

## **“Management That Is Conscious of Cost of Capital and Stock Price”**

### **Case Studies of Companies’ Initiatives Toward Issue Resolution**

Tokyo Stock Exchange, Inc.

Dec. 26, 2025

1st ed.



Note: The examples in this material are provided solely for informational purposes as a reference for listed companies that are considering management that is conscious of cost of capital and stock price, and are not intended as a solicitation to invest in specific stocks or for any other purpose.

# Introduction: Purpose of the Case Studies and How to Use Them

## Purpose

- ◆ This publication is a collection of **case studies of the initiatives of listed companies that successfully resolved the issues that they faced when facilitating “management that is conscious of cost of capital and stock price.”**
- ◆ We hope that the management, IR staff, and planning departments at listed companies will use the case studies as **a reference to gain insights into and specific approaches to resolving the issues at their companies.**

## How to Use

- ◆ The table of contents (p. 2) shows **each company studied and the key issues that it faced. Please read the case study of the company that faced similar issues to yours.**

### (Ref.) Key Issues Faced by Companies

#### (1) Changing Mindsets / Spreading Awareness Within the Company

The company's management and its board of directors are not making any progress on considering initiatives because they lack an awareness of the issues and a sense of urgency.

Since the business and other divisions lack an awareness of the balance sheet, it is difficult to spread an awareness throughout the company.

#### (2) Identifying / Effectively Using Cost of Capital

The company calculated its cost of capital using CAPM, but investors say it is too low.

The company has identified its **cost of capital**, but it is not being used to **make management decisions**, such as investment decisions and the allocation of management resources.

#### (3) Setting a Medium- to Long-Term Capital Policy

The company does not know investors' expectations or the criteria to use when making decisions regarding the balance between growth investments, shareholder returns, and internal reserves.

Coordination is difficult because there are many directors and departments involved, not only in the financial affairs division but also in the corporate planning and business divisions.

#### (4) Information Disclosure That Is Well-Received by Investors

The company hesitates to disclose targets and initiatives that are under consideration because it is not convinced that they will meet investors' expectations.

It is difficult for the company to present a convincing narrative to investors regarding its initiatives and capital policies.

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Three factors came together nicely to bring about significant progress in management’s reforms to enhance corporate value

Spreading “investors’ perspectives” within the company as the foundation for reforms

Following two-way dialogue with investors, the company crafted its PBR improvement story and won their confidence



## ITOKI CORPORATION

<https://www.itoki.jp/en/>

Est.: 1890

Mkt.: Prime (7972)

Industry: Other Products

Sub-Index: TOPIX Small

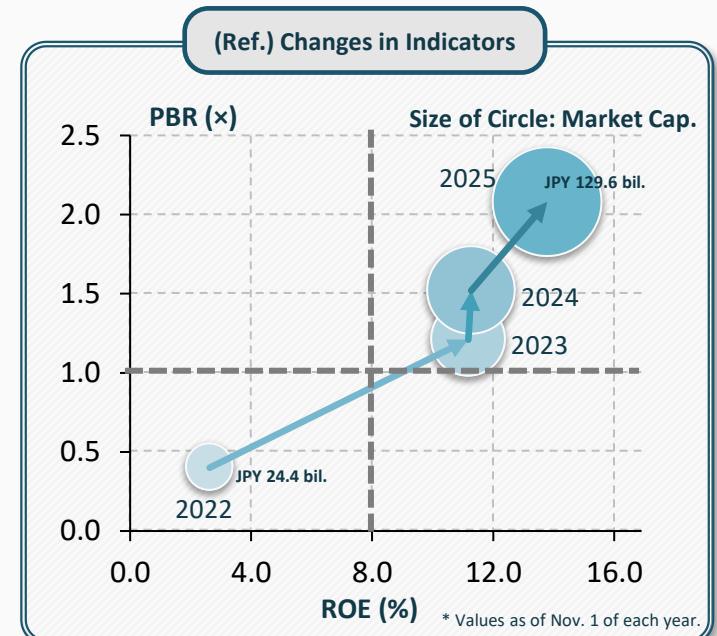
No. of Employees: 3,957 (Group), 2,427 (Parent)  
(As of Dec. 31, 2024)

### Background

A sales-for-sales'-sake mentality and a mindset that “the market determines a stock’s price” had firmly taken root

Internal discussions revealed that while the company’s staff were obsessed with sales figures, they **lacked an awareness of its cost of capital and stock price**. They also revealed that a **mindset had taken root that “the market determines a stock’s price”** and that the company’s floundering stock price was **somebody else’s problem**. In addition, the company had continued to fall short of its earnings forecasts, and it had been **losing investors’ confidence** as a result of its lax commitment to its goals and its low awareness of IR.

Amid such circumstances, a sense of crisis began to grow under the leadership of the new company president that had assumed office in 2022, and the company began implementing **management reforms that took investors’ perspectives into account**.



## Initiatives

### Building a structure to spread “investors’ perspectives” within the company and serve as the foundation for reforms

#### Restructuring the IR department to allow investors’ perspectives to flow into the company

After the new company president took office in 2022, the company restructured its IR department so that it reported directly to the president. It also strengthened its IR system and developed a system/environment that made it easier for the knowledge gained through IR to be shared with management.

#### Improving directors’ awareness through study groups and regular reports

Since June 2023, the company has invited its IR staff and institutional investors to speak at **regularly held study groups** on “management that is conscious of cost of capital and stock price” that are geared toward executive officers and higher-ranking executives. In addition, initiatives and progress regarding “management that is conscious of cost of capital and stock price” are regularly reported and discussed at the company’s board of executive officers’ meetings and board of directors’ meetings. The purpose of such reports and discussions is **to raise executives’ awareness and instill in them an awareness that they are interested parties**.

#### [Contents of Executive-Level Study Group]

- TSE’s Request Regarding “Management That Is Conscious of Cost of Capital and Stock Price”
- Understanding/Analysis of Stock Price and Various Indicators (e.g., PBR, ROE)
- Institutional Investors’ Expectations of the Company, and so on



#### Spreading awareness within the company through town hall meetings and the company webzine

As an opportunity to deepen its employees’ understanding, the company **holds a town hall meeting about twice a year**, where its business performance, the contents of the company’s disclosures and the progress that has been made on “management that is conscious of cost of capital and stock price,” the price of the company’s stock, and other information is shared. In addition, the **company webzine is used** to regularly update employees on the company’s IR activities, stock price trends, and other matters.



[Town Hall Meetings Are Periodically Held]



[Information Dissemination Through the Company Webzine]

#### Corporate Rep’s Remarks

Particularly with regard to **spreading awareness to employees and workplaces**, we try not to tie them down to precise numerical targets but instead **focus on demonstrating top management’s commitment and using broad brushstrokes to share its course of action and way of thinking**. We would like to create a natural environment where labor and management are pointed in the same direction and working to achieve improvements in corporate value.

