# Financial Results Briefing

# for the Fiscal Year Ended March 2023

# April 1, 2022 - March 31, 2023

# （Presentation Materials with Script）

## 【Event Summary】

| | | |
|---|---|---|
| Date | : June 1, 2023 | 15：00～16：00 |
| Venue | : Webcast | |
| Speakers | : Toru Kurono | President and COO |
| | Akitaka Tejima | Head of Business Management Division, Director |
| | Takaaki Mano | General Manager of General Affairs Department |

Some explanations are supplemented and key points are summarized.

## Presentation

Good afternoon, everyone. I am Toru Kurono, the President and COO. I sincerely thank you all for taking the time to attend NITTO KOGYO's financial results briefing for the fiscal year ended March 2023. I would also like to take this opportunity to express my heartfelt gratitude for your continuous guidance and constructive feedback towards our company. Thank you very much.

We will be following the materials provided on our website for today's briefing. We kindly ask for your understanding and cooperation.

### Executive Summary

Full year
FY2022

**Rising raw material prices cut into profits, although sales reached their highest**

- **Sales reached their highest due to year-on-year sales increase**
- **Factors such as rising raw material prices cut into profits, although there were the effects of price revisions and foreign exchange gains.**
- **Revised plan announced on November 7, 2022 was achieved, despite year-on-year sales increase and profit decrease**




Please turn to page one, which contains our executive summary.

For the fiscal year ended March 2023, our consolidated sales reached an all-time high. Although we did see an increase in profit from price adjustments and foreign exchange gains, these were offset by greater-than-expected increases in raw materials prices.

As a result, despite an increase in sales, our profit decreased compared to the previous fiscal year. However, we managed to meet the revised plan that we announced on November 7, 2022.

# Contents

Full year FY2022






Please turn to page two now. This is the agenda for today. I will be explaining points one through four. As for point five, please refer to it as reference material later on.

# Yearly consolidated account highlights

Full year FY2022

- Business results for the period ended in March 2023 showed increased sales and decreased profits. Sales were a record high for a full year, and the results achieved the revised plan.
- 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.
- Decrease in yearly net profit reverting to parent company shareholders expanded due to extraordinary loss caused by impairment loss.

(Unit: million yen)

| | 2022/3 | 2023/3 | | | |
|---|---|---|---|---|---|
| | Actual results | Plan | Actual results | YoY comparison | Vs. plan |
| Sales | 132,735 | 145,000 | 146,698 | +10.5% | +1.2% |
| Operating income | 8,637 | 7,600 | 8,172 | -5.4% | +7.5% |
| Ordinary income | 9,412 | 8,400 | 9,056 | -3.8% | +7.8% |
| Yearly net profit reverting to parent company shareholders | 6,607 | 5,300 | 5,476 | -17.1% | +3.3% |

NITTO KOGYO GROUP 4 

Firstly, let’s look at the consolidated account highlights for the fiscal year ended March 2023. Could you please turn to page four?

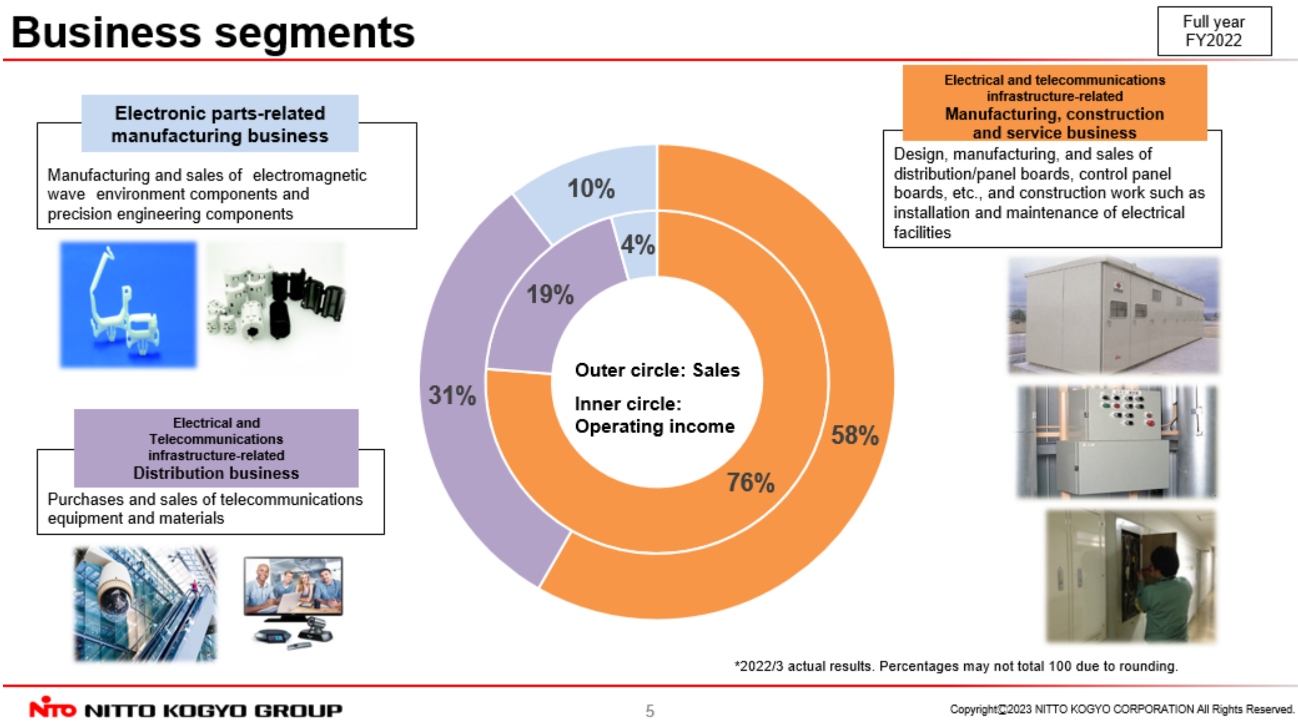
Here are the highlights from the consolidated accounts for the fiscal year ended March 2023.

Our sales amounted to JPY146.6 billion, a 10.5% increase compared to the same period last year. This was driven by increased sales of our distribution and panel boards due to a rebound in corporate facilities investment, coupled with strong demand from markets such as automotive.

Our operating income was JPY8.1 billion, marking a decrease of 5.4% compared to the previous fiscal year, primarily due to the impact of soaring raw materials prices. Our ordinary income was JPY9 billion, a decrease of 3.8% compared to the previous fiscal year. However, it exceeded operating income due to foreign exchange gains from loans provided to our overseas group companies.

Current net income was JPY5.4 billion, a decrease of 17.1% compared to the previous fiscal year. This was largely due to the impact of impairment losses, which contributed to the decline in profit.

As a result, although our annual performance achieved record-high sales and saw a decrease in profit compared to the previous fiscal year, we successfully met our revised plan announced in November. I will provide a more detailed explanation regarding the situation by segment and department later in the briefing.




Please turn to page five. Here we briefly introduce the NITTO KOGYO Group and its business segments.

The businesses associated with electrical and telecommunications infrastructure, which include manufacturing, construction, and services led by NITTO KOGYO Corp., represent our core operations. As illustrated in orange in the pie chart, these account for 58% of our sales and 76% of our operating income.

Next, the businesses associated with electrical and telecommunications infrastructure in the distribution business, centered around SUNTELPHONE, are also vital. Shown in light purple in the pie chart, these contribute 31% of our sales and 19% of our operating income.

Lastly, the electronic-parts-related manufacturing businesses, with KITAGAWA INDUSTRIES at the core, represented in light blue in the pie chart, makes up 10% of our sales and 4% of our operating income.

# Yearly account highlights by segment

Full year FY2022

- Although sales of system racks, etc., fell resulting from fewer 5G-related projects, the Manufacturing, 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).

(Unit: million yen)

| | | 2022/3 | 2023/3 | | | |
|---|---|---|---|---|---|---|
| | By segment | Actual results | Plan | Actual results | YoY comparison | Vs. plan |
| Sales | Manufacturing, construction and service business | 77,513 | 85,200 | 85,501 | +10.3% | +0.4% |
| | Distribution business | 41,192 | 46,100 | 45,952 | +11.6% | -0.3% |
| | Electronic parts business | 14,029 | 13,700 | 15,244 | +8.7% | +11.3% |
| | Total | 132,735 | 145,000 | 146,698 | +10.5% | +1.2% |
| Operating income | Manufacturing, construction and service business | 6,485 | - | 6,188 | -4.6% | - |
| | Distribution business | 1,078 | - | 1,579 | +46.4% | - |
| | Electronic parts business | 1,039 | - | 356 | -65.7% | - |
| | Total | 8,637 | 7,600 | 8,172 | -5.4% | +7.5% |

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

NITTO KOGYO GROUP 6 

Now, moving to page six. Here we have highlights of the annual consolidated financial results for each segment. Please note that we have used abbreviations for the segment names starting from this slide.

Firstly, the construction and service business experienced an increase in sales but a decrease in profit. I will delve deeper into this core segment later.

The distribution business had a decrease in 5G-related projects. However, due to the increase in data center projects and consequently the increased sales of network components, it experienced growth in both sales and profits.

