



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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1. Rengo Group's corporate management

1. Rengo Group's corporate management
2. Our understanding of "Management taking capital cost and stock price into consideration"
3. Market valuation and capital cost

With the **human-capital approach**—human-centered approach—as the pillar of our corporate management, we will continuously achieve a “**virtuous cycle of growth and distribution**” with a linkage of increased **total factor productivity** and the next stage of growth through appropriate distribution to employees, as well as we will fulfill our **corporate social responsibilities** through our business activities by making the **ESG management** advance even more, which includes reducing our environmental impact, promoting diversity and inclusion (D&I), and ensuring appropriate transactions and legal compliance, while also actively engaging in digital transformation (DX).

2. Our understanding of “Management taking capital cost and stock price into consideration”

1. Rengo Group's corporate management
2. Our understanding of “Management taking capital cost and stock price into consideration”
3. Market valuation and capital cost

Capital cost

Our perception of capital cost is a metric regarding corporate activities including investment and financing which leads to corporate valuation improvement through the increase in profitability and cash flow in the future as the expected rate of return of stakeholders.

Corporate valuation

We are aware that there are some corporate valuations taking PBR into account as one of their criteria, meanwhile we will make efforts to manage our businesses from an overall perspective and to improve corporate value over the medium- to long-term, so as not to be influenced by specific metrics.

3. Market valuation and capital cost

Market valuation and capital cost

At the end of FY2023

Market capitalization	317 bn yen
Stock price	1,170 yen
Net assets	439 bn yen
Price book-value ratio (PBR)	0.7 x
Return on equity (ROE)	8.3 %
Cost of equity capital*	4.4 %

* Cost of equity capital calculation using CAPM method

0.73	+	0.66 (Note 1)	×	5.63 (Note 2)	=	4.42
Risk-free rate		Beta (β)		Risk premium		Cost of equity capital
Interest rate of risk-free assets		Elasticity of the stock price to TOPIX		Excess return on investment in risky assets (stocks)		
(Ten-year government bond yield)		(Calculated using past ten years' results)		(Considering overall stock market returns)		

(Note 1) Blume-adjusted coefficient

(Note 2) Source: Damodaran's Equity Risk Premium (January 2024)

