

**Action to Implement Management that is
Conscious of the Cost of Capital and the Stock Price**

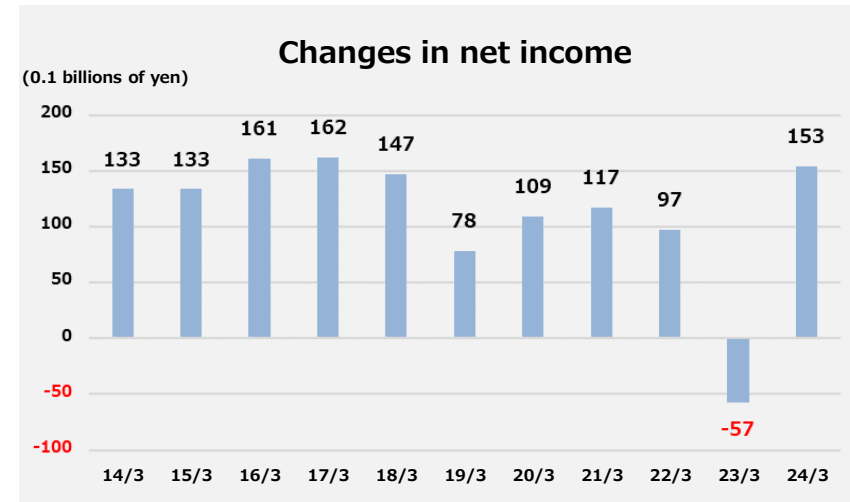
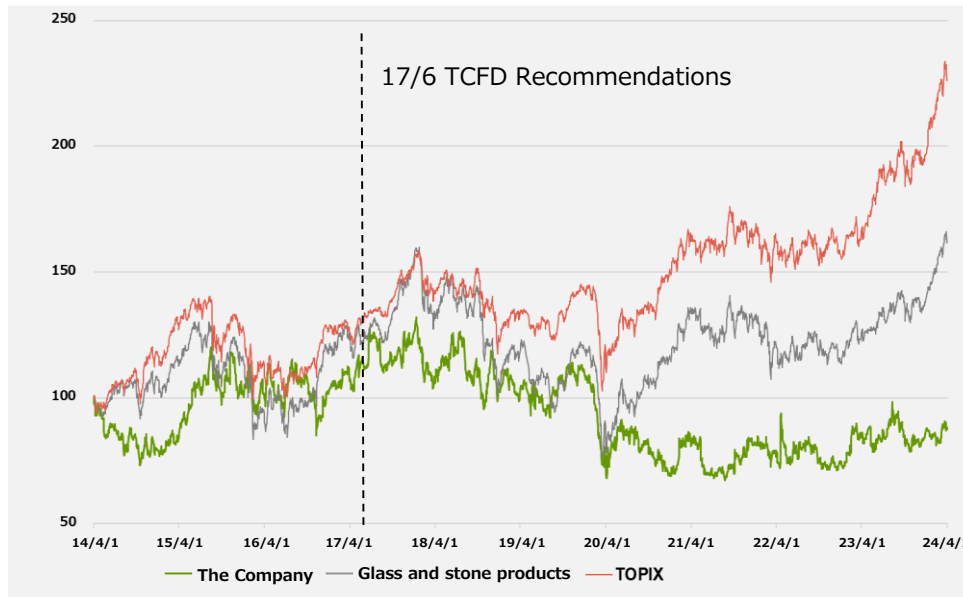
(1) Analysis of Stock Prices

- Significantly underperformed on TOPIX since FY18/3

[Cause]

- (1) After the TCFD recommendations in June 2017, the stock market gave a harsh evaluation of sectors with heavy CO₂ emissions
- (2) Decline in profit levels (shrinking demand for cement, energy prices, foreign exchange rates, and other factors)

Changes in stock prices over the past 10 years (daily index; April 1, 2014 = 100)

