

Action to Implement Management That is Conscious of Cost of Capital and Stock Price

TOENEC CORPORATION

Securities Code | 1946

Tokyo Stock Exchange Prime Market
Nagoya Stock Exchange Premier Market

Current Analysis | Consolidated Performance

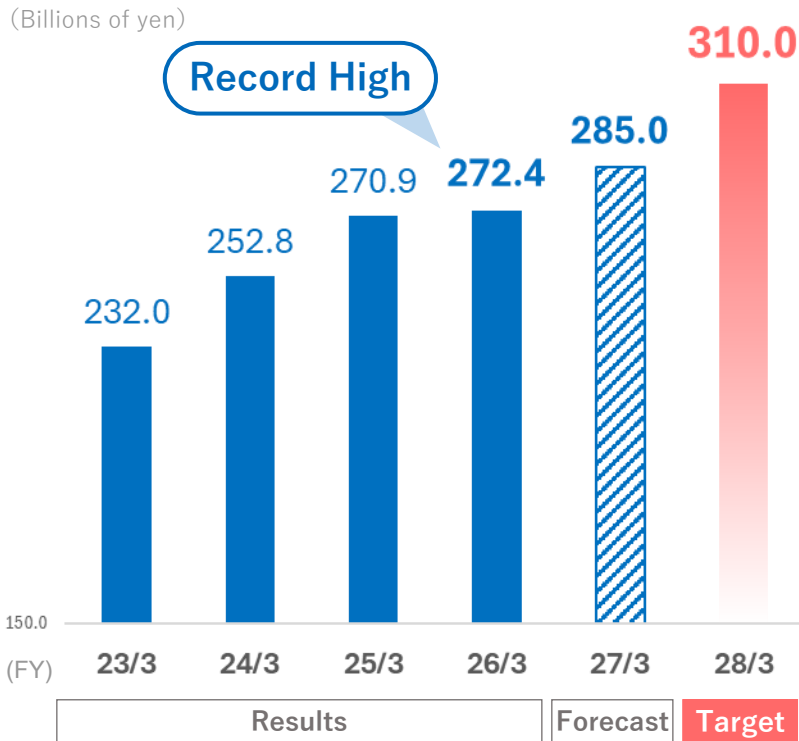
- Against a backdrop of a favorable business environment, both net sales and profit reached record highs for the fiscal year ended March 2026.
- As all numerical targets under the Medium-term Management Plan 2027 were achieved ahead of schedule, a revision of the numerical targets was made in April 2026.

A revision of the numerical targets of the Medium-term Management Plan 2027 was implemented.
 (A resolution was passed at the Board of Directors meeting held on April 28, 2026.)

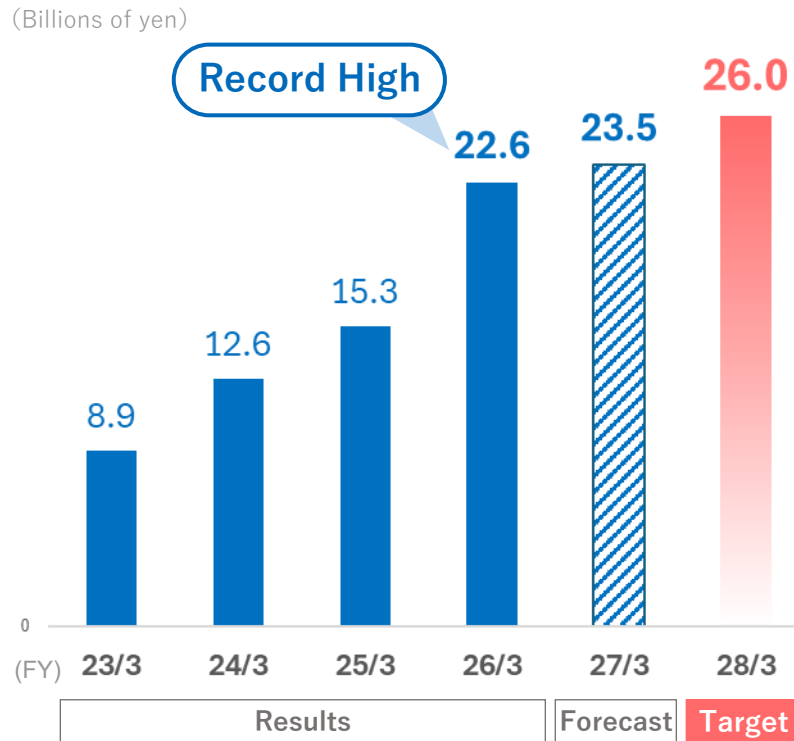
Net sales **¥310.0** billion (¥270.0 billion) **Ordinary profit** **¥26.0** billion (¥18.0 billion) **ROE** **10.5%** (8.0%)

*Figures in parentheses: Previously disclosed figures (April 28, 2023)

