

More change.

For a more abundant future.

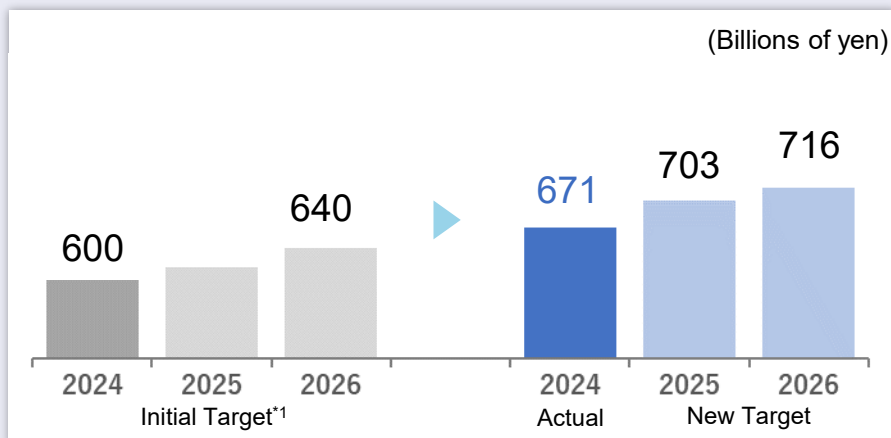
Fiscal 2024-2026
Kandenko Group Medium-Term Management Plan

