

More change.

For a more abundant future.



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

April 28, 2025

Kandenko Co., Ltd.

Securities Code: 1942

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Current Situation

- PBR, PER, ROE, ROIC FY2020-FY2024

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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

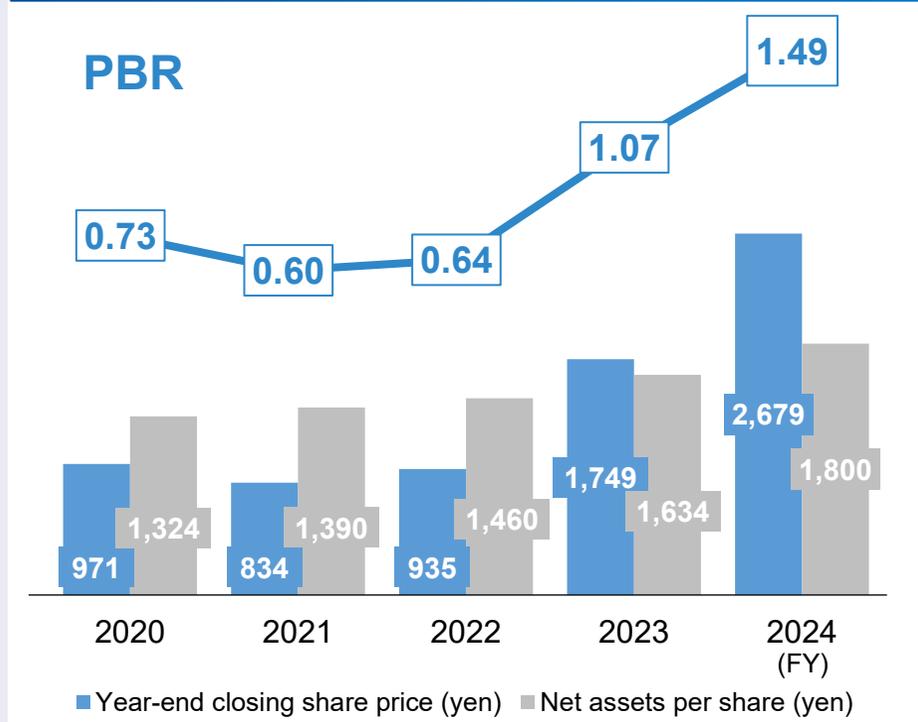
Current Situation

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)

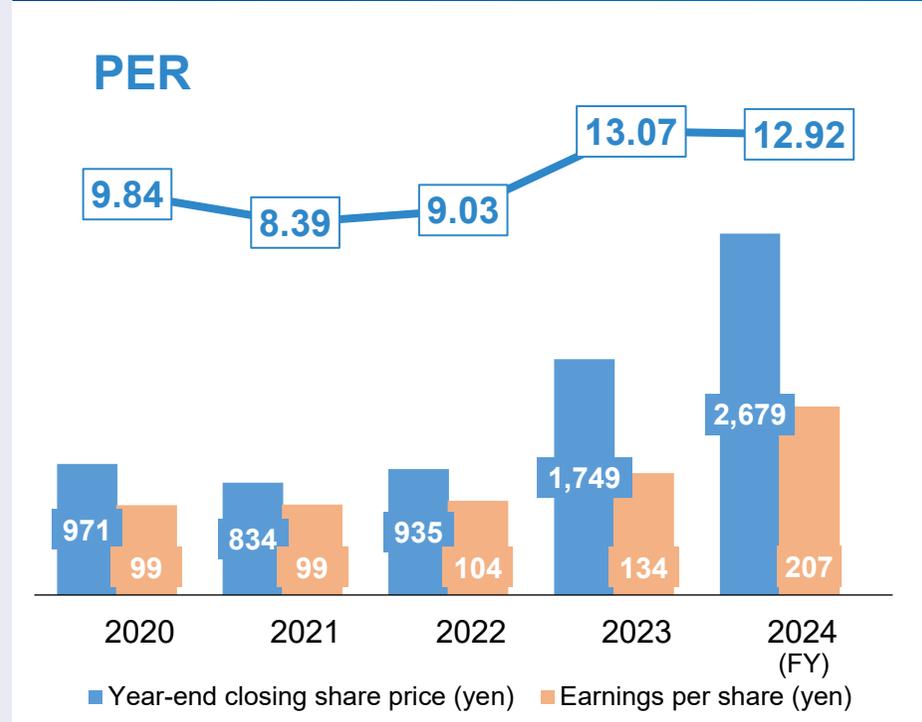
$PBR = \text{Year-End Closing Share Price} \div \text{Net Assets Per Share}$



