Financial Results for the Second Quarter

of Fiscal Year 2019

April 1, 2019 - March 31, 2020

(Presentation Materials with Script)

【Event Summary】

Date	: November 27, 2019　15：00～16：00	
Venue	: Shinko Building Nihonbashi 1 9F, 1-17-10 Nihonbashi, Chuo-ku, Tokyo	
Speakers :	Takuro Sasaki	President & CEO
	Toru Kurono	Executive Vice President & COO
	Akitaka Tejima	Head of Business Management Division Executive Officer
	Tatsunori Kura	General Manager of General Affairs Deptartment

Presentation

Contents

2Q FY2019

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I would like to explain items one to four in the content of today's presentation. Item number five is reference material.

2nd quarter consolidated account highlights

2Q FY2019

- **Business results for period ending in March 2020 show increased sales and profits in second quarter**
- **Results are led by distribution board-related production business and telecommunications-related distribution business**
- **Price revisions in October 2018 and addition of KITAGAWA INDUSTRIES CO., LTD. as subsidiary in the previous 4th quarter contribute to results**
- **Due to special losses calculated in accordance with falling stock market values in capital and business alliance partners, quarterly net profits show less increase than other profit items**

(Unit: million yen)

Accounting period	2019/3	2020/3			
	2Q results	2Q plan	2Q results	YoY comparison	Vs. Plan
Sales	51,742	60,000	64,887	+25.4%	+8.1%
Operating income	2,030	3,400	5,072	+149.9%	+49.2%
Ordinary income	2,030	3,400	4,852	+139.0%	+42.7%
Quarterly net profit reverting to parent company shareholders	1,181	2,800	3,124	+164.5%	+11.7%

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First of all, I would like to provide an overview of the financial results for the second quarter. This is a highlight of our consolidated financial results. We originally formulated a plan to increase sales and profits in the first half of the fiscal year. As you can see, the results were very favorable, and we were able to exceed the plan.

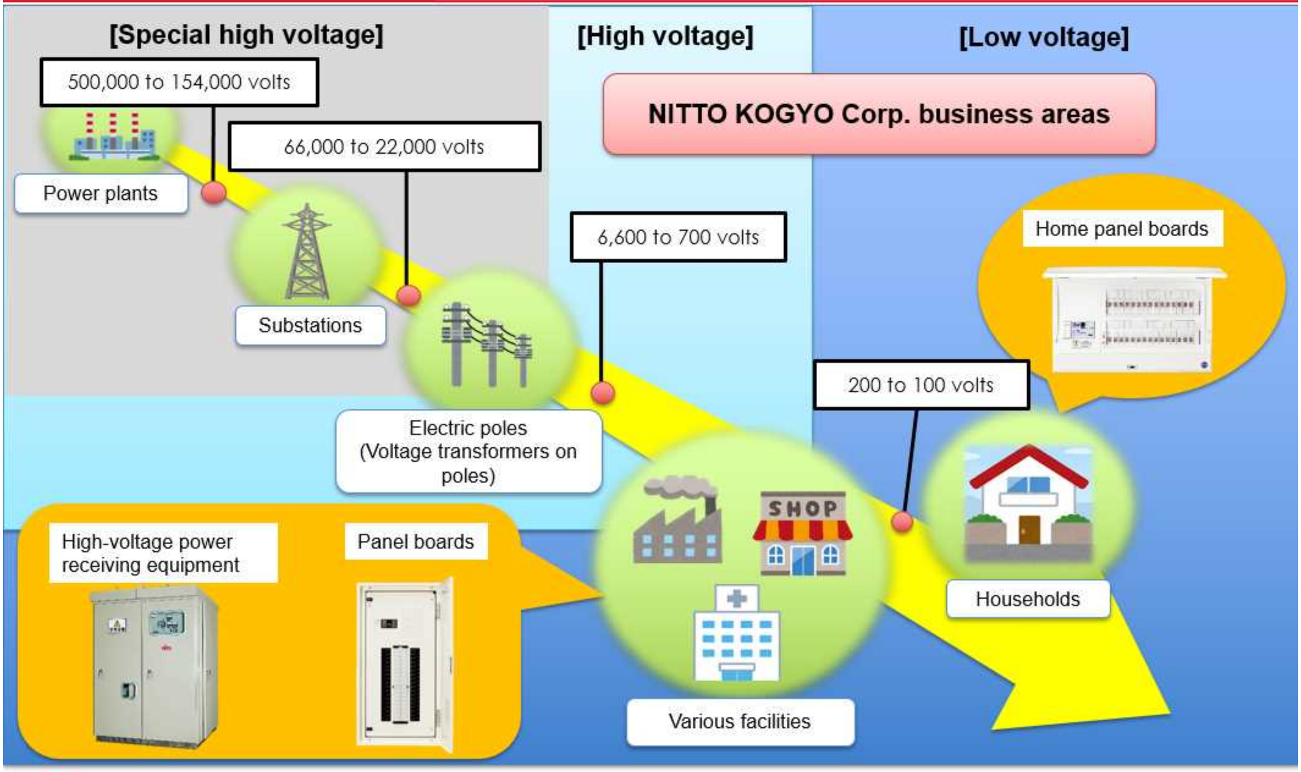
As I will explain in detail later, the distribution board manufacturing business, which is centered on NITTO KOGYO, and the Information and telecommunications equipment distribution business, which is centered on the affiliated company SunTelephone, have basically been the driving force behind our business performance.

In October of last year, we revised the prices of NITTO KOGYO's standard products, as I may have mentioned at the last briefing session. It has worked in a positive manner. In addition, Kitagawa Industries, which was made a subsidiary in the fourth quarter of the previous fiscal year, contributed to results.

However, looking at the growth rate, when we compare the net income growth to the original plan, it looks slightly lower. This was due to valuation loss of a capital alliance partner, a company in Thailand, caused by a decline in the stock price, which had not been predicted beforehand.

Business details
(NITTO KOGYO Corp. distribution board/panel board usage area image)

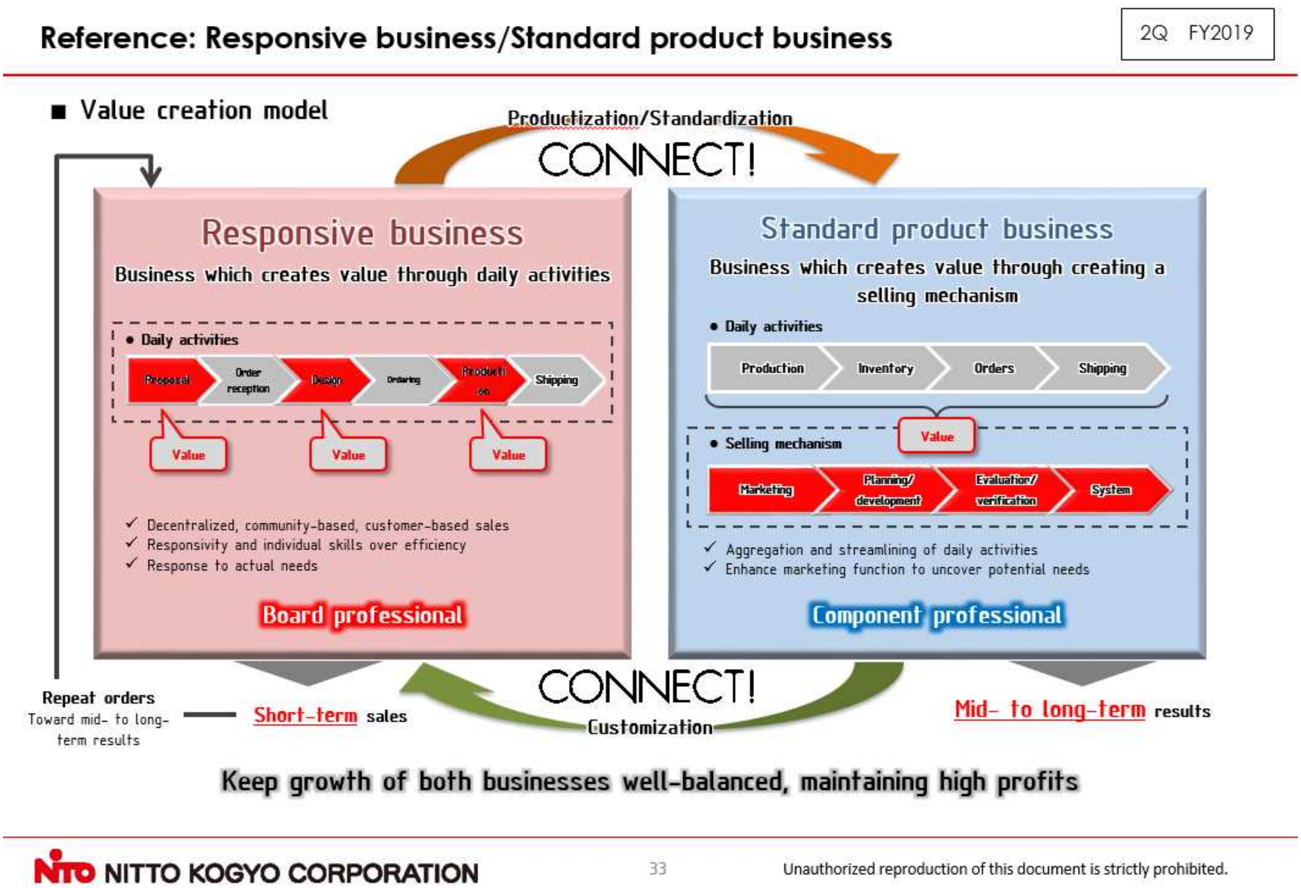
2Q FY2019



NITTO KOGYO CORPORATION 5 Unauthorized reproduction of this document is strictly prohibited.

This is our business overview. We have used this diagram many times, so we are using this for the sake of newcomers. We are involved in the manufacture of electrical machinery and equipment, but the term "electricity" is very broad.

Electricity is generated from the power plant and delivered to households and factories. Our target range is less than 6,600 volts, which means that we are not directly affected by the capital investment from electric power companies. Rather, the basic benchmark is domestic capital investment, since we handle electrical facilities at every point of contact, from housing to office, and residential buildings to social infrastructure.



This is Slide 33 in your materials, but I have inserted it here in order to briefly explain our business model.

We have a value-creating model, and as I mentioned last time, basically we have a business in which sales come from high-voltage power receiving and distribution facilities, or distribution boards on a project basis. In addition, in the standardized business, we create value by creating a mechanism to sell standard products. We have a catalog of standard products with roughly 35,000 items, and customers, such as electrical equipment contractors, review this catalog or visit the website to place orders on a daily basis. We have the combination of these two types of businesses.

