Actions toward Realization of Management Conscious of Cost of Capital and Stock Price

8th August, 2024

Company name: ZERO CO., LTD. Code No: 9028 (Tokyo Stock Exchange Standard Section)
Representative: CEO & President - Toshihiro Takahashi
Contact for Inquiries: General Manager of Corporate Planning Department - Takashi Date
Telephone: 044-520-0106

We hereby announce that our Board of Directors, at a meeting held today, analyzed and evaluated the current situation and resolved specific actions for improvement, with a view to realizing management that is conscious of the cost of capital and stock price.

1. Analysis and Evaluation of Current Status

Our P/B ratio was 0.84x as of June 30, 2024, and we are aware that one of our key management tasks is to achieve a P/B ratio of 1x or more as soon as possible. On the other hand, ROE has been above 8.0% (the minimum target that should be exceeded in the Ito Review) continuously since the fiscal year ending June 30, 2020, and we recognize that ROE is above our cost of equity (equity spread is positive) calculated based on the CAPM, then P/B ratio is theoretically above 1x. However, we believe that our share price has been being pressured downward mainly by the return to shareholders and the liquidity of the stock, as well as by the stability and growth of profits.

Regarding return to shareholders, the dividend payout ratio continues to be 25%, and since we has not repurchased any of our own shares since the fiscal year ended June 30, 2017, its total return ratio is below the average for listed companies.

Regarding stock liquidity, we recognize that a certain liquidity risk premium exists and affects our cost of equity because daily trading volume remains at a low level.

Regarding the stability and growth of profits, we recognize that in addition to the continued failure to increase profits, we have not been able to demonstrate growth potential due in part to a lack of investor relations activities.

	Unit	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Sales revenue	Millions of yen	90,228	89,501	92,171	107,045	132,861	140,751
Operating income	Millions of yen	3,305	3,675	5,332	3,912	5,074	6,222
Profit before tax	Millions of yen	3,294	3,679	5,373	3,947	5,080	6,227
Net income ※1	Millions of yen	1,658	2,374	3,626	2,535	3,437	4,150
Total capital ※2	Millions of yen	23,056	24,864	28,280	30,067	33,285	37,209
ROE	%	7.3	9.9	13.6	8.7	10.9	11.8
Share price at end of period	Yen /Share	801	868	1,284	1,044	1,334	1,852
P/B ratio	x	0.58	0.58	0.76	0.58	0.68	0.84
P/E ratio	x	8.03	6.10	5.93	6.92	6.54	7.54

※1 Profit attributable to equity shareholders of the company
※2 Equity attributable to equity shareholders of the company

2. Specific actions for improvement

(A). Revision of shareholder return policy

Effective from the fiscal year ending June 30, 2025, we will raise the dividend payout ratio from 25% to 33%. We intend to balance the profit attributable to owners of the parent by dividing it into the three categories of "shareholder return," "investment for growth," and "financial stabilization." Our revised dividend payout ratio will be at the average for listed companies.

(B). Improvement of stock liquidity

We will aim to comply with the listing standards and reduce the liquidity risk premium by implementing measures that contribute to improving the ratio of tradable shares after considering all possibilities, such as widely inviting corporate shareholders to sell our shares.

(C). Improvement of capital profitability

While maintaining our core business of vehicle transportation, we have built a business portfolio that does not depend on the vehicle transportation business by expanding our general cargo, human resource, and overseas-related businesses, In the future, we intend to improve our corporate value by reviewing our business portfolio and asset holdings, investing in new businesses and acquiring companies.

As we acquired SO-ING Co., Ltd. in November 2023, we will aim to further improve ROE while effectively utilizing financial leverage.

In the new medium-term management plan starting from the fiscal year ending June 30, 2025, we aim to achieve sales revenue of 150 billion yen or more, operating income of 10 billion yen or more, and ROE of 14.0% or more by the fiscal year ending June 30, 2027.

(D). Enhancement of IR activities

By increasing opportunities for dialogue with shareholders and investors, we will share our business environment, future growth strategies, and non-financial information, which will lead to improvement of our stock price and P/B ratio.
Specifically, we will enhance the disclosure of the following information.

- Business environment, profitability, customer trends, competitive landscape, and competitive advantages by segment
- Future growth strategies and business portfolio
- Non-financial information