



Medium-term Management Plan

From FY2022 ended March 31, 2022 to FY2024 ending March 31, 2024
(From the 156th Term to the 158th Term)

Be a field-oriented company!

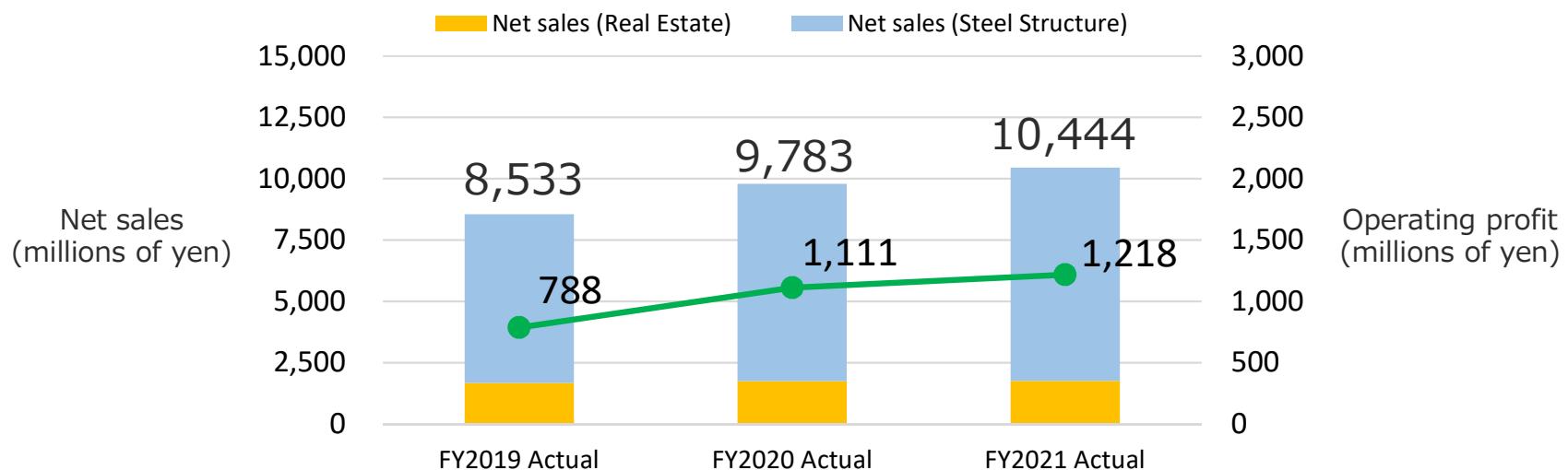
May 14, 2021

Ishii Iron Works Co., Ltd.
Hiroji Ishii, President

1. Review of the previous Medium-term Management Plan (from FY2019 to FY2021)

- Net sales at 10,444 million yen and operating profit at 1,218 million yen in FY2021
- Steady improvement in profitability, with operating margin of Steel Structure Business at 0.9%

Net sales and operating profit for the three years of the previous Medium-term Plan



Result by segment	FY2019 actual (153rd Term)	FY2020 actual (154th Term)	FY2021 actual (155th Term)		Previous medium-term management plan target	FY2021 actual (155th Term)
Net sales (Steel Structure)	6,866	8,037	8,697	Consolidated operating profit	1,300 million yen	1,218 million yen
Operating profit (Steel Structure)	-228	-12	78	Return on equity (ROE)	8.0%	8.5%
Net sales (Real Estate)	1,667	1,746	1,747	Operating margin of Steel Structure Business	3.0%	0.9%
Operating profit (Real Estate)	1,016	1,123	1,140			
Net sales	8,533	9,783	10,444			
Operating profit	788	1,111	1,218			

1. Review of the previous Medium-term Management Plan (from FY2019 to FY2021)

Steel Structure Business

Policy

- Common objective: Strengthen management capability to prevent troubles and defects
- Further objective: Strengthen competitiveness to acquire stable orders

Achievements

- Operating profit of Steel Structure Business (FY2021) returned to positive for the first time in seven terms
- A decrease in new construction in Japan was offset by an increase in orders for repair work and a decrease in direct construction costs
- Orders received for large-scale overseas project contributed to profitability

