

# 2025 Case Studies (Prime Market)

Tokyo Stock Exchange, Inc.

December 26, 2025 3rd edition



This document is intended as a reference for listed companies that are considering taking action to implement management that is conscious of cost of capital and stock price, and also as a reference for future updates for listed companies that have already made disclosures. **This report is based on interviews with many investors in Japan and overseas, and compiles examples of Prime Market-listed companies' measures investors deemed as fulfilling the expectations they have for corporations.**

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

# Index - I . TOPIX Core30 & TOPIX Large70

Page #	Number	Code	Name	Sector	2024 Case Studies Inclusion Status	Key Points											
						I. Analysis and Evaluation of Current Situation			II. Consideration and Disclosure of Initiatives					III. Dialogue and Updates			
						① Considering the cost of capital/equity in regard to the investor's perspective	② Multifaceted analysis and evaluation based on the investor's perspective	③ Inspection of balance sheets to ensure their efficacy	① Setting goals based on the expectations of shareholders and investors	② Implementing fundamental initiatives with an awareness of the appropriate allocation of management resources	③ Being aware of the need to reduce cost of capital	④ Aligning the perspectives of management and employees on enhancing corporate value in the medium to long term	⑤ Explanation of efforts in relation to medium- to long-term goals	① Proactive involvement of management and board	② Taking a tailored approach to shareholders and investors	③ Disclosure of dialogue and further dialogue and engagement	④ Revision of goals and initiatives on an ongoing basis
1	Page 5	6503	Mitsubishi Electric Corporation	Electric Appliances						●			●				●
2	Page 8	6762	TDK Corporation	Electric Appliances						●				●		●	●
3	Page 11	8750	Dai-ichi Life Holdings, Inc.	Insurance			●		●	●	●						●

(Reference) Number of companies introduced per point

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# Index - II . TOPIX Mid 400

#	Page Number	Code	Name	Sector	2024 Case Studies Inclusion Status	Key Points											
						I. Analysis and Evaluation of Current Situation			II. Consideration and Disclosure of Initiatives					III. Dialogue and Updates			
						① Considering the cost of capital/equity in regard to the investor's perspective	② Multifaceted analysis and evaluation based on the investor's perspective	③ Inspection of balance sheets to ensure their efficacy	① Setting goals based on the expectations of shareholders and investors	② Implementing fundamental initiatives with an awareness of the appropriate allocation of management resources	③ Being aware of the need to reduce cost of capital	④ Aligning the perspectives of management and employees on enhancing corporate value in the medium to long term	⑤ Explanation of efforts in relation to medium- to long-term goals	① Proactive involvement of management and board	② Taking a tailored approach to shareholders and investors	③ Disclosure of dialogue and further dialogue and engagement	④ Revision of goals and initiatives on an ongoing basis
4	Page 14	4183	Mitsui Chemicals,Inc.	Chemicals	✓		●			●		●	●				●
5	Page 17	6481	THK CO.,LTD.	Machinery				●		●			●				
6	Page 20	6925	USHIO INC.	Electric Appliances						●						●	●
7	Page 24	7186	Yokohama Financial Group,Inc.	Banks	✓		●		●		●		●			●	●
8	Page 28	7259	AISIN CORPORATION	Transportation Equipment	✓					●		●				●	●
9	Page 32	9024	SEIBU HOLDINGS INC.	Land Transportation	✓					●							
10	Page 34	9065	SANKYU INC.	Land Transportation				●		●				●			●
11	Page 37	9147	NIPPON EXPRESS HOLDINGS,INC.	Land Transportation			●			●							●
12	Page 41	9508	Kyushu Electric Power Company, Incorporated	Electric Power and Gas								●	●	●			
(Reference) Number of companies introduced per point						0	3	2	1	7	1	3	4	2	0	3	6

# Index –Ⅲ. TOPIX Small

#	Page Number	Code	Name	Sector	2024 Case Studies Inclusion Status	Key Points											
						I. Analysis and Evaluation of Current Situation			II. Consideration and Disclosure of Initiatives					III. Dialogue and Updates			
						① Considering the cost of capital/equity in regard to the investor's perspective	② Multifaceted analysis and evaluation based on the investor's perspective	③ Inspection of balance sheets to ensure their efficacy	① Setting goals based on the expectations of shareholders and investors	② Implementing fundamental initiatives with an awareness of the appropriate allocation of management resources	③ Being aware of the need to reduce cost of capital	④ Aligning the perspectives of management and employees on enhancing corporate value in the medium to long term	⑤ Explanation of efforts in relation to medium- to long-term goals	① Proactive involvement of management and board	② Taking a tailored approach to shareholders and investors	③ Disclosure of dialogue and further dialogue and engagement	④ Revision of goals and initiatives on an ongoing basis
13	Page 46	1885	TOA CORPORATION	Construction	✓		●		●	●				●	●	●	●
14	Page 50	3139	Lacto Japan Co.,Ltd.	Wholesale Trade					●			●	●			●	
15	Page 53	5482	AICHI STEEL CORPORATION	Iron and Steel			●		●	●							●
16	Page 56	6745	HOCHIKI CORPORATION	Electric Appliances						●							●
17	Page 58	7972	ITOKI CORPORATION	Other Products						●			●				●
18	Page 61	7981	TAKARA STANDARD CO.,LTD.	Other Products				●	●	●			●			●	●
19	Page 64	8011	SANYO SHOKAI LTD.	Textiles and Apparels	✓					●		●	●	●		●	●
20	Page 67	8084	RYODEN CORPORATION	Wholesale Trade						●			●				●
21	Page 70	8219	AOYAMA TRADING Co.,Ltd.	Retail Trade			●	●		●							●
(Reference) Number of companies introduced per point						0	3	2	4	8	0	2	5	2	1	4	8



I . TOPIX Core30、 TOPIX Large70

II . TOPIX Mid400

III . TOPIX Small

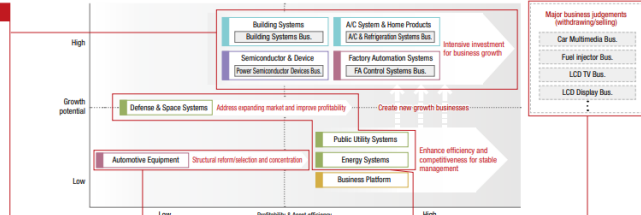
Published Nov. 2024

## Business Portfolio Strategy

We conducted a review of our business portfolio to clarify the direction for each sub-segment from the perspectives of growth potential, profitability, and asset efficiency with a priority on promoting management focused on ROIC and investment in key growth businesses.

### Boost Investment in Key Growth Businesses

We are boosting growth investment in key growth businesses by enhancing production systems and M&A. For example, in the power semiconductor devices business, we are strengthening the foundation for growth driven by silicon carbide (SiC), which is a strength of the Group. We have invested in the US firm Cohesion's SiC business company to stabilize our procurement of SiC 8-inch substrates and entered a strategic partnership with the Dutch firm Nexperia B.V. to expand our sales channels. Additionally, to expand our product line and customization abilities in the air-conditioning & refrigeration business, we have acquired the French air conditioning company AIRCALO to strengthen our hydronic HVAC<sup>1)</sup> systems business, which is expected to expand in the European market overall going forward.



### Transform the Automotive Equipment Business

In the automotive equipment business, which is experiencing a transformational period in the industrial structure, we have pursued business transformation through the spin-off of Mitsubishi Electric Mobility Corporation. While advancing our exit strategy for the ICE<sup>2)</sup> business, which is expected to shrink in the long term, we aim to regrow our CASE<sup>3)</sup>-related business through collaboration and cooperation with external partners and have reached a business partnership agreement with Aisin Corporation for developing products for next-generation EVs.

### Transform Portfolio in the Infrastructure Business Area

In the Infrastructure Business Area, we are optimizing our operation system for public utility systems and energy systems while shifting resources to defense and solutions businesses, where growth is expected.

### Judgement of Businesses with Issues

We have been determining whether to withdraw from or sell businesses where issues with profitability are not expected to improve and will reallocate resources generated by discontinuing these businesses to growth fields.

<sup>1)</sup> HVAC is an acronym for heating, ventilation and air conditioning, standing for equipment and facilities relating to the buildings.  
<sup>2)</sup> Internal combustion engine.  
<sup>3)</sup> Connected, autonomous/automated, shared, electric.

## Optimization of Group Operating Structure

To build the optimum Group operating structure, we have consistently restructured and reorganized functions. However, we will promote more radical measures both in terms of strengthening functions and slimming down operations of associated companies. For example, to enhance logistics functions, Mitsubishi Electric Logistics Corporation will operate as MD LOGIS Corporation under Seino Holding Co., Ltd. (Seino HD), going forward.<sup>4)</sup> Leveraging Seino HD's assets, the Mitsubishi Electric Group will establish a more stable supply network, making it possible to provide customers with better goods and services.

<sup>4)</sup> Some of the shares of Mitsubishi Electric Logistics were transferred to Seino HD on October 1, 2024, and the company name was changed.

- Determines the direction of each business based on growth potential, profitability, and asset efficiency, and advances their business portfolio strategy, including divestitures and sales. Discloses specific details regarding these policies and their progress. (→Point II.2 & Point III.4)



## Voice of Investors

While managing numerous businesses, the company is advancing a portfolio strategy focused on growth potential, profitability, and asset efficiency, and working to allocate management resources with clear priorities. Through comprehensive disclosure, including progress updates, Q&A sessions, and explanations of segment-specific ROIC projections and improvement measures, they convey their earnest commitment to structural reform.

Published Oct. 2025

## Business Portfolio Strategy

The Mitsubishi Electric Group is reviewing its business portfolio by clarifying the direction of each business based on growth potential, profitability, and asset efficiency, as well as by backcasting from its ideal vision. This process includes growth investment in key growth businesses, strengthening the profitability of resilient businesses, and evaluating value recapturing businesses while improving their profitability. Going forward, we will conduct a more thorough evaluation of our business operations and execute growth investments, including M&A, to drive further growth and advance our business portfolio strategy.

## Key Growth Businesses

We are implementing growth investments including strengthening our production system and M&A. While overall growth is steady, earnings in the FA control systems business have deteriorated due to sluggish market conditions and intensifying competition. Therefore, we are implementing radical structural reforms aimed at an early recovery to a growth trajectory.

FY2022 actual	FY2026 forecast
Revenue ¥2.1 trillion	Revenue ¥2.5 trillion
Operating profit margin 6.6%	Operating profit margin 9.3%

	A/C & Refrigeration Systems	Building Systems	Power Devices	FA Control Systems
Revenue	↑	↑	↑	↓
Operating profit margin	↑	↑	↑	↓

Comparison of FY2026 forecast with FY2022 results

### Main Initiatives

#### ● Air-conditioning & Refrigeration Systems Business

Construction of a new factory in India for global business expansion



Image of a room air conditioner/compressor factory in India

#### ● Building Systems Business

Establishment of Mitsubishi Electric Building Solutions Corporation to build an integrated business management structure

#### ● Power Device Business

Construction of a new wafer plant to strengthen production capacity for SiC power semiconductors

## Resilient Businesses\*

To enhance profitability, we are promoting the shift of resources to the defense systems business in Infrastructure BA and the optimization of business structures.

	FY2022 actual	FY2026 forecast
Revenue	¥1.1 trillion	Revenue ¥1.2 trillion
Operating profit margin	8.9%	Operating profit margin 9.8%

### Main Initiatives

#### ● Defense Systems Business

Construction of a new production facility to expand capacity

Mitsubishi Electric to Construct New Production Buildings in Kanagawa, Fukushima and Hyogo prefectures

#### ● Energy Systems Business

Establishment of an optimal business structure by transferring the generator business to Mitsubishi Generator Co., Ltd.



\* Businesses with stable demand that contribute to the Mitsubishi Electric Group's resilient management regardless of market fluctuation

## Value Recapturing Businesses

We are actively assessing the withdrawal or divestiture of businesses that do not show potential for improved profitability. To date, we have already decided to terminate operations worth 0.5 trillion yen. Furthermore, during FY2026, we plan to assess the continuation or termination of businesses totaling 0.8 trillion yen.

	FY2022 actual	FY2026 forecast
Revenue	¥1.3 trillion	Revenue ¥1.9 trillion
Operating profit margin	0.7%	Operating profit margin 3.0%

## Investment Policy to Strengthen the Business Portfolio

To achieve growth from the integration of components and digital technologies leveraging Serendie, we have established an M&A investment framework of 1 trillion yen (within three years). We are promoting growth investment based on the following policies.

### ① Strengthening existing businesses

- Achieving non-linear growth through M&A in the globally competitive Industry and HVAC sectors
- Actively investing in businesses with growth potential, such as the defense systems business

### ② Creating synergies between businesses

- Creating synergies between businesses through digital technologies (M&A in the energy management sector and other sectors)

### ③ Strengthening AI and digital areas

- Pursuing M&A to strengthen capabilities in data collection, analysis, operational optimization, and predictive maintenance

## Q&amp;A

\* This information is current as of September 2025.

**Q Could you elaborate on your current views on the key growth businesses and resilient businesses?**

**A** Our key growth businesses have grown steadily through focused investments in strengthening production systems, M&A, and others. However, in the FA control systems business, revenue and profitability declined compared with FY2022, so we will aim for an early recovery to a growth trajectory by reducing fixed costs and revamping our sales and development structure.

In resilient businesses, we have been strengthening profitability through efficiency improvements and resource shifts. Furthermore, we are achieving high profitability in areas such as UPS\* for data centers in the Infrastructure BA and optical communication devices in the Semiconductor & Device segment. We expect these areas to continue to generate stable, high profitability going forward.

\* Uninterruptible Power Supply

**Q How will you proceed with determination of business termination or continuation in value recapturing businesses with revenue of 1.9 trillion yen?**

**A** Of the 1.9 trillion yen, we have already decided to terminate 0.3 trillion yen worth of businesses. In addition, determining the termination or continuation of businesses adding up to 0.8 trillion yen will be done during FY2026. The remaining 0.8 trillion yen represents businesses currently deemed to be worth holding, and we will continue to strive to improve their profitability. Some businesses might be classified as resilient businesses in the future, but for those that remain in the value recapturing businesses, we might reassess them and implement radical measures.

**Q What specific businesses are included in the 0.8 trillion yen for which a decision on termination or continuation is to be made by the end of FY2026? Also, what criteria are used for selection?**

**A** Selection of the businesses are based on comprehensive considerations, including profitability, efficiency, growth potential, and synergies with other businesses. In addition to some businesses within the Industry & Mobility BA, which is promoting structural reforms, there are some businesses within the Infrastructure BA. We will continue to consider the issue from various perspectives and determine the direction to take.

**Q Based on your evaluation of value recapturing businesses, what level of contribution to profit margins do you anticipate in the future?**

**A** We aim to improve our operating profit margin by 2 percentage points over the next three years by combining termination of unprofitable businesses, optimization of indirect costs, and other various measures.

**Q Please provide details on the next steps and completion dates for structural reform in the automotive equipment business.**

**A** We will implement initiatives to enhance management efficiency, including the consolidation of offices and sales branches, and review our global production system. In addition, we will advance our business portfolio strategy by accelerating negotiations with customers to expedite the termination of underperforming businesses, aiming to improve profitability and efficiency. Furthermore, while promoting initiatives to improve profitability, we will concurrently assess the positioning of our business within the portfolio by considering all possible scenarios.

**Q What are your basic thoughts on conducting M&As in the new M&A investment framework of 1 trillion yen (within three years)?**

**A** As we assess the termination or continuation of businesses totaling 0.8 trillion yen during FY2026, we have established a three-year M&A investment framework of 1 trillion yen to create growth areas without falling into a state of diminishing equilibrium. While giving due consideration to capital efficiency and synergies, we will make appropriate decisions on individual M&A transactions in areas that contribute to growth driven by both "components" and "digital."

**Q What is the background behind launching Serendie?**

**A** In the past, the Mitsubishi Electric Group has leveraged data from individual platforms optimized for each of its businesses, including transportation, energy, factory automation, buildings, and air conditioning. To further enhance collaboration between these businesses, Serendie has been developed as a digital platform that facilitates unprecedented interactions between data and expertise aggregated from components, systems, and services in different areas across previously unconnected areas.

**Q Were there businesses using data before? And what specific solutions will you offer in the future?**

**A** Each business unit has been implementing data-driven solutions, including remote services for processing machines and computerized numerical controllers (CNCs), as well as remote monitoring and maintenance services for elevators. In addition to the solutions presented in this Integrated Report, we will continue to develop new cross-business solutions, such as enhancing comfort throughout building spaces by integrating elevators and air conditioning systems.

**Q How do you plan to develop Serendie-related businesses into a pillar of revenue?**

**A** The Mitsubishi Electric Group's business model has traditionally focused on a hardware-only sales model of components, although there were some segments that successfully turn services such as repairs and maintenance into viable businesses. By leveraging Serendie, we will integrate on-site usage data with design and manufacturing expertise to enhance the value of data collection components. Furthermore, we will provide services and solutions that leverage the data obtained, thereby creating new and stable sources of revenue.

**Q What are the unique strengths of the Mitsubishi Electric Group in terms of data-driven solutions and services?**

**A** The Mitsubishi Electric Group has a wide range of technology assets, including power electronics and mechatronics. We have delivered superior components as well as systems and solutions, leveraging the synergies created by the optimal integration of these assets. In addition, we operate across a broad spectrum of industries, from household applications to space exploration, and we possess diverse customer connections along with extensive on-site expertise. Rather than focusing on software, the Mitsubishi Electric Group provides solutions and services that integrate its strengths in components with digital technology.

**Q Serendie-related businesses are targeting revenue of 1.1 trillion yen and an operating profit margin of 23% by FY2031. What is the current progress?**

**A** The results for FY2025 were revenue of approximately 650 billion yen and an operating profit margin of 11%. For FY2026, we project revenue of approximately 680 billion yen and an operating profit margin of 13% (as of May 2025). Although data collection components fell short of initial plans for both revenue and operating profit margin due to sluggish sales of FA equipment, such as programmable logic controllers (PLCs), data utilization solutions continue to grow steadily, and there is no change in our medium-term direction.

● Explains the concept and future direction of business portfolio strategy to investors in an easy-to-understand Q&A format. (→Point II.2 )



## Infrastructure Business Area

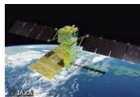
## Principal Products



**Public Utility Systems Business**  
Rolling stock systems, supervisory control system for water treatment plants, power supply system for large electrical users, communication systems



**Energy Systems Business**  
Supervisory control systems for power plants, substation equipment, power electronics equipment, transmission and distribution systems, power demand and supply optimization solutions



**Defense & Space Systems Business**  
Missile systems, radar systems, command and control systems, electronic warfare systems, satellite systems, satellite data solutions

## Revenue &amp; Operating Profit Margin\*



## Strengths of the Business

- Strengths 1**  
Extensive order delivery track record and customer base in Japan and overseas
- Strengths 2**  
Engineering capabilities cultivated over many years of handling large plant projects
- Strengths 3**  
World-class technological infrastructure in defense & space systems

## Recognition of the Business Environment

Business Strategy  
Infrastructure Business Area

## Achieving Stable Operation of the Infrastructure Supporting Society and Carbon Neutrality and Contributing to National Security in Japan and Asia

**Hidetō Negoro**  
Executive Officer  
Infrastructure Business Area Owner

## Q What are your thoughts looking back on FY2025?

**A** The market for the public utility systems business saw robust capital expenditures in public utilities and transportation sectors both in Japan and overseas. In this environment, orders won by the business increased year-on-year due primarily to increases in the public utility business projects in Japan and transportation systems business worldwide. Revenue also increased year-on-year due to increases in the UPS\* business outside Japan, the transportation systems business worldwide, and the public utility business in Japan. The market for the energy systems business saw robust demand resulting from the expanded use of renewable energy and increased investments in data centers. In this environment, orders won by the business decreased year-on-year mainly due to a decrease in the power transmission and distribution business in Japan, while revenue increased year-on-year due primarily to an increase in the power transmission and distribution business in Japan and worldwide. The market for the defense & space systems business saw robust demand due primarily to an increase in government-related budgets. In this environment, both orders and revenue increased year-on-year due to a rise in large-scale projects in the business. As a result, revenue from the entire Infrastructure BA was 1,224.9 billion yen, with operating profit of 89.4 billion yen and an operating profit margin of 7.3%.

## Q What initiatives are you undertaking to improve ROIC?

**A** In FY2025, the profitability of existing businesses became more stable, ROIC improved in each business, and ROIC for the entire Infrastructure BA was 7.2%. To achieve further improvements, we will review the allocation of production roles across the entire supply chain with a focus on asset-light

management, and carry out growth investments with a long-term vision. At the same time, we will improve productivity and profitability through the application of DX and AI, and improve asset efficiency through advanced payment collection, etc.

## Q What is your growth strategy going forward?

**A** By strengthening our business foundation, we will continue to generate steady profits from our core businesses, such as facility, mobility, and energy infrastructure, while accelerating the shift of our portfolio toward the defense & space systems business, the decarbonization components business, the solution business, and the data center business. In the defense & space systems business, we will respond steadily to increases in defense budgets through the focused allocation of resources, while driving global expansion by leveraging our existing technologies and track record. With regard to the Decarbonization Components business, which is expected to drive growth within our core businesses, we will actively pursue collaborations and acquisitions, and work toward an early market launch as well as global expansion. Pursuing company-wide synergies, cross-BA and cross-group solution businesses and data center businesses are driven mainly by the Infrastructure BA. In the solutions business, we will develop E&F services and the mobility services business powered by Serendie, focusing on energy management, one of our core technologies. In the data center business, we will expand our business scale by strengthening our proposals for UPS and other components and developing solutions through the integration of the technologies and customer bases of each BA and group.

\* Uninterruptible Power Supply

## Industry &amp; Mobility Business Area

## Principal Products



**Factory Automation Systems Business**  
Control and drive products, processing machines, power distribution control equipment, FA digital solutions

## Revenue &amp; Operating Profit Margin\*



## ROIC\*



## Strengths of the Business

- Strengths 1**  
Technological competitiveness in digital (software) and core components
- Strengths 2**  
Contributing to our customers' business improvement through real-time control technology that boasts high competitiveness in Asia in factory automation systems and co-creation
- Strengths 3**  
High-speed automated production technology that meets high quality requirements and ensures safety and security

## Business Strategy

## Industry &amp; Mobility Business Area

## Supporting Future Manufacturing and Comfortable Mobility with Our Core Components and Digital Technologies

**Kunihiko Kaga**  
Representative Executive Officer, Senior Vice President  
Industry & Mobility Business Area Owner

## Q What are your thoughts looking back on FY2025?

**A** The market for the factory automation systems business saw increases in demand related to smartphones and industrial machinery in China and capital expenditures mainly for AI-related semiconductors in Japan, China, and Taiwan, despite continued stagnation in demand for lithium-ion batteries. In this environment, orders won by the business increased year-on-year due primarily to increases in capital expenditures related to AI, as well as demand for industrial machinery, while revenue decreased year-on-year mainly due to a decrease in demand for lithium-ion batteries. The market for the automotive equipment business saw sales of new cars substantially unchanged year-on-year in almost all regions. In this environment, the business saw a decrease in revenue year-on-year due primarily to a decrease in automotive electrical equipment, reflecting a lower sales volume of Japanese car manufacturers in China. As a result, revenue from the entire Industry & Mobility BA was 1,644.8 billion yen, with operating profit of 82.6 billion yen and an operating profit margin of 5.0%.

## Q What initiatives are you undertaking to improve ROIC?

**A** In the FA systems business, we will strive to maximize profits by building a lean management structure through optimizing the workforce and reduction of costs and indirect operations, while also working to expand revenue from core components through the reform of sales and development structures, transforming our business portfolio, and reducing invested capital, such as remaining inventories. In the automotive equipment business, to fundamentally review our fixed cost structure, we will maximize our earning power by

reducing indirect operations and optimizing the workforce through consolidation of offices, etc. We will also reduce invested capital, such as inventory and fixed assets, thereby transforming into a leaner organization. In addition, we aim to maximize operating profit by terminating businesses with issues, monetizing the electric vehicle-related equipment business promptly and stably, and making other efforts. In both businesses, we aim to improve profitability and ROIC by concentrating management resources in growth areas, streamlining organizations, and increasing productivity, aiming for ROIC of 7.0% in FY2026 and further improvement in the future.

## Q What is your growth strategy going forward?

**A** In the FA systems business, we are focusing our management resources on digital solutions and software-defined controllers to achieve data-driven production innovation and sustainable manufacturing. In addition, we will strive to maximize the delivered value to customers along with the regrowth of our business by promoting the use of data by Serendie to realize "Trade-On (mutual benefits)" between optimizing the use of energy and improving productivity in the scope of our value proposition. In the automotive equipment business, we will respond to the uncertainty of the electric vehicle-related equipment market, such as the slowdown in the growth of the BEV market, by balancing our electrified and ICE\* businesses to diversify risks. In addition, we will establish SDV as a new pillar of our business and maximize synergies through partnerships to provide value to a wide range of customers.

\* Internal Combustion Engine

Attracting Tomorrow TDK

## Progress on Medium-term Plan

**Noboru Saito**  
President & CEO

FY March 2025 Full Year Performance Briefing

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## Voice of Investors

The company's disclosure of mid-term plan progress, including the implementation status of strengthened business portfolio management, is commendable as it facilitates appropriate investment decisions. Furthermore, it conveys a conscious effort to align management and disclosure with investor perspectives. This is demonstrated through expanding disclosure content based on shareholder feedback and actively conducting and disclosing dialogues between management, outside directors, and investors.

## Financial KPI progress

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- For FY March 2025, we achieved the initial targets. We have not changed the targets in the final year of the Medium-term Plan.

		FY3/24	FY3/25	FY3/26 Base scenario	FY3/26 Risk scenario	FY3/27
Growth	Net sales [¥ bn] (CAGR)	2,103.9	2,204.8	2,200.0	2,120.0	2,500.0 (approx. 5%)
	ROE	7.9%	9.5%	9.5%	7.9%	10% or more
Efficiency	ROIC (BizROA) (>WACC)	5.3% (<7.0%)	6.7% (<7.0%)	7.1% (>7.0%)	5.6% (<7.0%)	8% or more
	OP margin	8.2%	10.2%	10.2%	8.5%	11% or more
Financial soundness	Shareholders' equity ratio	50%	51%	51%	51%	50% level
	D/E ratio	0.4x	0.3x	0.4x	0.4x	0.3-0.4x
Exchange rate assumptions		¥144/US\$	¥153/US\$	¥140/US\$	¥140/US\$	¥135/US\$

FY March 2025 Full Year Performance Briefing

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- Regarding the progress of the mid-term plan, the company discloses the progress of financial KPIs and, considering the upward revision of operating cash flow, the review of the cash allocation policy. (→Point III.4)

## Change of capital allocation plan

(FY3/25 to FY3/27 accumulated)

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- Allocate the expected OCF increase from the initial plan to Capex. Considering the market environment, allocate to strategic investments and shareholder returns.

As of May, 2024



\*Figures noted in brackets come from the previous Medium-term Plan.

FY March 2025 Full Year Performance Briefing

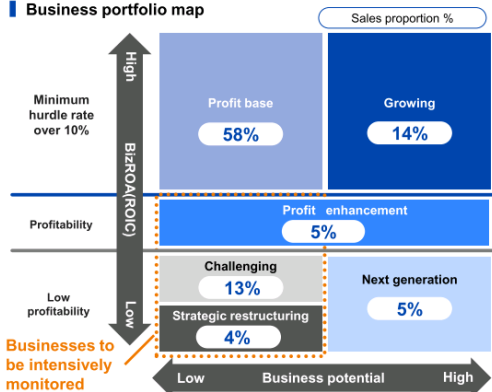
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## Enhancing business portfolio management

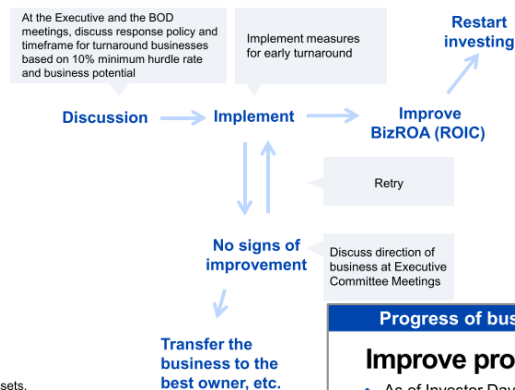
Attracting Tomorrow 

- Have evolved from the previous double-axis investment allocation map to a double-axis business portfolio map.
- Appropriately address businesses that fall below the minimum hurdle rate and prioritize allocating capital into growth areas.

## Business portfolio map



## Proactive portfolio transformation



- The company is advancing its business portfolio management based on two axes: business ROA (ROIC) and future growth potential, while promoting resource allocation to growth areas. For businesses showing no improvement, transferring operations to the best owner. They disclose progress on these initiatives with thorough transparency. (→Point II.2 & Point III.4)

- BizROA = Business OP after tax and before distribution of corporate expenses / business assets.
- The 10% minimum hurdle rate is calculated, considering the 7% corporate WACC and corporate expenses.

TDK Investor Day 2024

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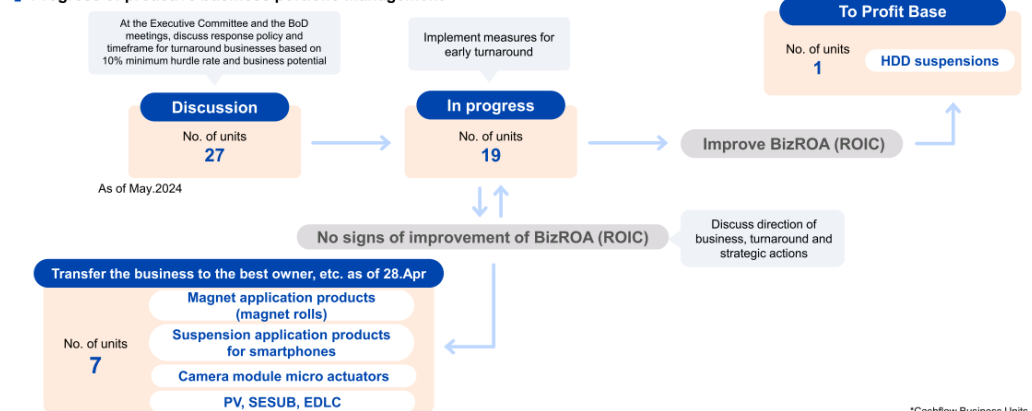
## Progress of business portfolio management

## Improve profitability of Business to be intensively monitored

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- As of Investor Day May, 2024, 27 CBUs\* were selected as Business to be intensively monitored.
- 1 CBU was transferred to Profit Base, 7 CBUs were transferred to the best owner, etc., while 19 CBUs are in progress.

## Progress of proactive business portfolio management



\*Cashflow Business Units

FY March 2025 Full Year Performance Briefing

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- Management and directors take the lead in promoting dialogue with shareholders. Based on feedback obtained through dialogue, the company enhances dialogue and information disclosure, while also disclosing the status of these efforts. (→Point III.1 & Point III.3)

## Dialogue with Investors

### Objectives of investor relations activities

The TDK Group believes that it is important to fully its accountability to its stakeholders, including investors and analysts, and gain their confidence and trust through bilateral communication. In order to pursue this objective, we held new IR events during the following periods in addition to the regular performance briefing.

### New events conducted between July 2024 and June 2025

	Item	Main contents explained/Q&A/matters of concern
November 2024	Factory tours and business strategy meeting Speakers: CEO, Sensor Systems Business Company Takao Tsutsui CEO, Energy Solutions Business Company Fumio Sashida	Business company CEOs engaged in direct dialogue with investors and analysts and conducted a briefing that delved into the future potential and competitive advantages of each business.  Material: <a href="https://www.tdk.com/en/ir/ir_events/strategy/20241126/index.html">https://www.tdk.com/en/ir/ir_events/strategy/20241126/index.html</a>
	Online briefing of individual investor (Rakuten Securities, Inc.) Speakers: President & CEO Noboru Saito	Held TDK's first individual investor briefing since 2021. Along with an introduction to the TDK, the presentation focused on the personality of President & CEO Saito. 
May 2025	Small sell-side meeting Speakers: President & CEO Noboru Saito Senior Executive Vice President, CFO Tetsuji Yamanishi	Delved into the content of full-year financial results announcement held in April 2025 and also discussed progress of the TDK Group's Medium-term Plan. 
	Small outside directors' meeting Speakers: Outside Director Mutsuo Iwai (Chair of the Board) Outside Director Shohei Yamana	Had a frank exchange of opinions with investors and analysts on topics such as TDK's management issues and Board of Directors as seen from outside directors. Attendees praised TDK's initiatives aimed at evolving upon management. 

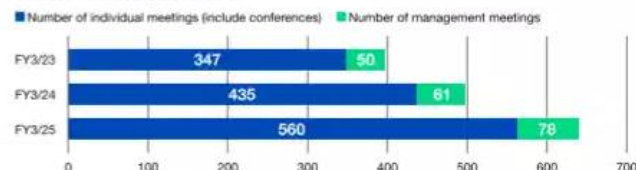
### State of implementation of dialogue with shareholders

Item	Content
Main respondents in dialogue with shareholders	Mainly the President & CEO, Senior Executive Vice President CFO, executives; and the IR & SR Group, a dedicated team handling shareholder and investor response.
Profile of shareholders with whom dialogue conducted	Dialogue is conducted with active and passive institutional investors both in Japan and overseas; investors with various investment styles, such as growth and value investing and diverse shareholders.
Main dialogue topics and matters of interest to shareholders	Constructive and lively dialogue takes place on such topics as management policy, problem awareness, financial strategy, progress of individual business strategies, progress of initiatives involving ESG and other pre-financial activities, and response to geopolitical risks.
State of feedback of shareholder opinions and concerns to the management team and Board of Directors	In-house feedback is being strengthened. For example, the numerous opinions and issues raised in the dialogue with shareholders and investors are sorted in the IR & SR Group and reported to the Board of Directors every quarter. Number of reports in FY March 2025: 4
Matters introduced as a result of feedback	Create opportunities for dialogue between investors and outside directors <u>Disclosure on progress of business portfolio management</u>
Issues currently under consideration as a result of feedback	Initiatives for the AI ecosystem market <u>Disclosure on progress of business portfolio management</u> Holding of briefings on sustainability

### Number of times events held

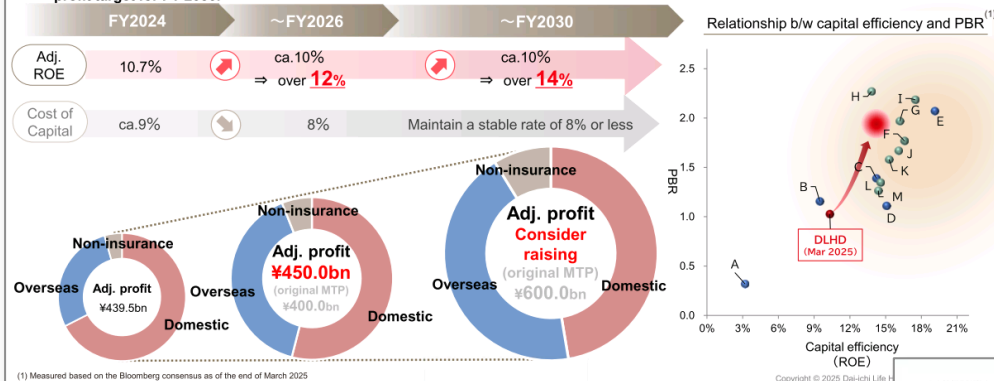
	FY3/23	FY3/24	FY3/25
Financial statement briefings for analysts and institutional investors	4	4	4
IR events	—	1	3
Conferences hosted by securities companies	7	7	8
Overseas roadshow	2	4	5

### Number of annual discussions



## Expansion of group adjusted profit and improvement of capital efficiency

- The increase in Group adj. profit pushed the adjusted ROE above the 10 % target. Meanwhile, the rise in domestic interest rates offset the benefits of our risk-reduction efforts, causing the cost of capital to level off. We will therefore continue to reduce risk, mainly by selling equities.
- Recognizing the gap between our current position and global top-tier competitors, we intend to secure capital-efficiency targets at an earlier stage. Accordingly, we decided to raise the 2026 targets for both Group adj. profit and adj. ROE, and we will consider to lift the profit target for FY 2030.



