

Financial Results for the Second Quarter of Fiscal Year 2022 (April 1, 2022 - March 31, 2023)

NITTO KOGYO CORPORATION

Stock code: 6651

Future projections in this material such as prospective business results, etc., are based on currently available information and given premises determined to be rational, and do not constitute guarantees that such results will be achieved. Therefore, actual business results may differ significantly depending on various factors. As well, for ease of display, some figures may differ from those publicly released.

**Although sales reached its highest,
the first-half plan was not achieved.
Full-year plan has been partially revised.**

- **Despite a year-on-year sales increase (the highest for a second quarter), sales fell short of the assumption mainly due to difficulty in procurement of materials.**
- **Factors such as rising raw material prices, which were higher than assumed, cut into profits although there were the effects of price revisions and foreign exchange gains.**
- **Whereas sales are on a recovery trend, the rising raw material prices and others are affecting earnings significantly. Accordingly, numbers in the full-year plan, excluding sales, have been revised downward.**

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1. Overview of accounts period ending in March 2023, second quarter

2nd quarter consolidated account highlights

2Q FY2022

- Business results for the second quarter of the period ending in March 2023 showed increased sales and decreased profits. Although sales were a record high for a second quarter, the results fell short of the first-half plan, announced at the beginning of the period, in all profit items.
- Although sales of system racks and others declined due to the contraction of 5G-related projects, consolidated sales grew on the back of solid demand mainly in the automotive market in addition to a rise in sales of distribution/panel boards resulting from a pickup in corporate facilities investment.
- Operating income fell due primarily to the strong impact of rising raw material prices.
- Ordinary income decreased despite foreign exchange gains on loans made to overseas group companies.

(Unit: million yen)

	2022/3	2023/3			
	2Q results	2Q results	YoY comparison	First-half plan	Vs. First-half plan
Sales	61,014	65,601	7.5%	67,000	-2.1%
Operating income	3,902	2,171	-44.4%	3,500	-38.0%
Ordinary income	4,059	2,955	-27.2%	3,500	-15.6%
Quarterly net profit reverting to parent company shareholders	2,622	1,698	-35.2%	1,800	-5.7%

Business segments

Electronic parts-related manufacturing business

Manufacturing and sales of electromagnetic wave environment components and precision engineering components



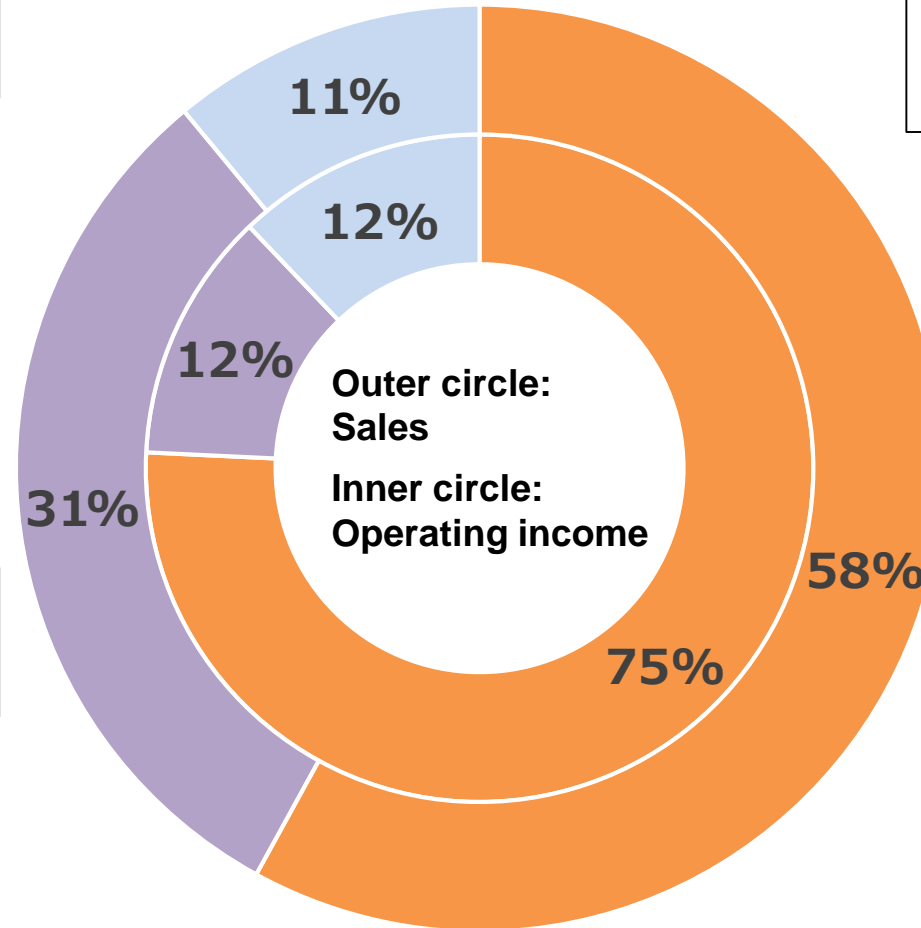
Electrical and telecommunications infrastructure-related manufacturing Distribution business

Purchases and sales of telecommunications equipment and materials



Electrical and telecommunications infrastructure-related manufacturing Construction and service business

Design, manufacturing, and sales of distribution/panel boards, control panel boards, etc., and construction work such as installation and maintenance of electrical facilities



*2022/3 results Percentages may not total 100 due to rounding.

2nd quarter account highlights by segment

2Q FY2022

- Although sales of system racks, etc., fell resulting from fewer 5G-related projects, the construction and service business posted a sales increase due to a rise in sales of distribution/panel boards aided by a pickup in corporate facilities investment. However, segment profits decreased mainly due to the impact of rising raw material prices.
- The distribution business booked increases in both sales and profits due to a rise in sales of network equipment as projects mainly for data centers grew despite a fall in 5G-related projects.
- In the electronic components business, segment sales increased due to a rise in sales of EMC-related products, etc., on the back of robust demand in automotive, air-conditioning and other markets. Nonetheless, segment profits decreased due primarily to rising raw material prices and an increase in selling, general and administrative expenses (SGA).
- Despite reporting a year-on-year sales increase, all segments except the electronic parts business failed to achieve their first-half plan.

(Unit: million yen)

By segment		2022/3	2023/3			
		2Q results	2Q results	YoY comparison	First-half plan	Vs. First-half plan
Sales	Construction and service business	36,104	37,976	+5.2%	39,100	-2.9%
	Distribution business	17,959	20,104	+11.9%	21,100	-4.7%
	Electronic parts business	6,950	7,519	+8.2%	6,800	+10.6%
	Total	61,014	65,601	+7.5%	67,000	-2.1%
Operating income	Construction and service business	2,651	1,380	-47.9%	-	
	Distribution business	324	518	+59.6%	-	
	Electronic parts business	909	272	-70.0%	-	
	Total	3,902	2,171	-44.4%	3,500	-38.0%

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

Construction and service business (sales by division) for the second quarter

- The distribution boards division posted a sales increase mainly due to an increase in sales of distribution/panel boards resulting from signs of a recovery in corporate facilities investment.
- The enclosure division booked a sales decrease primarily due to a decrease in sales of system racks in the wake of fewer 5G-related projects.
- The breakers/switches/parts/other divisions increased sales primarily because of higher sales of EV charging stands.
- The construction and service division recorded a sales increase as electric and telecommunications construction grew for renovation projects of factory buildings and offices.
- All divisions failed to achieve their first-half plan.

(Unit: million yen)

Sales by division		2022/3	2023/3			
		2Q results	2Q results	YoY comparison	First-half plan	Vs. First-half plan
Construction and service business	Distribution boards	18,074	20,872	+15.5%	21,400	-2.5%
	Enclosure	10,660	9,567	-10.3%	9,800	-2.4%
	Breakers/switches/parts/other	5,693	5,704	+0.2%	6,000	-4.9%
	Construction/service	1,675	1,831	+9.3%	1,900	-3.6%
Total		36,104 (2,205)*	37,976 (1,906)	+5.2%	39,100	-2.9%
Consolidated overall total		61,014	65,601	+7.5%	67,000	-2.1%
Consolidated sales composition ratio		59.2%	57.9%	-1.3%	58.4%	-0.5%

*Parentheses refer to internal sales between segments

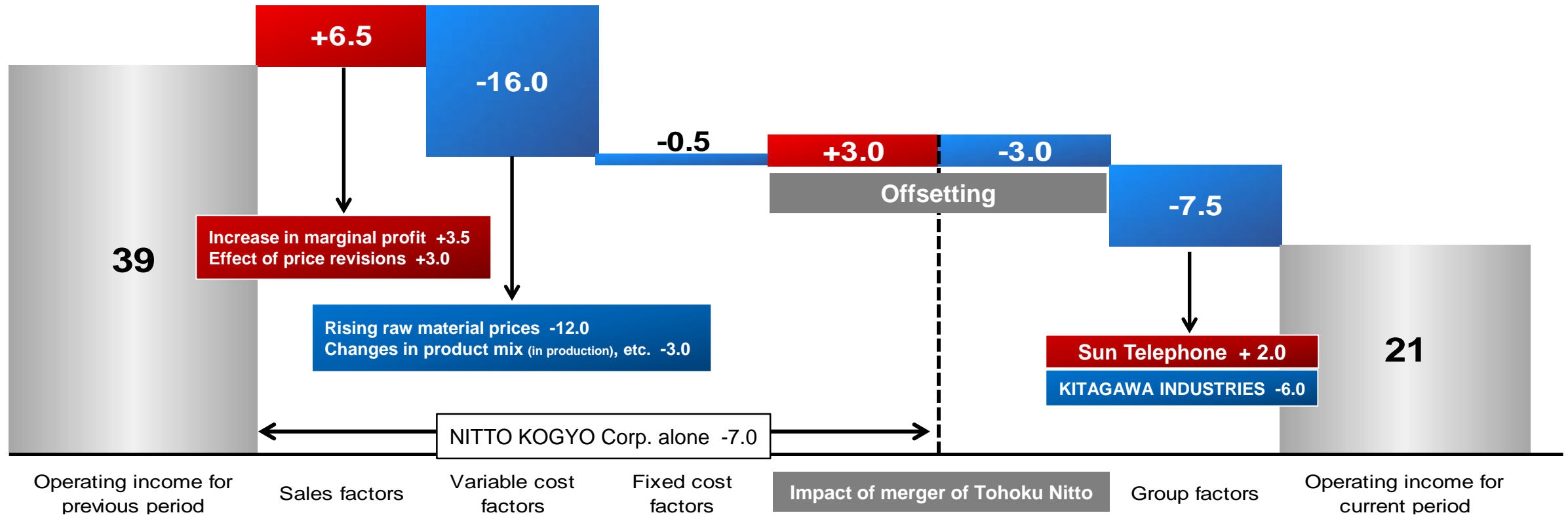
Factors in changes in 2nd quarter consolidated operating income (YoY)

- As for the non-consolidated factors of NITTO KOGYO Corp., profits decreased mainly due to rising raw material prices and change in the product mix despite a rise in marginal profit resulting from higher sales and the effect of price revisions.
- In group factors, profits declined as KITAGAWA INDUSTRIES, etc., decreased profits year on year although SunTelephone increased profits.

(Unit: 100 million yen)

[Results for 2Q March 2022 period]

[Results for 2Q March 2023 period]



*The classification of "Changes in product mix (in sales)" has been changed from variable cost factors to sales factors, from the forecasts for the period ending March 2023.

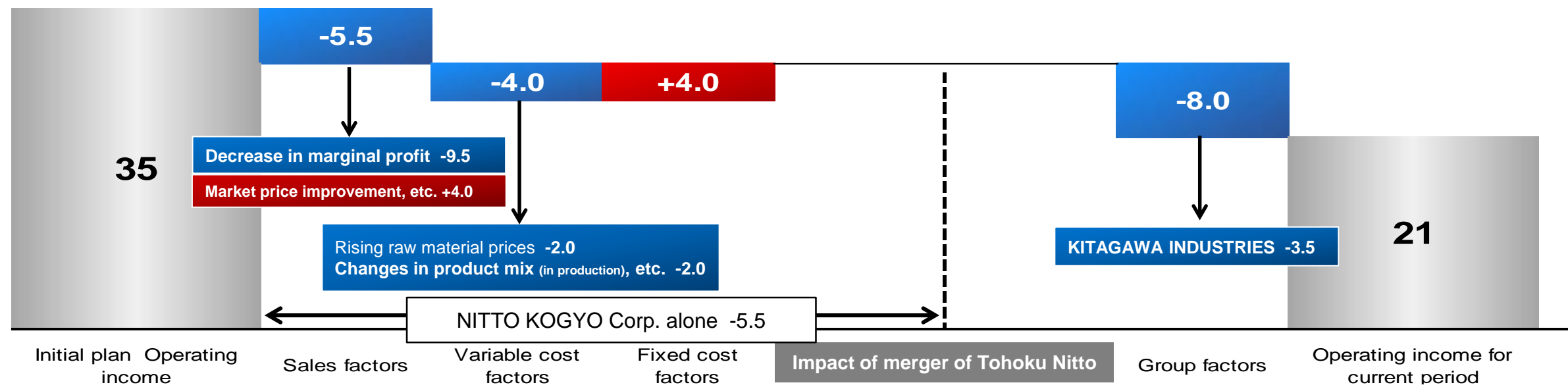
Factors in changes in 2nd quarter consolidated operating income (vs. Plan)

- As for the non-consolidated factors of Nitto Kogyo Co., Ltd., marginal profit was expected to increase due to an increase in sales. However, sales were lower than the initial assumption, which became a profit-decreasing factor.
- As for group factors, KITAGAWA INDUSTRIES, etc., fell short of the initial assumption due to the impact of rising raw material prices and other factors, which became a profit decreasing factor.

