April 28, 2025

For immediate release

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Notice Concerning the Formulation of the Mid-term Management Plan (Vision 2029)

Meeting today, Kyudenko's Board of Directors resolved to adopt a 5-year Mid-term Management Plan (Vision 2029) starting with the fiscal year ending March 2026.

During the previous Mid-term Management Plan period (FY2020 to FY2024), we contended with numerous unforeseen impacts, including the COVID-19 pandemic and a range of geopolitical risks. Nonetheless, buoyed by strong demand in the construction sector in recent years, we were able to achieve record highs in both net sales and ordinary profit in the plan's final year, even though we did not achieve the targets set forth in the plan.

We recognize the delay in progress in construction of the Uku Megasolar Power Plant during FY2024 as a critical issue and will continue to take appropriate action to address it.

Looking ahead to the new Mid-term Management Plan period (FY2025 to FY2029), we expect construction investment to remain firm but remain resolved to closely monitor fluctuations in foreign exchange rates, rising prices, tightening labor supply and demand, and potential changes in corporate capital investment plans due to shifts in international conditions.

In light of these circumstances, we have formulated the new Mid-term Management Plan to outline our strategic direction as we look toward the 100th anniversary of our founding in 2044. Based on our corporate philosophy and long-term vision, the plan is to solve the materiality themes outlined in our Basic Sustainability Policy. By executing the New Mid-term Management Plan steadily, we will strive to fulfill our core commitment to "contributing to the realization of a circular society" as part of our long-term vision.

Under the new Mid-term Management Plan, we will deepen existing initiatives, including the drive to enhance our technological capabilities, while simultaneously strengthening human capital management to support sustainable growth and investment strategies aimed at securing stable future earnings. We have also identified a number of targets, both financial and non-financial in nature, as management objectives. To achieve these targets, we have identified 11 initiatives and five strategic investment priorities as areas of particular focus.

During this period of favorable order conditions, we will look to accelerate our growth toward a new stage under a new corporate name by adopting proactive investment strategies for the future, reinforcing returns to employees through human capital management, and enhancing shareholder returns.

We remain committed to meeting the expectations of all stakeholders and look forward to working together as a single, unified group to achieve the goals of the plan while achieving sustained enhancement of our corporate value.

About the new Mid-term Management Plan (FY2025 to FY2029): Vision 2029

1. Plan theme

   The plan incorporates three themes: advancing to a new stage, investing in the future, and improving the quality of our operations.

Challenge & Grow 2029:
Embracing future challenges as we prepare to advance to a new stage

2. Management targets

Financial targets	● Ordinary profit: ¥60 billion (FY2029)	*1
	● ROIC: 10% (FY2029)	*2
	● Total investment: ¥200 billion (cumulative 5-year total)	*3
	● Shareholder returns: We will offer a progressive dividend with the goal of achieving a consolidated dividend payout ratio of approximately 40%.	*4
Non-financial targets	● Human capital management: 8 targets	*5
	● Safety and governance: 3 targets	
	● Environment: 1 target	

*1. Our primary focus is on increasing profit, and while net sales are expected to be approximately ¥600 billion, we have not set this as a formal target.
With regard to the Uku Project, we're currently re-evaluating both construction profit and business revenue as we look for potential improvements.
For more information on the current situation, please refer to page 31 of the attached document, Mid-term Management Plan.

*2. Regarding the ROIC target, we will calculate it using after-tax business profit as the numerator, which appropriately reflects investment efficiency in consideration of our business model (in contrast to using operating profit, as in the past).
After-tax business profit = After-tax ordinary profit + interest expenses

*3. The total investment amount is based on current projections and is subject to change.
As part of the balance sheet management process, we will appropriately allocate the entire ¥280 billion in cash inflow over five years to investment strategies, shareholder dividends, and share buybacks.
Of particular note, the ¥200 billion in investment will be carefully assessed for investment efficiency and synergy effects while taking into account EPC and O&M profit, social significance, and future growth potential. Even as we consider business feasibility with care, we remain committed to taking on these challenges in an ambitious manner.

*4. Regarding shareholder returns, we will raise the consolidated dividend ratio from 25% to 40% and implement a progressive dividend policy to ensure stable returns to shareholders.
We will also undertake share buybacks in a flexible manner as appropriate.

*5. In terms of human capital management, we project an annual increase in costs of approximately ¥10 billion due to improvements in employee compensation, training, and personnel expansion. However, we believe that securing personnel, providing education, and building a work environment where employees can feel secure will strengthen our management capital and ultimately lead to further sustainable growth.

3. Attachment
   Mid-term Management Plan (FY2025 to FY2029): Vision 2029

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Mid-term Management Plan
(FY2025 to FY2029)

Vision 2029

April 28, 2025

Kyudenko Corporation

Securities code: 1959,
Tokyo Stock Exchange Prime Market

Make Next.
KYUDENKO 80th

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1 Message from the President

Thoughts on Mid-term Management Plan 2029

Looking towards 2044 (the 100th anniversary of Kyudenko's founding)

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A new stage

The previous Mid-term Management Plan was built around the theme of "Establishing a Management Foundation for Sustainable Growth." We pursued three reforms in the areas of construction capability, productivity, and governance, and thanks to strong demand in the construction sector, we achieved record highs in both sales and ordinary profit.

Looking ahead to 2044, the 100th anniversary of our founding, accelerating our growth and advancing to a new stage will require growth across the Group. We will strive to achieve sustainable growth by maximizing use of diverse management resources across all operations.

As part of our journey toward our 100th anniversary, Kyudenko will change its name to KRAFTIA CORPORATION in October 2025. This new name reflects our employees' aspirations to advance to a new stage. In deciding the name, we placed great importance on the voices of our younger and mid-level employees.

Our business has grown beyond power distribution and electrical work as Kyudenko has become one of the top-performing subcontractors in the HVAC and plumbing sector. In addition, our market share in both the Kanto and Kansai regions now exceeds 30%, and in recent years we've also focused on developing stock-based businesses to ensure stable revenue beyond construction income.

Given this business expansion and diversification, our existing company name no longer reflects our current operations. Looking toward our 80th anniversary and upcoming Head Office relocation as key milestones, we made the decision to change the company's name.

Investing in the future

We anticipate that strong demand in the construction sector will continue for some time. However, the industry as a whole faces a chronic labor shortage, and improving productivity has become an urgent issue for Kyudenko, too.

To address these challenges, we recognize the need to invest in the future by driving operational efficiency through a digital transformation (DX) in construction, business process reform, and human capital management, including talent development. We must also focus on securing stable revenue streams for the future.

As we pursue sustained growth, we will actively invest in our people, growth businesses, value creation, stable earnings, M&A opportunities, and environmental initiatives. While continuing to position facility construction as our core business, we will also seek to build corporate structures capable of generating diversified and stable profits.

Improving the quality of our operations

The Kyudenko Group will implement initiatives across its entire organization to further enhance corporate value. Rather than focusing solely on increasing sales, we're committed to improving profitability while living up to the expectations of all stakeholders by enhancing employee compensation, strengthening shareholder returns, and driving overall quality improvements.

By enhancing profitability, quality, governance, employee skills, working conditions, capital efficiency, and other aspects of our operations, we will look to shore up the foundation underpinning corporate value creation and enhance corporate value in a sustained manner.

2 Corporate Philosophy, Long-term Vision, and Management Strategy

Corporate Philosophy

1. We contribute to society through providing agreeable environmental solution.
2. We keep challenging for sustainable development through our engineering strength and create a new value.
3. We aim to create mutual respecting environment in Kyudenko which utilize and develop employees' personality.

Long-term Vision

Vision Phrase

Make Next: To Create Smiles for the Future

Looking toward future megatrends, we have clearly defined our role in building a sustainable society through Three Contributions and a fundamental approach to realizing our vision.

Four megatrends the Kyudenko Group is monitoring

1. Transition to a decentralized energy society
2. Increased environmental awareness
3. Changes in population structure and diversification of work styles
4. Advancement of digital technologies

Our role: Three Contributions

Solve social problems	Contribute to realization of affluent life by leveraging our engineering strength and taking on the challenge of solving social issues.
Realize a carbon-free society	Contribute to the realization of a carbon-free society through clean energy
Maintain and develop local public infrastructure	Contribute to the maintenance and development of local infrastructure through the stable supply of electricity, facility work, urban development, etc.

Basic stance to achieve our vision

Contribution to realizing a circular society

By solving social issues through business activities, we strive to balance social value with economic value.

Social issues

Urban redevelopment	Aging social infrastructure
Urban hollowing-out in rural areas	Information security
Population decline Labor shortages	Aging society

Issues carried over from the previous Mid-term Management Plan *See p.11.

