



Ishii Iron Works Co., Ltd.

FY2025-FY2027

Medium-term Management Plan

May 9, 2024



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FY2025-FY2027

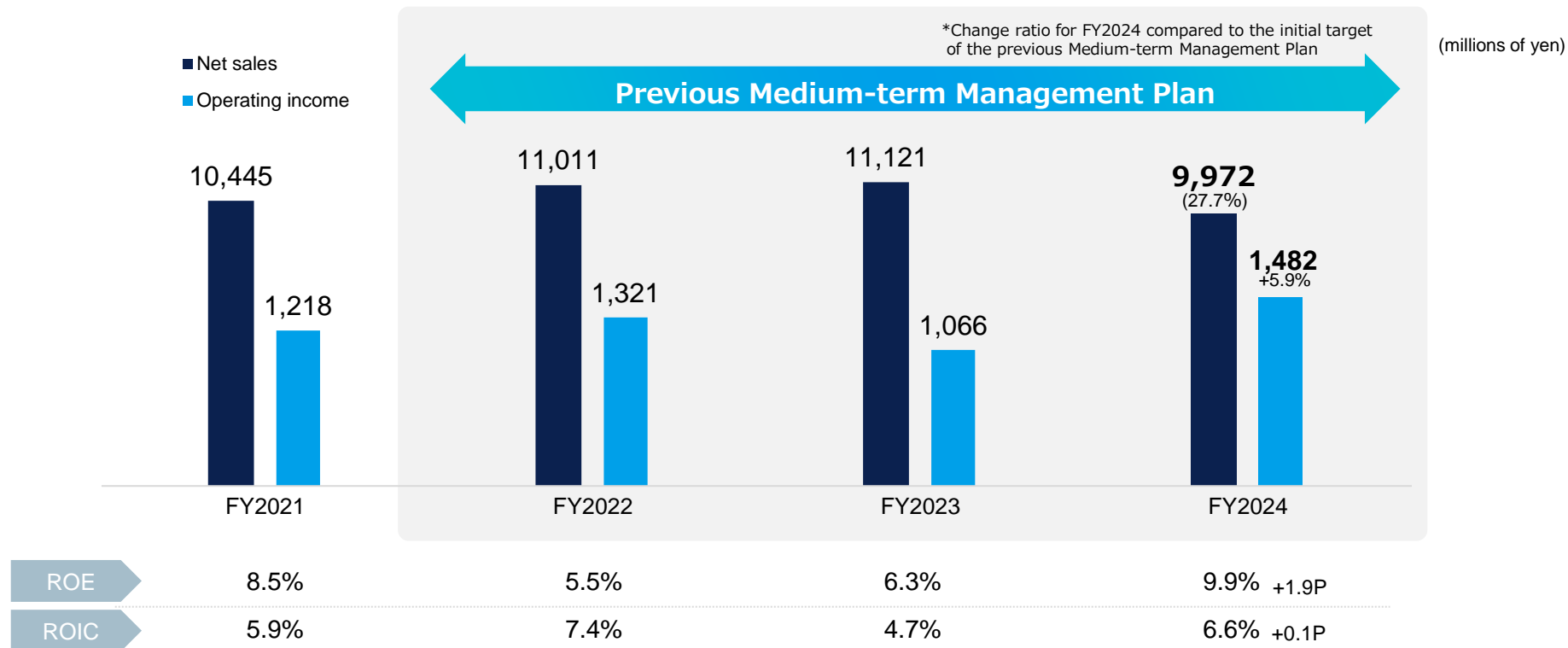


1

Review of Previous Medium-term Management Plan

Results of the previous Medium-term Management Plan

Although net sales fell short of the target due to delays in the completion of large-scale construction projects overseas, operating income achieved the target due to the completion of large-scale, high-margin projects in Japan and overseas and the impact of the weak yen on foreign exchange rates. ROE and ROIC also exceeded targets.



Basic policy initiatives and results

Basic policy			Previous Medium-term Management Plan initiatives	Results
Steel Structure Business	Domestic	Low-temperature tank	<ul style="list-style-type: none"> Promoting technical development for tank construction through collaboration with JFE Engineering Corporation, etc. Handling larger low-temperature tanks for LNG satellite terminals 	<ul style="list-style-type: none"> Formed a business alliance with JFE Engineering Corporation Delivered large ammonia tanks in Japan Received orders for CO₂ spherical tanks for CCS/CCUS Received orders for Japan's largest low-temperature tanks for LNG satellite terminals
		Maintenance	<ul style="list-style-type: none"> Expanding orders for maintenance work by deepening relationships with existing customers and cultivating new customers Achieving labor savings and efficiency, and ensuring profitability by introducing and strengthening automation and mechanization technologies 	<ul style="list-style-type: none"> Carried out efficient work and secured profitability by investing resources with a focus on existing customers Handled multiple modification work plans for retrofitting tanks for new energy
	Overseas		<ul style="list-style-type: none"> Providing and enhancing sales and information collection networks Strengthening control of partner companies Developing technologies and services overseas 	<ul style="list-style-type: none"> Delivered large ammonia tanks in Taiwan Continued orders for low-temperature tanks in Asia Promoted multi-skilled workforces among overseas local staff Developed managers of partner companies Collaborated with a Taiwanese design company
	New Business		<ul style="list-style-type: none"> Delivering safety equipment for nuclear fuel cycle operation 	<ul style="list-style-type: none"> Delivered safety equipment for nuclear fuel cycle operation Participated in the Nuclear Supply Chain Platform
Real Estate Business		Promote the use of former material storage yards, etc.	<ul style="list-style-type: none"> Carrying out tenant recruitment activities Promoting new solar power generation facilities 	<ul style="list-style-type: none"> Started leasing parking lots Newly constructed Omori-Minami First Power Plant and started selling electricity
Management Infrastructure		<ul style="list-style-type: none"> Establish a robust management structure Develop human resources for the next generation Promote SDGs initiatives 	<p>Reviewing administrative authority and budget system, reforming personnel system (personnel evaluation, etc.), strengthening IR, establishing the Sustainability Promotion Committee, etc.</p>	<ul style="list-style-type: none"> Started carrying out various initiatives Enhanced PDCA and deepened various challenges Promoted and strengthened sustainability management



2

Formulation of New Management Philosophy System

Our management philosophy system

By establishing our PURPOSE, 2030 VISION, and VALUE and achieving both sustainable corporate growth and solutions to social issues such as the realization of a carbon-neutral society, we will aim to become a company trusted by society.



