

Financial Results for the Second Quarter of Fiscal Year 2023 (April 1, 2023 - March 31, 2024)

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.

**Sales and net income were record highs
for the first half of the year**
**Sales and profits increased due to price
revisions, etc.**

- Sales and profits increased year-on-year, sales and quarterly net income were record highs for the first half of the year
- Regardless of rising material prices and an increase in selling, general and administrative expenses (SGA), profits increased significantly due to an increase in marginal profits and effects of price revisions, etc.
- The results exceeded first-half plans, but the initial plan is not changed

1. Overview of consolidated accounts period ending in March 2024, second quarter	3
2. Key topics	11
Price revisions	
Status of the impact of rising material prices, etc., and procurement and effect of price revisions	
Trends of sales of energy management system (EMS) related products	
3. Forecast of consolidated results for the accounts period ending in March 2024	15
4. Mid-term management plan	26
5. Reference materials	35

1. Overview of consolidated accounts period ending in March 2024, second quarter

2nd quarter consolidated account highlights

2Q FY2023

- Business results for the second quarter of the period ending in March 2024 showed increased sales and profits. Sales and quarterly net income were record highs for the second quarter
- Sales increased due to an increase in sales of distribution/panel boards thanks to price revisions, etc., in the electrical and telecommunications infrastructure-related manufacturing, construction and service businesses, and a recovery in office network projects in the electrical and telecommunications infrastructure-related distribution business
- Operating income increased because an increase in marginal profit and the effects of price revisions, etc., exceeded the effects of rising material prices and an increase in selling, general and administrative expenses (SGA)

(Unit: million yen)

	2023/3	2024/3			
	2Q results	2Q results	YoY comparison	First-half plan	Vs. First-half plan
Sales	65,601	73,163	+11.5%	73,000	+0.2%
Operating income	2,171	4,771	+119.8%	3,900	+22.3%
Ordinary income	2,955	5,187	+75.5%	3,900	+33.0%
Quarterly net profit reverting to parent company shareholders	1,698	3,564	+109.9%	2,700	+32.0%

Business segments

Electronic parts-related Manufacturing business

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



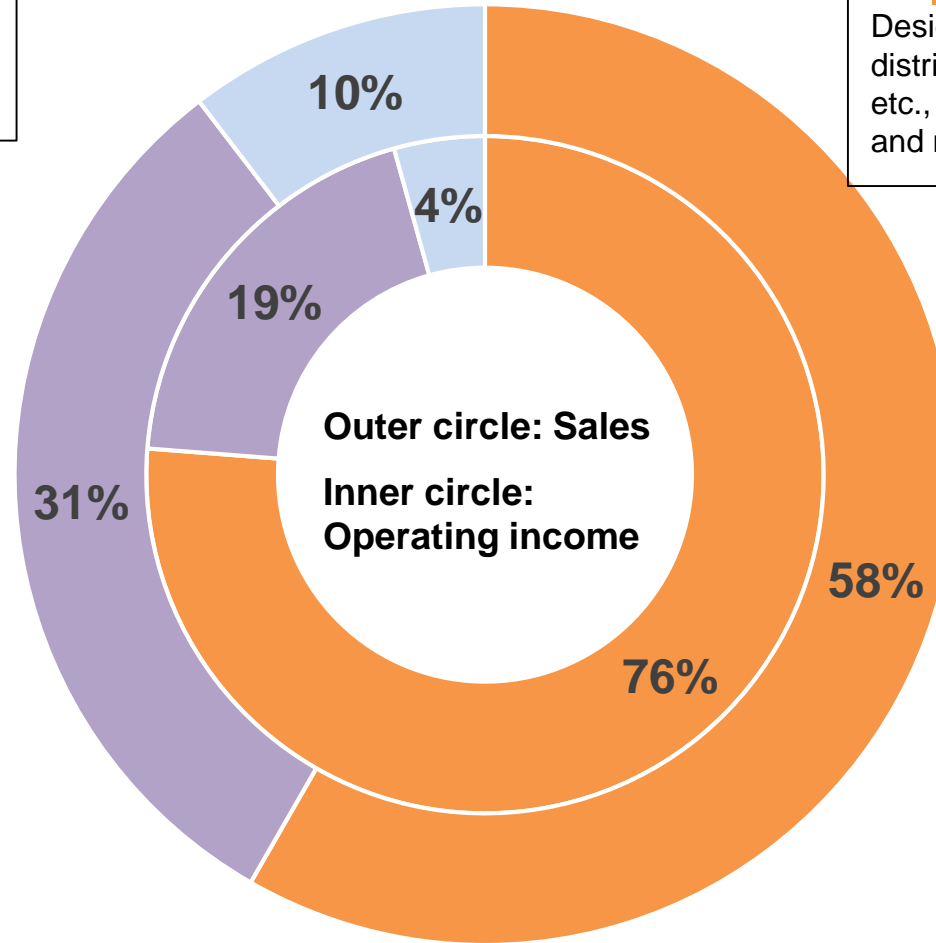
Electrical and telecommunications infrastructure-related Distribution business

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



* 2023/3 actual results. Percentages may not total 100 due to rounding.

2nd quarter account highlights by segment

2Q FY2023

- In the manufacturing, construction, and service business, sales and profits increased due to an increase in sales of distribution/panel boards and enclosures thanks to price revisions, etc., as well as an increase in sales of Gathergates and other subsidiaries.
- The distribution business booked increases in sales and profits due to a rise in sales of network equipment as office network projects recovered, and an increase in renewable energy-related projects.
- In the electronic components business, sales decreased due primarily to falling demand mainly in the air-conditioning market, regardless of a rise in sales of heat control products, etc., on the back of robust demand in automotive markets. Profits increased due to an improvement in the ratio of variable costs and a decrease in selling, general and administrative expenses (SGA).

(Unit: million yen)

By segment		2023/3	2024/3			
		2Q results	2Q results	YoY comparison	First-half plan	Vs. First-half plan
Sales	Manufacturing, construction and service business	37,976	42,995	+13.2%	42,800	+0.5%
	Distribution business	20,104	22,801	+13.4%	22,600	+0.9%
	Electronic parts business	7,519	7,365	-2.0%	7,600	-3.1%
	Total	65,601	73,163	+11.5%	73,000	+0.2%
Operating income	Manufacturing, construction and service business	1,380	3,361	+143.5%	-	-
	Distribution business	518	809	+56.3%	-	-
	Electronic parts business	272	596	+119.1%	-	-
	Total	2,171	4,771	+119.8%	3,900	+22.3%

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

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

2Q FY2023

- The distribution boards division posted a sales increase mainly due to an increase in sales of high-voltage power receiving equipment and panel boards and effects of price revisions.
- The enclosure division booked a sales increase due primarily to an increase in sales of iron enclosures resulting from price revisions and an increase in sales of hole cutting enclosures in the wake of expanded use of the design and order system using the internet.
- The breakers/switches/parts/other divisions increased sales primarily because of higher sales of breakers and increased sales of EV charging stands driven by the national subsidy policy.
- The construction and services division sales decreased due to a decrease in sales of electric and telecommunications construction in office and hospital projects.

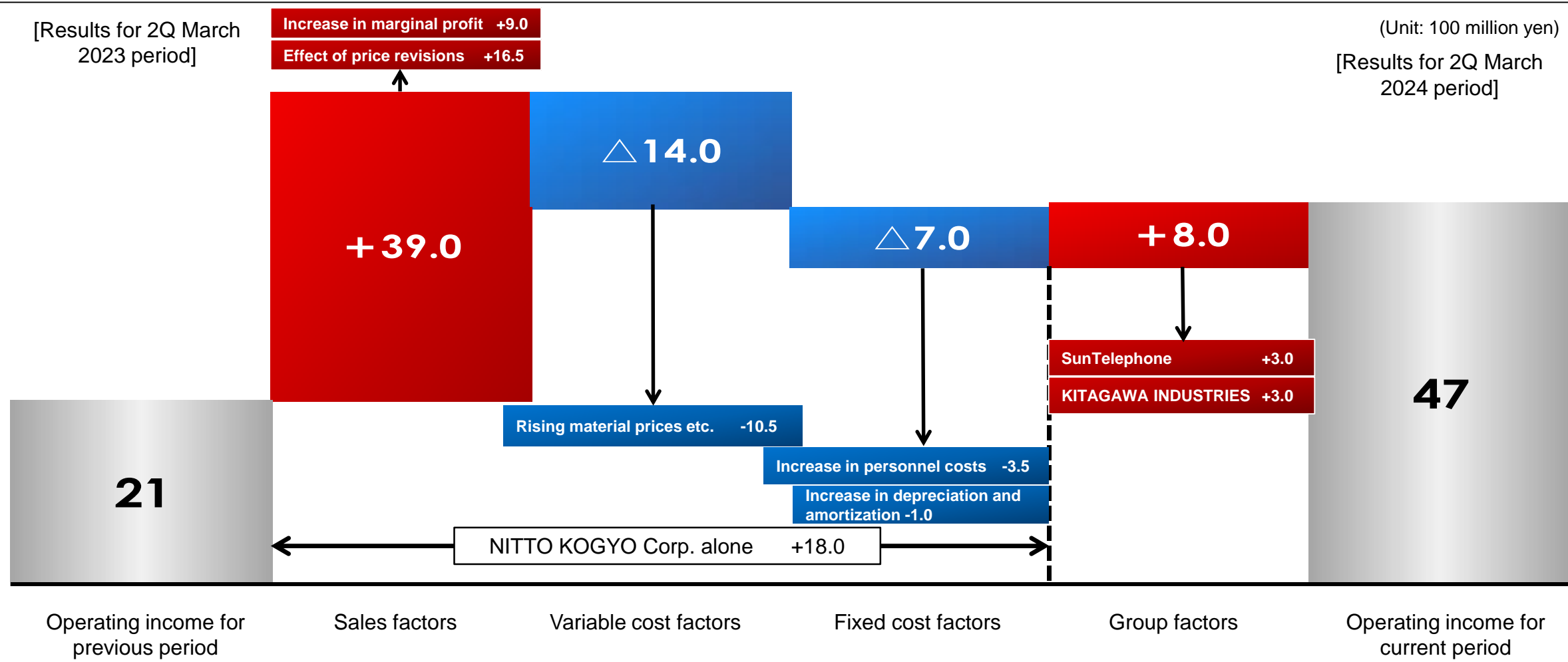
(Unit: million yen)

		2023/3	2024/3			
Sales by division		2Q results	2Q results	YoY comparison	First-half plan	Vs. First-half plan
Manufacturing, construction and service business	Distribution boards	20,872	24,768	+18.7%	24,500	+1.1%
	Enclosure	9,567	10,230	+6.9%	10,000	+2.3%
	Breakers/switches/parts/other	5,704	6,218	+9.0%	6,300	-1.3%
	Construction/service	1,831	1,778	-2.9%	2,000	-11.1%
Total		37,976 (1,906)*	42,995 (2,382)	+13.2%	42,800	+0.5%
Consolidated overall total		65,601	73,163	+11.5%	73,000	+0.2%
Consolidated sales composition ratio		57.9%	58.8%	+0.9%	58.6%	+0.2%

