

Financial Capital: A financial foundation that supports stability and growth

◎ Financial Capital

A Financial Base That Supports Stability and Growth

Our financial foundation has been challenged by a persistent decline in ROE over the past 10 years. In response, the Medium-Term Business Plan sets forth three basic policies: improving capital probability to exceed the cost of capital, delivering stable and continuous shareholder returns, and enhancing ROI through strengthened investment discipline. Based on these policies, we will steadily carry out the capital investments necessary to maintain our production infrastructure, while actively promoting growth investments aimed at expanding our future earnings base.

Financial Position and Return on Capital Issues

- Declining ROE
- Conservative balance sheet structure
- Imbalance between capital investments and returns

Basic Policies for Resolving Management Issues

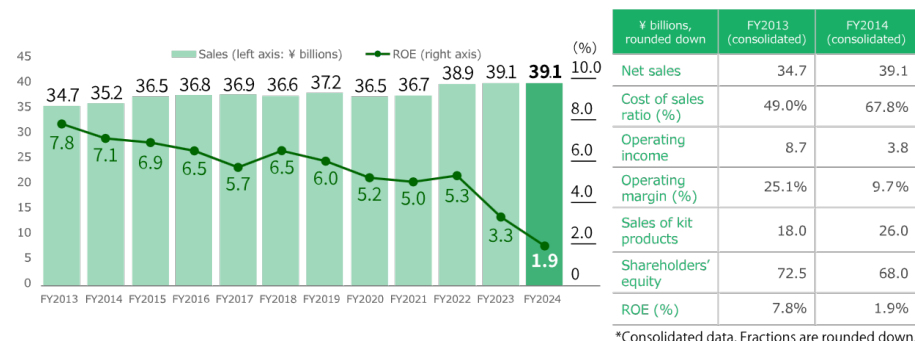
Improve capital profitability/efficiency with cost of capital in mind

Ensure stable and continuous shareholder returns

Strengthen investment discipline

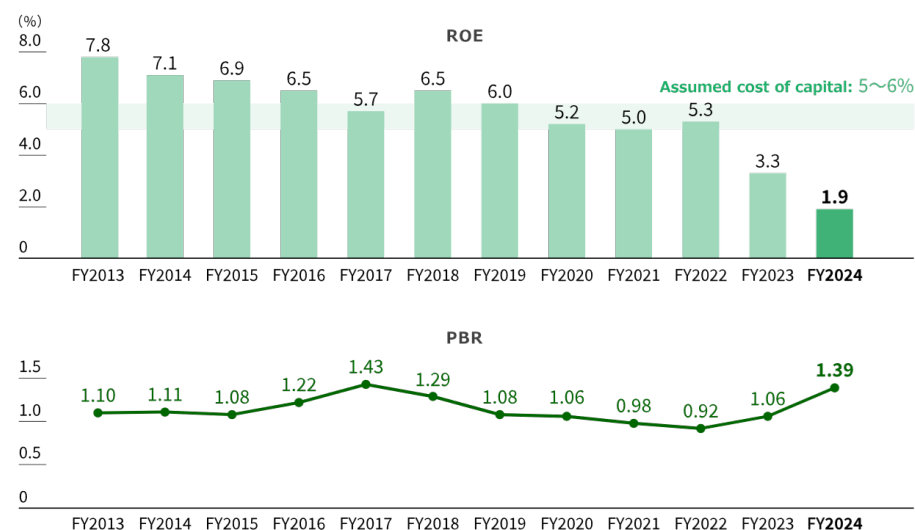
Analysis of Current Situation (1) (Trend of Past Capital Profitability)

While net sales have increased slightly over the past decade, the continuous decline in return on capital has been a challenge



Analysis of Current Situation (2) (Yearly Trends in ROE and PBR over the Past Decade)

Urgent need to restore market valuation by achieving return on capital in excess of cost of capital



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Performance targets

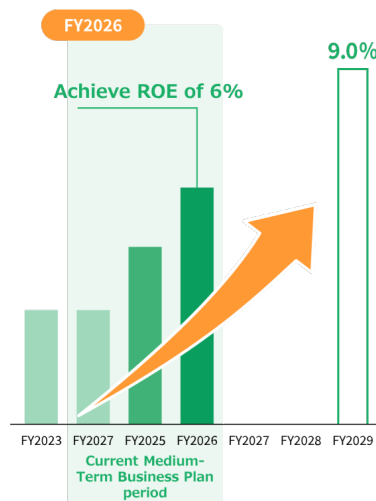
Aiming to Achieve ROE of 6.0% in FY2027

We aim to reinforce our organizational capabilities through structural reforms currently underway since FY2025, and to achieve stable growth of our core business, Premium Surgical Kits. At the same time, we will strengthen our production capacity and procurement capabilities for materials, whose prices continue to rise, thereby working to improve cost structure and restore profitability. We also plan to proactively invest in areas such as human resources and IT, in preparation for future growth.

