

# CFO/CSO Financial Strategies to Support ESG Management

**In an era when nonfinancial values affect companies. ESG management can reduce risk from a long-term perspective and increase long-term corporate value.**

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## Q.What is your review of FY22 and your outlook for FY23?

As for results for FY2022, consolidated net sales increased 13.4% from the previous fiscal year to 321,771 million yen, and operating income increased 12.8% to 34,439 million yen. Although there was some impact from the depreciation of the yen, even excluding this we were able to achieve a record high, and we believe we were able to deliver solid numbers while clearing the impact of the COVID-19 pandemic. We are taking a hard look at the indicators of the Medium-term Management Plan, including foreign exchange rates, and after factoring in various risks, we are aiming to further increase profitability and achieve steady results in FY2025, the final year of the plan.

## Q.What are the advantages of being both CFO and CSO?

I joined our company as a new graduate and have worked in corporate planning for nearly 30 years since my late 20s. During that time, I have worked closely with successive presidents in formulating medium-term management plans and portfolio management, such as acquisitions, withdrawals, and the establishment of new companies, as well as managing subsidiaries and interacting with the capital markets in the area of investor relations.

In this sense, I have seen both sides of corporate planning and finance from a broad perspective. Investors place importance not only on a company's financial value but also on its future strategy and corporate culture. I think this tendency is particularly strong among foreign investors. It is an advantage to be able to have in-depth discussions about vision and strategy along with finance, and this may be the reason for the high percentage of foreign shareholders.

## Q.What is the impact of ESG management on the company's finances and its growth strategy?

ESG management will reduce risk from a long-term perspective, which in turn will improve corporate value, and I believe that nonfinancial values will increasingly influence companies in the future. As a global trend, a company's various soft strengths, such as human resources, intellectual property, technological know-how, and management methods, will become important factors in improving corporate value.



Although some nonfinancial aspects cannot be quantified, it is necessary to visualize them in order to link them to the company's growth. In the case of human capital, visualizing where people with what skills are, what their potential is, and how to develop them or utilize their experience and know-how as company skills will lead to individual and organizational growth. By visualizing our company's strengths and weaknesses, we can proactively link our strengths to growth, and by utilizing them efficiently, we can grow both sales and profits.

ESG must be done in a way that also enhances the value of our company and our industry. Nifco's unique character is to offer proposals that exceed expectations and surprise customers not only by focusing on the customer in front of it but also on the customer beyond that customer and society at large. I hope that Nifco will continue to do this.

If this is connected on an ongoing basis, customers will want us to always be there for them, like a help desk. I believe this is Nifco's added value and value creation.

Regarding the governance system, the majority of our board members are external directors. By bringing in different perspectives to management, we are able to gain a variety of insights, and the rules of governance help the company to purify itself. I believe that the governance system is functioning well, with consensus building in place to ensure that the company is headed in the right direction.

## Q.What is the company's investment strategy for the future?

In order to achieve growth beyond organic growth and increase corporate value in a drastically changing automotive market, we must not only be self-reliant but also take a long-term perspective, which will require cross-disciplinary cooperation and acquisitions. Reckless risks must be avoided, but if we do not take the risks we need to take, we will not reap the fruits of our future. My mission is to solidify our financial base in order to take on new challenges and always be ready to take on attractive projects without hesitation. Our goal is to achieve ROIC of 15% or more, but this is still unsatisfactory by global standards. Investors invest in stocks not only in Japan but also in stocks around the world, so we will strive to improve our corporate value to become a company of choice around the world.

In the COVID-19 pandemic, where the future was uncertain, we had prepared funds a little more generously, but after the pandemic, we intend to use them in a balanced way, using them for business growth and returning profits to shareholders in line with the corporate stage.

## Q.What value does Nifco provide to its stakeholders?

I believe that we should provide a balanced distribution of profits to our diverse stakeholders. There are three ways to contribute to shareholders: dividends, share buybacks, and enhancement of corporate value. In particular, increasing corporate value is not only beneficial to shareholders but also to customers, business partners, and employees.

Furthermore, as sales and profits increase, we will pay taxes, so we can contribute to the public and to local communities. We will continue to strive to maximize our corporate value and contribute to all of our stakeholders.