Financial Results for Fiscal Year 2021

April 1, 2021 - March 31, 2022

(Presentation Materials with Script)

【Event Summary】

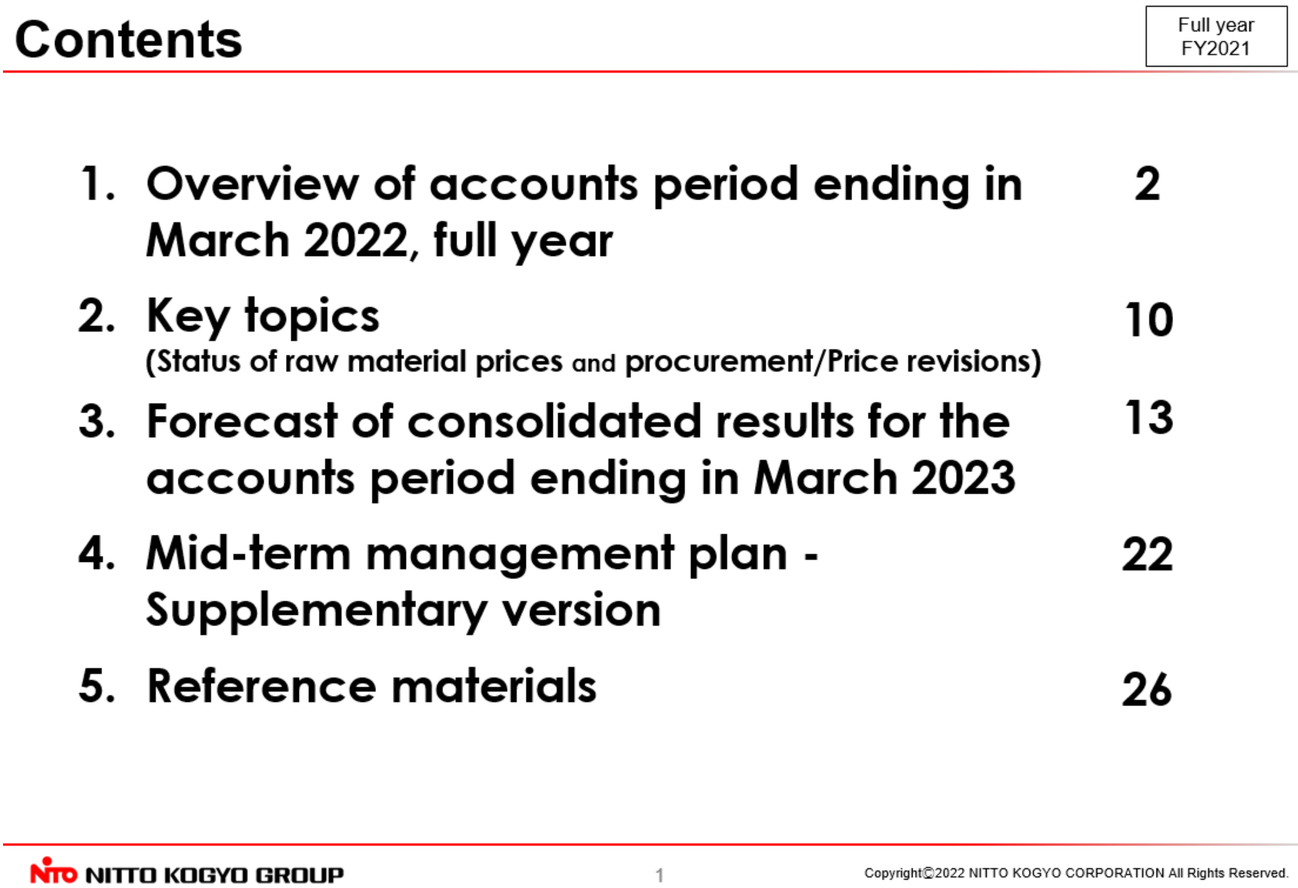
Date	: June 2, 2022	15：00～16：00
Venue	: Webcast	
Speakers	: Toru Kurono	President and COO
	Motoo Ochiai	Senior Managing Director
	Akitaka Tejima	Head of Business Management Division, Director
	Yusuke Kobayashi	Head of Corporate Planning Division, Executive Officer

Some explanations are supplemented and key points are summarized.

Presentation

Hello, everyone. My name is Toru Kurono, President and COO. Thank you very much for taking time out of your busy schedules to participate in today's presentation of NITTO KOGYO's Financial Results Briefing for the Fiscal Year Ended March 2022. I would also like to take this opportunity to express my sincere gratitude to all of you for your continued support of and guidance to NITTO KOGYO.

Now, we have decided to hold today's briefing via web. The explanation will be provided in accordance with the financial results presentation materials and the supplementary version of the medium-term management plan, which are available on the Company's website.



This is the table of contents for today.

I would like to explain the items one through four. As item five contains reference materials, please take a look at it later.

Yearly consolidated account highlights

Full year FY2021

- Results for the year showed a decrease in both sales and income. Yearly net profit reverting to parent company shareholders achieved the plan.
- Sales decreased mainly due to the impact of the COVID-19 pandemic, the absence of sales related to the GIGA School concept posted last year, and a decrease in office-related orders.
- Operating income fell due primarily to lower marginal profit resulting from declining sales and rising raw material prices.

(Unit: million yen)

	2021/3	2022/3			
	Actual results	Plan	**Actual results**	YoY comparison	Vs. plan
Sales	137,902	136,000	132,735	-3.7%	-2.4%
Operating income	12,333	9,500	8,637	-30.0%	-9.1%
Ordinary income	12,660	10,000	9,412	-25.7%	-5.9%
Yearly net profit reverting to parent company shareholders	8,827	6,600	6,607	-25.1%	+0.1%

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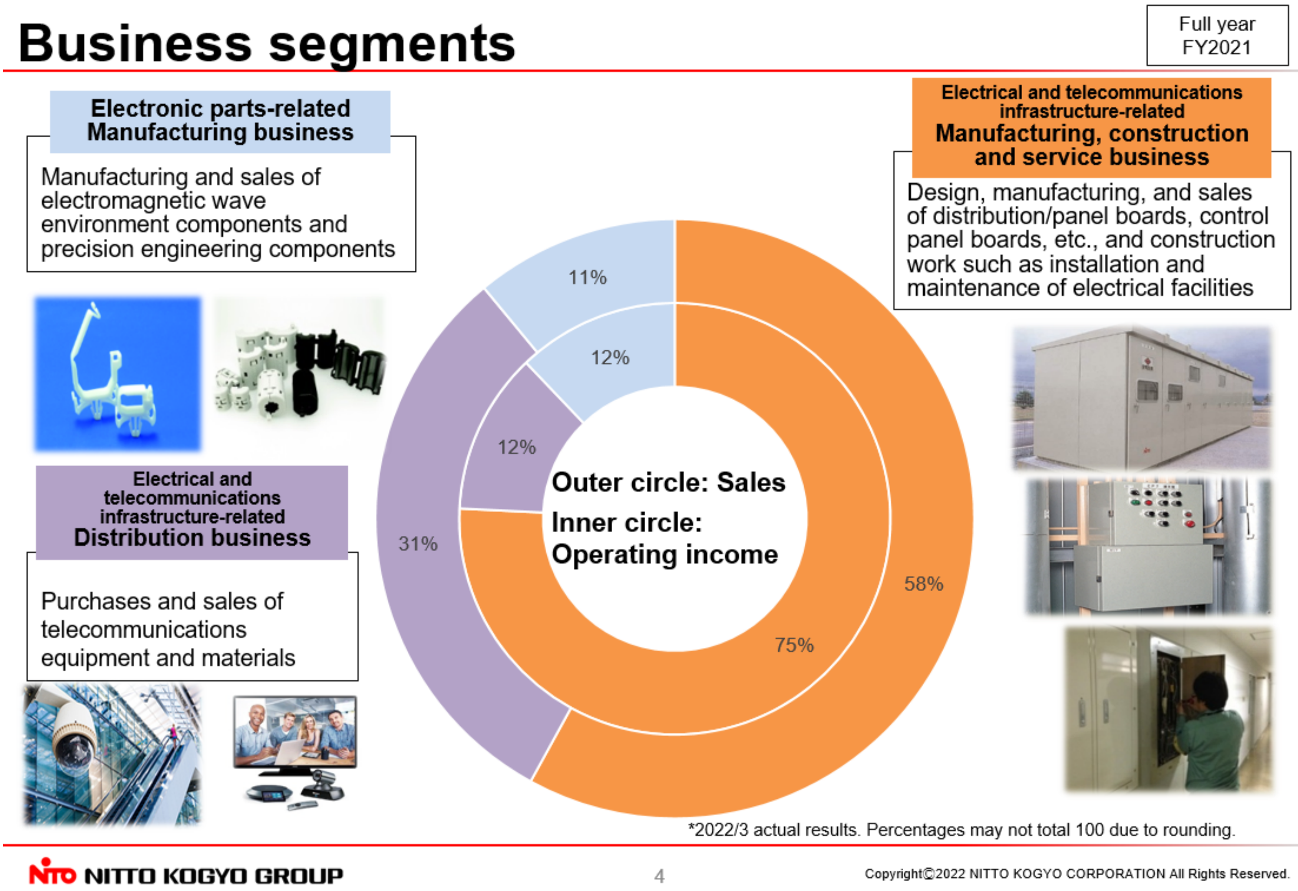
These are the highlights from the consolidated financial results for the fiscal year ended March 2022.
Net sales were JPY132.7 billion, down 3.7% YoY. This was due to the impact of the COVID-19 pandemic, the disappearance of sales related to GIGA School projects, which had been recorded in the preceding fiscal year, and a decline in office-related orders. Operating income was JPY8.6 billion, down 30% YoY. This was due to a decrease in marginal profits resulting from the decline in sales and the impact of rising raw material prices.
Ordinary income was JPY9.4 billion, down 25.7% YoY, and profits attributable to owners of the parent company was JPY6.6 billion, down 25.1% YoY. Only profits attributable to owners of the parent company achieved the forecast. I will discuss this in more detail later.



This section provides an overview of the NITTO KOGYO Group and its business segments. Effective from the fiscal year ended March 2022, we reduced the number of business segments by one and there are three business segments now.

The first one, shown in orange, is the electric and information infrastructure-related manufacturing, Construction, and Service business led by NITTO KOGYO, which is the core business of the Group, accounting for 58% of sales and 75% of operating income.

The second one, shown in purple, is the electric and telecommunication infrastructure-related distribution business, led by subsidiary SunTelephone Co., Ltd. It accounts for 31% of sales and 12% of operating income.

