

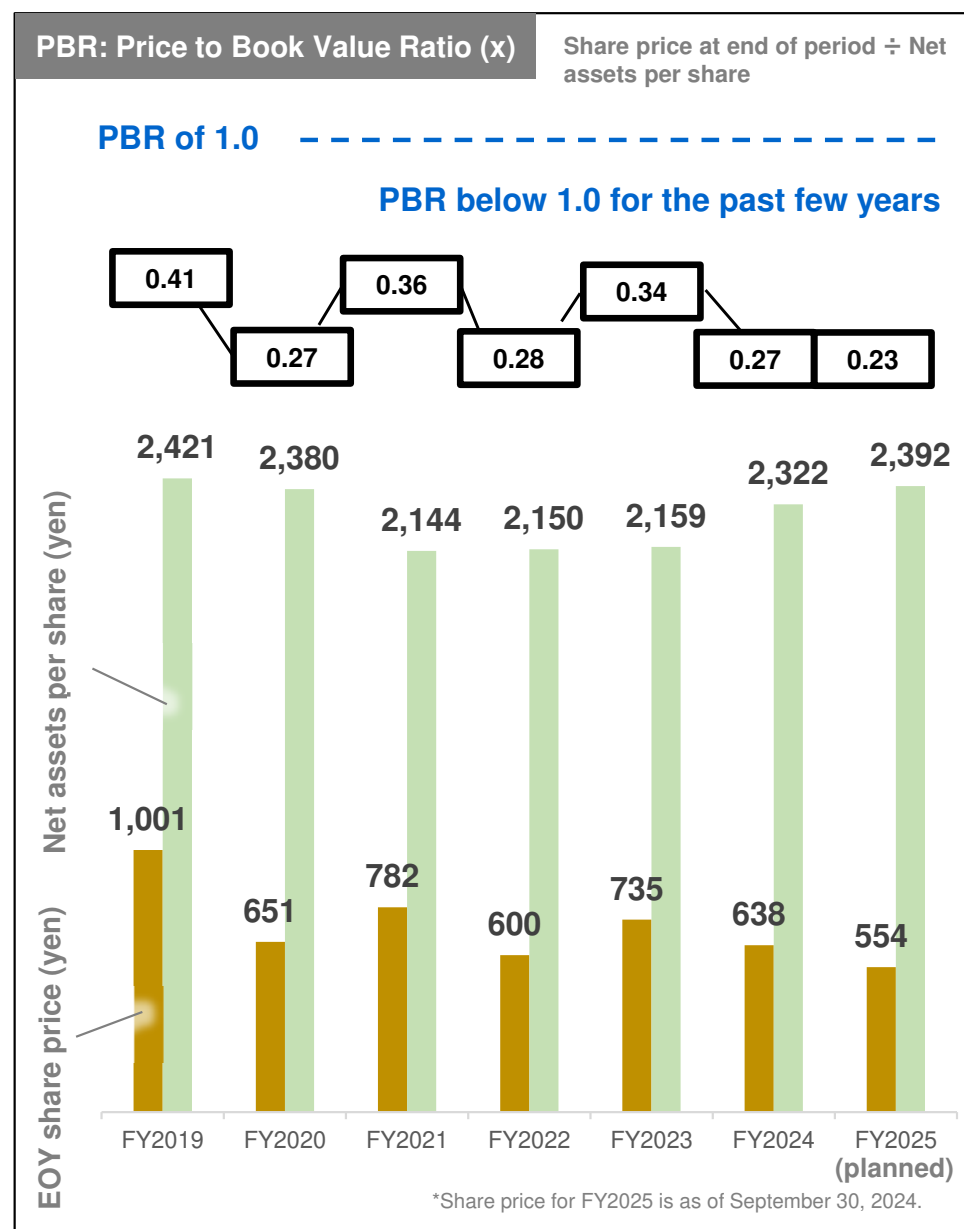
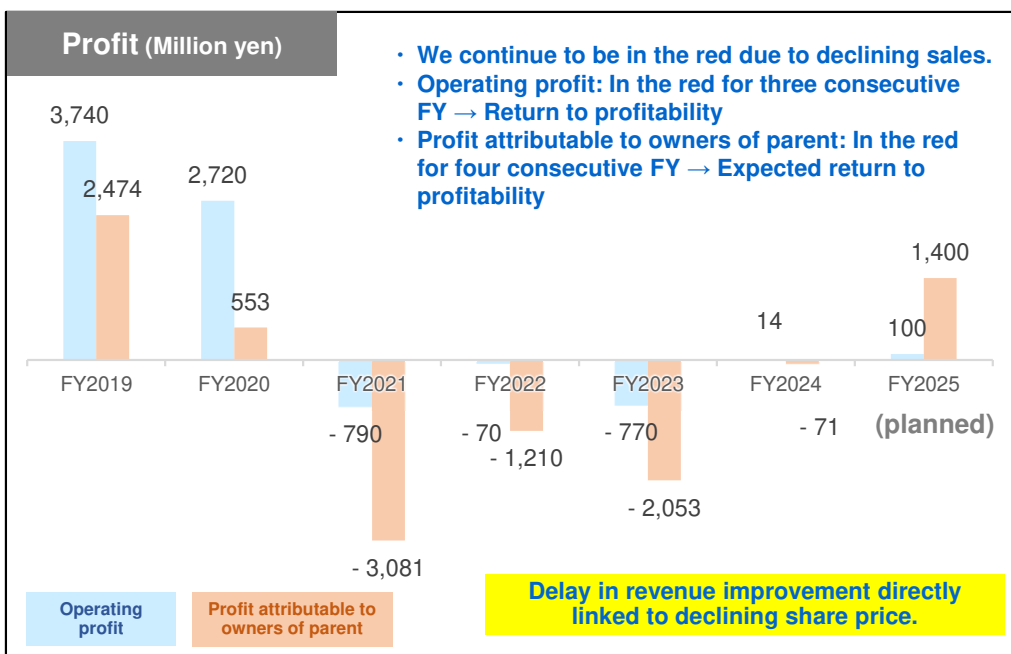
