Medium-term Management Plan 2025 (FY2021-FY2025)

(Billions of yen) (%) 25 500.0 Net sales (left scale) Operating margin (right scale) Return on Equity (ROE) (right scale) - Return on Invested Capital (ROIC) (right scale) 20 400.0 300.0 15 Operating 15% or higher 200.0 10 15% or higher ROIC 10% or higher 100.0 5 0.0 0 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 \sim 2025 (FY) Target Medium-term Management Pla edium-term Management Pla nt Plan Medium-term Targets Net sales Net sales Net sales [Economic Value] ¥250.0 billion ¥300.0 billion ¥**300.0** billion Net sales Operating margin ¥480.0 billion 15% or higher Operating income Operating margin Operating margin ¥20.0 billion ROE ROIC 10% or higher* 15% or higher* KPIs 10% or higher 15% or higher ROE ROE ROE 8% **10**% or higher **10**% or higher [Social Value] *Reduced from 13% at the start of FY2017 *Increased from 10% at the start of FY2019 For further information about our KPIs, please see p.19 Medium-term Management Plan 2025: Progress and Issues Structural reforms Increase proportion of sales accounted ncrease number of super-high-end r by super-high-end products to more an 50% roducts Increase proportion of sales accounted for by focus markets to 50% (25% automotive + 25% IT infrastructure/industrial equipment ncrease proportion of Increase proportion of ncrease proportion of sales accounted or by focus markets to 15% sales accounted for by focus sales accounted for by arkets to more than 30% focus markets to 38% Measures Transform to business model with profitable business structure evelop solutions to social issues (smiling curves in manufacturing and providing solutions) Shift to more aggressive investments Increase scale of capital investment Continue to strengthen production capacity (five-year total of approx. ¥300 billion) Control capital investments ree-vear total of approx. ¥60 billi ree-year total of approx. ¥130 billio hree-vear total of approx. ¥100 billio mart.E" productivity enhancement activities Turn ELNA CO., LTD. into a subsidiary

Looking Back at Previous Medium-term Management Plans

Medium-term Management Plan 2025: Progress and Issues

In our previous medium-term management plan (FY2018– FY2020), we made progress on developing a business structure that was resistant to changes in demand, with the ultimate goal of achieving sustainable growth. We designated the automotive market and the IT infrastructure/industrial equipment market—two markets for which stable growth can be anticipated—as "focus markets" and formulated and executed strategies centered on increasing sales in these markets in particular. In FY2020, the final year of the previous medium-term management plan, we recorded net sales of ¥300.9 billion and ROE of 12.6%, hitting our targets in both; while our operating margin fell short of our 15% target, 13.5% nevertheless indicates a significant improvement.

The medium-term management plan 2025 seeks to build on these results in two ways: first, by following the same strategy of increasing sales in our focus markets; and second, by seeking to increase our corporate value through improvements in economic and social value. For economic value, we have set KPIs for net sales, operating margin, ROE, and ROIC; for social value, we have set KPIs for GHG emissions, waste volumes, water usage, workplace safety, diversity, etc. We have also earmarked ¥300.0 billion for capital investments over the five years of the plan; we will use this money to

	_		FY2025 Target	FY2021 Actual	FY2022 Forecast
Economic Value		Net sales	480.0 billion yen	349.6 billion yen	385.0 billion yen
	Operating margin		15% or higher	19.5%	18.2%
	ROE		15% or higher	20.0%	_
	ROIC		10 % or higher	15.7%	_
FY2025 Target				FY2021 Actual	FY2022 Target
Social Value		GHG emissions *Absolute amount, compared with FY2020	FY2030 42% reduction *Increased from 25% at the start of FY2022	5.2% reduction	8.4% reduction
	E	Waste, Water usage *Basic unit (sales quantity), compared with FY2020	FY2025 10% reduction	■Waste volumes 12.8% increase ■Water usage 2.8% reduction	 Waste volumes 4.0% reduction Water usage 4.0% reduction
	S	Safe & secure workplace Optimization of group base functions	 Incidence rate of injuries and illness < 0.016 Accident frequency rate < 0.08 	 Incidence rate of injuries and illness < 0.021 Accident frequency rate < 0.10 	 Incidence rate of injuries and illness < 0.016 Accident frequency rate < 0.08
		Work style reforms Diversity	 Work engagement: 2.5 or higher Rate of newly recruited female graduates: 30% or higher Female manager ratio: FY2030 10% or higher *Newly established at the start of FY2022 	 Work engagement: 2.25 Rate of newly recruited female graduates: 38% *correct as of April 1, 2022 Female manager ratio: 3.7% *correct as of April 1, 2022 	 Work engagement: 2.5 or higher Rate of newly recruited female graduates: 30% or higher Female manager ratio: —

strengthen our production capacity in readiness for explosive increases in demand and to make capital investment in environmental measures and IT facilities, and so improve both our economic and social value.

In FY2021, the first year of the current management plan, we achieved our targets for operating margin, ROE, and ROIC, in part due to favorable market conditions; going forward, we will continue business activities in order to be able to consistently achieve our KPIs related to economic value regardless of the state of the market. In our focus markets—the automotive market, where electrification is accelerating, and the IT infrastructure/industrial equipment market—sales grew steadily, and now account for 46% of our total sales. We will continue our efforts to increase this value to our target of 50%.

When it comes to our social value KPIs, we failed to meet our targets for waste volumes, incidence rates of injuries and illness and accident frequency rates, and work engagement. In response to the 26th UN Climate Change Conference of the Parties (COP26) agreement to limit global average temperature rises to 1.5°C, we have revised our GHG emissions targets upwards. Elsewhere, we have also newly established a diversity target of having an at least 10% female manager ratio by FY2030.