April 28, 2025

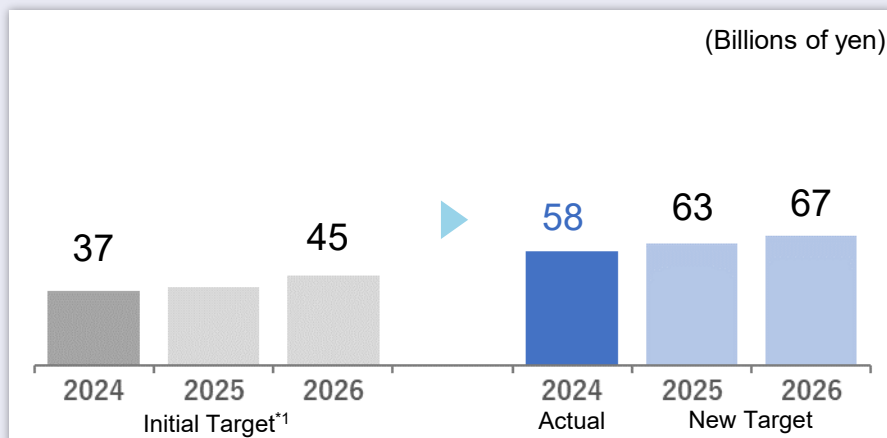
Quantitative Plan

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

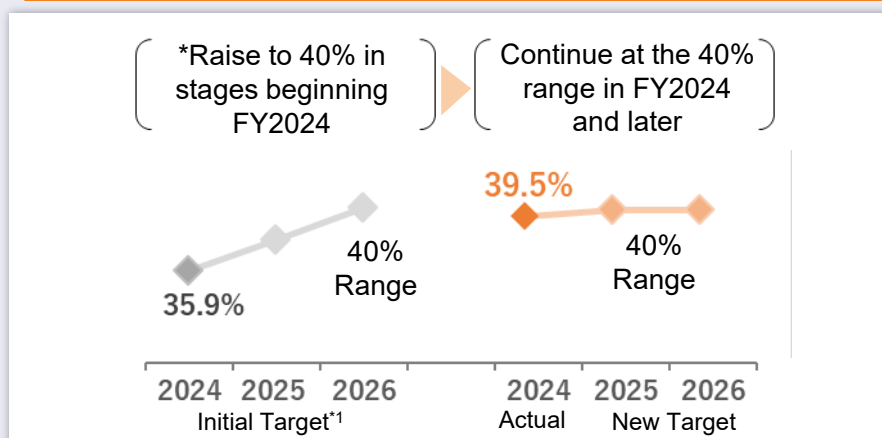
Consolidated Net Sales



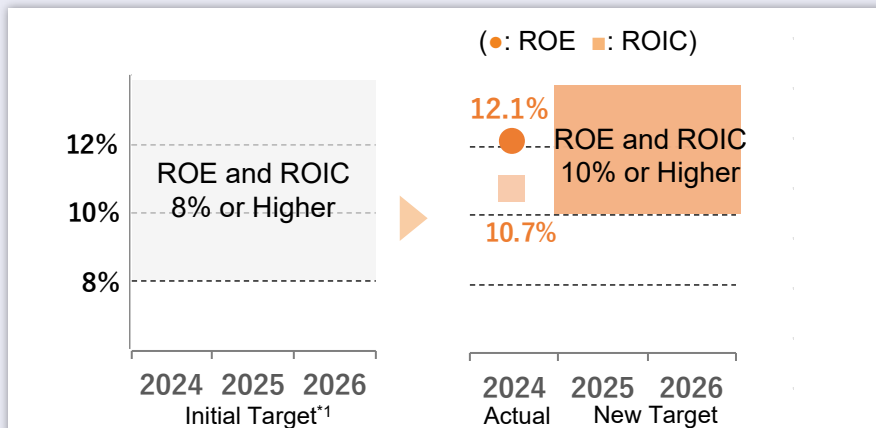
Consolidated Operating Profit



Dividend Payout Ratio



ROE and ROIC



*Initial Target: Figures are targets as of April 2024

(We are calculating FY2024 GHG emissions at present)

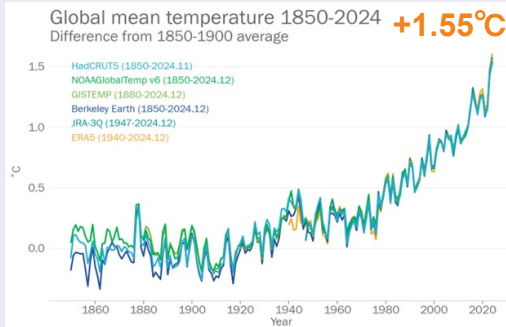
Business Environment (Topics)



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



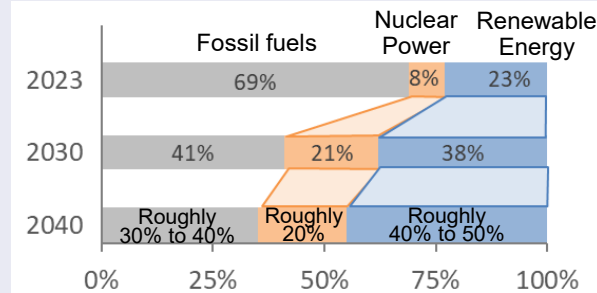
Source: World Meteorological Organization press release, January 2025



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.

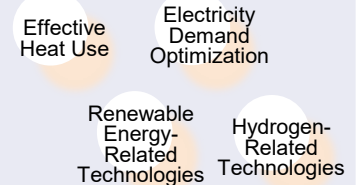
- **Potential of AI**

Solve Social Issues

Create Business Value

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

- **Nat'l Government Identifies and Pursues Development of Key Technologies**



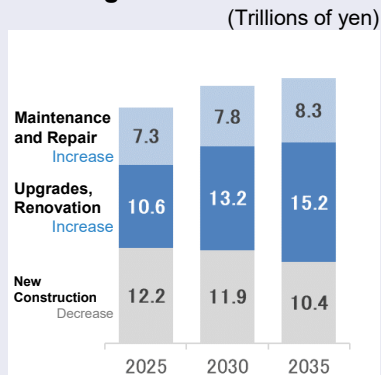
Source: Agency for Natural Resources and Energy, Other Energy Conservation and Non-Fossil Energy Conversion Technology Strategy 2024, May 2024.