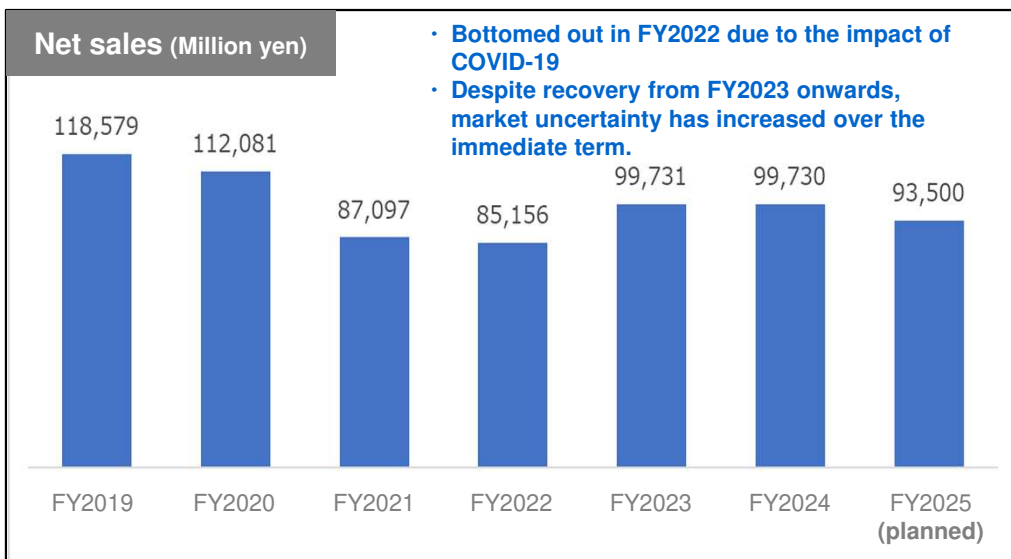
# **Positioning Management to Address Capital Costs and Share Price**

