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To all concerned

Listed company name	Kyokuto Kaihatsu Kogyo Co., Ltd.
Representative	Tatsuya Nunohara, President and CEO (Code number 7226)
Responsible for inquiries	Takeshi Fujimoto General Manager, General Affairs Department, Administration Headquarters (Ph: +81 (0) 798-66-1000)

Notice of Formulation

Long-term Management Vision [Kyokuto Kaihatsu 2030] and New Medium-term Management Plan 2022-24 [*Creating the Future as One*]

The Kyokuto Kaihatsu Group is pleased to announce its "Long-term Management Vision: Kyokuto Kaihatsu 2030," which sets FY 2030 as a milestone for the Group to achieve, along with formulating a new three-year medium-term management plan, 2022-24, "*Creating the Future as One*," which ends in the FY ending March 31, 2025, and provides the first step toward the realization of our long-term management vision. As such, we would like to notify the following.

Our group's previous medium-term management plan "To the Growth Cycle," for FY 2019-21, came to an end in FY ending March 31, 2022. We implemented measures such as productivity improvement measures in the special purpose vehicles business, development of various high-value-added systems, sales activities focusing on securing income, expansion of overseas business, and promotion of efficiency improvement in human resources and organization, which are the foundation of corporate activities, and as a result, consolidated sales were expanded or maintained to achieve our targets. However, due in part to the significant rise in raw material prices as a result of the COVID-19 pandemic and delays in capital investments, consolidated operating income achieved the plan in FY 2019 and FY 2020, but the income margin declined in the final year of the plan, and the target was not achieved.

Based on the results and achievements of the previous medium-term management plan and issues to be taken over based on the outcome, and taking into account changes in the business environment surrounding our group, such as the recent trend toward carbon neutrality, we have clarified our group's goals from a longer-term perspective. In order to achieve this essential goal, we have formulated a long-term management vision with 2030 as a milestone and a new three-year plan as the first step, as follows.

[1] Long-term management vision

1. Background to the formulation of the long-term management vision

The business environment surrounding our group is expected to undergo dramatic social structural changes, including population growth and infrastructure development mainly in emerging countries in the global market, along with declining birthrates, aging, and population decline in Japan, in addition to the resolution of various social issues, including global environment, safety, efficiency, and the technological development needed to solve such issues.

Under such circumstances, the Group considers this significant change as an “opportunity” and has formulated a long-term management vision to clarify what we aim to achieve from a long-term perspective, based on the spirit of technology, trust, and cooperation that has been cultivated since the company’s foundation.

2. Overview of the long-term management vision

- Under the long-term management vision "Kyokuto Kaihatsu 2030," which sets the year 2030 as a milestone, we aim to achieve the following goals, supported by our outstanding technology and solid quality.

A global comprehensive infrastructure manufacturer that leads its industry and contributes to the realization and development of a sustainable society.
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- The Group aims to achieve the following specific goals in FY 2030 through a step-up strategy based on three steps (1st step: FY 2022-24, 2nd step: FY 2025-27, and 3rd step: FY 2028-30).

Sustainability vision

- CO2 emission reduction rate: minus 38%
* Basic unit compared to FY 2013 for Kyokuto Kaihatsu Kogyo, Nippon Trex, and Kyokuto Kaihatsu Parking.
- Recycling rate: Maintained at 99.0% or higher

Consolidated financial performance vision

- Net sales: 200 billion JPY
- Operating income margin: 10% or more
- ROE: 10%

Vision for each business

(1) Special purpose vehicles business vision

- Established sales and service capabilities
- Productivity that can flexibly response to changes by achieving both high efficiency and high quality
- Establish a high position in the Indian and Indonesian markets and further contribute to social development by strengthening overseas business

- Strong procurement capabilities through the expansion of group companies in China
- Development of social issue-solving products
- Active development for new infrastructure contribution areas

(2) Environmental equipment and systems business vision

- Establish a solid position in the industry as a manufacturer specializing in recycling facilities
- Continuous support for operation/maintenance that achieves both safety and efficiency
- Active development in new business fields, including biomass, contribute to a carbon-neutral society

(3) Parking business vision

- Development of high value-added multi-story parking system related products
- Establish a stock business base in the multi-story parking system business
- Development of toll parking that achieve both business scale expansion and efficiency
- Flexible business strategy development for new mobility
- Active expansion into overseas markets

[2] New medium-term management plan

1. Name: Medium-term Management Plan 2022-24 [*Creating the Future as One*]

2. Period: April 1, 2022 to March 31, 2025 (3-year plan)

3. Basic Policy

(1) Contribution to solving social issues and pursuit of value provision

By providing products and services that are truly required by society in a timely manner, while contributing to the enhancement and sophistication of social infrastructure, we will continue to face and help resolve global social issues including SDGs sincerely.

(2) Improving productivity and strengthening income structure

We will improve income margins and create new revenue sources by strengthening synergies of all business functions in our group such as sales/services, development/production, as well as maximizing investment effects, and expanding our overseas businesses aggressively.

(3) Building a strong business foundation that supports sustainable growth and reform

While working to achieve working style reform, business improvement, human resource development, and safety assurance, we will promote our own reform and challenges, and create human resources and organizations that can flexibly respond to changes in the environment.

(4) Optimal distribution of cash flow aimed at improving corporate value

The cash flow earned through our businesses will be used for more strategic investment and dividends to

accelerate growth cycles, considering the optimal balance between growth and returns.

4. Sustainability target [FY ending March 2025]

- CO2 emission reduction rate: minus 10% or more
 - * Basic unit compared to FY 2020 for Kyokuto Kaihatsu Kogyo, Nippon Trex, and Kyokuto Kaihatsu Parking.
- Recycling rate: Maintained at 99.0% or higher

5. Consolidated financial performance Target [FY ending March 2025]

- Consolidated net sales: Over 140 billion JPY (including new M&A growth)
- Consolidated operating income margin: 9% or more

6. Financial policies

We will strive to increase corporate value through a balanced strategy of "proactive investment for growth" and "return to society and stakeholders," including efficient funding, using mainly the funds obtained from our past business activities and cash flow to be generated during the period of this medium-term management plan.

Strategic investment	Over 30 billion JPY for growth investment and approx. 10 billion JPY for new M&A investment over the three years
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Shareholder returns	Total payout ratio: 50% (FY ending March 2025), Lower limits of annual dividend per share: 54 JPY
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