- By comparing themselves with global peers in the same industry, the company recognized the gap between their current state and their target vision, and implemented a review of their ROE and profit targets. (→Points I.2, II.1, and III.4)

## Voice of Investors

Even with ROE reaching a certain level, the company identified gaps between their current state and their target through comparative analysis with global top-tier firms, leading to upward revisions of their goals. Having set a target of achieving a market capitalization of JPY 6 trillion, they are advancing fundamental initiatives to improve capital efficiency, including reviewing their business portfolio with potential divestments. This demonstrates a very strong commitment to enhancing corporate value over the medium to long term.

## KPI Targets

- Regarding the targets of the MTP, we have made updates - taking into account the progress of each business strategy and the current economic environment - in order to close the "gap" toward achieving the ¥6 trillion market capitalization we aim for in 2026.

	KPIs	FY2024 Result	MTP Target (FY2026)	Targeted level by around FY2030
Financial Indicators	Economic Indicators			
	RoEV	-	ca. 8% in the medium-to long term	
	VNB	¥172.4bn	FY2025: ¥190bn *Expecting to exceed the level	—
	Accounting Profits			
Non-Financial Indicators	Adjusted ROE	10.7%	10% → Over <b>12%</b>	Stably exceeds ca. 10% → Over <b>14%</b>
	Adjusted Profit	¥439.5bn	¥400bn → <b>¥450bn</b> ~	¥600bn → Consider raising
	Cost of Capital	9%	8%	Maintain a stable rate of 8% or less
	Market Valuation			
	Relative TSR (vs 14 peers)	#5	Relative advantage	
	Financial Soundness			
	Economic Solvency Ratio <sup>(1)</sup>	210%	170% - 200%	
	Customers			
	Number of Customers	Domestic ca.34.55m ppl Overseas ca.41.00m ppl <sup>(2)</sup>	Domestic ca.37.50m ppl <sup>(1)</sup> Overseas ca.45.00m ppl	—
	External Evaluation			
	ESG Composite Indices	DJSI <sup>(3)</sup> Asia Pacific Index MSCI <sup>(4)</sup> AA	Industry-leading evaluation scores in Japan	

(1) With the addition of Benefit One as a subsidiary, the company's target and actual figures were added as the number of domestic customers. (2) As of the end of March 2025 (3) Dow Jones Sustainability Indices (4) MSCI ESG Rating



## Accelerate Transformation

## Message from the Group CFO

Through disciplined practice of capital circulation management, we aim to achieve a state in which capital efficiency consistently exceeds the cost of capital by FY2026.

Executive Officer  
Group Chief Financial Officer  
Taisuke Nishimura



I am Taisuke Nishimura, Group CFO. I would like to share my views on our financial and capital strategy under the current mid-term management plan, reflecting on its first year and outlining key initiatives going forward.

►Mid-term management plan: Achievements and challenges in the first year

In the previous plan, we identified improving capital efficiency and lowering the cost of capital as the most important priorities and worked to reduce risk accordingly. As a result, by FY2023, the final year, we achieved certain progress, with the cost of capital declining to around 9%. At the same time, adjusted ROE, a key indicator of capital efficiency, stood at 8.2%, remaining below the cost of capital. We positioned the current plan as the final stage toward achieving capital efficiency that consistently exceeds the cost of capital.

In FY2024, the economic environment remained stable at a high level, and Dai-ichi Life business performance recovered significantly, in line with its risk-reduction objectives. Dai-ichi steadily progressed in selling domestic equities in accordance with the plan. Overseas subsidiaries Protective and TAL also delivered solid results. As a result, Group adjusted profit reached ¥440bn, exceeding the ¥400bn target originally set for FY2026 when the plan was announced. Furthermore, through share buybacks and other initiatives to improve capital efficiency, adjusted ROE exceeded the 10% target set for FY2026, the final year of the plan, and for the first time our efficiency exceeded our cost of capital.

The Japanese government is scheduled to introduce economic value-based solvency regulations in FY2026. With this in mind, we have set an economic solvency ratio (ESR) target of 170–200%. In addition to domestic subsidiaries that had already applied the standard in overseas subsidiaries started adopting the new measurement model at the end of FY2024. In 2025, we raised funds through a large-scale subordinated bond issuance, which pushed ESR 200% and enabled investments in asset-formation initiatives and new businesses in the overseas insurance domain. In addition, changes to the ESR measurement model brought the new ESR to 210% at FY2024 year-end, exceeding our target range.

With respect to improving operating expense efficiency—a challenge we have long recognized in the economic environment, particularly the recent rise in inflation, now require measures, and our management team is deepening discussions on concrete responses. We already made proactive investments in such areas as IT and AI. Going forward, we aim to leverage the benefits of these investments to create further value and improve operating expense efficiency.

►Mid-term management plan: Priority measures for the second year and beyond

From the second year of the plan onward, we need to further raise capital efficiency while maintaining financial soundness, thereby sustaining and expanding a position in which capital efficiency exceeds the cost of capital. With this in mind, we intend to drive capital circulation management even further.

As mentioned earlier, adjusted ROE in FY2024 reached 10.7%, exceeding our 10% target and reflecting progress toward achieving capital efficiency that consistently exceeds the cost of capital. It is important to note that this is not a temporary phenomenon, but rather a reflection of our intent to deliver consistently high capital efficiency in FY2025 and beyond.

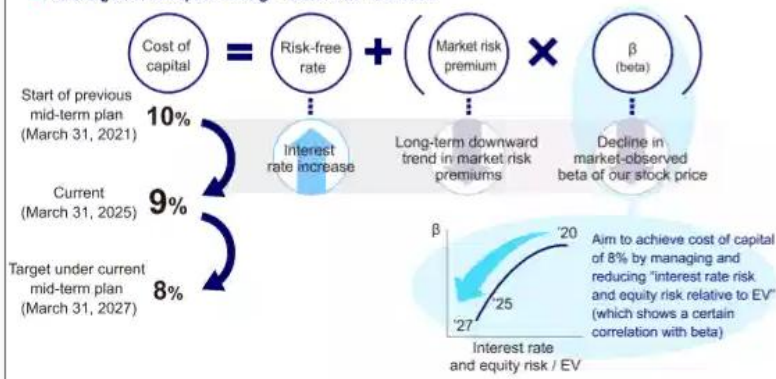
►Key initiatives to realize capital circulation management—Risk reduction initiatives

At the start of its current mid-term management plan, the Group's cost of capital we recognized was 9%. While closely monitoring the impact of rising interest rates in Japan and overseas on the cost of capital, we aim to reduce it to 8% during the current plan period through ongoing measures, such as interest rate risk and equity risk reduction.

In FY2024, Dai-ichi Life reduced its market risk (sum of interest rate risk and equity risk) by ¥225.0bn year on year. Of this amount, we completed approximately ¥500bn in sales of domestic equities, representing a progress rate of 40%—earlier than called for under the plan—against the plan's cumulative target of ¥1.2tn. We will continue advancing this initiative in FY2025 and beyond to ensure that the balance of domestic equities is reduced to a maximum of ¥1.5tn by the end of FY2030.

Taking advantage of the New Regulation's introduction at the end of FY2025, we will move beyond simple risk reduction and work to upgrade our capital circulation management. This will include shifting toward risk portfolios that can deliver higher capital efficiency and thereby enhance corporate value.

■Lowering cost of capital through market risk reduction



- To achieve capital efficiency that consistently exceeds the cost of capital, the company will advance initiatives from two fronts: improving capital efficiency through portfolio restructuring, including divestitures, and reducing the cost of capital (→Point II.2 & Point II.3)

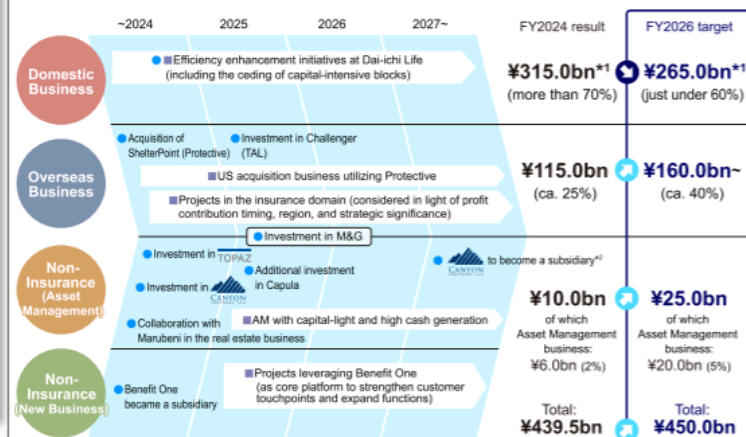
►Business portfolio transformation

We are working to reinforce our core businesses—protection and asset formation/succession—while exploring new areas, such as digital, health, and medical services, with the aim of optimizing our business portfolio through continuous expansion and diversification.

Through Protective, we acquired ShelterPoint, which operates a group insurance business in the US, in FY2024. Since the start of FY2025, we made an additional investment in Capula, a leading hedge fund in the UK. We also decided to invest in Challenger, the leading company in Australia's individual annuity market, through TAL. In addition, we resolved to invest in UK-based M&G, a major player in the asset management and life insurance fields in Europe. To optimize our business portfolio, we divested our Thai business, Ocean Life, as its strategic importance declined due to slowing market growth and other factors.

Seeking to achieve our profit target of ¥450.0bn in FY2026, we will carefully select investment opportunities while aiming for a well-diversified and efficient business portfolio—balanced across risks and regions—and disciplined capital allocation.

■Capital strategy project pipeline



● Approved projects ■ Investment pipeline

\*1 Includes the Company's amortization and related costs \*2 We hold an option to acquire a 51% majority stake (unexercised as of May 31, 2025)

Source: Dai-ichi Life Holdings Integrated Report 2025 Pages 14, 16, 17 (red underlining added by TSE)

[https://www.dai-ichi-life-hd.com/en/investor/library/annual\\_report/2025/pdf/index\\_001.pdf](https://www.dai-ichi-life-hd.com/en/investor/library/annual_report/2025/pdf/index_001.pdf)

I . TOPIX Core30、TOPIX Large70

II . TOPIX Mid400

III . TOPIX Small

**4 Full-Year Outlook for FY25**

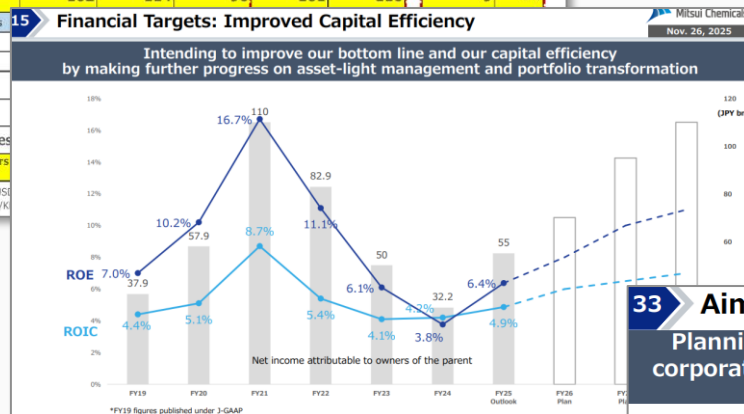
Even factoring in the impact of U.S. trade policies, operating income before special items is projected to increase for FY25 led by solid progress in specialty chemicals domains, mainly in ICT Solutions

Items (JPY bn)	FY2021	FY2022	FY2023	FY2024	FY2025	FY2024→FY2025
	Results	Results	Results	Results	Outlook	Increase (Decrease) Rate
Sales revenue	1,613	1,880	1,750	1,809	1,700	△ 109 -6%
Operating income before special items	162	114	96	101	110	9 9%

**15 Financial Targets: Improved Capital Efficiency**

Intending to improve our bottom line and our capital efficiency by making further progress on asset-light management and portfolio transformation

Exchange rate (JPY/USD)  
Domestic standard naptha price (JPY/K)

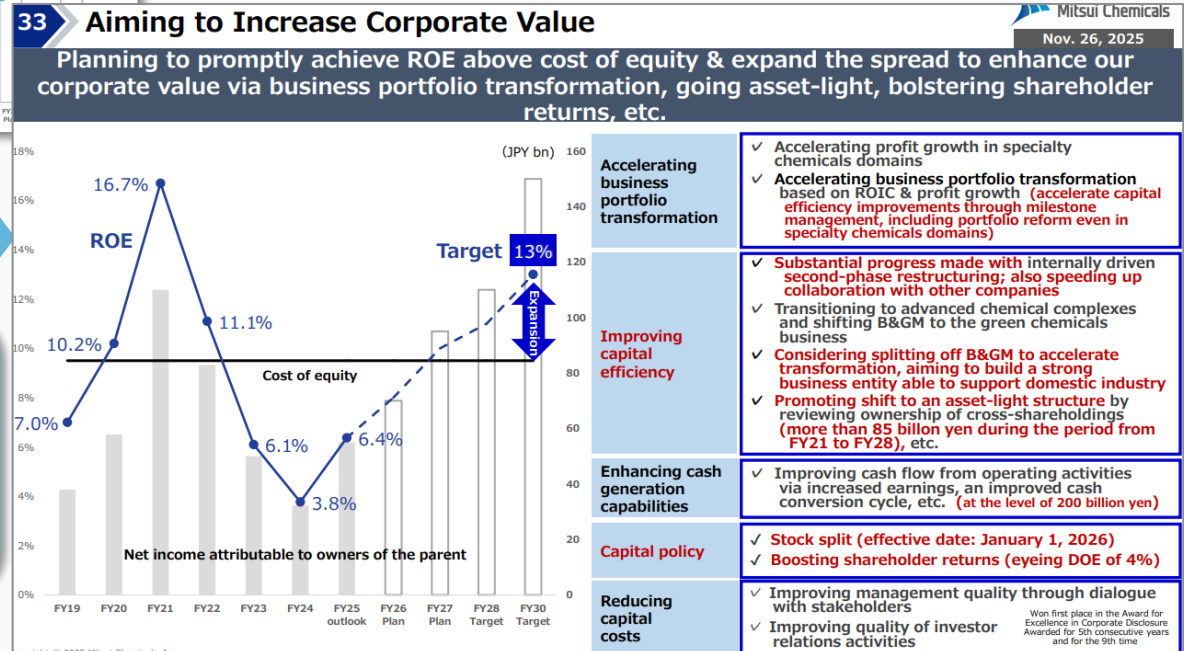


- The company identified challenges for enhancing corporate value through time-series analyses of various indicators. Based on the findings, it refined initiatives such as the acceleration of portfolio reforms and implementation of measures to improve capital efficiency. (→Points I. 2, II. 2, and III. 4)



## Voice of Investors

The company clearly presented its policy to accelerate management that is conscious of capital efficiency, centered on reforming its business portfolio, and provided a highly detailed explanation of its future vision and the KPIs and initiatives to achieve it. It conveyed management's strong sense of commitment to advancing fundamental reforms, including restructuring existing businesses, to realize medium- to long-term growth.

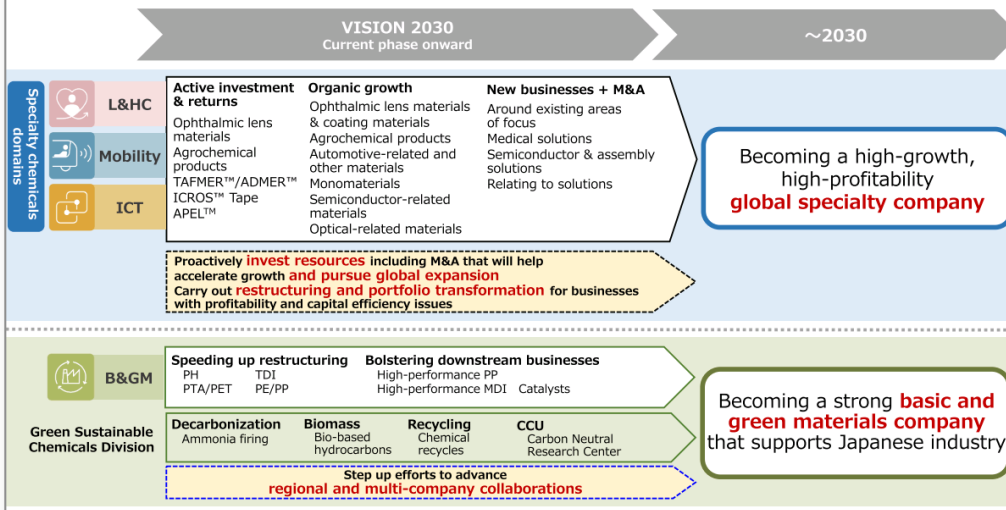


Source: Mitsui Chemicals, FY25-2 CEO Presentation (November 26, 2025), Pages 4, 15, 32

[https://jp.mitsuichemicals.com/content/dam/mitsuichemicals/sites/mci/documents/release/2025/event\\_251126e.pdf](https://jp.mitsuichemicals.com/content/dam/mitsuichemicals/sites/mci/documents/release/2025/event_251126e.pdf)



### 13 Approach to Pursuing Business Portfolio Transformation





 Mitsui Chemicals  
May 30, 2025

- The company presented the direction of its business portfolio reform and provided a detailed explanation of each segment's medium- to long-term targets, KPIs, and business strategies. (→Point II. 2 & Point II. 5 )

## 16 Strategy Summary and Targets

 Mitsui Chemicals  
May 30, 2025

Speeding up the strategies revised last fiscal year as we work to achieve VISION 2030

Key strategies		Operating income before special items (JPY bn)			ROIC		
Specialty chemicals domains	Focus on differentiated sectors where we can make the most of our strengths and speed up growth by reorganizing our portfolio with nothing off-limits	FY19	FY24	FY30	FY19	FY24	FY30
 L&HC	<p>Pursue steady growth for vision care &amp; agrochemical products</p> <p>Leverage the Mitsui Chemicals Group's technologies as a basis to turn medical solutions (including oral care, orthopedics, and testing &amp; diagnosis) into a third pillar of business</p> <p><b>Carry out accelerated restructuring as our top priority for oral care</b></p>	67.8	115.9	252	8%	8%	13%
			CAGR +18%	86 CAGR +17%			
 Mobility	<p>Grasp environmental changes and maintain our strategy of focusing on growth markets and differentiation</p> <p>Speed up the rollout of diverse applications for elastomers</p> <p><b>Speed up transformation and implement growth policies at ARRK; enhance cultivation of new business model</b></p>	35.6	55.1	93	9%	10%	15%
			CAGR +9%	93 CAGR +9%			
 ICT	<p>Focus resource investment toward key businesses – semiconductor &amp; assembly (ICROS – Tape, pellets, next-gen materials), coating &amp; engineering materials, etc.</p> <p>In imaging, roll out applications for XR and develop new materials</p> <p><b>Speed up restructuring and the shift to focusing on differentiation for nonovens</b></p>	17.4	26.7	73	10%	6%	13%
			CAGR +9%	73 CAGR +18%			
 B&GM	<p>Pursue the second phase of business restructuring and multi-company collaborations, to reduce volatility and in turn achieve more stable cash generation and reliably higher earnings, allowing for the creation of a self-sustaining business structure</p>	9	Δ11.4	36	2%	Δ2%	6.5%

28 Semiconductor & Assembly:  
Impact of Investment in SHINKO ELECTRIC INDUSTRIES Mitsui Chemicals  
May 30, 2025

Leveraging highly accurate materials design to get ahead of the competition in commercializing next-gen semiconductor packaging materials

27 Composite Materials:  
Business Expansion for PP Compounds

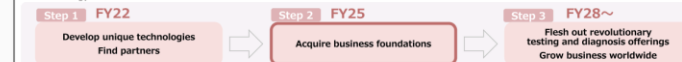
Continuing to focus on products that combine growth markets and differentiation as we aim to grow faster than the market

### Medical Solutions: Acquisition of DNA Chip Research as a Wholly-Owned Subsidiary

## Acquiring business foundations in the genetic testing sector to speed up growth in the testing and diagnosis business

**Genetic testing sector:** Growing rapidly amid a rise in infectious disease and personalized cancer treatments. High hopes for new solutions to meet increasingly sophisticated medical needs.

Basic strategy



**DNA Chip Research acquired as a wholly-owned subsidiary** Scheduled for the end of June 2025

**DNA Chip Research Inc.**  
Highly sensitive genetic analysis tech  
Capabilities in development,  
pharmaceuticals, testing operations,  
sales and more

Expand & grow the range of  
unique testing and diagnosis  
offerings and create new business

Advance into global markets

 Mitsui Chemicals  
Biotech infrastructure,  
management resources, global  
network, CVC capabilities

- Develop DNA Chip Research's existing business
  - Bolster sales and marketing for the Lung Cancer Compact Panel<sup>™</sup>, DNA Chip Research's mainstay product
  - Flesh out range of offerings for diseases beyond lung cancer

Jointly developed item  
Development started in FY2008 and completed in FY2010

\*DNA Chip Research's trademark and other claims for an individual.

Source: Mitsui Chemicals, FY25-1 CEO Presentation (May 30, 2025), Pages 13, 16, 26-28

[https://jp.mitsuichemicals.com/content/dam/mitsuichemicals/sites/mci/documents/release/2025/event\\_250530e.pdf](https://jp.mitsuichemicals.com/content/dam/mitsuichemicals/sites/mci/documents/release/2025/event_250530e.pdf)

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- The company introduced a stock ownership incentive program for employees to motivate them to work toward achieving the company's medium- to long-term targets and enhancing corporate value. (→ Point II. 4)

7

## Leveraging Treasury Stock for Human Capital Policy and Corporate Value Enhancement

 Mitsui Chemicals  
May 30, 2025
Back-  
ground

As a result of flexible acquisition of treasury stock (equating to 55 billion yen since FY17), Mitsui Chemicals now holds approx. 7% of its shares as treasury stock.

The company has previously leveraged this treasury stock for M&A or cancelled treasury stock, but now plans to expand its utilization of this treasury stock.

FY25

### Introducing a restricted stock incentive plan

#### Aims

- ✓ Assist employees in their **medium- to long-term asset building**
- ✓ Raise employee awareness of the company's performance and stock price
- ✓ Create a motivation for the company and its employees to come together as one to work on achieving VISION 2030 and improving corporate value

### Outline of plan for treasury stock use

Date of disposal	August 20, 2025
Number of the shares to be disposed of	Up to 1.245 million shares of common stock (150 shares per person)
Disposal value	3,591 yen/share (closing price on March 28)
Total amount of disposal	Maximum of approx. 4.5 billion yen

### Considering further utilization of treasury stock

Mitsui Chemicals intends to further improve employee engagement and corporate value by considering the use of treasury stock in M&A to help execute its growth strategy, as well as by considering expanding the scope of stock compensation

## President Message

THK CO., LTD.  
President

Takashi Teramachi

THK will thoroughly strengthen what needs to be strengthened and courageously change what needs to be changed.

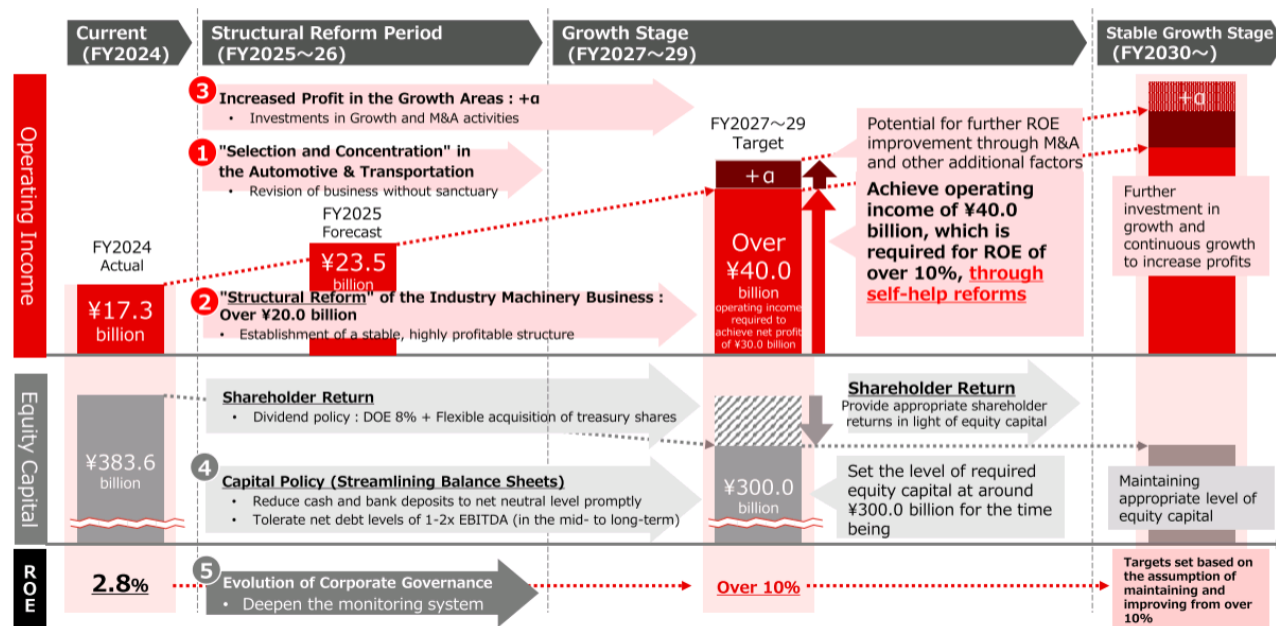
Basic Policy for New Management Targets :

**Early Realization of ROE of Over 10%**Voice of Investors

The president personally demonstrated a strong commitment to “achieving an ROE exceeding 10% at an early stage,” and presented a concrete roadmap for achieving this goal from both the perspectives of improving operating profit and streamlining equity capital. Each initiative possesses a compelling narrative and is backed by quantitative target figures, lending credibility to its feasibility.

- To improve ROE, the company discloses their future initiatives chronologically, focusing on both improving operating profit and streamlining equity capital. (Point II.5)

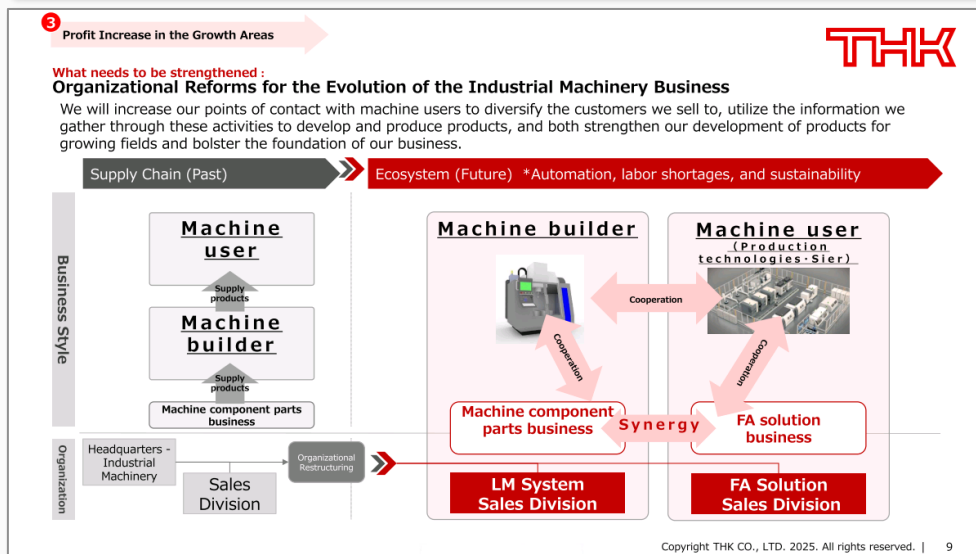
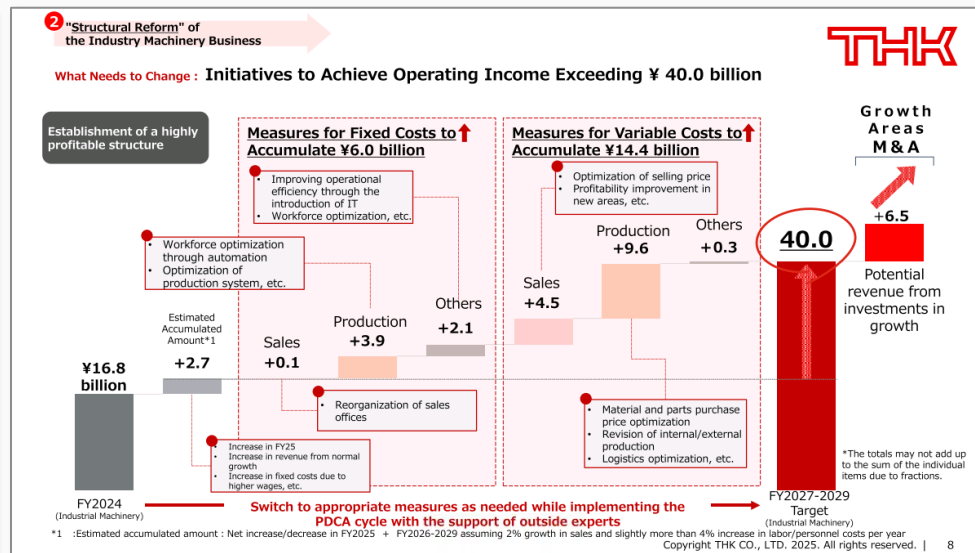
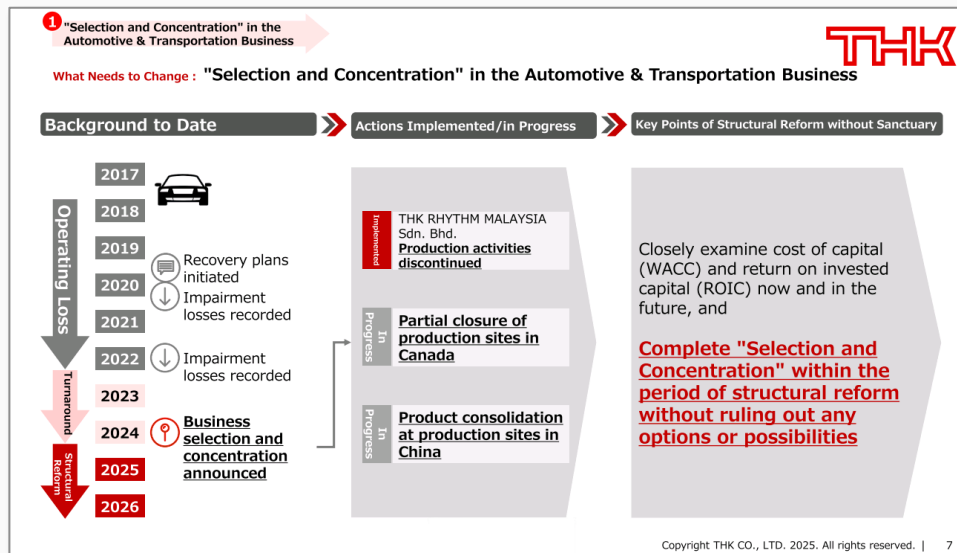
## Path to "ROE of Over 10%"



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Source: THK Corporation: New Management Policy "Early Achievement of ROE Exceeding 10%" (February 12, 2025) Pages 2 and 6

[https://www.thk.com/jp/wordpress/wp-content/uploads/2025/02/250212\\_New-Management-Policy\\_en.pdf](https://www.thk.com/jp/wordpress/wp-content/uploads/2025/02/250212_New-Management-Policy_en.pdf)



- Breaks down the path to improving operating profit into **specific initiatives, including business “selection and concentration.”**  
(→Point II.2 & Point II.5)

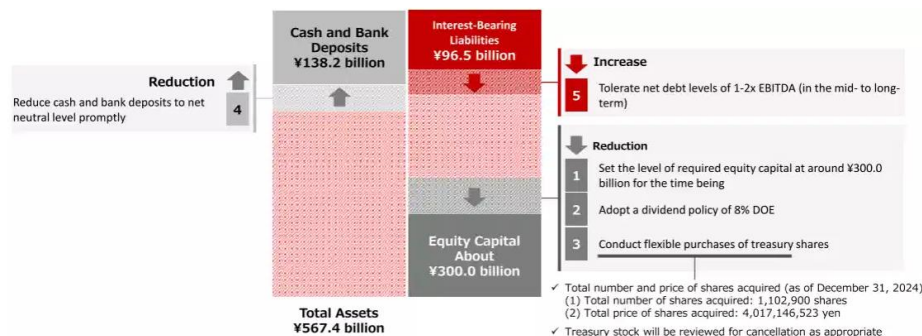


## 4 Capital Policy



**What needs to be strengthened :**  
**Balance Sheet Management with Emphasis on Capital Efficiency**

The capital policies below will be continued until "Early Realization of ROE over 10%" is achieved.



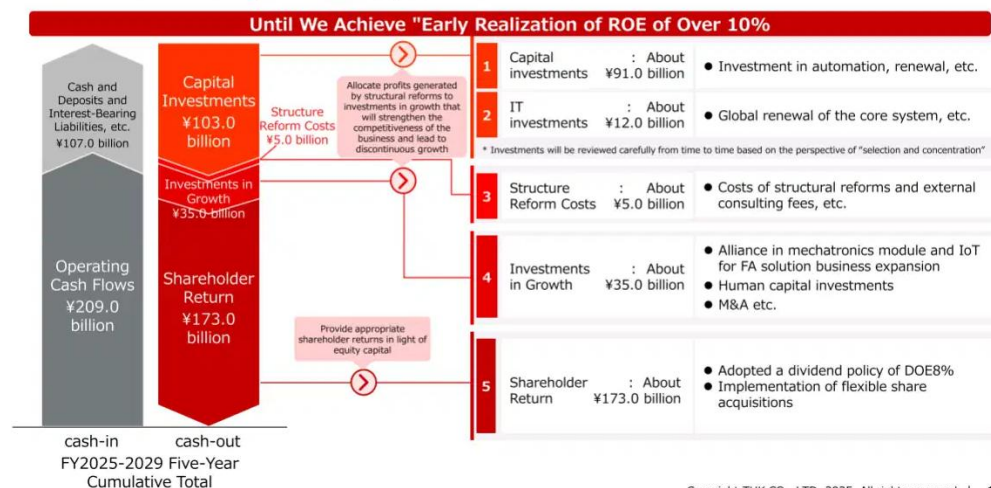
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- To enhance capital efficiency, the company discloses specific policies on balance sheet management and capital allocation, detailing how current and future cash flows will be allocated between growth investments and shareholder returns. (→Point I.3 & Point II.2)

## 4 Capital Policy



**What needs to be strengthened : Capital Allocation**



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Published May 2024

Overview		
Basic Policies and Overview of New Growth Strategy (Phase I)		
Redefine strategic areas and reinforce strategic focus areas while revamping business portfolio, emphasizing selection and concentration		
Strategies	Phase I (FY2024-2026) targets	FY2030 targets
<b>Business strategies</b>		
<b>Bolstering unprofitable businesses and revamping our business portfolio</b> ▶ Details on P17-22	<ul style="list-style-type: none"> <li>Proactively investing in priority businesses (areas) such as the IP business by optimizing the allocation of management resources while distinguishing unprofitable businesses in light of their future potential</li> </ul>	
<b>Expanding a promising IP business</b> ▶ Details on P23	<ul style="list-style-type: none"> <li>IP business: Net sales for FY2023: ¥82.1 billion → FY2026: ¥110.0 billion → FY2030: ¥140.0-150.0 billion Operating margin for FY2023: 13.2% → FY2026: 14% or more → FY2030: 18-20%</li> </ul>	
<b>Accelerating growth in the advanced packaging market</b> ▶ Details on P24-25	<ul style="list-style-type: none"> <li>Expanding the growth of lithography equipment in the IP business, a growth area, at a compound annual growth rate (CAGR) of 15% or more from FY2023 to FY2030</li> </ul>	
<b>Policy on investing in development</b> ▶ Details on P.26	<ul style="list-style-type: none"> <li>Revising the plan for more balanced investing</li> <li>Prioritizing and expanding investment in the area of IPs, which is expected to grow and expand</li> <li>In PHS business and LS business (including new businesses), focusing on areas offering better growth prospects</li> </ul>	
<b>Financial strategies</b>		
<b>Reviewing capital efficiency and the balance sheet</b> ▶ Details on P.27-32	<ul style="list-style-type: none"> <li>Seeking to achieve an ROE of 8% or more in FY2026 and achieving a PBR greater than 1 early on</li> <li>Plans to use ¥65.0-75.0 billion yen to repurchase shares and pay dividends, stipulating a minimum dividend of ¥70 per share</li> <li>Reducing securities holdings by at least ¥35.0 billion (plans are to reduce securities holdings by at least ¥15.0 billion in Phase II)</li> <li>Shareholders' equity shall be ¥200.0 billion or less</li> </ul>	

USHIO



## Voice of Investors

To improve capital efficiency, the company is promoting fundamental initiatives including business portfolio transformation. Their approach of disclosing detailed progress on these initiatives, actively engaging in dialogue with shareholders and investors, and being prepared to flexibly reassess them if challenges arise serves as a model example demonstrating the effectiveness and transparency of their efforts.

