



STANDARD
TOKYO

May 10, 2024

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Announcement Regarding the Establishment of Medium-Term Management Plan (from FY 2024 to FY 2026)

We are pleased to announce that the Group has formulated a new Medium-term Management Plan for the period from FY 2024 to FY 2026.

The Group has been pursuing three basic strategies (development strategy, sales & construction strategy, and ESG strategy) in its Medium-term Management Plan from FY 2021 to FY 2023. As a result, the qualitative targets were largely on track for the development of two new construction methods in the development strategy. In addition, we achieved certain results in our ESG strategy, including the completion of a prototype of a small motorized pile driver. However, the quantitative targets show delays in construction orders for large infrastructure projects. In addition, these targets were not yet achieved due to lower-than-expected production efficiency of construction projects initiated under the new work environment created by work style reforms.

In the new Medium-term Management Plan starting from FY 2024, we will take on the challenges inherited from the Medium-term Management Plan from FY 2021 to FY 2023 and business challenges related to society, the environment, labor, and management with five key strategies. We will strive to achieve sustainable management and contribute to society, with the aim of becoming a 100-year company.

■ Overview of the Medium-term Management Plan

1. Theme

“A New Step toward the Future”

Innovation for the environment and infrastructure

2. Key Strategies

- Business Segment Strategy Increase medium-term demand stock by “folding in” our technology
- Development Strategy Continue to develop new technology and promote long-term growth
- Environmental and Digital Strategy Increased environmental added value and using DX to solve the labor shortage
- Strengthening the Management Foundation Investment in human capital and strengthening of risk management structure for sustainable growth
- Promotion of Capital Efficiency Management Achieve ROE in excess of cost of shareholders’ equity

3. Numerical Management Target (Consolidated Basis)

	FY 2026 (Final year of the plan)
Net sales	27,000 million yen
Ordinary profit	1,500 million yen
ROE	8%

* For more details, please refer to the attached document.

(Note) The numerical target and future outlook presented in this document are based on the Company’s strategies, goals, and assumptions as of the release of this document, and are not guarantees or assurances of future performance or developments.

Medium-Term Management Plan

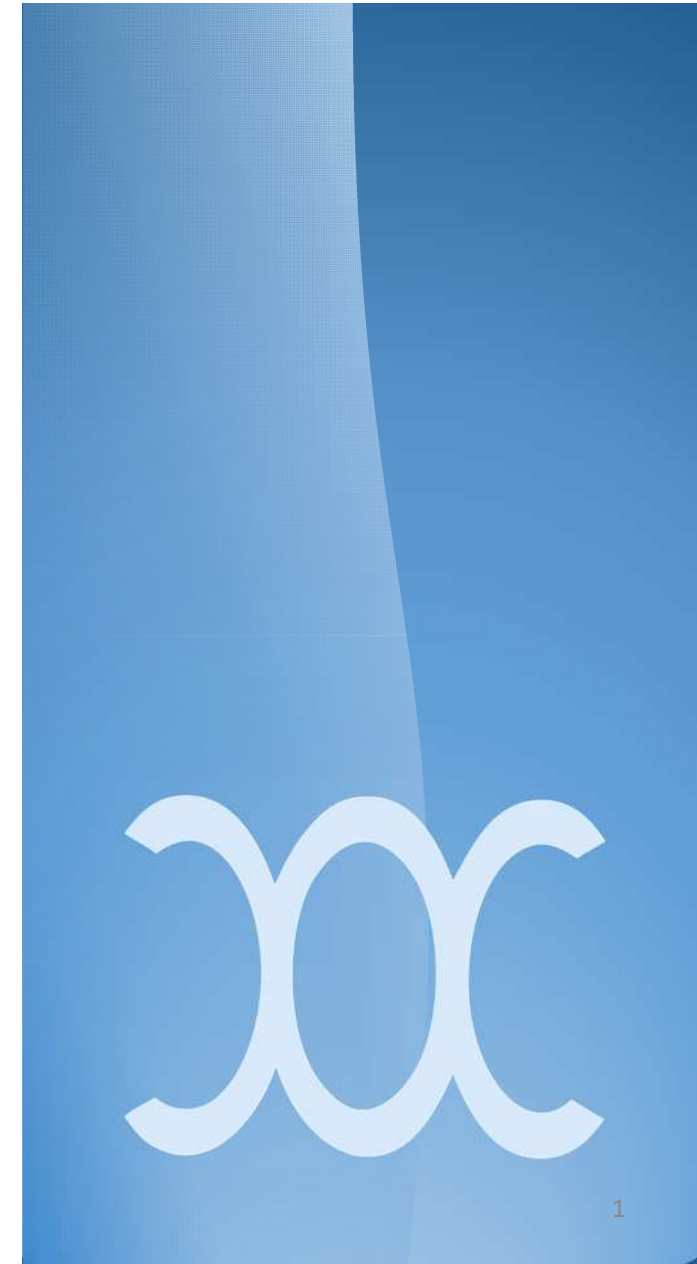
(from FY 2024 to FY 2026)

“A New Step toward the Future”

May 10, 2024

TENOX CORPORATION

Securities Code: 1905 (TSE Standard Market)



Agendas

1. Basic Policy

- 1-1. Review of the Medium-term management Plan (Basic policy)
- 1-2. Review of the Medium-term management Plan (Numerical management target)
- 1-3. Position and theme of the Medium-term management Plan
- 1-4. Environmental awareness, business challenges, and summary of the Medium-term management Plan

2. Numerical Management Target

3. Business Segment Strategy

- 3-1. Civil engineering business (Domestic)
- 3-2. Construction business (Domestic)
- 3-3. Overseas business
- 3-4. Civil Engineering consulting business

4. Development Strategy

- 4-1. High added value enhancement of proprietary technology
- 4-2. Technology development for solving social and environmental issues
- 4-3. Development of new construction technology with the goal of becoming a 100-year company

5. Environmental and Digital Strategy

- 5-1. Practice of environmental management
- 5-2. Promotion of digital transformation

6. Strengthening the Management Foundation

- 6-1. Strengthening the business foundation
- 6-2. Human capital strategy
- 6-3. Strengthening the management control system

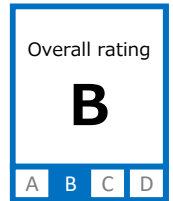
7. Promotion of Capital Efficiency Management

- 7-1. Current situation analysis to improve corporate value
- 7-2. Understanding of the capital costs and the target ROE
- 7-3. Cash allocation
- 7-4. Shareholder return policy

1. Basic Policy

1-1. Review of the Medium-term Management Plan (Basic policy)

Promoting efforts to “create high added value to address needs” under the slogan of “enterprising spirit”
 The development of two new construction methods is almost complete in the development strategy, and a prototype of Electric small pile driver has been completed in the ESG strategy



