

Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

June 27, 2024

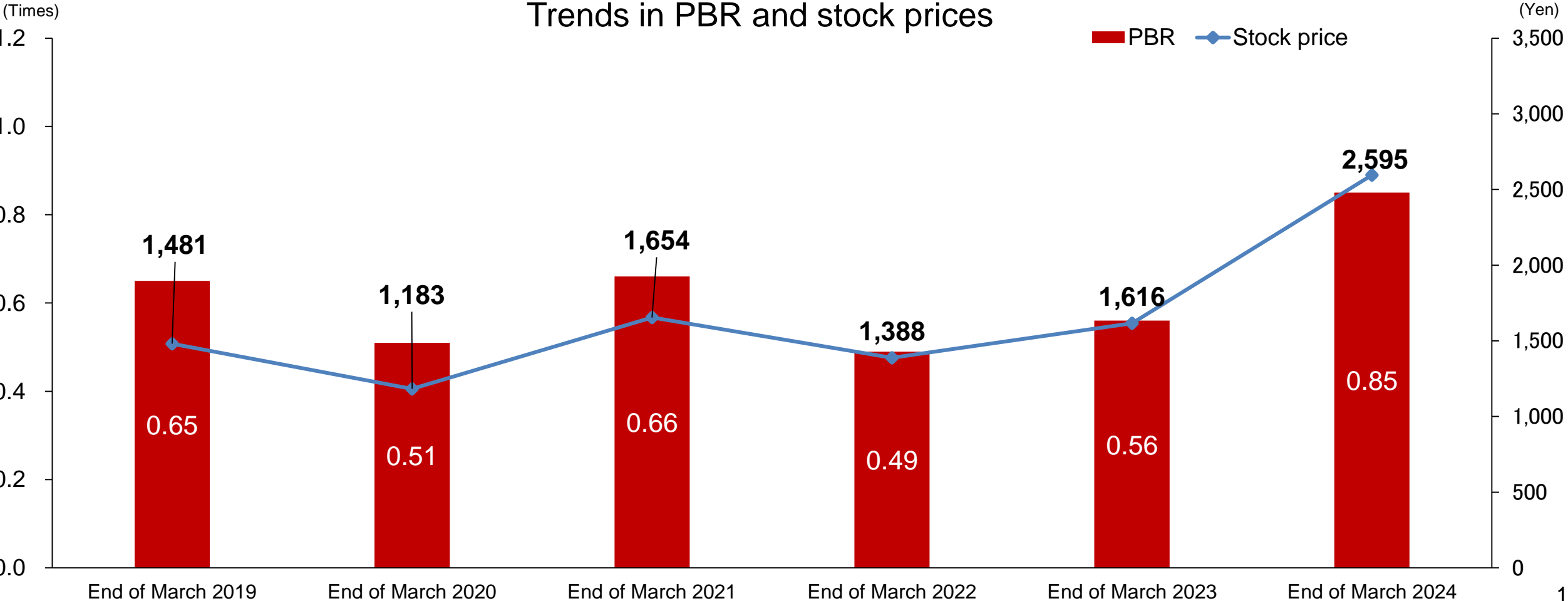
KYOKUTO KAIHATSU KOGYO CO.,LTD.
TSE Prime Market: 7226

Recognition of Current Status of Corporate Value Enhancement



As a result of continuing to engage in sustainable enhancement of corporate value, PBR rose up to 0.85 times (as of the end of March 2024).

Continuing the effort toward achieving PBR 1× at an early stage remains an important management issue of the Company.



Action to Implement Management that is Conscious of Cost of Capital and Stock Price (1)



1. Calculation and disclosure of the cost of capital, etc. and strengthening of profitability

- The Company recognizes that its cost of capital was approximately 7% as of the fiscal year ended March 2024, and that its weighted average cost of capital (WACC) was approximately 6% as of the above period.
- Grasping the cost of capital and WACC appropriately, the Company will step up SR and IR activities, and plan and advance capital measures while formulating profitability indicators including ROE. In this way, the Company sets a target of continuously and stably securing earnings that exceed the cost of capital, etc.

Action to Implement Management that is Conscious of Cost of Capital and Stock Price (2)



2. Utilization of interest-bearing liabilities

- By actively utilizing interest-bearing liabilities, we aim to lower our equity ratio, WACC, etc.

