

# Financial Results for Fiscal Year 2020

April 1, 2020 - March 31, 2021

(Presentation Materials with Script)

---

## 【Event Summary】

Date : December 1, 2020 15 : 00~16 : 00

Venue : Webcast

Speakers : Toru Kurono President and COO

Koichiro Sato Head of Sales Division, Director

Akitaka Tejima Head of Business Management Division,  
Director

Takaaki Mano General Manager

---

## 1. Overview of accounts period ending in March 2021, second quarter

## 2. Key topics

- Impact of COVID-19 outbreak
- Initiatives for GIGA School concept
- Initiatives for 5G (the next generation of telecommunication systems)

## 3. Forecast of consolidated results for the year

## 4. Mid-term management plan

## 5. Reference materials

This is the table of contents. I would like to explain the items one through four.

As item five is reference materials, please take a look at it later.

## 2nd quarter consolidated account highlights

2Q FY2020

- Business results for period ending in March 2021 show decreased income and profits in second quarter
- Despite a decrease in income due to COVID-19 and other factors, sales exceeded the figure in the plan made at the beginning of the period
- Sales have been strong in areas related to 5G and for projects related to the GIGA School concept
- An improvement of variable cost and a decrease in fixed costs for NITTO KOGYO Corp. alone resulted in an increase in sales in our telecommunications-related distribution business, which contributed to an increase in profits

(Unit: million yen)

Accounting period	2020/3	2021/3			
	2Q results	2Q plan	2Q results	YoY comparison	Vs. plan
Sales	64,887	59,700	63,443	-2.2%	+6.3%
Operating income	5,072	2,600	5,078	+0.1%	+95.3%
Ordinary income	4,852	2,500	5,219	+7.6%	+108.8%
Quarterly net profit reverting to parent company shareholders	3,124	1,300	3,255	+4.2%	+150.5%



4

Unauthorized reproduction of this document is strictly prohibited.

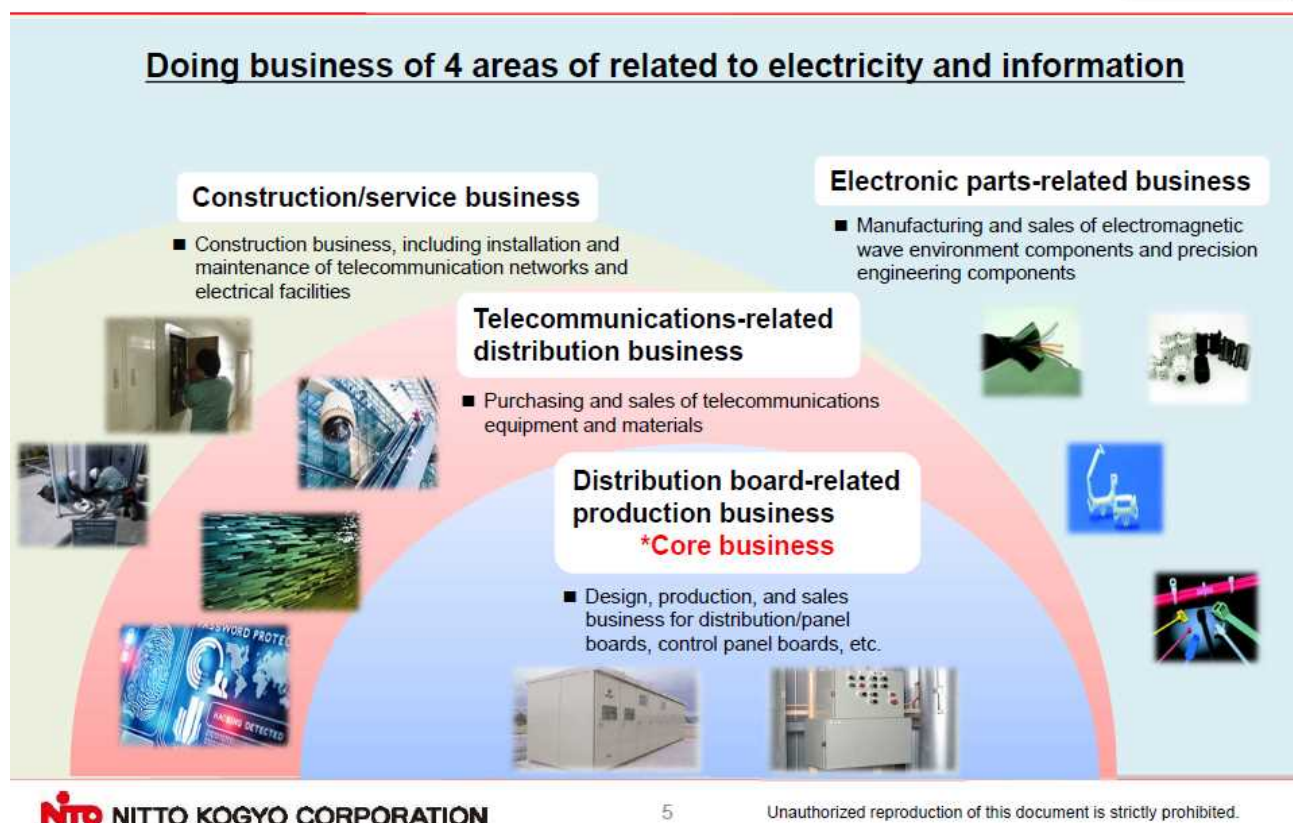
These are the highlights from the consolidated financial results for the second quarter of the fiscal year ending March 2021.

Sales were JPY63.4 billion, down 2.2% YoY. All profit items exceeded the year-earlier levels, resulting in the decrease in sales and increases in profits.

Sales declined due to the impact of the COVID-19 crisis and other factors but surpassed our initial forecast, due to favorable sales of products related to 5G and GIGA School projects.

Factors contributing to the increases in profits included an improvement in the variable cost rate and a decline in fixed costs at NITTO KOGYO CORPORATION on a non-consolidated basis, and higher sales in the Telecommunications Distribution Business, which performed well.

I will explain the details later.



The following is a brief introduction to the NITTO KOGYO Group's four business segments.

The Distribution Board-Related Production Business, shown in the blue frame at the bottom right, is the NITTO KOGYO Group's core business, which designs, manufactures, and sells distribution boards, control panel boards, and high-voltage power receiving equipment at NITTO KOGYO CORPORATION and approximately 20 consolidated subsidiaries. It manufactures and sells enclosures and breakers used in distribution boards.

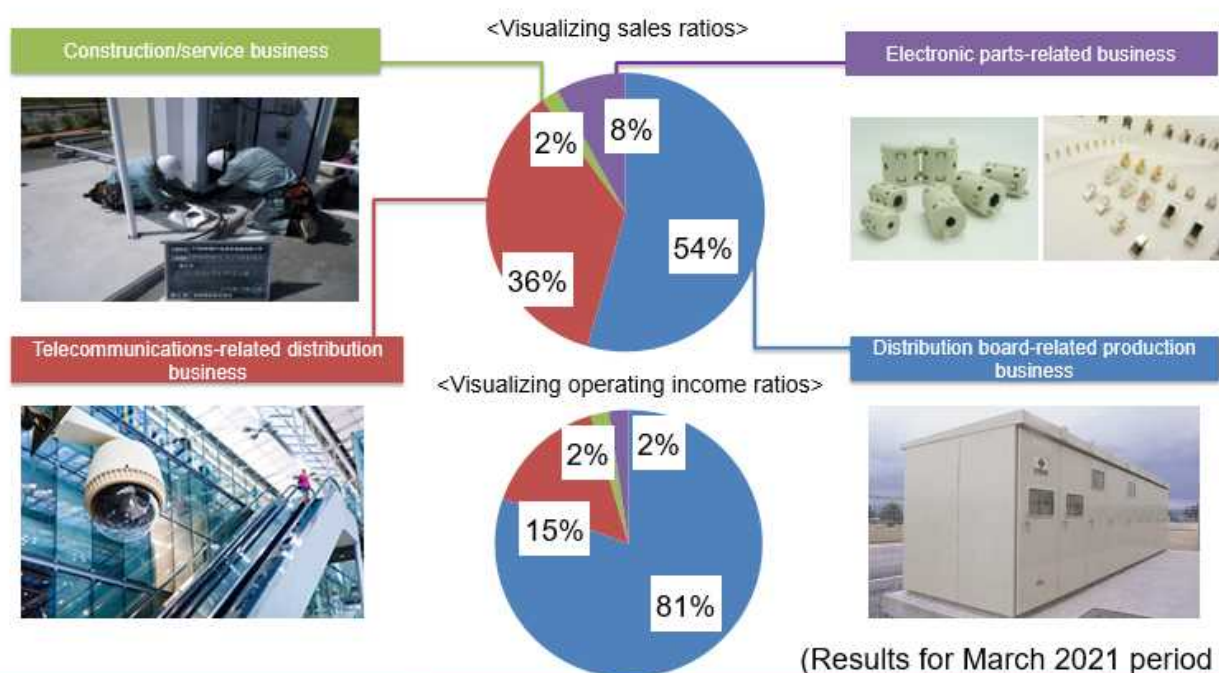
The Telecommunications-Related Distribution Business, shown in the red frame, is a peripheral business around the core business. SunTelephone Co., Ltd. and its subsidiaries purchase and sell telecommunications equipment, such as LAN cables and surveillance cameras, as well as related parts and materials.

The Construction/Service Business, shown at the upper left, involves installation and maintenance of ICT networks and electrical facilities. NANKAIDENSETSU CO., LTD. is in charge of the business.

The Electronic Parts-Related Business, shown at the upper right, is a highly specialized business that manufactures and sells electromagnetic wave environment components and precision components at Kitagawa Industries Co., Ltd. and its subsidiaries.

NITTO KOGYO Group has been growing by linking these four businesses related to electricity and information.

## Distribution board-related production accounts for about 50% of sales and 80% of profits



Sales and profit composition of the four business segments.

The Distribution Board-Related Production Business accounts for around 54% of consolidated sales and 81% of consolidated operating income.

The Telecommunications-Related Distribution Business accounts for around 36% of consolidated sales and about 15% of consolidated operating income. Though the income margin is low because it is a trading business, this is a segment with good prospects going forward.

The Construction/Service Business accounts for approximately 2% of both consolidated sales and operating income. The Electronic Parts-Related Business accounts for 8% of consolidated sales and 2% of consolidated operating income.