(Images provided by ITOKI)

### Initiatives

#### The company intentionally set a higher cost of capital after interviewing institutional investors and confirming their expectations

The company's cost of capital, which was calculated using the common CAPM, was in the 7% range, but since it had a low market capitalization and liquidity at the time, it questioned whether it could use such a figure as it was, so it **held interviews with its major institutional investors (10 companies)**. As a result, the company recognized that it needed to set a higher cost of capital in order to meet investors' expectations, so it intentionally adopted a stricter range of 9% to 10%.

#### Corporate Rep's Remarks

There are various ways of looking at cost of capital, and there are some investors who say they are looking lower. However, we **intentionally set ours higher in order to show our commitment to widen our equity spread**.

#### The company crafted its PBR improvement story after thoroughly analyzing its current state and engaging in dialogue with investors

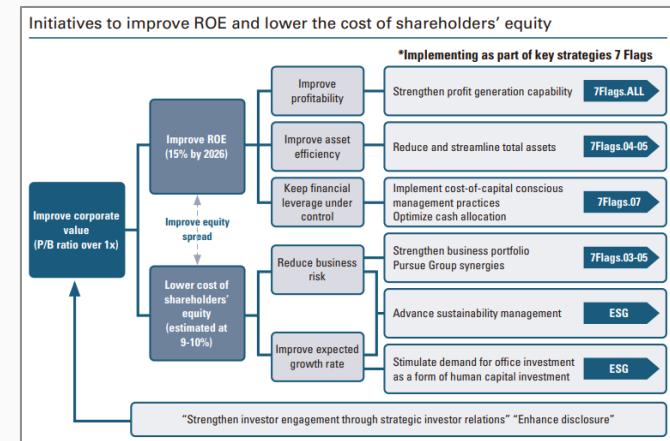
First, the company analyzed its current state from various angles, including **past changes in the values of various indicators (e.g., PBR, PER)**, **comparisons with rival companies**, and **provisional calculations of theoretical stock prices (e.g., DCF method, multiples approach)**. In addition, in order to improve its PBR, the company broke it down into ROE, PER, and their components and sorted out how the initiatives in its then medium-term management plan were related to each of the components.

Based on such an analysis, the company conducted a series of interviews with institutional investors and **carefully ascertained their evaluations and expectations of the company**. Following such **two-way, interactive dialogue**, the company crafted its **PBR improvement (i.e., corporate value improvement) story**, which reflected actual market conditions and investors' perspectives, and disclosed it as a logic tree in its new medium-term management plan (released in 2024).



### Results

- The executives' and employees' understanding and awareness of "investors' perspectives" steadily improved, and management and labor acted as one to advance the company's initiatives
- Investors noticed the company's sincere efforts to improve its PBR, and its market value improved
- Through interactive dialogue, the company developed a trusting relationship with investors (i.e., the company began to regularly receive advice from them)



[Logic Tree Disclosed in ITOKI CORPORATION's New Medium-Term Management Plan (released in 2024)]

Source: ITOKI CORPORATION "Integrated Report 2024"

The company boldly took a step forward despite its limited resources

The company's IR system was built from scratch, and dialogue drove the evolution of its initiatives and information disclosures

## TIMELESS WORK. **SANYO SHOKAI LTD.** SANYO

<https://www.sanyo-shokai.co.jp/en/>

Est.: 1942

Mkt.: Prime (8011)

Industry: Textiles & Apparels

Sub-Index: TOPIX Small

No. of Employees: 1,149 (Group)

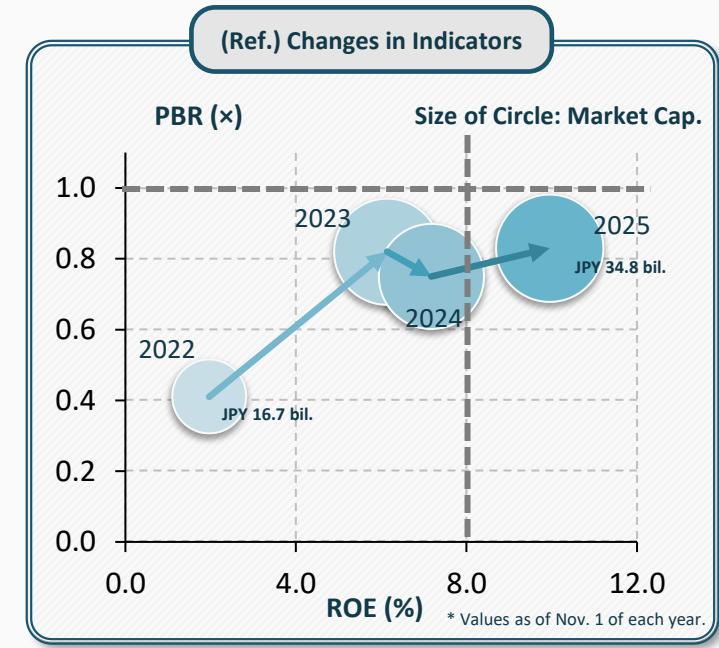
(As of Feb. 28, 2025)

### Background

**The company had no IR system, minimal information dissemination, and minimal IR response, so its shareholders and investors began to demand improvements**

Within the company, there was a **lack of awareness of open communication with shareholders/investors**, and **investors could not easily access the information they needed** from the corporate website because problems with its outdated design and incomprehensible layout had been left unaddressed for a long time. In addition, the company **did not have a full-time IR department and could only minimally respond to external inquiries**.

Amid such circumstances, and in response to the company's poor earnings since 2016, **more and more shareholders/investors began to demand that the company make a more detailed explanation of how it would enhance its corporate value**. In addition, when companies transferred to the new market segments in 2022, the company did not meet the new continued listing criteria (i.e., tradable share market capitalization of JPY 10.0 bil.) for the Prime Market. In spite of this, **top management decided to "use maintaining Prime Market listing as leverage to further accelerate business structure reforms" and began to make efforts to enhance corporate value through management that openly communicates with shareholders/investors**.



### Initiatives

## Top management's decision resonated with an employee and gave birth to "IR reforms from scratch"

### Sharing top management's determination, an employee proposed the establishment of a full-time IR department

In response to top management's strong commitment to "use maintaining Prime Market listing as leverage to further accelerate business structure reforms," **an employee who shared management's sense of crisis proposed that the company should establish a full-time IR department because otherwise it would not be able to stay afloat.** The company's management understood the need for such a department and established a full-time IR department consisting of two employees, including the one who proposed the idea.

In addition, placing the IR department directly under the Corporate Management HQ enabled the IR department to conduct IR from management's perspective as well as to flexibly provide management with the information that it gained through dialogue.