* Parentheses refer to internal sales between segments

Factors in changes in 2nd quarter consolidated operating income

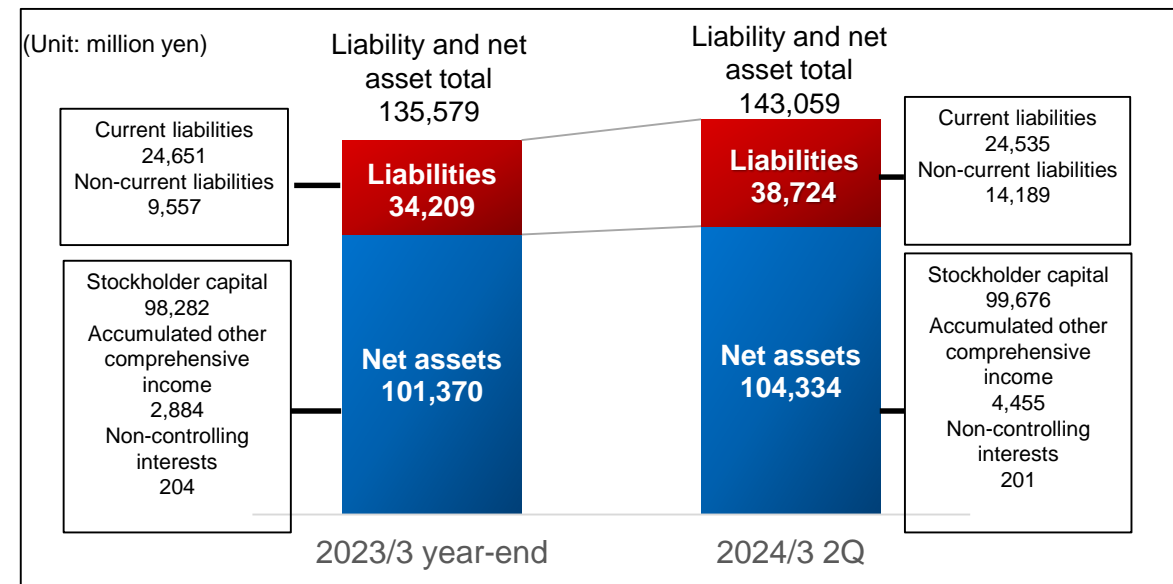
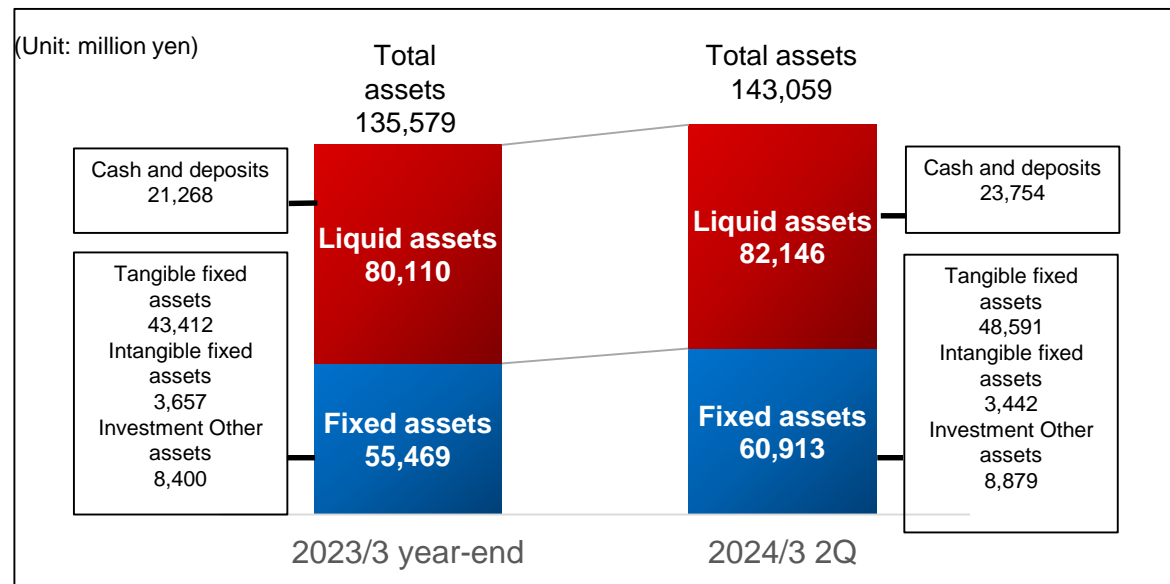
- As for the non-consolidated factors of NITTO KOGYO Corp., profits increased because an increase in marginal profit and the effects of price revisions exceeded an increase in variable costs and fixed costs.
- As for the group factors, primarily SunTelephone and KITAGAWA INDUSTRIES increased profits, which pushed up consolidated operating income



Overview of consolidated finances for the second quarter

2Q FY2023

- Despite a decrease in trade receivables, total assets increased due primarily to increases in inventories and construction in progress related to the Seto Plant



<Main changes>

■ Assets

Increased cash and deposits	+2,486
Decreased trade receivables	-2,351
Increased inventories	+2,167
Increased construction in progress	+5,677

■ Liabilities

Decreased accounts payable	-1,484
Increased long-term loans payable	+4,977

■ Net assets

Quarterly net income	+3,564
Dividends of surplus	-2,167
Increased accumulated other comprehensive income	+1,571

2nd quarter consolidated cash flow statement

2Q FY2023

- Cash equivalents increased 2,318 million yen from the beginning of the period ending March 2024 to 22,417 million yen

(Unit: million yen)

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



2024/3 2Q	
Beginning balance of cash and cash equivalents	20,098
CF due to sales activities	6,114
CF due to investment activities	-6,957
CF due to financial activities	2,752
Effect of exchange rate changes on cash and cash equivalents	409
Ending balance of cash and cash equivalents for the quarter	22,417

<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

<2023/3 2Q Main factors>

■ CF due to investment activities

Expenditure due to acquisition of fixed assets -6,904

■ CF due to financial activities

Income due to long-term loans payable 5,000

Payment of dividends -2,161

2. Key topics

- Third price revisions implemented from April 2024
- Second price increase for enclosures and system racks following the first price revisions in July 2022
- The effect on the results for the next year (March 2025 period) is under examination

➤ Third price revisions (from April 2024)

Product lines to be affected	Revision rate
Enclosure	Approx. 10 to 15%
System racks	Approx. 10%
Some panel board accessories	Approx. 10%
Standard panel boards and control panel boards	Approx. 2 to 8%

The effect on the results for the next year (March 2025 period) is under examination

Disclosed on September 25, 2023

- Rising material prices decreased operating income by 1.05 billion yen in the first half.
- Difficulty in procurement remained in the easing trend and was partially normalized. Items with prolonged delivery deadlines were replaced with stock or ordered in advance.
- Price revisions (first and second) boosted operating income by 1.65 billion yen in the first half.
- The second-half forecast is unchanged from the beginning of the year.

	Initial assumption (full year)	First-half results	Second-half assumption	Change from the initial assumption
Rising material prices	YoY -0.8 billion yen (in operating income)	YoY -1.05 billion yen	YoY +0.25 billion yen	No
Difficulty in procurement	on an easing trend (Partially normalized)	on an easing trend (Partially normalized)	on an easing trend (Partially normalized)	No
Effect of price revisions	YoY +2.9 billion yen (in operating income)	YoY +1.65 billion yen	YoY +1.25 billion yen	No

- Sales of EMS-related products in the first half increased 33.3% year on year to 3.4 billion yen
- Sales of EV charging stands increased as a result of the national subsidy policy, sales of home panel boards with the power source switching function increased, and sales of high-voltage power receiving equipment related to solar power generation systems increased

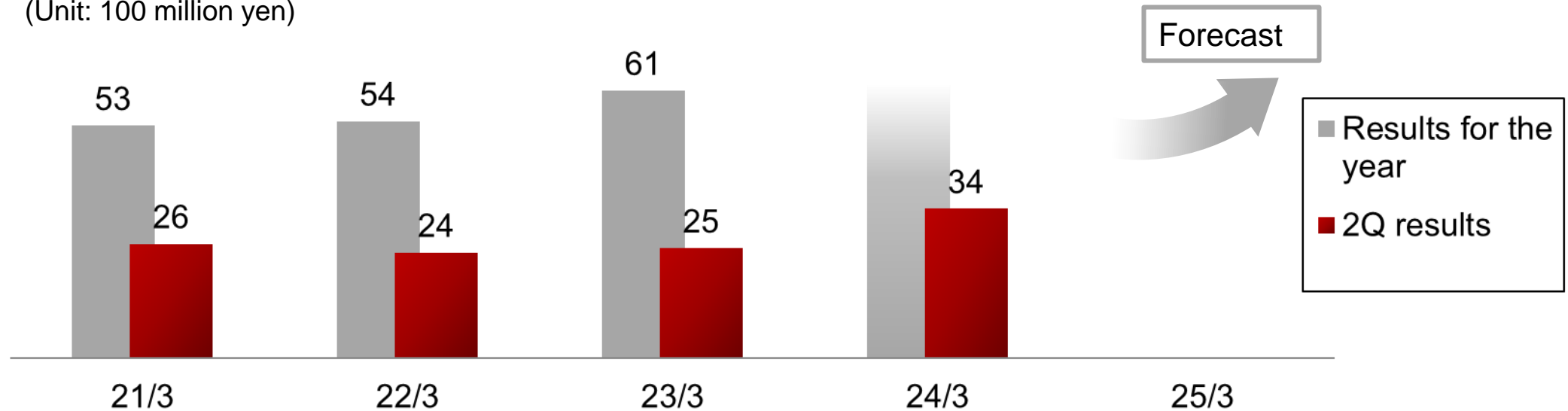
“Energy management system (EMS) related products” refers to the aggregate sales of the following products:

- (1) Home panel boards with the power source switching function
- (2) EV charging stands
- (3) Safa Link-ONE- (orders start in April 2023)
- (4) PV-related (power control storage box, etc.)

* Sales figures represent sales of NITTO KOGYO Corp. alone and do not include sales of the group. They are also not offset among group companies.

<Sales of energy management system (EMS) market related products>

(Unit: 100 million yen)



3. Forecast of consolidated results for the accounts period ending in March 2024

Premises of the plan for the year

2Q FY2023

	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 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

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

2Q FY2023

- 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 revisions (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% 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

Forecast of consolidated results for the year

2Q FY2023

- 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)

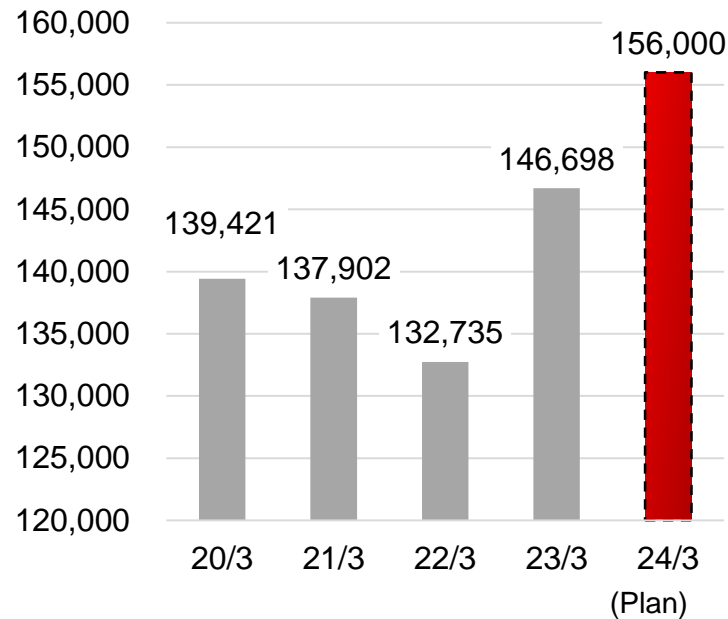
	2023/3		2024/3			
	2Q results	Results for the year	2Q results	(YoY) Change	Plan for the year	(YoY) Change
Sales	65,601	146,698	73,163	+11.5%	156,000	+6.3%
Operating income	2,171	8,172	4,771	+119.8%	10,100	+23.6%
Ordinary income	2,955	9,056	5,187	+75.5%	10,100	+11.5%
Yearly net profit reverting to parent company shareholders	1,698	5,476	3,564	+109.9%	7,100	+29.6%