## 2nd quarter account highlights by segment

2Q FY2020

- Sales increased for some products in our distribution board-related production business due to investment in 5G-related equipment. However, overall income decreased due to COVID-19 and the loss of the previous period's sales for products related to school air conditioners. Despite this, profits increased due to better market prices and decreases in personnel costs and other expenses
- In our telecommunications-related distribution business, both income and profits increased due to strong sales in areas related to 5G, for projects related to the GIGA School concept and for teleworking products
- In our construction/service business, both income and profits increased due to sales of teleworking equipment and changes in office layouts to prevent the spread of COVID-19, along with a decrease in outsourcing expenses
- In our electronic parts-related business, sales increased for EMC products used in ventilators supplied to Europe. However, overall income and profits decreased due to lower sales in the domestic and overseas automotive markets, on overseas orders of industrial air conditioning units and for various products used for purposes such as OA devices.

	By segment	2020/3	2021/3 (Unit: million yen)			
		2Q results	2Q plan	2Q results	YoY comparison	Vs. plan
Sales	Distribution board-related production business	39,557	35,100	34,521	-12.7%	-1.6%
	Telecommunications-related distribution business	18,074	18,300	22,498	+24.5%	+22.9%
	Construction/service business	1,257	900	1,273	+1.2%	+41.4%
	Electronic parts-related business	5,997	5,400	5,150	-14.1%	-4.6%
	Total	64,887	59,700	63,443	-2.2%	+6.3%
Operating income	Distribution board-related production business	3,896	-	4,085	+4.8%	-
	Telecommunications-related distribution business	385	-	759	+97.0%	-
	Construction/service business	59	-	109	+84.1%	-
	Electronic parts-related business	723	-	122	-83.1%	-
	Total	5,072	2,600	5,078	+0.1%	+95.3%

**NITTO KOGYO CORPORATION**

7

Unauthorized reproduction of this document is strictly prohibited.

Consolidated results highlights by segment. I think you have already seen the figures, so I will only mention the main topics.

I will explain the Distribution Board-Related Production Business in detail later.

In the Telecommunications-Related Distribution Business, sales and profits increased due to strong sales of 5G-related and GIGA School projects, as well as telework-related products.

In the Construction/Service Business, sales and profits increased due to office-related demand for layout changes to prevent COVID-19 and telework-related demand. In addition, outsourcing expenses decreased.

In the Electronic Parts-Related Business, sales of EMC-related products for Europe-bound ventilators increased. However, sales and profits declined, due to falls in sales of products in the domestic and overseas automotive-related markets and those of products used in commercial air conditioners and office automation equipment.

**Distribution board-related production business (sales by division) for the second quarter**

2Q FY2020

- Income was lower than planned due to an overall decrease in sales caused by COVID-19, the loss of the previous period's sales for products related to school air conditioners and internal sales being canceled out to a greater degree than expected.
- Sales increased for some products in departments such as Distribution Boards and Enclosures, due to investment in 5G facilities.
- In our Breakers/Switch gears Department, sales increased for products such as breakers due to a higher order volume from Eletto (Thailand), an overseas subsidiary of ours.

By division Sales		2020/3	2021/3			(Unit: million yen)
		2Q results	2Q plan	2Q results	YoY comparison	Vs. plan
Distribution board-related production business	Distribution Boards	22,319	18,400	18,580	-16.7%	+1.0%
	Enclosures	11,420	11,200	10,397	-9.0%	-7.2%
	Breakers/Switch gears	2,520	2,400	2,674	+6.1%	+11.4%
	Parts/Other	3,297	3,100	2,869	-13.0%	-7.5%
Total		39,557 (1,974)	35,100	34,521 (3,666)	-12.7% (+85.7%)	-1.6%
Consolidated overall total		64,887	59,700	63,443	-2.2%	+6.3%
Consolidated sales composition ratio		61.0%	58.8%	54.4%	-6.6%	-4.4%

\*Parentheses refer to internal sales between segments

**NITTO NITTO KOGYO CORPORATION**

8

Unauthorized reproduction of this document is strictly prohibited.

Sales by division of the Distribution Board-Related Production Businesses, the Group's core business. I would like to report three topics.

Sales decreased, due to the impact of the COVID-19 crisis and the absence of special demand for air conditioners in school classrooms, which was active in the same quarter of the previous fiscal year.

In addition, internal sales eliminations were greater than anticipated, resulting in the sales amount falling below the forecast. The figure in parentheses in the "Total" row is the amount of internal transactions, which increased about JPY1.7 billion YoY.

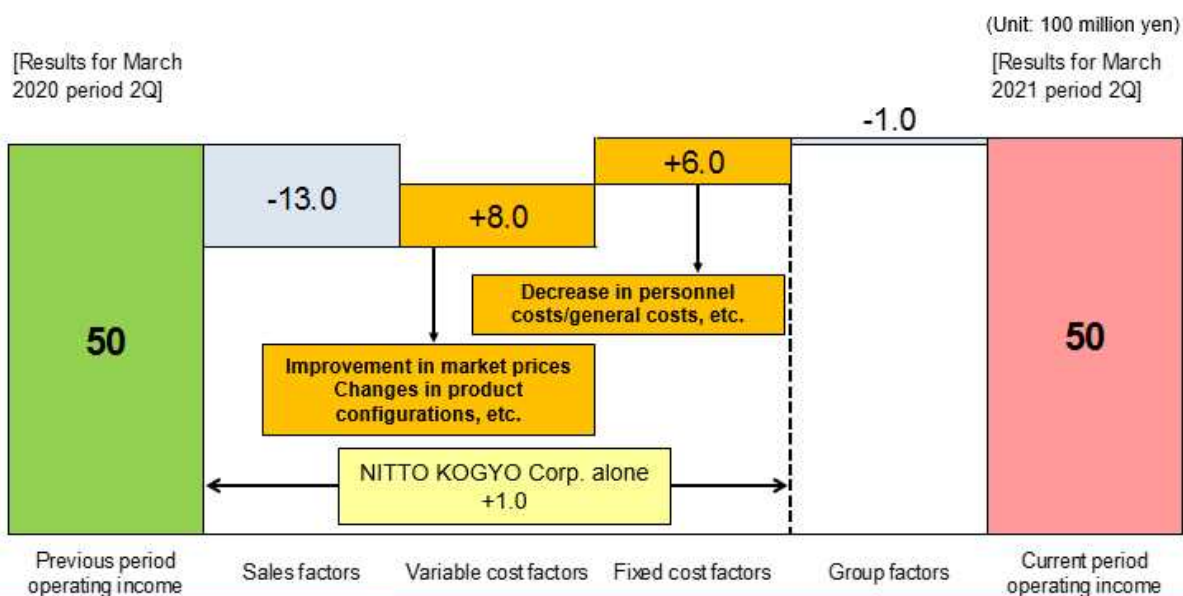
Sales of some products in the distribution board and enclosure divisions increased, due to facilities investment related to 5G.

Sales in the breakers and switch division also increased, as sales of breakers at overseas subsidiary, Eletto (Thailand) Co., Ltd., increased.

## Factors in changes in 2nd quarter consolidated operating income (YoY)

2Q FY2020

- In terms of factors for NITTO KOGYO Corp. alone, while marginal profit decreased due to lower sales, profits increased overall due to improvements in market prices (variable cost factors) and decreases in personnel costs and other expenses
- In terms of group-wide factors, while profits increased for some subsidiaries, such as SunTelephone Co., Ltd. and AICHI ELECTRIC WORKS CO. LTD., profits for the group as a whole decreased slightly due to the impact of COVID-19 on KITAGAWA INDUSTRIES CO., LTD. and other subsidiaries.



**NITTO KOGYO CORPORATION**

9

Unauthorized reproduction of this document is strictly prohibited.

Which shows factors in changes in consolidated operating income in comparison with the same period of the previous year.

Operating income remained unchanged YoY, at JPY5 billion. The yellow part, NITTO KOGYO CORPORATION's contribution on a non-consolidated basis, had a positive impact of JPY100 million.

Breaking this down, a decline in marginal profit due to the sales decrease had a negative impact of JPY1.3 billion. An improvement in market prices and an increase in sales of high-margin products had a positive effect of JPY800 million. Decreased personnel costs, including overtime work, and other expenses had a positive impact of JPY600 million.

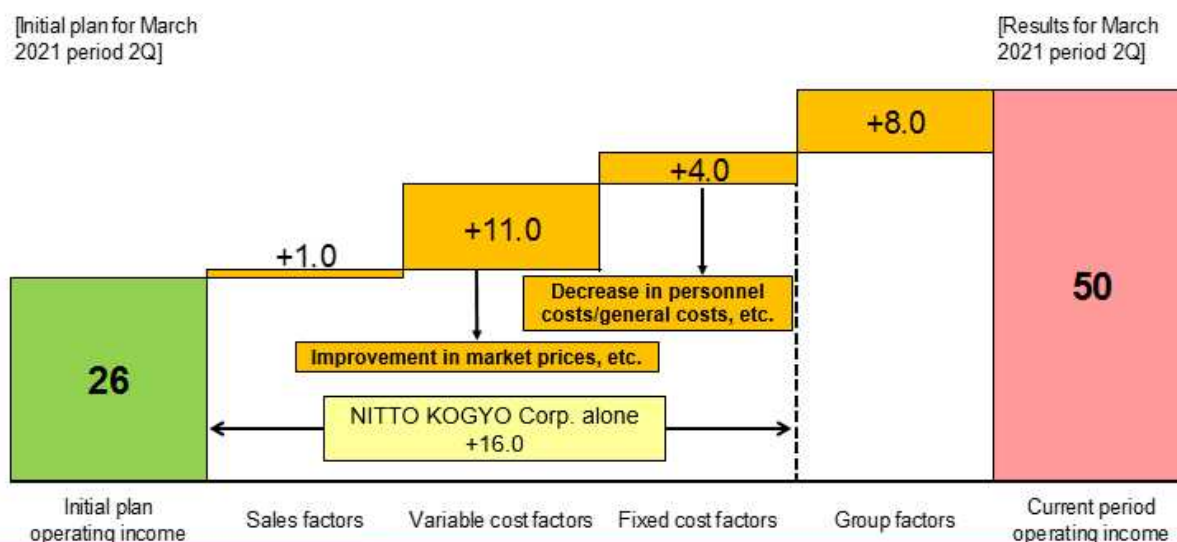
The Group accounted for a decrease of JPY100 million. Favorable telecommunications-related sales had a positive impact, but the Electronic Parts-Related Business and overseas operations saw falls in profits, due to declines in sales amid the COVID-19 crisis.

