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Notice Regarding the Formulation of the New Medium-Term Management Plan

NICHIREKI GROUP CO., LTD. announces that it has formulated and launched its new five-year medium-term management plan, "Flexible 2030 (Nobiyaka 2030)" with fiscal year 2026 as the first year.

1. Purpose of the Plan

Since its founding in 1943, the NICHIREKI GROUP CO., LTD. (hereinafter referred to as "the Group") has operated under a corporate philosophy that integrates our fundamental principle of "Sowing the seeds, giving them water, letting them flower, and reaping the fruit" (Spirit of sowing the seeds) with our management philosophy of "Contributing to society by creating roads". Our aim is to grow into a sustainable corporate group. Toward this end, we have established our "Vision for the 100th Anniversary of Our Foundation (100th Anniversary Vision)" - "Delivering peace of mind to all stakeholders by creating roads" - as our ideal image for 2043, our centennial year. To achieve this, we have spent the past five years promoting our previous medium-term management plan, "Resilient 2025."

Looking ahead, we anticipate that environmental changes across various sectors - including nature, society, and the economy - will proceed on a larger scale and at a faster pace than ever before. In such an era, realizing our "100th Anniversary Vision" requires us to further enhance the resilience we cultivated under "Resilience 2025." We must transform this adaptability into "Flexible Growth", turning environmental changes into opportunities for sustainable evolution. To this end, we have formulated our new medium-term management plan, "Nobiyaka 2030" (FY2026 - FY2030).

2. Overview of the Medium-Term Management Plan "Nobiyaka 2030"

(1) Planning Period

FY2026 – FY2030 [Five-year period]

(2) Business Environment

The key factors characterizing the business environment surrounding the Group are as follows:

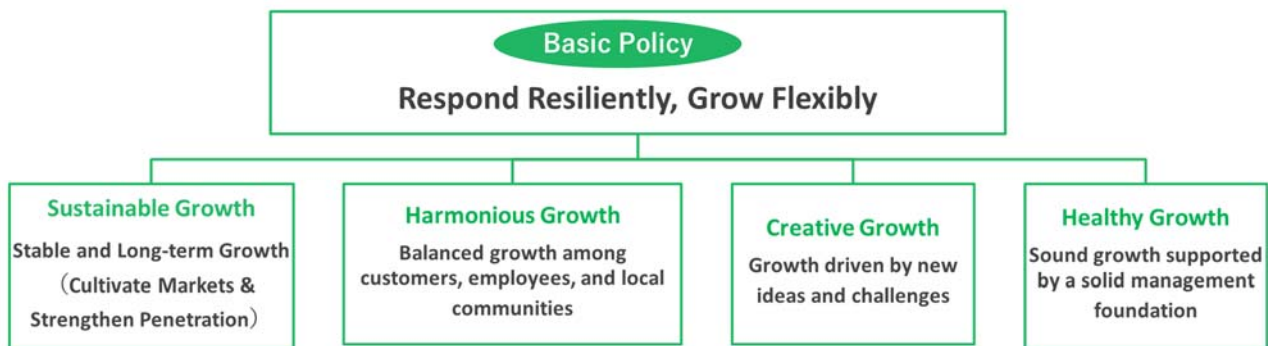
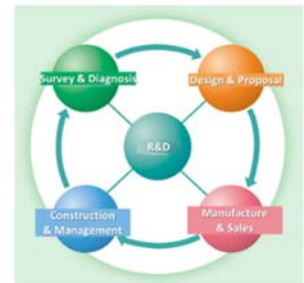
- ① Fluctuations in crude oil prices and foreign exchange rates due to international instability.
- ② Rising momentum toward achieving a decarbonized society in response to the acceleration of global climate change issues.
- ③ Social demands for ESG management and the realization of SDGs.
- ④ Acceleration of technological innovation and Digital Transformation (DX).
- ⑤ Rising cyber risks (e.g., cyberattacks, system failures, and information leakage).
- ⑥ Expanding damage to infrastructure caused by the increasing severity and frequency of natural disasters, such as earthquakes, typhoons, and torrential rains.

