



Direction for realizing management taking capital cost and stock price into consideration

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Rengo Co., Ltd.
(TSE: 3941)

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Market valuation and capital cost

| We have calculated the cost of equity using the Capital Asset Pricing Model (CAPM), based on the latest beta value calculated using data from the evaluation period of April 2020 to March 2025.

| While maintaining a situation where ROE exceeds the cost of equity, we aim for further growth and improved profitability. We will continue our efforts to meet the expectations of the capital markets.

Market Valuation and Cost of Equity (As of the end of FY2025)	
Market capitalization	196.3 billion yen
Stock price	792 yen
Net assets	500.2 billion yen
PBR	0.4 x
ROE	6.5 %
Cost of equity capital*	4.4 %

* **Cost of equity capital calculation using CAPM method**

$$\begin{array}{ccccccc}
 \mathbf{1.50} & & \mathbf{0.55} & \text{(Note 1)} & & \mathbf{5.27} & \text{(Note 2)} & & \mathbf{4.39} \\
 \mathbf{Risk-free rate} & + & \mathbf{Beta (\beta)} & \times & \mathbf{Risk premium} & = & \mathbf{Cost of equity capital} \\
 \text{Interest rate of risk-free assets} & & \text{Elasticity of the stock price to TOPIX} & & \text{Excess return on investment in risky assets (stocks)} \\
 \text{(Ten-year government bond yield)} & & \text{(Calculated using past five years' results)} & & \text{(Considering overall stock market returns)}
 \end{array}$$

(Note 1) Blume-adjusted coefficient

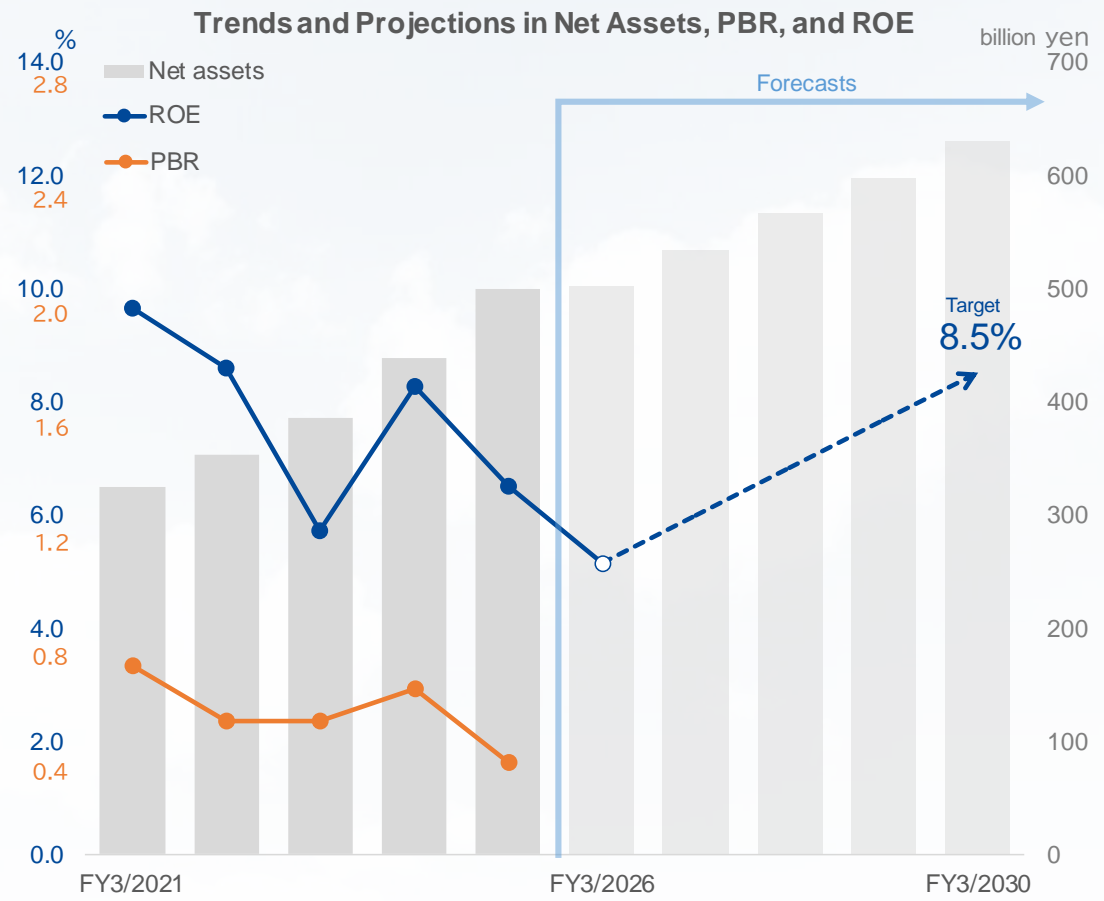
(Note 2) Source: Damodaran's Equity Risk Premium (January 2025)

