April 28, 2025

To Whom It May Concern

Company Name: Kandenko Co., Ltd.
Representative: Hirofumi Tamogami, President and Executive Officer
(Securities Code: 1942, Tokyo Stock Exchange Prime Market)
Inquiries: Takashi Nomoto, General Manager, IR and Public Relations Office
(Tel. 03-5476-2111)

Notice of Review of Kandenko Group Medium-Term Management Plan FY2024-FY2026, and Initiatives for Managing With a Focus on Capital Costs and Stock Prices

Kandenko Co., Ltd. (the "Company") resolved to revise the Kandenko Group Medium-Term Management Plan FY2024–FY2026 ("Medium-Term Management Plan"). The Company also updated the content of its disclosure titled *Initiatives for Managing With a Focus on Capital Costs and Stock Prices*, released on the same day.

1. Revision of Medium-Term Management Plan

The Company achieved record-high performance in fiscal 2024 by meeting its fiscal 2026 performance targets, originally set as the final-year goals of the Medium-Term Management Plan, two years ahead of schedule. Strong private-sector construction investment and company-wide productivity improvements contributed to higher profitability.

Although there are concerns about the impact of America First Trade Policy on the global economy, the Company expects private-sector construction investment to remain firm, this outlook reflects anticipated demand for semiconductor plant and data center construction, large-scale redevelopment projects, and equipment renewal demand related to decarbonization.

In light of these circumstances, the Company resolved to revise upward the numerical targets set forth in the Medium-Term Management Plan as follows. The Company also revised certain initiatives outlined in its business strategy and strategy to strengthen management foundation and is committed to strengthening its efforts to achieve the new targets by enhancing productivity through digital transformation, increasing and optimally deploying construction personnel, and enhancing employee engagement.

Medium-Term Management Plan	Previous Announcement (April 26, 2024)	Current Announcement
	FY2026	FY2026
Consolidated net sales	¥640 billion	¥716 billion
Consolidated operating profit	¥45 billion	¥67 billion
ROE	8%	10%
ROIC	8%	10%

2. Initiatives for Managing With a Focus on Capital Costs and Stock Prices

The Company assessed its current approach to managing with a focus on capital costs and stock prices alongside the revisions to the Medium-Term Management Plan. In doing so, the Company stives to drive sustainable growth and enhance corporate value over the medium to long term. In addition to the upward revisions of ROE and ROIC shown in the table above, other revisions to the April 2024 announcement include increased growth investment and an expanded reduction in cross-shareholdings. *See attached materials for more information.

3. Attached Materials

- Fiscal 2024-2026 Kandenko Group Medium-Term Management Plan
- Initiatives for Managing With a Focus on Capital Costs and Stock Prices

株式会社関電工

More change.

For a more abundant future.

Fiscal 2024-2026
Kandenko Group Medium-Term Management Plan

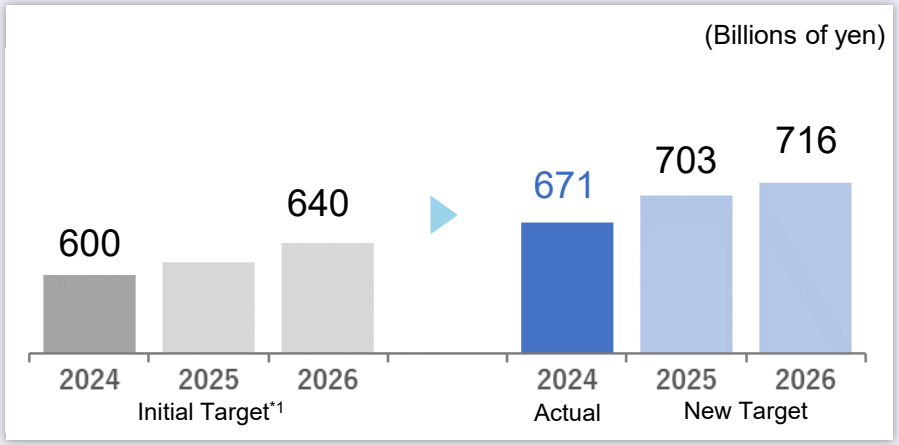
April 28, 2025

FY2024 Assessment and Review

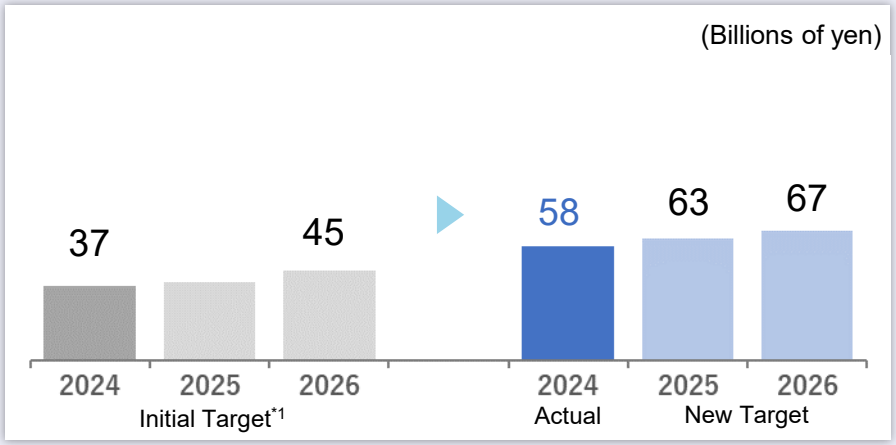
Quantitative Plan

- ✓ Revised FY2024 targets (financial results, dividends) **upward**
- ✓ Achieved FY2026 targets **two years ahead of schedule** ➔ **Revised FY2025-FY2026 targets**