Review of “three basic strategies”

Development strategy	Sales & construction strategy	ESG strategy
<ul style="list-style-type: none"> ⚙️ Contribute to enhancing national resilience and responding to environmental changes through our basic technology ⚙️ Establish reliability that ensures security of society 	<ul style="list-style-type: none"> 🏗️ Establish supply chain that covers design proposal to construction 🏗️ Contribute to improving social infrastructure in developing countries 	<ul style="list-style-type: none"> 🌱 Enhance sustainability management
<ul style="list-style-type: none"> 🔴 Development of high bearing capacity piling method for concrete piles has been largely completed Started technology dissemination and sales activities 🔴 Development of slurry-type shallow ground improvement method has been largely completed 🔴 Technical proposal based on research results of liquefaction countermeasure work has been adopted for design 🔴 Present joint research results with universities and institutes at various academic societies <div style="display: flex; align-items: center; justify-content: center;"> <div style="border: 1px solid black; padding: 5px; margin-right: 10px;">Rating: B</div> </div>	<ul style="list-style-type: none"> 🔴 Despite securing orders for piling work for the redundancy business and the Kansai Infrastructure Project, orders for some large projects were delayed significantly, affecting the achievement of the Numerical Management Target Plan 🔴 Design proposals for e-commerce related construction projects bore fruit, securing the company orders for foundation work for large logistics warehouses, etc. On the other hand, soaring material prices reduced competitiveness 🔴 Overseas activities have been limited due to Covid-19 and a coup d'état <div style="display: flex; align-items: center; justify-content: center;"> <div style="border: 1px solid black; padding: 5px; margin-right: 10px;">Rating: C</div> </div>	<ul style="list-style-type: none"> 🔴 Promote studies of projects that contribute to environmental management, such as the development of Electric small pile driver, studies on using alternative fuels to diesel, and studies of applying industrial by-products to construction methods 🔴 As measures to achieve diversity & inclusion, promote studies on the renewal of the human resource system and measures to improve employee engagement 🔴 Thoroughly implement four committee activities, establish a new Risk Management Committee, and formulate a BCP <div style="display: flex; align-items: center; justify-content: center;"> <div style="border: 1px solid black; padding: 5px; margin-right: 10px;">Rating: B</div> </div>

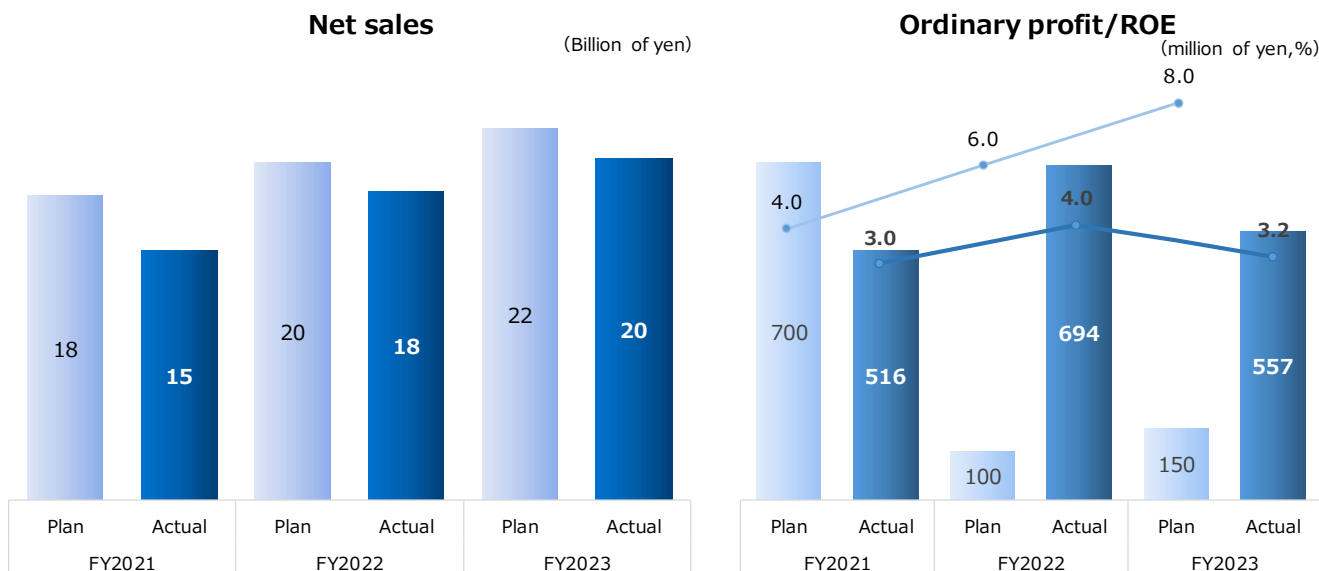
1. Basic Policy

1-2. Review of the Medium-term management Plan (Numerical management target)

In the previous Medium-term management Plan (FY 2021 - FY 2023), although planned construction orders were favorable, delays in orders for large infrastructure projects and delays in the start of construction had a significant impact on planned net sales. In addition, in FY 2023, the production efficiency of construction projects started in a new work environment was lower than expected (due to factors such as a labor shortage and work style reform), affecting the failure to achieve the profit plan

Overall rating			
C			
A	B	C	D

Results(consolidated)