3. Stepping up shareholder returns

- We will continue to pay high levels of shareholder returns in order to improve shareholder satisfaction and corporate value while controlling shareholders equity.

Our basic policy for shareholder returns is to keep high levels of dividends, and we will purchase and cancel treasury shares in a flexible manner.

Action to Implement Management that is Conscious of Cost of Capital and Stock Price (3)



4. Improvement of profitability and productivity of main businesses

- We will boost the profitability of our main businesses—Specialty Truck, Environmental Equipment and Systems, and Parking and Other Operations—and increase operating profit, thereby directly improving profitability indicators including ROE.

5. Aggressive R&D, capital investment and M&A for future growth, and profit creation

- With the aim of enhancing corporate value sustainably through medium- to long-term corporate expansion, we will push forward with aggressive growth investment in main businesses and related fields while considering a balance between the above and shareholder returns.
- Actively investing in R&D as well, we will create future revenue sources through the development of new products and technologies. By doing so, we strive to increase corporate value continuously.

Long-term Management Vision

Long-term Management Vision

- Kyokuto Kaihatsu 2030 -

Step-up strategy following three steps

1st STEP

- Strengthening synergies among group companies
- Aggressive investment for growth
- Strengthen R&D systems for responding to social issues
- Steady progress toward the realization and development of a sustainable society

TERM : FY2022-24

2nd STEP

- Business development and expansion that fully utilize the comprehensive strengths of the Group
- Demonstrate strong influence through both high productivity and quality
- Active response to social issues

TERM : FY2025-27

3rd STEP

- Achievement of both “outstanding technology” and “solid quality”
- Realization of stable and efficient income
- Further expansion of business activities and social contribution areas

TERM : FY2028-30

Final target value

Sustainability Vision^{*1}

- CO₂ emissions reduction: Minus**38%**^{*2}
- Recycling rate: **Maintain99.0%** or more (Zero waste for landfill)

*1: Details will be posted in “Environmental Vision 2030” to be released at a later date.
*2: Compared with the emission intensity of Kyokuto Kaihatsu Kogyo, Nippon Trex, and Kyokuto Kaihatsu Parking for FYE March 2013

Management Performance Vision

- Consolidated net sales : **200 billion yen**
- Consolidated operating profit margin : **10% or more**
- ROE : **10 %**

Consolidated Performance Targets

<Targets for FY ending March 2025

- Consolidated net sales :
140 billion yen or more
(including the growth of new M&As)
- Consolidated operating profit margin :
7% or more
- ROE : **6 %**

Shareholder Returns

Total return ratio (Medium-term management plan 2022–24)