The third one, shown in light blue, is the electronic components-related manufacturing business, led by Kitagawa Industries Co., Ltd., which accounts for 11% of sales and 12% of operating income.

The previous construction/service Business segment has been absorbed into the electric and telecommunication infrastructure-related manufacturing, construction, and service business.

Yearly account highlights by segment

Full year FY2021

- In the manufacturing, construction and service business, sales increased due to not only higher sales of home panel boards, breakers, and others, but also an increase in sales of Gathergates Group, which is an overseas subsidiary. Income decreased due in large part to a surge in raw material prices and an increase in selling, general and administrative expenses (SGA).
- In the distribution business, both sales and income decreased due to the absence of sales related to the GIGA School concept posted last year, and a decrease in office-related orders.
- In the electronic parts business, both sales and income increased mainly due to a recovery in demand being held down by the COVID-19 pandemic and an increase in orders received in advance for building up inventory.

(Unit: million yen)

	By segment	2021/3	2022/3			
		Actual results	Plan	Actual results	YoY comparison	Vs. plan
Sales	Manufacturing, construction and service business	76,814	78,100	77,513	+0.9%	-0.8%
	Distribution business	49,893	46,200	41,192	-17.4%	-10.8%
	Electronic parts business	11,194	11,700	14,029	+25.3%	+19.9%
	Total	137,902	136,000	132,735	-3.7%	-2.4%
Operating income	Manufacturing, construction and service business	9,689	-	6,485	-33.1%	-
	Distribution business	1,943	-	1,078	-44.5%	-
	Electronic parts business	689	-	1,039	+50.7%	-
	Total	12,333	9,500	8,637	-30.0%	-9.1%

*Segment names shown on this slide and after are abbreviated.

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These are the financial result highlights by segment. Please note that the segment names are abbreviated in this slide and on following pages.
The manufacturing, construction, and service segment reported higher sales and lower operating income. I will discuss this in more detail later on.
Both sales and operating income decreased YoY in the Distribution segment due to the loss of sales related to GIGA School projects, which had been recorded in the preceding fiscal year, as well as a decline in sales of network equipment and its components as a result of a decrease in orders for office and data center-related projects.
In the electronic components-related business, sales of various products increased YoY due to the recovery of demand, which had been sluggish amid the COVID-19 pandemic. Both sales and operating income increased YoY in the segment, partly due to an increase in orders received in advance for the purpose of building up inventories, reflecting the tight supply-demand situation for raw materials.

Manufacturing, construction and service business (sales by division) for the year

Full year FY2021

- In the distribution boards division, sales increased due in large part to increases in sales of home panel boards and Gathergates Group.
- In the enclosure division, sales decreased primarily due to a drop in special demand for the GIGA School concept and delays in 5G projects.
- In the breakers/switches/parts/other divisions, sales increased due to strong sales of breakers.
- The construction/service division, sales decreased mainly due to postponements of construction works resulting from delayed deliveries of various equipment.

(Unit: million yen)

	Sales by division	2021/3 Actual results	2022/3 Plan	2022/3 Actual results	2022/3 YoY comparison	2022/3 Vs. plan
Manufacturing, construction service business	Distribution boards	39,118	40,600	40,364	+3.2%	-0.6%
	Enclosure	22,716	22,300	21,386	-5.9%	-4.1%
	Breakers/switches/parts/other	11,108	11,200	11,986	+7.9%	+7.0%
	Construction/service	3,870	4,000	3,775	-2.5%	-5.6%
Total		76,814 (9,689)	78,100	77,513 (5,149)	+0.9%	-0.8%
Consolidated overall total		137,902	136,000	132,735	-3.7%	-2.4%
Consolidated sales composition ratio		55.7%	57.4%	58.4%	+1.7%	+1.0%

*Parentheses refer to internal sales between segments

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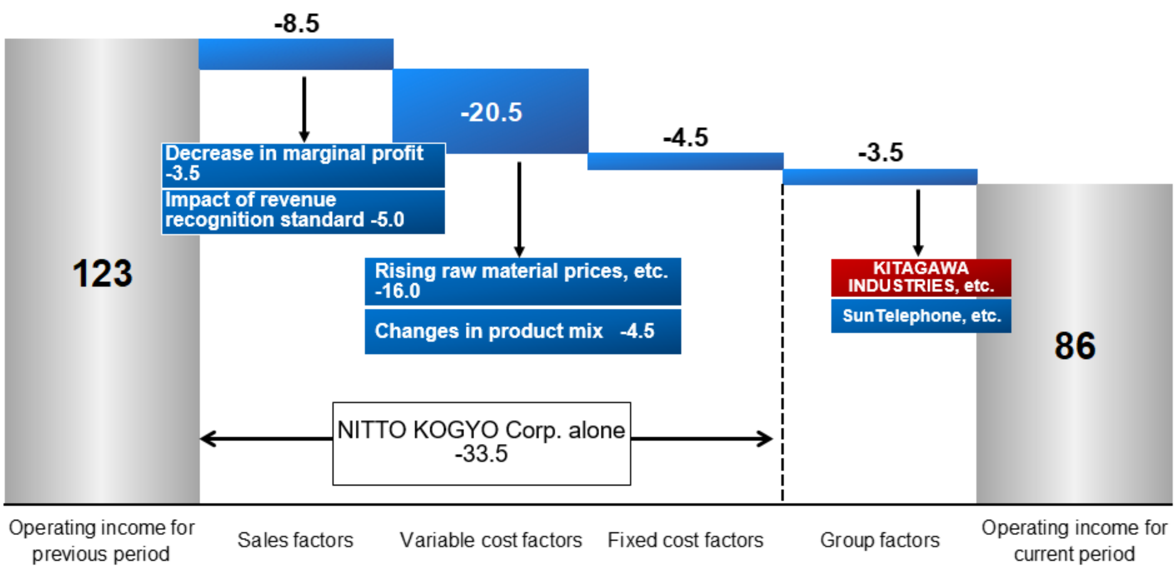
The following is a breakdown of sales by sub-segment for the Group's core business of manufacturing, construction, and service.
In the distribution board sub-segment, domestic sales of distribution/panel boards decreased YoY, due in part to COVID-19. However, overall sub-segment sales increased YoY, mainly due to higher sales of home panel boards and a sales increase at Gathergates Group.
In the enclosure sub-segment, sales declined YoY due to the drop of special demand related to GIGA School projects and delays in 5G-related projects.
The breakers, switches, parts, and others sub-segment posted higher sales due to strong sales of breakers.
In the construction and service sub-segment, sales declined due to construction delays caused by late delivery of various types of equipment.
Profits decreased due to a significant rise in raw material prices and an increase in SG&A expenses.

Factors in changes in yearly consolidated operating income

Full year
FY2021

- On a non-consolidated basis, operating income dropped due primarily to lower marginal profit and rising raw material prices.
- As group factors, although KITAGAWA INDUSTRIES contributed significantly to the income increase, the income decreasing effect of SunTelephone was too high, resulting in the entire group losing income.

(Unit: 100 million yen)



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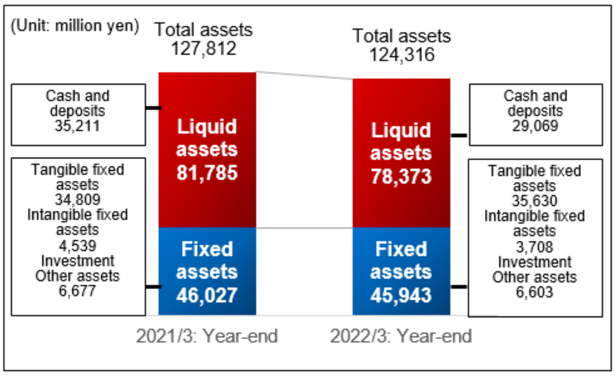
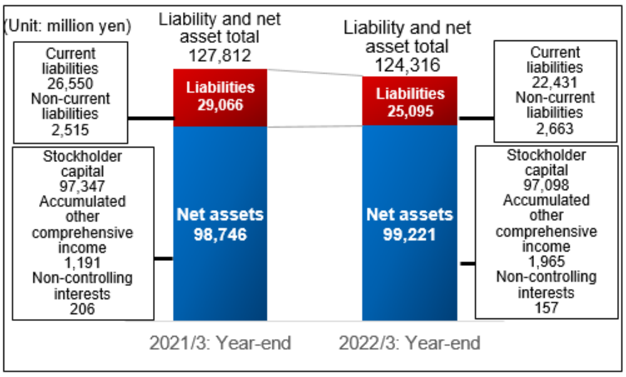
This page shows factors in YoY changes in full-year consolidated operating income. The left side from the dotted line in the center of the graph shows the parent-only factors of NITTO KOGYO, and the right side from the dotted line shows the results of the other Group companies than NITTO KOGYO.
Operating income in the fiscal year ended March 2021 was JPY12.3 billion, and operating income in the fiscal year under review was JPY8.6 billion, a YoY decrease of approximately JPY3.7 billion. On a non-consolidated basis, NITTO KOGYO suffered a negative impact of JPY850 million due to a decline in marginal profit and a change in the revenue recognition standard. There was also a negative JPY2.05 billion effect due to soaring raw material prices and a change in the product mix, which included an increase in the proportion of low-margin products, and a negative JPY450 million impact from an increase in SG&A expenses, for a total negative impact of JPY3.35 billion.
In terms of the Group’s factors, the Kitagawa Industries Group's earnings recovered after they had declined in the preceding year due to COVID-19, but the impact of SunTelephone's profit decline was significant, resulting in a YoY decline of JPY350 million in operating income for the Group excluding NITTO KOGYO.

Overview of consolidated finances for the year

Full year FY2021

■ Total assets decreased primarily due to a decrease in short-term loans payable and acquisition of treasury shares.





<Main changes>

■ Assets	
Decreased cash and deposits	-6,141
Decreased accounts receivable	-1,054
Increased inventories	+3,265
Increased construction in progress	+1,692

■ Liabilities	
Decreased short-term loans payable	-3,048
Increased liabilities associated with retirement benefits	+246
■ Net assets	
Current net income	+6,607
Dividends of surplus	-2,878
Acquisition of treasury shares	**-4,082**

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This shows an overview of the consolidated financial status.

