

03 Capital for Improving Corporate Value Financial Capital



Vision

- Enhancing corporate value by improving both ROE and PER

Key Features

- Stable cash inflow generated from Automotive Components business
- Concentrating management resources on focus areas to enhance profitability

Challenges

- Expanding EBITDA to 1.6x during the Mid-term Management Plan 2030 period
- Optimizing the portfolio to improve ROIC

Message from the Finance Officer

Steadily enhancing earning power and channeling the generated cash flow into growth investments

Yoshitaka Suzuki

Executive Officer
In charge of Finance and Accounting Dept., Finance Group and Strategic Management Dept., Management Group, Global Strategy Div.

* Positions listed in this interview are those held at as of July 2025.



Record-high profits Business expansion and creation within our focus areas are key priorities

In the Mid-term Management Plan 2025 (MMP 2025), which ended in FY2024, we achieved the numerical targets set for revenue and operating income one year ahead of schedule in FY2023. For FY2024, revenue reached 652.9 billion yen and operating income reached 129.6 billion yen, marking the fourth consecutive year of record-high profits. I believe this is a sufficiently satisfactory result.

In terms of capital efficiency, ROE rose to 14.1% and ROIC to 10.9%, both exceeding the targets set in the MMP and showing further improvement from the previous fiscal year. We are seeing a steady improvement in our earning power, particularly in Automotive Components.

The weak yen has also played a role in boosting our operating income by approximately 10 billion yen to just under 30 billion yen over the last three periods. It is our policy to continuously review and implement specific financial operations, taking into account future FOREX risks.

On the other hand, expansion and creation of businesses within our focus areas remains a key priority for future challenges. When we view our Group's core Automotive Components business from a broader perspective

as mobility, the importance of the EV market becomes clear. Although growth has temporarily stalled globally at the moment, we expect this sector to see steady growth in the long term. It is crucial to determine how to allocate our more robust cash flow toward growth investments in this area, while strategically advancing investments in balance with the existing Automotive Components business. We will continue to place importance on management decisions that strike a balance with shareholder returns.

To enhance our competitiveness in the EV market, we acquired all shares of Toshiba Materials Co., Ltd. (now Niterrra Materials Co., Ltd.), which possesses strengths in silicon nitride balls and silicon nitride heat dissipation substrates, in June 2025. Going forward, we will strengthen our business with a focus on ceramic technology and aim to further enhance our presence in the mobility sector which is a rising growth area.

Although the acquisition cost was substantial, approximately 150 billion yen, we anticipate steady growth in the EV market from a mid-to-long term perspective and consider this investment in the field to be highly significant. Our immediate challenge is to enhance our market presence by combining Niterrra Materials' product capabilities with our technological development capacity.



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Clearly distinguishing between businesses focused on actual revenue generation and those focused on revenue efficiency to achieve optimal capital allocation

The new Mid-term Management Plan 2030 (MMP 2030), launched in FY2025, aims to achieve a virtuous cycle: further enhancing the competitiveness of our Automotive Components, investing the generated cash into our focus areas, and thereby boosting the growth potential of the entire Group.

Continuing the policy from the previous MMP, we remain committed to prioritizing the spread between ROIC and WACC by business segment. However, we have clearly differentiated how we interpret these indicators based on the nature of each business area. For example, our plug business has the top global market share, so we are prioritizing maximizing cash generation rather than further increasing its already high ROIC.

For other businesses, we will firmly monitor efficiency and growth potential with a focus on ROIC. In this way, we will clarify the roles required for each business, discern the areas where we should prioritize the rate of revenue and those where we should pursue volume, and achieve optimal capital allocation.

Looking at our current financial foundation, the equity ratio stood at 68% for FY2024 (as of March 31, 2025), but it subsequently decreased as of June

30, 2025 due to the acquisition of Toshiba Materials Co., Ltd. and the resulting increase in total assets. Regarding the appropriate capital level, we will continuously review it based on our mid- to long-term management strategy, aiming for sustainable enhancement of corporate value, while also considering the maintenance of credit ratings necessary for the effective utilization of interest-bearing liabilities.

We have continued our activities to improve ROIC since MMP 2025, and we have identified three key points in MMP 2030. The first is cost reduction in indirect departments. Currently, while our consolidated net sales increase, costs in indirect departments are also tending to rise, with domestic labor costs in particular exerting an impact. We will strive to control the fixed cost ratio of net sales and the SGA ratio while investing in human capital to establish more efficient and robust indirect departments that can reliably support our business. The second point is clarification of business withdrawal rules. For businesses where the ROIC-WACC spread cannot be secured over the long term, we will conduct reviews in the course of pursuing revitalization and structural reforms, considering divestment from a best owner perspective when synergies cannot be expected. The third and final point is optimization of the supply chain. Strategic inventory buildup in response to past precious metal procurement risks has largely run its course, but prices have surged sharply again recently, which are heightening procurement risks. To address

this issue, we will enhance the efficiency of working capital while implementing inventory management in line with our business characteristics.

Under MMP 2025, we worked to embed ROIC throughout the entire Group to instill a mindset focused on investment returns, achieving certain results in the process. Within the Company, financial indicators such as ROIC, cash, and CCC (Cash Conversion Cycle) have become commonplace throughout everyday conversations, and there has been a palpable shift in employee awareness. In MMP 2030, it is crucial to enhance strategic communication that clearly conveys what is expected and demanded of each business along with KPIs, in order to further heighten awareness of investment efficiency. This will also lead to further improvements in ROIC.

