June 25, 2026

Company Name: ShinMaywa Industries, Ltd.
Representative: Takashi Kunihara, President and Chief Executive Officer
(Code number: 7224; Tokyo Stock Exchange, Prime Market)
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Notice Concerning Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Updates)

ShinMaywa Industries, Ltd. (the “Company”) announces in the June 25, 2026 Board of Directors that it has analyzed and assessed current status of, and updated the content in "Notice Concerning Action to Implement Management that is Conscious of Cost of Capital and Stock Price".

For details, please refer to the attached material.

(End of document)

Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Updates)

June 25, 2026

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Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Updates)

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Recognition of current status

- The Company's cost of capital and cost of equity are considered to be around 5% and 7%, respectively. The Company determines its cost of capital and cost of equity, which are required externally, by not only performing calculations using generally acceptable calculation methods, but also regularly acquiring these figures from multiple external institutions.
- In the fiscal year ended March 2026, ROIC was 6.7% and ROE 9.7%, both exceeding recognized levels in cost of capital and equity.
- Achieved PBR of more than 1x. To further improve PBR, the Company needs to improve both ROE and PER.
- The issue in ROE is to improve profitability. The issues in PER are to ensure execution and permeation of Medium-term management plan [SG-2026] (the fiscal year ended March 2025 to the fiscal year ending March 2027), and to enhance disclosure of information (time, methods, details).

Policy

- With the aim of realizing the Long-term vision, which expresses the ideal form the Company wants to realize in 2030, and achieving the target set in the Long-term management vision [SG-Vision 2030], divide the Long-term management plan into 3 phases (periods), and advance a Medium-term management plan for each period.
- Target levels in [SG-Vision 2030] and targets in [SG-2026], which falls under Phase 2

*[SG-Vision 2030] Net sales: 400 billion yen or more (including overseas net sales of 100 billion yen or more), ROE: 12% or more, ROIC: 10% or more

[SG-2026] Net sales: 320 billion yen (including overseas net sales of 80 billion yen), operating profit: 18 billion yen, ROE: 10% or more, ROIC: 7% or more

Major initiatives

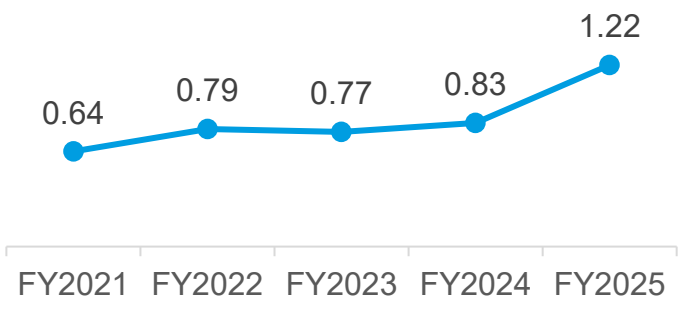
- Implement business portfolio management. Classify 5 businesses into "business requiring reinforcement of growth potential" and "business requiring reinforcement of profitability" based on ROIC and promote investment strategy in accordance with policy. At the same time, create new businesses through synergies between businesses and value co-creation with external parties.
- Proliferate and promote ROIC management. Use ROIC Reverse Tree for expansion of throughput, reduction of operating costs, and significant improvement of productivity, improve ROIC through investment strategy based on business portfolio strategy, and procure funds in consideration of financial soundness.
- Aggressively make growth investment (acceleration of business expansion overseas, strategic M&A, development of new businesses) and investment to strengthen competitiveness (strengthening of competitiveness, IT infrastructure investment, strengthening of facility updates).
- Adopt DOE for shareholder returns during the period of [SG-2026]. Provide stable and sustainable profit returns by paying dividends with a target DOE of 3%.
- Strengthen IR and SR activities and enhance information disclosure. In addition to officers' direct involvement, continue a system of providing management with opinions obtained from dialogue with shareholders and management issues as feedback.