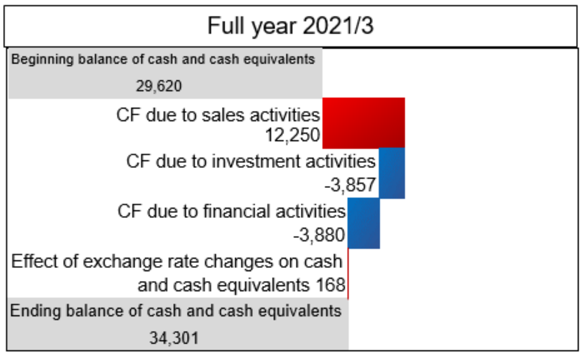
Total assets as of March 31, 2022 decreased approximately JPY3.5 billion from the end of the preceding fiscal year. The main factors were as follows: the Company repaid JPY3 billion in short-term loans payable, paid JPY2.8 billion in dividends, and bought back approximately JPY4 billion of its own shares, or about 6% of the total number of shares issued and outstanding.

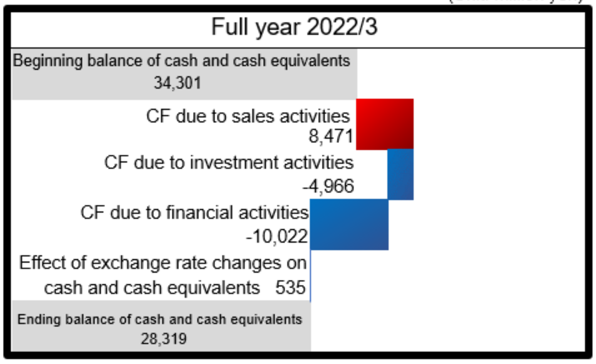
Consolidated cash flow statement for the year

Full year FY2021

■ Cash equivalents at the end of the period ended March 2022 decreased 5,982 million yen year on year to 28,319 million yen.

(Unit: million yen)





<Full year 2021/3 Main factors>

■ CF due to investment activities	
Income due to refunds of fixed-term deposits	+837
Expenditure due to acquisition of fixed assets	-4,939
■ CF due to financial activities	
Decreased short-term loans payable	-1,597
Payment of dividends	-2,227

<Full year 2022/3 Main factors>

■ CF due to investment activities	
Income due to refunds of fixed-term deposits	+278
Expenditure due to acquisition of fixed assets	-5,471
■ CF due to financial activities	
Decreased short-term loans payable	-3,060
Payment of dividends	-2,873
Acquisition of treasury shares	**-4,082**

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This is a consolidated cash flow statement. The left side is for the preceding fiscal year and the right side is for the fiscal year under review.
Cash flow due to sales activities was a positive JPY8.4 billion. Cash flow due to investment activities was a negative JPY4.9 billion, mostly due to the acquisition of fixed assets. Cash flow due to financial activities was a negative JPY10 billion, which included the share buyback of around JPY4 billion. Cash and cash equivalents at the end of the year amounted to JPY28.3 billion, down about JPY5.9 billion YoY.

Status of raw material prices and procurement

Full year FY2021

Rising raw material prices

- Whereas the period ended March 2022 was affected from the second half, the period ending March 2023 will be impacted throughout the year.
- In the period ending March 2023, prices are expected to further surge because of the Ukraine crisis and foreign currency fluctuations.

Difficulty in procurement

- Although the supply system in the industry was tight during the period ended March 2022, we managed to ensure a relatively stable supply system by using alternative goods and revising the supply chains.
- In the period ending 2023, the tight supply situation is projected to ease gradually.

Effect of rising raw material prices (on operating income)

<Compared to 2021/3>

Further **deterioration of 2 billion yen**

2022/3		2023/3
- 1.6 billion yen	➡	**- 3.6 billion yen**

Situation of difficulty in procurement

2022/3		2023/3
Tight supply	➡	**on an easing trend**

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I will talk about topics for the fiscal year under review.
I would like to explain the sharp rise in raw material prices and situation of difficulty in procurement.
First, the prices of raw materials have been soaring. NITTO KOGYO uses many raw materials, such as steel, stainless steel, copper alloys, and resins. The price increases have affected the Company since H2 of the fiscal year ended March 2022, and will affect the Company throughout the current fiscal year ending March 2023. Furthermore, we believe that the situation in Ukraine will magnify these price spikes.
As a countermeasure, we will implement a price revision starting in July 2022, but it is difficult to counteract all of these negative effects.
Second, I would like to discuss the procurement difficulties. There is a continuous lack of products, such as equipment for distribution boards, due to the shortages of resins and semiconductors. During the fiscal year ended March 2022, the supply chain in the industry was tight, but the Company secured a relatively stable supply structure through the use of substitutes and a review of the supply chain. In the fiscal year ending March 2023, we expect that the situation will gradually be relaxed, though there are some inventory shortages.

Price revisions

Full year
FY2021

<Degree of impact of price revisions on performance>

In the period ending March 2023, about 1.8 billion yen (0.3 billion yen for the 1st half and 1.5 billion yen for the 2nd half) is expected as an effect that increases sales and income.

* It is difficult to neutralize all of the impact of rising raw material prices only with the price revisions.

Prices of NITTO KOGYO products will be revised beginning in July 2022

Major products to be affected and estimated percentage change in prices

Product lines	Revision rate
Enclosure	Approx. 10%
System racks	Approx. 10%
Optical junction boxes	Approx. 5%
Some thermal management products	Approx. 10%
Some panel board accessories	Approx. 10% Approx. 25% for copper-related parts
Standard panel boards and control panel boards	Approx. 2 to 8%

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This shows information on the planned price revision.
Due to the surges in raw material prices, we will implement a price revision starting July 2022. Although all of our departments are working to reduce costs and cut expenses, it has become difficult to absorb the price rises through self-help efforts.
The target products and price revision rates are shown in the table.

Forecast of consolidated results for the year

Full year FY2021

<Preconditions for the plan> Whereas the impact of rising raw material prices will become stronger, the impact of the COVID-19 pandemic and difficulty in procurement will lessen gradually.

- Sales are expected to expand due to a sales increase in existing markets accompanying a recovery in demand for facilities investment.
- Income is expected to rise mainly due to an increase in marginal profit by a sales increase and the effect of price revisions, although there is the impact of rising raw material prices.

(Unit: million yen)

	2022/3		2023/3			
	2Q results	Results for the year	2Q plan	(YoY) Change	Plan for the year	(YoY) Change
Sales	61,104	132,735	67,000	+9.8%	145,000	+9.2%
Operating income	3,902	8,637	3,500	-10.3%	9,600	+11.1%
Ordinary income	4,059	9,412	3,500	-13.8%	10,000	+6.2%
Yearly net profit reverting to parent company shareholders	2,622	6,607	1,800	-31.4%	6,700	+1.4%

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We will explain the full-year consolidated earnings forecast for the current fiscal year ending March 2023. The plan is based on the assumption that the impact of the COVID-19 pandemic and procurement difficulties will gradually ease, although the effects of the current price increases will be even greater. We forecast sales at JPY145 billion, up 9.2% YoY. We expect sales in existing markets to increase due to a recovery in demand for capital investment and construction projects that had been delayed. We expect operating income to be JPY9.6 billion, up 11.1% YoY.
Despite the impact of soaring raw material prices, we expect an increase in marginal profit due to higher sales and the effects of price revisions.

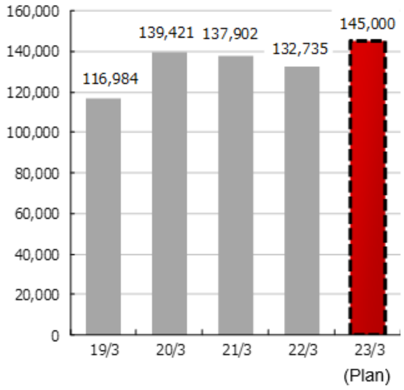
Consolidated performance trends

Full year
FY2021

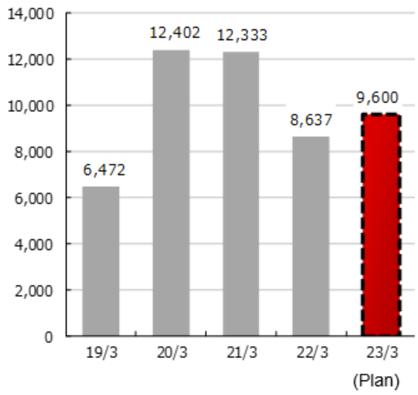
■ If we are on target with the plan for the period ending March 2023, we expect to achieve **the highest sales** and sixth highest income in our history.

(Unit: million yen)

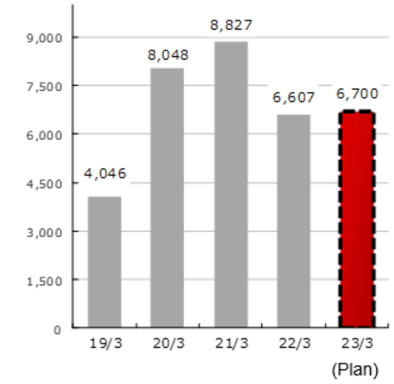
■ Sales



■ Operating income



■Yearly net profit reverting to parent company shareholders



	19/3	20/3	21/3	22/3	23/3 (Plan)
Sales	116,984	139,421	137,902	132,735	145,000
Operating income	6,472	12,402	12,333	8,637	9,600
Yearly net profit reverting to parent company shareholders	4,046	8,048	8,827	6,607	6,700

