



May 14, 2026

Company name: Kyokuto Boeki Kaisha, Ltd.
Representative: Shinji Sakuma, Representative Director
President and Chief Executive Officer
(Code number: 8093; TSE Prime)
Inquiries: Yasuhiro Sonoda, General Manager,
Corporate Planning Dept.
(Telephone: +81-3-3244-3516)

Notice Concerning Action to Implement Management That is Conscious of Cost of Capital and Stock Price

We hereby announce that at a meeting of its Board of Directors held on May 14, 2026, the Company analyzed and evaluated its current situation and resolved its policy for future action to implement management that is conscious of the cost of capital and stock price.

For details, please refer to the attached document, "Action to Implement Management that is Conscious of Cost of Capital and Stock Price."



Kyokuto Boeki Kaisha, Ltd.

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

May 14, 2026 Kyokuto Boeki Kaisha, Ltd.

Understanding the Cost of Capital

We recognize our cost of equity to be approximately 7% and our WACC to be approximately 6%.

■ Cost of Equity: Approx. 7%

- Estimated based on the Capital Asset Pricing Model (CAPM) using the calculation below

<div style="border: 1px solid #add8e6; border-radius: 10px; padding: 10px; width: fit-content; margin: 0 auto;"> Cost of Equity 7.0% </div>	≈	<div style="border: 1px solid #add8e6; border-radius: 10px; padding: 10px; width: fit-content; margin: 0 auto;"> Risk-Free Rate 2.429% </div>	+	<div style="border: 1px solid #add8e6; border-radius: 10px; padding: 10px; width: fit-content; margin: 0 auto;"> Beta (β) 0.759 </div>	×	<div style="border: 1px solid #add8e6; border-radius: 10px; padding: 10px; width: fit-content; margin: 0 auto;"> Market Risk Premium 6.0% </div>
		<p>Yield on newly issued 10-year Japanese government bonds as of March 31, 2026</p>		<p>Calculated from the weekly returns of the Company's stock and TOPIX over the past 5 years</p>		<p>Set with reference to survey results from the Japan Investor Relations Association, taking into account our company's business characteristics</p>

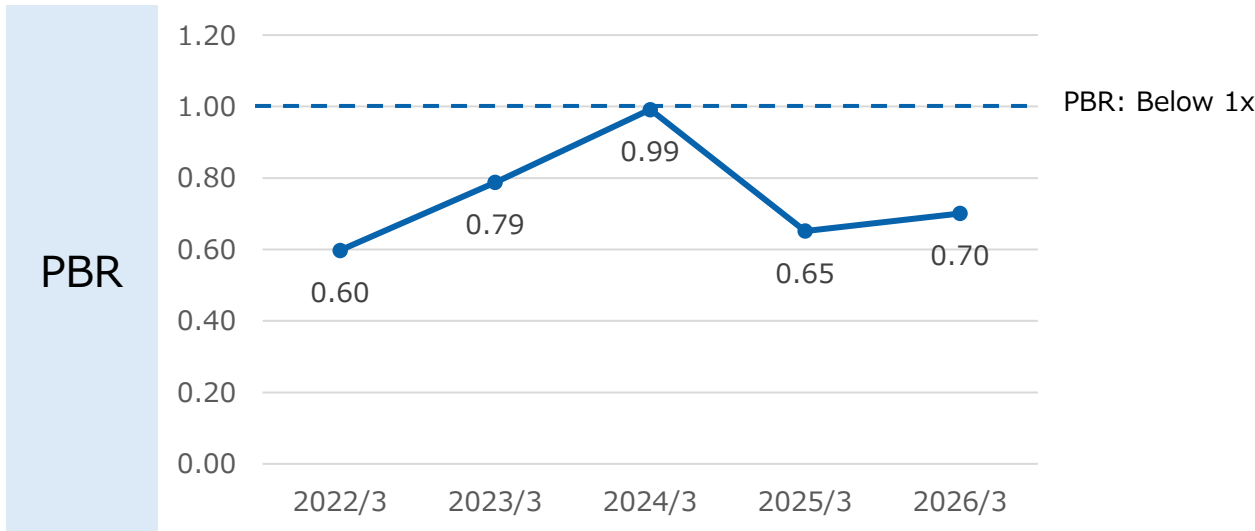
■ WACC (Weighted Average Cost of Capital): Approx. 6%

■ Investors' Expected Rate of Return: 8% or higher

- Based on our dialogue with investors through IR meetings and the cost of equity calculated on an "earnings yield basis," we understand that investors' expected rate of return is 8% or higher.

