

Corporate Governance

Directors and Audit & Supervisory Board Members

Director



Masazumi Hasumi President

Aug. 1983 Joined Aoyama Audit Corporation
 Nov. 1991 Joined Yamada & Partners Accounting Office
 Dec. 1996 Representative Director of Proggest Co., Ltd. (company name changed to Proggest Holdings, Ltd. in July 2005)
 Sept. 2008 Director of the Company
 Oct. 2008 President
 Aug. 2016 President of Business Succession Navigator Corporation (current position)
 June 2017 Director of PT. Aoyama Zaisan Networks Indonesia (current position)
 Dec. 2019 Chairman of Aoyama Zaisan Networks Kyushu Co., Ltd. (current position)
 Oct. 2020 Representative Director of Aoyama Financial Service Co., Ltd. (current position)
 Jan. 2021 Representative Director of Aoyama Family Office Service Co., Ltd. (current position)

<Reasons for appointment>

Serving as President of the Company, he has extensive experience as a corporate manager and a high level of knowledge about the Company's business activities. He has implemented his duties of determining the Company's important issues and supervising Directors and Executive Officers in performing their duties in an appropriate, fair and efficient manner; he is expected to continue his contribution to strengthening the governance system.



Masayuki Yagi Director, Managing Executive Officer

Apr. 1990 Joined Murakami Corporation
 Sept. 1991 Joined the Company
 Mar. 2006 Director, Executive Officer, and Manager of First Business Department
 Jan. 2011 Executive Officer, Manager of Individual Asset Consulting Department
 Mar. 2013 Director, Executive Officer, and General Manager of Business Division
 Mar. 2014 Director, Managing Executive Officer, and General Manager of Business Division
 Jan. 2021 Director, Managing Executive Officer, General Manager of Business Division, and General Manager of Real Estate Division II (current position)

<Reasons for appointment>

Serving as Director, Managing Executive Officer, and General Manager of Business Division of the Company, he directs and supervises overall sales departments and performs his duties relating to the Company's business activities appropriately; he is expected to continue his contribution to the long-term improvement in corporate value and strengthening the governance system.



Takeshi Matsuura Director, Managing Executive Officer

Apr. 1991 Joined Daiwa House Industry Co., Ltd.
 May 1995 Joined Nissho Iwai Real Estate Corp. (current: Sojitz Corporation)
 Oct. 2000 Joined the Company
 Jan. 2005 Executive Officer, Manager of Real-estate Department
 Jan. 2006 President of Funai Estate Co., Ltd. (current: Aoyama Estate Co., Ltd.)
 Mar. 2016 Director, Managing Executive Officer, and General Manager of Real-estate Division of the Company
 Jan. 2021 Director, Managing Executive Officer, and General Manager of Real Estate Division I (current position)

<Reasons for appointment>

Serving as Director, Managing Executive Officer, and General Manager of Real Estate Division of the Company, he appropriately performs his duties to supervise the Company's Real Estate Division and is also in charge of the provision of profitable real estate in Japan and abroad and the regional revitalization business, which leads to contribution to regional economies; he is expected to continue his contribution to the long-term improvement in corporate value and strengthening the governance system.



Shintaro Hashiba Director, Executive Officer

Apr. 1987 Joined The Kyowa Bank, Ltd. (current: Resona Bank, Limited)
 Oct. 2003 General Manager of Shin-Yurigaoka Branch
 Oct. 2004 General Manager of Tokyo Central Marketing Division 1
 July 2008 General Manager of Shin-Toshin Marketing Division 3
 May 2014 Director, Deputy Division Manager of Marketing Division, General Manager of Business Development Department of J-COM Co., Ltd. (current: LIKE, Inc.)
 Aug. 2014 Director of J-COM Holdings Co., Ltd. (current: LIKE, Inc.)
 Nov. 2015 Joined the Company
 General Manager of Management Planning Office
 Aug. 2017 Executive Officer, General Manager of Administration Division
 Mar. 2020 Director, Executive Officer, General Manager of Administration Division
 July 2020 Director, Executive Officer, General Manager of Administration Planning Division (current position)

<Reasons for appointment>

Serving as Director, Executive Officer, General Manager of Administration Planning Division of the Company, he has reinforced the administrative functions of administration planning, IR, accounting, finance, legal affairs, systems, personnel, general affairs, etc. His wide-ranging experience and knowledge are still needed for the Company to organize the management foundation and develop new business strategies in order to achieve its continuous growth.



