Question & Answer at IR Meeting on Financial Results for FY2019 Q2

[Date]	**Nov 6, 2019**	
[Presenters]	**Masayuki Hyodo**	**Representative Director, President and Chief Executive Officer**
	Koichi Takahata	**Representative Director, Executive Vice President, Chief Financial Officer**
	Hiroyuki Sugai	**Executive Officer, General Manager, Accounting Control Department**
	Masahiro Yamane	**General Manager, Investor Relations Department**

List of Questions **(Detailed Question & Answer follows)**

<Q1>
・Please tell us what is the background on the decision on revising the dividend forecast.
・Please tell us what would be your direction on dividend payment if your net profit of next year will be same level as this year.

<Q2>
・Considering the market response on your dividend revision announcement, do you consider on setting the minimum dividend?
・Regarding Transportation and Construction Business Unit, please tell us what would be the possibility on improving the figures for 2nd half for TBC and automotive related business.

<Q3>
・What is your thought on the fact that your company abolished the minimum dividend from this medium-term management plan? You are not planning to consider to set the minimum again?
・What kind of discussion was made to make a decision on adjusting the shareholders' return while make no change on the investment?

<Q4>
・Regarding Ambatovy project, there is a difference in the estimation on production figures for Sherritt and your company. Please tell us the reason for this difference.
・If FY2019 actual will be lower than revised forecast, are there any possibilities to revise the dividend again?

<Q5>
・Please let us know the reason for Metal Products Division's revision on the annual forecast.
・Regarding Ambatovy project, please tell us about the risks on impairment based on the fact that its operation is struggled.

<Q6>
・Regarding Infrastructure Division, please tell us what is included in the forecast for this 2nd half.
・Regarding Real Estate business, please tell us what would be the forecast for FY2020 considering the fact its 2nd half performance will be very solid.

<Q7>
・Regarding the company's cash flow plan, what kind of measure is taken for improving the figures of "others" (other cash outflow)?
・Please tell us what is adequate DPS based on the actual earning power.

<Q8>
・Please confirm that your dividend calculation is performance linked.
・Under this severe environment, what kind of discussion was held for increasing the corporate value by self-help efforts?

<Q1(additional)>
・In accordance with revised profit forecast, only dividend is revised downward. Please tell us your thoughts on "balance among stakeholders", for example, the decision on decreasing the investment could be other option.

Question & Answer

Q1: I have two questions. Please tell us two things about cash flow management.

The first point is regarding dividends. I think you have been talking about determining the level of dividends considering the dividend payout cash flow. At least this time, it seems that you can maintain dividends on a cash flow basis. Could you tell us a little more about the background behind this dividend cut? As for the background of the question, at the beginning of the fiscal year, the commemorative dividend was paid by 10 yen. Honestly, I wondered why you paid the commemorative dividend. There was a discussion about this dividend: why 10 yen? I would like to ask about the background of the action of raising and lowering the dividend over the past six months.

The second point is, I would like to ask your thoughts on the future. If you follow the discussion at the beginning of the fiscal year, the commemorative dividend is just a commemorative dividend. If profits in the next fiscal year remain unchanged, the dividend would be 70 yen per share. Is my understanding correct or not?

You have shown the progress toward the cash flow plan on page 12. At present, profits have decreased slightly, and I think that dividend payments have also decreased compared to the initial forecasts for the period and the medium-term management plan. Considering this situation, would you review your investments more downward? While you are making the investment that you were going to do, you will reduce the dividend payment because there is no profit. As you do not seem to have a balance among stakeholders, what are your thoughts on cash outflows going forward?

Hyodo: The basic policy for dividends is to assume the figures at the beginning of the fiscal year based on the plan, formulate a cash flow plan and then determine the actual number of dividends. Again, based on the dividend payout ratio and net income, the company will decide the dividend in each fiscal term at around 30% according to cash flow and profit level. However, over the medium to long term, we are committed to providing shareholders with stable dividends and increasing the actual amount through growth. This policy has not changed even today.

On the other hand, I'm very sorry to say that the external environment has been extremely challenging and as I explained, the performance of the manufacturing industry has not been as good as it had been. We have decided to revise our forecast to 300 billion yen for the fiscal year under review, given the harsh conditions that we expect to face. After thoroughly discussing with management what kind of balanced approach we should adopt to meeting shareholders' expectations in line with the basic dividend policy, I would like to propose this year's dividend. This is the answer to the first question.