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Recent Trends in PBR & ROE & PER and Examples of Initiatives

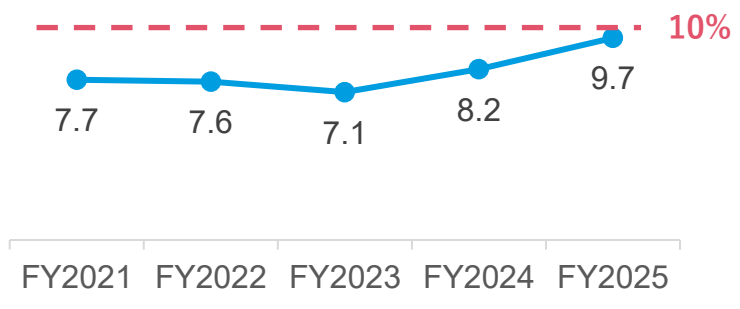
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Trends in PBR



Trends in ROE

［SG-2026］Target：10% or more



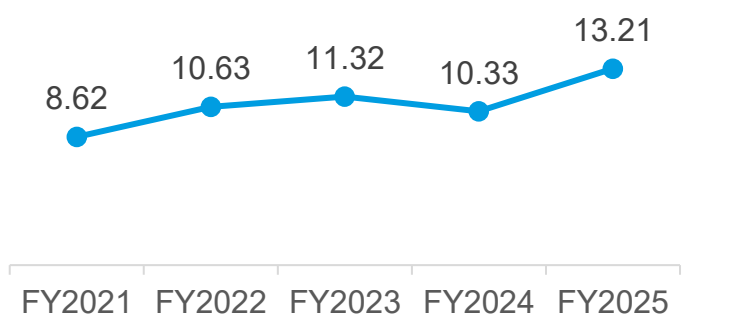
■ **Main initiatives for the fiscal year ended March 2026**

- **Promote measures to increase earnings (reap the results of price revisions, etc.)**
- **Increase annual dividend (+¥4 YoY) while maintaining an appropriate level of equity*, and control ROE denominator**

*

Equity-to-asset ratio	**Policy: Over 40%**	**Results: 42.2%**
Net D/E ratio	**Policy: Within 0.5x**	**Results: 0.10x**

Trends in PER



■ **Main initiatives for the fiscal year ended March 2026**

- **Progress of medium-term management plan [SG-2026] disclosures**
- **Enhance content of financial results presentation ⇒ Add the slides on the business strategies [Defense-related business] to the financial results presentation**

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[SG-Vision2030]: Promotion Plan and Management Indices for Fiscal Year 2030

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[SG-Vision2030]

We aim to achieve the Long-Term Vision and each management indicator by dividing the 10 years of the Long-term management plan (from FY2021 to FY2030) into three phases and periods and formulating and promoting a medium-term management plan for each period.

Sustainable Growth with Vision 2030 [SG-Vision2030]

Sustainable growth through value creation

Phase1 Transformation

[SG-2023]
FY2021 to FY2023

FY2023 results

Net sales	:	257.0 billion yen
Overseas sales	:	53.2 billion yen
Operating profit	:	11.7 billion yen
ROE	:	7.1%
ROIC	:	5.3%

Phase2 Expansion

[SG-2026]
FY2024 to FY2026

FY2026 Target

Net sales	:	320.0 billion yen
Overseas sales	:	80.0 billion yen
Operating profit	:	18.0 billion yen
ROE	:	10.0% or more
ROIC	:	7.0% or more

Phase3 Advancement

FY2027 to FY2030

Target standard

Net sales	:	400.0 billion yen or more
Overseas sales	:	100.0 billion yen or more
ROE	:	12% or more
ROIC	:	10% or more

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Setting FY2024 to FY2026 as Phase 2 [Expansion] towards the realization of the Long-Term Vision, we will endeavor to work on under the following six basic policies.

