

Message from Director Responsible for Accounting

Role of the 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.

In the mid-to long-term, I also aim to increase corporate value and realize a company that can regularly achieve an operating income margin of 10% or more through improving the profitability of existing businesses and investment for growth by such improved cash.

In addition, we have established a Global Business Management Policy that is applied to persons responsible for management of overseas subsidiaries, and continue to monitor the state of its implementation, with the aim of strengthening governance throughout the entire Nihon Kohden Group.

Furthermore, through the promotion of corporate digital transformation (CDX), we will reinforce the business structure of the Nihon Kohden Group 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
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. For the FY2021 dividend per share, we have decided to pay 48 yen per share, consisting of a ordinary dividend of 20 yen, a 70th anniversary commemorative dividend of 13 yen, and a special dividend of 15 yen, as we celebrated the 70th anniversary of our founding in last August and the business performance in FY2021 was favorable. As a result, the full-year dividend was 67 yen per share, including the interim dividend of 19 yen. In addition, the Company implemented share buybacks amounting to ¥896 million in February 2022 and ¥999 million from May to 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. In FY2021, the ratio improved to 15.9% from 14.0% in the previous fiscal year. This improvement was due to the positive effect of increased revenues and an improved gross profit margin resulting from a change in the sales mix, which resulted in an improved net profit margin on sales. We will continue to place the highest priority on improving profitability through the implementation of the Three-year Business Plan, while aiming to achieve management targets by improving asset efficiency through measures such as inventory reduction, and by enhancing shareholder returns.