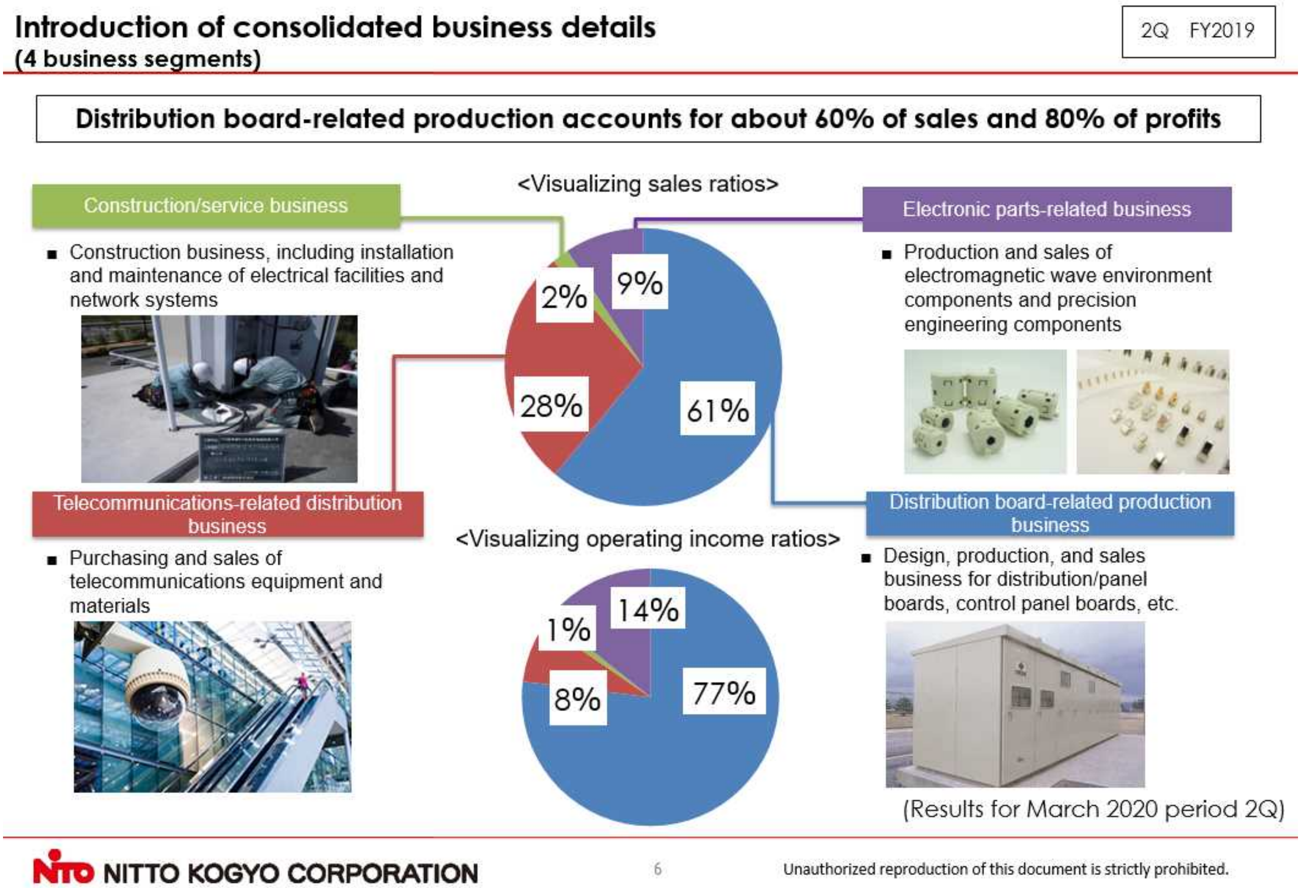
Our solution business is defined as value creation through people's daily activities. Our sales team provides proposals or estimates; once we receive an order, we design the board, then comes the design work and drawing the layout. Afterwards we move on to production. This shows a slight difference, in which this business creates value through individual activities. However, these two are closely related to each other.

The standard products include cabinets and breakers, which are parts of the board unit. Therefore, when we receive an order for distribution boards in the solution business, we will use the cabinets and breakers as well.

In addition, some standard products can be customized to accommodate needs for the solution business, while some solutions can be incorporated into standard products. The two are linked in this way. In terms of short-term sales, the solution business has more immediate effect.

For example, if we develop a new part and put it in this catalog, it doesn't lead to immediate sales. It is not recognizable merely by being listed, so it requires marketing activities, which lead a medium-to long-term outcome. Our business model sustains high profitability by achieving balanced growth between the two.

There are a number of companies in the same industry, but I believe that we have a unique business model in which the two types of businesses are well linked.



This is an introduction to our business segments. The distribution board manufacturing business has been, and still is our outstanding main business. Especially as NITTO KOGYO's earnings were particularly strong in the fiscal year under review, its presence in operating income is high.

In terms of sales, however, SunTelephone's sales were also very strong, and SunTelephone's presence increased.

Moreover, Kitagawa Industries has joined in full, and since the profitability of Kitagawa Industries is relatively high, it has a strong presence in operating income.

2nd quarter account highlights by segment

2Q FY2019

- The distribution board-related production business sales increased in existing markets due to internal demand influence on the industry such as solid domestic construction demand; as well, sales increases in high-voltage power receiving equipment related to school HVAC and the effect of price revisions led to increased sales and profits
- For the telecommunications-related distribution business, orders received for large-scale office transfers and the data center market, as well as increased sales in network camera-related products, led to increased sales and profits
- The construction/service business increased sales in construction related to high-voltage power receiving equipment, etc., leading to increased sales overall. However, increased personnel and general costs led to reduced profits
- The electronic parts-related business showed struggling sales in semiconductor production machinery for export and machine tool-related products, but sales for domestic and overseas industrial air conditioner-related products and in automotive-related markets remained solid

(Unit: million yen)

	By segment	2019/3	2020/3			
		2Q results	2Q plan	2Q results	YoY comparison	Vs. Plan
Sales	Distribution board-related production business	36,281	37,900	39,557	+9.0%	+4.4%
	Telecommunications-related distribution business	14,318	14,800	18,074	+26.2%	+22.1%
	Construction/service business	1,142	1,200	1,257	+10.0%	+4.8%
	Electronic parts-related business	(5,982)	6,100	5,997	(+0.2%)	△1.7%
	Total	51,742	60,000	64,887	+25.4%	+8.1%
Operating income	Distribution board-related production business	1,640	–	3,896	+137.5%	–
	Telecommunications-related distribution business	304	–	385	+26.5%	–
	Construction/service business	75	–	59	△21.4%	–
	Electronic parts-related business	(768)	–	723	(△5.9%)	–
	Total	2,030	–	5,072	+149.9%	–

*Parentheses show results for KITAGAWA INDUSTRIES CO., LTD. before consolidation

In the financial highlights by segment, the upper row shows net sales and the lower row shows operating income.

We had been feeling momentum from around the second half of the previous fiscal year, but general contractors and subcontractors performed very well two to three years ago. Electric work comes at the end of such periods. Strong domestic construction demand has trickled over to the distribution board manufacturing business, so generally speaking, the electrical equipment and materials industries as a whole should be performing well this fiscal year.

In addition to an increase in sales in the existing market, in the first half of this fiscal year, in response to heat strokes at schools which had no air conditioners, there was a surge in installation of air conditioners in school classrooms. In addition, due to the effects of the price revisions mentioned earlier, the sales and profits of the distribution boards increased, and in particular, the distribution boards contributed very much to profits.

In the telecommunications segment, large-scale office buildings, mainly in the Tokyo metropolitan area, are on the rise, and relocation has been quite common. This leads to robust sales of telecommunications equipment at SunTelephone. The data center market was also strong, and demand for network surveillance cameras, probably not just for the Tokyo Olympics, remained strong, leading to higher sales and profits.

In the construction and service Business, mainly operated by a company called Nankai Densetsu, although profits were down 20% year-on-year, the target for the first half of the fiscal year had been close to zero, so the results were relatively favorable compared to the plan.

Finally, the electronic components business, centered on Kitagawa Industries, remained almost unchanged with a slight increase in sales and a slight decrease in profit. As mentioned here, the impact of trade friction between the United States and China, or the impact of semiconductor machine tools, was not zero, but it did not have a crucial impact.

2nd quarter distribution board-related production business (sales by division)

2Q FY2019

- Sales increased in existing markets due to internal demand influence on the industry such as solid domestic construction demand; as well, sales increases in high-voltage power receiving equipment related to school HVAC and the effect of price revisions in October 2018 led to increased sales overall
- For the breaker/switch division, decreased sales in the AICHI ELECTRIC WORKS CO., LTD. device business led to decreased sales overall

By division Sales		2019/3	2020/3		(Unit: million yen)	
		2Q results	2Q plan	2Q results	YoY comparison	Vs. Plan
Distribution board-related production business	Distribution boards	19,819	20,500	22,319	+12.6%	+8.9%
	Enclosures	10,794	11,700	11,420	+5.8%	△2.4%
	Breakers/Switches	2,606	2,500	2,520	△3.3%	+0.8%
	Parts/Other	3,061	3,200	3,297	+7.7%	+3.0%
Total		36,281 (1,529)	37,900	39,557 (1,974)	+9.0% (+29.1%)	+4.4%
Consolidated overall total		51,742	60,000	64,887	+25.4%	+8.1%
Consolidated sales composition ratio		70.1%	63.2%	61.0%	△9.1%	-

*Parentheses refer to internal sales between segments

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Breaking down our core business of distribution board manufacturing, we have four major divisions, distribution boards, cabinets, breakers and switches, and parts and other components.

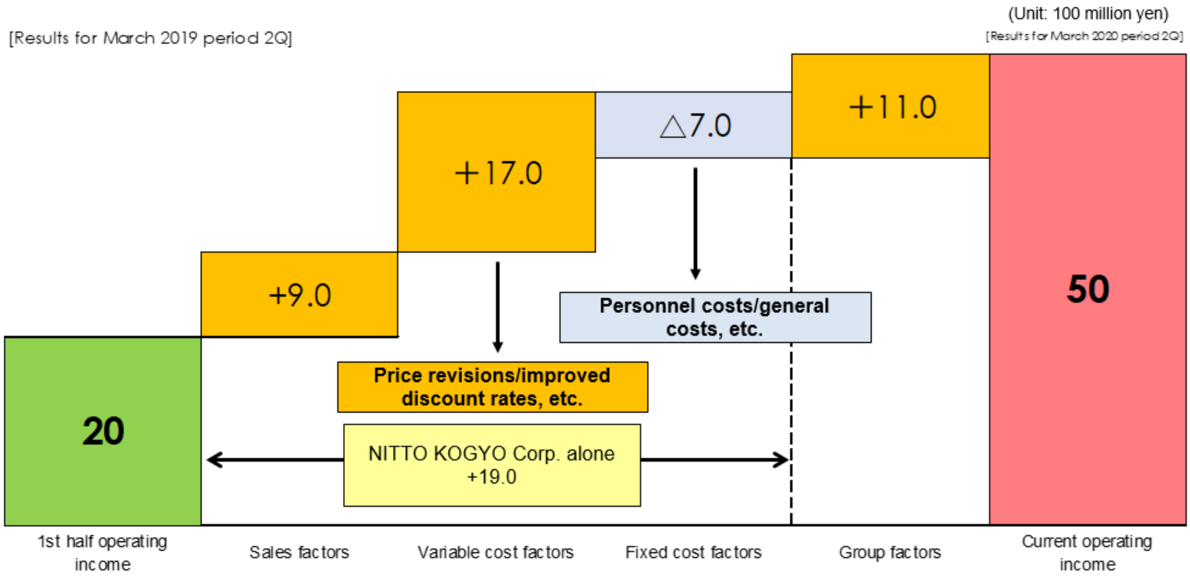
As I mentioned earlier, the construction business was good overall, and the results were generally good. However, the sales of circuit breakers and switches declined in the equipment business of Aichi Electric Works. Although the decline was less than expected, it was a decline in revenue.

You may be a little worried about the red letters, where the cabinet business seems to fall short of targets. Actually, there were some technical factors. The cabinet business includes standard cabinets and racks for data centers and networks. Some of the racks in the data centers are sold to customers through our subsidiary SunTelephone. Items sold via SunTelephone are excluded from these figures and included in the telecommunications distribution business. This figure reflects the fact that rack sales were more favorable via SunTelephone than the original plan.

