

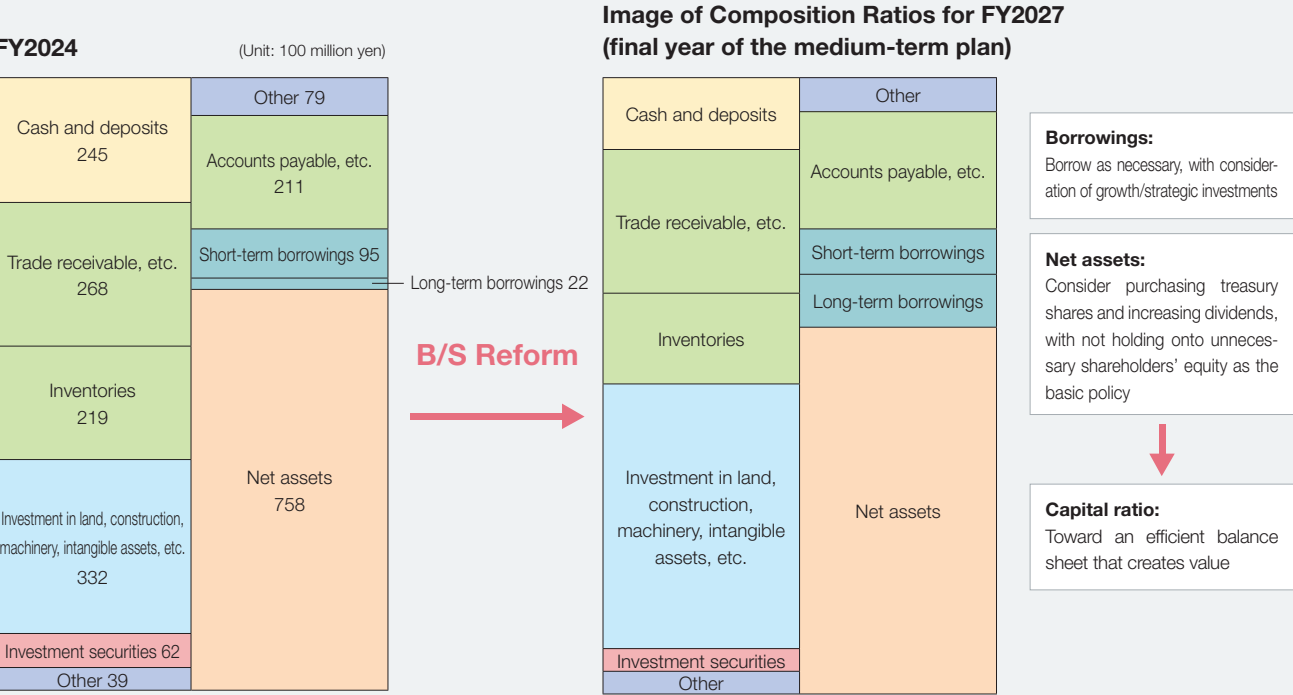
Overview of Value Creation

Financial Strategies

Reforms Toward a Value-creating Balance Sheet

In our new three-year medium-term business plan, we will work on reforms aimed at a “value-creating balance sheet.” We will implement structural reforms to the balance sheet, such as reducing cash and deposits and improving the cash conversion cycle. We also plan to reduce our holdings of investment securities after verifying the significance of holding them.

We will undertake reform toward an efficient balance sheet that does not have assets that do not contribute to value creation or shareholders’ equity above what is necessary.

