

More change.

For a more abundant future.



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

April 28, 2026

Kandenken Co., Ltd.

Securities Code: 1942

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Current Situation

- PBR, PER, ROE, ROIC FY2021-FY2025

P3 - 4

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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

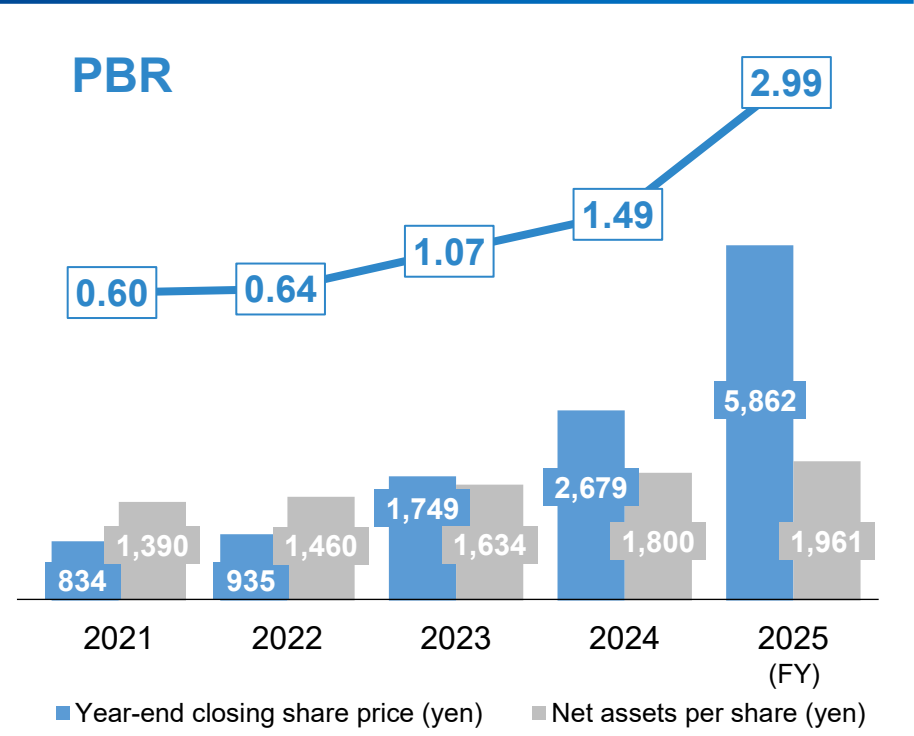
Current Situation

FY2021-FY2025

- PBR remained in the 0.6 times to 1 times range through fiscal 2024; amounted to roughly 3 times in fiscal 2025 due to share price increase
- PER was in the 8 times to 13 times range through fiscal 2024, amounting to roughly 18 times in fiscal 2025

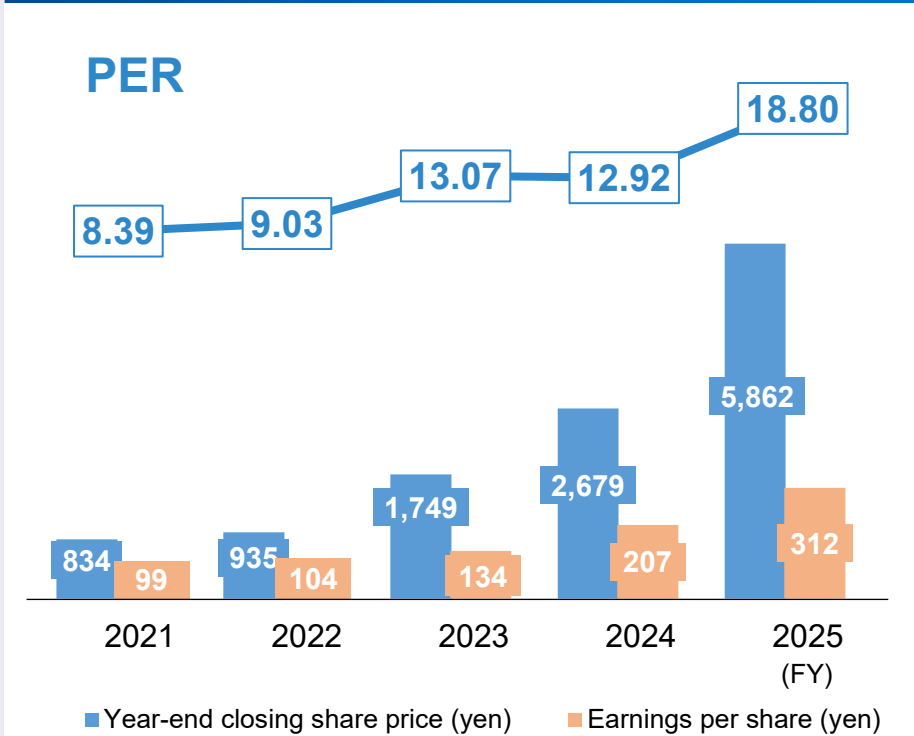
PBR Price to Book Value Ratio (Times)