NITO NITTO KOGYO GROUP

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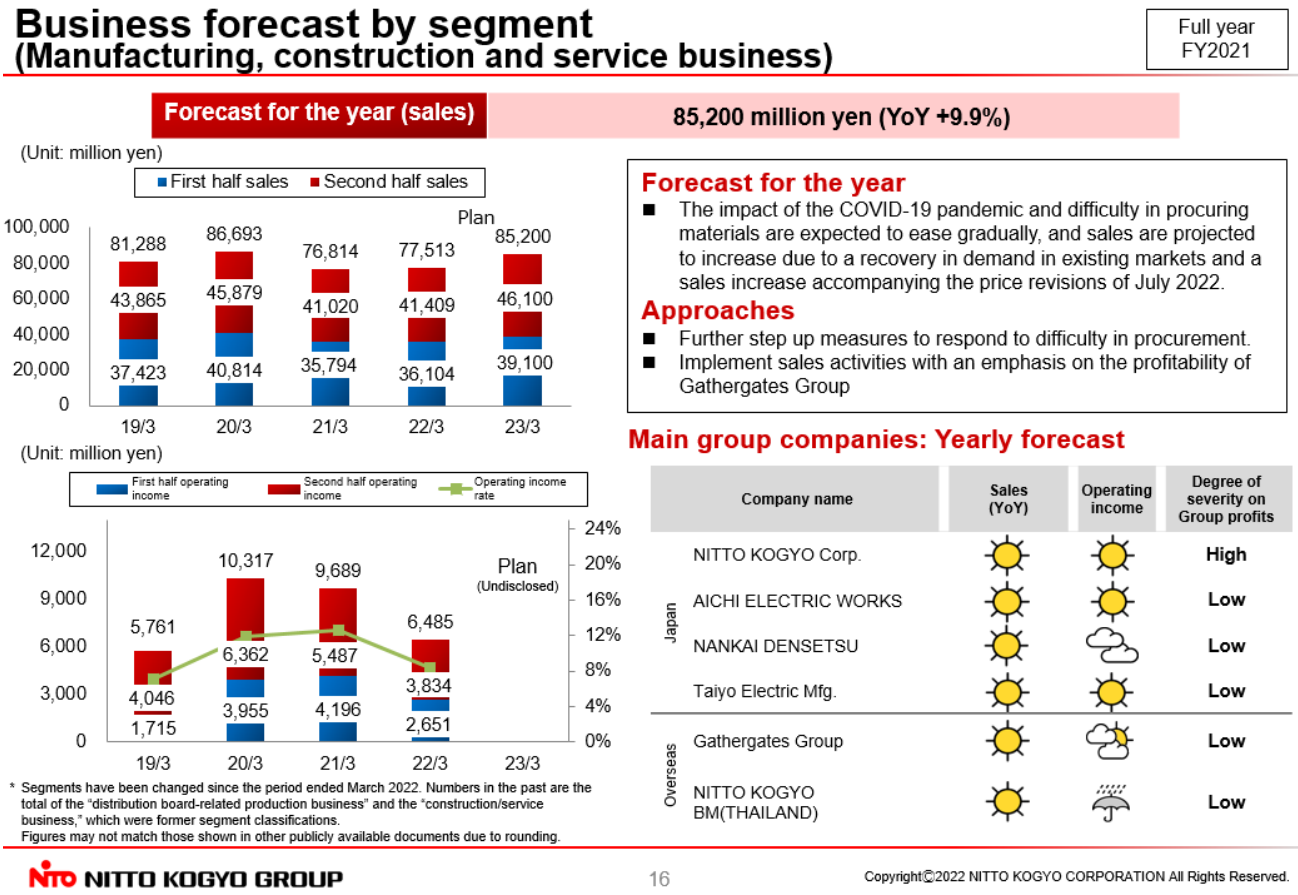
This shows changes in consolidated performance.
In the fiscal year ending March 2023, if we demonstrate the results as planned, we will achieve a record-high figure of net sales and the sixth-highest income items.

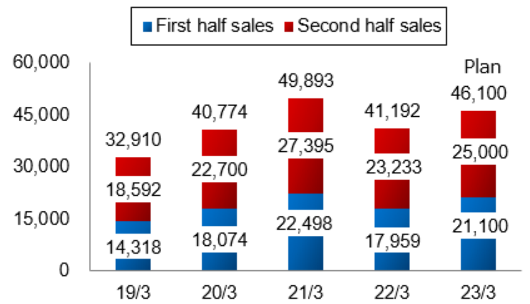


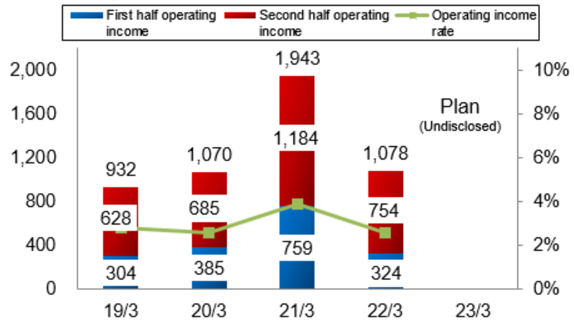
Here begins the forecast by segment.
First of all, we expect to see sales of JPY85.2 billion in the manufacturing, construction, and service business, up 9.9% YoY.
In the fiscal year ending March 2023, we expect the impact of COVID-19 to be less severe than in the fiscal year ended March 2022, and the procurement difficulties to ease gradually. We forecast that segment sales will increase YoY due to the recovery in demand in existing markets, and higher sales following the price revision in July 2022.
As a specific initiative, we will further strengthen our response to procurement difficulties. In addition, Gathergates will promote sales activities with an emphasis on profitability to achieve its goals.

Business forecast by segment (Distribution business)

Full year FY2021

Forecast for the year (sales) | **46,100 million yen (YoY +11.9%)**





Forecast for the year

- Demand for our mainstream office-related projects is expected to recover gradually despite the lingering impacts of the COVID-19 pandemic, semiconductor shortage and difficulty in procuring products caused mainly by lockdowns. Accordingly, sales are expected to increase due to a sales expansion accompanying a demand recovery.

Approaches

- Focus on the digital infrastructure market for the realization of the vision of a digital garden city nation, and energy-related markets.
- Explore new segments in the 5G and carrier-related markets and ramp up the activity to have our products specified in projects.

Main group companies: Yearly forecast

	Company name	Sales (YoY)	Operating income	Degree of severity on Group profits
Japan	SunTelephone	☀	☀	**Medium**
Overseas	SOECO	☀	☂	**Low**

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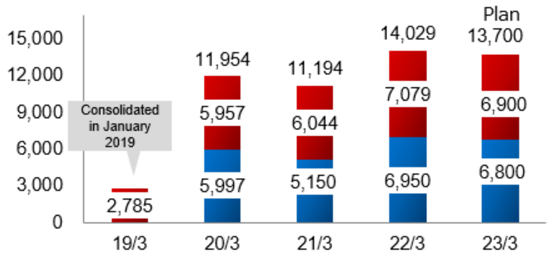
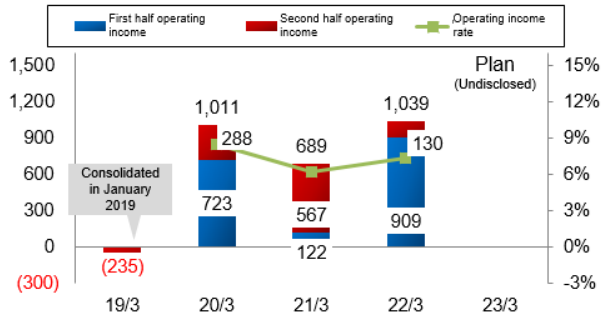
Next is the forecast for the Distribution business.
We expect that sales in the distribution segment will total JPY46.1 billion, up 11.9% YoY. Despite the impact of COVID-19 on sales, semiconductor shortages, and product procurement difficulties due to the lockdowns and other factors, we expect a gradual recovery in demand for our mainstay office and other projects, and we forecast that segment sales will increase YoY due to the sales increase accompanying the demand recovery.
Regarding major initiatives, we will focus on the digital infrastructure market for the realization of the Vision for a Digital Garden City Nation of the Japanese government and energy-related markets. In addition, we will strengthen new customer development and business activities to have customers adopt our products at the design stage in the 5G- and carrier-related markets to achieve our targets.

Business forecast by segment (Electronic parts business)

Full year FY2021

Forecast for the year (sales) | **13,700 million yen (YoY -2.3%)**





Forecast for the year

- Due to winning new projects in the automotive market and increased production of air-conditioners, sales of related products are expected to increase, but overall sales are planned to decrease due to a drop in special demand generated by demand from building up inventory, recorded in the period ended March 2022.

Approaches

- Strengthen activities for solutions to the automotive and air-conditioner markets by making better use of the EMC Center.
- Promote joint noise-control support with overseas alliance partners.

Main group companies: Yearly forecast

Company name	Sales (YoY)	Operating income	Degree of severity on Group profits
KITAGAWA INDUSTRIES			**Medium**

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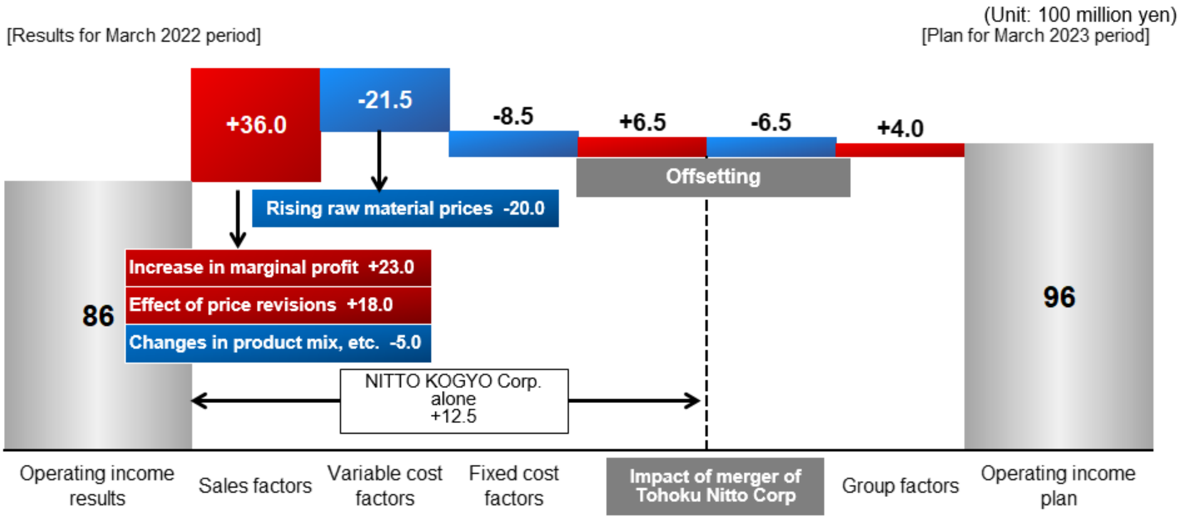
Next is the forecast for the electronic components-related business.
We forecast sales in the electronic components-related business at JPY13.7 billion, down 2.3% YoY. Although we expect sales of related products to increase due to receiving orders for new projects in the automotive-related market and increased production of air conditioners, we expect segment sales to decline YoY due to the absence of special demand for building up inventories, recorded in the fiscal year ended March 2022.
Specifically, we will utilize the EMC Center to strengthen solution activities in the automotive-related and air conditioner markets. In addition, we will promote support for joint anti-noise measures with overseas alliance partners to increase sales.

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

Full year FY2021

- Consolidated operating income for period ending in March 2023 is forecast to increase 11.1% year on year to 9.6 billion yen
- For NITTO KOGYO Corp. alone, an increase in marginal profit and the effect of price revisions will become factors that push up income despite rising raw material prices (variable cost factors).
- For the group, particularly, an income increase in SunTelephone and a decrease in amortization of goodwill will become factors that push up income.



