November 15, 2024


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|---|---|
| Company Name: | Pro-Ship Incorporated |
| Representative: | Motoshi Suzuki, Representative Director and President (Securities code: 3763; TSE Prime Market) |
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# Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Pro-Ship Incorporated announces that our Board of Directors, at a meeting held on November 15, 2024, analyzed our current situation and resolved on a policy for future actions to implement management that is conscious of cost of capital and stock price.

For details, please refer to the attached document "Action to Implement Management that is Conscious of Cost of Capital and Stock Price."

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

Pro-Ship Incorporated (SIC 3763, TSE Prime Market)

November 15, 2024

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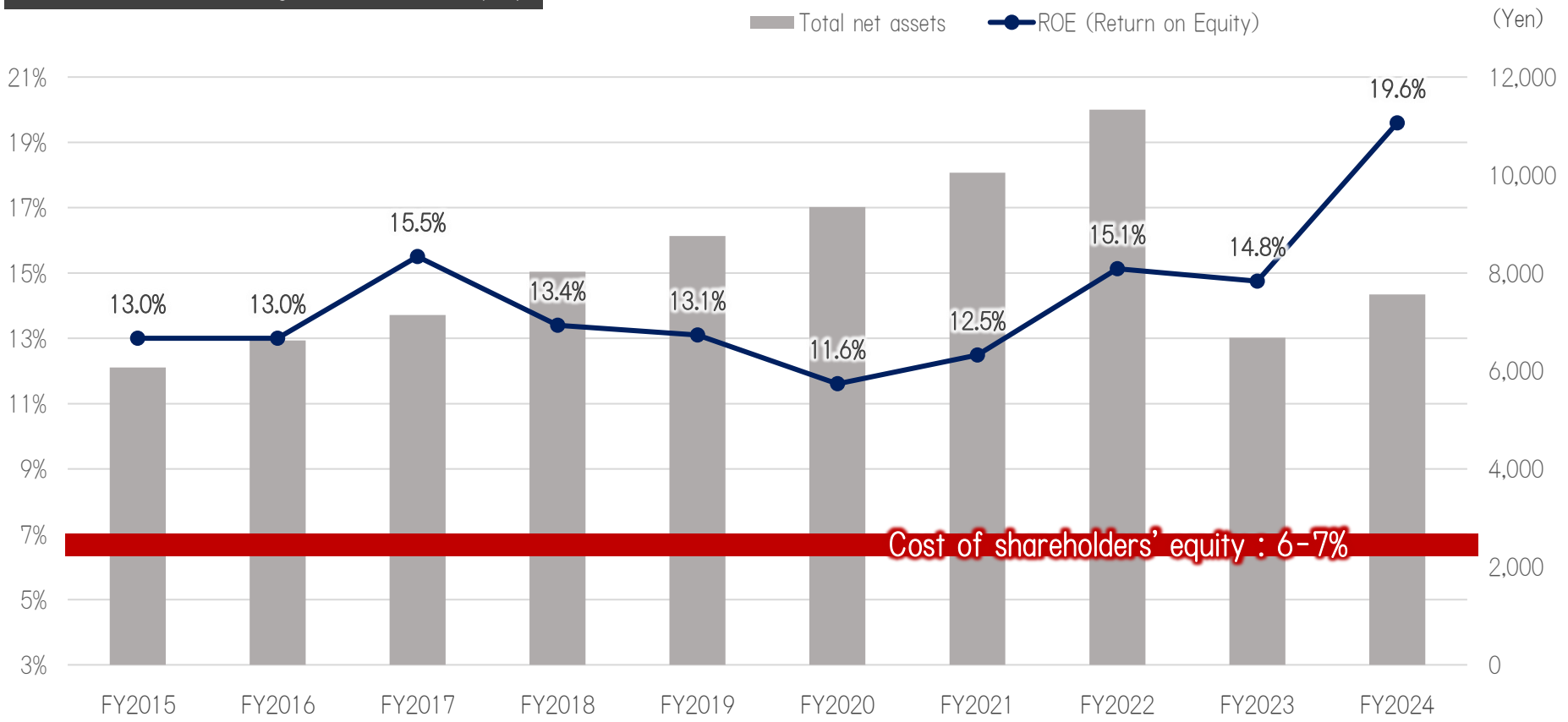
# Current Situation of Capital Costs and Return on Capital - ROE

ROE (Return on Equity) remains stable over the long term at over 10%.
This is further enhanced by the share buyback in FY2023,
it greatly exceeds our estimated cost of equity (6-7%).