Published May 2025

## Summary of Review of First Year of New Growth Strategy

USHIO

Despite prolonged performance impact of semiconductor market downturn, progressed steadily with business portfolio revamping and other initiatives

Strategies	Phase I (FY2024-FY2026) targets	FY2030 targets
Summary of first year (FY2024)		
<b>Business strategies</b>		
① Accelerating growth in the advanced packaging market	<ul style="list-style-type: none"> <li>Undertook forward investments as planned</li> <li>DLT system<sup>*1</sup> progressed toward contributing to revenues from FY2025</li> </ul>	
② Expanding a promising IP business	<ul style="list-style-type: none"> <li>Sales progressed steadily on target</li> <li>Profitability improved from selecting key projects and exceeded initial targets</li> <li>The impact of a semiconductor market downturn should continue in FY2025 and beyond</li> </ul>	
③ Bolstering unprofitable businesses and revamping our business portfolio	<ul style="list-style-type: none"> <li>First-year progress was generally as planned</li> <li>Business selection efforts yielded tangible results → Streamlining operations through strategic business selection, reviewing investments in unprofitable businesses, prioritizing projects, etc. (see slide 11 for details)</li> </ul>	
④ Policy on investing in development	<ul style="list-style-type: none"> <li>Focused on paring development projects in unprofitable businesses</li> <li>In EUV business, curtailed some investments and reallocated resources to growth areas</li> </ul>	
<b>Financial strategies</b>		
⑤ Reviewing capital efficiency and the balance sheets	<ul style="list-style-type: none"> <li>Repurchased ¥30.0 billion in shares<sup>*2</sup> as planned</li> <li>Marketable securities sales (including of policy shareholdings) totaled ¥16.1 billion</li> <li>Reduced net assets by ¥36.4 billion</li> </ul>	

○: On track ▲: In progress

<sup>\*1</sup> DLT system: lithography equipment incorporating digital lithography technology developed through partnership with Applied Materials. Hereinafter referred to as the same  
<sup>\*2</sup> Including shares repurchased up to April 4, 2025

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3

- Summarizes the progress and challenges in the first year regarding the business and financial strategies outlined in their growth strategy, and explains them clearly. (→Point III.4)

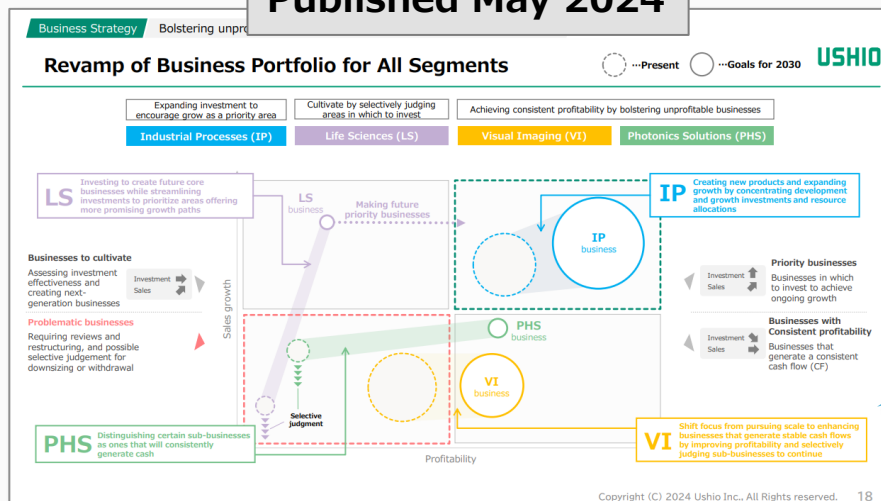
Source: (Top left) Ushio Electric Co., Ltd. New Growth Strategy Revive Vision 2030 (May 14, 2024) Page 15

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(Bottom Right) Ushio Electric Co., Ltd. New Growth Strategy Phase I (FY2024-FY2026) Progress Report (May 13, 2025) Page 3

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Published May 2024



- Regarding the status of business portfolio transformation outlined in the growth strategy, the company presents quantitative results and progress, while also specifying future directions. (→Point II.2 & Point III.4)

Published May 2025

**Business Strategies** Progress

③Bolstering unprofitable businesses and revamping our business portfolio

**FY2024: Generating savings (profit contribution) by revamping business portfolio while also incurring one-time costs to drive growth**

	Details	Savings
<b>Savings ¥3.1 billion</b>	• Streamlining operations through strategic business selection	Visual Imaging ¥1.1 billion
	• Reviewing investments in unprofitable businesses	Life Sciences, Photonics Solutions ¥0.6 billion
	• Prioritizing projects	New businesses, EUV business, etc. ¥1.4 billion
	Details	Costs
<b>One-time costs ¥3.7 billion</b>	• Bolstering financial position Reviewing asset valuations to enhance future Profitability	Products and maintenance parts in Visual Imaging business ¥3.2 billion
	• Reallocating resources to reorganize Assets Assessing projects with low growth potential to reorganize related assets	Industrial Processes, Life Sciences, Photonics Solutions ¥0.5 billion

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**Business Strategies** Direction

③Bolstering unprofitable businesses and revamping our business portfolio

**FY2025-FY2026: Overview of structural reform action plan**

Reach management targets for FY2026 and restore growth platform by prioritizing reforms to improve profit structure

	Key initiatives	Fixed cost reductions*	Reference slides
<b>Measures to improve earnings</b>	<b>Industrial Processes</b> ◆ Constrain EUV development investments	¥0.9 billion	See slide 6 and 18
	<b>Visual Imaging</b> ◆ Consolidate and downsize sites and streamline organizational management	¥3.4 billion	See slide 14
	<b>Photonics Solutions</b> ◆ Review development projects	¥0.4 billion	See slide 15
	<b>Life Sciences</b> ◆ Strengthen project monitoring and optimally allocate resources	¥0.4 billion	See slide 16
	<b>Companywide measures</b> ◆ Reduce fixed costs by expanding the second life support program	¥2.2 billion	See slide 25
	◆ Restructure management system to drive business growth	-	See slide 17

\* Fixed cost reductions reflects FY2026 amounts versus FY2024 baseline

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Source: (Left) Ushio Electric Co., Ltd. New Growth Strategy Revive Vision 2030 (May 14, 2024) Page 18  
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 (Right) Ushio Electric Co., Ltd. New Growth Strategy Phase I (FY2024-FY2026) Progress Report (May 13, 2025) Pages 11 and 13  
[https://www.ushio.co.jp/documents/ir/library/plan/ushio\\_plan2025\\_e.pdf](https://www.ushio.co.jp/documents/ir/library/plan/ushio_plan2025_e.pdf)

Published May 2024

Business Strategy

Policy on investing in development

Development investment policy

Invest to achieve contributions to earnings in Phase II towards our goals for 2030.

However, more closely monitor investment periods and profit contribution and review investment area allocations annually.

Consider reviewing investment strategy for EUV under Industrial Processes, Visual Imaging, and Photonics Solutions in line with their business directions.

Billions of yen	Cumulative development investment (FY2024~2026)	Development investment details		Details (Items represented identically unless set in P.19-22)	
IP Industrial Processes	28.0	Lithography equipment	Approximately ¥15.0 billion	●Develop and launch Digital Lithography System with Applied Materials ●Develop next-generation lithography equipment	<a href="#">See P.19 for details</a>
		EUV	Approximately ¥6.0 billion	●Develop to enhance brightness and stability and reduce costs to enter High-NA area	<a href="#">See P.19 for details</a>
		Others	Approximately ¥7.0 billion	●UV Lamp: Enhance illumination and service lives, Develop new lamps for emerging fields ●Semiconductor thermal processes: Innovate LED heating sources, etc.	<a href="#">See P.19 for details</a>
VI Visual Imaging	7.5	Imaging equipment	Approximately ¥7.5 billion	●Develop new products to provide high added value, etc.	<a href="#">See P.20 for details</a>
LS Life Sciences	8.5	—	Approximately ¥8.5 billion	●Invest in and cultivate products for promising areas ●Undertake initiatives to create promising businesses	<a href="#">See P.21 for details</a>
PHS Photonics Solutions	3.5	—	Approximately ¥3.5 billion	●Develop to expand product lineup and become more competitive	<a href="#">See P.22 for details</a>
Total	47.5				

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- Continuously reviews investment allocations and rebalances investment amounts based on the future prospects of each business. Discloses the specifics of these actions. (→Point II.2 & Point III.4)

Published May 2025

Business Strategies

Progress and direction

USHIO

④Policy on investing in development

Undertake planned investments in areas offering strong growth potential, curtailing investments without growth potential, and keep strengthening project monitoring

(Billions of yen)	Cumulative development Investment (FY2024-FY2026) After review	Development investment details				
		Cumulative (FY2024-FY2026)			Previous time	Review details and direction
		Now	Difference from previous time			
IP Industrial Processes	22.0	Lithography equipment	Approx. 15.0	—	Approximately ¥15.0 billion	As planned, keep developing next-generation lithography equipment offering solid growth potential
		EUV	Approx. 3.0	-3.0	Approximately ¥6.0 billion	Investments curtailed. Development investments to be reduced from FY2025 onward Keep only developing elemental technologies and validating promising projects
		Others	Approx. 4.0	-3.0	Approximately ¥7.0 billion	Focus investments on such promising areas as optical processing (thermal and excimer) and semiconductor inspection light sources Constrain other projects with poor prospects
VI Visual Imaging	10.0	Imaging equipment	Approx. 10.0	-2.0	Approximately ¥12.0 billion	Pare development projects to focus on high-end models Note: Corrected previous figure (from ¥7.5 billion to ¥12.0 billion)
LS Life Sciences	6.0	—	Approx. 6.0	-2.5	Approximately ¥8.5 billion	Pare and constrain new business creation projects, and strengthen monitoring
PHS Photonics Solutions	2.5	—	Approx. 2.5	-1.0	Approximately ¥3.5 billion	Curb investments by reviewing and terminating some projects
Total	40.5			-11.5	¥52.0 billion	

Underlined figures are revised

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Source: (Top left) Ushio Electric Co., Ltd. New Growth Strategy Revive Vision 2030 (May 14, 2024) Page 26 (Red underlining added by TSE)

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(Bottom right) Ushio Electric Co., Ltd. New Growth Strategy Phase I (FY2024-FY2026) Progress Report (May 13, 2025) Page 18 (Red underlining added by TSE)

[https://www.ushio.co.jp/documents/ir/library/plan/ushio\\_plan2025\\_e.pdf](https://www.ushio.co.jp/documents/ir/library/plan/ushio_plan2025_e.pdf)



## Section 01 Measures to Support Steady Implementation of Our New Growth Strategy

Dialogue with Investors and Shareholders and  
Stock Price-Conscious Management

Ushio's price-to-book ratio (PBR) has generally remained below 1, making its improvement an urgent priority. This is especially important given our low return on equity (ROE), an indicator of capital efficiency, and is essential to increase market confidence in our medium- to long-term growth.

In response, we are implementing various measures to quickly restore our PBR to above 1, as outlined in our New Growth Strategy announced in May 2024. Specifically, we have designated ROE as our most important KPI, with targets of 8% or more by fiscal 2026 and 12% or more by fiscal 2030. Alongside driving earnings growth, we are committed to maintaining strict financial discipline and optimizing our balance sheet, including reducing equity.

Furthermore, by having the CEO essentially take on the role of CFO, we aim to achieve sustainable growth by revamping our business portfolio to improve our earnings structure and making steady investments in growth businesses, while continuing the financial strategy established by the CEO as CFO prior to appointment.

We will continue to take market feedback and opinions seriously, striving to enhance our corporate value through appropriate IR activities.

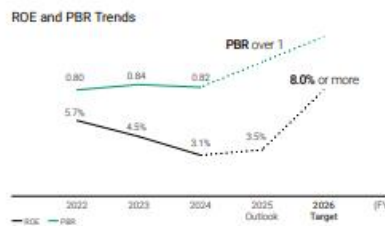
## Policy for Dialogue with Investors and Shareholders

Under our Policy on Constructive Dialogue with Shareholders, we strive to actively disclose information and promote constructive dialogue through various channels, such as our general shareholders' meeting, financial results briefing, individual meetings, and site tours.

Feedback received from investors and shareholders through these dialogues is reported regularly in a timely and appropriate manner to the Board of Directors and Executive Council, and is used to make improvements to our management and IR activities.



Note: Cost of shareholders' equity: Approximately 7%  
Estimated weighted average cost of capital (WACC): Approximately 6%



## Activities in FY2024

Dialogue with Investors and Shareholders	Times	Details of Activities
Financial results briefings	4	Quarterly financial results briefings were held. The President and Chief Executive Officer attended, presented, and answered questions.
Medium- to long-term management strategies briefings (including progress updates)	1	The President and Chief Executive Officer attended, presented, and answered questions.
Attendance at conferences hosted by securities companies	4	The President and Chief Executive Officer, along with the investor relations department, attended and engaged in dialogue with parties such as overseas institutional investors.
Individual meetings (including small group meetings)	244 <sup>*)</sup>	The director in charge of investor relations (President and Chief Executive Officer) and the investor relations department led dialogues.
Company briefings for individual investors	2	The President and Chief Executive Officer attended, gave a presentation, and answered questions.
Individual dialogues with institutional investors responsible for exercising voting rights	13	The investor relations department and other relevant departments led dialogues.
Plant tours	0	The investor relations department and relevant business division managers led these tours. However, no such tours were held in FY2024.

<sup>\*)</sup> 199 for institutional investors and 45 for sell-side analysts

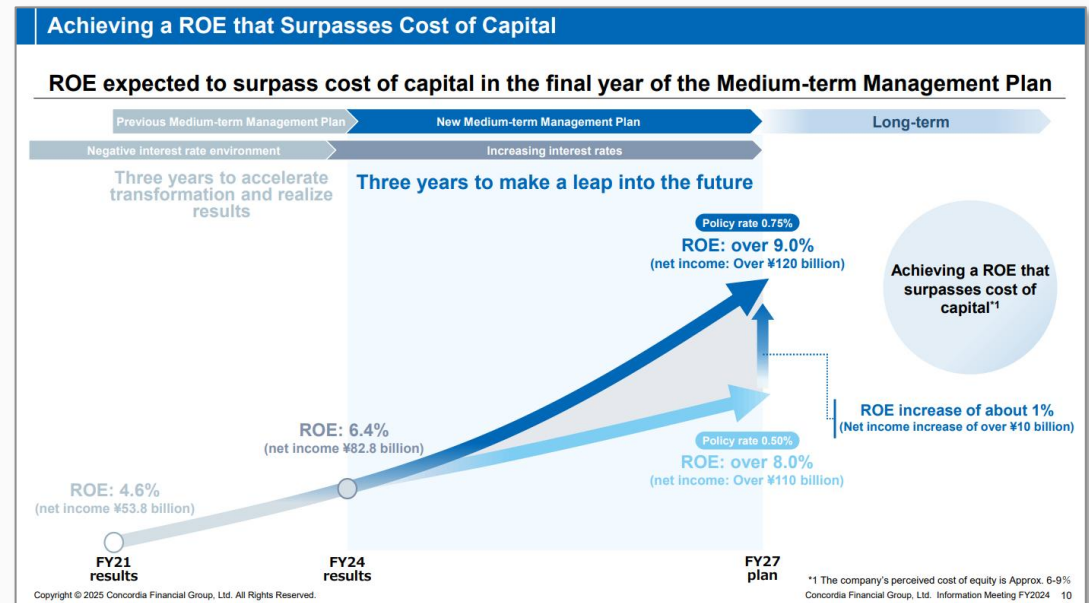
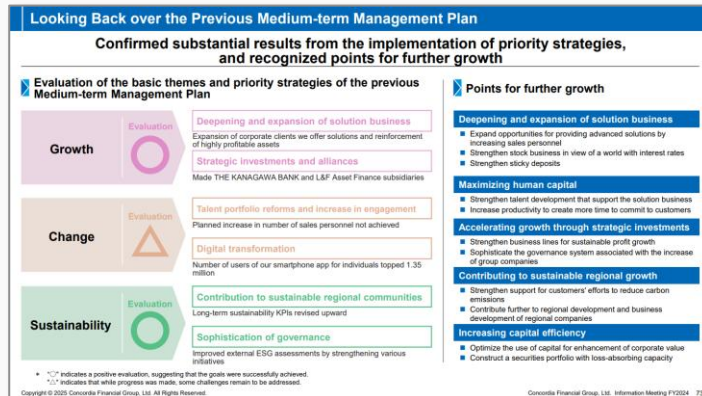
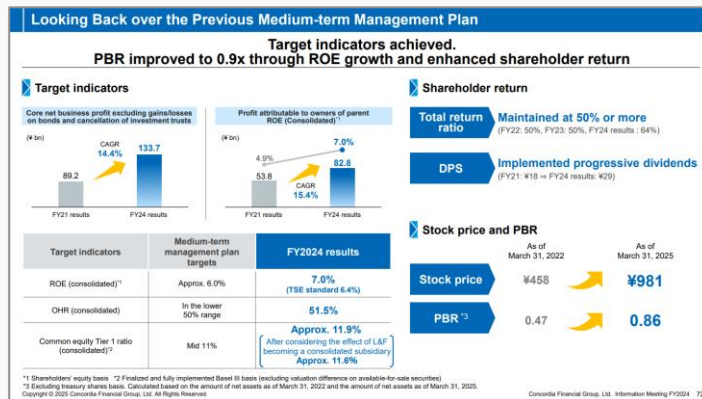
## Recent Key Requests and Concerns, and Ushio's Responses

Request, Concern, Etc.	Response	Details
Initiatives to improve return on equity (ROE) and achieve PBR greater than 1	Underway	We announced our New Growth Strategy Revive Vision 2030 (hereinafter, New Growth Strategy) in May 2024, and steadily implemented each measure as planned in fiscal 2024. However, we have not reached a PBR of over 1. We will continue to enhance our business strategy, financial strategy, and ESG management, aiming to achieve an ROE of 8% or more in Phase I (fiscal 2024–2026) and a PBR greater than 1 at an early stage. Please refer to <a href="#">UJ24-43</a> for details on our New Growth Strategy, and <a href="#">UJ24-48</a> for details on our financial strategy initiatives.
More specific medium- to long-term growth strategies	Underway	In the New Growth Strategy announced in May 2024, we developed highly effective business and financial strategies and are currently steadily implementing each measure to achieve our management targets for ROE (Phase I (fiscal 2024–2026): ROE of 8% or more, Phase II (fiscal 2027–2030): ROE of 12% or more). Please refer to <a href="#">UJ24-43</a> for details on our New Growth Strategy, our medium- to long-term growth plan.
Handling of unprofitable and underperforming businesses	Partially complete	Building on our business portfolio revamp policy, a key pillar of our New Growth Strategy, we implemented various measures in fiscal 2024, improving profits by reducing costs by ¥3.1 billion compared to the plan. Moving forward, we will continue to develop and execute specific structural reform action plans to fundamentally improve the profitability of unprofitable and low-profit businesses. During the remaining two years of Phase I, fiscal 2025 and 2026, we aim to reduce fixed costs by more than ¥7.3 billion and steadily increase profits. Please refer to <a href="#">UJ24-46</a> for details on our business portfolio revamp initiatives.
Potential for growth of businesses centering on semiconductors	Underway	In fiscal 2024, we made forward investments in the DLT system and developed next-generation lithography equipment in preparation for future growth. Meanwhile, the semiconductor market, excluding generative AI semiconductors, remains sluggish with difficult market conditions expected to continue in fiscal 2025. However, growth potential of the advanced packaging market remains intact, and we anticipate contributions from the newly introduced DLT system, developed through a strategic partnership with Applied Materials starting in fiscal 2025. We will also continue focusing on the thermal processes field to drive growth and expansion. Please refer to <a href="#">UJ24-48</a> for details on our semiconductor-related business strategy.
Progress on new advanced packaging products (DLT system)	Underway	Since partnering with Applied Materials, we have made forward investments as planned in fiscal 2024, and expect to record sales in the second half of fiscal 2025. While potential customers have responded positively to its features, concerns about the worsening macroeconomic environment and cautious attitudes toward technological trends in generative AI semiconductors have delayed investment decisions in some projects. Nonetheless, our outlook for growth in the medium to long term remains unchanged, and we will continue to provide timely updates to our shareholders and investors. Please refer to <a href="#">UJ24-47</a> for details on our initiatives/initiatives in the advanced packaging field.
Feasibility of achieving an increase of ¥10.2 billion in operating profit from expanded sales of lithography equipment in fiscal 2026	Underway	In fiscal 2026, with the growth of generative AI semiconductors, we expect to see a resumption of investment in substrates, which had been postponed, and an expansion of digital lithography equipment, which will begin sales in fiscal 2025. This is projected to improve production operations and lead to a significant increase in operating profit of ¥10.2 billion from higher sales of advanced packaging-related lithography equipment. We are closely monitoring market trends and carefully assessing project feasibility, and will continue working steadily to achieve our goals.
Future direction of EUV business	Complete	After reviewing our strategy in response to the emergence of other companies' light sources, we have decided to temporarily halt development of specific applications and focus on elemental technologies. We have significantly reduced development investment while maintaining service for existing EUV light sources. We will continue developing elemental technologies and exploring new possibilities for Ushio's EUV light sources.
Feasibility and timing of returns on development costs in business results in future	Underway	To concentrate resources on the Industrial Processes (IP) business in accordance with our New Growth Strategy, we revised our consolidated development investment plan for fiscal 2024–2026 from the initial ¥52.0 billion to ¥40.5 billion (a reduction of ¥11.5 billion). We are enhancing monitoring and prioritizing efficient investments in projects with high feasibility. We aim for businesses outside Life Sciences (LS) to contribute to our earnings as early as fiscal 2026 onwards, and although commercialization of projects in the LS business will take time, we expect them to contribute as early as fiscal 2027. Please refer to <a href="#">UJ24-49</a> for details on development investments in our New Growth Strategy.
Cutting of financial assets (including cross-shareholdings)	Partially complete	As part of our New Growth Strategy, we sold securities* worth ¥16.1 billion in fiscal 2024. We will continue to reduce our holdings, aiming for zero by the end of fiscal 2030. We plan to sell approximately ¥35.0 billion in Phase I (fiscal 2024–2026) and over ¥15.0 billion in Phase II (fiscal 2027–2030). Please refer to <a href="#">UJ24-48</a> for details on our financial asset reduction policy.
Introduction of ROIC management	Under consideration	We are selecting and evaluating existing and new businesses with consideration of WACC and ROIC. However, this approach has not yet been fully systematized on a company-wide level. Moving forward, we will continue addressing issues, including improving our management accounting system and promoting internal understanding, to implement ROIC management in a way that is effective for improving management efficiency.
Human capital strategies for New Growth Strategy	Partially complete	In line with our policy of focusing on the IP business, we are shifting human resources to that business. In fiscal 2024, we carefully reviewed and narrowed projects across all segments and assessed resource allocation to ensure appropriateness, resulting in the redeployment of some personnel to the advanced packaging business. We also expanded the Second Life Support Program at Ushio Inc. and are working to improve management efficiency by controlling labor costs and optimizing the organizational structure. Please refer to <a href="#">UJ24-52 and UJ24-47</a> for details on the human capital strategy of our New Growth Strategy.
Effectiveness evaluation of Board of Directors	Partially complete	We are enhancing the disclosure of evaluations of the effectiveness of our Board of Directors to improve the transparency and quality of our management, secure the trust of stakeholders, strengthen compliance with laws and regulations, and risk management, and promote sustainable growth. These efforts are reflected in this year's integrated report. Please refer to <a href="#">UJ24-51 and UJ24-53</a> for messages from our outside directors and <a href="#">UJ24-52</a> for details on our evaluation on the effectiveness of the Board of Directors.

<sup>\*)</sup> Cash flows from the sale of cross-shareholdings, long-term bonds, and net investment securities

## Voice of Investors

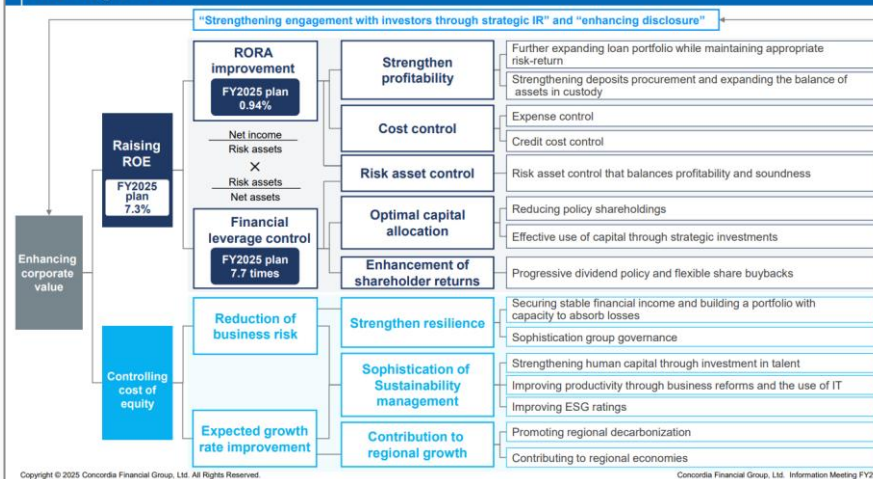
Following a review of the previous medium-term management plan, the company identified challenges and, in the new plan, disclosed a higher ROE target along with concrete measures for achieving it. Scenario-based target values for policy rates have been presented, making it easier to assess corporate value under varying external conditions. Furthermore, the company has explained each measure after organizing them in a logic tree that illustrates how they contribute to enhancing corporate value, resulting in a convincing disclosure regarding effectiveness.



- The company reviewed the previous medium-term management plan to identify issues, and in the new plan, disclosed a higher ROE target along with initiatives to achieve it. The company presented target values based on scenarios for policy rates, which have a significant impact on performance. (→Points I. 2, II. 1, and III. 4)



## PBR Logic Tree



## ROE Logic Tree

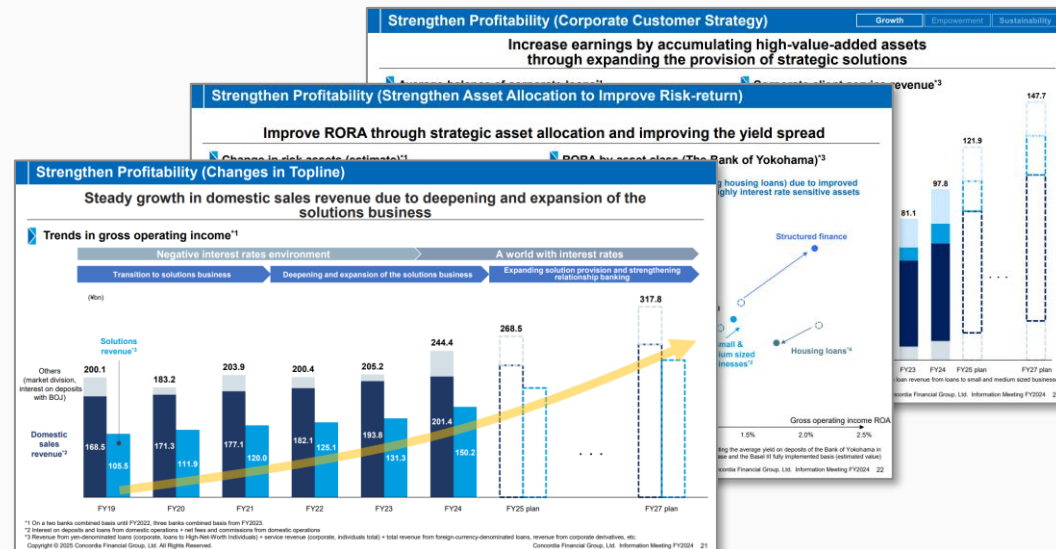
## Implementing strategies to strengthen 5 drivers for raising ROE

	Major KPIs	FY24 results	FY25 plan	
<b>RORA improvement</b> FY25 plan 0.94%	Average balance of loans to companies	¥7,137.1 bn	¥7,320.0 bn	<ul style="list-style-type: none"> <li>Strengthen relationship banking by reviewing the customer coverage system</li> <li>Strengthen highly profitable structured finance by expanding corporate clients we offer strategic solutions to</li> <li>Strengthen solutions provision system by shifting human resources</li> <li>Strengthen business relations and consultation service related marketing to improve profitability</li> <li>Secure customer coverage by building a sales system with a small number of sales staff and CX</li> <li>Expand deposits balance through account opening and development of stickiness</li> <li>Acquire ordinary business based on relationships with finance clients</li> <li>Disciplined control of investments for growth purposes and other expenses</li> <li>Maintain low levels by responding to potential risks through predictive management</li> <li>Increase by accumulating lending assets and making L&amp;F a consolidated subsidiary</li> <li>Accelerate reduction in line with the plan</li> <li>Pursue investment opportunities that benefit the enhancement of corporate value</li> <li>Plan to increase DPS ¥5 from the previous year to ¥34</li> <li>Flexibly purchase treasury shares considering the capital level</li> </ul>
	Average balance of loans to small & medium sized businesses within Kanagawa and Tokyo	¥4,757.4 bn	¥4,810.0 bn	
	Average SF balance <sup>1)</sup>	¥669.9 bn	¥619.0 bn	
	Average balance of loans to high-net-worth individuals	¥3,356.2 bn	¥3,440.0 bn	
	Average balance of housing loans	¥4,175.2 bn	¥4,280.0 bn	
<b>Strengthen profitability</b>	Balance of assets in custody of the group (end balance)	¥2,885.0 bn	¥3,050.0 bn	<ul style="list-style-type: none"> <li>Resolved to make L&amp;F a consolidated subsidiary</li> <li>Plan to increase DPS ¥5 from the previous year to ¥34</li> <li>Flexibly purchase treasury shares considering the capital level</li> </ul>
	Average balance of individual deposits	¥13,581.5 bn	¥13,910.0 bn	
	Average balance of corporate deposits	¥4,655.4 bn	¥4,830.0 bn	
	Expenses <sup>2)</sup>	¥127.2 bn	¥133.8 bn	
	Credit costs <sup>3)</sup>	¥9.4 bn	¥10.0 bn	
<b>Control cost</b>	Risk assets <sup>3)</sup>	¥9.7 bn	¥10.0 bn	<ul style="list-style-type: none"> <li>Resolved to make L&amp;F a consolidated subsidiary</li> <li>Plan to increase DPS ¥5 from the previous year to ¥34</li> <li>Flexibly purchase treasury shares considering the capital level</li> </ul>
	Policy shareholding (% of consolidated net assets) <sup>4)</sup>	15.2%	Less than 10% by March 31, 2030	
	Control risk asset			
	Allocate capital optimally			
	Enhance shareholder returns			
<b>Financial leverage control</b> FY25 plan 7.7 times	Investment			<ul style="list-style-type: none"> <li>Resolved to make L&amp;F a consolidated subsidiary</li> <li>Plan to increase DPS ¥5 from the previous year to ¥34</li> <li>Flexibly purchase treasury shares considering the capital level</li> </ul>
	Payout ratio			
	Purchase of treasury shares	¥20.0 bn		
	Total return ratio	64%		

<sup>1)</sup> Structured finance. Reference index that is not KPIs of the medium-term management plan  
<sup>2)</sup> Three banks combined  
<sup>3)</sup> On a finalized and fully implemented Basel III basis. Averages for risk assets at the end of the previous and current fiscal years  
<sup>4)</sup> Market value basis

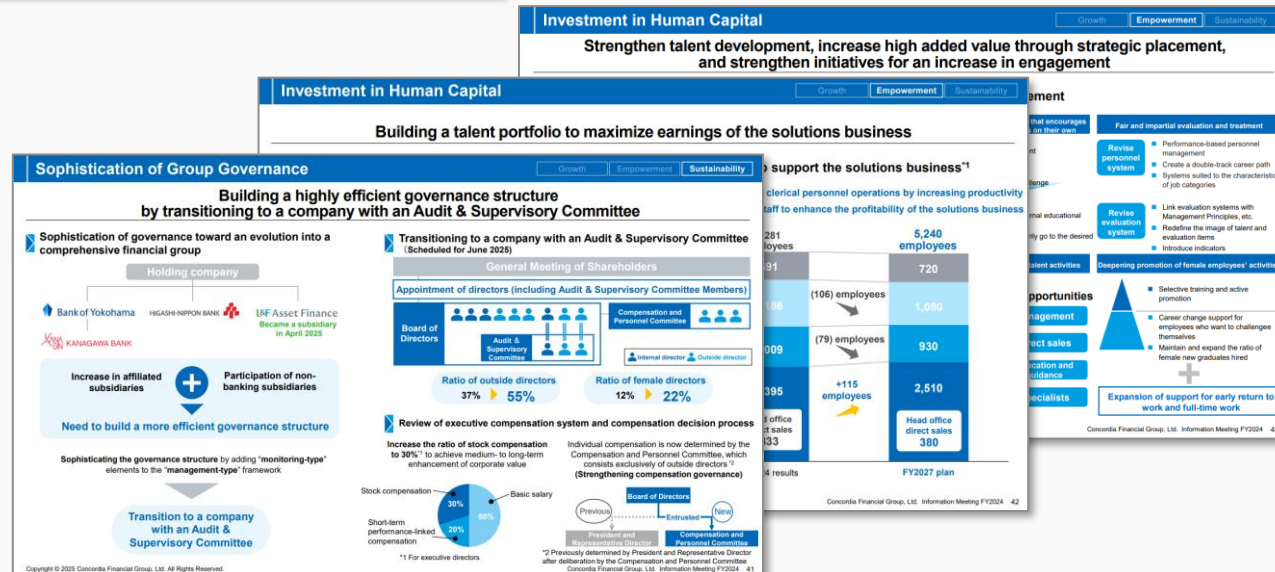
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- The company presented a full overview using a logic tree to illustrate how each initiative contributes to enhancing corporate value, followed by detailed explanations of individual initiatives. (→Point II. 5)



PBR Logic Tree (Controlling Cost of Equity)					
		Key KPIs	FY24 results	FY25 plan	
Controlling cost of equity	Reduction of business risk	Strengthen resilience	Market division realized gains/losses rate	(0.4%)	1.0% in FY27
					Improve realized gains/losses ratio by securing stable interest and dividend income based on individual investment strategies and capital income through flexible operation.
		Sophistication of Sustainability management	Solutions revenue per person	¥0.1 bn	¥0.12 bn
	Expected growth rate improvement		Number of sales personnel	2,395	2,430
			Total attractiveness of the company (employee attitude survey)	3.40	3.40 or above
			Work volume reduction	-	70,000 hours
			External evaluation indicators	-	5 indicators achieved in FY27
	Contribution to regional growth		Number of initiatives to resolve local community issues	-	10 by the end of FY27
			Sustainable finance (cumulative)	¥3.0 tn	¥3.2 tn
			Reduction of in-house GHG emissions rate (cumulative)	86% (estimate)	87%

- The company used a logic tree to show the impact of each initiative on reducing the cost of capital, followed by a detailed explanation of individual measures. (→Points II. 3 and II. 5)



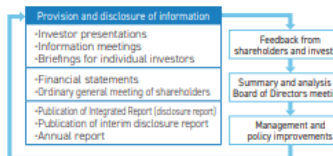
Source: Concordia Financial Group, Ltd., Information Meeting(Interim Financial Results of the FY2024 and Initiatives to enhance corporate value) (May 22, 2025), Pages 40–43  
[https://ssl4.eir-parts.net/doc/7186/ir\\_material\\_for\\_fiscal\\_ym13/179531/00.pdf](https://ssl4.eir-parts.net/doc/7186/ir_material_for_fiscal_ym13/179531/00.pdf)

## TOPIC Communication with Shareholders and Investors

We strive to disclose information in a manner that is easy to understand so that shareholders and investors can understand the Group's operations and financial conditions and make appropriate judgments about the soundness of its management. In addition, the Company places importance on opportunities for dialog with shareholders and investors. We have established a policy for initiatives to promote constructive dialog and strive for proactive communication. In April 2022, we established the Corporate Communication Office in the Corporate Planning Department in order to strengthen disclosure of information, including non-financial information, and dialog with shareholders and investors.