Imasen Electric Industrial Co., Ltd.

Tokyo Stock Exchange Standard Market, Nagoya Stock Exchange Premier Market  
Stock code: 7266

# 1. Analysis of Current Situation (Net Sales/Profit/PBR)

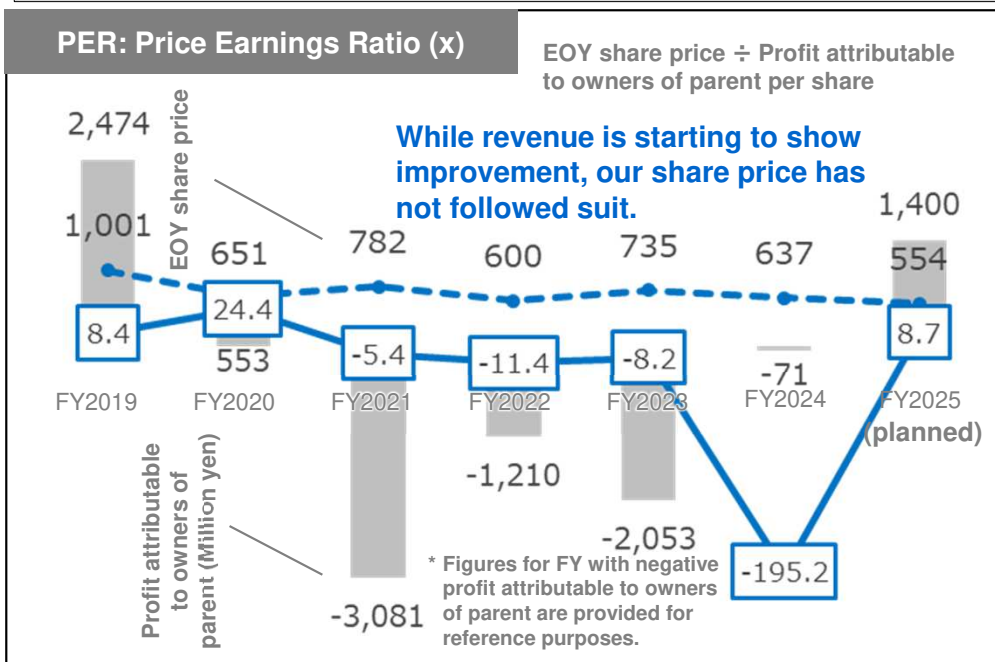
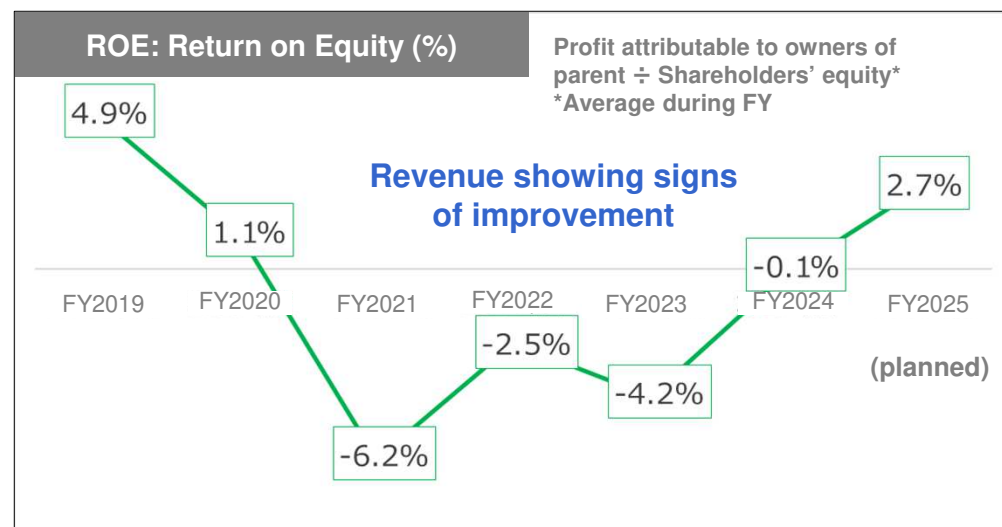
- Since FY2023, revenues have been recovering from the declining trend caused largely by the impact of COVID-19 and semiconductor shortages. However, **our failure to secure orders for certain products, combined with sluggishness in the Chinese and other Asian markets, has caused revenues to slump once again. These declining revenues have led to negative profitability, alongside other factors such as soaring raw materials costs, rising wages, and one-time expenses caused by disruptions in marine transportation.**
- Our share price has reflected this deterioration in our business performance, and our **PBR remains well below 1.0.**