## Factors in changes in 2nd quarter consolidated operating income (compared to beginning-of-year plan)

2Q FY2020

- In terms of factors for NITTO KOGYO Corp. alone, while market prices were expected to fall due to COVID-19 (variable cost factors), they ended up remaining the same as at the end of the previous business year. This, along with factors such as personnel costs and other expenses decreasing to an unexpected degree, drove profits up.
- In terms of group-wide factors, profits were higher than planned due to increases in profits in subsidiaries such as SunTelephone Co., Ltd., NANKAIDENSETSU CO., LTD. and AICHI ELECTRIC WORKS CO., LTD.

(Unit: 100 million yen)



**NITTO KOGYO CORPORATION**

10

Unauthorized reproduction of this document is strictly prohibited.

This compares consolidated operating income to the initial forecast.

Against the initial forecast of JPY2.6 billion, the actual result of JPY5 billion was far higher. The yellow part, NITTO KOGYO CORPORATION's non-consolidated results, had a positive impact of JPY1.6 billion. Against our expectation of falls in market prices, due to the impact of the COVID-19 pandemic, the Company maintained sales at almost the same level as in the same period of the previous fiscal year and declines in [personal] costs and other expenses were larger than expected, boosting operating income.

The Group had a positive effect of JPY800 million. Higher earnings at SunTelephone, NANKAIDENSETSU, and Aichi Electric Works Co., Ltd. resulted in the positive impact exceeding the initial forecast.

## 2nd quarter Consolidated cash flow statement

2Q FY2020

(Unit: million yen)

2020/3 2Q	
Beginning balance of cash and cash equivalents	38,934
CF due to sales activities	5,929
CF due to investment activities	7,152
CF due to financial activities	-17,912
Effect of exchange rate changes on cash and cash equivalents	-138
Increase in cash and cash equivalents due to merger of non-consolidated subsidiaries	96
Ending balance of cash and cash equivalents for quarter	34,061

2021/3 2Q	
Beginning balance of cash and cash equivalents	29,620
CF due to sales activities	4,755
CF due to investment activities	-1,536
CF due to financial activities	-3,130
Effect of exchange rate changes on cash and cash equivalents	-95
Increase in cash and cash equivalents due to merger of non-consolidated subsidiaries	-
Ending balance of cash and cash equivalents for quarter	29,613

### <Main factors in 2020/3 2Q>

■ CF due to investment activities	
• Income due to refunds of fixed-term deposits	+5,204
• Selling and redemption of investment securities	+3,891
• Expenditure due to acquisition of fixed assets	-1,628
■ CF due to financial activities	
• Expenditure for designation of KITAGAWA INDUSTRIES CO., LTD. as a wholly owned subsidiary	-10,582
• Decrease in short-term loans payable	-6,656

### <Main factors in 2021/3 2Q>

■ CF due to investment activities	
• Income due to refunds of fixed-term deposits	+836
• Expenditure due to acquisition of fixed assets	-2,643
■ CF due to financial activities	
• Decrease in short-term loans payable	-1,687
• Payment of dividends	-1,415

**NITTO** NITTO KOGYO CORPORATION

11

Unauthorized reproduction of this document is strictly prohibited.

This is the consolidated cash flow statement.

The left-hand side is the second quarter of the fiscal year ended March 2020, and the right-hand side is the second quarter of the fiscal year ending March 2021.

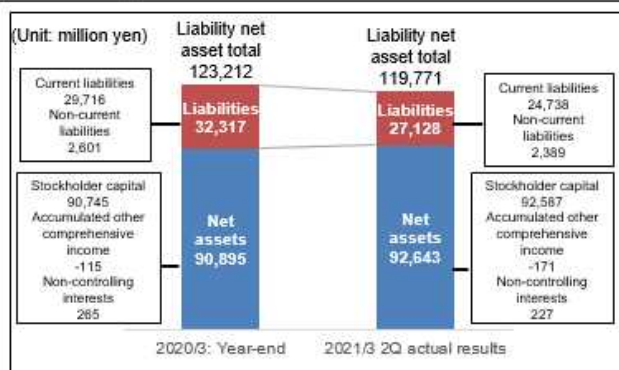
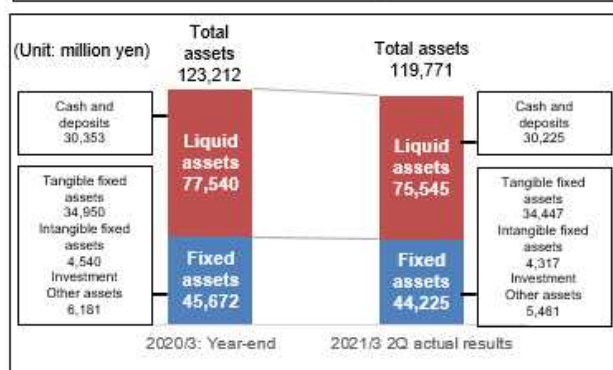
In the fiscal year ended March 31, 2020, cash flows from investing and financing activities moved significantly due to the consolidation of Kitagawa Industries Co., Ltd.

There was no major topic for the second quarter of the current fiscal year ending March 2021.

## Overview of consolidated finances for the second quarter

2Q FY2020

- While total assets decreased due to a decrease in notes receivable and accounts receivable, there was no major change



### <Main changes>

#### ■ Assets

- Decrease in notes receivable and accounts receivable -4,220
- Product increases +1,429

#### ■ Liabilities

- Short-term loans payable -1,691
- Decrease in unpaid income tax, etc. -1,289

#### ■ Net assets

- Quarterly net profits +3,255
- Dividends of surplus -1,418

This is a summary of the consolidated financial position.

Assets decreased, due to a decrease in notes and accounts receivable-trade, but there was no significant change. Liabilities saw no major change, either.

## 1. Overview of accounts period ending in March 2021, second quarter

## 2. Key topics

- Impact of COVID-19 outbreak
- Initiatives for GIGA School concept
- Initiatives for 5G (the next generation of telecommunication systems)

## 3. Forecast of consolidated results for the year

## 4. Mid-term management plan

## 5. Reference materials

# Impact of COVID-19 outbreak

2Q FY2020

**[Period ending in March 2021]**

Projection at beginning of period: Gradual recovery from economic stagnation from the 2nd quarter onward



**Revised projection: Economic stagnation is **set to continue in the third quarter and later****

Division	Anticipated impact on results	Degree of impact
Distribution board-related business Construction/service business	Negative factors: Decline in number of new private non-residential buildings, stalling of private facilities investment, delays in construction by general contractors, etc. With that said, past trends indicate that <b>the impacts of the decrease in demand are likely to be felt around half a year later.</b>	High
Telecommunications-related distribution business	Negative factors: Stagnation in markets such as data center and office relocation Positive factors: Increase in demand for telework	Low
Electronic parts-related business	Negative factors: Market stagnation for automotive, machine tools and office machines, etc.	Medium

The first is the impact of COVID-19.

The NITTO KOGYO Group initially assumed that the stagnant economic activities would gradually recover from the second quarter onward. However, due to the recent situation, we changed to a harsher view that the stagnation of economic activities will remain unchanged from the third quarter onward.

We forecast a significant impact on the Distribution Board-Related Production Business and the Construction/Service Business, due to a decline in the number of private-sector, non-residential buildings, the worsening of private-sector facilities investment, and delays in construction work at general contractors. However, the ripple effect on our industry is somewhat delayed, so we assume that the uncertainty will increase in the future.

In the Telecommunications-Related Distribution Business, despite the stagnation of data centers and other operations, we believe that there were some positive factors, such as a rise in telework demand.

In the Electronic Parts-Related Business, the automobile-related market is on a recovery trend, but we believe that the machine tool and office automation equipment markets will remain stagnant.

# Initiatives for GIGA School concept

2Q FY2020

**We are working to expand our sales of products related to the GIGA School concept, with the aim of achieving around 10 billion yen in sales**

- From a study by the Ministry of Education, Culture, Sports, Science and Technology in March 2020\*
  - Schools: Around 33,000
  - Classrooms: Around 380,000 (elementary and junior high schools)

\*Results of study on informatization of education in schools in 2019

**Sales are expected to peak in the second half of the fiscal year ending March 2021**

Segment	Scale of target market	Sales target
Distribution board-related production business	Approx. 90 billion yen (projection by NITTO KOGYO Corp.)	10 billion yen
Telecommunications-related distribution business		

Examples of NITTO KOGYO products used for GIGA School concept

Equipment storage enclosures	Tablet storage enclosures	Others
		<ul style="list-style-type: none"> <li>• LAN cables</li> <li>• Network equipment etc.</li> </ul>

Reference: The GIGA School concept: An initiative to build an ICT environment in education where learning is tailored to each child and fosters creativity. Each child has their own tablet, which is connected to a high-speed, high-capacity network.

**NITTO NITTO KOGYO CORPORATION**

15

Unauthorized reproduction of this document is strictly prohibited.

This is an initiative for GIGA School projects.


The NITTO KOGYO Group assumes that the market size of GIGA School projects will be around JPY90 billion. Our goal is to win sales worth around JPY10 billion for equipment to store hubs, enclosures, tablet storage cabinets, LAN cables, and soon.

We are actively carrying out sales activities to expand sales of the products needed to set up 5G networks

Examples of NITTO KOGYO products used for mobile phone base stations, etc.


**<General>**  
LAN cables, network equipment, etc.

**Outdoor base stations**



Distribution boards, panel boards, enclosures, etc.

**Indoor facilities (buildings, etc.)**




System racks  
Distribution boards  
and panel boards  
Optical junction  
boxes, etc.

**Sales target for period ending in  
March 2021**

**Approx. 5 billion yen**

**Sales for this period are  
expected to peak in 2-3Q**

**Indoor facilities (data centers)**



System racks, etc.

Which shows our initiative for 5G.

Among 5G-related products in the Group, distribution/panel boards and enclosures are adopted for outdoor base stations and system racks and optical junction boxes are used for inside the buildings and data centers.

The sales target for the current fiscal year ending March 2021 is around JPY5 billion. In the current fiscal year, 5G-related sales peaked in the second and third quarters, but we expect that sales will continue in the next fiscal year and later.

# Forecast of consolidated results for the year

2Q FY2020

- Calculations presume that the economic stagnation caused by COVID-19 will continue in the third quarter and later
- A decrease in consolidated income and profits is expected for this fiscal year, but the projected figures are higher than those expected at the beginning of the period.
- Another factor in this decrease is that last year's figures reflect special demand for school HVAC

Accounting period	2020/3		2021/3 (Unit: million yen)					
	2Q results	Results for the year	2Q results	YoY comparison	Plan for the year (Before revision)	Plan for the year (After revision)	YoY comparison	Vs. Plan before revision
Sales	64,887	139,421	63,443	-2.2%	129,000	132,000	-5.3%	+2.3%
Operating income	5,072	12,402	5,078	+0.1%	7,700	9,600	-22.6%	+24.7%
Ordinary income	4,852	12,038	5,219	+7.6%	7,500	9,700	-19.4%	+29.3%
Yearly net profit reverting to parent company shareholders	3,124	8,048	3,255	+4.2%	4,700	6,200	-23.0%	+31.9%

This shows the full-year forecasts for consolidated results.