Consolidated performance trends

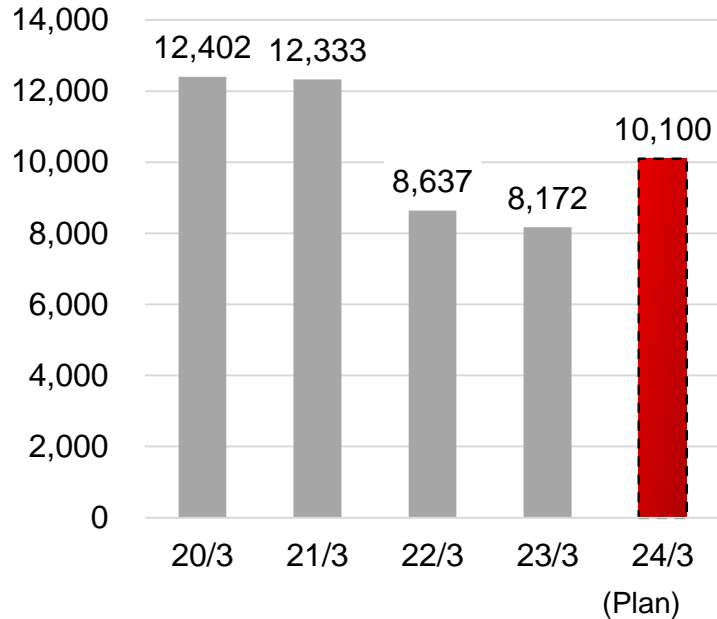
- If we are on target with the plan for the period ending March 2024, we expect to achieve the highest sales and the sixth highest operating income in our history.

(Unit: million yen)

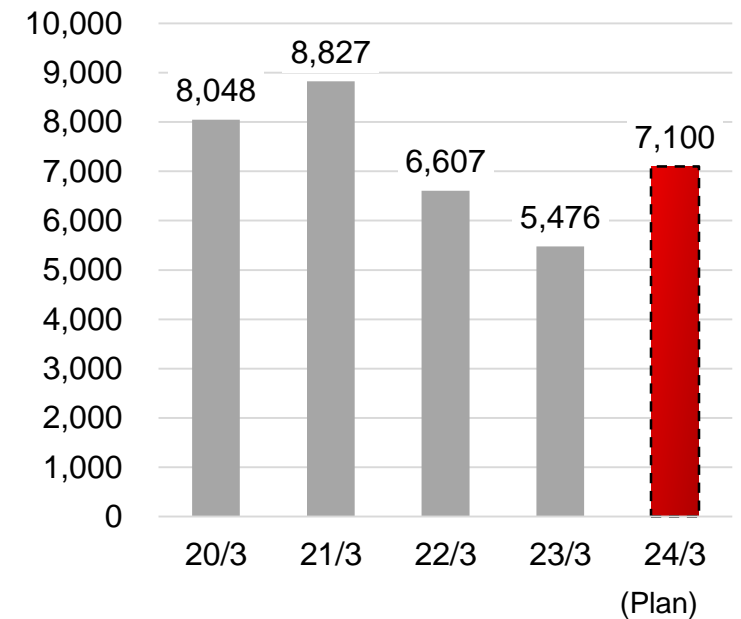
■ Sales



■ Operating income



■ Yearly net profit reverting to parent company shareholders

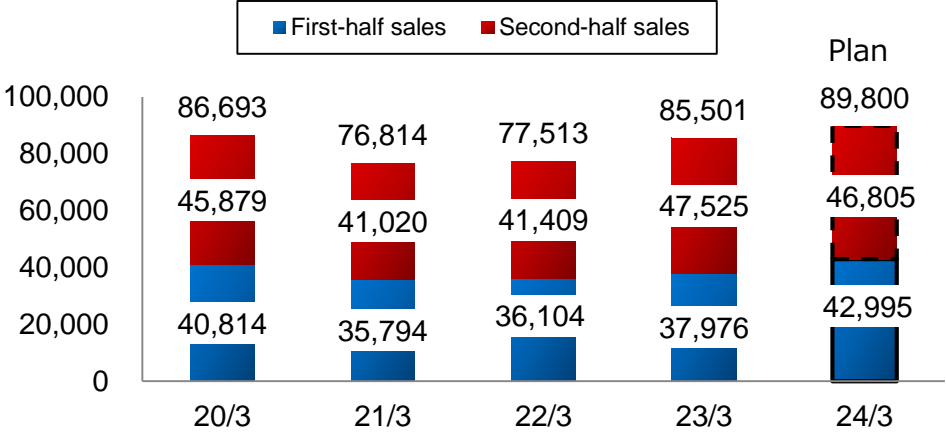


	20/3	21/3	22/3	23/3	24/3 (Plan)
Sales	139,421	137,902	132,735	146,698	156,000
Operating income	12,402	12,333	8,637	8,172	10,100
Yearly net profit reverting to parent company shareholders	8,048	8,827	6,607	5,476	7,100

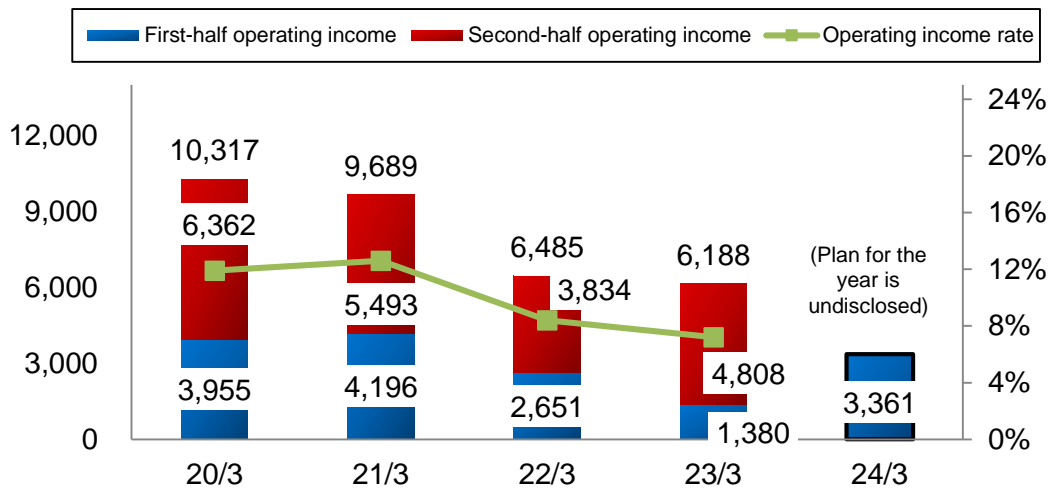
Forecast for the year (sales)

89,800 million yen (YoY +5.0%)

(Unit: million yen)



(Unit: million yen)



Forecast for the year

■ Demand in existing markets is expected to be solid partly due to increasing private facilities investment, and sales are expected to increase due to increased sales as a result of the second price revisions in April 2023

Approaches

- Expanding sales of “Safa Link-ONE-,” an industrial solar self-consumption storage battery system, which has achieved the virtuous cycle toward a zero-carbon society, to EMS- related markets
- Capturing the custom enclosure market by introducing and increasing the use of the “Smart Order system”

Main group companies: Yearly forecast

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

* 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.

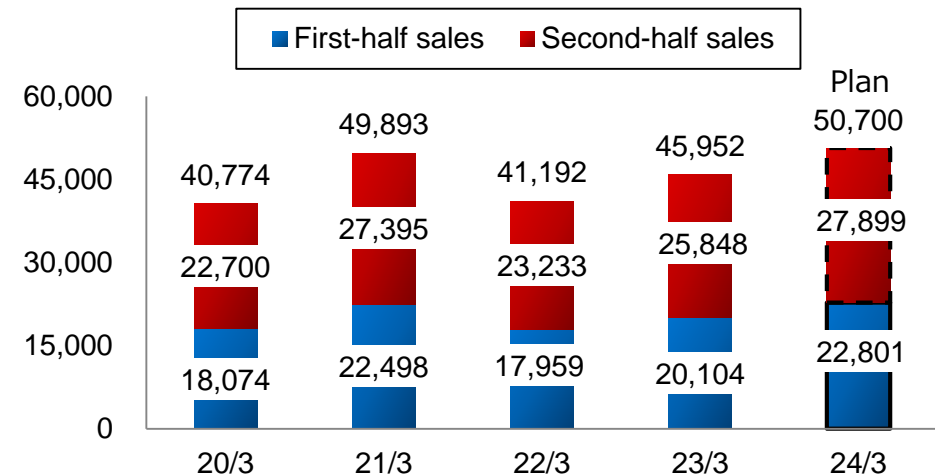
Business forecast by segment (Distribution business)

2Q FY2023

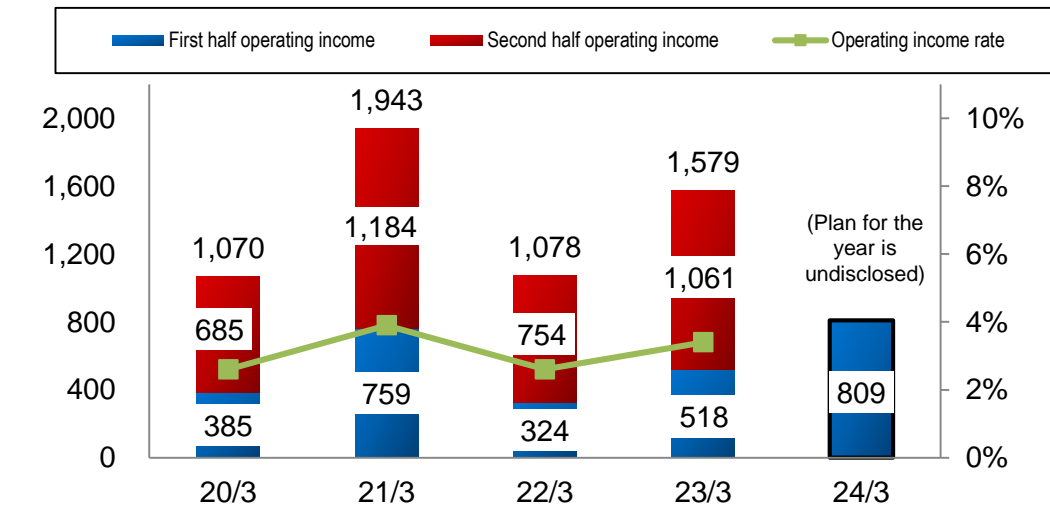
Forecast for the year (sales)

50,700 million yen (YoY +10.3%)

(Unit: million yen)



(Unit: million yen)



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
	SOECO			Low
Overseas	Master Controls*	-	-	Low

