

# Direction of financial strategies based on our medium- and long-term vision

## To achieve an ROE that is higher than the cost of shareholders' equity

The Sansha Electric Manufacturing Group is working to strengthen its medium- and long-term corporate structure by proactively investing and optimally allocating its management resources to both achieve growth and increase earning power.

In terms of growth, we emphasize not only the realization of a carbon-neutral society but also the resolution of the major social issue of strengthening the electrical infrastructure that supports the expanding digital infrastructure. To adapt flexibly to drastically changing market conditions, we will continue to develop new products and our structure for responding more intimately to customers' specifications and requests, which vary from customer to customer. We will closely engage in dialogue with our customers to accurately understand their needs and incorporate them into our designs and manufacturing to create competitive products.

To increase our earning power, we will expand sales of custom-made items and other high value-added products and streamline our manufacturing processes. At the same time, responding to specifications that vary from customer to customer does require more person-hours and resources than the manufacturing of standard products. Amid the ongoing decrease of the working population, we will not be able to expand our business in the future by merely increasing the number of staff members we have. We must actively use digital technologies and increase the skills of our personnel. We will implement re-skilling activities to cultivate personnel that have digital skills and ensure that everyone is ready to carry out high value-added

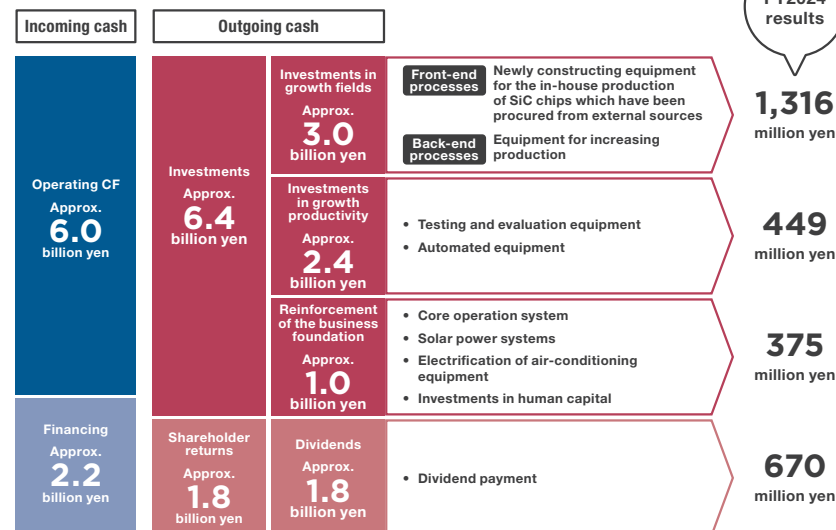
duties to increase the productivity of the organization as a whole. In addition, we will digitalize design and manufacturing knowledge to automate these processes. Through these efforts, we aim to implement flexible automation-based production to meet diverse and customized specifications. Conventionally, production according to specifications such as these was considered inefficient. In doing this, we will establish a new form of manufacturing that is efficient and adaptable.

With an eye toward our 100th anniversary in FY2033, we have the targets of 50 billion yen in net sales and an operating profit ratio of 10% or higher. Essentially, we must make investments that are not extensions of previous investments. In addition to capital investments, we will strategically invest in digital areas and

human capital and implement changes of our business processes and corporate culture. As a financial strategy supporting these initiatives, we will use borrowings and other methods of procuring funds as well as financial leverage to quickly achieve a return on equity (ROE) that exceeds the cost of shareholders' equity.



### The allocation of cash to achieve future growth (FY2024 to FY2026)



## Initiatives to increase corporate value

### Enhancement of corporate value

#### Growth strategies

Contribution to solutions to social issues

Achievement of carbon neutrality

Support of the expansion of digital infrastructure

Increase of capacity to serve customers

Design and provision of product to respond accurately and flexibly to the needs of individual customers

Expansion into new products and new markets

#### Strengthening of earning power

Expansion of sales of high value-added products

Streamlining of manufacturing

Improvement of total asset turnover and securing of profit

Selection and concentration of management resources

#### Enhancement of the Group's foundation

Promotion of digital transformation (AI, big data and automation technologies)

Human capital management and re-skilling (cultivation of personnel with digital skills)

Process design and operations that can be done by a small number of staff members

Changes in the organization, business processes and corporate culture

## Increase of capital efficiency and provision of sustainable shareholder return

The Group has defined the achievement of a return on equity (ROE) that exceeds the cost of shareholders' equity as its top-priority target in its financial strategy. In the fiscal year ended March 31, 2024, the Group's ROE was 13.0%. In the fiscal year ended March 31, 2025, it temporarily fell to 2.1%. This was a result of a decrease in the Group's profits due to shrinking sales and an increase in deferred tax liabilities due to the revision of the use of funds within the Group.