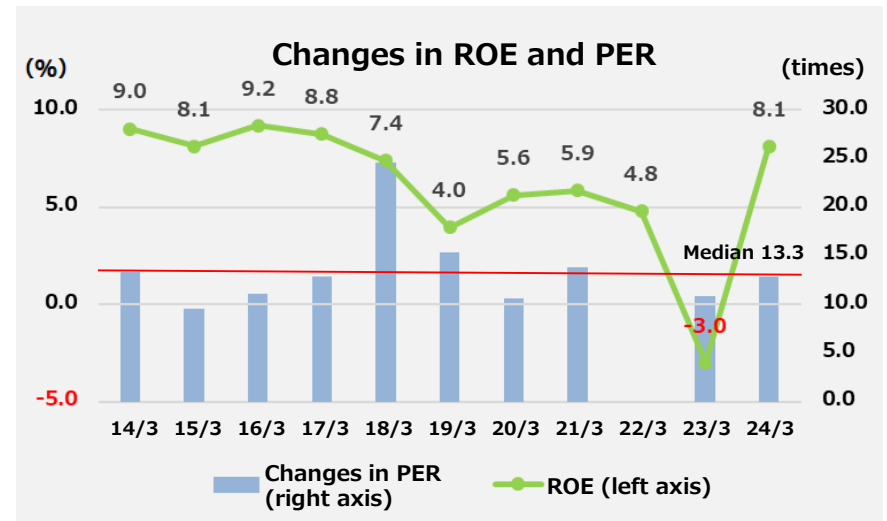
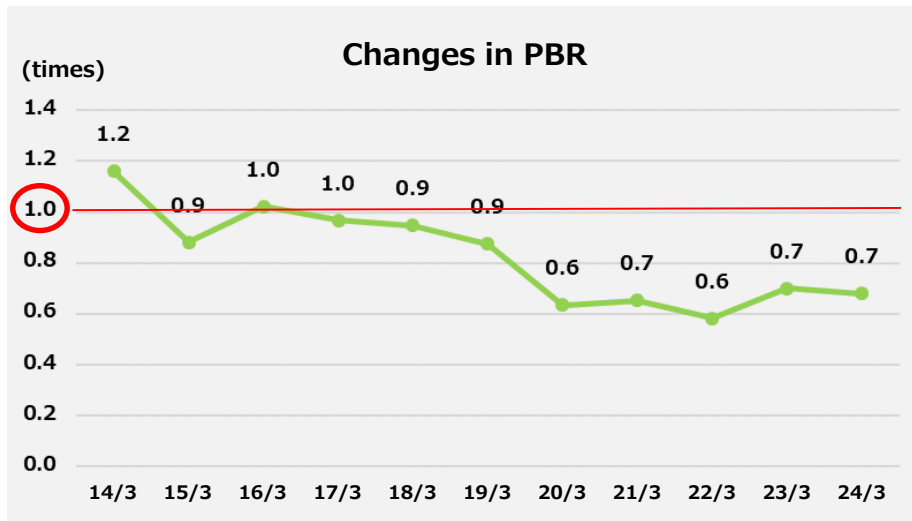


(2) PBR Analysis

- In the past 10 years, there were times when PBR exceeded 1, but in recent years it has hovered at around 0.6 to 0.7

[ROE and PER over the past 10 years (PBR = ROE × PER)]

- (1) ROE: consistently below the current Medium-term Management Plan target of 8% since March 2018
- (2) PER: The median is 13.3 (7.5% equity profit yields) and the minimum is 9.5 (10.5% equity profit yields)