Trends and challenges in financial indicators

Our group has steadily taken steps to enhance competitiveness and achieve sustainable growth from a long-term perspective. Moving forward, improving and stabilizing profitability to achieve profit growth in line with capital enhancement is a critical challenge.

With this understanding, we have formulated our medium-term vision, "Vision120," with the final fiscal year ending in March 2030, and set an ROE target of 8.5%.

By striving for profit growth through business activities and strengthening the revenue base that leads to future stability, we aim to improve and stabilize profitability over the medium to long term and enhance corporate value.



Significance of "Vision120" and long-term outlook

April 2025 - March 2030

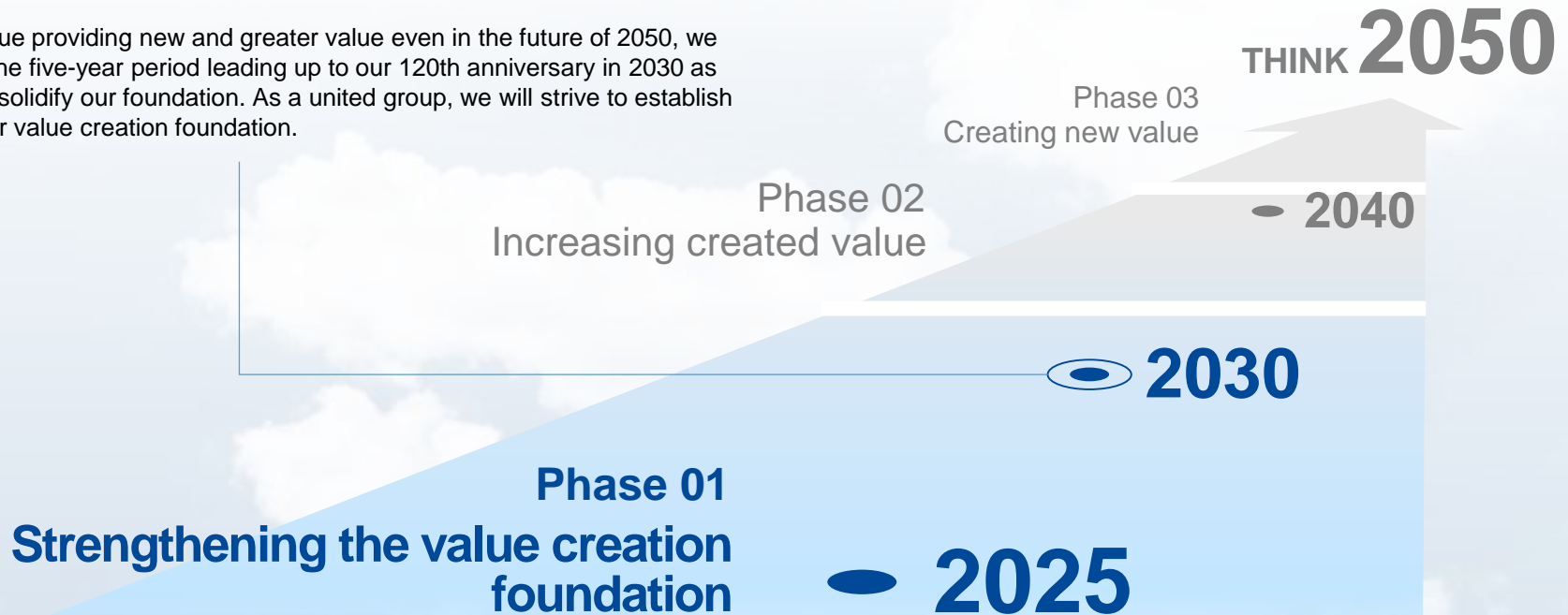
Vision 120

Fiscal Year Ending March 2030 Key Financial Indicators

Sales	Operating profit	Ordinary profit
1,200 billion yen	70 billion yen	72 billion yen
EBITDA	ROE	D/E ratio
135 billion yen	8.5%	0.7 _x

CREATING THE FUTURE THROUGH PACKAGING

To continue providing new and greater value even in the future of 2050, we position the five-year period leading up to our 120th anniversary in 2030 as a time to solidify our foundation. As a united group, we will strive to establish a stronger value creation foundation.