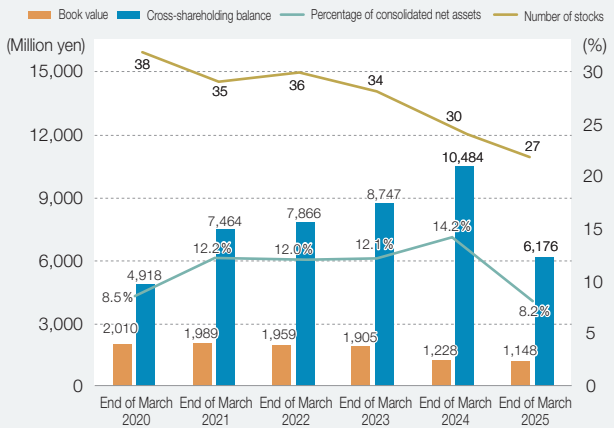


Cross-shareholdings

With regard to cross-shareholdings, the Board of Directors annually reviewed in detail the rationality of holding each company’s stocks including the cost of equity and the benefits of holding, and reduced the ratio of cross-shareholdings to reach less than 10% of consolidated net assets as the policy. The cash generated by the reduction will be used primarily for growth investment and also for shareholder returns, and in this way we will accelerate medium- to long-term growth in the future.

In FY2024, in addition to examining the appropriateness of holding individual stocks, including those held by consolidated subsidiaries, we conducted comprehensive examinations, including capital policies. As a result, we sold all or some of 15 of the 30 issues (stocks) held by the Company, bringing the balance of cross-shareholdings to around 8% of consolidated net assets. All proceeds from the sale were used to fund the acquisition of treasury stock.

Change in the Balance of Cross-shareholdings



Cash Allocation

In the new three-year medium-term business plan, to achieve sustainable corporate value enhancement, we established a sense of direction for cash allocation that allocates generated cash strategically and in a balanced manner.

We will use funds generated from operating cash flow and balance sheet reform in growth and strategic investments, shareholder returns, and other initiatives. We will visualize cash in and cash out and implement highly transparent information disclosure to our stakeholders.

Foundational Investment

- Upgrading and maintenance of existing facilities

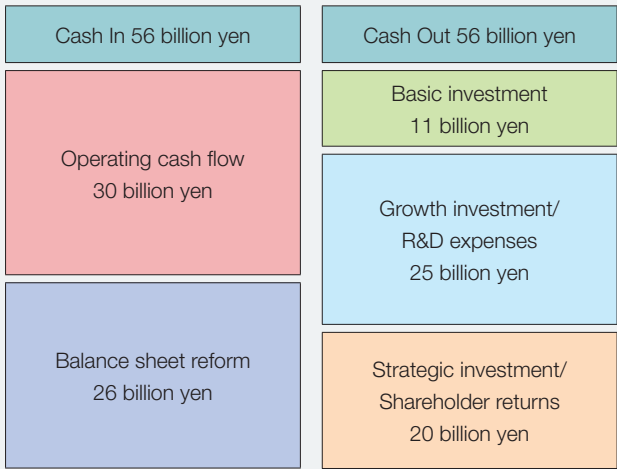
Growth Investment / R&D Expenses

- Capacity enhancement, labor saving, manpower saving, etc.
- Manufacturing process reforms
- Building of core systems and global databases
- R&D investments

Strategic Investments / Shareholder Returns

- Inorganic growth (M&A, etc.)
- New businesses
- Responding to climate change
- Shareholder returns

Three Years of Operating Cash Flow



note) Operating cash flow :Excluding CCC improvements, before R&D expense deductions, after dividend deductions for non-controlling interests

BS reform :Cash and deposit reduction, CCC improvement, reduction of cross-shareholdings, debt financing

Growth investment :Capacity enhancement, labor-saving/manpower-saving investments, etc.

Strategic investment :M&A, new businesses, climate change responses, etc.

We will adopt a basic policy of not holding excessive equity—after considering foundational investment and other business investments, enhancement of shareholders’ equity, and other factors—and also work on shareholder returns.

Business Portfolio

Under the new three-year medium-term business plan, we will expand our focus particularly on key areas such as molded parts for automobiles (TR); the medical use market (DH); food packaging (DH); electric power and industrial wires (EL), especially in the ASEAN region; and telecommunications, mobility, robotics, and factory automation (EL).

Across its three business segments—compounds, films, and food packaging—we are also engaged in diverse fields across various market segments in regions such as ASEAN, North America, and China, as well as Japan. The products in the key areas of each market segment share basic production facilities within our respective business segments.

We will optimize our portfolio and seek growth and expansion by continuing to pursue optimal marketing targets in each segment.