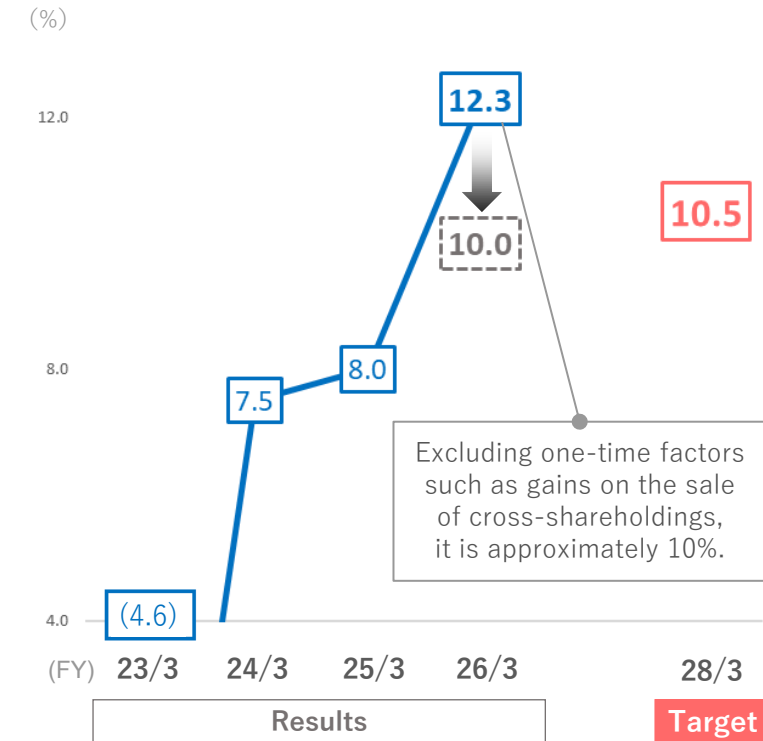
Net sales



Ordinary profit



ROE

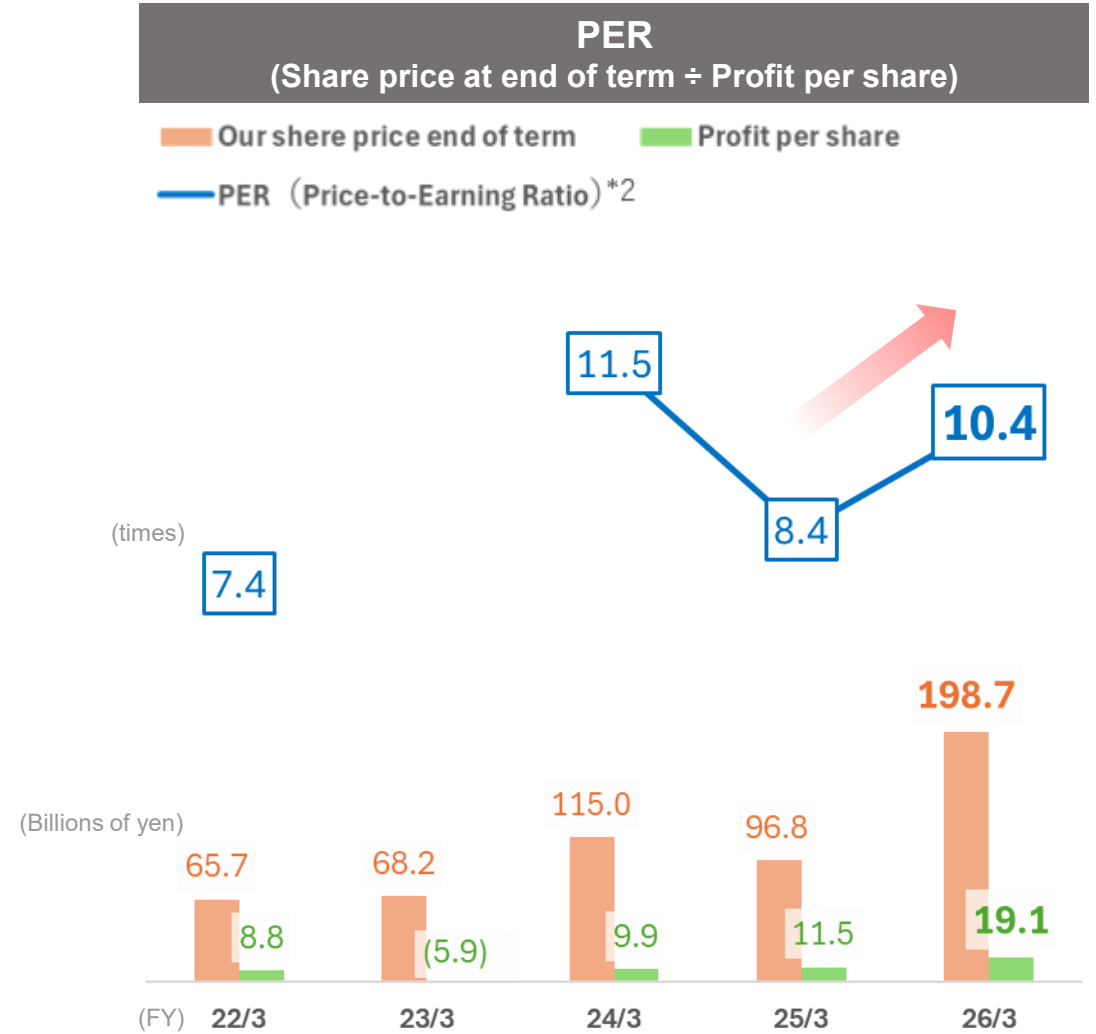
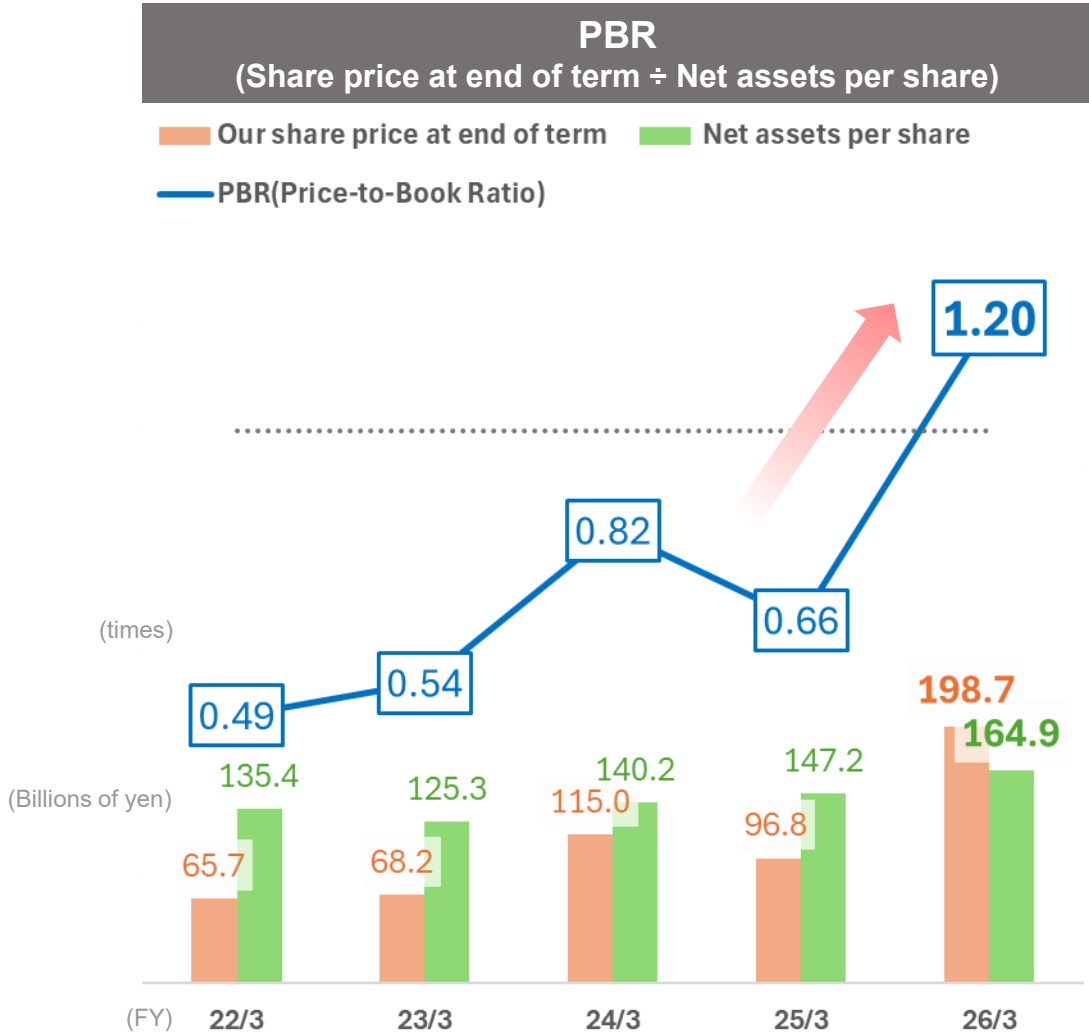


