Capital Policy Revision

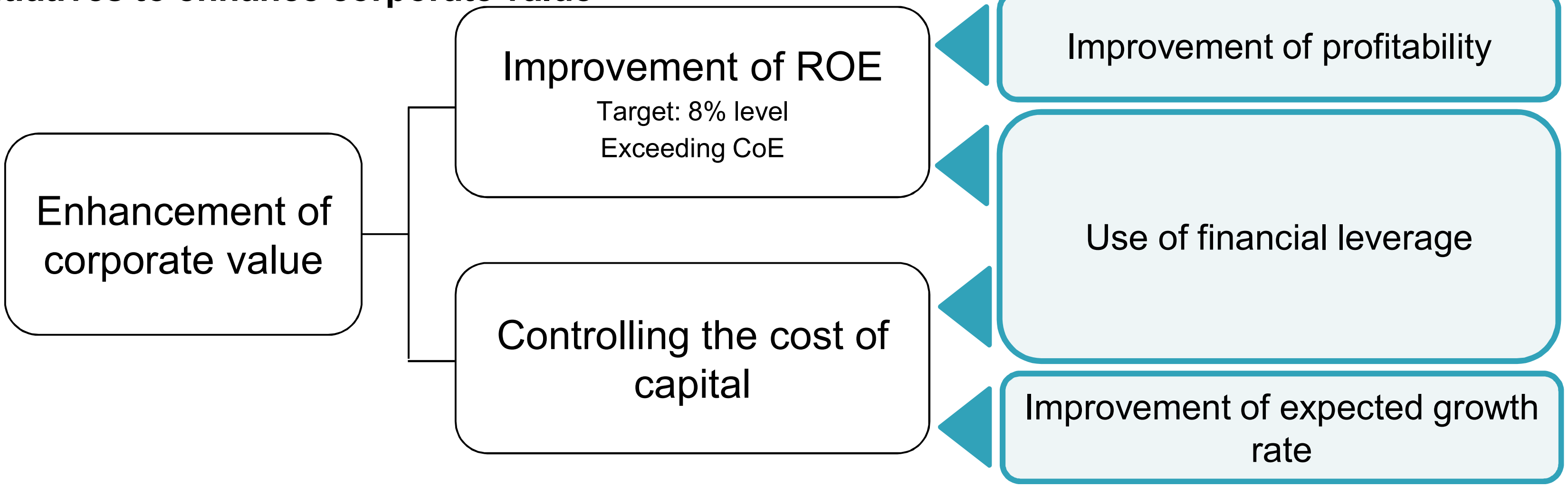
—Future Initiatives for Management Conscious of the Cost of Capital and Share Price—

Toward Achieving Management Conscious of the Cost of Capital and Share Price

Backgrounds

- For the full year of FY2025 (fiscal year ending March 31, 2025), we expect to achieve the quantitative targets set forth in the current medium-term management plan “BIOSTYLE: Deepening and Challenge” one year ahead of schedule and make steady progress toward the profit targets set forth in the long-term management strategy.
- Although ROE has remained above the cost of equity (CoE), in light of the current share price trend and financial situation, we have determined that it is reasonable to shift the capital policy towards a more appropriate control of shareholders’ equity with a view to enhancing corporate value in the medium to long term while remaining conscious of the cost of capital.

