initial dividend return target indicator: DOE of 3.2%
(DOE = ROE × Dividend Payout Ratio)

ROE target: 8%

Dividend payout ratio: 40%

Revised dividend return target indicator: DOE of 3.6%
(DOE = ROE × Dividend Payout Ratio)

ROE target: 9%

Dividend payout ratio: 40%

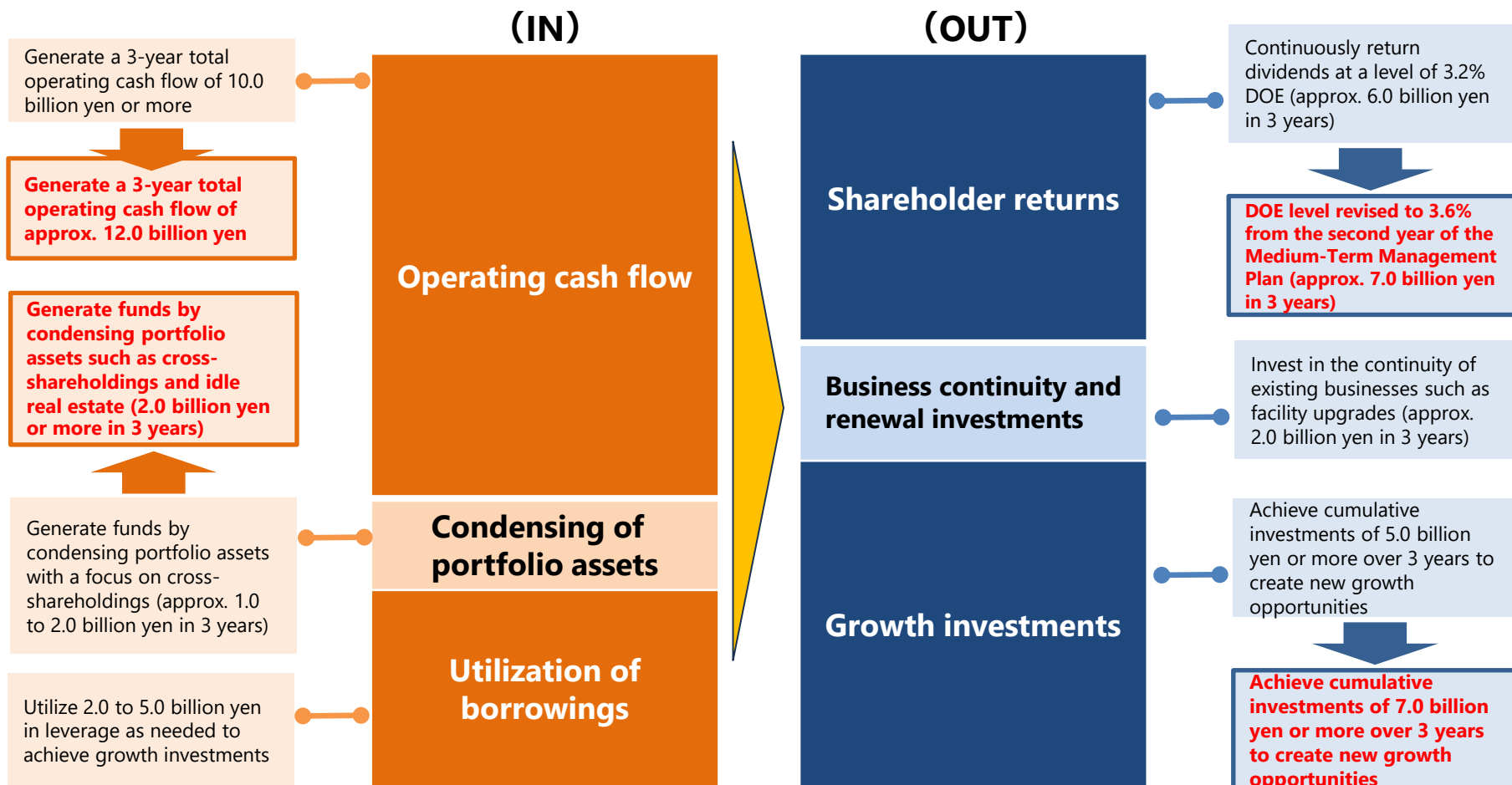
	FY3/26	FY3/27
DOE	3.2%	3.6%
Dividend per share	82 yen	97 yen
Total annual dividends	2.0 billion yen	2.4 billion yen

* Interim dividend system to be introduced from the fiscal year ending March 2027.