I repeat that the forecasts for consolidated results for the fiscal year ending March 2021 are based on the assumption that the impact of COVID-19 will remain flat from the third quarter onwards.

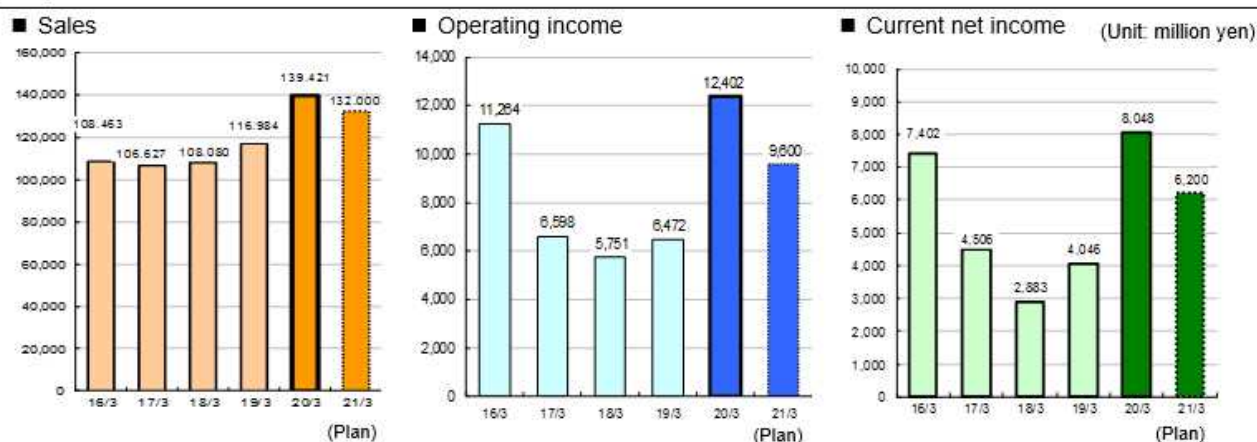
The revised forecast for full-year consolidated sales is JPY132 billion, down 5.3% YoY. The new forecast for operating income is JPY9.6 billion, down 22.6% YoY, that for ordinary income is JPY9.7 billion, down 19.4% YoY, and that for net income is JPY6.2 billion, down 23% YoY, resulting in decreases in both sales and profits.

However, all items have been revised upward from the plans at the beginning of the fiscal year. A negative factor is the absence of sales of air conditioners at schools, which we reported as a special demand project in the previous fiscal year.

# Consolidated management results over past 5 years

2Q FY2020

- Figures planned at the beginning of the fiscal year ending March 2021 have been adjusted upward
- A decrease in income and profits is expected in the period ending March 2021 due to the COVID-19 pandemic.



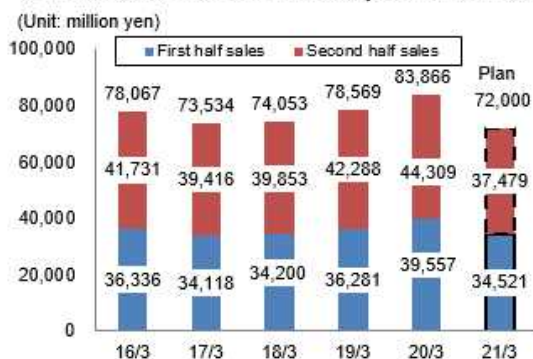
	16/3	17/3	18/3	19/3	20/3	21/3 (Plan)
Sales	108,463	106,627	108,080	116,984	139,421	132,000
Operating income	11,264	6,598	5,751	6,472	12,402	9,600
Current net income	7,402	4,506	2,883	4,046	8,048	6,200

For consolidated performances in the past five years.

In the year ended March 2020, sales and current net income posted record highs. For the current year ending March 2021, we revised upward the initial forecasts, but we expect to see YoY decreases in sales and profits.

If we achieve the revised forecasts for the current year, sales will be the second biggest amount and net income will be the fifth biggest one.

## ◆ Distribution board-related production business [Yearly forecast] Sales 72 billion yen (YoY -14.1%)



## [Forecast for the year]

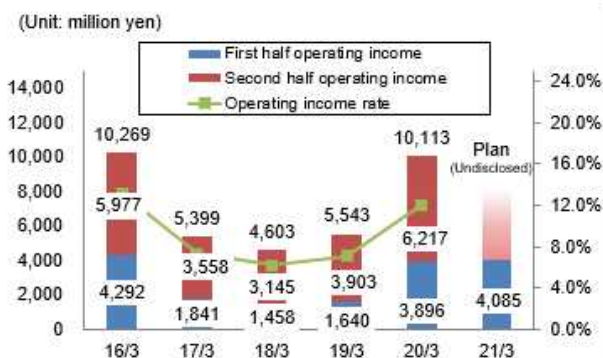
• A decrease in income is expected due to the stagnation of economic activities caused by measures to prevent the spread of COVID-19, as well as the fact that last year's results reflect special demand for school HVAC.

## [Approaches]

• Ideas for new products for the GIGA School concept and 5G market  
 • Sales activities and reduction of production costs with a focus on the profitability of Gathergates; construction of plant for NITTO KOGYO BM (THAILAND) CO., LTD.

## [Main group companies: Yearly forecast]

	Company name	Sales (YoY)	Operating income	Degree of influence on group profits
Japan	NITTO KOGYO Corp.	☔	☁	Large
	AICHI ELECTRIC WORKS CO., LTD.	☔	☁	Small
	Taiyo Electric Mfg. Co., Ltd.	☔	☔	Small
	ECAD Solutions Co., Ltd.	☔	☔	Small
Overseas	NITTO KOGYO (CHINA) CORPORATION	☁	☁	Small
	Gathergates Group Pte Ltd	☔	☔	Small
	NITTO KOGYO BM (THAILAND) CO., LTD.	☔	☔	Small



Which shows the forecasts by segment.

For the Distribution Board-Related Production Business, we expect full-year sales at JPY72 billion, down 14.1% YoY. The main reasons for the decrease in sales are the economic stagnation caused by COVID-19 and the absence of the special demand in the previous fiscal year.

In terms of specific initiatives, we will strengthen sales by offering solutions to those related to GIGA School projects and 5G. In addition, we intend to help Gathergates Group Pte Ltd strengthen sales activities and cost-cutting efforts, with emphasis on profitability.

NITTO KOGYO BM (Thailand) is constructing a plant. With this in mind, we aim to reduce costs and improve sales.

## ◆ Telecommunications-related distribution business [Yearly forecast] Sales 47.4 billion yen (YoY +16.3%)

(Unit: million yen)



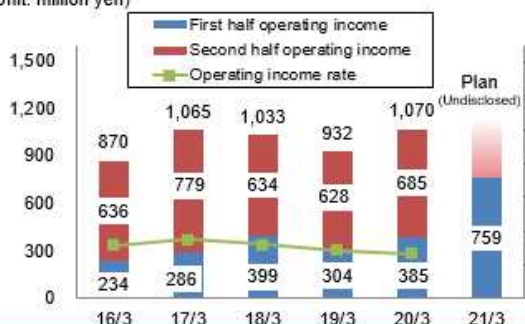
## [Forecast for the year]

- Sales are expected to increase due to higher sales related to 5G and the GIGA School concept as well as for teleworking products
- The acquisition of SOECO in Vietnam as a subsidiary will also contribute to higher income

## [Approaches]

- Work to gain orders related to GIGA School concept
- Work to obtain orders in 5G-related markets

(Unit: million yen)



## [Main group companies: Yearly forecast]

	Company name	Sales (YoY)	Operating income	Degree of influence on group profits
Japan	SunTelephone Co., Ltd.			<b>Medium</b>
Overseas	SOECO	-	-	<b>Small</b>

\*This segment is SunTelephone Co., Ltd. and its subsidiaries only

\*SunTelephone Co., Ltd. acquired SOECO as a subsidiary in the period ending March 2020

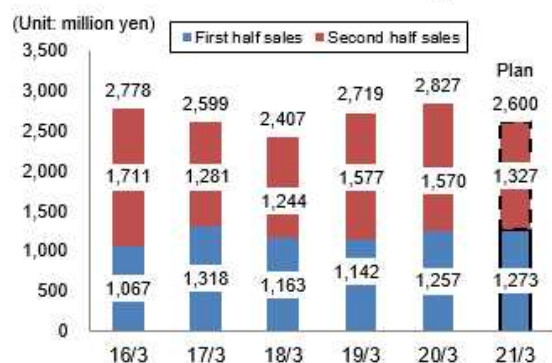
(profit/loss consolidation is effective from the period ending March 2021)

For the Telecommunications-Related Distribution Business, we forecast full-year sales at JPY47.4 billion, up 16.3% YoY.

We anticipate increases in sales related to 5G and GIGA School projects, as well as a rise in sales of telework-related products. In addition, Vietnamese-based SOECO, which became a subsidiary last year, will also contribute to the increase in sales.

We will focus on acquiring orders related to GIGA School projects, telework, and 5G markets.

## ◆ Construction/service business [Yearly forecast] Sales 2.6 billion yen (YoY -8.0%)

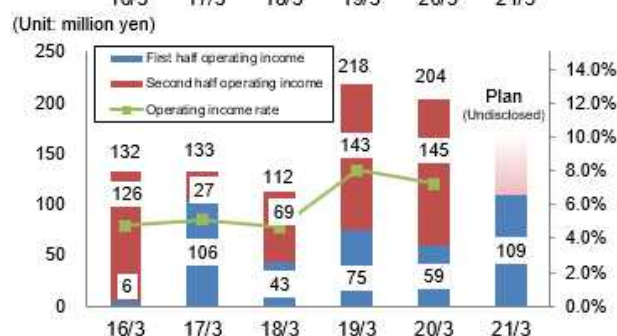


## [Forecast for the year]

While demand for office products is expected to continue as companies make layout changes as a measure against COVID-19, income is expected to decrease due to postponement of Olympics and Paralympics, delays in construction, etc.

