Financial Strategy for Growth and Improved Capital Efficiency

Under the “CF26” Medium-term Management Plan, the Sansha Electric Manufacturing Group is pursuing a financial strategy focused on both business growth and improved capital efficiency. We will continue to make growth investments that will drive future profit growth, while improving profitability by strengthening our earning power and managing our business with a focus on capital efficiency. By balancing these initiatives with shareholder returns, we aim to sustainably enhance corporate value.

Three Financial Policies

The Group has established “expanding growth investments,” “strengthening earning power,” and “enhancing shareholder returns” as the basic policies of its financial strategy and is working to sustainably enhance corporate value. We allocate cash generated from operating activities primarily to capital expenditures, R&D, and investments in human capital that will drive future profit growth, while strengthening our earning power by expanding sales of high-value-added products, improving productivity, and enhancing asset efficiency. By steadily translating our investments in tangible and intangible assets into profits, we will improve our operating profit margin and total asset turnover and pursue management with a focus on capital efficiency. We will also continue to make the investments necessary for medium- to long-term growth while maintaining stable shareholder returns and a sound financial foundation, with the aim of sustainably enhancing corporate value.

Three Financial Policies	Initiatives to Increase Corporate Value	
1 Expanding Growth Investments Capturing growth opportunities to achieve sustainable growth and enhance corporate value	**Capital Investment**	Expansion of production capacity and equipment upgrades
	R&D Investment	Strengthening the development of SiC technologies and high-efficiency products, and developing products for growth markets
	Human Capital Investment	Talent development, transfer of technological expertise, and enhanced employee engagement
2 Strengthening Earning Power Driving sustainable growth in earning power through higher value-added products and productivity improvements	**Increasing Added Value**	Expansion of high-value-added products and services
	Productivity Improvement	Shorter lead times, design standardization, automation, and greater efficiency through DX
	Improving Asset Efficiency	Optimization of inventories, equipment, and working capital
3 Enhancing Shareholder Returns Maximizing shareholder value through improved capital efficiency and stable shareholder returns	**Maintaining Stable Dividends**	Securing funds for dividends through increased profit attributable to owners of parent
	Improving Capital Efficiency	Maximizing shareholder value through improved ROE
	Maintaining Financial Soundness	Ensuring a sound financial position

Enhancement of Corporate Value

Improving the Operating Profit Margin
Improving profitability through higher added value and productivity improvements

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Improving Total Asset Turnover
Improving asset efficiency through the effective use of assets

Improving ROA
Achieving ROA of 10% based on operating profit

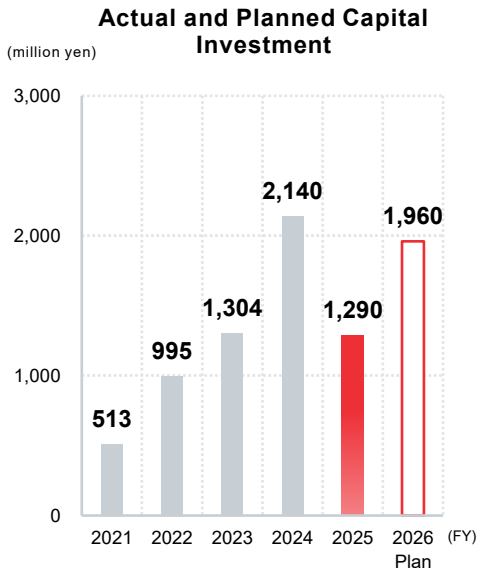
Improving ROE
Achieving ROE of 10% or higher, exceeding the cost of shareholders’ equity

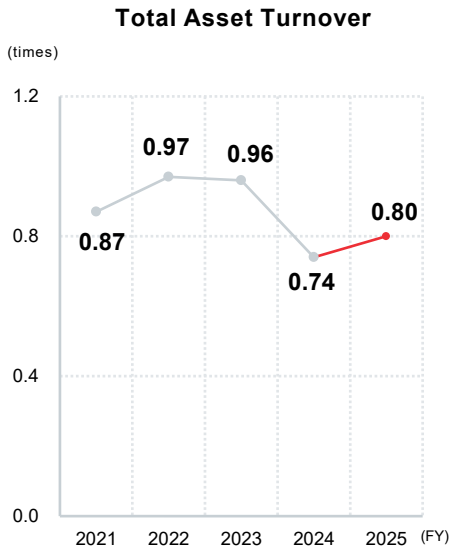
Growth Investment and Improved Capital Efficiency

We are currently reviewing our strategic roadmap toward realizing our medium- to long-term vision and advancing initiatives based on a concrete action plan. Under our financial strategy, we will steadily make the investments necessary to execute this roadmap, thereby driving growth and strengthening our earning power. By translating the benefits of growth investments into sustained profit growth, we aim to improve capital efficiency and enhance corporate value.

The Group regards achieving ROE above the cost of shareholders' equity as an important management target. ROE was 13.0% in FY2023 but declined to 2.1% in FY2024, due mainly to lower profits resulting from decreased sales and an increase in deferred tax liabilities following a revision of the dividend policy of a subsidiary. In FY2025, ROE declined further to 1.5%, primarily due to impairment losses on certain assets in the Semiconductor Business and fixed assets of a subsidiary.

We recognize that achieving ROE of 10% requires improvements in both the operating profit margin and total asset turnover. Accordingly, we have set a target of 10% ROA based on operating profit as a management indicator to be applied across our operations. By improving both profitability and asset efficiency, we will steadily translate the management resources we invest into profits and seek to sustainably create corporate value that exceeds our cost of capital.





Shareholder Returns and Sustainable Enhancement of Corporate Value

We plan to allocate cash generated from operating activities in a balanced manner between investments for future growth—including capital expenditures, R&D, human capital, and DX—and shareholder returns. For shareholder returns, our basic policy for the three-year period of the Medium-term Management Plan is to pay the higher of a 30% dividend payout ratio or an annual dividend of 40 yen per share, thereby providing stable and continuous returns to shareholders.

Going forward, we will seek to achieve profit growth and improve capital efficiency through a virtuous cycle of growth investments and shareholder returns, thereby sustainably enhancing corporate value.

