



August 9, 2024

For immediate release

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### For Realizing Management that Is Conscious of the Cost of Capital and Stock Price

After announcing its financial strategy toward 2030 in May 2023, Ahresty Corporation (“the Company”), at the Board of Directors’ meeting held on August 9, 2024, analyzed the Company’s current situation and issues for realizing the financial strategy and updated its financial operation policy and specific measures for the future as “initiatives for realizing management that is conscious of the cost of capital and stock price.”

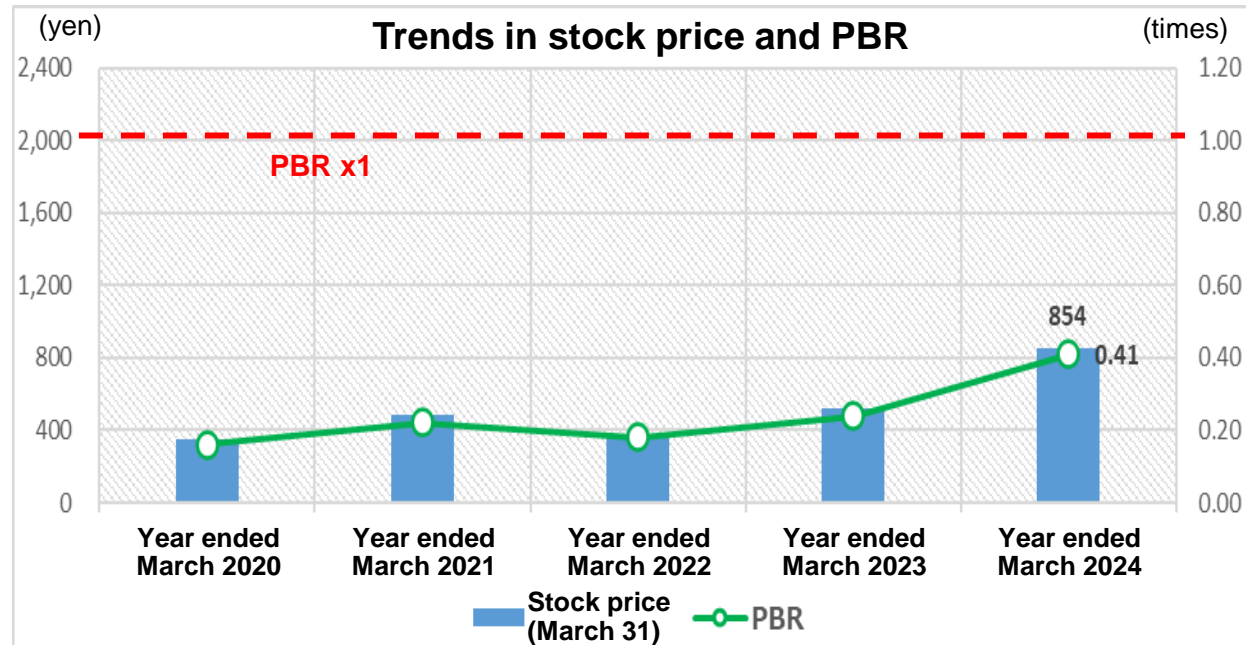
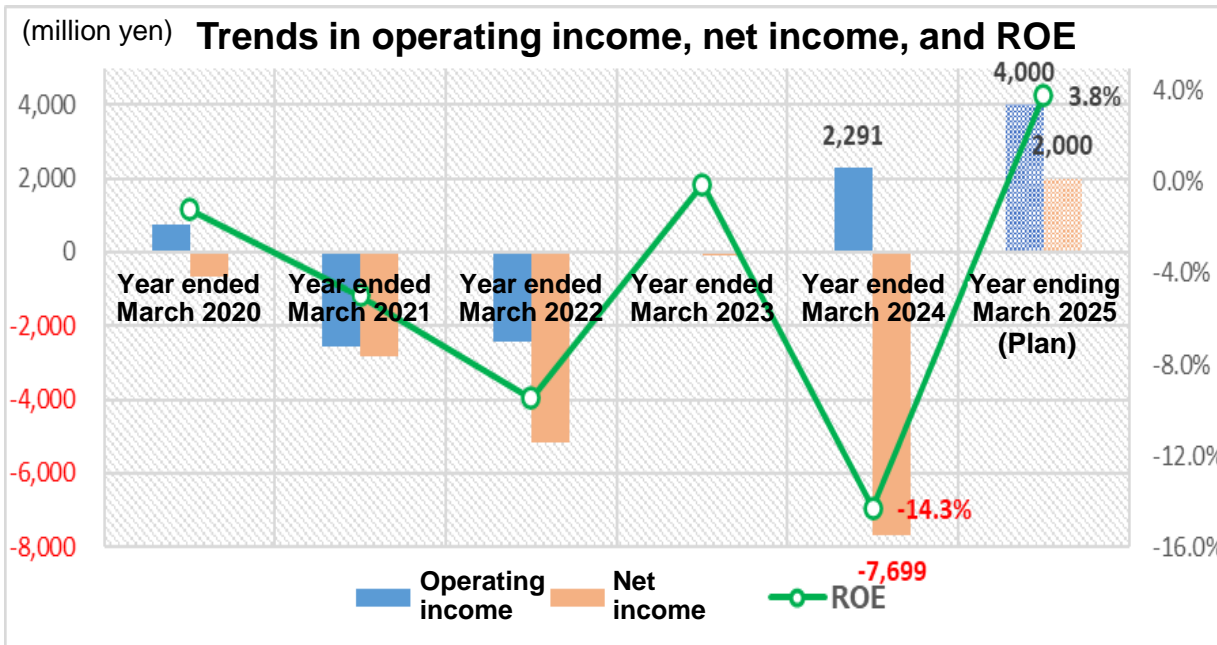
For details, please refer to the attached document.