Initiatives to enhance corporate value

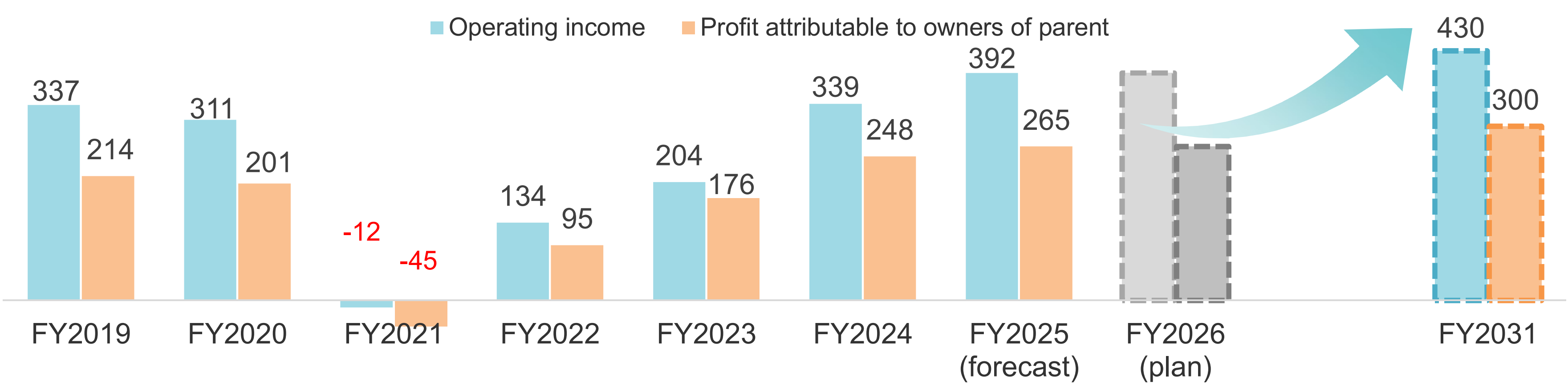


- Increase corporate value by improving ROE and controlling the cost of capital
- Raise profitability through steady implementation of the long-term management strategy and medium-term management plan and aim to exceed 8% level of ROE by using financial leverage based on the premise of maintaining financial soundness
- Optimize capital structure by **revising shareholder return policy**, improve expected growth rate by strengthening communication of medium- to long-term growth strategy through dialogue with capital markets, thus controlling the cost of capital

Changes in the Quantitative Targets

Management indicators	FY2024 results	FY2025 forecasts		FY2031 target level
Operating income	33.9 bn. yen	39.2 bn. yen	▶	**43 bn. yen or more**
Profit attributable to owners of parent	24.8 bn. yen	26.5 bn. yen	▶	**30 bn. yen or more**
EBITDA	53.9 bn. yen	61.2 bn. yen	▶	**70 bn. yen or more**
Net interest-bearing debt/EBITDA ratio	5.85x	5.62x	▶	**6x level**
ROE	8.8%	8.6%	▶	**8% level**

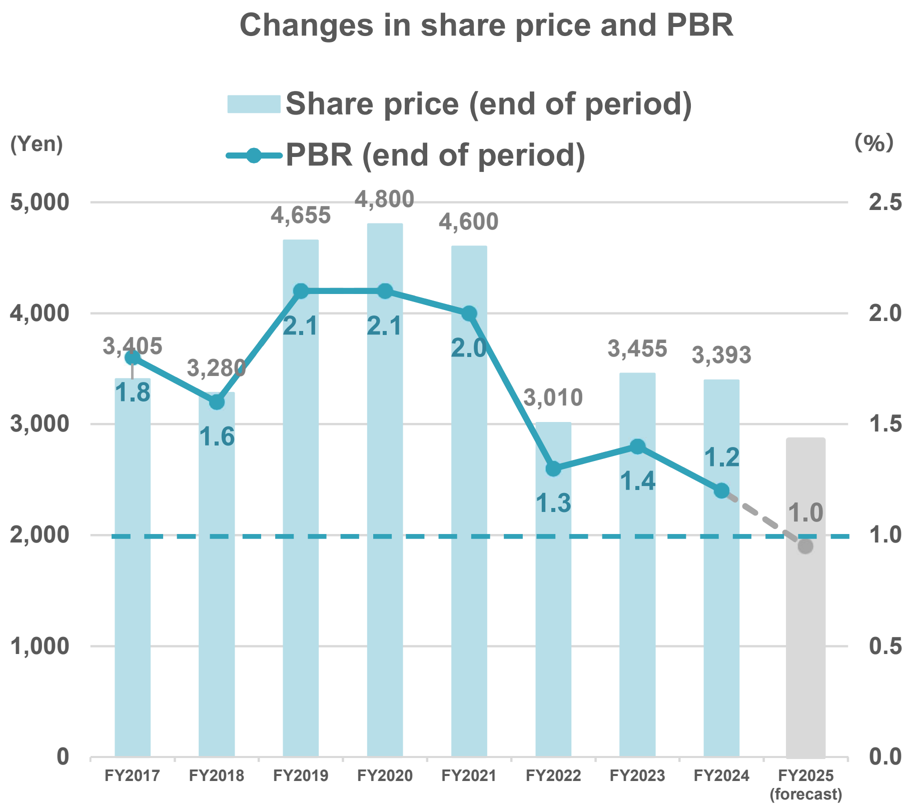
*Indicators for FY2025 forecasts do not take into consideration the impact of the share buyback under this revision.