Current Analysis | PBR (Price-to-Book Ratio) and PER (Price-to-Earnings Ratio)



- PBR had continued to remain below 1.0x, but has now improved to a level in excess of 1.0x following an increase in the stock price.
- Although PER has similarly increased, it remains at a low level compared with the construction industry average (Prime construction sector: 17.8x^{*1}).

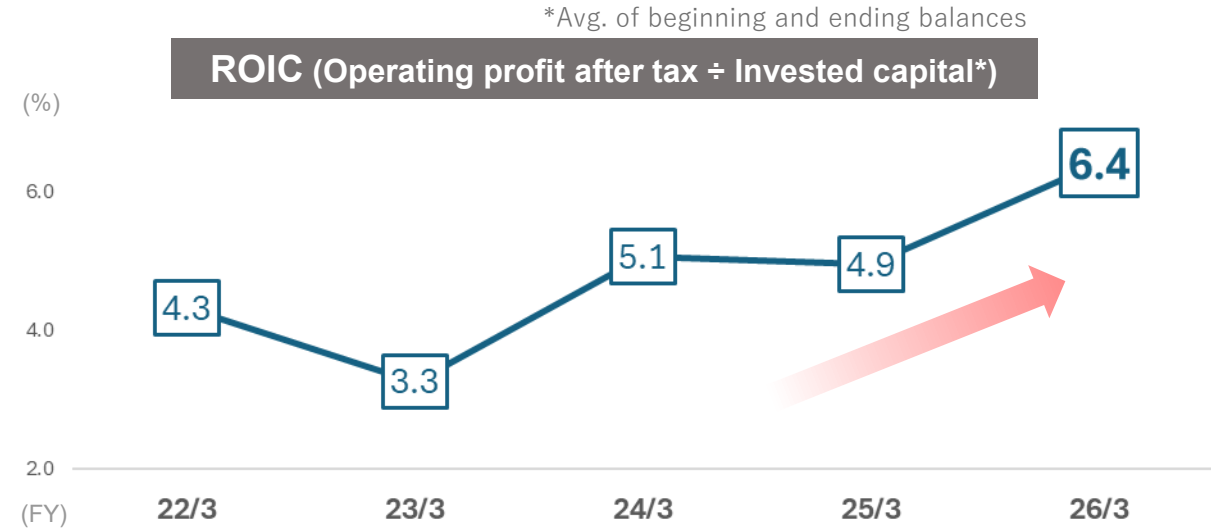
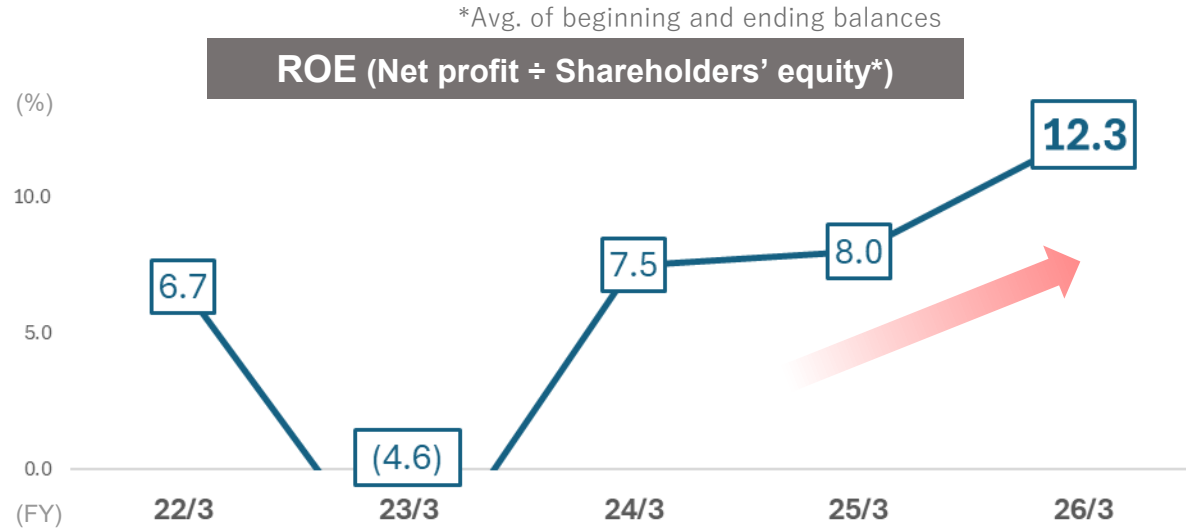
^{*1} Source: Japan Exchange Group, "List of Average PER and PBR by Size and Types of Industry (Consolidated/Non-consolidated)" (March 2026)



