

Financial and Capital Strategies



We will sustainably enhance our corporate value by expanding profit, promoting business operations with a focus on capital costs and strengthening shareholder returns.

Yoshitada Miyoshi
Senior Managing Executive Officer
Corporate General Manager, Corporate Management Planning Headquarters

Under our current Medium-Term Management Plan, which concludes in fiscal 2026, we have adopted profit-focused management as our basic policy and established an operating profit ratio of over 11%, a ratio of profit attributable to owners of parent to net sales of over 7%, an ROE of 12% or more, and an ROIC of 10% or more as key management indicators. In particular, we place emphasis on profitability and capital efficiency and are working to thoroughly manage ROIC in each segment, strengthen cash management, maximize operating cash flow, and improve asset health.

With regard to financial discipline, we have used an equity ratio of approximately 50% and a net D/E ratio of approximately 0.2 times as benchmarks in order to maintain an issuer rating of A or higher, which is necessary to preserve the flexibility needed to respond swiftly. Through the current Medium-Term Management

Plan, we have sufficiently strengthened our financial foundation and built up our investment capacity for the next stage of growth.

With regard to shareholder returns, we will maintain and strengthen our policy of stable and continuous returns through dividends. We will pay dividends based on a dividend payout ratio of approximately 30%, while positioning share repurchases as a “flexible shareholder return measure” that supplements dividends and executing such repurchases as appropriate in light of factors including cash flow conditions.

Going forward, we will continue to allocate capital to growth investments such as M&A and DX under the appropriate financial discipline while keeping capital costs in mind. We will also continue efforts to improve capital efficiency, including optimizing assets and continuously reviewing cross-shareholdings, to achieve sustainable improvements in corporate value.

Changes in the Business Environment and Execution of Measures to Expand Profit Attributable to Owners of Parent

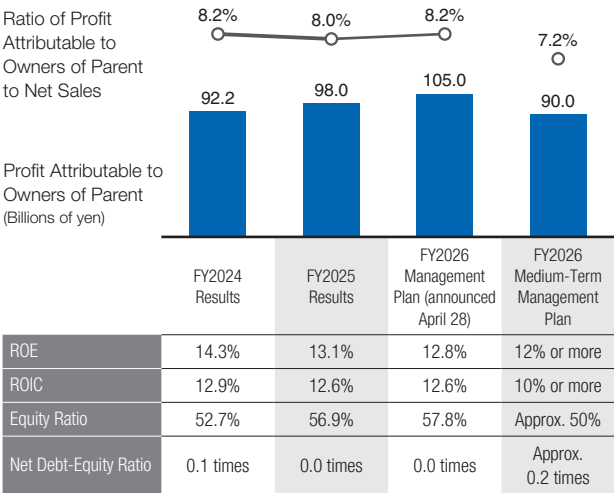
Demand for electric power and datacenters continues to expand against the backdrop of decarbonization and digitalization. In Semiconductors, however, the delayed ramp-up of the xEV market has led to a market adjustment compared with when the current Medium-Term Management Plan was formulated, creating a mixed business environment. We are responding swiftly to these changes and steadily implementing measures to expand profit attributable to owners of parent.

In fiscal 2025, we steadily accumulated profits by ensuring appropriate pricing for high-value-added products, improving productivity, and rigorously reducing costs. Combined with a trend toward yen depreciation, profit attributable to owners of parent reached ¥98.0 billion, ROE was 13.1%, ROIC was 12.6%, the equity ratio was 56.9%, and the net D/E ratio was 0.0 times. As capital on hand increased due to accumulated profits, financial leverage declined.

In 2026, we plan for profit attributable to owners of parent to be ¥105.0 billion. While returns on capital will exceed the Medium-Term Management Plan targets, our financial soundness has increased, and we are working to maintain capital efficiency and control the equity ratio through measures including the approximately ¥21.0 billion share buyback described below.

Although we plan to maintain companywide ROIC at a high level, WACC is also rising along with higher interest rates. We will assess capital efficiency and profitability in each segment and

Main Financial Indicators



implement the following measures to create value over the medium to long term and expand profit attributable to owners of parent.

