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Notice Regarding Actions to Implement Management that is Conscious of Cost of Capital and Stock Price (Including an Update to the Positioning of E・J-Vision2030)

We have reviewed and evaluated the current situation of the E･J Group regarding actions to implement management that is conscious of cost of capital and stock price and have established policies and initiatives aimed at further improvement. We have also updated the positioning of our long-term vision, "E・J-Vision2030." The details are set out below.

Analysis of Current Situation

Over the past five years, our Group's PBR has hovered between 0.7x and 0.9x, remaining below 1.0x. While our ROE, at over 9%, has fallen slightly short of our 10% target, our equity spread (ROE minus cost of equity) remains relatively healthy at +3% to +5%, although it has shown a downward trend in recent years. Despite maintaining profitability that exceeds our cost of equity, our PBR remains below 1.0x. We therefore recognize that achieving an appropriate market valuation remains an important management challenge.

Guided by our long-term vision, "E・J-Vision2030," we have pursued growth by contributing to the resolution of social challenges in the fields of the environment, disaster prevention and conservation, and government support. As a result, our business performance has progressed at a pace exceeding our initial projections, and the fiscal 2030 targets set forth in E・J-Vision2030—net sales of 50 billion yen, operating profit of 6 billion yen, and profit attributable to owners of parent of 4 billion yen—are now within reach during the period of our current medium-term management plan, approximately three years ahead of schedule.

Rather than being satisfied with achieving our long-term management targets, we will pursue further improvement in ROE and PBR and continue transforming our business structure and management foundation in order to generate returns in excess of our cost of capital and achieve an appropriate market valuation.

Policy for Improvement

Going forward, we will shift our management approach to place greater emphasis on enhancing capital efficiency and advancing our value creation structure, rather than relying on the long-term numerical targets currently disclosed. This shift reflects the nature of our business, which requires investments that typically take time to generate returns, as well as the need for flexible resource allocation and strategic decision-making in response to rapid changes in the business environment.

Accordingly, rather than setting fixed numerical targets for fiscal 2030, we will drive management based on indicators that reflect progress in capital efficiency and value creation.

Guided by this approach, we are transitioning to the next stage of growth, focused on advancing our management practices.

Implementation of Initiatives

Going forward, we recognize generating returns in excess of our cost of capital and achieving an appropriate market valuation as important management priorities.

To enhance corporate value, we believe it is essential to simultaneously improve:

- Profitability and asset efficiency
- Market expectations regarding growth potential

Based on this understanding, we will prioritize the following initiatives:

- Improving asset efficiency and strengthening cash-generating capabilities
- Implementing capital policies that balance growth investments with shareholder returns
- Allocating management resources with a focus on investment efficiency and strengthening capital discipline
- Enhancing financial and non-financial disclosures and strengthening dialogue with shareholders and investors

Update to the Positioning of E・J-Vision2030

Under our long-term vision, "E・J-Vision2030," we have sought to create sustainable corporate value by contributing to the resolution of social challenges. As a result, we have made steady progress in achieving our financial targets and expanding our management foundation. Building on this progress, we view our current long-term vision as a milestone. In the next phase of growth, we will not only expand our business but also enhance value creation by comprehensively strengthening and interlinking the various forms of capital that serve as the source of our corporate value.

As a concrete measure to achieve this, we will advance a management approach that fosters a virtuous cycle and mutual reinforcement among Financial Capital, Human Capital, Intellectual Capital, Manufactured Capital, Social and Relationship Capital, and Natural Capital, rather than optimizing each form of capital individually.

By leveraging these forms of capital in an integrated manner, we will enhance the added value and productivity of our businesses, thereby generating returns that exceed our cost of capital.

Furthermore, to accurately track the progress of each form of capital and incorporate this into our management, we will establish KPIs for these forms of capital and continuously monitor them from the following perspectives:

- Profitability (profit-generating capacity)
- Efficiency (capital turnover and productivity)
- Growth (expansion of added value)

Through these measures, we aim to appropriately improve business operations and optimize resource allocation, thereby realizing more efficient management and creating a virtuous cycle of enhanced corporate value.

To Our Shareholders and Investors

Guided by management that is conscious of the cost of capital and stock price, we will work to maximize shareholder value by comprehensively strengthening our six forms of capital and achieving sustainable growth and enhanced corporate value.

We ask for your continued understanding and support.

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