

Yodogawa Steel Works, Ltd.

Actions to Implement Management that is Conscious of Cost of Capital and Stock Price

May 14, 2024

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Analysis of Current Situation - PBR and ROE

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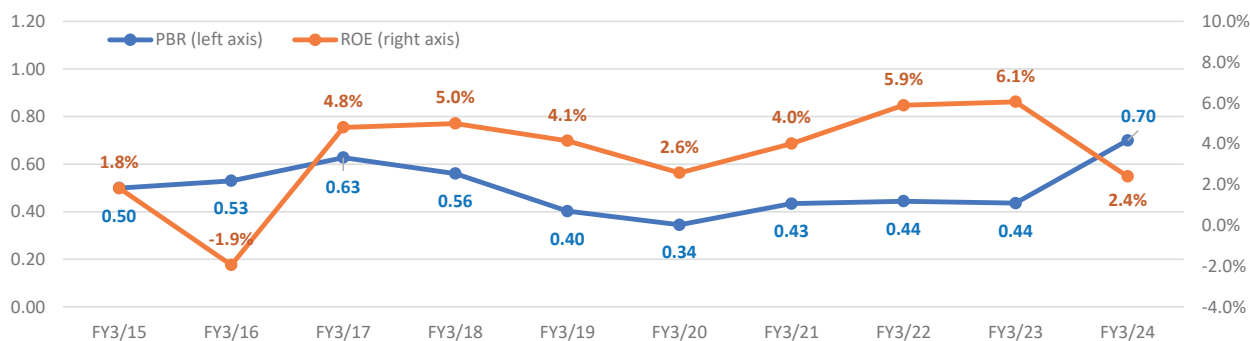


■ PBR: 0.70 (as of the end of FY3/24)

→ The PBR has been consistently below 1 during the past 10 years, remaining in a range of 0.34-0.70.

■ ROE: 2.4% (FY3/24)

→ The ROE was above 5% in FY3/22 and FY3/23, but declined sharply in FY3/24 due to a large extraordinary loss. Has not yet achieved a return on equity that exceeds the cost of equity.



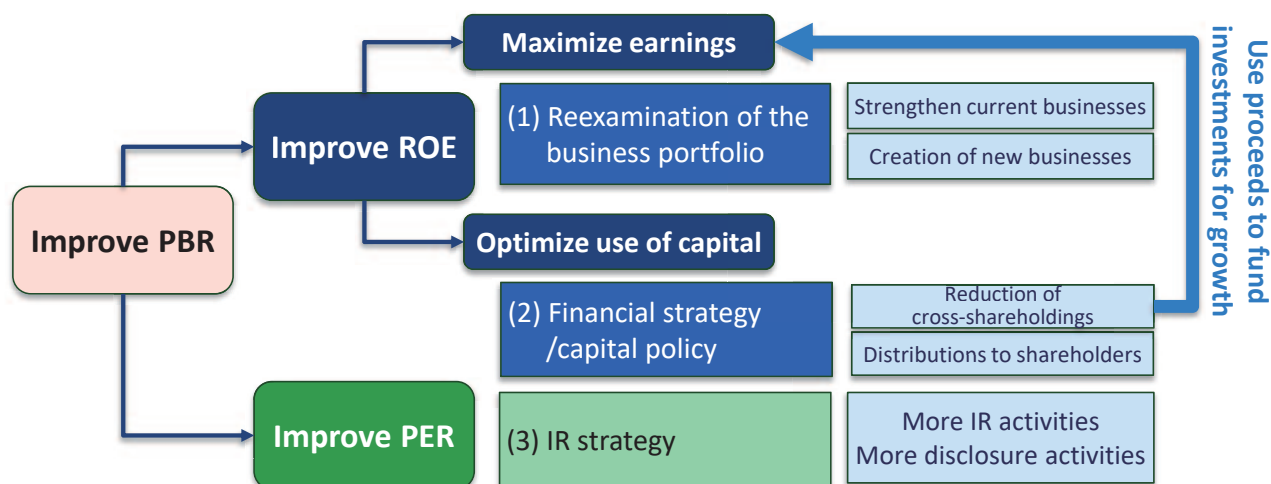
An ROE higher than the cost of equity is the highest priority for achieving an appropriate valuation of Yodogawa Steel stock.