Challenges

- Establishment of a sustainable profit system
- Improvement of the infrastructure and review of the new business development scheme and system for the future

Real Estate Business

Policy

- Develop real estate with effective use of company-owned land
- Appropriate management and operation of owned real estate to secure stable profits

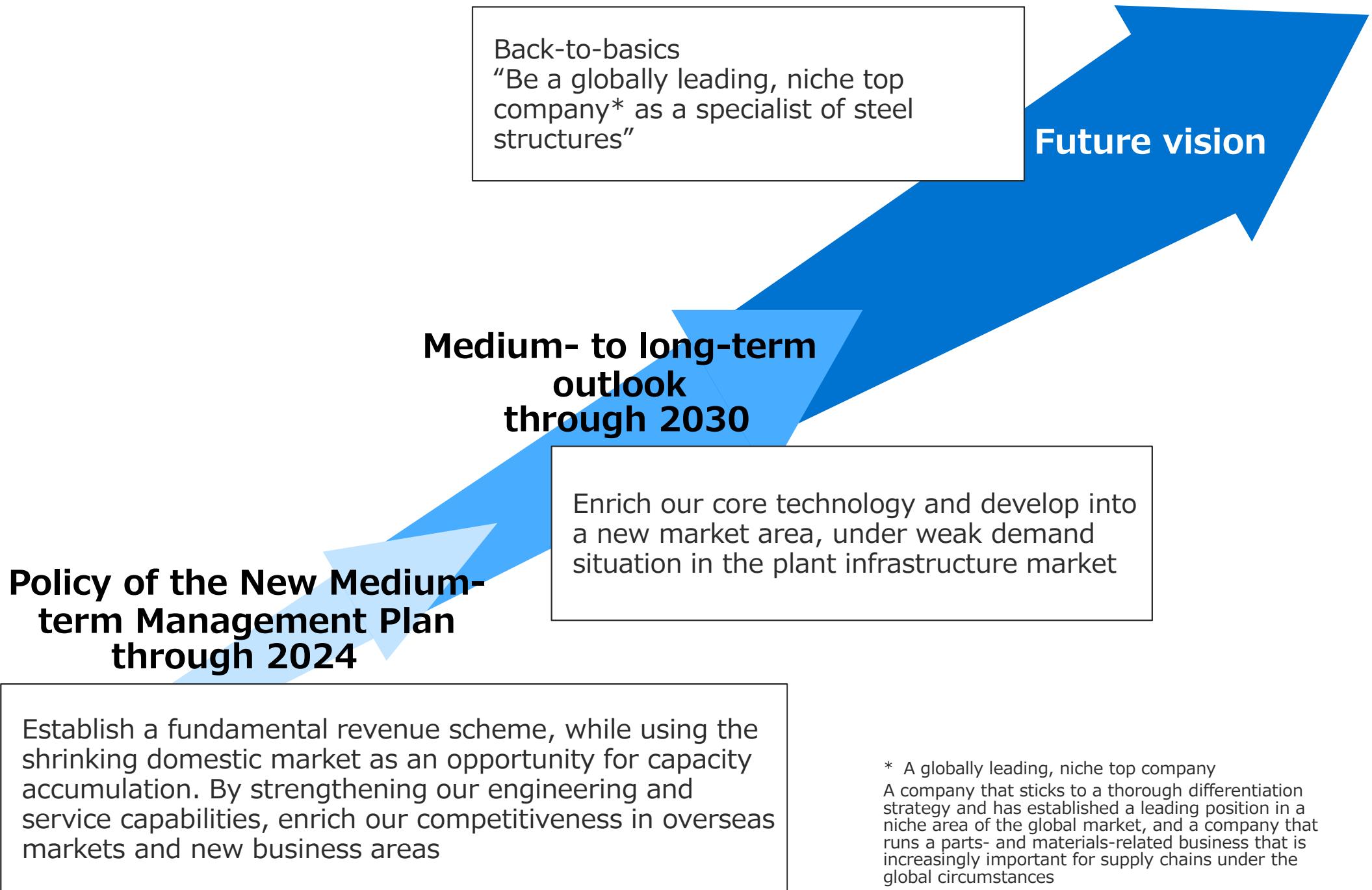
Achievements

- Developed real estate of land owned by the Company (Higashi-kojiya, Ota-ku, Tokyo) for rental starting from FY2019
- Carried out major repair of buildings aged 10 years or over