In FY2024, we strengthened our approach to overseas investors by increasing participation in IR conferences sponsored by securities companies and steadily implemented measures for individual investors. In addition, the number of meetings with shareholders, institutional investors and analysts and the number of participants at briefing sessions significantly exceeded those of the previous fiscal year.

We held IR Days, a management strategy briefing, twice, during which the President and Representative Director, officers in charge, general managers in charge of front-line operations and outside directors explained the solutions business and corporate governance. Comments and requests received during these dialogues are reported to the Board of Directors and management in a timely and appropriate manner. In addition to reporting at the July and January Board of Directors meetings, the IR department provides feedback in the form of reports to the directors and executive officers on a weekly basis.

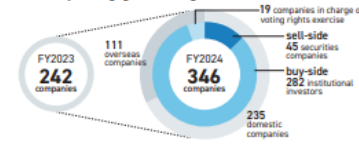
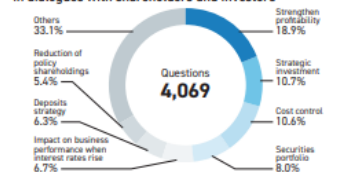


## Achievements

General Meeting of Shareholders (This period)	Financial Results Briefing (for analysts and institutional investors)	IR Day (Management Strategy Briefing)	Number of meetings with analysts and institutional investors	Briefings for individual investors
Number of participants: About 260 (Including online participation)	Number of briefings held: 4 Number of participants: About 400	Number of briefings held: 2 Number of participants: 110	Total of 346 companies	Number of briefings held: 1 Number of participants: About 2,300

Major respondents and achievements  
in dialogues with shareholders and investors

Respondent	Achievements
President and Representative Director	General Meeting of Shareholders, financial results briefings (2 times), IR Day (2 times), dialogues with domestic and overseas institutional investors, etc. (39 times), briefings for individual investors (1 time)
Representative Directors	General Meeting of Shareholders, financial results briefings (2 times), quarterly financial results briefings (2 times), IR Day (2 times), dialogues with domestic and overseas institutional investors, etc. (93 times)
Corporate Planning Department (responsible for IR)	Dialogues with domestic and overseas institutional investors, etc. (IR 180 times), dialogues with shareholders (SR 18 times)

Summary of shareholders, institutional investors,  
and analysts engaged in dialoguesMain themes and areas of interest  
in dialogues with shareholders and investors

\* The total number of questions from investors interviewed between April 1, 2024 and December 27, 2024.

Responses to opinions  
from shareholders and investors

Main opinions	Responses
Should explain deposit strategies and related initiatives as acquiring deposits becomes important	Disclosed a strategy for acquiring sticky deposits in the new medium-term management plan
It is important to explain the process of strategic human capital investment and effectiveness measurement	Clarified the human resource strategy and KPIs, including productivity improvement measures aimed at securing sales personnel
The plan to reduce policy shareholding is insufficient and should be updated	Updated and disclosed the reduction plan
Should consider raising the payout ratio and disclosing the total return ratio target	Expanded the expansion of the scope for shareholder returns and strategic investments by reviewing the capital level at IR Day

## External evaluation



Ranked 2nd in the "Excellence in Corporate Disclosure -Banks-" awards by the Securities Analysts Association of Japan



The company provided a detailed explanation of the status of dialogues with investors. It updated initiatives and disclosures based on investor feedback and disclosed the updated content as well. (→Point III. 3)





## Voice of Investors

By incorporating shareholder and investor feedback into management and internal discussions, the company refined its initiatives and disclosures by strengthening the disclosure of business strategy progress, increasing the proportion of stock-based compensation in executive remuneration, clarifying the direction of growth investments and shareholder returns, and other measures. These efforts convey the company's sincere commitment to meeting investor expectations and enhancing corporate value.

### Social and Relational Capital (Dialogue With Shareholders And Investors)

Aisin works to gain understanding of its management policies and medium-to-long-term business strategies through timely and appropriate disclosure of enhanced information. We also pursue corporate value enhancement by reflecting in our management policies opinions and requests received through dialogue with shareholders and investors.

#### Dialogue results (FY2025)

Main opportunities for dialogue	Number of events	Total number of participants	Main respondents	Agenda
Financial results briefings	4	1,843	CAO, officers in charge of IR	Held quarterly for analysts and institutional investors to explain financial results
Business briefings	1		President, CAO, CTSO, officers in charge of IR	Held a "Technology and Test Drive Experience Event: Electrification and Intelligence" event for analysts at the Toyokoro Test Site in August 2024
Individual meetings	334		CAO, officers in charge of IR, Corporate Planning Department	Arranged face-to-face and online sessions for analysts and institutional investors (including proxy voting agents) as needed
Public offering roadshows	44	14	CAO, officers in charge of IR	Maintained IR-related dialogue with domestic and international institutional investors (including via online meetings) following the public offering in June 2024
Overseas roadshows	14		Officers in charge of IR	Directly visited overseas institutional investors and held meetings
Briefings for individual investors	7	3,711	Officers in charge of IR	Held briefings at securities brokerage branches and online company briefings for individual investors

Technology and Test Drive Experience Event: Electrification and Intelligence



Public offering



Briefings for individual investors



#### Key themes for dialogue, shareholder and investor concerns

We maintain dialogue on a wide range of topics, including automotive market trends, the regional demand outlook for our products, progress with transforming our business portfolio, and ESG initiatives.

##### Key themes, shareholder and investor concerns

Performance-related themes	<ul style="list-style-type: none"> <li>Automotive market trends and demand outlook</li> <li>Assumptions and rationale for earnings forecasts (e.g., tariff impact projections)</li> <li>Detailed disclosure of product-specific sales revenue</li> </ul>
Management Strategy & Business Strategy	<ul style="list-style-type: none"> <li>Long-term market environment and technology trends</li> <li>Progress on medium-to-long-term business strategy and medium-term management plan</li> <li>Progress with business portfolio transformation</li> <li>Powertrain business strategy response to changes in the automotive market</li> </ul>
ESG and sustainability	<ul style="list-style-type: none"> <li>Climate change countermeasures</li> <li>Initiatives related to human capital, diversity, and human rights</li> <li>Corporate governance (Board composition, skills matrix, executive compensation system, etc.)</li> </ul>
Financial strategy	<ul style="list-style-type: none"> <li>Capital allocation policy (including status of growth investments)</li> <li>Shareholder return policy (including approach to share buybacks)</li> <li>Progress with balance sheet reform (including unwinding of strategic shareholdings)</li> </ul>

#### Agenda items incorporated based on feedback to management and dialogue with shareholders and investors

Opinions and requests received from shareholders and investors are reported at Board of Directors and Management Committee meetings and widely shared with relevant internal departments to improve management and IR/SR activities.

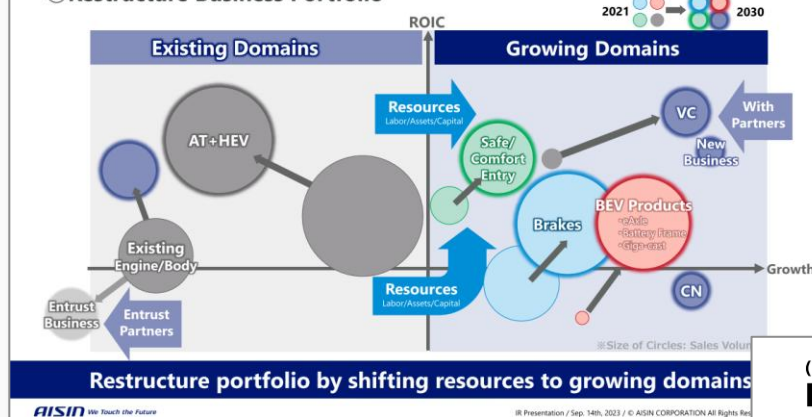
##### Agenda items taken up based on dialogue

Performance-related themes	<ul style="list-style-type: none"> <li>Disclosed FY2026 earnings forecasts discounting tariff impact amid uncertain external outlook (featured in the Tokyo Stock Exchange's June 2025 Examples of Disclosure Regarding the Impact of U.S. Tariff Measures)</li> <li>Driving internal initiatives directed at detailed disclosure of product-specific sales</li> </ul>
Management Strategy & Business Strategy	<ul style="list-style-type: none"> <li>Held an event titled Technology and Test Drive Experience Event: Electrification and Intelligence to spread understanding of the current state of R&amp;D pertaining to electrification and intelligent technologies.</li> <li>In response to requests regarding risks and opportunities arising from recent changes in the automotive market environment, strengthened disclosure of progress on medium-to-long-term business strategies and business opportunities that manifested themselves (automatic transmissions, HEVs).</li> </ul>
ESG and sustainability	<ul style="list-style-type: none"> <li>Implemented the following initiatives to further advance sustainability management:               <ul style="list-style-type: none"> <li>-Comprehensive review of ESG and other materiality issues</li> <li>-Revision of skills matrix and changes to the composition of independent outside directors' membership</li> <li>-Increase in the proportion of directors' stock-based compensation relative to total remuneration</li> </ul> </li> <li>Disclosed the magnitude of financial impact due to climate change (large, medium, small)</li> </ul>
Financial strategy	<ul style="list-style-type: none"> <li>Disclosed direction regarding further investment and additional shareholder returns</li> <li>Implemented share buybacks as part of our policy to reduce cost of capital</li> </ul>

- Feedback obtained through dialogue with shareholders and investors has been shared with management and across the organization. The company refined its initiatives and disclosures by strengthening the disclosure of business strategy progress, increasing the proportion of stock-based compensation in executive remuneration, further clarifying the direction of growth investments and shareholder returns, and other measures. (→Points III. 3 and III. 4)

## September 2023 announcement

## ① Restructure Business Portfolio



- Based on investors' areas of interest, the company provided concrete disclosures on the progress of its business portfolio reform, together with upcoming initiatives. (Points II. 2 and III. 4)

## April 2025 announcement

## (Reference Information)

## Progress of Business Portfolio Transformation

business Strategy  
\*2 Conduct vehicle test at Electrification and Intelligent Technology Test Drive Event

Business Domain	Market Environment <sup>*1</sup>	Progress in FYE2024 and FYE2025	Initiatives for FYE2026 (Plan)
PHEV HEV	↗	<ul style="list-style-type: none"> <li>Start to produce 2-motor / 1-motor HEV in North America</li> <li>Sales expand for Guangzhou Automobile Group, Mitsubishi, etc.</li> <li>Start PHEV vehicle tests of next generation product</li> </ul>	<ul style="list-style-type: none"> <li>Mass production of sales expansion project</li> <li>Complete production preparation of HEV in North America for ramp-up production</li> <li>Production preparation to meet future increase in hybrid demand</li> </ul>
eAxe	↘	<ul style="list-style-type: none"> <li>Collaboration and sales expansion for SUBARU, BMW, SUZUKI, etc.</li> <li>Preparation for second-generation products</li> </ul>	<ul style="list-style-type: none"> <li>Second-generation products into market, start sales expansion project</li> <li>Preparation for global production system</li> </ul>
Battery Frames Giga-cast	↘	<ul style="list-style-type: none"> <li>Battery frame order from multiple customers</li> <li>Progress of Giga-cast prototype</li> </ul>	<ul style="list-style-type: none"> <li>New Rocker EA and Battery Heatsink into market</li> <li>Develop segmented aluminum body and initiate collaboration with OEM</li> </ul>
Brakes	↗	<ul style="list-style-type: none"> <li>Sales expansion of main products, Cooperative Regenerative Brake System, etc.</li> <li>JV with Brakes India Private Limited, at growing market India</li> </ul>	<ul style="list-style-type: none"> <li>Profitable 8th generation Cooperative Regenerative Brake System into market</li> <li>Develop integrated vehicle control systems that connect multiple products via software to improve fuel efficiency and driving performance<sup>*2</sup></li> </ul>
Safe/Comfort entry	→	<ul style="list-style-type: none"> <li>Develop Entry system and safe/comfort products</li> <li>Commercialize child presence detection system</li> </ul>	<ul style="list-style-type: none"> <li>Pursue convenience by system integration and sensing technologies (integrate auto drive and automatic parking, predictive boarding/alighting, etc.)</li> </ul>
VC·CN New business	→	<ul style="list-style-type: none"> <li>VC : Promote M&amp;A and Alliances to expand globalize Aftermarket domain</li> <li>CN : Evaluate demonstration of Perovskite solar cells business (multiple experiments with external collaboration)</li> </ul>	
Existing business	↗	<ul style="list-style-type: none"> <li>AT : Attain ICE demand in India, South America, etc., achieve high profitability by fully utilize existing plant and equipment</li> <li>Entrust business : promote transfer to partners (Seat Business, Shower-Toilet Business, Other projects ongoing)</li> </ul>	

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Source: AISIN CORPORATION

(Top left) Mid/Long-term Business Strategy Briefing 2023 (September 14, 2023), Page 33

[https://www.aisin.com/en/investors/settlement/uploads/Mid%20Long-term%20IR\\_presentation\\_en.pdf](https://www.aisin.com/en/investors/settlement/uploads/Mid%20Long-term%20IR_presentation_en.pdf)

(Bottom right) Progress of the Medium-Term Plan and Initiatives to Enhance Corporate Value (April 25, 2025), Page 6

[https://www.aisin.com/en/investors/business-briefing/uploads/fy2025\\_q4\\_presentation-b-e\\_3.pdf](https://www.aisin.com/en/investors/business-briefing/uploads/fy2025_q4_presentation-b-e_3.pdf)

## (4) Executive remuneration, etc.

- (i) Matters related to the policy on determining the amount or calculation method of executive remuneration

The Company's policy for determining the remuneration, etc., for individual Directors (hereinafter referred to as the "determination policy") is determined by the Board of Directors based on the deliberations of the Executive Nomination and Compensation Committee, chaired by an independent outside director and composed of a majority of independent outside directors.

To further enhance incentives in line with the following basic principles, the Company revised its "determination policy" by resolution of the Board of Directors held on March 26, 2025.

<Main revisions to the "determination policy">

Increase in the proportion of stock-based remuneration within total remuneration for Directors

Item	Before revision	After revision
Composition of Directors' remuneration	Monthly remuneration : Bonuses : Stock-based remuneration 40% : 30% : 30%	Monthly remuneration : Bonuses : Stock-based remuneration 25% : 25% : 50%

(Basic approach)

The Company's executive remuneration system is designed according to the following principles:

- i) Remuneration shall motivate executives to work toward achieving our Group Philosophy and management policies.
- ii) Remuneration shall reflect the responsibilities, achievements, etc., of each executive.
- iii) Remuneration shall reflect the business environment and short-term and medium- to long-term performance of the Group and encourage executives to enhance corporate value and manage business from the same perspective as shareholders.

(Remuneration structure)

As Directors (other than Outside Directors) are in charge of executing the operations of the Company, their remuneration comprises a fixed monthly remuneration along with performance-linked bonuses and stock-based remuneration. Specifically, the percentages of monthly remuneration, bonus, and stock-based remuneration to the base amount for Directors are set at roughly 25%, 25%, and 50%, respectively. Higher percentages for performance-linked remuneration are set, depending on the Director's title. However, depending on the level of profits, the actual remuneration may differ from the above proportions.

As Outside Directors and Audit & Supervisory Board members are responsible for providing supervision and advice on business management or auditing the performance of business from an independent standpoint, they receive only a monthly remuneration with no bonus or stock-based remuneration.

## Remuneration structure for Directors (excluding Outside Directors)

	Fixed remuneration	Performance-linked remuneration	
		Short-term	Long-term
Remuneration structure	Monthly remuneration 25%	Bonus 25%	Stock-based remuneration 50%
Form of payment	Cash		Stock

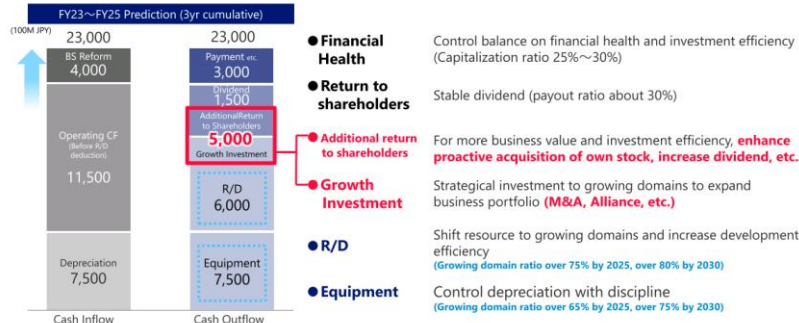
- Based on investors' areas of interest, the company increased the proportion of stock-based compensation in directors' remuneration from the perspectives of enhancing corporate value and promoting management aligned with shareholders. (→Points II. 4 and III. 4)

Source: AISIN CORPORATION, Annual Securities Report for the 102nd Fiscal Year, Pages 75–76 (Red frame and underline added by TSE)  
[https://www.aisin.com/en/investors/settlement/uploads/Annual%20Securities%20Report%20for%20the%20102nd%20Fiscal%20Year\\_en.pdf](https://www.aisin.com/en/investors/settlement/uploads/Annual%20Securities%20Report%20for%20the%20102nd%20Fiscal%20Year_en.pdf)



## September 2023 announcement

## Capital Allocation for 2025



Utilize generated cash for growth investment and shareholder returns to achieve PBR over 1x

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- Based on investors' areas of interest, the company provided more concrete disclosures on the direction of additional growth investments and shareholder returns. (→Points II. 2 and III. 4)

## April 2025 announcement

## Direction for Growth Investment and Additional return to shareholders

## Growth Investment

Maximize Business Portfolio and Profitability

Assess investment with external environment changes

Strengthen Management Basis

## Investment Strategy Breakthrough Conventional Approach

Outgrow from in-house    Asset-light

## Additional Investment to Strengthen Competitiveness

Powertrain full lineup    Accelerate share-up strategy

## Investment to Create New Business

Leverage strengths    Solve social issues

## Business Infrastructure Innovation

Human Capital Investment

Investment scale<sup>\*1</sup>  
Over  
300Bil  
JPY

- Enhance resources on **electrification and Intelligence** domains
- Business expansion at growing market of India**
- Investment for aftermarket strategy
- Investment to AT and Aluminum Raw Materials for **share-up**
- Investment to powertrain unit R&D for BEV/PHEV
- Energy management, Hydrogen, **Perovskite solar cells**
- Accelerate and enhance CVC investment
- Transforming the factory landscape to achieve labor-saving**
- Strategically utilize **Generative AI**
- Resources shift and reskill to priority domains
- Establish work environment that enhances **productivity** and **job satisfaction**

## Additional return to shareholders

Appropriate Shareholder Returns

Flexible Repurchase of Treasury Shares and Dividend Increases

Total<sup>\*2</sup>  
Over 200Bil  
JPY (Plan)

- 120Bil JPY, Increase in dividend per share by 5 yen in FYE2026**
- We will continue to strengthen shareholder returns, including flexible share repurchases

<sup>\*1</sup> Include beyond FYE2026 <sup>\*2</sup> Include 83.9 Bil JPY in FYE2025

Focus on growth investment for sustainable growth and balancing shareholder returns

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(Bottom right) Progress of the Medium-Term Plan and Initiatives to Enhance Corporate Value (April 25, 2025), Page 15

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## Voice of Investors

The company calculated its proprietary ROIC indicators and business-specific hurdle rates and used them to optimize resource allocation, such as in decisions on real estate liquidation and new investments as well as the utilization of site monitoring. This is an example of properly utilizing cost of capital for management decisions, and it can be expected to accelerate initiatives aimed at sustainable growth and improved capital efficiency.

- The company calculated its proprietary ROIC indicators and business-specific hurdle rates and used them to optimize resource allocation, such as in decisions on real estate liquidation and new investments as well as the utilization of site monitoring. (→Point II. 2)

### Overview of our financial strategy

In May 2024, in light of megatrends and recent changes in the business environment, the Group formulated the Long-term Strategy consisting of a growth strategy with the Real Estate business at its core, in order to maximize corporate and shareholder value by leveraging the Group's strengths. We will maximize the potential of our assets and aim to grow our NAV and improve capital efficiency through capital recycling.

Our Long-term Strategy sets a quantitative target of at least 100 billion yen in operating profit in FY2035, with our Real Estate and Hotel and Leisure businesses as the growth drivers to achieve this target. To improve our capital efficiency, we established several management indices such as ROE as KPIs to indicate our capital efficiency and optimal capital structure. We aim to achieve an ROE of 8% on a constant basis, with the goal of achieving 10% or more by FY2035. To achieve our ROE targets, we have established numerical targets from the perspectives of profitability, efficiency, and safety. In order

to maintain a stable financial base, we will work to improve profitability and efficiency while ensuring an equity-to-asset ratio in the range of 25% to 30% and maintaining our A credit rating.

To improve profitability and efficiency, we applied the commonly defined ROIC formula and established our own index entitled "Seibu ROIC." Through comparison of Seibu ROIC and hurdle rates by business, we will strive to optimize resource allocation and improve capital efficiency by replacing assets that are averse to improvement based on capital recycling.

In FY2024, the securitization of Tokyo Garden Terrace Kioicho resulted in ROE well above our recognized cost of equity of 7.2% and Seibu ROIC far exceeding the hurdle rate of 3.13% set by the Group. However, we expect ROE and Seibu ROIC to be below the cost of equity and hurdle rate in FY2025 and FY2026, and we recognize that improving profitability through growth in operating profit and improving efficiency through a selective asset mix are urgent issues.

### Financial KPIs

#### ROE

Consistently achieved 8%  
Aim for an ROE in excess  
of 10% in FY2035.

Cost of equity  
perceived as 7.2%

#### I. Profitability (Net profit margin) of at least 9%

- Carry out capital recycling business, building a network of 250 hotels, etc.
- Business transformation through digital technology, etc.

#### II. Efficiency (Total asset turnover) 0.3x or higher

- Carry out capital recycling business, achieve capital recycling
- Implement investment that takes into account the cost of capital, and ROIC management
- Hurdle rate set at 3.13% and conducted business portfolio management to ensure that each segment exceeds its respective business-specific hurdle rate

#### III. Financial soundness (Financial leverage) of in the 3 times range

- Leverage a certain degree through large-scale development and acquisition of new assets, while reducing debt through securitization and careful selection of the investments applying hurdle rates by business segment
- Raise funds other than through borrowing, such as JVs in resort development
- Control the balance sheet while giving due consideration to efficiency and safety, and implement flexible capital policies (dividend increases, purchase of treasury shares, etc.) as appropriate

FY2035 Operating profit  
Over 100 billion yen

ROA  
2.7% or greater

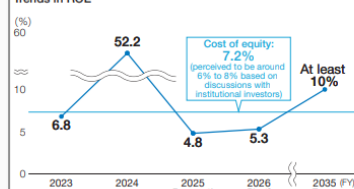
Equity-to-asset ratio  
25-30%

Maintain "A" rating

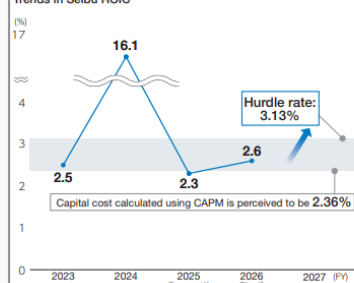
To address these issues, we will consider the three perspectives of stronger profitability, cost control, and asset control while promoting the following three points: (1) Accelerating our capital recycling business; (2) Improving the profitability of our Hotel and Leisure business; and (3) Improving the profitability and capital efficiency of each business site.

In terms of accelerating our capital recycling business, we

#### Trends in ROE



#### Trends in Seibu ROIC



Seibu ROIC = Operating profit ÷ 0.7 ÷ (Property, plant and equipment and intangible assets)<sup>1)</sup> ÷ Real estate for sale

<sup>1)</sup> Forecast announced on May 14, 2025 <sup>2)</sup> Plan announced on Aug. 1, 2025  
<sup>3)</sup> The amount excludes advances received on contribution for construction (reduction of non-current assets)

securitized Tokyo Garden Terrace Kioicho and formed a joint SPC with Morgan Stanley Capital and PRIME Asia in FY2024, and incorporated the owned residences in May 2025. We also acquired five new properties through the use of investment vehicles established with the intention of acquiring properties that will contribute to future securitization. We have specified candidate properties and plans for their future securitization such as DaiyaGate Ikebukuro and part of the Shinagawa Prince Hotel, and will improve our capital efficiency by continuing to identify properties for securitization based on ROIC and future growth potential while also making investment decisions based on investment discipline in new development and new acquisitions.

In terms of improving the profitability of our Hotel and Leisure business, we aim to maximize profits by analyzing and

utilizing data collected across the business based on a CRM system specialized for the Hotel and Leisure business, and incorporating this data into our planning. We will also utilize the Seibu Prince Global Rewards joint membership program for hotels in Japan and overseas established in 2024 to increase our ratio of direct sales by fostering customer loyalty. Moreover, we will expand our network to build a network of 250 hotels while leveraging M&As.

Finally, in terms of improving the profitability and capital efficiency of each business site, we will thoroughly monitor our business sites by leveraging the aforementioned Seibu ROIC and review those business sites that are not expected to improve so that capital can be appropriately allocated to value-creating businesses.

### Towards strengthening both profitability and efficiency

Accelerate capital recycling business	Enhancing profitability	<ul style="list-style-type: none"> <li>• As well as acquiring new properties, we will work to enhance the profitability of properties by rolling out value-adding projects for those that we have acquired.</li> <li>• By also raising rents at existing properties and investigating ways to maximize their effective use, we will strengthen the earnings base for the Real Estate business as a whole</li> </ul>
	Cost control	<ul style="list-style-type: none"> <li>• Based on the four-company real estate structure designed and established to strengthen specialization in the various functions of AM, PM, CM, and BM, we will pursue productivity improvements in each function.</li> </ul>
Enhance profitability in the Hotel and Leisure business	Asset control (Achieve capital recycling)	<ul style="list-style-type: none"> <li>• After systematically organizing securitization, we will promote sustainable capital recycling.</li> </ul>
	Enhancing profitability	<ul style="list-style-type: none"> <li>• In addition to opening new hotels toward building a network of 250 hotels, we will seek to raise prices to reflect brand power improvements, thus enhancing profitability.</li> </ul>
Enhance profitability / capital efficiency at each business site	Cost control	<ul style="list-style-type: none"> <li>• Through developing an Seibu Prince Global Rewards app and integration of websites for different business locations we will work to increase the direct sales ratio.</li> </ul>
	Asset control (Achieve capital recycling)	<ul style="list-style-type: none"> <li>• Through increases in fee income driven by higher numbers of MC contracts we aim to enhance the profitability of the Hotel and Leisure business, and achieve improvements in capital efficiency for the business as a whole.</li> <li>• Through investments to increase value, including the Shinagawa Prince Hotel, and brand-building initiatives, we will pursue increases in the value of hotel assets with an eye on securitization.</li> </ul>
		<ul style="list-style-type: none"> <li>• By thoroughly monitoring business locations after the introduction of Seibu's ROIC, we will disseminate the concept within the Group and pursue profitability enhancements at each business location.</li> <li>• We will review the approach taken by existing business locations for which improvements cannot be expected, and allocate capital appropriately to businesses that are generating value.</li> </ul>

## Financial Strategy

## Cash Allocation

The Group's cash allocation plan is presented for a period of approximately 10 years through FY2035. We anticipate that cash inflows will include approximately 1.2 trillion yen in operating cash flow from existing operations and the securitization of Tokyo Garden Terrace Kioicho in February 2025, as well as cash inflows from future securitizations. We will use these funds to minimize increased borrowings to the extent feasible.

Meanwhile, cash expenditures for capital investment are projected to reach about 1.85 trillion yen based on our policy of prioritizing growth investments in redevelopment and

other initiatives leading to greater corporate value.

In our Real Estate business, in addition to construction of the Takanawa area scheduled to begin in FY2028, we expect to invest around 600 billion yen in the redevelopment of urban centers such as Shibakoen, Seibu Shinjuku, and Takadanobaba, around 70 billion yen in the development of leading resorts in Japan such as Karuzawa, Hakone, Furano, and Nikko, and around 240 billion yen in M&As to enhance corporate value through acquisition of new properties, investments, and expedient reinforcement and expansion of our business structure and scale.

In our Hotel and Leisure business, we expect to spend about 350 billion yen on hotel renovations, including investments to increase value in major hotels such as Shinagawa Prince Hotel, and M&As of overseas hotels, in order to capture inbound demand, raise hotel room rates, and improve profitability by building a network of 250 hotels in Japan and overseas. We will proceed with the renovation of our Mauna Kea Beach Hotel in Hawaii and the large-scale renewal of cottages at the Karuzawa Prince Hotel.

In our Urban Transportation and Regional business, we plan to invest about 450 billion yen in safety digitalization to achieve sustainable future growth. In terms of our human capital which will drive growth, we plan to invest in education and training to the best level of employee treatment in the industry to improve our service levels. These investments comprise components of our total capital investment of approximately 1.85 trillion yen.

However, amidst labor shortages and rising costs in the construction industry, the ability to secure investment is a very significant issue. In prospective economic conditions, we will be able to promptly respond to changing conditions and reduce costs while maintaining quality and safety. In the phase of design and construction as one of our growth investments while adhering to investment discipline, we will also improve profitability and efficiency through investments while adhering to investment discipline. The securitization of Tokyo Garden Terrace Kioicho resulted in a cash inflow of approximately 32 billion yen, which was used for the temporary repayment of borrowings, stock buybacks, and dividend increases, in addition to the aforementioned growth investments.

## Feature #1 Our Pursuit of Capital Recycling

Added value created by redevelopment and manifested through securitization.  
Leveraging funds from securitization as a source of further growth

Since securitizing Tokyo Garden Terrace Kioicho (herein "the Asset") in February 2025, the significant added value of the Asset has become apparent.

The funds obtained from securitization of the Asset will be used as the impetus for growth through capital recycling, with a priority on growth investments leading to increased corporate value, redevelopment of central Tokyo areas and resort development, value enhancement of major hotels such as the Shinagawa Prince Hotel, acquisition of new properties, and investment in human capital based on our Long-term Strategy. We used part of these funds to temporarily repay debt in order to create debt capacity for future large-scale redevelopments, and also allocated funds to share buybacks and increased dividends from the perspective of improving our capital efficiency (i.e., balance sheet control, ROE and EPS

improvement) and shareholder returns.

The project of the Asset is a model case of development and operation-based value enhancement and value realization, and is the Seibu Group's first step toward growth through capital recycling. The Seibu Group has a significant number of value-adding projects. We will continue to pursue NAV growth and improved capital efficiency by proactively allocating funds to growth investments that are expected to have high investment returns to enhance profitability, and by channeling funds to further investments while partially realizing their value. We will also share the fruits of our efforts with shareholders, creditors, and employees in order to maximize corporate and shareholder value and improve total stakeholder satisfaction.

## Cash Allocation from FY2024 to FY2035

Financing	Use of funds
Borrowings	
Operating cash flow Total: Approx. 1.2 trillion yen	Capital investment Total: Approx. 1.85 trillion yen
Securitization	Shareholder returns
	<p><b>Real Estate</b></p> <ul style="list-style-type: none"> <li>Urban redevelopment (Takanawa, Shibakoen, Seibu Shinjuku, Takadanobaba) : approx. 600 billion yen</li> <li>Resort development: approx. 70 billion yen</li> <li>Acquisition / investment of new properties, M&amp;A aimed at increasing corporate value through early organizational strengthening and business expansion: approx. 240 billion yen</li> </ul> <p><b>Hotel and Leisure</b></p> <ul style="list-style-type: none"> <li>Hotel renovations and overseas hotel M&amp;A: approx. 300 billion yen</li> <li>Increase the value of major hotels (Shinagawa Prince Hotel, etc.) to improve brand value and profitability: approx. 50 billion yen</li> </ul> <p><b>Urban Transportation and Regional</b></p> <ul style="list-style-type: none"> <li>Investments in maintaining safety in Urban Transportation and Regional business, as well as in digitalization, etc.: approx. 450 billion yen</li> <li>Investing in comfortable working environments (making 100% of Seibu Railway's workers accommodation private and renovating Prince Hotel dormitories), etc.</li> </ul> <p>• Repurchase of treasury shares</p> <ul style="list-style-type: none"> <li>Implement flexibly based on the status of balance sheet and future growth investment</li> <li>To improve capital efficiency and reduce capital costs, use 70 billion yen from December 2024</li> </ul> <p>• Total dividends of over 130 billion yen (dividends of over 40 yen per year)</p> <ul style="list-style-type: none"> <li>By introducing a progressive dividend policy with a DOE of 2.0% as the floor, we will achieve stable dividends and increased dividends through improved profits by future capital recycling</li> <li>With a focus on providing long-term and continuous returns to shareholders, we raised our dividend for FY2024 to 40 yen per share annually (and maintained our progressive dividend policy).</li> </ul> <p>• If the proceeds from securitization exceed the planned fund use, flexibly repay and repurchase treasury shares</p>

- The company provided specific disclosures on its cash allocation policy through FY2035. It also utilized funds generated from real estate liquidation as a source of funds for future growth. (→Point II. 2)

## Use of proceed from the securitization of Tokyo Garden Terrace Kioicho

	Point
<p><b>Growth Investment</b></p> <p>Approx. 130 billion yen</p> <p>Existing growth investments: approx. 80 billion yen</p> <p>Additional growth investments: approx. 50 billion yen</p> <p><b>Strengthening BS and strengthening financial position</b></p> <p>Additional growth investments: approx. 120 billion yen</p> <p><b>Shareholder Returns</b></p> <p>Repurchase of treasury shares: 70 billion yen</p> <p>Increased dividend: 40 yen/year</p>	<p><b>Existing Growth Investment</b></p> <ul style="list-style-type: none"> <li>Property acquisition / investment: approx. 50 billion yen</li> <li>Large-scale redevelopment (Takanawa and others): approx. 20 billion yen</li> <li>Investment in resort areas: approx. 10 billion yen</li> <li>Investing in comfortable working environments (making 100% of Seibu Railway's operating bedrooms private and renovating Prince Hotel dormitories), etc.</li> </ul> <p><b>Additional Growth Investments</b></p> <ul style="list-style-type: none"> <li>Increase the value of major hotels (Shinagawa, etc.) to improve brand value and profitability: approx. 50 billion yen</li> <li>Improving the environment to strengthen the Saitama Seibu Lions (sales increase due to increased attendance)</li> </ul> <p>• Creating debt capacity for future large-scale redevelopment (Takanawa and Shiba areas, etc.)</p> <p>• The debt capacity created will be gradually utilized for long-term strategic growth investments</p> <p>• Improve capital efficiency, and repurchase treasury shares while taking into account capital costs</p> <p>• Increase dividends above the DOE 2% standard with the aim of providing long-term, continuous returns to shareholders (Also continue the progressive dividends)</p>



## Thoughts of the President

SANKYU

From the policy of emphasizing shareholder returns, promote “visualization of management” with the long-term aim of becoming a “re-growth company”

- In addition to sustainable growth, we will continue to reduce our equity capital and enhance the sustainability of ROE at 10% through the fiscal year ending March 2027
- During the fiscal year ending March 31, 2031, we will promote the expansion of the numerator and compression of the denominator of ROE through “visualization of management”



The current PBR and ROE levels are recognized as “a period of stagnation and ripening.”