Challenges to the new Medium-term Management Plan

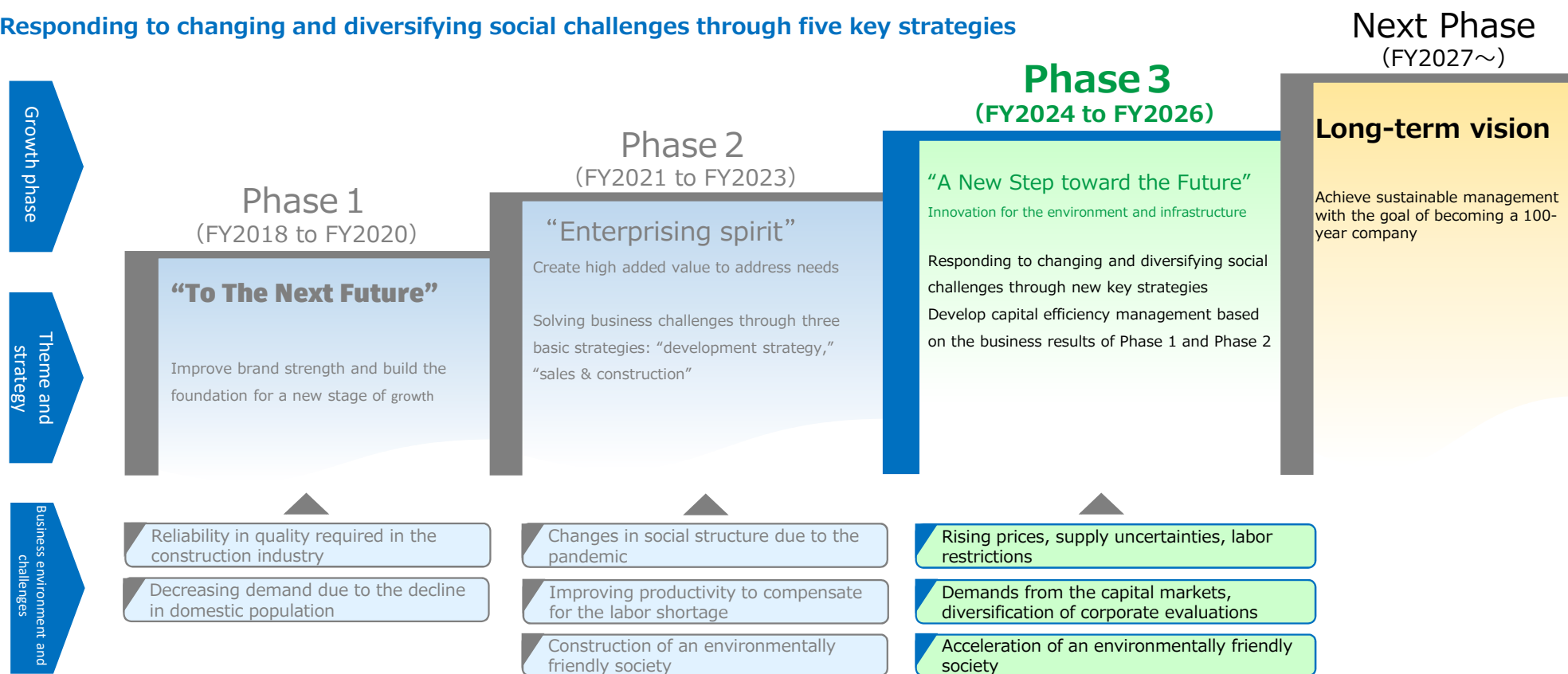
Measures for a new business environment

Decline in business productivity is expected due to a labor shortage and the cap on overtime hours effective from April 2024. Productivity improvement measures based on acceptance of new work styles have become important.

1. Basic Policy

1-3. Position and theme of the Medium-term Management Plan

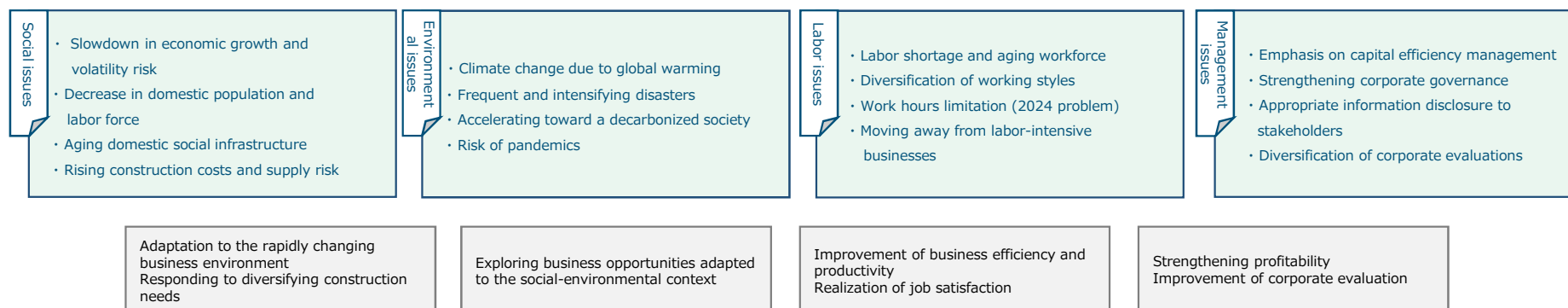
The Medium-term Management Plan (from FY 2024 to FY 2026) is in **Phase 3**; toward the achievement of the long-term vision
 Responding to changing and diversifying social challenges through five key strategies



1. Basic Policy

1-4. Environmental awareness, business challenges, and summary of the Medium-term Management Plan

Achieve sustainable management with the goal of becoming a 100-year company



Responding to significant changes in the environment, diversification of business challenges, and the growth vision with “five key strategies”



*Fold-in: Adoption of technology into the design

2. Numerical Management Target (Consolidated Basis)

Securely capture continuing projects from the previous plan and new large projects, and increase net sales by launching the sale of newly developed construction method.

Ensure implementation of productivity improvement strategies based on new work styles to increase profitability.

	FY2026	FY 2024 forecast (reference)
Net sales	27,000 million yen	25,000 million yen
Ordinary profit	1,500 million yen	930 million yen
ROE	8 %	5.2 %

3. Business Segment Strategy

3-1. Civil engineering business (Domestic)

Increasing the fold-in stock with structural technical proposals for disaster prevention and disaster mitigation in anticipation of more frequent and more severe natural disasters, and for making national land resilient

Project for establishing national redundancy



Challenge

Duplicating transportation networks is necessary to ensure the movement of people and logistics in the event of a disaster



Strategy

Our construction methods have been adopted for transportation infrastructure projects such as roads and railroads, and become the core business of our Medium-term Management Plan

Wind and flood damage countermeasure works



Challenge

Prevention of flood damage caused by large typhoons and localized heavy rainfall and measures to prevent the spread of damage are necessary



Strategy

Promote technical proposal activities for the structural design of sluice gates and drainage facilities to prevent river overflowing and floods

Growth strategies for business expansion

- **“Fold-in” strategy for social infrastructure maintenance**
Stabilize the business plan by focusing on “fold-in” technical proposals of in-house construction methods targeting aging critical civil engineering structures (roads, rivers, ports, agriculture and fisheries, airport civil engineering facilities, government facilities, etc.)
- **Profitability of pile construction strengthened**
Roll out measures to improve profitability in line with new work styles and strictly manage target efficiency (KPI) at construction sites In addition, promote DX to save labor

KPI (consolidated)	FY2026
Net sales	8,850 million yen
Ordinary profit	400 million yen

3. Business Segment Strategy

3-2. Construction business (Domestic)

Promote combined proposals for structural design using newly developed construction methods and research technologies to keep up with changing and diversifying architectural needs

Data center construction market





Challenge

Growing demand for data center expansion in the suburbs of urban areas, with annual investment forecast to exceed 500 billion yen



Strategy

Design and propose our lineup of high bearing capacity construction methods (piles and ground improvement) to the data center facility market

