

# Measures to Realize Management Conscious of Cost of Capital and Share Prices

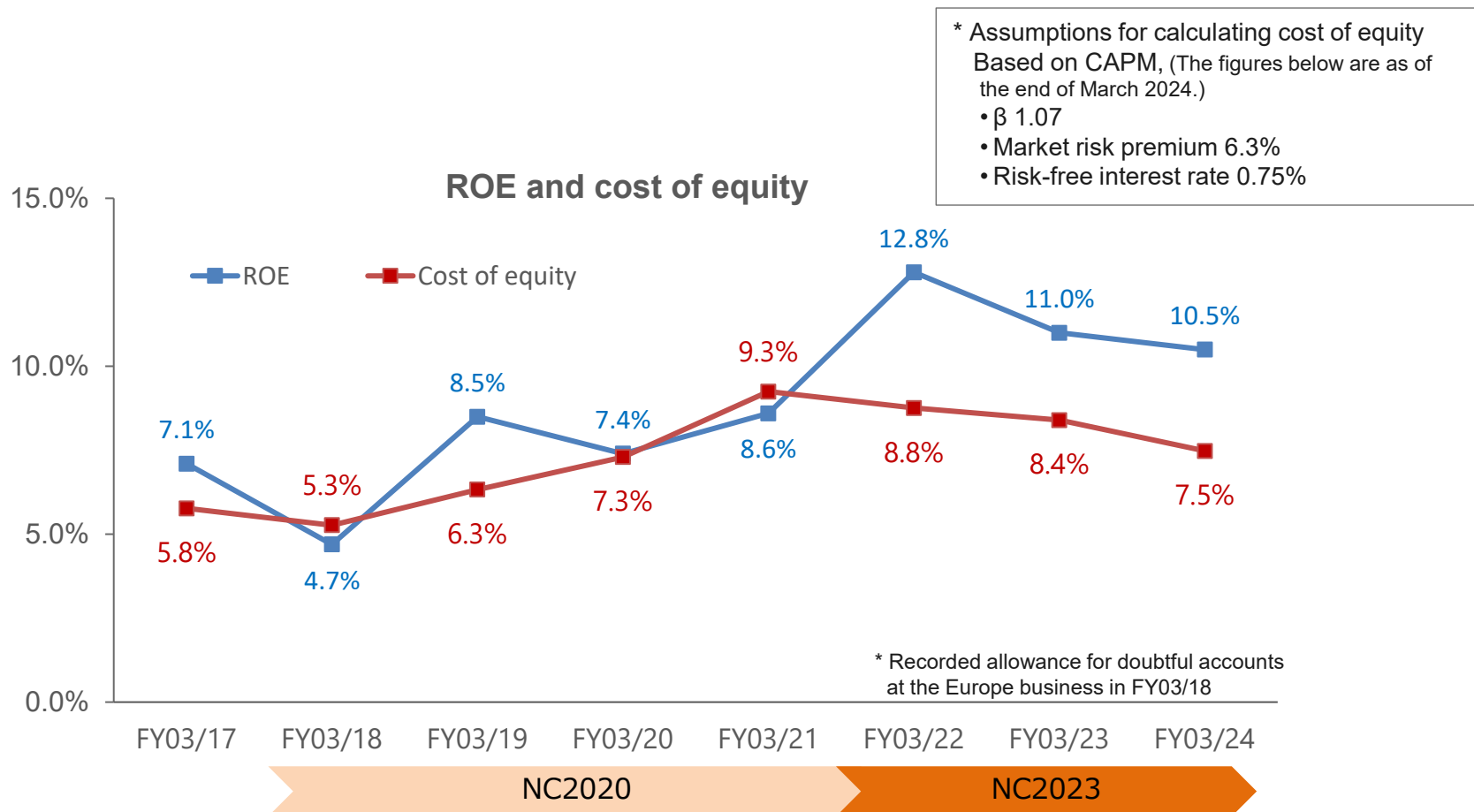
## Current Status: Summary (June 2023 disclosure)

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- We have reached profitability levels that exceeded the cost of capital during NC2023.
- While the market's valuation of the Company is improving, PBR, which is below 1x, still needs improvement. We believe it is necessary to accelerate growth investments and increase the market's valuation of our growth potential.
- While maintaining the current level of return on capital, it is crucial that we accelerate growth initiatives, increase our business value, and strengthen our appeal to investors.