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



PER Price Earnings Ratio (Times)

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



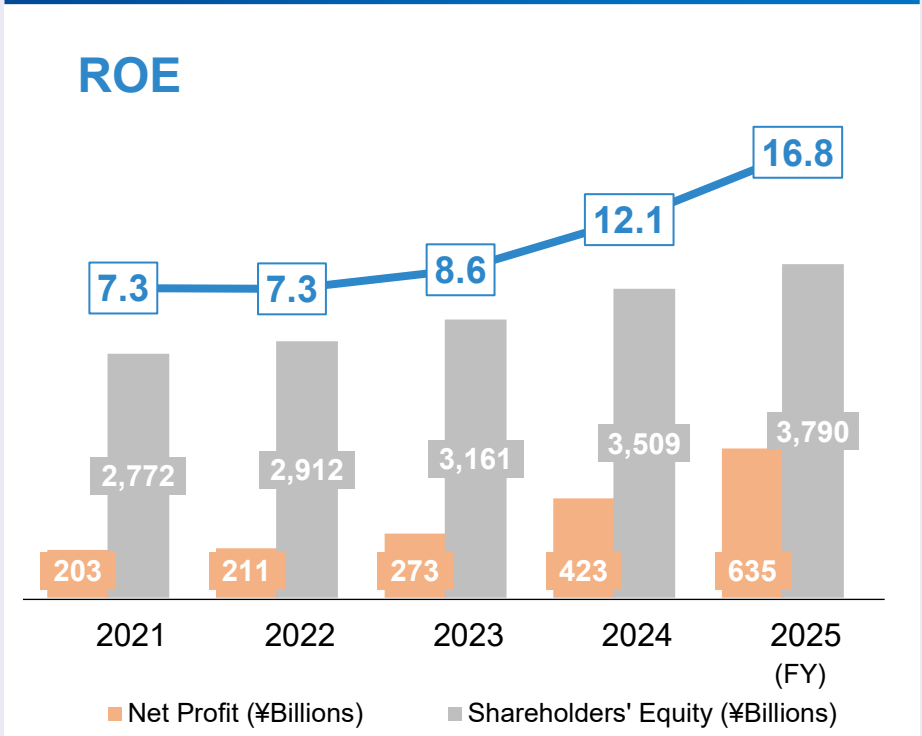
Current Situation

FY2021-FY2025

- ROE and ROIC improved as of the end of fiscal 2025 to the 16% and 14% range, respectively
- Our calculations indicate that ROE and ROIC are in excess of the cost of equity and WACC, respectively

ROE Return on Equity (%)

