



February 14, 2025

Seibu Giken Co., Ltd.
Fumio Kuma, Representative Director, Executive President

(Ticker code: 6223, TSE Standard)

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Notice Concerning Actions to Achieve Management Conscious of Capital Costs and Stock Prices

Seibu Giken Co., Ltd. ("the Company") hereby announces that at a meeting of the Board of Directors held today, the Company analyzed its current situation and decided on future policies to achieve management that is conscious of capital costs and stock prices.

For more details, please see the attached document "Actions to Achieve Management that is Conscious of Capital Costs and Stock Prices".

Note:

This document is a translation of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

Actions to Achieve Management that is Conscious of Capital Costs and Stock Prices

Seibu Giken Co., Ltd. (Ticker code: 6223)

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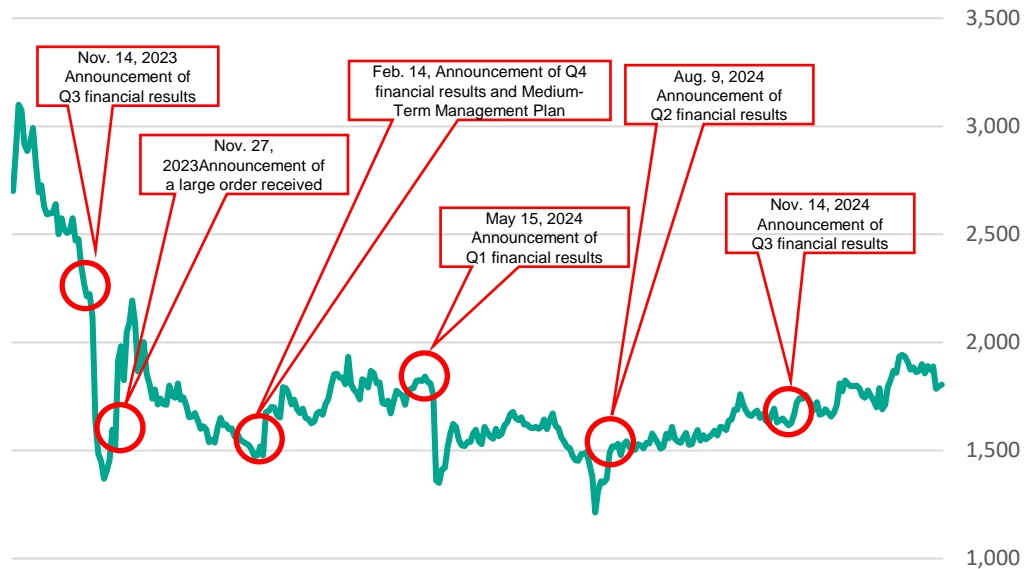
Disclaimer regarding forward-looking statements

Because the forward-looking statements contained in this report are based on information available at the time of publication, Actual results may differ from these forecasts due to risk and uncertainty.



Current State Analysis: Market Valuation

■ Stock price changes



■ PBR (Price Book-value Ratio)

= Price per share (as of the end of Dec. 2024) / Net assets per share
= 1,789yen / 1,459.16yen
= 1.23
(As of the end of Dec. 2024: 1.34)

■ PER (Price Earnings Ratio)

11.0 (as of the end of Dec. 2024)
(As of the end of Dec. 2024 : 9.7)

- The stock price had been on downward trend since our listing against the backdrop of uncertainty over the Chinese economy, and it fell after we suggested downward revisions to the full-year earnings forecasts for the fiscal year ended December 2023 in the financial results for the 3Q of the same fiscal year announced on November 14, 2023. (The revision was announced on January 29, 2024.) Since then, the stock price has remained at a lower level than the price at the time of listing, affected by the 2023 full-year results and the results for the first nine months of 2024, amid the sluggish economy in China and headwinds against investment in EV covered in the news.
- We acknowledge that trust in the Company's forecasts (profit) remain low due to the gap between full-year financial results forecasts and actual results.
- We acknowledge that, to raise the Company's stock price, we need to raise awareness of the Company and our Medium-Term Management Plan and disclose information on our growth investments and results.