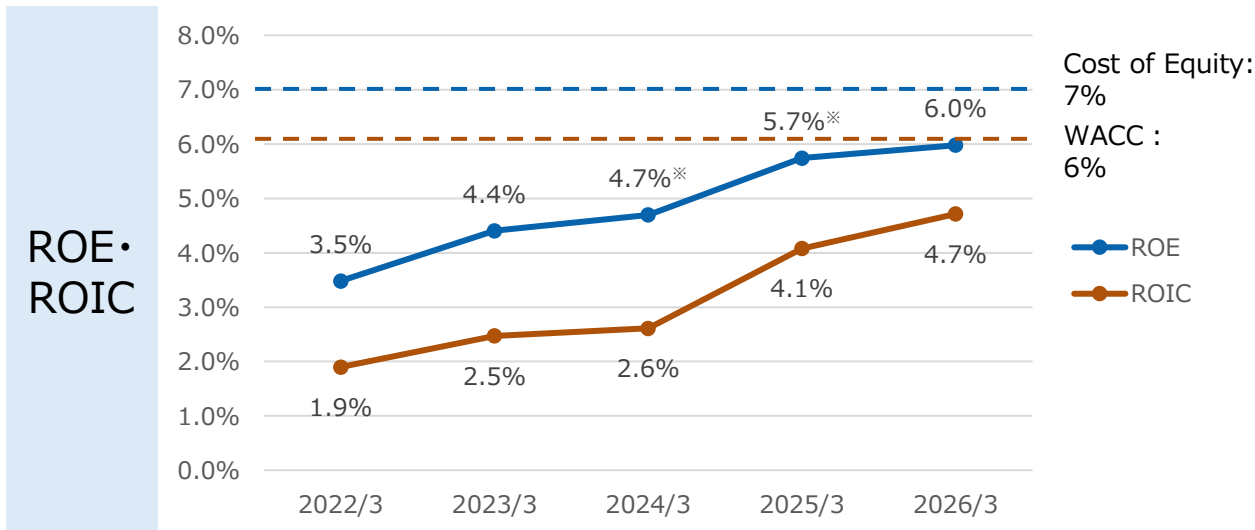
※ Note: Financial figures and stock prices used for calculating these indicators are as of March 31, 2026.

Analysis & Evaluation of Capital Efficiency: PBR, ROE, & ROIC



[PBR]

- Our Price-to-Book Ratio (PBR) has persistently remained below 1x.
- We interpret this as an indication that the market has not given sufficient recognition to our company's future growth potential and earnings sustainability.
- We recognize the need for proactive actions, starting with the improvement of ROE, to achieve a PBR of 1x within the new Medium-Term Management Plan period.



[ROE]

- We recognize our current ROE to be 6.0%.
- Although we achieved the 5.4% ROE target set in our previous Medium-Term Management Plan, this figure remains below our estimated cost of equity of 7%.
- We understand that we are not generating the returns expected by our shareholders and that it is essential to achieve an ROE that surpasses our cost of equity.

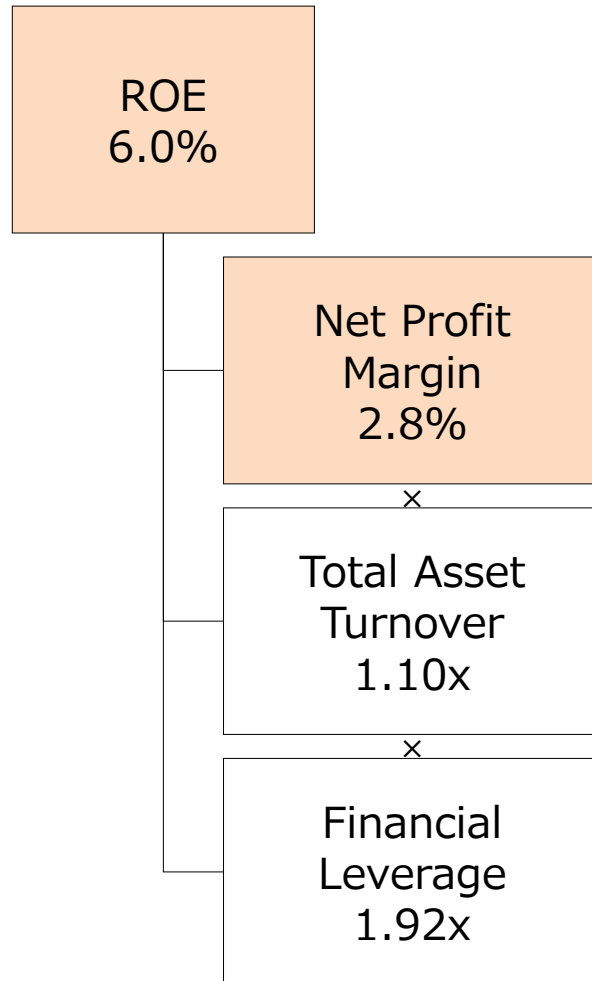
[ROIC]

