



June 24, 2025

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(Code number: 7224; Tokyo Stock Exchange, Prime Market)

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## **Notice Concerning Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Updates)**

ShinMaywa Industries, Ltd. (the "Company") announces in the June 24, 2025 Board of Directors that it has analyzed and assessed current status of, and updated the content in "Notice Concerning Action to Implement Management that is Conscious of Cost of Capital and Stock Price" announced on May 28, 2024.

For details, please refer to the attached material.

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# Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Updates)

June 24, 2025

ShinMaywa Industries, Ltd.

**ShinMaywa**  
VISION WITH INSIGHT

# Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Updates)

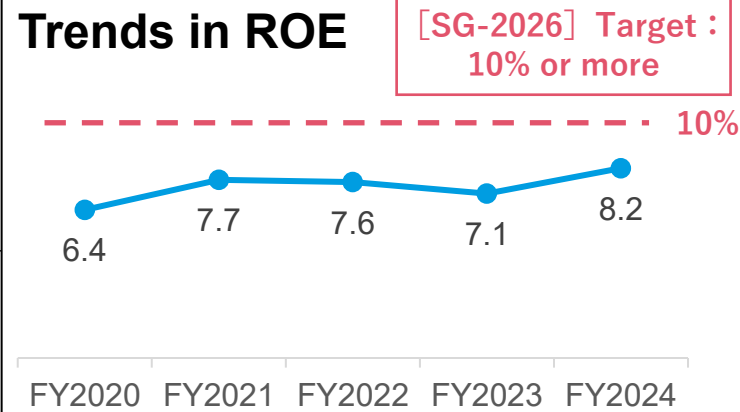
Recognition of current status	<ul style="list-style-type: none"> <li>• The Company's cost of capital and cost of equity are considered to be around 5% and 7%, respectively. The Company determines its cost of capital and cost of equity, which are required externally, by not only performing calculations using generally acceptable calculation methods, but also regularly acquiring these figures from multiple external institutions.</li> <li>• In the fiscal year ended March 2025, ROIC was 6.0% and ROE 8.2%, both exceeding recognized levels in cost of capital and equity.</li> <li>• In order to exceed 1x PBR, the Company needs to improve both ROE and PER.</li> <li>• The issue in ROE is to improve profitability. The issues in PER are to ensure execution and permeation of Medium-term management plan [SG-2026] (the fiscal year ended March 2025 to the fiscal year ending March 2027), and to enhance disclosure of information (time, methods, details).</li> </ul>
Policy	<ul style="list-style-type: none"> <li>• With the aim of realizing the Long-term vision, which expresses the ideal form the Company wants to realize in 2030, and achieving the target set in the Long-term management vision [SG-Vision 2030], divide the Long-term management plan into 3 phases (periods), and advance a Medium-term management plan for each period.</li> <li>• Target levels in [SG-Vision 2030] and targets in [SG-2026], which falls under Phase 2</li> </ul> <p>*[SG-Vision 2030] Net sales: 400 billion yen or more (including overseas net sales of 100 billion yen or more), ROE: 12% or more, ROIC: 10% or more</p> <p>[SG-2026] Net sales: 320 billion yen (including overseas net sales of 80 billion yen), operating profit: 18 billion yen, ROE: 10% or more, ROIC: 7% or more</p>
Major initiatives	<ul style="list-style-type: none"> <li>• Implement business portfolio management. Classify 5 businesses into “business requiring reinforcement of growth potential” and “business requiring reinforcement of profitability” based on ROIC and promote investment strategy in accordance with policy. At the same time, create new businesses through synergies between businesses and value co-creation with external parties.</li> <li>• Proliferate and promote ROIC management. Use ROIC Reverse Tree for expansion of throughput, reduction of operating costs, and significant improvement of productivity, improve ROIC through investment strategy based on business portfolio strategy, and procure funds in consideration of financial soundness.</li> <li>• Aggressively make growth investment (acceleration of business expansion overseas, strategic M&amp;A, development of new businesses) and investment to strengthen competitiveness (strengthening of competitiveness, IT infrastructure investment, strengthening of facility updates).</li> <li>• Adopt DOE for shareholder returns during the period of [SG-2026]. Provide stable and sustainable profit returns by paying dividends with a target DOE of 3%.</li> <li>• Strengthen IR and SR activities and enhance information disclosure. In addition to officers' direct involvement, continue a system of providing management with opinions obtained from dialogue with shareholders and management issues as feedback.</li> </ul>