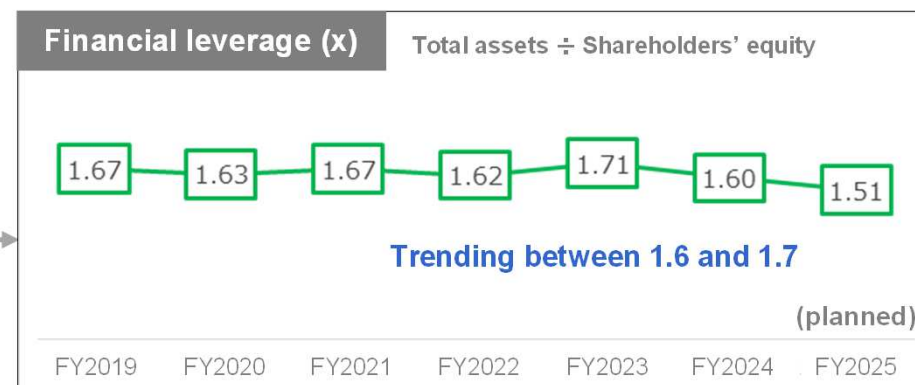
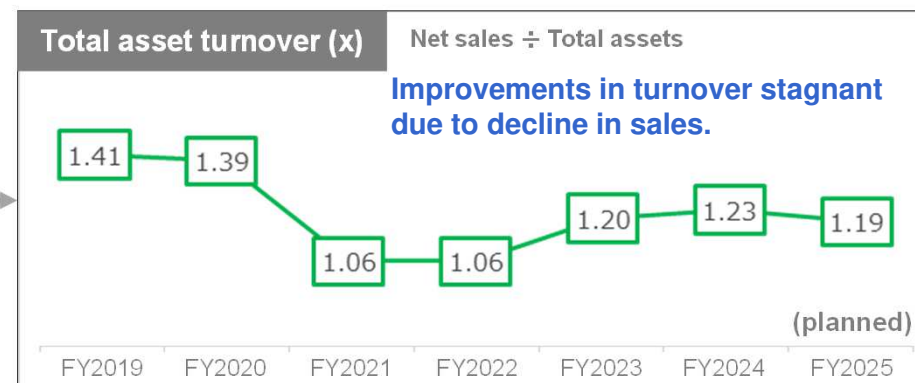
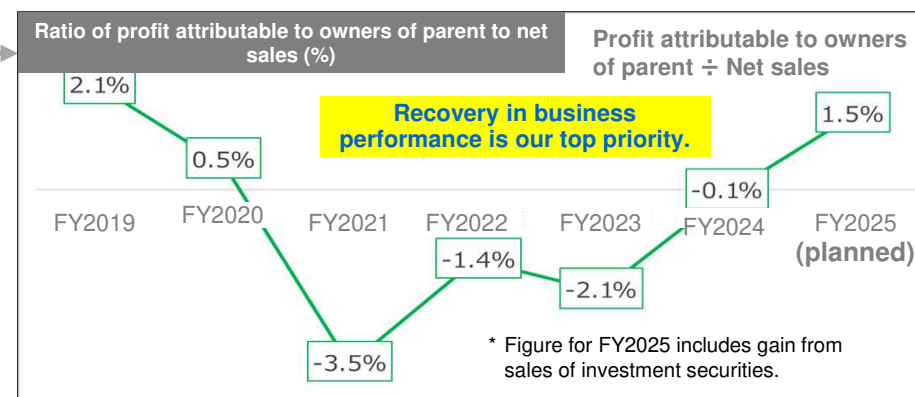
# 1. Analysis of Current Situation (Factors Contributing to Low PBR)

We analyzed why our PBR has fallen below 1.0 with reference to our ROE (Return on Equity) and PER (Price Earnings Ratio).