- While our Return on Invested Capital (ROIC) shows an improving trend, it still falls short of our WACC of approximately 6%.
- To achieve a positive "ROIC spread" (where ROIC exceeds WACC), we recognize the need for measures that both increase our net operating profit after tax and reduce our invested capital.

※ The ROE figure including the gain from negative goodwill is 13.5%.

Analysis & Evaluation of Capital Efficiency: ROE Decomposition Kyokuto Boeki Kaisha, Ltd.

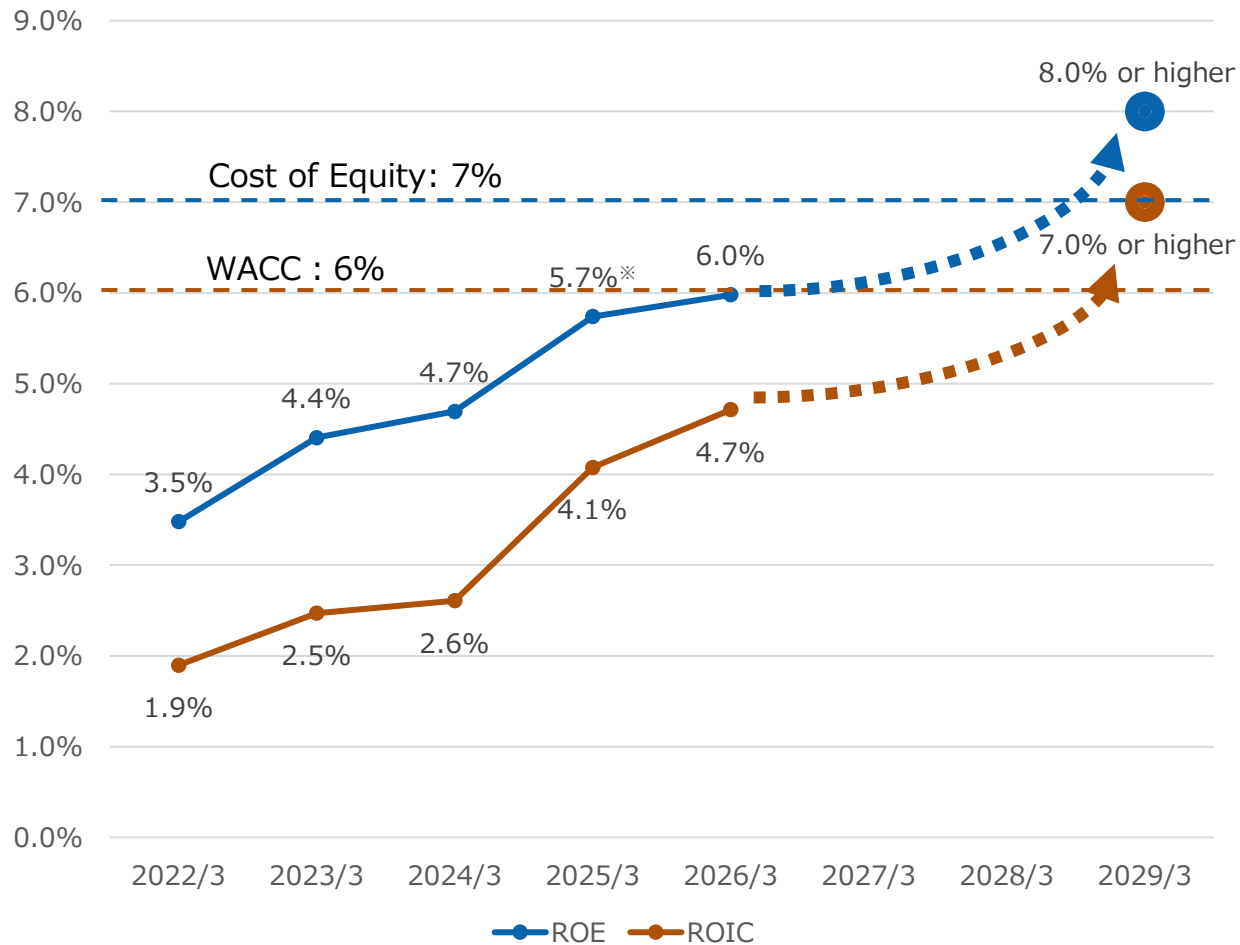
Our capital efficiency (ROE: 6.0%) is below our cost of equity of approximately 7% and requires improvement.