# Recent Trends in PBR & ROE & PER and Examples of Initiatives

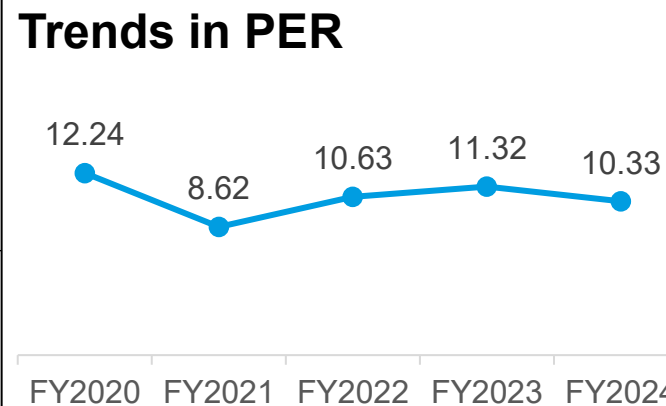
## Trends in PBR



## Trends in ROE



## Trends in PER



### ■ Main initiatives for the fiscal year ended March 2025

- Promote measures to increase earnings (reap the results of price revisions, etc.)
- Increase annual dividend (+¥5 YoY) while maintaining an appropriate level of equity\*, and control ROE denominator

\*

Equity-to-asset ratio	Policy: Over 40%	Results: 42%
Net D/E ratio	Policy: Within 0.5x	Results: 0.20x

### ■ Main initiatives for the fiscal year ended March 2025

- Medium-term management plan [SG-2026] disclosures
- Enhance content of financial results presentation  
⇒ Add the slides on the profit increase/decrease analysis by factor (waterfall chart) and the capital policy to the financial results presentation
- Hold small meetings hosted by securities
- Implement IR briefings focusing on items that have high investor interest ([SG-2026] Special Purpose Truck initiatives to achieve target standards)

## [SG-Vision2030]

We aim to achieve the Long-Term Vision and each management indicator by dividing the 10 years of the Long-term management plan (from FY2021 to FY2030) into three phases and periods and formulating and promoting a medium-term management plan for each period.

## Sustainable Growth with Vision 2030 [SG-Vision2030]

Sustainable growth through value creation

### Phase1 Transformation → Phase2 Expansion → Phase3 Advancement

#### [SG-2023]

##### FY2021 to FY2023

###### FY2023 results

Net sales	: 257.0 billion yen
Overseas sales	: 53.2 billion yen
Operating profit	: 11.7 billion yen
ROE	: 7.1%
ROIC	: 5.3%

#### [SG-2026]

##### FY2024 to FY2026

###### FY2026 Target

Net sales	: 320.0 billion yen
Overseas sales	: 80. billion yen
Operating profit	: 18.0 billion yen
ROE	: 10.0% or more
ROIC	: 7.0% or more

##### FY2027 to FY2030

###### Target standard

Net sales	: 400.0 billion yen or more
Overseas sales	: 100.0 billion yen or more
ROE	: 12% or more
ROIC	: 10% or more

Setting FY2024 to FY2026 as Phase 2 [Expansion] towards the realization of the Long-Term Vision, we will endeavor to work on under the following six basic policies.

## Basic policy

## SG-2026

- 1 Realization of sustained growth**
  - A) Acceleration of overseas expansion: Strengthening of expansion in Southeast Asia, Oceania, and North America
  - B) Strategic M&As: Active utilization of M&As, aiming to expand overseas and create new businesses
  - C) Promotion of DX: Value creation and new business model development by utilizing data
  - D) New business creation: New business creation through generating synergies among businesses and value creation with external parties
- 2 Business portfolio management**
  - A) Classify the five businesses based on ROIC into a growth potential reinforcement business or profitability reinforcement business to manage the business portfolio
  - B) Investments and new business creation based on the portfolio classification to follow the [SG-Vision2030]
- 3 Penetration and promotion of ROIC management**
  - A) ROIC reverse tree implementation: Throughput increases, operating cost decreases, and substantial productivity improvements with all departments and group companies
  - B) Cash allocation: ROIC improvement through the investment strategy based on the business portfolio strategy and fund procurement in light of financial soundness
- 4 Human capital reinforcement**
  - A) Recruitment and development of human resources based on the growth strategies: Digital literacy education, global human resource education, recruitment of highly professional human resources, and strategic human resource portfolio
  - B) Improvement of employee engagement: D&I promotion, career path formulation support for employees, and female leader development
- 5 Contribution to the environment and society through products and services**
  - A) Environment: Deployment of GHG emissions calculation for Scopes 1 and 2 and introduction of Scope 3 to group companies. Consideration of an environmental product certificate system
  - B) Society: Improvement of corporate value through expansion of values provided to stakeholders
- 6 Strengthening of risk management and compliance**
  - A) Risk management: Monitoring of business risks arising from climate change and human rights issues and implementation of CSR, BCM/BCP measures, reinforcement of information security measures, etc.
  - B) Compliance: Compliance education, continuous implementation of the compliance awareness survey, reinforced utilization of internal whistleblower hotlines