- Given the ongoing decline in sales and negative profit attributable to owners of parent, **our top priority is to revive our business performance.**
- Since the company has low financial leverage and a certain degree of financial stability, **it is important to make strategic investments for growth by utilizing its fund-raising capacity, including borrowing.**
- Regarding PER, **we believe our share price does not reflect the strong prospects for revenue improvement. Communication that ensures investors understand our future growth potential and intermediate-term business performance is a challenge that must be addressed.**



Breakdown



# 1. Analysis of Current Situation (Capital Costs/Profitability)

Addressing our capital cost structure has been set as a key management target.

- ROE is trending below the cost of shareholders' equity, and we continue to post negative profit attributable to owners of parent. Stabilizing profitability at an early stage is a challenge we must contend with.
- ROIC is trending below WACC. the challenge is to improve profit margins and EVA spreads.
- In addition to making growth investments and improving profitability, we will proceed to boost capital efficiency by further optimizing our capital structure.

## WACC

(Weighted Average Cost of Capital)

Approx. 4.3%

Cost of debt capital

Approx. 4.4%

Cost of shareholders' equity

Approx. 5.1%

\*Calculated using CAPM

Using ROE as an indicator,  
we will target an ROE of **7% or more**,  
which exceeds our cost of shareholders' equity  
and matches the industry average.

## ROE: Return on Equity (%)

Profit attributable to owners of parent ÷ Shareholders' equity\*  
\*Average during FY

Cost of shareholders' equity  
Approx. 5.1%



## ROIC: Return on Invested Capital (%)

Operating profit after tax ÷ Invested capital\* (Interest-bearing debt + Net assets)  
\*Average during FY