“Power of our steel structures” to realize a sustainable world

Inheriting the Ishii DNA, we process “steel,” a sustainable material, to supply “structures (tanks and plant facilities)” that store next-generation energy in a resilient, disaster-resistant, and environmentally friendly manner.



The Ishii DNA

Achievements

Over 120 years of accumulated achievements as a pioneering manufacturer of tanks in Japan

Trust

Robust customer base built on longstanding relationships of trust

Engineering

- Integrated engineering from design to fabrication, installation, and commissioning
- Advanced welding technology to take maximum advantage of the material value of steel

Human resources

A training system that enables employees to learn about engineering, regulations, and standards from multiple perspectives through extensive growth opportunities

Understanding of laws and regulations

Support of our customers' compliance with laws and regulations through our extensive knowledge of various related regulations and standards

2030 VISION

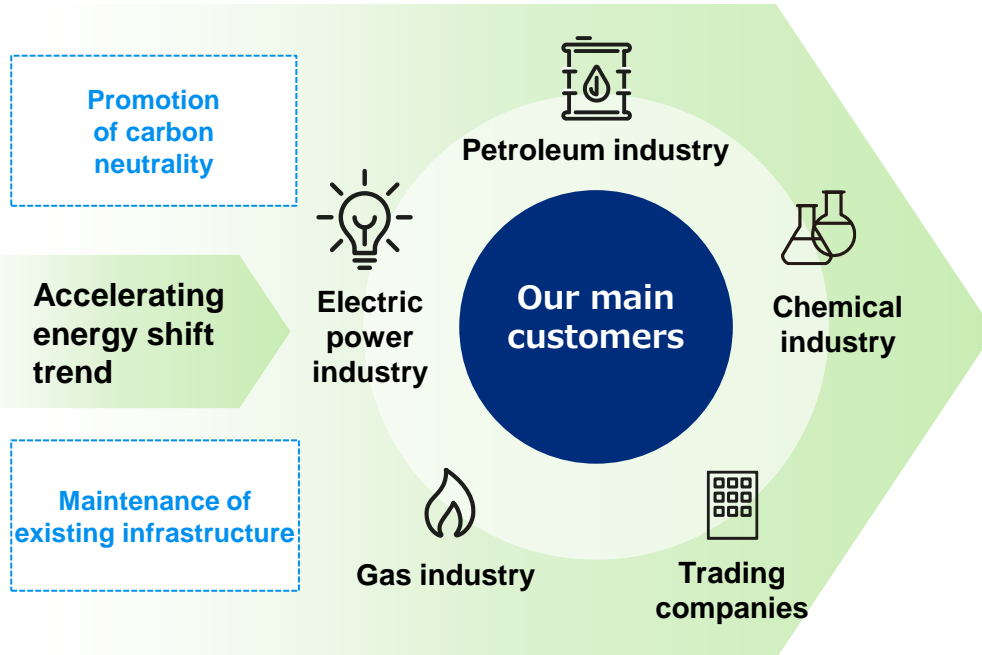
Support our customers' transition toward the realization of a carbon-neutral society through engineering

Providing problem-solving manufacturing and solutions by staying abreast of our customers' changes



Our customers' business environment

Our customers have the challenge of promoting carbon-neutral initiatives while safely maintaining existing infrastructure.



Transition period / Promotion challenges

Transition period

- Measures to address aging of existing infrastructure
- Lack of resources to maintain existing infrastructure

Promotion of carbon neutrality

- Requires large-scale investment
- Takes time to be implemented in society and be made profitable

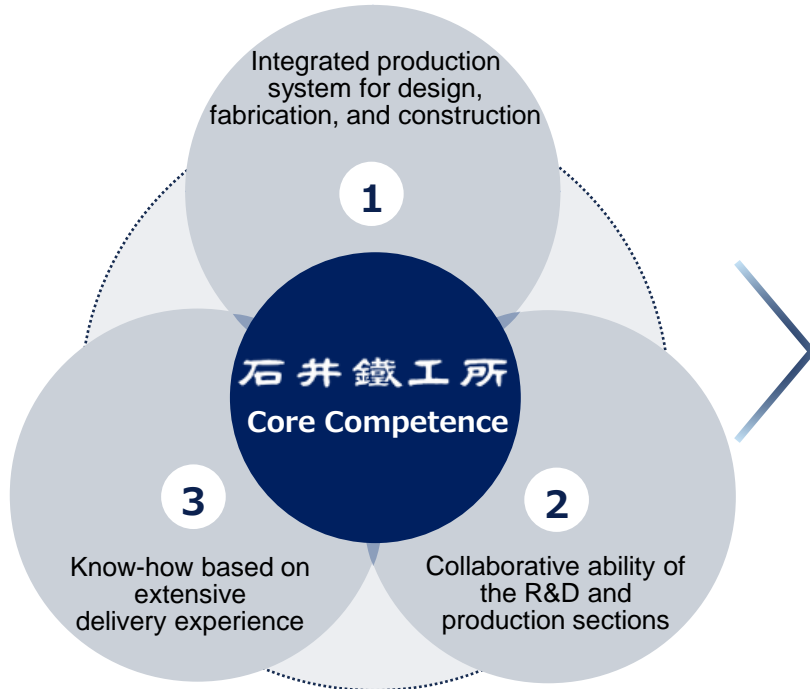
Customer needs related to our business

- Maintenance of existing infrastructure and facilities during the carbon-neutral transition period
- New construction of storage tanks and renewal of existing tanks through modification at each stage of the energy shift (petroleum → LNG → ammonia and hydrogen)
- New construction of storage tanks for CO₂ generated by our customers' business and CO₂ storage tanks for the realization of CCUS

Our strengths and their application to customer needs

We will acquire new orders by leveraging our strengths and applying them to customer needs.

Cultivated strengths



Customer needs and the application of our strengths

1

As a “manufacturer,” we have our own integrated production system from design to on-site construction, which enables us to respond to customer needs by promptly and smoothly communicating them to design and production processes.

2

As a “primary vendor,” we can communicate directly with our customers to identify their issues and needs, and then develop solutions with the collaboration of the production and R&D sections.

