



Toward achieving management that considers capital costs and stock value

Aiming to build a foundation for sustainable growth, we will actively allocate capital to growth investments and strengthen our management base while maintaining financial soundness and enhancing shareholder returns.

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Status Analysis

In recent years, the Company's price-to-book ratio (PBR) has remained below 1x, making the improvement of capital profitability and the enhancement of corporate value key challenges. Below is an analysis of the current issues and countermeasures.

Return on Capital

Neither our ROE nor ROIC has improved due to stagnant profit growth and an increase in total net assets despite revenue gains. Since FY2022, rising material and energy costs have impacted profit margins. As a result, improvements in both the profit structure and the balance sheet are necessary to enhance capital profitability.

Capital Cost

Our PBR has remained below 1x as both the equity spread and EVA spread have stayed in negative territory due to the ROE and ROIC falling short of market expectations. Achieving a stable positive equity spread and EVA spread, as well as striving for further improvement, is necessary to enhance capital profitability.

PBR

The factors behind PBR remaining below 1x include sluggish ROE and ROIC, as well as insufficient disclosure of the growth strategy amidst a changing business environment. Presenting a clear equity story for growth and engaging in proactive dialogue with the market through IR activities are essential.

Our financial strategy prioritizes improving capital profitability and requires enhancements in both the profit structure and the balance sheet. Additionally, increasing transparency in the growth strategy through market dialogue and achieving positive equity and EVA spreads are essential. Through these efforts, we believe that improving PBR and enhancing corporate value will be achievable.

Action Plan

By setting "Long-Term Corporate Value Enhancement" as our top priority, we are executing various initiatives for sustainable growth while implementing an integrated financial strategy. Through these efforts, we aim to improve ROE, PER, and PBR, ultimately enhancing corporate value.

Fundamental Structure of Financial Strategy

Price-to-book ratio (PBR) improvement is achieved by enhancing both the return on equity (ROE) and the price-earnings ratio (PER). Specifically, the ROE is determined by the multiplication of the net profit margin, total asset turnover, and financial leverage. Meanwhile, the PER represents market valuation improvement.

Our specific policy initiatives include:

- (1) Enhancing ROE: Targeting 7% by FY2026, 8% by FY2030, and 10% or higher in the long term.
- (2) Improving PER: Enhancing structure of IR activities and expanding information disclosure while actively engaging in dialogue with investors to improve market valuation.
- (3) Increasing net profit margin for the period: Pursuing profit growth through the sustainable expansion of existing businesses and the development of new business areas, with a particular focus on increasing the proportion of high-value-added products.
- (4) Improving asset turnover ratio: Reducing non-operating assets through the sale of cross-shareholdings and idle assets while optimizing inventory levels.
- (5) Optimizing financial leverage: Allocating capital for growth investments while reducing net assets through enhanced shareholder returns.

By implementing these measures, we will improve total asset turnover through efficient asset management, work towards balance sheet optimization, and maintain a sound financial structure. Through these efforts, our company aims to achieve sustainable growth and maximize corporate value.

Initiatives

To enhance long-term corporate value, we are advancing measures to improve profitability and enhance shareholder returns.

[ROE improvement]

For corporate growth, we are promoting the expansion of new revenue sources and the sustained growth of existing businesses. In particular, we are focusing on business efficiency through digital technology adoption and the establishment of overseas business foundations, as well as engaging in the development of new businesses through open innovation. These initiatives aim to drive further business expansion and profitability improvement.

Additionally, we are investing in growth initiatives to increase the production capacity of high-value-added products. We are also working on capital efficiency improvements by reducing cross-shareholdings, selling idle assets, and optimizing inventory levels.

We have adopted a progressive dividend policy and set a dividend payout ratio of 40%. Additionally, we optimize our capital structure through strategic share repurchases, enhancing corporate value.

[PER improvement]

Environmental initiatives are also a key priority. We have set CO₂ emission reduction targets of 15% by FY2026 and 30% by FY2030, contributing to the realization of a sustainable society.

We are strengthening investments in human capital by fostering specialized professionals and providing diverse career paths, promoting both organizational growth and diversity.

Finally, we are enhancing investor relations (IR) activities by expanding investor briefings, revamping the IR website, and publishing integrated reports. These efforts strengthen our ability to communicate both financial and non-financial information, fostering transparent dialogue with investors and building long-term trust.