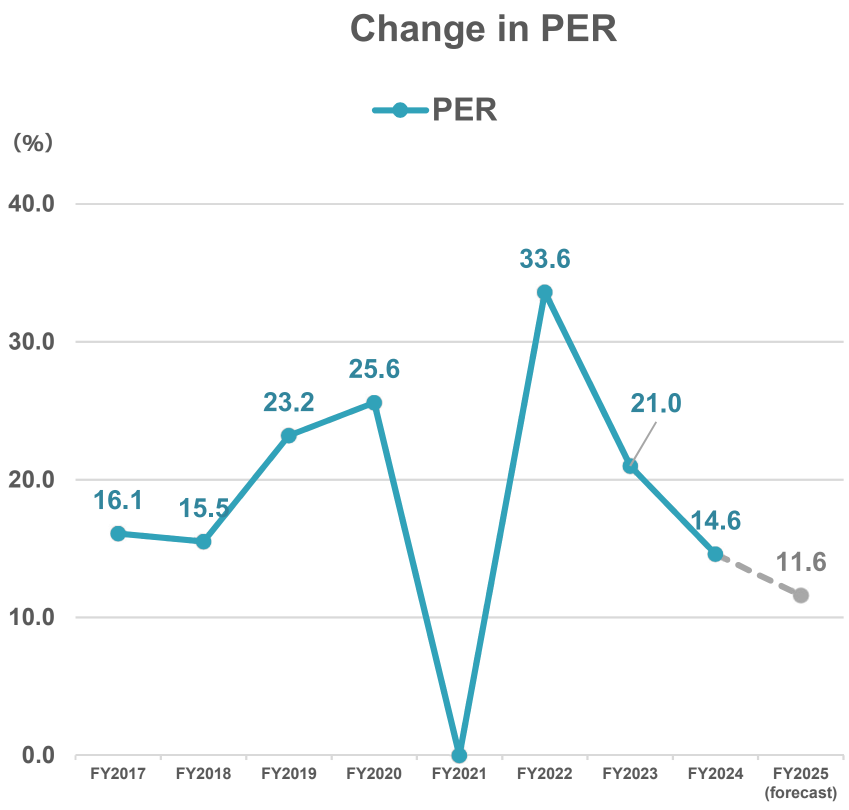


Profit levels have been favorable after the pandemic, with FY2025 expected to be the second consecutive year of record profits.

