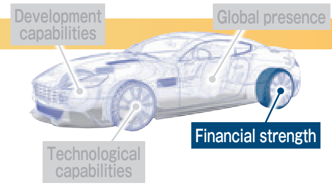
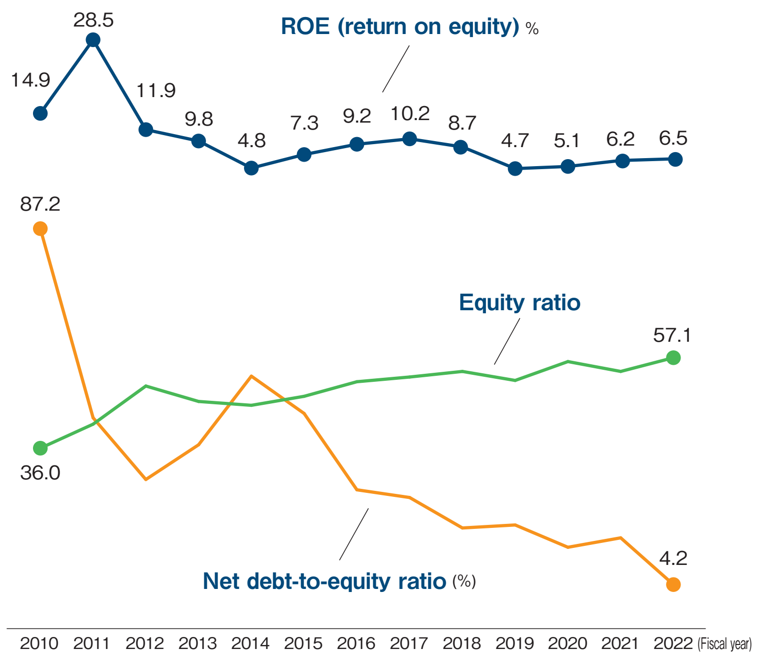


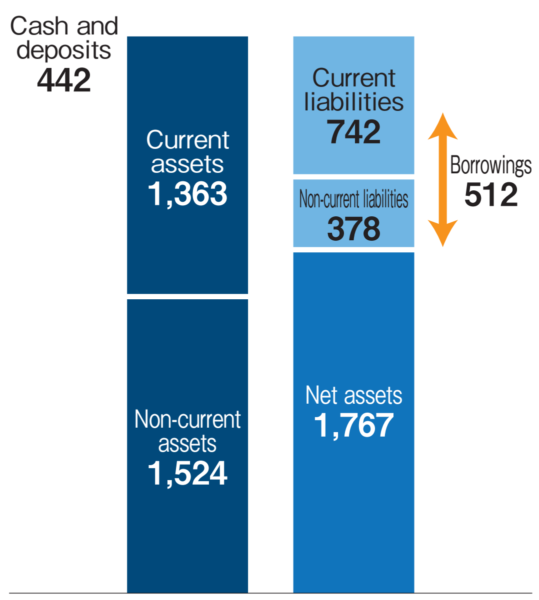
Financial Strategy

Financial policy

G-TEKT aims to maintain its sound financial standing while increasing return on equity, in pursuit of which it seeks to steadily expand sales and profit. In order to preserve this sound financial standing the Company will maintain an equity ratio of at least 50%, and in terms of capital efficiency it has set a return on equity (ROE) target of at least 10%. We will maintain an R&I credit rating of A-, to operate our business, and to remain resilient to financial crises, pandemics, economic volatility, and other events.
In addition to strengthening our financial base, we will also strive to generate shareholder returns that will satisfy our investors. When considering our portfolio of businesses over the medium to long term, we will maximize investment efficiency and optimize allocation of management resources through the use of KPIs, such as ROIC, with the objective of maximizing corporate value.



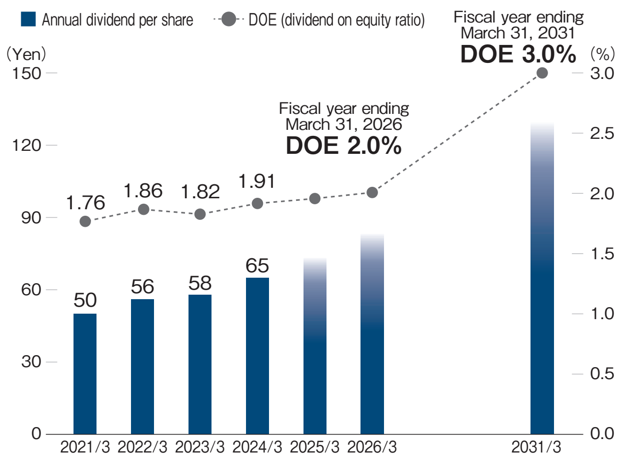
Balance sheet (March 31, 2023)
Unit: 100 millions of yen



* The above figures have been rounded to the nearest 100 million yen.