Basic policies

SG-2026

1 Realization of sustained growth

A) Acceleration of overseas expansion: Strengthening of expansion in Southeast Asia, Oceania, and North America
B) Strategic M&As: Active utilization of M&As, aiming to expand overseas and create new businesses
C) Promotion of DX: Value creation and new business model development by utilizing data
D) New business creation: New business creation through generating synergies among businesses and value creation with external parties
E) Defense business: Enhance business base and expand business, built on the trust and achievements cultivated over many years

2 Business portfolio management

A) Classify the five businesses based on ROIC into a growth potential enhancement business or profitability enhancement business to manage the business portfolio
B) Investments and new business creation based on the portfolio classification to follow the [SG-Vision2030]

3 Penetration and promotion of ROIC management

A) ROIC reverse tree implementation: Throughput increases, operating cost decreases, and substantial productivity improvements with all departments and group companies
B) Cash allocation: ROIC improvement through the investment strategy based on the business portfolio strategy and fund procurement in light of financial soundness

4 Enhancing human capital

A) Recruitment and development of human resources based on the growth strategies: Digital literacy education, global human resource education, recruitment of highly professional human resources, and strategic human resource portfolio
B) Improvement of employee engagement: D&I promotion, career path formulation support for employees, and female leader development

5 Contribution to the environment and society through products and services

A) Environment: Deployment of GHG emissions calculation for Scopes 1 and 2 and introduction of Scope 3 to group companies. Consideration of an environmental product certificate system
B) Society: Improvement of corporate value through expansion of values provided to stakeholders

6 Enhancing risk management and compliance

A) Risk management: Monitoring of business risks arising from climate change and human rights issues and implementation of CSR, BCM/BCP measures, enhancement of information security measures, etc.
B) Compliance: Compliance education, continuous implementation of the compliance awareness survey, reinforced utilization of internal whistleblower hotlines

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[SG-2026] Key Management Indices

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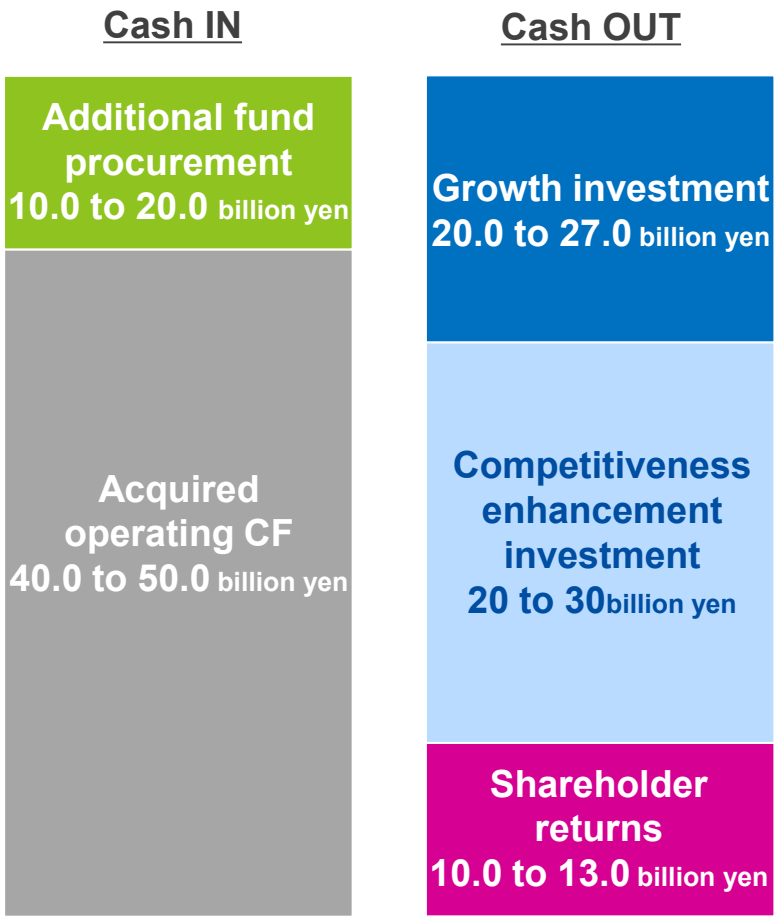
Management indicator	FY2024 (Results)	FY2025 (Results)	FY2026 [SG-2026] (Target standard)	FY2026 (Forecast)
Net sales	266.4 billion yen	285.0 billion yen	320.0 billion yen	312.4 billion yen
Overseas sales	45.1 billion yen	46.6 billion yen	80.0 billion yen	67.0 billion yen
Operating profit	13.9 billion yen	16.3 billion yen	18.0 billion yen	17.0 billion yen
Exchange rate (USD 1)	152.1 yen	151.1 yen	140 yen (set value)	150 yen (set value)