Haruo Shimada Director Outside Independent

Apr. 1975 Associate professor of Faculty of Economics, Keio University
 Apr. 1982 Professor of Faculty of Economics, Keio University
 Mar. 1986 Visiting professor of Massachusetts Institute of Technology
 June 2000 Visiting professor of Research Center for Advanced Science and Technology, the University of Tokyo
 Mar. 2007 Outside Director of the Company (current position)
 Apr. 2007 President of Chiba University of Commerce
 Jan. 2016 President of Shimada Sogo Kenkyujo (current position)
 Apr. 2017 Former Chairperson of the Board of Trustees of Tokyo Metropolitan Public University Corporation
 Feb. 2021 Outside Director of Tech I.S. Co., Ltd. (current position)

<Reasons for appointment>

By drawing on his extensive knowledge as a long-term economics researcher, he is expected to continue his contribution to strengthening the governance system, including reinforcing the supervision of Directors in performing their duties, from his independent position.



Keiji Watanabe Director Outside Independent

July 1987 Representative Partner of Aoyama Audit Corporation (current: PricewaterhouseCoopers Aarata LLC)
 Apr. 1996 Representative Partner of Tohmatsu & Co. (current: Deloitte Touche Tohmatsu LLC)
 June 2000 Outside Director of Ichiyoshi Securities Co., Ltd. Global Middle Markets Leader of Deloitte Touche Tohmatsu LLC
 July 2003 Outside Director of ASAHI KOGYOSHA CO., LTD. (current position)
 June 2008 Outside Director of SBI Holdings, Inc.
 June 2010 Outside Director of the Company (current position)
 Mar. 2011 Outside Director of SBI Insurance Group Co., Ltd. (current position)
 June 2017 Outside Audit & Supervisory Board Member of Hokuetsu Kishu Paper Co., Ltd. (current: Hokuetsu Corporation) (current position)
 June 2018 Outside Director of UKAI CO., LTD. (current position)

<Reasons for appointment>

Holding experience and professional knowledge as an expert of accounting, he supervises the Company's management appropriately from his objective position as a professional accountant; he is expected to continue his contribution to strengthening the governance system, including reinforcing the supervision of Directors in performing their duties, from his independent position.



Shinji Shimane Director, Executive Officer

Oct. 1995 Joined Ota Showa Audit Corporation (current: Ernst & Young ShinNihon LLC)
 Oct. 2000 Joined Avaya Japan Ltd.
 Sept. 2001 Joined Proggest Co., Ltd. (current: Aoyama Zaisan Investments Co., Ltd.)
 Aug. 2006 Director (current position)
 Jan. 2016 Representative Director of Shinsei Aoyama Partners Co., Ltd. (current position)
 Mar. 2016 Director, Executive Officer, and General Manager of Business Succession Consulting Division of the Company
 Jan. 2021 Director, Executive Officer, and General Manager of Consulting Division IV (current position)

<Reasons for appointment>

Serving as Director, Executive Officer, and General Manager of Consulting Division IV, he focuses on the operations of business succession funds, a joint work with our business partner, Shinsei Bank, Limited. He is expected to continue his contribution to expanding the Company's performance and strengthening the governance system.



Takaomi Ogawa Director, Executive Officer

Sept. 1992 Joined Takano Yasuo Zeirishi Jimusho (current: Zeimu Sogo Tax Corporation)
 Aug. 2003 Director of Funai Zaisan Consultants Keiyo Co., Ltd. (current: Nihon Shisan Soken Co., Ltd.)
 Dec. 2009 President of Funai Zaisan Consultants Keiyo Co., Ltd. (current: Nihon Shisan Soken Co., Ltd.)
 Oct. 2013 Executive Officer, General Manager of NSS Division of the Company
 Mar. 2016 Director, Executive Officer, General Manager of NSS Division (current position)
 June 2017 President of Nihon Shisan Soken Co., Ltd. (former: Nihon Shisan Soken Consultant Inc.) (current position)
 Apr. 2020 Representative Director of Nitto Fudosan Co., Ltd. (current position)

<Reasons for appointment>

Serving as Director, Executive Officer and General Manager of NSS Division of the Company and as President of Nihon Shisan Soken Co., Ltd., the Company's subsidiary, he contributes to the expansion of business performance of the Aoyama Zaisan Networks group in the Keiyo area, by drawing on his extensive experience. He is expected to continue his contribution to expanding the Company's performance and strengthening the governance system.



