

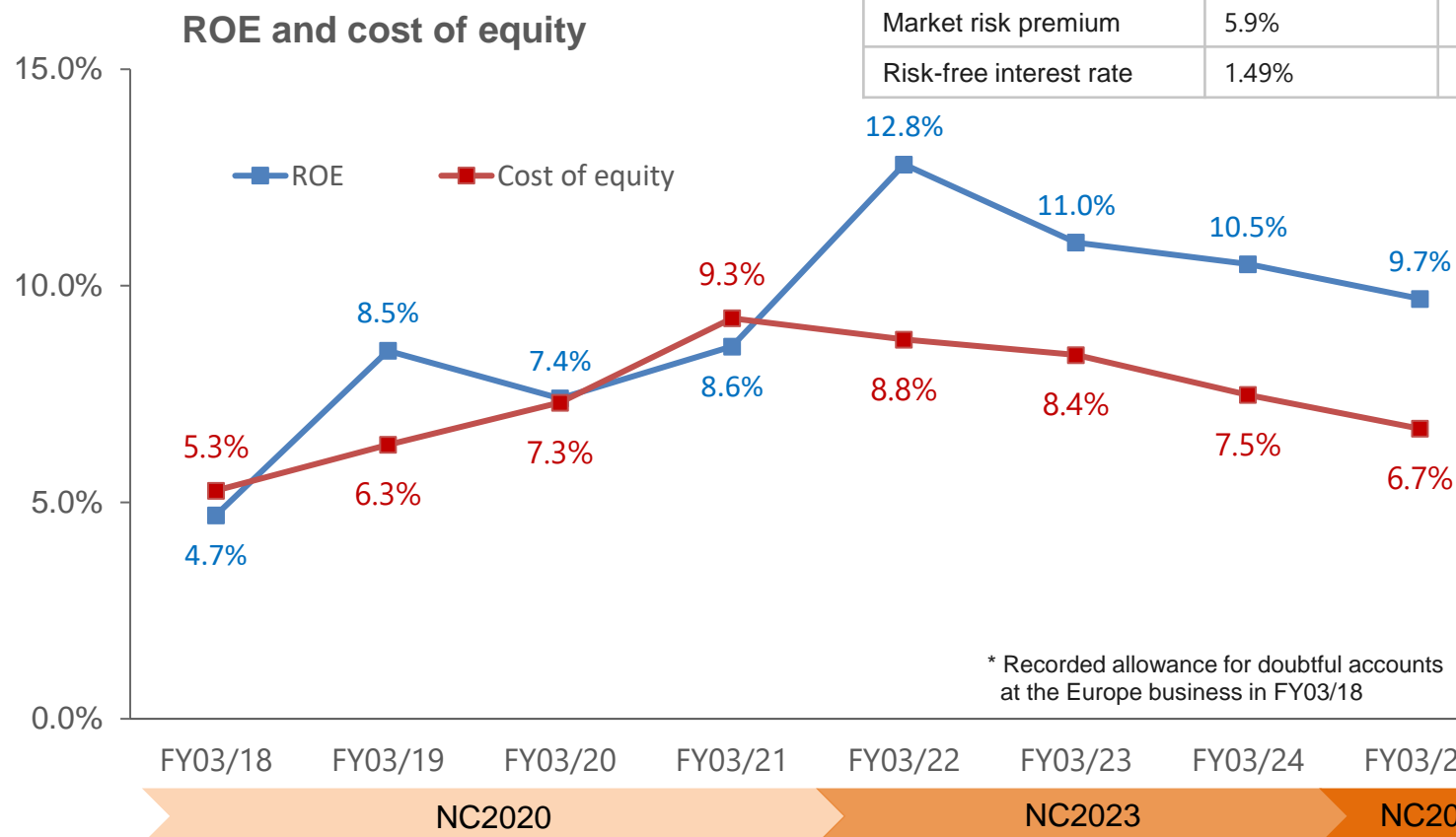
# Measures to Realize Management Conscious of Cost of Capital and Share Prices

# Cost of Capital vs. Return on Capital

- In FY03/25, the cost of capital declined, due to an expanded shareholder base amid improved market liquidity.
- We will continue to manage shareholders' equity while maintaining an appropriate spread, taking into account factors such as small-cap premium and liquidity premium.

\*Assumptions for calculating cost of equity Based on CAPM

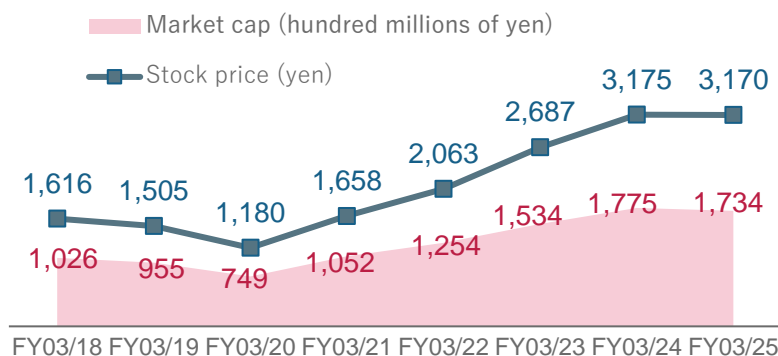
	End of Mar 2025	End of Mar 2024
$\beta$	0.89	1.07
Market risk premium	5.9%	6.3%
Risk-free interest rate	1.49%	0.75%