(Unit: 100 million yen)

[Plan for 2Q March 2023 period]

[Results for 2Q March 2023 period]



*The classification of "Changes in product mix (in sales)" has been changed from variable cost factors to sales factors, from the forecasts for the period ending March 2023.

2nd quarter consolidated cash flow statement

2Q FY2022

- Cash equivalents decreased by 5,303 million yen from the beginning of the period ending March 2023 to 23,016 million yen.

(Unit: million yen)

2022/3 2Q	
Beginning balance of cash and cash equivalents	34,301
CF due to sales activities	4,913
CF due to investment activities	-3,033
CF due to financial activities	-4,988
Effect of exchange rate changes on cash and cash equivalents	208
Ending balance of cash and cash equivalents for the quarter	31,401

<2022/3 2Q Main factors>

■ CF due to investment activities

Expenditure due to acquisition of fixed assets -3,072

■ CF due to financial activities

Decreased short-term loans payable -3,079

Payment of dividends -1,864

2023/3 2Q	
Beginning balance of cash and cash equivalents	28,319
CF due to sales activities	550
CF due to investment activities	-5,557
CF due to financial activities	-1,084
Effect of exchange rate changes on cash and cash equivalents	788
Ending balance of cash and cash equivalents for the quarter	23,016

<2023/3 2Q Main factors>

■ CF due to investment activities

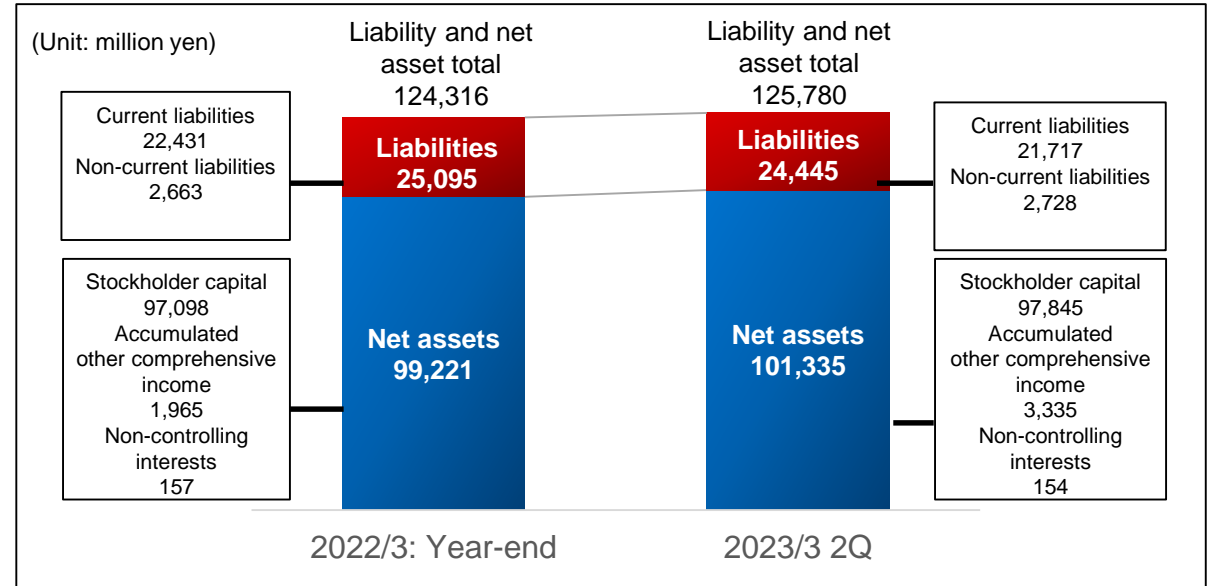
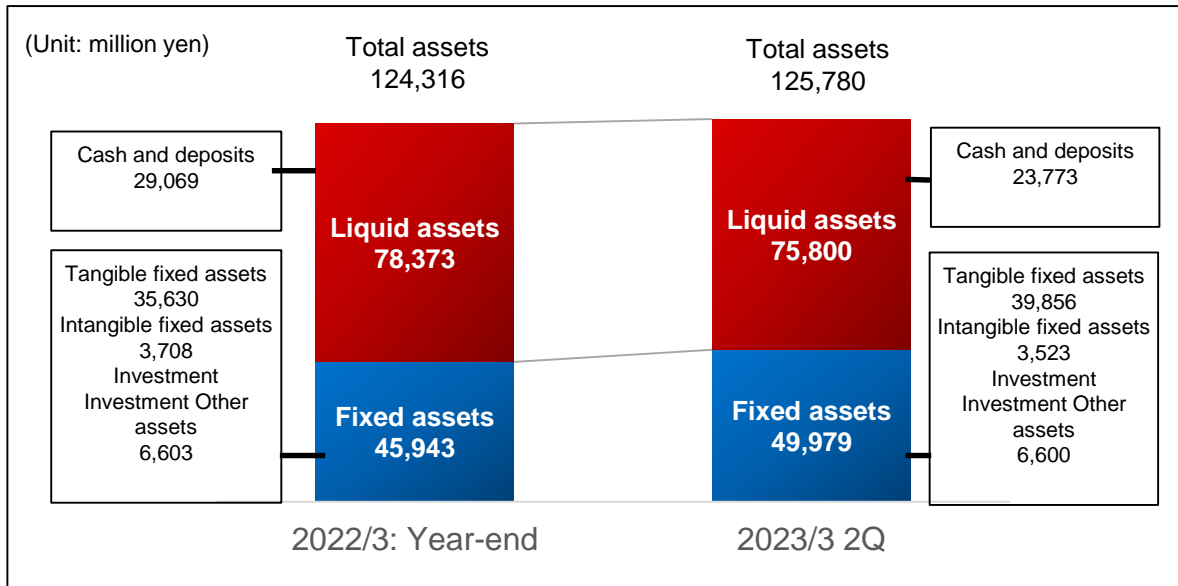
Expenditure due to acquisition of fixed assets -5,599

■ CF due to financial activities

Payment of dividends -945

Overview of consolidated finances for the second quarter

■ Decrease in cash and deposits, and increases in inventories and construction in progress related to the Seto Plant



<Main changes>

■ Assets

Decreased cash and deposits	-5,296
Decreased trade receivables	-2,270
Increased inventories	+4,302
Increased construction in progress	+4,600

■ Liabilities

Decreased accrued income taxes	-302
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■ Net assets

Dividends of surplus	-950
Quarterly net income	+1,698
Increased foreign currency translation adjustment	+1,431

2. Key topics

(1) Status of the impact of rising raw material prices and status of procurement

- The rising raw material prices decreased operating income by 1.2 billion yen in the first half. Consequently, the full-year negative impact was revised from 2.0 billion yen to 2.7 billion yen.
- Regarding difficulty in procurement, the tight supply situation continues in general, although some materials saw signs of an easing. Toward the second half, the situation is expected to ease gradually, as assumed at the start of the period ending March 2023.

	Initial assumption	First-half results	Second-half assumption	Change from the initial assumption
Rising raw material prices <small>* Year-on-year change in operating income</small>	<small>[Full year impact]</small> -2.0 billion yen	-1.2 billion yen	-1.5 billion yen	<small>[Full year impact]</small> -2.7 billion yen <small>(-7 billion initially assumed)</small>
Difficulty in procurement	Tight supply → Easing trend	Tight supply will remain in general although some items will see an easing.	on an easing trend	No

[Risks related to the outlook for 3Q and beyond]

- ✓ A further surge in raw material prices primarily due to the prolongation of the Ukraine crisis and fluctuations in foreign exchange rates
- ✓ Continuation and aggravation of material procurement difficulty due to prolonged disruptions of the supply chain

(2) Status of the effect of price revisions

- The price revisions made in July of this year became a factor in increasing operating income by about 0.3 billion yen in the first half as assumed.
- An effect of 1.5 billion yen is expected for the second half (No change from the initial assumption).

	Assumption	First-half results	Second-half assumption	Change from the initial assumption
Effect of price revisions	[Full year impact] +1.8 billion yen (in operating income)	YoY +0.3 billion yen	YoY +1.5 billion yen	No

(3) Capital and business alliance (overview)

2Q FY2022

NITTO KOGYO has subscribed to shares through a third-party allotment implemented by SANSHA ELECTRIC MFG CO., LTD. and enter into a contract related to a capital and business alliance.

(Disclosed on November 8, 2022)

[Corporate information of the capital and business alliance partner]

Company name	SANSHA ELECTRIC MFG CO., LTD. SanRex
Location of head office	3-1-56, Nishiawaji, Higashiyodogawa-ku, Osaka
Representative	Representative Director & President Hajimu Yoshimura
Capital	2,774,277,500 yen
Foundation	March 1933
Sales	22,675,000,000 yen (results of the period ended March 2022)
Market listing	Tokyo Stock Exchange Standard Market (Stock code: 6882)
Business outline	<ol style="list-style-type: none">1. Manufacture and sale of electrical machinery and equipment2. Manufacture and sale of semiconductors and applied machinery and equipment3. Manufacture and sale of medical equipment4. Installation of machinery and equipment, electric wiring and piping servicing5. Any secondary activity related to the above

[Alliance details]

- ✓ NITTO KOGYO will make a capital contribution to SANSHA ELECTRIC MFG CO., LTD. (approx. 0.6 billion yen)
- ✓ This contribution will make our ownership rate exceed 5% on the basis of voting rights.

[Contract conclusion date]

November 8, 2022

[Outlook of business performance]

As of the present, the impact on the consolidated financial results for the period ending March 2023 will be minimal.

(Products)



Power semiconductor



Power supply equipment

(3) Capital and business alliance (Our vision)

2Q FY2022

Build a strong partnership in the business area of “energy management” and aim to contribute to the realization of a decarbonized society.

NITTO NITTO KOGYO CORPORATION

Challenge of entering energy management business

Expansion of EV charging infrastructure business



SanRex SANSHA ELECTRIC MFG CO., LTD.

Power conversion technology

- ✓ Build products and services by leveraging the knowledge, information, and knowhow of both parties.
- ✓ Create new products that fuse the power electronics technology of SANSHA ELECTRIC MFG CO., LTD. and the product lines of our company.
- ✓ Aim to cooperate in the maintenance and service businesses at the group companies of both parties.

Contribute to the realization of a decarbonized society

3. Forecast of consolidated results for the accounts period ending in March 2023

Rising raw material prices

- Whereas the period ended March 2022 was affected from the second half, the period ending March 2023 will be influenced throughout the period.
- Prices are expected to surge higher than the initial assumption in the period ending March 2023 due to the Ukraine crisis and the impact of currency fluctuations.

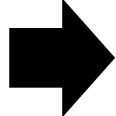
Difficulty in procurement

- For the period ending March 2023, the tight supply situation continued in general during the first half, although there were signs of easing with some materials.
- Toward the second half, the supply situation is expected to ease gradually, as assumed at the start of the period ending March 2023.

Effect of rising raw material prices (on operating income)

<Compared to 2022/3>

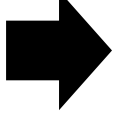
Will worsen by 0.7 billion yen from the initial assumption

-2.0 billion yen  **-2.7** billion yen

2023/3 (Initial assumption) 2023/3 (Revised assumption)

Change from the initial assumption: Yes

Situation of difficulty in procurement

Tight supply  **on an easing trend**

2022/3 2023/3

Change from the initial assumption: No

[Premises of the plan for the year] Price revisions

Change from the initial assumption: No

<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 percentage change in prices

Product lines to be affected	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%

Forecast of consolidated results for the year

- The forecast of consolidated results for the year excluding sales has been revised downward due to the failure to achieve the first-half plan and the revision to the assumed outlook.
- Sales are expected to expand due to a sales increase in existing markets accompanying a recovery in demand for facilities investment (The initial plan remains unchanged).
- Income items are expected to decrease mainly due to the impact of rising raw material prices despite several positive factors such as an increase in marginal profit by a sales increase and the effect of price revisions.