Liquefaction countermeasure works





Challenge

Preventive measures are needed against liquefaction caused by large earthquakes



Strategy

Preventive measures are needed against liquefaction caused by large earthquakes

Growth strategies for business expansion

- **Expand sales of newly developed construction methods**
Started sale of (new) concrete pile method, enhancing design proposals for logistics-related structures, data center, etc.
- **Sophisticated ground improvement proposals**
In addition to the conventional deep mixing improvement method, a shallow improvement method and newly developed technologies are lined up, and combined improvement method proposals were developed

KPI (consolidated)	FY2026
Net sales	16,400 million yen
Ordinary profit	1,040 million yen

3. Business Segment Strategy

3-3. Overseas business

Contributing to Vietnam’s economic growth policy (social capital development plan) with foundations technology and strengthening the construction base to expand the operations of local subsidiaries

Proposals for infrastructure development projects



Challenge

Acceleration of social capital development projects
Building transportation infrastructure is a top priority; the construction market is expanding



Strategy

Contribute to expressway construction and flood control planning with structural and construction foundation technologies
Establish a basic consulting system on site

Large factory construction orders



Challenge

Increase in domestic and overseas investment due to decentralization of manufacturing sites
Now it's a key to economic growth



Strategy

Taking advantage of an order for foundation work for a large manufacturing plant built with local capital, strengthen technical proposal for the next construction phase and similar structures, and enlarge the construction order

Growth strategies for business expansion

- **Building local construction infrastructure**
“TENOX ASIA” (a local group company) strengthens its own construction system (equipment and labor)
- **Creating group synergies**
Promote the training of engineers for local outsourcing of Japan design work
- **Promoting localization**
Explore local alliances to expand operations

KPI
(consolidated)

FY2026

Net sales

1,200 million yen

Ordinary profit

45 million yen

3. Business Segment Strategy

3-4. Civil Engineering consulting business

Sharing of projects and strategies in the Group, and the Strategic Planning Office upgraded customer solutions for civil and building structural design

Provide advanced customer solutions to meet increasingly diverse and sophisticated customer needs



Earthquakes and liquefaction



Tsunami



Landslide

Advanced technical challenges required for project design work

Rational presentation compatible with environment, design, construction, and cost

FS (test/experiment/analysis/design) to demonstrate presentation optimization

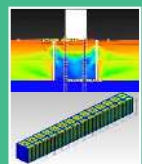


TENOX Group **Integrated Geotechnology Institute Limited**
Civil engineering consulting services



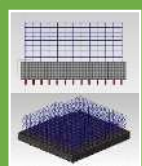
Testing and Experiments

- Model Experiment
- Laboratory Testing
- On-site measurement
- Special Measurement
- Processing and manufacturing etc.



Analysis

- Finite element analysis
- Frame Analysis etc.



Engineering

- Civil Engineering Structure Design
- Structure Foundation Design

Rational technical proposals and optimal design based on tests, experiments, and analysis

Creation of new added value planned by the Group



Strategic Planning Office established within the Integrated Geotechnology Institute Limited to create group synergies and enhance the presence of the civil engineering and construction businesses

KPI (consolidated)	FY2026
Net sales	700 million yen
Ordinary profit	35 million yen

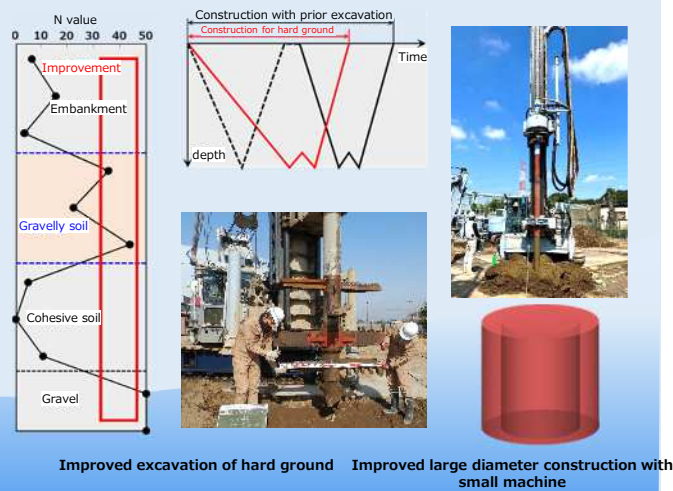
4. Development Strategy

4-1. High added value enhancement of proprietary technology

Refine proprietary technologies and enhance variations of high added value foundation construction methods
 Utilize rapidly evolving ICT technology to improve construction quality and reform work styles at construction sites

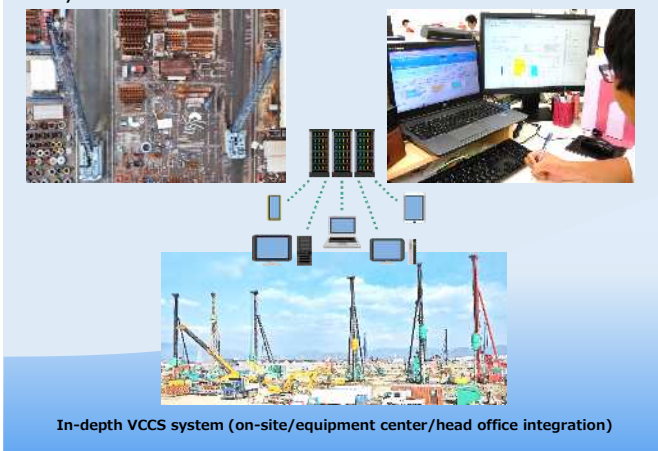
Advanced drilling and agitation mixing technology

- Provide cost-effective foundation construction methods to the diversifying construction market by leveraging our expertise in excavation construction technology and improving workability

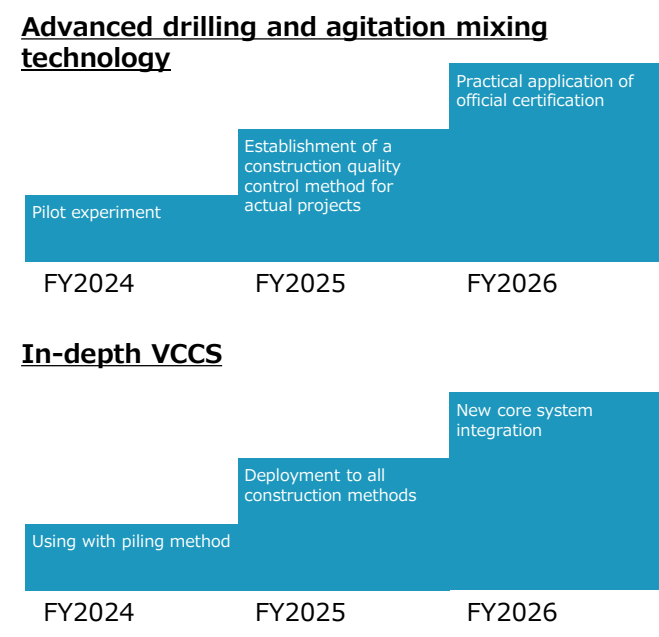


In-depth VCCS Visualization of Construction Control System

- Deployment of VCCS system to all proprietary construction methods, real-time monitoring and sharing of construction status
- Improved precision of construction planning and site management through link with new core system



