

December 14, 2023

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

Daiichi Jitsugyo Co., Ltd., a general machinery trading company, hereby announces that it resolved at a meeting of the board of directors held on December 13, 2023, on policies to implement management that is conscious of cost of capital and stock prices as follows.

Analysis of current situation

Under our V2030 growth strategy, we identify as basic strategies a “management focus on long-term value, in addition to short-term profit” and “contributing to multi-stakeholders.” In our MT2024 medium-term business plan, we set a qualitative target of “strengthening financial strategies” and a quantitative target of a minimum 10% return on equity (ROE).

We distribute final profits to shareholders while contributing to benefits of stakeholders, including business partners, employees, and local communities, in terms of sales, purchasing, selling and administrative expenses, and taxes. We strive to meet the expectations of our investors through sustained corporate growth and enhanced corporate value.

Our ROE and price book-value ratio (PBR) performance over the most recent five years is shown below.

| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|-------------|--------|--------|--------|--------|--------|
| ROE (%) | 10.1 | 10.4 | 9.3 | 9.6 | 10.3 |
| PBR (times) | 0.75 | 0.76 | 0.83 | 0.78 | 0.93 |

While our ROE over the past five years has exceeded the cost of shareholder's equity we estimate, we have not managed to maintain it at 10% consistently. Further, our PBR has remained at below one. Although recently it has been approaching one, we recognize that we must take measures to increase both our earnings and market expectations, to achieve a PBR of at least one on a continual basis.

Improvement efforts

To improve return on investment and market valuation, we will aim to produce results through steady implementation of the V2030 growth strategy and the MT2024 medium-term business plan. Specifically, we will strive to increase our corporate value by focusing on initiatives such as the following:

- (1) Accelerating growth by further enhancing our core business through aggressive business investments of 15 billion yen over five years.
- (2) Investing in human capital such as by position-based training reflecting career design, enhancing engineering capabilities by hiring human resources with advanced qualifications, increasing the percentage of women among core human resources, promoting the employment of non-Japanese human resources and experienced workers, and developing candidates for executive positions.
- (3) Optimizing allocation of management resources to increase corporate value by visualizing our business portfolio through our proprietary assessment methods integrating market value indicators such as orders received and the appeal of business domains, with economic value indicators such as net sales growth rates and return on invested capital (ROIC).
- (4) Enhancing our investor relations activities by publishing integrated reports that cover our value creation and sustainability strategies, holding briefings for institutional investors and individual investors, and proactively engaging in dialogue with investors.

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