Second, I would like to talk about the future planning. In the three-year medium-term management plan, if we expand our balance sheet based on the KPI, ROA, or ROE that we disclose and the level of profit accompanying our investment, the original plan shows the figure of the latter half of 300 billion yen next year, which will be calculated by reversely.

In light of the fact that we lowered the figure from 340 billion yen this year to 300 billion yen this time, we will proceed with the progress of the medium-term management plan that will lead to stable management that has a solid grip on dividends in the future and the use of this cash. In other words, we will invest in new projects and use cash in a way that balances the level of dividends paid to shareholders and the level of redistribution to employees, while considering each other.

Personally, once the external environment has been put in place, each of the manufacturing businesses has its own capabilities. Therefore, we believe that we can generate solid profits. We will not only rely on the external environment, but also make independent efforts to further enhance our physical strength so that we can generate strength and we will strive to keep that figure in actual figures.

Again, the 1.8-trillion-yen cash-in and cash-out plans are based on our original assumptions of earning power and cash generation through asset reallocation. It is necessary to revise the figures as necessary considering the current situation.

We assume that we will pay 300 billion yen in dividends to shareholders in this three-year term. In this context, we will pay a dividend of 140 billion yen, which is the dividend level that we have presented. On the other hand, free cash flow of 40 billion yen has not yet reached 100 billion yen. We must think about how to ensure the financial soundness during the latter half of this medium-term management plan. Towards the end, we are working to ensure a well-balanced approach to how we will finish our work.

Takahata: We have been increasing the shareholders' return rate while gradually increasing the profit in the medium-term plan. Looking back, we have set the consolidated dividend payout ratio in 2004 and gradually increased the ratio to 20% and to 25% since then. The current medium-term plan is likely to be quite stable and revenues have been in place, so we raised the return rate to 30% in view of the expectations of the market. However, we would like to reiterate that the fundamental policy in which dividend is linked with business performance remains unchanged.

For example, a few years ago, there was an extremely large impairment loss and over 500 billion yen over two years. We discussed with you how to deal with this. However, it was said that the fundamental power to earn about 250 billion yen was not impaired, so we added 50 yen per share with our analysis that the cash flow is unchanged in the normal business even if the bottom line was lowered due to temporary non-cash losses.

If the downward revision was due to temporary valuation loss and we needed to think over again. However, we have discussed it all over the course of the time. Based on the fact that both Metal Projects and Transportation & Construction Systems Divisions, which have lead our company's profit for long time, environment has changed and the conversion of the business model is necessary, we have revised the dividend by maintaining a dividend payout ratio of 30% in relation to business results because the level of normal profit is much more stringent compared to the initial plan.

The 300 billion yen in dividends over the three-year period means simply the profit of about 300 billion yen per year. If the consolidated payout ratio is 30%, the total dividend is 100 billion yen per year given there are 1.25 billion shares, which means the dividend of one share will be around 80 yen. Since we have one more year, we are planning to pay nearly 300 billion yen in three years. This might be not exactly 300 billion yen, I hope you could understand.

Q2: I have two questions. After the announcement of dividend cut, the stock price has fallen considerably, and I think that market's expectation for dividends is quite high and that your company's performance has been stable. The stock price movements seem to have been disappointing.

Considering this kind of reaction, you could consider setting the minimum dividend in the next medium-term plan once again as other companies in the same industry also have done. If you take a cash-out basis of 10 yen, I don't think it's that much. As your company is not buying back shares compared to other companies in the same industry, therefore I think that your shares may look a little inferior.

My second question is regarding the downward revision of transportation business. I think that the automotive industry is lagging, and the manufacturing business is not doing very good since the first quarter. However, you have said that improvement is expected through the second half of the fiscal year. Please tell us the background of the delay in the improvement of TBC and what will be better in the second half, whether there are signs of a recovery in demand for automobiles, and whether there is any kind of certainty, and what the current situation is? The synergy effects at TBC was originally supposed to start in the first half of the fiscal year and I heard that increase in profit is expected this year.

Hyodo: First, I understood your question is: Do we not think about our approach to shareholder returns or do we think about any measures to be valued by the market a little more? I think it is very important that the company is rated high by the financial market and that it is appreciated by shareholders. Therefore, I take it very seriously that you gave us a harsh evaluation of the recent reduction in the real dividend amount and the downward revision of the profit forecast.