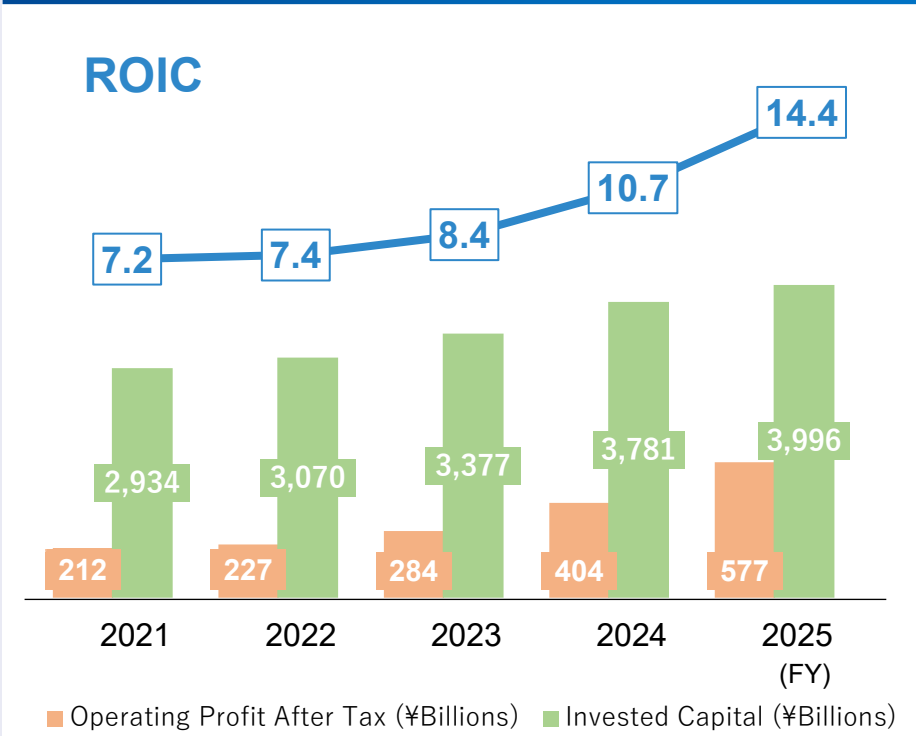
ROE = Net Income ÷ Shareholders' Equity



Shareholders' Equity :Avg. of Beginning and End of Period

ROIC Return on Invested Capital (%)

ROIC = Operating Profit After Tax ÷ Invested Capital



Invested Capital = Interest-Bearing Debt + Shareholders' Equity :Avg. of Beginning and End of Period

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

Create an Optimal Business Portfolio

- Validate business portfolio through ROIC management by business segment
- Off-balance non-current assets

Reduce Unprofitable Assets, Etc.

