



Kaoru Umeda
Executive Officer,
Head of Financial Planning
Department,
General Administration
Division

Toward achieving management that considers capital costs and stock value

Review of FY2024

Our company is committed to actively allocating capital towards growth investments and strengthening our management foundation, while at the same time enhancing shareholder returns and maintaining sound financial health.

Initiatives for FY2025

In May 2025, reflecting dialogue with investors and shareholders, we raised the ROE target under the Medium-Term Management Plan from 7% to 8%. We announced a new policy of significantly increasing shareholder returns. In addition to dividends, we will actively utilize share buybacks for shareholder returns, thereby reforming our financial strategy to improve our balance sheet, which has significant room for improvement.

Transition and recognition of challenges regarding ROE, cost of shareholders' equity, and PBR

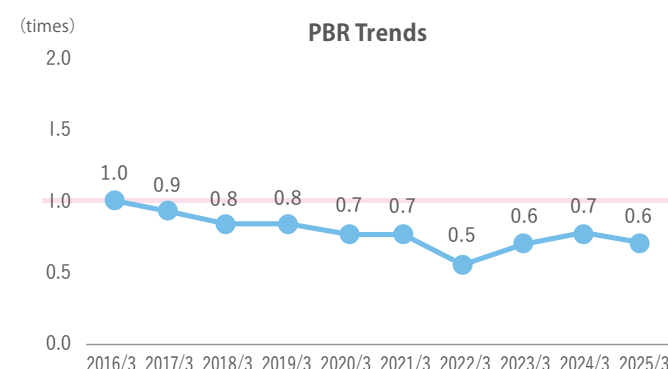
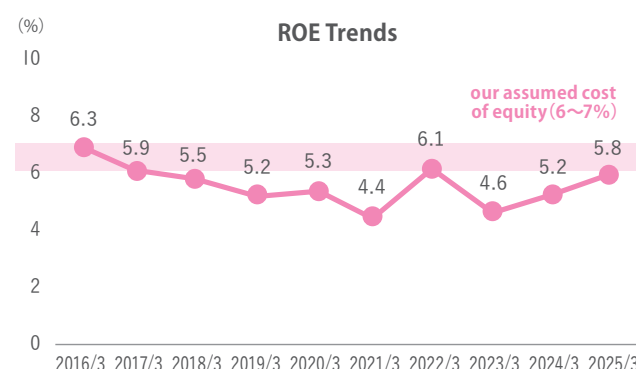
As one of the KPIs under our Medium-Term Management Plan, ROE has not improved from its usual level. Combined with the prolonged slump in our stock price, PBR has also remained sluggish. We analyze the current situation as follows:

Return on Capital

- While revenue is trending upward, profit growth has stagnated and net assets have increased, resulting in ROE remaining below the assumed cost of shareholders' equity.
- In addition to enhancing profitability, we need to review the balance sheet to improve capital efficiency.

PBR

- Our PBR has remained below 1x for a long period.
- Along with the sluggish ROE, disclosure on growth strategies has been insufficient amid a changing business environment.
- It is necessary to publish an equity story aimed at growth and further promote active dialogue with the market through IR activities.



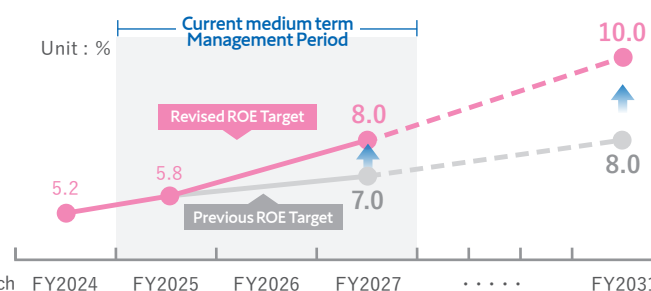
In addition, through proactive engagement with investors, we have received various opinions. Based on this feedback, we recognized these challenges and decided to raise the ROE target under the Medium-Term Management Plan and formulate a new shareholder return policy.