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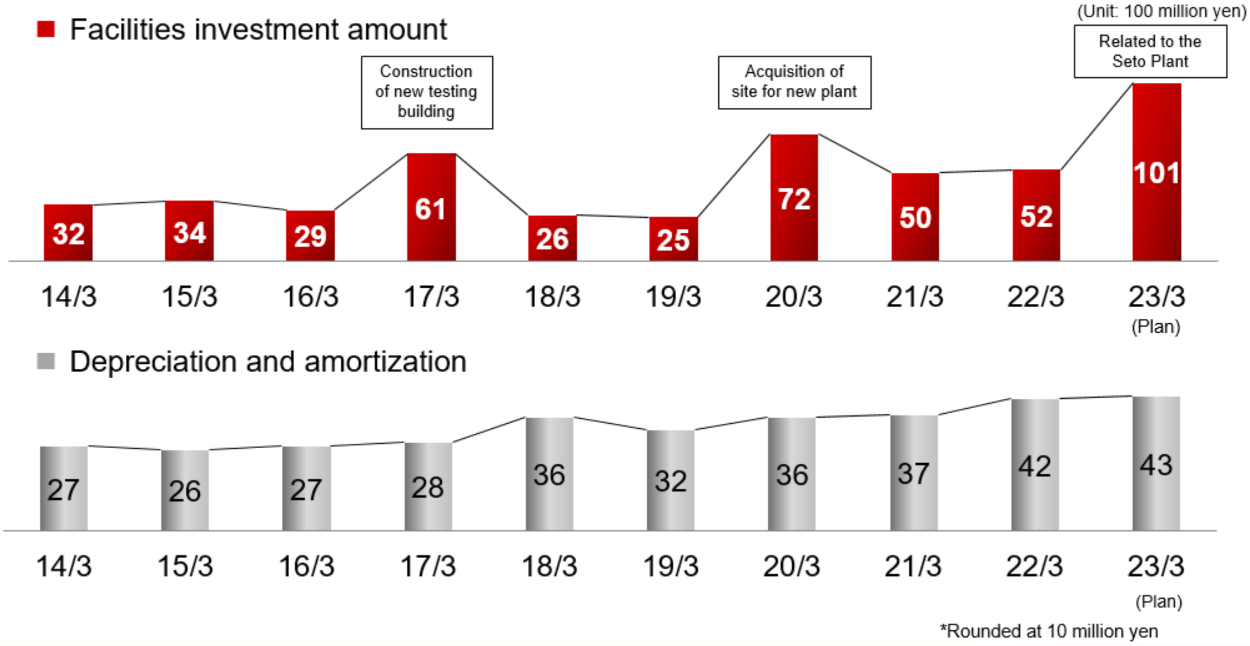
These are the factors behind the expected changes in consolidated operating income for the full year.
Operating income in the fiscal year ended March 2022 was JPY8.6 billion. We forecast operating income for the fiscal year ending March 2023 at JPY9.6 billion, up 11.1% YoY. The left side of the dotted line in the center of the graph shows the forecast for NITTO KOGYO’s parent-only results, and the right side shows the forecast for the Group excluding NITTO KOGYO.
NITTO KOGYO's non-consolidated operating income will increase by JPY1.25 billion.
The breakdown is as follows: The rising raw material prices are a sales factor, and income will be boosted by an increase in marginal profit and the effects of the price revisions. However, we also expect a negative impact due to changes in the product mix. As a variable cost factor, the soaring material costs will depress operating income. Fixed costs will increase, driving down income.
As for Group factors, we expect an increase in overall Group income as well, due to the impact of increased income from SunTelephone and other companies.

Facilities investment amounts and depreciation and amortization

Full year FY2021

- For the period ending March 2023, facilities investment amount is planned at 10.1 billion yen and depreciation and amortization at 4.3 billion yen
- Facilities investment amount is set to increase mainly due to construction-related costs at the Seto Plant.



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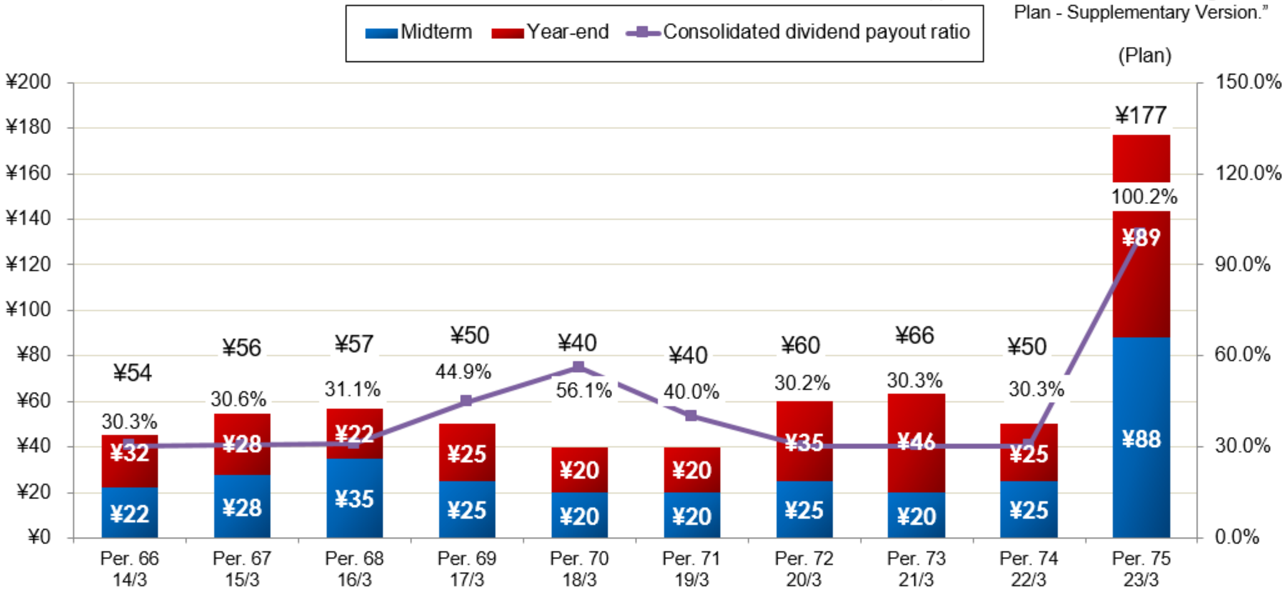
Next, we have the forecast for consolidated facilities investment and depreciation and amortization amounts. Facilities investment for the fiscal year ending March 2023 will be JPY10.1 billion, a YoY increase of JPY4.9 billion. In addition to the usual investment in renewal of the plants, there will also be an investment in the construction of the Seto Plant, and other related costs. We will also invest in the installation of an in-house power generation and storage system at the Kakegawa Plant as an environmental measure.
Depreciation and amortization expenses for the fiscal year ending March 2023 will be JPY4.3 billion, a YoY increase of about JPY100 million.

Dividend status

Full year FY2021

- In the period ended March 2022, the dividend for the year is 50 yen and the dividend payout ratio is 30.3% on a consolidated basis.
- In the period ending March 2023, dividends for the year will be 177 yen and the dividend payout ratio will be 100.2% on a consolidated basis.*

* For details, please see "2023 Mid-term Management Plan - Supplementary Version."



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Next is the dividend status.
For the fiscal year ended March 2022, we plan to pay a dividend of JPY25 per share each for H1 and H2 of the year, leading to JPY50 for the full year, with a dividend payout ratio of 30.3%.
For the current fiscal year ending March 2023, we plan to pay full-year dividends of JPY177, with a payout ratio of 100.2%. Details of the plan will be explained in the supplementary version of the medium-term management plan.

2023 Mid-term Management Plan Actual Results and Targets by segment

Full year FY2021

- We aim to return to the pre-pandemic performance level by the end of our current mid-term management plan.
- We aim to achieve our targets in each segment by focusing on overseas business.
- Costs will increase in the manufacturing, construction and service business due to factors such as amortization costs and costs associated with the construction of the Seto plant.

(Unit: 100 million yen)

	2021/3 results	2023 Mid-term management plan			Growth over 3 years
		2022/3	2023/3	2024/3	
Consolidated sales	1,379	1,327	1,450	1,500	+8.8%
Manufacturing, construction and service business	768	775	852	855	+11.3%
Distribution business	498	411	461	515	+3.2%
Electronic parts business	111	140	137	130	+16.1%
(overseas sales)	96	122	130	150	+56.0%
Consolidated operating income	123	86	96	130	+5.4%
Manufacturing, construction and service business	96	64	-	99	+2.2%
Distribution business	19	10	-	18	-7.4%
Electronic parts business	6	10	-	13	+88.6%

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I would like to talk about our medium-term management plan.
The following are the results and targets by segment in the medium-term management plan.
First of all, we have not changed our target figures. We will strive to return to pre-COVID-19 performance levels.

Next, please move on to the materials of the supplementary version of the 2023 medium-term management plan.
We have reviewed the capital policy in the 2023 medium-term management plan, which we announced on May 13, 2021, and have formulated a supplementary version.