- This is below our recognized cost of equity of approximately 7%.
 - It indicates that we are not efficiently utilizing the capital entrusted to us by shareholders to generate the expected returns. We recognize that improving capital efficiency is an urgent task.
- After a slump due to the COVID-19 pandemic, the margin is on an improving trend, driven by the recovery of orders in core businesses and new products.
 - However, it remains at a low level compared to industry peers, and improving profitability is our biggest challenge.
- Asset efficiency is on an improving trend, supported by CCC (Cash Conversion Cycle) management through the introduction of ROIC-focused management and enhanced shareholder returns, such as share buybacks.
 - The utilization of our portfolio of listed stocks held for pure investment purposes also remains a challenge.
- We maintain a policy of a sound and safe financial position, and our financial leverage has been stable, ranging from approximately 1.9x to 2.0x.

Setting Targets Based on Shareholder and Investor Expectations

Aim for ROE of 8% or higher and ROIC of 7% or higher by the end of the fiscal year ending March 2029.



* The ROE figure including the gain from negative goodwill is 13.5%.

■ ROE Target: 8% or higher

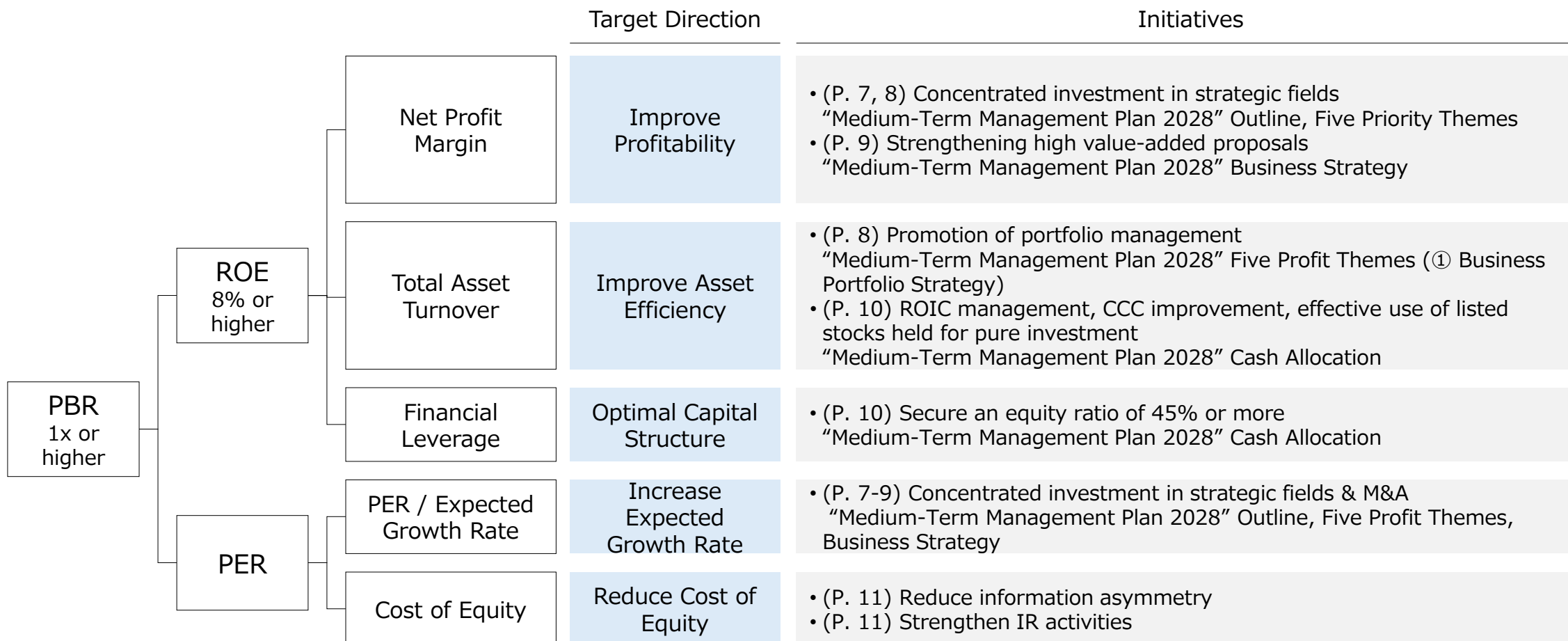
- This target is set with the goal of not only reliably exceeding our estimated cost of equity of approximately 7% but also reaching the 8% or higher return level that we understand investors expect from our company.