100%

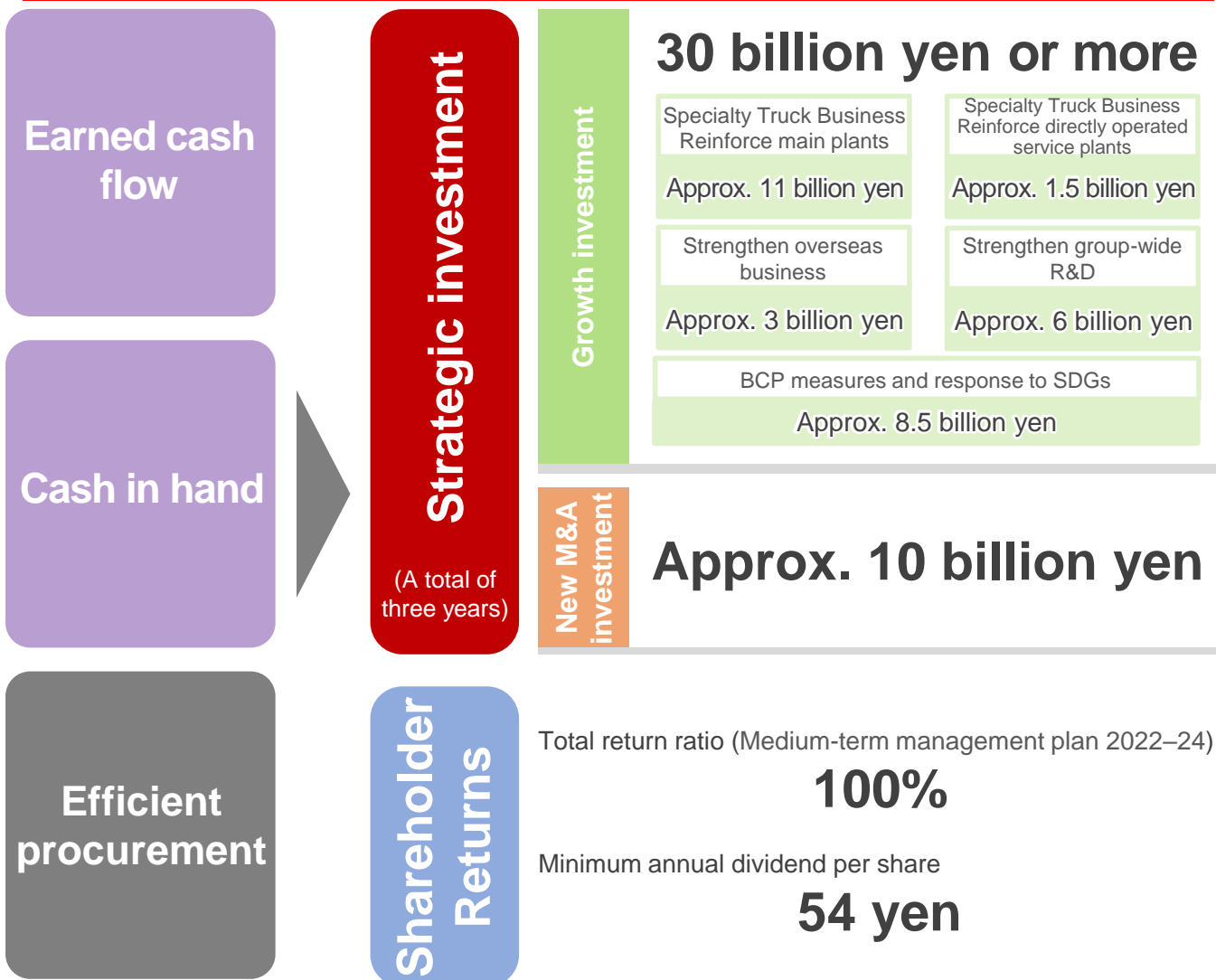
Minimum annual dividend per share

54 yen

Medium-term Management Plan (Cash Allocation)

◆ Being conscious of our assessment by a wide range of stakeholders and the need to enhance corporate value, we are pushing forward with appropriate cash allocation