### Compensating for a lack of resources and technical know-how by utilizing an external partner and prioritizing

In order to overcome the issues of limited human resources and a lack of technical know-how, the company **proactively utilized the services of an external partner** for such needs as transcribing earnings briefings, performing sponsored research, and developing websites. Since the company lacked the technical know-how, the external partner **provided support, selected the accompanying service providers**, and collaborated with them to enhance the quality and quantity of the company's information dissemination.

In addition, since it was unrealistic for the company's IR response to be as comprehensive as a large corporation's, **the company imagined who its target investors were, prioritized its IR measures, and made it a policy to conduct IR starting from the measures with the highest priority.** Specifically, the company completely revamped its existing corporate website to serve as a foundation for dialogue with investors and developed an environment where investors could quickly and easily access the information that they needed. In addition, the company also committed itself to making disclosures in English to attract the interest of overseas investors.

### (Ref.) Special Feature: Interviews with Sanyo Shokai

#### TSE Money-bu! "This Is IR! Stories Connecting Companies and Investors"



- #1: [Sanyo Shokai CEO Shinji Oe Discusses the Leading Apparel Firm's Escape from a Crisis and Its Establishment of an IR Department](#)
- #2: ["What's IR? A Casino?" Sanyo Shokai's IR Department Started From Scratch](#)
- #3: [Searching for Partners and Disclosing in English: "Foundation Building" by Sanyo Shokai's Hard-Working IR Department](#)
- #4: [IR Was Indispensable to Sanyo Shokai's Growth: The Future That It Sees Ahead](#)

<https://money-bu-jpx.com/special/investorrelations/>  
(in Japanese only)

### Initiatives

#### Investor feedback spurred management to act: dialogue drove the evolution of the company's initiatives and information disclosures

**The company decided not to pursue perfection at the outset, but instead to disclose its ideas at that particular moment**

As the COVID-19 pandemic subsided and the company's business environment improved, **investors began to demand that the company effectively use the extra cash that they had given it and manage with an awareness of capital efficiency**. However, the company only had a **limited amount of technical know-how and resources** to respond to such investors' expectations.

So, the company decided **not to waste time aiming for perfection from the outset but to engage in dialogue with investors and refine along the way**. Under this assumption, the company decided **first to disclose its ideas at that particular moment, so it disclosed its ROE target and its balance sheet management policy to achieve such a target**.

#### Corporate Rep's Remarks

**We regularly report on investor feedback at board of directors' meetings**. So that the feedback can quickly be reflected in management decisions, **we do not merely make a report. We also propose an improvement plan** (e.g., course of action, department in charge, deadline for response).

In addition, our company president participates in meetings with key investors. When top management understands investor feedback, it leads to **more productive discussions at board meetings and quicker and sounder management decisions**.

#### Results

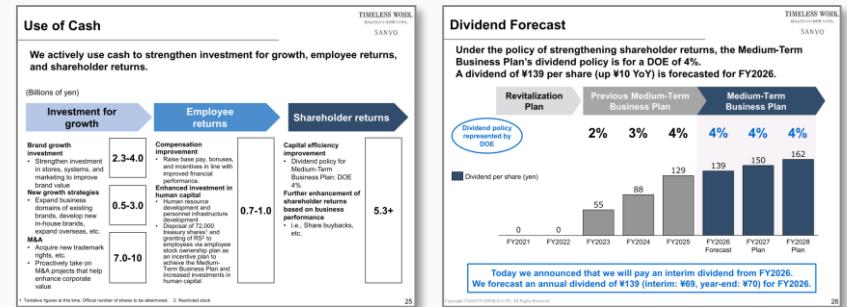
- By beefing up its information dissemination (e.g., website renewal, English disclosures), the company was able to deepen investors' understanding of the company and improve the quality of its dialogue with them
- Through targeted measures, the company was able to expand its investor base and increase opportunities for dialogue (e.g., it conducts about 100 one-on-one meetings per year)
- By making disclosures with an understanding of the key points and refining after talking with investors, the company was able to build trusting relationships with them
- Through its progress toward balance sheet management, the company was able to improve its capital efficiency

#### Collecting feedback from two-way dialogues and refining

Based on its disclosure, the company proactively pursued two-way communication with investors through briefings and one-on-one meetings and collected their opinions.

Since the company received feedback asking it to make a more detailed disclosure of how it used cash for growth investments and to disclose its medium-to long-term dividend policy, it made such disclosures in its Medium-Term Business Plan (released in Apr. 2025).

[Based on Investor Feedback, the Company Expanded Its Disclosures]



Source: SANYO SHOKAI LTD. "Medium-Term Business Plan to Fiscal 2028"

Management reforms to deemphasize “amounts” and emphasize “rates/efficiencies”

The company both improved its capital efficiency and achieved medium- to long-term growth and became a “growth stock” again

Eat Well, Live Well.



**Ajinomoto Co., Inc.**

<https://www.ajinomoto.com/>

Est.: 1909

Mkt.: Prime (2802)

Industry: Foods

Sub-Index: TOPIX Large 70

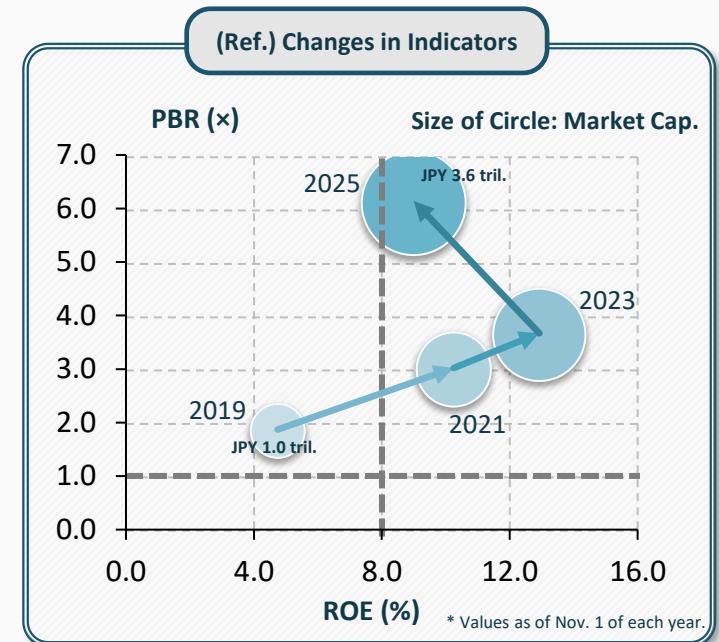
No. of Employees: 3,627 (Parent), 34,860 (Group)  
(As of Mar. 31, 2025)

## Background

Internal discussions overemphasized “amounts.” Due to the company’s misalignment with investors’ perspectives, its stock price floundered, and growth investors fled

Until the latter half of the 2010s, internal discussions were focused on increasing such “amounts” as sales and profits, and not enough attention was paid to “rates/efficiencies” such as achieving a capital efficiency that exceeded the cost of capital. As a result, the company’s policies became bland and attempted to please everyone. Following a slowdown in growth and major impairment losses in 2019, the company’s stock price floundered, and growth investors fled.