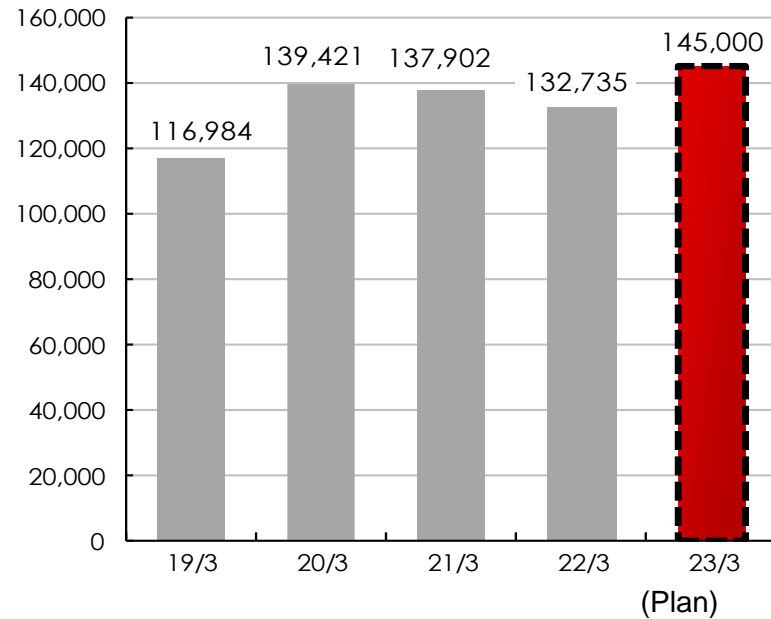
(Unit: million yen)

	2022/3		2023/3					
	2Q results	Results for the year	2Q results	YoY comparison	Plan for the year (Before revision)	Plan for the year (After revision)	(YoY)	Vs. Plan before revision
Sales	61,104	132,735	65,601	+7.5%	145,000	145,000	+9.2%	-
Operating income	3,902	8,637	2,171	-44.4%	9,600	7,600	-12.0%	-20.8%
Ordinary income	4,059	9,412	2,955	-27.2%	10,000	8,400	-10.8%	-16.0%
Yearly net profit reverting to parent company shareholders	2,622	6,607	1,698	-35.2%	6,700	5,300	-19.8%	-20.9%

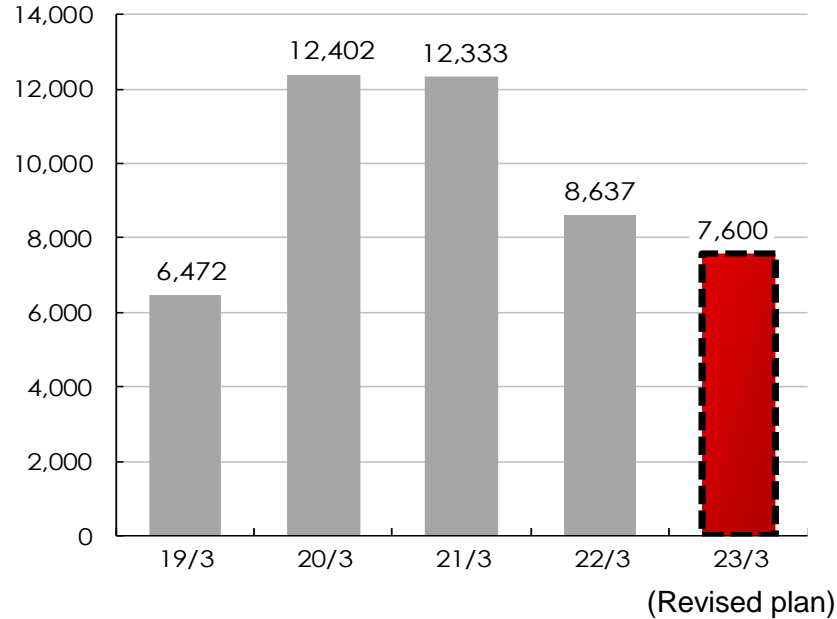
Consolidated performance trends

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

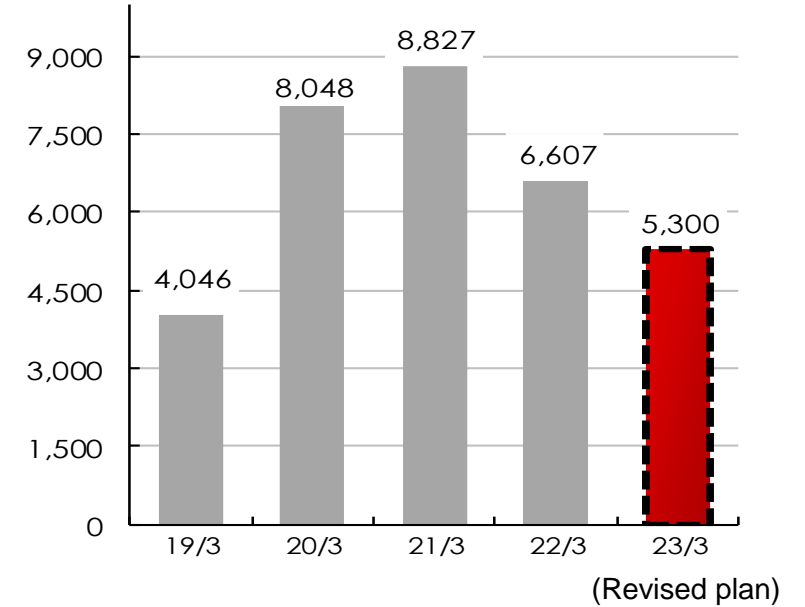
■ Sales



■ Operating income



■ Yearly net profit reverting to parent company shareholders (Unit: million yen)



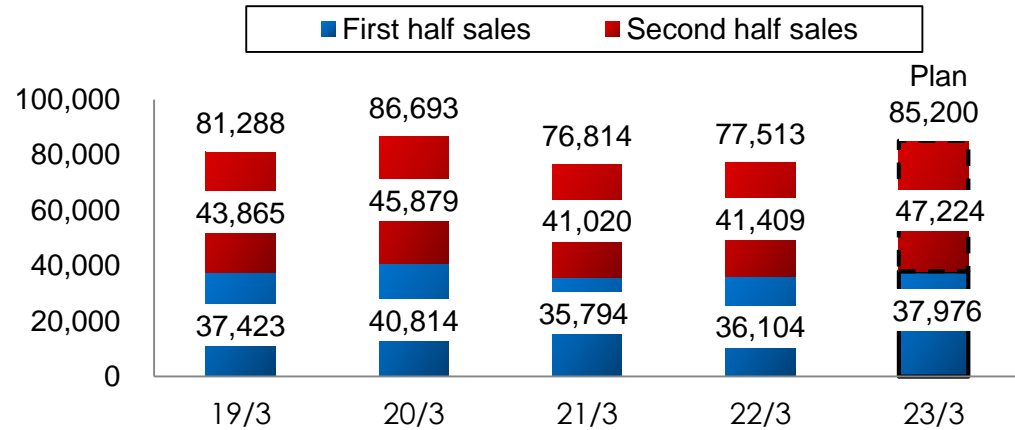
	19/3	20/3	21/3	22/3	23/3 (Revised plan)
Sales	116,984	139,421	137,902	132,735	145,000
Operating income	6,472	12,402	12,333	8,637	7,600
Yearly net profit reverting to parent company shareholders	4,046	8,048	8,827	6,607	5,300

Business forecast by segment (Manufacturing, construction and service business)

Forecast for the year (sales)

85,200 million yen (YoY +9.9%)

(Unit: million yen)



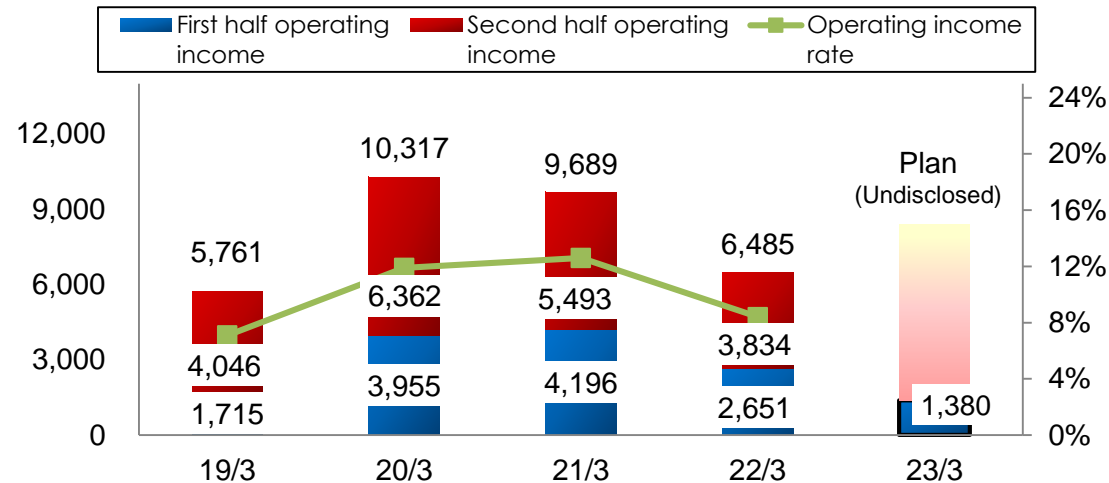
Forecast for the year

- The impact of COVID-19's and difficulty in procuring materials are expected to ease gradually, and sales are projected to increase due to a recovery in demand in existing markets and a sales increase accompanying the price revisions of July 2022.

Approaches

- Further step up measures to respond to difficulty in procurement.
- Implement sales activities with an emphasis on the profitability of Gathergates Group Pte Ltd

(Unit: million yen)



* Segments have been changed since the period ended March 2022. Numbers in the past are the total of the "distribution board-related production" and the "construction/service business," which were former segment classifications.

Figures may not match those shown in other publicly available documents due to rounding.

Main group companies: Yearly forecast

*: Changes from the initial outlook

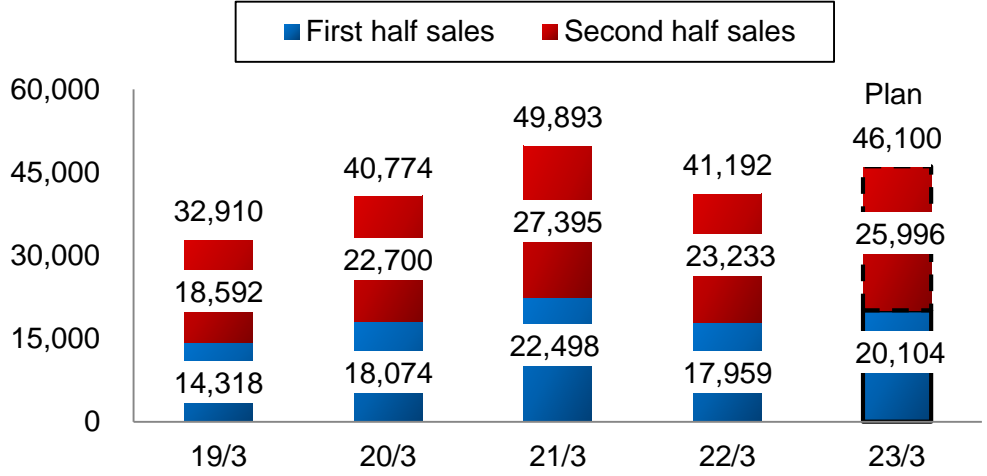
	Company name	Sales (YoY)	Operating income	Impact level on group profit
Japan	NITTO KOGYO Corp.		*	High
	AICHI ELECTRIC WORKS			Low
	NANKAIDENSETSU		*	Low
	Taiyo Electric Mfg.			Low
Overseas	Gathergates Group		*	Low
	NITTO KOGYO BM(THAILAND)			Low

Business forecast by segment (Distribution business)

Forecast for the year (sales)

46,100 million yen (YoY +11.9%)

(Unit: million yen)



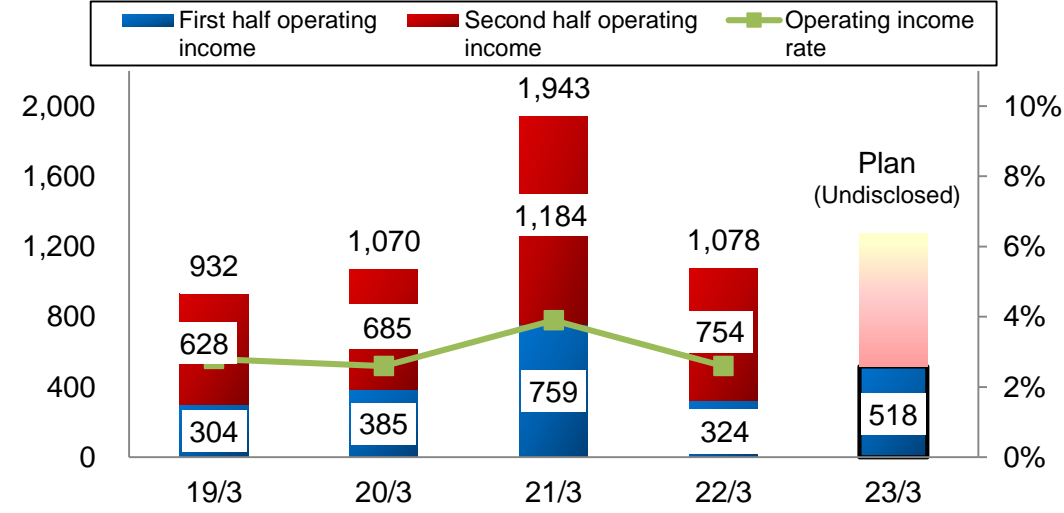
Forecast for the year

■ Demand for office-related projects is expected to recover gradually despite the lingering impacts of COVID-19's 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.