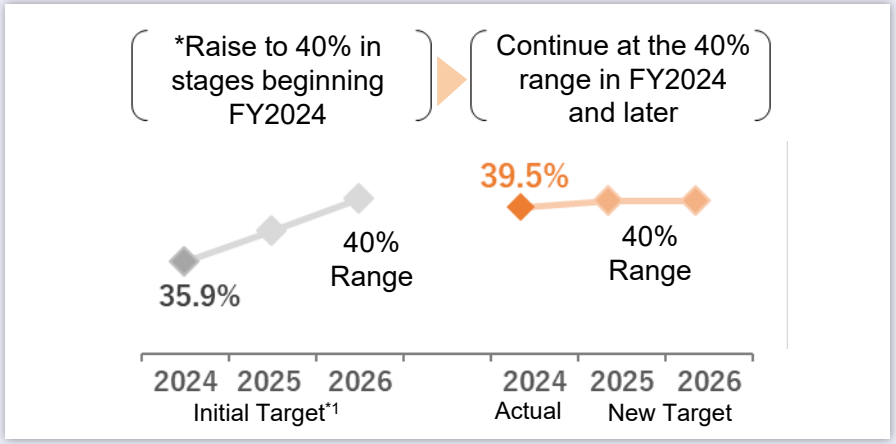
Consolidated Net Sales



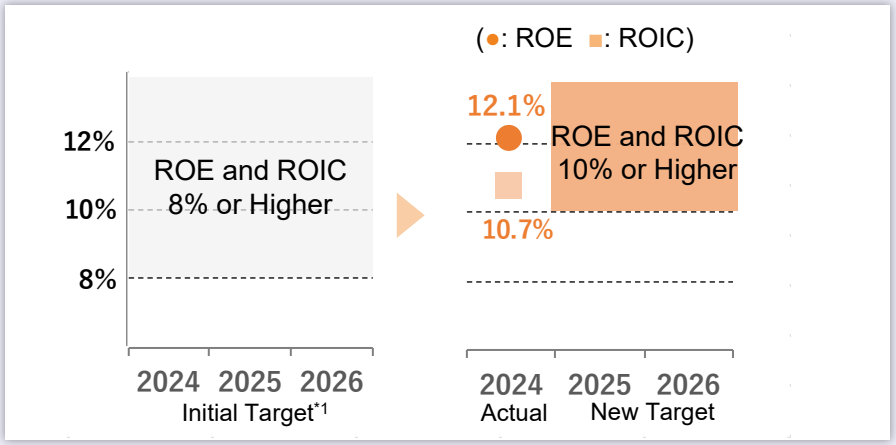
Consolidated Operating Profit



Dividend Payout Ratio



ROE and ROIC



*Initial Target: Figures are targets as of April 2024

(We are calculating FY2024 GHG emissions at present)

Copyright(c) Kandenko All Rights Reserved.

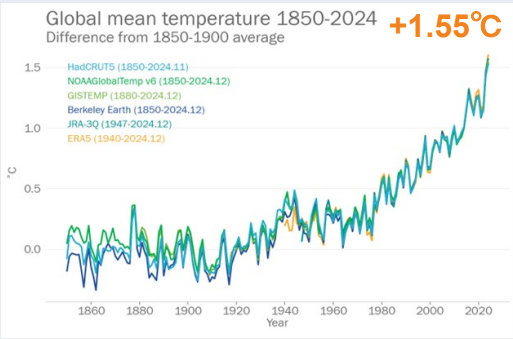
Business Environment (Topics)

Global Environment

Urgent need for greater response to global warming (energy savings, electrification, etc.)

Global Average Temperature in 2024

1.5°C Target Exceeded, Historical High

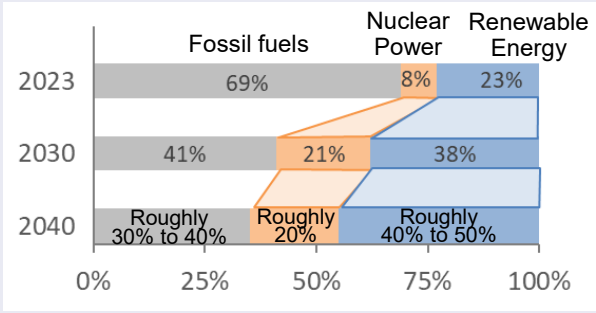


Source: World Meteorological Organization press release, January 2025

Energy

Positive expectations for construction demand related to nuclear power and renewable energy

Changes in Energy Supply



- Expand the use of renewable energy by using renewable energy generation and storage facilities; develop inter-connected, inter-regional lines
- Restart nuclear power plants

Source: Agency for Natural Resources and Energy *Summary of the Basic Act on Energy Policy*, December 2024.

Innovation

Important to understand and use state-of-the-art technology

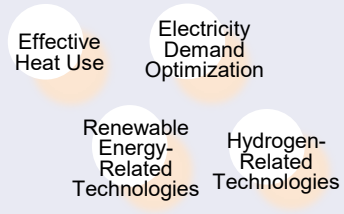
Evolution of Battery Technology

Growing Needs

Adjustment Electricity Supply/Demand Backup Power Supply Wider EV Usage

- Solid-state batteries
- Develop storage battery control systems, etc.

Nat'l Government Identifies and Pursues Development of Key Technologies



Source: Agency for Natural Resources and Energy, Other *Energy Conservation and Non-Fossil Energy Conversion Technology Strategy 2024*, May 2024.

Potential of AI

Solve Social Issues | Create Business Value

Source: Ministry of Economy, Trade and Industry, Others, *AI Guidelines for Business (Ver. 1.0)*, April 2024

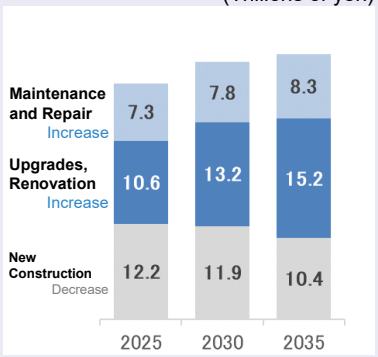
Socioeconomics

Construction demand remained strong

Price indexes are on the rise

Outlook for Private-Sector Building Investment

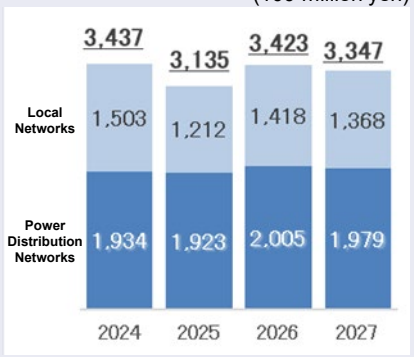
(Trillions of yen)



Source: Research Institute of Construction and Economy *Construction Economics Report No. 76*, March 2024, compiled by Kandenko

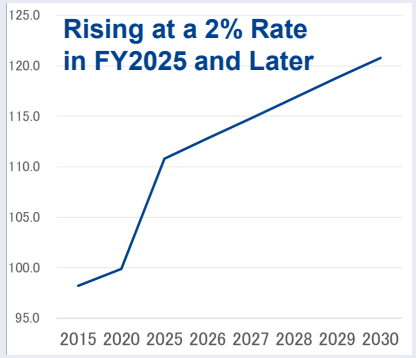
TEPCO PG Capital Investment Plan

(100 million yen)



Source: TEPCO PG, *Revenue Cap System Business Plan*, July 2022, compiled by Kandenko

Consumer Price Index Outlook



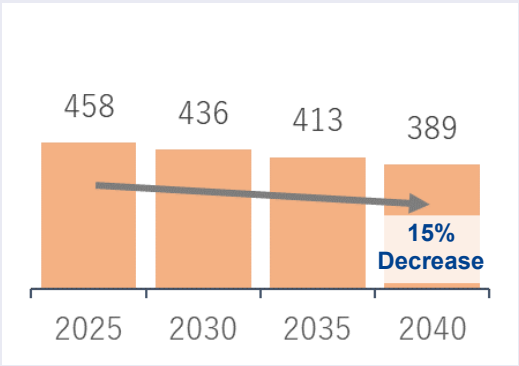
Source: Cabinet Office Medium- and Long-Term Economic and Fiscal Estimates, Tables of Figures, January 2025, compiled by the Company

Labor Environment

Challenges in securing staff and automating tasks at job sites

Construction Workforce Outlook

(10,000 people)



Source: *Labor Force Supply and Demand Estimates*, Japan Institute for Labor Policy and Training, compiled by the Company, August 2024

Copyright(c) Kandenko All Rights Reserved.