- ⑦ Aging social infrastructure developed since the period of high economic growth.
- ⑧ Promotion of work-style reforms in the construction and logistics sectors.
- ⑨ Strengthening of human capital management in response to "investment in people."
- ⑩ Declining working-age population and the super-aging society (the "2040 problem").

(3) Basic Policy

The Group operates a comprehensive solution business focused on R&D, providing integrated services for road pavement - from "survey and diagnosis" to "design and proposal", "manufacture and sales" of materials, and "construction and management" of construction works.

Building upon this business model, we will respond flexibly to changes in the business environment through strategies and actions rooted in a medium-to-the-long-term perspective. By transforming these changes into strengths, we aim to achieve "Four Pillars of Flexible Growth".



"Shinayaka":

The capacity to respond *resiliently* to environmental changes, operational reforms, and other challenges.

"Nobiyaka":

The capacity to embrace change *flexibly* as an opportunity for growth and to achieve sustainable evolution and development.

(4) Key Strategies

① Strengthening the Customer Base

We will continue to advance our efforts toward "market expansion, penetration, and establishment" to further promote the widespread adoption of the Group's products and construction methods across various markets. In particular, by providing a diverse range of "environmentally friendly products and technologies" featuring low-carbon properties, longer service life, and recyclability, we aim to ensure more customers experience their inherent value and to establish these solutions as market standards.

② Strengthening Organizational Capabilities

We will enhance and revitalize organic cooperation and collaboration among departments, areas*, and Group companies - moving beyond existing organizational boundaries - to further improve overall Group productivity and organizational strength. Furthermore, we will strengthen partnerships with external stakeholders to drive the creation of new added value.

*The Group practices "Area Management", dividing the country into nine areas and promoting business strategies tailored to each region.

③ Strengthening the Business Foundation through the "Tsukuba Big Ship"

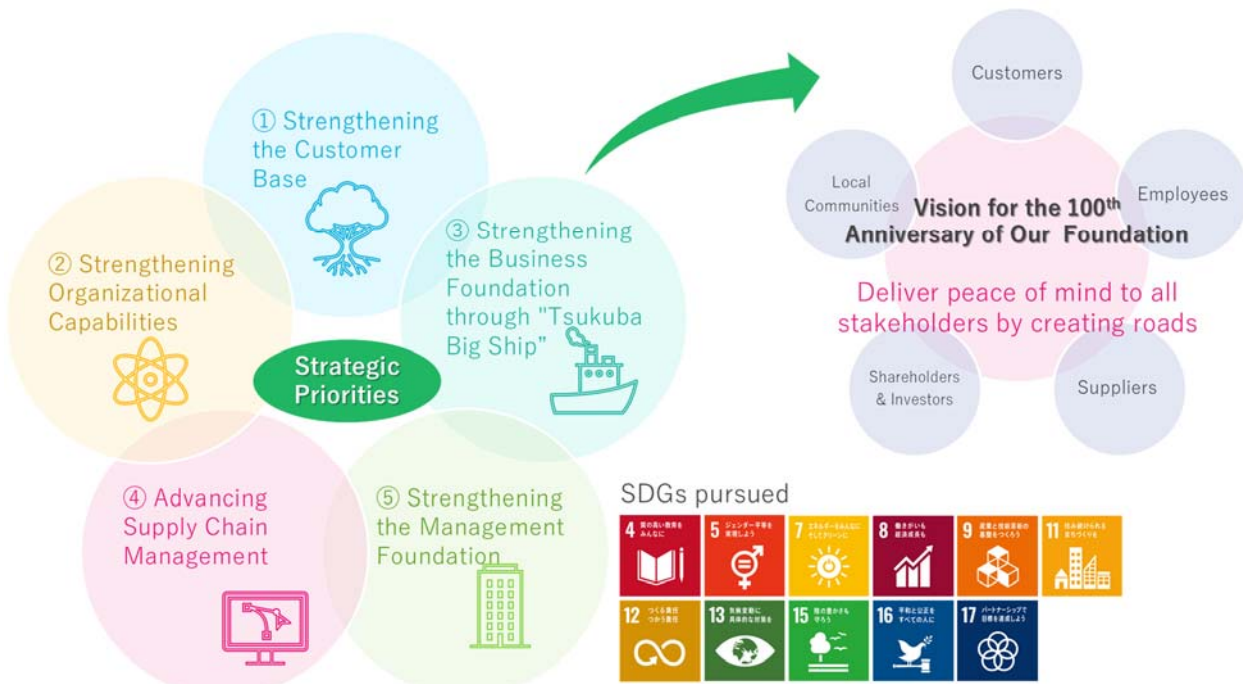
We are currently constructing the "Tsukuba Big Ship" - an advanced, environmentally friendly production and logistics base in Tsukubamirai City, Ibaraki Prefecture - with the goal of commencing operations during fiscal year 2027. At this facility, we will work to increase production capacity through the DX (efficiency and automation) of production equipment and manufacture products with even higher added value. Furthermore, we will promote business expansion by strengthening our quality control system through the establishment of a Technical Center, optimizing nationwide logistics management through the introduction of state-of-the-art systems, centralizing the equipment of the Group companies into a motor pool, and enhancing our responsiveness to construction projects in the Tokyo metropolitan area by leveraging the facility's excellent accessibility.