(Unit: million yen)



Main group companies: Yearly forecast

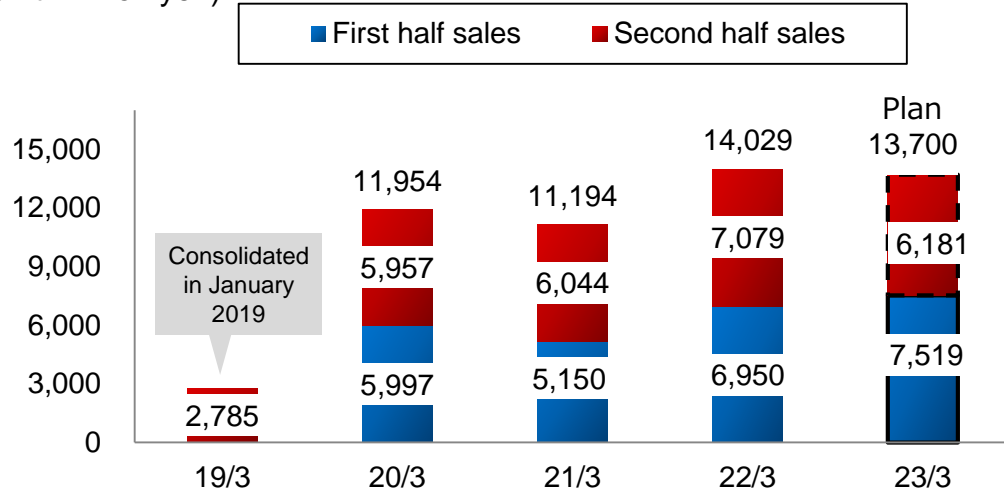
Company name		Sales (YoY)	Operating income	Impact level on group profit
Japan	SunTelephone			Medium
	SOECO			Low
Overseas				

Business forecast by segment (Electronic parts business)

Forecast for the year (sales)

13.700 million yen (YoY -2.3%)

(Unit: million yen)



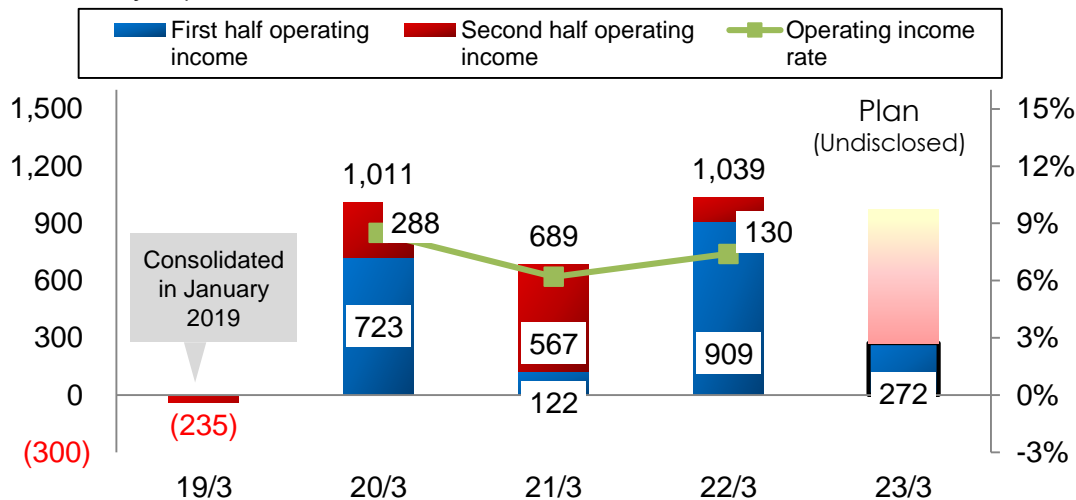
Forecast for the year

- 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 expected 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.

(Unit: million yen)



Main group companies: Yearly forecast

*: Changes from the initial outlook

Company name	Sales (YoY)	Operating income	Impact level on group profit
KITAGAWA INDUSTRIES		*	Medium

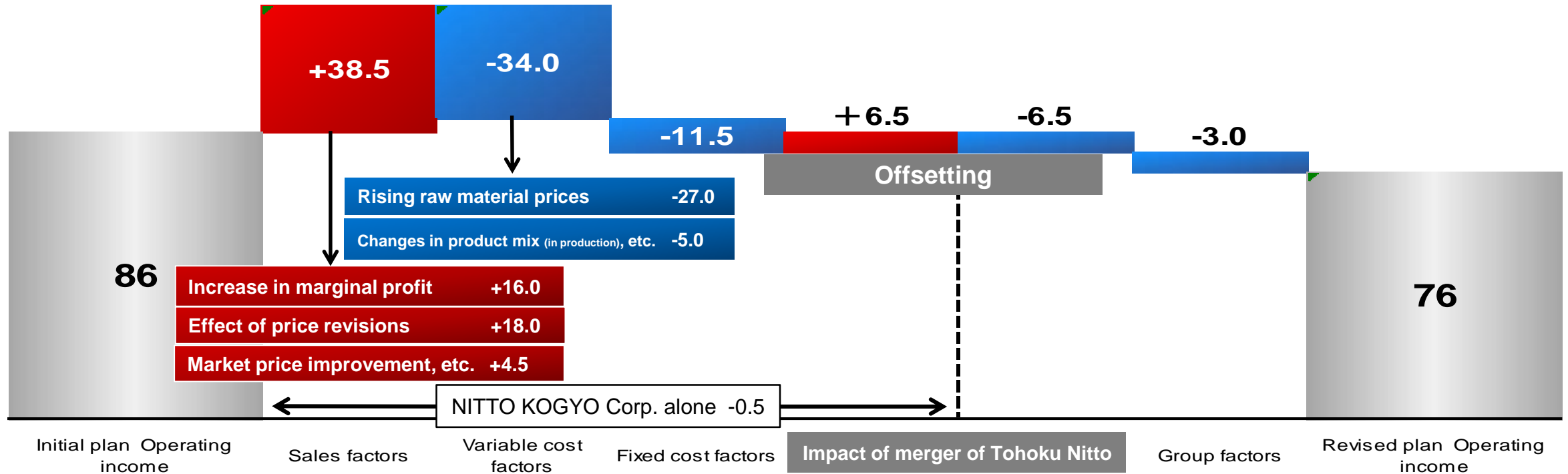
Factors in changes in yearly consolidated operating income (forecast for this year, YoY)

- Consolidated operating income for period ending in March 2023 is forecast to decrease 12% year on year to 7.6 billion yen (revised in November 2022).
- For NITTO KOGYO Corp. alone, rising raw material prices and others will become profit-decreasing factors although there are increases in marginal profit and the effect of price revisions.
- For the Group, matters such as a decrease in profit mainly due to an increase in selling, general and administrative expenses at KITAGAWA INDUSTRIES, will become profit-decreasing factors.

(Unit: 100 million yen)

[Initial Plan for the Period Ended March 2022]

[Revised plan for the Period Ending March 2023]



*The classification of "Changes in product mix (in sales)" has been changed from variable cost factors to sales factors, from the forecasts for the period ending March 2023.

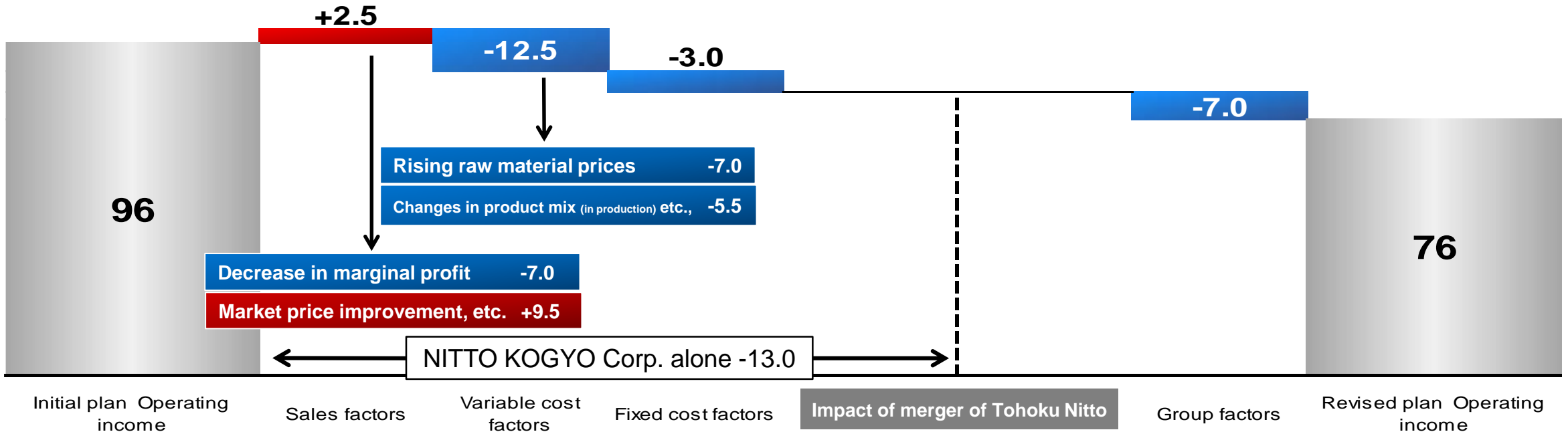
Factors in changes in yearly consolidated operating income (forecast for this year vs. the plan)

- As for the non-consolidated factors of Nitto Kogyo Co., Ltd., lower expected sales than the initial assumption, rising raw material prices, etc., will become factors in pushing down planned numbers despite positive factors such as market price revisions being higher than assumed.
- As for group factors, KITAGAWA INDUSTRIES, etc., will become factors in pushing down planned numbers due to rising raw material prices being higher than assumed and an increase in selling, general and administrative expenses (SGA).

(Unit: 100 million yen)

[Initial Plan for the Period Ended March 2022]

[Revised plan for the Period Ending March 2023]

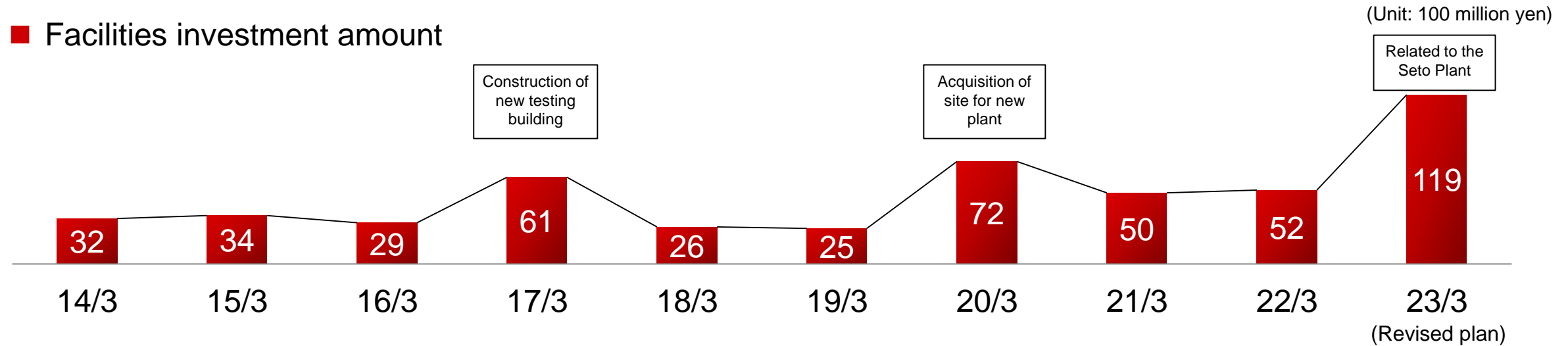


*The classification of "Changes in product mix (in sales)" has been changed from variable cost factors to sales factors, from the forecasts for the period ending March 2023.

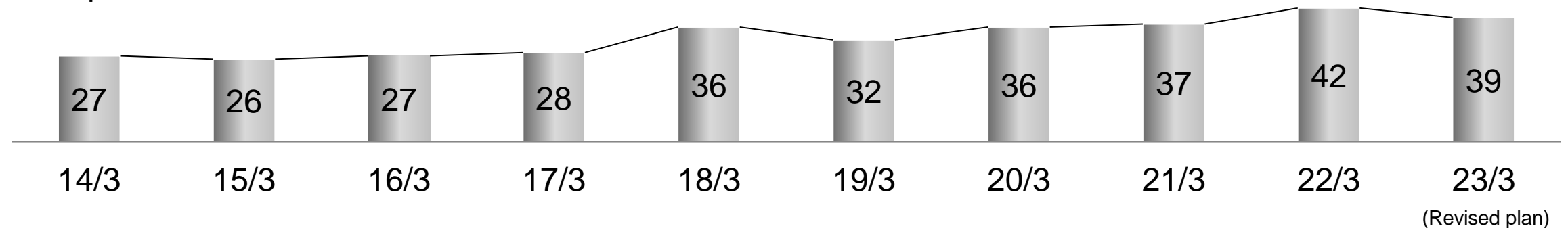
Facilities investment amounts and depreciation and amortization

- The planned values for the period ending March 2023 have been revised (Facilities investment amount from 10.1 to 11.9 billion yen and depreciation and amortization from 4.3 to 3.9 billion yen).
- The facilities investment amount increased because the construction of the Seto Plant was partly ahead of the initial plan.
- Depreciation and amortization decreased primarily due to a delay in delivery of some of the machinery.