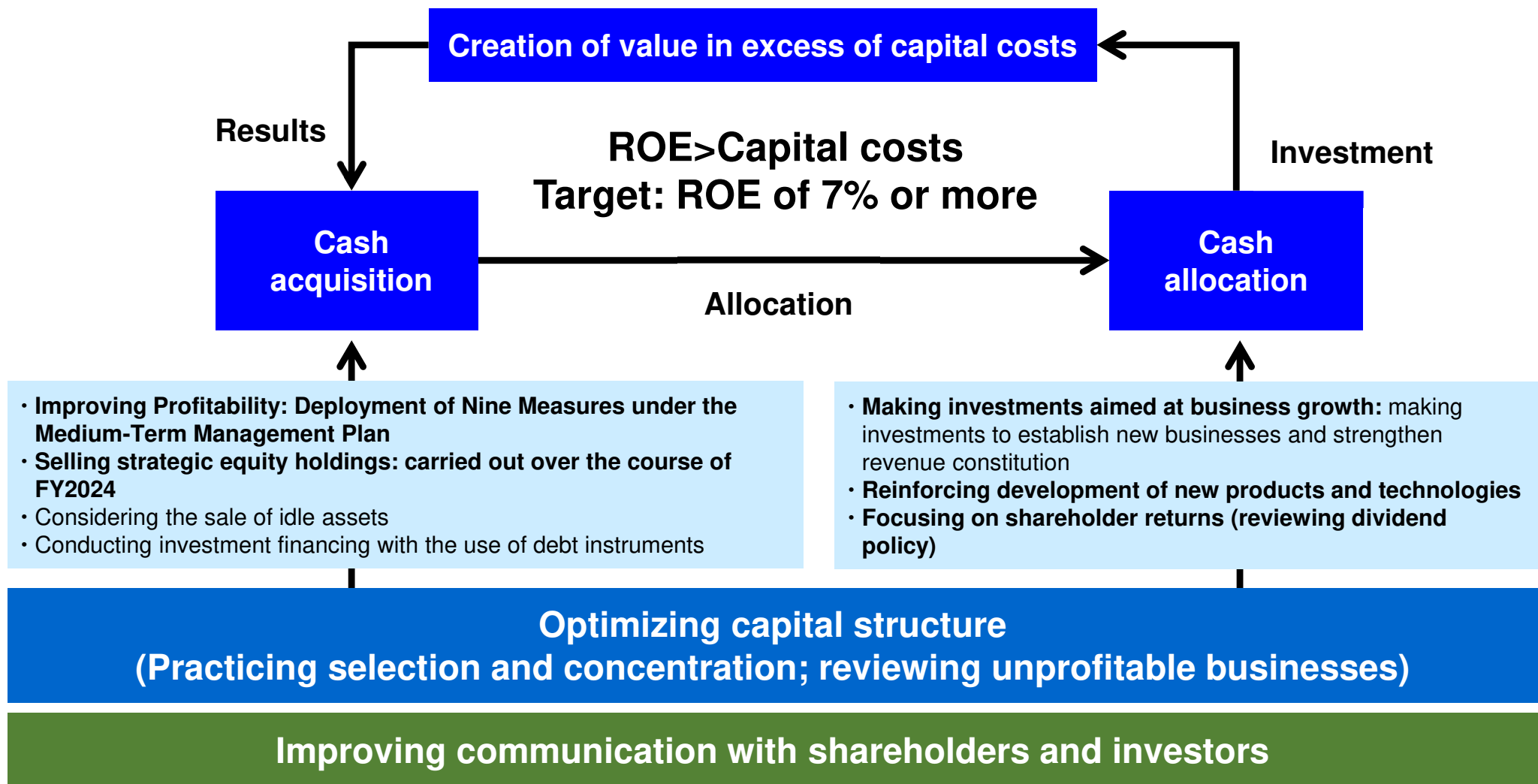
WACC  
Approx. 4.3%



### ■ Basic Policy: To deploy capital in a manner that takes into account capital costs and our share price

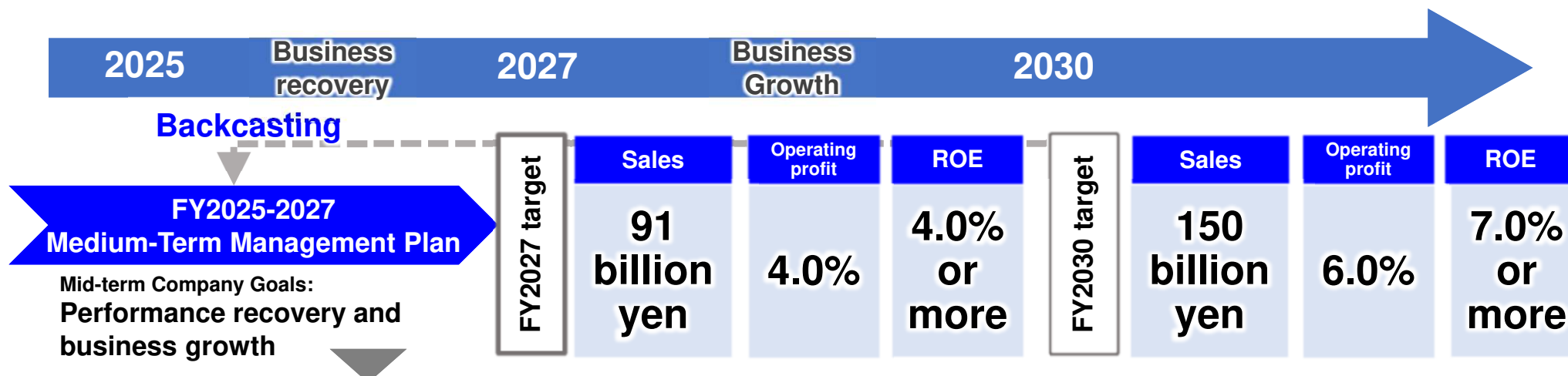
In addition to stabilizing cash generation, we will deploy capital efficiently and in a manner that contributes to future growth while returning profits to our stakeholders.