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

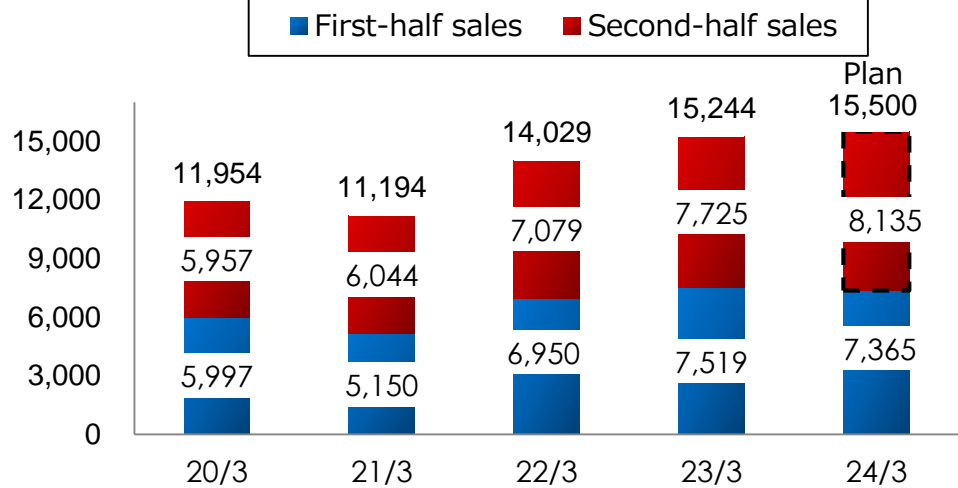
Business forecast by segment (Electronic parts business)

2Q FY2023

Forecast for the year (sales)

15,500 million yen (YoY +1.7%)

(Unit: million yen)



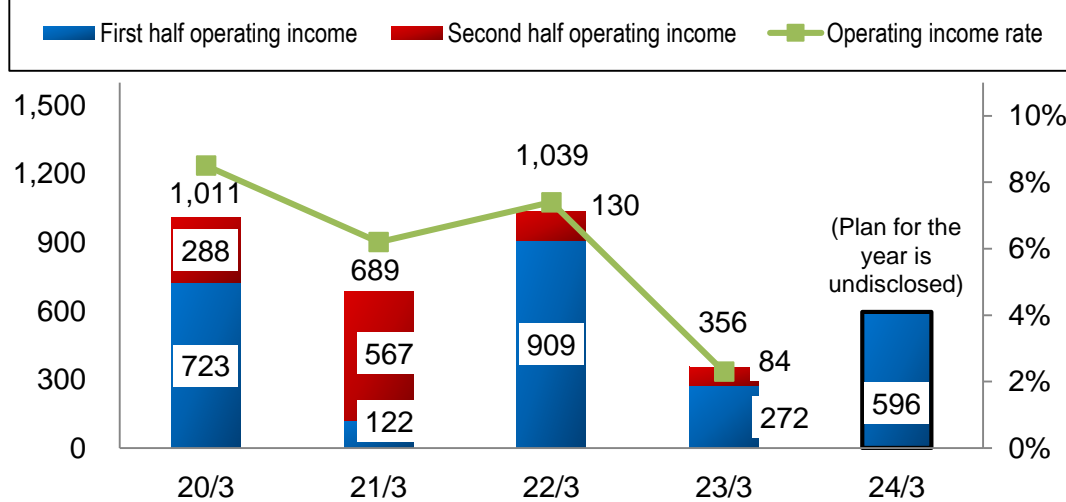
Forecast for the year

- Sales are expected to increase on the assumption of higher sales in the appliance-related market as well as the automotive market, which is expected to see a recovery in demand following the elimination of the semiconductor supply shortage, and the penetration of price revisions

Approaches

- Expanding sales of EMC and heat control products by ramping up the activity to have our products specified in projects from the perspective of both ex-post measures and prior installation
- Expanding sales in China's automotive market by strengthening support for measures such as "EV-Chamber" testing

(Unit: million yen)



Main group companies: Yearly forecast

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

2Q FY2023

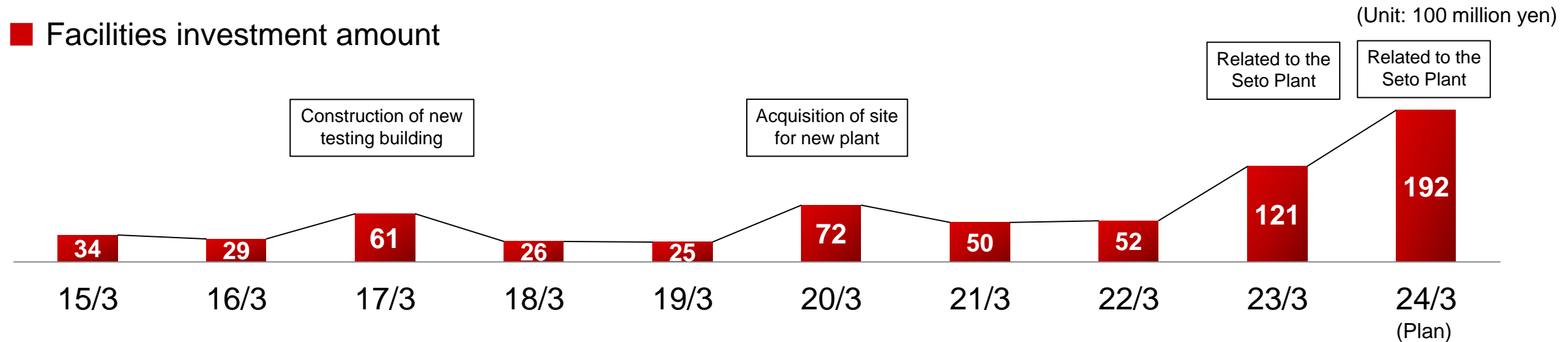
- (Unit: 100 million yen)
- [Plan for the Period
Ending March 2024]



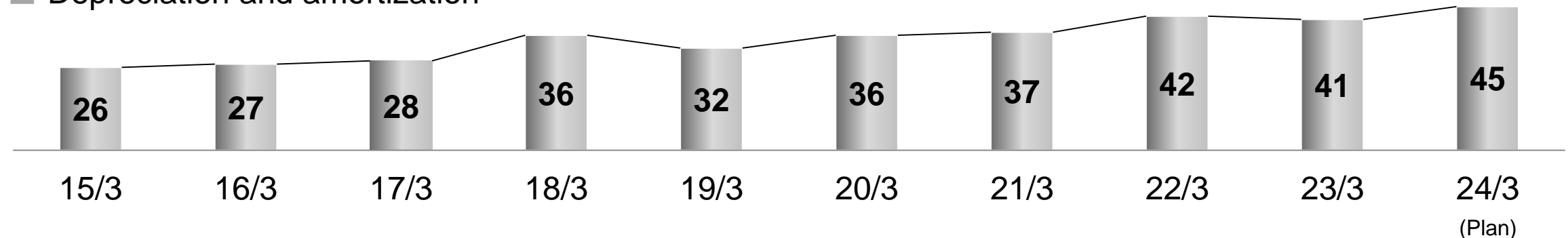
Facilities investment amounts and depreciation and amortization

- For the period ending March 2024, facilities investment amount is planned at 19.2 billion yen and depreciation and amortization at 4.5 billion yen
- Facilities investment continues to increase mainly due to construction-related costs at the Seto Plant