# [SG-2026] Key Management Indices

Management indicator	FY2024 (Results)	FY2025 (Plan)	FY2026 [SG-2026] (Target standard)
Net sales	266.4 billion yen	290.0 billion yen	320.0 billion yen
Overseas sales	45.1 billion yen	55.0 billion yen	80.0 billion yen
Operating profit	13.9 billion yen	15.0 billion yen	18.0 billion yen
ROE (%)	8.2%	8.0%	10% or more
ROIC (%)	6.0%	6.5%	7% or more
Exchange rate (USD 1)	152.1 yen	140 yen (set value)	140 yen (set value)

# [SG-2026] Cash Allocation

## [SG-2026] 3-year plan (cumulative)

### Cash IN

Additional fund  
procurement  
10 to 20 billion yen

Acquired  
operating CF  
40 to 50 billion yen

### Cash OUT

Growth  
investment  
20 to 27 billion yen

Competitiveness  
reinforcement  
investment  
20 to 30 billion yen

Shareholder  
returns  
10 to 13 billion yen

## FY2024 results

### Acquired operating CF

Results: 20.4 billion yen (+6.4 billion yen vs. previous year)

Operating cash flow increased due to increased profit and decreased trade receivables (including liquidation of claims, etc.)

### Growth investment

Results: 4.4 billion yen

Progress of M&A projects such as overseas expansions and industry reorganization led to a slight delay to the medium-term growth investment plan, but no changes to the 3-year plan

### Competitiveness reinforcement investment

Results: 9.3 billion yen

Continued capital investments to improve productivity and increase production in the Special Purpose Truck Business. Increased development and capital investments in defense-related business

### Additional fund procurement

Results: 0.1 billion yen

Increase in operating cash flow and delay in growth investments resulted in FY24 additional fund procurement of 0.1 billion yen

### Shareholder returns

Results: 3.2 billion yen

Dividends distribution (DOE of around 3%) to stably and continuously increase dividends