Cash allocation

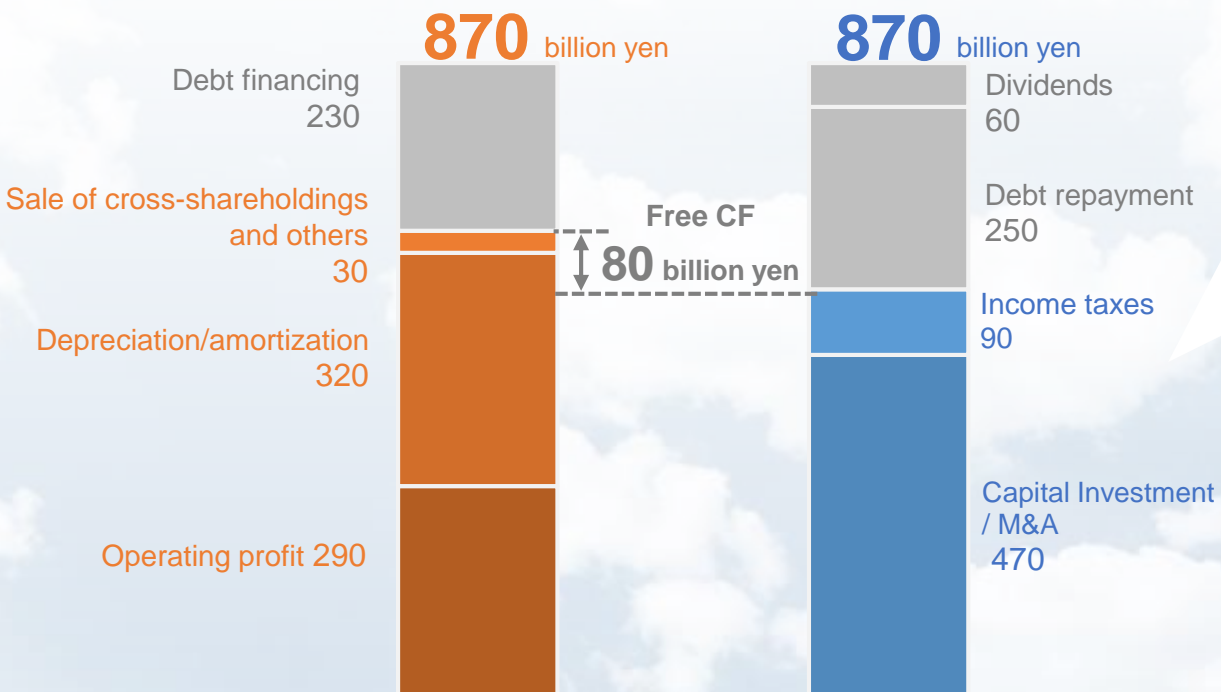
Over the cumulative period of this Vision120 (FY3/2026 to FY3/2030), we plan to achieve a free cash flow of 80 billion yen (cumulative sales of 5.4 trillion yen, FCF margin of 1.5%). For capital investment and M&A, we plan to allocate 55% to foundational investments, 10% to sustainability investments, 20% to growth investments, and 15% to relocation and renewal. Additionally, we aim to implement a progressive dividend policy targeting a dividend payout ratio of 30% by the end of FY3/2030, and we will proceed with the sale of cross-shareholdings to reduce their ratio to below 10% of net assets.