Operational efficiency	DX	Securing human resources	Governance
Decarbonization	Human capital	Workstyle reform	Shareholder returns
Diversified revenue sources	Growth businesses	Group management	Capital efficiency

Strengthening technological capabilities

Natural disasters	Increased electricity demand due to AI and datacenters
Soaring resource costs	Productivity improvement
Human rights and diversity	Wage increases

Problem-solving

Basic stance to achieve our vision

- Local communities
- Shareholders
- Contribution to realizing a circular society (Achieving sustainable growth)
- Customers
- Suppliers
- Employees and their families

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Striving to meet the expectations of all stakeholders

Corporate Philosophy, Long-term Vision, and Management Strategy: Sustainability Management

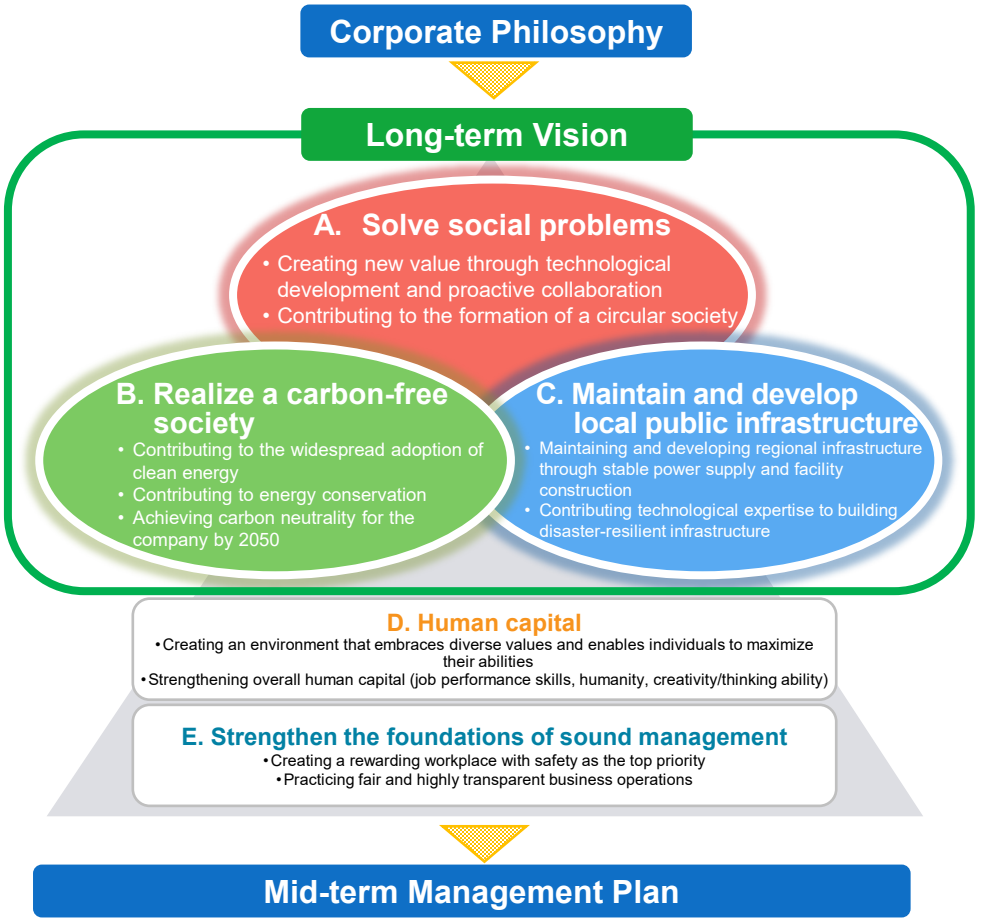
- **Kyudenko has established a Basic Sustainability Policy and identified material issues (materiality) based on our corporate philosophy and long-term vision.**
  By addressing these material issues under the guidance of our Basic Sustainability Policy, we're working to contribute to the realization of a sustainable society while enhancing our corporate value.

Basic Sustainability Policy	In keeping with its corporate philosophy, the Kyudenko Group seeks to solve social issues through its business activities in order to help achieve a sustainable society while increasing the Group's corporate value.

Materiality (key issues)

	Social issues	Key issues (materiality)	Framework diagram
E: Environment	Climate change Decarbonized society Energy	Contributing to the widespread adoption of clean energy	B
		Contributing to energy conservation	B
		Achieving carbon neutrality for the company by 2050	B
S: Society	Diversity/ Labor practices Employment / Human rights	Creating an environment that embraces diverse values and enables individuals to maximize their abilities	D
	Occupational health and safety	Creating a rewarding workplace with safety as the top priority	E
	Education and training	Strengthening overall human capital (job performance skills, humanity, creativity/thinking ability)	D
	Local communities	Maintaining and developing regional infrastructure through stable power supply and facility construction	C
	Disaster prevention	Contributing technological expertise to building disaster-resilient infrastructure	C
	Innovation	Creating new value through technological development and proactive collaboration	A
	Waste	Contributing to the formation of a circular society	A
G: Governance	Organizational governance Anti-corruption Compliance Fair business practices Anti-competitive behavior	Practicing fair and highly transparent business operations	E

Materiality framework diagram



Corporate Philosophy, Long-term Vision, and Management Strategy: Human Capital Management

- **We promote human capital management based on our corporate philosophy of "aiming to create a mutual respecting environment in Kyudenko which utilize and develop employees' personality." In keeping with this philosophy, we're committed to fostering people, our most important management resource, and achieving sustained enhancement of corporate value.**

Basic Policy on Human Capital Management	**A company that supports employees' self-realization and grows together with them** People are assets, and we consider them the most critical form of capital in management. Kyudenko invests in its employees to maximize their potential and enhances the capabilities of a diverse workforce in order to achieve sustained growth in corporate value.

Key issues as we work to realize the basic policy

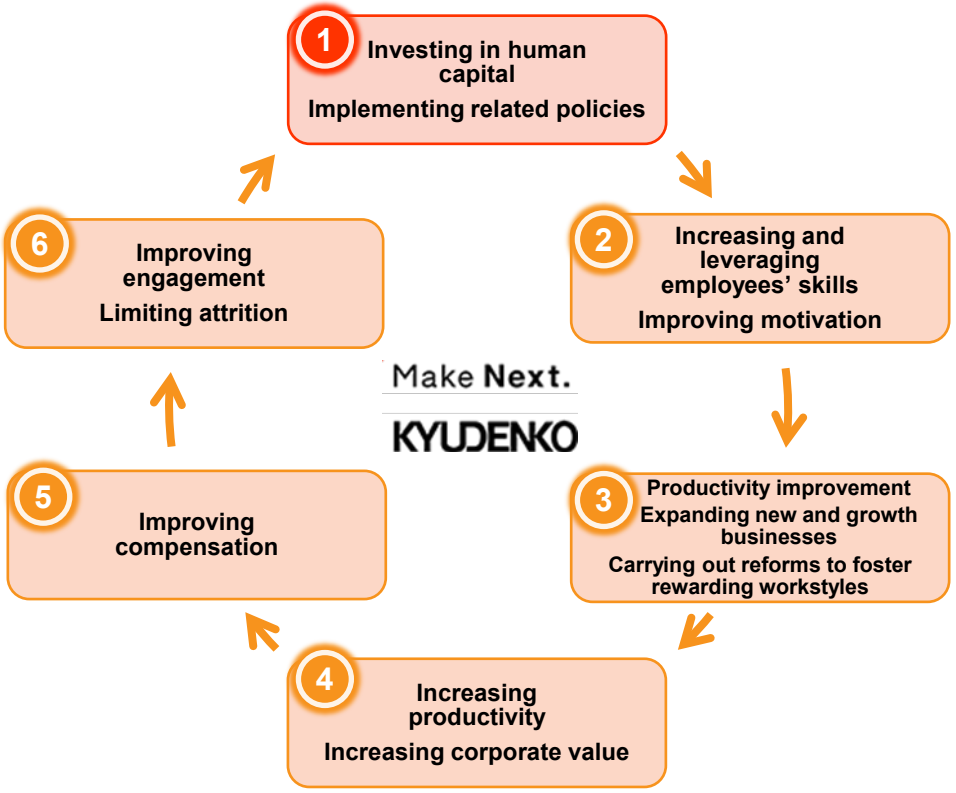
To enhance corporate value, it is essential for Kyudenko to **secure and develop human resources** while **creating a work environment where employees can find meaning and fulfillment in their work**.

To this end, we have identified the following three key issues and are implementing related initiatives and investments.

