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To All

Company name: KYOKUTO KAIHATSU KOGYO CO., LTD.
Representative: Tatsuya Nunohara,
Representative Director, President, CEO
(Code: 7226)
Contact: Takeshi Fujimoto,
General Manager, Legal & Corporate
Communication Department, Administration
Division
(Telephone: +81-6-6205-7826)

[Delayed] New Medium-term Management Plan 2025-27

[Creating The Future As One (II)]

Notice of Formulation

Our group has formulated the "New Medium-Term Management Plan 2025-27: Creating The Future As One (II)", which will have the fiscal year ending March 2028 as its final year.

We would like to inform you of the details as follows.

Notation

Our group is working on various measures toward the realization of the "Long-Term Management Vision Kyokuto Kaihatsu 2030," which sets the fiscal year 2030 as a milestone for the vision we aim to achieve. The first step in this effort is the completion of the previous "Medium-Term Management Plan 2022-24: Creating The Future As One" (hereinafter referred to as the previous medium-term management plan), which will reach the end of its planned period at the end of March 2025.

During the period of the previous medium-term management plan, we made progress in growth investments, including ESG investments, to contribute to strengthening development capabilities, production capabilities, and service capabilities, as well as to ensuring the safety and security of our employees and reducing environmental impact. Additionally, with a focus on further expanding our overseas business, we advanced the construction of new factories. SATRAC ENGINEERING PRIVATE LIMITED, a group company in India, is constructing a new factory near Chennai, and PT. Kyokuto Indomobil Manufacturing Indonesia, a group company in Indonesia, is constructing a new factory close to the existing plant in Purwakarta. Furthermore, to significantly strengthen our presence in the Australian market, we incorporated Import Machinery and Equipment Pty Ltd. (IMAEA), the country's sales agent, through a new M&A in July 2023, and STG Global Holdings Pty Ltd, a special purpose vehicle manufacturer, in December 2024. These actions represent our largest-ever strategic investments.

In order to establish our brand in the Australian market, IMAEA Pty Ltd. changed its company name to Kyokuto Australia Pty Ltd, effective October 1st of the same year.

As a result of these investments, the cash allocation of the previous medium-term management plan progressed as planned, and we have achieved the originally anticipated objectives.

Additionally, regarding shareholder returns, we continued to provide a high level of returns, including the flexible repurchase of our own shares, which resulted in an increase in our stock price.

In terms of performance, in the core Special Purpose Vehicle Business, the supply of domestic truck chassis, which had slowed due to the impact of the COVID-19 pandemic, gradually recovered. Additionally, efforts to revise prices and improve productivity led to consecutive record-high sales in the fiscal years 2023 and 2024. However, due to the sharp rise in raw material and energy prices in the first year of the plan, 2022, and the subsequent continued increase in various other prices, achieving the profit targets for the final year is expected to be difficult.

Additionally, in non-financial aspects, we established a Sustainability Committee and implemented company-wide management of materiality. As a result, the CO2 reduction target was achieved; however, the recycling rate is expected to fall short of the target due to ongoing improvements at some production sites.

In light of the achievements of the previous medium-term management plan and the challenges that need to be carried over from it, we have formulated a new three-year plan as the second step toward realizing the long-term management vision. This plan is based on the results of the largest growth investments and various initiatives implemented during the same period. By further strengthening group synergies, we aim to enhance both financial and non-financial aspects and increase corporate value. The new three-year plan is outlined as follows.

1. Plan Name Medium-Term Management Plan 2025-27 [Creating The Future As One (II)]

2. Planning Period April 1, 2025 to March 31, 2028 (3-year plan)

3. Basic Policy

(1) Solving social issues and creating value through high-value-added products and services

By utilizing the Group Technical Center and other resources, we will consolidate the group's expertise and swiftly introduce new products and services to the market that respond to changing external environments and needs. This will contribute to the creation of a circular economy, the efficiency of logistics, and the realization of carbon neutrality.

(2) Improve productivity and strengthen income structures

By realizing the effects of various investments made in the previous medium-term management plan and restructuring domestic and international production bases to maximize productivity, we will enhance group synergies further and achieve an improvement in profit margins.

(3) Accelerating the growth of overseas business

We will establish a system that can timely provide high-quality products tailored to the diverse needs of each country, including the establishment and restructuring of production bases, and will further grow and expand our overseas business.

(4) Creating an attractive company through the promotion of sustainability management

To be a corporate group that continues to contribute to a sustainable society, we will work together as a group to address materiality (key issues) in the areas of environment, people, society, and governance, aiming to improve stakeholder engagement, including that of our employees.

(5) Promoting capital policies to enhance corporate value

To achieve an appropriate corporate valuation as a listed company on the Tokyo Stock Exchange Prime Market and realize corporate value, we will implement capital policies and cash allocations that prioritize investment efficiency.

4. Financial policies

By utilizing funds obtained from past business activities and cash flow generated during the period of the current medium-term management plan, along with efficient fundraising, we will optimize cash allocation for investments and returns through a well-balanced strategy of "active investment in growth" and "returns to society and stakeholders." This will further enhance corporate value.

Strategic Investment Over the three-year period, 30 billion yen will be allocated to growth investments and 10 billion yen to new M&A investments.

Shareholder Returns Over the three-year period, a total of 15 billion yen or more.
Dividend: Stable profit return with a Dividend on Equity (DOE) of 4% or more.

5. Performance Targets

	FY2027 target value	[For Reference] Long-Term Management Vision
Net Sales	190 billion yen	200 billion yen
Operating profit ratio	8%	10%
ROE	8%	10%

6. Sustainability Goals

	FY2027 target value	[For Reference] Long-Term Management Vision (*1)
CO ₂ Emission Reduction (*2)	Compared to the fiscal year 2013: -28%	Compared to the fiscal year 2013: -38%
New Environmental Standards (Gold Label) Certification Acquisition Rate (*4)	100%	100%
Waste Recycling Rate during production (*3)	Over 99%	Over 99%
Percentage of women in management positions (Assistant Manager level and above) (*2)	3%	4%
Reduction in total working hours	Compared to the fiscal year 2024: -5%	-
Reduction in work-related accidents (*3)	Work-related accident frequency rate (*5) = 1.16 (2023 fiscal year manufacturing industry average: 1.29)	-

- (*1) Regarding the sustainability targets in the long-term management vision, we have revised the items and added new target values in this update.
- (*2) Scope: Domestic group companies
- (*3) Scope: Kyokuto Kaihatsu Kogyo Industry and NIPPON TREX
- (*4) Gold Label: The Gold Label is a certification defined by the Japan Automobile Manufacturers Association, with one of the certification requirements being a "material recycling rate of 95% for products."
 - Scope: New products of Kyokuto Kaihatsu Kogyo Industry and NIPPON TREX that are applicable to the subcommittee of the Japan Automobile Manufacturers Association.
Products other than these will comply with the Gold Label requirements.
- (*5) Frequency rate = (Number of lost-time workers ÷ Total working hours) × 1,000,000