

Financial Strategy

Reaching Our Three-Year Cumulative Earnings and Cash Flow Targets

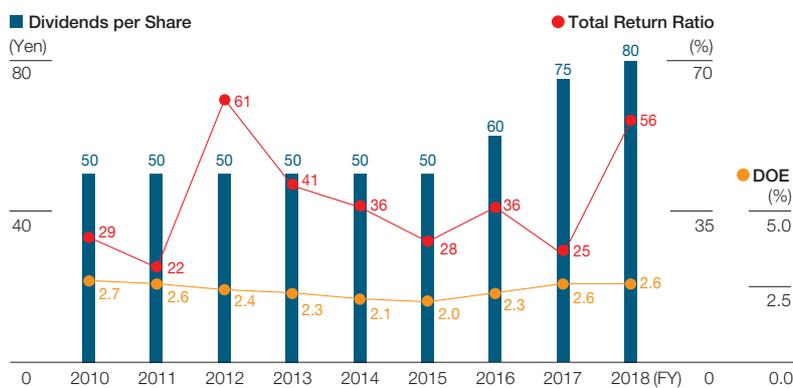
In fiscal 2018, earnings were down from a year earlier despite revenues increasing. Although operating profit and ordinary income were lower than aimed for in the final year of our medium-term management plan, profit attributable to owners of parent was a record high that exceeded our initial forecast at the beginning of the year, and three-year cumulative earnings achieved our plan target.

We have progressed well financially. While cumulative operating cash flows exceeded the

plan target, investment cash flows were less than projected, owing partly to changes in the business climate. As such, free cash flow exceeded our initial goal. We have also reached the objectives of our medium-term management plan in terms of equity capital and interest-bearing debt at year-end. The equity and debt/equity ratios improved to 44.5% and 0.57 times, respectively. On the capital efficiency front, ROE was again up and exceeded 10%.

Maintaining Financial Discipline While Intensifying Growth Investments

We seek to secure free cash flow of ¥40 billion over the three years of our new medium-term management plan, and aim to intensify growth investments. At the same time, we will continue to improve our financial position in keeping with a firm commitment to a focus on cash flow and keeping our overall funds in positive territory. ROE will remain a key efficiency benchmark. Our target for the final year of the plan is 10%. We will work to further amass capital.



Note: The Company consolidated every 10 shares into one share, effective October 1, 2017. Dividends per share for FY2016 and earlier have been converted based on the shares after the share consolidation.



Note: The Company consolidated every 10 shares into one share, effective October 1, 2017. Stock prices are adjusted for consolidation.

Increasing Cash Dividends per Share by ¥5

In fiscal 2018, we implemented a ¥10 billion share buyback and increased cash dividends per share by ¥5, to ¥80. The cumulative total return ratio was therefore 39%.

Stable and sustainable dividends underpin our shareholder return policy. Under our new medium-term management plan, we rolled out a new key performance indicator (KPI), a dividend on equity (DOE) ratio of at least 2.5%. At the same time, we will maintain a consolidated total return ratio of 30.0% or more during the three years of the plan. We aim to further reflect revenue growth in greater shareholder returns in the years ahead while investing for growth and maintaining healthy internal reserves.

We are focusing on free cash flow and investing actively in growth.

Masayuki Fujii

Director, Managing Executive Officer,
CFO