# Cost of Capital vs. Return on Capital

- Under **NC2023**, ROE has continuously risen to a level exceeding the cost of shareholders' equity.
- In FY03/24, beta ( $\beta$ ) declined on an expanded shareholder base due to improved market liquidity.



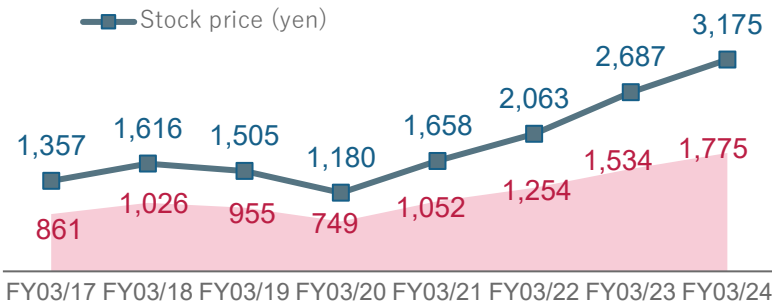
# Share Price and the Market's Valuation of the Company

- Steady rise in market price (approx. 1.9x) and market cap (approx. 1.7x) over the three-years of NC2023.
- PBR is trending up, but not yet reached the target of 1.0x (0.91x\* as of May 30, 2024).
- PER is also trending up, but remains at a low level. Need to raise higher for Inabata's future growth expectations.

## Stock price and market capitalization

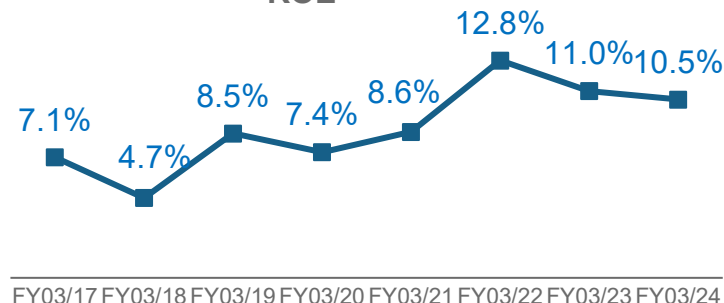
■ Market cap (hundred millions of yen)

■ Stock price (yen)

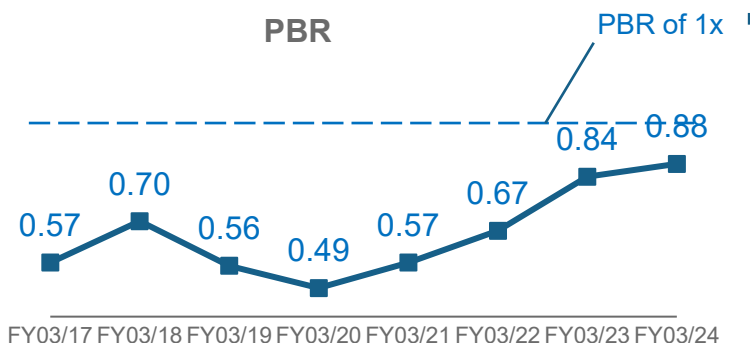


\*Obtained by dividing the closing price on May 30, 2024 by BPS at the end of FY03/24