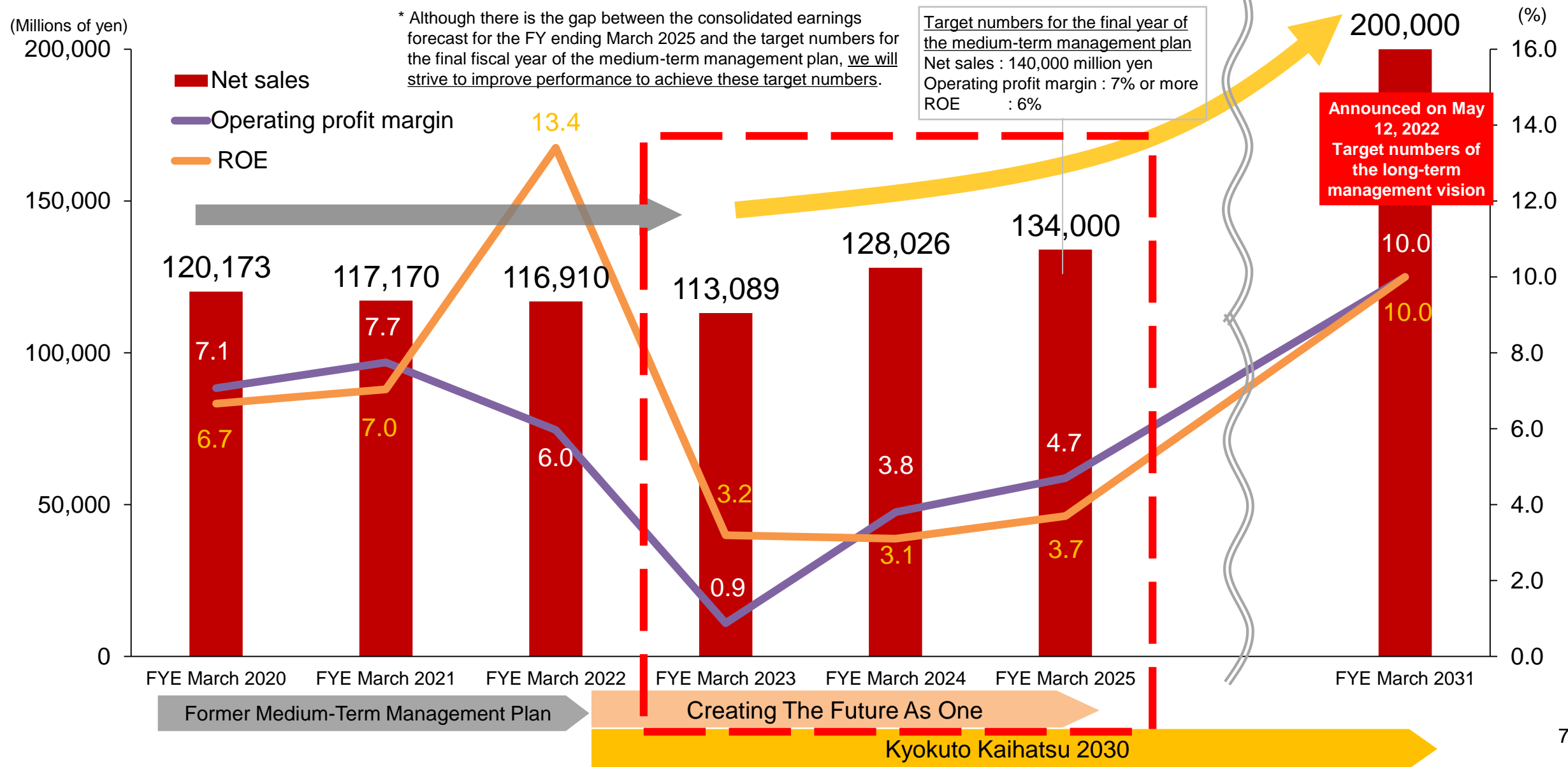
Medium-term Management Plan 2022–24 — Creating The Future As One



Cumulative results through FYE
March 2024: **23.2 billion yen**

Progress in Medium-Term Management Plan

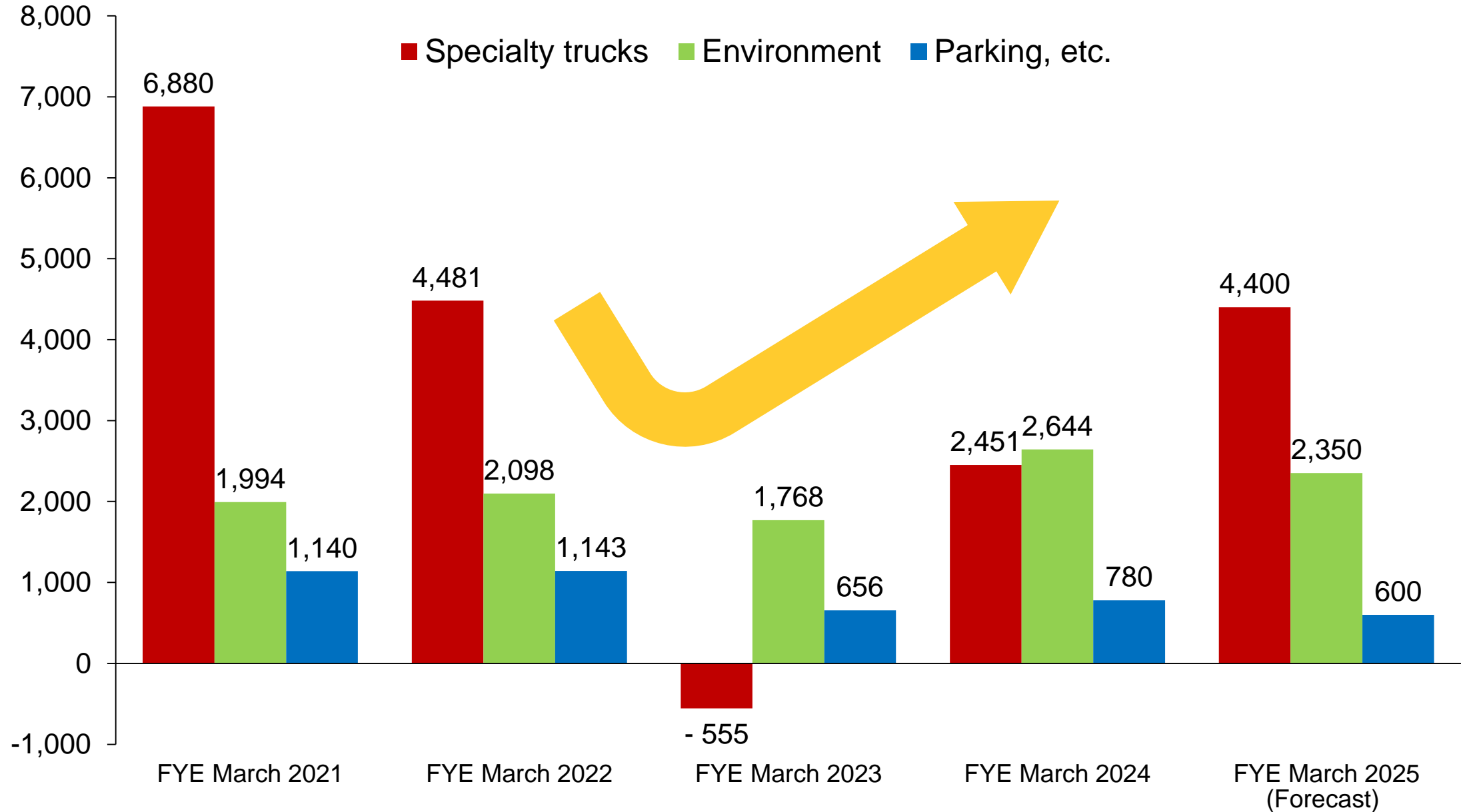
Net sales, operating profit margin, and ROE targets