^{*2} For the fiscal year ended March 2023, profit per share was negative (net loss), and therefore are not shown.

Current Analysis | ROE (Return on Equity) and ROIC (Return on Invested Capital) *TOENEC*

- ROE and ROIC are on an improving trend due to improved profitability.
- Based on information as of the end of March 2026, we recognize our cost of equity at approximately 5.5% and WACC at approximately 4.3%, and ROE and ROIC exceed both levels.



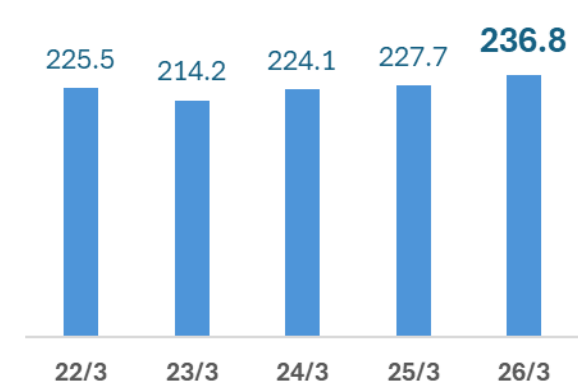
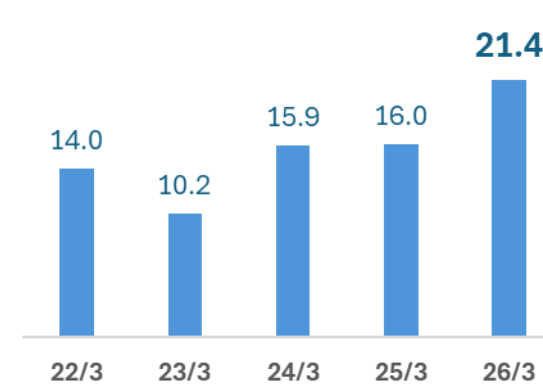
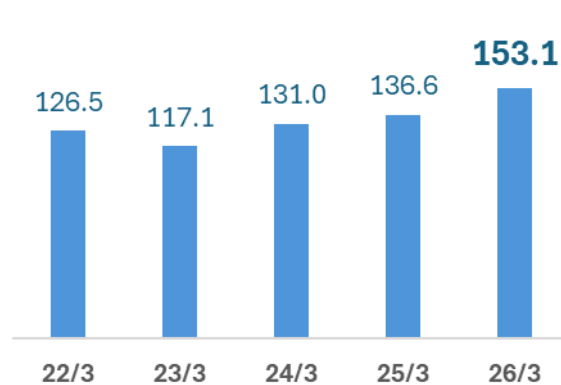
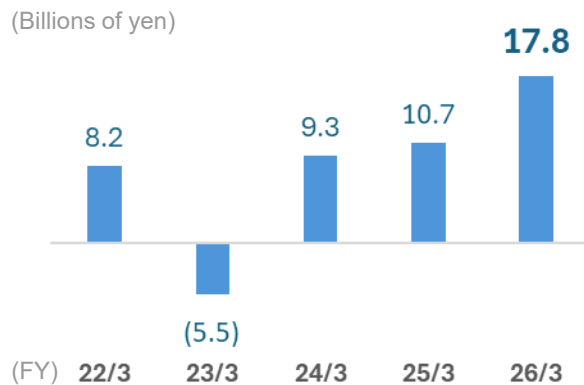
[Net profit]

[Shareholders' equity]

[Operating profit]

