

MESSAGE FROM THE CFO

We will pursue future growth and improved profitability, aiming to realize sustainable corporate value enhancement.

Masayuki Hoshi

Senior Executive Vice President,  
Member of the Board and  
Chief Financial Officer



Reflections on FY2022

Fiscal year 2022 was the final year of the previous Medium-Term Business Plan. We fell far short of the Plan with sales of 369.1 billion yen, operating income of 2.4 billion yen, and net loss of 2.8 billion yen for the fiscal year. Production delays due to shortages of semiconductors and other items as well as higher material prices resulted in higher-than-expected working capital requirements and negative free cash flow. Although structural reforms were effective in streamlining manufacturing and sales sites, mainly overseas, growth strategies remained a challenge. Positioning the period from fiscal year 2023 as the 1st Stage to steer toward growth, we will make all efforts to put our production recovery on track through measures undertaken in fiscal year 2022, improve our financial base including optimization of inventories, and effectively execute investments.

Financial Strategy Under the Medium-Term Business Plan 2025

Under the Medium-Term Business Plan 2025, we will make investments for business expansion on the premise of

improving our financial base and maintaining a BBB credit rating. We have made inclusive investment in growth businesses based on an ROIC perspective, and clearly stated our cash allocation policy.

Cash Flow Generation and Cash Allocation Policy

Under the Medium-Term Business Plan 2025, we will first ensure cash inflow by recovering profitability, compressing working capital, and optimizing held assets.

1 Recovery of Profitability

First, we will conduct shipments in a timely manner for rollover projects that could not be delivered in fiscal year 2022 due to impacts of the supply chain. In addition, for large new projects and demand for renewal for existing businesses with a high probability of receiving orders which we are preparing for, we will recover profitability via investing in aggressive plans in new business segments optimally reorganized based on the business value chain rearranged under the Medium-Term Business Plan 2025.

2 Compression of Working Capital

By delivering products to customers, we will optimize our inventories, which have remained at a high level. We will work to normalize working capital as soon as possible, partly due to the effects of responding to alternative materials through design changes implemented in fiscal year 2022.

3 Improvement of Asset Efficiency

We have been continuously reviewing all of our held assets, including policy-held stocks, and will continue to do so in the current fiscal year. The ratio of policy-held stocks to net assets is currently 31.4%, but we have set a target of 20% by the end of fiscal year 2025.

In order to recover our financial base, return profits to shareholders, and invest in growth, we will steer the company toward growth in accordance with the cash allocation policy established in the Medium-Term Business Plan.

Shareholder Return Policy

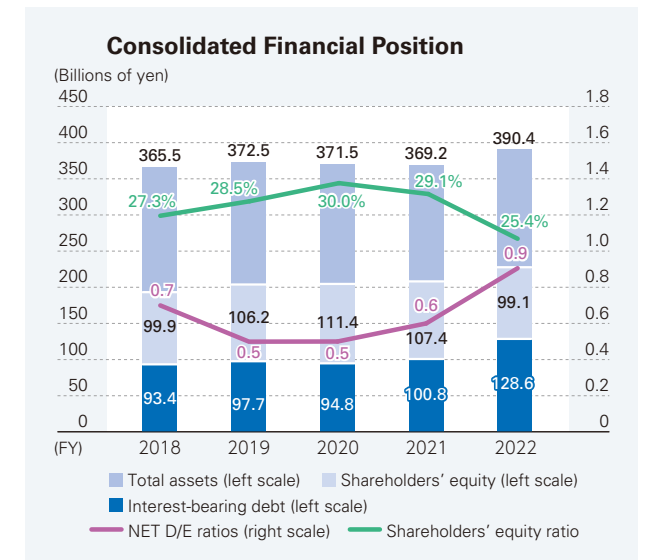
We consider it extremely important to pay stable dividends on an ongoing basis. In our Medium-Term Business Plan 2025, we set a target of a dividend payout ratio of 30% or more.

Financial Soundness

Improving our financial base is a key issue in our Medium-Term Business Plan 2025. While maintaining a certain degree of leverage, we will work to achieve a shareholders' equity ratio of 30% and a NET D/E ratio of 0.7 or less as our benchmark by accumulating profits.

Growth Investment and ROIC

In order to create future businesses from fiscal year 2026 onward, we plan to invest a cumulative total of 65 to 70 billion



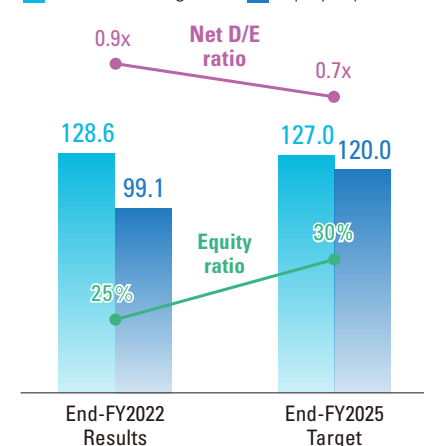
Execute investments aimed at further business expansion, while maintaining a BBB\*1 credit rating

- Secure and capture rollover and large-scale projects, turning them into profit.
- Normalize the excess working capital caused by supply chain disruptions at an early stage
- Optimize held assets, including policy-held stocks: aiming to achieve a ratio of policy-held stocks to net assets in the range around 20%
- Inclusive investment in growth businesses based on ROIC perspective

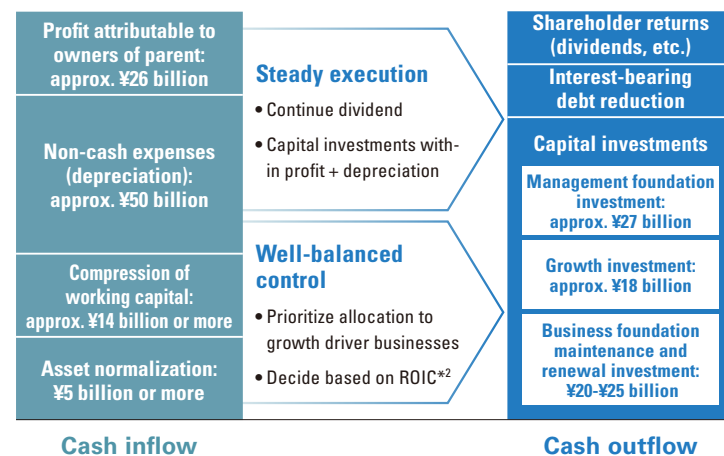
With the recovery of the financial foundation as a premise, target an ROE of 10% or more in the long term

Financial Foundation

(Billions of yen)



FY2023-2025 Cash Allocation



\*1 Rating and Investment Information, Inc. (R&I)

\*2 ROIC: Introduce and trial in FY2023