The electronic parts business saw an increase in sales due to strong demand in automotive and air conditioning markets, particularly for EMC-related products used for electromagnetic wave noise control. However, the rise in raw materials costs, delay in passing on price increases, and increased selling, general and administrative expenses, led to a decrease in profits.

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

Full year FY2022

- 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 decreased sales primarily because of lower sales of breakers despite higher sales of thermal management products and EV charging stands.
- The construction and service division recorded a sales increase as projects for adoption of factory equipment and construction related to telephone equipment at schools grew.

(Unit: million yen)

| | | 2022/3 | 2023/3 | | | |
|---|---|---|---|---|---|---|
| Sales by division | | Actual results | Plan | Actual results | YoY comparison | Vs. plan |
| Manufacturing, construction service business | Distribution boards | 40,364 | 45,800 | 49,076 | +21.6% | +7.2% |
| | Enclosure | 21,386 | 22,600 | 20,630 | -3.5% | -8.7% |
| | Breakers/switches/parts/other | 11,986 | 12,700 | 11,688 | -2.5% | -8.0% |
| | Construction/service | 3,775 | 4,100 | 4,105 | +8.7% | +0.1% |
| Total | | 77,513 (5,149) | 85,200 | 85,501 (4,416) | +10.3% | +0.4% |
| Consolidated overall total | | 132,735 | 145,000 | 146,698 | +10.5% | +1.2% |
| Consolidated sales composition ratio | | 58.4% | 58.8% | 58.3% | -0.1% | -0.5% |

*Parentheses refer to internal sales between segments

NITTO KOGYO GROUP 7 

Please turn to page seven. This page shows the sales situation by division for our core business—the construction and service business.

The distribution boards division saw increased sales due to the revival of facilities investment, which boosted sales of distribution and panel boards.

The enclosure division had increased sales of metal enclosures and similar products due to successful price revisions. However, a decrease in system rack sales, due to a reduction in 5G-related projects, resulted in an overall decrease in sales for this division.

The breakers, switches, parts, and other division experienced increased sales from thermal management products and EV charging stands, but a decline in breaker sales led to an overall decrease in sales.

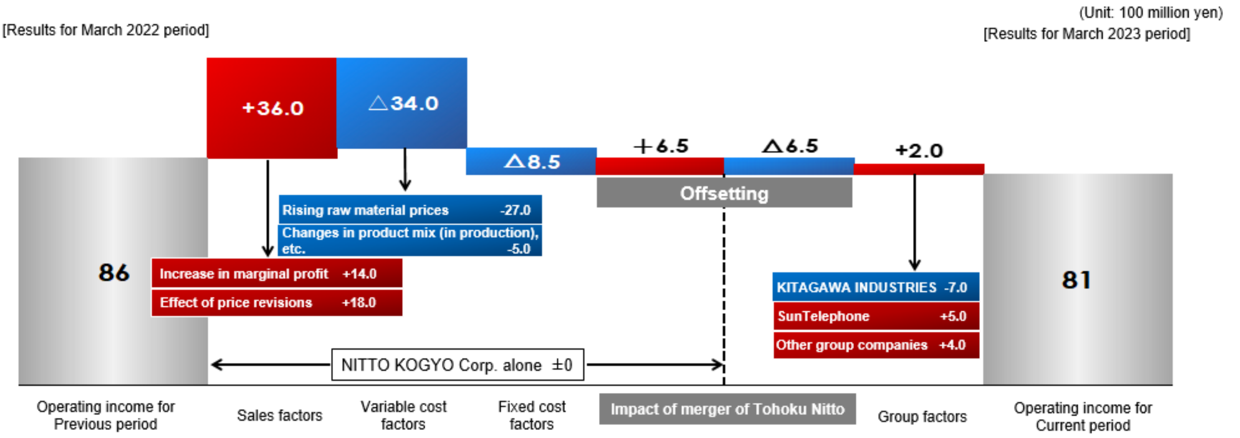
The construction and service division saw an increase in sales due to an increase in factory equipment installation projects and school-related telecommunication facility construction projects.

As a result, the distribution boards division and the construction and service division achieved their sales targets. However, the enclosure division and the breakers, switches, parts, and other division did not meet their targets.

## Factors in changes in yearly consolidated operating income

Full year FY2022

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




*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 ended March 2023.

NITTO KOGYO GROUP 8 

Please refer to page eight. Here, we analyze the full fiscal year's consolidated operating income, showing the factors contributing to increases or decreases compared to the previous fiscal year.

The operating income of the previous period was JPY8.6 billion, while for the current period, it was JPY8.1 billion, indicating a decrease of roughly JPY500 million.

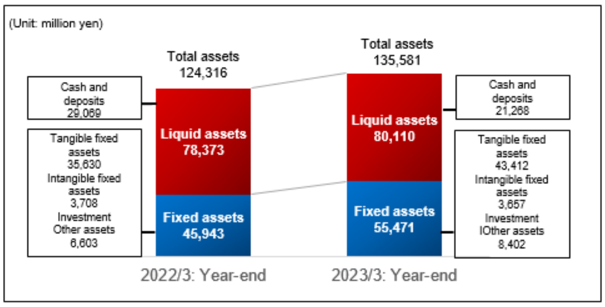
Focusing on NITTO KOGYO alone, an increase in marginal profit and the effect of price revisions resulted in a profit boost of JPY3.6 billion. However, due to the surge in raw materials prices, we experienced a decline of JPY2.7 billion, and changes in the product mix further resulted in a decline of JPY500 million. Additional factors such as personnel costs and other expenses kept the profit change almost neutral compared to the previous fiscal period.

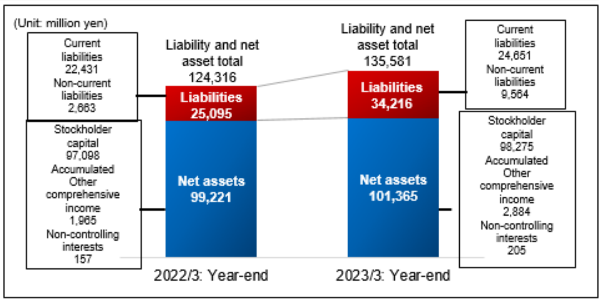
Turning our attention to the group factors, KITAGAWA INDUSTRIES fell short of the previous period, indicating a decrease in profit. However, SUNTELEPHONE and other group companies outperformed the previous year, resulting in an overall group profit increase of approximately JPY200 million.

# Overview of consolidated finances for the year

Full year FY2022

■ Decrease in cash and deposits, and increase in inventories and Seto Plant's construction in progress




<Main changes>

| ■ Assets | |
|---|---|
| Decreased cash and deposits | -7,801 |
| Increased accounts receivable | +3,916 |
| Increased inventories | +5,193 |
| Increased construction in progress | +8,102 |

| ■ Liabilities | |
|---|---|
| Increased accounts payable | +1,553 |
| Increased long-term loans payable | +6,063 |
| **■ Net assets** | |
| Current net income | +5,476 |
| Dividends of surplus | -4,297 |
| Increased foreign currency translation adjustment | +959 |




Please refer to page nine, where we present our consolidated financial status.

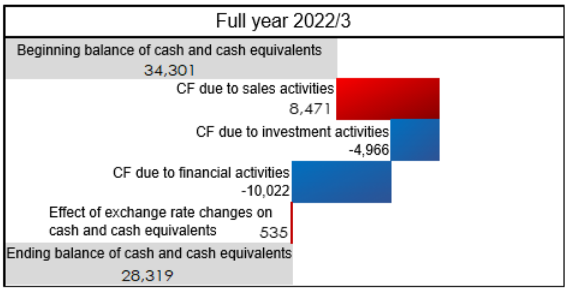
As of the end of FY2023, our total assets have increased by approximately JPY11.2 billion compared to the end of the previous fiscal year. This is largely due to the increase in fixed assets, such as construction in progress for the Seto Plant, even though there was a decrease in liquid assets like cash and deposits.

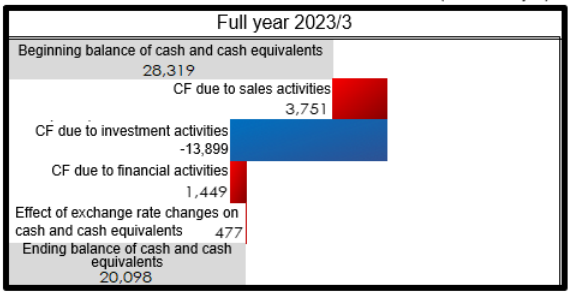
# Consolidated cash flow statement for the year

Full year FY2022

■ Cash equivalents at the end of March 2023 decreased 8,221 million yen year on year to 20,098 million yen.

(Unit: million yen)




<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 |

<Full year 2023/3 Main factors>

| | |
|---|---|
| ■ CF due to investment activities | |
| Expenditure due to acquisition of investment securities | -1,197 |
| Expenditure due to acquisition of fixed assets | -11,649 |
| ■ CF due to financial activities | |
| Income due to long-term loans payable | +5,919 |
| Payment of dividends | -4,287 |

NITTO KOGYO GROUP 10 

Moving on to page 10, you'll find our consolidated cash flow statement. The previous fiscal year is displayed on the left, and the current fiscal year is on the right.