In the Energy segment, we have decided on growth investments at factories in Japan and overseas to meet the increasing demand for power equipment. In fiscal 2026, we will steadily launch these production lines and pursue further profit growth through improved productivity and expanded in-house production, and expect a high

ROIC above the companywide level.

In the Industry segment, components currently have lower profitability than the plant and systems business due in part to soaring material prices, and we recognize ROIC as an issue as well. We will consolidate models at optimal production sites and expand platform use to strengthen cost competitiveness and our earnings foundation.

By contrast, in the Semiconductors segment, where we have invested substantial capital to date, profit levels are expected to decline due to factors such as delays in the xEV market. Management views the outlook in which the segment’s ROIC will

fall below both the companywide level and WACC as being a significant issue. In the near term, we will fundamentally improve profitability by controlling plant and equipment investment in line with demand trends while reducing Si production, which has relatively low productivity, and at the same time expand SiC production, which will drive medium- to long-term profit growth.

In the Food and Beverage Distribution segment, we continue to maintain high profitability above the companywide level by providing high-value-added products that meet customer needs, contributing to improvement in companywide ROIC and expansion of profit attributable to owners of parent.

Cash Flow Allocation

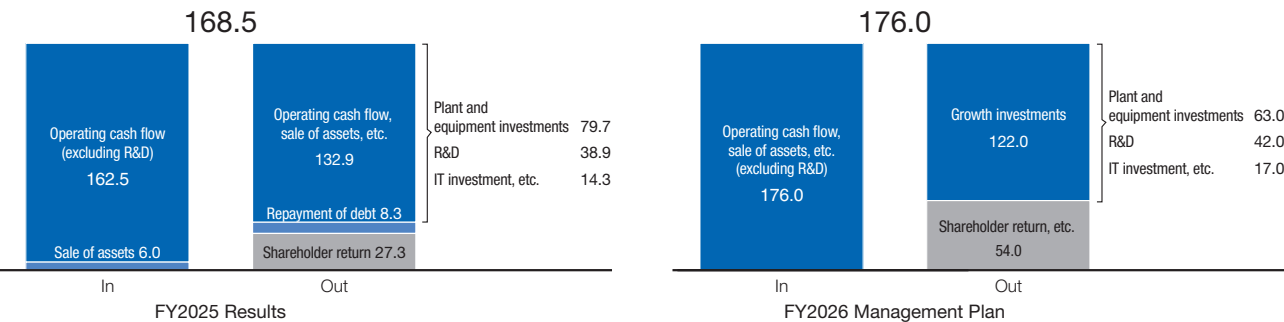
In fiscal 2025, we generated total cash inflows of ¥168.5 billion, centered on operating cash flow (excluding R&D).

We prioritized the cash generated for investments in future growth and deployed ¥132.9 billion in cash outflows. Of this amount, ¥79.7 billion was invested in plant and equipment, centered on Energy, Industry, and Semiconductors.

In fiscal 2026, we expect cash inflows of ¥176.0 billion. While continuing to either speed up or slow down capital investment

according to circumstances, we will actively pursue R&D investment, which is a source of competitiveness, and IT investment that contributes to improved productivity and faster management decision-making. Based on a medium- to long-term outlook, we will implement cash flow allocation while considering growth investments that contribute to future growth and shareholder returns, including through share buyback.

Cash Flow Allocation (Billions of yen)



Strengthening Shareholder Returns

Our basic policy is to make stable and continuous dividend payments, taking into account the medium- to long-term business cycle. In fiscal 2025, we paid a dividend of ¥200 per share, up ¥40 year on year, and exceeded the target dividend payout ratio of 30% under the current Medium-Term Management Plan.

For fiscal 2026, based on our initial earnings forecast, we disclosed a new interim dividend forecast of ¥107 per share

based on a dividend payout ratio of 30%, and are carrying out share buyback of approximately ¥21.0 billion, resulting in a total return ratio of 50%.

In addition to using the acquired treasury shares for future business expansion and other purposes, we will consider what method of treating them, including cancellation, would be optimal as a flexible capital policy option that contributes to the medium- to long-term enhancement of corporate value.

Trends in Shareholder Returns

