

Action to implement management that is conscious of cost of capital and stock price

Current Situation

Business analysis

- Our trust-based relationships, including our personal relationships with our customers, which we have developed based on our many years of history as a Mitsubishi Heavy Industries sales distributor, are the stable foundation of our competitiveness.
- We have developed a new business related to nuclear power generation, one of our growth pillars, and stabilized the growth trajectory of our energy business.
- The industrial machinery business lacks the necessary management resources to expand into new business fields or differentiate itself from its competitors.
- Our global network lacks an advantage relative to other machinery trading companies' networks for creating new revenue opportunities.

Stock analysis

- Our consolidated profit is trending upward, and we have been making progress in asset replacement. However, this is not reflected in the stock price. The PBR is low (0.75 at the end of September 2023). We need to work on improving the PER.
- In Medium-term Management Plan VIOB2030 Phase 1, the dividend payout ratio target was set at 35%, which falls short of the shareholder return (total payout ratio, dividend payout ratio, etc.) level of the companies listed on the TSE Prime Market.
- As stated in Medium-term Management Plan VIOB2030 Phase 1, the Company aims to maintain a Return on Equity (ROE) of at least 8.0%. However, this falls short of the ROE that institutional investors consider desirable over the medium to long term.
- The number of shareholders is gradually decreasing, and individual shareholders' holdings are becoming more stable. The trading volume is small. In this situation, our initiatives are not well understood.

Policies

- We aim to achieve the consolidated profit target of 4.5 billion yen that we set out in the VIOB 2030 long-term vision, before FY2030.
- We will make business investments using financial leverage to enhance corporate value and increase shareholder return.

Specific actions

- We will revise our ROE target (maintaining an ROE of 8.0% or higher) up to 10.0% and establish an organizational structure that effectively uses the PDCA cycle to achieve the long-term vision's earnings target ahead of schedule.
- We will invest 10.0 billion yen in growth opportunities while maintaining financial soundness, taking advantage of our strong balance sheet.
- We will change our shareholder return target from the dividend payout ratio to the total payout ratio. We will aim to achieve a total payout ratio of 45% to increase shareholder return.
- We will aim to reduce cross-held shares to less than 20% of consolidated net assets by FY2024 as planned. We are considering subsequently reducing them to 10%.
- We plan to introduce a shareholder benefit program to attract new investors and increase stock trading.
- We will promote disclosure, dialogue with investors, and investor relations to have our initiatives understood by more people.
- We will introduce a remuneration system for officers as a sound incentive for the achievement of sustainable growth.

Accelerate Implementation of the Growth Strategy

We will accelerate the implementation of our growth strategy (investment in growth opportunities) to achieve the profit target of 4.5 billion yen set out in the VIORB 2030 long-term vision before FY2030.