Performance targets

- ◆ The period of this medium-term business plan is positioned as a period of bold implementation of structural reforms, and we will carry out our business strategies by conducting various measures.
- ◆ We will implement capital measures aimed at achieving an ROE of 6% in FY2026.

¥ billion; fractions rounded down	FY2023 results	FY2024 results	FY2025 plan	FY2026 targets
Net sales	39.1	39.1	41.8	46.7
Cost of sales ratio	66.6%	67.8%	65.1%	60.6%
Operating income	4.1	3.8	4.3	7.5
Operating margin	10.7%	9.7%	10.3%	16.1%
Profit	2.8	1.5	3.0	5.6



(Note) The CAGR figures represent average growth rates between FY2023 and FY2026.

Shareholder return policy

Progressive Dividend Policy Under the Current Medium-Term Business Plan

Under the current Medium-Term Business Plan phase of FY2025 to FY2027, we plan to implement progressive dividends by increasing dividends per share by approximately 15 yen each fiscal year, along with a large-scale share buyback, in order to achieve our ROE target of 6.0%. From FY2028 onward, we will consider shareholder returns based on a progressive dividend policy with a minimum DOE of 3% as the basic approach.

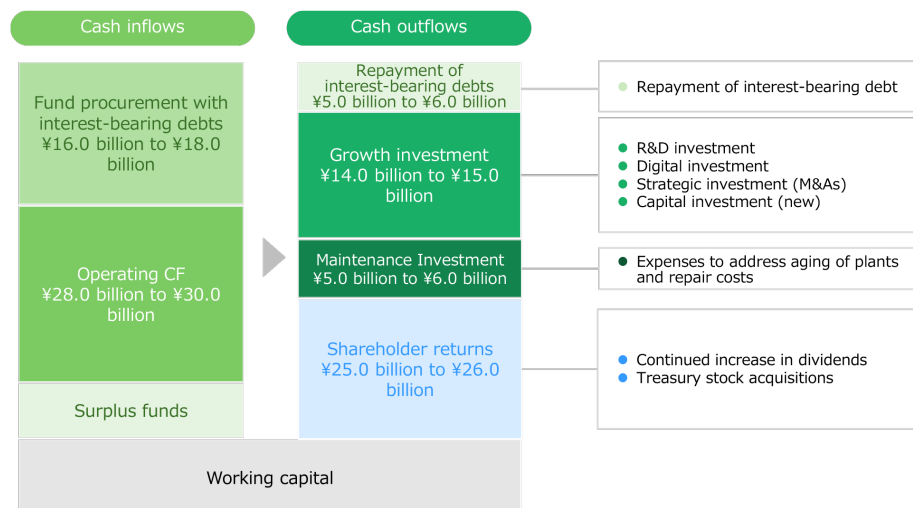
		Current Medium-Term Business Plan period				Next Medium-Term Business Plan period		
	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	
ROE	3.3%	6.0% in FY2026				9.0% in FY2029		
Dividend per share	¥80	¥80	¥95	¥80~¥110	Progressive dividends with minimum DOE of 3%			
Total payout (Dividends + treasury stock acquisition)	¥1.9 billion	¥25.0 billion to ¥26.0 billion (Forecast)						
Total payout ratio	69.2%	Total payout ratio at around 200% (FY2024 to FY2026)						

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Cash allocation (FY2023-FY2026: three-year total)

Enhancing Capital Efficiency and Optimizing Growth and Shareholder Returns

With a focus on improving capital efficiency and conscious of capital costs, we will optimally allocate capital to growth investments and shareholder returns by utilizing operating cash flows generated through profit growth as well as external funding such as borrowings.



Supporting Challenges Through the Effective Use of Capital

Executive Officer General Manager of
Corporate Strategy Dept., Business
Administration Div.

Yoshihiko Tenbo

Capital allocation is not only about meeting the expectations of investors—it also creates opportunities for employees to take on new challenges, which in turn leads to greater customer satisfaction. To remain a company that effectively utilizes capital, we will continue to reexamine the significance of past, present, and future expenditures and investments, and promote their visualization and systemization.