

Hamamatsu Photonics K.K.

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



Securities Code 6965

March 28, 2024

Analysis of current situation

-Valuation in the Market-

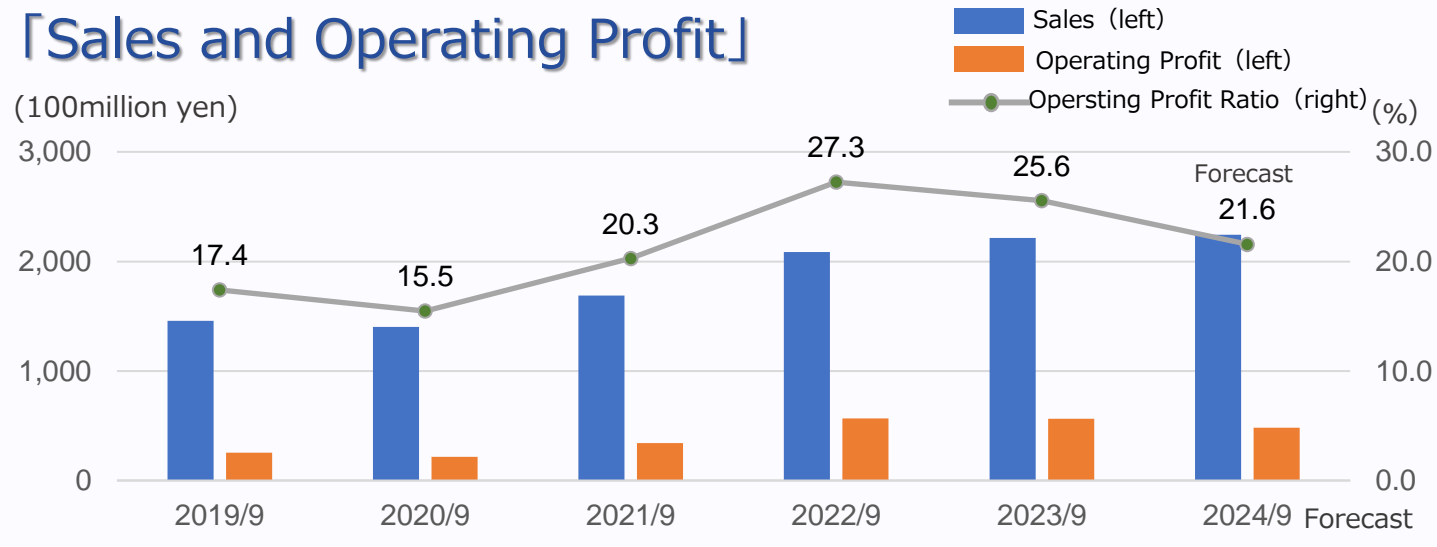


- PER and PBR are trending downward in line with the decline in stock price. The current P/B ratio of 2.6x is about half of the peak (February 2021) of 5.1x.
- We recognize that the reasons for the stock price slump are the forecasted decrease in profit for the current fiscal year, the impact of the slowdown in the Chinese economy, uncertainty about the next fiscal year and beyond, and a lack of direction on shareholder returns.

