

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

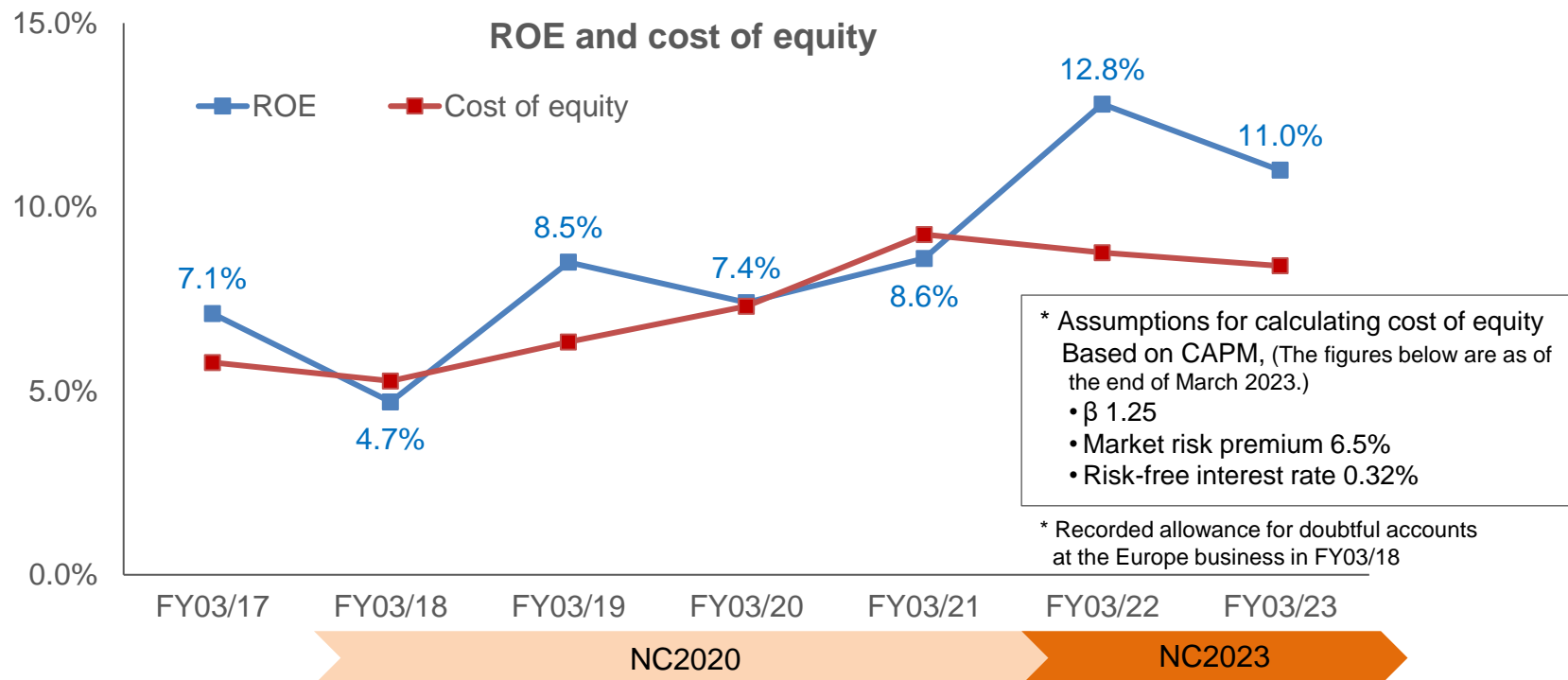
## Looking Back on Results: Initiatives

### Results in the First Two Years of *NC2023*

Earnings expansion	<ul style="list-style-type: none"><li>• In FY03/22, sales and profits improved substantially, reaching record levels.</li><li>• In FY03/23 as well, sales and operating profit reached record-highs.</li></ul>
Controlling of capital (assets)	<ul style="list-style-type: none"><li>• Significantly enhanced shareholder returns from FY03/23.</li><li>• Repurchased own shares (repurchased 4,120,000 shares for ¥10.1 billion, and cancelled 6,380,000 shares in the two years).</li><li>• Reduced strategic shareholdings as planned.</li><li>• Issued straight bonds.</li></ul>
Investment	<ul style="list-style-type: none"><li>• Invested about ¥9.0 billion in the first two years of <i>NC2023</i>.</li><li>• Intend to accelerate investment for future growth.</li></ul>

## Current Status: Cost of Capital vs. Return on Capital

- Since the start of *NC2023*, ROE rose to the level exceeding the cost of equity.
- If we can maintain ROE at 10% or higher, the target set forth in *NC2023*, we can keep ROE above the cost of equity.