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Cash Allocation

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[SG-2026] 3-year plan (cumulative)



[SG-2026] 3-year plan (cumulative) forecast

Acquired operating CF	Projected 3-year total: 70.7 billion yen (FY2026 +19.5 billion yen)

Operating cash flow increased due to increased profit and decreased working capital
* Research and development expenses are recorded as investment expenditures (aimed at growth and strengthening competitiveness)

Growth investment	Projected 3-year total: 27.0 billion yen (FY2026 +22.8 billion yen)

Moving forward with the 3-year plan regarding "Growth investment," which includes M&As such as overseas expansions and industry reorganization

Competitiveness enhancement investment	Projected 3-year total: 43.0 billion yen (FY2026 +20.5 billion yen)

Continued capital investments to improve productivity and increase production in the Special Purpose Truck Business. Increased development and capital investments in defense-related business

Additional fund procurement	Projected 3-year total: 10.0 billion yen (FY2026 +11.9 billion yen)

Despite an increase in operating cash flow, interest-bearing debt will increase by 10.0 billion yen over three years due to financing for intensive growth investments

Shareholder returns	Projected 3-year total: 10.7 billion yen (FY2026 +3.8 billion yen)

Dividends distribution (DOE of around 3%) to stably and continuously increase dividends

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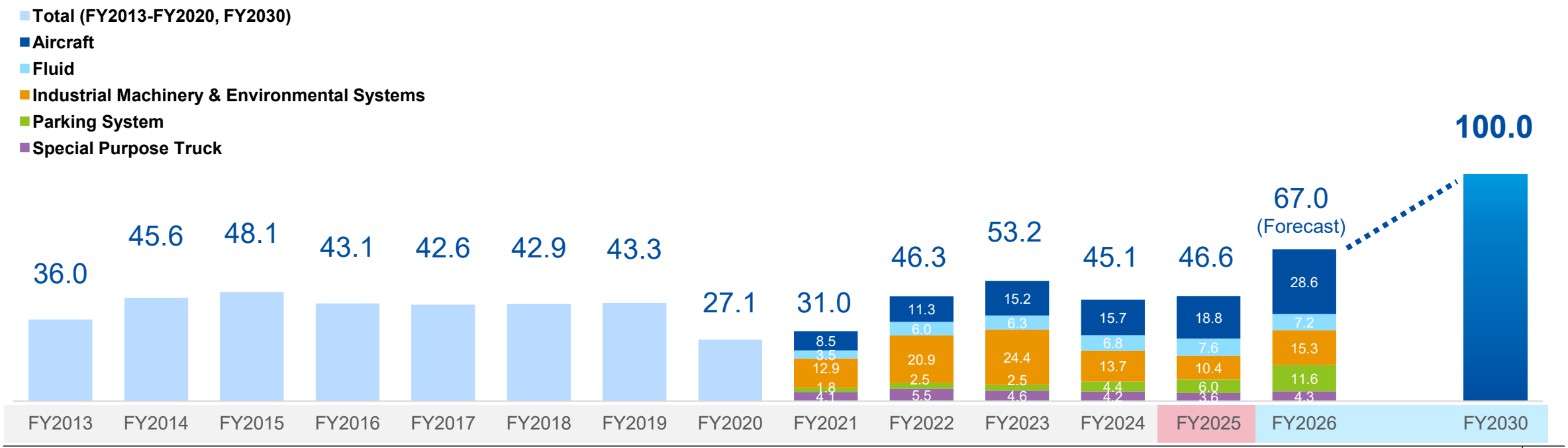
Business Strategies: Overseas Expansions

