



May 15, 2024

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 Listed Stock Exchange: Tokyo Stock Exchanges,
 Prime Market
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Actions to Achieve Management Conscious of Cost of Capital and Share Price

ESPEC CORP. (the “Company”) hereby announces that it resolved at the Board of Directors meeting held on May 15, 2024, to adopt policies for actions to achieve management conscious of the cost of capital and share price for the Company’s sustainable growth and to raise medium- to long-term corporate value. Details are as follows.

Description

1. Understanding of Current Status

For ESPEC to realize the Company’s long-term vision, ESPEC Vision 2025, it has been executing medium-term management plans every four years (Stage I through Stage III), and since Stage II has set ROE as a medium-term management target and is working to achieve it. Under Stage II (fiscal 2018 to fiscal 2021) the ROE target was 8.5%, and in fiscal 2018, the Company achieved ROE of 9.9%*, but due to the economic slowdown caused by the pandemic and worsened performance resulting from part procurement difficulties and soaring prices of parts and materials, it failed to achieve the target from fiscal 2019 through to fiscal 2021. Under the current Stage III (fiscal 2022 to fiscal 2025), the ROE target is 10%. Since fiscal 2022 results have recovered and expanded due to improved procurement and raising the price of products and services in addition to strong orders received, and in fiscal 2023, ROE was 10.0%. In terms of assets, inventories have increased in connection with the expansion of orders from fiscal 2022 onward.

The Company is of the understanding that the cost of capital is about 8%, and is conscious of the importance of ensuring ROE is stably at 10% or more. Moreover, regarding PBR, it was 1.26 times at the end of fiscal 2023, but the Company believes it must continue striving to maintain and improve the share price.

Results of medium-term management plan Stage II (fiscal 2018 to fiscal 2021) and Stage III (fiscal 2022 to fiscal 2025)

	Stage II (fiscal 2018 to fiscal 2021)				Stage III (fiscal 2022 to fiscal 2025)	
	2018*	2019	2020	2021	2022	2023
Net sales (Millions of Yen)	47,060	42,443	38,668	41,852	52,892	62,126
Operating profit (Millions of Yen)	5,470	3,742	2,572	1,968	4,366	6,585
Profit attributable to owners of parent (Millions of Yen)	4,030	2,818	1,961	1,905	3,330	4,969
ROE (%)	9.9	6.6	4.5	4.2	7.2	10.0
PBR (times)	1.12	0.88	0.94	0.97	0.95	1.26

*FY2018 was an irregular 15-month fiscal period for overseas consolidated subsidiaries.
 Reference figures showing a 12-month period have also been included.

2. Response to Realize Management Conscious of Cost of Capital and Share Price

Policies

- Aim to achieve (net sales of ¥65.0 billion, operating sales of ¥7.5 billion, an operating sales ratio of 11.5% and ROE of 10% or more) under the medium-term management plan Progressive Plan 2025
- Conduct growth investment for sustainable growth
- Strive to enhance corporate value by controlling the increase of total assets and raising the efficiency of invested capital to generate cash to be used for growth investment and shareholder returns

Main Initiatives

- Implement a growth strategy targeting the EV and IoT fields, strengthen profitability
- Proactively invest in growth (business, facilities, research, human resources) and clarify investment effects
- Generate cash by reducing inventories and finance growth investment and shareholder returns
- Enhance dialogue with shareholders and investors to raise stock market assessments and strengthen management