Shareholder returns

One of our management challenges has been to maintain a robust financial standing for investment in growth, while at the same time increasing dividends in a stable manner. For the fiscal year ending March 31, 2024, the Company plans to increase the dividend by 7 yen to 65 yen per share, which would be the 14th consecutive increase in the dividend. In June 2023 we introduced DOE (dividend on equity ratio) as a new indicator for shareholder returns. With the goal of achieving sustainable growth and improvements in corporate value over the medium to long term, the Company seeks to maintain stable shareholder returns and is aiming for a DOE of 3.0% for the fiscal year ending March 31, 2031. In cases where management judges that investing in new growth areas serves the interests of shareholders, we will actively direct funds to such investments.

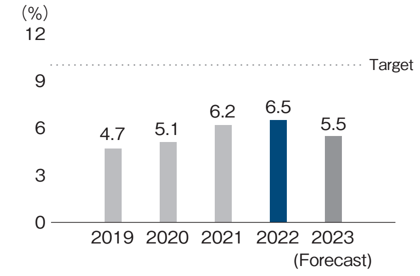


While maintaining a level of shareholders' equity that allows for investment in growth and risk, we will continuously increase the dividend to achieve our DOE target of 3.0%

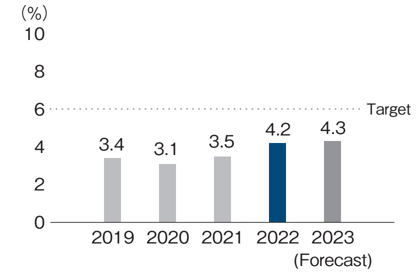
Cost of capital and profitability

Profitability exceeding the cost of capital is required for the enhancement of corporate value. The Company has endeavored to enhance investment efficiency while emphasizing ROE and ROIC. Prior to the COVID-19 pandemic, we had generally exceeded the target. However, we have fallen below our target due to production stoppages caused by the pandemic, a decline in sales due to production cuts by our customers caused by a shortage of semiconductors and other factors, and increased upfront investments.
For us to recover to the target value, an improvement of the operating margin is urgently needed. We will expand our net sales by increasing volume through the expansion of sales to other companies and by increasing unit sales through an expansion of our product areas, and we will enhance our ability to make proposals and develop technologies to counter the increase in manufacturing costs, as a measure against inflation.

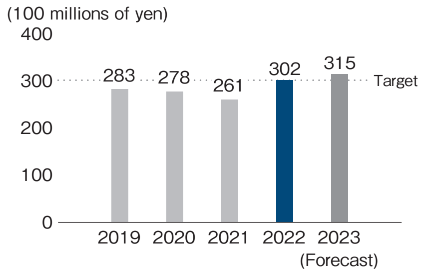
ROE (return on equity)
target ▸ 10%



ROIC (return on invested capital)
target ▸ 6%



EBITDA (earnings before interest, taxes, depreciation, and amortization)
target ▸ ¥30.0 billion



[Reference: Estimate of G-TEKT's cost of capital]
Cost of share capital 8.1% = risk free rate 1% + individual beta value 1.3 x share risk premium 5.5%
WACC 4.57% = (risk free rate 1% + credit spread (A- rating) 0.2%) x (1 - effective tax rate 30%) x 0.5 + cost of share capital 8.1% x 0.5

Importance of intangible assets

Although suppliers have focused on investing in tangible assets, in the time of transformation, it is important to promote investment in R&D and human resources. The review of royalties provided an opportunity for our executives and employees to reaffirm the importance of goodwill, including our brand, technological capabilities, and management skills.
In the EV-related business, new ideas and manufacturing know-how will be verified as intellectual property in the process of acquiring production technology through demonstration lines, and will be used as one of our differentiators.
With regard to investment in human resources, the retirement benefit scheme was designed to eliminate seniority factors and be generous to mid-level and mid-career hires, and we enhanced retirement security based on a defined benefit pension plan with a maximum age of 80. We aim to increase employee engagement and improve productivity. We are quickly accelerating investment in systems for employee administration-related office work and expense reimbursement, creating an environment in which each employee can experience the digital age. With the rapid shift to robotics at our production sites, we will also promote reskilling of employees, not only in terms of tangible aspects, but also as an opportunity to nurture the seeds of innovation. Through systematic training and rotation, we will develop engineers who understand management, and through improved profitability at our overseas locations and human resource management, we will strengthen our future management team.