



May 15, 2025

To Whom It May Concern:

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Representative Director and President (CEO)  
(Securities Code: 6118  
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### Notice Regarding Formulation of New Capital Policy

AIDA ENGINEERING, LTD. (the “**Company**”) hereby announces that, at a meeting of its Board of Directors held today, the Company reviewed its capital policy in accordance with the policy announced in the press release titled “Notice Regarding Revision of Capital Policy (Scheduled for Disclosure in May 2025) and Resolution on Matters Related to Repurchase and Cancellation of Treasury Stock” dated March 28, 2025 (the “**March 28, 2025 Press Release**”), and resolved to formulate a new capital policy covering the three years from fiscal year 2025 through fiscal year 2027 (the “**Capital Policy**”) as set forth below. In addition, the Company plans to announce its new growth strategies in the next Medium-Term Management Plan after carefully assessing the macroeconomic environment.

#### **1. Background of the Capital Policy**

As stated in the March 28, 2025 Press Release, given that the Company’s price-to-book ratio (PBR) is below 1.0x, the Company has decided to formulate a new capital policy for the purpose of specifically outlining a roadmap for achieving a PBR exceeding 1.0x while maintaining its current Medium-Term Management Plan.

#### **2. Outline of the Capital Policy**

Under the Capital Policy, based on the management policy of growing together with stakeholders of the Company, as outlined in the current Medium-Term Management Plan, the Company will maintain the stability of its managerial and financial foundations, undertake strategic investments for sustainable growth, and provide stable shareholder returns in a well-balanced manner. In addition, the Company has added a new policy of pursuing an “optimal level of equity capital” and an “optimal balance sheet” that reflect its cost of capital, and on such basis, has set out a new capital allocation plan.

Specifically, the Company aims to achieve (i) a return on equity (ROE) of 8.0% or higher and (ii) shareholder returns of a dividend on equity (DOE) of 3% or higher and a total payout ratio of 100% or higher, thereby attaining

an equity capital level consistent with the ROE target and optimizing its cash and cash equivalents. In addition, as part of the balance sheet management efforts aimed at improving capital efficiency, the Company will also work to optimize its inventory levels. Each of these targets has been set based on dialogue with the Company's shareholders and investors, including institutional investors, and, particularly, the ROE target is set at a level that exceeds the Company's perceived cost of capital.

The Company will continue its ongoing dialogue with its shareholders and investors, including institutional investors, and is committed to achieving a PBR exceeding 1.0x in a steady and timely manner in line with the Capital Policy.

For details of the Capital Policy, please refer to the attached document.

End

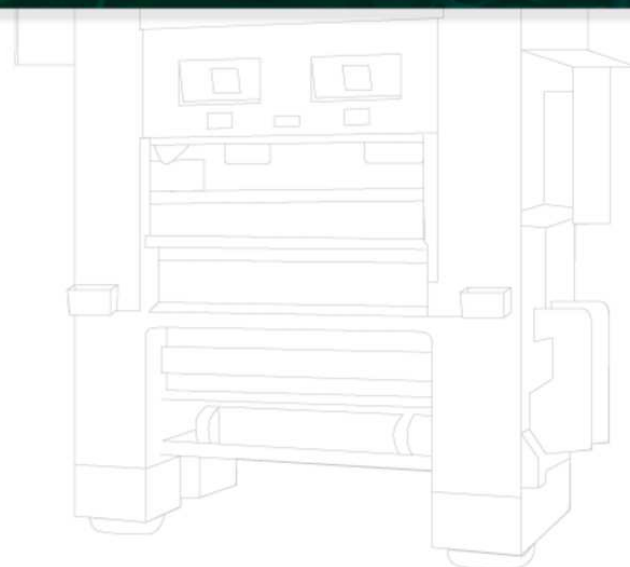
# The Company's New Capital Policy

## FY2025 – FY2027

(April 2025 ~ March 2028)



**AIDA ENGINEERING, LTD.**



## Positioning of the Company's New Capital Policy

### Establishing a New Capital Policy That Aims for a PBR That Exceeds 1.0x While Still Adhering to the Business Plan Contained in the Current Medium-Term Management Plan

- Sales and operating income targets for FY2027 are based on the current Medium-Term Management Plan.
- The Company's new growth strategies and optimized business portfolios will be included in the next Medium-Term Management Plan after assessing the impact of external environment factors (EV trends, U.S. trade policy, etc.)

## The Company's New Capital Policy: Basic Policies and Specific Measures

### Basic Policies

### Specific Policy Initiatives

#### ① Appropriate Net Cash & Deposits Level

The appropriate level will be set at **20 billion yen**, and the Company will gradually reduce this from the current 32 billion yen (as of the end of March 2025).

- Specify the minimum cash and deposits level required based on growth investments and business performance fluctuation risks (equivalent to approximately 3 months of sales).
- The excess will be used for investments and shareholder returns.

#### ② ROE Target

Aim for an ROE of **8.0% or higher**

- The Company's cost of capital is considered to be between 6.5%~7.0%. (15-Year Average PER = 15 times  $\Rightarrow$  1/PER = 6.7%)
- Based on dialogue with investors, we are aiming for the following: Cost of capital + spread = 8% or higher

#### ③ BS Management

Initiatives to optimize cash and deposits, inventories, and equity capital.

- Optimization of net cash and deposits: See ① above.
- Optimization of inventories: Aim for equivalent of approximately 4 months of sales (currently 5+ months)
- Optimization of equity capital: Aim for equity capital based on an ROE of 8.0% or higher.

#### ④ Capital Allocation

Announce capital allocations through FY2027 (3 years).

- Clarify and specify how capital will be used to achieve ①~③ above.
- Ensure a balance between growth investments and shareholder returns.
- ROE: Increase "R" (returns) and aim for an appropriate level of "E" (equity).

#### ⑤ Shareholder Return Indicators

A DOE of **3%** or higher;  
A Total Payout Ratio of **100%** or higher.

- Change to a dividend policy that is less susceptible to profit fluctuations. (Planning to increase dividends above the current level of 30 yen/stock.)
- Aim for the optimal equity capital level and avoid accumulating more capital than necessary.

# Capital Allocation Policy Through FY2027 (~March 2028)

**-Overview of the Company's Shareholder Return Policy for the Next Three Years Based on the Current Medium-Term Management Plan**

Building our Future

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**[Basic Policy]** Based on our management policy of growing together with our stakeholders, we will maintain the stability of our managerial and financial foundations, undertake strategic investments for sustainable growth, and provide stable shareholder returns in a well-balanced manner. In addition, we aim to achieve an “optimal level of equity capital” and an “optimal balance sheet” that reflect our cost of capital.