Key issues

- Securing human resources
- Fostering human resource development
- Creating a rewarding workplace

Cycle of human capital investment and corporate value enhancement



3 Summary of the Previous Mid-term Management Plan (FY2020 to FY2024)

Summary of the Previous Mid-term Management Plan (FY2020 to FY2024)

Main theme

Establishing a management foundation for sustainable growth
Achieving the three reforms

Three reforms

Construction capability | **Productivity** | **Governance**

- ✓ The Group's Mid-term Management Plan, launched in FY2020, encountered unexpected challenges including the spread of COVID-19, which triggered material shortages and significant fluctuations in foreign exchange rates.

- ✓ While net sales reached a record high due to strong demand in urban development and significant capital investments by semiconductor companies, delays in large-scale renewable energy projects impacted performance, preventing us from achieving our sales targets.
- ✓ Although we recorded a historic high in ordinary profit, the shortfall in sales meant our operating profit target went unmet.
- ✓ ROIC also fell short of the plan's target due to both lower profits and an increase in invested capital.

	Targets and results under the previous Mid-term Management Plan (FY2024)		
	Targets under the previous Mid-term Management Plan (Consolidated basis)	Results (Consolidated basis)	
Sales	¥500 billion	¥474 billion	Record high
Ordinary profit Ordinary profit ratio	¥50 billion 10.0% or higher	¥44 billion 9.4%	Record high
ROIC	10.0% or higher	9.0%	

ROIC = Net operating profit after tax ÷ Invested capital

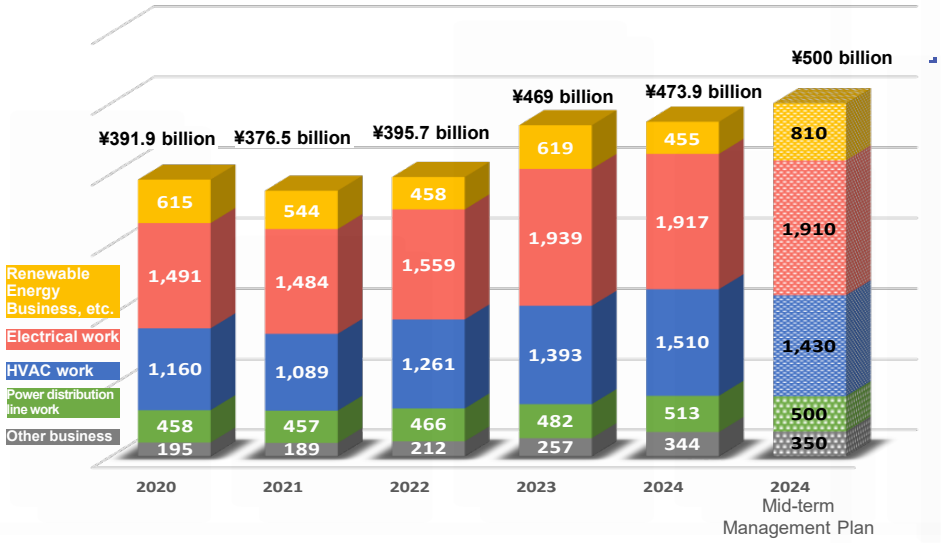
Issues carried over from the previous Mid-term Management Plan (2020 to 2024)

- Financial stability improved in terms of our capital adequacy ratio, but indicators of capital efficiency such as ROIC and ROE have been slow to rise.
- Build new growth drivers in preparation for post-FIT solar projects
- Make investment decisions with a greater focus on capital efficiency
- Strengthen technological and proposal capabilities for a decarbonized society and expand investments in growth areas
- Expand investments in stock-type businesses to secure stable revenue (including power generation/storage, CRE, and facility operations)
- Ensure proper staffing and work efficiency improvements in response to the largest volume of ongoing construction work in our history
- Diversify recruitment strategies, improve compensation, reduce turnover, and reinforce workforce retention through employment extension programs amid a national labor shortage
- Ensure steady progress of the DX project to improve productivity among personnel in the field
- Rebuild employee training systems to strengthen technical capabilities (project management, field execution, and technical proposal skills)
- Develop highly effective compliance and safety education programs
- Build strategies and support systems to improve and expand the profitability of overseas operations (subsidiaries)
- Execute concrete initiatives and actions aligned with TCFD targets in pursuit of a decarbonized society

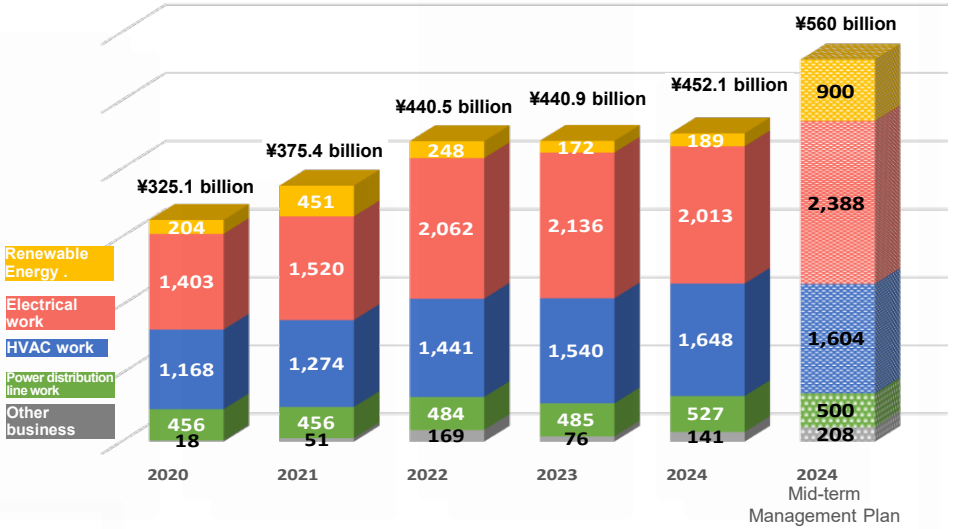
Operational efficiency	DX	Securing human resources	Governance
Decarbonization	Human capital	Workstyle reform	Shareholder returns
Diversified revenue sources	Growth businesses	Group management	Capital efficiency

Strengthening technological capabilities

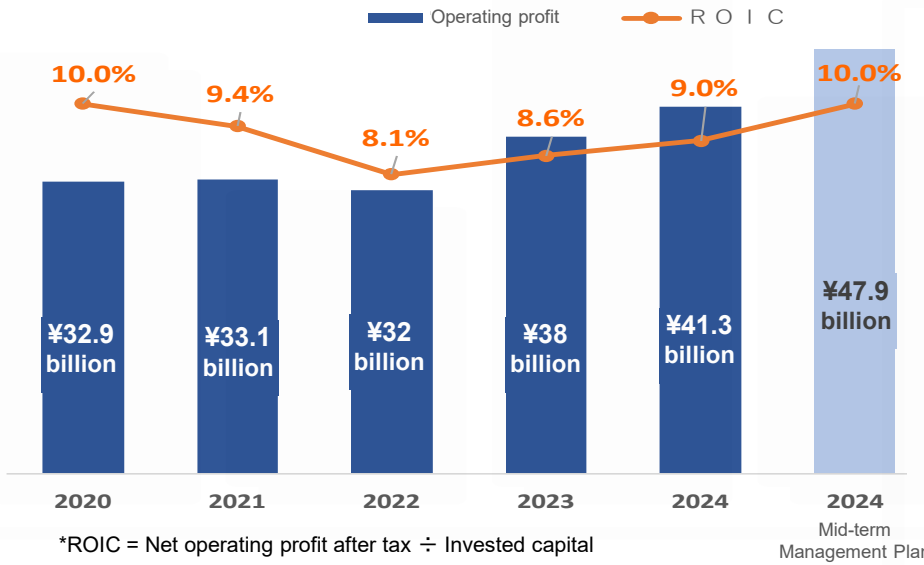
Sales (consolidated)



Orders received (consolidated)

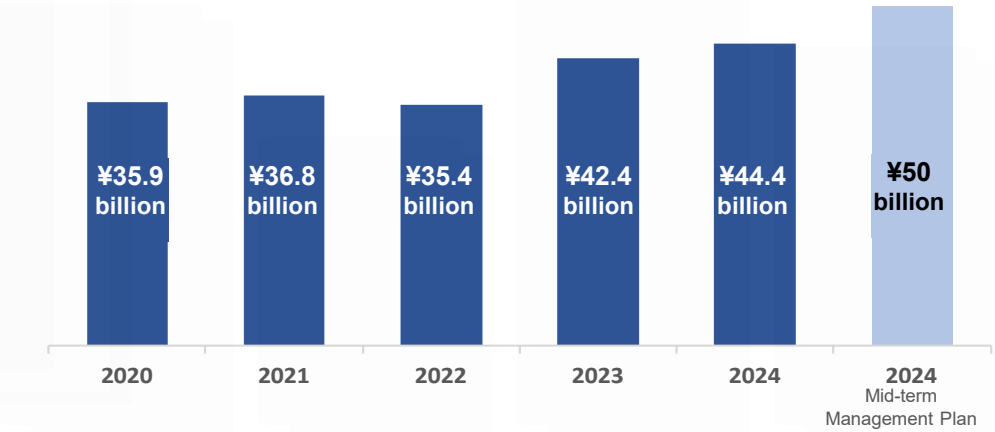


Operating profit (consolidated) / ROIC



*ROIC = Net operating profit after tax ÷ Invested capital

Ordinary profit (consolidated)