Challenges

- Advanced use of company-owned real estate for larger profit
- Maintain the value of buildings

2. Future Vision and Position of the New Medium-term Management Plan



3. The Company's Business Environment and Opportunities for Growth

(1)

Decarbonization

- Government announced targets for reducing greenhouse gas emissions in response to global warming
- Emergence of new energy and hydrogen society toward the realization of carbon neutrality

(2)

Aging plants and decreasing engineers

- Increasing renovation of plant equipment
- Addressing the negative effects of decreasing working population and veteran engineers (by, for example, improving service capability)

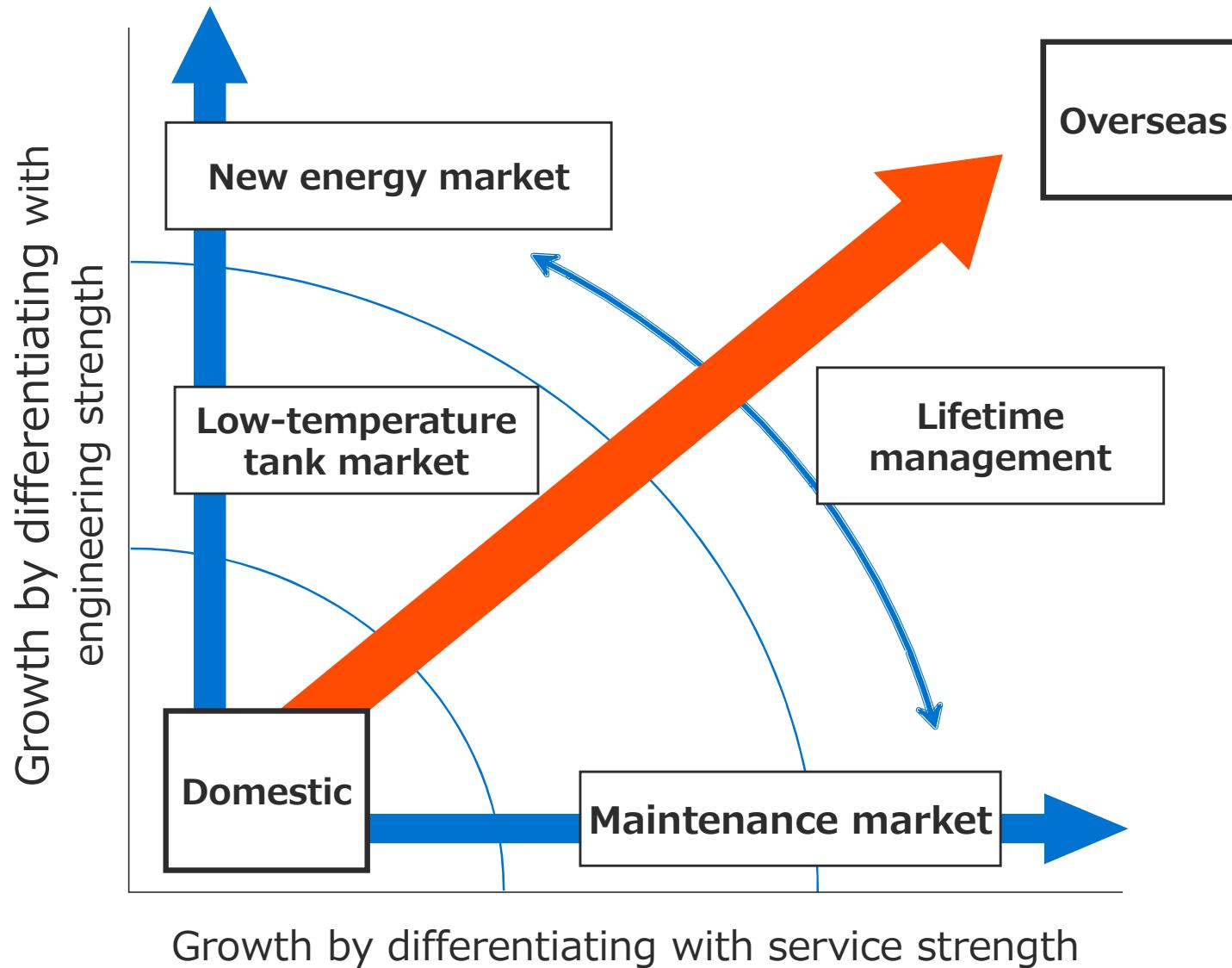
(3)