Regarding our medium-to long-term management policy, I think there are areas to be improved, including how we formulate this plan or how we announce, how we discussed this downward revision within the company, and how we communicate with shareholders. I will sincerely discuss what kind of better ways we should realize, including returns to shareholders. It is difficult to tell you how the content of shareholder returns will be in the future today, but I will take this as important homework.

Second, regarding whether there are any signs of recovery in transportation business, I am frankly not able to say how the current US-China relationship will be in the future, one month from now or six months from now. However, there are some improvements in revenue structures that we can make through our efforts, not just improvements in environment, but in individual businesses. Since there are not only TBC but also other businesses, we anticipate that these improvements will lead to profit levels in the second half of the fiscal year.

We are naturally affected by the drastic changes in the surrounding environment, such as the global financial crisis. However, if the current situation continues, I believe that we will be able to realize what we expect in the second half if we do what we do.

Regarding TBC, we were not able to take actions on rationalizing measures for its wholesale business as expected when creating 50:50 joint venture of TBC with Michelin. We have revised this plan and have begun to work on it thoroughly, including reviewing the system, so we can expect the results to be achieved.

Q3: I have two questions. When starting this medium-term management plan, the minimum dividend was abolished. At that time, the analysts asked at the briefing, “why you abolished the minimum dividend” Your answer was that the minimum dividend is not necessary because the performance will be improved to a certain extent.

However, as economic fluctuations make it difficult to expect such a situation, I believe that the minimum dividend is a certain trend in order to create stable shareholders. What do you think now about the removal of the minimum dividend? When considering the next fiscal year, I think that the 300 billion forecasts that have been revised this time will probably lead to the next decreased in profits under the current economic situation. What are your thoughts on dividend under such circumstance?

The second question is regarding cash flows. In the cash flow plan, that basic profit cash flow together with depreciation is calculated at 1.2 trillion in cash inflow.

Since you generated 400 billion yen in the first year, if we think that the revenue will start to decrease slightly from the second year, I think it will be below the level of 1.2 trillion yen. When asked how to correct this situation, you would like to leave 200 billion yen to free cash flow after dividend payments. As of now, only 40 billion yen remains. In the course of discussions at the Board of Directors' meeting, regarding 1.3-trillion-yen plan for investment and loan, although the revenue or economic outlook has changed, you are trying to adjust by other cash flows without reviewing the plan for investments and loans. Could you tell us in the course of your discussions how you decided to adjust this return to shareholders while keeping the level of 1.3 trillion yen in this investment unchanged?

There is no investment opportunities when the economy is weak for foreign companies. If there are no investment opportunities and the price of equity is decreasing or the variation is decreasing, I think that it is difficult to invest in this situation because there is still a considerable amount of capital.

Hyodo: I would like to answer the second question. It is not included in the plan to use up to 1.3 trillion yen, so it is necessary to manage the cash flow balance thoroughly. This presents our projected cash inflows and how we return profits to shareholders, invest in them, and reduce Interest-bearing liabilities, in a well-balanced manner.

Accordingly, our management does not intend to put investment first, to spend 1.3 trillion yen entirely, repay Interest-bearing liabilities, or avoid contributing or returning profits to shareholders before doing so. Of course, we will make investments that will lead to the company's future growth while firmly balancing in and out. However, if cash inflows decrease, we will also need to reduce investment. Prioritizing and from which projects will investments be made? It is necessary to carefully sort out these issues. We hope that you will understand the situation in this way.

First question. We should consider how to earn the reputation of our shareholders for dividends, minimum dividends, and to increase stable shareholder numbers. To this end, you have pointed out that setting a minimum dividend is an important message. However, if we judge that setting a minimum dividend is effective in order to be evaluated well in the market and that it is a good measure, we may decide to implement it. Today, as far as we are concerned, our policy for returning profits to shareholders is concerned, by adhering to the dividend policy set at the beginning of the three years of the current medium-term management plan, we intend to increase the amount of dividends through growth, and we have not changed the intension.

Nevertheless, as I mentioned in the previous question, the form of better management, Sumitomo Corporation in the event of a large-scale impairment loss, and the current state of management a few years ago are naturally different and the expectations from our shareholders are naturally different. I believe that adhering to the plan set at the beginning of the fiscal year is not the only way of management the company. However, I would like to hold discussions at the executive or board level, including how to change it and what should be done to change it. Today, we do not intend to set a minimum dividend again at this point.