4 Mid-term Management Plan 2029 Targets

Mid-term Management Plan 2029 Targets: Theme Selection

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KYUDENKO

Corporate Philosophy

Long-term Vision

Sustainability management strategy (Materiality)

Social issues

Issues carried over from the previous Mid-term Management Plan

Mid-term Management Plan FY2025 to FY2029

- Management targets
  - Financial targets
  - Non-financial targets
- Priority action items
  - Initiatives
  - Investment strategy

Business year plan and policies

Message from the President

Thoughts on Mid-term Management Plan 2029

Looking towards 2044 (the 100th anniversary of Kyudenko's founding)

New stage

Investing in the future

Improving the quality of our operations

Formulated around three core targets and the goal of sustained growth and development.

The Kyudenko Group is working to overcome today's various issues and challenges in order to realize continuous growth and development!

Mid-term Management Plan (FY2025 to FY2029) theme

Challenge & Grow 2029

Embracing future challenges as we prepare to advance to a new stage

2025	2026	2027	2028	2029
Challenge Stage			Growth Stage	
Investing in the future and embracing related challenges			Working to realize additional growth	

Mid-term Management Plan 2029: Management Targets

- **We will identify financial and non-financial targets to achieve sustainable growth.**

Make Next.

Financial targets

Consolidated ordinary profit	ROIC*1	Total investment	Shareholder returns
FY2029	FY2029	Total during Mid-term Management Plan period	Consolidated dividend ratio: About 40%
¥60 billion	10% or higher	¥200 billion	Offering a progressive dividend

*1 ROIC is calculated using after-tax business profit, which appropriately reflects investment efficiency based on the company's business model.
After-tax business profit = After-tax ordinary income + Interest expenses

Non-financial targets

Basic Policy on Human Capital Management

Number of employees (consolidated) FY2029	Employee annual income level FY2029	Engagement score	Education and training expenses FY2029 vs. FY2024	Human capital management during Mid-term Management Plan period Anticipated total expenses
12,000	¥10 million average income for 45-year-old employees	72 points or higher	50%UP	About ¥50 billion

Improvement in sales productivity (**per hour**) (Electrical-HVAC work) vs. average value during the previous Mid-term Management Plan period	New hiring of highly skilled professionals By FY2029	Female managers FY2029 vs. FY2024	Male childcare leave utilization ratio
10% increase in average during Mid-term Management Plan period	Increase of 50	2×	100%

Safety and governance

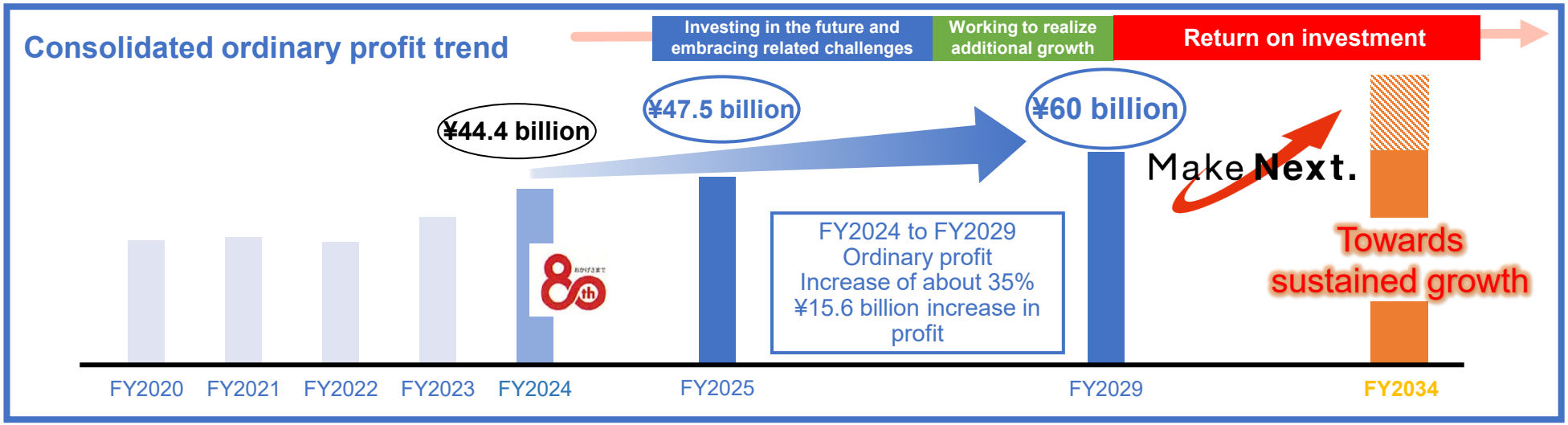
Serious legal violations (Criminal and administrative penalties)	Major accidents (Fatal accidents)	Cybersecurity measures Confidential information leaks
0 incidents	0 incidents	0 incidents

Environmental management

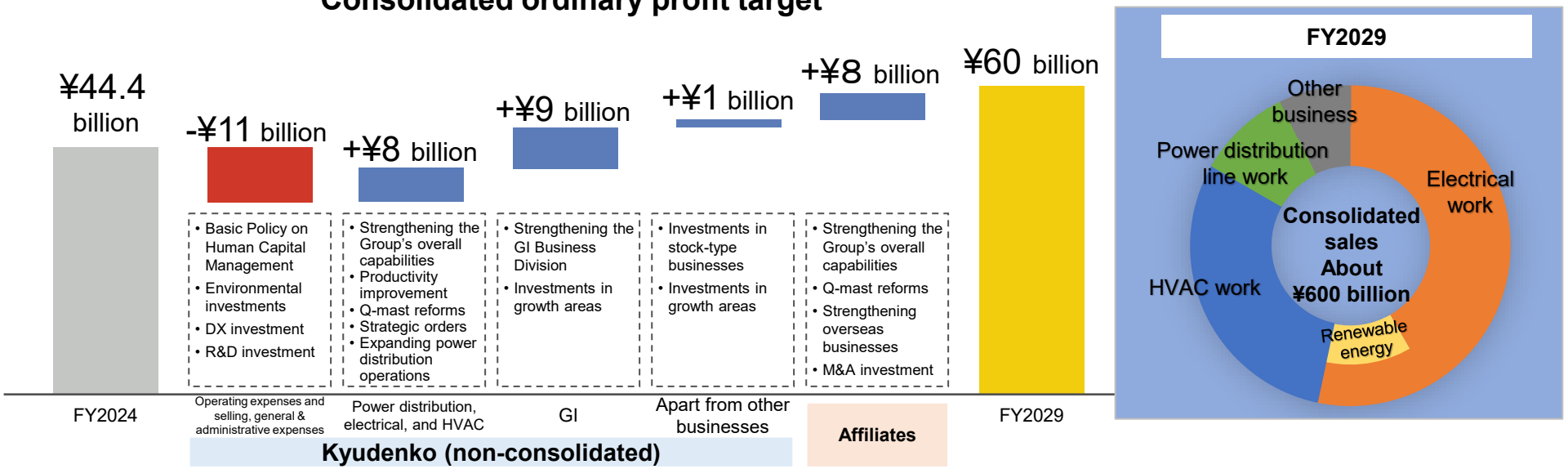
CO_2 emissions Scope 1 + 2
-50% or higher