3

Based on the “extensive know-how and product reliability” gained from over 120 years of accumulated technologies and achievements in Japan and overseas, we can provide support and services to resolve issues and meet the new challenges facing customer companies.



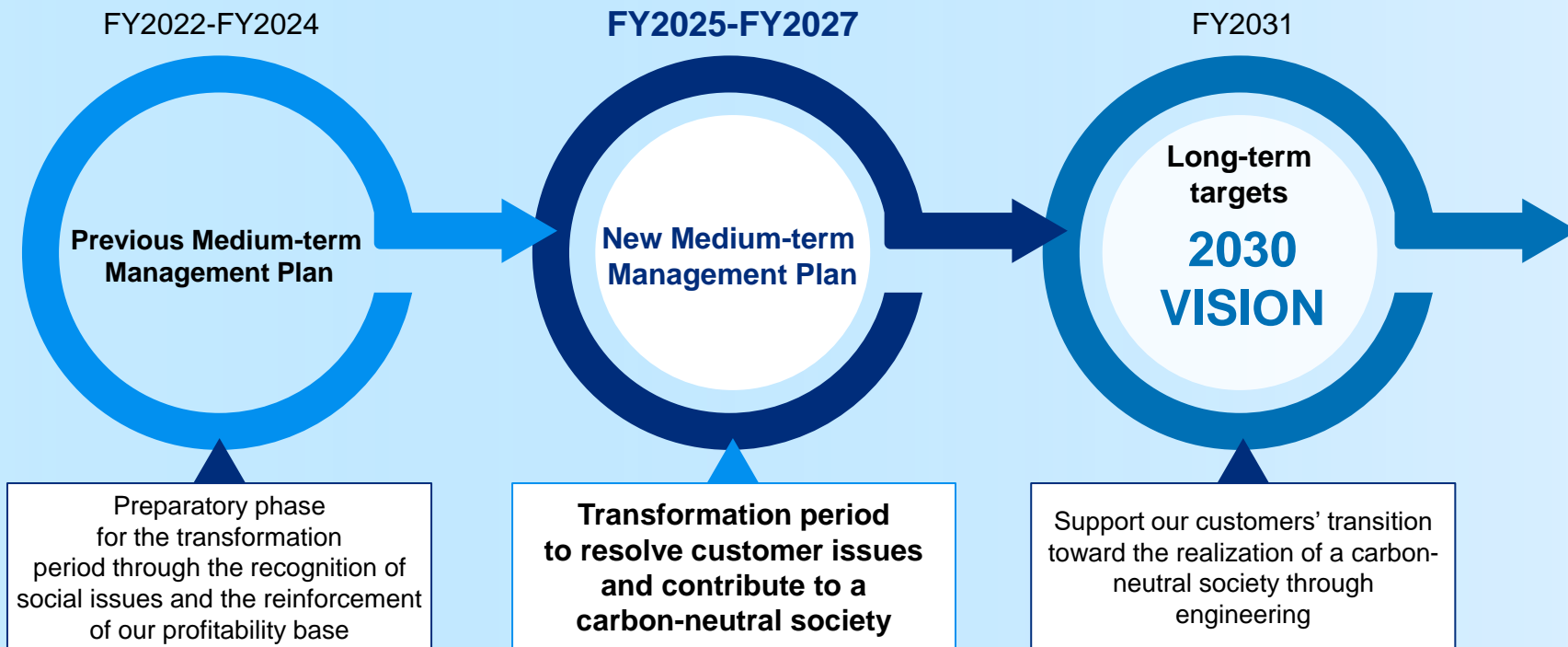
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Overview of Medium-term Management Plan

FY2025-FY2027

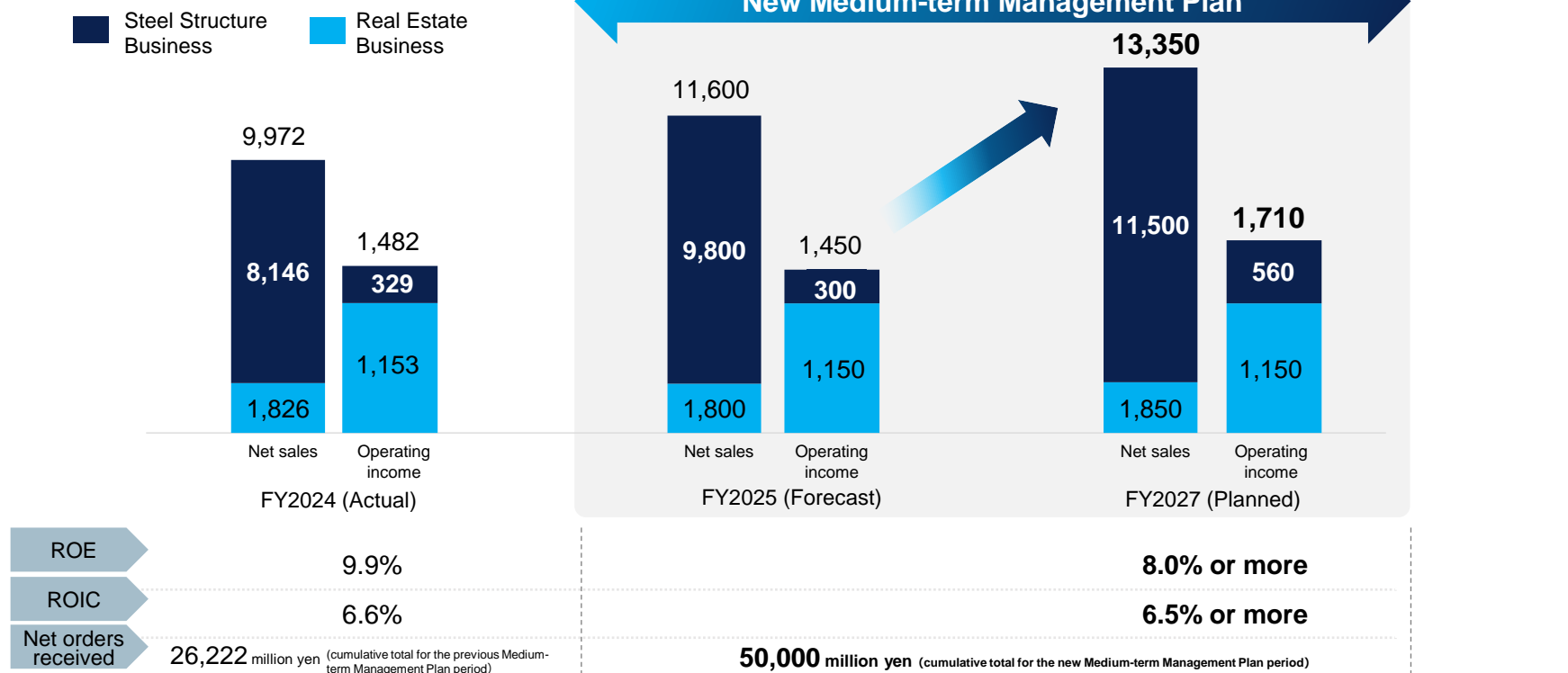
Positioning of the new Medium-term Management Plan

We will support our customers' transition toward the realization of a carbon-neutral society through engineering.