Q3 (additional): Although it is difficult to announce now, revenues has fluctuated more than you have seen, I was surprised by the fact that even the ordinary dividend part was moved this time, as we were concerned about whether this commemorative part could be achieved. The last time you gave the guidance down to 130 billion yen in net income, you set a minimum dividend and felt that you would protect a certain level of stable shareholder value. I would like you to take a little time considering this.

Hyodo: We will continue to conduct thorough and reasonable deliberations. In the case there was a one-off large loss lead to recent downward revision, but there were 340 billion yen in basic profit items, including cash flows, the case of current situation are still different. And I would like to think about this in a thorough manner.

Q4: The first question is regarding the operation of Ambatovy project. I have heard that about 40,000 tons will be produced in this year and I think it is expected to improve significantly from the results in the first half considering the fact that the result from 1st half was 18,000 tons. On the other hand, the operator Sherritt is lowering its figure and it seems that the operator and your company have slightly different view from each other. Please tell us about the reason for this difference and the reason for improvement in 2nd half.

The second question is regarding the revised forecast of whole company. I think that even after the revision, the hurdles are somewhat high. If this full-year plan is not achieved, is there a possibility that the dividend will be reduced further?

Hyodo: Regarding Ambatovy project's operation, we had originally anticipated that the production would reach around 44,000 tons, exceeding 40,000 tons at the beginning of the fiscal year. However, as a result of the sluggish operation performance, it is finally at the 40,000 tons level. Without the improvement in the operation, the output will not be produced and the result is that while the price level of nickel is rising in the market, we will not be able to fully realize the benefits of nickel price increase.

However, although I have also been on-site, the president and other members of the management team at the worksite are working to identify and implement specific actions to be taken on the worksite. The details in the actions were reviewed and its eligibility was confirmed by engineers appointed by senior lenders from whom we have already implemented refinancing and we are expecting that there will be positive output.

Yamane: Regarding Sherritt guidance, the Sherritt is consolidating its results in the month of December. We are taking up profits and losses from this Ambatovy, April to March, or making all figures. We think that Sherritt is including the figures from January to March of this year in which the operation was comparatively low, and we are including figures from January to March of next year in which the operation will improve considerably. I believe this is the reason for the difference.

Hyodo: Regarding your second question, I think it is necessary to make sound judgments based on the content of these matters. We decided to maintain dividends even in the event of large-scale impairment losses in the past. This was what management should make. I would like to avoid discussing the contents of this matter for now. However, this is not the case when for whatever reason, we cut dividends when business performance is poor.

The interim consolidated results proposal has been approved. Nevertheless, the Board of Directors has stated that one of the important responsibilities of management is to consider shareholder returns in a sound manner as a rule. This is a matter of course, but it's very important, so I would like to think about it thoroughly.

On the other hand, while we are managing our corporate management and the Sumitomo Corporation Group, this includes my personal thoughts, but in the course of our management based on Sumitomo's business philosophy for many years, “Benefit for self and others, private and public interests are one and the same.” Although this is not to be misunderstood, it is not to neglect shareholders, but it is to be shareholders, the communities in which we do business, the officers and employees who support the actual management. Among these many stakeholders, it is important to make a well-balanced allocation.

There is a concept that a company is a public entity of society and under such circumstances. I have no intention of justifying the reduction of the amount from 90 yen to 80 yen due to our recent downward revision on my own. Considering the recent market reactions, there are some areas that we should reflect on. We will continue to strive to make balanced decisions on a case-by-case basis, taking these issues seriously. I express my opinions on these matters at the Board of Directors meetings, and I receive opinions from a variety of perspectives from the outside directors.

Q5: I have two questions. Regarding the revisions by division, I would like to confirm the details of the downward revisions for Metal products Business Unit and Mineral Resources, Energy, Chemical & Electronics Business Unit. I think that the revisions for the metal products are slightly larger than those based solely on the market conditions for steel products. For example, what do you think about how revenue in the tubular products business is doing or how do you think about 18 billion yen of the revised margins in full-year forecast, for example, in terms of market conditions, volume, or steel or others?

The second question is regarding Ambatovy project. I think the nickel price is probably above the nickel price level that your company has estimated over the long term. Considering the fact that the operation is struggled, please let us now the current risk for impairment. If we exceed 50,000 tons, can we clear the break-even point?

Takahata: It is necessary to take about 50,000 tons of nickel into operation in a stable manner. If we set the unit price of cobalt, a by-product, at around 15 dollars, however it would be difficult to estimate since it the price fluctuates greatly, the nickel price when it becomes break-even is more than 8 dollars. This situation has not change.