Socioeconomics

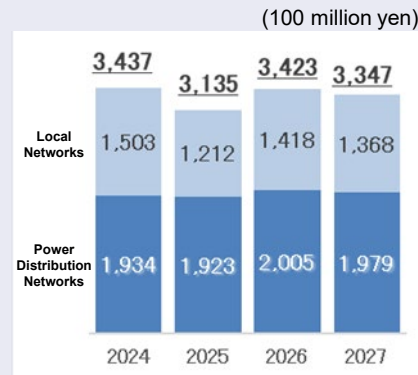
Construction demand remained strong

- **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

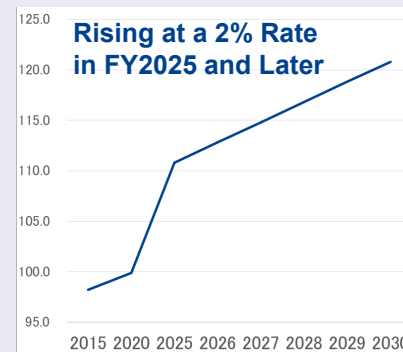
- **TEPCO PG Capital Investment Plan**
(100 million yen)



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

Price indexes are on the rise

- **Consumer Price Index Outlook**



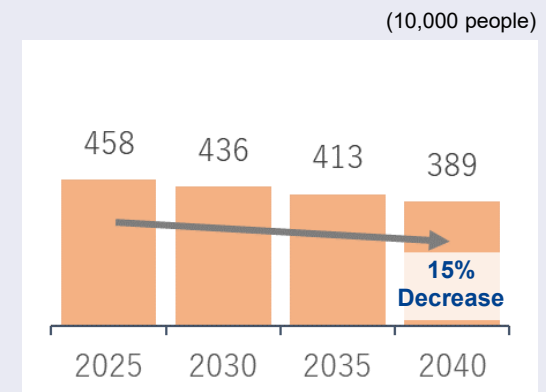
Source: Cabinet Office
Medium- and Long-Term Economic and Fiscal Estimates, Tables of Figures, January 2025, compiled by the Company



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

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

More change.
For a more abundant future.

● : Business strategy

● : Strategy to strengthen management foundation

Fiscal 2024-2026 Medium-Term Management Plan Overview

More change.
For a more abundant future.

FY2026 KGIs

consolidated net sales
(¥640 billion)

▶ **¥716 billion**

ROE

(8%)

▶ **10 %**
[consolidated]

Consolidated operating profit
(¥45 billion)

▶ **¥67 billion**

ROIC

(8%)

▶ **10 %**
[consolidated]

Dividend payout ratio

40 %
[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

Building
Equipment

Social
Infrastructure

Green
Innovation

New

Overseas

Business Strategy

Human
Resources

Production
Capacity

Compliance
Safety and
Quality
Environment

DX

Finances

Invest
ment

**Strategy to Strengthen
Management Foundation**

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



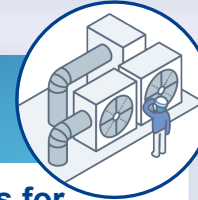
1 Discover more opportunities in existing businesses