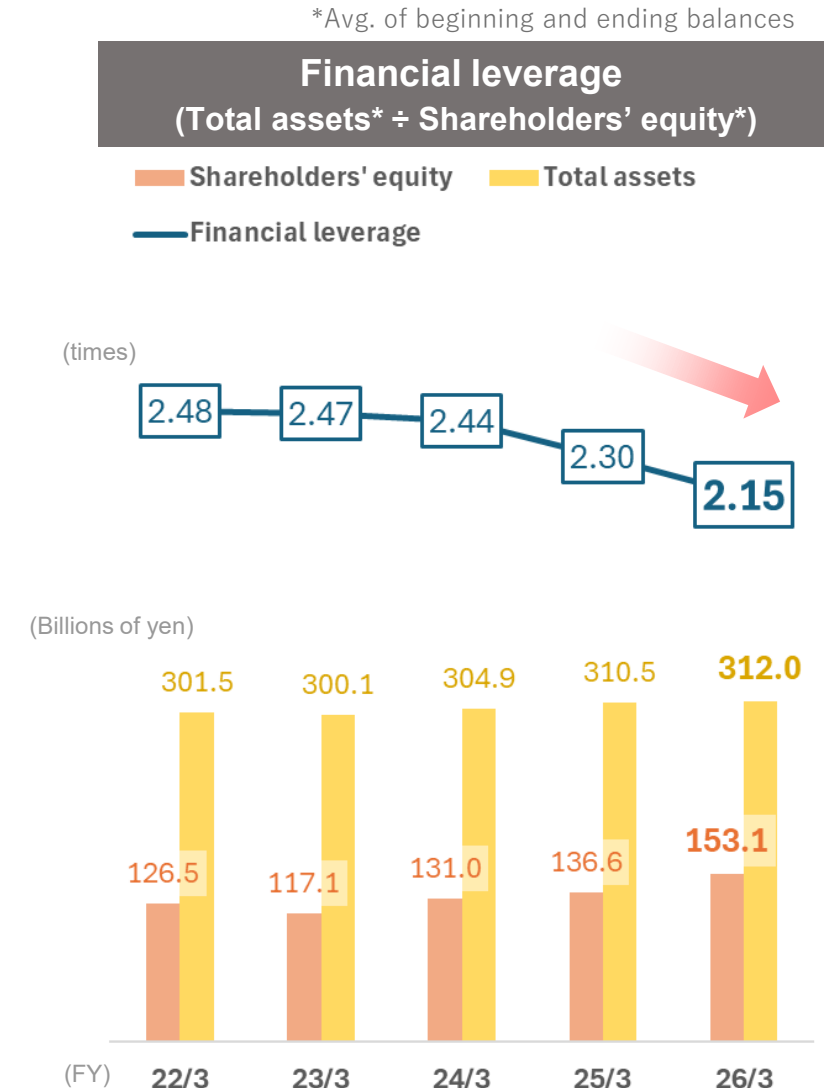
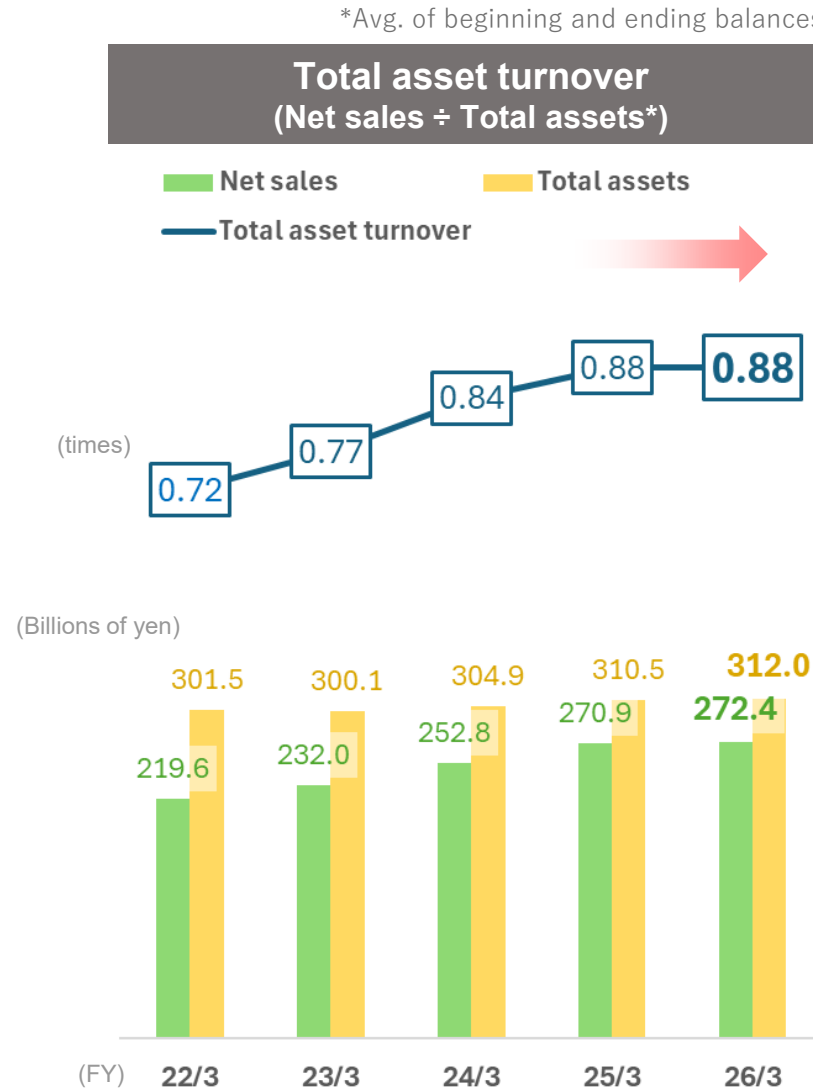
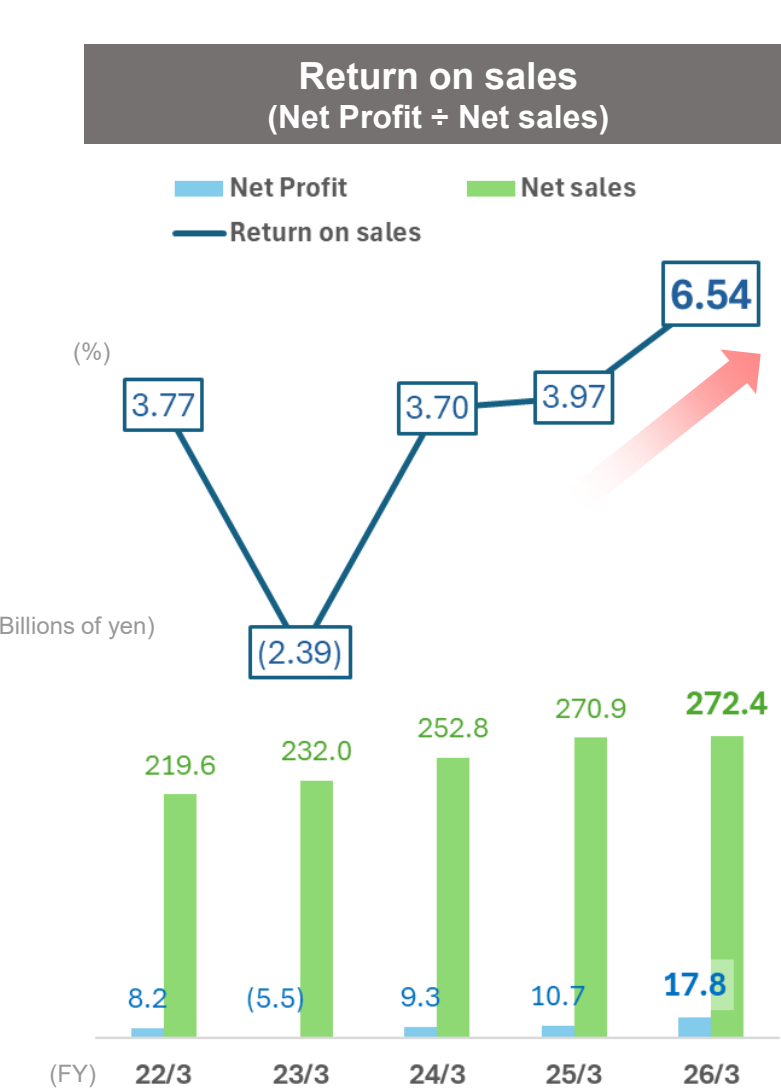
[Invested capital*]

