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Notice Concerning Progress of the “Kanachu Group Medium-term Management Plan (FY2024 – FY2026)”

Kanagawa Chuo Kotsu Co., Ltd. (the “Company”) hereby announces the progress of its “Kanachu Group Medium-term Management Plan (FY2024 – FY2026),” which was announced in April 2024.

1. Long-term Vision “Vision 2030 NEXT Kanachu”

Looking to bring to reality our vision, which is “To continue meeting the diverse needs of our customers, we will flexibly respond to the changing times and continue to take on the challenge of creating new services,” in April 2023 the Group announced “Vision 2030 NEXT Kanachu: Aspiring to be a local value-creating company,” the final year of which is set as FY2030.

This long-term vision sets forth three policies, namely, “**to create local value,**” “**to rebuild our business portfolio,**” and “**to promote sustainability management.**”

2. Progress of the “Kanachu Group Medium-term Management Plan (FY2024– FY2026)”

In April 2024, we launched our Medium-term Management Plan for the three-year period ending in FY2026, positioning it as the first stage of a “Leap Forward Phase” toward the realization of our long-term vision, and addressing the following three priority issues and three key strategies.

(1) Three priority issues and three key strategies

1) Realize sustainable mobility services

Although we have been able to successfully conduct field trials relating to autonomous driving and demand-responsive transport (DRT), as well as reduce the number of drivers through the reorganization of routes, and also improve customer convenience through the digitization of tickets, we are facing a variety of challenges, including those relating to the systems and profitability of introducing autonomous driving into society, maintaining local public transportation options in spite of driver shortages, and the prolonged nature of discussions with

regional governments regarding the reorganization of routes.

In 2026 and the months ahead, we will continue to conduct field trials for autonomous driving and DRT, and continue to discuss options for route reorganization with regional governments as part of efforts toward the realization of sustainable mobility services through the maintaining and improvement of the local transportation network.

2) Strengthen the real estate-related domain

While we have been able to expand our business through M&A in the real estate and building management businesses, strengthen our profit base in the Yokohama and Shonan areas through the opening of brokerage offices, and maintain or improve asset value through repair works, we are facing certain challenges, including the need to revise plans in response to soaring construction costs, responding to fluctuations in the market resulting from stubbornly high property prices and rising interest rates, and the necessity of strengthening profit management in order to ensure that we can maintain the profitability of our investments.

In 2026 and beyond, we will look to revise plans for our various development projects in direct response to market fluctuations as part of efforts to deliver sustainable growth in the real estate business.

3) Contribute to “enriching lives”

We have been successful in efforts to build new relationships with external partners, promoting initiatives aimed at improving people's health, strengthening collaborations with sporting organizations, and building local support systems. However, challenges remain, including the need to make greater use of local resources, making more room for collaborations, improving awareness of our initiatives, and tackling the issue of advancement dissemination of information on our side.

In 2026, we will look to further contribute to “enriching lives” by continuing to provide value to local communities, including through the utilization of local resources, collaborations with tourism organizations, health improvement initiatives, and efforts to promote the creation of opportunities for people to engage in activities outside the home and workplace.

4) Environmental strategy

We have been successful in efforts to expand EV numbers and the introduction of renewable energy infrastructure, in meeting CO2 emissions reduction targets for 2026 ahead of schedule, in helping cultivate an environmentally conscious mindset and in promoting environmental conservation activities. However, we have also continued to face challenges, including increased costs associated with the introduction of infrastructure, increased on-site workloads, finding ways to optimize and boost efficiency in energy management operations, and verifying and clarifying the results/effects of our investments.

In the coming period, we will look to contribute to the realization of a decarbonized society through efforts to optimize and boost the efficiency of our energy usage, which we hope to achieve through, among other means, the full-scale roll-out of our energy management system (EMS) and by promoting increased use of renewable energy.

5) Human resources strategy

Although we have been able to make improvements with regard to the issue of turnover by implementing better compensation for employees, to improve retention rates by increasing the scope of our initiative to employ senior drivers with more diverse working styles, and to increase employee comfort through improvements to the working environment, certain challenges remain, including: an increasing shortage of bus drivers with an increasing average age of existing drivers, intensifying competition in attracting and keeping employees, securing of specialized staff, and the impact of maintaining and advancement well-being.

From 2026 and beyond, we will look to strengthen our ability to retain human resources by improving compensation and expanding the scope of our various employment initiatives, to make greater use of more diverse human resources, including increasing the number of non-Japanese national employees, to promote better health management, and to improve support systems for employees.

6) Digital strategy

We have succeeded in efforts to improve our IT infrastructure and our capability to utilize generative AI, to standardize systems and to promote the digitization of business operations, and to bolster our security systems through revisions to our business continuity plan (BCP). However, we still have challenges to overcome, including tackling a shortage of human resources capable of implementing our digital initiatives, building systems for promoting digital transformation (DX), moving on from the proof of concept stage in our use of generative AI to one of putting such efforts into practice, and the necessity of further responding to the increasing sophistication of cyber-related risks.