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[SG-2026] Initiatives to achieve the overseas sales target of 80 billion yen

- (Special Purpose Truck) Actively promote overseas M&A and alliances, improve export sales prices, resume exports to Australia, continue securing orders for ODA/OSA projects, strengthen the production capacity of Thai ShinMaywa and strengthen domestic sales in Thailand, and expand exports of products reflecting local needs.
- (Parking Systems) Parking systems: Expand the product line-up through M&As and alliances, and strengthen order acquisition competitiveness in Taiwan and Southeast Asia (Thailand and Vietnam) by offering specifications that meet local needs.
  Airport facilities: Strengthen supply capacity at Asian bases, expand strategic sales regions and enter new markets, introduce products for the low-price market, retain customers through advanced specifications, and increase the acquisition of maintenance contracts.
- (Industrial Machinery & Environmental Systems) Wire processing systems: Develop automated processing equipment for special wires with growing demand driven by the rise of CASE, expand market share in Southeast Asia, North America, and China, and cultivate new markets such as India and Europe.
- (Fluid) Expand the line-up of submersible pumps at Thai ShinMaywa and strengthen cost competitiveness to increase orders in the Southeast Asian region. Conduct research and seek partners for entry into new markets. Enhance the competitiveness of turbo blower products (deploying small strategic models and developing magnetic bearing models) to expand market share in China and strengthen sales in Indian market.
- (Aircraft) Respond to increased production of components for major Boeing product and improve sales prices, and secure new orders from Airbus and other aircraft manufacturers.

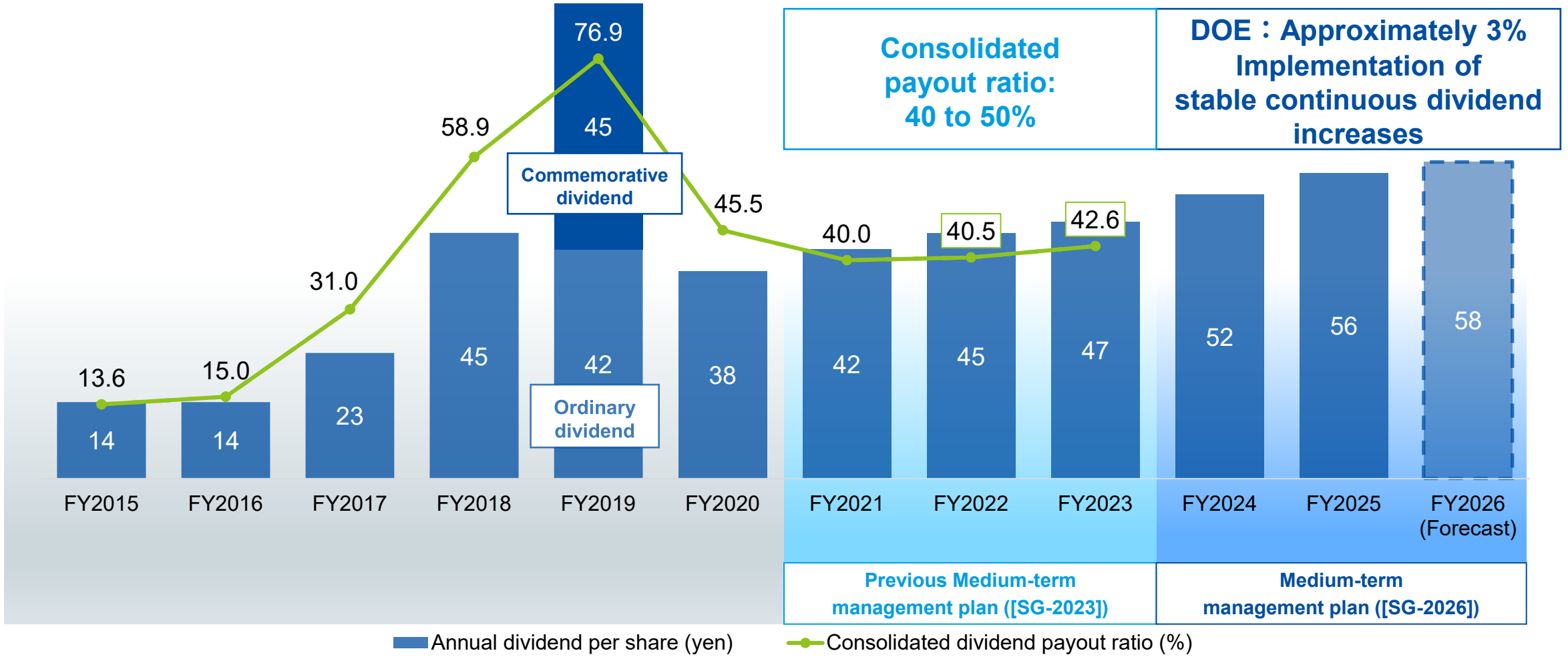
(Billion yen)



