

# Financial and Capital Policy

## CFO Message

Executive Officer,  
Chief Financial Officer

Keiichi HAGITA

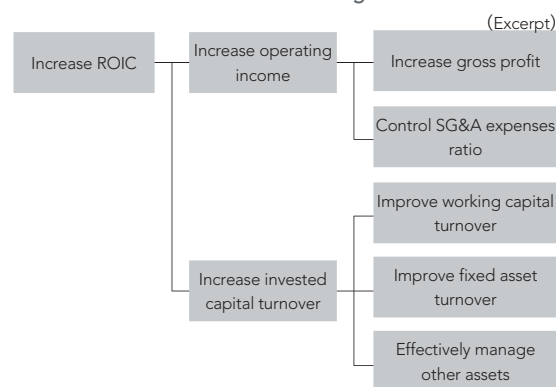


Under Management Plan 2030, we are promoting group-wide participation in ROIC management as we work toward our financial target of achieving an ROIC of 12% or higher. Our policy is to aggressively allocate operating cash flow to growth investments while also enhancing shareholder returns.

To drive improvements in ROIC, each unit establishes key performance indicators and monitors progress on a quarterly basis. Specific initiatives include setting internal targets for turnover periods of receivables, inventories, and payables, as well as for fixed asset turnover. In particular, we are steadily reducing inventory levels of products and components, which had been increased above normal levels in recent years in response to external factors. Product inventory was reduced from 340 million units at the end of 2023 to 320 million at the end of 2024, with a further reduction to 300 million planned by the end of 2025. At the same time, we are working to expand sales of high value-added products, while pursuing cost improvements and enhancing productivity with the use of IT. The cash generated from these efforts will be used to fund strategic investments and strengthen shareholder returns.

To ensure stable dividend payments, we have shifted our dividend calculation standard to a Dividend on Equity (DOE) basis. In addition, we doubled the scale of our flexible share buybacks from around 3.0 billion yen prior to 2023 to 6.0 billion yen in 2024. Going forward, we will remain focused on enhancing our corporate value, securing fair market recognition of our business value, and practicing management that is mindful of our stock price in parallel with our shareholder return initiatives.

Promote activities based on the KPI targets that we have set



## Initiatives for Improving Profitability

We aim to increase sales and production, with a particular focus on increasing sales of high-value-added products in the 3 M fields of Mobility, Machinery and Medical. We streamline indirect operations at production sites using IT, use AI to accelerate the reduction of labor in inspection operations. Additionally, we leverage the strengths of standardized production processes to optimize the product lineup at each site and promote the shared use of production equipment within the group, aiming to enhance production efficiency. Moreover, we are actively working to create further synergies, including in material procurement, with companies that have joined the group through M&A initiatives. Furthermore, we plan to increase synergy with companies that have joined the Group through mergers and acquisitions, particularly in the procurement of components and other operations.

Another important initiative is the efficient use of business assets. We will create a positive cycle through the investment of surplus cash flow generated through the reduction of inventories in continued growth. We will allocate resources according to our business strategies and improve the efficiency of capital investment.

Increased Sales and Production Volume

Expansion of Sales of  
High-value-added Products

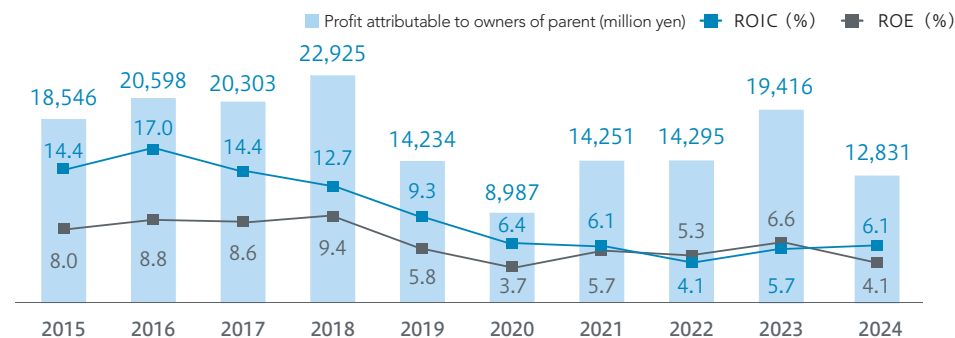
Improvement of Productivity  
and Cost Reductions