The top management at the time strongly felt a sense of crisis regarding such circumstances. Under their leadership, the company recognized its misalignment with investors’ perspectives and began to make efforts at management reforms emphasizing capital efficiency.



### Initiatives

#### At the study group, a common language for management decisions was formed

In order to manage with an awareness of capital efficiency, the company launched a study group for executives and business division heads around 2020. At the study group, the meaning of such terms as ROIC and WACC, the significance of emphasizing them in management, the business administration methods of global firms, and other kinds of information were shared. This resulted in a shared awareness of management decisions emphasizing “rates/efficiencies” not “amounts,” and the company began to quickly and consistently make decisions centered on capital efficiency.

[At the Study Group, the Meaning and Usage of ROIC and WACC Were Clearly Explained]



(Images provided by Ajinomoto)

#### Corporate Rep's Remarks

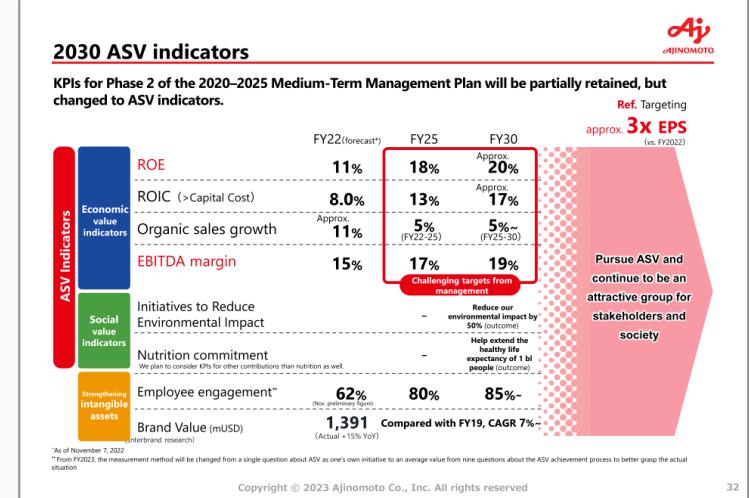
At the time, our executives were still not very aware of ROIC and other indicators, so we focused on making the executive study group materials easy to understand and revised them many times in order to explain things clearly. By holding not one but a series of study group meetings, we were able to spread such an awareness among our executives.

#### Management made a commitment to the market to focus on ROIC and ASV indicators and manage the company with an awareness of capital efficiency

In 2020, the company disclosed its FY2020-2025 Medium-Term Management Plan. In addition to **disclosing ROIC and WACC figures for each of its business segments**, it made ROIC a KPI and declared that it would improve its capital efficiency.

In order to hasten reforms, in 2023, the company **did away with its existing medium-term management plan system (i.e., it did away with sales targets)** and **migrated to a new business management system based on ASV (Ajinomoto Group Creating Shared Value) indicators**. It disclosed its “Purpose-Driven Management by Medium-Term ASV Initiatives 2030 Roadmap,” **and its management made a firm commitment to investors and the market to continue managing with an awareness of capital efficiency**. Through these public announcements, **the company showed how serious and transparent it was about its management reforms and clarified its path toward enhancing corporate value**.

[In 2023, the Company Announced Its Migration to ASV-Based Management]



### Initiatives

## Spreading ASV-based management throughout the company both physically (through organization formation) and mentally (through messaging)

### Formed an FP&A organization to serve as a bridge between management and the business departments

In order to effectively manage with an awareness of capital efficiency, it is essential for the business division to understand and for the understanding to spread. Feeling there was a need to create an organization for financial planning & analysis (FP&A) after learning about it at an outside training seminar, a member of the finance/accounting division proposed its introduction.

The member persuaded the business division and first dispatched some finance/accounting representatives to several business departments to serve as FP&A members. Their role was to propose and support business growth and problem resolution from a quantitative perspective. As time passed, those business departments saw how useful FP&A was. As a result, the finance/accounting division member gradually increased the number of business departments to which finance/accounting representatives were dispatched and eventually created an organizational structure that could quickly and appropriately mediate management policy.

#### Corporate Rep's Remarks

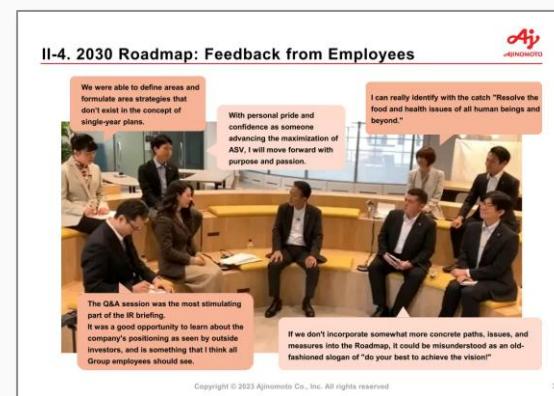
The FP&A member in each business department not only quickly and appropriately conveys information from the business department to the corporate division but also serves as a bridge that quickly relays the wishes of management throughout the company. The FP&A members are essential for achieving ASV-based management.

In the past, when targets were set mainly by the corporate planning or financial affairs divisions, the business departments often criticized them. But now, since the FP&A members of the business departments are involved in target-setting discussions from the outset, it is possible to create plans that take into account changes in the recent business environment and other factors.

### Through clear messaging and direct dialogue by management, the company got its staff to “take ownership of ASV-based management”

In 2023, after the company disclosed its “Purpose-Driven Management by Medium-Term ASV Initiatives 2030 Roadmap,” it regularly held dialogues between management and each workplace, held “ASV as One’s Own Initiative” workshops, placed messages from management in its internal communications, and implemented other initiatives in order to spread an appreciation of managing with an awareness of capital efficiency down to the employee level.

In addition, in terms of spreading investors’ perspectives to employees, the company gave an incentive to the members of the employee shareholders’ association, resulting in a huge increase in the association’s membership rate (from around 30% to around 70%).



[Company CEO Participates in Dialogue with Employees and Delivers a Message from Management]

Source: Ajinomoto Co., Inc. “Forecast for FY2023 (Ending March 31, 2024) and Initiatives for Enhancing Corporate Value”

### Initiatives

Through portfolio management centered on “rates/efficiencies,” management resources were allocated to highly capital-efficient and high-growth businesses on a priority basis

#### Specifying the axes of evaluation and systemizing operations

Along with its migration to ASV-based management, the company switched its portfolio management from one emphasizing “amounts” to one emphasizing “rates/efficiencies.” It promotes the selection and concentration of business portfolios with an awareness of capital efficiency by specifying the axes of evaluation (e.g., ROIC, growth rate, business potential (i.e., competitiveness, differentiation potential)), conducting periodic reviews, and systemizing the operations for flexibly considering the course of action when necessary.