Maintain an ROE of 10% through the fiscal year ending March 2027.

Toward the fiscal year ending March 31, 2031, we aim to become a “re-growth company” by fostering an investor perspective in management based on the Taskforce on Enterprise Value Acceleration and transforming the management structure while considering the balance between investment and returns.

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- Given the current stagnation and maturity of PBR and ROE levels, they aim to become a “re-growth company.” Although they are currently in the mid-term plan period, they will review mid-term measures with a focus on capital profitability. (→Point III.4)



## Voice of Investors

Based on the current status of PBR and ROE, the company fundamentally refined their initiatives during the mid-term plan period. They promoted management focused on the investor perspective, including strengthening their IR framework and establishing a “Corporate Value Enhancement Task Force.” Through a series of initiatives focused on capital efficiency and enhancing corporate value, their valuation shifted from a value stock to a growth stock.

## Background to the Announcement of Medium-Term Management Plan Supplements and Points to Note

SANKYU

Against the backdrop of business environment changes exceeding expectations, we are reviewing our Medium-Term Management Plan, focusing on the logistics business

## Implementing return on capital-focused transformation under new CEO leadership

Transformation  
Focus

Enhance awareness of logistics business costs and company-wide strategy

Instill awareness of equity ratio level with consideration for 10% ROE sustainability

Cultivate awareness of optimal allocation of human resources and investment returns with an awareness of business restructuring

## Promotion System

## Main Initiatives

Formulation of Taskforce on Enterprise Value Acceleration

Eliminate business barriers between business and management departments as barriers to reform

Management (including External Directors) to actively discuss the “investors’ perspectives.”

- A medium- to long-term strategy with a vision for the future
- Human capital management (human resources, DE&I, etc.)

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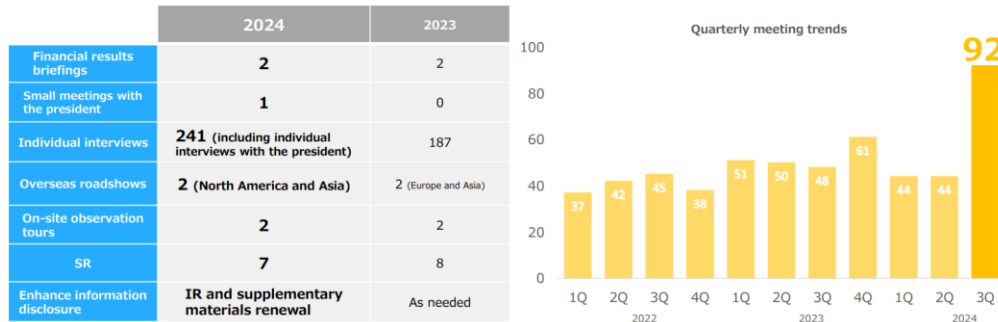
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## Introduction to IR Activities

SANKYU

## Strategic IR activities to create opportunities for dialogue between management and capital markets

- Continuous implementation of small meetings with the president and business briefings
- Increase the number of individual meetings to expand the investor base



Creation and expansion of the IR Department reporting directly to the President → Strengthen dialogue with capital

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- To strengthen dialogue with the capital markets, an Investor Relations Department has been established and expanded under the direct supervision of the President. (→Point III.1)

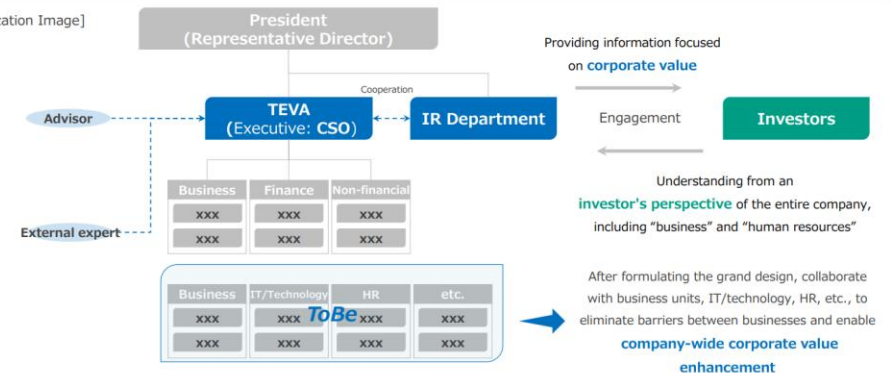
- Established a Corporate Value Enhancement Task Force reporting directly to the President to build an organizational structure that promotes company-wide management focused on investor perspectives and enhancing corporate value. (→Point III.1)

## Taskforce on Enterprise Value Acceleration Overview

SANKYU

The IR Department and Dozens of people with expertise in business, finance, and non-finance formulate a grand design for corporate reform, and seek a **long-term management plan** and **organizational and management structure** that will contribute to increasing **corporate value** from an **investor's perspective**

[Organization Image]



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Source: Sankyu Corporation, Medium-Term Management Plan 2026 Review Financial results briefing for the fiscal year ended March 2025 (May 12, 2025), Pages 4 and 32

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## Financial Strategy Summary: Toward an Optimal Equity Capital Structure

SANKYU

**1. Streamlining the balance sheet**

- Cross-shareholdings sales (about 5 billion yen over two years)
- Liquidation of accounts receivable (about 40 billion yen over two years)

**2. Optimal Equity Capital Level**

- 270 billion yen level prior to the start of the Medium-Term Management Plan

**3. Shareholder Returns**

- Dividend payout ratio of 40%  
(based on the dividend per share for the previous fiscal year ※in the term of Medium-Term Management Plan 2026.)
- Share buyback 20 billion/year (increased from 10 billion to 40 billion over two years)

\*Holding policy: Approximately 5% of total outstanding shares; any excess will be canceled or used for employee engagement initiatives

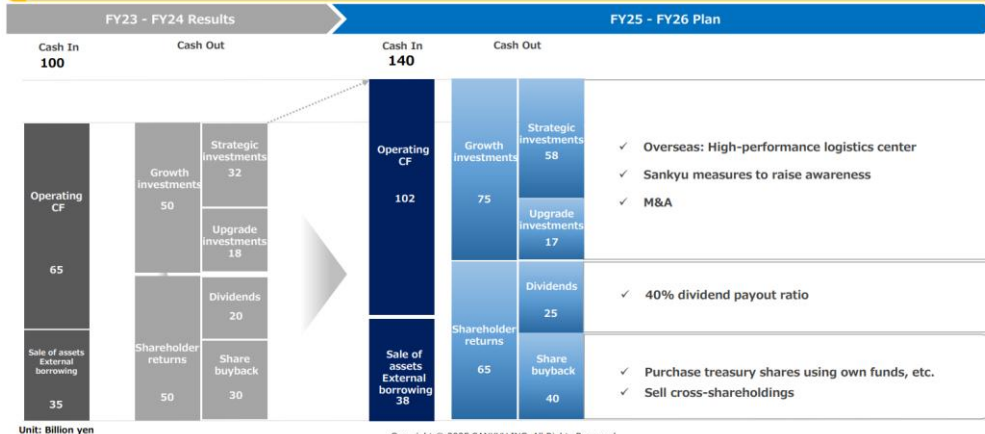
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- To achieve an optimal balance sheet, the company discloses their target equity level while promoting balance sheet streamlining through the sale of strategically held shares and the securitization of accounts receivable. They also specifically disclose their cash allocation policy, which balances growth investments with shareholder returns.  
(→Point I.3 &Point II.2)

## Financial Strategy (2): Cash Allocation

SANKYU

- Planning to generate approximately 140 billion yen in cash inflows over FY25 and FY26
- Cash flow will be allocated appropriately while balancing growth investment and shareholder returns



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Source: Sankyu Corporation, Medium-Term Management Plan 2026 Review Financial results briefing for the fiscal year ended March 2025 (May 12, 2025), Pages 13 and 15 (red box and underlining added by TSE)  
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## Initiatives to Improve Corporate Value

— Action to Implement Management that is Conscious of Cost of Capital and Stock Price

February 2025 Update

NIPPON EXPRESS HOLDINGS, INC.  
February 14, 2025

- Given that the PBR has remained below 1x even one year after the management plan was formulated, the company refined their targets and initiatives to accelerate efforts aimed at enhancing corporate value.  
(→Point III.4)



## Voice of Investors

After formulating the management plan, the company refined their targets and initiatives in light of the PBR remaining below 1x even one year later. They are pushing forward with bold measures, including accelerating the sale of low-yielding real estate and strategically held stocks, and strengthening growth investments such as M&A. This demonstrates their serious commitment to enhancing corporate value.

Initiatives to Improve Corporate Value - February 2025 Update -



## Revisiting Initiatives to Improve Corporate Value

### Gearing Up to Achieve Our Long-Term Vision

Gearing up to a whole new level to become a logistics company with a strong presence in the global market

### FY2026 Interim Targets

Raise PBR above 1.0 and achieve ROE of 8%, which is greater than the cost of shareholders' equity

- Disclosed *Initiatives to Improve Corporate Value* in combination with *NX Group Business Plan 2028* in February 2024
- After analyzing and reevaluating our current situation, we set new targets for FY2026, half-way through our current business plan. We will continue to pursue management conscious of the cost of capital and share prices under these new targets

### Strengthen Balance Sheet Management Revise Capital Policies

- Sell off low-profit assets, real estate, etc.
- Optimize capital structure through share buybacks

### Strengthen Business Portfolio Management

- Develop evaluation criteria for businesses
- Shift to growth businesses and liquidate low-profit and non-core businesses

Strengthen balance sheet management and review capital policy at levels more advanced than ever before. Strengthen business portfolio management for measures to improve ROE further, and gear up the growth strategy initiatives incorporated into our business plan

## Initiatives to Improve Corporate Value - February 2025 Update -

## Analysis and Evaluation of the Current Situation

- PBR** • PBR of 0.76 as of 2024, still below 1.0
- ROE** • Our 2024 forecast for ROE of 4.9% is below our recognized cost of shareholders' equity of 7.4%
- PER** • PER at the end of 2024 was 15.5x, which is the industry average (Prime Market, Land Transportation)  
However, there is room for improvement in business growth as expected from the market

Low ROE under the cost of shareholders' equity keeping PBR ratios at current levels

## Low ROE

Low-Profit Assets and Businesses

Increase in Equity

## Room for Improvement in PER

High Performance Volatility

Low Expectations for Business Growth



- Conducted time-series analysis of ROE and PER, compared them with industry averages, and reevaluated them to identify challenges for improving ROE and PER. (→Point I.2)

## Initiatives to Improve Corporate Value - February 2025 Update -

## Future Initiatives

## Strengthening Our Approach to Improving Corporate Value

## 2024 (Results)

PBR  
0.73ROE  
3.8%Cost of Shareholders' Equity  
7.4%

Calculated using the capital asset pricing model (CAPM)

Risk-Free Rate + Risk Premium x Beta

- (1) Risk-free rate 10-year government bond yield 1.06%
- (2) Risk premium Implied method 5.90
- (3) Beta value vs TOPIX 60-month monthly adjusted beta 1.08 (as of June 2024)

## 2026 Targets (Interim)

ROE 8.0% or More > Cost of Shareholders' Equity 7.4%  
Focus on Securing Equity Spread

Improve ROE	Shift to Highly Profitable Businesses	Real Estate	<ul style="list-style-type: none"><li>• Sell off low-profit real estate and secure unrealized gains</li><li>• Review commercial real estate holding strategy (ongoing review)</li></ul>	IN Initial Plan — Additional (- 2026) <b>+¥50.0 billion -</b>	
		Business Portfolio Strategy	<ul style="list-style-type: none"><li>• Shift to growth businesses and liquidate low-profit and non-core businesses (ongoing review)</li></ul>	IN Initial Plan — Additional (- 2026) <b>+¥0 billion</b>	
	Asset Replacement	Reduce strategic shareholdings	<ul style="list-style-type: none"><li>• Eliminate, reduce cross-shareholdings (including shares contributed to retirement benefit trusts)</li></ul>	IN Initial Plan <b>¥30.0 billion</b> Additional (- 2026) <b>+¥40.0 billion</b>	
		Growth Investments and M&A Strategy	<ul style="list-style-type: none"><li>• Acquire highly profitable businesses and create synergies</li></ul>	OUT Initial Plan <b>¥200.0 billion</b> Additional (- 2026) <b>+¥200.0 billion</b>	
	Optimize Capital Structure	Capital, Shareholder Return Policies	<ul style="list-style-type: none"><li>• Equity ratio of around 35%, maintain credit rating of AA-</li><li>• Introduce lower limit dividend (annual dividend of ¥100 per share)</li><li>• Exercise equity control through share buybacks and the elimination of cross-shareholdings</li></ul>	OUT Initial Plan <b>¥60.0 billion</b> Additional (- 2026) <b>+¥50.0 billion to ¥100.0 billion</b>	
		Leverage Liabilities	<ul style="list-style-type: none"><li>• Reduce business - Reduce volatility through expanded end-to-end solutions risk<ul style="list-style-type: none"><li>- Initiatives for sustainability</li></ul></li><li>• Expand information disclosure and engage in detailed dialogue with capital markets</li></ul>	IN Initial Plan <b>¥100.0 billion</b> Additional (- 2026) <b>+¥200.0 billion to ¥250.0 billion</b>	
	Use Financial Leverage Appropriately				
	Reduce the Cost of Shareholders' Equity				

Improved Corporate Value

Expand Equity Spread

ROE Improvement x PER Improvement

PBR to exceed 1.0

## Initiatives to Improve Corporate Value

## Revisit NX Group Business Plan In 2028



## Implement Portfolio Management

## Business Portfolio Strategy for Sustainable Growth and Improved Corporate Value

- Analyze and evaluate the current status of each business, align each business with our corporate philosophy, and clarify the role of each business in achieving our long-term vision
- Achieve sustainable growth by allocating investments (funds) strategically to growth and priority businesses
- Spin off businesses to strengthen our businesses and reorganize redundant businesses/functions within the group
- Use M&A, capital tie-ups, business transfers, and other methods to strengthen our businesses

## Strategic Direction by Segment

## Growth Driver

## Logistics - Overseas

Accelerate growth through aggressive investments and M&A  
Expand sales and improve medium- to long-term capital profitability

## Revenue and Profit Foundation

## Logistics Japan

Restructure business and improve profitability significantly  
Strengthen alliances for network businesses  
Greatly improve capital profitability

## Security Transportation

Improve specialization and profitability through spin-off (conducted in January 2023)

## Heavy Haulage &amp; Construction

Improve expertise and expand scale through spin-offs  
Expand sales while maintaining a high level of capital profitability

## Logistics Support

Improve competitiveness and profitability  
Pursue portfolio management at the business unit level within the segment  
Improve capital profitability

In the future, we will conduct management based on detailed units within each segment

- Clearly presents the policy for business portfolio management aimed at enhancing corporate value and the direction of each business (→Point II.2)

## Initiatives to Improve Corporate Value - February 2025 Update -



## Strengthening Our Approach to Improving Corporate Value

## Implement Business Portfolio Management (Update)

## Quantitative Evaluation

- The chart below plots each business location and target location under the current business plan (size of the circle indicates relative profit size)
- Quadrant split thresholds: Vertical axis (target sales growth rate for the group excluding inorganic (3.3%); Horizontal axis (target ROIC for the group of 10.0%)

## Current (FY2023)

ROIC 10.0%



## Target (FY2028)

ROIC 10.0%



\*We changed the names of the four quadrants from Growth Business to Business With Growth Potential and Low Profitability to Business Requiring Review/Improvement.

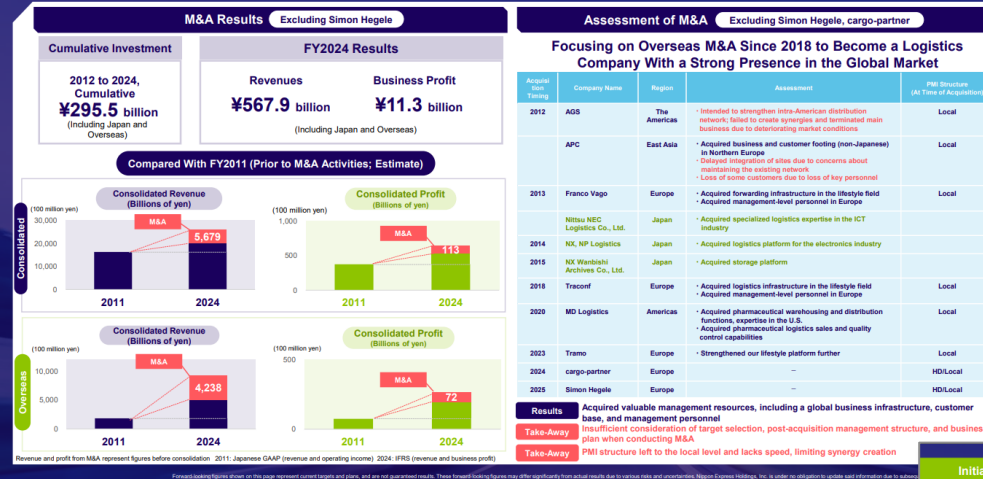


## Initiatives to Improve Corporate Value - February 2025 Update -



## Reference Materials

## Review of M&amp;A Activities (1)



Provides a detailed explanation of the progress and challenges encountered in past M&A transactions. (→Point III.4)

## Initiatives to Improve Corporate Value - February 2025 Update -



## Reference Materials

## Review of M&amp;A Activities (2)

## Established M&amp;A and PMI Implementation Structure

## M&amp;A Execution Structure in Line With Growth Strategy

- Select acquisition targets based on an M&A strategy in line with growth strategy
- Improved value assessment capabilities
- Strengthened business planning function to for post-acquisition corporate value creation
- Established M&A review, execution, and post-acquisition process
- \* Established rules, Investment Committee

## PMI Structure for Group-Wide Synergies

- Rather than pursuing integration activities focused locally, we created a structure in which the NXHD Global Business Headquarters (GBHQ) plays a central role in creating cross-regional synergies
- Integrated management infrastructure systematically, including IT, accounting and finance, human resources, organizational restructuring, etc.

Developed expertise and improve skills by assessing past M&A and PMI failures and successes; develop and secure human resources skilled in M&A and PMI

## Synergies With cargo-partner

	FY2024 Results	FY2025 Forecast	Main Synergies	
Revenues	¥276.0 billion	¥278.4 billion	<b>Integration</b> • Integrated infrastructure between NX and CP (corporate entities, locations, etc.) * 2024 Results across 12 countries • Integrated functions and human resources between NX Europe and CP	<b>Improved Competitiveness of Forwarding Business</b> • Strengthened purchasing through global purchasing for air and ocean forwarding • Expanded, strengthened global network
Business Profit	¥3.1 billion	¥5.3 billion		

### Assessment and progress of PBR improvement measures

Our price-to-book ratio (PBR) has improved to around 1.0x by virtue of our profit recovery and expectations for economic growth in Kyushu. Nevertheless, taking into account growth in equity capital and the like owing to improvements in our financials, we recognize the necessity to continually improve our capital efficiency with the use of ROIC if we are to consistently maintain a PBR above 1.0x.

To improve our PBR: It is necessary to (1) achieve capital profitability that exceeds the cost of capital (increase ROE), and (2) obtain the trust of the market with the recent recovery in earnings and shareholder returns, and attract a stronger valuation of our future growth potential (increase PER). Specifically, we aim to achieve a medium-term ROE of around 8%–10% through the steady implementation of the ROIC management cycle, sustainable and stable profit generation, and financial measures aimed at strengthening our financial base and enhancing shareholder returns. We can then look to consistently maintain an ROE above 10%, especially given our four nuclear power reactors and expectations up

ahead for increased demand for electricity in the Kyushu region.

Also, alongside measures from a financial perspective, we will aim to do more from a non-financial point of view, particularly regarding carbon neutrality and human capital, in an effort to increase our PER to the average level of the Tokyo Stock Exchange Prime Market. As for our efforts geared towards improving the PBR, every year the Board of Directors analyzes and reviews the current ROE and PER, their factors, and the progress made on each management indicator. During discussions this fiscal year, the Board confirmed that steady progress is being made. Also, when it was examining the new structure of the Group and the next management vision, discussions focused on the need to accelerate the growth strategies of each business, to further enhance business portfolio management, to further improve capital efficiency, and to thoroughly communicate the company's growth potential to investors. More precisely, by transitioning to a pure holding company structure, we will seek to accelerate management with a focus on ROIC in each business, allocate management resources appropriately, and further optimize our business portfolio.

Ideal State	Perspective	Current Level	Assessment and progress of each item and future response					
Sustainable enhancement of corporate value  PBR consistently above 1.0x  Now Around 1.0x	(1) Achieve capital profitability that exceeds the cost of capital  Medium-term ROE: Around 8%~10%	ROE Around 10%  While this is above the cost of capital of 6%, considering growth in equity capital up ahead, a further increase in ROIC is needed	<div>Financial-related efforts</div> <ul style="list-style-type: none"><li>Steady progress has been made towards achieving the FY2025 ordinary income and ROIC targets</li><li>The equity ratio has recovered to a level where 20% is in sight</li><li>Dividend forecast for this fiscal year is ¥50<ul style="list-style-type: none"><li>⇒ To achieve sustained growth in company-wide ordinary income and ROIC, and with the aim of improving and beefing up our financial structure, we will further enhance our business portfolio management by exploring a new Group structure.</li><li>⇒ We will initially focus on maintaining a dividend of ¥50, but at the same time, we will consider a new management vision and financial targets in light of future growth in each business, profit expansion, and other factors.</li></ul></li></ul> <table><tr><td>FY2025 Financial objectives Management indicators</td><td>Consolidated ROIC: 2.5% or higher Ordinary income: ¥125.0 billion or higher Equity ratio: Around 20% ¥50 dividend as soon as possible</td><td>Consolidated ROE: Around 8%</td></tr></table>	FY2025 Financial objectives Management indicators	Consolidated ROIC: 2.5% or higher Ordinary income: ¥125.0 billion or higher Equity ratio: Around 20% ¥50 dividend as soon as possible	Consolidated ROE: Around 8%		
	FY2025 Financial objectives Management indicators	Consolidated ROIC: 2.5% or higher Ordinary income: ¥125.0 billion or higher Equity ratio: Around 20% ¥50 dividend as soon as possible		Consolidated ROE: Around 8%				
(2) Gain trust through recent recovery in earnings and shareholder returns  Obtain positive assessment of future growth potential  Medium-term PER: Driven by improvements in expected profit growth rate	PER Around 10x  The PER is improving thanks to the recovery in earnings and economic growth in Kyushu, but a further increase is needed because we are still lagging behind the TSE average	<div>Non-financial efforts</div> <ul style="list-style-type: none"><li>We were the first major energy company in Japan to acquire the SBT initiative certification</li><li>We were awarded a prize for excellence in the category of corporate culture transformation in the 2024 Career Ownership Management Awards<ul style="list-style-type: none"><li>⇒ We intend to make use of the ROIC tree and align it with our non-financial targets in order to clearly demonstrate how our non-financial initiatives contribute to corporate value. We will raise awareness of this in the company and vigorously promote initiatives.</li></ul></li></ul> <table><tr><td>FY2030 Environmental targets</td><td>Supply chain GHG emissions: 60% reduction (compared to FY2013) Kyushu electrification rate: 70% in households and 60% at commercial sites</td><td></td></tr><tr><td>Human capital KGI</td><td>Employee engagement: 80% Added value per person: 1.5x (compared to FY2021)</td><td></td></tr></table> <div>Capital market dialogue</div> <p>Promote understanding of the above efforts through active dialogue</p>	FY2030 Environmental targets	Supply chain GHG emissions: 60% reduction (compared to FY2013) Kyushu electrification rate: 70% in households and 60% at commercial sites		Human capital KGI	Employee engagement: 80% Added value per person: 1.5x (compared to FY2021)	
FY2030 Environmental targets	Supply chain GHG emissions: 60% reduction (compared to FY2013) Kyushu electrification rate: 70% in households and 60% at commercial sites							
Human capital KGI	Employee engagement: 80% Added value per person: 1.5x (compared to FY2021)							

Current PBR, ROE, and PER calculated based on the closing share price on July 31 and end-FY2024 forecasts for net income and net assets (excluding preferred shares)



### Voice of Investors

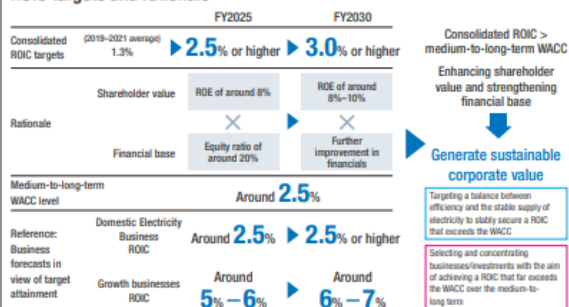
The company promotes initiatives to enhance corporate value from both financial and non-financial perspectives, clearly disclosing the rationale and effects of each initiative using tools such as logic trees. Furthermore, it conveys that the entire company is advancing these efforts, including management engaging in direct dialogue with frontline employees to foster the internal adoption of ROIC-based management.

- The company is advancing initiatives from both financial and non-financial perspectives to enhance both capital profitability (ROE) and valuation based on growth potential (PER). They disclose their policies and implementation status in an easy-to-understand manner. (→Point II.5)

### Initiatives to increase ROIC

In FY2022 we introduced ROIC as a new management indicator with the aim of enhancing medium- to long-term corporate value by implementing a style of management that is conscious of the cost of capital and the share price. And in April 2023 we announced the Group-wide consolidated ROIC targets of 2.5% or higher for FY2025 and 3.0% or higher for FY2030.

#### ROIC targets and rationale



Consolidated ROIC in FY2023 was around 4.2%. By business, it was roughly 4.1% in the Domestic Electricity Business and about 4.6% for all of our Growth Businesses combined. We will continue to set our sights on generating a level of capital efficiency that exceeds our ROIC targets.

The Board of Directors monitors the achievement of ROIC targets in each business, as well as the progress on measures for improving ROIC, and issues instructions for improvement when necessary. On top of this, each business department seizes the initiative to pursue their own ROIC improvements based on the characteristics and lifecycles of their respective operations. In the Domestic Electricity Business, we aim to stably achieve a ROIC that exceeds the WACC by balancing efficiency with the stable supply of electricity. In our Growth Businesses, we aim to achieve a ROIC that far exceeds the WACC in the medium-to-long term by implementing a process of selecting and concentrating businesses and investments.

Given the changes in the current economic environment, including interest rate hikes since the ROIC targets were set in 2023, we recognize that a review of our targets is needed. We plan to engage in further discussions on this matter as part of our ongoing examination of the company's next management vision.

Also, we utilize opportunities for our dialogue with business offices and Group companies (between employees and senior management) so that senior management can directly explain to employees the importance of ROIC management using the ROIC tree, as well as the initiatives required at each business office. I too participate in these sessions and I have noticed that employees are actively expressing their opinions and asking questions, which I think reflects a growing awareness of the importance of improving capital efficiency.

Across all levels of the organization—whether it be senior management, business divisions, or employees on the front line—we will press ahead with measures to improve ROIC and achieve further enhancements throughout the Group.

- The Board of Directors monitors progress toward achieving the ROIC target for each business and directs improvements as necessary. Management also communicates directly with frontline employees to ensure ROIC-focused management permeates down to the operational level. (→Point II.4)

### Non-financial initiatives

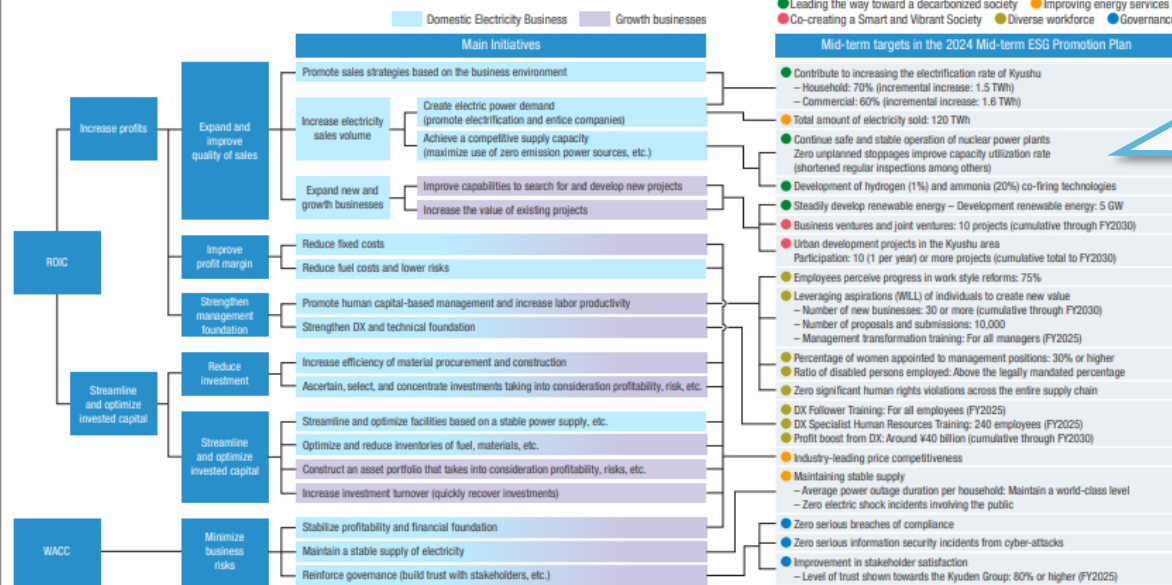
As I alluded to earlier, addressing carbon neutrality, human capital, and other non-financial issues is key to improving the PER. Our climate change targets and initiatives have earned high praise, especially because we were the first major energy business operator in Japan to acquire the SBT initiative certification and then in FY2023, we became the first electric power company in Japan to make it into the CDP A List (the highest ranking) for action on climate change **P46**. Also, in recognition of our QX Project **P74** and various educational initiatives on human capital, we were awarded a prize for excellence in the category of corporate culture transformation in the 2024 Career Ownership Management Awards. We are stepping up our initiatives by implementing measures centered around five key pillars in our HR strategy. In this integrated report too, we have endeavored to enhance the scope of our information disclosure **P73**.

To clearly demonstrate how these non-financial initiatives contribute not only to the creation of social value, but also to the enhancement of our corporate value, we have aligned the previously established ROIC tree with the non-financial goals set out in our Medium-term ESG Promotion Plan. We are therefore working to raise awareness of these links among employees.

### Constructive dialogue with shareholders and investors

We have endeavored to actively disclose information and engage in dialogue so that capital market participants have a better understanding of our management situation and our strategy for future growth. Moving forward, we will strive to further enhance our information disclosure and dialogue activities and incorporate the feedback we receive into our business practices with the aim of achieving sustainable growth.

### Links between the ROIC tree and non-financial initiatives



● Regarding non-financial initiatives, the company created an ROIC tree to clearly explain how they contribute to enhancing corporate value. (→Point II.5)



## Dialogue Between External Directors and Investors

To foster constructive dialogue with investors, we organized a discussion between external directors and investors at the ESG small meeting held in December 2023. Being the third such dialogue since the inaugural one in FY2021, we had two external directors in attendance and strove to further improve the dialogue by such means as breaking into groups.



**Sakie Tachibana Fukushima**  
External Director

Profile: President and Representative Director of G&S Global Advisors Inc. (current position) since 2010. External director of Kyushu EP since June 2020. Served as an external director of a US-based company since 1995, while being an external director of more than 10 Japanese companies since 2002. Possesses many years of experience and extensive knowledge of human capital globalization and corporate governance.

**Yuji Oie**  
External Director and Audit & Supervisory Committee Member

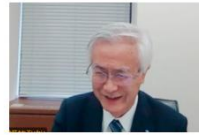
Profile: External director and Audit & Supervisory Committee member of Kyushu EP since June 2022. Former President of the Kyushu Institute of Technology. Being an expert in information network engineering, he has led advanced information network technologies in Japan. He also has extensive experience and exceptional insights in human resource development and organizational management as a university president.

## Overview of ESG Small Meeting

Purpose	In addition to brief investors on the latest topics related to the Kyuden Group's sustainability management, we held a dialogue with external directors. This approach strengthened engagement by ensuring the dialogue which is compelling with an objective perspective.
Company representatives	Sakie Tachibana Fukushima (External Director) and Yuji Oie (External Director) Atsushi Soda (Member of the Board of Directors, Vice-Presidential Executive Officer, in charge of ESG matters)
Participants	Shareholders, institutional investors, and analysts
Content	Part 1: ESG Briefing Based on the theme of Sustainability Management at the Kyuden Group, the executive officer presented on topics such as the Integrated Report 2023 and the challenges and future direction of sustainability management. Part 2: Dialogue with External Directors The external directors answered participants' questions received in advance, followed by an open discussion with both external directors.

## Q1: Role as external director

**Mr. Oie** I believe it is important to recognize the good organizational climate and culture at Kyushu EP, while also providing honest feedback on any discomforts or areas for improvement from an external perspective. Firstly, drawing on my experience at universities, being educational and research institutions, I am to offer my thoughts on enhancing the effectiveness of human capital development and utilization. Next, as an expert in the ICT field, I intend to share my insights on the promotion of digital transformation (DX) and research and development. As an Audit & Supervisory Committee member, I make it



**Mr. Oie** I believe the genuine commitment to ensuring a stable supply of electricity is one of Kyushu EP's strengths, fostering trust among its customers. Regarding external environmental strengths, Kyushu is experiencing a rapid influx of semiconductor and data center-related companies, leading to a significant increase in electric power demand. We must seize this opportunity to drive further growth.

## Q3: Human capital management

**Ms. Fukushima** Drawing from many years of experience in human capital consulting, I believe Kyushu EP's strength in human capital lies in its many diligent and talented individuals dedicated to fulfilling the social mission of ensuring a stable electric power supply. The challenge lies in that diligence, which often leads to a highly cautious approach, making it difficult for them to come up with creative and bold ideas.



In terms of human capital initiatives, the concept of placing the right person in the right position is gaining traction. This involves appointing the best talent to each mission, whether from within the company or outside, without regard to age. Progress is also being made on external hiring. Additionally, the diversification of recruitment schemes, including the introduction of a comeback system, is making the company more flexible in terms of employee mobility, which is commendable. Furthermore, the company is taking steps to quantify the outcomes of its human capital management initiatives by setting Key Goal Indicators (KGIs) and introducing engagement surveys. Going forward, it will be crucial to clarify the cost-effectiveness of these initiatives and ensure that each measure is actually contributing to value creation. Regarding gender initiatives, the company has set a target of 100% paternity leave acquisition ratio and is making steady progress, with the acquisition rate exceeding 80%\* in FY2022. As the human capital shortage persists, expanding diversity will become increasingly essential in the future. This requires improvements in mainly the ratio of female managers and hiring more foreign nationals.

\* Percentage in FY2023 was 103.6%.