Developmental process



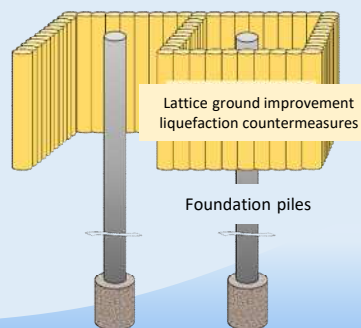
4. Development Strategy

4-2. Technology development for solving social and environmental issues

Contributing to the technology development of environmentally friendly foundation construction methods since the Company's founding
 Focus on technology development to create a safe, disaster-resistant land and a decarbonized society in order to meet the needs of the times

Contribution to building a robust infrastructure

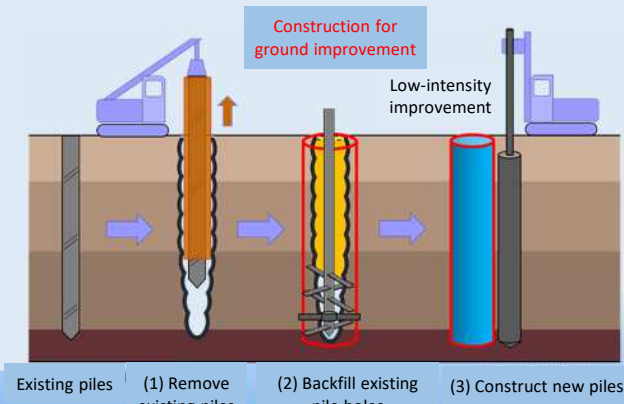
- Lattice ground improvement is applied to liquefaction countermeasures for important structures such as disaster prevention centers; rational design proposals for structural specifications, including pile foundations, based on numerical analysis



Improved lattice liquefaction countermeasures

Efforts toward a recycling-oriented society

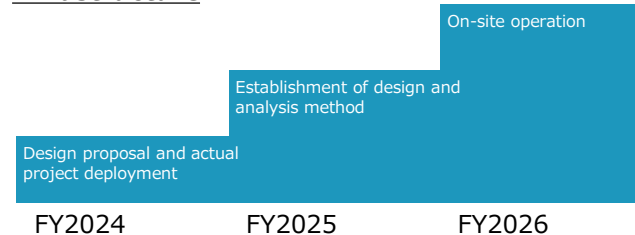
- Development and deployment of stabilization treatment technology to a site where existing piles are pulled up, contributing to the urban "scrap and build" market
- Development of low environmental impact ground improvement technology using industrial by-products



Stabilization treatment technology at a site where existing piles are pulled up

Developmental process

Contribution to building a robust infrastructure



Efforts toward a recycling-oriented society



4. Development Strategy

4-3. Development of new construction technology with the goal of becoming a 100-year company

Securing business areas based on the management philosophy of “respect for people,” “technological orientation,” and “active consistency,” and promoting “on-site capabilities” and “proposal capabilities”

Contribute as a leading environmental company in the foundations industry through management strategies that take the social environment into consideration

Realization of “On-site Construction Automation”

- **Automated operation of construction equipment with AI, use of robotics technology**
Adapt to the labor shortage and diversification of work styles by fully automating on-site work
Attempt to achieve product quality and zero safety accidents at work sites
- **Systematization of quality management system for building foundations, utilization of big data**
Propose optimal foundation structure specifications and construction method by utilizing a vast amount of design and construction management data

Contribution to a decarbonized, resource-recycling-oriented society

- **Attempt to achieve zero CO2 emissions at the construction stage**
Creation of an all-electric construction system with solar and private power generation, and expansion of renewable energy through the development of solar and other power generation potential
- **Tackling low-carbon ground improvement technology and foundations using natural materials**
Establishment of carbon sequestration technology, moving gradually from carbon neutral to carbon negative, and then to nature positive together with the earth



Low-carbon ground improvement technology
(utilization of industrial by-products)



Mascot of “Nature Positive,”
Ministry of Environment

5. Environmental and Digital Strategy

5-1. Practice of environmental management

Recognizing that countermeasures against global warming caused by climate change is a critical management issue for our company

Achieving carbon neutral in foundation construction



Scope 1 and 2

Target for FY 2030: 40% (2,000 t) reduction



Commercialization of the foundation industry's first small motorized pile driver

- Achieving net zero CO2 emissions through the use of green power -

- Reduction of other fuels used -

- Continued use of environmentally friendly alternative fuels to diesel oil
- Utilization of fuel reduction additives
- Commercial power use
- Introduction of EV vehicles, solar power generation facilities, etc.



Scope 3

Target for FY 2030: 20% (60,000 t) reduction



Development of new construction methods with high environmental added value

Refining proprietary construction methods (Tenocolumn ECO, Gantetsu Pile, TN-X, etc.)

- Items to be studied and implemented -

- Sequestration of carbonate with CO2 capture
- Active use of industrial by-products and renewable steel pipes
- Carbon offsetting through credits and certificates
- CO2 reduction strategy linked to supply chains
- Study of labor-saving procurement and logistics



5. Environmental and Digital Strategy

5-2. Promotion of digital transformation

Improved operational efficiency and work productivity through promotion of DX, enabling labor-saving construction

- Construction industry is facing a declining and aging workforce ⇒ Improving productivity by promoting DX is a critical challenge
- Established “DX Promotion Group” to develop DX human capital and enable labor-saving operations through the adoption of a new core system

Improve productivity through the use of AI and proactive adoption of ICT technology

- Visualization of construction quality ⇒ VCCS (construction management system) is fully equipped with all proprietary construction methods
- Wearable cameras introduced to ensure strict safety and quality control at remote job sites
- Development and commercialization of an app to improve productivity through “visualization of operations” in the Construction Division



- Improvement of digital literacy
- Development of digital human capital
- Creation of new services using digital solutions
- “Labor-saving” and “visualization” of operations realized through adoption of a new core system