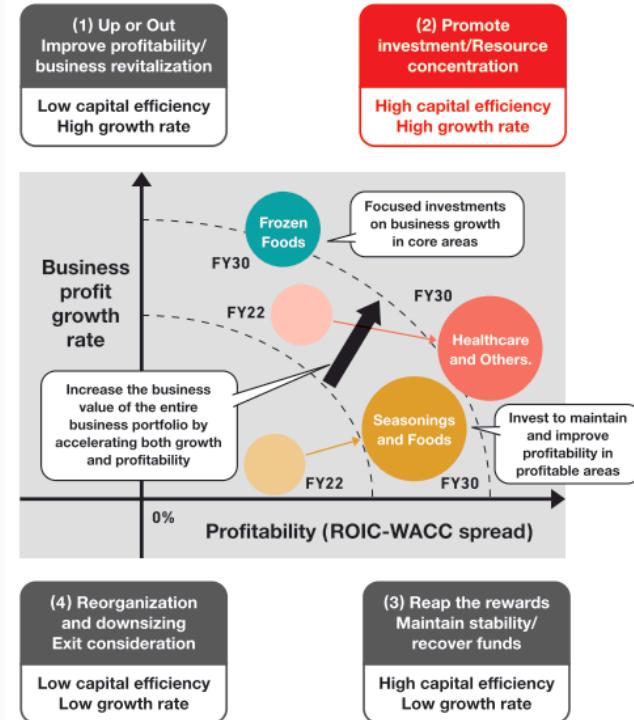
Diverse elements are carefully considered when downsizing or withdrawing from a business

When managing with a focus on “rates/efficiencies,” multiple businesses are regularly examined as possible candidates for downsizing or withdrawal. However, the actual decision to downsize or withdraw is made after carefully considering such diverse elements as:

- The business’s value to society
- Its effects on customers, employees, the supply chain, and the community
- Its complementary relationship with other businesses
- Technical superiority
- Best-owner perspective

and preparing a transition plan and a fallback plan.

[The Company's Portfolio Was Redesigned with “Rates/Efficiencies” as the Axes]



Source: Ajinomoto Co., Inc. “ASV Report (Integrated Report) 2024 (A4-size)”

### Results

- The entire company, from its executive personnel to its workplace employees, has “taken ownership” of ASV-based management and corporate value enhancement
- Through progress in management reforms with an awareness of “rates/efficiencies,” the company has significantly improved its capital efficiency
- Investors’ confidence in the company’s future growth has risen, and the company has once again become a “growth stock”

A “growth story” co-written with investors

The company won the confidence and support of investors through the transparency and flexibility of its cash allocations



## TOA CORPORATION

<https://www.toa-const.co.jp/eng/>

Est.: 1908

Mkt.: Prime (1885)

Industry: Construction

Sub-Index: TOPIX Small

No. of Employees: 1,772 (Parent)

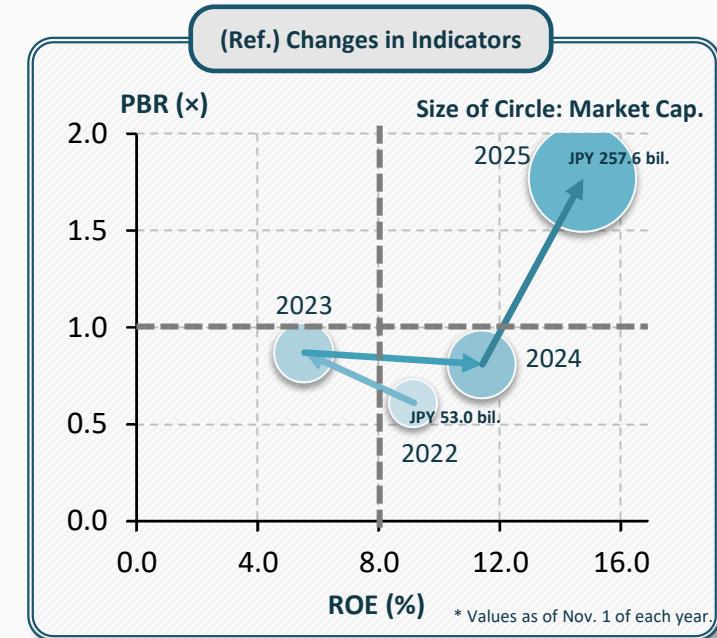
(As of Mar. 31, 2025)

### Background

Following its recovery from a crisis, the company's next problem became assuring investors of its growth potential

As the company gradually recovered from past scandals and aimed for a higher stock price level, it gained insights through dialogue with multiple investors and **made the recovery of its earnings per share (EPS) its top priority and promoted share buybacks and other initiatives**. Later, as its EPS slowly recovered, it began to receive an **increase in feedback from investors regarding its PER and IR**. So, the company announced its **medium-term management plan in Mar. 2023** and, in **May 2023**, published **an action plan for improving its PBR**, taking into account TSE's request regarding “Management That Is Conscious of Cost of Capital and Stock Price.”

Afterwards, as its stock price rose, and its PBR recovered to around 1x, a growing number of **investors began to demand the disclosure of the company's goals over the medium- to long-term and of a clear growth strategy**. So, in order to assure investors of its growth potential, it gathered investor feedback and began to update its action plan.



### Initiatives

#### Through the market's reaction, the importance of dialogue was recognized, and the company began to beef up its IR system

Through the process of formulating its 2023 medium-term management plan and action plan and the market's reaction following their disclosure, the company **keenly recognized that**, in order to work on improving its corporate value while receiving the support of its shareholders and investors, **it would be crucial to actually use investor feedback in the company's management and not merely discuss goals and initiatives internally.**

So, the company decided to **beef up its IR system**. Through the **hiring of experienced IR staff to share their technical know-how, participation at TSE-hosted study groups, and an increase in younger staff**, the IR system was **enhanced in terms of both quality and manpower**.

In addition, a **system was devised to regularly provide the company's executives and board of directors with feedback on key investor opinions obtained through IR and to incorporate such feedback into later management decisions and disclosures**.

#### The company began to revise its action plan in order to meet investors' changing expectations

As the company actively expanded its IR activities, and its ROE, PBR, and other indicators improved, it recognized a **shift in investors' interest/expectations toward its medium- to long-term growth.**  
(<-> When its ROE and PBR were floundering, investors' interest was concentrated on in its short-term earnings and shareholder returns.)

In addition, following **earnings improvements that significantly exceeded what had been estimated at the time of the medium- to long-term management plan's formulation**, a growing number of investors also became interested in the company's use of cash toward enhancing its corporate value.