Hideo Matsuda Director, Executive Officer

Apr. 1984 Joined Sato Sumio Zeirishi Jimusho (current: Meinan Keiei Tax Corporation)
 Dec. 2014 Representative Director of Meinan Zaisan Consultants Co., Ltd.
 Jan. 2018 Joined the Company
 Executive Officer, General Manager of General Information Network Division
 Mar. 2018 Director, Executive Officer, General Manager of General Information Network Division (current position)
 Oct. 2020 Director of Aoyama Financial Service Co., Ltd. (current position)
 Jan. 2021 Director of Aoyama Zaisan Networks Kyushu Co., Ltd. (current position)

<Reasons for appointment>

Serving as Director, Executive Officer and General Manager of General Information Network Division of the Company, he makes efforts in expanding a national network of tax accountants' corporations and accounting firms and also performs his duties as a supervisor of the development and sale of operating lease products. He is expected to continue his contribution to expanding the Company's performance and strengthening the governance system.



Michihiro Nagasaka Director Outside

Apr. 1985 Joined Wakabayashi Law Office
 Mar. 1992 Joined Nihon M&A Center Inc.
 Dec. 2010 Manager of Business Promotion Department
 Mar. 2014 Outside Director of the Company (current position)
 Apr. 2015 Manager of Sales Support Department, General Planning Division of Nihon M&A Center Inc.
 June 2021 Director of Business Succession Navigator Corporation

<Reasons for appointment>

The Company is in partnership with Nihon M&A Center Inc., which he works for, for asset/business succession/real estate consultation services for corporate owners. He is expected to provide useful advice concerning business know-how and marketing promotion and strengthen the relationship with Nihon M&A Center for further business development.

Audit & Supervisory Board Member

11 Hiroyuki Fujita Audit & Supervisory Board Member Outside Independent
 Apr. 1989 Joined The Mitsui Bank, Limited (current: Sumitomo Mitsui Banking Corporation)
 Aug. 1995 Joined Yamazaki Certified Tax Accountant Office
 Oct. 2000 Joined Tohmatsu & Co. (current: Deloitte Touche Tohmatsu LLC)
 Apr. 2004 Registered as a CPA
 Mar. 2018 Appointed as outside Audit & Supervisory Board Member of the Company (current position)
 Mar. 2018 Audit & Supervisory Board Member of Nihon Shisan Soken Co., Ltd. (current position)
 Mar. 2018 Audit & Supervisory Board Member of Aoyama Estate Co., Ltd. (current position)

12 Hisao Nakatsuka Audit & Supervisory Board Member
 Apr. 1970 Joined The Tokai Bank, Limited (current: MUFG Bank, Ltd.)
 Apr. 1994 General Manager of Fujisawa Branch
 Jan. 1996 General Manager of Chofu Branch
 Jan. 1999 General Manager of Takenotsuka Branch
 Nov. 2001 Joined the Company
 Mar. 2002 Director, General Manager of Consulting Department
 Aug. 2002 Director, General Manager of Administrative Department
 Mar. 2005 Audit & Supervisory Board Member of Funai Estate Co., Ltd. (former: Aoyama Estate Co., Ltd.)

13 Hiroaki Rokugawa Audit & Supervisory Board Member Outside Independent
 Apr. 1997 Registered as Attorney (Dai-ichi Tokyo Bar Association)
 Apr. 1997 Joined Hori & Partners
 June 2002 Joined Barack Ferrazzano Kirschbaum & Nagelberg LLP (Chicago)
 Mar. 2007 Joined Tokyo Aoyama, Aoki, Koma Baker & McKenzie Law Office
 Apr. 2007 Lecturer of Advanced Institute of Industrial Technology (current position)
 June 2008 Representative Attorney of Ogasawara Konno & Rokugawa (current position)
 Mar. 2009 Outside Audit & Supervisory Board Member of

Apr. 2018 Audit & Supervisory Board Member of Business Succession Navigator Corporation (current position)
 Mar. 2018 Audit & Supervisory Board Member of Aoyama Zaisan Investments Co., Ltd. (former: Proggest Co., Ltd.) (current position)
 Dec. 2019 Audit & Supervisory Board Member of Aoyama Zaisan Networks Kyushu Co., Ltd. (current position)
 Apr. 2020 Audit & Supervisory Board Member of Nitto Fudosan Co., Ltd. (current position)
 Oct. 2020 Audit & Supervisory Board Member of Aoyama Financial Service Co., Ltd. (current position)
 Jan. 2021 Audit & Supervisory Board Member of Aoyama Family Office Service Co., Ltd. (current position)