Sustained Growth and Medium/Long-term Corporate Value Growth

Yodogawa Steel Works, Ltd.



- The ROE target for FY3/26 has been increased to 7%.
- Yodogawa Steel maximizes earnings by reexamining its business portfolio and optimizes capital use by reviewing its capital policy. **The goal is an ROE of at least 8% by the end of the next medium-term plan.**



Sustained Growth and Medium/Long-term Corporate Value Growth

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Upcoming Initiatives

(1) Reexamination of the business portfolio

Maximization of earnings by strengthening current businesses while creating new businesses

■ Strengthen current businesses

- Capital expenditures to become more competitive and a shorter cash conversion cycle (inventory reductions and other measures) for higher efficiency
- Determination of actions for building a stronger business portfolio (identify nonprofitable businesses, group reorganization, etc.)

■ Creation of new businesses

- Seek opportunities for more alliances and M&A, mainly in business sectors associated with current operations, to add new businesses

■ Upcoming Initiatives

➤ (2) Financial strategy/capital policy

Planning on more sales of cross-shareholdings and more distributions to shareholders

The goal is the optimum capital structure, including the appropriate use of interest-bearing debt

■ Reduction of cross-shareholdings

Planned reduction during the Medium-Term Management Plan 2025

- Medium-term plan: April 2023-March 2026 (3 years)
- Planned reduction: About 30% of End-March 2023 cross-shareholdings, which were 28 billion yen

(Billions of yen)

End-March 2023	End-March 2026	Target	
Result	Forecast	Reduction amount	Reduction rate
28.0	19.6	8.4	30.0%

Medium/long-term reduction policy

- The goal is to reduce cross-shareholdings (balance sheet valuations) to less than 10% of consolidated net assets.

■ Upcoming Initiatives

➤ (2) Financial strategy/capital policy

■ Distributions to shareholders (Dividend policy)

- The amount of equity will be controlled in a suitable manner with the goal of raising the ROE to at least 8%.
- During the current medium-term plan, the plan is a consolidated dividend payout ratio of at least 75% while maintaining a fiscal year dividend of no less than 200 yen.

■ Cancellation of treasury shares

- The policy is to keep holdings of treasury shares below 10% of the total number of outstanding shares.
- Plan to cancel 3 million shares of treasury stock (8.61% of outstanding shares prior to this cancelation) on May 31, 2024.

■ Upcoming Initiatives

➤ (3) IR strategy

Yodogawa Steel places priority on communications with shareholders and investors and is committed to giving everyone a sound understanding of the Yodogawa Steel Group by increasing opportunities for shareholder and investor dialogues.

■ More investor relations and disclosure activities

- Further upgrade earnings announcement presentations and meetings with investors
- Enhance information provision to investors through various IR tools
- Provide English translations of timely disclosure announcements as required by the Tokyo Stock Exchange

- Some targets in the Yodogawa Steel Group Medium-Term Management Plan 2025 have been revised to reflect actions for management with emphasis on the cost of capital and stock price.

Initial Targets

	Period	Objective
Consolidated operating profit	Every fiscal year	At least 10 billion yen
ROE	FY3/26	5% or more
Capital expenditures	Three-year total	20 to 25 billion yen
Distributions to shareholders	Every fiscal year	Annual dividend of at least 50 yen Consolidated payout ratio of at least 30%
Criteria for treasury share ownership	—	—
Reduction of Cross-shareholdings	—	—

New Management Targets

Period	Objective
<u>FY3/26</u>	<u>At least 13 billion yen</u>
FY3/26	<u>7%</u>
Three-year total	20 to 25 billion yen
Every fiscal year	<u>Annual dividend of at least 200 yen</u> <u>Consolidated payout ratio of at least 75%</u>
<u>Every fiscal year</u>	<u>About less than 10% of the total number of outstanding shares</u>
<u>Medium-term plan period (3 years)</u>	<u>Reduction rate: 30% equivalent</u> <u>Reduction amount: About 8.4 billion yen</u>