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Dividend per Share and Consolidated Dividend Payout Ratio

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Reference (1) Basic policy for IR and SR activities

Basic Policy

Cycle through "Information disclosure ⇒ Dialogue with investors ⇒ Incorporate into management" to improve corporate value

Enhance information disclosure

- Incorporate opinions and management issues obtained from dialogue with investors into various disclosure materials and enhance content
- Disclose financial results and financial results presentations (Japanese and English) at the same time
- Sign contract with a research company and update corporate analysis reports (Japanese and English) every quarter



Hold IR briefings

- Explanation by President and CEO
- Upload IR presentation (Japanese and English), video of the briefing, and question and answers to the website
- Using partner channels, upload presentation scripts (Japanese and English) in a timely manner

Incorporate into management

- Every quarter, provide feedback to the Board of Directors concerning interests, opinions and management issues obtained from dialogue
- Incorporate recognized management issues into management measures as needed

Dialogue with investors (IR and SR)

- Place importance on individual meetings. Take action for all investor requests if there are any
- Actions mainly taken by President and CEO and Director, Member of the Board/ Senior Managing Executive Officer
- Collect investor interests, opinions, and management issues

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Reference (2) Dialogue with Investors and Personnel in Charge of Exercising Voting Rights Conducted in the Fiscal Year Ended March 2026

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- **Conducted a total of 112 individual dialogues with shareholders, investors, etc., outside of the IR briefing, in the fiscal year ended March 2026.**
- **Summarize such as opinions and management issues obtained from dialogue with institutional investors every quarter and continue to provide feedback to the Board of Directors.**

(1) IR briefing

		Main correspondents of our company
May	IR briefing and video distribution	President and CEO, Director, Member of the Board/ Managing Executive Officer

(2) IR meeting

	Number of times implemented	Main correspondents of our company
Buy-side	91	President and CEO, Director, Member of the Board/ Managing Executive Officer, IR Department
Sell-side	9	Director, Member of the Board/ Managing Executive Officer, IR Department

(3) SR meeting

	Number of times implemented	Main correspondents of our company
Proxy-advisory firm	1	Director, Member of the Board/ Managing Executive Officer, Legal Department, Corporate Planning Department, IR Department
Buy-side	11	Director, Member of the Board/ Managing Executive Officer, Legal Department, Corporate Planning Department, IR Department

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Reference (3) Major Opinions Obtained from Dialogue with Shareholders in the Fiscal Year Ended March 2026