Apr. 2006 Managing Director of the Company
 Sept. 2008 Audit & Supervisory Board Member of Proggest Co., Ltd.
 Oct. 2010 Director of Aoyama Estate Co., Ltd.
 Oct. 2013 Audit & Supervisory Board Member of Nihon Shisan Soken Co., Ltd.
 Mar. 2014 Director of Nihon Shisan Soken Co., Ltd.
 Mar. 2015 Advisor of the Company
 Mar. 2016 Audit & Supervisory Board Member (current position)

Dec. 2010 the Company (current position)
 Outside Auditor of Yumeshin Holdings Co., Ltd. (current: Yumeshin Holdings Group Co.) (current position)
 Dec. 2016 Outside Director of Tsunagu Group Holdings, Inc. (current position)
 Sept. 2017 Outside Auditor of OKWAVE Inc. (current position)
 Sept. 2020 Outside Director of Abalance Corporation (current position)

Basic concept of corporate governance

Recognizing corporate governance as an important management mechanism to make transparent/fair and speedy/decisive decisions, we are actively committed to it. In addition, the Company's Board of Directors and Audit & Supervisory Board acknowledge the corporate governance framework should primarily perform the following functions:

- To protect shareholders' rights and encourage their exercise

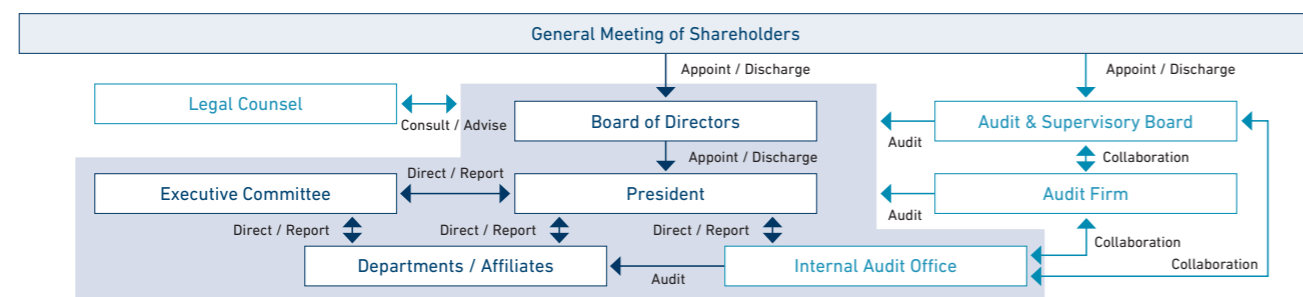
- To ensure the equal treatment of all shareholders
- To make timely and accurate disclosure regarding all the important matters related to the company, including its financial conditions, financial results, shareholder composition, and governance
- To ensure the strategic orientation of the company, effective supervision of management executives, and accountability

Corporate governance system

AZN is a company with the Audit & Supervisory Board and appoints ten Directors (including three outside Directors) and three Audit & Supervisory Board Members (including two outside Audit & Supervisory Board Members). We also implement an executive officer system in terms of the segregation of management and execution; Executive Officers execute the operations of the divisions/departments in charge, in accordance with organization regulations and rules on the segregation of duties set forth by the Board of Directors.

The Executive Committee, consisting of the President, full-time

Directors, and Executive Officers, meets on a weekly basis to verify management policies and discuss management strategies and business execution for the purpose of sharing problem awareness and having smooth communication among all members. The Board of Directors lays down the medium-term management plans and annual plans to define the goals we should achieve, clarifies performance targets for the respective divisions Executive Officers take charge of, and gets reports on progress regularly in the Board of Directors meetings for the purpose of supervising business execution by Executive Officers.



Compensation for officers

Compensation for the Company's Directors and Audit & Supervisory Board Members is determined within the extent approved by the General Meeting of Shareholders, with the Company earnings, management actions/measures, and economic environment comprehensively considered, and through fair and transparent reviews by the Compensation Council.

The Compensation Council is composed of three or more Directors

selected by the resolution of the Board of Directors, two or more of whom must be outside Directors as a rule for the purpose of raising the transparency and objectivity of the review process. The three members of the Compensation Council for this fiscal year are: President Masazumi Hasumi, outside Director Haruo Shimada, and outside Director Keiji Watanabe.