Contents

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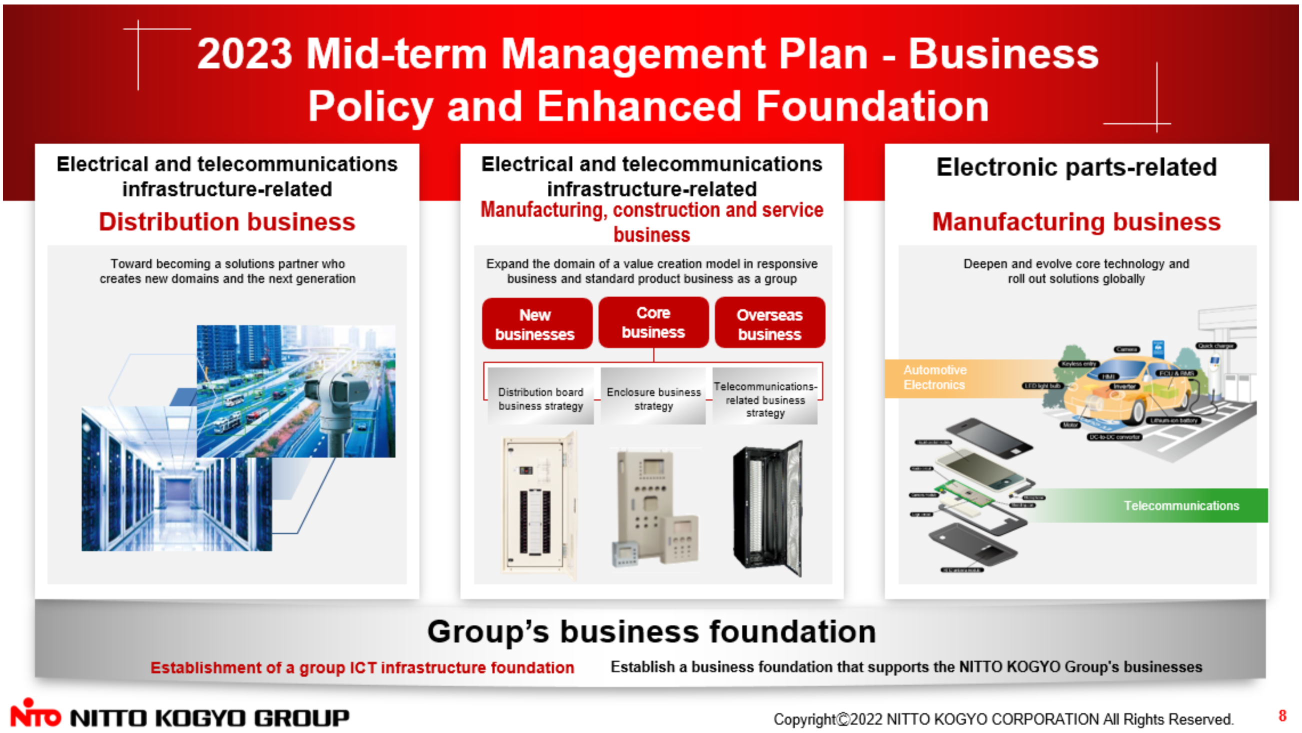
Please see page one: the table of contents.
There is no change in item one: The Long-Term Management Vision. Therefore, today I would like to talk about items two through four.



This is the progress of each business strategy in the 2023 medium-term management plan.

In the manufacturing, construction, and service segment, the customer-oriented business of designing and manufacturing products based on customers' requests is very time-consuming. However, by taking customized orders, we can quickly catch up with current trends and customer requirements.

We will mass-produce those requirement-based products as standardized products, which means that we will offer products with advantages in prices and delivery periods, or those for which standardization of work can be achieved. Thus, we will commercialize those standardized products at an early stage, publish them in catalogs, and sell them. This is one of our strengths, and we aim to ensure high profitability by expanding this strength to all Group companies.

In addition, we will focus on new businesses, such as electric vehicle charging systems, disaster prevention and mitigation products, and energy management that contributes to carbon neutrality. We will also strive to expand the overseas distribution board business, such as operations by Gathergates in Singapore, and receiving local orders actively by taking advantage of the new plant in Thailand: NITTO KOGYO BM (THAILAND). By doing so, we will focus on getting the overseas distribution board business on track for further growth.

In the distribution business, we aim to grow into a solutions partner that creates new areas and the next generation of the business. In the future, new technologies such as 5G and 6G will revitalize the telecommunications business. We will also focus on e-commerce and other systems aimed at improving the efficiency of placing orders and receiving operations.

In the electronic components-related business, we will conduct further research on and evolve our core technologies for electromagnetic noise countermeasures, such as EMC, and thermal countermeasure technologies, such as heat dissipation, to develop solutions on a global scale. In addition, we will establish the NITTO KOGYO Group's ICT infrastructure base to support the Group's business foundation.

The medium-term management plan is now in its first year, and we are making good progress in general.

This shows progress by segment.
In our core manufacturing, construction, and service business, we are focusing on building new technologies and developing next-generation products for the Seto Plant, which is scheduled to begin operations in spring 2024.
The establishment of a flexible production system that makes full use of DX will make it possible to produce custom-made products as if they were standard products, thereby further improving customer satisfaction.
We will install solar power generation systems and storage battery facilities, aiming to construct an environmentally friendly and advanced plant which is 100% powered by renewable energy.
We are developing our products with the concept of energy saving, resource saving, and long life. All of these are also progressing as planned.

2023 Mid-term Management Plan - Progress in Business Strategy

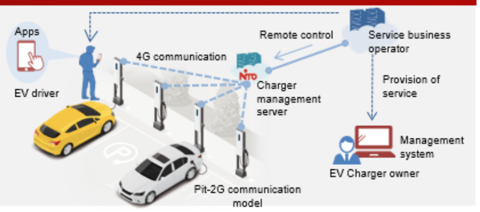
Electrical and telecommunications infrastructure-related manufacturing, construction and service business

New businesses/Overseas business

Achievements **Promotion of measures to establish a foundation that evolves business and business systems**

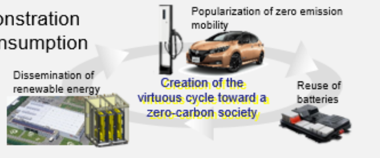
Expansion of EV charging infrastructure business

- Put on sale charger Pit-2g that incorporates a 4G communication function and can be controlled remotely and monitor operations
- Contributed to the spread of easier-to-use and reasonable charging infrastructure through contracts with large-volume service business operators



Challenge of entering energy management business

- Started the development and demonstration of an industrial solar-power self-consumption storage/battery system
- Engaged in activities to thoroughly reduce environmental footprint by combining reuse of products



Full-scale operation of NBT own plant

- Put on the market new products designed for overseas markets
- The activities to have products specified in projects worked on by local companies contributes to sales increase

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As a new business, we launched a new infrastructure product to charge up electric vehicles. By 2035, only environmentally-friendly EVs will be allowed to be sold as new vehicles. Recently, many companies have set the goal of EV100, which is to convert 100% of company vehicles to EVs. Charging up multiple EVs at the same time in a company would require an increase in the capacity of the electric facilities. It also leads to higher costs and electricity bills.

Our charging system allows EVs to be charged on a rotating basis, enabling efficient energy management. Furthermore, it is highly rated for its ease of use. We are also developing products utilizing reused batteries for EVs and reused solar panels.

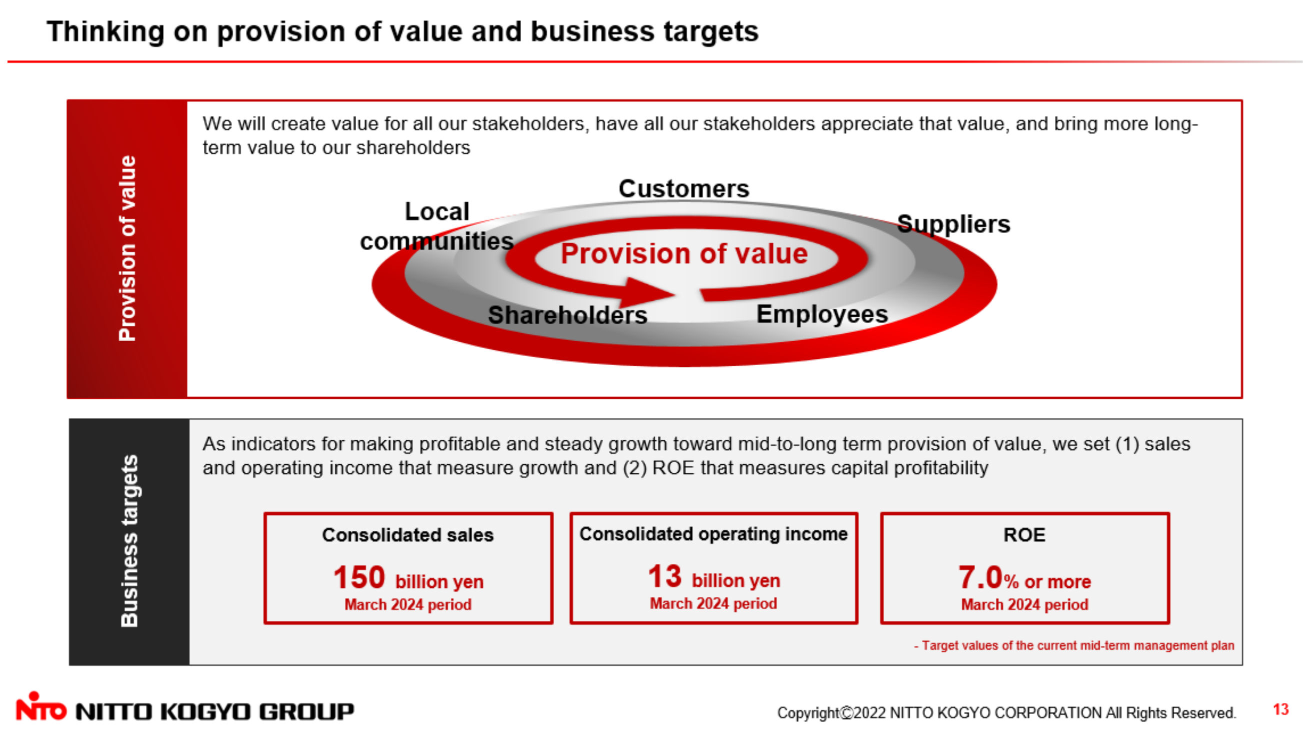
Batteries that can no longer be used in Nissan Motor's EV, the LEAF, are reused and recycled as a device to charge renewable energy. To create a new battery, limited and precious resources must be used. The disposal of batteries also costs time, labor, and money. We believe that reusing reused batteries is an environmentally-friendly process, and we will commercialize them as part of our products.

We also believe that the disposal of solar panels may become an environmental issue in the future. We aim to inspect, repair, and reuse solar panels damaged by typhoons and other events.

We announced that we have decided to install such an environmentally-friendly system at our Kakegawa Plant. At the JECA (Japan Electrical Construction Association) FAIR 2022 held since June 1, many people came to hear the explanation of this system, and we are very much looking forward to its future.

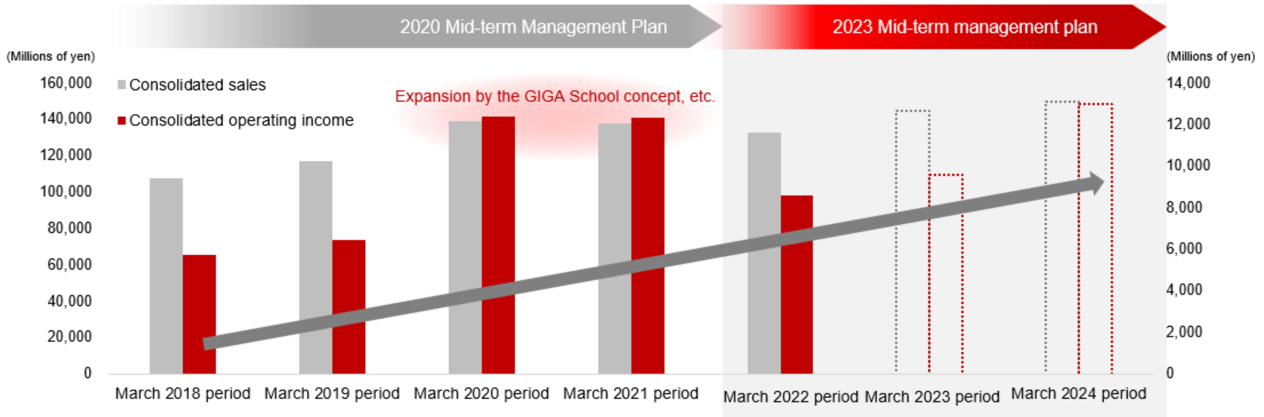
Overseas, we have built a plant in Thailand and developed products for the local market, and are now ready to expand sales. This one is also progressing almost in line with the plan.