As for the impairment, we conduct a test each time based on the results of a detailed examination of the future considering the operating conditions at the time. Though future prices should not be estimated only by ourselves, at the present time, we understand that if we can operate stably with the quantity as I mentioned earlier, there will be no sudden large-scale impairment so we are doing our best to stabilize our operations.

Regarding the metal products, as I mentioned at the time of the First Quarter, the business environment is tougher than it was at the beginning of this fiscal year. As for the tubular products in North America, we expected that the pipelines would increase from the second half and that demand would recover slightly. I have said that, unfortunately, there are no signs of this kind at present. About 40% of the profits of the Metal Products Division are the result of the profits of tubular products. Tubular products for non-US including Japanese exports show stable performance. Unfortunately, the budgets for capex have not return as the WTI had been under 50 dollars at the beginning of the year and has remained in the lower range of 50 dollars, while it was about 65 dollars last year. As the number of rig is still in the first half of the 800, the price of the tubular products is falling as a result, so it's difficult for the business to do so. I think there will be some movements from the beginning of the year as how much will each driller spend for next year. In our view, there is possibility that the recovery will be delayed a little further. I think it will be necessary to look at how much of the budget will be allocated at the beginning of the fiscal year.

Q6: I have two questions. Firstly, regarding Infrastructure Business Unit, this 1st half was a quite good number; however, the 2nd half is expected to drop. Please tell us about the background of this upward and downward movement and the revenue directions of the infrastructure business in the next fiscal year.

Secondly, regarding real estate business, in the 2nd half of the fiscal year, there will be some deliveries and so on, so it will likely move to robust performance. What is the level of real estate sales in the next fiscal year, which is likely to be seen from the viewpoint of delivery?

Takahata: Regarding real estate, there is a possibility that the market conditions in Japan will change a little while before the Olympics. What we are doing now is to purchase at reasonable prices. We are continuing to make purchases to a certain extent. Cash out in working capital means we are able to make purchases to a certain extent such as real estate for sale. However, it's not just residences or offices in Japan, but also logistics facilities in recent years and it's run in newspapers, so I've been making use of the funds of investors through REITs and we will acquire real estate for where there's an opportunity, so I think it's up to a certain level if it's ready to make the necessary preparations.

Regarding Infrastructure, as I mentioned earlier, construction work for large-scale power plants, mainly in Asian countries, has largely peaked in the 1st half of the fiscal year. The revenue from construction work will be posted on a percentage-of-completion basis. Therefore, when construction peaks out, the revenue of construction itself will decrease. Apart from this, there is a variety of infrastructure-related businesses. We don't do coal-fired project for new business, but we do gas-fired projects around the Middle East or offshore wind projects in Europe. I believe that we will get some return because we have been making these efforts in accumulating assets.

However, if all the EPCs currently ordered were to disappear and the revenue of other infrastructure-related businesses would not rise for a while, there may be cases where profits would fall. However, we are doing our utmost to increase the depth of our infrastructure portfolios ahead of time and we are working hard to create new seeds for broad-based infrastructure such as development of urban areas in Vietnam, which is not a power generating project. I believe that this will start up in few years' time and will contribute to our revenue.

Q7: I have two questions. Regarding cash flow plan, I think that others (cash in) at the beginning of the fiscal year in the medium-term plan became others (cash out) at the end of 1.5-year. This is the big difference from the projected cash flow plan. Why is it different? What new measures will be taken to make improvements in the next year and a half? I think this is a part that relates to the source of dividends.

Secondly, I would like to ask you what the actual value of dividends is. If net income for the next fiscal year is the same as this year, that is when net income is 300 billion yen and excluding one-off profit and loss is 277 billion yen, which DPS of 80 yen or 70 yen is close to the actual value? Except for one-off profit and loss of 277 billion yen, the dividend payout ratio is 32% even for DPS is 70 yen. I think it would be more natural for you to pay 70 yen per share personally.

Takahata: As for "asset replacements and others", when the plan was formulated, considering the past track record, cash inflows from asset replacements were estimated around 200 billion yen per year, 600 billion yen for the three-year period. Working capital fluctuates according to the business sentiment at that time, but it started with the notion that such large moves were not expected to occur throughout the three years.