Management targets

During the new Medium-term Management Plan period, we will aim for growth centered on changing the profitability base of the Steel Structure Business.



Basic policy

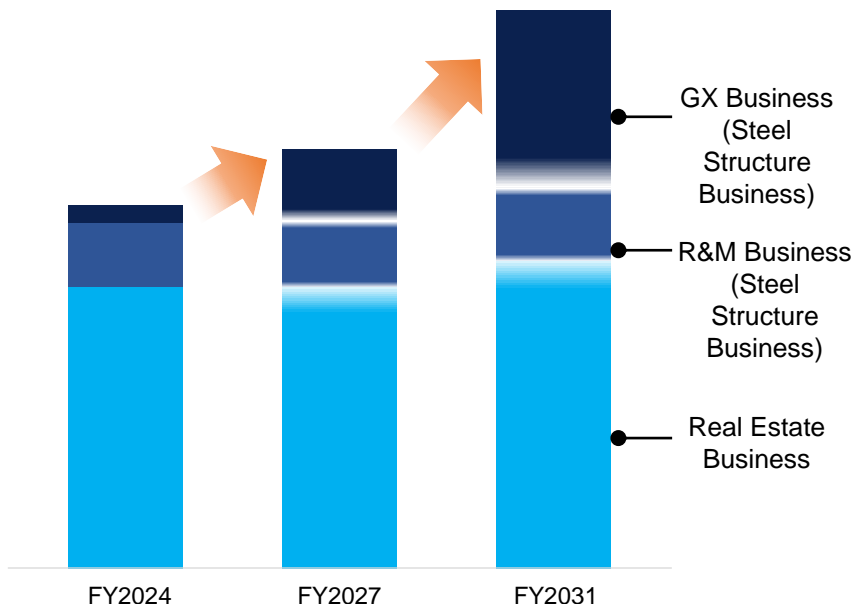


(1) Change of business portfolio

Reorganize the Steel Structure Business Headquarters

While addressing the maintenance and modification of existing products, we will transition to a system capable of addressing carbon neutrality projects and change the profitability base.

Diagram of profit growth by business segment



Maintenance of existing infrastructure

Promotion of carbon neutrality

GX Business

Mainly projects related to low-temperature and high-pressure storage tanks and storage plants

- New construction of low-temperature LNG tanks for fuel conversion
- New construction of spherical tanks for petrochemical feedstock

- New construction of low-temperature tanks for fuel ammonia
- New construction of CO₂ spherical tanks for CCS and CCUS

R&M Business*

Mainly projects related to normal temperature and atmospheric storage tanks

Maintenance, renovation, and modification of petroleum tanks, etc.


New construction of tanks for SAF, e-Fuel, and MCH storage and modification of existing tanks

*R&M=Renewal & Maintenance

(1) Change of business portfolio

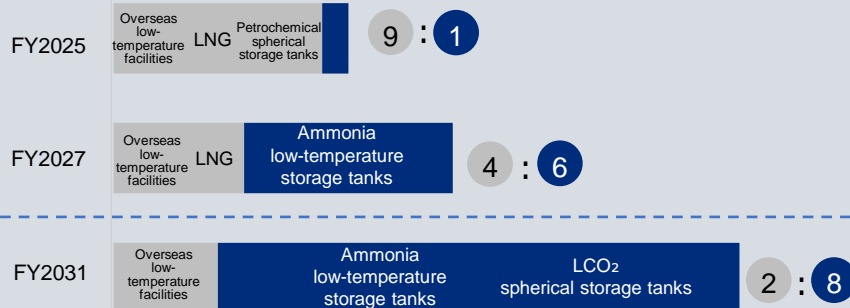
We will expand carbon neutrality projects in both the GX and R&M businesses to change the profitability base.

Diagram of changes in project composition in terms of operating income

 Existing and petroleum tank projects

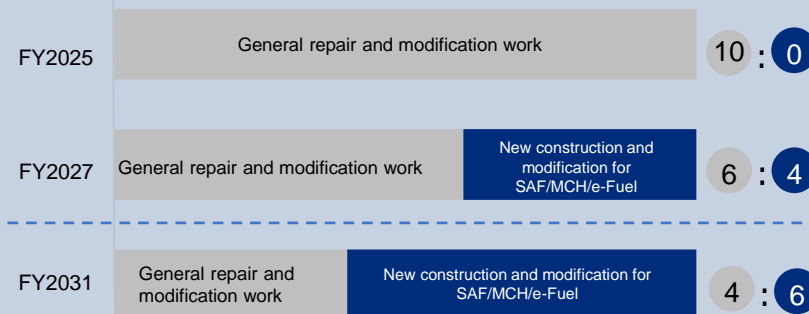
 Carbon neutrality projects

GX Business



- Strategically promote technical development and the acquisition/development of human resources to meet the needs of carbon neutrality projects
- Take advantage of our strengths to also work on large-scale projects overseas and meet the needs of the Southeast Asian market, while putting in place a foundation for sales and income

