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Publication of the Updated Version of the “Action to Implement Management  
that is Conscious of Cost of Capital and Stock Price”

We are pleased to announce that we have updated the progress status and future initiatives regarding “Measures to Achieve Management Conscious of Cost of Capital and Stock Prices” announced on April 4, 2024.

Attachment: “Measures to Achieve Management Conscious of Cost of Capital and Stock Price (Update).”

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

# Key update

- Tokyo Stock Exchange, Inc.(TSE) has Published “Cases Where Companies Are Not Aligned With Investors’ Perspectives” etc. in regard to management that is conscious of cost of capital and stock price on November 21, 2024



- Based on the TSE’s reports, we have revised our “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” with updates in the following points;
  - Re-evaluated our current analysis and assessment from investors' perspectives.
  - Included a description of our engagement with investors.
  - Reviewed the cash allocation plan.

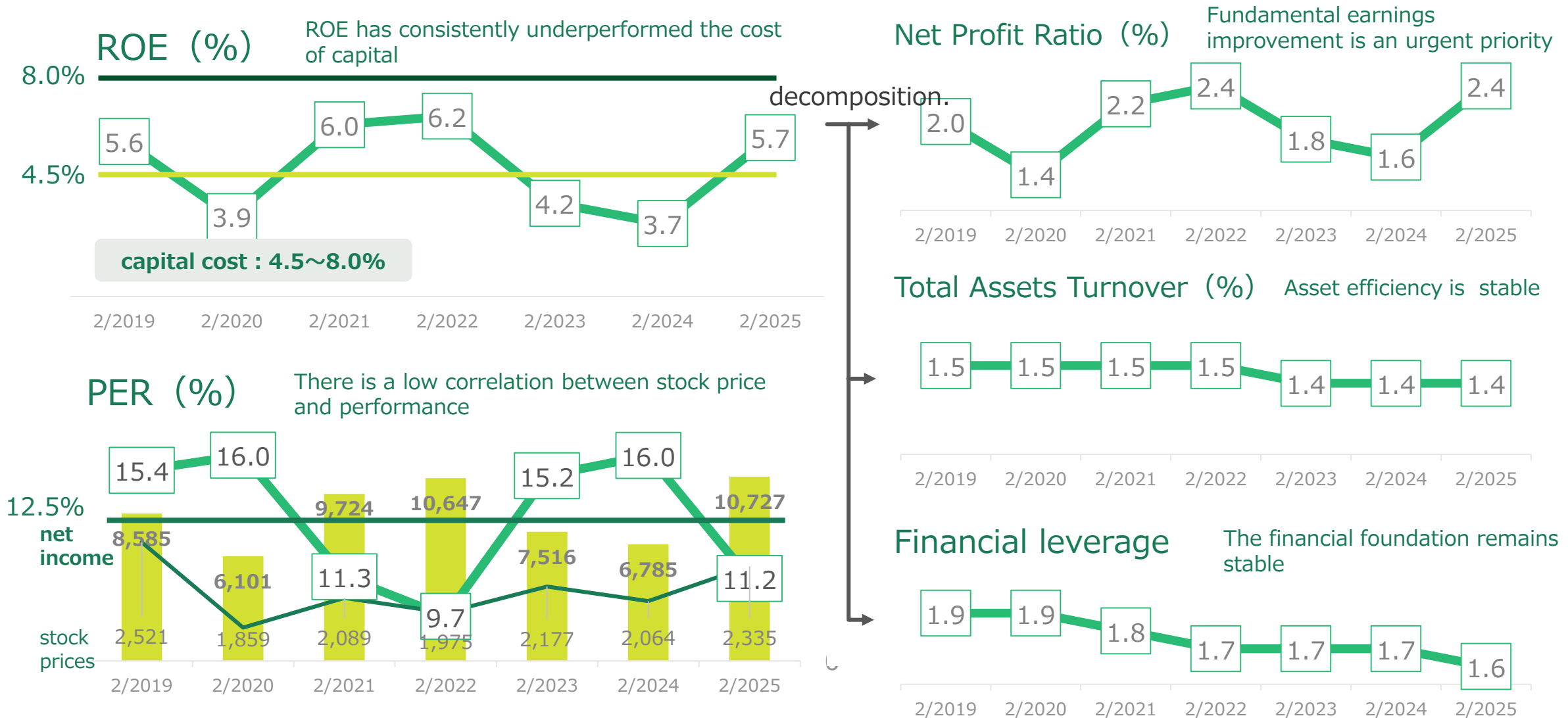
# Analysis and evaluation of current situation