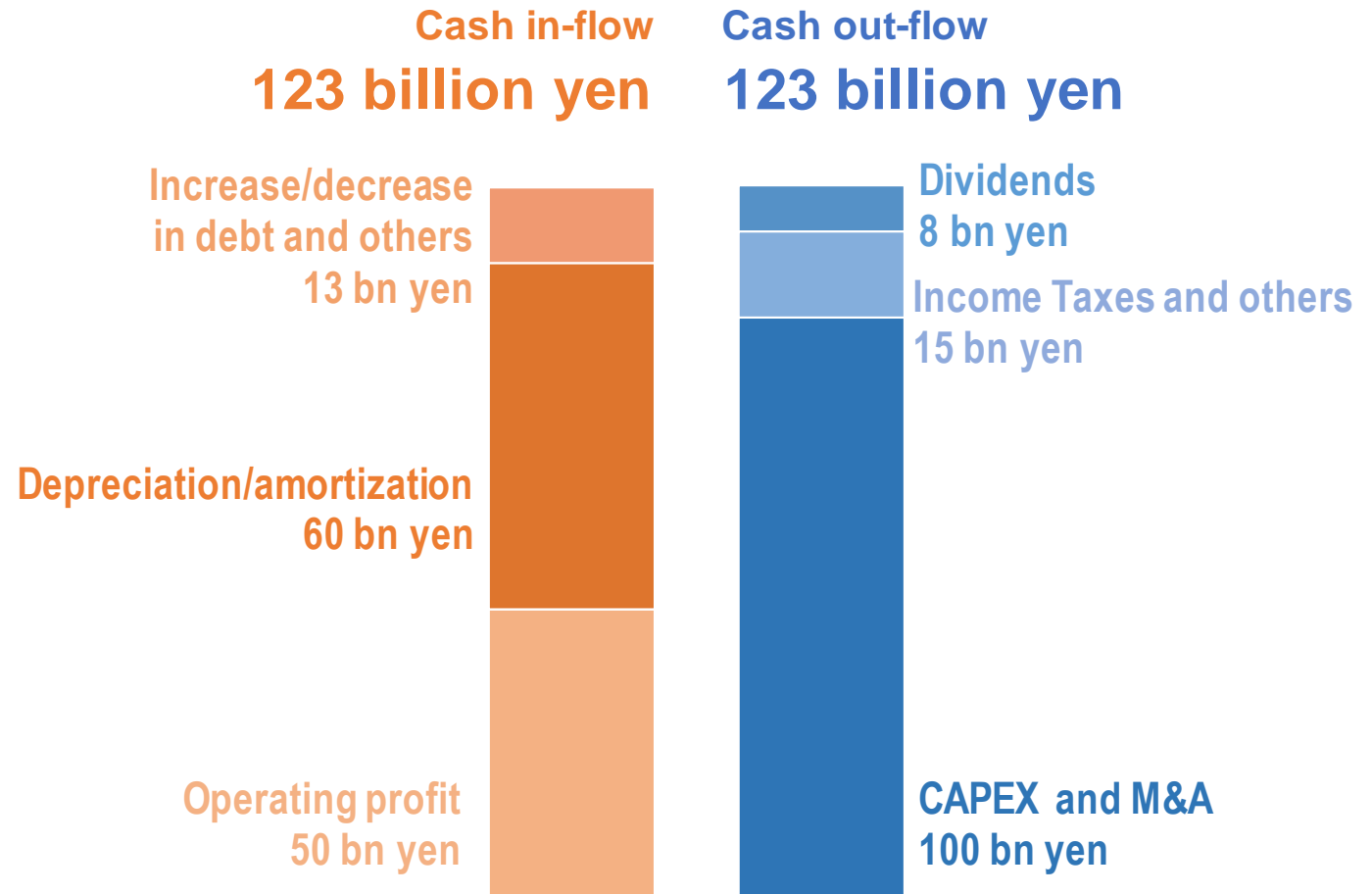
1. Cash flow allocation in FY2024

1. Cash flow allocation in FY2024

2. Breakdown of cash flows from investment activities in FY2024

3. Projection of capital composition in FY2024

Balance of cash in-flow and out-flow



2. Breakdown of cash flows from investment activities in FY2024

Breakdown of CAPEX and M&A (100 billion yen)



Investments in maintenance of infrastructure

60%

- Enhancing the stable supply base of products in existing businesses



Growth investments **30%**

- Growth measures through investments, loans and M&A—expansion of overseas businesses, initiatives to accelerate promotion of environmentally friendly products, etc.

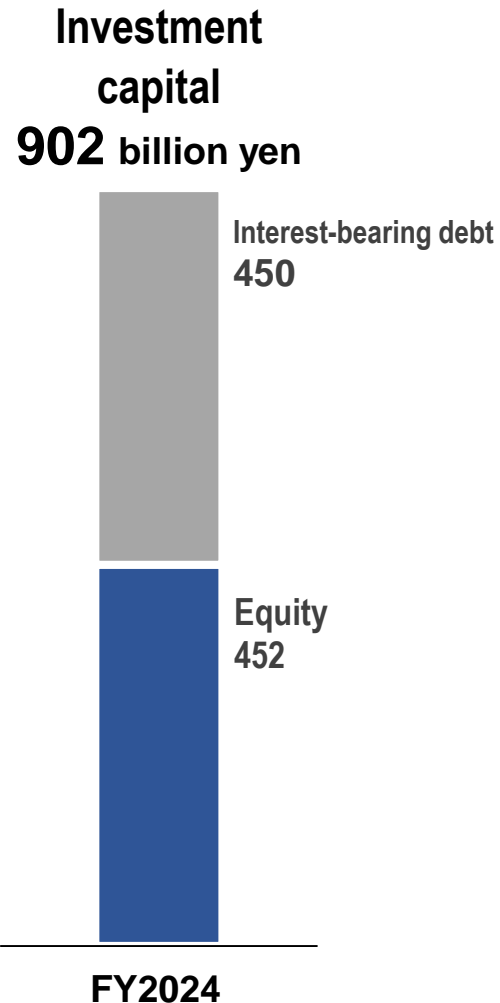


Sustainability investments **10%**

- Reducing GHG emissions through energy conversion
- Improving the workplace environment
- DX etc.