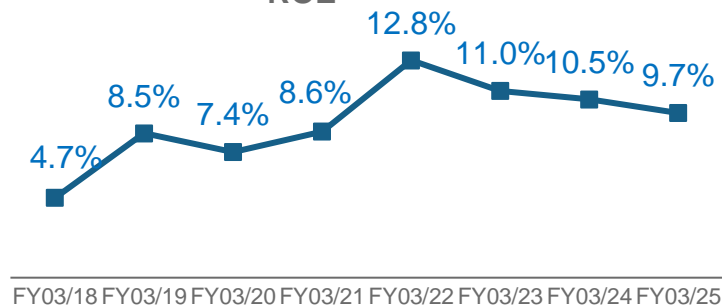
# Share Price and the Market's Valuation of the Company

- The share price, PBR, and PER largely remained flat YoY.
- We will continue to manage shareholders' equity and aim to maintain our current ROE level.
- PER remains low, highlighting the need to further enhance growth expectations by delivering tangible results from our growth investments.

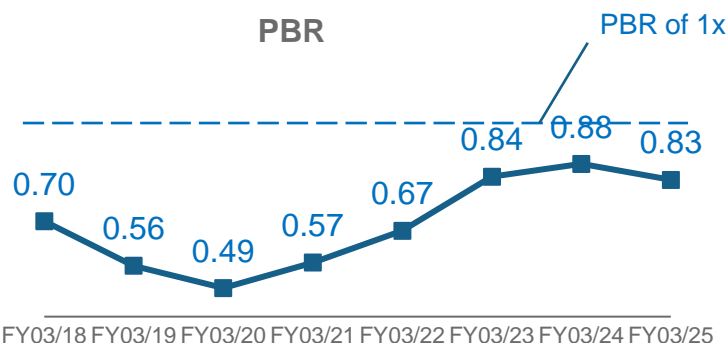
Stock price and market capitalization



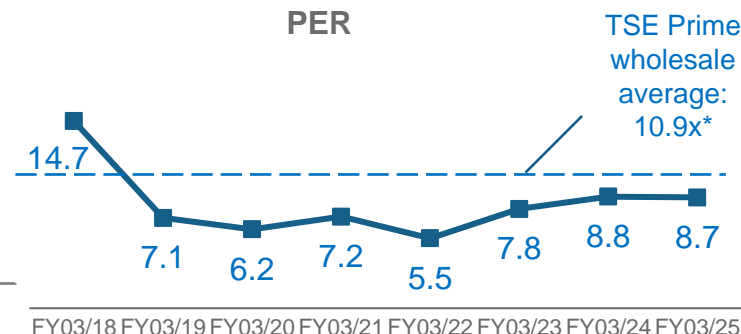
ROE



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, 2025 \* Weighted average PER

## Policies/Targets, and Timeline

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- At a Board of Directors meeting, 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 (Growth)
- ② Maintain ROE of 10% or above (Capital efficiency)
- ③ Control and/or curtail the cost of capital, including by utilizing financial leverages (Curtail the cost of capital)
- ④ Continue buying back shares (Capital efficiency)

# Initiative Progress and Reinforcement Direction

- We had already bolstered our efforts prior to the request from the Tokyo Stock Exchange and have achieved certain results. We will further strengthen these initiatives with the goal of reaching and consistently maintaining a PBR above 1.0 as soon as possible.

		~FY2022	FY2023~2024	FY2025~
		Significantly enhance shareholder returns	Track record of management conscious of cost of capital	Strengthen management conscious of cost of capital
Growth	<b>Increase Business Value and Foster Growth Expectations</b>	<ul style="list-style-type: none"> <li>Expanded the earnings foundation with a focus on mainstay businesses</li> </ul>	<ul style="list-style-type: none"> <li>Based on the proactive investment policy, actively pursued M&amp;A and business investments</li> </ul>	<ul style="list-style-type: none"> <li><b>Steadily generate returns from completed investment projects while continuing proactive investments</b></li> </ul>
Capital efficiency	<b>Maintain ROE of 10% or above</b>	<ul style="list-style-type: none"> <li>ROE exceeded the cost of capital, backed by improved earnings performance and enhanced shareholder returns</li> </ul>	<ul style="list-style-type: none"> <li>Maintained ROE through share buybacks and cancellations</li> </ul>	<ul style="list-style-type: none"> <li><b>Continue share buybacks and cancellations to thoroughly manage shareholders' equity</b></li> </ul>
Curtail the cost of capital	<b>Control and/or curtail the cost of capital</b>	<ul style="list-style-type: none"> <li>Strengthened corporate governance (transitioned to a structure in which independent outside directors make up half of the Board)</li> <li>Reduced strategic shareholdings</li> </ul>	<ul style="list-style-type: none"> <li>Reduced the cost of capital through improved earnings performance and enhanced market liquidity</li> </ul>	<ul style="list-style-type: none"> <li><b>Aim to further reduce cost of capital by enhancing information disclosure and expanding dialogue with stakeholders</b></li> </ul>