#### Implementing a cycle to improve capital efficiency



## 2. Action Policy

### ■ Improving revenues through deployment of measures under Medium-Term Management Plan



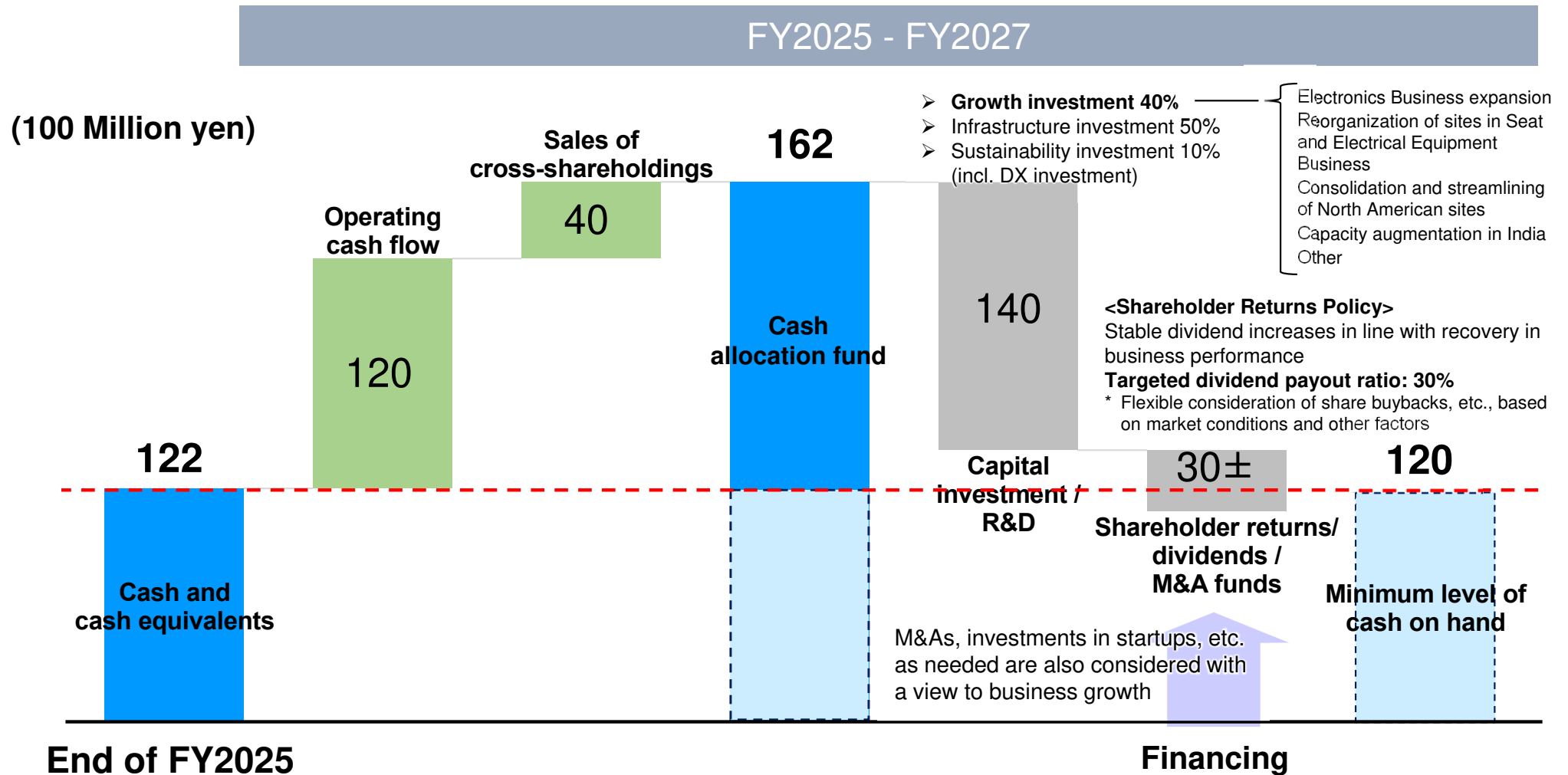
### Nine Priority Measures

|                     |                    |                                                                           |
|---------------------|--------------------|---------------------------------------------------------------------------|
| Speed of management | Revenue            | 1) Accelerating decision-making and promoting the delegation of authority |
| Offense             |                    | 2) Strengthening sales functions                                          |
|                     |                    | 3) Strengthening competitiveness beyond that of mega-suppliers            |
| Defense             |                    | 4) Strengthening profits through restructuring in North America and China |
|                     |                    | 5) Improving material cost ratios by restructuring procurement structure  |
|                     |                    | 6) Reconstruction of earning power                                        |
|                     | Capital efficiency | 7) Capital policy that takes into account ROE and capital costs           |
| Synergy             | Revenue            | 8) Future product development through group synergy                       |
| Business foundation |                    | 9) Promoting ESG management                                               |