- Reduce cross-shareholdings

Secure Funds for Future Growth

- Improve CCC
- Diversify financing
- Expand group financing

Growth Investments

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

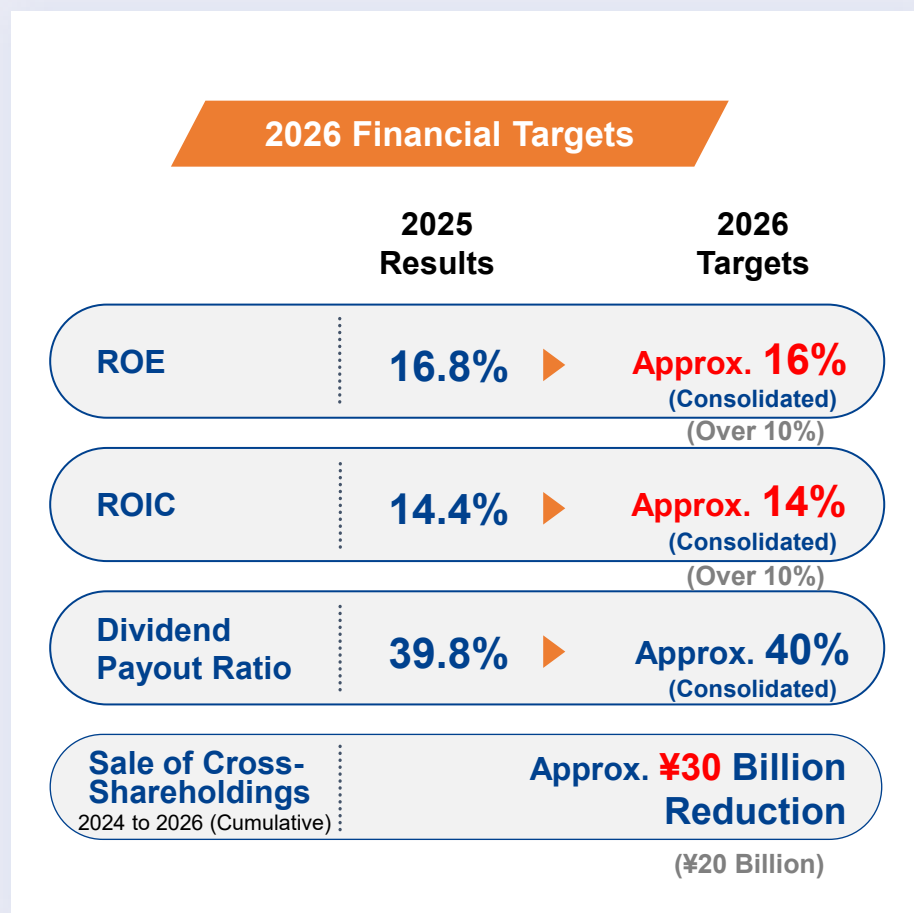
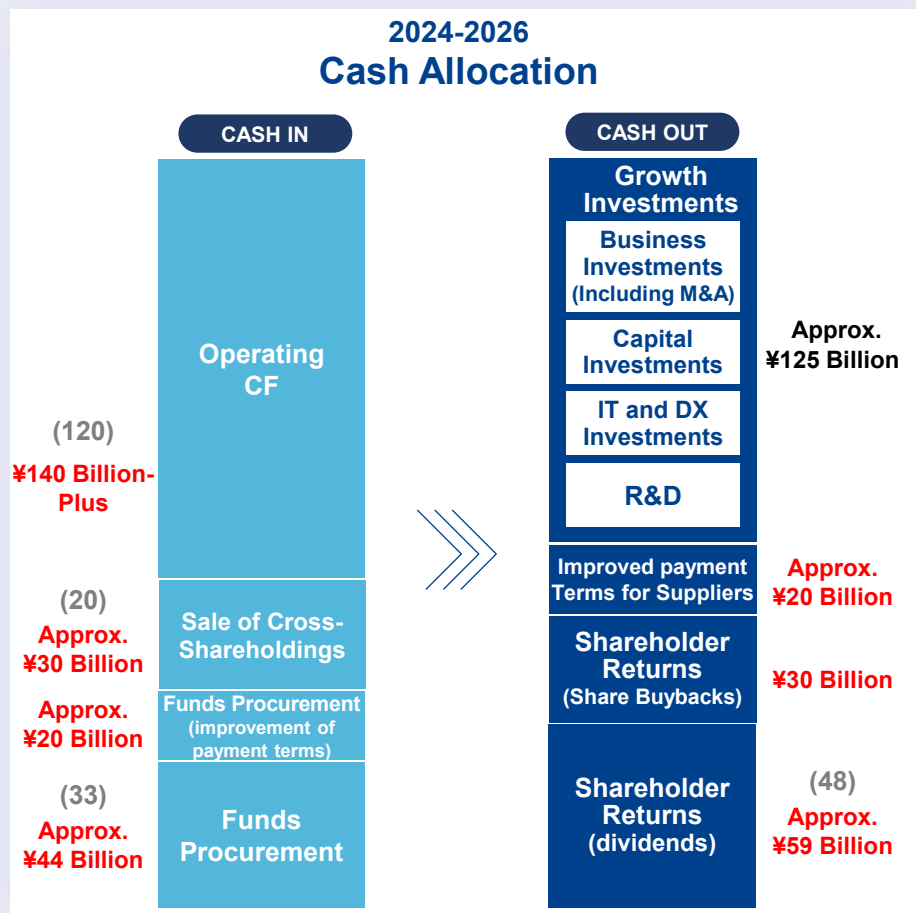
- Provide timely and appropriate information disclosure
- Engage in proactive dialogue with shareholders, investors, etc.