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

2Q FY2019

- Factors for NITTO KOGYO Corp. alone included increased fixed costs due to increased personnel costs, etc., but marginal profit increases due to increased sales as well as price revisions and improved discount rates (variable cost factors) led to greatly increased profits
- Factors for the Group included decreased profits at AICHI ELECTRIC WORKS CO., LTD., a contribution to results from KITAGAWA INDUSTRIES CO., LTD., which was made a subsidiary in the 4th quarter, reduced deficits at overseas subsidiaries, and increased profits at functional subsidiaries, with the end result of increased profits



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Please turn to the following slide. These are factors contributing to the change in consolidated operating income from the same period of the previous fiscal year. The change is from 2 billion yen to 5 billion yen, as shown in the table. NITTO KOGYO on a non-consolidated basis contributed 1.9 billion yen, and Group factors contributed 1.1 billion yen.

Fixed costs naturally increased with sales, and with unexpectedly large sales growth, fixed costs slightly worsened.

Nevertheless, the marginal profit by about 900 million yen due to clean sales growth, which does not take into account price revisions, show such as an improvement in the discount rate. The price increase rate improvement, or price revision that I just mentioned, has been included in this variable cost factor, and these two are positive.

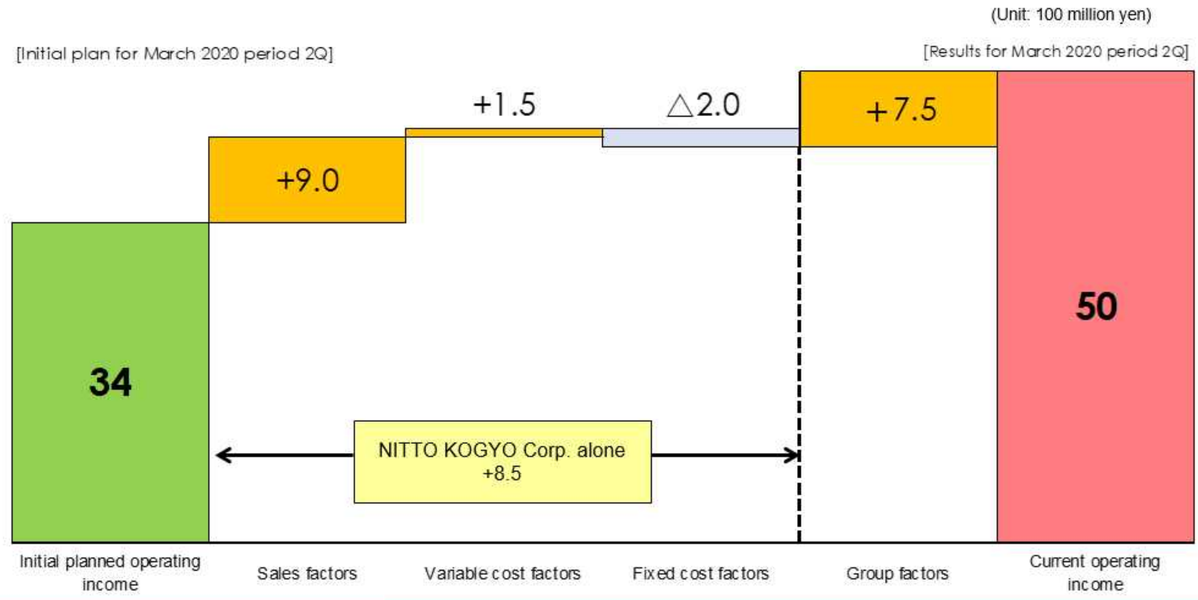
On the other hand, there was one negative momentum within variable costs, which is the negative impact from the product mix. The reason is that distribution boards have grown significantly. Compared with standard products such as cabinets and parts, the profit margin of the distribution boards is slightly lower. The large increase in sales of power distribution boards has had a slightly negative impact on the product mix.

As described here, Kitagawa Industries contributed approximately 700 million yen, which is the biggest factor within Group factors. In addition, the foreign business Gathergates had suffered large losses for some time. Although this is still in the red, the losses have been reduced considerably. Additionally, Tohoku-Nitto Industries, a functional subsidiary, increased profits. These added up to a positive effect of 1.1 billion yen.

Factors in changes in 2nd quarter consolidated operating income
(compared to plan)

2Q FY2019

- **In factors for NITTO KOGYO Corp. alone, increased profits (sales factor) due to sales quantity increases had not been foreseen, but sales increases in existing markets and orders obtained related to school HVAC, etc., increased sales quantities and ended up leading to increased profits**
- **In Group factors, increased profits in the telecommunications-related distribution business and functional subsidiaries exceeded the plan**



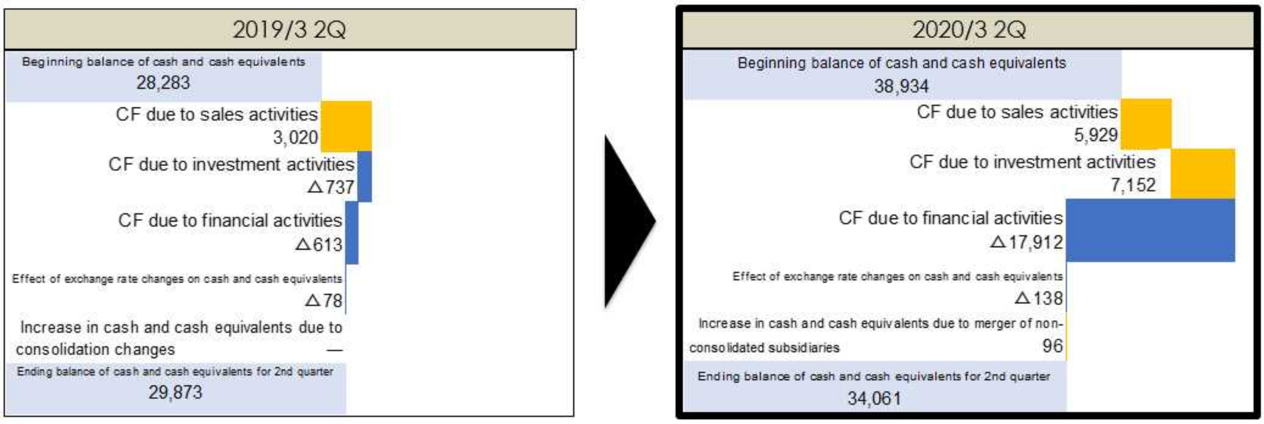
From this year, we have newly added a chart on how we have grown compared to the plan. Although the trend is basically the same as in the previous table, the sales factor was 900 million yen, which is exactly the same as 900 million yen in year-on-year change. In other words, we were looking at a flat sale.

Variable cost factors had a positive impact of 150 million yen, and fixed cost factors had a negative impact of 200 million yen, which are the same effects I just explained. As for group factors, although Aichi Electric Works was slightly struggling, other affiliated companies exceeded their initial targets, resulting in these outcomes.

2nd quarter Consolidated cash flow statement

2Q FY2019

(Unit: million yen)



<2020/3 2Q Main factors>

■ CF due to sales activities
- Increased pre-tax profit +2,736
- Difference in accounts payable amounts +768
- Increased income tax payments △120
- Difference in selling profits on investment securities △247
- Difference in valuation profit/loss on investment securities +215

■ CF due to investment activities
- Income due to refunds of fixed-term deposits +4,104
- Increased income due to selling and redemption of investment securities +3,891

■ CF due to financial activities
- Difference in net change in short-term loans payable △6,881
- Increased outgo due to acquisition of subsidiary treasury stocks △9,342

*Figures are YoY comparison amounts

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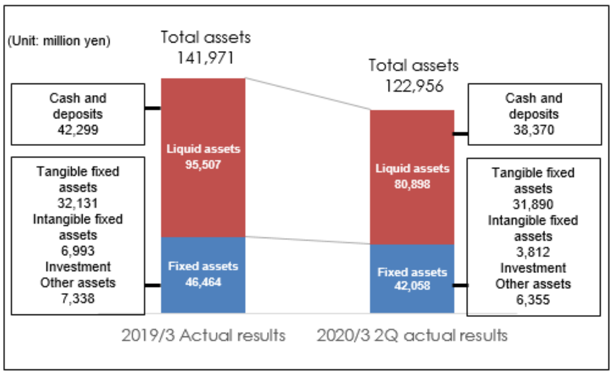
Consolidated Statements of Cash Flows. It may not make sense to explain it in too much detail, but the acquisition of Kitagawa Industries has caused drastic movements.

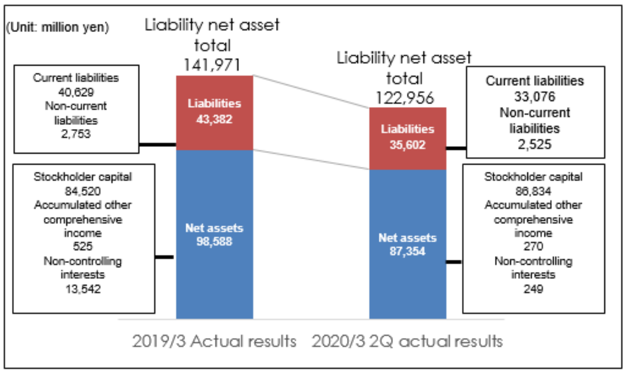
The acquisition of Kitagawa Industries is worth approximately 28 billion yen in total through a TOB and share buyback. In the previous fiscal year, we paid 17.5 billion yen out of 28 billion yen in TOB. The remaining 10.5 billion yen came out this fiscal year. Of 10.5 billion yen, 9.3 billion yen was the purchase of treasury stock of Kitagawa Corporation, an asset management company. Although it has not been written here because the amount is small, aside from that, there was the purchase of odd-lot shares through squeeze-out accounting for 1.2 billion yen. That is the 10.5 billion yen paid in this term. We partially covered this by the repayment of time deposits and the sale of investment securities. That is the essence of our consolidated cash flow for the fiscal year under review.

2nd quarter Overview of consolidated assets

2Q FY2019

- **Based on the additional acquisition of stocks and repayment of short-term loans payable associated with gaining KITAGAWA INDUSTRIES CO., LTD. as a subsidiary, and on the decrease in goodwill due to the completion of this process, total assets have decreased**





<Main changes>

■ Assets
- Decreased cash and deposits Δ3,929
- Decreased securities Δ8,999
- Decreased goodwill Δ3,232

■ Liabilities
- Decreased short-term loans payable Δ6,655

■ Net assets
- Quarterly net profits +3,124
- Decreased non-controlling interests Δ13,292

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The outline of consolidated assets has also been volatile due to the acquisition of Kitagawa Industries. Total assets decreased by 19.0 billion yen from the end of March of the previous fiscal year. Of this amount, 18.5 billion yen can be explained by Kitagawa Industries.

On the liability side, in the decrease in non-controlling interests, there was negative 13.5 billion yen for Kitagawa Industries. In January of last year, we conducted a TOB to acquire over 50% stake. At that time, there were still minority shareholders, and that portion was recorded in the previous fiscal year. This is a technical issue.

In May of this year, we made it into a wholly owned subsidiary through the purchase of treasury stock and the purchase of fractional shares, which cancelled out the non-controlling interests.