Category of officer	Total amount of compensation (thousand yen)	Total amount per type of compensation (thousand yen)			Number of eligible officers
		Fixed	Performance-linked	Other	
Director (except outside Director)	137,425	90,054	36,752	10,618	7
Audit & Supervisory Board Member (except outside Audit & Supervisory Board Member)	4,800	4,800	-	-	1
Outside Officer	43,385	39,495	3,890	-	5

Notes:

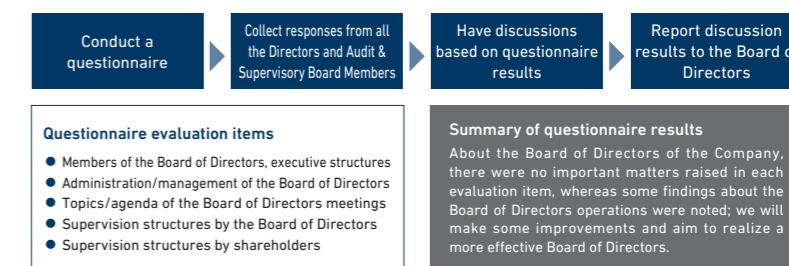
- The extent of compensation for the Directors of the Company is up to ¥500 million per year (note: the employee salary portion is not included), which was adopted at the 16th Annual General Meeting of Shareholders held on March 24, 2007. In addition, the resolution adopted at the 28th Annual General Meeting of Shareholders held on March 28, 2019 sets out nonmonetary compensation by company housing up to ¥40 million per year.
- The extent of compensation for the Audit & Supervisory Board Members of the Company is up to ¥50 million per year, which was adopted at the 11th Annual General Meeting of Shareholders held on March 20, 2002.
- The amount of fixed compensation, which is a basic compensation, is respectively determined by taking account of the functions, positions/titles, duties, contributions, etc. of each Director/Audit & Supervisory Board Member comprehensively.
- The amount of bonus, which is a performance-linked compensation, is respectively determined based on the amount of consolidated operating profit as one of important benchmarks for evaluation, by evaluating respective contributions to business performance/earnings and execution of duties in proportion to individual positions/titles and duties. We select this benchmark because it typically represents the business performance/earnings of the Group.
- For this fiscal year, the benchmark target associated with performance-linked compensation was set at operating profit of ¥1,800 million. (Performance-linked compensation to be paid in full if the target is accomplished.) But the actual operating profit was ¥1,303 million, falling short of the target; the amount of performance-linked compensation paid this year fell below the previous year's.
- The total amount of compensation of Directors does not include the portion of employee salaries for Directors who serve concurrently as employees.
- One unpaid Director is excluded from the above number of eligible officers.
- For "Other," nonmonetary compensation by company housing is provided.

Number of times and attendance at the meetings of Board of Directors / Audit & Supervisory Board / Compensation Council (FY2020)

	Board of Directors	Audit & Supervisory Board	Compensation Council
Masazumi Hasumi	100% (13/13)	-	100% (1/1)
Masayuki Yagi	100% (13/13)	-	-
Takeshi Matsuura	100% (13/13)	-	-
Shinji Shimane	100% (13/13)	-	-
Takaomi Ogawa	100% (13/13)	-	-
Hideo Matsuda	100% (13/13)	-	-
Shintaro Hashiba	100% (10/10)	-	-
Haruo Shimada	85% (11/13)	-	100% (1/1)
Keiji Watanabe	92% (12/13)	-	100% (1/1)
Michihiro Nagasaka	85% (11/13)	-	-
Hiroyuki Fujita	100% (13/13)	100% (13/13)	-
Hisao Nakatsuka	92% (12/13)	100% (13/13)	-
Hiroaki Rokugawa	92% (12/13)	100% (13/13)	-

Evaluation of the effectiveness of Board of Directors

We are committed to improving the effectiveness of the Board of Directors and conduct a questionnaire for evaluation and analysis, on an annual basis.



- Questionnaire evaluation items**
- Members of the Board of Directors, executive structures
 - Administration/management of the Board of Directors
 - Topics/agenda of the Board of Directors meetings
 - Supervision structures by the Board of Directors
 - Supervision structures by shareholders

Summary of questionnaire results

About the Board of Directors of the Company, there were no important matters raised in each evaluation item, whereas some findings about the Board of Directors operations were noted; we will make some improvements and aim to realize a more effective Board of Directors.