PER Improvement

PBR Improvement

Capital Efficiency Improvement Initiatives

- Improve capital efficiency through 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



(Figures in parentheses are targets as of April 2025)

Capital Efficiency Improvement Initiatives (Investing in Growth)

- Conduct effective investments for sustainable growth

Approx. ¥125 Billion Total



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



IT and DX Investment **Approx. ¥15 Billion**

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



R&D Expenses **Approx. ¥5 Billion**

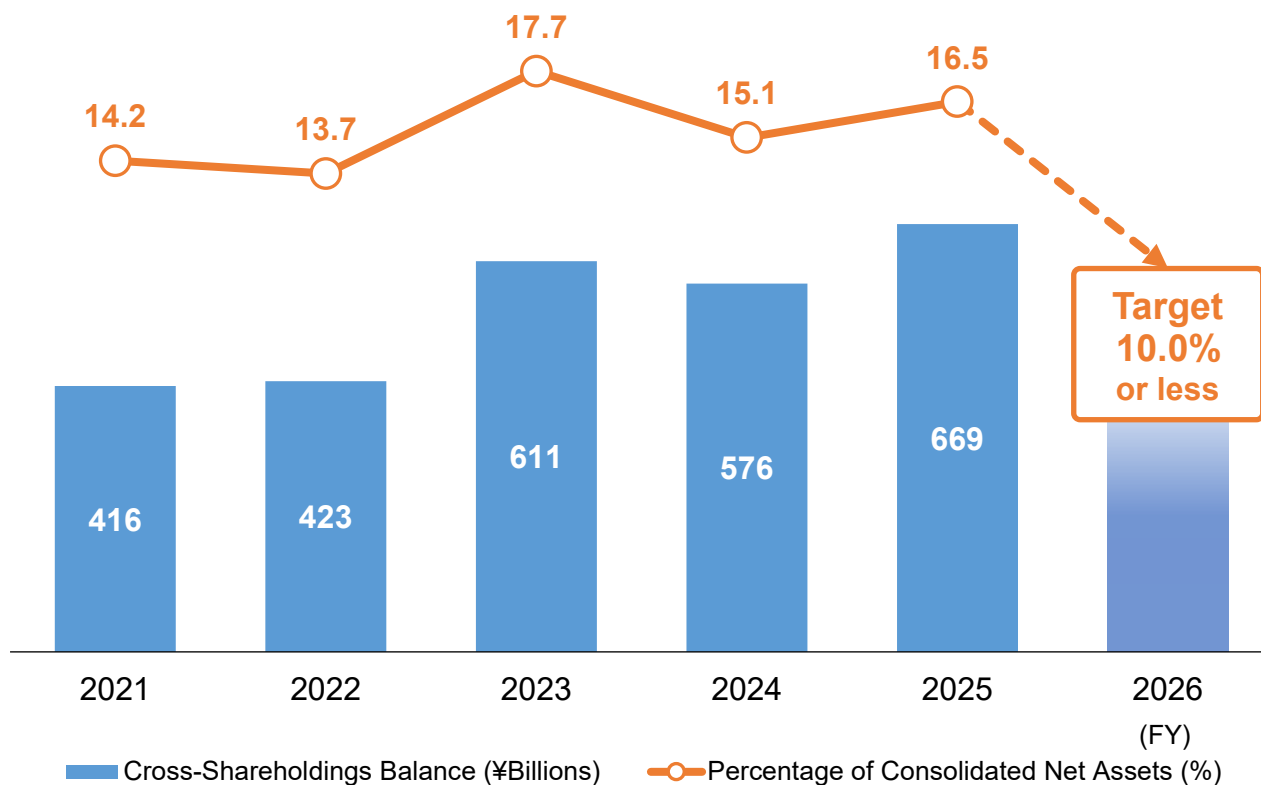
- Develop AI-based **safety assist systems, automation and robotization technologies**
- Conduct proof-of-concept tests for **dynamic simulations for HVAC equipment**
- **Optimize electricity supply and demand**; develop **smart security technology**
- Acquire photovoltaic **O&M labor-saving and repowering technologies**
- 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 cash through the accelerated sale of cross-shareholdings