Net cash provided by operating activities amounted to JPY3.7 billion. However, net cash used in investing activities came to JPY13.8 billion, mostly due to expenditure on fixed assets related to the Seto Plant.

Net cash provided by financing activities was JPY1.4 billion, primarily due to the cash inflow from long-term loans.

Consequently, the end-of-year balance of cash and cash equivalents decreased by about JPY8.2 billion from the beginning of the year, concluding at JPY20 billion.

## Status of the impact of rising raw material prices and procurement and effect of price revisions

Full year FY2022

- Rising raw material prices decreased operating income by 2.7 billion yen for full year in total
- Regarding difficulty in procurement, the tight supply situation continued full year and continued to be severer than the initial assumption, although some materials saw signs of an easing.
- The (first) price revisions made in July 2022 became a factor in increasing operating income by about 1.8 billion yen in total, almost as assumed at the start of the period.

| | Assumption | Results |
|---|---|---|
| **Rising raw material prices** | [Full year impact] **-2.7 billion yen*** (in operating income) | YoY **-2.7 billion yen** (in operating income) |
| **Difficulty in procurement** | **Tight supply → Easing trend** | **Tight supply will remain in general although some items will see an easing.** |
| **Effect of price revisions** | [Full year impact] **+1.8 billion yen** (in operating income) | YoY **+1.8 billion yen** (in operating income) |

*Revised in November 2022 in line with the revised plan for the year




Next, let's discuss some topics. Please refer to page 12.

This is regarding the impact of rising materials prices, the status of procurement, and the effect of price revisions. We had projected an impact on our operating income of around JPY2.7 billion for the full year due to the rising materials prices. The cumulative amount for the full year turned out to be almost as expected.

On the other hand, concerning procurement difficulties, we had initially anticipated a gradual easing from the start of the year. While there were areas where the situation did slightly relax, overall, the tight conditions persisted, resulting in an outcome that differed somewhat from our initial assumptions.

As for the effect of price revisions, we had planned for an increase of JPY1.8 billion in operating income compared to the previous fiscal year. The full-year impact was almost as we had predicted.

## Premises of the plan for the year

Full year FY2022

| | Premises of the plan for the year | Risks related to premises |
|---|---|---|
| **Raw material prices/Prices of procured materials** | Decrease in profits by 800 million yen for full year expected due to the tendency of continuous high raw material prices and rising material prices | A further surge in raw material prices and material prices primarily due to the prolongation of the Ukraine crisis and fluctuations in foreign exchange rates |
| **Situation of difficulty in procurement** | The easing trend continues. Partial normalization expected | Continuation and further aggravation of procurement difficulty due to prolonged disruptions of the supply chain |
| **Effect of price revisions** | Increase in profits by 2.9 billion yen full year expected due to market penetration of the effect of price revisions including the second price revisions | Deterioration in market prices due to intensified market competition resulting from the elimination of difficulty in procurement of materials |
| **Other** | Japan: Solid private consumption and demand for facilities investment<br>Overseas: Mild recession in the U.S. economy | Slowdown in demand for facilities investment in Japan due to rapid changes in market conditions triggered by the recession in the U.S. economy |

Amounts in table: Year-on-year basis

NITTO KOGYO GROUP 14 

Starting from page 13, I'll be explaining the forecast of consolidated results for the accounts period ending March 2024.

Please look at page 14. This page presents the premises for NITTO KOGYO's non-consolidated full-year plan.

Firstly, about the raw materials and component prices, we are anticipating an operating income reduction of JPY800 million compared to the previous fiscal year due to price increases.

Regarding the difficulties in procurement, we still expect the situation to gradually improve in this fiscal year, with normalization anticipated in some areas.

I'll elaborate more on the effects of price revisions in the next slide.

The other points are as indicated.

## [Supplements to premises of the plan for the year] Price revisions

Full year FY2022

- Second price revisions implemented from April 2023
- The price revisions will be implemented primarily for products that were excluded from the first price revisions
- Expected effect is a profit increase by about 2.9 billion yen full year, including the first price revisions

### ➢ First price revision (from July 2022)

| 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%<br>Approx. 25% for copper-related parts |
| Standard panel boards and control panel boards | Approx. 2 to 8% |

### ➢ Second price revisions (from April 2023)

| Product lines to be affected | Revision rate |
|---|---|
| Home panel boards | Approx. 15% |
| Breakers | Approx. 15% |
| Switches | Approx. 10% |
| Plastic enclosure | Approx. 10% |
| Some thermal management products | Approx. 10% |
| Some panel board accessories | Approx. 10% |
| Standard panel boards and control panel boards | Approx. 2 to 10% |

**Effect of profit increase of approximately 2.9 billion yen for the period ending March 2024**

NITTO KOGYO GROUP 15 

Please turn to page 15. This slide is about the effects of price revisions, one of the premises for the full-year plan that I mentioned earlier.

As explained in the slide, we implemented the first round of price revisions in July of last year and started the second round this April. The second round primarily targets products that were not included in the first round, with revisions ranging from 10% to 15%. We're estimating that the combined profit effect of these two rounds of price revisions will contribute approximately JPY2.9 billion in this fiscal year.

# Forecast of consolidated results for the year

Full year FY2022

- Sales are expected to expand due to a sales increase in existing markets accompanying solid 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 raw material prices remaining high and soaring material prices.

(Unit: million yen)

| | 2023/3 | | 2024/3 | | | |
|---|---|---|---|---|---|---|
| | 2Q results | Results for the year | 2Q Plan | (YoY) Change | Plan for the year | (YoY) Change |
| Sales | 65,601 | 146,698 | 73,000 | +11.3% | 156,000 | +6.3% |
| Operating income | 2,171 | 8,172 | 3,900 | +79.6% | 10,100 | +23.6% |
| Ordinary income | 2,955 | 9,056 | 3,900 | +32.0% | 10,100 | +11.5% |
| Yearly net profit reverting to parent company shareholders | 1,698 | 5,476 | 2,700 | +59.0% | 7,100 | +29.7% |

NITTO KOGYO GROUP 16 

Please turn to page 16. This slide presents the full-year consolidated performance forecast for the NITTO KOGYO Group.

We are anticipating sales of JPY156 billion, marking a 6.3% increase. This projected sales growth is primarily due to the sustained demand for facilities investment, resulting in an increase in sales across our existing markets.

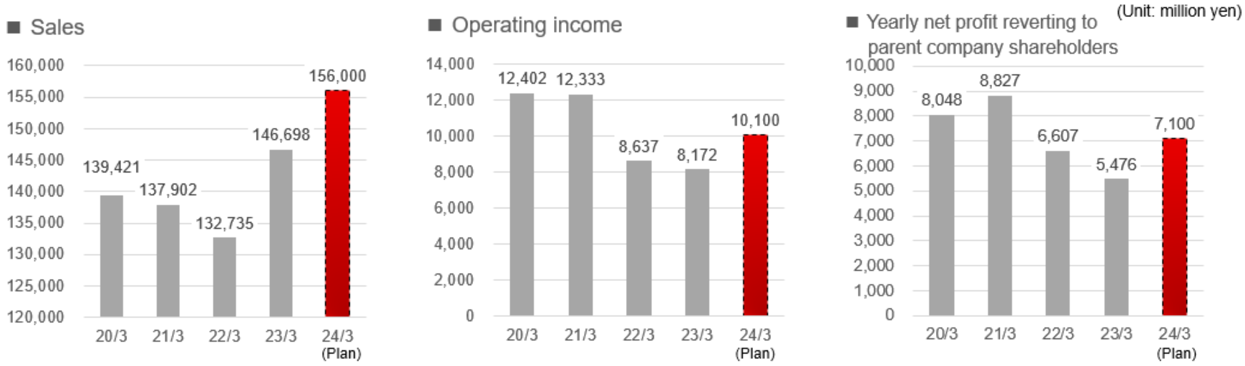
For operating income, we anticipate JPY10.1 billion, which would represent a 23.6% increase. Although the ongoing high prices of raw materials and the surge in component costs pose challenges, we expect profit growth driven by higher marginal profits from sales increase and the impact of price revisions.

# Consolidated performance trends

Full year FY2022

■ If we are on target with the plan for the period ending March 2024, we expect to achieve the highest sales and the sixth highest operating income in our history.