Fiscal 2024-2026 Group Medium-Term Management Direction

1

Create a more attractive company and conduct investments more effectively

Joyful growth, together with our employees

Human Resources | Investment | Finances

2

Discover more opportunities in existing businesses

Contribute to the building and upkeep of social infrastructure and customer facilities

Building Equipment | Social Infrastructure | Green Innovation | New | Overseas

3

Foster collaboration between building equipment and social infrastructure and create new businesses

Pursue green innovation

4

Pursue DX, business and production process reforms, collaboration among divisions and groups, etc.

Increase productivity and efficiency through all means available

DX | Production Capacity



5

Ensure compliance, safety, and quality, creating an abundant environment

Build solid relationships of trust with stakeholders

Compliance, Safety and Quality, Environment

: Business strategy

: Strategy to strengthen management foundation

株式会社関電工

Copyright(c) Kandenko All Rights Reserved.

Fiscal 2024-2026 Medium-Term Management Plan Overview

More change.
For a more abundant future.

FY2026 KGIs

consolidated net sales
(¥640 billion)
▶ **¥716 billion**

Consolidated operating profit
(¥45 billion)
▶ **¥67 billion**

Dividend payout ratio
40 %
[consolidated]

ROE
(8%)
▶ **10 %**
[consolidated]

ROIC
(8%)
▶ **10 %**
[consolidated]

Greenhouse Gas Emissions
vs. FY2020 **-18 %**
[Target: Scope 1, Scope 2]

(Figures in parentheses are targets as of April 2024)

Fiscal 2024-2026 Group Medium-Term Management Direction

Joyful growth, together with our employees

Contribute to the building and upkeep of social infrastructure and customer facilities

Pursue green innovation

Increase productivity and efficiency through all means available

Build solid relationships of trust with stakeholders

Business Strategy

- Building Equipment
- Social Infrastructure
- Green Innovation
- New
- Overseas

Strategy to Strengthen Management Foundation

- Human Resources
- Production Capacity
- Compliance Safety and Quality Environment
- DX
- Finances
- Investment

Copyright(c) Kandenko All Rights Reserved.

Building Equipment Division

Conduct Process Reforms to Discover More Opportunities in Existing Businesses

Shared (Building Equipment Division)

1 Construction reform

- **Establish back office on-site and cost-management methods**
- **Strengthen prefabricated plant logistics functions**
- Build and operate **construction capacity visualization** systems

2 Sales and engineering reform

- Build systems for **customer monitoring-based solution sales**
- **Introduce an automated estimate system** and improve the accuracy of our preliminary estimate system
- Strengthen engineering functions for **data centers, semiconductors, and storage batteries**

Indoor Electrical



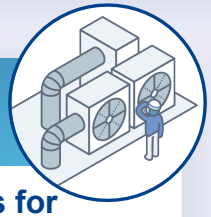
1 Discover more opportunities in existing businesses

- Win **strategic orders** using AI and data
- **Expand base of close and ongoing customers**
- Train on-site office and renewal sales staff

2 Expand business domains

- Acquire technology for **optimal controls related to creating, storing, and saving energy**

HVAC and Hygiene



1 Secure long-term orders for large projects and enter the industrial HVAC sector

- Develop qualified personnel and recruit engineers
- Accumulate technology and expertise

2 Propose upgrades for heat source equipment, etc.

- Pursue alliances, etc., with companies possessing technology and skills in heat source, industrial HVAC
- Build a **thermal solutions** implementation system

Indoor Networking Plant



1 Transition to a stock-type business [indoor networking]

- Propose **IP-integrated networks** for building equipment
- Establish proprietary products and solutions

2 Total engineering [Plant]

- Plant-related **Collaboration among group companies**
- Expand into the **water treatment sector**

Copyright(c) Kandenko All Rights Reserved.

Social Infrastructure Work

Protect Social Infrastructure and Create Decarbonized, Resilient Societies

Shared (Social Infrastructure Work)

1 Contribution to decarbonization

- Conduct sales activities targeting **carbon neutral-related demand**

2 Respond to aging infrastructure

- Comply credibly with the **revenue cap system**
- Respond to **social infrastructure requiring renewal**

3 Improve construction systems and strengthen construction capacity

- Deeping cross-departmental collaboration
- Expand support for partner companies and new business development

Communications



1 Restructure revenue base

- Expand contracts in public works projects
- Acquire **maintenance service technologies** (EV charging equipment, PPA-compliant construction)
- **Enter services businesses leveraging software technology, etc**. (equipment remote control, mobile communications power supply vehicles, etc.)

2 Improve productivity and operational efficiency

- Streamline operations in collaboration with customers and partners
- **Centralize or move routine operations to back-office tasks**
- Build an efficient construction management system

Power Distribution



1 Increase construction capacity and operate efficiently

- Strengthen group/partner **construction capabilities; develop new work groups**
- Foster multiskilled **technical workers**(pillar installation skills)
- Develop and utilize on-site labor-saving technologies
- Improve safety management operation efficiency

2 Expand business domains

- Construction to replace **street lights with LEDs**
- Private line construction for renewable energy; storage battery-related work
- Secure proposal orders for **disaster prevention and mitigation** construction

Engineering



1 Expand revenue base

- Construction work for **renewable energy, storage batteries**
- **Wide-area power grid and other electric power transmission-related work**
- Secure construction work for **civil Infrastructure** (water, sewer, etc.)
- Complete **safety compliance construction** for nuclear power plans

2 Improve efficiency of and bolster construction system

- Pursue inter-industry cooperation
- Build a system for **large-scale projects**
- Bolster **cable jointer** numbers
- Hire more engineers for **civil engineering work**

Copyright(c) Kandenko All Rights Reserved.

New and Overseas Businesses

Develop New Businesses Focused on Energy Creation, Storage, and Conservation



New Business

1 Expand green innovation-related businesses

- Establish business model for **decarbonization consulting** (EMS, etc.)
- **Establish a next-generation O&M*** system and acquire related technologies
- Develop measures to launch **PPA and storage battery businesses**
- Build expertise **renewable energy facility repowering and facility inspection**
- Expand business and advance technologies, expertise in **renewable energy O&M**
- Pursue M&A and alliances

2 Take on the challenge of building other businesses

- BCP solutions proposals
- Begin **O&M service for small-scale data centers**

Grow Existing Locations and Develop New Markets to Expand Overseas Business



Overseas Business

1 Increase construction capacity to grow earnings

- Recruit and train local construction workers
- Improve **cost management and engineering skills** of local engineers

2 Pursue localization and stronger governance in parallel

- **Localize operations** toward growing overseas businesses
- **Strengthen governance and compliance**

3 Expand business fields, domains

- Consider expansion into Asia and develop new business areas (green innovation, electric power and port infrastructure, etc.)

4 Leverage advanced construction technologies and local construction workers in Japan

- Implement **DfMA**, etc., in anticipation of rollout in Japan
- **Train local construction workers** ahead of the coming worker shortages

*Next generation O&M: Smart security for renewable energy, storage batteries, and building facilities; optimized energy supply and demand operations

Copyright(c) Kandenko All Rights Reserved.

Green Innovation



Copyright(c) Kandenko All Rights Reserved.