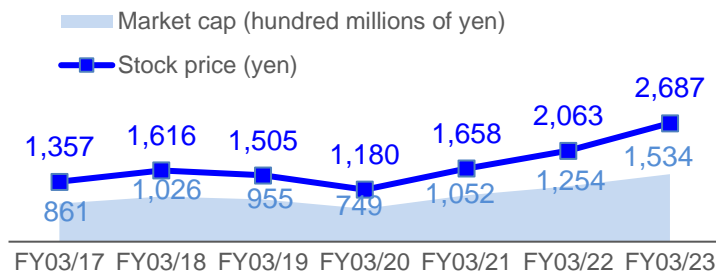


# Current Status: Share Price and the Market's Valuation of the Company

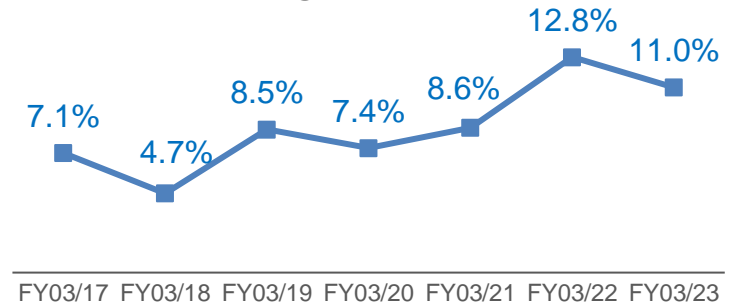
- Share prices steadily increased, reflecting earnings growth and a substantial improvement in shareholder returns.
- PBR was below 1x, but rose mainly on the back of an increase in ROE (0.90x as of May 31, 2023\*).
- PER largely remained unchanged at a low level, suggesting that investors have low expectations for our future profit growth.

\*Obtained by dividing the closing price on May 31, 2023 by BPS at the end of FY03/23

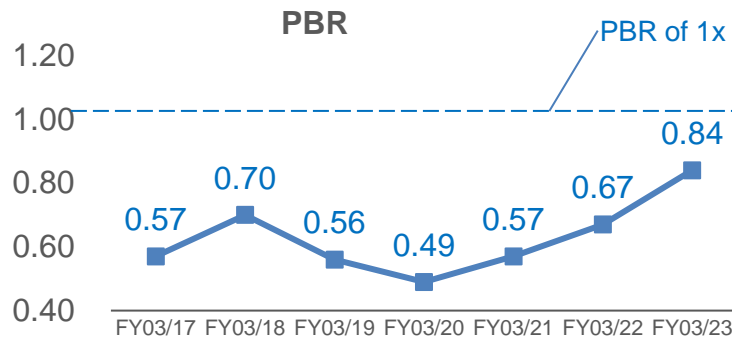
### Stock price and market capitalization



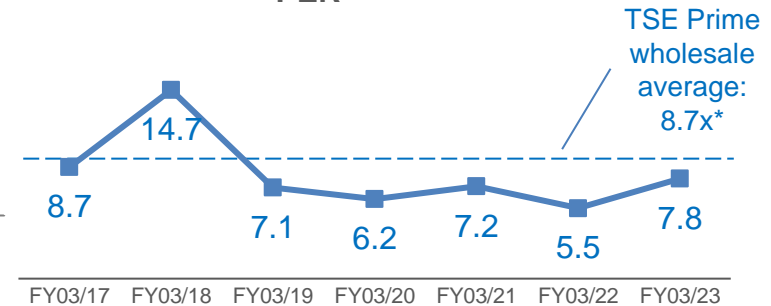
### ROE



### 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, 2023

## Current Status: Summary

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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.

## Policies/Targets, and Timeline

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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: Increase Business Value and Foster Growth Expectations

- In line with key initiatives for *NC2023*, we have implemented the following measures. We will strive to generate earnings at an early stage.

Key Initiatives for <i>NC2023</i>	Specific measures underway
1. Further development of core businesses and horizontal expansion into growth sectors	<ul style="list-style-type: none"> <li>• Focus on the automobile, especially EV, field</li> <li>• Acquisition of Maruishi Chemical Trading (made it a subsidiary)</li> </ul>
2. Multi-faceted approach to markets with potential for future growth and steady monetization efforts	<ul style="list-style-type: none"> <li>• Participation in biomass power generation business (Fukuyama, Sakaiminato)</li> <li>• Expansion of sales of products that reduce environmental load</li> <li>• Investment in semiconductor-related companies</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 subsidiary that manufactures lithium ion battery-related materials</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</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>• Utilization of employee engagement surveys</li> <li>• Revision of HR systems to promote diversity</li> <li>• Enhancement of training systems to nurture global talent</li> </ul>

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

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- 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
    - Grow mainstay businesses
    - Increase the share of earnings accounted for by highly profitable businesses
    - Make aggressive investments, including in M&A, and generate revenue at an early stage
    - Steadily dispose of strategic shareholdings
  
  - Control of equity
    - Continue flexible share buybacks and cancellations
    - Maintain a progressive dividend policy
- } Maintain a total return ratio of around 50%



## Specific Measures: Control and Curtail Cost of Capital

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- 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

- Utilize debt (diversify funding methods, including the issue of corporate bonds)
- Buyback and cancel own shares

### □ Indirect measures

- Enhance information disclosure
- Actively engage in dialogues with investors (step up efforts to provide explanation)
- Strengthen the Board's monitoring function to continuously monitor performance
- Be selected as a constituent of many ESG indexes by increasing ESG scores

## Disclosure Methods and Dialogue Policies

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### ■ Disclosure methods

- From FY03/24 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.
- We will update our measures to reflect the content of the dialogues.