## [Approaches]

- Reinforce cooperation with NITTO KOGYO Corp. and focus on creating further synergy
- Initiatives for GIGA School concept, promotion and expansion of disaster prevention equipment maintenance business



## [Main group companies: Yearly forecast]

	Company name	Sales (YoY)	Operating income	Degree of influence on group profits
Japan	NANKAIDENSETSU CO., LTD.			Small

\*This segment is NANKAIDENSETSU CO., LTD. only

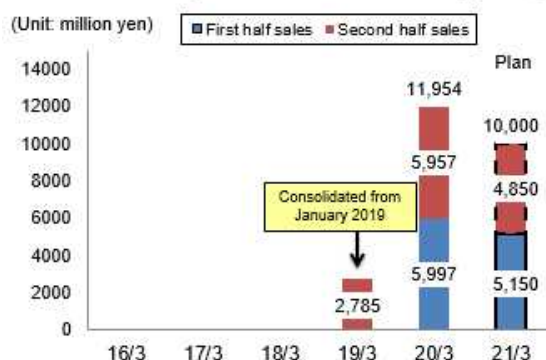
For the Construction/Service Business, we forecast full-year sales at JPY2.6 billion, down 8% YoY.

We expect that demand for layout changes to combat COVID-19 and office-related products will grow but overall sales will decline, due to delays in construction, due to the postponement of the Olympic and Paralympic Games.

In terms of initiatives, we intend to strengthen collaboration with Group companies and focus on generating synergy effects.

In addition, we will aim to increase sales by strengthening GIGA School project-related activities and the Maintenance Business for disaster prevention-related equipment and others.

◆ Electronic parts-related business [Yearly forecast] Sales 10.0 billion yen (YoY -16.3%)

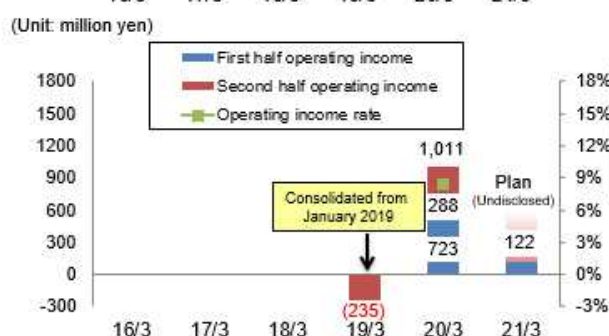


[Forecast for the year]

- A decrease in income is expected due to decreases in sales in the automotive market and previously high-selling industrial air conditioners.

[Approaches]

- Propose solution products based around electromagnetic wave countermeasure products for the environmental vehicle market (EVs, HVs, PHEVs, etc.)
- Expand business (communication base stations, WiFi products) in 5G-related markets



[Main group companies: Yearly forecast]

	Company name	Sales (YoY)	Operating income	Degree of influence on group profits
Japan	KITAGAWA INDUSTRIES CO., LTD.			<b>Medium</b>

\*This segment is KITAGAWA INDUSTRIES CO., LTD. and its subsidiaries only

For the Electronic Parts-Related Business, we forecast full-year sales at JPY10 billion, down 16.3% YoY.

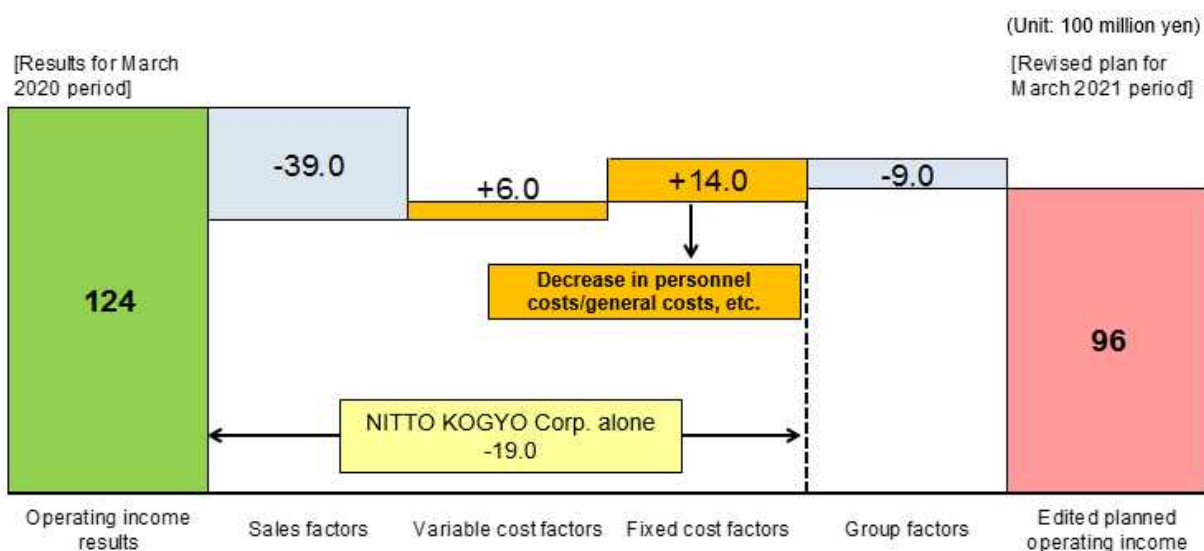
The automobile-related market is on a recovery trend, but we forecast a decrease in sales, together with the markets for commercial air conditioners and other products.

In terms of initiatives, we intend to propose solutions centered on components for electromagnetic compatibility in the environmental vehicles market, including EVs, HVs, and PHEVs, and expand our 5G Business.

## Factors in changes in yearly consolidated operating income (forecast for this year, YoY)

2Q FY2020

- Consolidated operating income for period ending in March 2021 forecast to decrease 22.6% YoY to 9.6 billion yen
- Overall, the impact of COVID-19 is expected to reduce sales, resulting in lower profits.
- NITTO KOGYO Corp. alone is expecting to increase profits by reducing fixed costs through measures such as changing its product configuration (variable cost factors), reducing overtime and limiting attendance at events such as trade fairs.



Which shows factors contributing to changes in full-year consolidated operating income in comparison with the year-earlier result.

We forecast that consolidated operating income for the year ending March 2021 will decline 22.6% YoY to JPY9.6 billion. The decline in sales due to the impact of COVID-19 will push down operating income.

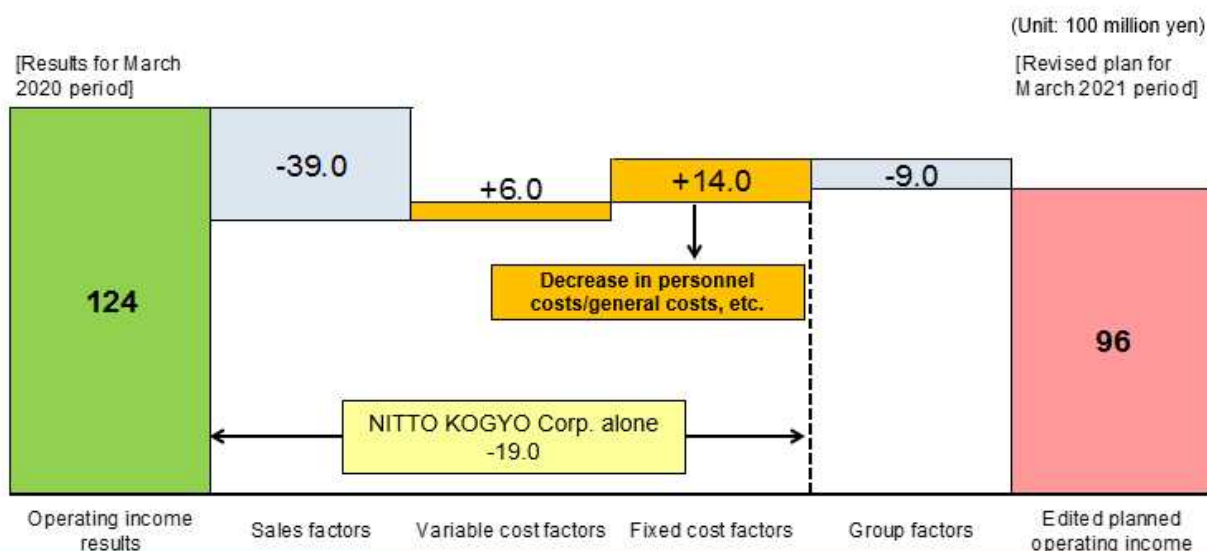
We expect a YoY decline of around JPY1.9 billion for NITTO KOGYO CORPORATION on a non-consolidated basis, which is shown in yellow. Breaking it down, a decrease in sales will have a negative impact of JPY3.9 billion, a change in the product mix, which is a factor in variable costs, will have a positive effect of JPY600 million. We also expect a positive impact of JPY1.4 billion, due to a decrease in fixed costs resulting from factors like a reduction in overtime hours and the self-restraint on participating in exhibitions.

The Group as a whole will have a negative impact of JPY900 million, due to a decline in sales affected by COVID-19.

## Factors in changes in yearly consolidated operating income (forecast for this year, YoY)

2Q FY2020

- Consolidated operating income for period ending in March 2021 forecast to decrease 22.6% YoY to 9.6 billion yen
- Overall, the impact of COVID-19 is expected to reduce sales, resulting in lower profits.
- NITTO KOGYO Corp. alone is expecting to increase profits by reducing fixed costs through measures such as changing its product configuration (variable cost factors), reducing overtime and limiting attendance at events such as trade fairs.



This compares the revised forecast for full-year consolidated operating income with the initial forecast.

Consolidated operating income for the year ending March 2021 was revised upward to JPY9.6 billion, an increase of 24.7% from the initial plan.

On a non-consolidated basis, we forecast NITTO KOGYO CORPORATION's operating income will be JPY1.5 billion above the initial forecast, due to maintaining levels at the end of the previous fiscal year to a certain extent and a positive contribution from changes in the product mix, though we assume that market prices will decline.

The Group's contribution to operating income will be around JPY400 million above the initial forecast. A rise in profits mainly in the Telecommunications-Related Distribution Business will boost the overall income amount.

## Factor trends in changes in yearly consolidated operating income

2Q FY2020

### <NITTO KOGYO Corp. alone>

- Sales factors: While sales were increasing continuously, they are expected to decrease in the fiscal year ending March 2021 due to COVID-19
- Variable cost factors: Market price variance: A slight improvement is expected in the period ending in March 2021
- Fixed costs: Expenses: Expected to decrease temporarily due to more limited attendance at events such as trade fairs and private showings  
Personnel costs: Expected to decrease temporarily due to cutting of overtime in response to lower sales

### <Group factors>

- Both positives and negatives are expected in the fiscal year ending March 2021, but overall profits for the group are expected to decrease due to the lower sales caused by COVID-19

(Unit: 100 million yen)

↑ : Increasing factors   ↓ : Decreasing factors			2019/3 results	2020/3 results	2021/3 Plan
Operating income			64	124	96
YoY changed amounts			+7	+60	-28
Change factors	NITTO KOGYO Corp. alone	Sales factors	↑	↑	↓
		Variable cost factors	↑	↑	↑
		Fixed cost factors	↓	↓	↑
	Group factors		↓	↑	↓

Which shows the trends of factors behind the changes in full-year consolidated operating income.