Amid such **investors' expectations and balance sheet changes**, the management committee believed that it **had not given investors a fully satisfactory explanation of the company's medium- to long-term growth strategy and the capital policy for its achievement** in the company's 2023 action plan, so it began to consider the action plan's revision.

Period of Flagging ROE & PBR

After Improvements in ROE & PBR

##### [Changes in the Questions Received from Investors]

###### Questions Concentrated on Immediate Earnings and Shareholder Returns

- What are the causes of the recent drop in revenue? Can the company aim for increases in revenue and profits in the next quarter?
- Can we count on the company to continue its policy of actively implementing shareholder returns?

###### Increase in Questions Probing into Drivers of the Company's Future Growth and Room for Improving Its Profitability

- What are your company's strengths? The points of differentiation from your domestic and overseas rivals? Your operational characteristics?
- Your gross profit has improved, but how much can you improve it going forward?
- Will the demand for such-and-such field continue to grow?

### Initiatives

#### Through a flexible update that took investors' perspectives into account, the company gained their support

In order to incorporate investors' perspectives into the management committee's discussions, **investor feedback as well as analyses of various indicators and the company's market value were presented as materials for consideration**. After brainstorming the company's current issues, management held a series of discussions about the update's direction.

Based on those discussions, in May 2025, the company disclosed an **updated action plan that incorporated investors' perspectives on such areas as the company's growth strategy through prioritizing M&As and investments in human capital, a concrete plan for making investments connected to the growth strategy, and a clear policy on cash allocations**.

#### Corporate Rep's Remarks

Through our day-to-day IR activities, we learned that investors also recognized the importance of investing in "human capital" for our company's growth. In addition, since we regularly communicated with the related departments within the company as we held discussions on the balance sheet and growth investments after the formulation of our medium-term management plan, we were able to flexibly revise our cash allocation in response to current environmental changes.

#### [Updates That Took Investors' Perspectives into Account]

##### Current Issues

- The company is afraid that its capital efficiency will go down because its net assets grew beyond its expectations
- Investors may not know about the company's initiatives and growth potential or may assess the company poorly because even though it met its targets, its PBR and other indicators did not go up as much as expected

##### Investor Feedback

- The company should indicate an awareness of its cost of capital and how the cost of capital relates to the company's target ROE
- The company should indicate its cash use and how it will proceed on selling its cross-shareholdings

##### Updated Policy

- Clearly express a commitment to a level of ROE that stably exceeds the cost of shareholders' equity
- In order to achieve medium- to long-term growth, **prioritize the allocation of management resources** not only on shareholder returns **but also on growth investments centered around "human resource development" and "the expansion of business fields."**
- In order to **gain investor confidence in the company's future initiatives**, including its growth investments, **present a clear policy on cash allocations**
- Flexibly update the company's initiatives and disclosures** without waiting until the end of the current medium-term management plan

## Case #4: TOA CORPORATION (1885)

### Initiatives

[The Company Clearly Expressed Its Commitment to a Level of ROE That Stably Exceeded the Cost of Shareholders' Equity]

**Create Value, Build the Future** **TOA CORPORATION**

**»» Assessment of current situation**

Amid the favorable management environment, despite continuously achieving an ROE of 10% or more, which exceeds the cost of shareholders' equity as recognized by the Company (approx. 7%), there is a major gap between its capital efficiency and earning power and their evaluation by the market. We will work to further increase its PBR while striving to improve its PER through sustained profit growth and dialogue with the market.

**ROE trend**

**Maintain and raise the level of ROE, which has been steadily exceeding Cost of Shareholders' Equity**

**Improve ROE (1)**  
Steadily increase operating profit while enhancing the quantity and quality of human resources

**Improve ROE (2)**  
Review the balance sheet and improve capital efficiency

**Reduce Cost of Shareholders' Equity = Improve PER**

**Further strengthen IR activities**

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[The Company Presented a Revised Policy on Cash Allocations That Took the Recent Situation into Account]

**Create Value, Build the Future** **TOA CORPORATION**

**»» 2. Review of the balance sheet (1) Review of cash flow allocation**

Improve ROE

Operating profit has grown significantly more than anticipated from when the medium-term management plan was formulated, and we are reviewing the cash flow allocation. We are planning to clearly state the balance between growth investment and shareholder returns from FY2026 onwards in the next medium-term management plan, which is scheduled for disclosure during FY2025.

**Cash flow allocation (Cumulative total for FY2023–FY2025)**

Formulation of medium-term management plan		At this time (Includes forecast figures for FY2025)	
Cash-in	Cash-out	Cash-in	Cash-out
<b>Operating profit</b>	32.9 billion yen	<b>Operating profit</b>	55.8 billion yen
<b>Depreciation</b>	Approx. 10.5 billion yen	<b>Depreciation</b>	Approx. 9.5 billion yen
Proceeds of sale of cross-shareholdings	Approx. 1.0 billion yen	Proceeds of sale of cross-shareholdings	Approx. 4.0 billion yen
Portion of investment plan included in general and administrative expenses	7.0 billion yen (2)	Portion of investment plan included in general and administrative expenses	0.5 billion yen (2)
Income taxes, etc.	Approx. 10.0 billion yen	Income taxes, etc.	Approx. 17.0 billion yen
		<b>Cash surplus/deficit</b>	Cash surplus/deficit

**Operating profit increase**

**Sale amount of cross-shareholdings increase**

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### Results



Source: TOA CORPORATION "Action Plan to Improve Price-to-Book Ratio 2025"

- By clearly presenting its growth story and cash allocation policy, the company gained investor confidence in its initiatives and growth potential, and its market value improved
- The quality of its dialogue with investors improved, and there were increases in more constructive improvement proposals and in suggestions for future growth

The company made ROIC its “common language” and used a ROIC tree to spread awareness to the workplace level

Effective reforms were made through a combination of top-down and bottom-up initiatives