■ Facilities investment amount



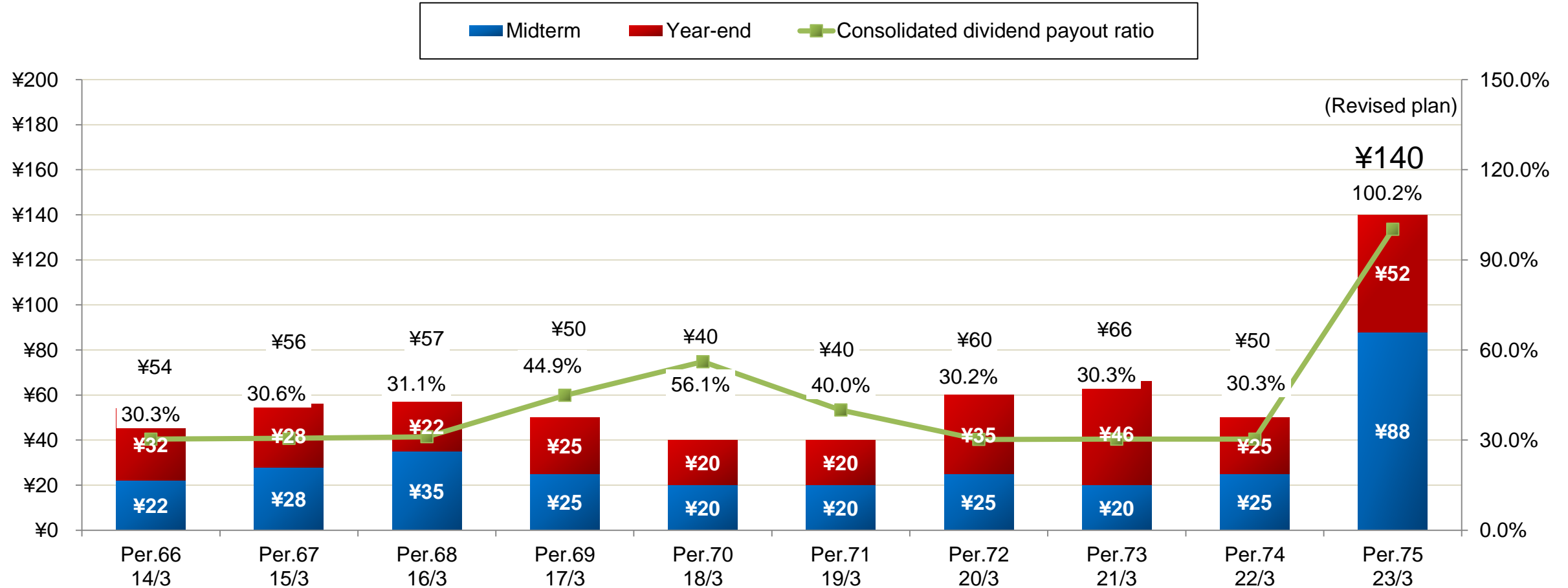
■ Depreciation and amortization



*Rounded at 10 million yen

Dividend status

- The interim dividend will be 88 yen, unchanged from the initial plan.
- The year-end dividend has been revised from 89 yen to 52 yen as a result of the downward revision. The annual dividends have changed from 177 yen to 140 yen.



4. Mid-term management plan

To be a corporate group that provides reliability and peace of mind when it comes to the future of our planet

Our Visions

- ▶ To provide support in the building of sustainable social infrastructure
- ▶ To work to build a safe and secure future for the next generation
- ▶ To become a corporate group that the world can rely on to solve problems

Goals for a sustainable society: key points

Promote sustainable energy and provide support in the transition to electric vehicles - **contribute to the building of a zero-carbon society**



Renovate aging infrastructure and provide products and services to prevent disasters or alleviate their impact - **contribute to the creation of a resilient society**



Provide support for further advances in ICT - **contribute to the adoption of a “new normal” in society**



Provide products and services that promote the reduction of our environmental impact - **contribute to a transition to a recycling-based society**



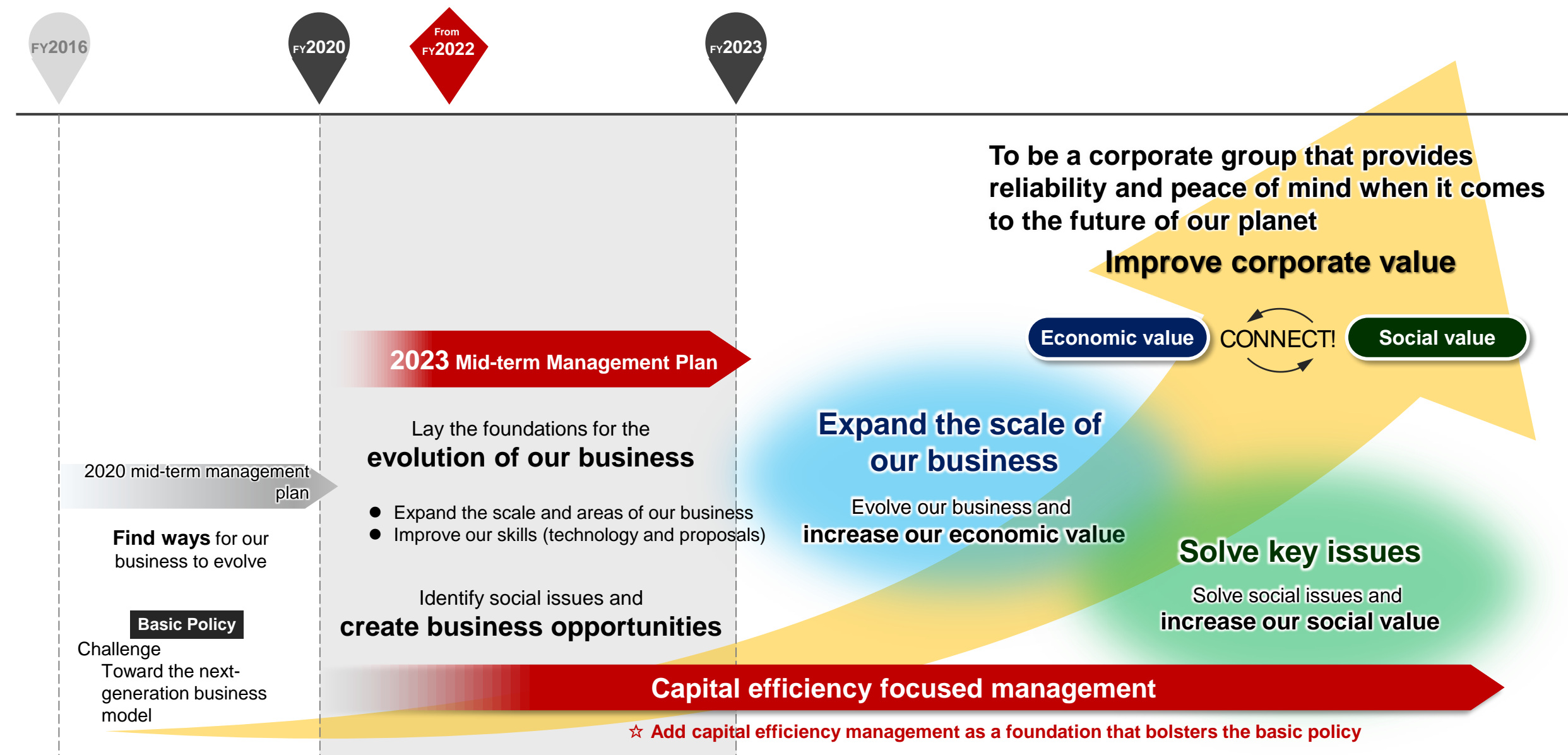
Become indispensable in society by addressing the social issues our customers face and helping to solve those issues



Be proud of the NITTO KOGYO Group, celebrate our growth, and find fulfillment in what we do



Balance **economic value** with **social value** to **increase our value as a company**



<Attachment 1>

NITTO NITTO KOGYO GROUP

2023 Mid-term Management Plan - Supplementary
Version

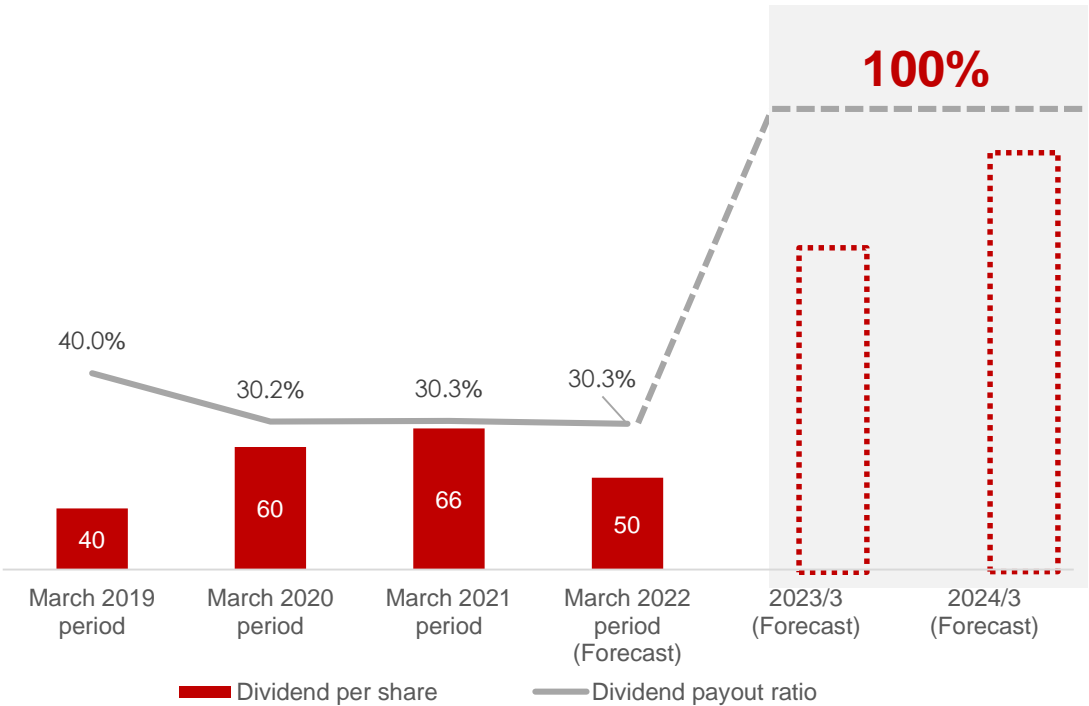
May 13, 2022

URL: <https://ssl4.eir-parts.net/doc/6651/tdnet/2125540/00.pdf>

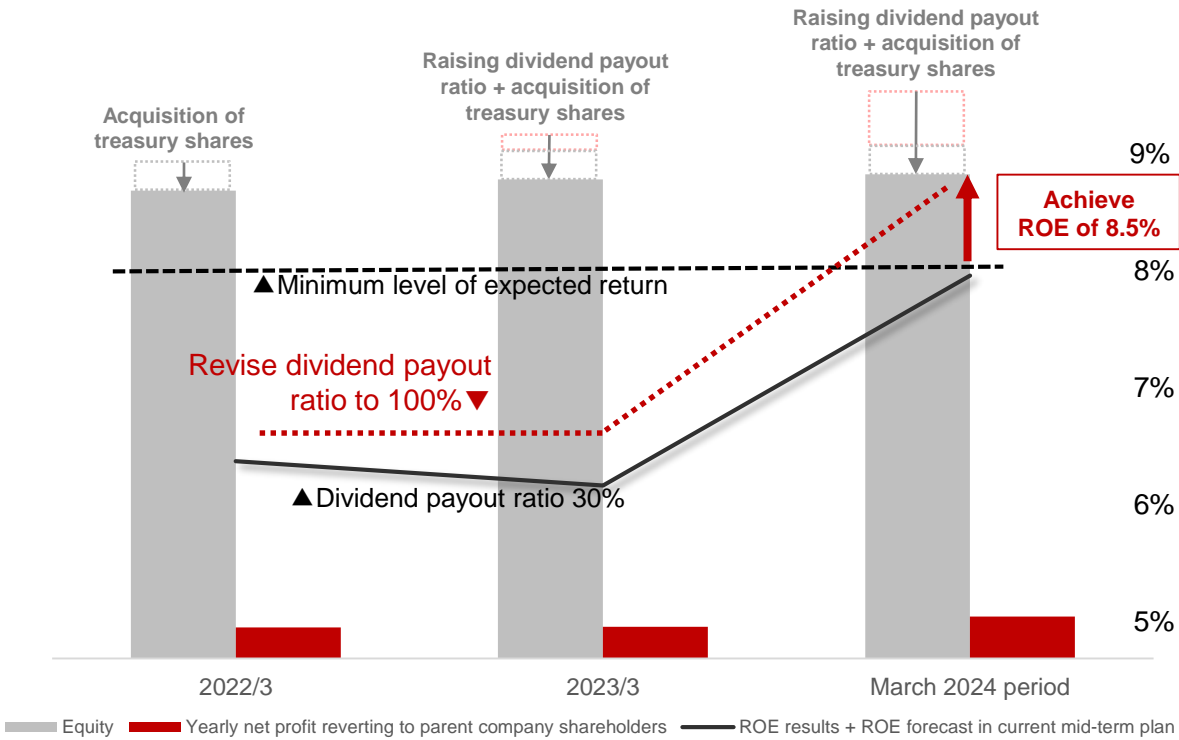
Points of the Supplementary Version: Revision of Capital Policy

Capital policy	Capital efficiency focused management	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



Basic Policy

Establish the foundations and take an aggressive approach

Build a solid business foundation

- ✓ Strengthen our existing framework (sales and manufacturing methods)
- ✓ Become more profitable to maximize cash
- ✓ Build frameworks that create synergies between the businesses in the group

Strengthen the group's business foundation

- ✓ Build the foundations of a group-wide information communication infrastructure
- ✓ Establish a framework that will enable flexible use and shifting of personnel and assets in the group

Work to expand our business

- ✓ Strive to create new businesses outside our existing markets and industries
- ✓ Expand into overseas markets to increase the scale of our business
- ✓ Promote initiatives for new technology

Actively invest in growth

- ✓ Promote strategic investments in R&D and new businesses
- ✓ Build a framework enabling optimal group-wide execution of bold investments
- ✓ Where necessary, engage in capital alliances and M&A with prospects for growth