## 2. Action Policy

### ■ Cash allocation aimed at growth

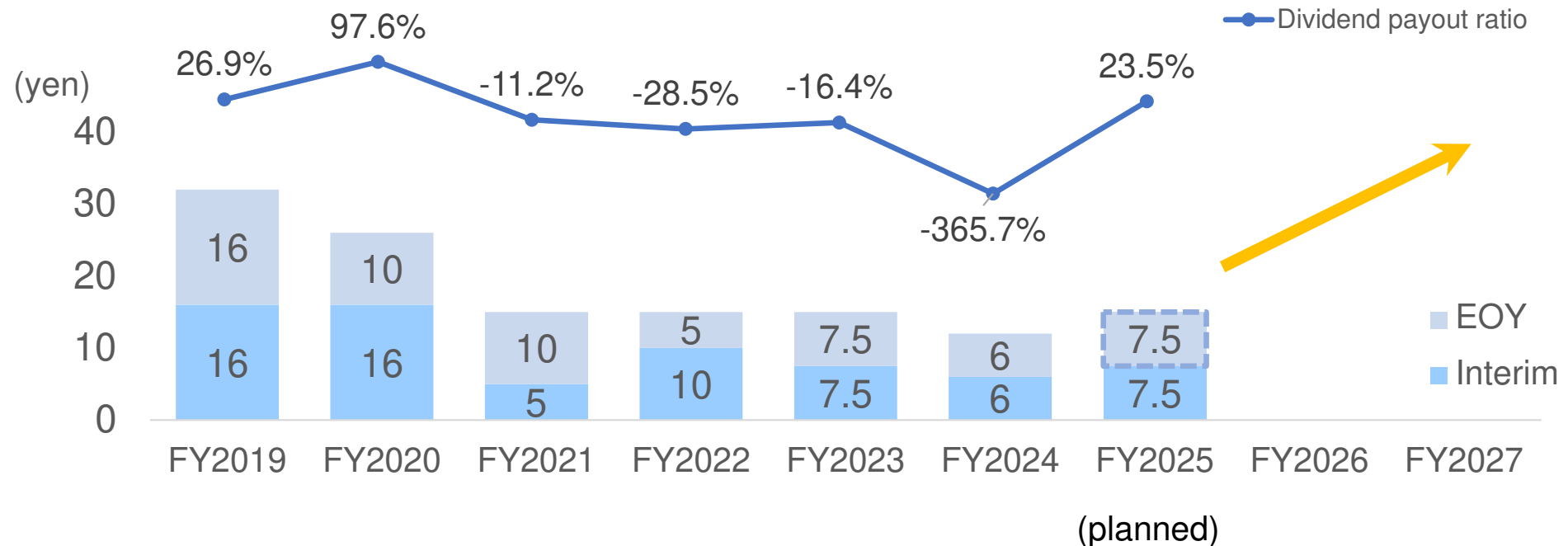
We will generate income through **improved business performance** and aim to **invest in new growth channels, thus elevating shareholder returns over the long term.**



Prioritizing the allocation of funds to growth investments

### ■ Reviewing our dividend policy

- Stable dividend increases in line with the recovery in business performance
- Determine **dividend payout ratio** based on the full-year business environment and performance while **targeting a ratio of 30%**



### ■ Improving communication with stakeholders

- We will work to enhance our sustainable corporate value through dialogue with our various stakeholders.
- As part of **proactive investor relations**, we will disseminate corporate information to our shareholders and investors in an appropriate and timely manner.

# Creating the future of mobile space

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