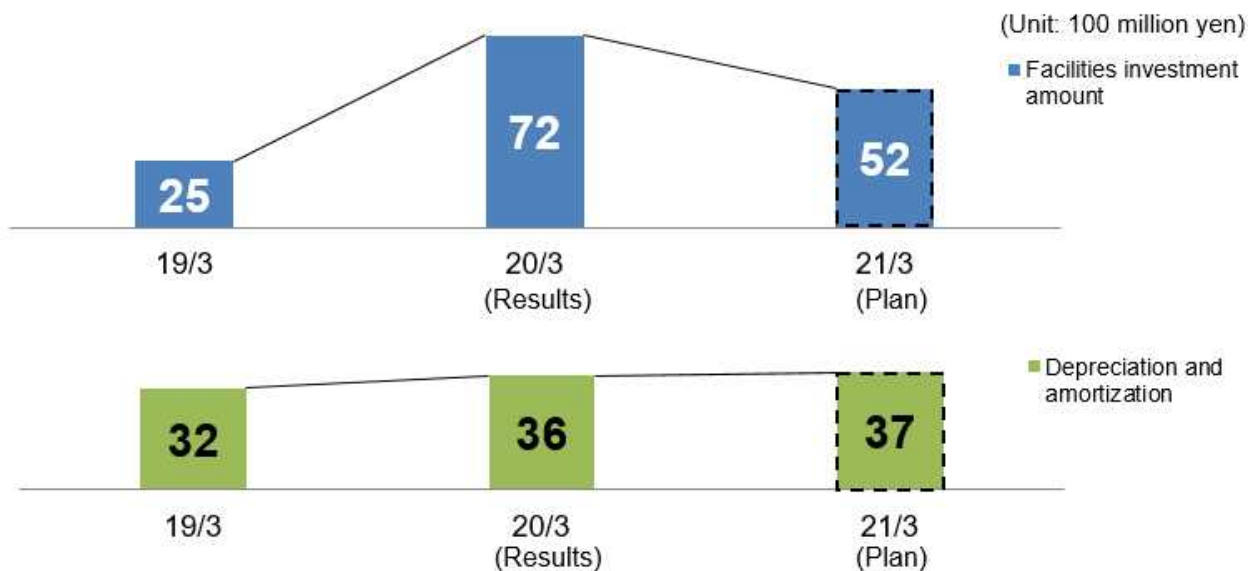
The trends are shown by the arrows in the table for the fiscal year ending March 2021. We foresee declines in sales at NITTO KOGYO CORPORATION on a non-consolidated basis, as well as Group companies.

Factors boosting operating income include improved market prices and declines in fixed costs, general expenses, and personnel costs.

## Facilities investment amounts and depreciation and amortization

2Q FY2020

- Facilities investment increased in the period ending in March 2020 for reasons such as the acquisition of a site for NITTO KOGYO Corp.'s new plant
- For the period ending in March 2021, facilities investment amount was planned at 5.2 billion yen and depreciation and amortization at 3.7 billion yen



\*Rounded at 10 million yen

For facilities investment and depreciation and amortization.

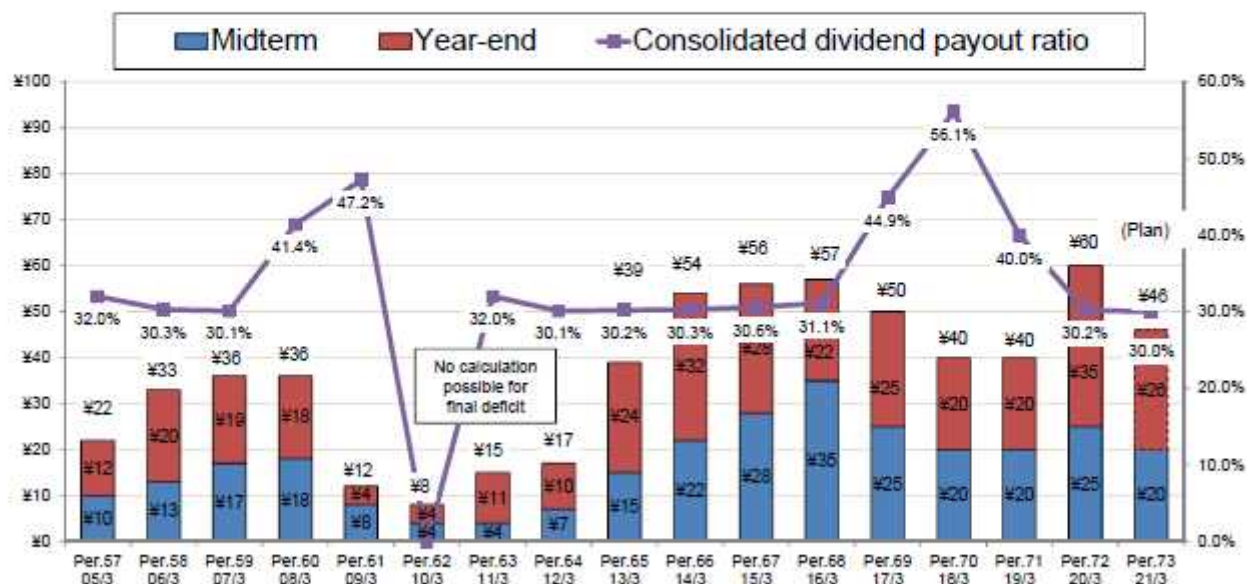
In the fiscal year ended March 2020, the value of facilities investment increased, mainly due to the acquisition of new plant sites for NITTO KOGYO CORPORATION, totaling JPY7.2 billion.

For the current year ending March 2021, we plan facilities investment for a total of JPY5.2 billion and depreciation and amortization for JPY3.7 billion.

# Dividend status

2Q FY2020

- Interim dividends are 20 yen
- Projected dividends for the year have been increased from 40 yen to 46 yen
- The dividend forecast has also been increased due to upward revision of business projections



**NITTO KOGYO CORPORATION**

28

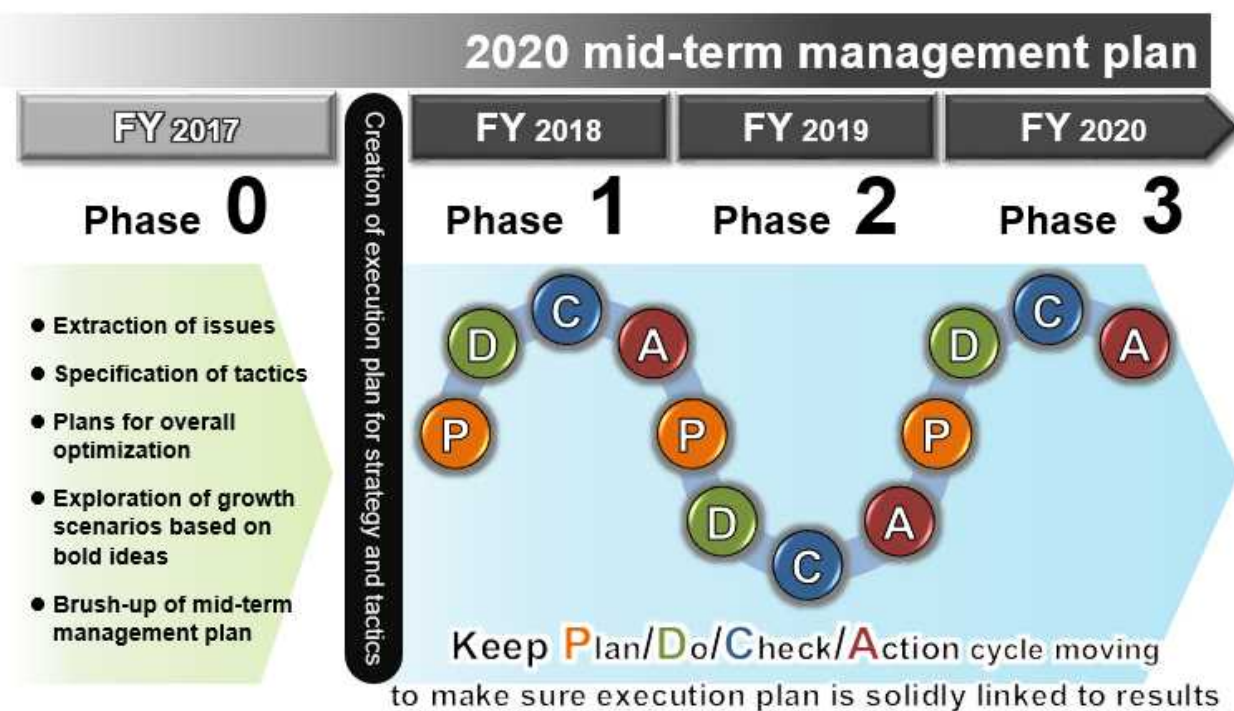
Unauthorized reproduction of this document is strictly prohibited.

For the status of dividends.

In order to maintain stable dividends to our shareholders, NITTO KOGYO CORPORATION's dividend policy is based on a dividend payout ratio 30% and takes into account factors like DOE.