Risk management

We define the following risks and a contingency plan (response at their occurrence) in our risk management rules.

In the event of the following risks deemed equivalent to a serious operational crisis, we immediately set up an "(emergency) task force," which will be in charge of addressing problems across the board. The status of risk management is audited by our Internal Audit Office on its effectiveness and validity, and its results are reported to the Board of Directors on a periodic basis.

- | | |
|--------------------|---|
| (1) External risks | (i) Information leak
(ii) Problems involved in business operations (including customer consulting services)
(iii) Civil violent incidents, contact/problems with anti-social forces
(iv) Criminal acts by employees (fraud etc.)
(v) Other risks/incidents associated with AZN's credit |
| (2) Internal risks | (i) Traffic accidents by employees (property/personal damage)
(ii) Internal troubles (sexual harassment etc.)
(iii) Mishaps of employees and their families, other work accidents
(iv) Other cases constituting a crime by employees |
| (3) Disasters etc. | (i) Extraordinary disasters including natural disasters |

Information security management

For the purpose of continually maintaining and strengthening our information security management structure including personal information management, we obtain the international accreditation and information security management system certification "ISO 27001" and implement and maintain a system based on the standard for operations.

Compliance

For the purpose of practicing fair and bona fide management in compliance with laws, we establish the Compliance Committee consisting of the President, full-time Directors, Executive Officers/General Managers of the divisions, and external legal counsels (attorneys). The Compliance Committee performs the following operations:

- (1) To recognize potential risk of losing trust from the securities market and customers in business operations, and prepare countermeasures (draft)
- (2) To review if there is any compliance issue in the real estate specified joint enterprise operations, and give approval of their execution
- (3) To review and report preventive measures against serious compliance violations
- (4) To examine/check suspicious compliance activities (potential compliance violations)

Message

Message from Outside Director



Outside Director
Haruo Shimada
(In office since 2007)

I will look out for internal and external changes and back up employees with “advanced personality.”

Aoyama Zaisan Networks is working very hard all in unity and unison under the singular leadership of President Masazumi Hasumi. Out of respect to humanity, President Hasumi goes out of his way night and day to focus on offering maximum support to customers and employees, as his most important people, so that they can fulfill the greatest potential of their own life.

The world is now faced with an extraordinary upheaval and long-term structural changes. The U.S.–China dispute and the COVID-19 pandemic have shaken Japan and the world to the core and had a great impact on economic society. Meanwhile, in the long term, the aging population and DX driven by the spread of the latest information technology are fundamentally changing the structure of economic society.

Fixing its eyes on these changes, AZN is committed to providing assistance for real estate and financial assets owners to make smart use in the aging society. It offers a family office service for higher-net-worth customers to smoothly pass down the values of their important businesses or family, whether they are tangible or intangible, from generation to generation.

As an outside Director of the Company, I will work harder to fulfill my duty to look out for constant changes in things internally and externally and share a broad and deep sense of them through interaction with other executives.

To achieve sustainability on the basis of strong governance and human capital.



Outside Director
Keiji Watanabe
(In office since 2011)

In a society with a progressively aging population and falling birthrate, the realization of AZN’s corporate philosophy is becoming increasingly important, in my view. Particularly in the future society, Society 5.0, where advanced digital technologies such as the IoT, big data, and AI will arrive, it should become even more important for a lot of people as the method of realizing the company’s corporate philosophy also becomes sophisticated.

Sustainability has become a priority issue in corporate management, and strong governance is needed to address this issue.

In addition, the recruitment and development of competent personnel and sharing of know-how are required especially in the business sector of AZN; improvement in the value of human capital should lead directly to an increase in corporate value. (In the United States, the disclosure of human capital information was mandated in 2020.)

As a certified public accountant, I have been engaged with domestic or international large corporations, medium-sized firms, and others for nearly 40 years at an international accounting firm through accounting audit and advisory operations. In addition, I have served as an outside director for the seven listed companies since 2000. Thus, I believe I can make my contribution to reinforcing AZN’s governance from a stakeholder’s point of view.

For information disclosure, the engagement of the Board of Directors is necessary; particularly, the disclosure of non-financial information including on ESG and climate change has a significant impact on management activities. I should be able to make my contribution by drawing on my long years of experience with information disclosure as a CPA.