## Q4: Involvement in promoting DX

**Mr. Oie** In addition to serving as a member of the DX Promotion Committee, I share information and exchange opinions with the DX Promotion Division every month to discuss the progress of initiatives and address any emerging issues. In terms of promoting DX, the company has developed a DX Vision and a DX Roadmap, defining the essence of DX as realizing corporate transformation. It is commendable that the President himself consistently emphasizes the importance of DX in various internal and external settings, contributing to the growing momentum for DX promotion throughout the company. I also view these proactive efforts to promote DX as an initiative to transform Kyushu EP's cautious organizational culture. Indeed, the company has been adopting generative AI ahead of other power companies. I strongly sense that the President is leading the charge in embracing change and taking on new challenges.

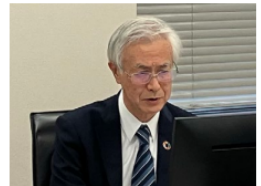
- To promote constructive dialogue with investors, the company has created opportunities for discussion between outside directors and investors. Comments from these dialogues, including progress on initiatives to improve PBR, are disclosed in the integrated report. (→Point III.1)

## Q5: Improving PBR

**Ms. Fukushima** The price-to-book ratio (PBR) is a fundamental indicator of increasing shareholder value, and it is crucial to implement strategies to improve it over the medium to long term. Beyond a recovery in performance, it is essential to achieve a return on capital that exceeds the cost of capital (improving ROE) and to enhance the company's reputation for growth potential (improving PER). With the entry of companies from other industries into the renewable energy sector, competition is intensifying, and the competitive landscape is evolving rapidly. The key challenge for the company is leveraging its strengths and enhancing economic value by swiftly addressing social issues. To achieve this, it is essential to constantly focus on improving PBR and ROIC. I believe that ROIC-based practices are currently being implemented in each business department throughout the company. When I attended a dialogue between employees and top management, employees at business sites asked questions about ROIC, and I noticed that more employees were beginning to view the company's financials as personally relevant.

**Mr. Oie** To improve PBR, it is necessary to present and execute a scenario for medium- to long-term earnings growth. Gaining the support and confidence of investors regarding the company's future growth potential is also crucial. That means the company needs to embrace new challenges, and I am hopeful that the productivity improvements driven by DX investment will contribute to both increased earnings, through the creation of new businesses, and cost reductions.

At the same time, it is important to secure and develop human capital capable of driving innovation and creating added value. Even in my field of expertise, information and communications, the members responsible for promoting DX are seconded to various companies, government agencies, universities, and other institutions, where they are actively working to acquire knowledge and build valuable human networks. I am confident that each member will leverage the knowledge and experience they have gained to support the Kyuden Group's continued growth.



## Feedback from investors received after the dialogue

- Opportunity to have an extended, direct conversation with the external directors was valuable.
- The insights from external directors were undoubtedly valuable, but the discussions themselves were also highly beneficial. It was also great to be able to see the personalities of the external directors.
- The availability of such dialogue opportunities reflects the management's sincerity and transparency and is also one of the company's strengths.

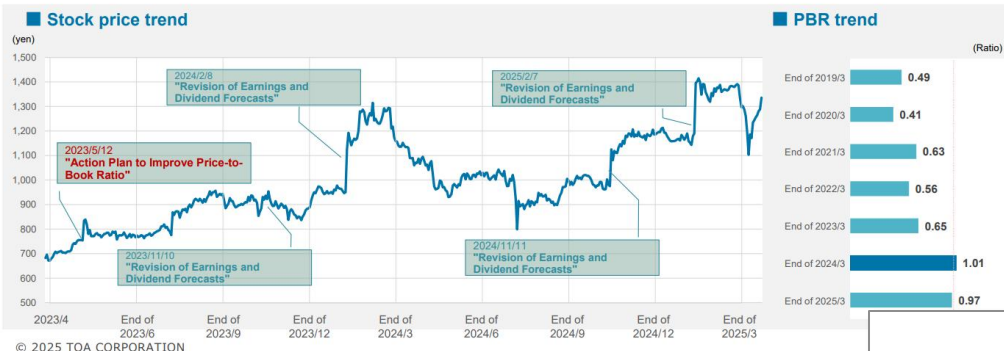
I . TOPIX Core30、 TOPIX Large70

II . TOPIX Mid400

III . TOPIX Small

### Review (Stock price trend/PBR trend)

On May 12, 2023, we disclosed the "Action Plan to Improve Price-to-Book Ratio," and although PBR exceeded 1:1 at the end of FY2023, it ended up slightly below 1:1 at the end of FY2024. In April 2025, our stock price also temporarily declined due to the impact of the overall market downturn. We will work to further improve PBR going forward.



- The company conducted a time-series analysis of stock price, PBR, and ROE in conjunction with its initiatives. Although PBR exceeds 1x and ROE exceeds the recognized cost of capital, it presented a policy outlining initiatives for further improvement. (→Points I. 2 and II. 1)



### Voice of Investors

Although the company had a PBR exceeding 1x and ROE that exceeded cost of capital due to the progress made on the initiatives it announced in 2023, it is considering ways to further enhance corporate value and has updated its initiatives and disclosures. It provided a detailed explanation of initiatives for improvement, such as strengthening investments into human capital and growth, and further reinforced IR activities. These initiatives are continuously refined through dialogue with investors, demonstrating an approach that can serve as a reference for other companies.

### 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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### 1. Steadily increase operating profit while enhancing the quantity and quality of human resources (2) Current investment plan Improve ROE

During the period of this medium-term management plan, we are aiming for the integration of our business and human resource strategies to realize our long-term vision, focusing on expanding operating profit by enhancing the quantity and quality of human resources and **emphasizing investments that contribute to accelerating human capital management**.

Business domain expansion is below the planned figures, but we are constantly considering M&A and other measures to **strengthen construction capabilities**.

Planned investment amount at the beginning of the medium-term management plan (3-year total)	Investment amount and use for FY2023–2024	Expected effects	Current planned investment amount (3-year total)
<b>Technology development</b> 4 billion yen	<b>2.7 billion yen</b> • Strengthening R&D capabilities • Technology development strategy leading to growth	• Improved competitiveness by promoting technology development reflecting social needs in measures	<b>Technology development</b> Approx. 4 billion yen
<b>Business domain expansion</b> 5 billion yen	<b>0.6 billion yen</b> • Establishment of Indonesian subsidiary • Launch of renewable energy smart city concept	• Receipt of orders for locally financed construction projects and expansion of orders for building construction projects • Contribution to the realization of a sustainable society through initiatives related to environmental technology	<b>Business domain expansion</b> Approx. 10 billion yen ↑
<b>Human resource development</b> 3 billion yen	<b>3.7 billion yen</b> • Promotion of women's active participation • Strengthening recruitment activities, wage increases • Enhancement of education and training	• Realization of organization building that promotes business expansion by securing professional human resources and promoting human resource growth (development)	<b>Human resource development</b> Approx. 7 billion yen ↑
<b>Capital investment, etc.</b> 8 billion yen	<b>5.0 billion yen</b> • Capital investment related to work vessels (mainly maintenance and renewal) • Introduction of software • Securing of income-generating real estate	• Strengthening competitiveness by leveraging our strengths • Improved productivity through operational efficiency • Development of new business models through the construction and sale of income-generating properties, etc.	<b>Capital investment, etc.</b> Approx. 9 billion yen
<b>Total</b> 20 billion yen	<b>12.1 billion yen</b>		<b>Total</b> Approx. 30 billion yen

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### 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.

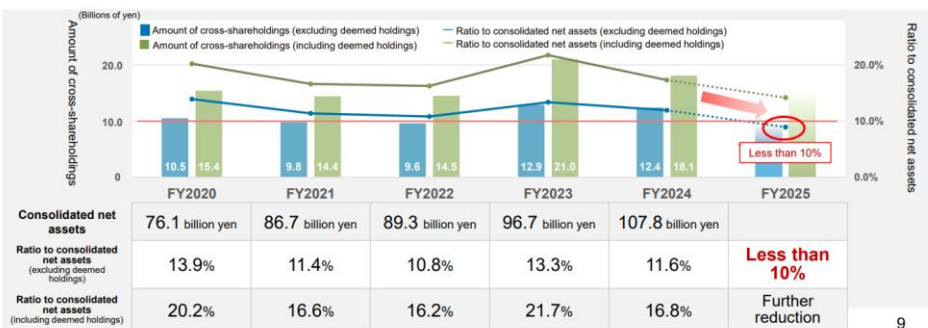
Cash flow allocation (Cumulative total for FY2023–FY2025)			
Formulation of medium-term management plan		At this time (includes forecast figures for FY2025)	
Cash-in	Cash-out	Cash-in	Cash-out
Operating profit 32.9 billion yen	Investment plan (Technology development, business domain expansion, human resource development, capital investment) 20.0 billion yen ±	Operating profit 55.8 billion yen	Investment plan (Technology development, business domain expansion, human resource development, capital investment) 30.0 billion yen ±
Depreciation Approx. 10.5 billion yen	Shareholder returns (Dividends, acquisition of treasury shares) Approx. 15.0 billion yen	Depreciation Approx. 9.5 billion yen	Shareholder returns (Dividends, acquisition of treasury shares) Approx. 26.0 billion yen
Proceeds of sale of cross-shareholdings Approx. 1.0 billion yen	Income taxes, etc. Approx. 10.0 billion yen	Proceeds of sale of cross-shareholdings Approx. 4.0 billion yen	Income taxes, etc. Approx. 17.0 billion yen
Portion of investment plan included in general and administrative expenses 7.0 billion yen ±	Cash surplus/deficit	Portion of investment plan included in general and administrative expenses 10.0 billion yen ±	Cash surplus/deficit

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### 2. Review of the balance sheet (3) Reduction of cross-shareholdings Improve ROE

We will further advance the reduction of cross-shareholdings, aiming to reduce the amount of cross-shareholdings (excluding deemed holdings) to **less than 10% of consolidated net assets** by the end of FY2025 and thereby improve capital efficiency.



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- The company provided a detailed explanation of the breakdown of growth investments aimed at achieving its targets and the anticipated effects. It also reviewed the underlying cash allocation policy and disclosed it in detail. (→Points II. 2 and III. 4)



## June 2023 announcement

## »» 4. Strengthening of IR activities (1) Establishment of a dedicated department

Based on the opinions of shareholders and investors, a dedicated IR Department will be established by the end of the second quarter to strengthen IR activities.  
Regarding dialog with individual shareholders and investors, which was held 37 times in FY2022, we will establish a system to hold such dialogs more than 100 times per year by FY2025.



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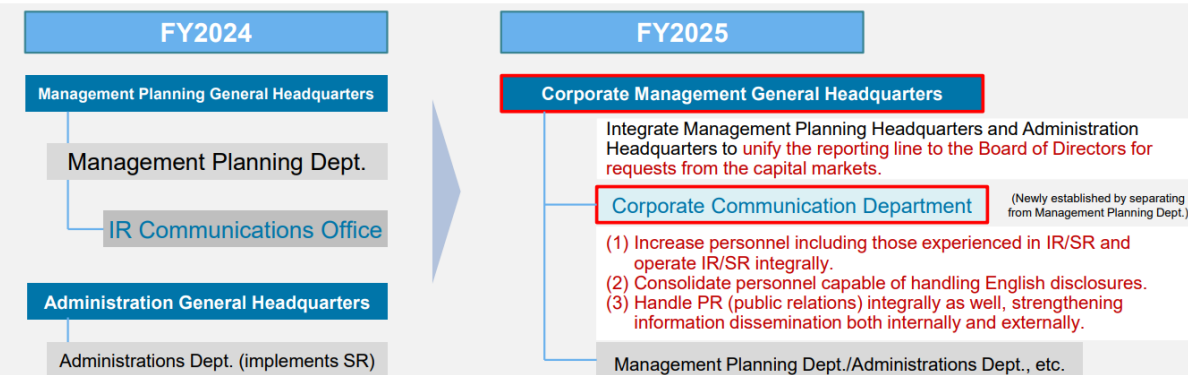
- Aiming to further strengthen IR activities, the company reorganized the dedicated IR department, which was established in FY2023. This established a structure that makes it easier to reflect requests from the capital markets in management measures. (Point III. 1)

## June 2025 announcement

## »» 3. Strengthening IR activities (1) Organizational restructuring to strengthen IR activities

Improve PER

We have newly established the Corporate Communication Department to further strengthen IR activities. The Corporate Communication Department will consolidate and increase personnel experienced in SR/IR and those capable of handling English disclosures with a view towards working to strengthen IR activities with overseas investors. Additionally, the Corporate Management General Headquarters has been newly established by unifying the reporting line for investor opinions, etc. to the Board of Directors, making it easier to reflect requests from the capital markets in management measures.



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3. Strengthening IR activities (2) Initiatives to improve recognition among domestic and overseas investors **Improve PER**

The background to our PER remaining at a sluggish, single-digit level is considered to be influenced not only by doubts about future growth potential but also by the low recognition level among domestic and overseas investors. We will **implement the following initiatives to improve recognition**:

**(1) Earlier financial results briefings**

We will hold briefings closer to the financial results announcement date to build trust with investors by increasing the transparency of corporate information.

**(2) Implementation of financial results briefing transcript distribution (Japanese/English)**

We currently only distribute videos of the briefings, but by transcribing the scripts, we will shorten the time required to grasp the key points.

Improve convenience for sell-side analysts

Strengthen appeal to domestic and overseas institutional investors

Strengthen appeal to individual investors

**(3) Enhancement of English disclosures including the introduction of sponsored research**

We will disseminate our business model, strengths, and financial results reports in both Japanese and English to increase our presence among overseas institutional investors as well.

**(4) Enhancement of briefings for individual investors**

To attract interest from a broader range of individual investors, we will further enhance briefings for individual investors.

**Improve recognition in the overall capital market**

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- The company promoted effective IR activities tailored to the characteristics of each type of investor, such as overseas institutional investors, retail investors, and sell-side analysts. It refined initiatives and the content of disclosures based on feedback obtained through dialogue with investors. (→Points III. 2 and III. 3)

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3. Strengthening IR activities (3) Review of measures through constructive dialog with capital markets **Improve PER**

In FY2024, we held 77 dialogs with shareholders and investors. Although this number has steadily increased compared to FY2022 and FY2023, we have newly established the Corporate Communication Department with increased IR personnel. This fiscal year, we will not only further increase the number of dialogs but also **reflect the opinions obtained through constructive dialog in management measures and work to further improve corporate value**.

Analysts  
Investors  
Shareholders

Opinions

Corporate  
Communication  
Department

Regular  
reporting

Board of  
Directors

Measures to be implemented based on investor opinions (FY2025)

- Implementation of interim dividends
- \* If the proposal to amend the Articles of Incorporation is approved at the June General Meeting of Shareholders.
- Implementation of flexible treasury share acquisitions
- Disclosure of estimated cost of capital

**Number of SR/IR sessions held**

FY2022	FY2023	FY2024
37 sessions	74 sessions	77 sessions

**Review measures  
Improve corporate  
value**

Measures implemented based on investor opinions (FY2023 & FY2024)

- Review of shareholder return policy (FY2023)
- Establishment of the IR system (FY2023)
- Stock split (FY2024)

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## Voice of Investors

Faced with demands from the capital markets, the entire company—including front-line personnel—is working to improve capital efficiency. Even after exceeding a PBR of 1, the company remains unsatisfied and is actively pursuing further growth, demonstrating a sincere commitment to investors and the market.

- Through internal study sessions, the company instilled awareness of capital efficiency improvement down to the front-line staff level. (→Point II.4)

### 副社長Message



取締役副社長  
分銅 健二

### 資本効率を改善しつつ財務基盤強化に 取り組むとともに、新たな経営体制のもとで 次の成長ステージを目指します

#### 量から質を重視した成長へ

販売数量を伸ばし、シェアを高めていく。これまで当社は「量」を懸命に追い求める経営を行ってきました。しかし、2024年11月期に社内管理指標に部門別の経常利益やROIC(投下資本利益率)を導入するなど、現在は収益性向上を目指す「質」を重視した経営へのシフトを進めています。この背景には、資本市場からの要請があります。2023年には、東京証券取引所から「資本コストや株価を意識した経営の実現に向けた対応について」が公表され、上場企業各社はPBR(株価純資産倍率)改善に向けた具体的な対応を求められるようになりました。当時、当社もPBRが1倍を下回る状況にあったことから、プライム上場企業として一層の危機感を持ち、その改善に取り組むべく、「質」を重視した経営へのシフトを打ち出したのです。ただし、当社はまだ成長途上にある会社です。引き続き、トップラインは伸ばし

ていきます。そのうえで、「質」への意識を高め、「量」と「質」のバランスを取ることで、企業価値の最大化を目指します。

P22 財務戦略

#### 資本コストへの意識を高める

PBRを高めるためには、ROE(自己資本利益率)とPER(株価収益率)を改善しなくてはなりません。ROEの向上に向けて、特に課題となっているのが「資本効率の改善」です。当社をはじめとした商社のビジネスは、主に「仕入れた商品を顧客に販売する」ことで成り立っています。したがって、事業の拡大期においては、仕入が先行し、仕入債務が膨らむ傾向があります。さらに、当社は商品を海外から船舶で輸入しており、会計処理上、仕入先が船舶に商品を積み込んだ時点で、当社の在庫として計上されます。そこから1か月以上をかけて運ばれることも多く、自ずと在庫保有期間が

### 副社長Message

長期化してしまいます。このような理由から、多額の運転資金を確保する必要があり、そのために自己資本を厚くしてきたことが、ROEを引き下げる要因となっていました。

ご説明したとおり、事業特性上の問題に起因することもあり、営業の現場において、一定量の在庫を抱えることに対する問題意識が希薄であったことは否めません。そこで、仕入から現金化までの回転期間を把握するための財務指標である「キャッシュ・コンバージョン・サイクル(CCC)」に対する営業担当者の意識を高めるための取組みを進めています。例えば、事業本部長から営業担当者に至るすべての階層を対象に順次勉強会を実施し、CCCを改善することの重要性を説明するとともに、日々の営業活動や取引において、具体的にどのようなことに留意すべきかを伝えています。このような取組みが奏功し、徐々に営業担当者の意識が高まってきたと感じています。

中期経営計画「NEXT-LJ 2025」(以下、本中計)の2年目にあたる2024年11月期は売上高、経常利益、当期純利益とも過去最高を更新しました。なかでも、経常利益、当期純利益については、本中計の最終年度目標を1年前倒して達成しています。利益率も改善傾向にあり、徐々にではありますが、全社的に資金効率に関する意識が高まったことによる効果も生まれていると評価しています。

## Current Situation



- The Company's stock price increased significantly in FY11/2024, with a P/B ratio exceeding 1x.
- The current P/E ratio is lower than pre-pandemic levels and the industry average (wholesale) of the Tokyo Stock Exchange Prime Market. However, we believe that the ratio could increase further because profit is steadily growing as the operating environment improves and new businesses make steady progress.
- ROE was 12.1% at the end of the fiscal year under review, a significant year-on-year increase. We will maintain our efforts to raise the figure even further by improving profitability and strengthening shareholder returns. To be more specific, we adopted ROIC as a management performance indicator in the previous fiscal year to improve profitability and maintain balance sheet efficiency.

	FY11/2019	FY11/2020	FY11/2021	FY11/2022	FY11/2023	FY11/2024
ROE (%)	13.0	12.3	10.6	10.9	8.7	12.1
P/E (x)	17.57	14.05	11.75	9.16	9.45	9.13
P/B (x)	2.17	1.66	1.18	0.94	0.79	1.04
Share price at end of period (yen)	3,515	2,943	2,336	2,121	1,951	2,882

- The company is not satisfied with the current PBR exceeding 1x and believes there is further upside potential. They continue to promote initiatives to further improve PBR and ROE. They also provide concrete explanations of how each initiative contributes to enhancing corporate value. (→Point II.1 & Point II.5)

## Operations That Consider the Cost of Capital and Share Price



	Challenges	Initiatives
Improved ROE	Implement sales strategy with an emphasis on profit margins	• Introduction of ROIC as a management indicator for business divisions (Employees' attitude is gradually changing. We plan to use it for personnel evaluations and business decisions during this fiscal year.)
	Expand high value-added businesses	• Expand the Cheese Manufacturing and Sales Division of the Asian Business (improve cost of sales ratio/sales volume) • Increase the handling of functional food ingredients • Strengthen our business portfolio as a medium- to long-term endeavor
	Involve ourselves deeply in key areas of the supply chain	• Strengthen the development of special products by enhancing collaboration with suppliers • Promote sustainability management
	Invest in growth areas	• Build a new plant (through relocation) in Singapore (the Cheese Manufacturing and Sales Division of the Asian Business)
	Improve shareholder returns	• Increase the dividend payout ratio, and make continual efforts to increase it even further (FY11/2023 : 23.2% → FY11/2024 : 25.3% → FY11/2025 [forecast] : 30.2%)
Improved P/E	Encourage growth expectations	• Present a clear strategy for growth (we plan to release a new corporate business plan)
	Strengthen dialogue with shareholders and investors to gain trust	• Review KPIs for executive compensation • Strengthen IR by expanding staff (from FY11/2025), expand opportunities for dialogue with investors
	Expand information dissemination	• Enhance information in the integrated report and on the website • Expand English-language information disclosure



## Dialogue with Shareholders and Investors

- Currently, we hold regular dialogue with investors in Japan.



Main events * FY11/2024 results			
Activities	Event details		Representative
For institutional investors	Financial results briefing (full year and 2nd quarter)	Twice	President, Executive Vice President (in charge of Investor & Public Relations)
	Individual meetings (mainly with domestic institutional investors)	1H: 54 times 2H: 61 times * Total number of meetings	Executive Vice President (in charge of Investor & Public Relations), Manager of Investor Relations & Public Relations Department
	Small meetings (brokerage firms)	3 times	Executive Vice President (in charge of Investor & Public Relations), Manager of Investor Relations & Public Relations Department
	Shareholder meetings (mainly with domestic institutional investors)	10 times	Executive Vice President (in charge of Investor & Public Relations), Manager of Investor Relations & Public Relations Department
For individual investors	Briefings for individual investors	Twice	President

## Main themes of dialogue

- Recent business performance and the business environment
  - Progress of business performance (vs. initial forecast and full-year forecast)
  - Changes in the operating environment, skim milk powder inventory in Japan, and future outlook
  - Business environment and business development in Asia
- Medium-term growth strategy
  - Initiatives for the growth of core and priority businesses
  - Investment plan (status of the new Singapore plant)
  - Approach to financial strategy
  - Shareholder Returns Policy
- Disclosure of sustainability initiatives and related information
  - Progress of the succession plan (corporate governance)

- In addition to the main themes of investor dialogue, they clearly disclose key examples of dialogue along with perspectives and implementation status. (→Point III.3)

## Dialogue with Shareholders and Investors

- Details of dialogue with shareholders, investors, etc. (Examples of key dialogue)

Questions and comments from shareholders and investors	Summary of our responses
Tell us about changes in the operating environment.	Demand for domestic dairy ingredients, particularly those for commercial use, began to recover. In terms of supply, demand recovered for imported ingredients despite the weak yen. This was because the international prices of dairy ingredients became stable and because the inventory of overstocked skim milk powder, which had negatively affected the Japanese market, began to decline.
Please improve the dividend payout ratio (a request regarding the shareholder return policy).	We regard shareholder returns as the most important management issue. We are seeking to increase the dividend payout ratio while balancing growth and returns. We had strong earnings this fiscal year. Therefore, we decided to increase shareholder returns and raise dividend during the year. We expect to achieve a 25% payout ratio set forth in the Corporate Business Plan ahead of schedule. We intend to maintain our current stance and further increase our dividend payout ratio.
Tell us about the progress of the succession plan.	The Nomination and Compensation Advisory Committee conducts interviews with executive officers and managers (department managers). The committee discusses the information obtained in these interviews. This content is also shared with the Board of Directors.
Tell us about the relocation of the Cheese Manufacturing & Sales Business in Singapore to a new plant.	The expansion of the Cheese Manufacturing & Sales Business in Asia is one of the priority measures in the Group's growth strategy. Preparations for the new factory are progressing smoothly, with the aim of launching operations starting in FY11/2026.
Tell us about the management that considers ROIC.	We will introduce ROIC as a management performance indicator for each division. We began to calculate ROIC this fiscal year (FY11/2024) to grasp the current situation regarding profitability. We began to have discussion with each department to share our ideas and thoughts. We are preparing to use ROIC in formulating strategies for each business division and in evaluating employees starting in the next fiscal year (FY11/2025). We hold study sessions to ensure that all employees have a thorough understanding of ROIC.

## Dialogue with Shareholders and Investors

- We have expanded information disclosure in response to the feedback received during our dialogue with shareholders and investors. We also improved our disclosure format and information dissemination tools.
- We plan to expand English-language disclosure and release sustainability-related KPIs in the future.

	Questions and comments from shareholders and investors	Our responses
Information disclosure in English	English-language information disclosure should be improved. (Request by the Tokyo Stock Exchange)	For timely disclosure items, our basic stance is to disclose information both in Japanese and English at the same time. We also release summaries of financial results (kessan tanshin) in English (from April 2024).
Enhanced shareholder returns	Please raise your dividend payout ratio.	We have been increasing our dividend payments and payout ratio continuously since we went public. For FY11/2024, we decided to increase dividends during the year in line with our business performance. We expect to achieve a 25% payout ratio set forth in the Corporate Business Plan ahead of schedule.
Sustainability-related issues	You should make more aggressive efforts to expand disclosure of climate change-related information.	We issued Integrated Report Vol. 2 to expand the disclosure of non-financial information (August 2024). We established the Corporate Sustainability Department to strengthen our sustainability initiatives (October 2024).
Financial strategy	You should consider the balance sheet and capital efficiency in managing your business.	We introduced ROIC as a management indicator for each division (from FY11/2024).

Published May 2024

3. FY2024-2026 Medium-Term Management Plan

2. We will promote the creation of social value

- Financial strategy for sustainable growth in the future

The Company has emphasized "stable supply" and "the maintenance of a stable financial health" because it is in a heavy industry

Financial indicators (end-March, 2024)

Financial health	Capital efficiency	Market valuation
D/E ratio: 0.29	ROE: 2.9%	PBR: 0.31
○	×	×

Even though our financial strength is good, we receive a low market evaluation due to low profitability and capital efficiency

Management targets (new Medium-Term Management Plan)

Financial health	Capital efficiency	Market valuation
D/E ratio: 0.3 to 0.5	ROE: 4% or higher	PBR: 0.5 or higher

We will meet investors' expectations through positive allocations to "growth investment" and "shareholder return" based on medium to long-term strategies



## Voice of Investors

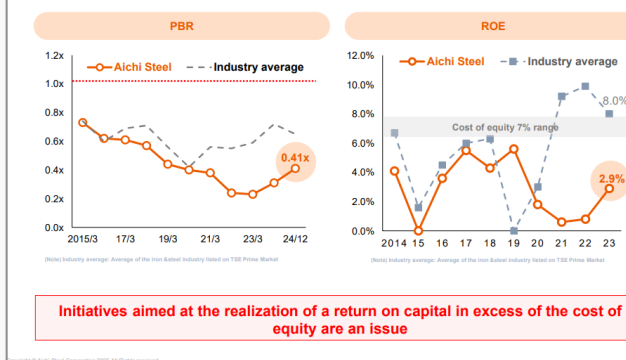
Given the current situation where the PBR remains below 1x even after the mid-term plan formulation, the company has added a long-term goal to achieve ROE exceeding the cost of capital during the mid-term plan period and refined each initiative. With the long-term vision now clarified, the plan offers promising prospects for future growth and improved capital efficiency.

- Carefully analyzed the situation one year after the mid-term plan formulation. Identified challenges for improving ROE and PBR, and recognized the need to reassess target setting and initiatives. (→Point I.2 & Point II.1)

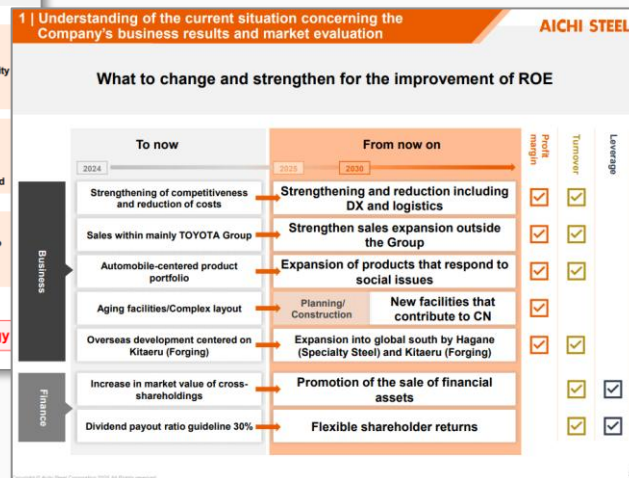
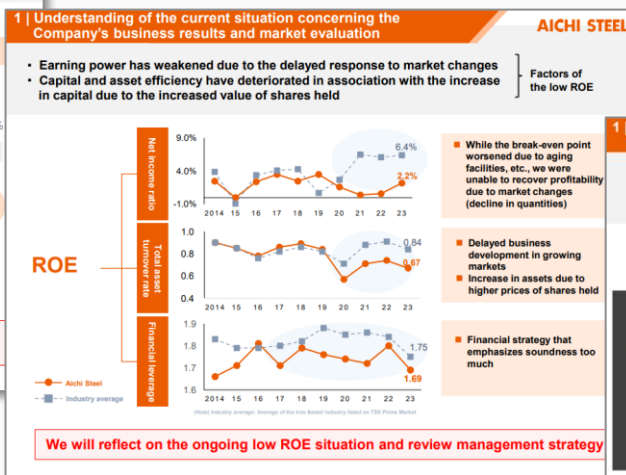
### 1 | Understanding of the current situation concerning the Company's business results and market evaluation

AICHI STEEL

Because ROE is below the cost of equity, the PBR remains below 1x



Published Feb. 2025



Source: (Top) Aichi Steel Corporation, Mid-Term Management Plan for Fiscal Years 2024-2026 (May 30, 2024), Page 20

[https://www.aichi-steel.co.jp/assets/dl/about/pdf/202406\\_MGPLAN.pdf](https://www.aichi-steel.co.jp/assets/dl/about/pdf/202406_MGPLAN.pdf)

(Bottom) Aichi Steel Corporation: Mid-Term Management Plan Update for FY2024-2026 (February 26, 2025) Pages 3, 4, 5

<https://contents.xj-storage.jp/xcontents/AS00059/ae915882/ff1b/4909/9166/e991b17c1326/20250314112502138s.pdf>

## 2 | Management targets

AICHI STEEL

We will aim to achieve an ROE of 8% and a PBR of 1x as soon as possible by FY2030

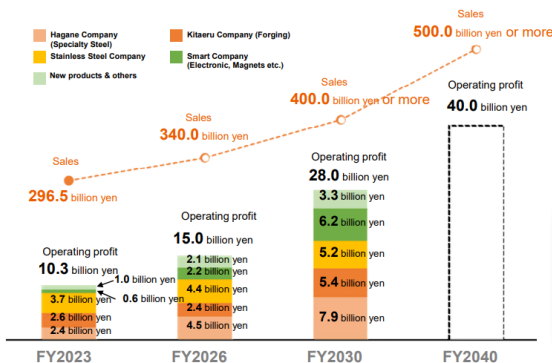
	FY2023	Current medium-term management plan (FY2024 – FY2026)	(Formulated this time)	
ROE	2.9%	4% or more	8% or more	
Sales revenue	296.5 billion yen	340.0 billion yen	400.0 billion yen 30V (345.0 billion yen)	500.0 billion yen
Operating profit	10.3 billion yen	15.0 billion yen	28.0 billion yen Revised 30V (28.0 billion yen)	40.0 billion yen
Capital adequacy ratio	57%	50% - 55%	About 50%	
	2023	2026	2030	2040

\* The fiscal year the current medium-term management plan ends (FY2026) is a milestone towards the realization of the FY2030 targets

## Management targets

AICHI STEEL

We have revised the profit target of the 2030 vision upwards



- Set long-term target of achieving ROE exceeding the cost of capital and revised target profits upward. Made improvements to each initiative accordingly. (→Point II.1 & Point III.4)

## 4 | Management strategy 1) Contribution to multi-pathways

AICHI STEEL

In "mature businesses," we will create new value unique to Aichi Steel by combining "CO<sub>2</sub> reductions" and "cost competitiveness improvement"  
[Kitaeru (Forging): New parts for electric vehicles/green forged products]

Revision to optimal facilities \* Increased profit effect to 2030 +1.5 bn yen/year

Parts group	Subject power sources	Strategy and tactics
Crankshafts	ICE HEV PHEV	Handling of the continuation of engines (partial modification) > Realize green forging by the integrated forging with steelmaking process
Differential rings / drive pinions / large gears	ICE HEV PHEV BEV	Handling of the expansion of electric vehicles (some newly established) > Realization of green manufacturing methods at low energy and with integrated forging/rough machining
OP shafts / MO shafts	BEV	Contributions to one-stop procurement with integrated forging/rough machining and finished parts
Rear shafts / arms / propellers	ICE	Continuation of stable supply (partial renewal for obsolescence) > Handling of demand for FR vehicles while updating aging facilities
Small gears / CVT shafts	ICE, etc.	Curve out (consolidation) > Also consider outsourcing while maintaining and passing on technology internally

## 4 | Management strategy 3) Provision of solutions to social issues

AICHI STEEL

Growth of Smart Company (Electronic, Magnets etc.)  
Contributing to a smart society through five businesses



## 4 | Management strategies 4) Strengthening of foundations

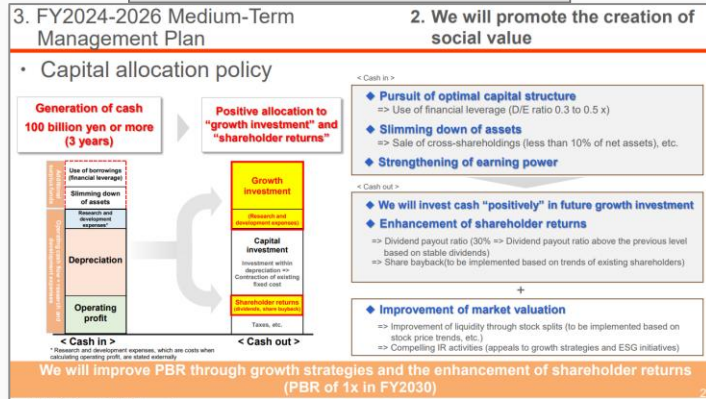
AICHI STEEL

Development/strengthening of DX/information infrastructure	Logistics reform
<ol style="list-style-type: none"> <li>Development of DX human resources capable of transforming the business itself, the organization, and its culture</li> <li>Deployment to next-generation steelmaking processes, etc., based on increased DX knowledge</li> <li>Through the rebuilding of the core system Aggressive investment for the realization of smart factories + smart offices</li> </ol>	<ol style="list-style-type: none"> <li>Highly efficient logistics network that thoroughly eliminates waste, irregularity and unreasonableness &gt; Improvement of loading rate &gt; Optimal placement of depots &gt; Expansion of joint delivery with other companies, etc.</li> <li>Rectification of on-site logistics and development of highly efficient shipping centers that do not make people wait for cargo</li> </ol>
Realization of real-time management (Acceleration of management decisions)	Pursuit of highly efficient transportation that is friendly to the environment and logistics drivers Improvement of transportation efficiency by 25% or more compared to 2023