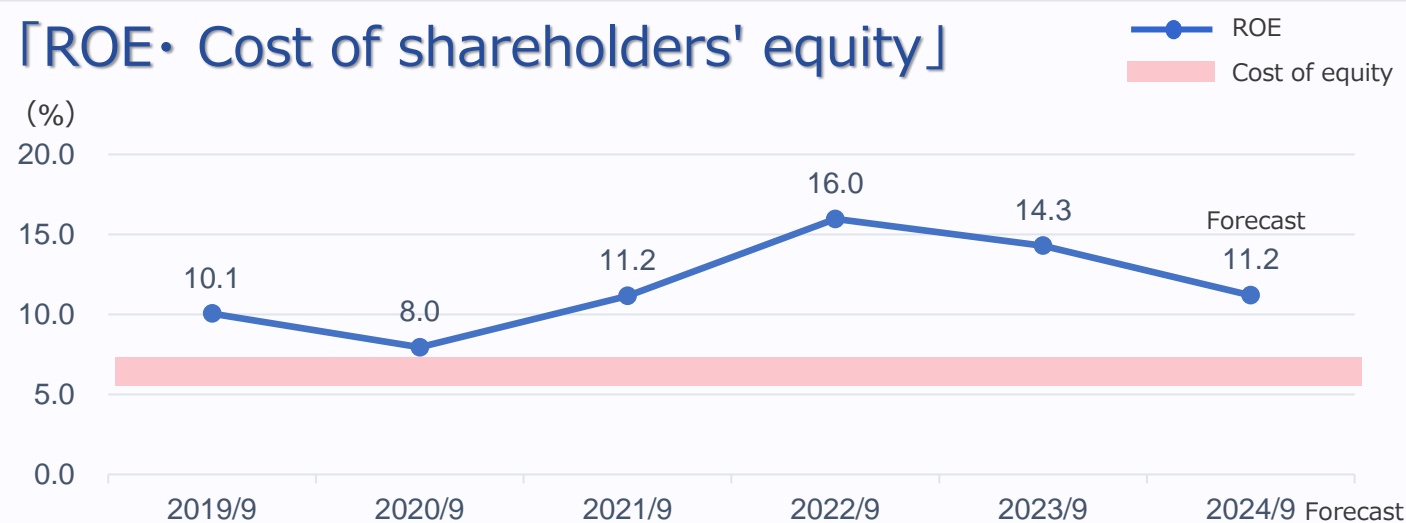
Analysis of current situation

-Business Performance and Financial Status①-

「Sales and Operating Profit」



「ROE・ Cost of shareholders' equity」



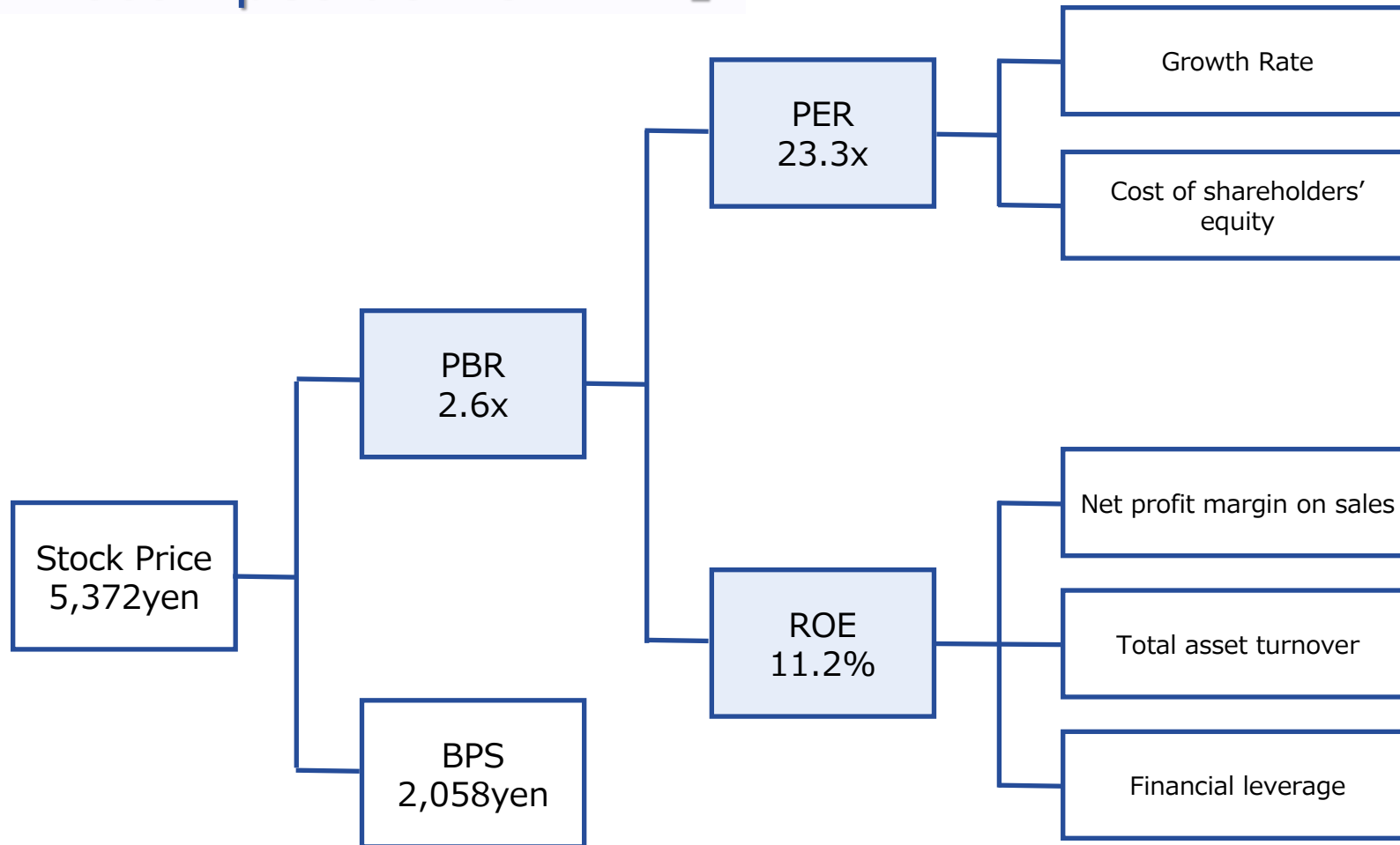
※Cost of equity is calculated by CAPM

- Although the rapid growth trend slowed down due to the decrease in demand caused by the COVID-19 pandemic, the operating margin remained at 20%.
- The ROE remained above the cost of shareholders' equity, but trended downward as in the case of operating profit margin.
- We recognize that improving disclosure, including the future growth story and the indication that earnings have bottomed out, is an issue to be addressed.