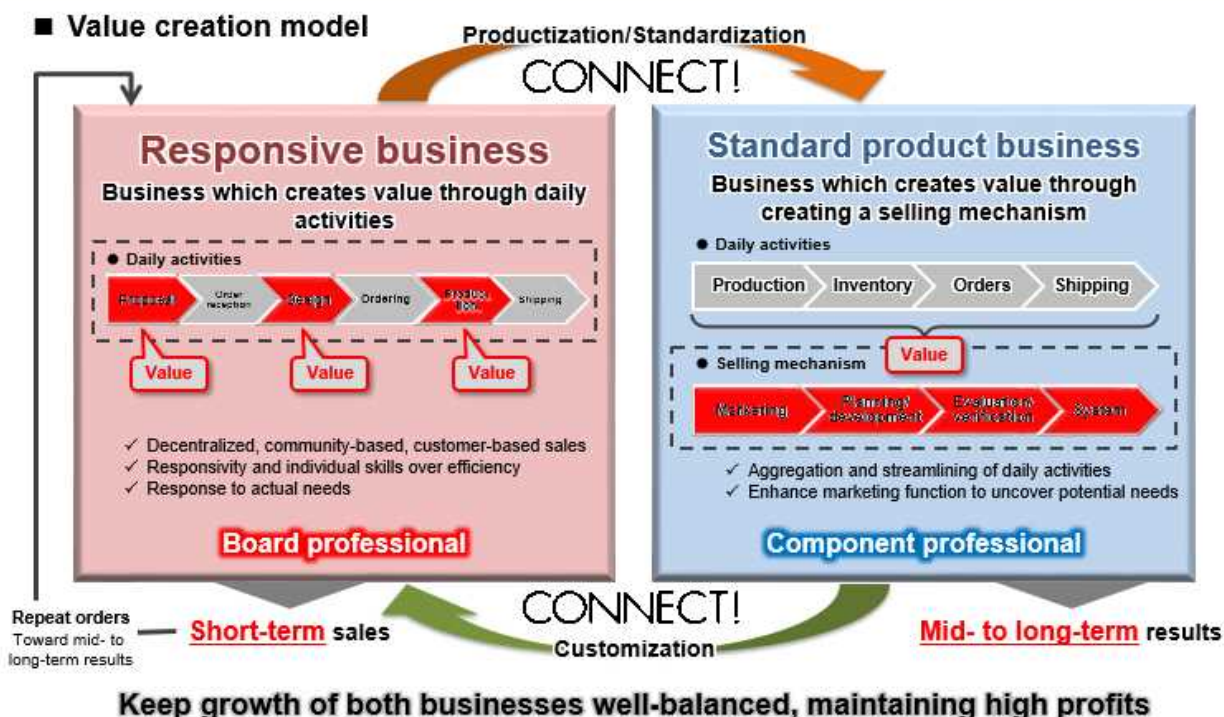
We paid full-year dividend of JPY60 per share for the fiscal year ended March 31, 2020, with a dividend payout ratio of 30.2%, marking the first increase in the amount in four fiscal years.

For the fiscal year ending March 2021, we have decided to pay interim dividend of JPY20 per share and revised up the full-year dividend forecast from JPY40 to JPY46, due to the upward revision to the earnings forecasts.



We describe the 2020 medium-term management plan.

The medium-term management plan is a four-year plan in which the current fiscal year ending March 2021 is the final year, or Phase Three.



The NITTO KOGYO Group's Value Creation Model aims to maintain high profits by achieving well-balanced growth in Responsive and Standard Product Businesses.

Let me elaborate a little. The Responsive Business, on the left side, takes a lot of time designing and producing each product based on the need of customers. However, by taking orders, we can learn about changes and trends in the specifications required by customers, as well as the repeatability of customers.

By standardizing out of the information gained from that Responsive Business, we develop standardized products that improve convenience and profitability, shown on the right side. The cost of the standardized products can be reduced by mass production.

In addition, sales of standard products can be expanded through catalogs and other sales channels, as well as a robust sales network, and the cost of responsive products can be reduced by incorporating standard products into the Responsive Business.

Continuing to operate this loop is our strength and the source of our growth.

	Strategic topics	Vision
Business strategy	1. Pursuit of core business competitiveness (enhanced technical and product proposal capacity)	
	I Responsive business [Board professional]	Ultra-upgrade board-related business responsivity, aiming to be a reliable ideal partner
	II Standard product business [Component professional]	Become a company which provides joy to industrial infrastructure companies
	2. Globalization (establishment of distribution board business in Southeast Asia)	
Enhanced foundation	III Overseas business	Become a company which provides joy to industrial infrastructure companies active overseas
	3. Development of new businesses (fusion with new technologies/companies)	
	IV New businesses	Work boldly toward creation of new businesses, without fearing failure
	4. Enhanced production system/operation foundation	
	V Enhanced production system	Aiming for quality/cost/speed that will bring joy to our customers, take on improvement and reform
	VI Enhanced management and operation foundation	Establish a management and operation foundation that supports the NITTO KOGYO Corp. Group's business strategy

This is the strategic agenda for the 2020 medium-term management plan.

It is broadly divided into business strategy and enhanced foundation, with four strategic themes for business strategy and two themes for enhanced foundation.

First, in pursuit of competitiveness in core businesses, we will continue to rotate the loop of the Responsive Business and the Standard Product Business, as I mentioned earlier.

Regarding globalization, we are transplanting our Distribution Board Business and sales systems, which have been highly appreciated in Japan and are the NITTO KOGYO Group's strengths, to Southeast Asia and other markets. In this way, we aim to increase our corporate value and ensure that overseas infrastructure-related companies are satisfied with our quality, delivery times, and prices.

We are also taking on the challenge of creating New Businesses. Although the current situation makes it difficult for new demand to be created, we will also attempt to develop New Businesses adapting to emerging technologies, such as AI, IoT, and 5G.

In our efforts to strengthen the production system and business management foundation, we aim to contribute to profits by enhancing the efficiency of the Group as a whole through establishing a culture that naturally does what is expected of manufacturers and trading companies.

## 2020 mid-term management plan Business targets

2Q FY2020

(Unit: 100 million yen)

	FY 2016 Results (When making plan)	FY 2019 Results	FY 2020 Plan	FY 2020 Target (When making plan)
<b>Consolidated sales</b>	<b>1,066</b>	<b>1,394</b>	<b>1,320</b>	<b>1,250</b>
(Included individual sales)	674	796	715	750
Responsive business	465.5	551.5	485.0	470.0
Standard product business	207.0	243.2	227.0	240.0
New businesses	1.5	1.3	3.0	40.0
(Included telecommunications-related distribution business)	(305)	(407)	(474)	(350)
(Included overseas business)	(40)	(94)	(96)	(70)
<b>Consolidated operating income</b>	<b>65</b>	<b>124</b>	<b>96</b>	<b>100</b>
(Included individual operating income)	50	94	75	75

- Initial targets for mid-term management plan were achieved in FY 2019 (excluding new businesses).
- Figures planned for the 2020 financial year were adjusted upward on October 26, 2020
- The plan for the 2020 financial year presumes that economic stagnation will continue in the third quarter and later

Shows the 2020 medium-term management plan's business targets.

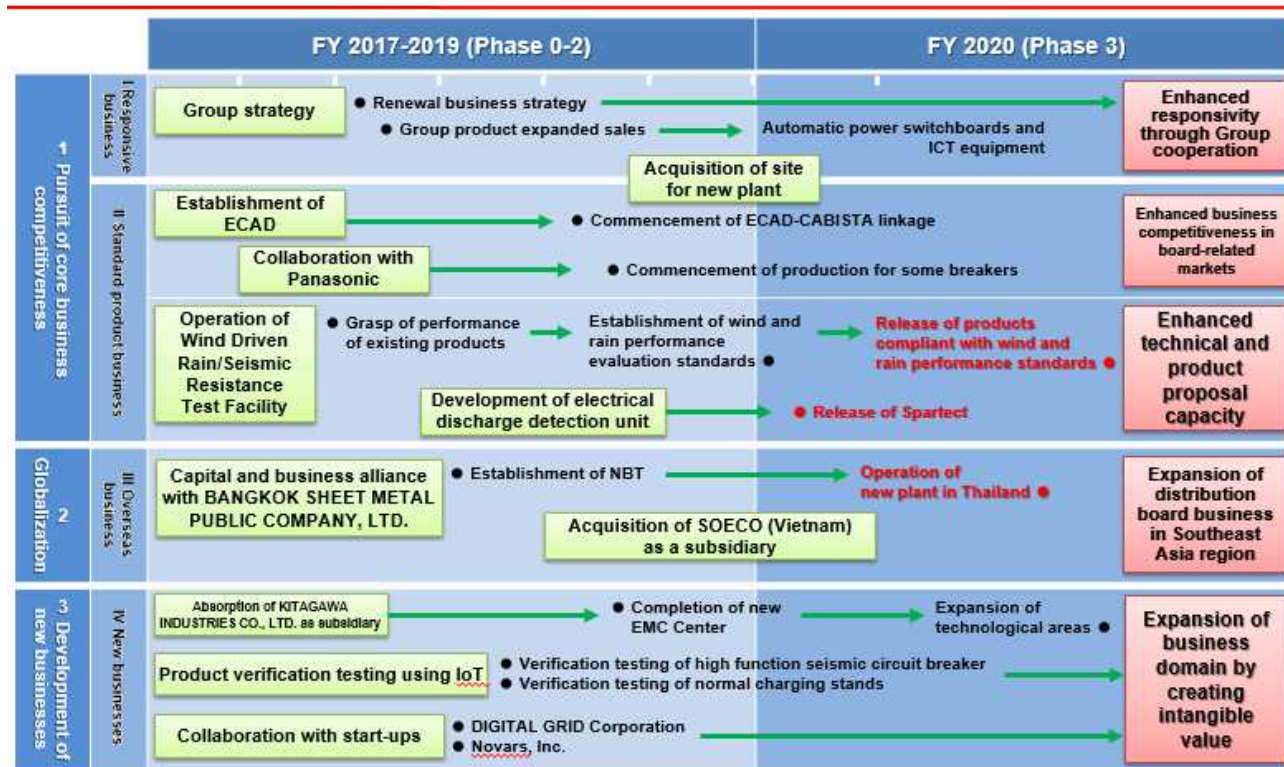
Our initial targets for the final year of the plan were consolidated sales of JPY125 billion and consolidated operating income of JPY10 billion, as well as non-consolidated sales of JPY75 billion and operating income of JPY7.5 billion for NITTO KOGYO CORPORATION.

In FY2019, we achieved these initial targets both on a consolidated and non-consolidated basis, with the exception of New Businesses. In FY2020, we expect consolidated sales to decline from the previous year due to the impact of COVID-19, but we are still looking to achieve the original medium-term management plan.

However, it is unlikely that we will achieve the target for consolidated operating income due to factors like the fall in sales at NITTO KOGYO CORPORATION.

# Business strategy progress (1/7)

2Q FY2020



**NITTO KOGYO CORPORATION**

34

Unauthorized reproduction of this document is strictly prohibited.

This is the progress of our business strategy.

In FY2019, in order to further strengthen our Responsive Business and Standard Product Business, we purchased land for new plants in Seto City, Aichi Prefecture, and Nogi Town, Tochigi Prefecture.

In addition, we are collaborating with Panasonic, and we have begun producing some of Panasonic's breakers in the NITTO KOGYO Group. In collaboration with Panasonic Corporation, the NITTO KOGYO Group began manufacturing part of Panasonic's breakers.