- Given that our Price-to-Book Ratio (PBR) has remained below 1x for an extended period, we are committed to further enhancing our corporate value to realize management that is conscious of capital costs and stock prices.
- While our current cost of equity, internally calculated using the Capital Asset Pricing Model (CAPM), is approximately 4.5%, we aim to achieve an ROE of 8% as a medium- to long-term target, which aligns with the earnings yield perspective and the cost of equity expected by investors.

	FYE 2/2020	FYE 2/2021	FYE 2/2022	FYE 2/2023	FYE 2/2024	FYE 2/2025
Operating revenue (Millions of yen)	433,641	439,326	439,740	415,675	425,424	444,898
Operating profit (Millions of yen)	10,463	14,037	15,362	11,279	13,257	13,360
Ordinary profit (Millions of yen)	11,380	15,053	16,952	13,069	14,482	14,639
Net income attributable to owners of the parent (Millions of yen)	6,101	9,724	10,647	7,516	6,784	10,727
Operating profit ratio (%)	2.4	3.2	3.5	2.7	3.1	3.0
ROE (%)	3.9	6.0	6.2	4.2	3.7	5.7
PBR (%)	0.62	0.66	0.59	0.63	0.58	0.62
Net assets per share (yen)	3011.81	3156.74	3340.18	3439.19	3551.29	3764.48
Share price at end of period (yen)	1,859	2,089	1,975	2,177	2,064	2,335