■ Facilities investment amount

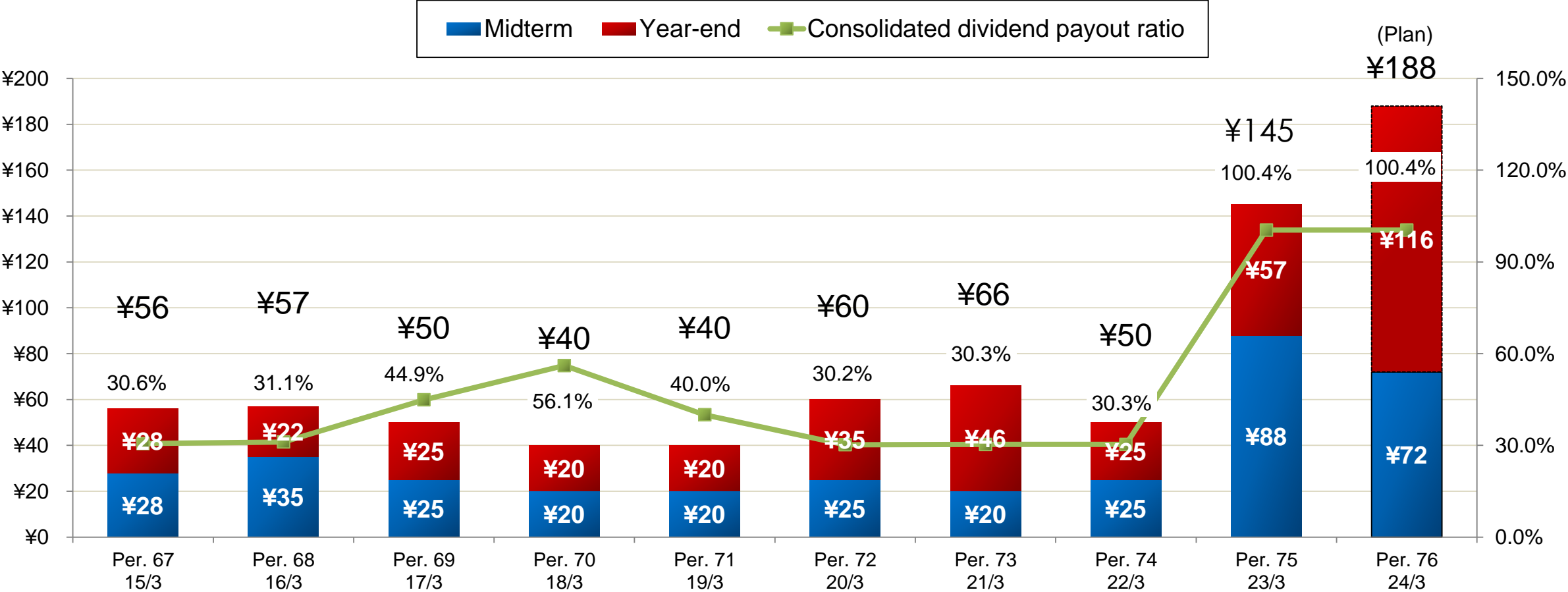


■ Depreciation and amortization

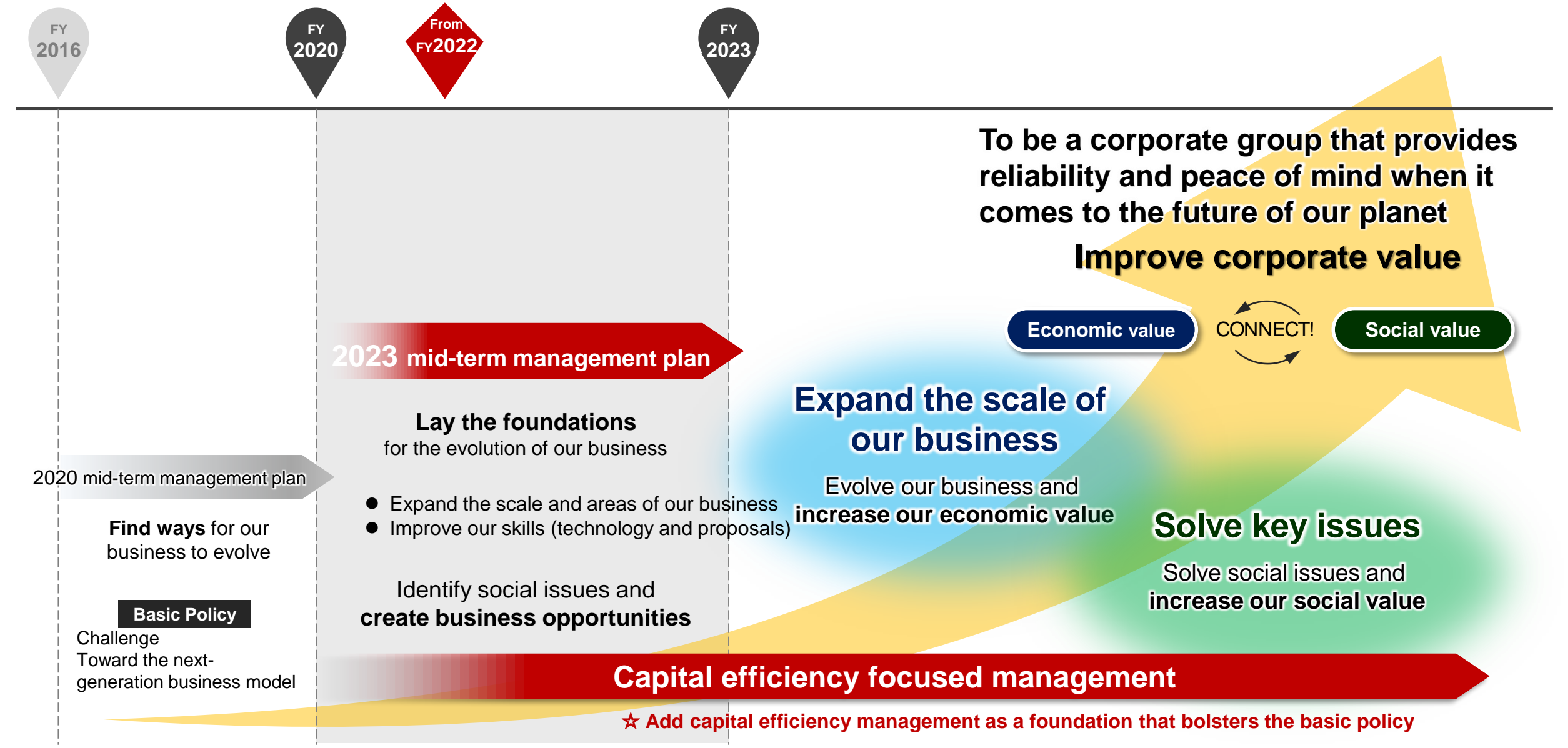


* Rounded at 10 million yen

- The interim dividend will be 72 yen, unchanged from the initial plan
- 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 (unchanged from the initial plan)



4. Mid-term management plan



Basic

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

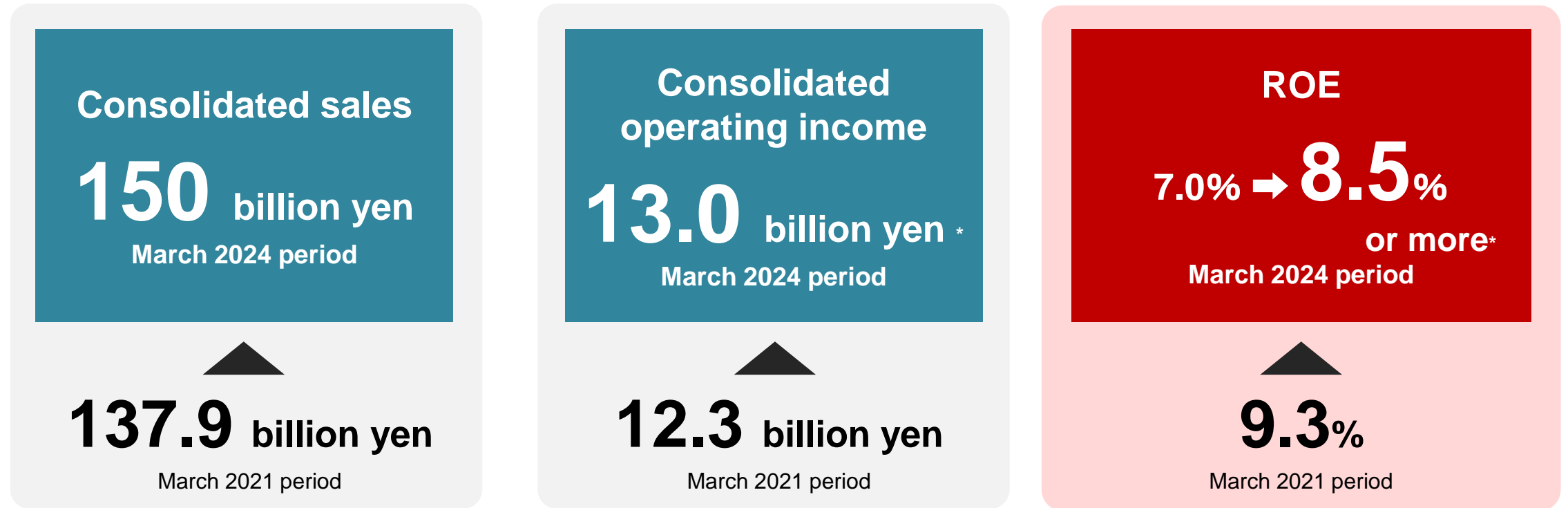
Foundation that bolsters the basic policy - Capital efficiency focused management -

- ✓ Promote capital efficiency focused 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 periods (the period ended March 2023 and the period ending March 2024) 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 2023 onward.
- ▷ COVID-19's impact on the market is expected to lessen from FY 2021 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 periods (the period ended March 2023 and the period ending March 2024) in the current mid-term management plan, thereby aiming to increase ROE close to the level of the most recent ratio.**

Electrical and telecommunications infrastructure-related

Distribution business

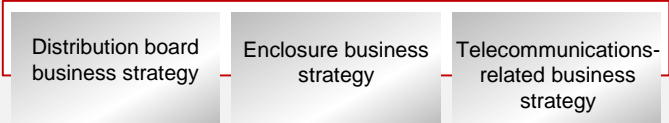
Toward becoming a solutions partner who creates new domains and the next generation



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

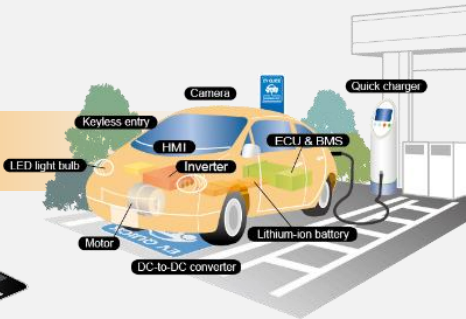


Electronic parts-related

Manufacturing business

Deepen and evolve core technology and roll out solutions globally

Automotive Electronics



Telecommunications



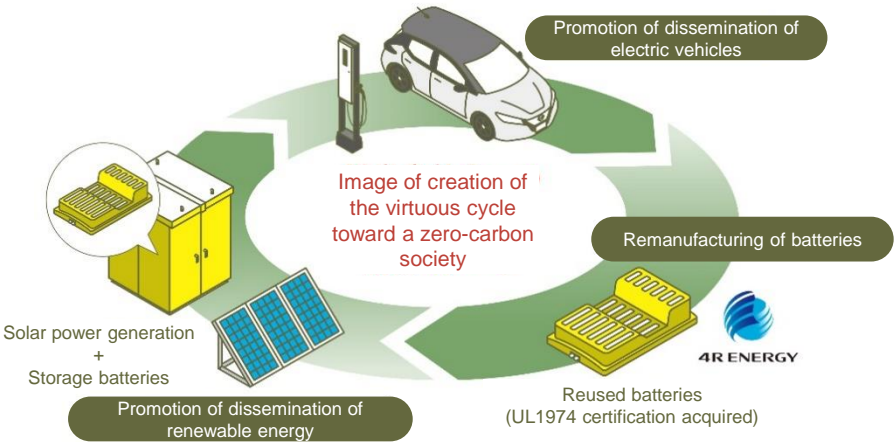
Group's business foundation

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

New business Promotion of initiatives to realize a zero-carbon and recycling society

Aim to contribute to a sustainable society through all activities including product development, production activities and sales



Safa Link -ONE-, an industrial solar self-consumption storage battery system



Storage battery equipped with an EV reused battery pack



PV reused panel (5 different specifications)

Utilization of EV reused batteries and PV reused panels
Strengthening of order activities for Safa Link -ONE-, an industrial solar self-consumption storage battery system

Overview of system

- (1) Realization of the creation of the virtuous cycle by reducing CO₂ emissions from the manufacturing process and reusing rare metals and other resources through the use of EV reused batteries
- (2) Installable as an integrated unit connected with NITTO KOGYO Corp.'s cubicles or system-interconnected cubicles
- (3) Contribution to reduction in purchased electricity and CO₂ emissions by storing surplus PV power in storage batteries for self-consumption: Enables efficient control and operation meeting the demand for each facility
- (4) Usable as a power source to suppress a demand peak and during power outages such as disasters

Electrical and telecommunications infrastructure-related distribution business

Achievements

Expansion of solution merchandise/expansion of sales to new markets



Contribution to building a super smart society via DX

- Solutions for issues proposed to many customers through exhibitions nationwide
- Expansion of sales of solution merchandise including network cameras and wireless LAN by strengthening proposal activities

Creating new value-added businesses

- Increase in sales of merchandise for renewable energy and disaster prevention IA, for which initiatives are being strengthened to complement the telecommunications business, which is our core business, and to build a new business pillar



Electronic parts-related manufacturing business

Achievements

Expansion of overseas business/strengthening of solutions for the automotive industry



Expansion into overseas markets

- EMC technology seminar and support for EMC measures provided primarily to customers in ASEAN
- Expansion of sales of EMC products for EV-related

Strengthening of technical support for promoting the transition to electric vehicles

- Acquisition of the technical certification for EV-Chamber test from CATARC (Guangzhou) in China
- Expansion of use of entrusted test in EV-Chamber



Aggressive M&A investment for expansion of business areas

- Enter new fields and markets by capital alliances 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 the Tochigi Nogi Plant

- Promote the roll-out of products that meet 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-powered, 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 business models

- 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

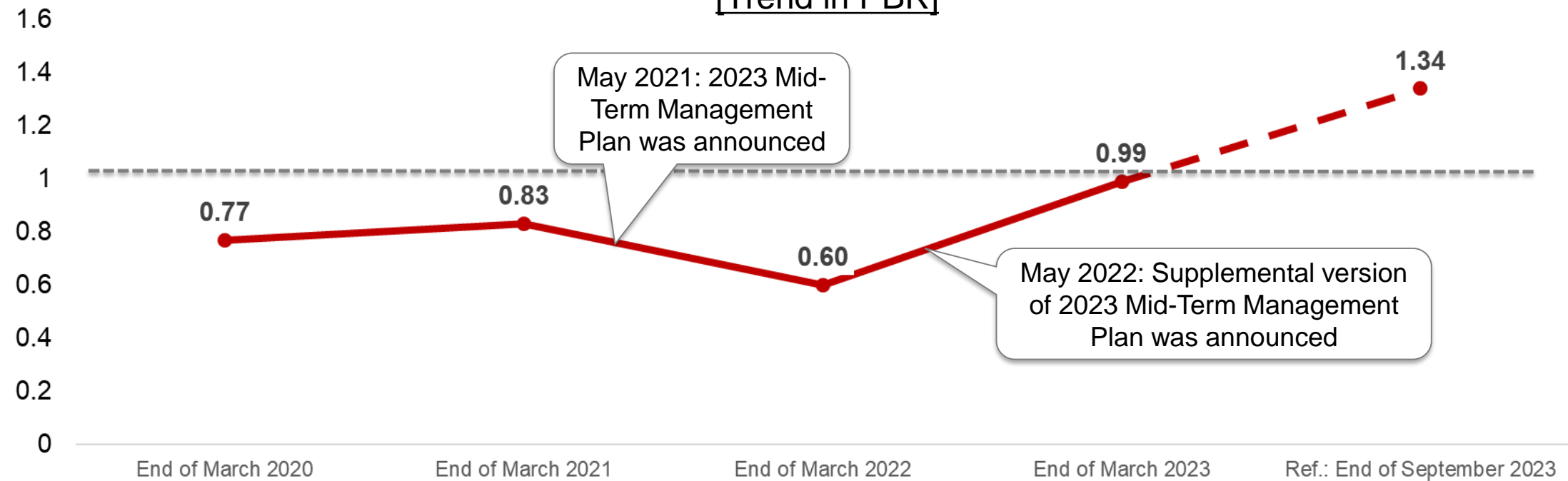
5. Reference materials

- **Measures to realize management with capital costs and share prices in mind**
- **Dialogue with shareholders**
- **Consolidated sales trends (quarter)**
- **Sales trends by segment (quarter)**
- **3 segments**
- **Result trends from establishment to present**
- **Sales composition ratios by business segment**
- **Sales composition ratio by division (manufacturing, construction, service and business)**
- **Trend in total assets/net assets/capital-to-asset ratio**
- **ROE (return on equity) trends (consolidated)**