Human Resources

Create Attractive Workplaces and Foster Workers Who Support Society

Recruiting

Recruit Human Resources Capable of Meeting the Demands of Society and Customers

- Recruit new graduates **regardless of academic background or course of study**
- Recruit **for job type and engineering category**
- **Diversify mid-career recruitment methods**
- Reach out to **students through seminars, joint research, etc.**
- Create a recruitment brand through social media, etc.

Development

Develop human resources who possess expertise and organizational skills

- **Provide training tailored to diversified recruitment**
- **Reactivate OJT through a supporter program**
- Review our human resources development roadmap to develop young employees and gain important certifications as quickly as possible
- Train human resources for **new on-site production system**
- **Reskilling**(senior employee contribution, etc.)

Use data and AI

Visualize Human Capital

Deployment and labor management optimization and efficiency

Deployment

Talent Management for Effective Development and Deployment

- **Give assignments based on aptitude, ability, etc.**
- **Diversity, Equity & Inclusion** (contributions of senior employees, women, foreign nationals, etc.)
- Personnel interchange within the group
- **Job rotations for skills development**

Employee Engagement

An attractive company workers want to join
A company where employees work with peace of mind

- **Salary and benefit increases** based on contribution to company performance
- Widespread embrace of the *K. Assertion*

Work Environment

- Enhanced **work-life balance**
- **Health Management** (well-being)

Recruit human resources capable of implementing management strategies

Ideal Human Resources

- **Professionals who build and create social trust**
- **Managers who facilitate and foster connection between people and technologies**

Copyright(c) Kandenko All Rights Reserved.

Productivity

Improve Construction Capabilities, on-Site Productivity, and Procurement Toward Stronger Productivity

Recruit Workers

Foster efficient worker allocation based on optimal cooperative ratio

- Build a **construction capability visualization** system

Create a Resilient Supply Chain by Expanding Support and Finding New Sources

- **Expand support and incentives** for growth of the group and partner companies
- Build **deeper relationships with partner companies**
- Find and develop new **partners**



Maximize On-Site Productivity

Leverage DX and robot technologies to reduce manual on-site labor

- Develop new on-site management system
- Strengthen prefabricated plant logistics functions
- Conduct technology development (**automation and robotization**)

Restructure On-Site Production Systems Through Enhanced Back-Office Functions

- **Define on-site division of labor**
- Review on-site production systems through cross-divisional initiatives

Strengthen Procurement Capabilities Through Coexistence and Co-Prosperity With Business Partners

Strengthen the procurement of equipment, materials, and services by diversifying suppliers and engaging in appropriate transactions

- Practice the **Partnership Declaration**
- Develop **new business partners**
- Expand the use of **overseas-made materials**
- **Conduct negotiations that take full advantage of the economies of scale**

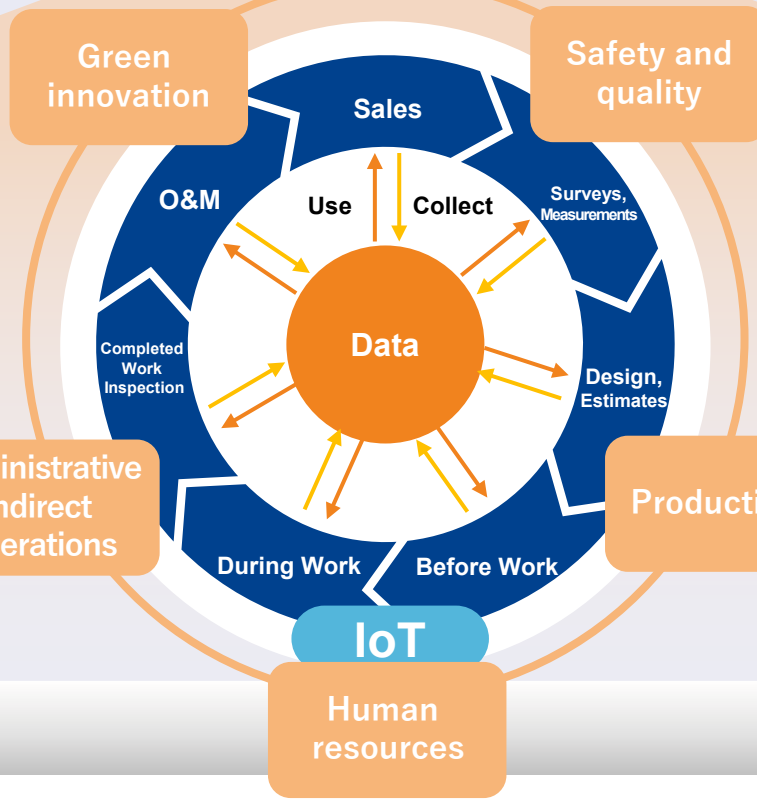
Copyright(c) Kandenko All Rights Reserved.

Achieve a Corporate Transformation Through DX-Based Business and Production Process Reforms

Implement *Data-Driven Management by 2030*

Establish an Integrated Management Information Infrastructure

Collect and link all manner of information. The information needed, when it is needed.
Maximize the performance of management resources.



Process Reform x Labor Savings

- Define on-site division of labor
- Strengthen prefabricated plant logistics functions
- Outsource administrative overhead

Visualization x Advanced Decision Making

- Operate construction capacity efficiently
- Collect, store, and use customer-, property-related information
- Conduct real-time analysis on management information

AI x Efficiency and Optimization

- Automate design and estimations
- Reduce safety risks
- Optimize recruitment and labor management

Advanced Technology x Profitability

- Smart security (sensing)
- Energy management (data analysis)

Develop a DX Environment

- Digitize all operations (paperless)
- Strengthen cybersecurity
- Restructure of enterprise system
- Maintain and build a stable communications environment
- Recruit DX human resources (improve DX skills, hire specialists)

Copyright(c) Kandenko All Rights Reserved.

Investment

Conduct Effective Investments for Sustainable Growth

(¥100 billion)
Total ¥125 Billion

Business Investment

(¥40 billion)
¥55 billion

- **Leverage M&A and alliances to expand geographical regions and discover more opportunities in existing businesses**
- Launch new **green innovation-related projects**
- Improve the profitability of renewable energy, BCP solutions, real estate business, etc.

Capital Investment

(¥40 billion)
¥50 billion

- **Expand prefabricated plant** business
- Build new business facilities **with high energy-conservation performance**
- Provide **BCP support** for power distribution plants
- Establish a new office equipped with **emergency disaster headquarters functions**
- Conduct systemic purchases and replacements of production equipment

IT and DX Investment

¥15 billion

- **Restructure enterprise system for data-driven management**
- Innovate **business and production processes**
- Build a **data analysis system**
- Ensure business continuity (**cyber security** enhancements, etc.)

R&D

¥5 billion

- Develop AI-based safety assist systems, as well as automation and robotization technologies
- **Develop technologies for smart security, energy supply-and-demand optimization**
- Acquisition technologies for **O&M labor-savings** and **repowering** related to solar power generation
- Conduct proof-of-concept tests of **dynamic HVAC equipment simulations**
- Technical verification for **hydrogen generators**

*Indicated investment represents a non-consolidated cumulative total for fiscal 2024-2026.

(Figures in parentheses are targets as of April 2024)

Copyright(c) Kandenko All Rights Reserved.