Efficient Use of Business Assets

## Initiatives to Increase ROIC

We set KPIs that will lead to the improvement of ROIC at each business unit, functional headquarters and site according to their specific tasks for the promotion of activities. We are focusing on systematic activities such as increasing the operating income ratio, reducing inventory and improving working capital turnover. We aim to create a virtuous cycle of monitoring progress quarterly against the KPI targets that we have set, taking specific actions, generating surplus profits, and actively investing in growth areas.

### Profit attributable to owners of parent, ROIC and ROE



## Financial and Capital Policy

### Approach to Cash Allocation

Cash provided by business activities is used in activities that have been prioritized in the following order. The first priority is investments for the organic growth of existing businesses and the funding of growth investments in new areas (including M&A investments). The next priority is funds for the payment of dividends based on our dividend policy.

Regarding the cash remaining after the above, we consider the portion exceeding the necessary funds as calculated independently as a way to possibly augment shareholder returns (purchase of treasury stock, etc.) without excessively accumulating cash.

| Priority: | Category  | Our Approach   |
|-----------|---|--|
| ↑<br>high | Investments for the organic growth of existing businesses | <ul style="list-style-type: none"> <li>● R&amp;D investment</li> <li>● Production capital investment</li> <li>● IT investment</li> </ul> Implemented with the highest priority   |
|           | The funding of growth investments in new areas            |  |
|           | Returns to stakeholders ①                                 | <ul style="list-style-type: none"> <li>● M&amp;A investment</li> <li>● Investment in new areas (peripheral applications, motor peripheral areas, etc.)</li> </ul> Active consideration of the cash remaining after the implementation of the above |
|           | Returns to stakeholders ②                                 |  |
|           | Reserved by the company in case of risk                   | <ul style="list-style-type: none"> <li>● The payment of dividends based on the dividend policy</li> <li>● Purchase of treasury stock, etc.</li> <li>● Reserved by the company in case of risk</li> </ul> Avoid excessive accumulation              |

### Basic Approach to Securing Funds

At Mabuchi Motor, always believing that companies are public institutions and must last forever to fulfill their duty to contribute to society, we have set a Long-Term Management Policy, "Continue and expand our contribution to the happiness of all stakeholders." We have secured the necessary funds and built a solid management foundation to realize this goal. Our approach to this goal is as shown on the right.

Breakdown of necessary funds

#### Contingency measures for growth

- Capital investment: Reserves to ensure the continuity of capital and R&D investments
- M&A : Reserves to finance M&A activities that are necessary for investing in growth opportunities

#### Contingency measures for large-scale risk

- Operating funds: Working capital to prepare for the realization of a large systemic risk
- Job security: Reserves to secure our ability to retain employees
- Dividends: Reserves to secure our ability to continue paying dividends based on the dividend policy, even if a risk event occurs

#### Contingency measures to address rapid market changes

- Risk of commodity price hikes: Reserves to secure our ability to procure market-sensitive commodities for the medium to long term by means of futures trading and other activities
- Foreign exchange risk: Reserves to maintain stability in the face of severe foreign exchange disruptions

