Financial Capital Strategy

Implementation of Strategic Resource Investment and Enhancement of Shareholder Returns while Maintaining an Appropriate Financial Position

Overview of Fiscal 2022 Performance

In fiscal 2022, the Group responded to a turbulent business environment on a global scale through flexible and agile supply management, sales expansion and share growth in the premium segment, and bolstering strategic price management. Due to this and on the back of favorable exchange rates, revenue reached the 4 trillion JPY mark for the first time ever. The Group was also able to achieve significant growth in adjusted operating profit with 482.6 billion JPY. This represents substantial increases in both revenue and profit compared with fiscal 2021.

Fiscal 2023 Forecast

The Group is forecasting revenue to increase 107% versus previous year, excluding the impact of exchange rates, by enhancing focus on the premium segment in the premium tire business and accelerating growth in the solutions business. In fiscal 2023, the Group is targeting approximately 510 billion JPY in adjusted operating profit, a 116% increase versus previous year, excluding the impact of exchange rates, by focusing on execution and delivering results. It is also projecting ROIC, its most important management KPI, to reach 10.5% and the adjusted operating profit margin to reach 12.3%.

Foundation of the Financial Capital Strategy

The Group is strengthening the foundation of its financial strategy to reinforce portfolio management. The Group believes it is important to establish a framework supporting strategic decision-making, which includes conducting financial evaluations of each business portfolio and withdrawing from businesses when deemed necessary.
In January 2021, the Group set up a global controller function enabling global management of individual investments so it can appropriately evaluate the effectiveness of each investment. In addition, the establishment of the M&A Steering Committee, led by the Global CEO and with top managements from each business and region as members, has made it possible to discuss and rigorously evaluate deals one by one and make speedy decisions. As for capital investment, a committee led by the Global CFO has been established to strengthen decision-making. For the allocation of strategic resources, thorough evaluations are conducted using ROIC and other criteria, and hurdle rates considering capital costs and risks by business and region are set. The Group is also strengthening the use of internal carbon pricing and incorporating sustainability factors into investment decisions.

As a result of proper scrutiny and evaluations of investments, ROIC improved from 9.0% in fiscal 2021 to 9.4% in fiscal 2022.

The Group's basic policy regarding capital allocation is to secure necessary internal reserves for strategic resource investment to create both social value and customer value and gain a competitive advantage in line with the 2030 Long Term Strategic Aspiration roadmap, while aiming to "maintain an appropriate financial position" and "enhance shareholder returns".

Maintaining an Appropriate Financial Position

We aim for a net debt-to-equity ratio of 0.3 or lower and an equity ratio at the 60% level in consideration of balancing capital efficiency in order to maintain a healthy financial position and keep our 2022 credit ratings of "A2" from Moody's and "A" from Standard & Poor's.

Enhancement of Shareholder Returns and Agile Capital Management

- Dividend policy: Increase dividends in a stable and continuous manner
- Target dividend payout ratio: 40% (2022) → 50% level (2030)
- Take a flexible approach to acquisition of treasury stock based on a comprehensive review of internal reserves needed for strategic resource investments and financial soundness

Going forward, the Group will continue striving to boost corporate value by enhancing dialogue and engagement with investors and other stakeholders and through proactive information disclosure.