- 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**

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

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

Communications



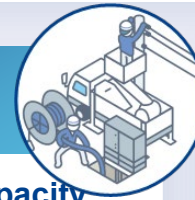
1 Restructure revenue base

- 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**

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

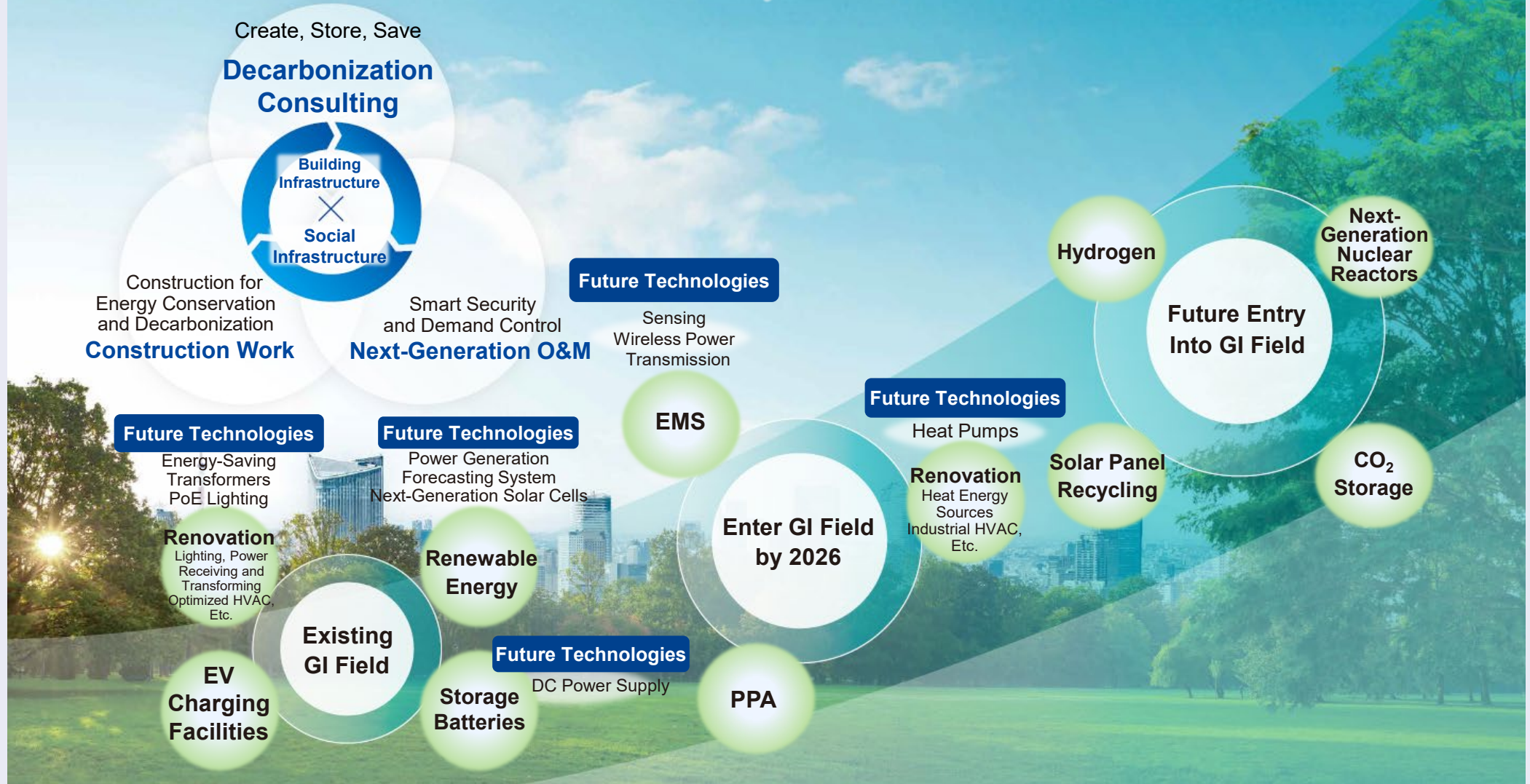
- Consider expansion into Asia and develop new business areas (green innovation, electric power and port infrastructure, etc.)

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

Pursue Green Innovation Through Collaboration Between Building Equipment and Social Infrastructure; Create New Businesses



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

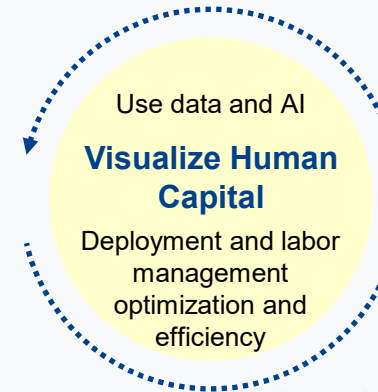
Develop human resources who possess expertise and organizational skills

- **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.)