On the liability side, non-controlling interests declined 13.5 billion yen. Another change is that we initially took out a loan of 17.5 billion yen, but repaid 5 billion yen, for a total of 18.5 billion yen. So, on the asset side, cash and deposits and securities decreased by 15.5 billion yen, while goodwill decreased by 3 billion yen. It might be a little hard to follow for the first time, but the price of purchase through the TOB was slightly over 3,900 yen. After that, the purchase of treasury stock in May was done at slightly over 2,300 yen. So please understand that goodwill first appeared in the previous fiscal year, and there has been something like a correction to that goodwill.

[Influence of KITAGAWA INDUSTRIES CO., LTD. consolidation]
Company overview

2Q FY2019

KITAGAWA INDUSTRIES CO., LTD. became a subsidiary in January 2019 through a completed TOB (stock takeover bid)

[Corporate Profile]

Company name	KITAGAWA INDUSTRIES CO., LTD.
Date of establishment	June 12, 1963
Registered capital	2.77 billion JPY
Number of employees	525 (253 in Japan, 14 in the US, 19 in Germany, 133 in China, 15 in Singapore, 57 in Thailand, 23 in Taiwan, 11 in Hong Kong)
Offices	5 locations in Japan (Inazawa, Kasugai, Tokyo, Osaka, Utsunomiya), 10 locations overseas (US, Germany, China, Singapore, Thailand, Taiwan, Hong Kong)
Business details	Production and sales of EMC countermeasure parts as well as precision parts using plastic molding technology, which are used in a variety of fields from computers to office equipment, household appliances, automobiles, and buildings

EMC countermeasure parts

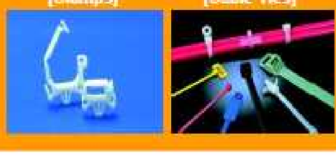
Countermeasure technology for electromagnetic waves which have various negative effects such as causing electronic products to malfunction

[Ferrite Cores] [Cable Shields]

Fastening

Plastic fasteners which fix and protect panels, cables, etc. within devices in various fields

[Clamps] [Cable Ties]



Functional products

Design technology for vibration, impact, noise, heat etc., enabling differentiation via noise control, durability, and comfort

[Thermal Design Products] [Sound-proofing/Cushioning/Noise Control Products]

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I would like to briefly explain the impact of the consolidation of Kitagawa Industries.

This is the company overview. Basically, the NITTO KOGYO Group handles boards and its components. The exceptions to the board and its components business to date are the telecommunications-related business of SunTelephone, and the company called Nankai Densetsu, which handles the areas around the board and components. Such businesses have been added to the Group over time.

Adding to this, Kitagawa Industries engages in the area surrounding boards and their components. For example, fastening is a kind of harness. It’s also used in our board, and it's something like plastic to fasten the harness in the board. For automobile applications, there are famous players such as Nifko and Piolax. Kitagawa Industries has unfortunately not been able to enter the automotive business but is mainly related to electric facilities.

It also handles EMC-related parts. This is something like anti-noise measures for electromagnetic waves. We handle breakers and some electronic equipment, and we provide parts to protect against malfunctions caused by noise, so this is related to our business as well.

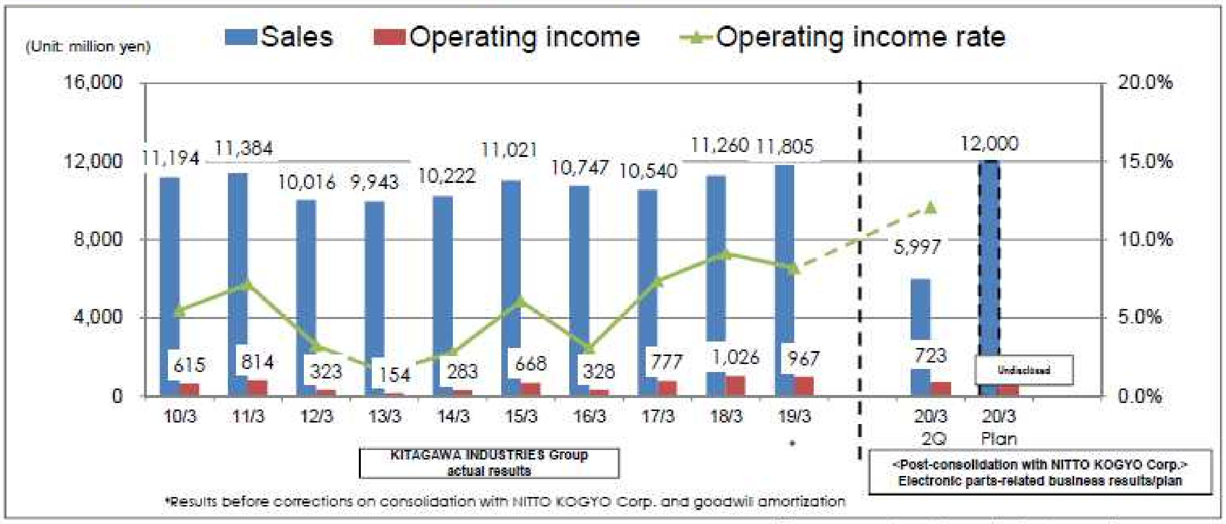
In addition, we have been able to enter the automotive market in the past few years, and as you can see, automobiles are increasingly becoming like a mass of electronic components in the form of EV, PHEV, and so on. Demand is extremely high, and we are currently performing well. We are also providing countermeasures against heat in relation to this.

[Influence of KITAGAWA INDUSTRIES CO., LTD. consolidation]
Business result trends

2Q FY2019

- KITAGAWA INDUSTRIES CO., LTD.'s past yearly results trended at 10 to 12 billion yen in sales, with an operating income rate of 3 to 8%
- For the second quarter of the period ending in March 2020, results for the electronic parts-related business were 5.997 billion yen in sales and 723 million yen in operating income
- Sales struggled in semiconductor production machinery for export and machine tool-related products, but sales for domestic and overseas industrial air conditioner-related EMC countermeasure products and in automotive-related markets have continued to be solid

[KITAGAWA INDUSTRIES CO., LTD. business result trends]



*Figures may not match exactly due to rounding.

In the past 10 years, Kitagawa Industries has been generating sales between approximately 10 billion to 12 billion yen, as we mentioned in the previous report. In terms of profits, it once fell to the lowest level of 150 million yen, but at present it is just over 1 billion yen. Last year, it was 967 million yen, with the fee for M&A on the Kitagawa Industries side negatively affecting the profit. We expect sales of 12 billion yen in the current fiscal year.

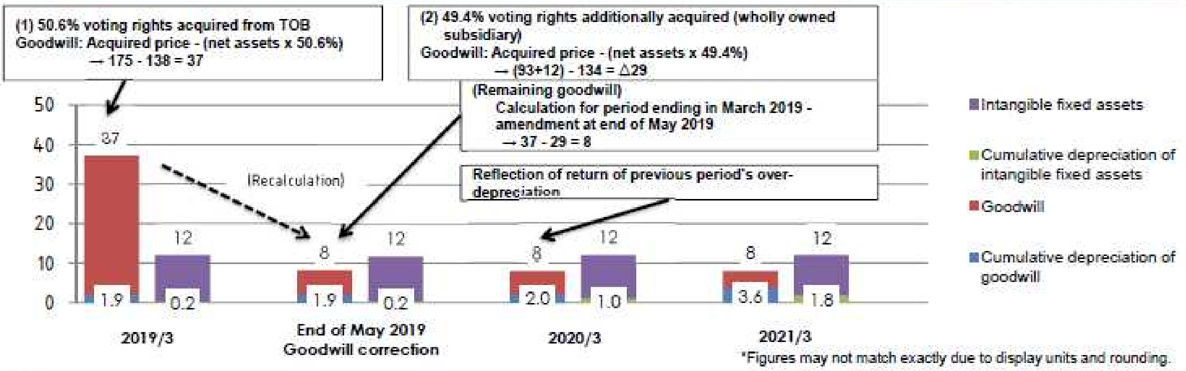
[Influence of KITAGAWA INDUSTRIES CO., LTD. consolidation]
Goodwill status

2Q FY2019

- KITAGAWA INDUSTRIES CO., LTD. net assets evaluated at 27.2 billion yen at January 2019 market value
- As the absorption of KITAGAWA INDUSTRIES CO., LTD. as a subsidiary is still in progress as of the period ending in March 2019, "goodwill" has been temporarily calculated as 3.7 billion yen
- For the period ending in March 2020 on, the 800 million yen difference between the 28 billion for acquisition costs and the 27.2 billion in net assets on a market value basis will be calculated as "goodwill" (5-year amortization)
- Distinct from the above "goodwill," intangible fixed assets (customer-related assets) are calculated as 1.2 billion yen (15-year amortization)

[KITAGAWA INDUSTRIES CO., LTD. Purchase Scheme] Total number of shares issued: 8.778 million (excluding treasury stock) *As of January 2019

	Time	Details	Number of shares acquired (thousands)	Unit price	Acquiring price (100 million yen)	Shareholding ratio	Net assets with regard to shareholding ratio (100 million yen)
(1)	March 2019 period 3Q	TOB	4,438	@3,943	175	50.6%	138
(2)	March 2020 period 1Q	Treasury stock acquired from specific shareholders	4,025	@2,321	93	45.9%	125
		Purchase of odd stock	314	@3,943	12	3.5%	9
	Total		8,778	@3,200	280	100.0%	272



*Figures may not match exactly due to display units and rounding.

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This slide explains the goodwill that I mentioned earlier. I will not repeat what you already understand, but this purple portion is purchase price allocation, where 1.2 billion yen has been posted as a result of a review of customer-related assets. This initial amount will be amortized over 15 years.

There were some drastic shifts caused by goodwill in the narrow sense. We recorded it once at 3.7 billion yen and are reviewing it in the current fiscal year. We plan to amortize this goodwill over five years.

Forecast of consolidated results for the year

2Q FY2019

- Yearly consolidated results forecast revised upward, predicting increased sales and profits for yearly results
- In the first half, as well as the influence of thriving internal demand on the industry and orders obtained related to school HVAC which led to increased sales in the distribution board-related production business, sales in the telecommunications-related distribution business remained steady
- In the second half as well, with steadily maintained facilities investment demand forecast, initial forecasts for sales and profits have been revised

(Unit: million yen)

Accounting period	2019/3		2020/3					
	2Q results	Results for the year	2Q results	YoY comparison	Plan for the year (Before revision)	Plan for the year (After revision)	YoY comparison	Vs. Plan before revision
Sales	51,742	116,984	64,887	+25.4%	128,000	135,000	+15.4%	+5.5%
Operating income	2,030	6,472	5,072	+149.9%	9,000	11,300	+74.6%	+25.6%
Ordinary income	2,030	6,405	4,852	+139.0%	9,000	10,900	+70.2%	+21.1%
Yearly net profit reverting to parent company shareholders	1,181	4,046	3,124	+164.5%	6,500	7,100	+75.4%	+9.2%

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This is the full-year consolidated earnings forecast. Basically, the same situation continues from the first half of the fiscal year. We revised our full-year forecast. We have upwardly revised both sales and profits not only for the first half but also for the second half.

Looking at these figures, the expectation for full-year results may seem to be considerably lower than the year-on-year comparison of the first half. This suggests that growth may be smaller in the second half of the fiscal year, but it is not necessarily that we expect a slowdown in the second half. This is explained in the following table.