(Unit: million yen)




| | 20/3 | 21/3 | 22/3 | 23/3 | 24/3 (Plan) |
|---|---|---|---|---|---|
| Sales | 139,421 | 137,902 | 132,735 | 146,698 | 156,000 |
| Operating income | 12,402 | 12,333 | 8,637 | 8,172 | 10,100 |
| Yearly net profit reverting to parent company shareholders | 8,048 | 8,827 | 6,607 | 5,476 | 7,100 |

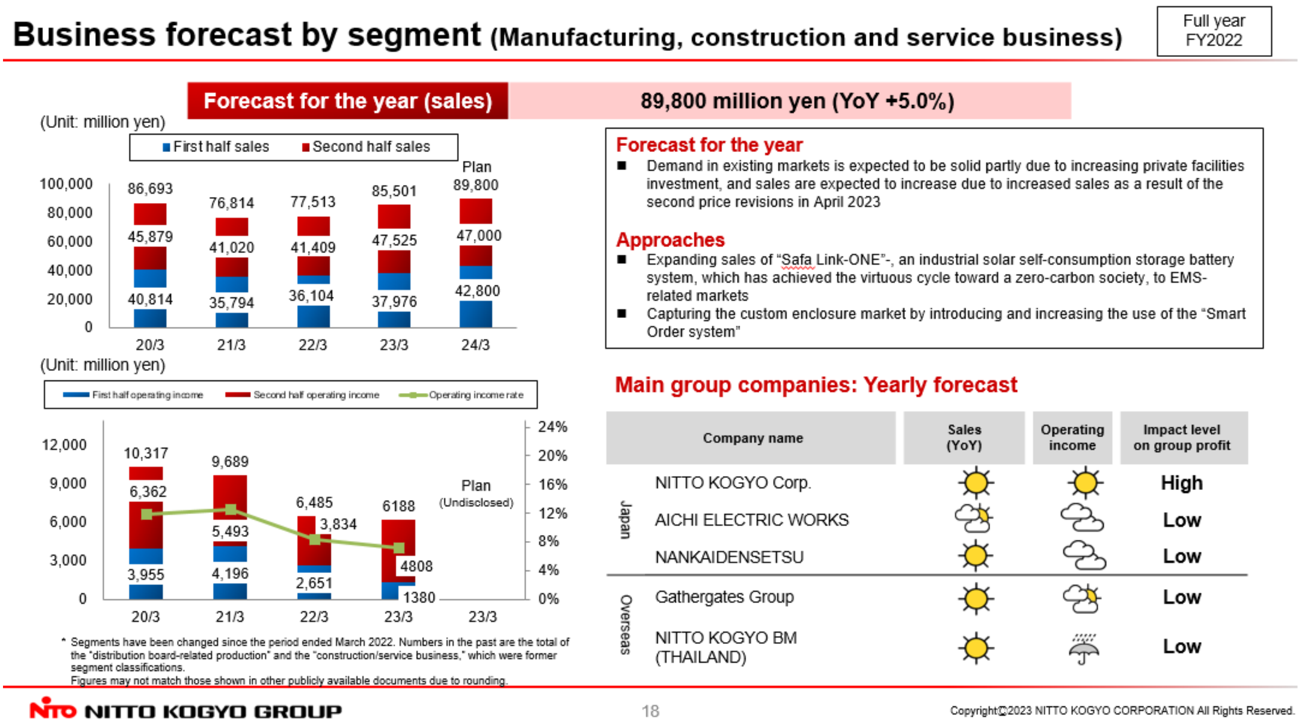
NITTO KOGYO GROUP





Moving onto page 17. Here, we outline the trend in our consolidated financial results.

If we are able to meet our targets for the fiscal year ending March 2024, we will achieve record-high sales and our operating income will be the sixth highest in our history.




Now, please turn to page 18 for our performance forecasts by business segment.

First, for the manufacturing, construction, and service businesses, we are planning for a 5% increase in sales compared to the previous term, amounting to JPY89.8 billion. Given the prevailing uptrend in private facilities investment, we expect robust demand in our existing markets. Moreover, we are forecasting an increase in sales resulting from the second round of price revisions implemented in April 2023.

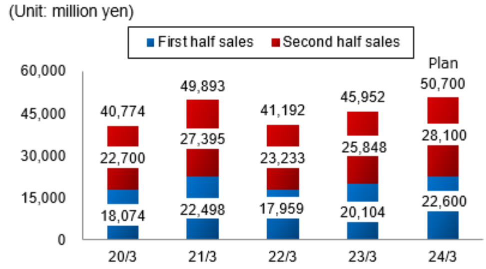
As part of our specific initiatives, we are focusing on expanding sales of our industrial solar self-consumption battery system, SafaLink-ONE-, in the energy-management-related market. This system capitalizes on a circular economy model for a decarbonized society by reusing batteries that have become unusable in electric vehicles as storage batteries that store energy generated from solar panels.

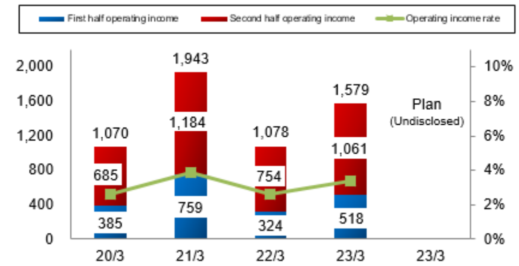
Furthermore, we have launched a smart ordering system that allows our customers to easily design and order modifications, rearrangements, and processing of standard enclosures to meet their specific needs. We are committed to enhancing enclosure sales through increased usage of this system.

# Business forecast by segment (Distribution business)

Full year FY2022

**Forecast for the year (sales)** 50,700 million yen (YoY +10.3%)




**Forecast for the year**

- Demand for office-related projects is expected to continue to recover moderately and sales are expected to increase due to the effect of M&A of local companies in Thailand.

**Approaches**

- Promotion of streamlining by increasing the adoption of the EC site ("GOYOU")
- Expanding sales of lightning solutions and other products in the renewable energy market
- Building the foundation and expanding sales in the ASEAN region, mainly through subsidiaries in Thailand and Vietnam

**Main group companies: Yearly forecast**

| | Company name | Sales (YoY) | Operating income | Impact level on group profit |
|---|---|---|---|---|
| Japan | SunTelephone | | | **Medium** |
| Overseas | SOECO | | | **Low** |
| | Master Controls* | - | - | **Low** |

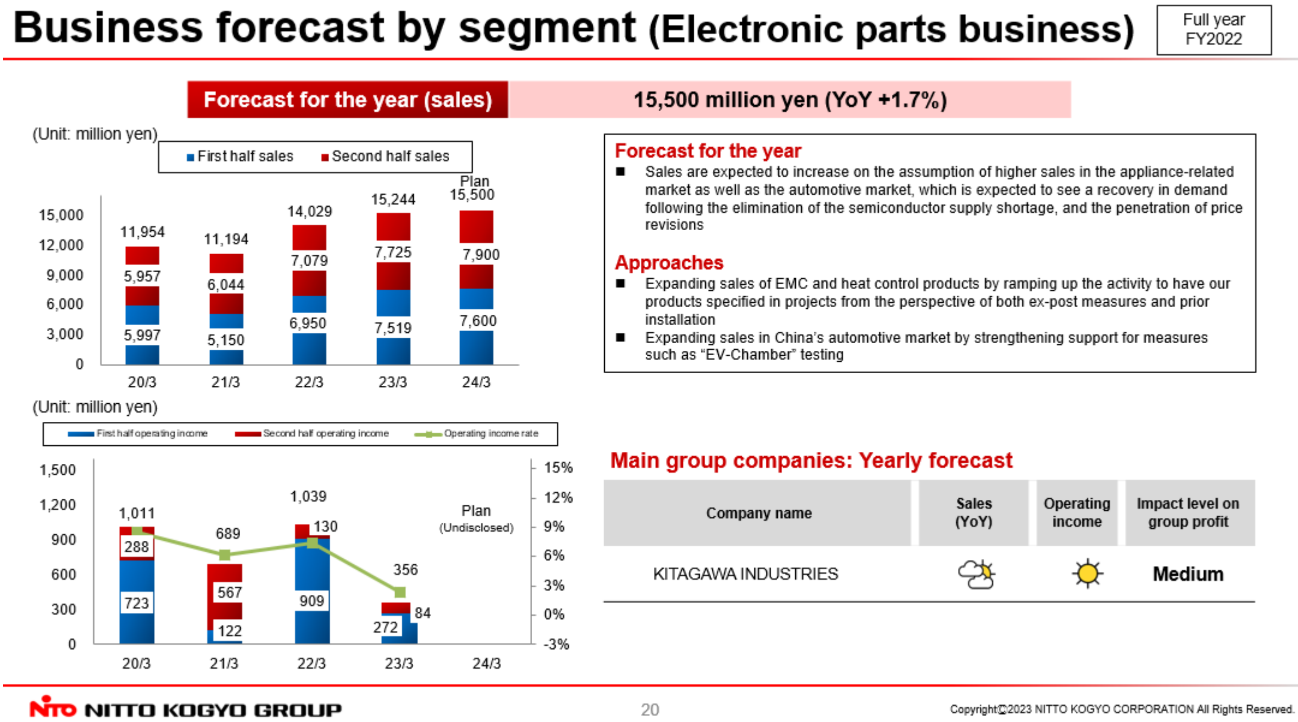
*Income statement of Master Controls will be consolidated from the period ending March 2024




Please turn to page 19. Next, I will discuss our electrical and telecommunications-related distribution business.

Our sales plan for the distribution business is JPY50.7 billion, marking a 10.3% increase compared to the previous term. We anticipate this sales growth from the gradual recovery of demand for our main office-related projects, as well as the beneficial effects of M&A with local companies in Thailand.

Our primary strategies include advancing the efficiency of our operations by expanding the introduction of e-commerce sites. We aim to broaden our sales efforts in the renewable energy market with solutions like lightning protection measures. Furthermore, we are striving to build a robust foundation and expand sales in the ASEAN region, particularly focusing on our subsidiaries in Thailand and Vietnam.