As you can see in the first year, working capital increased by 120 billion yen. In the 1st half of the second year, it was 130 billion yen, so I would like to monitor the inventory turnover ratio for each product in order to avoid spending money lightly or to monitor the asset turnover ratio to avoid leaving money idle. In the case of businesses with some positions in commodities, we take positions during the period and decrease toward the end of the period. Therefore, I would like to carefully monitor those positions in each business line, so I would like to ensure that we will not be able to do anything else through this process.

The real value of dividends is that we want to generate steady profits of about 300 billion yen annually over the past three years, not just PL profits, but also solid cash flow. 30% of these profits, according to the calculation I mentioned earlier, it is about 80 yen per share, which we have been imagining. It excludes the portion that fluctuates due to large one-time valuation gains and losses, but includes the profits and losses from the sales and purchases of businesses in the fields of real estate business and infrastructure business which are categorized in the one-off profit and loss in our disclosed materials, though it is only the same as the on-going revenue in reality. We would like to focus on the 300-billion-yen mark and then looking further in the future and making various preparations to achieve this.

Q8: I have two questions. The first point is that, when we summarize the discussions on dividends so far, there are positive comments that you would like to think about various things in the future. However, if there were such a positive comment, you should not have reduced dividends in the first place and it sounds like we would eventually hear it in a semi-convincing manner as well. I would like to confirm a little bit about how we should accept it from now on. The basic principle is that dividends are linked to business performance and the current business environment is somewhat severe. I think that there are some talks about what will happen in the next fiscal year if the current situation continues. I would like to ask you to confirm once again that you are considering dividends linked to business performance in a more straightforward manner.

Secondly, I believe that the harsh business climate in consolidated results requires the proposal to shareholders on measures to rejuvenate efforts, such as cost-cutting measures and the ratio of selling, general and administrative expenses to gross profit. There is nothing new with the massages of the early revitalization of low-margin projects and large-scale projects that have raised the value of existing businesses. When the revenue climate and consolidated results figures were reported, what discussions held about how to raise corporate value to shareholders based on these self-help factors? This time, looking from outside, I can't get it, so please tell us what you think about it now.

Hyodo: First, regarding the linkage between performance and dividend, our dividend policy, has been taken as a different expression of the performance linkage in a sense that we will decide the dividend in close view of the content of performance.

Secondly, let me assume that we will cut shareholder dividends because we have an initial dividend policy without making self-help efforts or because our performance has been revised downward this time. This cannot be happened. We will do what we need to improve in revenue in the 2nd half of the year, not through anticipation of improvements in the external environment but with self-help efforts for greater profits. Among them, we intend to make steady efforts including cost reduction.

Q1 (additional): I believe there was a conversation that the balance sheet, cash flow, and stakeholders are balancing. However, if we look only at what has been announced this time, the profit will decrease and the dividend will also decrease. However, if we think that the investment and cash flow are based on 1.3 trillion yen as a basic line, it will seem that only shareholders are responsible among the most important stakeholders. Do you think it is necessary to teach us about the balance between stakeholders? In this sense, do you think that there is a need to strengthen the selection of investment and cash flow?

Hyodo: We have no policy of prioritizing investment with 1.3 trillion yen and reducing shareholder returns and at the expense of that, we will make the investments we want to make. I think cut back on investments may be necessary at some revenue levels while properly managing cash flows. At that time, we are prepared to firmly manage. While it is not our intention that the term "balance" as a whole can be understood as a deceptive one, we need to manage our efforts through our own growth in terms of returning profits to shareholders, achieving sustainable growth over the long term and returning profits to shareholders and other stakeholders. Therefore we are not considering a policy of prioritizing investment and I would like to ask for your understanding of this point.

Q1 (additional): If you lower the dividend this time, why not considering to reduce the size of the investments and loans? Once you make a profit by investing, you may increase the dividend, and increase the investment level again. Have you thought about actions on such adjustments other than lowering the dividend?

Hyodo: In fact, at the point when the current medium-term management plan is over, for example, we expect to invest 300 billion yen in new businesses for the next generation. That's for three years. Our investment up to this point is 70 billion yen. We have carefully selected some other cases, but after narrowing down the numbers, we have achieved this figure. I don't intend to say that this is a balanced decision. In terms of total cash flow management, the current cash inflow is 930 billion yen, and the actual investment amount is 500 billion yen at this mid-term point. We have narrowed down this figure while keeping an eye on the overall balance and we have come to this day. Although we have a plan for 1.3 trillion yen for investment, we have no intention in use up the remaining 800 billion yen. We are going to make a rational use of the overall cash in a way that is accountable.

[END]