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IR

- Although the Company's results are improving, it has many business segments, which seems to be leading to a conglomerate discount.
  To boost the stock price, I would like you to discuss and further streamline the business portfolio, and disclose this in the next medium-term management plan.
- There is still room for the stock price to rise. It will have more of an impact on the stock price if the target profit margin is included in the slides on defense-related business in the presentation of financial results. I would like you to consider this to maintain the stock market's expectations for defense-related stock.
- With the Special Purpose Truck business having implemented a third price revision and a clear path to improved profit margins in two to three years now being in sight, I assume that explicitly positioning the defense-related business as a core driver of growth will lead to further rises in the stock price, PER, and PBR.
  As of the end of August 2025, the PER stood at around 10x, but if the Company can demonstrate future sales growth and profit margins in its defense-related business and thereby gain a fair valuation from the stock market, I expect that the PER will rise to around 15-16x, which should result in improvement in the PBR as well.
- With the Special Purpose Truck business accounting for a high proportion of sales, the issue is determining how much the Company can improve its profit margin under the current medium-term management plan and how much it can increase the profit margin under the next medium-term management plan. If you can demonstrate a high degree of certainty regarding improved profitability, and communicate this to the market, it will lead to an increase in corporate value.
- For about the past five years, you have been saying that you would be interested in overseas projects for your core Special Purpose Truck business, but we have not seen any results.
  Meanwhile, your competitor, K Company, is focusing on overseas expansion.
  If you really believe that expanding overseas is necessary for the Special Purpose Truck business, I would like you to seriously consider what is lacking and what needs to be changed (such as the organizational structure and resources).
- The President needs to engage in dialogue with various stakeholders, including investors, employees, and local communities.
  While you have stated that profitability is your highest priority, now that your new President has assumed his role, I would like him to clearly communicate, both internally and externally, what he will focus on (what will be of most importance to him) in management.

SR

- The Company should disclose, in its Integrated Report and other materials, that measures to prevent recurrence of Antimonopoly Act violations (such as training, the internal leniency program, and restrictions on contact with competitors) are being implemented on an ongoing basis and have not become mere formalities.
- I am focusing on the effectiveness of the outside directors.
  I would like the Integrated Report to specifically disclose, in the form of roundtable discussions or interviews, how the outside directors participated in discussions and what opinions they expressed (particularly dissenting views and their role in acting as a check on decision-making). I would like to know the approaches and specific perspectives of each of the outside directors.
  Also, I value the fact that there is a high proportion of female directors, so I would like you to consider disclosing information that shows how the Company's governance has changed (how it is functioning) from the perspective of diversity.
- Regarding the skills matrix, I would like you to enhance transparency by clarifying the criteria for indicating that the skills are met, disclosing the definitions, and indicating the level of the skills (such as by using "○" for standard skills and "◎" for high-level skills).
- An increasing number of companies are disclosing how each business will contribute to improving ROIC and on what scale (ROIC by business).
  Please consider also presenting the ROIC portfolio for each business, for example, by using a four-quadrant chart with "Growth Potential" on the vertical axis and "ROIC" on the horizontal axis.
- Conducting the engagement survey only once every two years is too infrequent.
  I would like the survey to be conducted once a year if possible and the PDCA cycle for the issues identified and improvement measures to be disclosed.
- Concerning the financial impacts under the TCFD, I would like you to disclose the monetary amounts, but if you cannot, please disclose the degree of impact (large, medium, or small).
- Few companies provide specific disclosure of how they calculate officer compensation using a matrix, and it is commendable that you do so.
  In the future, please consider incorporating medium- to long-term sustainability KPIs (such as employee engagement and climate change), in addition to profit and ROE.

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Accordingly, it should be noted that forward-looking information needs to be considered in conjunction with uncertainties and risk factors. Reference should also be made to the numerous important risk factors that could have a significant negative impact on the Company’s actual business operations and results, additional information on which is described in detail in the Company’s quarterly financial results, annual securities report and various other documents disclosed by the Company.

Furthermore, as described above, statements on forward-looking information contained in this document are as of the date of this document (or the date otherwise specified herein). It should be noted that, even if there have been changes to the forward-looking information due to circumstances arising after the date on which this document is prepared, the Company is under no obligation to continually update this information to the latest information.

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