Finances

Increase Corporate Value Through Cost of Capital- and Share Price-Conscious Management

Create an Optimal Business Portfolio

- Validate **business portfolio** through ROIC management of each business segment
- Strengthen cash conversion cycle (CCC) to **improve working capital efficiency**
- **Move fixed assets off balance sheet**

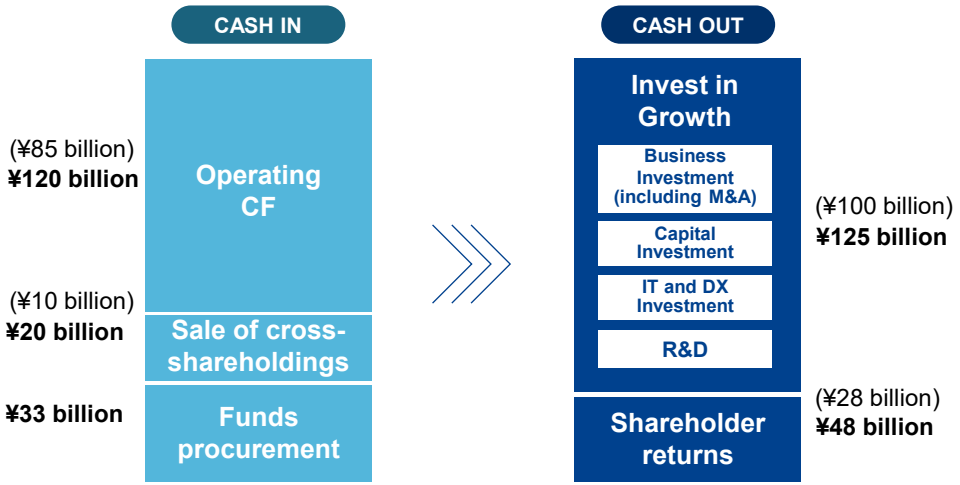
Reduce Unprofitable Assets, Etc.

- **Reduce cross-shareholdings**
- **Manage cash on hand appropriately** through expanded, etc., group financing (companies eligible, amounts used)

Invest in Growth

- **Conduct investments that contribute to sustainable growth and medium- to long-term corporate value**

2024-2026
Cash Allocation



2026 Financial Target

	2023 Result	2026 Target
ROE	8.6%	(8%) 10% [consolidated]
ROIC	8.4%	(8%) 10% [consolidated]
Dividend payout ratio	30.6%	40% [consolidated]
Cross-shareholdings	2024-2026 cumulative	(¥10 billion) Reduce by ¥20 billion

(Figures in parentheses are targets as of April 2024)

Copyright(c) Kandenko All Rights Reserved.

Compliance, Safety and Quality, Environment

To Be a Company Always Trusted by Society



Make consistent efforts to prevent, quickly identify, and correct cases of impropriety

- Raise group-wide awareness of compliance and human rights through education and training
- Encourage the use of consultation desks **to quickly identify and correct any cases of impropriety**

Establish and operate systems to prevent accidents

- Strengthen safety and quality training (hands-on, observational)
- Create a database of past cases
- Create and operate a **risk visualization system** for on-site work
- Investigate risk avoidance methods through the use of advanced technology
- Enhance hazard awareness activities

Targets

Serious and Injury Accidents
Zero

Serious Equipment Accidents
Zero

Pursue group-wide carbon neutrality

- Reduce **greenhouse gas emissions**
- Explore **renewable electricity through proof-of-concept tests, etc.., for self-consignment**
- Rationalize energy use
  (continue to qualify as an excellent energy conservation enterprise)
- **Electrify business vehicles** (including PHEV and HV; excluding special vehicles)

2026 Target

Greenhouse Gas Emissions
-18 %
vs. FY2020
[Target: Scope 1, Scope 2]

Copyright(c) Kandenko All Rights Reserved.

[Reference] Relationship Between Materialities and Our Medium-Term Management Plan

Materialities (Important Issues)	Medium-Term Management Plan Measures	Related SDGs
Maintenance and construction of safe and comfortable social infrastructure	● Comply credibly with the revenue cap system (increase construction capacity, improve operational efficiency, etc.) ● Improvement sales and construction systems to bolster value-added proposals for customer facility renewals ● Provide BCP solutions in response to natural disasters ● Establish and operate systems to prevent accidents (ensuring safety and quality)	
Contribution to a decarbonized society	● Develop and propose optimal total solutions to solve customer business issues (consulting, construction work, next-generation O&M, etc.) ● Engage in the construction and repowering of renewable energy generation facilities, construction of wide-area power grids, etc. ● Reduce greenhouse gas emissions, build new energy-efficient business facilities	
Promotion of Innovation	● Acquire and Utilize Technologies for Green Innovation-Related Businesses ● Develop more extensive prefabrication methods to reduce labor for on-site construction and provide high-quality equipment ● Pursue DX, improve productivity and efficiency through business and production process reforms ● Develop technology through alliances, joint research, etc.	
Reinforcing *Hito-Ichi Value* (Human Resources)	● Engage in health management and offer work-life balance ● Practice Diversity, Equity & Inclusion ● Develop human resources who possess expertise and organizational skills ● Practice the Partnership Declaration	
Strengthening a Sound Management Foundation	● Strengthen group governance ● Prevent, quickly identify, and correct cases of impropriety ● Strengthen cybersecurity	

● Business Strategy ● Strategy to Strengthen Management Foundation

Copyright(c) Kandenko All Rights Reserved.

Any forward-looking statements in this document are based on information currently available to the Company and certain assumptions that the Company considers reasonable. Actual results may vary significantly due to various factors.

More change.
For a more abundant future.

株式会社関電工

Initiatives for Managing With a Focus on Capital Costs and Stock Prices

April 28, 2025

Kandenko Co., Ltd.

Securities Code: 1942

Table of Contents

1 **Current Situation**

- PBR, PER, ROE, ROIC　FY2020-FY2024

P3 - 4

2 **Capital Efficiency Improvement Initiatives**

- FY2024-FY2026
  Improving PBR Under the Medium-Term Management Plan
- Cash Allocation and Financial Targets
- Investing in Growth
- Reducing Cross-Shareholdings
- Shareholder Returns

P5 - 9

Red text: Update based on revised FY2024-FY2026 Medium-Term Management Plan

Copyright(c) Kandenko All Rights Reserved.