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

- By steadily implementing growth strategies, continuously enhance business value and foster expectations for future profit growth

“NC2026” Strategy	Key Achievements FY03/25
<b>Expand earnings through proactive investment</b> <b>Differentiate and boost earnings by enhancing multifaceted capabilities</b>	<ul style="list-style-type: none"> <li>• Actively pursued M&amp;A and business investments</li> <li>• Established a framework to expand and advance our plastic compounding capabilities</li> </ul>
<b>Further develop key segments (Plastics, Information &amp; Electronics)</b>	<ul style="list-style-type: none"> <li>• Expanded earnings in Plastics and Information &amp; Electronics, with sales and operating profit reaching record highs. OPM also improved (Plastics: 2.7% in FY03/24 to 3.3% in FY03/25, Information &amp; Electronics: 2.9% to 3.2%)</li> </ul>
<b>Further develop growth areas</b>	<ul style="list-style-type: none"> <li>• Sales and operating profit hit record highs, driven by earnings growth in Asia</li> <li>• Sales grew steadily in India and Mexico, our focus areas</li> </ul>
<b>Reducing strategic shareholdings</b> <b>Diversify funding methods</b>	<ul style="list-style-type: none"> <li>• Secured funds for growth investment through the sale of strategic shareholdings</li> <li>• Began raising funds through sustainable financing</li> </ul>
<b>Diversity &amp; Inclusion</b> <b>Investment in human capital</b>	<ul style="list-style-type: none"> <li>• Made progress in building a framework for appointing local staff to executive positions at overseas subsidiaries</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	Key Achievements FY03/25
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 fourth consecutive fiscal year</li> </ul>
Increase the share of earnings accounted for by highly profitable businesses	<ul style="list-style-type: none"> <li>• The operating profit margin steadily improved from 2.8% in FY03/24 to 3.1% in FY03/25.</li> </ul>
Make aggressive investments, including in M&A, and generate revenue at an early stage	<ul style="list-style-type: none"> <li>• Invested ¥13.7 billion in growth-oriented areas, with a focus on M&amp;A</li> <li>• Investment projects carried out under the previous medium-term management plan NC2023 steadily contributed to earnings</li> </ul>
Steadily dispose of strategic shareholdings	<ul style="list-style-type: none"> <li>• Steadily reduced strategic shareholdings</li> </ul>
Control of equity	Key Achievements FY03/25
Continue flexible share buybacks and cancellations	<ul style="list-style-type: none"> <li>• 1,200,000 shares were repurchased and canceled for ¥4.0 billion.</li> <li>• Repurchasing 1,000,000 shares for up to ¥4.0 billion (planned between May–August 2025)</li> </ul>
Maintain a progressive dividend policy	<ul style="list-style-type: none"> <li>• Paid a dividend per share of ¥125, up ¥5 YoY. Total dividend payout amounted to approx. ¥6.8 billion (based on resolutions)</li> <li>• Plan to pay a dividend per share of ¥128, up ¥3 YoY, in FY03/26</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	Key Achievements FY03/25
Utilize debt (diversify funding methods, including the issue of corporate bonds)	<ul style="list-style-type: none"> <li>• Executed the Group's first green loan contract in July 2024</li> <li>• Issued our first green bonds in December 2024</li> </ul>
Buyback and cancel own shares	<ul style="list-style-type: none"> <li>• 1,200,000 shares were repurchased and canceled for ¥4.0 billion.</li> <li>• Repurchasing 1,000,000 shares for up to ¥4.0 billion (planned between May–August 2025)</li> </ul>
Indirect measures	Key Achievements FY03/25
Enhance information disclosure	<ul style="list-style-type: none"> <li>• Regularly disclosed “Measures to Realize Management Conscious of Cost of Capital and Share Prices” and “Implementation Status of Dialogue with Shareholders”. (Continuously listed in the TSE disclosure casebook)</li> <li>• Disclosed details of growth strategy of 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 62 meetings in FY03/24 to 66 meetings in FY03/25).</li> <li>• Began communicating the Inabata Group's strengths during earnings briefings and other similar events</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>• Selected as a constituent stock for the JPX-Nikkei Index 400 for the second consecutive year.</li> <li>• Selected as a constituent stock for the FTSE Blossom Japan Index for the second consecutive year.</li> </ul>
Improve market liquidity	<ul style="list-style-type: none"> <li>• Market liquidity improved, and the shareholder base expanded in line with the stock offering in January 2024.</li> </ul>



## Disclosure Methods and Dialogue Policies

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### ■ 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 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, our executive officer in charge and IR Department will proactively engage in dialogues with investors 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 FY2024” on May 9, 2025)

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