Cash inflows and outflows over the five-year cumulative period

3/2026 – 3/2030

Cash inflows

Cash outflows



Cash Allocation Policy

Dividend of retained earnings

Progressive dividends aiming for increases in line with profit growth

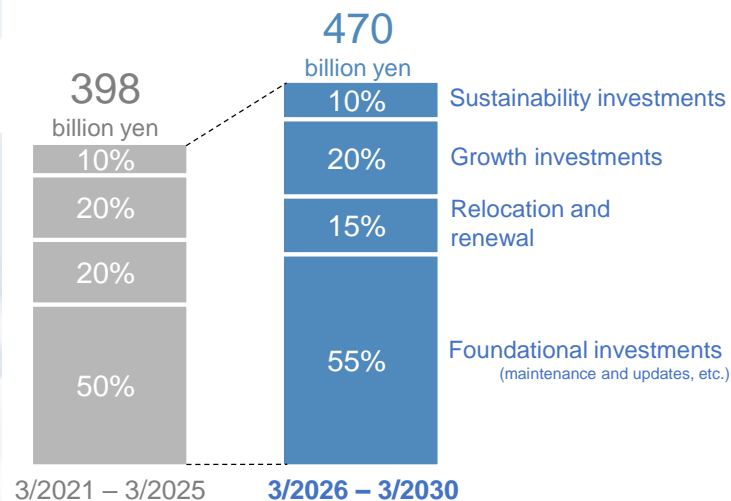
Dividend payout ratio of **30%** by the end of FY3/2030

Sale of cross-shareholdings

Reducing to **< 10%** of net assets by the end of FY3/2030

Breakdown of capital investment and M&A

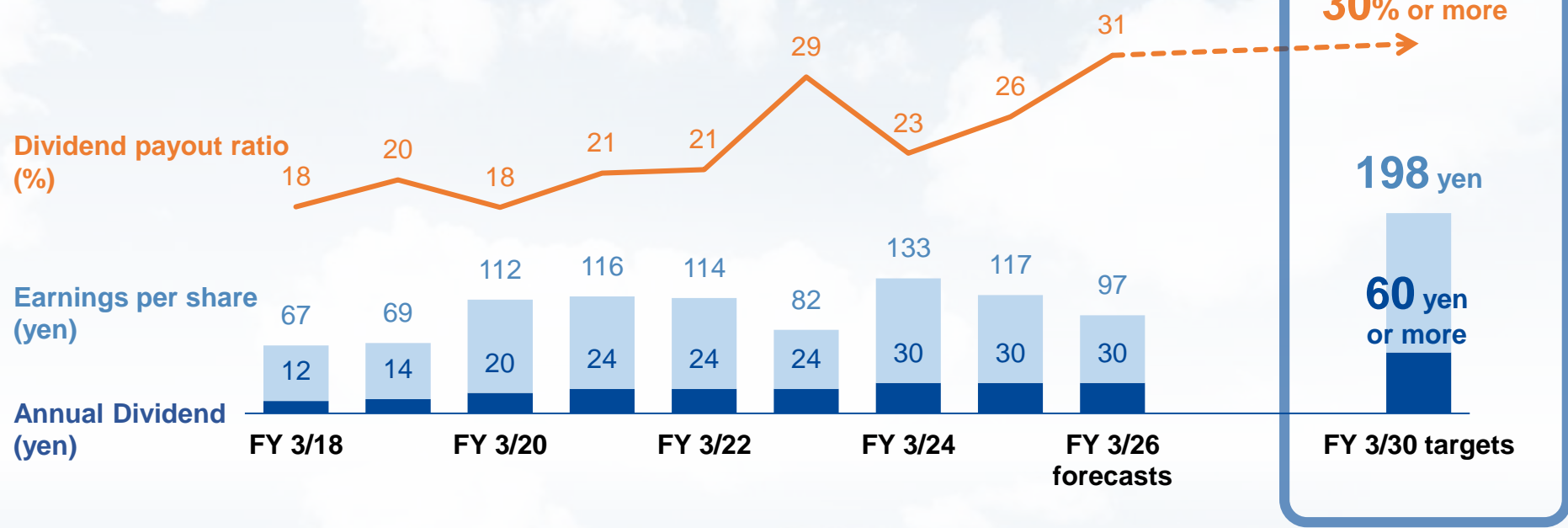
Comparison with the cumulative total of the most recent five years



Policy of dividend payout and stakeholder dialogue

Dividend policy

Progressive dividend is the basic policy aiming to increase payouts in line with profit growth while maintaining continuous and stable payments with comprehensive and long-term consideration of performance trend, financial conditions, future business development, and other factors.



Dialogue Policy

We will work to increase corporate value sustainably through **constructive dialogue** with stakeholders.

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Rengo Co., Ltd.

Nakanoshima Central Tower, 2-2-7, Nakanoshima, Kita ku, Osaka, Japan 530-0005

<https://www.rengo.co.jp>

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