



Message from the Director in charge of financial affairs

# Enhancing corporate value through growth and earning power

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Director and Executive Vice President in charge of financial affairs

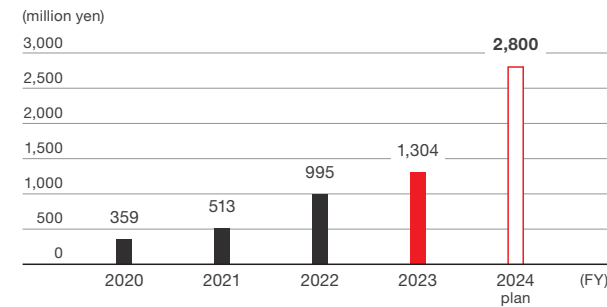
At the Sansha Electric Manufacturing Group, we have formulated a new medium-term management plan (FY2024 to FY2026) and have been implementing it since April 2024. For this medium-term management plan, we clearly envisioned what we aspire to be by our 100th anniversary, which we will celebrate ten years from now, and used a backcasting approach to formulate measures to solidify the foundation of our business for achieving the above. The slogan of the medium-term management plan is "Create the Future." It has three pillars: the business strategy, sustainability strategy, and financial strategy. We disclosed this medium-term management plan in May 2024 as our actions for implementing management that is conscious of the cost of capital and the stock price.

We will achieve growth and earning power through the medium-term management plan, aiming to enhance our corporate value. In the aspect of growth, we would like to continue to develop new products which will contribute to the establishment of a carbon-neutral society, which is a material social issue. At the same time, we want to enable our customers to understand the value of the products, and through this continue to provide value. In particular,

we are advancing product development focused on power conversion efficiency and CO<sub>2</sub> reduction which will enable us to improve our market competitiveness and facilitate the sustainable growth of our company. On the other hand, regarding earning power, we will increase profit by streamlining manufacturing through standardization in addition to selling high added-value products. Specifically, we will make company-wide efforts to ensure that the assets in which we have invested (tangible and intangible) will lead to returns.

Regarding property, plant and equipment, we are mainly considering investments to increase production, streamline, and increase efficiency, aiming to achieve net sales of 50.0 billion yen ten years in the future. We will move forward by examining the returns on our investments and confirming to what degree they are contributing to our earning power. Regarding intangible assets, we place importance on human capital management and we are committed to securing and developing human resources. We will proceed with human resource development to make each one employee a value-creating human resource and strive to facilitate productivity improvement and

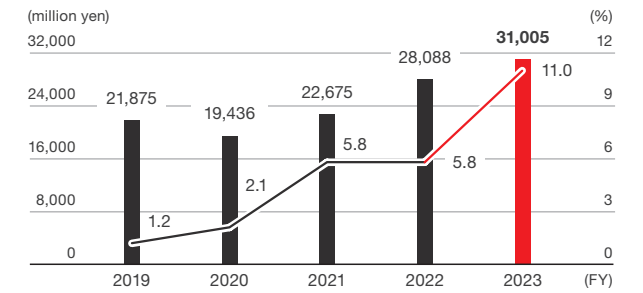
## Actual and planned capital investment



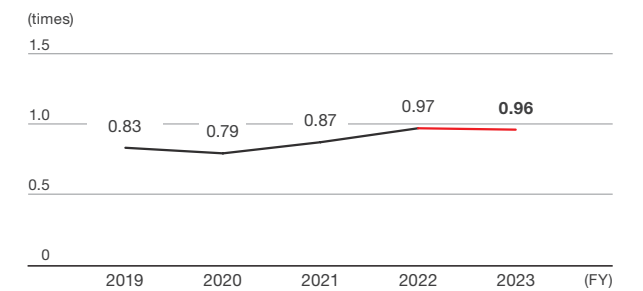
innovations. We will also improve employees' skills by providing training and supporting their career development efforts.

Looking at financial indicators, return on equity (ROE) in FY2023 was 13.0%, which exceeds the cost of shareholders' equity. However, the figure in FY2023 was the result of the significant contributions of a major special project, and its high added value was recognized accordingly. At present, we do not expect to be involved in a similar project during the coming three years of the medium-term management plan. Therefore, we forecast that the ROE will be below the cost of shareholders' equity. To improve this situation, we will engage in company-wide efforts to integrate production, sales, and engineering, aiming to achieve an ROE above the cost of shareholders' equity as quickly as possible. We have set the target of having an ROE of 10% or higher. To enable onsite practices to reflect this goal, we have set the clear target of having a return on assets (ROA) of 10% or higher based on operating profit, and we will strive to improve total asset turnover and secure operating profit. Specifically, we will expand new products in growth areas and strengthen sales activities from a global perspective. To do this, we will push forward with the creation of development and production systems, aiming to get onto a growth track. We will also strive to improve per-capita added value (marginal returns) to make improvements on the profit front. We will also proceed with the optimization of our product portfolio and focus our efforts on managing costs and improving asset efficiency, thus achieving sustainable growth. Meanwhile, we will appropriate retained earnings from profit-oriented initiatives in operating activities to invest for future growth (capital and human resource investments) in a well-planned manner, and at the same time, we will continue to deliver returns to shareholders in a well-balanced manner. Regarding shareholder return, we will return dividends at a dividend payout ratio of 30% or annual dividends of 40 yen per share, whichever is greater, during the three-year period of the medium-term management plan. We will thus meet our shareholders' expectations and strive to enhance our corporate value.

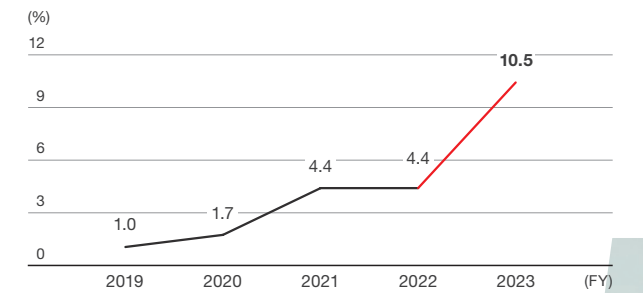
## Net sales/Ratio of operating profit to net sales



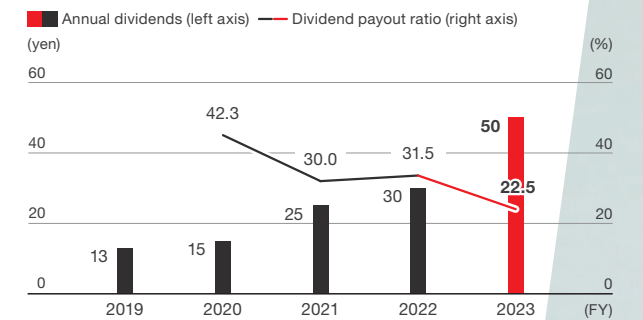
## Total asset turnover



## Return on assets (ROA) based on operating profit



## Annual dividends and dividend payout ratio



The dividend payout ratio for FY2019 is not indicated because a loss attributable to owners of parent was posted that year.