④ Sophistication of Supply Chain Management

We will enhance all processes within our supply chain - from the procurement and transportation of raw materials and the manufacturing of products at factories to sales, shipping, onsite construction, and equipment management - through the utilization of ICT and the promotion of DX. By doing so, we will realize improvements in productivity, quality, and safety.

⑤ Strengthening the Management Foundation

We will strengthen our management foundation to support sustainable growth by promoting the following initiatives: enhancing corporate governance, advancing the sophistication of ESG management, improving information disclosure, and expanding our business domains through M&A and other strategic measures. We will also focus on securing and developing human resources, implementing work-style reforms, driving business process re-engineering through DX, and reinforcing information security and risk management. Furthermore, we will strive to balance growth investment with the strengthening of our financial resilience.



(5) Management Numerical Targets

① -1 Financial Targets (KPIs)

(Million yen)

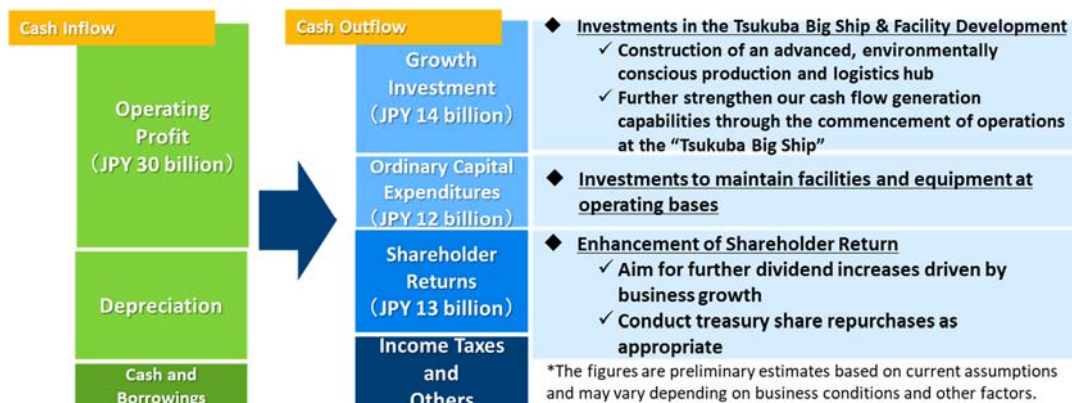
KPI	FY2025	FY2030	
	Actual Results	Target	vs. FY2025
Net Sales	75,853	86,000	113%
Operating Profit	5,920	6,800	115%
EBITDA	8,674	11,300	130%
EBITDA Margin	11.4%	13.1%	—
ROE	5.5%	6.0%	—
Dividend Payout Ratio	53.4%	around 50%	—

Currently, fluctuations in crude oil prices driven by the situation in the Middle East are expected to impact the costs of key raw materials, such as asphalt, and materials for road paving works. While we anticipate that the impact on profits will be limited by promptly reflecting these cost increases in our sales and construction prices, we expect a significant impact on net sales. Given the current circumstances, it is difficult to reasonably forecast future crude oil price trends. Therefore, we have set our targets based on the assumption that Dubai crude will remain at the current level of \$100/barrel with an exchange rate of 160 yen/dollar for fiscal 2026. For the period up to fiscal 2030, we assume these will return to the fiscal 2025 levels of \$65/barrel and 160 yen/dollar. Although we do not adopt a rolling method for periodic plan revisions in "Flexible 2030 (Nobiyaka 2030)", we will conduct timely reviews if significant changes occur in our underlying assumptions, considering the latest market trends.