Our strengths

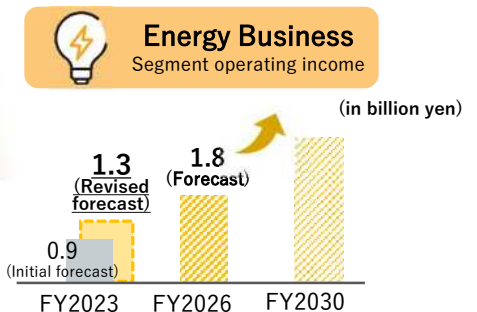
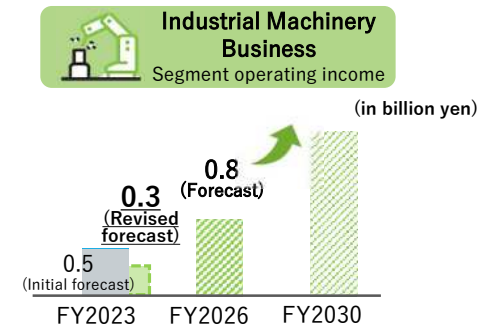
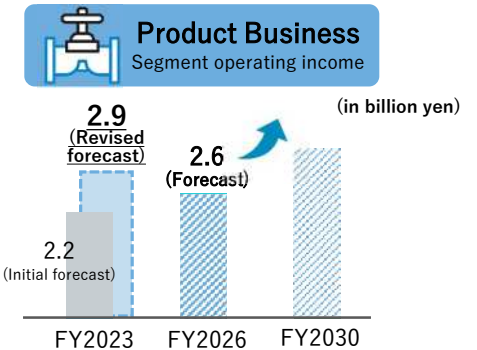
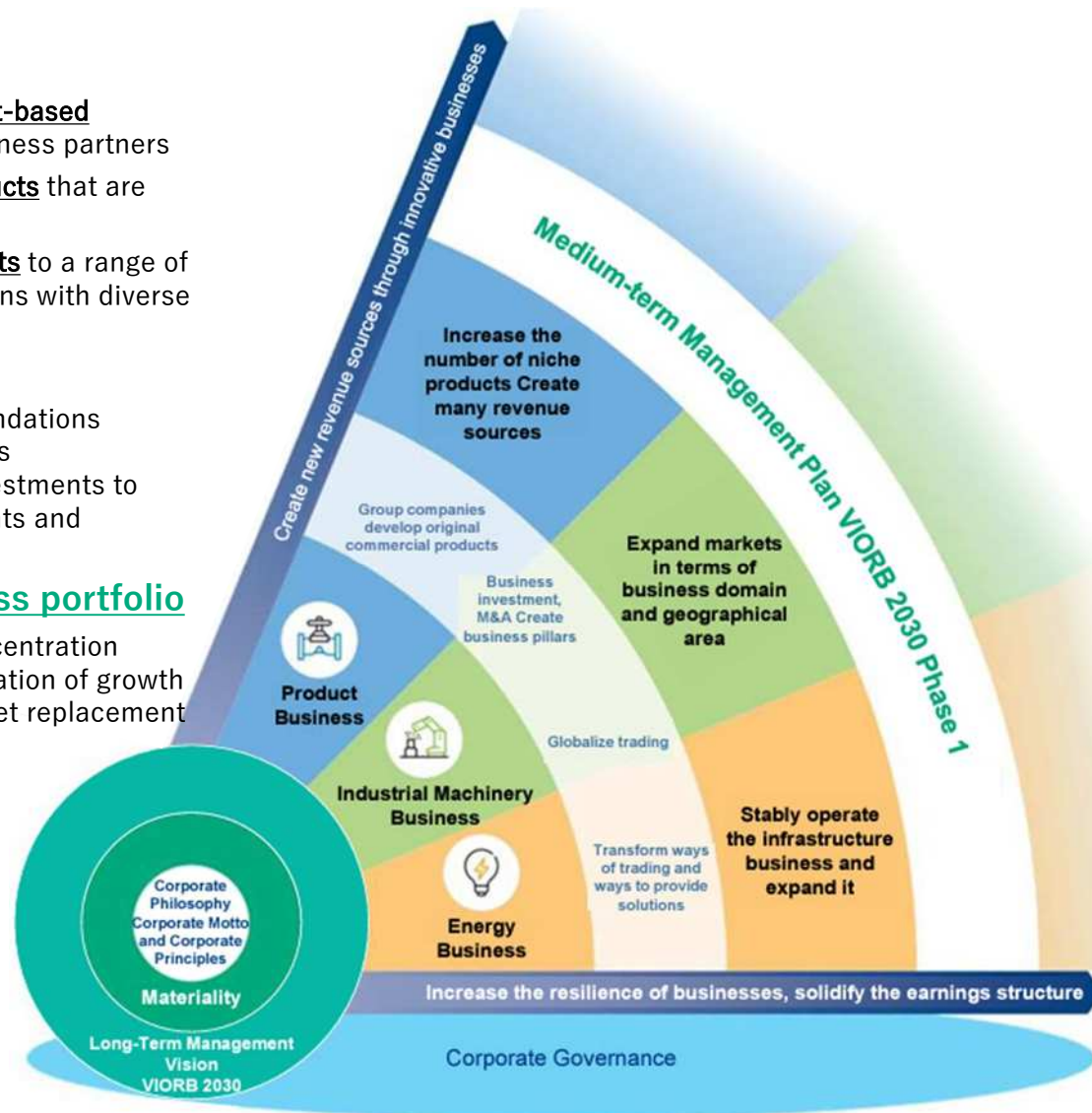
- **Trading based on strong trust-based relationships** with major business partners
- **Development of unique products** that are niche and competitive
- **The ability to propose products** to a range of industries through transactions with diverse manufacturers