## Kanro Inc.

<https://www.kanro.co.jp/en/>

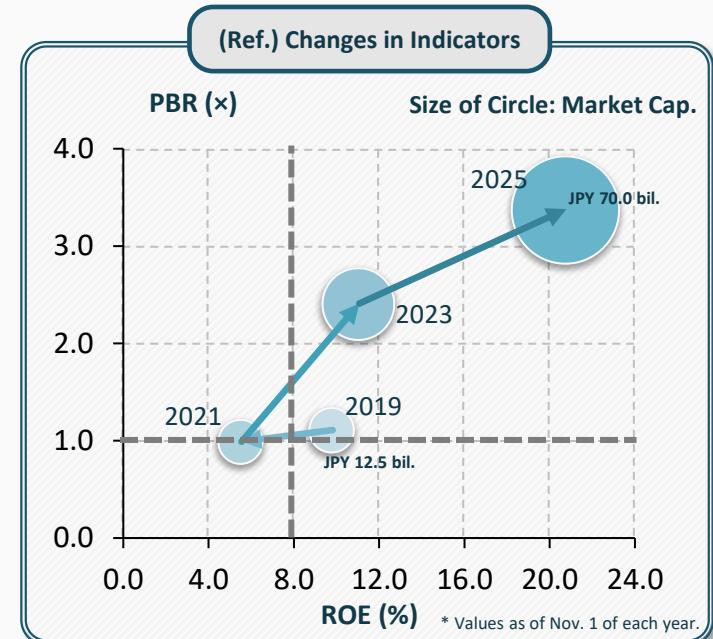
Est.: 1912  
Mkt.: Standard (2216)  
Industry: Foods  
No. of Employees: 678  
(As of Dec. 31, 2024)

### Background

#### Challenge: Excessive Focus on P/L Metrics Such as Sales and Profit, with Insufficient Awareness of Stock Price and Capital Efficiency

Before the company adopted ROIC-based management in 2019, there had been an intense focus on profits and losses (e.g., sales, profit), and an awareness of such metrics as capital efficiency and cost of capital had not spread sufficiently.

The company, under the leadership of its then CEO, used the 2018 revision of the Corporate Governance Code, which began calling on companies to implement “management that is conscious of cost of capital,” as an opportunity to begin seriously considering the adoption of ROIC-based management in order to speed up initiatives toward enhancing corporate value.



### Initiatives

#### Prompted by the CG Code, the company began ROIC-based management

In addition to ROE, the company adopted ROIC as one of its business management indicators

In addition to ROE, which it had been using thus far, the company adopted ROIC as one of its KPIs because it believes that **ROIC is the best business management indicator for enhancing corporate value** since ROIC incorporates the perspectives of all of the company's capital providers (i.e., not only its shareholders but also its creditors) and is less influenced by the company's capital composition.

The management committee secured the executives' understanding after emphasizing that it was a **CG Code requirement (and a listed company's duty)**

When introducing ROIC-based management, the management committee emphasized that being conscious of cost of capital was a **CG Code requirement and a listed company's duty**. So, it positioned cost-of-capital awareness as a critical initiative for enhancing corporate value and secured the understanding and commitment of the company's executives.

#### [History of Kanro's ROIC-Based Management]

##### 2019

Established a capital markets office (and also an IR office in the same period)

##### Began ROIC-based management (an initiative towards improving capital efficiency)

Began verifying and reducing its cross-shareholdings

Began formulating and implementing investment profitability evaluation criteria (for plant/equipment investments)

##### 2020

##### Began implementing KPI-based management through the KanROIC tree

Began calculating, evaluating, and reporting the ROIC of each of its businesses

##### 2021

Began formulating and implementing investment profitability evaluation criteria (for business investments)

##### 2022

Founded an IR/planning department by merging its capital markets office and its IR office



#### Events Leading up to ROIC Tree Adoption

##### Dec. 2019

Established key performance indicators (KPIs)

Put its financial KPIs into a ROIC tree

##### Q1 2020

Set target values for each KPI (of each division)

Devised a system for evaluating KPI attainment

Concurrently, to spread and ingrain such an awareness within the company

- Writing articles for its online internal communications
- Holding briefings at the company's offices

### Initiatives

#### The company developed an ROIC tree in order to spread an awareness of improving ROIC to the workplace level

##### An ROIC tree to link management and workplaces

While the adoption of ROIC-based management began from the top down, it was essential that initiatives to improve ROIC occurred from the bottom up. So, an ROIC tree was created in order to translate the company-wide goal of improving ROIC into workplace-level targets.

##### The key to the ROIC tree's success lay in the setting of KPIs

The ROIC tree's success hinged on whether the workplaces could establish KPIs that resonated with them. At Kanro, the secretariat (i.e., the capital markets office) led the initial round of settings and formulated the KPIs over a set period after careful consultation with the relevant divisions. KPIs that took each workplace's situation into account were systematically incorporated, and ROIC improvements were organically linked to workplace-level improvement activities.

#### Through regular internal communications and briefings, the company got its staff to “take ownership” of ROIC-based management

In order to link ROIC-based management to workplace operations, the company regularly conducts internal PR activities and briefings.

- In the company webzine, diagrams were used to clearly explain ROIC's meaning and its relationship to enhancing corporate value, and efforts were made to use ROIC as a common language that different divisions such as sales and manufacturing could understand.
- At company office briefings, the connections between ROIC and workplace KPIs were carefully explained, and the idea that day-to-day improvement activities directly contribute to enhancing corporate value was shared.

Such initiatives are encouraging a shift in mindset from a focus on sales to a focus on capital efficiency, and there has been steady progress in company-wide understanding and practice.



[Clear Explanation of ROIC-Based Management at a Company Office Briefing]

(Images provided by Kanro)

##### Corporate Rep's Remarks

In order to spread an awareness of ROIC-based management, we prioritized dialogue with the workplaces. We visited factories and branches to hold briefings and carefully explained the significance of IR and ROIC to their staff. While the sales and factory staff have different priorities (i.e., sales staff are focused on sales figures, and factory staff are focused on controlling costs), we repeatedly emphasized how the activities of both contribute to improving ROIC and encouraged them to refine their day-to-day operations.

## Initiatives

**A regular PDCA cycle was established to ensure the effectiveness of ROIC-based management**

In order to regularly ensure the effectiveness of ROIC-based management, an annual implementation cycle was established. Specifically, company-wide targets and departmental KPIs are set at the beginning of the year. After a mid-term and a term-end progress review, the main reasons for non-attainment and measures for improvement are shared with the management committee and incorporated into the next term's plan. In addition, progress is regularly shared at briefings and in the company newsletter, ingraining a culture of completing the PDCA cycle throughout the company.

**[ROIC-Based Management Annual Implementation Schedule] \*Kanro's Fiscal Year Ends in Dec.****Feb. (1) (2)**

- Report last FY results
- Set this FY targets

**May (2)**

- Report Q1 results

**Aug. (2)**

- Report Q2 results

**Nov. (2)**

- Report Q3 results

**Feb. (1) (2)**

- Report full-year results
- Set next FY targets

**(1) Set the New Year's KPIs (Items/Targets)**

1. Each division conducts a review in response to changes in the content of its duties
2. IR & Planning Department verifies the appropriateness of the content and target values and proposes additions/changes to the KPI items
3. After coordination with each division, a report is made to the management committee

**(2) Mid-Term and Term-End Progress Reports**

A report is made to the management committee regarding why certain KPI targets were not achieved and how to respond to the situation

**Results**

- Stimulated management (including independent directors) use ROIC as a “common language” in their discussions
- Laid the groundwork for workplace staff to take ownership of improving KPIs linked to enhancing ROIC as they perform their duties
- As a result, the company's ROE, ROIC, and other indicators improved, and so did its market value

“The mindset of management,” “A push from investors,” and “the efforts of staff”

Three factors came together nicely to bring about significant progress in management’s reforms to enhance corporate value



## DAIHATSU INFINEARTH MFG. CO.,LTD.

<https://www.d-infi.com/en/>

### Background

Within the company, there was little talk of enhancing corporate value, its stock price had been floundering for a long time, and investors were demanding improved initiatives

Prior to reforms, the company’s internal discussions focused heavily on the **execution of duties** (i.e., how to advance development, how to manage work), with **little emphasis on using cash efficiently to enhance corporate value**. As a result, **its stock price had been floundering for a long time, and its PBR was persistently below 1x**.

