

Measures to Implement Management that Is Conscious of Cost of Capital and Stock Price

Current situation

- *Through dialogue with shareholders, we recognize that improving return on capital is a key management issue
 - **Cost of shareholders' equity estimate: 6.5–7.5%**
 - **ROIC target set at 19% for fiscal 2025**, ending March 31, 2025, but remained at around 13% in fiscal 2024
Expect to fall short of plan in short term due to inventory increases stemming from supply–demand imbalance and execution of growth-oriented investments
 - **ROE projected at around 7% at end of fiscal 2024**
Aim to exceed 10% during next medium-term business plan (fiscal 2027 to fiscal 2031))
 - **Price-to-book ratio (PBR) is above 1x but current level is not sufficient**

Policies

- ***Achieve targets of medium-term business plan**
(Fiscal 2026 targets: consolidated net sales of ¥450 billion, operating income of ¥50 billion, ROIC of 19.0%, ROE of 8%, total return ratio (5-year average) of 40%, dividend payout ratio of 40%)
- ***Based on capital allocation set forth in the medium-term business plan, we will (1) Invest for growth and (2) Enhance shareholder returns**

Specific measures

<Improve ROE>

- ***Further increase earning power through profit recovery and growth investments** (electrification support, value chain expansion)
- *Conduct flexible share buybacks in conjunction increases in dividend payout ratio from long-term growth perspective

<Improve PER>

- ***Enhance information disclosure** to domestic and overseas investors and **strengthen IR activities**
- *Promote ESG initiatives
 - Address climate risk
 - Link executive compensation to financial indicators, etc.