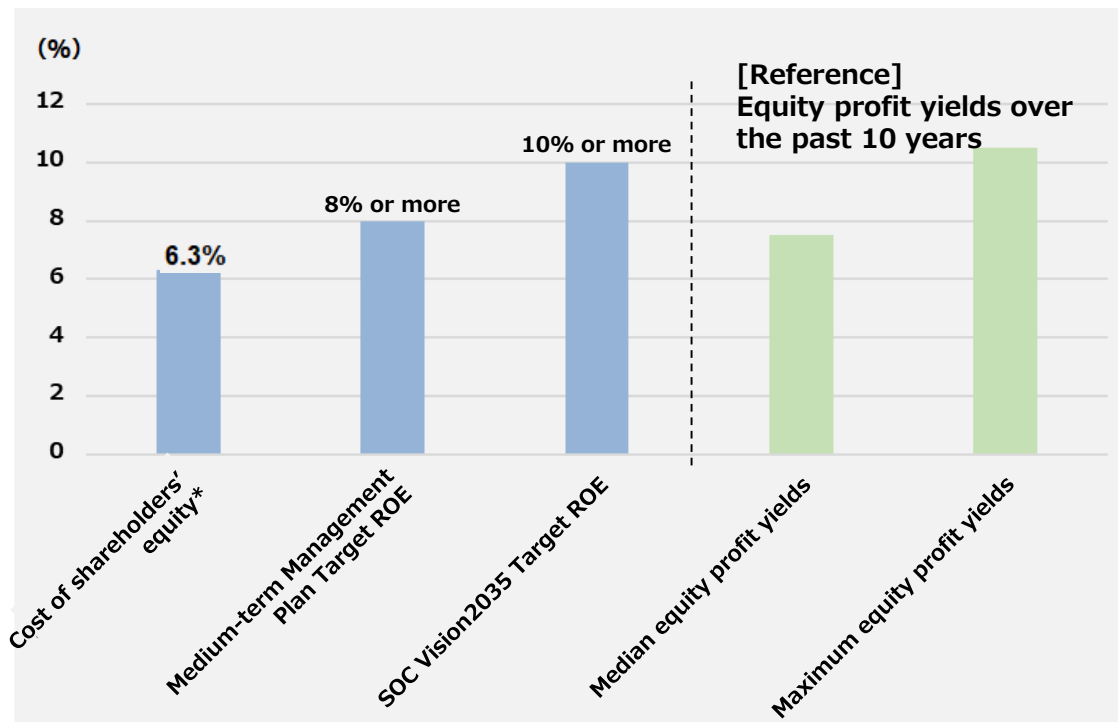


* PER is calculated as "market capitalization at the end of the current term ÷ net income for the following term."
 Figures for 22/3 are not shown because net income for 23/3 was negative (net loss).

(3) Cost of Capital and Target Returns

[Approach to Target ROE]

- (1) Target ROE is determined by comprehensively taking into account CAPM, historical equity profit yields, equity spread, etc.
- (2) Responding to rapid changes in the business environment, ROE of 8% or more in the final year of the current Medium-term Management Plan (fiscal year ending March 31, 2026)
- (3) Aim to achieve ROE of 10% or more as early as possible from the final year of SOC Vision 2035 (fiscal year ending March 31, 2036)



*Cost of shareholders' equity

March 31, 2023

[Risk-free rate]
10-year JGB yield
(0.3%)

+

[Beta (β)]
Our specific risk (0.8)

X

[Risk premium]
Expected excess return
on equity investment
(7.5%)

||

[Cost of shareholders' equity]
6.3%

Our estimate from CAPM

(Latest reference value)

March 31, 2024

5.2%

(4) Approach to Achieving Target Returns

Achievement of target returns

(1) Maximizing return

- Steady implementation of measures in the Medium-term Management Plan and SOC Vision 2035

[Targets for FY2025]

Net sales 265.0 billion yen
Operating income 21.4 billion yen
ROE 8.0% or more
ROIC 5.0% or more

[Targets for FY2035]

Net sales 400.0 billion yen
Operating income 40.0 billion yen or more
ROE 10% or more
ROIC 6.5% or more

(2) BS Management

- Adoption of ROIC management
- Maintain financial stability (D/E ratio is based on current levels)
- Reduction of cross-shareholdings (less than 10% of net assets as of March 31, 2027)
- Three-year average total return ratio of 50% or more

(3) Enhancing Governance as a Company to Be Chosen in the Future

- Utilizing the Nomination and Remuneration Committee
- Enhancing evaluation of the effectiveness of our Board of Directors