

# About ROIC Management

## Review of Fiscal 2021

Beginning in fiscal 2019, the Group set out improving capital efficiency as one financial policy under its Fifth Mid-Term Management Plan. As part of that policy, we are aiming to improve return on invested capital (ROIC), established as a key performance indicator (KPI).

In fiscal 2021 ROIC remained roughly flat. Our operating profit ratio to net sales declined, primarily as a result of the impact of rise in raw material prices in spite of an increase in sales of lithium-ion batteries for HEVs and lead-acid batteries in the “automotive batteries (overseas)” segment. As a result, Company-wide ROIC dropped from 12.0% in the previous fiscal year to 9.7%.

By business sector, in the automotive batteries business, ROIC declined due to large-scale capital investment and an increase in inventories due to the impact of production cuts by automakers. In the industrial batteries and power supplies business, ROIC declined as profitability deteriorated due to the inability to sufficiently pass on soaring raw material prices to selling prices, and a drop in the operation rate due to longer delivery times for parts and materials. In the automotive lithium-ion batteries business, we evaluate and manage

ROIC based on medium- to long-term trends rather than a single-fiscal-year comparison, given that there is significant upfront investment in growth sectors and variations from year to year.

## Efforts to spread awareness of ROIC management

We are working on activities to spread awareness through various measures at each level. In addition to holding several study sessions for management so far, we regularly transmit information via our in-house email publications. We are also working to transfer these concepts to management-class and frontline employees through TQM activities. Since 2021 we have called for improvement activities to be linked to ROIC when formulating departmental annual plans, and this has been incorporated even in establishing issues for employees. As a result, our employees are becoming aware of how improvements through TQM activities impact ROIC. Going forward, we will endeavor to further expand in-house education by continuing these initiatives.

## ROIC Tree