■ Comments from institutional investors about market valuation

–Points made regarding valuation gap with the stock market–

[Factor 1: Low visibility]

“The Company is now in the stage of promoting itself to the market as it has just become listed. One of the reasons for the low PER is considered to be its low visibility”

“Some of the investors with knowledge of the Company may be observing the situation for now due to the recent concerns over the market in China as well as lack of the Company’s track record”

[Factor 2: Uncertainty about medium-and long-term plans]

“It is hard to see the grounds for achievement of the numerical targets disclosed in its long-term vision and Medium-Term Management Plan”

“The growth potential of the end-user market is understandable, but it is hard to envision why the Company’s products will be chosen and how sales and market share will grow”

⇒ **We recognize the need to raise awareness of the Company’s current state and growth strategy for the institutional and individual investors**

Current State Analysis: Capital Cost and Capital Efficiency

■ Cost of shareholders' equity (estimated)

(1) CAPM-based cost of shareholders' equity: 6 to 8%

CAPM-based cost of shareholders' equity = $R_f + \beta(R_m - R_f)$ = approx. 6%

[[Assumption: R_f (risk-free rate) = 10-year government bond yield = 1.05; β = 0.9; $R_m - R_f$ (risk premium) = approx. 6%]

→ Cost of shareholders' equity when size premium is taken into consideration = approx. 6% + size premium (approx. 2%) = approx. 8%

(2) Cost of shareholders' equity based on earnings yield = $1/PER$ = approx. 10%

Cost of shareholders' equity based on earnings yield = shareholders' expected rate of return reflected in the market stock price =
basic earnings per share / stock price = $1/PER$

(3) Cost of shareholders' equity suggested by some institutional investors: 8 to 12%

⇒ We understand that the market expects profitability higher than standard CAPM-based cost of shareholders' equity

■ ROE

= 11.8% (Dec. 2024)

= Ratio of profit to net sales × total asset turnover × financial leverage = (profit/sales) × (sales/total assets) × (total assets/net assets)

= 10.4% × 0.75 × 1.51

(ROE for the fiscal year ended Dec. 2023 = 15.4% = Ratio of profit to net sales × total asset turnover × financial leverage = 11.9% × 0.73 × 1.77)

[Reference]

FY2023 average ROE of manufacturing companies on all markets: 9.26%

FY2023 average ROE of manufacturing companies on the Standard Market: 6.19%

Initiatives to Enhance Corporate Value

Enhancement of Corporate Value (PBR = 1 or higher)

■ Increase ROE

2024 Actual

11.8%

2026 Target

12%

Increase profit through steady implementation of the growth strategy (Medium-Term Management Plan 2024-2026)

2024 Operating profit

JPY 4.03 bn

2026 Operating profit target

JPY 4.32 bn

■ Lower the cost of shareholders' equity

Strengthen IR

(1) Enhance IR materials

- Enhancement of financial results briefing materials (Continued)
- Enhancement of IR information on our website (Continued)
- Raising awareness through sponsored research reports, etc. (New)

(2) Continued dialogue with institutional investors

- Heard opinions about our Medium-Term Management Plan announced in February 2024

→Insufficient explanation about the engineering business for which growth is expected

Additional explanation at the financial results briefing in 2025

Implement a capital policy that sufficiently balances investment and shareholder returns

Cash Allocation (2024-2026)

- Priorities are placed on investment to increase production capacity, improve productivity, and expand business areas for future growth
- Shareholder returns are principally based on dividends, and share buybacks are implemented in line with profit growth and capital efficiency

Capital Allocation Plan (3 years: FY2024-FY2026)

Operating Cash Flow
JPY 13.0 bn

Investing Cash Flow
JPY 6.0 bn or more

Increase production capacity

- Construction of a new dehumidifying rotor factory in Japan (approx. JPY 0.5 bn as additional costs)

Improve productivity

- Construction of a new sheet metal factory in China (approx. JPY 2.0 bn)
- Consistent improvement of productivity (approx. JPY 2.0 bn)

Invest to expand business domains

- Investment to expand engineering business, etc. (approx. JPY 1.0 bn or more, including alliances and M&As)

Shareholder Returns
JPY 6.0 bn or more

- Target dividend payout ratio: 40% **or higher**
- Share buybacks:
 - Execute share buybacks in a flexible manner, taking into account capital efficiency, financial results, and capital conditions
 - JPY 2.0 bn planned during the current Medium-Term Management Plan period

Operating
CF
JPY 13.0 bn

Investment
for growth
JPY 6.0 bn
or more

Shareholder
returns
JPY 6.0 bn
or more