

FINANCIAL STRATEGY

Building efficient management on a stable basis by enhancing appropriate capital structure and shareholder return policies

Appropriate Capital Structure

- ✓ **Sustain an ROE of approx. 14%**
 - ✓ **Secure capital at twice of the cost**
 - Utilize available funds while ensuring financial safety, achieving efficient management
 - Gradually reduce the equity ratio to be around 75%
 - Aim for a liquidity reserve of approx. 3 month's worth of monthly turnover
- In addition to maintaining an amount equivalent to two months of sales turnover as ordinary working capital, as a manufacturer with operations around the globe we recognize the need for each of our subsidiaries to ensure liquidity in light of geopolitical risks and other factors. We therefore aim to maintain liquidity equivalent to an extra one month in sales turnover, totaling an amount equivalent to three months of sales turnover, to account for geopolitical risks and other unforeseen circumstances.
- The precision equipment industry is one that involves a high degree of uncertainty due to technological innovation and other factors, and financial soundness that takes a certain degree of risk into account is needed. As a rough indication of financial discipline, and from the perspective of maintaining financial soundness such that an A-rating can be obtained, an absolute amount of shareholders' equity is needed. We have therefore set a target capital-to-asset ratio of around 75%.

Enhanced Shareholder Return

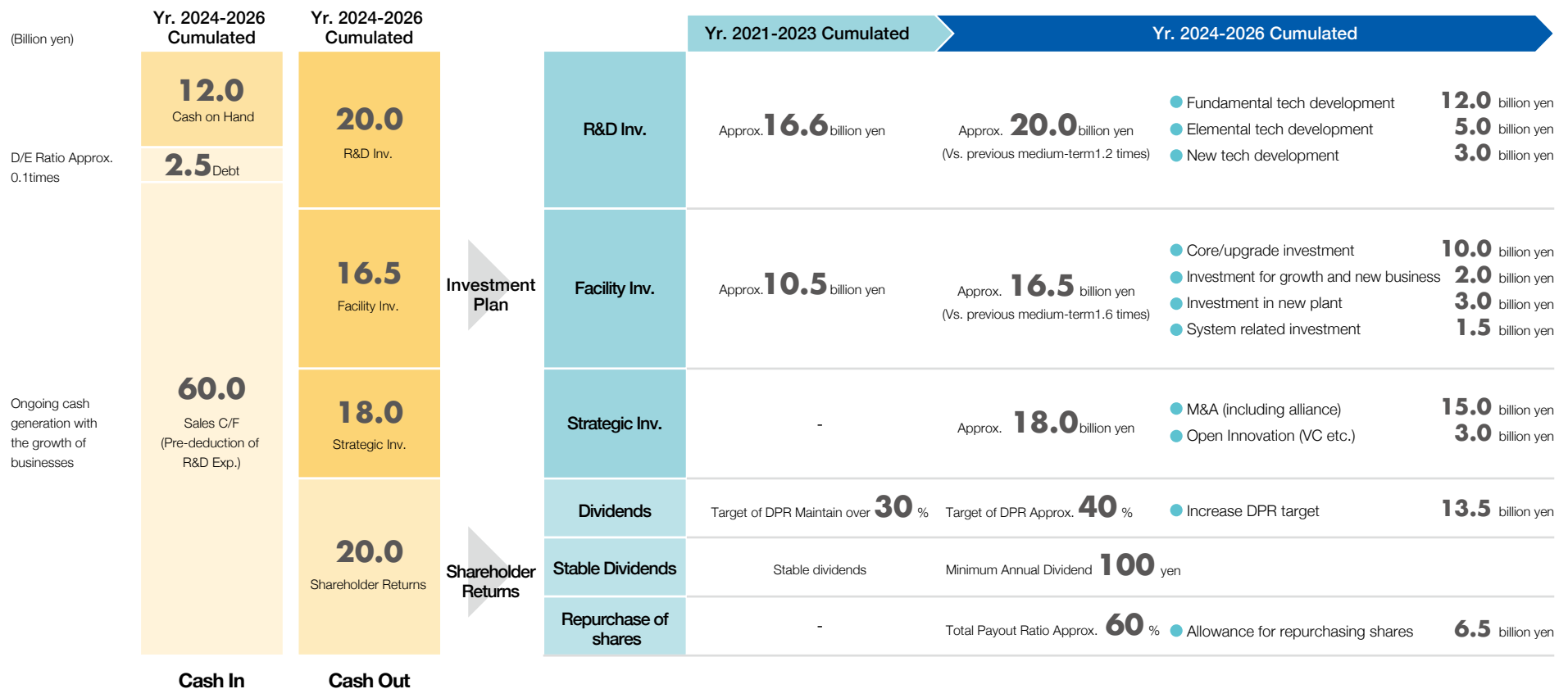
- ✓ **Stable shareholder returns & flexible repurchase of treasury stock**
 - ✓ **Aiming for total return ratio of 60%**
 - Set a minimum annual dividend of 100 yen
Target dividend payout ratio of approx. 40%
 - Aim for a total return ratio of approx. 60%
Conduct flexible repurchase of treasury stock
- Raising the target dividend payout ratio to 40% after setting a minimum annual dividend of 100 yen.
- In the interest of delivering stable dividends, we have set a target dividend on equity (DOE) of at least 3% as a lower limit, and issue stable and continuous dividends within the scope of dividend levels that are feasible based on our financial standing.
- While also considering improved flexibility of capital policies as a perspective, in addition to the payout ratio, we have newly set a target total payout ratio of 60% in an effort to double shareholder returns.