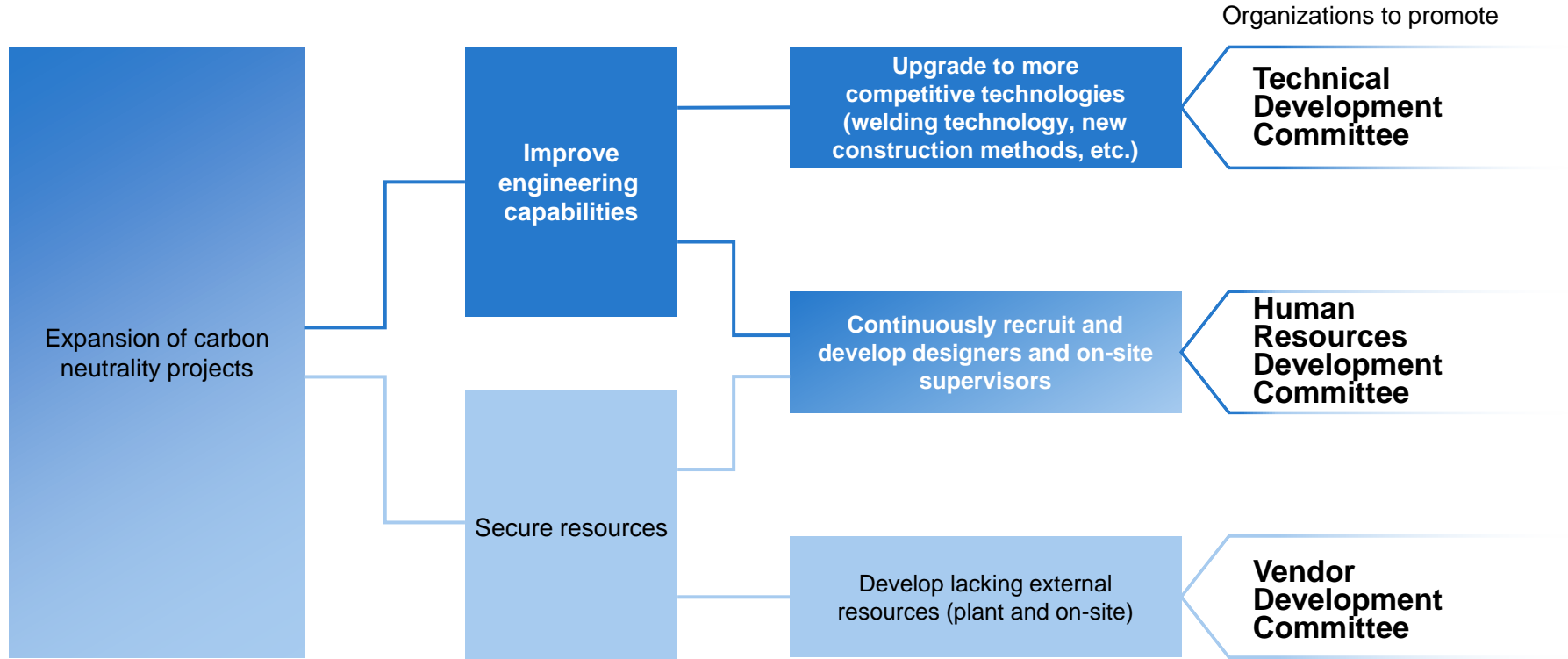
R&M Business



- Enhance management by area managers to closely monitor customer needs, receive orders for repair and modification work projects, and meet the needs for carbon neutrality projects
- Promote the development of technologies and human resources required for the GX business while providing a stable foundation for sales and income

(2) Promotion of business related to carbon neutrality

We will organize three development committees and promote measures to improve engineering capabilities and secure resources.



(2) Promotion of business related to carbon neutrality

Each committee will collaborate to meet customer needs and realize our vision.

	GX	R&M
Technical Development Committee <div>Improve engineering capabilities</div>	<ul style="list-style-type: none"> Establish welding and inspection technologies to increase the size of tanks Establish welding technology as well as assembly and construction methods to improve efficiency 	<ul style="list-style-type: none"> Establish welding and inspection technologies to improve efficiency
Human Resources Development Committee <div>Improve engineering capabilities</div> <div>Secure resources</div>	<ul style="list-style-type: none"> Develop and increase the number of designers and on-site supervisors 	<ul style="list-style-type: none"> Enhance management by area managers Develop versatile tank engineers who can support area managers
Vendor Development Committee <div>Secure resources</div>	<ul style="list-style-type: none"> Enhance our plants and expand plant vendors Expand on-site vendors In-house production of advanced technologies to promote differentiation 	<ul style="list-style-type: none"> Expand local vendors Transition internal resources to the GX business

(3) Enhancement of the stability of the Real Estate Business

We will further enhance our profitability base by promoting newly developed businesses.

Strategy

- Further improving profitability by redeveloping company-owned real estate, etc.
- Preventing loss of value by maintaining existing properties

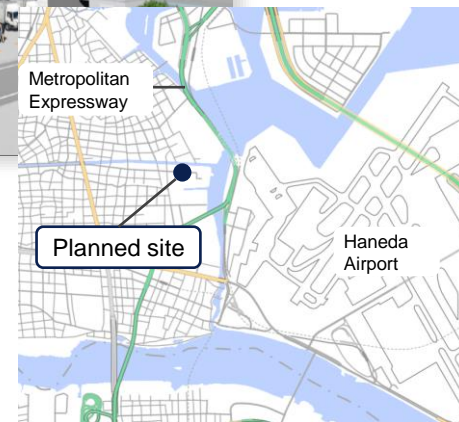
Investment

- Redeveloping the Haneda district
- Conducting large-scale repair work at existing properties

