

Message from Director Responsible for Accounting

Role of Director Responsible for Accounting

I believe that my role as the Director responsible for Accounting is to continuously enhance the corporate value of Nihon Kohden from a financial perspective. The Director responsible for Accounting is also in charge of maintaining an appropriate balance between growth strategy and a solid financial foundation while supporting the operation of risk management and internal controls.

Aiming to further strengthen group governance throughout the entire Nihon Kohden Group, I have promoted implementation of the Global Business Management Policy and started to develop a sophisticated company-wide risk management framework. In addition, through the promotion of corporate digital transformation (CDX), we will reinforce the business structure from a financial perspective, and further strive in management to improve corporate value through sustainable growth. I hope to enjoy your continued support in the future.



Tadashi Hasegawa
Corporate Director,
Executive Operating Officer,
General Manager of Global
Corporate Administration
Operations,
Chief Compliance Officer

Approach to Cash Use and Profit Distribution Results

Nihon Kohden recognizes the return to shareholders of cash generated through its business activities as one of its most important management policies. Regarding the distribution of cash, our basic policy is to maintain stable and continuous dividends for all shareholders over the long term, bearing in mind the securing of internal reserves necessary for future business expansion. Our priorities are i) investment necessary for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, ii) dividends, and iii) share buybacks. We aim for a consolidated dividend payout ratio of 30% or more. Also, our fundamental policy is to flexibly consider buybacks of the Company's shares, comprehensively taking into account factors such as future business expansion, investment plans, the level of cash held in reserve internally, and share price trends. The year-end dividend per share for FY2022 increased by 21 yen from the initial forecast of 20 yen to 41 yen. As a result, the full-year dividend was 61 yen per share, including the interim dividend of 20 yen.

Additionally, the Company implemented share buybacks amounting to ¥999 million from May to June 2022 and cancelled 500 thousand shares of treasury shares in June 2022.

Setting of Financial Indicators

We use consolidated return on equity (ROE) as one of its management indicators to maximize corporate value and shareholder value, and have set a target of 10% in our Three-year Business Plan, BEACON 2030 Phase I. The ROE for FY2022 was 10.6%.

To practice cost-conscious management, we have adopted NPV and IRR as investment decision criteria and started evaluating new investment projects in FY2022. We set our target IRR at 10%, which exceeds our cost of capital. The Board of Directors will verify the progress and effectiveness of investment projects. To respond to increased demand due to the COVID-19 pandemic and the shortage of semiconductors, we have increased inventories of finished goods and parts. It has resulted in a longer cash conversion cycle, 235 days in FY2022. In FY2023, we will optimize the inventory level and aim at 190 days, a similar level to FY2021. The medium-term target is 150 days, considering uncertainties in the global business environment.

In order to achieve the target, we will focus on improving profitability by implementing the Three-year Business Plan. We will also improve working capital by reducing cash conversion cycle, including measures such as reduction of inventories and faster debt collection, as well as establishing investment decision criteria and enhancing shareholder return.