*Interest-bearing debt + Shareholders' equity



Current Analysis | Return on Sales, Total Asset Turnover, and Financial Leverage *TOENEC*

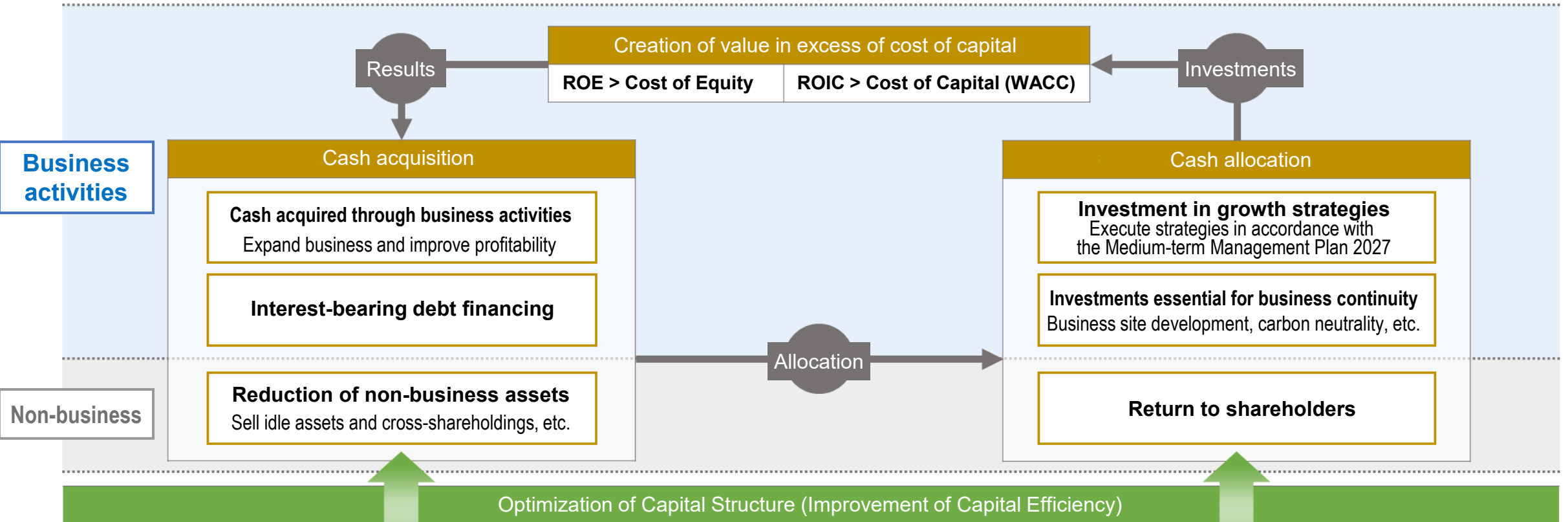
- For the fiscal year ending March 2026, the net profit margin is expected to improve, driven by better project profitability amid a favorable business environment, as well as gains from the sale of cross-shareholdings.
- Financial leverage has been declining due to an increase in equity, including retained earnings.



- While working to strengthen business activities based on the Medium-term Management Plan 2027, in capital policy we will aim to improve capital efficiency while maintaining financial soundness, and therefore will work on reducing non-operating assets and strengthening shareholder returns with awareness of the stock price.

Premise

We will emphasize coexistence and mutual prosperity with all stakeholders and aim to realize our vision
(Become an integrated equipment engineering company that continues to grow in tandem with customers, society, and people).



- To ensure financial soundness, maintain equity commensurate with business risks.
- Evaluate businesses from the perspective of profitability and growth potential, and select and concentrate on those businesses.
- Reduce invested capital with a low rate of application to business (non-business assets)
- Do not retain surplus funds beyond what is necessary, and return profits to shareholders with an eye on the stock price.