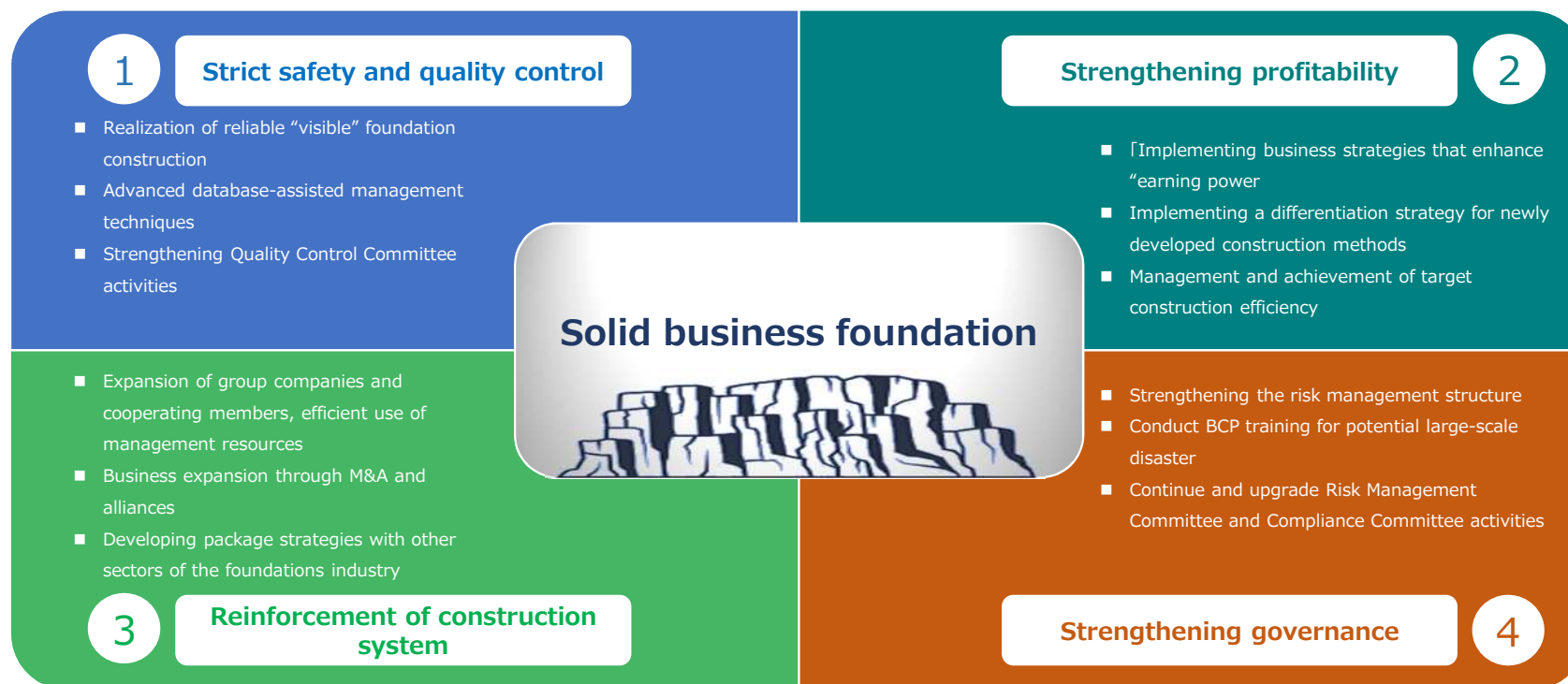
Reforming work styles by promoting DX

6. Strengthening the Management Foundation

6-1. Strengthening the business foundation

Implement four strengthening tasks to achieve business growth and increase corporate value

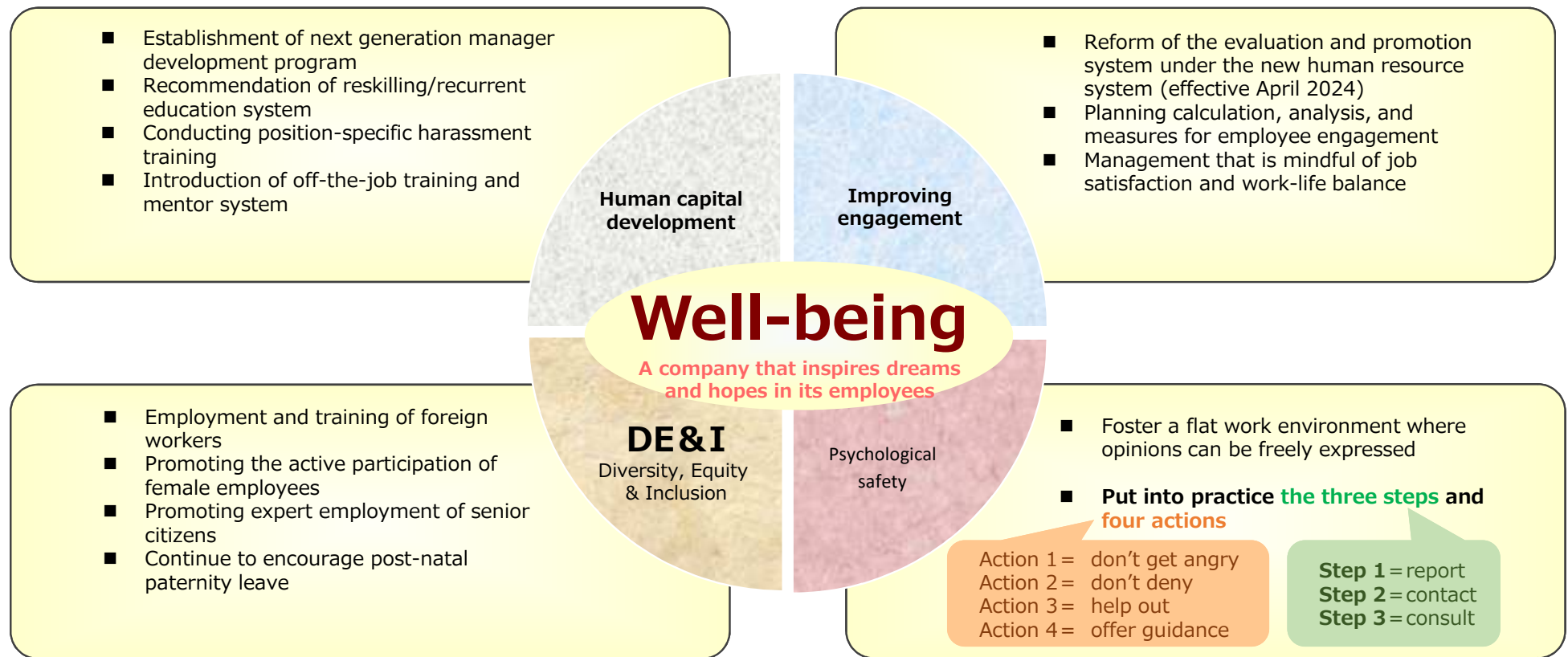
Achieve sustainable growth by responding to an increasingly diverse and sophisticated environment and customer needs