With a view toward quickly achieving an ROE of 10% and keeping it at this level, we will develop our corporate structure which supports our growth and earning power. The production, sales and engineering departments will work as one to carry out measures to improve total asset turnover and generate profits to achieve our goal of a return on assets (ROA) of 10% on an operating profit basis at the working level.

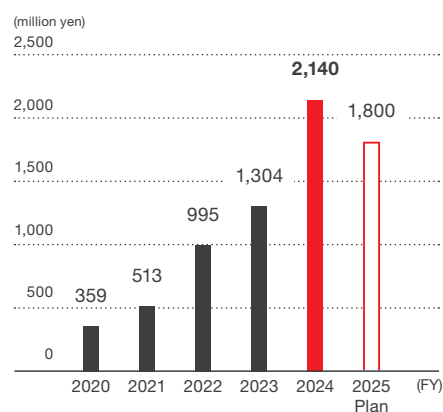
We will systematically reinvest the surplus funds generated in these activities in equipment, digital areas and human capital for sustainable growth. We will also allocate it to increased shareholder returns. Our basic policy on shareholder returns is to maintain a stable and balanced return of profits to shareholders, achieving either a dividend payout ratio of 30% or dividends of 40 yen per share, whichever is higher, during the three-year period of the medium-term management plan.

To balance social and economic value, we will proactively invest to grow and increase capital efficiency with the goal of maximizing shareholder value over the medium and long terms.

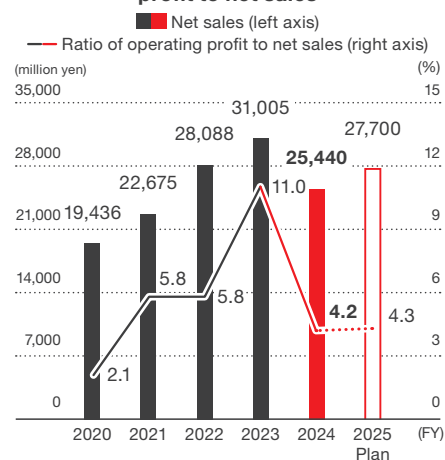
### Path towards a higher ROE



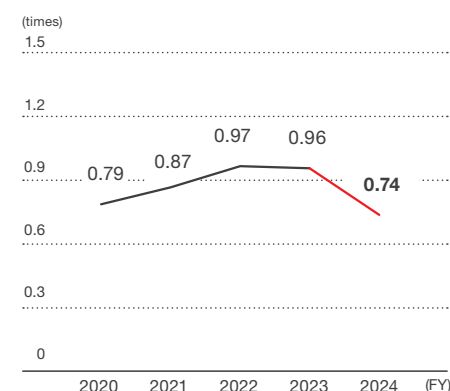
#### Actual and planned capital investment



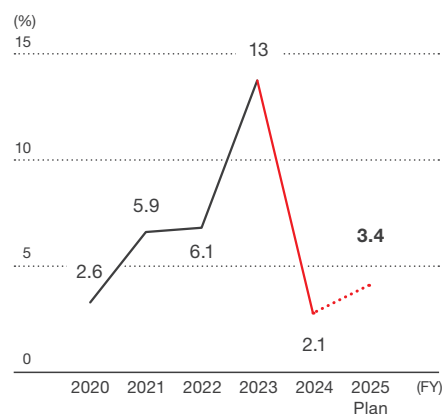
#### Net sales/Ratio of operating profit to net sales



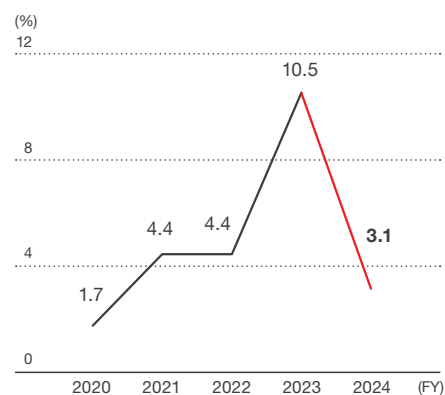
#### Total asset turnover



#### Return On Equity (ROE)



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



#### Annual dividends and dividend payout ratio