Mid-term Management Plan 2029: Overview of Financial Targets

- **Consolidated ordinary profit: Model for transitioning to sustained growth**



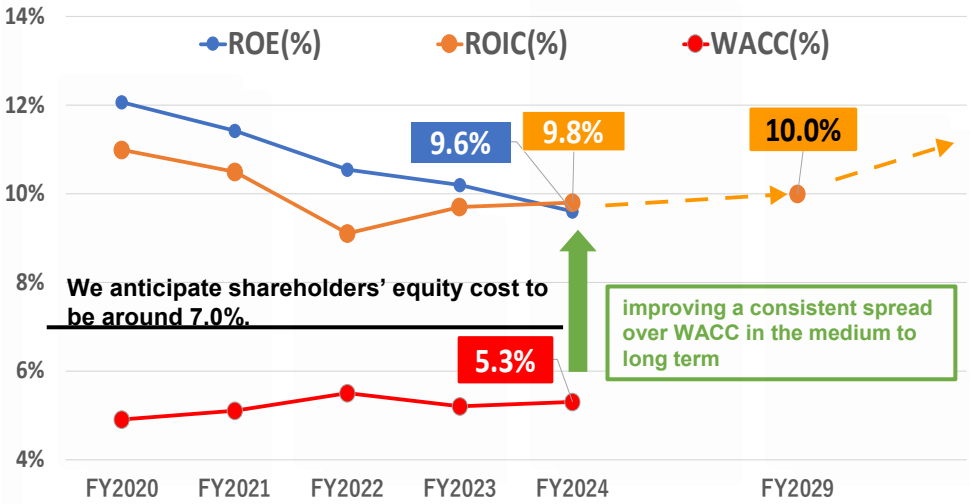
Consolidated ordinary profit target



Mid-term Management Plan 2029: Financial Targets - Improving Capital Efficiency

Trends in indicators

<Indicators>



A new ROIC target has been set using after-tax operating profit as the numerator, which appropriately reflects investment efficiency in consideration of the company's business model.
After-tax business profit = After-tax ordinary income + Interest expenses

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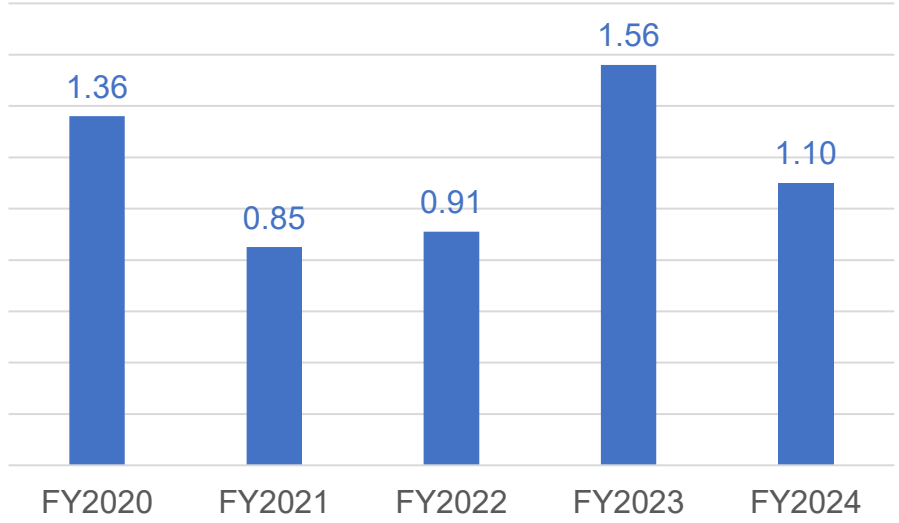


Current understanding and future initiatives for improving capital efficiency

- Although the PBR was affected by the COVID-19 pandemic, it has since recovered to 1.0 due to strong demand in the construction sector.
- Both ROE and ROIC are trending down. This is due to the rising level of equity capital, resulting in a structure where capital efficiency indicators tend to be less responsive.

Improving capital efficiency through the implementation of the following initiatives

<Future measures>

- **Implement balance sheet management with a focus on capital efficiency**
- **Manage and reduce the proportion of cross-held shares**
- **Set hurdle rates by business segment with awareness of capital cost (WACC), and execute strategic growth investments and business operations accordingly**
- **Formulate projected investment cash flow during the Mid-term Management Plan period to enable planned investments**
- **Actively invest in human capital and growth for the future to expand business profits and improve profitability**
- **Aim for a consolidated dividend payout ratio of approximately 40% and implement progressive dividends**
- **Carry out flexible share buybacks**

5 Initiatives and Investment Strategies

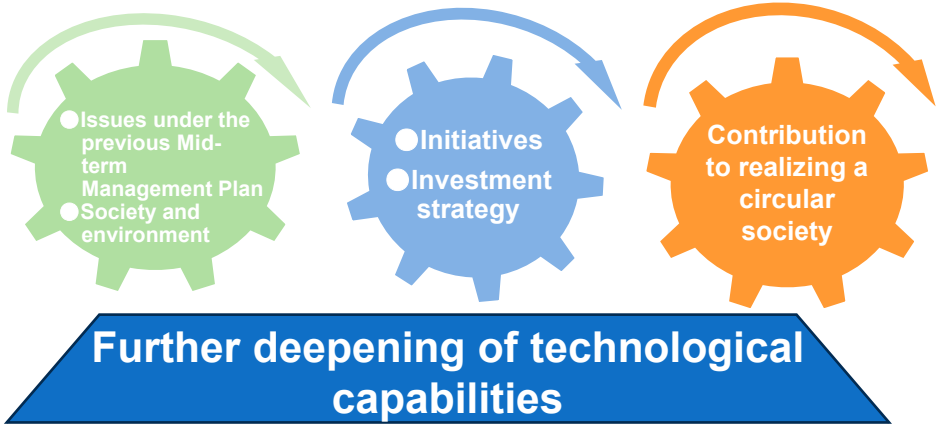
Initiatives and Investment Strategies

- **One of the key challenges our company must address is the strengthening of our technological capabilities. At the same time, we must also respond to social issues and the challenges identified in the previous Mid-term Management Plan. By implementing 11 key initiatives and pursuing five investment strategies, we're striving to realize our basic stance toward achieving our long-term vision: contributing to the realization of a circular society over the medium to long term.**

Priority items under the Mid-term Management Plan

Initiatives	New stage	Investing in the future	Improving the quality of our operations
(1) Strengthening the Group's overall capabilities	○	○	○
(2) Strengthening technological capabilities and improving productivity (Streamlining through DX and other means)	○	○	○
(3) Reforming the materials purchasing company (Q-mast)	○	○	○
(4) Strengthening the GI Business Division (Carbon neutrality)	○	○	○
(5) Strengthening overseas businesses	○	○	○
(6) Pursuing activities to earn strategic orders	○	○	
(7) Expanding power distribution construction operations	○	○	
(8) Strengthening governance			○
(9) Implementing human capital management	○	○	○
(10) Enhancing shareholder returns			○
(11) Managing our business portfolio	○		○

Strategic investment	New stage	Investing in the future	Improving the quality of our operations
(A) Investments in growth areas	○	○	○
(B) M&A strategic investments	○	○	○
(C) Investments in stock-type businesses	○	○	○
(D) Investments in DX and R&D		○	○
(E) Facility updates (including environmental investments)		○	○



Initiatives and Investment Strategies: Specific Initiatives

- **The following specific initiatives are being implemented in the company's key focus areas:**

(1) Strengthening the Group's overall capabilities

Flow Stock

Maximizing synergies within the Kyudenko Group

- **We've established new departments to maximize Kyudenko Group synergies.**
  - **Group Business Coordination Department, Real Estate Business Department**

Ensuring adoption of the Group's strategy and strengthening its earnings base

Group Business Coordination Department

- Supporting hiring and building HR strategies
- Practicing human capital management (studying measures to improve compensation)
- Offering education to strengthen technological capabilities
- Strengthening governance

Real Estate Business Department

- Implementing real estate development and management functions
- Implementing CRE strategy
- Securing and fostering the development of specialized personnel

(2) Strengthening technological capabilities and improving productivity (streamlining through DX and other means)

Flow

Improving sales productivity (per hour) (non-consolidated, general construction work)

- Training work supervisors
- Hiring and increasing the headcount of branch office personnel
- Strengthening and deepening technological capabilities
- Strengthening construction support structures
- Strengthening construction quality control
- Fostering the further development of technical administrative staff
- Practicing data-driven management

Targeting a 10% increase over the average value from the previous Mid-term Management Plan period

Improving operational productivity in indirect departments

Reducing the ratio of total personnel expenses for indirect departments to completed construction work and total personnel expenses

Shifting personnel to departments with higher productivity

(3) Reforming the materials purchasing company Q-mast

Flow

Expanding group earnings by enhancing cost competitiveness and optimizing management costs

Strengthening cost competitiveness

- Enhancing utilization of materials purchasing performance
- Strengthening and expanding distributor functions
- Restructuring major materials suppliers
- Discovering new suppliers (including overseas procurement)
- Developing new sales channels (strengthening sales outside the Group)

Optimizing management costs

- Streamlining material ordering operations (developing a new material DX system)
- Developing human resources and promoting mindset reform
- Restructuring the organization within Q-mast

Strategic cost management in material purchasing

(4) Strengthening and expanding the GI Business Division (carbon neutrality)

Flow Stock

Actively investing investment in next-generation technologies to enhance the value of existing assets and create new value