Forecast of consolidated results for the year Supplement

2Q FY2019

<Why the YoY comparison is low for the second half compared to the first half>

- In the first half, in addition to the price revision effect and the contribution to results of KITAGAWA INDUSTRIES, more orders were obtained than in the initial assumption, cumulatively leading to large increases in sales and profits
- In the second half, while the Group as a whole is likely to maintain good results, the special factors such as the contribution to results of KITAGAWA INDUSTRIES and the price revision effect will be limited, likely therefore to lead to a lower YoY comparison than in the first half

*KITAGAWA INDUSTRIES CO., LTD. consolidated in fourth quarter of period ending in March 2019

(Unit: million yen)

	2019/3			2020/3 (Results and edited plan)		
	1st half	2nd half	Yearly	1st half (Results)	2nd half	Yearly
Sales	51,742	65,242	116,984	64,887	70,113	135,000
YoY change				13,145	4,871	18,016
YoY comparison				+25.4%	+7.5%	+15.4%
Operating income	2,030	4,442	6,472	5,072	6,228	11,300
YoY change				3,042	1,786	4,828
YoY comparison				+149.9%	+40.2%	+74.6%

NITTO KOGYO CORPORATION 19

Within the NITTO KOGYO Group, the core company is NITTO KOGYO, whose performance tends to be concentrated on the second half. In terms of sales, the normal pattern had been 45% in the first half and 55% in the second half. However, the first half of this year was actually very busy from April. Normally, production calms down a little in the first half, while we operate generally at 100% or more in production capacity in the second half of the year. This means that we have spare production capacity in the first half.

In the fiscal year under review, where we had spare production capacity, an irregular domestic demand came in, and also did the additional demand for school air-conditioning systems. This meant that the first half of the fiscal year was extremely good compared to normal. I assume this sales in the first half is a record high.

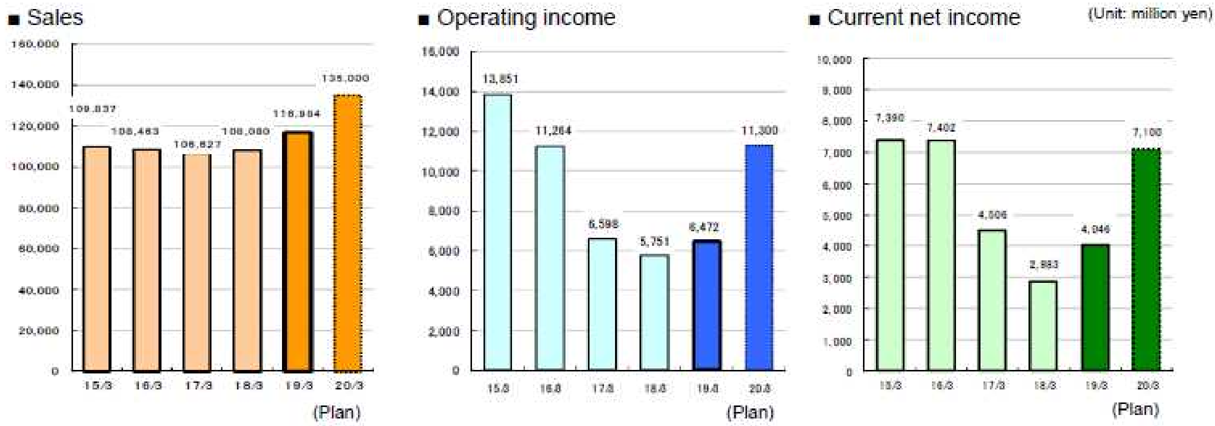
In the second half of the fiscal year, talking about the solution business and standard business I mentioned in the beginning, while standard products are being produced at high levels, we still have some capacity left. But for the solution business, there is a fixed production capacity for distribution boards in the second half, and the spare capacity is not as large as in the first half, given that the second half originally tends to be busier. Therefore, the year-on-year rate of increase compared to the first half is expected to be lower.

Nevertheless, these figures are staying at extremely high levels, and we recognize that our business performance is very good now.

Consolidated management results over past 5 years

2Q FY2019

- New sales record set in period ending in March 2019
- For period ending in March 2020, increased sales for 3 years straight and increased profits for 2 years straight are expected



	15/3	16/3	17/3	18/3	19/3	20/3 (Plan)
Sales	109,837	108,463	106,627	108,080	116,984	135,000
Operating income	13,851	11,264	6,598	5,751	6,472	11,300
Current net income	7,390	7,402	4,506	2,883	4,046	7,100

NITTO KOGYO CORPORATION 20

This is a graph of the consolidated results for the past five years, and we expect net sales of 135 billion yen for this fiscal year. The record high has been just under 120 billion yen in the fiscal year ended March 2019, so if we achieve this, it will be another record high. Even excluding Kitagawa Industries, it should reach a record high.

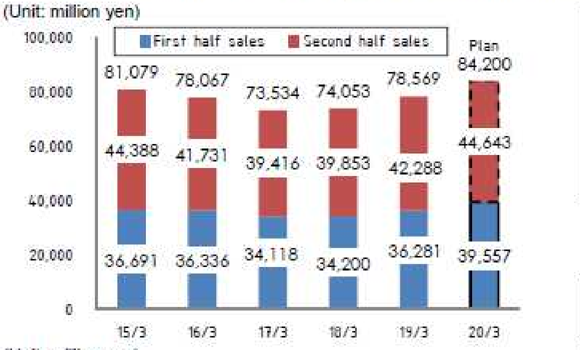
In terms of operating income, we have seen operating income exceed 10 billion yen only three times in the past, from the fiscal year ended March 31, 2014 to the fiscal year ended March 31, 2016, where there was significant demand from solar power. Before that, I think our best year was around 7 billion yen.

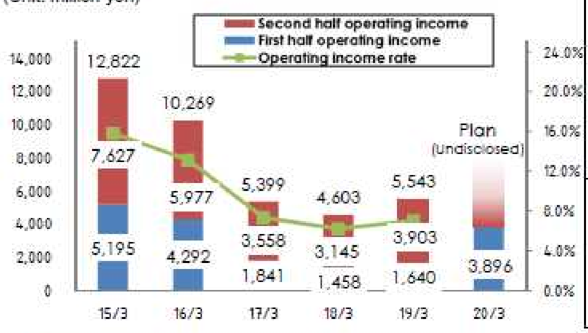
In this sense, if we were to achieve 11.3 billion yen in the current fiscal year, we would have finally bottomed out last year to see a turnaround.

Business forecast by segment (Distribution board-related production business)

2Q FY2019

◆ Distribution board-related production business [Yearly forecast] Sales 84.2 billion yen (YoY +7.2%)





[Forecast for the year]
- For NITTO KOGYO Corp. alone, increased profits are expected due to price revision effects, etc., with increased profits planned for segments overall as well

[Approaches]
- Focus on solution proposals based around thermal management products
- Promote order reception for Gathergates Group Pte Ltd high-profit orders, reduction of production costs, and enhanced cooperation with BANGKOK SHEET METAL PUBLIC COMPANY, LTD.

[Main group companies: Yearly forecast]

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

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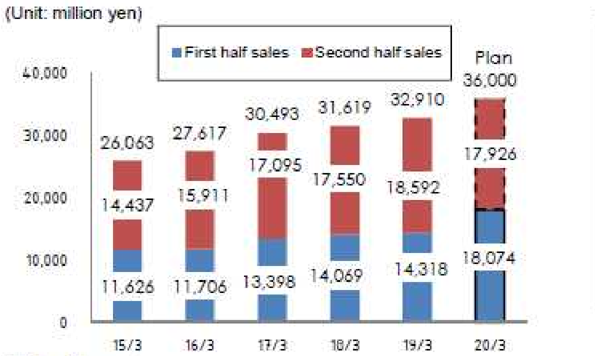
This section presents forecasts for each segment, for reference. We will not explain them individually. The full-year forecasts of major Group companies are shown with weather marks to give you an idea of the situation.

Business forecast by segment (Telecommunications-related distribution business)

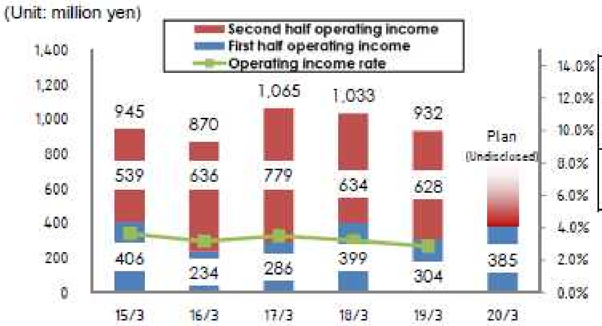
2Q FY2019

◆ **Telecommunications-related distribution business [Yearly forecast] Sales 36 billion yen (YoY +9.4%)**



[Forecast for the year]
- Sales of PV-related products are likely to continue declining
- Based on Olympics demand and influence of the thriving data center market, increased sales in main network-related products should lead to increased profits

[Approaches]
- Obtain orders for capital area redevelopment, office transfers, Olympics
- Work to obtain orders in 5G-related markets (5th-generation mobile telecommunications system)



[Main group companies: Yearly forecast]

	Company name	Sales (YoY)	Operating income	Degree of influence on Group profits
Japan	SunTelephone Co., Ltd.	☀	⛅	**Medium**

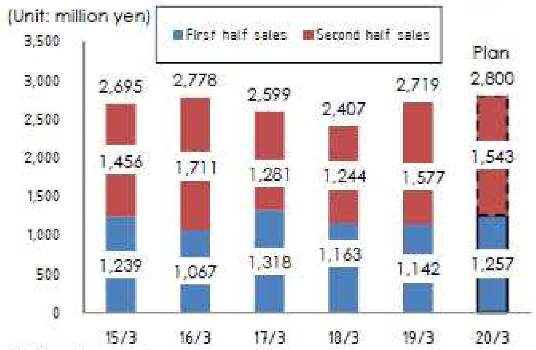
*This segment is SunTelephone Co., Ltd. and its subsidiaries only

This is basically SunTelephone, and sales are extremely strong, but profits have not grown as much as sales.

Business forecast by segment (Construction/service business)

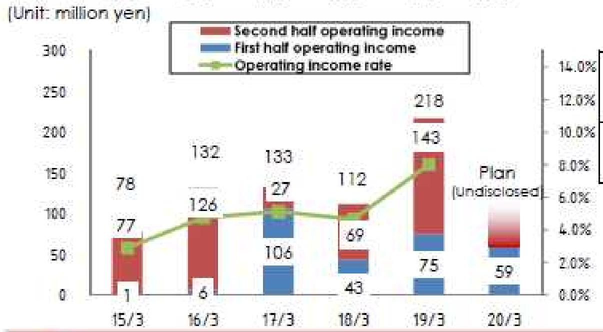
2Q FY2019

◆ Construction/service business [Yearly forecast] Sales 2.8 billion yen (YoY +3.0%)



[Forecast for the year]
・ Slack movement in main telecommunications facility construction/electrical facility construction
・ Sales increase expected in cubicle/distribution board-related construction

[Approaches]
・ Reinforce cooperation with NITTO KOGYO Corp. and focus on creating further synergy
・ Promote proposals for disaster-prevention services



[Main group companies: Yearly forecast]

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

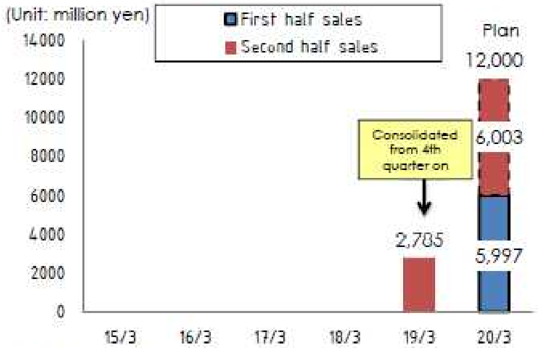
*This segment is NANKAIDENSETSU CO., LTD. only

The construction and service business is neither particularly strong nor weak.