Noting that the company was failing to realize its innate potential, institutional investors demanded that it take proactive measures to enhance its corporate value. So, seizing the opportunity presented by a change in its management structure in 2020, the company launched an executive study group on corporate value enhancement and began full-scale discussions.

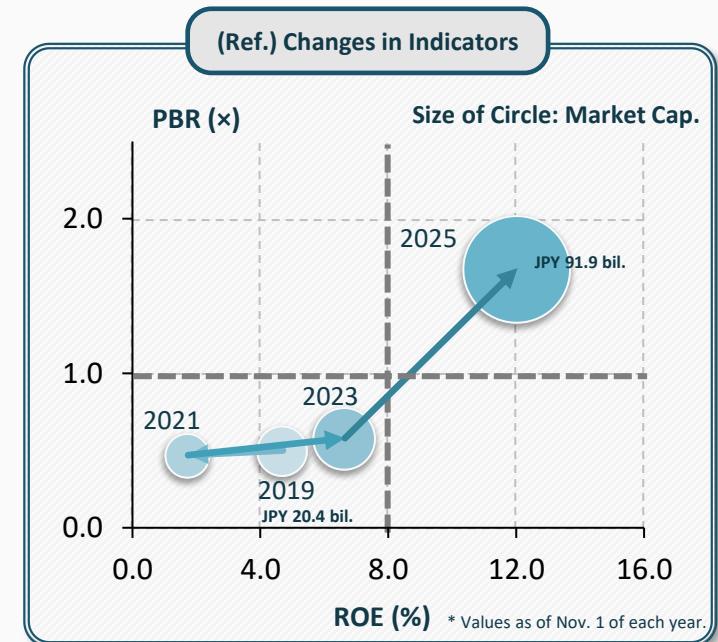
Est.: 1907

Mkt.: Standard (6023)

Industry: Transportation Equipment

No. of Employees: 942

(As of Sep. 30, 2025)



### Initiatives

#### The company launched a study group, increased its awareness of its cash usage, and disclosed its medium- to long-term vision

Amid changes in the business environment caused by the COVID-19 pandemic and a growing sense of urgency over the lack of a clear medium- to long-term vision, its top management recognized the need to take action and committed to launching a study group for its inside directors, which began meeting in Jun. 2021. Led by the planning division, the study group was held once a month. The directors were given topics on enhancing corporate value (e.g., current state analysis, growth strategies, investment strategies, human resource strategies), and a series of discussions was held.

As the study group continued to meet, management increasingly recognized the need to effectively utilize the company's cash reserves to maximize corporate value. Finally, in Nov. 2022, the company disclosed a medium- to long-term vision that included a five-year, JPY 50 billion investment plan, which was more than twice the usual amount.

#### Problems with the Initial Disclosure (Nov. 2022)

- Insufficient analysis and evaluation of the current situation
- Management targets not aligned with investors' perspectives (primarily focused on sales and operating profits)
- Investment plan was short on details
- Unclear how each initiative contributes to enhancing corporate value

#### Investor feedback led the company to recognize the problems with its initial disclosure, so it launched a new organization and refined its initiatives

While the Nov. 2022 medium- to long-term vision represented a significant shift, it was hard to say that it fully met investors' expectations, especially considering the contents of TSE's request regarding "Management That Is Conscious of Cost of Capital and Stock Price." In fact, institutional investors commented that there was still considerable room for improvement.

So, the company enlisted the expertise of outside consultants to help its corporate planning and IR staff deepen their understanding of investors and capital markets and established the Corporate Value Improvement Committee (CVIC), a new organization mainly composed of inside directors, to regularly discuss strategies and progress towards enhancing corporate value.

Based on investor feedback, the CVIC held lively discussions about more in-depth initiatives and disclosures, such as disclosing the company's cost of capital and setting capital efficiency targets. Ultimately, taking investors' perspectives into account, the committee decided on a policy to more clearly communicate the company's future vision (targets) to the outside as well as measures to achieve the policy, and the company substantially updated its medium- to long-term vision in Nov. 2023.

#### Key Points of the Update (Nov. 2023)

- Contains analyses of the company's perceived current cost of capital, current capital efficiency, and current market value
- Commits to achieve a capital efficiency that exceeds its cost of capital and sets medium- to long-term ROE targets
- Presents a detailed capital allocation policy for the next five years
- Gives a clearer picture of medium- to long-term growth through a more detailed description of its businesses and business models

### Initiatives

**The company's management shared its sense of crisis with employees over having a PBR under 1x  
The company president personally attended briefings in order to demonstrate management's commitment and spread an awareness of enhancing corporate value to the workplaces**

Briefings were held at all of the company's locations in Japan in order to ensure that the discussion of reforms to enhance corporate value were not limited to management alone but that all of the company's employees understood and acted on them.

At the briefings, the company's management shared its sense of crisis with employees over the persistent PBR under 1x, told them that it threatened the company's very existence, and clearly explained such things as the concepts of financial results and balance sheets, the company's current state, and its medium- to long-term vision for enhancing corporate value.

The company president personally attended the nationwide briefings in order to demonstrate management's commitment. This was conveyed to the workplaces' employees, and an awareness of effectively utilizing cash to enhance corporate value spread throughout the company.

### Corporate Rep's Remarks

I think that **there were three key factors that came together nicely to bring about the significant progress in our reforms aimed at enhancing corporate value: "the mindset of management" earnestly sought to advance discussions on improving corporate value, primarily through CVIC, "a push from investors" who demanded that we respond proactively to enhance corporate value, and "the efforts of staff" who continued to study investors and capital markets with help from the outside.**

### Results

- A mindset focused on efficiently utilizing cash to enhance corporate value spread from the company's management down to its workplaces
- By presenting a clear growth strategy, the company attracted more long-term investors (the number of its meetings with investors per year jumped from around 10 (2022) to around 80 (2025))
- Investors' expectations for growth increased, and the company's market value improved substantially



(Images provided by DAIHATSU INFINEARTH MFG.)