Overview of the Haneda district redevelopment plan

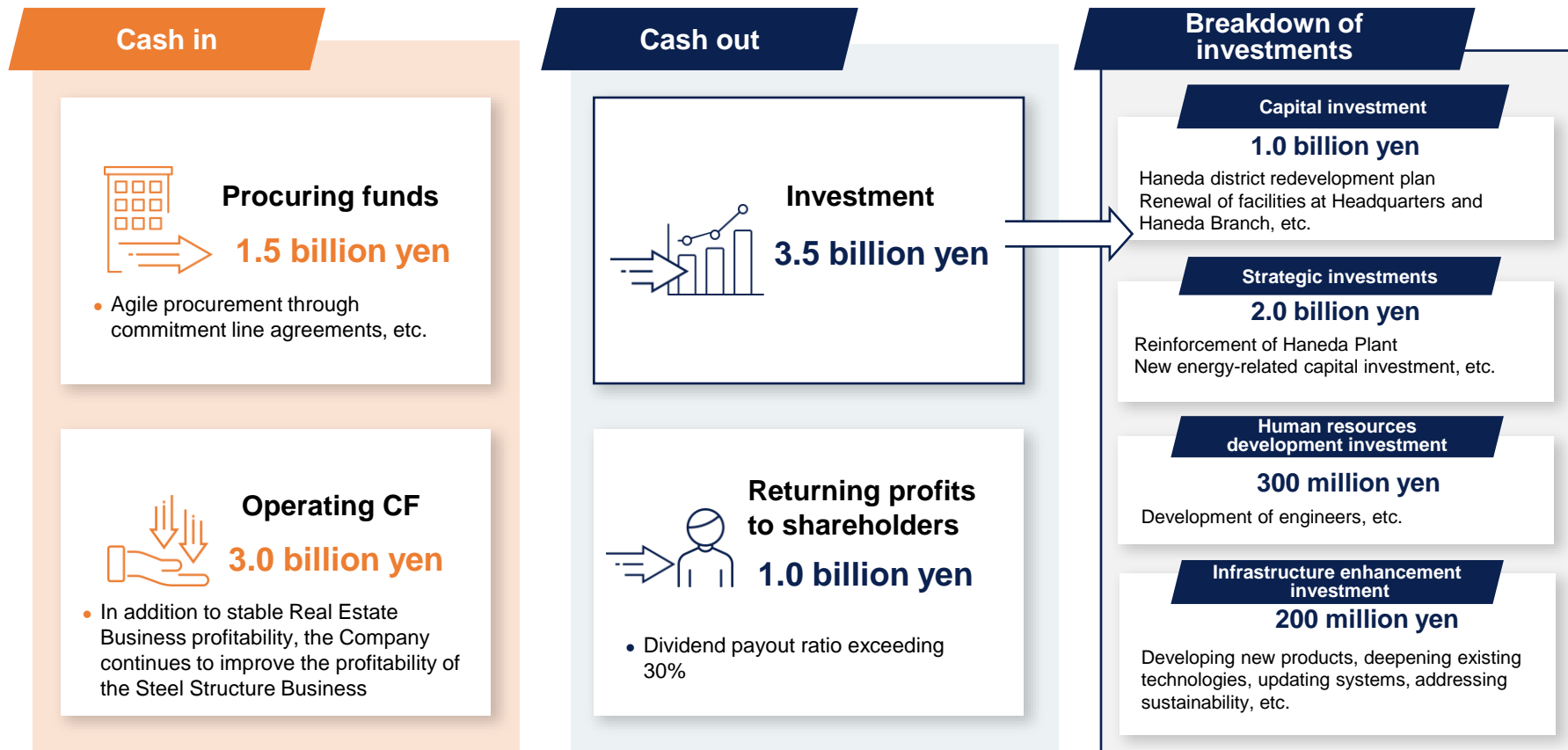
Item	Content
Location	Higashi-Kojiya, Ota-ku, Tokyo (Close to Haneda Airport and the Metropolitan Expressway)
Lot area	Approx. 2,100 m ²
Present condition	Rental parking lot (flat)
Use	Warehouse/distribution center, etc.
Remarks	To be constructed to design specifications in accordance with the requests of the tenant companies. Currently seeking tenant companies.

Conceptual drawing of warehouse/distribution center construction



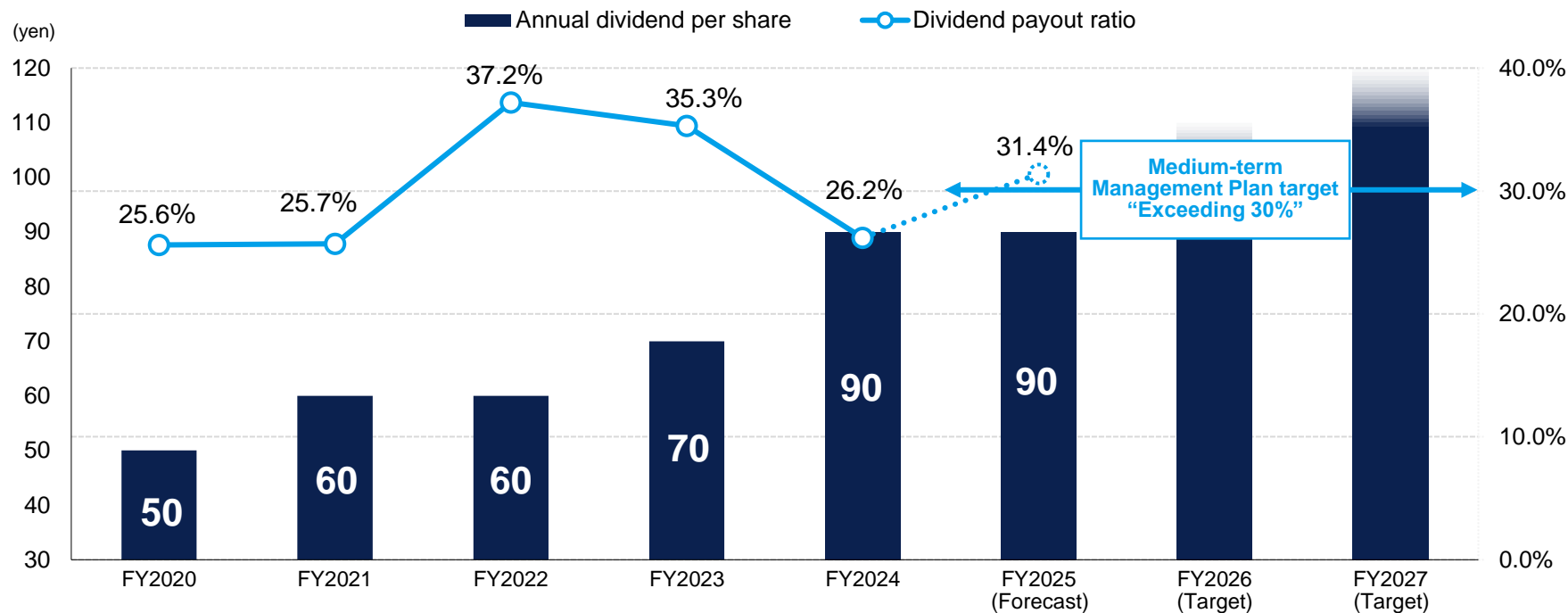
Map: from the Geospatial Information Authority of Japan website

(4) Capital allocation



(4) Capital allocation (Returning profits to shareholders)

Based on the Company's basic policy to "return profits to shareholders stably while strengthening its internal reserves for future growth," we aim to return profits to shareholders with a target dividend payout ratio exceeding 30%.