Cost of equity: Calculated using CAPM (risk-free rate + ( $\beta$ × market risk premium))

ROE (net income/average shareholders' equity)

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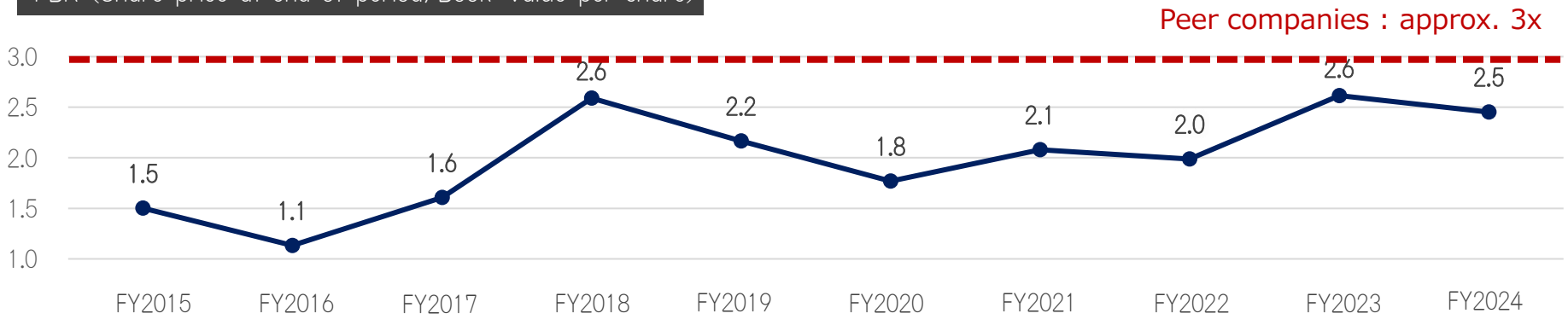
# Current Situation of Capital Costs and Return on Capital - PBR / PER

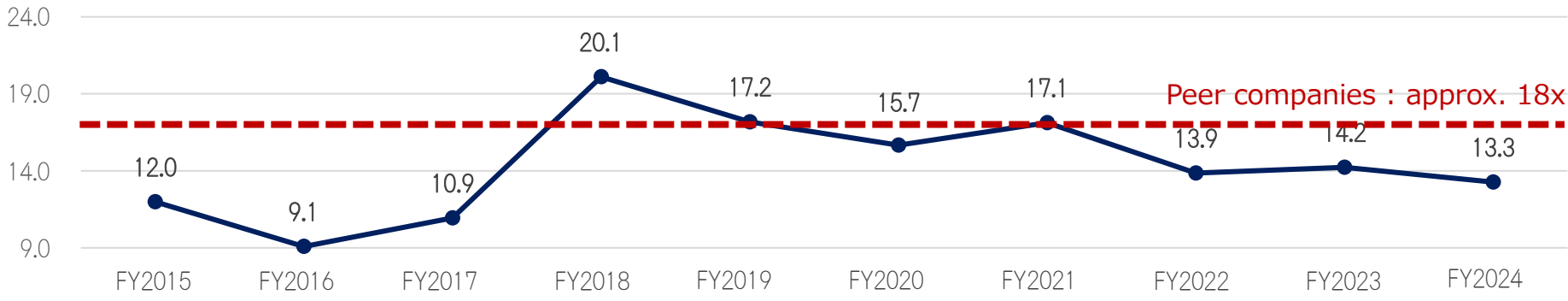
- PBR has remained above 1x over the long term, but it has not reached the level of other companies in the same industry.
- PER has averaged 14.8x over the last 5 years, which is below the level of other companies in the same industry.

⇒Market expectations for our growth strategy have not been properly raised.