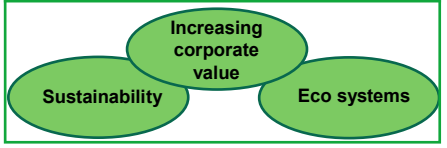
Enhancing the value of existing assets

- Transitioning from FIT to non-FIT (FIP transition, offsite PPA, installing storage batteries)
- Renewing assets (repowering, replacement)
- Utilizing post-FIT power sources (as datacenters power sources)

Investing in new assets and developing new products and services

- Investing in renewable energy power plants and storage batteries
- Introducing aggregator services
- Providing advanced O&M services
- Expanding demand-side services
- Engaging in environmental value trading
- Forming business alliances to expand renewable energy operations and introduce new technologies

GI Business Division: Three principles



Initiatives and Investment Strategies: Specific Initiatives

(5) Strengthening overseas businesses

Flow Stock

Contributing to the enhancement of the Group's corporate value through overseas business

Business area: Southeast Asia (including Taiwan)

- **Embracing challenges in the renewable energy business**
  - Participating in biomass projects through collaboration with renewable energy companies
  - Establishing renewable energy business schemes in Indonesia
- **Establishing core businesses with competitive advantages**
  - Strengthening sales by leveraging domestic resources in Japan
  - Pursuing differentiation from competitors (quality control, process management, safety management)
- **Investing in businesses with high compatibility with Kyudenko's operations**
  - Strengthening existing businesses and acquiring new business foundations
  - Investing in businesses where Kyudenko's know-how can be utilized
- **Strengthening human resource development and rebuilding the business foundation**
  - Training and expanding the base of overseas business personnel
  - Utilizing APECO as a human resource development function
- **Considering responses including withdrawal from unprofitable or low-growth bases**

Overseas bases

① Kyulien Environment Improving Co., Ltd.
②APECO (Singapore)
③Kyudenko Vietnam
④Kyudenko Malaysia
⑤Kyudenko Thailand
⑥Kyudenko Indonesia Representative Office

(6) Pursuing activities to earn strategic orders

Flow Stock

Stabilizing orders through the optimal mix of flow and stock businesses

Embracing the challenges posed by growth and expansion sectors (flow businesses)

- **Securing large-scale orders for semiconductor, automotive (EV), and data center projects**
- **Securing orders for urban development projects (Kyushu, Tokyo, Kansai)**
- **Strengthening order acquisition outside Kyushu as a regional strategy**
- **Securing new business areas in information and communication construction (air-conditioning control systems, in-building networks, medical-related systems)**
- **Securing orders for disaster prevention, infrastructure development, and defense-related construction based on the National Resilience Plan**
- **Streamlining through DX promotion**

<Establishing a new sales system aimed at enhancing sales strategy and management>

- Visualizing market trends through effective utilization of big data
- Monitoring and countermeasures for sales activities using AI analysis
- Realizing integration with technical systems (estimation system, construction support system)
- Introducing personnel management

For more information about stock-type businesses, see p.25

Strengthening alliances with companies in other industries
Maximizing profit: Flow × stock = (Orders received + business income)

(7) Expanding power distribution construction operations

Flow

Expansion of electric power infrastructure construction

- **Expanding in-house line construction for renewable energy power plants**
- **Expanding distribution line construction orders from Kansai Transmission and Distribution**
- **Expanding electric power infrastructure engineer headcount**
- **Developing new infrastructure design and estimation systems through DX**
- **Earning orders for underground extra-high voltage cable connection work (66 kV to 154 kV) (Expanding from below 33 kV to below 154 kV)**
  - **Developing extra-high voltage cable jointers**

(8) Strengthening governance (compliance, safety)

Flow Stock

Zero cases of serious legal violations

- **Conducting compliance-oriented corporate activities**
  - Ensuring actions align with laws and societal expectations
  - Fostering a corporate culture that prioritizes compliance
- **Strengthening the compliance promotion system**
  - Continuing education for deepening and embedding awareness
  - Strengthening the responsiveness of consultation (internal reporting) hotlines
- **Enhancing the effectiveness of the internal control system**
  - Improving effectiveness through the evolution of internal audits
  - Ensuring implementation of recurrence prevention measures to eradicate fraudulent acts

Zero cases of serious accidents (fatalities)

- **Undertaking specific initiatives to eliminate serious accidents**
  - Implementing effective recurrence prevention measures
  - Improving the quality of safety activities
- **Enhancing safety education**
  - Enhancing training for improving hazard perception
  - Developing safety education systems accommodating diversity
- **Strengthening safety management systems**
  - Enhancing support for group-wide safety management activities

(9) Implementing human capital management

Flow Stock

Implementing human resource strategies aimed at sustained corporate value enhancement

Key issues

- Securing human resources
- Fostering human resource development
- Creating a rewarding workplace development

Related initiatives

Securing human resources to support the business

- Strengthening the recruitment of engineers based on long-term staffing plans
- Expanding mid-career recruitment (referral and comeback hiring)
- Strengthening the recruitment of foreign nationals
- Enhancing recruitment publicity

Securing highly specialized talent

- Actively recruiting outside professionals
- Establishing a new compensation and evaluation system (job-based) to attract external talent
- Operating a hybrid personnel system (membership-based and job-based)

Reducing turnover among younger employees

- Reducing long working hours (promoting workstyle reforms)
- Introducing a program to allow employees to choose where they work
- Encouraging communication (utilizing one-on-one meetings)

Pursuing systematic development of engineers and skilled personnel

- Reconstructing professional development structures for new graduates
- Strengthening professional development and support structures for mid-career hires

Developing talent to lead new and growth businesses

- Building an internal training framework

Promoting reskilling

- Enhancing training content
- Improving employees' digital literacy

Strengthening support structures for field operations

- Expanding technical administrative positions

Enhancing employee engagement

- Promoting employee benefit measures related to work style reform
- Creating growth opportunities for employees (considering the introduction of internal job posting and free agent systems)
- Establishing a fair and impartial personnel evaluation system
- Formulating a human resource portfolio
- Promoting health and productivity management

Promoting DE&I

- Fostering awareness and a culture to instill and establish DE&I
- Creating a system that allows for retrying after failure (fostering psychological safety)
- Promoting diverse workstyles through use of flextime, etc.
- Supporting the active participation of diverse personnel (women, foreign nationals, persons with disabilities, etc.)

*Breakdown of highly specialized talent: GI, DX, overseas business, M&A, CRE, finance, legal, etc.

(10) Enhancing shareholder returns, p.26 (11) Managing our business portfolio, p.25

Initiatives and Investment Strategies: Specific Investment Strategies

A Growth investments

- Expanding investments in carbon neutral-related businesses
- Investing in energy storage systems (grid storage batteries)
- Participating in datacenter (DC) related businesses
- Participating in real estate-related businesses
- Participating in urban infrastructure businesses (PPP/PFI businesses)

B M&A investment

- Carrying out strategic M&As to expand business domains (proactive M&As)
- Expanding collaboration in overseas businesses

Anticipated investment amount ¥80 billion

C Stock business investments

- Utilizing idle real estate
- Investing in battery storage businesses
- Utilizing post-FIT power sources
- Expanding PPA businesses such as solar carports
- Embracing the challenges of environmental value transactions (non-fossil certificates, J-Credits, etc.)
- Strengthening and restructuring facility operation subsidiaries

Anticipated investment amount ¥80 billion

D Investments in DX and R&D, etc.

