

Financial Capital Strategy

Message from the CFO



What led to the strong focus on “management with a focus on capital costs and share price” in the 2028 Medium-Term Management Plan (hereinafter the “new Medium-Term Management Plan”)?

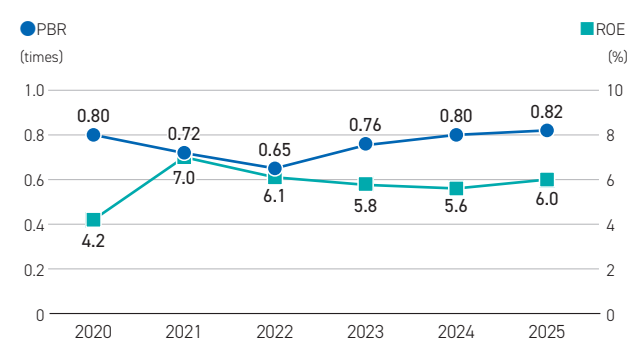
During the 2025 Medium-Term Management Plan (hereinafter the “previous Medium-Term Management Plan”), we continued to actively invest in future growth, such as by investing in R&D, capital investment, and human capital. As a result of these efforts, we succeeded in steadily strengthening our technical capabilities and business base, but our business was affected by the market environment, and our capital investments did not always produce sufficient profitability improvements.

Our ROE has remained around 6%, and our PBR below 1.0x. We have not been able to fully live up to expectations for the returns of our growth investments to exceed their capital costs, and that has caused our market valuation to struggle. I believe we need to take this seriously as a management issue.

Based on that recognition, in addition to promoting our growth strategy, one of the things we have positioned as a pillar of our new Medium-Term Management Plan is to stay clearly

conscious of capital costs and evolve our management to provide a clear sense of our corporate value improvements.

Trends in PBR and ROE



As CFO, where do you place the greatest emphasis with respect to improving capital efficiency?

I place the greatest emphasis on establishing an organization-wide approach of making management decisions with a focus on capital efficiency.

Going forward, when making decisions about investments, we need to pay very close attention not only to growth potential, but also the recoverability of the investment and return on capital. For the growth investment we are already implementing, we have to speed up the monetization and tightly link to profit.

Another important task will be to review our business portfolio. We will clarify the priorities of our businesses from the perspectives of profitability and growth potential, and we will carry out selection and concentration to improve our asset efficiency and our capital turnover ratio. I want to firmly establish management with a focus on indicators such as ROIC and ROE in our Group's everyday decision-making.

What kinds of policies will you be advancing to achieve an optimal capital structure?

So far, our Group has maintained a relatively high net worth ratio, but in the future we plan to utilize appropriate financial leverage, without damaging our financial soundness.

In addition to reducing our cross-shareholdings and our total assets, we will maintain a credit rating of A or above so that we can engage in steady, low-cost fund procurement.

By doing so, we will aim for a PBR of 1.0x or higher and an ROE of 6.5% in FY2028. These targets are all milestones, and we will further improve our capital efficiency as we head towards 2030, becoming a company that is consistently recognized by the market.

What is the new Medium-Term Management Plan's stance with respect to shareholder returns?

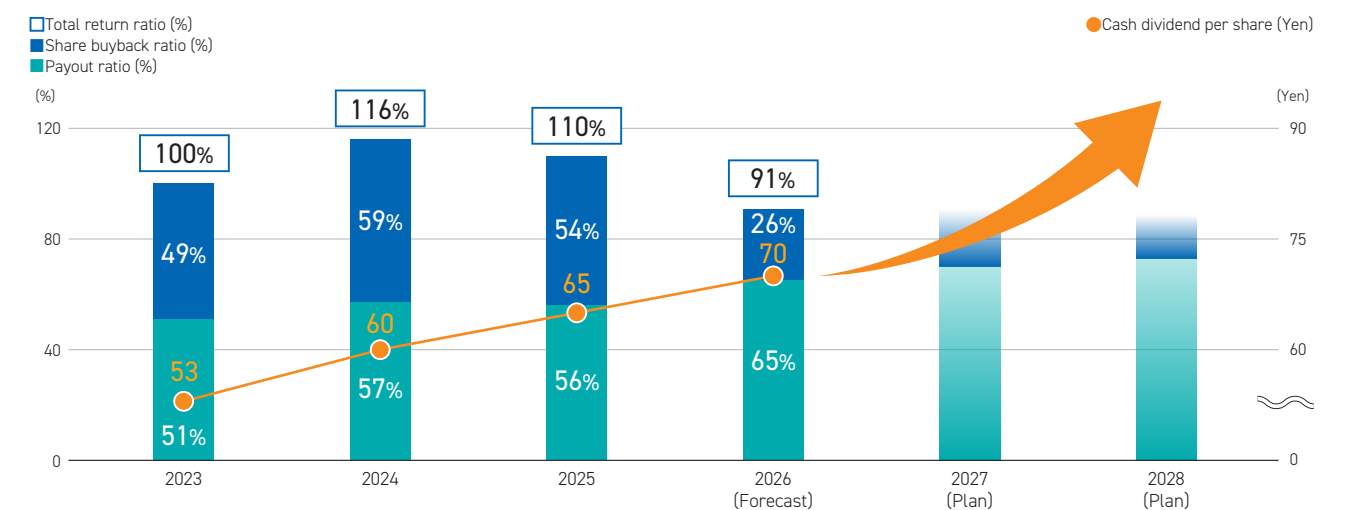
I believe that providing returns to shareholders is an important method of concretely demonstrating the results of corporate value improvement measures.

The new Medium-Term Management Plan reappraises our payout and share buyback ratios. It raises the average payout ratio over the period to approximately 70% while also flexibly acquiring treasury shares. It also targets the total return ratio

at approximately 90%, and we will continue to provide shareholder returns with an emphasis on stable dividends.

In addition, through our shareholder benefit program, we will provide shareholders with a greater understanding of our Group's products and our businesses, striving to expand our base of shareholders who will support us over the medium to long term.

Payout ratio and share buyback ratio



Do you have any final words for our stakeholders?

While our business environment continues to be marked by heavy volatility, we have technical capabilities primarily focused on materials and functions, along with a diverse business portfolio.

As CFO, I think my greatest duty, going forward, will be to not only connect these strengths to growth investment, but to also steadily produce returns.

By refining and elevating our financial and capital policies and by transparently disclosing information, we will engage in deeper dialogue with the market and work to sustainably increase our corporate value. I look forward to the ongoing support and understanding of our shareholders, our investors, and all other stakeholders.