Now, please turn to page 20. Here, we'll cover our electronic-parts-related manufacturing business.

In our electronic parts business, we're forecasting a sales increase of 1.7% compared to the previous term, totaling JPY15.5 billion. This expected increase accounts for the anticipated recovery of demand in the automotive-related market due to the resolution of semiconductor shortages, sales growth in the appliance-related market, and the permeation of our price revisions.

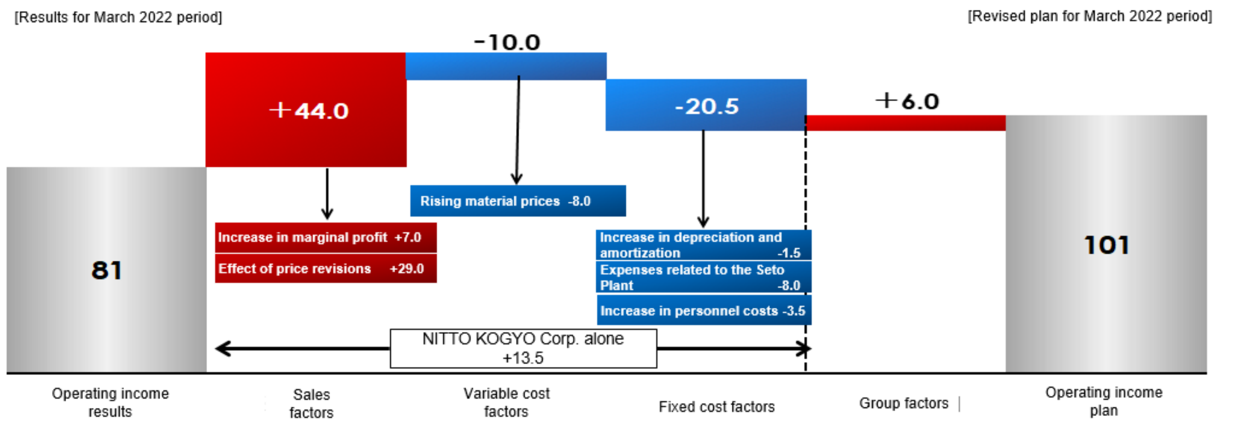
As part of our specific strategies, we will intensify our solutions activity for customers grappling with issues related to electromagnetic wave noise and heat, aiming for increased sales of related products. Moreover, we are setting our sights on expanding sales in the bustling Chinese automotive-related market.

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

Full year FY2022

- Consolidated operating income for period ending in March 2024 is forecast to increase 23.6% year on year to 10.1 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 Prices of procured materials (variable cost factors) and increase in expenses related to the Seto Plant (fixed cost factors).
- For the group, particularly, an income increase in SunTelephone and KITAGAWA INDUSTRIES will become factors that push up income.

(Unit: 100 million yen)



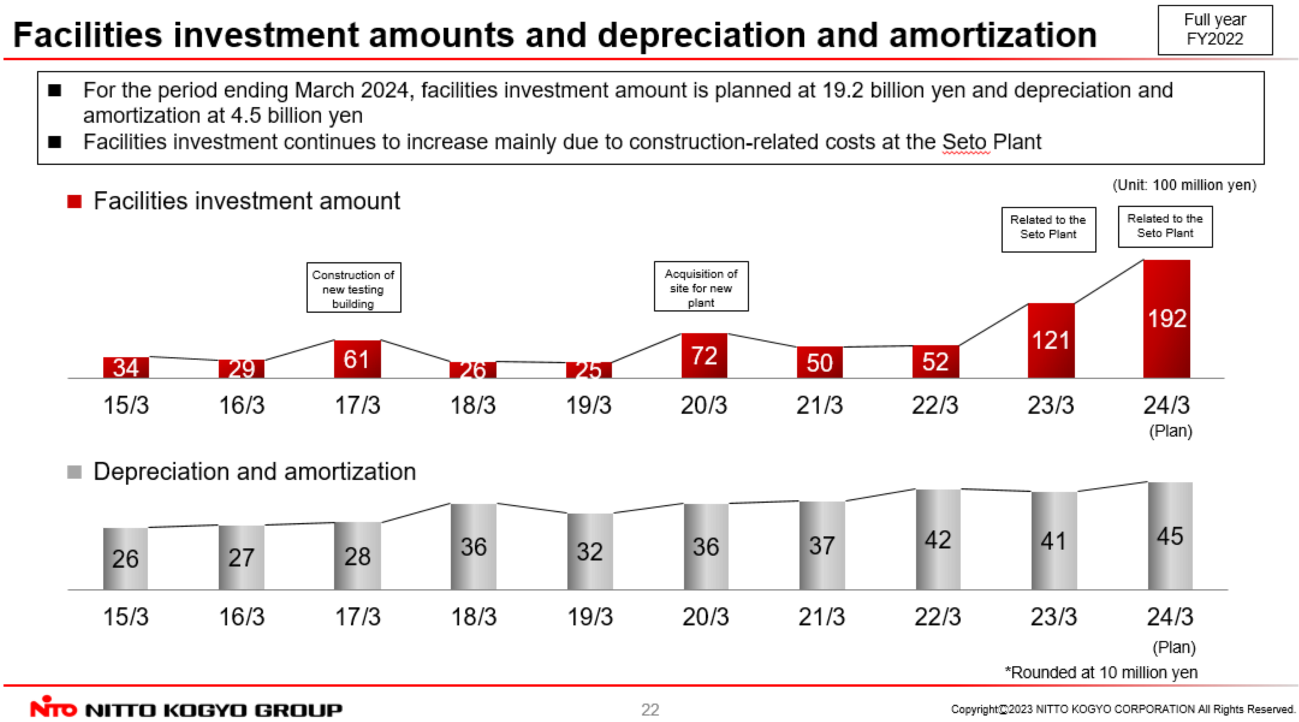

NITTO KOGYO GROUP 21 

Finally, turn to page 21. Here, I will outline the factors affecting the change in our YoY consolidated operating income.

For the fiscal year ending in March 2024, we are expecting our consolidated operating income to rise by 23.6% to JPY10.1 billion. Specifically, NITTO KOGYO on a standalone basis is forecasting an increase of approximately JPY1.35 billion, while the Group overall anticipates an increase of about JPY600 million.

Breaking this down, NITTO KOGYO alone expects profit growth due to sales factors such as increased marginal profits and the effects of price revisions. Conversely, we anticipate a decrease in profit due to variable cost factors, including the rising prices of components. Fixed cost factors such as increased expenses related to the Seto Plant are also projected to diminish profit.

As for the Group as a whole, we expect profit increases from SUNTELEPHONE and KITAGAWA INDUSTRIES, along with a decrease in goodwill amortization expenses.




Please turn to page 22. Here we have our consolidated facilities investment as well as depreciation and amortization expenses.

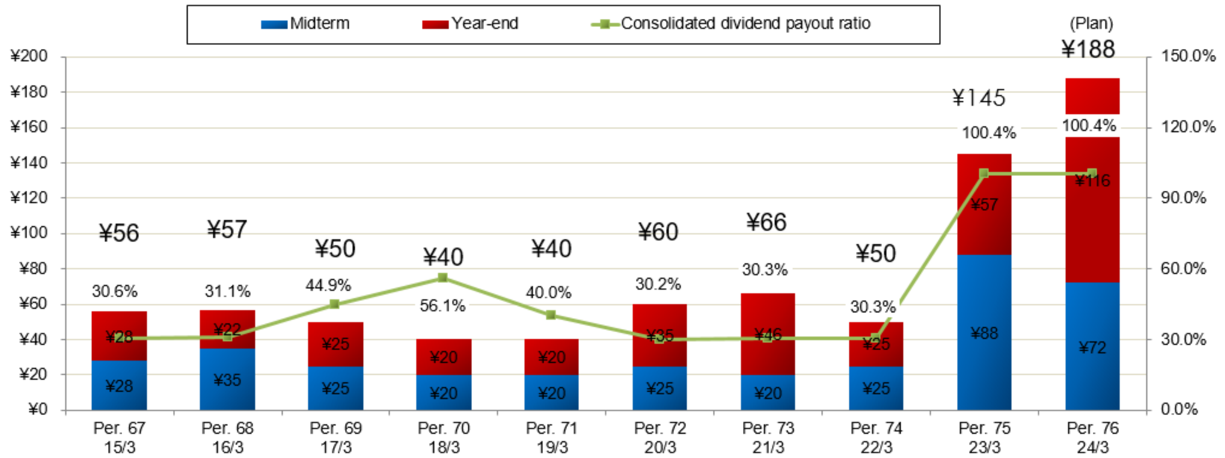
Our planned facilities investment for the fiscal year ending in March 2024 amounts to JPY19.2 billion, marking an increase of JPY7.1 billion from the previous fiscal year. This reflects our ongoing plans to expand construction-related costs for the Seto Plant.

Depreciation and amortization expenses are projected to increase by JPY400 million from the previous year.

