

Financial Capital Strategy

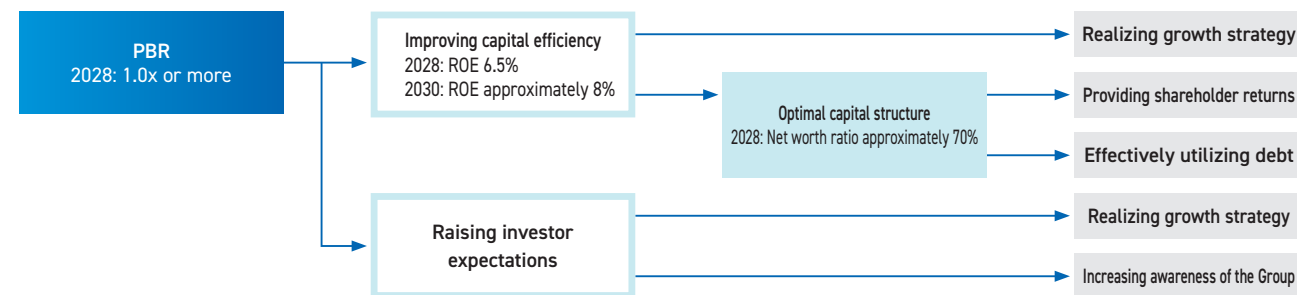
Initiatives for improving PBR

In February 2026, we renewed our initiatives for improving PBR (price book-value ratio) as a means of achieving management with a focus on capital costs and share price.

The Toagosei Group's PBR has stagnated below 1.0x since 2018, despite our efforts to improve it. Upon analysis, we believe that this has resulted from our ROE slumping due to the imbalance between our operating income and net worth. While we have been actively focusing capital investments in high-performance products, it has taken time to monetize these investments through operating income. Meanwhile, we are effectively utilizing shareholder returns and debt to control net worth, and the delayed monetization of our investments has impacted return on capital.

Going forward, we will provide shareholder returns and effectively utilize our debt to control capital and achieve an optimal capital structure. At the same time, we will realize our growth strategy by reinforcing key focus areas such as mobility and semiconductors and by promoting overseas expansion, which will improve our capital efficiency. In addition to realizing our growth strategy, we will raise expectations and market valuation among investors by increasing awareness of the Toagosei Group through the shareholder benefit program, IR activities, and SR activities.

PBR breakdown



Initiatives

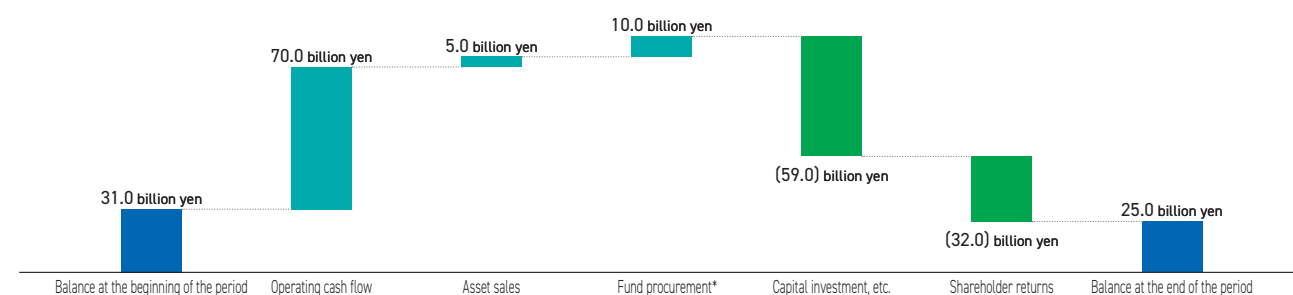
Realizing growth strategy	- Reinforce key focus areas (mobility, semiconductors, medical, and environment & infrastructure) - Accelerate our global expansion, with a focus on emerging markets
Providing shareholder returns	Target a total return ratio of approximately 90% and raise the average payout ratio over the period to approximately 70%
Effectively utilizing debt	Maintain a credit rating of A or above and utilize low-cost interest-bearing debt
Increasing awareness of the Group	Showcase the Group to investors through its shareholder benefit programs and by enhancing IR and SR interviews, etc.

Cash allocation

Previously, we implemented capital investments for growth and shareholder returns using cash on hand, operating cash flow, and debt procurement. In order to achieve our 2028 targets (PBR of 1.0x or more), we will continue to implement active capital investments and ongoing shareholder returns, while aiming to improve capital efficiency. We envisage our cash allocation until 2028, based on these factors, as follows. We plan to use operating cash flow through 2028 as the primary funding for capital investment and shareholder returns, and we also plan to procure some funds by procuring interest-bearing debt to improve our capital efficiency.

Through these efforts, we will strive to enhance corporate value over the medium and long term by improving both profitability and capital efficiency.

2026–2028 cash allocation plan



*Fund procurement will take the form of external procurement for sustainability investment.