Capital Allocation



• Based on the FY2025 results for operating cash flow and growth investments, as well as the revision of the DOE level, we have also revised the capital allocation policy as outlined below and will continue striving to utilize funds effectively.



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

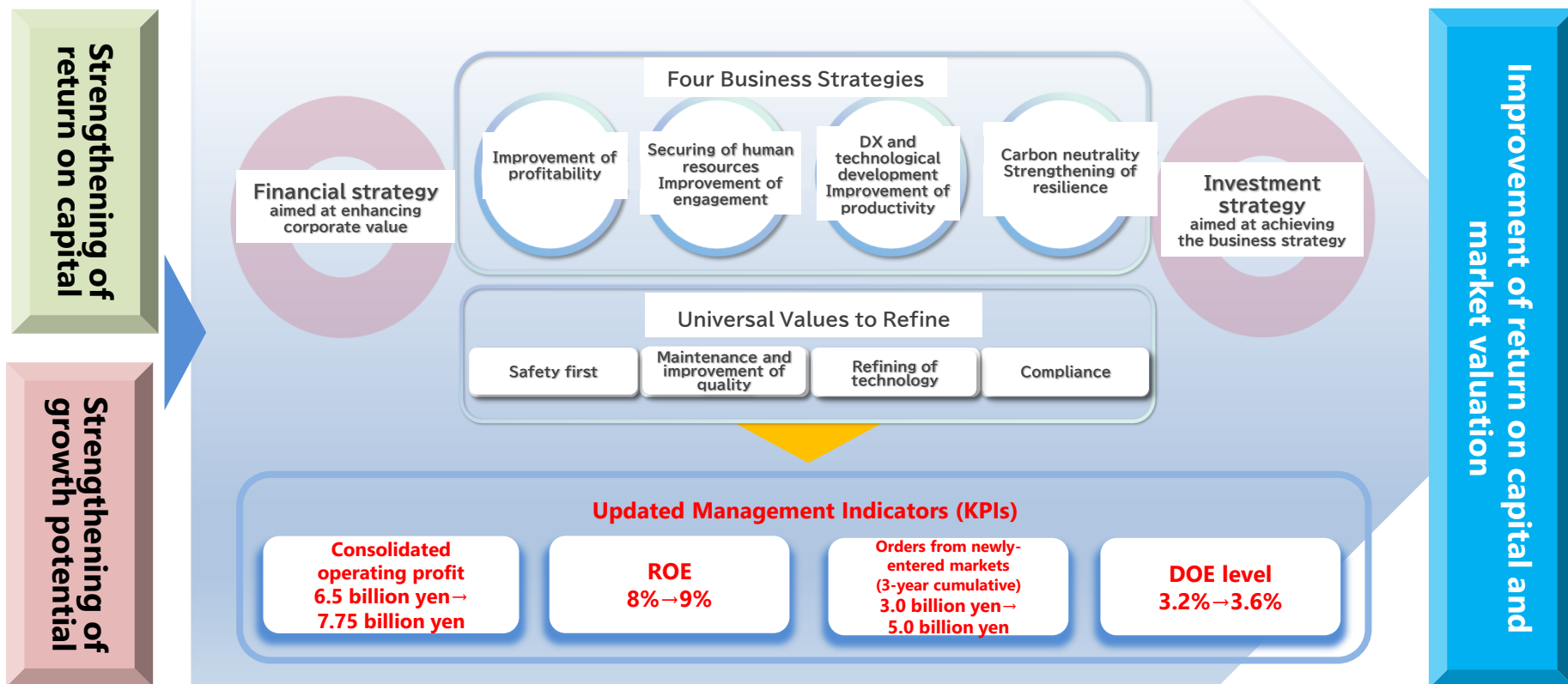


• As improvements are still in progress and “strengthening return on capital” and “strengthening growth potential” remain ongoing issues, we have updated our management indicators and KPIs in order to further strengthen initiatives related to the four business strategies set forth in the “2027 Medium-Term Management Plan.” By achieving these targets, we aim to improve return on capital and market valuation.

Ongoing Issues

Further Strengthening Initiatives for the Four Business Strategies and Financial / Investment Strategies

Achieve



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