* **Aim** for FY2026 **to achieve the same level or higher as that of FY2025**

Current Assessment of Share Price

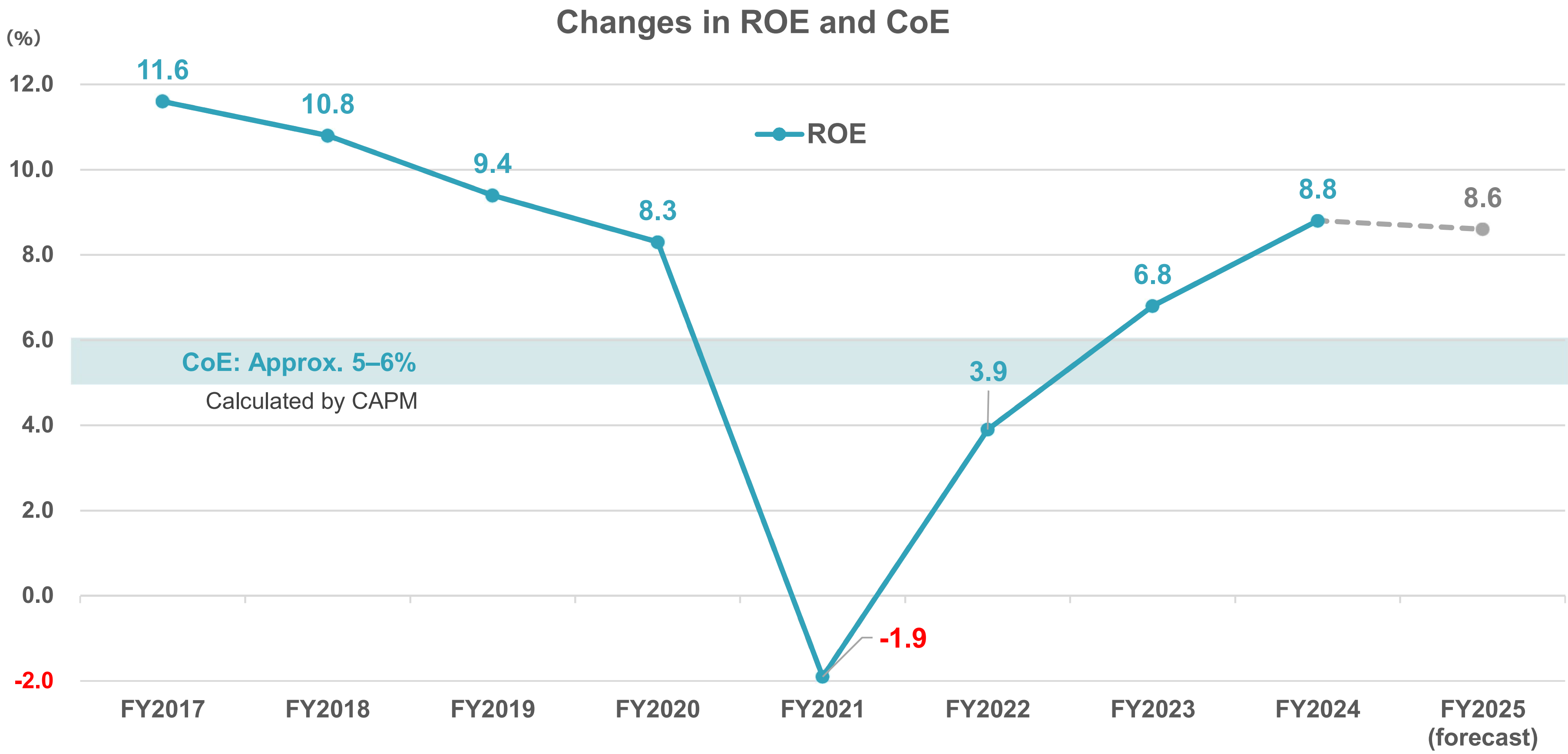




- Share price and PBR have remained at low levels even after the pandemic (1.0x at the end of October 2024*).
- The PER, which indicates a company's expected growth rate, has also declined in sync with the share price.
- It is necessary to steadily implement the long-term management strategy and medium-term management plan to improve ROE and enhance the evaluation of the company's growth potential.

* Closing share price on October 31, 2024 divided by projected net assets per share at the end of FY2025

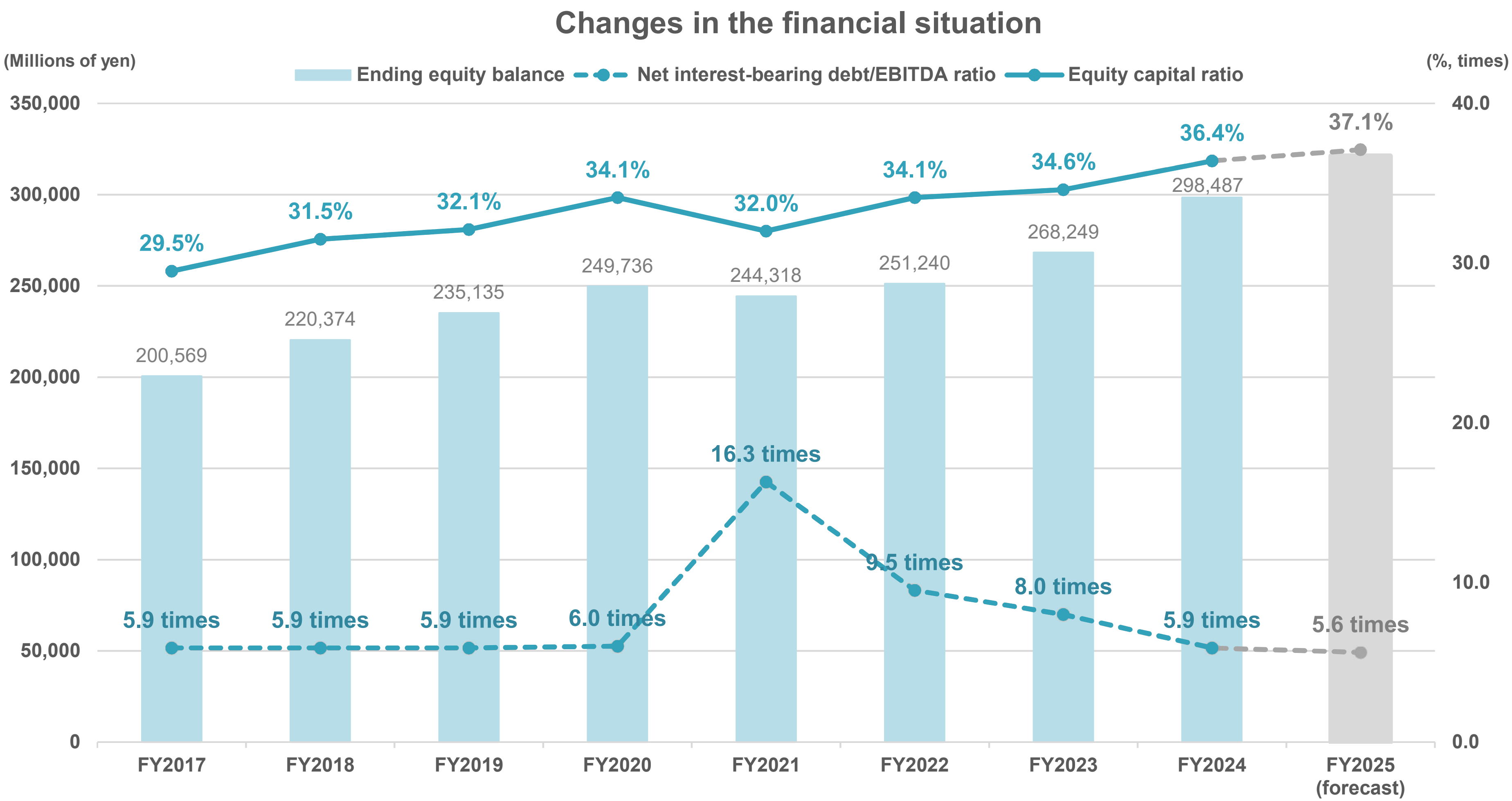
Current Assessment of the Cost of Equity and Return on Equity