Due to factors such as increased depreciation expenses following the significant investment in the "Tsukuba Big Ship", we do not anticipate a significant improvement in ROE during the current planning period. However, once the facility becomes fully operational, we expect to achieve a steady long-term improvement in ROE by further bolstering our earning power through the expanded production of high-value-added products and enhanced logistical efficiency. Furthermore, as our Group proactively pursues such investments as part of our long-term growth strategy, we have decided to add EBITDA and EBITDA margin to our financial targets. We believe these metrics will more appropriately measure our cash-generating capability and operational profitability.

① -2 Financial Targets (Cash Allocation)

While prioritizing investments for future growth, we will manage the cash generated during the planning period to balance stable shareholder returns with the maintenance of financial soundness.



② Non-financial Targets

KPI	FY2025	FY2030	Stakeholders
Sales ratio of eco-friendly products and construction methods*1	22.2%	50% or more	Customers & Local communities
Number of newly developed (or improved) products and construction methods launched*2	13	20 or more	
Number of products from joint research and development rolled out*3	2	5 or more	Suppliers
Percentage of suppliers evaluated*4	100%	100%	
Number of days of annual paid leave taken*5	50% or more of number of days granted 76.2%	70% or more of number of days granted 100%	Employees
Number of internal compliance training workshops held	2	2	
Number of earnings results briefings*6	2	2	Shareholders & Investors

*1: Eco-friendly products and construction methods refer to those more conscious of environment than existing ones. Sales ratio refers to a ratio to consolidated net sales.

*2: The cumulative number of newly developed (or improved) products and construction methods launched in FY2021 or later.

*3: The cumulative number of developed products launched in FY2021 or later as a result of joint R&D projects.

*4: To ensure ESG-conscious procurement, we conduct evaluations at least once a year for purchased goods that impact product quality.

*5: Covers employees who are granted 10 or more days of annual paid leave.

*6: Number of earnings presentations held for investors.

[Reference]

Review of the Previous Medium-Term Management Plan, "Resilience 2025" (FY2021–FY2025)

(1) Trends in Management Indicators

① Financial Targets

(Million yen)

Financial Metrics	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2025 Targets
Net Sales	71,471	78,001	78,397	73,832	75,745	75,853	80,000
Operating Profit	9,140	8,566	7,566	6,019	6,268	5,920	7,000
Ordinary Profit	9,574	9,311	8,104	6,390	7,047	6,077	7,300
Ordinary Profit Margin	13.4%	11.9%	10.3%	8.7%	9.3%	8.0%	9.1%
ROIC	11.2%	9.3%	7.6%	5.9%	5.3%	4.5%	5.2%
ROA	8.2%	8.0%	7.0%	4.8%	4.7%	3.7%	4.3%
Dividend Payout Ratio	17.3%	18.8%	24.3%	45.8%	45.5%	53.4%	around 25.0%
ROE	11.1%	10.5%	8.9%	6.1%	6.4%	5.5%	–
EBITDA	11,039	10,636	9,724	8,248	8,855	8,674	–
EBITDA Margin	15.4%	13.6%	12.4%	11.2%	11.7%	11.4%	–

② Non-financial Targets

KPI	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2025 Targets
Sales ratio of eco-friendly products and construction methods*1	12.6%	21.2%	23.9%	22.2%	22.3%	22.2%	30% or more
Number of newly developed (or improved) products and construction methods launched*2	10	1	4	6	8	13	10 or more
Number of products from joint research and development rolled out*3	2	1	1	1	1	2	2 or more
centage of suppliers evaluated*4	100%	100%	100%	100%	100%	100%	100%
Number of days of annual paid leave taken*5	50% or more of number of days granted 52.4%	50% or more of number of days granted 56.4%	50% or more of number of days granted 69.1%	50% or more of number of days granted 80.0%	50% or more of number of days granted 78.0%	50% or more of number of days granted 76.0%	50% or more of number of days granted 100%
Number of internal compliance training workshops held	2	2	2	2	2	2	2
Number of earnings results briefings*6	0	1	2	2	2	2	2

*1: Eco-friendly products and construction methods refer to those more conscious of environment than existing ones. Sales ratio refers to a ratio to consolidated net sales.