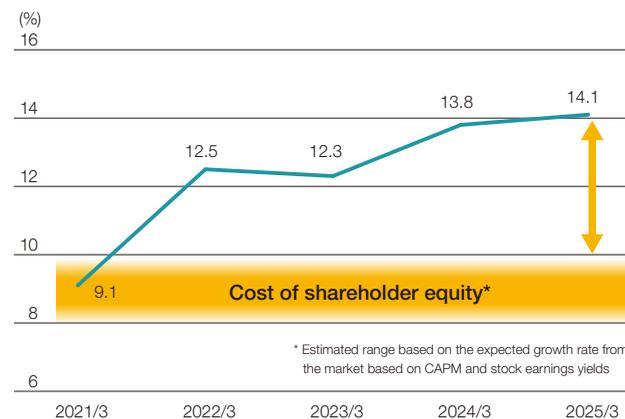
To expand PBR, prioritizing improving PER and plotting a growth strategy

MMP 2030 positions PBR as a key indicator. While it had previously remained below 1x for an extended period, it has stayed above 1x for the past few years and is currently hovering around 1.8x. We will continue to strive to enhance corporate value and earn recognition from the capital markets.

Change in price-to-book ratio (PBR)

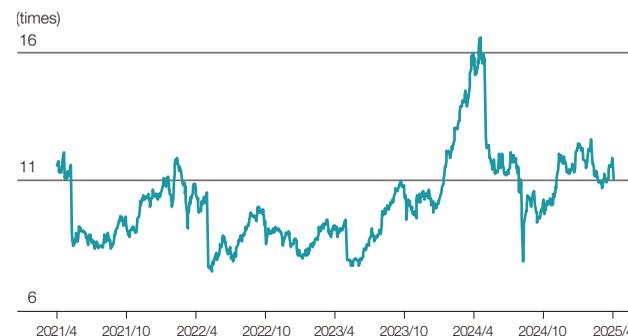


Change in return on equity (ROE)



* Estimated range based on the expected growth rate from the market based on CAPM and stock earnings yields

Change in price-to-earnings ratio (PER)



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The critical premises for PBR are the levels of ROE and PER. ROE has been improving year on year, and we believe one reason for this is that our core Automotive Components has been able to maintain its stable strength. However, we also anticipate that ROE may plateau once a certain level is reached. Therefore, it is crucial to focus on how to increase the PER. Our PER level of over 10x is certainly not unfavorable when compared to other automotive parts manufacturers. To achieve further improvement, we must devise a growth strategy that will be valued by the market and lead to an increase in the stock price. Assuming continued profitability in the Automotive Components business, we believe that as the growth areas within the component solutions business achieve a certain scale and demonstrate solid growth, we can expect an improvement in PER.

In terms of expected growth value, MMP 2030 anticipates approximately 320 billion yen in business investments, primarily focused on the SPE business and the silicon nitride business operated by Niterra Materials, including the acquisition cost of Toshiba Materials Co., Ltd. amounting to approximately 150 billion yen.

The timing of investments is critically important in the SPE business.

Additionally, the business design itself will be scrutinized for how accurately it can demonstrate that the investment will reliably generate returns. Based on our understanding of these challenges, we are working to strengthen the business foundation for generating revenue. In the silicon nitride business, we anticipate that EV-related operations will enter a phase of steady growth over the mid-to-long term. Our policy is to continue making investments to maximize synergies between Niterra Materials' technological capacity in materials development and our Company's sales capabilities to bring these products to market.

We expect to maintain research and development expenses at approximately 6% of net sales. To achieve our vision of "becoming a company that brightens the Earth" by maximizing our strengths, we intend to strengthen our technology portfolio in both fundamental and applied research while pursuing selection and focus, primarily in the area of ceramics.

From an investment perspective, shareholder returns are one means of enhancing ROE and are considered an important use of cash. Our Group prioritizes growth investments in our businesses and focuses on building the foundation to become a company that continues to generate earnings. We

also place equal emphasis on shareholder returns from the perspective of investment returns, just as we do with business investments. For FY2024, we paid an annual dividend of 178 yen per share, a payout ratio of 38.2%. Additionally, at the end of October 2025, the Company resolved to repurchase its own shares up to a maximum of 30 billion yen. To improve ROE, it is vital to provide shareholder returns in a flexible and stable manner and as we position returning profits to shareholders as one of our most important policies, the stable dividend portion, with a minimum target of approximately 4% DOE, serves as the bedrock of our shareholder returns. We will also implement a comprehensive shareholder return policy, including performance-linked dividends and flexible consideration of share buybacks and cancellations for capital exceeding suitable levels. In this way, we will strive to improve capital efficiency and achieve sustainable growth in corporate value.

Promoting IR activities that resonate with our equity story

Our Company has consistently built relationships of trust with our shareholders and investors through transparent disclosure of information and assertive dialogue. Over the past year or two in particular, we have intensified our IR activities to bolster this commitment. In FY2024, we conducted over 280 dialogues over the year, with management proactively participating in discussions with shareholders and investors, steadily enhancing both the quality and quantity of these interactions.

By holding these dialogues, we have gained valuable insights and perspectives on optimizing our business portfolio, reviewing unprofitable businesses, and establishing a growth narrative. These directly contribute to our management decisions and enhance our organizational capabilities.

Going forward, we aim to strengthen our investor relations activities in alignment with our MMP and strive to gain a deeper understanding of our equity story via proactive communications. We are committed to further strengthening our stance of achieving growth together with our shareholders, aiming for sustained enhancement of corporate value, including relative TSR.

We will continue to place value on co-creation through dialogues with all of our valued shareholders as we aspire to create corporate value.

Cash Allocation [▶ P.43](#)

Shareholder Return Policy
(Dividend per Share (DPS): Track record and future outlook) [▶ P.43](#)

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