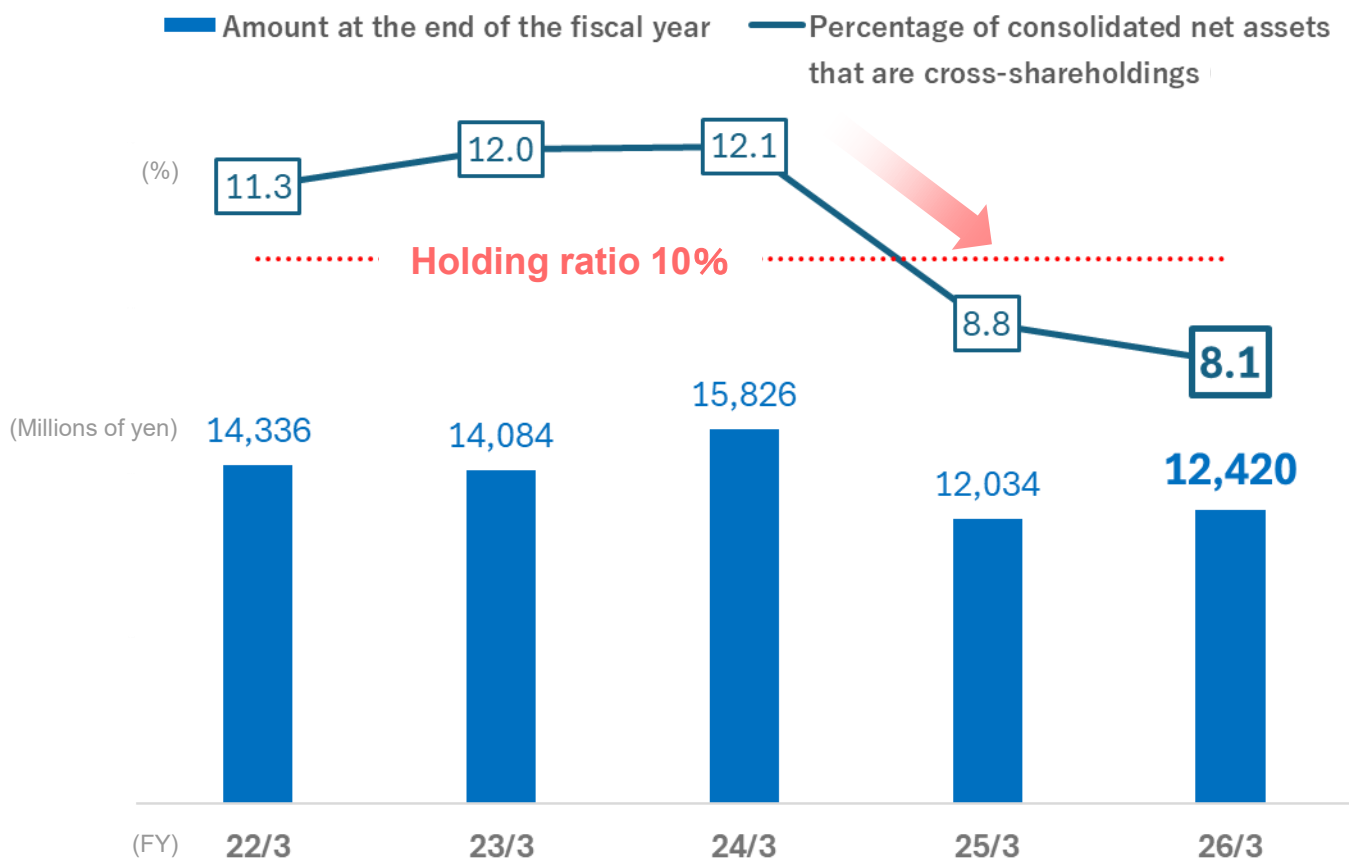
Enhancement of IR Activities

	Content of key initiatives	Results of initiatives
Investment in growth strategies	<ul style="list-style-type: none"> ■ Execution of growth strategies in accordance with the Medium-term Management Plan 2027 <ul style="list-style-type: none"> ➢ Medium-term Management Plan 2027 (Revised on April 28, 2026) (https://www.toenec.co.jp/ir/policy/plan/index.html) 	<ul style="list-style-type: none"> ■ While promoting growth strategies such as investment in human resources and productivity improvements, a favorable business environment has also provided tailwinds; for the fiscal year ended March 2026, both net sales and profit achieved record highs. ■ As all targets under the Medium-term Management Plan 2027 were achieved ahead of schedule, a revision of the numerical targets was made in April 2026 with a view to further growth.
Optimization of capital structure	<ul style="list-style-type: none"> ■ Reduction of cross-shareholdings 	<ul style="list-style-type: none"> ■ Upon having established a policy to reduce cross-shareholdings, we have been steadily reducing them, and in the previous fiscal year, we sold ¥2,378 million. <ul style="list-style-type: none"> ➢ As of the end of March 2026, the ratio of such holdings to net assets is 8.1%.
Strengthening shareholder returns	<ul style="list-style-type: none"> ■ Revision of dividend policy 	<ul style="list-style-type: none"> ■ A revision of the dividend policy was performed in October 2025. ■ From the fiscal year ending March 2024 onward, we have continued to provide dividends with a consolidated payout ratio of around 40%. <ul style="list-style-type: none"> ➢ Forecast dividend for the fiscal year ending March 2027: ¥76 annually, consolidated payout ratio 39.5%.
Enhancement of IR activities	<ul style="list-style-type: none"> ■ Promotion of constructive dialog with shareholders and investors <ul style="list-style-type: none"> ➢ We aim to achieve sustainable growth and to enhance corporate value by reflecting the insights gained through dialog in management. ■ Thorough implementation of timely and appropriate disclosure <ul style="list-style-type: none"> ➢ We reduce investor risk factors to the extent possible through risk management and timely, appropriate disclosure. 	<ul style="list-style-type: none"> ■ We have been focusing on proactive dialogue and enhanced disclosure, and meetings with institutional investors have been increasing in recent years. ■ In December 2025, we held a briefing session for individual investors (made available on-demand).

Reduction of Cross-shareholdings

- We have set a policy to reduce the holding ratio of cross-shareholdings to less than 10% of consolidated net assets, and as of the end of March 2026, the holding ratio was 8.1%.
- In the fiscal year ended March 2026, we sold ¥2,378 million of yen.

Status of cross-shareholdings



Results of selling cross-shareholdings

Fiscal year implemented	Number of stocks	Sales amount (Millions of yen)
Fiscal year ended March 31, 2022	1	3
Fiscal year ended March 31, 2023	5	154
Fiscal year ended March 31, 2024	10	3,029
Fiscal year ended March 31, 2025	22	2,618
Fiscal year ended March 31, 2026	15	2,378

Feedback from Investors

- From the perspective of improving capital efficiency, we would like the Company to continue reducing cross-shareholdings.