# Dividend status

Full year FY2022

- In the period ended March 2023, the dividend for the year is 145 yen and the dividend payout ratio is 100.4% on a consolidated basis
- In the period ending March 2024, dividends for the year will be 188 yen and the dividend payout ratio will be 100.4% on a consolidated basis



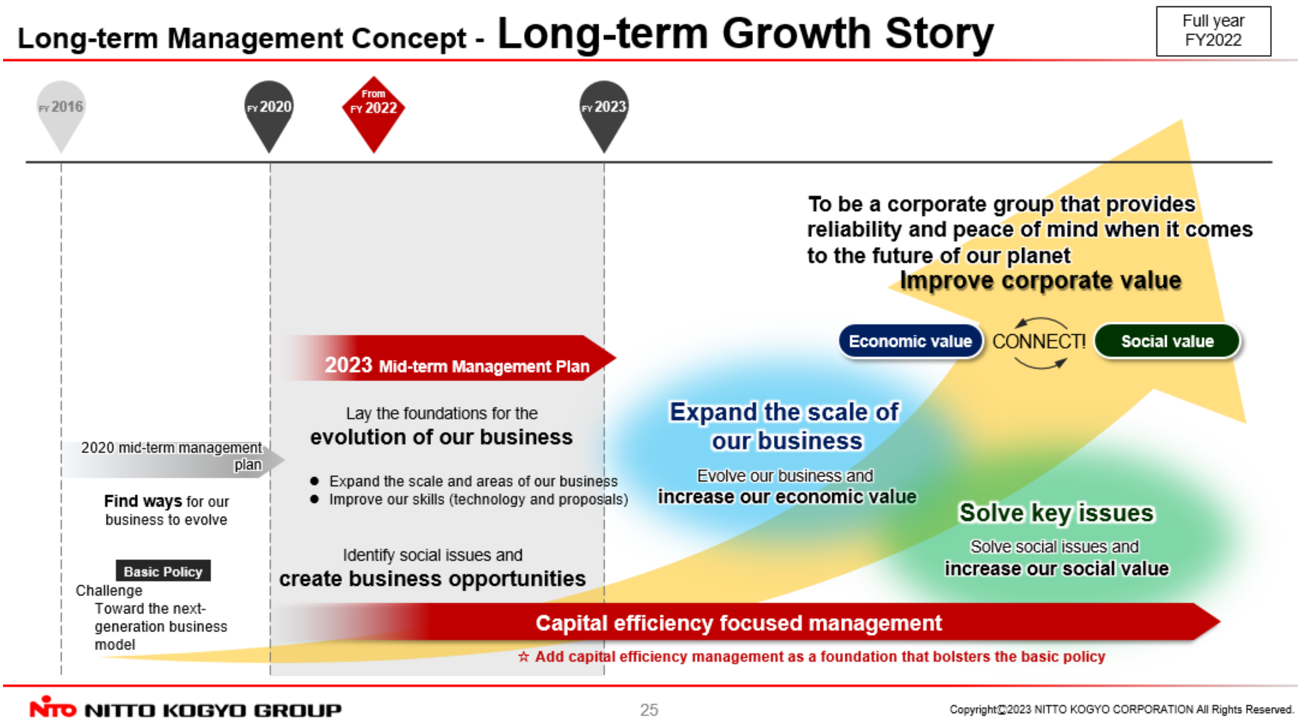

NITTO KOGYO GROUP 23 

Now, please turn to page 23 to discuss our dividend situation.

For the fiscal year which ended in March 2023, we distributed a total dividend of JPY145 per share, resulting in a consolidated payout ratio of 100.4%. Although we revised our annual dividend forecast to JPY140 in our November revised plan, the final figures surpassed our revised plan, which led us to increase the dividend to JPY145 per share.

For the fiscal year ending in March 2024, we are planning an annual dividend of JPY188 per share, with an expected consolidated payout ratio of 100.4%.

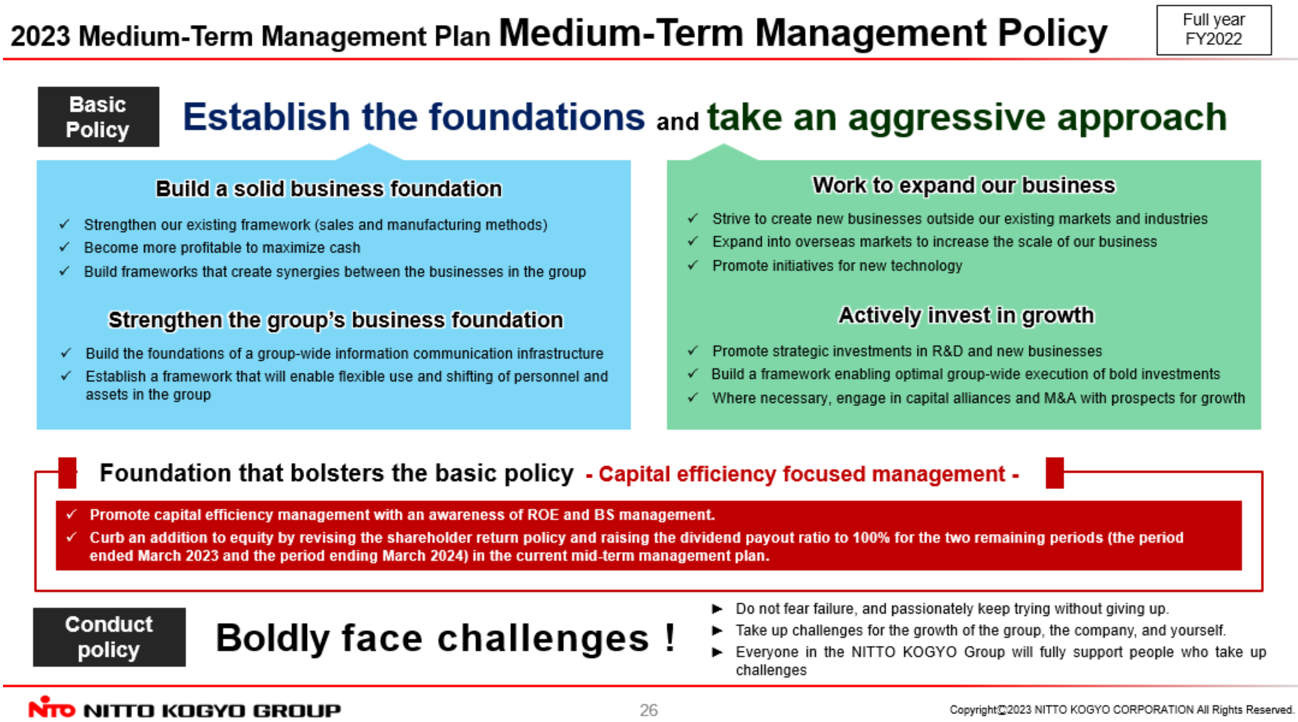
Further details on our capital policy will be provided later.




Next, I'll introduce our medium-term business plan. Please turn to page 25.

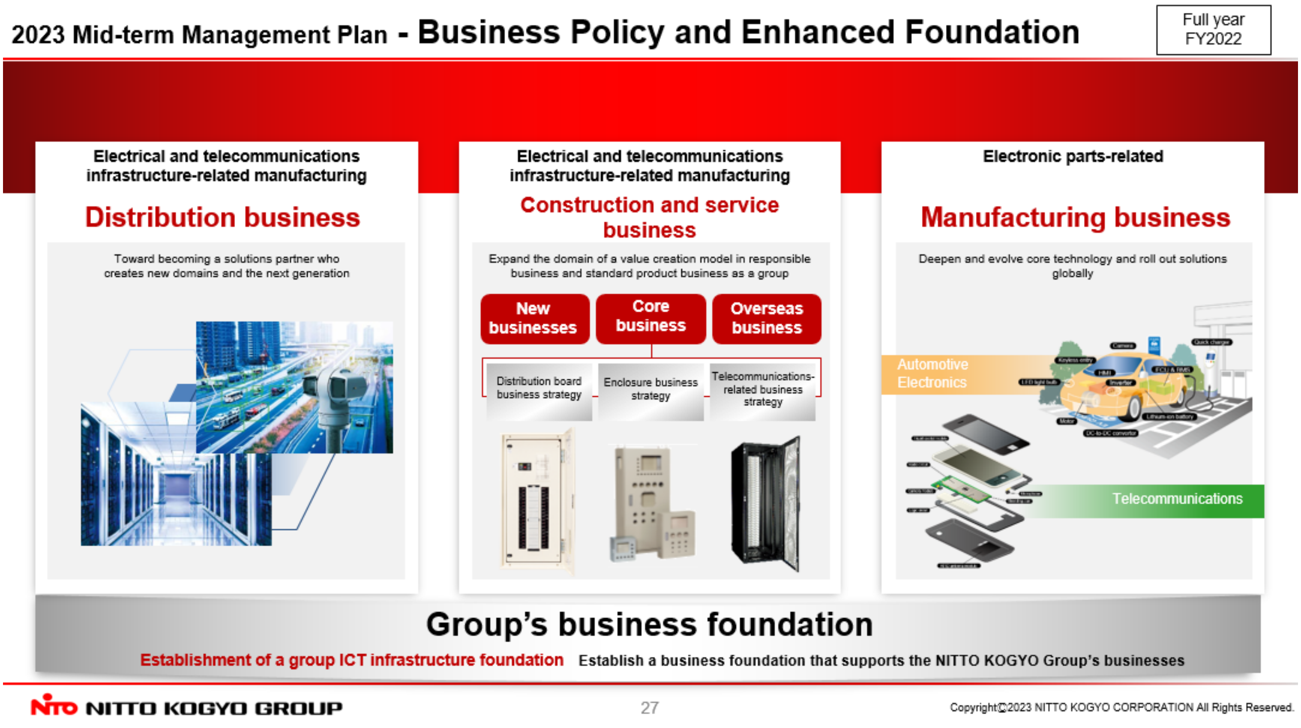
This illustrates our long-term growth strategy. NITTO KOGYO Group strives for a balance between economic and social values, aiming to increase corporate value and deliver trust and security to the future of our planet.