In FY2020, we launched a discharge detection unit that prevents electrical fires. Although the number of fires in Japan as a whole is on a decreasing trend, the number of electric fires is almost unchanged exceeding 1,000 cases per year and accounting for about 30% of all fires. About 40% of these electric fires are thought to be caused by spark discharges. By attaching the discharge detecting unit we have developed for the panel boards of your homes, you can detect spark discharges caused by tracking, cable breakage, short-circuiting, and others in the home and prevent fires beforehand.

It has been highly and widely praised, winning the METI Minister Award at the JECA FAIR in 2019. It was adopted at the Kunozan Toshogu shrine, which is designated as a national treasure.

In our global operations, we made SOECO a subsidiary in Vietnam, and strengthened the global reach of our Telecommunications-Related Distribution Business. We are also expanding our production network, including constructing a plant in Thailand.

Our Group is steadily growing as a value-creating company that links electricity and information to tomorrow.

## Strategies focused on current period

<b>Core business: I Responsive business</b>	<b>Core business: II Standard product business</b>
<b>Enhanced responsiveness to projects through cooperation between group companies</b> Leveraging of each of our strengths to expand our business domains and get more orders <ul style="list-style-type: none"> <li>• Progress on renewal business strategy</li> <li>• Progress on control panel board business strategy</li> </ul>	<b>Enhanced technical and product proposal capacity</b> Enhance competitiveness by providing products and services that meet the needs of customers in board-related markets <ul style="list-style-type: none"> <li>• Release of web tool (automatic QB drawing system)</li> <li>• Thorough implementation of new wind-driven rain performance standard and expansion of products that meet this standard</li> </ul>
<b>III Overseas business</b>	<b>IV New businesses</b>
<b>Expansion of distribution board business in Southeast Asia region</b> Early establishment of foundations of business <ul style="list-style-type: none"> <li>• Establishment of total production and sales framework in new NBT plant and expansion of business and improvement of profitability in Thai market</li> <li>• Expansion of business through entry into infrastructure industry and market</li> </ul>	<b>Expansion of business areas through creation of intangible value</b> Continuation of initiatives to create intangible value with the aim of turning the results into businesses in the mid to long term. <ul style="list-style-type: none"> <li>• Progress on verification testing of earthquake detectors, EV chargers, etc.</li> <li>• Investment in start-ups</li> </ul>

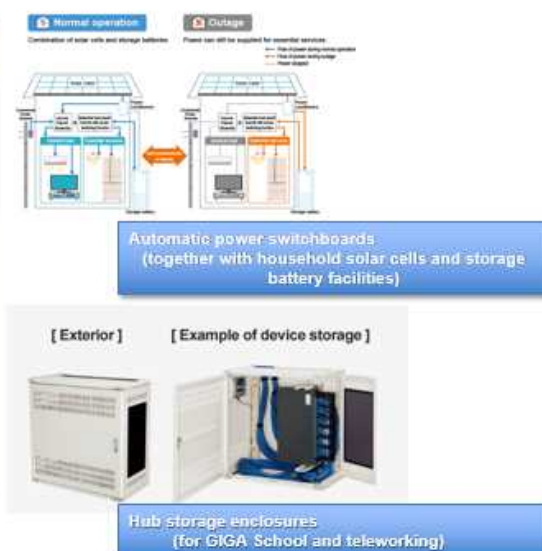
Which describes our key strategies. Please take a look at this later.

## Business strategy

## Core business: I Responsive business (board professional)

**Vision: Ultra-upgrade board-related business responsivity, aiming to be a reliable ideal partner**

	Enhanced business competitiveness in board-related markets
Phase 0-2	<ul style="list-style-type: none"> <li>◆ Create strategies making use of Group companies' strength areas/know-how</li> <li>◆ Make use of Group companies' strength areas to gain orders</li> <li>◆ Expand business areas through concrete strategies</li> </ul>
Phase 3 Future developments	<ul style="list-style-type: none"> <li>◆ Carry out strategies with the Group as a whole, enhancing responsivity and expanding supported areas</li> <li>• Expand sales of power switchboards for household power storage systems using technology from AICHI ELECTRIC WORKS CO., LTD.</li> <li>• Expand sales of products for GIGA School and teleworking</li> <li>◆ Resume strategies for overhaul of our business (we have put these on hold due to COVID-19)</li> </ul>



Which describes the Responsive Business as one our core businesses.

We expect new demand to decline, as a result of the outbreak of COVID-19 in the current fiscal year. However, we will win orders for projects that differentiate us from our competitors by combining the advanced technological capabilities of Aichi Electric Works Co., Ltd. with the control technological capabilities of Taiyo Electric Mfg. Co., Ltd. and the production capabilities of NITTO KOGYO CORPORATION.

Specific products include home panel boards, which can be switched to emergency power supplies and storage batteries.

In addition to new projects, we will aggressively push into the renewal market to secure orders.

# Business strategy progress (4/7)

2Q FY2020

## Business strategy

## Core businesses: II standard product business (1) (Component professional)

**Vision: Become a company which provides joy to industrial infrastructure companies**

	Enhanced business competitiveness in board-related markets
Phase 0-2	<ul style="list-style-type: none"> <li>◆ Establishment of ECAD Solutions Co., Ltd.</li> <li>◆ Begin considering collaboration with Panasonic</li> <li>◆ Commence ECAD-CABISTA linkage</li> <li>◆ Commence production for some Panasonic breakers</li> <li>◆ Model changes for Home Panel Boards</li> <li>◆ Acquire site for new plant in Seto City</li> </ul>
Phase 3 Future developments	<ul style="list-style-type: none"> <li>◆ Consider next steps for collaboration with Panasonic</li> <li>◆ Increase convenience through use of web                             <ul style="list-style-type: none"> <li>• Version upgrades designed to improve user convenience in systems with ECAD-CABISTA linkage</li> <li>• Release QBSTA, a system to create drawings for high-voltage power receiving equipment</li> </ul> </li> </ul>

[Overview of Seto plant (TBD)]

Address: 22-4 Yatoko-cho, Seto City, Aichi Prefecture

Site area: 250,077 m<sup>2</sup>

Total floor area: 36,000 m<sup>2</sup> in plant, 4,000 m<sup>2</sup> in 3-story office building

Items produced: Enclosures, high-voltage power receiving equipment, panel boards, breakers, etc.

Total investment: Approx. 20 billion yen

Capital plan: Funded by own capital, loan, etc.

Schedule: Completion of construction: December 2023

Commencement of production: April 2024



In the other core business of Standardized Products, we have completed an automated drawing system for High-Voltage Power Receiving Equipment (Cubicle). We intend to steadily win orders for short-term delivery projects, and to expand sales in the telecommunications field, such as enclosures used in GIGA School projects.

## Business strategy

**Core businesses:** II standard product business (2) (Component professional)

**Vision:** Become a company which provides joy to industrial infrastructure companies

	Enhanced technical and product proposal capacity
Phase 0-2	<ul style="list-style-type: none"> <li>◆ Full-scale operation of Wind Driven Rain/Seismic Resistance Test Facility</li> <li>◆ Completion of new EMC Center at KITAGAWA INDUSTRIES</li> <li>◆ Development of electrical discharge detection unit</li> </ul>
Phase 3 Future developments	<ul style="list-style-type: none"> <li>◆ Thorough implementation of new wind-driven rain performance standard and expansion of products that meet this standard</li> <li>• Evaluation of wind and rain performance of outdoor enclosures and addition of WP displays to compliant products</li> <li>◆ Commercialization of electrical discharge detection unit Spartect</li> </ul>



**Electrical discharge detection unit**  
**Spartect**



In the Standard Product Business, in addition to Spartect, a product against fires that I mentioned earlier, we have also developed wind-rainproof enclosures that withstand heavy rainfall.

The photograph shows a testing device that can apply 60 meters per second of wind speed and 300 millimeters per hour of rain, together. This is the first facility in the industry. With this facility, we hope to provide highly reliable enclosures that can withstand rain and wind.

## Business strategy

## III Overseas business

**Vision: Become a company which provides joy to industrial infrastructure companies active overseas**

	Expansion of distribution board business in Southeast Asia region
Phase 0-2	<ul style="list-style-type: none"> <li>◆ Establishment of NITTO KOGYO BM (THAILAND) (NBT)</li> <li>◆ Absorption of KITAGAWA INDUSTRIES CO., LTD. as subsidiary</li> <li>◆ Commencement of construction of new plant for NBT in Thailand</li> <li>◆ Absorption of SOECO in Vietnam as a subsidiary by SunTelephone Co., Ltd.</li> </ul>
Phase 3 Future developments	<ul style="list-style-type: none"> <li>◆ Operation of NBT plant</li> <li>• Establish total production and sales framework to further increase cost competitiveness, timeliness and quality, with the aim of expanding business and improving profitability</li> </ul>



In the Overseas Business, with the commencement of operations at a new plant in Thailand, we aim to increase sales and profitability by providing an edge in delivery times and cost response, and by bringing products that meet local requirements in line with Japanese quality to the marketplace.

In Singapore, we will grow by taking orders for highly profitable projects and reducing costs.

In addition, we will strengthen our marketing activities with a view to entering the infrastructure-related products market.

**Vision: Work boldly toward creation of new businesses, without fearing failure**

	Expansion of business areas through creation of "Intangible value"
Phase 0-2	<ul style="list-style-type: none"> <li>◆ Commencement of product verification testing using IoT for standard chargers and high function seismic circuit breakers</li> <li>◆ Investment in start-up DIGITAL GRID Corporation</li> <li>◆ Capital and business alliance with start-up Novars, Inc.</li> <li>◆ Release of Pit-C3 household EV/PHV charger</li> </ul>
Phase 3 Future developments	<ul style="list-style-type: none"> <li>◆ Progress on verification testing</li> <li>• The aim is to commercialize IoT technology we are currently working on and other technology being developed through collaborations with start-ups</li> </ul>

■Regional disaster prevention system diagram



In New Businesses, we will introduce improved products to the marketplace based on the expertise we have accumulated through verification testing of EV charging stations and seismic circuit breakers.

We are also deepening our ties with startup companies and continue to take on the challenge of developing New Businesses.

We have commenced research for the next medium-term management plan.

---

# Thank you for your attention.

---

## CONNECT!

~Link via electrics~

**NITO** 日東工業株式会社

Stock code: 6651



Finally, we, the NITTO KOGYO Group, will contribute to society as a corporate group that provides customers with confidence and peace of mind towards the future. To this end, we strive to become an essential presence for society by continuing to create new values through manufacturing, human development, and creating fans. Please look forward to the NITTO KOGYO Group in the future.

I will now close my presentation. Thank you for your attention.