(FY2024 Closing price: Closing price on March 31)

PER Price Earnings Ratio (Times)

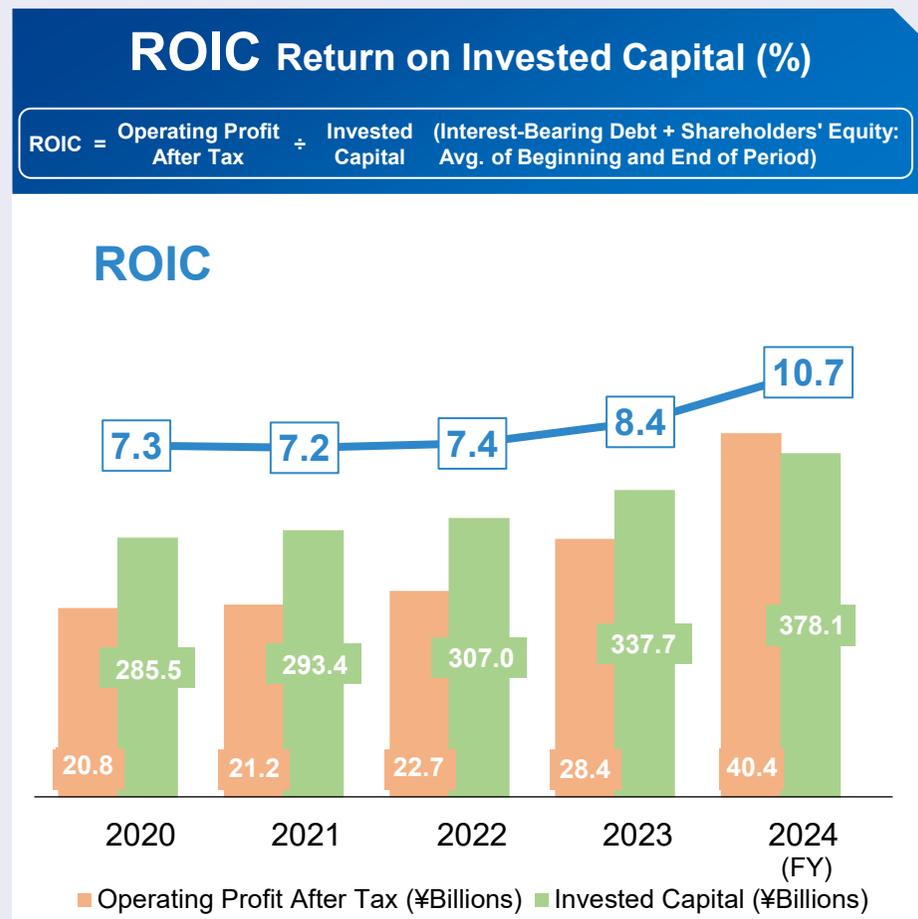
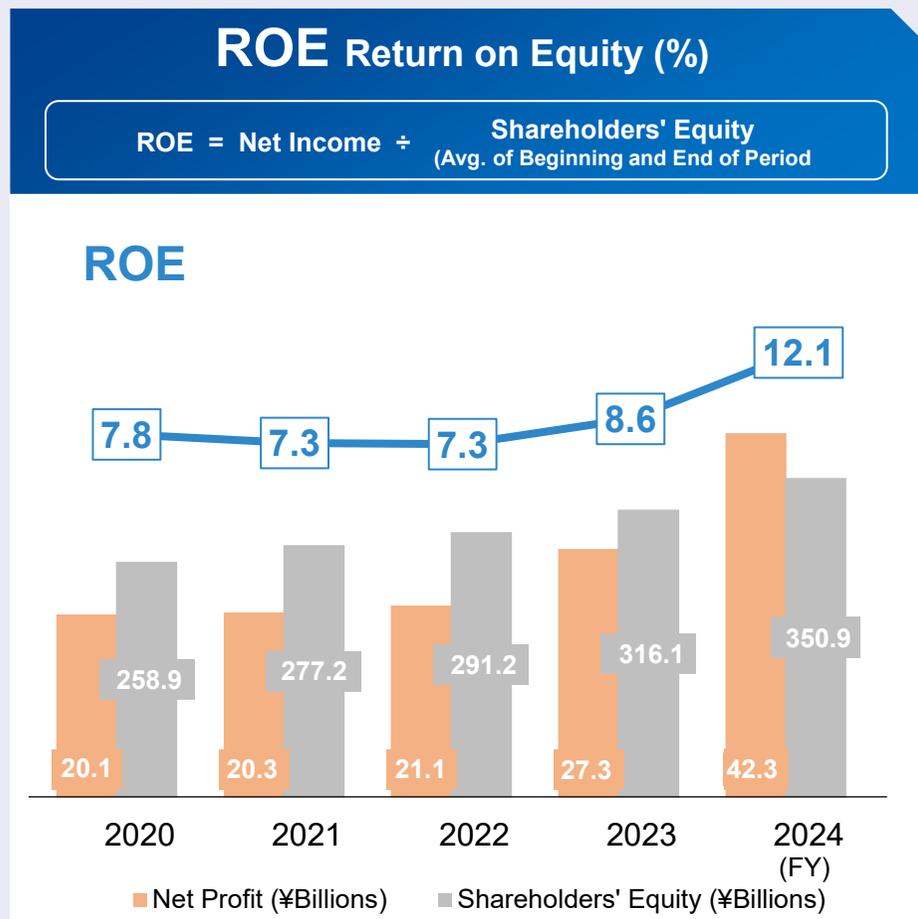
$PER = \text{Year-End Closing Share Price} \div \text{Earnings Per Share}$