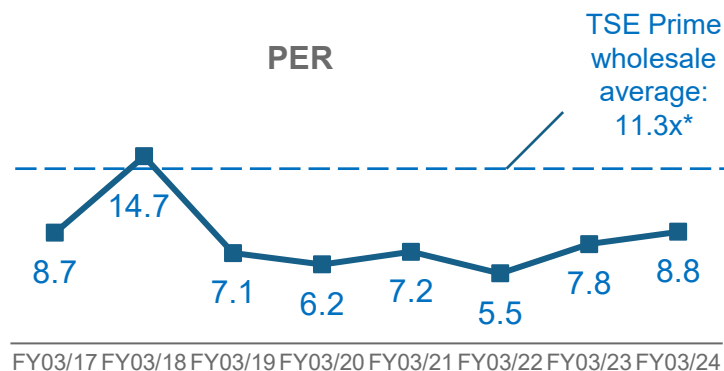
## ROE



## PBR



## PER



\*Recorded allowance for doubtful accounts at the Europe business in FY03/18

\*All figures are as of the end of the fiscal year

\*As of March 31, 2024 \* Weighted average PER

## Policies/Targets, and Timeline (June 2023 disclosure)

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- At a Board of Directors meeting held in May 2023, we have resolved on the following policies.

### □ Policies

Increase the share price so that PBR stays above 1x at all times, as soon as possible, through the following four measures:

- ① Firmly implement growth strategies to drive sustainable growth in business value, and foster expectations for future profit growth
- ② Maintain ROE of 10% or above
- ③ Control and/or curtail the cost of capital, including by utilizing financial leverages
- ④ Continue buying back shares

## Specific Measures ① Increase Business Value and Foster Growth Expectations

- The following growth initiatives were implemented under NC2023. Under NC2026, we will pursue rapid contributions to earnings.

Note: Red text indicates recent major investments.

Key Initiatives for NC2023	Actual
1. Further development of core businesses and horizontal expansion into growth sectors	<ul style="list-style-type: none"> <li>• Sales of plastics, FDP-related materials, and other products for automobiles increased</li> <li>• Acquisition of Maruishi Chemical Trading (made it a subsidiary)</li> <li>• Established joint venture with Daicel Corporation to strengthen the compound business functions</li> </ul>
2. Multi-faceted approach to markets with potential for future growth and steady monetization efforts	<ul style="list-style-type: none"> <li>• Expansion of sales of products that reduce environmental load</li> <li>• Participation in biomass power generation business</li> <li>• Investment in semiconductor-related companies</li> <li>• Invested in a high-performance filler production company</li> </ul>
3. Intensification of investment targeting future growth	<ul style="list-style-type: none"> <li>• Acquisition of Daigo Tsusho (made it a subsidiary)</li> <li>• Establishment of a US joint venture that manufactures lithium-ion battery-related materials</li> <li>• Investment in a French company engaged in the development, extraction, and sales of plant extract components</li> <li>• Reinforcement of Business Planning Office functions</li> </ul>
5. Continuous review of assets and further improvement of capital and asset efficiency	<ul style="list-style-type: none"> <li>• Fundraising for growth investment through the sale of strategic shareholdings</li> <li>• Issue of straight bonds (diversifying fundraising methods)</li> </ul>
6. Enhancement of human capital utilization efforts	<ul style="list-style-type: none"> <li>• Introduction of a restricted stock incentive plan for the employee shareholding association</li> <li>• Revision of HR systems to promote diversity</li> <li>• Enhancement of training systems to nurture global talent</li> </ul>

## Specific Measures ② Maintain ROE of 10% or above

- Maintain ROE of 10% or above, largely by expanding profits, enhancing profitability, and continuing to control the cost of equity