PBR (Share price at end of period/Book-value per share)




PER (Share price at end of period/Net income per share)

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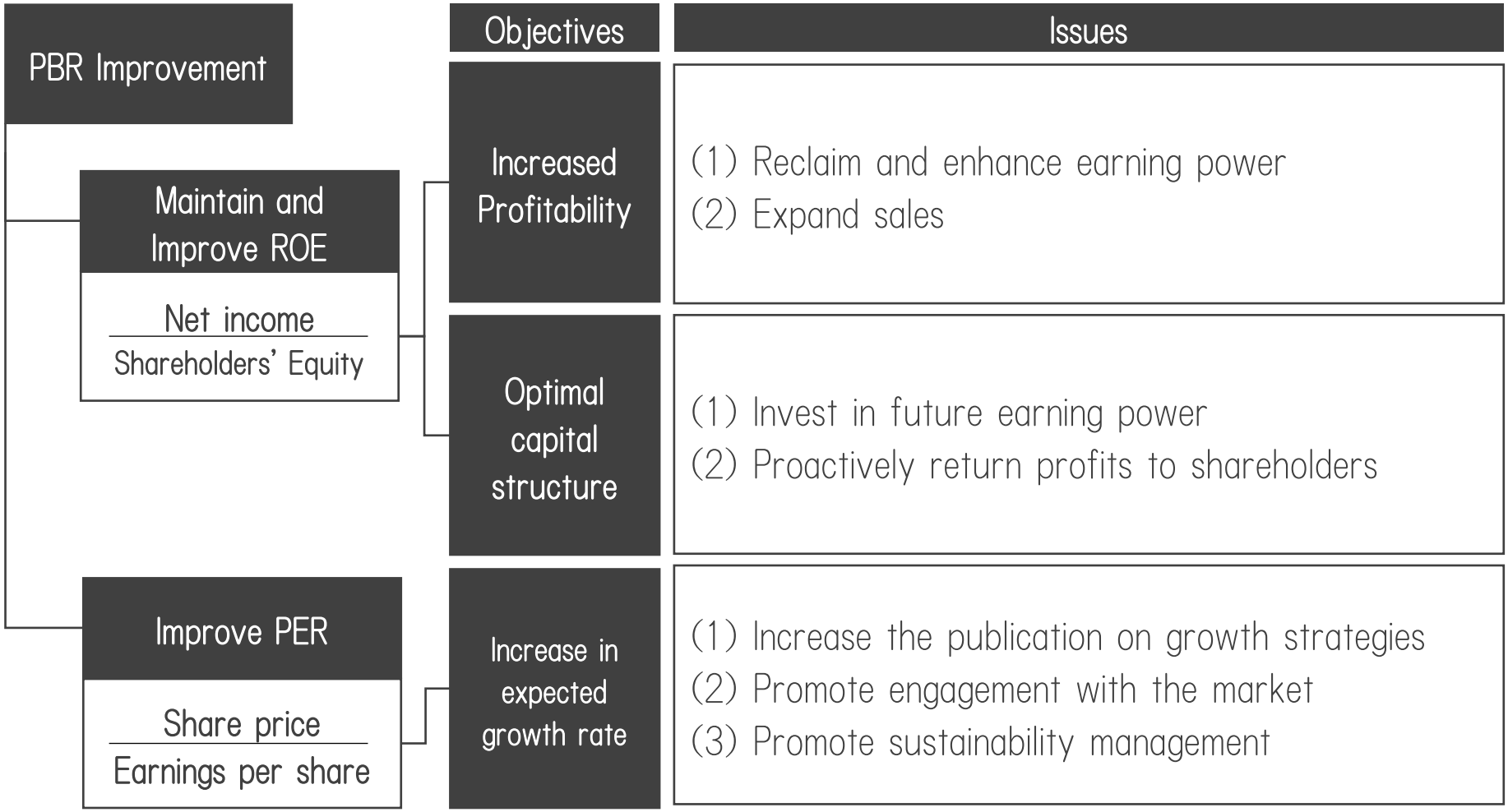
## Decomposition of factors to improve PBR (= ROE x PER )