In the distribution business, we will focus on the sale of products that contribute to the realization of a super-smart society through DX, such as 5G infrastructure projects and network cameras. We have also begun to promote our e-commerce site and expand into the facilities business.
In the electronic components-related business, new customers are being acquired through solutions activities using EMC technology. We will also focus on anti-noise measures related to EVs. We will also expand our business to overseas markets. This one is also progressing almost as planned.



We will discuss the review of and background to our capital policy.
In our medium-term management plan announced in May 2021, we set three important management indicators: net sales, operating income, and ROE. We announced our quantitative targets of JPY150 billion in consolidated net sales, JPY13 billion in consolidated operating income, and ROE of 7% or more.

Business targets (1) Sales and Operating income



Business strategy in the 2023 mid-term management plan is going well, based on a stable business foundation.
Amid the external environment dramatically changing, sales and operating income grew steadily by responding to situations flexibly.
The growth of performance was further increased for the periods ended March 2020 and March 2021 due to special demand (air-conditioning in schools and the GIGA School concept).

We will continue implementing the business strategy in the current mid-term management plan and achieve profitable and steady growth

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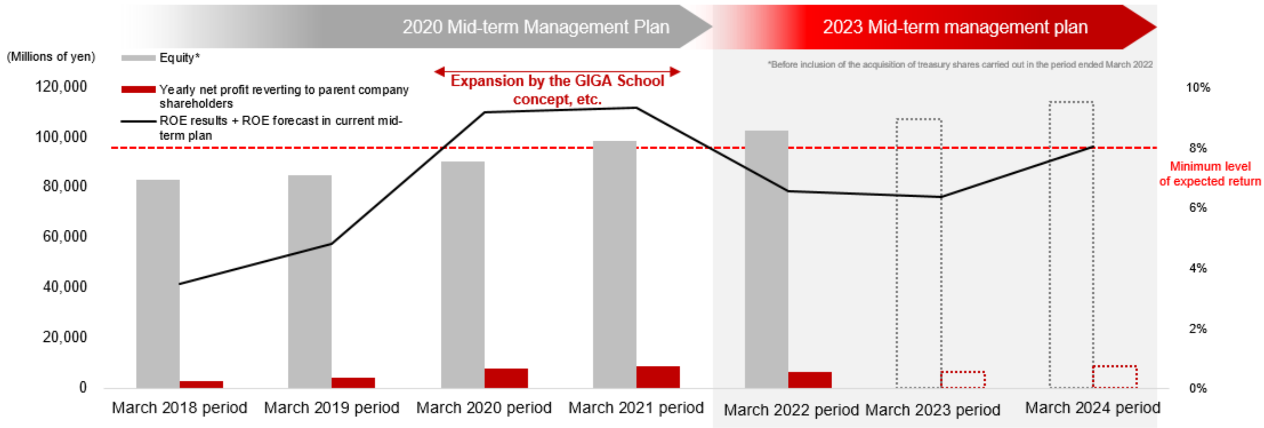
Net sales and operating income are as shown in the graph.
In the fiscal year ended March 2020, there was a large-scale project to install air conditioning systems in schools, and there was special demand for distribution boards and panel boards, resulting in sales growth of billions of yen. In the fiscal year ended March 2021, there were GIGA School projects to provide a computer for each student in Japan, leading to significant sales growth by selling enclosures that hold hubs and those that hold mobile devices.
Based on these stable business foundations, we have achieved steady growth, and by continuing to implement business strategies from our medium-term management plan, we will promote steady growth accompanied by earnings.

Business targets (2) ROE



Large investments, such as the construction of the Seto Plant, have been made steadily, based on created cash, under the 2023 mid-term management plan, however, we will see the profits during the next mid-term management plan or later.

While profit is created steadily and invested in growth, ROE will not improve significantly because of the excessive growth of equity.

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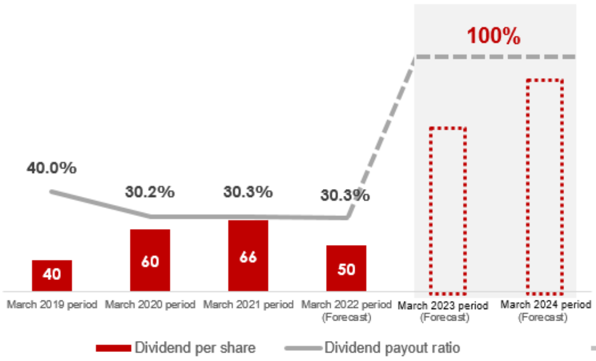
On the other hand, we assume that ROE will not grow significantly because, although the Company is using cash generated by the growth for investments in the Seto Plant and other purposes, their contribution to profits is still far away and the buildup of equity capital will precede the growth of profits. Cash generated by special demand has also been a drag on ROE growth.

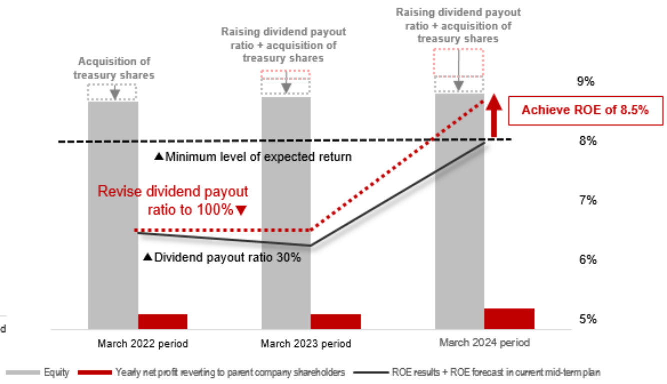
Revision of Capital Policy

Capital policy		
	Business with high capital efficiency	Raise the ROE target for the term ending March 2024, which is the final period, from 7.0% or more to **8.5%or more** by enhancing capital efficiency
	Dividend payout ratio 100%	Set the dividend payout ratio at 100% for the remaining two periods in the current mid-term management plan in order to stunt the excessive growth of equity
	Next Mid-term Management Plan	In the next mid-term management plan, shareholder return measures will be considered by taking the balance with investment return into account, toward further growth

Trends in dividend payout ratio and dividends per share



Trend in ROE



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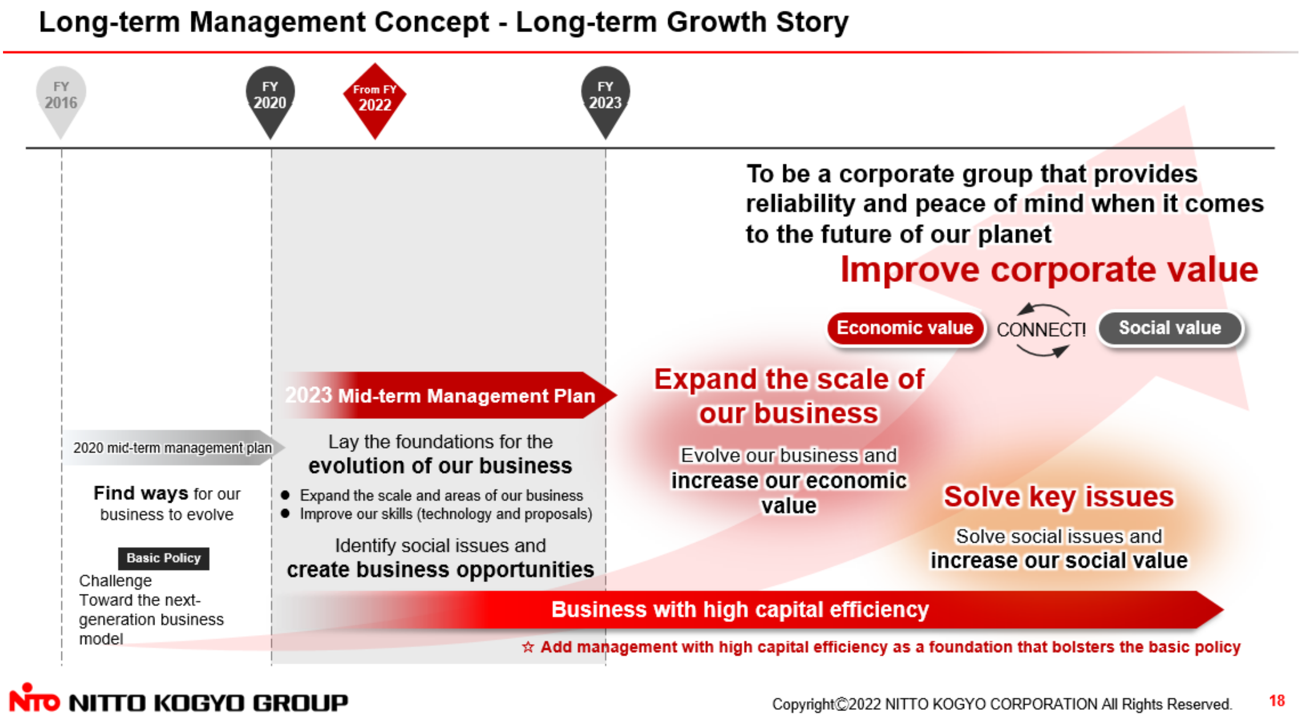
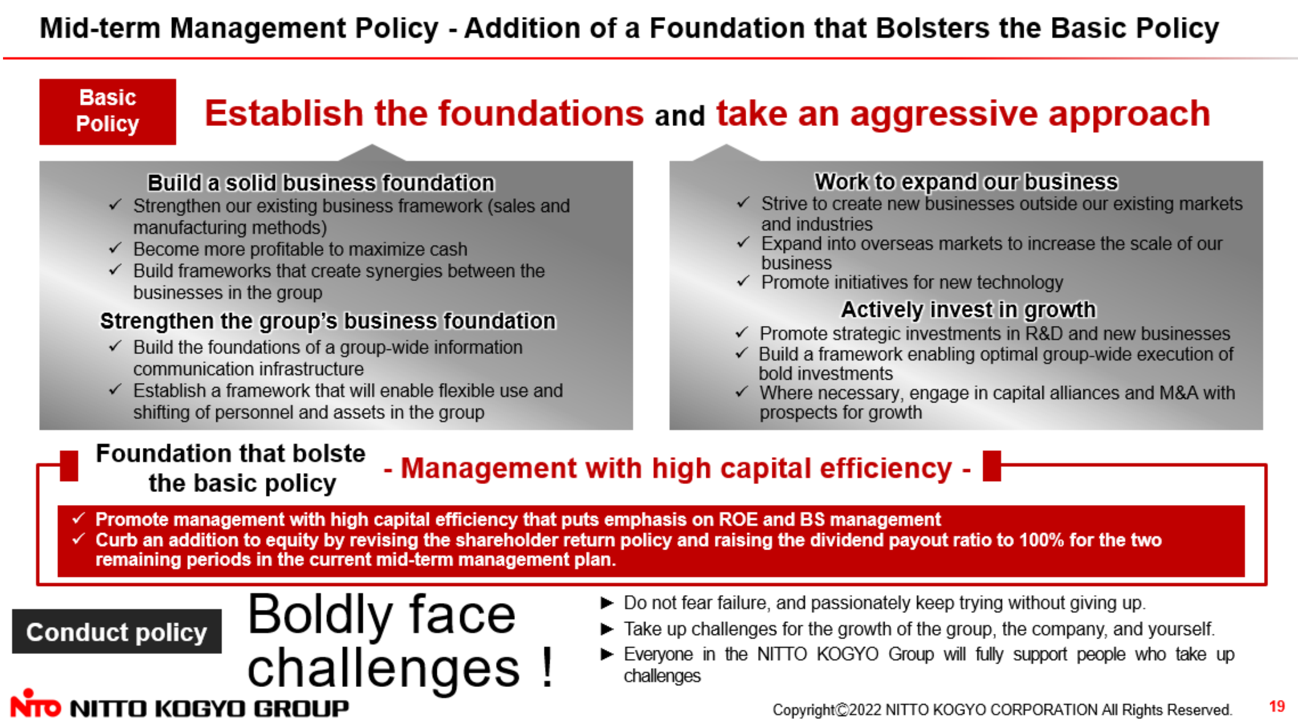
We decided to review our capital policy in light of this situation.
In order to control the bloated state of shareholders' equity and improve ROE, we will set the dividend payout ratio at 100% for the remaining two fiscal years of this medium-term management plan. We have also raised our ROE target from 7% to 8.5% or more.
This policy will be applied only for the two fiscal years, and we will re-examine the shareholder return policy in the next medium-term management plan, taking into consideration the balance between investment returns and shareholder returns.