■ ROIC Target: 7% or higher

- This target was established by creating a projected balance sheet (B/S) for three years into the future. It is set at a level where our ROIC will exceed our WACC (approx. 6%), thereby achieving a positive ROIC spread.

Initiatives Linked to Our Mid- to Long-Term Vision

Key Measures in the "Medium-Term Management Plan 2028" to Achieve Our Vision



Initiatives Linked to Our Mid- to Long-Term Vision: Outline of the Medium-Term Management Plan

Advancing our business model and transforming our profit structure

Name & Period	"MTMP 2028" Beyond NEXUS (3 years from FY2026 to 2028)		
Policy	Promote concentrated investment in the Priority Business Domains (Disaster Prevention, Defense & Security, Energy, Transportation Systems, Semiconductors) and group-wide collaboration		
Management Strategic Themes	<ol style="list-style-type: none"> 1 A balanced business portfolio strategy for profitability and growth 2 M&A strategy for non-continuous growth 3 Regional & Alliance Strategy to strengthen global competitiveness. 4 Talent & Organizational Strategy to enhance vitality and competitiveness 5 DX Strategy to realize data-driven management. 		
Quantitative Targets	Item	FY2025 Result	FY2028 Target
	Operating Profit	2.6Billion JPY	3.5Billion JPY
	ROE	6.0%	8% or more
	ROIC	4.7%	7% or more
	M&A etc. Investment	6.5Billion JPY (5 years) M&A:5.0Billion JPY	5.0Billion JPY or more
	Division Policy	74JPY per share	Progressive Dividend

Initiatives Linked to Our Mid- to Long-Term Vision: Five Strategic Themes

Five Strategic themes to support growth, centered on concentrated investment in Priority Business Domains and strengthening the management foundation

Growth Strategy (Where to Invest and How to Grow)

1 Business Portfolio Strategy

- Re-evaluate businesses based on profitability and growth
- Concentrate management resources in Priority Business Domains

2 M&A Strategy

- Promote complementary and expansionary M&A in Priority Business Domains
- Strengthen integration capabilities by standardizing PMI processes

3 Regional & Alliance Strategy

- Concentrate resources in Southeast Asia, India, and The Americas
- Strengthen governance and promote localization



Foundation Strategy (What to Prepare and How to Support Growth)

4 Talent & Organizational Strategy

- Strengthen group-wide human resources and develop management talent
- Increase motivation for growth through evaluation system reform

5 DX Strategy

- Promote data-driven management
- Improve productivity through operational efficiency

Initiatives Linked to Our Mid- to Long-Term Vision: Business Strategy

Defining Key Areas and Concentrating Investment Based on Profitability and Growth

Industrial Equipment Division

Accelerate Growth in the Disaster Prevention Business

Strengthen seismometer production/sales to capture renewal and maintenance demand in the volcano, weather, nuclear, and railway sectors

Enhance Profitability of the Aerospace and Defense Business

Use high-margin products as growth drivers to advance the product portfolio and create synergies

Create Added Value in LNG Thermal Power-Related Fields

Drive high-value lifecycle proposals by packaging repair and refurbishment products with remote monitoring

Industrial Materials Division

Evolution into a Solutions Business

Provide optimal, value-added solutions for customers by offering integrated proposals for carbon fiber composites, covering materials, design, processing, and equipment

Establishing a Competitive Advantage in the Transportation Equipment Market

Strengthen supply chain management capabilities by deepening our Regional & Alliance Strategy in Asia and the Americas

Building a Revenue Base in the Semiconductor-Related Market

Expand our product lineup in the promising semiconductor market to build a stable and sustainable revenue base.