Trend in Consolidated Operating Profit (By segment)

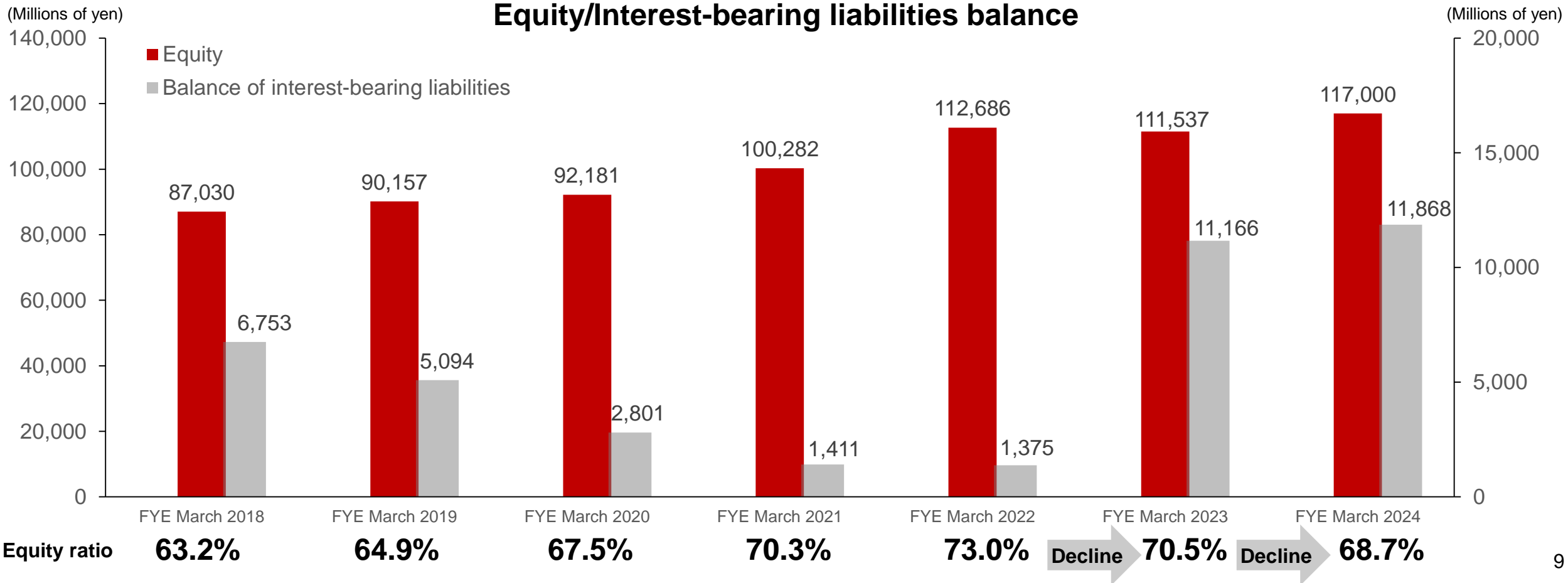


(Millions of yen)