Increased profit effect to 2030  
2.0 billion yen/year

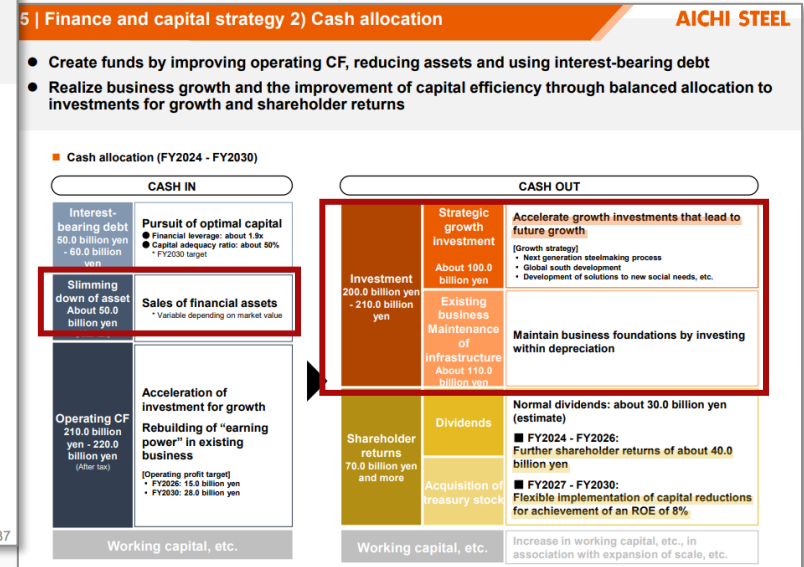
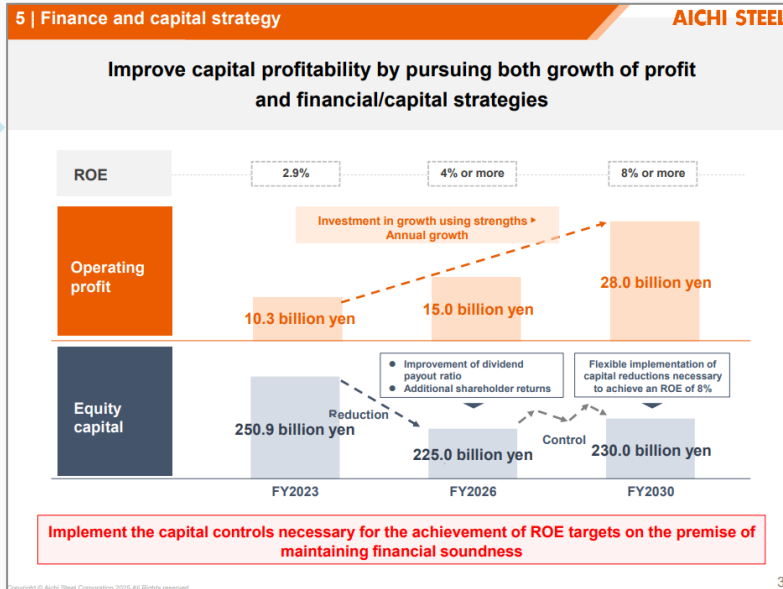


Published May 2024



Alongside business and growth strategies, the company has refined their financial and capital strategies. They have announced a policy to reduce equity capital while improving operating profit, and have specifically disclosed plans to allocate generated cash toward growth investments and shareholder returns. (→Point II.2 & Point III.4)

Published Feb. 2025



Source: (Top) Aichi Steel Corporation, Mid-Term Management Plan for FY2024-2026 (May 30, 2024), Page 21

[https://www.aichi-steel.co.jp/assets/dl/about/pdf/202406\\_MGPLAN.pdf](https://www.aichi-steel.co.jp/assets/dl/about/pdf/202406_MGPLAN.pdf)

(Bottom) Aichi Steel Corporation, Mid-Term Management Plan Update for FY2024-26 (February 26, 2025), Pages 37, 39 (Red boxes added by TSE)

<https://contents.xj-storage.jp/xcontents/AS00059/ae915882/ff1b/4909/9166/e991b17c1326/20250314112502138s.pdf>



Published May 2024

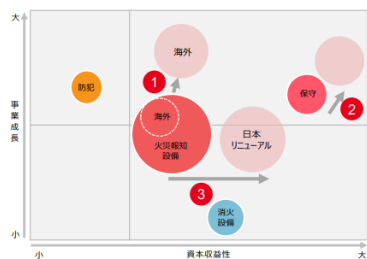
## 事業ポートフォリオ最適化計画 (Phase1/2027/3月期)

HOCHIKI

事業ポートフォリオの評価に基づき、

- ① 海外事業
- ② 保守事業
- ③ リニューアル事業

の3部門を主力事業と位置づけ、  
戦略的な事業計画と経営資源配分  
を実行することで、事業全体の収益  
性を向上させることを目指す。



	事業ポートフォリオ最適化のポイント	最適化の方向性	売上高
① 海外	<ul style="list-style-type: none"> <li>過去5年の売上高CAGRが最も高い。</li> <li>市場成長率も国内と比較して高いことが見通されている。</li> </ul>	成長性を踏まえて、事業を拡大することで併せて収益性を改善する。	2024/3月期実績 2027/3月期計画 192億円 → 230億円 +37億円
② 保守	<ul style="list-style-type: none"> <li>事業セグメント別のROIが最も高い。</li> <li>防火対象物は増加傾向。</li> <li>労働集約型ビジネスであるが、スマート化の余地は十分にあり、事業拡大チャンスあり。</li> </ul>	投下資本利益率が高い事業特性を踏まえて、投下資本を更に増強して事業拡大を目指す。	2024/3月期実績 2027/3月期計画 199億円 → 213億円 +13億円
③ リニューアル	<ul style="list-style-type: none"> <li>国内の主力事業。</li> <li>リニューアルシフトを進めてきており、施工食料平準化と収益性改善を確実に実行してきている。</li> </ul>	今後増加する需要を確実に捉えるための事業基盤強化することで更なる収益性向上を目指す。	2024/3月期実績 2027/3月期計画 140億円 → 165億円 +25億円

※以下は各事業の成長率を明示しての海外リニューアル売上について、2025年3月期より継続して対象を拡大する見直しが行っております。  
これにより、2027年3月期の数値は変更後の数値を表示しています。なお、2024年3月期の数値については2027年3月期と比較する場合は変更後の数値にて表示しています。

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Note: The disclosure documents shown in this slide  
are available in Japanese only.

- To enhance capital profitability, they are advancing the optimization of their business portfolio. They provide a detailed explanation of the progress and challenges, and based on that, present the direction of future measures. (→Point II.2 & Point III.4)



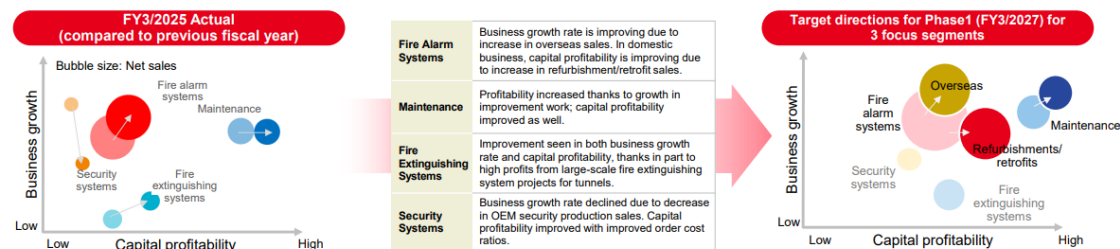
## Voice of Investors

To enhance capital profitability, the company is advancing the optimization of their business portfolio. Even after disclosing their policy, they carefully explain its progress and challenges, while also presenting the direction of future measures based on this understanding. Furthermore, by breaking down the business portfolio strategy and explaining goals and initiatives segment by segment, the content makes it easier to gain confidence in the execution capability and effectiveness of their efforts.

Published May 2025

## Basic Policy 1: Capital Profitability Improvement through Optimized Business Portfolio

HOCHIKI



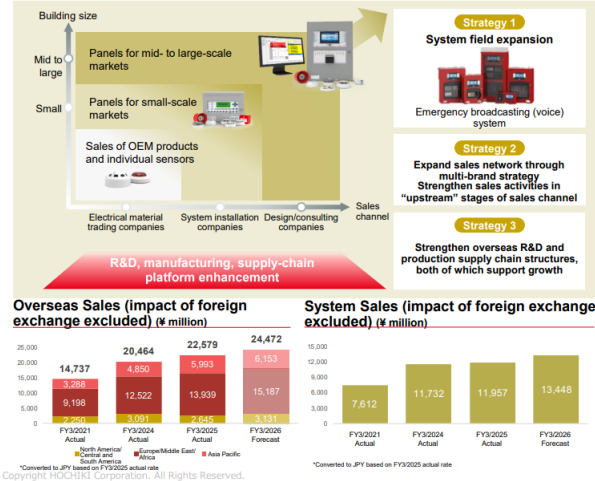
## Direction of Portfolio Optimization (Summary)

Progress/Issues		Net Sales				Measures	
Fire Alarm Systems	(1) Overseas	<ul style="list-style-type: none"><li>Highest net sales CAGR.</li><li>Organic market growth expected to continue.</li><li>Moving into mid-/large-scale market through system field expansion.</li></ul>	FY3/2025 Actual	YoY Change	FY3/2027 Target	Progress	<ul style="list-style-type: none"><li>Investment in development for system field expansion.</li><li>Investment in production capacity increase.</li></ul>
	(2) Refurbishment/retrofits	<ul style="list-style-type: none"><li>Latent demand for refurbishment/retrofits expected to grow.</li><li>Balance between orders received for new installation work (which should secure certain share) and those for refurbishment/retrofit work must be optimized.</li></ul>	¥22.5 billion	17.4% ¥3.3 billion ↗	¥24.8 billion	90.7%	
Maintenance	(3) Maintenance	<ul style="list-style-type: none"><li>Highest ROIC among business segments.</li><li>Number of properties subject to fire prevention measures (sales population) on upward trend.</li><li>Key to business expansion is creating manufacturer-conducted inspection service.</li></ul>	FY3/2025 Actual	YoY Change	FY3/2027 Target	Progress	<ul style="list-style-type: none"><li>Invest to build workforce foundation (including partner installation companies) that enables higher installation capacity.</li></ul>
			¥15.6 billion	12.0% ¥1.6 billion ↗	¥16.5 billion	94.5%	
Maintenance	(3) Maintenance	<ul style="list-style-type: none"><li>Highest ROIC among business segments.</li><li>Number of properties subject to fire prevention measures (sales population) on upward trend.</li><li>Key to business expansion is creating manufacturer-conducted inspection service.</li></ul>	FY3/2025 Actual	YoY Change	FY3/2027 Target	Progress	<ul style="list-style-type: none"><li>Because this segment has such high ROIC, planning to bolster business platform through digital transformation/smartification of labor-intensive business model.</li></ul>
			¥21 billion	5.6% ¥1.1 billion ↗	¥21.3 billion	98.6%	

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## Business Strategy (1): Expand Overseas System Sales



## Efforts made in previous fiscal year and measures going forward

## Strategy 1

- Net sales showed steady growth, thanks to system sales network expansion.
- Expanding wireless system sales region to include Europe and Middle East.
- Aiming to capture new markets by expanding system field to include emergency broadcasting.

## Strategy 2

- Conducting system sales through multiple brands to efficiently utilize Group's distribution routes.
- To expand system sales, strengthening sales frameworks targeting clients in upstream areas of sales channel.

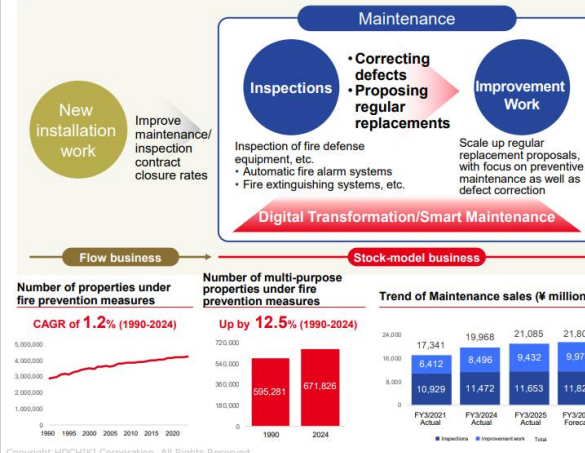
## Strategy 3

- Scaling up R&D investment for system field expansion.
- Planning investments to increase production capacity in preparation of future demand increase.

## Business Strategy (3): Expand Maintenance Business Through Differentiation Strategies That Leverage Standing as Comprehensive Life Safety Manufacturer



## Strengthen customer relations by expanding maintenance business, a core stock-model business



## Efforts made in previous fiscal year and measures going forward

## Strategy 1 Stock up inspection projects, optimize portfolio

- Restructuring portfolio with projects with scales and purposes that call for technical abilities that only a comprehensive life safety manufacturer can provide.
- Using CRM to improve inspection contract closure rates of new installation work projects.

## Strategy 2 Increase improvement work volume through preventive control proposals

- Properly proposing defect correction and regular replacement to customers; increasing win rate.
- Stepping up efforts to convert latent demand into projects, through proposals more focused on preventive control against defect-induced accidents.

## Strategy 3 Smartify inspections

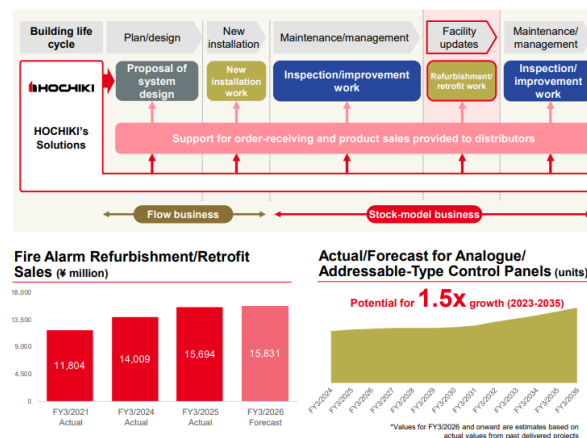
- Scaling up investment in inspection work smartification, to ensure proper equipment maintenance even as birthrate decline and population aging intensify.
- Ensure safety while boosting productivity, through digital/robotics technologies.

## Business Strategy (2): Bolster Readiness for Refurbishment/Retrofit Demand Across Building Life Cycle

Domestic



## Modeling solutions that cover entire building life cycle



## Efforts made in previous fiscal year and measures going forward

## Strategy 1 Establish strategic order-taking sales plan

- Transforming latent demand into prospective mid-to long-term projects by analyzing customer information with CRM, and by using data on past delivered projects.
- Translating proposal know-how founded on expertise into explicit knowledge that can be used in talent development.

## Strategy 2 Level installation workload

- Managing work hours to comply with overtime regulations is critical issue.
- Stepping up efforts to systematically level construction schedules and optimize installation resource allocation in new installation work, according to installation resource availability.

## Strategy 3 Bolster Group's installation capacity

- Developing robust (in both quality and quantity) installation management workforce by enhancing recruitment (of both new graduates and mid-career hires) across Japan and by building systematic training structure.
- Stepping up measures to help strengthen engineering platform of partner companies.

CRM: Customer relationship and project management system

- Breaks down the business portfolio strategy and provide specific explanations of segment-specific goals and future measures to achieve them (→Point II.2)

Source: Hochiki Corporation Financial Summary for the Fiscal Year (May 20, 2025), Pages 21–23  
[https://ssl4.eir-parts.net/doc/6745/ir\\_material\\_for\\_fiscal\\_yr7/181674/00.pdf](https://ssl4.eir-parts.net/doc/6745/ir_material_for_fiscal_yr7/181674/00.pdf)



## Voice of Investors

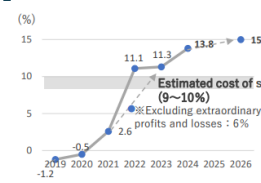
The mid-term plan clearly explains how each key strategy contributes to enhancing corporate value, using tools like logic trees. Intellectual property strategy is also examined as part of the management strategy for boosting corporate value, with concrete results disclosed—a point that serves as a reference for other companies.

### Initiatives for realizing business administration conscious of capital costs and share price

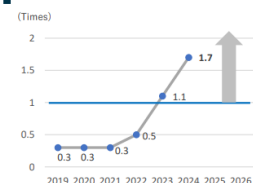


- The cost of shareholders' equity is calculated not only based on the CAPM (capital asset pricing model), but also based on the return on equity from an investor's perspective (estimated cost of equity is 9~10%).
- Progress as planned towards ROE 15% (ROE13.8% = Net profit margin on sales 5.2% × Total asset turnover rate 1.1 Times × Financial leverage 2.4 times)
- PBR also improved significantly (PBR1.7 times = ROE13.8% × PER11~12 times)

#### Variation in ROE

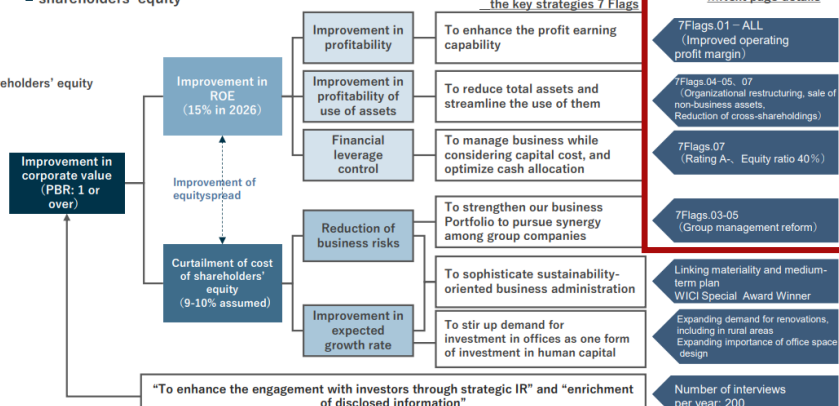


#### Variation in PBR



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#### Measures for improving ROE and curtailing cost of shareholders' equity



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### Key strategies 7Flags

Along with advancing the structural reform project and addressing problems, we have positioned the 7 Flags as key strategies to respond to environmental changes and enhance sustainable growth. Flags 1, 2, and 3 mainly represent revenue, while Flags 4 and 5 represent costs. Flag 6 represents human capital (reform of HR systems and investment in human capital), the foundation for medium- and long-term growth. Flag 7 represents cash allocation and management that is conscious of capital costs and the stock price. Through these strategies we will strengthen our business portfolio. Note that Flag 2 aims to build a unique business model utilizing data and AI to change the rules of competition in the office industry.

<b>1</b> Office 1.0/2.0 domain*1	For new ways of working and the office spaces that implement those ways of working, Strengthen value-added proposals and secure a base for sales and profits
<b>2</b> Office 3.0 domain*2	With the IoT of office furniture and spatial sensing, develop services that provide optimal working styles and office spaces
<b>3</b> Specialized facilities domain	In the areas of logistics facilities and research facilities allocate resources to development and engineering to develop it into the second pillar of our business
<b>4</b> High profitability	By restructuring the group's production and supply system and revamping the company's internal IT infrastructure, Improve production and business efficiency
<b>5</b> Group synergy	Through structural reform projects implemented by Itoki alone we will spread our success stories to group companies and pursue group synergy
<b>6</b> Human capital	With personnel system reform at the core, encourage proactive and proactive "creativity and ingenuity"
<b>7</b> Financial strategy	From a medium- to long-term perspective, plan and implement growth strategy investments, employee returns, and shareholder returns

\*1 Office 1.0: product-based sales business / Office 2.0: office space-based product solutions business

\*2 Office 3.0: work style-based office DX business

- Created a logic tree for enhancing corporate value, clarifying the pathways through which each initiative identified as a key strategy contributes to increasing corporate value. (→Point II.5)

Source: (Left) Itoki Corporation Supplemental Information To Financial Results for FY Ended December 31, 2024 (February 13, 2025) Page 21 (red boxes added by TSE)

[https://ssl4.eir-parts.net/doc/7972/ir\\_material\\_for\\_fiscal\\_y15/176709/00.pdf](https://ssl4.eir-parts.net/doc/7972/ir_material_for_fiscal_y15/176709/00.pdf)

(Right) Itoki Corporation Integrated Report 2024 Page 28 (red box added by TSE)

[https://ssl4.eir-parts.net/doc/7972/ir\\_material\\_for\\_fiscal\\_y16/164445/00.pdf](https://ssl4.eir-parts.net/doc/7972/ir_material_for_fiscal_y16/164445/00.pdf)



## Management Platform Strategy

## Intellectual property strategy integrated with management strategy

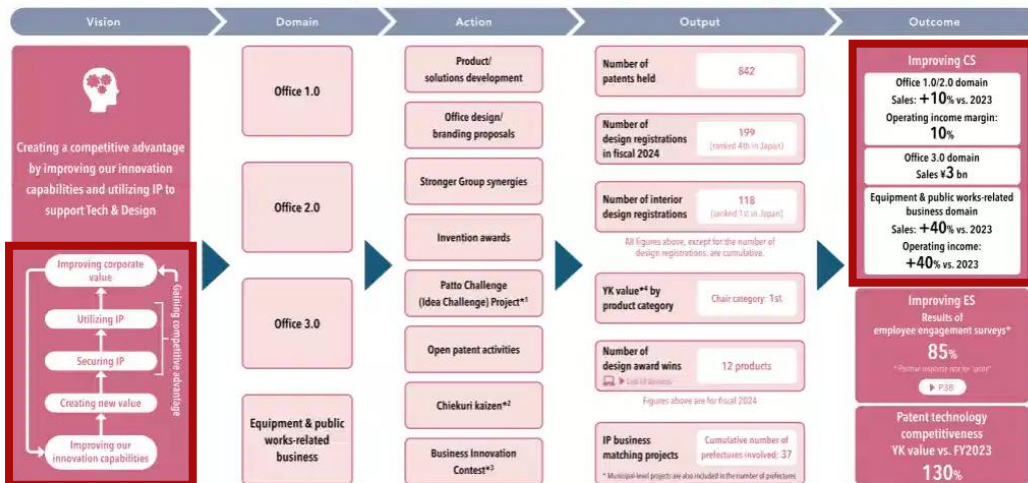
At Itoki, our intellectual property functions are positioned under the umbrella of the Corporate Planning Functions in order to integrate them into our management strategy. By strategically turning the new value created through product development and office space design proposals into intellectual property and utilizing it, we are enhancing the Company's presence and value and competitive advantage in our business activities.

Intellectual property strategy integrated with management strategy: Special Feature Section P27

Overview of  
Intellectual Property Strategy

## MISSION STATEMENT

## We Design Tomorrow. We Design WORK-Style.



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- As part of their management strategy to enhance corporate value, the company is advancing their intellectual property strategy and explain the results of this initiative in detail. (→Point II.2 & Point II.5)

## Management Platform Strategy

## Intellectual property strategy integrated with management strategy

## Focus measures Positive cycle of innovation born from a review of the IP Department's structure



## Invention awards born from design thinking

We have introduced an invention award system that honors innovative inventions, as a mechanism to enhance innovation. This system was developed by the IP Department through the practice of design thinking, focusing on the theme of how the department can contribute to improving innovation. This system to promote innovation was built by deeply exploring the essential needs of designers and development members (users) who are closely involved in innovation, and by engaging in discussions through the five processes of Empathize → Define the problem → Express ideas → Prototype → Test, while also enhancing user satisfaction.

## Creation of new value through increased motivation

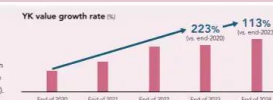
Under the invention award system, we recognize novel inventions (those with originality, creativity, etc.) that have the potential to enhance corporate value, from patent applications related to new products. Since inventions are awarded while they are still fresh, this system enhances the motivation of recipients to create new innovations, thereby establishing a positive cycle for generating new value.

**Next product development**  
In a landscape where services and products that have never existed before are continuously created and consumed, ongoing innovation is essential for enhancing corporate value. The basis of this is the intangible intellectual property of human creativity. We will continue to give tangible shape to this and enhance our corporate value.



## Patent technology competitiveness index (YK value)

At Itoki, we use the YK value\* as an objective indicator of technological competitiveness. The growth rate of the YK value during the previous medium-term management plan period from the end of 2020 to the end of 2023 was 223%. More recently, it was 113% from the end of 2023 to the end of 2024. In terms of the YK value by product category, we have maintained the number one position in the chair category since 2023 (as of April 30, 2025).



\* The YK value is a patent technology competitiveness index that evaluates the strength of a patent's exclusivity, as determined by Kudo & Associates.








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- Discloses the progress of key strategies outlined in their mid-term plan in an easy-to-understand manner, along with future initiatives. (→Point III.4)

## Progress of priority strategies in the medium-term management plan



	KPIs in 2026	1H of 2025 (results)	2H of 2025 (forecast)
 <b>7Flags 01 Office1.0/2.0 domain</b>	<ul style="list-style-type: none"> <li>Sales, up 10% from 2023</li> <li>Operating profit margin: 10%</li> </ul>	<ul style="list-style-type: none"> <li>Sales: up 19% from 1H of 2023</li> <li>Operating profit margin: 14.1% (10.7% in 1H of 2023)</li> </ul>	<ul style="list-style-type: none"> <li>To meet the demand for renovation in local areas, too, under the belief that "the investment in offices is effective for human capital-oriented business administration"</li> <li>To develop a business model of getting involved with office creation from the upstream stage</li> </ul>
 <b>7Flags 02 Office3.0 domain</b>	<ul style="list-style-type: none"> <li>Annual sales: 3 billion yen</li> <li>Cumulative investment amount in 3 years: 2.5 billion yen</li> </ul>	<ul style="list-style-type: none"> <li>Data Trekking Number of price estimates 5.5 times (Compared to the first half of 2024)</li> <li>Cumulative investment amount: About 1 billion yen (2024~2025 2Q results)</li> </ul>	<ul style="list-style-type: none"> <li>To raise the recognition level as a solution to office problems through data-based assessment and increase contracts</li> <li>Solution to the shortage of meeting rooms: sales promotion of Reserve Any</li> </ul>
 <b>7Flags 03 Domain of specialized facilities</b>	<ul style="list-style-type: none"> <li>Sales: 30 billion yen</li> <li>Operating profit: 2 billion yen</li> <li>Strengthening of the development system: 50 more staff members</li> </ul>	<ul style="list-style-type: none"> <li>The profit in this domain increased about two times between 1H of 2023 and 1H of 2025.</li> <li>Release of products (such as an automatic medicine picking system) in new markets</li> <li>Strengthening of development structure (total of 30 specialists)</li> </ul>	<ul style="list-style-type: none"> <li>To expand the market share by releasing new products, such as an automatic conveyance system specializing in storage and a containment pulverizer)</li> <li>To promote sales by offering a variety of SAS-R units</li> <li>To establish the maintenance and inspection business as soon as possible</li> <li>Recruitment from Hanoi University of Technology: 1 person in October 2025 and 2 people in January 2026</li> </ul>
 <b>7Flags 04 Profitability enhancement</b>	<ul style="list-style-type: none"> <li>Manufacturing and distribution costs: down 5% from 2023</li> <li>Operating profit per employee: up 50% from 2023</li> <li>Cumulative investment in IT: 8 billion yen</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of costs to sales: 3.1% (down) compared with 1H of 2023</li> <li>ERP (SCM system) started operation in Jun. 2025.</li> <li>Investment in IT: approx. 5 billion yen</li> </ul>	<ul style="list-style-type: none"> <li>Streamlining of logistics: Relocation of Kansai Distribution Center, the use of flat packages, and the standardization of pallets</li> <li>Improvement in operating profit per employee: promotion of improvement in productivity by the new ERP</li> </ul>
 <b>7Flags 05 Synergy among group companies</b>	<ul style="list-style-type: none"> <li>Operating profit margin of consolidated group companies: up 2% from 2023</li> <li>Cash outflow from the group: down 3 billion yen</li> </ul>	<ul style="list-style-type: none"> <li>Measures for reducing the cash outflow from the group were conducted actively and steadily.</li> <li>Operating profit margin of group companies: 10.4% in 1H of 2025, up over 2% from 7.0% in 1H of 2023.</li> </ul>	<ul style="list-style-type: none"> <li>To actively reduce costs by linking the functions of group companies and producing products in house</li> <li>To curtail the cash outflow from the group: The cash outflow is expected to be reduced by about 2.5 billion yen (over 80%) by the end of 2025.</li> </ul>
 <b>7Flags 06 Human capital</b>	<ul style="list-style-type: none"> <li>Employees' engagement: 85%</li> <li>Ratio of female managers: 13%</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of employees' engagement: 82.5%(2024)</li> <li>Ratio of female managers: 13.2%(February 2025)</li> </ul>	<ul style="list-style-type: none"> <li>To continue measures for motivating employees and increase employees' engagement to 85%</li> <li>To make continuous efforts to raise the ratio of female managers to 13%, which is the initial goal</li> </ul>
 <b>7Flags 07 Financial strategy</b>	<ul style="list-style-type: none"> <li>Cash allocation</li> <li>Strategic investment/R&amp;D/capital investment: 40 billion yen</li> <li>Investment in human capital: 10 billion yen</li> <li>We aim to achieve a payout ratio of 40%.</li> </ul>	<ul style="list-style-type: none"> <li>Investment was carried out as planned.</li> <li>Payout ratio: 37.4% (2024)</li> <li>Start of shareholder benefits(2024)</li> <li>Obtain an A- rating(2024)</li> </ul>	<ul style="list-style-type: none"> <li>To discuss diverse fund procurement methods</li> <li>Payout ratio is expected to be 38.6%(2025).</li> </ul>

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### Enhancement of IR Activities: Status of Implementation of Dialogue with Shareholders and Investors

With the aim of achieving sustainable growth and enhancing corporate value, we actively engage in constructive dialogue with our shareholders and investors. We also provide timely feedback within the company on the content and outcomes of such dialogue.

Results of dialogue FYE Mar. 2025		In-house feedback
	Implemented by	number of companies and meetings
institutional investor meetings	President, Executive Officer in charge of IR department, IR department head, IR department member	Overseas: 11 companies, 15 times  Domestic: 20 companies, 29 times
Briefings for Institutional Investors	President	2 times
Briefings for individual investors	President	2 times
General Meeting of Shareholders	All Directors and Audit & Supervisory Board Members	1 time

#### ■ Primary feedback content

- Board of Directors (6 times)
  - Improving return on capital
  - IR activities
  - Status of Shareholders
- Management, Relevant Divisions (As necessary)  
Each relevant theme, including the above

#### ■ Items incorporated based on dialogue

- Raising ROE targets with consideration of the cost of equity
- Implementing dividend increases and purchase of treasury shares to improve capital profitability and enhance shareholder returns
- Holding a new institutional investor briefing for the fiscal year and Q2 results (with the CEO in attendance)
- CEO's participation in a briefing for individual investors
- Issuing our first integrated report
- Simultaneous release of English-language materials for the Q3 earnings presentation alongside the Japanese version

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- **Discloses the status of dialogues with shareholders and investors, and updates disclosure content based on opinions obtained through these dialogues. (→Point III.3 & Point III.4)**



### Voice of Investors

The company goes beyond merely exchanging information with shareholders and investors; they actively feed back the insights gained into the company, incorporating them into their management strategy through goal setting and updates to initiatives. Furthermore, they clearly explain how each initiative contributes to achieving their goals, conveying genuine commitment to seriously engaging with the market and enhancing corporate value.

### Background of the New Policy Formulation

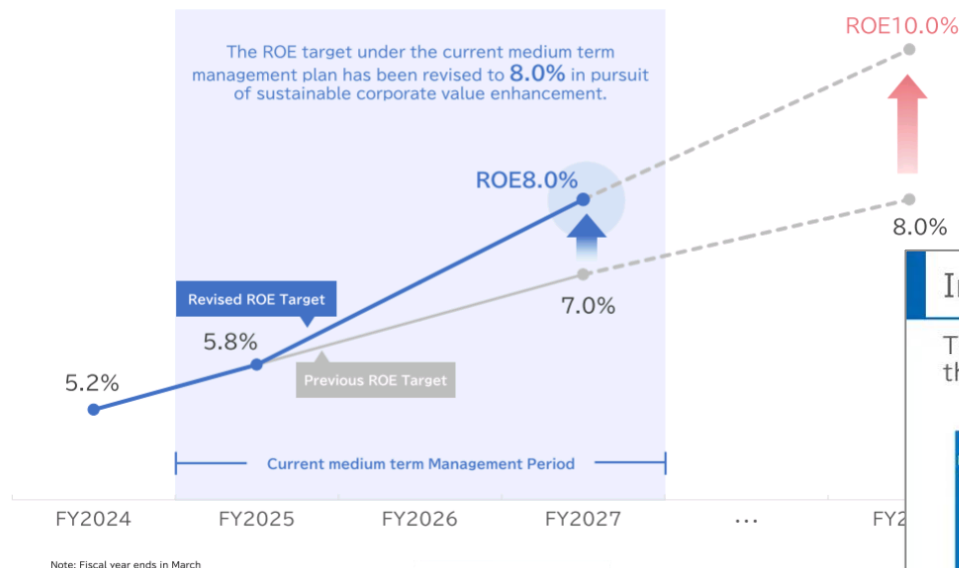
Through proactive engagement with investors regarding the medium term management plan 2026, various opinions were received. Based on these, We recognized the need to formulate of a new policy.

	Investor's Main Opinion	Recognition of Issues	
KPI	<ul style="list-style-type: none"> <li>• The rationale for achieving the performance targets is considered weak</li> <li>• The minimum acceptable ROE is 8%, with 7% deemed too low</li> </ul>	Need to revise ROE targets in line with investor expectation	Financial Strategy Reform Formulation of new shareholder return policy P.4~
Financial Strategy	<ul style="list-style-type: none"> <li>• The current financial strategy may not be sufficient to achieve the ROE target</li> <li>• The use of abundant cash should be disclosed</li> </ul>	Need for significant reform of financial strategy to improve ROE	
Business Strategy	<ul style="list-style-type: none"> <li>• The contribution of each measure to earnings is unclear</li> <li>• There is insufficient specificity in the growth strategy, making it hard to visualize the long-term corporate value enhancement story</li> </ul>	Need to expand information disclosure on profit growth initiatives and growth strategy	Medium Term Management Plan 2026 Profit Growth Initiatives P.9~  Medium- to Long-term Growth Strategy P.13~

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## Revision of ROE Target

In order to achieve sustainable enhancement of corporate value, we have revised our ROE target for FYE Mar. 2027 to 8.0%, reflecting ongoing dialogue with investors and shareholders. Over the long term, we aim to maintain ROE of 10.0% or higher.



- Based on discussions with investors and shareholders, the company revises upward their target setting during their mid-term management plan period. (→Point II. 1)

- The company uses a PBR logic tree to clearly explain how each initiative contributes to enhancing corporate value. (→Point II.5)

## Initiatives for Improving PBR (PBR Logic Tree)

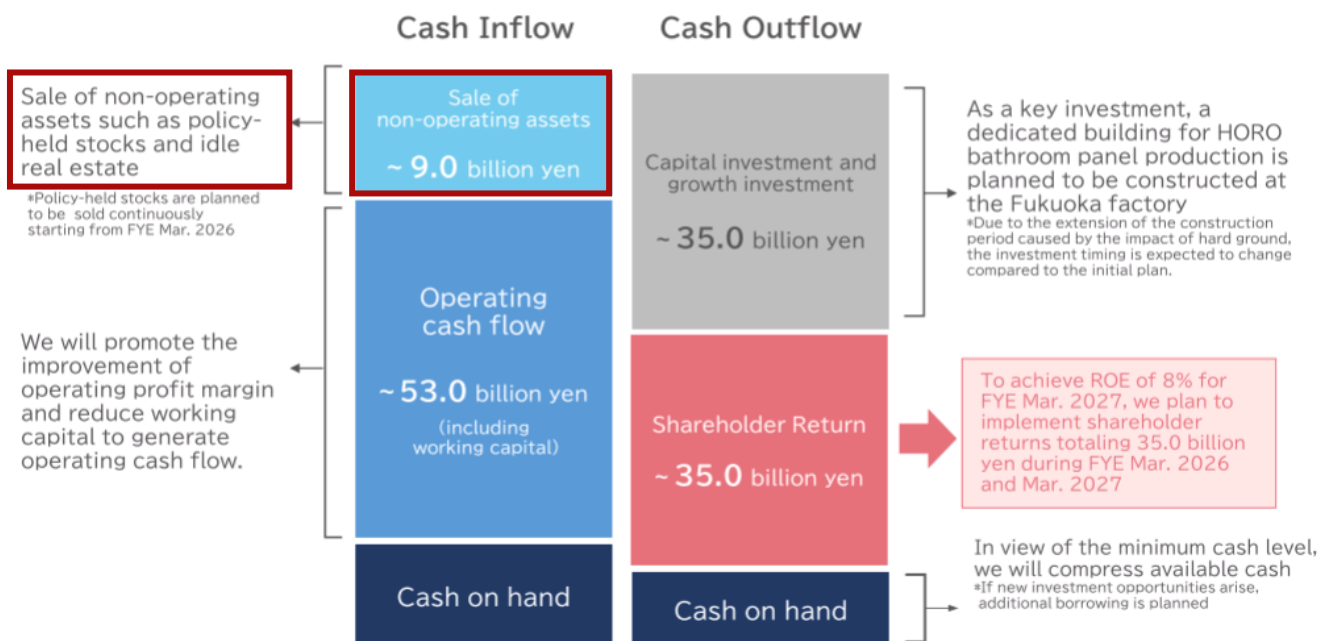
To improve PBR, we aim to enhance ROE and expand PER by implementing the following initiatives.