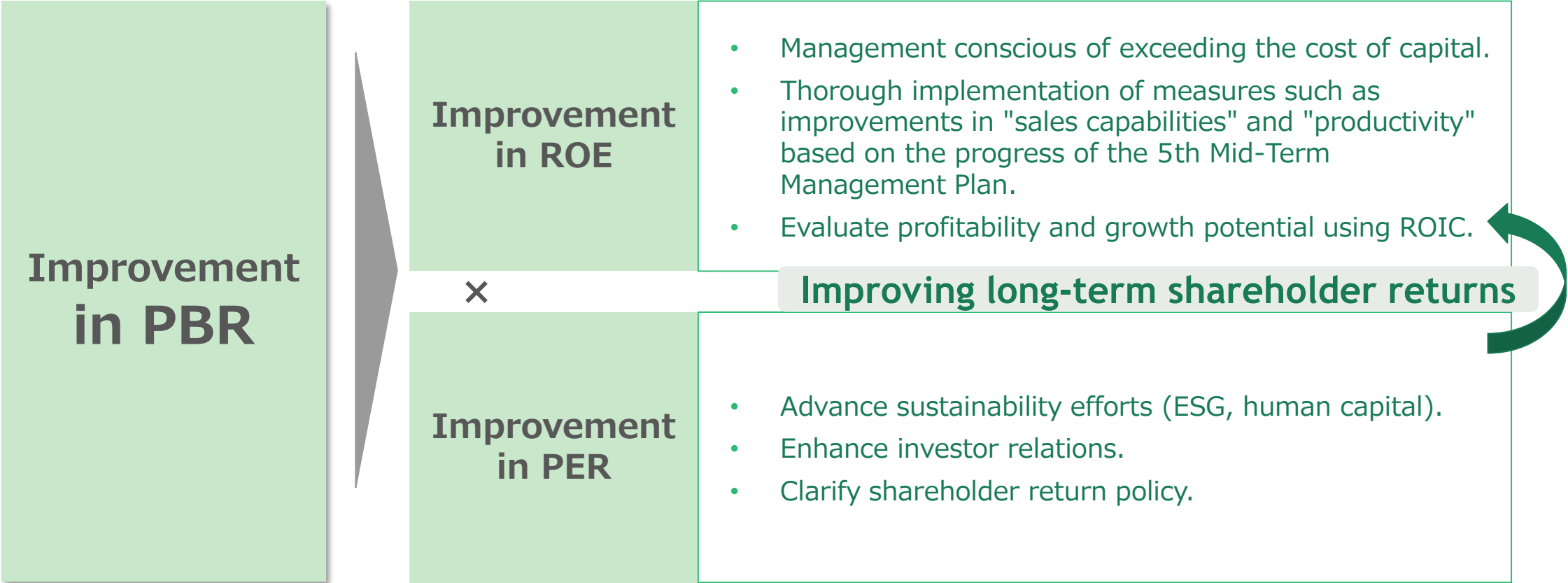
# Current Assessment

- Factors contributing to low PBR



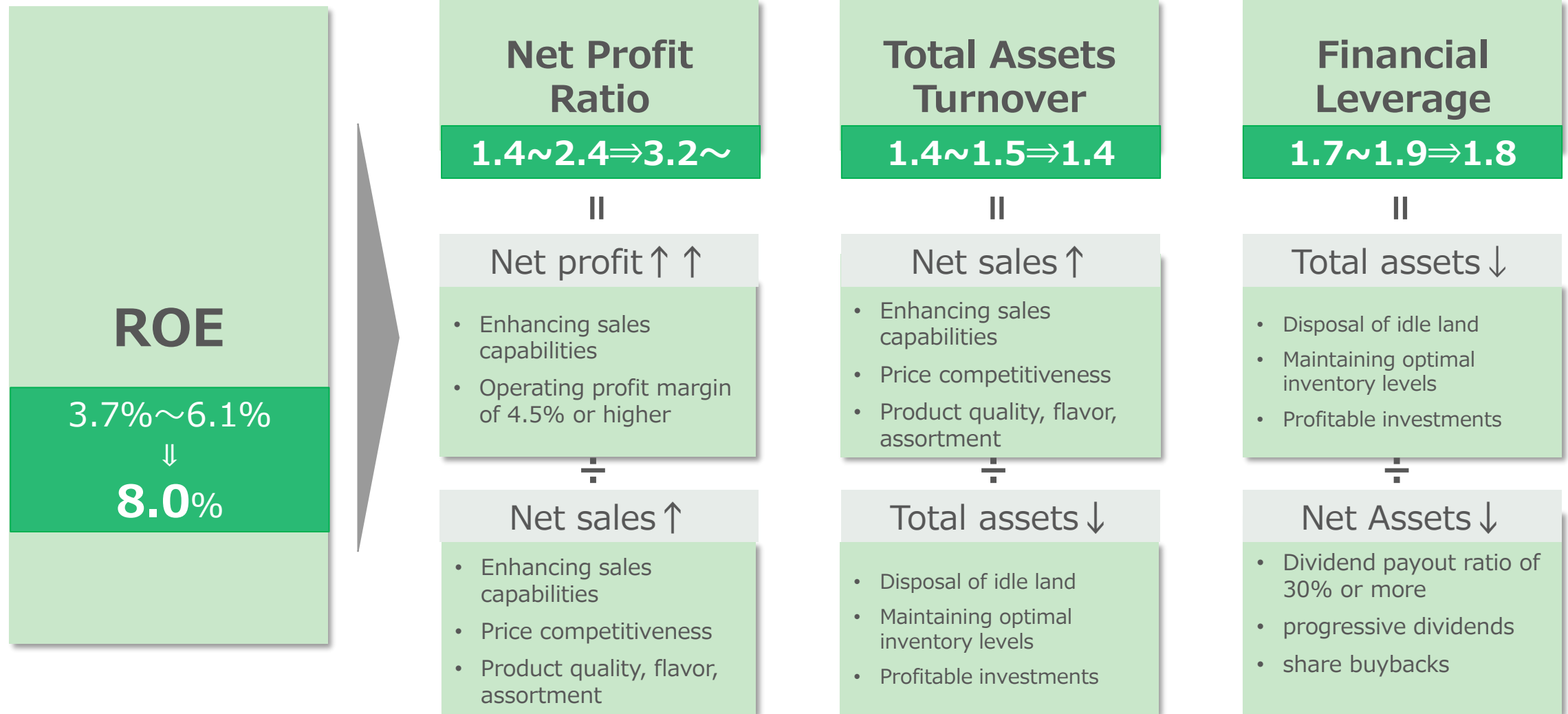
# Policy and Targets

- In our medium-term management plan, we will enhance sales capabilities and improve productivity, aiming to achieve an operating profit margin of 4.5% or higher and an ROE of 8% by 2030.
- We will aim to strengthen shareholder returns and improve capital efficiency through share buybacks, by conducting active investor relations activities, aiming to achieve a PBR of 1x.



# Challenges and Responses

- We aim to achieve an **8.0%** ROE through enhanced profitability and strategic capital allocation



# Review of executive compensation system

- Performance-Based Restricted Stock Unit Plan (Implemented in May 2024)

## Objectives of Implementation

- To clarify the link between the compensation of eligible directors and both the company's financial performance and our stock value.
- To provide eligible directors with incentives to achieve sustainable enhancement of our corporate value, and to further promote the sharing of value between eligible directors and our shareholders.

## Performance Metrics

- Operating Profit Margin:  
Aligned with the 2030 target.
- ROIC:  
Target figures are set at the store level to promote company-wide management that is conscious of the cost of capital.