Investor's Main Opinion		Recognition of Issues
KPI	<ul style="list-style-type: none"> The rationale for achieving the performance targets is considered weak The minimum acceptable ROE is 8%, with 7% deemed too low 	Need to revise ROE targets in line with investor expectation
Financial Strategy	<ul style="list-style-type: none"> The current financial strategy may not be sufficient to achieve the ROE target The use of abundant cash should be disclosed 	Need for significant reform of financial strategy to improve ROE

KPI Reform	ROE Target: FYE Mar. 2027 7% → 8%, FYE Mar. 2031 8% → 10%
Financial Strategy Reform	Formulation of new shareholder return policy: Dividend payout ratio of 50%, Purchase of approx. 22.0 billion yen worth of treasury stock planned for two years

KPI Reform: Revision of ROE Target

To achieve sustainable enhancement of corporate value, we have revised our ROE target for FYE March 2027 to 8.0%, reflecting ongoing dialogue with investors and shareholders. Over the long term, we aim to maintain ROE of 10.0% or higher.



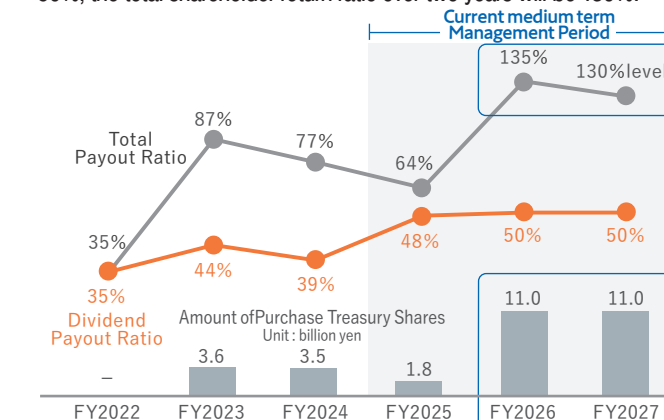
Financial Strategy Reform

Formulation of a new shareholder return policy to achieve 8% ROE

To achieve an ROE of 8% for the FYE March 2027, the shareholder return policy will be revised to a more proactive approach.

Details of Shareholder Return

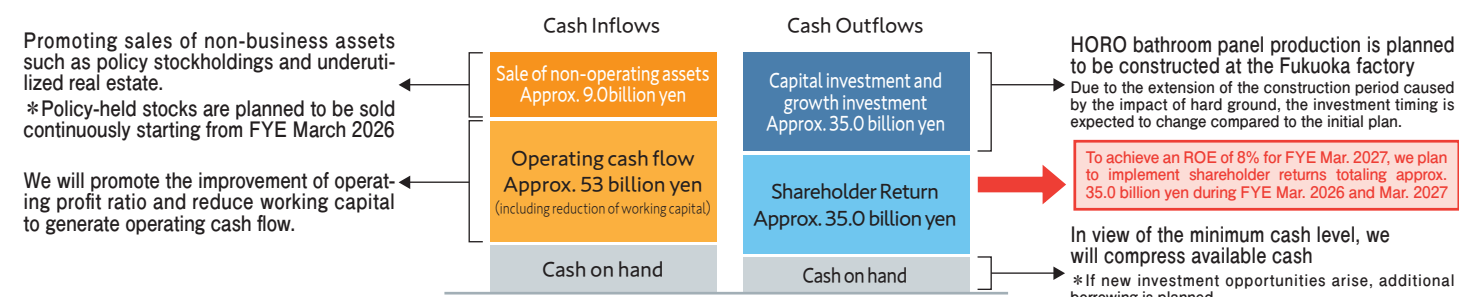
From the FYE Mar. 2026 to the FYE Mar. 2027, with the purchase of approx. 22.0 billion yen in treasury stock and a dividend payout ratio of 50%, the total shareholder return ratio over two years will be 130%.



Note: Fiscal year ends in March
Purchase of approx. 22.0 billion yen worth of treasury stock planned for two years
*Assuming market purchases, including ToSTNet-3.

Cash Allocation FYE Mar. 2026 -Mar. 2027

Utilize cash inflows from operating cash flow and sales of non-operating assets to conduct growth investments and shareholder returns.



Balance sheet management

Based on our current recognition of the balance sheet, we will implement the following improvements. The funds generated through these improvements will be utilized as resources for growth investments and shareholder returns.