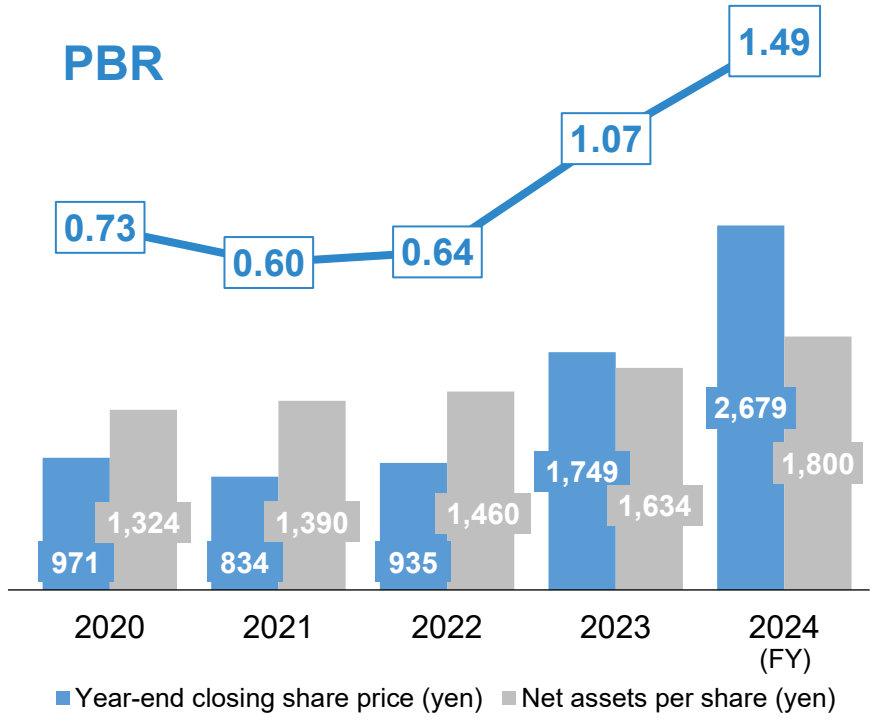
Current Situation

FY2020-FY2024

- **PBR remained in the 0.6 times to 0.7 times range through fiscal 2022; began to exceed 1.0 times in fiscal 2023 due to share price increase**
- **PER was in the 8 times to 9 times range through fiscal 2022, increasing to roughly 13 times in fiscal 2023**

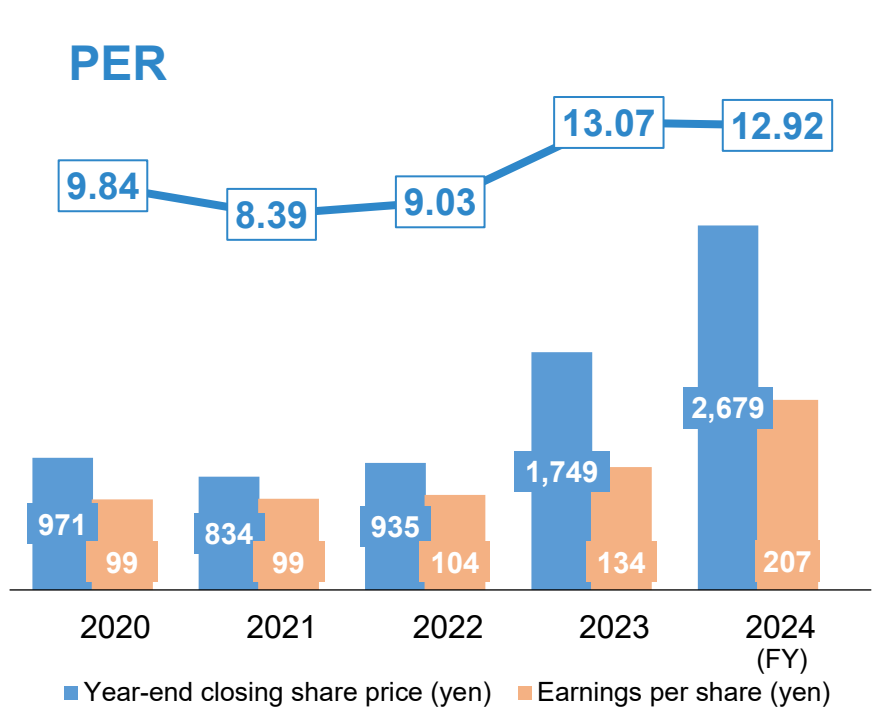
PBR Price to Book Value Ratio (Times)

PBR = Year-End Closing Share Price ÷ Net Assets Per Share



PER Price Earnings Ratio (Times)

PER = Year-End Closing Share Price ÷ Earnings Per Share



(FY2024 Closing price: Closing price on March 31)

Copyright(c) Kandenko All Rights Reserved.

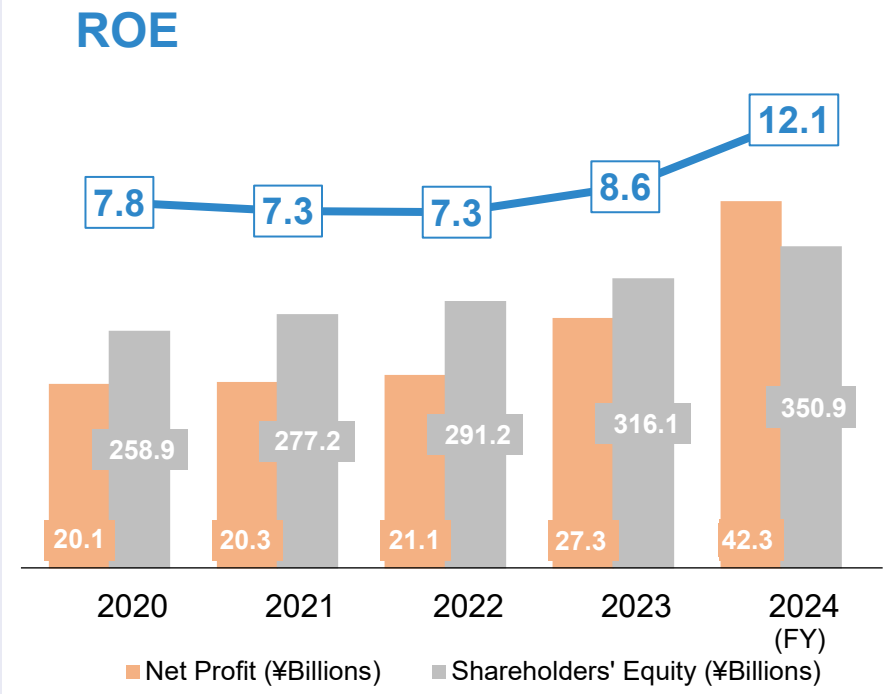
Current Situation

FY2020-FY2024

- **ROE and ROIC improved as of the end of fiscal 2024 to the 12% and 10% range, respectively**
- **Our calculations indicate that ROE and ROIC are in excess of the cost of equity and WACC, respectively**

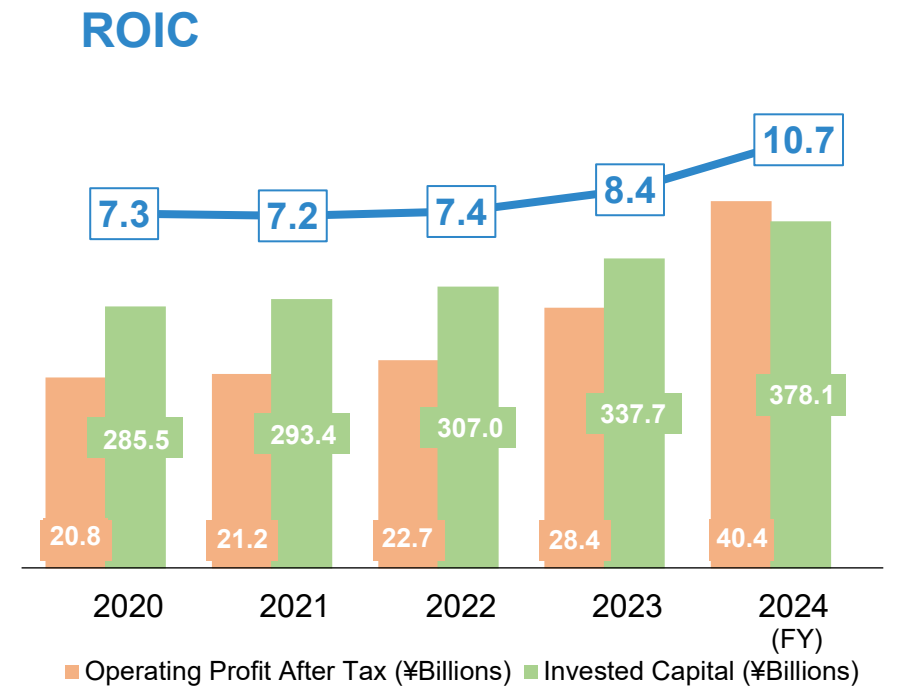
ROE Return on Equity (%)