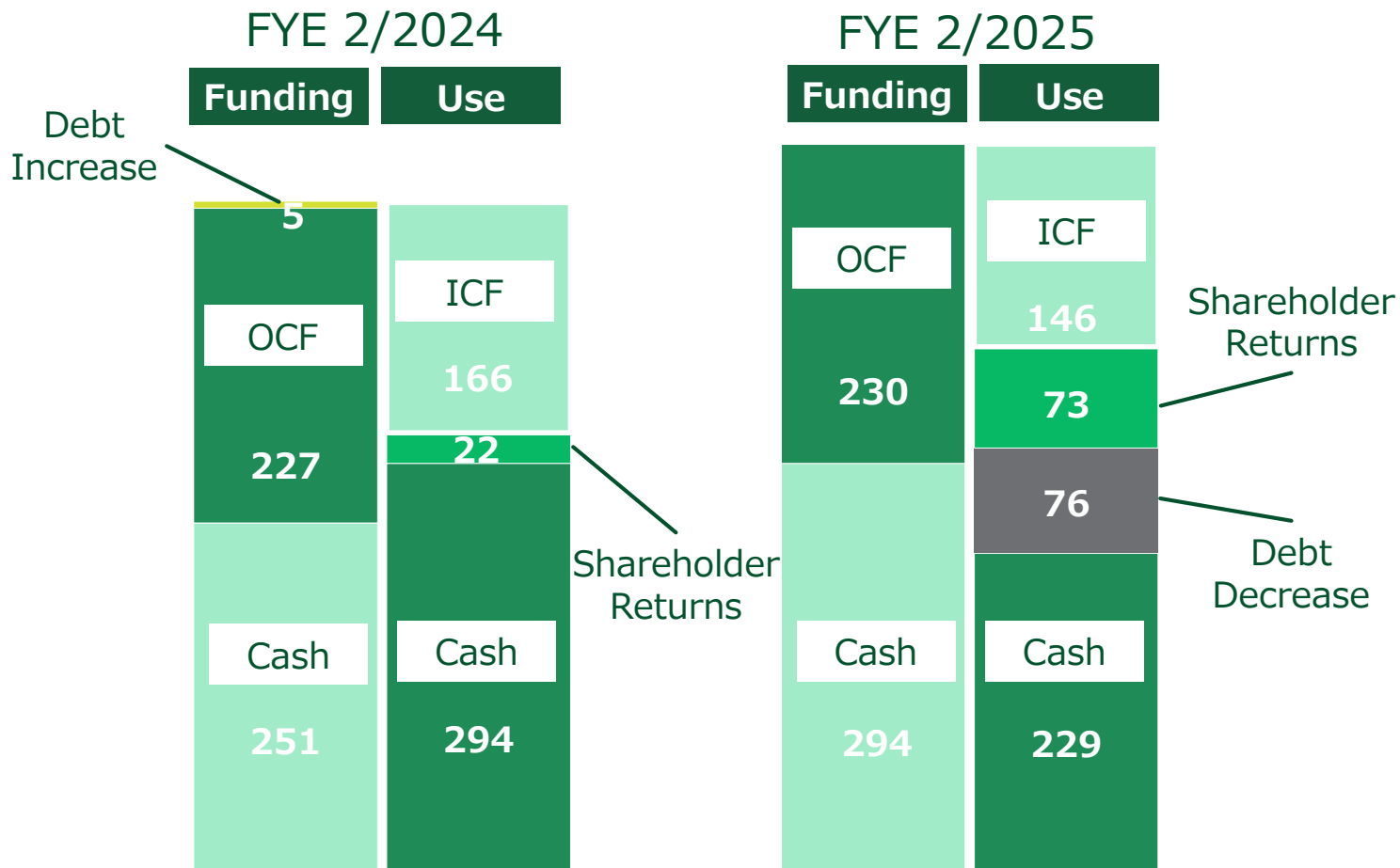
# Engagement with investors

- The content of the dialogues with investors is fed back to the Board of Directors.
- We indicated our wish to be contacted by institutional investors to enhance communication.
- We plan to explore increasing the number of briefings for individual investors for the fiscal year ending February 2026.
- We are preparing to facilitate a higher volume of small meetings and individual meetings than in the previous period.



		FYE 2/2024	FYE 2/2025
<b>Institutional Investors</b>	Financial Results Briefing Large Meeting	2	2
	Financial Results Briefing Small Meeting	0	1
	Financial Results Briefing 1ON1 Meeting	16	33
<b>Individual Investors</b>	Company Briefing Session	0	1

# Medium-term cash allocation (FYE 2/2025-FYE 2/2027 )



Unit: Billions of yen OCF: Operating Cash Flow  
ICF: Investing Cash Flow

## Highlights: FYE 2/2025

- ① Dividend increase
- ② Share Buybacks
- ③ Reduction of Interest-Bearing Debt
- ④ We optimized our cash and cash equivalents holdings to align with operational needs.

## Key Actions:

### FYE 2/2026-FYE 2/2027

- ① Enhance total shareholder payout ratio by implementing dividend increases and share buybacks based on performance.
- ② Ordinary investments will be funded within OCF.
- ③ Improve ROE through borrowing for significant growth investments.

# Shareholder Return Policy

	FYE 2/2021	FYE 2/2022	FYE 2/2023	FYE 2/2024	FYE 2/2025	FYE 2/2026
Net profit (Millions of yen)	9,724	10,647	7,516	6,774	10,727	10,800
Dividend per share (yen)	38	42	42	42	63	66
Dividend payout ratio (%)	20.5	20.7	29.3	32.5	30.1	30.4

- For the FYE 2/2025, the interim dividend will be 30 yen, and the year-end dividend will be 33 yen, in accordance with our shareholder return policy of returning 30% or more of net profit to shareholders as dividends, resulting in an annual dividend of 63 yen.
- For the FYE 2/2026, due to our profit growth plan and our policy of returning 30% or more of net profit to shareholders as dividends, the interim dividend and year-end dividend will each be 33 yen, for an estimated annual dividend of 66 yen.
- Our dividend policy will be "progressive dividends" until the FYE 2/2027.
- We will return surplus capital to shareholders while maintaining financial discipline.