CFO Interview

CFO Interview



By pursuing maximized corporate value while maintaining financial soundness, we will be committed to new initiatives.

Director, Executive Officer, General Manager of Administration Planning Division **Shintaro Hashiba**

Aoyama Zaisan Networks’ financial policy dates back to a loss posted in 2009 from disposal of real estate inventory. We increased profits by purchasing and reselling real estate after the listing on Mothers in 2004, but the global financial crisis of 2008 caused us a large loss and damage to our finance. To rebuild our damaged financial foundation, we undertook a sound finance project as follows: To purchase the real estate which forms an ADVANTAGE CLUB partnership in order to achieve the optimal asset mix for customers, via a same-day settlement system so that AZN will not incur any risk. To establish a structure for the level of cash and deposits that enables us to continue consulting services for our customers with no problem for the next few years in the event of economic risks such as the global financial crisis of 2008. To ignore quick profit, offer customers values and accumulate profit in return for that. We emphasize finance because we must perform our consulting service for our customers, who own assets, on a permanent basis beyond generations.

Adoption of ROIC to pursue both AZN growth and return to outside parties

Ten years have since passed, and we believe the restructuring of our finance has been completed now that we earn a stable income. For our second growth phase in the future, we aim to achieve both internal growth and return to outside parties while continuing the existing sound finance policy and being conscious of capital efficiency. From this point of view, we started introducing ROIC by division as well as divisional operating profit management in 2021, with a view to improving internal capital efficiency management. Recognizing that the maximization of corporate value through improved ROC, along with capital cost reduction, is an extremely important KPI to achieve both growth and return, management executives began making efforts to improve it. As for return to outside parties, we will also continue our policy of keeping a payout ratio at the 50% level and a consecutive increase in dividends thanks to growing earnings. On treasury stock acquisitions, we will decide flexibly considering our business environment and financial conditions.

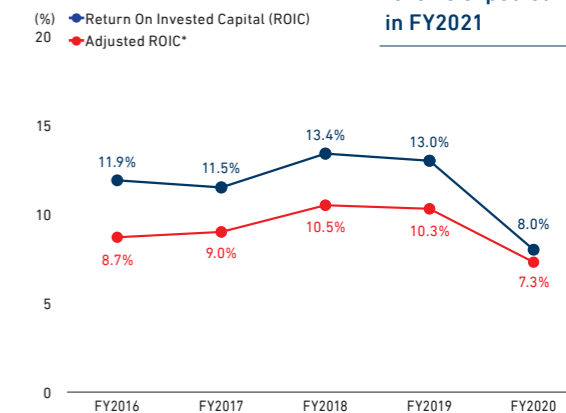
Aiming for non-consecutive growth under the Third Medium-Term Management Plan

In 2021, we are formulating a variety of measures in order to prepare for the Third Medium-Term Management Plan starting from the next year for non-consecutive growth. In making investments in new businesses, we will set a hurdle rate based on capital cost to swiftly decide on execution or withdrawal, with the aim of achieving non-consecutive growth.

To our stakeholders

Finally, for our stakeholders, we will engage in information disclosure and dialogue more actively than before. We will increase contact points for dialogue and listen intently to what you want from us to apply in management.

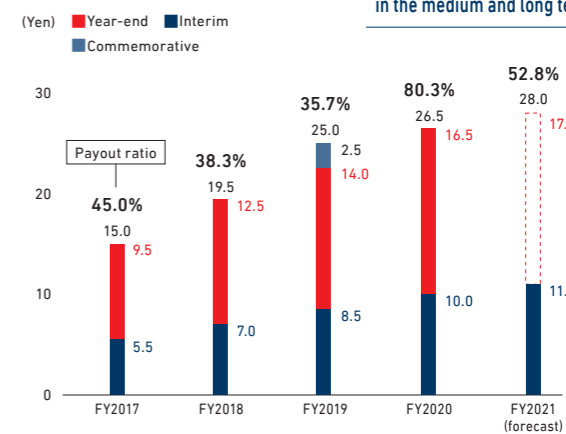
ROIC



Recovery to normal level is expected in FY2021

* For adjusted ROIC, NOPAT is calculated by subtracting the amount of income tax at the effective statutory tax rate (30.62%) from operating profit.

Dividend & payout ratio



We aim to continuously increase dividends and have a payout ratio of 50% or more in the medium and long term.

*The stock split was executed effective August 31, 2021. In this chart, the amount of dividend is converted after considering the split.