6. Strengthening the Management Foundation

6-2. Human capital strategy

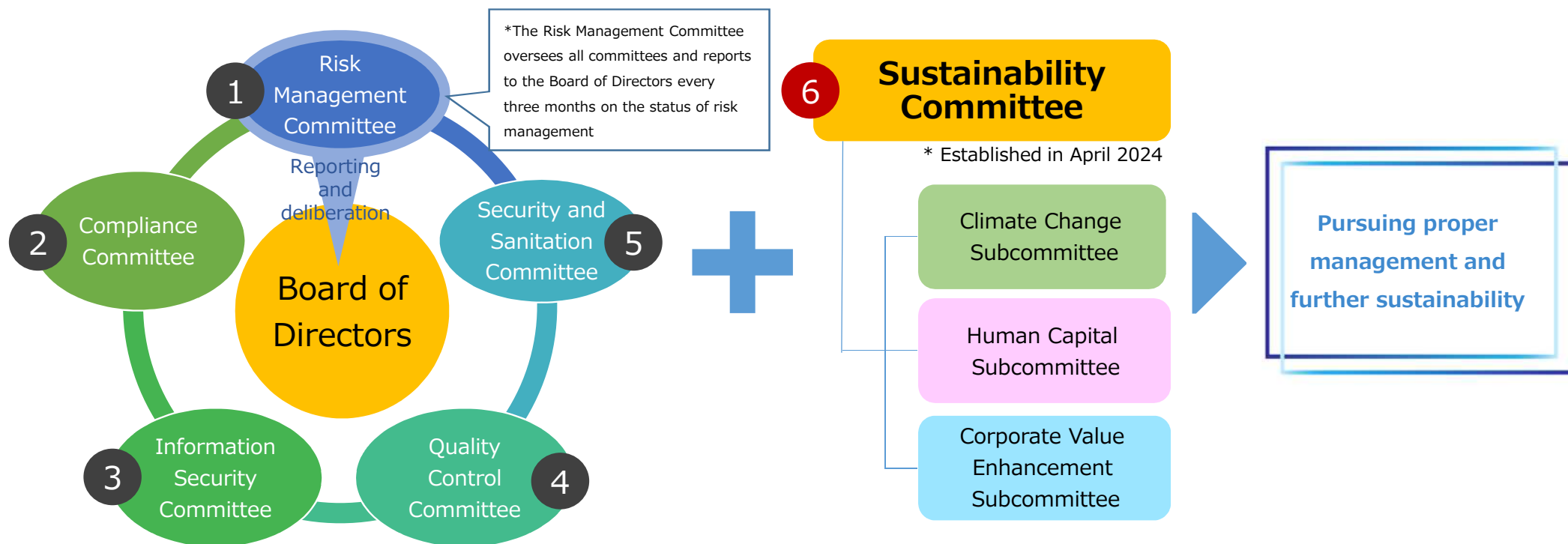
Create corporate branding that maximizes the potential of human capital



6. Strengthening the Management Foundation

6-3. Strengthening the management control system

In addition to five committees aimed at strengthening governance and thorough risk management, a new “Sustainability Committee” was established to pursue sustainable growth of society and business



7. Promotion of Capital Efficiency Management

7-1. Current situation analysis to improve corporate value

Not sufficiently exceeding the market's demand for cost of equity
⇒ Shift to management that is mindful of improving profitability and the cost of capital

Market rating

PBR (Price Book-value Ratio) has been 0.4 to 0.6
The market's assessment of our growth potential is low



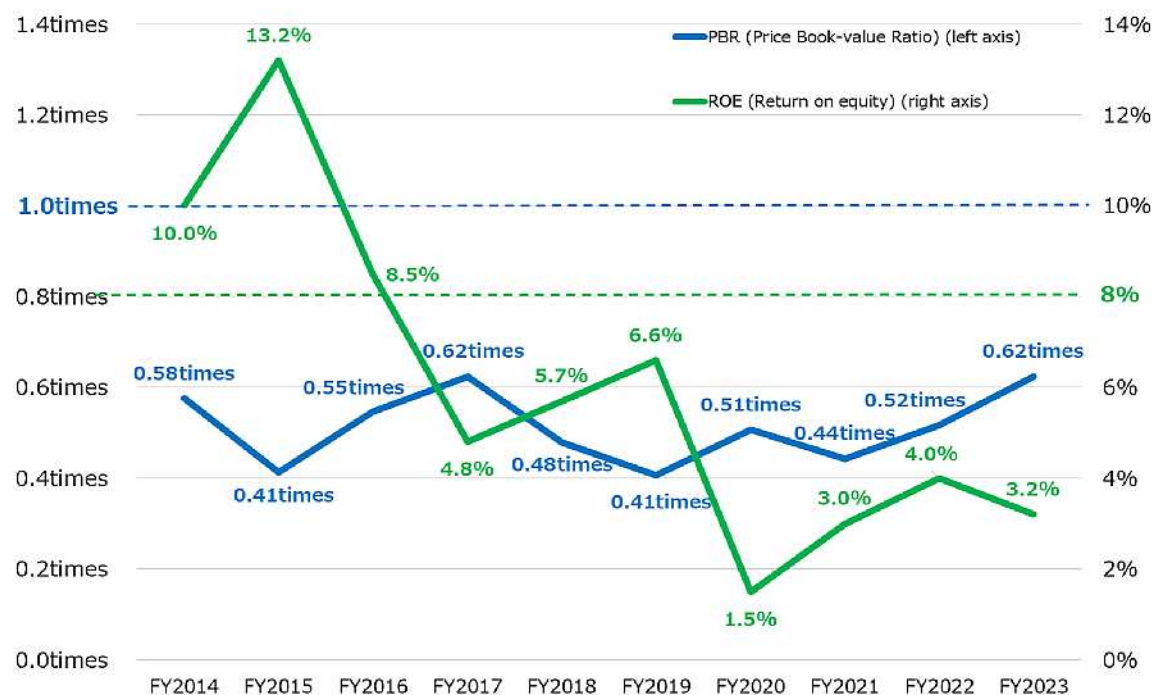
Promote management that is mindful of the cost of capital to increase corporate value

Return on capital

ROE (return on equity) has declined since 2015
Not sufficiently exceeding the market's demand for cost of equity



Achieve ROE above cost of equity through improved profitability and balance sheet efficiency



7. Promotion of Capital Efficiency Management

7-2. Understanding of the capital costs and the target ROE

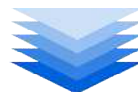
Company's cost of capital = cost of equity *With virtually no interest-bearing debt

<u>Risk-free rate</u> (Minimum expected return)	<u>β</u> (Company's price movements)	<u>Equity risk premium</u> (Expected return on Japanese stocks)		<u>Company's cost of equity</u>		
0.706%	+	0.3~0.7	×	5.45%	=	2.4~4.4%