Machine Parts Division

Transition to a High-Value-Added Business

Improve profitability and escape price competition by enhancing proposal capabilities through high-value unit and modularization strategies

Improving Profitability by Restructuring Overseas Base Strategy

Drive a shift to a high-profit structure by expanding our network in key regions while consolidating and optimizing low-profit bases

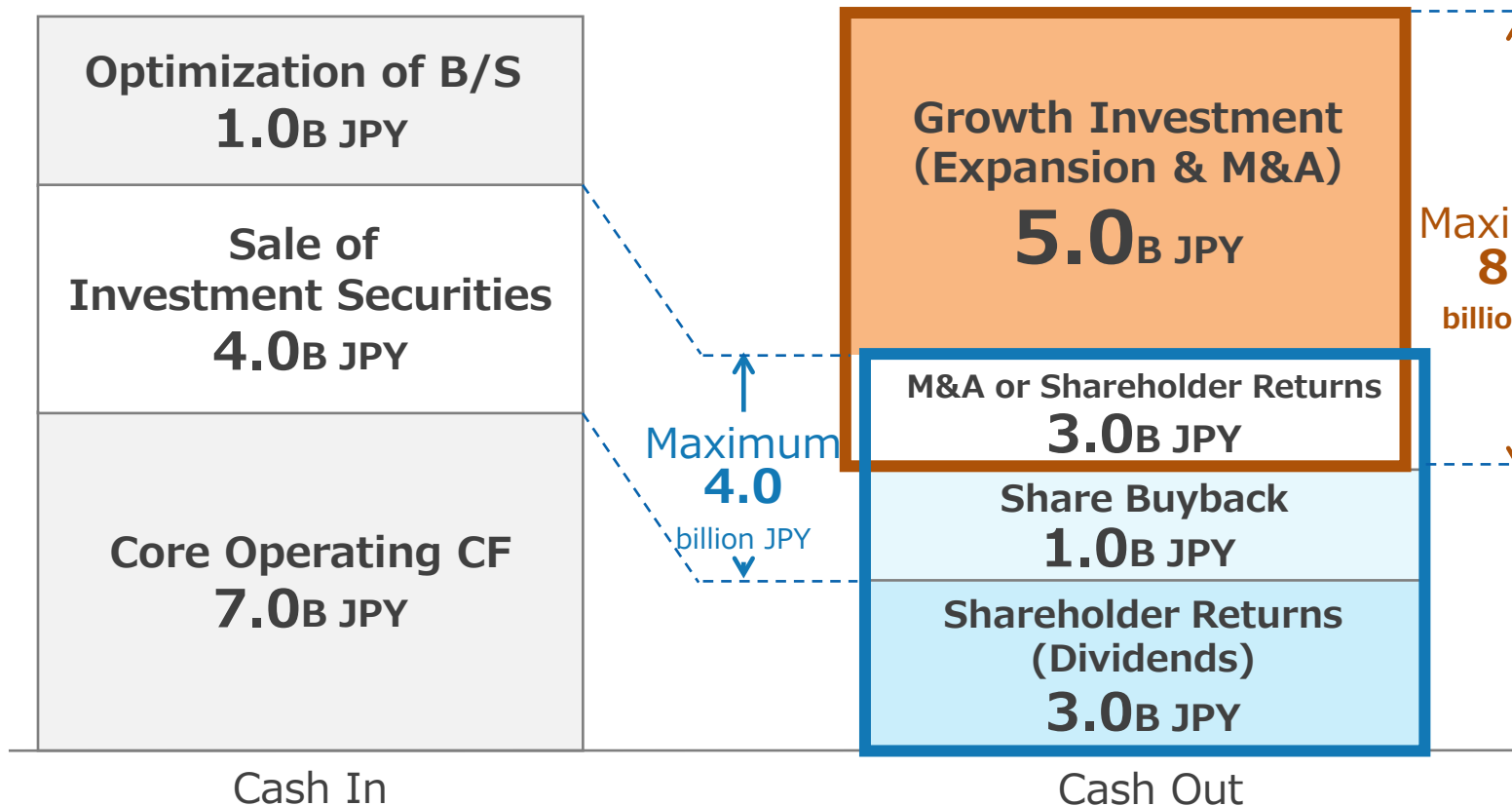
Strengthening Supply Chain Responsiveness

Improve supply capability and reliability to meet high-precision, short-delivery needs by enhancing productivity and strengthening quality assurance systems

Achieving an optimal balance with shareholder returns while prioritizing allocation to growth investments.