Business strategy

- Strengthen the business foundations based on the energy business
- Make strategic business investments to develop new commercial rights and commercial products

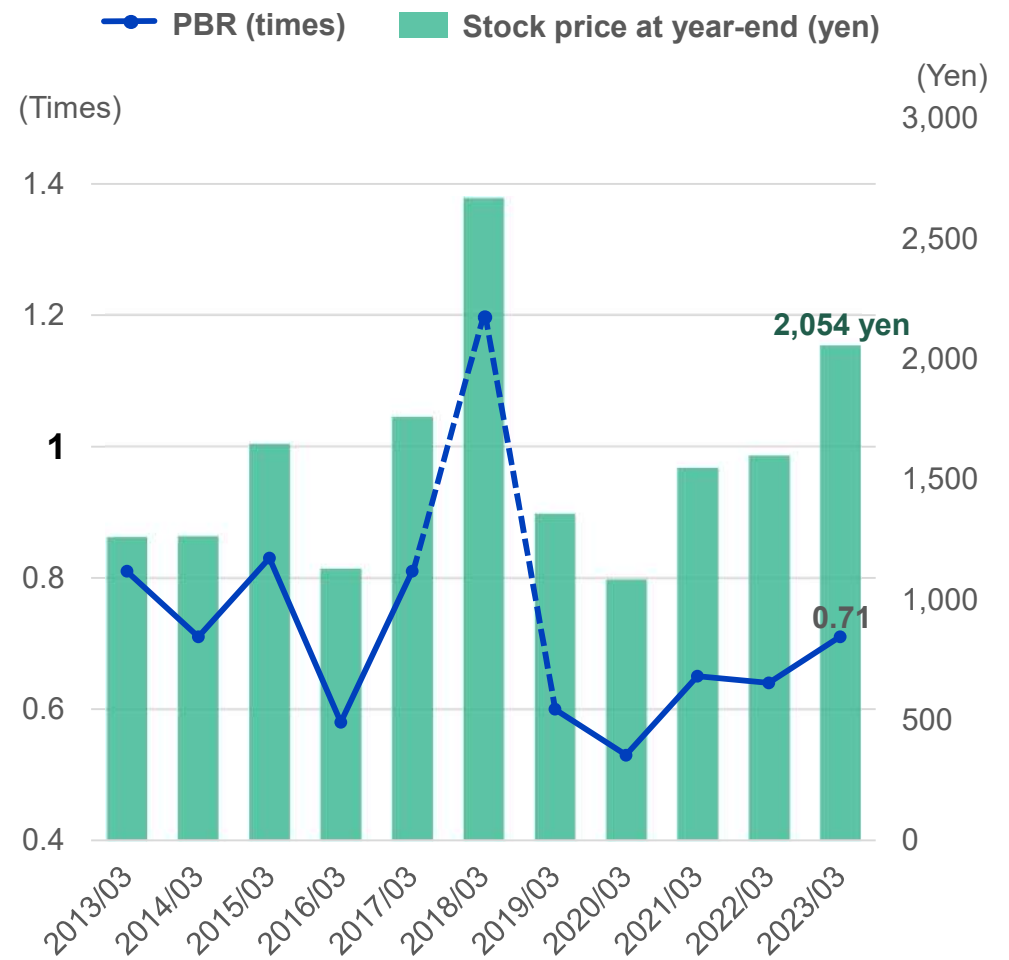
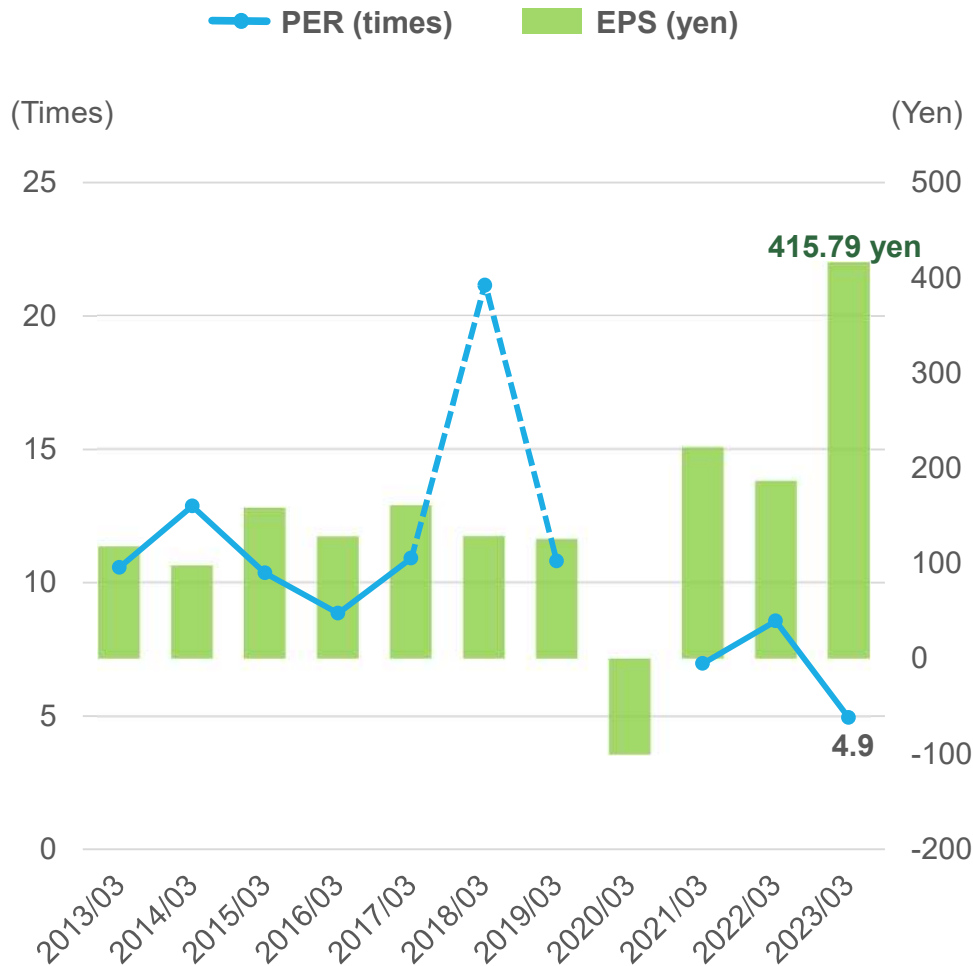
Rebuilding of the business portfolio