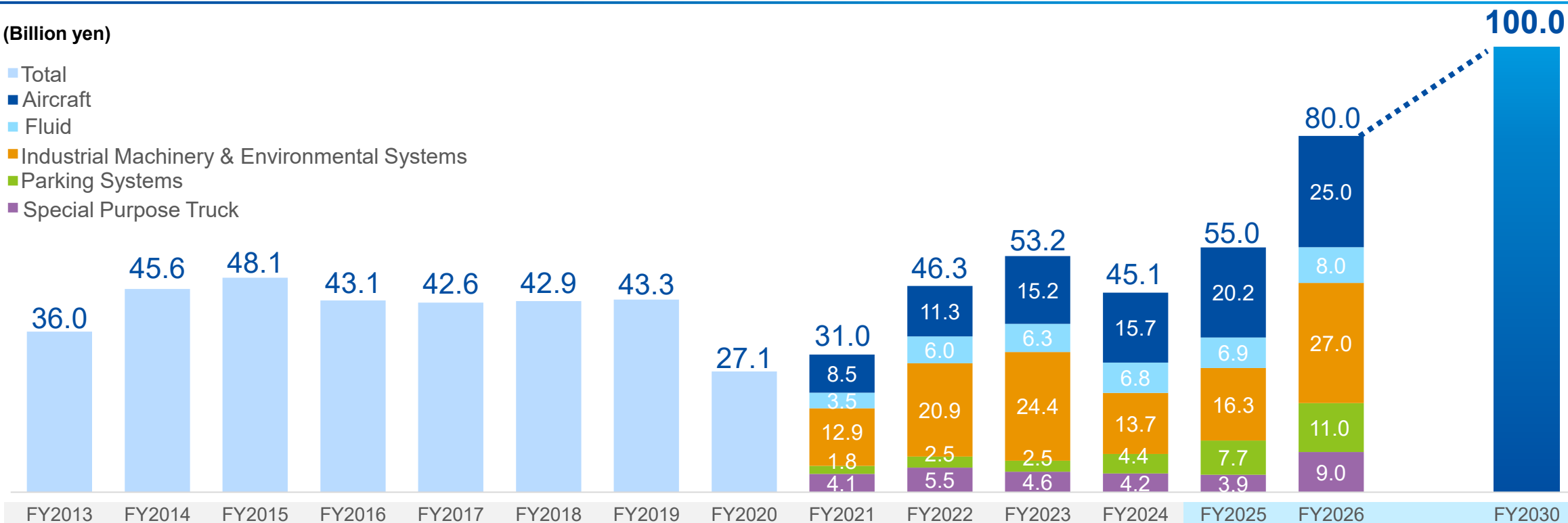


# [SG-2026] Progress of Overseas Expansions

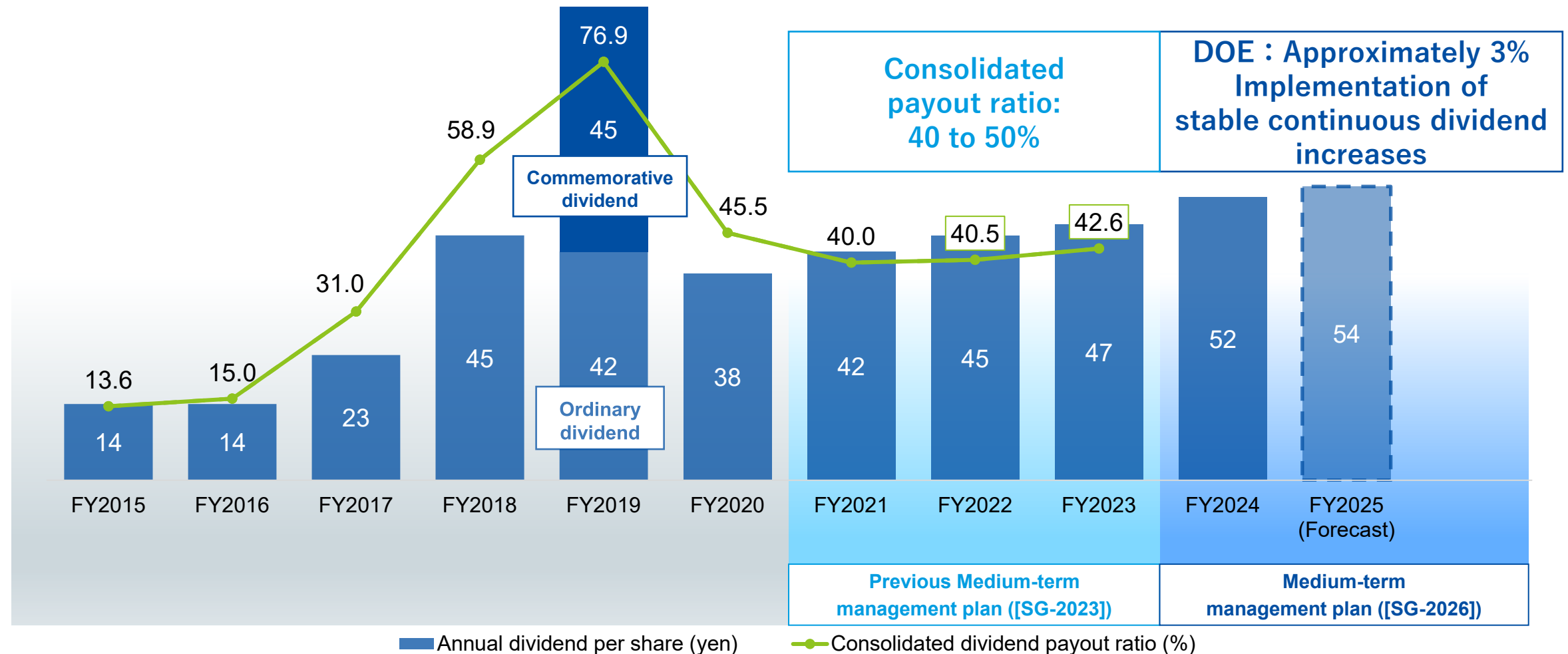
## [SG-2026] Initiatives to achieve the overseas sales target of 80 billion yen