Resilience

- Preparation to natural disasters such as earthquakes, tsunami, and mega-typhoons caused by global warming
- Providing energy infrastructure with resilience to withstand natural disasters

4. Responding to business environment issues

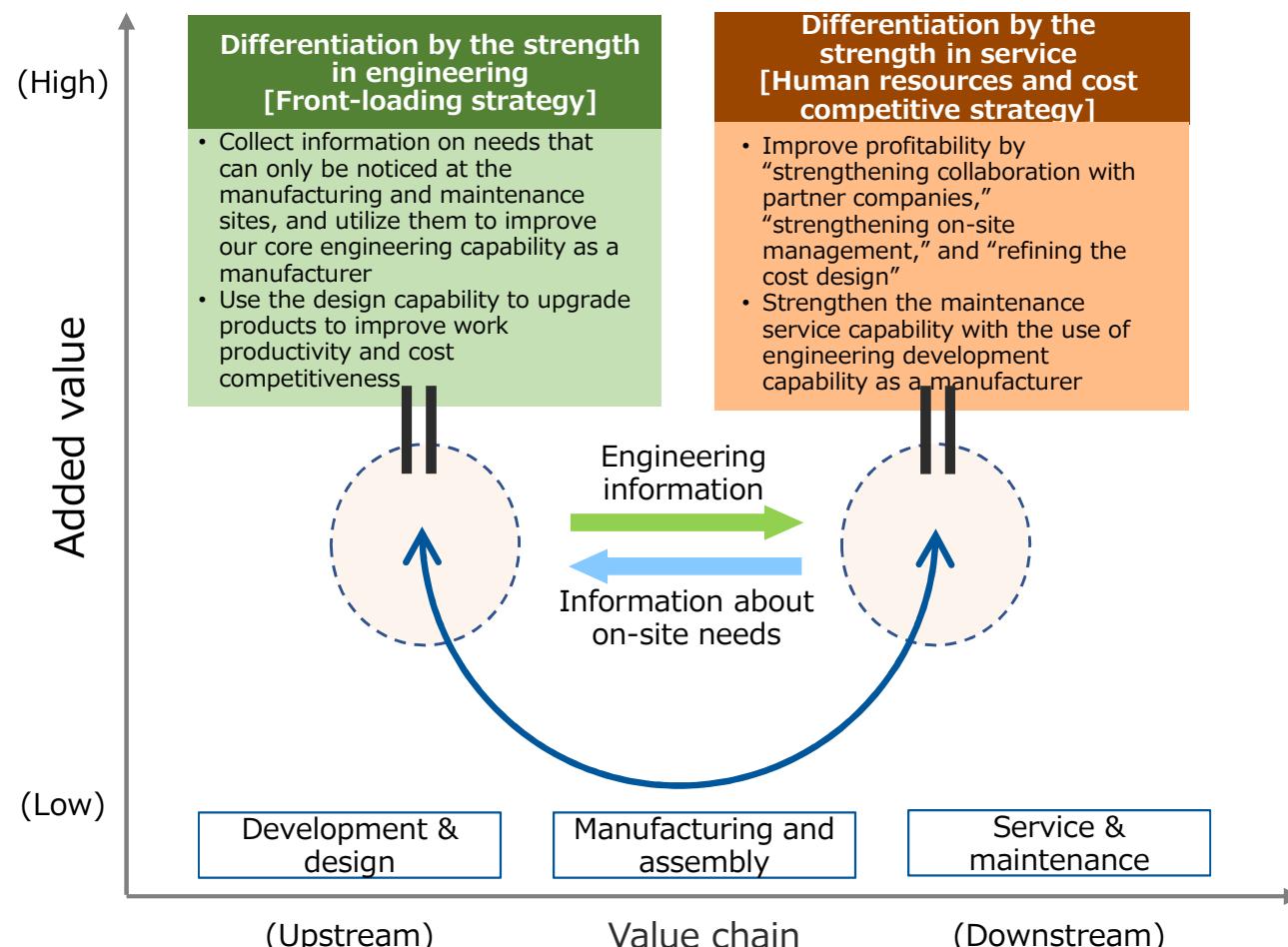
**Aim to be a company
“that supports energy infrastructure with its engineering capability”**