Cross-Shareholdings Balance and Percentage of Consolidated Net Assets



Sales Target
 FY2024 to FY2026
 (Cumulative)
 Approx.
¥30 Billion

(¥20 Billion)

Results	
FY2024	FY2025
¥6.1 billion (17 shares)	¥11.2 billion (15 shares)

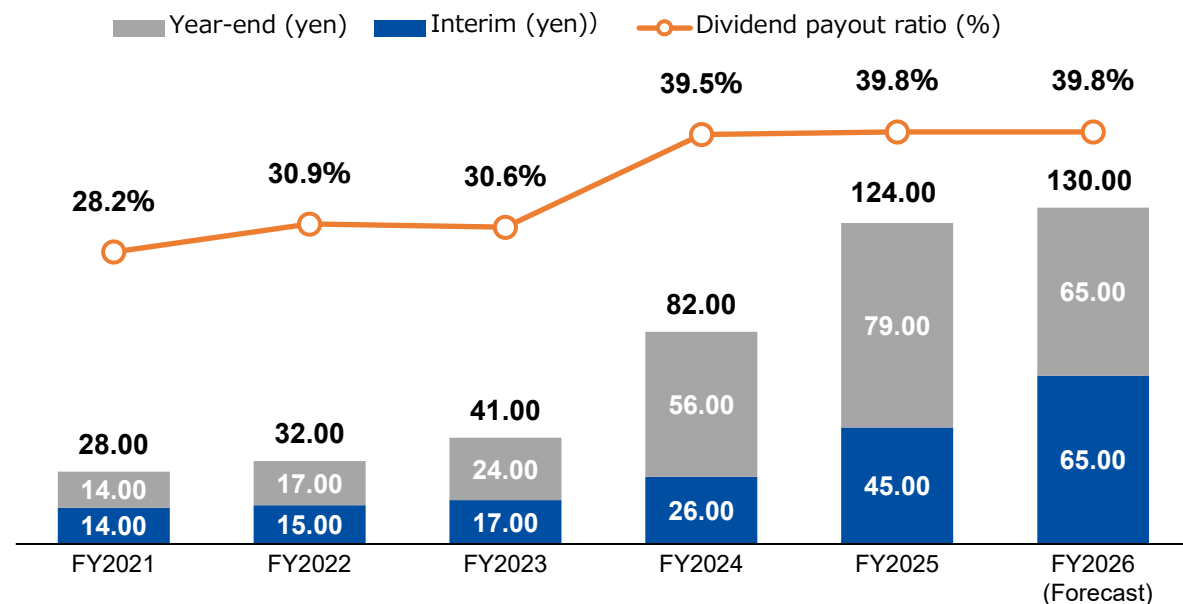
(Figures in parentheses are targets as of April 2025)

Capital Efficiency Improvement Initiatives (Shareholder Returns)

(Unit: Yen)

Dividends	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026 (Forecast)
Dividend per share	28.00	32.00	41.00	82.00	124.00	130.00
Interim	14.00	15.00	17.00	26.00	45.00	65.00
Year-end	14.00	17.00	24.00	56.00	79.00	65.00
Dividend payout ratio	28.2%	30.9%	30.6%	39.5%	39.8%	39.8%

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%.

FY2025
Share Buyback of
¥30 Billion