- ◆ Our recognition is: Cost of capital at approx. 7%, WACC at approx. 6%.
- ◆ We will take measures, such as utilizing interest-bearing liabilities, to improve capital efficiency, and in this way we will further lower the cost of capital and WACC.
 - Our equity ratio at the end of the FY ended March 2024 decreased to 68.7% (70.5% at the end of the FY ended March 2023)

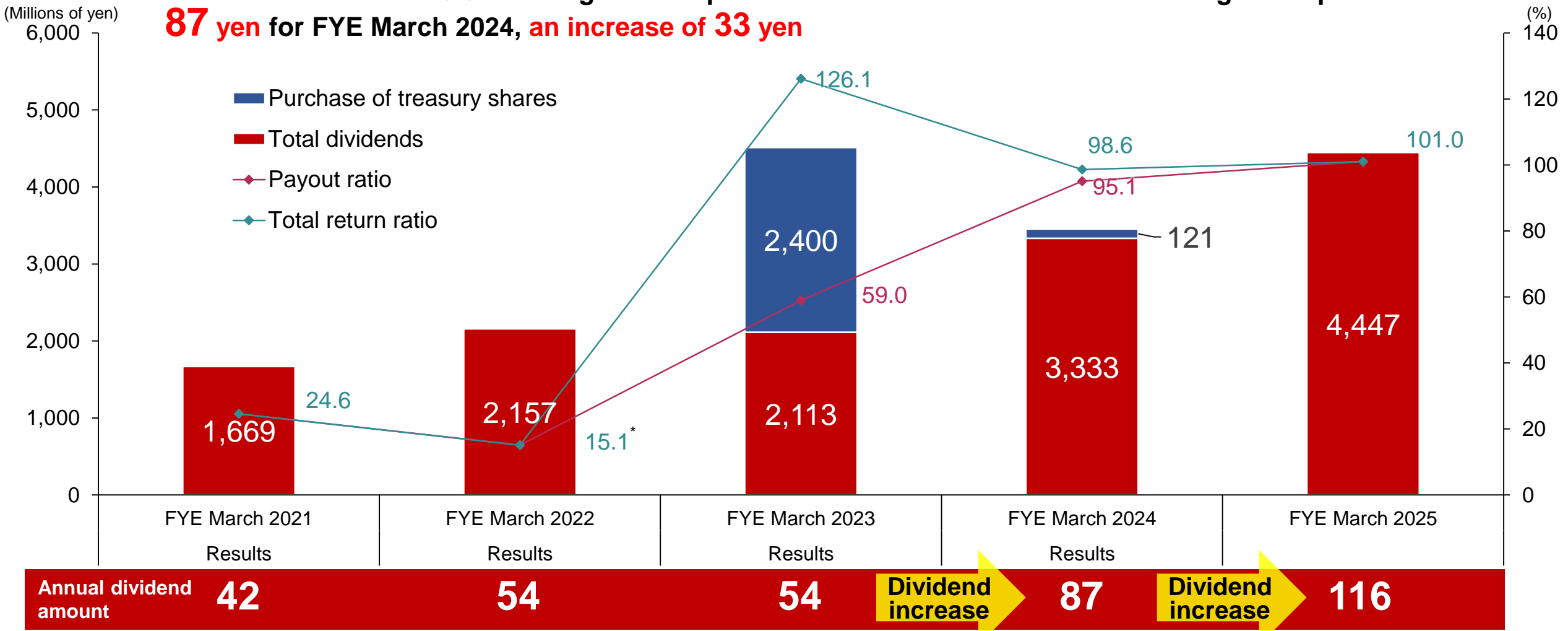
➔ Enhance shareholder returns and capital investment and improve capital efficiency while curtailing the growth of capital



Stepping up Shareholder Returns

Shareholder return policy: Minimum annual dividend of 54 yen per share plus flexible purchase of treasury shares