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

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**

Enhance Productivity

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

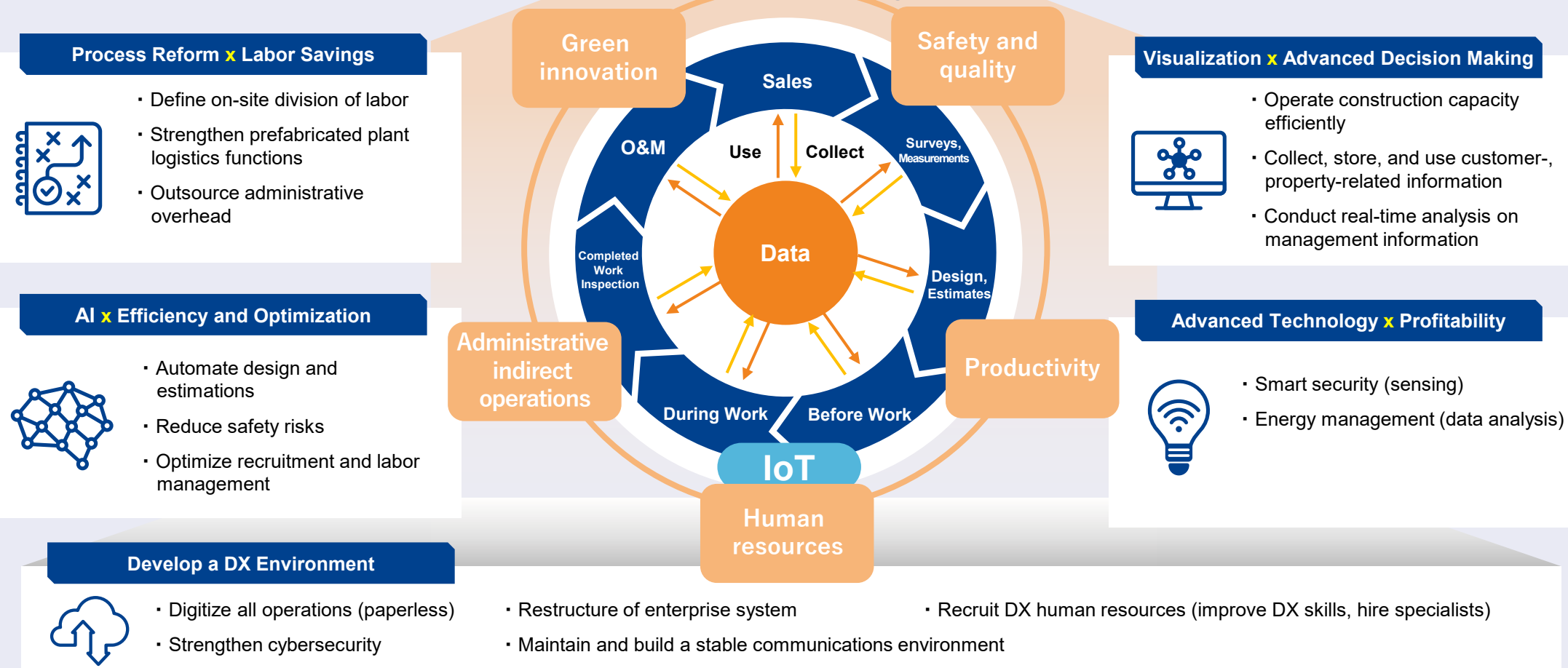
- Practice the **Partnership Declaration**
- Develop **new business partners**
- Expand the use of **overseas-made materials**
- **Conduct negotiations that take full advantage of the economies of scale**

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.



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)

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**

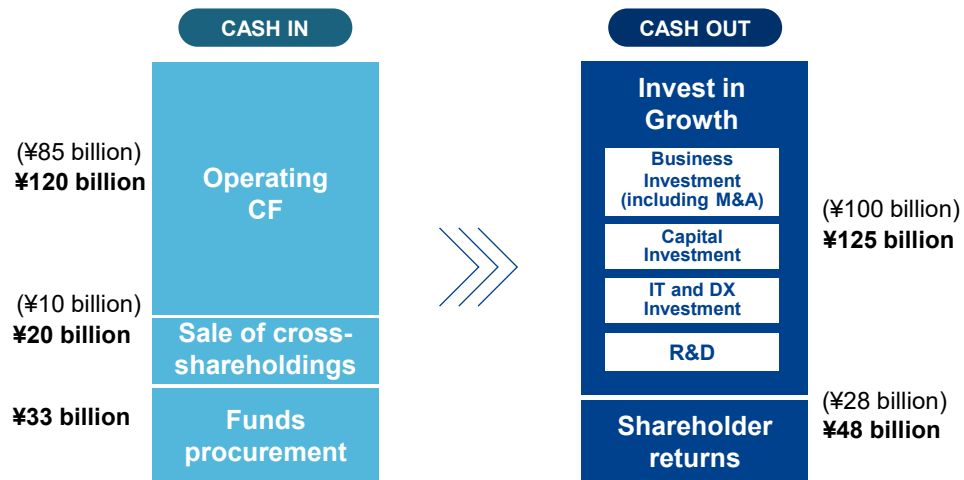
Reduce Unprofitable Assets, Etc.