Dividend Policy and Dividend per Share

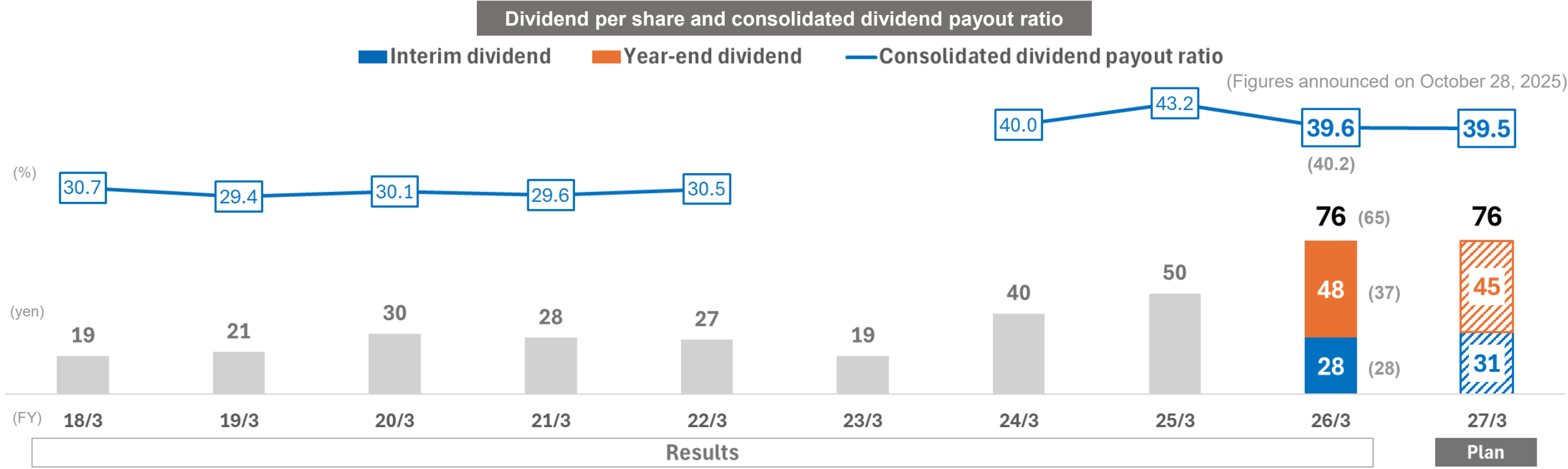
Dividend Policy

In order to realize sustainable growth and enhance corporate value over the medium to long term, the Company positions the balanced implementation of internal reserves for investment in growth strategies and shareholder returns as an important management issue. Taking into comprehensive account improvements in capital profitability, the maintenance of financial soundness, as well as the status of free cash flow, the Company has a basic policy of **returning profits in accordance with performance, with a consolidated payout ratio of 40%** as the target.

Revision implemented (October 28, 2025)
 (Before) Consolidated payout ratio of 30% or more
 (After) Targeted consolidated payout ratio of 40%

Feedback from Investors

- While the Company has adopted a policy of a consolidated dividend payout ratio of 30% or more, dividends around 40% have been maintained in recent years. In order to clarify the Company's approach to dividends, we would like the Company to consider revising its dividend policy.



*1 The Company conducted a stock split at a ratio of five shares for each common share, with an effective date of October 1, 2024, and the figures shown reflect the retroactive application of this stock split.

*2 For the fiscal year ended March 2023, the payout ratio is not shown because profit attributable to owners of parent was negative (net loss).

Strengthening of IR Activities

- We are working on strengthening IR activities with “proactive dialogue” and “enhancement of disclosure” and the number of meetings with institutional investors is on an upward trend.

Proactive Dialogue

Content of activities	FY2022	FY2023	FY2024	FY2025
Supplementary briefing material	—	Full year only	Quarterly	Quarterly
Financial results briefing session	—	—	2 times Half-year / Full-year	2 times Half-year / Full-year
Integrated report	—	●	●	●
Nagoya Stock Exchange IR Expo	●	●	●	●
Number of one-on-one meetings with institutional investors	4	5	44	67
	Upward trend →			
Briefings for individual investors	—	—	—	1 time December 2025 Made available on-demand

Feedback from Investors

- As we are not very familiar with TOENEC, it is difficult to feel a sense of closeness.
- We would like the Company to consider holding briefings for individual investors as an opportunity to deepen understanding of the Company.

Enhancement of Disclosure

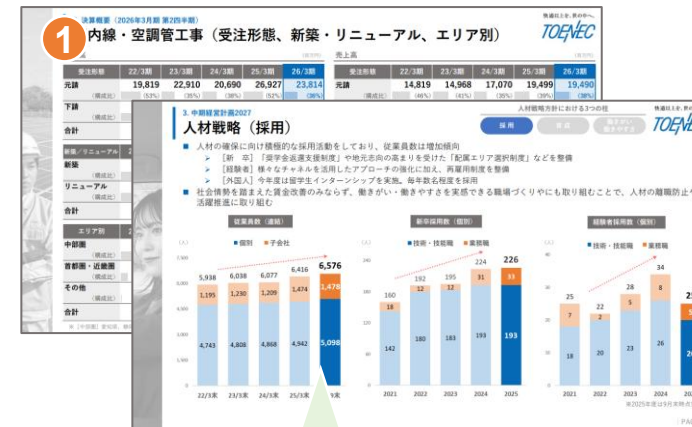
In response to feedback from investors, the following information has been added to our disclosure materials.

① Supplementary briefing material

- Breakdown of net sales (by order type, by area, by facility use, etc.)
- Initiatives based on human resource strategy (recruitment, development, job satisfaction and comfortable work environment)

② Integrated report

- Employee roundtable discussions towards promoting the active participation of diverse human resources (active participation by women)



Feedback from Investors

- We would like the Company to disclose a breakdown of net sales to assess the progress of strategies based on the Medium-term Management Plan as well as future growth potential.
- Based on the concept that human resources are the driving force of growth, we would like the Company to provide information on its initiatives regarding recruitment and development, as well as the active participation of women.



TOENEC's Purpose

Create and sustain comfortable environments
that bring vitality and richness to people and society
under any conditions.