The three-year period of our 2023 medium-term business plan is designated to build a foundation for the next step, to create new businesses, and to prepare the Seto Plant that is essential for growth.




Please turn to page 26. This is our medium-term management policy.

Besides reinforcing our footing and adopting aggressive management strategies, we are also emphasizing ROE-focused capital efficiency management and balance sheet management to support this basic policy.




Let's move on to page 27. This section focuses on our business strategy and foundational strengthening.

In our manufacturing, construction, and service business, we aim to quickly capture our customers' requirements and trends by accepting orders for tailor-made products, each designed and produced according to individual customer needs. By recognizing frequently requested products and transitioning them into mass-produced standard items, we can offer competitive pricing and delivery timelines, thereby enhancing customer satisfaction. This approach is one of our strengths.

By developing standard products for use within the entire group and addressing the specific needs of our various group companies, we aim to expand our reach and ensure high profitability.

Furthermore, we are committed to promoting growth through new business initiatives, such as electric vehicle charging systems, disaster prevention and reduction products, and energy management efforts that contribute towards achieving carbon neutrality. In addition, we are striving to secure active orders for local projects, leveraging our new plant at NITTO KOGYO BM (THAILAND). Our strategies also involve steering our overseas switchboard business onto a solid trajectory, starting with companies like GatherGates in Singapore.

In our distribution business, we strive to evolve into a solution partner capable of pioneering new domains and creating next-generation initiatives. With the advent of new technologies like 5G and 6G, we anticipate a surge in the telecommunications markets. We are also directing our efforts towards enhancing efficiency in order management processes through systems such as e-commerce.

In our electronics components business, we aim to further research and advance our core technologies, which include electromagnetic wave noise countermeasure technology like EMC and thermal management technology for heat dissipation. Our goal is to deploy these solutions globally.

## 2023 Mid-term Management Plan - Progress in Business Strategy

Full year FY2022

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

### Core business

### Construction of environmentally friendly plants "Seto Plant" focusing on sustainability

Aim to make smart factories incorporating digital transformation (DX) taking reduction in environmental impact into account

| | |
|---|---|
| Location | 22-4 Yatokocho, Seto City, Aichi Prefecture |
| Site area | 253,898 $m^2$ |
| Production item | Enclosures, breakers, system racks, optical junction boxes, thermal management products, etc. |
| Number of employees | Approx. 300 |
| Operation start | Spring 2024 |
| Investment amount | Approx. 25 billion yen |
| Environmental certification | CASBEE AICHI A Rank<br>ZEB (acquisition planned) |

(Image of the completed Seto Plant)

| | |
|---|---|
| Purposes of relocation | ✓ **Relocation due to aging of current Nagoya Plant**<br>✓ **Optimizing production by replacing production items with those of other plants** |
| Key points | (1) Strengthening ability to support automated and high-mix low-volume production by utilizing DX<br>(2) Visualization of prices and delivery deadlines by systematizing and centrally managing specifications, production and shipping information<br>(3) Procuring electricity 100% renewable through using electricity generated by the solar power generation system for production facilities and buying carbon-free electricity to cover the shortfall<br>(4) Installing a solar power generation system (panel capacity: 1,134 kW), and transporting the generated electricity to our Nakatsugawa Plant<br>(5) Sequentially installing 100 EV charging facilities in visitor and employee parking lots |

NITTO KOGYO GROUP 28 

On page 28, I will discuss the progress of our business strategies under the 2023 medium-term management plan.

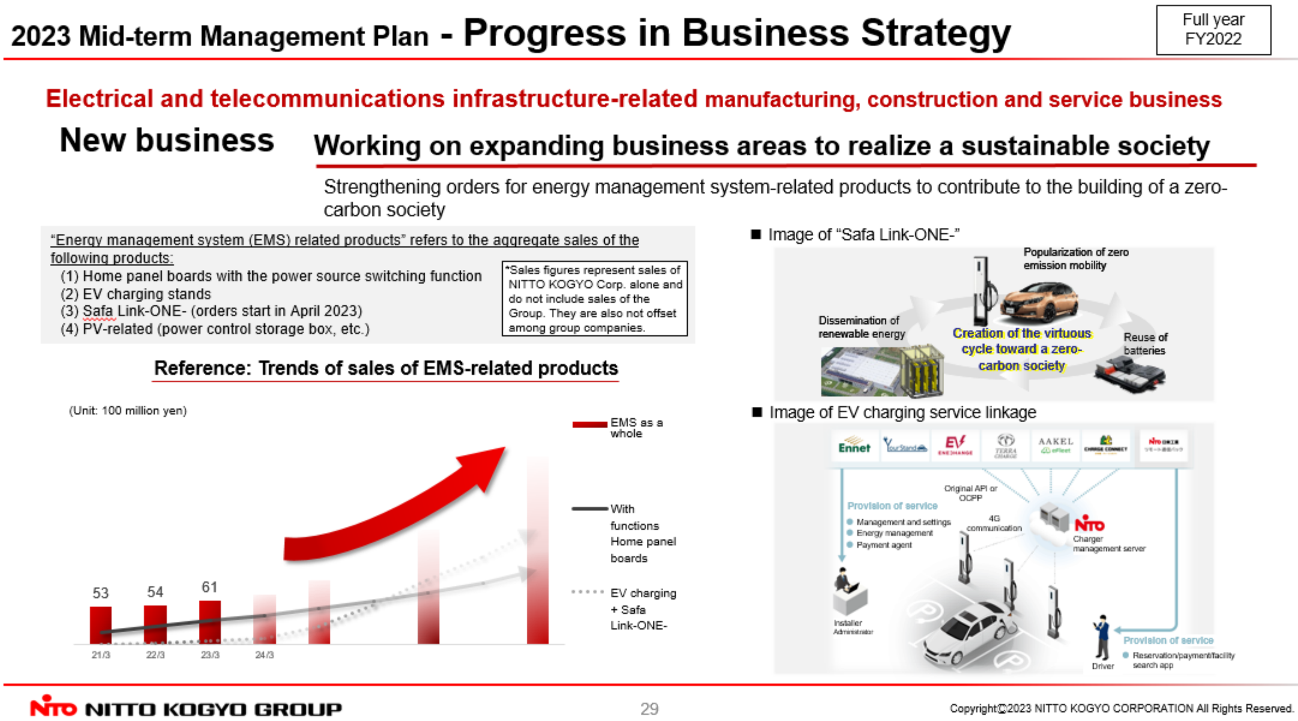
In the realm of electrical and telecommunications infrastructure manufacturing and services, our foremost priority is the construction of the environmentally friendly Seto Plant, which underscores our commitment to sustainability.

Leveraging digital transformation (DX), we are bolstering our ability to handle diversified, small-lot production efficiently. Additionally, by systemizing and centrally managing specification, production, and shipping data, we aim to visualize pricing and delivery schedules.

Furthermore, we plan to utilize power generated from our solar power system for our production facilities. For any additional power required, we will procure carbon-free energy, ensuring 100% coverage by renewable sources. Moreover, power generated by our solar power system will be transferred to our Nakatsugawa Plant.

Furthermore, we aim to encourage the use of EVs by sequentially installing 100 EV charging facilities in the parking areas for visitors and employees. In pursuit of reducing environmental impact, we aspire to create a smart factory that incorporates DX.

The factory is expected to commence operations around next spring.