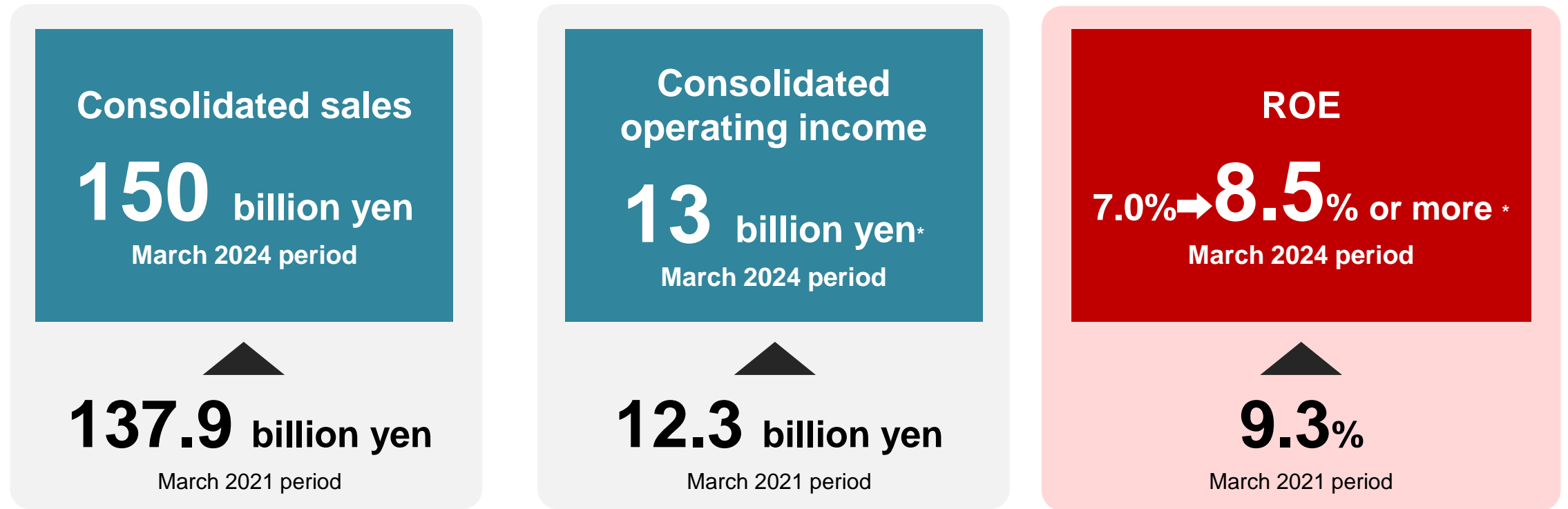
Foundation that bolsters the basic policy - Capital efficiency focused management-

- ✓ Promote capital efficiency management with an awareness of ROE and BS management.
- ✓ Curb an addition to equity by revising the shareholder return policy and raising the dividend payout ratio to 100% for the two remaining periods in the current mid-term management plan.

Conduct policy

Boldly face challenges !

- ▶ Do not fear failure, and passionately keep trying without giving up.
- ▶ Take up challenges for the growth of the group, the company, and yourself.
- ▶ Everyone in the NITTO KOGYO Group will fully support people who take up challenges



*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.**

2023 Mid-term Management Plan **Actual Results** and **Targets** by Segment

2Q FY2022

- 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.

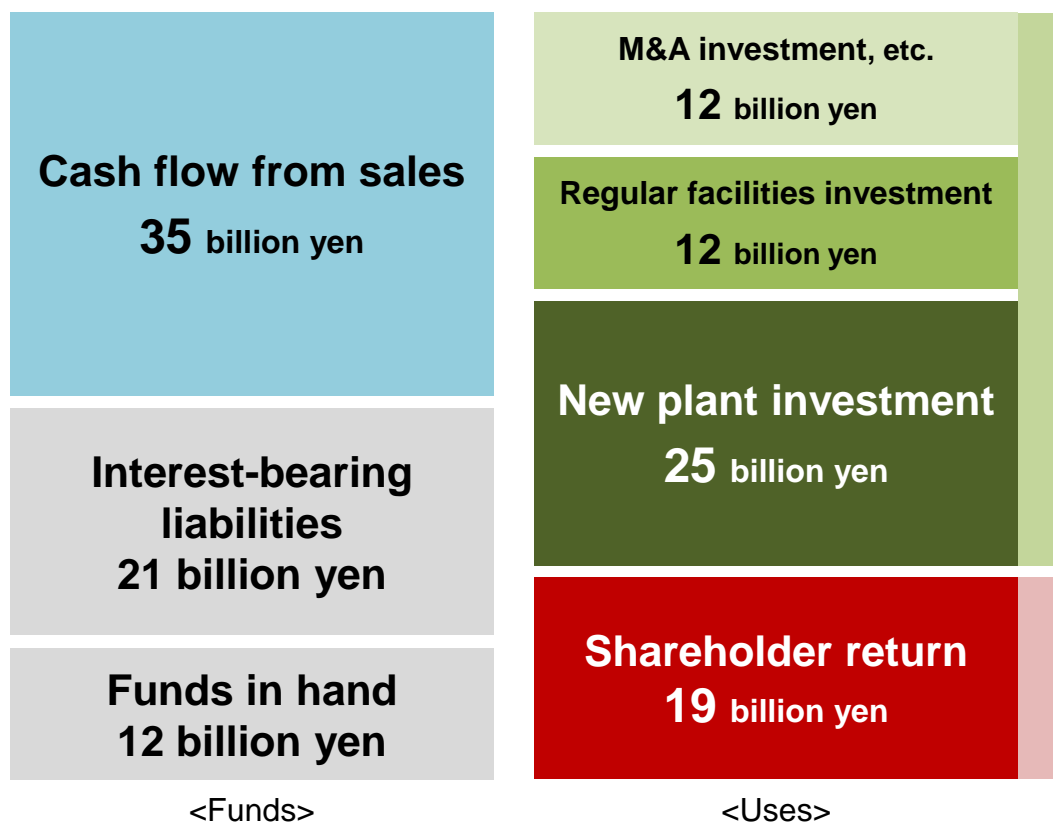
(Unit: 100 million yen)

	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%
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	76	130	+5.4%
Construction and service business	96	64	-	99	+2.2%
Distribution business	19	10	-	18	-7.4%
Electronic parts business	6	10	-	13	+88.6%

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 100% 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 was approx. 90.3%.

Electrical and telecommunications
infrastructure-related manufacturing

Distribution business

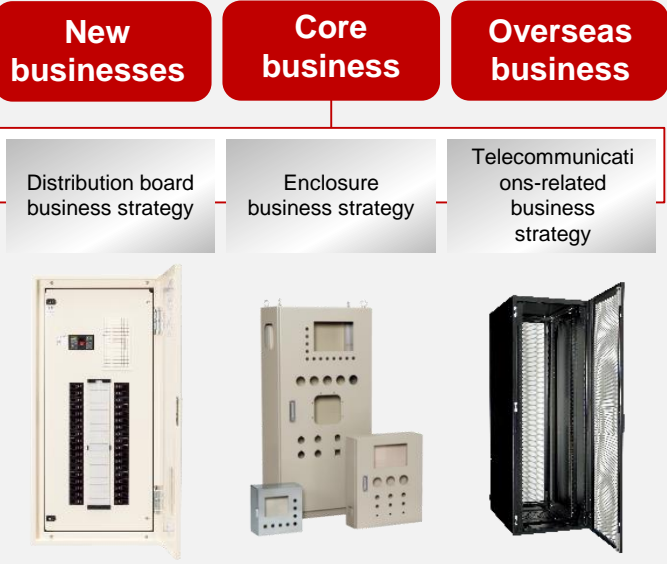
Toward becoming a solutions partner who
creates new domains and the next generation



Electrical and telecommunications
infrastructure-related manufacturing

Construction and service
business

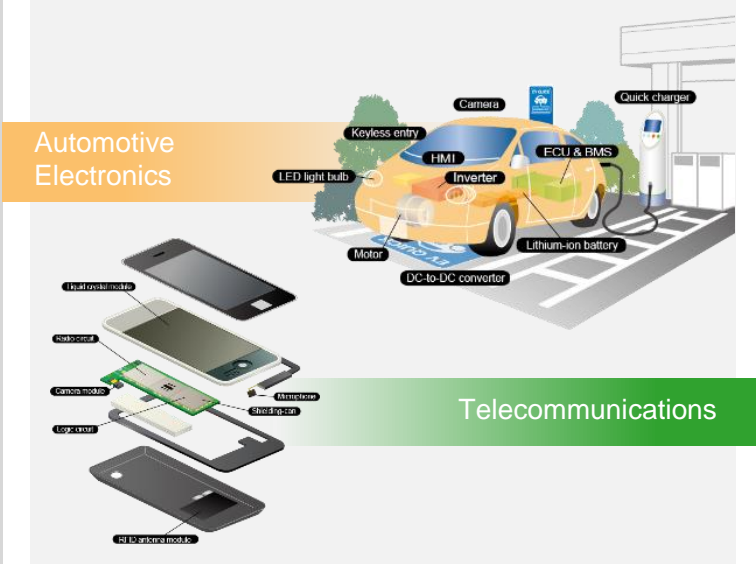
Expand the domain of a value creation model in responsible
business and standard product business as a group



Electronic parts-related

manufacturing business

Deepen and evolve core technology and roll out solutions
globally



Group's business foundation

Establishment of a group ICT infrastructure foundation Establish a business foundation that supports the NITTO KOGYO Group's businesses

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

Core businesses/New business

Achievements Further strengthen sales web systems / Develop products that contribute to the realization of a decarbonized society

Smart Order Cabinet service launch

- The launch of the “Smart Order Cabinet,” a service that allows specification changes, reassembly and processing to meet customer needs
- Existing web systems incorporate the customization function to enhance convenience for customers and acquire new customers.
- Realization of an innovative production system that is automated and capable of responding to high-mix, low-volume production by applying data to production equipment

Easy customization on the Web

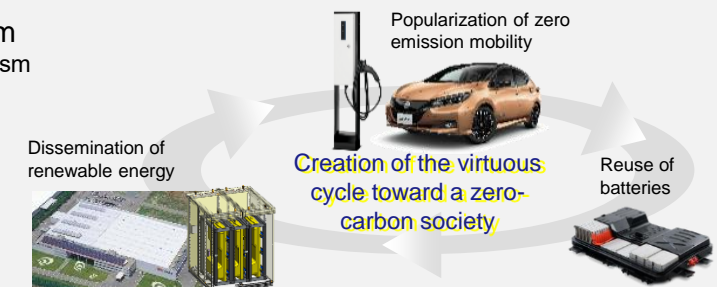
Smart Order Cabinet

RA Series



Development of new product “Safa Link-ONE-”

- Focused on the development of “Safa Link-ONE-,” an industrial solar self-consumption storage battery system (Awarded the “Minister of Land, Infrastructure, Transport and Tourism Award” at the JECA FAIR 2022 Product Contest)
- Pushing forward with initiatives that contribute to a decarbonized society through the capital and business alliance with SANSHA ELECTRIC MFG CO., LTD., which possesses power electronics technology.



Electrical and telecommunications infrastructure-related distribution business

Achievements Focus on capturing data center projects / Turning a Thai trading company into a subsidiary.



Contribution to building a super smart society via DX

- Promotion of crime prevention business and image analysis solutions centered on network cameras
- Focus on proposal activities for hyperscale data center construction projects



Improvement and application of the business infrastructure that was established in Japan

- In order to accelerate the solution business in Thailand, “Master Controls Co., Ltd.,” a trading company specializing in the sale, construction, and maintenance of security system equipment, was turned into a subsidiary.



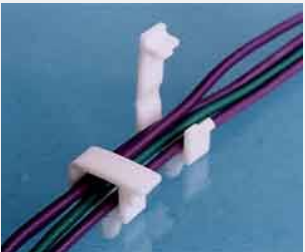
Electronic parts-related manufacturing business

Achievements Consolidation of production sites / Increased use of EMC centers



Establishment of optimal production for expanding overseas business

- Consolidation of production of precision resin molded parts in the Shenzhen Plant to the Thailand Plant



Cultivation of overseas markets and rolling out of models that have been successful domestically

- In response to China’s tightening of regulations on EMC for vehicles, models that were just before mass-production were measured again for EMC at Japanese automotive manufacturers, which led ferrite cores to be adopted anew.



For further growth (Eyes set on 2030)

Aggressive M&A investment for expansion of business areas

- ▶ Enter new fields and markets by capital alliance with and M&A investment in corporations necessary for the NITTO KOGYO Group to expand business areas and technological fields, including overseas ones.