- Investing in construction DX for operational efficiency and research
- Rebuilding internal business systems
- Studying use of generative AI in operations
- Implementing cybersecurity measures
- Carrying out R&D work related to energy savings, cost reductions, and labor savings
- Carrying out R&D work related to creating environmental value and post-FIT utilization

Anticipated investment amount ¥18 billion

E Facility updates (Including environmental investments)

- Renovating and replacing aging facilities
- Achieving carbon neutrality for in-house facilities
- Helping form a circular society
- Enhancing educational facilities

Anticipated investment amount ¥22 billion

Initiatives and Investment Strategy: Capital Policy

- **We will make active investments while ensuring operating cash flow and financial soundness in an effort to achieve sustainable corporate value enhancement.**

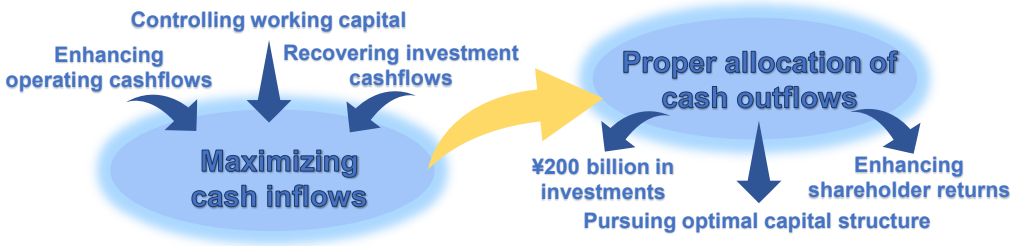
5-year total: Investment: ¥200 billion　Shareholder returns: Greater than ¥80 billion

Capital allocation

FY2025 to FY2029

IN ¥280 billion	OUT ¥280 billion
Operating cashflows	Investment cashflows
• Non-operating income • Sales of cross-held shares • Sales of fixed assets, etc.	Shareholder returns
Finance cashflows	

Balance sheet management



Investment cashflows

About ¥80 billion	Growth investments and M&A investments
About ¥80 billion	Investments in stock-type businesses
About ¥18 billion	Investments in DX and R&D, etc.
About ¥22 billion	Facility updates (including environmental investment)

Shareholder returns

Greater than ¥80 billion

- **Consolidated dividend ratio: About 40%**
  Implementing a progressive dividend policy that increases dividends in line with stable dividends and sustainable growth
- **Carry out flexible share buybacks**

Initiatives and Investment Strategy: Stock Businesses and our Business Portfolio

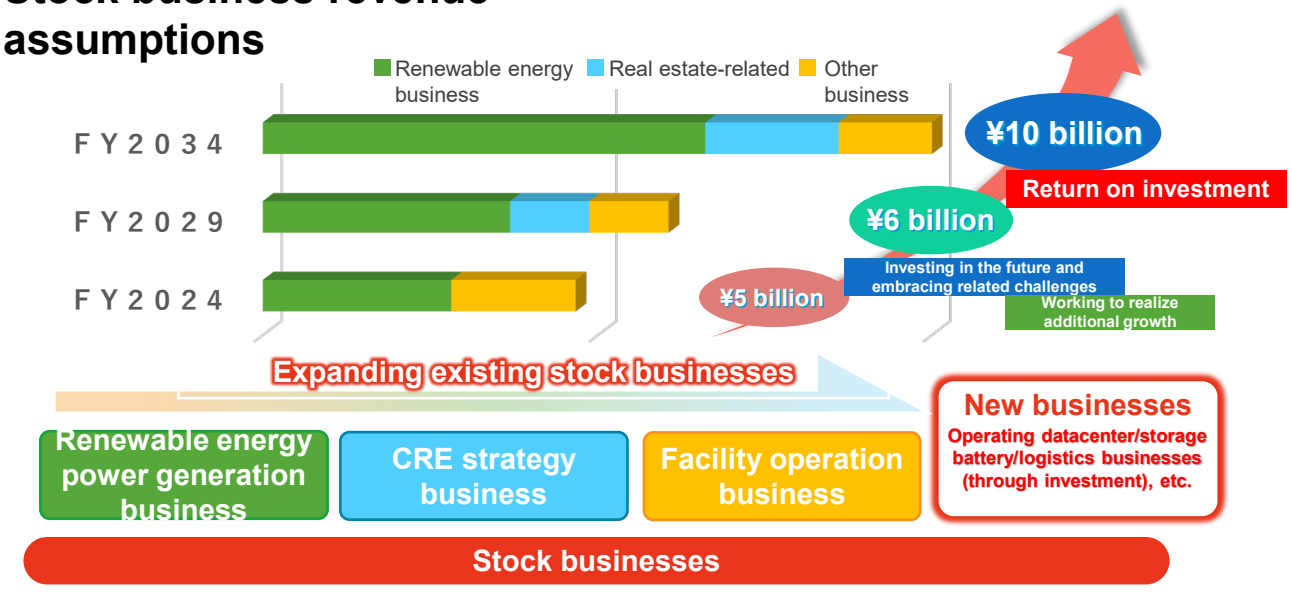
Investments in stock-type businesses

In addition to expanding our core equipment construction business (a flow business), we will also strengthen our stock businesses to expand stable income that is less susceptible to economic fluctuations.

- Utilizing approximately 500 MW of our own renewable energy sources
- Effectively using owned real estate
- Investing in facility operation businesses
- Investing in new businesses (DC/storage batteries/logistics)
- Advancing decarbonization businesses by leveraging our industry-leading track record in renewable energy construction and maintenance
- Participating in businesses that utilize our management know-how and technical capabilities developed through involvement in over 50 PPP/PFI business
- Maximizing profit with capital efficiency in mind by achieving the best mix of flow and stock businesses

*DC (datacenters)
logistics(logistics centers)

Stock business revenue assumptions



Investment stance

Setting a hurdle rate above WACC to assess business viability

Making investment decisions by considering not only business profit from the investment, but also EPC and O&M profits, social significance, and future growth potential

Managing the portfolio by considering capital efficiency and synergy effects, including reviewing the sale of owned assets

Facility operation business

- Logistics facility operation business
- Hotel operation business
- Commercial facility operation business
- Other equity-participated businesses

Renewable energy power generation business

- Solar power generation business (FIT, post-FIT, PPA)
- Wind and biomass power generation business
- (Grid-connected) storage battery business
- Carbon credit business

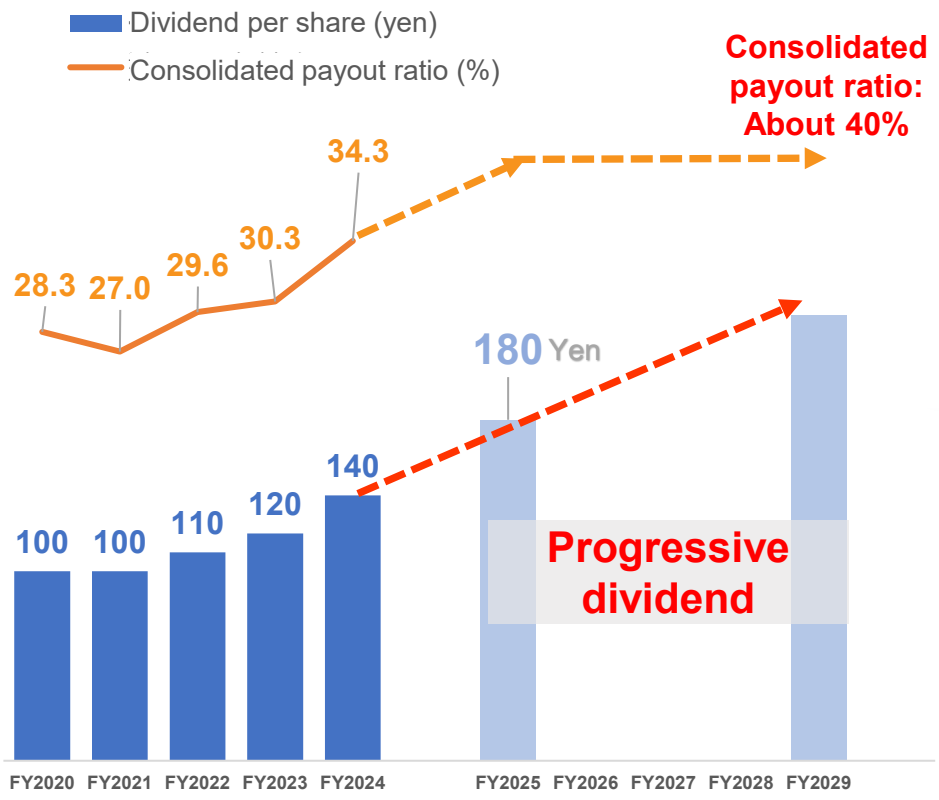
Past projects (renewable energy power plants)

CRE strategy business

- Converting the former head office site into an income-generating property
- Considering use or sale of idle land
- Converting dormitories and company housing into income-generating properties

Initiatives and Investment Strategy: Shareholder Returns

Dividend and payout ratio trends



Current recognition and future shareholder return policy

- While comprehensively taking into account the business environment, performance, and financial conditions, our policy has been to maintain a stable dividend with a consolidated payout ratio target of approximately 25%.
- Under the previous Mid-Term Management Plan, dividends were paid with a consolidated payout ratio exceeding 30% in recent years; however, we no longer consider this sufficient.
- During the current Mid-Term Management Plan period, we're striving to further enhance corporate value by maintaining financial soundness while appropriately allocating cash flow to both investment strategies and shareholder returns.