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

August 9, 2024



# Analysis of Current Situation



## Analysis of current situation regarding return on capital and stock price

- ▶ Profitability deteriorated mainly due to the COVID-19 pandemic and a decline in the volume of orders received resulting from the shortage of semiconductors. Although operating income has been recovering, net loss has been continuously posted due to the recording of impairment losses and other factors, resulting in a negative ROE for five consecutive fiscal years.
- ▶ Although PBR has recently been on a recovery trend, it is still well below 1. We recognize that this is mainly due to uncertainty and pessimism about the Company's profitability. Also, the lack of understanding regarding the Company's sustainable growth, enhanced shareholder returns, etc. is another factor, and it is therefore necessary to strengthen IR activities.

# Policy for Improving PBR

## Business strategy

Shifting the business portfolio to predominantly parts for electric vehicles

Establishing low-cost, highly productive MONOZUKURI

Promote the “10-year Business Plan” toward 2030

## Financial strategy

ROE

Capital policy

Capital investment

Return to shareholders

Set KPIs to achieve the 10-year Business Plan

## Performance management

## IR activities

Stabilizing revenue

Expanding disclosure

Enhancing dialogue with shareholders and investors

The details were disclosed in “Status of Dialogue with Shareholders and Investors” dated May 28, 2024.

Improving ROE

Improving PBR

Reducing cost of capital

# Four Pillar Financial Strategies (FY2023 to FY2030)

ROE (Long-term target)

**9%**

- Recover net sales and sales weight by implementing an electrification strategy, and increase profits by reducing costs and improving productivity
- Pursue an optimal financial leverage that enables the achievement of both a sound balance sheet and the ROE target

Capital policy

**Equity ratio**

**40% or more**

- Maintain an equity ratio that ensures resilience against fluid market trends, such as regional differences in speed of electrification and the emergence of new automobile manufacturers in the automobile market
- Pursue an optimal financial leverage that enables the achievement of both a sound balance sheet and the ROE target

Capital investment

Approx. **¥140 billion**  
(including investment in dies)

- Create an operating cash flow as the source for implementing growth investment for a shift in business structure
- Implement investment for manpower saving in view of the decrease in labor force and the rise in labor costs in the future
- At the same time, strengthen investment discipline, such as the criteria for selecting order/investment programs, and improve investment efficiency by making effective use of idle equipment, etc.

Return to shareholders

Dividend payout ratio **35%**  
or more

- Create stable profits to ensure a 35% or higher dividend payout ratio
- Flexibly purchase treasury shares in view of the conditions of the business environment, capital accumulation, investment, stock prices, etc.

