



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

The main actions being taken by the Company are as follows:

Disclosing management indicators for which the cost of capital and return on capital are taken into account

At the time of the announcement of our financial results in November 2023, the Company disclosed matters related to its medium-term management plan, which had previously been undisclosed. These matters included the ROE of at least 15% as a key performance indicator (KPI) to clarify management targets for which the cost of capital and return on capital are taken into account. See the Company's official website for more information on its medium-term management plan (<https://www.sk-el.co.jp/ir/library.html>).

Reviewing our shareholder return policy

To date, the Company has regarded the redistribution of profits to shareholders as an important management issue. In its medium-term management plan as disclosed in November 2023, the Company identified the *realization of continuous improvements in corporate value and the stable and continuous distribution of profits to shareholders through investments in growth areas while reinforcing its management base* as a fundamental policy matter and revised its consolidated dividend payout ratio target from 20% to 50%.

Establishing a voluntary nomination and remuneration committee

While the Company has to date made decisions on the composition of the Board of Directors and the remuneration of its members in accordance with appropriate standards, it established the Voluntary Nomination and Remuneration Committee in October 2023 in order to further improve the transparency of management. Since then, decisions on the nomination and remuneration of directors have been made through consultations with the Voluntary Nomination and Remuneration Committee with the effect that management of a high degree of transparency has been realized.

Engaging in proactive dialog with investors

While the Company has to date proactively carried out one-on-one dialog and other forms of IR activities, it disclosed a medium-term management plan in November 2023 in an effort to further enhance dialog both qualitatively and quantitatively to go along with the issuance of an integrated report for the first time ever in February 2023. In addition, the Company has been progressively enhancing its disclosure of information in English over time. Beginning with the Company's 22nd Ordinary General Meeting of Shareholders held on December 15, 2023, the Company has been committed to partially translating the notice of the convocation of general meetings of shareholders into English.