Evaluation of the
current state

- The target ROE (FY 2022: 7.0% or more) exceeding the stockholder capital cost was announced in the 2023 mid-term management plan (May 2021). However, PBR has continuously fallen below 1.0 times. Based on this current state, the target ROE (FY 2022: 8.5% or more) was re-set in the [supplemental version of the 2023 mid-term management plan](#) (hereinafter “supplemental mid-term plan”) (May 2022)
- In the supplemental mid-term plan, we introduced policies for capital efficiency focused management with an awareness of ROE and BS management. As a concrete measure, we implemented a dividend payout ratio of 100% (limited to 2 periods for the fiscal years ended March 2023 and ending March 2024) in order to stop the excessive growth of equity. As a result, PBR recovered to 0.99 times (1.34 times as of the end of September 2023).

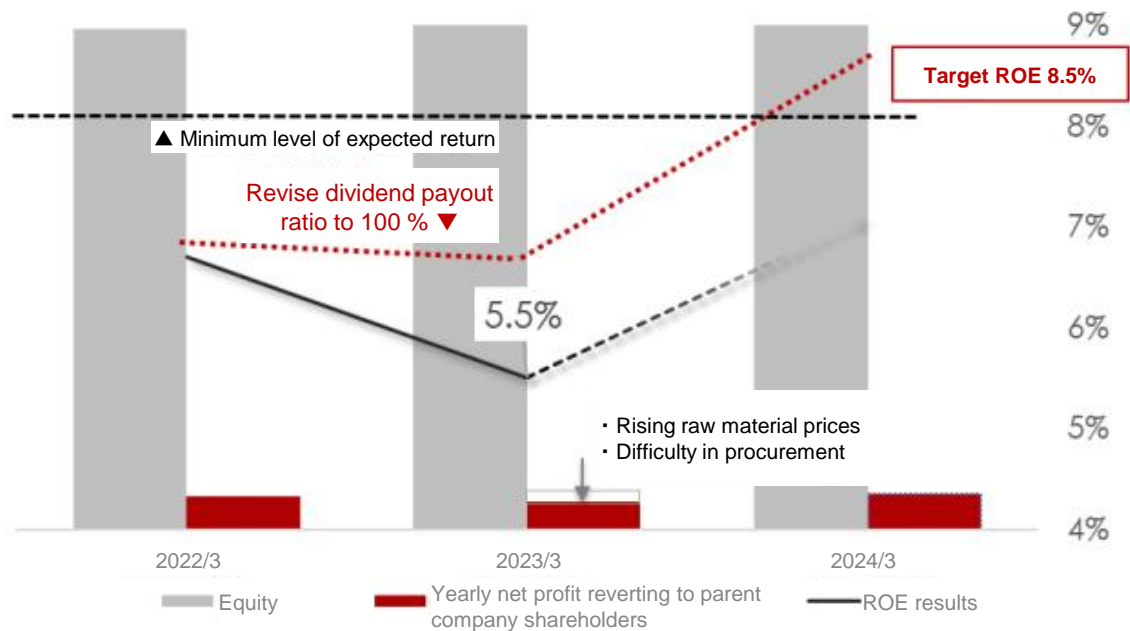
[Trend in PBR]



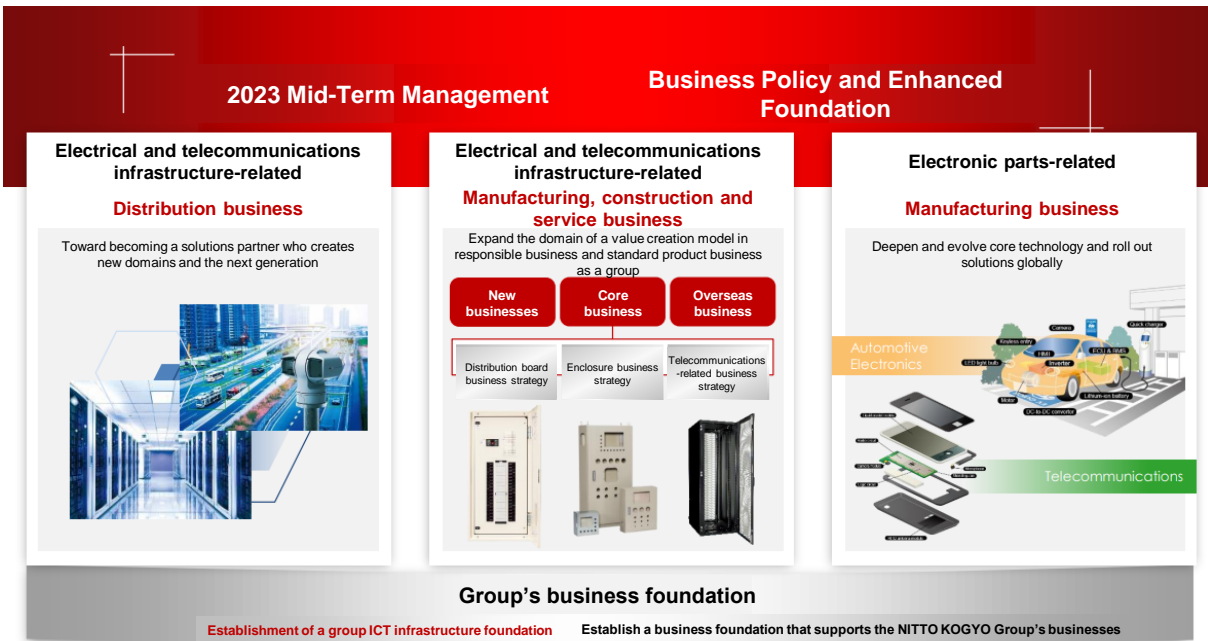
Evaluation of the current state

- On the other hand, the improvement of ROE is still halfway (5.5% as of the account for the fiscal year ended March 2023) due to the stagnation of business profits caused by rising raw material prices and other costs.
- An issue is to maintain and improve PBR by materializing growth strategies and improving ROE

[Trend in ROE]



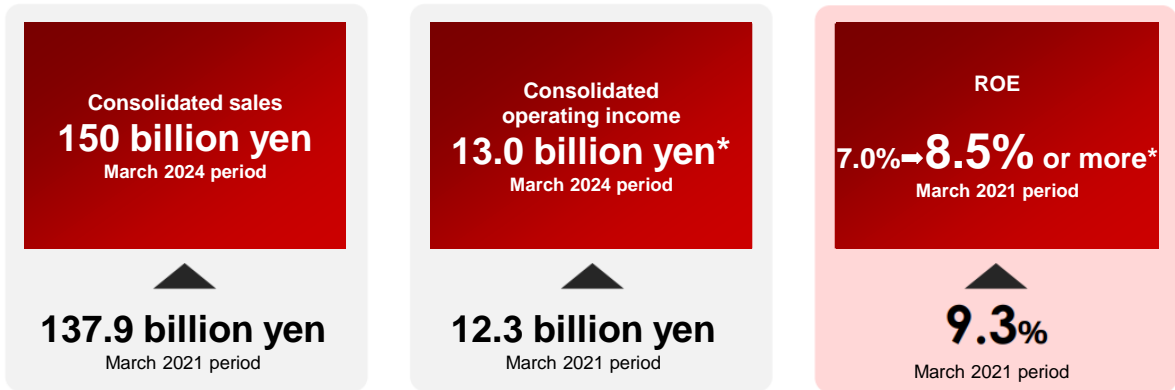
[2023 Mid-Term Management Plan]



Policy

- Maintain and improve PBR by achieving financial targets and enhancing IR based on steady implementation of the policies and various initiatives stated in the supplemental mid-term plan.

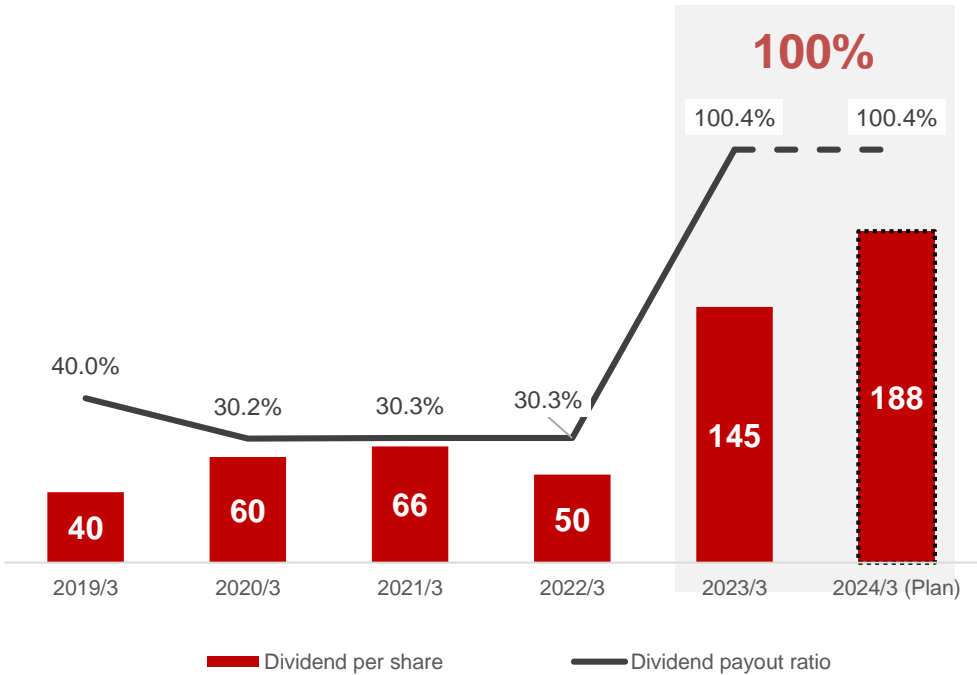
[2023 Mid-Term Management Plan financial targets]



* 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 2023 onward.
- COVID-19's impact on the market is expected to lessen from FY 2021 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 periods (the period ended March 2023 and the period ending March 2024) in the current mid-term management plan, thereby aiming to increase ROE close to the level of the most recent ratio.