Total return ratio of **100%** throughout the period of the current medium-term management plan:
87 yen for FYE March 2024, **an increase of 33 yen**



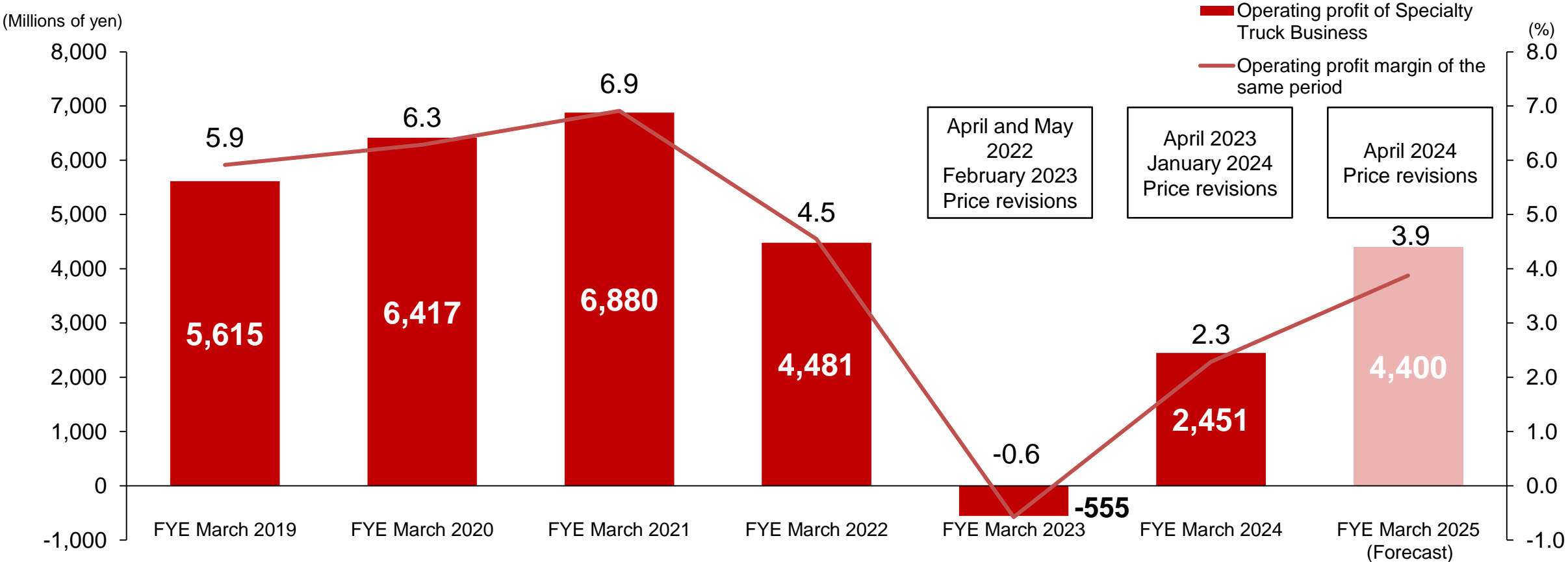
* Excluding extraordinary income (gain on sale of land): 42.2%

Forecast as of May 14, 2024

Profitability Enhancement of Specialty Truck Business



- ◆ While the truck market has remained stagnant temporarily due in large part to the pandemic, semiconductor shortages, and chassis manufacturers' misconduct related to vehicle certification, we have managed to improve profitability through revising product selling prices to offset a surge in raw materials and strengthening the overseas business.
- ◆ Supply Restrictions of truck chassis due to semiconductor shortages and other factors are gradually improving.
- ◆ Although sales of standard trucks plunged to 55,000 units in the FY ended March 2023, the FY ended March 2024 posted 67,000 units.
⇒ Sales are expected to return to the 80,000- unit level in the FY ending March 2025. *Prior to the COVID-19 pandemic, they were at the 90,000-unit level.