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



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.

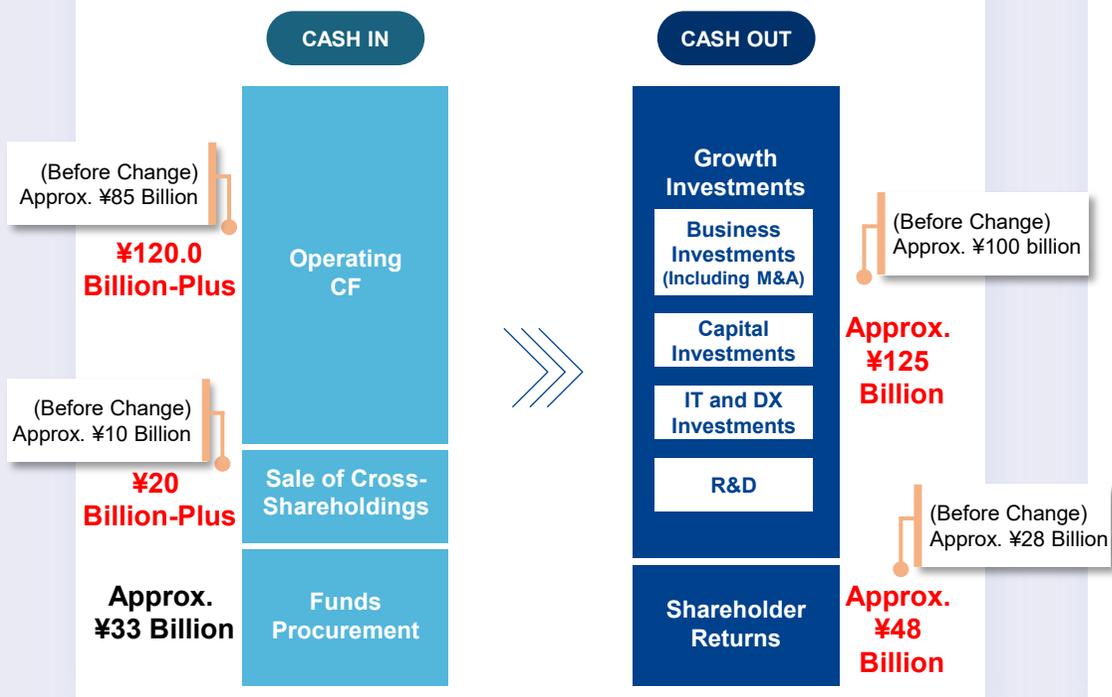
PER Improvement

PBR Improvement

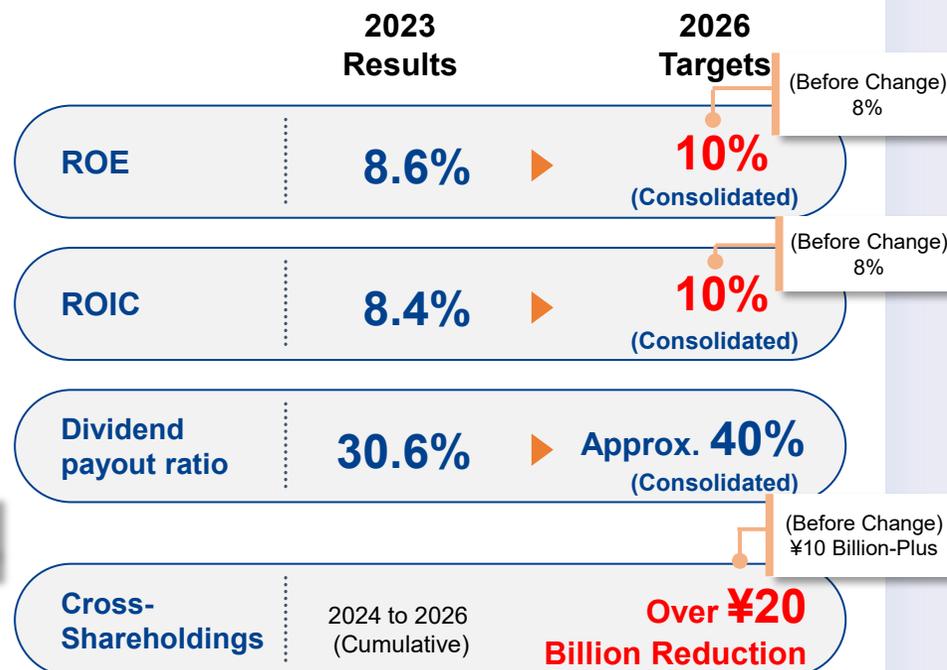
Capital Efficiency Improvement Initiatives

- 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



Capital Efficiency Improvement Initiatives (Investing in Growth)

- Conduct effective investments for sustainable growth

(Before Change)
Approx. ¥100 Billion

Approx. **¥125 Billion** Total

(Before Change)
Approx. ¥40 Billion



Business Investments **Approx. ¥55 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**