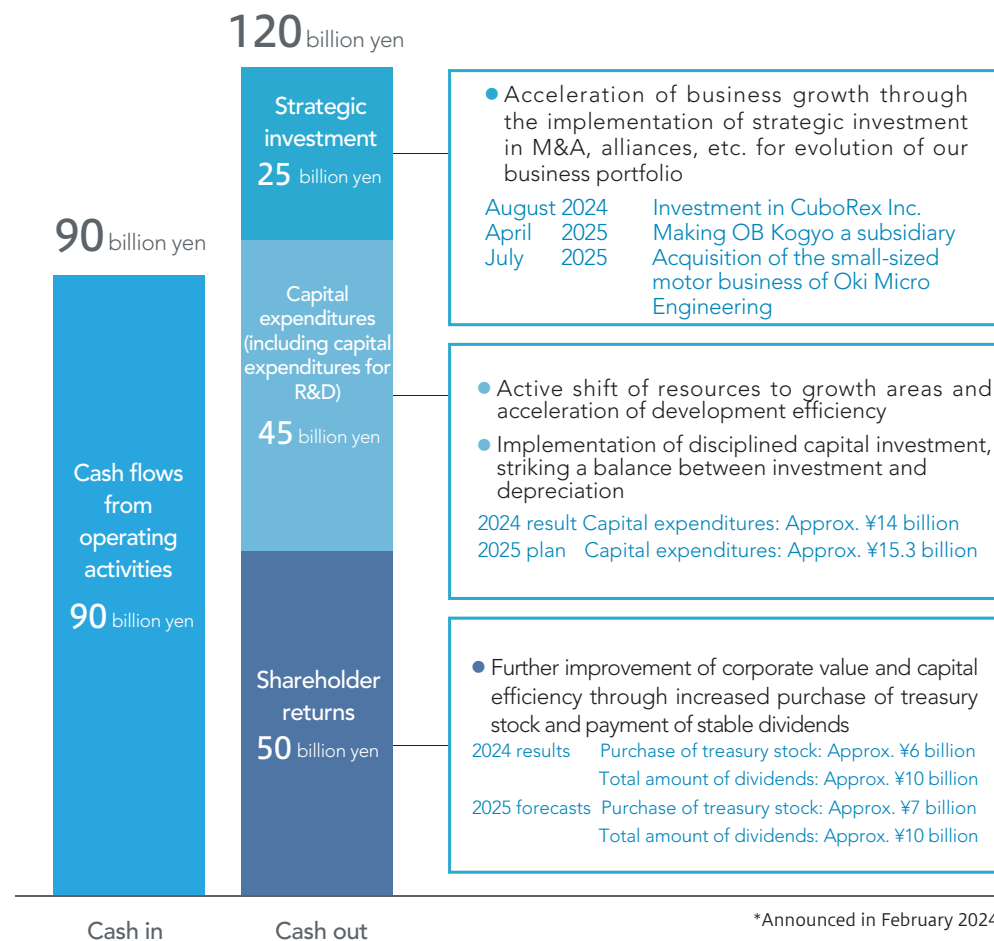
#### Claim-related contingency measures

- Claims handling: Funds for claims, especially in Automotive Appliances

### Initiatives to Improve Capital Efficiency

We will actively invest the cash provided by operating activities in growth areas to enhance its corporate value and shareholder return.