*Share buybacks of 85,000 shares (acquisition cost of 243,525 thousand yen) through ToSTNet-3 on May 31, 2022.

*Share buybacks of 150,000 shares (total acquisition cost of 441,300 thousand yen) through ToSTNet-3 on May 31, 2023.

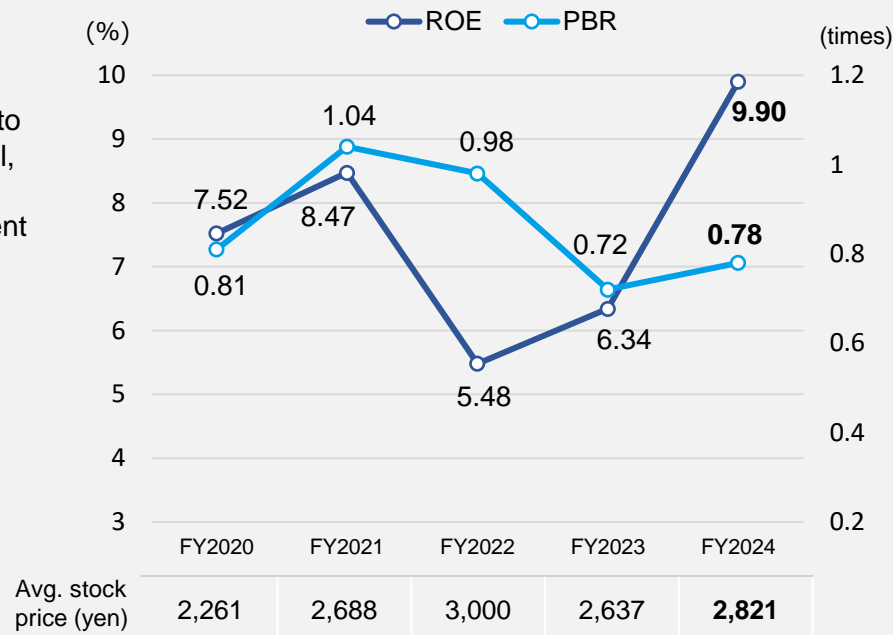
(5) Improving PBR

Current assessment

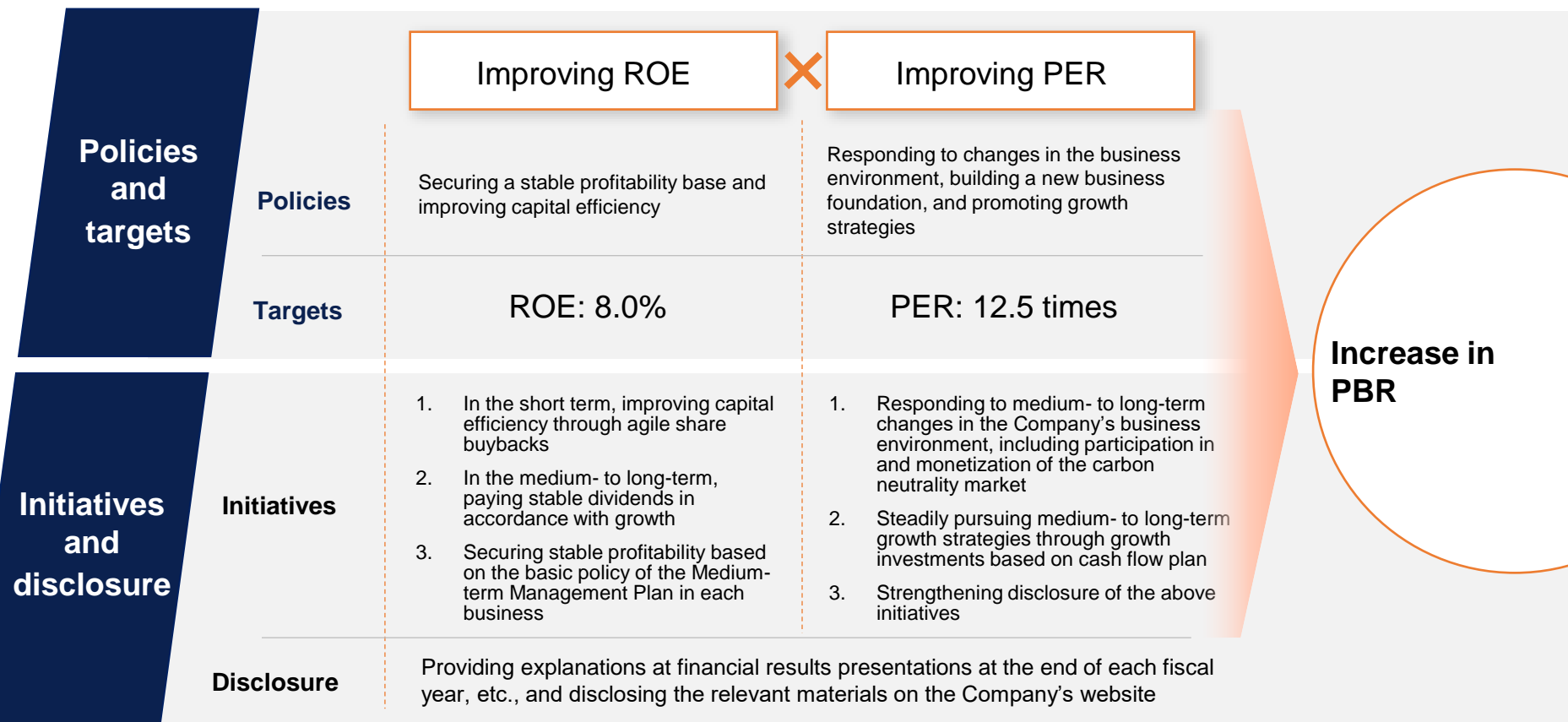
Managing cost of capital with WACC

- The Company has long endeavored to properly understand its cost of capital, and to use that knowledge in formulating Medium-term Management Plans, to make important investment decisions and so forth.
- Although cost of capital is not disclosed, it is calculated using the weighted average cost of capital (WACC) method.