[Trends in dividend payout ratio and dividends per share]



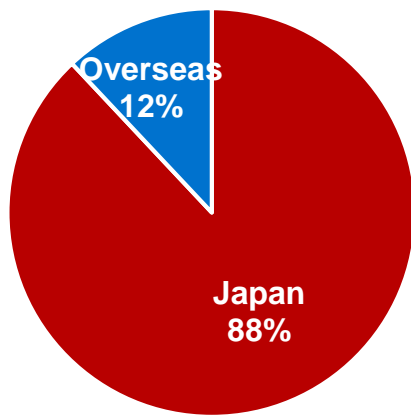
Approaches

- ✓ **Steady business growth with profits**
(e.g. Proper price pass-through, strengthening of business portfolio management)
- ✓ **Promotion of continuous BS management**
(e.g. Use of interest-bearing debt, close examination of cross-shareholdings, agile acquisition and retirement of treasury shares)
- ✓ **Steady implementation of a dividend payout ratio of 100% (only until the fiscal year ending March 2024) to stunt the excessive growth of equity**
- ✓ **Sharing share value with shareholders and investors**
(e.g. Continuation of the performance-linked stock compensation plan introduced for directors)
- ✓ **Strengthening of ESG initiatives for sustainability**
(e.g. Promotion of health and productivity management, contribution to a decarbonized society through activities such as development of environmentally friendly products)
- ✓ **Consideration of dividend policy in consideration of balance between growth and return in the next mid-term management plan**
- ✓ **Promotion of continuous and respectful dialogue with the stock market and active and appropriate information disclosure**

Status of major initiatives in FY 2021

Contents	Frequency	Person in charge
Financial results briefing (online)*	Twice a year	President, Director responsible for Business Management Division, General Affairs Department
Individual meetings with institutional investors*	10 to 20 sessions /quarter	Director responsible for Business Management Division, General Affairs Department
Briefing for individual investors (online)	Annually	Director responsible for Business Management Division

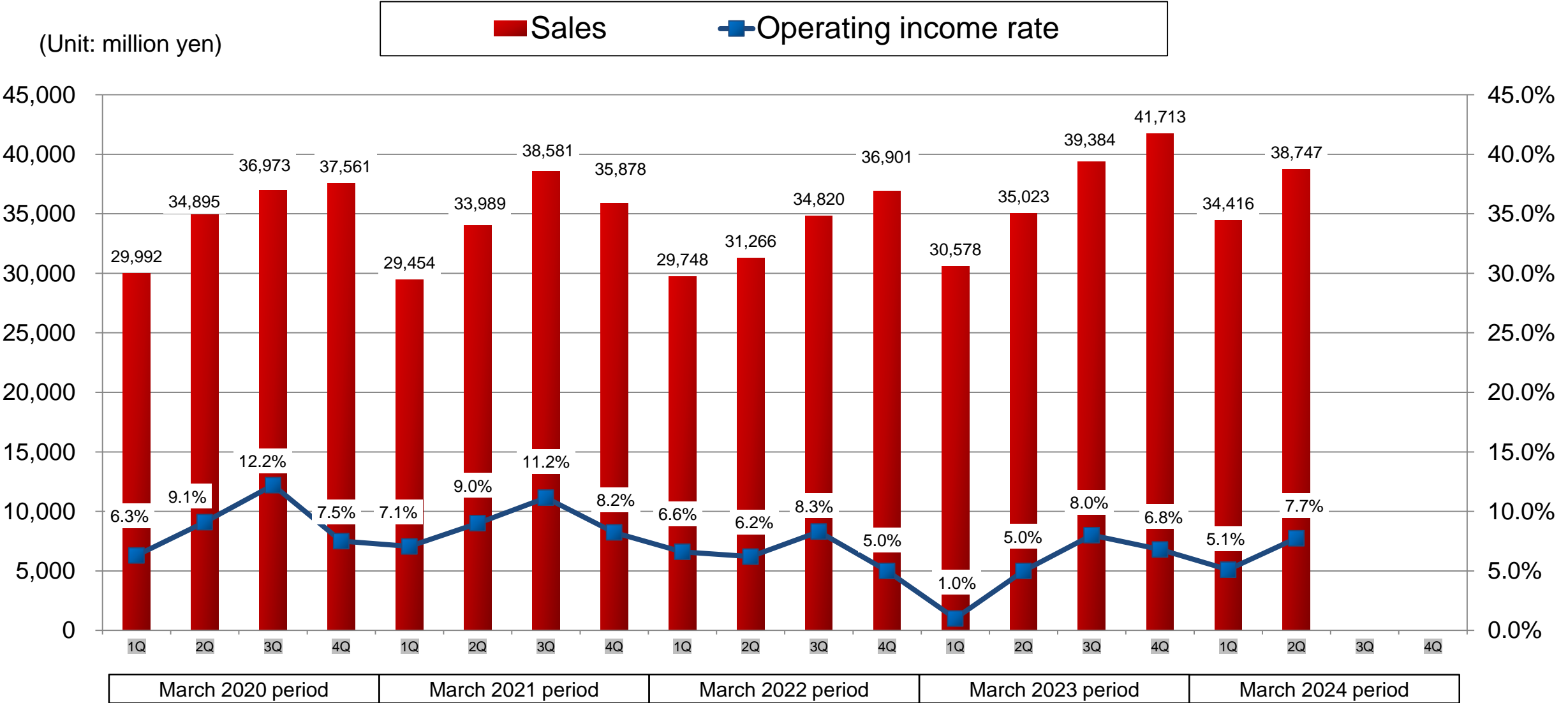
* Attributes of participating investors, etc.



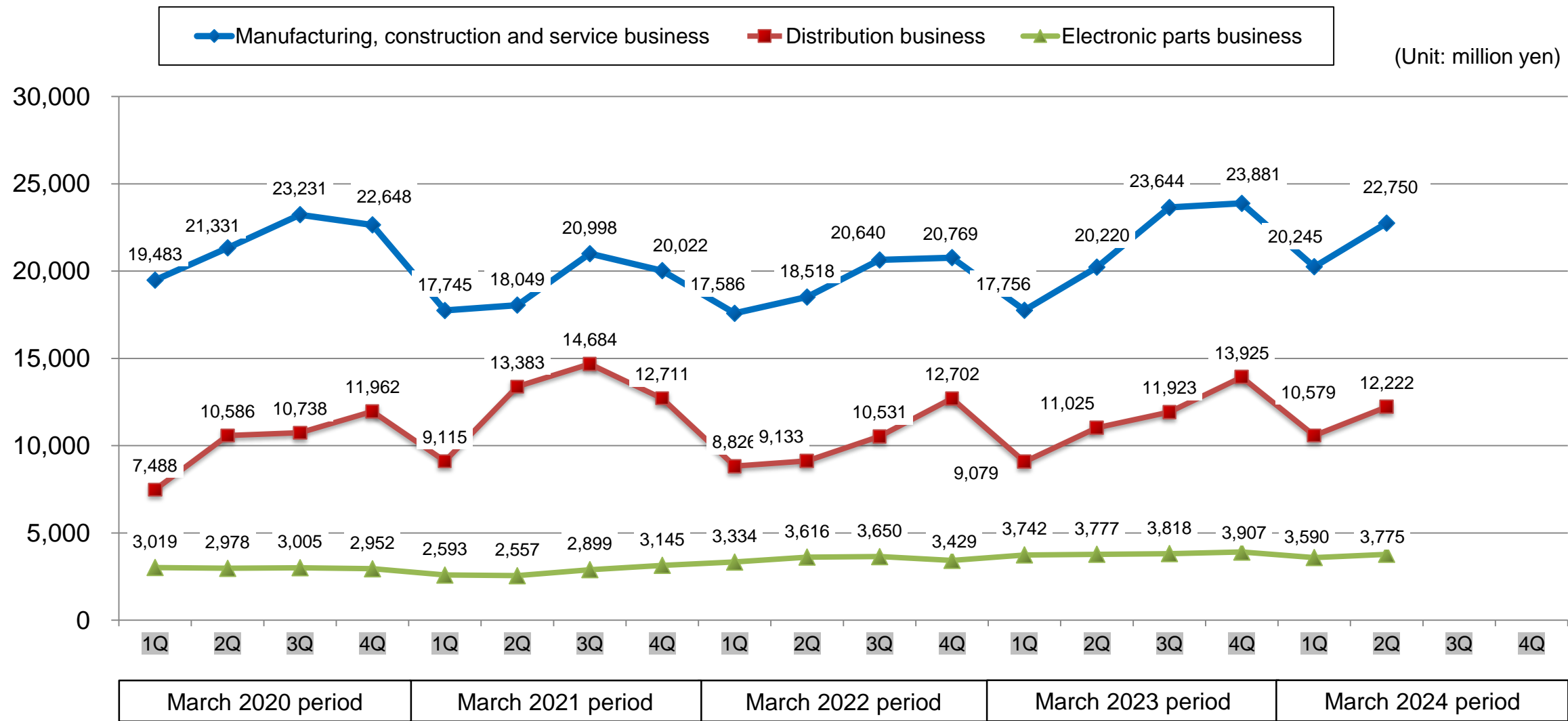
[Areas of responsibility]
Analysts, fund managers, persons responsible for ESG, etc.

Through the opportunities above, we deepen dialogue on management results, business forecasts, industry trends, business strategies, etc., disseminate information obtained through dialogue with investors to relevant divisions, and report at the Management Meeting, etc., to share information with other directors.

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.

3 segments (construction and service business)

2Q FY2023

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

Distribution boards



High-voltage power receiving equipment



Distribution / Panel boards

Enclosure



Enclosure



System racks



Breakers/switches/parts/other



Breakers

Parts



Charging stands

Construction/service



Communication facility construction



Electrical facility construction

3 segments (distribution business)

2Q FY2023

■ 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

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

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]

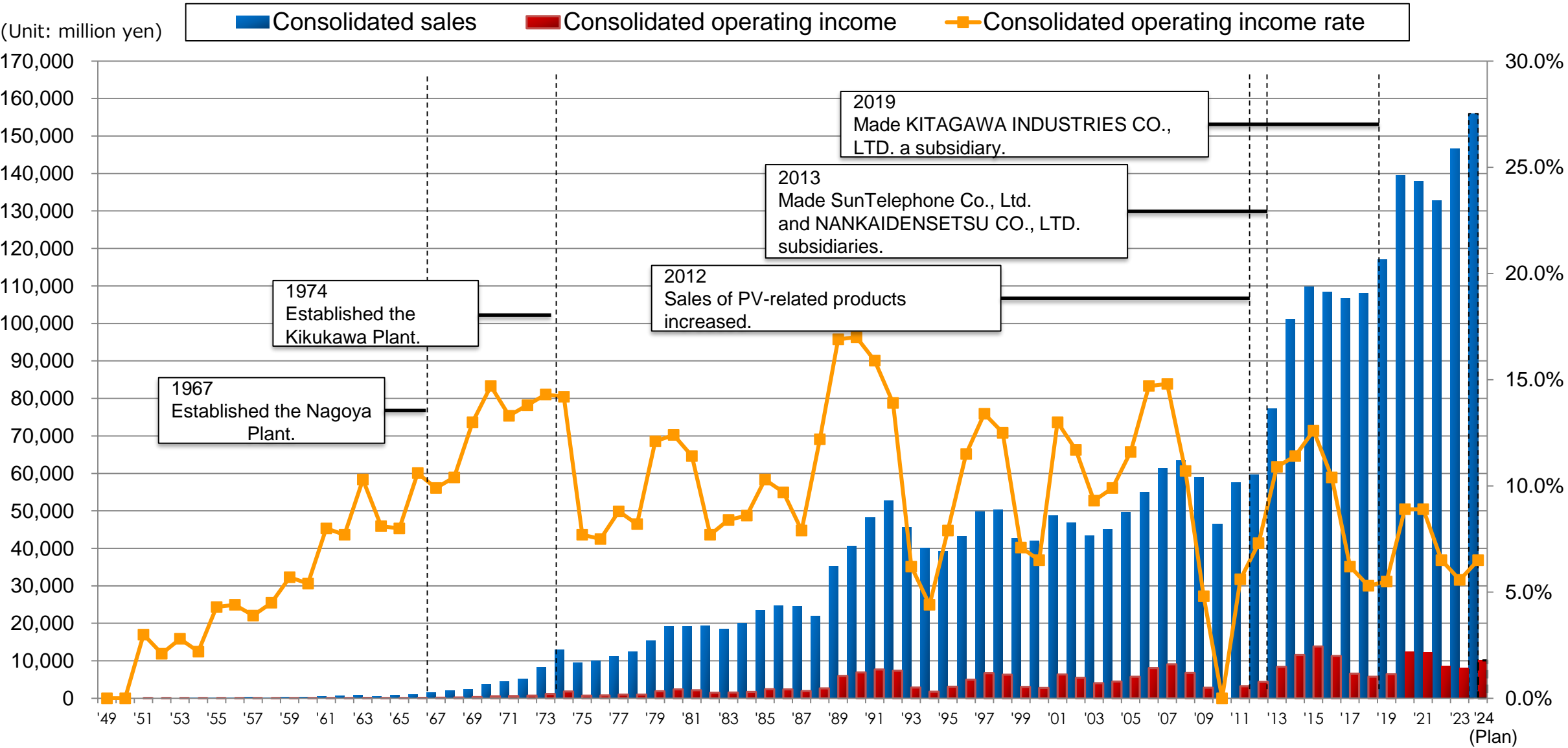


[Cable Ties]