- The company has clearly stated its cash allocation policy: while promoting the sale of non-operating assets such as strategically held shares and idle real estate, they will strengthen growth investments and shareholder returns.  
(→Point I.3 & Point II.2)

## Cash Allocation FYE Mar. 2026 - Mar. 2027

Utilize cash inflows from operating cash flow and sales of non-operating assets to conduct growth investments and shareholder returns.



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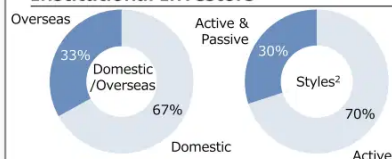
## Overview

Conducted 91 IR/SR dialogues a year, mainly with CEO as the main speaker. Feedback of the content of dialogue to the Board of Directors and promotion of a cycle that reflects such voices in company-wide policies and strategies.

## Status of Dialogue

Total number of IR/SR dialogue<sup>1</sup> **91**

- Decreased slightly due to the absence of a small meeting, down 14 times YoY.

Outline of Shareholders/  
Institutional Investors

## Major Topics/Interests of Shareholders

- Details of PY results and progress in TY.
- Medium-Term Business Plan (MTBP), new growth strategies and capital strategies.
- Enhancing corporate governance.
- Strengthen investment in non-financial value and human capital.
- Progress of Sustainability initiatives.

1. Includes financial results meeting and AGM 2. Excludes securities and industrial corp.

## Speakers

IR/SR meeting	Representative Director, CEO & President Senior Executive Managing Officer GM of Corporate Management HQ (Chair of Sustainability Committee) General Manager of IR & PR Strategy
Financial results briefing	Representative Director, CEO & President Director, EVP & GM of Operation HQ
AGM	All Directors and Audit & Supervisory Board Members

## Feedbacks to Board of Directors

	Freq.	Method	Contents
Comments from shareholder / investors	Twice a year	Report to Board of Directors/ explanatory meeting	Summary of dialogue with shareholders after Q2/Q4 announcements of financial results, as well as input for improvement
IR/SR reports	Timely	Report/email to Board of Directors/ explanatory meeting	IR/SR strategies, priority measures, issues and countermeasures, share price/index, etc.

TIMELESS WORK.  
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## Voice of Investors

The CEO took the lead in engaging in repeated dialogues with investors and, based on the input received, updated initiatives and disclosures, including the clarification of growth strategies and cash allocation. This stance of making proactive efforts, centered on dialogue with investors, to enhance corporate value helps build trust with investors.

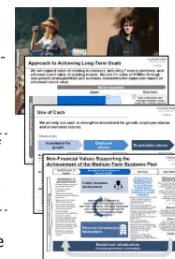
## Details of Dialogue and Results

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The MTBP announced on 14 April 2025 reflected inputs such as new growth strategies, capital strategies, strengthening corporate governance, disclosing non-financial value, and strengthening investment in human capital.

## Dialogue

Topics	Input	Status
MTBP	New growth strategies	Request for disclosure of specific details of new growth strategies and uses of cash. Concrete actions have already been reflected in the MTBP announced on 14 April 2025.
	Capital strategies	Request for further strengthening shareholder returns. DOE 4% of dividends and share buyback in PY as a result of consideration of inputs.
Enhancing corporate governance	Reduction of strategic stockholdings.	In January 2025, we sold a portion of our strategic shareholdings and, by end-Feb 2025, its ratio to net assets declined to 14.9%.
Non-financial value/ human capital	Request for disclosure of how non-financial value supports MTBP and human capital policy.	Clarified non-financial value/human capital policy in MTBP. Announced the introduction of a RS granting system through the ESOP.
Sustain-ability	Strengthen initiatives	Submitted a commitment letter in July 2024, and acquired SBT certification for our FY2030 GHG emission reduction targets in March 2025.
	Create "opportunity"	Not merely managing risks, but taking opportunities to implement initiatives that will lead to sustainable growth. Launched a reuse business in March 2024. Clothing collection at 750 POS and sale at 3 POS as of today.



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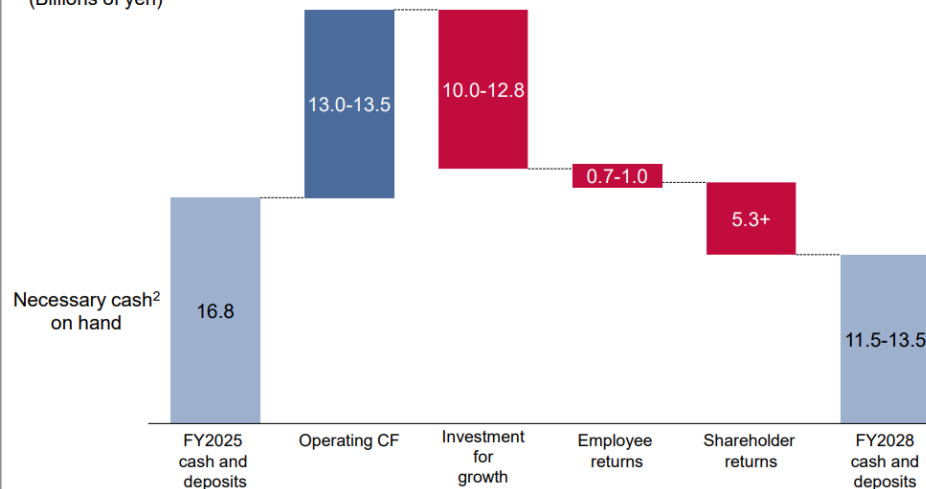
- The CEO took the lead in actively engaging in dialogues with investors. Based on the input received through these discussions, the company refined initiatives and disclosures, including formulating new growth strategies and clarifying cash allocation. (→Points III. 1, III. 3, and III. 4)

## Net Cash Allocation

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Based on the Medium-Term Business Plan and PBR Improvement Plan, we will make investments for growth and enhance employee/shareholder returns to improve capital efficiency and optimize net cash<sup>1</sup> levels.

(Billions of yen)



1. Net cash, excluding long-term and short-term borrowings, etc. 2. Appropriately set considering the business/investment environment and need for liquidity on hand.

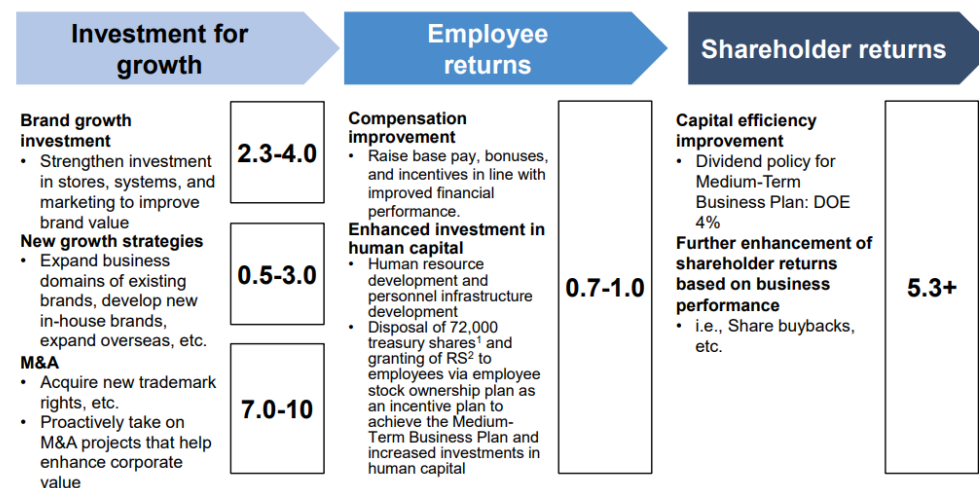
- The company disclosed in detail its policy on net cash allocation and how the cash will be used, based on input received through dialogues with investors. (→Points II. 2 and III. 4)

## Use of Cash

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We actively use cash to strengthen investment for growth, employee returns, and shareholder returns.

(Billions of yen)



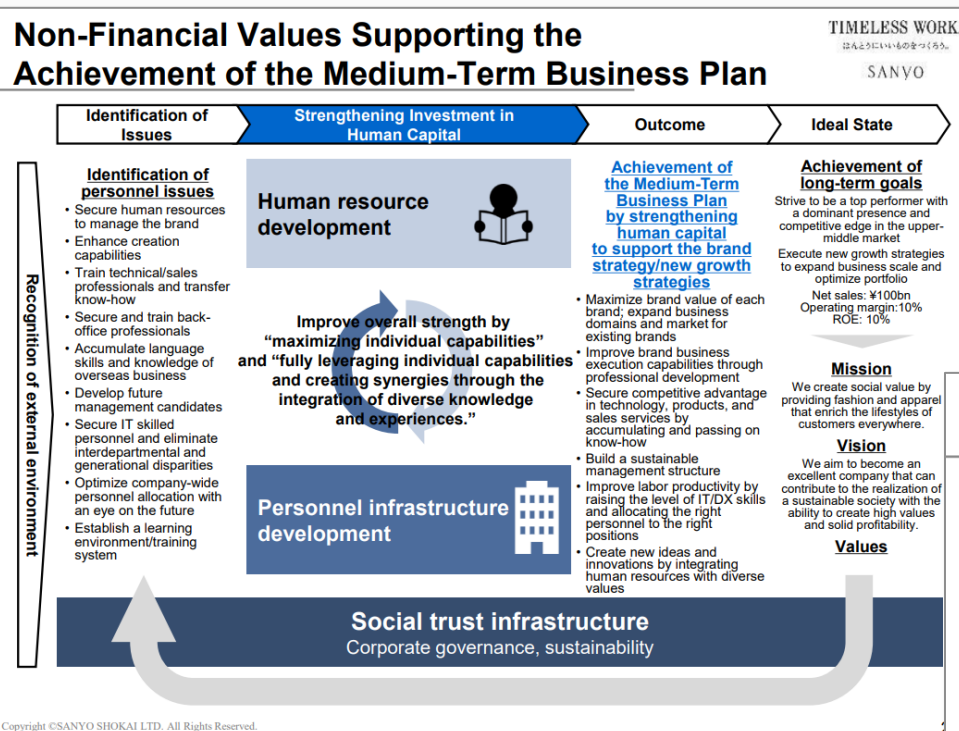
1. Tentative figures at this time. Official number of shares to be determined. 2. Restricted stock

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Source: SANYO SHOKAI LTD., Medium-Term Business Plan to Fiscal 2028 (April 14, 2025), Pages 24, 25

<https://ssl4.eir-parts.net/doc/8011/tdnet/2593159/00.pdf>

## Non-Financial Values Supporting the Achievement of the Medium-Term Business Plan



- As part of efforts to strengthen investment in human capital, the company granted RS (restricted stock) to employees through the employee stock ownership plan. (→Point II. 4)

- Based on the input obtained through dialogue with investors, the company provided a detailed explanation of how non-financial value (human capital) contributes to achieving its long-term targets. It also described concrete initiatives to strengthen investment in human capital. (→Points II. 2, II. 5, and III. 4)

## Strengthening Investment in Human Capital

In human resource development, various initiatives are employed to draw out individual capabilities and maximize their potential. In personnel infrastructure development, individuals' capabilities are fully leveraged and integration of diverse knowledge and experiences is promoted.

### Human resource development



#### Develop brand business professionals

- We place new graduates in general positions in their 20's and 30's to gain experience in a wide range of jobs / brands.
- FY2027 target: 100% of employees turning 30 who joined as new graduate career-track hires will have experience in at least two job types<sup>1</sup> in two or more brands

#### Develop back-office professionals

- Support acquisition of qualifications necessary for work, reassign young career-track employees, and provide job rotation
- FY2027 target: At least 5 back-office assignments for new graduate career-track hires under 35

#### Secure human resources for new business development

- Hire and train personnel who are familiar with our business and can develop new business areas and markets in Japan and overseas

### Personnel infrastructure development



#### Optimize the HR portfolio through constant review and necessary revision of the HR system

#### Improve employee engagement

- We aim to be a strong organization that employees are proud to work for, want to contribute to and develop themselves.
- FY2027 target: Engagement score 55.0 (+3.1 pts. vs. FY2024)

#### Diversity & inclusion

- We foster an environment in which employees with diverse experiences and values respect one another and work together regardless of time or location.
- FY2026 targets: Ratio of women in managerial positions: 20%; Gender wage gap: 72%<sup>2</sup>

#### Optimization of personnel composition and personnel allocation

- FY2027 target: 20 hires<sup>3</sup> in their 20's and 30's

Announced today that we will dispose of treasury stock and grant RS<sup>4</sup> to employees through an employee stock ownership plan as part of enhanced investment in human capital

1. Three job types for those 40 and over.  
2. The assumption is that there is no gender wage gap for the same job/position. The gap here is due to the low ratio of women in managerial positions.  
3. Total of new graduate and mid-career hires.  
4. Restricted stock



Review of ICHIGAN 2024

ICHIGAN2024							ICHIGAN 2024 Targets and Results	
	2019	2020	2021	2022	2023	2024	Target	Achievement Rate
Net sales (millions of yen)	230,087	196,841	229,126	260,303	259,008	215,790	260,000	83%
Operating profit (millions of yen)	5,559	3,415	7,062	9,380	8,326	5,483	10,000	55%
Operating profit margin(%)	2.4	1.7	3.1	3.6	3.2	2.5	3.8	67%
Net sales in new businesses (millions of yen)	9,290	7,605	6,999	5,709	11,138	17,876	22,000	81%
(X-Tech)	(9,290)	(7,605)	(6,999)	(5,709)	(6,106)	(8,687)		
(Mainstay core businesses*)	(—)	(—)	(—)	(—)	(5,032)	(9,188)		
Gross profit margin in new businesses(%)	17.7	18.4	16.1	14.7	14.0	14.0	18.0	78%
ROE(%)	5.8	3.4	6.9	7.0	6.9	5.3	8.0	66%

\*This line is for new businesses for which activities were started in April 2020 or later in the mainstay core businesses.

KEY POINTS

- We fell short of the key management targets due to factors such as the termination of contracts with a major supplier in the Electronics business
- We aimed to establish business models for growth businesses and create new, next-generation businesses, but struggled to achieve scale
- We succeeded in enhancing productivity in our mainstay core businesses, improving profitability
- We made some progress in strengthening the foundation for business promotion, but were not able to establish specific frameworks and systems as quickly as planned



## Voice of investors

In light of the failure to achieve key targets in the previous mid-term plan, the Board of Directors took the lead in clarifying challenges such as business portfolio strategy. The new mid-term plan concretely outlines business portfolio transformation centered on aggressive investment in growth businesses, meticulously detailing the future vision and segment-specific strategies. The high transparency of the management decision-making process strongly conveys strategic consistency and execution capability.

- The Board of Directors conducted discussions to formulate the new mid-term plan based on a review of the previous mid-term plan period, while also implementing a questionnaire for directors. It identified challenges such as accelerating the business portfolio strategy and disclosed its recognition of these challenges. (→Point II.2 & Point III.4)

### Management Control by the Board of Directors

#### Recognition of Issues by the Board of Directors

##### Discussions at Board Meetings

In FY2024, RYODEN's Board of Directors reviewed the previous medium-term management plan and held multiple discussions on medium- to long-term management strategies, including the business portfolio, to formulate the new medium- to long-term management plan.

In addition to the matters conventionally reviewed and reported at board meetings, we have set an annual agenda of items for deliberation—important themes to be discussed—and have begun creating a mechanism to facilitate fruitful discussions with the executive management team.

We also conducted an anonymous questionnaire survey of the members of the Board of Directors to identify the skills that Board members should have in order to achieve the medium- to long-term management plan. The survey identified the issues and achievements of the previous medium-term management plan, as well as the steps needed for the supervisory and executive teams to achieve the plan.

The board's recognition of issues is shown on the right in order to achieve the medium- to long-term management plan, the Board will continue to work on advancing corporate governance practices to support proactive and decisive decision-making by the executive team.

##### Outline of the Survey

- Implementation: December 2024  
 Respondents: All Directors  
 Method: Questions sent by email (anonymous responses)  
 Questions: The following five themes
- 1 Factors behind the failure to achieve KPI targets in the current medium-term management plan
  - 2 Achievements and positive points of the current medium-term management plan
  - 3 Matters and issues to resolve in order to achieve the vision and targets set out in the next medium-term management plan
  - 4 Skills (knowledge, experience, ability) necessary to achieve the next medium-term management plan
  - 5 Other matters (improvements after the transition to a company with an Audit and Supervisory Committee, etc.)

### Review of the Previous Medium-term Management Plan

#### 1 Issues

- Amid dramatic changes in the business environment (including the COVID-19 pandemic and the semiconductor bubble), the supervisory team could have more strongly urged revisions to the plan to ensure effectiveness
- The executive team was unable to provide the Board of Directors with specific details of the initiatives and issues under the medium-term management plan, possibly leading to a lack of the information needed for accurate judgment

#### 2 Achievements

- Made employees aware of the necessity and importance of innovation and change
- Many new success stories were created by moving away from simply selling products and toward selling solutions. Moving forward, we will need to have a mechanism for the horizontal development of such success stories, or to use them as scalable models

### Factors needed to achieve the medium- to long-term management plan

#### 1 Supervisory team

- Monitoring right from the start
- Promote business portfolio strategies, accelerate discussions on selection and concentration, and encourage the executive team to make focused business investments in key areas
- Management aligned with the perspective of investors and shareholders

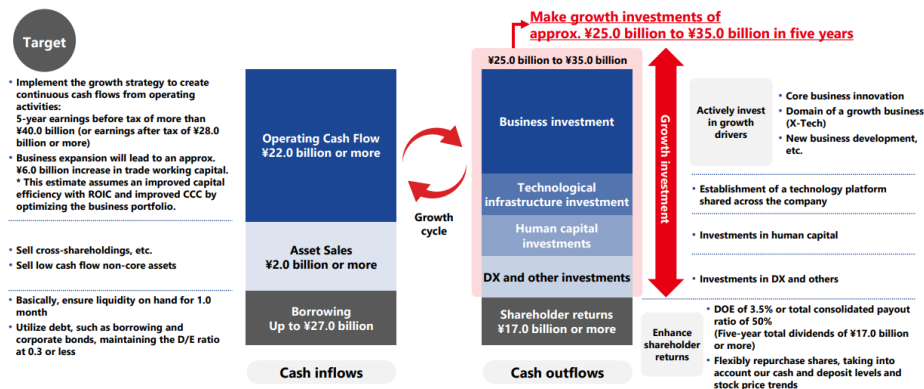
#### 2 Executive team

- Restructure the business portfolio (accelerate profitable businesses, review unprofitable businesses)
- Flexibly review plans and measures
- Human capital development, development of the next generation of management executives, etc.



## Growth Investment to Transform the Business Portfolio

Aligning with the capital allocation policy to realize a growth cycle for medium- to long-term corporate value improvement, we will implement optimal investments in managerial capital, including growth investments.



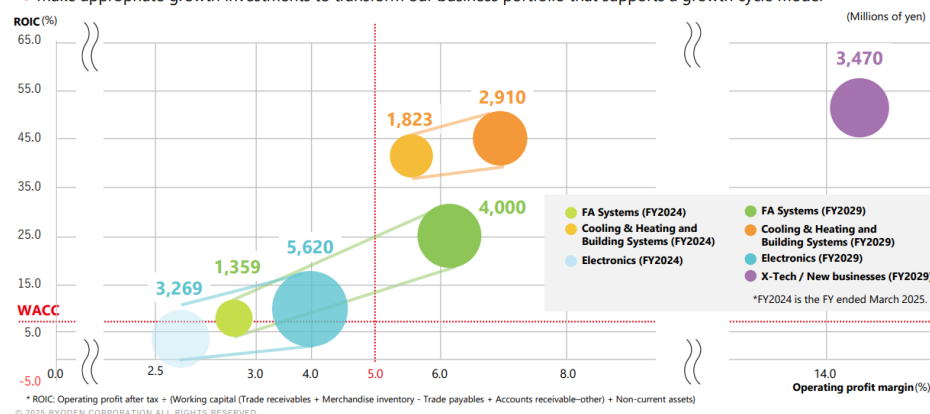
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## Growth Investment to Transform the Business Portfolio

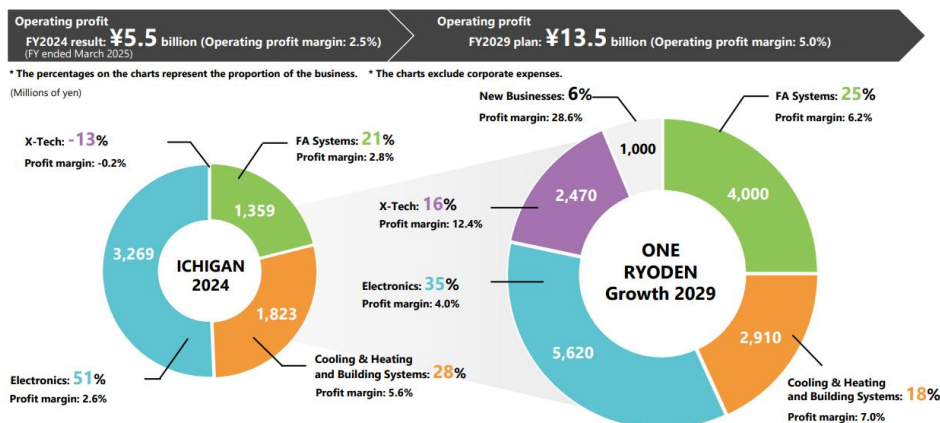
### Investment activities transforming our business portfolio

- Make appropriate growth investments to transform our business portfolio that supports a growth cycle model



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## Planned Transition of the Business Portfolio Composition



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- The new mid-term management plan explicitly states the policy of transforming the business portfolio through proactive investment in growth businesses. It also discloses specific details regarding the medium-to long-term vision for each business and the future structure of the business portfolio. (→Point II.2)

- Breaks down the business portfolio strategy and disclose specific goals and strategies for each segment. (→Point II.2 & Point II.5)

## Segment-specific Strategy—FA Systems

### Existing business

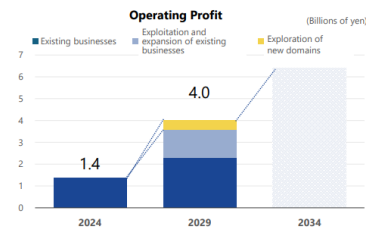
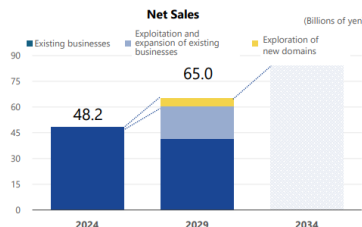
- Maintain the business scale in Japan and other regions based on the solid position as a Mitsubishi FA agent, and enhance earning capacity by redesigning and optimizing our operational framework and by streamlining the supply chain

### Innovation strategy

Exploit and expand existing businesses  
Explore new domains

- Reinforce partner products and improve system engineering capabilities to accelerate the deployment of high-value-added businesses
- Make strategic investments for expanding business domains and user bases domestically and overseas.
- Develop advanced technology and innovate on business models through effective use of data analysis to provide new value

Target



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## Segment-specific Strategy—Electronics

### Existing business

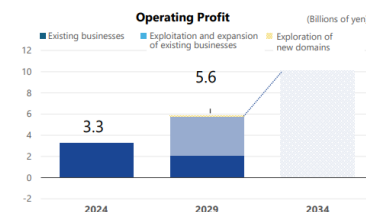
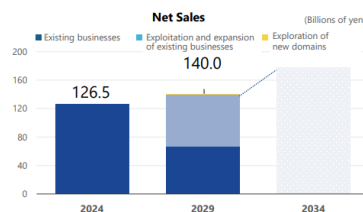
- Utilize the digital information infrastructure and establish a supply chain that supports an agile operating structure to enhance earning capacity
- Expand the business foundation around in-vehicle mobility products

### Innovation strategy

Exploit and expand existing businesses  
Explore new domains

- Develop new products capturing customer needs for exploring new markets (such as amusement and energy-harvesting IoT markets)
- Research markets globally to launch overseas businesses and expand our business domains
- Discover and offer new high-value-added products, such as for power management and energy saving, to contribute to solving customer and social issues
- Make the transition to a solution-oriented business model and develop diverse business models such as intellectual property licensing

Target



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## Segment-specific Strategy—Cooling & Heating and Building Systems

### Existing business

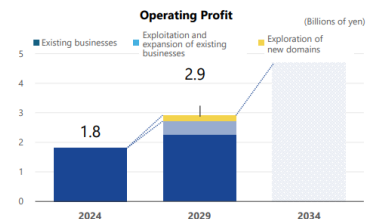
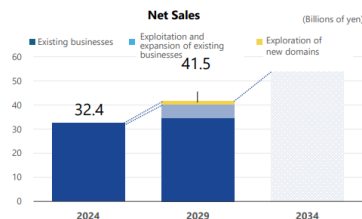
- Cooling & Heating:** Strengthen sales capabilities with the shift to smart systems, increase the sales of area air conditioners in Japan and overseas, and expand the industrial cooling & heating business.
- Building Systems:** Based on the Mitsubishi Electric elevator business, increase the sales of elevators, conveyors, H-ELV, and others to retain and expand the mainstay core business.

### Innovation strategy

Exploit and expand existing businesses  
Explore new domains

- Cooling & Heating:** Take a multi-faceted approach to acquire end-user customers, diversify our product portfolio to help solve issues in the construction market, and promote the sales of recycled refrigerants.
- Building Systems:** Develop business in the net-zero market beyond the building sector, enabling us to contribute to the realization of a decarbonized society through our energy business.

Target



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## Segment-specific Strategy—X-Tech

### X-Tech / New businesses

### Business area

### Innovation strategy (Exploit and expand existing businesses and explore new business)

#### Smart agriculture

- Plant factory-related businesses (including planning, design, sales), factory-grown vegetable production and sales, and businesses related to photosynthetic organism integrated monitoring and control systems that comprehensively manages factories, buildings, and other facilities to optimize environmental and energy efficiency

#### Remces

- Accelerate the creation of solutions based on Remces

#### ICT

- Enhance collaboration with alliance partners to expand business around EMS-related markets and manufacturing/building markets

#### Healthcare

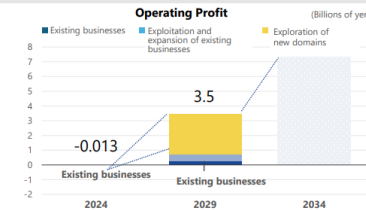
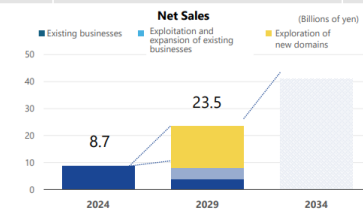
- Transform our business models to solution-oriented ICT business and accelerate the scaling efforts

#### New business

- Promotion of business development through open innovation for creating new business models

- Monetize the business of plant factory-grown vegetables, and build high-yield business models
- Secure market initiative with photosynthesis engineering
- Improve profitability by establishing a proposal-driven business model through the effective use of image data
- Address hospital management challenges through proposals of recurring business models and system solutions, combined with vendor-agnostic procurement capabilities and implementation support
- Enhance our reputation and standing in the industry as a leader in digital transformation
- Enhance our service models to expand the data-driven recurring model
- Build a problem-solving matchmaking model through business model development
- Accelerate the development of new businesses in the decarbonization field

Target



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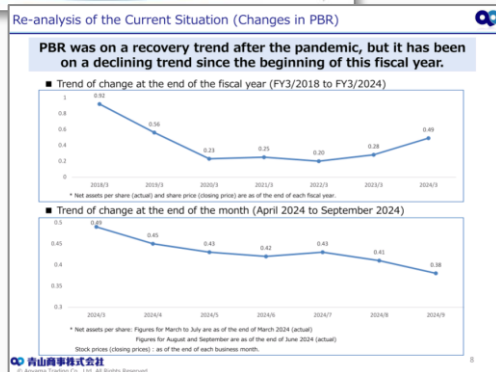
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**Measures to Realize Management Conscious of Cost of Capital and Stock Price**

A part of materials of "FY3/2025 to FY3/2027 Mid-Term Management Plan" released on May 14, 2024

Based on the above, we aim to increase our corporate value through increase in net income and improving asset efficiencies by implementing five "Basic Strategies".

Need to re-analyze the current situation and sort out perceptions



## Summary

## Recognized P/B of 0.4x as a critical level in the board of directors

P / B of 1 x cannot be achieved through only shareholder returns, growth of our business performance is essential. We have determination to advance Business Wear Business's transformation and challenges at an unprecedented speed.

## Following decisions were made for Mid-Term Management Plan

## ■ Growth Strategy

- Aim to grow through Business Wear Business's transformation. Challenge five basic strategies in the Mid-Term Management Plan.
- The progress of the following strategies of Business Wear Business is slow. Maintain and improve profitability of existing stores. Expanding market share through new store openings

## ■ Shareholder Return

- We discussed that a DPS range of 110 yen to 130 yen is necessary to maintain a dividend yield of 3% to 3.5% at a P/B of 1x. (The current share price corresponds to a dividend yield of about 8%)
- Need to improve asset and capital efficiency

- Formulate new growth strategies
- Proceed fundamental organizational reform

- Adopt the higher of the payout ratio 70% or DO
- Flexible share repurchase (Maximum of 10 billion)

## Details on the Board of Directors

Agenda	Discussion at the Board of Directors
Circumstances of P / B around 0.4x	Having strong sense of crisis. We recognize that it would be extremely difficult to achieve a P/B ratio of 1x with conventional extension measures.
How to get valuation of 1x P/B continuously	We can't achieve this by only shareholder returns. We have to make growth in our performance by growth strategies. We determine to advance Business Wear Business's transformation and challenges at an unprecedented speed.
Business Wear Business's transformation and challenges	In addition to implementing the five basic strategies of the Mid-Term Management Plan, a new growth strategy needs to be formulated. We also proceed fundamental organizational reform.
Target level of shareholder returns	Taking into account the domestic interest rate level and the industry's expected growth rate Target: P / B of 1x, dividend yield of 3% to 3.5% Adjustment: A minimum DPS range of 110 to 130 yen is required (Dividend yield of 8% or more at the current share price)
Changes in shareholder return policy	In order to improve capital efficiency, achieve stable dividend increases over the medium to long term, and pursue profit growth, we will adopt the higher of the dividend payout ratio of 70% or DOE of 3.0%. Also we made a policy to repurchase treasury share up to 10 billion yen during the period of the Mid-Term Management Plan.
Improvement of asset and capital efficiency Review of owned assets and effective use of on-hand liquidity	Set appropriate balance sheet targets to improve asset and capital efficiency. Reviewing assets and liabilities of Credit Card Business.
Capital allocation review	Determine whether it is possible to increase shareholder returns. After then, securing cash to maintain growth investment funds.
Communication with investors	Currently, there are no requests from investors for interviews with outside directors, but if there are requests in the future, we will conduct them as much as possible.

- Following the announcement of their medium-term plan, the company reanalyzed their current situation, identified challenges, and formulated additional growth strategies. Concurrently, they disclosed details of the board of directors' discussions regarding measures to enhance corporate value. (→Point I.2 & Point III.4)

## Plan of Appropriate Balance Sheet

We aim to optimize our balance sheet and increase corporate value by enhancing asset and capital efficiency

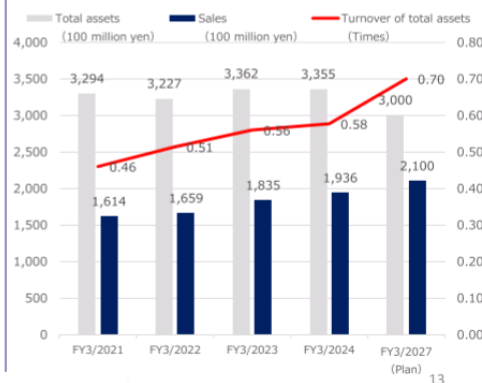
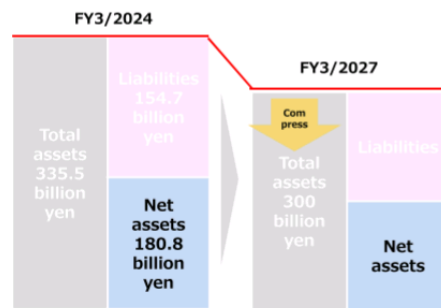
Improve asset and capital efficiency by reviewing assets, reducing inventories, optimizing liquidity, and acquiring treasury share.

Specifically, the current medium-term plan calls for an increase in total asset turnover from 0.58 times (FY3 / 2024) to 0.7 times (FY3 / 2027).

We aim to compress the total assets 335.5 billion yen (FY3/2024) to 300 billion yen (FY3/2027) in addition to improving capital efficiency through purchase of treasury.

## Balance sheet optimization

## Turnover of total assets



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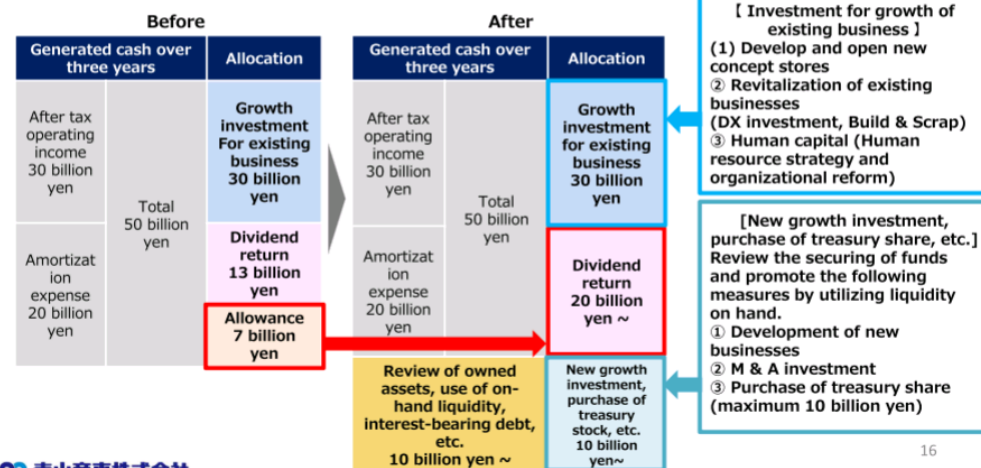
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- The company outlines their target balance sheet structure while presenting a new capital allocation policy focused on expanding growth investments such as new business development and M&A. (→Point II.2)

- The company indicates its ideal balance sheet and has begun work to achieve it through measures such as reviewing held assets, compressing inventory, and optimizing liquidity on hand. (→Point I.3)

## Review of Capital Allocation

We will use allowance 7 billion yen for returning profits to shareholders. With stable return profit to shareholders, we will try to increase corporate value. Still keep 30 billion yen in growth investments in existing businesses will be maintained to maintain and strengthen competitiveness as well as respond to the new lease accounting. For new growth investments, we will conduct new business development, M & A investments, etc., by reviewing its owned assets and utilizing on-hand liquidity, interest-bearing debt, etc. at the same time of repurchasing shares.



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