Cash Allocation

During the Medium Term Management Plan 2026 period from FY2024 to FY2026, we expect 60 billion yen in operating cash flow (CF), of which 52 billion yen or more will be allocated to growth investments and strengthening the management foundation. Specifically, in addition to these areas, we will allocate funds to sustainability initiatives and shareholder returns. For shareholder returns, we will maintain a 40% dividend payout ratio and conduct strategic share repurchases, targeting an ROE of 7%.

From FY2027 onward, we will continue to invest in growth while strengthening profitability and actively returning value to shareholders, aiming for an ROE of 8% and, ultimately, 10% or higher. During this period, we anticipate generating 100 billion yen in operating CF, which will be allocated to growth investments, management foundation enhancement, sustainability initiatives, and shareholder returns.

Through these strategies, we aim to achieve sustainable growth, enhance shareholder value, and establish our position as a company that fulfills its social responsibilities.

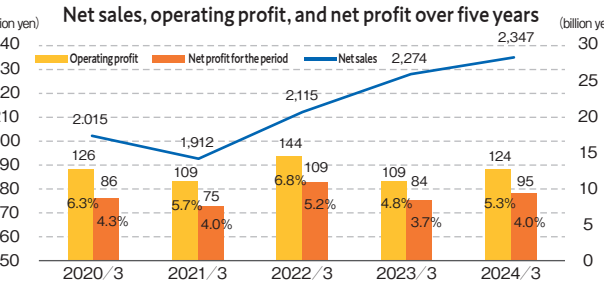
Equity spread, EVA spread, and PBR

	2020/3	2021/3	2022/3	2023/3	2024/3	5-year avg.
CAPM*	6.4%	7.0%	6.3%	4.5%	5.2%	5.9%
ROE	5.3%	4.4%	6.1%	4.6%	5.2%	5.1%
Equity spread	▲1.1	▲2.6	▲0.2	0.1	0.0	▲0.8
	2020/3	2021/3	2022/3	2023/3	2024/3	5-year avg.
WACC*	5.9%	6.5%	5.7%	4.2%	5.0%	5.5%
ROIC	5.0%	4.1%	5.2%	4.0%	4.4%	4.5%
EVA spread	▲0.9	▲2.4	▲0.5	▲0.2	▲0.6	▲1.0

(Unit: Yen)

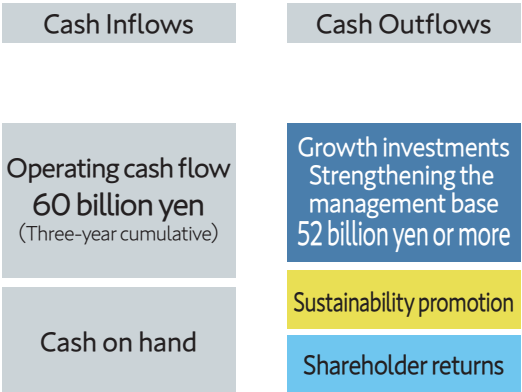
BPS	2,280	2,397	2,480	2,580	2,742
Year-end stock price	1,658	1,667	1,269	1,469	1,953
PBR	0.73	0.70	0.51	0.57	0.71

*CAPM: Capital asset pricing model for calculating cost of shareholders' equity
WACC: Weighted average cost of capital



Medium Term Management Plan 2026 (FY2024-2026)

During the Medium Term Management Plan 2026 period, we will prioritize investments in growth and strengthen the management foundation to achieve an ROE of 7% and drive sustainable growth.



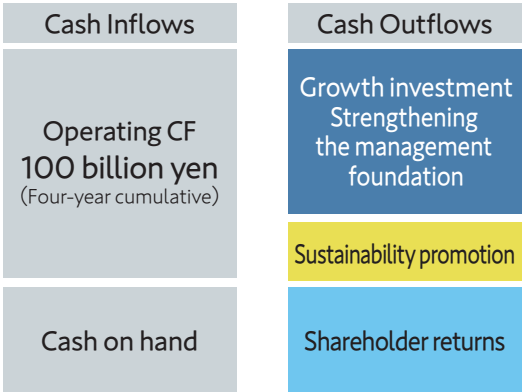
Dividend payout ratio of 40%

Strategic share repurchases

Target ROE of 7%

FY2027-2030

From fiscal 2027 onward, we will continue investing in further growth while strengthening profitability and actively returning value to shareholders, targeting an ROE of 8% and, ultimately, 10% or higher.



Targeting ROE of 10% or higher in the future

A summary of key financial indicators is included at the end of this document. Please refer to it for further details.