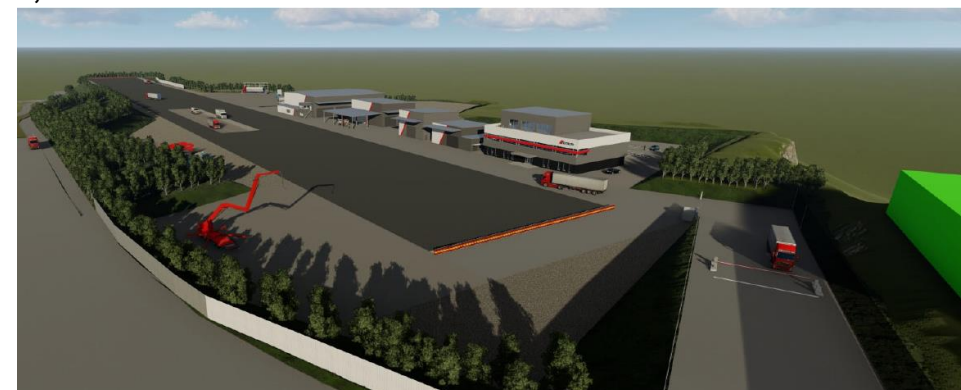
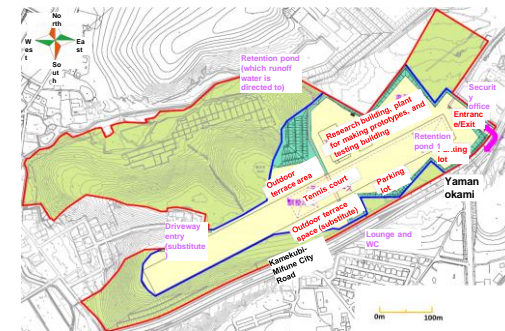


Growth Investment (Major Capital Investments and M&As)

Business	Investment item	Investment details	Implementation period
Specialty Truck	Construction of a technical center	Strengthen the R&D System The speed in developing new products will be roughly doubled.	FY2026 Planned to be completed
Specialty Truck	SATRAC ENGINEERING PRIVATE LIMITED, India Construction of a plant in Chennai	Boost production capacity Increase market share by expanding sales channels	FY2025 Planned to be completed
Specialty Truck	NIPPON TREX: Construction of a new plant	Boost production capacity: An increase of approx. 40%	FY2024 Planned to be completed
Specialty Truck	Yokohama Plant Automated line for small dump trucks	Boost production capacity: An increase of approx. 45%	Year 2024 To be completed in July
Specialty Truck	Sendai Service Center Reopening after renovation	Reinforce the service system	Year 2024 Completed in April
Specialty Truck	Himeji Service Center Reopening after renovation	Reinforce the service system	Year 2024 Completed in January
Specialty Truck	Fukuoka Plant: Completion of a new plant building and a new office	Boost production capacity: An increase of approx. 30%	Year 2023 Completed in September
Specialty Truck	Adding the Australian distributor to the Group	First base to expand into Australia and Oceania	Year 2023 Implemented in July
Specialty Truck	Adding Kyushu Tokusyu Motors to the Group	Reinforce the service system	Year 2023 Implemented in April

Construction of a technical center (to be completed in FY2026)

- ◆ The speed in developing new products will be roughly doubled.
- ◆ Reinforcement of an R&D system to address social issues/Proactive response to social issues
 - Shorten the development cycle
 - Respond to market needs swiftly
 - Make products lighter in weight and carbon neutral
 - Enhance the capability to adopt the IoT, AI and EV
- ◆ Determined initiative to improve quality
 - Install a test course for certification testing of trailers.
 - Response to regulations swiftly
- ◆ Strengthening synergies among group companies



Conceptual bird's-eye view

Construction of a new plant in Nippon Trex (scheduled to be completed in 2024)

- ◆ Automation of key processes will increase production capacity by about 40%.
 - * Under construction in the compound of the head office
- ◆ Establishment of a safe working environment by reducing work at high places in the production process
- ◆ Become a more environmentally friendly plant
 - * Reduce volatile organic compounds generated by coating of parts by approx. 6.3 tons a year.
 - * Slash CO₂ emissions by about 3.2 tons a year by installing solar light power generation systems.



Conceptual presentation of the new plant

SATRAC, India: Construction of a plant in Chennai (scheduled to be completed in FY2025)

SATRAC, a group company that posted record-high sales in the FY ended March 2024 due to high demand for specialty tracks in India, is constructing a new plant near the city of Chennai, in the state of Tamil Nadu, India, with the aim of capturing more contracts by boosting production capacity, and adding market share through expanding sales channels as well as starting exports of products in the future.