Business forecast by segment (Electronic parts-related business)

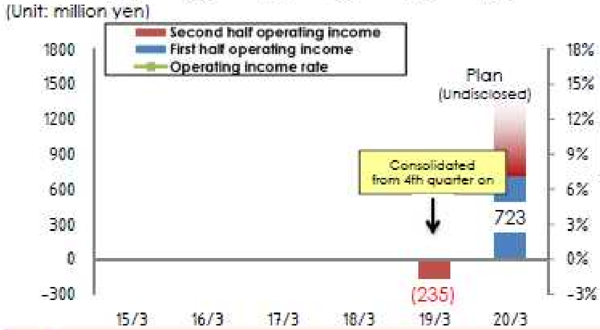
2Q FY2019

◆ Electronic parts-related business [Yearly forecast] Sales 12 billion yen (YoY +330.8%)



[Forecast for the year]
・Results of KITAGAWA INDUSTRIES Group are expected to contribute to large profit increases for the year

[Approaches]
・Propose solution products based around electromagnetic wave countermeasure products for the environmental vehicle market (EVs, HVs, PHEVs, etc.)
・Expand business (communication base stations, WiFi products) in 5G-related markets (5th-generation mobile telecommunications system)



[Main group companies: Yearly forecast]

	Company name	Sales (YoY)	Operating income	Degree of influence on Group profits
Japan	KITAGAWA INDUSTRIES CO., LTD.	☀	☀	**Medium**

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

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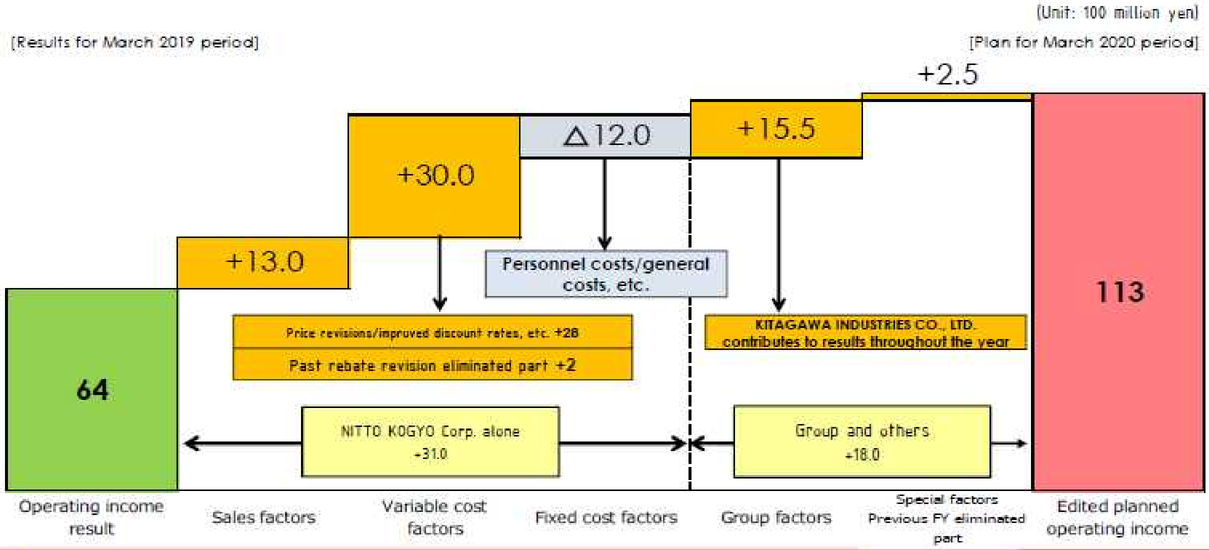
In the electronic components segment, profit levels are very high.

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

2Q FY2019

- Consolidated operating income for period ending in March 2020 forecast to increase 74.6% YoY to 11.3 billion yen
- For NITTO KOGYO Corp. alone, price revisions and improved discount rates will be factors increasing profits
- In factors for the Group, as well as contribution to results from KITAGAWA INDUSTRIES CO., LTD., made a subsidiary in the 4th quarter, and reduced deficits at overseas subsidiaries, increased profits at functional subsidiaries ended up leading to increased profits



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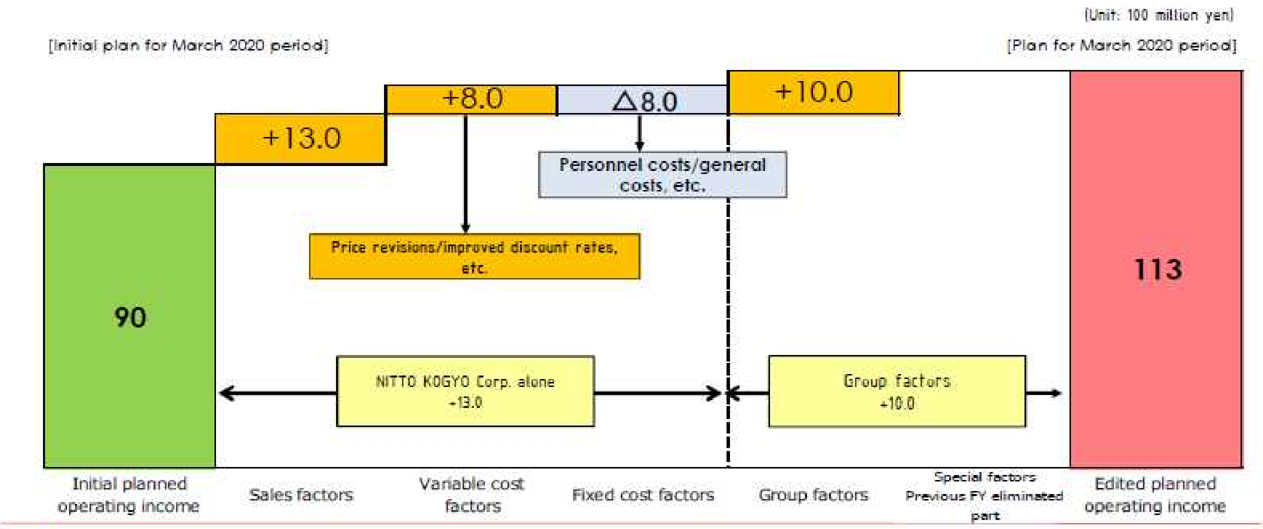
These are the factors behind the increase or decrease in consolidated operating income for the full fiscal year. It's basically the same as what I explained earlier for the first half of the fiscal year. Sales will increase even more, and there will be such effects as price revisions and an improvement in the discount rate in addition.

There is an extraordinary factor of 250 million yen as the elimination of the previous fiscal year's portion. We booked 250 million yen in fees for the acquisition of Kitagawa Industries in the previous fiscal year, which will not happen in the current fiscal year.

Factors in changes in yearly consolidated operating income (forecast for this year, compared to initial plan)

2Q FY2019

- Consolidated operating income for period ending in March 2020 revised upward 25.6% on initial plan to 11.3 billion yen
- In factors for NITTO KOGYO Corp. alone, increased profits (sales factor) due to sales quantity increases had not been foreseen, but orders obtained related to school HVAC, etc., increased sales quantities for a forecast exceeding the initial plan
- In Group factors, increased profits in the telecommunications-related distribution business, electronic parts-related business and functional subsidiaries are forecast to exceed initial plan



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This is the comparison with the initial plan announced at the beginning of the fiscal year. The trend is basically the same as the trend in the first half, so I will skip the explanation.

Factor trends in changes in yearly consolidated operating income

2Q FY2019

<NITTO KOGYO Corp. alone>

- Sales factors: Sales quantities predicted to continue increasing
- Variable cost factors: Discount rates . . . Predicted to continue improving from period ending in March 2019
  Price revisions . . . Profit-increase effects to continue from revision in second half of period ending in March 2019
- Fixed costs: General costs . . . To continue horizontal
  Personnel costs . . . Predicted to continue increasing

<Group factors>

- Conditions for the Group overall have remained difficult, but the contribution to results from KITAGAWA INDUSTRIES CO., LTD. allows a positive forecast for the period ending in March 2020

(Unit: 100 million yen)

↑: Increasing factors ↓: Decreasing factors			2018/3 Actual results	2019/3 Actual results	2020/3 Plan
Operating income			57	64	113
YoY changed amounts			Δ8	+7	+49
Change factors	NITTO KOGYO Corp. alone	Sales factors	↑	↑	↑
		Variable cost factors	↓	↑	↑
		Fixed cost factors	↓	↓	↓
	Group factors		↓	↓	↑

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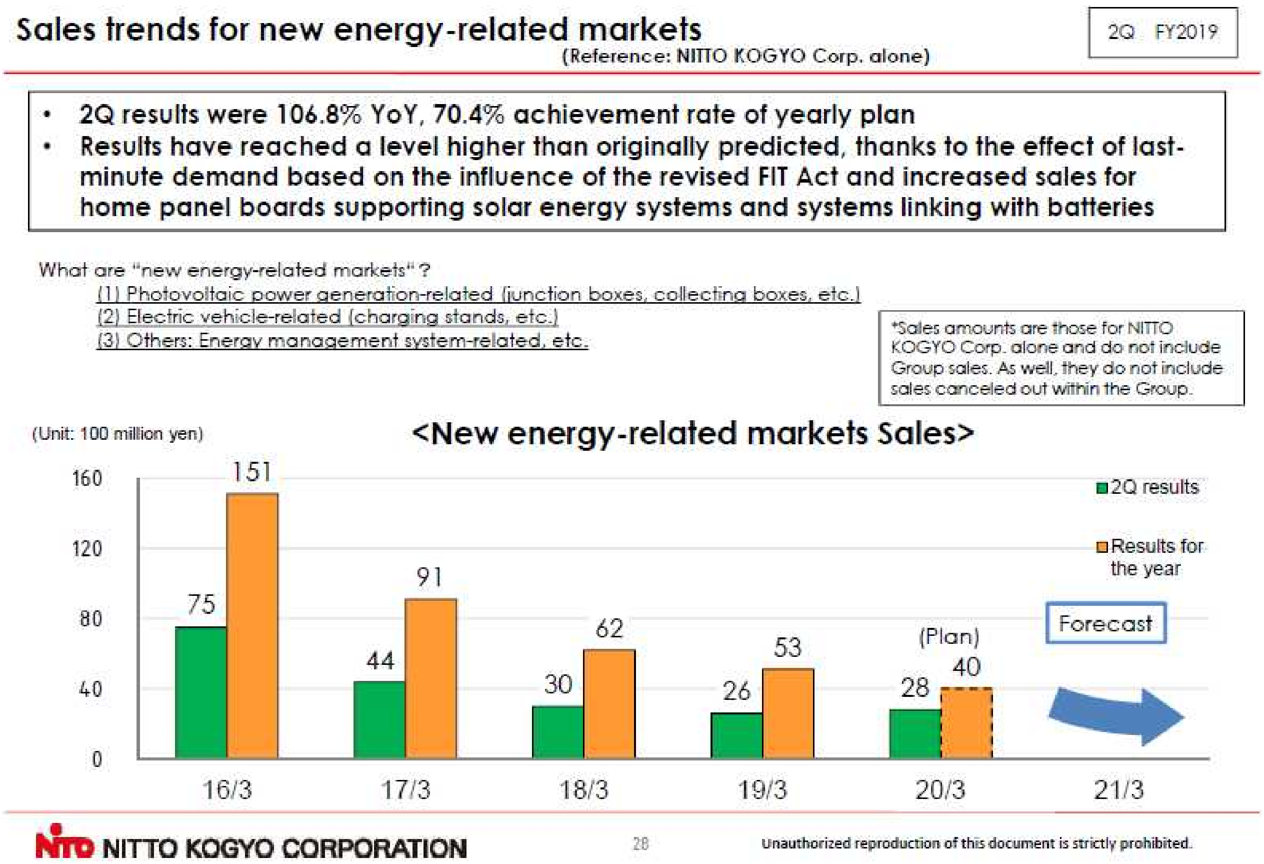
This table shows the positive or negative momentum in consolidated operating income for the full year, divided into NITTO KOGYO and group factors, for the sales factor, variable cost factor, and fixed cost factor. The fact that profit rose slightly after bottoming out last year is attributable to price revisions started in the second half, resulting in a slightly better variable cost factor. This fiscal year, the momentum of these efforts has strengthened further, and the Group companies have also played an effective role in the forecast of our financial results for the current fiscal year.