Improving capital efficiency

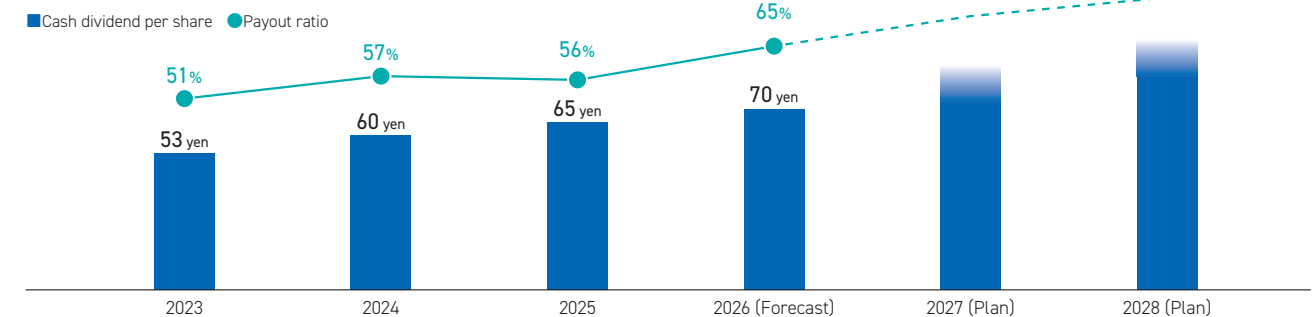
Strengthening shareholder returns

The Company's basic policy for shareholder returns is to maintain stable dividends and increase the consolidated total return ratio, aiming for a consolidated payout ratio of approximately 30% and a consolidated total return ratio of approximately 50%.

In 2025, the Company increased the annual dividend based on this policy to 65 yen per share (+5 yen year-on-year), and bought back approximately 7.0 billion yen of its own shares. As a result, the consolidated payout ratio was 55.5% and the consolidated total return ratio was 110.1%.

During the Medium-Term Management Plan from 2026 to 2028, we will aim for a total return ratio of approximately 90% and raise our average payout ratio over the period to approximately 70%.

Cash dividend per share and payout ratio



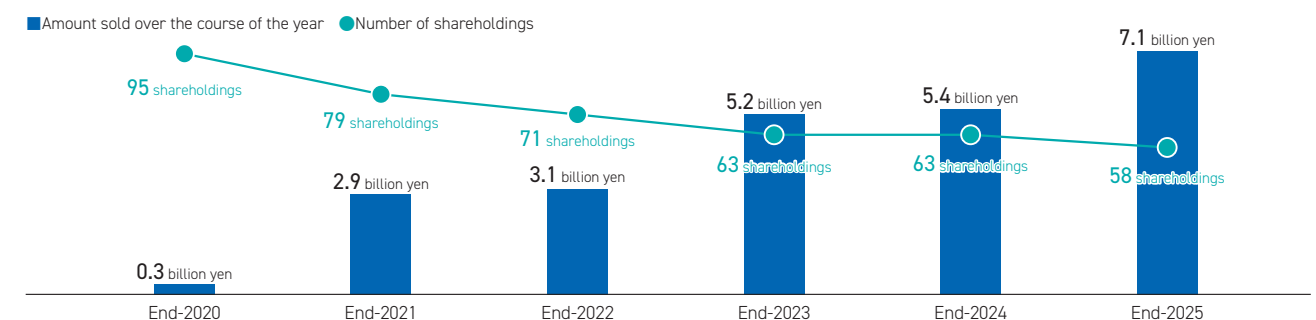
Selling off cross-shareholdings

Cross-shareholdings have been sold off to ensure that the amount of shares owned through cross-shareholding is less than 10% of the consolidated net assets on the balance sheet.

The Company acquires and owns shares of its business partners if it has determined that they contribute to increasing the medium- to long-term corporate value of the Company from the perspective of factors such as maintaining better relationships with those business partners or building up business alliances. We annually review the effectiveness of our holdings, taking into consideration whether the benefits and risks associated with maintaining and strengthening the overall relationship with the relevant counterparty and holding shares are commensurate with the cost of capital.

We sold off a total of 7.1 billion yen of cross-shareholdings with lower holding effectiveness in 2025. We will continue to sell off shares of brands determined to have diminished effectiveness in the future.

Sell-off state of cross-shareholdings



Increasing awareness among individual investors

Introduction of shareholder benefit program

To encourage shareholders to retain their shares long term, we have introduced a shareholder benefit program.

Our business is a primarily B2B-oriented, and raising awareness among individual investors has always been a challenge. Through our shareholder benefit program, we seek to increase awareness and, consequently, our share price. We hope that long-term stock holdings by individual investors will help stabilize our share price when market volatility is high.



Through the shareholder benefit program, we present shareholders with Aron Alpha instant glue to deepen their understanding of our business.