Investment in extending Tochigi Nogi Plant

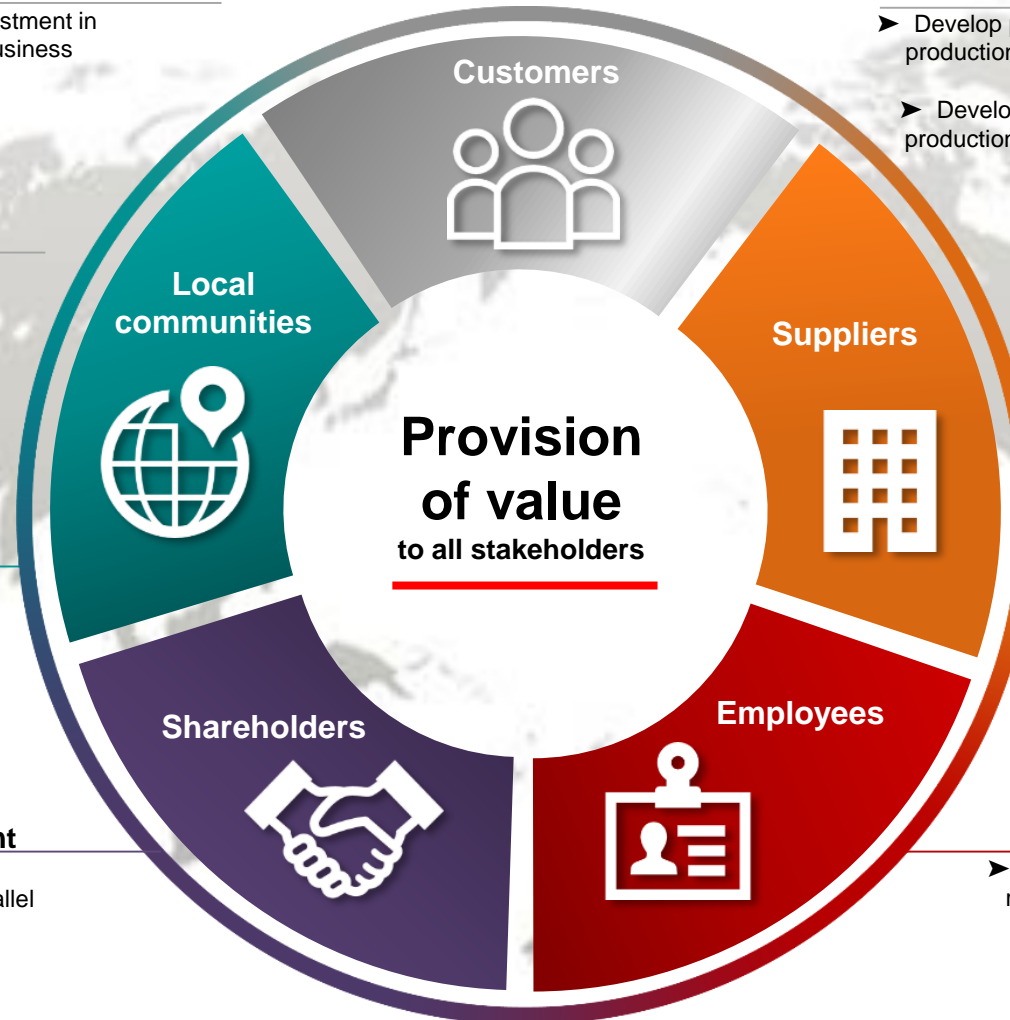
- ▶ Promote the roll-out of products that understand customer needs and reinforce the production system and the sales network with the aim of contributing to the establishment of telecommunications infrastructure in 5G and 6G (Scale of investment: 15 billion yen)

Green investments for reducing environmental footprint

- ▶ Promotion of adoption of energy-saving equipment, utilization of renewable energy, and better use of electric vehicles aimed at the establishment of a sustainable society
[Target] Reduce CO2 emissions by 30% by 2030 (compared to fiscal 2020)
Realization of carbon neutrality in 2050

Continuation of capital efficiency focused management

- ▶ Aim to keep and raise the ROE level in the mid-to-long term
- ▶ Promote investment that helps enhance corporate value and in parallel distribute dividends to shareholders by comprehensively taking the financial conditions, the ROE level, etc., into consideration



Expansion of the business size related to electrification and energy management markets

- ▶ Develop products, such as next generation EV chargers, and establish their production systems to contribute to EV charging infrastructure indispensable to realizing an electrified society, and EMC and heat control
- ▶ Develop a solar-power self-consumption battery system and establish the production system with an eye on decarbonization and future changes to the environment around energy

Reinforcement of R&D investments

- ▶ Clarify the vision, direction, and priorities, and make it certain to develop ideas into products by uniting the comprehensive strengths of the NITTO KOGYO Group in order to launch products that understand customer needs into the market in a timely manner.

Digital investment that transforms a business model

- ▶ Advance digital transformation (DX), such as CAD data linkage, thereby enhancing productivity and contributing to social issues, such as labor shortages, by establishing a unique production system

Reinforcement of human resources investment

- ▶ Speed up human resources development including education and reskilling for the sustainable growth and development of the NITTO KOGYO Group

CONNECT!

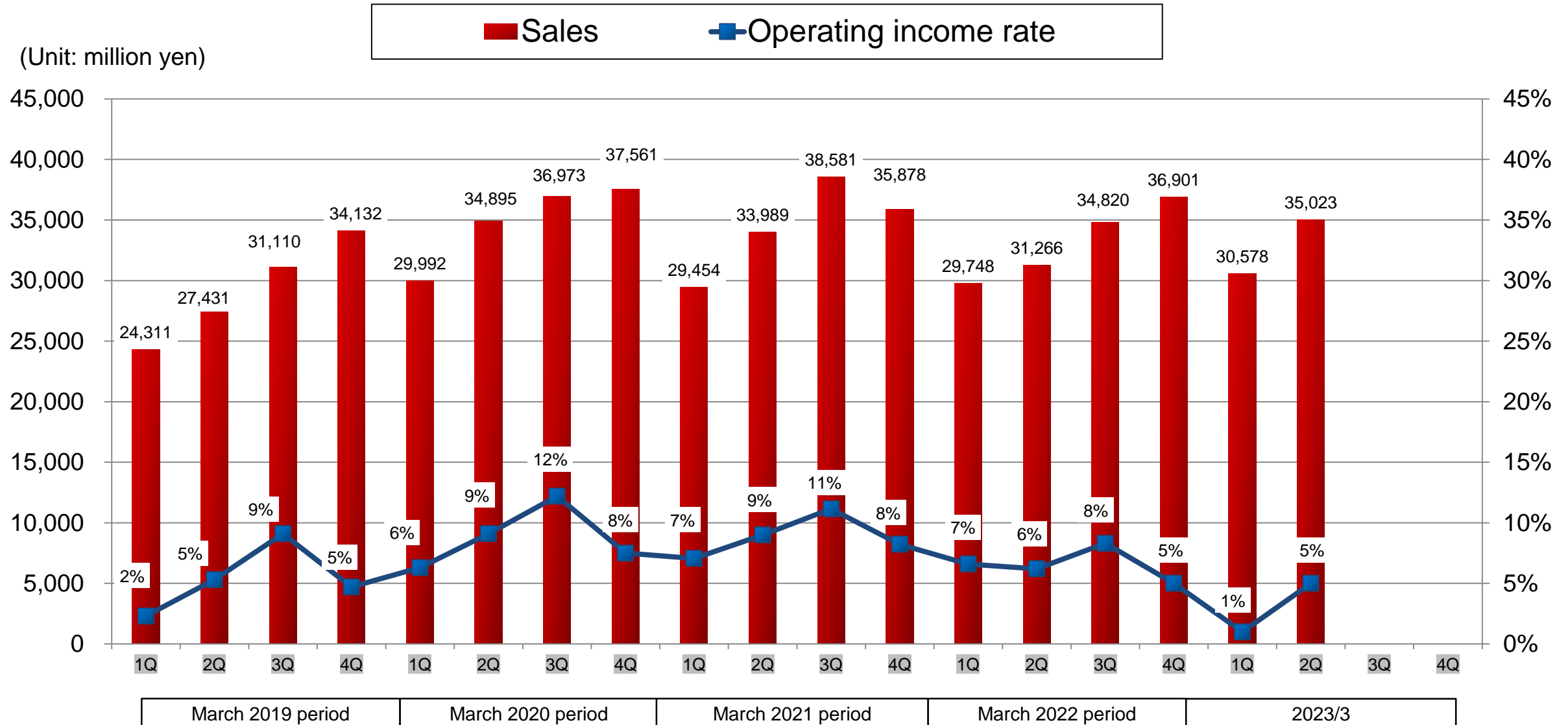
- Connecting electricity and information -

NITO **NITTO KOGYO GROUP**

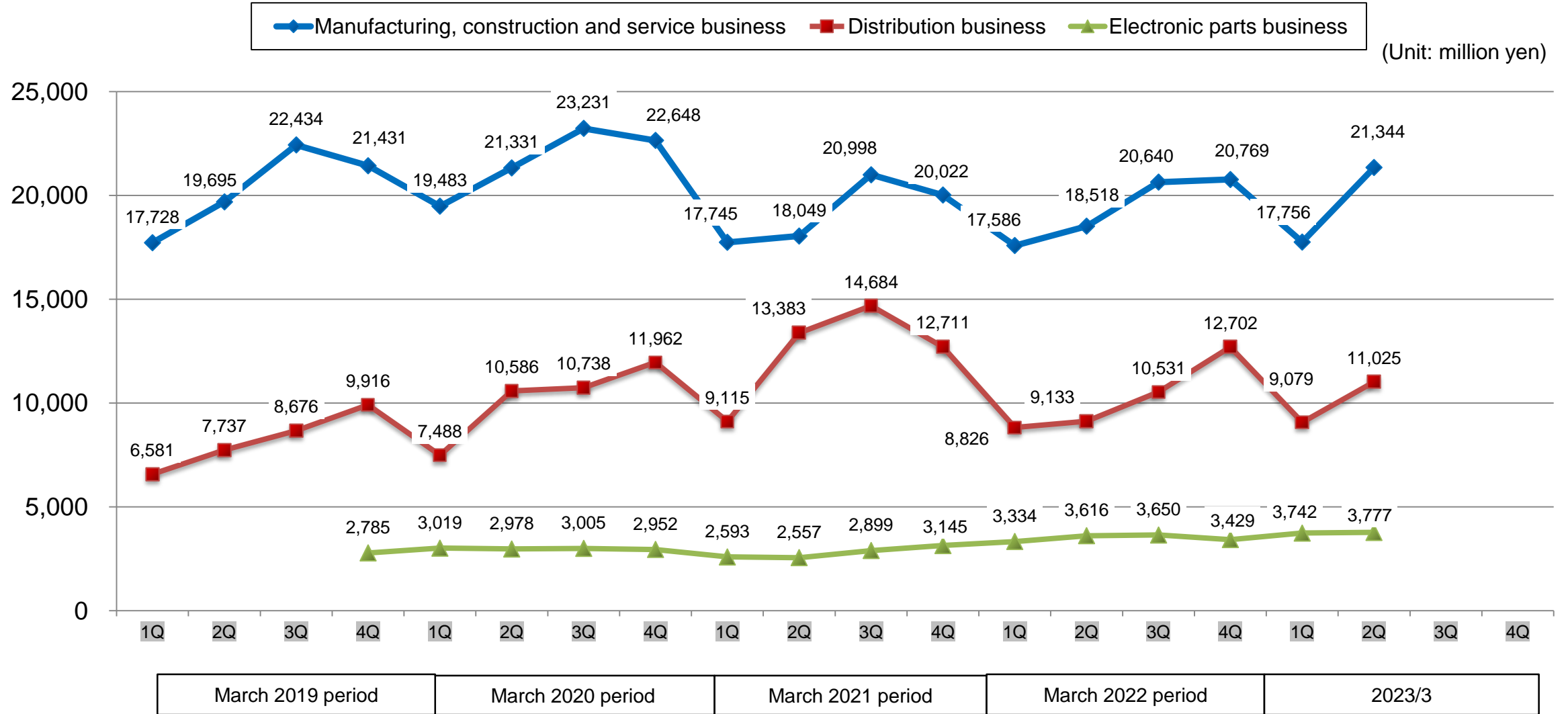
Stock code: 6651

5. Reference materials

Consolidated sales trends (quarter)



Sales trends by segment (quarter)



* Due to the change in business segments beginning in the period ended in March 2022, figures prior to the change have been revised to reflect the new segments and therefore do not match the figures in other documents that were disclosed in the past.

Construction and service business

- Design, manufacturing, and sales of panel/distribution boards, control panel boards, etc., and construction work such as maintenance of electrical facilities

Distribution boards



High-voltage power
receiving equipment



Panel/Distribution
boards

Enclosure



Enclosure



System racks



Breakers/switches/parts/other



Breakers

Parts



Charging stands

Construction/service



Communication facility
construction



Electrical facility
construction

Distribution business

■ Purchases and sales of telecommunications equipment and materials



Network cameras

Purchases and sales of monitoring system devices optimally suited to each system



High-speed network devices

Purchases and sales of communication infrastructure building devices efficiently sorted by wireless/wired



Information security-related products

Purchases and sales of total security devices providing countermeasures for various information risks

Electronic parts business

- Production and sales of electromagnetic wave environment components and precision engineering components, etc.