Growth by differentiating with service strength

4. Responding to business environment issues

- Design and engineering development capabilities at the front stage of value chain, and recruitment and development of human resources and cost management at the maintenance stage are the source of competitiveness and added value in Japan's tank market (the trend of "Smile Curve Phenomenon" (an added value analysis that was popular in the electrical industry in the early 2000s; the product manufacturing process has a low rate of return, and the added value of upstream parts and downstream services is high) becomes prominent as the market matures).
- To adapt to this phenomenon, the new medium-term management plan focuses on the steady implementation of "differentiation by the strength in engineering" and "differentiation by the strength in service" for higher competitiveness and profitability.



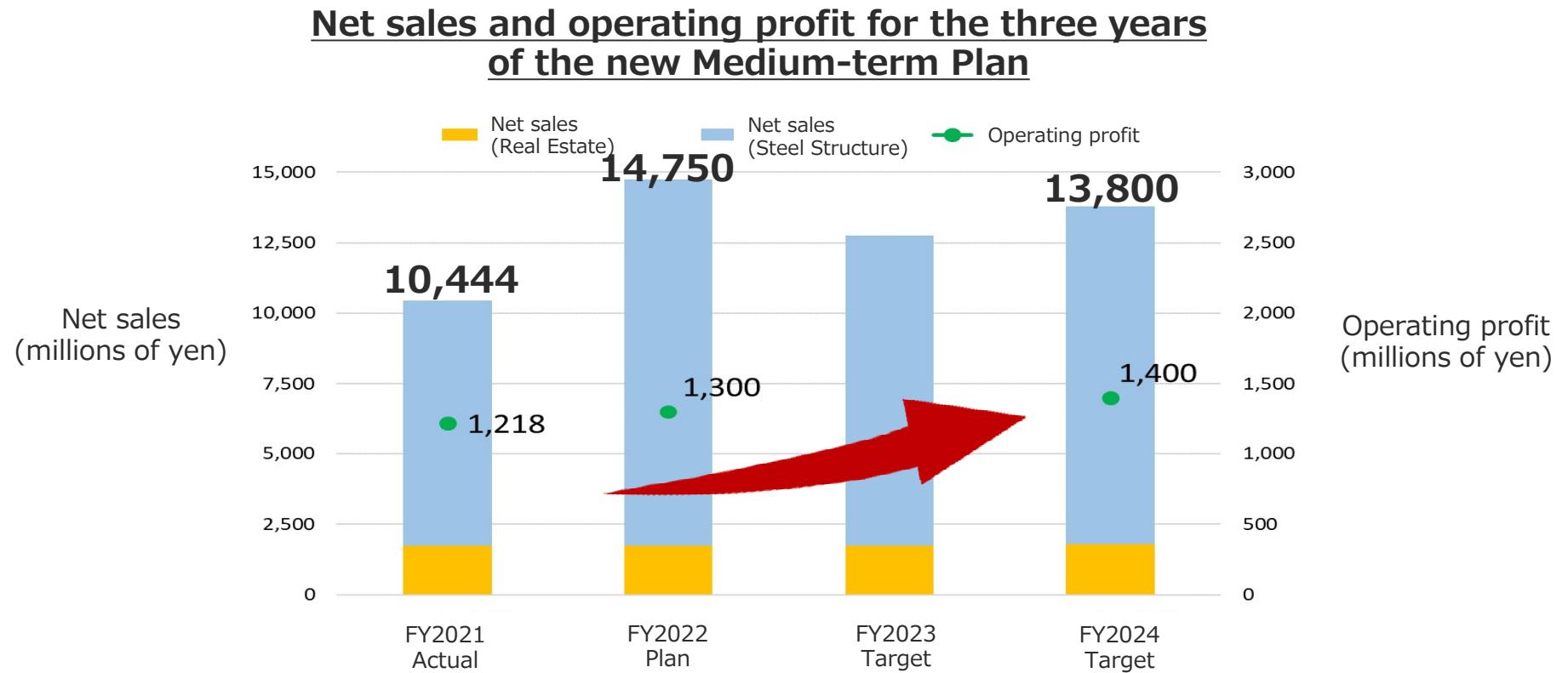
5. Basic Policy of the New Medium-term Management Plan