**With the four-pillar financial operation, aim to achieve a PBR of 1**

# Approach to Improving PBR

ROE =

ROA		
Profit margin on net sales		Total assets turnover
$\frac{\text{Net income}}{\text{Net sales}}$	×	$\frac{\text{Net sales}}{\text{Total assets}}$

 × 

Financial leverage
$\frac{\text{Total assets}}{\text{Equity}}$

▶ Profitability

▶ Asset efficiency

▶ Capital efficiency

**Approach based on financial strategy using ROE as a management indicator**

# Specific Details of Initiatives

Ahresty's cost of capital and ROE target

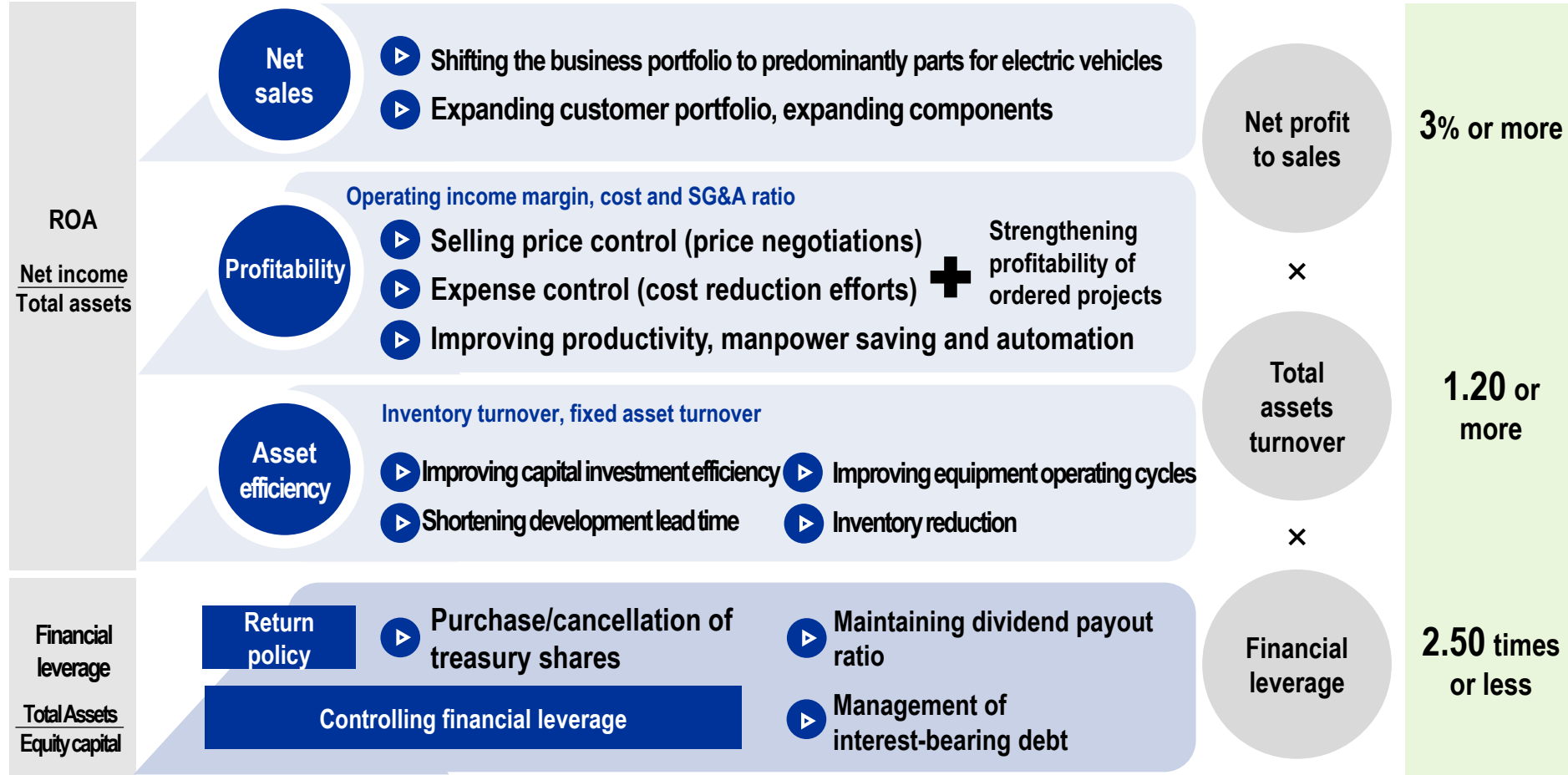
Cost of capital  
8.8%



ROE target  
9%

## Actions to improve ROE

2030 target level



\* Based on our estimates (as of May 2023)

\* Calculated based on CAPM theory