Electromagnetic wave environment components

Manufacturing and sales of electronic parts intended to prevent electronic device malfunctions due to electromagnetic waves

[Ferrite Cores]



[Cable Shields]



Precision engineering components

Manufacturing and sales of various device mechanical elements such as plastic fasteners, as well as countermeasure parts, etc., for heat/vibration/impact/noise, contributing to productivity improvement

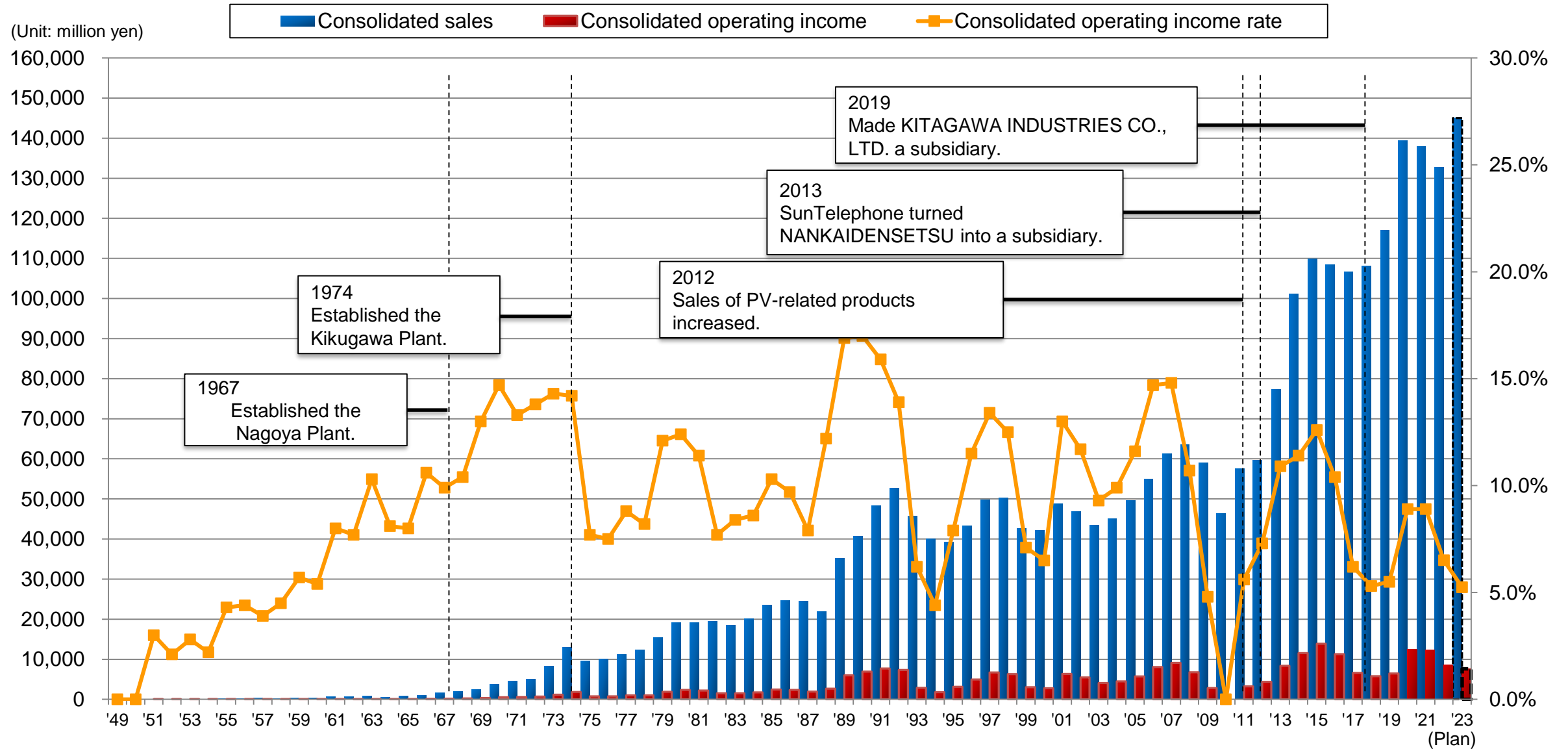
[Clamps]



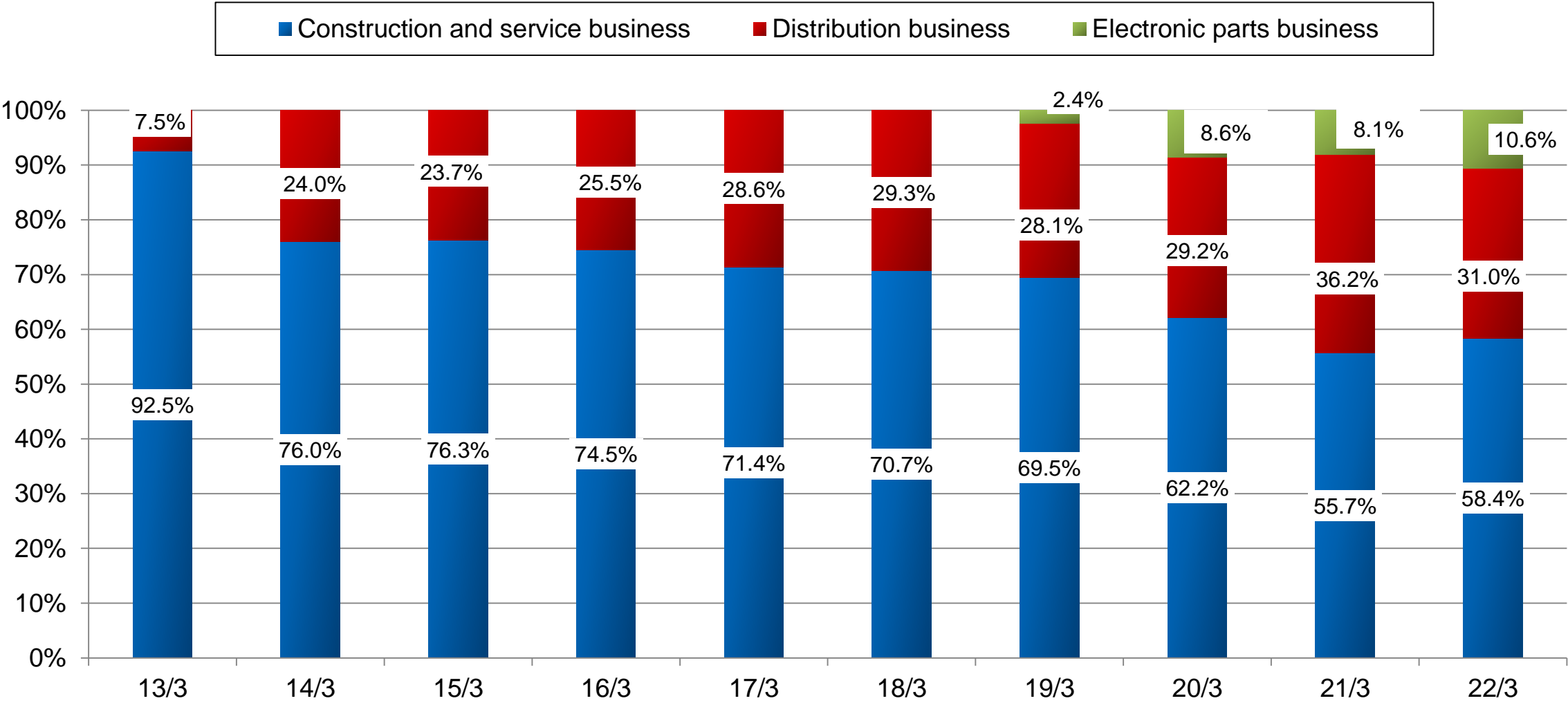
[Cable Ties]



Result trends from establishment to present

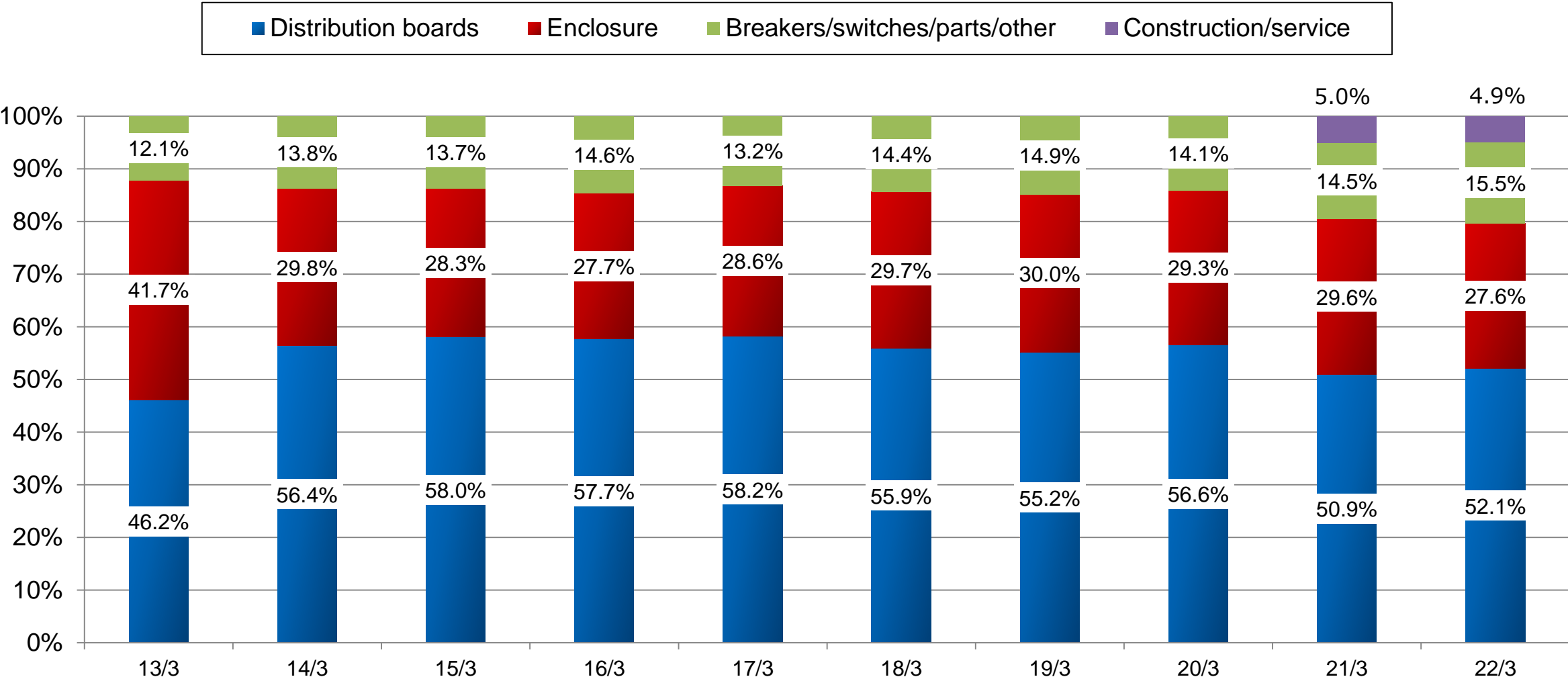


Sales composition ratios by business segment



*Figures have been revised to reflect the new segments and therefore do not match the figures in other documents that were disclosed in the past.

Manufacturing, construction and service business (sales composition ratio by division)



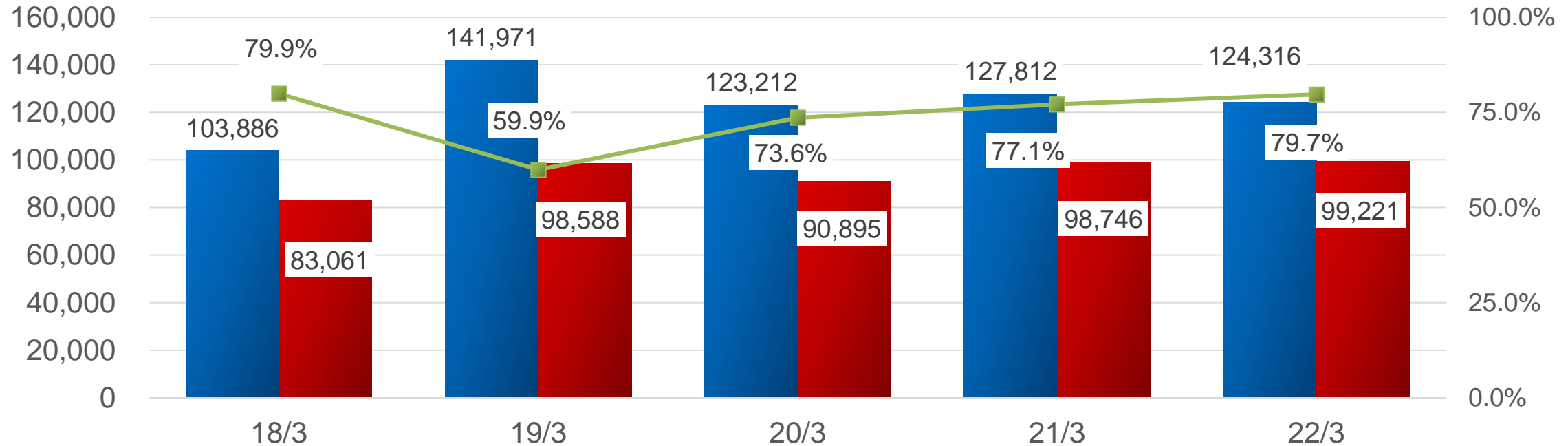
* Figures for the period ended March 2021 have been recalculated to reflect the new segments.
 Figures for distribution boards and enclosures prior to the period ended March 2020 are those for the previous distribution board and enclosure divisions.
 Figures for breakers/switches/parts/other prior to the period ended March 2020 are the total for the previous breaker/switch and parts/other divisions.
 Numerical totals may not match exactly due to rounding.

Total assets/Net assets/Capital-to-asset ratio

(Unit: million yen)

■ Total assets ■ Net assets ■ Capital-to-asset ratio

(Unit: %)



(Unit: million yen)

	18/3	19/3	20/3	21/3	22/3
Total assets	103,886	141,971	123,212	127,812	124,316
Net assets	83,061	98,588	90,895	98,746	99,221
Capital-to-asset ratio	79.9%	59.9%	73.6%	77.1%	79.7%

ROE (return on equity) trends (consolidated)