- **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)

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

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)

Serious and Injury Accidents

Zero

Serious Equipment Accidents

Zero

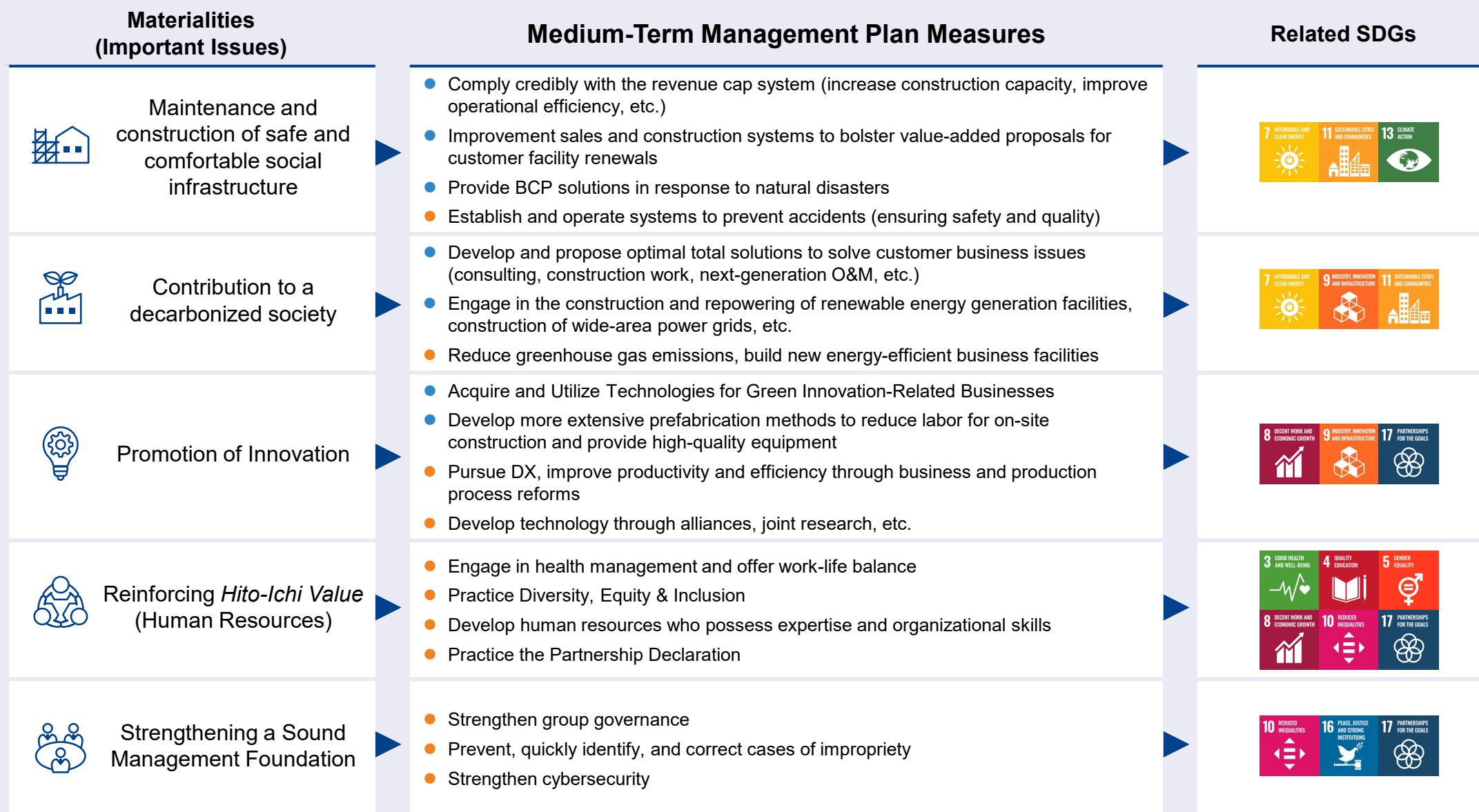
Greenhouse Gas Emissions

2026
Target

-18 %

vs. FY2020
[Target: Scope 1, Scope 2]

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



● Business Strategy ● Strategy to Strengthen Management Foundation

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.