This chart shows sales trends in new energy-related markets. We define new energy-related markets as including solar power, automotive, and energy management, but please understand that the recent figures are mostly solar-related.

There has been a gradual decline each year as the FiT price became more challenging, and for this fiscal year, we had anticipated a decline from the previous year. However, looking at the results of the second quarter, it has exceeded the previous year's level. Furthermore, the target achievement rate for the full fiscal year is 70.4%, so we expect the result to be around the same level as last year.

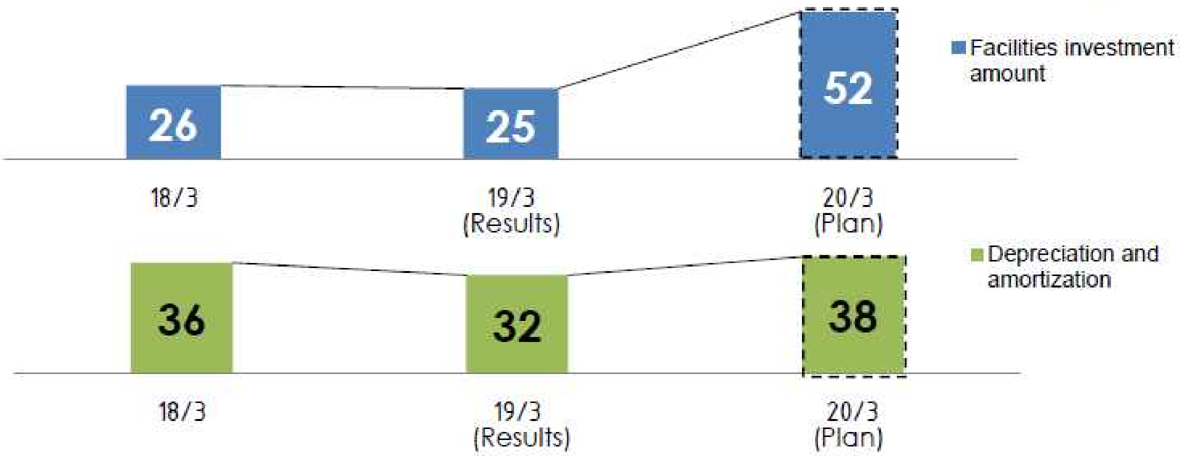
Factors include last-minute demand caused by the revision of the FiT Act. In other words, if you apply and do not produce anything, the approval will be revoked, and I believe that there has been last-minute demand in the current fiscal year to a certain extent.

Facilities investment amounts and depreciation and amortization

2Q FY2019

- For the period ending in March 2020, facilities investment amount was planned at 5.18 billion yen and depreciation and amortization at 3.76 billion yen
- Due to a revision of the facilities investment plan, it has decreased about 1 billion yen from the initial plan
- The facilities investment plan is expected to increase significantly YoY due to construction of a new testing center for KITAGAWA INDUSTRIES CO., LTD., updating of the NITTO KOGYO Corp. main system, updating of machinery facilities, etc.

(Unit: 100 million yen)



*Changed from the amount released on May 15, 2019 (facilities investment amount 6.25 billion yen, depreciation and amortization 3.85 billion yen).

*Rounded at 10 million yen

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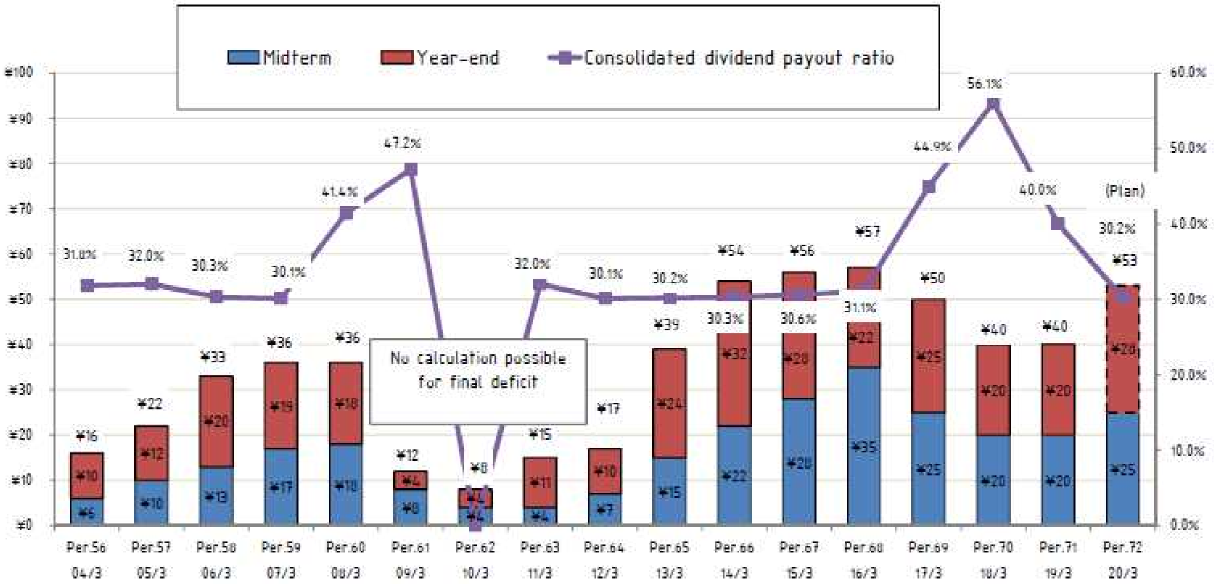
In terms of capital expenditures and depreciation and amortization, the initial plan was 6.25 billion yen, but after a half-year review, it was changed to 5.2 billion yen. There have been some things that could not be accomplished or delayed to the next year.

A large investment was made by Kitagawa Industries in the anechoic chamber for EMC components. In addition, there was the renewal of the core system of NITTO KOGYO and the renewal of machinery and equipment. Capital investment has been relatively steady.

Dividend status

2Q FY2019

- Interim dividends are 25 yen
- Yearly forecast dividends increased from 50 yen to 53 yen (previous year results 40 yen)
- Dividend forecast also increased due to upward revision of results



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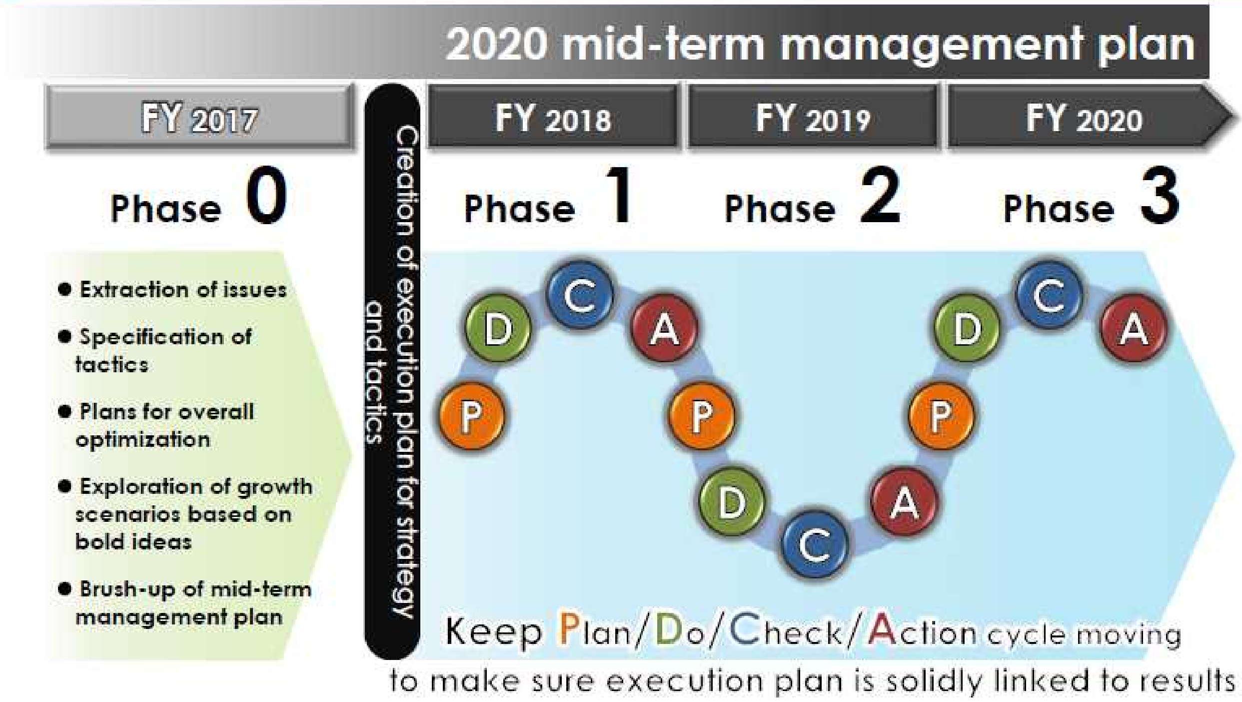
In terms of dividends, the amount was initially 25 yen and 25 yen. However, due to the upward revision, the amount has been increased to 53 yen for the full fiscal year. If we proceed in line with the plan, the dividend payout ratio will be about 30%.

Our dividend policy has been to maintain a payout ratio 30% for many years. However, since the 70th fiscal year, the dividend on equity ratio has been taken into account, in addition to the payout ratio of 30%. As a result, the dividend payout ratio has been considerably higher for the past two fiscal years. However, in the fiscal year under review, our financial results are extremely favorable, and we assume the dividend payout ratio to be approximately 30%.