ROE = Net Income ÷ Shareholders' Equity (Avg. of Beginning and End of Period



ROIC Return on Invested Capital (%)

ROIC = Operating Profit After Tax ÷ Invested Capital (Interest-Bearing Debt + Shareholders' Equity: Avg. of Beginning and End of Period)



Copyright(c) Kandenko All Rights Reserved.

Capital Efficiency Improvement Initiatives

- **The following describes our major initiatives to improve capital efficiency**

FY2024-FY2026 Medium-Term Management Plan

Generate Profits

- **Business strategy x Strategy to strengthen management foundation**

Reduce Unprofitable Assets, Etc.

- **Reduce cross-shareholdings**
- **Manage cash on hand appropriately** through expanded group financing, etc.

Create an Optimal Business Portfolio

- **Validate business portfolio** through ROIC management by business segment
- **Improve working capital efficiency** through CCC improvements
- **Off-balance non-current assets**

Growth Investments

(Before Change)
Approx. ¥100 Billion

Approx. ¥125 Billion Over 3 Years

- **Make investments that contribute to sustainable growth and medium- to long-term corporate value**



Business Investments (Including M&A)



Capital Investments



IT and DX Investments



R&D

ROE Improvement

Expand Shareholder Returns

- Pursue stable and sustainable **shareholder returns**

Build Trust With Stakeholders

- Provide timely and appropriate **information disclosure**
- Engage in **proactive dialogue** with shareholders, investors, etc.

PER Improvement

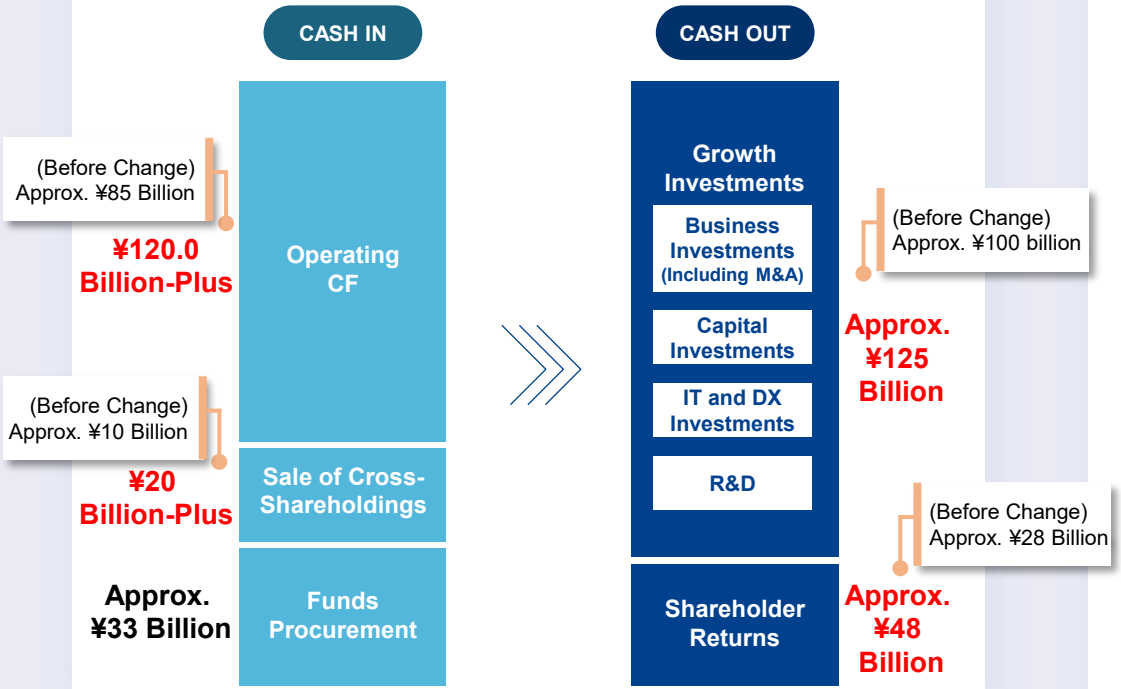
PBR Improvement

Copyright(c) Kandenko All Rights Reserved.

Capital Efficiency Improvement Initiatives

- **Improve capital efficiency by allocating operating CF generated from business activities, sales of cross-shareholdings, and cash generated from fundraising to investments for growth**
- **Maintain stable returns as a basic policy for shareholder returns; actively pay dividends in line with earnings growth**

2024-2026 Cash Allocation



2026 Financial Targets

	2023 Results	2026 Targets
ROE	8.6%	10% (Consolidated) (Before Change 8%)
ROIC	8.4%	10% (Consolidated) (Before Change 8%)
Dividend payout ratio	30.6%	Approx. 40% (Consolidated)
Cross-Shareholdings	2024 to 2026 (Cumulative)	Over ¥20 Billion Reduction (Before Change ¥10 Billion-Plus)

Copyright(c) Kandenko All Rights Reserved.

Capital Efficiency Improvement Initiatives (Investing in Growth)

- **Conduct effective investments for sustainable growth**

(Before Change) Approx. ¥100 Billion

Approx. ¥125 Billion Total

Business Investments — Approx. ¥55 Billion

(Before Change) Approx. ¥40 Billion

- Extend business areas and deepen existing businesses through **M&A and alliances**
- Launch new **Green Innovation-related businesses**
- Improve profitability of renewable energy, BCP solutions, real estate business, etc.

Capital Investments — Approx. ¥50 Billion

(Before Change) Approx. ¥40 Billion

- Expand **prefabrication plant**
- Construct new business facilities offering outstanding **energy conservation**
- Provide **BCP support** for power distribution plants
- Open new offices equipped with **emergency disaster headquarters functions**
- Conduct systematic acquisition and replacement of production equipment

IT and DX Investment — Approx. ¥15 Billion

- Restructure core systems for **data-driven management**
- Engage in **business and production process** redesign
- Build **a data analysis system**
- Ensure business continuity (**cybersecurity** enhancements, etc.)