- **Aim for a consolidated dividend payout ratio of approximately 40% and implement progressive dividends**
- **Executing dividends and share buybacks totaling ¥80 billion or more during the Mid-Term Management Plan period**
  Carrying out flexible share buybacks to manage invested capital while maintaining a balance between growth investments and financial stability

Co-creation with stakeholders

- Actively disclosing information and engaging in dialog activities to enhance stakeholder engagement
- Switching employee bonuses to a performance-linked system to promote performance-conscious work execution and improve employee engagement
- Enhancing incentives for the employee stock ownership plan to foster management awareness of stock value among employees
  Adding incentives to contribution amounts (from 5% to 10%; increased to 20% from June 2024 to May 2025 in celebration of the company's 80th anniversary)

6 Sustainability

Sustainability: Materiality and Initiatives during the Mid-Term Management Plan Period

	Key issues (materiality)	Direction of initiatives	Mid-term Management Plan period Principal initiatives
E: Environment	Contributing to the widespread adoption of clean energy	Pursuing energy generation-related construction and businesses	(1) Strengthening the Group's overall capabilities (4) Strengthening the GI Business Division (5) Strengthening overseas businesses (A) Investments in growth areas (B) M&A strategic investments (C) Investment in stock-type businesses (D) Investment in DX and R&D (E) Facility updates (including environmental investments)
	Contributing to energy conservation	Pursuing renewable energy-related construction	
	Achieving carbon neutrality for the company by 2050	Complying with TCFD requirements, reducing the company's CO_2 emissions	
S: Society	Creating an environment that embraces diverse values and enables individuals to maximize their abilities	Promoting diversity and inclusion, building diverse and flexible workstyles, and respecting human rights	(2) Improving productivity (boosting efficiency) (8) Strengthening governance (9) Implementing human capital management
	Creating a rewarding workplace with safety as the top priority	Eradicating serious accidents, promoting health and productivity management, and enhancing employee engagement	
	Strengthening overall human capital (job performance skills, humanity, creativity/thinking ability)	Strengthening human resource development and building diverse career maps	
	Maintaining and developing regional infrastructure through stable power supply and facility construction	Maintaining and developing public infrastructure through existing businesses	(1) Strengthening the Group's overall capabilities (6) Pursuing activities to earn strategic orders (7) Expanding power distribution construction operations (A) Investments in growth areas
	Contributing technological expertise to building disaster-resilient infrastructure	Building disaster-resilient communities, aiding in disaster recovery, offering support for affected areas, and participating community contribution activities	
	Creating new value through technological development and proactive collaboration	Creating new business domains, improving productivity, promoting investment in DX and technology development, promoting open innovation, and advancing M&A	(2) Improving productivity (boosting efficiency) (11) Managing our business portfolio (A) Investments in growth areas (B) M&A strategic investments (C) Investment in stock-type businesses (D) Investment in DX and R&D
	Contributing to the formation of a circular society	Practicing the 3Rs (reduce, reuse, recycle) and promoting green procurement	(E) Facility updates (including environmental investments)
G: Governance	Practicing fair and highly transparent business operations	Strengthening corporate governance and ensuring compliance Implementing information security management, enhancing risk management, and ensuring fair transactions within the supply chain	(1) Strengthening the Group's overall capabilities (3) Reforming the materials purchasing company (8) Strengthening governance (10) Enhancing shareholder returns

●Initiatives ((1) to (11)) and ●Investment Strategies ((A) to (E))

Sustainability: Carbon Neutrality Initiatives

Final target	**Achieve carbon neutrality by 2050.**
FY2029 targets (KPIs)	**Reducing emissions intensity by at least 50% (achieving the 2030 target ahead of schedule)** **Emissions intensity = (Scope 1 + Scope 2) ÷ Kyudenko non-consolidated net sales [t-CO_2 per 100 million yen]**

Environmental management initiatives	
■ **Promoting environmental-related investments**	➢ Installing solar power generation systems and upgrading to energy-saving equipment and EVs (excluding special-purpose vehicles)
	➢ Utilizing non-fossil certificates
■ **Contributing to the formation of a circular society**	➢ Practicing the 3Rs (reduce, reuse, recycle)
	➢ Undertaking green purchasing and waste reduction initiatives
■ **Expanding information disclosure based on TCFD recommendations**	➢ Conducting 1.5˚C scenario analysis covering domestic consolidated subsidiaries
	➢ Establishing new targets using FY2040 as the base year
	➢ Strengthening responses to biodiversity and plastic-related issues
■ **Calculating CO_2 emissions on a consolidated basis**	➢ Monitoring and implementing reduction measures for emissions (Scopes 1, 2, and 3) on a consolidated basis
■ **Further fostering environmental awareness**	➢ Pursuing energy-saving action and participating in environmental conservation activities

[Initiative conceived to build a solar panel recycling model in Kyushu]

December 2024
Shinryo Corporation, AGC Inc., and five Kyuden Group companies signed a comprehensive collaboration agreement on the reuse and recycling of solar panels.

With large-scale disposal of solar panels expected in the latter half of the 2030s, the initiative promotes reuse and recycling to contribute to the realization of a circular and decarbonized society.

7 Other business

About the Ukujima Solar Power Plant

<Location>

Installation site	Project area
Ukumachi (Uku Island), Sasebo-shi, NagasakiPrefecture (Island area: 24.93 million m², population: approx. 2,000)	7,860,755㎡
	Generation capacity
	Generation capacity: Approx. 480 MW Grid-tied capacity: 400 MW
FIT dates	**FIT purchase price**
October 2020 to October 2040	¥40

Power generation equipment	
Solar panels: Kyocera Solar Corporation	Power conditioners: TMEIC Corporation, HUAWEI

Investors in the special purpose company

KYOCERA Corporation・SPCG Public Company Limited・Kyudenko Corporation ・Tokyo Century Corporation, etc.

Key features of the project
- Japan's largest generation capacity (480 MW)
- 64 km undersea cable between Uku Island and Sasebo
- Use of an AC/DC converter station (HVDC, by GE) at the solar power plant
- 100 hectares of agricultural land in operation (large-scale installation of agrivoltaic panels)

Overall construction weighting for the Uku Megasolar Power Project

Uku Island (on the island): 70%
- AC/DC converter substation
- Site panel installation
- Civil engineering work

Sasebo side: 20%
- AC/DC converter substation
- Interconnection and integrated testing

Sea (seabed): 10%
- Seabed cable installation

Status of permits and approvals

Regarding the installation of the undersea cable, a group of power generation companies led by Kyocera and Kyudenko have submitted an application for a cable-laying permit to the administrative agency, including a written statement. Discussions are proceeding in accordance with its process. Considering the time required for standard administrative processes, a conclusion is expected to be reached in a few months. Moving forward, we will continue to make diligent efforts to obtain approval for the cable installation.

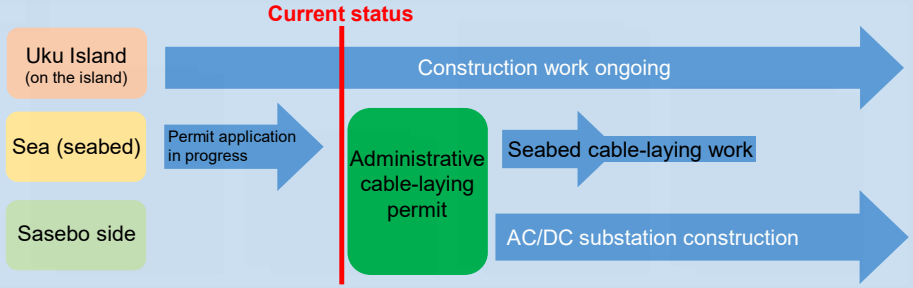
EPC (construction) status

As shown in the overall construction weighting to the left, 70% of all construction work will take place on Uku Island. Work is proceeding at a solid pace simultaneously in multiple areas, and the project currently is scheduled to be complete during FY2026.

SPC business viability

The originally scheduled start of electricity sales in FY2023 has been delayed due to restrictions on access to the island caused by the COVID-19 pandemic. As a result, costs such as material storage during the delay and the recent surge in labor costs have emerged, and Kyocera and Kyudenko are jointly examining measures to improve profitability and cost structure as a result. We are considering various improvement strategies, including increasing power generation through technical measures like enhancing panel efficiency, utilizing the system as a post-FIT power source, transitioning to FIP, and implementing corporate PPAs. We also plan to extend the project period.

Future progress



Other: Study of measures to improve business viability; post-FIT utilization
Example: Hybrid power generation by combining battery storage and wind power

Important notice

Plans, policies, and strategies concerning the Kyudenko Group that are described in this document include forward-looking statements regarding future performance.

These statements are based on information currently available and on certain assumptions deemed reasonable at the time of preparation. However, actual performance may differ significantly from forecasts due to various risk factors and uncertainties. Furthermore, we do not necessarily revise these forecasts in response to new information or future events.

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Kyudenko Corporation will change its corporate name to KRAFTIA CORPORATION as of October 2025.
***This document includes excerpts from press releases.**

Make Next. KYUDENKO 80th