

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

We hereby announce that, at the meeting of the Board of Directors held on March 25, 2024, we analyzed and evaluated our cost of capital, balance sheet profitability, and market evaluation, and resolved on our policies and initiatives for improvement as follows.

1. Analysis and Assessment of current situation

Fiscal year end (Consolidated)	2018/12	2019/12	2020/12	2021/12	2022/12	2023/12
Sales Amount (million yen)	58,443	62,649	65,190	74,409	83,485	93,057
Operating Income (million yen)	3,046	4,267	5,085	6,991	8,017	10,011
<i>Operating Income Margin</i>	<i>5.2%</i>	<i>6.8%</i>	<i>7.8%</i>	<i>9.4%</i>	<i>9.6%</i>	<i>10.8%</i>
Net Income Attributable to Owners of the Parent (million yen)	1,893	2,808	3,650	4,471	5,874	7,534
<i>Net Income Margin</i>	<i>3.2%</i>	<i>4.5%</i>	<i>5.6%</i>	<i>6.0%</i>	<i>7.0%</i>	<i>8.1%</i>
ROE (%)	7.0	9.6	11.3	12.3	13.1	14.7
Net Assets per share (yen)	1,951	2,170	2,393	2,735	3,361	3,959
Net Income per share (yen)	134	199	258	316	415	542
Dividends per share (yen)	25	35	45	60	100	150
Dividend Payout Ratio	19	18	17	19	24	28
Ending Stock Price (yen)	1,552	2,260	2,381	2,498	3,210	5,260
P/B Ratio	0.8	1.0	1.0	0.9	1.0	1.3
P/E Ratio	11.6	11.4	9.2	7.9	7.7	9.7

We consider the Cost of Equity to be around 7%. (Estimated by the CAPM method with a market risk premium of approximately 6-7%.) In order to implement management that is conscious of capital efficiency, we have set an ROE target of 10% or higher in the Mid-Term Management Plan for 2024.

ROE for the FY2023 was 14.7%, which is above both the Cost of Equity and the ROE target. Our P/B ratio has been around 1 since around the FY 2019 and has been valued at around 1.3 since the middle of the FY 2023.

However, our P/E ratio is lower than the average for TSE Prime Listed Companies, and we judge that shareholders and investors do not fully understand our medium - to long-term growth strategy and capital policy.

2. Policies to Enhance P/B ratio and P/E ratio

While improving profitability through the growth strategy, we aim to improve ROE, shareholder value, and corporate value based on the following policies while balancing growth investment, internal reserves, and shareholder returns based on capital efficiency and financial soundness.

- (1) Implement profit growth by promoting medium - to long-term growth strategies
- (2) Enhance shareholder returns by striking an appropriate balance with growth investment
- (3) Strengthen IR and SR for shareholders, individual investors, and institutional investors

3. Initiatives to Enhance P/B ratio and P/E ratio

We aim to improve P/B ratio and P/E ratio in line with the policies shown in 2. above.

- (1) Implement profit growth by promoting medium - to long-term growth strategies
 - a) We will aim for stable profit growth by promoting the Mid-Term Management Plan for 2024 and achieving our management targets (ROE of 10% or more), as well as promoting our Medium - to Long-Term Vision and achieving our management targets.
 - b) We will invest in human resources, DX promotion, and R&D to expand our business and improve productivity.
 - c) In addition, we plan to formulate and announce the next Mid-Term Management Plan for 2027 after summarizing the Mid-Term Management Plan for 2024 during 2024.
- (2) Enhance shareholder returns by striking an appropriate balance with growth investment
 - a) Our basic policy is to pay stable and continuous dividends while securing the necessary funds for M&A and other activities to strengthen its management foundation and expand its business domains. In addition, we will make distributions of profits in line with consolidated business performance, comprehensively taking into account the business environment and financial conditions.
 - b) Over the medium to long term, we aim to return profits to shareholders with a consolidated dividend payout ratio of around 30% or higher.
- (3) Strengthen IR and SR for shareholders, individual investors, and institutional investors
 - a) Enhanced disclosure of business strategy, financial information, non-financial information, etc.
 - b) Active dialogue to expand the base of individual and institutional investors.