- Engage in selection and concentration based on the careful examination of growth potential and implement asset replacement



Trends in PER and PBR

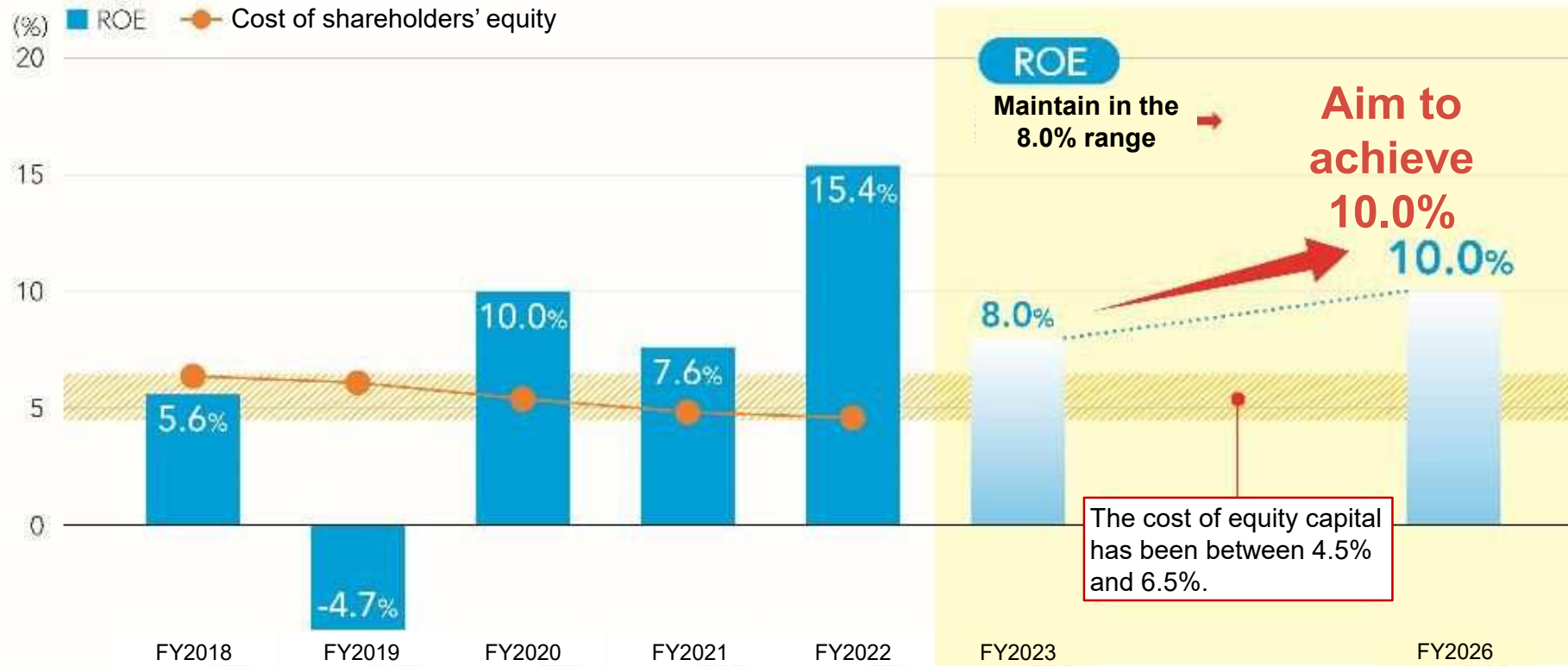
- On the stock market, evaluations of Seika have been low, and the stock price has not been commensurate with its EPS. The PER and PBR have been low.
- The trading volume has been small, and the market has not understood the Company's initiatives well.



(Note) PER: Price Earnings Ratio, EPS: Earnings Per Share, PBR: Price Book-value Ratio