- **(Special Purpose Truck)** Actively promote overseas M&A and alliances, strengthen the production capacity of Thai ShinMaywa, and expand exports of products reflecting local needs.
- **(Parking System)** Parking equipment: Strengthen order competitiveness in Taiwan and Southeast Asia (Thailand and Vietnam) by expanding the product lineup through M&A with Top Quality Machinery Co., Ltd. and collaboration with Korean manufacturers.  
Airport equipment: Expand orders by strengthening sales collaboration with agents in Southeast Asian countries, India, Taiwan, and others, as well as promoting local production.
- **(Industrial Machinery & Environmental Systems)** Wire processing systems: Develop automated processing equipment for special wires with increasing demand due to the advancement of CASE, expand market share in Southeast Asia, North America, and China, and develop new markets such as India and Europe.
- **(Fluid)** Expand the lineup of submersible pumps at Thai ShinMaywa and strengthen cost competitiveness to increase orders in the Southeast Asian region.  
Enhance the competitiveness of turbo blower products to expand market share in China and strengthen sales in the Indian market.
- **(Aircraft)** Respond to increased production of major Boeing product components and secure new orders from Airbus and other aircraft manufacturers.

(Billion yen)



# Dividend per Share and Consolidated Dividend Payout Ratio



# Reference (1) Basic policy for IR and SR activities

## Basic Policy

Cycle through "Information disclosure ⇒ Dialogue with investors ⇒ Incorporate into management" to improve corporate value

### Enhance information disclosure

- Incorporate opinions and management issues obtained from dialogue with investors into various disclosure materials and enhance content
- Disclose financial results and financial results presentations (Japanese and English) at the same time
- Sign contract with a research company and update corporate analysis reports (Japanese and English) every quarter



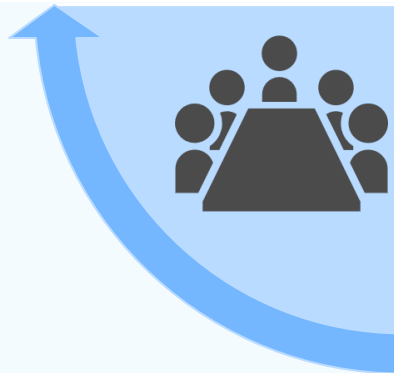
### Hold financial results briefings

- Explanation by President and CEO
- Upload financial results presentation (Japanese and English), video of the briefing, and question and answers to the website
- Using partner channels, upload presentation scripts (Japanese and English) in a timely manner



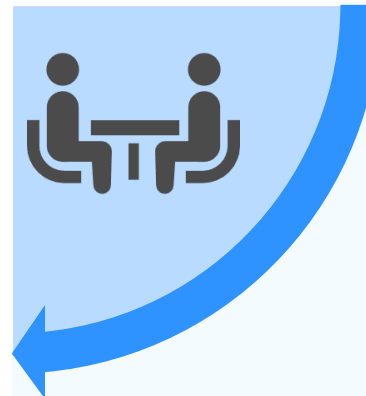
### Incorporate into management

- Every quarter, provide feedback to the Board of Directors concerning interests, opinions and management issues obtained from dialogue
- Incorporate recognized management issues into management measures as needed



### Dialogue with investors (IR and SR)

- Place importance on individual meetings. Take action for all investor requests if there are any (requests: 90, actions taken: 90)
- Actions mainly taken by President and CEO and Director, Member of the Board/ Managing Executive Officer
- Collect investor interests, opinions, and management issues



## Reference (2) Dialogue with Investors and Personnel in Charge of Exercising Voting Rights Conducted in the Fiscal Year Ended March 2025

- Conducted a total of 119 individual dialogues with shareholders, investors, etc., outside of two financial results briefings and one small meeting, in the fiscal year ended March 2025.
- Summarize such as opinions and management issues obtained from dialogue with institutional investors every quarter and continue to provide feedback to the Board of Directors.