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## Maintain and improve ROE - Increased profitability

| Issues | Specific Goals and Initiatives |
|---|---|
| (1) Reclaim and enhance earning power | - Building a Hybrid Model<br>( Conventional one-time purchase license business model + SaaS subscription business model )<br>- Expansion of recurring revenue<br>- Maintaining an ordinary profit margin of over 30%<br>- Ordinary profit per employee of over 10 million yen (FY3/2029) |
| (2) Expand sales scale | - Expanding results in growth areas such as social infrastructure industry, new lease accounting standard<br>- Average annual growth rate of sales: over 15%<br>( FY3/2025 - FY3/2029 ) |

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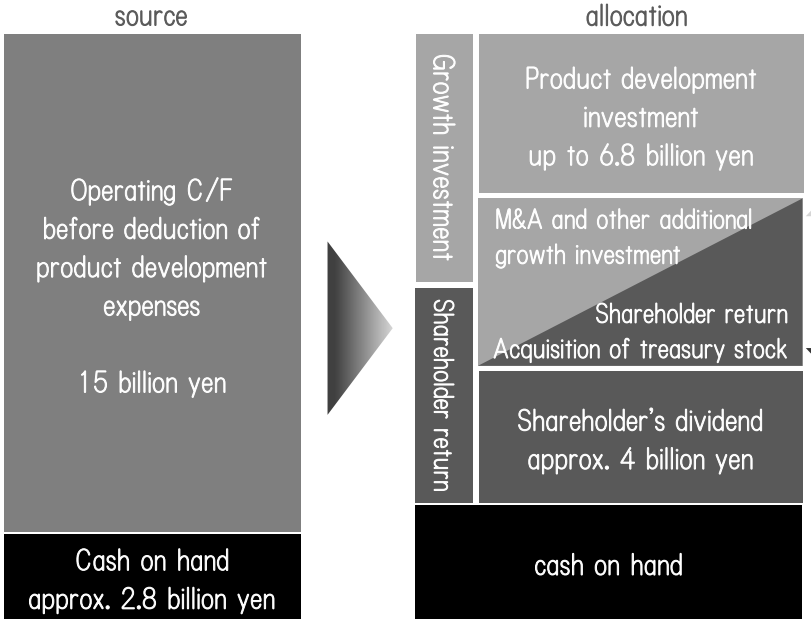
# Maintain and improve ROE - Optimal capital structure

| Issues | Specific Goals and Initiatives |
|---|---|
| (1) Invest in future earning power | - Continuous investment in strengthening products that are the source of revenue<br>- Investment in inorganic growth, such as M&A and business partnerships |
| (2) Proactively return profits to shareholders | - Maintaining a dividend payout ratio of 40% or higher and progressive dividend policy<br>- Flexible share repurchases |

## Cash Allocation ( FY3/2025-FY3/2029 )

While investing in human capital, such as by increasing employee compensation levels, we will seek to maximize operating cash flow.




- Investment in product development 7-13% of sales
- New product sales composition ratio: over 30% (FY3/2029)

Flexible implementation in consideration of business environment

- Maintaining dividend payout ratio of over 40%
- Continuation of progressive dividends

- Appropriate cash position based on factors such as increased working capital and business risk

*Operating C/F before deduction of product development investment = Operating CF + (R&D expenses + product repair and maintenance expenses)
*Product development investment = R&D expenses + product repair and maintenance expenses + intangible assets

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## Improve PER - Increase in expected growth rate

| Issues | Specific Goals and Initiatives |
|---|---|
| (1) Increase the publication on growth strategies | - Publication of medium/long-term goals and plans for achieving them<br>- Enhancement of information disclosure |
| (2) Promote engagement with the market | - Strengthen communication with shareholders and investors |
| (3) Promote sustainability management | - Promotion of human capital management<br>Ratio of female directors exceeds 30%, introduction of restricted stock compensation, enhancement of training and development, etc.<br>- Environmentally Sustainable Operations<br>Promotion of cloud computing and digitalization, use of energy saving appliance, etc.<br>- Contribution to the community<br>Establishment and expansion of Saga office, etc.<br>- Strengthening Corporate Governance |

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# Pro-Ship Incorporated (Securities Code: 3763)

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