3-Year Cumulative

(FY2026~FY2028)



Growth Investment
M&A, capital expenditure, R&D, human capital investment, etc. Plan for 5.0–8.0 billion JPY.


Shareholder Returns
Progressive dividend starting from 74 JPY per share. Targeting a dividend payout ratio of 50%.*
A total of 4.0–7.0 billion JPY will be returned through dividends and share buybacks.

Equity Ratio
45% or higher.

* Calculated based on adjusted profit, excluding one-time gains/losses such as gain on sale of investment securities and gain from negative goodwill.

Strengthening IR Activities

Aiming to reduce the cost of equity by resolving information asymmetry

Initiative	Key Points
Conducting Financial Results Briefings for Institutional Investors	<p>We will promote a deeper understanding of our business activities and growth strategy by enriching our explanations with extensive use of charts and graphs, and by providing video content. We will provide in-depth explanations on a wide range of themes, including business strategy, financial strategy, growth drivers (e.g., decarbonization, offshore wind, DX), and ESG.</p> 
Conducting Company Briefings for Individual Investors	<p>We will continuously hold company briefings and publish the content on our corporate website. We will explain our business activities and growth strategy in an easy-to-understand manner and enhance the Q&A sessions.</p> 
Promoting Dialogue with Investors	<p>We will enhance information to overseas investors by creating English-language disclosure materials that describe our growth story and by promoting the translation of our IR materials. Furthermore, we will proactively utilize sponsored research reports in English to foster a better understanding of our company.</p>
Feedback	<p>Questions and opinions gathered from financial results briefings, company briefings, and dialogues with investors will be regularly fed back to the management team and the Board of Directors. After internal discussions, we will consider reflecting this feedback in our management strategies and initiatives to drive continuous improvement.</p>

Disclosure of Dialogue Status and Steps Toward Further Dialogue & Engagement

Reflecting feedback from past dialogues, we are strengthening our information disclosure and management practices to be more conscious of cost of capital and stock price.

Category	Investor Feedback	Our Initiatives
Growth Strategy	Please present a growth strategy to achieve an ROE that exceeds 8%.	This has been disclosed in the new Medium-Term Management Plan. We will enhance corporate value over the medium to long term by advancing our business model and transforming our earnings structure through concentrated investment in key areas: disaster prevention, defense, energy, transportation equipment, and semiconductors. Based on past M&A (where Sanko Shokai reinforced weaknesses and Wellston extended strengths), we will prioritize M&A that further extends our strengths.
	As part of your mid- to long-term growth strategy, please indicate the business areas you will target and the fields you wish to acquire.	
Cost of Capital	Are you managing ROIC by business segment? Please disclose your ROIC target and the logic tree for achieving it.	We have introduced ROIC as an internal management indicator starting with the FY2025 budget and are working to foster understanding at the operational level. We recognize that it will take several years for it to permeate the entire company. We will consider external disclosure once internal understanding has deepened.
	Your ROE is not exceeding your cost of equity. What are your thoughts on this?	We recognize that achieving an ROE that surpasses our cost of equity is essential. We have set a financial target of ROE 8% or higher in the new Medium-Term Management Plan and are committed to achieving it.
Capital Policy	Please disclose your cash allocation policy and explain the outlook.	We have examined our cash allocation and the structure of an optimal balance sheet, and have disclosed the details in the new Medium-Term Management Plan. Our policy is to prioritize allocation to growth investments while maintaining a balance with shareholder returns.
Information Disclosure	Please enhance your corporate report and issue it as an Integrated Report.	We plan to systematically organize and enhance our non-financial information, such as "Human Capital Management" and "Risk Management," and will begin issuing an Integrated Report starting with the edition for the fiscal year ending March 2026.



Kyokuto Boeki Kaisha, Ltd.