- ROE has remained above CoE through the post-pandemic recovery.
- Since CoE is expected to increase, further improvement of ROE is necessary so that the equity spread,* the difference between ROE and CoE, can continue to increase.

* An indicator of how much the profitability has exceeded shareholder expectations (value created by management)

Current Assessment of the Financial Situation



- Despite the decline due to the pandemic, the company has steadily accumulated equity capital and is financially sound.
- While the financial resources for the projects promoted in the medium-term management plan have been secured to a certain extent, the net interest-bearing debt/EBITDA ratio is expected to remain low, and the company has the capacity to use financial leverage.

Revision of Shareholder Return Policy

Points

- Regarding profit distribution, the current basic policy has focused on paying stable dividends continuously while giving priority to maintaining a stable management foundation, investing in growth, and strengthening the financial structure. However, in light of the steady accumulation of equity capital, the company will shift the policy to strengthening shareholder returns while maintaining financial soundness and using financial leverage to maintain a stable management foundation and invest in growth.
- While securing the necessary funds for investing in growth, the company will increase shareholder returns by strengthening the dividend through the establishment of a new dividend payout target (dividend increase through sustainable growth) and by implementing flexible share buybacks.
- By doing so, the company aims to optimize its capital structure and control the cost of capital, thereby increasing its corporate value.

[Before revision]

Basic policy	While maintaining a stable management foundation, we will make aggressive investments and strengthen our financial structure toward growth, and continuously provide shareholder returns based on results. To this end, we will continue to pay stable dividends while taking into consideration the level of shareholders' equity and business performance.

[After revision]

Basic policy	To sustainably improve corporate value, we will strive to ensure a stable management foundation and invest aggressively in growth while paying dividends in line with business performance and flexibly conducting share buybacks, taking into consideration the maintenance of financial soundness and capital efficiency.

Dividends and Share Buyback

Dividends	Establishing **consolidated dividend payout ratio target of approximately 30%** from **FY2026 (fiscal year ending March 31, 2026)** * Dividends are basically paid once a year at the end of the fiscal year, with the shareholders' meeting as the decision-making body.
Share buyback	**Flexibly conducting share buybacks** while considering financial soundness, capital efficiency, etc. * Nov. 2024 – Jun. 2025: **Share buyback up to 20 billion yen** • Of this amount, 8.9 billion yen was already acquired on November 11 through an off-market purchase for the purpose of unwinding cross-shareholdings. • The acquired treasury shares were **retired** to alleviate concerns about future share dilution.