Analysis of current situation

-Business Performance and Financial Status②-

「Decomposition of PBR」



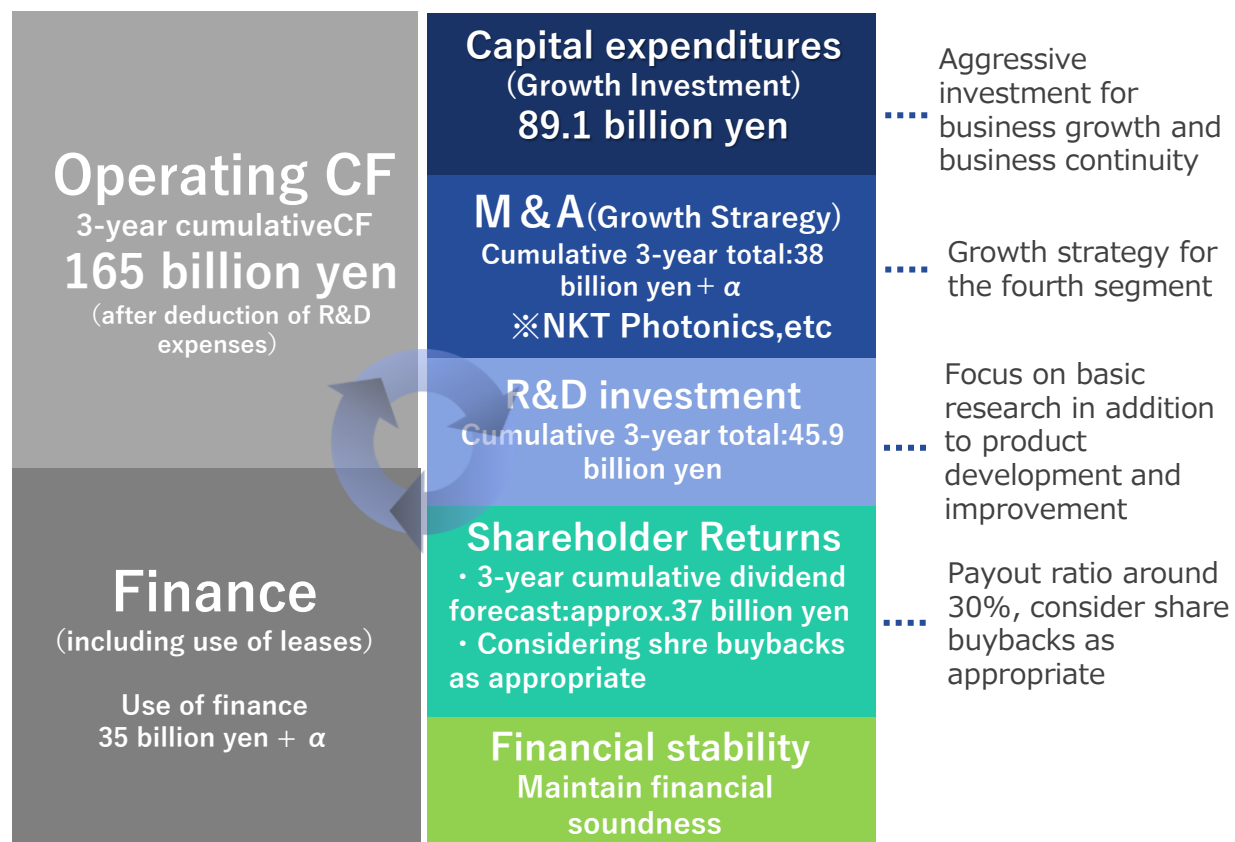
- Our ROE has been above the cost of shareholders' equity and has remained above 10% since FY21.
- PBR factor decomposition should be performed and policies and specific improvement goals should be discussed.

*Stock price is closing price on February 29, 2024
*Profit ratios are based on this fiscal year's forecast.

Policies for Improvement

Three-year capital allocation based on the medium-term plan

Cash Generation Capital Allocation



- Focus on operating income margin in consolidated and each segment. Continue to **target consolidated operating income margin of 20% or above.**
- **Disclose strategies, including future growth stories, at the time of the announcement of the next mid-term business plan, and strengthen IR activities to communicate growth strategies** through the holding financial results briefings and various IR events.
- Promote **management that is conscious of ROE and stock price exceeding cost of capital by breaking down and reviewing PBR, PER, ROE, cost of capital, etc.**
- Consideration of **optimal capital allocation.** Implement M&A and growth investments in line with appropriate financing practices and future growth story.
- **Focus on shareholder returns** by implementing share buybacks, stock splits, etc. as appropriate and timely.

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