- 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

(Before Change)
Approx. ¥40 Billion



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**

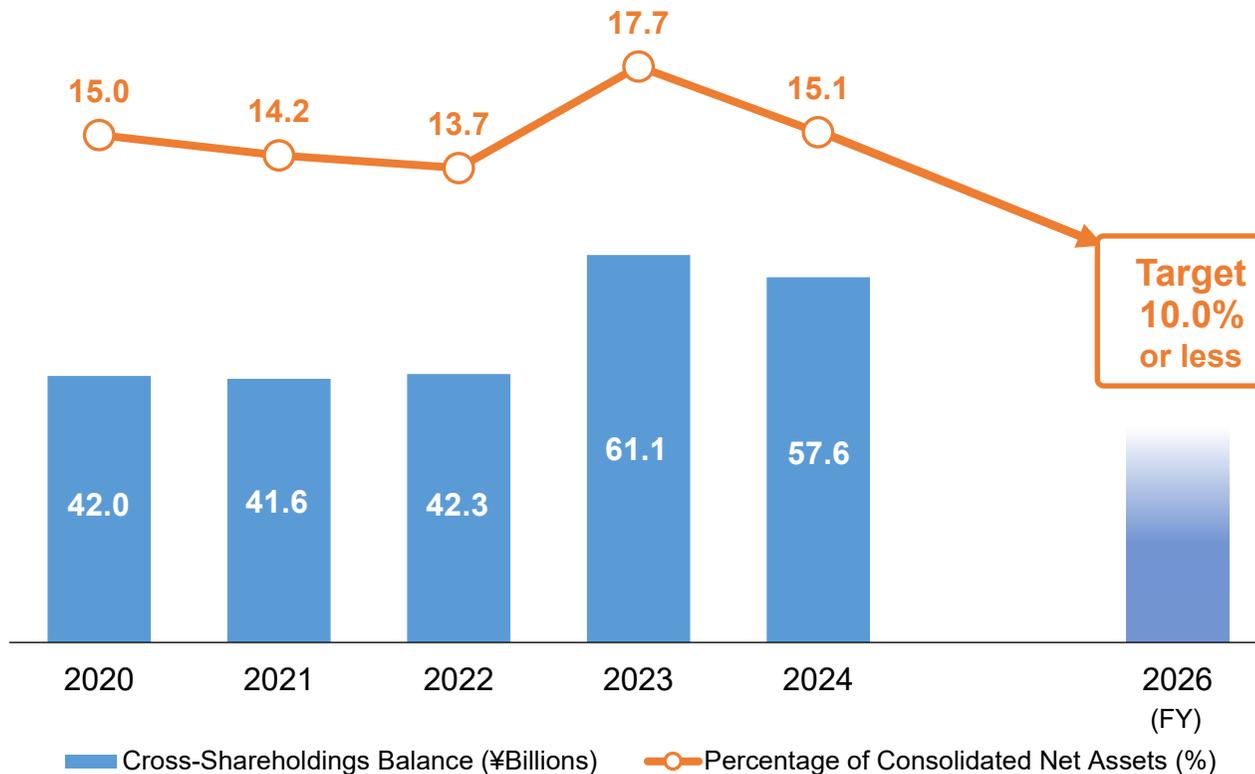
- Develop AI-based **safety assist systems, automation and robotization** technologies
- **Optimize electricity supply and demand;** develop **smart security technology**
- Acquire photovoltaic **O&M labor-saving** and **repowering** technologies