3. Projection of capital composition in FY2024

1. Cash flow allocation in FY2024
2. Breakdown of cash flows from investment activities in FY2024
3. Projection of capital composition in FY2024



- Investment capital
 $\text{Equity}^* + \text{Interest-bearing debt} = 902 \text{ billion yen}$
*Equity
 $= \text{Net assets (467 bn yen)} - \text{Non-controlling interests (15 bn yen)}$
- D/E ratio
 $\text{Interest-bearing debt} / \text{Equity} = 1.00x$

Financial discipline

To sustain the D/E ratio < **1.5x**

1. To realize growth strategy

1. To realize growth strategy

2. Policy of dividend payout and stakeholder dialogue

Packaging Provider



“Less is more.”

With the human-capital (human-centered) approach as the pillar of our corporate management, we aim to further expand hexagonal business structure by improving total factor productivity, and work to solve various social issues with "Less is more." in mind. We will continue to work towards establishing a sustainable value chain.

We are currently formulating the **next vision** (from FY2025 to FY2029) of which completion will be announced publicly.

2. Policy of dividend payout and stakeholder dialogue

1. To realize growth strategy

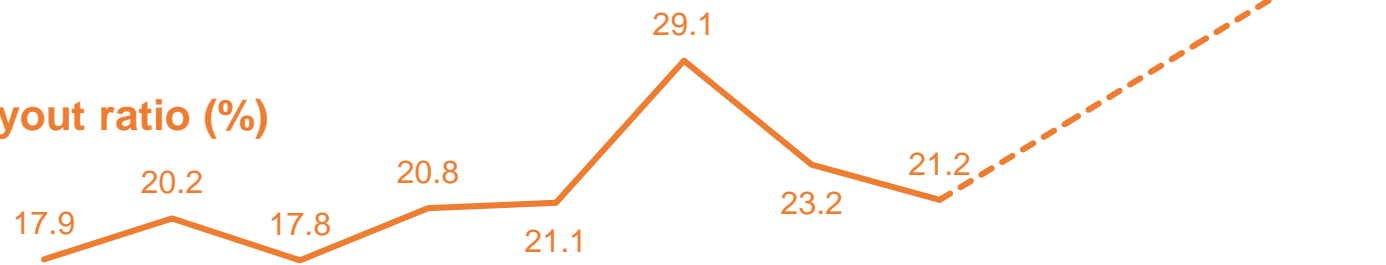
2. Policy of dividend payout and stakeholder dialogue

We are aware that shareholders are one of the important multi-stakeholders for the company.

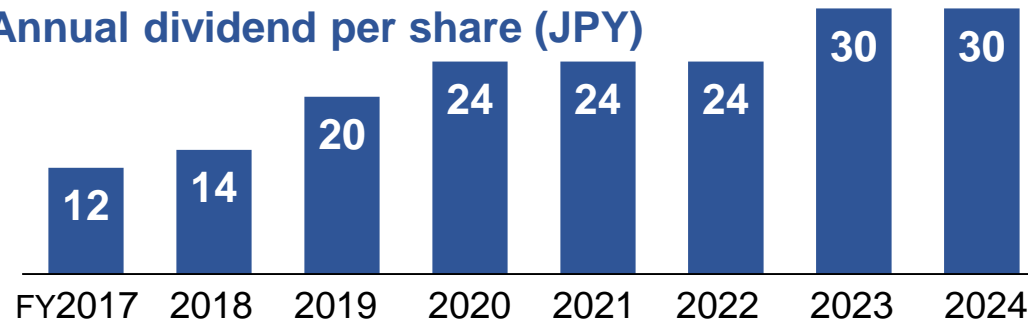
Dividend policy

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.

Payout ratio (%)



Annual dividend per share (JPY)



Dialogue policy

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

Rengo Co., Ltd.

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The description of the business plan and the financial forecasts is based on the information currently available.
Any forward-looking information is not a guarantee of future performance.