Cash Allocation

In addition to ongoing cash generation with the growth of businesses, we will also utilize cash on hand and debt to make appropriate cash allocations.

During the new medium-term management plan, we will increase the amount that we will invest to double the level during the previous plan to more actively invest with the goal of achieving continuous growth. In view of the capital structure we are aiming to establish, the current level of cash and deposits and other factors, we will increase our shareholder return from the current dividend payout ratio of approximately 30% to a total return ratio of 60%. Shareholder return will thus rise at least 2.5 fold. We will reinforce both investments and return. Specifically, over the period of the new medium-term management plan, we aim to make R&D investment of around 20.0 billion yen, which is about 1.2 times the level under the previous medium-term management plan, capital investment of approximately 16.5 billion yen, which is 1.6 times higher, and strategic investment for M&A, including alliances, and the acceleration of open innovation of about 18.0 billion yen.

To enhance shareholder return, we have earmarked 13.5 billion yen for dividends and 6.5 billion yen for the repurchase of treasury shares, so shareholder return will total 20.0 billion yen.



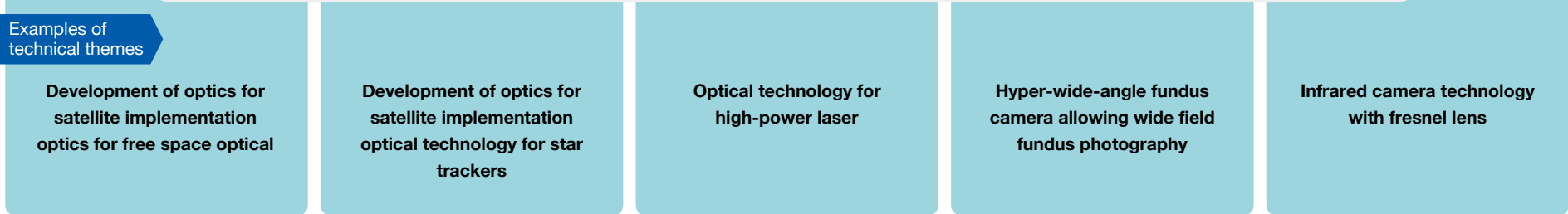
Strategic Investment

Accelerate expansion of business domain by leveraging tech/early commercialization of the new business by “Technology Strategy” with an eye toward the 2030s and next 100 years



Our Technology Strategy: Shift from “Imaging” to “Measuring” in Each Industry P.04