- During the new medium-term management plan period, we will continue to steadily improve the Steel Structure Business's profitability as we did during the previous period. In addition, we will further promote forward-looking infrastructure development and establish management structure that can respond flexibly to a change in the business environment. As such, we aim to ensure the realization of our vision and evolve into a company with sustainable growth

Steel Structure Business	<ul style="list-style-type: none">Make a difference with the strength of our service capability in order to secure stable orders and profit in the domestic maintenance marketMake a difference with the strength of our engineering capability to build up orders received and profit in the domestic low-temperature tank marketStrengthen the collaboration with overseas local partner companies by leveraging our service and engineering capabilities gained in the domestic market, in order to secure stable orders and profit in the overseas market
Real Estate Business	<ul style="list-style-type: none">Promote the use of former material storage yards, etc.
New Business	<ul style="list-style-type: none">Enrich our existing engineering capability to develop into the new market related with steel structure business
Management Infrastructure	<ul style="list-style-type: none">Establish robust management structureDevelop human resources for next-generationPromote SDGs initiatives

6. Numerical targets of the new Medium-term Management Plan

- Including return on invested capital (ROIC) as a new numerical target, we seek "constant financial soundness and internal reserve" and "a capital structure that is conscious of capital cost" for higher capital efficiency



FY2024 target (158th Term)	
Consolidated operating profit	1,400 million yen or more
Return on equity (ROE)	8.0% or higher
Return on invested capital (ROIC)	6.5% or higher (FY2021 actual is 5.9%)

6. Numerical targets of the new Medium-term Management Plan

Medium- to long-term investment policy

Invest in growth with a target of about 5% of net sales
to increase corporate value

Shareholder return policy

Aim to distribute the profit to shareholders
by paying stable dividends

	FY2020 actual (154th Term)	FY2021 forecast (155th Term)	to	FY2024 target (158th Term)
Dividend per share (yen)	50	* 60	to	Undecided
Payout ratio (%)	25.6	25.6	to	About 30%

* Will be resolved at the General Meeting of
Shareholders to be held on June 29, 2021

7. SDGs initiatives

- Through the Steel Structure Business, we contribute to the maintenance and development of the energy and chemical product supply chain by focusing on “the provision of secure and safe social infrastructure” and by providing climate change- and disaster-resilient infrastructure and economical and optimal maintenance service. We do this with our management philosophy to “seek higher corporate value through engineering that satisfies social needs and manufacturing with a sincere attitude” in mind
- Through the Real Estate Business, we contribute to reducing the environmental burden of society as a whole, increasing convenience, and providing solutions to local issues through investment activities with the emphasis on “the provision of environmentally and socially conscious real estate”

Provide safe and secure social infrastructure

- Contribute to the stable supply of energy



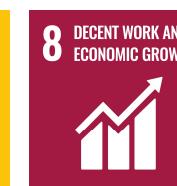
Provide disaster-resilient industrial equipment

- Develop tsunami-resilient structured tanks
- Seismic reinforcement of plants



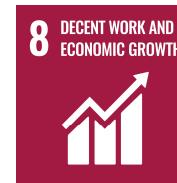
Contribute to the development of communities

- Provide facilities for the elderly and nursery schools
- Provide barrier-free logistics facilities
- Expand the introduction of renewable energy generation (solar power generation)



Coping with aging population and labor shortage

- Develop automation technology
- Promote robotization



Note:

The plans described in this document are based on the judgment of our company at the time of preparing this document, and the numerical plans and policies provided are subject to change in the future.

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