ROE of at least 5% required

- ✓ Uses the most common cost of equity calculation method (CAPM)
- ✓ The risk-free rate is the compound closing value of the new 10-year JGB issued on 3.1.2024
- ✓ β values are calculated using historical data for stock price (including dividends) and TOPIX (including dividends)
- ✓ Equity risk premiums use periodic figures for the period 1972 to 2022

Ensure return on capital that generates equity spread (ROE - cost of equity) as a source of corporate value

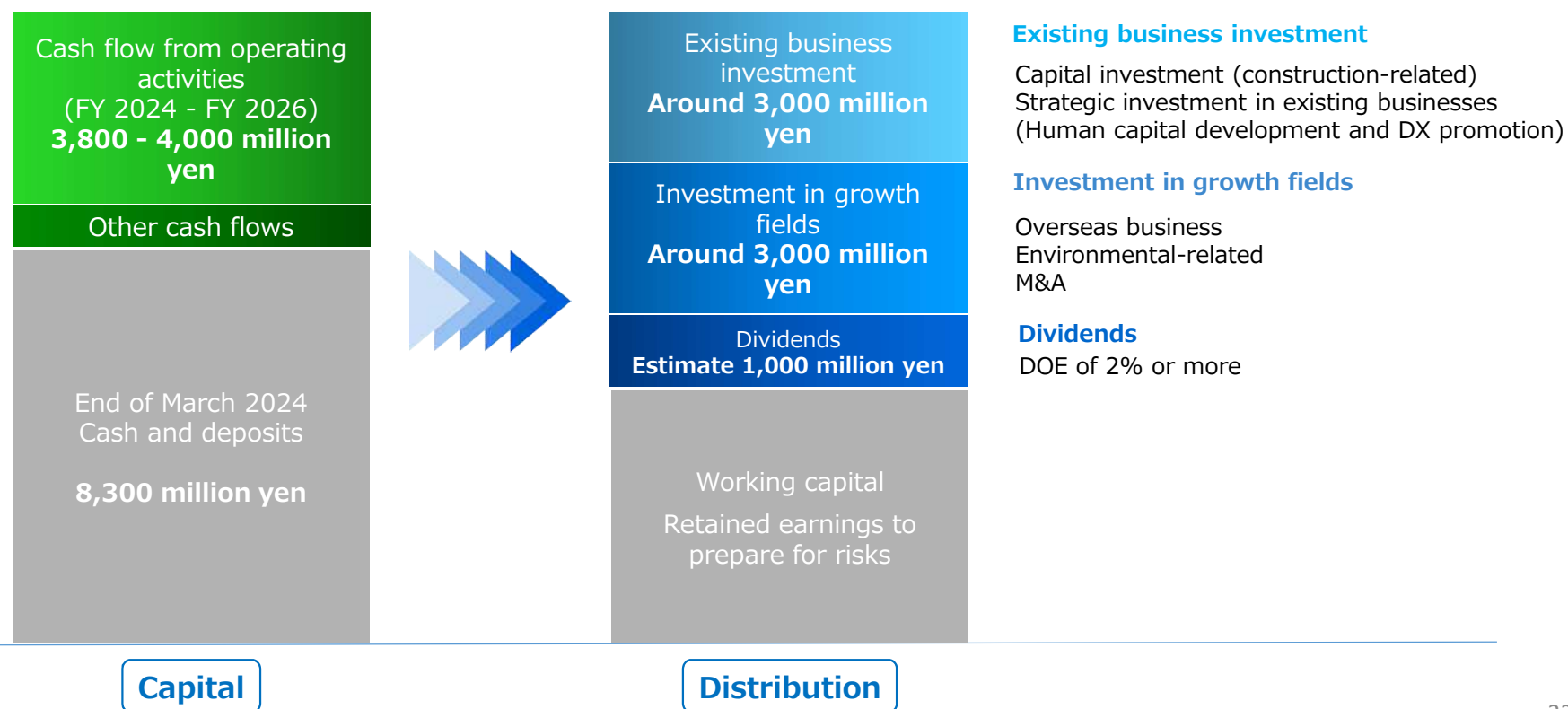


Target: ROE of 8% or more

7. Promotion of Capital Efficiency Management

7-3. Cash allocation

Improve business growth and return on capital by strategically allocating operating CF and cash reserves to investments and shareholder returns



7. Promotion of Capital Efficiency Management

7-4. Shareholder return policy

Changed the key indicator for shareholder return to “dividend on equity (DOE) of 2% or more” to ensure a stable return to shareholders

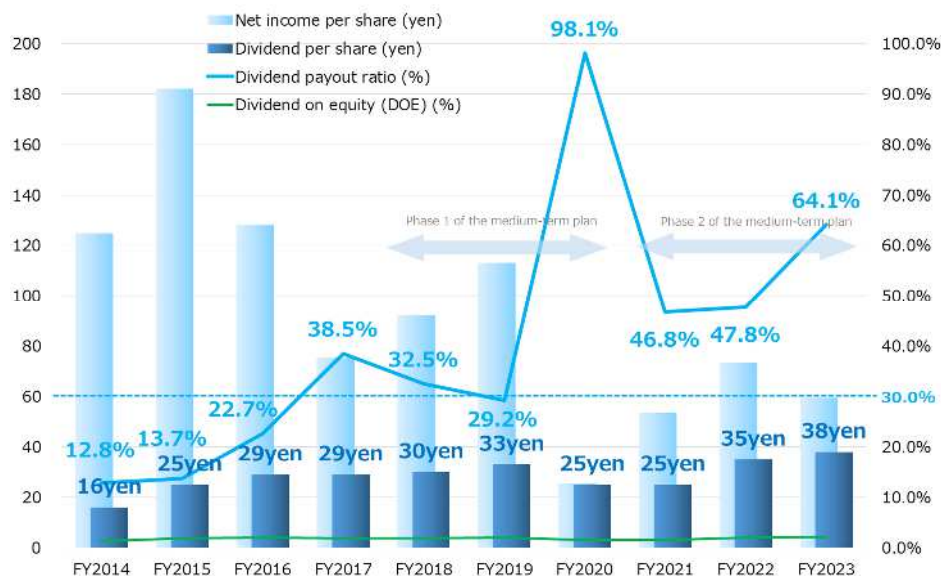
Previously

- Stable dividends with a **dividend payout ratio of roughly 30%**
- Flexible purchase of treasury shares
- Due to profit fluctuations, consolidated dividend payout ratio for the previous medium-term period was 45% or more



Future

- Stable dividends with a target **DOE (dividend on equity) of 2% or more**
- Flexible purchase of treasury shares
- **Dividend increase in line with net asset accumulation**



The numerical targets and future outlook presented in this document are based on the Company's strategies, goals, and assumptions as of the release of this document, and are not guarantees or assurances of future performance or developments.

Investment decisions should be made at the discretion of the user.

株式会社 テノックス