2020 mid-term management plan and 4-year plan

2Q FY2019



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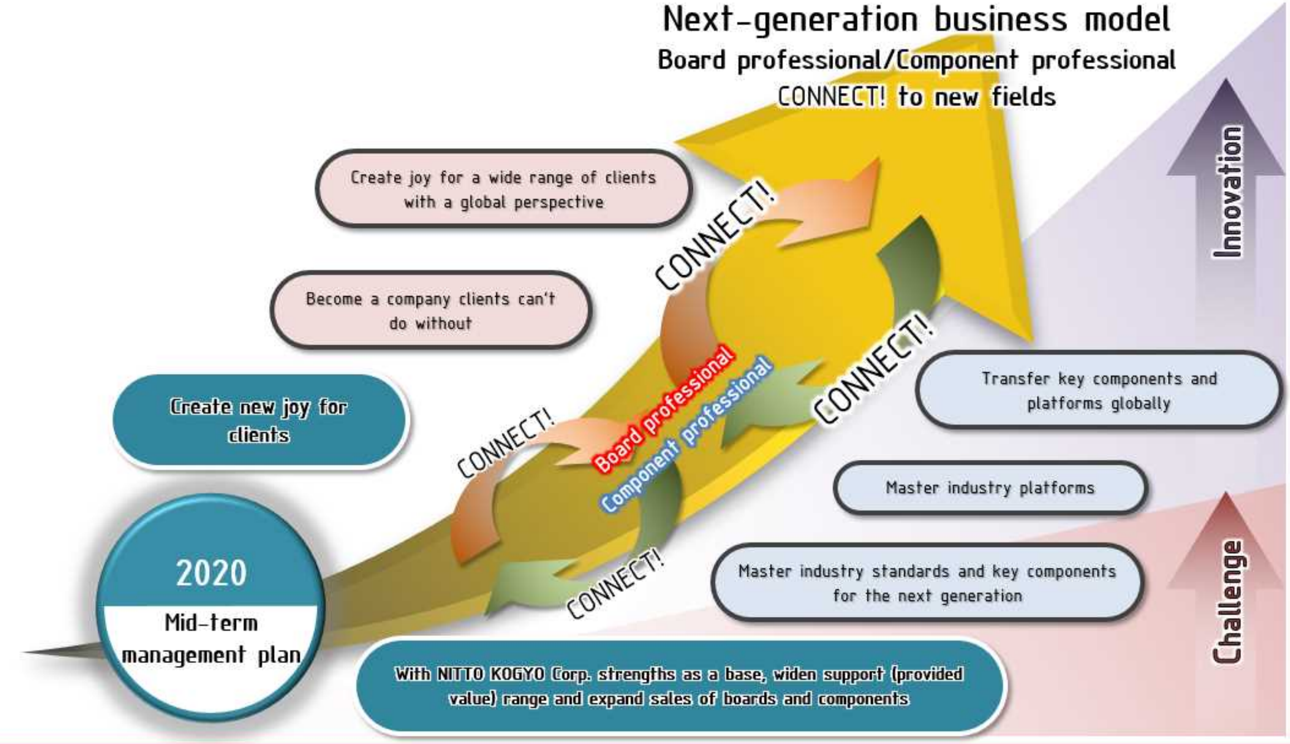
I would like to briefly touch on the medium-term management plan.

We are now in FY2019, and the next fiscal year will be the final year. The current medium-term management plan is set for a four-year period.

The next slide, which I explained a little earlier, will be skipped.

Long-term vision: Scenario for next-generation business model

2Q FY2019



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Regarding our business model, we have more or less completed our rather unique business model by around 1980. We believe that this business model is difficult to imitate, but it has been 40 years since then. While this is not an immediate task, the external environment is changing, and we need to transform ourselves into a more sophisticated business model. In fact, we are currently exploring various ways to achieve this.

I will skip the next slide because it is similar.

2020 mid-term management plan strategic topics

2Q FY2019

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

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During Phase 0, we formulated six major strategies, four business strategies and two strategies to strengthen our foundations. We further discussed these strategies in the first year of Phase 0, and we have incorporated them into individual strategies which we are currently implementing.

2020 mid-term management plan Business targets

2Q FY2019

(Unit: 100 million yen)

	FY 2016 actual results (When making plan)	FY 2018 actual results	FY 2019 plan	FY 2020 targets
Consolidated sales	1,066	1,169	1,350	1,250
(Included individual sales)	674	713	775	750
Responsive business	465.5	481.1	525.0	470.0
Standard product business	207.0	230.2	247.0	240.0
New businesses	1.5	1.7	3.0	40.0
(Included telecommunications-related distribution business)	(305)	(329)	(360)	(350)
(Included overseas business)	(40)	(41)	(-)	(70)
Consolidated operating income	65	64	113	100
(Included individual operating income)	50	55	86	75

・ Targets for mid-term management plan are forecast to be achieved a year early (*excluding new businesses)
・ For overseas business, because the content of the overseas business of KITAGAWA INDUSTRIES CO., LTD. is still under inspection, the company is excluded from 2018 results and undisclosed in the 2019 plan
・ For new businesses, the focus is on creation of intangible value, in particular EV infrastructure business, but the verification testing is expected to continue for some time

These are the targets of the medium-term management plan. At the time of the formulation of this mid-term plan, figures were like this, Non-consolidated sales were 67 billion yen, and after the solar power business peaked at 78.5 billion yen, we had gone down 10 billion yen from there. However, the level of 67.4 billion yen is also quite high from a historical perspective.

To explain our approach to the medium-term management plan, even if 78.5 billion yen is unattainable, we decided to aim for at least 75 billion yen. And we wanted to be particular about the content. Actually, the breakdown of the solution-type business and the standard-type business had been around 50-50, but in the time before the global financial crisis, the standard business had peaked at around 26 billion yen to 27 billion yen. It has fallen to 20.7 billion yen, and we wanted to bring it back to 24 billion yen. The solution business was planned to remain flat.

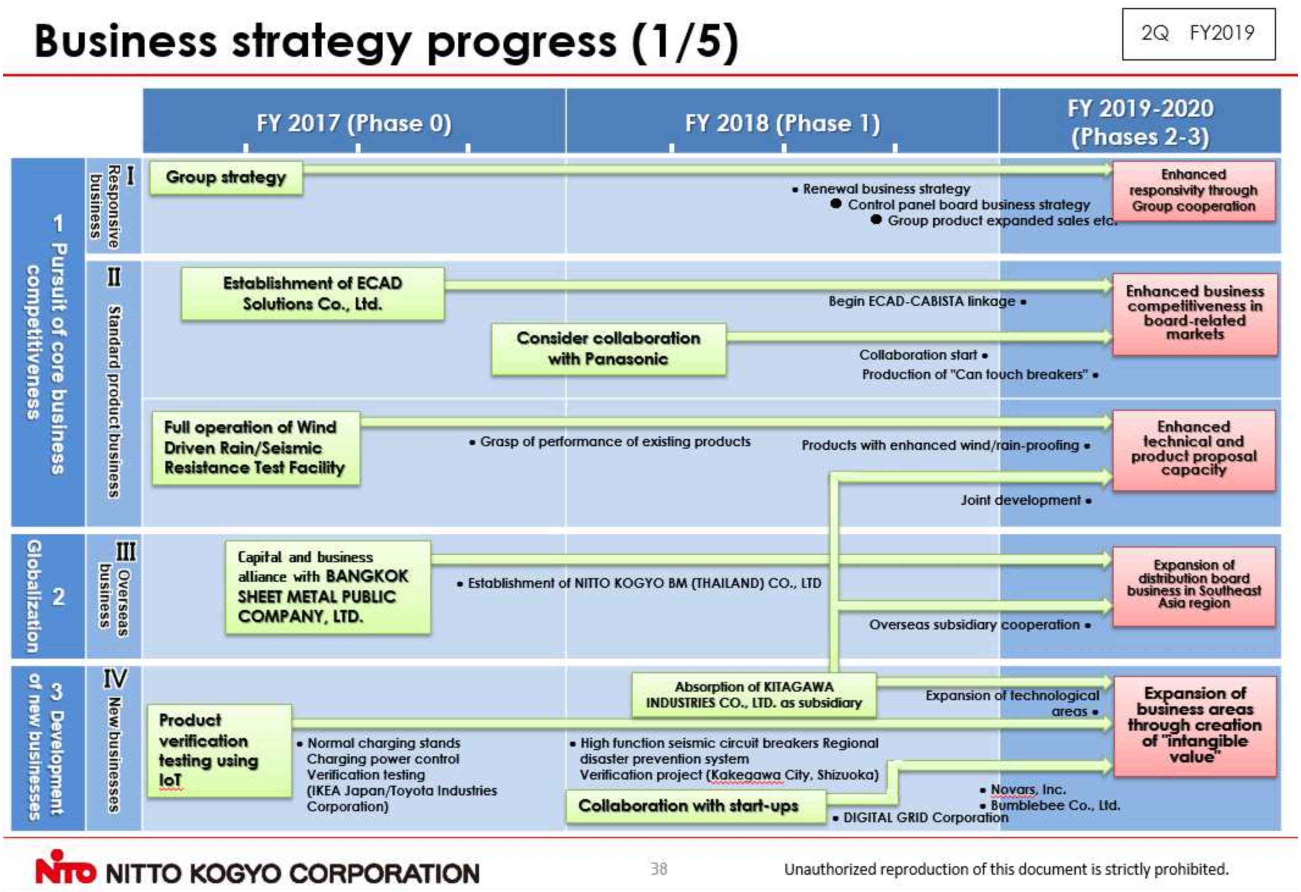
In reality, we thought that the solution businesses would go a bit further, and there was a realistic sense that this was a bit high and the other is low, but as a message to the salesforce, we set the plan with a higher portion of the standard business.

In terms of the interim target, we set 24.7 billion yen, and we're likely to achieve the target this fiscal year, but we're not satisfied. This is because there was a price revision. Considering the price revision, we should not settle at 24 billion yen. But whether or not we will reach that level, we are not fully sure, but perhaps half confident.

On the other hand, the solution business performed very well, as I explained earlier. Regarding new businesses, we only had 150 million yen at the initial stage, but we set 3 billion yen for charging stations in the EV business, and 1 billion yen for others. However, we are currently being overwhelmed with the reality of the difficulty of setting up a new business.

Meanwhile, SunTelephone's telecommunications business has steadily expanded.

Under these circumstances, we decided to aim for 125 billion yen in consolidated net sales and 10 billion yen in consolidated operating income. At the time of the previous full-year financial results, I mentioned that we can achieve the sales target one year ahead of schedule. And we may be able to achieve profits a year ahead of schedule if we do well. Thanks to your support, we believe that we will be able to achieve these goals a year ahead of schedule.



This slide describes our efforts in the four business strategies and the two strategies of strengthening our foundation. In terms of making Kitagawa Industries a subsidiary, we believe it was extremely important in terms of the standard business and the expansion of overseas and new fields and technological domains.

In terms of new challenges, we are making various efforts. We are working on issues, but unfortunately, we have not yet reached the point where it is commercialized to bring material outcomes.

Business strategy progress (2/5)

2Q FY2019

Business strategy **Core businesses / I Responsive business** [Board professional]

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

Enhanced responsivity through Group cooperation

Phases 0-1

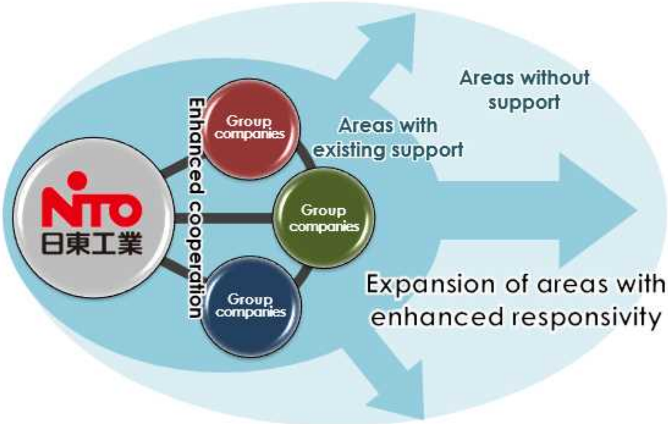
◆ Group strategy planning

✓ Create concrete strategies making use of Group companies' strength areas/know-how/technology

Future developments (Phases 2-3)

✓ Carry out strategies with the Group as a whole, enhancing responsivity and expanding supported areas

- Renewal business strategy
- Control panel board business strategy
- Group product expanded sales etc.



The following slides show the progress of our business, and I would like to omit individual explanations.

So, I'll finish my presentation. Thank you for your attention.