We will discuss the supplementary version the medium-term management plan.
This is about a long-term management concept and a long-term growth story. To this picture, we have added capital efficiency management as a foundation to support the basic policies of the medium-term management plan. We will maintain this concept in the next medium-term management plan and beyond.



We will continue to follow the basic policy of "Establish the foundations and take an aggressive approach." In addition, we will promote capital efficiency management and BS management with an emphasis on ROE. As I explained earlier, we have reviewed our shareholder return policy, and will control the buildup of equity capital by raising the dividend payout ratio to 100% during the remaining two years of the current medium-term management plan.

2023 Mid-term Management Plan - Financial Targets

Consolidated sales	Consolidated operating income	ROE
150 billion yen March 2024 period	**13** billion yen* March 2024 period	7.0%➡**8.5**% or more* March 2024 period
▲	▲	▲
137.9 billion yen March 2021 period	**12.3** billion yen March 2021 period	**9.3**% March 2021 period

*This target takes into account how our results will be impacted by major investments such as the costs associated with the new plant.

- ▷ **Our focus in this mid-term management plan is on preparing (establishing the foundations) for growth from FY 2024 onward.**
- ▷ **COVID-19's impact on the market is expected to lessen from FY 2022 onward. With that in mind, we will work on recovery measures so that we can reach our pre-COVID results again by the final year of this mid-term management plan.**
- ▷ **Curb an addition to equity by raising the dividend payout ratio to 100% for the two remaining periods in the current mid-term management plan, thereby aiming to increase ROE close to the level of the most recent period.**

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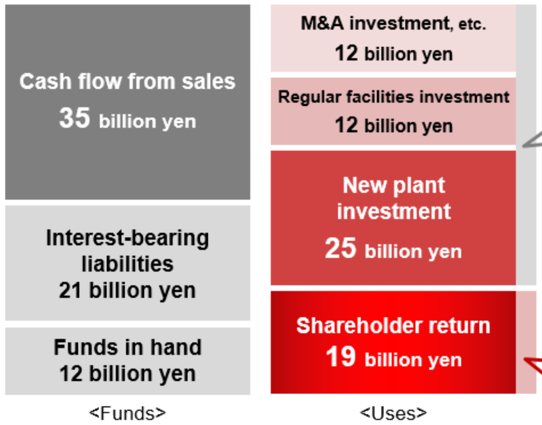
We have not changed our targets for consolidated net sales of JPY150 billion and consolidated operating income of JPY13 billion, which were shown on page 13, but we have raised our ROE target from 7% or higher to 8.5% or higher.

2023 Mid-term Management Plan - Financial Plan and Capital Measures

▷ **Prioritize investments such as facilities investments and M&A for cash flow from sales generated by our existing businesses, and then try to make a capital composition appropriate by making better use of funds on hand and liabilities**

3-year capital distribution plan (Cash allocation)



Investment policies

- ✓ Use cash flow from sales to a financing source and implement facilities investment and M&A
- ✓ Consider utilization of liabilities in the case of carrying out large business investment, facilities investment, M&A, etc., that can contribute to future growth
- ✓ Invest in maintenance and renovation of facilities, etc., within the scope of depreciation and amortization

Shareholder return policy

Dividend payout ratio will be raised to **100%** from FY 2022

	FY 2020	FY 2021	FY 2022	FY 2023
Dividend payout ratio	Approx. 30%	Approx. 30%	100%	100%
Acquisition of treasury shares	–	Approx. 4 billion yen	Implement flexibly	

* As treasury shares were purchased in FY 2021, the total payout ratio is expected to be approx. 90%

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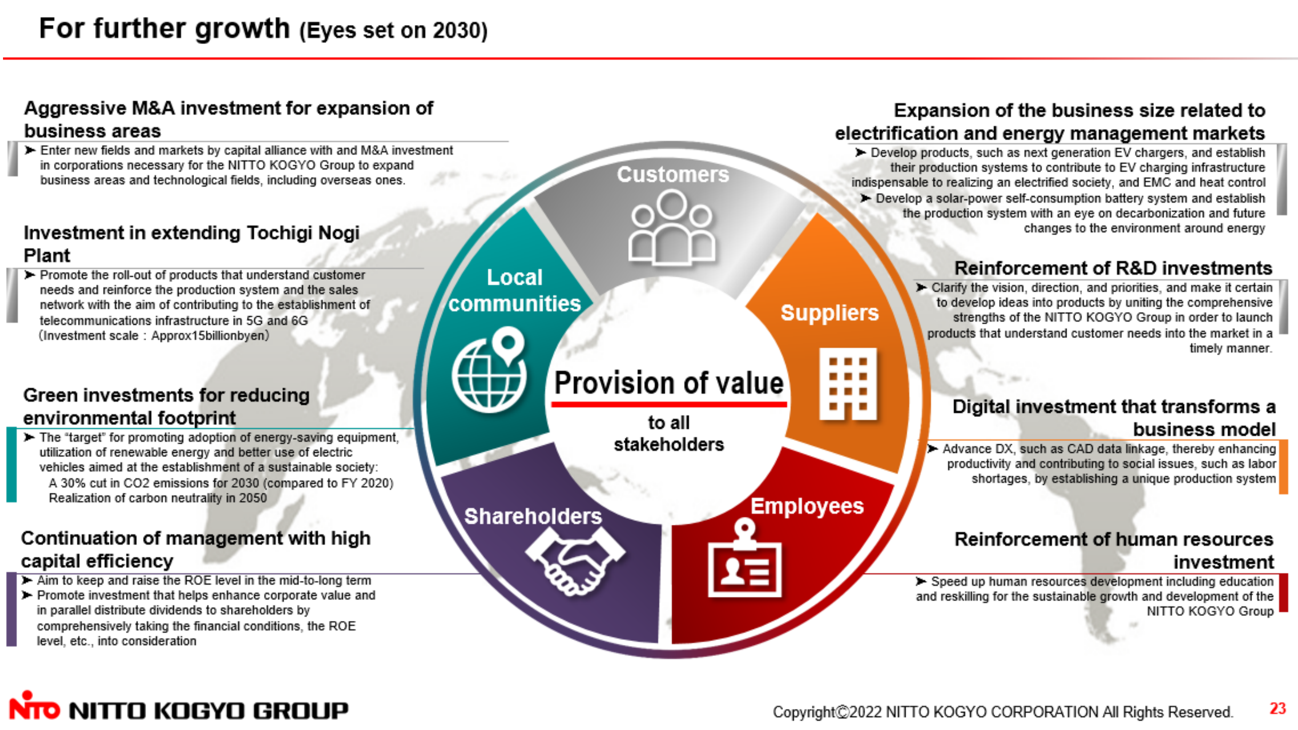
We have reviewed the capital allocation plan for the three-year period of the current medium-term management plan.

The Company will invest JPY12 billion in M&A and other purposes, JPY12 billion in regular facilities investment, JPY25 billion in new plants, and spend JPY19 billion for shareholder returns. The funds for these are expected to come from JPY35 billion in cash flow due to sales activities, to be accumulated over the three-year period, as well as cash on hand and borrowings.



We will explain some of our initiatives for further growth.

From the top right, we aim to expand the scale of the power-charging system that contributes to the development of infrastructure for EVs, as I mentioned earlier, and the energy management business that contributes to decarbonization. In addition, we need to strengthen our investment in research and development to develop new products, and we aim to collaborate with universities and other companies to develop products and conduct research in a timely manner.

We will also strengthen digital investments that transform our business model and investments in human resources.

From the top left, aggressive M&A investment will be conducted to expand related businesses. In addition, we will spend JPY15 billion to expand the Tochigi Nogi Plant and meet the growing demand for telecommunications-related products.

We are committed to providing value to all stakeholders through green investment to reduce environmental burden and by continuing capital efficiency management. We look forward to your continued guidance and support.

This concludes my explanation. Thank you for listening.

[END]