From this year forth, we will look to establish a Group-wide digital promotion system, transform our business model—beginning with next-generation mobility delivered through the use of generative AI and the latest technologies—and strengthen our response to the threat of cyber attacks, which have become more serious in recent years, from both a systematic and organization perspective.

(2) Numerical plans

Results in FY2025 amounted to operating profit of 6.7 billion yen and profit of 3.6 billion yen, exceeding plans due to lower depreciation in the passenger automobile business and higher unit sales prices in the automobile sales business.

For FY2026 and beyond, the Company anticipates a growth in revenue in the passenger automobile business and automobile sales business, and plans to grow steadily toward the FY2030 target.

(Million yen)

	FY2024 (Initial plans)	FY2024 (Actual)	FY2025 (Initial plans)	FY2025 (Actual)	FY2026 (Initial plans)	FY2026 (Forecast)
Net sales	113,300	118,149	115,000	126,773	122,000	129,700
Operating profit	4,520	7,388	4,800	6,776	6,000	6,200
Ordinary profit	4,420	7,745	4,500	6,664	5,600	5,630
Profit attributable to owners of parent	3,600	5,083	2,500	3,619	3,600	3,730
Operating profit margin	4.0%	6.3%	4.2%	5.3%	4.9%	4.8%
EBITDA	10,370	12,974	11,600	13,233	13,600	13,570
Net interest - bearing debt	77,140	61,876	84,000	72,267	92,600	83,950
Net interest - bearing debt/EBITDA ratio	7.4x	4.8x	7.2x	5.5x	6.8x	6.2x
Return on equity (ROE)	6.5%	9.1%	4.4%	6.0%	6.0%	6.0%
Capital investments	20,350	13,509	10,500	15,025	18,600	14,310

(Reference) Numerical plans by segment

1) Passenger automobile business

(Million yen)

	FY2024 (Initial plans)	FY2024 (Actual)	FY2025 (Initial plans)	FY2025 (Actual)	FY2026 (Initial plans)	FY2026 (Forecast)
Net sales	56,790	57,219	57,100	57,908	57,700	59,870
Operating profit	1,790	2,799	1,700	2,232	2,100	2,240
Operating profit margin	3.2%	4.9%	3.0%	3.9%	3.6%	3.7%
Capital investments	13,190	11,326	6,900	8,725	6,700	8,060

(Difference from initial plans)

- Although depreciation and personnel expenses increased due to expand capital investments and efforts to improve compensation, revenue and profit both increased due to increased compensation for the municipal senior passes.
- Capital investments increase due to revisions to plans for vehicle purchases.

2) Real estate business

(Million yen)

	FY2024 (Initial plans)	FY2024 (Actual)	FY2025 (Initial plans)	FY2025 (Actual)	FY2026 (Initial plans)	FY2026 (Forecast)
Net sales	7,420	6,723	7,900	6,842	12,400	10,250
Operating profit	1,800	2,179	1,800	1,588	2,300	1,980
Operating profit margin	24.3%	32.4%	22.8%	23.2%	18.5%	19.3%
Capital investments	1,720	963	2,400	1,898	8,700	3,260

(Difference from initial plans)

- Decrease in both revenue and profit on account of revised condominium plans and repair expenses.
- Capital investments fluctuate due to revision of plan timing for new lease properties and increases in construction costs.

3) Automobile sales business

(Million yen)

	FY2024 (Initial plans)	FY2024 (Actual)	FY2025 (Initial plans)	FY2025 (Actual)	FY2026 (Initial plans)	FY2026 (Forecast)
Net sales	33,660	38,586	34,100	44,907	34,600	41,930
Operating profit	410	1,405	400	1,687	500	1,050
Operating profit margin	1.2%	3.6%	1.2%	3.8%	1.4%	2.5%
Capital investments	960	812	100	148	100	170

(Difference from initial plans)

- Revenue and profit increase due to increases in the number of vehicles sold and income from vehicle maintenance services.

4) Other businesses

(Million yen)

	FY2024 (Initial plans)	FY2024 (Actual)	FY2025 (Initial plans)	FY2025 (Actual)	FY2026 (Initial plans)	FY2026 (Forecast)
Net sales	29,800	30,788	28,200	30,121	29,200	29,810
Operating profit	970	1,375	1,000	1,602	1,100	1,320
Operating profit margin	3.3%	4.5%	3.5%	5.3%	3.8%	4.4%
Capital investments	4,900	737	1,100	4,530	3,100	2,960

(Difference from initial plans)

- Revenue and profit increase due to increase in number of orders in the commercial vehicle customization business.
- Fluctuation in capital investments due to the timing deviation for office and plant relocation work in the commercial vehicle customization business.

3. Target management indicators

In order to ensure financial soundness and to engage in management with steady profit growth and cost of capital in mind, we have established the following management indicators as our target values and aim to realize our long-term vision.

Management indicators		FY2026 (Planned)	(Reference) FY2030 (Targets)
Profit growth	Operating profit	6.0 billion yen	7.6 billion yen+ (Record high profit)
Ensure financial soundness	Net interest - bearing debt/EBITDA ratio	6x range	5x range
Management conscious of capital cost	Return on Equity (ROE)	6% level	7% level