Examples of technical themes



Management with a focus on capital costs and Stock prices

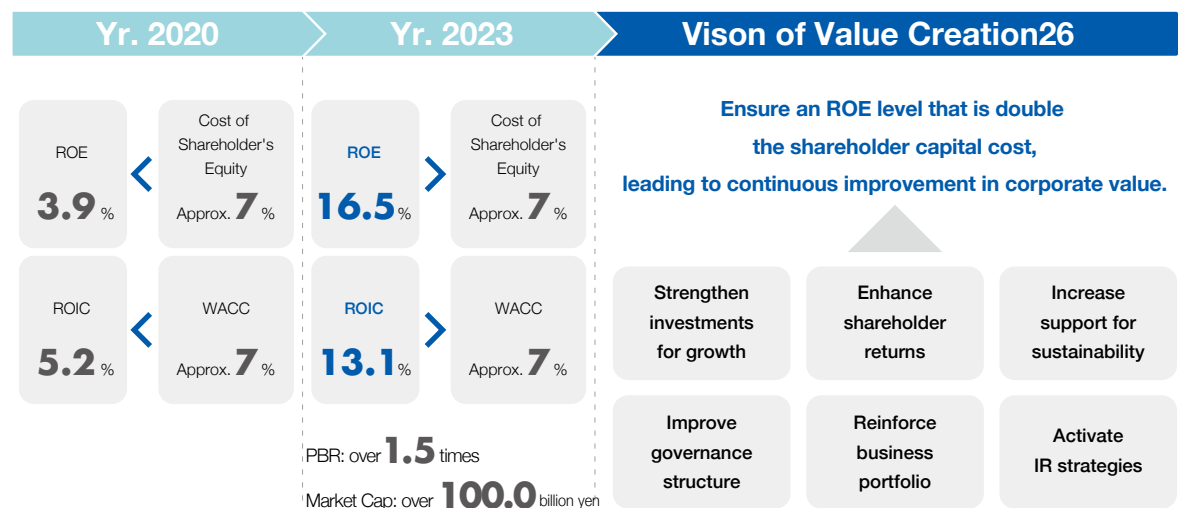
By promoting management with awareness of capital costs, aimed to improve and maximize corporate value with achieving ROE over 14%, which is double of the cost of shareholder's equity (approx.7%)

For a long time, we have been paying attention to the cost of capital in our management of the Company. We have worked to increase return on equity (ROE) and corporate value. In 2023, we achieved a return on invested capital (ROIC) and an ROE that far surpassed the cost of capital, and also a price book-value ratio (PBR) of 1.5 or higher and a market capitalization of 100.0 billion yen or more. This was a big leap forward.

We will further accelerate our strengthening of growth investments, shareholder return, actions for sustainability, the enhancement of our governance structure, our business portfolio and our investor relations measures with the goal of continuously increasing corporate value.

As a part of these actions, we repurchased treasury shares within a limit of 2.0 billion yen. The aim of this was to enhance shareholder returns, increase capital efficiency and implement flexible capital policies.

We also decided to implement a two-for-one share split to increase share liquidity and broaden our investor base by lowering the price of a unit of our stock.



Repurchase of Shares of Common Stock

The purpose is to enhance shareholder returns, while improving capital efficiency and ensuring a flexible capital policy

Type of stock to be repurchased	Common Stock
Number of shares to be repurchased	Up to 400,000 shares (Equivalent to 1.89% of outstanding shares, excluding treasury stock)
Total repurchase amount	Up to 2.0 billion yen
Repurchase period	From February 9, 2024 to March 31, 2024
Method of repurchases	Market trading transactions on Tokyo Stock Exchange

* Based on the above policy, up to March 2024 we repurchased treasury shares in the amount of 2.0 billion yen (310,600 shares). In May, 400,000 treasury shares, including all of the treasury shares repurchased through this round of acquisitions, were canceled.

Stock Split

The purpose is to improve the liquidity of the Company's stock and expand the investor base by reducing the stock price per investment unit.

Stok Split Method	Each share of common stock owned by shareholders recorded in the closing register of shareholders on the record date of June 30, 2024 will be split into 2 share per share.	Schedule of the stock split	Record date	June 30, 2024
			Effective date	July 1, 2024