R&D Expenses — Approx. ¥5 Billion

- Develop AI-based **safety assist systems**, **automation and robotization** technologies
- **Optimize electricity supply and demand;** develop **smart security technology**
- Acquire photovoltaic **O&M labor-saving** and **repowering** technologies
- Conduct proof-of-concept tests for **dynamic simulations for HVAC equipment**
- Conduct technical verifications of **hydrogen**-generation equipment

*Each investment amount represents a non-consolidated cumulative total for FY2024-FY2026

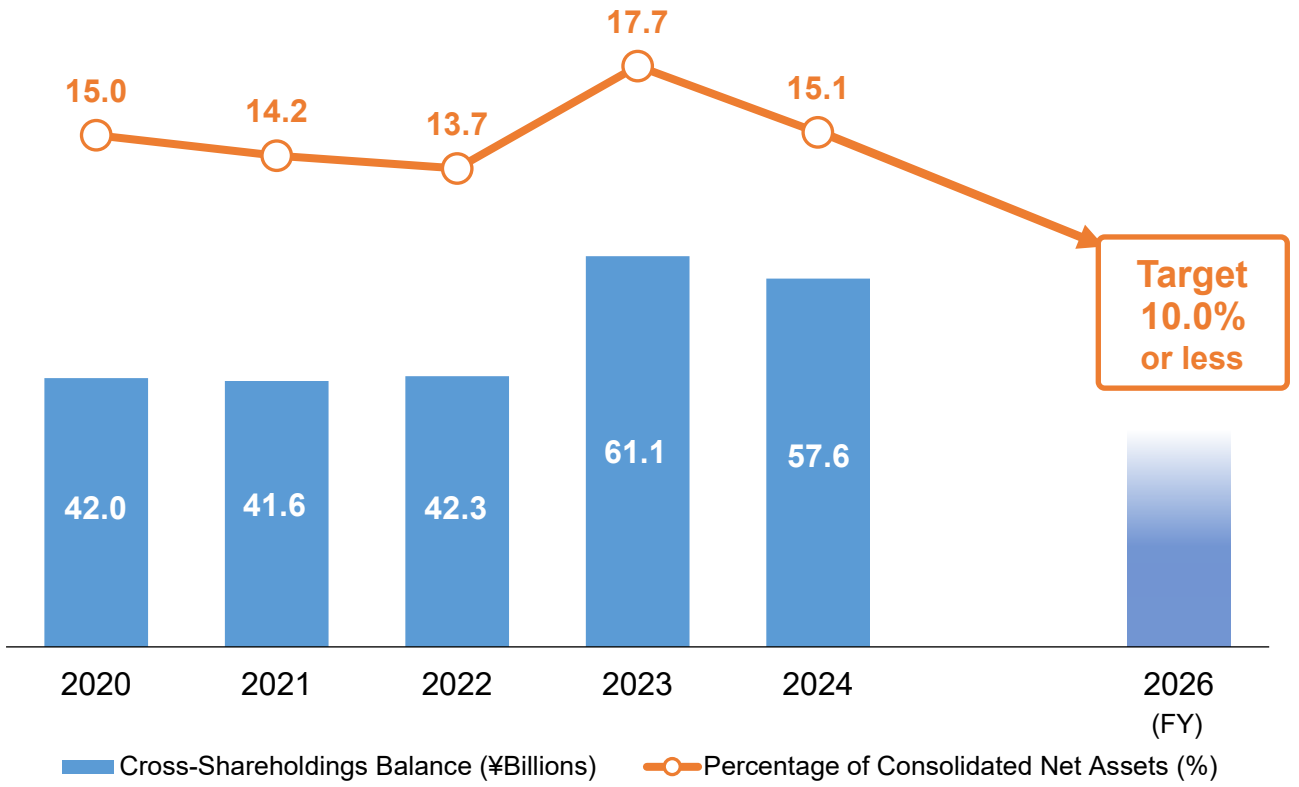
Copyright(c) Kandenko All Rights Reserved.

Capital Efficiency Improvement Initiatives (Reducing Cross-Shareholdings)

(Before Change)
Over ¥10 Billion

- **Generate more than ¥20 billion in cash through the accelerated sale of cross-shareholdings**

Cross-Shareholdings Balance and Percentage of Consolidated Net Assets



Sales Target

FY2024 to FY2026
(Cumulative)
Over ¥20 Billion

(Before Change)
Over ¥10 Billion

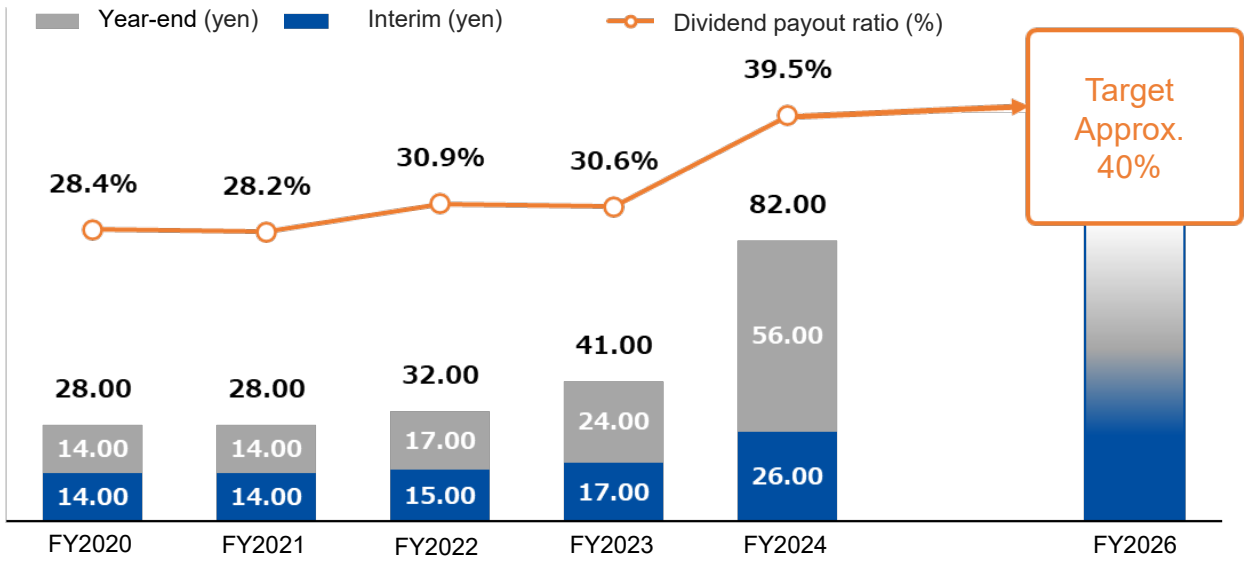
Copyright(c) Kandenko All Rights Reserved.

Capital Efficiency Improvement Initiatives (Shareholder Returns)

(Unit: Yen)

Dividends	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025 (Forecast)
Dividend per share	28.00	28.00	32.00	41.00	82.00	90.00
Interim	14.00	14.00	15.00	17.00	26.00	45.00
Year-end	14.00	14.00	17.00	24.00	56.00	45.00
Dividend payout ratio	28.4%	28.2%	30.9%	30.6%	39.5%	40.0%

Dividends



Basic Policy on Profit Distribution

We return profits to shareholders through interim and year-end dividends each year, maintaining stable dividends while striving to return profits to shareholders at a targeted dividend payout ratio of 40%.

Copyright(c) Kandenko All Rights Reserved.