- Conduct proof-of-concept tests for **dynamic simulations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

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

Capital Efficiency Improvement Initiatives (Reducing Cross-Shareholdings)

- 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**

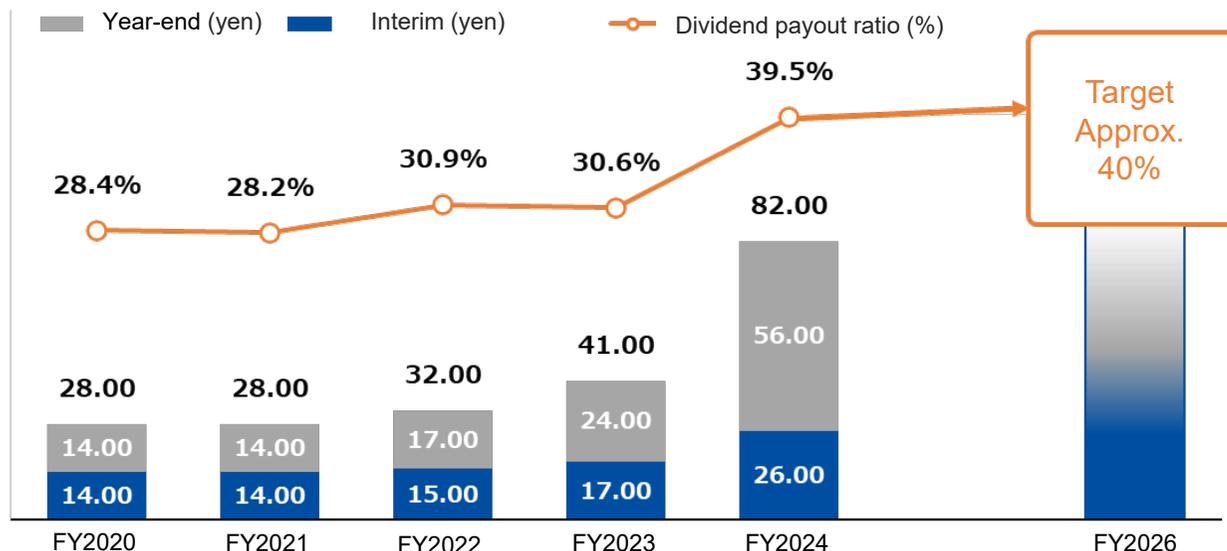
(Before Change)
 Over ¥10 Billion

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%.