*2: The cumulative number of newly developed (or improved) products and construction methods launched in FY2021 or later. FY2020 figures represent the cumulative total since FY2016.

*3: The cumulative number of developed products launched in FY2021 or later as a result of joint R&D projects. FY2020 figures represent the cumulative total since FY2016.

*4: To ensure ESG-conscious procurement, we conduct evaluations at least once a year for purchased goods that impact product quality.

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(2) Business Environment

- Public investment remained generally firm, supported by efforts for recovery and reconstruction from natural disasters, as well as the promotion of disaster prevention and mitigation measures, national resilience measures, etc.; however, budget allocations shifted toward bridge and sewage-related projects.
- Persistent high prices for construction materials, labor shortages, and rising personnel costs.
- Ongoing need to closely monitor trends in crude oil prices and foreign exchange rates due to geopolitical risks, including international tensions in certain regions such as the situation in Ukraine.

(3) Achievements

- Market expansion, cultivation, and penetration
 - ✓ Promoted sales expansion of "Tasutainability®" products and technologies, which add new performance features such as "longer service life", "recyclability," and "warm-mix" to contribute to further CO² emission reductions.
 - ✓ Advanced initiatives targeting peripheral sectors of road pavement, such as airports, seaports, logistics facilities, and defense facilities.
 - ✓ Established a local joint venture and commenced operations for asphalt emulsion for slab track to support the India High-Speed Rail project.
- Strengthening R&D capabilities and improving productivity
 - ✓ Improved productivity through DX by utilizing tools such as GLOCAL-EYEZ, Smart Stabilizer, and logistics management systems.
 - ✓ Received the Minister of Defense Prize (Infrastructure Maintenance Award) for Paving Technology with Enhanced Flow Resistance and the Excellence Award (National Land Technology Development Award) for "high-durability ultra-low noise pavement" jointly developed with Metropolitan Expressway Co., Ltd.
- Strengthening the Group management foundation
 - ✓ Transitioned to the Tokyo Stock Exchange Prime Market in April 2022.
 - ✓ Transitioned to a Company with an Audit and Supervisory Committee in June 2024 and completed the transition to a holding company structure in October of the same year.
 - ✓ Enhanced investment in human capital through HR system revisions (introduction of a 65-year-old retirement age, establishment of professional career tracks, expansion of internal training, support for obtaining doctoral degrees, and a 3-6% annual increase in employee salary levels).
 - ✓ Advanced inspection and construction technologies through DX - including remote onsite inspections and the introduction of construction robots - achieving improved operational efficiency and productivity.
- Promoting environmental investment for a decarbonized society
 - ✓ Advanced the construction of "Tsukuba Big Ship" - a new base featuring advanced environmental measures through the use of natural and renewable energy - to build an eco-friendly production and logistics system.
 - ✓ Promoted the introduction of green power to reduce energy consumption, renovated existing buildings and facilities, and accelerated the replacement of Group vehicles with hybrid models.

(4) Future Challenges

- Expanding environmentally friendly products and technologies, as well as new sectors peripheral to road construction.
- Enhancing and revitalizing organic collaboration and cooperation among Group companies and with external partners.
- Generating results through investment in human capital (e.g., improving productivity and profitability, fostering innovation, enhancing recruitment capabilities, and strengthening organizational power).
- Generating results through DX investment (e.g., improving operational efficiency and productivity, increasing profitability, enhancing customer value, advancing decision-making sophistication, and addressing labor shortages).
- Strengthening the business foundation through the commencement of operations at “Tsukuba Big Ship”.
- Promoting sustainable management.