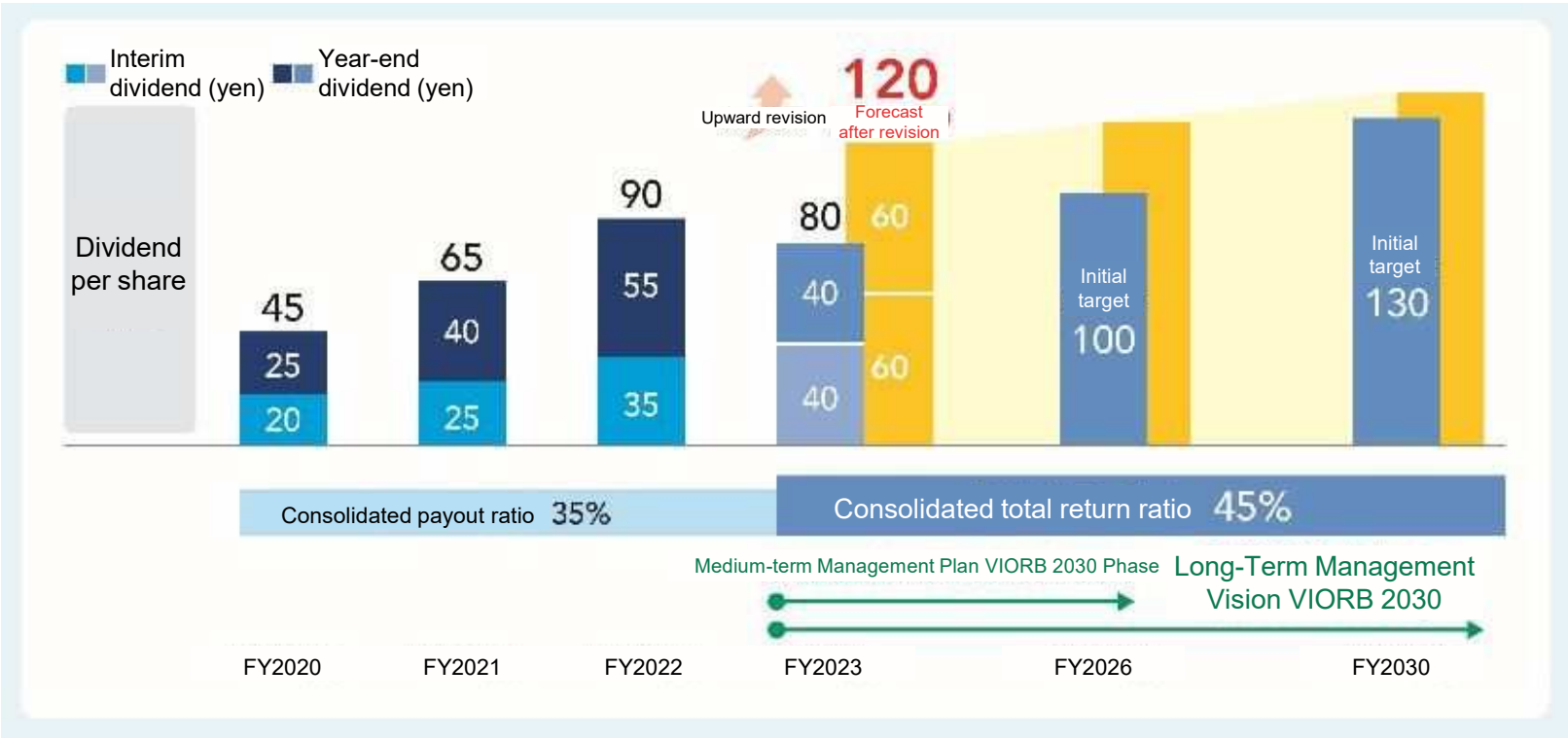
Upward Revision of the ROE Target

We will take a business approach that emphasizes capital efficiency. We will revise the ROE target (currently 8.0% or more) up to 10.0%.



Enhancement of Shareholder Returns and Introduction of a Shareholder Benefit Program

We will change our shareholder return target from the dividend payout ratio to the total payout ratio. We will aim to achieve a total payout ratio of 45% to increase shareholder return.



We will introduce a shareholder benefit program to increase the recognition the Company receives and increase stock trading.

Number of shares held	Benefits
100 to 299 shares	QUO Card worth 1,000 yen
300 to 499 shares	QUO Card worth 2,000 yen
500 shares or more	QUO Card worth 3,000 yen

* The card designs may not be the same.

Promotion of IR Activities

Promote disclosure, dialogue with investors and investor relations

Promote dialogue with shareholders

- Hold hybrid **financial results briefings**
- Hold **online company information sessions for individual investors** regularly

Disclosure

- Publish **Integrated Reports**
- Third-party **enterprise reports will be published regularly.**
- **Update the website** to enhance IR information

Corporate briefings for individual investors



Integrated Report



Enterprise report (shared research)



Website renewal