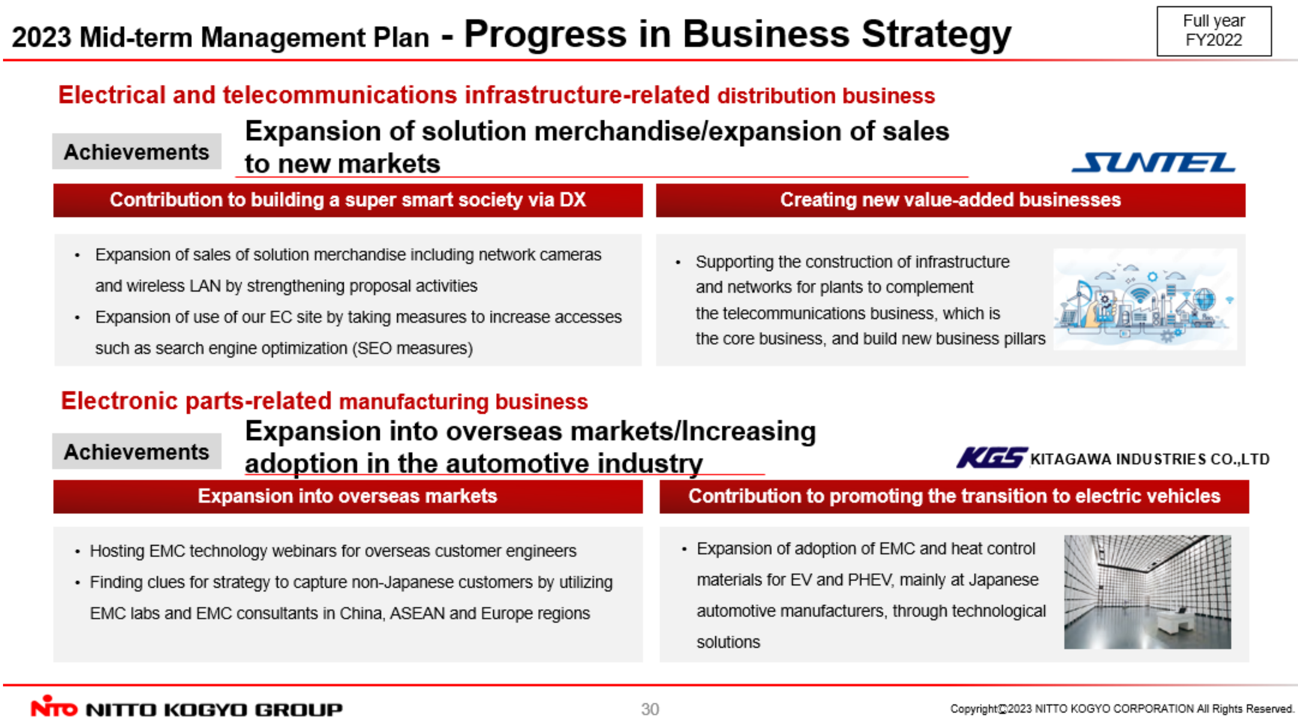



Next, please turn to page 29. The second aspect of our strategy involves working towards the realization of a sustainable society by expanding our business areas. The graph displayed here showcases the sales trend of our energy management-related products.

Sales are expanding for products that leverage NITTO KOGYO's core technologies and new advancements like IoT. This includes not only the power conditioner storage boxes related to solar power systems, but also, more recently, home panel boards equipped with a feature to switch power supply between commercial power and stored batteries. We are seeing an escalating demand for such solutions.

Moreover, from April this year, we began accepting orders for SafaLink-ONE-, an industrial solar self-consumption energy storage system designed to help establish a circular economy for a decarbonized society. We anticipate continued sales growth in this market sector.

As we move forward, we remain committed to addressing societal challenges and striving towards the realization of a sustainable, carbon-neutral society.




Turning to page 30, I will explain our distribution business. Here, we are committed to precisely identifying market needs and contributing to the realization of an ultra-smart society via digital transformation.

Concurrently, we are also striving to create novel, value-adding businesses that will stand as a second pillar in our portfolio.

In our electronic parts business, our focus is on crafting new success models domestically, which we envision will serve as growth drivers in our international markets. We plan on globally implementing these successful domestic strategies and aim to expand our sales reach into vital sectors, including automotive, appliances, and ICT.

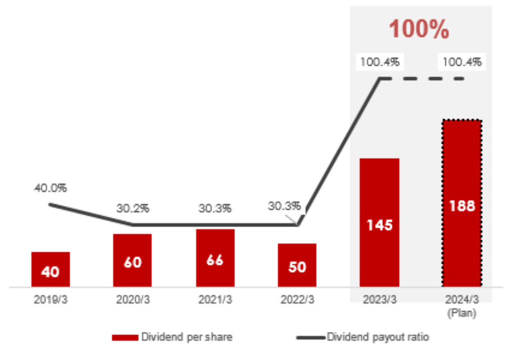
We have made consistent strides in implementing these specific business strategies, resulting in smooth progress across all our business segments.

## 2023 Mid-term Management Plan - Status of Capital Policy

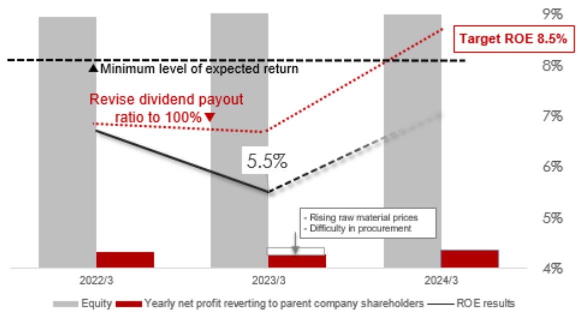
Full year FY2022

- The dividend payout ratio is set to 100% starting from the interim dividend for the period ended March 2023 in order to stunt the excessive growth of equity (denominator)
- The initially assumed increase in profits (numerator) has not progressed partly due to the impact of rising raw material prices and difficulty in procurement of materials that are far severer than expected since the adoption of the capital policy
- ROE for the period ending March 2024 is expected to improve year on year

**Trends in dividend payout ratio and dividends per share**




**Trend in ROE**



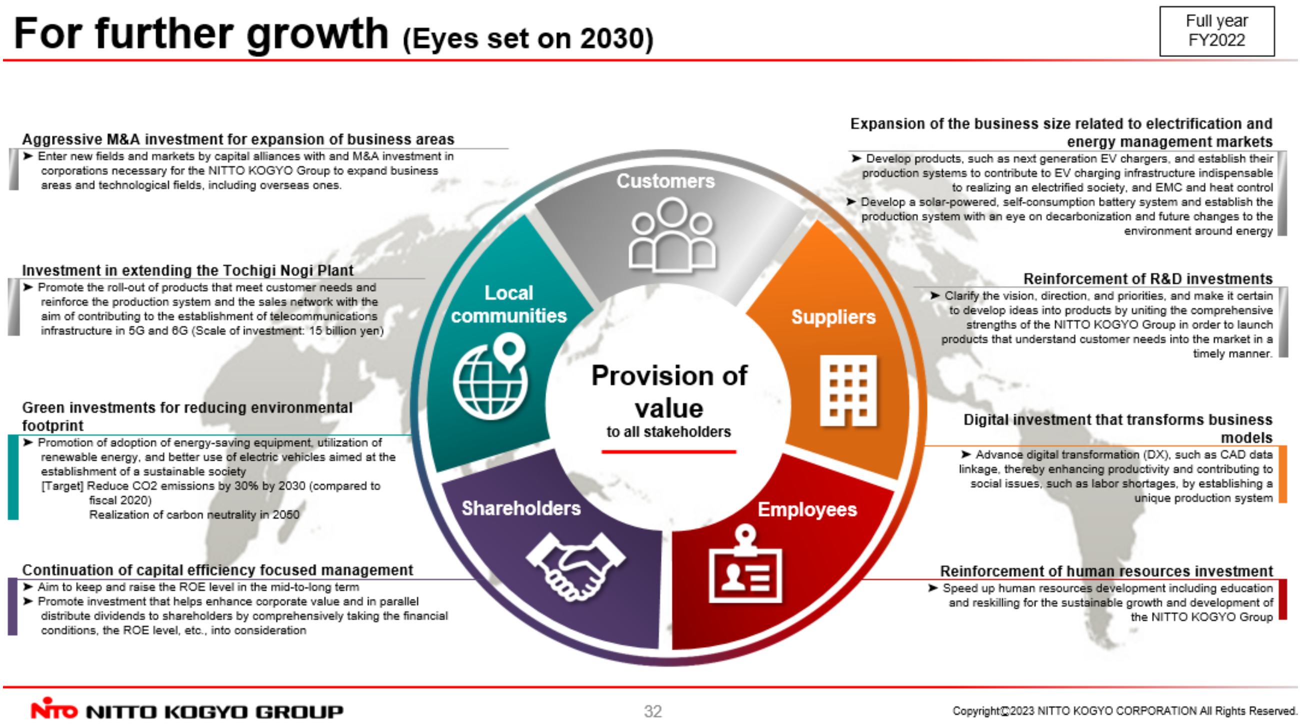

NITTO KOGYO GROUP 31 

Moving on to page 31, I will explain the state of our capital policy.

By setting our dividend payout ratio at 100% through the interim dividend for the fiscal year ended March 2023, we are working to curb an excessive accumulation of our equity capital. However, after the implementation of this capital policy, we have been significantly impacted by rising material prices and difficulties in procurement, far beyond our initial projections. As a result, our anticipated profit growth hasn’t been advancing as expected.

Despite this, for the fiscal year ending March 2024, we are forecasting an improved ROE compared to the previous term. Throughout this medium-term plan period ending March 2024, we will continue to commit to this initiative.

This concludes our introduction to the medium-term management plan.




As we turn to page 32, our final page, I would like to present our strategy aimed at further growth.

We are determined to scale up our infrastructure business that supports the electrification of automobiles and our energy management-related business. In pursuit of this goal, we will press ahead with our investments in M&A, R&D, as well as the expansion of our Nogi Plant in Tochigi. Furthermore, we will maintain our focus on green investment targeting a reduction in environmental impact, digital investment, and investment in human resources.

In addition, we pledge to continue our emphasis on capital efficiency and remain proactive in delivering value to all our stakeholders. We sincerely appreciate your ongoing support.

This concludes our presentation. Thank you for your attention.

[END]