### (1) IR such as financial results briefings

		Main correspondents of our company
May & November	Video of financial results briefing	President and CEO
June	Small meeting	Director, Member of the Board/ Managing Executive Officer, IR Department

### (2) IR meeting with institutional investors

	Number of times implemented	Main correspondents of our company
Overseas investor	13	Director, Member of the Board/ Managing Executive Officer, IR Department
Domestic investors	82	President and CEO, Director, Member of the Board/ Managing Executive Officer, IR Department
securities company	14	Director, Member of the Board/ Managing Executive Officer, IR Department

### (3) SR meeting with voting rights exercisers

	Number of times implemented	Main correspondents of our company
Overseas investor	1	Director, Member of the Board/ Deputy Chief Executive Officer, Director, Member of the Board/ Managing Executive Officer, IR Department
Domestic investors	9	Director, Member of the Board/ Deputy Chief Executive Officer, Director, Member of the Board/ Managing Executive Officer, IR Department

# Reference (3) Major Opinions Obtained from Dialogue with Shareholders in the Fiscal Year Ended March 2025

## IR

- Your company's PBR is currently below 1x.  $PBR = PER \times ROE$ , and as the PER of all transportation equipment manufacturers tends to be low, we think that to raise PBR, you should either  
(1) demonstrate growth in other fields, such as the fluid business, rather than as a transportation equipment manufacturer in order to raise PER, or  
(2) achieve ROE of 10% or more.  
Market commitment for ROE target standards is important especially for (2).
- Disclosure details have been greatly enhanced. The slide on the profit increase/decrease analysis disclosed in Q1 really helped me understand as an investor. I also appreciate the disclosure of opinions from dialogue with shareholders through IR and SR activities for "Notice Concerning Action to Implement Management that is Conscious of Cost of Capital and Stock Price."
- Share buybacks reduce liquidity. Improving ROE through share buybacks is an option for companies that are not in a growth phase, but growth companies are better off paying a stable dividend while improving performance instead of making a one-off share buyback. For this reason I applaud your DOE.
- ROE must exceed 8% for PBR to exceed 1x. Rather than technical improvements on the denominator side, I would like to see increased profitability on the numerator side.
- When ROIC management is introduced, what matters is price, not quantity. This is not the time for manufacturers to bear the burden of higher labor and other costs (such as manufacturers making efforts to maintain prices). The current profit margin for the Special Purpose Truck business is not sufficient. The Company needs to focus on increasing the sales price to improve ROIC.
- Aircraft is the business ShinMaywa originally engaged in. I think it is nonsense to withdraw from it just because the ROIC is low.
- Defense-related products should be clearly stated in disclosure materials when the time is right to make them public. Times have changed and the stock market values them now.
- It is also important to control the denominator when thinking about ROE. ShinMaywa's ROE is 7-8%, which is not bad for the transportation equipment sector as a whole, but in order to show the stock market that the Company will further improve its ROE, it is important to clarify your policy on the denominator and communicate it as a message. There is even a major transportation equipment manufacturer that has clearly stated a policy of an equity-to-asset ratio of 40%. The stock market will respond if you hint to the market about your approach to capital allocation.

## SR

- Governance is mentioned in the value creation process of the long-term management plan [SG-Vision2030]. I would like you to create a system that prevents any problems from occurring.
- Concerning the timings of items in TCFD scenario analysis, I understood that most were medium to long term, but I did not see anything about the size of impact when reading the Integrated Report. In the future, I would like to see the disclosure of items that will have a large impact.
- Your internal report system did not receive a message from the Fair Trade Commission. Please establish and use an open internal message system.
- Although cross-shareholdings are not a criterion for exercising voting rights, they have increased slightly compared to last fiscal year. I would like the ShinMaywa to at least have a stance of reducing them in order to show your intention to improve. This kind of stance is necessary to ultimately improve corporate value.
- A skills matrix is a tool to communicate with investors and helps to improve trust. It does not mention skills based on people. After identifying the skill items necessary for ShinMaywa's management and business strategies, please clarify the definition of skills, the reason for setting skill items, and the criteria for meeting them.
- A target in the final year of the mid-term plan for the Special Purpose Truck segment is a profit margin of 5.5%, which is lower than past standards (before COVID-19). Percentage is more important than amount when it comes to improving corporate value. Looking from the outside, the external environment is not bad and future performance is supposed to be promising, but the Company has not told the stock market this. ShinMaywa needs to raise numerical expectations in order to increase PBR to more than 1x, so I would like the Company to make disclosures that allows others to have these expectations.
- Your disclosures on human capital management are adequate. The future issue is to enhance disclosures regarding respect for human rights. I would like to see enhanced disclosures for human rights due diligence and so on.
- Human resource strategies and management strategies are not linked together well in disclosures. Human resources strategies are supposed to be linked to long to medium-term management strategies and business. For example: "Management strategy: Overseas development → disclosure: How the Company is working to secure global human resources" or "Management strategy: DX promotion → disclosure: How the Company is working to secure and train DX human resources" Please disclose the human resource strategy in a way so investors can see that it is linked to the management strategy.

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