Expand profits and increase GPM	Actual
Grow mainstay businesses	<ul style="list-style-type: none"> <li>• Driven by core businesses, we achieved record-high net sales and operating profit for the third consecutive fiscal year under NC2023.</li> </ul>
Increase the share of earnings accounted for by highly profitable businesses	<ul style="list-style-type: none"> <li>• Under NC2023, the operating profit margin steadily improved from 2.6% in FY03/21 to 2.8% in FY03/24.</li> </ul>
Make aggressive investments, including in M&A, and generate revenue at an early stage	<ul style="list-style-type: none"> <li>• During NC2023, we invested about ¥21.5 billion over three fiscal years.</li> </ul>
Steadily dispose of strategic shareholdings	<ul style="list-style-type: none"> <li>• Progress in reduction of cross shareholdings exceeded the target.</li> </ul>
Control of equity	Actual
Continue flexible share buybacks and cancellations	<ul style="list-style-type: none"> <li>• During NC2023, 4,880,000 shares were repurchased for ¥12.3 billion, and 7,580,000 shares were canceled.</li> <li>• Repurchasing 1,200,000 shares for up to ¥5.0 billion (planned between May–July 2024)</li> </ul>
Maintain a progressive dividend policy	<ul style="list-style-type: none"> <li>• Substantially raised dividend in first year of NC2023 (from ¥63 per share in FY03/21, to ¥110 per share in FY03/22). Since then, dividends have been increased by ¥5 per share every fiscal year (¥115 per share in FY03/23, ¥120 per share in FY03/24).</li> <li>• Dividends amounting to ¥19.6 billion were paid out during the three years of NC2023*</li> </ul>

## Specific Measures ③Control and Curtail Cost of Capital

- By promoting indirect measures in addition to direct measures, reduce risks and information gaps with the market and control and/or curb the cost of capital

Direct measures	Actual
Utilize debt (diversify funding methods, including the issue of corporate bonds)	<ul style="list-style-type: none"> <li>• Issued the company's first straight corporate bonds in March 2023.</li> <li>• Plan to issue second series and third series of straight corporate bonds In June 2024.</li> </ul>
Buyback and cancel own shares	<ul style="list-style-type: none"> <li>• During the three years of <i>NC2023</i>, 4,880,000 shares were repurchased for ¥12.3 billion, and 7.58 million shares were canceled.</li> <li>• Repurchasing 1,200,000 shares for up to ¥5.0 billion (planned between May–July 2024).</li> </ul>
Indirect measures	Actual
Enhance information disclosure	<ul style="list-style-type: none"> <li>• Rapidly responded to Measures to Realize Management Conscious of Cost of Capital and Share Prices and Implementation Status of Dialogue with Shareholders.</li> <li>• Disclosed details of growth strategy and other aspects of new medium-term business plan <i>NC2026</i>.</li> </ul>
Actively engage in dialogues with investors (step up efforts to provide explanation)	<ul style="list-style-type: none"> <li>• Increased the number of one-on-one meetings with institutional investors and analysts (from 54 meetings in FY03/22 to 62 meetings in FY03/23).</li> <li>• Initiated one-on-one meetings between outside directors and institutional investors.</li> </ul>
Strengthen the Board's monitoring function to continuously monitor performance	<ul style="list-style-type: none"> <li>• Continued to evaluate the effectiveness of the Board of Directors, and identified and addressed issues for the next fiscal year and beyond.</li> </ul>
Be selected as a constituent of many ESG indexes by increasing ESG scores	<ul style="list-style-type: none"> <li>• First selected as a constituent stock for the JPX-Nikkei Index 400.</li> <li>• First selected as a constituent stock for the FTSE Blossom Japan Index.</li> </ul>
Improve market liquidity	<ul style="list-style-type: none"> <li>• Market liquidity improved and shareholder base expanded in line with stock offering.</li> </ul>



## Disclosure Methods and Dialogue Policies

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### ■ New themes added to the medium-term management plan

- Added the achievement of a share price level higher than 1x PBR as quickly as possible as a strategic theme under the new medium-term management plan *NC2026*. Inabata will pursue this goal with even greater commitment.

### ■ Disclosure methods

- From FY03/25 as well, we will continue providing an explanation of our progress on this issue at earnings briefing sessions held at the end of each term.

### ■ Dialogue policies

- Based on disclosed information, mainly our executive officer in charge will proactively engage in dialogues with investors, within a reasonable scope, through one-on-one IR meeting.
- The content of the dialogues will be disclosed on our website or corporate government reports.

(Disclosed “Implementation Status of Dialogue with Shareholders in FY2023” on May 9, 2024)

- We will update our measures to reflect the content of the dialogues.