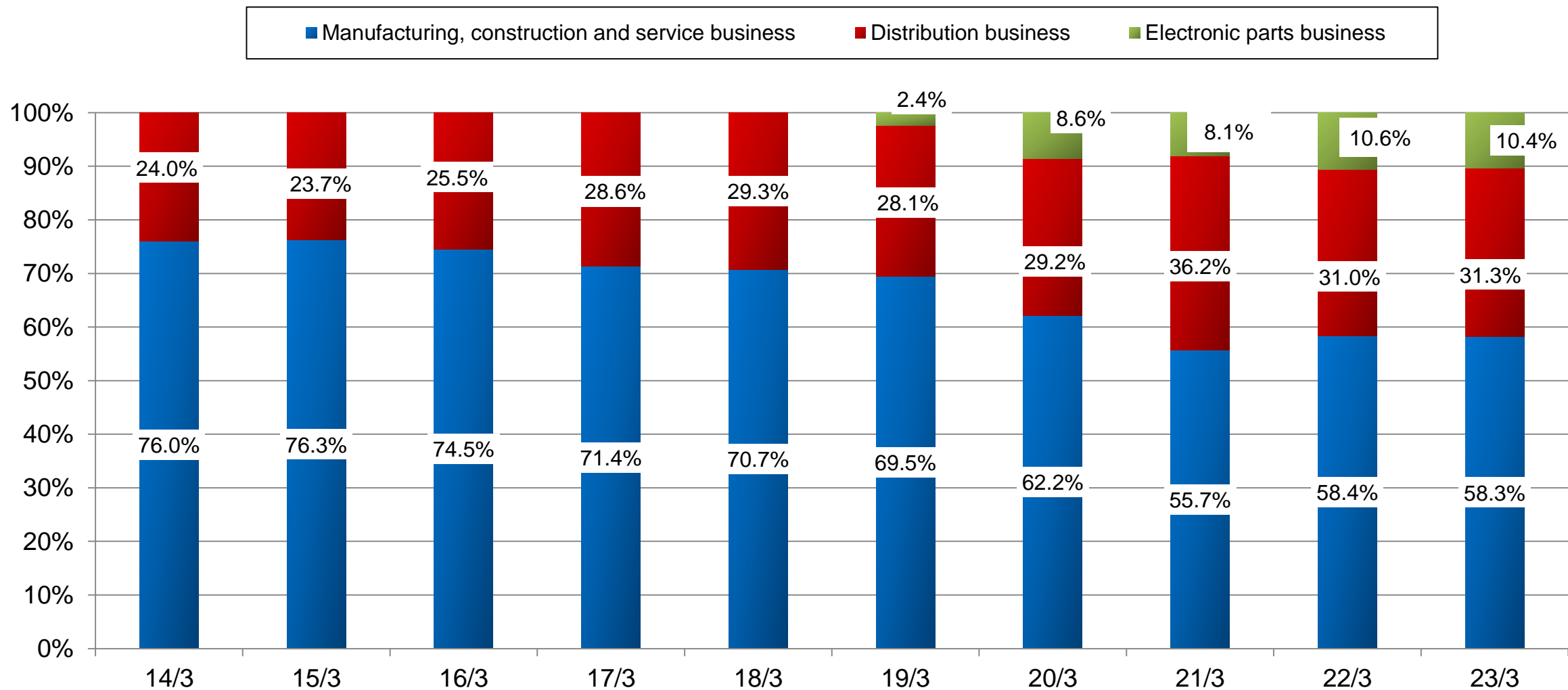
Result trends from establishment to present

2Q FY2023



Sales composition ratios by business segment

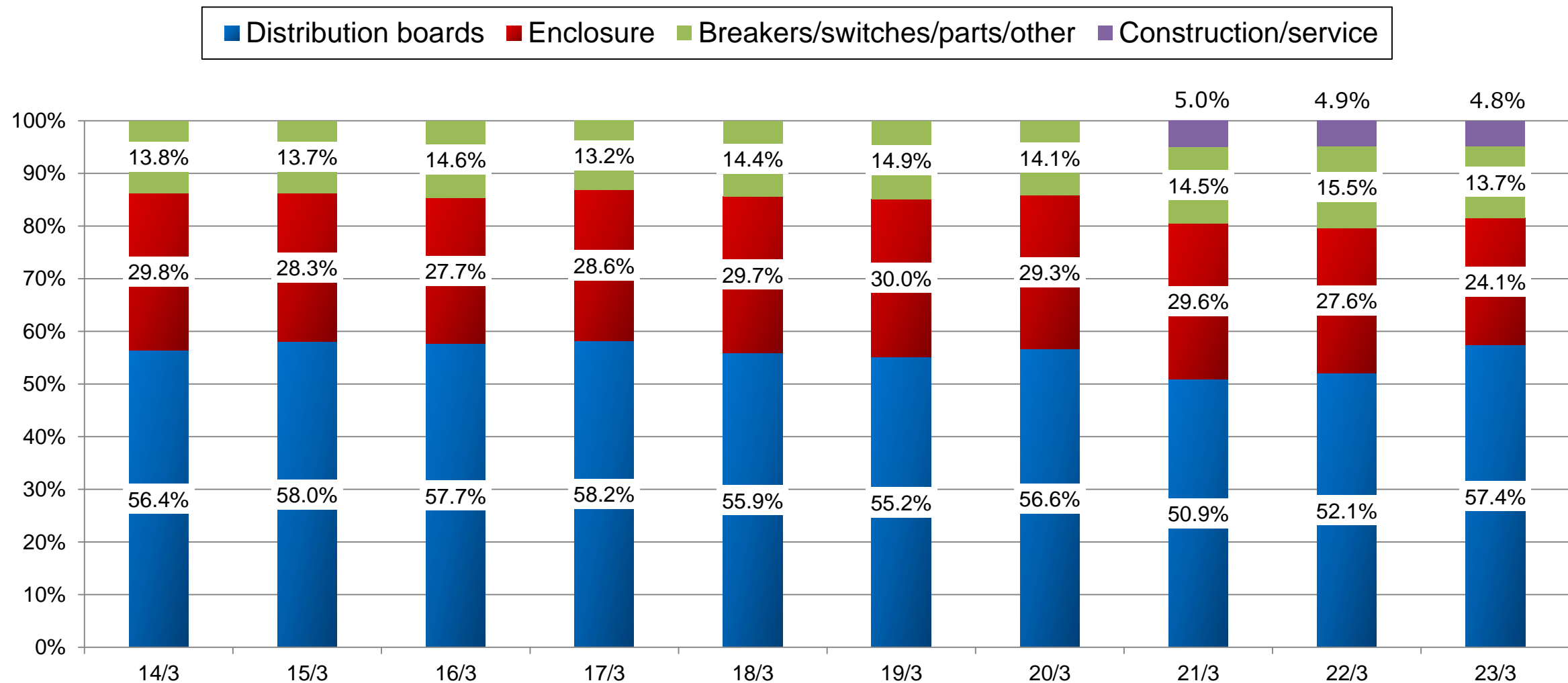
2Q FY2023



* 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.
Numerical totals may not match exactly due to rounding.

Sales composition ratio by division (manufacturing, construction, service and business)

2Q FY2023

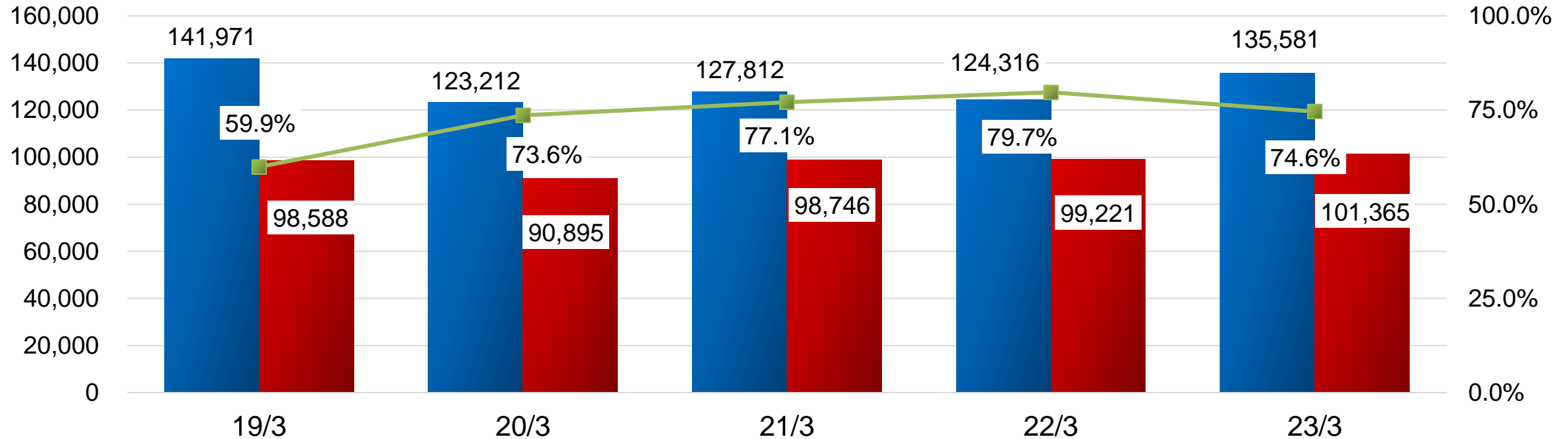


* Figures for the period ended March 2021 have been recalculated to reflect the new segments.
Figures for distribution boards and enclosures prior to the period ended March 2020 are those for the previous distribution board and enclosure divisions.
Figures for breakers/switches/parts/other prior to the 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.

Trend in total assets/net assets/capital-to-asset ratio

2Q FY2023

(Unit: million yen)



(Unit: million yen)

	19/3	20/3	21/3	22/3	23/3
Total assets	141,971	123,212	127,812	124,316	135,581
Net assets	98,588	90,895	98,746	99,221	101,365
Capital-to-asset ratio	59.9%	73.6%	77.1%	79.7%	74.6%

ROE (return on equity) trends (consolidated)

2Q FY2023