#### 2024-2026 Cash Allocation Policy\*



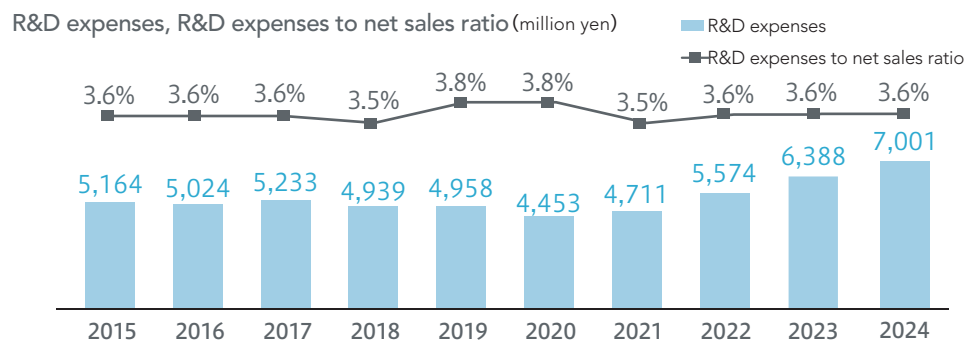
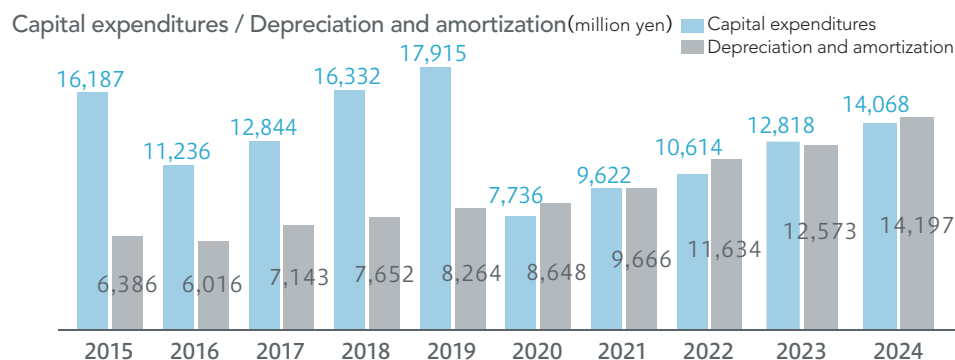
## Financial and Capital Policy

### Growth Investment

To practice its Management Principle of “Contributing to International Society and Continuously Increasing Our Contribution,” Mabuchi Motor is proactively conducting R&D, capital investment and M&A activities for future growth.

In the 2010s, we have been investing in the acquisition of land and buildings and production facilities of Mexico Mabuchi and Poland Mabuchi to establish production and supply systems in the Americas and Europe to develop the Five-Region Management Structure, but these investments have peaked out. We will continue to invest in production facilities for new products, increased production, labor reduction and in the field of IT to strengthen our management foundation.

We are currently aiming to grow in the 3 M fields and working to develop and launch new high value-added products for new applications. We will also actively promote R&D and M&A activities for the products and technologies needed in these areas.



### Shareholder returns

In keeping with our basic approach to securing funds and in consideration of the changes in business and market conditions, we will ensure appropriate shareholder return through a flexible and balanced capital policy that includes the purchase of treasury stock.

#### Dividend policy

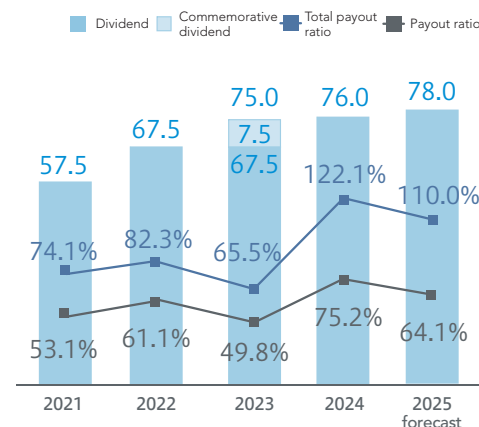
Our basic policy is to actively return profits to shareholders in line with the performance of the business while maintaining financial soundness by using retained earnings to fund the research and development and capital investment necessary for the growth and development of the company.

The dividend for 2024 has been set at an annual rate of 76 yen per share, achieving a record high.

#### Dividend Calculation Method

The Company's dividend policy is to determine dividends based on a dividend on equity ratio (DOE) of 3.0% to 4.0% by comprehensively considering cash flow, business environment and other factors, in order to further strengthen shareholder returns by realizing long-term stable dividends.

#### Dividend



\* We executed a stock split on January 1, 2024. Dividends for 2023 and the preceding years are restated as if the 2-for-1 stock split had been executed before these years.

#### Purchase of treasury stock

We will continue to consider the purchase of treasury stock as appropriate, taking into account PBR and other conditions, in addition to surplus funds and cash flow, to flexibly responds to changes in the stock price and business environment and as a part of our capital policy and a way of returning profits to shareholders.

#### Treasury stock