ROE, PBR, and Stock Price



(5) Improving PBR



Promotion of sustainability management

We will identify five materialities based on the Basic Policy on Promotion of Sustainability. We will also set indicators and disclose progress.

Basic Policy on Promotion of Sustainability

Contribute through business (Business system)

Main related SDGs

Establish a safe and secure society

Promote digital transformation and secure cybersecurity

Address climate change (contribute to a decarbonized society) and protect the global environment



Foundation to support our business (Corporate system)

Main related SDGs

Provide a rewarding work environment and respect human rights in business activities

Maintain a firm governance structure



Promotion of sustainability management

Contribute through business (Business system)

Materiality	Social issue	Target	Action plan
Establish a safe and secure society	<ul style="list-style-type: none"> Providing a stable supply of energy and safe and secure social infrastructure Providing disaster-resilient industrial equipment 	<ul style="list-style-type: none"> Meet storage needs required when switching energies for carbon neutrality Meet needs for disaster preparedness/mitigation and national resilience in Japan and overseas 	<ul style="list-style-type: none"> Participate in business related to carbon neutrality in Japan and overseas Develop sales toward tsunami-resilient structured tanks and seismic retrofitting work, survey customer needs, and develop new products that are disaster-resilient
	Contributing to the development of sustainable communities	Contribute to the development of sustainable communities through the leasing of real estate that meets customer needs	<ul style="list-style-type: none"> Promote the effective use of the Haneda district Continue to lease to geriatric facilities and daycare centers
	Coping with aging population and labor shortage	Realize automation and labor savings through technical development	Promote the development of new construction methods and automation technologies for on-site labor savings
Promote digital transformation and secure cybersecurity	Promoting digital transformation	<ul style="list-style-type: none"> Aim for sustainable growth in the Steel Structure and Real Estate businesses by promoting DX Expedite management decisions through the further utilization of actual work data 	<ul style="list-style-type: none"> Promote the enhancement and utilization of core systems as well as IT infrastructure development Further utilize actual work data
	Securing cybersecurity	Realize cybersecurity management	Establish cybersecurity in compliance with "Cybersecurity Management Guidelines Ver 2.0" and "Information Security Guidelines for SMEs [3rd Edition]"
Address climate change (contribute to a decarbonized society) and protect the global environment	Measuring and reducing GHG emissions	Understand and continuously reduce GHG emissions	Understand company-wide GHG emissions and set reduction targets
	Improving energy efficiency	Improve branch, plant, and on-site energy efficiency	<ul style="list-style-type: none"> Survey low-energy, high-efficiency equipment Introduce LED lighting, high-efficiency air conditioning, and energy-conserving equipment
	Popularizing and introducing renewable energy generation	Constructing more solar panels	<ul style="list-style-type: none"> Promote solar panel facilities on company-owned real estate properties Promote the use of renewable energy generation at our branches
	Developing technologies that contribute to the realization of "new energy and a hydrogen society"	Meet storage needs required when switching energies for carbon neutrality	Participate in business related to carbon neutrality in Japan and overseas
	Operating an environmental management system	Minimize our environmental impact through the reliable operation of an environmental management system	Reliably operate and regularly review the environmental management system

Promotion of sustainability management

Foundation to support our business (Corporate system)

Materiality	Social issue	Target	Action Plan
Provide a rewarding work environment and respect human rights in business activities	Respecting human rights	Promote business with companies that respect human rights and address environmental management throughout our business domain and supply chain	<ul style="list-style-type: none"> • Declare a basic policy that includes a commitment to respect human rights • Carry out human rights due diligence processes • Review processes to ameliorate adverse human rights impacts
	Developing and recruiting human resources	Aim to materialize a corporate climate in which a diversity of human resources feel rewarded and comfortable while working, competing, and taking on challenges	Promote career and skills development for employees
	<ul style="list-style-type: none"> • Promoting diversity and inclusion • Improving labor productivity 		<ul style="list-style-type: none"> • Promote work style reforms, employee engagement, and women's greater participation in the workplace • Provide a structure to address the Act on Comprehensively Advancing Labor Measures, and Stabilizing the Employment of Workers, and Enriching Workers' Vocational Lives (Power Harassment Prevention Act)
	Ensuring health and safety during labor	Aim for accident-free branches and sites	<ul style="list-style-type: none"> • Promote branch and on-site safety patrols as well as safety and health education for subcontractors • Continue to inquire about customer satisfaction during on-site patrols
Maintain a firm governance structure	Promoting health management	Promote employee health by putting health management and health investment into practice and recruit human resources to increase corporate value	<ul style="list-style-type: none"> • Promote physical health (address individuals with health abnormalities, hold health awareness seminars, offer health counseling, etc.) • Promote mental health (carry out stress checks and address high-stress individuals) • Enroll employees in GLTD (Group Long-Term Disability Insurance)
	Sophisticating corporate governance and governing organizations		<ul style="list-style-type: none"> • Address revisions of the corporate governance code • Revise and release corporate governance guidelines
	Understanding and managing company-wide risks		Understand and address company-wide risks through the Risk Management Committee
	Appropriately disclosing information	Based on our company motto, business objectives, and management philosophy, establish a management structure for transparent, fair, prompt, and decisive decision-making given the standpoints of all stakeholders, and to continuously enhance corporate governance in order to achieve sustainable growth and enhance corporate value for the Company over the medium- to long-term.	<ul style="list-style-type: none"> • Enhance the listing of various disclosure documents and enhance dissemination through our website • Enhance IR (carry out financial results presentations) and carry out dialogues with institutional investors and major shareholders
	Ensuring fair competition and business practices		<ul style="list-style-type: none"> • Carry out in-house surveys and training sessions related to the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors and the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade • Prepare and disclose a basic procurement policy and sustainable procurement guidelines, and carry out dialogues with suppliers
	Contributing to local societies		<ul style="list-style-type: none"> • Continue to participate in the National Organization of Employment Assistance Businesses (PJ to promote the re-employment of prisoners), continue to cooperate in continuous employment support programs for people with disabilities, continue to participate in the Chuo City Industry and Culture Exhibition (Heso-ten)
	Complying with laws and regulations as well as international standards		Continue to disseminate information and hold seminars on compliance

Disclaimer

Forward-looking statements contained in this document are based on currently available information and current assumptions regarding uncertain factors that may affect future results. Accordingly, actual results may differ from these forecasts due to changes in various factors.